

HSBC Brazil Services PMI™ (with Composite PMI data)

Private sector output growth slows to marginal pace

Summary

Output in the Brazilian private sector increased during October, albeit only slightly. The seasonally adjusted HSBC Brazil Composite Output Index posted 50.7 in October, down from 52.2 in September, signalling a further improvement in activity in the sector. However, the rate of growth was only marginal.

Output expanded at both manufacturing and services companies. The HSBC Brazil Services Business Activity Index posted 50.4 in October, down from 52.8 in September. Activity in the service sector increased for the second successive month, albeit at only a marginal rate. According to respondents, activity increased in tandem with stronger demand and better economic conditions.

Brazilian private sector companies signalled increased volumes of incoming new work during October, the second successive monthly rise recorded. That said, the pace of expansion was only slight. Manufacturers and service providers both recorded weak increases.

There was no change in overall employment at private sector firms during October. Service providers signalled job creation, citing stronger demand and business expansions. In contrast, job losses were recorded in the manufacturing sector as companies attempted to reduce costs. The rate of contraction was only slight, however.

Input prices in the Brazilian private sector rose during October, marking a 39-month sequence of input cost inflation. Although solid, the rate of increase was the slowest in 11 months. Manufacturers recorded a thirty-eighth successive monthly increase in purchase costs, mentioning higher petrochemical prices, unfavourable exchange rate conditions, general inflation and droughts in the US. Input prices in the service sector also increased, partly reflecting higher rental costs.

Charges in the Brazilian private sector increased moderately during October. Factory gate prices at manufacturers rose, linked by firms to higher raw material, pork and poultry prices. In the service sector, output prices increased for the thirty-fifth consecutive month. The rate of output price inflation was moderate, albeit the fastest since May.

Backlogs of work in the Brazilian private sector fell during October. However, the rate of depletion was only slight. Whereas service providers signalled a marginal accumulation in the volume of work-in-hand (but not yet completed), manufacturers reported a further depletion.

Comment

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

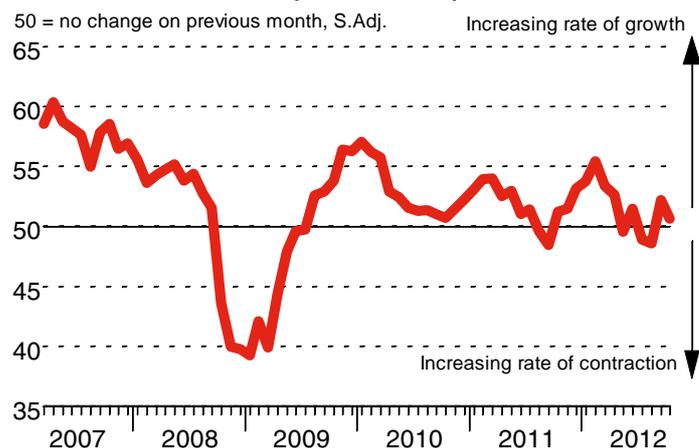
"The HSBC Services PMI index fell from 52.8 to 50.4 in October. The headline index remains above the 50.0 water-line, indicating that economic activity in the service sector continued to expand, but only just. The slowdown in economic activity at services companies during October was unexpected, as we were expecting the economy to gain further momentum in the fourth quarter. On the other hand, the business expectations index jumped from 67.5 to 86.8. Even if the service sector expanded less strongly than we had anticipated, confidence clearly received a major boost."

Key points

- Output increases at faster pace in the manufacturing sector
- New orders in the private sectors expand slightly
- Input price inflation in the private sector slowest in 11 months

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.

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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.

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