



Brazil post-crises

"The Global Economic Crisis and South Africa"

Development Policy Research Unit – University of Cape Town

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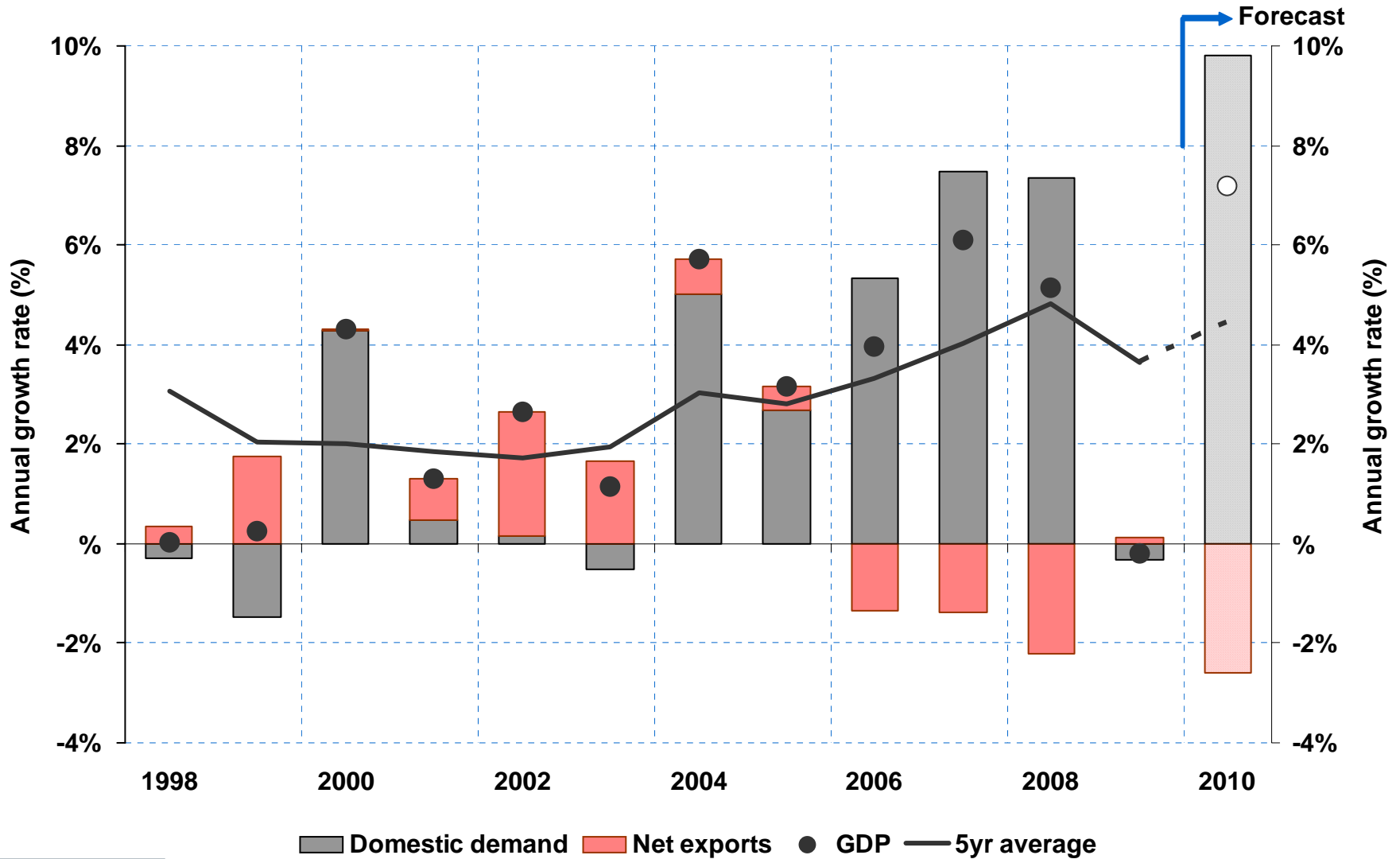
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Brazil: Stabilization, prosperity & shocks

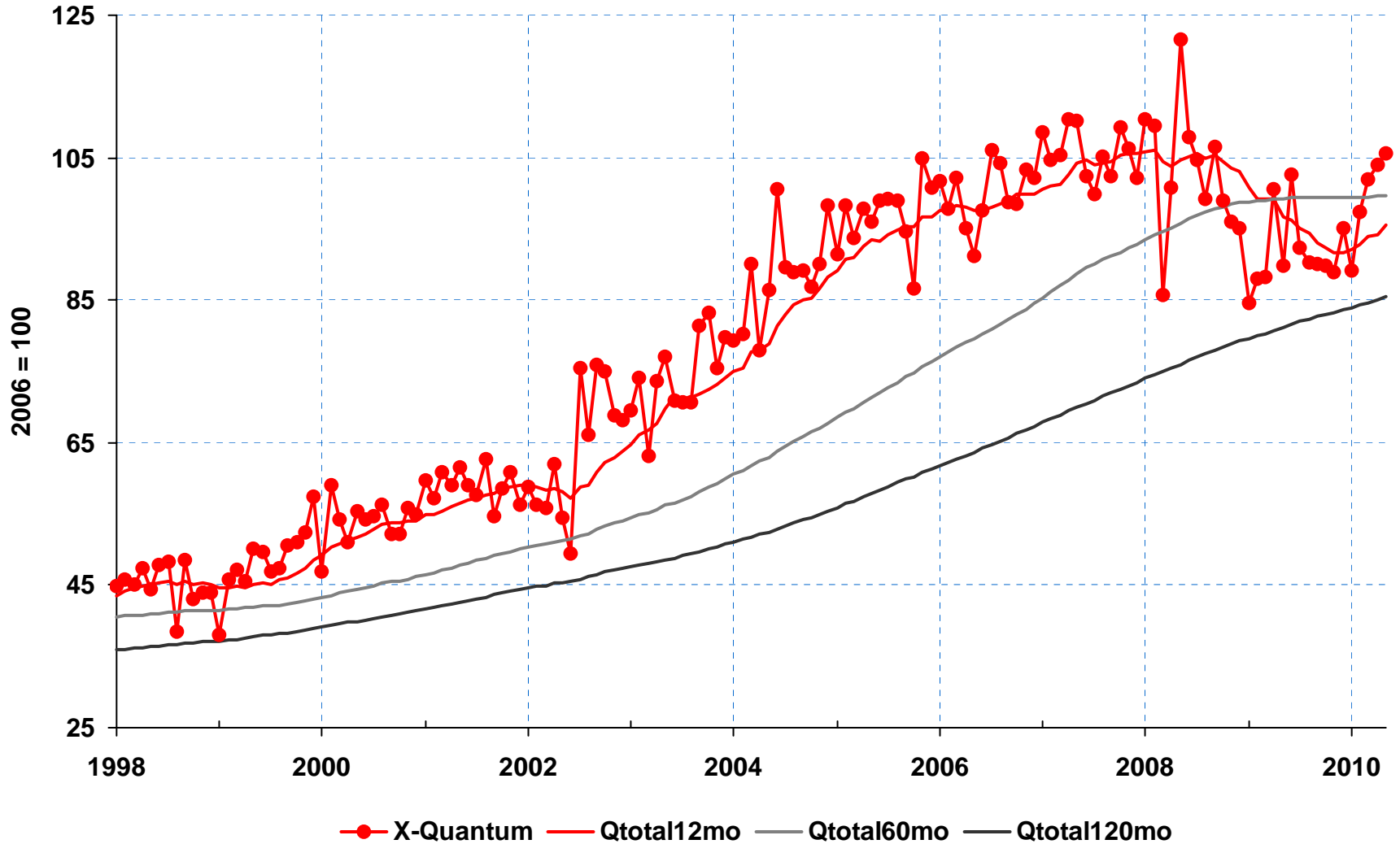
- I. After the lost decade: Economic and social progress post the Real Plan (July-1994)
- II. One regime, two shocks & two responses: Oct/2008 (anti-cyclical pro-employment policy) vs. Sep/2003 (pro-cyclical anti-employment policy)
- III. A new regime, or where does anti-cyclical policy stop?
- IV. The new Leviathan: public banks, industrial policy & state-induced growth – **concluding comments**

