News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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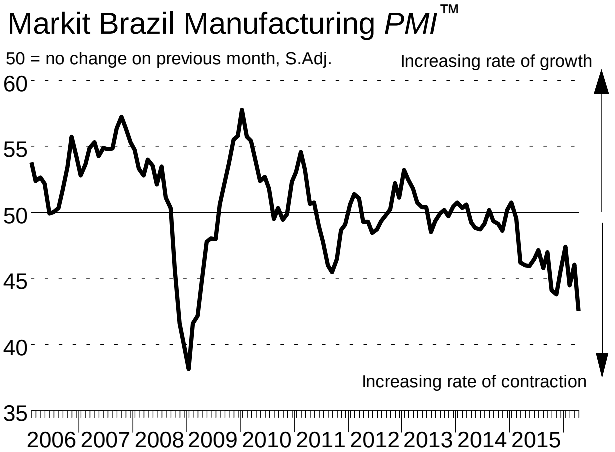
Markit Brazil Manufacturing PMI™

Manufacturers cut jobs at sharpest rate in survey history

Key points:

- Businesses shed jobs at record pace amid worsening operating conditions
- Steepest reduction in output since November 2015
- New orders fall at second-fastest rate since the global financial crisis

Historical overview:



Summary:

Brazil's manufacturing economy remained entrenched in recession during April. A sharper downturn in new work led companies to scale down production and reduce payroll numbers again, with the latter seeing the fastest drop since data collection began over ten years ago. On the price front, cost inflation reached a 93-month high, while charges were raised at the softest pace in 2016 so far. One positive note from the latest PMI dataset was the strongest upturn in new business from abroad in the survey history.

Down from 46.0 in March to 42.6 in April, the seasonally adjusted Markit Brazil *Purchasing Managers' Index™* (*PMI™*) – a composite indicator designed to measure the performance of the manufacturing economy – was at its lowest mark in over seven years and pointed to a deeper economic recession among goods producers.

As a result of sustained declines in new business inflows, companies lowered production once again during April. Output dropped at a sharp rate that was the most pronounced since November 2015 and faster than the average over the current 15-month sequence of contraction.

Incoming new work decreased for the fifteenth straight month and at the second-fastest pace since March 2009. According to survey participants, domestic demand deteriorated further in the face of the ongoing economic and political crises.

Conversely, new business from abroad rose for the fifth month running in April, which panellists linked to a weaker currency. The rate of expansion in new export orders was the fastest on record.

Whereas the depreciating real boosted foreign demand for Brazilian-manufactured goods, prices paid for imported raw materials rose as a consequence. This in turn resulted in the sharpest increase in average purchase prices since July 2008. Part of the additional cost burden was passed on to clients, with April seeing a further increase in factory gate prices. In contrast to the trend for costs, charge inflation softened and was the weakest in the year-to-date.

The sharper retreat in new business inflows, combined with cost-cutting initiatives, led firms to reduce their buying levels and shed jobs in April. Workforces were trimmed at the sharpest rate in the history of the survey, whereas the downturn in purchasing activity was the quickest in 85 months.

Meanwhile, both pre- and post-production inventories decreased again in April. Rates of contraction were sharp, with the former seeing the fastest drop on record. Panellists indicated that stocks were lowered as part of efforts to reduce costs and free up working capital.

Comment:

Commenting on the Brazilian Manufacturing PMI™ survey data, **Pollyanna De Lima**, economist at Markit and author of the report, said:

"The deteriorating picture in Brazil's manufacturing sector continued in April, and there is little sign so far of a rebound as the economy remains in a fragile state and the political paralysis looks set to persist. A sharper slump in incoming new work led businesses to lower production again. Manufacturers braced themselves for tougher times and shed jobs at the fastest pace in the history of the survey, with many indicating that costs had to be slashed if they wanted to stay in business.

"The only positive aspect from the latest PMI numbers was a quickening of new export growth, but this seemed to be mainly based on the weaker currency. Whereas the depreciation of the real resulted in a record rise in foreign demand, this came at a cost. Prices paid for imported raw materials rose substantially, leading to the fastest increase in overall input costs in almost eight years. This is projected to weigh on firms' pricing power in coming months as manufacturers will likely pass on cost increases to their clients."

-Ends-

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Notes to Editors:

The Brazil Manufacturing *PMI*™ (*Purchasing Managers' Index*™) is produced by Markit Economics. 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.

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 Markit. Please contact economics@markit.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.

About Markit
Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com

About PMI
Purchasing Managers' Index™ (*PMI*™) surveys are now available for over 30 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 www.markit.com/economics.