

Brazil Watch

Brazil grew 2.9% in 2023

Announced: Friday, 01 March, 8:00am ET
 Actual: 0.0% qoqsa
 Previous: 0.0% qoqsa
 Consensus: +0.1% qoqsa
 BofA: -0.1% qoqsa

Stability in 4Q23 GDP

GDP growth was stable qoqsa in 4Q23 for the second consecutive time (vs 0.0% qoqsa in 3Q23, revised from +0.1%). Compared to the same quarter in 2022, activity growth was stalled at 2.0% yoy (from 2.0% yoy previously). As a result, real GDP ended 2023 with 2.9% growth, roughly in line with our above consensus forecast of 3.0%. In nominal terms, it reached 10.9 trillion Brazilian reais (US\$2.2tn). The savings rate for the year moved down to 15.4% (from 15.8% in 2022), without translating into higher investments. Indeed, the investment rate also declined to 16.5% of GDP (from 17.8%), i.e., the accumulated savings during the pandemics are being consumed in goods and services instead of increasing investments, likely due to still lagged effects of too restrictive monetary policy.

Industry progressed; agriculture got a payback

Looking at supply side, most of the categories posted positive results. Industry grew 1.3% qoqsa (vs 0.6% in 3Q23), pushed by the mining sector which increased 4.7%. Regarding services, the sector continued resilient, marking the fifth consecutive increase of 0.3% qoqsa (vs 0.3% in 3Q23), mainly due to financial services performance. Agriculture registered a contraction, with -5.3% qoqsa (vs -5.6% in 3Q23), as record soybean and corn crops that boosted growth in 1H24 continues to paybacks on GDP readings (compared to one year earlier, agriculture output was stable).

Domestic demand recovered

On the demand side, household consumption was disappointing at -0.2% qoqsa, particularly given the resilience in the labor market and the slowdown in inflation. Still, domestic demand recovered in the quarter due to larger investments (0.9% qoqsa, from -2.1%). Government consumption rose as well, registering 0.9% qoqsa. For the first time of the year, net exports contributed negatively, as imports increase (0.9% qoqsa) offset the shy exports hike of 0.1% qoqsa. Some inventories depletion was recorded for the second consecutive quarter, which is positive for production in coming quarters.

Reinforcing our forecasts of 2.2% growth in 2024

After 2023 GDP matched our end-year forecast, we continue to expect GDP growth at 2.2% this year, once again above consensus forecasts. As it was the case last year, growth for this year should be gradually revised to the upside by the market. Interest rates reduction and better credit market conditions are expected to bring positive results, amid a still resilient labor market.

01 March 2024

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