Direct Investment Report

2025

BANCO CENTRAL DO BRASIL

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Occasional discrepancies between constituent figures and totals as well as percentage changes are due to rounding effects. There are no references to sources in tables and figures originated in the Banco Central do Brasil.

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* This translated report represents the best effort from the Banco Central do Brasil to provide an English version of its Direct Investment Report. In case of any inconsistency, the original version in Portuguese prevails.

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Introduction

This Direct Investment Report (DIR) presents statistics and analyses of flows and positions of direct investment assets and liabilities in 2024. This publication focuses on equity, the main component of direct investment in the Brazilian economy. The report also addresses intercompany debt and income flows associated with direct investment.

Direct investment is the most important investment category in Brazil's economic and financial relationship with the rest of the world. At the end of 2024, the direct investment liabilities position added up USD 1.1 trillion (USD 1,141 billion), equivalent to 46.6% of GDP (the record high for the time series) and 62.6% of the Brazilian total external liabilities. In accordance with the pattern consolidated over the last 25 years, direct investment liabilities registered the largest inflows among the components of the balance of payments financial account, with a less volatile trajectory than portfolio investments and other investments (loans and trade credits, among others). The direct investment assets position reached USD 504.0 billion at the end of 2024, equivalent to 50.9% of total external assets. Direct investment assets are the country's category of external assets with the largest volume, even higher than international reserves (USD 336.2 billion at the end of 2024).

The compilation of Brazil's direct investment statistics follows the methodology of the sixth edition of the International Monetary Fund (IMF) Balance of Payments and International Investment Position Manual (BPM6) and the fourth edition of the Organization for Economic Cooperation and Development (OECD) Benchmark Definition of Foreign Direct Investment (BD4). According to these methodologies, a direct investment relationship occurs when an investor holds voting power equal to or greater than 10% in a company or investment fund in another economy.[1] Under these conditions, the direct investor participates effectively in the company's strategic and managerial decisions, generally maintaining a long-term interest in the invested company.

This report has the following structure: Introduction; Chapter 1 – Overview of direct investment, covering and integrating positions and transactions in 2024 and a box quantifying the companies that simultaneously operate in direct investment in Brazil and abroad, covered in both the Censo and the CBE surveys; Chapter 2 – Direct Investment Income, presenting the evolution of direct investment income flows, implicit profitability rates of direct investment positions, and ordinary revision of statistics on direct investment earnings; Chapter 3 – Investor and Invested Regions, addressing the breakdown of investment positions by regions and partner economies; Chapter 4 – Economic Activity Sectors, addressing the breakdown of transactions and positions of direct investment enterprises by economic activity

1 See paragraphs 6.8 to 6.14 of the IMF's BPM6 and paragraphs 11 and 12 of the OECD's BD4.

sector, and a box on the economic activity sectors of direct investment liability enterprises for the main ultimate controlling countries; Chapter 5 – Activities of Direct Investment Liability Enterprises, covering foreign trade, revenue, wages, employment, and research and development activities of direct investment liability enterprises; Appendix I – Direct investment methodology, describing elementary concepts of direct investment, plus a discussion on the asset/liability criteria and the directional principle, SPEs, and round-tripping; Appendix II- Sources for direct investment compilation, presenting data sources and means of collection for the compilation of direct investment statistics, and Annex III – Review policy of direct investment statistics.

1

Overview of direct investment

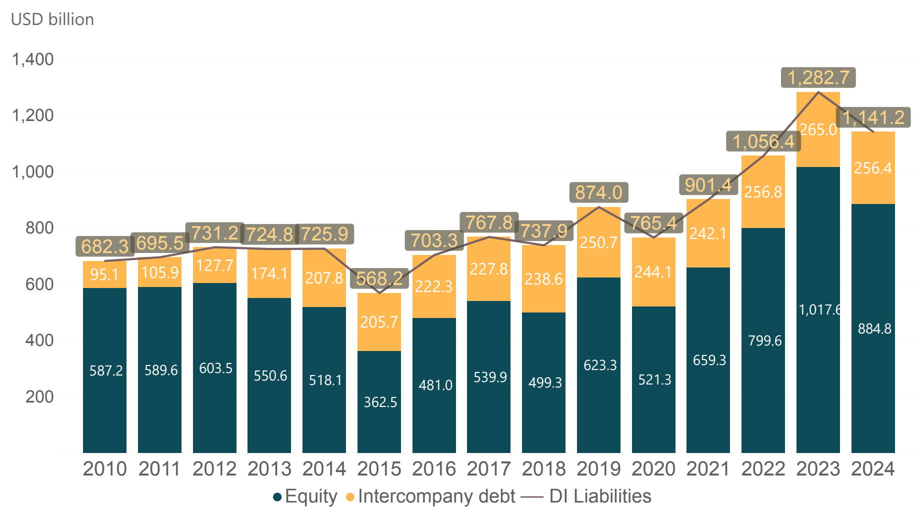
1.1 Overview of direct investment liabilities

In 2024, the direct investment liabilities position reached USD 1.1 trillion, a USD 142 billion decline compared with 2023, despite net inflows of USD 74 billion. The BRL depreciation against the USD had a negative impact of USD 229 billion on the 2024 position.

1.1.1 Positions and transactions

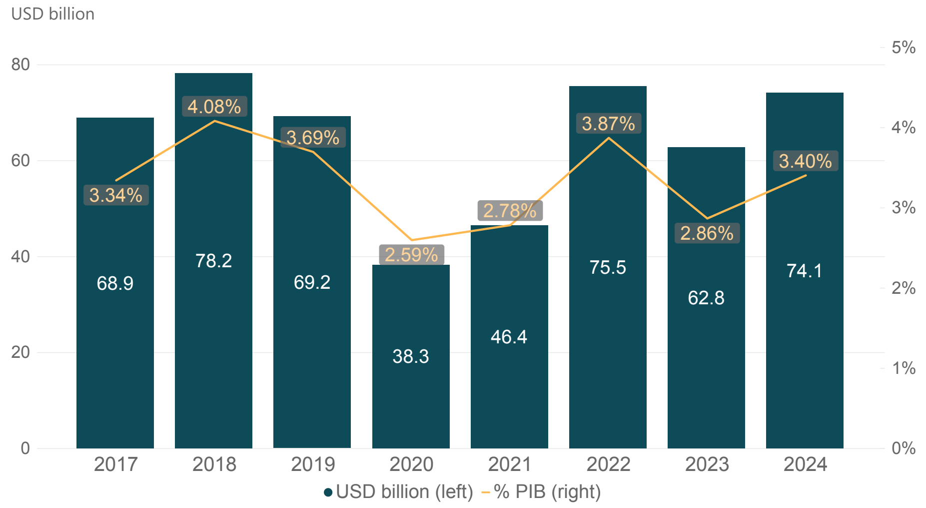
The direct investment liabilities position reached USD 1.1 trillion in 2024, comprising USD 884.8 billion in equity and USD 256.4 billion in intercompany debt. The 2024 position decreased USD 141.5 billion compared with 2023 (Figure 1).

Figure 1 – Overall direct investment liabilities position



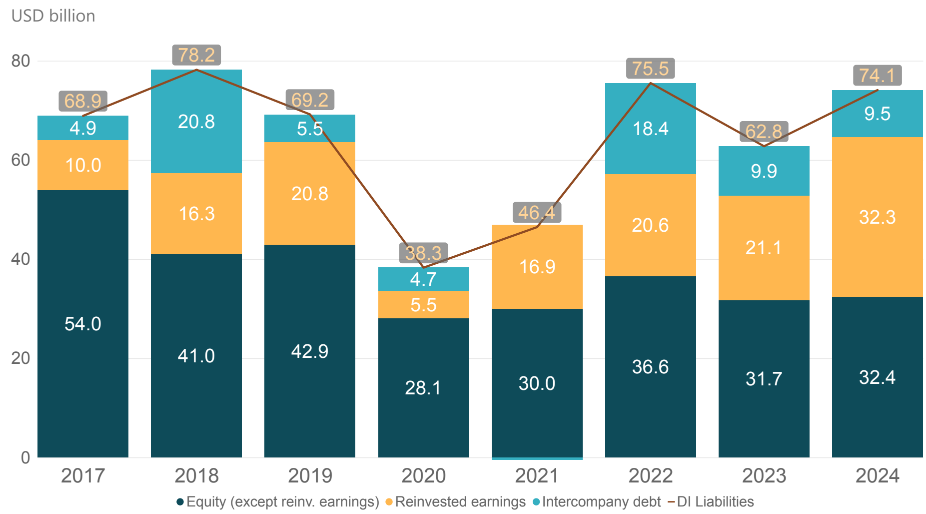
Net inflows of direct investment liabilities totaled USD 74.1 billion in 2024, equivalent to 3.4% of GDP, a USD 11.8 billion increase over 2023 (Figure 2).

Figure 2 – Direct investment liabilities – net inflows



Net equity inflows, including reinvested earnings, increased from USD 52.8 billion in 2023 to USD 64.6 billion in 2024. Net inflows of intercompany debt fell from USD 9.9 billion in 2023 to USD 9.5 billion in 2024. Figure 3 shows the evolution of the components of direct investment liability transactions.

Figure 3 – Breakdown of net transactions of direct investment liabilities

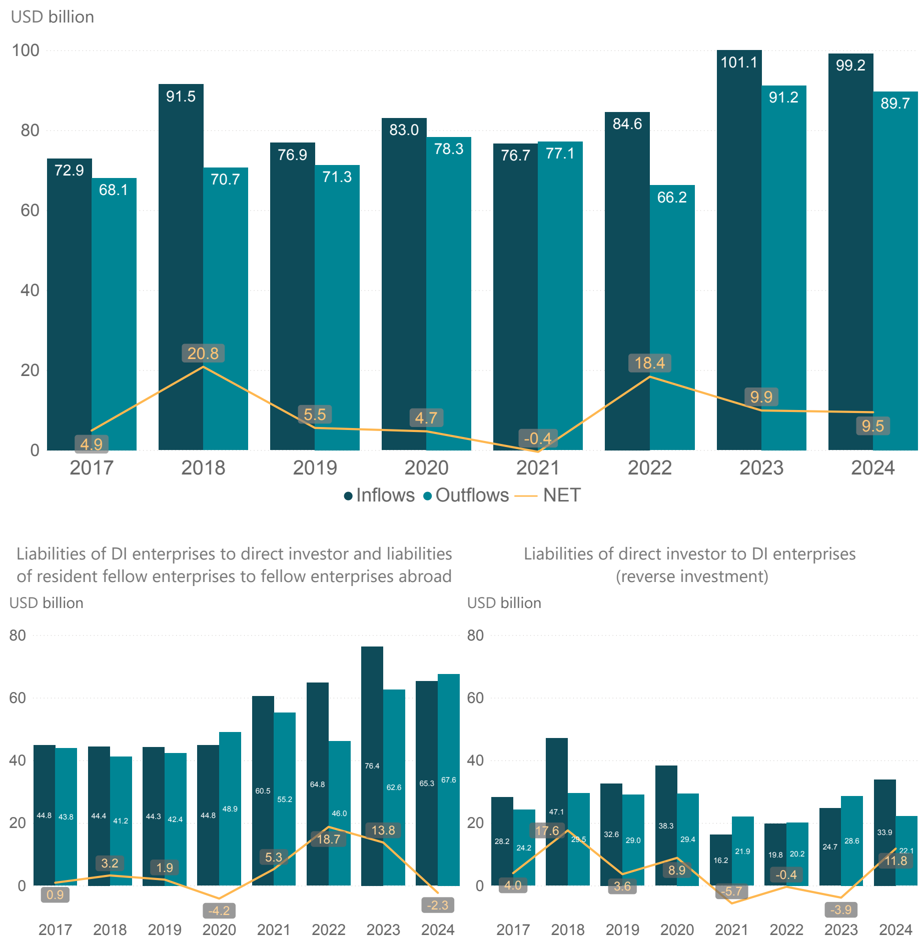


Gross inflows of direct investment liabilities – equity, excluding reinvested earnings, added up to USD 41.3 billion in 2024, compared with USD 39.1 billion in 2023. The share of large-value transactions reduced in comparison with 2023 (Figure 4). Transactions over USD 1 billion, which accounted for 13.2% of the total in 2023, did not occur 2024. The share of operations within the range between USD 500 million and USD 1 billion increased from 11.3% to 16.8% on the same comparison basis. In 2024, transactions under USD 50 million accounted for slightly less than 40% of gross inflows of direct investment liabilities – equity.

Figure 4 – Direct investment liabilities – equity, excluding reinvested earnings – Gross inflows by transaction value range

Net intercompany debt inflows fell by USD 0.4 billion from 2023 to 2024. Credit from parent companies abroad to subsidiaries in Brazil and between fellow enterprises recorded net outflows of USD 2.3 billion in 2024, versus net inflows of USD 13.8 billion in 2023, a change of USD 16.1 billion. Credit from subsidiaries abroad to parent companies in Brazil (reverse investment) grew by USD 15.7 billion (net inflows of USD 11.8 billion in 2024 and net amortizations of USD 3.9 billion in 2023). Figure 5 illustrates these transactions.

Figure 5 – Direct investment liability transactions – intercompany debt

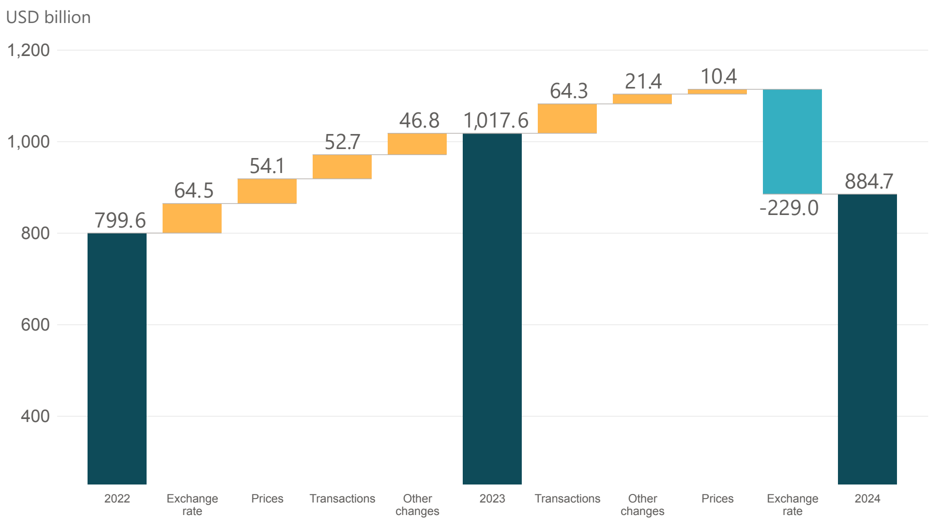


1.1.2 Breakdown of changes in the direct investment liabilities position

Changes in the direct investment liabilities position are explained by overall economic flows in the time span between positions.[2] These economic flows comprise not only transactions (which make up the balance of payments) but also changes due to fluctuations such as exchange rate changes, pricing of assets (valuation), among others (for instance, reclassification from direct investment to other investment modalities).

Figure 6 shows the breakdown of changes in the direct investment liabilities – equity position from 2022 to 2024. From 2022 to 2023, the direct investment liabilities – equity position rose by 27.3% to USD 1.0 trillion. All flows in the period contributed positively to the position's increase, especially exchange rate changes (USD 64.5 billion). From 2023 to 2024, the direct investment liabilities – equity position fell by 13.1% to USD 884.7 billion. This reduction mostly reflected the exchange rate change, – USD 229.0 billion (the BRL depreciation in the period reached 27.9%), while the other flows contributed positively: net inflows of transactions registered in the balance of payments, USD 64.3 billion; price changes, USD 10.4 billion; and other changes, USD 21.4 billion.

