2017 and 2018 balance of payments projection

Table 1 – Balance of payments forecasts

US$ billion

Itemization	2016		2017		2018
	Jan-Nov	Year	Jan-Nov	Year[1/]	Year[1/]
Current account	-17.6	-23.5	-5.4	-9.2	-18.4
Balance on goods	40.8	45.0	59.4	64.0	59.0
Exports	168.6	184.5	199.7	217.0	225.0
Imports	127.7	139.4	140.3	153.0	166.0
Services	-27.1	-30.4	-30.2	-33.1	-37.7
Travel	-7.5	-8.5	-12.1	-13.5	-17.3
Other	-19.5	-22.0	-18.1	-19.6	-20.4
Primary income	-34.1	-41.1	-36.7	-42.5	-42.1
Interest	-18.8	-21.9	-19.7	-21.3	-16.9
Dividends	-15.5	-19.4	-17.3	-21.5	-25.5
Others	0.3	0.3	0.3	0.3	0.3
Secondary income	2.7	2.9	2.1	2.4	2.5
Capital account	0.3	0.3	0.3	0.4	0.4
Financial account	-10.4	-16.4	-0.6	-8.8	-18.0
Investments – assets[2/]	33.9	45.7	59.3	68.8	77.5
DI assets	7.9	12.8	2.9	5.0	5.0
Port. inv. exc. banks	-0.9	-0.7	9.7	11.0	10.0
Banks' assets	-4.7	-1.7	-4.7	-0.2	8.5
Other assets	31.5	35.3	51.4	53.0	54.0
Investments – liabilities	52.1	70.3	72.6	84.6	103.4
DI liabilities	62.9	78.2	65.0	75.0	80.0
Total shares[3/]	9.3	10.6	2.9	3.0	5.0
Debt sec. in Brazil	-24.6	-26.7	0.7	-	-
Loans and debt sec. abroad long term	-18.0	-15.5	-8.3	-7.3	-2.6
Debt sec. public	1.9	1.8	-2.7	-2.7	-
Debt sec. private	-5.2	-5.5	1.7	-	-
Direct loans	-11.5	-13.4	-1.6	-	-
Other[4/]	-3.1	1.6	-5.7	-4.6	-2.6
Loans and debt sec. abroad short term	3.0	4.4	-3.5	-5.0	-
Other liabilities[5/]	19.6	19.4	15.8	18.9	21.1
Financial derivatives	-1.1	-1.0	0.1	-	-
Reserve assets	8.9	9.2	12.5	7.0	8.0
Errors and omissions	7.0	6.9	4.5	-	-
Memo:					
Current account/GDP (%)	-1.1	-1.3	-0.3	-0.4	-0.9
FDI/GDP (%)	3.8	4.4	3.5	3.7	3.8
Rollover rate (%)	64.6	63.7	100.2	100.0	100.0

1/ Forecast.
2/ Includes direct investment, portfolio investment and other investments.
3/ Includes equities traded in stock exchanges in Brazil and abroad.
4/ Includes banks', buyers', bilateral and multilateral loans.
5/ Includes trade credit liabilities and other liabilities.

This box presents the revision of the projections for the balance of payments in 2017 and 2018. The new estimates take into account statistics released since the September Inflation Report, the evolution of domestic and international economies and the most recent data on stock and service of the country's external indebtedness.

A more favorable than expected trade balance in 2017 – sustained by price behavior, volume of commodities and gains in the terms of trade – and lower payments of interest – based on the update of the external debt position from June 2017 to September 2017 – conditioned the revision of the current account transactions deficit from US$16 billion to US$9.2 billion (0.4 percent of GDP).

The trade surplus is projected at US$64 billion, a consequence of annual expansions of 17.6 percent in exports and 9.7 percent in imports, estimated at US$217 billion and US$153 billion, respectively. The revision of trade balance reflected, mainly, the positive performance of external sales of oil, iron ore, the soybean complex and automobiles, in this order.

The estimate for the services account deficit remains at US$33.1 billion. Projections for net expenses on the leasing of equipment for international travel remained unchanged at US$17 billion and US$13.5 billion, respectively.

The projection for net interest payments in 2017 was estimated at US$21.3 billion (US$23.5 billion in the previous projection), considering the new debt service payment schedule based on the September 2017 position. Estimates for net remittances of profits were revised to US$21.5 billion (US$23 billion in the previous projection). The estimates for net inflow of secondary income remained unaltered.

The projection for net inflows of direct investment in the country (IDP) during 2017 was kept at US$75 billion (3.7 percent of GDP) largely surpassing the funding requirements forecasted for current account transactions. The estimate for direct investments abroad (IDE) was increased from US$3 billion to US$5 billion, considering the recent flows, which showed more expressive outflows in the recent months.

