HSBC Purchasing Managers' Index™ 2011

compiled by markit

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HSBC Brazil Services PMI™

New business volumes grew solidly, but at slowest pace since last December.

Key findings:

- Business activity increased further in April.
- Service providers are optimistic over future activity.
- Rate of job creation weakened to twenty-one month low.

April data signalled a further expansion in business activity within the Brazilian service sector. Surveyed firms commented that activity levels rose as new business volumes increased during the latest survey period. New order growth reflected stronger demand, but was nonetheless the weakest in 2011 so far. Meanwhile, Brazilian service providers are optimistic over future business activity, especially as panellists anticipate greater demand and economic growth to continue over the course of the coming year.

The headline seasonally adjusted HSBC Business Activity Index dipped to 53.2 in April, from 53.5 in March, yet still signalled a solid increase in activity at Brazilian service providers. April's activity growth was slightly slower than that registered previously, but was nonetheless above the long-run series average. Anecdotal evidence indicated that activity levels rose as monitored companies received greater new business volumes during the latest survey period.

Brazilian service providers registered new order growth during April, as has been the case since June 2009. Panellists commented that they received a higher level of new business as demand grew during the latest survey period. That said, the overall rate of increase was the slowest since last December. This partly reflected the Hotels & Restaurants sub-sector registering a fall in new work intakes in April.

Reflective of further activity growth, employment in the Brazilian service sector increased during April. Job creation has now been recorded since August 2009. Nevertheless, the rate of employment growth weakened from the previous survey period to a twenty-one month low. Surveyed firms across five out of the six monitored sub-sectors employed a larger number of people in April, with the only exception being the Hotels & Restaurants category.

The amount of work-in-hand (but not yet completed) recorded by Brazilian service providers decreased for the second successive month in April. Moreover, the rate of depletion strengthened since March, to the fastest pace in eleven months.

Meanwhile, input costs faced by monitored companies increased further during April. Panellists commented that a wide range of items increased in price during the latest survey period, with staff wages particularly highlighted. Despite this, the rate of input price inflation eased slightly since March, and posted below the long-run series average.

Survey respondents indicated that greater cost burdens were partly passed on to clients during the latest survey period. The average price charged by Brazilian service providers increased modestly in April. The latest rise in output prices remained weaker than that indicated for input costs.

Monitored companies operating in the Brazilian service sector remained optimistic over activity levels in the next twelve months. Anecdotal evidence signalled that firms expect both economic and new business growth to continue over the coming year. The 'Other' category registered the highest level of business sentiment in April, whilst respondents in the Financial Intermediation sub-sector had the weakest confidence level.

Business Activity Index

Summary of Survey Findings

	Current Index	Previous Index	Change signalled
Business Activity	**53.2**	53.5	Solid growth (slower than March)
New Business	**53.1**	53.7	Solid growth (slower than March)
Backlogs of Work	**48.5**	49.1	Moderate depletion (faster than March)
Employment	**51.0**	52.8	Modest growth (slower than March)
Prices Charged	**52.1**	52.7	Moderate monthly inflation (slower than March)
Input Prices	**55.1**	57.0	Strong monthly inflation (slower than March)
Expectations	**76.3**	77.7	Highly optimistic outlook (less so than in March)

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.

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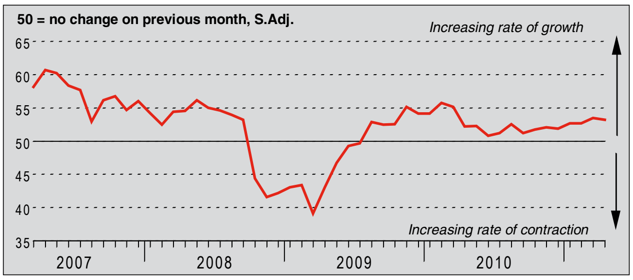
Business Activity Index

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.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	13.6	78.2	8.2	5.4	**52.7**	**52.1**
	Dec	12.2	79.9	7.8	4.4	**52.2**	**51.9**
2011	Jan	11.6	74.3	14.1	-2.5	**48.7**	**52.7**
	Feb	14.3	71.3	14.3	0.0	**50.0**	**52.7**
	Mar	16.8	73.1	10.2	6.6	**53.3**	**53.5**
	Apr	17.9	72.4	9.7	8.2	**54.1**	**53.2**

