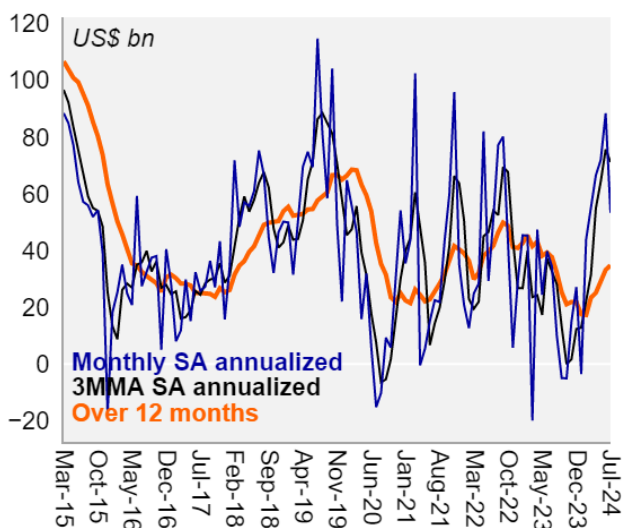


August 26, 2024

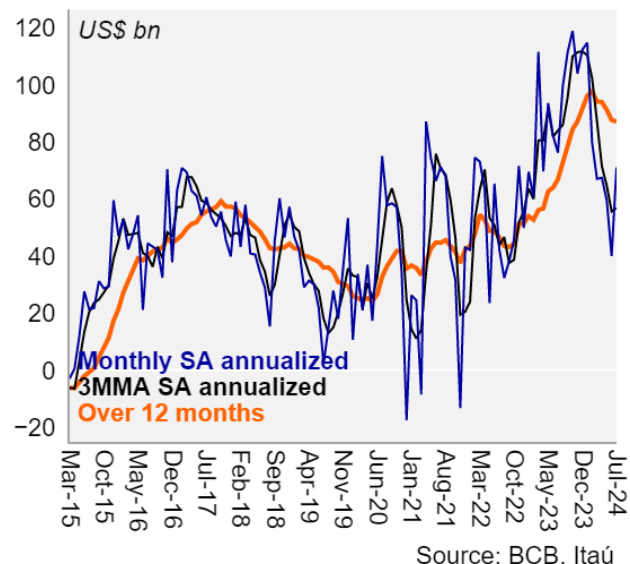
Current account posts a deficit of 1.5% of GDP in July

- ▶ The current account deficit printed at US\$5.2 bn in July. The result came in weaker than our call (-US\$3.5 bn) and the market's estimates (-US\$4.0 bn). In July 2023, the current account had posted a US\$3.6 bn deficit. Compared with our forecast, we highlight a weaker than expected print for interest rate outflows (-US\$4.4 bn versus -US\$3.3 bn projected) and services.
- ▶ This month, the trade balance posted a surplus of US\$7.1 bn, while services registered a negative flow of US\$4.8 bn (-US\$1605 mm for transportation, -US\$768 mm for travel and -US\$909 mm for rents). The services account came in worse than our expectation led by transportation services. The income account (-US\$7.8 bn) recorded an outflow above our expectations led by interest rate (-US\$4.4 bn).
- ▶ The current account deficit accumulated in the past 12 months was US\$34.8 bn (1.5% of GDP). At the margin, the annualized 3-month moving average (MM3M SAAR) of the current account reached -US\$71.2 bn (from -US\$75.6 bn in the previous month and -US\$32.8 bn 12 months before).
- ▶ Foreign investment (FDI) to Brazil posted a positive flow of US\$7.3 bn in July. In 12 months, the FDI accumulates inflow of US\$71.8 bn (3.1% of GDP), from +US\$64.2 bn (3.0% of GDP) in 2023.
- ▶ **Our view:** despite the higher-than-expected current account deficit in July, we saw some stabilization of the current account deficit at the margin, albeit at a higher level than last year, reflecting the loss of dynamism in the trade balance and the increase in the services deficit. Even so, external financing remains at historically comfortable levels.

