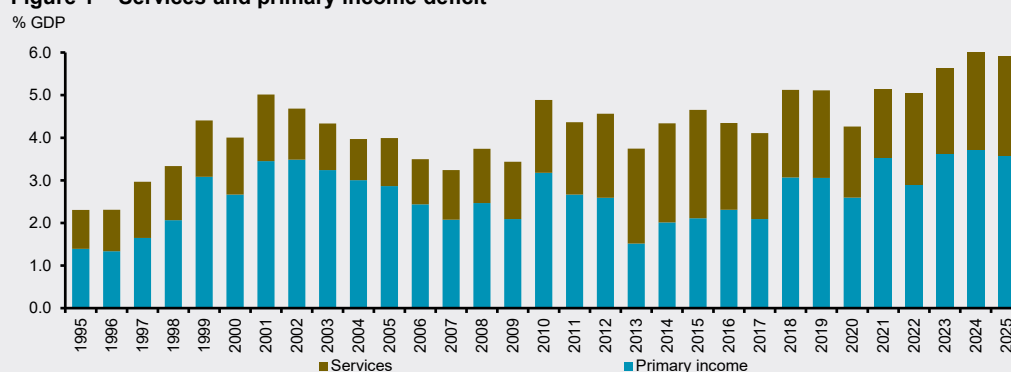


Services and primary income deficits in the balance of payments: recent dynamics and possible persistence

This box assesses the behavior of deficits in the services and primary income accounts of the balance of payments to identify whether part of the recent increase may be persistent, possibly reflecting movements of a more structural than cyclical nature. In the services account, expenses associated with the adoption of new information, communication, and data storage technologies stand out as the most persistent source of pressure. In the primary income account, the increase in expenses on profits and dividends may also persist for longer, as it does not only result from higher profitability but also from larger stock of direct investment liabilities.

The deficits in the services and primary income accounts of the balance of payments have reached record levels in recent years. Together, they accounted for 4.4% of the Gross Domestic Product (GDP) on average for the period from 2010 – the first year to include data on revenues and expenses on reinvested earnings – to 2017. This average increased to 5.3% of GDP for the 2018-2025 period, with the last three years recording the highest values in the series: 5.6% in 2023, peaking at 6.2% in 2024, followed by 5.9% in 2025 (Figure 1). These persistently high deficits have influenced the current account balance, more than offsetting the substantial surplus in the balance of goods. In this context, with the aim of identifying possible structural aspects related to the increase in the deficit, this box examines the behavior of the main components of the services and primary income accounts.

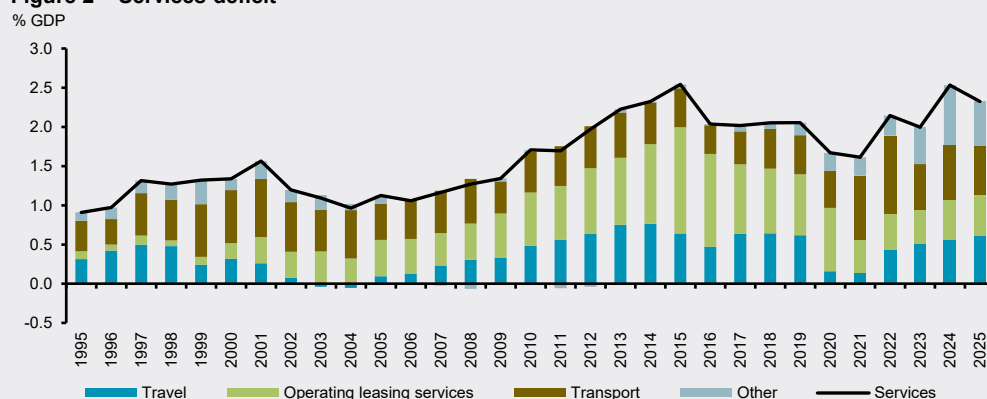
Figure 1 – Services and primary income deficit



