

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

Brazilian private sector output falls at strongest pace since May 2009

### Summary

Business activity in Brazil's private sector deteriorated for the second consecutive month in September. At 48.5, down from 49.6 in August, the HSBC Brazil Composite Output Index remained below the 50.0 no-change mark that separates growth from contraction, and signalled the fastest decline in output since May 2009.

The fall in output was largely reflective of a further decline in manufacturing production. Brazilian manufacturers reported lower output for the fourth consecutive month, while firms operating in Brazil's service sector registered an increase in activity in September. That said, the HSBC Brazil Services Business Activity Index fell from 52.2 in August to 50.5. This signalled that the rise in service activity was only marginal and the weakest in 26 months of growth.

Brazilian service providers received a larger volume of new business in September. Panellists attributed the rise to greater client demand. The rate of new business growth was solid, but remained below the long-run series average. In contrast, total new orders registered across the Brazilian private sector as a whole fell modestly for the second consecutive month during September.

Outstanding business fell in both the manufacturing and service sectors during the latest survey period. Overall, composite PMI data indicated that backlogs were depleted at the fastest pace in two-and-a-half years.

In September, employment in Brazil's private sector decreased for the first time since July 2009. However, the rate of job losses was only fractional. Brazilian manufacturers reduced their workforces further during the latest survey period, while service providers hired additional staff, albeit only marginally. Anecdotal evidence suggested that service employment rose due to larger new business volumes.

Input costs faced by Brazilian private sector firms rose for the twenty-sixth consecutive month in September. Higher raw material prices and unfavourable exchange rates were often commented by survey respondents.

In general, companies passed on greater cost burdens to clients by raising their output charges. Nevertheless, both Brazilian manufacturers and service providers increased their prices only marginally in September, with the rates of output price inflation at 22- and 21-month lows respectively.

### Comment

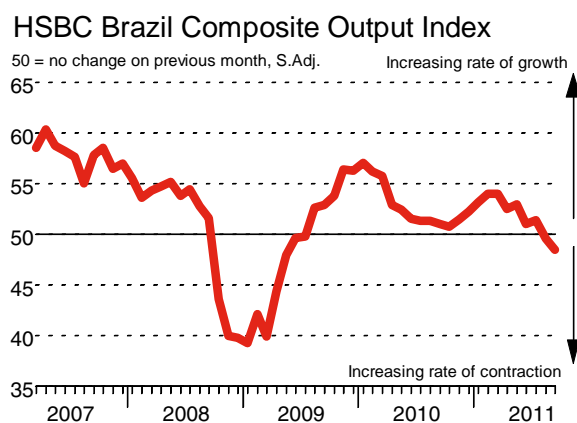
Commenting on the Brazil Services and Composite PMI data, Andre Loes, Chief Economist, Brazil, at HSBC said:

*"The HSBC Brazil Services PMI index reached its lowest level since July 2009, falling from 52.2 to 50.5. Although still above 50, meaning that the service sector continued to expand, the decline of this indicator suggests that the slowdown in the industrial sector is now reaching the service sector as well. The combination of manufacturing and services retreated further, to 48.5, from 49.6 one month ago and is in negative territory for the second month in a row. We will be watching this indicator closely in the coming months to gauge whether the overall economy is moving towards a more pronounced slowdown."*

### Key points

- Total activity falls for second consecutive month
- Rate of new business growth remains below long-run series average in Brazil's service sector
- Overall job losses for first time since July 2009

### 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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