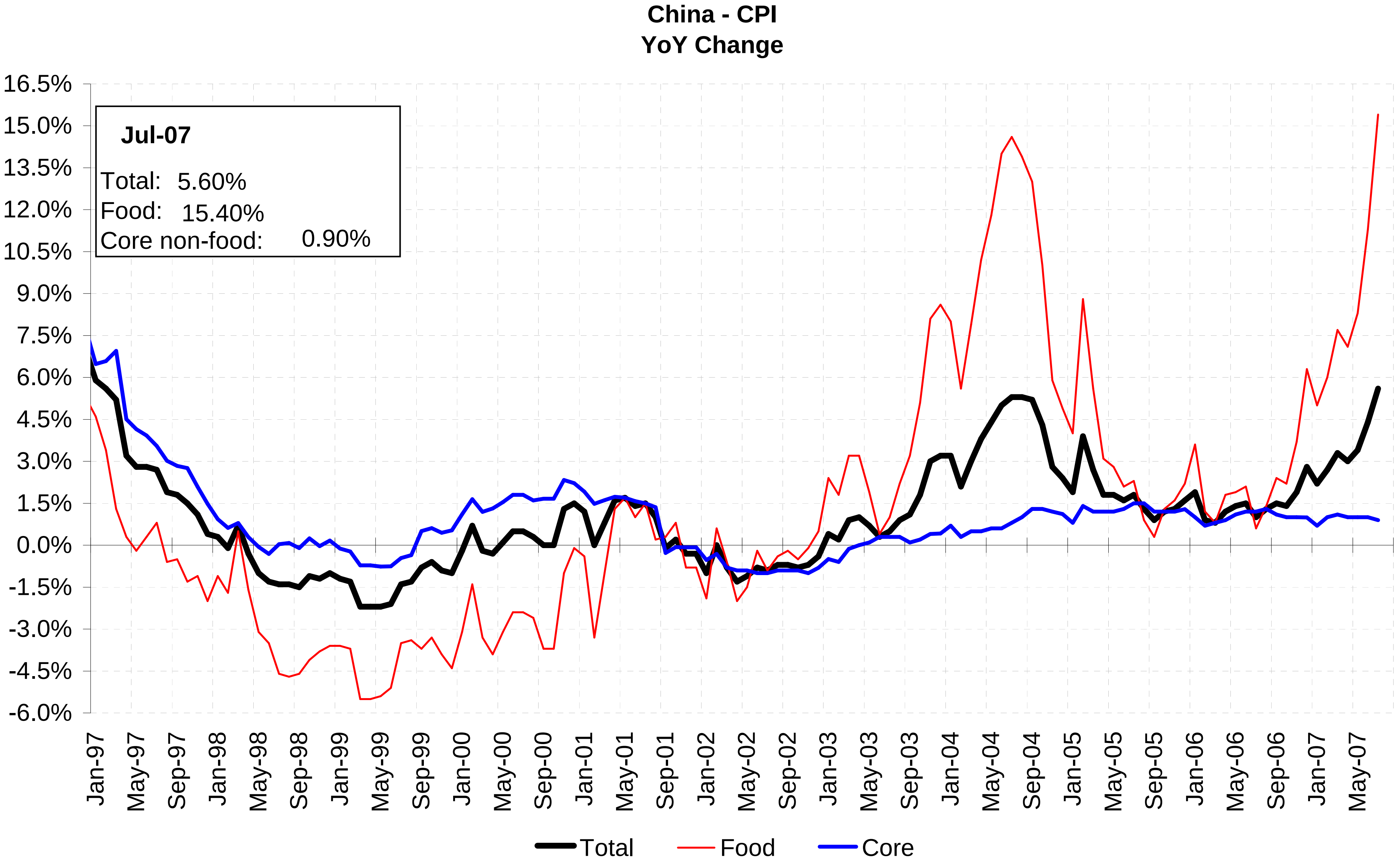
Brasil e China: Impactos no Crescimento e o Efeito da Crise

1. China no mundo
   1. Crescimento, inflação, commodities, competição (Mexico)
   2. Desequilíbrios globais (EUA)
2. China e o Brasil
   1. Comercio e Balança de Pagamentos
   2. Câmbio e Inflação: juros
   3. Crescimento
3. A Crise
   1. Descrição
   2. Efeito da Crise na China
   3. Efeito da Crise no Brasil