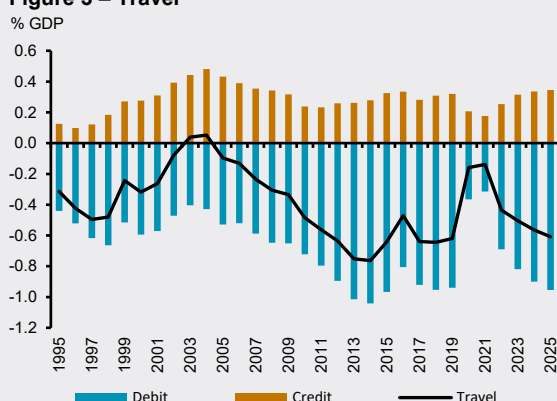
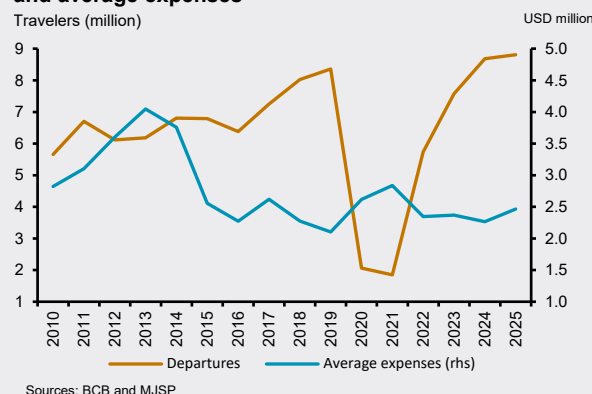
*Methodological changes have occurred over time, the most important being the incorporation of reinvested earnings in primary income from 2010.

Services

Between 2004 and 2015, driven by travel and operating leasing expenses, the deficit in the services account increased consistently, reaching its peak (2.5% of GDP) in 2015 (Figure 2). The reduction in spending in this latter category explains the decline in the services account deficit since 2016, a trend that intensified during the pandemic due to restrictions on international travel. From 2022 onward, the deficit in the services account resumed expansionist increase, now driven by higher spending on transport and recreational and digital services – the latter two included in the “Other” category. This dynamics and its implications can be analyzed based on the behavior of each specific component.

Figure 2 – Services deficit

The disaggregated analysis shows, for instance, that net travel expenses are at a similar level to pre-pandemic period and remain below the historical peak (0.8% of GDP) recorded in 2014 (Figure 3). Data from the Ministry of Justice and Public Security¹ show that 2025 registered a record number of international trips by Brazilians (Figure 4), in a context of post-pandemic normalization and BRL appreciation. Despite the high passenger flow, average spending on international travel² has remained stable since 2015 and below the level recorded between 2012 and 2014 – a period of a relatively favorable foreign exchange rate, expanding disposable income, and low unemployment. Fluctuations in travel expenses, except in the pandemic period, therefore seem to be associated with economic conditions, notably the foreign exchange rate and household income.

Figure 3 – Travel**Figure 4 – International travel by residents - departures and average expenses**

Net operating leasing expenses, in turn, are substantially lower than the record high in 2015 (Figure 5), after which successive reductions were observed until 2021. High expenses in this item are linked to the operational leasing strategy for oil and natural gas exploration assets, mainly oil rigs, made possible by Repetro.³ This special customs regime, in its initial conception, allowed the temporary admission of such assets with federal tax exemption. To take advantage of this tax benefit, units built in Brazil were fictitiously exported, such as the P-51 oil rig,⁴ which was leased after being formally exported. This structure created a fictitious increase in exports (Figure 6) and in expenses related to the leasing of these goods, the latter accounted for under operating leasing in the services account. In 2017, this and three other customs regimes were replaced by Repetro-Sped, which eliminated the need for fictitious exports and subsequent leasing to obtain tax benefits, and goods that had been exported in this way began to be fictitiously imported from 2018 onward. This regulatory change explains much of the fluctuation in the operating leasing deficit during the period.

1/ Residents' trips abroad were counted based on the [Portal de Imigração](#) (Immigration Portal – Portuguese only).

2/ To estimate average travel expenses, total travel expenses from the balance of payments were divided by the number of residents who left the country as recorded by the Ministry of Justice and Public Security.

3/ More details about Repetro are available on the Federal Revenue Office's [website](#) (Portuguese only).

4/ Example: contract 4600289064 signed between Petrobras headquarters and its subsidiary, PETROBRAS NETHERLANDS B.V. – PNBV, in 2008. Available at [Contratos | Petrobras](#) (Portuguese only).

