

Projections for GDP growth in 2024 and 2025

This box presents the projections for Gross Domestic Product (GDP) growth for 2024 and 2025 in the BCB's reference scenario.

Economic activity in Brazil remained robust in 2024Q2, with growth once again exceeding expectations, leading to a new round of upward revision of growth projections for the year. The economic impacts of the floods in Rio Grande do Sul were smaller than anticipated, partially explaining the surprise. In the second quarter, just like in the first, there were notable increases in household consumption, investment, and in the more cyclical sectors of the economy. Despite successive surprises, a slower growth pace is expected in the second half of 2024 and throughout 2025 due to the anticipation of reduced fiscal stimulus, the interruption of the monetary easing started in 2023, the lower degree of slack of production factors, and the absence of a strong external impetus, considering a global growth prospect for 2025 similar to that of 2024.

Revision of the 2024 GDP projection

The GDP growth projection for 2024 increased to 3.2%, up from 2.3% in the previous IR. This revision mainly reflects the positive surprise in 2024Q2.

From a supply perspective, the upward revision in GDP growth reflects increased projections for all three sectors. Forecasts increased for both the sets of activities more sensitive to the economic cycle and less cyclical activities.¹ Estimates for the annual change in Gross Value Added (GVA) rose from 3.1% to 4.0% for the more cyclical activities and fell from 0.9% to 1.5% for the less cyclical activities.

The estimate for agriculture changed from a 2.0% drop to a smaller drop of 1.6%. This revision considers increased projections for livestock and "forestry, fishing, and aquaculture production", reflecting better-than-anticipated results up to 2024Q2, which prevailed over the reduced IBGE's harvest estimates.²

For industry, the forecast was adjusted from 2.7% to 3.5%, due to improved forecasts for manufacturing, construction, and utilities, driven by positive surprises in 2024Q2. Further growth in construction and manufacturing is expected for the second half-year, albeit of smaller magnitudes than in the first half. Conversely, the utilities sector is expected to decline in the second half due to the anticipated significant increase in the share of thermoelectric plants in total power generation, prompted by the shortage of rainfall in basins that feed important hydroelectric plants.³ The projection for mining remained almost unchanged, reflecting a result slightly below expectations in 2024Q2 and moderate adjustments in annual production forecasts by the sector's key producers.

1/ Classification also used in the "Economic activity" section. Activities classified as less cyclical: agriculture; mining; financial activities, insurance and related services; real estate activities; public administration, defense, public health and education, and social security. Other activities are considered more cyclical.

2/ The IBGE does not publish a breakdown for agriculture in the Quarterly National Accounts. The disaggregated performance estimate was based on indicators such as animal slaughter, milk and egg production, and industrial output related to forestry, fishing and aquaculture, in addition to harvest estimates.

3/ As they use more inputs, thermoelectric plants generate less GVA for the same amount of electricity produced, compared with hydroelectric, wind, and photovoltaic plants.

For the services sector, the projection was revised from 2.4% to 3.2%. Forecasts improved for all activities except “transport, storage, and postal services”, which remained virtually stable. The revisions reflect surprises in the 2024Q2 results and the early monthly indicators for 2024Q3.

All aggregate demand components were revised upwards. Considering the domestic ones, the estimated annual growth rose from 3.5% to 4.5% for household consumption, from 1.8% to 2.7% for government consumption, and from 4.5% to 5.5% for the Gross Fixed Capital Formation (GFCF). These revisions were mainly driven by positive surprises in 2024Q2. For all three components, however, a slower growth pace is expected in the second half of the year.

For exports, the projection was revised from 0.5% to 3.2%. This adjustment is mainly due to more optimistic prospects for shipments of primary goods, which exceeded expectations in 2024Q2 and in July and August. Growth projection for imports was significantly revised upwards, from 6.0% to 11.3%, reflecting the strong and widespread expansion in those same periods and corroborating the scenario of economic heating in the first half-year. The drop in prices of imported goods, especially from China, may have contributed to this increase.⁴ Given the estimated changes in the aggregate demand components, the respective contributions of domestic demand and the external sector to GDP growth in 2024 are 4.4% and -1.2%.

