

HSBC Brazil Services PMI™ (with Composite PMI data)

Private sector output stagnates at start of 2014, but new orders rise

Summary

Adjusted for seasonal factors, the HSBC Brazil Composite Output Index fell from 51.7 to 49.9 in January, pointing to broadly unchanged private sector activity. While manufacturing production rose, service sector output decreased.

The seasonally adjusted Business Activity Index dropped from 51.7 in December to 49.6, indicating that service sector output across Brazil fell. Although marginal, the latest decrease in business activity was the first in five months. Monitored companies reported competitive pressures, a lack of bank financing and tough economic conditions. Four of the six sub-sectors covered by the survey posted lower output, the exceptions being Renting & Business Activities and Financial Intermediation.

January saw new orders placed at service providers increase for the seventeenth consecutive month. The pace of expansion was modest, but the quickest since October 2013. Renting & Business Activities and Financial Intermediation were the only monitored categories to register higher levels of incoming new work. Manufacturing order books also rose. Subsequently, new business across the private sector as whole grew for the fifth month running. Panellists largely commented on stronger demand.

Service sector employment across Brazil rose in January, with job creation largely centred on the Renting & Business Activities and Financial Intermediation sectors. Conversely, manufacturing employment fell. Growth of staffing levels across the private sector economy as a whole was slight and weaker than the long-run series average.

Input price inflation in the service economy accelerated to the strongest in almost three years during January, with companies reporting higher labour and raw material costs. Tariffs were raised at the sharpest rate since August 2008. Input cost inflation across the private sector as whole hit a 34-month high and prices charged increased at a solid pace that was stronger than the series average.

Services companies across Brazil remained upbeat about the prospects for business activity in the year ahead. However, January data indicated that the level of confidence dipped to the weakest in one year and was much weaker than the series average. Whereas panellists linked optimism to business expansion plans, stronger demand and the football World Cup, there were worries about inflationary pressures and the presidential elections.

Finally, backlogs of work in the Brazilian private sector were broadly unchanged from the levels recorded in December. This was indicated by the index measuring outstanding business registering only fractionally above the crucial 50.0 threshold.

Comment

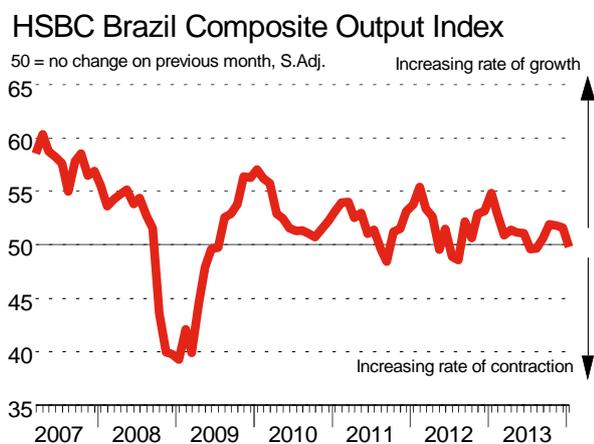
Commenting on the Brazil Services and Composite PMI™ surveys, Andre Loes, Chief Economist, Brazil, at HSBC said:

"The decline of the HSBC Brazil Services Business Activity Index to 49.6 in January (from 51.7 in December) – the weakest level since August 2012 – combined with an acceleration in both input and output price inflation suggests that the service sector is beginning 2014 on a substantially softer note than we expected."

Key points

- Service sector output falls, while manufacturing production expands marginally
- New orders received by both manufacturers and service providers increase
- Input cost inflation across private sector at 34-month high

Historical Overview



Sources: HSBC, Markit.

Further information on service sub-sectors is available in the main report at: www.hsbc.com

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Notes to Editors:

The HSBC Brazil Services PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 350 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The HSBC Brazil Composite PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of over 800 companies based in the Brazilian manufacturing and service sectors.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

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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. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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