



# PERFORMANCE OF BRAZILIAN INDUSTRY



National Confederation of Industry  
Brazil  
CNI. THE STRENGTH OF THE BRAZILIAN INDUSTRY

## Brazilian manufactured goods regain share in the global market

In 2016, Brazilian manufactured goods recovered competitiveness in the global market, even though the gain was small. Brazil's share in world manufacturing exports increased from 0.59% in 2015 to 0.61% in 2016. The indicator reversed a downward trend observed since 2012. In 2017, Brazil's share will likely remain at about the same percentage recorded in 2016.

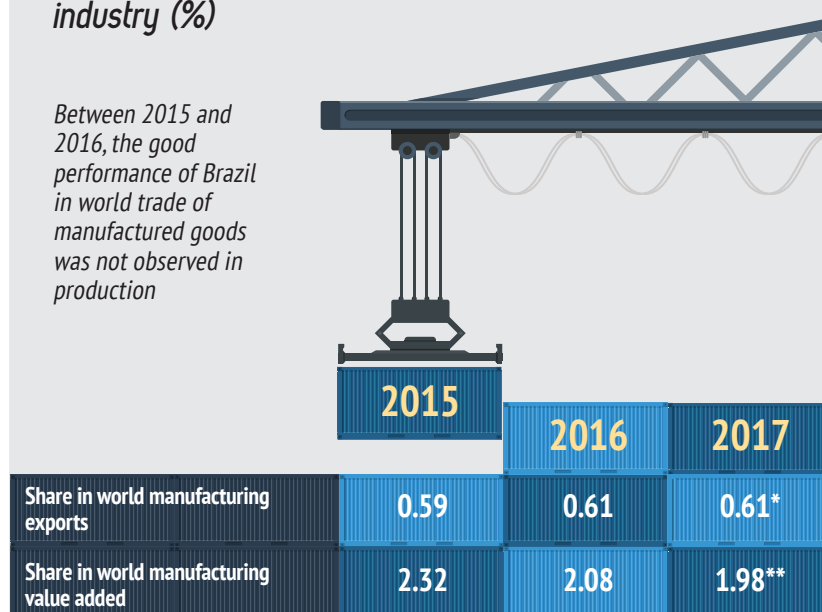
The depreciation of the Brazilian currency helps explain Brazil's improved export performance. The effects of the exchange rate on trade flows tend to be lagged, which explains the apparent paradox of Brazil gaining share in the export market in a year in which its currency appreciated. Between 2011 and 2015, the real depreciated by 30.2% against a basket of currencies of the 11 main trading partners of Brazil. Another major factor is the economic crisis, marked by high idleness in industry, leading companies to focus on the foreign market more intensely.

Despite Brazil's improved performance in international trade, no improvements were observed in production. Brazil's share in world manufacturing value added has remained on a downward trend, decreasing from 2.32% in 2015 to 2.08% in 2016 (down by 0.24 percentage points). In 2017, Brazil's share is likely to keep falling, albeit at a slower pace. According to UNIDO estimates, it will decrease by 1.98% (down by 0.10 percentage points).

Brazil's decreasing share in world industrial production is a long-term trend, but it has become more intense in recent years as a result of the domestic economic crisis. Over the past 20 years (1997-2017), Brazil's share in world industrial production shrunk from 3.26% to 1.98%. Despite this decrease, Brazil still ranks ninth among the 10 largest producers of manufactured goods in the world.

### Performance indicators for Brazilian industry (%)

*Between 2015 and 2016, the good performance of Brazil in world trade of manufactured goods was not observed in production*



\*CNI estimate.

\*\*Calculation based on data estimated by UNIDO.