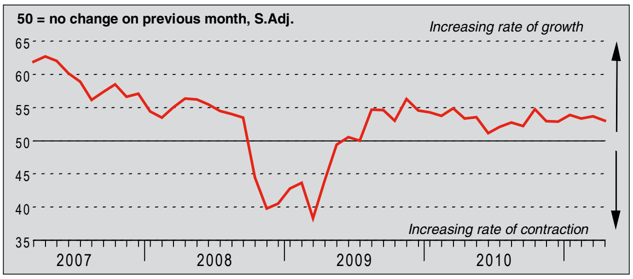


Latest data signalled that business activity levels at Brazilian service providers increased for the twenty-first successive month in April. The latest expansion remained solid, but weakened slightly from that recorded in March. Anecdotal evidence indicated that activity rose reflective of greater demand during the latest survey period. Five out of six monitored sub-sectors registered a higher level of business activity in April, with the only category recording a decline being the Hotels & Restaurants sector.

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.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	14.0	78.4	7.6	6.3	**53.2**	**53.0**
	Dec	13.8	78.6	7.5	6.3	**53.1**	**52.9**
2011	Jan	12.5	74.0	13.5	-0.9	**49.5**	**53.9**
	Feb	16.1	70.2	13.7	2.5	**51.2**	**53.4**
	Mar	17.4	74.5	8.1	9.3	**54.7**	**53.7**
	Apr	17.6	72.3	10.0	7.6	**53.8**	**53.1**

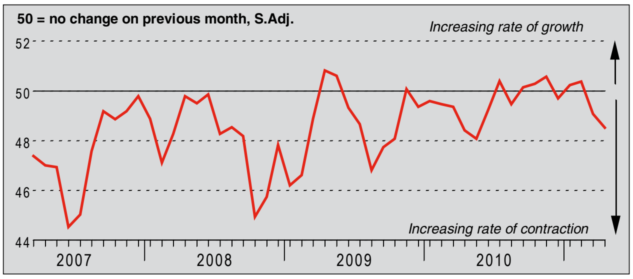


The amount of new business received by companies in the Brazilian service sector increased for the twenty-third successive month in April. Surveyed firms commented that greater demand for their services resulted in larger new business volumes during the latest survey period. That said, the rate of new order growth slowed to the weakest pace registered in 2011 so far. The Hotels & Restaurants sub-sector was the only category to record a fall in new business 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.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	5.6	88.9	5.6	0.0	**50.0**	**50.6**
	Dec	6.2	88.3	5.5	0.7	**50.3**	**49.7**
2011	Jan	5.7	86.6	7.6	-1.9	**49.0**	**50.2**
	Feb	7.6	84.8	7.6	0.0	**50.0**	**50.4**
	Mar	4.7	89.4	5.9	-1.2	**49.4**	**49.1**
	Apr	3.1	91.6	5.3	-2.2	**48.9**	**48.5**

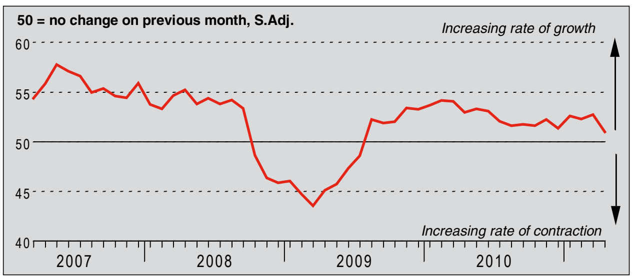


Brazilian service providers reported a depletion of outstanding business during April. Backlogs of work fell for the second month running, with the rate of decline accelerating to the fastest in eleven months. A number of monitored companies commented that some supply problems were resolved during the latest survey period, consequently reducing the amount of work-in-hand.

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).

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	9.2	87.9	2.9	6.3	**53.2**	**52.3**
	Dec	7.6	88.0	4.4	3.2	**51.6**	**51.4**
2011	Jan	6.3	89.6	4.1	2.2	**51.1**	**52.6**
	Feb	8.8	86.2	5.0	3.8	**51.9**	**52.3**
	Mar	10.0	85.2	4.8	5.1	**52.6**	**52.8**
	Apr	4.6	92.3	3.1	1.5	**50.8**	**51.0**

