

Comments on “In-depth Analysis of Investment of Firms in Brazil: Do Financial Restrictions, Unexpected Monetary Shocks and BNDES Play Important Roles?”

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The paper empirically estimates the determinants of firms' investment in Brazil.

- **Main Findings and contributions:**
 - **Data:** Confidential database of balance-sheet information for public and private Brazilian firms.
 - **Unexpected monetary policy, financial restrictions and BNDES explain the dynamics of investment.**
 - **During periods of crisis the dynamics of investment are affected negatively, with restrictions on credit markets.**

GENERAL VIEW



They estimate the following investment equation:

$$\begin{aligned} \frac{Capex_{it}}{Assets_{it}} = & \beta_0 + \beta_1 \frac{Cashflow_{it}}{Assets_{it}} + \beta_2 Q_{it} + \beta_3 Shock_t \\ & + \beta_4 \left(FR_i \cdot Shock_t \cdot \frac{Cashflow_{it}}{Assets_{it}} \right) + \beta_5 BNDES_i + \beta_6 FR_i \\ & + \beta_7 \left(FR_i \cdot \frac{Cashflow_{it}}{Assets_{it}} \right) + \beta_8 \left(Shock_t \cdot \frac{Cashflow_{it}}{Assets_{it}} \right) \\ & + \beta_9 \left(BNDES_i \cdot FR_i \cdot \frac{Cashflow_{it}}{Assets_{it}} \right) + \beta_{10} BNDES_i \cdot FR_i \\ & + \beta_{11} Shock_t \cdot FR_i + \beta_{10} \left(BNDES_i \cdot \frac{Cashflow_{it}}{Assets_{it}} \right) + a_i + e_{it} \end{aligned}$$

They do a good job getting proxies for financial restrictions (size, dividends, KZ, WW, EFP) and identifying unexpected monetary shocks (SELIC rate, COPOM meetings; although they just use monetary contractions).

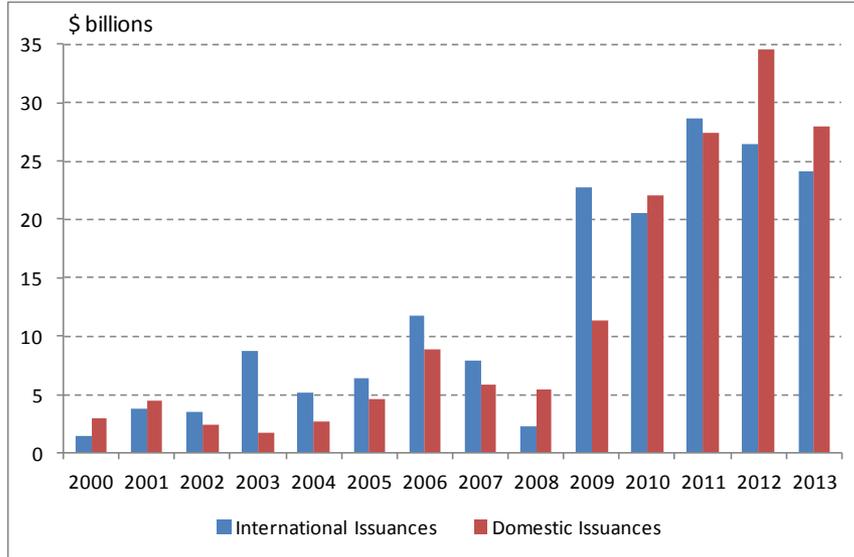
DISCUSSION POINTS

- **Effects of monetary policy in advanced economies and new developments in capital markets.**
 - Do Luca et al (2014, ECB Working Paper) find that US QE had a large impact on corporate bond issuance, especially in emerging markets.
 - Large increase in debt issuances in emerging markets, by nationality (Shin (2013, 2014)), McCauley, Upper and Villar (2013).
 - Firms accessing international capital markets may do “carry trades” providing funds to local banks that may turn into credit to firms.

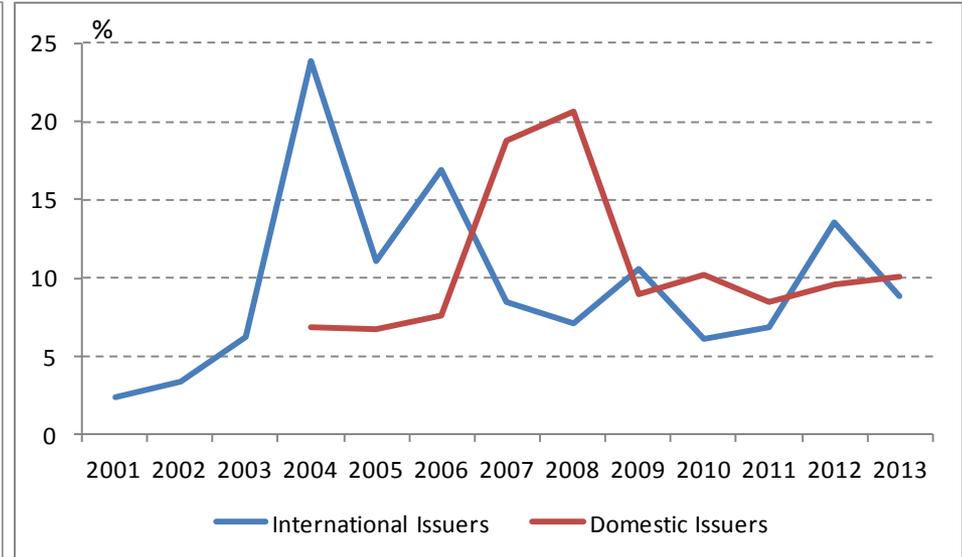
BOND ISSUANCES AND CAPEX



Bond issuances by Brazilian NFCs



CAPEX/Total Assets of Brazilian NFCs Bond Issuers (mean)



- **Bond issuers do not seem to have increased CAPEX over the last years (maybe they are not restricted firms).**
- **Is this trend in bond issuances affecting the amount of restricted firms?**
- **Are non issuers benefiting from bond issuances (carry trade)?**



THANK YOU

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