# **HSBC Purchasing Managers' Index™ Press Release**

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# HSBC Brazil Services PMI<sup>TM</sup> (with Composite PMI data)

# Brazilian private sector output increases at fastest pace since March 2011

# **Summary**

Output across the Brazilian private sector increased in January, as signalled by the HSBC Brazil Composite Output Index registering above the 50.0 no-change mark that separates growth from contraction. At 53.8, up from 53.2 in December, the index has signalled expansion in output for four consecutive months, with the latest rise solid, and the fastest in ten months.

Both Brazil's manufacturing and service sectors contributed to the overall rise in activity during January. Manufacturing production rose for the first time in eight months, while service providers reported a strong increase in business activity. The HSBC Brazil Services Business Activity Index rose from 54.8 to 55.0 in January, and indicated the fastest rate of activity growth since March 2010.

Firms operating in Brazil's service sector generally attributed the increase in activity to greater client demand. New business rose strongly and at a rate above the long-run series average in January. New work intakes received by Brazilian manufacturers also increased, ending a nine-month period of decline. Overall, new orders across the Brazilian private sector as a whole increased solidly during January, with growth the fastest in ten months.

Outstanding business at Brazilian service providers decreased during January, albeit only marginally. Meanwhile, manufacturers also reported lower work-inhand, but the rate of depletion was the weakest in eight months. Subsequently, backlogs in Brazil's private sector were depleted at a weaker rate than that registered in the previous survey period.

Total employment in Brazil's private sector increased for the fourth consecutive month in January. Moreover, the rate of job creation strengthened since December to a ten-month high. Employment increased in both the manufacturing and service sectors, with the former posting the first rise in staff headcounts since last May.

Input costs faced by Brazilian service providers increased strongly during the latest survey period, with a number of respondents particularly mentioning larger salary bills. The rate of input price inflation quickened since December to the fastest in eight months. Higher input costs were also reported in the manufacturing sector. Overall, input prices across Brazil's private sector as a whole increased strongly during January and at the fastest pace since last June.

Brazilian private sector firms raised their selling prices during the latest survey period. However, the rise in output prices was only marginal and weaker than the long-run series average. Service providers raised their charges, while manufacturers reduced their factory gate prices in January.

#### Comment

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

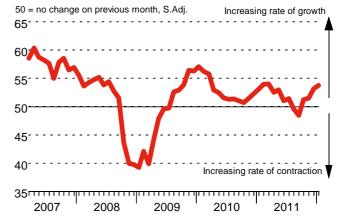
"The HSBC Brazil Services PMI index advanced to 55.0 in January, from 54.8 in December. This is the 30th consecutive month that this index is above the 50 waterline and is at its highest level since March 2010. The acceleration of the service sector shown by the PMI over the last few months reinforces the message that the worse of last year's downturn appears to be over."

# **Key points**

- Strongest rise in service activity for nearly two years
- Total employment growth at ten-month high
- Rate of input price inflation across Brazil's private sector strongest since last June

## **Historical Overview**

# HSBC Brazil Composite Output Index



Sources: Markit, HSBC.





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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<sup>TM</sup> (PMI<sup>TM</sup>)* 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 <a href="mailto:economics@markit.com">economics@markit.com</a>.

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Purchasing Managers' Index<sup>TM</sup> (PMI<sup>TM</sup>) 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

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