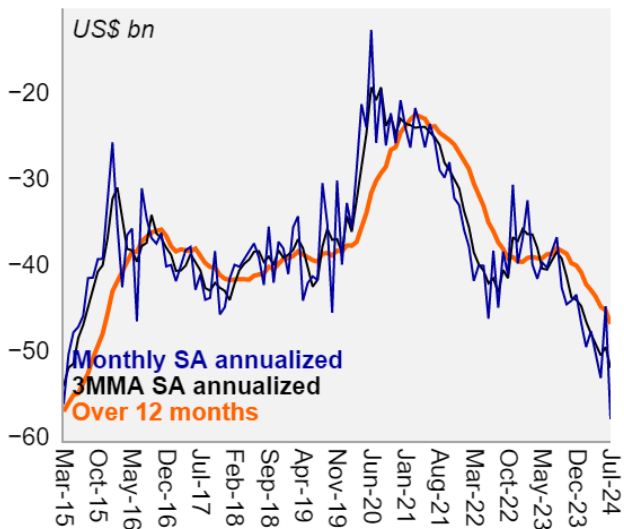
Current account balance



Trade balance

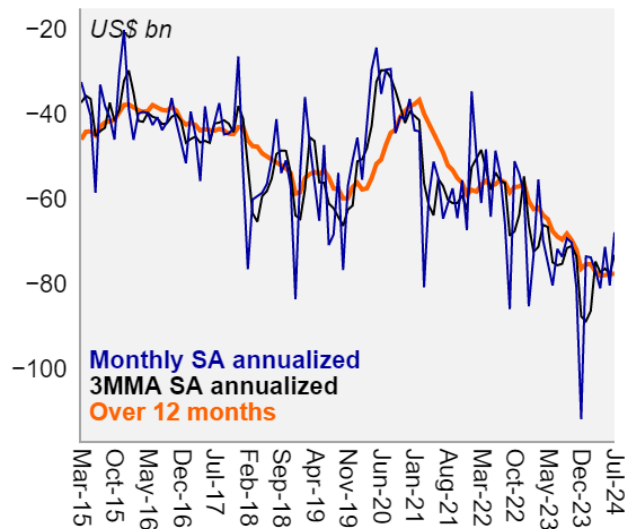


Services account



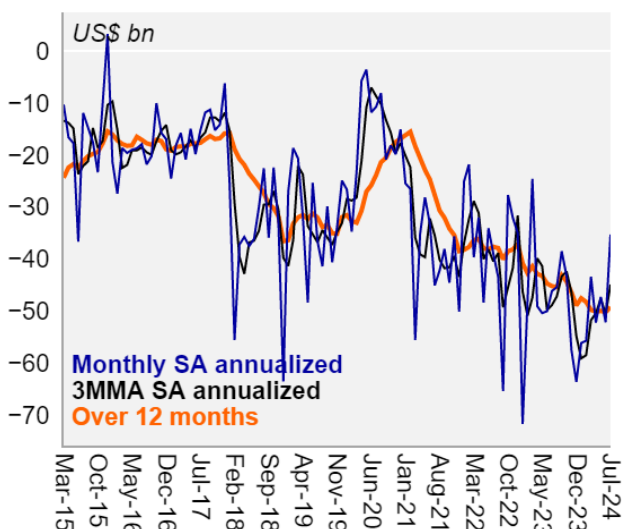
Source: BCB, Itaú

Income account



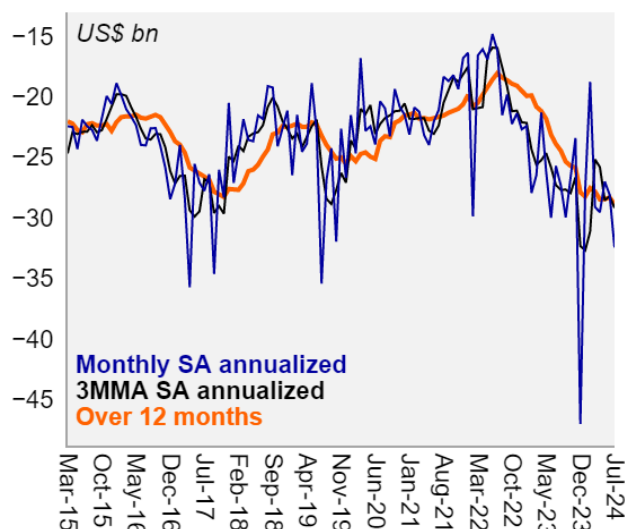
Source: BCB, Itaú

Profits and dividends



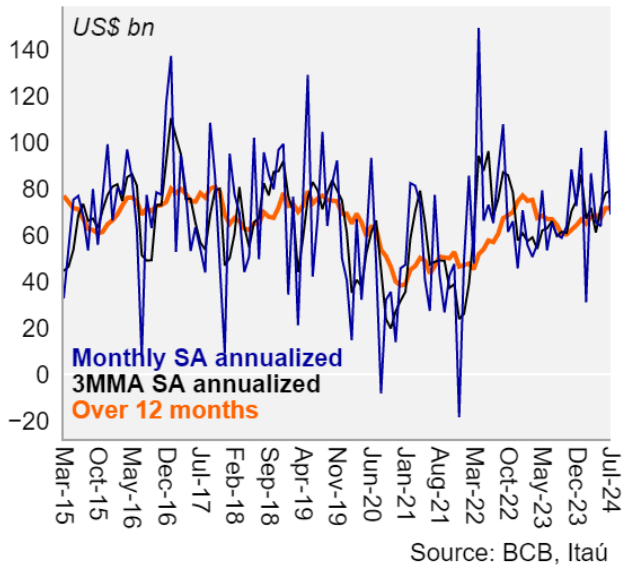
Source: BCB, Itaú

Interests net inflow

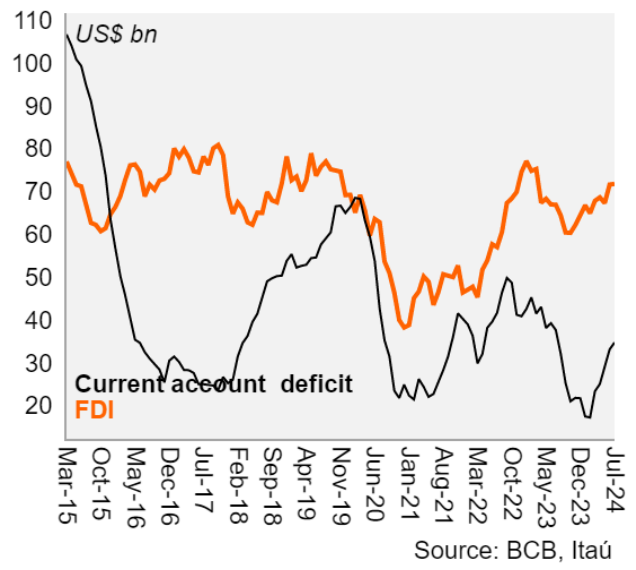


Source: BCB, Itaú

Foreign investment to Brazil



FDI and CAD accumulated in 12m



In US\$ bn	Monthly				3MMA SAAR		12M		
	Jul-2024	Jun-2024	May-2024	Jul-2023	Jul-2024	Jun-2024	Jul-2024	Dec-2023	Dec-2022
I. Current account (1)+(2)+(3)+(4)	-5.2	-4.4	-2.4	-3.6	-71.2	-75.6	-34.8	-21.7	-40.9
1. Balance on goods	7.1	5.7	7.5	7.6	56.9	55.7	87.2	92.3	51.5
Exports	31.2	29.0	30.4	28.5	342.1	339.2	347.2	343.8	340.2
Imports	24.1	23.3	22.9	20.9	275.4	277.0	260.0	251.5	288.7
2. Services	-4.8	-4.1	-4.6	-3.2	-52.0	-49.6	-46.9	-40.1	-39.6
International Travel	-0.8	-0.7	-0.7	-0.8	-7.8	-7.2	-7.0	-7.6	-7.2
Operational leasing	-0.9	-0.8	-0.9	-0.8	-10.4	-10.6	-10.3	-9.5	-8.3
Transportation	-1.6	-1.4	-1.5	-0.9	-18.4	-17.7	-14.9	-12.9	-19.4
Others	-1.5	-1.2	-1.4	-0.6	-16.4	-15.1	-14.7	-10.1	-4.7
3. Primary Income	-7.8	-6.2	-5.3	-8.2	-73.2	-77.6	-77.6	-76.5	-56.5
Wages	0.1	0.0	0.0	0.0	0.5	0.5	0.5	0.3	0.1
Interests	-4.4	-2.3	-1.3	-3.8	-29.2	-28.2	-28.9	-27.9	-19.6
