## **HSBC Purchasing Managers' Index**<sup>™</sup> **Press Release** Embargoed until: 10:00 (Sao Paulo), 02 January 2013

# HSBC Brazil Manufacturing PMI<sup>™</sup>

#### Fourth successive monthly rise in output

#### **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 51.1 in December. That was down from the reading of 52.2 in November, to signal a further, albeit slower, improvement in the health of the Brazilian manufacturing sector.

Production at manufacturing companies in Brazil rose during December, the fourth consecutive monthly increase registered. Growth in output was solid, but slower than in November. Purchasing activity also expanded, amid reports of expected rises in demand. Although input buying increased only slightly, growth was recorded for the second consecutive month.

The volume of incoming new work at manufacturing companies in Brazil expanded moderately in December. Survey respondents indicated that higher new orders reflected stronger demand. New export orders also increased, albeit only slightly. Export sales rose for the first time since March 2011.

Despite falling staffing levels, backlogs of work in the Brazilian goods-producing sector decreased in December. However, the pace of depletion was only modest and the slowest in four months. Unfinished business has fallen in each of the past nine months. Staffing levels contracted, amid reports of the nonreplacement of resigned staff. With almost 6% of panellists signalling lower payroll numbers, but the vast majority (91%) reporting no change, the overall rate of contraction was only slight.

As has been the case since September 2009, input costs in the Brazilian manufacturing sector increased during December. The pace of inflation was robust, and the fastest in 18 months. Anecdotal evidence suggested that raw material costs were greater. Part of the burden of cost inflation was passed on to clients, as prices charged increased again. Output prices rose solidly, and at the fastest rate in three months. Almost 6% of panel members indicated higher charges at their units, citing increased input costs and unfavourable exchange rate conditions.

In contrast to an accumulation registered in November, post-production inventories in the Brazilian manufacturing sector fell in December. However, the overall pace of depletion was only slight. Stocks of purchases also decreased, albeit moderately.

#### Comment

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

"The HSBC Manufacturing PMI retreated from November's 52.2 to 51.1 in December, but remains above 50, indicating that manufacturing activity continued to expand during the last month of last year. The output and new orders indexes remained at solid levels, while the employment index stayed below 50 for the ninth consecutive suggesting a modest easing in manufacturing job market conditions. Overall, manufacturing ended 2012 on a positive note, after remaining for most of the year in negative

#### **Key points**

- Moderate expansion in order book volumes
- New export orders increase for first time in 21 months
- Rate of input price inflation at 18-month high

#### **Historical Overview**

### HSBC Brazil Manufacturing *PMI*<sup>™</sup>



2008 2006 2007 2009 2010 2011 Sources: HSBC, Markit.





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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<sup>TM</sup> (PMI<sup>TM</sup>)* 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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