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HSBC Brazil Services PMI™

Business activity grew at fastest pace since March 2010.

Key findings:

- New business volumes increased further.
- Rate of job creation at nine-month high.
- Input price pressures eased slightly since February.

Operating conditions in the Brazilian service sector improved further in March. Both activity and new business increased to a greater extent than in February as surveyed firms commented that client demand rose. Subsequently, Brazilian service providers increased their headcounts for the twentieth consecutive month, and also raised their prices charged. Moreover, firms anticipate positive improvements to continue, as the latest PMI data signalled the highest level of business sentiment since June 2010.

The headline seasonally adjusted HSBC Business Activity Index rose to 53.5 in March, up from 52.7 in February, and indicated a solid increase in activity at Brazilian service providers. Business activity levels have now grown for the twentieth successive month, with the latest rise the strongest since March 2010. Surveyed companies attributed the latest activity growth to higher client demand.

The amount of new business received by firms in the Brazilian service sector rose during March, continuing the trend that started in June 2009. Growth in new business volumes quickened since February, remained above the long-run series average, and was broadly similar to that registered over Q1 as a whole. Five out of six monitored sector categories recorded new business growth in March. In particular, the 'Other' and Transport & Storage sub-sectors registered the strongest monthly increases in sales volumes.

In line with activity growth, the number of people employed by Brazilian service providers increased further in March. Job

creation has now been recorded for the past twenty months, with the latest rise the fastest since last June. The Transport & Storage sector recorded the strongest rate of employment growth, while firms in the Hotel & Restaurants category decreased their workforces modestly during March.

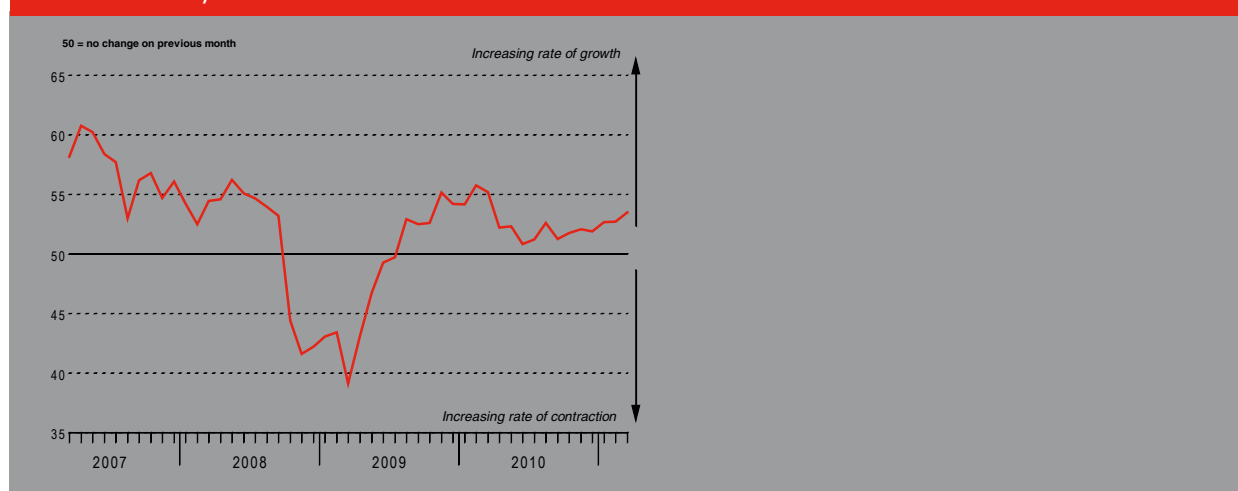
The amount of outstanding work registered by monitored companies fell during the latest survey period. Backlogs of work decreased at a modest rate – albeit the fastest since May 2010 – and ended a two-month period of accumulation.

