Santander Macroeconomic Research

# BRAZIL MACRO

February 1, 2023

## DATA ANALYSIS – EXTERNAL SECTOR

## A GOOD START, WITH SOME CAVEATS

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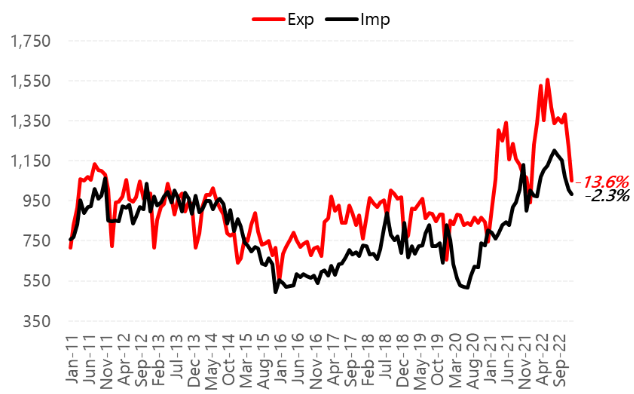
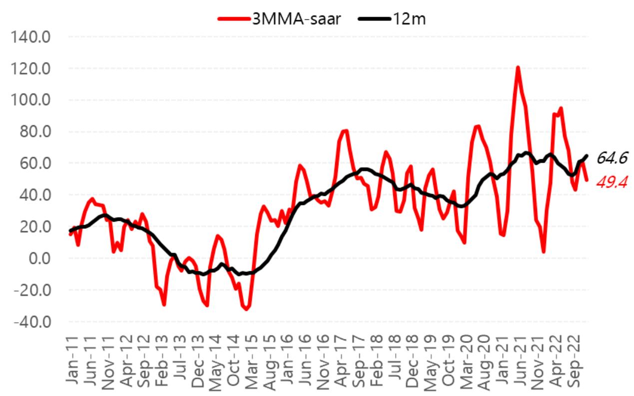
- **The trade balance registered a USD2.7 billion surplus in January 2023, which was below our estimate for a USD3.2 billion positive reading last month (market median estimate was USD3.0 billion). The divergence to our estimate stemmed mainly from lower exports revenue than we anticipated (USD23.1 billion versus USD24.0 billion respectively), which was partially offset by import outlays, also below our expectation (USD20.4 billion versus USD20.8 billion, respectively). In 12-month terms, trade surplus climbed to USD64.6 billion from USD61.8 in the previous release, as the result in January 2023 was much better than the USD0.1 billion deficit seen a year ago.**
- **In seasonally adjusted terms, daily average exports revenue declined 13.6% MoM in January 2023, nearly repeating the performance observed in December 2022 (-12.0% MoM-sa). Similarly, daily average import outlays also receded in the period (2.3% MoM), though in a less intense manner. As a result, the 3MMA-saar gauge receded to USD49.4 billion after having run closer to the USD60 billion level for the last couple of months and turned on a yellow light to our forecast of USD53.7 billion surplus for 2023 as a whole**
- **However, assessing the performance of some typical products of the exports list, we found some encouraging information, as the sales volumes of some items are running above their recent peak and others bear a huge potential to do it so in the coming months. Therefore, in our view, the decline in exports revenue is likely to be short-lived. On the other hand, imports outlays marked a fifth-month streak of contractions, which reinforces our perception that the lagged effects of the monetary tightening cycle have started to weigh on the Brazilian economy, thus hindering a recovery of purchases abroad.**
- **All in all, we reckon the decline in exports revenue will grab more of the markets' attention in the near future. Nonetheless, we continue to see conditions for the Brazilian trade balance to deliver sizeable surplus on the heels of a weak currency and an economy that is slowing down.**

**Figure 1 – Trade Balance**
**(USD million/working day, sa)**




Sources: SECINT, Santander.

**Figure 2 – Trade Balance**
**(USD billion)**



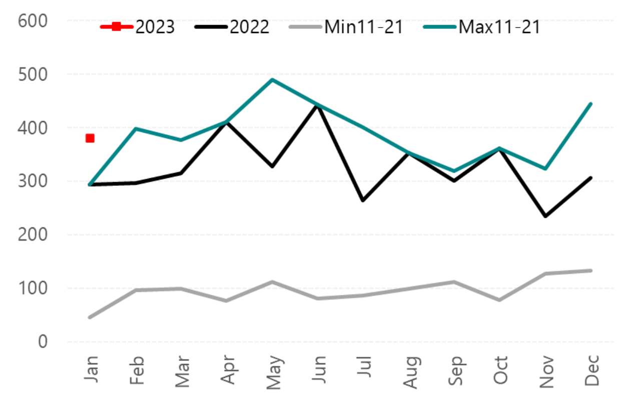

Sources: SECINT, Santander.

