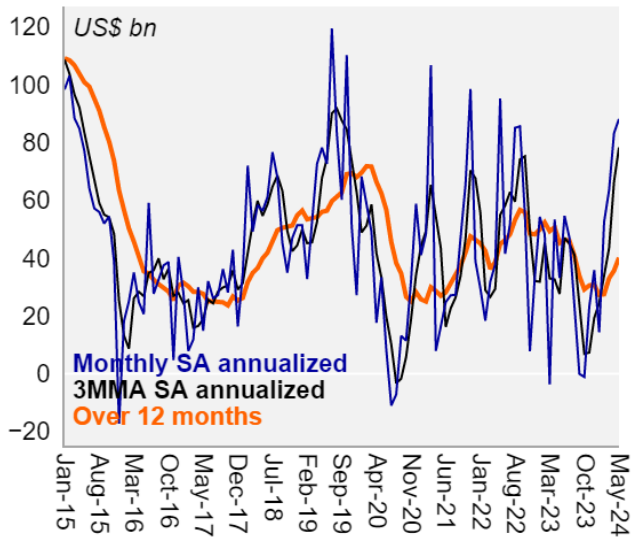


Current account posted a deficit of 1.8% of GDP in May

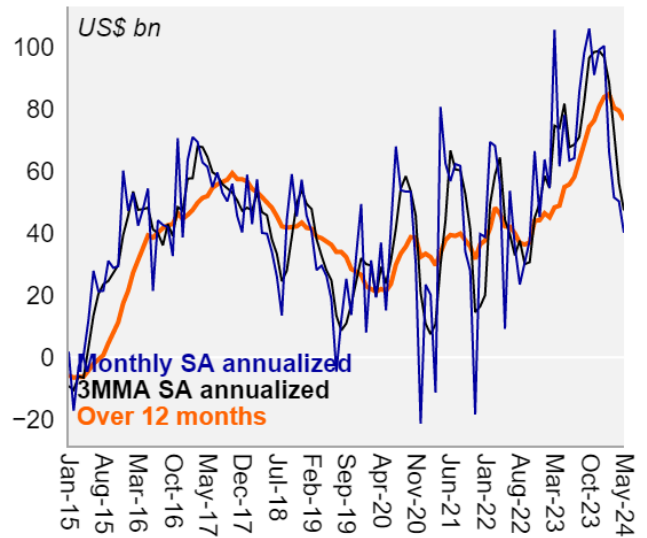
- ▶ The current account deficit reached US\$3.4 bn in May. The result came in matching both our call and the market's expectation (-US\$3.4 bn). In May 2023, the current account had posted a US\$1.1 bn surplus.
- ▶ The trade balance posted a surplus of US\$6.4 bn, while services registered a negative flow of US\$4.5 bn (-US\$1543 mm for transportation, -US\$714 mm for travel and -US\$920 mm for rents), in line with our expectation. The income account (-US\$5.2 bn) recorded an outflow below our expectations led by profit and dividends (-US\$4.0 bn).
- ▶ The current account deficit accumulated in the past 12 months reached US\$40.1 bn (1.8% of GDP), versus -US\$30.8 bn (-1.4% of GDP) in 2023. At the margin, the annualized 3-month moving average (3MMA SAAR) of the current account reached -US\$78.3 bn (versus -US\$66.4 bn in the previous month and -US\$27.6 bn 12 months before).
- ▶ Foreign investment (FDI) to Brazil remains positive in 12 months, despite the weaker-than-expected print in this release. IDP posted a positive flow of US\$3.0 bn in May, weaker than our call (+US\$4.5 bn) and the market's expectation (+US\$4.7 bn). In 12 months, the FDI accumulates inflow of US\$66.0 bn (2.9% of GDP), versus +US\$64.2 bn (3.0% of GDP) in 2023.
- ▶ Our view: the balance of payments data continues to show deterioration in the current account, especially with a loss of dynamism in the trade balance (a drop in exports and an increase in imports, in addition to imports of cryptoactives) and an increase in the services deficit. Even so, external financing remains at historically comfortable levels. We expect a current account deficit of 1.9% of GDP this year and 2.3% in 2025. It is important to note, however, that the Central Bank informed that it should start reclassifying cryptoactives in the capital account and no longer as an import in the current account, following the BPM7 methodology. From the next release onwards, there should be a revision of the current account deficit (to a smaller deficit), but without a revision of the balance of payments as a whole.

