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# IHS Markit Brazil Services PMI®

Including IHS Markit Brazil Composite PMI®

## Demand for Brazilian services improves further at year end

### Key findings

Sharp rise in new business supports output growth

Job creation sustained in December

Inflationary pressures subside

Data were collected 06-20 December 2021.

Economic conditions in the Brazilian service sector continued to improve in December, with companies ending 2021 in a much better way than it started as vaccine progress and the retreat of the pandemic supported ongoing recoveries in sales and output. The latest results also showed a renewed upturn in international orders and a further expansion in employment. Although price pressures remained elevated, rates of increase in both input costs and output charges eased to five-month lows.

The headline IHS Markit Brazil Services Business Activity Index was at 53.6 in December, equal to November and at its joint-lowest mark in seven months. That said, the latest figure was still indicative of a marked rise in output. Survey participants suggested that growth stemmed from the return of face-to-face events and the release of some pent-up demand as COVID-19 restrictions eased.

New work intakes expanded at a slower pace than in November, albeit one that was sharp. The increase in sales was associated with growing vaccine coverage and the retreat of pandemic-related restrictions.

The rise in total sales was supported by a recovery in international demand for Brazilian services. New export business expanded for the first time in four months and at the third-fastest rate since the series started in September 2014.

Brazil Services PMI Business Activity Index  
sa, >50 = growth since previous month



Source: IHS Markit.

Ongoing increases in new business continued to encourage hiring activity among Brazilian service providers. Employment rose solidly, despite the rate of growth softening to the slowest since August.

Capacity expansion initiatives meant that companies had ample resources to help them clear backlogs. Outstanding business declined sharply in December, and at one of the most pronounced rates since the survey started in March 2007.

Brazilian service providers reported another increase in expenses at the end of 2021. Input costs rose sharply, but at the slowest rate in five months. Anecdotal evidence highlighted higher prices for a wide range of items, energy and fuel. Increases were often linked to currency weakness and material shortages among suppliers.

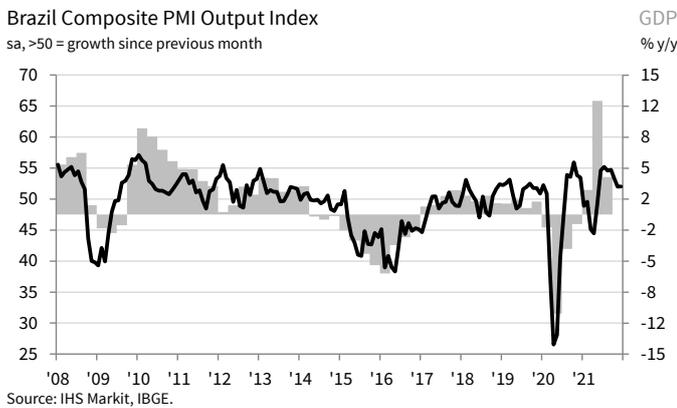
The rate of output charge inflation likewise receded to a five-month low in December, whilst remaining above its long-run average. Survey members commonly suggested that additional cost burdens were transferred to consumers.

Business sentiment towards the year-ahead outlook for activity remained firmly in positive territory during December, despite slipping from November. Companies expect a recovery in other parts of the economy, and the pandemic to retreat further. Marketing initiatives and vaccine progress were also among the factors underpinning optimism.

*continued...*

## IHS Markit Brazil Composite PMI®

### Private sector output increases modestly in December



Growth of Brazilian private sector output steadied at the end of 2021, as a sustained expansion in the service sector offset weakness in manufacturing. The Composite Output Index\* was at 52.0 in December, unchanged from November and signalling the joint-slowest pace of increase in the current seven-month sequence of growth.

Another marked increase in aggregate new orders masked notable divergences at the sector level. Factory orders slipped for the third straight month in December, while service providers recorded a further sharp upturn in new work intakes.