1. After the lost decade: Economic and social progress post the Real Plan (July-1994)

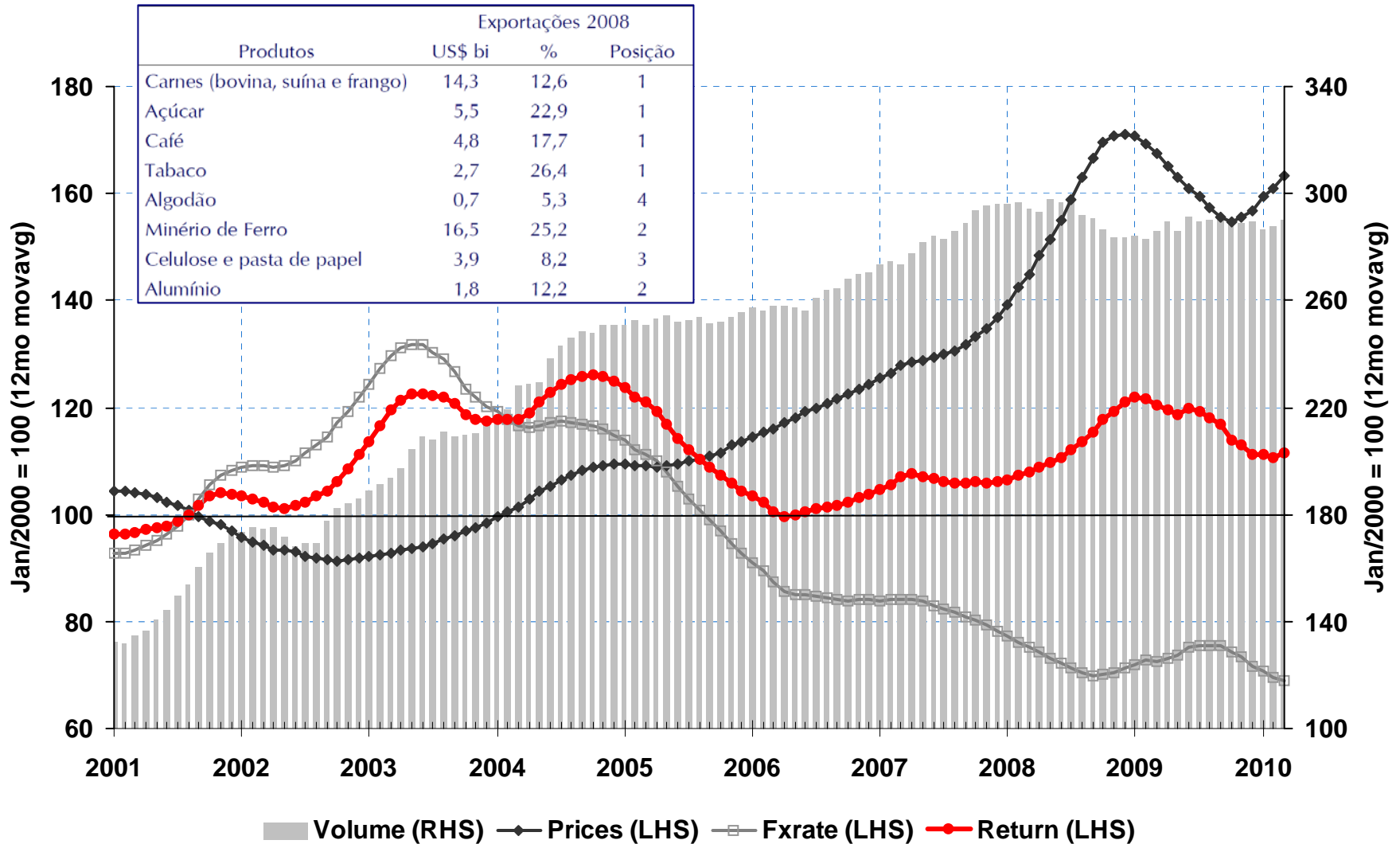
Growth



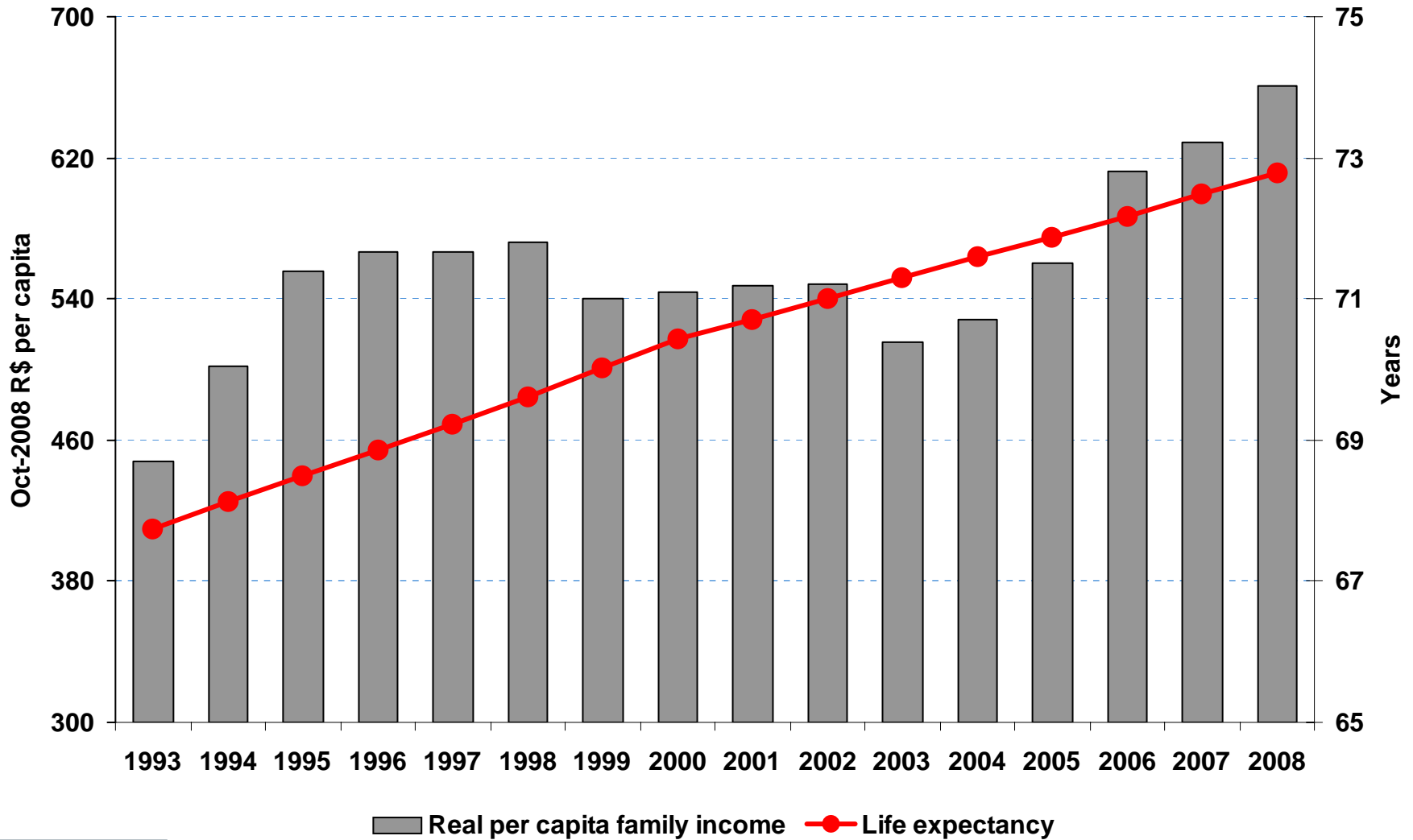
Export quantum



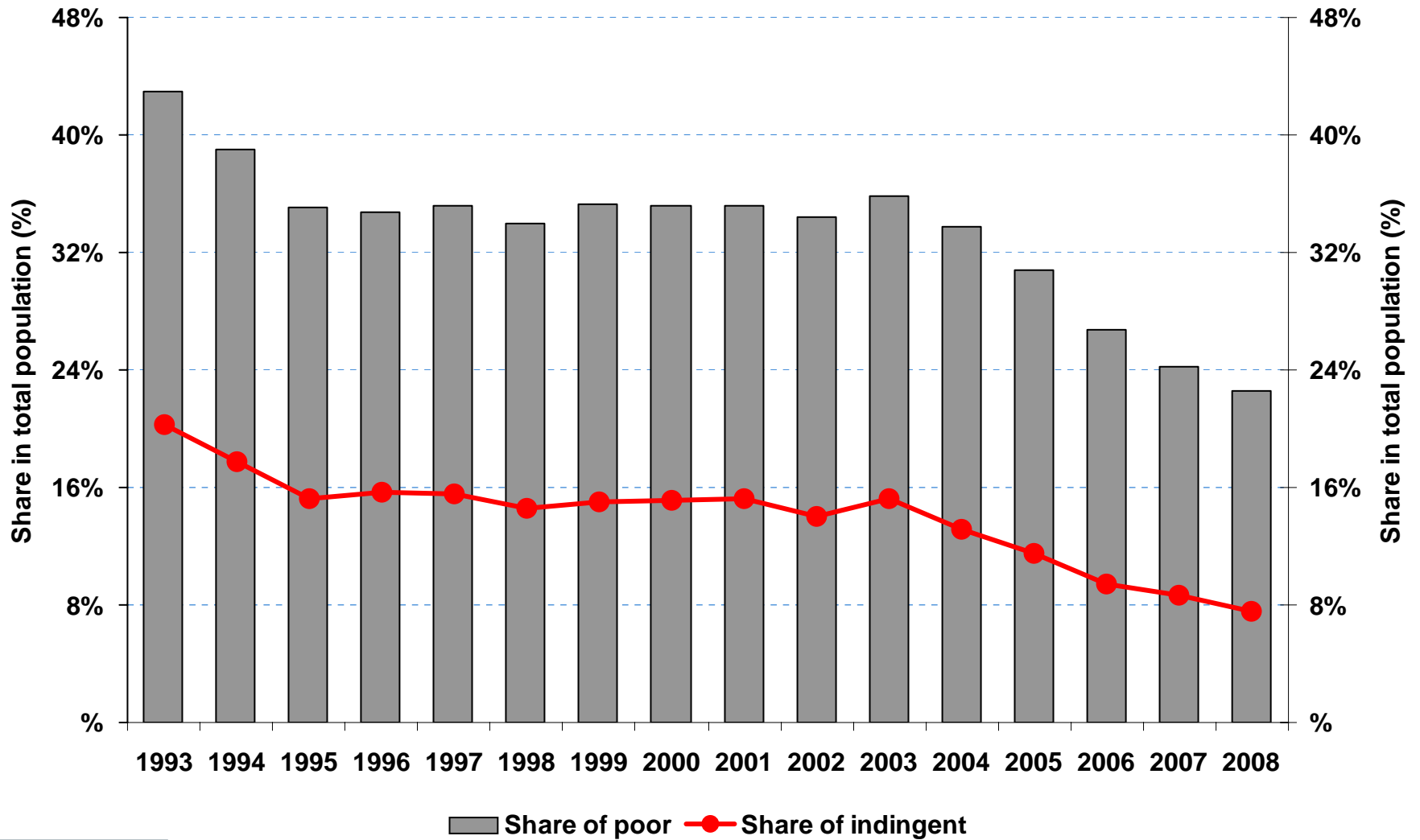
Brazil: Agrobusiness - Exports



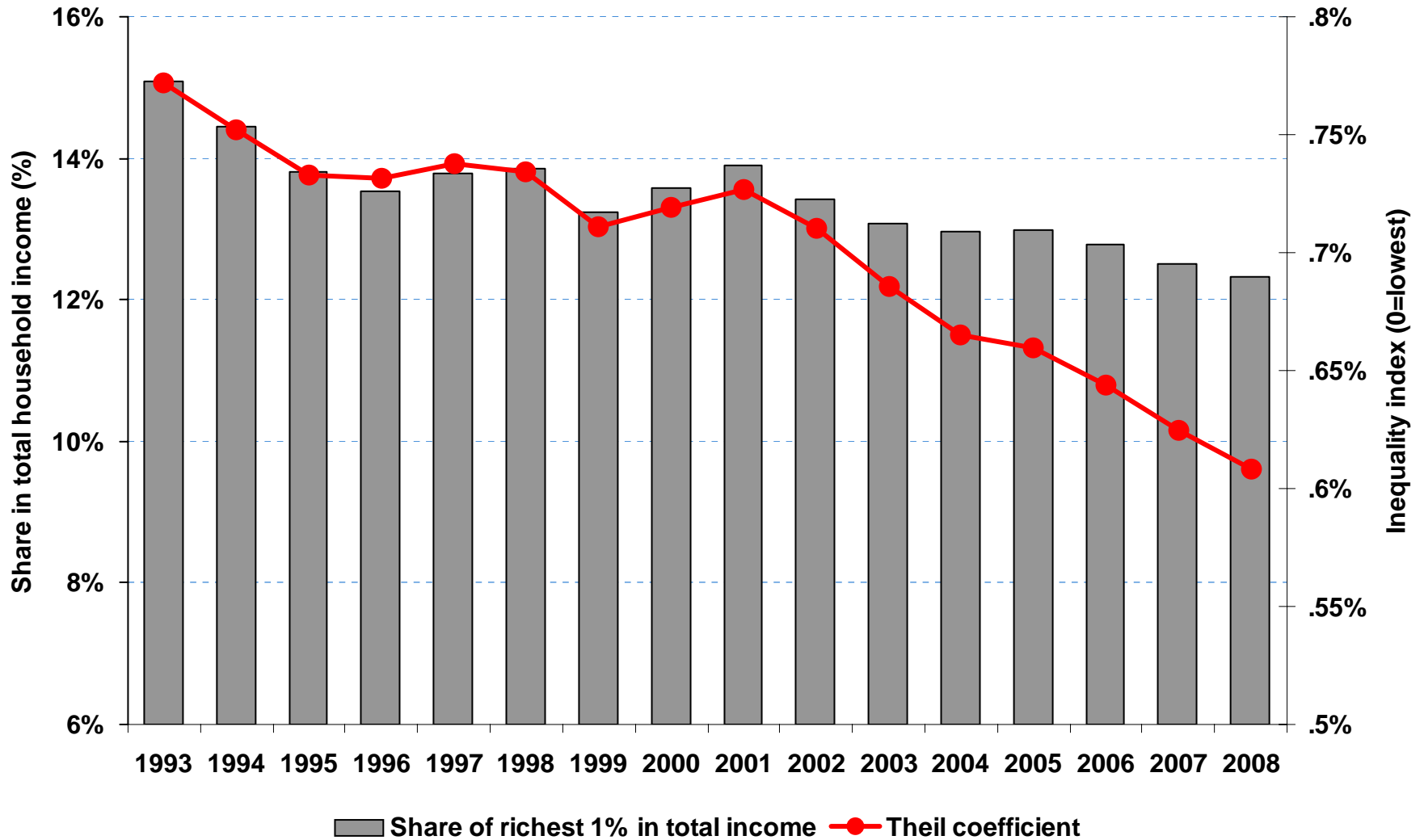
Well being



