

**EMBARGOED UNTIL: 23:01 (UTC) July 11<sup>th</sup> 2021**

# IHS Markit Brazil Business Outlook

## Business confidence strengthens on vaccine hopes

### Key findings:

- Business activity sentiment highest since February 2020
- Hiring intentions improve in June
- Inflationary pressures set to build

Data collected June 11-25

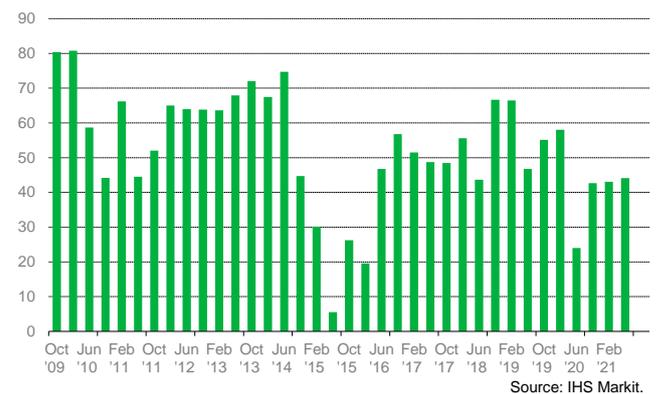
Growing vaccine availability and expectations that the COVID-19 pandemic will recede boosted business confidence in Brazil midway through the year. Levels of positive sentiment for business activity and employment rose to the highest since February 2020. Capital expenditure goals were revised higher, but there was a downshift in research and development (R&D) plans.

Companies expect supply-chain issues and global shortages of raw materials to continue to push up input prices. Staff cost inflation also looks set to intensify, but businesses are confident of being able to share additional cost burdens with clients by lifting their selling charges. Optimism regarding pricing power, combined with forecasts of better demand conditions, led to an uptick in sentiment for profitability.

The **IHS Markit Brazil Business Outlook** survey showed that a net balance of +44% of companies foresee output growth in the year ahead. This was up from +43% in February and the highest figure since February 2020. Firms anticipate the end of pandemic-related restrictions as the vaccination programme advances. Some panellists reported plans to invest in marketing and machinery, while others are seeking to obtain new partnerships, gain market share and launch new products.

Goods producers were particularly upbeat towards the year-ahead outlook for production, with June's net balance of +70% the highest in over a year and topping the global rankings.

### Brazil business activity expectations



At +36% in June, the services business activity net balance was little-changed from February (+37%). Confidence here was below the global average, but above emerging market sentiment.

### Capacity expansions planned for the year ahead

In line with predicted increases in sales and output, companies intend to expand operating capacities over the course of the coming 12 months. The employment net balance was up from +20% in February to +22% in June, the highest mark in over a year. Manufacturing firms (+35%) were more upbeat towards job creation than their services (+19%) counterparts, although optimism strengthened in both segments.

Capital expenditure budgets were revised higher midway through 2021, with the net balance of private sector companies anticipating growth rising from +11% to +15%. This reading matched the global average.

R&D spending looks set to rise, but companies were slightly less upbeat than in February, with the net balance also below the emerging market and global averages. Brazilian goods producers were more confident than service providers.

## Staff cost inflation expectations highest in over a year

Due to planned increases in hiring, firms expect greater staff expenses in the year ahead. Rising from +25% in February to +42% in June, the net balance climbed to the highest since February 2020. Upward revisions were seen in the manufacturing and service sectors, with the respective net balances at +71% (series peak) and +34%.

Firms continued to predict that supply-chain constraints and raw material scarcity will push up input costs. The net balance of companies forecasting greater non-staff costs was higher than in February and above the global average.

Amid efforts to protect margins from cost rises, businesses intend to lift their selling prices. As was the case for costs, manufacturers were more likely to predict higher charges than service providers.

## Firms upbeat about profitability

A net balance of +22% of private sector companies were upbeat about earnings. Sentiment strengthened from February and was higher than the global average. Brazilian goods producers (+24%) were more optimistic than services firms (+21%).

