

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

Private sector output across all-sectors increased at slowest pace since December 2010

### Summary

Operating conditions in the Brazilian private sector improved solidly at the start of the second quarter. This was indicated by the headline seasonally adjusted HSBC Brazil Composite Output Index posting above the 50.0 no-change threshold in April. Nevertheless, the latest reading of 52.5 was down from 54.0 recorded in March, and was the lowest in 2011 so far.

Although output growth was recorded in both the manufacturing and service sectors in April, the rates of increase both slowed since March. Brazilian manufacturers registered the weakest rise in production levels since November 2010. Meanwhile, service providers indicated activity growth eased only slightly since the previous survey period. The HSBC Services Business Activity Index posted 53.2 in April, down from 53.5 in March.

Firms operating in the Brazilian service sector attributed the recent rise in activity levels to receiving a larger number of new business in April. New work intakes grew solidly, despite being the weakest in 2011 to date, as demand grew further. In contrast, manufacturing companies registered a slight fall in new order volumes during the latest survey period. Subsequently, the overall number of new orders received by Brazilian private sector firms increased at the slowest pace for five months.

Reflective of output growth being stronger than that of new orders, the amount of work-in-hand fell across the Brazilian private sector as a whole during April. Noticeably, the rate of decline in the service sector strengthened to the fastest since last May.

Employment in the service sector increased in April, as has been the case since August 2009. Nevertheless, the latest increase in headcounts was the slowest in the current period of expansion. Overall, Brazilian private sector employment grew at the weakest pace since October 2010.

Brazilian service providers continued to face higher input costs during the latest survey period. The rate of input price inflation remained strong, as panellists recorded price increases across a wide range of goods. Staff wages were particularly highlighted. Respondents passed parts of their greater cost burdens on to clients by raising their prices charged. That said, across the Brazilian private sector as a whole, the rates of both input and output price inflation eased since March.

### Comment

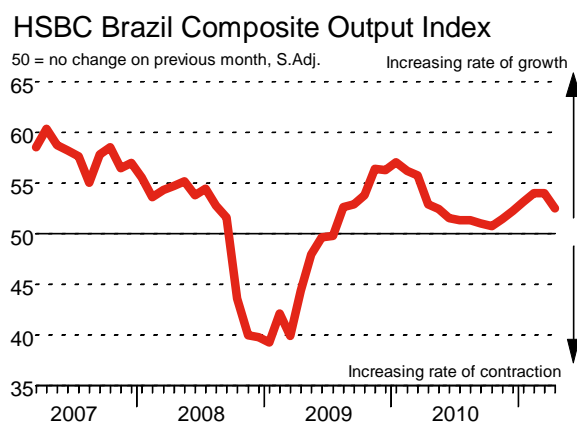
Commenting on the Brazil Services and Composite PMI data, Andre Loes, Chief Economist, Brazil, at HSBC said:

*"The April HSBC Brazil Services PMI fell slightly to 53.2, from 53.5 in March, but showed that the services sector continued to expand at a robust pace. This was the services sector's twenty-first consecutive month of growth. The Employment Index fell to its lowest level in the current upward cycle (that began in August 2009), but continued to signal hiring by service companies. Meanwhile, tightness in the labour market continued to translate in rising input costs. That said, the rate of input price inflation was at a more moderate pace than in March."*

### Key points

- Overall new business growth slowed, reflective of a fall in manufacturing new work intakes.
- Job creation at five-month low.
- Inflationary pressures eased slightly.

### 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.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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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