Meanwhile, the average price charged by survey respondents increased at a modest pace in March. Anecdotal evidence suggested that panellists raised their charges in an attempt to pass greater cost burdens on to clients. Moreover, a number of Brazilian service providers commented that their prices charged rose reflective of stronger market demand. Firms have now charged a higher price for their services on average in each survey period since December 2009. Noticeably, the latest increase was the strongest in thirteen months.

The rate of input price inflation remained marked in March, despite the pace slowing since February. A wide range of goods increased in cost during the latest survey period, with firms particularly highlighting raw materials such as food and metals.

Businesses remained optimistic regarding activity growth over the next twelve months. Moreover, confidence rose from the previous survey period to the highest level since June 2010. Monitored companies were upbeat over higher client demand and recent improvements in the wider Brazilian economy.

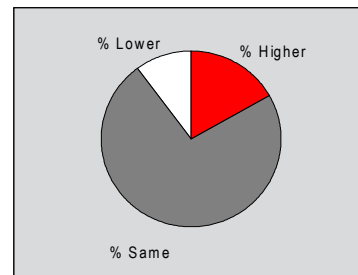
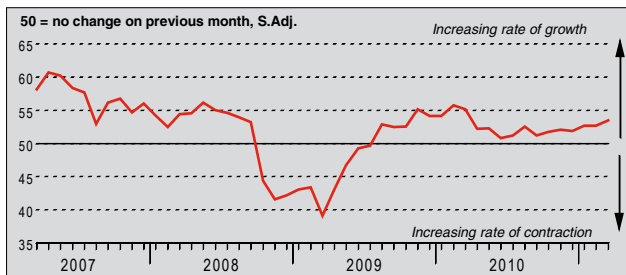
Business Activity Index



The survey uses a methodology identical to the HSBC Brazil Manufacturing PMI™. The survey uses a panel of regularly participating companies to monitor trends in business conditions in the private sector services economy. The panel has been carefully selected to accurately replicate the true structure of the Brazilian services economy.

Business Activity Index

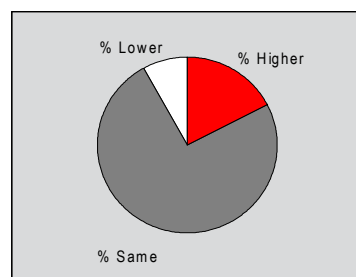
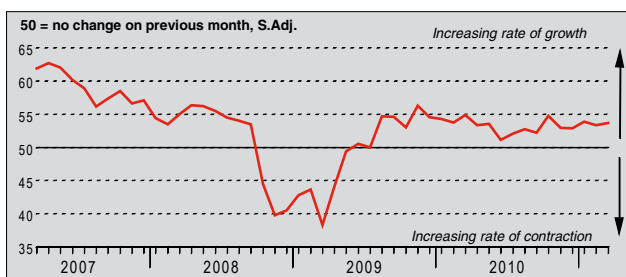
Q. Please compare the level of business activity (i.e. gross income, chargeable hours worked, etc) in your company this month with the situation one month ago.



Brazilian service providers registered a higher level of business activity in March, stretching the current period of expansion to twenty months. Moreover, the rate of activity growth strengthened during the latest survey period to the fastest pace since March 2010. Surveyed companies commented that the latest increase in business activity reflected greater market demand. Five out of six monitored sectors registered growth during March, with only Hotel & Restaurants recording a contraction.

New Business Index

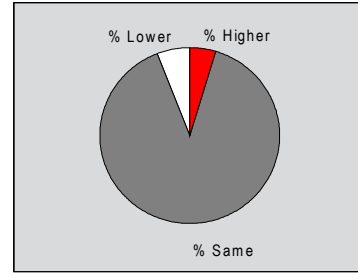
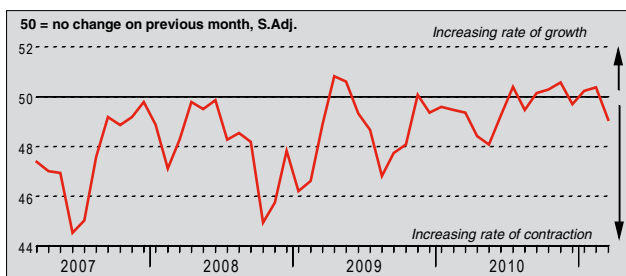
Q. Please compare the level of new orders/business placed at your company (whether already fulfilled or not) this month with the situation one month ago.



