

After the Lula Moment: explaining Brazil's social gains

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South African Reserve Bank
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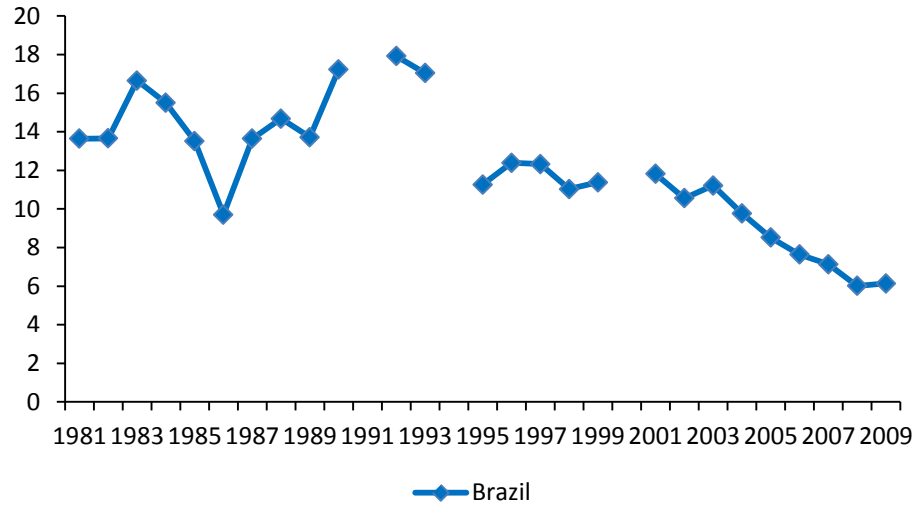
Views my own

Progress and stagnation

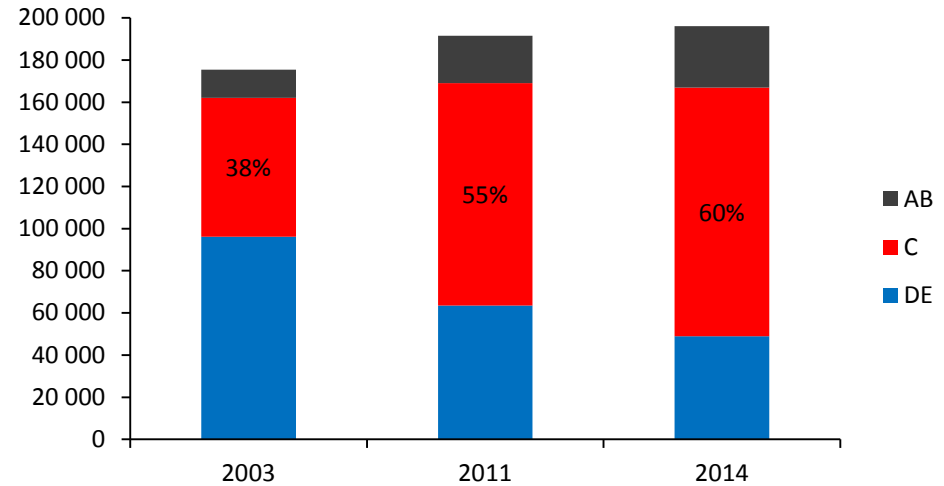
- Measuring divergence: equality, poverty, social mobility
- Differences that weren't: growth, macro policy, social transfers
- Explanations: employment and urbanisation, wage hikes, skills premia

Brazil: strong improvements in poverty, inequality and social mobility

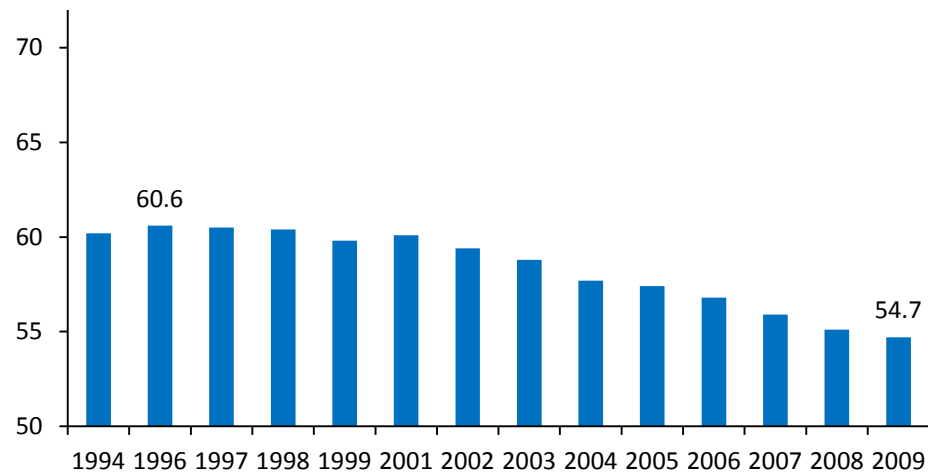
Poverty headcount ratio at \$1.25 a day (PPP) (% of population)



Brazilian income classes (2014 forecast, Neri 2012)

