

HSBC Brazil Manufacturing PMI™

Output growth at 20-month high

Key findings:

- Production expands at solid pace
- New orders increase at fastest rate since February 2011
- Input buying growth at 20-month high

In line with higher new orders, production in the Brazilian manufacturing sector expanded during November. In contrast, export sales fell for the twentieth successive month. Meanwhile, purchasing activity increased at the fastest pace in 20 months. Input and output prices both increased further. Despite static staffing levels, backlogs of work were depleted. In contrast to decreasing pre-production inventories, stocks of finished goods were accumulated slightly.

After adjusting for seasonal variations, the HSBC Brazil *Purchasing Managers' Index™ (PMI™)* – a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy, where readings above 50.0 indicate expansion and readings below 50.0 signal contraction – posted 52.2 in November, up from the reading of 50.2 in October. The latest reading indicated that the health of the Brazilian manufacturing sector improved for the second successive month.

Production at manufacturing firms in Brazil increased during November amid reports of higher order book volumes. Output expanded solidly, and at the fastest rate in 20 months. Although new orders rose for the second successive month, export sales continued to fall. The rise in new orders was solid and accelerated to the fastest since February 2011. Anecdotal evidence suggested that new work intakes increased in line with stronger demand. Despite falling for the twentieth successive month, new export orders contracted only slightly.

Input cost inflation persisted in the Brazilian manufacturing sector during November. According to survey respondents, higher raw material costs and general market inflation resulted in increased input prices. Part of the burden of rising input costs was passed on to clients, as prices charged rose again. That said, the rate of inflation was only slight and the slowest since July.

Staffing levels at manufacturing companies in Brazil remained broadly unchanged in November. Backlogs of work were meanwhile depleted for the eighth successive month. Furthermore, the rate of contraction was solid, and accelerated to the fastest since October 2011.

The quantity of purchases made by Brazilian manufacturers increased during November for the first time since March. An anticipated rise in demand led firms to increase their input buying, according to panellists. Purchasing activity expanded solidly, and at the fastest rate in 20 months.

Meanwhile, suppliers' delivery times lengthened for the eleventh consecutive month. That said, vendor performance deteriorated only slightly. Anecdotal evidence suggested that poor highway conditions resulted in longer delivery times.

Whereas pre-production inventories were depleted, stocks of finished goods were accumulated. Stocks of purchases contracted at a modest pace, whilst post-production inventories rose marginally.

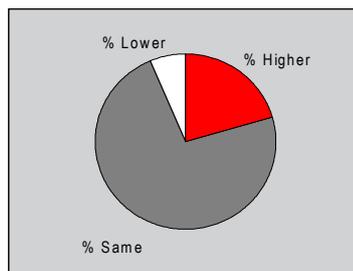
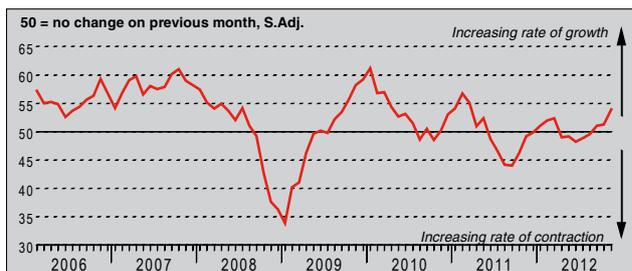
HSBC Brazil *Purchasing Managers' Index™ (PMI™)*



The HSBC Brazil *Purchasing Managers' Index (PMI)* is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

Output Index

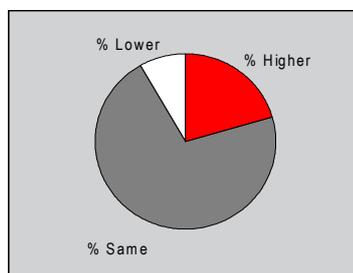
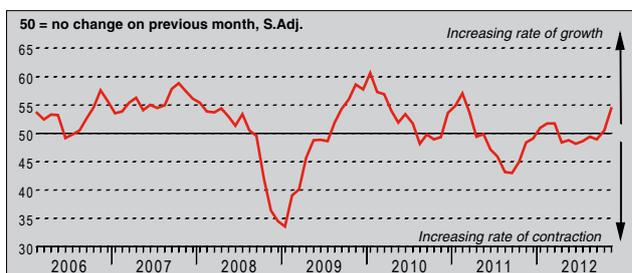
Q. Please compare your production/output this month with the situation one month ago.



