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# IHS Markit Brazil Services PMI®

Including IHS Markit Brazil Composite PMI®

## Output growth gathers momentum as demand conditions strengthen

### Key findings

Business activity increases at fastest rate since February 2012

Fastest upturn in new orders in 19 months

Rate of charge inflation nears six-year peak

Data were collected 12-25 August 2021.

Brazil's service sector remained in expansion mode during August as companies lifted business activity to the greatest extent in nine-and-a-half years in response to strong inflows of new work. The uptick in demand exerted upward pressure on the capacity of service providers, as seen by a further increase in backlogs, an outcome that underpinned job creation. Cost inflationary pressures showed no signs of abating, leading to the third-sharpest rise in output charges in the survey history.

Rising from 54.4 in July to 55.1 in August, the IHS Markit Brazil Services Business Activity Index hit a nine-and-a-half-year peak and thereby signalled a substantial increase in output. According to panel members, the upturn stemmed from improved demand conditions, growing vaccine coverage and the reopening of some businesses.

Demand for Brazilian services strengthened in August amid reports of greater vaccine access, improved tourism and the resumption of normal operations across various segments. New business inflows rose for the fourth month running and at the fastest pace since the start of 2020.

External demand for services also improved substantially midway through the third quarter, but new export orders rose at a softer pace than July's series peak.

August data pointed to another substantial increase in input costs facing service providers. Firms reported having

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



Source: IHS Markit.

paid more for food, fuel, personal protective equipment (PPE), hygiene items, transportation and utilities. The overall rate of cost inflation was at a four-month high and was one of the strongest seen since data collection started in March 2007.

Ongoing efforts to maintain profit margins led services firms to share part of their additional cost burdens with clients. Output charges rose substantially, and at the third-quickest rate in the survey history.

Strong inflows of new business, delayed client payments and shortages of some items all caused an increase in backlogs of work among services companies. Despite easing from July, the pace of accumulation was elevated by historical standards.

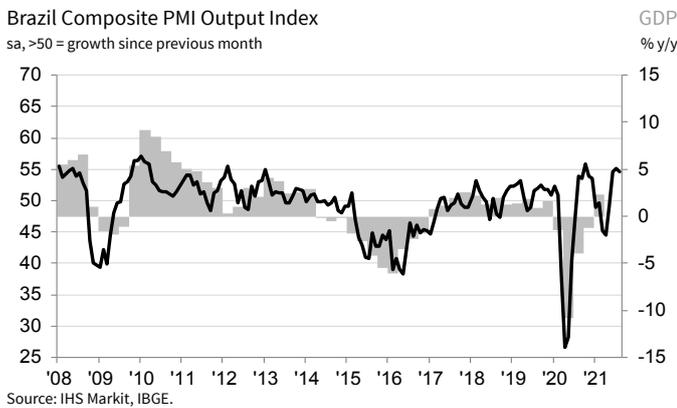
Subsequently, companies hired extra staff in August. The increase in employment was the third in successive months and solid, but eased from July.

Job creation was also triggered by widespread expectations of output growth in the year ahead. Services firms were at their most optimistic in a year and a half. Positive sentiment largely reflected hopes of an end to the pandemic as vaccination becomes widespread.

*continued...*

## IHS Markit Brazil Composite PMI®

### Aggregate output continues to expand in August



The recovery of Brazil's private sector was extended to August, as manufacturers and service providers noted higher levels of output. At 54.6 in August, the Composite Output Index\* was down from 55.2 in July but still pointed to a marked pace of expansion. Growth was constrained by a slower increase in the goods-producing segment.

New orders expanded further at the composite level, marking a four-month sequence of growth. The rate of increase was marked, despite easing from July. A faster upturn in the service sector contrasted with a slowdown in manufacturing.

Private sector jobs rose at a softer, although solid, pace midway through the third quarter as job creation moderated at manufacturing firms and their services counterparts.

August data showed one of the sharpest monthly rates of increase in input costs since composite data became available in March 2007. Manufacturers saw a stronger rate of inflation than service providers, despite posting the slowest rise in purchasing costs in over a year.

Charge inflation also eased in the manufacturing industry, while quickening at services companies. Here too, the former registered the strongest rate of increase, however.

Private sector firms were at their most upbeat regarding growth prospects in eight months, with levels of sentiment improving in both the manufacturing and service categories.

\*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

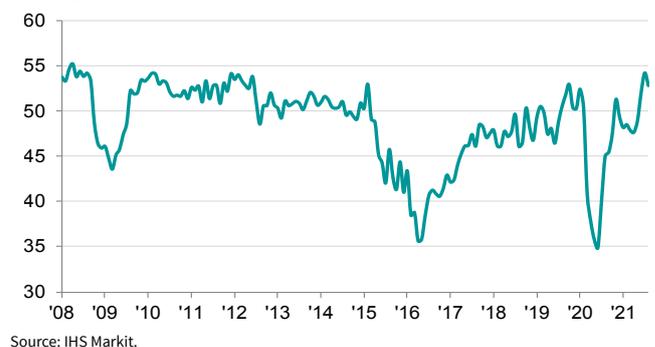
Commenting on the PMI data, Pollyanna De Lima, Economics Associate Director at IHS Markit said:

*"The damaging impact of the pandemic on the service sector dwindled to a trickle in August, with a further rebound in demand pushing output growth to a nine-and-a-half-year high."*

*"The boost to consumer spending stemmed from improved confidence due to growing vaccine coverage and the reopening of several businesses. Services companies were also more upbeat about the outlook, a viewpoint that continued to support job creation across the sector."*

*"A key red flag of the services PMI results for August was the re-emergence of inflationary pressures, with companies' finances again burdened by soaring expenses. However, with consumers willing to loosen the purse strings, firms increased their own charges again. The rate of output price inflation was the third-highest in the near 15-year survey history."*

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



## 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](mailto:economics@ihsmarkit.com).

## Survey dates and history

Data were collected 12-25 August 2021.

Survey data were first collected March 2007.

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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.  
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