Embargoed until: 10:00 (SAO PAULO), 5 September 2012

HSBC Brazil Services PMI™

Activity and new business levels both fall during August

Key findings:

- Decline in business activity strongest since May 2009
- First fall in employment in over three years
- Confidence towards future activity growth lowest since January 2011

August data indicated a second monthly fall in Brazilian service activity. Moreover, the rate of contraction strengthened over the month to its fastest since May 2009. Firms generally cited demand weakness, with the volume of new business received also declining from July. Employment also fell during August, ending a three-year period of job creation. Brazilian service providers were optimistic regarding the one-year business outlook, although confidence towards growth in 12 months' time was the weakest since January 2011.

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 with one month ago – remained below the 50.0 no-change mark in August, signalling a further contraction of services activity. At 48.1, down from 48.9 in July, the headline index signalled a moderate overall reduction in business activity over the month, albeit the sharpest since May 2009

Business activity declined in all six service sectors in August. The 'Other' category posted the strongest monthly decline, while the weakest rate of contraction was reported for Post & Telecommunications.

Firms working in Brazil's service sector generally attributed the reduction in activity to demand weakness and the loss of some clients. Incoming new business fell during August, in contrast to the previous two months of increases, and at the fastest pace since April 2009.

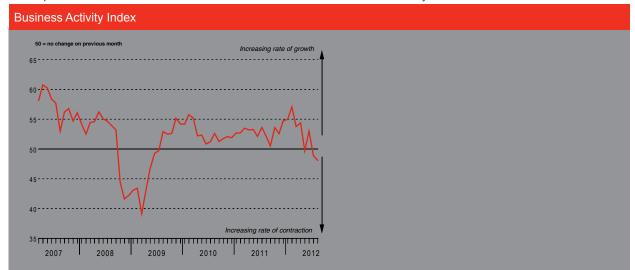
Outstanding business at monitored companies fell for the fourth consecutive month in August. Exactly 4% of survey respondents reported a reduction in work-in-hand (but not yet completed), but the rate of backlog depletion was unchanged from July and only marginal overall.

August data indicated the first monthly fall in Brazilian services employment since July 2009, with approximately 5% of surveyed firms reporting job losses. The corresponding index has fallen sharply from its peak in June, and was consistent with a moderate reduction in overall staffing levels.

Meanwhile, input costs faced by Brazilian service providers increased in August, as has been the case since data collection began in March 2007. Although the latest rise in input prices was solid overall, the rate of inflation nonetheless slowed over the month and remained weaker than the long-run series average.

Average selling prices charged by firms also increased during the latest survey period. Higher output prices have been reported in each of the past 33 months, with the latest increase solid overall.

Brazilian service providers remained optimistic regarding the one-year business outlook in August. Forecasts of economic growth and greater client demand are both expected to support an increase in business activity over the next 12 months. However, confidence towards future activity growth has fallen sharply from the survey-highs in the first half of the year, to the lowest since January 2011.



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.



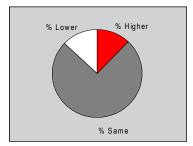


Brazilian service providers reported a further reduction in business activity during August, as has been the case in three out of the past four months. Approximately 13% of surveyed firms recorded a lower level of activity over the month, with demand weakness cited by a number of respondents. Notably, the rate of contraction was the fastest since May 2009. All six service sectors posted a decline in business activity during the latest survey period, with the greatest month-on-month fall registered for 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.

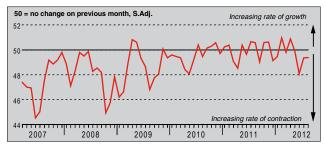




In contrast to the previous two months of increases, the volume of new business received by monitored companies fell during August. This was indicated by the seasonally adjusted New Business Index posting below the 50.0 no-change threshold. Firms largely linked the reduction in new business to demand weakness and the loss of some clients. The index has fallen five points from its peak in June, to the lowest since April 2009, consistent with a moderate decline in new business.

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.



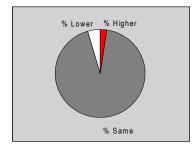


Continuing the trend that has been registered in each month since May, outstanding business at Brazilian service providers fell further during August. Exactly 4% of panellists reported a reduction in work-in-hand (but not yet completed), while half that many recorded an increase. Overall, the seasonally adjusted Outstanding Business Index was unchanged from that recorded in July, and indicated a marginal rate of backlog depletion during August.

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).



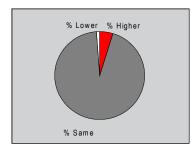


Employment in Brazil's service sector fell in August, ending a three-year period of job creation. The seasonally adjusted Employment Index has fallen over five points from its June peak to a level below the 50.0 no-change mark that separates an increase in staff numbers from a decline. Approximately 5% of monitored companies reported job losses during the latest survey period, with the rate of contraction moderate overall. Employment fell in five service sectors in August, with the exception being Post & Telecommunications, which posted a fractional rise from July.

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.



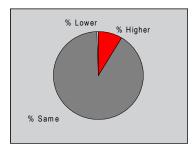


Average selling prices charged by Brazilian service providers increased in August. Higher output charges have been reported in each month since December 2009. Approximately 5% of surveyed firms raised their output prices from one month previously, while less than 2% reported a reduction. Moreover, the increase in output charges was solid overall, with the rate of inflation unchanged from the previous survey period.

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.

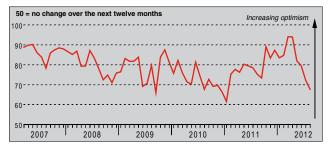




Input costs faced by monitored companies increased in August, continuing the trend that has been recorded in each month since data collection began in March 2007. However, the seasonally adjusted Input Prices Index was consistent with only a moderate rise in average input costs and, having fallen to its second-lowest reading in eight months, signalled a slower rate of inflation overall.

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?





Brazilian service providers remained optimistic regarding the one-year business outlook in August. Approximately 41% of surveyed firms expect business activity to increase over the next 12 months, with forecasts of economic growth and greater client demand both anticipated to support higher activity levels. However, with the Business Expectations Index having fallen sharply from the survey highs in the first half of the year, the index suggested the lowest level of optimism since January 2011.

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.

Warning

The intellectual property rights to the HSBC Brazil Services PMI provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are trade marks of Markit Economics Limited, HSBC use under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.