

# 6

## National inferences from regional indicators

The country's current economic expansion cycle - evinced by seven consecutive quarterly GDP increases at the margin in the 2009-2010 period - has leveled off somewhat. In a prospective view, the trend of economic activity stabilization should persist in the coming quarters, mostly reflecting the latest monetary policy measures as well as the high comparison basis in the wake of the strong recovery observed in 2010.

The process of stabilization is clearly demonstrated by the IBC-Br performance which, after increasing by 2.6% and 1.8% in the 3-month periods ended in February and May 2010, expanded by 1% in the 3-month periods up to November 2010 and February 2011, respectively. As shown in Table 6.1, it should be highlighted a distinct IBC-Br performance among the country's geographic regions in the November-February 3-month period, as indicated by increased growth rates in the North and South regions as opposed to a significant slowdown in the other regions.

On the other hand, the domestic demand seems to have leveled off, as evinced by the trajectories of the retail trade sales and extended trade sales. According to Table 2, both indicators have dropped on a regional level, except for the Southeast region. Thus, as far as the retail trade is concerned, it should be highlighted the respective 2.1 p.p. and 2.2 p.p. falloffs growth rates of sales in the North and Northeast regions in the period under analysis. As for the extended trade sales, highlights were respective declines of 3.4 p.p. and 2.7 p.p. in the Northeast and Central-West regions.

Nationwide, credit operations exceeding R\$5,000 increased by 5.7% in the 3-month period ending in February, as compared to 6.3% in the 3-month period ending in November 2010 (Table 6.3). In the segments of individuals and corporations, credit operations increased by 8.4% and 3.9%, respectively, in the same comparison basis. In 12-month cumulative terms up to February, the stock of credit

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

Itemization	2010				2011
					%
	Feb	May	Aug	Nov	Feb
Brazil	2.6	1.8	0.3	1.0	1.0
North	3.5	1.3	0.4	0.9	4.2
Northeast	3.1	3.1	0.6	1.2	0.5
Southeast	2.5	1.7	1.0	1.2	0.9
South	3.6	1.8	1.1	0.1	1.3
Central-West	3.1	1.6	0.4	1.8	0.6

Source: BCB

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

**Table 6.2 – Sales volume index**

Brazil and regions<sup>1/</sup>

Itemization	Percentage change				
	2010				2011
	Jan	Apr	Jul	Oct	Jan
<b>Retail sector</b>					
Brazil	3.3	2.3	2.2	1.9	1.2
North	5.4	4.9	2.2	3.7	1.5
Northeast	3.9	3.8	1.1	3.2	1.0
Southeast	3.4	2.1	2.1	1.6	1.6
South	3.4	1.1	2.7	2.3	0.5
Central-West	4.9	2.6	1.8	2.2	2.1
<b>Broad trade</b>					
Brazil	1.3	4.7	1.5	3.2	1.9
North	3.1	6.1	2.3	3.1	2.5
Northeast	1.0	6.1	-0.2	5.0	1.6
Southeast	2.0	2.8	0.7	4.0	4.4
South	1.8	3.6	1.8	4.0	3.7
Central-West	1.3	6.7	0.7	6.3	3.6

Sources: 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 2011

	R\$ billion								
	Balance			% growth					
	C <sup>2/</sup>	I <sup>3/</sup>	Total	3 months			12 months		
				C <sup>2/</sup>	I <sup>3/</sup>	Total	C <sup>2/</sup>	I <sup>3/</sup>	Total
Brazil	929	668	1 597	3.9	8.4	5.7	22.3	28.2	24.7
North	28	32	60	2.0	10.7	6.4	29.5	32.3	30.9
Northeast	105	92	197	4.9	12.7	8.4	29.4	38.2	33.4
Southeast	573	328	900	2.8	8.2	4.7	19.9	28.0	22.7
South	159	135	294	6.8	6.8	6.8	25.6	24.8	25.2
Central-West	63	82	146	6.6	6.5	6.5	21.6	23.1	22.4

1/ Credit operations over R\$5,000.00

2/ Corporations.

3/ Individuals.