Private sector employment in Brazil rose for the seventh month in a row during December. The increase was the slowest in this period, albeit solid in the context of historical data. Job creation softened across both the manufacturing and service sectors, with the latter leading the expansion.

Cost inflationary pressures remained more pronounced at manufacturers than among services firms, although rates of increase slowed in both cases. At the composite level, the rate of inflation subsided to a five-month low.

Prices charged for goods and services in Brazil continued to increase in December as additional cost burdens were shared with consumers. The overall rate of inflation eased to a nine-month low, however.

\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

### Comment

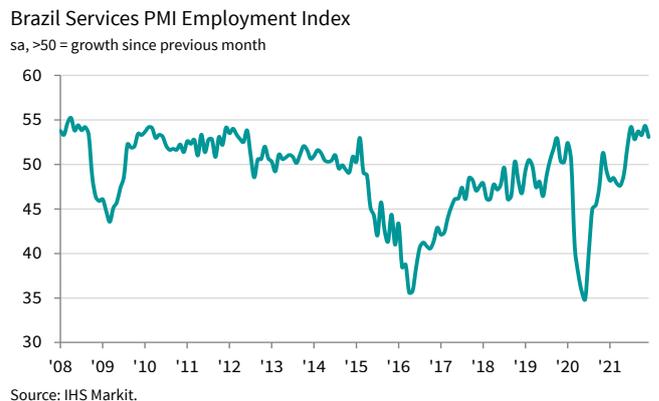
Commenting on the PMI data, Pollyanna De Lima, Economics Associate Director at IHS Markit said:

*"Service providers ended the year on a high, with the recoveries in new orders and business activity seen throughout the second half of 2021 extended to December. These results were in stark contrast to those seen in the manufacturing industry, where production and sales contracted throughout the fourth quarter.*

*"Service providers reported a further substantial increase in their expenses, with additional cost burdens again passed on to consumers. However, there were indications that inflationary pressures have started to retreat. Purchasing costs and factory gate charges in the manufacturing sector likewise rose at sharp but slower rates.*

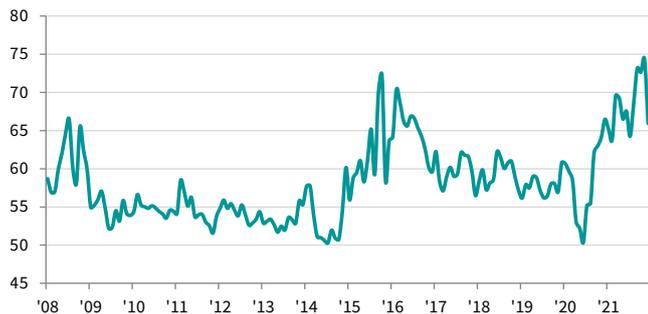
*"When providing their assessments for 2022, services firms were upbeat that business activity would expand. Expectations were largely pinned on hopes that the pandemic would continue to recede, and vaccine coverage would improve. Companies also foresee recoveries in the wider economy, including the automotive and civil construction sectors.*

*"While this positive forecast bodes well for the economic, investment and employment outlook, Brazilian companies could face many headwinds this year. Some threats include the risk of new COVID-19 waves, rising interest rates, stubborn inflation, lingering supply-chain issues and disruptions arising from the presidential election."*



**Brazil Services PMI Input Prices Index**

sa, >50 = inflation since previous month



Source: IHS Markit.

**Brazil Services PMI Prices Charged Index**

sa, >50 = inflation since previous month



Source: IHS Markit.

**Contact**

Pollyanna De Lima  
 Economics Associate Director  
 IHS Markit  
 T: +44-1491-461-075  
[pollyanna.delima@ihsmarkit.com](mailto:pollyanna.delima@ihsmarkit.com)

Katherine Smith  
 Public Relations  
 IHS Markit  
 +1 781 301 9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

**Survey methodology**

The IHS Markit Brazil Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and services sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

**Survey dates and history**

Data were collected 06-20 December 2021.

Survey data were first collected March 2007.

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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. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).