

HSBC Brazil Manufacturing PMI™

Output growth at 20-month high

Summary

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, where readings above 50.0 indicate expansion and readings below 50.0 signal contraction – posted 52.2 in November, up from the reading of 50.2 in October. The latest reading indicated that the health of the Brazilian manufacturing sector improved for the second successive month.

Production at manufacturing firms in Brazil increased during November amid reports of higher order book volumes. Output expanded solidly, and at the fastest rate in 20 months. Although new orders rose for the second successive month, export sales continued to fall. The rise in new orders was solid and accelerated to the fastest since February 2011. Anecdotal evidence suggested that new work intakes increased in line with stronger demand. Despite falling for the twentieth successive month, new export orders contracted only slightly.

Input cost inflation persisted in the Brazilian manufacturing sector during November. According to survey respondents, higher raw material costs and general market inflation resulted in increased input prices. Part of the burden of rising input costs was passed on to clients, as prices charged rose again. That said, the rate of inflation was only slight and the slowest since July.

Staffing levels at manufacturing companies in Brazil remained broadly unchanged in November. Backlogs of work were meanwhile depleted for the eighth successive month. Furthermore, the rate of contraction was solid, and accelerated to the fastest since October 2011.

The quantity of purchases made by Brazilian manufacturers increased during November for the first time since March. An anticipated rise in demand led firms to increase their input buying, it was reported. Purchasing activity expanded solidly, and at the fastest rate in 20 months.

Meanwhile, suppliers' delivery times lengthened for the eleventh consecutive month. That said, vendor performance deteriorated only slightly. Anecdotal evidence suggested that poor highway conditions resulted in longer delivery times.

Whereas pre-production inventories were depleted, stocks of finished goods were accumulated. Stocks of purchases contracted at a modest pace, whilst post-production inventories rose marginally.

Comment

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

"The November HSBC Manufacturing PMI results reinforce our view that the cyclical rebound expected for the end of 2012 is finally materializing. The headline PMI jumped from 50.2 in October to 52.2, indicating that the manufacturing sector is expanding at the fastest pace since Q1 2011, with solid increases in both output and new orders. Firms also reported positive growth in stocks of finished goods for the first time in 15 months, indicating a more supportive stage in the inventory cycle."

Key points

- Production expands at solid pace
- New orders increase at fastest rate since February 2011
- Input buying growth at 20-month high

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

Pollyanna De Lima, Economist
Telephone +44-1491-461-075
Email pollyanna.delima@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7060-2047 / +44-781-581-2162
Email caroline.lumley@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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