

News Release

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S&P Global Brazil Services PMI®

Growth of services activity and new business quickens for first time in four months

Key findings

Marked upturn in new business boosts output growth

Input cost inflation eases to 26-month low...

...but selling charges increase at stronger rate

The Brazilian service sector gained growth momentum in October, with a stronger increase in new work intakes underpinning faster expansions in business activity and employment. Lower energy and fuel prices helped curtail input cost inflation, but output charges rose to a greater extent than in September. Elsewhere, survey participants remained confident towards the outlook amid hopes that investment, advertising and stability after the elections would boost both sales and business activity.

Rising from 51.9 in September to 54.0 in October, the seasonally adjusted S&P Global Brazil Services Business Activity Index pointed to the strongest rate of expansion since July. The latest increase in the headline figure was the first in four months. According to panellists, the upturn stemmed from new business gains.

Indeed, Brazilian services companies observed another increase in new business inflows at the start of the fourth quarter. The rise was the quickest since July, following growth slowdowns in each month since June's recent high. Demand strength, new client wins and greater events were among the reasons cited for the upturn in sales.

The operating expenses of Brazilian services firms continued to increase in October, albeit to a much weaker extent than seen over the past two years. The overall rate of inflation slipped to a 26-month low as reduced energy and fuel costs restricted price pressures.

Prices charged for the provision of services in Brazil rose in October, as has been the case on a monthly basis throughout the past two years. Here, the rate of inflation quickened as firms sought to transfer recent cost increases to their clients.

Sustained improvements in demand for Brazilian services continued to aid job creation in October. Employment rose for the seventeenth straight month and at a marked rate that surpassed that recorded in September.

S&P Global Brazil Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-26 October 2022.

Comment

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

"There were signs of revival in the Brazilian service sector as we head towards the end of 2022, with demand showing considerable resilience despite another increase in output charges. Following three successive months of slowdowns, the PMI survey pointed to stronger expansions in new business and output.

"Price trends were mixed in October, with a softer rise in input costs contrasting with a pick-up in charge inflation. On the one hand, lower prices for energy and fuel relative to September led to a downshift in cost pressures. On the other hand, a greater proportion of companies hiked their own fees amid the transfer of recent increases in their expenses to clients.

"The strong performance of the sector more than offset weakness in manufacturing, supporting faster expansions in private sector sales and output during October.

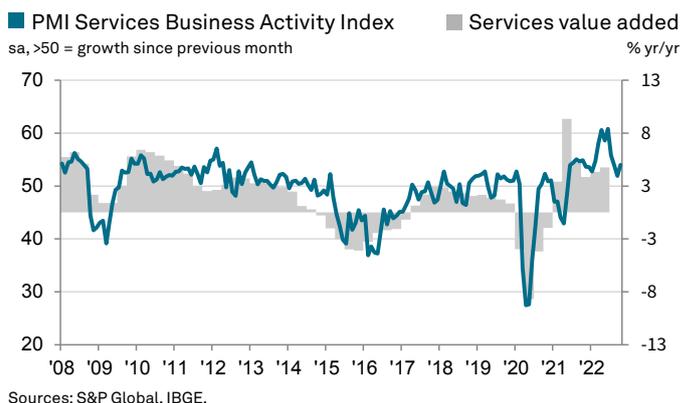
"The service economy was also the key source of price pressures across the private sector, as goods producers signalled lower purchasing costs and factory gate charges at the start of the fourth quarter."

PMI®

by S&P Global

Another supporting factor of job creation was a common belief among service providers that business activity volumes would be higher by October 2023. The overall level of positive sentiment was above its historical average and broadly in line with that registered in September. Investment, marketing efforts, the offering of new services and political stability after the elections supported optimism.

Finance & Insurance was the brightest area of the service economy in October, recording the best trends for output, new business and employment out of the four sub-sectors monitored. It was here too that the sharpest rate of output charge inflation was registered.



S&P Global Brazil Composite PMI®

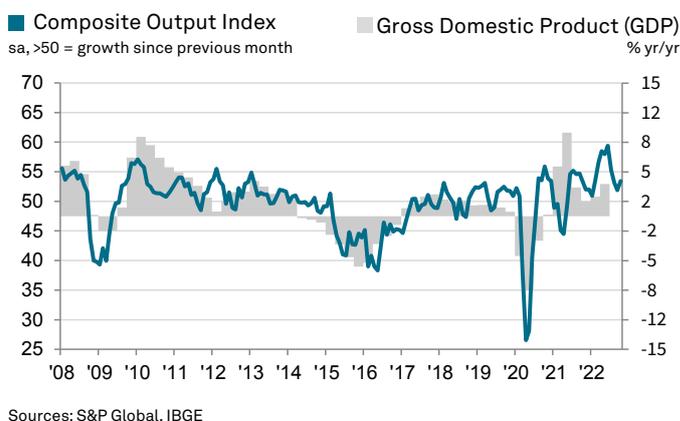
Growth of private sector output ticks higher in October

After easing for three months in a row, growth of Brazilian private sector output quickened in October. The S&P Global Brazil Composite PMI® Output Index* rose from an eight-month low of 51.9 in September to 53.4, indicating a solid pace of expansion. Services firms outperformed their manufacturing counterparts on this front.

New orders at the private sector increased further in October, taking the current stretch of growth to a year-and-a-half. The rise was centred on the service economy, as goods producers signalled the first fall in sales since February.

Input cost inflation at the composite level moderated to a near eight-year low in October. The slowdown largely reflected a drop in input costs across the manufacturing industry, though there was a softer rise in the service sector.

Private sector firms signalled a stronger upturn in selling prices compared to September as an intensification of charge inflation in the service segment more than offset a fall in factory gate prices.



*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.

Brazil Services PMI Input Prices Index

sa, >50 = inflation since previous month



Source: S&P Global.

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@ihsmarkit.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. ihsmarkit.com/products/pmi.html.

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