Figure 5 – Operating leasing services

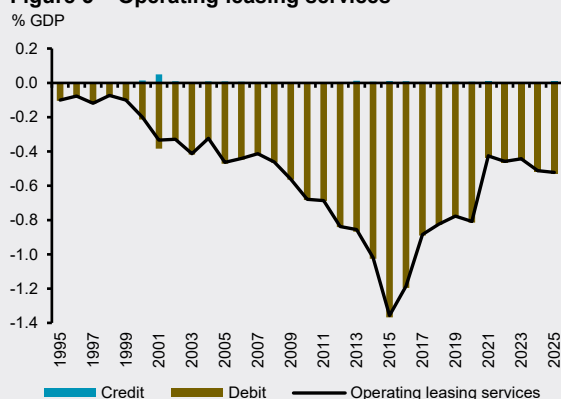
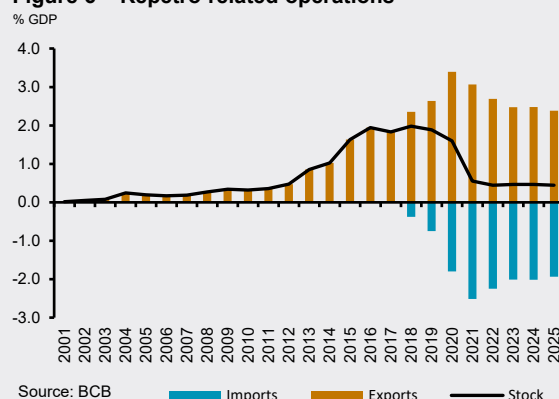
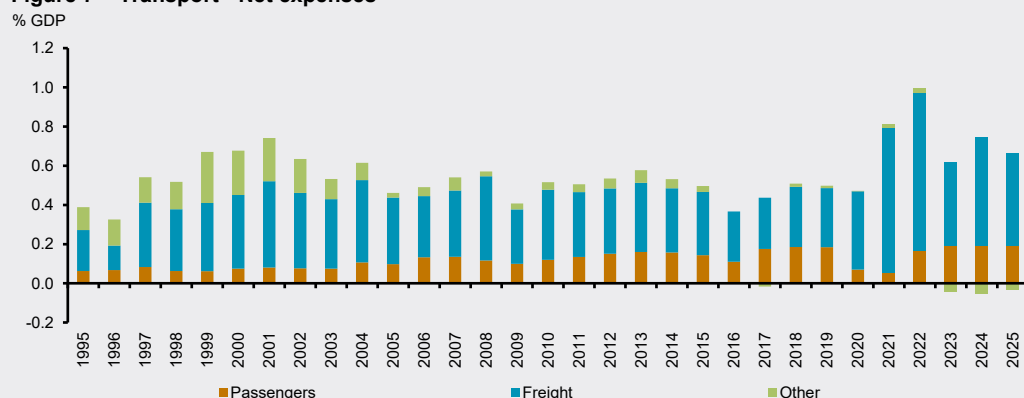


Figure 6 – Repetro-related operations



As for transport, even with the slight decline in 2025, net expenses remain slightly above the historical average (Figure 7). Most of these expenses are related to freight,⁵ whose prices increased significantly in 2021 and early 2022 (Figure 8),⁶ in the context of the Covid pandemic and in line with the increase in oil prices. Despite the normalization of prices from 2022 onward, specific shocks – such as attacks on ships in the Red Sea and operational restrictions in the Panama Canal – continued to generate volatility in the series. In contrast to this improvement in freight prices, the volume imported by Brazil resumed growth (Figure 9), influenced by the expansion of domestic aggregate demand and the fall in the prices of Chinese goods,⁷ which prevented freight costs from returning to pre-pandemic levels by 2025. Due to its impact on ship traffic in the Strait of Hormuz, the current conflict in the Middle East, which began in late February, is a new source of pressure on international maritime freight rates. Consequently, there may be repercussions from freight costs in the Brazilian economy if this situation persists.

Figure 7 – Transport - Net expenses



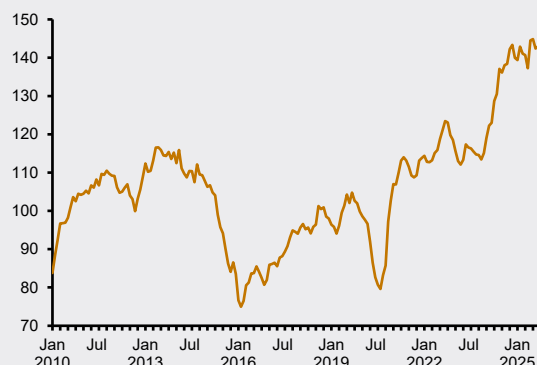
5/ In the [ordinary annual review](#) of November 2022 data, freight revenues and expenses began to follow the data disclosed by Secex.
6/ The increase in freight prices has already been addressed in the box [Brazilian supply chains pressure index](#) in the September 2022 IR and in the study [Impact of the increase in freight and insurance costs on prices imported from China](#), published in November 2024 on the BC Blog (Portuguese only). The latter also details the construction of the import freight price index, calculated using freight rates disclosed by Secex by means of Funcex methodology.
7/ On this topic, see box [Brazil's bilateral trade with the U.S. and China](#) in the June 2025 MPR.

