

News Release

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S&P Global Brazil Services PMI[®]

Output growth slows despite stronger expansion in new business

Key findings

Weakest rise in output in current 19-month sequence of growth

Sales increase at solid and accelerated pace

Business confidence up marginally in December

Brazilian service providers ended 2022 with the weakest expansion in output for 19 months, as growth was reportedly curbed by political distractions and closures associated with the football World Cup. New work intakes rose at a solid and accelerated rate, but companies reduced employment for the first time since May 2021 amid a lack of pressure on operating capacities. Looking ahead, there was an improvement in business confidence as panellists foresee greater clarity surrounding public policy, tamed inflation, investment and better demand conditions.

Falling from 51.6 in November to 51.0 in December, the seasonally adjusted S&P Global Brazil Services Business Activity Index was at a 19-month low and highlighted a slight rate of expansion. Some firms indicated that successful partnerships, new client wins and demand resilience supported output. Growth was reportedly stymied by political distractions and shutdowns linked to the football World Cup.

Services companies continued to signal higher levels of new business intakes during December. Moreover, the rate of increase was solid and quickened from November's one-and-a-half-year low. Where growth was reported, survey participants mentioned demand strength, event planning and expanded client bases.

Confidence surrounding the year-ahead outlook for business activity improved from November's 13-month low, and was above the series average. Companies generally hoped that greater clarity surrounding public policy, contained inflation, investment opportunities and demand resilience would translate into higher output levels in 2023.

Despite the uptick in sentiment, Brazilian service providers lowered headcounts at the end of the fourth quarter. The fall in employment was the first in 19 months, albeit slight overall. Restructuring, cost-cutting efforts and political uncertainty caused job shedding at some units, while a few

S&P Global Brazil Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 06-20 December 2022.

Comment

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

"Brazil's service sector performance disappointed at the end of 2022, especially considering how strong it started the year. Part of the weakness seen in December was attributed to unclear future public policy, while some firms closed their doors during football World Cup games.

"That said, output growth was at least sustained, a notable contrast to the trend recorded in manufacturing, and demand for services even expanded to a greater extent.

"Services companies tendered mixed signs for 2023. On the one hand, business confidence strengthened in line with expectations of better economic conditions once public policies become clearer. Controlled inflation, investment and forecasts of better demand conditions also boosted optimism.

"On the other hand, jobs were shed as firms opted to wait and see if their predictions for output would materialise. For now, capacities were reportedly adequate, and in some instances excessive, for current requirements. Hence, there was an unwillingness to hire in the current environment of uncertainty."

PMI[®]

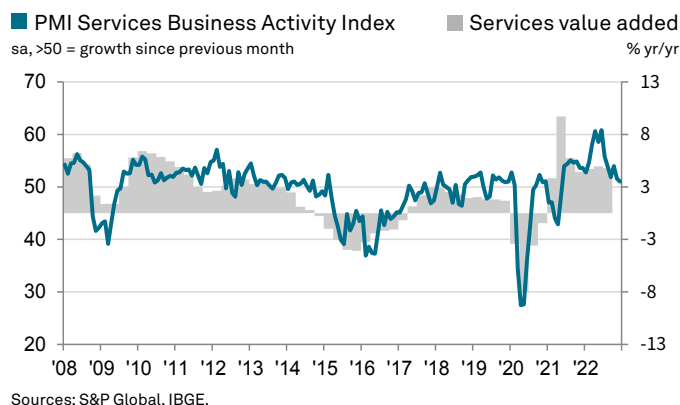
by S&P Global

firms hired additional staff owing to new work in the pipeline.

December data pointed to spare capacity among service providers, as outstanding business volumes decreased further. The rate of depletion was sharp, but the weakest in six months.

Brazilian service providers indicated a further increase in their operating expenses, which they attributed to US dollar strength, wage pressures, greater borrowing costs and higher prices for some materials. The rate of inflation remained historically high, despite easing from November.

Cost rises continued to be transferred to clients, as evidenced by another increase in selling prices. However, the rate of charge inflation softened to a three-month low in December.



S&P Global Brazil Composite PMI®

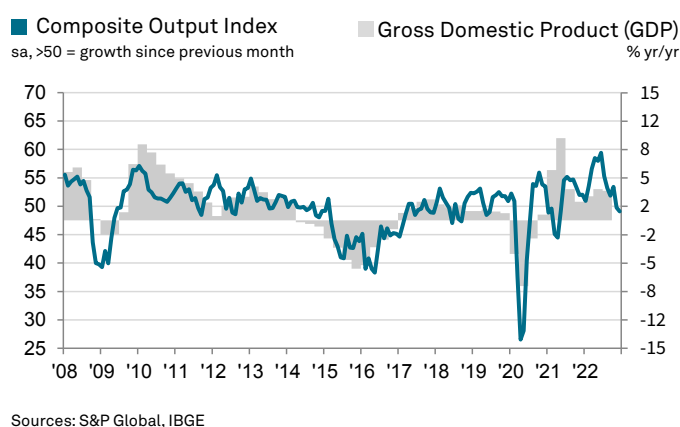
Brazil's private sector remains in contraction

December data highlighted a second successive decline in private sector activity across Brazil. The S&P Global Brazil Composite PMI® Output Index* fell from 49.8 in November to 49.1 in December, signalling a quicker but only slight rate of contraction. Goods producers registered the steepest reduction since May 2020, while growth among service providers eased to a 19-month low.

Aggregate new orders were broadly stable at the end of the year. While manufacturers noted a sharp, but softer, contraction, services firms posted an accelerated increase in sales.

Private sector employment decreased for the first time in 19 months, as services firms joined their manufacturing counterparts in shedding jobs. The sharper drop was among the latter.

Rates of both input cost and output charge inflation at the composite level eased during December. In both instances, the stronger rates of increase were by far noted in the service economy.



*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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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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