HSBC Purchasing Managers' Index™ 2010

compiled by markit

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HSBC Brazil Manufacturing PMI™

PMI points to stable overall business conditions in November.

Key findings:

- Output levels broadly unchanged, but new orders continued to fall slightly.
- Job creation fractional.
- Charge inflation above input cost inflation for first time in series history.

Business conditions across Brazil's manufacturing industry were largely stable during November. Output levels were broadly unchanged, supported by further backlog depletion as new orders continued to fall slightly. However, data showed that job creation picked up fractionally and charge inflation accelerated to the fastest rate since April.

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 – registered 49.9 in November, close to the neutral threshold of 50.0 and up from 49.5 in October. The reading signalled that operating conditions in the industry were mostly unchanged during the latest survey period.

Following a modest fall in October, Brazilian manufacturing production was broadly unchanged in November. Reports indicated that weak market demand and new order levels were the primary factors constraining manufacturing activity. Data suggested that further backlog depletion was a factor supporting output levels.

Total new business received at Brazilian manufacturers continued to fall slightly in November. Data suggested that exports remained a key area of weakness. Respondents stated that lacklustre demand and strong competition were behind lower new order volumes.

Reduced intakes of new work enabled Brazilian manufacturers to focus spare resources on the completion of existing contracts in November. Consequently, outstanding business continued to decrease, albeit to a lesser extent than over the previous three months.

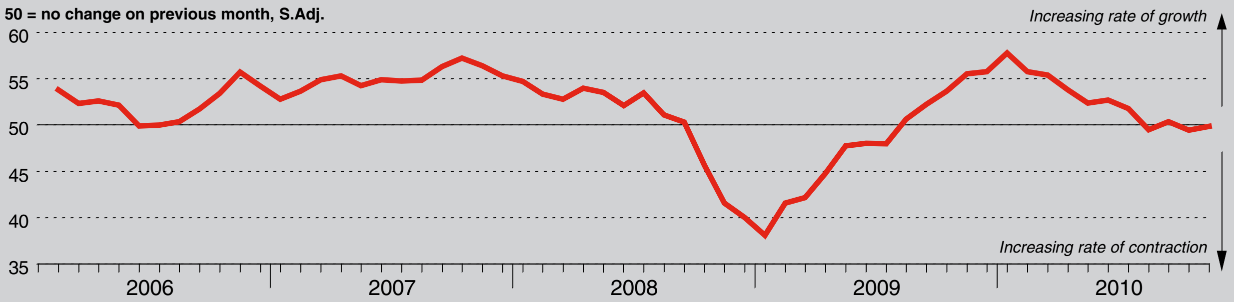
Buying activity in the Brazilian manufacturing industry was cut again in November, reflecting another contraction in new orders. Panel members also mentioned efforts to minimise costs and that current stock levels were generally sufficient to meet demand. Both pre- and post-production holdings continued to be run down as a result.

In spite of weaker demand for inputs, Brazilian manufacturers noted another deterioration of vendor performance in November. Lead times lengthened for the sixteenth month in succession, albeit only slightly.

Brazilian manufacturers hired additional staff in November, primarily in anticipation of improved demand in the near future. However, job creation was only marginal.

Both input and output price inflation accelerated during the latest survey period, but remained moderate. The latter was the fastest for seven months and sharper than the rise in input costs for the first time in the series history. Companies attributed the increases to higher raw material prices.

HSBC Brazil Purchasing Managers' Index (PMI)



The HSBC Brazil Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index.

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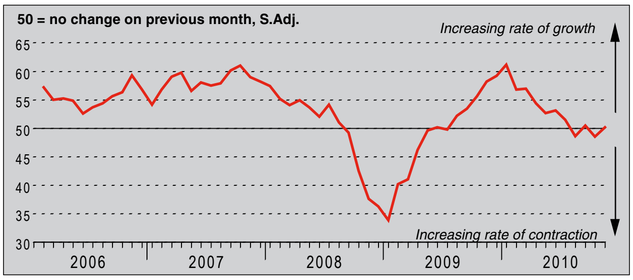
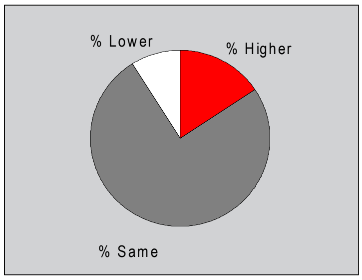
Output Index