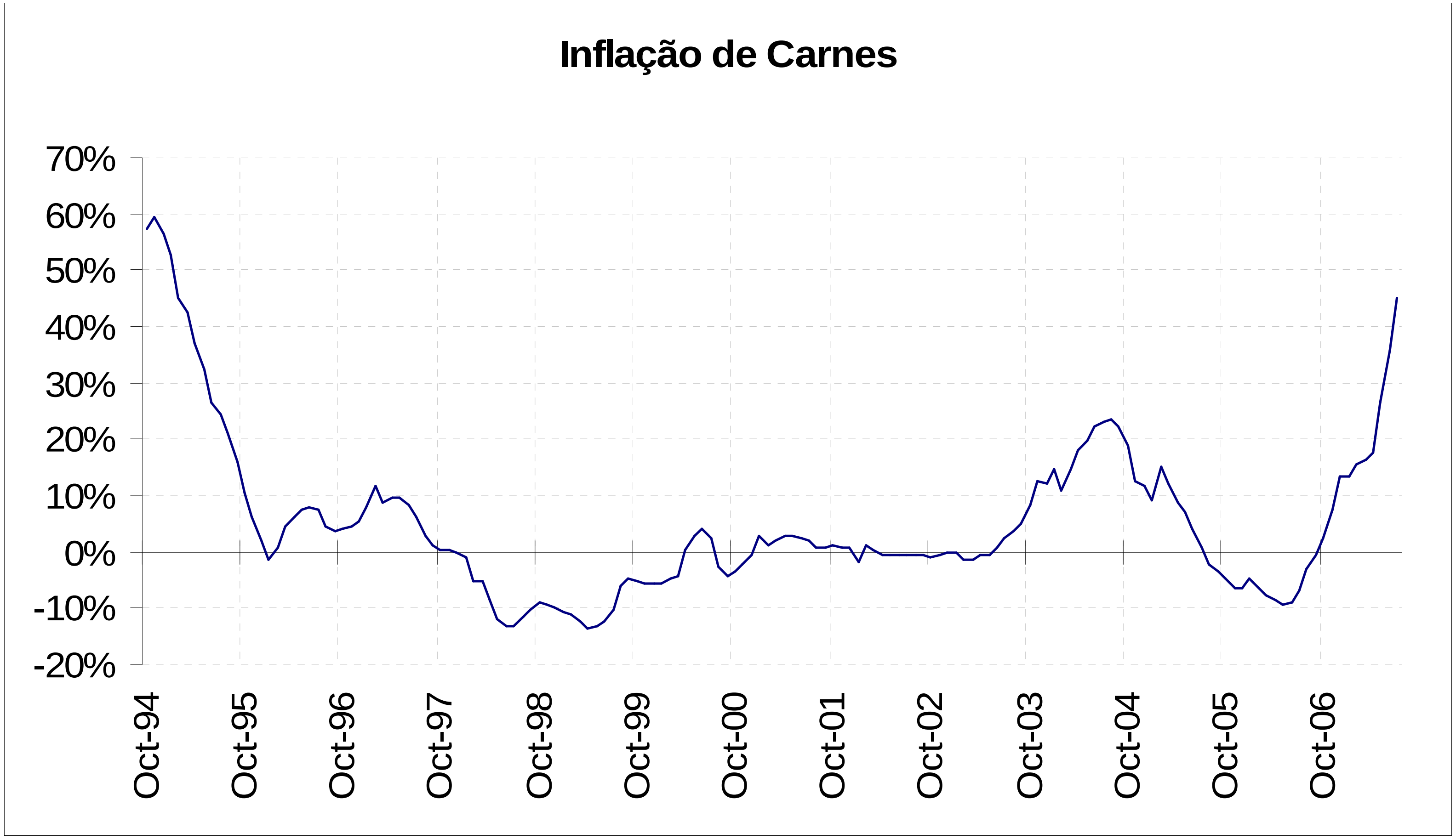
CHINA

Inflação Chinesa

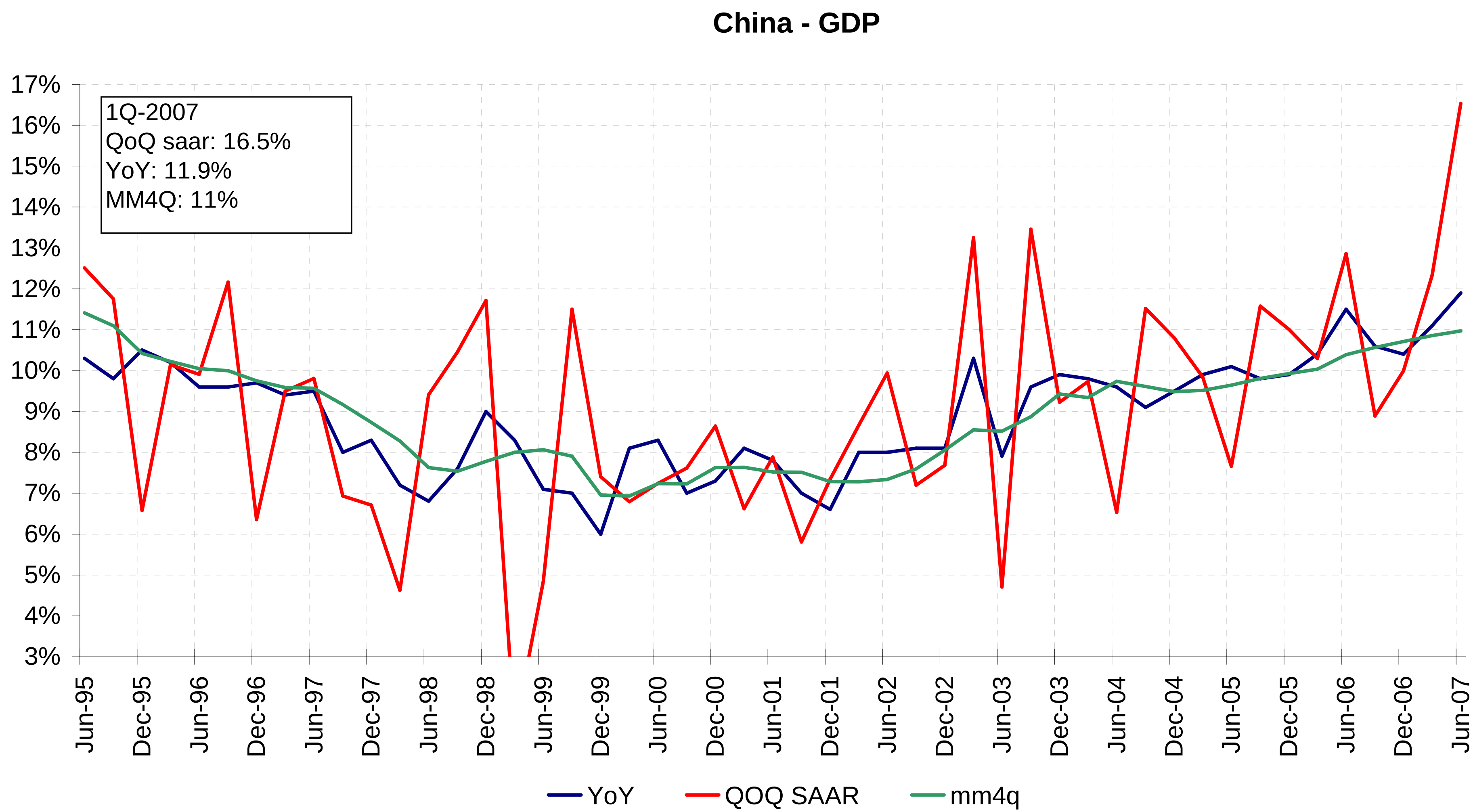


Source: Chinese National Bureau of Statistics.

