

News Release

Embargoed until 1000 BRT (1300 UTC) 5 September 2022

S&P Global Brazil Services PMI®

Business activity growth and inflation recede further in August

Key findings

New order growth eases to seven-month low...

...a trend mirrored for business activity

Input costs rise at weakest rate since October 2020

As was the case in July, the Brazilian service economy posted a combination of softer growth and cooling price pressures in August. Nevertheless, owing to demand resilience, companies recorded marked increases in both sales, output and employment. Moreover, business sentiment improved considerably over the month, reaching its highest level in close to nine years.

On the price front, reduced fuel taxes curbed input cost inflation which encouraged promotional activity at some firms. Respective rates of increase in input costs and output charges softened to 22- and six-month lows.

Down from 55.8 in July to 53.9 in August, the seasonally adjusted S&P Global Brazil Services Business Activity Index indicated a solid but weaker rate of expansion. The rise was the fifteenth in consecutive months and the slowest since the start of 2022. Ongoing increases in new work intakes reportedly supported output, with growth restricted by softer demand for a number of services.

Brazilian services firms signalled a further upturn in new business during August, thereby stretching the current sequence of expansion that started in May 2021. The increase was the weakest since January, albeit marked overall. Some companies reported demand resilience, successful marketing and better conditions in other sectors of the economy. Others mentioned a fall in consumer appetite for a range of services amid election uncertainty.

Panellists secured new work despite charging more for the provision of services. That said, output prices rose at the slowest rate in six months as some firms offered discounts due to softer cost pressures.

Owing to fuel tax cuts, overall cost burdens rose at a notably softer rate in August. The latest increase was the slowest in 22 months, but sharp in the context of historical data. Survey participants again reported higher food, input, labour and utility costs.

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



Source: S&P Global.
Data were collected 12-25 August 2022.

Comment

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

"Favourable demand conditions continued to support the service sector in August, with another marked increase in new work intakes matched by a similar upturn in output. That said, growth rates eased for the second straight month as some firms noted weaker client appetite for their services in part owing to election uncertainty."

"Views that political concerns would diminish after October's presidential election led services firms to appraise such slowdown as temporary. Companies foresee a pick-up in new work intakes over the course of the next year, which coupled with investment and marketing efforts are forecast to boost output. Sentiment was at its highest in close to nine years."

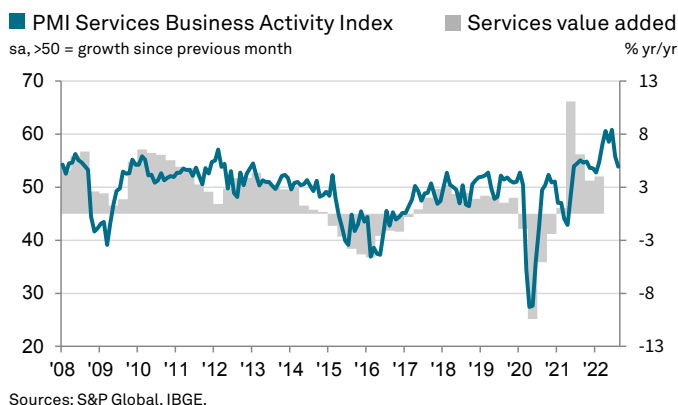
"With new work coming in and projections remaining upbeat, businesses continued with their hiring efforts in August. The PMI survey showed a marked rise in services employment midway through the third quarter."

"Reductions in taxes levied on fuel again curbed input cost inflation in the service sector, with August's rise the weakest since October 2020. This also helped contain the rate at which service providers lifted their own selling prices, which was the slowest in six months."

Hopes that political concerns will fade after October's presidential election boosted business confidence towards the year-ahead outlook for output in August. Investment, commercial campaigns and predictions of more stable economic conditions also underpinned upbeat forecasts. The overall degree of optimism improved to the highest since October 2013.

Sustained increases in new business and the offering of additional services supported job creation in August. Employment rose sharply, though at the slowest pace in six months.

The combination of ongoing jobs growth and a softer uplift in new business enabled services firms to clear pending workloads in August. The pace of backlog depletion quickened to the fastest since the survey started in March 2007.



S&P Global Brazil Composite PMI®

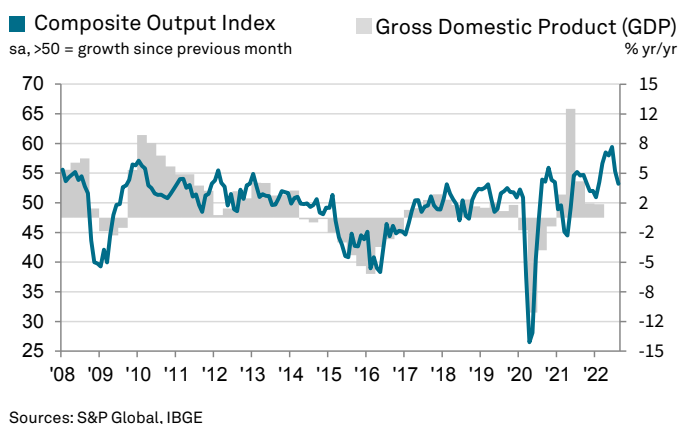
August sees growth of private sector output ease to seven-month low

There was a further slowdown in growth of Brazilian private sector output during August, following a near-record upturn in June. At 53.2, down from 55.3 in July, the S&P Global Brazil Composite PMI® Output Index* highlighted the slowest pace of increase since the start of the year. Services companies continued to outperform their manufacturing counterparts, though rates of expansion softened in both cases.

Aggregate sales increased at the weakest rate since January, with notable slowdowns evident in both the manufacturing and service sectors. The latter continued to lead the rise.

The cooling of economic growth was accompanied by a retreat in price pressures. At the composite level, rates of input cost and output charge inflation moderated to 25- and 19-month lows respectively.

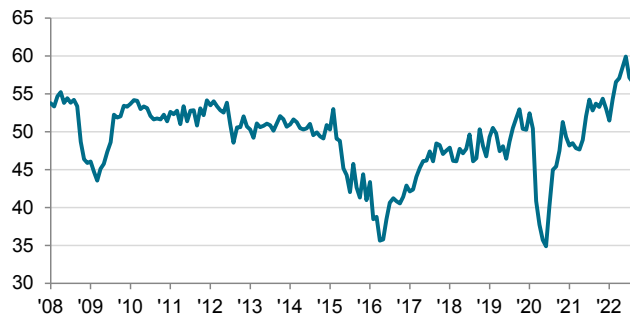
Private sector firms remained strongly upbeat towards the year-ahead outlook, with the overall level of positive sentiment rising to a series record (since April 2012). Buoyant expectations in turn underpinned another round of job creation.



*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](#).