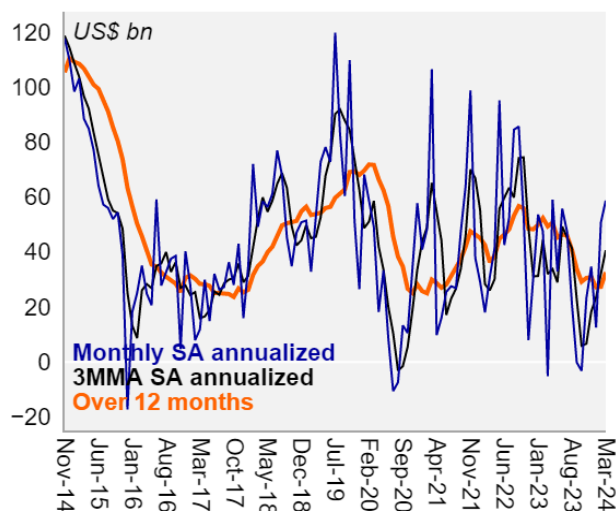


Current account posted a 1.5% of GDP deficit in March

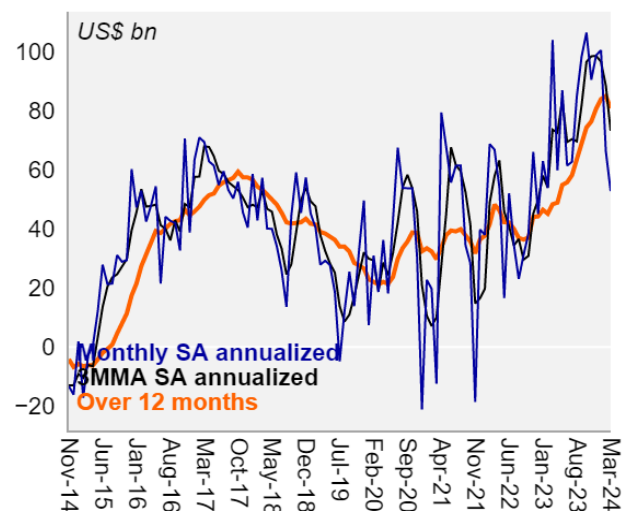
- ▶ The current account deficit was US\$4.6 bn in March. The result came in weaker than our call (-US\$3.9 bn) and the market's expectation (-US\$3.1 bn). In March 2023, the current account had posted a US\$0.7 bn surplus. Versus our forecast, we highlight a weaker than expected print for interest rate (-US\$2.2 bn observed versus -US\$1.2 bn projected).
- ▶ This month, the trade balance posted a surplus of US\$5.1 bn, while services registered a negative flow of US\$3.7 bn (-US\$1.3 bi for transportation, -US\$0.5 bi for travel and -US\$1 bi for rents), close to our expectation. The income account (-US\$6.0 bn) recorded an outflow above our expectations led by interest rate (-US\$2.2 bn).
- ▶ The current account deficit accumulated in the past 12 months was US\$32.6 bn (1.5% of GDP), versus a deficit of US\$30.8 bn (or 1.4% of GDP in 2023). At the margin, the annualized 3-month moving average (MM3M SAAR) of the current account reached -US\$40.6 bn (versus -US\$32.6 bn in the previous month and -US\$32.0 bn 12 months before).
- ▶ Foreign investment (FDI) to Brazil remains positive in 12m, and March's result came in stronger than our expectation. FDI posted a positive flow of US\$9.6 bn in March, better than our call (+US\$5.2 bn) and the market's expectation (+US\$6.6 bn). In 12 months, the FDI accumulates inflow of US\$66.5 bn (3.0% of GDP), versus +US\$64.2 bn (3.0% of GDP) in 2023.
- ▶ **Our view:** the most recent external account data indicates a deterioration in the current account deficit. However, foreign direct investment inflows continue to exceed expectations. We forecast a current account deficit of 0.6% of GDP for this year and 0.9% in 2025, with a tendency towards a larger deficit.