Q. Please compare your production/output this month with the situation one month ago.

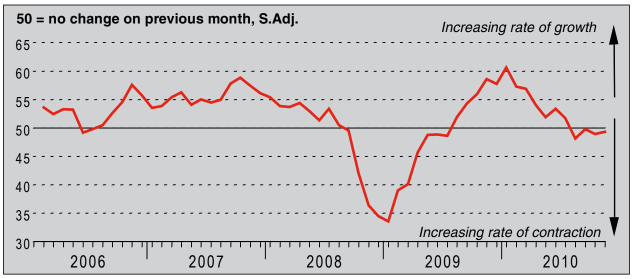


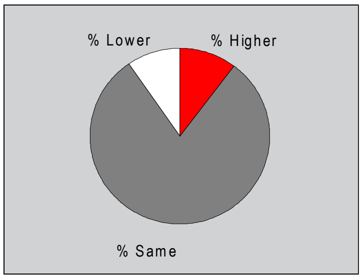


After falling slightly in October, Brazilian manufacturing activity was largely unchanged during the latest survey period. This was highlighted by the seasonally adjusted Output Index, which posted close to the neutral mark of 50.0. Reports indicated that subdued market demand and sales levels underlay flat production, although data suggested that backlog depletion was also a factor in cases where growth was recorded.

New Orders Index

Q. Please compare the level of new orders received (Brazil and export) this month with the situation one month ago.

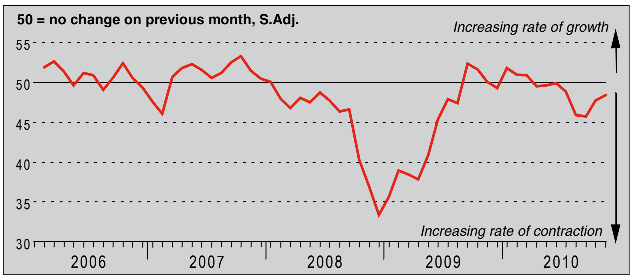


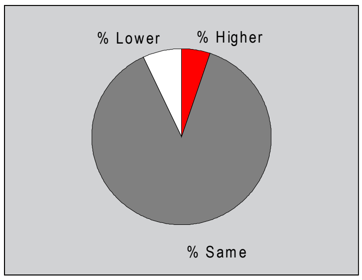


New order receipts at Brazilian manufacturers continued to fall at a slight pace during November. New work in the sector has now declined for four successive months. Weak market demand and strong competition were reportedly the predominant factors underlying the latest contraction in new business. Data showed that the rate of decrease eased fractionally since October.

New Export Orders Index

Q. Please compare the level of new export orders received this month with the situation of one month ago.

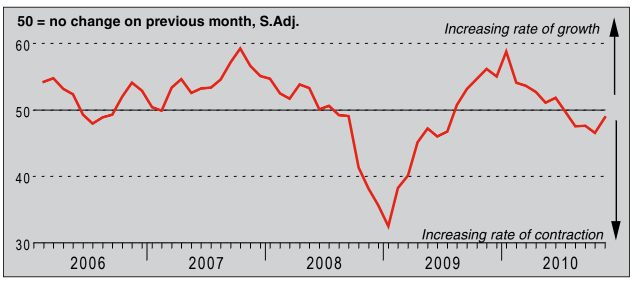


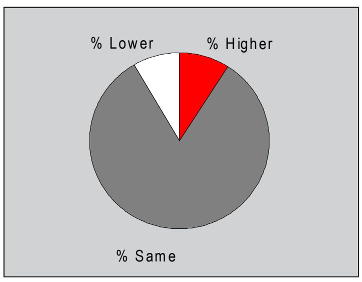


Brazilian manufacturers reported another dip in new work from abroad in November. Anecdotal evidence suggested that lacklustre foreign demand and difficult business conditions were the main reasons for the contraction. However, the rate of decline was only modest and was the weakest since July.

