

HSBC Brazil Manufacturing PMI™

New order growth strengthens to 11-month high in February

Summary

February data signalled a further improvement in manufacturing sector business conditions in Brazil, with firms generally linking this to greater client demand. Notably, both output and new orders increased for the second month running and at the fastest rates in nine and 11 months respectively. Concurrently, Brazilian manufacturing companies added to their workforces in February, with the rate of job creation the strongest since March 2011.

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 – registered above the 50.0 no-change threshold that separates growth from contraction for the second consecutive month in February. At 51.4, up from 50.6 in January, the improvement in Brazilian manufacturing business conditions was solid and to the greatest extent in 11 months.

Brazilian manufacturers generally linked the improvement in operating conditions to greater client demand. Approximately 15% of monitored companies reported larger volumes of new work in February, compared with around 13% that registered a reduction. Overall, growth was solid and the fastest in 11 months. New export orders meanwhile were broadly unchanged from January.

Reflective of the rise in new order inflows, manufacturing firms in Brazil raised production and depleted stocks of finished goods during February. Output levels increased solidly, and at the strongest pace since last May. Nonetheless, backlogs of work were accumulated during the latest survey period, albeit only marginally.

Firms bought a larger amount of inputs in February, in contrast to the reductions reported in the previous eight months. Meanwhile, input inventories were depleted for the ninth consecutive month, with a number of monitored companies attributing this to larger production requirements. Concurrently, suppliers' delivery times lengthened further during the latest survey period. Anecdotal evidence provided by survey respondents suggested that vendors had struggled to meet greater demand for inputs in February.

Employment in Brazil's manufacturing sector increased for the second consecutive month in February. Exactly 7% of firms hired additional staff, with the overall rate of job creation solid and the fastest in 11 months.

Monitored companies reported a further increase in input costs during the latest survey period. Panellists particularly mentioned oil and food as having increased in price. Although the rate of input price inflation quickened since January, it nonetheless remained weaker than the long-run series average. That said, output charges were broadly unchanged in February, with the vast majority of respondents (approximately 92%) keeping factory gate prices the same as in January.

Comment

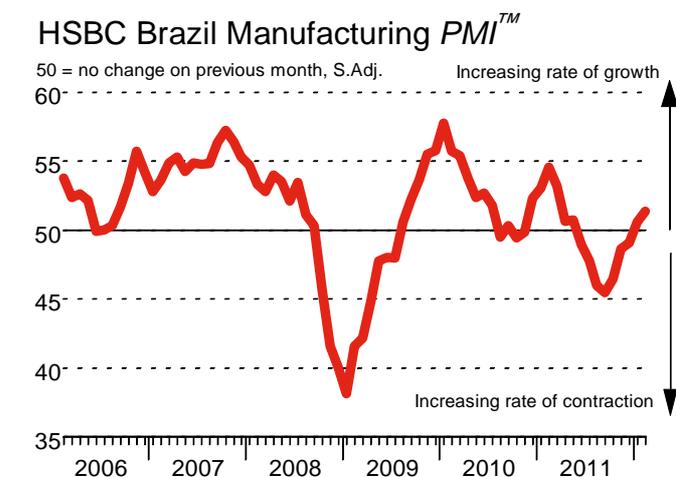
Commenting on the Brazil Manufacturing PMI™ survey, Andre Loes, Chief Economist, Brazil at HSBC said:

"The HSBC Manufacturing PMI index rose to 51.4 in February – the highest level in almost a year. Both the output and new orders indices gained ground. Further good news is that the stocks of finished goods index not only remained below the 50 waterline, but actually fell in February, suggesting that the modest recovery of the manufacturing sector does not appear to be simply part of an inventory cycle."

Key points

- Solid increases in both output and new orders
- Employment growth fastest since March 2011
- PMI posts above 50.0 no-change mark for second month running

Historical Overview



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

Renata Binotto, Senior Press Officer, HSBC Bank Brazil
Telephone +55-11-3847-5786
Email renata.binotto@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.

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