

6

National inferences from regional indicators

The performance of the industrial sector helped to explain the slowdown of the economic activity in the second half of 2010, when compared to the earlier period. By contrast, retail sales continued to show a strong growth rate, boosted by high consumer confidence, positive labor market performance, and credit expansion. Among other factors, this mismatch between the rate of expansion of demand and supply reflects on inflation dynamics. It should be noted that this pattern took place particularly in the North, Northeast, and South regions.

Table 6.1 – Central Bank Index of Economic Activity

Brazil and regions^{1/}

Itemization	%				
	2009		2010		
	Nov	Feb	May	Aug	Nov
Brazil	3.1	2.4	1.9	0.3	1.1
North	2.4	4.9	2.0	-0.6	-0.4
Northeast	2.2	3.2	3.1	0.8	1.0
Southeast	3.1	2.8	1.3	0.9	1.4
South	2.7	3.7	1.5	1.1	0.3
Center-West	1.3	3.2	1.5	0.3	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		
	Nov	Feb	May	Aug	Nov
Retail sector					
Brazil	3.0	2.8	2.5	2.2	2.2
North	4.2	4.9	5.0	2.5	3.7
Northeast	2.5	3.3	4.2	1.2	3.4
Southeast	3.0	3.1	2.1	2.2	1.9
South	2.3	3.4	1.1	2.7	2.3
Center-West	4.2	5.2	2.1	1.7	1.8
Broad trade					
Brazil	1.8	0.9	5.4	1.1	3.4
North	2.4	2.7	6.3	2.2	3.5
Northeast	3.3	1.5	5.6	-0.4	5.2
Southeast	2.6	2.5	2.4	0.6	3.9
South	4.0	2.3	3.3	1.7	4.0
Center-West	2.5	1.8	6.4	0.4	6.0

Sources: IBGE and BCB

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

The seasonally adjusted Central Bank Index of Economic Activity – Brazil (IBC-Br) rose 1.1% in the 3-month period ended in November, when compared to the previous 3-month period, when the indicator had grown 0.3%, using the same type of comparison (Table 6.1). Although the rate observed in the period suggests acceleration at the margin, the indicator's pace of growth is still lower than those registered in the previous 3-month periods. It should be highlighted the strong expansions occurred in the Southeast and Center-West regions, consistent with the recovery of their respective industrial activities.

The dynamics of domestic demand may be estimated by the analysis of Table 6.2, which shows the overall contribution given by retail sales in all regions for the expansion of the segment in the country as a whole. Accordingly, the 2.2% growth registered in the sector in the September-November period was a consequence of increases in all the regions, echoing the level observed in the previous 3-month period. Among the regions, the most outstanding increases occurred the North, 3.7%, and the Northeast, 3.4%.

Credit operations carried out in the country for amounts above R\$5 thousand increased by 6.3% in the September-November period (Table 6.3). This growth was a consequence of respective increases of 6.6% and 6.1% in the segments of individuals and corporations. In the twelve-

Table 6.3 – Financial system credit operations^{1/}
November 2010

	R\$ billion									
	Balance			% growth						
	C ^{2/}	I ^{3/}	Total	3 months			12 months			
			C ^{2/}	I ^{3/}	Total	C ^{2/}	I ^{3/}	Total		
Brazil	894	616	1 509	6.1	6.6	6.3	21.0	23.3	21.9	
North	28	28	56	7.6	6.2	6.9	28.5	23.7	26.1	
Northeast	100	81	181	7.2	7.0	7.1	27.9	28.8	28.3	
Southeast	557	302	859	5.8	6.2	5.9	20.1	23.2	21.2	
South	149	126	276	6.3	7.5	6.9	20.5	22.5	21.4	
Center-West	60	77	137	6.7	6.2	6.4	16.2	19.5	18.1	

1/ Credit operations over R\$5,000.00

2/ Corporations.

3/ Individuals.

Table 6.4 – Financial system default rate^{1/}
November 2010

	Default rate			Growth in p.p.					
	C ^{2/}	I ^{3/}	Total	3 months			12 months		
				C ^{2/}	I ^{3/}	Total	C ^{2/}	I ^{3/}	Total
Brazil	1.8	4.1	2.7	-0.2	-0.3	-0.2	-1.1	-1.5	-1.2
North	2.8	5.0	3.9	-0.1	-0.4	-0.3	-1.3	-1.6	-1.5
Northeast	1.9	5.2	3.4	-0.2	-0.3	-0.2	-0.9	-1.2	-1.0
Southeast	1.6	4.0	2.4	-0.2	-0.3	-0.2	-1.1	-1.5	-1.2
South	1.9	3.3	2.6	-0.1	-0.2	-0.1	-0.8	-1.3	-1.0
Center-West	2.2	4.1	3.2	-0.3	-0.4	-0.4	-1.7	-2.0	-1.8

1/ Credit operations over R\$5,000.00 with at least one overdue installment exceeding 90 days.