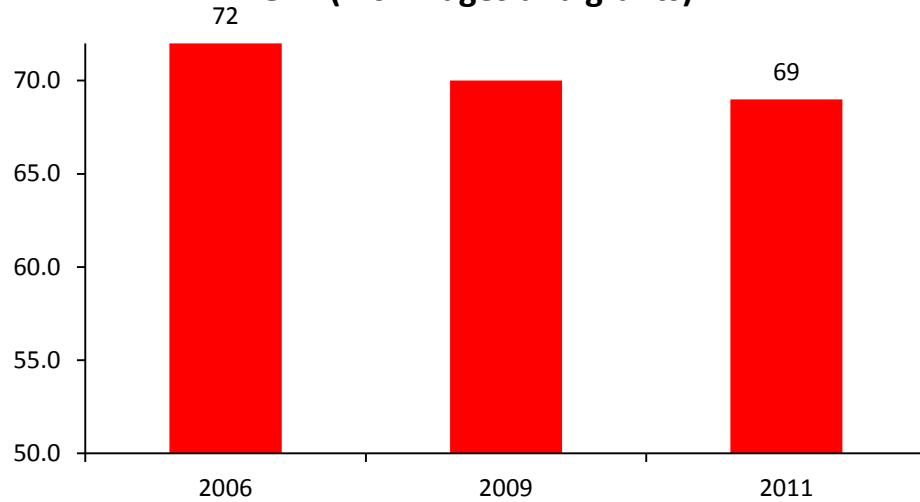


Gini coefficients, income, Brazil

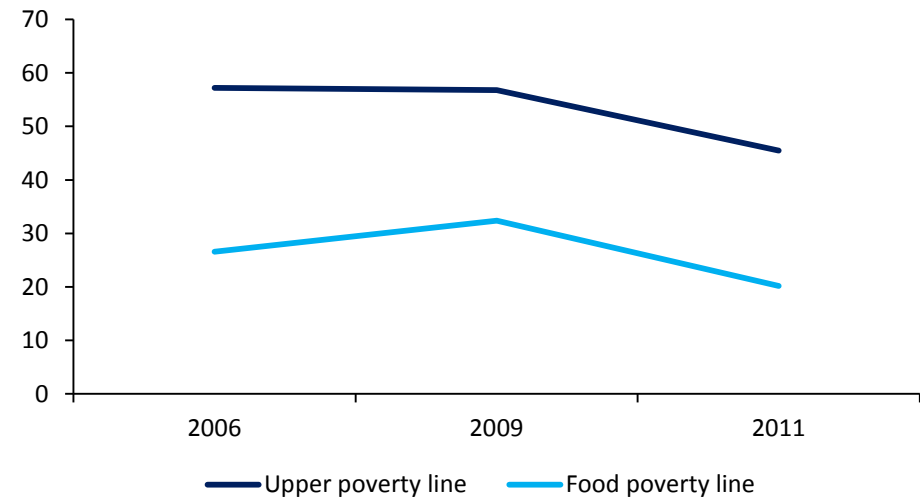


South Africa's social gains are more modest

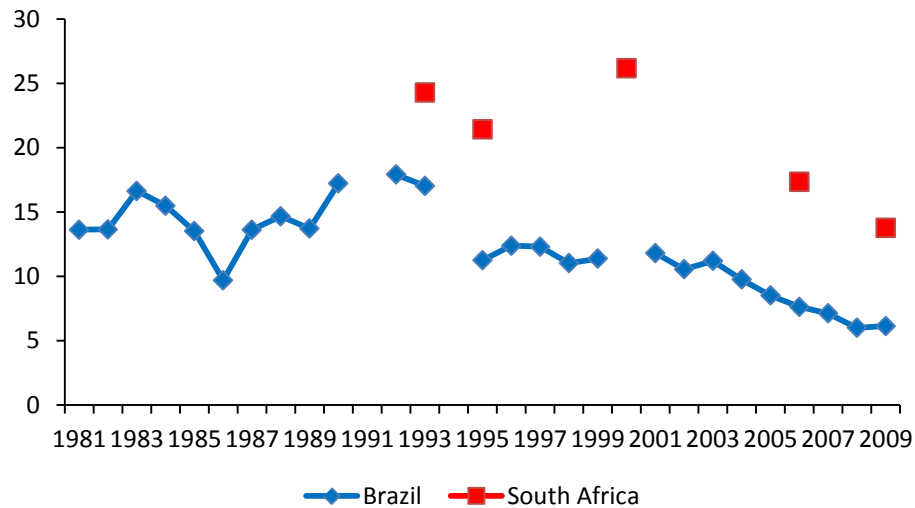
Gini (incl. wages and grants)



Poverty developments



Poverty headcount ratio at \$1.25 a day (PPP) (% of population)



If social transfers made the difference, SA shouldn't lag

South Africa

- 2014: 15.8 million welfare beneficiaries, 29% of population, 3.5% of GDP
- R188 billion (2014)
- Old age & disability: R1350
- Foster care: R800
- Child support: R320

Brazil

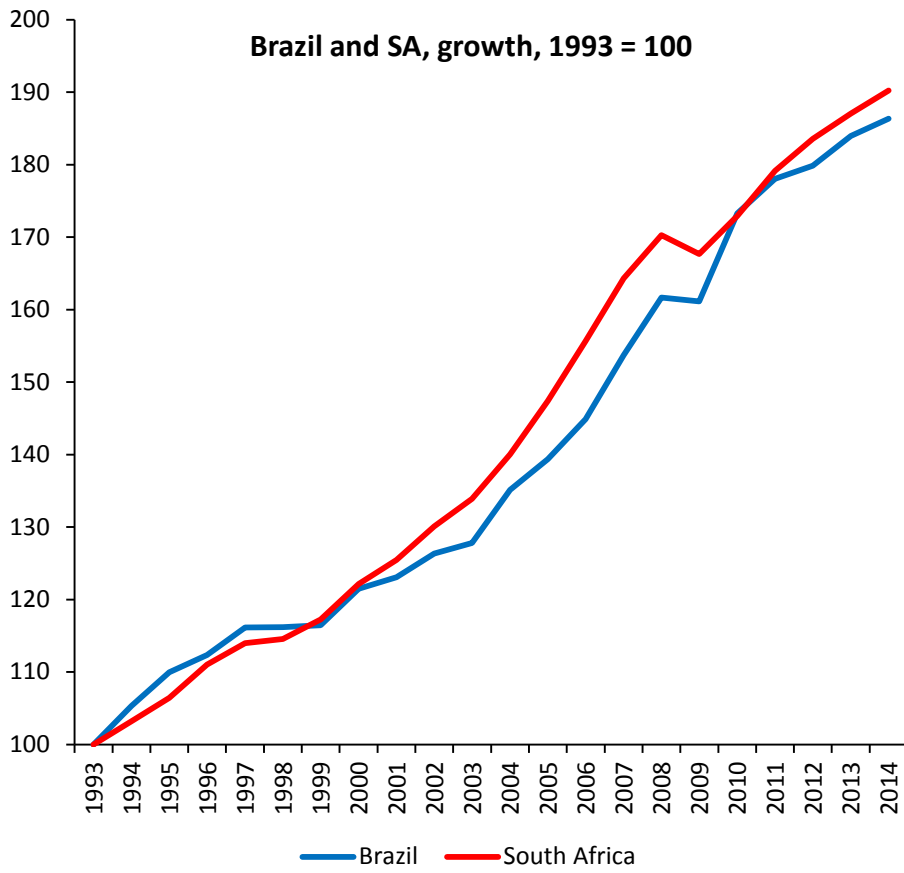
- 14.1 million *families*, ±25% of population, 0.4% of GDP (Bolsa família)
- R\$20.6 billion (2013)
- R\$22 to R\$200, Average R\$97 (2014) (R5 = R\$1)