Inflação Chinesa

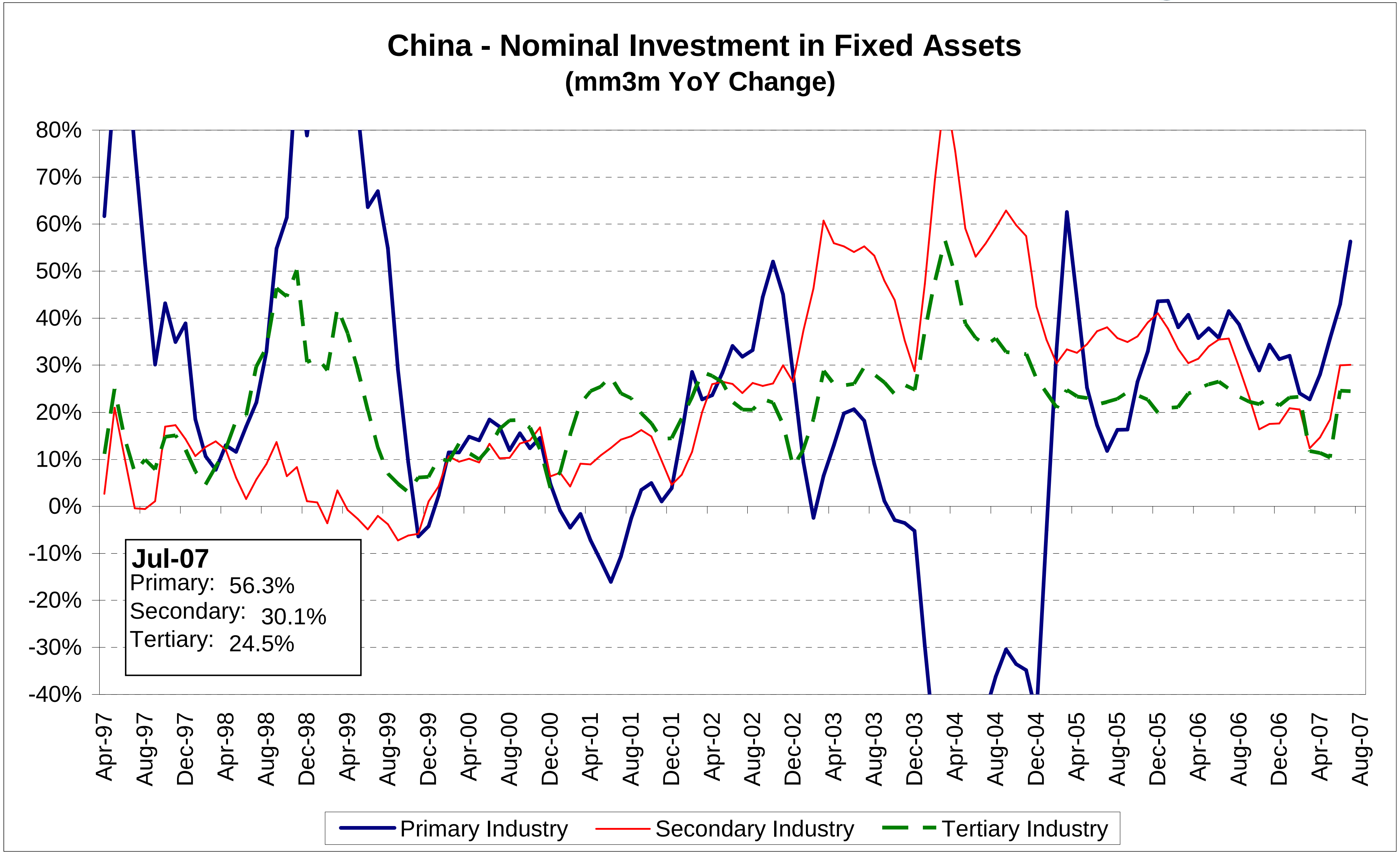


PIB



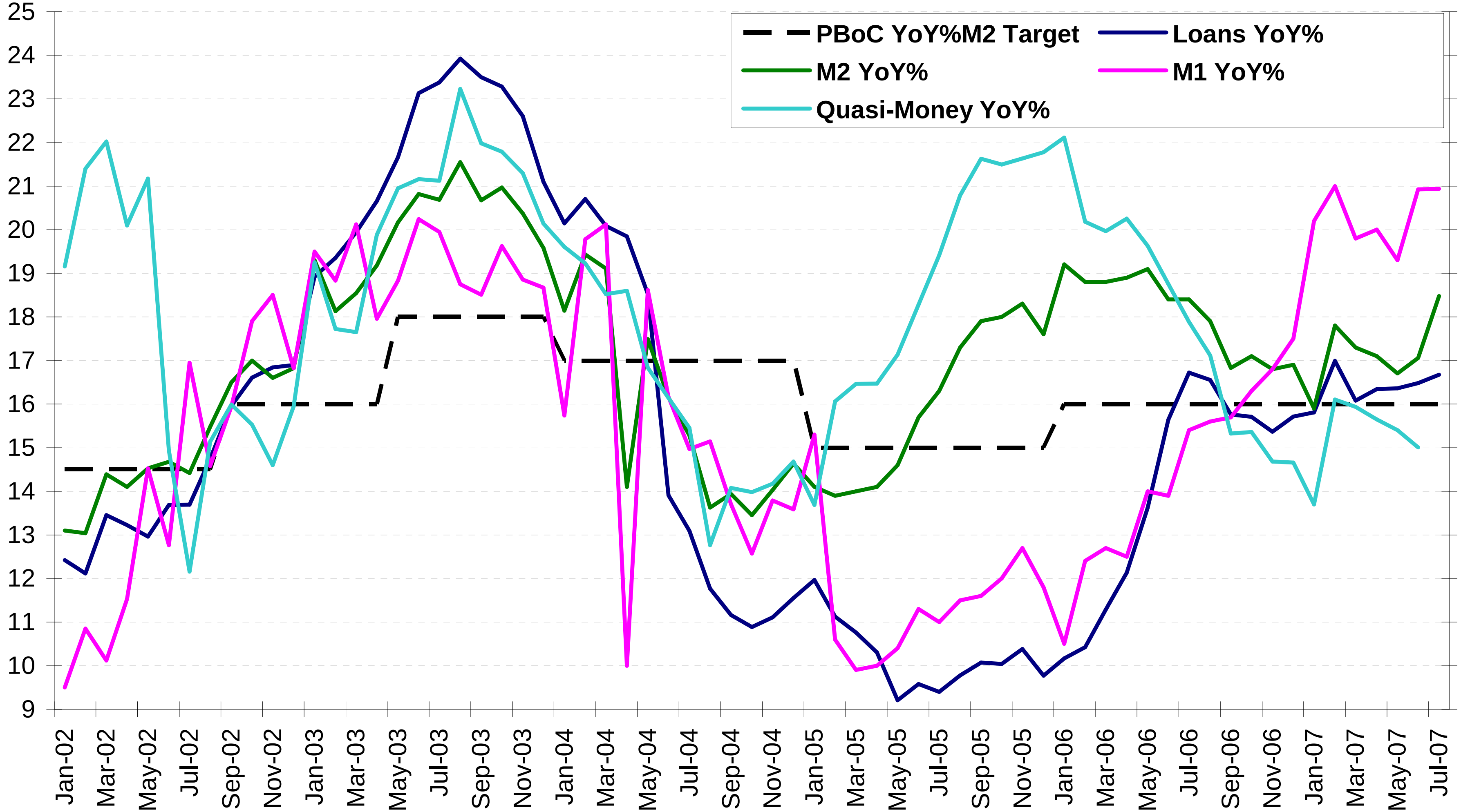
Source: Chinese National Bureau of Statistics.

