HSBC *Purchasing Managers' Index™* 2013

compiled by markit

Embargoed until: 10:00 (SAO PAULO), 5 March 2013

HSBC Brazil Services PMI™

Services activity increases at slowest rate in four months

Key findings:
- Output expands moderately
- Sixth consecutive rise in total new business
- First contraction in payroll numbers since August 2012

In line with higher levels of new work, output in the Brazilian service sector rose during February. However, business activity expanded only moderately and at the slowest pace in four months. Meanwhile, job losses were recorded for the first time since August last year. Nevertheless, service providers remained optimistic regarding the 12-month outlook.

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 52.1 in February (down from 54.5 in January). Despite being above 50.0 for the sixth successive month, the latest reading indicated that business activity expanded only modestly, and at the slowest pace in four months.

The volume of incoming new work at companies operating in the Brazilian service sector rose during February, marking a six-month sequence of growth. Despite posting a solid rise, business activity increased at the joint-slowest rate in four months. Those panel members signalling higher levels of new orders reported that demand was stronger.

Job losses were signalled in the Brazilian service sector during February, the first recorded in six months. Of all six monitored categories, five signalled falling payroll numbers, with only the Post and Telecommunication sector indicating an increase. That said, the rates of contraction were slight across all sectors. Subsequently, the overall pace of job shedding was only slight.

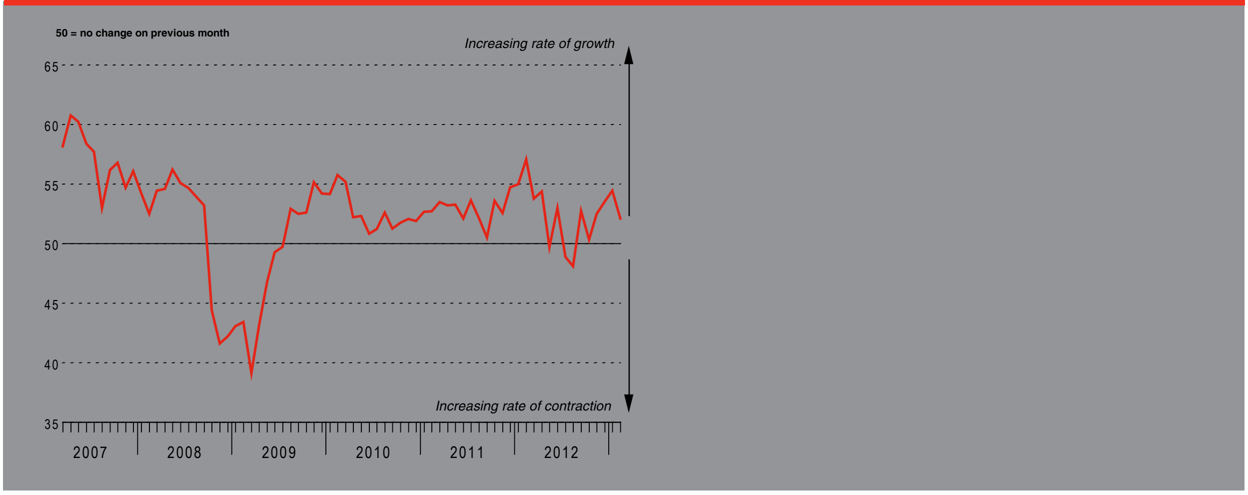
February data indicated a fall in the level of unfinished business. Nonetheless, the pace of depletion was only slight and in line with that observed in the past four months. While almost 3% of the survey panel signalled decreasing backlogs of work, the vast majority (96%) indicated no change.

Reflective of higher raw material and fuel costs, average prices paid by service providers in Brazil rose during February. Input price inflation was recorded in all six monitored categories, with the rate of increase fastest at Hotels and Restaurants. Overall, concurrent cost inflation has been observed throughout the six years of data collection so far.

Services firms passed on to their clients part of the burden of cost inflation, as average selling prices increased for a further month. However, with 4% or panellists indicating higher output prices and the majority (95%) signalling no change, the overall rate of charge inflation was only slight and broadly unchanged from January.

