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IHS Markit Brazil Services PMI®

Including IHS Markit Brazil Composite PMI®

Input cost inflation climbs to survey peak

Key findings

Sharpest increases in input costs and output charges on record

New business and activity expand at substantial rates...

...boosting job creation

Data were collected 13-27 September 2021.

Business conditions in the Brazilian service sector remained favourable in September, with sustained growth of new orders supporting a further expansion in output and hiring. However, a substantial increase in input costs continued to add strain to firms' expenses and pushed up prices charged for the provision of services. In both cases, rates of inflation reached survey records.

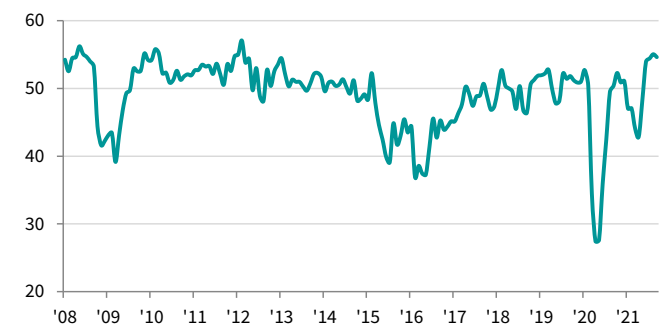
The headline IHS Markit Brazil Services Business Activity Index was at 54.6 in September, down slightly from 55.1 in August and signalling a further marked expansion in services output. The latest figure was the second-highest in over nine-and-a-half years. Companies attributed the rise to the loosening of COVID-19 restrictions and better underlying demand.

According to panel members, with the pandemic receding and vaccine access improving, consumers were more confident about going out and spending amid a reduction in health & safety concerns. As such, companies continued to add to their bookings, with overall sales expanding markedly in September.

Rising food, fuel, personal protective equipment (PPE) and material prices pushed the overall rate of input cost inflation to a new record during September.

All five broad areas of the service economy posted accelerated increases in expenses, with the sharpest rises evident in Consumer Services and Transport & Storage.

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



Source: IHS Markit.

Similarly, output prices rose at an unprecedented rate as service providers passed on additional cost burdens to their clients.

At the sub-sector level, the top two rates of charge inflation were registered in Information & Communication and Transport & Storage.

Meanwhile, Brazilian service providers continued to add to their payroll numbers in September. Employment expanded for the fourth month running and at a marked rate that was the second-quickest in over nine years.

Amid reports of ongoing increases in workforce numbers, services companies were able to clear their backlogs of work in September. Unfinished business declined for the first time in three months, albeit moderately.

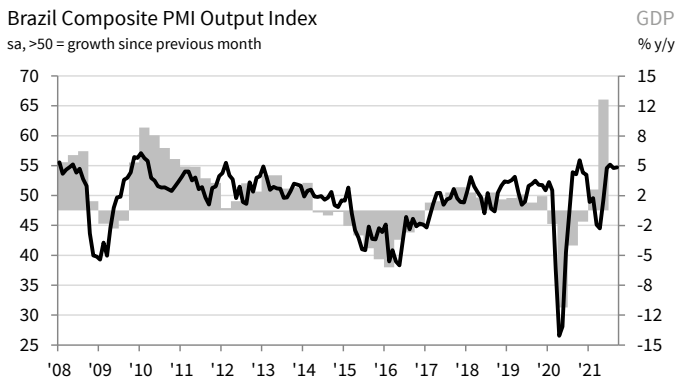
Whereas domestic demand remained accommodative, international sales contracted at the end of the third quarter. The fall in new export business was the first in five months and solid overall.

Finally, services firms were upbeat in their assessments of business activity levels over the course of the coming 12 months. Moreover, the overall degree of business optimism strengthened to a 26-month high. Hopes that the pandemic will subside underpinned forecasts of better tourism and demand in the year ahead.

continued...

IHS Markit Brazil Composite PMI®

Substantial increase in private sector output



Source: IHS Markit, IBGE.

Brazilian private sector output rose for the fourth month in a row during September, with growth sustained in the manufacturing and service economies. The Composite Output Index* was at 54.7, little-changed from 54.6 in August and thereby highlighting a marked pace of expansion.

