

News Release

Embargoed until 0001 UTC 12 March 2025

S&P Global Brazil Business Outlook

Profits sentiment dampened by rising inflation expectations

Key findings

Optimism towards profitability lowest in nearly five years

Net balances for all price gauges increase in February

Hiring plans and output projections unchanged since October 2024

Expectations of stronger cost pressures in the coming 12 months prompted a higher proportion of Brazilian companies to plan hikes to selling prices. Charge inflation expectations were at their highest since late-2021. Nevertheless, firms upgraded their investment intentions for capex and R&D. Meanwhile, sentiment levels surrounding job creation and output growth matched those seen in the previous survey period and were therefore the joint-highest in nearly two-and-a-half years.

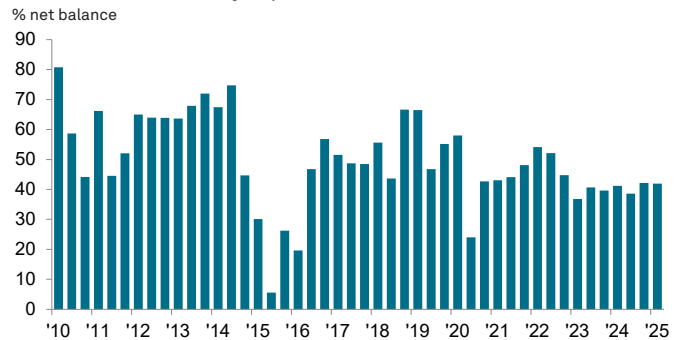
The headline S&P Global Brazil business activity net balance was at +42% in February, unchanged from the previous survey period and signalling the joint-strongest degree of optimism since October 2022. The reading for Brazil was also the highest of the 12 nations for which comparable data are available.

Anecdotal evidence showed that upbeat projections stemmed from hopes of better exchange rates and lower borrowing costs. Investment and new product releases, alongside import substitution and inbound tourism, were likewise seen as tailwinds to the outlook.

The Comment Trackers data – which track the historical frequency of words or phrases mentioned by firms' qualitative replies – nevertheless indicated heightened concerns around inflation, economic conditions and the Brazilian real. Notably, one quarter of panellists were worried about inflation – the highest figure in a decade.

Manufacturers remained more upbeat than service providers, despite seeing a decline in its net balance from +51% to +44%. The respective reading for services rose from +39% to +41%.

Brazil Business Activity expectations



Source: S&P Global PMI.

Data were collected 10-25 February 2025.

Comment

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

"It's encouraging to see unchanged hiring intentions and upgraded investment plans among Brazilian companies despite predictions of a pick-up in cost pressures. In firms' views, innovation and investment will support output growth in the year ahead."

"Soaring expenses are expected to stem from greater outlays on material and labour, alongside real weakness and high interest rates. Manufacturers look set to see more intense cost pressures than service providers, and also plan sharper increases in selling prices."

"Rising inflation expectations, coupled with elevated public debt and currency weakness, suggest that the policy rate could be hiked further."

"Businesses anticipate softer increases in profitability in the year ahead, likely reflecting predictions that a larger portion of rising cost burdens will be absorbed by themselves."

Investment intentions strengthen as hiring plans steady

Private sector companies in Brazil continued to forecast capex growth in the year ahead. Moreover, the net balance of panellists expecting an increase rose from +19% to +21%, the highest figure since October 2021. Nationally, only Russian firms were more upbeat.

Similarly, sentiment around R&D improved to its best in five years, as signalled by the composite net balance rising from +15% last October to +17% in February. Again, the reading for Brazil was the second-highest of the 12 monitored nations for which comparable data are available, behind only Russia.

Investment intentions for both capex and R&D remained stronger at Brazilian services companies than at their manufacturing counterparts.

Recruitment plans among Brazilian private sector companies were unchanged since October. At +22%, the employment net balance was at its joint-highest for around two-and-a-half years. A mild downgrade in hiring intentions at service providers was offset by an upgrade among goods producers.

Brazil nearly tops rankings for non-staff cost inflation expectations

The proportion of companies expecting an increase in non-staff costs in the year ahead outstripped those predicting a fall by +49%, placing the net balance at its highest since mid-2022. On a global scale, this means that Brazil was near the top of the expectations ranking, with only the UK seeing a higher figure.

