

Executive summary

After expanding 0.3% in the 2011 fourth quarter, in comparison to the previous one, the Brazilian economy continued to show a moderate pace of growth in early 2012. However, prospects indicate an increasing pace of activity throughout 2012. Positive job market conditions, a high level of consumer and business confidence and a modest expansion in the credit market were all contributing factors for that result.

As demonstrated by a decline in the region's industrial output, the North region economic activity slowed down in the quarter ended in February. During that quarter, the seasonally adjusted IBCR-N dropped 0.8% in comparison to the quarter ended in November, when it had grown 0.7% in the same comparison basis. Nevertheless, the performance of the regional industrial activity differs from that of retail sale and credit which accelerated and pointed to an enhanced dynamics of internal demand.

In 2011, the Northeast region economy expanded more sharply than the domestic economy as a whole. This development was demonstrated by the annual GDP growth rates in the states of Bahia, 2.0%, Ceará, 4.3% and Pernambuco, 4.5%. However, the analysis at the margin indicates a deteriorating performance of these economies. This process was evinced by their respective seasonally adjusted GDP growth rates which totaled 0.2%, 0.4% and -0.3% in the quarter ended in December, when compared to the quarter ended in September 2011. It should be noted that the evolution of the region's major economic indicators during the quarter ended in February confirms this trend. Thus, the IBCR-NE dropped 0.5% during that period, in relation to the quarter ended in November, when it had grown 0.1% in the same type of comparison.

In early 2012, the increased activity in manufacturing and retail trade has contributed to an upturn in the economic activity of the Central-West region. In this scenario, the seasonally adjusted IBCR-CO expanded 1.6% during the

quarter ended in February in comparison to the previous one, ended in November 2011. During that quarter it had grown 1%, using the same comparison basis. When 12-month periods are considered, the indicator variation amounted to 4.8% in February, against 4.7% in November. It should be stressed the 3.0% increase in the region's retail sales during the quarter ended in February, particularly the 8.0% expansion registered in the state of Mato Grosso do Sul.

Boosted by growing retail sales, the Southeast region economic activity rebounded in the quarter ended in February. During that quarter, the seasonally adjusted IBCR-SE rose 0.7% in comparison to the quarter ended in November, when it had dropped 0.4%, in the same comparison basis. Indicating a downturn in the region's economic activity, a 12-month analysis discloses a 3.3% February expansion of the indicator against a 4.2% increase in November 2011. During the quarter ended in February, one should mention the 2.9% rise in retail sales, benefited by ongoing growth in overall wages and credit operations targeted to families.

In early 2012, the South region's economic trajectory was benefited by an industrial sector recovery as well as by an upturn in retail trade and credit market activity. In this scenario, despite crop failures in major crops, with repercussions to the region's farm income, the seasonally adjusted IBCR-S expanded 1.4% in the quarter ended in February, in comparison to the previous quarter ended in November, when it had grown 0.5% in the same comparison basis. In a 12-month cumulative growth, the indicator expanded 4.2% in February, the same level as in November 2011. It should be highlighted the 6.1% expansion in retail sales in the quarter ended in February, particularly the 9.7% rise in hypermarket and supermarket sales.