2/ Corporations.

3/ Individuals.

Table 6.5 – Industrial production

Brazil and regions^{1/}

Itemization	Participation ^{2/}	2009					2010				
		Nov	Feb	May	Aug	Nov	Nov	Feb	May	Aug	Nov
Brazil	100.0	5.3	1.7	3.9	-1.3	0.3					
North	5.9	6.3	6.8	1.0	-1.0	-1.8					
Northeast	9.5	4.6	4.0	3.3	-2.4	-3.2					
Southeast	62.7	5.2	2.5	2.2	0.1	1.2					
South	18.5	6.3	1.8	5.8	-1.3	-1.3					
Center-West	3.5	-2.4	11.3	3.3	-3.2	2.9					

Source: IBGE and BCB

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

2/ Percentage of the Cost of Industrial Transformation (VTI) in 2007.

Table 6.6 – Formal jobs creation^{1/}

Itemization	Thousand				
	2009		2010		
	Nov	Feb	May	Aug	Nov
Brazil	730.3	-24.3	869.5	694.2	589.9
North	37.3	-1.4	30.0	38.6	23.4
Northeast	204.9	5.0	55.3	147.6	196.4
Southeast	318.3	-53.2	570.0	364.0	230.9
South	149.6	29.4	145.9	103.1	131.5
Center-West	20.2	-4.1	68.4	41.0	7.8

Source: MTE

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

month period, credit growth came to 21.9% nationwide, a result of respective increases of 23.3% and 21% in the reported segments.

In the North and Northeast regions, analysis shows an above the average increase in credit operations. The outstanding credit modalities were payroll-deducted loans, vehicle financing and housing credits in the segment of individuals, and working capital loans in the segment of corporations. In the Southeast, South, and Center-West regions, accounting for respective 56.9%, 18.3%, and 9.1% of the overall credit operations in the country, loans expanded by 5.9%, 6.9% and 6.4%, respectively, in the period under analysis.

Growth in credit operations persisted in an environment of declining default rate, which closed at 2.7% in November, against 2.9% in August (Table 6.4). The sharper falloffs occurred in the segment of individuals, coming to 0.4 p.p. in the Center-West and North regions.

After declining 1.3% during the 3-month period ended in August, in comparison to the previous one, overall industrial output recorded a 0.3% increase in the September-November period (Table 6.5). The recovery observed at the margin was fueled by respective increases of 2.9% and 1.2% in the Center-West and Southeast industries. This performance was in sharp contrast with the downturn registered in the period under analysis in industrial activity in the Northeast, 3.2%, North, 1.8%, and South, 1.3%.

The formal job market (Table 6.6) registered 589.9 thousand new job positions in the 3-month period ended in November, according to General File of Employed and Unemployed Persons – Ministry of Labor and Employment (Caged/MTE), against 730.3 thousand in the same period of the previous year, and 694.2 thousand in the 3-month period ended in August. Hiring carried out in the Northeast corresponded to 33.3% of the total, against 28.1% in the 3-month period ended in November 2009, evincing the regional changes in the job market. At the same time, the share of hirings carried out in the Southeast dropped from 43.6% to 39.1% in the period.

The country's average unemployment rate announced by the Brazilian Institute of Geography and Statistics (IBGE's) Monthly Employment Survey (PME) closed at 6% in the 3-month period ended in November, compared to 6.9% in the previous 3-month period up to August (Table 6.7). This outcome was due to respective falloffs of 1.5 p.p.,

0.7.p.p., and 0.6.p.p. in the Northeast, Southeast and South regions.

The balance of trade trajectory continues to be limited by a more accentuated pace of growth in imports when compared to exports, for an annual downturn of 20.2% in the daily average trade surplus in 2010 (Table 6.8). It should be stressed the reversal of the daily average surplus of US\$26 million in 2009 to an average daily deficit of US\$8.2 million in 2010 in the South and the 93.5% expansion of the Southeast trade surplus.

After dropping in the second and third quarters of the year, the IPCA increased 2.23% in the quarter ended in December (Table 6.9). This trend, mostly concentrated in the segments of market prices, was a consequence of rate increases in all regions, particularly in the Northeast, 2.48 p.p., and in the North, 2.66.p.p. These changes were specially impacted by growth in the prices of foodstuffs, which have a higher weight in the staple basket of those regions when compared to other regions.