

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

HSBC Brazil Services PMI™

Business activity expands for third successive month

Key findings:

- Output increases solidly
- Growth in new orders accelerates from October
- Rate of job creation at five-month high

In line with rising new business, output in the Brazilian service sector increased during November. Workforces rose at the fastest rate in five months, enabling services firms to lower their volumes of work-in-hand (but not yet completed). Input price inflation persisted and consequently, prices charged rose again. Meanwhile, optimism towards the one-year business outlook was signalled.

The headline Business Activity Index – 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. Readings above 50.0 indicate expansion and readings below 50.0 signal contraction. After adjusting for seasonal variations, the index posted 52.5 in November, up from the reading of 50.4 in October. This signalled that growth in business activity was solid and faster than in October.

New business in the Brazilian service sector rose for the third consecutive month in November. With almost one-fifth of monitored companies indicating higher new total business, the pace of expansion was solid and faster than that recorded in October. According to panellists, better economic conditions and stronger demand from both domestic and international clients had led to growth in new business.

Job creation was signalled at services companies in Brazil during November, the third successive monthly increase registered. Although moderate, the pace of expansion was the fastest in five months. Anecdotal evidence suggested that

stronger demand and the signing of new contracts had led to expanded staffing levels.

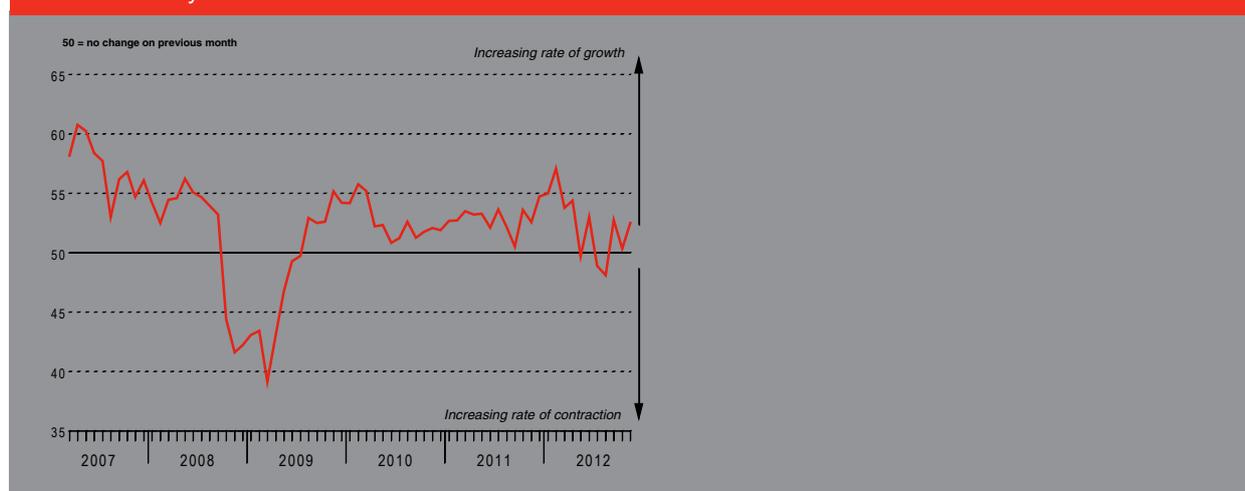
Outstanding business in the Brazilian service sector fell during November. But only 4% of survey respondents signalled lower volumes of work-in-hand (but not yet completed), with the vast majority (94%) indicating no change. Consequently, the rate of depletion was only slight.

As has been the case since the survey started in March 2007, input costs at services firms in Brazil increased in November. With all six monitored categories indicating higher input prices, the overall rate of inflation was solid and the fastest in three months. Respondents indicated that both raw material and labour costs rose in the latest month.

Part of the burden of rising costs was passed on to clients as output prices increased further in November. But with only 5% of panellists indicating higher prices charged and the majority (93%) signalling no change, the rate of inflation was only slight and the slowest since January. Output prices have risen in each of the past 36 months.

Positive sentiment regarding the 12-month outlook was signalled in the Brazilian service sector during November. Optimism has been recorded in each month since the survey started in March 2007, with the degree of confidence in the latest survey period weaker than in October. Service providers forecast stronger demand in the upcoming year.

