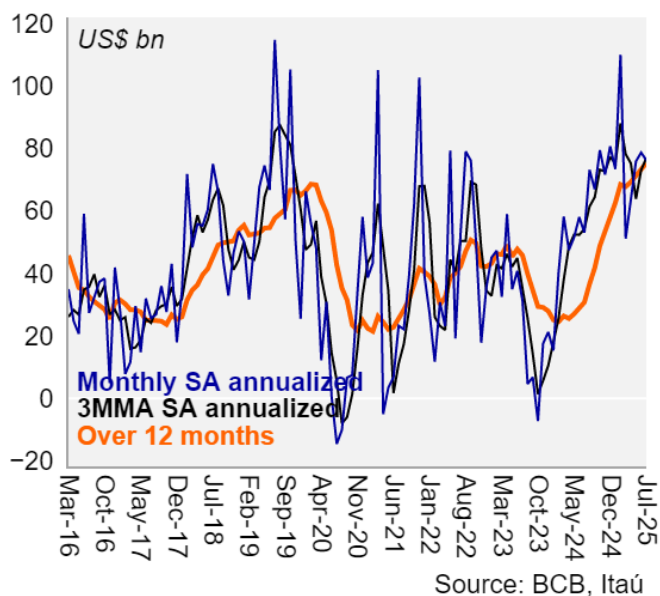


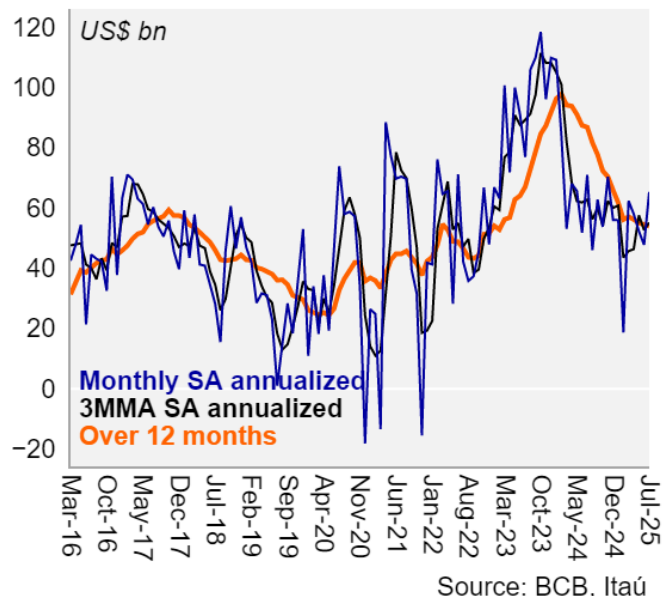
Current account posted an outflow of 3.5% of GDP in July

- ▶ The current account deficit was US\$7.1 bn in July. The result came in weaker than our call (-US\$5.7 bn) and the market's expectation (-US\$5.5 bn). In July 2024, the current account had posted a US\$5.2 bn deficit. Versus our forecast, we highlight a weaker than expected print for profit and dividends (-US\$4.7 bn observed versus -US\$3.6 bn projected).
- ▶ This month, the trade balance posted a surplus of US\$6.5 bn, while services registered a negative flow of US\$5.0 bn (-US\$1.128 bn for transportation, -US\$1.645 bn for travel and -US\$1.027 bn for rents), close to our expectation. The income account (-US\$8.9 bn) recorded an outflow above our expectations led by profit and dividends (-US\$4.7 bn).
- ▶ The current account deficit accumulated in the past 12 months was US\$75.3 bn (3.5% of GDP), versus -US\$57.9 bn (-2.7% of GDP in 2024). At the margin, the annualized 3-month moving average (MM3M SAAR) of the current account reached -US\$76.9 bn (versus -US\$73.0 bn in the previous month and -US\$54.2 bn 12 months before).
- ▶ Foreign direct investment (FDI) to Brazil remains positive in 12m, and last month's result came in stronger than our expectation. FDI posted a positive flow of US\$8.3 bn in July, better than our call and the market's expectation (both at +US\$5.0 bn). In 12 months, the FDI accumulates inflow of US\$68.2 bn (3.2% of GDP), versus +US\$71.1 bn (3.3% of GDP) in 2024.
- ▶ **Our view:** The July current account result continues to point to a tight external position, with the 12-month deficit exceeding financing inflows, both in the FDI ex-reinvested earnings metric and in the traditional total FDI measure. The highlight of this release was the strong outflow in the income account, reflecting seasonal interest payments and higher-than-expected profit and dividend remittances. Also noteworthy were the outflows of Brazilian capital (-US\$1.7bn in the month, of which -US\$5.4bn in currency and deposits). Although still at relatively comfortable levels (US\$27bn over 12 months vs. US\$38.9bn in Jul/24), these outflows have been accelerating throughout the year. We project a current account deficit of US\$67bn in 2025 (3.0% of GDP), deeper than the historical average (2.3%), with improvement relative to the current figure coming from a recovery in the trade balance, supported by import deceleration amid weaker domestic activity. Today's data, however, suggest a bias toward an even wider deficit than 3% of GDP.