Figure 8 – Freight prices

Index, 2019 = 100

**Figure 9 – Quantum Index - imports**

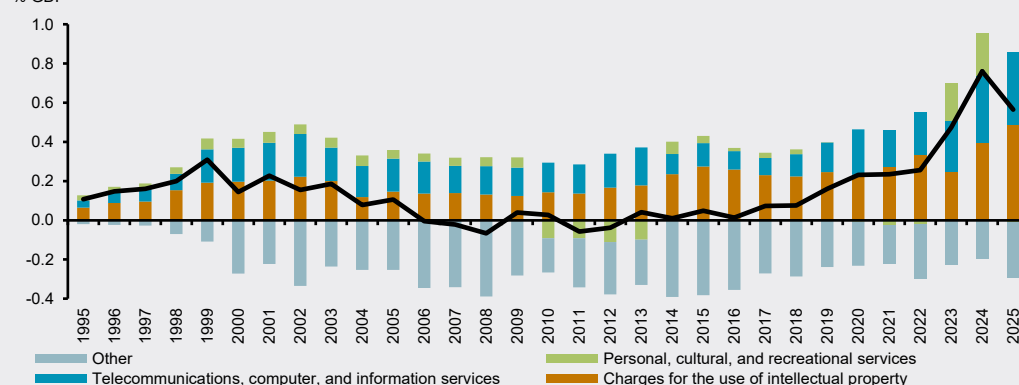
Index (2019=100), 3MMA s.a.



Finally, Figure 10 shows the behavior of the “other services” group and its components, an item that has grown consistently in recent years. Combined, net expenses on intellectual property services and technology services (telecommunications, computer, and information) reached 0.9% of GDP in 2025, more than double (0.4% of GDP) the figure recorded in 2019. They include, among others, services related to social media and digital advertising, as well as streaming and cloud computing. Especially after the pandemic, the intensive use of digital communication platforms and new information technologies have driven up spending on this item in the balance of services. Considering that these services are mainly developed and marketed by companies owned by non-residents, this item in the services account is expected to remain relevant in the external accounts.⁸

Figure 10 – Other services - net expenses

% GDP



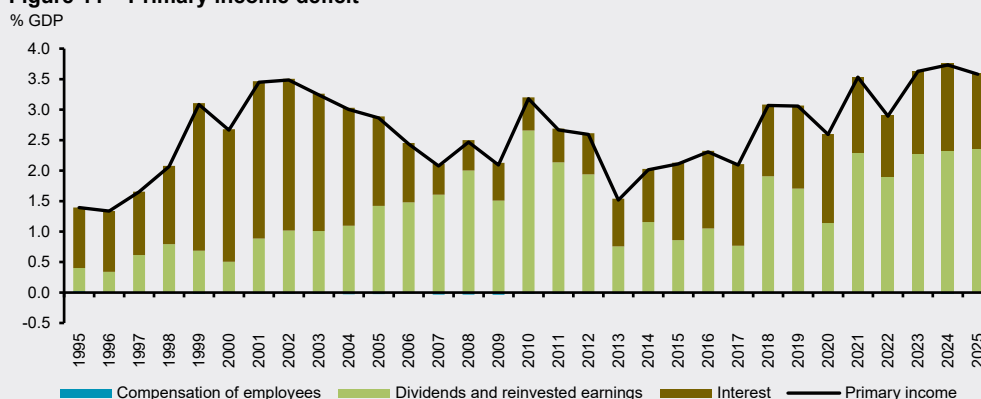
In summary, regarding the services account, part of the deficit behavior over time reflects a combination of cyclical factors (foreign exchange rates and household income affecting travel), regulatory change (Repetro and its impact on operating leasing), volatility in international trade, and domestic demand for imports (transport, via freight). In turn, the recent increase in spending on digital services appears to be more structural, as it is associated with changes in the behavior of households and companies in a context of new technological communication and information dynamics.