Current account balance



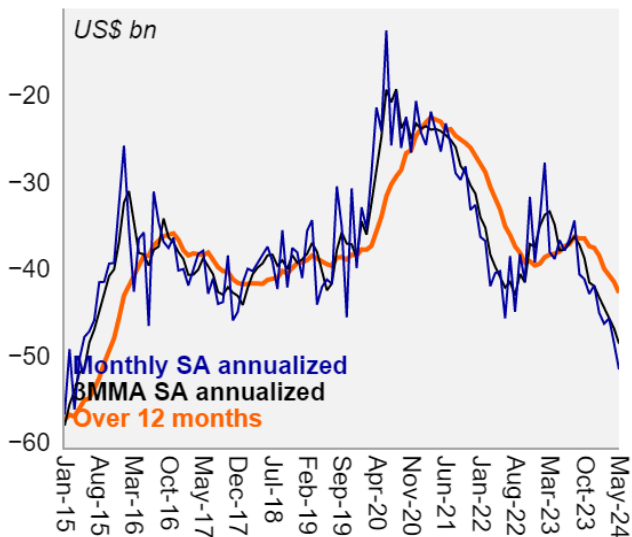
Source: BCB, Itaú

Trade balance



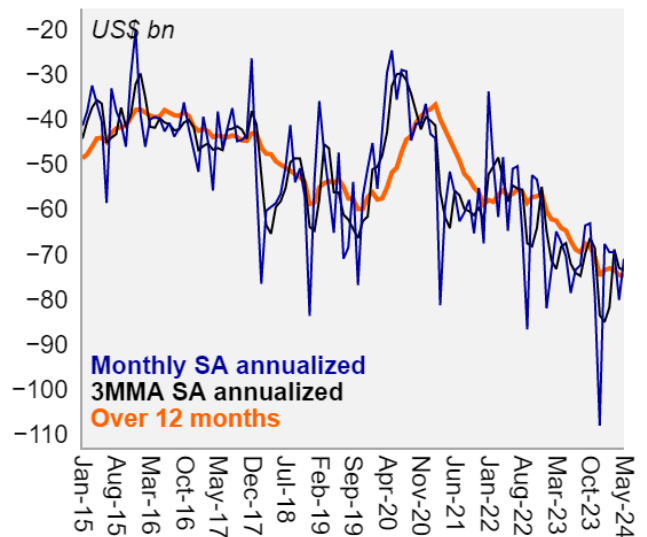
Source: BCB, Itaú

Services account



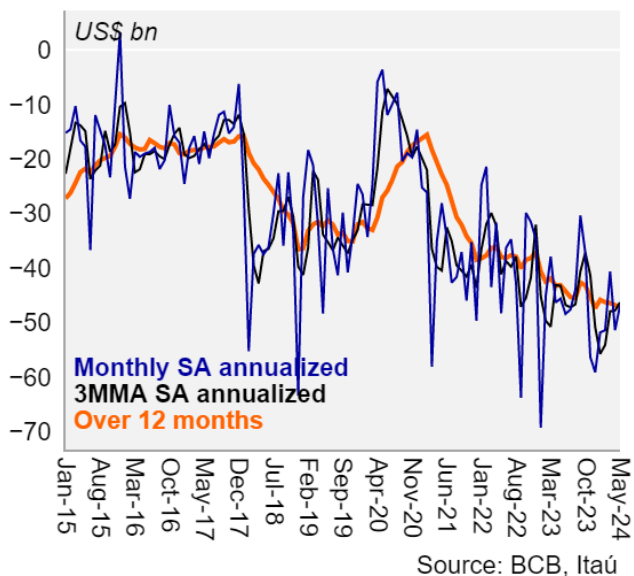
Source: BCB, Itaú

Income account

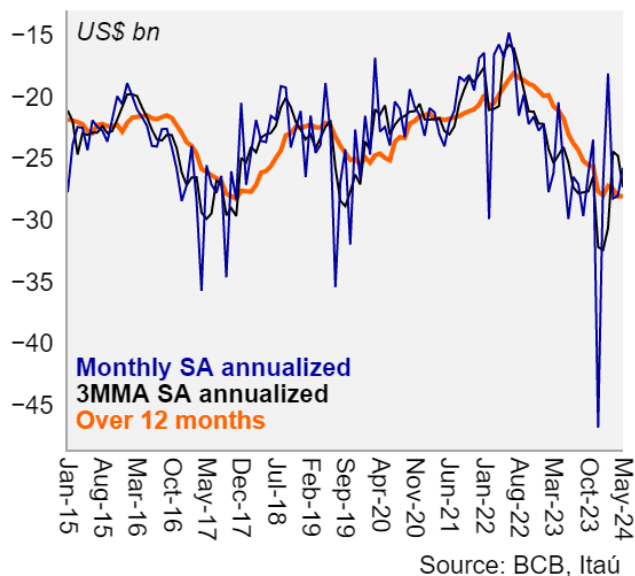


Source: BCB, Itaú

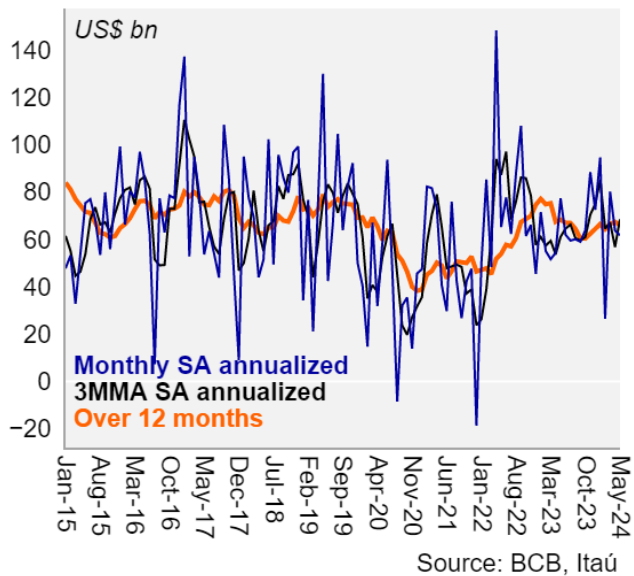
Profits and dividends



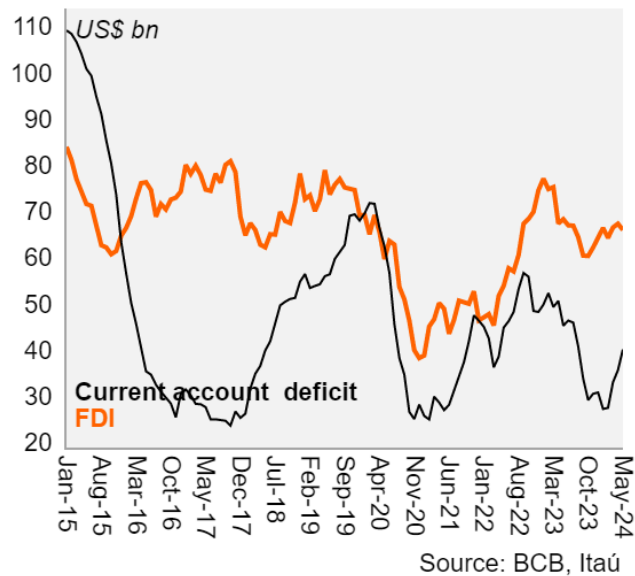
Interests net inflow



Foreign investment to Brazil



FDI and CAD accumulated in 12 months



In US\$ bn	Monthly				3MMA SAAR		12M		
	May-2024	Apr-2024	Mar-2024	May-2023	May-2024	Apr-2024	May-2024	Dec-2023	Dec-2022
I. Current account (1)+(2)+(3)+(4)	-3.4	-2.9	-4.8	1.1	-78.3	-66.4	-40.1	-30.8	-48.3
1. Balance on goods	6.4	6.4	4.9	9.3	47.3	56.0	76.4	80.6	44.2
Exports	30.7	31.0	28.2	32.9	337.1	335.6	346.7	344.4	340.3
Imports	24.3	24.6	23.4	23.6	287.7	288.6	270.4	263.8	296.2