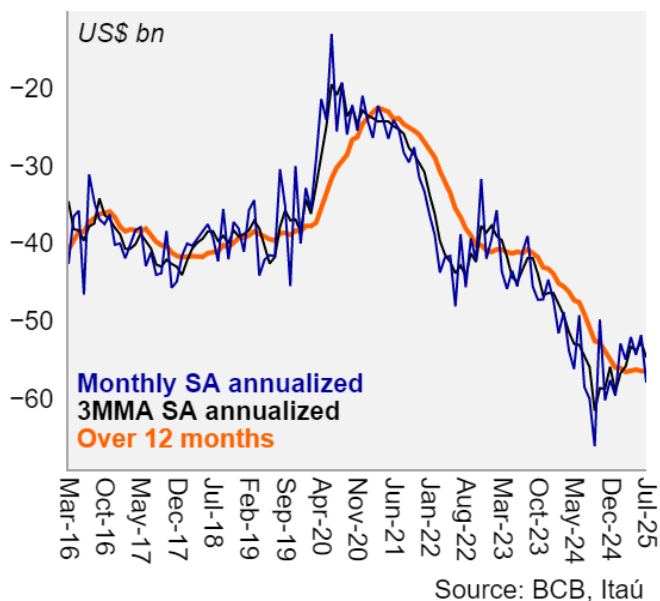
Current account balance



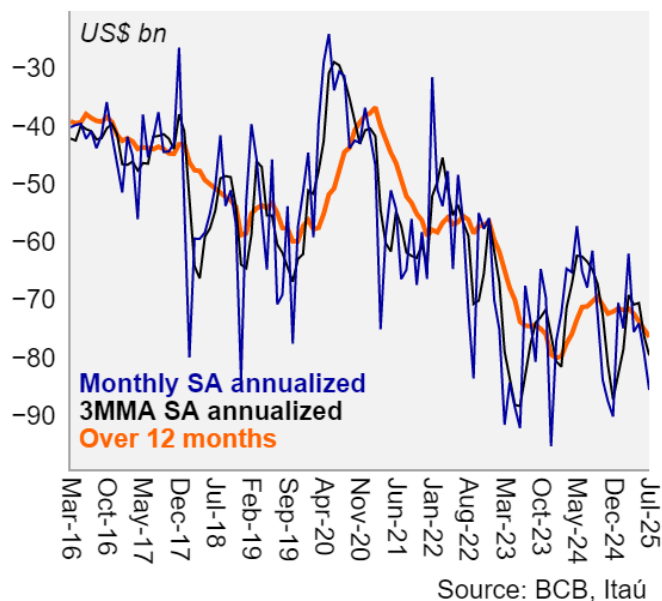
Trade balance



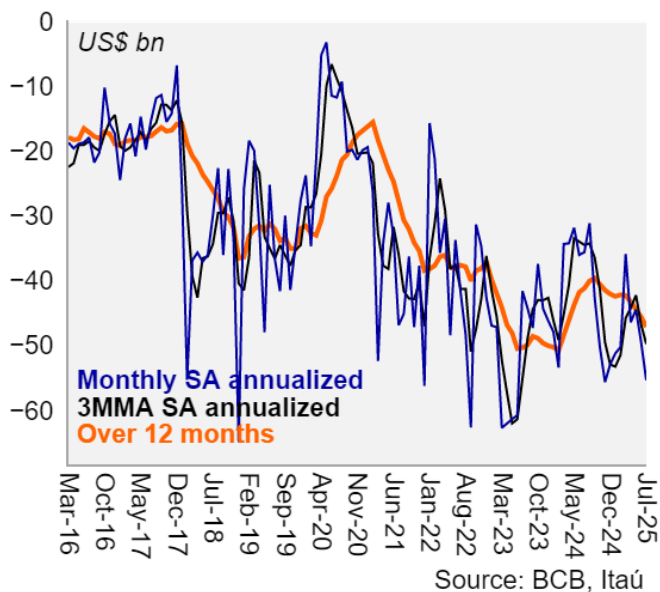
Services account



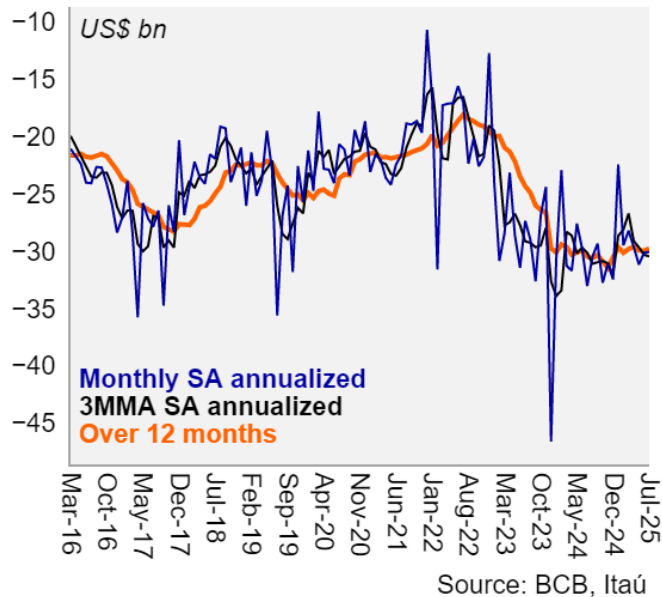
Income account



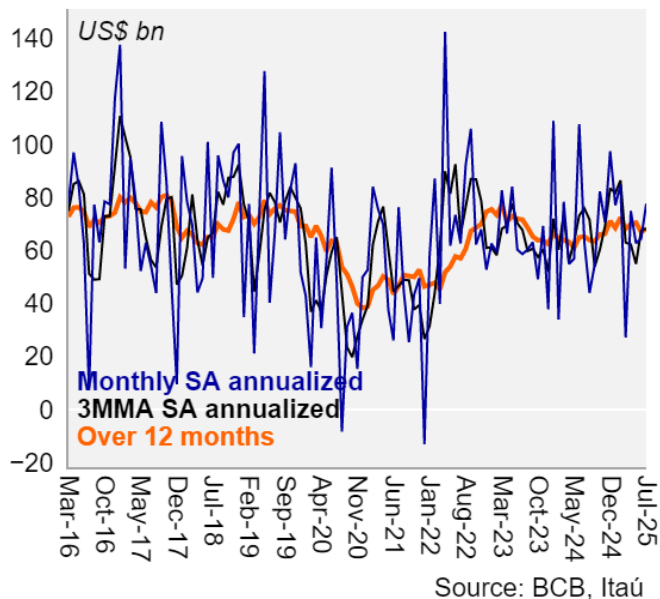
Profits and dividends



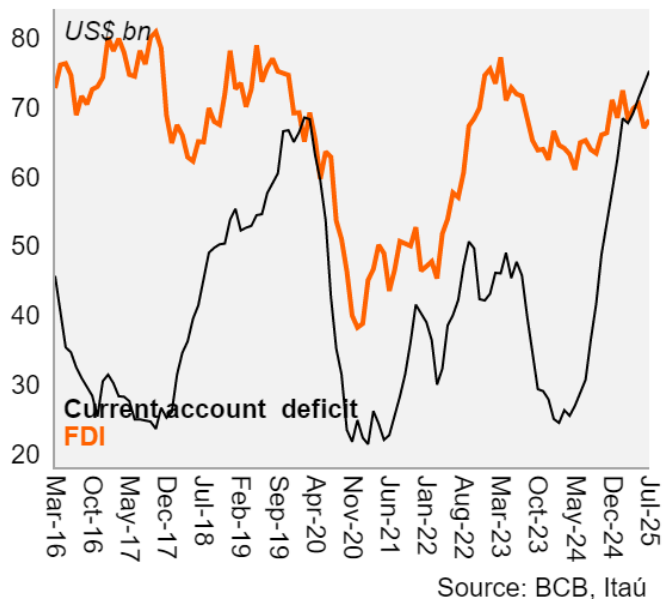
Interests net inflow



Foreign investment to Brazil



FDI and CAD accumulated in 12m



	Monthly				3MMA SAAR		12M		
In US\$ bn	Jul-2025	Jun-2025	May-2025	Jul-2024	Jul-2025	Jun-2025	Jul-2025	Dec-2024	Dec-2023
I. Current account (1)+(2)+(3)+(4)	-7.1	-5.3	-3.4	-5.2	-76.9	-73.0	-75.3	-57.9	-27.9
1. Balance on goods	6.5	5.1	6.4	7.0	55.1	52.6	53.9	65.8	92.3
Exports	32.6	29.1	30.1	31.1	347.7	340.4	339.7	339.9	343.8
Imports	26.1	24.0	23.7	24.1	288.4	283.9	285.8	274.0	251.5
2. Services	-5.0	-4.5	-4.7	-5.0	-54.7	-52.7	-56.5	-55.0	-43.3
International Travel	-1.6	-1.3	-1.2	-1.2	-15.1	-13.1	-13.3	-12.3	-11.0