The volume of new business received by firms operating in the Brazilian service sector increased for the twenty-second month running in March. New business growth was broadly unchanged from the previous survey period, and remained above the long-run series average. Monitored companies received a higher number of new sales, citing greater demand for their services. Noticeably, both the 'Other' and Transport & Storage sectors recorded strong increases in new orders during the latest survey period.

Outstanding Business Index

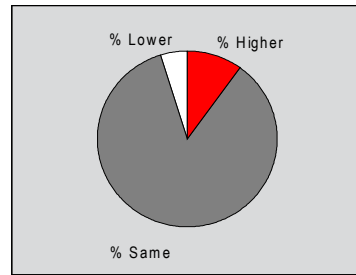
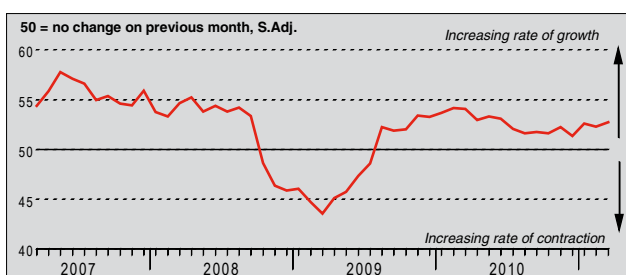
Q. Compare the level of outstanding business (i.e. work in hand but not yet completed) in your company this month with the situation one month ago.



Surveyed firms reported a lower overall level of outstanding business in March, following a two month period of slight accumulation. The amount of work-in-hand (but not yet completed) fell at a modest pace however, as indicated by the seasonally adjusted Outstanding Business Index posting just below the 50.0 no-change mark. All sub-sectors except for Financial Intermediation, registered a depletion of backlogged work in March.

Employment Index

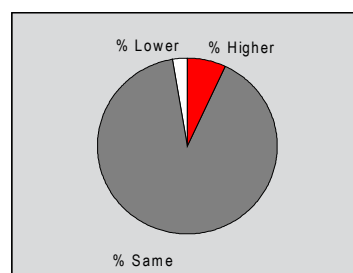
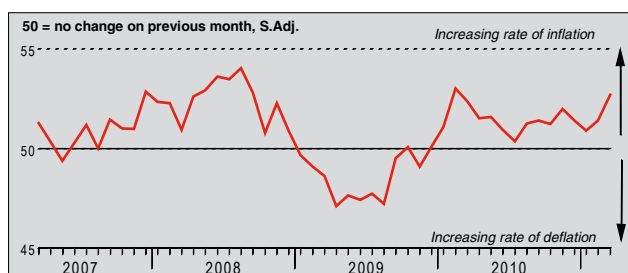
Q. Compare the number of people employed this month with the situation a month ago (treat two part as one full-time and ignore temporary labour).



The number of people employed by Brazilian service providers increased in March. Job creation has been recorded since August 2009, with the latest rise the strongest in nine months. Panellists commented that they had expanded their workforces in line with faster activity growth. Moreover, five out of the six monitored sub-sectors recorded a higher employment level than in February, with the Hotel & Restaurants sector the only exception.

