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Brazil's Retail Sales Signal Rise in Spending by Poor (Update1)

By Andre Soliani

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Sept. 19 (Bloomberg) -- Brazilian families in the impoverished northern states are increasing purchases of consumer goods faster than the national average, signaling government handouts are fueling growth in the region.

Retail sales in Maranhao, the poorest state by per capita gross domestic product, climbed 16.1 percent in the 12 months through July, compared with the 8.7 percent national average, according to national statistics agency data released yesterday.

Since taking office in 2003, Lula, who has pledged to spur growth to 5 percent annually, has increased cash handouts for the poor, raised the minimum wage and boosted state pensions. About 60 percent of the beneficiaries of the handouts, called the Bolsa Familia in Portuguese, live in the north and northeastern regions.

"Social programs haven't only achieved the goal of poverty reduction, but are also contributing to economic growth," Arlete Sampaio, deputy undersecretary of the Social Development Ministry, said in a telephone interview from Brasilia. "They are helping build a domestic market."

Retail sales in the northeastern states climbed 11 percent, while sales grew 13.5 percent in the northern region. Of the country's five regions, the midwest

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- Brazil's poverty rate fell to 38 percent in 2006 from 45.9 percent in 2003, Sampaio said, referring to a report released by the national statistics agency.
- Economic research institute Fundacao Getulio Vargas today said the so-called misery rate, or those living on less than 125 reais (\$67) a month, dropped to 19.3 percent in 2006, a 15 percent reduction from 2005 and the biggest drop on record.

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