News Release

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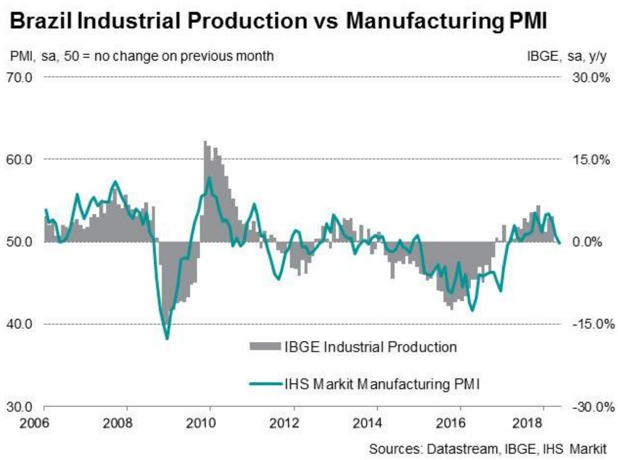
IHS Markit Brazil Manufacturing PMI®

Truckers' strikes drive manufacturing sector into reverse

Key findings:

- PMI dips below 50.0 in June
- Output and new orders fall for first time in 16 months
- Input costs rise at second-fastest rate in survey history

Data collected June 12-22



Truck drivers' protests impacted on the performance of Brazil's manufacturing industry during June. Fewer orders were received by businesses, leading to job shedding. Blockages prevented the delivery of inputs, which in turn hampered production. At the same time, input cost inflation climbed to its second-highest mark in the survey history, driving output charge inflation to a 28-month high.

The seasonally adjusted IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) posted in contraction territory, below 50.0, for the first time since March 2017. Down from 50.7 in May to 49.8 in June, the headline figure was consistent with a marginal deterioration in the health of the sector.

Manufacturing output dipped in June, thereby ending a 15-month period of uninterrupted growth. Moreover, the rate of reduction was solid. According to panel members, the downturn reflected falling new work and shortages of inputs for use in the production process.

As was the case for output, order book volumes declined for the first time since February 2017, with demand reportedly curbed by the disruption caused by truckers' protests.

Meanwhile, foreign demand for Brazilian goods improved, with new export sales expanding at the quickest pace since last November. Survey members suggested that new work had been secured from externally-based clients in line with BRL/USD depreciation.

Shortages of materials at goods producers caused an increase in outstanding business. The rise ended a 32-month period of backlog depletion, and was the steepest in the 12-year survey history.

Indeed, inventories of both inputs and finished items were down from levels recorded in May. The steeper fall was noted for the former.

Scarcity of some items, and strong demand for them, reportedly led suppliers to upwardly-adjust list prices. As a result, input cost inflation climbed to its second-highest rate since data first became available in February 2006.

Companies passed on to their clients part of the additional cost burden by charging more for their goods in June. Moreover, the rate of output price inflation picked up to the strongest since February 2016.

Blockages also translated into a further deterioration in delivery times. Vendor performance worsened to the greatest extent in the history of the survey.

Cost-reduction initiatives and fewer sales led some manufacturers to lower payroll numbers at the end of the second quarter. Although modest, June's job shedding ended an eight-month sequence of employment growth.

Brazilian goods producers foresee output growth in the coming 12 months, but the degree of optimism dipped to an eight-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:

"As widely expected, due to the snowball effects of truck drivers' protests, Brazil's manufacturing sector dipped into contraction territory during June. Order book volumes and output fell for the first time in 16 months, the latter in part associated with shortages of inputs for use in the production process. Aware of vendors' inability to meet delivery deadlines, firms purchased fewer quantities of raw materials and semi-finished items. Concurrently, lead times lengthened to the greatest extent in the history of the survey.

"Companies signalled a build-up of inflationary pressures, with input costs rising at the second-sharpest rate since data first became available in February 2006. As a result, manufacturers cut back on employment and raised output charges sharply.

"The only positives to be taken from the latest PMI results were a rebound in export sales and sustained optimism. Real depreciation reportedly enabled producers to secure new contracts from external markets, reversing the decline recorded in May. Finally, companies expect the downturn to be short-lived, with output predicted to expand over the coming 12 months."

-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 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 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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.