

Executive summary

The performance of the Gross Domestic Product (GDP) in the third quarter of the year, coupled with recent industrial activity indicators, suggest that the economy growth trend has shifted to a more sustainable level. In fact, despite maintaining a positive performance, these indicators, as of April, started to register less accentuated year-on-year growth rates, and somehow leveled off in the analysis at the margin.

In this scenario of robust growth in retail sales, driven by favorable consumer expectations, strong labor market and steady credit expansion, soaring inflation rates started to be noticed as of September, explained, to a great extent, by domestic and foreign supply shocks.

The trajectory of economic indicators in the North Region has been affected by the slowdown in industrial activity and external trade flows, as opposed to the positive performance of the retail trade. It should be highlighted that the expansion of retail sales – favored by income transfer programs and expanding household credit operations – was accompanied by an increase in inflation pressures. In this framework, the seasonally adjusted Index of Regional Economic Activity – North (IBCR-N) dropped by 0.4% in the 3-month period ended in November, against the precedent one, when it had grown by 0.1%, on the same basis of comparison.

The recent economic performance of the Northeast Region was supported by growth in industrial activity. In the 3-month periods ended in November and August 2010, the industrial sector registered respective falloffs of 3.2% and 2.4%, and somehow leveled off in the second half of the year. It should be underscored that the GDPs of Pernambuco and Bahia registered a modest growth at the margin. The less dynamic economic performance in this region impacted the IBCR-NE, which, based on seasonally adjusted data, grew respectively by 1% and 0.8% in the 3-month periods ended

in November and August, against expansions of 3.1% and 3.2% in the 3-month periods up to May and February.

In contrast with the standard found in the North and Northeast regions, the Center-West region economy, after the slowdown observed in recent months, recovered the robust growth during the 3-month period ended in November. The most important contributions to this result were given by the performance of the retail trade sector and the manufacturing industry, particularly food and beverages, as well as by the increased farm commodity prices on the rural sector income. Under these circumstances, the seasonally adjusted IBCR-CO rose by 1.4% in the 3-month period ended in November, when compared to the June-August period, when the index had grown 0.3%, in the same comparison basis. Thus, in the 12-month period ended in November, the IBCR-CO registered an expansion of 7%.

The economic activity in the Southeast region maintained a growth trajectory during the final quarter in 2010. It should be highlighted the new upward movement at the margin observed in the pace of industrial growth, encouraged by sound domestic demand and by expanding exports. In this framework, the seasonally adjusted IBCR-SE expanded 1.4% in the 3-month period ended in November, as compared to the previous quarter, when it had increased 0.9%, on the same basis of comparison.

The relative leveling off in the South region economy over recent months basically reflected the downturn in the industrial sector. However, this industrial decline has been partially offset by a positive growth posted by the retail trade. It should be stressed that this movement reflected in the IBCR-S growth trajectory. Thus, during the 3-month period ended in November, the seasonally adjusted index expanded 0.3%, as compared to the previous 3-month period, when it had grown 1.1%, using an identical basis of comparison. In a clear demonstration of the region's dynamic activity throughout 2010, the IBCR-S posted a 8.6% annual growth rate.