## BRAZILIAN PERFORMANCE

# Brazil's share in world exports of manufactured goods increased in 2016

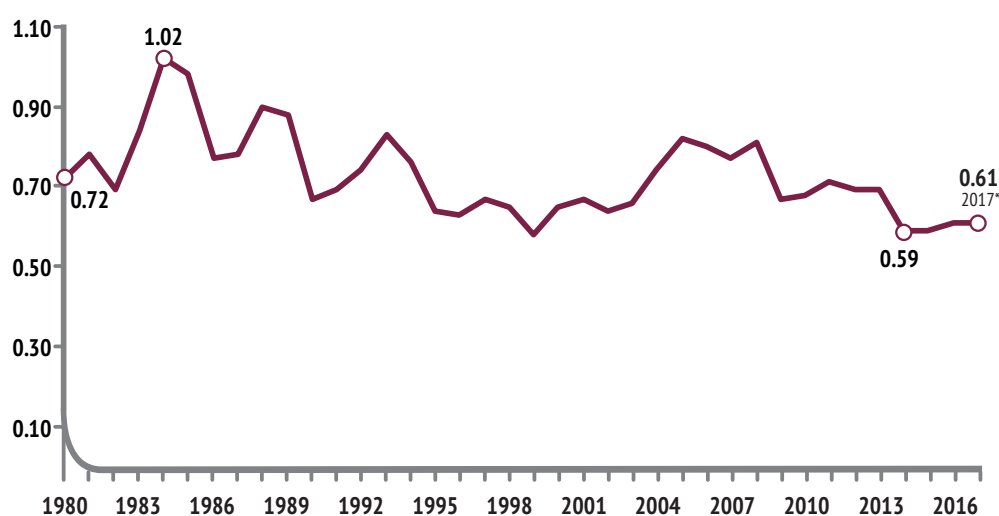
Brazil's share in world manufacturing exports increased from 0.59% in 2015 to 0.61% in 2016 as a result of its improved competitiveness, although the gain is not very significant. The indicator reversed a downward trend observed since 2012. Between 2011 and 2015, the indicator dropped by 0.12 percentage points. Over the past 10 years (2006-2016), Brazil's share loss amounted to 0.19 percentage points.

The evolution of the real exchange rate is one of the factors that explain the country's improved performance. Although the Brazilian currency appreciated in 2016 and 2017, it depreciated by 30.2% between 2011 and 2015 against the basket of currencies of Brazil's 11 main trading partners.<sup>1</sup> The effect of the exchange rate on trade flows tend to be lagged, which explains the apparent paradox between Brazil gaining share in the global export market while its currency appreciated in recent years.

Economic recession is a second factor. A fall in domestic demand and high idleness in industry lead companies to focus on the international market more intensely. During the most acute period of the crisis, the international market became more important for Brazilian industry. Between 2015 and 2016, the share of exports in industrial production increased from 13.8% to 15.7%, as shown by the export to output ratio calculated by CNI and FUNCEX.<sup>2</sup>

In 2017, Brazil's share in world manufacturing exports will likely remain at the same percentage recorded in 2016: 0.61%<sup>3</sup>. If confirmed, the interruption of this upward movement is influenced, since 2016, by the appreciation trend of the Brazilian currency and by the greater volatility of the exchange rate. In addition, the competitiveness gap of Brazilian industry in relation to the rest of the world is large and the crisis affected several determinants of competitiveness, such as investment, especially in infrastructure.

*Brazil's share in world manufacturing exports (%)*



Source: Prepared by CNI based on WTO statistics.  
\*CNI estimate.

<sup>1</sup> United States, Argentina, China, Germany, Mexico, Japan, France, Italy, South Korea, the Netherlands, and the United Kingdom.

<sup>2</sup> CNI. *Trade Openness Indicators*. Year 8. Number 1. CNI: Brasília, 2018.

<sup>3</sup> This estimate is based on the value of global exports in 2016 according to the COMTRADE database and to IMF projections of the value of world trade in goods for 2017 (IMF. *World Economic Outlook: Cyclical Upswing, Structural Change*. Washington, DC, April 2018).

