

Executive summary

The seasonally adjusted Central Bank Index of Economic Activity – Brazil (IBC-Br) dropped by 0.6% in the December-February period over September-November, when it had grown by 0.3%. The IBC-Br trajectory reflected moderated activity expansion in the South and Central-West regions and decline in the Southeast, which is the most representative region in the national index. On the other hand, it should be emphasized the activity acceleration in the North and Northeast regions in the beginning of the year, basically driven by the performance of the industrial sector. Prospectively, consumption tends to remain sustained by growing income and credit operations, while investments should be stimulated by the program of concession of public utility services and the permission for oil exploitation, among other factors. With regard to the international trade, the scenario of enhanced global activity expansion, combined with the depreciation of the Brazilian real, should benefit the growth trajectory of the Brazilian economy.

In the North, the pace of economic activity accelerated in the beginning of 2014, when compared to the end of 2013, as the seasonally adjusted Regional Index of Economic Activity (IBCR-N) rose by 0.8% in the December-February period over September-November (0.2% in September-November). It should be highlighted the region's industrial performance, especially in the Manaus Free Trade Zone. The perspective of increased demand by electronic devices over the coming months, together with the recovery of mining activities in the State of Pará and the hosting of sporting events creates a favorable scenario for the maintenance of the region's economic activity expansion.

In 2013, the Northeast economic activity expanded more significantly than the country as a whole, as shown by high growth rates estimated for the largest states in the region (Pernambuco, 3.5%, Ceará, 3.4%, and Bahia, 3%, according to local research institutes). Recent indicators pointed to the maintenance of regional activity expansion in the beginning of 2014, as the Regional Index of Economic Activity (IBCR-

NE), for instance, which increased by 1.0% in the December-February period over September-November. In addition, it should be mentioned the perspectives of significant expansion for the Northeast agricultural crop in 2014, recovering from two consecutive droughts, and its impacts on the industrial sector. The region's economic activity should be further stimulated by the expansion of local domestic demand, fueled by the expansion of employment, labor income and income transfer programs.

The Central-West pace of economic activity decelerated in the December-February period, partially reflecting the decline in the industrial sector and the moderate retail sales expansion. In this scenario, the Regional Index of Economic Activity (IBCR-CO) rose by 0.5% over September-November, when it had increased 1.1%, in the same comparison basis. In spite of the growth moderation, perspectives for the region are still favorable, reflecting expectations of maintenance of the region's high agricultural income, reflecting the recovery in the prices of corn, soybeans and cotton that should offset the impact of a slight decline of agricultural output in the year.

In the Southeast region, economic activity slowed down in the beginning of the year, due to moderate expansion of retail sales and decline of industrial output. The seasonally adjusted Regional Index of Economic Activity (IBCR-SE) dropped by 0.4% in the December-February period over September-November (0.6% in the same comparison basis). It should be emphasized that the sluggish industrial activity especially reflected the process of inventory adjustment and the moderate expansion in the automotive segment. Prospectively, the region's economic activity over the coming months tends to be stimulated by high employment level, growing income, infrastructure investments, and the enhanced pace of global economic activity.

The South region's economic activity expansion observed in the December-February period mainly reflected the favorable performance of exports and retail sales, the latter sustained by the credit expansion and positive labor market indicators. The seasonally adjusted Regional Index of Economic Activity (IBCR-S) increased 0.4% in the period over September-November (when it had increased 1.3% in the same comparison basis). In 2014, the accommodation of agricultural and industrial activities tends to moderate the pace of activity growth as compared with 2013, when a strong recovery of the region's agricultural crop reflected positively on income and employment levels.