Figure 6 – Breakdown of changes in the direct investment liabilities – equity position



1.2 Overview of direct investment assets

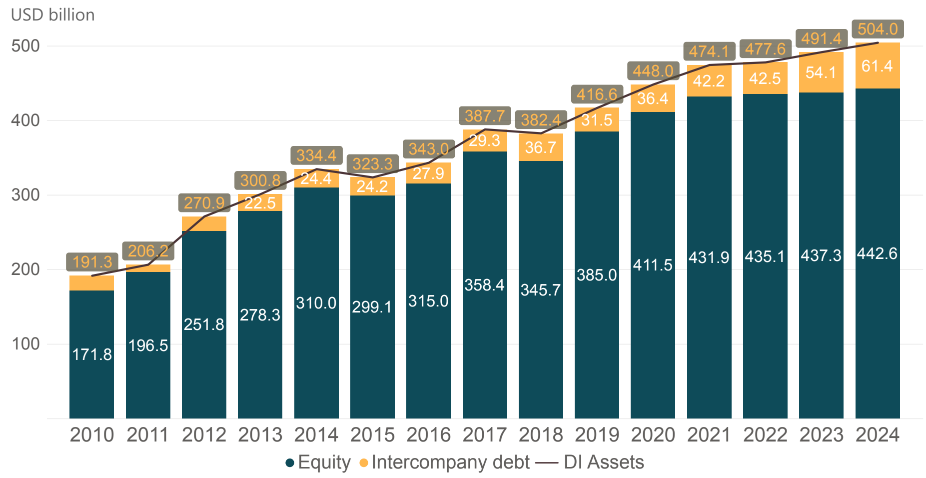
The overall direct investment assets position grew for the sixth consecutive year, reaching the record high of USD 504 billion in 2024. Direct investment asset transactions totaled USD 26.3 billion, highlighting reinvested earnings worth USD 20.6 billion.

2 For conceptual details, see Appendix I of this DIR.

1.2.1 Positions and transactions

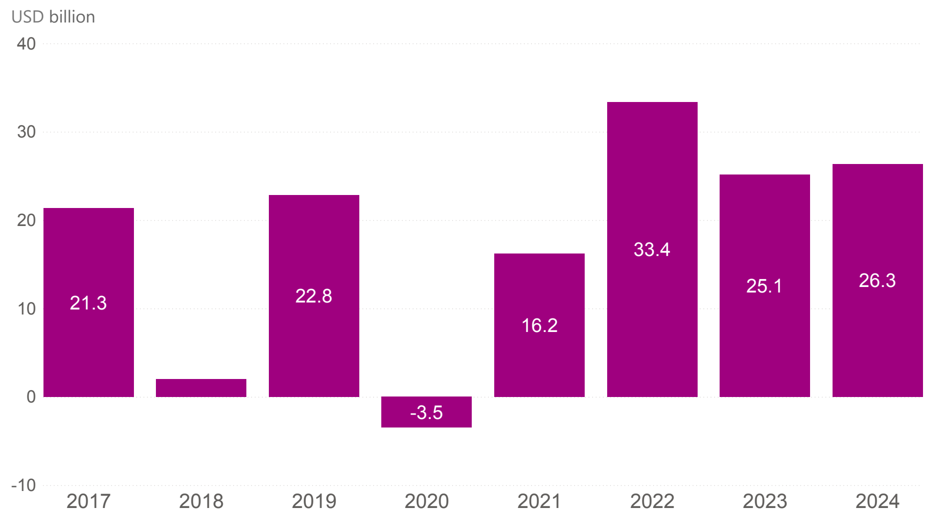
The overall direct investment assets position reached USD 504 billion in 2024, comprising USD 442.6 billion in equity and USD 61.4 billion in intercompany debt. The annual position of direct investment assets has exceeded international reserves since 2017. The direct investment assets position in 2024 reached the peak of the time series, growing by USD 12.6 billion compared with 2023 (Figure 7).

Figure 7 – Direct investment assets position



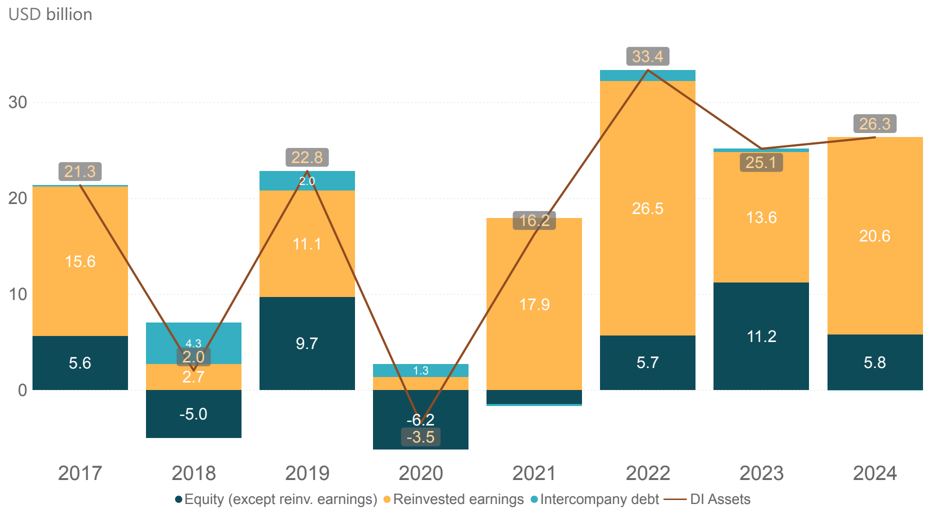
Net direct investment asset transactions totaled USD 26.3 billion in 2024, above the USD 25.1 billion observed in 2023. Figure 8 shows the annual evolution of direct investment asset transactions:

Figure 8 – Net direct investment asset transactions



In 2024, reinvested earnings on direct investment assets added up USD 20.6 billion (USD 13.6 billion in 2023). Excluding reinvested earnings, net equity investment reached USD 5.8 billion, compared with USD 11.2 billion in 2023. Figure 9 displays the breakdown of direct investment asset transactions.

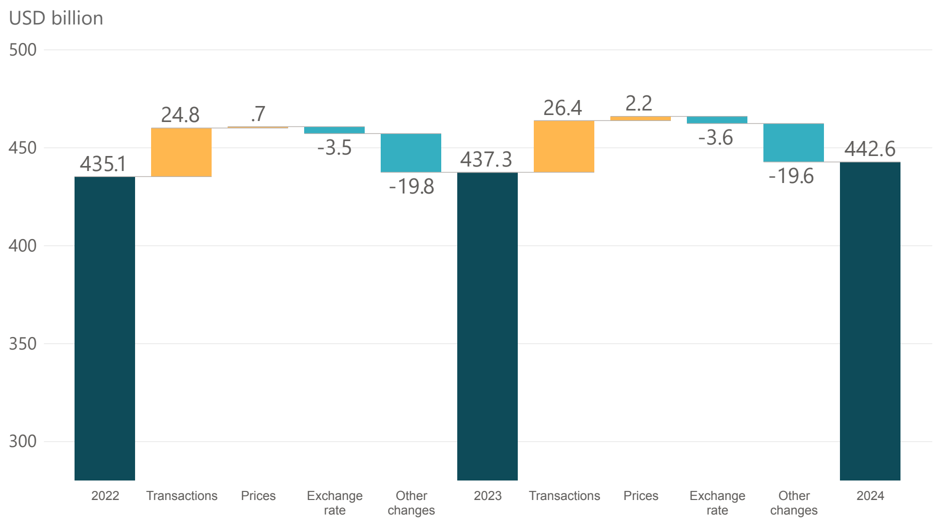
Figure 9 – Breakdown of net direct investment asset transactions



1.2.2 Breakdown of changes in direct investment assets position

Figure 10 shows the breakdown of changes in the direct investment assets – equity position between 2022 to 2024. From 2022 to 2023, the direct investment assets position rose from USD 435.1 billion to USD 437.3 billion, reflecting the positive effects of transactions and prices, which more than offset the negative effects of exchange rate changes and other changes. From 2023 to 2024, the direct investment assets – equity position rose to USD 442.6 billion, reflecting the positive effects of equity transactions, USD 26.4 billion, and reductions due to exchange rate changes and other changes, which totaled USD 23.2 billion.

Figure 10 – Breakdown of changes in the direct investment assets – equity position



2

Direct investment income

In 2024, profitability rates for direct investment liability and direct investment asset enterprises reached 7.0% and 6.3%, respectively, both exceeding the previous year and the historical average.

2.1 Evolution of direct investment income

Figure 11 shows the direct investment liabilities income by component (reinvested earnings, remitted earnings, and interest on intercompany debt) from 2010 to 2024. Direct investment liabilities income reached USD 86.9 billion in 2024, the series peak. Excluding 2020, the most acute period of the Covid-19 pandemic, it was the eighth consecutive year of growth. Reinvested earnings totaled USD 32.3 billion, up 52.7% from USD 21.1 billion in 2023. Earnings remittances decreased by USD 2.3 billion to USD 38.8 billion in 2024 (USD 41.1 billion in 2023). Interest on intercompany debt remained relatively stable at USD 15.8 billion in 2024 and USD 15.5 billion in 2023.

Figure 11 – Breakdown of direct investment liabilities income

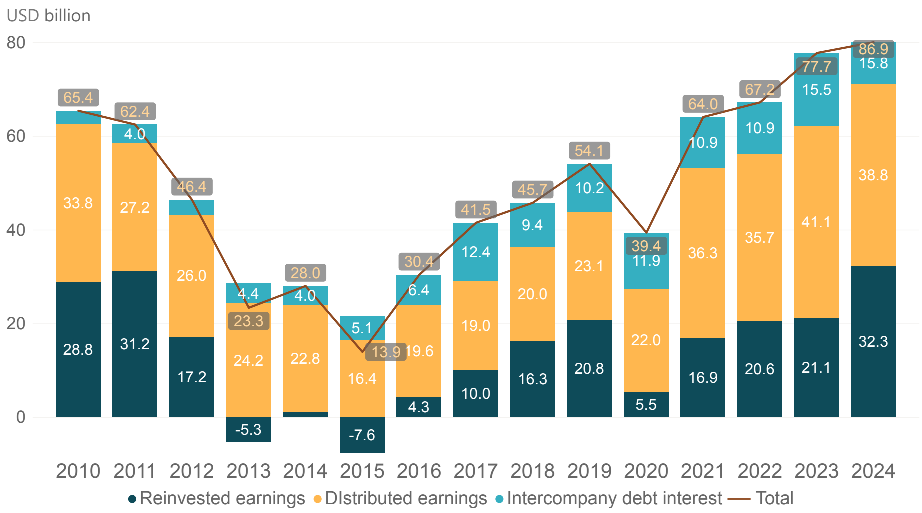
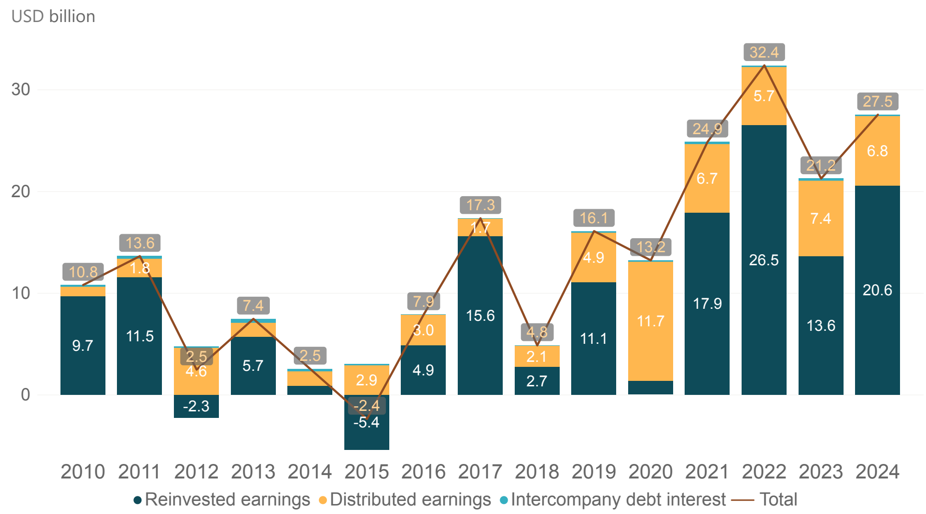


Figure 12 shows the breakdown of direct investment assets income by component from 2010 to 2024. Direct investment assets income amounted to USD 27.5 billion in 2024, the second highest value in the series and nearly one third above the USD 21.2 billion in 2023. In 2024, reinvested earnings abroad totaled USD 20.6 billion (USD 13.6 billion in 2023) and earnings remitted from abroad to Brazil totaled USD 6.8 billion (USD 7.4 billion in 2023). Interest on intercompany debt accounted for a small share of direct investment assets income (USD 108 million), reflecting the small share of this component in the total direct investment assets position (Figure 7).

Figure 12 – Breakdown of direct investment assets income

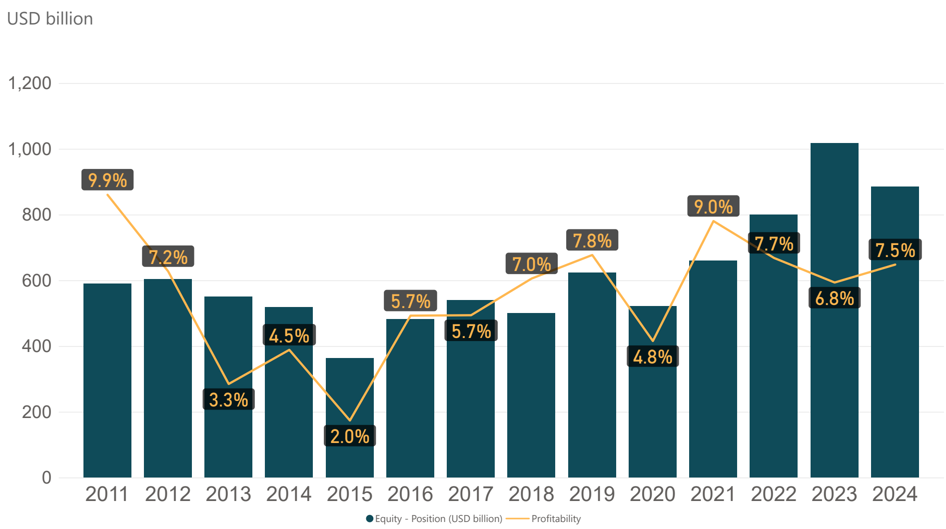


2.2 Profitability of direct investment positions

The profitability[3] of direct investment liabilities – equity reached 7.0% in 2024, higher than the 6.7% rate of the previous year and the 6.3% average from 2011 to 2024. The highest profitability of direct investment liabilities was in 2011, 9.9%, and the lowest, in 2015, 2.0%. Figure 13 shows the evolution of direct investment liabilities – equity position and the respective annual profitability rates.

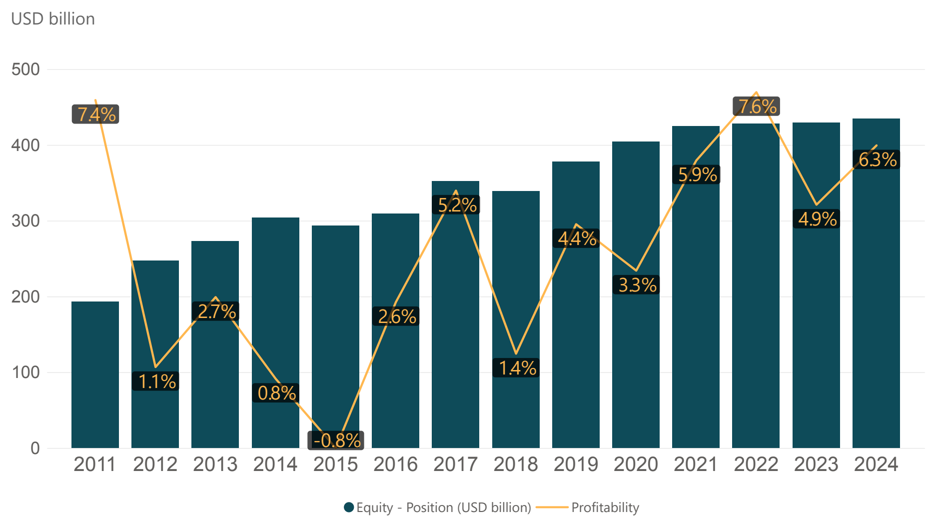
3 The implicit annual profitability of the direct investment position is defined as the ratio of earnings in a given year to the arithmetic average of direct investment – equity positions at the end of that year and of the previous year.

