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News Release

Purchasing Managers' Index ™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 10:00 (Sao Paulo) / 13:00 (UTC) July 3rd 2017

IHS Markit Brazil Manufacturing PMI®

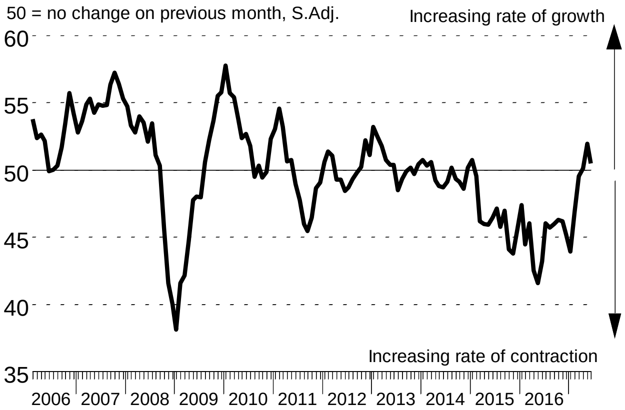
Manufacturing rebound loses momentum in June

Key findings:

- Factory production expands further
- New orders increase at solid, but slower, rate
- Quicker reduction in payroll numbers

Data collected June 12-23

IHS Markit Brazil Manufacturing *PMI*®



Source: IHS Markit.

Business conditions in Brazil's manufacturing economy improved further in June as sustained growth of new orders supported another increase in production. However, in both cases the rates of expansion softened from May's recent high. Meanwhile, buying levels declined and there was another round of job shedding. On the price front, there was a sharp and accelerated rise in input costs, whereas output charge inflation softened on the back of limited pricing power and excess supply.

At 50.5 in June (May: 52.0), the seasonally adjusted **IHS Markit Brazil Manufacturing *Purchasing Managers' Index*™ (*PMI*®)** pointed to a third consecutive monthly improvement in the health of the sector. The latest figure rounded off a relatively strong quarter for goods producers, with the PMI averaging 50.9 during the second quarter of 2017 (highest since Q1 2013).

New orders and output increased in June, though rates of expansion eased in both cases. Anecdotal evidence indicated that growth was supported by improving demand conditions. Panellists' responses nevertheless suggested that the upturn was curtailed by competitive pressures and political issues.

Having risen in May, new business from abroad stagnated in June. At the same time, manufacturing employment contracted. The rate of job losses was marked and the quickest since March. According to evidence supplied by panel members, job shedding reflected cost-cutting initiatives.

June data pointed to spare capacity among factories, with outstanding business falling despite the reduction in headcounts. The decrease in backlogs of work was sharp and the most pronounced in three months.

Inventories of manufactured goods fell again, stretching the current period of depletion to 30 months. Little-changed since May, the pace of reduction remained marked. Stocks of purchases also declined, and at the fastest rate since February.

One factor leading holdings of inputs to fall was a contraction in buying levels. June's drop in purchasing activity was only slight, but ended a two-month sequence of growth. Meanwhile, low inventory levels at vendors reportedly caused an overall increase in suppliers' delivery times.

Purchasing price inflation accelerated from May's 16-month low. The main factor reported as having exerted upward pressure on cost burdens was the weak real versus the US dollar. Some companies passed on part of the additional cost burden by raising their charges. However, excess supply and competitive pressures limited the extent to which output prices increased.

Brazilian manufacturers were strongly optimistic that output will grow in the year ahead, with confidence underpinned by new product launches and export opportunities.

Comment:

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

"The Brazilian manufacturing economy remained in positive ground during June, but the recovery showed some cracks. Growth of new work eased considerably from May's recent high and output followed a similar trend. Enterprises responded to the slowdown by scaling back operations, with buying levels back in reverse and job shedding intensifying.

"Granular data indicated that capital goods was the key source of weakness, where a marginal rise in order books was insufficient to lead producers to raise output. On the other side of the spectrum was consumer goods, which outperformed the rest of manufacturing regarding rates of expansion for incoming new work and production.

"Looking at the second quarter of 2017 as a whole, the PMI recorded the highest average reading since early-2013 and therefore indicates that manufacturing will likely provide a stronger contribution to GDP than it did in the opening quarter of the year."

-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 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/product/pmi.