

BRAZILIAN CAPITAL ABROAD (CBE) SURVEY – BASE-YEAR 2014

I – Introduction

The Brazilian Capital Abroad (CBE) survey is carried out annually since the base-year 2001 by the Brazilian Central Bank (BCB) with the purpose of measuring the stocks of foreign assets held by Brazilian residents on December 31 of each year. The declaration is mandatory for natural persons and legal persons holding assets abroad, at the end of a base-year, equal or above US\$100 thousand.

The statistics compiled through the CBE survey complete the Brazilian accounting of total foreign assets and, together with country's foreign liabilities, allow the assessment of the International Investment Position (IIP), which, combined with the balance of payments, compose the chief statistics concerning the Brazilian foreign sector. All these statistics are mandatory for countries participating in the Special Data Dissemination System (SDDS), an initiative of the International Monetary Fund (IMF) aimed to enhance the dissemination, transparency and comparability of economic data. Furthermore, data collected through CBE allows the country to participate in the Coordinated Portfolio Investment Survey (CPIS) and in the Coordinated Direct Investment Survey (CDIS), both carried out by the IMF with the purpose of measuring the global stocks of portfolio investments and Foreign Direct Investments (FDI), as well as their distribution by recipient countries.

Data collection and compilation of results regarding the CBE survey base-year 2014 followed the guidelines of the IMF Balance of Payments and International Investment Position Manual 6th edition (BPM6) and the Organization for Economic Co-operation and Development (OECD) Benchmark Definition of Foreign Direct Investment (BD4).

II – Respondents

The number of respondents of the CBE survey base-year 2014 increased by 21.3% as compared to the base-year 2013, exceeding 37 thousand, the highest ever recorded level. By comparing with the first CBE survey (base-year 2001), the number of respondents rose by

217%. The CBE survey base-year 2014 was answered by 33,169 natural persons – 22.8% up from the previous base-year – and 3,916 enterprises – 10% up in the same comparison basis.

III – Economic Results

The CBE survey calculated total assets of US\$394.2 billion in the base-year 2014, 0.7% up from 2013. Brazilian Direct Investments abroad (Foreign Direct Investments) amounted to US\$294 billion, a slight reduction of 0.5% in the same comparison basis. Portfolio investments added up US\$28.2 billion (an expansion of 11% against 2013), financial derivatives, US\$609 million (a reduction of 5.7%), and other investments, US\$71.3 billion (an expansion of 1.8%). The stock of real estate abroad reached US\$5.7 billion, as compared to US\$5.4 billion in the 2013 position (an expansion of 5.4%).

In 2014, equity capital participation of Brazilian residents in companies abroad, considering a share of 10% of the capital or more, added up US\$269.8 billion, a reduction of 1.1% when compared to 2013. Equity investments accounted for 91.8% of the Brazilian Direct Investment stock in the year, and the remaining 8.2% referred to intercompany loans.

The distribution of assets related to Brazilian Direct Investment – equity capital remains concentrated. Out of the stock of US\$269.8 billion, 60% refers to assets belonging to residents holding more than US\$1 billion invested abroad, a group comprising 37 respondents. At the same time, 9,623 investors hold less than US\$10 million – 86.8% of total respondents – accounting for US\$17 billion of the stock of BDI – equity capital, nearly 6.3% of the total declared. Similarly, under the prism of invested companies abroad, the largest 41 enterprises, for which the individual value exceeds US\$1 billion, adds up US\$145.8 billion, equivalent to 54% of the total stock of BDI – equity capital. On the other hand, US\$18.1 billion are composed by 10,271 invested enterprises, for which the individual value is lower than US\$10 million.

As for the geographic distribution of investments, the stock of BDI – equity capital is concentrated on the following countries: Cayman Islands (US\$53.3 billion, 1,170 investors), Austria (US\$48.1 billion, 45 investors), Netherlands (US\$29.1 billion, 238 investors) and British Virgin Islands (US\$27.8 billion, 4,945 investors), which together account for more than 58.6% of the total. In the Cayman Islands and British Virgin Islands, the stock of BDI –

equity capital is concentrated on financial activities (US\$49.6 billion and US\$17.7 billion, respectively). With regard to the Austria and Netherlands, the principal invested sector is mining (US\$32.9 billion and US\$16.1 billion, respectively), while financial activities represent the second most important sector (US\$6.2 billion and US\$7.2 billion, respectively). It should also be highlighted the participation of the Spain and United States, 6% and 4.4% of the total, respectively. Tax havens continue to receive a large amount of BDI: in addition to the Cayman Islands, 19.7%, and British Virgin Islands, 10.3%, it is significant the participation of Bahamas, 8.4% and Luxembourg, 7.7%.

With regard to the classification by sector of invested companies, services account for 64.7% of the total stock of BDI – equity capital, totaling US\$174.5 billion and 11,230 investors. It should be mentioned the segments of financial services and auxiliary activities, US\$123.4 billion and 6,044 investors, of which US\$44.5 billion is held by natural persons. The sector of crop, livestock, and mineral mining accounts for 19.3% of the total, adding up US\$52 billion and 198 investors. It is noteworthy the segments of metallic mineral mining, US\$32.4 billion, and oil natural gas extraction, US\$16.6 billion. The industrial sector accounts for 16.1% of the total stock, amounting to US\$43.4 billion and 412 enterprises, concentrated on metallurgy (US\$12.5 billion) and beverages (US\$11.6 billion).

Intercompany loans, a BDI modality that encompasses any type of credit granted to affiliated companies and branches abroad, came to US\$24.2 billion at the end of 2014, of which US\$15.7 billion referring to trade credits. In terms of geographic distribution, highlights included credits granted to the Netherlands (US\$3.2 billions), Cayman Islands (US\$2.9 billions), and the United States (US\$2.8 billion). With regard to the sector of debtor companies, mention should be made to the sector of services (US\$14.3 billion) and industry (US\$6.6 billion).

Brazilian portfolio investments abroad totaled US\$28.2 billion, of which the modality investments in stocks (equity) reached US\$18.6 billion, mainly directed to the United States (US\$8.2 billion), Cayman Islands (US\$1.6 billion) and Bermudas (US\$1.6 billion). Fixed-income securities added up US\$9.6 billion, comprising US\$6.3 billion in short-term operations and US\$3.3 billion in long-term operations, both of which mainly directed to the United States (US\$2.8 billion and US\$1.8 billion, respectively).

Resources held in the country by financial institutions under the modality of foreign currency and deposits abroad totaled US\$37.3 billion, attributable to accounts in the United States, US\$20.4 billion, 54.7% of the total, and Cayman Islands, US\$6.7 billion, 18%. Real estate abroad added up US\$5.7 billion, mostly located in the United States, 36.7%, and France, 11.2%. The account “other assets”, which accumulated a stock of US\$4.4 billion in 2014, includes financial assets not precisely identified or classified among any of the aforementioned modalities.