

## Projection for the 2011 GDP

**Table 1 – Gross Domestic Product**  
Accumulated in the year

|                             | % growth |      |      |       |      |                    |
|-----------------------------|----------|------|------|-------|------|--------------------|
|                             | 2009     |      | 2010 |       |      | 2011               |
|                             | IV Q     | I Q  | II Q | III Q | IV Q | IV Q <sup>1/</sup> |
| Crop and livestock          | -4.6     | 5.4  | 8.1  | 7.8   | 6.5  | 1.9                |
| Industry                    | -6.4     | 15.1 | 14.5 | 12.3  | 10.1 | 4.2                |
| Mining                      | -1.1     | 14.7 | 15.6 | 16.0  | 15.7 | 5.6                |
| Manufacturing               | -8.2     | 17.3 | 15.6 | 12.5  | 9.7  | 3.6                |
| Construction                | -6.3     | 15.1 | 15.9 | 13.6  | 11.6 | 5.2                |
| Public utilities            | -2.6     | 8.4  | 9.2  | 8.8   | 7.8  | 4.5                |
| Services                    | 2.2      | 6.2  | 6.1  | 5.7   | 5.4  | 3.8                |
| Commerce                    | -1.8     | 15.3 | 13.6 | 12.0  | 10.7 | 4.2                |
| Transportation              | -2.5     | 12.5 | 11.8 | 10.3  | 8.9  | 4.3                |
| Communications              | 3.8      | 2.9  | 3.2  | 3.5   | 3.8  | 6.2                |
| Financial institutions      | 7.1      | 9.6  | 9.9  | 10.4  | 10.7 | 6.1                |
| Other services              | 3.5      | 3.4  | 3.8  | 3.5   | 3.6  | 4.9                |
| Rents                       | 1.9      | 1.6  | 1.7  | 1.6   | 1.7  | 2.3                |
| Public administration       | 3.3      | 2.5  | 2.7  | 2.6   | 2.3  | 1.6                |
| Value added at basic prices | -0.6     | 8.4  | 8.4  | 7.5   | 6.7  | 3.8                |
| Taxes on products           | -0.9     | 14.7 | 14.0 | 13.3  | 12.5 | 4.8                |
| GDP at market prices        | -0.6     | 9.3  | 9.2  | 8.4   | 7.5  | 4.0                |

Sources: IBGE and Banco Central

1/ Estimated.

Gross Domestic Product (GDP) growth projection in 2011 was revised from 4.5%, in the last Inflation Report, to 4% mainly due to incorporation of preliminary data for the first quarter and updating of macroeconomic scenario for the following.

The supply analysis (Table 1) reveals that the crop and livestock sector may increase 1.9% in the year. This expansion, 1.4 p.p. higher than the previous estimate, reflects the projection, published by the Brazilian Institute of Geography and Statistics (IBGE), of 1.2% annual increase for the grain crop in 2011, against 2.5% drop considered in the last *Inflation Report*. In addition, the perspectives for cattle farming are still positive, supported by demand expansion and attractive prices for production.

It is estimated a 4.2% rise for the industrial sector in 2011, a result 1.2 p.p. lower than the previous projection. Mining industry may grow 5.6%, boosted by petroleum production, emphasizing that the 2.2 p.p. reduction, when compared to the previous estimate, reflects the preliminary results for the first quarter of the year. For the construction industry it is estimated 5.2% annual growth, against 6.6% in the previous report. This reevaluation comprehends, among others, reduction perspectives of governmental expenses, due to fiscal adjustment promoted by the federal government. Production and distribution of electricity, gas and water and the manufacturing industry may increase, respectively, 4.5% and 3.6%, against 5.2% and 4.9% in the previous forecast.

The service sector's output may increase 3.8% in the year, a projection 0.4 p.p. lower than the previous one, with emphasis on the reductions forecast for the segments of commerce and transportation, 0.8 p.p.,

**Table 2 – Gross Domestic Product**

Accumulated in the year

|                      | % growth |      |      |       |      |                    |
|----------------------|----------|------|------|-------|------|--------------------|
|                      | 2009     | 2010 |      |       |      | 2011               |
|                      | IV Q     | I Q  | II Q | III Q | IV Q | IV Q <sup>1/</sup> |
| GDP at market prices | -0.6     | 9.3  | 9.2  | 8.4   | 7.5  | 4.0                |
| Households           |          |      |      |       |      |                    |
| consumption          | 4.2      | 8.4  | 7.4  | 6.9   | 7.0  | 4.1                |
| Government           |          |      |      |       |      |                    |
| consumption          | 3.9      | 2.7  | 4.2  | 4.1   | 3.3  | 1.9                |
| Gross fixed          |          |      |      |       |      |                    |
| capital formation    | -10.3    | 28.4 | 28.2 | 25.6  | 21.8 | 6.4                |
| Exports              | -10.2    | 14.7 | 10.6 | 10.8  | 11.5 | 9.6                |
| Imports              | -11.5    | 39.6 | 39.2 | 39.8  | 36.2 | 18.2               |

Sources: IBGE and Banco Central

1/ Estimated.

and warehousing and mail, 0.9 p.p., which mainly reflect a drop in the industrial sector growth estimate. Growth estimates for the public administration, health and education segments, in response to the fiscal adjustment carried out by the federal government for 2011, dropped from 2.2% to 1.6%.

In the framework of demand (Table 2), the estimates related to household consumption, government consumption and to Gross fixed capital formation dropped 0.7 p.p., 0.5 p.p. and 1.0 p.p., respectively, in relation to the ones existing in the December report. These reductions reflect the impacts of the macroprudential measures carried out by the Central Bank, a new level of interest rates and the current fiscal consolidation. Once the rise in the estimate of stocks variation is incorporated, the domestic demand's contribution to the GDP reaches 5.1 p.p.

Annual exports and imports of goods and services may increase 9.6% and 18.2%, respectively, against 8.3% and 11.9% in the previous projection. The external sector, an adjustment factor between domestic demand and supply, may bring a negative contribution of 1.1 p.p. to GDP's variation in 2011.