

# Flash Brasil

## Señales de recuperación y otras buenas noticias

Las ventas al por menor crecieron 1,4%/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).

Para ver más acerca de Brasil, [haga clic aquí](#)

## Recovery signs and other good news

Retail sales expanded by 1.4%/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 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). 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.

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

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

**BBVA** | RESEARCH



| Pº Castellana 81, Floor 7, 28046 Madrid | Tel.: +34 91 374 60 00 | [www.bbva.com](http://www.bbva.com)

## DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

**Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report.** Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

**The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.**

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

**"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: [www.bbva.com](http://www.bbva.com) / Corporate Governance".**

**BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.**