**Table 6.4 – Financial system default rate<sup>1/</sup>**  
February 2011

	Default rate			Growth in p.p.					
	C <sup>2/</sup>	I <sup>3/</sup>	Total	3 months			12 months		
				C <sup>2/</sup>	I <sup>3/</sup>	Total	C <sup>2/</sup>	I <sup>3/</sup>	Total
	Brazil	1.8	3.8	2.6	0.0	-0.3	-0.1	-0.7	-1.4
North	3.2	4.7	3.9	0.4	-0.3	0.0	-1.0	-1.5	-1.2
Northeast	2.0	4.6	3.2	0.1	-0.6	-0.2	-0.6	-1.4	-0.9
Southeast	1.6	3.8	2.3	-0.1	-0.2	-0.1	-0.7	-1.2	-0.9
South	2.0	3.1	2.5	0.0	-0.3	-0.1	-0.6	-1.2	-0.9
Central-West	2.0	3.8	3.0	-0.2	-0.3	-0.2	-0.8	-2.1	-1.5

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<sup>1/</sup>

Itemization	Participation <sup>2/</sup>	2010					2011
							%
		Feb	May	Aug	Nov	Feb	
Brazil	100.0	2.1	3.8	-1.4	0.3	0.1	
North	5.9	5.7	2.0	-1.2	-1.2	3.7	
Northeast	9.5	4.3	3.0	-2.8	-2.6	-4.2	
Southeast	62.7	2.9	2.1	0.1	1.0	-0.6	
South	18.5	2.0	4.7	-0.3	-1.3	0.6	
Central-West	3.5	11.0	3.7	-3.0	5.2	-3.5	

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<sup>1/</sup>**

Itemization	Thousand					
	2010					2011
	Feb	May	Aug	Nov	Feb	
Brazil	-24.3	869.5	694.2	589.9	25.4	
North	-1.4	30.0	38.6	23.4	-1.5	
Northeast	5.0	55.3	147.6	196.4	-28.9	
Southeast	-53.2	570.0	364.0	230.9	8.5	
South	29.4	145.9	103.1	131.5	32.8	
Central-West	-4.1	68.4	41.0	7.8	14.5	

Source: MTE

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

operations increased by 24.7% in the country, as a result of respective expansions of 28.2% and 22.3% in the above mentioned segments.

On a national level, credit operations carried out in the North and Northeast regions increased more sharply in the period under analysis, following the trend observed in the 3-month period ending in November 2010. In the segment of individuals, it should be underscored the upturn in credit modalities of payroll-deducted loans as well as auto and housing loans. As for corporate credit loans, it should be highlighted the performance of working capital operations in the Northeast region and of credit operations targeted to utilities except for those activities related to health, education and generation, transmission and distribution of electricity and gas in the North region.

The default rate of credit operations continues on a downward trajectory, closing at 2.6% in February, against 2.7% in November, according to Table 6.4. The sharpest drop in the segment of individuals has occurred in the Northeast region, 0.6 p.p., as opposed to a 0.4 p.p. increase in the corporate credit default rate observed in the North region.

Overall industrial output, which had recovered at the margin in the second half of 2010, slowed down once again in the 3-month period ended in February, increasing by 0.1% in comparison to the 3-month period up to November 2010 (Table 6.5). In the period under consideration, it is worth noting the 3.7% expansion in the North and respective falloffs of 4.2% and 3.5% in industrial activities in the Northeast and Central-West regions.

Brazil's economy generated 25.4 thousand formal jobs in the 3-month period ended in February 2011, according to Caged/MTE data. This result, which reflects the seasonality of this period of the year, contrasts with the elimination of 24.3 thousand jobs in the same period of the previous year. As shown in Table 6.6, this turnaround was particularly driven by hiring expansion observed in the Central-West, 14.5 thousand jobs, and in the Southeast, 8.5 thousand jobs. Taken together, these two regions had eliminated 57.3 thousand jobs in the 3-month period ended in February 2010.

