

# HSBC Brazil Services PMI™ (with Composite PMI data)

## Brazilian private sector output increases for tenth consecutive month

### Summary

The seasonally adjusted HSBC Brazil Composite Output Index posted 51.1 in June, little-changed from May (51.2), signalling a further modest expansion of private sector activity across the country. Services companies and manufacturers both recorded higher output levels, with the latter leading the rise. Panel members mainly linked gains in output to new business growth.

Unchanged from May, the seasonally adjusted Services Business Activity Index registered 51.0 in June. The latest reading indicated that service sector output in Brazil expanded modestly. Sector data indicated that output increased across four of the six monitored categories. Transport & Storage recorded the strongest growth.

Manufacturing and services companies in Brazil both indicated higher volumes of incoming new work during June. Subsequently, new business across the private sector overall increased for the tenth month running. That said, the rate of expansion was only slight, and unchanged from May.

In line with new contract wins, services companies hired additional staff in June. Manufacturers, however, cut their workforce numbers for the third consecutive month amid reports of weaker gains in new orders. Jobs growth across the private sector overall was only slight. Evidence of spare capacity remained in June, with backlogs of work falling for the fourth month running. The overall pace of depletion was, however, only modest and little-changed from May.

Inflationary pressures across the Brazilian private sector persisted during June, with input and output price inflation both accelerating to the quickest in three months. Manufacturers stated that raw materials in general had increased in price, and also reported unfavourable exchange rates. In addition to the reasons mentioned by goods-producing companies, service providers commented on higher labour costs. Nonetheless, panellists stated that competitive pressures had limited their pricing power and additional cost burdens were not fully passed on to clients.

Service providers' assessment of the business outlook improved in June. The degree of positive sentiment was the strongest recorded since last October. Panellists anticipate that economic conditions will improve in the year ahead, leading to stronger demand. There were also mentions that the football World Cup is set to drive activity growth in the coming year.

### Comment

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

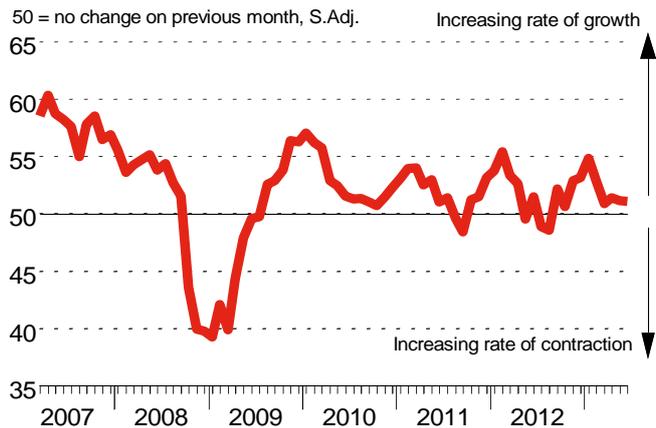
*"The HSBC Services Business Activity Index ended June unchanged relative to May at 51.0, indicating that economic activity in the service sector expanded at a very sluggish pace for the fourth month in a row. Except for 3Q2012, services firms recorded the weakest quarterly expansion in economic activity since 2Q2009, when a contraction was signalled. In short, the latest indicators suggest a very weak growth for the second quarter of the year."*

### Key points

- Private sector activity increases slightly
- New order growth across the private sector unchanged from May
- Service providers signal strongest degree of positive sentiment since October

### Historical Overview

#### HSBC Brazil Composite Output Index



**For further information, please contact:**

**HSBC**

Andre Loes, Chief Economist, Brazil  
Telephone +55-11-3371-8184  
Email [andre.a.loes@hsbc.com.br](mailto:andre.a.loes@hsbc.com.br)

Constantin Jancso, Senior Economist, HSBC Bank Brazil  
Telephone +55-11-3371-8183  
Email [constantin.c.jancso@hsbc.com.br](mailto:constantin.c.jancso@hsbc.com.br)

Renata Binotto, Senior Press Officer, HSBC Bank Brazil  
Telephone +55-11-3847-5786  
Email [renata.binotto@hsbc.com.br](mailto:renata.binotto@hsbc.com.br)

Chrystiane Silva, Press Officer, HSBC Bank Brazil  
Telephone +55-11-3847-9339  
Email [chrystiane.m.silva@hsbc.com.br](mailto:chrystiane.m.silva@hsbc.com.br)

**Markit**

Pollyanna De Lima, Economist  
Telephone +44-1491-461-075  
Email [pollyanna.delima@markit.com](mailto:pollyanna.delima@markit.com)

Caroline Lumley, Corporate Communications  
Telephone +44-20-7060-2047  
Mobile +44-781-581-2162  
Email [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

**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*<sup>™</sup> (*PMI*<sup>™</sup>) 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](mailto:economics@markit.com).

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