News Release

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S&P Global Brazil Services PMI®

New business surges and charge inflation eases in Brazil's service economy

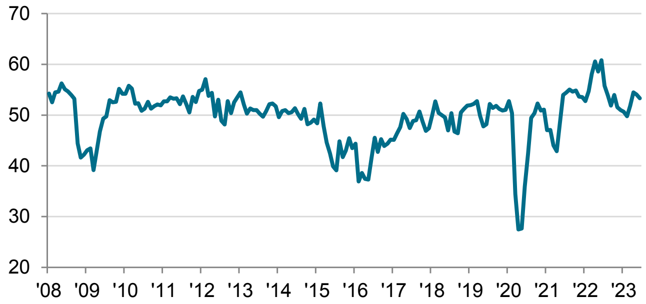
Key findings

Strong inflows of new business underpin output growth

Charge inflation moderates to nine-month low

Upbeat business confidence supports job creation

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



Source: S&P Global PMI.
Data were collected 12-27 June 2023.

June PMI® data indicated a notable uptick in new business secured by Brazilian service providers, highlighting positive demand trends. This surge in sales underpinned another solid expansion in business activity, which in turn created a need for additional workforce. With companies maintaining an upbeat view towards growth prospects, employment rose for the fourth month in a row. Slowing charge inflation contributed to more favourable consumer appetite, but companies recorded a quicker increase in input costs.

Registering 53.3 in June, the seasonally adjusted S&P Global Brazil Services Business Activity Index extended the current growth sequence that started in March. Despite falling from 54.1 in May, the latest reading was consistent with a solid rate of expansion. Survey participants attributed the rise in output to buoyant demand and the onboarding of new customers.

Not only did new business increase for the fourth month running in June, but also at a marked pace that was the strongest since October 2022. Improving sales figures reflected expanded clientele and a healthy demand environment, anecdotal evidence showed.

To maintain a competitive edge, some services companies refrained from hiking their selling prices in June. Average output charges still rose, as several firms transferred cost increases through to clients, but the rate of inflation softened to a nine-month low.

On the other hand, there was a stronger increase in input costs during June. The rate of inflation quickened to the fastest since March, though remained well below the peak seen in 2022. Companies that reported higher operating expenses blamed this on elevated borrowing costs and greater prices for food, refurbishment materials, software licences and utilities.

Services firms foresee softer inflationary pressures in the year ahead, which combined with the prospect of interest

Comment

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

"The PMI results for Brazil's service sector showcased remarkable strength in June, especially considering the current economic environment. Surging demand boosted growth of new business and underscored another increase in output at the end of the second quarter.

"The welcoming easing of charge inflation enabled services firms to onboard new clients and propelled sales figures forward, while reduced inflation expectations and the prospects of interest rate cuts boosted optimism towards the year-ahead outlook for business activity.

"While the manufacturing industry faced further challenges, evidenced by quicker contractions in order books and production, services continued to emerge as a steadfast support pillar for the wider economy. The PMI showed sustained growth of private sector sales and output, alongside a striking retreat in charge inflation. June's results rounded off a stronger performance for the private sector relative to that seen in the first three months of the year."

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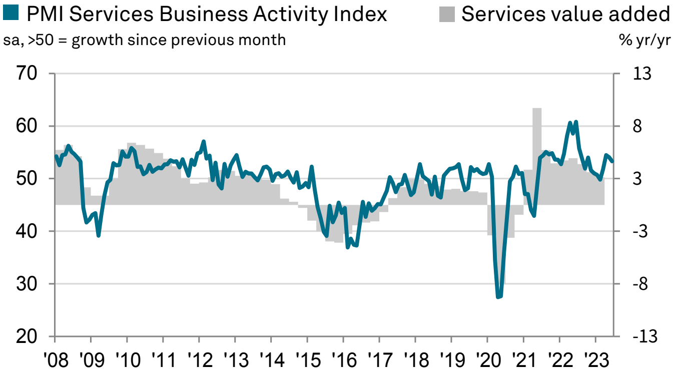
rate cuts boosted optimism towards growth prospects. Demand resilience, new partnerships and tentative signs of improvements in investment as well as other industries such as oil & gas also underpinned positive forecasts. The overall level of business confidence rose to an eight-month high.

