

**Purchasing Managers' Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 10:00 (Sao Paulo) / 13:00 (UTC) June 5th 2018**

## IHS Markit Brazil Services PMI<sup>®</sup> (with Composite PMI data)

### Service sector output contracts for first time in year-to-date

#### Key findings:

- Services Business Activity Index falls to 49.5
- New order growth slows to four-month low
- Service providers signal weakest degree of optimism in over two years

Data collected May 11-25

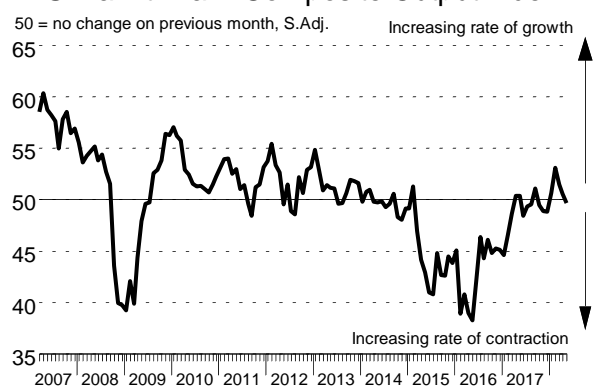
May saw a widespread deterioration in service sector PMI indicators. A renewed fall in business activity was accompanied by quicker contractions in employment and backlogs, while new orders grew at the weakest pace in four months. Companies offered price discounts amid efforts to secure new work, despite a pick-up in cost inflation. At the same time, business confidence dipped to a 26-month low.

After posting exactly at the 50 no-change mark in April, the seasonally adjusted **IHS Markit Brazil Services Business Activity Index** fell to 49.5 in May. The headline figure registered in contraction territory for the first time in 2018, though was indicative of only a marginal rate of reduction. Anecdotal evidence pointed to weak underlying demand, client defaults and challenging market conditions.

The decline in services activity, combined with a slowdown in growth of manufacturing production, led to a contraction of private sector output. The seasonally adjusted **Brazil Composite PMI Output Index** fell from 50.6 in April to 49.7 in May, signalling the first drop in private sector activity across the country in the year-to-date.

Despite remaining in expansion territory in May, new orders received by services firms showed signs of cooling. The upturn was the slowest since January and only modest. According to panellists, new business increased due to improved marketing campaigns and greater client bases, but growth was curbed by market uncertainty. Factory orders

#### IHS Markit Brazil Composite Output Index



rose for the fifteenth straight month, but at the weakest pace over this period.

Cooling demand, coupled with ongoing cost-cutting initiatives, led to another decrease in services jobs. The fall in sector employment was the thirty-ninth in as many months and faster than that noted in April. Although payroll numbers in the manufacturing industry continued to expand, growth eased to a four-month low.

Despite lower workforce numbers, service providers were able to reduce their outstanding business. Backlogs of work decreased at the sharpest rate in almost one-and-a-half years. Goods producers likewise signalled a quicker decrease in work-in-hand.

Amid widespread reports of higher fuel costs, average input prices faced by service providers increased further in May. The rate of cost inflation accelerated to the quickest since February and was above its long-run average. At the same time, the rate of purchasing price inflation among manufacturers picked up to a six-month high.

Despite intensified cost pressures, companies offered discounts for their services amid a competitive environment. Selling prices decreased for the first time since October 2017, but only

marginally. Conversely, manufacturers hiked their charges to the greatest extent in 27 months.

Finally, output is anticipated by service providers to expand in the coming 12 months, with optimism underpinned by restructuring plans, marketing efforts and projects in the pipeline. However, worries about real depreciation (against the US dollar) and ongoing domestic issues weighed on sentiment. The overall level of confidence fell to a 26-month low. Manufacturers were at their least confident since October 2017.

### Comment:

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

*“Sluggish demand and strong inflationary pressures shifted the Brazilian economy into reverse midway through the second quarter. On the back of these adverse developments, further jobs were lost in May and companies became less confident about the year-ahead outlook for output.”*

*“Pivotal to the phasedown was services weakness. The sector has failed to gain any traction from the solid upturn noted in February, with the index measuring activity signalling a loss of momentum in each month since. In May, survey participants suggested that challenging market conditions, client defaults and weak underlying demand sent output back in the red. This occurred despite firms offering discounts for their services, even though higher fuel prices translated into sharper input cost inflation.”*

*“With truck drivers’ strikes across the nation impacting on the supply of fuel as well as food, transport, healthcare and schools, we are unlikely to see a rebound in economic conditions in the near future.”*

-Ends-

## For further information, please contact:

### IHS Markit

Pollyanna De Lima, Principal Economist  
Telephone +44-1491-461-075  
Email [pollyanna.delima@ihsmarkit.com](mailto:pollyanna.delima@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44207 260 2234  
E-mail [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### 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).

### About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

IHS Markit (Nasdaq: 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 © 2018 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 <https://ihsmarkit.com/products/pmi.html>.

The intellectual property rights to the Brazil Services and Composite *PMI*® 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.

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