

EMBARGOED UNTIL: 20:01 (Sao Paulo) / 23:01 (UTC) July 16th 2017

IHS Markit Brazil Business Outlook

Business sentiment slides due to political and economic uncertainty

Key findings:

- Optimism towards output at one-year low
- Softer rises in new business and profits foreseen
- Hiring plans scaled back

Data collected June 12-27

The IHS Markit Business Outlook survey shows fading optimism among private sector companies in Brazil, with confidence levels regarding output, new business, profitability and employment all falling since February. Encouragingly, anticipations of softer cost inflationary pressures are forecast to lead to slower increases in prices charged.

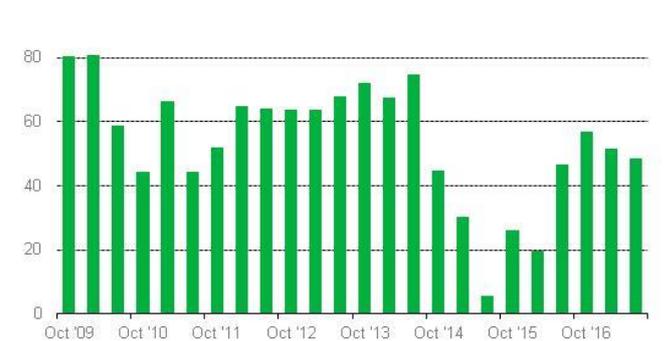
Confidence towards business activity is unchanged in the service sector, whereas manufacturers have signalled the weakest level of positive sentiment in a year. Across the private sector as a whole, the net balance of firms expecting growth is down to +49%, the lowest since June 2016.

Companies see trade, new product developments, expansion into new markets and hopes of an economic recovery as opportunities for growth over the coming year. Inflows of new work are predicted to increase by a net balance of +47% of enterprises, the highest reading of all four BRIC nations. Nonetheless, this is the lowest figure since June 2016, with confidence waning on the back of concerns around political impasse, client defaults, competition, high unemployment and fragile demand.

Expectations for both business revenues and profit margins have lessened in June. The net balance for the former is down from +46% in February to +43%, while the equivalent reading for profitability is at a one-year low of +25%. Manufacturers and service providers have signalled diminished confidence towards earnings compared with earlier in the year.

Brazil business activity expectations

% of companies expecting an increase in next 12 months minus % expecting a decline



Source: IHS Markit.

Firms plan to create jobs

Positive sentiment concerning activity and new business supports forecasts of increasing employment in Brazil. That said, at +24%, the net balance is down to the lowest mark for a year.

Service providers' optimism regarding employment has strengthened slightly since February to the strongest since October 2015. At +23%, the net balance is above both the BRIC (+12%) and global (+17%) averages.

With the employment net balance descending to +27% in June, confidence among goods producers related to payroll numbers is at a one-year low, yet still points to job creation in the year ahead.

Currency weakness set to exert upward pressure on costs

Private sector companies in Brazil anticipate higher cost burdens over the course of the coming year, with the depreciation of the real foreseen to persist and therefore cause prices for imported items to rise. At +49% in June, the net balance for input costs is second only to that seen in Germany (+50%). Similarly,

a net balance of +39% of companies expect to raise their selling prices, the highest reading worldwide.

Plans for capital spending revised lower again

Amid expectations of strong inflationary pressures and predictions of softer profitability growth, Brazilian companies have adjusted their investment policies. The net balance for capital expenditure is down for the second consecutive survey period to +16%. Weak optimism for capex is broad-based across both services and manufacturing.

Comment:

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

“With political stalemate in Brazil still ongoing, businesses remain apprehensive towards economic prosperity. Increases in output, new business, profits and employment are expected, but confidence levels are down across the board as client defaults, competition, high unemployment and frail demand are all predicted to curtail growth.

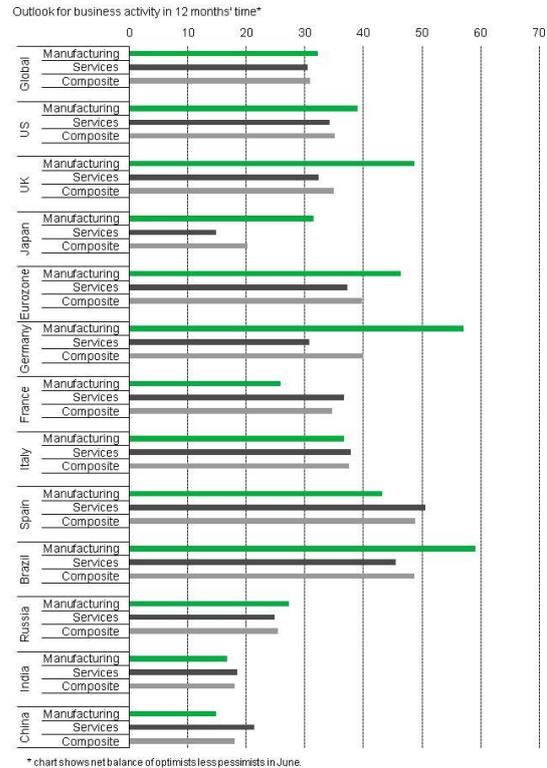
“A key concern is that corruption investigations involving the interim president could cause a further paralysis in congress, delaying much-needed votes on key reforms which have the potential to revitalise growth. At the same time, fading consumer and investment confidence continues to affect businesses.

“To further add to the malaise, unemployment levels in Brazil remain elevated, with just shy of 14 million people placed out of jobs. Labour market conditions have to seriously improve before any talks of a sustained economic recovery can take place. Whereas the latest outlook results show positive intentions towards hiring, these have been revised lower since February as companies are planning to keep a lid on costs.”

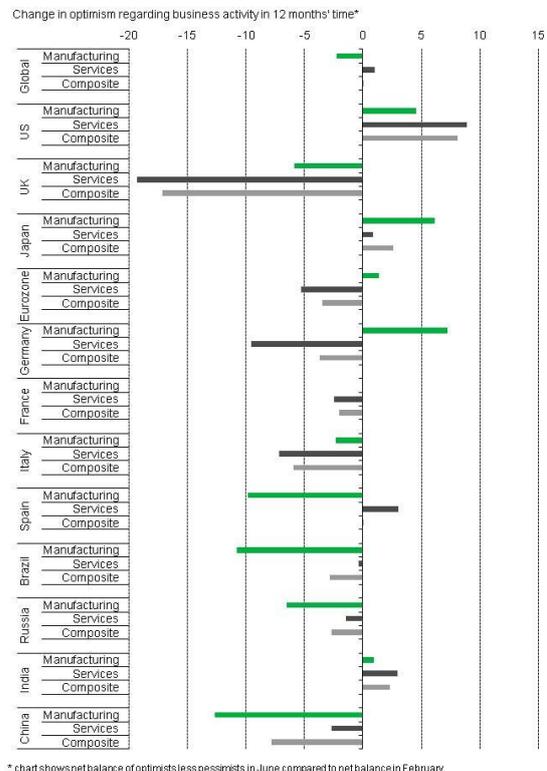
-Ends-

Full data available on request from 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, Economist
Telephone +44-1491-461-075
Email pollyanna.delima@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
Email joanna.vickers@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 12 and 27.

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, fax, 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 0.0 signalling a neutral outlook for the coming twelve months. Values above 0.0 indicate optimism amongst companies regarding the outlook for the coming twelve months while values below 0.0 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 7,000 firms.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

The intellectual property rights to the Business Outlook survey 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 trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trade mark of IHS Markit Limited.

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