

News Release

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S&P Global Brazil Business Outlook

Optimistic activity forecasts spark surge in hiring and investment plans across Brazil

Key findings

Output prospects brightest in two years

Companies upgrade recruitment and investment intentions in October

Forecasts for non-staff costs and selling prices revised up

The latest set of Business Outlook data, compiled by S&P Global, highlighted strengthening confidence among Brazilian private sector companies regarding the 12-month outlook. Buoyed by the prospects of better domestic and international demand, firms upgraded their forecasts for output and employment. A greater number of companies predicted higher non-staff costs, as was the case for selling prices. Expectations that pricing power will be maintained boosted profit sentiment, which contributed to greater budget allocation for capital expenditure (capex) and research & development (R&D) spending.

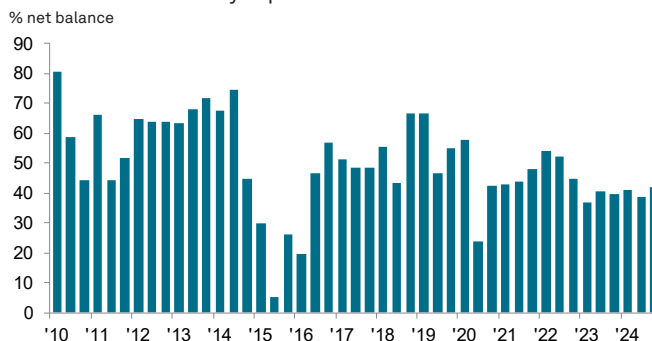
At +42% in October, up from +39% in June, the S&P Global Brazil business activity net balance hit a two-year high. The headline figure was also the highest of the 12 nations for which comparable data are available, closely followed by that seen in the UK (+41%).

When asked to list opportunities for growth, firms remarked on advertising, innovation, new product releases, expansion into new markets, efficiency gains, investment and the potential benefits of the tax reform. There were also hopes that the local currency would strengthen and that interest rates would recede.

Comment Trackers data – which track the historical frequency of words or phrases mentioned by firms' qualitative replies – showed that a greater proportion of panellists saw cost pressures as a threat to growth prospects, while concerns around public policy, economic conditions and the labour market diminished.

Brazilian goods producers were considerably more upbeat than service providers, as shown by respective

Brazil Business Activity expectations



Source: S&P Global PMI.

Data were collected 10-28 October 2024.

Comment

Commenting on the Brazil Business Outlook survey data, Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence, said:

"Brazilian private sector firms are laying a solid foundation for growth, driven by innovation, new product launches, efficiency gains and increased investment. Overall sentiment regarding business activity, job creation and investment all strengthened, showing that where there's a will, there's a way. While goods producers led output projections, service providers showed stronger confidence in investment, profitability and employment."

"Manufacturers are bracing for particularly sharp inflationary pressures, which may explain their more cautious investment plans and profit expectations. Notably, the proportion of goods producers planning to raise selling prices is over twice that of service providers."

"The S&P Global Business Outlook results suggest that Brazilian economic growth will be robust in 2025, especially if investment continues to flow into innovative sectors. A stronger labour market could emerge as businesses ramp up hiring to meet increased demand, but inflationary pressures could dampen this optimism. With inflation expectations rising, alongside persistent fiscal deficits and currency challenges, it seems that any cuts to the policy rate might be a bridge too far at the next BCB meeting."

output net balances of +51% and +39%.

October sees upward revisions to hiring and investment plans

Reflecting higher expectations for output growth in the year ahead, companies signalled their intention to expand capacities by recruiting extra workers over the course of the coming 12 months. Sentiment surrounding job creation was at its highest level in two years, rebounding from June's recent low and being among the highest worldwide. Employment growth is projected to be stronger in the service economy than in manufacturing.

Capex plans were revised higher in October, with companies at their most upbeat since February 2022. The net balance rose to +19%, more than double the global average (+8%). Concurrently, R&D spending was projected to increase to a greater extent than anticipated in the prior survey period.

The proportion of service providers forecasting capex growth in the year ahead exceeded pessimists by +22%, with the respective reading among manufacturers standing at +9%. For R&D, the manufacturing and services net balances were +11% and +17%, respectively.

Higher inflation expectations for selling prices and non-staff costs

The aggregate net balance for non-staff costs climbed to +45% in October, the highest since mid-2022. Globally, Brazil shared the top spot in the rankings with the UK. Sentiment surrounding staff costs was broadly similar to June, with the net balance decreasing only fractionally from +34% to +32%.

