

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

Private sector output increases at fastest rate in nine months

### Summary

Output across the Brazilian private sector increased in December, as signalled by the HSBC Brazil Composite Output Index posting above the 50.0 no-change mark that separates growth from contraction. At 53.2, the index signalled that the latest rise in activity was solid and the fastest since March. Moreover, the rate of growth was above the long-run series average.

The increase in total output largely reflected strong activity growth in the service sector. The HSBC Brazil Services Business Activity Index rose from 52.6 to 54.8 in December, and indicated the strongest rise in activity since March 2010. Meanwhile, production in Brazil's manufacturing sector fell for the seventh month running. However, the latest decline was only slight and the weakest in the current period of decrease.

Brazilian service providers generally linked the rise in activity to greater client demand. Concurrently, the volume of new business rose strongly and at the fastest pace in five months. In contrast, incoming new work at Brazilian manufacturers declined further during the latest survey period. Overall, new orders across the Brazilian private sector rose for the third consecutive month in December, with growth the fastest in nine months.

Outstanding business declined across the Brazilian private sector as a whole in December. Both manufacturers and service providers depleted backlogs during the latest survey period.

Employment in the service sector increased strongly during December. Job creation has been registered since August 2009, with the latest rise the sharpest in 21 months. Total employment also rose for the third consecutive month in December, despite a further decline in manufacturing jobs.

Input costs across both the Brazilian manufacturing and service sectors increased further in December. The rates of input price inflation quickened since November to six- and four-month highs respectively. Firms partly passed on greater cost burdens to clients by raising their average selling prices. Manufacturers raised their factory gate prices modestly, while service providers increased their charges at the fastest rate since May.

Brazilian service providers were optimistic regarding future activity growth in December. Confidence was marked, with the average level of business sentiment during Q4 the highest since Q4 2007.

### Comment

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

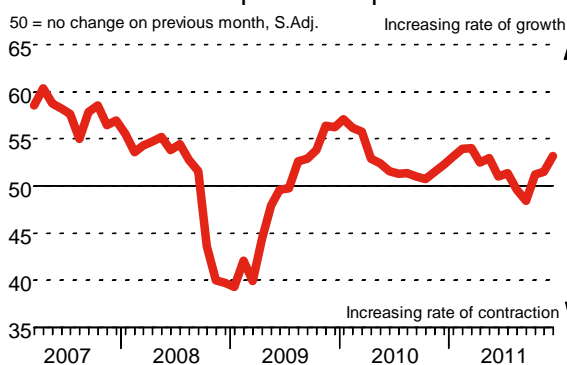
*"The HSBC Brazil Services PMI index picked up to 54.8 in December, from 52.6 one month ago. This is the fastest pace of growth since March 2010 and the 29th month in a row that the index is above the 50 waterline. The index averaged 53.7 in 4Q of 2011, which suggest that the private services sector may be stronger than the consensus."*

### Key points

- Activity growth in Brazil's service sector strongest since March 2010
- Total new orders increase solidly in December
- Confidence regarding future activity among Brazilian service providers remains marked

### Historical Overview

#### HSBC Brazil Composite Output Index



Sources: HSBC, Markit.

## For further information, please contact:

### HSBC

Andre Loes, Chief Economist, Brazil  
Telephone +55-11-3371-8184  
Email [andre.a.loes@hsbc.com.br](mailto:andre.a.loes@hsbc.com.br)

Constantin Jancso, Senior Economist, HSBC Bank Brazil  
Telephone +55-11-3371-8183  
Email [constantin.c.jancso@hsbc.com.br](mailto:constantin.c.jancso@hsbc.com.br)

Antonio Seidl, Senior Press Officer, HSBC Bank Brazil  
Telephone +55-11-3847-5785  
Email [aseidl@hsbc.com.br](mailto:aseidl@hsbc.com.br)

### Markit

Mark Wingham, Economist  
Telephone +44-1491-461-004  
Email [mark.wingham@markit.com](mailto:mark.wingham@markit.com)

Rachel Harling, Corporate Communications  
Telephone +44-20-7264-6283 / +44-782-7891-072  
Email [rachel.harling@markit.com](mailto:rachel.harling@markit.com)

### 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).

### HSBC:

Headquartered in London, HSBC is one of the world's largest banking and financial services organisations and one of the industry's most valuable brands. We provide a comprehensive range of financial services to around 89 million customers through two customer groups, Retail Banking and Wealth Management (formerly Personal Financial Services) and Commercial Banking, and two global businesses, Global Banking and Markets and Global Private Banking.

Our international network covers 87 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. With listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 220,000 shareholders in 129 countries and territories.

### About Markit:

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial marketplace. For more information please see [www.markit.com](http://www.markit.com).

### About PMIs:

*Purchasing Managers' Index™ (PMI™)* surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to [www.markit.com/economics](http://www.markit.com/economics).

**The intellectual property rights to the HSBC Brazil Services and Composite *PMIs* provided herein are owned by the Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.**