Balance of Payments Projection

Uses and sources

US$ billion

Itemization	2003			2004		
	May	Jan-May	Year	May	Jan-May	Year[1/]
Uses	-0.5	-8.6	-23.1	-0.3	-11.1	-34.4
Current account	0.9	0.0	4.1	1.5	2.4	2.5
Amortizations ML-term[2/]	-1.4	-8.7	-27.2	-1.8	-13.5	-36.9
Securities	-0.3	-2.7	-10.3	-0.8	-7.6	-20.4
Paid	-0.1	-2.4	-7.9	-0.8	-7.3	-20.1
Refinanced	0.0	0.0	-1.2	0.0	0.0	0.0
FDI conversions	-0.2	-0.3	-1.2	0.0	-0.3	-0.3
Suppliers' credits	-0.2	-0.7	-2.0	-0.2	-1.0	-2.6
Direct loans[3/]	-0.9	-5.2	-15.0	-0.9	-4.9	-13.9
Sources	0.5	8.6	23.1	0.3	11.1	34.4
Capital account	0.0	0.2	0.5	0.1	0.3	0.7
FDI	0.5	3.3	10.1	0.2	3.3	12.0
Domestic securities[4/]	0.1	0.5	3.1	-0.1	1.1	3.0
ML-term disbursements[5/]	2.0	6.7	22.9	1.0	7.8	29.4
Securities	1.3	2.3	11.8	0.3	4.2	16.6
Supliers' credits	0.1	0.5	1.0	0.1	0.4	1.3
Loans[6/]	0.6	3.9	10.1	0.7	3.3	11.5
Brazilian assets abroad	-0.3	-2.7	-8.9	-2.6	-0.8	-8.3
Loans to Bacen	0.0	3.9	4.8	0.0	-1.4	-4.3
Other[7/]	-0.6	0.7	-1.0	1.4	2.9	0.1
Reserve assets	-1.2	-4.0	-8.5	0.3	-2.2	1.8

1/ Forecast.
2/ Registers amortization of medium and long term supliers' credit, loans and securities placed abroad minus refinancing and discounts. Excludes amortizations referring to loans to Banco Central and intercompany loans.
3/ Registers amortizations loans borrowed from foreign banks, buyers,

The 2004 balance of payments projection stated in this Inflation Report has been updated in relation to the previous Report, in order to incorporate the results registered up to May together with the calculation of the external debt stock, based on the March position.

Current accounts are expected to close the year with a surplus of US$2.5 billion, equivalent to 0.4% of GDP, compared to the previous forecast of US$0.2 billion. The factors that contributed to the new result were mainly new values projected for the trade balance, interest and profits and dividends.

Exports accumulated in the year up to May came to US$34 billion. The daily median closed at US$330 million, for expansion of 24% compared to the same period of 2003. Based on this result, settlements of export exchange contracting operations and the seasonal nature of the series, the projection for exports in 2004 was revised upward from US$80 billion to US$83 billion. In the case of imports, the result up to May (US$22.7 billion) reflected 18% growth in the daily median to US$221 million. Consequently, the projection for 2004 imports was also revised upward from US$56 billion to US$57 billion. In this way, the trade surplus projection moved to US$26 billion or US$2 billion more than forecast in the March Inflation Report.

Net payments of interest projected for the year were reduced from US$14.4 billion to US$13.6 billion. On the one hand, this reduction reflects a downward revision of the external debt stock, calculated on the basis of the March 2004 position. This led to a cutback in forecast expenditures from US$15.9 billion to US$15.4 billion. On the other hand, the outlook for interest inflows in the year increased from US$1.5

billion to US$1.8 billion. With regard to profits and dividends, the increase in remittances in the period from January to May 2004, compared to the same period of the previous year, indicated the need for revising these outlays to US$8 billion, with net remittances forecast at US$7.2 billion.

Net remittances of the service account were slightly lower, falling from US$6.2 billion to US$5.8 billion. Based on the results registered in the early months of the year, current unrequited transfers were revised to an inflow level of US$3 billion, compared to the previous projection of US$2.5 billion.

The balance of payments financial account is expected to register larger net remittances than originally forecast in the March Inflation Report. This result reflects revised foreign direct investments and rates of rolling the medium and long-term private sector external debt.

Foreign direct investments accumulated a total of US$3.3 billion in the first five months of the year and, therefore, remained stable when compared to the same period of 2003. Revision of this projection from US$13 billion to US$12 billion not only includes the results up to this point in the year, but also considers the outlook for growth in the monthly flows of foreign direct investment in the June-December period to levels slightly below the monthly median registered in 2002, a performance that is clearly in keeping with the process of sustained recovery in the country's activity level.

The rates of rolling the private sector debt were revised to 100% in the year, with 95% for papers and 115% for direct loans. Revision of medium and long-term external debt amortizations for 2004 resulted in a reduction of US$1.8 billion in these commitments, which totaled US$36.9 billion, of which US$14.2 billion involved private papers and US$3.5 billion reflected direct private sector loans. Furthermore, the calculation of the rate of rolling includes the forecast exercise of US$1 billion in put/call options, of which US$268 million were already registered in the period from January to May. In this way, private sector indebtedness is not expected to exert any significant pressure on balance of payments financing in 2004.

Projection of the balance of payments also includes net inflows of portfolio investments totaling US$3 billion; net remittances of US$5.3 billion reflecting banking sector assets abroad, with repercussions on the exchange position of banks which is expected to close the year in a bought position of US$2.5 billion; inflows of US$4 billion in bonds of the Republic; amortizations of US$4.3 billion paid to the IMF; and equilibrium in short-term capital flows. The overall result of the balance is projected to be positive at US$1.8 billion.