GDP Estimates: 2010 and 2011

The estimated growth of Gross Domestic Product (GDP) for 2010 remains at 7.3%, the same as shared in the last two Inflation Reports. Adjustments have been introduced, at the margin, in the growth rates of the components of supply and demand, consistent with the revised results for 2009, with data from the first three quarters of 2010 and with the outlook for the remainder of this year.

The growth of agriculture and livestock is expected to come to 7.5%, rising 1.5 p.p. from the estimate of the previous report, highlighting the impact of the increase of 7.8% for the sector, up to the third quarter. Besides, one should note the favorable adjustments in the estimates of the Systematic Farm Production Survey (LSPA), conducted by the Brazilian Institute of Geography and Statistics (IBGE), for important crops in 2010, such as coffee, from 14.8% to 18.6%, wheat from 8.1% to 15.3%, and sugar cane, from 1.4% to 6%.

Industry is predicted to grow 10.2%, a projection 0.8 p.p. lower than that made in September, reflecting the revision from 11% to 9.8% for the expansion of the manufacturing industry, motivated as much by the results presented up to October, as by the prospects for the remainder of the year.

For the service sector there is a projected high of 5.4%, from 5.2%, including the 2.1 p.p. rises in the estimated growth of the segment of financial intermediation, insurance, complementary pensions and related services, owing to the performance of the sector up to the third quarter, benefiting from the strong credit expansion. It may safely be said that the recently announced macro-prudential measures are bound to impact the segment throughout 2011.

Table 1 – Gross Domestic Product
Accumulated in the year

	2009	2010				2011
	IV Q	I Q	II Q	III Q	IV Q[1/]	IV Q[1/]
Crop and livestock	-4.6	5.4	8.1	7.8	7.5	0.5
Industry	-6.4	15.1	14.5	12.3	10.2	5.4
Mineral extration	-1.1	14.7	15.6	16.0	14.6	7.8
Manufacturing	-8.2	17.3	15.6	12.5	9.8	4.9
Construction	-6.3	15.1	15.9	13.6	11.5	6.6
Public utilities	-2.6	8.4	9.2	8.8	8.0	5.2
Services	2.2	6.2	6.1	5.7	5.4	4.2
Commerce	-1.8	15.3	13.6	12.0	10.3	5.0
Transportation	-2.5	12.5	11.8	10.3	8.8	5.2
Communications	3.8	2.9	3.2	3.5	4.1	7.9
Financial institutions	7.1	9.6	9.9	10.4	10.4	6.1
Other services	3.5	3.4	3.8	3.5	3.5	4.9
Real estate and rent	1.9	1.6	1.7	1.6	1.5	2.3
Public adminisitration, health and education	3.3	2.5	2.7	2.6	2.6	2.2
Value added to basic prices	-0.6	8.4	8.4	7.5	6.7	4.3
Taxes on products	-0.9	14.7	14.0	13.3	11.3	5.2
GDP at market prices	-0.6	9.3	9.2	8.4	7.3	4.5

Sources: IBGE and Banco Central
1/ Estimate.

From the demand perspective, it should be noted a 3.4 p.p. increase in the growth estimate of the gross fixed capital formation, which, due to the performance of investment in the third quarter, is expected to rise to 20.9% in 2010, higher than previously projected. Thus, the contribution of domestic demand is estimated at 10.1 p.p. of annual GDP growth in 2010, from 9.8 p.p. in the previous estimate, in contrast to the negative impact of 2.7 p.p. exerted by the external sector.

First GDP estimate for 2011

The estimate for GDP growth in 2011 totaled 4.5%, underpinned by the performance of domestic demand. As in 2010, it predicts an overall expansion in all the sectors of the economy.

The crop and livestock sector should grow 0.5%, a development consistent with the prospect of an annual fall of 2.5% for the grain harvest, according to the IBGE's forecast, in collaboration with the National Supply Company (Conab), offset by expansion of other crops and livestock production, this helped by the market expansion and by attractive prices.

Regarding the industrial sector, expansion of 5.4% is forecasted, highlighting the increase of 7.8% in the mining industry, driven in particular by increased oil production. The construction industry is expected to grow by 6.6%, helped by the continuation of government works, such as the Growth Incentive Program (PAC), and the continued expansion of real estate credit. The production and distribution of electricity, gas and water is expected to increase 5.2% across the year, and the manufacturing industry, 4.9%.

For the service sector, the forecast is for growth of 4.2%, highlighting the growth forecast for information services, 7.9%, helped mainly by improved access for classes "D" and "E "to mobile and internet services; financial intermediation, insurance, complementary pensions and related services, 6.1%, lower than the rate recorded in the past five years, reflecting in part the effects of the macro-prudential measures on credit; transportation, storage and postal services, 5.2%; and trade, 5%, the latter two directly influenced

Table 2 – Gross Domestic Product

Accumulated in the year

% growth

	2009	2010				2011
	IV Q	I Q	II Q	III Q	IV Q$^{1/}$	IV Q$^{1/}$
GDP at market prices	-0.6	9.3	9.2	8.4	7.3	4.5
Households consumption	4.2	8.4	7.4	6.9	6.8	4.8
Government consumption	3.9	2.7	4.2	4.1	3.9	2.4
Gross fixed capital formation	-10.3	28.4	28.2	25.6	20.9	7.4
Exports	-10.2	14.7	10.6	10.8	10.3	8.3
Imports	-11.5	39.6	39.2	39.8	34.3	11.9

Sources: IBGE and Banco Central

1/ Estimated.

by the performance of crop and livestock and industrial activities. Standing out among other sectors are the forecasts related to other services, 4.9%; real estate and rent, 2.3%; and administration, health and education, 2.2%.

In relation to demand indicators, there are projected increases of 4.8% and 2.4% respectively for household consumption and government consumption, whilst gross fixed capital formation is expected to increase by 7.4%. The development of domestic demand is expected to continue reflecting the favorable development of the credit and labor markets, such that its contribution to GDP growth in 2011 is estimated at 4.9 p.p.

Exports and imports of goods and services are expected to increase 8.3% and 11.9% respectively in 2011. This trajectory, whilst implicit in the 0.4 p.p. negative contribution of the external sector to GDP in 2011, constituted a significant factor for the balance between aggregated supply and demand.