### Comment:

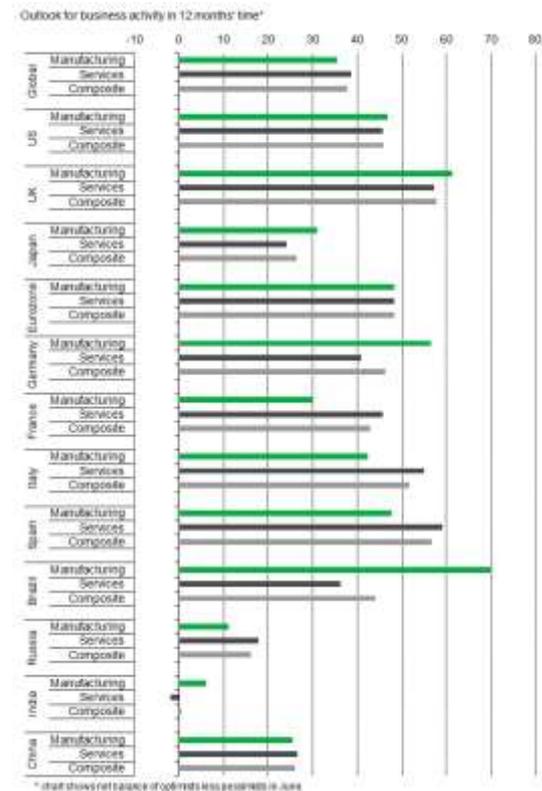
Commenting on the Brazil Business Outlook survey data, **Pollyanna De Lima**, Economics Associate Director at IHS Markit, said:

*“The June business outlook results showed that Brazilian companies were slightly more confident about the prospects for output, profitability, employment and capex investment than in February. Firms commonly hope that growing vaccine coverage will bring the pandemic under control and support an economic recovery. Indeed, we forecast 5.0% growth of real GDP for 2021. While virus mutations and the potential of further waves of COVID-19 remain a threat to the outlook, surging inflation is also a concern among businesses.”*

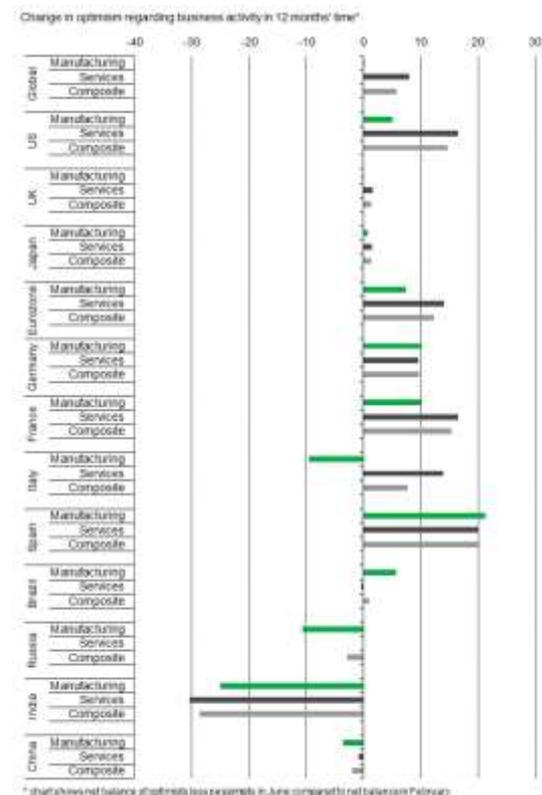
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Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

## Business optimism in June



## How business activity expectations have changed since February



**For further information, please contact:****IHS Markit**

Pollyanna De Lima, Economics Associate Director  
Telephone +44 149 146 1075  
Email [pollyanna.delima@ihsmarkit.com](mailto:pollyanna.delima@ihsmarkit.com)

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

**Notes to Editors:**

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October. The latest survey was conducted between June 10 and 29.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that IHS Markit operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 8,000 firms.

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