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HSBC Brazil Services PMI™

Strong increases in both activity and new business in April

Key findings:

- Business activity increases for thirty-third consecutive month
- Confidence regarding future activity growth remains at record levels
- · Moderate rate of job creation, albeit weakest since last November

April data signalled a strong increase in activity at Brazilian service providers, with expectations towards future growth marked and virtually unchanged from March's survey high. Firms largely linked expansion to higher client demand, with new business also rising strongly from one month earlier. Employment in the service sector rose moderately, meanwhile, with the rate of job creation the slowest in five months.

After adjusting for seasonal variation, the headline Business Activity Index — which is based on a single question asking survey respondents to report on the actual change in business activity at their companies compared to one month ago — registered above the 50.0 no-change mark in April. At 54.4, the headline index signalled a strong increase in activity from one month earlier. Moreover, up from 53.8 in March, the index indicated that the rate of activity growth strengthened to a pace that was faster than the historic series trend.

In April, all six monitored sectors posted higher activity levels compared with March. The 'Other' category reported the strongest increase, followed by Hotels & Restaurants, while the weakest rise in business activity was registered in the Post & Telecommunications sector.

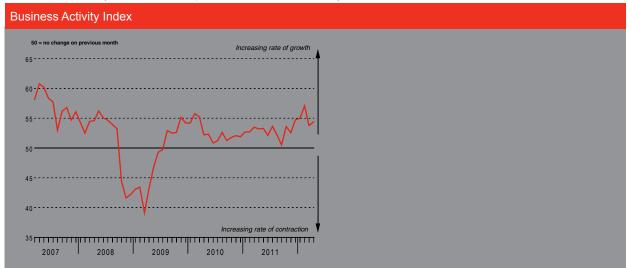
Notably, the level of optimism towards business activity over the coming year remained marked in April, with confidence broadly unchanged from the survey high registered in March. Expectations of further economic growth and greater client demand are both anticipated to support the rise in activity over the next 12 months by Brazilian service providers. Monitored companies received a larger volume of new business in April, as has been the case since June 2009. Approximately 22% of panellists reported an increase in new business, with a number of respondents citing greater client demand and some new contract wins. Overall, the rate of new order growth was strong and faster than that recorded in March.

Reflective of the increase in new work, outstanding business at firms working in Brazil's service sector rose during the latest survey period. Although modest, the latest accumulation of backlogs of work was the second-strongest since data collection began in March 2007, with the respective index only fractionally lower than the survey high recorded in February.

Employment in Brazil's service sector increased in April, taking the current period of job creation to 33 months. Firms that hired additional staff (approximately 8%), generally linked this to larger new business requirements. That said, employment growth was moderate and the weakest since last November.

Firms reported a further increase in input costs during April, with larger salary bills often cited by respondents. Although the rate of input price inflation strengthened since March, it nonetheless remained slower than the long-run series average.

Brazilian service providers passed parts of their greater cost burdens on to clients by raising their output charges. A number of monitored companies also attributed higher selling prices to greater client demand. The latest increase in output prices was only modest, however, and the weakest in three months.



The survey uses a methodology identical to the HSBC Brazil Manufacturing PMl^{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. $Purchasing\ Managers'\ Index^TM\ and\ PMl^TM\ are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.$

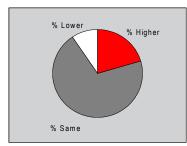




Business Activity Index

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.



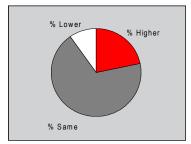


Brazilian service providers recorded a further increase in business activity during April, taking the current sequence of growth to 33 months. Approximately one-fifth of surveyed firms reported higher activity compared with March, and generally linked this to greater client demand. Overall, the latest expansion in activity was strong and faster than the long-run series average. All six monitored sectors posted an increase in business activity in April, with the strongest rise registered in the 'Other' category.

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.



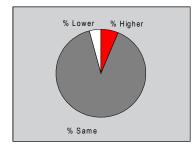


April data signalled an increase in new business at Brazilian service providers, with the seasonally adjusted New Business Index registering above the 50.0 no-change mark. The index rose since the previous survey period, and indicated that the rate of new order growth quickened to a strong pace overall. Where an increase in new business was recorded, firms largely cited higher client demand. Moreover, a number of monitored companies also reported winning some new contracts during the latest survey period.

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.



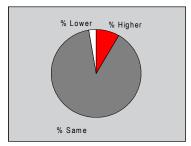


The seasonally adjusted Outstanding Business Index returned to positive territory in April, signalling an increase in backlogs of work at Brazilian service providers. Work-in-hand (but not yet completed) has increased in two out of the past three months, with panellists attributing the latest rise to larger new business volumes. Notably, the index climbed to a level broadly similar to February, and indicated the second-strongest accumulation of backlogs since data collection began in March 2007.

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).



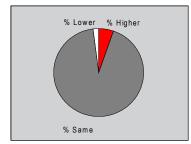


Employment in Brazil's service sector increased in April, with approximately 8% of surveyed firms hiring additional staff since March. Anecdotal evidence provided by panellists largely linked job creation to higher new business requirements and an increase in client enquiries. That said, the vast majority of respondents (almost nine in every ten panellists) kept their staffing levels unchanged during the latest survey period. Overall, employment growth was moderate in April, but nonetheless the slowest since last November.

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.

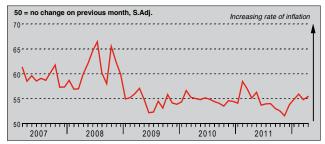


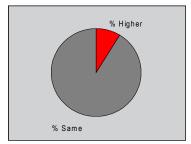


Following the trend that has been registered in each month since December 2009, Brazilian service providers raised their output charges further in April. A number of panellists attributed higher selling prices to partly passing greater cost burdens on to clients, while other respondents linked the increase to higher client demand. That said, the rate of output price inflation was only modest, and slowed to a three-month low in April. Five out of six monitored sectors posted an increase in average output charges, with Transport & Storage the only exception.

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.



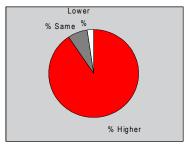


After adjusting for seasonal variation, input costs faced by firms working in Brazil's service sector increased strongly in April. Higher pay rates were particularly mentioned by a number of survey respondents. Despite the seasonally adjusted Input Prices Index rising since the previous survey period, suggesting a faster rate of input cost inflation, the index remained below the historic average for this series.

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?





Business expectations towards activity levels in 12 months' time remained marked in April, with the level of confidence virtually unchanged from the survey high recorded in March. Approximately 91% of surveyed firms anticipate activity to be higher over the coming year, with panellists generally expecting further economic growth and greater client demand to support the increases in business activity. The greatest level of optimism towards future activity growth was reported in the Hotels & Restaurants sector during April.

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 "no change" are given a weight of 0.5 and the percentage reporting a "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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