Operational leasing	-1.0	-1.0	-1.1	-1.0	-12.3	-12.3	-12.0	-11.2	-9.5
Transportation	-1.1	-1.2	-1.2	-1.4	-14.0	-14.5	-15.9	-15.1	-12.7
Others	-1.2	-1.1	-1.3	-1.5	-14.4	-13.1	-15.3	-16.4	-10.1
3. Primary Income	-8.9	-6.2	-5.4	-7.5	-79.6	-76.3	-76.4	-72.1	-79.5
Wages	0.0	0.0	0.0	0.1	0.3	0.3	0.4	0.5	0.3
Interests	-4.2	-2.4	-1.7	-4.4	-30.4	-30.3	-29.8	-30.5	-29.7
Profits and dividends	-4.7	-3.8	-3.7	-3.2	-49.8	-46.8	-47.1	-42.1	-50.0
4. Secondary income	0.4	0.3	0.3	0.4	3.6	3.8	3.7	3.3	2.6
II. Capital and financial account (a)+(b)+(c) +(d)	-10.0	-7.9	-4.7	-10.4	-101.5	-99.7	-105.5	-99.8	-49.3
a. Net direct investment (i)-(ii)	-5.8	-0.5	-2.5	-4.7	-45.7	-44.8	-41.1	-44.7	-37.3
i. Direct investments - liabilities	8.3	2.8	3.7	7.2	68.3	67.4	68.2	71.1	62.4
Equity capital	6.8	6.4	1.8	6.4	60.7	62.5	63.1	60.1	52.8
Intercompany loans	1.5	-3.6	1.8	0.8	3.3	0.3	5.1	11.0	9.6
