

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

### Private sector approaches stagnation amid service sector weakness

#### Key findings:

- April sees moderation in production growth and stagnation of services activity
- New business gains evident in both sectors...
- ...but only goods producers create jobs

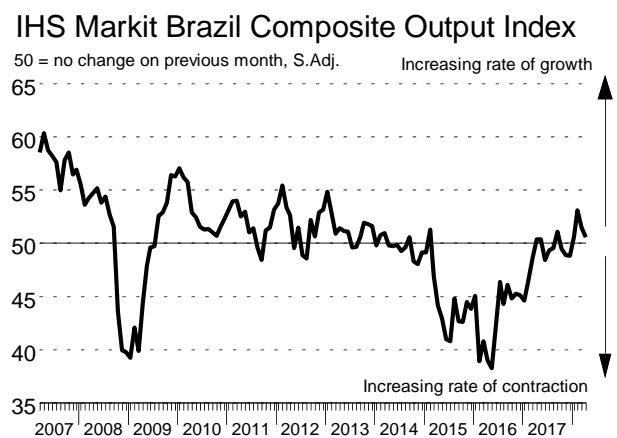
Data collected April 12-25

Although Brazil's private sector continued to expand in April, there were signs of growth cooling. Output displayed the weakest upturn in the current four-month period of increase, partly due to stagnation of services activity. Growth of total new business eased from the multi-year peak noted in March, while private sector employment declined again. At the same time, business sentiment was at a four-month low.

Down to 50.6 in April, from 51.5 in March, the seasonally adjusted **Brazil Composite PMI Output Index** edged closer to the no-change mark of 50.0. The latest figure was still indicative of private sector output growth, albeit one that was the weakest in the current four-month period of expansion. Factory production increased at the slowest pace since last October, while services activity stagnated.

Registering exactly at the critical 50.0 threshold in April, the seasonally adjusted IHS Markit **Brazil Services Business Activity Index** pointed to unchanged services output in Brazil. The headline figure fell from 50.4 in March, when growth had been noted for the second month in a row. Whereas some companies indicated that new business gains boosted activity at their units, others suggested that reduced client bases combined with unfavourable political and economic conditions resulted in lower output.

Services new business increased at the start of the second quarter, extending the current period of expansion to four months. That said, the upturn was modest and the weakest seen since January.



With growth of factory orders also softening, the Composite New Orders Index fell to a three-month low in April.

Survey data highlighted an increasing degree of spare capacity among service providers in Brazil, as outstanding business declined at the second-sharpest pace in the current 33-month period of falling backlogs. Outstanding work at goods producers also decreased, but at the weakest rate in over two years.

Workforce numbers were lowered again in the service sector, with job shedding having now been recorded for 38 months. Some companies suggested that the fall in payroll numbers reflected ongoing efforts to reduce costs. The rate of contraction was moderate, however, and among the slowest seen in this sequence. Although manufacturers continued to hire, the upturn was insufficient to offset the decline in services jobs and private sector employment fell further.

Input cost inflation in the service economy accelerated in April, surpassing its long-run average. There were mentions of rising prices for energy, fuel and raw materials, while a number of firms also suggested that staff salaries had been increased in line with higher living costs. A faster

rise in purchasing prices was similarly recorded in the manufacturing sector.

Some service providers indicated that their selling prices were increased in April due to greater cost burdens, but other firms suggested that competitive pressures limited pricing power. As a result, the overall rate of charge inflation was marginal. At the same time, factory gate charges rose at a slower rate.

Services firms remained optimistic towards growth prospects. New partnerships, governmental changes and restructuring plans were among the reasons underpinning confidence. However, worries towards political and economic issues weighed on sentiment. As a result, optimism fell to a four-month low. Similarly, manufacturing confidence faded to the lowest since last October.

## Comment:

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

*“Brazilian companies have been treading water recently, with April seeing a broad-based slowdown in growth. A softer upturn in factory production was accompanied by stagnation of services activity, resulting in the slowest rise of private sector output in the current four-month period of expansion. Weaker activity trends mirrored cooling demand and subsequent softer gains in new work.*

*“The subdued economic performance was felt in the labour market. In order to gain competitiveness by limiting price increases in the face of rising costs, firms controlled expenses through their payrolls. Services companies shed jobs again, while employment expansion in the manufacturing industry was at a three-month low.*

*“Participants of the manufacturing and services panels were worried that political issues and economic weakness could impact on growth prospects, which translated into a fall in positive sentiment. That said, based on firms’ hopes of a positive presidential election outcome, conditions are expected to improve and, as such, output expansion is foreseen in the year ahead.”*

-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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