Continuing the trend that has been observed in each month since data collection started in March 2007, optimism was signalled by services firms in Brazil during February. More than half of monitored companies expect activity to grow in 12 months time, while 47% anticipate no change. Consequently, the degree of positive sentiment was strong and at a three-month high.

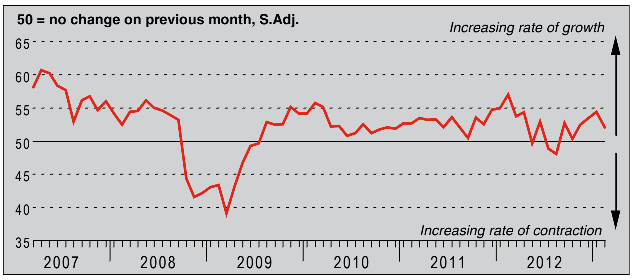
Business Activity Index

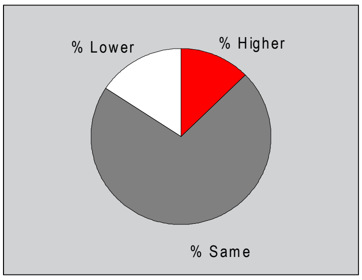


The survey uses a methodology identical to the HSBC Brazil Manufacturing *PMI™*. The survey uses a panel of regularly participating companies to monitor trends in business conditions in the private sector services economy. The panel has been carefully selected to accurately replicate the true structure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

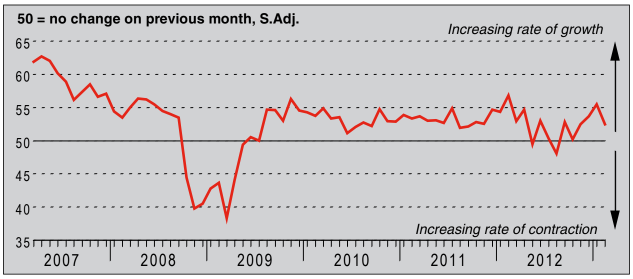


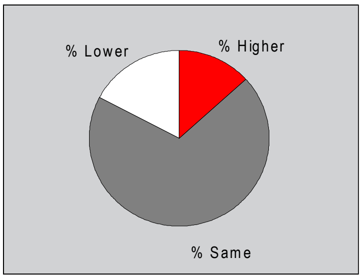


Business activity at Brazilian service providers increased during February, extending the current period of growth to six months. However, the overall rate of expansion was only moderate and the slowest since October last year. Of all six monitored service sectors, four posted an increase in activity during the latest survey period, with Post and Telecommunications leading the rise. Anecdotal evidence suggested that output growth reflected higher levels of incoming new work.

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.

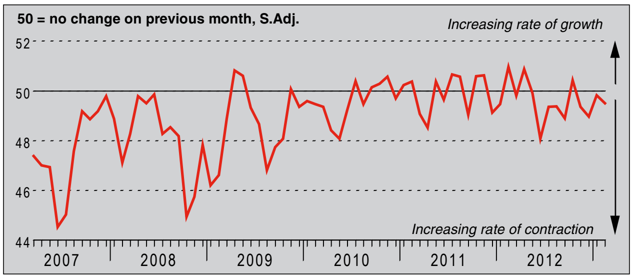


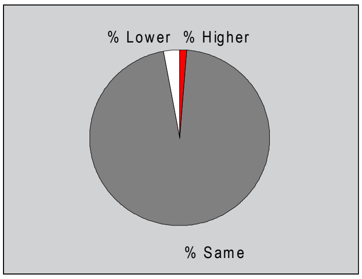


Continuing the trend that started in September 2012, total new business in the Brazilian service sector rose during February. Although solid, the pace of growth eased to the joint-weakest in four months. Moreover, the seasonally adjusted New Businesses Index posted below the long-run series average. Panellists reporting higher levels of new orders stated that demand had strengthened.

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.