Figure 13 – Profitability of direct investment liabilities – equity position



The profitability of direct investment liabilities – equity reached 6.3% in 2024, higher than the 4.9% rate of 2023 and the 3.8% average from 2011 to 2024. The highest profitability of direct investment assets was in 2022, 7.6%, and the lowest, in 2015,-0.8%.[4] Figure 14 shows the direct investment assets – equity position and the respective annual profitability rates.

Figure 14 – Profitability of direct investment assets – equity position



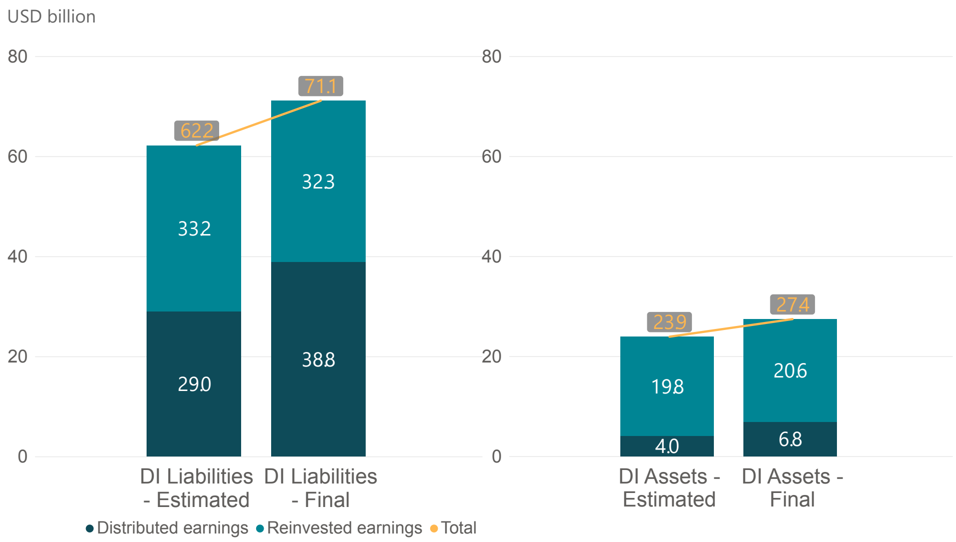
2.3 Ordinary revision of direct investment profitability statistics

Figure 15 compares total revenues and expenses on direct investment earnings initially estimated for 2024 with their definitive values, obtained after the collection and validation of data from the CBE and Censo surveys. Total earnings on direct investment liability enterprises were revised upward by USD 8.9 billion (initially estimated at USD 62.2 billion, according to the Censo, USD 71.1 billion).

4 Negative profitability means the occurrence of aggregate loss.

Total earnings on direct investment asset enterprises were also revised upward by USD 3.5 billion (initially estimated at USD 23.9 billion, according to the CBE, USD 27.4 billion).

Figure 15 – Comparison between estimated and definitive direct investment earnings



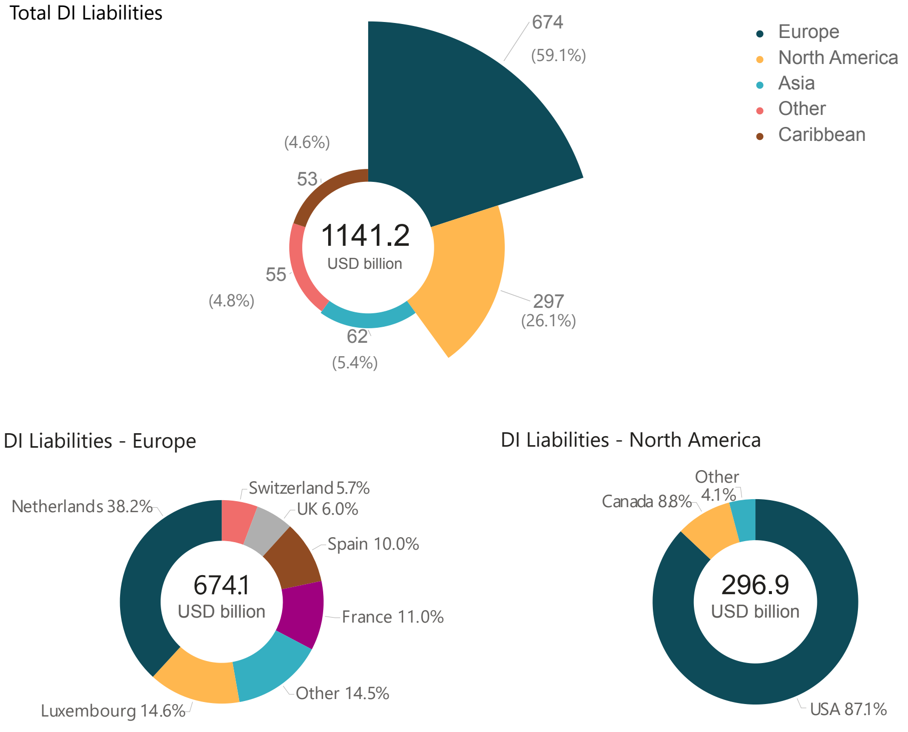
3 Investing and invested regions

Europe is the main investing region in Brazil, followed by North America; the Caribbean and Europe are the main invested regions.

3.1 Positions

According to the immediate investing criterion, Europe remained the region with the largest direct investment position in Brazil in 2024, 59.1% of a total of USD 1.1 trillion (Figure 16). North America holds the second highest direct investment position (26.1% of the total). The main immediate European investors are the Netherlands, Luxembourg, and France, accounting for, respectively, 38.2%, 14.6%, and 11.0% of the total European position (USD 674.1 billion). The direct investment position of North America's immediate investors totaled USD 296.9 billion, of which 87.0% from investors in the U.S.

Figure 16 – Direct investment liabilities position by investing region – immediate investor

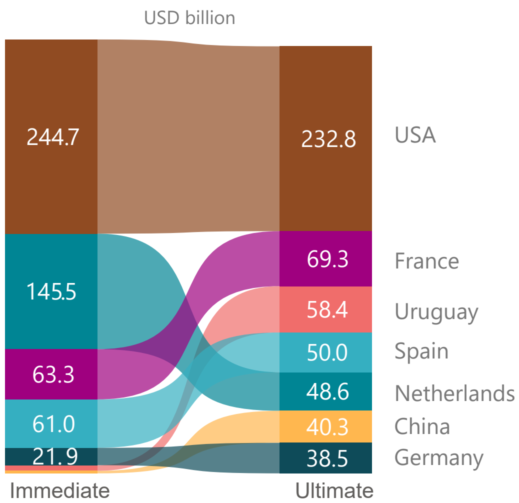


Some countries hold significantly larger positions when measured by the immediate investing country criterion than when compiled under the ultimate controlling criterion.[5] This is commonly the case in countries that host intermediary companies that channel direct investment from ultimate controlling countries to destination countries.

Countries holding larger direct investment– equity positions when compiled by the ultimate controlling country criterion are, conversely, home to companies that channel direct investment through intermediary countries.

Among the major ultimate controlling countries (Figure 17), the Netherlands show the largest difference between both concepts: USD 145.5 billion, by the immediate investing criterion, and USD 48.6 billion, by the ultimate controlling criterion. In contrast, Uruguay and China stand out respectively with USD 7.1 billion and USD 6.2 billion by the immediate investor criterion but with USD 58.3 billion and USD 40.3 billion by the ultimate investor criterion.

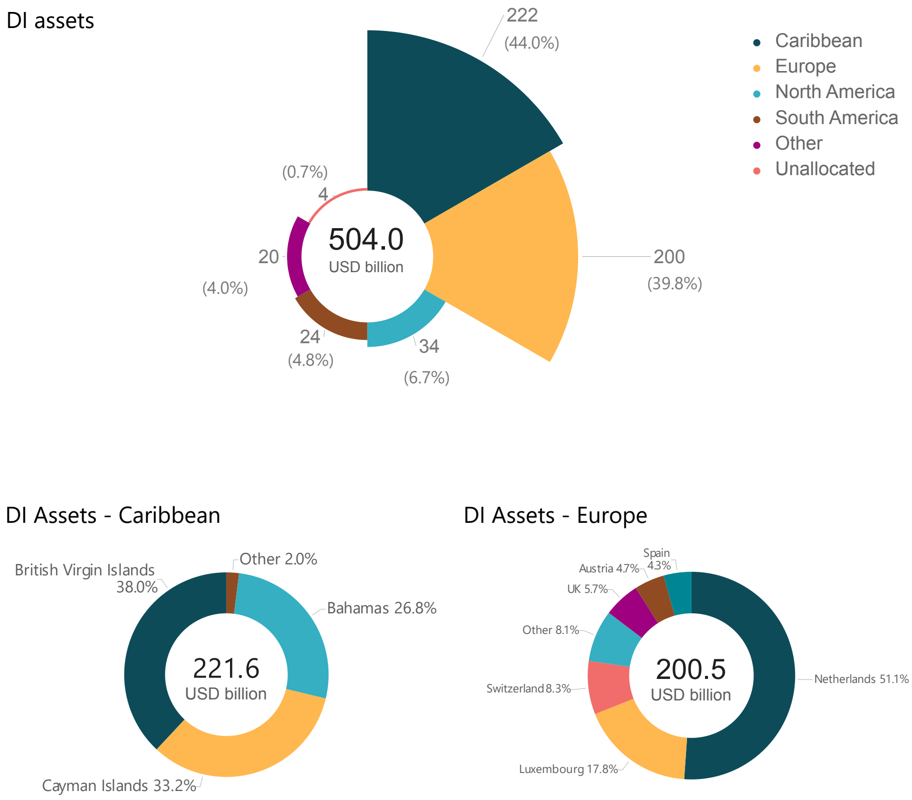
Figure 17 – Direct investment liabilities – equity positions in Brazil – immediate investor vs ultimate controlling country for selected economies



For direct investment assets, the largest positions by the immediate investing country criterion are in the Caribbean and Europe, accounting for 44.0% and 39.8% of the total, respectively (Figure 18). In the Caribbean, the British Virgin Islands and the Cayman Islands stand out with 38.0% and 33.2%, respectively. In Europe, the Netherlands and Luxembourg stand out with 51.1% and 17.8%, respectively.

5 In recent decades, there has been an increase in the number of transnational corporations with complex organizational structures, involving the control and influence of numerous companies. As a result, the international methodology for external sector statistics has developed two concepts for the identification of the country of origin of direct investment: the immediate investing country and the ultimate controlling country. The immediate investing country is the country of residence of the non-resident company that invested directly in its Brazilian subsidiary. The ultimate controlling country is the country of residence of the investor that holds the effective control and economic interest in the invested company in Brazil. Thus, the ultimate controller is identified according to the following analysis: starting with the company hosting the direct investment, one follows up the chain of controlling relationships until the non-resident company with no further controlling group is found.

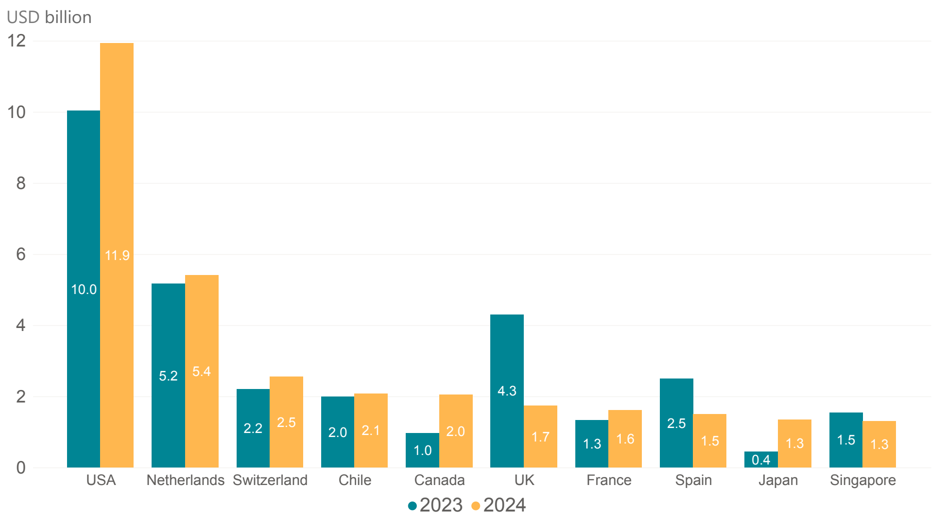
Figure 18 – Direct investment assets position by invested regions and countries – immediate investor



3.2 Transactions – equity

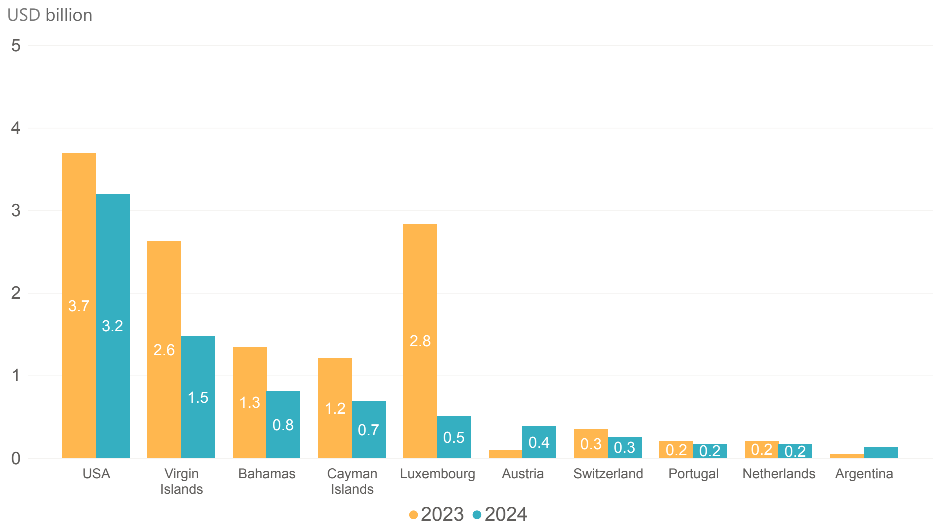
According to the immediate investing country criterion, direct investment liabilities – equity inflows, excluding reinvested earnings, mainly came from the U.S., the Netherlands, and Luxembourg (Figure 19). For the group of countries, there has been an increase in direct investment liabilities inflows from the U.S. and a reduction from the UK.

Figure 19 – Direct investment liabilities – equity inflows, excluding reinvested earnings – Breakdown by immediate destination country – Selected countries



Flows of direct investment asset were mostly channeled to the U.S., the British Virgin Islands, and the Cayman Islands. Figure 20 shows that, for the selected group of countries, the reduction in gross flows of direct investment assets did not occur only in Austria and Argentina.

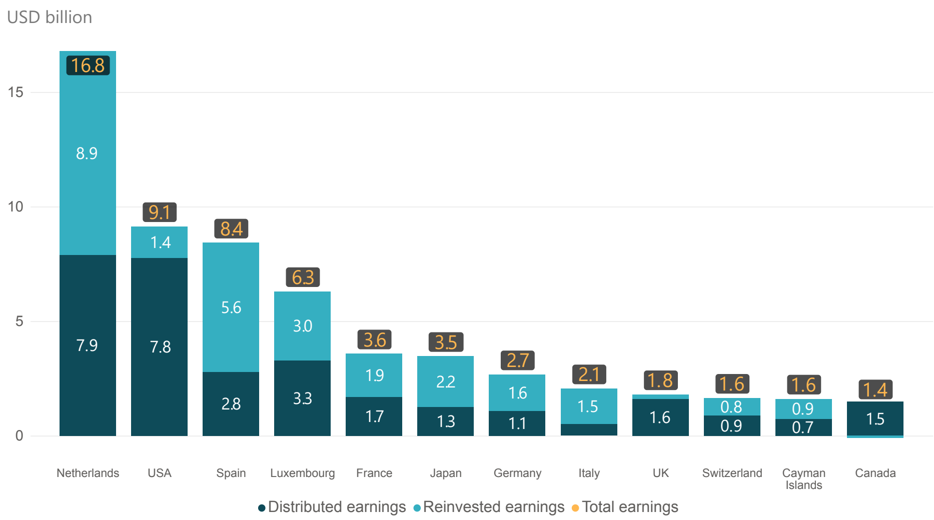
Figure 20 – Gross direct investment assets – equity outflows, excluding reinvested earnings – Breakdown by immediate invested economy – Selected countries



3.3 Transactions – reinvested and distributed earnings

The main countries receiving earnings generated by direct investment companies in Brazil were the Netherlands, the U.S., and Spain (Figure 21).

