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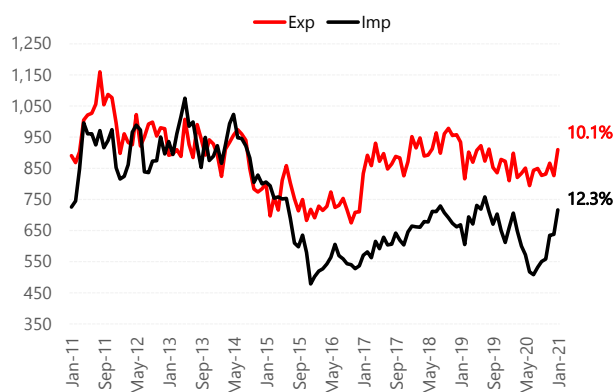
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(Partially) Sunk by platforms

- As widely expected, oil imports weighed on the trade balance in January 2021, which registered a deficit (USD1.1 billion) in the period, but by a smaller amount than we had estimated (USD2.5 billion imbalance).
- Stripping out oil-platform deals from both exports and imports, the resultant USD0.9 billion surplus seen last month was the eightieth consecutive positive result in these terms, which meant a surplus of USD61.7 billion in 12-month-to-date terms instead of the official number of USD51.6 billion.**
- On the other hand, **the performance of the 3-month moving average of seasonally adjusted figures in annualized terms indicated a surplus of USD51.7 billion on the margin last month, which was the fourth consecutive decline as imports have outpaced exports once again.**
- The shape of imports recovery reminds us of the one registered by the Brazilian economy in 2H20 and, given our expectation for a more gradual pace in coming months, we think imports should also slow down, thus opening room for another sizeable trade surplus in 2021 (USD65.2 billion).**

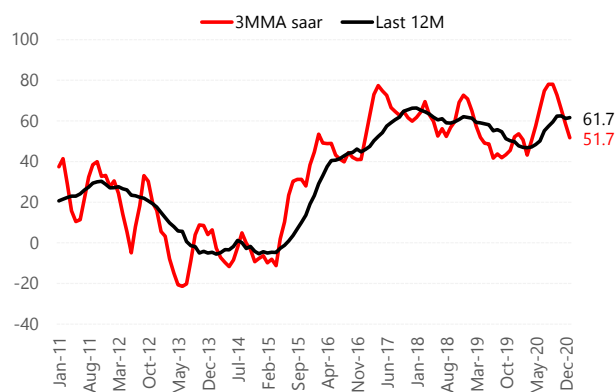
The Brazilian trade balance registered a USD1.1 billion deficit in January 2021, which was smaller than our estimate (USD2.5 million), on the heels of an acceleration in exports in the last week of the month—which led them to reach USD14.8 billion versus our estimate of USD14.2—and a deceleration in imports, which totaled USD15.9 billion (our estimate was USD16.7 billion). Based on that, the trade surplus reached USD51.6 billion in 12M-to-date terms in January 2021 as compared with a USD51.0 billion positive outcome in the previous reading.

**Figure 1 – Trade Balance ex-platforms
(USD million/working day, s.a.)**



Sources: SECINT, Santander.

**Figure 2 – Trade balance ex-platforms
(USD billion, 3MMA saar)**



Sources: SECINT, Santander.

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The outcome reinforced our perception that exports were less hard-hit than imports in the early stages of the pandemic. Nonetheless, the latter have continued to show signs of recovery lately. According to our calculations, when we factor out deals related to oil platforms—which are not really either exports or imports, but rather accounting operations derived from tax issues—and adjust for the number of working days in the month, the exports daily average increased 10.1% MoM in seasonally adjusted (s.a.) terms (or 12.4% YoY) in January.

As for the imports daily average, after having broken a six-month streak of contractions in August 2020, it has registered the sixth consecutive seasonally-adjusted monthly increase in the period (+12.3% MoM s.a., according to our calculations). The improvement trend is similar to the one observed by the Brazilian economy in 2H20 and, given our expectation for some accommodation in activity in the coming months, a slowdown should also be observed in the expansion of imports ahead.

In any case, by annualizing the exports and imports daily average of the last three months, we come to an indication of a USD51.7 billion annual trade surplus, which is lower than our forecast for 2021 (USD65.2 billion). However, it is important to note that the annual trade surplus registered in January 2021, factoring out oil platforms, amounted to USD61.7 billion, which was a small expansion as compared with December 2020 (USD61.2 billion). However, given our expectation for commodity prices to continue to run at favorable levels and the international trade to remain on the rise, we continue to see room for exports to outpace imports during this year. Consequently, despite meagre, we take the small expansion as a positive signal for our assessment.



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