Private sector sales increased further, taking the current sequence of expansion to five months. The rate of growth eased from August, but remained solid and above its long-run average. Moreover, the rise was broad based across the manufacturing and service sectors.

Ongoing improvements in demand continued to underpin job creation in the private sector. The latest increase in jobs was marked and the second-strongest in eleven-and-a-half years. Manufacturers posted a faster rate of expansion than service providers.

Although inflationary pressures in the manufacturing industry eased, it gathered pace in the service economy. As a result, the aggregate rate of input cost inflation hit a survey peak during September. Equally, output charges at the composite level increased at an unprecedented rate.

Private sector firms were at their most optimistic regarding the 12-month outlook for business activity since the end of 2019. Similarly robust levels of positive sentiment were seen among goods producers and services firms.

*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:

“Although the service sector continued to expand, evidence that inflation surged further will trouble policymakers and eat into firms' profits. Companies again reported sizeable monthly increases in energy, food, fuel and material costs amid US dollar strength, higher global oil prices and water shortages.

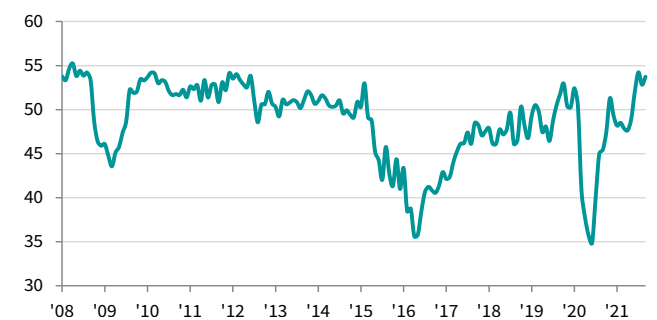
“With demand conditions remaining favourable, pricing power was retained and firms were therefore able to share additional cost burdens with clients. However, selling prices rose at a much slower pace than input costs – despite both hitting record highs – suggesting that companies absorbed most of the additional expenses.

“The PMI data showed that business and consumer confidence improved as the pandemic continued to retreat, vaccine access improved and concerns over health & safety diminished. On the consumer side we saw a substantial upturn in demand for services. Companies responded by lifting activity and employment at one of the strongest rates in over nine years.

“The positive performance of the service sector was accompanied by a rebound in the strength of manufacturing production growth during September, rounding off the best quarterly performance for private sector output since the opening quarter of 2010.”

Brazil Services PMI Employment Index

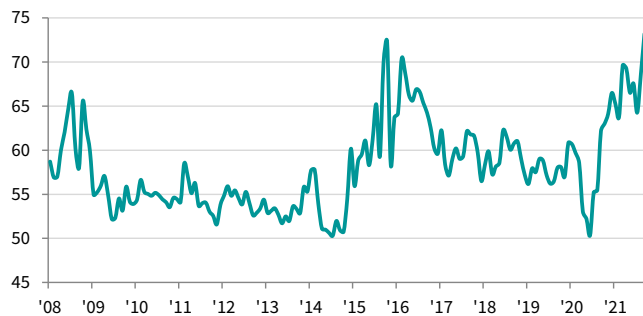
sa, >50 = growth since previous month



Source: IHS Markit.

Brazil Services PMI Input Prices Index

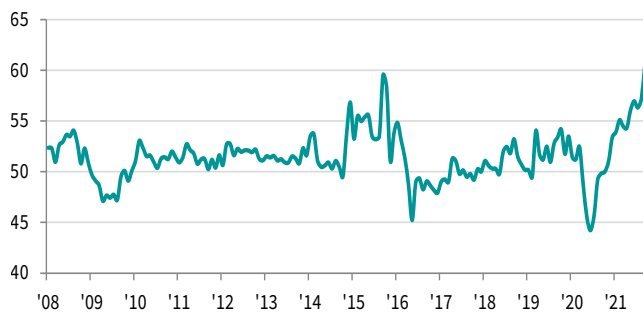
sa, >50 = inflation since previous month



Source: IHS Markit.

Brazil Services PMI Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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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.

Survey dates and history

Data were collected 13-27 September 2021.

Survey data were first collected March 2007.

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