

News Release

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S&P Global Brazil Services PMI®

Service sector starts second quarter strongly as activity growth climbs to 15-year high

Key findings

Business activity rises at second-fastest pace on record...

...as sales expand to greatest extent in close to 15 years

Unprecedented increase in services charges

Brazil's service sector started the second quarter strongly, recording the sharpest growth of business activity in 15 years. Rising sales, supported by robust domestic demand amid the roll back of pandemic restrictions, prompted firms to create jobs at the fastest rate since mid-2007. However, the data showed mounting inflationary pressures, with a near-record increase in input costs underpinning an unprecedented upturn in selling charges.

Posting 60.6 in April, up from 58.1 in March, the seasonally adjusted S&P Global Brazil Services Business Activity Index signalled the second-strongest rate of expansion since data collection started in March 2007. According to panel members, the lifting of COVID-19 restrictions, favourable public policy and a further recovery in demand contributed to the upturn.

Similar to output, new business placed with service providers expanded at the fastest rate in just under 15 years. Survey participants commented on greater quotations, increased customer numbers and robust demand conditions. Granular data indicated that Consumer Services led a broad-based rise in sales at the sub-sector level.

Companies were able to secure new work despite lifting their charges further at the start of the second quarter. Moreover, the overall rate of output price inflation hit a survey peak. Panellists indicated that additional cost burdens continued to be passed on to consumers.

Not only did input costs increase further during April, but also at the second-strongest rate on record (behind last November). Survey participants reported greater prices paid for fuel, materials, transportation and utilities. US dollar strength was also cited as a factor driving expenses higher.

At the sub-sector level, Transport, Information & Communication topped the rankings for inflation of both input costs and output charges, although for the latter Finance & Insurance followed closely.

S&P Global Brazil Services Business Activity Index

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-26 April 2022.

Comment

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

"Growth in the service sector shifted into a higher gear at the start of the second quarter, as business activity expanded at the second-fastest rate in the survey history amid a substantial upturn in new business inflows."

"The surge in demand translated into the best round of job creation among service providers since mid-2007, boding well for the labour market and future consumption."

"The survey also showed an intensification of inflationary pressures, with service providers responding to a sharp rise in operating expenses by lifting their selling prices at an unprecedented rate."

"The improved performance of the service sector is a welcome development, considering the growth slowdown seen in manufacturing, which contributed to near-record increases in private sector output, sales and employment."

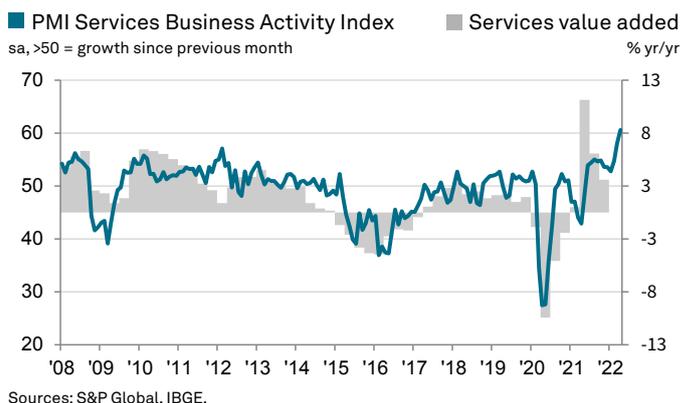
PMI®

by S&P Global

Improved demand conditions, coupled with the replacement of staff let go during COVID-19 peaks and the provision of new services, boosted job creation in April. Employment rose for the eleventh month running, and at a sharp pace that was the quickest since June 2007.

Sustained increases in employment meant that services firms were able to stay on top of their workloads in April, as evidenced by another decline in outstanding business. The latest contraction in backlogs was marginal, however, and the slowest in the current eight-month sequence of reduction.

Looking ahead, service providers were strongly upbeat towards the outlook for business activity. Moreover, the overall level of positive sentiment rose to a seven-month high in April. Firms foresee further improvements in the wider economy, better demand conditions, job creation, diversification and investment growth.



S&P Global Brazil Composite PMI®

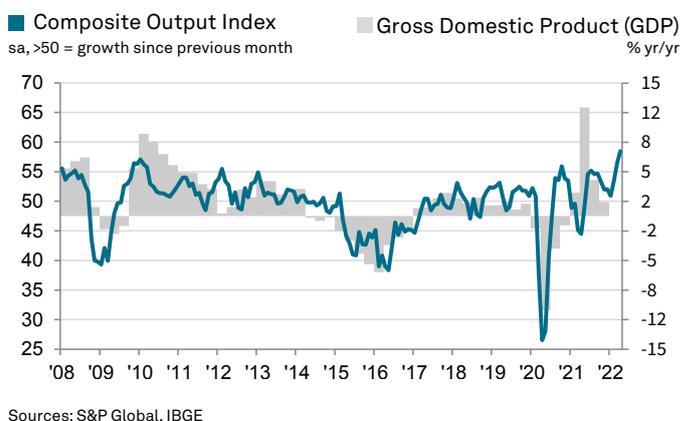
Composite PMI climbs to 14-and-a-half-year high thanks to robust services growth

A stronger upturn in services activity helped push growth of Brazilian private sector output to its highest rate since October 2007. The S&P Global Brazil Composite PMI Output Index* rose from 56.6 in March to 58.5 in April, pointing to a sharp rate of increase. Goods production expanded only slightly in the latest month.

Aggregate sales expanded at the sharpest rate in 14-and-a-half years at the start of the second quarter. The upturn was enhanced by a near-record rise in services new business, with factory orders increasing at a slight and slower pace.

Boosted by an accelerated upturn in jobs among service providers, private sector employment rose at the fastest pace in close to 15 years.

Output charge inflation across the private sector climbed to a new record in April amid acute costs pressures. Input prices rose at a steep rate that was among the highest in the survey history. Services firms recorded the stronger increase in cost burdens, while manufacturers led with regards to charge inflation.



*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.

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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. ihsmarkit.com/products/pmi.html.

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