Profits and dividends	-3.5	-3.9	-4.0	-4.5	-44.9	-50.5	-49.2	-48.9	-37.1
4. Secondary income	0.3	0.2	0.0	0.2	2.0	2.3	2.6	2.6	3.7
II. Capital and financial account (a)+(b)+(c) +(d)	-8.6	-6.2	-6.2	-6.6	-104.6	-118.7	-72.4	-44.3	-53.9
a. Net direct investment (i)-(ii)	-5.0	-5.1	-1.2	-4.5	-60.0	-55.1	-47.6	-39.1	-41.3
i. Direct investments - liabilities	7.3	6.3	3.0	7.1	79.3	78.2	71.8	64.2	74.6
Equity capital	6.4	4.3	1.7	5.0	50.2	47.5	59.8	55.1	57.1
Intercompany loans	0.8	2.0	1.3	2.1	24.4	25.6	12.0	9.1	17.5
ii. Direct investments - assets	2.3	1.2	1.8	2.6	20.2	16.4	24.2	25.1	33.4
b. Other net investments (iii)-(iv)+(v)+(vi)	-3.3	-1.0	-4.7	-1.5	-25.3	-39.5	-18.6	-15.2	1.8
iii. Portfolio investments - assets	-0.7	-0.5	3.1	-0.7	6.6	11.5	10.7	4.5	-0.1
iv. Portfolio investments (total) - liabilities	1.1	3.3	1.7	1.2	17.9	-3.4	9.9	11.8	-3.1
Local fixed income	-0.1	1.7	2.2	-1.7	9.6	-11.4	9.8	9.8	-4.4
Local equities	1.5	-1.4	-0.9	1.2	-4.1	-12.7	-8.4	2.1	9.5
Funds	-0.6	0.2	0.3	0.1	-0.6	5.8	-0.1	-3.3	2.0
v. Financial derivatives (net)	1.5	0.3	-0.1	-1.6	6.0	8.2	-1.1	-8.0	-2.0
vi. Other investments (net)	-3.0	2.4	-6.0	2.1	-25.6	-73.0	-18.3	0.2	0.9
c. Capital account	-1.3	-1.3	-1.4	-1.0	-14.6	-15.3	-15.5	-11.4	-7.1
d. Reserve assets	1.0	1.1	1.2	0.4	0.6	-0.2	9.3	21.4	-7.3
III. Errors and Omissions	-0.8	0.7	-1.0	-1.0	-3.3	-10.5	-6.6	0.2	1.2

Source: IBGE, Itaú

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