

News Release

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

Sixth successive monthly deterioration in business conditions

Key points:

- PMI at 47.2 in July
- New orders and output contract further, although at weaker rates
- Softer increases in costs and charges

Historical overview:



Summary:

Brazil's manufacturing slump extended to July, with new orders and output both falling over the month. Although rates of contraction softened since June, companies continued to cut staffing levels and lowered their quantities of purchases further. Weaker increases in input costs and selling prices were recorded, with inflation rates posting below their respective long-run averages.

Up from 46.5 in June to 47.2 in July, the seasonally adjusted Markit Brazil *Purchasing Managers' Index™ (PMI™)* indicated that operating conditions continued to deteriorate, although to a lesser extent than in June. In fact the PMI was at a five-month high, supported by upward movements in its two biggest components, new orders and output.

Both incoming new work and production decreased for the sixth month in succession during July, with tough economic conditions being widely cited by survey respondents. However, rates of contraction softened to the weakest since February. New export orders showed signs of stabilisation, with the respective index rising to a reading that was only fractionally below the 50.0 no-change mark.

Anecdotal evidence indicated that Brazilian manufacturers were increasingly cautious towards cost control, a situation aggravated by sustained decreases in new orders. As a result, workforce numbers were reduced for the fifth straight month. The rate of contraction was moderate and little-changed from June.

Buying levels decreased further, thereby extending the current period of contraction to six months. Moreover, the latest drop in input buying was solid and accelerated since June. In turn, this led to another decline in stocks of purchases, the seventh in as many months. Pre-production inventories fell at the quickest pace since April.

Sub-sector data highlighted broad-based declines in new orders, output, buying levels and employment, with contractions noted across the three monitored market groups. The worst performing category in July was capital goods.

Latest data pointed to a ninth consecutive monthly increase in cost burdens faced by Brazilian goods producers. That said, the rate of inflation was moderate overall and below the long-run series average. Subsequently, factory gate prices were raised further. The rate of charge inflation was, however, the weakest since last October.

Finally, vendor performance improved to the greatest extent for over six years, amid a lack of pressure on suppliers' capacity.

Comment:

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

“Brazil’s manufacturing recession showed signs of moderating during July, with output and new orders dropping at softer rates. Nonetheless, the latest PMI reading was among the lowest since 2011, reflecting a slumping economy.

“Pressures to cut employment clearly remain intense across the country, as firms struggle in the face of falling demand. Stock levels were also depleted, as goods producers maintained their cautious approach to cost control.

“Once again, input costs and output charges rose at weaker rates, which were below their respective historical averages. The combination of softer inflationary pressures and sustained reductions in output may encourage policymakers to hold off further interest rate hikes.”

-Ends-

For further information, please contact:

Markit

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

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

Notes to Editors:

The Brazil Manufacturing *PMI*TM (*Purchasing Managers' Index*TM) is produced by Markit Economics. The report features original survey data collected from a representative panel of around 350 companies based in the Brazilian manufacturing sector. The panel is stratified by Standard Industrial Classification (SIC) group, based on the industry contribution to GDP.

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.

The Manufacturing *Purchasing Managers' Index*TM (*PMI*TM) 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*TM (*PMI*TM) 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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About PMI

*Purchasing Managers' Index*TM (*PMI*TM) 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.

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