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SÉRGIO BRITO

## BRAZIL'S GDP SLOWS DOWN

The effects of instability in international markets did not stop last September. Despite all the efforts introduced by governments in regions most affected by these movements, the results did not appear as expected, and the feeling of uncertainty in the global economic scenario caused growth projections for Brazil's economy to be negatively affected.

With less than one quarter left to end 2011, it is a consensus that the Brazilian economy will grow less than expected. Initial GDP projections for 2011 were revised and lowered by 0.5% - that is, after making the adjustment, the GDP went from 4.0% down to 3.5%. Likewise, figures for 2012 were also revisited, leading to an even bigger drop - from the initial 4.5% projection, the growth rate dropped to 3.8%.

The sector that stood out from a supply perspective was the GDP for Services, which advanced 0.8% and carries a weight of 67% of total GDP. Industry remained stagnated, since its growth was of only 0.2%, while agriculture fell 0.1% in relation to the first quarter of 2011.

On the demand side, or the consumption side, the economy as a whole is growing more. Family expenses advanced 1.0%, while government consumption expenses grew 1.2%. Gross fixed capital formation, or company consumption, which can be translated in investments, grew 1.7%.

Therefore, the imbalance between the production (suppressed) and demand (expanded) perspectives is being closed through imports, which advanced 6.1% between the two quarters of 2011.

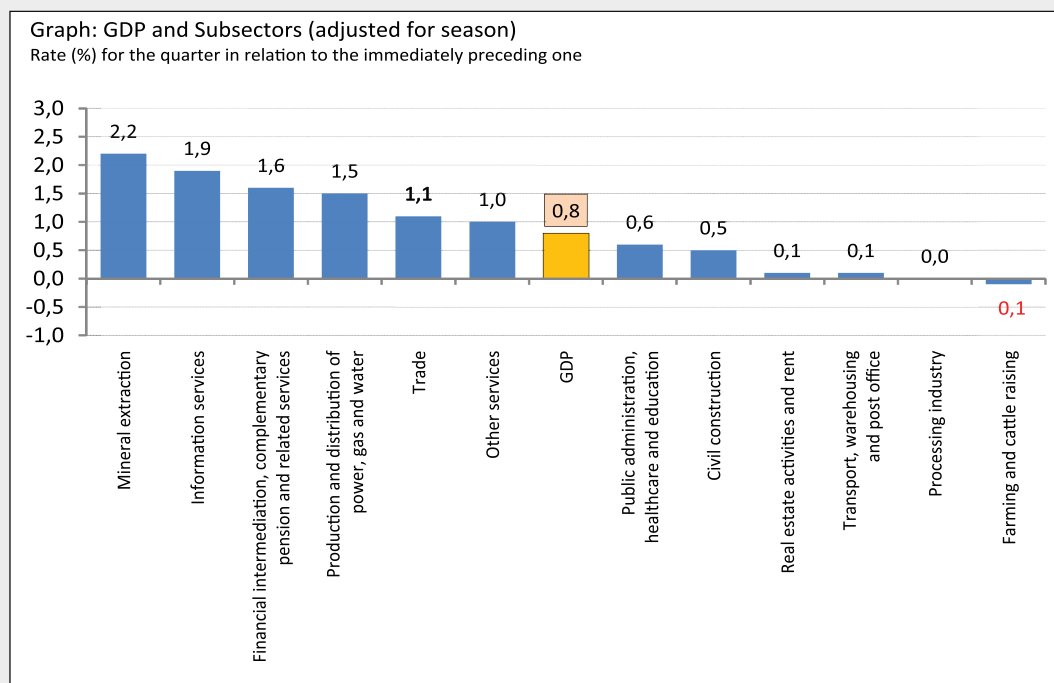
The investment rate and savings rate in relation to GDP could have been bigger, since the setting was favorable due to growth conditions in income,

jobs, consumption and large infrastructure and oil exploration projects, among others, offered by Brazil.

However, GDP in the second quarter revealed that the investment rate was only 17.8%, and savings 18.1%. The increase in these two components should be a daily exercise of the Brazilian society and a commitment of the State in offering basic conditions, such as combating corruption that compromises competitiveness.

The dynamic of activity according to subsector, essential for understanding their performances, showed a strong GDP increase in Mineral Extraction (2.2%), followed by Information Services (1.9%) and the Financial Market (1.6%). On the other end, GDP of Agribusiness declined 0.1%, while GDP of the Processing Industry was zero.

Therefore, we see two distinct groups in relation to economic activity in Brazil: the first refers to growth above 1%, such as activities stemming from the commodities, trade and services sector, and the second group, activities with little growth, like agriculture, processing industry and transport. After that, the most interesting result came from civil construction activities, which dropped considerably. ■



Source: IBGE. Prepared by the author