

News Release

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S&P Global Brazil Services PMI®

Stronger upturn in business activity as sales growth climbs to 26-month high

Key findings

Buoyant demand fuels output growth in September

Business confidence strengthens

Price pressures recede only marginally

Service sector growth in Brazil recovered some of the ground lost in August, as business activity rose to a greater extent amid a stronger upturn in new business intakes. Sentiment regarding the year-ahead outlook for output improved to its highest level in over a year, but job creation receded.

Price indices showed softer increases in input costs and selling prices, but rates of inflation remained above their respective long-run averages.

Rising from 54.2 in August to 55.8 in September, the seasonally adjusted S&P Global PMI® Brazil Services Business Activity Index – a diffusion index calculated from a single question that asks firms about changes in business activity volumes compared with the previous month – signalled a quicker increase in output.

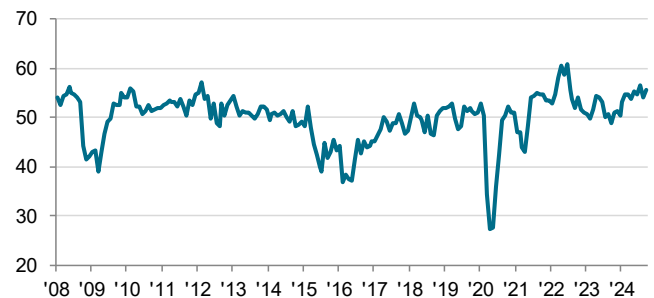
The marked expansion was stronger than the long-run series average and took the current sequence of growth to a year. Survey participants linked the upturn to successful marketing efforts, positive demand trends and a sustained increase in new business intakes.

As has been the case on a monthly basis for a year, new orders at service providers in Brazil rose in September. Moreover, the pace of expansion quickened to the strongest since July 2022 and was historically sharp. When explaining the increase, panellists remarked on new client wins and demand buoyancy.

Services companies expect the positive demand environment to be extended to the coming 12 months, which helped push business sentiment to its highest level since August 2023. Reduced unemployment and investment plans also underpinned upbeat forecasts.

Input prices across Brazil's service economy continued to increase at the end of the third quarter, reportedly owing to greater food, fuel and utility (electricity, internet, subscriptions and water) costs. The rate of inflation eased

S&P Global Brazil Services Business Activity Index
sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-25 September 2024.

Comment

Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence, said:

"September saw a rebound in services activity growth, effectively offsetting the slowdown from August and marking the strongest quarter for the sector since Q2 2022. This upturn was driven by a significant improvement in demand conditions.

"While firms remained optimistic about rosy demand in the medium term, jobs growth slowed to its weakest in seven months. Data indicated that businesses largely had sufficient capacity to manage current workloads, yet some panel members noted that recruitment efforts were hindered by labour shortages and ongoing restructuring.

"Cost pressures remained elevated, staying at one of the highest levels seen in just over a year and a half. Respondents reported rising expenses across various categories, including electricity, internet and food, leading to increased selling prices as companies passed on these cost burdens to consumers."

PMI®

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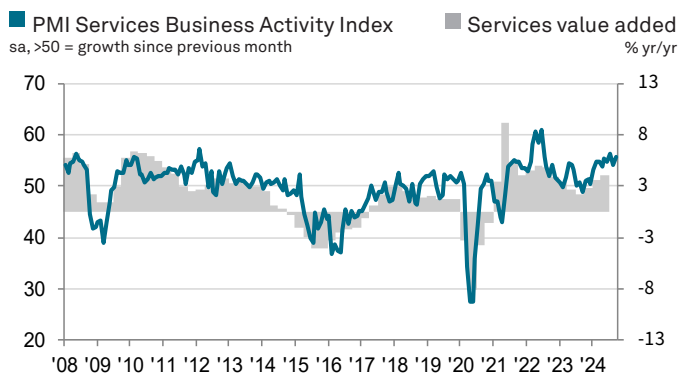
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from August, but remained well above its long-run average.

Ongoing increases in operating expenses prompted companies to lift their selling prices again in September. As was the case for input costs, the rate of charge inflation was historically elevated despite retreating from August.

The current sequence of job creation that started in October 2023 was extended to September, as positive client appetite encouraged some firms to hire extra staff. That said, employment expanded at the weakest pace in seven months.

Looking at the broad areas of the service economy monitored by the PMI survey, Transport, Information & Communication led a broad-based rise in business activity. This sector also registered the strongest increase in new orders, while Finance & Insurance was the only segment to see a fall. Consumer Services saw the steepest cost pressures, while charge inflation was most pronounced in Transport, Information & Communication.



Sources: S&P Global PMI, IBGE via S&P Global Market Intelligence.

S&P Global Brazil Composite PMI®

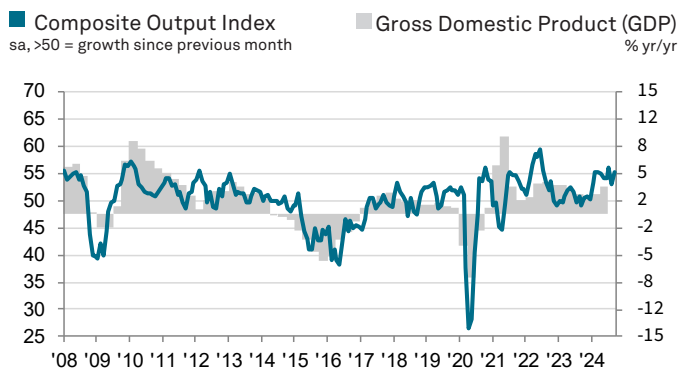
Manufacturing rebound fuels growth in private sector output

Private sector growth across Brazil gained momentum in September, amid a quicker upturn in services activity and a renewed expansion in factory production. Up from an eight-month low of 52.9 in August to 55.2, the S&P Global Composite PMI® Output Index* signalled a marked rate of increase.

New business inflows rose to the greatest extent in 27 months. The service sector continued to record a quicker increase in sales than that seen in manufacturing, but rates of expansion picked up in each case.

However, when it comes to job creation the manufacturing industry was the brighter area. Still, given a notably softer increase in payroll numbers among service providers, private sector employment expanded at the weakest pace in 2024 so far.

Both input costs and selling prices rose at slower rates among manufacturing companies and their services counterparts. Nevertheless, rates of inflation remained above their respective long-run averages across the board.



Sources: S&P Global PMI, IBGE via S&P Global Market Intelligence.

*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.

Brazil Services PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

Brazil Services PMI Input Prices Index

sa, >50 = inflation since previous month



Source: S&P Global PMI.

Survey methodology

The S&P Global Brazil Services PMI® is compiled by S&P Global 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. Data collection began in March 2007.

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.

For further information on the PMI survey methodology, please contact economics@spglobal.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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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Contact

Pollyanna De Lima
 Economics Associate Director
 S&P Global Market Intelligence
 T: +44-1491-461-075
pollyanna.delima@spglobal.com

Katherine Smith
 Corporate Communications
 S&P Global Market Intelligence
 T: +1 (781) 301-9311
katherine.smith@spglobal.com

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