

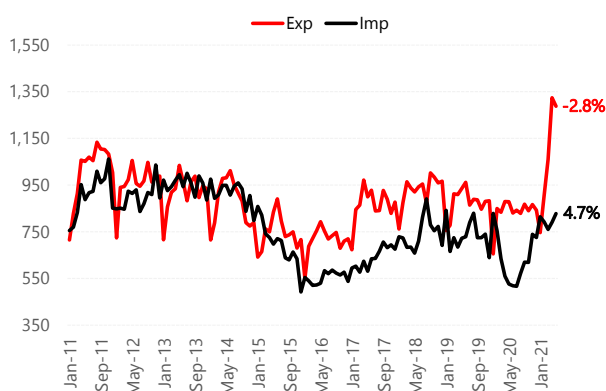
ON THE RISE

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- The US\$9.3 billion trade surplus in May 2021 fell short of our estimate of US\$9.8 billion on the heels of lower-than-expected exports, coupled with imports that were in line with our estimate.
- However, this does not change our expectation that the trade balance should remain positive and continue to rise in the medium term, given that this indicator reached US\$62.1 billion in the 12M-to-May 2021 period from US\$50.4 billion at the end of 2020.
- What’s more, the daily average of the last three months in seasonally adjusted terms points to an annual surplus of US\$108.6 billion, a level far higher than our current forecast of US\$85.3 billion and substantially above the market’s median estimate of US\$68.0 billion.
- All in all, in our view, the constructive outlook for the Brazilian foreign trade should allow its balance of payments data to deliver good news and it should not be a source of concern for market participants anytime soon.

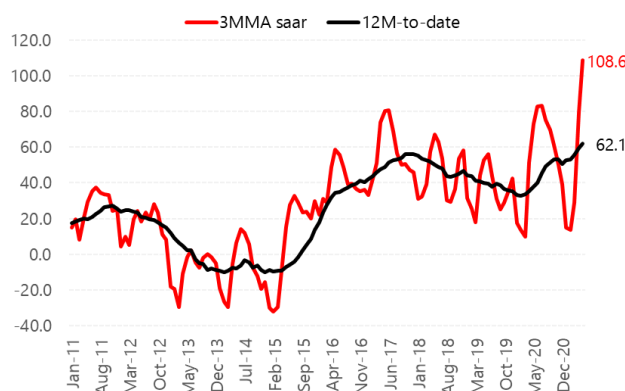
The Brazilian trade balance registered a US\$9.3 billion surplus in May 2021, which was a tad smaller than our estimate of US\$9.8 billion, as exports fell short of our expectation (US\$26.9 billion vs. US\$27.4 billion) and imports were in line with our estimate (US\$17.7 billion). We believe the 2.8% MoM seasonally adjusted slowdown in the daily average exports recorded last month was a one off, especially after the significant increase in April (24.9% MoM sa). With respect to imports, the 4.7% MoM sa expansion in the daily average has returned it to the same level as in the beginning of 2021. To be clear, we think the daily averages of both exports and imports should remain stable at the current level for a while longer.

Figure 1 – Trade Balance
(US\$ million/working day, s.a.)



Sources: SECINT, Santander.

Figure 2 – Trade balance
(US\$ billion, 3MMA saar)



Sources: SECINT, Santander.

Given the above trends, we are not surprised that the trade surplus on a 12-month-to-date basis has continued to increase since early 2020; the average of the last three months points to a robust annualized surplus above our forecast for this year as a whole (US\$108.6 billion versus US\$85.3 billion for 2021). What’s more, given

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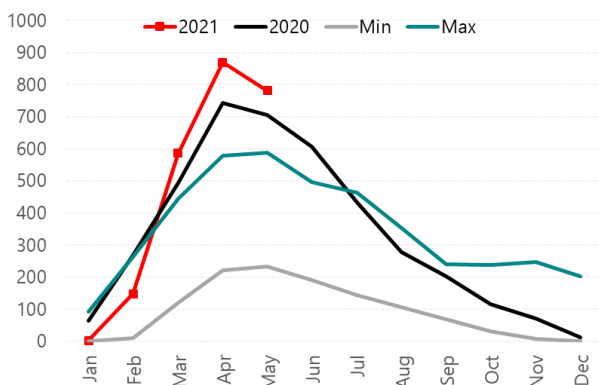


the median consensus estimate is currently only US\$68.0 billion for the trade surplus in 2021, we believe expectations should rise in the coming weeks.

Additionally, exports of two items that played an important role in the trade surplus of 2020, soybeans and animal proteins, continue to show good results. Regarding soybeans, the volume shipped improved in March after being below the 2020 level and has continued to improve. As for animal proteins, sales volumes have been similar to those in 2020, which reinforces our expectation that the category will make an important positive contribution to the Brazilian trade balance in 2021.

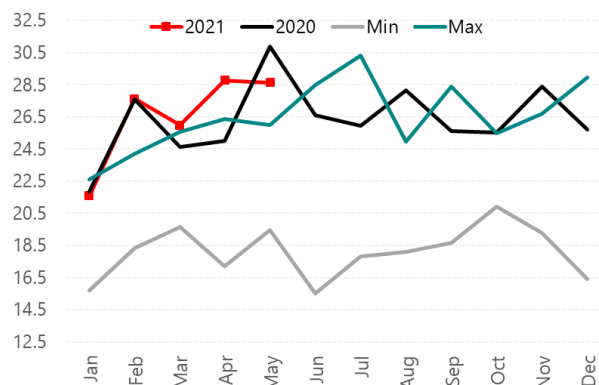
In sum, though lower than our expectation, the reported trade surplus was not a disappointment.

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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