

Economic Watch

Brazil

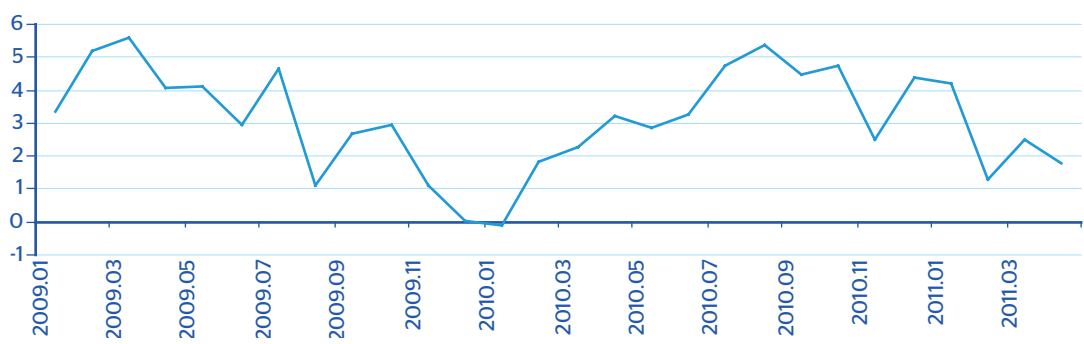
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Economic Analysis

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Brazil: labor market remains buoyant, but signs of moderation emerge

- The unemployment rate was equal to 6.4% in April, the lowest rate for the period since 2002 when the current series started being released. Real wages, however, grew at lower pace than before due to both a moderation of domestic demand and rising inflation.
- The unemployment rate dropped to 6.4% in April from 6.5% in March, in line with market expectations. The rate is substantially lower than in April 2010 (7.3%) and remains close to historically low levels.
- Average real wages dropped 1.8%*m/m* in April. This is the largest downward adjustment of real wages since 2006. In yearly terms, average real wages expanded 1.8%*y/y*, well below the average expansion observed in 2010 (3.3%*y/y*).

Chart 1
Average real wages (y/y%)



Source: IBGE

- The accommodation of real wages is a sign of moderation of a still too robust labor market and follows the moderation of the domestic demand and the increase in domestic prices observed in the last few months.
- Looking forward, we expect the labor market to gradually lose part of its buoyancy in the next few months following the implementation of more countercyclical economic policies and the slow down of economic activity.

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

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