Growth and Final Consumption in Brazil from 2000 to 2016: a Structural Decomposition Analysis

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The objective of this research is to understand the household consumption and economic growth trajectories in Brazil, between 2000 and 2016. We try to understand the sources of the structural change observed and identify the presence of cumulative causation processes between consumption and production structure. We performed two structural decomposition analysis (SDA): one for householdsâ€™ consumption growth and another for gross output growth. The first provides a measure of the contribution of changes in one exogenous component and four endogenous components â€“ the propensities to consume, average wages, labor productivity and output growth. Likewise, the second decomposition will measure the contribution of the changes in the components of the aggregate demand on output growth for each economic activity. The novelty of this study is the application of the structural decomposition analysis technique to the householdâ€™s consumption variation. We also improved the methodology used in former works to endogenize consumption. We used a series of I-O matrices valued at constant prices constructed by GIC-UFRJ for the period 2000-2016. We also used data related to the wages and occupations by industry from the Brazilian Annual Industrial Survey (PIA), and several classifications made available by IBGE. We found that structural change in output and consumption reinforced each other in the periods of economic expansion and observed the high relevance of investment and government spending in the determination of the economic cycle.