HSBC Purchasing Managers' Index[™] Press Release Embargoed until: 10:00 (Sao Paulo), 01 February 2013

HSBC Brazil Manufacturing PMI[™]

Rate of output growth at 23-month high

Summary

Brazil's manufacturing sector gained momentum in January, posting strong output growth that was the fastest in 23 months. Order book volumes and export business both continued to expand, with rates of growth strong and slight respectively. Consequently, unfinished business rose, albeit only modestly. Furthermore, firms increased their staffing levels for the first time in ten

The seasonally adjusted, HSBC Brazil Purchasing Managers' Index™ (PMI™) - a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy - posted 53.2 during January, up from 51.1 in December. This indicated that the health of the manufacturing sector continued to improve, and at a stronger pace.

Production in the Brazilian goods-producing sector rose during January, marking a five-month sequence of expansion. Output grew robustly and at the fastest rate in 23 months. The volume of incoming new work continued to increase, amid reports of stronger demand. Moreover, the overall pace of expansion was sharp. New export orders also rose, the second successive monthly increase registered. Despite reaching a 36month high, growth of new export business was only slight.

With strengthening demand and forecasts of further rises, manufacturers increased their input buying in January. Purchasing activity expanded solidly and at the fastest rate since February 2011.

Payroll numbers at manufacturing firms in Brazil increased for the first time in ten months during January. Monitored companies indicated that higher production requirements and expected rises in demand resulted in job creation. However, with only 3% of the survey panel indicating increased workforces and the vast majority (94%) signalling no change, the overall rate of expansion was only slight. Nevertheless, backlogs of work were accumulated during January. The level of unfinished business rose for the first time in ten months, albeit only slightly.

As has been the case since September 2009, input prices at manufacturing companies in Brazil increased during January. The overall rate of inflation was solid and little-changed from December. According to panellists, steel and raw material costs in general rose. Part of the burden of cost inflation was passed on to clients as average selling prices increased for a further month. That said, the pace of charge inflation was only moderate and eased from the previous month.

Comment

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

"Brazil's manufacturing sector started 2013 on a positive note. The HSBC Manufacturing PMI Index rose from 51.1 in December to 53.2 in January. This is the highest level for this indicator since March 2011, led by a strong rise in output and new orders. Despite these strong numbers, the growth outlook for Brazil remains vulnerable to the fallout from uncertainty regarding electricity supply. Specifically, we remain concerned that firms may postpone their fixed asset investment plans because of all the talk about the risks of electricity rationing."

Key points

- New orders increase strongly
- Second successive rise in new export orders
- Employment levels expand for first time in ten months

Historical Overview

HSBC Brazil Manufacturing PMI[™]



2008 2009 2010 2011 2006 2007 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' IndexTM (PMITM)* 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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