

# Economic Growth and Income Distribution in Brazil

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# Initial Remarks

- Brazil adopted band exchange rate regime with the Real Plan and became vulnerable to currency crisis, like other countries.
- After Mexican, East Asian and Russian crisis, we experienced it in 1999 (in the beginning of Fernando Henrique Cardoso second mandate).
- That determined a change in the economic policy orientation, combining inflation target, primary fiscal surplus and floating exchange rate regime

# Luís Inácio Lula da Silva Election: What could change?

- Lula achieved victory in the 2002 election, and was inaugurated as President on 1 January 2003.

The basis of the economic policy was maintained, although he had a most popular political base.

- In this sense, some changes had to occur, especially to fight against hunger and create better conditions of life for the poorer and stimulate economic growth in Brazil.

# Some Changes in the Economic Policy

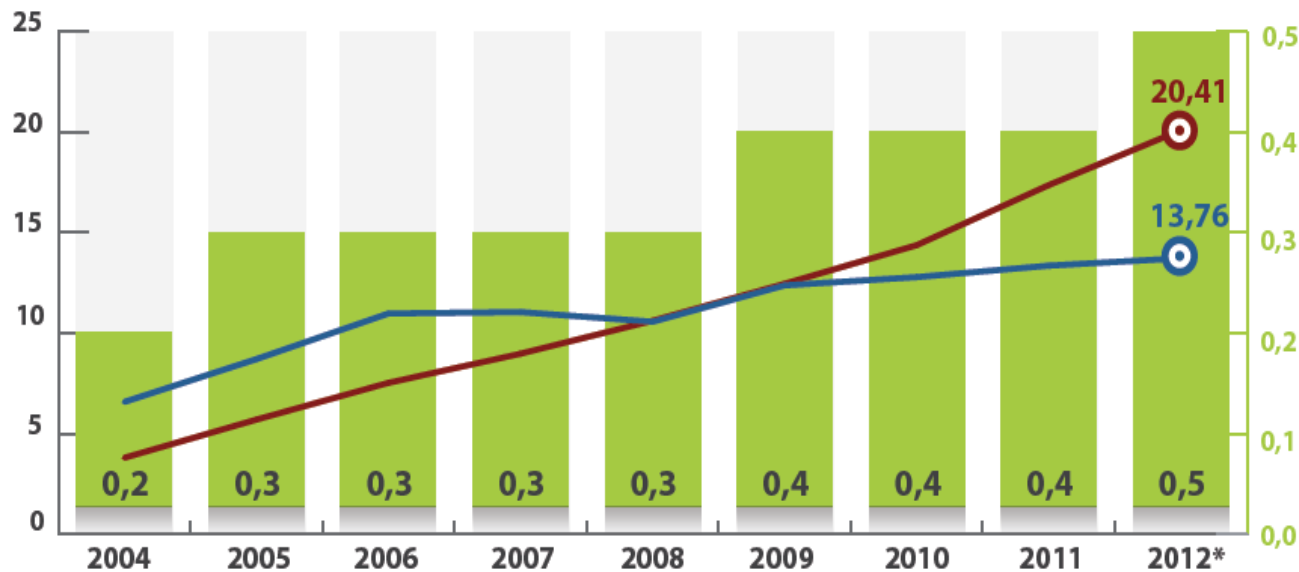
- income transfer programs were overlapped.
- systematic growth of minimum wage in real terms
- Increasing public investment programs and the financing role of BNDES (National Development Bank in Brazil)

# Bolsa Família: Number of families and expenditures

## Programa Bolsa Família é importante no combate à pobreza

O Bolsa Família é reconhecido como um dos mais eficientes programas de redução da desigualdade de renda e social. Sua abrangência já supera o montante de 13,7 milhões de famílias.

Programa de Transferência de Renda: Bolsa Família (R\$ bilhões, milhões de famílias e % do PIB)



