HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

HSBC Brazil Manufacturing PMI™

Manufacturing operating conditions improve at slowest rate in six months

Summary

April data pointed to a further improvement in manufacturing operating conditions across Brazil, albeit slight and the slowest in six months. In line with higher new business inflows, output expanded. That said, both production and new orders grew at slower rates to those seen in March. Export sales fell for the first time since last November. Meanwhile, input buying rose for the sixth successive month.

The HSBC Brazil *Purchasing Managers' Index*™ (*PMI*™) is a composite indicator derived from individual diffusion indices measuring changes in output, new orders, employment, suppliers' delivery times and stocks of purchases. Readings above 50.0 indicate expansion and below that threshold, contraction. After adjusting for seasonal factors, the index posted 50.8 in April, down from 51.8 in March. The latest reading indicated a further expansion in the country's manufacturing sector. That said, the PMI fell for the third month running and was at a six-month low.

Another moderate rise in production was registered during April, marking an eight-month sequence of expansion. However, the pace of increase was the slowest recorded in six months. Evidence suggested that output growth was supported by higher levels of incoming new work. Total new orders rose for the seventh consecutive month, albeit only slightly and at the slowest rate since October last year. In contrast, new business from abroad fell slightly, amid reports of weaker demand from key export markets. The latest contraction ended a four-month period of rises.

The quantity of items purchased by manufacturers in Brazil increased during April. The pace of growth was, however, only slight and little-changed from March. Nevertheless, stocks of purchases were depleted for the twenty-third consecutive month. But, with around 5% of monitored companies reporting a lower holding of raw materials and semi-manufactured goods, and 93% signalling no change, the overall rate of contraction was only slight. Similarly, post-production inventories fell. The rate of depletion was only fractional, but ended a two-month sequence of accumulation.

Inflationary pressures in the Brazilian goods-producing sector persisted in April. Whereas input prices increased solidly, competition for new work had prevented companies from passing on to clients the full burden of cost inflation and factory gate prices rose only moderately. Purchase prices increased for the forty-fourth successive month, while the rise in charges was the fourteenth consecutive registered. Anecdotal evidence suggested that raw materials, with particular mentions of steel, plastic and fuel, had increased in price over the month.

For the first time in four months, employee headcounts fell. The latest drop was, however, only fractional. Meanwhile, backlogs of work were depleted, albeit moderately. Concurrently, vendor performance deteriorated further, with panel members mentioning poor highway conditions and shortages of raw materials.

Comment

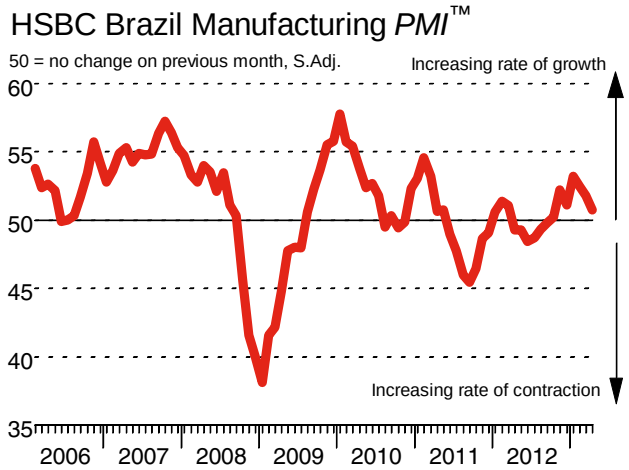
Commenting on the Brazil Manufacturing PMI™ survey, Andre Loes, Chief Economist, Brazil at HSBC said:

"The HSBC Manufacturing PMI Index retreated for the third month in a row in April, from 51.8 last month to 50.8, reinforcing perceptions that after a strong January, economic activity lost momentum over the remainder of the quarter. This is yet another sign that the recovery of 2013 is quite modest."

Key points

- Output growth eases
- Slight rise in total new orders, but business from abroad falls
- Input buying increases for sixth consecutive month

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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Purchasing Managers' Index™ (PMI™) surveys are now available for 32 countries and also for key regions including the Eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to www.markit.com/economics