

## National inferences from regional indicators

The different degree to which developed and emerging economies were affected by the global turmoil has revealed in particular the specific features of each country's economic structure. Thus, those economies heavily dependent on exports were, in general, more severely hit than those that rely on strong domestic markets, in an environment in which the global credit shortage has contributed to curtail the demand for goods with higher added value.

Similarly, the Brazilian regional economies were unevenly impacted by the world crisis, mostly conditioned by factors such as their respective industrial structures, the public sector participation in the economy, the importance of external demand for absorbing regional production and the role played by the domestic market as an element of sustainability.

As of this edition, the Regional Bulletin incorporates the chapter "National inferences from regional indicators". In this chapter, the performance of each region in specific areas is aggregated in an attempt to identify the determinants of the country's economic growth at the margin. Firstly, the analysis is focused on the performance of the Central Bank Index of Regional Economic Activity (IBCR)<sup>2</sup> calculated for the various regions, and the Central Bank Index of Economic Activity – Brazil (IBC-Br)<sup>3</sup>, both GDP antecedent indicators. Next, the analysis focuses retail and industrial activities, the labor market, income, credit, inflation, foreign sector and fiscal statistics.

The IBC-Br increased by 2.2% in the 3-month period ended in February, in comparison to that ended in November, the fourth consecutive positive result on this basis of comparison, according to Table 6.1. The trend observed in the precedent 3-month periods was maintained in the

**Table 6.1 – Central Bank Index of Economic Activity**  
Brazil and regions<sup>1/</sup>

Itemization	%			
	2009		2010	
	Nov	Dec	Jan	Feb
Brazil	2.5	2.3	2.1	2.2
North region	2.9	2.7	4.1	4.3
Northeast region	3.1	3.2	2.8	2.2
Southeast region	2.8	3.1	3.3	3.3
South region	2.4	3.0	3.7	3.5
Center-West region	1.0	1.5	2.6	2.9

Source: BCB

1/ Seasonally adjusted 3-month period/previous 3-month period % variation.

2/ At first, the IBCR was developed for the Rio Grande do Sul state, as detailed in the box "Index of Regional Economic Activity of the Rio Grande do Sul", published in the January 2009 Regional Bulletin, and then its methodology was extended to other states and regions.

3/ The methodology utilized for the calculation of the IBC-Br is detailed in the box "Index of Economic Activity in Brazil (IBC-Br)", published in the March 2010 Inflation Report.

**Table 6.2 – Sales Volume Index**Brazil and regions<sup>1/</sup>

Itemization	Percentage change			
	2009		2010	
	May	Aug	Nov	Feb
<b>Broad</b>				
Brazil	3.6	5.0	2.9	1.3
North region	1.9	4.4	2.4	3.1
Northeast region	5.3	3.7	2.7	1.8
Southeast region	3.9	3.7	3.1	2.7
South region	5.0	3.9	3.3	0.5
Center-West region	4.1	5.6	3.3	1.8
<b>Retail sector</b>				
Brazil	1.4	2.8	3.0	3.2
North region	1.6	2.7	4.4	4.5
Northeast region	3.8	2.5	2.6	3.4
Southeast region	1.0	2.9	2.9	3.1
South region	1.5	2.2	2.4	3.8
Center-West region	0.7	2.5	4.3	5.7

Source: IBGE and BCB

1/ Seasonally adjusted 3-month period/previous 3-month period % variation.

**Table 6.3 – Financial system credit operations<sup>1/</sup>**

February 2010

	R\$ billion								
	Balance			% growth					
	C <sup>2/</sup>	I <sup>3/</sup>	Total	3 months			12 months		
				C	I	Total	C	I	Total
Brazil	758	518	1 276	2.7	3.8	3.1	15.7	21.4	17.9
North	22	24	46	1.1	3.5	2.3	15.2	24.7	20.0
Northeast	81	66	147	4.1	4.6	4.3	35.7	27.9	32.1
Southeast	476	254	731	2.7	3.6	3.0	16.4	21.8	18.2
South	127	107	234	2.3	4.1	3.1	5.5	19.6	11.6
Center-West	52	66	119	1.9	3.1	2.6	10.5	15.9	13.4

1/ Credit operations over R\$5 thousand.