- R\$ bilhões
- Milhões de famílias
- % do PIB

**Dados em:** R\$ bilhões, milhões de famílias e % do PIB

\*Gasto acumulado em 12 meses até outubro de 2012

Fonte: MDS

Elaboração: Ministério da Fazenda

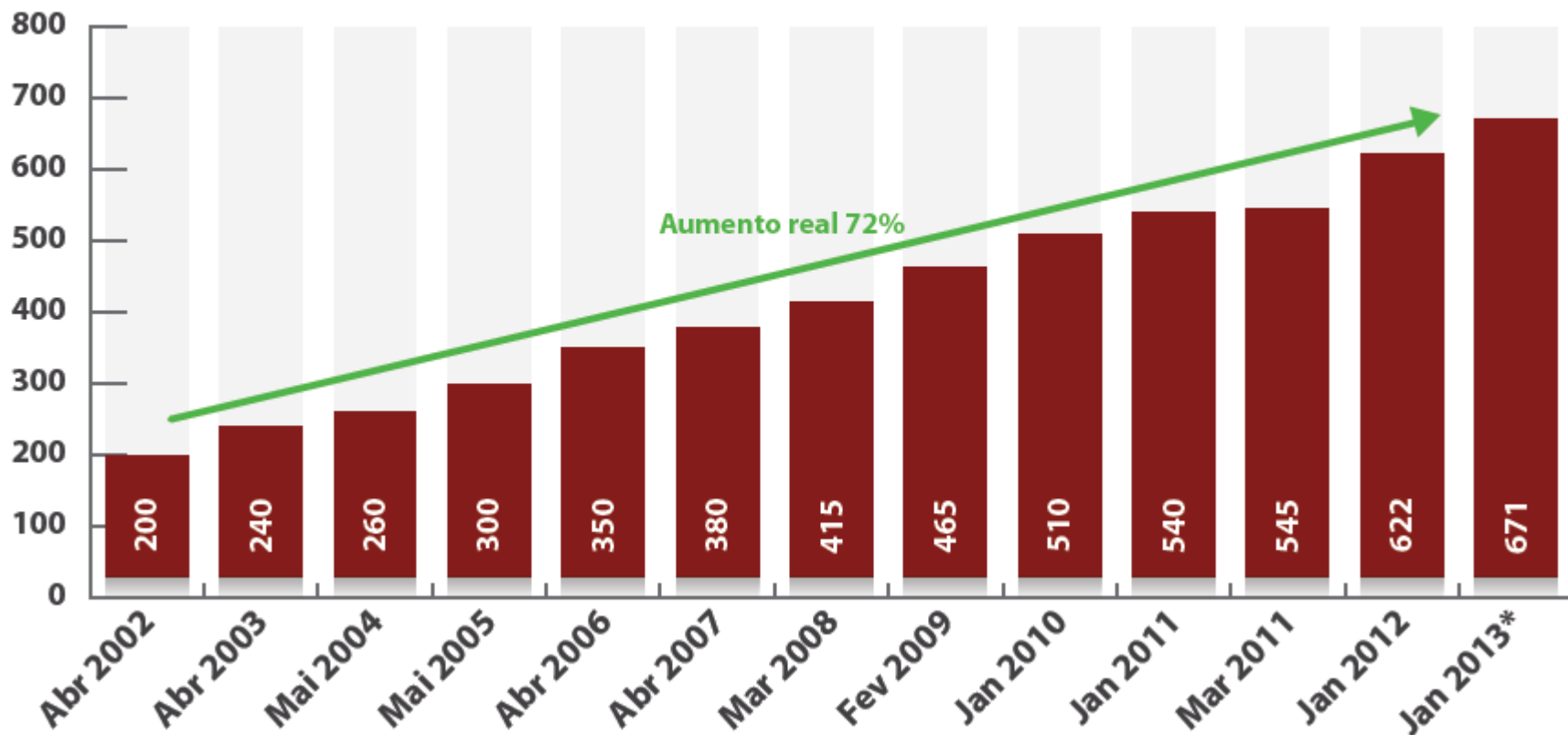
Gráfico 2 – Real Minimum Wage – Brasil – 1994-2010.



Fonte:  
IPEADATA

# Real minimum wage (+72% - 2002/2013)

Evolução do Salário Mínimo (R\$ e var % real)



# International Labour Organization (2008, p.1):

“The minimum wage (MW) is a key indicator for earnings trends in Brazil. It determines the earnings of formal workers who receive the MW and of those whose earnings are expressed in multiples of the MW (called the numeraire effect) as well as for informal workers whose wages equal the MW (lighthouse effect). There is ample evidence to suggest that the MW acts as a reference indicator for job earnings. Workers and employers negotiate wages often using the MW as a reference”



