

HSBC Brazil Manufacturing PMI™

Business conditions improve for first time in eight months

Summary

January data showed an improvement in Brazilian manufacturing sector business conditions, with both output and new orders rising since December. Although only modest, the improvement in operating conditions was in contrast to the deteriorations reported in each of the past seven months. On the job front, Brazilian manufacturers hired additional staff in January, with growth the strongest in nine months. Meanwhile, output charges fell during the latest survey period, albeit only fractionally.

After adjusting for seasonal variation, the HSBC Brazil Purchasing Managers' Index™ (PMI™) – a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy – posted above the 50.0 no-change mark that separates growth from contraction in January. At 50.6, up from 49.1 in December, the PMI indicated a modest improvement in business conditions, and the first since May.

The improvement in operating conditions partly reflected an increase in incoming new work. New order growth was modest, but in contrast to declines registered in each of the previous nine months. Firms generally commented on greater client demand in January. New work intakes from abroad continued to fall, albeit at the weakest pace since April.

Reflective of the increase in total new orders, Brazilian manufacturing firms stepped up production in January. Output rose modestly, the first increase in eight months. Stocks of finished goods were depleted in order to fulfil some new order requirements, while outstanding business decreased for the tenth consecutive month.

Firms operating in Brazil's manufacturing sector bought a lower amount of inputs during the latest survey period. However, the latest reduction in purchases was only fractional, with the majority of survey respondents reporting no-change in buying activity. Meanwhile, input inventories were depleted further, with the rate of decrease unchanged since December. Concurrently, lead times on inputs lengthened to the greatest extent in six months during January.

Brazilian manufacturers hired additional staff in January, ending the period of job losses that began last June. Where employment growth was reported, panellists generally commented on greater production requirements.

Respondents reported higher input prices in January, extending the current period of inflation to 29 months.

Chemicals and food were particularly mentioned by panellists as having increased in cost. Overall, the rise in input prices was moderate, albeit weaker than the long-run series average.

Meanwhile, average selling prices fell during the latest survey period. Anecdotal evidence indicated that output charges were lowered in order to boost new order volumes. That said, factory gate prices were reduced only fractionally, with approximately 97% of firms keeping charges unchanged since December.

Comment

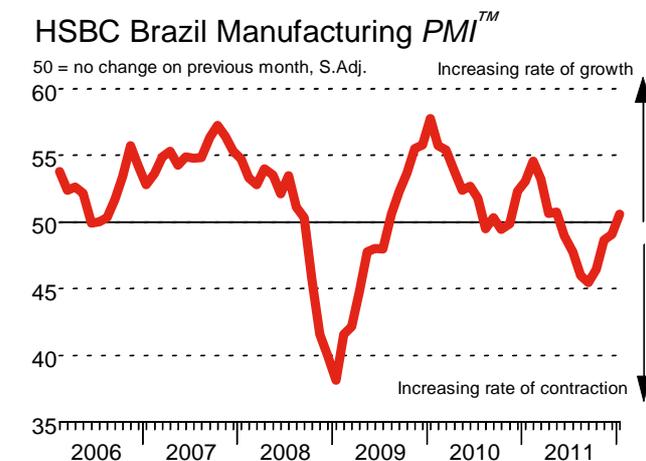
Commenting on the Brazil Manufacturing PMI™ survey, Andre Loes, Chief Economist, Brazil at HSBC said:

"The HSBC Manufacturing PMI index rose to 50.6 in January. The good news is that after seven months in negative terrain, Brazil's manufacturing sector expanded for the first time since May. However, this is still a soft recovery, and is generally consistent with the view that the economy has essentially been moving sideways since 2H2011. Still, the latest PMI index and its breakdown reinforce the perception that the worse of last year's slowdown is behind us."

Key points

- PMI posts above 50.0 no-change mark, suggesting growth for first time since May
- Both output and new orders increase in January
- Firms hire additional staff, ending a seven-month period of job losses

Historical Overview



Sources: Markit, HSBC.

For further information, please contact:

HSBC

Andre Loes, Chief Economist, Brazil
Telephone +55-11-3371-8184
Email andre.a.loes@hsbc.com.br

Constantin Jancso, Senior Economist, HSBC Bank Brazil
Telephone +55-11-3371-8183
Email constantin.c.jancso@hsbc.com.br

Antonio Seidl, Senior Press Officer, HSBC Bank Brazil
Telephone +55-11-3847-5785
Email aseidl@hsbc.com.br

Markit

Mark Wingham, Economist
Telephone +44-1491-461-004
Email mark.wingham@markit.com

Rachel Harling, Corporate Communications
Telephone +44-20-7064-6283
Mobile +44-782-789-1072
Email rachel.harling@markit.com

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 industry contribution to Brazilian GDP. 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:

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 7,500 offices in over 80 countries and territories in Europe, the Asia-Pacific region, North and Latin America, and the Middle East and North Africa. With assets of US\$2,716bn at 30 September 2011, HSBC is one of the world's largest banking and financial services organisations.

About Markit:

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

About PMIs:

Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics

The intellectual property rights to the HSBC Brazil Manufacturing PMI™ provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.