8/ Expenses on sports betting, which has also been affected by regulatory and technological changes in recent years, is compiled in the personal and recreational services account, which showed a 0.2% of GDP deficit in 2023 and 2024. However, this trend was reversed in 2025 with the regulation of sports betting, which required companies operating in the segment to have headquarters and a CNPJ (Corporate Taxpayer ID) in Brazil and authorization from the Ministry of Finance, reducing transactions with non-residents and shifting part of the expenses to the domestic market.

Primary income

The primary income account of the balance of payments reflects the remuneration of production factors between residents and non-residents and can be broken down into three components: compensation of employees; profits and dividends; and interest (Figure 11). Given its relevance, this box focuses on the latter two components. Over the last decade, net interest expenses have remained relatively stable, despite some fluctuations. Net expenses on profits and dividends, however, increased from 2021 onwards and have since averaged 2.2% of GDP, higher than the 1.3% of GDP observed in the previous five years.

Figure 11 – Primary income deficit



The increase in expenses on profits and dividends may reflect both a higher return rate and a larger stock of investments. Therefore, it is worth analyzing the international investment position (IIP), the statistical statement that shows the value of the stock of financial assets of residents of an economy, which comprises claims on non-residents, and the liabilities of residents of an economy, which constitute obligations to non-residents. Brazil's IIP balance, the difference between total assets and liabilities, has historically been negative (Figure 12).⁹ Some components of IIP liabilities generate interest expenses, such as securities and intercompany transactions, and others generate expenses on profits and dividends, such as shares and equity (Figure 13). Currently, most of Brazil's liabilities consist of direct investment liabilities and equity, the largest component of Brazil's external liabilities, which grew from 27% of GDP in 2010 to 47% of GDP in 2025.

Figure 12 – International Investment Position (IIP)

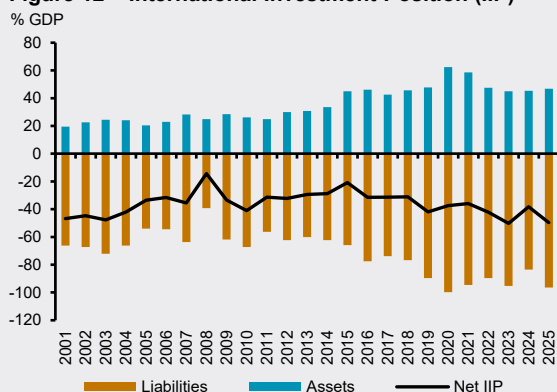
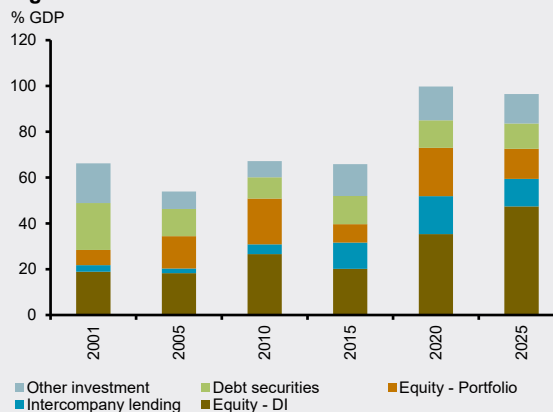


Figure 13 – IIP - Liabilities



This growth in direct investment liabilities – equity put pressure on expenses related to profits and dividends. Even with an increase in revenues, this item averaged a deficit of 2.2% of GDP over the last five years, in contrast to the average of 1.5% of GDP recorded between 2010 and 2019 (Figure 14). Finally, the profitability of direct investment liabilities – equity – estimated by the ratio of annual profit expenses to the stock held by non-residents – also grew, but more modestly, averaging 7.6% since 2021 compared with a 6.2% average in

9/ Quarterly historical data are available on the [Special Series](#) page of the Statistics section of the Banco Central do Brasil's website. The most recent yet preliminary data are disclosed in Tables 17 and 18 of the [External sector press releases](#).

the previous five years (Figure 15).¹⁰ Therefore, most of the increase in expenses on profits and dividends in the most recent five-year period seems to be more closely associated with the larger stock invested in Brazil rather than with a higher rate of return, which possibly increases the persistence of this source of pressure on the current account deficit in the balance of payments.