# Growth Acceleration Plan (O Programa de Aceleração do Crescimento) – PAC

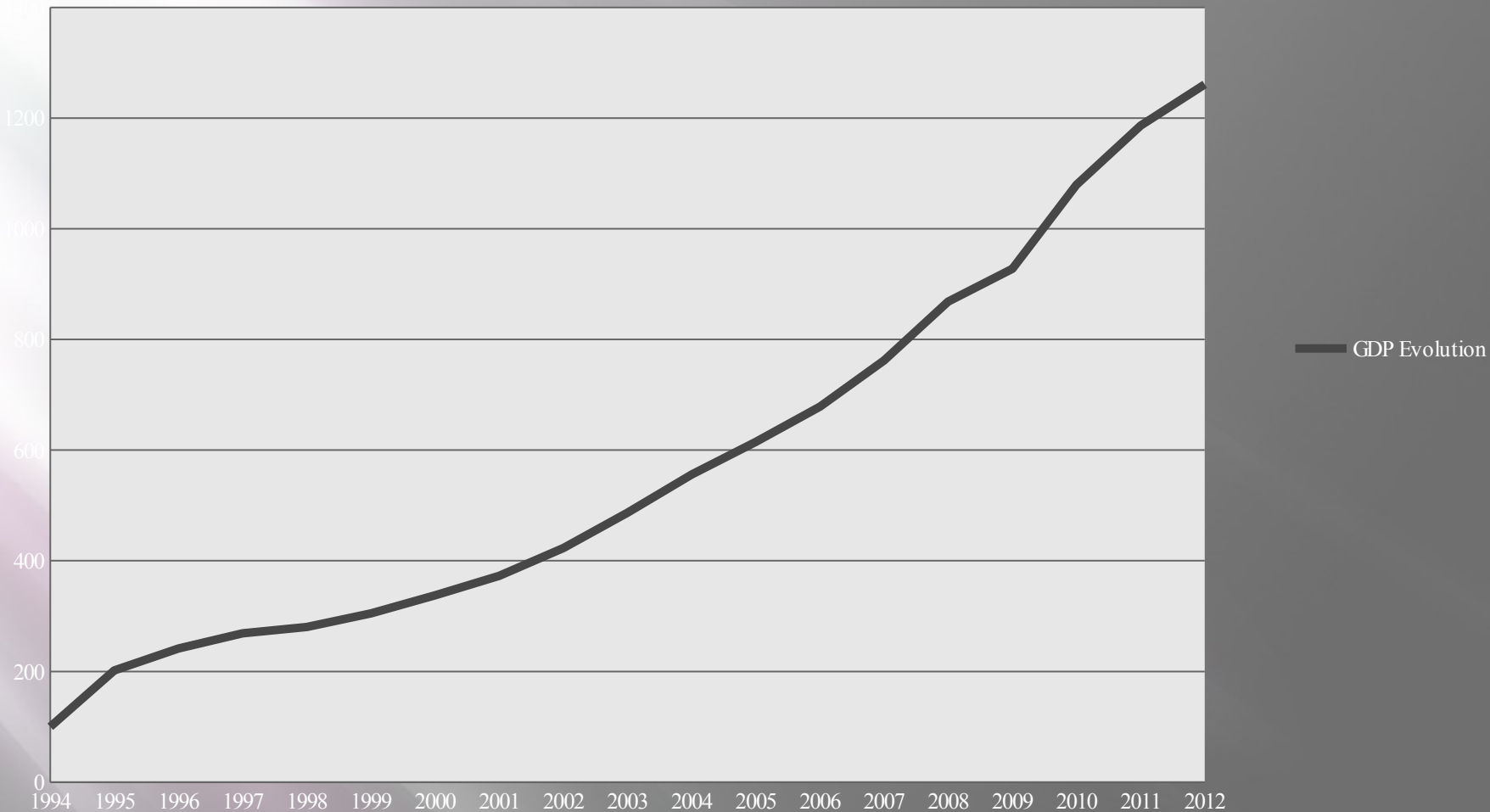
Oficial: “PAC is a strategic investment program, which combines measures of management and works. In its first edition, released in 2007, the program called for investments of US\$ 349 billion (R\$ 638 billion), and 63.3% of this total have been used.

Just like in the first phase of the program, the plan is focused on investments in the areas of Logistics, Energy and Social-Urban, unfolded into six major fronts: Better City (urban infrastructure), Citizen Community (safety and social inclusion), My House, My Life (housing), Water and Light for All (sanitation and access to electric energy for remote locations), Energy (renewable energy, oil and gas) and Transports (highways, railways, airports, among others).”

AXES	2011-2014	POST-2014	TOTAL US\$ (R\$ billion)
PAC BETTER CITY	31,3 (57.1)	-	31,3 (57.1)
PAC CITIZEN COMMUNITY	12,6 (23.0)	-	12,6 (23.0)
PAC HOUSING	152,5 (278.2)	-	152,5 (278.2)
PAC WATER AND LIGHT FOR ALL	16,6 (30.6)	-	16,6 (30.6)
PAC TRANSPORTS	57,3 (104.5)	2,4 (4.5)	59,7 (109.0)
PAC ENERGY	255,3 (465.5)	343,9 (627.1)	599,2 (1,092.6)
<b>TOTAL</b>	<b>526 (958.9)</b>	<b>346,4 (631.6)</b>	<b>872,3 (1,590.5)</b>

