Dating business cycles in Brazil

At a meeting on February 3, 2010, the Business Cycle Dating Committee (CODACE)[1] established a month-by-month chronology of recessions for the Brazilian economy between 1980 and 2009.[2]

The committee defines a recession as a significant decline in economic activity occurring simultaneously in different sectors for an extended period. Besides analyzing events that mark major periods of recent economic history, the committee based the monthly dating of business cycles on analysis of the monthly economic series that best depicted the position of industrial production, retail sales, and employment and labor income.

The monthly chronology of business cycle peaks and troughs is coincident with or very close to the quarterly chronology previously defined by CODACE. The

Brazil: Business Cycles – Dates and Durations

Reference dates		Duration in months			
		Contraction	Expansion	Cycles	
Peak 1	Trough [1]	Peak to Trough	Previous Trough to this Peak	Trough from Previous Trough	Peak from Previous Peak
October 1980 (4th Quarter)	February 1983 (1st Quarter)	28	–	–	–
February 1987 (2nd Quarter)	October 1988 (4th Quarter)	20	48	88	68
June 1989 (2nd Quarter)	December 1991 (1st Quarter 1992)	30	8	28	38
December 1994 (1st Quarter 1995)	Setember 1995 (3rd Quarter)	9	36	66	45
October 1997 (4th Quarter)	February 1999 (1st Quarter)	16	25	34	41
December 2000 (1st Quarter 2001)	September 2001 (4th Quarter)	9	10	38	31
October 2002 (4th Quarter)	June 2003 (2nd Quarter)	8	13	22	33
July 2008 (3rd Quarter)	January 2009 (1st Quarter)	6	61	69	67
Average duration		16	29	49	46

Sources: Brazilian Institute of Geography and Statistics (IBGE), and Business Cycle Dating Committee (CODACE/FGV).

[1] The dating cycles in quarters are shown in parentheses.

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possible mismatch is because the two chronologies use series that have different frequencies. Peaks and troughs found in series with monthly frequency may occur in different trimesters from those detected in the quarterly series.

The monthly timing defined by CODACE is presented in the table on p. 25. The peaks represent the beginning of a recession and the troughs indicate the beginning of a recovery (expansion) of the economy. In the three decades CODACE analyzed, the Brazilian economy went through eight business cycles with an average duration of 46.1 months between trough and trough and 47.6 months between peak of and peak.

Since 1980 Brazilian recessions have lasted 15.8 months on average, and the periods of expansion averaged 28.7 months. The longest recession lasted 30 months, from the peak in June 1989 to the trough in December 1991. The longest expansion lasted 61 months, from the trough in June 2003 to the peak in July 2008.

Since 1994, a period characterized by lower inflation, the average duration of expansion has been 29 months. There has been a marked reduction in the average duration of recessions, to 9.6 months. Only one of the five recessions in this period reached 16 months; between the peak in July 2008 and the trough in January 2009 the most recent recession was only 6 months long — the shortest in the last 30 years. ■

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[1] The members of CODACE are Affonso Celso Pastore (Coordinator, former Governor of the Central Bank of Brazil); Dionísio Dias Carneiro (Institute for Economic Policy Studies; Casa das Garças); João Victor Issler (Graduate School of Economics of FGV, EPGE/FGV); Marcelle Chauvet (Secretary; University of California); Marco Bonomo (Graduate School of Economics of FGV, EPGE/FGV); Paulo Picchetti (São Paulo School of Economics of FGV, EESP/FGV); and Regis Bonelli (Brazilian Institute of Economics, Ibre/FGV).

[2] See *The Brazilian Economy* (June 2009) for a discussion of the quarterly chronology of business cycles and methodology.