

News Release

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S&P Global Brazil Services PMI[®]

May sees unprecedented increases in input costs and output charges

Key findings

Rates of inflation climb to new records

Business activity and sales sustain robust growth

Best round of job creation in survey history

May data pointed to mounting price pressures across Brazil's service economy, with higher energy, food, fuel labour and material costs underpinning the sharpest increases in input prices and output charges in over 15 years of data collection. There was also a record upturn in employment, as firms sought to expand capacities in line with sustained and robust expansions in new business and output.

Despite falling from 60.6 in April to 58.6 in May, the seasonally adjusted S&P Global Brazil Services Business Activity Index signalled the second-strongest rate of expansion since May 2007. The upturn reportedly stemmed from a post-pandemic rebound in demand, the resumption of events, stimulus policies and greater bookings.

Brazilian service providers indicated a further increase in new business halfway through the second quarter, stretching the current sequence of expansion to 13 months. The upturn was sharp, despite easing from April, and well above its long-run average. Anecdotal evidence highlighted strong underlying demand and new client wins.

Service providers hiked their fees again in May, owing to ongoing increases in input costs and efforts to protect margins. The overall rate of charge inflation reached a survey peak for the third month running.

Input prices also rose at an unprecedented rate during May, with survey participants mentioning higher energy, food, fuel, labour and material costs. Panellists also indicated that price pressures stemmed from US dollar strength and the war in Ukraine.

Amid reports of sustained increases in new business, the offering of new services and the resumption of events, companies hired additional staff in May. The overall rate of job creation was sharp and the strongest since the survey started in March 2007.

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



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

Comment

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

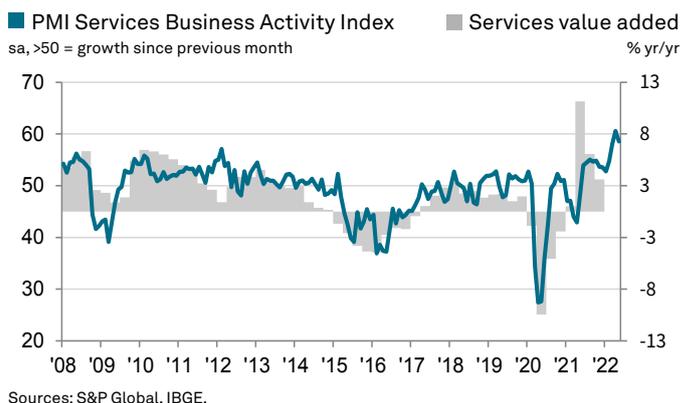
"The recent upsurge in Brazilian service sector activity continued in May, with growth the second-fastest in 15 years as firms continued to feel the benefits of the easing of COVID-19 restrictions and the resumption of events. The upturn in output, boosted by buoyant demand, is also proving to be great news for the labour market, with companies hiring staff at a record rate."

"Not only did cost pressures remain historically elevated across the service sector in May, but they also picked up to the highest in the survey history. As a result, a record proportion of services firms lifted their charges, supported by strong underlying demand and rising backlogs of work."

"With price gauges also rising in the manufacturing industry, the PMI results showed unprecedented increases in both input costs and output charges across the private sector. This will be worrying for policymakers given that aggressive monetary policy tightening has so far failed to restrain price pressures caused by supply-chain constraints, energy price volatility and the war in Ukraine."

May data pointed to renewed capacity pressures at Brazilian services companies. This was signalled by an increase in outstanding business, following eight successive months of contraction. The rate of accumulation was solid and the third-fastest on record. Where backlogs rose, panellists mentioned shortages of key materials.

Service providers became more optimistic towards the 12-month outlook for business activity. Moreover, the overall level of positive sentiment strengthened to a near three-year high. Companies reported increased efforts to attract new customers and invest in commercial campaigns, while some hope for price stability.



S&P Global Brazil Composite PMI®

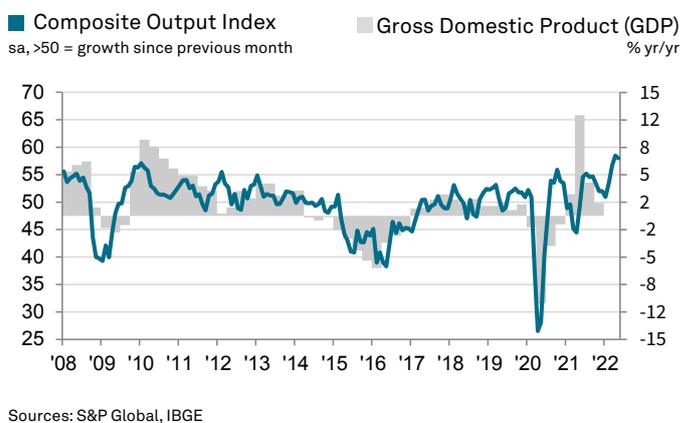
Growth of private sector output remains strong in May, inflation rates climb to new records

PMI data for May showed a substantial increase in Brazilian private sector output. Despite falling from April's 14-and-a-half-year high of 58.5 to 58.0, the S&P Global Brazil Composite PMI Output Index* signalled a sharp rate of expansion that was the second-fastest since October 2007. Growth quickened at goods producers and eased at service providers, but the latter led the upturn.

The rate of expansion in private sector new orders was broadly unchanged from April's 14-and-a-half-year high. Service providers noted a faster increase than manufacturers, despite seeing a slowdown in growth.

Aggregate employment increased at an unprecedented rate in May, underpinned by a record rise in the service economy. Meanwhile, manufacturers noted the quickest expansion in jobs in seven months.

Inflation rates intensified in May, with both input costs and output charges increasing at the fastest rates since composite data became available in March 2007.



*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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