HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

HSBC Brazil Manufacturing PMI™

Output growth strengthens to ten-month high in March

Summary

March data signalled a further improvement in Brazilian manufacturing business conditions. Both output and new orders increased modestly, with growth the strongest in ten and 12 months respectively. That said, new export orders fell further, as has been the case since April 2011. Concurrently, firms hired additional staff in March, albeit only marginally, while the rate of input price inflation remained solid.

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 for the third consecutive month in March. At 51.1, down from 51.4 in February, the PMI signalled a modest, albeit weaker improvement in Brazilian manufacturing business conditions during the latest survey period.

Brazilian manufacturers linked the latest improvement in operating conditions to greater client demand. Incoming new work rose modestly and for the third month running in March. However, higher domestic new orders masked a decline in new export work. Lower volumes of new export orders have been reported in each of the past 12 months, with firms largely attributing the latest fall to weakness in the global economy.

Reflective of the rise in total new orders, firms stepped up production in March. Approximately 19% of survey respondents reported an increase in output, with growth the strongest since May 2011 overall. Meanwhile, backlogs of work were accumulated for the second consecutive month in March.

The amount of inputs purchased by Brazilian manufacturing firms increased in March, with a number of monitored companies citing larger production requirements. Concurrently, suppliers' delivery times lengthened for the fourth time in five months. However, the latest increase in lead times was only marginal, and at the slowest pace in 2012 so far.

Employment in Brazil's manufacturing sector increased in March. That said, job creation was only marginal and weaker than that registered in February. Where an increase in headcounts was reported, firms commented on larger production requirements.

Monitored companies reported a further rise in input costs during the latest survey period. Panellists particularly mentioned higher raw material prices and unfavourable exchange rates as the main contributors to the overall rise in costs. Meanwhile, firms raised their selling prices in March. Although factory gate prices rose only slightly since February, this was nonetheless the first price increase in three months.

Comment

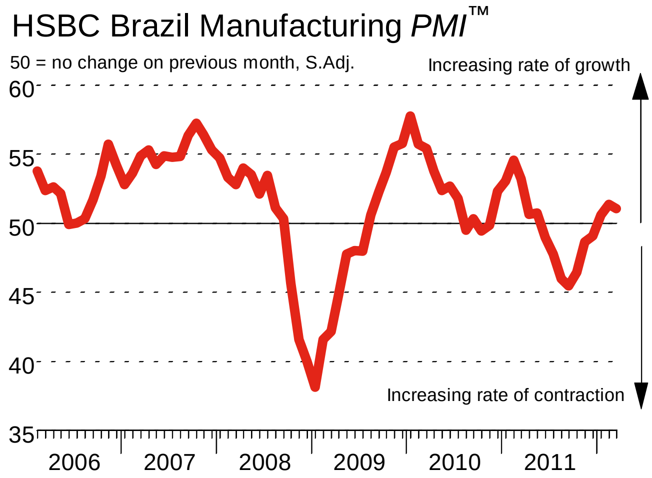
Commenting on the Brazil Manufacturing PMI™ survey, Andre Loes, Chief Economist, Brazil at HSBC said:

"The HSBC Manufacturing PMI index posted 51.1 in March, after registering 51.4 in February. This means that the PMI has remained above the 50.0 mark during the entire first quarter of 2012. Both the output and new orders indices improved during March. New export orders, on the other hand, remained subdued and below the no-change mark for the past 12 months. All in all, the recovery in the manufacturing industry is still very modest, but the breakdown provided by the survey is encouraging and supports our view that the economy may rebound around the middle of the year."

Key points

- Further increases in both output and new orders
- New export work falls for twelfth consecutive month
- Rate of job creation slows to marginal pace

Historical Overview



Sources: HSBC, Markit.

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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 / +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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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