

# National inferences from regional indicators

# 6

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

Itemization	2017				2018
	Feb	May	Aug	Nov	Feb
Brazil	0.3	1.0	0.3	0.4	1.0
North	0.6	2.4	-0.3	0.9	2.1
Northeast	0.1	1.3	-0.4	0.5	0.3
Central-West	0.6	0.9	1.8	-1.1	-0.5
Southeast	0.3	0.3	0.7	0.8	-0.1
South	1.2	1.7	0.2	0.2	0.5

<sup>1/</sup> Seasonally adjusted QoQ % change.

National result does not necessarily represent the average of regional results.

**Table 6.2 – Sales volume index**

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

Itemization	2017				2018
	Feb	May	Aug	Nov	Feb
Percentage change					
Retail sector					
Brazil	2.0	1.2	1.4	0.1	0.0
North	2.3	2.6	2.5	2.0	0.2
Northeast	1.4	0.6	0.4	0.3	0.3
Central-West	1.1	-1.9	1.0	0.0	-2.6
Southeast	0.9	0.5	2.4	0.1	-1.0
South	3.8	3.7	1.5	1.6	1.0
Broad trade					
Brazil	3.0	1.4	3.1	0.9	0.7
North	3.5	3.2	3.3	3.3	1.5
Northeast	2.5	0.9	2.3	0.6	-0.6
Central-West	1.5	0.6	1.4	0.4	-1.0
Southeast	2.5	0.2	3.5	0.8	1.1
South	4.9	4.9	2.7	2.1	1.3

Sources: IBGE and BCB

<sup>1/</sup> Seasonally adjusted QoQ % change.

The evolution of the set of economic indicators in the beginning of 2018 has evidenced the continuity of economic growth. These results strengthen the expectations for a more balanced expansion during the current year, considering the behavior of supply and demand components. Additionally, the results demonstrate a greater consistency in the recovery of the Brazilian economy. In regional terms, the context of recovery displays different performances, reflecting the peculiarities of local economies.

Reaffirming a scenario of recovery, the Central Bank Economic Activity Index-Brazil (IBC-Br) has grown for the fifth consecutive quarter, reaching 1.0 percent in February over the quarter ended in November. Regionally, the increase of industrial production in the North, especially of computer equipment and electronic products in the Industrial Pole of Manaus, and wood products in Pará, imply a greater dynamism in the economic activity in the region. Conversely, activity in the Central West retreated, reflecting adverse results in manufacturing and in construction. The expansion of the economy of the Southeast lost *momentum*, with a heterogeneous performance of the states of the region. In the South, the recovery scenario was more widespread among the main sectors of the economy, while in the Northeast the growth reflected fluctuations in sectorial results.

Broad retail sales showed a slowdown in the expansion trend in the quarter ended in February, in comparison with the quarter ended in November, a development compatible with the scenario of stabilization of household consumption. With the exception of the Southeast, the other regions presented a slowdown in broad retail sales, especially in the Central West and Northeast. In spite of this slowdown in sales, the Trade Business Confidence Index (Icec), released by the National Confederation of Trade (CNC) – an indicator that precedes retail sales – remained in a level that denotes optimism in the evaluations of the sector's entrepreneurs.

**Table 6.3 – Services volume**Brazil and regions<sup>1/</sup>

Itemization	%				
	2017				2018
	Feb	May	Aug	Nov	Feb
Brazil	0.1	-1.6	0.9	-0.7	0.4
North	-2.6	-0.3	0.2	-1.9	-1.6
Northeast	-0.5	-3.0	-0.9	-1.4	-1.6
Central-West	1.1	0.3	0.6	0.5	-1.4
Southeast	0.2	-1.3	0.8	-0.7	0.8
South	0.2	-0.1	2.1	-1.2	0.8

Sources: IBGE and BCB

1/ Seasonally adjusted QoQ % change.

