

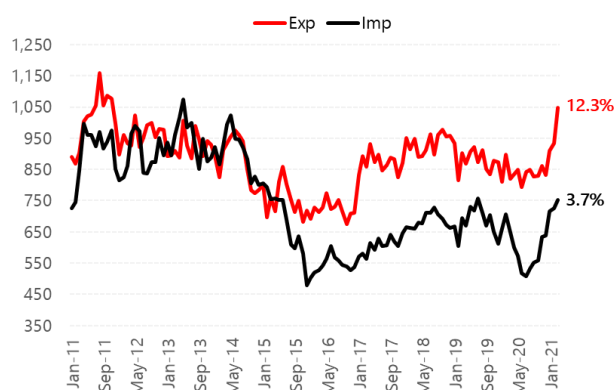
## A (FAKE) NEGATIVE SURPRISE

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- The USD1.5 billion surplus registered by the Brazilian trade balance in March 2021 came far shorter than our USD3.3 billion expectation as well as below the median of market estimates (USD3.0 billion).
- We think this seemingly negative surprise should not change the favorable prospects for the Brazilian foreign trade, as export revenues (USD24.5 billion) have surpassed our calculations (USD23.8 billion) and registered an extraordinary 27.8% YoY growth (adjusted for the number of business days).
- More important, the striking 51.7% YoY business-days-adjusted growth registered by imports outlays largely stemmed from lagged oil-platform deals, still related to the tax benefit that expired in December 2020. Import of oil platforms accounted for USD5.8 billion out of the USD23.0 billion total of imports.
- Hence, were it not for these accounting adjustments—rather than genuine foreign trade operations—the trade surplus in March 2021 would have been as high as USD7.3 billion (or USD65 billion on a 12-month-to-date basis), which is a more compatible with our annual forecast of USD78.4 billion for 2021.

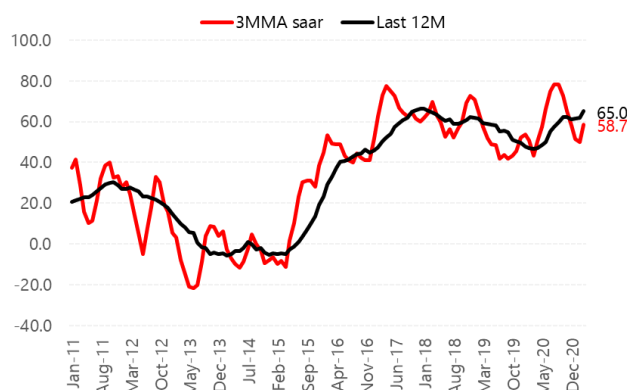
The Brazilian trade balance registered a USD1.5 billion surplus in March 2021, which was smaller than our estimate (USD3.3 billion), on the heels of a larger volume of imports than we expected (USD23.0 billion vs USD20.5 billion), but with exports having also surpassed our projections (USD23.8 billion). Based on that, the trade surplus receded to USD48.0 billion in 12M-to-date terms in March 2021 as compared to a USD50.9 billion positive outcome at the end of last year. However, despite this seemingly negative outcome, we believe that a more thorough assessment of data tells a different story, which seems us to still hint at favorable prospects for the Brazilian foreign trade.

**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.

**IMPORTANT DISCLOSURES/CERTIFICATIONS ARE ATTACHED.**

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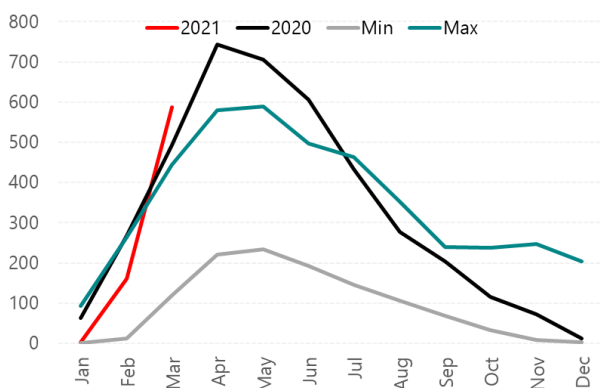


Indeed, when we exclude the operations related to oil platforms from both export and import readings, the outcome shows that the trade surplus last month could have been as high as USD7.3 billion. After all, while exports of oil platforms were negligible in the period, imports of these items tallied USD5.8 billion. It is important to bear in mind that the reason for stripping out these operations from trade balance prints is that they are related to adjustments in the tax system that initially benefited exports and, more recently, the other way round. These benefits expired on December 2020 and were no longer expected to affect trade figures, but some operations have been left over for 1Q21, in our view.

When we factor out this influence and stick to the dynamics of the Brazilian foreign trade, we see that the daily average of exports in seasonally adjusted terms grew 12.3% compared with an increase of 3.7% in imports on the same basis. That is the second month in a row in which seasonally adjusted daily exports have outpaced imports. In our view, the backdrop reinforces our assessment that the gradual recovery that Brazil is experiencing should lead imports to expand at a slow pace as well, while favorable commodity prices and the growing volume of international trade is likely to boost exports. Incidentally, that's what one can see when looking at the trajectory of the three-month moving-average of the trade balance, which has been on a rising trend recently and indicates an annual surplus of USD58.7 billion for the year. While this is lower than our forecast of USD78.4 billion for 2021, we believe the upward trend should steepen in the coming months.

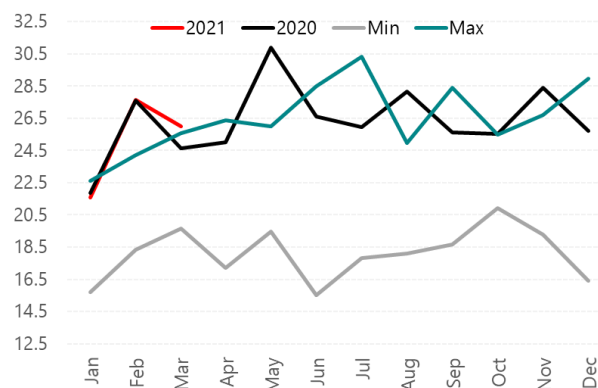
After all, two items that played an important role in the trade surplus of 2020 have already shown some signs that they should be among this year's highlights as well: soybeans and animal proteins. Regarding the former, it is true that the volume shipped year to date was below what we saw in 2020 until February 2021, but the increase observed last month indicates that problems that were delaying product shipments have now been surmounted. As for the volume of animal proteins, its evolution has been similar to the one 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 protein exports  
(kilo-tons/working day)**



Sources: SECINT, Santander.



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