HSBC Purchasing Managers' Index[™] Press Release

Embargoed until: 10:00 (Sao Paulo), 1 March 2013

HSBC Brazil Manufacturing PMI[™]

Upturn in Brazil manufacturing sector continues in February

Summary

The seasonally adjusted *HSBC Brazil Purchasing Managers' Index™* (*PMI™*) posted 52.5 in February, down only slightly from January's 22-month high of 53.2. The headline PMI has remained above the 50.0 mark − signalling expansion − for five consecutive months. Moreover, the average PMI reading so far in Q1 2013 (52.9) is above that recorded during the final quarter of last year (51.2).

Manufacturing output increased for the sixth successive month in February, as companies stepped up production in response to rising levels of incoming new work. Manufacturers generally cited improved domestic market conditions as the main spur to growth, although some firms also benefited from a modest increase in new export orders.

The level of new export business rose for the third straight month in February, with the rate of growth only marginally less marked than that signalled in the prior month. Companies linked export sales to a slight improvement in global market conditions.

The upturn in the Brazil manufacturing sector filtered through to the labour market, with manufacturers raising employment for the second month running. Although the rate of jobs growth remained only marginal, it was nonetheless only slightly slower than January's 11-month peak. Signs that current demand requirements were testing capacity remained evident, however, as highlighted by a further increase in backlogs of work.

Input price inflation remained on a steady trend path in February, with the rate of increase during the latest survey period broadly similar to those signalled in each month since mid-2011. Companies reported higher prices paid for a range of raw materials, including cardboard, foam, plastic and steel.

Manufacturers reported that part of the increase in input costs had been passed on to clients in the form of higher selling prices for finished products. However, output charge inflation remained below that signalled for purchasing costs.

Rising production requirements led to a further increase in purchasing activity during February. Input buying volumes have risen in each of the past four months, with the latest rate of increase broadly in line with the average for that sequence. Apart from satisfying the needs of increased output, companies linked higher purchasing levels to efforts to reduce the pressure on raw material stocks.

Pre-production inventories fell at a slower pace in February, but nonetheless declined for the twenty-first successive month. In contrast, finished goods stocks rose for the first time in three months during the latest survey period.

Comment

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

"After reaching 53.2 in January, the HSBC Manufacturing PMI Index retreated to 52.5 in February. Although this moderation was reflected in all key components, including output, new orders, and export orders, the PMI reinforces the perception that manufacturing activity in 1Q2013 is firmer than that seen in the second semester of 2012, in line with our expectation of a modest recovery of the economy as a whole."

Key points

- Output and new orders expand further
- Domestic demand remains solid, new export orders post slight gain
- Manufacturers raise employment for second month running

Historical Overview

HSBC Brazil Manufacturing PMI[™]



2006 2007 2008 2009 2010 2011 2012 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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