

PERFORMANCE OF BRAZILIAN INDUSTRY



Brazilian National Confederation of Industry
THE FUTURE OF INDUSTRY

Industry loses share in exports and world production

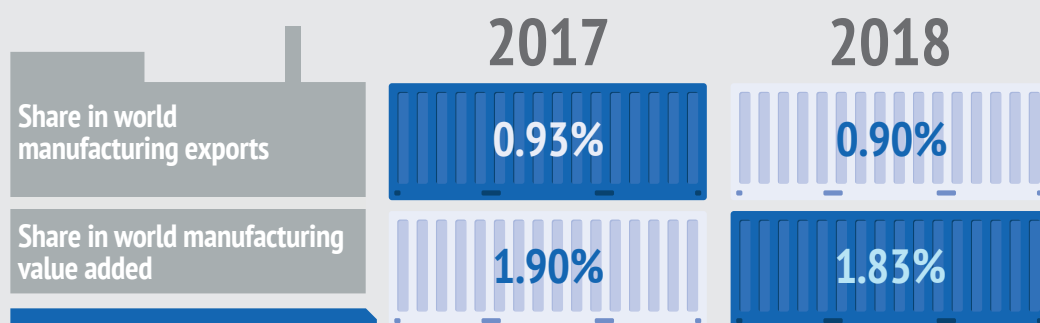
In 2018, the share of Brazilian manufacturing industry in world exports in the segment fell from 0.93% in 2017 to 0.90%. The Brazilian indicator interrupted the recovery trend observed between 2015 and 2017, when it grew from 0.89% to 0.93%.

Brazilian manufacturing industry has also become less competitive based on its performance in production. Brazil's share in world manufacturing value added fell for the fifth consecutive year, from 1.90% in 2017 to

1.83% in 2018. The Brazilian indicator shrank by 0.69 percentage points in comparison with 2013, when it amounted to 2.52%.

Among the 11 main trading partners of Brazil, China is the one with the best performance. It is the only partner recording an increase in its importance in the world both in exports and production. In 2018, China accounted for 15.63% of the exports of global manufacturing industry and for nearly a quarter of global industrial production.

*Performance
indicators
for Brazilian
manufacturing
industry (%)*



PERFORMANCE IN EXPORTS

Share of industry in world exports interrupts recovery trend

The share of Brazilian manufacturing industry in world manufacturing exports fell from 0.93% in 2017 to 0.90% in 2018. The Brazilian indicator interrupted the recovery trend observed between 2015 and 2017, when it grew from 0.89% to 0.93%.

The crisis in Argentina, uncertainties in the scenario abroad and exchange rate volatility help to explain the poor performance of Brazilian exports, characterized by slow recovery and a downward trend last year.

Argentina is the second main destination for exports of the Brazilian manufacturing industry. In 2017, the neighboring country was the destination for 12.3% of the segment's exports. The share of the United States, their main destination, was 16.3%. In 2018, Argentina's share dropped to 9.8%, showing the effects of the crisis in the country on Brazilian sales abroad¹.

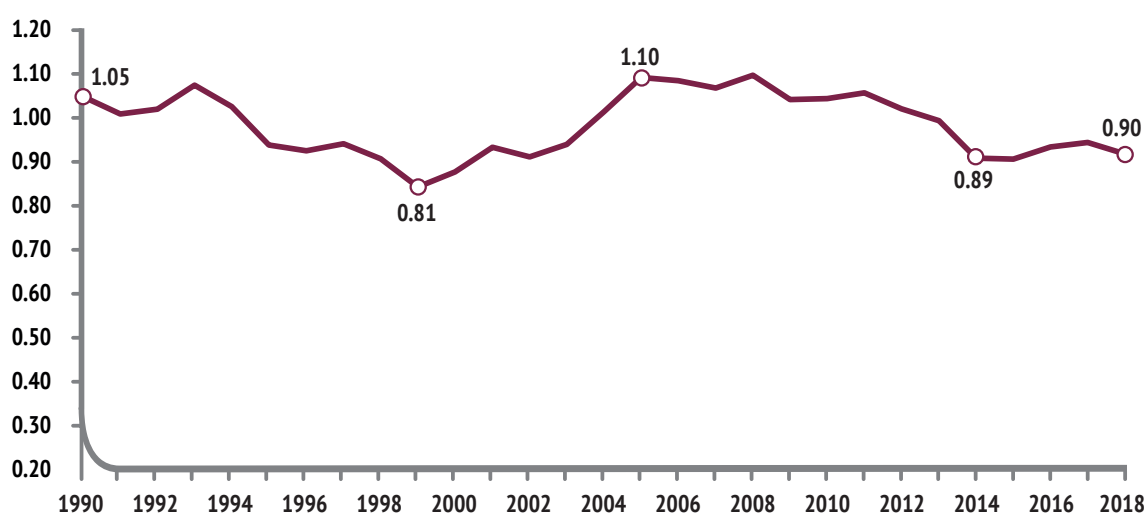
In the scenario abroad, trade tensions between the United States and China and increased trade barriers, among other factors, led to a slowdown