# Main Results

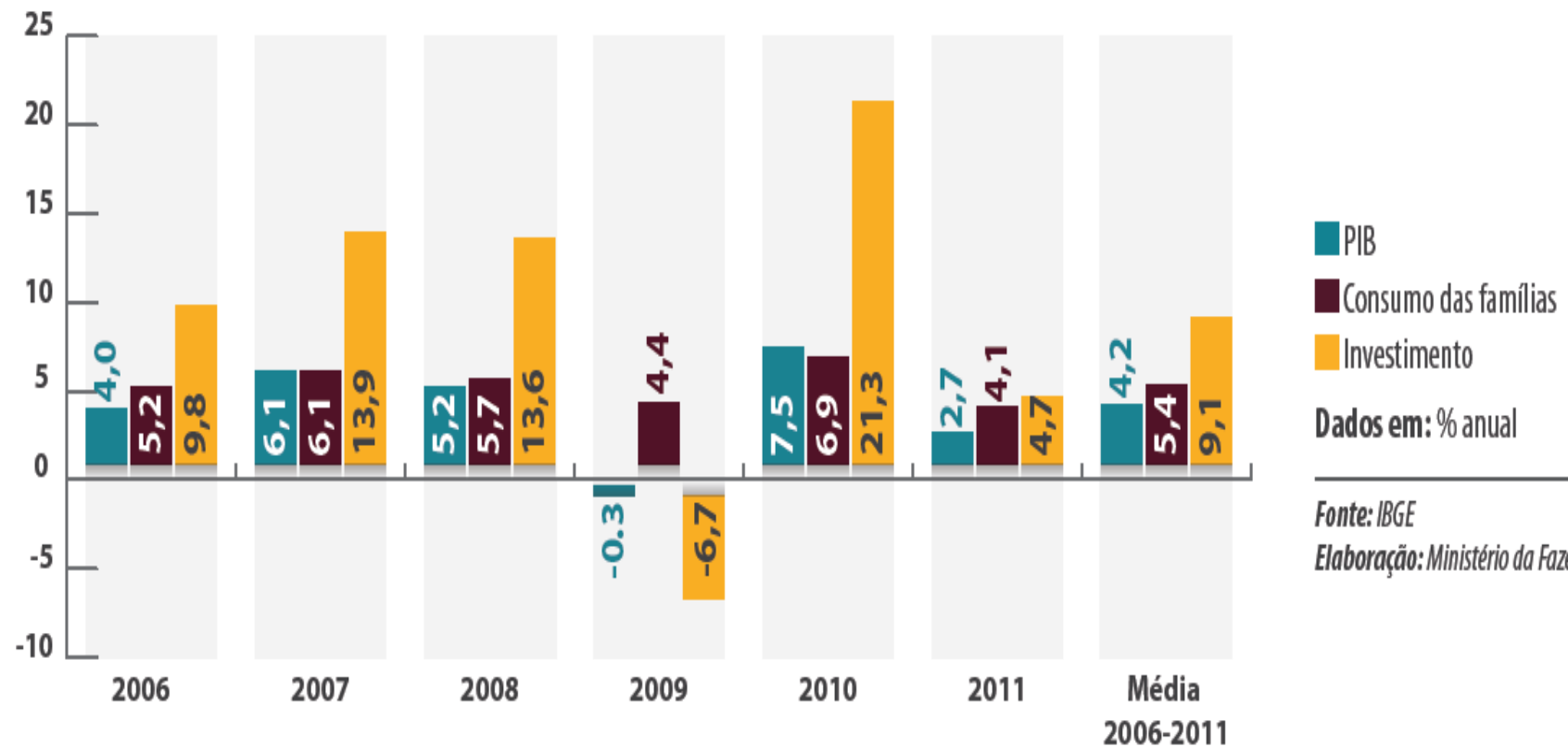
# GDP Evolution - 1994=100



Fonte:  
IPEADATA

# GDP, consumption (families) and investment

PIB, Consumo das Famílias e Investimento (% anual)