Investimento

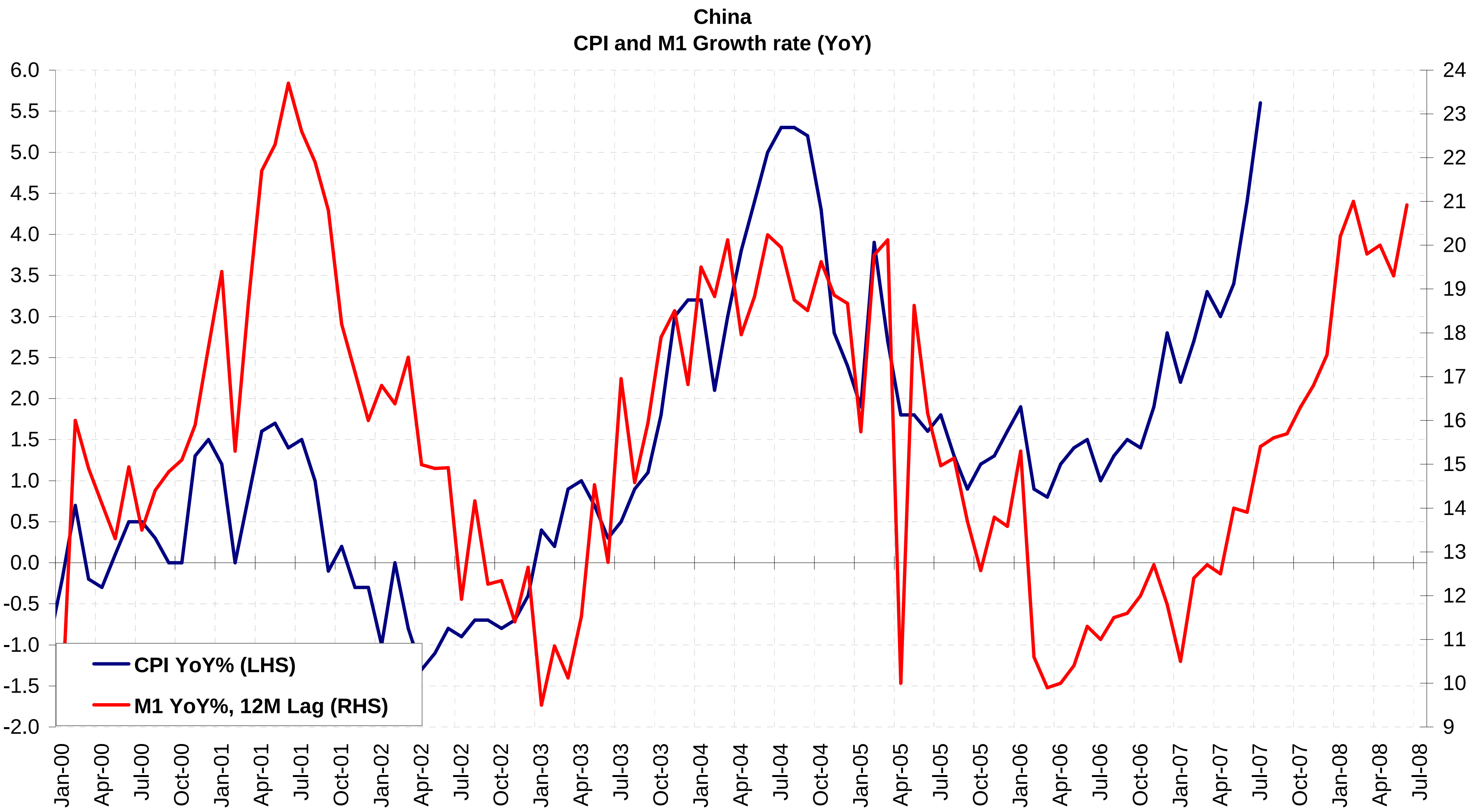


Política Monetária

Monetary Aggregates YoY% Growth



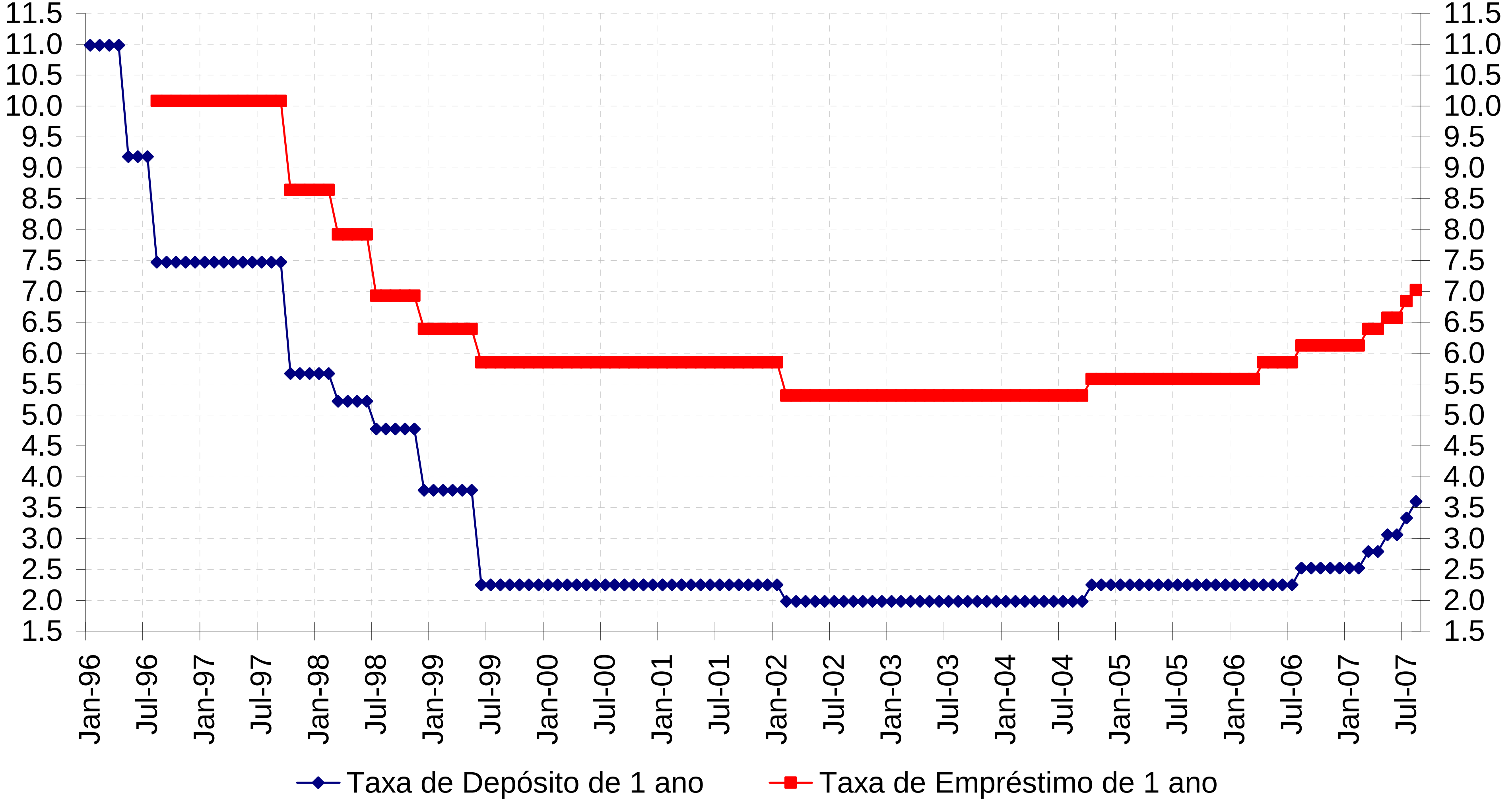
Política Monetária e Inflação



Source: Chinese National Bureau of Statistics.

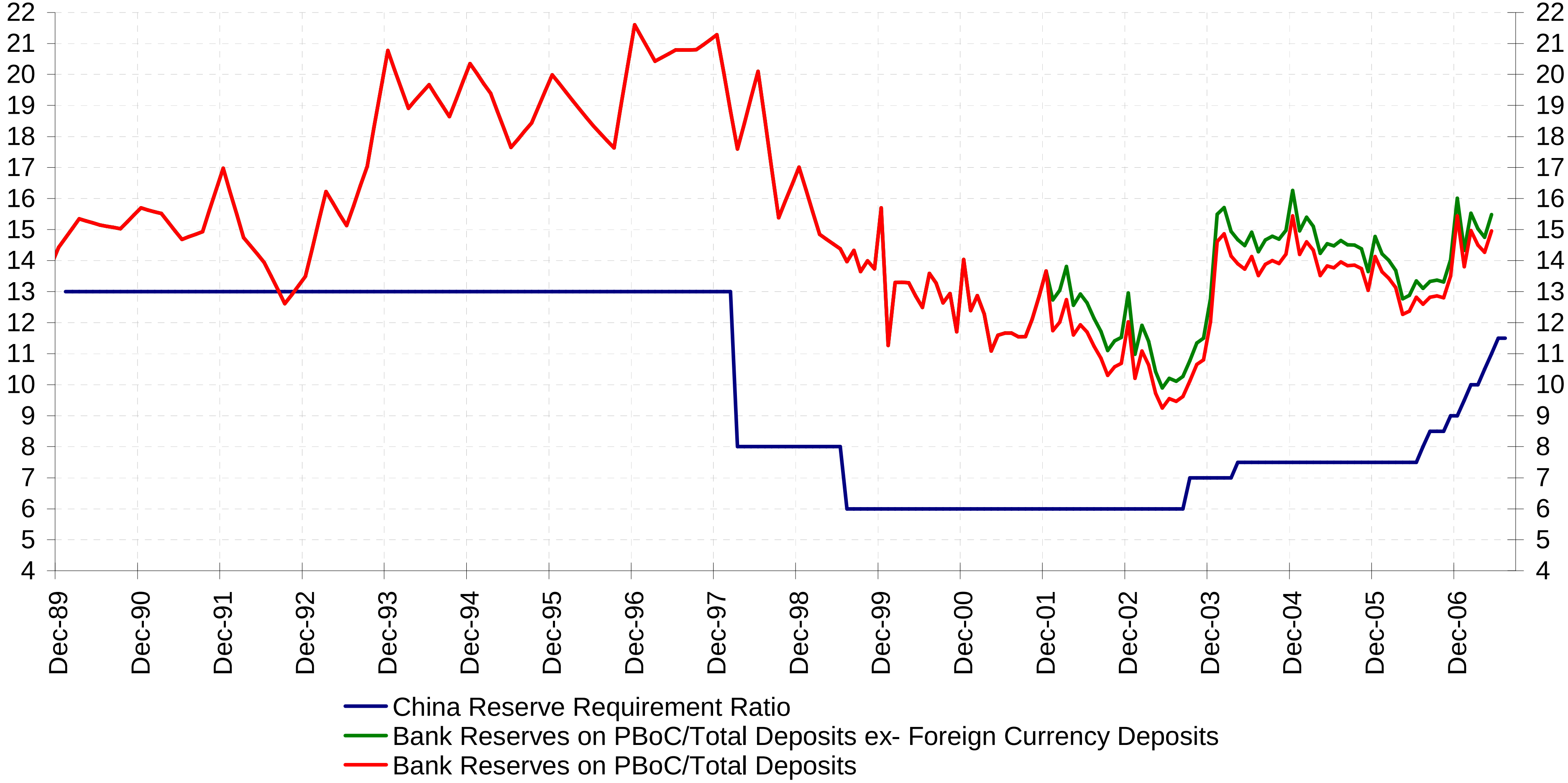
Taxas de juros

Taxas de Juros de 1 ano



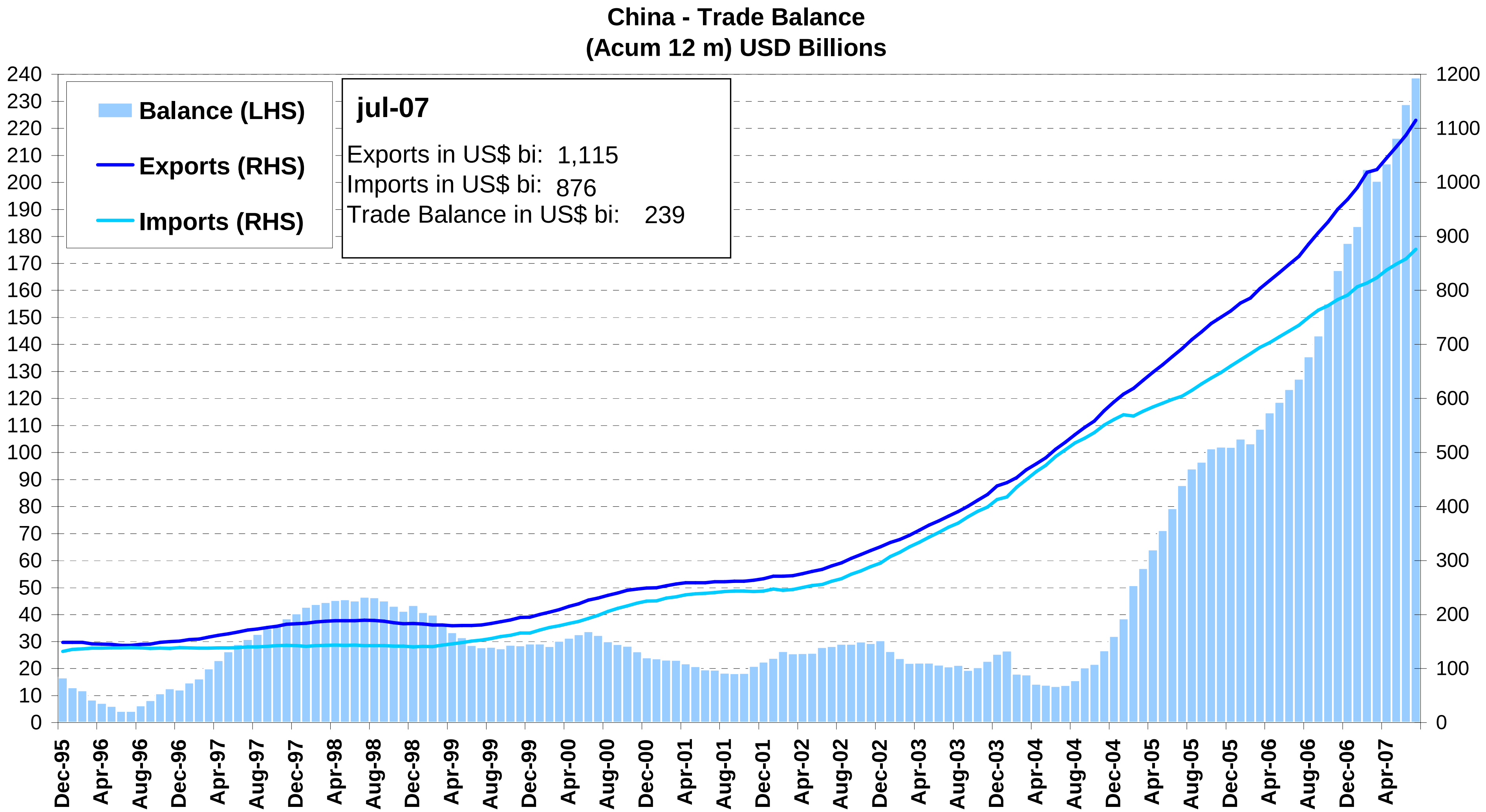
Taxa de depósito Interbancário

Reserves Requirement Ratio vs. Efective Bank Reserves on the PBoC



Source: People's Bank of China.

