

Effects of demand shocks in the Brazilian economy: new production and value added multipliers

Topic: Effects of Infrastructure Investments

Author: Antonio Carlos Moretto

Co-Authors: João Dias, João Carlos Lopes, Rossana Lott Rodrigues

Abstract: Assuming that the traditional input-output multipliers lead to a misinterpretation of macroeconomic concepts for multisectoral analysis of a given economy, the aim of this article is to calculate the new multipliers of variation in the final demand on the production and value added by the sectors of the Brazilian economy in the period between 1995 and 2009. Using the Euclidean distance method proposed in Amaral et al (2012) and data from input-output tables, the main results showed that: a) the structural change effect was more important than the scale effect, both for the production and for the value added, although it was less important for the latter; b) Brazil is still a major exporter of unprocessed products which will generate jobs, income and taxes abroad, depriving the country of this important benefit; c) the main key sectors were Agricultural (1), Mining (2), Steel industry (4), Chemistry (11), Food industry (16) and some service sectors, such as Public Utilities (18), Trade, (20) Transportation (21), Communication (22), Public administration (24) and Other services (25), revealing the gain in importance of these activities in the national economy.