

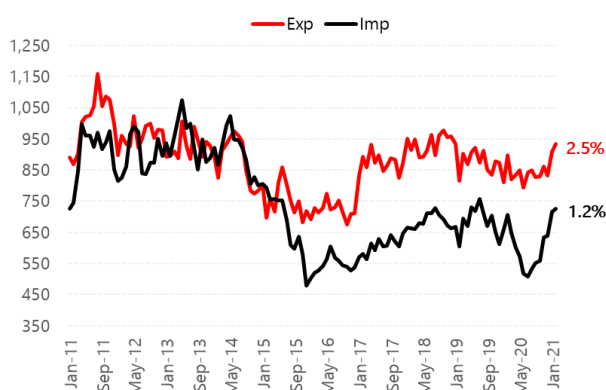
TURNING POINT

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- On the heels of stronger-than-expected exports, and imports in line with estimates, the trade balance registered a USD1.2 billion surplus in February, which exceeded our expectation (USD0.7 billion) and compensated for the deficit observed in January.
- In 12-month-to-date terms, the USD50.3 billion surplus was quite close to the USD50.9 billion seen in December 2020 in the same terms, which seems us to indicate the existence of a support around this level. Curiously, the same picture can be seen if we strip out the oil-platforms deals from both exports and imports, although at a higher level (approximately USD62.0 billion).
- Although the performance of the 3-month moving average of seasonally-adjusted figures in annualized terms indicated a surplus of USD50.0 billion on the margin last month, we think its trajectory suggests that we may see a turning point materializing soon, which is compatible with our expectation for a USD78.4 billion surplus in 2021.

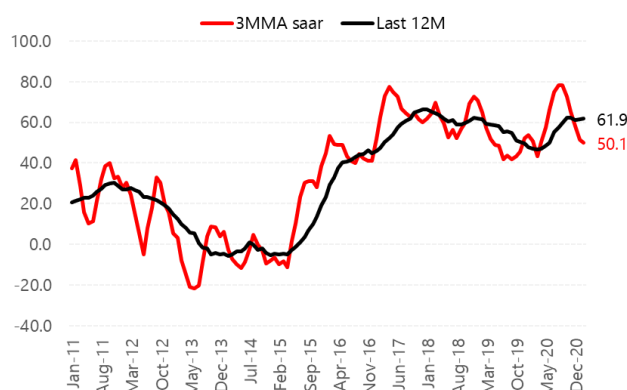
The Brazilian trade balance registered a USD1.2 billion deficit in February 2021, which was bigger than our estimate (USD0.7 million), on the heels of a larger volume of exports than we expected (USD16.2 billion vs USD15.7 billion) and imports in line with our projections (USD15.0 billion). Based on that, the trade surplus reached USD50.3 billion in 12M-to-date terms in February 2021 as compared with a USD50.9 billion positive outcome at the end of last year.

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.

For the first time since July 2020, exports have outpaced imports, which have continued to grow, but that trend has seemingly peaked. Given our expectation that the Brazilian economy should register a more gradual expansion in the coming months than the one observed in 2H20, we believe import growth should also witness some additional slowdown ahead. On the other hand, due to the maintenance of quite favorable commodity prices in tandem with increasing international trade flows, we think exports will have room to continue outpacing

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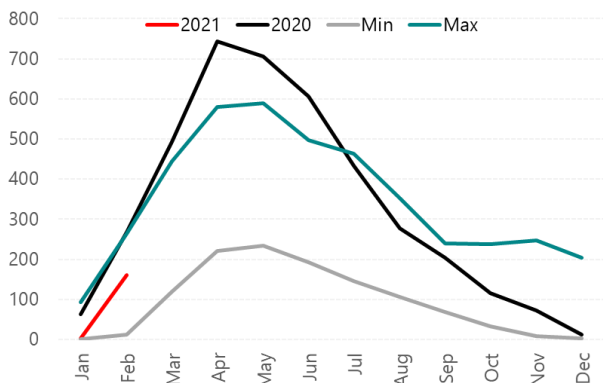
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imports. Thus, our expectation is for a larger surplus in 2021 than the one registered in 2020. We expect the trade surplus to reach USD78.4 billion this year.

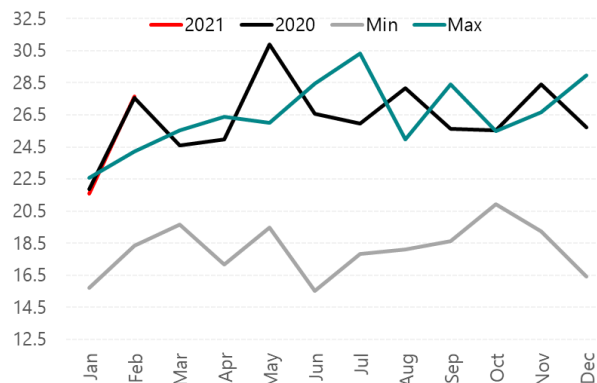
Two items that played an important role in the trade surplus of 2020 have already shown some signs that they should be among this year’s highlights as well: soybeans and animal proteins. Regarding the former, it is true that the volume shipped year to date is still below what we saw in 2020, but the increase observed last month indicates that problems that were delaying product shipments are now being surmounted. As for the volume of animal proteins, the evolution has been exactly the same observed in 2020, which reinforces our perception that the group will contribute importantly to the Brazilian trade balance in 2021.

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



Sources: SECINT, Santander.

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



Sources: SECINT, Santander.



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