Figure 21 – Reinvested and distributed earnings – immediate investor



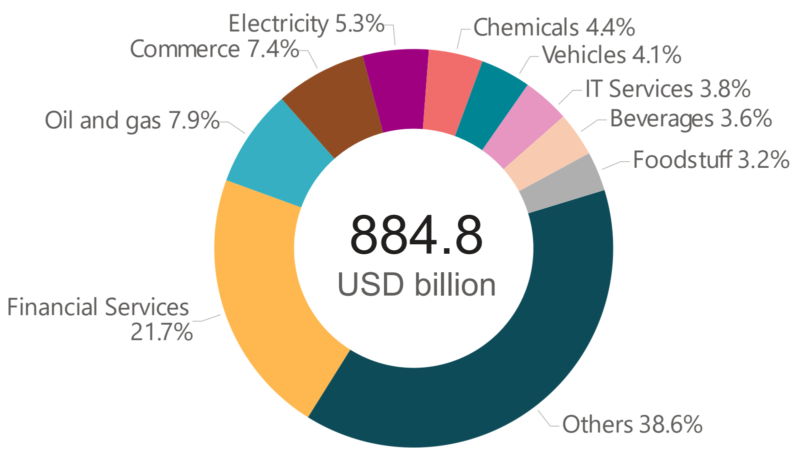
4 Economic activity sectors

In 2024, the sector of financial services and auxiliary activities accounted for 22% of the direct investment liabilities position and for 62% of the direct investment assets position.

4.1 Positions

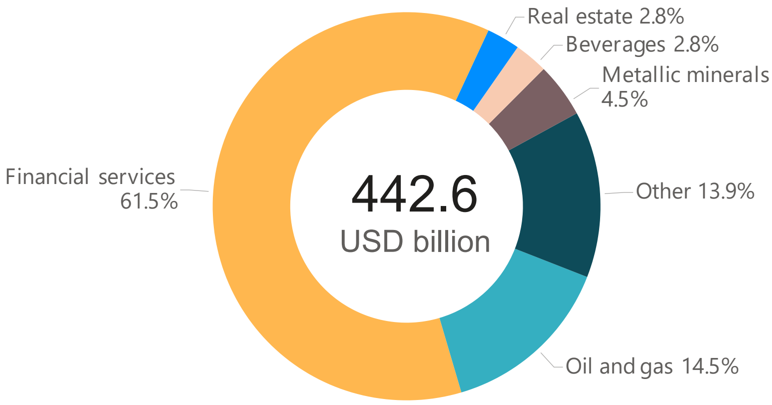
In 2024, 21.7% (USD 191.6 billion) of the direct investment liabilities- equity position were allocated in companies operating in financial services and auxiliary activities, including investment funds. Investments in enterprises in the oil and gas extraction sector (7.9%) and in commerce (7.4%) also stood out (Figure 22).

Figure 22 – Direct investment liabilities – equity position – Breakdown by resident economic activity sector – 2024



Regarding direct investment assets, more than half of the equity position was concentrated in financial services (Figure 23).

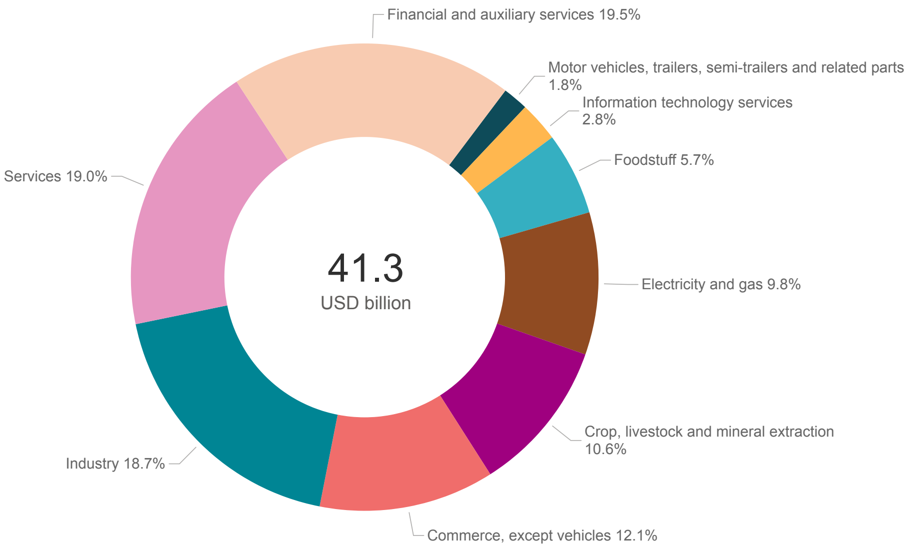
Figure 23 – Direct investment assets – equity position – Breakdown by non-resident economic activity sector – 2024



4.2 Transactions – equity and intercompany debt

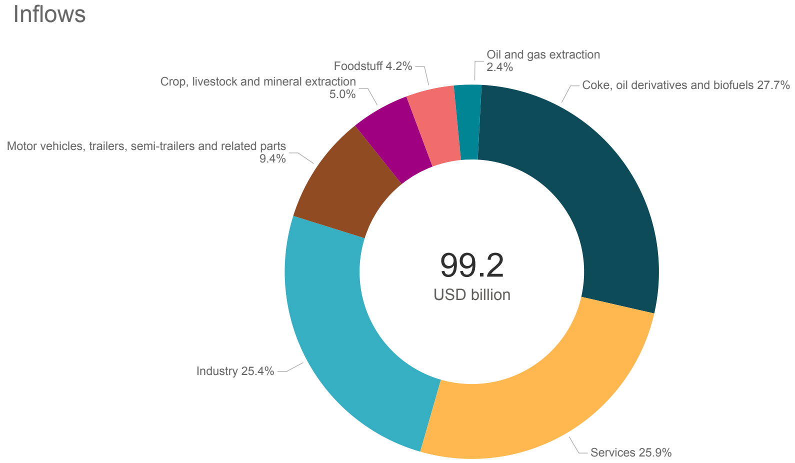
In 2024, gross inflows of direct investment liabilities – equity, excluding reinvested earnings, remained widespread, highlighting the sectors of other financial services and auxiliary activities, commerce, except vehicles, and agriculture, livestock, and mining, accounting for 19.5%, 12.1%, and 10.6% of the gross flow, respectively (Figure 24).

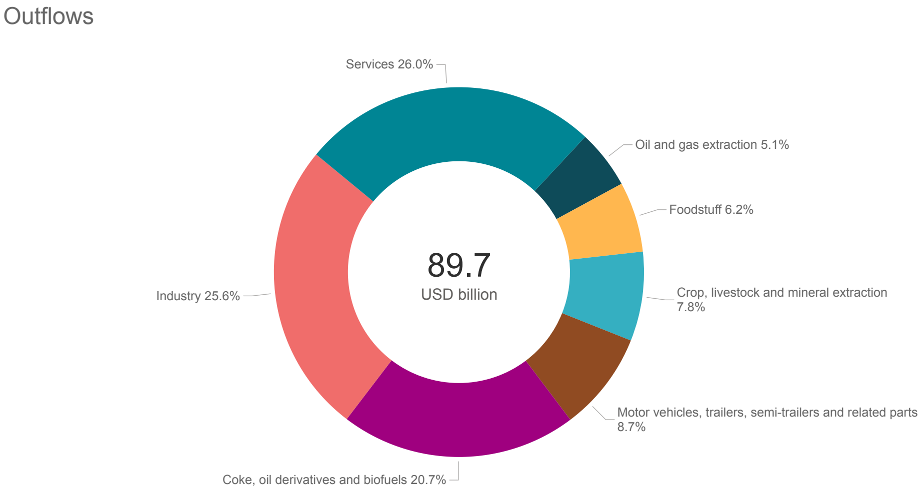
Figure 24 – Direct investment liabilities – equity, excluding reinvested earnings – Breakdown of gross inflows by economic activity sector – 2024



Among transactions of direct investment liabilities – intercompany debt, companies operating in the sectors of coke, oil derived products and biofuels; automotive vehicles, trailers, and automotive bodies, and agriculture, livestock, and mining stood out both for income and amortizations (Figure 25).

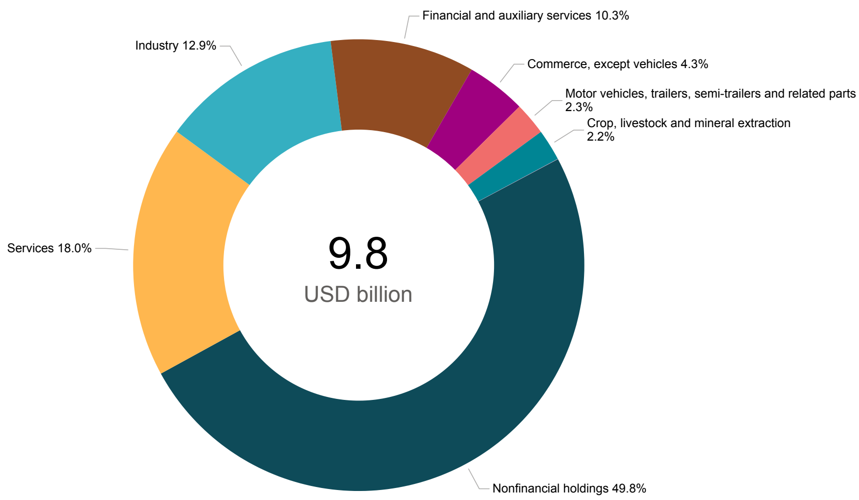
Figure 25 – Direct investment liabilities – intercompany debt – Transactions by economic activity sector – 2024





Gross direct investment assets – equity, excluding reinvested earnings, reached USD 9.8 billion in 2024. Financial service enterprises were the main destination of those flows (Figure 26).

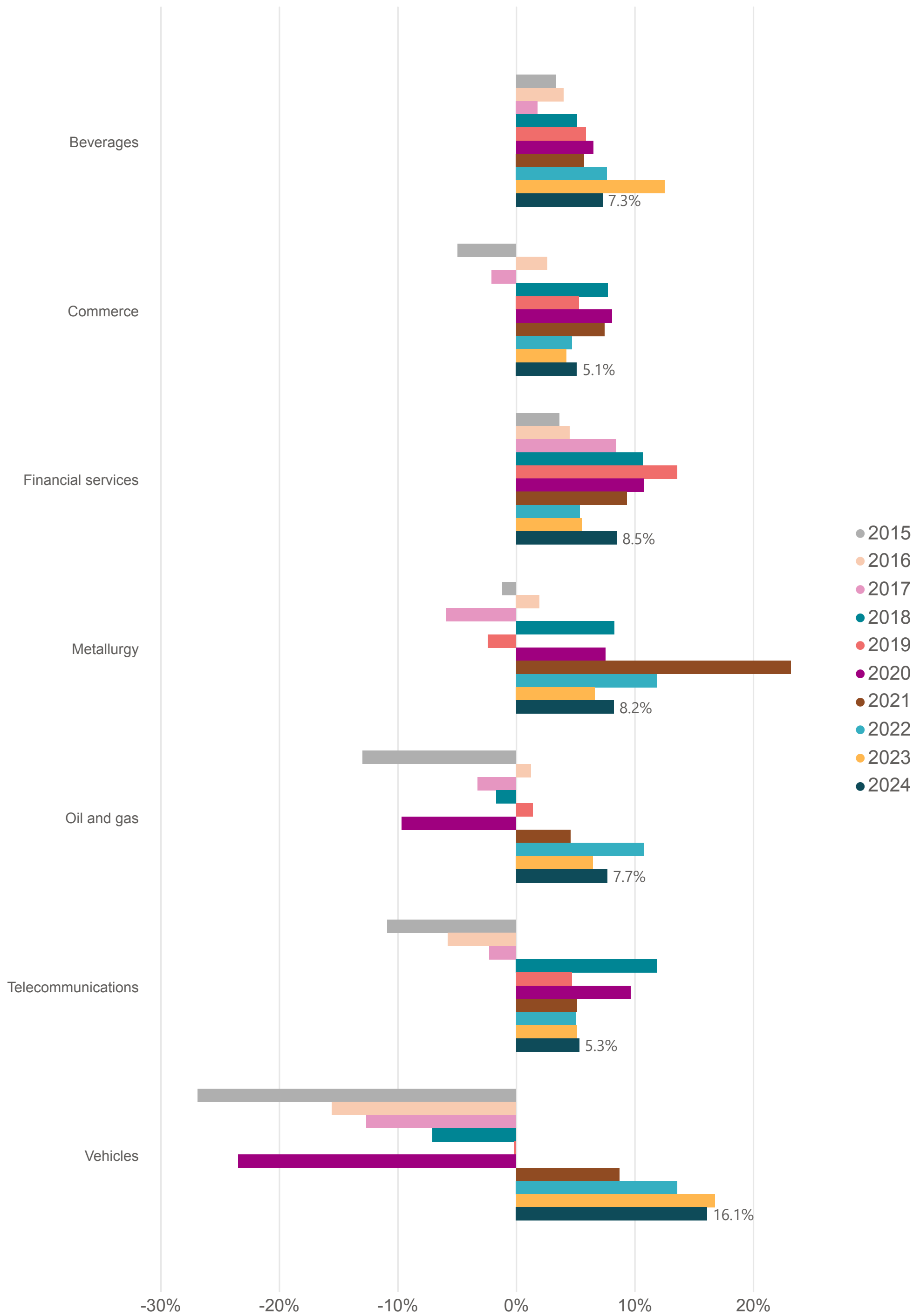
Figure 26 – Direct investment assets – equity, excluding reinvested earnings – Breakdown of gross outflows by economic activity sector – 2024



4.3 Profitability

The profitability of direct investment liabilities – equity in 2024 was distributed across economic sectors as shown in Figure 27. All highlighted sectors registered profits. For the third consecutive year, there were no losses recorded by a sector.

Figure 27 – Profitability of direct investment liabilities – equity position – Selected sectors

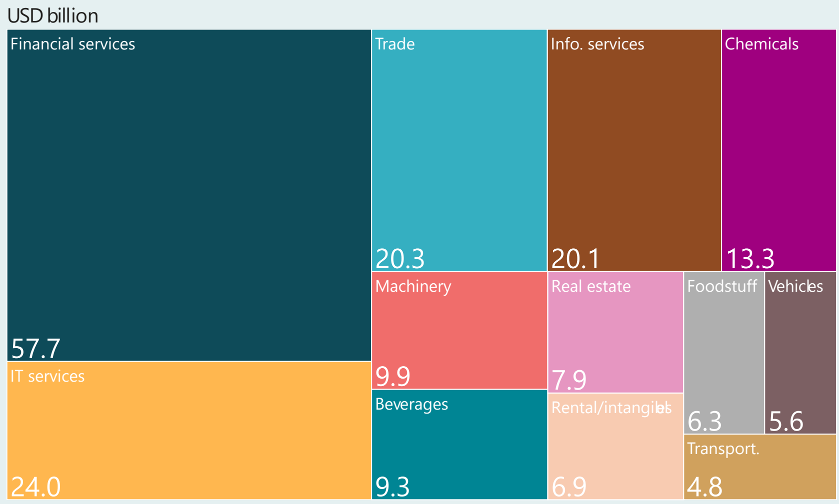


Box: Direct investment liabilities – major countries by ultimate controller and economic activity sectors

This box examines the main investing countries in Brazil by the ultimate controller criteria and the economic activity sectors in which their direct investment enterprises operate, for 2024. The joint distribution for positions and earnings is presented for the U.S., France, and Spain.[6]

The direct investment– equity position of the U.S. in Brazil (ultimate controller criteria) is the highest among all countries and totaled USD 232.8 billion in 2024. Positions in financial services (USD 57.7 billion), information technology services (USD 24.0 billion), commerce (USD 20.3 billion), and information services (USD 20.1 billion) stand out. In these economic sectors, the U.S. hold the largest positions in Brazil based on the ultimate controller criteria. Seven other economic activity sectors recorded U.S. investment positions exceeding USD 5 billion, demonstrating a high volume of U.S. direct investment equity in the Brazilian economy (Figure 28).

