

26th Annual Hyman Minsky Conference

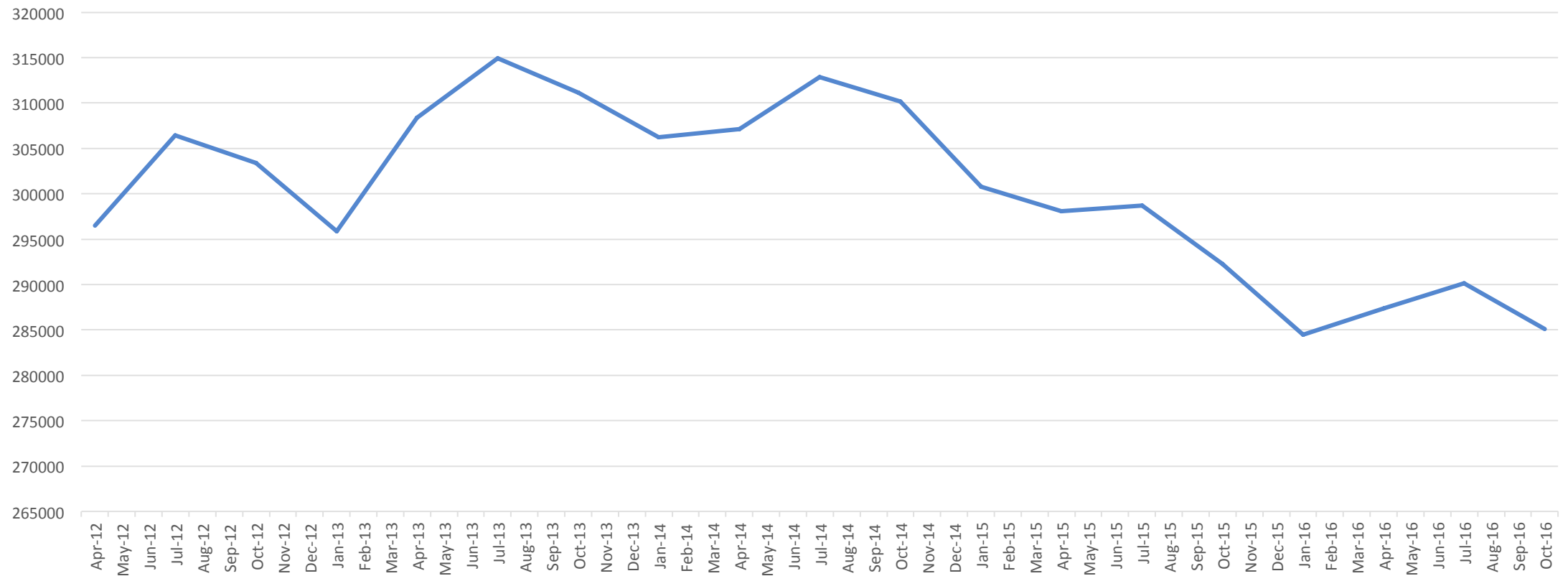
“LATIN AMERICAN POLICY AND THE NEW NATIONALISM: BRAZIL”

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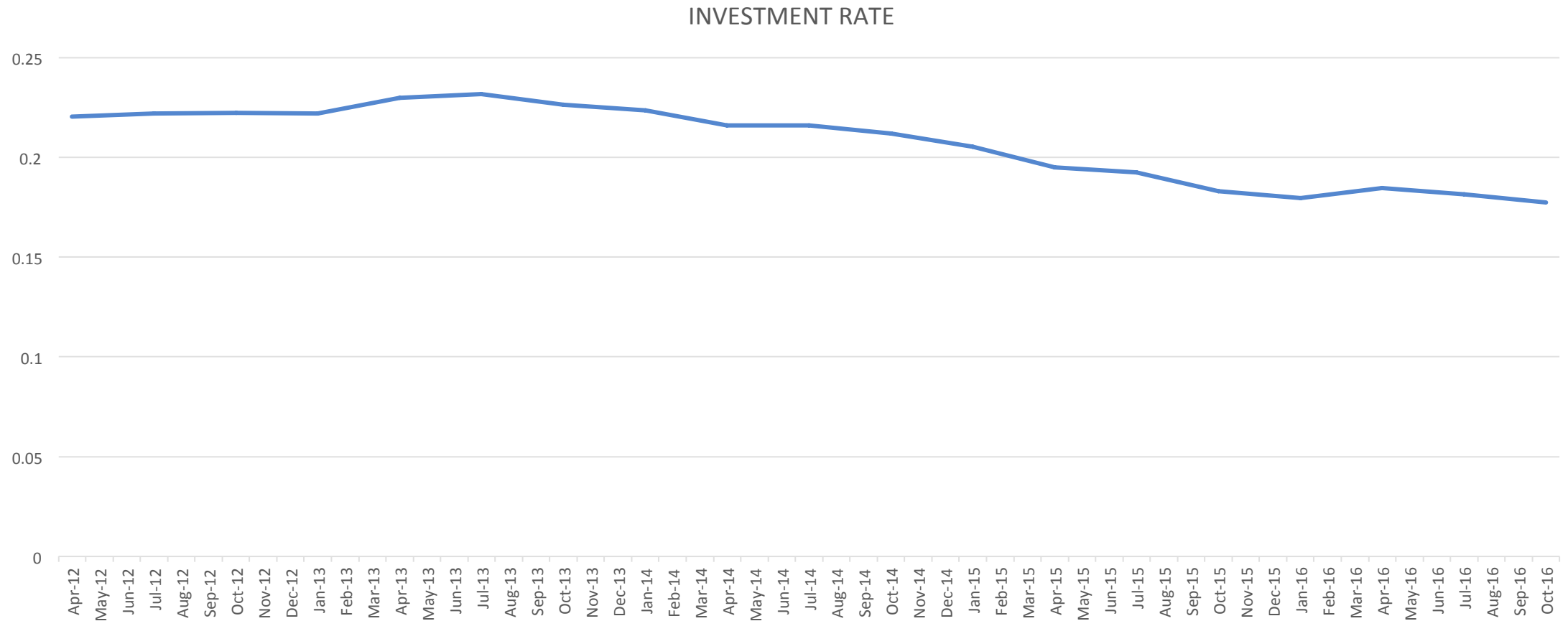
**LEVY ECONOMICS INSTITUTE AND FEDERAL UNIVERSITY OF RIO DE
JANEIRO – APRIL 2017**

