

HSBC Brazil Manufacturing PMI™

PMI signalled overall deterioration in business conditions in June

Summary

The HSBC Brazil Manufacturing PMI™ posted below the 50.0 no-change level that separates growth from contraction in June. At 49.0, down from 50.8 in May, the headline PMI indicated a modest deterioration in the Brazilian manufacturing sector's business conditions. Moreover, June's index reading was at a near two-year low.

Brazilian manufacturers reported a lower level of production in June, subsequently ending the period of output growth that began last November. Anecdotal evidence attributed the decline to sluggish markets and a further fall in new work intakes.

The amount of new orders received by monitored companies fell for the third month running during the latest survey period. The rate of decline quickened since May to the fastest since April 2009. Notably, firms received less new business from both the domestic and international markets in June.

Reflective of the declines in output and new order volumes, the amount of work-in-hand at surveyed firms decreased in June. Meanwhile, respondents reported a marginal accumulation of stocks of finished goods during the latest survey period.

The amount of inputs purchased by Brazilian manufacturing companies decreased during the latest survey period, with panellists commenting on lower production requirements. Similarly, input inventories were also depleted. That said, suppliers' delivery times lengthened further – and to a greater extent than that registered in May.

Employment in the Brazilian manufacturing sector decreased for the first time since August 2009 during June. However, the rate of job losses was only slight.

Monitored companies raised their prices charged for the twenty-first consecutive month in June, as firms passed parts of their cost burdens onto clients. Nevertheless, the increase was the slowest since November 2009, as strong competitive pressures limited many firms from raising charges.

The rate of output price inflation remained slower than that of input costs. Overall cost burdens grew strongly in June, but at a pace weaker than the long-run series average. Panellists reported that a wide range of goods rose in price during the latest survey period, with steel particularly mentioned by a number of respondents.

Comment

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

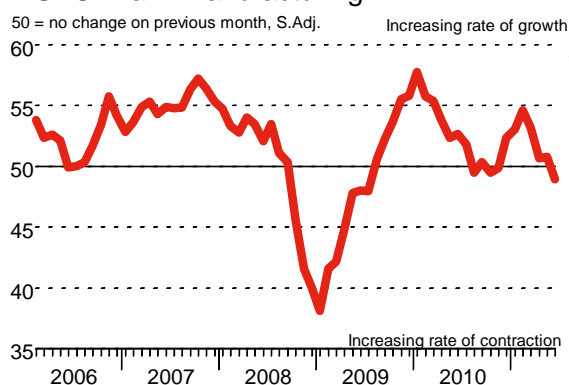
"The June HSBC Manufacturing PMI confirmed that the industrial sector lost momentum during the second quarter. Moreover, the headline index fell below 50.0 in June, indicating a contraction in manufacturing activity for the first time since November 2010. The components of the PMI show a generalized slowdown as the Output, New Orders and Employment Indices all fell below the 50.0 waterline during the latest survey period. On the inflation front, input costs and output prices expanded less than in the previous month, but both indices remained above the no-change threshold."

Key points

- PMI below the 50.0 no-change level, at lowest since July 2009.
- Both output and new orders decreased in June.
- Falling employment recorded for first time in nearly two years.

Historical Overview

HSBC Brazil Manufacturing PMI



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Notes to Editors:

The HSBC Brazil Manufacturing *PMI* 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.

HSBC:

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