2. Services	-4.5	-4.0	-3.7	-3.2	-48.6	-46.9	-42.8	-37.6	-39.6
International Travel	-0.7	-0.5	-0.5	-0.6	-6.7	-5.9	-7.3	-7.6	-7.2
Operational leasing	-0.9	-0.9	-1.0	-0.6	-11.2	-11.0	-10.2	-9.3	-8.3
Transportation	-1.5	-1.4	-1.3	-1.2	-17.1	-16.3	-14.0	-12.9	-19.4
Others	-1.3	-1.2	-1.0	-0.8	-13.4	-13.6	-11.3	-7.8	-4.7
3. Primary Income	-5.2	-5.5	-6.0	-5.1	-73.5	-73.0	-74.8	-74.7	-56.5
Wages	0.0	0.0	0.0	0.0	0.5	0.5	0.4	0.3	0.1
Interests	-1.3	-1.8	-2.2	-1.4	-27.3	-24.8	-28.0	-27.7	-19.6
Profits and dividends	-4.0	-3.7	-3.8	-3.7	-46.3	-47.8	-47.1	-47.3	-37.1
4. Secondary income	-0.0	0.2	0.0	0.0	1.2	1.6	1.0	0.9	3.7
II. Capital and financial account (a)+(b)+(c) +(d)	-4.6	-3.9	-5.8	1.3	-89.8	-76.0	-44.1	-29.0	-46.5
a. Net direct investment (i)-(ii)	-1.2	-2.7	-8.8	-2.8	-46.1	-37.2	-38.4	-36.0	-41.3
i. Direct investments - liabilities	3.0	3.9	9.6	4.4	68.5	56.8	66.0	64.2	74.6
Equity capital	1.7	3.9	4.1	3.3	38.7	45.4	55.6	55.1	57.1