With regard to portfolio investments, it is worth noting the significant build-up of assets abroad in the form of securities and, mainly, in the form of funds. This fact resulted in a forecast revision from neutral position to net outflow of US$11 billion in the year. In the scope of the portfolio investment liability, the projections for net inflows in equity and investment funds remained in US$3 billion, in line with the gradual recovery of expectations regarding the Brazilian economy.

The rollover rate for 2017 was 100 percent, calculated according to the long-term loans and securities traded, in line with the recent results and the international market outlook.

The projection of the current account deficit for 2018 changed from 1.4 percent of GDP to 0.9 percent of GDP, a result that shall be easily compensated by the projected inflow of direct investment.

The trade balance surplus is estimated at US$59 billion, an increase of US$8 billion in relation to the previous projection, due to estimates of a 8.5 percent expansion in imports and a 3.7 percent expansion in exports, which are expected to totalize US$166 billion and US$225 billion, respectively.

In the considered scenario, there were no alterations in projections for net services expenditures, which shall grow 14 percent relatively to the forecast for 2017. Net travels expenses are estimated at US$17.3 billion, in comparison with US$13.5 billion in 2017, evolution consistent with the prospects of continuity of domestic income recovery. The projection for net primary income expenditures changed from US$45.8 billion to US$42.1 billion, especially the revised debt service payments, which reduced net interest expenditures from US$20.5 billion to US$17.9 billion.

The projection for net inflows of foreign direct investment (IDP) in 2018 remained at US$80 billion (3.8 percent of GDP), standing as the major funding resource of the balance of payments. The expected investments reflect the favorable prospects for the Brazilian economy in the long-term. Brazilian investments overseas are estimated to reach

US$5 billion in 2018 (US$3 billion in the previous projection), a historically low level.

On the side of assets, the projection for portfolio investments was reviewed from neutral to net outflows of US$10 billion. The alteration reflects the prospect of continuity of the movement observed in the second half of 2017. Net inflows from non-resident investors in portfolio instruments shall reach US$5 billion in 2018, whereas net investments in securities in the country shall remain stable. The projection for the rollover rate for direct loans and long-term securities in the international market remained at 100 percent, same level expected for 2017.

The projection for the balance of payments financial gap reaches a surplus of US$3 billion, compared to a surplus of US$10 billion in the previous Inflation Report. The change incorporates the decline, from US$7.2 billion to US$3.2 billion, in the results of the Central Bank's repo credit line operations. In this context, it is projected that banks operating in the Brazilian exchange market shall reduce in US$0.2 billion the balance of its deposits held abroad.

Table 2 – Balance of payments – Financial gap[1/]

US$ billion

	2016*		2017*		2018
	Jan-Nov	Year	Jan-Nov	Year[2/]	Year[2/]
Current account	-17.6	-23.5	-5.4	-9.2	-18.4
Interest on debt securities issued in the country – expenses	-6.0	-6.0	-6.2	-6.2	-5.5
Interest on international reserves – receipts	2.7	3.0	3.4	3.8	4.0
Reinvested earnings – receipts	1.2	1.3	1.4	1.6	2.0
Reinvested earnings – expenses	-8.6	-9.1	-4.7	-5.2	-8.0
Current account – financial gap	-7.0	-12.8	0.6	-3.2	-10.9
Financial account	-7.4	-16.2	-2.0	-6.2	-23.3
Assets	37.4	46.0	62.5	67.4	67.0
Direct investment assets, other than reinvestment of earnings	6.7	11.5	1.4	3.4	3.0
Portfolio investment, except banks	-0.9	-0.7	9.7	11.0	10.0
Other investment, except banks	31.5	35.3	51.4	53.0	54.0
Liabilities	37.5	55.2	61.7	73.2	89.9
Direct investment liabilities, other than reinvestment of earnings	54.3	69.0	60.4	69.8	72.0
Portfolio investment, except reinvested interest	-24.5	-25.8	-3.9	-5.9	-0.5
Other investment	7.8	12.0	5.2	9.3	18.4
Others	-7.2	-6.9	-2.8	-0.4	-0.4
Financial gap[3/]	0.4	3.4	2.6	3.0	12.5
Net Banco Central interventions[4/]	5.1	5.1	7.2	3.2	4.0
Banks: asset changes[5/]	-4.7	-1.7	-4.7	-0.2	8.5

1/ Excludes all transactions settled through international reserves or in domestic currency, except for foreign exchange market interventions, and domestic transaction settled in reais.

2/ Forecast.

3/ + = surplus in the foreign exchange market; - = deficit in the foreign exchange market.

4/ + = increase of international reserves; - = decrease of international reserves.

5/ + = increase in the assets owned by banks; - = decrease in the assets owned by banks.

* Preliminary data.

The scenario for 2018 implies a financial gap surplus of US$12.5 billion in the balance of market payments, in comparison with a previous projection of a surplus of US$20.7 billion. The Central Bank of Brazil repurchases shall reach US$4 billion and the balance of deposits held abroad by banks shall increase US$8.5 billion.