ii. Direct investments - assets	2.5	2.3	1.1	2.4	22.6	17.9	27.1	26.3	25.1
b. Other net investments (iii)-(iv)+(v)+(vi)	-6.0	-5.9	-1.7	-5.3	-42.0	-37.0	-22.0	-12.4	-22.0
iii. Portfolio investments - assets	1.7	0.5	1.1	-2.8	12.1	13.9	15.6	7.1	4.5
iv. Portfolio investments (total) - liabilities	-1.4	2.3	1.6	1.1	6.2	12.8	4.5	9.7	13.8
Local fixed income	0.9	4.6	1.7	-0.1	28.0	30.3	14.4	12.8	9.8
Local equities	-1.0	-1.5	1.9	1.5	-2.6	0.0	-6.3	-14.0	2.2
Funds	-0.1	-0.7	-1.0	-0.6	-8.4	-9.1	-5.0	-3.0	-1.3
v. Financial derivatives (net)	-0.5	-0.5	-0.2	1.5	-3.1	-2.8	-2.9	2.2	-8.0
vi. Other investments (net)	-8.5	-3.6	-1.0	-3.0	-47.2	-32.2	-30.1	-12.0	-4.7
c. Capital account	-1.3	-1.5	-1.1	-1.3	-14.7	-13.4	-14.2	-16.3	-11.4
d. Reserve assets	3.1	0.0	0.7	1.0	-2.3	-9.0	-28.3	-26.4	21.4
III. Errors and Omissions	-0.4	0.4	0.9	-2.6	6.9	5.1	-1.9	-9.4	1.3

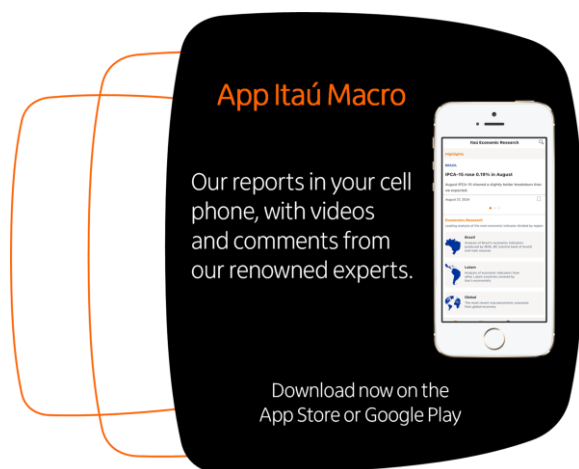
Source: BCB, Itaú

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