

HSBC Brazil Services PMI™ (with Composite PMI data)

Growth in private sector activity at nine-month high

Summary

December data indicated output growth in the Brazilian private sector. The seasonally adjusted HSBC Brazil Composite Output Index posted 53.2 in December, up from 53.0 in November, signalling a further improvement in activity. Manufacturers and service providers both registered increases, and the overall pace of expansion was solid and the fastest since March.

Output in the Brazilian service sector expanded solidly during December. The HSBC Brazil Services Business Activity Index posted 53.5, up from 52.5 in November. The index posted above the no-change mark for the fourth successive month, with the rate of growth signalled accelerating to the fastest in eight months. Anecdotal evidence suggested that output rose in line with higher order book volumes.

Continuing the trend that started in September, new business in the Brazilian private sector rose in December. With manufacturing and services companies both recording increases, the overall rate of expansion was solid and the fastest in ten months. Among other factors, panel members suggested that growth in order book volumes reflected stronger demand.

Staffing levels at private sector firms in Brazil rose for the second successive month in December. But, with services firms registering increases and manufacturers signalling job losses, the overall pace of expansion was only slight. Service providers indicated that workforces were increased to meet business requirements.

As has been the case since August 2009, input prices at private sector companies in Brazil rose. Costs increased solidly and output prices were increased accordingly. However, only part of the burden of cost inflation was passed on to clients as average selling prices rose only slightly. According to monitored companies, raw material costs were greater.

Backlogs of work in the Brazilian private sector fell for the ninth successive month during December. Although manufacturers and services companies both reported an accumulation in unfinished business, the overall rate of depletion was only slight.

Optimism was signalled in the Brazilian service sector during December. Monitored companies forecast overall activity in the 12-month outlook to expand in tandem with the launch of new projects, maintained quality of services, developments for the FIFA Confederations Cup and anticipated rises in demand. Although strong, the level of confidence was at a three-month low.

Comment

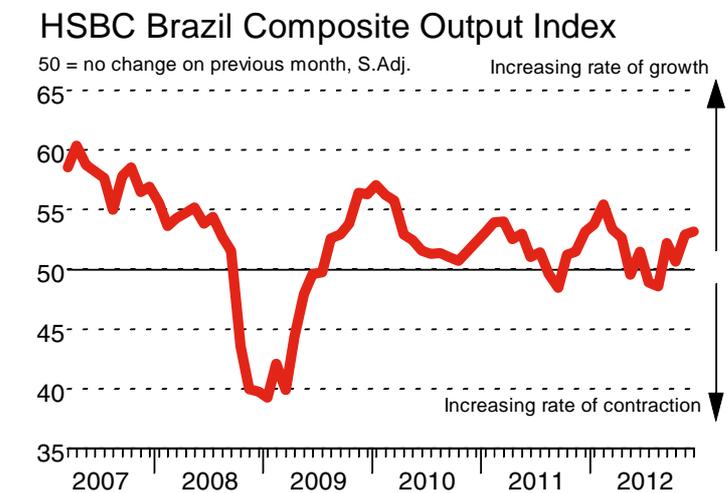
Commenting on the Brazil Services and Composite PMI™ surveys, Andre Loes, Chief Economist, Brazil, at HSBC said:

“The HSBC Services PMI Index rose from 52.5 in November to 53.5 in December – the highest level since April 2012. Considering that the services sector was the biggest negative surprise in Q3 2012 GDP numbers, the fact that the Services PMI moved from an average of 49.9 (indicating a slight contraction) in Q3 to 52.1 in the fourth quarter reinforces expectations that the economy may be finally gaining some momentum at the end the year.”

Key points

- Private sector output increases solidly
- Manufacturing and services firms both signal higher new business
- Degree of positive sentiment in the service sector weakest in three months

Historical Overview



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™ (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.

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