

# HSBC Brazil Manufacturing PMI™

## PMI falls for fourth successive month, but remains in positive territory

### Summary

The HSBC Brazil *Purchasing Managers' Index*™ (PMI™) is a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy. After adjusting for seasonal factors, the PMI posted 50.4 in May, down from 50.8 in April. The latest reading indicated a further improvement in manufacturing operating conditions across the country. Nonetheless, the index decreased for the fourth month running and was at a seven-month low.

Output expanded moderately during May and at the slowest pace since October 2012. Approximately 16% of panellists reported higher production, citing new order growth. In contrast, 11% noted a decline. Incoming new work increased for the eighth consecutive month, however, the overall rate of expansion was only slight and the slowest since last October. Survey participants commented that demand remained firm, but some companies reported increased competition for new contracts.

Following a decline seen in April, new export orders in the Brazilian goods-producing sector stagnated during May. Anecdotal evidence pointed to muted demand from European clients.

Spare capacity was signalled by manufacturing companies in Brazil, as backlogs of work decreased for the third consecutive month in May. Outstanding business levels fell moderately, but the rate of depletion accelerated to quickest since last November.

Concurrently, payroll numbers were cut again in May. The rate of job shedding was only slight, but the sharpest in nine months. Monitored companies mentioned that the latest reduction in employment levels reflected attempts to reduce costs.

The quantity of items purchased for use in production by Brazilian manufacturers increased during May, taking the current expansionary sequence to seven months. Around 12% of the survey panel signalled higher input buying, citing increased order book volumes.

Pre- and post-production inventories both fell during May. Stocks of purchases were depleted for the twenty-fourth successive month, albeit only slightly. Anecdotal evidence suggested that inputs were drawn down to fulfil higher production levels. Similarly, holdings of finished goods fell slightly, with the rate of contraction little-changed from April.

For the forty-fifth consecutive month, input prices in the Brazilian manufacturing sector rose in May. The rate of cost inflation was solid, but eased to a seven-month low. Monitored companies indicated higher prices paid for raw materials, with particular mentions of steel and plastic. Additional cost burdens were passed on to clients, as indicated by a further increase in selling prices. The rate of charge inflation picked up from April. Investment good producers signalled the strongest rise in charges, followed by the intermediate and consumer goods sectors respectively.

### Comment

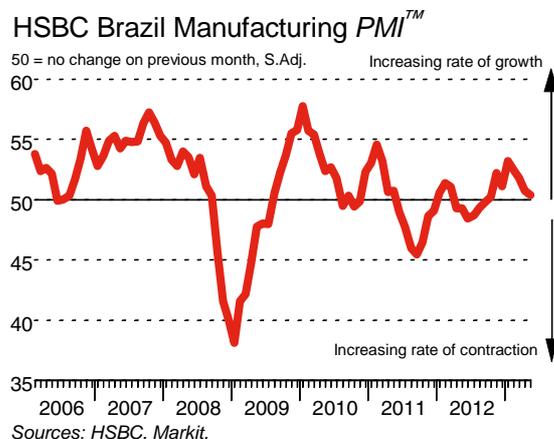
Commenting on the Brazil Manufacturing PMI™ survey, Andre Loes, Chief Economist, Brazil at HSBC said:

*"The HSBC Manufacturing PMI Index retreated for the fourth month in a row in May, from 50.8 to 50.4, suggesting that economic activity in the manufacturing sector is barely expanding. As a result, firms reported further job cuts in May. The divergence between faster growth in output prices and a slower rise in input costs, meanwhile, may be the result of efforts by firms to restore margins."*

### Key points

- Output expands at moderate pace
- Slight rise in total new orders, but export business stagnates
- Rate of job shedding accelerates

### Historical Overview



**For further information, please contact:**

**HSBC**

Andre Loes, Chief Economist, Brazil  
Telephone +55-11-3371-8184  
Email [andre.a.loes@hsbc.com.br](mailto:andre.a.loes@hsbc.com.br)

Constantin Jancso, Senior Economist, HSBC Bank Brazil  
Telephone +55-11-3371-8183  
Email [constantin.c.jancso@hsbc.com.br](mailto:constantin.c.jancso@hsbc.com.br)

Renata Binotto, Senior Press Officer, HSBC Bank Brazil  
Telephone +55-11-3847-5786  
Email [renata.binotto@hsbc.com.br](mailto:renata.binotto@hsbc.com.br)

Chrystiane Silva, Press Officer, HSBC Bank Brazil  
Telephone +55-11-3847-9339  
Email [chrystiane.m.silva@hsbc.com.br](mailto:chrystiane.m.silva@hsbc.com.br)

**Markit**

Pollyanna De Lima, Economist  
Telephone +44-1491-461-075  
Email [pollyanna.delima@markit.com](mailto:pollyanna.delima@markit.com)

Caroline Lumley, Corporate Communications  
Telephone +44-20-7060-2047 / +44-781-581-2162  
Email [caroline.lumley@markit.com](mailto:caroline.lumley@markit.com)

**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](mailto: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](http://www.markit.com/economics)

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