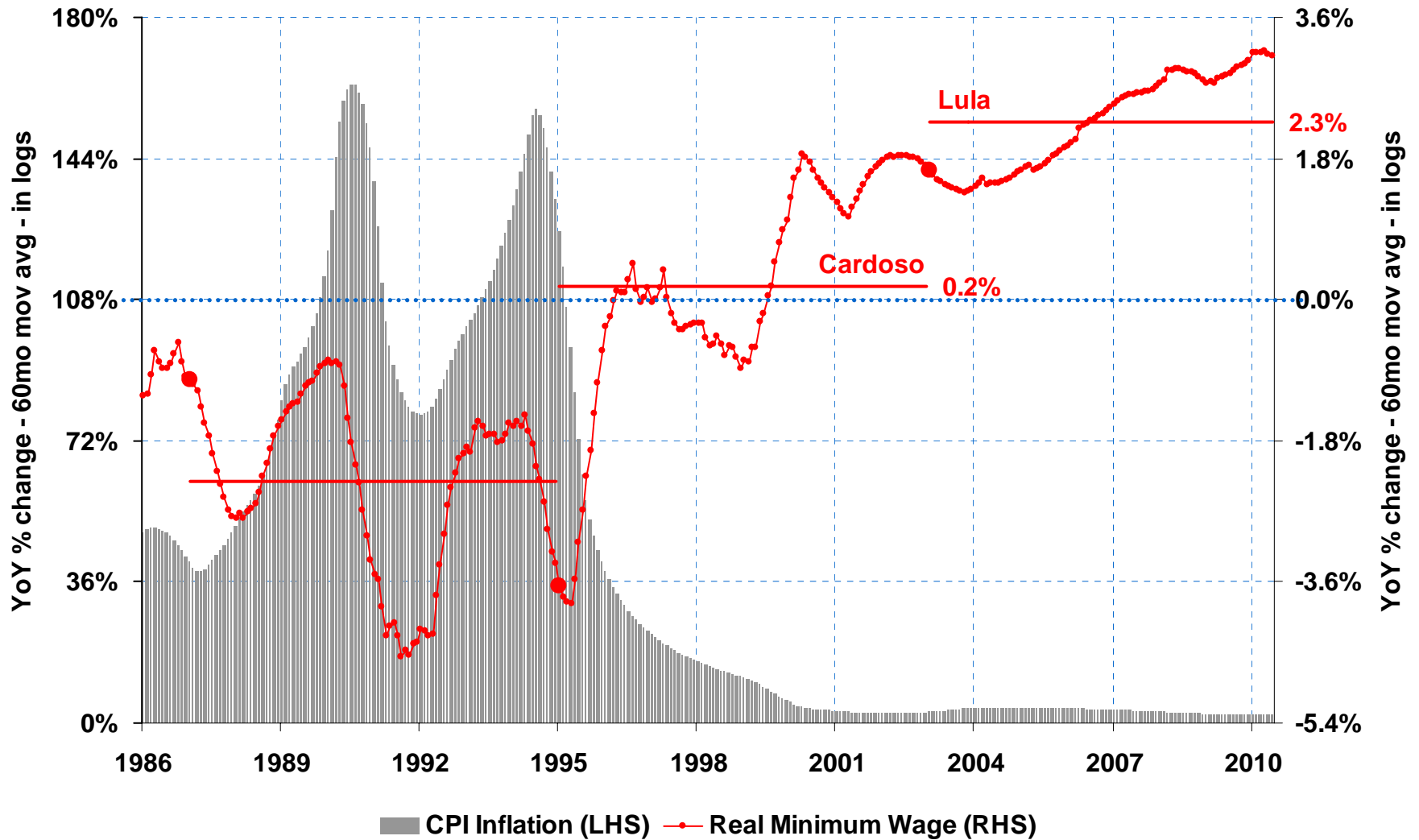
Poverty



Inequality

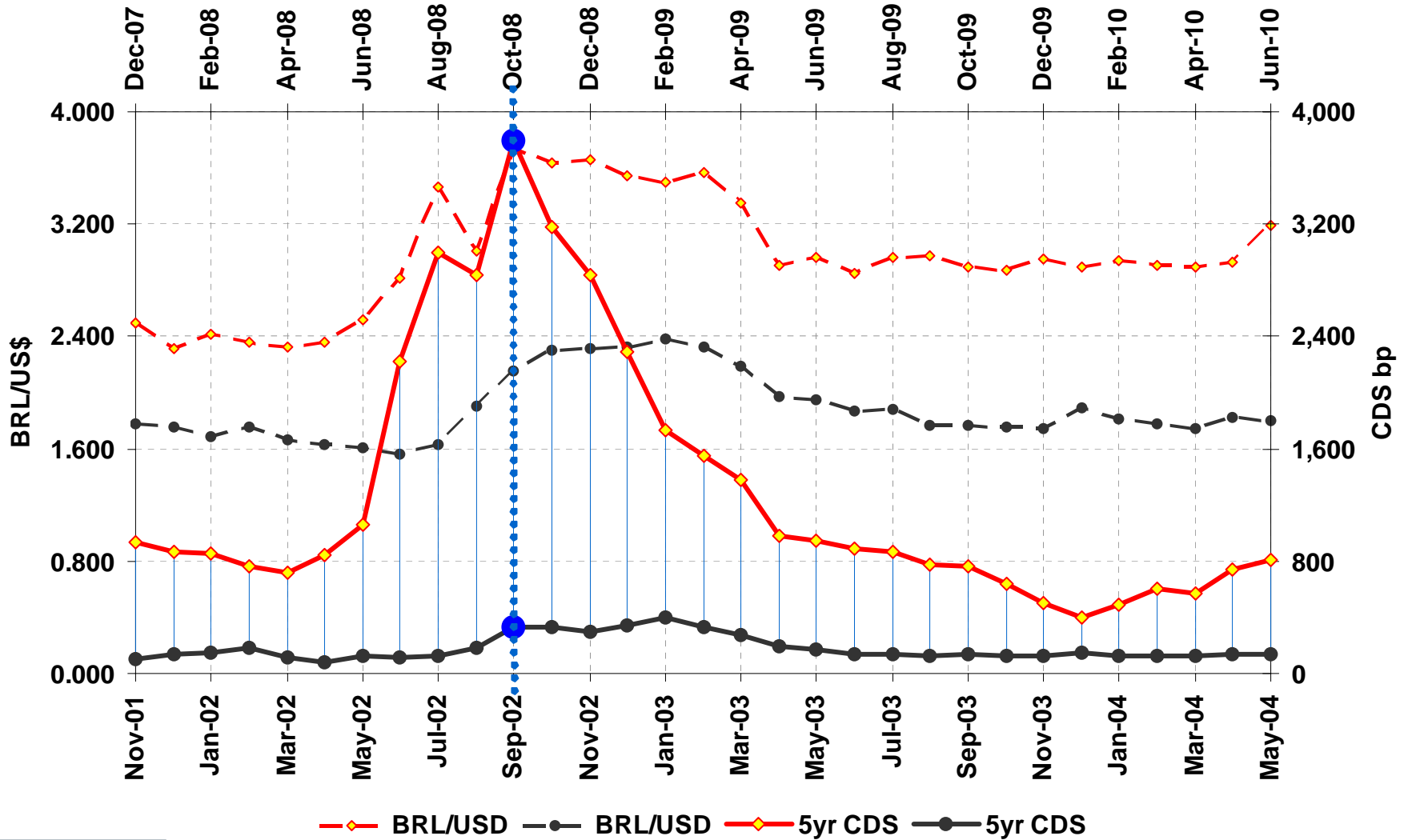


Inflation and real minimum wage

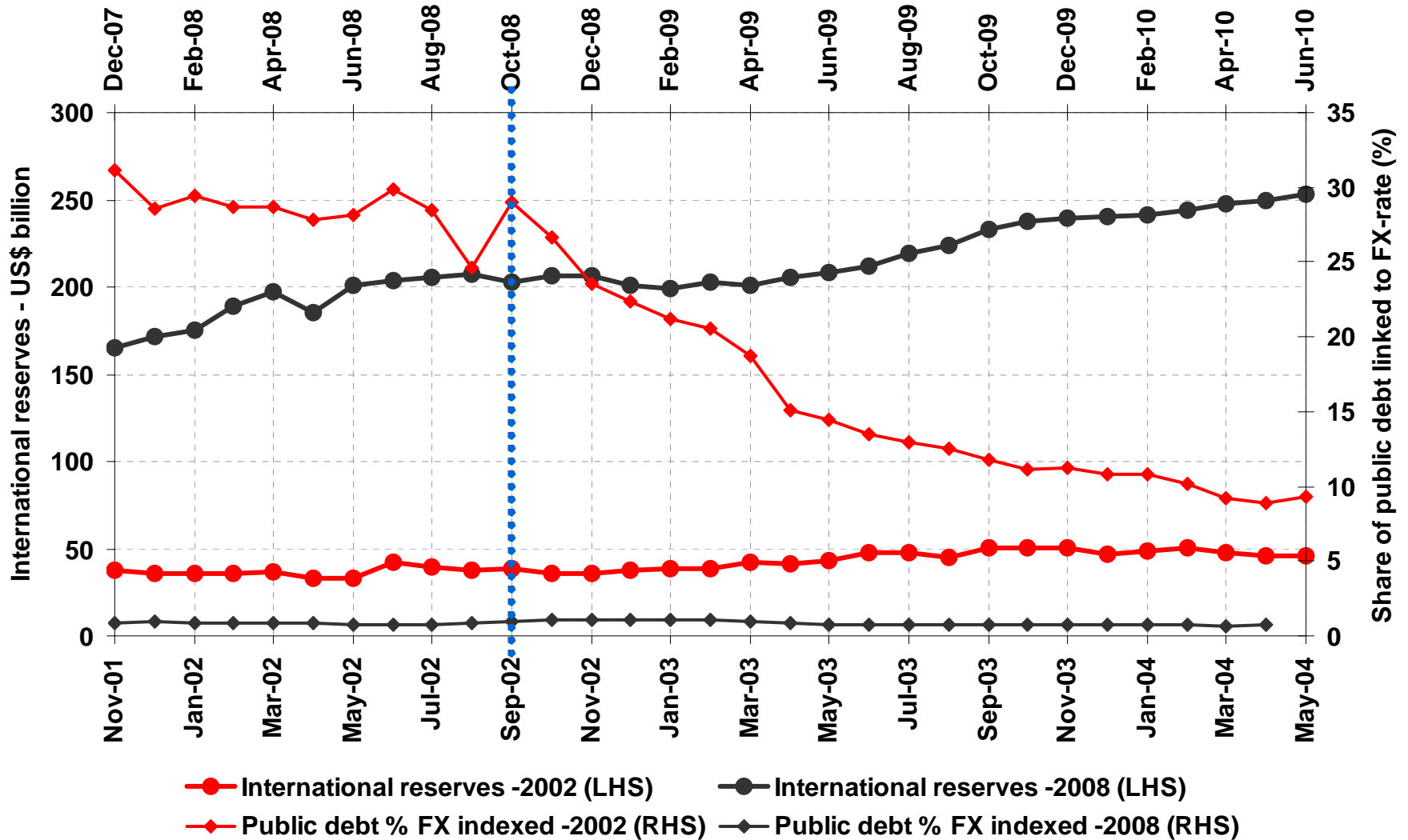


2. One regime, two shocks & two responses:
 - Oct/2008 (anti-cyclical pro-employment policy)
 - Sep/2003 (pro-cyclical anti-employment policy)