in global trade. The growth rate of world trade in goods fell in volume from 5.8% in 2017 to 3.7% in 2018, according to IMF data. For 2019, the institution is projecting an increase of only 0.9% in global trade.

In 2018, a strong exchange rate volatility also deserves special mention, resulting from uncertainties surrounding presidential elections in Brazil and from monetary policy in the United States increasing interest rates, which put pressure on the currencies of emerging economies. Exchange rate volatility creates uncertainties and can be detrimental to commercial contracts.

Between 2017 and 2018, the United States, South Korea, Japan, the United Kingdom and Argentina also lost share in the world manufacturing exports, considering Brazil's 11 main trading partners. The largest loss was recorded by the United States, whose indicator fell from 9.23% in 2017 to 9.10% in 2018 (-0.13 percentage points). Since 2016, the indicator for the US has been on the decline, falling by 0.51 percentage points in relation to 2015, when it stood at 9.61%.

Brazil's share in world manufacturing exports (%)



Source: Prepared by CNI based on OECD statistics.

Note: World manufacturing exports corresponds to exports from Manufacturing industry according to ISIC, Rev.4

¹ Calculations made based on export data classified according to National Classification of Economic Activities - CNAE 2.0 prepared by Funcex.

Among the partners whose share increased, the sharpest increase was the one recorded by China, as its share rose from 15.23% in 2017 to 15.63% in 2018 (0.40 percentage points). The Chinese indicator took an upturn once again after falling from 16.17% in 2015 to 15.21% in 2016. Since 1993, the initial year of the Chinese series, China recorded only two reductions in its share (in 1996 and 2016).

The second largest gain in share was recorded by the manufacturing industry of the Netherlands: from 3.19% in 2017 to 3.30% in 2018 (0.11 percentage points). The indicator for the Netherlands increased for the third year in a row. In comparison with 2015, its share increased by 0.45 percentage points.

PERFORMANCE IN PRODUCTION

Brazil loses share in world production and ties with Indonesia in 9th place

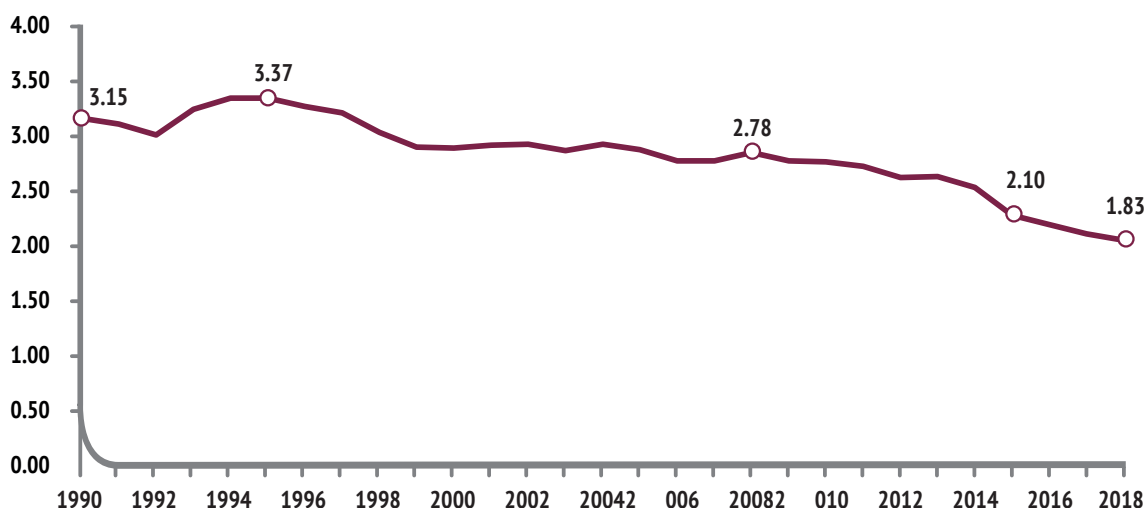
The performance in production also illustrates the loss of competitiveness of Brazilian manufacturing industry. In 2018, Brazil's share in world manufacturing value added decreased for the fifth year in a row, from 1.90% in 2017 to 1.83%. Despite the greater dynamism shown by global manufacturing industry, Brazil continued to record declines in value added, even though there was a reduction in the rate of decline.

