

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION

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IHS Markit Brazil Manufacturing PMI[®]

Manufacturing jobs rise for first time in over two-and-a-half years

Key findings:

- Companies hire additional workers amid ongoing upturn in new orders
- Output expands for eighth month running
- Input costs and output charges increase further

Data collected October 12-24

The health of the Brazilian manufacturing economy continued to improve at the start of the final quarter of 2017. Sustained growth of new work encouraged companies to lift production volumes and engage in recruitment. Additional inputs were purchased in tandem with greater workloads, while inventories declined again. On the price front, further increases in input costs and output charges were recorded.

Remaining above the 50.0 critical level in October, the seasonally adjusted **IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI[®])** highlighted a third successive improvement in operating conditions. Moreover, the headline figure was up from 50.9 in September to a five-month high of 51.2.

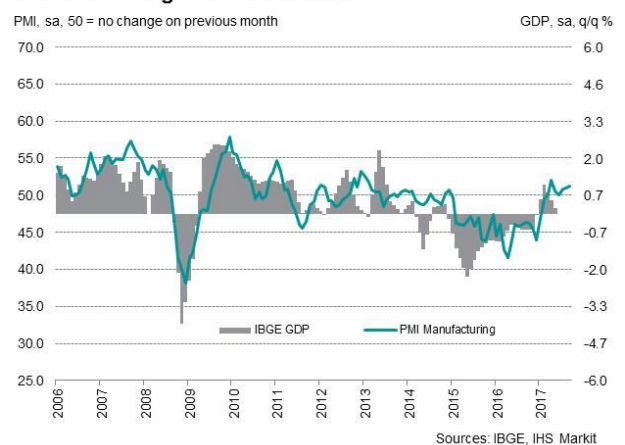
The overall level of new work received by Brazilian manufacturers increased for the eighth straight month in October, mirroring the trend for output. In both cases, the rates of expansion were modest and in line with the respective averages over the current period of growth.

Production and new business inflows rose in two of the three monitored market groups, the exception being consumer goods which fell back into contraction.

Factory jobs in Brazil increased for the first time since February 2015, with hiring linked to new projects in the pipeline. The rate of employment growth was marginal, but represented a substantial turnaround from the steep contractions noted earlier in the year.

Not only did manufacturers spend more on staff, but also on inputs. After having declined in

Manufacturing PMI v Official GDP



September, quantities of purchases rose in October. Although slight, the rate of expansion was the second-strongest registered since March 2014.

While total new work continued to increase, new business from abroad dipped back into contraction. The decrease was only slight, but the first since April.

Meanwhile, inventories declined further in October. Stocks of inputs and of finished goods were down for the thirty-fourth consecutive month, though rates of depletion eased in both cases.

Amid reports of higher prices paid for energy, plastics, cardboard, metals and fuel, average input costs facing goods producers rose in October. Despite being slower than in September, the rate of inflation remained elevated by historical standards. At the same time, factory gate charges were raised further, with inflation at a seven-month peak.

Whereas manufacturing sentiment remained positive, confidence waned in October. Projections of greater export sales and better economic conditions were among the factors underpinning optimism, while worries around underlying demand hampered confidence. The overall level of business expectations was at a 19-month low.

Continues...

Comment:

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

“Brazilian factories reported further upturns in output and order books at the start of the final quarter of the year, dissipating any concerns that the recovery seen so far in 2017 would be temporary. The big mover in the latest survey was the Employment Index, which signalled the first rise in manufacturing headcounts since February 2015.

“With demand sufficiently strong, pricing power improved in October. Businesses raised output charges at the quickest rate in seven months amid efforts to protect margins in the face of rising cost burdens.

“The domestic market was the main driver of growth, as the Brazilian economic recovery provides a continuous flow of new business. There were signs of weakness in overseas markets, however, as new export sales showed the first drop in six months.”

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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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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: www.markit.com/product/pmi.

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