HSBC *Purchasing Managers' Index*™ 2013

compiled by markit

Embargoed until: 10:00 (SAO PAULO), 4 January 2013

HSBC Brazil Services PMI™

Growth in business activity at eight-month high

Key findings:

- Services output increases solidly
- Fourth successive monthly rise in new business recorded
- Degree of positive sentiment weakest in three months

Output and new business in the Brazilian service sector both rose during December. Rates of growth were solid, with the volume of incoming new work increasing for the fourth consecutive month. In line with rising staffing levels, backlogs of work fell, albeit slightly. Meanwhile, optimism was signalled, but the level of confidence eased to a three-month low.

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 53.5 in December, up from the reading of 52.5 in November. This signalled that business activity expanded solidly and at the fastest rate in eight months.

New total business also expanded at a solid rate. Anecdotal evidence suggested that the volume of incoming new work rose in tandem with stronger demand and the acquisition of new equipment. Growth in new business has now been sustained for four successive months.

Payroll numbers at service providers in Brazil increased for the fourth successive month. Almost 6% of monitored companies reported higher staffing levels, but the vast majority (92%) indicated no change. Consequently, the overall pace of job creation was only slight and slower than that registered in November. Panel members mentioned that workforces were increased to meet business requirements.

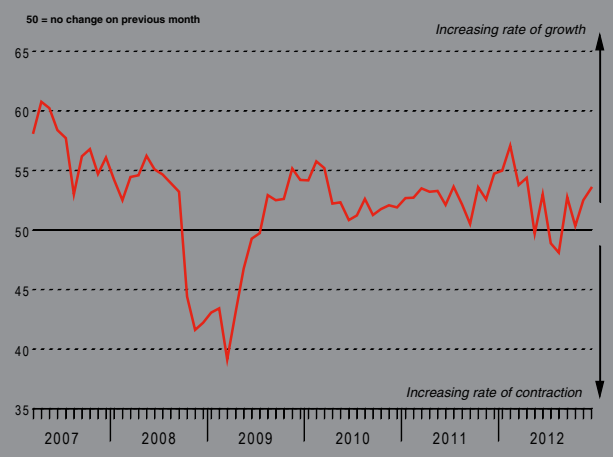
Backlogs of work decreased for the second consecutive month, albeit only slightly. All six monitored sectors posted falling volumes of work-in-hand (but not yet completed), with the pace of depletion fastest in Renting and Business Activities.

As has been the case since the survey started in March 2007, input prices in the Brazilian service sector rose during December. The rate of inflation was solid, and the fastest since July. Approximately 8% of the surveyed panel reported higher costs, but 92% signalled no change from the previous month.

Part of the burden of cost inflation was passed on to clients as charges rose for a further month. But, with 4% of panellists indicating increased selling prices and the vast majority (96%) reporting no change, the overall pace of inflation was only slight, and broadly similar to that seen in November. Output prices have increased in each of the past 37 months.

Optimism was signalled in the Brazilian service sector during December. Monitored companies forecast the overall volume of activity in the 12-month outlook to expand in tandem with the launch of new projects, maintained quality of services, developments for the FIFA Confederations Cup and anticipated rises in demand. Although strong, the level of confidence was at a three-month low.

Business Activity Index



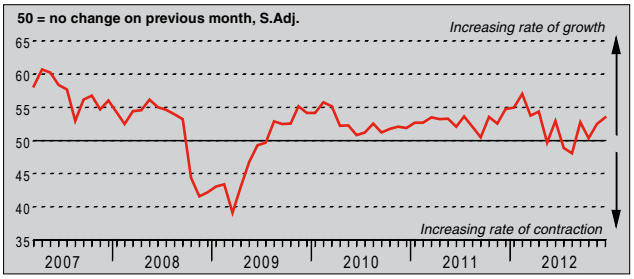
The survey uses a methodology identical to the HSBC Brazil Manufacturing *PMI*™. The survey uses a panel of regularly participating companies to monitor trends in business conditions in the private sector services economy. The panel has been carefully selected to accurately replicate the true structure 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.

