

HSBC Brazil Services PMI™ (with Composite PMI data)

Private sector output expands for first time in three months during September

Summary

At 50.7 in September (August 49.7), the seasonally adjusted HSBC Brazil Composite Output Index posted above the 50.0 no-change mark for the first time since June, and indicated that business activity across the country's private sector expanded at a slight pace. Manufacturing and services output both rose in the latest month.

The seasonally adjusted Services Business Activity Index edged back above the neutral 50.0 threshold in September. Up from 49.7 in August to 50.7, the latest reading was consistent with a slight improvement in business activity, with firms commenting on new contract wins. Nevertheless, the index average for the third quarter of the year was the lowest since Q3 2012. The best performing sectors in September were Financial Intermediation and 'Other Services'.

Incoming new work in the Brazilian service sector rose for the thirteenth successive month, amid evidence of strengthening demand conditions. Although slight, the pace of growth was the fastest in three months. Conversely, new work placed at manufacturers fell, with firms commenting on economic instability, deteriorating client confidence and increased external competition. Subsequently, new orders in the private sector as a whole expanded only marginally.

Private sector employment across Brazil rose in September, following a decline noted one month previously. Jobs growth was centred in the service economy, as manufacturers reduced their payroll numbers in response to lower new order levels.

September data pointed to falling backlogs of work in the Brazilian private sector, marking a seven-month sequence of depletion. Despite being modest, the rate of contraction accelerated since August, with manufacturers and service providers both reporting lower levels of outstanding business.

Input prices across the private sector rose further, with the rate of cost inflation accelerating to the quickest in 28 months. Purchase price inflation was stronger in the manufacturing economy, with firms commenting that a depreciation of the Brazilian real against the US dollar had resulted in higher prices paid for imported materials. Service providers associated the latest rise in average prices paid with higher labour and raw material costs.

Private sector firms passed on additional cost burdens to clients in September. Moreover, the overall rate of charge inflation was the strongest in two-and-a-half years.

Further optimism was signalled by services firms in September, albeit to a lesser extent than seen in the previous month. Although service providers expect forecasts of stronger demand to result in output growth, there were concerns about the current economic situation in Brazil.

Comment

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

"The HSBC Brazil Services PMI rebounded to 50.7 in September, from 49.7 in August. In 3Q2013 as a whole, the average level of the index stood at 50.2 – the second weakest quarterly reading since the 2009 global crisis. On the whole, the PMI suggests that after a relative strong start in January-February (when the index averaged 53.3), the expansion rate of economic activity slowed down to almost a trickle."

Key points

- Weak output growth recorded at manufacturers and service providers
- Marginal rise in new business received by private sector firms
- Job creation signalled by services companies, while manufacturers post losses

Historical Overview



Sources: HSBC, Markit.

Further information on service sub-sectors is available in the main report at: www.hsbc.com

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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.

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