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Flash Brasil

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Análisis Económico

Brasil
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Contracción del PIB en el tercer trimestre

Impulsado por una contracción de la inversión, el PIB se redujo en un 0,5% t/t en 3T13, más de lo esperado (BBVA: -0.1% t/t; consenso: -0,3% t/t). Se espera que la actividad económica gane algo de impulso de aquí en adelante. Sin embargo, las cifras dadas a conocer hoy se suman a la reciente ola de pesimismo sobre Brasil. Además, deberían ayudar al BCB a allanar el camino para el final del ciclo de ajuste monetario en enero.

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GDP contraction in 3Q13

Driven by a contraction in investment, GDP declined by 0.5% QoQ in 3Q13, more than expected (BBVA: -0.1% QoQQ; consensus: -0.3% QoQ). Economy activity is expected to gain some momentum ahead. However, the figures released today add to recent wave of pessimism regarding Brazil. In addition, they should help the BCB to pave the way to an end to the monetary tightening cycle in January.

- **Investment and exports declined; consumption gained momentum**
  In quarterly terms, the 0.5% QoQ drop in 3Q13 is to some extent explained by the contraction in investment (-2.2% QoQ vs. 4.2% QoQ and 3.6% in 1Q13 and 2Q13). The partial exhaustion of previously introduced incentives, the volatility in financial markets and the exchange rate depreciation helped to drive confidence down, increase interest rates and drive production costs up, therefore determining a deceleration in investment. External demand contributed negatively to growth in 3Q13 as the moderation in imports (-0.1% QoQ) was offset by a sharp drop in exports (-1.4% QoQ). Inflation moderation and labor market resilience helped to drive private consumption up (1.0% QoQ vs. -0.1% QoQ and 0.3% QoQ in 1Q13 and 2Q13, respectively), preventing an even larger decline in growth. Similarly, public growth expanded 1.2% QoQ in the quarter. By supply components, both services and industry remained practically stable (0.1% QoQ and 0.1% QoQ, respectively) while agriculture contracted by 3.5% QoQ. All in all, 3Q13 GDP figures are another clear sign of fragility of the economy.

- **In yearly terms, growth decelerated to 2.2% YoY in 3Q13**

  After peaking at 3.3% YoY in 2Q13, yearly GDP growth reached 2.2% YoY in 3Q13. By demand components, the deceleration was observed in private consumption (2.3% YoY vs. 2.6% YoY in 2Q13), investment (7.3% YoY vs. 9.1% YoY in 2Q13) and exports (3.1% YoY vs. 6.3% YoY in 2Q13). The only components that accelerated in yearly terms in the quarter were public consumption (2.3% YoY vs. 0.8% YoY in 2Q13), which has a relatively small weight on GDP, and imports (7.7% YoY vs. 13.7% YoY in the previous reading), which impacts growth negatively. By supply components, there was a very sharp deceleration in agriculture (-1.0% YoY vs. 11.6% YoY in 2Q13) and some slowdown in services (2.2% YoY vs. 2.4% YoY) and industry (1.9% YoY vs. 2.7% YoY).

- **Growth revision: slightly higher expansion in 2012 and less supportive statistical effects in 3Q13**

  The incorporation of the Monthly Service Survey into national accounts, among other things, determined a revision of GDP series. 2012 GDP growth was revised upwards to 1.0% from 0.9%. 1Q13 and 2Q13 GDP growth rates were revised to 0.0% QoQ and 1.8% QoQ, respectively, from 0.6% QoQ and 1.5% QoQ. These revisions make statistical carryover effects less favorable for growth in 2013, which together with the negative surprise in 3Q13, add a clear downward bias to our current growth forecasts (see below for more on this issue).

- **Looking ahead: modest activity recovery and end of the monetary tightening cycle**

  While the prospects for domestic growth are far from being bright, we expect GDP to rebound somewhat and to grow around 0.4% QoQ in 4Q13 due to the relative resilience of private consumption and some improvement in both investment and export. Nonetheless, 3Q13 GDP figures introduce a clear downward bias to our current growth forecasts (2.6% in 2013 and 2.8% in 2014). Even though things should not get as bad ahead as they got in terms of growth in 3Q13, data released today should reinforce the (justified) concerns about the country. Finally, although inflation remains high, we expect "growth problems" to contribute for the BCB to put an end to the ongoing tightening cycle in January, with a +25bp adjustment (although the probability of maintaining the SELIC rate stable at 10.0% increases after today's growth data).

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