Current account balance



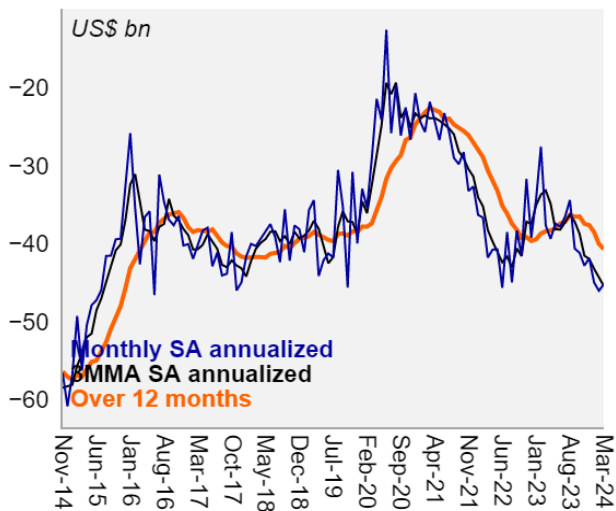
Source: BCB, Itaú

Trade balance



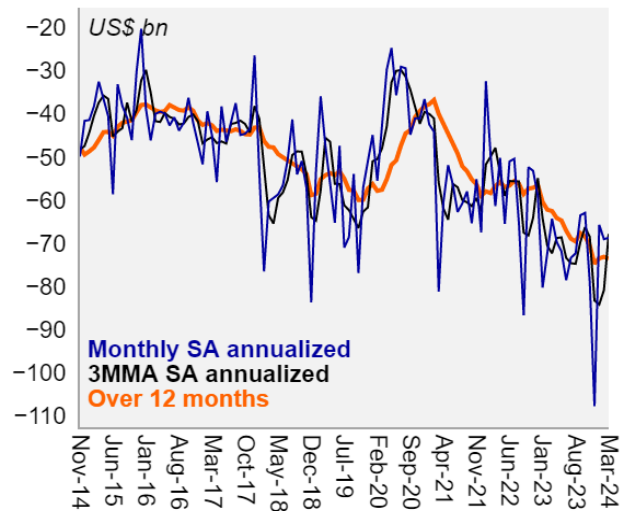
Source: BCB, Itaú

Services account



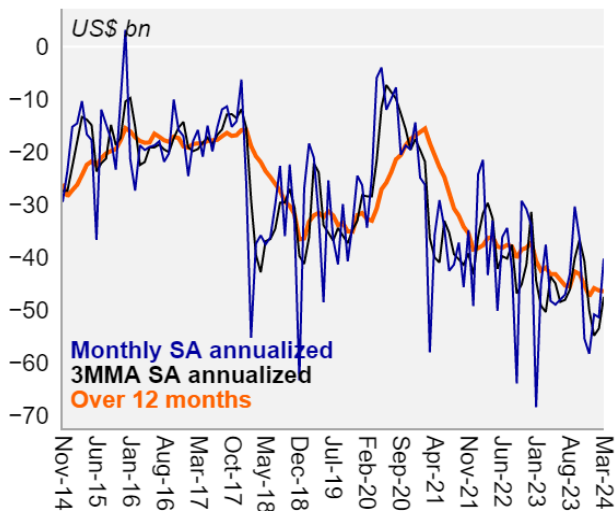
Source: BCB, Itaú

Income account



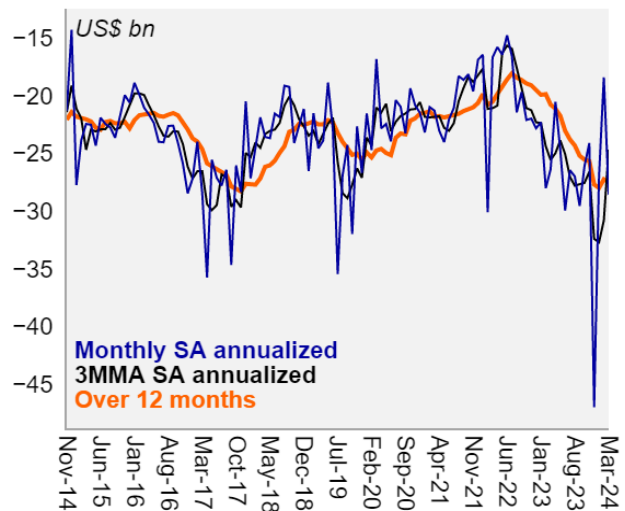
Source: BCB, Itaú

Profits and dividends



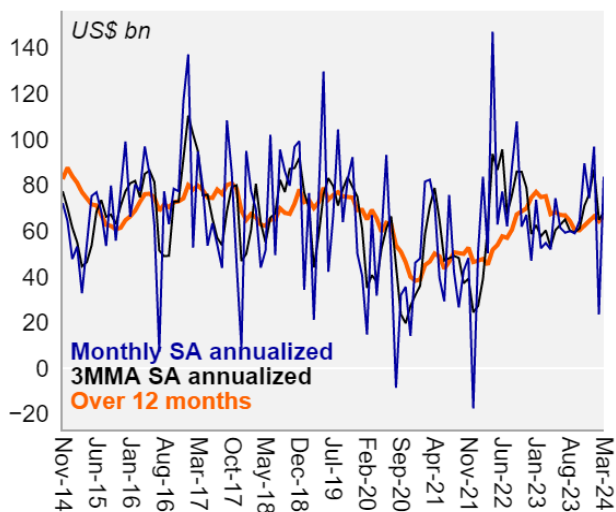
Source: BCB, Itaú

Interests net inflow



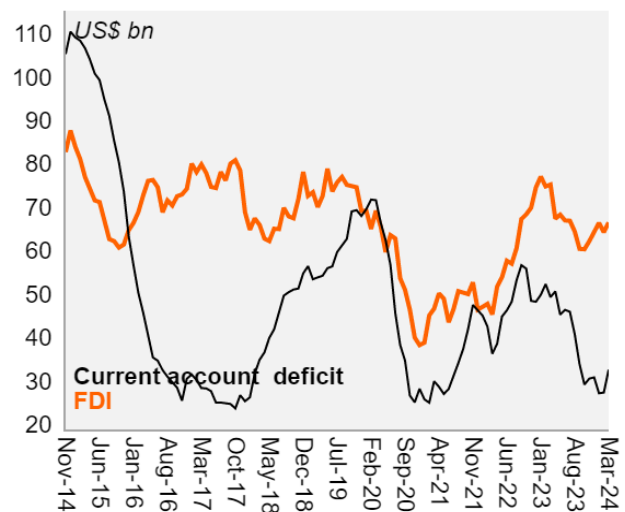
Source: BCB, Itaú

Foreign investment to Brazil



Source: BCB, Itaú

FDI and CAD accumulated in 12m



Source: BCB, Itaú

In US\$ bn	Monthly				3MMA SAAR		12M		
	Mar-2024	Feb-2024	Jan-2024	Mar-2023	Mar-2024	Feb-2024	Mar-2024	Dec-2023	Dec-2022
I. Current account (1)+(2)+(3)+(4)	-4.6	-4.5	-5.3	0.7	-40.6	-32.6	-32.6	-30.8	-48.3
1. Balance on goods	5.1	3.3	4.1	9.3	73.1	88.4	80.7	80.6	44.2
Exports	28.5	23.8	27.1	33.1	347.1	359.7	346.4	344.4	340.3
Imports	23.4	20.5	23.0	23.8	278.9	275.2	265.7	263.8	296.2
2. Services	-3.7	-3.7	-3.3	-3.1	-45.4	-44.3	-40.7	-37.6	-39.6
International Travel	-0.5	-0.4	-0.5	-0.5	-5.8	-5.9	-7.4	-7.6	-7.2
Operational leasing	-1.0	-0.8	-0.8	-0.9	-10.4	-10.3	-9.7	-9.3	-8.3
Transportation	-1.3	-1.2	-1.3	-1.1	-15.2	-14.7	-13.2	-12.9	-19.4
Others	-1.0	-1.3	-0.8	-0.5	-13.9	-13.6	-10.3	-7.8	-4.7
3. Primary Income	-6.0	-4.2	-6.3	-5.6	-67.8	-80.8	-73.5	-74.7	-56.5
Wages	0.0	0.0	0.0	0.0	0.5	0.5	0.4	0.3	0.1
Interests	-2.2	-1.4	-3.9	-2.0	-24.7	-30.8	-27.5	-27.7	-19.6
