HSBC Purchasing Managers' Index™ 2012

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HSBC Brazil Services PMI™

Activity growth strengthens to fastest pace since March 2010

Key findings:

- Both activity and new business increase strongly during December
- Job creation at 21-month high
- Confidence regarding activity in 2012 remains marked

December *PMI*TM data signalled a further rise in activity at Brazilian service providers. The rate of growth was strong and the fastest since March 2010. Concurrently, new business also increased strongly during the latest survey period. Meanwhile, Brazilian service providers were optimistic regarding activity in 2012. Overall, confidence was marked, with the average level of business sentiment for Q4 the highest since Q4 2007.

Firms operating in Brazil's service sector reported higher activity during December, as has been the case since August 2009. This was signalled by the HSBC Business Activity Index posting above the 50.0 no-change mark that separates growth from contraction. At 54.8, up from the 52.6 in November, the index was at its highest in 21 months.

All six monitored service sectors posted higher levels of activity during the latest survey period. Growth was fastest in the Post & Telecommunications sector, followed by the 'Other' category.

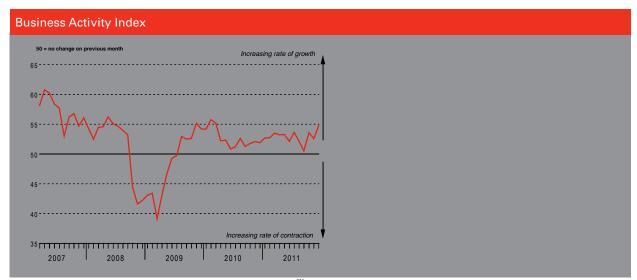
Brazilian service providers generally linked higher activity to greater client demand. Almost one-quarter of surveyed firms received a larger volume of new business in December, while 11% reported less new work. Overall, new business increased strongly, with growth the fastest in five months and above the long-run series average.

Outstanding business was depleted by Brazilian service providers in December, in contrast to the accumulations registered in the past two months. However, backlogs were reduced only modestly, with the majority of panellists reporting no-change in the amount of work-in-hand.

Employment in Brazil's service sector increased strongly during the latest survey period. Job creation has been registered in each month since August 2009. Approximately 12% of panellists hired additional staff, compared with only 2% that reduced their headcounts. Where employment growth was signalled, firms largely linked this to greater demand in December.

Meanwhile, input costs rose further in December, as has been the case since data collection began in March 2007. The rate of input price inflation was solid and the fastest in four months. Monitored companies partly passed on greater cost burdens to clients by raising their selling prices. Moreover, output charges increased at the strongest pace since May.

In December, Brazilian service providers were optimistic regarding business activity over the next 12 months. Monitored companies generally anticipate further economic growth to support the overall rise in activity. Almost 80% of respondents expect an increase in activity during 2012, with confidence marked and well above the historic average for the series.



The survey uses a methodology identical to the HSBC Brazil Manufacturing PMI^{TM} . The survey uses a panel of regularly participating companies to monitor trends in business conditions in the private sector services economy. The panel has been carefully selected to accurately replicate the true structure of the Brazilian services economy. Questionnaires are dispatched at mid-month, requesting comparisons of the current situation with that of one month previously. Purchasing Managers' IndexTM and PMI^{TM} are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.





Business Activity Index

Q. Please compare the level of business activity (i.e. gross income, chargeable hours worked, etc) in your company this month with the situation one month ago.



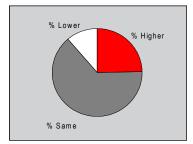


Business activity at Brazilian service providers increased in December, taking the current period of growth to 29 months. Over 23% of surveyed firms reported higher activity (while 11% registered a decrease), and largely linked growth to greater client demand. Overall, the rate of expansion was strong and the fastest since March 2010. All six monitored service sectors posted an increase in activity during the latest survey period, with Post & Telecommunications leading the expansion.

New Business Index

Q. Please compare the level of new orders/business placed at your company (whether already fulfilled or not) this month with the situation one month ago.

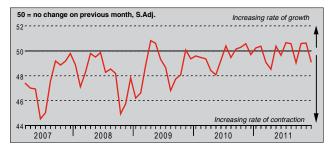


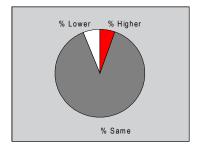


The volume of new business received by firms operating in Brazil's service sector increased further during December. Higher levels of new work have been recorded in each month since June 2009. The latest rise in new business was strong, the fastest in five months, and greater than the long-run series average. Anecdotal evidence provided by panellists generally attributed growth to greater client demand in December.