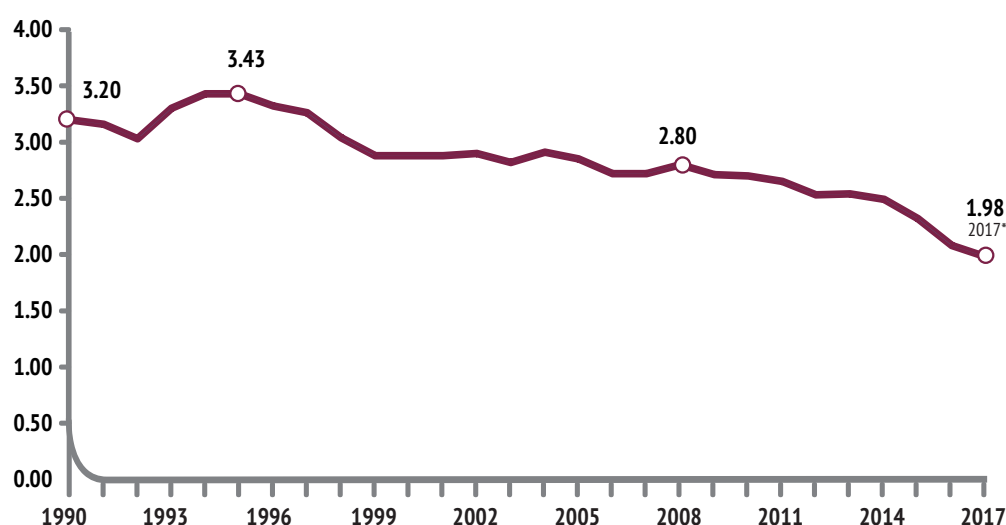


## Share in global production of manufactured goods continues to fall

Despite Brazil's improved performance in international trade, no improvements were observed in production. Between 2015 and 2016, Brazil's share in world manufacturing value added

decreased from 2.32% to 2.08%. In 2017, the indicator continued to fall, albeit at a slower pace, hitting the mark of 1.98% according to UNIDO estimates.

*Brazil's share in world manufacturing value added (%)*



Source: Prepared by CNI based on UNIDO statistics.

\*Calculation based on data estimated by UNIDO.

It should be noted that Brazil's decreasing share in global industrial production is a long-term trend observed since the late 1990s. Over the past 20 years, Brazil's share declined from 3.26% in 1997 to 1.98% in 2017. This result largely reflects old structural bottlenecks that have not yet been appropriately addressed by the country and which restrict its ability to compete (such as the poor quality of its infrastructure, legal uncertainty and excessive red tape, which undermine the business environment, and the complexity of its tax system, which increases costs for companies, etc.).

Moreover, during this period Brazil experienced several crises that resulted in higher interest rates and increased costs and uncertainty, with negative effects on investment and competitiveness. The recent crisis, one of the worst ever faced by Brazilian industry, has intensified the downturn in its market share. As compared to 2013, before the crisis, Brazil's share declined by 0.56 percentage points in 2017 or by almost half of the drop recorded in the last two decades.



## INTERNATIONAL COMPARISON

# The United States, Japan and Brazil recorded the sharpest downturns in their share in global industrial production

Between 2015 and 2016, Brazil's share in world manufacturing exports took an upturn again, albeit not a very significant one. Among Brazil's 11 main trading partners<sup>4</sup>, it was seen that Germany, Japan, Italy, France and the Netherlands also experienced an upturn. Brazil recorded the lowest gain (of 0.02 percentage points, to 0.61% in 2016). The highest gain was the one recorded by Germany (of 0.31 percentage points, to 10.05% in 2016), followed by Japan (0.24 percentage points, to 4.87% in 2016).

Among all the Latin American countries considered, Brazil was the one with the best export performance in 2016. Argentina's share in world

manufacturing exports fell from 0.14% in 2015 to 0.13% in 2016, maintaining a downward trend observed since in 2012. Mexico's share in turn, which had been on the rise since 2012, remained stable at 2.65% on the same comparison basis.

