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## IHS MARKIT BRAZIL SERVICES PMI®

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### Brazil's service sector bounces back amid strong wave of new work

#### KEY FINDINGS

Second-fastest rise in new business since January 2013

Output growth accelerates

Inflationary pressures subside

Brazil's service sector rebounded in November, with firms experiencing the second-strongest upturn in new business in close to six years. As a result, output growth gathered momentum. Not only was the expansion supported by the domestic market, but also by stronger demand from overseas. Newly-launched export business data revealed a substantial increase in the level of new work received from abroad, ending a 43-month sequence of contraction. However, businesses' ability to still complete outstanding work, coupled with cost-cutting efforts, caused a renewed fall in employment.

Rising from 50.5 in October to 51.3 in November, the seasonally adjusted IHS Markit Brazil Services Business Activity Index was at a nine-month high. The latest figure pointed to a modest, but quicker, expansion in output.

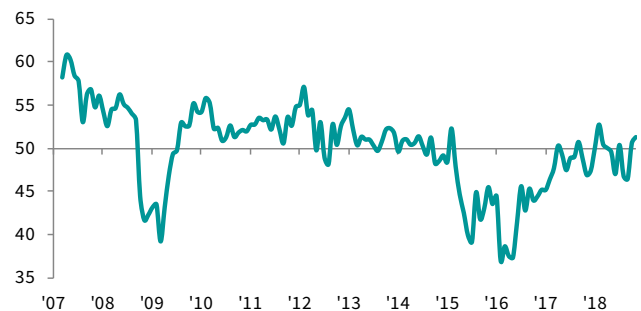
New business growth picked up in November, with panellists highlighting post-election optimism, new client wins and marketing initiatives as key factors boosting demand. The upturn was the second-fastest in almost six years, and widespread across all five monitored categories for the first time in close to four years.

New work from abroad also expanded, ending a 43-month sequence of contraction. Survey members indicated that marketing efforts bore fruit and that favourable exchange rates supported the rise.

November data indicated that current capacities were sufficient to cope with the uptick in demand, as outstanding business decreased further. The fall in backlogs was the

Services Business Activity Index

sa, >50 = growth since previous month



Source: IHS Markit

fortieth in as many months, though the least pronounced since August.

Amid efforts to keep a lid on costs, service providers reduced headcounts in November, following job creation at the start of the quarter. The fall in employment was, however, only slight as some companies did hire extra workers to accommodate for strengthening demand conditions. Sector data indicated that job creation was confined to Finance & Insurance and Consumer Services.

Service providers in Brazil reported higher prices paid for electricity, water, fuel, rent and transport in November. As a result, overall cost burdens continued to increase. Nevertheless, the rate of inflation softened to a six-month low.

Similarly, selling prices rose further but to a weaker extent than in October. The rate of charge inflation was the slowest in the current six-month sequence of increase. Some companies reported the pass-through of greater cost burdens to clients, while others indicated that competitive pressures prevented them from hiking charges.

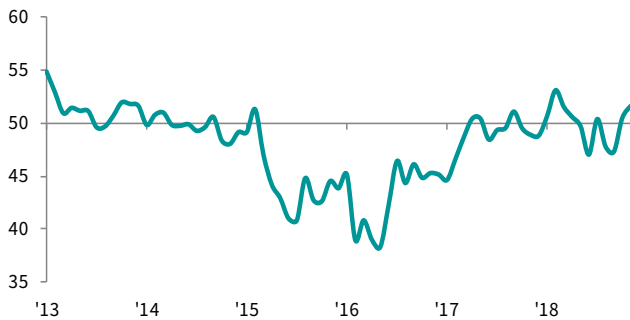
Business sentiment remained robust, with firms indicating that a change in government, investment plans, equipment acquisitions and predictions of greater tourism are likely to support output growth over the course of the coming year.

## IHS MARKIT BRAZIL COMPOSITE PMI®

## Output growth strengthens in November

Composite Output Index

sa, &gt;50 = growth since previous month



Source: IHS Markit

The Composite Output Index\* climbed from 50.5 in October to a nine-month high of 51.6 midway through the final quarter of 2018. The upward movement reflected stronger growth of both manufacturing production and services activity.

The uptick in output growth was supported by strengthening order flows. New business across the private sector expanded at the second-fastest pace in almost six years, with growth picking up pace in the manufacturing and service sectors.

That said, only goods producers lifted employment. The rise in manufacturing jobs was moderate, though the quickest since March. With services headcounts showing a renewed decline, private sector employment contracted, reversing the upturn noted at the start of the final quarter.

November data highlighted cooling inflationary pressures across Brazil. Input price inflation softened to an eight-month low. For the first time in over one year, services firms registered a quicker increase in cost burdens than their manufacturing counterparts. As was the case for costs, charge inflation eased in both monitored sectors.

There were diverging trends with regards to business sentiment. Optimism among goods producers climbed to a series peak, while services confidence waned slightly from October's five-year high.

\*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. The Brazil Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.

### COMMENT

Commenting on the PMI data, Pollyanna De Lima, Principal Economist at IHS Markit said:

*"PMI data for November indicated that Brazil shifted towards a more balanced upturn, whilst gaining growth momentum from October, as firms and clients displayed a post-election optimism boom."*

*"In manufacturing, order books expanded across the three monitored categories: investment, intermediate and consumer goods. Similarly, services new business rose in all five tracked sectors."*

*"With the aggregate New Orders Index posting its second-best reading in just under six years, firms signalled a stronger upturn in output. The mid-quarter data suggest that GDP is on course for a rebound in the final quarter of 2018."*

*"The election outcome seems to have been welcomed by the market. The BRL firmed, compared to earlier in October, translating into softer cost pressures faced by private sector companies. Subsequently, businesses were able to support the uptick in demand with less aggressive rises in charges for their goods and services."*

## CONTACT

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### 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 service 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.

November 2018 data were collected 12-27 November 2018.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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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. To learn more go to [ihsmarkit.com/products/pmi.html](http://ihsmarkit.com/products/pmi.html).

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