The Lula Moment was momentous, but also momentary

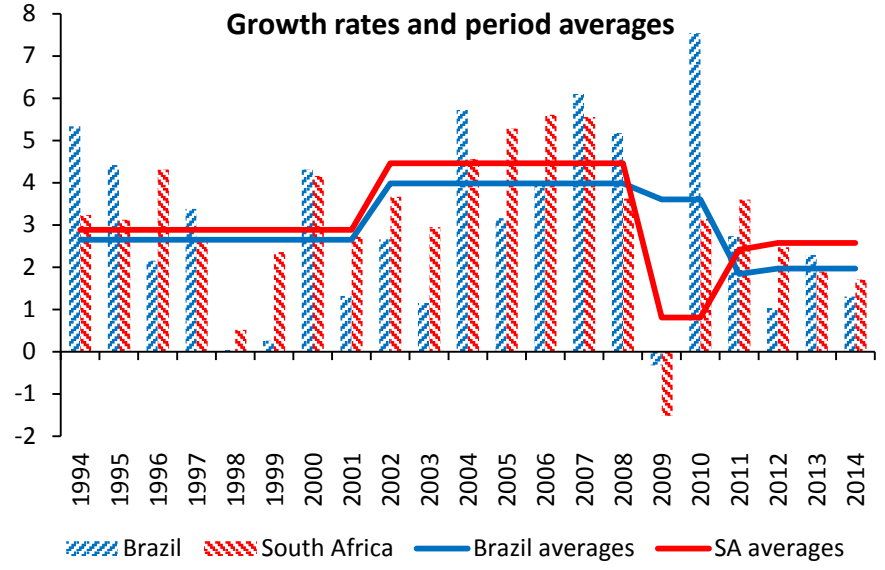


SA's growth has generally topped Brazil's

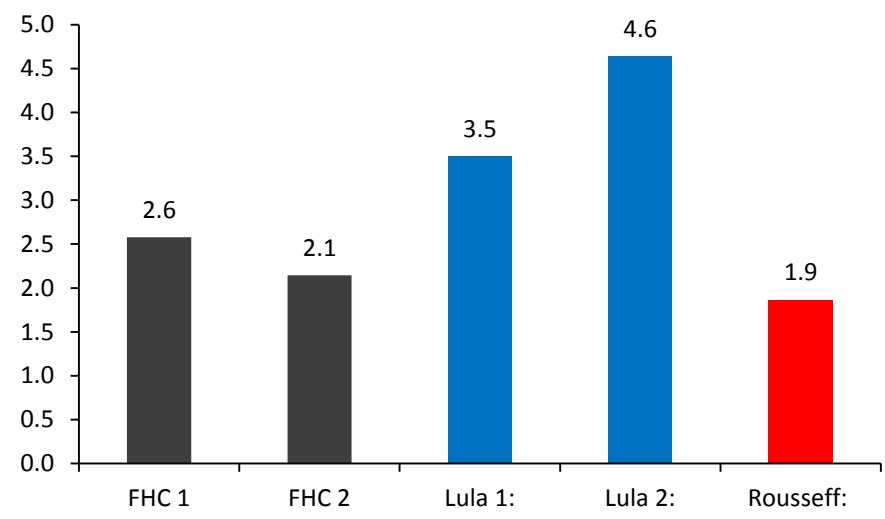
Brazil and SA, growth, 1993 = 100



Growth rates and period averages

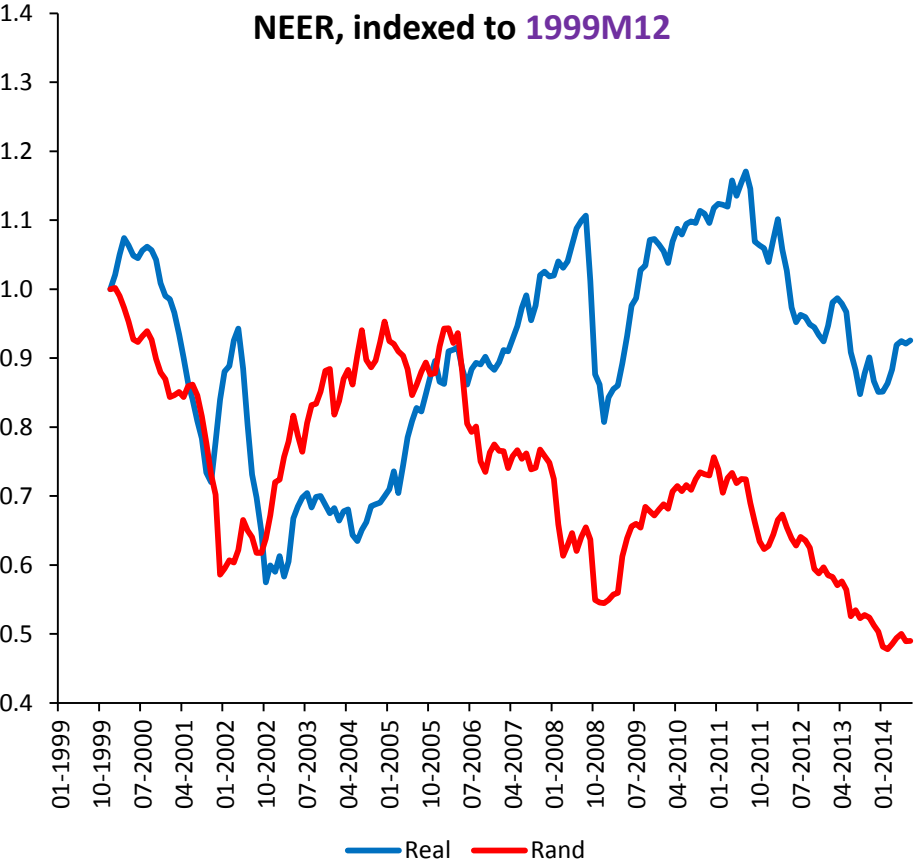


Growth by presidences

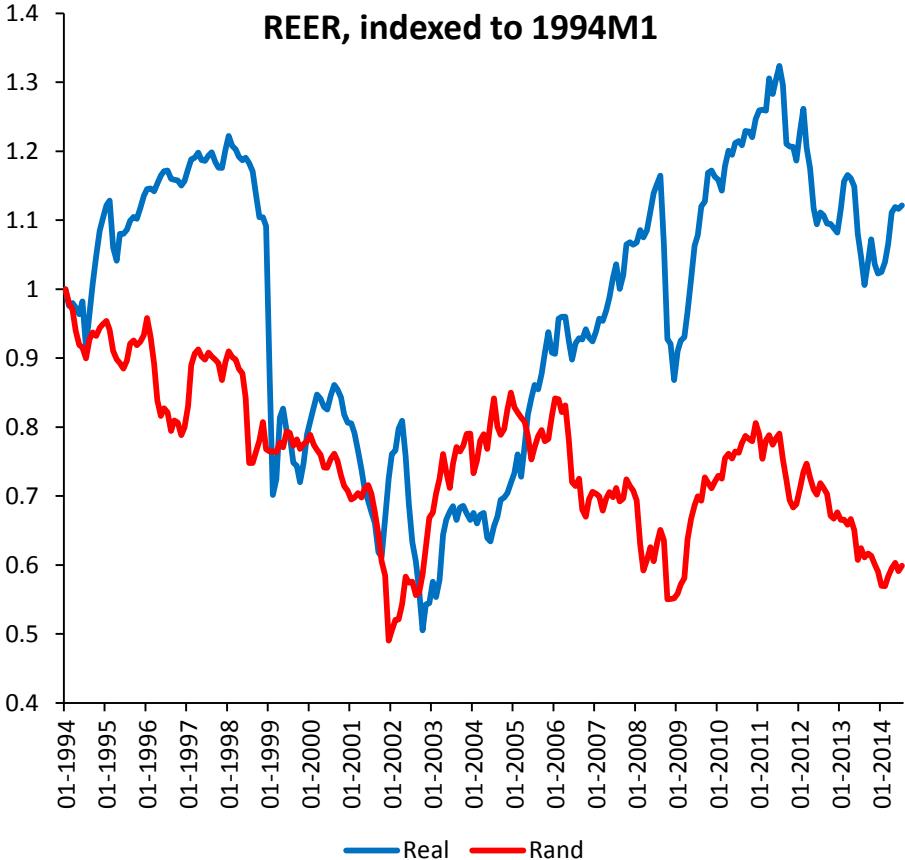


The role of the macro 'tripod': fiscal, monetary, exchange rate

