

News Release

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S&P Global Brazil Manufacturing PMI®

Output, new orders and price pressures tick higher in July

Key findings

Sales and production rise at fastest rates in three months

Rates of input cost and output charge inflation at two-year highs

Job creation and input buying growth strengthen

Brazil's manufacturing industry started the second half of 2024 on a stronger footing, with an improvement in demand conditions creating a cascade of positivity across several macroeconomic measures. New orders, output and input buying all rose at the fastest rates in three months. Concurrently, job creation quickened and business confidence remained robust.

Meanwhile, currency weakness underpinned the steepest upturn in new export orders since December 2021. However, it also pushed price pressures to their highest in two years.

The S&P Global Brazil Manufacturing Purchasing Managers' Index™ (PMI®) was up from 52.5 in June to 54.0 in July, indicating the fastest improvement in the health of the sector since April and extending the current sequence of growth to seven months. Capital goods was the brightest area, followed by intermediate goods. Consumer goods meanwhile bucked the wider trend and registered a weaker improvement in operating conditions.

Buoyant demand for Brazilian goods, from domestic and external sources, supported the quickest increase in total sales for three months. The pace of expansion was solid and above its long-run trend.

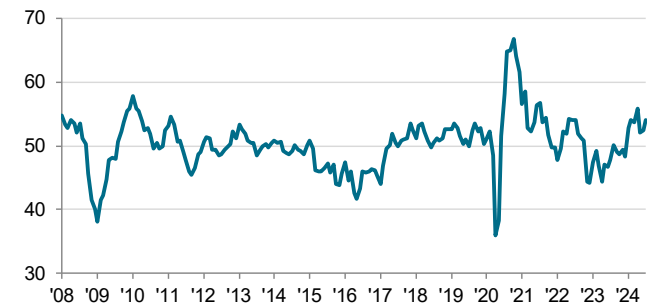
The rate of increase in international sales, which matched that for total new orders, was the fastest seen in over two-and-a-half years. Monitored companies reported gains from Africa, Asia, Europe, Latin America and the US. According to them, currency depreciation helped improve their competitiveness globally.

With sales growth ticking higher, companies scaled up production volumes. July's increase in output was steep and the fastest since April. Moreover, the current sequence of expansion was extended to seven months.

Although real depreciation boosted growth of exports, it exerted considerable pressure on input prices. The overall

Brazil Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 11-24 July 2024.

Comment

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

"A recovery in growth of demand for Brazilian goods boosted sales and production in July, prompting firms to expand their workforces and scale up input purchases."

"Currency depreciation was a blessing in disguise, enhancing international competitiveness and allowing companies to secure orders from several countries. However, this same currency weakness has also driven inflationary pressures to their highest levels in two years."

"This mixed economic picture suggests that while the pick-up in demand and international sales were positive developments, the intensification of inflation could force the central bank to rethink its monetary policy stance. Policymakers may need to walk a fine line, balancing the need to foster growth with measures to control inflation."

PMI®

by S&P Global

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rate of cost inflation climbed to a two-year high and was notably above its long-run average. Panellists reported having paid more for chemicals, foodstuff, fuel, metals and paper.

Efforts to shield margins from cost rises prompted manufacturers to lift their selling prices again in July. The rate of charge inflation was steep, well above its long-run trend and the strongest in two years.

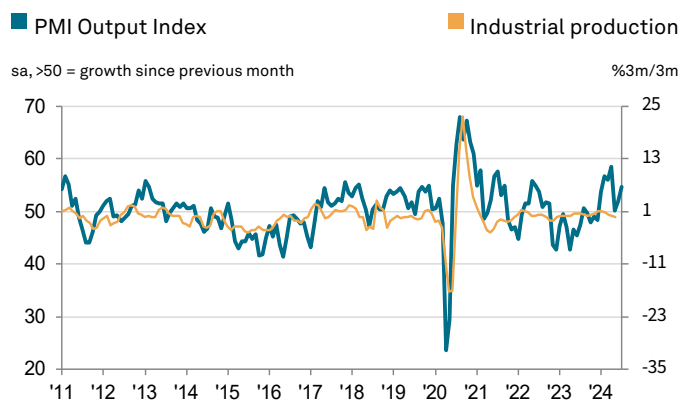
Notwithstanding a sharp increase in input costs, firms continued to purchase additional materials at the start of the third quarter. Healthy demand trends and greater production requirements were cited as the key determinants of purchasing activity growth. The pace of expansion was marked and the quickest since April.

Strong input demand exerted pressure on the capacity of vendors, as highlighted by another deterioration in supplier performance. Nevertheless, firms were still able to add to their input stocks. On the other hand, inventories of finished goods decreased for the third straight month in July.

Amid reports of new business gains, the opening of new units and optimistic sales forecasts, Brazilian manufacturers hired additional workers in July. Employment rose markedly, and at a faster pace than in June.

Expanded capacities in turn supported the clearing of backlogs. Work pending completion decreased to the greatest extent in over a year.

Looking ahead, firms were strongly upbeat towards growth prospects. Around 68% of survey members expect output to be higher in 12 months' time, versus 3% that anticipate a reduction.



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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