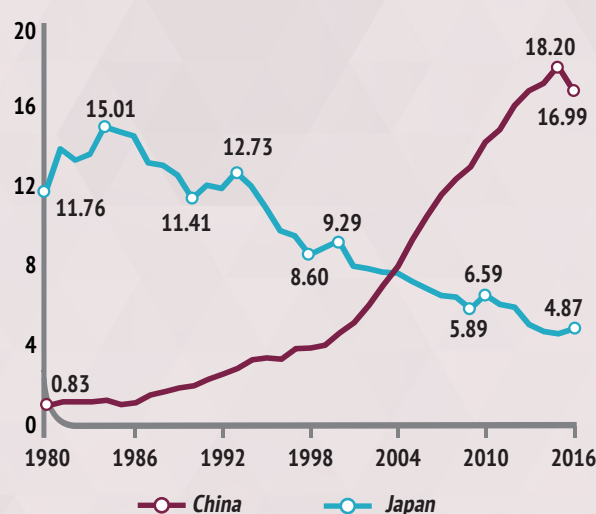
Estimates for 2017 indicate that Brazil's share in world manufacturing exports is likely to remain stable at 0.61% based on the value of Brazil's exports of manufactured products and on IMF projections for the growth of global trade in goods. Among the partners for which export data for 2017 are already available<sup>5</sup>, only South Korea is expected to record an increase in its share (from 3.84% in 2016 to 4.0% in 2017).

## China's share in world manufacturing exports decreases for the first time in 20 years

China's share in world manufacturing exports fell in 2016 after remaining on the rise virtually uninterruptedly since the beginning of the series in 1980. Its share dropped from 18.20% in 2015 to 16.99% in 2016. Throughout the historical series, China's share only dropped in two years in the annual comparison (in 1985 and in 1996). Over the past 20 years (1996-2016), its share in world manufacturing exports increased almost six fold.

China's declining share contrasts with the increase observed in Japan's share in 2016. The share of Japan in world manufacturing exports resumed an upward trend after falling uninterruptedly since 2011. Between 2009 and 2010, Japan saw a sharp increase in its share (from 5.89% to 6.59%), but not on a sustained basis. Its share increased from 4.63% in 2015 to 4.87% in 2016.

### Share of China and Japan in world manufacturing exports (%)



Source: Prepared by CNI based on WTO statistics.

<sup>4</sup> United States, Argentina, China, Germany, Mexico, Japan, France, Italy, South Korea, the Netherlands, and the United Kingdom.

<sup>5</sup> No export data for 2017 are available so far for China, France and the Netherlands.



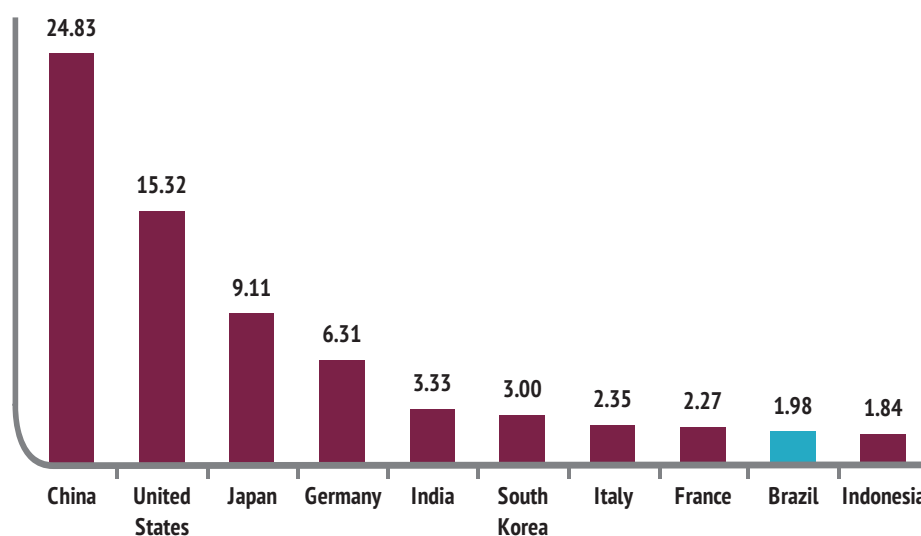
Regarding the share in world manufacturing value added of Brazil's 11 main trading partners, only China and South Korea recorded an increase between 2015 and 2016. China's share grew from 23.28% in 2015 to 24.13% in 2016, preserving an upward trend observed since the beginning of the historical series in 1990. On the same comparison basis, South Korea's share increased from 2.98% to 3.00%. UNIDO estimates show that China was the only country whose share increased in 2017 (to 24.83%). South Korea's share remained unchanged in turn.

