

Balance of Payments Projections for 2011

Table 1 – Uses and sources

	US\$ billion					
	2010			2011		
	Feb	Jan- Feb	Year	Feb	Jan- Feb	Year ^{1/}
Uses	-6.2	-11.9	-81.4	-5.3	-15.7	-89.0
Current account	-3.3	-7.1	-47.5	-3.4	-8.8	-60.0
Amortizations ML-term ^{2/}	-2.9	-4.8	-33.8	-1.9	-6.9	-29.0
Securities	-2.3	-3.1	-15.7	-0.6	-2.6	-8.2
Suppliers' credits	-0.2	-0.4	-2.6	-0.2	-0.4	-3.2
Direct loans ^{3/}	-0.4	-1.3	-15.5	-1.1	-3.9	-17.7
Sources	6.2	11.9	81.4	5.3	15.7	89.0
Capital account	0.1	0.1	1.1	0.1	0.1	1.0
FDI	2.8	3.4	48.5	7.7	10.7	55.0
Domestic securities ^{4/}	3.2	5.6	52.3	0.5	0.7	15.0
ML-term disbursements ^{5/}	5.2	9.0	62.6	4.8	10.5	49.8
Securities	1.1	3.2	25.8	1.0	4.0	7.8
Suppliers' credits	0.1	0.2	2.1	0.1	0.2	6.9
Loans ^{6/}	3.9	5.5	34.6	3.8	6.2	35.1
Brazilian assets abroad	-8.1	-5.3	-66.2	-0.2	4.7	-28.3
Other ^{7/}	3.7	1.9	32.2	1.9	7.1	27.0
Reserve assets	-0.7	-2.9	-49.1	-9.6	-18.1	-30.4

1/ Forecast.

2/ Registers amortization of medium and long-term suppliers' 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 equity and debt securities traded in the domestic market.

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 liabilities and errors & omissions.

This box presents a review of the projections for the 2011 balance of payments released in the December 2010 Inflation Report. This review comprehends recent statistics with respect to the commerce of goods and services, the country's foreign indebtedness and the debt service, Central Bank interventions in the domestic exchange market and National Treasury repurchase of sovereign debt in the months of January and February.

Exports are estimated at US\$240 billion and imports at US\$225 billion, respectively US\$5 billion and US\$1 billion more than the December estimates and 18.9% and 23.9% higher than registered in 2010. In this scenario, while the trade balance surplus should increase to US\$15 billion, against US\$11 billion in the previous forecast, estimated net services and income expenditures and unrequited transfers remain unchanged, thus leading to a deficit in current transactions estimated at US\$60 billion, 2.57% of GDP.

The deficit in the service account decreased from US\$35 billion, in December, to US\$34.8 billion, 12.1% higher than observed in 2010. Net expenditures on equipment rentals, US\$14.5 billion, and international travel, US\$12 billion, remained unchanged, while the deficit in the transportation account, in line with expectation of increased foreign trade volume, rose to US\$7.5 billion.

Net expenditures on interests, US\$900 million lower than the December forecast, are expected to increase US\$100 million in relation to 2010, with emphasis on the expansion of US\$1.7 billion under gross expenditures, US\$300 million higher than the previous forecast and 10.8% higher than

Table 2 – Balance of payments – Market

Itemization	US\$ billion					
	2010			2011		
	Feb	Jan-	Year	Feb	Jan-	Year ^{1/}
	Feb	Feb		Feb	Feb	
Current account	-3.6	-7.7	-51.6	-3.9	-9.8	-66.0
Capital (net)	4.2	5.1	93.6	13.5	28.7	101.7
Foreign direct investment	2.8	3.4	48.5	7.7	10.7	55.0
Portfolio investment	3.2	5.6	51.1	0.5	0.8	15.0
ML-term loans	1.6	3.4	22.2	2.5	3.2	11.5
Trade credits – Short, medium and long term	4.7	4.0	33.8	2.6	5.9	26.1
Banks	5.3	4.7	26.5	2.4	5.5	15.4
Other	-0.6	-0.7	7.3	0.2	0.4	10.7
Brazilian invest. abroad	-7.9	-10.3	-66.5	0.3	6.6	-17.0
Other	-0.3	-1.2	4.6	-0.3	1.5	11.2
Financial gap	0.6	-2.6	42.0	9.5	18.9	35.7
Banco Central net interv.	-0.4	-2.3	-42.0	-9.0	-17.0	-24.4
Bank deposits	-0.2	5.0	0.0	-0.5	-1.9	-11.3

1/ Forecast.

in 2010, already including the debt stock registered on December 2010. Gross incomes are estimated at US\$7.5 billion, 27.1% more than the 2010 result and US\$1.2 billion higher than the December forecast, of which US\$6 billion refer to earnings on international reserves and US\$1.5 billion to income consequent upon private interests.

Estimates of net expenditures on profits and dividends, including remittances of US\$4.7 billion performed in the first two months of the year, increased from US\$33 billion to US\$34 billion. It is important to mention that the stock of foreign investments in the BM&FBovespa S.A. – Securities, Commodities and Futures Exchange, which reached US\$70.7 billion in February 2009, impacted by net capital outflows and exchange rate depreciation caused by the financial crisis of 2008/2009, accounted for US\$254.2 billion at the end of December 2010. This increase may be partly explained by net capital inflows and the consequent exchange rate appreciation.

The financial account surplus, estimated at US\$67.8 billion in the December forecast, should close at US\$89.4 billion, emphasizing the increase from US\$45 billion to US\$55 billion in the forecast of net inflows of foreign direct investments (FDI), which are expected to reach 2.36% of Gross Domestic Product (GDP). The additional US\$10 billion for net FDI inflows reflects respective expansions of US\$8 billion and US\$2 billion in the modalities of capital participation and intercompany loans, in addition to net inflows of US\$10.7 billion registered in the first two months of 2011.

The forecast concerning net inflows of domestic stocks and shares decreased from US\$40 billion, in December, to US\$15 billion, compatible with the results obtained in the first two months of 2011.

The forecast for net Brazilian direct investments abroad decreased to US\$5 billion, US\$11 billion lower than the December forecast, explained by the trajectory observed in the first two months of 2011, with net returns of US\$8.4 billion, even with the resumption of the process of internalization of Brazilian companies started in 2010.

Amortizations of medium and long-term foreign debt for 2011, considering the new foreign debt schedule of December 2010, increased US\$100 million, to US\$29 billion. Since payments are expected to surpass medium and long-term amortizations, the rolling rate forecast remained at 150%. Short-term inflows of foreign investments, including securities, commercial credits and loans, are estimated at US\$27 billion.

According to these projections, the balance of payments financial gap is expected to remain positive, reaching US\$35.7 billion, of which the Central Bank has already absorbed US\$24.4 billion, while the assets of commercial banks abroad are expected to increase by US\$11.3 billion.