

Flash Brasil

El crecimiento sorprende a la baja en 1T13 debido a la desaceleración del consumo

El PIB se incrementó un 0,6% t/t en el primer trimestre del año, al mismo paso que lo hizo en el 4T12, frustrando las expectativas de una aceleración de la actividad económica doméstica (BBVA: 1,1% t/t; consenso: 0.9% t/t). Los datos publicados hoy deberían llevar a revisiones a la baja del PIB para este año (seguramente menor a 3,0% y probablemente alrededor de 2,5%). Además añaden presión al gobierno que ya de por sí tenía planteadas una serie de medidas fiscales para fomentar la actividad. Finalmente, el dato de PIB suaviza las expectativas de ajuste en el SELIC en la reunión del COPOM de hoy. Los datos divulgados hoy son una muy mala noticia para una economía que hace frente a problemas significativos para dinamizar la actividad interna y mantener la inflación bajo control.

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Growth surprises to the downside in 1Q13, due to a sharp slowdown in consumption

GDP expanded by 0.6% QoQ in the first quarter, the same pace as in 4Q12, frustrating generalized expectations of acceleration in domestic activity (BBVA: 1.1% QoQ; consensus: 0.9% QoQ). The figures released today should trigger a new round of downward revisions to 2013 GDP (to certainly less than 3.0% and probably to around 2.5%). In addition, they add extra pressure on the government, which makes a new round of fiscal measures especially likely. Finally, they increase the chance of a softer SELIC adjustment at today's monetary policy meeting. 1Q13 GDP data are very bad news for an economy facing significant problems to grow and keep inflation under control.

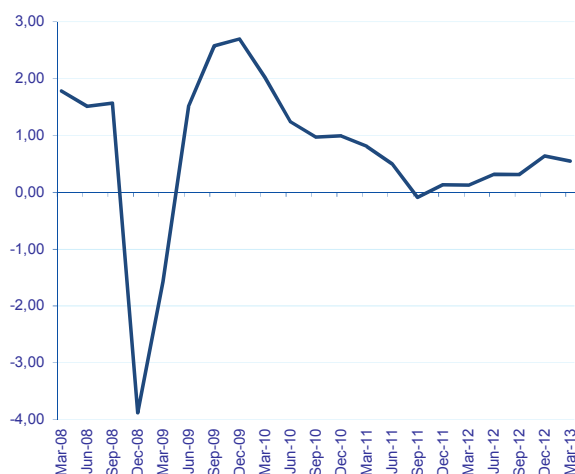
- **Investment rebounded, but consumption decelerated and exports fell abruptly**

The positive news brought by the robust expansion in investment (4.5% QoQ) was more than counterbalanced by a significant slowdown in private consumption (0.1% QoQ vs. 1.0% QoQ in 4Q12), in public consumption (0.0% QoQ vs. 0.6% in 4Q12) and a strong decline in net exports (exports dropped 6.4% QoQ and imports grew 6.3% QoQ). The series of incentives being introduced in the last quarters, lower industrial inventories, some improvement in the global environment and the fading effect of some negative shocks that hit the economy in 2012 are behind this expansion in investment. However, these factors refrained from keeping private consumption growth at relatively high levels, probably due to the impact of high inflation and less supportive labor and, especially, credit markets. Regarding the deterioration in net exports, it is due to, among other reasons, increasing competitiveness problems faced by the manufacturing sector, low demand in developed economies and the expansion in investment (which helped to drive up imports). Looking at the sectorial decomposition of GDP, industry declined 0.3% QoQ, services grew 0.5% QoQ and agriculture recovered from a 6.1% drop in 4Q12 and expanded by 9.7% QoQ in 1Q13 (to some extent due to the impact of better climate conditions on the domestic harvest). Brazil's financing needs reached 4.5% of GDP in the first quarter, compared to 2.5% in the same period last year.

- **1Q13 GDP figures increase the uncertainties regarding the country**

Growth figures revealed today by the IBGE, the national statistical office, reinforce the concerns with the structural deterioration faced by the Brazilian economy, especially with its limited capacity to grow without generating distortions (see our recent [Brazil Economic Outlook](#) for a detailed discussion of this issue). We expect the government to react to today's figures by making fiscal policy more expansive (which would imply a sharper deterioration of fiscal accounts). In addition, the BCB could decide to adopt a softer monetary tightening cycle than we are currently expecting (it could decide to hike the SELIC rate by 25bp instead of by 50bp as we are expecting at today's monetary policy meeting). In our view, the country continues to miss an agenda to adjust its growth model, i.e. to make growth more focused on the supply side of the economy and less dependent on the public sector. In spite of the recurrent signs of exhaustion of the current growth model, we still see unlikely that government policies change significantly in the direction of a more balanced model.

Chart 1
GDP (QoQ%)



Source: IBGE and BBVA Research

Chart 2
GDP: demand and supply components

	y/y %			q/q %		
	1Q13	4Q12	3Q12	1Q13	4Q12	3Q12
GDP	1,9	1,4	0,9	0,6	0,6	0,3
Priv.Cons.	2,1	3,9	3,4	0,1	1,0	0,9
Pub.Cons.	1,6	3,1	3,2	0,0	0,6	0,0
GFCF	3,0	-4,5	-5,6	4,6	1,3	-1,6
Exports	-5,7	2,1	-3,2	-6,4	6,1	-0,3
Imports	7,4	0,4	-6,4	6,3	8,4	-7,2
Agriculture	17,0	-7,5	3,6	9,7	-6,1	4,8
Industry	-1,4	0,1	-0,9	-0,3	0,0	0,6
Services	1,9	2,2	1,4	0,5	0,7	0,3

Source: IBGE

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