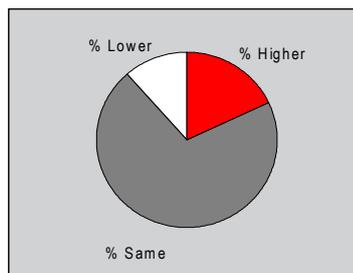
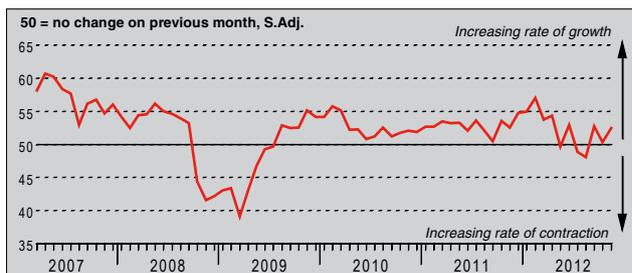
Business Activity Index



The survey uses a methodology identical to the HSBC Brazil Manufacturing PMI™. 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™* and *PMI™* 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

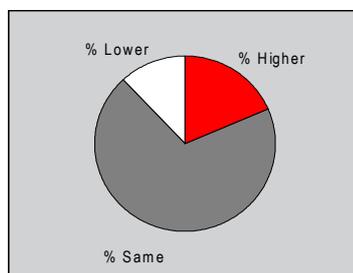
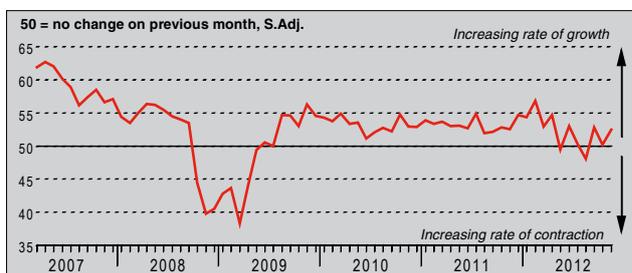
Q. Please compare the level of business activity (i.e. gross income, chargeable hours worked, etc) in your company this month with the situation one month ago.



Business activity in the Brazilian service sector increased during November. The Business Activity Index adjusted for seasonal factors posted above the no-change threshold which separates growth from contraction for the third successive month. The rate of expansion was solid, and accelerated from October. Exactly 18% of monitored companies signalled higher output, mentioning increased total business. In contrast, almost 12% of panellists stated that business activity at their units was lower.

New Business Index

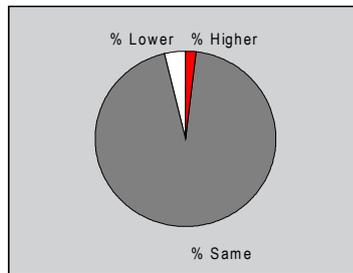
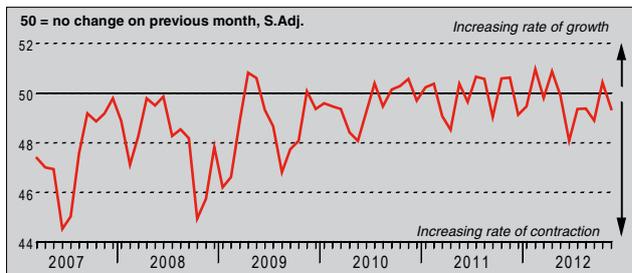
Q. Please compare the level of new orders/business placed at your company (whether already fulfilled or not) this month with the situation one month ago.



Service providers in Brazil signalled increased new business for the third successive month during November. Incoming new business expanded solidly, and faster than in October. Of all six monitored categories, only the Post and Telecommunication signalled a fall in new total business. Anecdotal evidence suggested that incoming new business rose in line with stronger demand from both domestic and international clients. There were also mentions of better economic conditions.

Outstanding Business Index

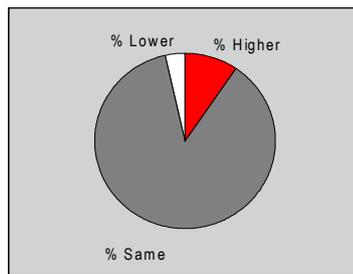
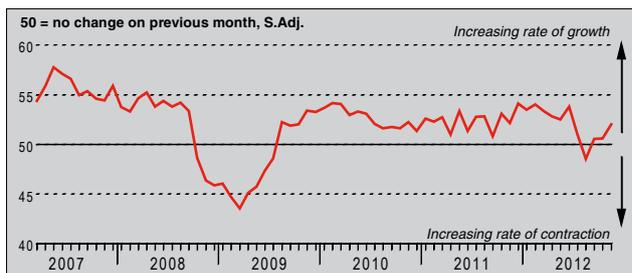
Q. Compare the level of outstanding business (i.e. work in hand but not yet completed) in your company this month with the situation one month ago.