2/ Corporations.

3/ Individuals.

**Table 6.4 – Financial system default rate<sup>1/</sup>**

February 2010

	Default rate			p.p. growth					
	C <sup>2/</sup>	I <sup>3/</sup>	Total	3 months			12 months		
				C	I	Total	C	I	Total
	Brazil	2.5	5.2	3.5	-0.4	-0.4	-0.4	0.7	0.0
North	4.1	6.2	5.2	0.1	-0.4	-0.2	1.3	0.0	0.7
Northeast	2.6	6.0	4.1	-0.2	-0.4	-0.3	0.1	-0.8	-0.4
Southeast	2.3	5.0	3.2	-0.4	-0.5	-0.4	0.6	-0.3	0.3
South	2.6	4.3	3.4	-0.2	-0.3	-0.3	1.0	0.4	0.8
Center-West	2.8	6.0	4.6	-1.1	-0.1	-0.5	0.7	1.2	1.1

1/ Credit operations over R\$5 thousand with at least one overdue installment exceeding 90 days.

2/ Corporations.

3/ Individuals.

4/ Seasonally adjusted series cannot be added, and this explains why the variation of the national index does not correspond to the regional average.

3-month period under analysis, with positive performance in all regions, highlighting the North, 4.3%, the South, 3.5%, and the Southeast, 3.3%<sup>4/</sup>. The growth observed in the North was partially explained by the dynamics of the industrial sector, which grew by 6.8% in the period.

Retail sales in the country continued to increase at the margin, as shown in Table 6.2. It should be highlighted that the 3.2% growth rate observed in the 3-month period ended in February in comparison to that ended in November reflected the consolidation of the recovery in retail activity in the South and Southeast regions as well as the significant results observed in the Center-West and North regions.

In the December-February period, credit operations continued to increase at moderate rates, highlighting the performance of operations contracted with individuals and with earmarked resources. According to table 6.3, the 12-month growth in household credit operations closed at 21.4%, while the balance of corporate credit operations grew by 15.7%.

In the 3-month period under analysis, it should be highlighted the 4.3% increase in the balance of loans in the Northeast region, an expansion consistent with the seasonal increase in the demand for household credit and the need for working capital by companies in view of the scenario of economic activity recovery. In the period under analysis, the balance of credit operations grew by 3% in the Southeast region, which accounts for 57.3% of total credit operations in the country, 3.1% in the South, and 2.6% in the Center-West, reflecting, in this region, the relative reduction in farm income. In addition, it should be observed that the moderate but sustained expansion of credit operations took place in an environment of downward interest rates, estimated on the basis of consolidated national data, and reduced default indicators at the margin.

As shown in Table 6.4, the default rate of credit operations closed at 3.5% in February, for a 0.4 percentage point reduction in the December-February period. Broken down by regions, the analysis of credit operations in the 3-month period reveals the cutback of operations with individuals in the Southeast, North and Northeast, and reduced operations with corporations in the Center-West and Southeast. It should be highlighted that, in line with the deterioration of credit markets consequent upon the worsening of the global crisis, the default rate accumulated in twelve months increased by 0.4 percentage points.

**Table 6.5 – Industrial production**Brazil and regions<sup>1/</sup>

Itemization	Participation	2009				2010
						(%)
		May	Aug	Nov	Feb	
Brazil	100.0	5.2	4.4	5.0	1.7	
North region	5.9	-3.2	6.5	4.2	6.8	
Northeast region	9.5	0.3	2.8	4.8	3.2	
Southeast region	62.7	5.3	4.9	5.5	2.4	
South region	18.5	4.4	1.7	4.7	2.5	
Center-West region	3.5	1.0	10.4	-3.5	9.3	

Source: IBGE and BCB

1/ Seasonally adjusted 3-month period/previous 3-month period % variation.

2/ Percentage of the Industrial Transformation Value in 2007.