Profits and dividends	-3.8	-2.9	-2.5	-3.6	-47.4	-53.4	-46.4	-47.3	-37.1
4. Secondary income	0.0	0.1	0.1	0.1	1.3	0.9	0.8	0.9	3.7
II. Capital and financial account (a)+(b)+(c) +(d)	-4.7	-4.4	-4.0	2.2	-36.8	-31.3	-31.7	-29.0	-46.5
a. Net direct investment (i)-(ii)	-8.8	-2.6	-6.1	-6.1	-53.6	-47.4	-38.0	-36.0	-41.3
i. Direct investments - liabilities	9.6	5.0	8.7	7.3	68.1	64.9	66.5	64.2	74.6
Equity capital	4.1	4.5	6.7	4.8	58.9	67.0	56.9	55.1	57.1
Intercompany loans	5.5	0.5	2.1	2.5	19.9	7.1	9.7	9.1	17.5
ii. Direct investments - assets	0.8	2.4	2.7	1.2	22.4	22.8	28.5	28.3	33.4
b. Other net investments (iii)-(iv)+(v)+(vi)	3.1	-2.4	1.3	1.7	10.0	-11.1	-6.7	-14.7	1.8
iii. Portfolio investments - assets	0.9	1.9	2.2	1.7	16.8	9.4	7.4	4.5	-0.1
iv. Portfolio investments (total) - liabilities	0.4	-1.3	7.2	-2.4	23.5	-1.8	17.3	11.8	-3.1
Local fixed income	3.2	-0.9	4.3	1.7	27.7	10.5	12.1	9.8	-4.4
Local equities	-3.4	-2.3	-1.4	-3.3	-17.7	-15.1	-4.2	2.1	9.5
Funds	0.1	0.2	0.6	-0.3	3.6	-1.6	-1.6	-3.3	2.0
v. Financial derivatives (net)	-1.6	1.0	0.4	-0.0	-1.0	-5.0	-8.0	-8.0	-2.0
vi. Other investments (net)	4.2	-6.5	5.8	-2.5	23.7	-16.8	11.1	0.6	0.9
c. Capital account	0.0	0.1	-0.0	0.0	0.0	-0.2	0.3	0.3	0.2
d. Reserve assets	0.9	0.5	0.8	6.6	3.8	22.4	12.7	21.4	-7.3
III. Errors and Omissions	-0.2	0.0	1.3	1.4	3.4	6.8	0.3	1.2	1.2

Source: IBGE, Itaú

Claudia Bruschi

Macro Research – Itaú
Mario Mesquita – Chief Economist

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