HSBC Purchasing Managers' Index™ Press Release
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compiled by markit

HSBC Brazil Manufacturing PMI™

Operating conditions deteriorate in November, following marginal improvement in previous month

Summary

After improving in the previous month, operating conditions across Brazil's manufacturing economy deteriorated in November. Output increased at a slight and slower rate, reflecting a further decline in new orders. Meanwhile, new business from abroad stabilised and firms continued to reduce their workforce numbers.

Down from 50.2 in October to 49.7 in November, the seasonally adjusted HSBC Brazil *Purchasing Managers' Index*™ (*PMI*™) signalled a deterioration of operating conditions across the country's manufacturing sector. Although marginal, the latest contraction was the fourth in 2013 so far.

Output rose for the third successive month in November, but the rate of expansion was only slight and eased from that seen one month previously. Production growth was recorded at consumer and intermediate goods companies, while an overall decline was recorded in the capital goods sector.

Amid reports of subdued demand conditions and competitive pressures, order book volumes decreased in November. The index measuring new orders posted below the 50.0 no-change threshold for the fifth successive month and was indicative of a marginal decline overall. The sharpest drop was registered at investment goods firms, whereas consumer goods was the only sub-sector registering new order growth.

New business from abroad stabilised in November, following a seven-month sequence of contraction. Where growth was noted, this was linked to favourable exchange rates. Firms reporting lower overseas demand generally commented on increased competition for new work and limited pricing power.

Input prices rose further in November, amid evidence of higher import costs resulting from a weaker currency. Despite remaining strong, the overall rate of cost inflation eased to the weakest since June. Brazilian manufacturers raised their selling prices again, taking the current sequence of charge inflation to 21 months. Average tariffs rose at a solid pace, but one that was the slowest since May.

November data indicated that purchasing activity decreased, after rising in each of the previous two months. This is turn led to further reductions of pre-production stocks. Similarly, holdings of finished goods fell in the latest month, although only marginally.

Manufacturing employment across Brazil fell in November, marking an eight-month period of job shedding. Workforce numbers fell at intermediate and capital goods producers, whereas consumer goods firms indicated no change in their staffing levels since the previous month. According to respondents, cautious hiring decisions reflected continuous declines in new work intakes.

Comment

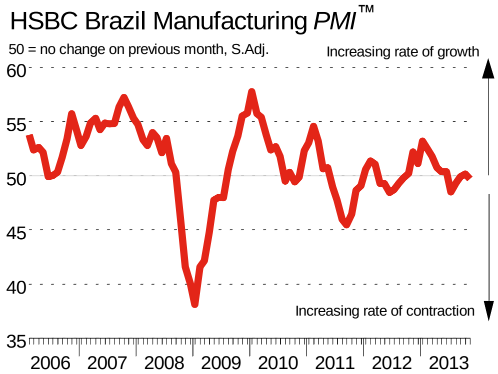
Commenting on the Brazil Manufacturing PMI™ survey, Andre Loes, Chief Economist, Brazil at HSBC said:

"The HSBC Brazil Manufacturing PMI fell to 49.7 in November, from 50.2 in October. After contracting at the margin for the entire third quarter, economic activity in Brazil's manufacturing sector was unable to sustain October's rebound and fell back below the 50 mark. Firms reported that output continued to climb, but at a slower pace than in October, while other key components such as new orders and employment all lost momentum. The only good news was that the measures of inflation included in the PMI report also lost momentum: firms saw input prices rising at the slowest pace since June and output prices climbing at the weakest rate since May."

Key points

- PMI drops from 50.2 in October to 49.7
- Output growth eases
- Order book volumes contract, while new export business stabilises

Historical Overview



Sources: HSBC, Markit.

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For further information, please contact:

HSBC

Andre Loes, Chief Economist, Brazil
Telephone +55-11-3371-8184
Email 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

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

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

Markit

Pollyanna De Lima, Economist
Telephone +44-1491-461-075
Email pollyanna.delima@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7060-2047 / +44-781-581-2162
Email 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.

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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