PMI® By IHS Markit

News Release

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

Production growth strongest since May

Key findings:

- Manufacturing output rises for seventh straight month...
- ...mirroring ongoing upturn in new work
- Input cost inflation at six-month peak

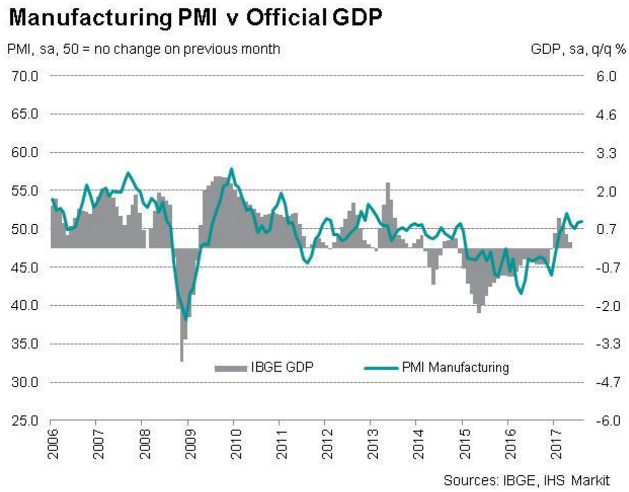
Data collected September 12-22

September data indicated that growth in the Brazilian manufacturing sector was sustained as output and new orders continued to rise. Moreover, the ongoing upswing in demand from both domestic and external markets encouraged companies to scale up production at the quickest pace in four months. Goods producers continued to exhibit a preference for lower inventory levels, however. Meanwhile, the rate of cost inflation picked up, but competitive pressures and efforts to secure new business meant that output prices were raised only marginally.

At 50.9 in September, the seasonally adjusted **IHS Markit Brazil Manufacturing Purchasing Managers' Index™ (PMI®)** was unchanged from August's reading. The latest figure signalled a modest monthly improvement in operating conditions.

Incoming new work increased for the seventh successive month in September, with panel members reporting better economic conditions, new client wins and higher sales to both domestic and export clients. However, the rate of expansion was moderate and slower than in August. New business from abroad also rose at a softer pace during the month.

Growth of total new work encouraged goods producers to increase output, which they did for the seventh month running. Furthermore, the rate of expansion ticked up for the second time in a row to the strongest since May. Detailed sub-sector data showed a broad-based rise in production, with expansions seen in the consumer, intermediate and investment goods categories.



Despite the continued rise in new orders, outstanding business declined again in September. The pace of depletion was solid, but the slowest in one-and-a-half years. Concurrently, the rate of job shedding was slight and broadly similar to those recorded in July and August. Notably, employment increased at consumer goods producers for the first time since February 2015.

Manufacturers reduced both their stocks of purchases and finished goods for the thirty-third month in succession. The sharper rate of depletion was seen for the former.

Inventories of inputs decreased in line with a renewed decline in buying levels. However, quantities of purchases fell only marginally overall.

Largely associated with higher fuel costs, average input prices facing manufacturers continued to increase in September. The rate of input cost inflation hit a six-month high and was above its long-run average. Competitive pressures and efforts to secure new work resulted in only a marginal rise in output prices.

Finally, business sentiment improved from August's 16-month low. Manufacturers expect product diversification, the economic recovery and investments in machinery to support output growth in the year ahead.

Comment:

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

"Momentum in the Brazilian manufacturing sector was maintained at the end of the third quarter, according to the latest PMI numbers. Ongoing rises in new work continued to support output growth, with production in fact expanding to the greatest extent since May. Whereas the employment trend remained skewed to the down side, it was encouraging to see a return to job creation in the consumer goods category. The upturn was slight, but the first in over two-and-a-half years.

"Less encouraging were signs that manufacturers remain unwilling to hold inventories, suggesting that they're not yet convinced of a sustained rise in underlying demand. Also noteworthy, firms were faced with the greatest cost pressures since March, but decided to absorb most of the extra cost burden themselves in order to boost sales."

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For further information, please contact:

IHS Markit

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

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

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.

About IHS Markit (www.ihsmarkit.com)

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: www.markit.com/product/pmi.