

Invoice currency: Puzzling evidence and new questions from Brazil[☆]

Daniel Gersten Reiss^{*,1}

Central Bank of Brazil, Universidade de Brasília, Brazil

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Abstract

This article for the first time uses Brazilian trade data to draw conclusions about the invoice currency choice — both in general and as it pertains to the Brazilian real (BRL). We find that the Brazil-Argentina policy of providing payment orders associated to an exchange transaction between their currencies has had a significant impact on the currency chosen for invoicing, establishing a link between the availability of financial instruments and the invoice currency choice. Moreover, the evidence does not confirm some previous international results. We identify that in Brazil there is no coincidence regarding the use of BRL for invoicing and its use for making payments. Yet we find that the main exports denominated in BRL are homogenous goods — sugar and tobacco — suggesting that some bargaining power might remain even if goods are traded in international markets. From the BRL-specific perspective, we categorically move away from the idea that the BRL is not used in Brazilian international trade. Although it is used at a limited absolute volume, an exceptional ninefold growth between 2007 and 2011 is observed. New intriguing questions about Brazilian currency usage can therefore be proposed.

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Keywords: faturamento do comércio; uso do real; moeda de denominação; sistema de pagamentos binacional

Este artigo utiliza pela primeira vez dados do comércio exterior brasileiro para obter conclusões sobre a escolha da moeda usada para o faturamento—conclusões gerais e específicas sobre o real (BRL). Nós constatamos que a política brasileiro-argentina de prover ordens de pagamento associadas a operações de câmbio entre suas moedas teve um impacto significativo sobre a moeda escolhida para o faturamento, estabelecendo uma ligação entre a disponibilidade de instrumentos financeiros e a escolha da moeda. Além disso, as evidências não confirmam alguns resultados internacionais anteriormente constatados. Nós identificamos que, no Brasil, não há coincidência entre a moeda utilizada para faturar e para efetuar pagamentos. Ademais, observamos que as principais exportações

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* Tel.: +55 6193305021.

E-mail address: daniel.gersten@cbcb.gov.br

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faturadas em BRL são de produtos homogêneos (açúcar e tabaco), sugerindo que reste algum poder de barganha ainda que os produtos sejam comercializados em mercados internacionais. A partir da perspectiva do BRL, nós definitivamente nos afastamos da ideia de que o BRL não é utilizado no comércio exterior brasileiro. Ainda que seu uso seja limitado em valores absolutos, um crescimento de nove vezes é observado entre 2007 e 2011. A partir de agora, novas intrigantes questões sobre o uso da moeda brasileira podem ser formuladas.

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1. Introduction

Discussions about the Brazilian real (BRL)'s international role tend to suffer from the same difficulty — the question of whether the BRL even has any international role. Here, we settle this fundamental question, letting Brazilian debates on international trade and currency use to go further. Departing from a base definition in which international currency is one used beyond the limits of its issuing country, we report that some agents do use the Brazilian currency for invoicing foreign trade.

We register, for the first time, the Brazilian foreign trade according to its invoice currency, exploring the Brazilian Ministry of Development, Industry and Foreign Trade (MDIC) series from 2007 to 2011. Our description allows the proposition of fresh questions on Brazil's economic integration — both policy and analytic ones —, while the evidences we report challenge some previous findings and predictions in the economic literature. In this way, this study fills one gap in the studies of the Brazilian economy and the BRL use, besides contributing with new evidences for discussions on the international usage of currencies.

Understanding the international role of a currency has major policy implications. Scholars have been discussing the international stance of money in a large spectrum — from the ability to compel other economies (Kirshner, 1997; Andrews, 2006) to the inability to access international markets (Eichengreen et al., 2005; Hausmann and Panizza, 2011). Here, we deal with the currency's international role as a unit for setting price in trade, what is usually related to implications on the effectiveness of macroeconomic policies. Currency invoicing is one explanation for the connection between price rigidities and the exchange rate highlighted by Obstfeld and Rogoff (1995) (Betts and Devereux, 1996; Engel and Rogers, 2001; Bacchetta and van Wincoop, 2005). Regarding to Brazil, the exchange rate pass-through to the local economy has already caught some attention (Belaisch, 2003; Correa and Minella, 2010; Nogueira et al., 2013). The same cannot be said about the BRL-invoicing though.

The literature gap on the Brazilian currency international use may be explained by the historical fragility of the Brazilian economy, which was seen in numerous currency replacements, mainly in the late 1980s. From 1986 to 1993, Brazil had five different currencies². The BRL adoption in 1994 was a milestone of economic transformations in Brazil that allow the broadening of the country's current currency discussions.

Exports paid in BRL were not allowed in Brazil until April 2007. In the former shortage of foreign currency framework, export revenue was the main source of obtaining foreign exchange. The obligation to receive foreign trade revenue in a foreign currency was the way to deal with that restriction. The changes in the economic environment and the resulting increased availability of foreign currencies overcame this restraint in an environment where restrictions on foreign exchange were also progressively removed.

Alongside this policy change, another government policy affected BRL invoicing during the examined period. In October 2008, Brazil and Argentina launched a bilateral payment system, the Local Currency Payments System (SML, Portuguese acronym), which made available a financial instrument to set trade payments in the local currencies. One request to use the system is however that the trade operation had been invoiced in the exporter's national currency. So, traders willing to use the payment system were driven to invoice Brazilian exports in BRL or Brazilian imports in Argentinean pesos (ARS).

Because of the aforementioned Brazilian economic history, nearly all Brazilian exports are invoiced in United States dollars (USD). The residual share is invoiced in other international currencies. However, the BRL is indeed used to

² The Brazilian currencies during that period were as follows: 1967–86, the cruzeiro novo, renamed cruzeiro in 1970 (BRB); 1986–89, the cruzado (BRC); 1989–90, the cruzado novo (BRN); 1990–93, the cruzeiro (BRE); and 1993–94, the cruzeiro real (BRR) (Banco Central do Brasil, 2007).

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