

News Release

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S&P Global Brazil Manufacturing PMI®

Production growth climbs to six-month high, aided by improvement in international sales

Key findings

Output rises markedly despite softer new order growth

Strongest upturn in international sales in nearly four years

Price pressures recede in October

October PMI® data, compiled by S&P Global, indicated that a notable improvement in international demand for Brazilian goods fuelled output growth. Total new orders rose further, albeit to a lesser extent than in September. Buoyed by positive client interest, firms sought to rebuild inventories and purchased additional inputs at the second-fastest pace in over three years.

Job creation remained historically elevated, despite receding, while business optimism strengthened. Meanwhile, the latest data showed slower increases in both input costs and selling prices.

Registering 52.9 in October, the S&P Global Brazil Manufacturing Purchasing Managers' Index™ (PMI) indicated an improvement in business conditions for the tenth straight month. Despite falling from 53.2 in September, the latest reading was consistent with a solid pace of growth.

The downward movement in the headline figure mainly reflected a slower increase in its largest sub-component: new orders. Although companies indicated a tenth successive increase in total sales, the pace of expansion eased since September.

Underlying data showed that the slowdown in demand was centred on the domestic market, as international sales rose to a greater extent. The upturn was solid and the quickest since November 2020. Firms particularly noted an improvement in demand from Africa, Japan and the Americas.

In response to favourable client appetite, manufacturers scaled up production volumes. October's increase in output was the second in successive months and solid. The rate of expansion was at its highest since April and well above the long-run series average.

Goods producers signalled a further increase in their operating expenses at the start of the final quarter of 2024. Although sharp in the context of historical data, the overall

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



Source: S&P Global PMI.
Data were collected 10-24 October 2024.

Comment

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

"Brazilian manufacturing growth remained robust in October, bolstered by a resurgence in international sales that compensated for a modest slowdown in domestic demand. Notably, some firms reported that rising international freight costs prompted South American companies to source locally, enhancing regional competitiveness.

"The positive demand landscape, combined with an optimistic outlook, spurred companies to increase inventories in anticipation of future sales growth. This stock-building initiative positively impacted various metrics tracked by the survey, including input purchasing, employment and output, which suggests a favourable near-term economic trajectory.

"On the inflation front, the data indicated a reduction in cost pressures and a more tempered increase in selling prices. This easing could influence the central bank to keep interest rates unchanged, fostering an environment conducive to sustained growth in the manufacturing sector."

PMI®

by S&P Global

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rate of inflation receded to a four-month low. Adverse weather conditions, currency weakness and greater freight fees featured as the main sources of cost pressures among qualitative data.

Attempts to pass additional cost burdens through to clients underpinned a further increase in prices charged for Brazilian goods. The rate of charge inflation was marked, but softened to a five-month low.

Meanwhile, expectations that demand conditions will remain conducive to growth underpinned upbeat year-ahead projections for output. Machinery acquisitions, investment and new product releases also supported optimism. The overall level of positive sentiment rose since September.

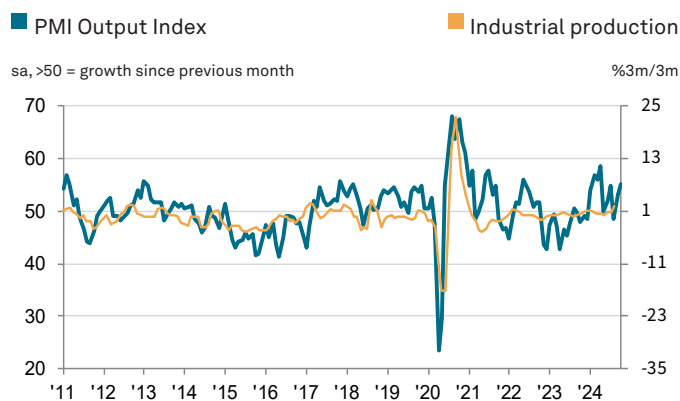
Favourable client appetite and optimism towards growth prospects fuelled input buying in October. Quantities of purchases rose at the second-fastest pace in over three years (behind April).

Raw material acquisitions supported firms' efforts to lift input stocks. Although mild, the latest increase compared favourably with reductions in the previous two months. Inventories of finished products also rose, ending a five-month sequence of depletion.

Although vendor performance continued to worsen, lead times lengthened only moderately in October.

Brazilian manufacturers hired extra staff in October, reportedly by offering full-time contracts. Despite being solid, the pace of job creation eased to the weakest in ten months.

Finally, there was a moderate decrease in outstanding business volumes among goods producers. The rate of depletion was at a 27-month low.



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@spglobal.com.

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