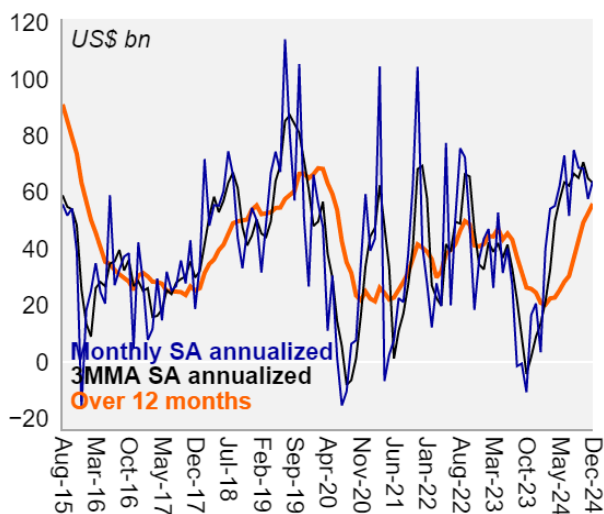


Current account ends 2024 with a deficit of 2.5% of GDP

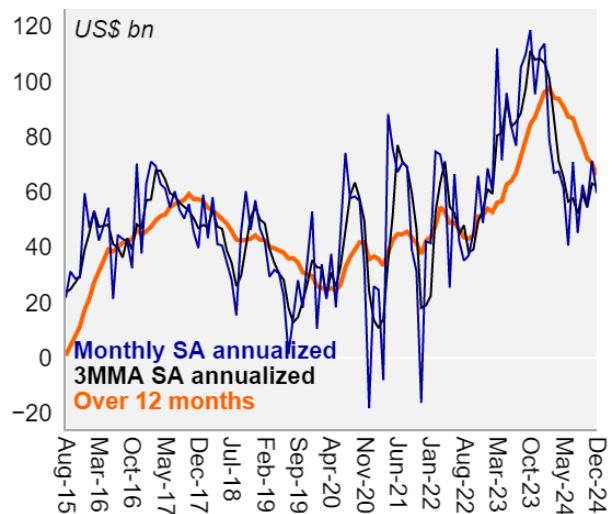
- ▶ The current account deficit was US\$9.0 bn in December. The result came in better than our call (result of -US\$10.7 bn) and the market's estimates (-US\$12.8 bn). In December 2023, the current account had posted a US\$5.6 bn deficit. Versus our forecast, we highlight a stronger than expected print for profit and dividends (-US\$4.1 bn observed versus -US\$5.5 bn projected).
- ▶ This month, the trade balance posted a surplus of US\$4.3 bn, while services registered a negative flow of US\$4.6 bn (-US\$1375 mm for transportation, -US\$568 mm for travel and -US\$1.1 bn for rents), close to our expectation. The income account (-US\$9.1 bn) recorded an outflow below our expectations led by profit and dividends (-US\$4.1 bn).
- ▶ The current account deficit accumulated in the past 12 months was US\$56.0 bn (closing the year at 2.5% of GDP), versus a balance of -US\$24.5 bn (or -1.1% of GDP in 2023). At the margin, the annualized 3-month moving average (MM3M SAAR) of the current account reached -US\$63.3 bn (versus -US\$64.9 bn in the previous month and -US\$8.9 bn 12 months before).
- ▶ Foreign 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\$2.8 bn in December, better than our call (-US\$2.0 bn) and the market's expectation (-US\$2.0 bn). In 12 months, the FDI accumulates inflow of US\$71.1 bn (3.1% of GDP), versus +US\$62.4 bn (2.8% of GDP) in 2023.
- ▶ **Our view:** external accounts were better than expected in December, with profits and dividends remittances below our forecast. Despite the positive surprise, the current account remains under pressure, with the 3mma SAAR running at -2.9% of GDP, worse than the average of recent years. The breakdown of December's Financial Flow indicated a record outflow of Foreign Capital in the month (-USD 14.3 bn), while capital from Brazilian residents registered an outflow close to the historical average for the period (-USD 2.4 bn). External financing remains at a less favorable level, with the difference between FDI and the current account balance increasing at the margin.

