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National inferences from regional indicators

Table 6.1 – Central Bank Index of Economic Activity
Brazil and regions^{1/}

Itemization	%				
	2009			2010	
	May	Aug	Nov	Feb	May
Brazil	2.0	2.3	3.0	2.5	2.2
Region					
North	-1.3	3.0	2.9	4.2	1.6
Northeast	0.4	1.8	2.3	3.2	3.3
Southeast	2.1	2.2	2.8	3.0	1.3
South	0.8	1.6	2.4	3.9	1.8
Center-West	0.5	2.3	0.9	3.2	1.4

Source: BCB

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

Table 6.2 – Sales Volume Index
Brazil and regions^{1/}

Itemization	Percentage change				
	2009			2010	
	May	Aug	Nov	Feb	May
Broad					
Brazil	4.5	4.1	2.1	2.4	4.4
Region					
North	3.1	4.0	2.6	2.5	5.9
Northeast	4.9	3.9	2.7	1.9	6.5
Southeast	4.5	3.4	3.1	2.4	3.0
South	3.7	2.0	4.7	2.3	2.9
Center-West	3.8	3.8	4.2	3.1	4.3
Retail sector					
Brazil	1.7	2.8	2.9	2.9	2.4
Region					
North	1.5	2.9	4.1	4.5	4.7
Northeast	3.9	2.7	2.5	3.3	4.3
Southeast	1.1	2.9	2.8	3.0	2.2
South	2.0	2.1	2.2	3.6	0.9
Center-West	0.8	2.5	4.2	5.5	2.1

Source: IBGE and BCB

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

Although at a slower pace than in the two previous quarters, indicators of the Brazilian economy for the second quarter this year registered the continuity of the process of expanding activity. The trajectories of growth – demonstrating the specificities inherent to the productive structures of each region – showed a separate development, on the margin, in regional terms, reflecting differentiated implications in relation to the evolution of internal and external demands.

The Economic Activity Index of Central Bank – Brazil (IBC-Br) increased 2.2% in the quarter ended in May, compared to that closed in February, when it had grown 2.5% using the same type of comparison, considering purged of seasonal factors data, as per Table 6.1. The slowdown reflected the cooling off observed in the variations of the indicators in four among the five regions in the country, with emphasis on the respective falloff of 2.6 p.p. and 2.1 p.p. in the indices reported in North and South regions.

The Northeast was the only region registering the strongest IBC-Br variation in the quarter ended in May, compared to that ended in February. This upturn was reflected in the 12.7% growth noted by IBCR-NE in the last twelve months ended in May, compared to the previous period. This was a result which benefited, as reiterated in previous editions of this Regional Newsletter, from the influence of food and beverages production in the industrial structure and of the public administration and social programs in the region. At the margin, the NE-IBCR growth reflected particularly the 4.1% increase registered in industrial production.

Domestic consumption continues to play a decisive role in the country's economic growth cycle, as indicated in Table 6.2 by the trajectory of retail sales. Accordingly, these sales grew in Brazil, 2.4% in the quarter ended in May, compared to the one closed in February, when they had soared 2.9%, in the same type of comparison, purged of seasonal factors. It should be highlighted that the cooling

Table 6.3 – Financial system credit operations^{1/}

May 2010

	R\$ billion									
	Balance			% growth						
	C ^{2/}	I ^{3/}	Total	3 months			12 months			
			C	I	Total	C	I	Total		
Brazil	786	550	1 336	3.4	5.5	4.3	18.4	22.3	20.0	
Region										
North	23	25	48	5.0	5.9	5.5	18.4	24.4	21.4	
Northeast	87	72	158	7.1	7.2	7.2	43.6	29.3	36.7	
Southeast	490	270	761	2.6	5.5	3.7	17.7	22.4	19.3	
South	132	113	246	4.5	4.8	4.6	11.6	21.0	15.7	
Center-West	53	70	123	1.9	4.3	3.3	9.7	17.2	13.8	

1/ Credit operations over R\$5 thousand.

2/ Corporations.

3/ Individuals.

