

Brazil Optimism Pushes Foreign Investment to Six-Year High (1)

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By Mario Sergio Lima

(Bloomberg) -- Foreign direct investment in Brazil soared to a six-year high in December as investors abroad kept an optimistic view of the country's long-term prospects, the central bank said.

Brazil attracted \$15.4 billion in foreign investment last month, more than twice the amount expected by economists in a Bloomberg survey, and the strongest monthly performance since December 2010. In the whole of 2016, foreigners poured \$78.9 billion in Brazil, more than enough to finance the country's current account deficit of \$23.5 billion.

"December's foreign direct investment was really something," Fernando Rocha, deputy head of the central bank's economic research department, told reporters in Brasilia. "It shows foreigners hold a positive long-term view of the country."

Investors remain generally optimistic that Latin America's largest economy will emerge from its worst recession on record this year, even as economists surveyed by the central bank have recently cut their 2017 growth forecasts and the International Monetary Fund warned of near-stagnation this year.

December's investment performance was boosted, in particular, by operations in the auto industry, as well as in the retail and power sectors, Rocha said. Yet overall investment has been "quite widespread" across a number of sectors, he added.

External Adjustment

Brazil's current account deficit narrowed to less than half of the previous year as the recession curbed imports and reduced Brazilians' spending abroad, bolstering the trade surplus.

The country's current account, the broadest measure of trade in goods and services, recorded a deficit of 1.3 percent of gross domestic product in 2016, with a \$5.9 billion gap in December. Economists surveyed by Bloomberg forecast a gap of

\$4.5 billion in December.

While the deficit is expected to increase to 1.43 percent of GDP in 2017, according to central bank estimates, foreign investments should continue to make up for the shortfall.

--With assistance from Rafael Mendes.

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