Flash Brasil

Señales de recuperación y otras buenas noticias

Las ventas al por menor crecieron 1,4%m/m en julio, añadiendo a la reciente evidencia de que la actividad interna se está recuperando. Algunas otras noticias podrían ayudar a que el entorno macroeconómico pasara a ser menos negativo en los próximos meses. En concreto, se anunciaron concesiones de infraestructura al sector privado así como un significativo recorte de los costes energéticos que se espera incentiven la competitividad y reduzcan las presiones sobre la inflación (así como sobre los tipos de interés).

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Recovery signs and other good news

Retail sales expanded by 1.4%m/m in July and added to the very recent evidence that domestic activity is rebounding. Some other recent news could help to create a less negative macroeconomic environment in the months ahead, namely infrastructure concessions to the private sector and significant cuts in energy costs which are expected to boost competitiveness and to take some pressure off inflation (and off interest rates).

- **We expect GDP to grow more than 1.0%q/q in both Q3 and Q4**

  After one year of practical stagnation, high-frequency indicators started to suggest that economic activity is finally rebounding following the sharp reduction of interest rates and the introduction of tax-incentives to some specific sectors. Retail sales grew 1.4%m/m in July, according to official data released today. This was the second robust expansion in a row (in June retail sales had expanded by 1.6%m/m). Other high-frequency indicators (such as capacity utilization in the manufacturing industry, hours worked in production, corrugated paper shipment, steel production, vehicles production, vehicles sales and business confidence) support the view that activity started to rebound more solidly in July/August. In line with these indicators, we expect the August industrial production index to be released on Oct 2 to show manufacturing production is accelerating. We expect GDP growth to be above 1.0%q/q in both third and fourth quarters, in comparison to 0.25%q/q on average in the first two quarters of the year. This would put the economy on track for a healthier growth in 2013, but will not be enough to drive 2012 growth higher than 2.0%.

- **Growth policies: pragmatic steps in the right direction**

  Following intense criticism for relying on short-term, credit/consumption-based policies to drive growth up, the government announced in the last weeks some structural measures that in our view will be more effective to support growth. A R$133bn transport infrastructure investment plan centred on the private sector participation was unveiled in August and a significant reduction in energy costs was announced this week. Regarding the latter, industrial electricity prices will fall by as much as 28% and consumer tariffs by around 16% at the beginning of 2013. This impressive reduction in electricity prices will be allowed by tax cuts as well as by renegotiating concession contracts, which were in many cases to come due between 2015 and 2017. Looking ahead, we expect more infrastructure concessions to be announced within the next weeks. Now that the government seems to have put competitiveness issues at the top of its priorities, we should not rule out the adoption of even more measures to address Brazil’s competitiveness problems.

- **We cut our 2013 inflation forecasts and reinforce the call for a stable SELIC over 2013.**

  In addition to providing support to the productive sector, the cut in energy prices is expected to provide some relief to inflation. More precisely, the impact of lower consumer tariffs on the IPCA is calculated to be slightly higher than 50bps. On the other hand, we do not expect the drop in industrial rates to be passed along to consumers. We, therefore, revised our inflation forecasts for the end of 2013 from 5.5% to 5.4%. The revision is, however, lower than the direct impact of lower energy costs on prices as we expect fiscal policy to be more expansive (in part due to tax incentives being provided) and fuel and food prices to be less supportive than expected before (the government is likely to use the space created by lower electricity prices to authorize an increase in fuel prices). Regarding 2012 inflation, we revised it upwards to 5.3% from 5.1% due to higher food prices. Anyway, the cut in energy costs creates a more benign scenario where the Central Bank will more easily avoid a SELIC hike next year. We, therefore, reinforce our call for a stable SELIC over 2013. Before that, in October, we expect a final interest rate cut of 25bps.

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