

# Economic Watch

## Brazil

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Economic Analysis

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**Brazil: retail sales expanded 2.3%q/q in Q1, accelerating in comparison to Q4**  
Retail sales data show domestic demand remains too strong in spite of the countercyclical measures that have been announced in the last months. This strength supports our estimations which indicate GDP grew 1.1%q/q in the first quarter of the year

- Retail sales expanded 1.2%m/m (4.1%y/y) in March, slightly less than markets expected (1.3%m/m; 4.4%y/y).
- February and January figures were, respectively, revised upwards to 0.3% m/m and 1.3% m/m from -0.4%m/m and 1.1%m/m.
- All in all, retail sales expanded 2.3%q/q in the first quarter of the year, accelerating with respect to the fourth quarter of 2010 when they grew 1.5%q/q.
- Today's retail sales data show domestic demand continues to be very strong in spite of the countercyclical measures that have been announced since the end of 2010.
- We expect the dynamism of domestic demand to trigger more policy action. More precisely, the CB should continue adjusting the SELIC rate up, the government should deliver the promised fiscal adjustment, and official banks should be under pressure to slow credit down.
- Taking into account today's retail sales figure, we reinforce our forecast of a 1.1%q/q GDP expansion in the first quarter of the year, which is more than the 0.6%q/q average pace observed in the second half of 2010 but less than the 1.9%q/q growth recorded in the first half of 2010 when the economy was still recovering from the worst of the crisis. For 2011 as a whole we expect GDP to grow 4.0%.

For more on Brazil, click [here](#)

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