

Executive summary

Brazil's economic growth during the first half of 2011 has partly reflected the impact of the grain crop on the dynamics of the farm sector and the performance of domestic demand, in addition to the persistent growth in investments, albeit at a more moderate pace when compared to 2010. The external sector continues to negatively impact the GDP growth, in line with the unequal pace of expansion between the domestic and the world economy. It is worth noting that, in 2011, the country's economy is expected to grow at a less intense pace in comparison to the previous year. This scenario is consistent with the effects of monetary policy and macro prudential measures recently adopted.

Economic growth in the North region has evolved in a moderate pace at the margin. Thus, the seasonally adjusted IBCR-N expanded 0.9% in the March-May period, in comparison to the previous 3-month period, when it had grown 2% in the same type of analysis. These data were consistent with the lesser pace of expansion of retail sales, credit operations and the industrial output. Cumulative 12-month IBCR-N expansion declined from 8.4% in February to 5.7% in May.

In the Northeast region, the pace of activity has given signs of vigor. In fact, during the March-May period, the performance of major economic activity indicators demonstrates an enhanced regional dynamics, as displayed by expanded retail sales and increased industrial production, in addition to the recovery of the crop output, favored by good climatic conditions in the period. In this scenario, the seasonally adjusted IBCR-NE rose 2.6% in the March-May period, in comparison to the 3-month period ended in February, when it had grown 0.8%.

Expressed by a less dynamic performance of the trade sector, the slowdown in the Center-West region activity was more intense when compared to the country as a whole. In this framework, the seasonally adjusted IBCR-CO expanded 0.1% in the 3-month period up to May, in comparison to the

previous 3-month period ended in February, when it had grown 0.6% in the same type of comparison. Viewed from a 12-month perspective, the IBCR-CO expanded 5.8% up to May, as against 7.4% up to February, corresponding to the fifth consecutive drop, using this comparison basis.

Sustained by the recovery of the industrial sector and by expanded trade sales, the Southeast region's economic activity continued to grow during the March-May period. By then, the seasonally adjusted IBCR-SE increased 1.4% in comparison to the 3-month period ended in February, when it had grown 1.3% in the same type of comparison. Twelve-month analysis shows that the IBCR-SE rose 7% up to May, against 8.1% up to February.

Even in a scenario of recovery under trade sales and exports of primary goods, together with a sound labor market, the South region's outlook of more moderate economic activity expansion in recent months was mostly due to a slowdown in industrial output. In this context, the seasonally adjusted IBCR-S dropped 0.1% in the 3-month period ended in May, in comparison to the one ended in February, when it had grown 1.5% in the same type of comparison. Twelve-month analysis reveals that the IBCR-S expanded 5.6% up to May, when compared to the same interval in 2010, against 7.7% in the same period up to February.