

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

Private sector activity growth remained sluggish, despite accelerating

### Summary

Brazilian private sector activity rose at the fastest rate in five months in November, but growth remained muted overall. This was highlighted by the seasonally adjusted HSBC Composite Output Index posting 51.5, up from 50.8 in October.

The stronger increase in private sector output reflected a slight faster gain in services activity and a return to growth in manufacturing production. Quicker services growth was signalled by the seasonally adjusted Business Activity Index rising to 52.1, from 51.8. Manufacturing output rose only marginally, having declined in October.

Where a rise in services output was signalled, growth was commonly linked by respondents to higher intakes of new business. The rate of new business growth was solid, despite easing compared to one month ago. New business wins in the service sector continued to support new order growth at the composite level, as new work taken by manufacturers fell for the fourth month in succession.

Backlogs of work in the Brazilian service sector were accumulated for the third month running in November. Although only slight, the rate of expansion was the fastest since May 2009. This, combined with a slower rate of backlog clearance in manufacturing, meant that outstanding business was unchanged overall across both sectors in November.

Services employment in Brazil rose during November, extending the current period of growth to sixteen months. The rate at which firms added to their staff numbers was the fastest since June. As a result, the pace of private sector employment growth quickened to the fastest in four months.

Output prices set by Brazilian service providers rose for the twelfth month running in November. Although only modest, the rate of output price inflation was the fastest since March. A stronger increase in output charges was also recorded by manufacturers and, as a result, private sector output prices increased at the fastest pace since April.

Average input costs faced by Brazil's service sector firms rose solidly in November. The pace of inflation quickened since October to the strongest in four months. At the composite level, the rate of cost inflation accelerated to a three-month high.

### Comment

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

*"The HSBC Brazil Services PMI rose to 52.1 in November from 51.8 in October, signalling a modest expansion of the services economy. This is the sixteenth consecutive month in which the headline index has remained above 50.0. On the inflation front, both the input prices and the prices charged indices rose slightly, providing further evidence of the persistence of inflationary pressures in the economy.*

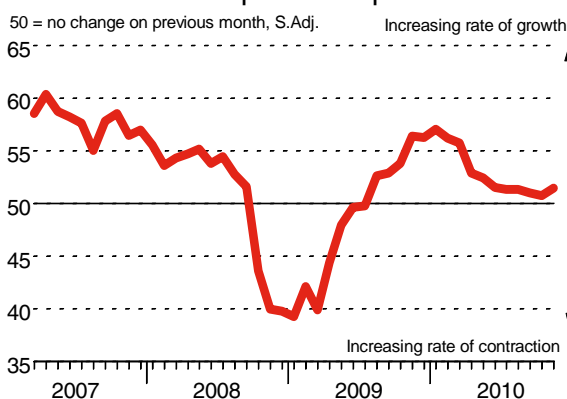
*"Led by the modest rise in the services PMI, the HSBC Composite PMI rose to 51.5, after falling to a fifteen-month low of 50.8 in October. The divergence between the manufacturing and the service sectors narrowed, but still suggests that while domestic demand conditions remain robust, BRL strength continues to weigh on business activity in the manufacturing sector."*

### Key points

- Composite Output Index at five-month high of 51.5, but remained below long-run trend of 52.3.
- New business rose in services, but declined further in manufacturing.
- Overall rate of job creation quickened to four-month high.

### 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](mailto:economics@markit.com).

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