INNOVATION AND ENTREPRENEURSHIP CENTER


Estimating Private Investment Functions for the Brazilian's Capital Formation Industries: Evidence from the Panel Data and Fixed Effects Models

Abstract:

This article examines the determinants of Brazilian private investment for sector 23 (coke production, oil refining, nuclear fuel preparation and alcohol production) from 1996 to 2010. All the signs of the analyzed variables are consistent with theory, with the exception of real interest rates, where the coefficient is positive and insignificant in the estimated equation. It shows that, within the time span it was analyzed, the reduction in credit volume and the existence of political and economic instabilities have been harmful to private investment. By using the industry’s sectorial data, it is possible to avoid smoothing in this aggregate series and it may help to understand aggregate investment dynamics. Sector 23 invested relatively more than other sectors in the Brazilian economy. Results reveal the importance of the available volume of funds for investment, with complementarity between public and private investment