The trade balance registered a USD2.7 billion surplus in January 2023, stemming from another deceleration in export revenue in comparison with November figures, while import outlays managed to decline in a less intense fashion in the same comparison. Total import outlays amounted to USD20.4 billion in January, falling short our estimate of USD20.8 billion. Likewise, total exports revenue amounted to USD23.1 billion, thus also coming below what we expected (USD24.0 billion), though by a larger margin. The January trade surplus surpassed the reading of a year ago (-USD0.1 billion), leading the 12-month surplus to reach USD64.6 billion from USD61.8 billion in the previous release.

When we consider seasonally adjusted data, daily average exports decreased 13.6% MoM, thus nearly repeating the decline observed in December (-12.0% MoM). Although in a milder way than exports revenue did, daily average imports also receded in the last month (-2.3% MoM sa), thus marking a fifth-month streak of contractions. As a result, we saw the average of the last-three-month annualized surplus (3MMA-saar) receding to USD49.4 billion in January 2023, which is below our full-year forecast of USD53.7 billion for 2023.

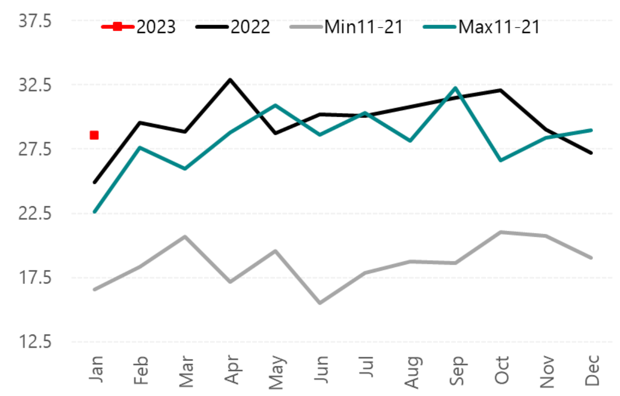
Looking at specific items in both exports and imports, we believe there are signals suggesting that trade surpluses should remain sizeable. From an export standpoint, we see volumes of certain key items such as oils and animal proteins above last decade's readings and without any prospect for slowing down in the coming months. Moreover, we also see products such as soybeans whose sales volumes are yet to increase. As most commodity prices are higher than a year ago, revenue should likewise remain high, in our view. Conversely, we see a deceleration in imports of strategic products, whose prices have risen substantially recently. Therefore, after setting a record performance in 2022, we think the Brazilian trade balance will continue to deliver good-sized surplus over the medium run.

**Figure 3 –Export of Oils (kilotons/day)**



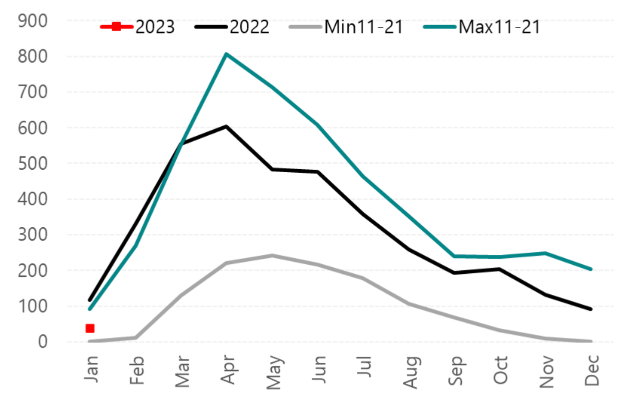

Sources: SECINT, Santander.

**Figure 4 – Export of Animal Proteins (kilotons/day)**



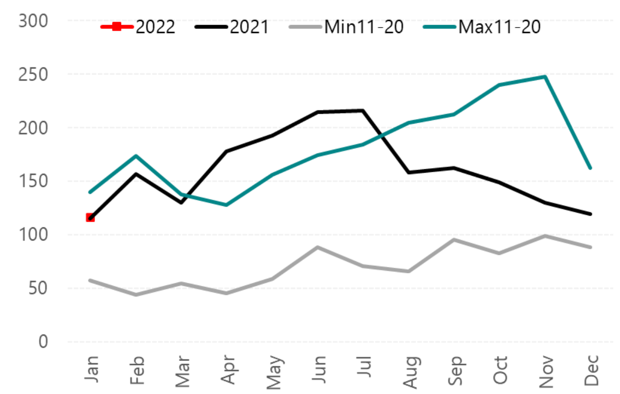

Sources: SECINT, Santander

**Figure 5 – Export of Soybeans (kilotons/day)**




Sources: SECINT, Santander.

**Figure 6 – Import of Fertilizers (kilotons/day)**




Sources: SECINT, Santander

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| Bloomberg | SIEQ <GO> |
| Reuters | Pages SISEMA through SISEMZ |

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