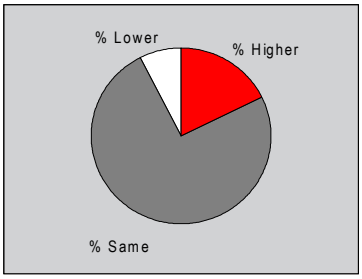
markit™

HSBC

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.

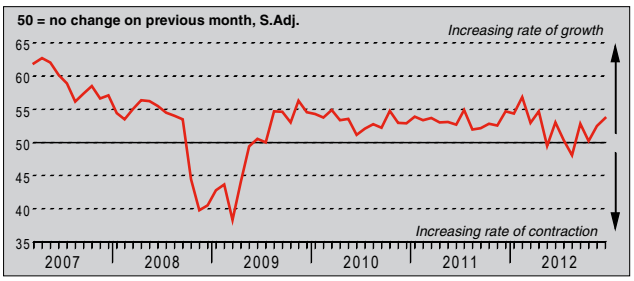


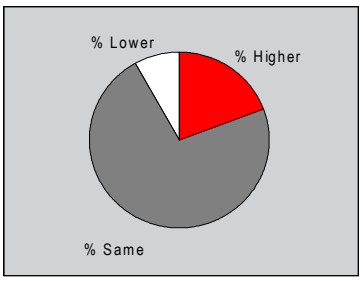


Business activity in the Brazilian service sector expanded during December. The rate of growth was solid, and accelerated to the fastest in eight months. Almost 18% of monitored companies indicated higher output, citing increased volumes of incoming new work. In contrast, 8% of respondents reported lower business activity at their units. Growth has now been sustained for four successive months.

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.

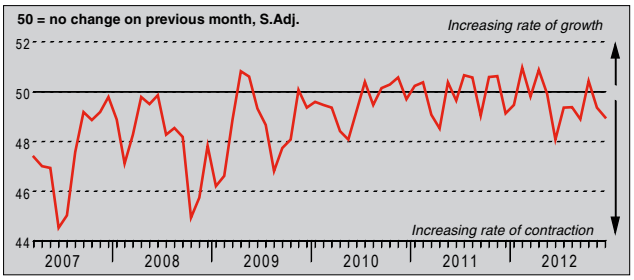


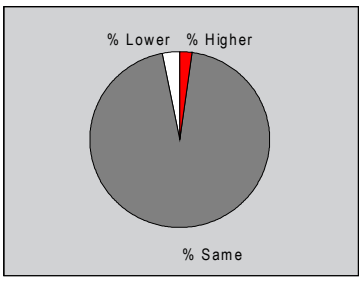


Services companies in Brazil reported increased new business during December. With 19% of the survey panel indicating higher volumes of incoming new work and 8% noting a fall, the overall pace of growth was solid and the fastest since April. Anecdotal evidence suggested that new total business expanded in tandem with stronger demand and the acquisition of new equipment. Moreover, the New Business Index adjusted for seasonal variations posted slightly above the long-run series average.

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.

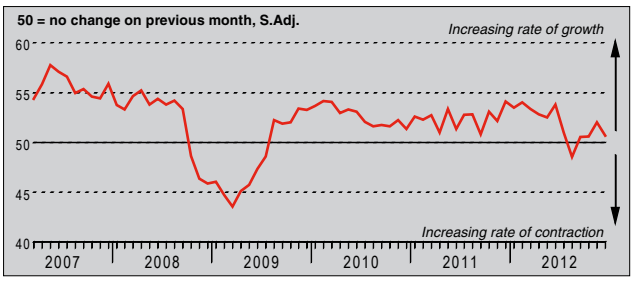


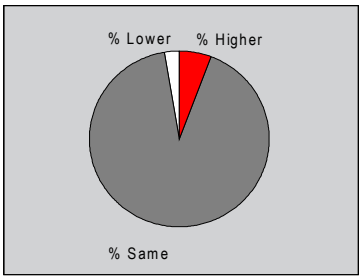


Backlogs of work in the Brazilian service sector fell for the second consecutive month in December. Whereas 3% of service providers reported lower volumes of work-in-hand (but not yet completed), 95% indicated no change. Consequently, the overall rate of depletion was only slight and broadly unchanged from November. All six monitored sectors recorded falling unfinished business, with the rate of decrease fastest at Renting and Business Activities.

