Balance of Payment Projections

This box introduces a review of projections for the balance of payments in 2010 and 2011. Reviews looked at data gathered since the Inflation Report of last September, current updates regarding trends in the global and national economic outlook, the most recent statistics regarding the stock of national foreign indebtedness and its servicing, and repurchases of sovereign debt by the National Treasury.

The projection for the current account deficit remained at US$49 billion, a level that has remained constant since the March Inflation Report. There was, however, a rise in the projection for trade surplus and a reduction in expected net remittances of profits and dividends, at the same time as an expansion in the services account deficit and a decrease in net revenue with unilateral transfers.

The trade balance in 2010 rose from US$15 billion, estimated in the previous Inflation Report, to US$17 billion, already accumulating US$16.7 billion by the third week of December. This change occurred due to an increase in exports forecast for the year, from US$192 billion to US$198 billion, boosted by the favorable international scenario for price increases of Brazilian products abroad. The forecast for imports increased from US$177 billion to US$181 billion, due to the faster expansion of import volume.

The deficit in the category of services increased from US$26.7 billion in the previous Inflation Report, to US$31.1 billion, mainly due to the revision of net expenditures in accounts for equipment rental, transportation and international travel. The dynamism of the domestic economy and investments were reflected in an increase of US$2.5 billion in the forecast for net remittances of equipment rental,

Table 1 – Uses and sources

US$ billion

	2009			2010			2011
	Nov	Jan-nov	Year	Nov	Jan-nov	Year[1/]	Year[1/]
Uses	-5.4	-43.0	-54.4	-7.4	-74.2	-82.7	-92.9
Current account	-3.3	-18.4	-24.3	-4.7	-43.5	-49.0	-64.0
Amortizations ML-term[2/]	-2.1	-24.7	-30.1	-2.7	-30.8	-33.7	-28.9
Securities	-0.5	-10.3	-13.0	-1.1	-14.4	-15.6	-7.6
Suppliers' credits	-0.3	-3.4	-3.8	-0.2	-3.7	-3.8	-3.6
Direct loans[3/]	-1.4	-10.9	-13.3	-1.3	-12.7	-14.3	-17.8
Sources	5.4	43.0	54.4	7.4	74.2	82.7	92.9
Capital account	0.1	1.0	1.1	0.1	1.0	1.1	1.0
FDI	1.6	20.8	25.9	3.7	33.1	38.0	45.0
Domestic securities	2.8	42.8	47.1	2.0	50.4	51.3	40.0
and equities[4/]	2.9	27.9	35.8	3.5	52.9	58.3	45.8
ML-term disbursem.[5/]	0.9	11.2	12.6	0.8	21.5	23.3	8.6
Securities	0.2	2.3	2.7	0.2	2.9	4.7	6.9
Supliers' credits	1.9	14.5	20.5	2.5	28.5	30.3	30.3
Loans[6/]	1.7	-22.4	-15.8	-0.6	-51.4	-58.6	-34.0
Brazilian assets abroad	0.1	15.0	6.9	1.6	34.4	39.3	-
Other[7/]	-3.9	-42.2	-46.7	-3.0	-46.3	-46.7	-4.8
Reserve assets							

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 IMF and intercompany loans.
3/ Registers amortizations loans borrowed from foreign banks, buyers, agencies and multilateral organizations.
4/ Includes foreign investment in debt securities traded in the domestic market and in equities traded in domestic market and abroad.
5/ Excludes intercompany loans disbursements.
6/ Includes multilateral and bilateral financing and buyers' credits.
7/ Registers net values of bond swaps, short-term securities, short-term trade credit, financial derivatives, nonresident deposits, other liabilites and errors and omissions.

which totaled US$13.5 billion. Expansion of trade flow was largely responsible for the increase of US$1.5 billion in the forecast for net payments abroad for transportation, which should total US$6.5 billion in the year. Net spending on international travel increased from US$10 billion to US$10.5 billion.

Net interest expenses increased by US$0.1 billion to US$9.5 billion, while those relating to profits and dividends were reduced from US$32 billion to US$28.7 billion, representing growth of 13.8% compared to 2009. Still reflecting the impacts of the international crisis on the labor market of developed countries, the projection for unilateral transfers, consisting mainly of remittances for resident maintenance, dropped to US$2.7 billion this year.