The growth rate of world manufacturing value added, as measured in USD at constant 2010 prices, increased from 2.8% in 2016 to 3.8% in 2017. In 2018, this growth pace slowed down to 3.5%. The production of Brazilian manufacturing industry decreased over the past three years: by 1.9% in 2016, by 1.2% in 2017 and by 0.4% in 2018.

The share loss experienced by the Brazilian manufacturing industry has been observed since the late 1990s. The Brazilian share hit the mark of 3.37% in 1994, the highest figure in the historical series started in 1990. Between 1994 and 2018, the Brazilian indicator dropped by 1.54 percentage points.

The domestic economic crisis intensified the loss of competitiveness of the Brazilian manufacturing industry. Between 2013 and 2018, the Brazilian indicator dropped by 0.69 percentage points, almost half of the decline recorded over the past 24 years.

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



Source: Prepared by CNI based on UNIDO statistics.

* Calculation based on data estimated by UNIDO.

Of Brazil's 11 main trading partners, only China and South Korea did not experience a share loss in world manufacturing value added. The Chinese share increased from 24.29% in 2017 to 24.90% in 2018. The Chinese indicator has been on the rise since 1990, the initial year of the series, when it was estimated at 3.25%. South Korea's share remained stable in 2018, at 2.94%. The South Korean indicator interrupted the downward trend observed since 2014.

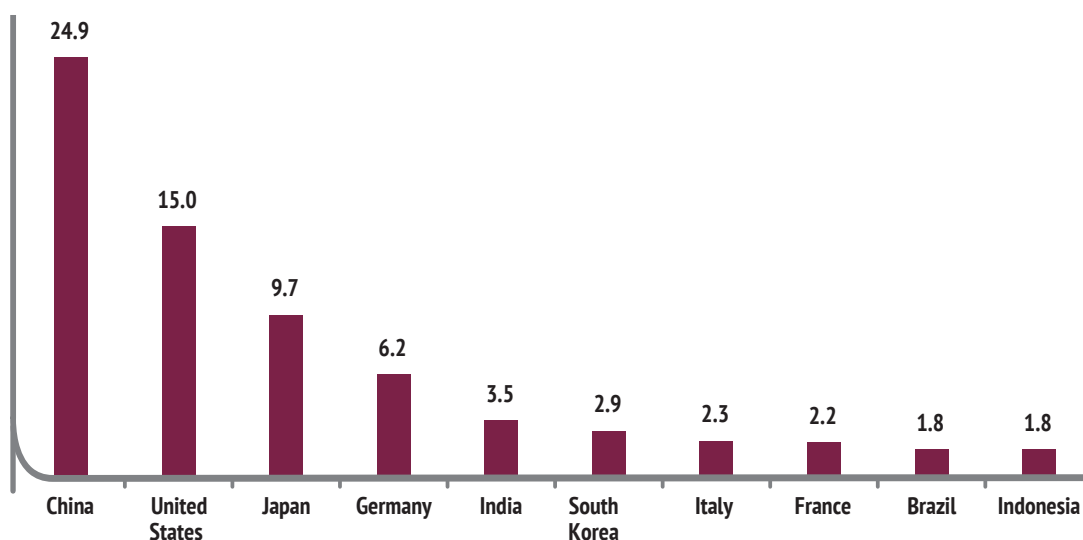
The sharpest decrease in share in the world manufacturing value added was the one recorded by Japan: from 9.93% in 2017 to 9.74% in 2018 (-0.19 percentage points). Germany and the United Kingdom recorded the second sharpest losses: of the order of 0.08 percentage point to 6.24% and 1.63%, respectively. The United Kingdom's share in global industrial production