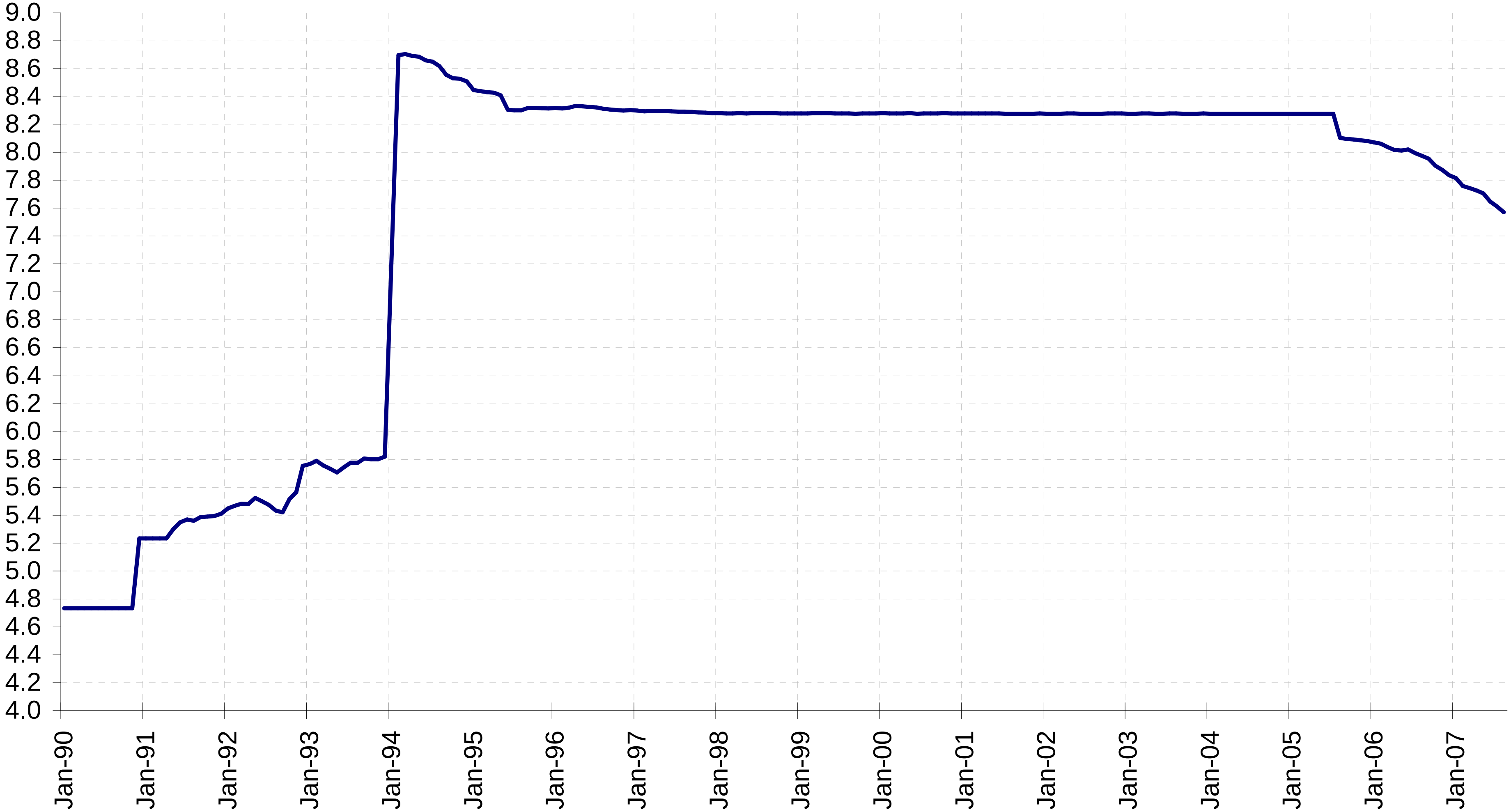
Balança Comercial



Source: Chinese National Bureau of Statistics.

Taxa de Câmbio

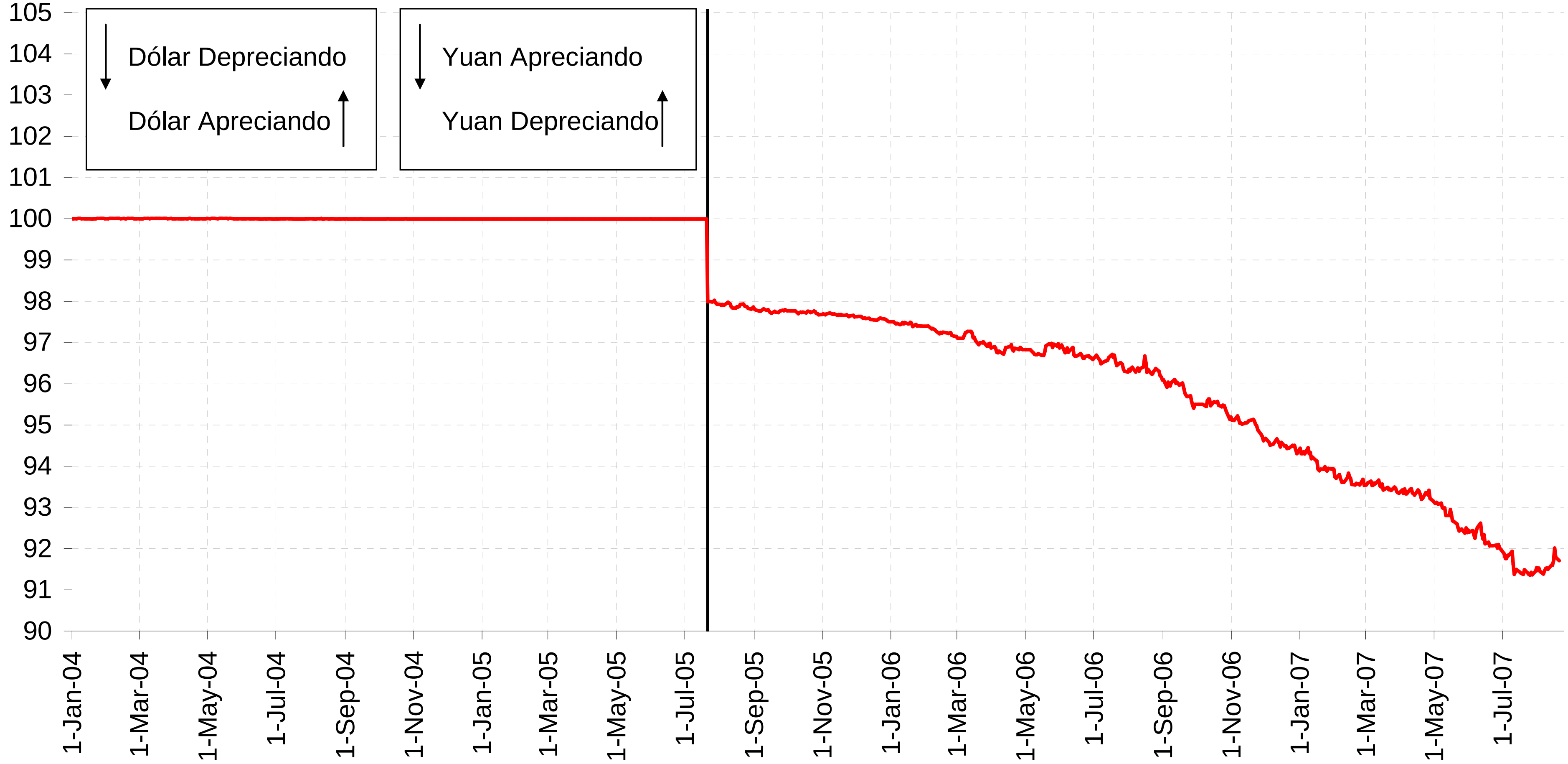
Taxa de Câmbio Nominal - Yuan/USD



Source: People's Bank of China.

