Embargoed until: 10:00 (SAO PAULO), 3 October 2012

HSBC Brazil Services PMI™

Business activity expands for first time in three months

Key findings:

- Solid growth in new business
- Input cost inflation slowest since November 2011
- Positive sentiment at 20-month low

In line with increasing new business, output in the Brazilian service sector expanded during September. Job creation was recorded and, consequently, backlogs of work were depleted. Input and output price inflation were both signalled for a further month, albeit at softer rates. Meanwhile, service providers remained optimistic regarding the future outlook, but the degree of positive sentiment was the lowest in 20 months.

After adjusting for seasonal variations, 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 – posted 52.8 in September, up from 48.1 in August, indicating a modest increase in activity in the sector. All six monitored categories signalled expanding business activity, with the pace of growth fastest at Financial Intermediation.

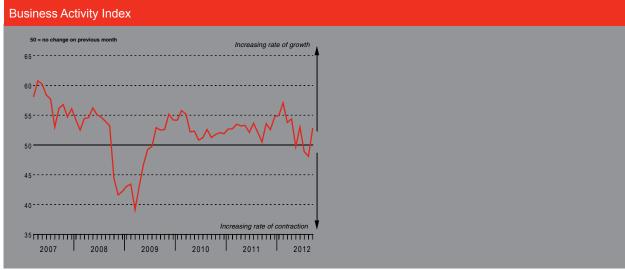
Around 18% of panel members signalled higher business activity, amid reports of stronger demand. The volume of incoming new work increased in the reporting month, following a contraction recorded in August. The pace of expansion was solid, and the New Business Index adjusted for seasonal factors posted broadly in line with the series' long-run average. All six monitored categories signalled expanding new orders, and linked growth to stronger demand.

Payroll numbers increased at services companies in Brazil during September. With around 5% of service providers signalling job creation but the vast majority (92%) reporting no change, the rate of expansion was only slight. Anecdotal evidence suggested that workforces were increased to accommodate higher activity, led by rising demand. Consequently, backlogs of work fell, marking a five-month sequence of depletion. The rate of contraction was only slight, but accelerated to the fastest since June. From all six monitored categories, only the Post & Telecommunication and Other categories recorded an accumulation in the volume of work-in-hand (but not yet completed).

Input prices increased, as has been the case since records begun in March 2007. Despite rising at a moderate pace, purchase cost inflation slowed to a 10-month low. Almost 7% of service providers signalled higher input costs, with mentions of higher labour costs. That said, 94% of survey respondents indicated no change in input prices from August.

Services firms in Brazil passed on to their clients the burden of input cost inflation, as output prices were increased again. Charges have risen in each of the past 34 months although the rate of increase in September was only modest, and the slowest since April.

Despite forecasting higher overall activity in the upcoming year, the level of positive sentiment in September was at a 20-month low. That said, respondents expect developments for the World Cup and the end of the election period to drive output growth. Demand is also forecast to strengthen generally.



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.

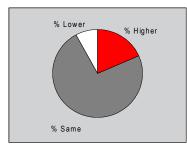




Business Activity Index

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.



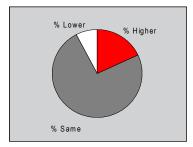


Output in the Brazilian service sector increased during September for the first time in three months. The pace of expansion was solid and the seasonally adjusted Business Activity Index posted just above the series long-run trend. Whereas approximately 18% of monitored companies reported higher activity, exactly 8% stated that output at their units was lower. Anecdotal evidence suggested that business activity growth was supported by stronger demand.

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.



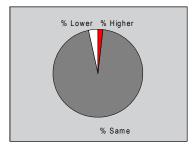


The volume of incoming new work at services companies in Brazil increased solidly in September. The New Business Index adjusted for seasonal variations posted above the 50.0 no-change mark that separates growth from contraction. Moreover, it was broadly in line with the long-run trend for the series with the pace of expansion signalled, the fastest since June. According to panel member, new business increased in line with stronger demand.

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.



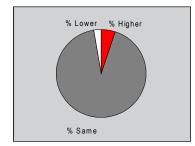


Services firms in Brazil signalled falling volumes of work-in-hand (but not yet completed) during September. With approximately 3% of the survey panel reporting lower unfinished business, but the vast majority (95%) signalling no change, the overall pace of contraction was only slight. That said, the rate of decrease accelerated slightly to the quickest since June. Backlogs of work in the sector have been depleted in each of the past five months.

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).



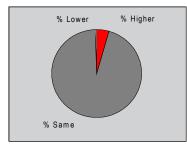


Job creation was recorded in the Brazilian service sector during September, amid reports of stronger demand. However, the rate of expansion was only slight and the Employment Index adjusted for seasonal variations posted below its long-run trend. This contrasted with a decrease in workforces recorded in August. Approximately 5% of survey participants indicated higher staffing levels, but the majority (92%) signalled no change. From all six monitored sectors, only the Other category registered job losses.

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.

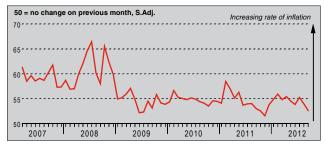


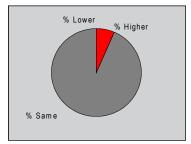


Service providers in Brazil signalled rising output prices during September, marking a 34-month inflationary sequence. The pace of increase was moderate, though, having eased to the slowest since April. Anecdotal evidence suggested that output prices were raised to reflect increasing input costs. Approximately 4% of monitored companies stated that charges increased in the reporting month, but 95% kept prices unchanged at their units.

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.



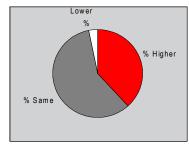


Average input prices at services companies in Brazil increased in September, as has been the case since the survey started in March 2007. That said, the rate of input cost inflation was only moderate, and the slowest in ten months. Moreover, the Input Prices Index adjusted for seasonal factors posted below the series long-run average. Almost 7% of respondents signalled higher input costs, with a number of monitored companies citing higher labour costs.

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 services firms remained optimistic in September, as has been the case throughout the 67-month series so far. Nonetheless, the level of positive sentiment dipped to a 20-month low. Panel members expect overall activity to be higher in the upcoming year as demand from domestic and international markets are forecast to increase. Moreover, there were reports that the post-election period and developments for the World Cup should support output growth.

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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