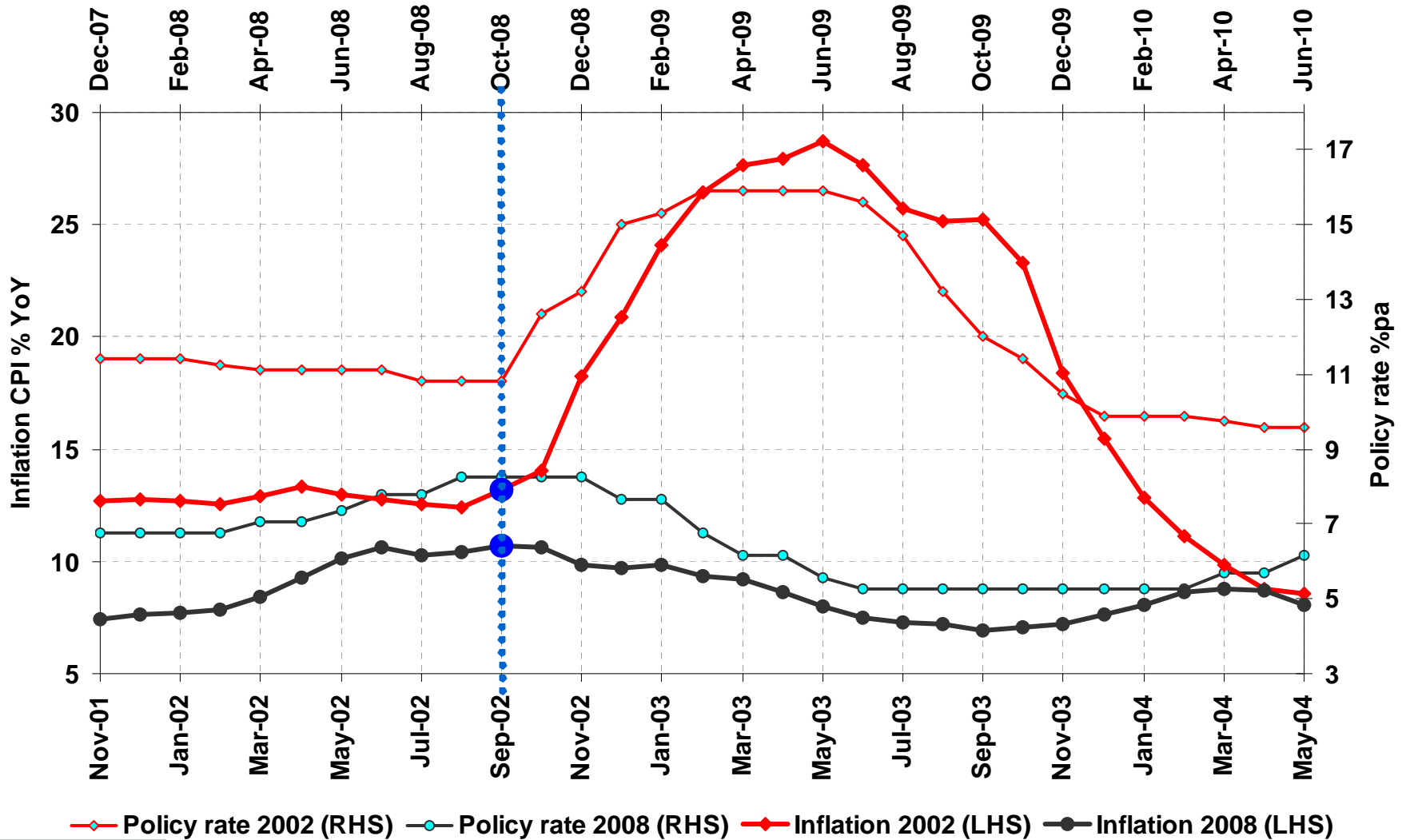
Exchange rate & country risk



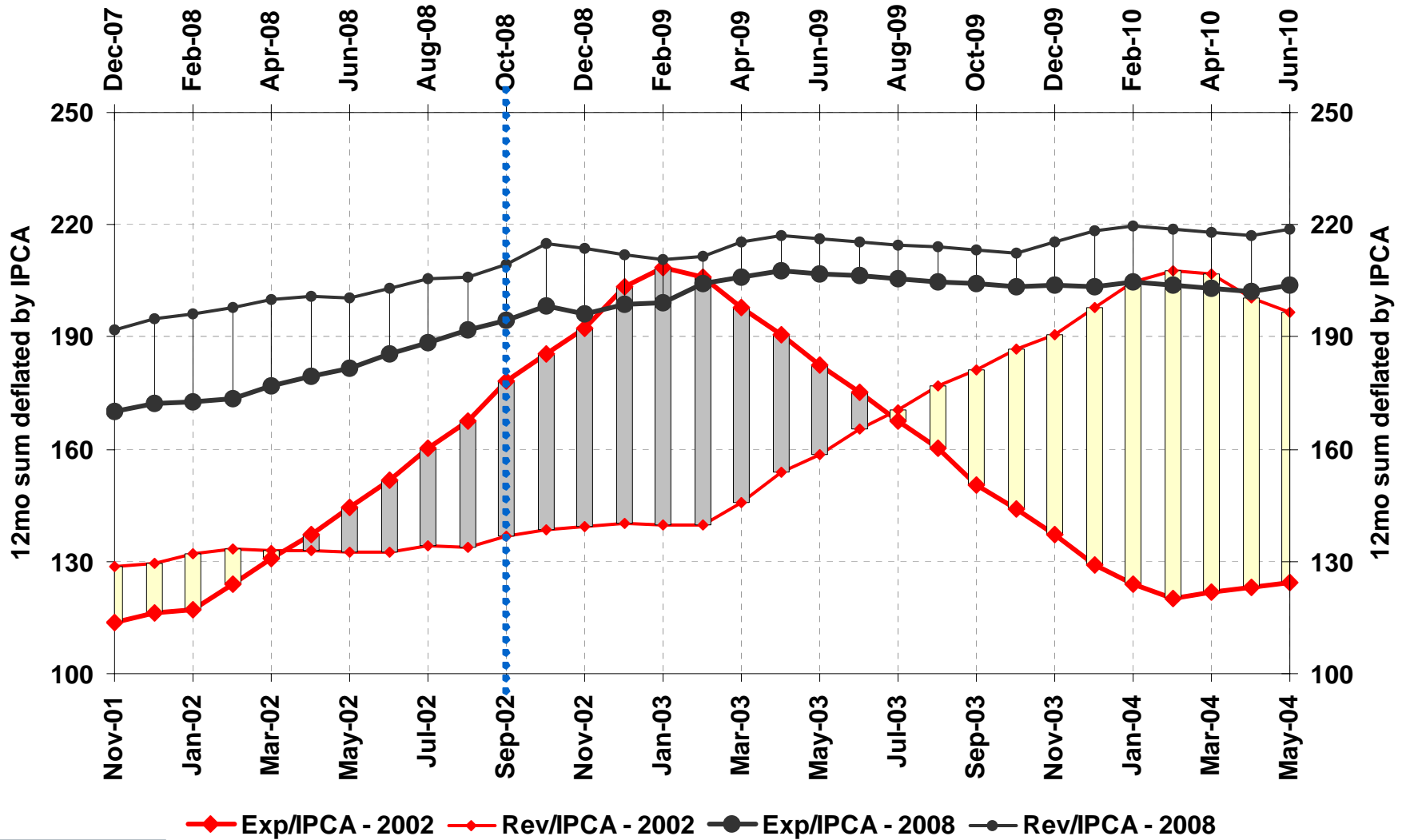
External vulnerability



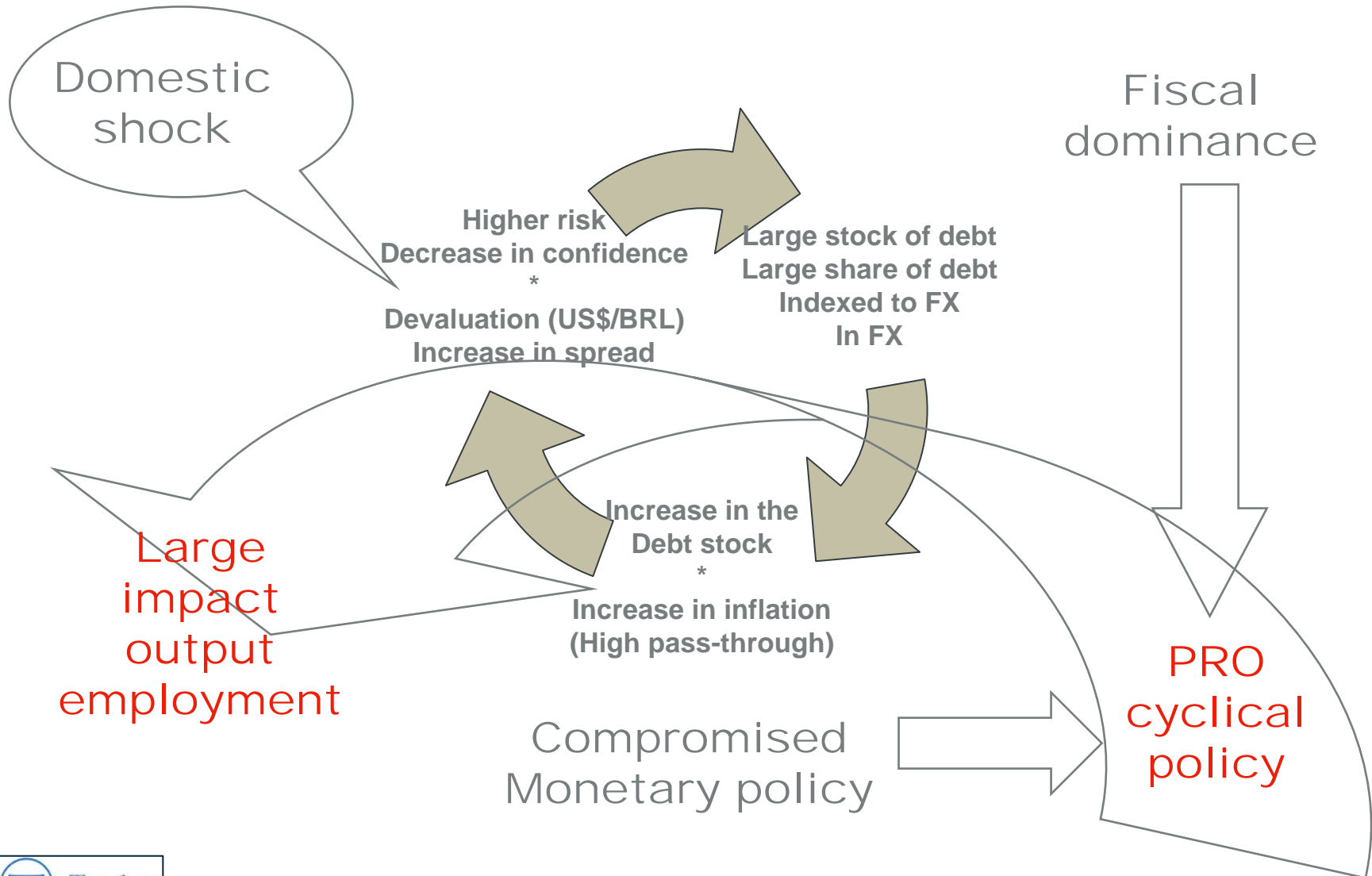
Monetary policy



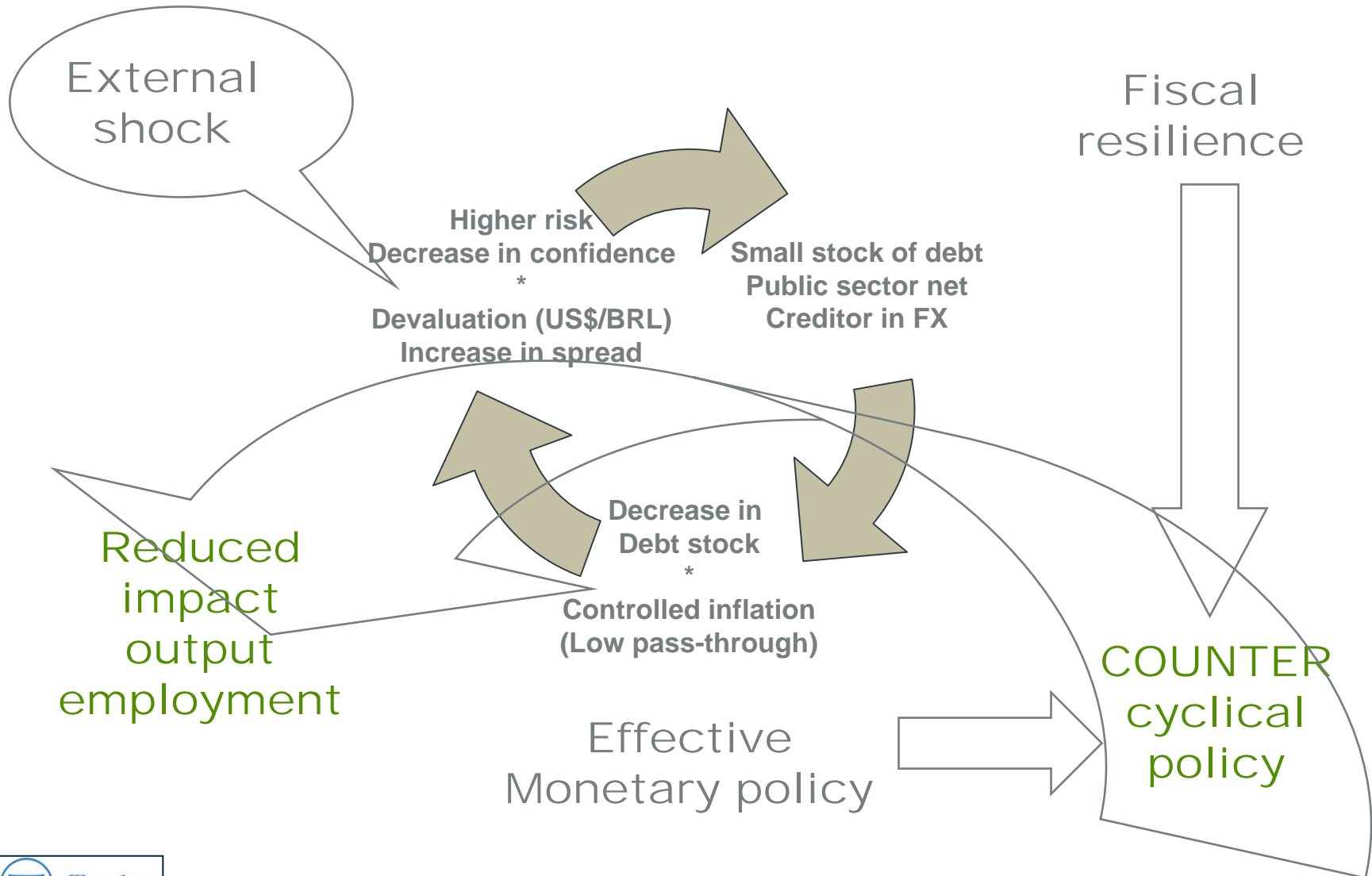
Fiscal policy



2002 shock: vicious circle

