

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
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## IHS Markit Brazil Services PMI<sup>®</sup> (with Composite PMI data)

### Growth of private sector output slows amid weaker upturn in services activity

#### Key findings:

- Manufacturing production growth accelerates, while expansion in services activity eases
- Faster increases in new business seen in both sectors
- Employment rises among goods producers, but falls at service providers

Data collected March 12-26

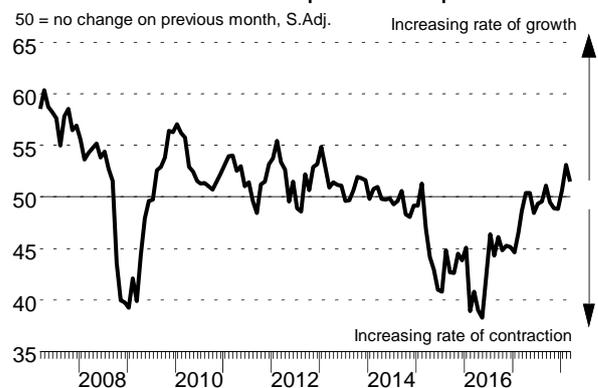
March survey data showed a moderation in growth of private sector output across Brazil. The slowdown reflected a weaker upturn in services activity, as factory production expanded at the second-fastest pace in over five years. Total new business increased to the greatest extent since January 2013, with both monitored sectors posting stronger rises than those seen in February. That said, only goods producers created jobs.

The seasonally adjusted **Brazil Composite PMI Output Index** fell from 53.1 in February to 51.5 at the end of the first quarter. This reading was consistent with a weaker and only modest rise in private sector activity across the nation. The slowdown was reflective of a loss of growth momentum among service providers, as manufacturers powered ahead.

At 50.4 in March, the seasonally adjusted **IHS Markit Brazil Services Business Activity Index** showed a second consecutive expansion in output across the sector. However, the headline figure fell from a 61-month peak of 52.7 in February and was at a level indicative of only a marginal rate of increase. The upturn in business activity reflected successful advertising and a stronger demand environment, with growth reportedly curtailed by financial difficulties, client defaults and low employment.

Such was the strength of the upturn in demand that growth of new work received by service providers climbed to the highest in over five years.

IHS Markit Brazil Composite Output Index



Companies indicated having received new work thanks to marketing initiatives, greater client bases and a relatively improved economic environment. With growth of factory orders also picking up, new work across the private sector as a whole showed the largest gain since January 2013.

Services firms were strongly optimistic regarding the 12-month outlook for output. Growth was reportedly forecast in line with the offering of new services, potential cost savings and favourable economic conditions. The level of positive sentiment was at a six-month high. Manufacturing confidence also improved in March.

Amid ongoing efforts to keep a lid on costs, Brazilian services providers shed jobs once again in March. The fall in employment was the thirty-seventh in as many months and sharp overall. Some firms indicated the non-replacement of voluntary leavers. Conversely, posts were created in the manufacturing industry, with jobs growth registered for the sixth month running.

Operating capacities were sufficient to cope with greater workloads, as evidenced by further declines in outstanding business. Rates of backlog depletion moderated in both sectors, but remained substantial.

*Continues...*

Input cost inflation facing service providers eased to a three-month low in March as cheaper borrowing costs partly offset rising petrol and utility prices. At the composite level, the increase in input costs was likewise the slowest in the year-to-date.

In general, service providers raised their selling prices in response to higher operating costs. The increase in charges was the third in as many months, though the weakest over this sequence and only marginal overall. This was due to some companies lowering charges amid efforts to boost demand. Factory gate prices also rose at a softer rate, although one that was sharp and above the average over the past year.

### Comment:

Commenting on the Brazilian Services and Composite PMI data, **Pollyanna De Lima**, Principal Economist at IHS Markit and author of the report, said:

*“Brazil ended the first quarter of 2018 on a softer footing due to a considerable slowdown in its dominant service sector. Manufacturing firms outperformed their services counterparts on all fronts, reporting faster growth rates for both output and new work. Furthermore, goods producers placed more people into jobs, while service providers continued to signal lower payroll numbers.*

*“It’s not all doom and gloom for the service sector however as signs of resilient demand and positive business expectations paint a brighter picture of the coming months.*

*“Critical to a more balanced recovery from the severe downturn that Brazil experienced throughout 2015 and 2016 is an improvement in employment trends. With some 12.6% of the workforce – 13 million people – without jobs, a stronger labour market should become policymakers’ priority if a sustainable economic upturn is to take place.*

*“Although the figures for March bring some concern about a potential slowdown, for the opening quarter as a whole the news is more encouraging. The average reading for the Composite Output Index stood at 51.8, its highest mark since Q4 2013, suggesting that GDP growth accelerated from the +0.1% quarter-on-quarter rate noted at the end of 2017.”*

-Ends-

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### Notes to Editors:

The IHS Markit Brazil Services *PMI*® is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 450 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The IHS Markit Brazil Composite *PMI*® is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of around 850 companies based in the Brazilian manufacturing and service sectors.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The *Purchasing Managers' Index*™ (*PMI*®) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. *PMI* surveys are the *first* indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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