Table 1 – Gross Domestic Product

Accumulated in the year

Itemization	% growth		
	2023	2024 ¹	
		Previous	Current
Agriculture	15.1	-2.0	-1.6
Industry	1.6	2.7	3.5
Mining	8.7	2.0	1.8
Manufacturing	-1.3	2.7	3.6
Construction	-0.5	3.5	5.4
Public utilities	6.5	3.0	3.7
Services	2.4	2.4	3.2
Trade	0.6	3.5	3.8
Transport and storage	2.6	1.2	1.1
Information services	2.6	4.1	6.3
Financial and related services	6.6	0.6	2.2
Other services	2.8	3.4	4.5
Real estate	3.0	2.6	3.1
Public admin., health and education	1.1	1.1	1.6
More cyclical components	1.2	3.1	3.9
Less cyclical components	5.5	0.9	1.6
Value added at basic prices	3.0	2.2	2.9
Taxes on products	2.1	3.4	4.7
GDP at market prices	2.9	2.3	3.2
Household consumption	3.1	3.5	4.5
Government consumption	1.7	1.8	2.7
Gross Fixed Capital Formation	-3.0	4.5	5.5
Exports	9.1	0.5	3.2
Imports	-1.2	6.0	11.3

Sources: IBGE and BCB

1/ Estimated.

4/ See section “External accounts” in Chapter 1 in this IR.

GDP projection for 2025

For 2025, growth is projected at 2.0%, with variations in supply and demand components being relatively homogeneous and generally lower than those expected for 2024.

On the supply side, agriculture, industry, and services are expected to grow 2.0%, 2.4%, and 1.9%, respectively. The prospect of a relatively modest agricultural growth after the decline expected for 2024 is reinforced by two factors. First, lower prices for some crops discourage the expansion of cultivated area and may reduce the use of productivity-enhancing inputs, limiting the potential for production growth. Furthermore, droughts in many regions of Brazil affects permanent and semi-permanent crops and may delay the summer harvest, compromising the cultivation of the winter crop at the ideal time. Thus, unlike in 2023, no strong spillover from the primary sector growth to the performance of other sectors is expected.

In the secondary sector, quarterly growth in manufacturing and construction – activities that are more sensitive to economic cycles – is expected to slow down when compared to the average growth rates projected for 2024. The utilities sector is also expected to slow down, influenced by the lower pace of economic growth and the expected increase in thermoelectric generation, due to the worsening of the hydrological situation. Modest growth is also expected for mining, similar to what is projected for 2024.

In the services sector, a widespread growth deceleration is projected, reflecting the expected slowdown in demand compared with 2024.

As for domestic demand, the expected growth rates for household consumption, government consumption, and GFCF are 2.2%, 2.0%, and 2.0%, respectively. A more moderate expansion of social benefits and other government expenses compared with 2023 and 2024 should contribute to the slowdown in the growth of household and government consumption. The potentially increased difficulty for the expansion of employment, due to historically low unemployment rates, is another factor contributing to the expected deceleration of GDP, and, particularly, of household consumption. GFCF growth is also expected to be lower than anticipated for 2024, in view of tighter monetary conditions.

Exports and imports of goods and services are both expected to grow by 2.5%. The moderate growth in exports is due to the absence of a strong external impulse, considering the global growth outlook for 2025 is similar to that for 2024, and the expected moderation in the performance of agriculture and mining. The significant deceleration in imports should reflect the expected slowdown of domestic demand. Internal and external demand contributions are estimated at 2.0% and 0.0%, respectively.

Table 2 – Gross Domestic Product
Accumulated in the year

Itemization	% growth		
	2023	2024 ¹	2025 ¹
Agriculture	15.1	-1.6	2.0
Industry	1.6	3.5	2.4
Services	2.4	3.2	1.9
Value added at basic prices	3.0	2.9	2.0
Taxes on products	2.1	4.7	1.9
GDP at market prices	2.9	3.2	2.0
Household consumption	3.1	4.5	2.2
Government consumption	1.7	2.7	2.0
Gross Fixed Capital Formation	-3.0	5.5	2.0
Exports	9.1	3.2	2.5
Imports	-1.2	11.3	2.5

Sources: IBGE and BCB

1/ Estimated.