

Executive summary

The consolidation of a new growth cycle of the Brazilian economy may be observed in all the regions of the country. Such growth may be demonstrated on a national level by the 9% rise in the Gross Domestic Product (GDP) during the first quarter of the year, when compared to the same period of the previous year, as well as by the trajectory of the major economic indicators over the subsequent months.

In the North, the recovery of the economic activity went on during the first half of this year. In this case, the upturn was boosted by the industrial sector, which expanded more than 20% during the first five months of the year, in relation to the same period of 2009. This growth, which continues reflecting the strengthening of the domestic demand – retail sales in the region increased 4.7% in the 3-month period ended in May, when compared to the one ended in February – is incorporated in the IBCR-N trajectory. In this sense, seasonally adjusted IBCR-N data expanded 1.3% in the 3-month period ended in May, as compared to that ended in February, when it had risen 4.3%, utilizing the same basis of comparison. It should be highlighted the positive impact in the region of improvements in credit markets – credit operations above R\$5,000.00 soared 5.7% in the period under analysis – and in the labor market – formal employment increased 1.8% in the same period.

Keeping pace with the overall economic trend, the Northeast economy turned in a strong growth during the 2010 first quarter, when compared to the same period of the previous year. In this framework, the GDPs of the three major economies in the region expanded vigorously, closing at 9.5% in Bahia, 8.9% in Ceará and 7.8% in Pernambuco. The evolution of the major economic activity indicators followed the same performance in the 3-month period ended in May, benefiting from the strong growth in the industrial sector, 5.5%; retail sales, 4.3%; and in the level of formal employment, 2.3%, in relation to the 3-month period ended in February. Seasonally adjusted IBCR-NE expanded 3.3%

in the same basis of comparison. According to observed data, that indicator posted a 5.7% increase over the last 12 months.

The pace of economic growth of the Central West region recorded a slowdown in the second quarter this year, as indicated by the IBCR-CO performance. This indicator posted a 1.4% high in the 3-month period ended in May, as compared to the previous quarter result, when it had expanded 3.2%, considering seasonally adjusted data. During that period, it should be highlighted the enhanced dynamics of the industrial sector and cattle raising, as well as increased job creation. This should ensure a positive performance of the region's retail trade, which expanded 2.1% in the 3-month period ended in May.

The economic activity in the Southeast region also recorded a slowdown in the pace of expansion when compared to that observed recently. The upturn in the industrial output – which increased 2.4% in the 3-month period ended in May, when compared to that ended in February – continued to support the regional economy and contributed to the creation of 570 thousand registered jobs during that period, when compared to 249.4 thousand observed in the same period of the previous year. In this scenario, seasonally adjusted IBCR-SE expanded 1.3% in the 3-month period ended in May, when compared to the one ended in February. This result was 1.7% lower than that registered during the December/2009 – February/2010 period, using the same basis of comparison.

Although at a slower pace, the positive growth of the major South region economic indicators during the second quarter of the year confirmed that the negative impact caused by the worsening of the international financial crisis in the second half of 2008 has been overcome. In this scenario, in which the upturn in domestic consumption has caused a certain unbalance between the aggregate supply and demand thus obligating the Central Bank to intervene in order to preserve the price stability, the seasonally adjusted IBCR-S increased 1.8% in the 3-month period ended in May, as compared to the one closed in February, when it had expanded by 3.9%, in the same basis of comparison. During that period, it should be stressed a decline in the pace of expansion of the retail trade, which increased 0.9%, as against 3.6% in the 3-month period ended in February and a strong recovery of the industrial activity, which registered respective growth rates of 6% and 2.9% during the aforementioned periods.