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IHS Markit Brazil Services PMI®

Including IHS Markit Brazil Composite PMI®

New business growth hits 32-month high

Key findings

Service providers signal substantial gains in new work

Employment expands at strongest rate since mid-2008

Input cost inflation climbs to new survey peak

Data were collected 12-25 November 2021.

Demand for Brazilian services strengthened noticeably in November amid the retreat of the pandemic, growing vaccine coverage and improving market confidence. Subsequently, business activity expanded for the sixth straight month and employment was raised at the fastest pace in nearly thirteen-and-a-half years. The robust performance of the sector ensued despite mounting inflationary pressures. Input costs increased at an unprecedented pace, while the rate of output charge inflation was the third-highest on record.

Registering 53.6 in November, the headline IHS Markit Brazil Services Business Activity Index highlighted growth for the sixth successive month. Despite falling from 54.9 in October to the lowest in the current period of expansion, the latest reading was consistent with a marked increase in output.

The sustained upturn in services activity was supported by a rebound in sales growth. New work intakes expanded at the fastest pace since March 2019, as reduced COVID-19 cases and greater vaccine access boosted market confidence and demand in November.

Companies were able to secure new work despite a substantial increase in prices charged for the provision of services. Output prices rose at a near-record pace, beaten only by those seen in the prior two months. Panel members indicated that rising cost burdens continued to be transferred to customers.

Brazil Services PMI Business Activity Index
sa, >50 = growth since previous month



Source: IHS Markit.

November data pointed to the steepest increase in input costs since data collection started in March 2007. Monitored companies noted higher prices for a wide range of items, including beverages, food, fuel, transport and utilities. Real weakness (against the US dollar) and water shortages were among the reasons cited for rising input costs.

Buoyed by strengthening demand conditions, service providers filled existing vacancies and created more jobs in November. The rate of employment growth was marked in the context of historical data, having quickened to the fastest since mid-2008.

Rising payroll numbers among service providers enabled them to clear backlogs of work in November. Unfinished business decreased for the third month running and at the fastest pace since May.

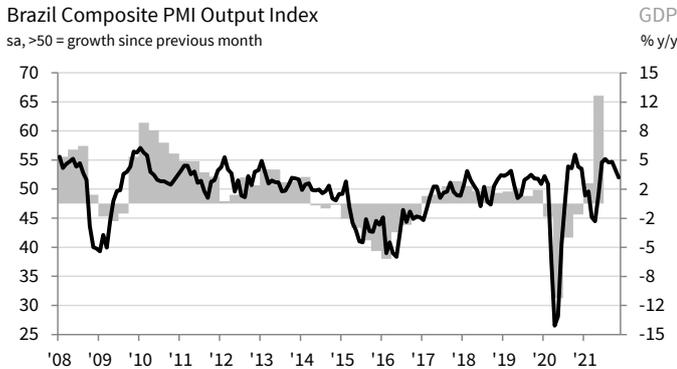
Elsewhere, international demand for Brazilian services worsened further halfway through the final quarter of 2021. The fall in new export orders was solid and the quickest since March.

Hopes that the pandemic will continue to recede as vaccine access improves boosted business confidence in November. The overall degree of optimism was elevated by historical standards and was at its second-highest since the onset of COVID-19.

continued...

IHS Markit Brazil Composite PMI®

Manufacturing weakness drags private sector growth to six-month



Source: IHS Markit, IBGE.

Although private sector output continued to expand in November, the pace of increase softened to the slowest in the current six-month growth sequence. The Composite Output Index* was down from 53.4 in October to 52.0.

Manufacturing was the key source of weakness as production decreased at the fastest rate in a year-and-a-half. Services activity grew solidly, albeit to the least extent in six months.

Growth of aggregate sales quickened, however, as a stronger increase among service providers more than offset a solid reduction in factory sales.

Jobs were created in both the manufacturing and services economies, with growth led by the latter. At the composite level, employment rose at a marked rate that was broadly similar to October.

November data showed that input prices across the private sector increased at the sharpest rate on record. Inflation was more pronounced in the manufacturing industry, despite services firms recording an unprecedented rise in input costs.

Aggregate selling prices rose at a near-record pace, surpassed only by those registered in the prior two months. Both factory gate charges and services fees increased at steep, albeit slower, rates.

*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.

Comment

Commenting on the PMI data, Pollyanna De Lima, Economics Associate Director at IHS Markit said:

“Notwithstanding a sharp rise in output prices, new business received by service providers expanded markedly in November. The pick-up in sales supported a further increase in business activity and boosted employment growth considerably.

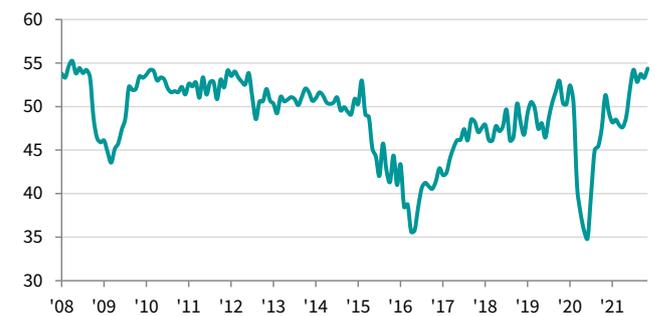
“Worryingly, however, input price inflation climbed to a new record, a factor that could dampen the recovery in the coming months as additional cost burdens continue to feed through to final charges. That said, businesses were confident that output would increase further over the course of the coming 12 months should the pandemic continue to retreat.

“Growth of private sector output faltered in November, largely pulled by drawbacks in the manufacturing industry. Factory orders and production contracted at the fastest rates in a year-and-a-half as price pressures here hampered demand.

“Not only did service providers outperform manufacturers with regards to sales and output, but also on the employment front. Unsurprisingly, considering their greater exposure to international supply-chain problems, goods producers recorded the strongest increases in input costs and selling charges.”

Brazil Services PMI Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

Brazil Services PMI Input Prices Index

sa, >50 = inflation since previous month



Source: IHS Markit.

Brazil Services PMI Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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Survey 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 services 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.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

Data were collected 12-25 November 2021.

Survey data were first collected March 2007.

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