Current account balance



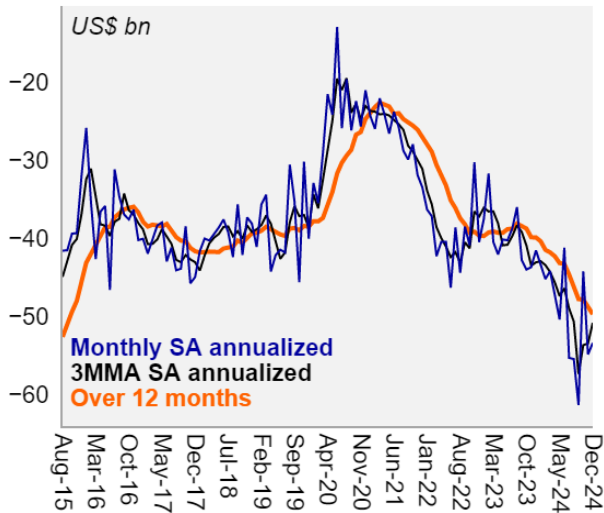
Source: BCB, Itaú

Trade balance



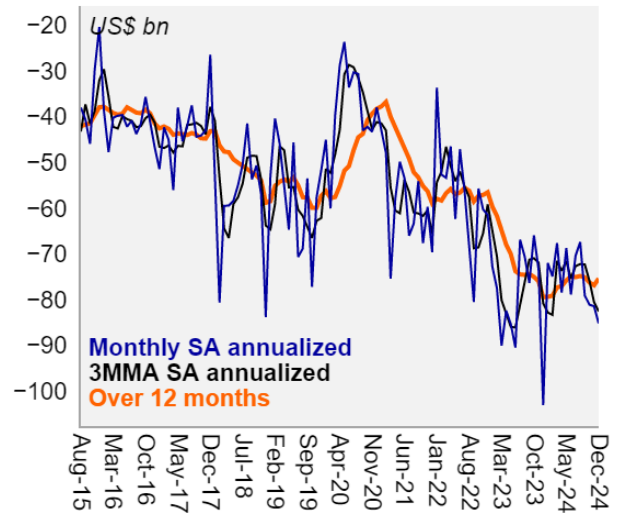
Source: BCB, Itaú

Services account



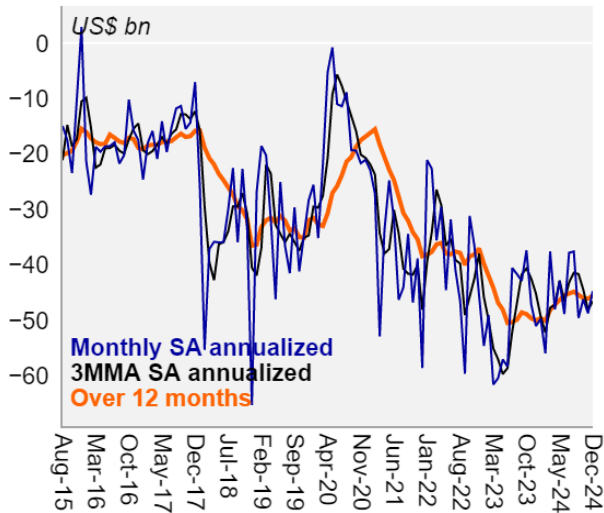
Source: BCB, Itaú

Income account



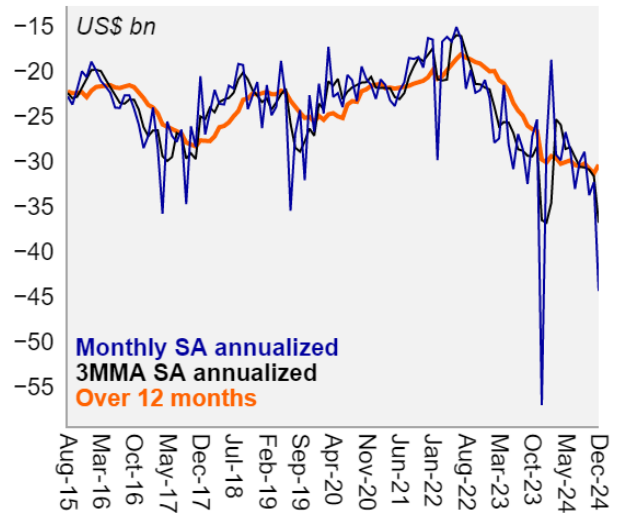
Source: BCB, Itaú

Profits and dividends



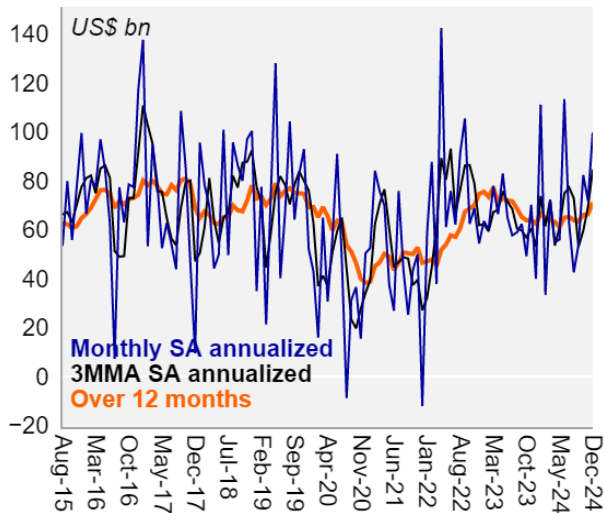
Source: BCB, Itaú

Interests net inflow



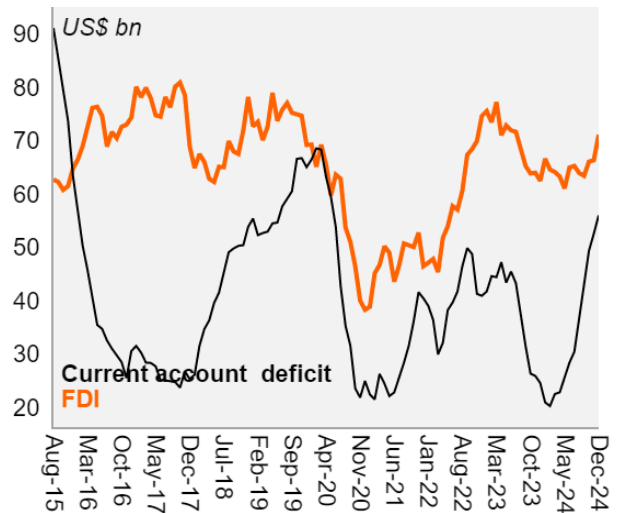
Source: BCB, Itaú

Foreign investment to Brazil



Source: BCB, Itaú

FDI and CAD accumulated in 12m



Source: BCB, Itaú

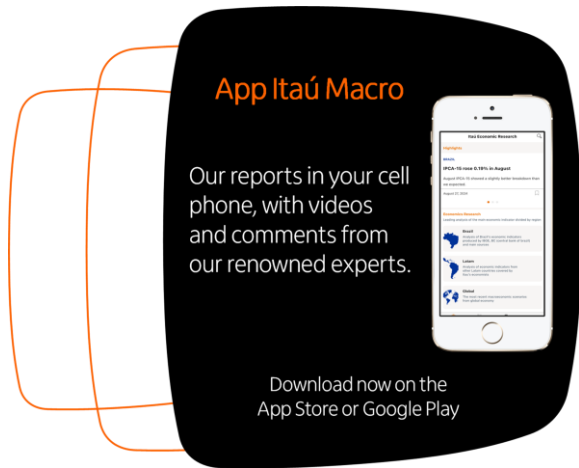
In US\$ bn	Monthly				3MMA SAAR		12M		
	Dec-2024	Nov-2024	Oct-2024	Dec-2023	Dec-2024	Nov-2024	Dec-2024	Dec-2023	Dec-2022
I. Current account (1)+(2)+(3)+(4)	-9.0	-3.2	-6.0	-5.6	-63.3	-64.9	-56.0	-24.5	-40.9
1. Balance on goods	4.3	6.2	3.3	8.6	62.1	63.1	66.2	92.3	51.5
Exports	25.1	28.0	29.5	28.9	336.9	343.9	339.8	343.8	340.2
