

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 10:00 (Sao Paulo) / 13:00 (UTC) July 5th 2017

IHS Markit Brazil Services PMI[®] (with Composite PMI data)

Services activity falls at faster rate amid renewed contraction in new work

Key findings:

- Output declines at quickest rate since February
- New business decreases for first time in five months
- Optimism slides to 15-month low

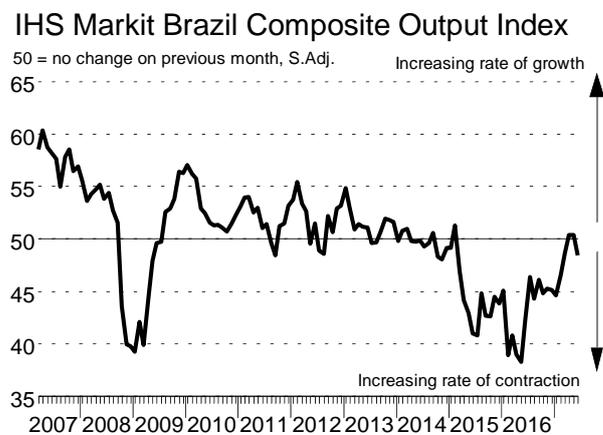
Data collected June 12-27

Brazil's service sector remained in reverse during June as a renewed drop in new work dragged activity down further. Demand weakness caused another monthly contraction in employment and led firms to offer discounts in order to attempt to win new business. Charges were lowered despite a sharp increase in overall cost burdens. Meanwhile, growing concerns among companies regarding political issues and sluggish market conditions resulted in the lowest level of confidence since March 2016.

At 47.4 in June, the headline seasonally adjusted **IHS Markit Brazil Services PMI Business Activity Index** pointed to a second straight monthly contraction in output across the sector. Falling from 49.2 in May, the latest figure also indicated a quicker rate of reduction. Activity levels were down in four out of the six categories covered by the survey, the exceptions being Financial Intermediation and Post & Telecommunications.

On the other hand, growth of manufacturing production was sustained in June. However, the rate of expansion eased substantially from May's recent high and was insufficient to offset the downturn in services. Consequently, the seasonally adjusted **IHS Markit Brazil PMI Composite Output Index** fell from 50.4 to 48.5, highlighting a return to contraction in private sector activity.

Incoming new work at service providers decreased in June, thereby ending a four-month sequence of expansion. Panel members indicated that the fall in new business reflected a combination of unstable



Source: IHS Markit

market conditions, political disturbances, frail demand and financial issues among consumers. Factory orders continued to rise, though the pace of growth softened.

Lower sales, company restructuring moves, the closure of some operations and cost-cutting efforts triggered a further reduction in services employment. Headcounts decreased solidly in June and for the twenty-eighth month in a row. Job losses were also noted in the manufacturing industry, with the pace of contraction the fastest since March.

Nonetheless, companies made further inroads into their backlogs. Outstanding business volumes declined moderately in the service sector and sharply among goods producers.

Input costs faced by services firms increased during June. Although softer than in May, the rate of inflation was sharp and above its long-run average. Panellists indicated that greater cost burdens largely stemmed from currency weakness. Cost inflationary pressures among manufacturers intensified in the current reporting period.

Despite the upturn in input prices, service providers lowered their charges in June. According to survey

respondents, discounts were offered as part of efforts to secure new work. The overall rate of reduction was, however, only marginal. In contrast, factory gate charges rose further.

Brazilian services companies expect new partnerships and higher investments to lead to growth of business activity over the course of the coming 12 months. However, there were mentions among some firms that political issues and sluggish market conditions pose a threat to the outlook. In fact, the degree of optimism dipped to its lowest mark since early-2016. Manufacturers' sentiment was at a three-month high.

Comment:

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

“Economic growth in Brazil was interrupted in June due to a downturn in services, the country's dominant sector. Manufacturing also faced a host of setbacks, with softer increases in factory orders and production causing an accelerated drop in employment. However, for Q2 as a whole the composite PMI averaged 49.8, its highest quarterly reading since Q3 2014.

“June's results for services echoed many challenges facing businesses. Unstable market conditions, political issues, fragile demand and financial constraints among consumers impeded new work. Jobs were shed and activity fell as a result. Even with charges being reduced, firms on average failed to see a rise in new business.

“Survey data indicated that sentiment regarding future growth prospects varied between sectors. Manufacturers were at their most upbeat since March, while services confidence faded to the lowest in 15 months.”

-Ends-

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 +44207 260 2234
E-mail 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.

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.

About PMI

Purchasing Managers' Index™ (*PMI*®) surveys are now available for over 30 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 www.markit.com/product/pmi.

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.

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