

# Flash Brasil

## El PIB sorprende muy negativamente a la baja en el T3 y pone en duda el proceso de recuperación de la economía

El PIB creció 0,6%t/t en el T3, más que en los cinco trimestres previos, pero muy por debajo de lo esperado (BBVA Research: 1,4%; consenso: 1,2%). Tras el decepcionante anuncio del PIB, esperamos que el gobierno anuncie pronto más medidas de estímulo al crecimiento. Continuamos esperando que el SELIC siga estable en 7,25% en los próximos meses, aunque la probabilidad de un nuevo recorte sea ahora mayor que antes.

## Q3 GDP surprises heavily on the downside and casts doubt on economic recovery

GDP expanded by 0.6%QoQ in Q3, more than in the previous five quarters, but well below expectations (BBVA Research: 1.4%; consensus: 1.2%). Following the release of disappointing GDP data, we expect the government to soon announce more measures to support activity. We continue expecting the SELIC to remain stable at 7.25% in the months ahead, but the chance of a new downward adjustment has now increased.

- **Investment dropped for the fifth quarter in a row, undermining domestic demand**

After growing no more than 0.2%QoQ in each of the previous four quarters, GDP expanded by 0.6%QoQ in Q3. In yearly terms, GDP growth increased to 0.9%YoY from 0.5%YoY in Q2. By demand components, GDP benefited in the third quarter from a non-negligible expansion of private consumption (0.9%QoQ), an improvement in net external demand (due a drop of 6.5%QoQ in imports and a 0.2%QoQ increase in exports) and, to a smaller extent, from a 0.1%QoQ expansion in public consumption. However, investment in fixed capital (i.e. gross fixed capital formation) declined 2.0%QoQ and -once more- undermined growth. The weakness of this demand component is, in our view, related to a turbulent external environment and, especially, to domestic issues such as the excessive intervention of the government in the economy, which has been a source of uncertainty and regulatory risk.

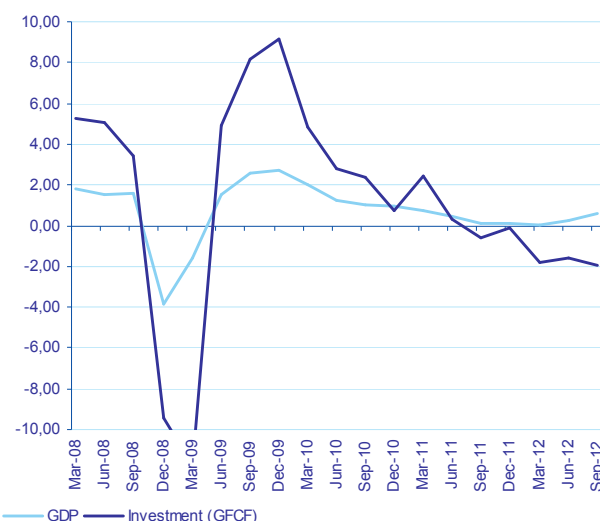
- **GDP figures add a negative bias to our current growth forecasts**

We should soon revise downwards our GDP forecasts for the country, not only due to incoming data but also because growth ahead will likely not be as strong as we expected. In 2012, growth will not be significantly higher than 1.0% and will certainly be lower than 1.6%, our current official forecast. The data released today also suggests that our 4.2% GDP forecast for the next year is somewhat optimist. Even though we continue expecting growth to gradually gain momentum in the quarters ahead, the weakness of the investment segment together with an unusually high degree of domestic and external uncertainty imply that the recovery process will develop at a slower-than-expect pace.

- **Government to take new measures to support growth**

Following the announcement of lower-than-expected growth in Q3, we expect the government to soon take a new set of measures to push domestic activity. We see especially likely the announcement of more tax incentives, the acceleration of public expenditures and an additional expansion of credit from public banks. The “competitiveness agenda” to address some of the Brazil’s structural problems could also gain force from now on. It is not clear whether the government will try to change its current “macro-managerial/interventionist” image to create a more benign environment for investment, but we would see with no surprise a change in that direction. Finally, we think that the data released today reinforce the perspective of stability of the SELIC rate for a long period. In our view, the monetary authority would only decide to cut the SELIC in the case of an “accident” in developed economies or if growth figures continue frustrating recovery perspectives in the quarters ahead.

Chart 1  
GDP growth (q/q%; seasonally adjusted)



Source: IBGE

Chart 2  
GDP: demand and supply components

	y/y %			q/q %		
	Q3 12	Q2 12	Q1 12	Q3 12	Q2 12	Q1 12
GDP	0.9	0.5	0.8	0.6	0.2	0.1
Priv.Cons.	3.4	2.4	2.5	0.9	0.7	0.9
Pub.Cons.	3.2	3.1	3.4	0.1	1.0	1.5
GFCF	-5.6	-3.7	-2.1	-2.0	-1.6	-1.8
Exports	-3.2	-2.5	6.6	0.2	-3.5	-1.0
Imports	-6.4	1.6	6.3	-6.5	-1.5	0.4
Agriculture	3.6	1.7	-8.5	2.5	6.8	-7.7
Industry	-0.9	-2.4	0.1	1.1	-1.8	0.7
Services	1.4	1.5	1.6	0.0	0.5	0.6

Source: IBGE

Enestor Dos Santos  
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.bbvarresearch.com](http://www.bbvarresearch.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.**