HSBC Purchasing Managers' Index™ Press Release

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HSBC Brazil Services PMITM (with Composite PMI data)

Growth of private sector activity at eight-month high

Summary

Output growth was signalled in the Brazilian private sector during November. The seasonally adjusted HSBC Brazil Composite Output Index posted 53.0 in November, up from 50.7 in October, to signal further improvement in activity in the sector. With manufacturing and services firms both registering increases, the overall pace of expansion was solid and the fastest in eight months.

Output at services companies in Brazil expanded solidly during November. The HSBC Brazil Services Business Activity Index posted 52.5, up from 50.4 in October. Activity increased for the third consecutive month with latest data signalling the fastest rate of growth in that sequence. Anecdotal evidence suggested that output rose in tandem with higher total business.

As has been the case since September, the volume of incoming new work in the Brazilian private sector increased in November. With manufacturers and service providers both registering rises, the overall pace of expansion was solid and the fastest since February. According to respondents, growth in new orders reflected better economic conditions and stronger demand.

Following a stagnation signalled in October, workforces in the Brazilian private sector increased during November. Whereas employment at services companies increased, manufacturers registered a fractional contraction. Consequently, the overall pace of expansion was only slight.

November data signalled persistent inflationary pressure in the Brazilian private sector. Input prices rose markedly and prices charged increased slightly. Input costs have risen in each of the past 40 months, with the pace of inflation accelerating to the fastest in three months in the latest period. Panellists mentioned higher raw material prices, while services companies also cited greater labour costs.

Backlogs of work in the Brazilian private sector fell in November, marking an eight-month sequence of depletion. However, the volume of work-in-hand (but not yet completed) contracted only slightly. Manufacturing and services companies both indicated decreases, with the rates of contraction solid and marginal respectively.

As has been the case since data collection started in March 2007, optimism was signalled in the Brazilian service sector during November. Companies expect overall activity in the upcoming year to increase in line with anticipated rises in demand.

Comment

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

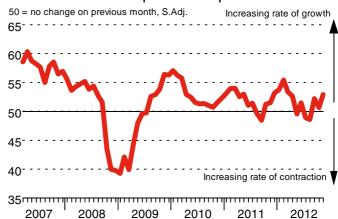
"The HSBC Brazil Services PMI Index rose from 50.4 in October to 52.5 in November, practically returning to the 52.8 registered in September. The Employment Index returned to the highest level since June, indicating that services firms accelerated the pace of hiring in response to stronger demand, reflecting the strong confidence of the sector. Overall, this is more evidence that the recovery of economic activity is finally materializing."

Key points

- Private sector output expands solidly
- New orders in the private sector increase at fastest rate since February
- Rate of job creation in the service sector at fivemonth high

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' IndexTM (PMITM)* 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.

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