

## Flow-of-Funds Analysis of the Brazilian Economy

Topic: International Finance and Trade

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The purpose of this paper is to investigate financial system in Brazilian economy and its effect on objective economy. The Flow-of-Funds (FOF) framework proposed by Tsujimura and Mizoshita (2003a) is applied to Brazilian economy. We present the compilation process of asset-liability-matrix (ALM) and the ALM developed to Brazilian economy with 6 institutional sectors (household, non financial firms, government, rest of world, financial firm and Central Bank of Brazil) in the liability side and in the asset side, to the years from 2004 to 2009 and from 2009 to 2014. The two periods are defined because of availability of different data-source. From Brazilian ALM, FOF indexes are calculated (power of dispersion, sensibility of dispersion and discrepancy of dispersion). Structural decomposition of change in the discrepancy index is made for selected years (2008, 2009 and 2010) and an additional expansion presents an ALM with 4 additional financial firms, three government-sponsored banks: Banco do Brasil (BB), Caixa EconÃ´mica Federal (CEF), Banco Nacional de Desenvolvimento EconÃ´mico e Social (BNDES); one private bank (Itau - the largest private bank in Brazil). From flow-of-funds indexes we could illustrate the role of each institutional sector in the Brazilian financial system, we could highlight that the discrepancy of dispersion can be a good indicator to economic problems and the cause of recession origins both in the structure of financial system as well in the behavior of agents in objective economy.

Key-word: flow-of-funds, financial crisis, Brazilian economy, asset-liability-matrix, input-output.