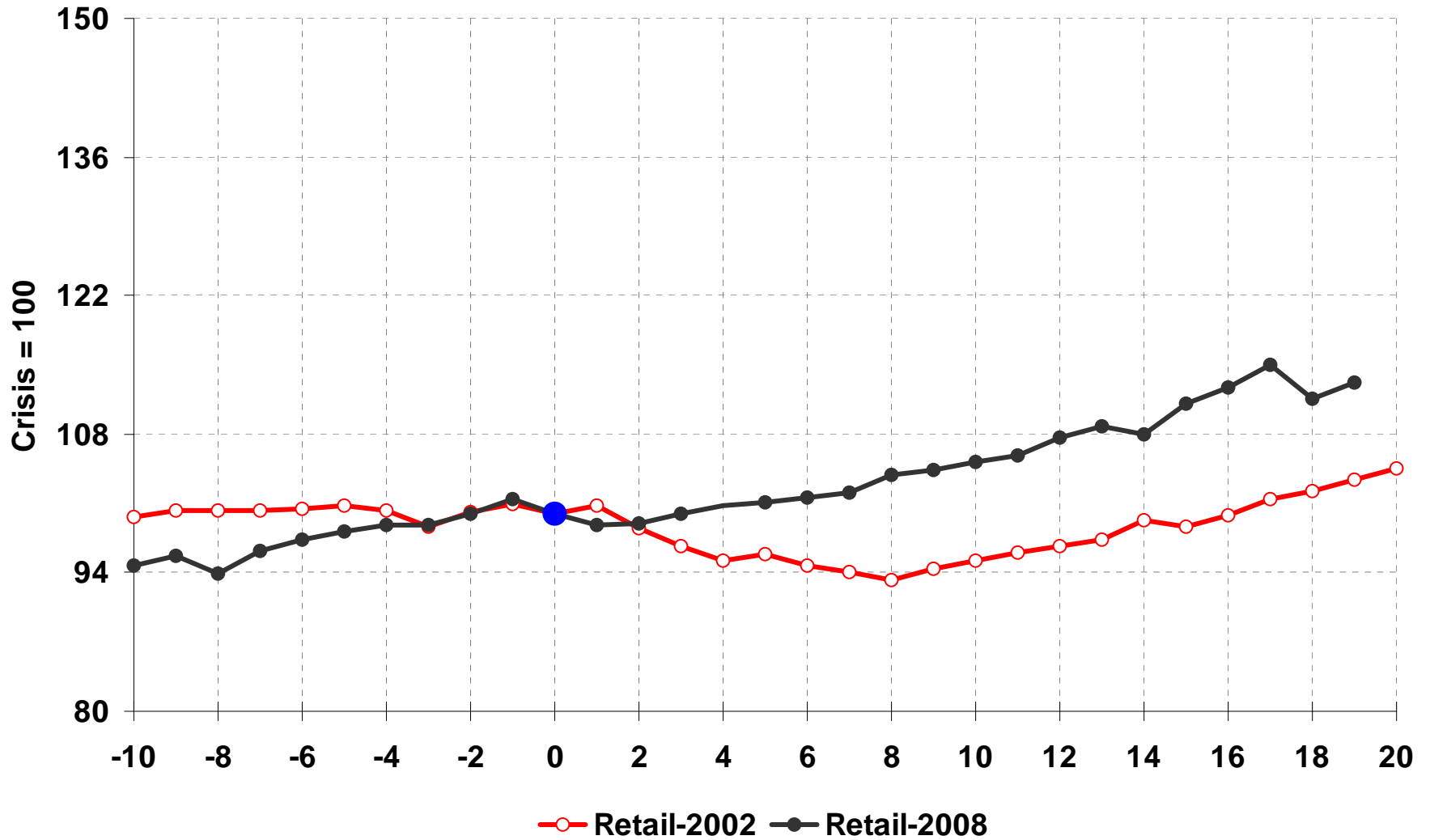


2009 shock: virtuous circle

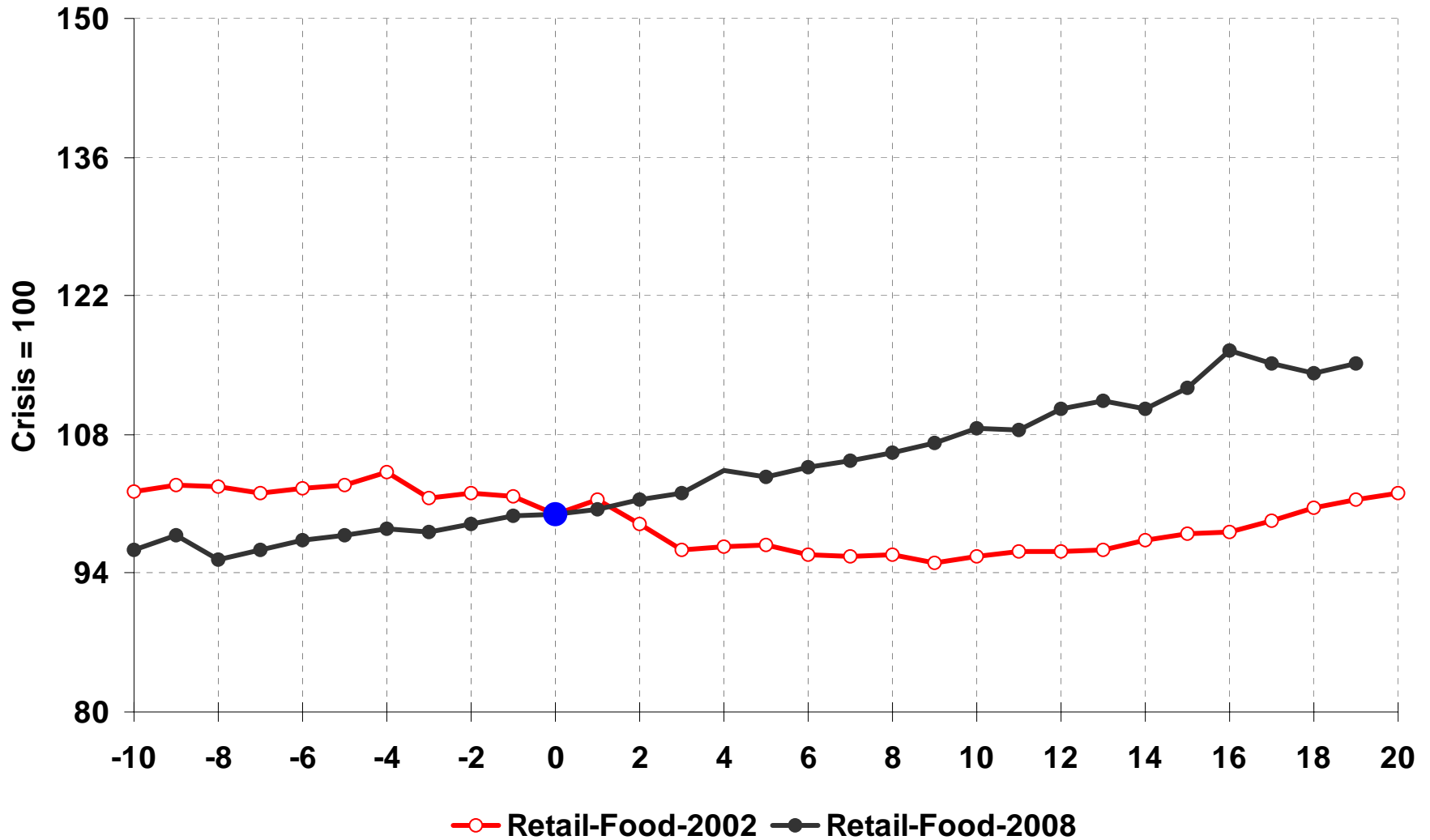


3. A new regime, or where does anti-cyclical policy stop?

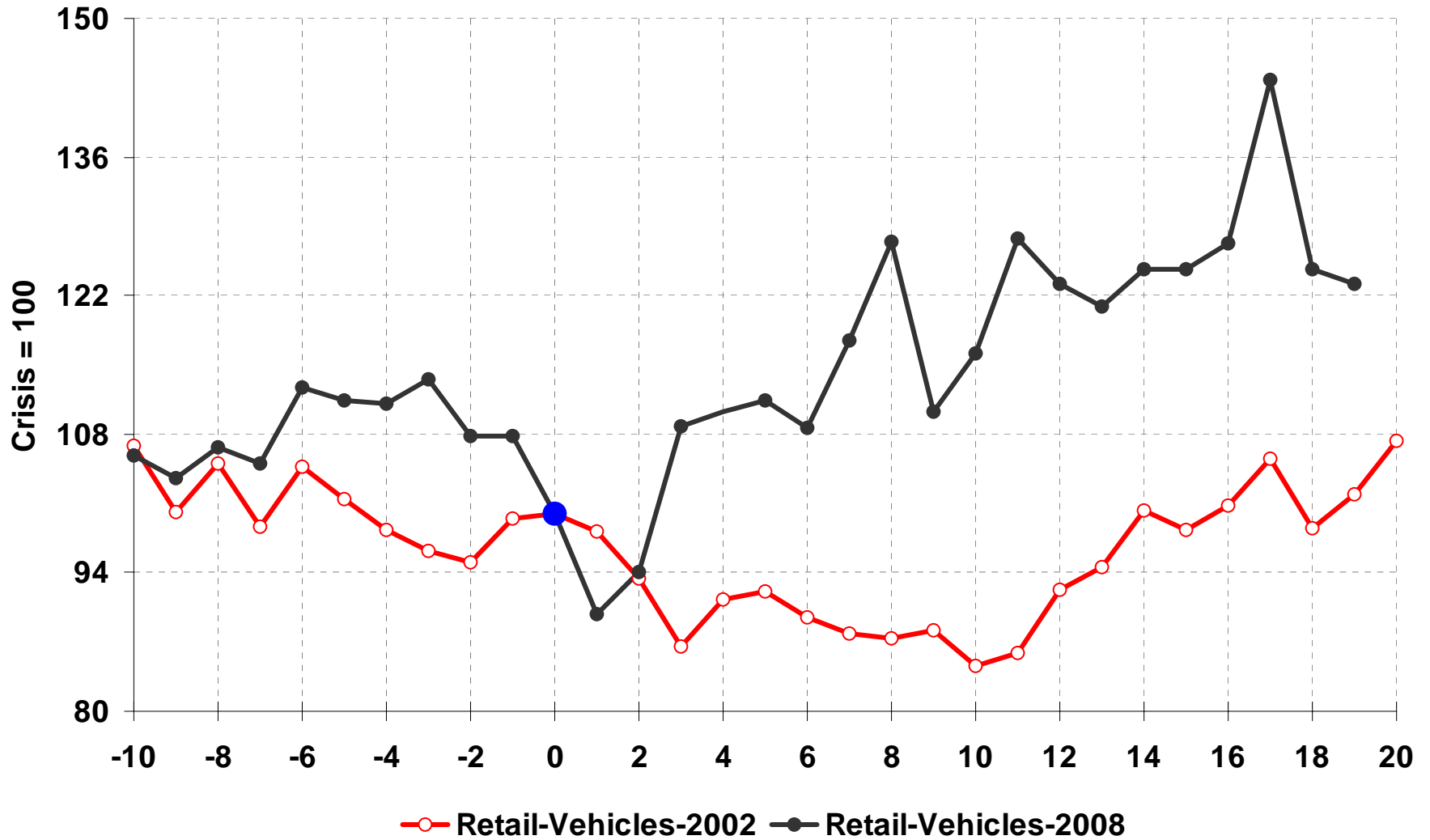
Retail sales



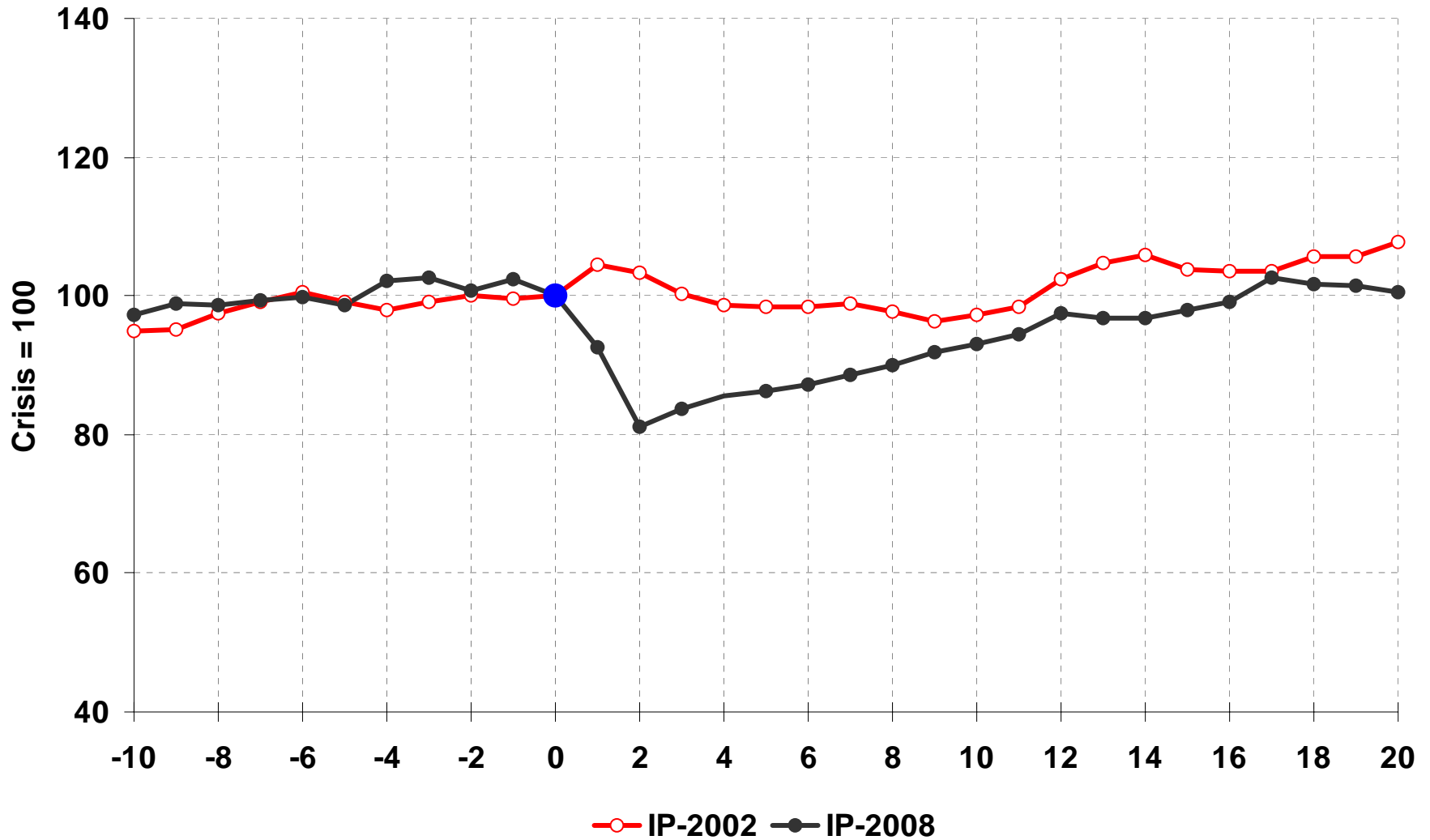
Retail sales - Supermarkets: food & beverages