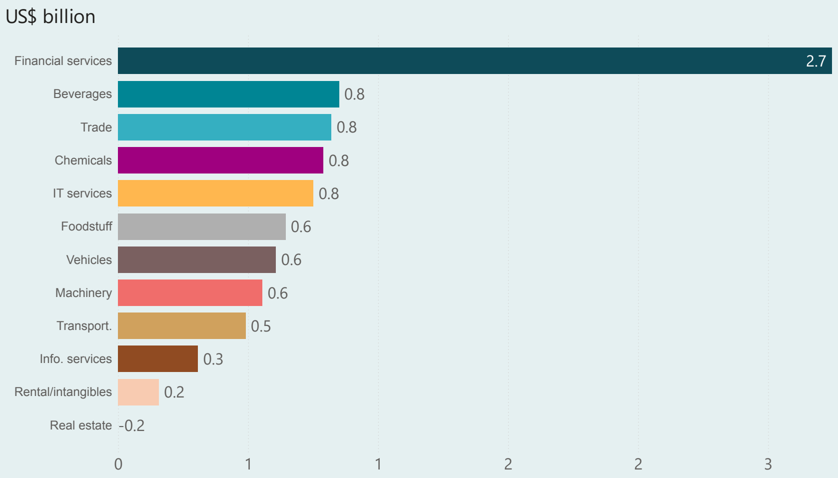
Figure 28 – Direct investment position – equity in 2024, U.S. as ultimate controller



As shown in Figure 29, earnings of direct investment enterprises with the U.S. as the country of residence of the ultimate controller totaled USD 12 billion in 2024. The largest share refers to the financial services sector (USD 2.7 billion), consistent with the investment position. Also noteworthy are the sectors of beverages, commerce, chemical products, and IT services, with a USD 0.8 billion income each.

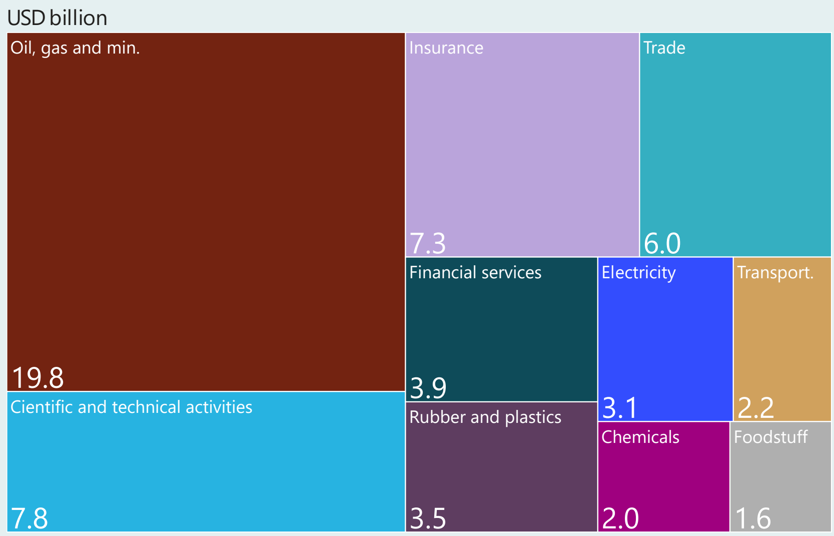
6 The joint distribution between ultimate country and economic activity sector of results from the Brazilian Foreign Liabilities Survey (Censo) for a broader set of countries is presented in Table 14. https://www.bcb.gov.br/content/statistics/specialseriestables/Direct_Investment_Liabilities_Position_Complete_tables.xlsx

Figure 29 – Total direct investment earnings – equity in 2024, U.S. as the ultimate controller



Direct investment of enterprises in Brazil with France as the ultimate controller reached USD 69.3 billion. These enterprises operate mainly in the mining sector, including oil and gas (USD 19.8 billion), scientific and technical activities (USD 7.8 billion), insurance, reinsurance, supplementary security and health plans (USD 7.3 billion), and commerce (USD 7.0 billion). Figure 30 shows these and other economic sectors.

Figure 30 – Direct investment position – equity in 2024: France



In 2024, earnings generated by direct investment enterprises for which the ultimate controller is resident in France totaled USD 4.7 billion. Income was concentrated in the oil, gas, and mining sectors (USD 1.3 billion), followed by commerce (USD 0.6 billion) and electricity (USD 0.4 billion). Figure 31 presents these and other income-generating sectors.

Figure 31 – Total direct investment earnings – equity in 2024, France as the ultimate controller

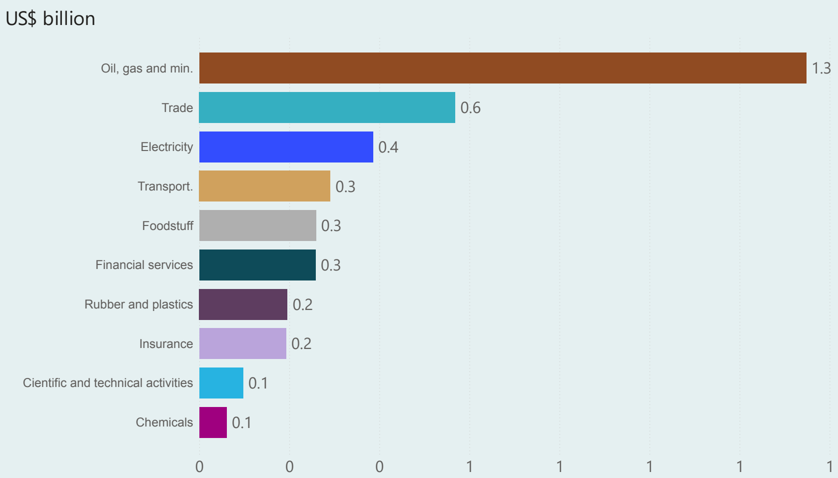
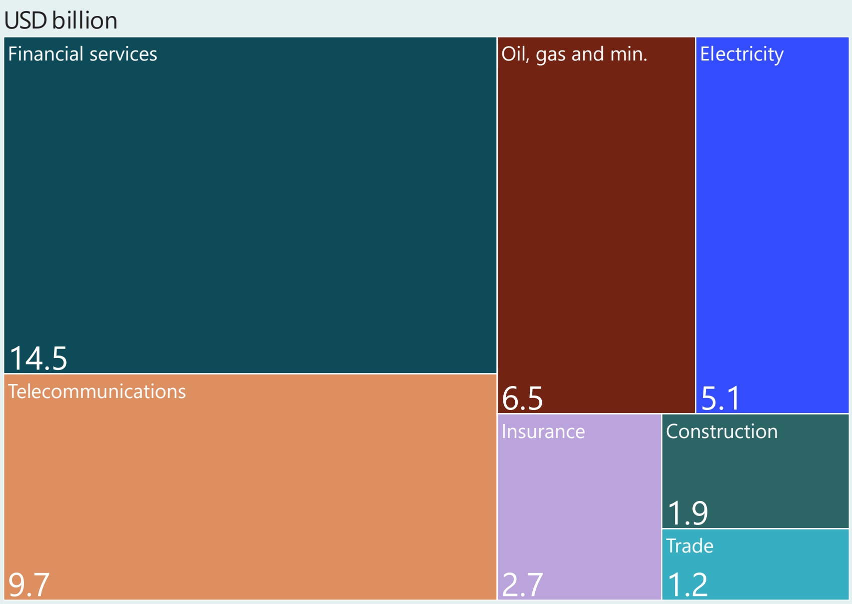


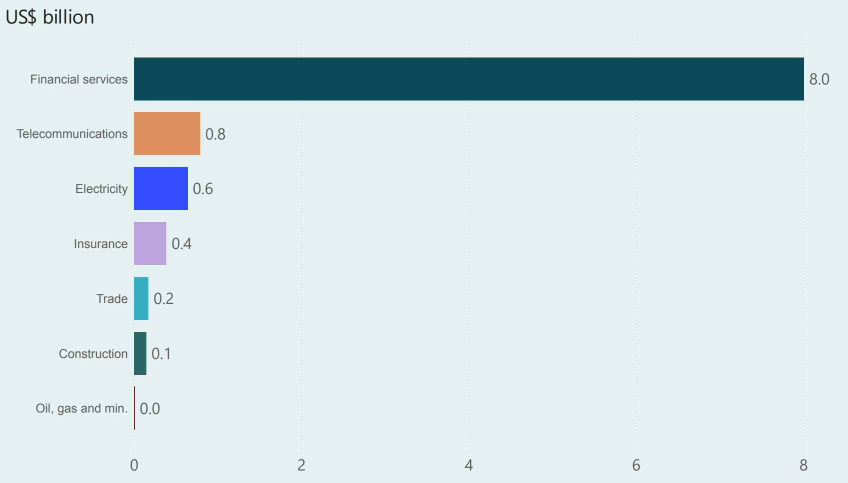
Figure 32 presents the same statistics for Spain as the ultimate controller country, for which the direct investment liabilities – equity position totaled USD 50.0 billion in 2024. Three main activity sectors in Brazil account for more than 60% of Spain's position: financial services (USD 14.5 billion), telecommunications (USD 9.7 billion), and mining including oil and gas (USD 6.5 billion).

Figure 32 – Direct investment position – equity in 2024, Spain as the ultimate controller



The earnings of direct investment enterprises in Brazil with Spain as the ultimate controller totaled USD 10.7 billion in 2024, concentrated in the financial services sector, amounting to USD 8.0 billion (Figure 33).

Figure 33 – Total direct investment liability earnings – equity in 2024, Spain as the ultimate controller



5 Activities of resident direct investment liability enterprises

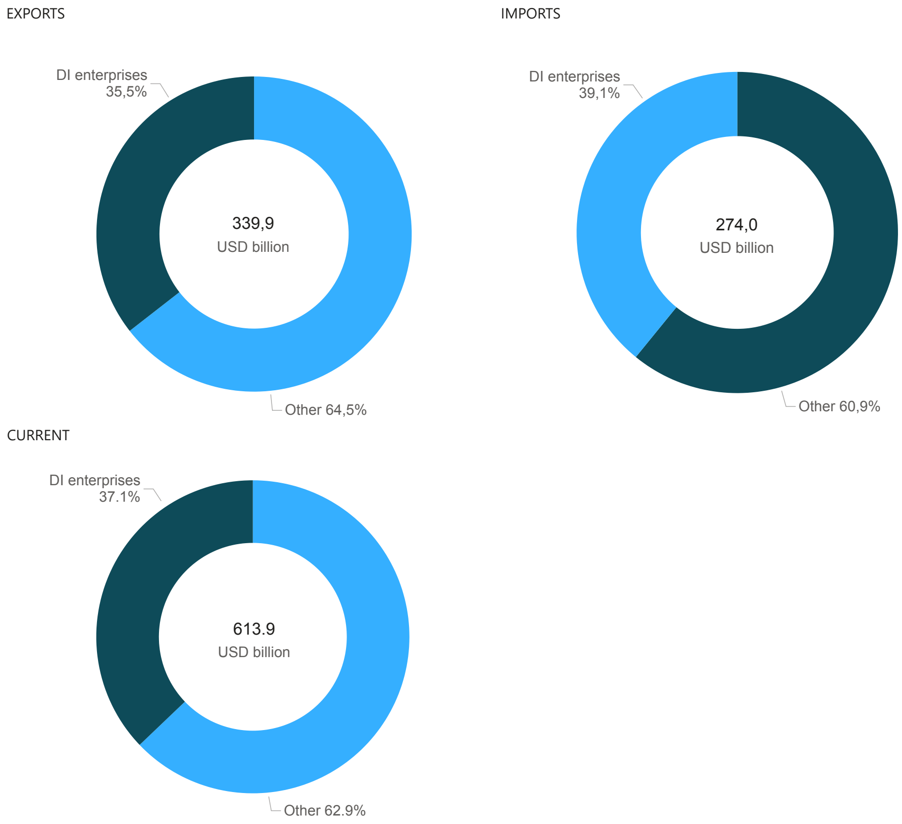
5.1 Foreign trade

The contribution of direct investment liability enterprises to the trade surplus in 2024 reached USD 13.5 billion, accounting for 37.1% of the year's trade flow.

In 2024, the trade balance on goods in the balance of payments[7] posted a surplus of USD 65.8 billion, derived from exports of USD 339.8 billion and imports of USD 274.0 billion. Direct investment liability enterprises account for a large share of the Brazilian foreign trade. As shown in Figure 34, exports and imports of goods carried out by these companies reached 35.5% (USD 120.6 billion) and 39.1% (USD 107.1 billion) of the total, respectively, contributing to 37.1% (USD 227.7 billion) of total Brazilian foreign trade in goods. The trade balance from the direct investment liability enterprises was a USD 13.5 billion surplus in 2024.

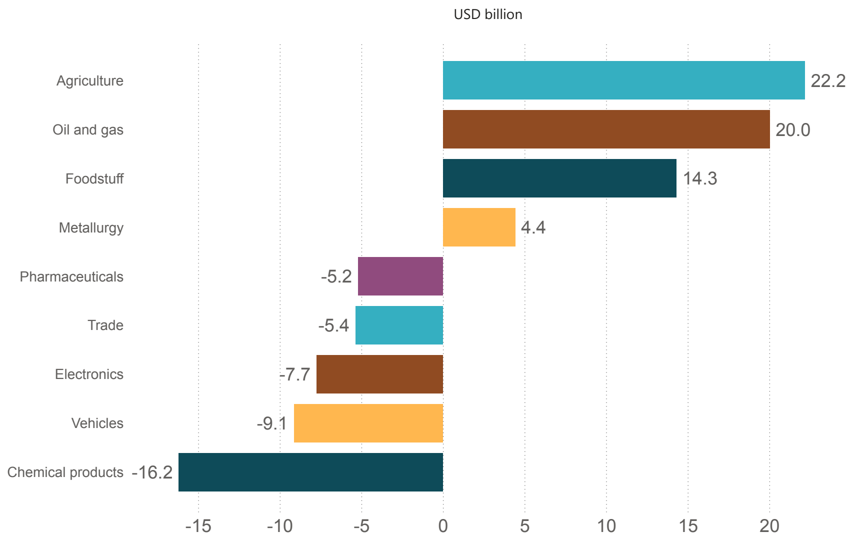
7 See Methodological note: Trade balance on goods-reconciliation between foreign trade and balance of payments statistics and table of reconciliation.

Figure 34 – Share of resident direct investment liability enterprises in the foreign trade on goods – 2024



Resident direct investment liability enterprises in the agriculture, oil and gas extraction, food products, and metallurgy sectors together generated a trade surplus of USD 60.9 billion in 2024 (Figure 35). On the other hand, resident direct investment liability enterprises in the pharmaceutical chemicals and pharmaceuticals, commerce, computer, electronics and optical equipment, vehicles, and chemical sectors together registered a trade deficit of USD 43.6 billion.

Figure 35 – Trade balance – resident direct investment liability enterprises by economic activity sector – 2024



5.2 Revenue, workforce, payroll, and Research and Development (R&D)

Direct investment liability enterprises employed 3.6 million workers in 2024.

