

# Brazil Flash

## Economic activity rebounded in November

Retail sales expanded 1.3%*m/m* in November, significantly more than expected. The figure reinforces the view that economic activity rebounded in the end of the year after a sharp deceleration in the three previous months. We see retail sales data released today in line with a GDP growth of around 0.3%*q/q* in Q4.

- **Retail sales expansion in November was the strongest in the year.**

Retail sales grew 1.3% in November. The figure surprised markets very positively as consensus was around 0.5%*m/m*. The performance of retail sales in November is in contrast with results recorded in previous months (average growth between August and November was 0.0%*m/m*). The expansion of retail sales was, actually, the highest since August of 2010. In yearly terms, retail sales grew 6.8%*y/y* in November.

- **Recovery could reduce the room for extra monetary easing.**

The claim that economic activity rebounded in the end of the year is also supported by other high-frequency indicators such as industrial production which expanded 0.3%*m/m* in November after three months of negative readings. The recovery of the economy should be confirmed next week when the Central Bank releases its economic activity indicator, which is expected to have grown around 0.7%*m/m* in November. All in all, the economy shows signs of recovery due to the announcement of some countercyclical measures in the last months and to a recent moderation of the turbulences in Europe. We expect GDP to grow around 0.3%*q/q* in Q4 and somewhat more than that at the beginning of 2012. This recovery could reduce the room for the CB to cut interest rates, which is consistent with our call of (only) two additional 50bps cuts of the SELIC (markets are, in general, pricing three or four 50bps cuts this year).

Enestor Dos Santos  
[enestor.dossantos@bbva.com](mailto:enestor.dossantos@bbva.com)  
+34 639 82 72 11

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