In contrast to a slight accumulation registered in October, services companies in Brazil signalled falling backlogs of work in November. With only 4% of survey respondents reporting lower outstanding business and the vast majority (94%) indicating no change, the overall rate of depletion was only slight. Data suggested that volumes of work-in-hand (but not yet completed) decreased in line with higher payroll numbers.

Employment Index

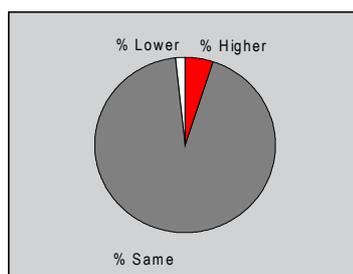
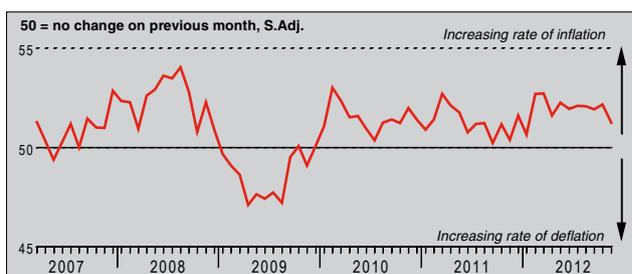
Q. Compare the number of people employed this month with the situation a month ago (treat two part as one full-time and ignore temporary labour).



Staffing levels in the Brazilian service sector increased during November, as has been the case since September. Although moderate, overall employment growth was the fastest in five months. According to panel members, workforces rose in tandem with stronger demand and the signing of new contracts. Payroll numbers increased in five of all six monitored sectors, with no-change signalled in the Other Services category.

Prices Charged Index

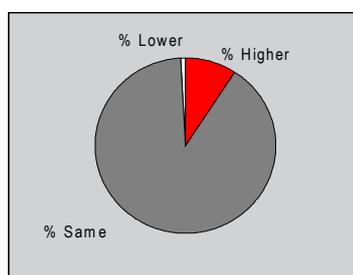
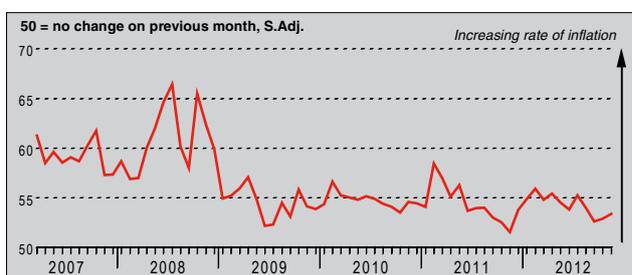
Q. Compare the average prices charged by your company (e.g. prices charged per item or unit of time) this month with the situation one month ago.



Part of the burden of rising input costs was passed on to clients, as prices charged in the Brazilian service sector increased again in November. Whereas 5% of panel members signalled higher output prices, the majority (93%) indicated no change from October. Subsequently, the pace of inflation was only slight and the slowest since January. Rising output prices have been recorded throughout the past three years.

Input Prices Index

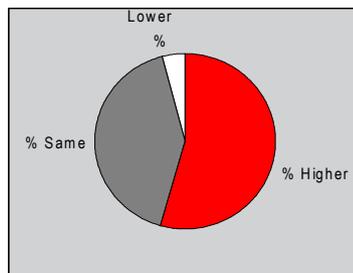
Q. Please compare the average prices paid by your company for all purchases, wages and salaries, etc. this month with the situation one month ago.



Input costs at service providers in Brazil increased during November, as has been the case since the survey started in March 2007. The rate of inflation was solid, and the fastest in three months. That said, the seasonally adjusted Input Prices Index posted below the series average. All six monitored categories signalled higher input prices, with the fastest rise noted in the Post and Telecommunication sector. Anecdotal evidence suggested that both raw material and labour costs had increased.

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?



Optimism was signalled in the Brazilian service sector during November. Services firms expect overall activity in the upcoming year to expand as demand is forecast to strengthen. Positive sentiment has been signalled in each of the 69 months of data collection so far. Although strong, the degree of confidence was slower than in October. Furthermore, the Business Expectations Index posted below its long-run average.

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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