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News Release

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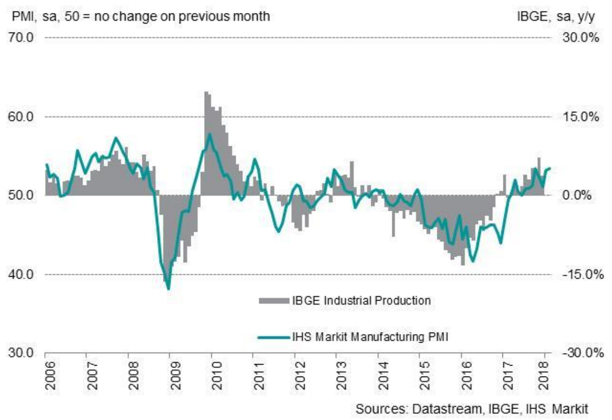
IHS Markit Brazil Manufacturing PMI®

Buoyant demand underpins sharp increases in output and purchasing activity

Key findings:

- Factory orders and production expand at second-sharpest rates in over five years
- Growth of buying levels strongest in over seven years
- Job creation recorded for sixth straight month

Data collected March 12-22



The upturn of Brazil's manufacturing sector was boosted by strengthening demand conditions in March. Order inflows showed the second-quickest expansion in over five years, which was matched by an equal trend for output. As a consequence, goods producers lifted employment further and purchased inputs to the greatest extent since February 2011. The dispatch of products to clients caused a depletion in holdings of finished goods, while low stock levels at suppliers and subsequent delivery delays resulted in a contraction of input inventories. Meanwhile, inflationary pressures remained elevated.

The seasonally adjusted **IHS Markit Brazil Manufacturing *Purchasing Managers' Index*™ (*PMI*®)** rose from 53.2 in February to 53.4 in March. The latest figure was the second-highest in over seven years and signalled a robust improvement in the health of the sector. Over Q1 as a whole, the PMI averaged 52.6 and showed the strongest quarterly gain since Q1 2011.

Underlying demand reportedly improved in March, underpinning the second-fastest increase in order books since January 2013. Alongside domestic sales, firms were able to secure new business from international sources. In particular, there were mentions of contract wins from Mercosur nations, Chile and Peru. The rise in new export orders was slight, but nonetheless the first in three months.

These positive developments urged Brazilian manufacturers to step up production. The expansion in output was the second-strongest in over five years and sharp overall.

Part of the rise in production was accomplished via the completion of unfinished business. Backlogs were down markedly, though the pace of depletion was the slowest in three months.

Amid reports of ongoing efforts to expand operating capacities, Brazilian manufacturers hired extra staff in March. The rate of job creation was broadly similar to the 83-month peak noted in February.

Firms purchased greater quantities of inputs in March, but delivery delays prevented stocks of purchases from rising. The upturn in buying levels was the most marked in over seven years. Concurrently, the deterioration in supplier performance was solid, while holdings of raw materials and semi-finished items posted a quicker fall than seen in the prior month.

Largely due to higher prices paid for oil, fuel and some raw materials, average cost burdens rose. Furthermore, the rate of inflation was sharp and above its long-run average. Goods producers shared additional cost burdens with their clients via increased selling prices.

Optimism stayed at a historically-elevated level, as firms were confident that new product launches, favourable economic conditions, investment plans and pipelines of work will drive output growth over the coming 12 months.

Comment:

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

"Brazil's manufacturing economy powered ahead in March as robust demand continued to provide firms with a steady flow of new work.

"Almost all indicators echoed stronger tones from last month's PMI survey. Factory orders and production showed the second-sharpest expansions in over five years, while export sales recovered from the contractions noted in January and February. Parallel to this, March's upturn in input buying was the most pronounced since early-2011 and job creation was similar to the near seven-year peak registered in the prior month.

"With the cumulative CPI easing to 2.84% in February – below the central bank's target of 4.5% and above its floor – monetary policy remained accommodative in March. At a record low of 6.5%, the latest cut to the Selic has the potential to further stimulate growth in the sector, provided that banks reduce their lending rates. All in all, goods producers are well placed for a solid second quarter."

-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 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 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.