

## HSBC Brazil Services PMI (with Composite PMI data)

All-sector activity growth slowed to modest pace in June. Input price inflation remained strong.

### Summary

The headline seasonally adjusted Business Activity Index fell to an eleven-month low of 50.9 in June, signalling only a slight expansion of output at Brazilian service providers since May. Reports indicated that weaker activity growth reflected a slower inflow of new business receipts. New work increased at a moderate pace during the latest survey period, which companies attributed to a combination of better economic conditions, successful promotional activities and the football World Cup. However, the latest rise was the mildest for almost a year. Although both manufacturing production and new orders rose at accelerated rates, this was not sufficient to offset the slower growth of these variables in services. Consequently, the HSBC Brazil Composite Output and New Business Indices both fell to eleven-month lows on the month.

Despite further growth of new business, data suggested that there remained a degree of spare capacity in the service sector in June. Outstanding work fell for the seventh month in a row, albeit at the slowest rate for three months. In contrast, backlogs accumulated at a modest rate in manufacturing. The Composite Outstanding Business Index pointed to broadly no change in overall volumes of work-in-hand.

Brazilian service firms continued adding to payrolls in June. Employment in the sector rose solidly and for the eleventh straight month, which panellists linked to greater business requirements. However, the rate of expansion moderated fractionally since May. Staffing in the manufacturing industry increased modestly. Reflecting the sector data, the Composite Employment Index was largely unmoved on the month, signalling another moderate expansion in total personnel numbers.

Input price inflation faced by Brazilian service companies accelerated slightly to a marked pace at the end of the second quarter. Anecdotal evidence indicated that higher fuel and raw material costs drove the latest increase. Although June's input price inflation was the sharpest since March, it remained weaker than the series long-run trend. Meanwhile, manufacturers noted a marginal slowdown in purchasing price inflation. The Composite Input Prices Index showed another marked rise in all-sector input costs.

To compensate for another increase in their cost burdens, service providers raised their charges in June. However, output price inflation eased to a modest rate that was the mildest for six months. Manufacturers also upped their tariffs during the latest survey period. As a result, the Composite Output Prices Index showed another modest increase in charges overall.

### Comment

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

*"The HSBC Services Business Activity Index lost some ground relative to last month, but continues to point to growth, having remained above 50.0 for the last 11 months.*

*"The employment and new business indices fell slightly in June. On the other hand, index of business expectations rose more significantly, reflecting the optimism of the services sector.*

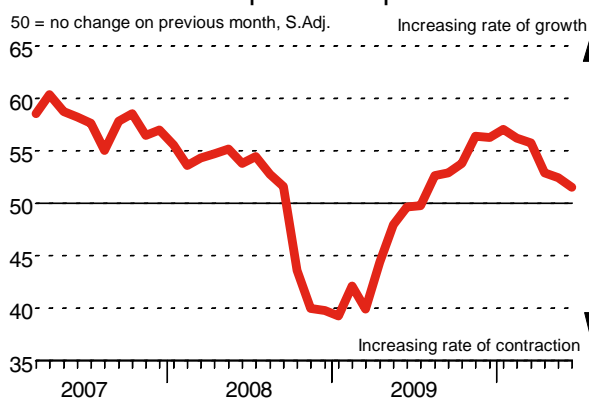
*"Weakness in the service sector brought the composite output index down to 51.6, from 52.5 in May. Nevertheless, the expected increase in overall economic activity has actually materialized in the second quarter."*

### Key points

- Growth of total output and new business both eased.
- Job creation remained moderate.
- Input prices continued to rise markedly, while charge inflation moderated.

### 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](mailto:andre.a.loes@hsbc.com.br)

Antonio Seidl, Senior Press Officer, HSBC Bank Brazil  
Telephone +55-11-3847-5785  
Email [aseidl@hsbc.com.br](mailto:aseidl@hsbc.com.br)

### Markit

Gemma Wallace, Economist  
Telephone +44-1491-461-075  
Email [gemma.wallace@markit.com](mailto:gemma.wallace@markit.com)

Caroline Lumley, Markit Press Office  
Telephone +44-20-7260-2047  
Email [caroline.lumley@markit.com](mailto:caroline.lumley@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 around 350 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.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

### HSBC:

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 8,000 properties in 88 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,364 billion at 31 December 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 1,400 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. For more information, see [www.markit.com](http://www.markit.com).

### About PMIs:

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes (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. To learn more go to [www.markit.com/economics](http://www.markit.com/economics).

**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.**