

News Release

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S&P Global Brazil Manufacturing PMI[®]

Weaker manufacturing growth comes with substantial slowdown in price pressures

Key findings

Output and sales up at softest rates in six months

Weakest rise in input costs since onset of COVID-19

Output charge inflation slows to 28-month low

The picture for the manufacturing economy was broadly similar to July, with weaker increases in new orders and production accompanying a substantial retreat of price pressures during August. The PMI[®] survey also showed that a slower upturn in input costs and upbeat forecasts for output in the medium-term boosted purchasing activity, while companies continued to add to their payrolls.

Posting 51.9 in August, the seasonally adjusted S&P Global Brazil Manufacturing Purchasing Managers' Index[™] (PMI[®]) was down for the third successive month and pointed to the weakest improvement in the health of the sector since April. This compared with a reading of 54.0 in July but a long-run average of 50.8.

New orders, the largest sub-component of the PMI, rose at the weakest pace in the current six-month sequence of expansion. While some firms noted improved tourism, agricultural sector strength and greater market shares, others reported subdued client purchasing, challenging economic conditions and weak retail sales.

Similar to sales, production rose slightly in August and at the slowest rate in six months. Where growth was reported, panellists cited enhanced capacities, increased availability of key inputs and greater sales. The upturn was reportedly curbed by subdued demand for a wide range of goods.

Despite the subdued demand environment, goods producers again lifted their selling prices in August as cost burdens continued to be transferred to clients. That said, there was a considerable slowdown in the rate of inflation to a 28-month low as a smaller proportion of panellists increased their fees relative to July.

Aiding the slowdown in charge inflation was a softer increase in input costs. The latter rose at the weakest pace in over two-and-a-half years, and one that was below the long-run series average. Survey participants indicated that higher prices for several materials were partly offset by reduced

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



Source: S&P Global.
Data were collected 12-23 August 2022.

Comment

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

"Relief from inflationary pressures as commodity prices trended lower, taxes levied on fuel were cut and aggressive monetary policy tightening continued was the main positive seen in the PMI results for August. Input costs rose at the weakest rate in over two-and-a-half years, while output charge inflation eased to a 28-month low as a larger proportion of companies offered discounts to attract new business."

"Some were successful in securing new work, but others noted that subdued retail sales and cautious purchasing decisions among clients restricted growth. Overall factory orders rose at the slowest pace in the current six-month period of expansion, a trend that was matched for production."

"Nevertheless, business confidence improved in August, as firms maintained upbeat forecasts for sales, aiding another round of solid job creation and a pick-up in input buying growth."

PMI[®]

by S&P Global

fees for certain commodities (particularly steel and copper).

Companies tried to make the most of this retreat in cost pressures by scaling up input purchasing midway through the third quarter. The pace of growth was solid and the quickest since May.

Pressures on supply chains receded in August, as evidenced by delivery times lengthening to the least extent since the start of 2020. Incidences of delays reportedly diminished in tandem with subdued global demand for inputs and improved availability for some items.

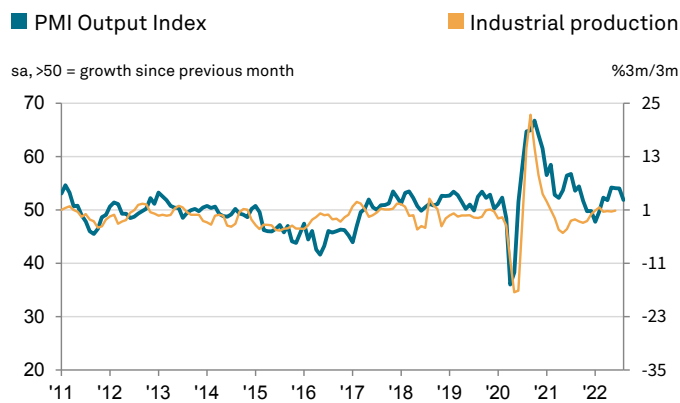
Brazilian goods producers were able to lift their input inventories in August, following a broad stagnation in July. The overall pace of accumulation was, however, mild overall.

Stocks of finished goods also rose at a slight pace, following little change in the prior three months. Reasons given for higher holdings of manufactured products were mixed. Some indicated that sales failed to meet expectations, but others reported intentional stock building due to demand resilience.

Projections of a pick-up in sales took centre stage when it came to business confidence in August. Firms were at their most upbeat towards the year-ahead outlook for production since the end of 2020.

Buoyant expectations supported job creation in August. The rate of employment growth eased to a four-month low, but was solid.

Sustained efforts to expand operating capacities underpinned a monthly fall in outstanding business. The contraction was solid and the quickest in five months.



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.