

PERFORMANCE OF BRAZILIAN INDUSTRY

ECONOMIC INDICATORS **CNI**

CNI
Brazilian National Confederation of Industry
THE FUTURE OF INDUSTRY

After ranking among the 10 largest industries in the world until 2014, Brazilian industry falls to 16th place

Brazil's share in world industrial production fell from 1.24% in 2018 to 1.19% in 2019, hitting an all-time low in the historical series started in 1990. Since 2009, the Brazilian share has been falling. Despite the losses, Brazil managed to remain among the 10 largest producers in the world ranking until 2014. In 2019, it fell to 16th place.

The data show that with Brazil's economic recession, the relevance of the country's industry in the world fell at an accelerating pace in the 2014-2016 period. In 2014, Brazil was the 10th largest industrial producer in the world, but has been losing positions year after year.



Between 2015 and 2017, the Brazilian industry was outperformed by the Mexican, Indonesian, Russian and Taiwanese industries, falling to 14th place. In 2018, Turkey overtook Brazil, which fell to 15th place, and in 2019, it was surpassed by Spain, falling to 16th place.

The performance of Brazilian manufacturing exports in the world

also illustrates the loss of Brazil's competitiveness. The country's share in global manufacturing exports had already dropped from 0.91% in 2017 to 0.88% in 2018. For 2019, the share is expected to fall further to 0.82%, which is the lowest figure recorded in the historical series in 1999.

Among Brazil's 11 main trading partners¹, China shows the best performance in production. China's share in world manufacturing value added grew from 28.85% in 2018 to 29.67% in 2019: it was the only country to see gains in the period. With respect to exports, out of the nine countries under analysis², only Mexico is expected to post growth, with its share expected to increase from 2.45% in 2018 to 2.58% in 2019.

Performance indicators for Brazilian manufacturing industry (%)

	2018	2019
 Share in world manufacturing exports	0.88%	0.82%*
 Share in world manufacturing value added	1.24%	1.19%

Source: Prepared by CNI based on OECD and UNIDO statistics.

*The share in world exports in 2019 is an estimate by CNI.

¹ Brazil's 11 trading partners under analysis are: Germany, Argentina, China, South Korea, United States, France, Italy, Japan, Mexico, the Netherlands and the United Kingdom.
² 2019 export data for China, France and the Netherlands were not available at the time of this document's writing.

PERFORMANCE IN EXPORTS

Brazil's share in world manufacturing exports to keep falling in 2019

In 2018, Brazil was only the 30th largest exporter of manufacturing products. China is the largest exporter, followed by Germany, the United States, Japan and South Korea. In 2018, exports from these five countries accounted for 41% of global manufacturing exports.

In 2019, the share of Brazilian manufacturing industry in world manufacturing exports is expected to fall for the second year in a row to 0.82%, equaling the lowest point registered in the historical series in 1999, according to CNI estimates. In 2017, the share amounted to 0.91%, falling to 0.88% in 2018.

In 2018, global manufacturing exports grew by 8.1% in value (US\$), a growth rate above that of Brazil (4%), which brought down Brazil's share.

In 2019, Brazilian manufacturing industry exports dropped by 7.2%, halting a three-year streak of growth – the decline reversed about half of the 15% growth accumulated between 2015 and 2018. With respect to world trade in goods, the expectation for 2019 is a decline of 0.9%, according to IMF estimates.

The expected result for 2019 reinforces the anticipated decline in Brazil's share in world manufacturing exports. The Brazilian industry faces export difficulties despite the depreciation of the Brazilian currency (real) in the period, which would tend to boost

exports. Between 2017 and 2019, the Brazilian currency depreciated by 12% in real terms against the US dollar. Despite the more depreciated level, however, the exchange rate showed high volatility, driven by uncertainties in both the external and domestic environments, which undermines commercial contracts.

Apart from exchange rate fluctuations, the crisis in Argentina and the increased tensions between the United States and China contribute toward the decline in exports. In 2019, Argentina entered its second year of recession. Compared to 2017, the Argentine GDP is already down by 4.6%³. During the same period, imports of goods from Argentina decreased by 26.6% in value (US\$)⁴.

Meanwhile, the United States-China tensions have been in place since 2018, which has an impact on global economic growth. The world growth rate slowed down in the period, falling from 3.9% in 2017 to 3.6% in 2018, and to 2.9% in 2019⁵.

