News Release

Embargoed until 1000 BRT (1300 UTC) 4 September 2024

S&P Global Brazil Services PMI®

Business activity rises at softer rate as inflationary pressures intensify

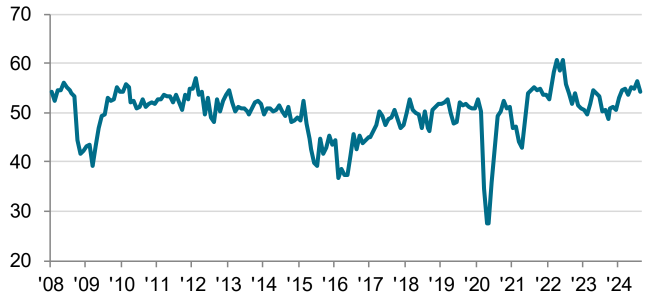
Key findings

Growth of sales and output recede in August...

...but rates of expansion remain historically high

Cost pressures highest in over two years

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



Source: S&P Global PMI.
Data were collected 12-27 August 2024.

The S&P Global Brazil Services PMI® data signalled a softening of demand conditions in August, which in turn restricted growth of business activity. Despite receding since July, business confidence remained elevated thereby fuelling job creation.

Real depreciation, droughts in parts of the country and the lasting effect of flooding in Rio Grande do Sul pushed cost pressures to their highest in over two years. Subsequently, there was a sharper increase in selling prices.

At 54.2 in August, down from 56.4 in July, 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 strong yet softer rise in output. When explaining the rise, survey respondents often noted greater sales, investment in digital marketing, new client wins and positive demand trends. The headline index was above the neutral 50.0 value for the eleventh month running but the latest reading pointed to the slowest upturn since April.

Total new work increased for the eleventh successive month in August, supported by improving domestic demand. The overall rise in sales was the least pronounced since the start of 2024, but solid and above the average seen over the 17-and-a-half-year survey history.

Currency depreciation and a generally inflated market were by far the most cited reasons for greater business expenses in August, followed by droughts and the lasting effects of flooding in Rio Grande do Sul. Around one-third of the survey panel reported a rise in input costs, with the remaining companies signalling no change since July. The overall rate of inflation accelerated to the steepest in 25 months.

A combination of demand resilience and rapidly rising expenses fuelled charged inflation during August. The latest increase in selling prices was the strongest in just under a

Comment

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

"The decline in momentum observed among service providers in August does not raise immediate concerns, as growth rates continue to be historically robust. Additionally, an uptick in job creation and strong business confidence indicate that this slowdown may be temporary.

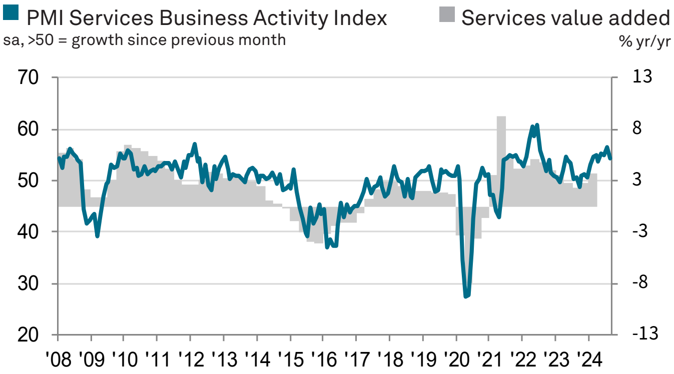
"That said, high borrowing costs and rising price pressures could take a toll on consumer spending and business investment. Services companies saw the slowest uptick in new work for seven months, while business confidence slipped which could lead some firms to put the brakes on hiring.

"There was no let-up in cost pressures, with the rate of inflation in fact climbing to its strongest in over two years. Survey respondents widely attributed this to real weakness, droughts and the lasting effects of flooding in Rio Grande do Sul, adding to concerns among policymakers that sticky inflation may prove a persistent challenge for the Brazilian economy heading towards the end of the year."

year-and-a-half.