**Table 6.4 – Financial system credit operations<sup>1/</sup>**

February 2018

Itemization	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	1 380	1 635	3 015	-1.7	1.1	-0.2	-6.6	6.0	-0.2
North	39	79	118	-1.6	1.1	0.2	-4.0	6.7	2.9
Northeast	141	259	401	0.1	1.0	0.7	-7.8	6.5	1.0
Central-West	128	212	341	0.5	2.1	1.5	-2.4	7.3	3.4
Southeast	842	750	1 592	-2.8	0.6	-1.2	-8.1	5.2	-2.3
South	228	334	563	0.0	1.6	1.0	-2.9	6.5	2.5

1/ Credit operations over R\$1,000.00

2/ Corporations.

3/ Individuals.

**Table 6.5 – Formal jobs creation<sup>1/</sup>**

Itemization	Thousand				
	2017				2018
	Feb	May	Aug	Nov	Feb
Brazil	-467.6	30.5	81.2	98.7	-189.5
North	-30.4	-8.8	10.5	9.2	-16.9
Northeast	-134.2	-30.2	31.6	71.2	-66.3
Central-West	-12.7	16.5	25.2	-17.0	0.0
Southeast	-264.6	56.4	22.7	-11.9	-117.4
South	-25.7	-3.3	-8.7	47.2	11.1

Source: MTb

1/ Refers to the quarter ending in the specified month.

**Table 6.6 – Unemployment rate**

Itemization <sup>1/</sup>	%				
	2016		2017		
	IV Q	I Q	II Q	III Q	IV Q
Brazil	12.0	13.7	13.0	12.4	11.8
North	12.7	14.2	12.5	12.2	11.3
Northeast	14.4	16.3	15.8	14.8	13.8
Central-West	10.9	12.0	10.6	9.7	9.4
Southeast	12.3	14.2	13.6	13.2	12.6
South	7.7	9.3	8.4	7.9	7.7

Source: IBGE

1/ Refers to the quarter period ending in the specified month.

The volume of non-financial services registered a positive level quarter-over-quarter (QoQ). Despite the sector's expansion in the beginning of the year, regional results present significant differences, with growth in Southeast and South and reduction in the other regions. Tertiary sector performance has fluctuated in the last quarters. In this direction, following a retreat in the quarter ended in November, the volume of services increased by 0.4 percent in the quarter ended in February.

The positive trend of credit markets remained, reflecting the sustained expansion rate of the credit for individuals segment and the slower contraction of the credit to corporations. The stock of credit operations<sup>1</sup> in the country decreased 0.2 percent in February, considering a twelve-month change, against a decrease of 0.8 percent in November 2017. The inter-annual retreat of the corporate credit went from -7.7 percent to -6.6 percent in this period, chiefly in the Southeast and Northeast. Household credit grew in a steady annual rate of 6.0 percent, with acceleration in the North – driven by car loans and rural credit – and deceleration in the Northeast – following the more modest increase of real estate financing.

The formal labor market, reflecting the negative seasonality, eliminated jobs in the quarter ended in February, but not as much as in the same period of 2017. Jobs were created in the services sector, albeit the contraction movement and the reduction in the net lay-offs of the other sectors. The agriculture and livestock sector, which almost sustained the previous pace of dismissals, was the exception. In terms of regions, the South created new jobs in the quarter, mainly in services and agriculture and livestock activities (seasonal hiring in permanent crops production).

The unemployment rate, as released by the Continuous National Household Sample Survey (PNAD Contínua) from IBGE, showed a trajectory of quarter-over-quarter reduction, in 2017Q4, benefited from the recovery of the economy and the positive seasonal movement, with temporary retraction in the year-end. This benign evolution comprised all regions and represented a widespread increased of the occupied population. In the inter-annual assessment, the level of the average unemployment rate for the country was similar to that of the same period of 2016, with retractions in the North, Northeast and

