

Brazilian Foreign Reserves at Record US\$ 233 Billion

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Foreign reserves for Brazil reached US\$ 232.9 billion at the end of October, up from US\$ 224.2 billion at the end of the previous month. In the first ten months of 2009, reserves were up 26.1 billion. Reserves ended last year at 206.8 billion.

Reserves grew sharply from 2005 through mid-2009 after the central bank started purchasing dollars from the spot market in October 2005. Reserves were at US\$ 53.78 billion at the end of 2005.

The level declined beginning in October 2008 as the central bank loaned dollars to Brazilian businesses in the face of the global credit crunch. The central bank also sold dollars directly from the reserves to the foreign exchange market via spot auctions.

However with returning global financing, Brazil in October posted its highest monthly foreign exchange inflows for the year so far. According to the central bank, net foreign exchange inflows in October totaled US\$ 14.60 billion, up from US\$ 4.64 billion in outflows reported in the same month last year.

Central bank data showed heavy investment inflows during October, while trade inflows remained moderate. Net investment inflows during the period totaled US\$ 13.11 billion, while the country registered net trade inflows of US\$ 1.49 billion.

The central bank said the net trade result in October was based on US\$ 14.30 billion in export receipts and US\$ 12.81 billion in import payments overseas. Incoming investment, meanwhile, totaled US\$ 39.71 billion, while investment outflows totaled US\$ 26.59 billion.

Analysts note Brazil saw strong flows of incoming investment in October as a result of local share offers and overseas debt sales by local companies. Among highlights during the month was an initial public share offer by Banco Santander, which raised more than US\$ 6 billion.

The foreign exchange flow figures reported on Wednesday brought Brazil's year-to-date net inflows of US\$ 22.86 billion, compared with US\$ 12.55 billion in inflows reported during the same period a year earlier.

Brazil in 2008 posted net foreign exchange outflows of US\$ 983 million, compared with record US\$ 87.45 billion in net inflows reported during 2007. The annual net foreign exchange outflows in 2008 were the first posted by the country since 2002.

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