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

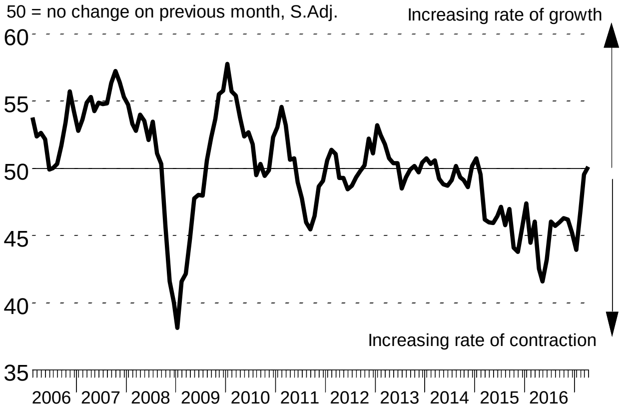
Manufacturing production rises for second consecutive month

Key findings:

- Sustained growth of new work supports output expansion
- Job shedding weakest in current 26-month sequence of reduction
- First increase in buying levels since January 2015

Data collected April 11-21

Markit Brazil Manufacturing *PMI*™



Source: IHS Markit.

Brazil's manufacturing industry remained in expansion territory in April, with growth of both new orders and output recorded for the second month running. Greater production needs encouraged companies to purchase additional inputs, but failed to stimulate job creation. Meanwhile, businesses continued to draw down their inventories. On the price front, rates of inflation for input costs as well as output charges softened.

The seasonally adjusted **Markit Brazil Manufacturing *Purchasing Managers' Index*™ (*PMI*™)** recorded above the crucial 50.0 threshold for the first time since January 2015. However, rising from 49.6 in March to 50.1 in April, the latest reading was indicative of broadly unchanged business conditions facing goods producers.

New orders expanded for the second straight month in April, which survey participants linked to improving demand conditions. However, little-changed since March, the pace of increase remained slight overall. Both the consumer and intermediate goods sectors saw growth, while a further contraction was evident at capital goods firms.

April data implied that the upturn in total new work was led by the domestic market as new exports orders decreased, reversing the rise noted in March.

Manufacturing production rose as a reflection of higher new orders. The latest increase was the second in as many months, but the pace of expansion eased from that noted in March. Additionally, the upturn was centred on the consumer goods category.

April data highlighted the first increase in quantities of purchases since January 2015, with survey members reporting greater production needs. Overall, the rate of expansion was marginal.

According to panellists, the relatively-weak real versus the US dollar caused a further increase in input costs. That said, April's rise was the slowest in six months, with some firms indicating successful price negotiations with suppliers. Similarly, the rate of output charge inflation eased to a five-month low.

Manufacturing jobs fell further in April, thereby stretching the current period of job shedding to 26 months. However, the rate of reduction softened to the slowest in this sequence.

Goods producers continued to use up their stocks, though rates of depletion softened. Pre-production inventories declined at the slowest pace since September 2015, while the downturn in holdings of finished goods was the least pronounced in 15 months.

Manufacturers remained upbeat towards the 12-month outlook for production, with growth expected to be supported by new client wins, the launch of new product lines, machinery upgrades and an economic rebound.

Comment:

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

"Brazil's manufacturing industry kept itself in positive ground during April, with PMI numbers showing ongoing growth of new business inflows and production. These advancements inspired some firms to engage in additional purchasing activity, which showed the first monthly rise since January 2015. Even so, manufacturers seem a way off from operating at full capacity as outstanding business dipped sharply despite another round of job cuts.

"There still remain signs of cashflow issues among firms, with some companies reluctant to retain stocks. Also worth noting, limited pricing power meant that the vast majority of goods producers had to keep output charges unchanged over the month against a backdrop of strong cost inflationary pressures. As such, businesses are likely to keep the lid on costs going forward, which could potentially cause further harm to the labour market."

-Ends-

IHS Markit

News Release

For further information, please contact:

IHS Markit
Pollyanna De Lima, Economist
Telephone +44-1491-461-075
Email pollyanna.delima@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44207-260-2234
Email joanna.vickers@ihsmarkit.com

Notes to Editors:

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

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@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.