Brazil's share in world manufacturing exports (%)



Source: Prepared by CNI based on OECD statistics.
*CNI estimate.

3 Calculation based on GDP data in US\$, in 2010 prices, from the World Bank's *World Development Indicators* database.

4 Calculation based on the value series, in US\$, of the United Nations COMTRADE database.

5 Information taken from IMF's April 2020 *World Economic Outlook* database.

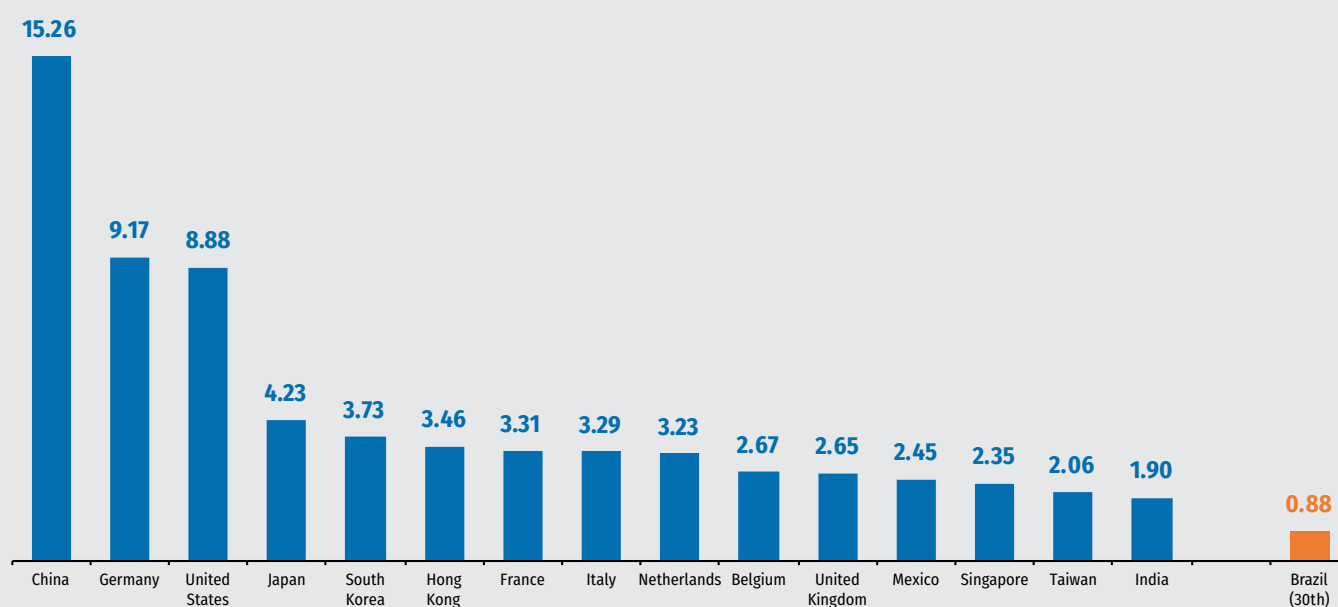
Argentina and the United States are the main buyers of Brazilian manufactured products. In 2019, exports to the two countries accounted for 28% of total exports by Brazilian manufacturing industry⁶.

Of the eight main Brazilian trading partners analyzed⁷, only Mexico is expected to increase its share in world manufacturing exports in 2019.

CNI estimates that the country's share will increase from 2.45% in 2018 to 2.58% in 2019. After growing from 1.97% in 2011 to 2.44% in 2015, Mexico's share held steady, with changes ranging from -0.02 to 0.02 (percentage points).

South Korea is expected to record the biggest loss: its 3.73% share in 2018 is projected to fall to 3.37% in 2019, down by 0.36 percentage points. Germany is expected to record the second-biggest loss: its 9.17% share recorded in 2018 is estimated to drop to 8.83% in 2019, down by 0.34 percentage points.

Share in world manufacturing exports: the 15 largest exporters and Brazil in 2018 (%)



Source: Prepared by CNI based on OECD.

⁶ Calculation based on export data in US\$ from the Secretariat of Foreign Trade (Secex) Comex Stat database.

⁷ 2019 export data for China, France and the Netherlands were not available at the time of this document's writing. The value of world exports is estimated based on IMF's October 2019 growth forecast for world trade in goods in 2019. At the end of the document, tables with Brazil's 11 main trading partners are available.

