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IS THE BRAZILIAN ECONOMIC MODEL OUT?

The negligible result of Brazilian Gross Domestic Product (GDP) – 0,2%, for the first semester of 2012 – showed that the Brazilian growth model does not display the same strength and dynamics it had some years ago. Have we reached exhaustion?

Supported by consumption and credit, the Brazilian growth model was backed up by the fast inclusion of families in consumption, obtained with income increase and transference, provided by government social programs, like the Family Benefit (Bolsa Família). However, such inclusion, a movement that shaped the “new class c”, has brought dynamism to the Brazilian economy since the beginning of the decade. The Brazilian people, therefore, were experiencing the opportunity of purchasing the first home appliances, the first car and the first credit card, elements which made the GDP enjoy the best average growth after years 60-70.

But, as it happens to all economic models that do not make the necessary adjustments after the initial expansion cycle, the first signs of exhaustion already started to appear. Considering the first and the second quarters of 2012 as a basis, it is possible to state that Brazil is experiencing the declining phase of the model.

The indebtedness of the families maybe is the major inducer of the imbalance. After the benefits in Taxes on Industrialized Products (IPI) reduction and the easy credit for purchasing cars, the families have made commitments close to the limit of their income. Without conditions of assuming new expenses for acquisitions,

people did not take more credit, and the truth is that the consumption did not reach the expected level.

The international environment remains as a threaten to the Brazilian economic recovery, contributing to the situation we are facing presently in our growth. The Chinese industrial production drop, the general lack of confidence in the banking system of the countries in the Euro zone and the protectionist pressures in Argentina, for instance, corroborated for the ineffectiveness of monetary and fiscal measures that the Ministry of Finance launched to stimulate consumption and boost the economy.

So, a question arises: which would be our optimum economic model? As a matter of fact, there is no perfect model. Nevertheless, when the assumptions of the model are made, conditions for evaluating its dynamics must be created, in order to identify the instabilities and promote the necessary adjustments.

Therefore, reflections about the present model are valid, since, in order to attend the consumption demand of the families during the last years, the country had to import large quantities of industrial products. Who did not benefit from this situation were the local producers, in other words, the Brazilian industry.

Brazil has the opportunity of reviewing its model without big traumas, once the degree of freedom and time are bigger, compared to other countries reality, like Argentina and Greece, among others. However, a big amount of courage and commitment of the government will be required in order to conduct the structural reforms, capable to promote the economy competitiveness as a whole. ■