Backlogs of Work Index

Q. Please compare the level of outstanding business in your company this month with the situation one month ago.

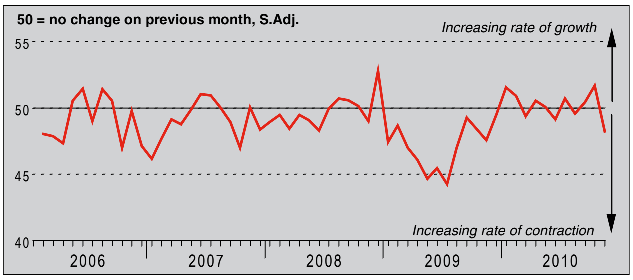


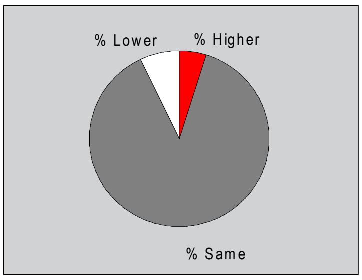


Brazilian manufacturers diverted spare resources towards backlog clearance during November as new order levels contracted further. Consequently, outstanding business continued to fall. However, the rate of depletion eased to a modest pace that was the mildest for four months, as shown by a rise in the seasonally adjusted Backlogs of Work Index.

Stocks of Finished Goods Index

Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.

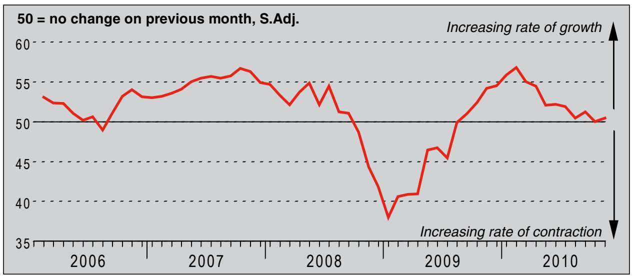


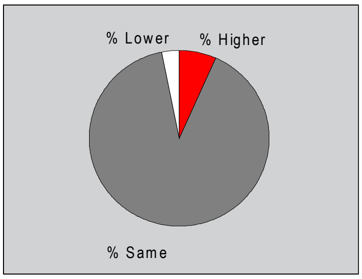


Following two consecutive months of growth, finished goods holdings at Brazilian manufacturing units declined in November. The rate of depletion was moderate, albeit the sharpest for a year, with over 7% of the survey panel noting a decrease on the month. Companies indicated that a muted production trend was the main reason for lower holdings.

Employment Index

Q. Please compare the level of employment at your unit with the situation one month ago.

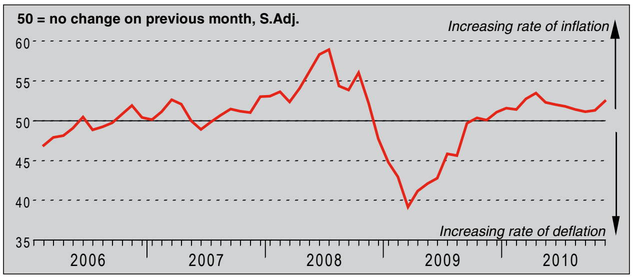


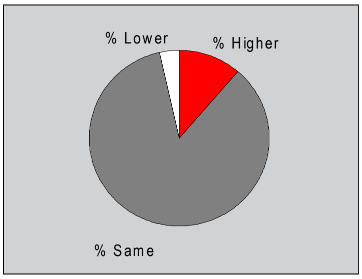


Although new orders continued to fall in November, Brazilian manufacturers added to payrolls. Job creation was recorded in the sector for the fourteenth time in fifteen months, but the rate of increase was only marginal and slower than the average for this period. Panel members indicated that workers were hired in anticipation of a pick up in demand.

Output Prices Index

Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.

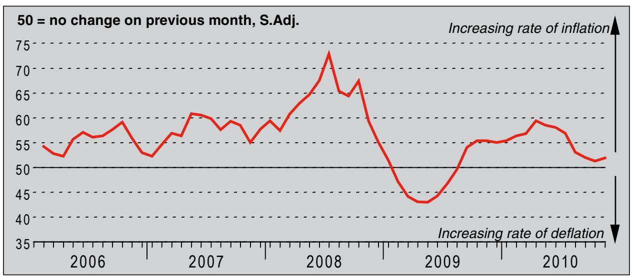


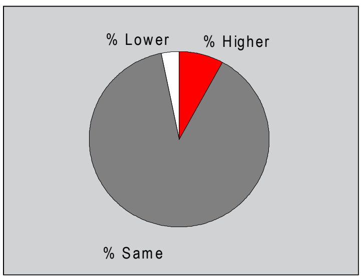


Output prices in Brazil's manufacturing industry rose at a faster rate than input costs during November – a first in the fifty-eight month history of the series. Charge inflation was moderate and the sharpest since April, which respondents attributed to greater input costs. Over 11% of monitored companies raised their rates on the month, against just 3.5% that reduced them.