Table 6.4 – Financial system default rate^{1/}

May 2010

	Default rate			p.p. growth					
	C ^{2/}	I ^{3/}	Total	3 months			12 months		
				C	I	Total	C	I	Total
Brazil	2.1	4.8	3.2	-0.3	-0.4	-0.3	-0.3	-0.7	-0.5
Region									
North	3.6	6.0	4.8	-0.6	-0.2	-0.4	0.4	-0.6	0.0
Northeast	2.4	5.7	3.8	-0.2	-0.4	-0.3	-0.6	-1.2	-1.0
Southeast	2.0	4.7	2.9	-0.3	-0.3	-0.3	-0.4	-1.1	-0.6
South	2.3	4.0	3.0	-0.3	-0.3	-0.3	0.0	-0.2	0.0
Center-West	2.5	5.1	3.9	-0.4	-0.9	-0.6	-0.5	0.2	-0.1

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

2/ Corporations.

3/ Individuals.

Table 6.5 – Industrial productionBrazil and regions^{1/}

Itemization	Participation	%					
		2009			2010		
		May	Aug	Nov	Feb	May	
Brazil	100.0	4.9	4.3	5.2	2.0	4.3	
Region							
North	5.9	-3.4	6.9	5.0	7.6	1.9	
Northeast	9.5	0.0	2.7	5.1	3.5	4.1	
Southeast	62.7	5.4	4.8	5.3	2.5	2.4	
South	18.5	4.4	0.9	5.2	2.9	6.0	
Center-West	3.5	0.2	11.1	-3.1	11.0	3.4	

Source: IBGE and BCB

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

2/ Percentage of the Industrial Transformation Value in 2007.

off observed during the period reflected similar movements occurred in the South, Southeast and Central-west regions, contrasting with the upward movement noticed in the North and Northeast regions, which also recorded the largest increases, of 10.2% and 10.1%, respectively, in retail sales in the last twelve months. It is noteworthy that this behavior reflects both the impacts of social programs and the effect of credit expansion, recorded in these regions.

The evolution of credit operations in the quarter ended in May, as in Table 6.3, was particularly driven by an increase of 5.5% observed in the segment of individuals. In twelve months, growth in credit to households amounted to 22.3% while the balance of operations targeted to business grew 18.4%.

The expansion of credit in the country remained led by increases in hiring in the Northeast, which reached 7.2% in the quarter and 36.7% in twelve months, especially in the two periods, increases in the amount of onlendings carried out by BNDES and in the modalities of payroll loans, car loans and housing credits. The Northern region had the second highest credit growth in the quarter, 5.5%, with emphasis on the performances of the micro-financing and real estate-venture modalities, except housing, and operations contracted by the trading activity. In the Southeast, which accounts for 57% of total credit in the country, the quarterly increase reached 3.7%, while in the South and Central-west regions registered respective increases of 4.6% and 3.3%, the latter showing a relative downturn in rural income.

It should be noted that the moderate though steady expansion of the stocks of credit has taken place in a context of lowering default rate, which closed at 3.2% in May, falling 0.3 p.p. in the quarter, as indicated in Table 6.4. A more significant downturn in the segment of credit to households was recorded in the period, especially in the Central-west and Northeast regions.

Reflecting the robust growth in domestic demand, overall industrial production rose 4.3% in the quarter ended in May, compared to that ended in February, representing the fifth positive result in this type of comparison, as shown in Table 6.5. The most expressive performances happened in the South region, 6%, primarily boosted by an increased demand for books and textbooks, and in the Northeast, 4.1%, reflecting an enhanced dynamics in the sugar and alcohol sector.

The indicators of the formal labor market posted a significant increase in the generation of jobs in the quarter

Table 6.6 – Formal jobs creation^{1/}

Itemization	Thousand				
	2009			2010	
	May	Aug	Nov	Feb	May
Brazil	272.6	500.0	730.3	-24.3	869.5
Region					
North	0.1	35.2	37.3	-1.4	30.0
Northeast	-51.1	130.1	204.9	5.0	55.3
Southeast	249.4	243.4	318.3	-53.2	570.0
South	32.5	54.7	149.6	29.4	145.9
Center-West	41.7	36.5	20.2	-4.1	68.4

Source: MTE

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

Table 6.7 – Unemployment rate3-month period average^{1/}

Itemization	%				
	2009			2010	
	May	Aug	Nov	Feb	May
Brazil	7.9	8.7	7.5	7.1	7.4
Region					
Northeast	7.9	8.7	7.5	7.1	7.4
Southeast	10.1	11.3	10.4	10.0	10.4
South	7.9	8.5	7.3	6.9	7.1