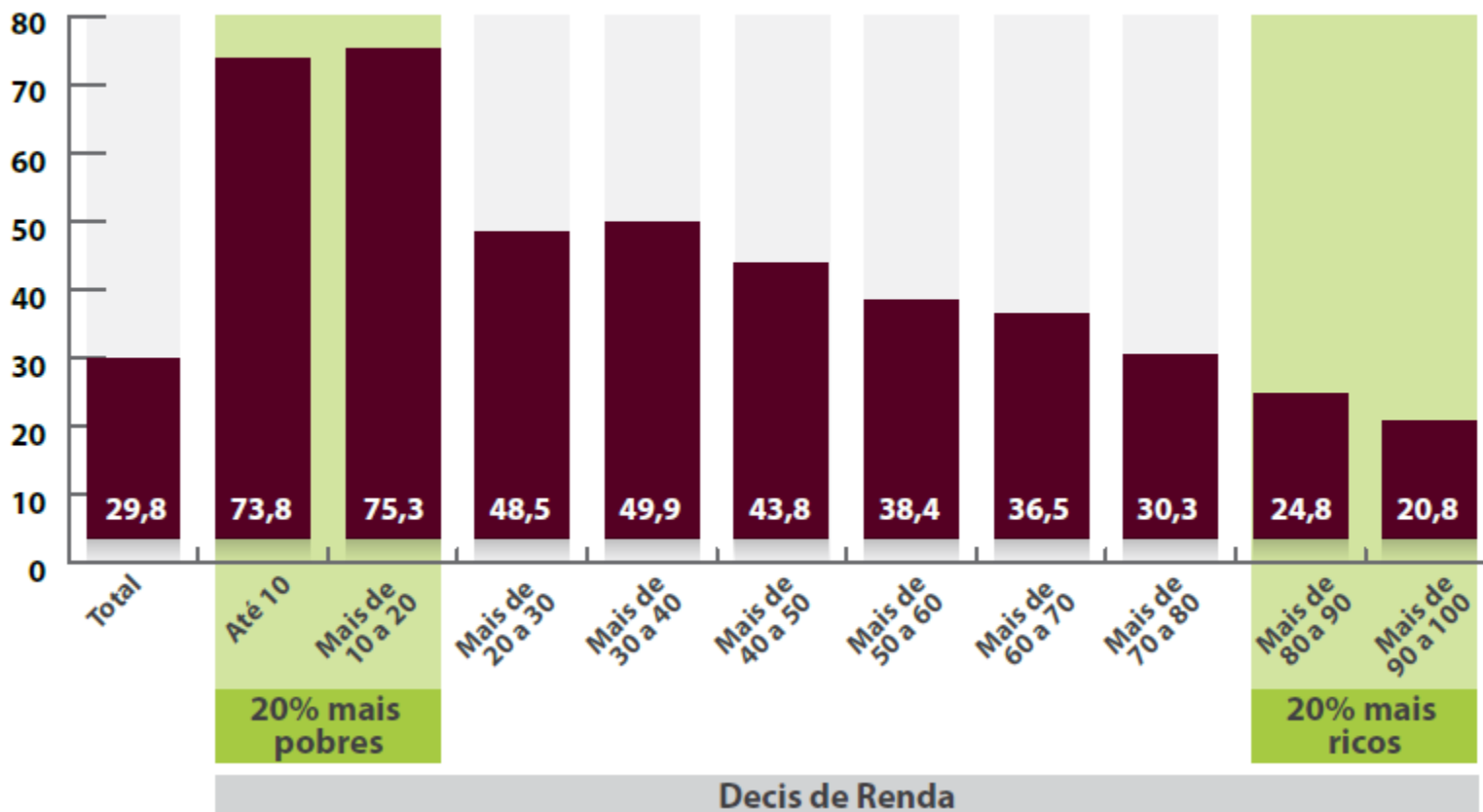


Fonte: IBGE

Elaboração: Ministério da Fazenda

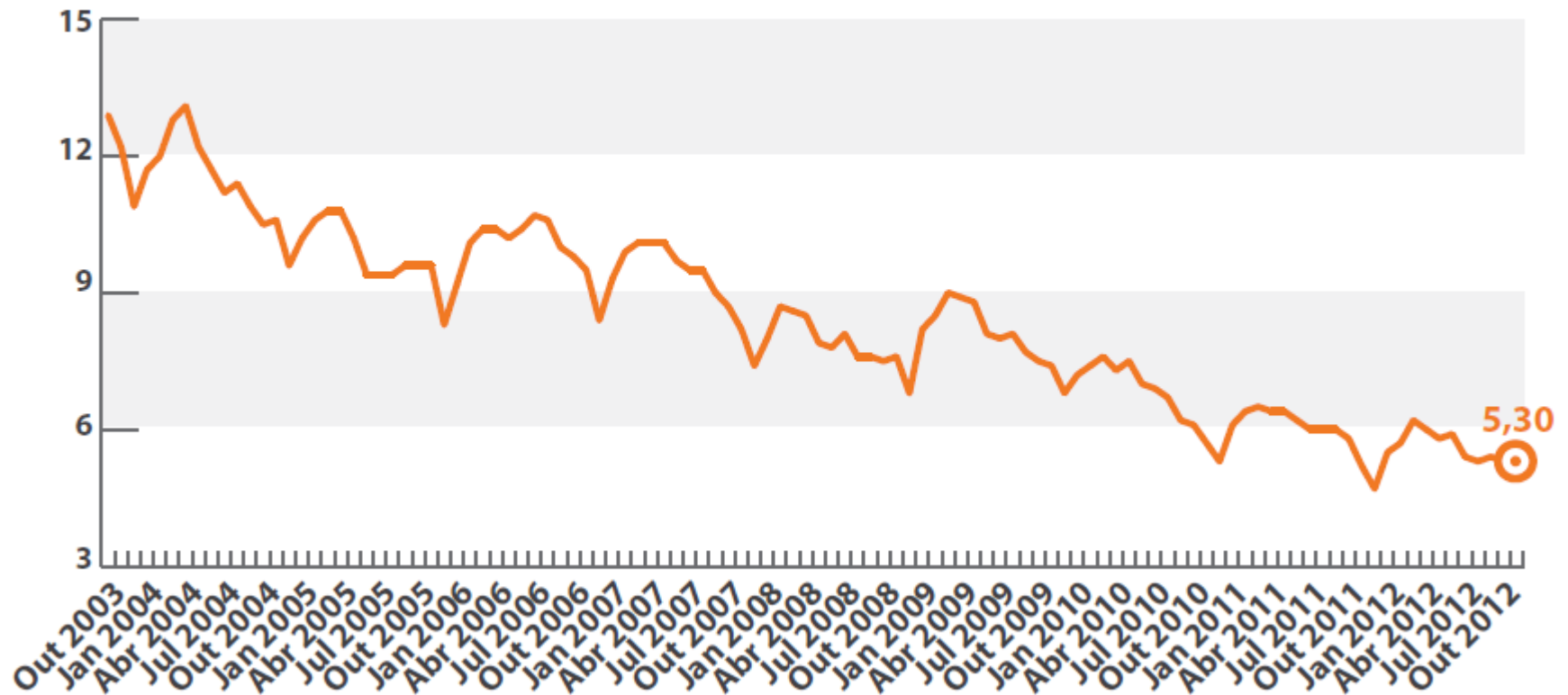
# Average growth of the real income: rich and poor

