

The competitiveness of Brazilian manufacturing in both domestic and international markets

Topic: The Impacts of Trade I

Author: Julia F. TORRACCA

Co-Authors: Marta Reis Castilho

The objective of this article is to analyze the competitiveness of Brazilian industry both in the international and in the domestic market. In fact, the performance of Brazilian manufacturing in the period 2000-2013 has been comprehensively analyzed, especially in what concerns the composition of exports and their capacity to promote job creation and income increase. But a thorough analysis of trade and production data reveals that the competitiveness of Brazilian manufacturing in the domestic market is significantly different from that in the international market.

In the international arena, it is worth to mention the tendency towards primary good exports and the weak insertion of Brazilian manufacturing into global value chains. Concerning the domestic market, primary goods is of less importance in total production (mainly turned to the domestic market) and its composition is considerably different from exports. The methodology for analyzing the competitiveness in the international market included estimates of structural indicators and indicators related to the country's insertion into global value chains, based on data extracted from the World Input-Output Database (WIOD). The declining trend of manufacturing goods in global trade and the evolution of relative international prices are considered in our analysis. The methodology for analyzing the competitiveness in the domestic market includes the estimation of import penetration ratio and the share of import content in the intermediate and final production, based on data extracted from the Brazilian Input-Output Table.

The study concludes that, despite the weak participation of Brazil in global value chains, the country's performance has been enhanced as a result of increasing imports of intermediate goods. It also shows that Brazilian manufacturing has been affected by the increasing share of imports and the growing dependence upon imports in recent years.