

# Brazil Flash

## Tighter than expected labor market

The unemployment rate dropped from 5.8% in October to 5.2% in November, significantly less than markets expected (5.7%). The labor market dynamism in November helps to support the view that domestic activity will rebound in the end of 2011.

- **The unemployment reaches new historical low**

The unemployment rate reached 5.2% in November, the lowest rate since the series started being released in 2002. The drop was significant and not only driven by seasonal factors (as the seasonally adjusted series shows unemployment declined from 5.9% in October to 5.4% in November). Even though the expansion of real average wages was timid (0.1% m/m) and the net creation of jobs in the period surprised to the downside (observed: 42 thousand; expected: 80 thousand) according to the data released some days ago, labor markets remain tight. The labor market tightness is still an important risk in terms of inflation, and not necessarily a decreasing one as remarked by the CB in its most recent Inflation Report released today.

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