



# Economic Observatory

August 18, 2009

## Balance of Payments, 2<sup>nd</sup> quarter 2009

Alejandro Puente  
[apuente@bbva.cl](mailto:apuente@bbva.cl)

- The trade balance ensures the current account is in surplus
- The capital and financial account moves into deficit after three quarters of surplus

The balance of trade recorded a surplus of USD 3,177 million in the second quarter of 2009. The accumulated balance for the first half of the year amounts to USD 5,728.3 million (39.4% down on the same period in 2008). The balance of trade was not only substantially lower than the figure for 2Q 2008, but also reflected significant falls in exports and imports. The value of exports (FOB) for the second quarter was USD 12,361 million (32.9% down on 2Q 2008). There were major falls in prices (30.7%) and, to a lesser extent, in volumes (3.2%). Exports in the mining sector fell by 40%, mainly as a result of the drop in the price of copper, molybdenum and ferromolybdenum. Exports in the Agricultural, Livestock, Forestry and Fishing sector fell by 21%, and industrial exports fell by 23.4%. Both of these two sectors were affected by falls in prices and volumes.

The value of total imports (CIF) in the second quarter was USD 9,789 million, 39.7% down on the figure for 2Q 2008, as a result of almost identical falls in prices (22.3%) and volumes (22.4%). Consumer goods, at USD 1,870 million, fell by 39.3% year-on-year, in line with total imports; capital goods fell 32.5% to USD 1,552 million, with intermediate goods (USD 5,397 million) posting a major fall of 43.2%, mainly due to the reduction of 54.1% in oil prices during this period.

The current account had a surplus of USD 1,131 million, with an accumulated figure to June of USD 1,396.7 million, 12.4% less than in 1S 2008. The improvement was mainly the result of improved performance by the goods and services account, as the income account increased its deficit to USD 2,732 million (from USD 2,499 million). The income account was down USD 5,231 million in 1Q 2009 compared with the same period in 2008, as a result of lower returns from direct investment in Chile.

After three consecutive quarters of surplus, the capital and financial account registered a deficit of USD 975 million in 2Q 2009. This deficit is mainly the result of portfolio investment abroad by pension funds, and the maturity of Chilean bonds. The result was a deficit in this part of the account of USD 5,402 million, compared with a surplus of USD 61 million in the first quarter. Direct investment fell from USD 1,799 million in the first quarter to USD 857 in the second, basically as a result of capital outflows. Finally, the "other investment" category improved from net outflows of USD 1,220 million in the first quarter to inflows of USD 3,110 million, mainly as the result of the withdrawal of government deposits from abroad and the low level of commercial loans in the first few months of the year. As a result, **the balance of payments registered an overall surplus of USD 463 million in the second quarter**, giving an accumulated deficit of USD 3 million in the first half of 2009.

**Appraisal:** The performance of exports has been better than forecasted at the start of the year, mainly due to a significant recovery in copper prices. Imports, however, have registered significant falls in both prices and volumes. As a result, the trade balance was better than expected. However, the expected recovery in economic activity in the second half of the year, particularly in demand, should lead to a tightening in the foreign balance.