

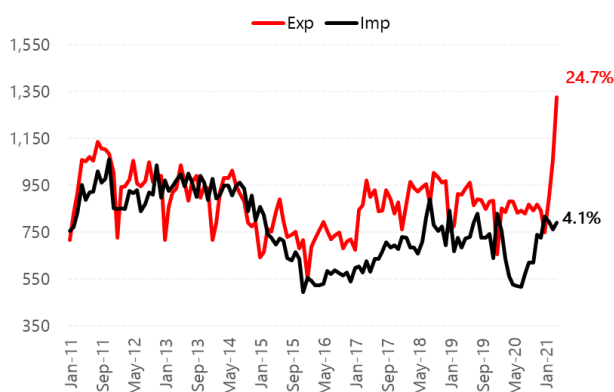
LOWER THAN EXPECTED, BUT AT THE HISTORICAL PEAK

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- The USD10.3 billion trade surplus in April 2021 fell short of our estimate (USD12.1 billion) on the heels of a slowdown in exports coupled with acceleration in imports in the last week of the month.
- However, this does not change our perception that external sector data should remain positive in the medium term, as it is at a new historical peak.
- What's more, the daily average of the last three months in seasonally adjusted terms points to an annual surplus of USD79.5 billion, which is close to our current forecast (USD78.4 billion) and substantially higher than the market's median estimate (USD64.0 billion).
- All in all, we believe that the strength of the Brazilian external sector data should continue to work as an important counterweight to the skepticism regarding the domestic fiscal environment.

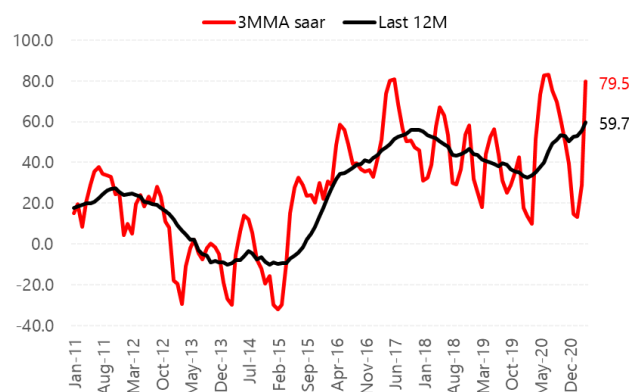
The Brazilian trade balance registered a USD10.3 billion surplus in April 2021, which was smaller than our estimate (USD12.1 billion), as exports slowed down in the last week of the month and imports gained some traction. Despite that deceleration, exports' daily average in the period managed to deliver significant 24.7% growth on a seasonally adjusted basis, while imports' daily average delivered a more modest expansion in the same terms (4.1%). That is, the gradual recovery that the Brazilian economy has shown of late is leading to a slow increase in purchases of external goods. On the other hand, key trading partners for Brazil have registered a stronger revival, which combined with the weakness in the BRL has boosted exports.

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



Sources: SECINT, Santander.

Figure 2 – Trade balance
(USD billion, 3MMA saar)



Sources: SECINT, Santander.

Therefore, it is not surprising that the trade balance on a 12-month-to-date basis has shown an upward trend since early 2020 and that the average of the last three months has been pointing to a robust annual outcome close to our forecast (USD79.5 billion versus USD78.4 billion, respectively). What's more, given that market participants' median estimate is currently at USD64.0 billion, we believe consensus expectations should rise in the coming weeks.

IMPORTANT DISCLOSURES/CERTIFICATIONS ARE ATTACHED.

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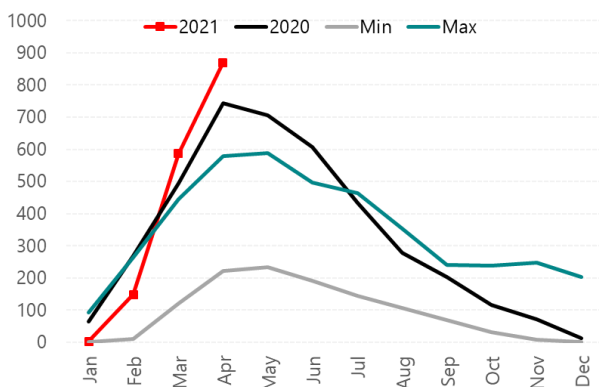
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After all, two items that played an important role in the trade surplus of 2020 (soybeans and animal proteins) have already shown some signs of continued strength. Regarding the former, it is true that the volume shipped year to date was below what we saw in 2020 until February 2021, but the increase observed in the last two months indicates that problems that were delaying product shipments have now been surmounted. As for the volume of animal proteins, its evolution has also started to outpace the pace observed in 2020, which reinforces our perception that the group will contribute importantly to the Brazilian trade balance in 2021.

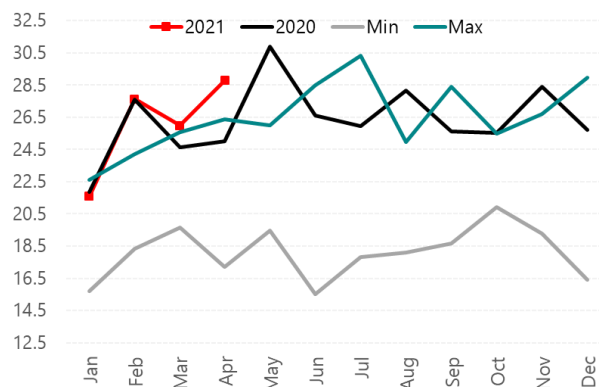
In sum, albeit being lower than our expectation, we believe the reported trade surplus should not be labelled a disappointment.

**Figure 3 – Soybean exports
(kilo-tons/working day)**



Sources: SECINT, Santander.

**Figure 4 – Animal protein exports
(kilo-tons/working day)**



Sources: SECINT, Santander.



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