

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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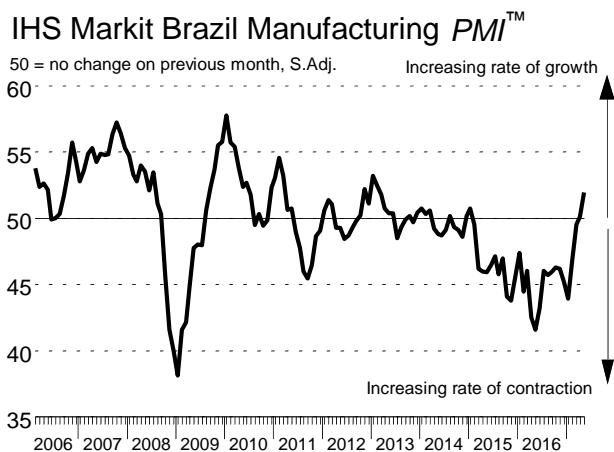
## IHS Markit Brazil Manufacturing PMI™

### PMI climbs to highest mark since February 2013

#### Key findings:

- Output growth hits 51-month peak
- Strongest upturn in new work for almost four-and-a-half-years
- Expansion in buying levels accelerates

Data collected May 12-23



Source: IHS Markit.

Having turned a corner in February after over two years in contraction, Brazil's manufacturing sector improved markedly in May as the economic upturn gathered speed. Faced with the sharpest increase in new business since January 2013, companies stepped up production to the greatest extent in almost four-and-a-half years. The combination of greater output requirements and weaker cost inflation encouraged firms to purchase more inputs, with the expansion in buying levels the strongest in over three years.

Posting 52.0 in May, the seasonally adjusted **IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI™)** signalled a second consecutive improvement in the health of the goods-producing sector. The PMI was up from 50.1 in April and reached its highest level since February 2013. Furthermore, growth was evident in each of the three monitored market groups.

New business, the largest sub-component of the PMI, expanded at the fastest pace in 52 months. According to panellists, the upturn in order books reflected strengthening demand conditions. Having fallen in April, new export orders rose in May. Panel members mainly associated this with stronger inflows of new business from Europe and South America.

The upsurge in new projects encouraged manufacturers in Brazil to purchase greater quantities of inputs for use in the production process. Buying levels rose modestly, but at the quickest pace in over three years.

Output growth gathered momentum in May, reaching its highest rate since early 2013. The increase was the third in as many months, following a period of contraction that lasted for over two years. Alongside rising levels of new work, survey members indicated that the clearing of backlogs supported the upturn in production. Indeed outstanding business declined further, with the pace of depletion remaining marked.

Although employment decreased again in May, the rate of job shedding softened to the slowest in the current 27-month sequence of reduction.

Manufacturers continued to signal rising cost burdens, though the rate of inflation alleviated. Anecdotal evidence pointed to higher prices paid for raw materials, largely linked to the weak USD/BRL. Slower increases in input costs were noted across the three tracked segments. Output charge inflation across the sector as a whole, meanwhile, accelerated but remained only mild.

Manufacturers signalled a draw down of their inventories of finished goods, which reportedly occurred due to the fulfilment of orders from stocks. Holdings of inputs also fell during May.

Finally, companies expect investments, new customers wins and economic reforms to underpin output growth in the year ahead. That said, the level of positive sentiment fell to its lowest in 2017 so far.

**Comment:**

Commenting on the Brazilian Manufacturing PMI™ survey data, **Pollyanna De Lima**, economist at IHS Markit and author of the report, said:

*“It’s uplifting to see Brazil’s manufacturing sector moving further away from a deep and prolonged period of downturn. Buoyant demand supported the sharpest increases in new work and output since early 2013, leading to another round of growth in input buying and a softer reduction in employment.”*

*“Many will question how far the upturn can go as we head towards mid-2017. Especially given that critical economic reforms could be delayed following news of corruption allegations involving the interim president. It’s vital now that the government sticks to its reform agenda so as to avoid obstacles to the economic recovery.”*

-Ends-

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**Notes to Editors:**

The Brazil Manufacturing *PMI*<sup>™</sup> (*Purchasing Managers' Index*<sup>™</sup>) is produced by IHS Markit. The report features original survey data collected from a representative panel of around 400 companies based in the Brazilian manufacturing sector. The panel is stratified by GDP and company workforce size.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

The Manufacturing *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The *Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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**About PMI**

*Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) surveys are now available for over 30 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [www.markit.com/product/pmi](http://www.markit.com/product/pmi).

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