

Economic Watch

Brazil

Madrid, 22 June 2011
Economic Analysis

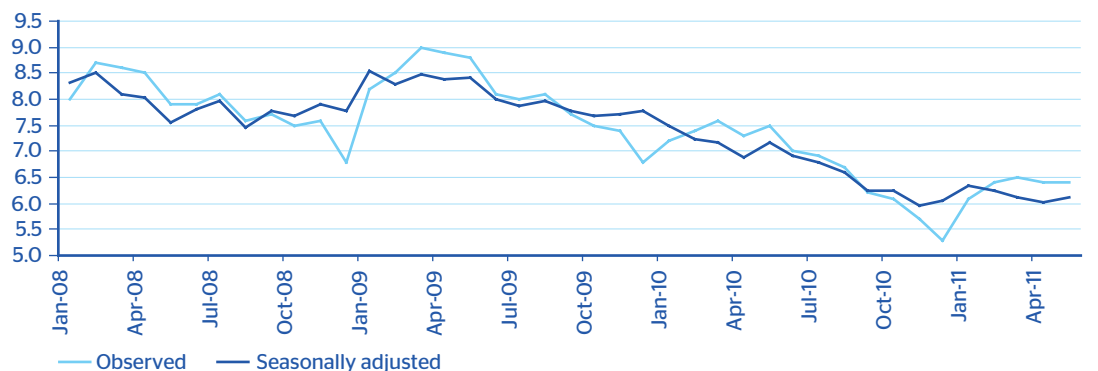
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The unemployment rate continued close to historical lows and wages picked up in May. The risks that the tightness of the labor market prevents inflation from easing as expected remains very alive

Brazil: the labor market remains excessively tight

- **The unemployment rate remained stable at 6.4% in May**, exactly as anticipated by markets consensus. This is the lowest rate for the month since the series started being released in 2001. In May of 2010 the unemployment rate was at 7.5%.
- **Stripping seasonal effects out, the unemployment rate increased slightly to 6.1% from 6.0% in April.** The seasonally adjusted series show, actually, that unemployment is practically constant since the end of 2010.
- **After dropping 1.8% m/m last month, average real wages grew 1.1% m/m in May, the strongest pace since September.** If health problems prevent her from govern the country, the power would fall into the vice-president Michel Temer (PMDB), which is a cause for concern.
- **More than reinforcing previous signs of moderation, the data released today show that labor markets remains buoyant**, which adds to the (“very important”) risks that inflation does not ease as expected.

Chart 1
Unemployment rate (%)



Source: IBGE

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

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