

Embargoed until 1000 Sao Paulo (1300 UTC) 6 May 2019

## IHS MARKIT BRAZIL SERVICES PMI®

INCLUDING IHS MARKIT BRAZIL COMPOSITE PMI®

### New business growth softens from March's near eleven-and-a-half-year high

#### KEY FINDINGS

Slowest increase in new work since last October

Business activity stagnates in April

Job shedding accelerates

Growth of service sector activity in Brazil came to halt during April, despite ongoing increases in inflows of new work. Although solid, the latest upturn in total sales was the weakest in six months and partly curbed by an accelerated deterioration in overseas demand. Companies shed jobs again, and to the greatest extent in the year-to-date. On the price front, input cost inflation accelerated, but charges were raised to a lesser degree amid competitive pressures. Moreover, business optimism weakened to a ten-month low.

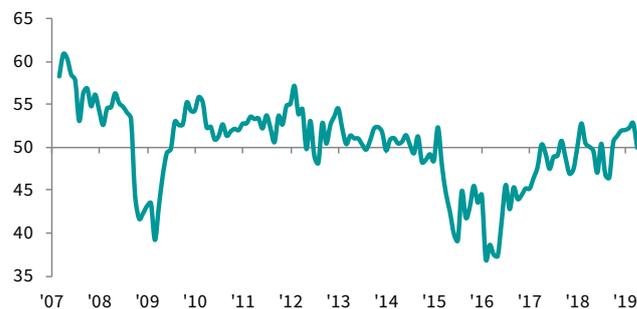
The headline seasonally adjusted IHS Markit Brazil Services Business Activity Index posted below the 50.0 no-change mark for the first time in seven months during April. However, falling from 52.7 in March to 49.9, the latest figure was consistent with broadly stagnant services output. Companies that signalled contraction indicated weak consumption and unfavourable public policies, while those that saw growth mentioned successful marketing.

Despite rising for the seventh month in a row, growth of new work lost traction in April. The increase was the weakest since October, softening considerably from March's near eleven-and-a-half-year peak. Where expansion was noted, this was linked to the offering of new services, greater client bases and marketing initiatives.

The upturn in total sales was domestically driven, as signalled by a solid and accelerated contraction in new export orders.

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

Amid reports of subdued revenues, staff resignations and ongoing efforts to trim expenses, service sector employment across Brazil decreased at the start of the second quarter. The fall was the most pronounced in 2019 so far and quicker than the survey average rate of job cutting.

Still, service providers were able to clear their outstanding business again. Despite softening from March, the pace of backlog depletion remained steep in the context of historical survey data.

Input prices in the Brazilian service economy increased at the quickest pace in five months during April, one that outstripped the long-run survey average. Anecdotal evidence highlighted higher food, fuel and rent costs.

Some service providers increased their fees amid efforts to protect margins in the face of upward cost pressures. That said, the overall rate of charge inflation softened from March and was modest. Survey evidence suggested that the rise was curtailed by competitive conditions and subsequent efforts to secure bookings.

Brazilian service providers remained optimistic that business activity will increase in the coming 12 months, but confidence slipped to a ten-month low in April. Concerns about government policies, privatisation and bankruptcy were among the factors restricting sentiment.

## IHS MARKIT BRAZIL COMPOSITE PMI®

## Weakest rise in private sector output for six months

### Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

Brazil's private sector economy took a step back in April, after growth reached a 13-month high in March. The Composite Output Index\* fell from 53.1 to 50.6, signalling a marginal upturn. Weighing on aggregate output expansion was a slowdown in manufacturing production growth and broadly stagnant services activity.

Incoming new work continued to rise at goods producers and service providers, although growth moderated in both cases. The upturn was led by the service sector for the fourth month running.

However, only manufacturing jobs rose at the start of the second quarter. The pace of employment expansion here was, however, marginal and the weakest in the current four-month period of increases. By comparison, service sector jobs declined for the second straight month.

Input cost inflation in the private sector picked up to a six-month high as rates of increase accelerated at both goods producers and service providers. The former noted the sharper rise.

Despite the uptick in cost burdens, aggregate selling prices rose to a lesser extent as companies attempted to secure new work in the face of an increasingly competitive environment. Softer rates of inflation were noted across both sectors.

Finally, positive sentiment among private sector firms weakened to the lowest since last September.

\*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. The Brazil Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

### COMMENT

Commenting on the PMI data, Pollyanna De Lima, Principal Economist at IHS Markit said:

*"PMI data for the service sector reinforces the message of a cooling economy indicated by manufacturing figures released on 2nd May.*

*"The impact of softening demand conditions was more severe in the service sector than in manufacturing. The latter sustained growth of production and employment in April, while services activity stalled and job shedding picked up to the fastest in 2019 so far.*

*"The relative strength of the manufacturing industry was sufficient to underpin private sector activity growth, although the upturn was the slowest since last October. The news on aggregate jobs was less desirable, with contraction registered for the first time since January.*

*"There were also signs of further pressure on the margins of private sector companies as faltering demand prevented many firms from hiking their fees, despite cost inflation accelerating to a six-month high. At the same time, businesses were at their least upbeat towards growth prospects since last September."*

## CONTACT

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#### 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 service 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.

April 2019 data were collected 10-25 April 2019.

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

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IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and 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 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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

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