Embargoed until: 10:00 (SAO PAULO), 6 November 2012

HSBC Brazil Services PMI™

Growth in business activity eases from September

Key findings:

- Slight increase in output
- New business expands at only a slight rate
- Business sentiment rebounds sharply

Service providers in Brazil signalled higher output during October. New business also increased, albeit at a slight rate. Input price inflation persisted and consequently, charges rose for a further month. Meanwhile, workforces increased for the second successive month. Optimism regarding the 12-month outlook was signalled, and the degree of sentiment strengthened sharply since September.

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 50.4 in October, down from the reading of 52.8 in September. Although this signalled that activity increased, the pace of expansion was only slight.

Business activity in the Brazilian service sector increased amid reports of stronger demand and better economic conditions. That said, whereas almost 14% of the surveyed panel reported higher output, nearly 13% said it was lower. Subsequently, overall growth was only slight and slower than in September. New business also increased only slightly. Anecdotal evidence suggested that new total business expanded in tandem with strengthening demand.

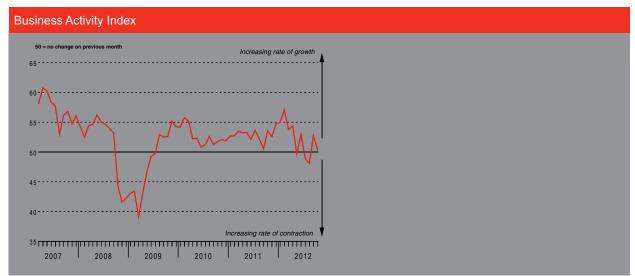
Continuing the trend that has been observed since the survey began in March 2007, input prices in the Brazilian service sector increased during October. According to respondents, purchase costs rose in line with general inflation and higher rental costs. Whereas almost 8% of service providers signalled higher input prices, 92% reported no change.

Service providers' charges increased again. The rate of output price inflation was moderate, though the fastest in five months. Moreover, the current inflationary sequence was extended to 35 months. Almost 6% of panellists reported a rise in charges, citing higher purchase costs. From the six monitored categories, 'Other Services' posted the weakest increase and Post & Telecommunication the fastest.

Backlog accumulation was recorded in the Brazilian service sector during October. Outstanding business increased for the first time since April. The overall pace of backlog accumulation was only slight.

Workforces at service firms in Brazil increased for the second successive month in October. However, the rate of job creation was only slight and unchanged from September. Approximately 6% of panellists stated that staffing levels at their units increased, citing planned business expansions and rising demand.

Optimism was signalled in the Brazilian service sector during October, as has been the case since March 2007 when the survey began. Moreover, the degree of positive sentiment was the strongest in six months. Amongst other factors, service providers anticipate higher output in the upcoming year as demand is forecast to strengthen and the election is finished.



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.

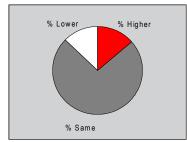




Business Activity Index

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.



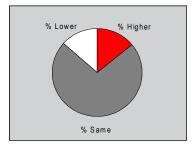


Output in the Brazilian service sector increased during October, amid reports of stronger demand. There were also reports that better economic conditions contributed to higher business activity. However, the pace of expansion as signalled by the seasonally adjusted Business Activity Index was only slight and slower than that recorded in September.

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.

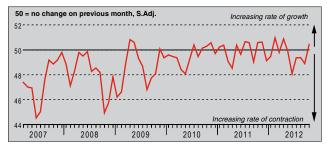


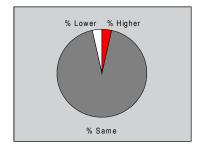


New total business at services companies in Brazil increased for the second successive month in October. That said, the rate of expansion was only slight and slower than September's three-month high. Anecdotal evidence suggested that new business rose in line with higher demand. Some companies also stated that promotions had resulted in more contracts.

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.



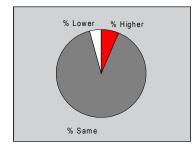


Backlogs of work in the Brazilian service sector increased in October for the first time since April. The Outstanding Business Index adjusted for seasonal variations posted above the 50.0 no-change mark which separates contraction from expansion. However, the rate of backlog accumulation signalled was only slight. From the survey panel, almost 4% signalled higher unfinished business, but the vast majority (93%) reported no change from September.

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).



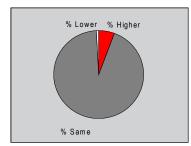


Service providers in Brazil indicated higher staffing levels in October, the second successive monthly rise recorded. However, workforces increased at only a slight rate and the seasonally adjusted Employment Index posted below the long-run series average. Business expansions and increased demand were mentioned by respondents as reasons for the latest rise in payroll numbers. The sharpest increase in workforces was noted in the Post and Telecommunication category.

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.

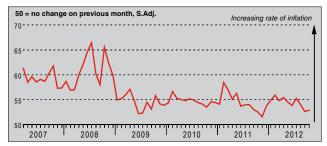


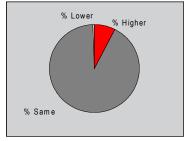


Output prices at service providers in Brazil increased during October, marking a 35-month sequence of inflation. Albeit moderate, the rate of inflation accelerated to the fastest since May. Whereas nearly 6% of panellists signalled higher charges, 93% reported no change. From all six monitored categories, Other Services reported the weakest increase in charges from September. Anecdotal evidence suggested that charges had increased in line with rising purchase costs.

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.



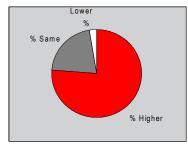


Input prices in the Brazilian service sector increased in October, amid reports of general inflation and higher rental costs. The rate of input price inflation was solid and accelerated from September. However, the Input Prices Index adjusted for seasonal factors posted below its long-run trend. Purchase costs have risen throughout the 68-month series history. From all six monitored categories, Financial Intermediation was the only one to report falling input costs, while no change was signalled by 'Other Services'. Cost pressures were sharpest in Post &Telecommunications.

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 signalled optimism regarding overall activity in the upcoming year during October. Moreover, the degree of positive sentiment was at a six-month high. Anecdotal evidence suggested that output is forecast to increase in tandem with expected growth in demand and the signing of new projects. There were also reports that the post-election period should support output growth. Optimism has been signalled in each month since the survey began in March 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 "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.