Imports	20.8	21.8	26.2	20.4	276.5	282.6	273.6	251.5	288.7
2. Services	-4.6	-4.7	-3.9	-3.6	-50.8	-53.5	-49.7	-39.9	-39.6
International Travel	-0.6	-0.6	-0.7	-0.5	-7.8	-8.2	-7.5	-7.6	-7.2
Operational leasing	-1.1	-0.9	-0.9	-0.9	-11.5	-10.9	-10.9	-9.5	-8.3
Transportation	-1.4	-1.5	-1.6	-1.1	-17.1	-17.5	-15.1	-12.7	-19.4
Others	-1.5	-1.7	-0.7	-1.2	-14.6	-16.9	-16.3	-10.1	-4.7
3. Primary Income	-9.1	-5.0	-5.8	-10.6	-82.6	-80.6	-75.4	-79.5	-56.5
Wages	0.0	0.0	0.1	0.0	0.5	0.5	0.5	0.3	0.1
Interests	-5.1	-1.6	-2.0	-6.1	-36.8	-31.6	-30.3	-29.7	-19.6
Profits and dividends	-4.1	-3.4	-3.8	-4.6	-46.6	-48.2	-45.6	-50.0	-37.1
4. Secondary income	0.4	0.3	0.3	0.0	3.8	2.9	2.9	2.6	3.7
II. Capital and financial account (a)+(b)+(c) +(d)	-13.4	-5.3	-9.4	-5.9	-108.5	-99.6	-97.2	-45.9	-53.9
a. Net direct investment (i)-(ii)	0.4	-4.0	-3.3	2.8	-52.6	-45.0	-46.8	-37.3	-41.3
i. Direct investments - liabilities	2.8	7.0	5.7	-2.0	84.6	69.3	71.1	62.4	74.6
Equity capital	4.8	6.9	6.8	-0.4	83.0	69.2	60.1	52.8	57.1
