

## Revision of 2017 and 2018 GDP projections

This box updates the projections of the Central Bank for GDP growth in 2017 and 2018.

### 2017 GDP projection review

The September Inflation Report revised the projection for GDP growth in 2017 from 0.7% to 1.0%. The increase mainly reflects the impact of the results of the Quarterly National Accounts released by the IBGE for the third quarter of the year, the revision of the historical series of GDP and the sectoral statistics available for the current quarter.

Agricultural and livestock production is expected to grow 12.8%, compared to a previous estimate of 12.1%, in line with updated grain production projections and positive reviews of the quarterly accounts. The projection for the performance of the secondary sector went from -0.6% to -0.3%, mainly reflecting the improvement in the manufacturing industry, from 0.6% to 1.3%.

The services sector is expected to grow faster than previously forecasted (0.3% vs. 0.1%), especially because of reviewed projections of trade from 0.8% to 2.0%; of real estate activities and rent, from 0.7% to 1.1%; and of financial intermediation, insurance and related services, from -1.6% to -1.1%.

Within the domestic components of aggregate demand, the improvement in the projection of Gross Fixed Capital Formation (GFCF), from -3.2% to -2.5%, was associated to the recent reaction of the capital goods absorption. In addition, the revision of household consumption, from 0.4% to 1.2%, is in line with the stronger-than-expected expansion in the third quarter.

Regarding the external component of aggregate demand, the annual increase in exports was revised to 5.5%, and in imports, to 4.6% representing increases of 1.6 p.p and 2.7 p.p, respectively, in relation to previous projections, consistent with the

**Table 1 – Gross Domestic Product**  
Accumulated in 4 quarters

	% growth		
	2017		2018
	III Q	IV Q <sup>1/</sup>	IV Q <sup>1/</sup>
Agriculture and livestock	11.6	12.8	-0.4
Industry	-1.4	-0.3	2.9
Mining	5.4	4.3	3.0
Manufacturing	-0.6	1.3	3.4
Construction	-6.6	-5.2	2.5
Public utilities	2.0	0.7	1.1
Services	-0.8	0.3	2.4
Commerce	-0.3	2.0	4.2
Transportation	-1.9	0.9	3.2
Communications	-2.5	-1.6	2.1
Financial institutions	-2.4	-1.1	3.1
Other services	-0.5	0.8	3.1
Rents	0.7	1.1	0.7
Public administration	-0.8	-0.9	0.8
Value added at basic prices	-0.1	0.9	2.4
Taxes on products	-0.5	1.6	3.8
<b>GDP at market prices</b>	<b>-0.2</b>	<b>1.0</b>	<b>2.6</b>
Households consumption	-0.5	1.2	3.0
Government consumption	-0.4	-0.8	1.0
Gross fixed capital formation	-4.2	-2.5	3.0
Exports	1.1	5.5	4.0
Imports	2.7	4.6	6.0

Source: IBGE

1/ Estimated

expansion that has been observed in the country's trade flow.

The contributions to GDP growth from the domestic demand and external sector in 2017 are estimated at 0.9 p.p and 0.1 p.p., respectively.

## 2018 GDP projection

The projection for GDP growth in 2018 was revised from 2.2% to 2.6%, in line with the gradual recovery of economic activity throughout the year and the prospects of its continuity in the coming quarters.

Of note, on the supply side, the revision of the projection for agricultural production, from 1.5% to -0.4%; a decline consistent with the first prognosis of the IBGE crop released in November. The industry growth was revised from 2.6% to 2.9%, reflecting expansion in all its components, especially the performance of the manufacturing and construction sectors. The latter is expected to register the first growth since 2013. The projection for the tertiary sector considers a growth of 2.4%, compared to 1.9% in the September report, mainly reflecting the positive performance of commerce (4.2%), transportation, storage and postal services (3.2 %) and other services (3.1%), compatible with the resumption of industry and consumption.

Within the domestic demand components, the expansion of household consumption is estimated at 3.0%, against 2.5% in the previous projection, considering the favorable evolution of the expanded wage bill and credit to individuals, and the increase in statistical carry over of 2017. It is worth noting the expected growth of 3.0% for GFCF, consistent with the expansion of absorption of capital goods and the expected improvement for the construction sector.

Exports and imports of goods and services in 2018 are estimated to grow by 4.0% and 6.0%, respectively, influenced by the impact of favorable outlook for global economic growth on exports and the strengthening of domestic demand on imports. The contributions of internal and external demands for the GDP growth in the year are estimated at 2.8 p.p. and -0.2 p.p., respectively.