Source: IBGE

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

Table 6.8 – Regional trade balance FOB

Daily average – January-June

Region	US\$ million					
	Exports		Imports		Balance	
	2009	2010	2009	2010	2009	2010
Total	573.4	725.1	459.4	661.1	114.0	64.0
Region						
North	39.5	43.6	28.4	46.0	11.1	-2.5
Northeast	41.7	62.7	35.8	63.2	5.9	-0.5
Southeast	294.6	404.7	277.8	372.3	16.8	32.4
South	128.2	139.5	88.6	140.6	39.6	-1.1
Center-West	60.2	64.3	28.5	38.5	31.6	25.7
Other ^{1/}	9.2	10.3	0.3	0.4	8.9	10.0

Source: MDIC/Secex

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

ended in May, as shown in Table 6.6, consistent with the upturn of the Brazilian economy. According to the Caged / MTE, 869.500 workers were employed in the country during that period, compared with 272,600 in the same period of last year, of which 301,400 in the service sector and 226,800 in the industry with emphasis on the participation of the Southeast region, accounting for 66% of job hiring in these segments, during the period.

Reflecting an increase in demand for labor, the average unemployment rate in the country, released by the IBGE PME and indicated in Table 6.7, declined 1.5 p.p. to 7.4% during the twelve-month period ended in May. This result reflected the downturn reported in the Southeast, 1.7 p.p.; Northeast, 1 p.p., and South, 0.9 p.p.

The significant growth of the Brazilian economy continues affecting the results of the trade balance, which has been demonstrated by a faster pace of expansion of imports when compared to exports. In this scenario, the trade surplus decreased 43.8% in the first half of 2010 compared to the same period of 2009, as seen in Table 6.8. Apart from the 92.9% growth recorded in the trade balance of the Southeast – favored by significant increases in the exports of basic products, 69.2%, especially crude oil and semi-manufactured goods, 52.3% with emphasis on shipments of iron alloys – there were widespread decreases in the commercial results of other regions. In this regard, it is worth noting the sharp contributions of respective highs of 76.5% and 62.2% in imports from the North and Northeast to the reversal of trade balances in these regions, which are recently registering more intense increases of IBCR.

Inflation registered a downturn in the quarter ended June, compared to that closed in March, a move that indicated mainly the effects of seasonal factors related to the food group (Table 6.9). With the exception of the acceleration of 0.10 p.p. recorded in the Central-west, the cooling off of inflation was observed in all the country regions, and more intensely in the North, a behavior that partly reflected the greater participation of the food group on the composition of the local index and the depletion of impacts on regulated prices. The acceleration of quarterly prices in the Central-west, reflected primarily the impact of growth of 0.53% in regulated prices, which had dropped 1.44% in the quarter ended in March, affected by the increases in the items of water and sewage fees and pharmaceuticals.

Table 6.9 – IPCA3-month period change^{1/}

Itemization	Weight	%					
		2009			2010		
		Mar	Jun	Dec	Mar	Jun	
IPCA							
Brazil	100.0	1.24	1.32	1.06	2.06	1.00	
Region							
North	4.2	1.69	1.12	1.25	2.90	0.92	
Northeast	14.8	1.01	1.48	1.01	1.88	1.38	
Southeast	57.6	1.39	1.16	1.09	2.23	0.98	
South	16.3	1.00	1.75	0.89	1.95	0.74	
Center-West	7.1	0.74	1.46	1.35	0.93	1.03	
Free prices							
Brazil		1.26	1.43	0.95	2.47	1.18	
Region							
North		1.78	1.25	1.54	2.98	0.90	
Northeast		0.77	1.15	1.10	2.40	1.38	
Southeast		1.51	1.46	0.95	2.46	1.19	
South		0.90	1.88	0.75	2.64	1.03	
Center-West		0.90	1.16	1.03	1.98	1.24	
Regulated prices							
Brazil		1.17	1.04	1.34	1.11	0.58	
Region							
North		1.44	0.77	0.43	2.68	1.00	
Northeast		1.63	2.25	0.80	0.67	1.37	
Southeast		1.13	0.47	1.43	1.71	0.52	
South		1.25	1.41	1.27	0.16	-0.02	
Center-West		0.39	2.13	2.09	-1.44	0.53	

Source: IBGE and BCB

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