

## Recent Brazilian economic default were originated from real or financial issues?

Topic: Global Flow of Funds Data and its Applications

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This paper aims to verify if the origins of recent Brazilian economic default (2009, 2015 and 2016) was related to real economy or pure financial transactions. The method used was the Flow-of-funds (FOF) originally proposed by Copeland (1942, 1952), complemented by Stone (1966) and Klein (1983), recently improved by Tsujimura & Mizoshita (2003), Tsujimura & Tsujimura (2018).

The FOF method was applied to Brazilian economy from the year 2004 to 2015 (restrict to availability of data). Data used are Balance sheet of Central Bank of Brazil (available in BCB web site), and National Financial Balance of Brazil (available from IBGE until 2009 and from and OECD from 2009 to 2015).

Results presents the evolution of discrepancy of dispersion index (DDI) with high values in precedent year of an economic default (2008 and 2014), however highest values in 2008. Structural path decomposition of change in DDI showed that financial transactions seems like a mirror of real transactions in almost of years, except in 2008, when financial transactions gave the higher contribution to the imbalance.

The total value of economic transaction of financial firms grew more than that of non financial firms in those precedent period of economic default (2008 and 2014) while the smooth growth of non financial transaction soften DDI in 2009 and 2015.

The evolution of power of dispersion indexes corroborated this observation pointing out that financial firms has improved its role in the economy , however, recently, government and non financial firms reduced their financial sharing while rest of world received Brazilian household's savings.

The novelty of research is to go on flow of funds theoretical concepts which allow to measure and monitoring economic imbalances.