1/ Credit operations over R\$1.000,00

**Table 6.7 – States and municipalities borrowing requirements<sup>1/</sup>**

Region	R\$ million	
	Primary result	
	(Cumulative 12-month)	
	Feb/2017	Feb/2018
North	-2445	-681
Northeast	-3 001	1 029
Central-West	-1125	-1101
Southeast	1698	-7 212
South	-2 687	2 961
<b>Total</b>	<b>-7 560</b>	<b>-5 004</b>

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

(-) superavit (+) deficit

**Table 6.8 – Estimated annual grain production<sup>1/</sup>**  
Brazil and regions

Itemization	Participation <sup>2/</sup>	Production <sup>3/</sup>		Percentage change 2018/2017
		Million tons		
		2017	2018	
Brazil	100.0	240.6	229.3	-4.7
North	3.8	8.9	8.3	-6.3
Northeast	6.2	17.9	19.5	9.3
Central-West	40.1	105.9	100.5	-5.1
Southeast	11.9	23.9	22.0	-7.9
South	38.0	84.0	78.8	-6.1

Source: IBGE

1/ Cereals, leguminous and oil seeds.

2/ Percentage of the national production value of cereals, leguminous and oil seeds, according to PAM 2016.

3/ Estimated according to LSPA March 2018.

**Table 6.9 – Industrial production**  
Brazil and regions<sup>1/</sup>

Itemization	Participation <sup>2/</sup> 2017	% 2018				
		Feb	May	Aug	Nov	Feb
Brazil	100.0	2.7	-0.4	1.8	0.6	2.0
North	5.9	5.0	-0.3	5.2	0.8	5.0
Northeast	9.5	0.1	0.5	0.2	-0.3	-0.1
Central-West	3.5	7.2	-1.0	3.3	1.8	-2.4
Southeast	62.7	1.3	0.4	2.9	1.1	0.6
South	18.5	3.1	-0.7	0.9	-0.3	2.6

Sources: IBGE and BCB

1/ Seasonally adjusted QoQ % change.

2/ Percentage of the Cost of Industrial Transformation (VTI) in 2010.

Central-West and stability in the South, where the unemployment rate is historically lower among all regions.

The recovery of the economic activity fostered the actual increase of ICMS collection<sup>2</sup> in all regions, in the cumulative 12-month period ended in February. Despite this improved collection, the primary result of the subnational governments as a whole remained in a level below that of the same period of 2017. This development resulted largely from the reversal from *surplus* to *deficit* of the fiscal results of the South and the Northeast. Nevertheless, the reduction in the nominal interest accrument – reflecting the resettlement of the states' debts and the reduction of borrowing costs – contributed to the retreat of the net debt of the subnational governments in the first two months of 2018, when it totaled R\$796.5 billion at the end of the period, compared to R\$801.0 billion in 2017.

From the supply point of view, following the record crop production of 2017, which has boosted the economy in several regions, a moderate decline in production may happen in 2018. The national grain harvest is expected to total 229.3 million tons, according to the March 2018 Systematic Survey of Agricultural Production (LSPA) of IBGE, 4.7 percent below that observed in the previous year. Regionally, it is estimated growth in the northeastern production and reduction in the others. In the Central West – the main producing region – a 5.1 percent decline is projected, with sharp declines in corn, beans and rice crops. In the Northeast, after an increase of 85.6 percent in grain production in 2017, it is estimated an expansion of 9.3 percent in the current crop.

In February, the domestic industry registered growth for the third consecutive quarter, up 2.0 percent compared to the previous quarter. In spite of these developments, the sector continues to operate with a low level of utilization of installed capacity. In a quarter-on-quarter assessment, this national result reflected, in particular, the performance of the North – mainly by the manufacturing industry – and the South – a region favored by the pulp and paper industry performance, textile products and wood products.

The combination of positive results in the industry and the prospects for a more consistent recovery in production contributed to the expectations of

2/ Corrected by IGP-DI.

