

Embargoed until 1000 Sao Paulo (1300 UTC) 6 January 2020

IHS MARKIT BRAZIL SERVICES PMI®

INCLUDING IHS MARKIT BRAZIL COMPOSITE PMI®

Services activity grows slightly despite solid upturn in sales

KEY FINDINGS

Output growth little-changed from November

New work intakes expand solidly

Optimism climbs to five-month high

Brazilian service providers benefited from a marked and accelerated increase in new work intakes at the year end, which resulted in sustained growth of output and employment. That said, the uptick in business activity remained slight. Survey data indicated that international markets contributed to the overall rise in demand, with export sales up for only the third time in 2019. Looking ahead, positive sentiment strengthened to a five-month high.

The seasonally adjusted IHS Markit Brazil Services Business Activity Index recorded 51.0 in December, little-changed from November's reading of 50.9 and signalling a marginal increase in output that was broadly in line with the average for 2019. Four of the five monitored sub-sectors registered growth, the exception being Real Estate & Business Services where a stabilisation was noted.

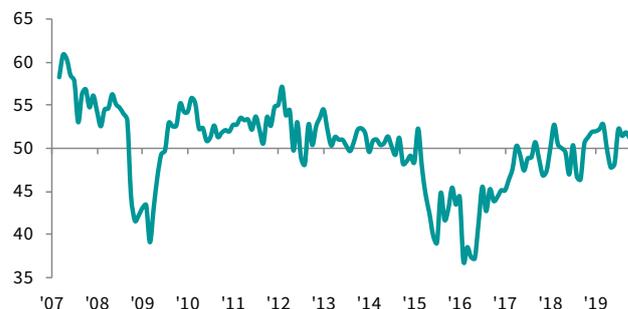
Those companies that reported growth of business activity commented on strengthening demand conditions. Indeed, sales increased for the sixth month in succession and at the second-quickest pace over this period (behind October). Moreover, the rate of expansion surpassed its long-run average.

The rise in total new work was supported by higher demand from international clients, as indicated by a renewed increase in services exports. The upturn was the third in 2019, but slight overall.

A number of services companies took on additional workers in response to rising workloads, which contributed to a fifth successive expansion in employment. However, the pace of

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

growth was marginal and the weakest over this sequence. Growth was curbed by job shedding at firms that sought to reduce operating costs.

Amid reports of higher prices paid for food, petrol and utilities, average cost burdens rose again at the end of 2019. Furthermore, the overall rate of inflation was sharp and the strongest in over one year. Rates of increase were more pronounced in the Transport & Storage and Consumer Services categories.

In response to rising cost burdens, Brazilian services companies increased their selling prices again during December. The rate of charge inflation was solid and also picked up from November.

Businesses forecast output growth during 2020, with confidence supported by the offering of new services and supportive public policies. Some firms also predict better economic conditions, including an improved trend for employment. The overall level of positive sentiment increased to its highest since July.

Finally, PMI survey data highlighted ongoing spare capacity among services firms as outstanding business decreased for the fifty-third month in a row. The rate of backlog depletion was solid, despite easing from mid-quarter.

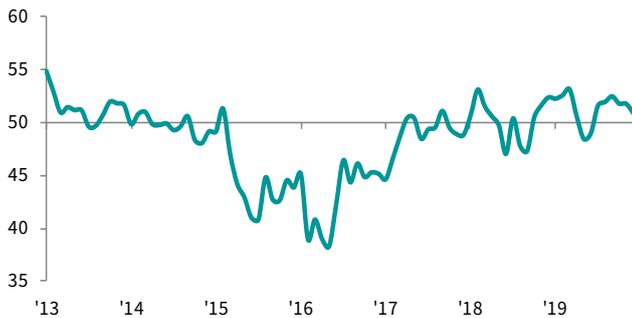
continued...

IHS MARKIT BRAZIL COMPOSITE PMI®

Output growth eases in December amid manufacturing sector weakness

Composite Output Index

sa, >50 = growth since previous month



Source: IHS Markit

Although private sector activity continued to rise at the end of 2019, the upturn softened to the weakest in the current six-month sequence of expansion. The Composite Output Index* was down from 51.8 in November to 50.9 in December, reflecting a much slower increase in manufacturing production.

Growth of private sector sales quickened from November's five-month low. There were contrasting trends at the sub-sector level, with factory orders rising at the weakest pace in seven months and growth of services new business accelerating.

Brazilian private sector employment stagnated in December, as job creation in the service economy was offset by a renewed decline in factory headcounts.

Input costs facing private sector companies rose further at the year end, with the rate of inflation climbing to a 14-month high. Faster increases were noted at both goods producers and service providers.

Companies sought to protect their margins from cost rises and hence lifted selling prices further. In contrast to the trend seen in November, services firms posted a stronger rate of charge inflation than their manufacturing counterparts.

Business optimism was sustained, with the level of positive sentiment at a five-month high in December. Manufacturers and services firms were more upbeat.

**Composite indices are weighted averages of comparable manufacturing and services 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:

"Brazil's dominant service sector stayed in expansion mode at the end of the year, with the current picture remaining one of economic resilience. Also, a robust degree of business optimism coupled with strengthening demand conditions indicates that modest growth is attainable in the near term.

"A key source of anxiety continues to be the trend for employment, with job creation failing to gain any traction. In December, we saw only a fractional rise in headcounts that was the weakest in the current expansionary period. The main factor restricting employment growth remains firms' efforts to cut costs, which increased substantially at the year end.

"Looking at the combined results from the manufacturing and services PMI surveys, the rise in private sector output noted in the final quarter of the year was a tick lower than that seen in Q3. This suggests that GDP growth will be somewhat disappointing, and is likely to be below the +0.6% reported for the three months to September."

CONTACT

IHS Markit

Pollyanna De Lima
Principal Economist
T: +44-1491-461-075
pollyanna.delima@ihsmarkit.com

Katherine Smith
Public Relations
+1 781 301 9311
katherine.smith@ihsmarkit.com

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.

December 2019 data were collected 5-18 December 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

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

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click [here](#).