

News Release

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S&P Global Brazil Services PMI[®]

Service sector experiences strong growth in July, fuelled by healthy demand trends

Key findings

Output rises at fastest pace since mid-2022...

...amid second-strongest rise in sales for 21 months

Inflationary pressures highest since early-2023

PMI[®] data for Brazil's service economy, compiled by S&P Global, showed a combination of stronger growth momentum and rising price pressures in July. A quicker expansion in new business intakes underpinned the fastest rise in business activity since June 2022, but job creation remained mild as business confidence retreated.

On the price front, input costs rose to the greatest extent in close to a year-and-a-half, resulting in the sharpest increase in prices charged for the provision of services since March 2023.

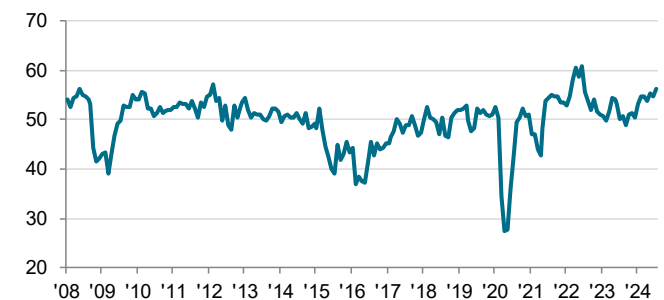
The headline S&P Global PMI Brazil Services Business Activity Index – a diffusion index calculated from a single question that asks firms about changes in business activity volumes compared with the previous month – was inside expansion territory for the tenth straight month. Moreover, rising from 54.8 in June to 56.4 in July, the latest reading highlighted the fastest rate of growth since June 2022.

Panellists largely attributed the upturn in output to new business gains and positive underlying demand. Indeed, sales rose at marked pace that was the second-quickest in 21 months (behind May).

While healthy demand trends boosted service sector growth at the start of the second half of 2024, it also added to inflationary pressures. Monitored companies collectively indicated the steepest upturn in prices charged for the provision of services since March 2023. The rate of inflation was considerably above its long-run average.

The main reason leading companies to lift their selling charges was a pick-up in cost pressures. Overall expenses rose to the greatest extent in 17 months, with the respective seasonally adjusted index more than six points above its long-run average. Anecdotal evidence highlighted widespread increases in domestically-sourced materials, as well as greater prices for imported items amid real depreciation. In particular, food, fuel, construction material,

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



Source: S&P Global PMI.
Data were collected 11-26 July 2024.

Comment

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

"Inflationary pressures intensified yet again in July, partly due to currency depreciation. With input costs and output charges rising at faster rates among manufacturers and service providers, rates of inflation across the private sector climbed to two-year highs. This adds to views that the central bank might not resume cutting interest rates this year."

"When it comes to economic growth, the service sector ran in the same direction as manufacturing, showing marked and accelerated increases in new orders and output. Optimism remained elevated, despite retreating slightly from June, with panellists predicting a pick-up in consumption and hoping for softer inflation in the year ahead. Goods producers were more upbeat than service providers, and subsequently raised employment to a more meaningful extent. Among the latter, there were sporadic reports that restructuring efforts and greater client default rates curbed job creation."

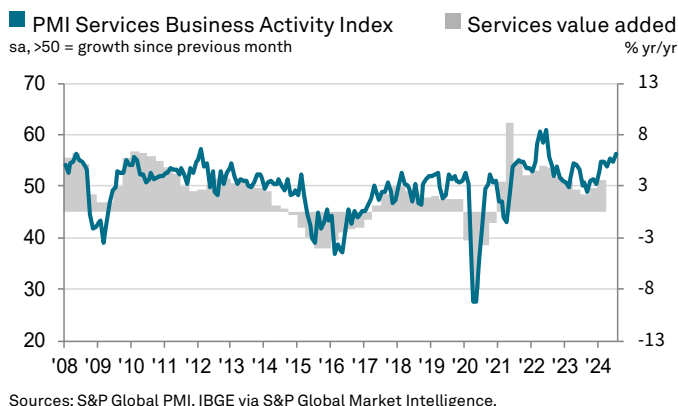
PMI[®]

by S&P Global

energy and rent costs were reported as having increased since June.

Service providers indicated that demand strength encouraged them to recruit additional workers in July, although some firms trimmed headcounts owing to restructuring efforts and rising payment defaults at clients. Still, overall employment expanded at a moderate pace that was quicker than in June.

Hopes that price pressures would recede over the course of the coming 12 months, alongside expectations that consumption trends would improve, supported confidence towards output. The overall level of business sentiment slipped to a three-month low, but remained well above its long-run average to show a robust degree of optimism.



S&P Global Brazil Composite PMI®

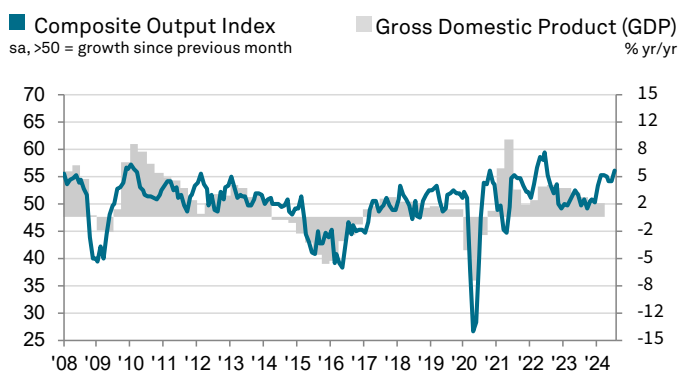
Service providers drive sharpest rise in aggregate output in over two years

July data showed a notable acceleration in growth of Brazilian private sector output. The S&P Global Composite PMI® Output Index* rose from 54.1 in June to 56.0 in July, indicating the fastest pace of expansion since June 2022. Rates of growth quickened in the manufacturing and service sectors, with the latter leading the upturn.

Services firms also noted a stronger increase in new orders than their manufacturing counterparts. At the composite level, sales expanded at the joint-quickest pace in two years (equal to April).

One area where goods producers outperformed service providers was job creation. A marked increase among the former compared with only modest growth at services firms. Across the private sector, headcounts expanded at a solid pace that was faster than in June.

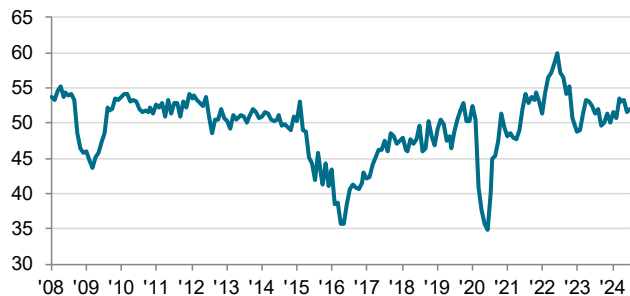
Both input costs and output charges increased at the fastest rates in two years at the composite level. There were quicker rises in the manufacturing and service sectors, with inflation more pronounced in the former.



*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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