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IHS Markit Brazil Services PMI®

Including IHS Markit Brazil Composite PMI®

Improved demand for services prompts renewed expansion in business activity

Key findings

Output rises at fastest monthly rate since January 2013

Notable acceleration in new business growth

Near-record increase in selling prices amid acute cost pressures

Data were collected 11-25 June 2021.

A marked and accelerated increase in total new orders supported a rebound in Brazilian services output during June. Business activity expanded for the first time in six months and at the fastest pace in just under eight-and-a-half years. Companies signalled strong influxes of new work from abroad and hired additional staff at the quickest rate since the start of 2020.

Meanwhile, an intensification of cost inflationary pressures underpinned the third-fastest upturn in selling charges since the inception of the survey in March 2007.

Rising from 48.3 in May to 53.9 in June, the IHS Markit Brazil Services Business Activity Index was in expansion territory for the first time in the year-to-date. Moreover, the latest figure pointed to the strongest rate of increase since January 2013. According to survey participants, the upturn stemmed from the easing of some COVID-19 restrictions, vaccine progress and new business growth.

New orders increased for the second month in a row and at the quickest pace since January 2020. Survey participants indicated that demand was supported by the lifting of some COVID-19 restrictions and the ongoing vaccination programme.

The best trends for output and new orders were seen in the Transport & Storage category during June.

The upturn in total new business was reinforced by a series-record expansion in international sales.

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



Source: IHS Markit.

Amid reports of higher prices for food, fuel, personal protective equipment (PPE) and utilities, average input costs continued to increase in June. Having quickened from May, the rate of inflation was sharp and above its long-run average.

Part of the additional cost burden was passed on to clients, with services firms lifting their fees for the eighth straight month in June. Furthermore, the overall rate of charge inflation was the third-fastest seen in the history of the survey, behind those registered in September and October 2015. Inflationary pressures were strongest in the Transport & Storage category.

Despite the uptick in expenses and in line with robust new business growth, companies took on extra staff in June. The rise in overall service sector jobs was the quickest since January 2020 and ended a six-month period of reduction.

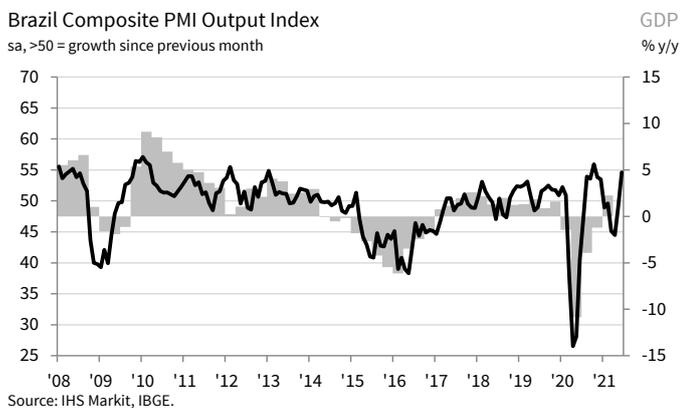
June data indicated that service providers had sufficient resources to stay on top of their workloads, with outstanding business volumes decreasing for the eighth straight month.

Predictions that COVID-19 restrictions will ease as more people are vaccinated and the pandemic retreats supported business optimism in June. The overall level of confidence was at a six-month high, but remained below its long-run average.

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IHS Markit Brazil Composite PMI®

Growth of private sector activity reinstated in June



Brazilian private sector output increased in June, following five consecutive months of decline. The Composite Output Index* climbed from 49.2 in May to 54.6, highlighting the strongest rate of expansion since October 2020. Growth was broad-based across the manufacturing and service sectors, with the former leading the upturn.

June data pointed to a second successive monthly rise in new orders received by private sector companies, with the rate of expansion improving from May and surpassing its long-run average. Faster increases were recorded in both the manufacturing and service sectors.

Employment across the private sector rose at a solid pace that was the quickest in close to nine-and-a-half years, after declining in each of the previous five months. Here too goods producers outperformed service providers.

The rate of input cost inflation across the private sector was at a near series peak, beaten only by those seen in March and April this year.

Similarly, selling prices rose at the second-fastest rate since composite data became available in March 2007, behind May.

Private sector companies became more optimistic towards growth prospects, with the overall level of positive sentiment climbing to a six-month high during June.

*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:

"Despite the recent wave of COVID-19 cases in Brazil, the service economy returned to expansion territory in June as the lifting of some local restrictions supported demand and boosted sales from domestic and international sources. In particular, the increase in new export work was unprecedented since that series began in 2014.

"Services firms posted the sharpest monthly rise in business activity for nearly eight-and-a-half years and there was a renewed upturn in sector employment as many companies sought to replace workers that had been dismissed earlier in the year.

"Service providers became more confident that business activity will increase over the course of the coming year, but there remained caution in their assessments of growth prospects. Some firms hope that as more people are immunised against COVID-19, the pandemic will recede and restrictions will be fully lifted.

"That said, the pandemic is far from over, in Brazil and elsewhere, with the emergence of new variants and vaccine shortages in many countries bringing question marks over the sustainability of Brazil's economic recovery.

"Another key downside risk to the outlook is the ongoing intensification of inflationary pressures. With input costs rising due to material shortages and additional expenses on PPE, services firms continued to hike their charges. The rate of selling price inflation moved closer to the survey peak set in September 2015."

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 11-25 June 2021.

Survey data were first collected March 2007.

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