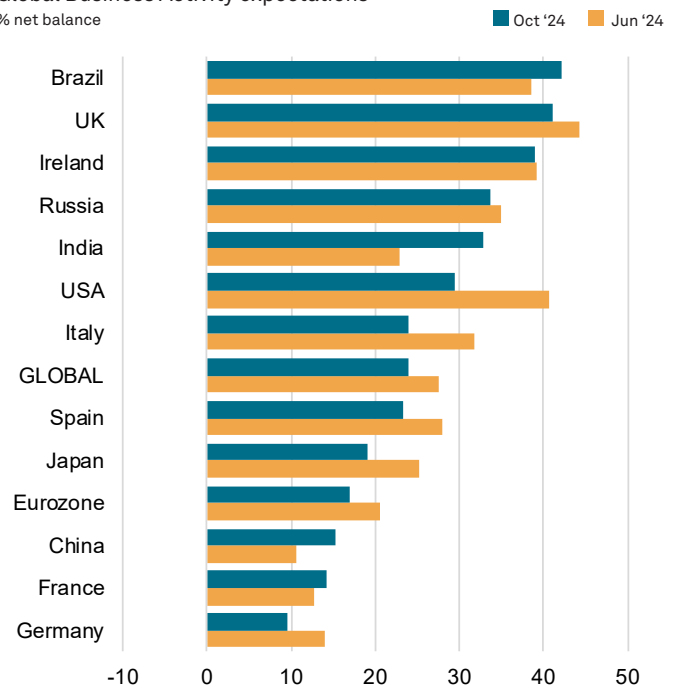
Predictions of stronger increases in material prices prompted a greater proportion of companies to report plans to increase selling charges. The net balance was at its highest since June 2022. Only UK and Russian firms intend to price more aggressively.

For all three price measures, inflation is projected to be more pronounced in the manufacturing industry than in the service economy.

Improvement in profit sentiment centred on service sector

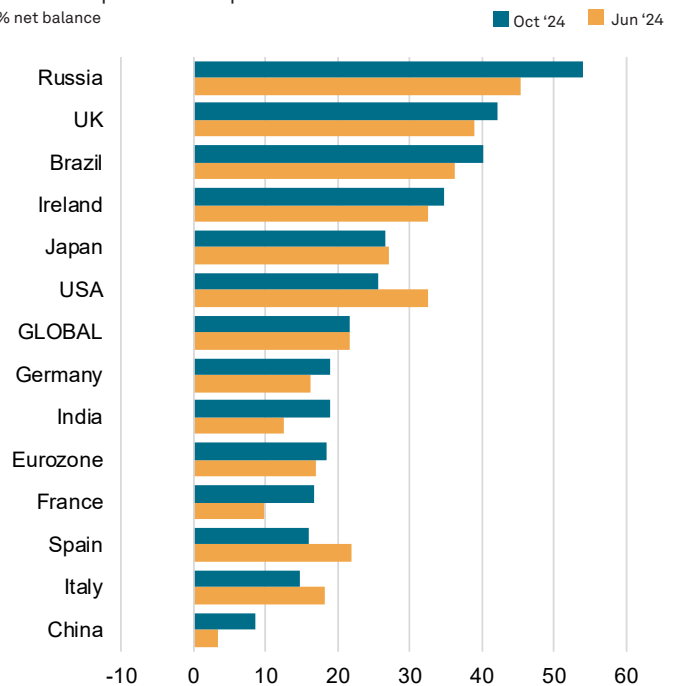
A rise in the profits net balance to +27% in October, from +25%, placed Brazil near the top of the global rankings. That said, the improvement in optimism solely stemmed from an upgrade among service providers (net balance up from +29% to +32%) as manufacturers downgraded their projections – net balance slipping to a one-year low of +10%.

Global Business Activity expectations
% net balance



Source: S&P Global PMI.

Global Output Prices expectations
% net balance



Source: S&P Global PMI.

Full data available on request from economics@spglobal.com.

Survey methodology

The Global Business Outlook Survey for worldwide manufacturing and services is produced by S&P Global and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that S&P Global operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy*. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 8,000 firms.

* The countries with manufacturing and service sector surveys are Brazil, China, France, Germany, India, Italy, Japan, Russia, Spain, the Republic of Ireland, the UK and the USA. Manufacturing data are collected for the Netherlands, Austria, Greece, Poland and the Czech Republic.

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