Rendimento Médio Mensal Real, por decis de renda\* (%)



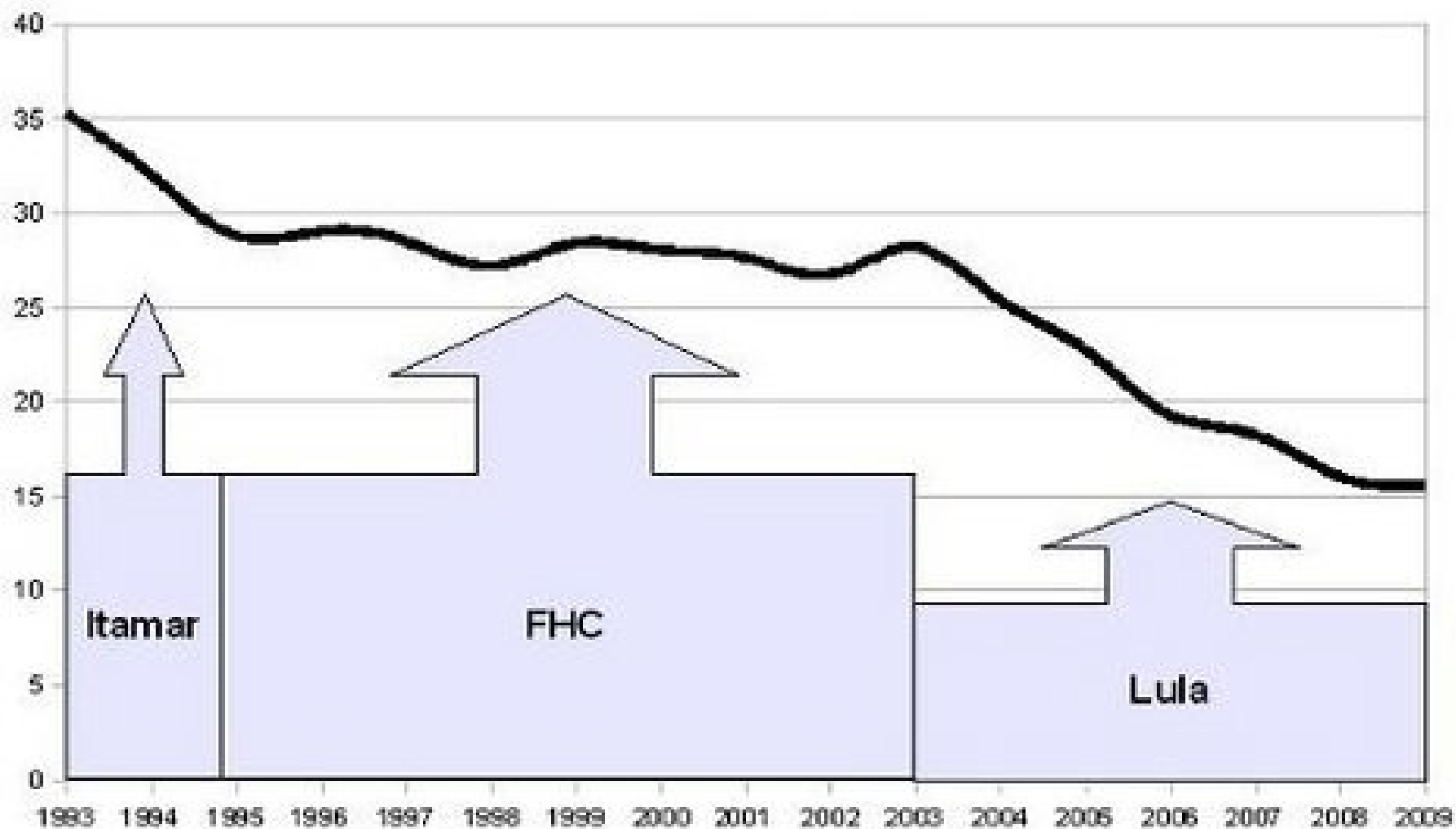
# Unemployment rate

Taxa de Desocupação\* (%)



