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News Release

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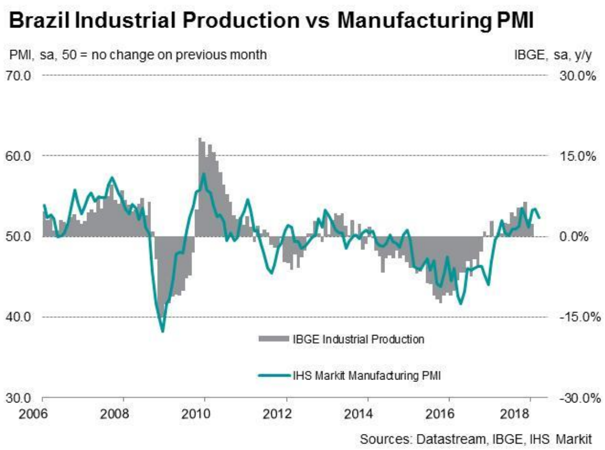
IHS Markit Brazil Manufacturing PMI®

Manufacturing remains in growth territory in April

Key findings:

- Output and new orders continue to rise...
- ...but rates of expansion soften in both cases
- Input buying and employment increase

Data collected April 12-23



April data showed a further improvement in the health of the Brazilian manufacturing industry as gains in new work ensured that businesses continued to scale up production and create jobs. However, as widespread as was the nature of the expansion so was the slowdown. Softer rates of increase were noted for new orders, output, exports, buying levels and employment. Regarding price measures, trends varied. Input cost inflation climbed to a four-month high, while factory gate charges rose at the weakest pace since last October.

By registering 52.3 in April, the seasonally adjusted IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®) showed the ninth consecutive improvement in operating conditions across the sector. That said, down from 53.4 in March, the headline figure was at a three-month low and highlighted a loss of growth momentum.

New orders, the largest sub-component of the PMI, increased at the weakest pace since January. Anecdotal evidence suggested that the sustained upturn in sales reflected product diversification and improved demand, but that growth was curbed by challenging market conditions and elevated unemployment.

The rise in total sales was supported by improved demand from external markets. Indeed April saw a back-to-back upturn in new export orders, with real depreciation reportedly aiding the expansion.

On the flip side of currency weakness was a pick-up in cost inflationary pressures, as imported materials became dearer to Brazilian manufacturers. Moreover, in the domestic market, there were mentions of higher energy and insurance bills. The increase in input prices was the most marked in four months. Conversely, the rate of charge inflation softened to the weakest since last October, as decisions among some firms to pass-through to customers greater cost burdens were partly offset by discounts offered elsewhere due to competitive pressures.

Quantities of purchases increased solidly, although to a lesser extent than noted in March. Concurrently, raw material shortages at suppliers led to delivery delays and, subsequently, a further decline in input stocks.

Encouragingly, Brazilian manufacturers increased output for the fourteenth month in a row in April. Despite being solid, the pace of expansion eased to the weakest since last October. Some of these products were placed into inventories, as highlighted by the first rise in stocks of finished goods for nearly three-and-a-half years.

Looking ahead, goods producers were strongly optimistic that output will expand over the course of the coming 12 months. Underpinning positive sentiment were hopes of political stability, investment plans and export opportunities.

Comment:

Commenting on the Brazilian Manufacturing PMI® survey data, **Pollyanna De Lima**, Principal

Economist at IHS Markit and author of the report, said:

“It’s encouraging to see that the latest set of PMI data highlight sustained growth in the Brazilian manufacturing sector, but the broad nature of the slowdown is somewhat concerning.

“New work continued to flow in as new product launches prompted buyers to place orders. At the same time, elevated unemployment across the country coupled with challenging market conditions restricted the extent of the upturn in order books. In response, goods producers scaled up output at the slowest pace seen for six months.

“Weaker-than-expected demand growth resulted in unsold goods being place into inventories, as evidenced by the first rise in stocks of finished goods in nearly three-and-a-half years.

“Another sign of a loss of growth momentum came from the employment index. Jobs were created in April, but only marginally and at a much softer rate than seen at the end of the first quarter. There was evidence to suggest that employment expansion was hampered by efforts to streamline costs.

“It seems that companies sought to cut costs via job shedding in order to afford to raise selling prices to a lesser extent than needed to cover higher raw material costs. Setting charges has been a Goldilocks problem for Brazilian manufacturers. If too high, margins are protected, while market shares are lost. If too low, competitiveness is gained at the cost of weaker profitability growth.”

-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.