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Economic Analysis
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Brazil Flash

Strong imports and profit remittances drive current account deficit up in November

Current account deficit reached USD 6.8bn in November, broadly in line with expectations, due to the dynamism of imports (4.6%m/m SA; 21.8%y/y) and the increase in profit remittances. The 12-month current account deficit reached 2.0% of GDP. We expect it to close the year at 2.1% and to move up to 2.9% in 2012.

- **External trade (still) remains robust in spite of global moderation.**
  Brazilian trade surplus dropped from USD 2.4bn in October to USD 0.6bn in November as the dynamism of imports increased in November (4.6%m/m SA) after some moderation at the beginning of Q3. Exports also expanded in November (1.5%m/m SA) but at a lower pace. External trade continues robust in spite of the recent deterioration of the external environment. The recent dynamism of imports is in line with a slight recovery of activity in the end of the year, but more data is needed to support this claim (especially because today we also got to know that job creation dropped to 43 thousand in November from 126 thousand in October). In the year up to now, trade surplus reached USD 26bn (+75%y/y). It should close the year slightly below our forecast (USD 29bn). For the next year we expect exports to be more affected by the moderation of the global economy and trade surplus to decline to USD 12bn.
- **High profit remittances; high current account deficit.**
  Net profit remittances increased to USD 4.2bn after two months of lower-than average outflows (in Sep/Oct remittances averaged USD 1.8bn in comparison to USD 3.2bn in the eight first months of the year). Higher remittances added to a weaker trade surplus and drove the current account deficit to USD 6.8bn in November -the highest deficit in nominal terms ever- from USD 3.1bn in October. In the last 12 months, the current account deficit reached USD 49.3bn (2.0% of GDP). We expect it to close 2011 at USD 50.8bn (2.1%) and 2012 around USD 74.9bn (2.9%). We do not expect problems for the country to fund these deficits in spite of global turbulences. Recent data support this view: in November FDI slowed but remained at high levels (USD 4.1bn; USD 75.4bn -3.1% of GDP- in the last 12 months) and portfolio inflows reached USD 3.1bn (recovering from around zero in the last two months).

For more on Brazil, **click here**

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