In addition to foreign trade data from direct investment liability enterprises, the Censo survey collects information on other aspects of the activity of foreign multinational groups operating in Brazil that reflect their impact on the domestic economy. This assessment provide information for public policies aimed at attracting foreign investments and is part of the research on globalization.[8]

Figure 36 shows the number of employees by economic sector. The three main sectors – commerce, food, and automotive vehicles – accounted for 971,000 jobs out of the total of 3.6 million jobs in direct investment liability enterprises in 2024.

Figure 36 – Workforce of resident direct investment liability enterprises

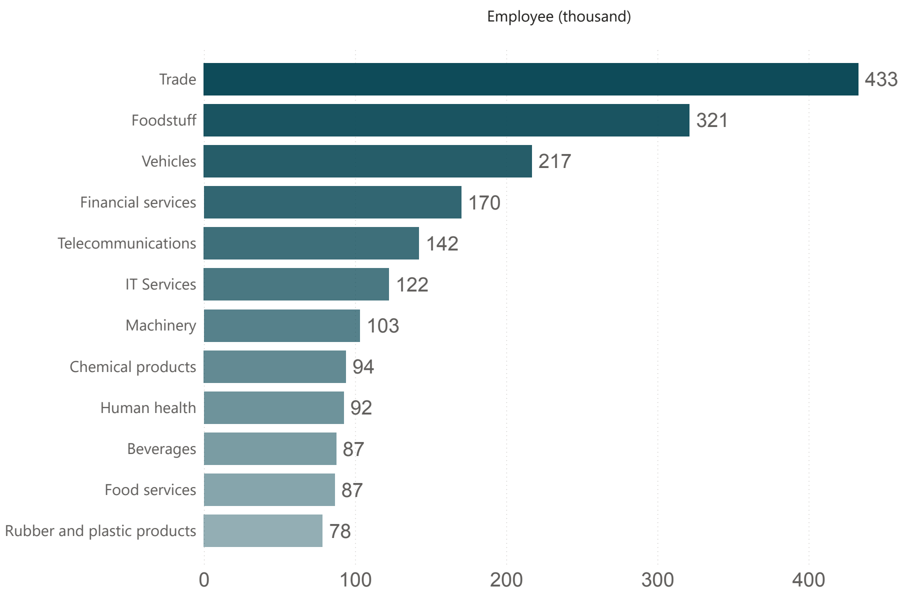


Figure 37 shows the ratio of the annual gross income generated by direct investment liability enterprises to their total payroll expenses (wages) by economic sector. In 2024, activities related to vehicle trade and repair, veterinary, oil and natural gas extraction, metallic mineral extraction, and water abstraction, treatment, and distribution stood out.

8 The OECD gathers and disseminates information about the activities of multinational enterprises: https://www.oecd.org/sti/ind/amne.htm

Figure 37 – Income and wages – resident direct investment liability enterprises

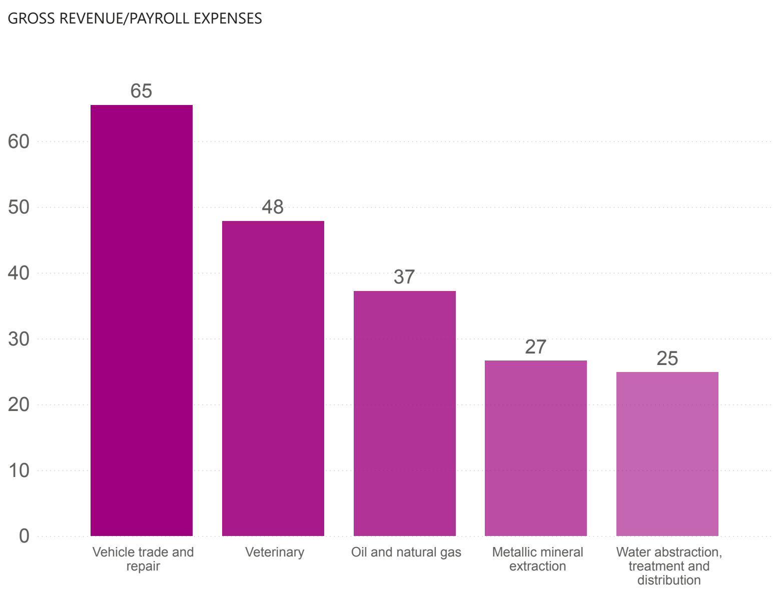
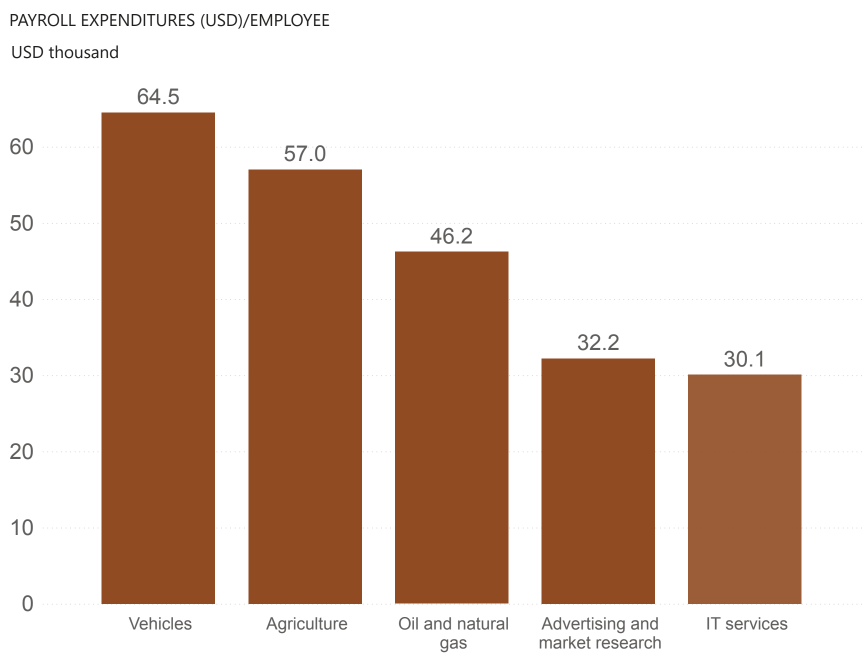


Figure 38 shows average wages per employee (including labor charges) and total wage expenses by sector. In 2024, companies in the vehicles sector stood out, with the highest annual average wage per employee, USD 64,500, and the highest annual wage expense, USD 14 million.

Figure 38 – Payroll of resident direct investment liability enterprises



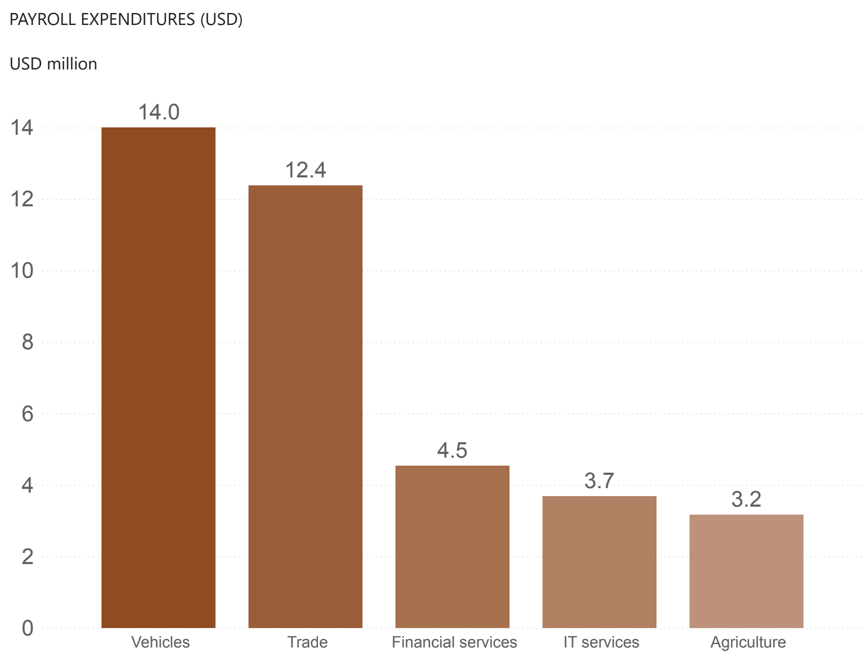
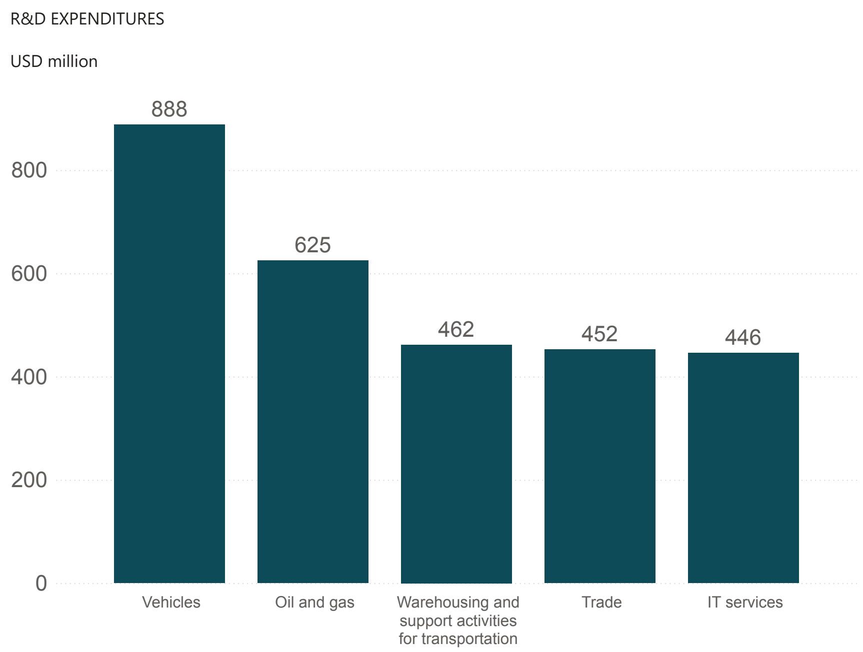


Figure 39 presents the expenses of resident direct investment liability enterprises on R&D. The scientific and technical activities sector registered the highest ratio of R&D to gross revenue (18.3%), while the vehicles manufacturing sector registered the highest gross volume of R&D expenditures in 2023 (USD 888 million).

Figure 39 – R&D expenses and gross revenue



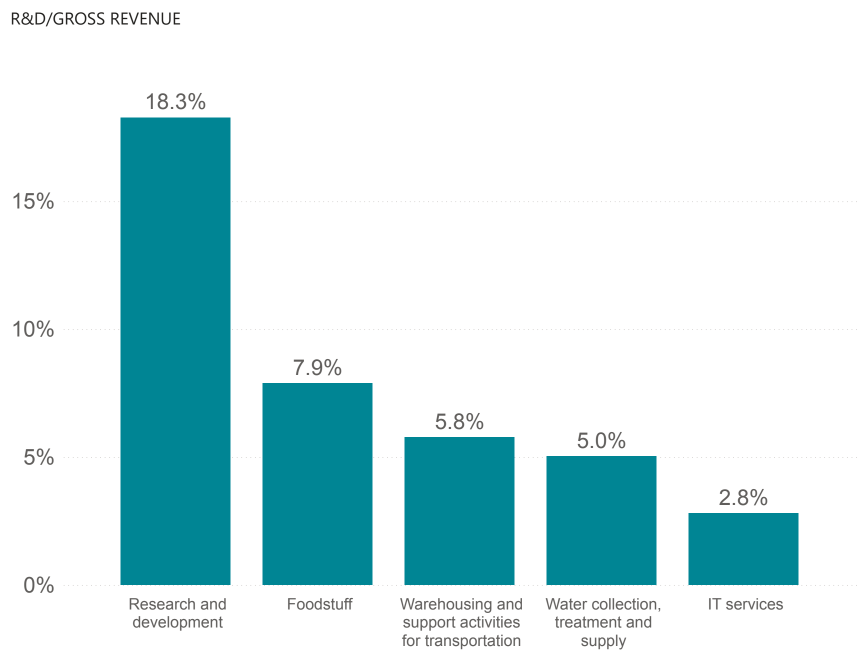
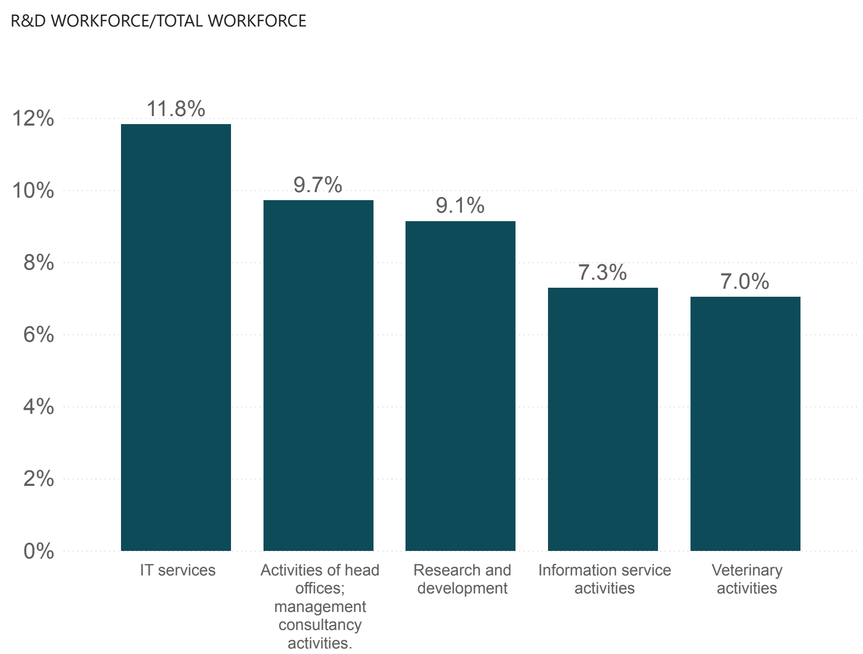
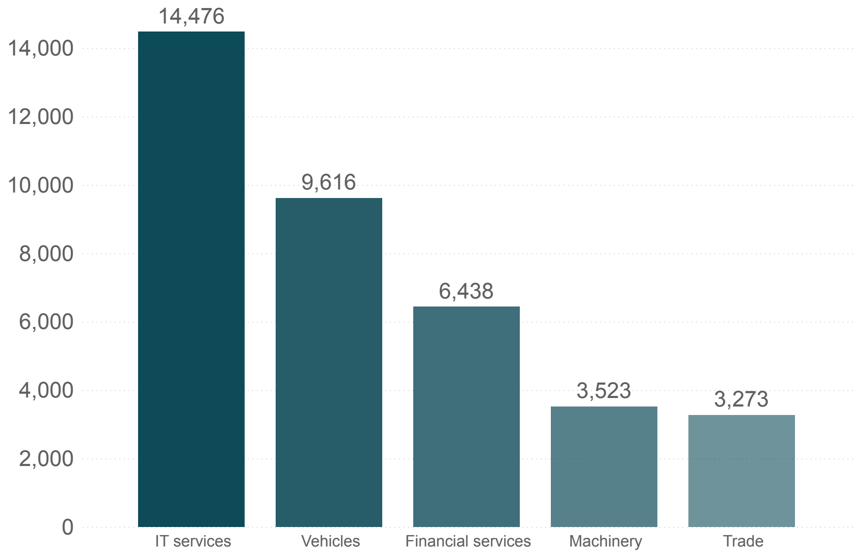


Figure 40 presents the sectoral distribution for the expenses of resident direct investment liability enterprises in R&D in relation to the number of employees, as well as the absolute amount of jobs. Among the five sectors with the highest share of employees dedicated to R&D, the information services sector stands out, with 11.8%. The share of the other four sectors varied between 9.7% and 7.0%. The same sector also reported the highest absolute number of employees dedicated to R&D (14,400), followed by vehicles manufacturing (9,600).