**Table 6.10 – Regional trade balance – FOB**  
January-March

Region	US\$ million					
	Exports		Imports		Balance	
	2017	2018	2017	2018	2017	2018
Total	50.5	54.4	36.0	40.4	14.4	14.0
North	4.1	4.1	2.4	3.5	1.6	0.7
Northeast	3.8	4.0	5.3	5.2	-1.4	-1.2
Central-West	6.1	6.5	2.0	2.0	4.1	4.5
Southeast	25.9	26.1	18.6	20.9	7.3	5.2
South	9.2	11.6	7.8	8.9	1.5	2.8
Others <sup>1/</sup>	1.3	2.0	-0.0	-0.0	1.4	2.0

Source: MDIC/Secex

1/ Refer to operation not categorized regionally.

**Table 6.11 – IPCA**  
Quarterly change<sup>1/</sup>

Itemization	Weighting factor	2017					2018
							Mar
		Mar	Jun	Sep	Dec	Mar	
<b>IPCA</b>							
Brazil	100.0	0.96	0.22	0.59	1.14	0.70	
North	4.2	0.85	-0.12	0.21	0.18	0.68	
Northeast	14.8	1.31	0.35	0.31	0.57	0.42	
Central-West	7.1	0.45	0.30	0.57	2.09	0.07	
Southeast	57.6	0.98	0.17	0.71	1.26	0.77	
South	16.3	0.84	0.33	0.62	1.14	0.67	
<b>Market prices</b>							
Brazil		0.68	0.25	-0.27	0.68	0.60	
North		0.46	-0.05	-0.96	-0.10	0.70	
Northeast		0.98	-0.03	-0.45	0.15	0.34	
Central-West		0.10	0.47	-0.10	0.89	0.39	
Southeast		0.70	0.36	-0.09	0.87	0.57	
South		0.63	0.15	-0.47	0.76	0.71	
<b>Regulated prices</b>							
Brazil		1.87	0.11	3.28	2.53	0.98	
North		2.31	-0.37	4.45	1.15	0.61	
Northeast		2.49	1.67	2.93	1.96	0.70	
Central-West		1.57	-0.23	3.05	5.62	-0.55	
Southeast		1.82	-0.40	3.09	2.38	1.32	
South		1.52	0.92	4.12	2.33	0.56	

Sources: IBGE and BCB

1/ Refers to the quarter ending in the specified month.

industrial entrepreneurs in all regions remaining in a zone of optimism. The national average of the Industrial Business Confidence Index (IcEI) from the National Confederation of Industry (CNI) totaled 58.9 points in the first quarter, remaining in an optimistic level for the seventh consecutive quarter.

Favored by the benign global scenario, foreign trade registered a high trade *surplus* in 2018Q1, similar to that of 2017Q1. On a regional basis, the national result reflected, on the one hand, the largest positive balance in the South, where exports were favored by the sale of an oil platform in the state of Rio Grande do Sul and by pulp and tobacco shipments. On the other hand, there was a reduction in the balance of the Southeast, with a 12.2 percent increase in imports, in a context of industrial activity growth, with emphasis on purchases of intermediate goods, fuels and lubricants.

The inflation path – measured by the IPCA variation – remained favorable in 2018Q1, with the rate decelerating broadly in all regions, in comparison to 2017Q1. The various measures of underlying inflation remained at low levels, including the components most sensitive to the economic cycle and monetary policy. The deceleration in the quarter reflected the lower variation in administered prices and the relative stability of market prices inflation. Considering a 12-month change, the IPCA accumulated 2.68 percent in March 2018, compared to 2.95 percent in 2017. Regionally, the lowest 12-month prices changes are observed in the North (0.95 percent) and Northeast (1.66 percent) in relation to the other regions. This is partly explained by the greater representativeness of the food group in the local consumption baskets.

The Brazilian economy reflects the recovery of activity in different regions. Earlier this year, a greater dissemination of this development was verified in sectorial indicators. Despite the growth dynamics, it is worth noting that the level of uncertainty related to the pace of implementation of reforms and adjustments in the economy remains the main risk factor for the sustained growth process.