News Release

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S&P Global Brazil Manufacturing PMI®

Manufacturers conclude 2024 with declining growth momentum

Key findings

PMI posts joint-lowest reading for the year, equal to August

Slowest increases in sales and output for four months

Price pressures gather pace

2024 was a generally positive year for Brazil's manufacturing industry, with the S&P Global PMI® registering in expansion territory throughout this period. Growth rates fluctuated considerably, however, with December seeing particularly soft expansions in factory orders and production. With demand conditions fading, companies restricted job creation and lowered input procurement for the first time since December 2023.

When it came to inflation, survey participants indicated that currency weakness (against the US dollar) pushed up cost burdens and prompted them to price more aggressively.

Registering 50.4 in December, the S&P Global Brazil Manufacturing Purchasing Managers' Index™ (PMI) stayed above the neutral mark of 50.0. A fall in the headline figure, however, from 52.3 in November to its joint-lowest in 2024 (equal to August) highlighted only a negligible improvement in operating conditions.

Rising demand for specific goods supported a further increase in aggregate new orders during December. That said, the rate of expansion was slight and the weakest in four months. Growth was reportedly stymied by reduced purchasing power among households which restricted sales at some plants.

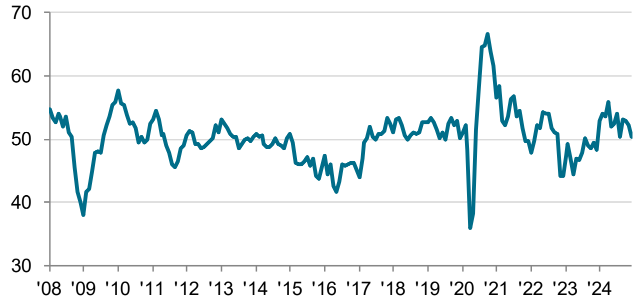
Also dampening overall sales was a second successive monthly fall in international orders. The reduction was primarily driven by lower demand from clients in Asia, Mercosul and the US.

December data showed that Brazilian manufacturing output rose in all but one month during 2024, the sole exception being August. The latest increase was slight, however, and the slowest in the current four-month sequence of growth.

Goods producers suggested that a protracted depreciation of the Brazilian real against the US dollar continued to exert upward pressure on cost burdens. Firms reported having

Brazil Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 5-16 December 2024.

Comment

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

"The last release of PMI results for 2024 brought the positive news that Brazil's manufacturing industry continues to grow, as demand resilience supported further increases in new orders, output and employment. In all three cases, however, rates of contraction softened from November, indicating that goods producers could be starting 2025 on a somewhat weaker footing.

"There was a sign of firms entering retrenchment mode in the sense that input procurement fell and destocking remained prevalent. What's perhaps causing this trend is a protracted depreciation of the Brazilian real against the US dollar pushing up cost burdens. While manufacturers are hoping for a brighter economic landscape in 2025, the data revealed a mild loss of business confidence. The currently high, and rising, policy rate could pose challenges for investment and economic growth, potentially leading companies to prioritise cost management and efficiency over expansion."

paid more for commodities, foodstuff and freight. Moreover, the overall rate of input price inflation accelerated since November.

Ongoing cost increases compelled firms to raise their own selling prices again at the end of the year. The rate of charge inflation was at a three-month high and above its long-run average.

Although goods producers continued to hire extra workers in December, they did so to the smallest degree since August 2023. The rate of job creation was only marginal.

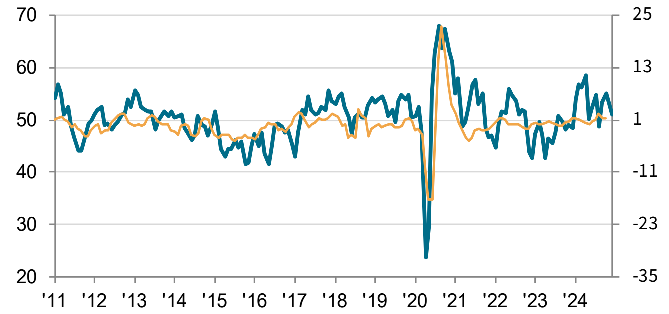
One factor that constrained jobs growth was a lack of pressure on the capacity of manufacturers. Outstanding business volumes decreased at a moderate pace that was the quickest for three months.

Buying levels decreased at the end of 2024, thereby ending an 11-month sequence of expansion. Fading client appetite featured as the main determinant of reduced purchasing activity among the qualitative data.

Lower input demand meant that delivery times worsened to the least marked extent in nine months. December's deterioration in vendor performance was only marginal.

Both inventories of inputs and of finished goods decreased during December, albeit to varying degrees. Holdings of raw materials and semi-finished items fell solidly and at the quickest pace in a year, while the contraction in post-production stocks was fractional.

When asked to provide their assessments for growth prospects, manufacturers were on average optimistic. Around 63% of panellists were upbeat, amid expectations of a rebound in investment and underlying demand, as well as hopes of better conditions in the automotive sector and the opening of new plants.



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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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. www.spglobal.com/marketintelligence/en/mi/products/pmi