Câmbio

Yuan vs. Dólar (2-Jan-04=100)



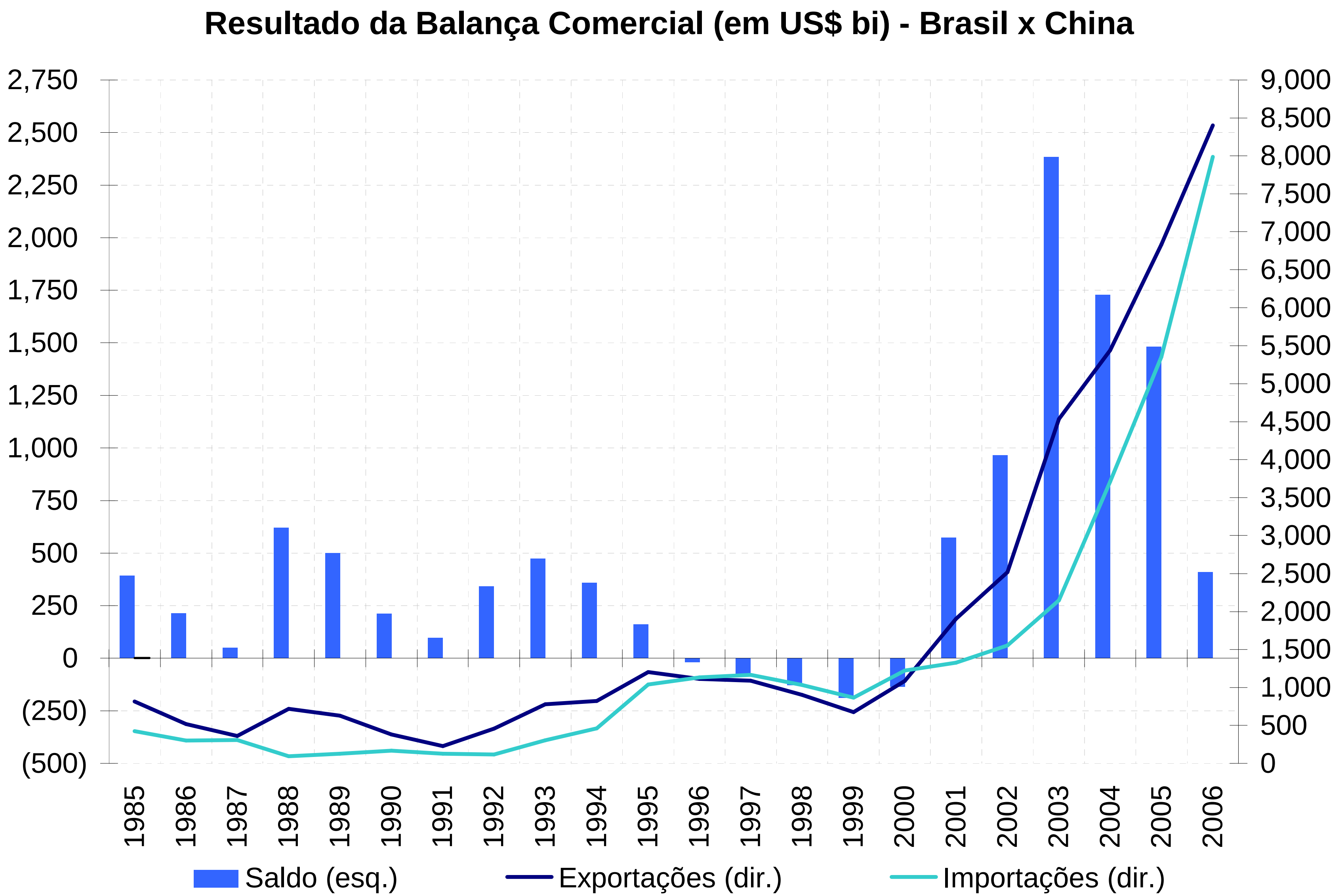
Source: People's Bank of China.

Taxa de Câmbio Efetiva

Fonte: JP Morgan

The Impact of China and Asia on Brazil and Latin America

Trade Balance Brazil versus China

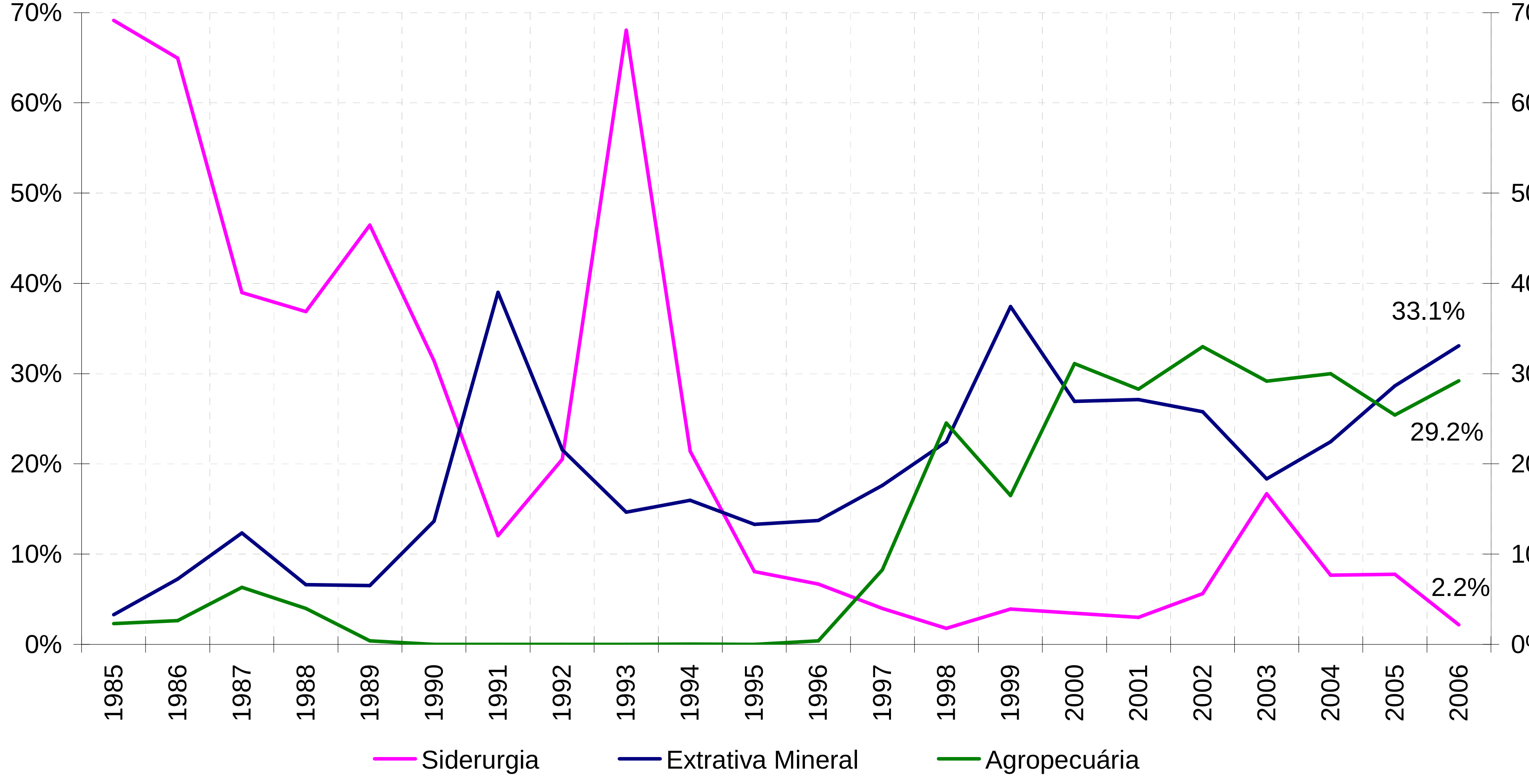


Source: Development, Industry and Commerce Ministry.

