

News Release

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S&P Global Brazil Manufacturing PMI®

Input prices fall for first time in eight years

Key findings

Solid decline in input costs supports cuts to output charges

Production volumes increase further...

...despite renewed contraction in new work intakes

Recent cuts to fuel and energy taxes, coupled with a drop in commodity prices, altered the picture for manufacturing sector inflation in Brazil considerably. Purchasing prices decreased for the first time in eight years, with companies transferring cost savings to their clients via a reduction in factory gate charges. Despite offering discounts for their goods, however, firms experienced a renewed decline in new work intakes. Production and employment continued to expand modestly as panellists remained upbeat towards growth prospects.

The seasonally adjusted S&P Global Brazil Manufacturing Purchasing Managers' Index™ (PMI®) fell for the fifth consecutive month in October, from 51.1 in September to 50.8. The latest figure was indicative of a marginal improvement in operating conditions that was the weakest in the current eight-month sequence of growth.

New orders, the largest sub-component of the PMI, was the main drag on the headline figure. October saw the first contraction in sales for eight months, albeit one that was modest overall. Where a reduction was signalled, survey participants mentioned weak underlying demand.

Tough economic conditions globally meant that goods producers suffered another fall in international sales. New export orders decreased for the eighth consecutive month and at a solid pace.

Despite the downward trend for sales, manufacturers continued to scale up production volumes at the start of the fourth quarter. The rate of expansion was moderate and broadly similar to September.

In stark contrast to the steep increases seen through most of the past three years, input costs fell in October. The reduction was the first since October 2014 and the most pronounced in close to 13-and-a-half years. According to monitored firms, the drop stemmed from lower commodity prices.

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



Source: S&P Global.
Data were collected 12-24 October 2022.

Comment

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

"The most positive news from the latest set of PMI data came from its price gauges. Inflationary pressures dissipated in October as suppliers' stocks improved in line with subdued global demand for raw materials. Lower commodity prices and reduced taxes for energy and fuel also contributed to the first decline in input costs for eight years.

"Encouragingly, cost savings were passed on, with output charges down following monthly increases dating back to August 2017.

"Yet, demand for Brazilian goods has taken a turn for the worse in October, falling for the first time in eight months despite companies lowering their charges.

"It appears as though firms saw this decline in sales as a temporary blip, which did not prevent them from continuing to lift production volumes and employment. Also, business sentiment remained well inside positive territory despite some concerns over household indebtedness, the war in Ukraine and political uncertainty."

PMI®

by S&P Global

In tandem with a challenging demand environment and falling input costs, goods producers lowered their own charges in October. The fall was the first in almost five-and-half years and the strongest since August 2009.

Faced with fewer inflows of new work, Brazilian manufacturers diverted resources towards the completion of pending workloads. Backlogs decreased sharply in October, and at the quickest pace since mid-2019. In some instances, the drop was associated with the arrival of inputs.

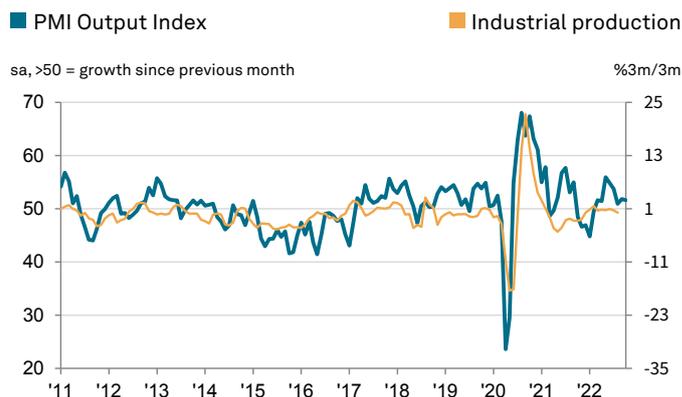
October data pointed to the least marked deterioration in vendor performance in the current 38-month sequence of delivery delays.

Input purchasing decreased in October amid weak demand conditions, sufficient stocks and fewer production needs. The decline ended a five-month period of growth. Concurrently, inventories of raw materials and semi-finished items rose at one of the strongest rates since data collection started in February 2006.

Employment levels increased at the start of the final quarter of 2022, stretching the current sequence of job creation to eight months. Companies mentioned that vacant positions had been filled.

One supportive factor of job creation was upbeat growth projections. Manufacturers remained strongly confident of a rise in output over the course of the coming 12 months, although there were some concerns over indebtedness, the war in Ukraine and political uncertainty.

Finally, unsold goods were placed into inventories in October, resulting in the quickest accumulation of post-production stocks in close to a year. That said, the overall rate of expansion was mild.



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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