

HSBC Brazil Manufacturing PMI™

PMI points to stable overall business conditions in November

Summary

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™ 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.

Comment

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

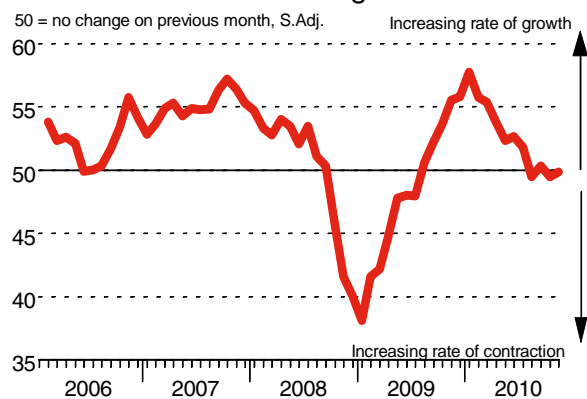
"Conditions in the manufacturing sector were practically unchanged in November. The HSBC Brazil Manufacturing PMI is now at 49.9, from 49.5 in the previous month. The Output index picked up and returned to above 50. However, the strength of the labour market – with the employment index at or above 50 for fifteen consecutive months – may be translating into some inflationary pressures, as output prices are now going up at a faster pace than input prices."

Key points

- 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.

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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