HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

HSBC Brazil Manufacturing PMI™

Growth of incoming new business strongest since February 2013

Summary

January saw a slight improvement in the Brazilian manufacturing economy. Order book volumes expanded at the quickest pace in 11 months, but output growth eased. On the price front, input cost inflation hit a three-month high, whereas factory gate prices were raised at the weakest pace since July 2012.

At 50.8 in January, up marginally from 50.5 in the previous month, the seasonally adjusted *HSBC Brazil Purchasing Managers' Index*™ (*PMI*™) indicated a second successive monthly improvement in manufacturing operating conditions across the country.

Output rose in January, amid reports of new business gains. That said, the overall rate of production growth was marginal and the slowest since September 2013. New orders rose at the quickest pace in 11 months, with firms reporting strengthening demand conditions. Meanwhile, export business was broadly unchanged from the levels recorded in December.

Despite increased output and new orders, employment fell in January. The latest drop in staffing levels was slight, but the tenth in as many months. Evidence from survey participants highlighted an uncertain economic outlook and, to a lesser extent, shortages of qualified labour. Concurrently, unfinished business rose, thereby ending a ten-month sequence of depletion.

As has been the case for eight successive months, consumer goods was the best performing market group in January. Business conditions also improved in the intermediate goods sub-sector, but deteriorated at capital goods firms. Output, new orders, export business and employment all rose at consumer goods manufacturers.

Amid reports of unfavourable exchange rate fluctuations, prices paid for raw materials rose and average purchase costs climbed again. Input cost inflation was the strongest in three months and accelerated across all three monitored sub-categories of the manufacturing economy. However, competitive pressures persisted and output charges were raised at the slowest rate in a year-and-a-half as a result.

January data indicated that buying activity expanded, ending a two-month sequence of reduction. The overall pace of growth was slight, but the fastest since February 2013. New business growth was the primary factor highlighted by firms for the rise in quantity of purchases.

In attempts to reduce the costs of inventory management, Brazilian manufacturers depleted their holdings of both pre- and post-production goods. The rates of reduction were, however, marginal. Finally, supplier performance deteriorated in January. Panellists linked longer delivery times to inadequate road infrastructure.

Comment

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

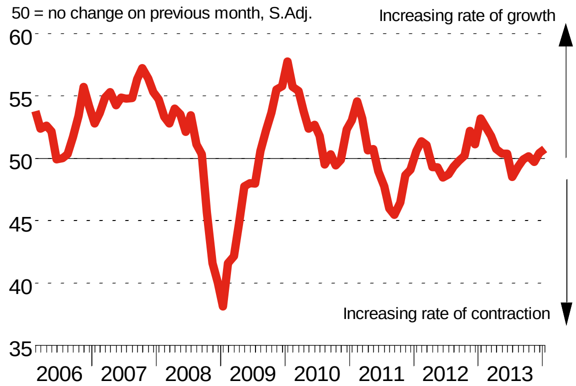
"The HSBC Brazil Manufacturing PMI rose to 50.8 in January from 50.5 in the previous month, with softer output growth being more than offset by a stronger increase in new orders. On the inflation front, there were mixed news. After receding to the lowest level in seven months in December, cost inflation returned to broadly the same level as in November. Rises in output prices, on the other hand, continued to ease, with the index falling to its lowest level since July 2012."

Key points

- Faster expansion of new orders, but output rises at weaker pace
- PMI up marginally from 50.5 to 50.8 in January
- Selling prices increase at slowest rate in one-and-a-half years

Historical Overview

HSBC Brazil Manufacturing *PMI*™



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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About PMI:

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