

# Brazil Flash

## Unemployment reached 5.5% in January, in line with expectations

The unemployment rate remained close to historically low levels in January. Wages expanded 0.7%*m/m* in real terms, more than the average growth observed last year (0.2%*m/m*). The dynamism of Brazilian labor markets will be one of the main supporters of a GDP growth around 0.8%*q/q* in the first quarter of the year.

- **The minimum wage adjustment helped to drive wages up in January**

The unemployment rate increased to 5.5% in January from 4.7% in December, mostly due to seasonal factors. A seasonally-adjusted series shows that the unemployment rate reached 5.7% in January, more than the 5.4% rate observed in December, but less than the average of 2011 (6.0%). The strong expansion of average wages was at a large extent due to the 15% minimum wage adjustment implemented in January. The positive performance of labor markets should continue in the next months and should be one of the main supporters of domestic demand. We expect both private consumption and investments in fixed capital to trend upwards in Q1 12 after having recovered in Q4 11 from a downward correction in Q3 11. The labor market data released today is in line with a GDP growth of around 0.8%*q/q* in the first quarter of the year, which is markedly higher than the 0.3%*q/q* GDP growth we estimate for the fourth quarter of 2011. Our estimation for the last quarter was, actually, supported by the release this week of the Central Bank's Economic Activity Index for the same period, which showed an expansion of 0.27%*q/q* in the last quarter of 2011 (and of 0.57%*m/m* in December).

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