NEER, indexed to 1999M12



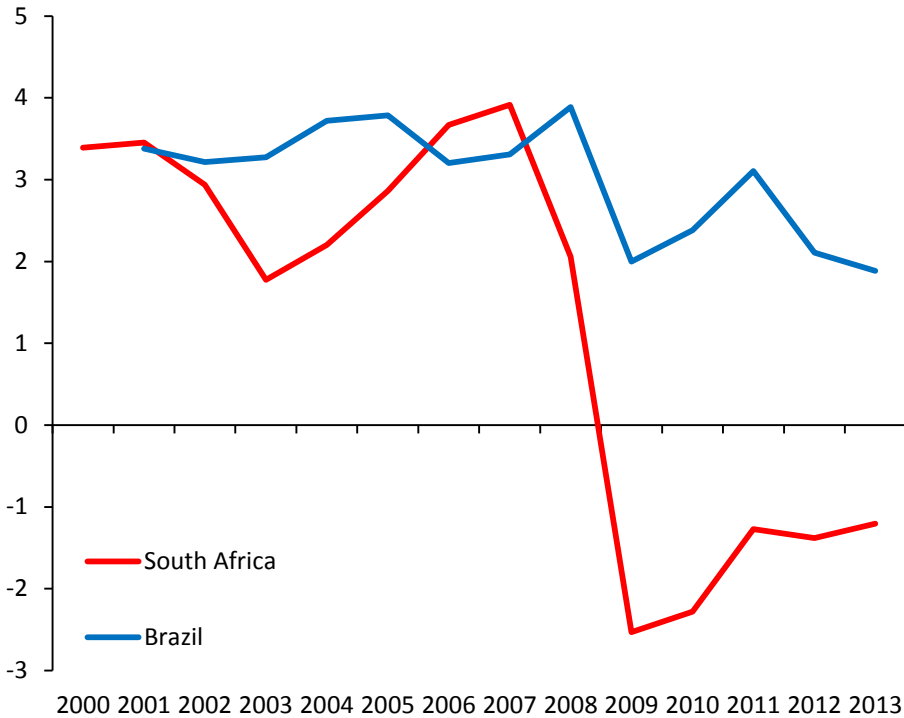
REER, indexed to 1994M1



Brazilian fiscal policy has probably been more restrictive than SA's

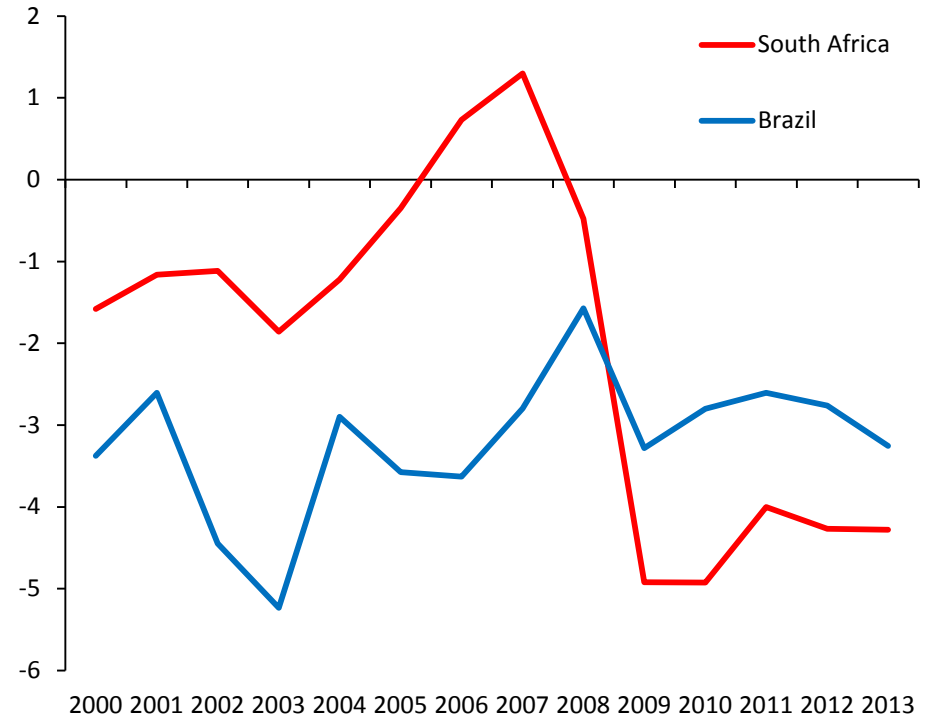
General government **primary** net lending/borrowing

Per cent (of GDP)



General government **net** lending/borrowing

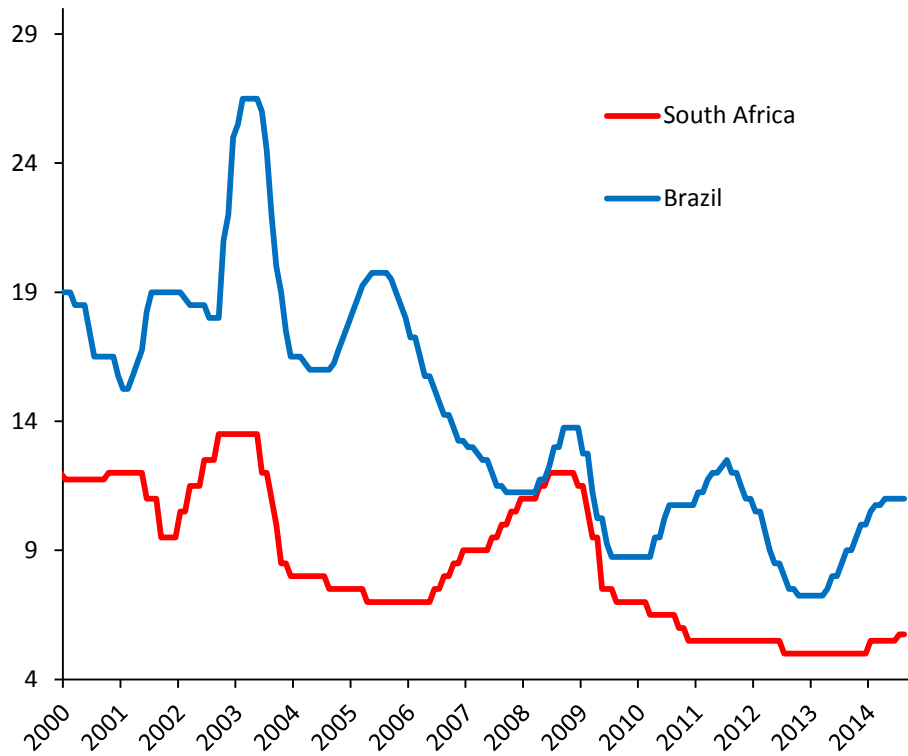
Per cent (of GDP)



