

# News Release

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## S&P Global Brazil Manufacturing PMI®

### Protracted demand weakness sparks sharpest falls in input costs and output charges since 2009

#### Key findings

Solid declines in factory orders and production

Input costs and output prices fall at fastest rates in 14 years

Job shedding continues

June's manufacturing PMI® data for Brazil continued to show testing operating conditions across the sector, with suppressed demand prompting additional contractions in new orders and output. In response to market pressures and competitive dynamics, firms lowered their selling prices at the fastest rate since June 2009. The reduction was supported by a second successive drop in input costs, one that was also the sharpest in 14 years. Elsewhere, there were further cutbacks to input purchasing, another round of job shedding and an unprecedented improvement in delivery times.

The seasonally adjusted S&P Global Brazil Manufacturing Purchasing Managers' Index™ (PMI®) posted in sub-50.0 territory again in June, signalling another deterioration in the health of the sector. Moreover, the headline figure fell from 47.1 in May to 46.6 in June, indicating a quicker rate of contraction.

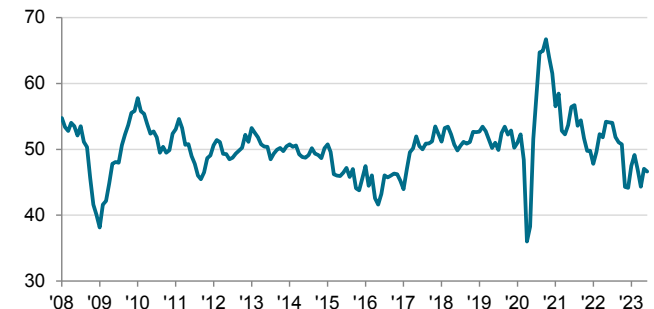
Alongside falling new orders, manufacturers signalled another reduction in production volumes. Output decreased for the eighth month in a row, and at a solid pace that was quicker than in May. Intermediate goods led a broad-based contraction at the sub-sector level.

New orders received by Brazilian manufacturers also fell solidly in June, with survey participants mentioning testing market conditions and restrained demand. The latest contraction in sales was the ninth in consecutive months.

International demand for Brazilian goods worsened further in June, which panel members attributed to adverse sales developments worldwide. In particular, firms noted weaker demand from Latin America, with tighter import controls in Argentina negatively impacting new export orders.

Constrained sales and fierce competition for new work encouraged companies to lower their selling prices in June. The rate of discounting was marked and the fastest since mid-2009.

Brazil Manufacturing PMI  
sa, >50 = growth since previous month



Source: S&P Global PMI.  
Data were collected 12-23 June 2023.

#### Comment

Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence, said:

"The latest PMI data highlighted the challenges posed by weak demand and lower sales, which compelled manufacturers to recalibrate their strategies and operations. Companies trimmed production volumes again, lowered input purchasing and reduced headcounts. This cautious approach reflected the need to align goods supply with demand, while managing costs and optimising resources.

"While the sharpest decline in input prices since 2009 offered a glimmer of relief, they need to be carefully balanced against other factors dampening the performance of the sector. At the very least, falling cost burdens enabled firms to try and stimulate demand via cuts to selling charges without suppressing margins.

"Business confidence remained positive in June, which could become a driving force that fuels resilience and restores growth in the sector. That said, optimism was largely pinned on hopes that interest rates will fall and demand will recover. Despite not indicating a possible change of course for monetary policy, Brazil's central bank could take the lead on rate cuts considering the latest price indicators."

PMI®

by S&P Global

The decline in factory gate charges was supported by a second successive fall in input costs. The latter also posted the sharpest reduction in 14 years. According to panellists lower commodity prices, real appreciation (versus USD), recession risks in Europe and excess supply of raw materials among suppliers all led to a decrease in input costs.

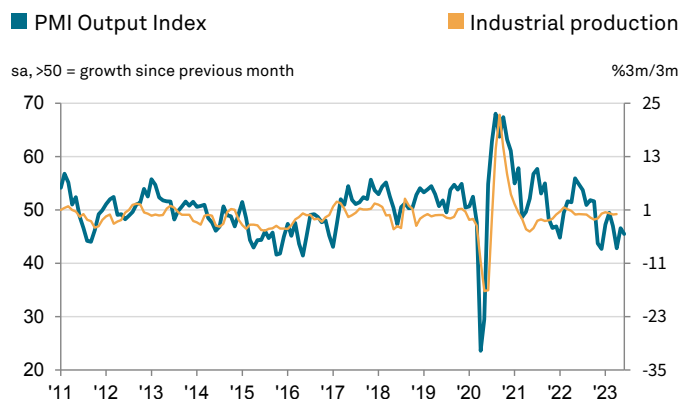
June's results showed a survey-record improvement in vendor performance, as input supply reportedly exceeded demand. Average lead times shortened for the eighth consecutive month.

Falling new orders and lower production requirements restricted buying levels at the end of the second quarter. Input purchasing decreased for the ninth month running and at a solid pace.

Subsequently, stocks of purchases fell in June after increasing for the first time in seven months during May. That said, the rate of depletion was only slight. On the other hand, weaker-than-anticipated sales led to a further increase in post-production inventories. The rise was slight and softer than in May, however.

Brazilian manufacturers continued to signal spare capacity in June, with outstanding business volumes decreasing for the twenty-fifth month running. As a result, firms shed jobs once again.

Despite the current challenges faced by manufacturers, optimism towards growth prospects was sustained. Expectations that general inflation will recede further and that interest rates will fall supported business confidence. Firms also anticipate better demand trends and improved private sector investment.



Sources: S&P Global PMI, IBGE via S&P Global Market Intelligence.

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## Survey methodology

The S&P Global Brazil Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in February 2006.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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## About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 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. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).