The country's average monthly jobless rate closed at 5.9% in the November-February period, as compared to 7.1% in the same period of the previous year, according to PME-IBGE (Table 6.7). This outcome was consequent upon

**Table 6.7 – Unemployment rate**

Itemization <sup>1/</sup>	%				
	2010				2011
	Feb	May	Aug	Nov	Feb
Brazil	7.1	7.4	6.9	6.0	5.9
Northeast	10.0	10.4	10.7	9.2	8.7
Southeast	6.8	7.1	6.4	5.7	5.5
South	4.7	5.3	4.6	3.7	3.7

Source: IBGE

<sup>1/</sup> 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	
	2009 Jan-Dec	2010 Jan-Dec
North	1 128	1 165
Northeast	-2 134	-848
Southeast	-2 679	-941
South	-14 775	-18 440
Central-West	-3 400	-4 410
Total	-21 861	-23 474

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

(-) surplus

(+) deficit

**Table 6.9 – Regional trade balance – FOB**

Daily average – January-March

Region	US\$ mil					
	Exports		Imports		Balance	
	2010	2011	2010	2011	2010	2011
Total	643.1	826.3	628.6	775.2	14.5	51.1
North	35.4	63.7	41.8	52.9	-6.5	10.8
Northeast	59.3	65.1	52.6	66.2	6.7	-1.1
Southeast	366.6	480.0	351.2	442.4	15.4	37.6
South	112.6	143.7	135.8	166.5	-23.2	-22.8
Central-West	52.6	63.9	39.2	42.7	13.4	21.2
Others <sup>1/</sup>	16.7	9.9	8.0	4.5	8.7	5.4

Source: MDIC/Secex

<sup>1/</sup> Refer to operation not categorized regionally.

reductions in the Northeast, 1.3 p.p., Southeast, 1.3 p.p., and South, 1 p.p.

Central and regional government inflows of taxes and contributions continue to reflect a recovery in the economic activity observed last year. Thus, in 2010, the federal revenue increased by 15.4% on an annual basis, while, in the framework of regional governments, transfers based upon shared revenues with the Federal government increased by 10.2%. At the same time, the ICMS collection – the major source of own revenues in this segment – expanded 17.7%.

These factors have contributed to a marked recovery of fiscal results in the regions with the most significant levels of own revenues, according to Table 6.8. It should be highlighted respective increases of R\$3.7 billion and R\$1 billion in the Southeast and South region's primary surpluses, when compared to the previous year. In the opposite sense, in those regions which are more dependent on transfers based upon shared revenues with the Federal government, fiscal results deteriorated: the primary deficit in the North region increased by R\$38 million, while the Northeast and Central-West region's primary surpluses declined by R\$1.3 billion and R\$1.7 billion, respectively, in the same comparison basis.

The country's trade balance registered a daily average surplus of US\$51.1 thousand in the first quarter of 2011, as compared to US\$14.5 thousand in the same period of the previous year (Table 6.9). This expansion, driven by more accelerated growth in exports in comparison to imports, mostly reflected the US\$22.2 thousand growth in the Southeast region's daily average surplus, partially offset by the reversal, from US\$6.7 thousand surplus to US\$1.1 thousand deficit, in the Northeast daily average outcome.

After two consecutive reductions up to June and September, the 3-month IPCA variation reached 2.23% in December 2010 and 2.44% in March 2011, according to Table 6.10. This change of level, registered in all the country's regions, reflected sharper increases in the segment of non-regulated prices.

**Table 6.10 – IPCA**3-month change<sup>1/</sup>

Itemization	Weighting 2010					2011
	factor	Feb	May	Aug	Nov	Feb
<b>IPCA</b>						
Brazil	100.0	2.06	1.00	0.50	2.23	2.44
North	4.2	2.90	0.92	0.12	2.77	2.80
Northeast	14.8	1.88	1.37	0.01	2.49	2.15
Southeast	57.6	2.23	0.98	0.49	2.13	2.61
South	16.3	1.95	0.74	0.93	2.09	2.39
Central-West	7.1	0.92	1.02	0.88	2.48	2.32
<b>Free prices</b>						
Brazil		2.47	1.17	0.50	2.79	2.42
North		2.98	0.90	-0.23	3.50	2.40
Northeast		2.40	1.37	0.05	3.08	2.12
Southeast		2.46	1.19	0.58	2.68	2.55
South		2.64	1.03	0.63	2.68	2.28
Central-West		1.98	1.24	0.92	2.77	2.36
<b>Regulated prices</b>						
Brazil		1.11	0.59	0.50	0.89	2.48
North		2.66	1.00	1.11	0.72	-0.44
Northeast		0.67	1.36	-0.10	1.04	2.20
Southeast		1.71	0.52	0.28	0.86	2.74
South		0.16	-0.02	1.76	0.54	2.70
Central-West		-1.45	0.53	0.80	1.78	2.23

Source: IBGE and BCB

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