Brazil has higher interest rates and (slightly) higher inflation

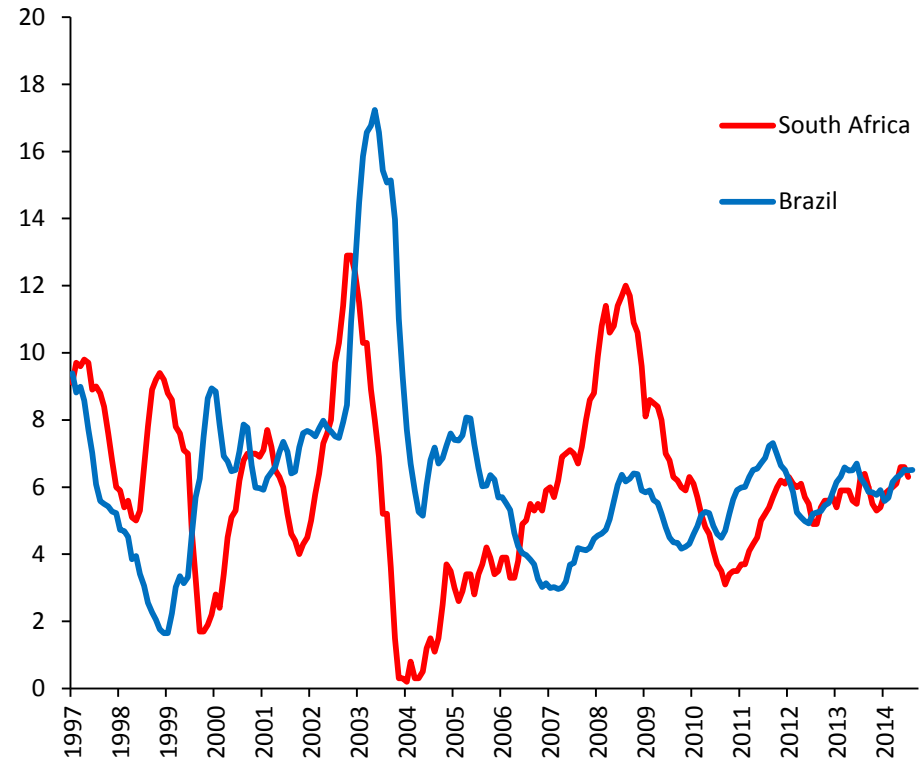
Policy rate

Per cent



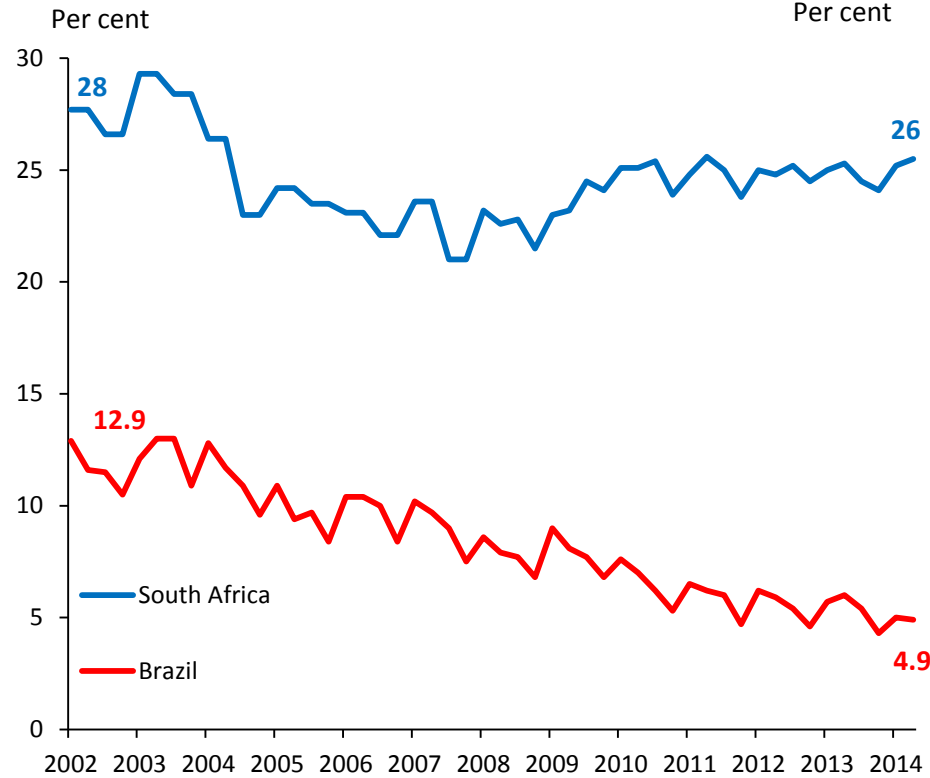
Inflation

Per cent (YoY)

