

HSBC Brazil Services PMI™ (with Composite PMI data)

Output growth across all sectors remained solid, despite slightly weaker rise in new business

Summary

Business conditions in the Brazilian private sector improved further, with output growth remaining solid during March. This was signalled by the headline seasonally adjusted HSBC Brazil Composite Output Index posting 54.0, unchanged from February and was the joint-highest reading since March 2010.

Output increased in both the manufacturing and service sectors during March. Production growth was strong and above the long-run series average for manufacturers. Meanwhile, for Brazilian service providers the pace of activity remained solid. The HSBC Services Business Activity Index posted the highest reading in twelve months of 53.5, up from 52.7 recorded in the previous survey period.

Firms operating in the Brazilian service sector largely attributed higher activity levels to greater client demand. New business volumes have now increased for the twenty-second consecutive month. Subsequently, the overall number of new orders received by private sector companies also rose. However, the rise was weaker than that registered in February as manufacturers recorded a sharp slowdown in the rate of new order growth.

The amount of outstanding work indicated by Brazilian service providers decreased in March. Unfinished work was depleted at a modest pace (albeit the fastest in ten months). Across the private sector as a whole, backlogs were accumulated at a marginal rate.

Reflective of greater activity levels, firms operating in the service sector increased their headcounts during the latest survey period. Job creation remained solid and continued the current trend that began in August 2009. Although manufacturers also employed a larger number of people, the rate of employment growth eased to a four-month low. Subsequently, the overall rise in employment was broadly unchanged in strength during March.

Cost burdens increased markedly for both service and manufacturing companies in March. Manufacturers indicated that the rate of input price inflation quickened to a ten-month high, whilst service providers suggested the pace slowed slightly since February. Nevertheless, raw materials were particularly highlighted by panellists as having increased in price. Firms passed greater cost burdens on to clients, with overall output price inflation at a thirty-one month high.

Comment

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

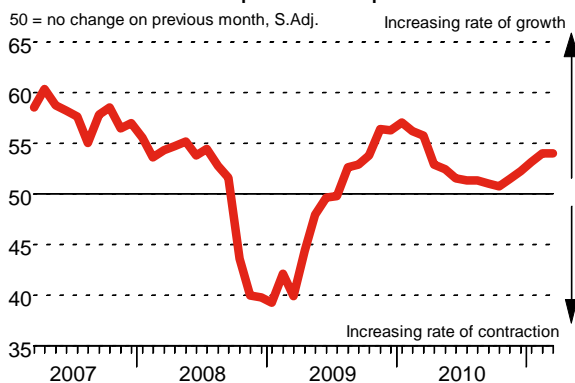
"The March HSBC Brazil Services PMI rose to 53.5, up from 52.7 in February, implying a further acceleration in the service sector's growth rate. Much of this rise in the headline index, which strengthened to the highest level since March 2010, reflects improvement in business confidence. Business sentiment rose further in March, even after the marked jump seen last month. Strong confidence among service companies enabled firms to raise their output prices at a faster rate (more bad news on the inflation front), despite a slight moderation of input price increases. The strength of the latest PMI numbers (both services and manufacturing) contradicts the consensus that the economy is losing momentum."

Key points

- Overall new work growth weakened, reflective of a sharp slowdown in manufacturing sector.
- Solid rate of job creation.
- Input price pressures eased slightly.

Historical Overview

HSBC Brazil Composite Output Index



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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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