Figure 40 – Workforce in R&D



R&D WORKFORCE



Annex I – Direct investment methodology

Brazil's direct investment statistics are compiled in accordance with the most recent international methodological guidelines, established in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6) and the fourth edition of the OECD Benchmark Definition of Foreign Direct Investment (BD4). The BPM6 addresses external sector statistics methodology while the BD4 specifically covers direct investment statistics, with a more in-depth approach to some related topics. This annex shows the main concepts developed in the BPM6 and in the BD4, which are harmonized and complementary manuals that make up the methodological framework for the compilation and dissemination of direct investment statistics presented in this DIR and in other BCB publications.

Direct investment definition

A direct investment relationship exists when an investor in one economy holds 10% or more of the voting equity of a company or investment fund in another economy[9]. The direct investor is considered to have a long-term interest in the direct investment company and a significant degree of influence (or control, in the case of a share greater than 50%) in its management when holding 10% or more of the voting power. The motivation of the direct investor differs from that of the portfolio investor, as the latter does not seek to exert influence on the management of the invested company.

The direct investment relationship may occur in an immediate way, when the direct investor holds voting power equal to or greater than 10% in the invested company, or indirectly, when, for example, a company holds a subsidiary in another economy which in turn holds 10% or more voting power in a third company. Although the first company does not directly hold a share in the equity of the third company, it exerts influence or indirect control. Therefore, direct investment relationships may be transmitted through a chain of ownership. There is also a direct investment relationship between companies that have a common direct investor but do not

9 See paragraphs 6.8 to 6.14 of the sixth edition of the IMF's BPM6 and paragraphs 11 and 12 of the forth edition of the OECD's BD4.

exercise control or influence over each other. They are called fellow companies. These three forms of direct investment relationships (immediate, indirect and between fellow companies) represent the most general cases of relationships between companies belonging to the same economic group.

Direct investment transactions and positions are subdivided into two components: equity and intercompany debt. Equity includes voting power equity, which defines the existence of a direct investment relationship and occasional non-voting shares. In the case of liabilities, the equity component refers to non-resident investment in shares of companies resident in Brazil. In the case of assets, it refers to Brazilian resident investment in shares of companies resident abroad. In both cases, equity transactions include capitalization and decapitalization operations, in which the direct investor increases or reduces equity on the direct investment company, such as those of mergers and acquisitions, in which the direct investor buys or sells pre-existing shares in an invested company.

Intercompany debt are transactions of credits granted between companies of the same economic group. In general, these are loans, but they can also be trade credits, securities, and other instruments. As for liabilities, intercompany debt refers to credits granted by non-residents to companies resident in Brazil and, as for assets, credits granted by residents in Brazil to non-resident companies. Naturally, if the companies involved do not belong to the same economic group, the operation will not be considered intercompany debt, being classified in other investment categories.

The activities of the direct investment company may be funded by other companies of the multinational group, but also by third parties. For example, a direct investment company plans to build a plant by pooling resources via: i) capital injection by the parent company; ii) loan received from another subsidiary of the group, resident in another economy; iii) loan from a non-resident bank; iv) loan from a resident bank; v) issuance of securities in the domestic market, to be acquired by resident investors. Of the total value of the plant construction project, the capital contribution and the loan from the subsidiary, when they occur, will be recorded in the balance of payments as inflow of equity and intercompany debt, making up the direct investment. The loan from the bank abroad, when it occurs, will be a balance of payments transaction registered in the functional category other investments, and not direct investment. The funds obtained in the domestic market, from banks, and the issuance of securities purchased by local investors, are not balance of payments transactions because both parties are residents. Thus, the total value of the investment made by a direct investment enterprise does not necessarily correspond to the flow of direct investment to be observed in the balance of payments.

Asset/liability principle x directional principle

The direct investment statistics published by the BCB, including those of this DIR, comply with the asset/liability principle recommended by the BPM6.[10] However, transaction statistics according to the directional principle are also published as a memo item.

Under the asset/liability principle of direct investment all assets are presented in one component, direct investment assets, while all liabilities are presented in another component, direct investment liabilities. This separation is independent of the direction of influence, that is, whether it is the investor that takes or grants credit, or whether it is the invested company that takes or grants credit.

Therefore, direct investment assets comprise the following foreign assets:

- equity of a resident direct investor in a non-resident direct investment company;
- intercompany lending by a resident direct investor to a non-resident direct investment company;
- intercompany lending by a resident direct investment company to a non-resident direct investor (reverse investment, in the opposite direction of the influence).

Similarly, direct investment liabilities comprise the following foreign liabilities:

- equity of a non-resident direct investor in a resident direct investment company;
- intercompany lending by a non-resident direct investor to a resident direct investment company;
- intercompany lending by a non-resident direct investment company to a resident direct investor (reverse investment, in the opposite direction of the influence).

Under the directional principle, transactions and positions are allocated according to the direction of influence, always from the direct investor to the direct investment company. Also under this principle, with the treatment granted to reverse liabilities and reverse assets, respectively "asset-reducing liabilities" and "liability-reducing assets", Brazilian direct investments and foreign direct investments tend to be smaller than their corresponding direct investment assets and direct investment liabilities, in which assets and liabilities are presented in gross figures. However, for net direct investment (Brazilian direct investments minus foreign direct investments and direct investment assets minus direct investment liabilities), both concepts show identical results.

The classification of intercompany debt transactions between fellow companies considers the residence of their ultimate controlling parent. If the controller resides in Brazil, the classification is Brazilian direct investment, if the controller resides abroad, it is foreign direct investment.

10 The presentation of direct investment statistics according to the directional principle was a recommendation of the BPM5, while the asset/liability principle became standard in the BPM6 (see paragraphs 6.42 and 6.43 of the BPM6. The directional principle is presented as a supplement). The BD4 recommends to present statistics in both concepts (see paragraph 147 of the BD4).

The Brazilian direct investment component comprises transactions and positions in which the direction of influence is from Brazil to abroad, including assets but also reverse liabilities:

- equity of a resident direct investor in a non-resident direct investment company;
- intercompany lending by a resident direct investor to a non-resident direct investment company;
- intercompany lending by a non-resident direct investment company to a resident direct investor (reverse investment, in the opposite direction of the influence).

The foreign direct investment component comprises transactions and positions in which the direction of influence is from abroad to Brazil, including liabilities but also reverse assets:

- equity of a non-resident direct investor in a resident direct investment company;
- intercompany lending by a non-resident direct investor to a resident direct investment company;
- intercompany lending by a resident direct investment company to a non-resident direct investor (reverse investment, in the opposite direction of the influence). It is a liability-reducing asset.

Special Purpose Entities

Special Purpose Entity (SPE)[11] is a financial vehicle commonly used for channeling investments, including direct investments, between countries. Its growing utilization poses challenges for interpreting external sector statistics. This is a cutting-edge methodological subject, and its approach in the BPM6[12] was addressed in 2018 by the Task Force on Special Purpose Entities,[13] coordinated by the IMF with the participation of Brazil. The task force defined SPEs as institutional entities with zero to five employees, little or no physical presence, and little or no real activity in the economy where they are constituted. The SPEs should be directly or indirectly controlled by non-residents. The SPEs transact almost entirely with non-residents, and much of their balance sheet consists of cross-border assets and liabilities.

By establishing SPEs in specific jurisdictions, owners seek to: (i) ensure access to sophisticated capital markets or financial services; (ii) isolate financial risks; and/or (iii) reduce regulatory and tax burdens; and/or (iv) safeguard the confidentiality of transactions.

According to the task-force, some specific functions of the SPEs are: raising funds, often in open markets, and sending these funds to other companies of the same economic group; operating as a holding company, with no active management; operating as holdings of other financial and non-financial assets; holding the ownership of fixed assets leased to third parties; concentrating intangible assets

11 The SPEs here are not the same as the SPE provided for by Brazilian law. The latter are conceptual entities usually created to isolate financial risk from their activity. These entities are, in general, restricted and time-bound. The SPE are so characterized for statistical purposes, regardless of their legal format.
12 See paragraphs 4.50 to 4.52 of the BPM6.
13 Access the final report of the task force.

and intellectual property of the same economic group, and the receipt of royalties related to them; keeping and managing the assets of individuals and households.

Pass-through and round-tripping

"Pass-through funds" or "funds in transit"[14] are funds received from abroad by a resident enterprise which are later channeled to another economy. Thus, these funds do not remain in the economy of that company, which is often an SPE. Funds in transit may comprise equity or intercompany debt, making up the records of direct investment positions and transactions. These funds, due to their configuration, make it difficult to identify the origin and final destination of investment and have little or no influence on the economy they pass through.

Round-tripping[15] is a particular case of pass-through, which occurs when the ultimate host economy and the ultimate investing economy are the same. One example is when a company resident in Brazil invests in a company in a third country that, in turn, invests in a company resident in Brazil. A round-tripping operation may involve several intermediary companies in many countries.

Direct investment income

Income associated with direct investment is composed of earnings and interests. Equity generates earnings, while intercompany lending generates interest. Direct investment income is registered in the primary income account,[16] being a component of the current account in the balance of payments.

Direct investment earnings can be distributed to the direct investor or retained by the direct investment company. Given the significant degree of influence of the direct investor on the company's management, one assumes that the direct investor participates on the decision of maintaining the earnings in the invested company instead of distributing them. Reinvested earnings are offset by the increase in equity participation; it is registered in the current account and offset in the financial account of the balance of payments.

Direct investment earnings are registered in the balance of payments according to the proportion of the direct investor's participation in the direct investment company. For example, if the direct investor's participation is 70% (and the remaining 30% belongs to residents) this percentage is applied to the earnings of the direct investment company to calculate the share of the direct investor.

Reinvested earnings can be positive, when total earnings exceed those distributed, or, less often, negative, when the distributed amount exceeds the total earned. The latter may be a case of negative total earnings, i.e., loss. The distribution of values larger than total earnings is possible by distributing reserve earnings accumulated in previous periods. Whereas positive reinvested earnings imply equity expansion, negative reinvested earnings are offset by the reduction in equity.

14 See paragraphs 6.33 to 6.34 of the BPM6.
15 See paragraph 6.46 of the BPM6.
16 For the definition of primary income, see paragraph 11.3 of the BPM6.

Direct investment income receipts (credits in the balance of payments) represent the income associated with direct investment asset positions (direct investment of residents abroad) and comprise:

- earnings distributed to resident direct investors due to equity participation in non-resident direct investment companies;
- reinvested earnings of resident direct investors in non-resident direct investment companies, offset by the expansion of direct investment equity assets in the financial account. Should reinvested earnings be negative, they are registered as negative receipts offset by the reduction of direct investment equity; and
- interest on intercompany debt transactions on credit granted by a resident to non-resident entities belonging to the same economic group.

Expenses on direct investment income (debits in the balance of payments) represent the income associated with direct investment liability positions (direct investments of residents) and comprise:

- distributed earnings to non-resident direct investors on their equity in resident companies;
- reinvested earnings of non-resident direct investors in resident direct investment companies, offset by the expansion of direct investment liabilities – equity. If they are negative, they are registered as negative expenses offset by a reduction of direct investment liabilities.
- interest from intercompany debt on credit granted by a non-resident to resident entities of the same economic group.

In the balance of payments, reinvested earnings do not include capital losses and gains derived from exchange rate changes, revaluation of fixed assets, changes in the prices of financial assets, debt write-offs, among other non-operational events.[17]

Breakdown of changes in direct investment liabilities position

In external sector statistics, transactions are exchange of economic value between two institutional units resident in different economies. Transactions are recorded in the balance of payments, unlike the other flows (changes by exchange rate and by prices) and other changes in volume.

Exchange rate changes correspond to changes in positions resulting from fluctuations in the exchange rate between the USD and other currencies.[18] The position value varies as the exchange rates change because, in direct investment liabilities, companies that host direct investment in Brazil have their balance sheets expressed in BRL, meaning that fluctuations in the nominal exchange rate affect their value in USD. In direct investment assets, items denominated in currencies other than the USD are subject to exchange rate fluctuations.

17 See paragraphs 11.44 from the BPM6 and 208 from the BD4
18 The USD is the reference unity in the Brazilian external sector statistics.

Market price changes (preferred criterion for valuation of positions) result from changes in the share prices of companies listed in stock exchanges or from companies that present market value different from their book value due to the valuation method used (e.g. net present value, recent trading value of shares, or expert valuation).

Finally, the other changes by volume are calculated residually, considering reclassifications (e.g. from portfolio investments to direct investments, when the 10% of voting power threshold is exceeded by subsequent investments of the same investor) also capturing discrepancies between statistical sources used to measure positions, transactions, and changes by exchange rate and by prices.

Annex II – Sources for the compilation of direct investment

Brazilian Foreign Capital Survey (Censo)

The main data source for the compilation of statistics of flows, positions, and earnings of direct investment liabilities presented in this report is the Censo survey. The main goal is to measure the direct investment liabilities position, although the survey covers other modalities of external assets.

In the populational (quinquennial) reference-years 1995, 2000, and 2005, data reporting was mandatory for the following enterprises: i) those receiving external credits; and ii) those receiving direct or indirect foreign investments, with direct or indirect shares or quotas with voting rights held by non-residents of at least 10%, or at least 20% of the total capital.

From 2011, the Censo became annual (sample Censo), with differences in the coverage of samples from the corporate population when compared with the populational Censo. The populational Censo, conducted for reference years ending in five and zero, remains mandatory for all enterprises in which a non-resident investor holds equity. The sample Censo, in turn, covers a subset of these respondents, comprising large companies (equity equal to or greater than USD 100 million on December 31).

As of 2011, methodological and operational changes were introduced in both the populational and sample Censo, including: i) the introduction of market value as the preferred criterion for measuring the value of the resident direct investment enterprise, aligned with the international methodology for the external sector statistics. When the market value cannot be assessed, book value is the alternative valuation criterion for the enterprise; ii) identification of both the immediate investors and the ultimate controllers; and iii) consolidation of responses by economic group resident in Brazil, providing the rationalization of the survey, lower compliance costs, and reduction in the number of respondents.

As of 2024, the rules for responding to Censo surveys were modified. The populational Censo, carried out for the base years ended in five or zero, must be declared by enterprises in which one non-resident investor holds equity and the assets are worth at least BRL 100,000. The sample Censo, in turn, is now mandatory for enterprises holding assets worth BRL 100 million or above (the previous rule was net worth equal or above USD 100 million on December 31). The new rule better captures large enterprises (which may, for instance, have significant total profits or losses) despite low or negative net worth. Furthermore, the reference in domestic currency simplifies the application of the rule, since the accounting of direct investment liability enterprises is in BRL rather than in USD. The new rule exempted investment funds from the Censo report. Data on these funds are now sourced from BCB databases, with data from the Securities and Exchange Commission (CVM).

The number of respondents to the populational Censo is significant and has increased over the years (Figure 41). In 1995 – the survey's first edition – there were 6,322 respondents. In 2000, the subsequent edition, the number of respondents grew by 80% to 11,404. In 2005, the number of respondents increased by 54% to 17,605. In 2010, with the reformulation of the survey, enterprises that control economic groups in Brazil were allowed to respond to the questionnaire by consolidating their own responses with their subsidiaries'. Therefore, the number of respondents decreased slightly to 16,844. In 2015 an increase of 16% was observed, totaling 19,537 respondents. In 2020, there were 19,704 respondents, the record high for the populational Censo.