Intercompany loans	-2.0	0.1	-1.0	-1.6	-2.6	-0.2	11.0	9.6	17.5
ii. Direct investments - assets	3.1	2.9	2.4	0.8	29.9	27.1	24.3	25.1	33.4
b. Other net investments (iii)-(iv)+(v)+(vi)	17.8	2.7	-5.4	-8.3	52.8	-31.1	-7.8	-18.6	1.8
iii. Portfolio investments - assets	0.0	1.0	-1.5	-2.0	4.5	0.6	9.2	4.5	-0.1
iv. Portfolio investments (total) - liabilities	-7.9	3.6	1.8	-4.1	-12.1	21.6	9.7	13.8	-3.1
Local fixed income	-4.5	5.5	1.1	-0.9	6.8	35.6	12.8	9.8	-4.4
Local equities	-3.1	-1.1	0.4	0.6	-23.5	-16.2	-14.0	2.1	9.5
Funds	-5.0	0.1	0.2	-0.3	-16.8	3.6	-3.0	-1.3	2.0
v. Financial derivatives (net)	2.4	-0.8	0.1	-2.2	11.7	-12.5	2.2	-8.0	-2.0
vi. Other investments (net)	7.5	6.1	-2.2	-8.2	16.2	2.1	-9.4	-1.3	0.9
c. Capital account	-1.3	-1.2	-1.1	-1.3	-15.2	-15.8	-16.3	-11.4	-7.1
d. Reserve assets	-30.3	-2.8	0.4	1.1	-101.9	-10.8	-26.4	21.4	-7.3
III. Errors and Omissions	-1.9	0.3	-1.2	2.4	-18.3	-6.2	-8.7	1.4	1.2

Source: BCB, Itaú

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