The estimated surplus for the financial account was raised to US$93.9 billion, a reduction in the projection for net Brazilian direct investment abroad and increases in net inflows of Foreign Direct Investment (FDI), in portfolio investments and in rollover rates. The projection for Brazilian direct investment was reduced from US$12 billion to US$7.5 billion, while that for FDI increased from US$30 billion to US$38 billion, returning to the value forecast in the June Inflation Report, due to the acceleration of these investments in recent months.

Among portfolio investments, it is worth noting the increase in the projection for net inflows of foreign investment in shares and fixed-income in the country. With the conclusion of recent share offerings, this projection has moved from US$38 billion to US$51.3 billion.

Likewise, the typical access of resident corporations to international financial markets is materialized in disbursements more than sufficient to meet the depreciation in the period. Accordingly, the projection for the rollover rate for national foreign debt, which reached 239% by November, was revised upward from 175% to 230%. Thus, disbursements in the year were increased from US$11.9 billion to US$58.3 billion.

Finally, the projection for inflows of foreign short-term investments, including securities, commercial credits and loans, moved from US$32 billion to US$39.3 billion.

Table 2 – Balance of payments – Market

US$ billion

	2009			2010			2011
	Nov	Jan-nov	Year	Nov	Jan-nov	Year[1/]	Year[1/]
Current account	-3.6	-22.8	-29.1	-5.1	-47.1	-53.0	-68.8
Capital (net)	8.5	60.2	67.5	6.9	87.5	93.4	74.9
Foreign direct investment	1.6	20.8	25.9	3.7	33.1	38.0	45.0
Portfolio investment	2.8	42.6	46.7	2.0	49.3	49.7	38.0
ML-term loans	0.3	-0.4	1.0	1.1	17.7	19.1	8.4
Trade credits – Short, medium and long-term	-1.0	10.0	5.8	2.1	34.4	37.8	8.4
Banks	-1.0	2.5	1.7	1.3	25.8	26.0	5.2
Other	0.1	7.5	4.1	0.8	8.6	11.9	3.3
Brazilian invest. abroad	3.1	-17.2	-14.0	-1.1	-50.8	-58.0	-28.0
Other	1.7	4.4	1.9	-0.9	3.9	6.8	3.0
Financial gap	4.9	37.4	38.4	1.8	40.4	40.4	6.0
Banco Central net interv.	-3.4	-32.2	-36.5	-2.4	-39.8	-39.8	-
Bank assets	-1.4	-5.2	-1.9	0.6	-0.6	-0.6	-6.0

1/ Forecast.

In this scenario, the financing gap for the balance of payments in the market is expected to reach a total surplus of US$40.4 billion, compared with US$19.5 billion in the previous projection. Of this total, the Central Bank will absorb, based only on transactions carried out up to November, US$39.8 billion, while the banking sector will expand assets abroad by US$0.6 billion.

Regarding 2011, there was an increase in the deficit projection for current transactions compared to the previous report, from US$60 billion to US$64 billion, equivalent to 2.85% of Gross Domestic Product (GDP). The trade surplus was maintained at US$11 billion, with increases in the values of exports and imports to US$235 billion and US$224 billion, respectively.

The deficit in the services account expanded from US$30.1 billion to US$35 billion, with increases in net expenditures on equipment rental, travel and transportation ofUS$14.5 billion, US$12 billion and US$7.2 billion, in that order.

Additionally, there were reductions both in net remittances of profits and dividends, from US$36 billion to US$33 billion, and inflows of unilateral transfers, from US$4 billion to US$3 billion. In both cases, such revisions in projections were due to a lower than expected performance, maintained in the prospects for the next year.

Projections for direct investments, both Brazilian investments abroad, and foreign investment in the country, remained unchanged at US$16 billion and US$45 billion respectively. The rollover rate also remained steady at 150%. Investments in domestic securities and shares have increased from US$36 billion, in the September projection, to US$40 billion.

In this scenario, the financial gap in the balance of payments of the market should again be a surplus, totaling US$6 billion in 2011.