

HSBC Brazil Manufacturing PMI™

Fall in new work led to slower rise in output

Summary

The HSBC Brazil Manufacturing PMI™ posted 50.7 in April, down from 53.2 in March, and signalled only a slight improvement in Brazilian manufacturing business conditions. This was the lowest PMI reading since November 2010, and largely reflected slower output growth and a marginal fall in new orders.

Brazilian manufacturing companies registered a greater level of production in April, continuing the trend that began last November. Nevertheless, the latest increase eased to a five-month low and was slower than the long-run series average. Monitored companies commented that production rose at a weaker pace as new order volumes fell during the latest survey period.

The level of new work intakes received by surveyed firms decreased during April. The reduction was only marginal, but ended a four-month period of expansion. Respondents recorded lower new business from both the domestic and international markets, with the latter attributed to unfavourable exchange rate fluctuations.

Firms indicated that production exceeded new orders in April. Consequently, the amount of work-in-hand (but not yet completed) recorded by panellists decreased during the latest survey period. Moreover, stocks of finished goods increased for the second month running, with the rate of accumulation quickening since March to a six-month high.

Monitored companies expanded their workforces further in April, with the rate of job creation remaining modest. Employment levels grew reflective of sustained output growth and the subsequent rise in production requirements.

However, on the supply side, the amount of inputs purchased by survey respondents fell fractionally during April. Brazilian manufacturing companies attributed the slight decrease in purchasing activity to weaker output growth. Similarly, the amount of inputs held as stock also fell in April, as has been the case since August 2010.

Average suppliers' delivery times lengthened further during the latest survey period. The deterioration in vendors' performance remained solid as panellists suggested suppliers had difficulty in sourcing raw materials.

Inflationary pressures remained strong in April, with the rate of input price inflation still running above the long-run series average. Firms recorded higher prices across a wide range of goods, with cotton and metals such as copper and steel particularly highlighted. Respondents passed part of their greater cost burdens on to clients during the latest survey period. However, the increase in prices charged remained slower than that seen for input costs.

Comment

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

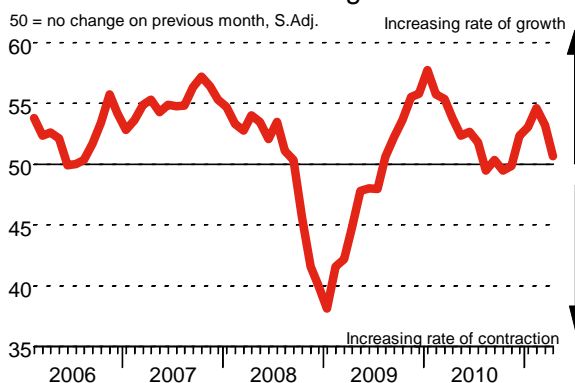
"The HSBC Brazil Manufacturing PMI retreated from 53.2 in March to 50.7 in April. After four months of strong growth, the PMI indicated that industrial activity expanded only modestly relative to one month ago. Several components of the PMI lost momentum, with the New Orders Index actually falling below the 50.0 mark in April. However, we interpret the survey results as evidence that economic activity may be stabilizing – especially from the strong levels reached in Q1 2011 – rather than a sign that the manufacturing sector is facing a decline. On the inflation front, news remained negative. Respondents reported some moderation in the rate of output price inflation, but marked pressures on costs continued."

Key points

- PMI signalled only slight improvement in Brazilian manufacturing conditions.
- Employment growth weakened to five-month low.
- Input price inflation remained marked.

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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