Figure 41 – Populational Censo (quinquennial) – Evolution in the number of respondents

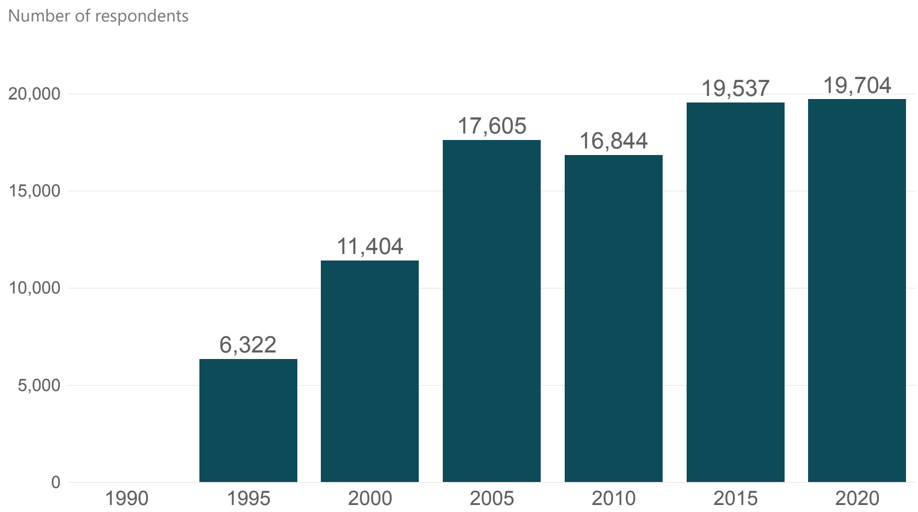
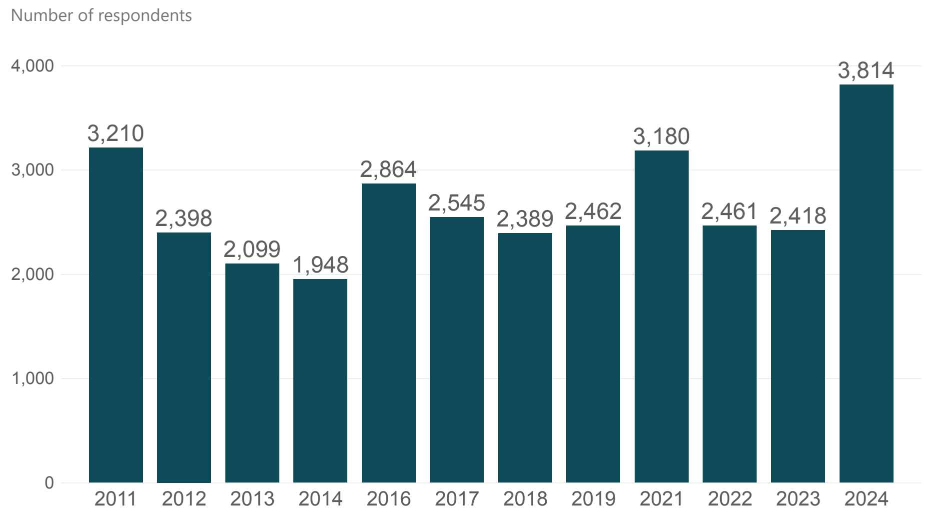


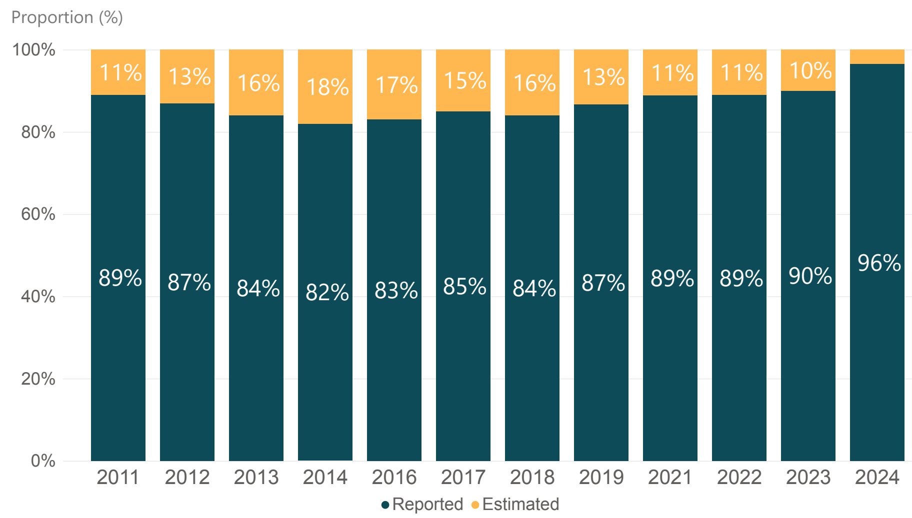
Figure 42 shows the number of respondents to the sample Censo, which totaled 3,814 enterprises in 2024.

Figure 42 – Sample Censo (annual) – Evolution in the number of respondents



Despite covering about 10% of the total of the populational Censo respondents, the sample Censo collects almost 80% of the direct investment liabilities – equity positions, due to the concentration of investments (Figure 43). In 2024, due to the BRL 100 million reporting threshold, instead of USD 100 million, the sample Censo coverage (coupled with the BCB databases for investment funds) reached 96%. The sample Censo is therefore an efficient way of producing direct investment liability statistics, as it obtains representative information from a small number of respondents. The estimates that complete the positions for the sample Censo are compiled from transactions recorded in foreign exchange contracts, exchange rate adjustments, and declarations in previous Censo editions.

Figure 43 – Direct investment liabilities – equity positions – Sample Censo (annual) and complementary and estimated databases



Direct investment liabilities data obtained through Censo surveys are validated through multiple consistency checks. By means of these multiple consistency checks, discrepancies found in the reported information are double-checked with the reporting enterprises and corrected.

Brazilian Capital Abroad Survey

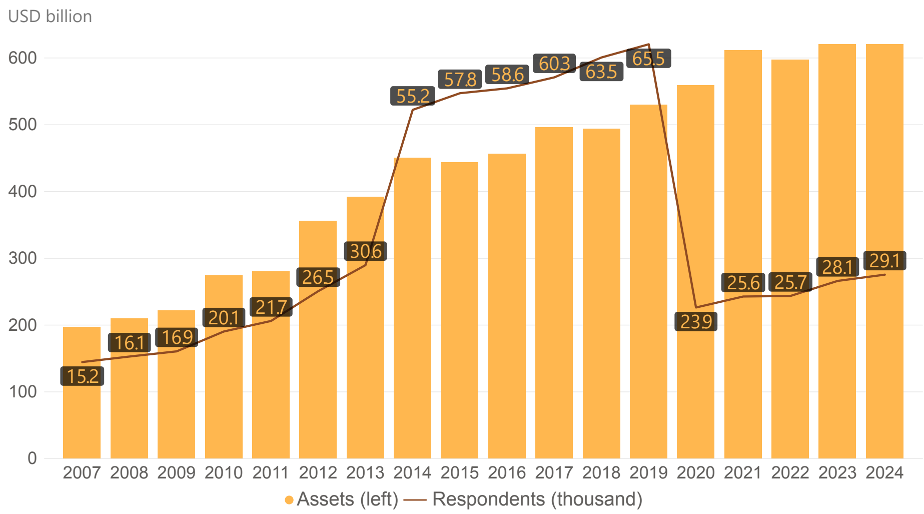
The data source for the compilation of statistics of direct investment asset positions and earnings presented in this DIR is the Brazilian Capital Abroad Survey (CBE).

Since the 2001 reference year, the CBE survey has been conducted annually by the BCB to measure the stock of foreign assets held abroad by residents in Brazil on December 31 of each year. This declaration was mandatory for individuals and legal entities resident in Brazil holding assets abroad, at the end of each reference year, worth USD 100,000 or above. The reporting threshold was raised from USD 100,000 to USD 1 million in 2020, considering overall assets and values kept abroad.

As of 2011, the CBE survey is conducted on quarterly basis, with the addition of base reporting dates relative to March 31, June 30, and September 30 of each year. The quarterly CBE is mandatory for individuals and enterprises resident in Brazil holding assets abroad, at the end of each quarter, worth USD 100 million or above.

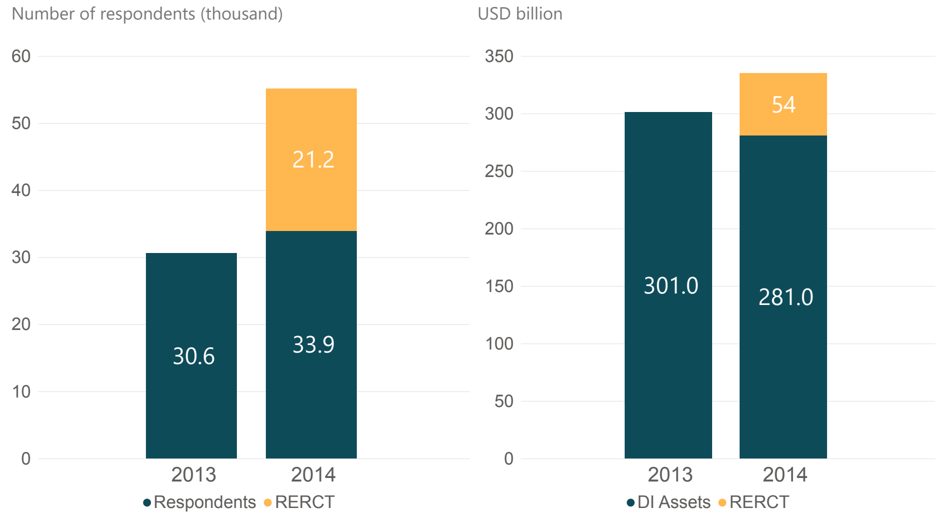
The number of annual CBE survey respondents rose from about 15,000 in 2007 to 65,500 in 2019 and 23,900 in 2020, after the increase in the reporting threshold from USD 100,000 to USD 1.0 million. In 2024, the number of respondents increased to 29,100. From 2007 to 2024, the position of assets abroad in all categories, except international reserves, increased from USD 196.7 billion to USD 654.5 billion (Figure 44).

Figure 44 – Annual CBE – Number of respondents and total foreign assets position



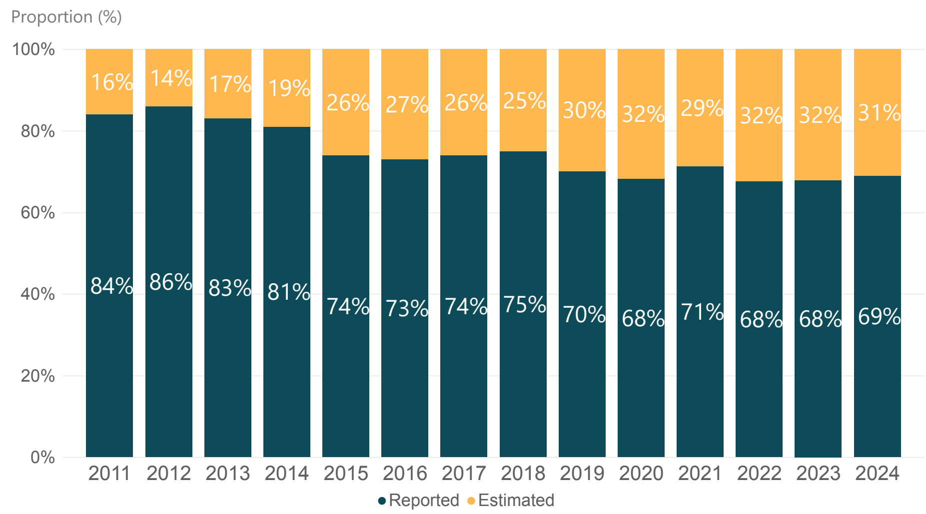
The number of CBE respondents changed significantly in 2014, due to the implementation of the Brazilian Special Regime for Exchange and Tax Regularization (RERCT), which promoted the regularization of Brazilian residents' previously undeclared assets abroad to the Special Secretariat of the Brazilian Federal Revenue Board. The RERCT, implemented in two stages, resulted in increases of almost 22,000 CBE respondents and USD 54 billion in the foreign assets position (Figure 45). The first stage of the RERCT, effective from the 2014 reference year position, resulted in more than 96% of the total value of regularized assets.

Figure 45 – RERCT – Impact of the first stage on the number of respondents and on the direct investment assets position



The number of quarterly CBE respondents is significantly lower than that of annual CBE respondents, given the difference between reporting thresholds of USD 100 million and USD 100,000/USD 1 million. The average number of quarterly respondents exceeded 500 from 2015 to 2024, accounting for less than 1% of the number of annual respondents. However, in an efficient way and with lower compliance cost, the quarterly CBE captured around 70% of the total direct investment assets position (Figure 46). The direct investment asset positions of investors not reporting to the quarterly CBE are estimated from the annual CBE.

Figure 46 – Quarterly direct investment assets position (annual average) from the CBE – Reported vs. estimated



Foreign Capital System – *Crédito*

The source of direct investment liabilities position considered as intercompany debt is the Foreign Capital System – *Crédito*. This system stores individualized information on financial transactions between resident debtors and non-resident creditors. Resident debtors are responsible for providing information and completing the records, which cover most debt instruments.

Each operation receives an individual identifier and contains detailed information, such as: i) type of financial instrument (loan, securities, long-term imports financing, among others); ii) principal amount and basic payment characteristics, such as grace period, frequency and number of installments; iii) interest payment basic characteristics, such as grace period, frequency, number of installments and interest rate; iv) amortization schedule; (v) information about the existence or not of ancillary charges, such as fees and commissions; vi) the reference currency; and vii) identification of all transaction parties and detailed classification of creditors, debtors, and guarantors.

Furthermore, the system requires information on payments and changes to the original contract, capturing all movements made through foreign exchange contracts or international transfers in BRL, automatically linked in these systems, in addition to transactions abroad, with no payment instruments registered in Brazil, through a declaration made by the responsible for this registration.

Providing information on external credit is necessary for the settlement of foreign exchange contracts related to the operation, making all information immediately available to statistical compilers.

Sistema Câmbio

The main source for the compilation of the balance of payments transactions, including direct investment, is the *Sistema Câmbio*. Through this system, financial institutions authorized to operate in the foreign exchange market electronically inform the BCB of their foreign exchange operations. The contracts registered in the system, which reflect transactions between residents and non-residents, contain information required for balance of payments compilation. The foreign exchange system is commonly known in other countries as International Transactions Reporting System (ITRS).

Foreign exchange codes identify direct investment transactions in the form of equity and distinguish direct investment liabilities from direct investment assets. The compilation of direct investment transactions in the form of intercompany debt, including the differentiation between operations from parent company to subsidiary, fellow enterprises, and subsidiary to parent company (reverse investment), is sourced from data sources other than the foreign exchange transactions.

Annex III – Review policy of direct investment statistics

The definitive sources for statistics of direct investment earnings are the CBE (credits from direct investment asset earnings, reinvested earnings, and distributed earnings) and the Censo surveys (expenses from direct investment asset earnings, reinvested and distributed earnings). The CBE, since reference-year 2012, and the Censo, since reference-year 2010, are the sources for statistics of direct investment earnings.

Data collected through these surveys follow international methodology, but do not have the monthly frequency and the four-week timeliness required for the dissemination calendar of balance of payments statistics by the BCB.

Direct investment earnings are estimated monthly and later replaced by data collected in the surveys. Reinvested earnings revenues are estimated using data collected in the quarterly CBE and international economy growth indicators. Reinvested earnings expenses are estimated using quarterly data collected in the Economic and Financial Statement (DEF) of the Electronic Declaratory Registry – Foreign Direct Investment (SCE-IED) system, profitability of publicly traded companies, monthly information from the Accounting Plan of the National Financial System Institutions (Cosif), the BCB Economic Activity Index – Brazil (IBC-Br), and other domestic sectoral indicators. For both revenues and expenses from distributed earnings, the sources for the monthly estimates are the foreign exchange contracts from the *Sistema Câmbio*, with daily frequency and timeliness, replaced only at the ordinary revision, based on the CBE and Censo data.

Definitive annual data from the CBE and Censo usually replace monthly estimates in July and November of the following year, , as informed in the BCB's statistical review calendar. In 2020, the BCB started incorporating the extraordinary revision of expenses (on reinvested earnings only) in July, using DEF source data. The DEF collects data regarding direct investment enterprises in the country on a quarterly basis and has a relevant sample that allows the BCB to bring forward the revision on an intermediary basis. The process of replacing the estimated data of the previous year with definitive data comprises the re-estimation of data for the current year as well, allowing the adjustment of the level and trend of the time series.

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