Fonte:  
IPEADATA

### Miséria no Brasil

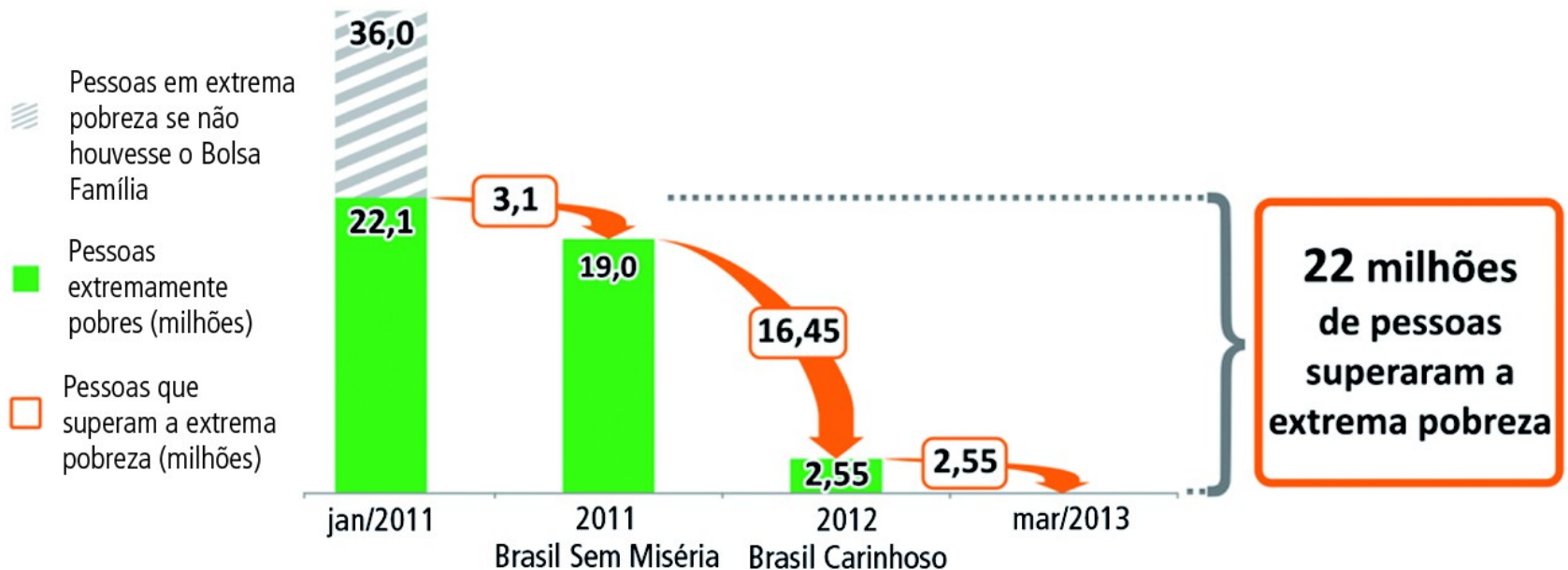


Apartir de dados da PNAD/IBGE



# Extreme poverty

## REDUÇÃO DA EXTREMA POBREZA ENTRE BENEFICIÁRIOS DO BOLSA FAMÍLIA

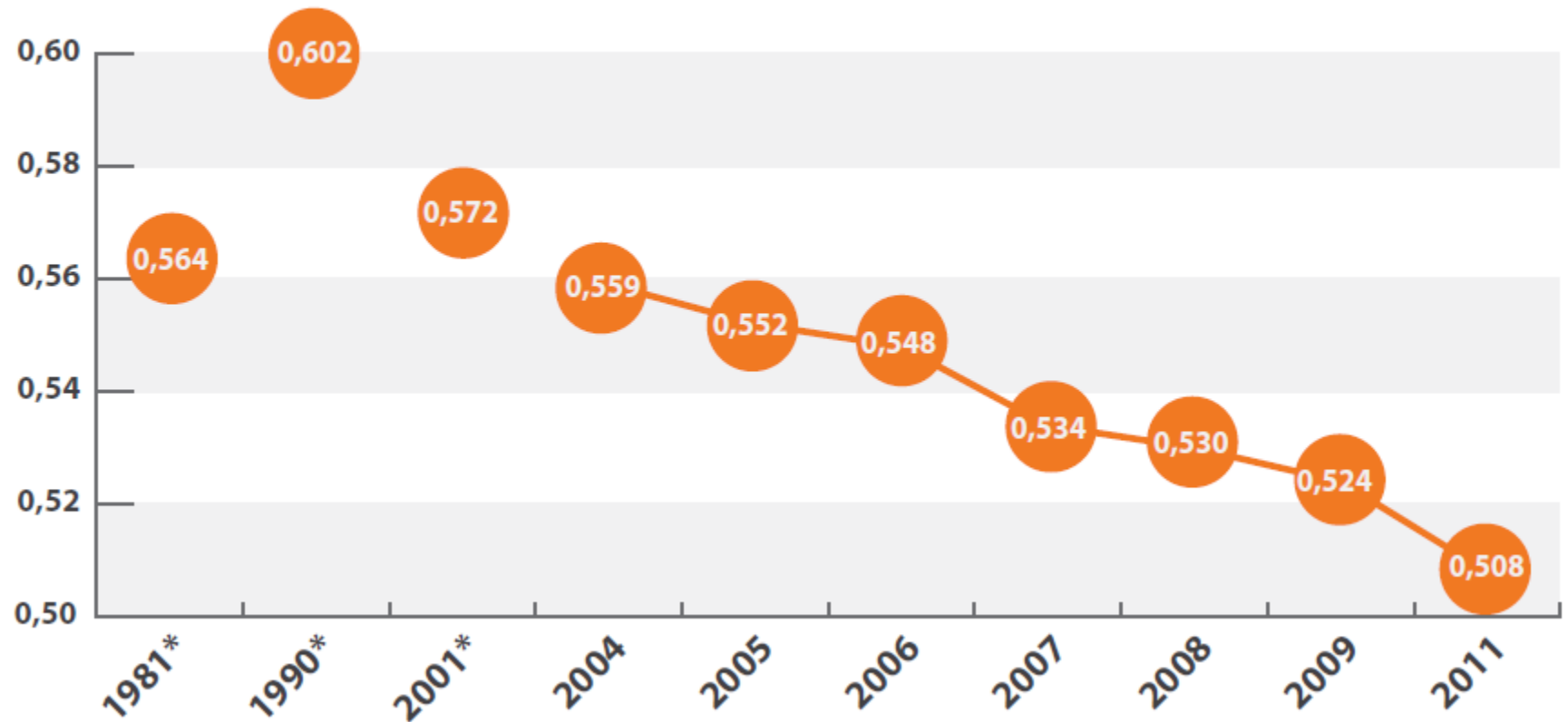


**BRAZIL: CHANGE IN THE REAL MINIMUM WAGE AND INCOME DISTRIBUTION, 1995-2007 a/**  
*(Percentages)*



# Gini Coefficient: Brazil (1981-2011)

Coefficiente de Gini do Rendimento de Todas as Fontes\*\* (de 0 a 1)