PERFORMANCE IN PRODUCTION

Brazil has been losing positions steadily since 2014 and falls to 16th among world's industrial producers

In 2019, Brazil registered the lowest share in world manufacturing value added since the series started in 1990. Brazilian manufacturing industry's share in world industrial production fell from 1.24% in 2018 to 1.19% in 2019 – the indicator has been falling steadily since 2009.

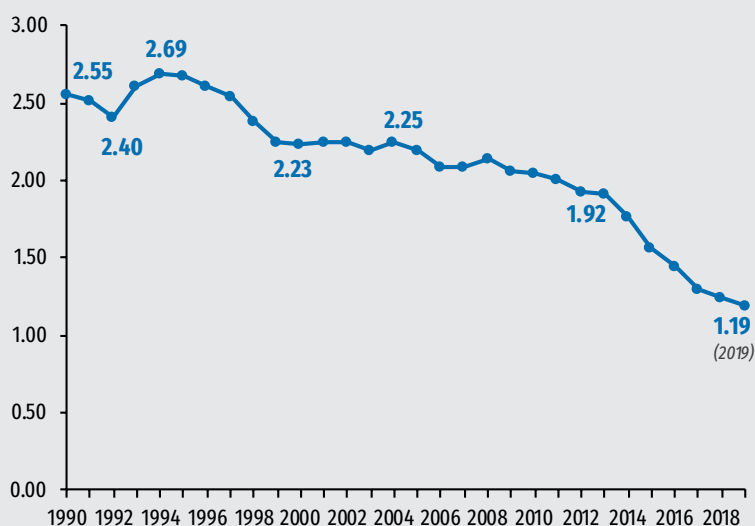
The Brazilian manufacturing industry value added fell for the sixth consecutive year (since 2014) in the value series (constant 2015 US\$). In 2015, it dropped by 8.4%. In 2019, it declined by 1.4%. World manufacturing value added, on the other hand, has been on an upward trend since 2009, which has brought down Brazil's share⁸.

In 2014, Brazil was the world's 10th largest industrial producer, but it has been losing positions year after year, falling to 12th place in 2016. In 2017, Brazil lost two positions in the world ranking, falling to 14th place. In 2018, the country dropped to 15th place, and again to 16th place in 2019. Brazil was overtaken by Mexico in 2015, by Indonesia in 2016, by Russia and Taiwan in 2017, by Turkey in 2018, and by Spain in 2019.

The Brazilian industry's share in world industrial production has been declining since the mid-1990s, but the results show that the 2014-2016 economic crisis in the country intensified this loss.

Industry was the hardest hit by the 2014-2016 recession in Brazil. During

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



Source: Prepared by CNI based on UNIDO statistics.

this period, industrial GDP fell by 10.1%, while that of agriculture fell by 2.1% and that of services dropped by 4.9%⁹. Unlike Brazil, global industrial production continued to grow, after falling in 2009, when the global financial crisis struck.

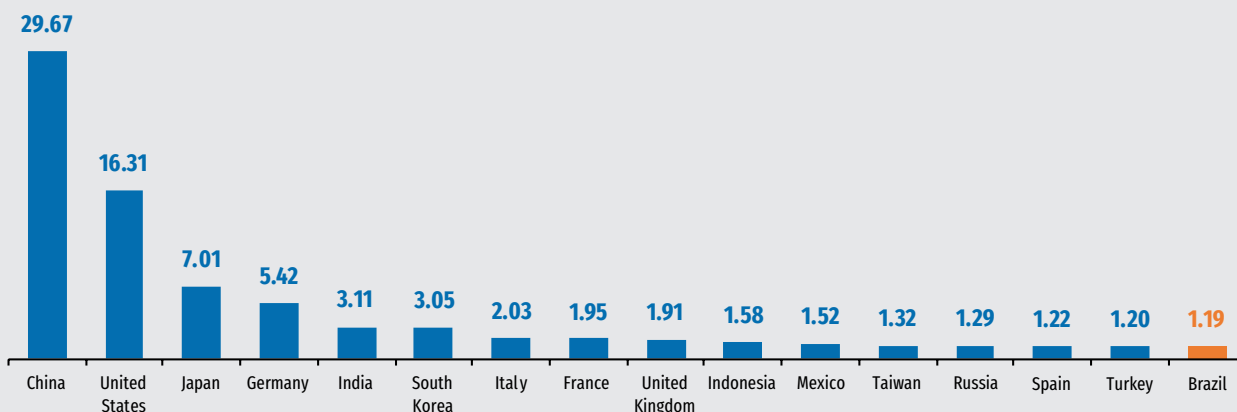
Among Brazil's 11 main trading partners, China is the one with the best performance. In 2019, China's share in world manufacturing value added grew from 28.85% in 2018 to 29.67%, representing a 0.82-percentage point increase – it was the only positive result among the analyzed countries.

