News Release
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S&P Global Brazil Services PMI®

Service sector experiences another contraction and rising inflation

October 2025

New business intakes decline again in October...

...causing further reduction in services output

Input costs and selling charges increase at faster rates

The performance of Brazil's service economy continued to weaken at the start of the fourth quarter, with a further reduction in new business inflows denting output. In both cases, however, rates of contraction retreated from September. Encouragingly, there was a marginal uptick in employment and firms remained optimistic towards growth prospects.

Service providers continued to see their expenses rise in October, with the rate of inflation quickening since September. Subsequently, output charges were raised at a marked pace that was the most pronounced in three months.

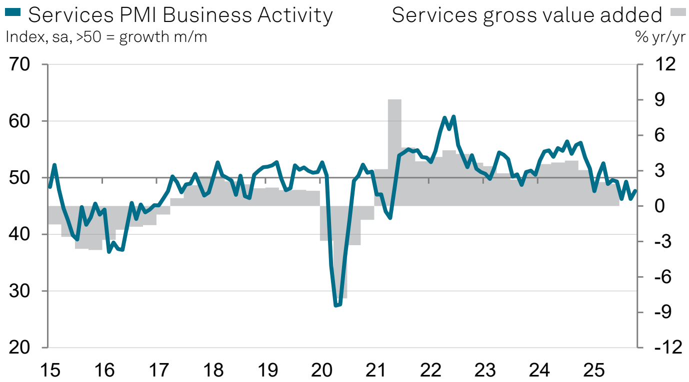
Despite rising from 46.3 in September to 47.7 in October, the S&P Global PMI® Brazil Services Business Activity Index – which is based on a single question asking how the level of business activity compares with the situation the month before – remained below the no-change mark of 50.0 and therefore signalled another contraction.

The current drop in output volumes was moderate and softer than that seen in the previous month, but took the current sequence of reduction to seven successive months.

Demand weakness and a lack of new sales featured in the qualitative part of the survey as the main aspects behind lower business activity. Indeed, new order intakes decreased for the seventh straight month during October. That said, the pace of contraction was slight and the second-slowest over this period as some firms noted greater interest for their services.

Companies were confident of a rebound in demand over the course of the coming 12 months. This, coupled with expectations of softer inflationary pressures, underpinned upbeat forecasts for output. The overall degree of optimism strengthened since September, but remained below its long-run average. Some panellists were concerned about client payment defaults and potential disruptions from next year's elections.

October data highlighted back-to-back increases in services jobs across Brazil. Companies that signalled growth indicated that some vacancies had been filled, but a number of firms suggested that hiring was constrained by cost control



Data were collected 9-28 October 2025.

Sources: S&P Global PMI, IBGE via S&P Global Market Intelligence. © 2025 S&P Global.

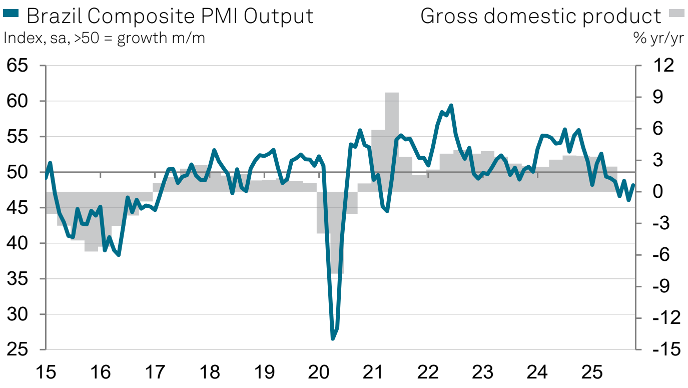
Comment

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

"Although Brazil's service economy remained stuck in contraction in October, there were signs of resilience as firms reported softer declines in new business intakes and output. Some were even prepared to fill existing vacancies, which aided a second successive monthly rise in jobs. They also maintained a positive view that business activity will be higher in 12 months' time.

"However, high inflationary pressures remained a significant challenge for the sector. Services companies reported price increases across various essential items, including construction materials, energy, food, office supplies and transportation. Despite the subdued demand environment, and in line with efforts to protect profit margins, firms continued to lift selling prices.

"Interestingly, inflation trends within the service sector contrasted notably with those observed in the manufacturing industry, where generally stable input costs enabled manufacturers to offer discounts."



Sources: S&P Global PMI, IBGE via S&P Global Market Intelligence. © 2025 S&P Global.

measures. Overall employment expanded only marginally.

Prices charged for the provision of Brazilian services rose markedly at the start of the final quarter of 2025. Moreover, the rate of inflation was the fastest in three months and above its long-run average. Monitored firms indicated that part of their additional cost burdens had been transferred to clients.

Input prices across Brazil's service sector rose sharply in October, with the overall rate of inflation quickening from September and by far outpacing the long-run series average. High borrowing costs, unfavourable exchange rates and US tariffs featured in the panel member reports as the main sources of cost pressures. Monitored firms reported having paid more for construction materials, energy, food, office supplies and transportation.

S&P Global Brazil Composite PMI®

Downturn in private sector activity eased in tandem with a softer decline in new orders.

Although ongoing contractions in sales prompted companies to trim output volumes again, rates of reduction slowed in October. The S&P Global Brazil Composite PMI® Output Index rose from 46.0 in September to 48.2, signalling a moderate decline.

Similarly, new business intakes fell at a slight pace and one that was the weakest since April. As was the case with output, rates of contraction in sales softened at goods producers and service providers.

Meanwhile, private sector employment was broadly stagnant, as job shedding in the manufacturing industry was largely offset by growth in the service economy.

Meanwhile, aggregate input costs and selling charges rose at stronger rates. In both instances, price pressures were mainly centred on the service sector.

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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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