

HSBC Brazil Services PMI (with Composite PMI data)

Business outlook for services improved sharply in October, despite modest activity growth

Summary

The headline seasonally adjusted HSBC Business Activity Index climbed marginally to 52.6 at the start of the fourth quarter, from 52.5 in September. Since activity began rising again in August the index has been virtually unmoved, indicating that growth has remained broadly consistent over the past three months. Meanwhile, Brazilian manufacturing production increased for the third month running, and at a marked rate that was the fastest since January 2008. The HSBC Brazil Composite Output Index rose slightly as a result to show robust growth of total private sector activity.

New business placed with Brazilian service providers expanded further during October, albeit at a slightly slower rate than over the previous two months. Panel members commented that customers were more willing to invest in their services since economic and financial conditions had improved. New orders taken by manufacturers, on the other hand, grew at a marked pace that was the fastest since December 2007. Reflecting the sector data, the Composite New Orders Index was almost unmoved from its level in September, signalling another robust expansion of overall new work.

Brazilian service providers hired additional staff for the third straight month in October. Moreover, the pace of job creation accelerated fractionally since September, in line with the trend in business activity. Reports suggested that more personnel were taken on to cope with higher workloads. Manufacturers also expanded their workforces at a quicker pace the beginning of Q4. Consequently, the Composite Employment Index posted its highest reading in over a year, pointing to a moderate expansion of the private sector labour force.

October marked an end to declining trends in output prices across Brazil's service and manufacturing economies. Charges across both sectors rose marginally on the month. The Composite Output Prices Index signalled that overall tariffs were up fractionally since September.

Input price inflation in Brazil's service and manufacturing sectors accelerated to marked rates during October. The increases were the fastest for six months for service providers and the quickest in almost a year for manufacturers. The Composite Input Prices Index registered its most positive reading since December 2008 and showed a marked rate of overall inflation.

Comment

Commenting on the Brazil Services and Composite PMI data, Andre Loes, Chief Economist, Brazil, at HSBC said:

"Services activity maintained its pace of moderate growth in October, for the third month in a row. However, the Business Activity Index (at 52.6 in October) remained below its stronger pre-crisis trend (average of 55.9, from March 2007 to September 2008). Highlights from the breakdown of the HSBC Services PMI Report include a weaker expansion of new business compared to September, and a rise in the Prices Charged Index above the critical value of 50.0 (albeit only slightly) for the first time since December 2008, indicating that service providers are starting to regain pricing power. Despite only moderate growth in activity, business expectations in the services sector improved strongly in October."

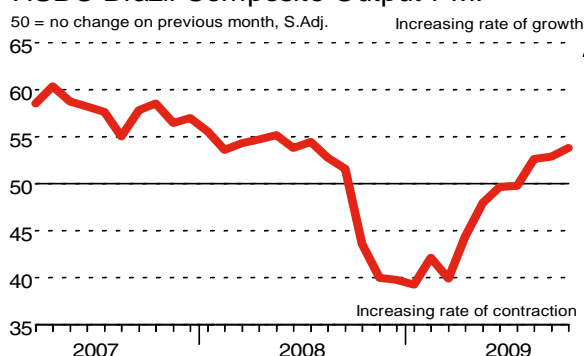
"The October reading of the composite HSBC Brazil PMI showed slightly more robust growth than last month's, which was primarily driven by a more marked acceleration of expansion in industrial activity."

Key points

- Faster growth of private sector output.
- Manufacturers noted quicker rise in new orders, contrasting with a slightly slower expansion for service firms.
- Input price inflation across Brazil's private sector gained pace, while charges increased fractionally.

Historical Overview

HSBC Brazil Composite Output PMI



For further information, please contact:

HSBC

Andre Loes, Chief Economist, Brazil

Telephone +55-11-3371-8184

Email andre.a.loes@hsbc.com.br

Antonio Seidl, Senior Press Officer, HSBC Bank Brazil

Telephone +55-11-3847-5785

Email aseidl@hsbc.com.br

Markit

Luke Thompson, Deputy Chief Economist

Telephone +44-1491-461-026

Email luke.thompson@markit.com

Claire Gorman, Corporate Communications

Telephone +44-20-7064-6032

Email claire.gorman@markit.com

Notes to Editors:

The HSBC Brazil Services PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The HSBC Brazil Composite PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of over 800 companies based in the Brazilian manufacturing and service sectors.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the *first* indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

HSBC:

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 8,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,422 billion at 30 June 2009, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

About Markit:

Markit is a leading, global financial information services company with over 1,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place.

About Markit Economics:

Markit Economics is a specialist compiler of business surveys and economic indices, including the Purchasing Managers' Index (PMI) series, which is now available for 26 countries and key regions including the Eurozone and BRIC. The PMIs have become 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.

The intellectual property rights to the HSBC Brazil Services and Composite PMIs provided herein are owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit 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 Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit, PMI and Purchasing Managers' Index are all trademarks owned by The Markit Group.