

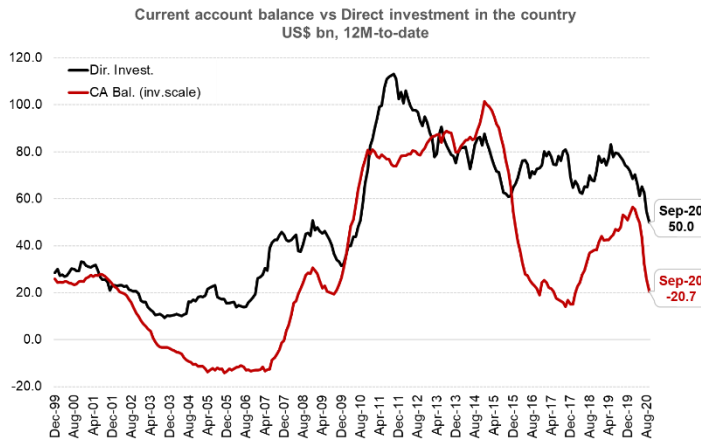
**Brazil Macro: External Sector**

**Balance of Payments – September 2020**

Jankiel Santos\*

[jankiel.santos@santander.com.br](mailto:jankiel.santos@santander.com.br)

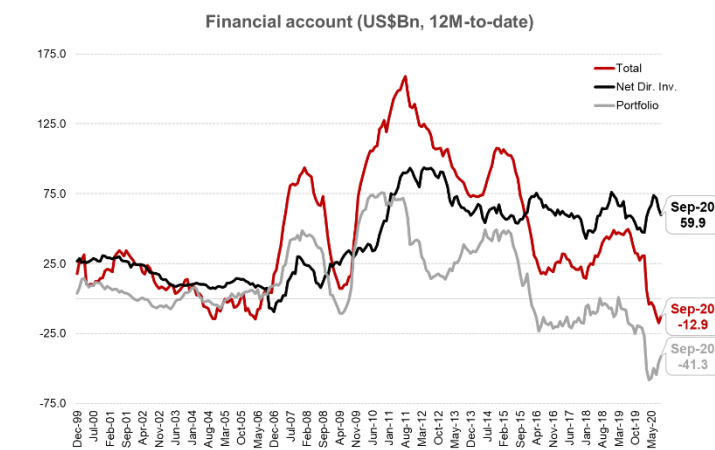
(+55 11) 3012 5726



Source: Brazilian Central Bank, Santander.

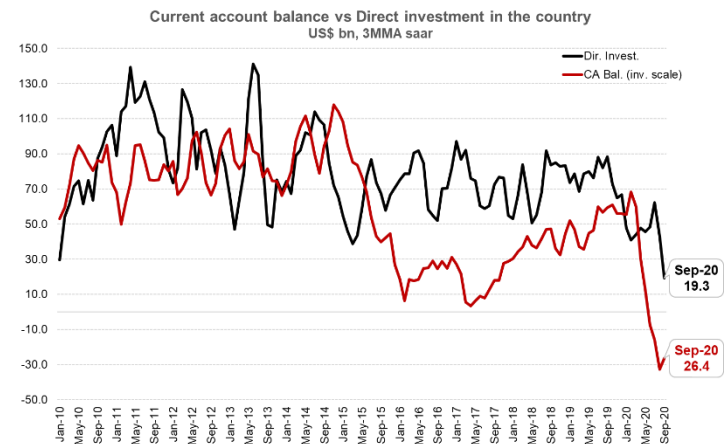
continuation of the Brazilian economic recovery that we expect in the coming months should lead to some deterioration in that pace, and September data seems us to have been a turning point in the recent trajectory of improvement.

Despite the positive indications shown by the continuation of the adjustment in the current account balance, we highlight the behavior of direct investments in the country (IDP, in the Brazilian acronym), which came in short of our estimate (USD1.6 billion vs USD2.0 billion) and led volume in 12-month-to-date terms to decline to USD50.0 billion, compared with USD73.5 billion in December 2019, reflecting market participants' skepticism concerning the prospects for the Brazilian economy. It is true that IDP



Source: Brazilian Central Bank, Santander.

The release of Brazilian sector data for September 2020 indicates that the current account balance registered a USD2.3 billion surplus in the period, which was below our estimate (USD2.7 billion) and the market median forecast (USD3.0 billion). The outcome reinforces our assessment that the current account deficit is likely to continue to shrink in 12-month-to-date terms, as this gauge receded to USD20.7 billion last month compared with USD50.9 billion in December 2019. When we adjust figures for their seasonal pattern and annualize the average of the last three months (3MMA saar), we get an indication that the current account balance is running at a rate that indicates the possibility of generating a USD26.4 billion annual surplus. However, it is important to bear in mind that the



Source: Brazilian Central Bank, Santander.

volume remains more than enough to finance Brazil's current account deficit, thus indicating a comfortable situation regarding Brazilian external financing needs, in our view, but the downward trajectory is also an indication to us that the Brazilian economy needs to improve its business environment in order to lure international investors. The 3MMA saar outcome indicates that IDP is running at a rate compatible with a USD19.3 billion inflow, a level not seen since 2006.