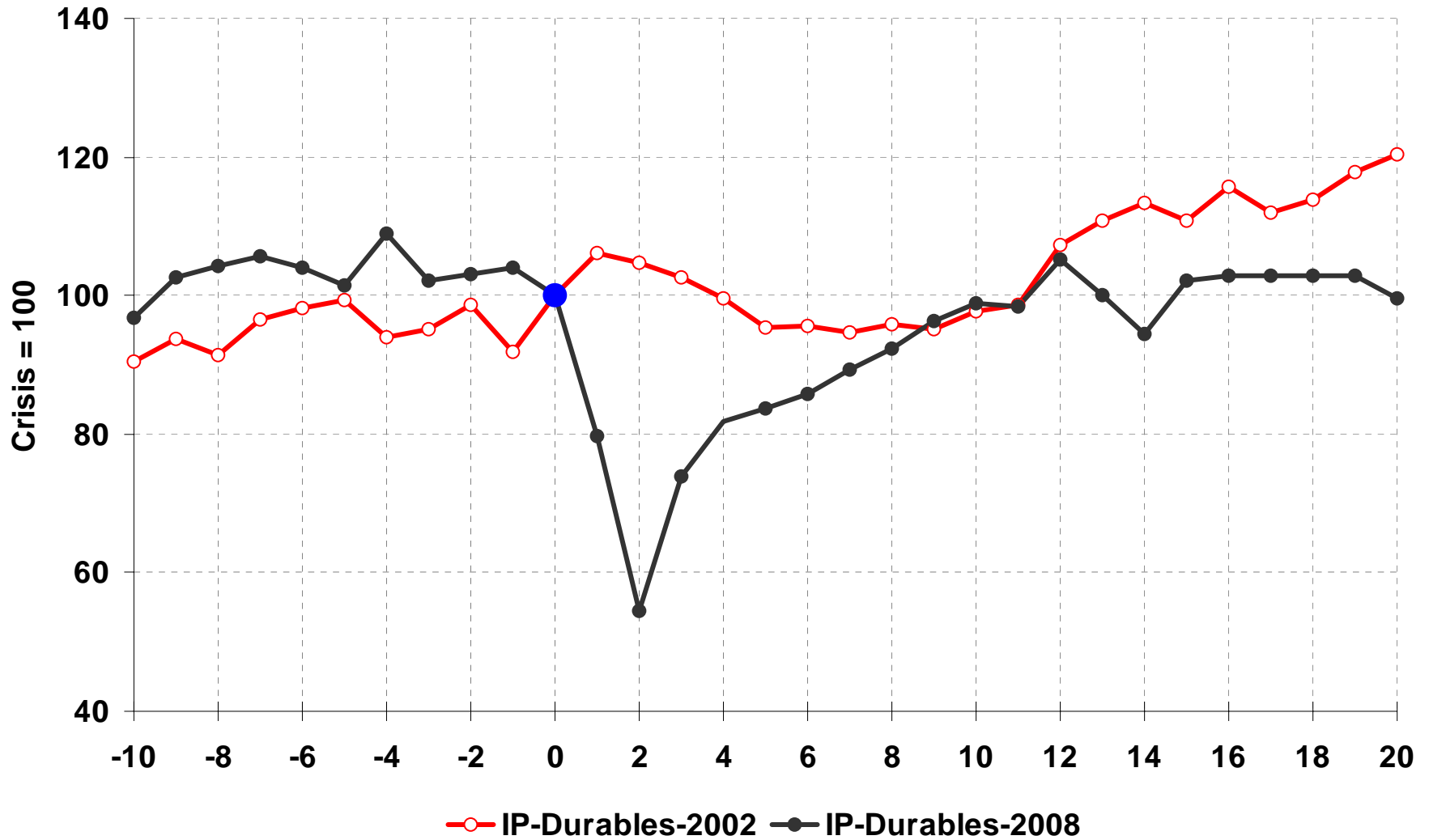
Retail sales - Vehicles



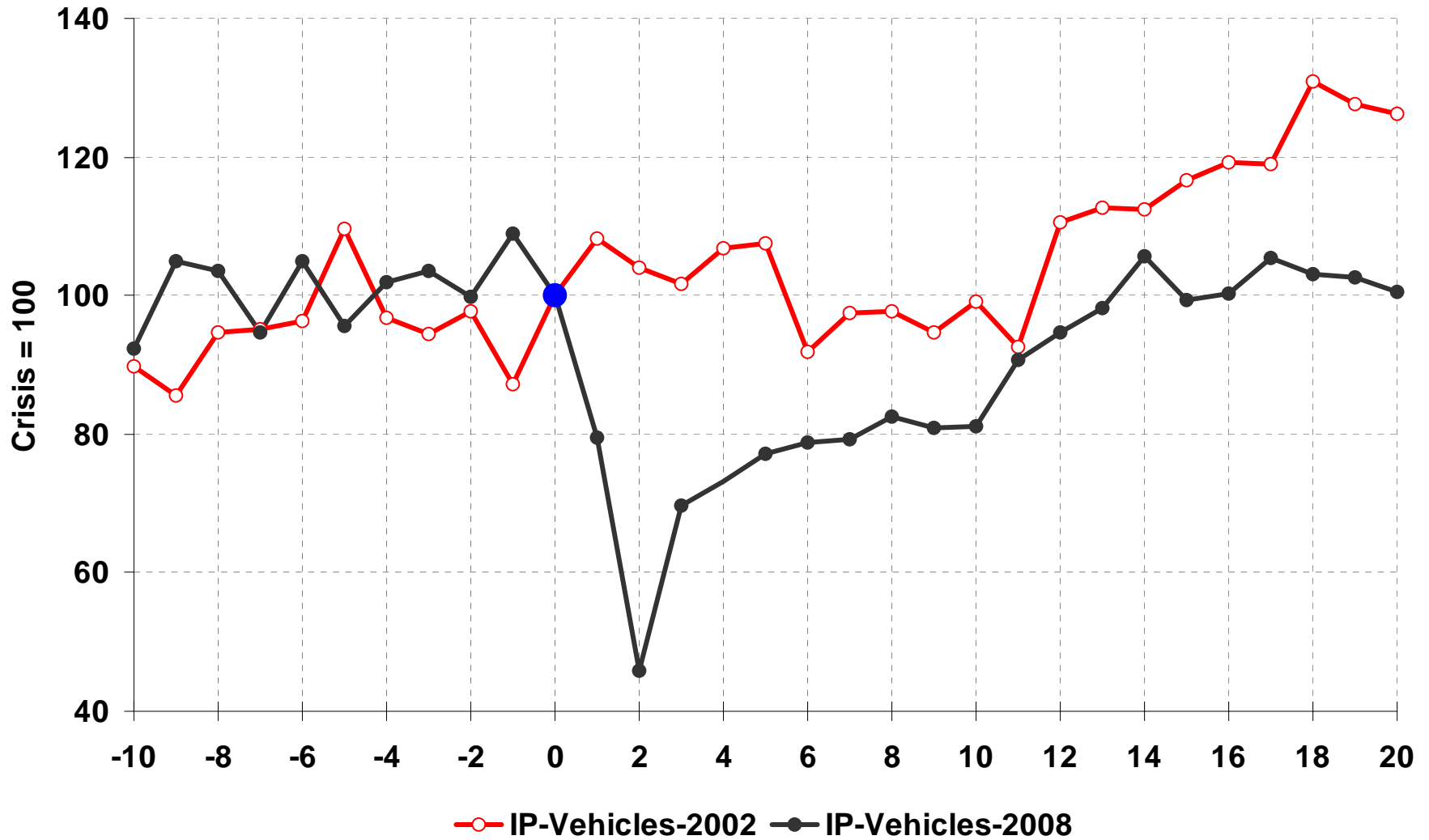
Industrial Production



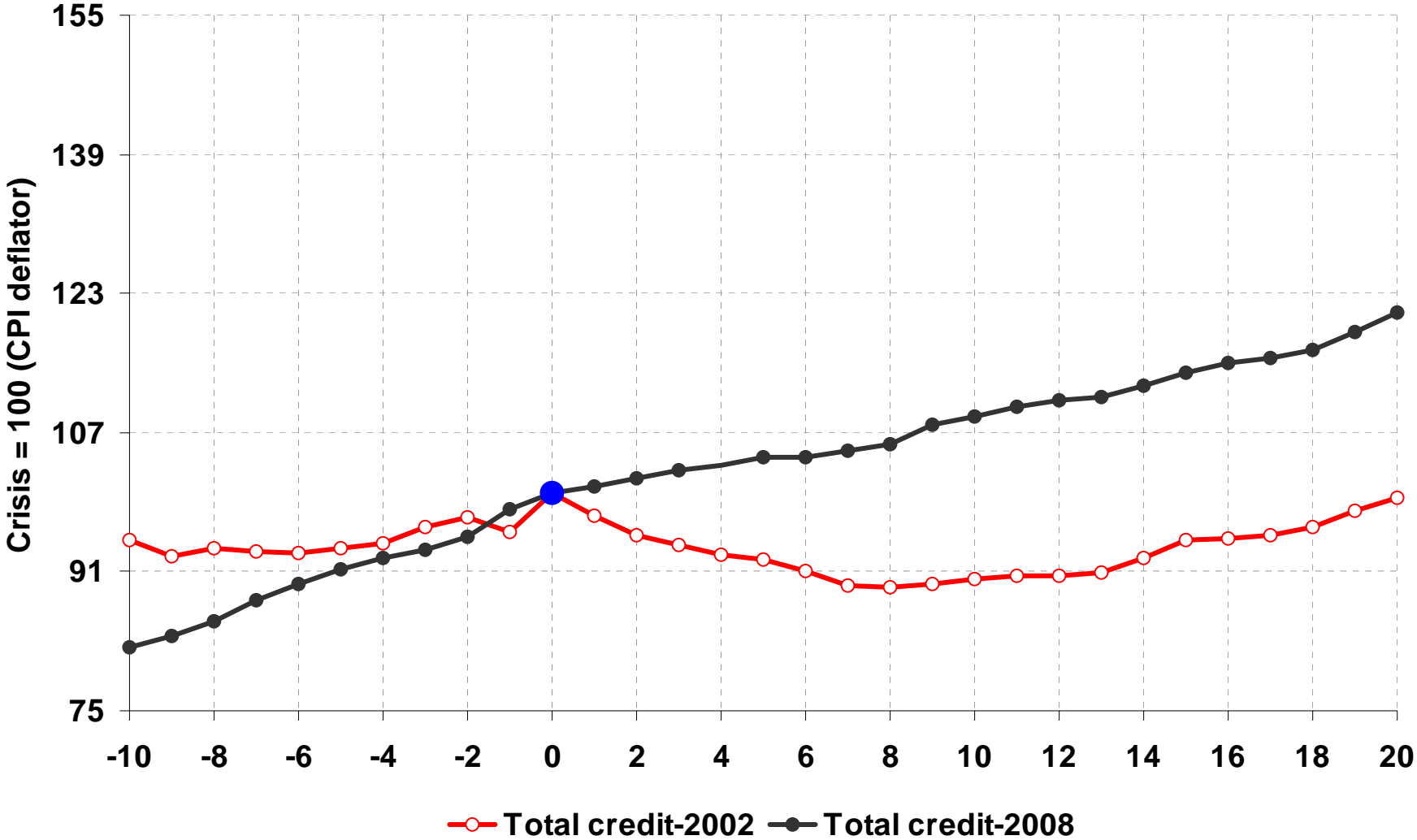
Industrial Production - Durable goods



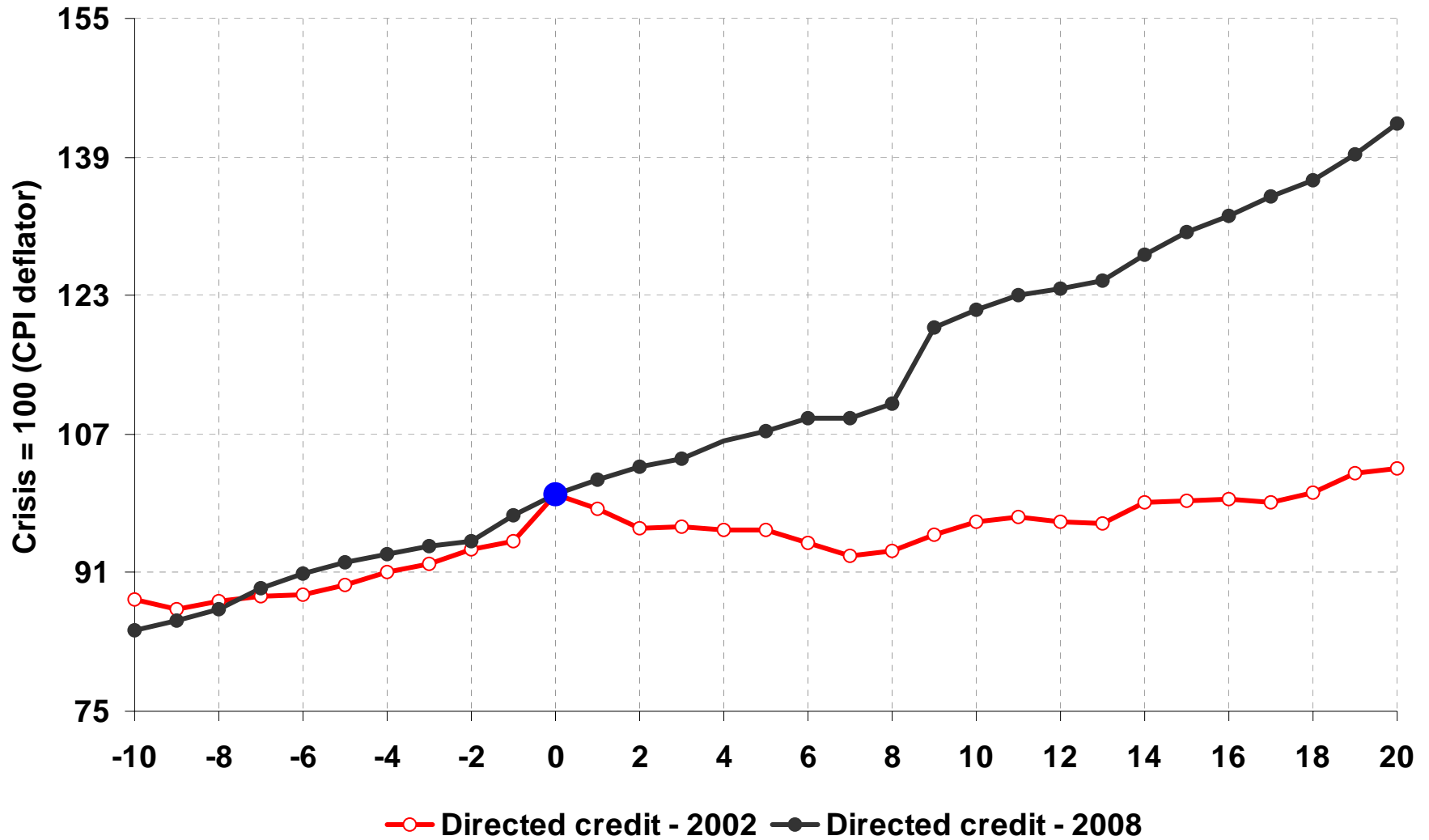
Industrial Production - Vehicles



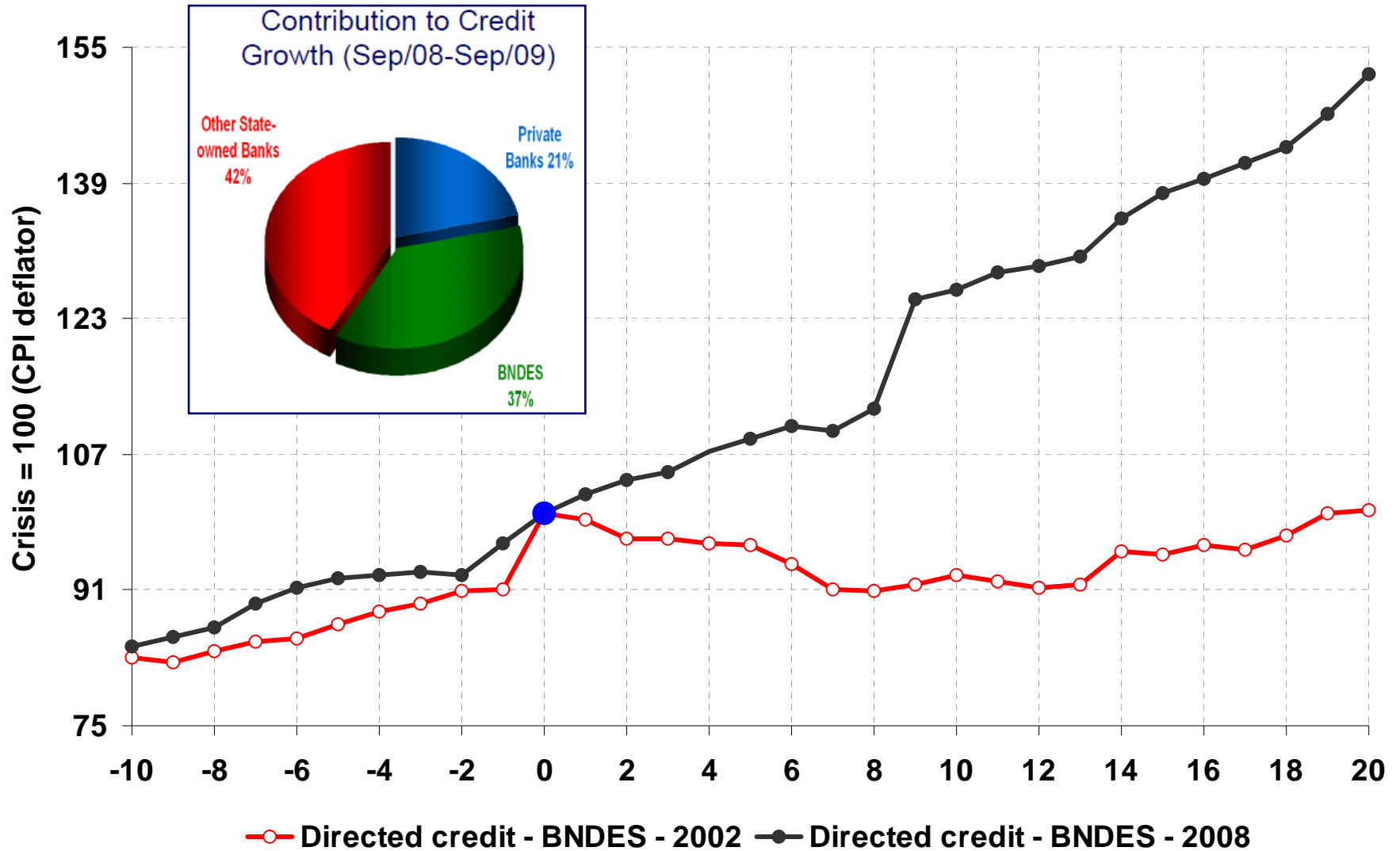
Real credit - Stock



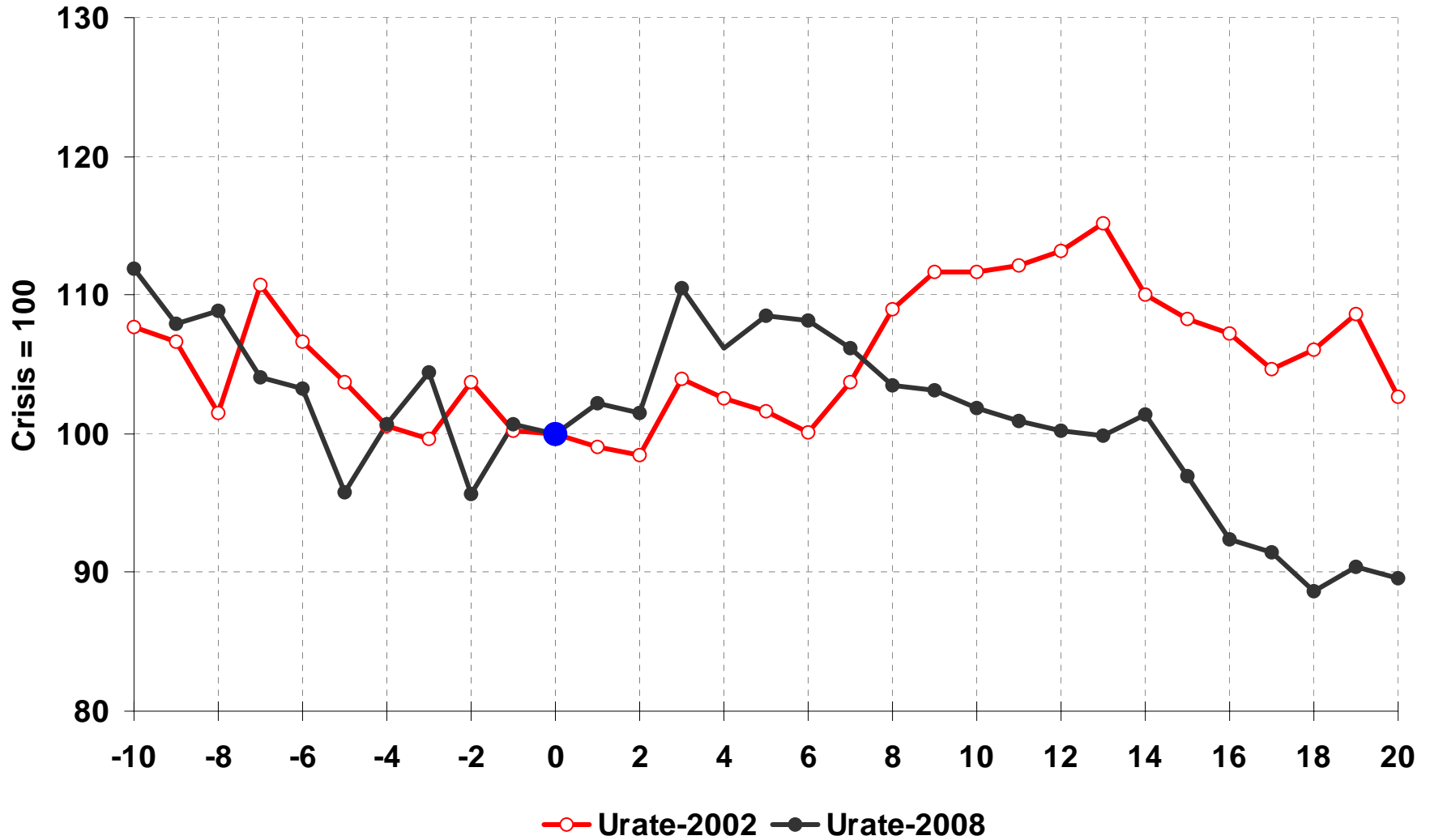
Real credit - Directed - Stock



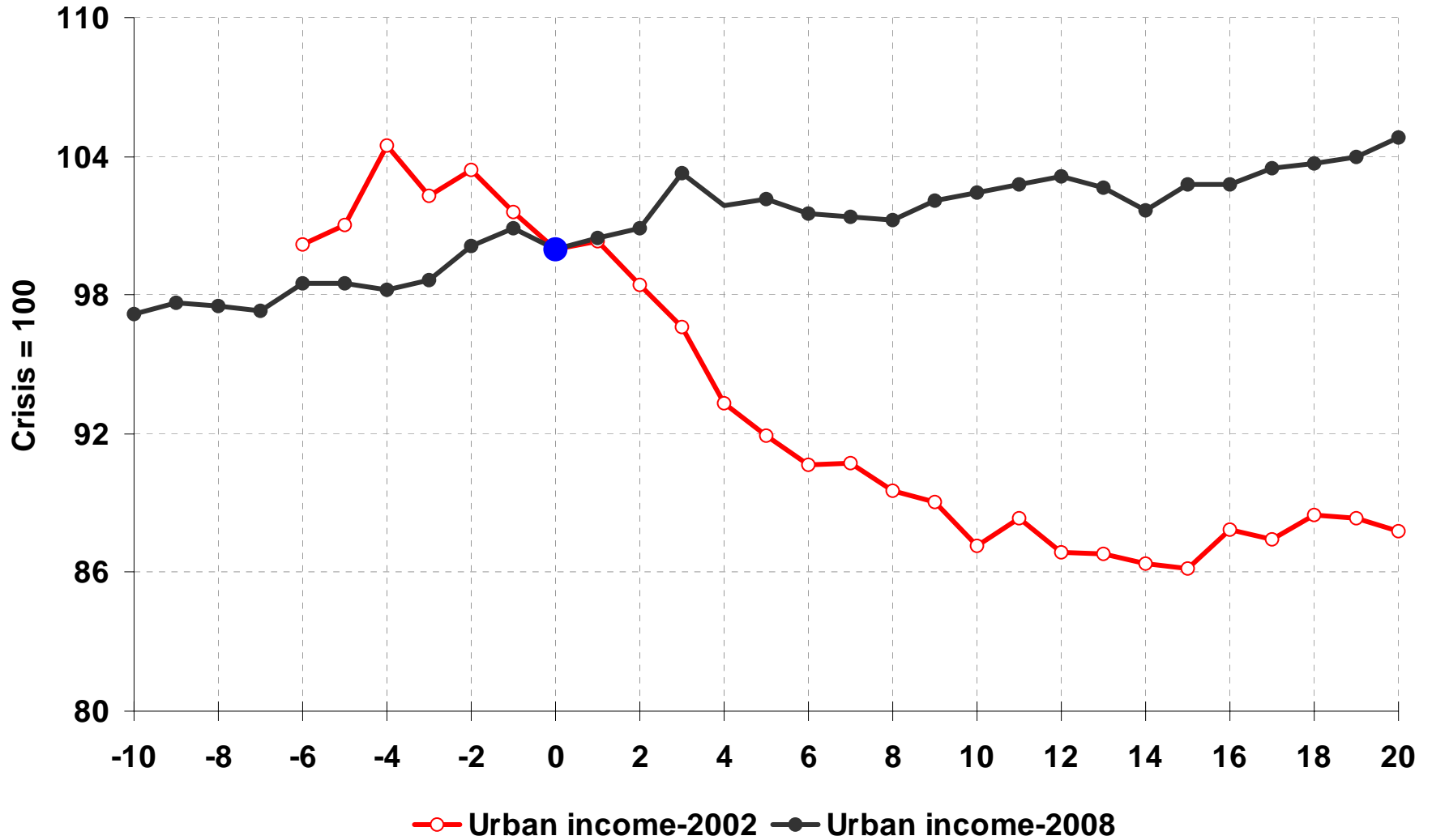
Real credit - Directed-BNDES - Stock



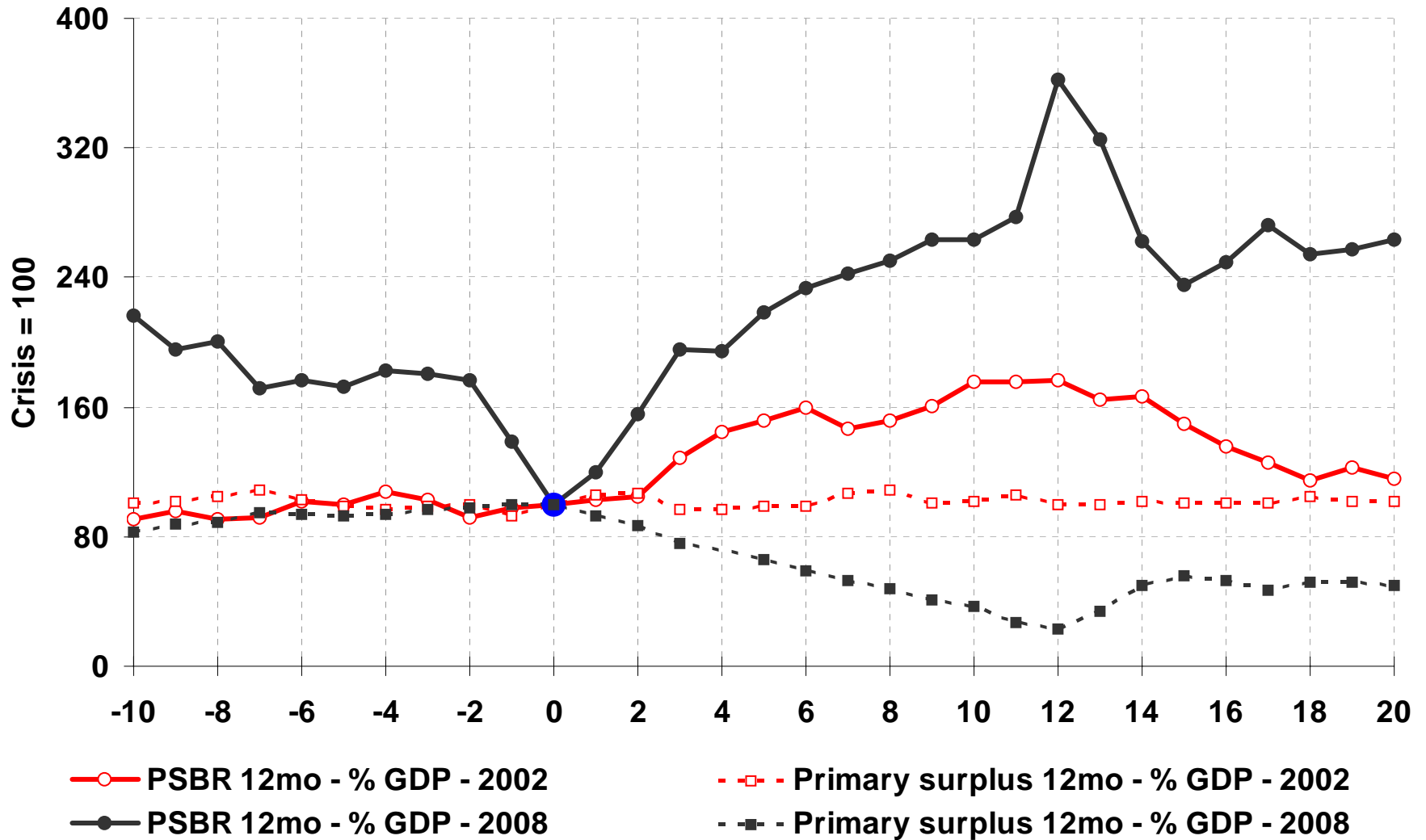
Unemployment rate - Metropolitan areas



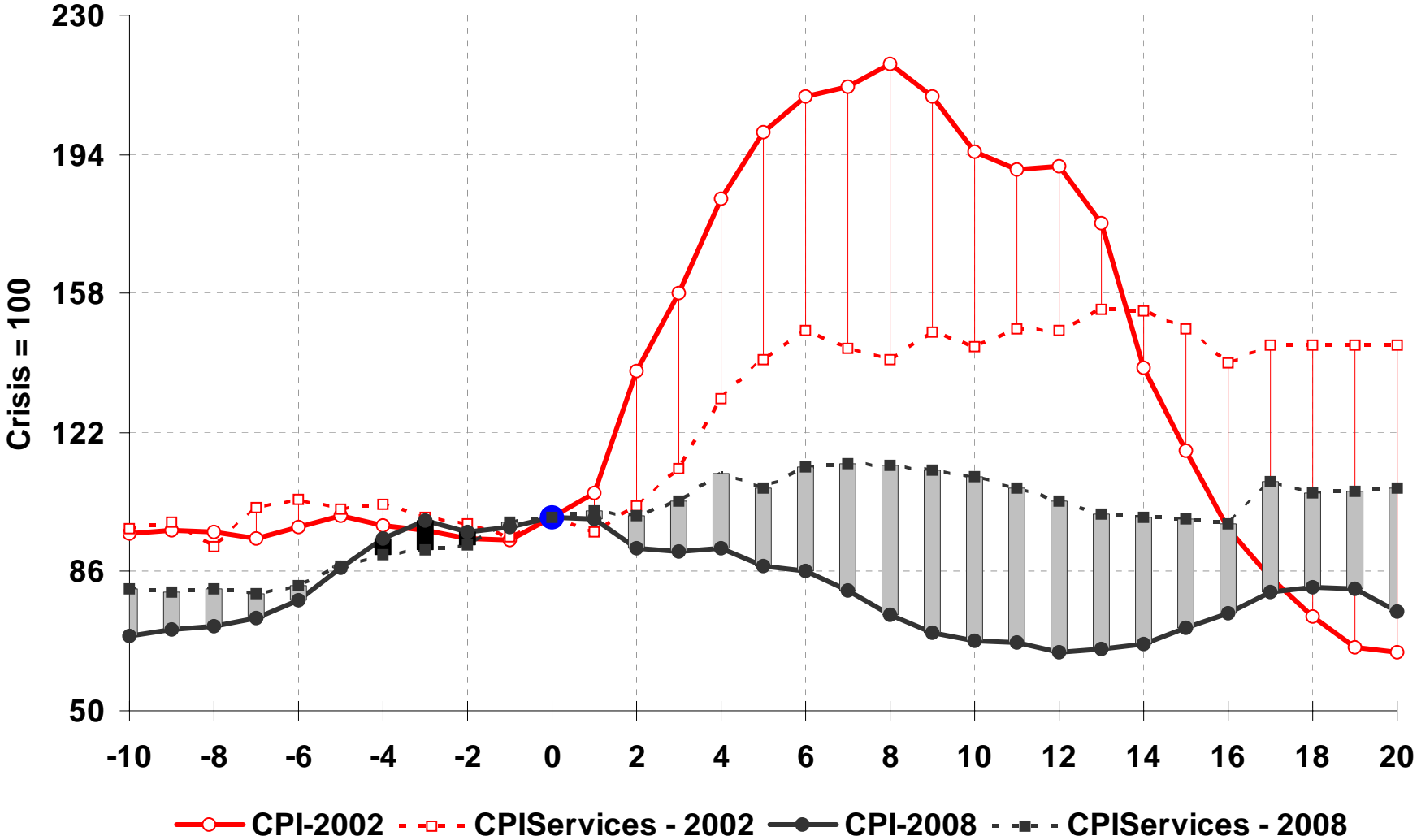
Real urban income



Fiscal balances (12mo sum - % GDP)



CPI inflation



4. **concluding comments**

The new Leviathan: public banks, industrial policy & state-induced growth

The new industrial policy & BNDES

- Financing for development, for the long term, in the post-crisis context, will involve more State and more Market sourcing.
- Contemporary State: focus on the building up of competences => more and better jobs. **Without a Developmentist State, there is no development** (Thanks, Peter Evans).
- Public banks, oriented for the long term, are essential vehicles for investment financing.
- To be an effective vehicle, a Development Bank must have the necessary means: financing tools, stable and sufficient resources; technical capabilities; close relationships with stakeholders.