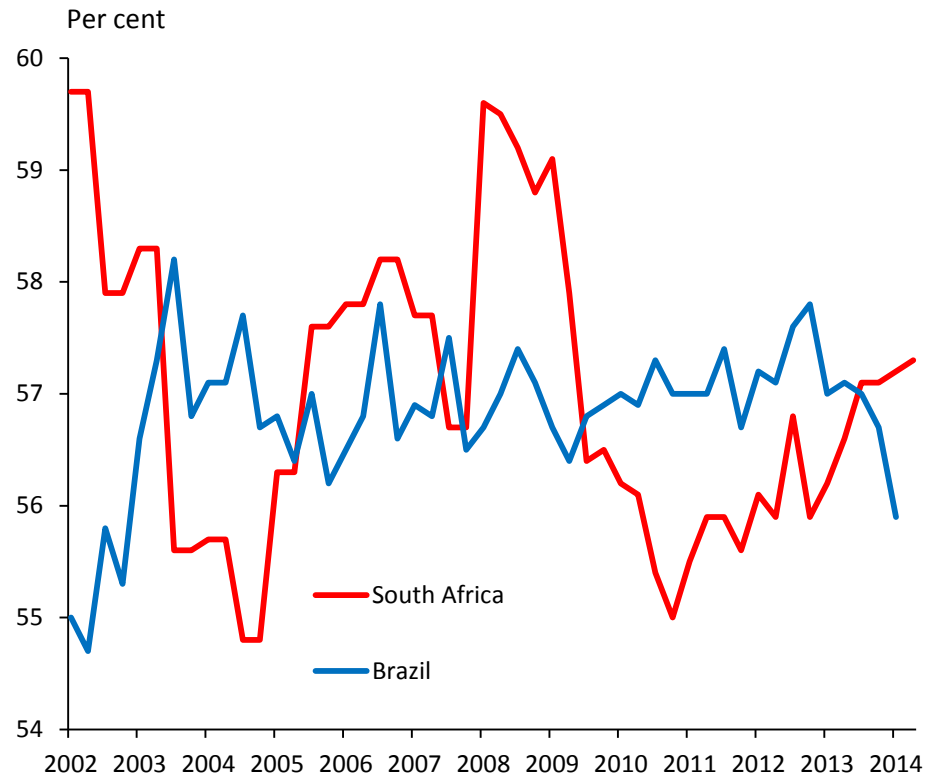


Massive differences in unemployment

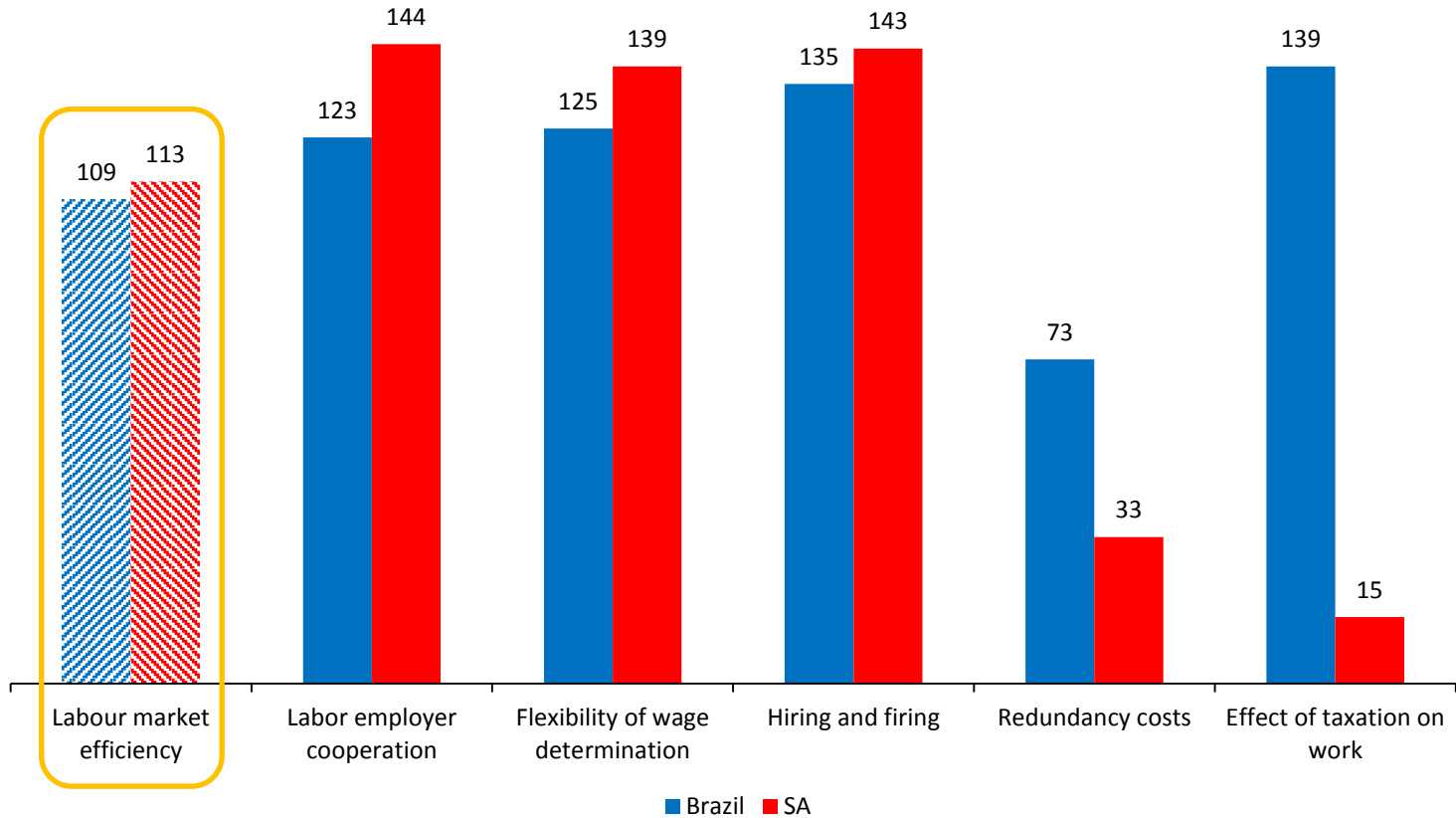
Unemployment rate



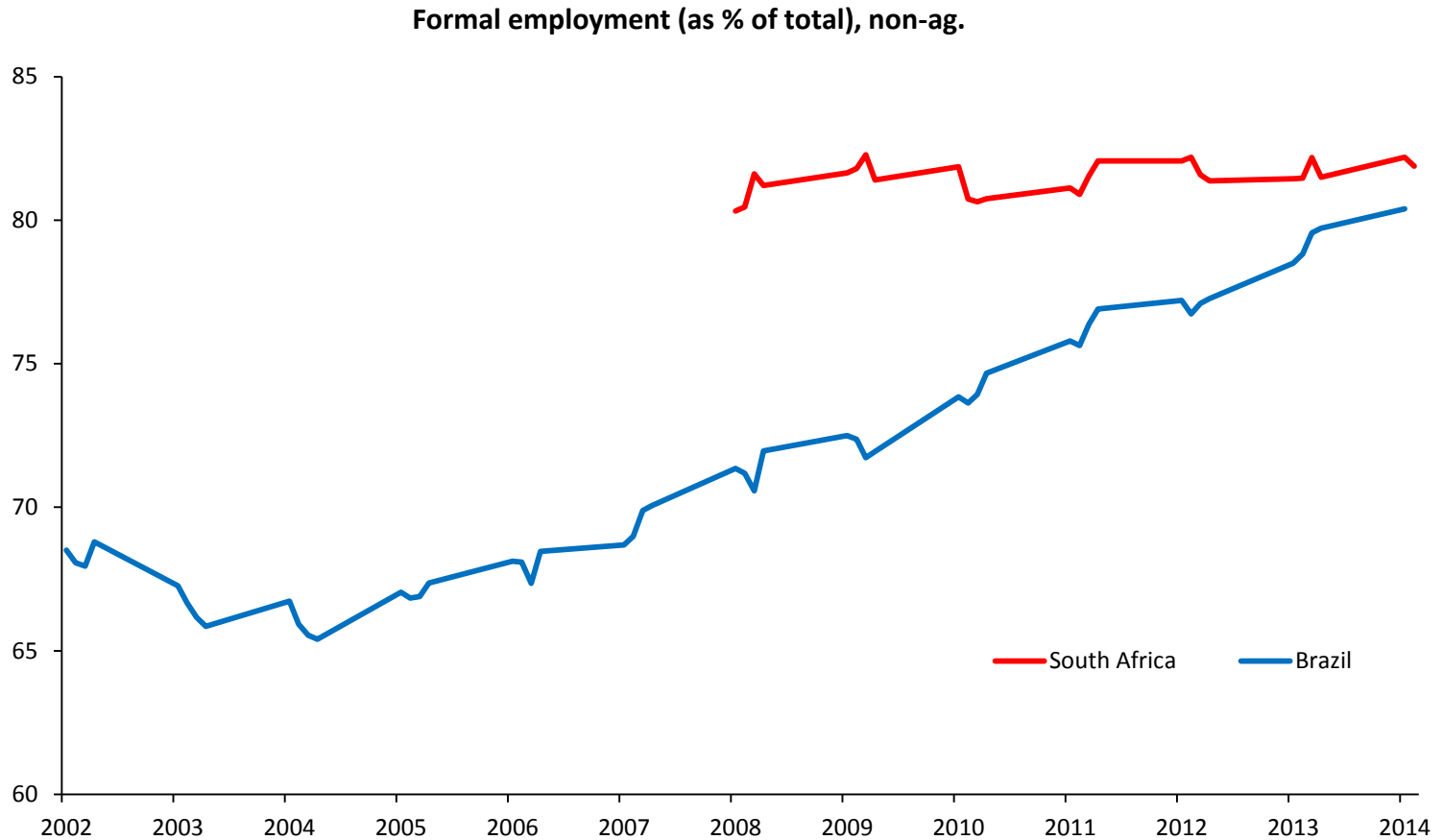
Labour force participation



Labour market efficiency is low in both cases

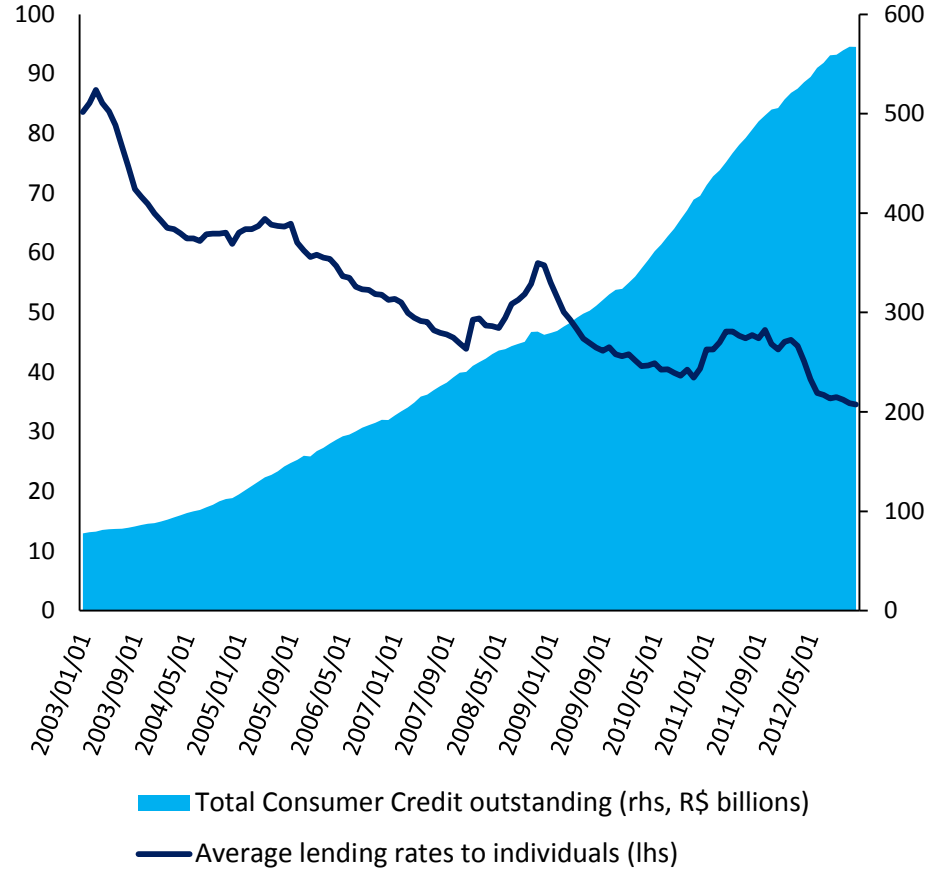