Output growth was signalled in the Brazilian manufacturing sector during November for the third successive month. The rate of expansion was solid, and the fastest since March 2011. Moreover, the Output Index adjusted for seasonal factors posted above the series' long-run average. Anecdotal evidence suggested that production increased in line with higher order book volumes.

New Orders Index

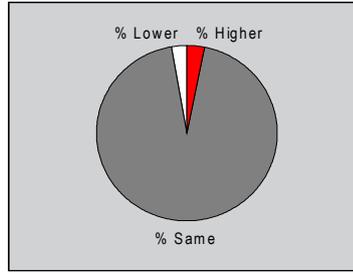
Q. Please compare the level of new orders received (Brazil and export) this month with the situation one month ago.



Manufacturing companies in Brazil indicated rising new orders during November amid reports of stronger demand. New work intakes expanded solidly, and at the fastest rate in 21 months. Just over one-fifth of monitored firms signalled higher volumes of incoming new work, in contrast to 8% that noted a fall.

New Export Orders Index

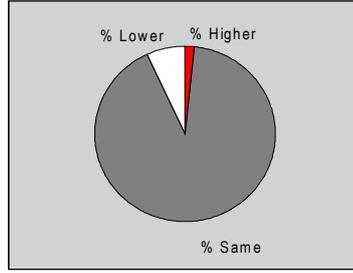
Q. Please compare the level of new export orders received this month with the situation of one month ago.



Continuing the trend that started in April 2011, new export orders in the Brazilian manufacturing sector fell during November. This was signalled by the seasonally adjusted New Export Orders Index posting below the no-change mark of 50.0, which separates expansion from contraction. That said, the rate of decrease was only slight and the slowest since February.

Backlogs of Work Index

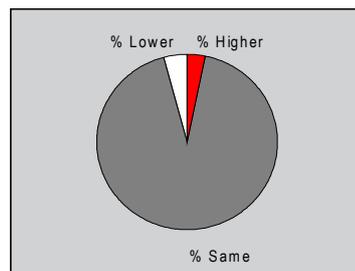
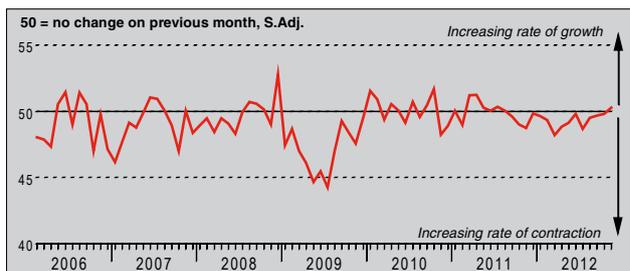
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Backlogs of work at manufacturing companies in Brazil fell during November, marking an eight-month sequence of depletion. The volume of work-in-hand (but not yet completed) decreased solidly, and at the fastest rate since October 2011. Whereas almost 7% of panellists signalled backlog depletion at their units, the majority (91%) reported no change.

Stocks of Finished Goods Index

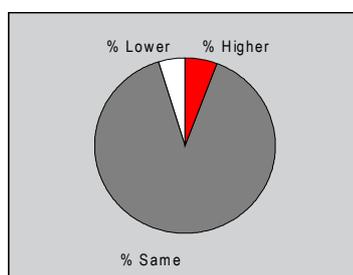
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



In contrast to a fractional fall noted in October, post-production inventories at manufacturers in Brazil increased during November. That said, the rate of accumulation was only marginal. The Stocks of Finished Goods adjusted for seasonal variations posted above the no-change mark of 50.0 for the first time since August 2011.

Employment Index

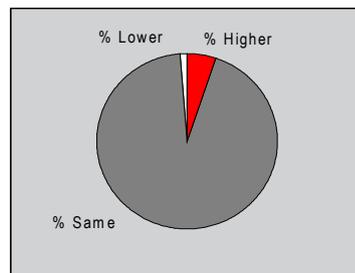
Q. Please compare the level of employment at your unit with the situation one month ago.



Employment in the Brazilian manufacturing sector remained broadly unchanged during November. This was signalled by the Employment Index adjusted for seasonal factors posting close to the neutral 50.0 threshold that divides expansion from contraction. Furthermore, the index posted below the series' long-run average.

