

HSBC Brazil Manufacturing PMI™

Both output and new orders fall for first time in 2012 so far

Summary

April data indicated that both output and new orders at Brazilian manufacturers fell from March, with firms generally citing weaker client demand. The rates of decline were modest, but nonetheless the strongest in six and five months respectively. Concurrently, Brazilian manufacturers reduced their workforces in April, albeit marginally, while the rate of input price inflation strengthened since March to a four-month high.

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 below the 50.0 no-change threshold that separates growth from contraction in April. At 49.3, the PMI signalled the first deterioration in manufacturing operating conditions in 2012 so far. Moreover, down from 51.1, in March, the PMI was below the historic trend for the series, and suggested a modest deterioration in business conditions during April.

Brazilian manufacturing firms partly linked the deterioration in manufacturing business conditions to weaker client demand. Approximately 13% of surveyed firms received lower new work intakes in April, with the overall rate of decline moderate and the strongest since last November. New export orders also decreased during the latest survey period, as has been the case since April 2011, with a number of panellists attributing this to ongoing weakness in the global economy.

In contrast to the increases reported in each of the past three months, output at Brazilian manufacturing firms declined in April. Although production fell only modestly, the latest reduction was nonetheless the strongest in six months. Holdings of post-production goods also fell in April, but the rate of stock depletion eased since March. Meanwhile, backlogs of work decreased during the latest survey period, with firms largely citing recent productivity improvements.

Reflective of lower production, the amount of inputs bought by Brazilian manufacturers decreased modestly in April. Stocks of purchases were also depleted for the eleventh consecutive month. Despite this, suppliers' delivery times lengthened further and to the greatest extent since June 2011.

Job losses were reported in Brazil's manufacturing sector in April, ending a three-month period of job creation. That said, staffing levels fell only marginally. Where lower headcounts were recorded, firms generally cited declines in new orders.

Input costs faced by Brazilian manufacturers increased further during April, with raw materials such as steel and resin particularly mentioned by panellists as having increased in price. The rate of input price inflation was solid, and the strongest in 2012 so far.

Comment

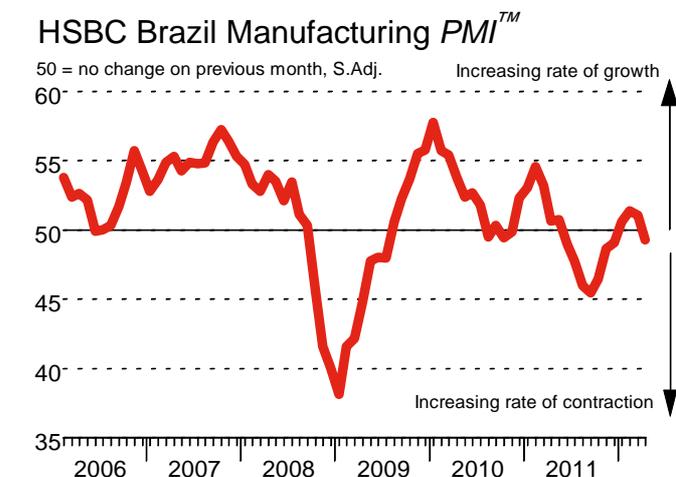
Commenting on the Brazil Manufacturing PMI™ survey, Andre Loes, Chief Economist, Brazil at HSBC said:

"The HSBC Manufacturing PMI index fell to a four-month low of 49.3 in April, from 51.1 in March. This was the first PMI manufacturing reading below 50 in 2012, signalling a contraction of activity in the industrial sector. Broken down, numbers show a broad-based decline in industrial activity, with all components falling below 50, except for both input and output prices which accelerated relative to one month ago (and with output prices reaching the highest level of growth since May 2011). Concurrently, inflationary pressures should remain a source of concern, despite the string of benign CPI readings earlier this year."

Key points

- Modest declines in both production and new work intakes
- Lower staffing levels in April, but rate of job losses only marginal
- HSBC Brazil PMI below 50.0 no-change mark, signalling deterioration in business conditions

Historical Overview



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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 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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