Economic Crisis in Brazil
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Introduction

General Situation:
Brazil, the world’s eighth largest economy both by its nominal GDP and purchasing power parity, has been facing an economic crisis since 2015. At the beginning of 2017, the 1.4% increase of its GDP marks an end to the recession, but there is still a long way for the country to go to solve the underlying problems.

More facts and data: Currently, there are 12.9 million unemployed people in Brazil. The unemployment rate is 12.6%, 76% higher than two years ago. As a result of recession, the government revenue decreases from taxes, and the deficit reached 1.7 billion dollars in the first quarter of 2016. However, the government expense has not stopped growing.

Aim
1. Identify possible factors that play a role in the Brazil economic crisis
   Based on preliminary research and my experience in Brazil, the factors I figured out are: lack of education of local people regarding financial knowledge, high taxes, bureaucracy, lack of infrastructure, inflation pressure, appreciated exchange rate, and lack of continuous inflow of capital. My focus would be bureaucracy, lack of education, and high interest rate.

2. List viable solutions on the basis of research and the content we learned during the trip

Factors That Play a Role in the Crisis

Bureaucracy
In PUC-Sao Paulo, we discussed how we can support the new fintechs to start and stimulate the economy. Nevertheless, no matter what ideas or thoughts we came up with, we could not escape from the broad framework, which is the bureaucratical problems of the country. They create incredible obstacles to new startups.

According to the statistics offered by the World Bank, Brazil ranked 125th out of 183 areas in regard of the ease to start a new business in 2017. In addition, based on BBC reports, it takes 13 procedures and 119 days of work on average to start a business in Brazil.

Lack of Education of Related Knowledge
According to the data presented by Nubank as well as PUC-Sao Paulo, only 49% of the population in Brazil today have bank accounts. Mobile banking takes up only 21% among all bank-related transactions. In comparison, 86% of consumers selected banking apps to pay bills or access to checking account in Canada during 2016. The low utilization of banking technology reveals people’s insufficient understanding and familiarity of financial tools, as well as lack of trust in the economic status quo.

It becomes a vicious circle that less consumer as well as investor confidence leads to less economic growth, and economic stagnancy decreases confidence. Education can step in to help with the people’s side.

High Interest Rate
In 2016, about 7.6% of Brazil GDP went to interest payments on the debt. The country has the fourth highest interest rate in the world. High interest rate motivates consumers to save more instead of spending, and contributes to wealth disparity in general.

In addition, the regression analysis reveals a strong negative relationship between interest rate and real GDP of Brazil.

Possible Solutions Based on Knowledge Gained from the Trip

Support New and Existing Startups
During the trip, we visited Cubo-Itajaí, a hub for technological co-working and a breeding ground for startups. It allows founders of startups to cooperate as a community and get access to financial support or investors. Organization such as this can be helpful for the country to exit recession.

Enhance Education
More government expenditure should go to education and a community and get access to financial support or investors. Organization such as this can be helpful for the country to exit recession.

Lower the Interest Rate
At the end of 2017, the Central Bank in Brazil cut the benchmark Selic rate by 50 basis points to 7%. Based on the fact that Brazil has been facing crisis for almost three years, this lowering of interest rate can encourage more consumer expenditure, bolster corporate investments, and help the country to gain momentum for the growth again.

Conclusion
At the time when I determined the topic, the reasons of Brazil recession that I could come up with were basic and shallow, including political corruption, business cycle, and change in global market. The trip to Brazil helped me greatly in rethinking the content of my topic, especially in regard of how these factors lead to the recession and what improvements are possible for current situation.

I chose three main ideas that impressed me most during the trip as the focus of this poster:
1. Bureaucracy, which creates obstacles to startups and news stimulus to the economy. More support should be offered for startups like fintechs to overcome the barriers.
2. Lack of related education. Education enables people to gain back confidence in the economy and therefore consume more, and get used to convenient financial tools.
3. High interest rate, which impedes consumption as well as investment, and increases disparity. Lowering the interest rate can facilitate economic growth.

References
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