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).

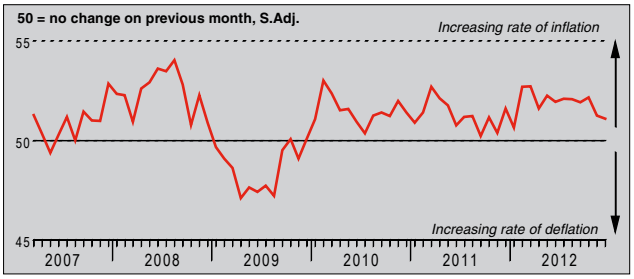


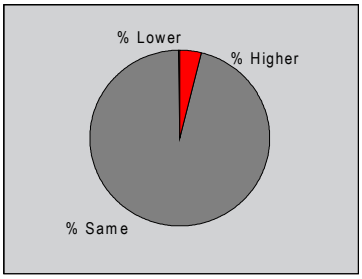


Continuing the trend that started in September, staffing levels at services firms in Brazil rose during December. But, with 6% of panellists reporting higher employment and the vast majority (92%) signalling no change, the overall rate of job creation was only slight, and eased from November. According to panel members, payroll numbers were increased to meet business requirements.

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.

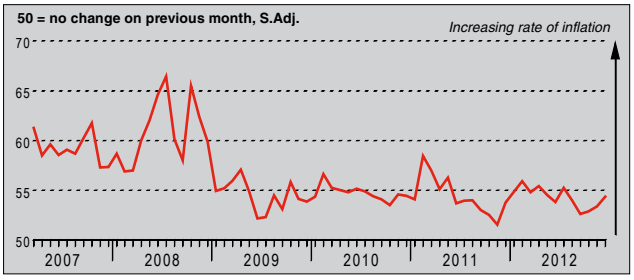


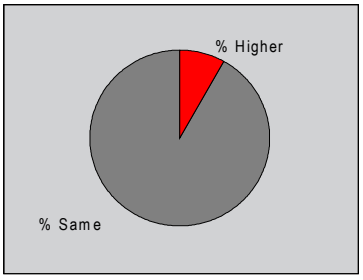


Output prices at service providers in Brazil rose during December, amid reports of increased input costs. However, the rate of inflation was only slight and in line with that seen in November. From all six monitored categories, only the Other Services registered falling charges, with the fastest rise noted at Hotels and Restaurants. The Prices Charged Index adjusted for seasonal variations posted above the no-change threshold of 50.0 for the thirty-seventh successive month.

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.

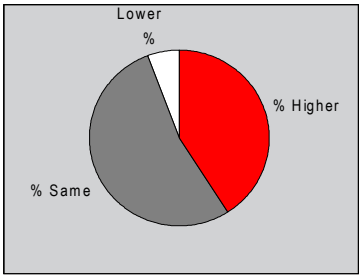




Input prices in the Brazilian service sector rose during December, as has been the case since the survey started in March 2007. Moreover, the pace of inflation was solid, and accelerated to the fastest in five months. All six monitored sectors registered increasing input costs, with the fastest rise recorded at Post and Telecommunication. Whereas 8% of surveyed companies indicated higher purchase costs, the vast majority (92%) reported no change.

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?



Services firms in Brazil expect the overall volume of activity to rise in the upcoming year. Optimism has been signalled throughout the 70 months of data collection. Although strong, the degree of positive sentiment was the weakest in three months. Monitored firms mentioned that output is expected to increase in line with anticipated rises in demand, maintained quality of services and the launch of new projects. There were also reports that developments for the FIFA Confederations Cup should lead to higher activity.

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