

Brazil

End of recession in sight as PMI signals renewed growth in September

- **PMI surveys move into positive territory in September**
- **Survey data signal potential end to recession after GDP fell in first two quarters of 2014**
- **Increased inflows of new orders bode well for Q4, but upturn remains modest**

PMI survey data provide tentative evidence that Brazil is pulling out of recession. Private sector activity rose for the first time in six months in September, with an upturn in new orders hopefully paving the way for a further upturn in the fourth quarter.

Brazil's GDP fell 0.6% in the second quarter after a 0.2% decline in the first three months of the year. Two consecutive quarters of falling GDP constitute a recession according to the technical definition.

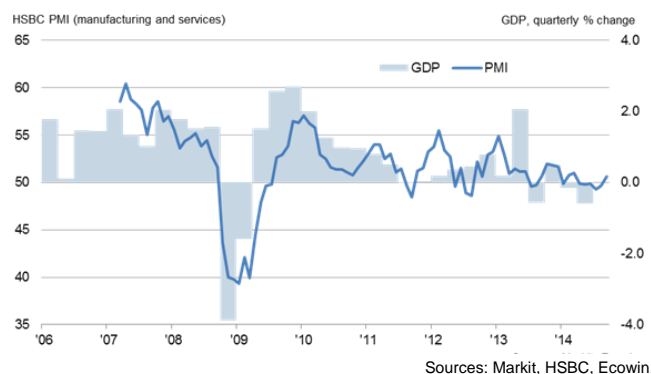
The HSBC PMI surveys conducted by Markit, likewise showed a deteriorating picture of the Brazilian economy earlier this year. However, a rise in the weighted average of the manufacturing and service sector PMI to 50.6 in September, up from 49.6 in August, signalled the first increase in private sector output since March.

The improvement in September was nevertheless only marginal, and was insufficient to pull the third quarter PMI average above the 50.0 no change. This suggests GDP may have contracted slightly again in the third quarter.

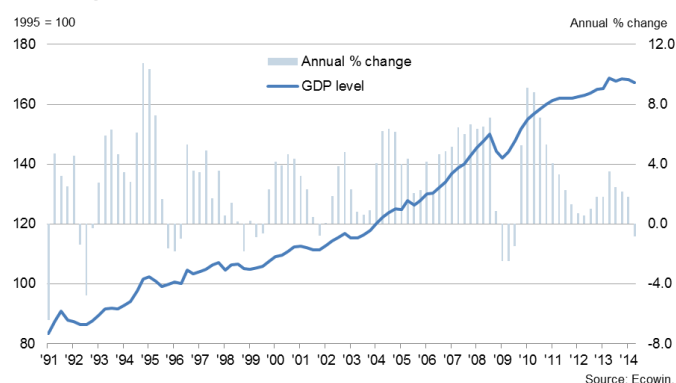
There may be better news on the horizon, however, as inflows of new business rose at the fastest rate for six months in September, boding well for output to continue to expand in the fourth quarter and hopefully push GDP higher.

It is nonetheless clear that the overall rate of growth remains lacklustre in both manufacturing and services, with the former even seeing a renewed dip in output in September. While the economy may show signs of picking up towards the end of the year, the upturn looks to be modest at best.

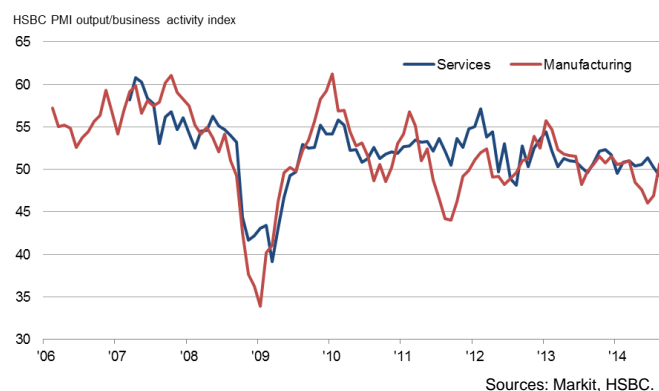
Brazil gross domestic product and the PMI



Brazil gross domestic product



Brazil PMI surveys



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