

News Release

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S&P Global Brazil Manufacturing PMI®

Output returns to expansion territory amid renewed growth of factory orders

Key findings

Production and sales rise for first time since September 2021

Business confidence weakens to five-month low

Sharper increases in input costs and output prices

The health of the Brazilian manufacturing industry improved in March, with companies reporting a rebound in new orders and production. Employment also expanded, as did input purchasing. Despite tentative signs of a recovery, businesses were less upbeat towards growth prospects as optimism was dampened by lingering troubles in supply chains, Russia's war against Ukraine and inflationary pressures. Price indices moved higher at the end of the first quarter, pointing to mounting inflation in the economy.

Posting 52.3 in March, the seasonally adjusted S&P Global Brazil Manufacturing Purchasing Managers' Index™ (PMI®) signalled a renewed improvement in operating conditions. The headline figure rose from 49.6 in December to a six-month high, but was insufficient to offset the contractions seen earlier in 2022. Indeed, the PMI remained below 50.0 (on average) in the first quarter.

Factory orders rose for the first time in six months, which panellists attributed to strengthening demand, new client wins and restocking efforts among customers. The rate of increase in new business was moderate, but outpaced its long-run average.

Higher sales in turn boosted production volumes, with output expanding for the first time since last September. Although moderate, the rate of growth was above trend.

Firms remained confident that output would increase in the year ahead. That said, the overall level of positive sentiment fell to the lowest since last October. Anecdotal evidence indicated that optimism was curbed by heightened uncertainty surrounding price pressures, input shortages, economic instability and the Russia-Ukraine war.

Inflationary pressures gathered strength in March, after receding in recent months. Input costs rose at the sharpest rate in 2022 so far, reportedly owing to the war in Ukraine, US dollar strength and a mismatch between input demand and supply.

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



Source: S&P Global.
Data were collected 11-24 March 2022.

Comment

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

"The latest PMI data bring mixed results about the shape of the Brazilian manufacturing industry. On the positive side, companies welcomed a rebound in sales and adjusted production schedules accordingly. Moreover, hiring activity and restocking efforts were resumed."

"However, a fall in business confidence shows that firms see many headwinds likely to weigh on growth. Among these were input shortages, the Russia-Ukraine war and soaring inflation."

"The ongoing mismatch of global demand for inputs and supply continued to lead to higher raw material prices, with companies indicating that inflationary pressures were exacerbated by the war in Ukraine. Output charges were hiked further in March as additional cost burdens were transferred to clients."

"Consumer demand will continue to be tested in coming months as rising inflation and interest rates restrict spending power. Running parallel to this, economic and political uncertainty could dampen business investment."

PMI®

by S&P Global

As a result, factory gate charges were increased again. The rate of output price inflation hit a seven-month high and by far outpaced its long-run average.

Despite soaring input costs, and in line with predictions of further hikes in coming months, manufacturers bought additional raw materials and semi-finished goods. The upturn was also attributed to efforts to safeguard against shortages amid concerns that rising COVID-19 cases in China and the Russia-Ukraine war would further restrict input availability.

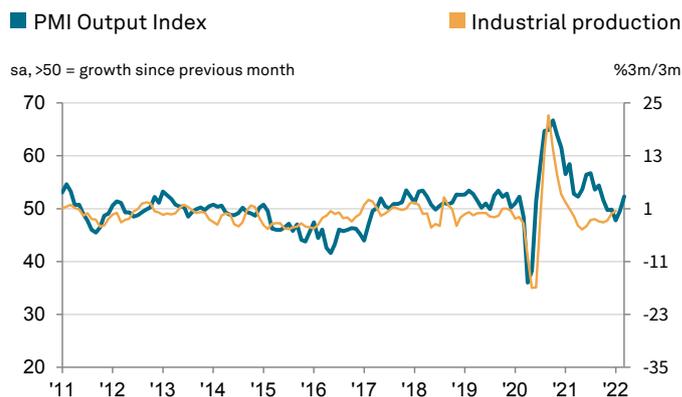
Firms again reported difficulties receiving purchased inputs in a timely manner. Supplier delivery times lengthened further, and to a greater extent than in February.

However, as past purchases were delivered, input inventories increased in March. The upturn was the first in three months, but only modest overall. Holdings of finished products likewise expanded.

Manufacturing jobs increased in March amid reports of improved demand and staff readjustments. Although mild, the rate of employment growth was the quickest since October 2021.

Capacity expansion efforts supported a further reduction in outstanding business. The fall in backlogs was marked and the fastest in close to two years.

Finally, the latest data pointed to a renewed decline in new export orders placed with Brazilian goods producers. The fall was often attributed to global inflation and subdued international demand.



Sources: S&P Global, IBGE.

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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.

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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.