Financial and Social Accounting Matrices for Brazil

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The present paper wants to analyze the direction and the strength between the real and financial side of the Brazilian economy. In order to enhance this point we present a methodology to construct the Financial and Social Accounting matrices for Brazil and calibrate the matrices for 2005 and 2009. The Financial and Social Accounting matrices can be understood as an extension of input-output model. These matrices take into account the productive transactions, the income transfers and flows of fund among all the agents in a specific economy during a period. We calibrated the matrix for 56 productive sectors and 3 components of value added (payment - households, gross operating surplus - financial corporations and non-financial corporations and taxes - government). We opened the final demand for 5 institutional agents: households, financial corporations, non-financial corporations, government and rest of the world. For each one of these agents we have information about the allocation of resources: current expenses, capital and financial accounts. We calculate the production multipliers and compared them to the Social Accounting Matrix multipliers, in which the financial flows are considered exogenous. This kind of specification enables us to analyze the impact of financial structure upon the real economy. In other words, the impact of financial flows by productive sector upon real economy. Preliminary results show that, on average, taking into account financial flows increases the impact of a final demand shock on output by 2.07%. We also observe that a 1-unit increase in current income of households has a positive effect on Brazilian GPD, while a 1-unit increase in the investments funds of non-financial corporations presents an even larger effect. Furthermore, the impact of the variation in the demand by investments funds of the financial institutions is striking. This means that the savings not used to gross fixed capital formation are invested in domestic financial assets and become liabilities for other institutional agents.