

Executive summary

The recent trajectory of major Brazil's economy indicators shows a slowdown in the pace of demand expansion and a more moderate production growth. This movement is consistent with the effects of macroprudential measures adopted late 2010 and, mostly, with the process of raising basic interest rates.

Contrasting with the country's overall performance, the North region's economic activity demonstrated a vivid dynamism in the first quarter of the year. It is worth noting an accelerating pace of industrial expansion at the margin, encouraged by strong domestic demand and expanded exports. This trajectory, which was also accompanied by more moderate price increases, led to a seasonally adjusted IBCR-N expansion of 4.2% in the 3-month period ended in February, when compared to the 0.4% drop observed in the previous 3-month period ended in November, in the same comparison basis.

The evolution at the margin of major economic indicators in the Northeast corroborates the downward trend of the region's economic performance. Consequently, in the 3-month period ended in February 2011, the region witnessed a negative industrial performance, lesser retail sales expansion and formal job redundancy. In this context, the IBCR-NE expanded 0.5% in the period under analysis, in comparison to the 3-month period ended in November, when it had grown 1.2%, using the same type of comparison. Considering 12-month periods, the indicator increased 8.6% in February, in comparison to the same period of the previous year, against 9% in November 2010.

The pace of growth of the Central-West region slowed down in early 2011, primarily as a consequence of the negative industrial performance. In this scenario, in which retail sales have been sustained by high agricultural commodity prices, the seasonally adjusted IBCR-CO expanded by 0.6% in the 3-month period ended in February, in comparison to the 3-month period ended in November,

when it had grown by 1.8% in the same comparison basis. The 12-month cumulative IBCR-CO moved down from 7.2% in November to 6.5% in February.

In spite of a slowdown at the margin, the economic activity in the Southeast region sustained the growth trajectory in the first quarter of the year. Thus, the seasonally adjusted IBCR-SE, reflecting the maintenance of retail sales growth rates and a less dynamic industrial production, grew by 0.9% in the 3-month period ended in February, in comparison to the 3-month period ended in November, when it had grown by 1.2% in the same comparison basis.

Recent developments in the South region have basically reflected the recovery of industrial activity and the impact of positive labor market indicators on retail sales. In this framework, the seasonally adjusted IBCR-S expanded by 1.3% in the 3-month period ended in February, as compared to a 0.1% expansion observed in the previous 3-month period ended in November, in the same comparison basis. The IBCR-S expanded 7.8% in the 12-month period up to February, as compared to 8.6% in the 12-month period up to November.