Between 2015 and 2016, the sharpest decrease in the share in world manufacturing value added was the one recorded by the United States: from 15.90% to 15.57% (down by 0.33 percentage points). Brazil experienced the second sharpest

decrease (of 0.24 percentage points), followed by Japan (down by 0.14 percentage points). On the same basis of comparison, Brazil's share dropped from 2.32% to 2.08%, while that of Japan declined from 9.35% to 9.21%.

In 2017, the shares of Brazil, the United States and Japan in world manufacturing value added continued to fall, according to UNIDO estimates. The United States saw the sharpest decrease once again (of 0.25 percentage points). Brazil recorded the second sharpest decline, which was equal to the one recorded for Japan (decrease of 0.10 percentage points). Despite these losses, the United States and Japan still rank among the world's top three producers, behind China. Brazil remains among the 10 largest producers in the world ranking, in ninth place.

### *Share in world manufacturing value added: 10 top producers in 2017\* (%)*



Source: Prepared by CNI based on UNIDO statistics.

\*Calculation based on data estimated by UNIDO.



## Share in world manufacturing value added at 2010 prices, Brazil and its main trading partners

Share (%) and accumulated variation (in percentage points)

YEAR	BRAZIL	UNITED STATES	ARGENTINA	CHINA	GERMANY	MEXICO	JAPAN	FRANCE	ITALY	SOUTH KOREA	THE NETHERLANDS	UNITED KINGDOM
SHARE (%)												
2006	2.72	19.99	0.63	12.53	7.40	1.86	11.16	2.99	3.59	2.54	0.97	2.50
2015	2.32	15.90	0.56	23.28	6.40	1.69	9.35	2.35	2.45	2.98	0.76	1.85
2016	2.08	15.57	0.53	24.13	6.37	1.67	9.21	2.31	2.40	3.00	0.76	1.80
2017*	1.98	15.32	0.52	24.83	6.31	1.64	9.11	2.27	2.35	3.00	0.75	1.73
ACCUMULATED VARIATION (PERCENTAGE POINTS)												
2006-2016	-0.64	-4.42	-0.10	11.60	-1.03	-0.19	-1.95	-0.68	-1.19	0.46	-0.21	-0.70
2015-2016	-0.24	-0.33	-0.03	0.85	-0.03	-0.02	-0.14	-0.04	-0.05	0.02	0.00	-0.05

Source: Prepared by CNI based on UNIDO statistics.

\*Calculation based on figures estimated by UNIDO.

## Share in world manufacturing exports, Brazil and its main trading partners

Share (%) and accumulated variation (in percentage points)

YEAR	BRAZIL	UNITED STATES	ARGENTINA	CHINA	GERMANY	MEXICO	JAPAN	FRANCE	ITALY	SOUTH KOREA	THE NETHERLANDS	UNITED KINGDOM
SHARE (%)												
2006	0.80	9.63	0.17	10.53	11.20	2.22	6.90	4.66	4.21	3.41	3.52	4.09
2015	0.59	9.56	0.14	18.20	9.74	2.65	4.63	3.41	3.23	4.00	3.20	2.82
2016	0.61	9.39	0.13	16.99	10.05	2.65	4.87	3.47	3.33	3.84	3.32	2.73
2017*	0.61	8.85	0.13	..	9.97	2.61	4.74	..	3.30	4.01	..	2.57
ACCUMULATED VARIATION (PERCENTAGE POINTS)												
2006-2016	-0.19	-0.24	-0.04	6.46	-1.15	0.43	-2.03	-1.19	-0.88	0.43	-0.20	-1.36
2015-2016	0.02	-0.17	-0.01	-1.21	0.31	0.00	0.24	0.06	0.10	-0.16	0.12	-0.09

Source: Prepared by CNI based on WTO statistics.

\*CNI estimate. No export data for 2017 are available so far for China, France and the Netherlands.



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