

HSBC Brazil Services PMI™ (with Composite PMI data)

Growth in private sector output at 11-month high

Summary

Output in the Brazilian private sector rose sharply during January, and at the fastest rate in 11 months. The seasonally adjusted HSBC Brazil Composite Output Index posted 54.9 in January, up from 53.2 in December. The latest reading pointed to a further improvement in activity, the fifth in consecutive months. Manufacturers and service providers signalled strong increases, with growth accelerating in both sectors.

The HSBC Brazil Services Business Activity Index posted 54.5 in January, up from the reading of 53.5 in December. This signalled that business activity grew sharply, and at the strongest pace since February last year. Increased service sector output has been recorded for five successive months.

Marking a five-month sequence of expansion, the volume of incoming new work at private sector firms in Brazil rose during January, amid evidence of stronger demand. With both manufacturers and service providers indicating rises, growth in new business was sharp and the fastest in three years.

Manufacturing and services companies both increased their employee headcounts in January. Anecdotal evidence suggested that new business growth reflected rising staffing levels. That said, the overall rate of job creation in the private sector was only slight.

Meanwhile, input prices in the Brazilian private sector increased solidly during January. Moreover, rising costs have been recorded in each of the past 42 months. A divergence was seen across sectors with regards to the rate of inflation, as manufacturing posted the fastest rise in 19 months but, in the service sector inflation eased to a three-month low.

Consequently, average selling prices in the private sector rose again, the fourteenth successive monthly increase registered. But charges rose only moderately, as strong competition prevented firms from passing on the full extent of their cost burdens to clients. Manufacturers and service providers both increased their output prices, and at broadly similar rates.

January data highlighted further optimism in the Brazilian service sector, as has been the case throughout the series history. Companies expect overall activity at their units to increase in the coming year in line with planned business expansions, the signing of new contracts and anticipated rises in demand. Although strong, the degree of positive sentiment was joint-weakest in 71 months of data collection so far.

Comment

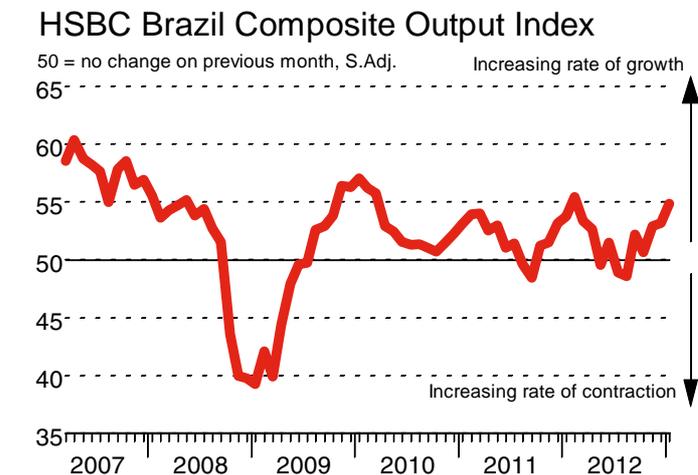
Commenting on the Brazil Services and Composite PMI™ surveys, Andre Loes, Chief Economist, Brazil, at HSBC said:

“The HSBC Services PMI Index rose from 53.5 in December to 54.5 in January – the highest level since February 2012. With the Manufacturing PMI also gaining ground, the Composite PMI rose from 53.2 in December to 54.9 in January – indicating that economic activity is at its strongest level in 11 months. As expected, the economy appears to have entered 2013 experiencing a modest recovery. However, negative shocks on business confidence, such as the public debate about the risks of electricity rationing, remain a relevant risk factor.”

Key points

- Private sector output increases sharply
- Growth in new business accelerates in both the manufacturing and service sectors
- Level of positive sentiment at service providers joint-weakest in survey history

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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