

News Release

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S&P Global Brazil Services PMI®

Services output falls in January amid dwindling demand

Key findings

Business activity contracts for first time since September 2023

Companies signal renewed drop in new orders

Price pressures hit two-and-a-half-year high

Economic conditions in Brazil's service sector took a turn for the worse at the start of 2025, as a renewed decline in new business inflows prompted firms to trim output to the greatest extent since April 2021. This reversal of fortunes was accompanied by an intensification of inflationary pressures, with both input costs and output charges rising at their steepest rates in two-and-a-half years.

The only positives seen in the latest PMI® data were a marginal increase in services employment and an improvement in business confidence from December's 43-month low.

At 47.6 in January, the S&P Global PMI Brazil Services Business Activity Index – which is based on a single question asking how the level of business activity compares with the situation the month before – was beneath the neutral mark of 50.0 for the first time in 16 months. Falling from 51.6 in December, the latest reading highlighted the fastest rate of contraction since April 2021.

Demand weakness and a subsequent decline in new business inflows were identified by survey participants as the main causes of falling business activity. January's contraction in sales was moderate, but nevertheless the most pronounced in nearly four years.

Brazilian service providers reported another substantial increase in operating expenses during January. The overall rate of inflation climbed to a 30-month high and the respective seasonally adjusted index was 11 points above its long-run average.

Cost pressures reportedly stemmed from relative US dollar strength, greater international prices and a generally inflated domestic market.

Mirroring the trend for input costs, prices charged for the provision of services in Brazil increased at the strongest rate in two-and-a-half years.

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



Source: S&P Global PMI.

Data were collected 9-28 January 2025.

Comment

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

"With Brazilian service providers and their clients grappling with relentless price pressures and soaring borrowing costs, growth hit a wall as 2025 got underway. The declines in new business intakes and output signalled by January's PMI data were the first in over a year and the quickest since April 2021."

"Firms felt the strain, with cost pressures mounting to their highest level in two-and-a half-years. Despite a drop in client demand, companies hiked their own prices at the steepest rate since July 2022. These trends bode ill for monetary policy decisions ahead."

"While the current landscape looked grim, there was a glimmer of hope on the horizon. Some businesses predict a rebound in activity over the next year and a few were even willing to recruit additional workers."

PMI®

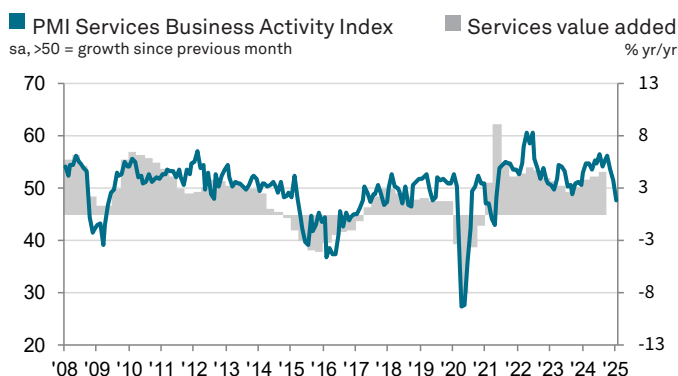
by S&P Global

According to panel members, additional cost burdens had been shared with customers. Also, a few companies suggested that the latest adjustment reflected efforts to align their fees with those charged by competitors.

Service providers were more positive about the year-ahead outlook for output than in December, when sentiment had slipped to its lowest level in 43 months.

The optimism signalled in January was largely pinned on hopes of better demand trends and more favourable economic conditions. Some panellists also predicted that diversification and new prospecting processes could aid a recovery.

Finally, service sector employment rose for the third consecutive month at the start of the year. That said, the pace of job creation was marginal. In fact, fewer than 7% of surveyed businesses reported higher headcounts as the vast majority (89%) indicated no change since the previous month.



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

S&P Global Brazil Composite PMI®

Brazilian private sector back in contraction as services economy falters

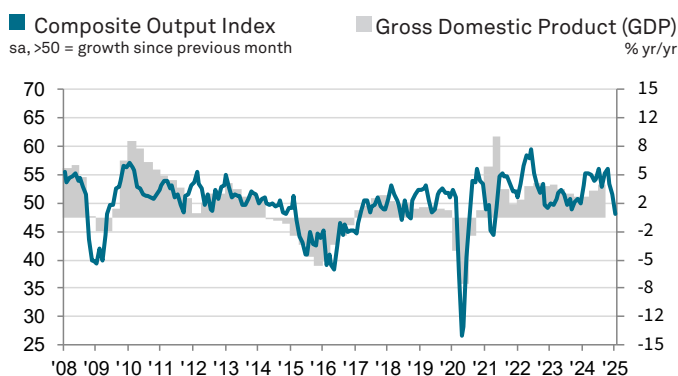
After signalling a full year of growth in 2024, the S&P Global Composite PMI® Output Index* slipped into contraction territory during January. Falling from 51.5 in December to 48.2, the latest reading highlighted a modest reduction that was nonetheless the fastest since April 2021.

Services was the main source of weakness, with January showing the first decline in business activity since September 2023. Manufacturing production also sank into contraction territory, albeit only fractionally.

Aggregate new business decreased in January, ending a yearlong sequence of expansion. Marginal growth at goods producers was more than offset by a fall at service providers.

Cost inflation intensified in both the manufacturing and services economies. At the composite level, the rate of inflation hit a two-and-a-half-year high.

Likewise, prices charged for goods and services rose to the greatest extent since mid-2022. As was the case for input costs, the steeper rate of output price inflation was registered in the service sector.

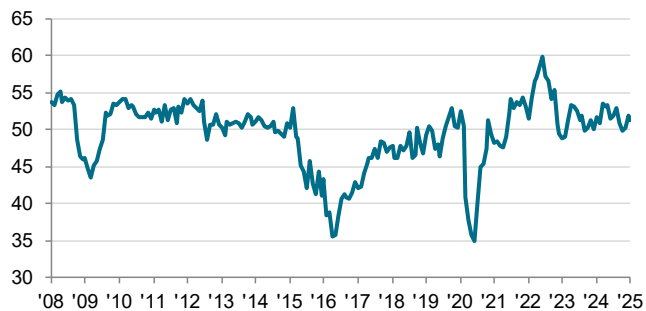


Sources: S&P Global PMI, IBGE via S&P Global Market Intelligence.

*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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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
press.mi@spglobal.com

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