Input Prices Index

Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.

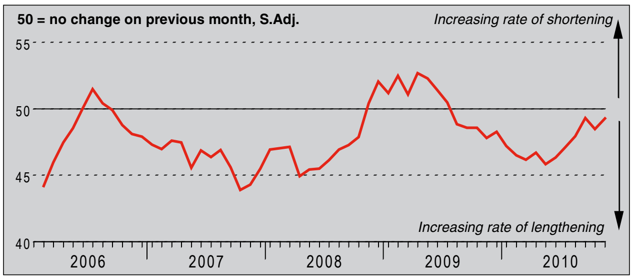


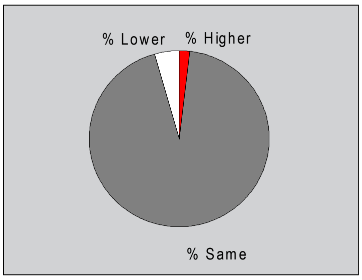


After accounting for seasonal variation, the Input Prices Index regained some ground in November. The index was up slightly from October's fourteen-month low, but nevertheless remained below the average for the current inflationary sequence. The latest reading pointed to a moderate rise in average input costs across Brazil's manufacturing industry, which firms linked to higher raw material prices.

Suppliers' Delivery Times Index

Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.

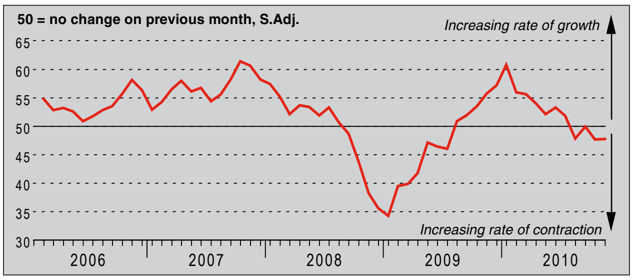


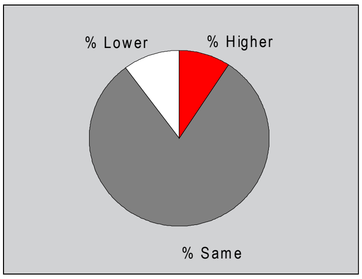


The seasonally adjusted Suppliers' Delivery Times Index rose slightly in November, but remained below the no-change threshold of 50.0 for the sixteenth month running. The latest reading indicated a marginal deterioration in average vendor performance. This was despite another reduction in Brazilian manufacturers' demand for inputs on the month.

Quantity of Purchases Index

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.

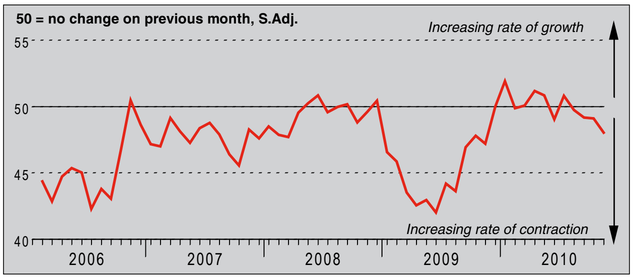


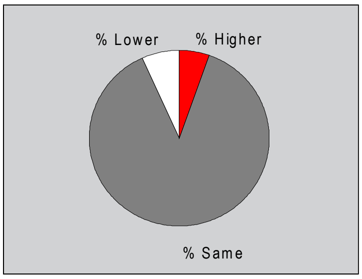


A lacklustre production trend, falling new business, sufficient stock holdings and efforts to curb unnecessary expenditure were all key factors behind cuts to buying activity at Brazilian manufacturers in November. Purchasing declined at a moderate pace, extending the current sequence of contraction to four months.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.





Pre-production holdings at Brazilian manufacturing units continued to be depleted during the latest survey period, reflecting another decrease in input acquisitions. Although average inventories of purchases in the sector fell at a modest rate since October, it was the most marked contraction for a year.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index 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.

Warning