**Table 6.6 – Formal jobs creation**<sup>1/</sup>

Itemization	Thousand					
	2008		2009		2010	
	Nov	Feb	Nov	Feb	Nov	Feb
3-month period <sup>1/</sup>						
Brazil	303.4	-747.5	730.3	-24.3		
North region	3.2	-49.2	37.3	-1.4		
Northeast region	131.0	-90.5	204.9	5.0		
Southeast region	93.9	-486.8	318.3	-53.2		
South region	75.9	-85.6	149.6	29.4		
Center-West region	-0.5	-35.3	20.2	-4.1		

Source: MTE e BCB

1/ Refers to the 3-month period ending in the specified month.

**Table 6.7 – Unemployment rate**

Itemization	3-month period average <sup>1/</sup>				%		
	2008		2009			2010	
	Nov	Feb	Nov	Feb		Nov	Feb
Brazil	7.6	7.8	7.5	7.1			
Northeast region	10.0	9.7	10.4	10.0			
Southeast region	7.4	7.8	7.3	6.9			
South region	5.1	5.4	5.0	4.7			

Source: IBGE e BCB

1/ Refers to the 3-month period ending in the specified month.

**Table 6.8 – States and municipalities borrowing requirements**<sup>1/</sup>

Region	R\$ million	
	Primary result	
	2008	2009
	Jan-Dec	Jan-Dec
North	-1 377	944
Northeast	-6 833	-2 248
Center-West	-2 954	-2 790
Southeast	-19 087	-15 628
South	-4 912	-3 400
Total	-35 164	-23 123

1/ Includes information about the states and their major municipalities.

(-) surplus

(+) deficit

The industrial sector grew by 1.7% in the 3-month period ended in February, compared to that ended in November 2009, the fourth consecutive positive result on this type of comparison, although at downward rates, as shown in Table 6.5. The highest rates were registered in the Center-West, 9.3%, and in the North, 6.8%, and the lowest in the Southeast, 2.4%, and in the South, 2.5%. The performance of the Center-West region can be partly explained by the low basis of comparison, in view of the 5% cutback registered in the previous 3-month period, as well as by increased demand for chemicals goods, especially fertilizers and pharmaceutical products.

The performance of the labor market, as depicted in Table 6.6, continues to mirror the country's economic activity rebound. According to Caged/MTE, 24,300 formal jobs were eliminated in the country in the 3-month period ended in February as a consequence of seasonal factors. This result comes as no surprise in view of the accentuated job reduction that usually occurs at the end and in the beginning of each year. Nonetheless, it should be observed that, in the period under analysis, net hiring of employees with formal contracts were registered in the South and in the Northeast regions. Moreover, the performance in the December-February period was much more favorable than that observed in the same period of the previous year, when 747,500 jobs had been extinct.

The average rate of unemployment, measured by the IBGE PME, reinforced the scenario of expanding economic activity, as seen in Table 6.7. In fact, the national rate declined by 0.4 p.p. to 7.1% in the 3-month period ended in February as a consequence of widespread reductions observed in the regions covered by the survey.

Central and regional governments inflows of taxes and contributions continue to reflect the impact of the global crisis on the level of domestic economic activity. In fact, in 2009, the inflow of federal taxes and contributions dropped by 3.2%, while the Federal transfers to regional governments fell by 5.7% and the collection of ICMS, the major source of regional governments' own revenues, dropped by 1%.

Both factors contributed to the overall deterioration of fiscal results in all regions, as shown in Table 6.8. This process was not limited to those regions more directly dependent on transfers of revenues shared with the Federal Government, but also affected those regions with higher levels of own revenues. The analysis of 2009 statistics reveals that, in those regions more dependent on Federal transfers, the primary surplus dropped by R\$4.6 billion in the

Northeast, while, in the North, the surplus of R\$1.4 billion was reversed to a deficit of R\$0.9 billion. As regard the regions more dependant on own revenues, emphasis should be given to respective primary surplus reductions of R\$3.5 billion and R\$1.5 billion in the Southeast and South.

