News Release

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

New order growth at three-month high

Key findings:

- Factory orders increase solidly in August
- Strongest upturn in new export work since April 2016
- Manufacturers scale up buying levels and production

Data collected August 11-23

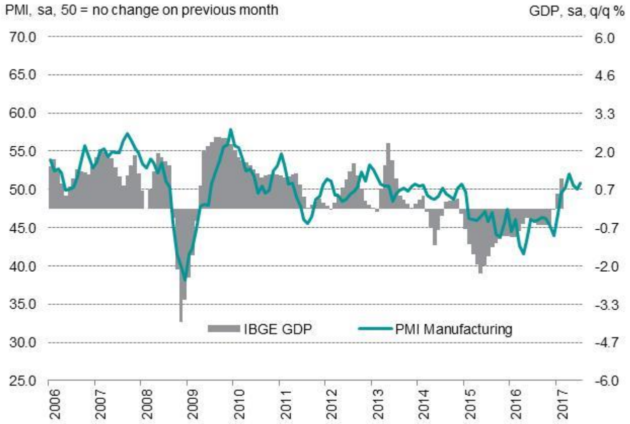
The economic scenario facing Brazilian manufacturers improved in August, with stronger inflows of new work leading to growth of both output and purchasing activity. Factories also performed well in external markets, as highlighted by the strongest upturn in new export orders in 16 months. Payroll numbers continued to fall, but the rate of job shedding eased to the weakest since May. On the price front, a sharper rise in input costs was noted, while output charges showed a renewed increase. At the same time, goods producers were at their least upbeat about future performance since April 2016, with concerns regarding politics weighing on sentiment.

The seasonally adjusted **IHS Markit Brazil Manufacturing *Purchasing Managers' Index*TM (*PMI*®)** rose from 50.0 in July – a level indicative of no change in operating conditions – to a three-month high of 50.9 in August. The improvement in the health of the sector mainly reflected growth of new orders and output.

Amid reports of strengthening demand conditions, order books increased at a solid pace that was the most pronounced in three months. Part of the upturn was supported by higher foreign demand, as seen by the quickest rise in new export orders since April 2016. Panellists indicated that the relatively weak currency helped them secure new work from externally-based clients, with Argentina in particular cited as a key source of new business.

In response to higher workloads, companies purchased greater quantities of inputs and raised production accordingly. The rate of output growth remained modest, but picked up since July.

Manufacturing PMI v Official GDP



Sources: IBGE, IHS Markit

Higher prices for energy, fuel and metals, alongside greater taxation, resulted in another monthly increase in input costs. The rate of inflation was at a five-month high and climbed above its long-run average.

After having decreased in July, factory gate charges rose in August. In some cases, panellists mentioned efforts to protect margins as the main factor causing the increase in selling prices.

Workforce numbers were lowered again in August, stretching the current period of job losses to 30 months. However, the contraction in employment was among the slowest in this sequence and only slight overall.

Meanwhile, stocks of purchases decreased further, while holdings of finished goods were broadly unchanged. The depletion in inventories of raw materials and semi-finished items picked up pace since July and was solid.

Brazilian manufacturers remained optimistic regarding the 12-month outlook for production, with expectations of better economic conditions, greater investments and business expansion plans underpinning confidence. That said, optimism was restricted by worries surrounding politics and the 2018 presidential election. Indeed, the level of positive sentiment fell to a 16-month low.

Comment:

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

"Manufacturers performed well in the middle of the third quarter, with the latest PMI results showing improved demand for Brazilian goods from domestic and external markets. Factory orders displayed one of the strongest gains in four-and-half years, while the relatively weak currency boosted exports. These factors urged companies to step up production, but the upturn in output was mild in comparison.

"It was also encouraging to see that August's reduction in employment was among the weakest in the current two-and-a-half year period of job shedding.

"Price indicators moved higher over the month, with input costs up at an above-trend pace on the back of increased taxation as well as energy and fuel prices. Output charges were raised as companies sought to protect margins. While the central bank hinted in its latest policy decision that the accommodative policy stance is likely to continue in coming months, recent developments in inflation may mean smaller cuts to the Selic as we head towards the year end."

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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 expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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/product/pmi.