BRAZIL: REAL GDP (II/2012 TO IV/2016)

REAL GDP - LEVELS



BRAZIL: INVESTMENT RATE (GROSS FORMATION OF FIXED CAPITAL/GDP)



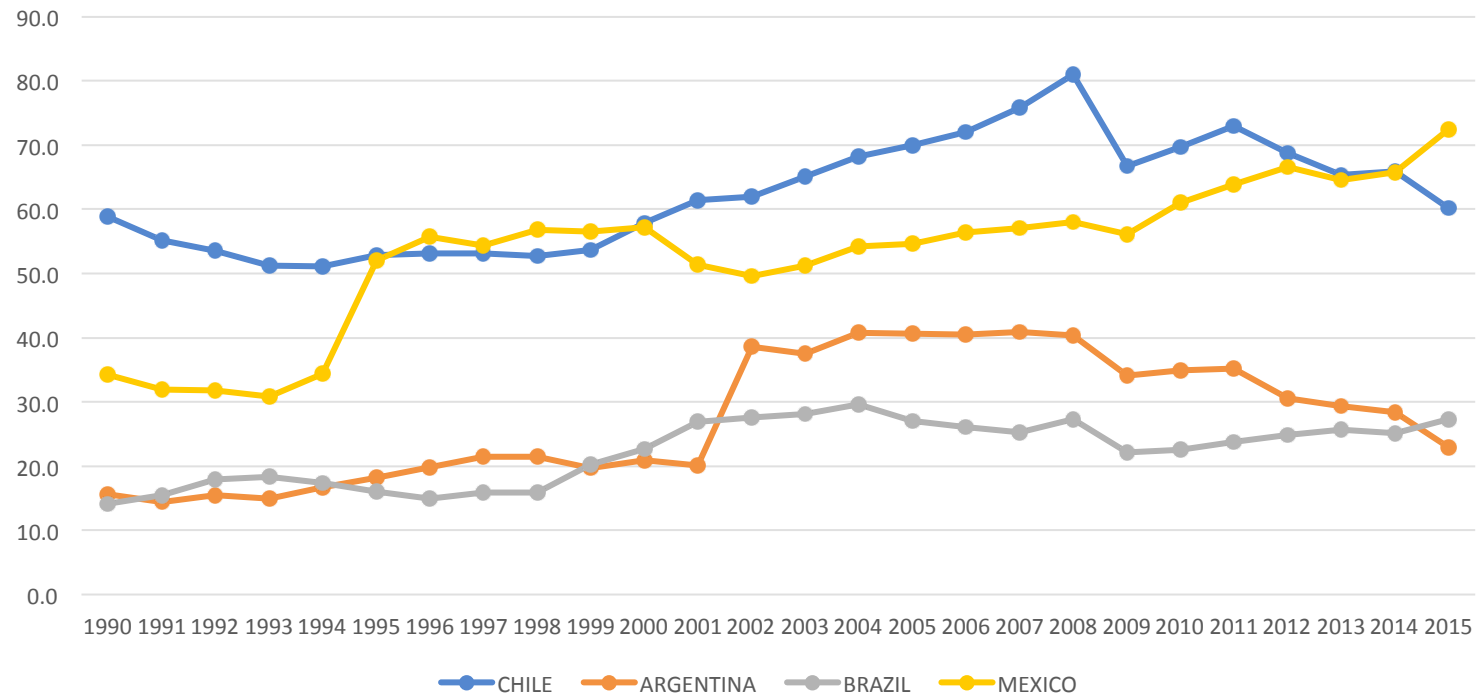
BRAZIL: DOMESTIC PROBLEMS

- DEEP RECESSION
 - AUSTERITY POLICIES IN THE MIDST OF GROWTH DECELERATION
 - ACUTE POLITICAL CRISIS WITH WIDESPREAD CORRUPTION SCANDALS
 - POLITICAL VACUUM FOR PRESIDENTIAL, PARLIAMENTARY AND STATE ELECTIONS IN 2018
- NOT MUCH ATTENTION TO WHAT IS HAPPENING IN THE UNITED STATES OR IN WESTERN EUROPE

HOW COULD THE NEW NATIONALISM AFFECT OPPORTUNITIES IN THE MEDIATE FUTURE?