Main Exports to China: Its Mostly Commodities

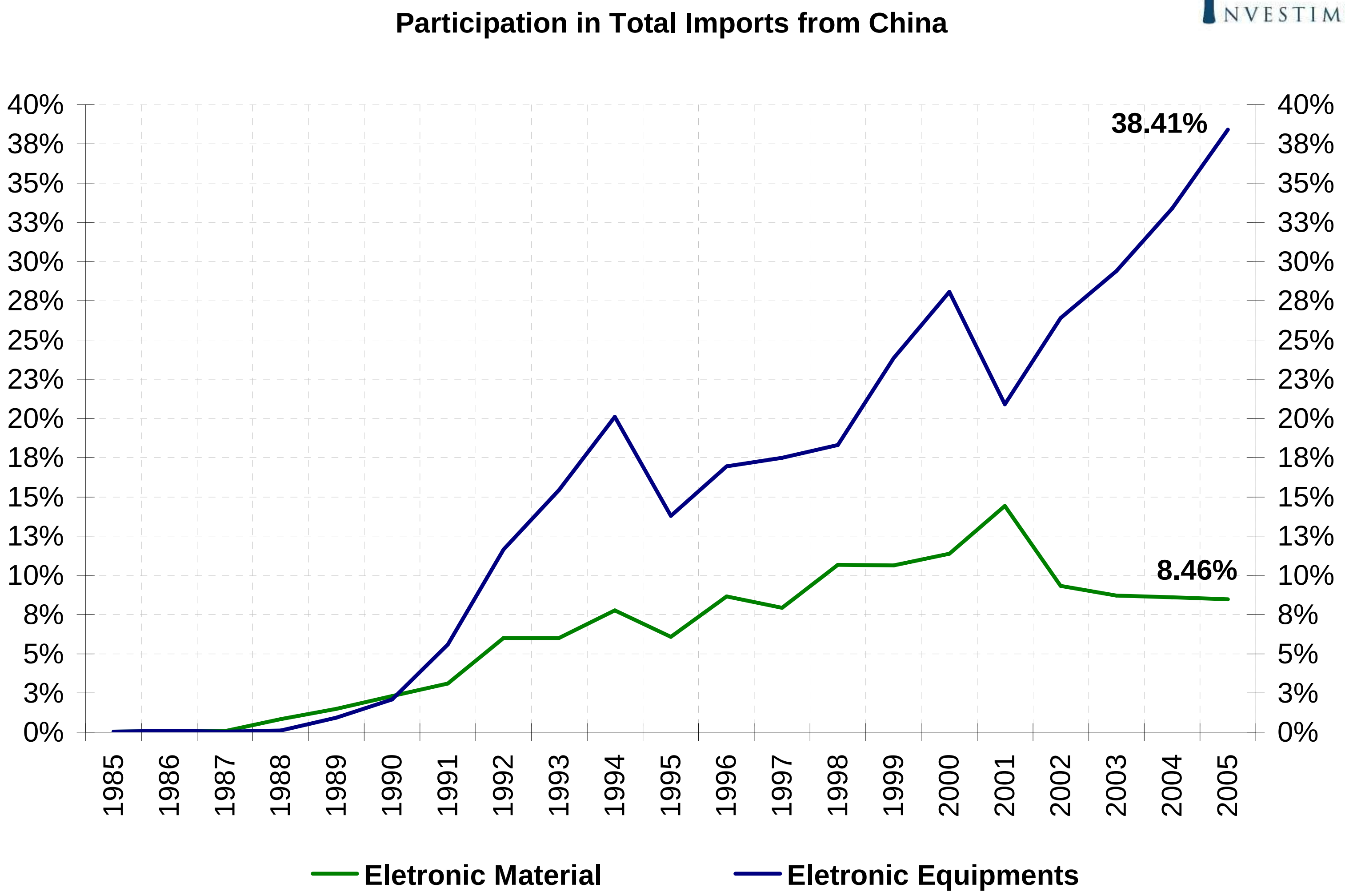
- Exports to China are concentrated in a few commodities: Soybeans, iron ore, steel, soy oil, and wood.
- The composition of trade between these two countries is ever changing: Brazil will be exporting Embraer planes in the coming years.

Participação no Total das Exportações para a China



Source: Development, Industry and Commerce Ministry.

Main Imports from China: Electronics and Textil



- 26.5% of Brazil imports of textile comes from China.
- China is also responsible for 39.1% of apparel articles imports and 43.7% of shoes, leather and fur imports.

Source: Development, Industry and Commerce Ministry.

GDP Growth: Direct China Impact

- Exports were na important determinant of GDP Growth.
- Exports to China grew faster and contributed more.

	Contribuição das Exportações para a China	Cresc. Real do PIB
2001	0.4%	1.3%
2000 - 2002	0.6%	4.0%
2000 - 2003	1.2%	5.2%
2000 - 2004	1.2%	11.2%
2000 - 2005	1.3%	14.5%
2000 - 2006	1.4%	18.7%

	Contribuição das Exportações para a China	Cresc. Real do PIB
2000	0.1%	4.3%
2001	0.4%	1.3%
2002	0.2%	2.7%
2003	0.6%	1.1%
2004	0.0%	5.7%
2005	0.1%	2.9%
2006	0.1%	3.7%

Source: Ciano Investimentos.

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Chinese Trade Competition: Impact on Latin America

- If the country mentioned has exactly the same export structure of China, then the index is equal to 1. In this case, the potencial trade competition is high. On the contrary, the index is equal 0 if there is no coincidence.

	Coefficient of Specialisation*	Coefficient of Coformity*	Average of both indexes*	Average of both indexes 2002**
Paraguay	0.08	0.02	0.05	0.07
Venezuela	0.10	0.03	0.06	0.10
Bolivia	0.12	0.04	0.08	0.11
Chile	0.14	0.04	0.09	0.11
Russia	0.15	0.06	0.10	0.12
Argentina	0.20	0.08	0.14	0.17
Colombia	0.25	0.12	0.18	0.20
Brazil	0.30	0.21	0.26	0.28
India	0.42	0.25	0.34	0.38
Philippines	0.40	0.37	0.39	0.33
Poland	0.44	0.35	0.40	0.46
Turkey	0.43	0.38	0.41	0.49
Indonesia	0.46	0.39	0.43	0.42
USA	0.43	0.44	0.44	0.44
Mexico	0.52	0.54	0.53	0.50
Thailand	0.57	0.71	0.64	0.57

* Average 2002-2004 ** Average 200-2002

Source: Rodríguez, Santiso and Lidoy (2006)

Can Latin America Join the Party (Grow Faster)?

1st Obstacle: Education

- 11% of Brazilians with more than 15 years are illiterates.

Brazil

Percent of Student Enrollment - 2005

Primary School	**7 to 14 years**	**Total**	**94.42%**
		Urban	94.97%
		Rural	92.30%
Secondary School	**15 to 17 years**	**Total**	**45.34%**
		Urban	50.39%
		Rural	24.66%

Source: IBGE

China

Percent of Student Enrollment - 2000

Primary School	**99.10%**
Secondary School	**94.30%**

Source: National Bureau of China.