Figure 14 – Dividends and reinvested earnings

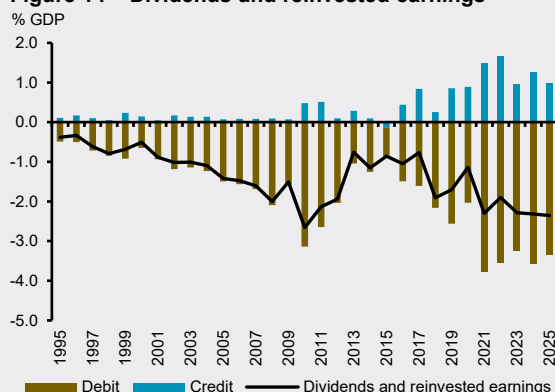
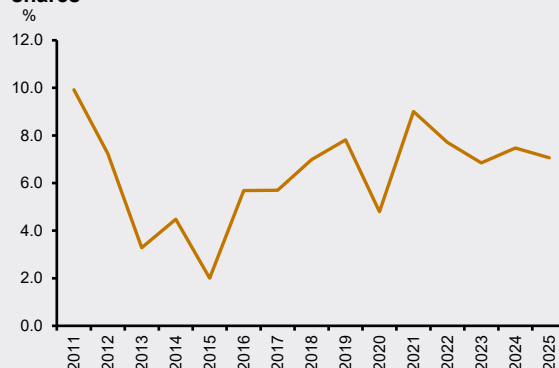


Figure 15 – DI return rate - Equity and investment fund shares



Net interest payments, the second largest item in the primary income balance, have remained relatively stable as a share of GDP over the last decade (Figure 16), despite some variation observed from 2021 to 2024 reflecting, with some lag, the international interest rates. However, the magnitude of recent movements is substantially smaller than that observed in the late 1990s and early 2000s, when the high level of expenses reflected very different structural characteristics of the Brazilian economy, such as high external indebtedness of the public and private sectors, high country risk, and greater dependence on short- and medium-term external loans (Figure 17). In recent years, despite fluctuations in domestic and international interest rates, as well as in sovereign and corporate spreads, the share of non-residents in the domestic Federal Securities Debt (DPMFi) has remained limited,¹¹ and funding has generally reflected longer-term interest rates, which respond with a lag to changes in monetary policy. Furthermore, the relevance of interest payments associated with intercompany transactions, which are a direct investment category and possibly subject to fewer rollover difficulties in times of crisis, has grown.

Figure 16 – Interest

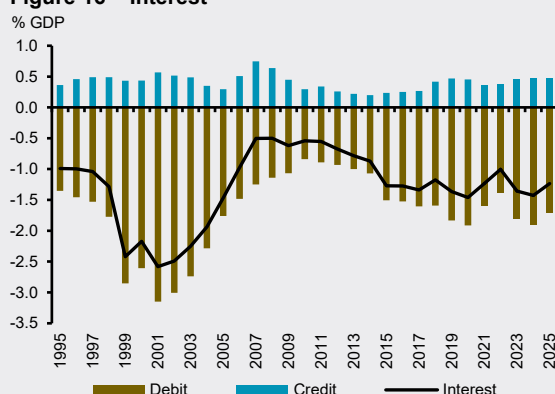
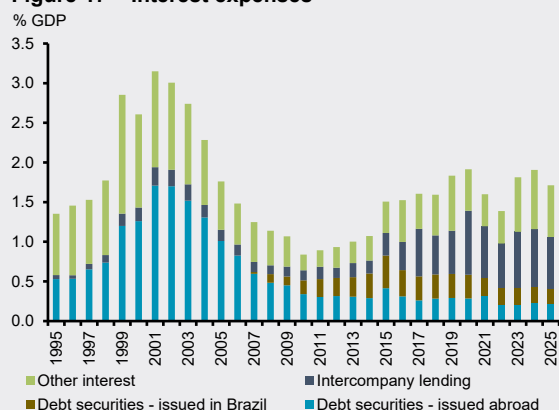


Figure 17 – Interest expenses



10/ Further information about the flows and positions of direct investment liabilities is available at [Direct Investment Report](#), released annually.

11/ Foreign share in the DPMFi has been hovering around 10% since 2020. The peak of this series was 20.8%, in May 2015.

Conclusion

Evidence suggests that two potentially persistent factors contributed to the recent increase in the current account deficit: (i) the rise in expenses on technology-related services, driven by the digitization of the economy and growing demand for data services; and (ii) higher expenses on profits and dividends arising from the increase in direct investment liabilities – equity. These factors may continue to exert some pressure on the current account deficit in the balance of payments, even when cyclical factors are acting in the opposite direction.