News Release

Purchasing Managers' Index ™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 10:00 (Sao Paulo) / 13:00 (UTC) September 3rd 2018

IHS Markit Brazil Manufacturing PMI®

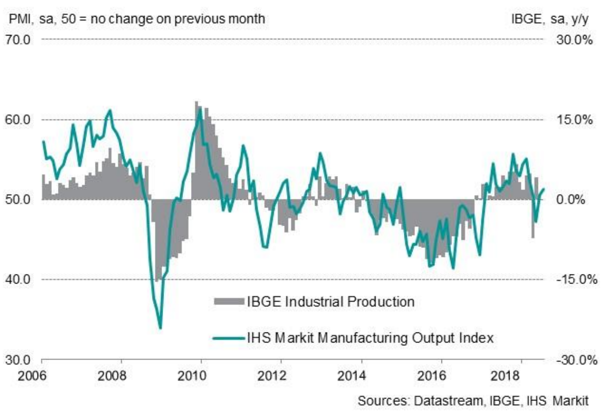
PMI at four-month high as new business gains boost production in August

Key findings:

- PMI signals strengthening operating conditions in manufacturing sector
- Faster increases in factory orders and output
- Input cost inflation at ten-year peak amid currency weakness

Data collected August 13-23

Brazil Industrial Production vs Manufacturing Output



PMI data for August highlighted a further improvement in the health of the Brazilian manufacturing economy, as producers responded to greater inflows of new work by scaling up output. Despite the uptick in demand, companies postponed input purchasing and lowered payroll numbers due to higher cost burdens. Not only did input prices rise for the forty-sixth straight month, but also to greatest extent in over ten years as the BRL/USD plunged.

Rising from 50.5 in July to 51.1, the seasonally adjusted IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) reached a four-month high in August. This pointed to strengthening operating conditions across the sector.

Pushing the headline figure were faster increases in new work and output. The former displayed the quickest rise since April, with survey members linking higher sales to new collections, expanded client bases and improved demand. The upturn was supported by gains in new work from external markets. Production grew slightly, though to the greatest extent in four months.

Consumer goods producers outperformed intermediate goods firms on both fronts, sales and output, while the capital goods sub-sector remained in contraction territory.

Despite the uptick in order books, manufacturing companies reported lower input buying and job cuts midway through the third quarter, both of which had risen in July. Anecdotal evidence pointed to efforts to curb outlays amid steep increases in cost burdens.

Indeed, input cost inflation climbed to its highest rate since July 2008. Panellists reported rising prices for a wide range of raw materials, but often linked this to a depreciation of the Brazilian real against the US dollar. Inflationary pressures gathered strength in the intermediate and capital goods categories, while a marginal slowdown was seen at consumer goods producers.

Factory gate prices were raised amid efforts to protect margins. Despite easing in August, the rate of inflation was among the strongest in the past two-and-a-half years and well above its long-run average. Meanwhile, manufacturers' stocks of both inputs and output were lower compared to July.

According to survey participants, efficiency improvements and efforts to deliver purchased goods on time led to a further reduction in outstanding business. On the supply front, there was a further deterioration in vendor performance, which panellists blamed on low stock levels and logistic issues at distributors.

Hopes of better economic conditions, investment intentions, product diversification and forecasts of greater sales underpinned positive sentiment regarding the 12-month outlook for output. Optimism was at a four-month high during August.

Comment:

Commenting on the Brazilian Manufacturing PMI® survey data, **Pollyanna De Lima**, Principal Economist at IHS Markit and author of the report, said:

"The Brazilian manufacturing economy moved further away from the protest-related downturn recorded in June, with back-to-back increases seen for output and new orders during August.

"Although the real's broad decline promoted export growth, it made production substantially costlier to manufacturers due to higher prices for imported materials. The USD/BRL closed at R$4.11 on 23rd August, its highest mark since January 2016. The Brazilian real sank across a range of currencies, reflecting the upcoming presidential election and anxiety towards economic policies – particularly one to solve the unsustainable fiscal deficit – as well as contagion from the Turkish crisis and China-US trade war.

"With cost inflation breaking a ten-year peak, goods producers became more conscious of their outlays, reducing input purchasing and shedding jobs. Parallel to this, factory gate charges were raised sharply in August."

-Ends-

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Notes to Editors:

The Brazil Manufacturing *PMI*® (*Purchasing Managers' Index*™) is produced by IHS Markit. The report features original survey data collected from a representative panel of around 400 companies based in the Brazilian manufacturing sector. The panel is stratified by GDP and company workforce size.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

The Manufacturing *Purchasing Managers' Index*™ (*PMI*®) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The *Purchasing Managers' Index*™ (*PMI*®) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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. To learn more go to: https://ihsmarkit.com/products/pmi.html.