Source: João Carlos Ferraz: "Growth prospects for Brazil and the role of BNDES," April 2010.

Participação da Ásia no comércio mundial de bens (%)

		1998	2008	Variação
Produtos Básicos	Importações	23,2%	30,1%	6,9%
	Exportações	12,3%	12,3%	0,0%
Manufatura	Importações	17,8%	22,4%	4,7%
	Exportações	26,3%	33,5%	7,2%

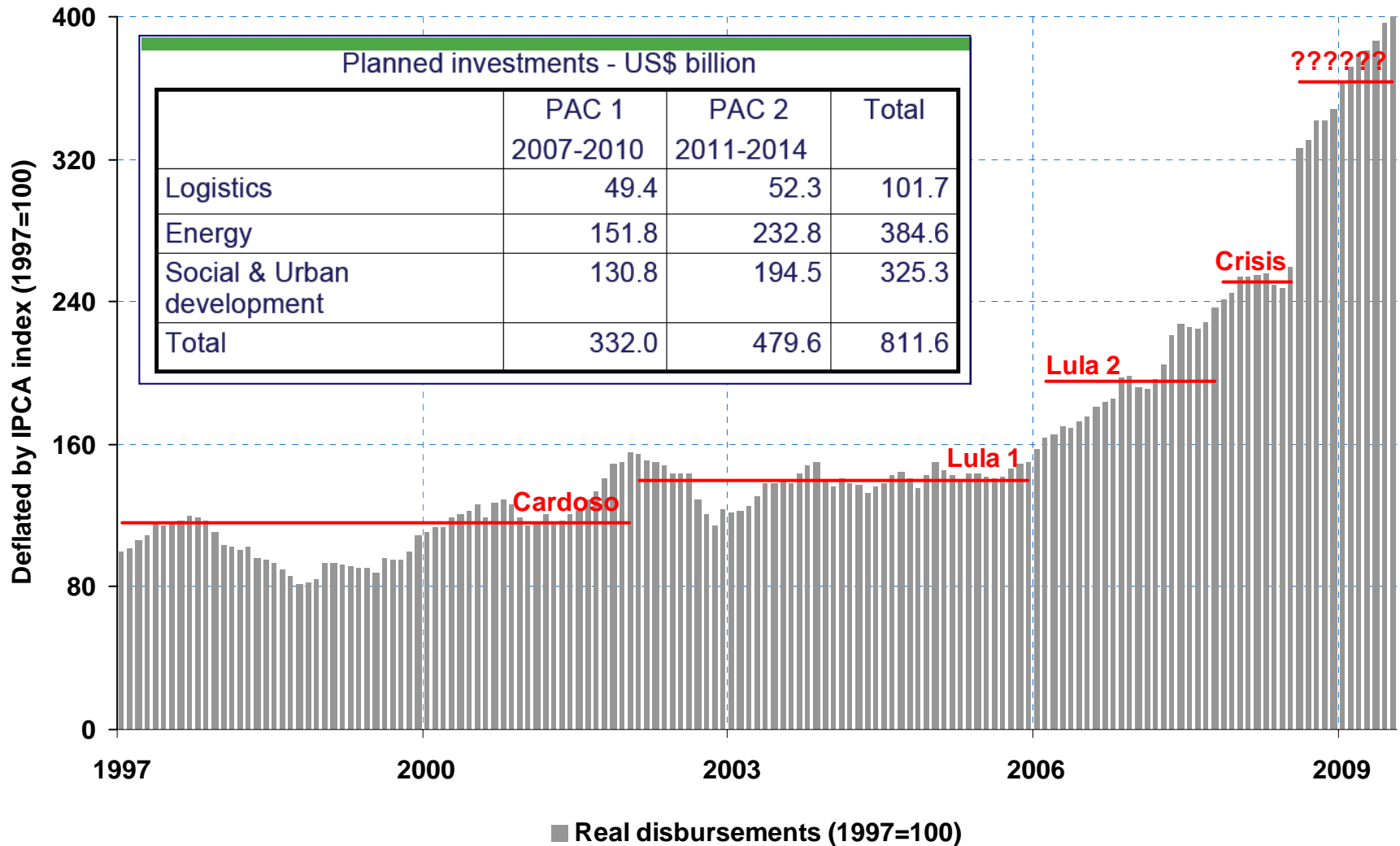
Indústria: coeficientes de importação e exportação (%) *

	1997-1998	1999-2003	2004-2006	2007-2008	2009
	Câmbio fixo	Câmbio real depreciado	Apreciação do câmbio real		Crise Econômica e recuperação
Crescimento médio anual da Prod. Ind. Geral	-2,1%	2,1%	4,8%	6,1%	-6,8%
Coefficiente de Importação					
Intensiva em recursos Naturais	18,8	20,6	22,1	23,8	23,0
Intensiva em Trabalho	5,9	4,6	6,0	10,4	11,1
Intensiva em Escala	12,6	12,1	13,4	16,7	17,2
Int. em Engenharia e Tecnologia	36,0	35,0	36,7	44,9	44,0
Total da Indústria	16,4	15,0	15,8	19,8	19,5
Coefficiente de Exportação					
Intensiva em recursos Naturais	17,4	21,0	27,4	30,5	29,3
Intensiva em Trabalho	8,9	11,6	17,4	16,0	13,9
Intensiva em Escala	12,6	14,2	18,4	17,7	15,1
Int. em Engenharia e Tecnologia	23,2	24,2	25,0	25,5	18,0
Total da Indústria	12,7	15,7	22,1	22,6	19,9

Fonte: IBGE, Secex, Funcex e Bacen. Elaboração: APE/BNDES.

* Coef M: M/Consumo Aparente Coeff X: X/Produção local

BNDES disbursements



Gross public debt & Treasury funding of BNDES

Tabela 5

Taxas de variação real da despesa do governo central:
itens selecionados (%)¹

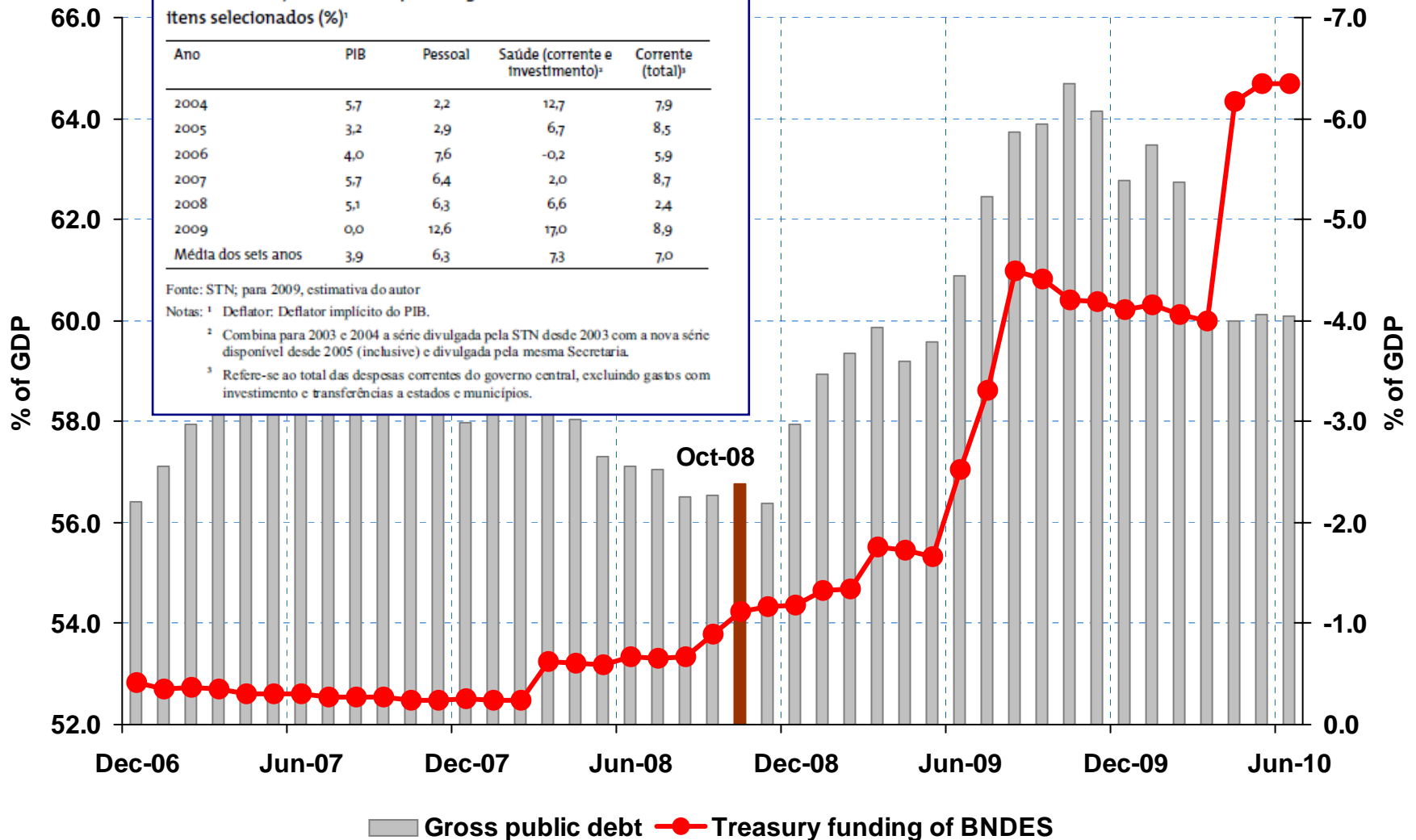
Ano	PIB	Pessoal	Saúde (corrente e investimento) ²	Corrente (total) ³
2004	5,7	2,2	12,7	7,9
2005	3,2	2,9	6,7	8,5
2006	4,0	7,6	-0,2	5,9
2007	5,7	6,4	2,0	8,7
2008	5,1	6,3	6,6	2,4
2009	0,0	12,6	17,0	8,9
Média dos sete anos	3,9	6,3	7,3	7,0

Fonte: STN; para 2009, estimativa do autor

Notas: ¹ Deflator: Deflator implícito do PIB.

² Combina para 2003 e 2004 a série divulgada pela STN desde 2003 com a nova série disponível desde 2005 (inclusive) e divulgada pela mesma Secretaria.

³ Refere-se ao total das despesas correntes do governo central, excluindo gastos com investimento e transferências a estados e municípios.



Development Banks

US\$ Billion

	Assets	Equity	Disbursement
World Bank	275.4	40.0	18.6
BNDES	222.0	15.9	68.8
IADB	84.0	20.7	11.4

Source: BNDES, IADB (Dec/09) and World Bank (Jun/09).

2009

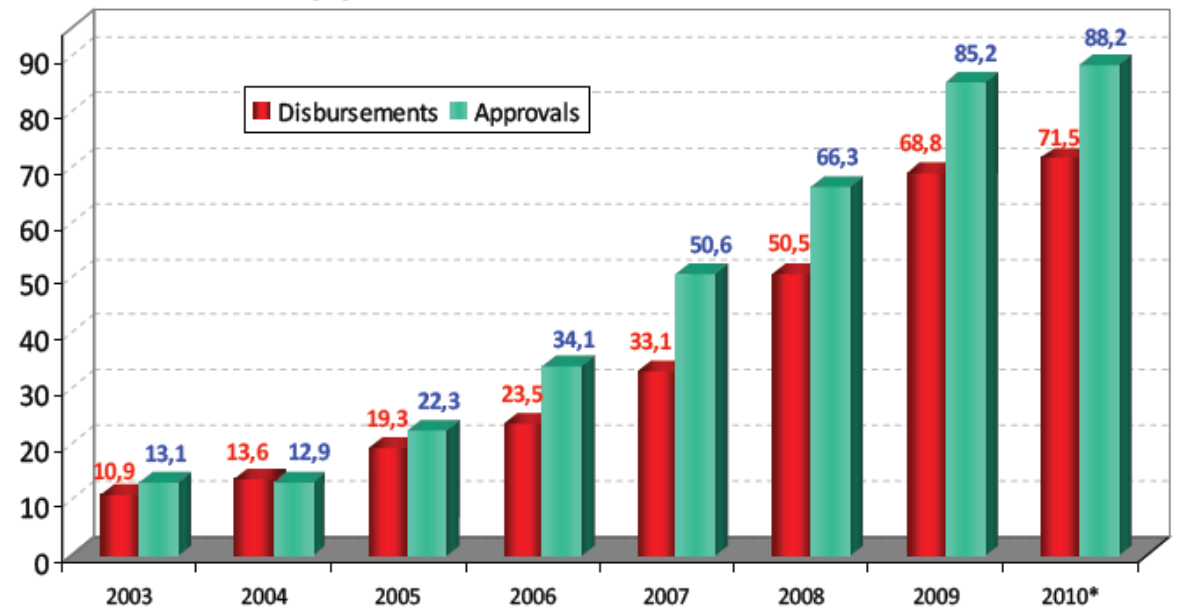
BRAZIL: total investment in construction + machines & equipment = \$242.7bn (15.4% of GDP)

BNDES disbursements = \$68.8bn (4.4% of GDP) - \$27.1bn under PSI program at fixed rate of 4.50% (O/N govmt borrowing at 10.75%)

Share of BNDES = 28.3%

Approvals and disbursements

US\$ billion



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