Rising volumes of new business and optimistic projections for the outlook supported another increase in services employment at the end of the second quarter. The rate of job creation softened to the slowest since March, but was historically strong. The upturn was curbed by cost considerations at some companies.

Finally, sub-sector splits showed Finance & Insurance at the top of the rankings for most measures. This area registered the strongest increases in sales, business activity, employment and output charges. The fastest rise in input costs was recorded in the Consumer Services segment.



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

S&P Global Brazil Composite PMI®

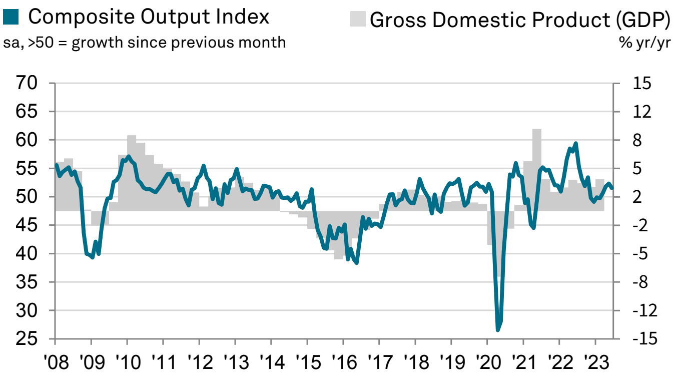
Private sector output rises at slowest pace in three months during June

Although June data signalled a further increase in private sector output, there was a loss of growth momentum. The S&P Global Brazil Composite PMI® Output Index* slipped from 52.3 in May to 51.5, indicating the weakest expansion since March. Manufacturing acted as the main drag on the overall performance, recording a marked and quicker contraction in production. Services activity rose solidly, despite the pace of growth softening to a three-month low.

Growth of aggregate sales strengthened, however, amid a faster upturn in the service economy. Factory orders decreased further in June.

Input cost inflation at the composite level was little-changed since May and was therefore among the weakest over the past three years. Goods producers saw the sharpest fall in input costs for 14 years, while the rate of inflation quickened in the service sector.

With charge inflation easing in the service economy and goods producers signalling a further reduction in output prices, the private sector saw the slowest rise in nearly three years.



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.

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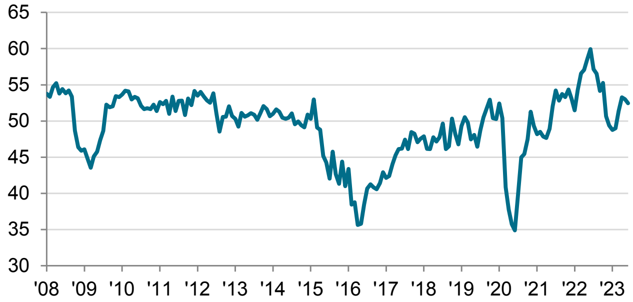
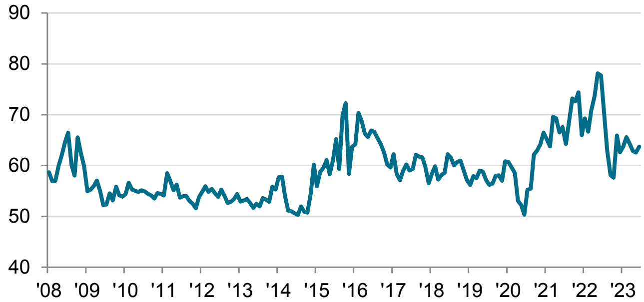
Brazil Services PMI Employment Index
sa, >50 = growth since previous month



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@ihsmarkit.com.

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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.

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