

News Release

Purchasing Managers' Index™ MARKET SENSITIVE INFORMATION

EMBARGOED UNTIL: 10:00 (Sao Paulo) / 13:00 (UTC) March 1st 2016

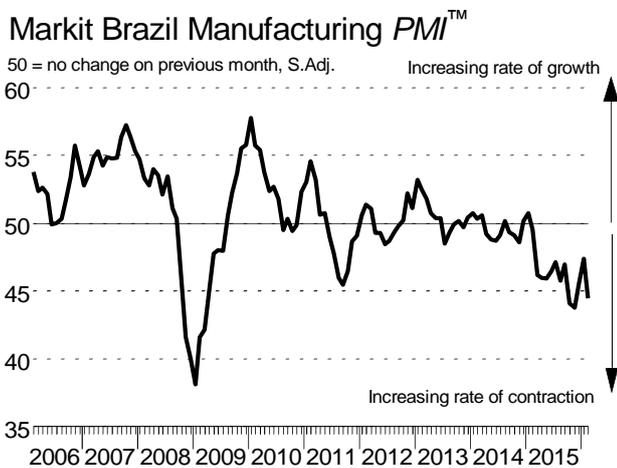
Markit Brazil Manufacturing PMI™

Manufacturing employment falls at second-fastest pace in almost seven years

Key points:

- Further drop in new business inflows leads firms to shed jobs again
- Production contracts at sharp and accelerated rate
- Charge inflation at record high

Historical overview:



Summary:

Brazil's manufacturing recession extended to February, with a further drop in incoming new work leading companies to lower production and cut jobs again. Such was the extent of the downturn that firms shed jobs at the second-fastest pace since April 2009. The weaker real continued to exert upward pressure on input costs, which rose at quickest rate since October 2008. Subsequently, tariffs were raised again, with charge inflation reaching a survey peak.

Falling to a three-month low of 44.5 in February (January: 47.4), the seasonally adjusted Markit

Brazil *Purchasing Managers' Index™* (PMI™) pointed to a thirteenth successive monthly deterioration in operating conditions.

Amid evidence of an increasingly fragile economy and a subsequent fall in demand, the level of new business received by Brazilian manufacturers decreased in February. Having accelerated to the fastest since November 2015, the pace of contraction was steep. As a consequence, companies scaled down output again. Production dipped at a sharp and accelerated rate.

Supported by the depreciating real, new foreign orders for Brazilian manufactured goods improved for the third straight month in February. That said, new business from abroad increased at a modest pace overall.

February data highlighted ongoing spare capacity across Brazil's manufacturing sector, as unfinished business levels decreased for the fifth consecutive month. Although moderate overall, the pace of backlog depletion was the most pronounced since October 2013.

As has been observed in each month throughout the past year, payroll numbers decreased during February. Furthermore, the rate of job shedding accelerated to the second-sharpest in almost seven years. Lower production requirements and cost-cutting efforts were the main reasons cited by companies for the latest decline in employment.

Input costs faced by Brazilian manufacturers rose further during February, which panellists linked to the weaker real resulting in higher prices paid for imported raw materials. Cost inflation reached an 88-month high. Subsequently, factory gate prices were raised again in February. The rate of charge inflation climbed to the highest in the series history.

Meanwhile, a faster decline in buying levels resulted in a sharper depletion of input stocks. Rates of contraction were the quickest in 53 and 80 months respectively. Finally, post-production inventories fell at the most marked pace since July 2009.

Comment:

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

“Brazil’s economic woes continue to weigh on the manufacturing sector. Production was dragged down again in February as companies saw a sharper downturn in new business inflows and job cuts deepened further, adding extra strains to the country’s shaky economic situation. Those still in work are struggling to make ends meet, with inflation soaring further. The latest PMI data showed the strongest rise in costs since the global financial crisis, while charge inflation reached a peak.

“Looking ahead, fiscal constraints are likely to bind and GDP is projected to drop again in 2016. On 19th January, the government announced a budget cut of R\$23.4 billion for the year as part of efforts to improve the public finances. Monetary policy is also unlikely to alter the outlook as the Central Bank remains constrained by high inflation.”

-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 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.

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.

About Markit

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ approximately 4,000 people in 11 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com

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.

The intellectual property rights to the Brazil Manufacturing *PMI*TM provided herein are owned by or licensed to Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*TM and *PMI*TM are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Markit is a registered trade mark of Markit Group Limited.