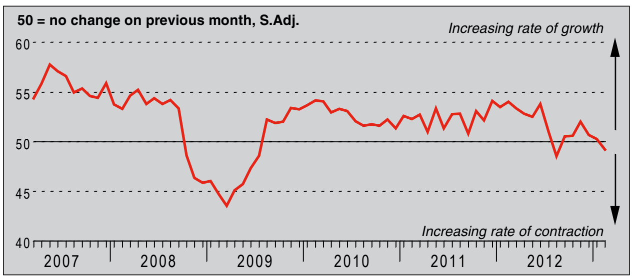


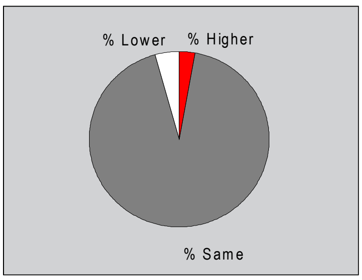


February data pointed to a further decrease in the volume of work-in-hand (but not yet completed) at services firms in Brazil. Nevertheless, the rate of contraction was only slight and has maintained a broadly steady trend pace since November 2012. Only 3% of monitored companies signalled lower levels of unfinished business, while the vast majority (96%) reported no change.

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).



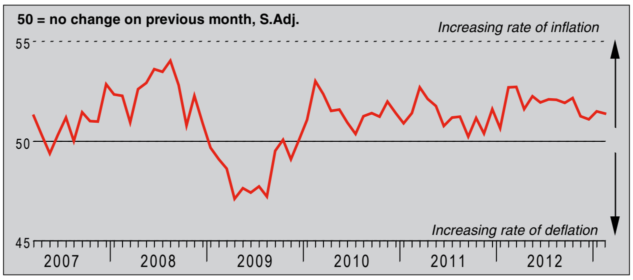


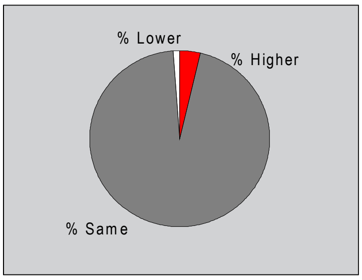
Ending a five-month sequence of expansion, payroll numbers in the Brazilian service sector fell during February. However, with only 4% of the survey panel indicating lower employee headcounds and the majority (93%) reporting no change, the overall pace of job shedding was only slight. Employment levels decreased mildly in five of the six monitored sectors, with only the Post and Telecommunication category indicating an increase.

All Intellectual Property Rights owned by Markit Economics Limited

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.

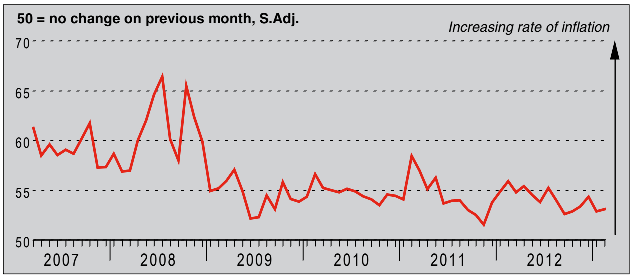


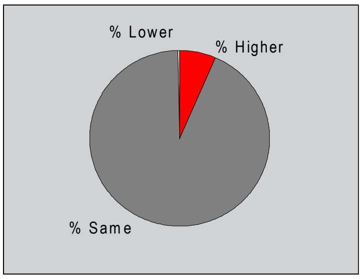


Prices charged by companies operating in the Brazilian service sector rose during February, amid evidence of increasing input costs. Whereas almost 4% of respondents indicated higher output prices, the vast majority (95%) signalled no change. Subsequently, the pace of inflation was only slight and broadly unchanged from January. Average selling prices have increased for over 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.

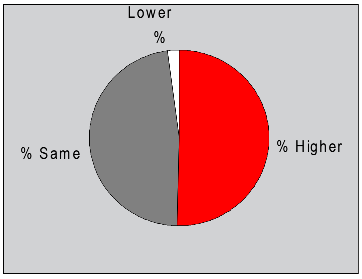




As has been the case throughout six years of data collection, input costs rose further during February. Raw materials and fuel were both mentioned by panellists as having increased in price during the latest survey period. The rate of cost inflation was solid, and faster than that seen in January. All six monitored sectors registered higher average prices paid, with the Hotel and Restaurants category indicating the fastest rise by far.

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 were optimistic regarding activity in 12 months time during February. Just over half of the survey panel anticipate future activity growth, and generally cited expectations that economic conditions will improve further. The degree of positive sentiment was strong, with the Business Expectations Index rising to a three-month high. 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.