Prices Charged Index

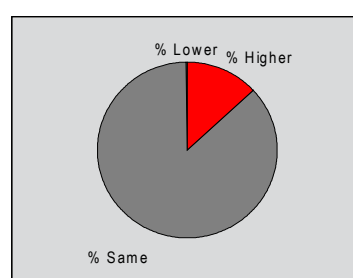
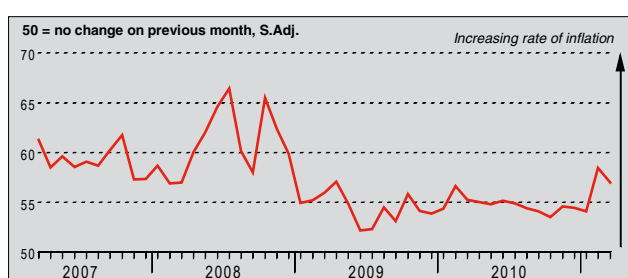
Q. Compare the average prices charged by your company (e.g. prices charged per item or unit of time) this month with the situation one month ago.



In March, monitored companies charged a higher average price for their services. The rate of inflation remained solid, and quickened since February to a thirteen-month high. Panellists commented on passing greater cost burdens to clients during the latest survey period, with this trend particularly noted within the Post & Telecommunications sub-sector.

Input Prices Index

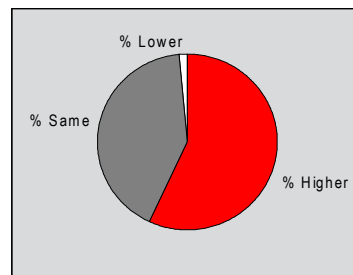
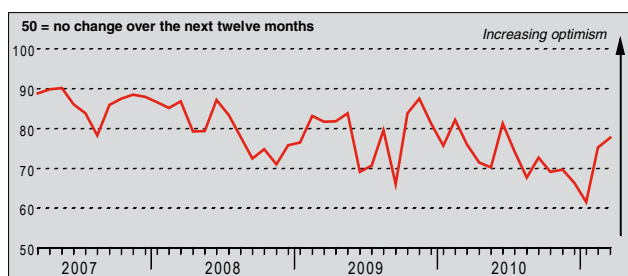
Q. Please compare the average prices paid by your company for all purchases, wages and salaries, etc. this month with the situation one month ago.



The average price of inputs rose markedly in March. Survey respondents indicated a wide range of goods rose in price during March, with food and steel particularly highlighted. The strongest rate of inflation continued to be registered by panellists in the Rental & Business Activities sector. Nevertheless, the overall rate of input cost inflation weakened since the previous survey period and fell below the long-run series average.

Business Expectations Index

Q. In twelve months' time, do you expect overall activity at your business unit to be higher, the same or lower than now?



Firms remained optimistic over future business activity during March. Noticeably, business sentiment rose from February to the highest level in nine months. Reflective of stronger demand and the continual improvement in the Brazilian economy, panellists expect new business volumes, and subsequently activity levels, to increase further over the next year. All six monitored sectors were confident over future activity, with the 'Other' category the most optimistic.

Notes on the Data and Method of Presentation

The Brazil Services PMI™ covers transport & communication, financial intermediation, business services, personal services, computing & IT and hotels & restaurants.

Each response received is weighted each month according to the size of the company to which the questionnaire refers and the contribution to total service sector output accounted for by the sub-sector to which that company belongs. This therefore ensures that replies from larger companies have a greater impact on the final index numbers than replies from small companies.

The results are presented by question asked, showing the percentage of respondents reporting an improvement, deterioration or no change on the previous month. From these percentages an index is derived such that a level of 50.0 signals no change on the previous month. Above 50.0 signals an increase (or improvement), below 50.0 a decrease (or deterioration). The greater the divergence from 50.0, the greater the rate of change signalled.

The indexes are calculated by assigning weights to the percentages: the percentage of respondents reporting an "improvement/increase" are given a weight of 1.0, the percentage reporting "no change" are given a weight of 0.5 and the percentage reporting a "deterioration/decrease" are given a weight of 0.0. Thus, if 100% of the survey panel report an "increase", the index would read 100. If 100% reported "no change" the index would read 50 (100 x 0.5), and so on. 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.

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