**Table 6.9 – Regional trade balance FOB**

Daily average – January-March

Region	US\$ million					
	Exports		Imports		Balance	
	2009	2010	2009	2010	2009	2010
Total	511.1	643.1	462.1	628.5	49.0	14.6
North	38.5	35.4	28.5	41.8	10.0	-6.5
Northeast	42.4	66.3	32.0	60.1	10.4	6.2
Southeast	275.8	366.6	288.3	351.1	-12.6	15.5
South	99.7	112.6	86.4	135.8	13.3	-23.2
Center-West	45.3	52.6	26.5	39.2	18.8	13.4
Other <sup>1/</sup>	9.4	9.7	0.4	0.4	9.0	9.3

Source: MDIC/Secex

1/ Refers to operations that can not be broken down by regions.

**Table 6.10 – IPCA**

3-month period change<sup>1/</sup>

Itemization	Weight	%					
		2008		2009		2010	
		Dec	Mar	Dec	Mar	Dec	Mar
<b>IPCA</b>							
Brazil	100.0	1.09	1.24	1.06	2.06		
North region	4.2	1.55	1.69	1.25	2.90		
Northeast region	14.8	1.19	1.01	1.01	1.88		
Southeast region	57.6	1.02	1.40	1.09	2.22		
South region	16.3	0.88	1.00	0.89	1.95		
Center-West region	7.1	1.69	0.74	1.36	0.92		
<b>Free prices</b>							
Brazil		1.26	1.26	0.95	2.47		
North region		1.38	1.78	1.54	2.98		
Northeast region		1.62	0.77	1.10	2.40		
Southeast region		1.15	1.51	0.97	2.46		
South region		1.05	0.90	0.74	2.64		
Center-West region		1.77	0.90	1.03	1.98		
<b>Regulated prices</b>							
Brazil		0.71	1.17	1.34	1.11		
North region		2.02	1.44	0.43	2.68		
Northeast region		0.16	1.63	0.80	0.67		
Southeast region		0.71	1.11	1.42	1.75		
South region		0.42	1.25	1.27	0.17		
Center-West region		1.51	0.39	2.09	-1.45		

Source: IBGE and BCB

1/ Refers to the 3-month period ending in the specified month.

Recent data on the trade balance confirms that the Brazilian economic activity has recovered at a more accelerated pace than major trading partners. In the beginning of the current year, the country's fast turnaround resulted in sharp expansion of imports, thus negatively affecting the trade surplus, which reached a daily average of US\$14.6 million in the first quarter of the year, for a 70.2% reduction in comparison to the same period of 2009. Imports totaled US\$628.5 million and exports, US\$643.1 million, for respective expansions of 36% and 25.8% in the period. As seen in Table 6.9, these results reflected expansions in commercial transactions with foreign countries in all Brazilian regions, except for the 8.1% contraction in the North' exports.

The average daily exports in the Northeast region rose by 56.4% in the quarter, followed by the increases observed in the Southeast, 32.9%, Center-West, 16.1%, and South, 12.9%. The contributions of the Southeast and Northeast regions to the Brazilian exports moved upward from 54% and 8.3%, respectively, to 57% and 10.3% in the period, in contrast to the 2 p.p. decrease observed equally in the South and in the North, and 0.7 p.p. in the Center-West. Insofar as imports are concerned, a widespread expansion was observed in all regions, as evinced by the 87.8% increase in daily average imports in the Northeast, 57.2% in the South, 47.9% in the Center-West, 46.7% in the North, and 21 8% in the Southeast.

The only region to register a trade surplus improvement was the Southeast, in which the daily average deficit of US\$12.7 million observed in the first quarter of 2009 was reversed to a daily average surplus of US\$15.5 million in the corresponding period of 2010.

The increase in inflation rates registered in the first quarter of the year in comparison to the last quarter of the previous year reflected, among other factors, the seasonal pressures exerted by the food, education and transportation groups, as well as the mismatch between the growth of domestic demand and the expansion of output capacity. This trend, observed in all regions of the country, except in the Center-West, in which the rate decelerated by 0.42 p.p., was more intense in the North and in the South, as seen in Table 6.10. The breakdown of IPCA variation into free and regulated prices reveals a widespread increase in the first group.