SA has typically had a smaller informal sector; Brazilian employment is increasingly formal



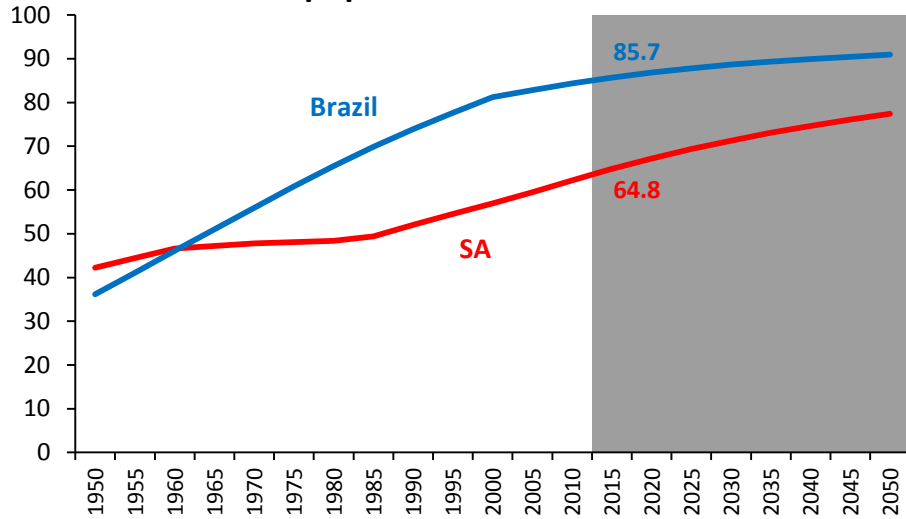
Brazil legislated steep increases in the minimum wage

Minimum wage

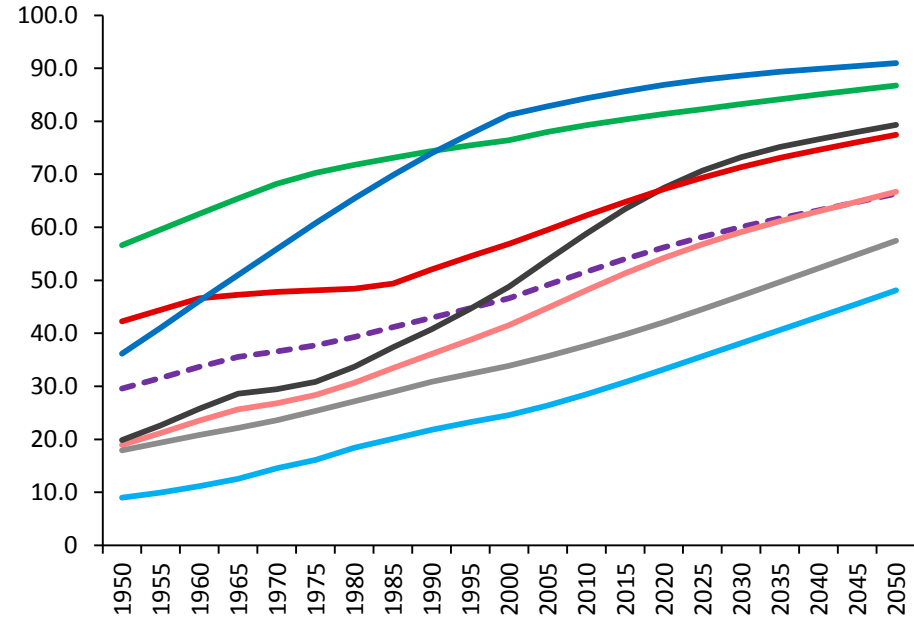
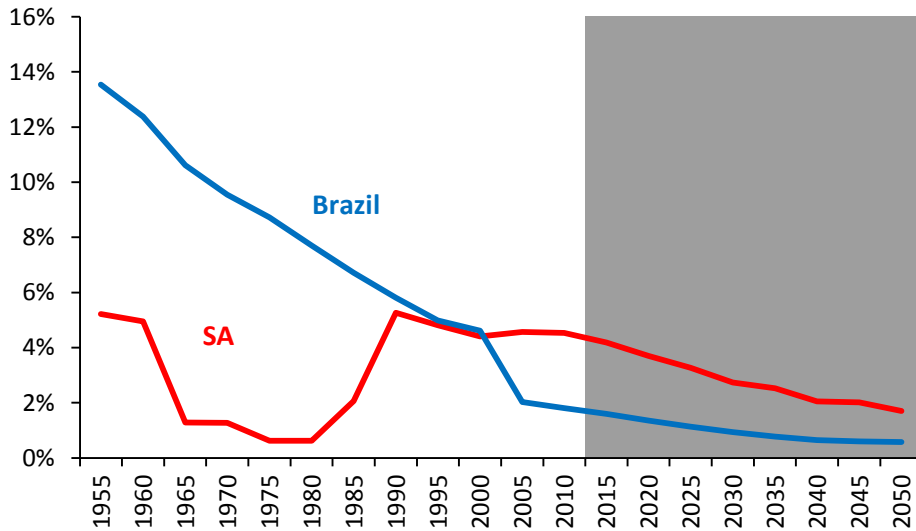


