

HSBC Brazil Manufacturing PMI™

PMI signals modest improvement in manufacturing operating conditions

Summary

Operating conditions in the Brazilian manufacturing sector continued to improve during March. Production expanded for a further month, reflecting higher volumes of incoming new work from both domestic and international clients. That said, with growth in new orders and output easing, the latest PMI reading fell to the lowest in three months. Meanwhile, inflationary pressures persisted with input costs rising at the fastest rate in 22 months.

The seasonally adjusted *HSBC Brazil Purchasing Managers' Index™ (PMI™)* posted 51.8 in March, down from 52.5 in February, indicating that the manufacturing sector continued to expand, albeit at a slower pace. Nevertheless, the average for the first quarter of the year (52.5) was higher than that recorded for the last quarter of 2012 (51.2).

Reflective of strong domestic and international demand, total new orders rose for the sixth consecutive month during March. Nonetheless, the overall rate of growth was only moderate and eased to a three-month low. New exports business expanded slightly and at a broadly similar pace to that seen in February. Concurrently, output increased only moderately, with the rate of growth easing to the slowest since October 2012.

In tandem with higher production requirements, manufacturers in Brazil hired additional staff during March. The rate of job creation was only modest, but accelerated to the fastest since February 2012. Increased payroll numbers helped to ease the pressure on operating capacity and outstanding business fell for the first time in three months, albeit only slightly.

Purchasing activity in the Brazilian goods-producing sector rose during March, extending the current sequence of growth to five months. That said, the latest increase in input buying was only slight and the slowest in that sequence. Suppliers' delivery times lengthened for the fifteenth consecutive month, amid evidence of poor highway conditions, raw material shortages and delayed payments to suppliers.

Inflationary pressures in the Brazilian manufacturing sector persisted during March, with the rates of input and output price inflation both accelerating. Purchase costs rose at the fastest rate since May 2011, with panel members reporting that a number of raw materials had increased in price. Average selling prices rose for the thirteenth consecutive month, with the overall rate of inflation solid and the quickest recorded in two years.

Comment

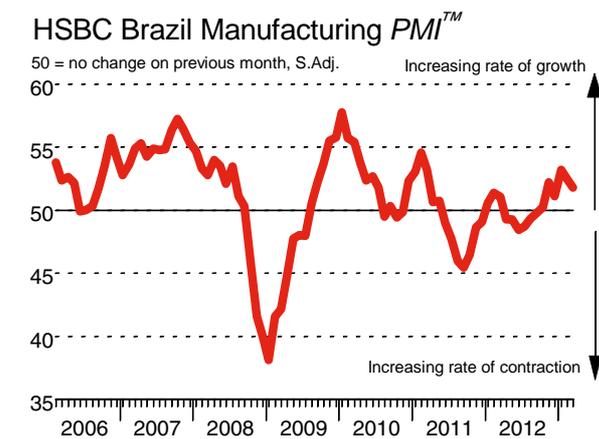
Commenting on the Brazil Manufacturing PMI™ survey, Andre Loes, Chief Economist, Brazil at HSBC said:

"The HSBC Manufacturing PMI Index retreated for the second month in a row in March, from 52.5 last month to 51.8. The PMI survey suggests that economic activity in the manufacturing sector lost momentum after a very strong January (when the PMI had reached 53.2). On the other hand, the average reading for the first quarter of the year was still a solid 52.5 – the strongest since 2011Q1. These results seem consistent with our view that the Brazilian economy is experiencing a moderate recovery in 2013."

Key points

- Output expands for seventh month running, but growth eases
- Total new orders increase moderately, export sales slightly
- Input and output price inflation accelerate

Historical Overview



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™ (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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