

Brazil

Brazil's immunity to the global economic crisis ceases, as GDP drops by the greatest extent since the current series began in 1996

Brazilian GDP contracted by 3.6% in Q4

Official data released 10 March showed that Brazilian Q4 GDP contracted by 3.6% on a quarterly basis. The fall was worse than expected (the market consensus had been for a 2.3% drop) and the sharpest since the inception of the series in 1996. The disappointing data followed figures released 6 March which indicated that Brazilian industrial production plunged by 17.2% year-on-year in January.

Many analysts believed that Brazil might escape the worst of the global downturn, but these latest figures suggest that Brazil is no longer sheltered from current global economic headwinds.

Q4 slowdown anticipated by PMI

The Banco Santander Brazil Manufacturing PMI, compiled by Markit each month, correctly anticipated the extent of the Q4 slowdown (see chart 1). The first indication of a serious downturn in growth was provided 1 September, when the PMI dropped below the neutral threshold of 50.0 that separates contraction from expansion. The PMI has since fallen deeper into negative territory, with the January figure the lowest in the survey history.

The PMI has achieved a **correlation of 0.81** with year-on-year percentage changes in official GDP estimates since the start of the series in February 2006, suggesting that the PMI is an accurate indicator of trends in official GDP figures.

The Q4 downturn was led by a sharp reduction in manufacturing output, with official estimates indicating a contraction in production in each of the past three months. The PMI survey's Output Index has tracked the tendency in official estimates of manufacturing output since the series began (see chart 2), with PMI data displaying a **correlation of 0.84** against official figures.

Chart 1: GDP vs. Brazil Manufacturing PMI

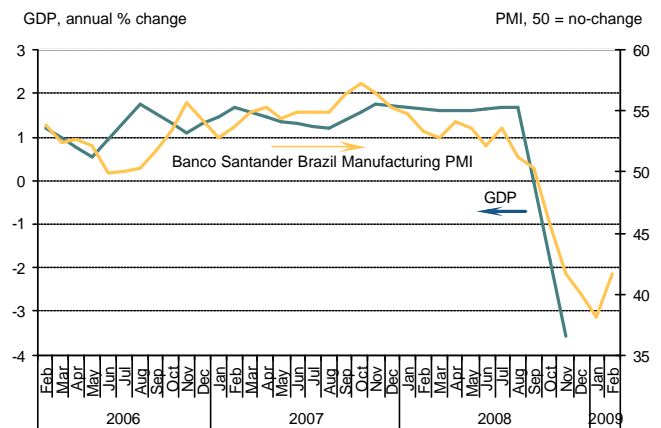
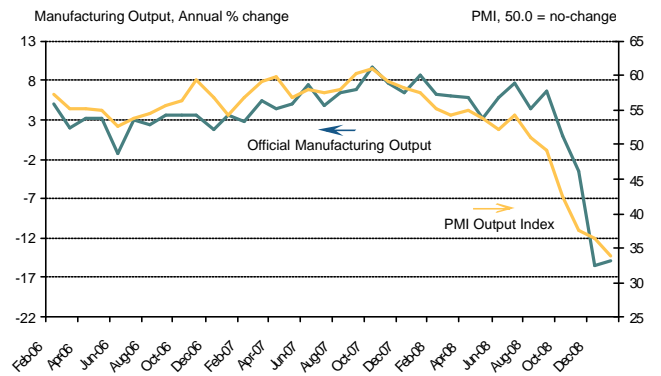


Chart 2: Brazilian Manufacturing Output vs. PMI Output Index



The next Banco Santander Brazil Manufacturing PMI is released on 1 April. To find out how to receive data from the surveys or obtain copies of the reports, please contact economics@markit.com

Alex Hamilton

Economist

Markit

Tel: +44 1491 418 676

Email: alex.hamilton@markit.com

For further information, please visit www.markit.com

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.