

# Brazil

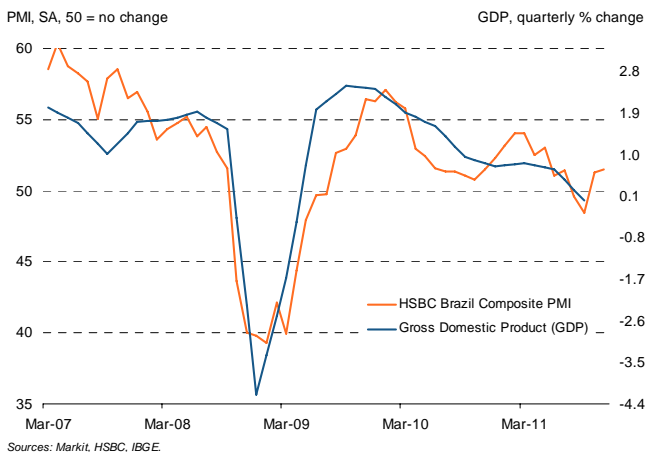
## Economic recovery grinds to halt in the third quarter

- **Brazilian GDP unchanged from Q2**
- **PMI data suggests growth may pick up in the final quarter**

Growth in the Brazilian economy ground to a halt during the third quarter, with gross domestic product (GDP) unchanged from the three months to June. The stagnation contrasted with 0.7% growth in the second quarter (revised down from 0.8%) and represents a marked contrast to the 0.8% pace seen at the start of the year. In year on year terms, the rate of economic growth slowed from 3.3% to 2.1% between the second and third quarters.

Particularly worrying was the broad-based nature of the deterioration. Agriculture was the only sector to register notable growth (3.2%) during the three months to September. In contrast, the industrial and service sectors contracted -0.9% and -0.3% respectively.

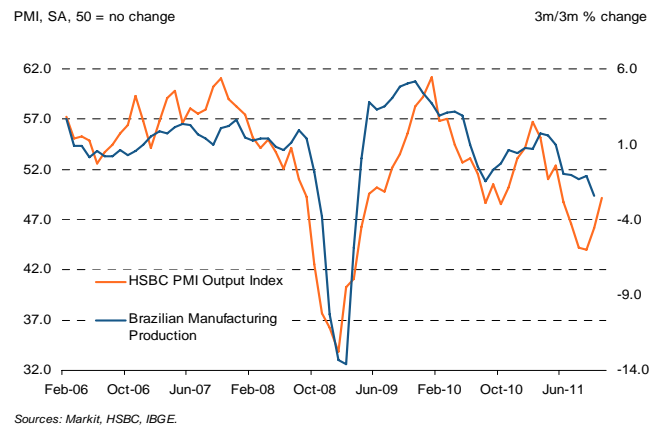
### Brazilian GDP unchanged in Q3



The overall slowdown in the rate of GDP growth had been anticipated. The HSBC Brazil Composite PMI Output Index, for example, had posted its lowest quarterly reading since the second quarter of 2009 in the three months to September. Contraction had been signalled by the PMI in the final two months of the third quarter. However, after reaching a 28-month low in September, the PMI has since climbed, suggesting that the Brazilian economy may have grown again in

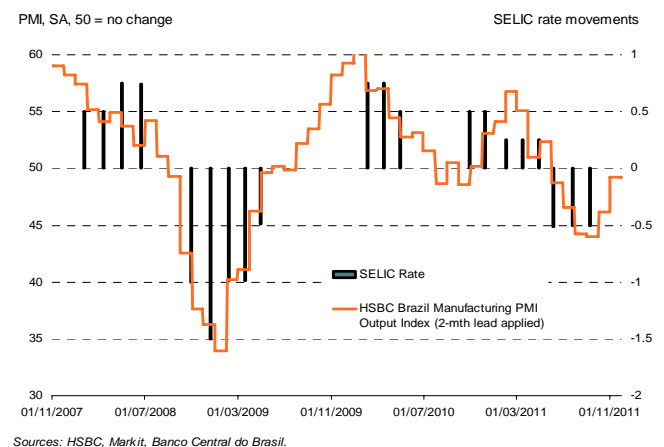
the final quarter, albeit only very modestly. The potential rise in GDP during the fourth quarter reflects a much reduced rate of contraction in the manufacturing sector and solid growth of services activity during October and November.

### Manufacturing production in Brazil



The central bank has cut its main policy interest rate (the selic) three times since August, down from 12.5% to 11%. This in part has been an attempt by the central bank to mitigate against the effects of the global economic slowdown. However, with PMI data rising in October and November, the Banco Central do Brasil may hold off further monetary easing until 2012.

### Selic rate movements



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To find out how to receive PMI data, please contact [economcs@markit.com](mailto:economcs@markit.com).

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