

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

All-sector output growth accelerated in February, driven by manufacturing

### Summary

Brazilian business conditions remained solid in February, supporting further expansions in both manufacturing and services output, new work and employment. However, price pressures intensified.

Unmoved since January, the headline HSBC Business Activity Index registered 52.7 in February. The reading signalled another solid expansion of Brazil's service industry. Output has now risen in each of the past nineteen months. The latest increase was supported by further gains in new business, according to panellists. Meanwhile, manufacturing production rose at the fastest rate for nearly a year. Overall, output grew at a robust pace, as shown by the HSBC Brazil Composite Output Index posting 54.0 (up from 53.2 in January).

Growth of incoming new work to the Brazilian service sector was solid in February, and only fractionally weaker than in January. Panel members commented on favourable market conditions. In contrast, new order receipts at manufacturers rose at an accelerated rate. Across both sectors, new work expanded markedly.

Greater workloads resulted in another build up of unfinished business during February. Moreover, the overall rate of increase was the most marked since January 2010. Backlogs at both manufacturers and service companies have now accumulated for two straight months.

In order to accommodate further growth of new work, both service and manufacturing firms added to payrolls in February. Job creation picked up in manufacturing, but eased fractionally in services. The Composite Employment Index signalled another moderate increase overall.

Driven by rising raw material and staff costs, total input price inflation accelerated to a considerable pace in February. The increase was the sharpest for over two years and above the series trend.

To compensate for rising input costs, companies further increased their tariffs during February. Overall output price inflation accelerated to a modest pace as a result.

### Comment

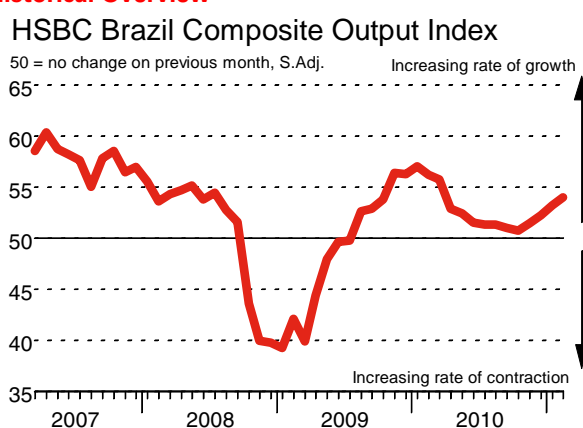
Commenting on the Brazil Services and Composite PMI data, Andre Loes, Chief Economist, Brazil, at HSBC said:

*"The February HSBC Brazil Services PMI remained unchanged relative to January, at 52.7, signalling that the services sector continued to expand last month. The breakdown of the index, however, provides an interesting insight into the strength of the economy, with confidence among service companies reaching an eight-month high. There was also a build-up in backlogs of unfinished business, with firms unable to keep up with orders despite increasing payrolls for the nineteenth month in a row. On the inflation front, the news remains worrying, with the rate of increase in input prices showing a marked acceleration."*

### Key points

- Overall output and new work both rose at accelerated rates.
- Moderate job creation.
- Input price inflation picked up sharply.

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

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