

News Release

Embargoed until 1000 BRT (1300 UTC) 3 August 2022

S&P Global Brazil Services PMI®

Service sector growth and inflation take a step back in July

Key findings

Softer, albeit sharp, expansions in new business and output

Rate of input cost inflation eases to five-month low...

...underpinning a softer increase in output charges

The performance of Brazil's service sector remained positive in July. Despite softer increases in business activity and sales, rates of expansion were far higher than their long-run averages amid robust underlying demand. Still, there were pockets of suggestions that inflationary pressures dampened sales growth. Although input costs rose at the weakest rate in five months, partly linked to fuel tax cuts, the upturn was historically sharp. Concurrently, charge inflation moderated to the slowest since April.

Falling from June's joint-record reading of 60.8 to 55.8 in July, the seasonally adjusted S&P Global Brazil Services Business Activity Index pointed to the slowest rate of expansion since February but one that was sharp in the context of historical data. Anecdotal evidence suggested that the economic recovery, greater client bases and favourable demand all supported business activity.

New work intakes rose for the fifteenth month running in July amid reports of demand resilience. Despite easing to a five-month low, the rate of expansion was sharp. Some panellists indicated that consumer spending was curbed by elevated price pressures.

Brazilian service providers indicated rising operating expenses at the start of the third quarter, with food, fuel and utility prices reported as the key sources of inflationary pressures. Several firms mentioned that US dollar strength led to higher input costs. The overall rate of increase remained steep, but eased to a five-month low amid a reduction in fuel taxes.

Efforts to mitigate rising input costs resulted in another robust increase in prices charged for the provision of services in Brazil. Moreover, the rate of inflation remained sharp, despite moderating to a three-month low in July.

Services companies remained strongly upbeat about the outlook, with over two-thirds of panellists predicting higher output levels in the coming 12 months. Survey participants

S&P Global Brazil Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-26 July 2022.

Comment

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

"The opening month of the third quarter continued to point to robust economic growth in the Brazilian service sector. Business activity increased for the fourteenth month running, with the latest expansion among the sharpest over the past decade, amid sustained improvements in demand conditions."

"Growth was undoubtedly dampened by acute price pressures, though companies remained confident of a sustained economic recovery over the course of the coming 12 months. In some instances, however, upbeat forecasts were pinned on hopes of a positive outcome from October's presidential election."

"Service providers again signalled a robust rate of hiring activity, but a sharp and faster drop in outstanding business indicates that job creation will likely soften further unless new business regains growth momentum."

"Policymakers will welcome the news of receding price pressures across the service sector in July. Although still historically steep, rates of increase in input costs and output charges reportedly softened due to fuel tax cuts."

PMI®

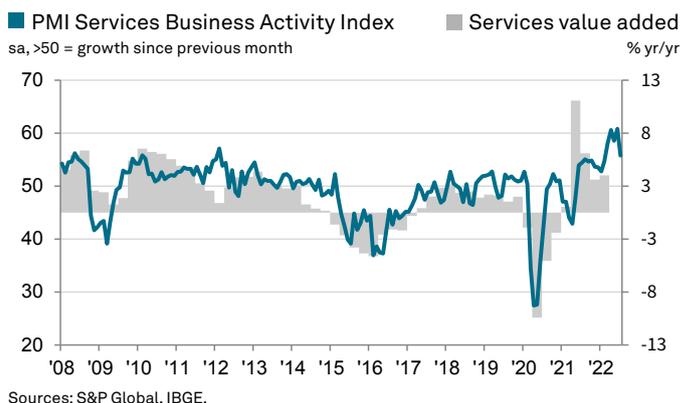
by S&P Global

generally expect the economic recovery to continue, supporting sales and business activity. Some also hope for a positive outcome from October's presidential election.

The combination of robust sales growth and upbeat views on the outlook underpinned a further increase in services employment at the start of the third quarter. The pace of job creation eased from June's peak, but was nevertheless the fourth-highest in over 15 years of data collection.

Ongoing hiring efforts supported the clearing of outstanding business volumes. Backlogs decreased for the second straight month in July and at the fastest pace since January.

Looking at the sub-sector data, Transport, Information & Communication led with regards to growth of new business, output and employment during July. Input cost inflation here also surpassed those seen in the other three broad areas of the service economy, while the strongest upturn in charges was registered in Finance & Insurance.



S&P Global Brazil Composite PMI®

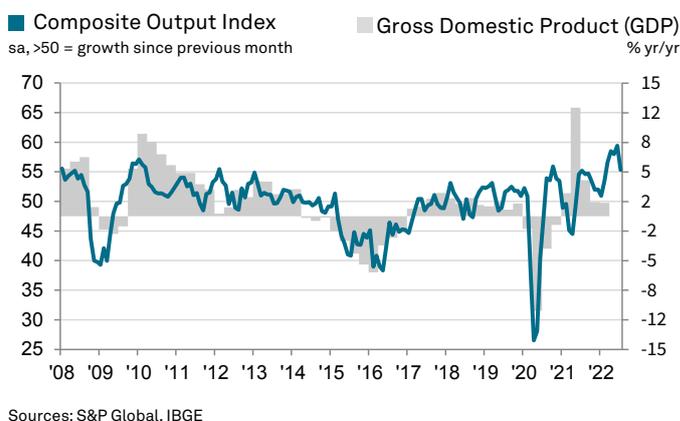
Private sector growth remains strong, but slows from June

After climbing to a near series peak in June, growth of private sector output in Brazil eased during July. However, despite falling from 59.4 to 55.3, the S&P Global Brazil Composite PMI Output Index* pointed to a substantial pace of expansion. Rates of increase in output softened at both goods producers and service providers.

New orders placed with Brazilian private sector companies rose for the fifteenth month running in July. The rate of increase slowed to a five-month low, though remained sharp. Services firms led the upturn, despite a notable slowdown in growth.

While manufacturers stepped up hiring activity, service providers recorded a softer upturn in employment during July. At the composite level, the rate of job creation eased to a three-month low.

Aggregate rates of both input cost and output charge inflation softened in July to five- and four-month lows respectively. There were widespread slowdowns across manufacturing and services.



*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.

About S&P Global

S&P Global (NYSE:SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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. ihsmarkit.com/products/pmi.html.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

Contact

Pollyanna De Lima
 Economics Associate Director
 S&P Global Market Intelligence
 T: +44-1491-461-075
pollyanna.delima@spglobal.com

Katherine Smith
 Corporate Communications
 S&P Global Market Intelligence
 T: +1 (781) 301-9311
katherine.smith@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).