Intercompany loans	1.3	0.0	5.5	1.0	27.1	20.9	10.4	9.1	17.5
ii. Direct investments - assets	1.8	1.2	0.8	1.5	15.7	17.9	27.6	28.3	33.4
b. Other net investments (iii)-(iv)+(v)+(vi)	-4.5	-1.6	2.1	2.5	-46.4	-42.2	-15.3	-14.7	1.8
iii. Portfolio investments - assets	1.8	1.1	1.6	1.8	12.1	22.0	11.0	4.5	-0.1
iv. Portfolio investments (total) - liabilities	1.7	-6.5	0.4	-3.4	6.5	-8.3	12.6	11.8	-3.1
Local fixed income	2.2	-6.1	3.2	-2.2	9.5	4.6	10.9	9.8	-4.4
Local equities	-0.9	-1.2	-3.4	-0.8	-9.6	-14.3	-6.9	2.1	9.5
Funds	0.3	0.6	0.1	-1.0	5.1	5.5	0.1	-3.3	2.0
v. Financial derivatives (net)	-0.1	2.2	-1.6	0.1	1.0	2.3	-5.7	-8.0	-2.0
vi. Other investments (net)	-4.5	-11.4	2.4	-2.8	-45.0	-72.7	-8.0	0.6	0.9
c. Capital account	-0.0	0.0	0.0	0.0	0.4	0.4	0.2	0.3	0.2
d. Reserve assets	1.2	0.4	0.9	1.6	4.1	-1.5	9.3	21.4	-7.3
III. Errors and Omissions	-1.2	-1.1	-1.0	0.2	-14.4	-10.3	-4.5	1.2	1.2

Source: IBGE, Itaú

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