

# News Release

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## S&P Global Brazil Business Outlook

### Brazil bucks global trend and sees improvements in sentiment for investment, employment and profitability

#### Key findings

Investment and hiring plans tick higher in October, while output prospects fall

Inflation expectations revised lower

Services firms more upbeat towards job creation than manufacturers

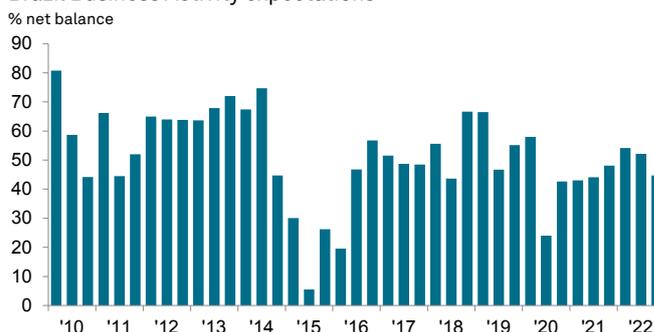
October Business Outlook data from S&P Global, collected before Brazil's election runoff, indicated a moderation in confidence among private sector firms with regards to output prospects. In addition to political uncertainty — the foremost worry among companies — concerns were raised about demand weakness, elevated interest rates, competitive pressures and inflation. Yet, sentiment surrounding profitability, employment, capex and R&D spending all strengthened since June while inflation expectations were revised lower.

When assessing opportunities to the outlook, Brazilian companies hoped to see an increase in exports, partly supported by the launch of new products, and stability with regards to politics and the national economy. There were also predictions that interest rates would be cut, and that lower unemployment and increased tourism could help boost demand for goods and services.

The S&P Global Brazil business activity net balance fell further from February's two-year high, slipping from +52% in June to +45% in October and signalling the weakest degree of optimism since mid-2021. The moderation in confidence was in line with the global picture, with nine out of the 12 countries for which comparable data are available seeing a downward revision to growth prospects.

Brazilian manufacturers signalled a larger weakening in confidence than service providers. Among the former, the net balance fell from +62% in June to a six-and-a-half-year low of +46% in October. The respective figure for services was down from +49% to +44%, the

Brazil Business Activity expectations



Source: S&P Global.  
Data were collected 12-26 October 2022.

#### Comment

Commenting on the Brazil Business Outlook survey data, Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence, said:

*"Even with a high level of political uncertainty at the time when the data were collected, just before the election runoff, companies signalled improved sentiment towards a variety of measures ranging from investment to hiring and tamed inflation expectations. The only undesirable reading was seen for business activity, which indicated a moderation in optimism from mid-year."*

*"Confidence in Brazil also held up well when comparing to other nations, with many seeing business sentiment waning substantially in October due to energy price volatility, acute price pressures and recession fears."*

*"There remain considerable global and domestic headwinds threatening Brazil's economic recovery, however. The risk of a recession lurking in the global economy could considerably damage exports, while the newly-elected government has limited fiscal room to mitigate a downturn whilst attempting to deliver on welfare pledges."*

lowest since June 2021.

### Cost inflation expectations at their weakest since February 2021

Although companies foresee further increases in non-staff costs over the course of the coming year, the inflation outlook was much weaker than previously reported. A net balance of +36% of panellists predicted higher expenses, a notable fall from +53% in June and the largest downward revision seen globally. Sizeable declines in expectations were seen at manufacturing firms and their services counterparts.

Brazilian firms also forecast greater outlays on salaries and wages, but the net balance of companies expecting higher staff costs was down from +42% in June to +37% in October.

In line with a moderation in the cost inflation outlook, Brazilian businesses adjusted their price-setting plans. The proportion of firms forecasting hikes outstripped that predicting a reduction by +35%, the lowest figure since mid-2021.

Granular data indicated that increases in non-staff costs, staff expenses and output charges look set to be more pronounced in the manufacturing industry than in the service economy.

