

HSBC Brazil Manufacturing PMI™

PMI rose back above 50.0 in September, signalling return to growth

Summary

Latest data from the HSBC Brazil Manufacturing PMI Report signalled an improvement in business conditions across the sector at the end of Q3, after a slight deterioration in August. Reports suggested that a firmer trend in domestic demand offset a fall in external new sales and spurred companies to raise output, rebuild finished goods stocks and take on additional staff. Consequently, the headline seasonally adjusted HSBC Brazil Manufacturing PMI™ – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing sector – climbed back above the 50.0 no-change threshold to 50.4 in September to signal a marginal gain in the health of the sector. However, the rate of improvement signalled by the latest PMI reading remained well below the series average.

The overall volume of incoming new work to the Brazilian manufacturing industry was largely unchanged in September, following a modest fall in August. Data and anecdotal evidence from the survey panel suggested that a sharp contraction in new export sales was offset by an improved trend in domestic demand. However, uncertainty caused by the upcoming election and strong foreign competition, especially from China, were cited as factors weighing on demand levels.

After a slight contraction during the previous month, Brazilian manufacturing production expanded in September. Panel members stated that output was raised both to cater for new sale wins and to build up finished goods stocks in anticipation of future demand growth. However, the rate of increase was only marginal.

Post-production holdings accumulated on the back of output growth, albeit only slightly. In contrast, pre-production inventories continued to fall due to stock shedding and supplier delivery delays.

Although buying activity was largely unchanged in September, vendor performance continued to deteriorate. That said, lead times on deliveries of raw materials and semi-finished goods to Brazilian manufacturers lengthened only slightly.

Brazilian manufacturers hired staff at an accelerated rate in September. However, job creation was modest and slightly below the series trend.

Both input and output price inflation slowed during the latest survey period. For input costs, the latest rise was the weakest of the current thirteen-month sequence of increase. Meanwhile, the modest rise in charges was the mildest since December 2009. Panellists linked inflation of both input and output prices to higher raw material costs (particularly for paper, sugar and cotton) and unfavourable exchange rates.

Comment

Commenting on the Brazil Manufacturing PMI survey, Andre Loes, Chief Economist, Brazil at HSBC said:

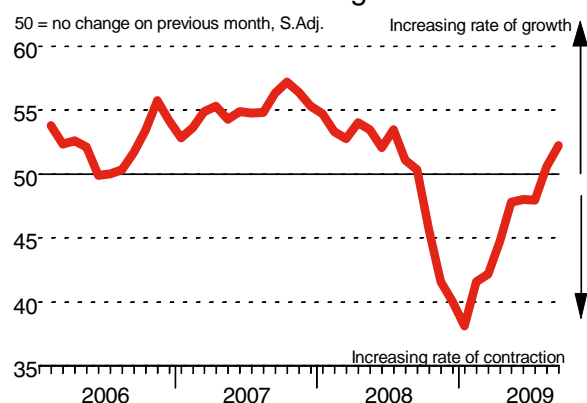
"The HSBC Brazil Manufacturing PMI is back above 50.0 in September. After showing a small contraction of manufacturing activity in August (when the index fell to 49.5), the headline PMI climbed to 50.4, indicating that the sector is once more expanding at the margin, but at only a marginal pace. The weakest component of the manufacturing PMI survey continues to be export orders, which continued to fall in September. This is consistent with the lacklustre outlook for many traditional export markets and reinforces perceptions that domestic factors remain the main driver of the ongoing economic expansion."

Key points

- Production levels grew slightly.
- New orders broadly unchanged.
- Jobs created at faster pace.

Historical Overview

HSBC Brazil Manufacturing PMI



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Notes to Editors:

The HSBC Brazil Report on Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on regional and industry contribution to Brazilian Industrial Production. 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'.

The Purchasing Managers' Index (PMI) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

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.

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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