

HSBC Brazil Services PMI™ (with Composite PMI data)

All-sector output growth continued to ease in July, despite a slight pick-up in services activity expansion.

Summary

The headline seasonally adjusted Services Business Activity Index registered 51.3 in July, up from June's eleven-month low of 50.9. The latest reading pointed to a moderate increase in Brazilian service sector activity, which panellists generally linked to a faster inflow of new work. Output in the sector has risen successively for a year, although July's expansion remained muted by the historical standards of the survey. However, the acceleration in service sector activity growth was offset by a slowdown in manufacturing output growth. Consequently, the HSBC Brazil Composite Output Index slipped slightly to 51.3 in July, down from 51.6 in June.

The volume of new business placed with Brazilian service providers grew moderately in July. Respondents stated that stronger demand for services was supported by improving economic conditions and the football World Cup. Although faster than in June, the latest rise of new work was nevertheless weaker than the average for the current sequence of expansion. In contrast, new order receipts at manufacturers rose more slowly on the month. Overall, new work increased at a broadly similar rate to that recorded in June. This was highlighted by the Composite New Business Index, which was virtually unmoved in July.

A combination of greater workloads and customer delays led to a fractional build-up of unfinished business at Brazilian service firms during the latest survey period. This was the first instance of backlog accumulation recorded for eight months. Meanwhile, work-in-hand fell fractionally in manufacturing. The Composite Outstanding Business Index pointed to a marginal increase overall.

Although Brazilian service providers continued adding to payrolls in July, marking one full year of employment growth, the rate of increase eased. This was in spite of a faster rise in new work. The latest round of job creation was only modest and the least marked since October 2009. Manufacturers hired extra workers at a similar rate to service firms. The Composite Employment Index was down slightly from June to signal a modest rate of expansion.

Both input and output price inflation in the service sector moderated during July – the latter to only a fractional pace. Reports showed that the primary upward pressure on each of the price indicators stemmed from higher wage and raw material costs. Manufacturers also reported slower increases in both purchasing costs and factory gate prices. Reflecting the sector data, the Composite Input and Output Price Indices pointed to weaker overall rises in both variables.

Comment

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

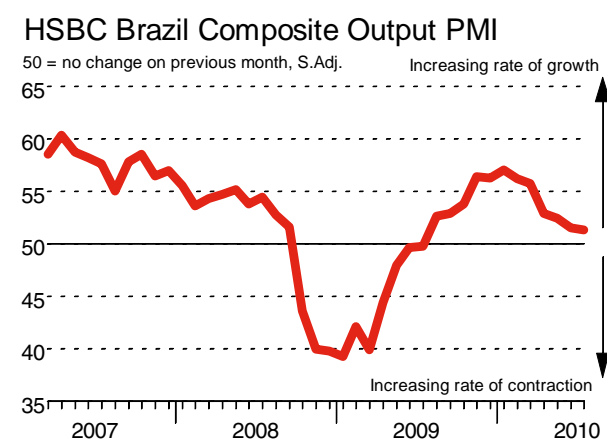
"Services activity growth accelerated slightly in July, as indicated by the Business Activity Index, which reached 51.3 (compared to 50.9 in June). New business rose at a moderate pace, while outstanding business increased marginally – the first expansion since November 2009. The employment index lost some ground relative to last month, but still shows job creation.

"Mainly reflecting the more pronounced deceleration in manufacturing production, the HSBC Composite Output Index showed a slight reduction vis-à-vis June's reading (51.6) to 51.3 in July."

Key points

- Total output rose at weakest rate of current sequence.
- New business growth remained moderate.
- Overall job creation continued to slow.

Historical Overview



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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.

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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.

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