has been declining since 1995 – meaning that it has been decreasing for 24 years. In 1994, the indicator for the United Kingdom stood at 3.64%.

The shares of the United States and Brazil decreased by 0.07 percentage points in 2018, to 14.96% and 1.83%, respectively. The share of the United States has been on a downward trend since 2005, i.e. for 13 straight years. In 2004, the United States indicator stood at 20.27%.

Despite these losses, the United States and Japan remain among the main industrial producers in the world, behind China. Together they account for half of the world's production. Brazil, whose share fell from 1.90% in 2017 to 1.83% in 2018, is tied with Indonesia in ninth place in the ranking. In 2017, Brazil was ahead of Indonesia, whose share increased from 1.79% to 1.83%.

*Share in world manufacturing value added: top 10 producers in 2018**



Source: Prepared by CNI based on UNIDO statistics.

* Calculation based on figures estimated by UNIDO.

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

Share (%) and year-on-year change (percentage points)

YEAR	BRAZIL	UNITED STATES	ARGENTINA	CHINA	GERMANY	MEXICO	JAPAN	FRANCE	ITALY	SOUTH KOREA	THE NETHERLANDS	UNITED KINGDOM
SHARE (%)												
2008	2.78	18.38	0.64	14.96	6.97	1.65	12.12	2.72	3.29	2.63	0.92	2.25
2016	2.00	15.32	0.51	23.66	6.33	1.52	10.00	2.31	2.43	2.95	0.75	1.78
2017	1.90	15.03	0.50	24.29	6.32	1.48	9.93	2.29	2.38	2.94	0.75	1.71
2018*	1.83	14.96	0.46	24.90	6.24	1.45	9.74	2.24	2.33	2.94	0.74	1.63
ACCUMULATED VARIATION (PERCENTAGE POINTS)												
2008-2018	-0.95	-3.42	-0.18	9.94	-0.73	-0.20	-2.38	-0.48	-0.96	0.31	-0.18	-0.62
2017-2018	-0.07	-0.07	-0.04	0.61	-0.08	-0.03	-0.19	-0.05	-0.05	0.00	-0.01	-0.08

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 year-on-year variation (percentage points)

YEAR	BRAZIL	UNITED STATES	ARGENTINA	CHINA	GERMANY	MEXICO	JAPAN	FRANCE	ITALY	SOUTH KOREA	THE NETHERLANDS	UNITED KINGDOM
SHARE (%)												
2008	1.10	8.83	0.40	11.01	10.52	1.84	5.74	4.34	4.06	3.28	3.45	3.08
2016	0.92	9.44	0.32	15.21	9.26	2.46	4.40	3.39	3.28	3.63	3.05	2.66
2017	0.93	9.23	0.30	15.23	9.34	2.48	4.40	3.37	3.35	3.90	3.19	2.66
2018	0.90	9.10	0.29	15.63	9.39	2.51	4.34	3.39	3.37	3.82	3.30	2.63
ACCUMULATED VARIATION (PERCENTAGE POINTS)												
2008-2018	-0.20	0.27	-0.11	4.62	-1.13	0.67	-1.40	-0.95	-0.69	0.54	-0.15	-0.45
2017-2018	-0.03	-0.13	-0.01	0.40	0.05	0.03	-0.06	0.02	0.02	-0.08	0.11	-0.03

Source: Prepared by CNI based on OECD statistics.

Note: World manufacturing exports corresponds to exports from Manufacturing industry according to ISIC, Rev.4.



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