INTERNATIONAL TRADE
CAPITAL FLOWS

DEGREE OF OPENENNESS

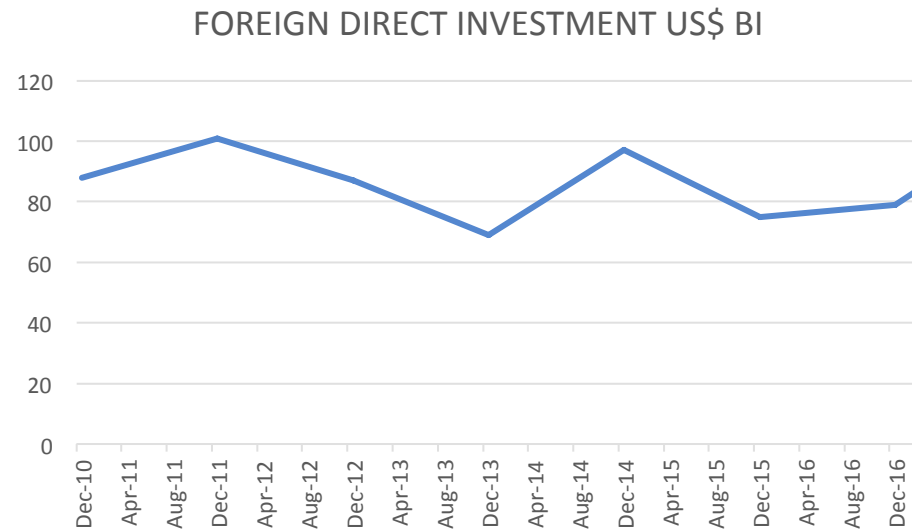


BRAZIL: FOREIGN TRADE

- RECESSION IMPROVED TRADE ACCOUNTS (USUALLY UNDER THE PRESSURE OF OVERAPPRECIATED EXCHANGE RATES)
- IMPROVEMENT IN TERMS OF TRADE (CHINA IS BACK):
 - 2013: 119
 - 2014: 115
 - 2015: 102.4
 - 2016: 105.5
 - JAN 2017: 117.4
 - FEB 2017: 115.5

BRAZIL: CAPITAL FLOWS

- PORTFOLIO INVESTMENTS: VOLATILE
- FOREIGN DIRECT INVESTMENT STILL COMING IN, DESPITE THE DOMESTIC CRISIS



BRAZIL: INTERNATIONAL RESERVES

INTERNATIONAL RESERVES (US\$ BI)

Dec-14		364				
Dec-15		356				
Dec-16		365				
Mar-17		370				

BRAZIL: INTERNATIONAL RESERVES

- WHAT PROTECTION DO THEY REALLY GIVE?
 - SUDDEN STOPS
 - FOREIGN CAPITAL RETURNING HOME
 - CAPITAL FLIGHT (BY RESIDENTS)
 - AGAINST SPECULATIVE ATTACKS
- ALTERNATIVES
 - USE OF RESERVES TO COVER GAPS: SIGN OF WEAKNESS
 - EXCHANGE RATES ADJUSTMENT
 - INFLATION
 - ILLIQUIDITY AND INSOLVENCY FOR DOMESTIC DEBTORS IN FOREIGN CURRENCY

BRAZIL: PERSPECTIVES

- FOREIGN TRADE
 - PROTECTIONISM WILL AFFECT EXPORTS, PARTICULARLY OF AGRICULTURAL PRODUCTS
 - MANUFACTURING EXPORTS WILL DEPEND NOT ONLY ON PROTECTIONISM, BUT ALSO ON BEHAVIOR OF EXCHANGE RATES (OVERAPPRECIATION)
 - INTERNATIONAL TREATIES: 1. ARBITRATION SPACE; 2. MANY ADVERSE RULES
 - WHAT WILL HAPPEN TO CHINA?
- CAPITAL FLOWS
 - FDI MAY BE AFFECTED BY “AMERICA FIRST”
 - PORTFOLIO FLOWS AND FED INTEREST RATE POLICY
- BUT IT IS HARD TO THINK THAT DOMESTIC FACTORS, AT THIS POINT, ARE NOT MUCH MORE IMPORTANT FOR THE MEDIUM TERM PERSPECTIVES FOR THE BRAZILIAN ECONOMY