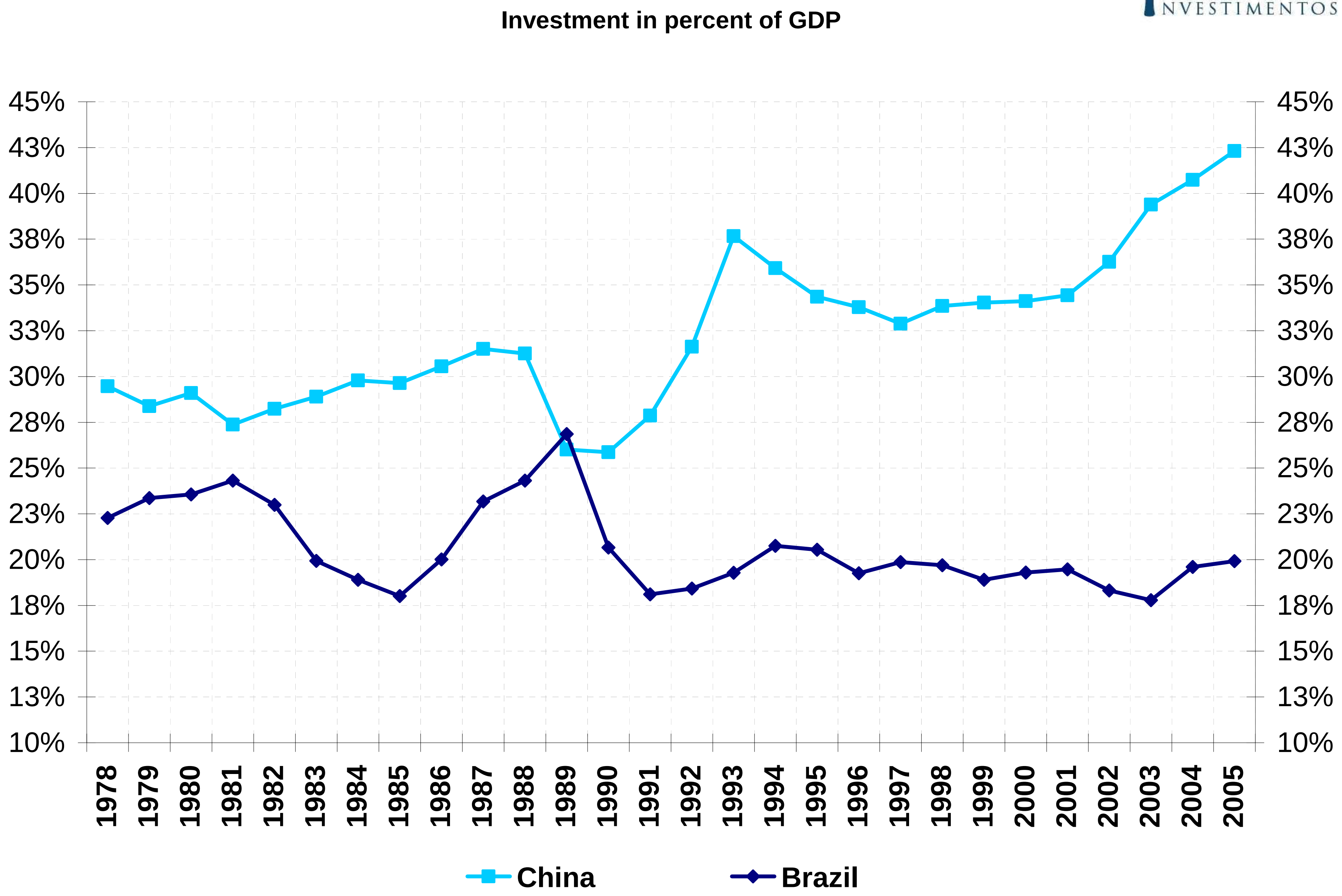
China versus Brasil

	Brasil	China
Frequência Escolar - Ensino Médio	45.34%	94.30%
Investimento (%PIB)	20%	43%
Poupança (% PIB)	22%	46%

Fonte: IBGE, National Bureau of China, Moody's. Elaboração Ciano.

2nd Obstacle: Capital Investment

CIANO INVESTIMENTOS



Source: IBGE, National Bureau of China.

3rd Obstacle: weaker currency?

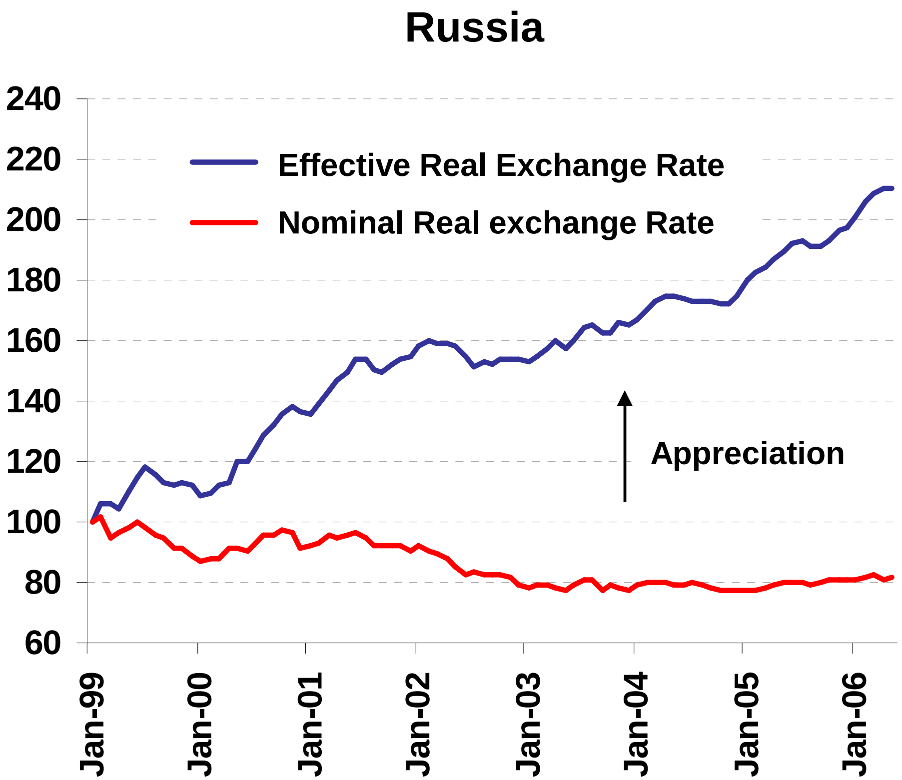
- Some people blame the strength of the Currency (Real) for the disappointing growth numbers. For them, inducing a weaker currency could lead to faster (export led) growth.

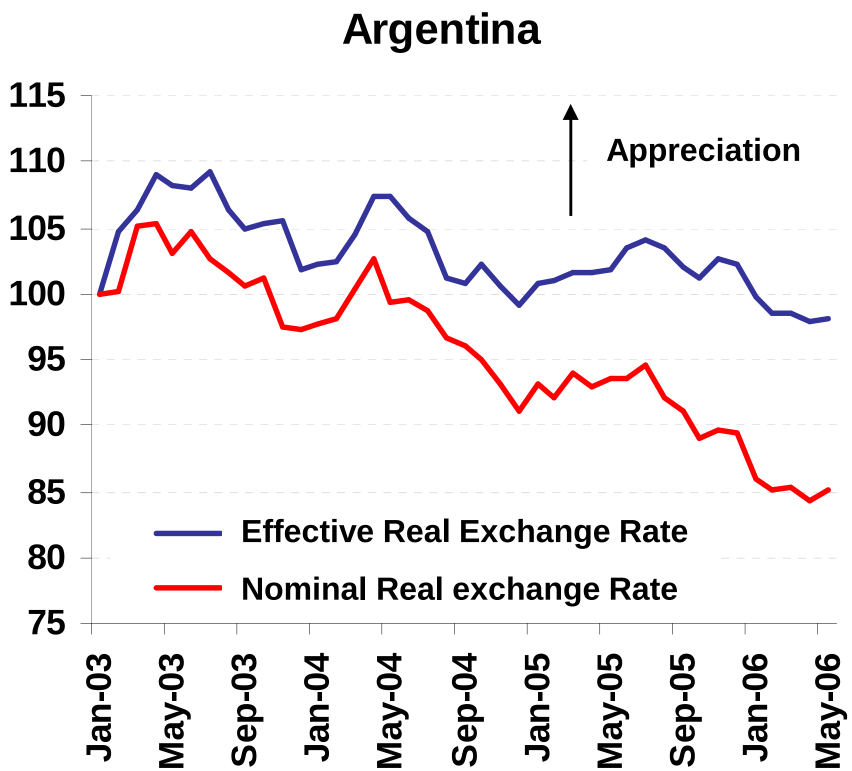
- But it is not clear how one should target a weaker currency:

  – Nominal exchange rate targeting is problematic. It conflicts with the current inflation targeting regime as the main nominal anchor. A change for a nominal exchange rate anchor (initially more depreciated) is a return to a crisis-prone past.
  – Real exchange rate targeting is even harder. Governments do not directly control competitiveness in the long run.
  – The instruments available are, for example, higher savings (including government) and more openness. In fact, regimes that manage to maintain a real depreciation for a long time reflect a very high saving rate or other fundamentals.

...but in the long run inflation leads to a greater discrepancy

CIANO INVESTIMENTOS





Lessons for Brazil and Latin America

1. Enjoy current trade complementarities, export of commodities is fine. Other trade complementarities are already taking shape, but reforms (e.g. infrastructure, tax) are needed.
2. Avoid proteccionism. Instead, take advantage of lower global inflation environment: lower interest rates, improve public debt composition, avoid spending the windfall (better to reduce tax burden and increase public investment).
3. Rise of Asia is also rise of global liquidity (large sums of Asian money in US treasury bills). Take advantage by: paying debts, accumulating reserves or assets,and investing.
4. Asia’s model cannot be replicated by just having a weaker currency: need education, savings and investment.

Conclusões

- China tem motor próprio, mas será afetado por crise.
- Desaceleração algo bom? Inflação menor.
- Brasil será afetado pela crise, com queda de commodities, crescimento, mas China defende no inicio.