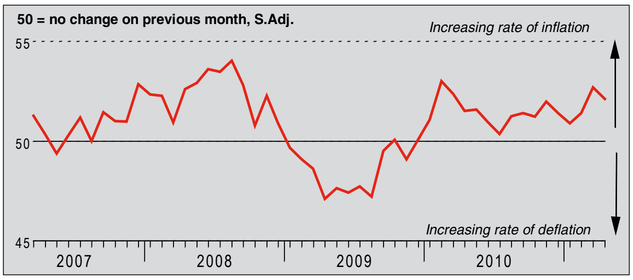


Employment in the Brazilian service sector increased modestly during April, as has been the case since August 2009. Panellists indicated that staff headcounts rose as both activity and new business volumes improved during the latest survey period. Nevertheless, the rate of employment growth slowed from that recorded in March, to the weakest in the current period of workforce expansion so far. This partly reflected a fall in the number of people employed within the Hotels & Restaurants sub-sector in April.

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.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	6.4	92.0	1.6	4.8	**52.4**	**52.0**
	Dec	5.4	93.4	1.3	4.1	**52.1**	**51.4**
2011	Jan	4.7	93.1	2.2	2.5	**51.3**	**50.9**
	Feb	4.4	93.1	2.5	1.9	**50.9**	**51.4**
	Mar	6.9	90.3	2.7	4.2	**52.1**	**52.7**
	Apr	5.8	92.4	1.8	4.0	**52.0**	**52.1**

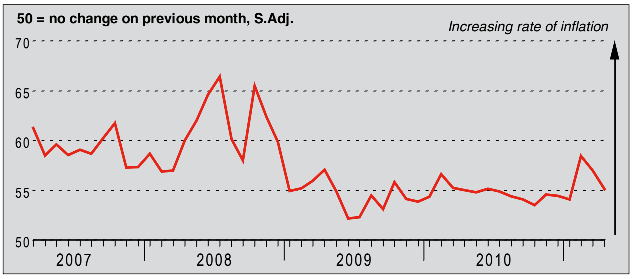


The average price charged by monitored companies in the Brazilian service sector increased modestly in April. Output price inflation has now been registered in every survey period since December 2009. Although the rate of inflation eased slightly from that recorded in the previous survey period, it nonetheless remained above the long-run series average. Anecdotal evidence suggested that the latest rise in prices charged reflected greater cost burdens during April.

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.

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	11.2	88.2	0.6	10.5	**55.3**	**54.6**
	Dec	9.2	90.2	0.6	8.6	**54.3**	**54.4**
2011	Jan	8.5	90.2	1.3	7.3	**53.6**	**54.1**
	Feb	13.5	86.2	0.3	13.2	**56.6**	**58.5**
	Mar	13.1	86.6	0.3	12.8	**56.4**	**57.0**
	Apr	8.9	90.5	0.6	8.3	**54.1**	**55.1**

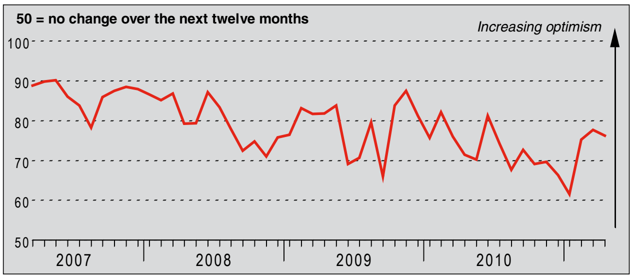


The seasonally adjusted Input Prices Index posted strongly above the 50.0 no-change threshold in April. This signalled that input costs rose further during the latest survey period. Panellists commented that a wide range of items had risen in price, with staff wages particularly highlighted as increasing in cost. Nevertheless, April's Index reading was the lowest in three months and in contrast to the twenty-six month high posted in February.

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?

		Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2010	Nov	40.1	59.3	0.6	39.4	**69.7**	**N/A**
	Dec	33.3	66.0	0.6	32.7	**66.3**	**N/A**
2011	Jan	26.6	69.9	3.5	23.1	**61.6**	**N/A**
	Feb	53.4	43.8	2.8	50.6	**75.3**	**N/A**
	Mar	56.9	41.6	1.5	55.4	**77.7**	**N/A**
	Apr	54.2	44.2	1.6	52.7	**76.3**	**N/A**



Brazilian service providers were optimistic over future business activity in April. Anecdotal evidence indicated that panellists anticipate activity to increase, as firms predict demand and economic growth to improve further over the course of the coming year. However, confidence in future activity growth still remains below the long-run series average. The lowest level of optimism was recorded in the Financial Intermediation sub-sector, whilst the strongest was in the 'Other' category.

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.

Warning