

## US Bank Morgan Stanley Warns Brazil Growth Might Be Close to Zero

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Brazil's economy could suffer a contraction during two consecutive quarters at the end of 2008 and beginning of 2009, thus suffering a "technical recession" according to a report from Morgan Stanley released in New York.

The US investment bank is the first to mention the possibility of a recession in Latinamerica's largest economy. However it expects Brazil to expand 2% in 2009, but warns that negative external circumstances could torpedo that prospect.

"We can't discard a percentage close to zero", said Marcello Carvalho, Morgan Stanley economist, which could then be considered a "technical recession in the coming quarters".

"The big debate the coming six months is going to be whether it's recession or not and how to get out of that situation, said Carvalho. He explained that the recent economic expansion of Brazil could be attributed to lower interest rates backed on a strong currency which helped moderate inflation.

But since the beginning of the year the local currency real has lost over 20% of its value to the US dollar because investors are dumping their assets in emerging economies to cover losses in other places.

Confirming the statement for the sixth month running foreign investors pulled money from Brazil's stock exchange in November reflecting global aversion to risk in emerging markets, according to Sao Paulo analysts.

Investors sold the equivalent of US\$ 481 million more than they bought in stocks last month, BM&Bovespa SA said in a statement posted on its website. That brings the total for 2008 to the equivalent of US\$ 10.5 billion.

The 66-stock Bovespa Index, which gets about half its value from producers of energy and raw materials, fell for a sixth month in November, sliding 1.8% for its longest streak since 1995.

Commodity stocks including state-controlled oil company Petrobras and second-biggest steelmaker Usinas Siderúrgicas de Minas Gerais led the decline as oil and metals prices dropped.

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