Brazilian firms also forecast greater outlays on labour, as evidenced by the staff costs net balance increasing to +35%. This was the highest figure seen since October 2023 and slightly above the global average (+32%).

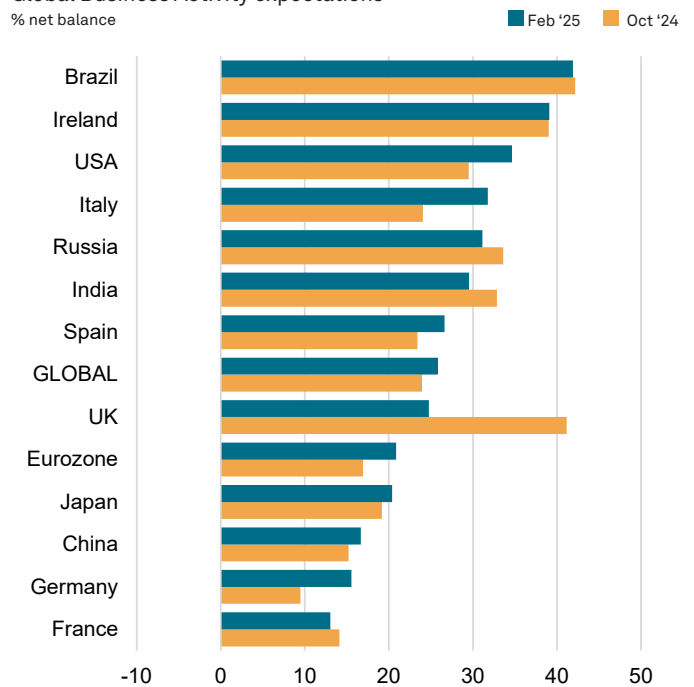
As a result of predictions of more intense increases in business expenses, companies intend to hike their selling prices to a greater degree. At +44% in February, the output charges net balance was at its highest since October 2021.

Once again, inflation is projected to be more pronounced in the manufacturing industry than in the service economy for all three gauges.

February data indicated that private sector firms in Brazil expect rising cost burdens to limit profits growth over the course of the coming 12 months. The net balance of companies that foresee an increase slipped to +19%, the lowest figure since mid-2020.

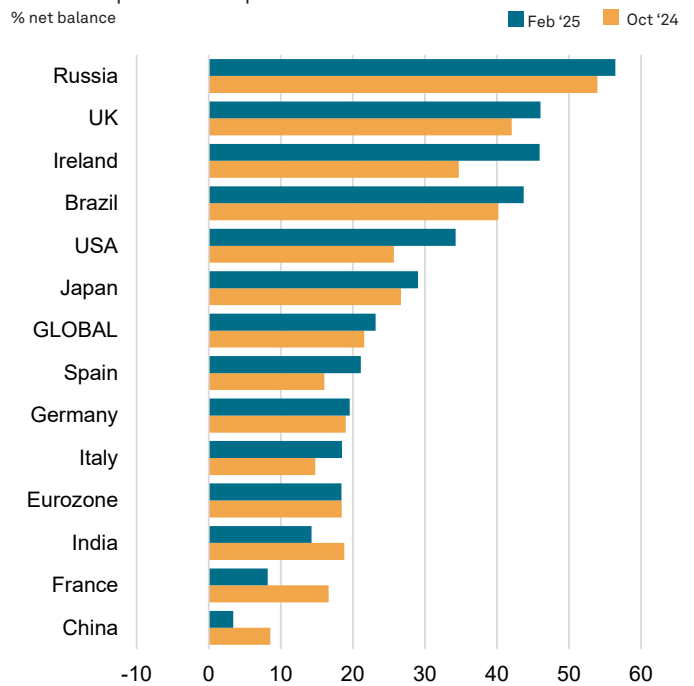
Levels of sentiment around profitability were notably different among manufacturers and service providers, with the respective net balances at +9% and +22%.

Global Business Activity expectations
% net balance



Source: S&P Global PMI.

Global Output Prices expectations
% net balance



Source: S&P Global PMI.

Full data available on request from economics@spglobal.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*. 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.

** The countries with manufacturing and service sector surveys are Brazil, China, France, Germany, India, Italy, Japan, Russia, Spain, the Republic of Ireland, the UK and the USA. Manufacturing data are collected for the Netherlands, Austria, Greece, Poland and the Czech Republic.*

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