Output Prices Index

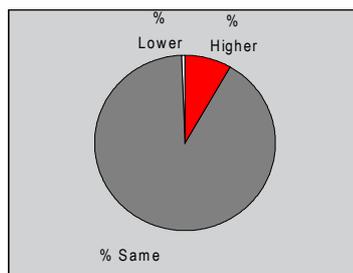
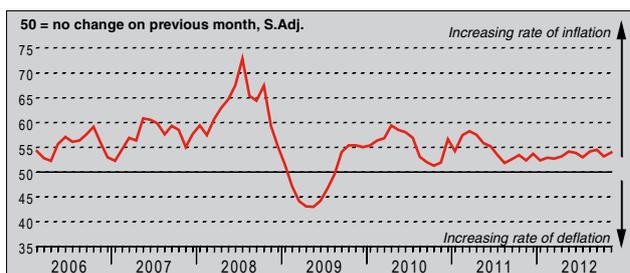
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Output prices in the Brazilian manufacturing sector increased during November for the ninth consecutive month. That said, the rate of inflation was only slight and the slowest since July. Anecdotal evidence suggested that factory gate prices rose in line with increased raw material costs and stronger demand. There were also mentions of higher petrochemical, pork, poultry and transport prices.

Input Prices Index

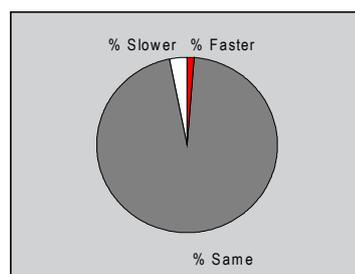
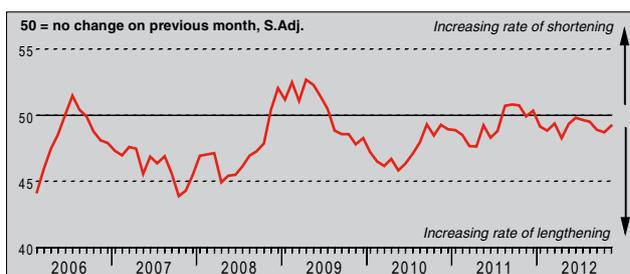
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



As has been the case since September 2009, input prices at manufacturing companies in Brazil increased in November. The pace of inflation was solid and faster than that recorded in October. Approximately 8% of monitored companies indicated higher input costs, mentioning general market inflation and higher raw material costs.

Suppliers' Delivery Times Index

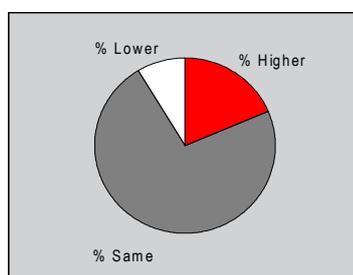
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Average lead times in the Brazilian manufacturing sector lengthened during November amid reports of poor highway conditions. The seasonally adjusted Suppliers' Delivery Times Index posted below the no-change mark of 50.0 for the eleventh successive month. That said, vendor performance deteriorated only slightly, with the vast majority of respondents (around 96%) reporting no change from October.

Quantity of Purchases Index

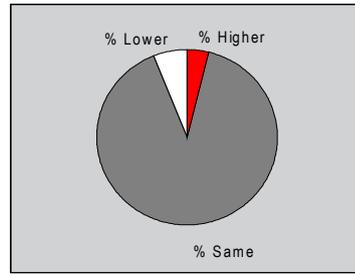
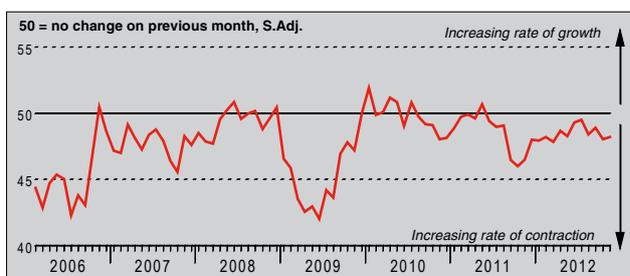
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



In contrast to a slight fall recorded in October, purchasing activity at manufacturing firms in Brazil increased during November. Input buying expanded solidly, and at the fastest rate in 20 months. In contrast to almost 19% of panellists signalling a higher quantity of purchases, 9% noted a fall. According to survey respondents, an anticipated rise in demand resulted in increased buying activity.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.



Brazilian manufacturing companies registered decreasing pre-production inventories in November, marking an 18-month sequence of depletion. Whereas approximately 6% of panellists signalled lower stocks of purchases at their units, 90% indicated no change. Consequently, the rate of depletion was only moderate.

Notes on the Data and Method of Presentation

The *Purchasing Managers' Index* 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.

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