Outstanding Business Index

Q. Compare the level of outstanding business (i.e. work in hand but not yet completed) in your company this month with the situation one month ago.



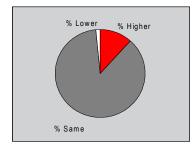


In contrast to the previous two months of accumulation, backlogs were depleted in December. This was signalled by the seasonally adjusted Outstanding Business Index posting below the 50.0 no-change mark that separates an increase from a decrease in work-in-hand. That said, only 6% of respondents reported lower backlogs, while 5% registered a rise. As such, the overall fall in outstanding business was marginal.

Employment Index

Q. Compare the number of people employed this month with the situation a month ago (treat two part as one full-time and ignore temporary labour).



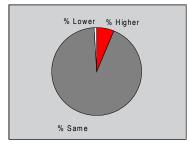


Employment in Brazil's service sector increased during December, continuing the trend that has been registered since August 2009. Panellists generally linked job creation to greater client demand. Approximately 12% of monitored companies hired additional staff, while only 2% reduced their headcounts. Subsequently, employment growth was the fastest since March 2010.

Prices Charged Index

Q. Compare the average prices charged by your company (e.g. prices charged per item or unit of time) this month with the situation one month ago.

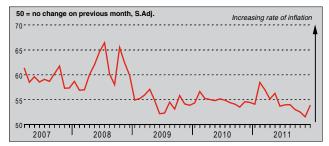


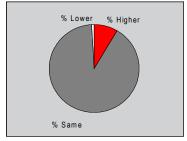


Brazilian service providers raised their selling prices in December, as has been the case since December 2009. Moreover, the rate of output price inflation strengthened since November to the fastest in seven months. Firms increased their charges as demand for their services improved during the latest survey period. All six monitored service sectors raised their output prices in December, with the strongest rise reported by Financial Intermediation firms.

Input Prices Index

Q. Please compare the average prices paid by your company for all purchases, wages and salaries, etc. this month with the situation one month ago.

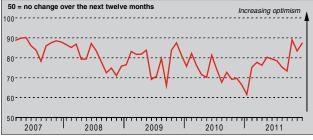


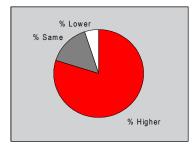


The seasonally adjusted Input Prices Index posted above the 50.0 no-change mark in December, signalling a further rise in input costs. Approximately 9% of surveyed firms reported higher input prices, while less than 1% registered a reduction. Subsequently, the rate of inflation was solid and the fastest in four months. Sector data indicated that the Renting & Business Activities category posted the strongest rise in input costs during the latest survey period.

Business Expectations Index

Q. In twelve months' time, do you expect overall activity at your business unit to be higher, the same or lower than now?





In December, Brazilian service providers were optimistic regarding business activity over the next 12 months. The majority of survey respondents (approximately 80%) expect higher activity levels in 2012, with firms predicting wider economic growth to support business. Confidence regarding future activity was marked, with the Business Expectations Index remaining well above its historic average. Moreover, the index posted its highest quarterly reading in Q4 since the final quarter of 2007.

Notes on the Data and Method of Presentation

The Brazil Services PMI[™] covers transport & communication, financial intermediation, business services, personal services, computing & IT and hotels & restaurants.

Each response received is weighted each month according to the size of the company to which the questionnaire refers and the contribution to total service sector output accounted for by the sub-sector to which that company belongs. This therefore ensures that replies from larger companies have a greater impact on the final index numbers than replies from small companies.

The results are presented by question asked, showing the percentage of respondents reporting an improvement, deterioration or no change on the previous month. From these percentages an index is derived such that a level of 50.0 signals no change on the previous month. Above 50.0 signals an increase (or improvement), below 50.0 a decrease (or deterioration). The greater the divergence from 50.0, the greater the rate of change signalled.

The indexes are calculated by assigning weights to the percentages: the percentage of respondents reporting an "improvement/increase" are given a weight of 1.0, the percentage reporting an 'deterioration/decrease' are given a weight of 0.0. Thus, if 100% of the survey panel report an "increase", the index would read 100. If 100% reported "no change" the index would read 50 (100 x 0.5), and so on. 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.

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