

HSBC Brazil Services PMI™ (with Composite PMI data)

Brazilian output growth slowed in September, remaining moderate

Summary

At 51.3 in September, the headline seasonally adjusted Business Activity Index for Brazil services was below August's reading of 52.6 to signal a slowdown in output growth. Nevertheless, the index remained at a level indicative of a moderate rate of expansion. Output growth in the manufacturing industry was weaker than in the service sector, with production rising only marginally. Consequently, the HSBC Brazil Composite Output Index slipped slightly to 51.0 in September, the lowest reading in the current fourteen-month sequence of expansion.

Underlying the latest increase in activity were further gains in new business. Incoming new work to the Brazilian service sector increased moderately and for the sixteenth month in succession. Reports indicated that improved market demand and company expansions were behind the latest growth of new work. In contrast, new orders taken by manufacturers continued to fall. The Composite New Business Index showed a modest rate of growth overall.

Further modest growth of new work led to only a marginal rise in outstanding business at Brazilian service providers during the latest survey period. The slight accumulation of backlogs was in contrast with the series trend, which currently points to a modest contraction of work-in-hand over the twenty-three month history. Meanwhile, manufacturers reported a modest depletion of unfinished business. The Composite Outstanding Business Index rose since August, but continued to signal a weak contraction overall.

To manage rising business requirements, Brazilian service firms took on extra staff in September. However, employment rose at only a moderate pace. Job creation in manufacturing was only fractionally weaker than in services. Reflecting the sector data, the Composite Employment Index climbed marginally and signalled another moderate expansion of all-sector staffing.

Brazilian service providers noted another increase in their average input costs in the final month of Q3. Input price inflation was robust, despite slowing to the weakest rate for nine months. Companies attributed greater input costs to higher fuel and raw material prices, alongside increased staff costs. Purchasing cost inflation was more modest in the manufacturing industry, having slowed further from May's one-and-a-half year peak. Consequently, the latest Composite Input Prices Index reading indicated a solid rate of inflation.

In order to pass on the burden of higher input costs to customers, Brazilian service and manufacturing firms raised their charges in September. Output price inflation in both sectors was modest. The Composite Output Prices Index signalled another moderate rate of increase as a result.

Comment

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

"The HSBC Brazil Services PMI report showed a loss of some momentum regarding output growth relative to last month but continued to point to a moderate rate of expansion, with the Business Activity Index retreating to 51.3 in September from 52.6 in August. This is the fourteenth consecutive month in which the headline index has remained above 50. Meanwhile, the employment Index was practically stable from last month. The most important highlight was a marked improvement in confidence, reflecting the optimism of the services sector for the months ahead."

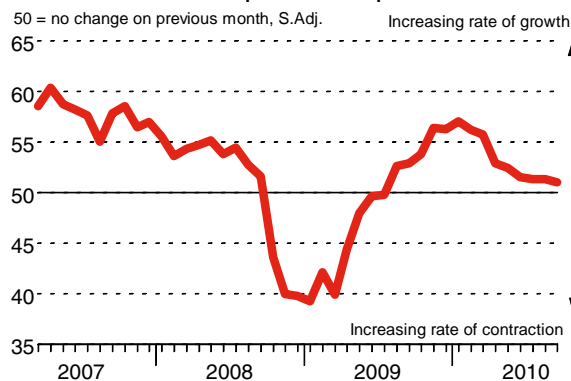
"The Composite Output Index decreased only slightly relative to the previous month (51.0 in September, compared to 51.4 in August), as the decline in the services business activity index was offset by a modest rise in the manufacturing output index."

Key points

- Composite Output Index slipped to fourteen-month low.
- All-sector employment growth picked up.
- Overall charge inflation continued to gain pace, albeit only fractionally.

Historical Overview

HSBC Brazil Composite Output PMI



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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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