HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

HSBC Brazil Services PMI™ (with Composite PMI data)

Private sector growth picks up, but expansion remains weak

Summary

Output growth in the Brazilian private sector was sustained during April. The seasonally adjusted HSBC Brazil Composite Output Index registered 51.5, up slightly from 51.0 in March. The index posted above the no-change mark of 50.0 for the eighth month running, but indicated that private sector activity improved only modestly. The rate of growth accelerated at service providers, but weakened at manufacturers.

The seasonally adjusted Business Activity Index posted 51.3 in April, up from 50.3 in March. The latest reading pointed to a faster, albeit modest, improvement in activity levels across the country's service sector. Furthermore, the index was below the average reading registered for the first quarter of the year (52.3).

New orders placed at private sector companies in Brazil increased for the eighth successive month during April. The rate of expansion was, however, slight and weaker than that seen over the first quarter of 2013 on average. Manufacturers and service providers both signalled modest rises, with evidence from panellists suggesting that demand was maintained.

Pressure on operating margins across the private sector continued, as indicated by a solid rise in input costs and only a moderate increase in average selling prices. Nevertheless, the rate of cost inflation was the weakest registered since last October. Similarly, the rate of charge inflation was the slowest in four months. Goods-producing companies indicated that steel, plastic and fuel had increased in price. Service providers reported higher raw material and labour costs.

A divergence was seen with regards to workforce levels. Services companies posted higher payroll numbers, but manufacturers signalled job losses. Subsequently, the overall rise in employment levels across the private sector was only fractional and eased from March.

April data pointed to a second consecutive fall in backlogs of work in the Brazilian private sector. The overall rate of depletion was, however, only slight and unchanged from March. Unfinished business levels contracted at both manufacturing and services firms, with the rates of decline moderate and slight respectively.

Further optimism was signalled by service providers in Brazil. The degree of positive sentiment was, however, the weakest in three months. Panellists expect stronger demand to lead to activity growth in 12 months' time.

Comment

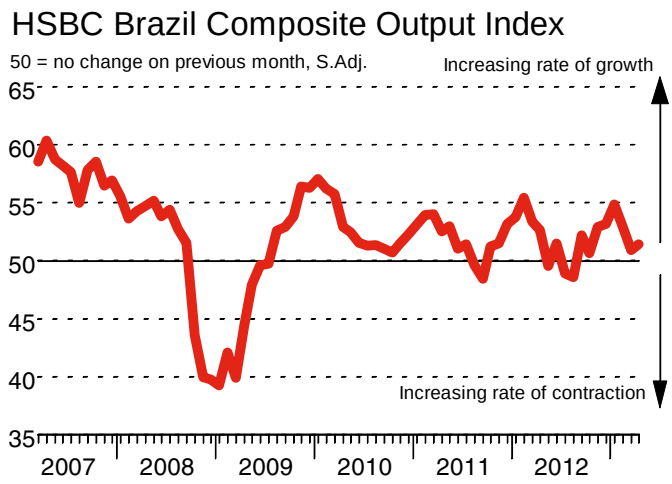
Commenting on the Brazil Services and Composite PMI™ surveys, Andre Loes, Chief Economist, Brazil, at HSBC said:

"After falling from 54.5 in January to 50.3 in March, the HSBC Services PMI Index clawed its way back to 51.3 in April. Following the very weak increase in activity reported by firms in March, the April results seem more consistent with the modest recovery we believe the Brazilian economy is experiencing, but are not sufficient to put concerns about downside risks to growth at rest."

Key points

- Output increases at faster rate in service sector, but growth decelerates at manufacturers
- Slight rise in new orders across the private sector
- Degree of positive sentiment at services companies 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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