On the other hand, September was the fourth month in a row in which foreign investors have increased their portfolio of Brazilian financial assets in the domestic market (USD1.2 billion), with fixed income bonds accounting for the bulk of that (USD2.2 billion), whereas the equity portfolio registered a USD1.0 billion outflow. In

**IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE "IMPORTANT DISCLOSURES" SECTION OF THIS REPORT.**

U.S. investors' inquiries should be directed to Santander Investment at (212) 350-0707.

\*Employed by a non-US affiliate of Santander Investment Securities Inc. and is not registered/qualified as a research analyst under FINRA rules, is not an associated person of the member firm, and therefore may not be subject to FINRA Rules 2241 and 2242 and incorporated NYSE Rule 472 restrictions.



---

our view, that is a signal that the risk premium implied in the domestic fixed income market has reached an attractive level. Curiously, Brazilian investors have also increased their portfolio of foreign financial assets by the same amount (USD1.2 billion), with a more balanced distribution between equities and mutual funds (USD0.5 billion and USD0.6 billion, respectively). That amount is in line with the average monthly flows observed this year, and, in our opinion, it is not evidence that Brazilian citizens are sending their money out of the country in an uncontrolled fashion.



## CONTACTS / IMPORTANT DISCLOSURES

### Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Juan Cerruti *	Senior Economist – Argentina	jcerruti@santander.com.ar	54 11 4341 1272
Ana Paula Vescovi*	Economist – Brazil	anavescovi@santander.com.br	5511-3553-8567
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Guillermo Aboumrad*	Economist – Mexico	gjaboumrad@santander.com.mx	5255-5257-8170
Piotr Bielski*	Economist – Poland	piotr.bielski@santander.pl	48-22-534-1888

### Fixed Income Research

Juan Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santanderrio.com.ar	5411-4341-1065
Mauricio Orenge*	Senior Economist/Strategist – Brazil	mauricio.oreng@santander.com.br	5511-3553-5404
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778

### Equity Research

Miguel Machado*	Head Equity Research Americas	mmachado@santander.com.mx	5255 5269 2228
Alan Alanis*	Head, Mexico	aalanis@santander.com.mx	5552-5269-2103
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Claudia Benavente*	Head, Chile	claudia.benavente@santander.cl	562-2336-3361
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Daniel Gewehr*	Head, Brazil	dhgewehr@santander.com.br	5511-3012-5787

### Electronic

Bloomberg  
Reuters

SIEQ <GO>  
Pages SISEMA through SISEMZ

This report has been prepared by Santander Investment Securities Inc. ("SIS"; SIS is a subsidiary of Santander Holdings USA, Inc. which is wholly owned by Banco Santander, S.A. "Santander"), on behalf of itself and its affiliates (collectively, Grupo Santander) and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy any relevant securities (i.e., securities mentioned herein or of the same issuer and/or options, warrants, or rights with respect to or interests in any such securities). Any decision by the recipient to buy or to sell should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with and available from the entity governing the related market and the company issuing the security. This report is issued in Spain by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa"), and in the United Kingdom by Banco Santander, S.A., London Branch. Santander London is authorized by the Bank of Spain. This report is not being issued to private customers. SIS, Santander London and Santander Investment Bolsa are members of Grupo Santander.

**ANALYST CERTIFICATION:** The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed, that their recommendations reflect solely and exclusively their personal opinions, and that such opinions were prepared in an independent and autonomous manner, including as regards the institution to which they are linked, and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report, since their compensation and the compensation system applying to Grupo Santander and any of its affiliates is not pegged to the pricing of any of the securities issued by the companies evaluated in the report, or to the income arising from the businesses and financial transactions carried out by Grupo Santander and any of its affiliates: Jankiel Santos\*.

\*Employed by a non-US affiliate of Santander Investment Securities Inc. and not registered/qualified as a research analyst under FINRA rules, and is not an associated person of the member firm, and, therefore, may not be subject to the FINRA Rule 2242 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

The information contained herein has been compiled from sources believed to be reliable, but, although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgment as at the date of this report and are subject to change without notice.

Any U.S. recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with SIS, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934) for this report and its dissemination in the United States.

© 2020 by Santander Investment Securities Inc. All Rights Reserved.