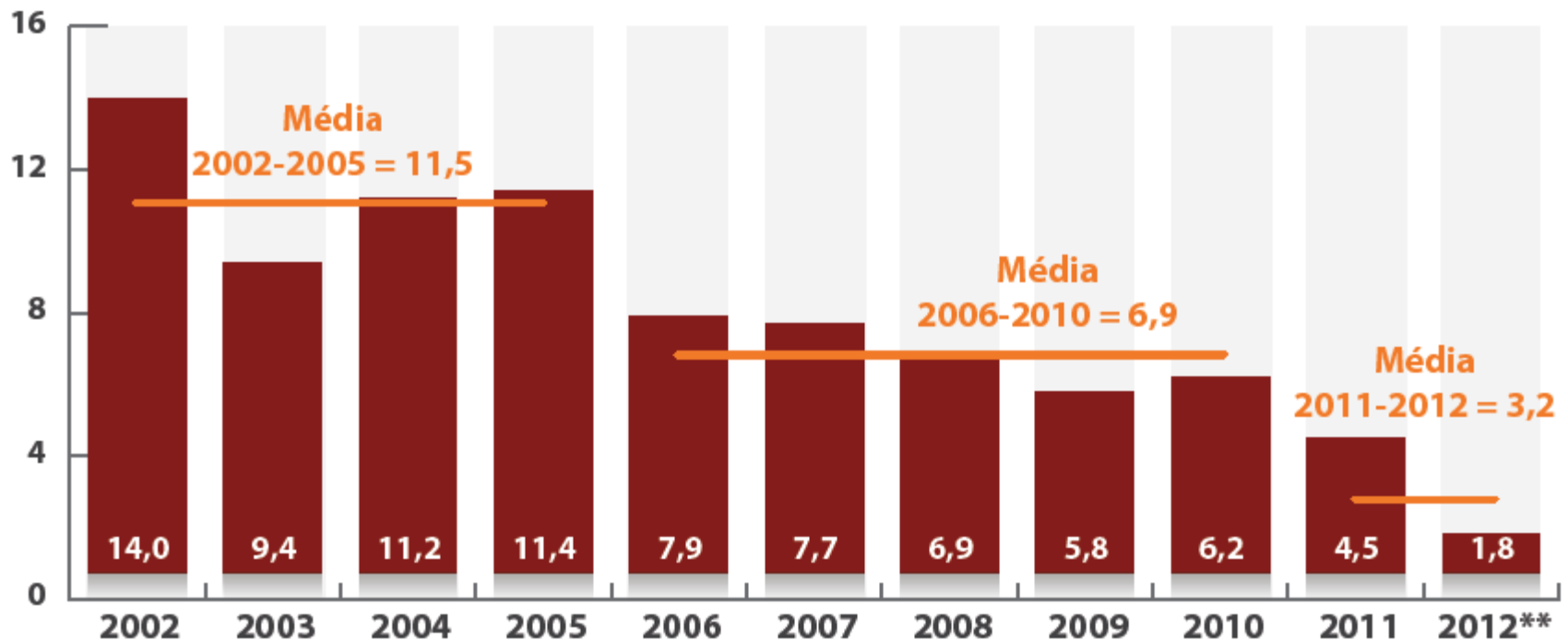


# Problems!!

- Combination of high real interest rates and overvalued exchange rate.
- Expected end of high commodities prices trajectory.
- Actual and possible response of the industrial sector to this situation.

# Real interest rate evolution

Brasil: Taxa Real de Juros Ex-ante\* (% a.a.)



**Thank you!**