

## News Release

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 10:00 (Sao Paulo) / 13:00 (UTC) July 1st 2016**

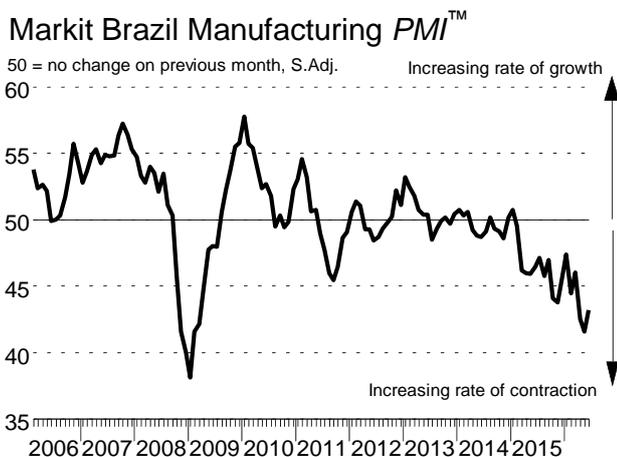
# Markit Brazil Manufacturing PMI™

## Job shedding reaches new record as manufacturing downturn continues

### Key points:

- Further sharp decreases in new orders and production
- Fastest drop in employment in survey history
- Inflation rates remain elevated

### Historical overview:



### Summary:

Operating conditions in Brazil's manufacturing industry worsened further during June, as ongoing declines in new business inflows led companies to lower their output levels again. Moreover, firms shed jobs at a record pace and purchased fewer inputs for use in the production process. Meanwhile, cost-cutting efforts weighed on inventories, with both pre- and post-production stocks dipping at survey-record rates. On the price front, sharp increases in costs and charges were signalled.

Posting below the no-change level of 50.0 for the seventeenth successive month in June, the seasonally adjusted Markit Brazil *Purchasing Managers' Index™* (PMI™) highlighted a further

deterioration in manufacturing business conditions. Despite rising from May's 87-month low of 41.6 to 43.2, the headline index remained entrenched in contraction territory.

Amid reports of a difficult economic climate, order book volumes decreased for the seventeenth straight month in June. Although the slowest since March, the pace of contraction remained sharp. Both the domestic and external markets were sources of weakness, with new export business dipping for the first time since last November and to the greatest extent in over four-and-a-half years.

Subsequently, production volumes were scaled down again. Output decreased at the softest pace since March, but one that was nonetheless steep. Lower production requirements combined with cost-reduction initiatives led goods producers to shed jobs in June. The latest decrease in employment was the sixteenth in as many months, and the fastest since data collection began in February 2006.

Meanwhile, higher cost burdens continued to feed through to selling prices. Purchase prices increased at the second-fastest pace since July 2008, while charge inflation climbed to a four-month high. According to panellists, the relatively strong US dollar continued to push the prices of imported raw materials up.

With output requirements down, manufacturers purchased fewer raw materials and semi-finished goods in June. This, in turn, resulted in a further drop in stocks of purchases. Pre-production inventories dipped at a joint-record pace (on par with that seen in May). A similar trend was registered for holdings of finished goods, which contracted at the quickest pace in the survey history.

June data highlighted an increasing degree of

excess capacity among Brazilian manufacturers, as outstanding business fell at the sharpest rate in over seven years. Finally, supplier performance improved as firms signalled faster delivery times (on average).

**Comment:**

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

*“It has now been nearly one-and-a-half years since Brazilian manufacturing output last increased, and PMI data for June suggest that the downturn remains steep. Export orders, which had been the one bright spot for the sector, plummeted in the latest month at the fastest rate in over four-and-a-half years as businesses were forced to raise output prices to a greater extent in the face of sharp cost increases. Also worrying, the latest results showed another record contraction in employment levels. Some domestic improvements will be needed before any serious talk of a recovery can begin.”*

-Ends-

**For further information, please contact:**

**Markit**

Pollyanna De Lima, Economist  
 Telephone +44-1491-461-075  
 Email [pollyanna.delima@markit.com](mailto:pollyanna.delima@markit.com)

Joanna Vickers, Corporate Communications  
 Telephone +44207-260-2234  
 Email [joanna.vickers@markit.com](mailto:joanna.vickers@markit.com)

**Notes to Editors:**

The Brazil Manufacturing *PMI*<sup>TM</sup> (*Purchasing Managers' Index*<sup>TM</sup>) 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](mailto:economics@markit.com).

The Manufacturing *Purchasing Managers' Index*<sup>TM</sup> (*PMI*<sup>TM</sup>) 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*<sup>TM</sup> (*PMI*<sup>TM</sup>) 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](http://www.markit.com)

**About PMI**

*Purchasing Managers' Index*<sup>TM</sup> (*PMI*<sup>TM</sup>) 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](http://www.markit.com/economics).

The intellectual property rights to the Brazil Manufacturing *PMI*<sup>TM</sup> provided herein are owned by or licensed to Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*<sup>TM</sup> and *PMI*<sup>TM</sup> are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Markit is a registered trade mark of Markit Group Limited.