### Private sector investment set to expand in 2023

After downgrading investment plans in June, Brazilian firms became more optimistic about their ability to lift capital expenditure and R&D spending over the coming 12 months.

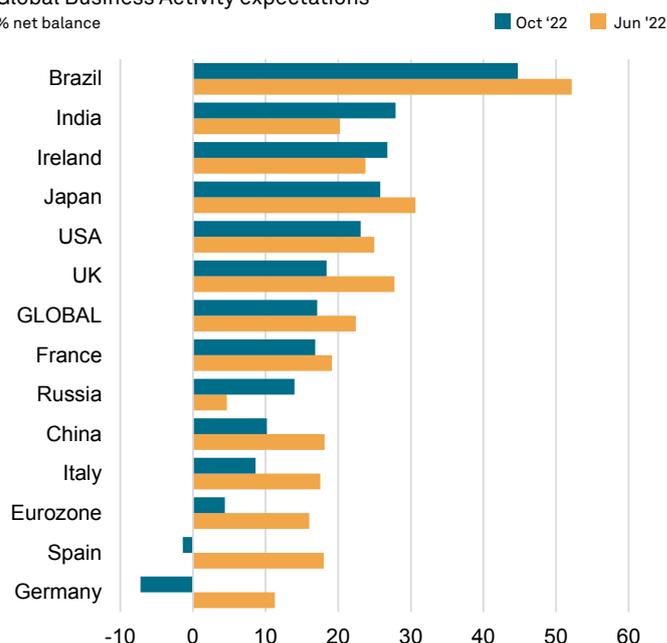
The net balance of companies intending to invest in capital such as IT, vehicles, premises, land and equipment was up to +18%, while the respective figure for research and development financing improved to +11%.

Upbeat confidence was also signalled with regards to employment, as a net balance of +31% of panellists foresee job creation. Hiring plans in Brazil were at their strongest since prior to the COVID-19 pandemic and the highest of the 12 monitored nations for which composite data are available.

### Profits sentiment improves from June's one-year low

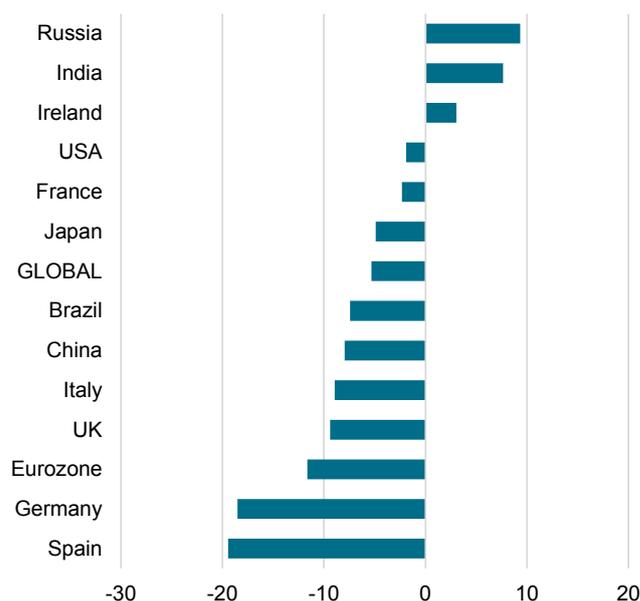
Predictions that cost pressures will be contained and pricing power maintained boosted optimism regarding the 12-month outlook for profitability. The net balance of panellists forecasting earnings growth was up from +23% in June to +31% in October. This was the joint-highest reading since February 2020 and well above the global average of +1%.

Global Business Activity expectations  
% net balance



Source: S&P Global.

Global Business Activity expectations  
Change in % net balance, Oct '22 vs. Jun '22



Source: S&P Global.  
Full data available on request from [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## Survey methodology

The Global Business Outlook Survey for worldwide manufacturing and services is produced by S&P Global and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that S&P Global operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy in the countries mentioned above. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 8,000 firms.

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