Positive sales developments and optimistic growth projections helped to maintain job creation across Brazil's service economy in August. The rate of increase in employment was solid and the fastest in three months.

August data indicated that service providers remained strongly upbeat about year-ahead growth prospects. More than half of the survey panel (52%) forecast an increase in output over the course of the coming 12 months, while just 2% predict a decline. Optimism was supported by marketing efforts and investment, alongside hopes that inflation will recede and that other parts of the economy would see a rebound. Nevertheless, the overall level of positive sentiment slipped to a four-month low due to concerns about defaults, legal uncertainty and political issues.



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

S&P Global Brazil Composite PMI®

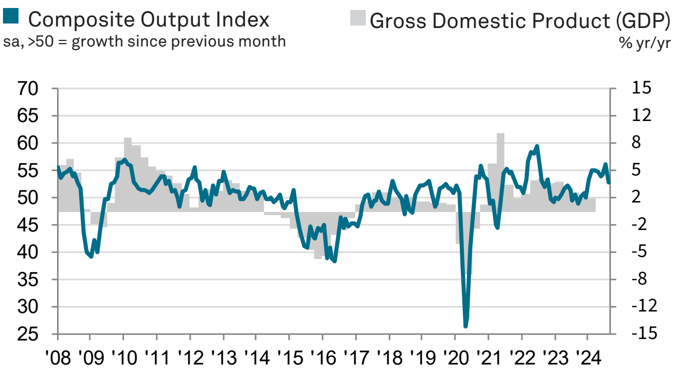
Private sector growth slows as manufacturing slips into contraction

Brazilian private sector output rose for the eight-month running in August, albeit to the least marked extent over this period. The S&P Global Composite PMI® Output Index* was down from a 25-month high of 56.0 in July to 52.9, amid a renewed decline in factory production. Services activity rose further, though at the weakest pace since April.

Aggregate new orders increased solidly, but the rate of growth eased to the slowest in the current eight-month sequence of growth. There were softer increases at manufacturing firms and their services counterparts. Nevertheless, sustained sales growth and upbeat expectations continued to support job creation.

Input price inflation at the composite level accelerated to its highest in over two years. Cost pressures were most intense at goods producers, although services firms also noted an accelerated upturn in overall expenses.

Prices charged for Brazilian goods and services rose at the second-fastest rate in a year-and-a-half, behind July. Manufacturers noted a sharper upturn than services firms.

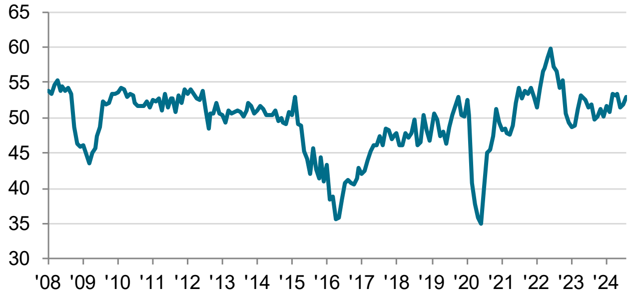


Sources: S&P Global PMI, IBGE via S&P Global Market Intelligence.

*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

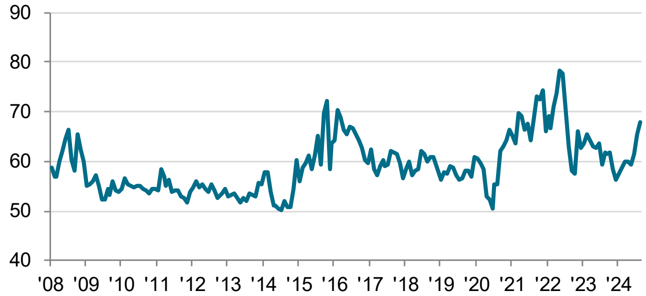
sa, >50 = growth since previous month



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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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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