Brazil is a highly urbanised society

% of population in urban areas

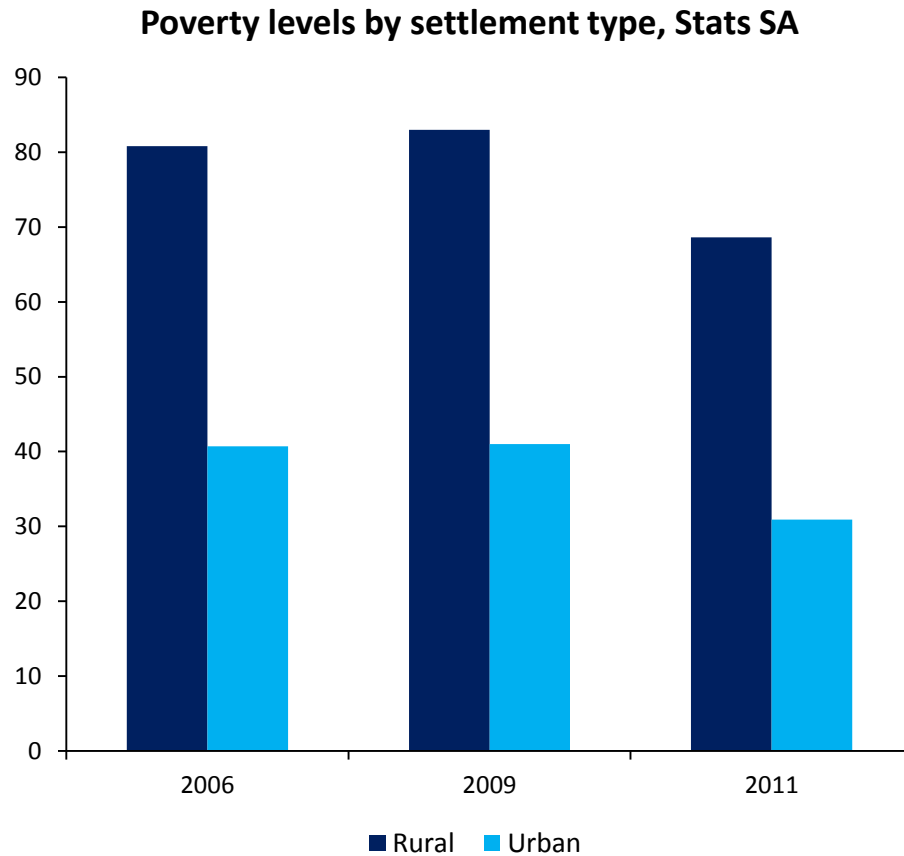


Growth rates



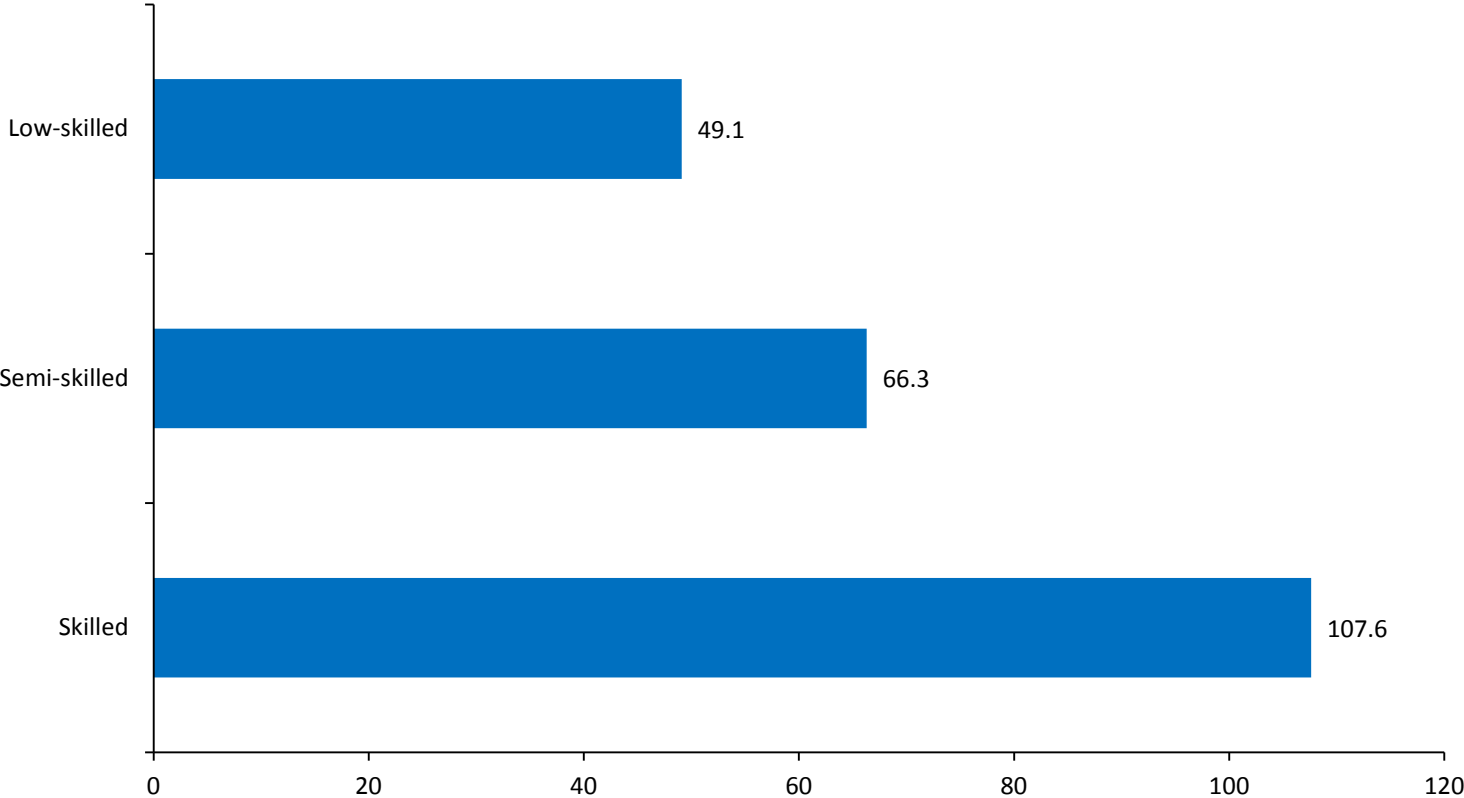
- WORLD
- High-income countries
- Middle-income countries
- Upper-middle-income countries
- Lower-middle-income countries
- Low-income countries
- South Africa
- Brazil

Poverty in SA tracks the rural/urban divide



Skilled workers in SA have enjoyed a very favourable labour market

Change in employment by skill level, 1994-2014



Conclusions

- Income boosting interventions (w/ warnings)
- Urbanisation
- Skills bias (education plus)
- Labour market relations