The countries that recorded the sharpest declines in their share were Germany, whose share fell from 5.64% in 2018 to 5.42% in 2019, and Japan, whose share declined from 7.12% to 7.01% in the same period. Despite the losses, Germany and Japan continue to occupy the top positions in the world ranking, behind China and the United States.

⁸ Note that in 2020, UNIDO changed the base price of the value-added series, in constant US\$, from 2010 to 2015. In addition, it revised the data for the entire historical series of some countries, which affected the world value and thus the share of countries in global value. In the case of Brazil, only values for the most recent years of the series (2014-2018) were significantly revised.

⁹ Calculation based on data from IBGE's System of Quarterly National Accounts, in Brazilian real (R\$), at 1995 prices.

Share in world manufacturing value added: the 16 largest producers in 2019 (%)



Source: Prepared by CNI based on UNIDO statistics.

Share in world manufacturing value added (2015 prices), Brazil and its main trading partners

Share (%) and cumulative change (percentage points)

YEAR	BRAZIL	UNITED STATES	ARGENTINA	CHINA	GERMANY	MEXICO	JAPAN	FRANCE	ITALY	SOUTH KOREA	NETHERLANDS	UNITED KINGDOM
2009	2.06	20.35	0.86	20.87	5.47	1.71	7.83	2.49	2.57	2.95	0.80	2.59
2017	1.30	16.45	0.68	28.15	5.76	1.62	7.33	2.02	2.15	3.08	0.68	2.07
2018	1.24	16.40	0.63	28.85	5.64	1.59	7.12	1.98	2.10	3.07	0.68	1.98
2019	1.19	16.31	0.58	29.67	5.42	1.52	7.01	1.95	2.03	3.05	0.67	1.91
Cumulative change (percentage points)												
2009-2019	-0.87	-4.04	-0.28	8.80	-0.05	-0.19	-0.82	-0.54	-0.54	0.10	-0.13	-0.68
2018-2019	-0.05	-0.09	-0.05	0.82	-0.22	-0.07	-0.11	-0.03	-0.07	-0.02	-0.01	-0.07

Source: Prepared by CNI based on UNIDO statistics.

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

Share (%) and cumulative change (percentage points)

YEAR	BRAZIL	UNITED STATES	ARGENTINA	CHINA	GERMANY	MEXICO	JAPAN	FRANCE	ITALY	SOUTH KOREA	NETHERLANDS	UNITED KINGDOM
2009	1.05	9.11	0.43	11.67	10.53	1.90	5.30	4.30	3.85	3.57	3.46	3.02
2017	0.91	9.06	0.30	14.96	9.17	2.43	4.32	3.31	3.29	3.83	3.14	2.60
2018	0.88	8.88	0.28	15.26	9.17	2.45	4.23	3.31	3.29	3.73	3.23	2.65
2019*	0.82	8.73	0.28	-	8.83	2.58	4.08	-	3.22	3.37	-	2.51
Cumulative change (percentage points)												
2009-2019*	-0.23	-0.38	-0.15	-	-1.70	0.68	-1.22	-	-0.63	-0.20	-	-0.51
2018-2019*	-0.06	-0.15	0.00	-	-0.34	0.13	-0.15	-	-0.07	-0.36	-	-0.14

Source: Prepared by CNI based on OECD statistics.

*CNI estimate. No export data for 2019 were available for China, France and the Netherlands at the time of writing this document.



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Document prepared on August 31, 2020.

PERFORMANCE OF BRAZILIAN INDUSTRY | English version of "Desempenho da Indústria no Mundo, Agosto 2020"
| Annual Publication of the National Confederation of Industry - CNI | www.cni.com.br | Industrial Development Board - DDI | Economics Department - ECON | Executive manager: Renato da Fonseca | Economic Analysis Unit - GAE | Manager: Marcelo Souza Azevedo | Analysis: Samantha Cunha and Danilo Sousa | Editing Unit - CDIV | Coordinator: Carla Gadêlha | Graphic Design: Simone Marcia Broch

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