BRAZIL MACRO

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DATA ANALYSIS – EXTERNAL SECTOR

A NEW RECORD IN THE MAKING

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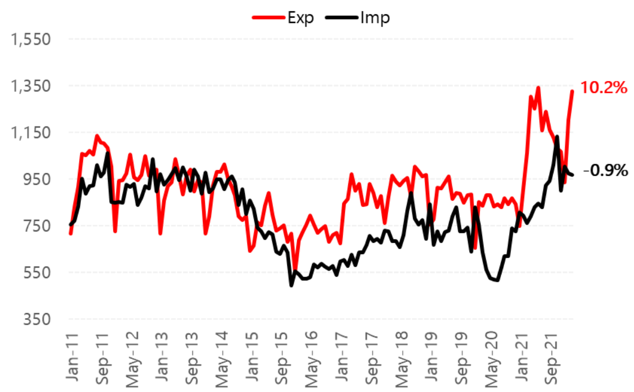
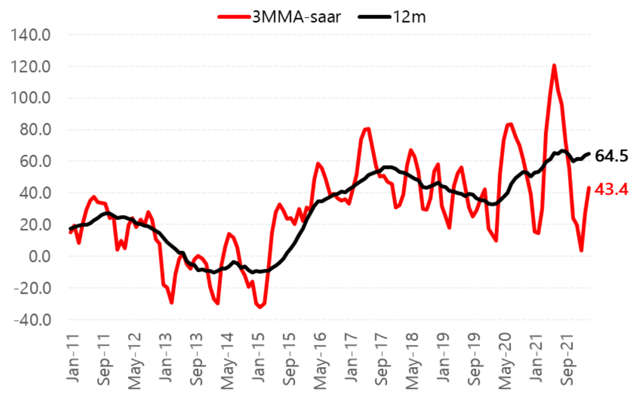
- **The trade surplus of US$7.4 billion recorded in March 2022 came below our expectations of US$8.9 billion, as exports revenue fell short of our estimate (US$29.1 billion vs. US$30.0 billion) and imports outlays exceeded our forecasts (US$21.7 billion vs. US$21.2 billion). Despite the negative monthly surprise, the trade surplus climbed to US$64.5 billion last month from US$63.6 billion in February 2022 and US$61.4 billion in December 2021 on a 12-month basis, thus reinforcing our view that the trade balance should likely register another record surplus in 2022.**
- **Daily average exports revenue jumped 10.2% MoM-sa in March 2022, while daily average imports outlays receded marginally during the period. If the former performance reinforces the constructive prospects for Brazilian foreign sales in the coming months, the latter is additional evidence of the deceleration in the economic recovery.**
- **The sound performance of exports has to do with expressive volumes of sales of soybeans and animal proteins in tandem with a recovery in iron ore exports. However, as oil-related operations remain subdued, we believe there is room for positive surprises in the coming months.**
- **All in all, notwithstanding the recent strengthening of the BRL, we continue to expect a favorable backdrop for the Brazilian trade balance in 2022. We forecast a US$66.8 billion surplus for 2022.**

Figure 1 – Trade Balance
(US$ million/working day, sa)



Sources: SECINT, Santander.

Figure 2 – Trade Balance
(US$ billion, 3MMA-saar)

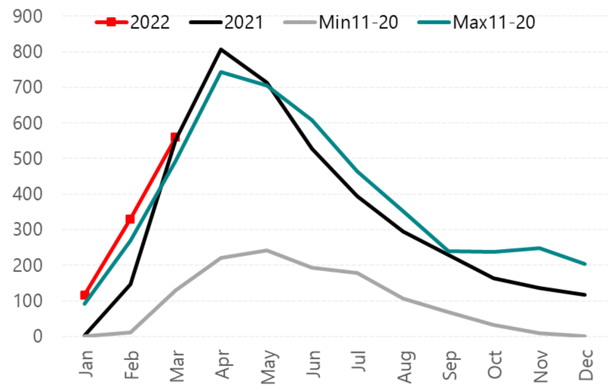


Sources: SECINT, Santander.

In our view, the March 2022 trade balance reinforced the constructive backdrop for the year as a whole, as it overcame the surplus observed a year ago (US$7.4 billion vs. US$6.5 billion) and underpinned our expectation for a new record trade surplus to be registered in 2022 (we forecast a US$66.8 billion surplus vs. US$61.4 billion observed in 2021). Nonetheless, we believed the outcome could have been better as we had estimated a US$8.9 billion surplus for the period, which was offset by weaker exports revenue (US$29.1 billion vs. US$30.0 billion) and larger import outlays (US$21.7 billion vs. US$21.2 billion.) From an exports revenue standpoint, the positive highlights were the sales of soybeans and animal proteins, which continued to run above the historical peak observed in the last decade. Additionally, the volume of iron ore exports showed an increase and stood above the level seen last year, although remaining far from the peak of the last decade. However, on the other hand, exports of oil (both crude and fuel) declined and helped explain the downward miss in exports revenue, which appears to be a response to higher prices. Hence, if peace negotiations between Russia and Ukraine show progress, we believe there is room for exports revenue to increase and also buttress the constructive prospects for the Brazilian foreign trade

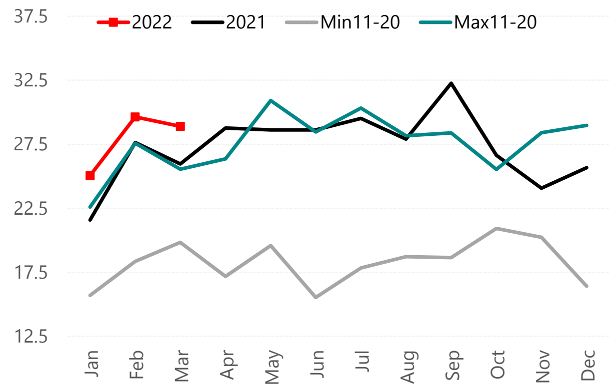
When we consider seasonally adjusted data, daily average exports printed a significant increase as compared with the previous month (+10.2%), while daily average imports receded 0.9% MoM sa. In our view, the former indicates the demand for commodities remains robust and should continue to benefit the Brazilian trade balance in the short term. The latter provides a different angle to indicate the Brazilian economy is slowing down and there is no indication this should be reversed in the short term–especially as the country could face a lagged impact from the ongoing monetary tightening cycle. Hence, we expect the average of the last-three-month annualized surplus (3MMA-saar) of US$43.4 billion to continue climbing in the coming months. In sum, trade figures should contribute for the current account balance to remain at low levels and keep the Brazilian external position out of the list of market participants' concerns for more than a while.

Figure 3 – Export of soybeans (kilotons/day)



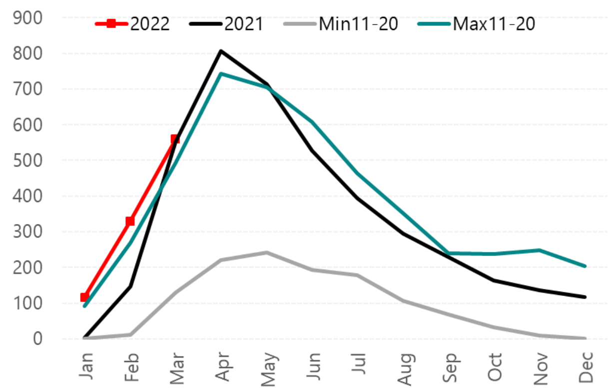
Sources: SECINT, Santander.

Figure 4 – Export of animal proteins (kilotons/day)



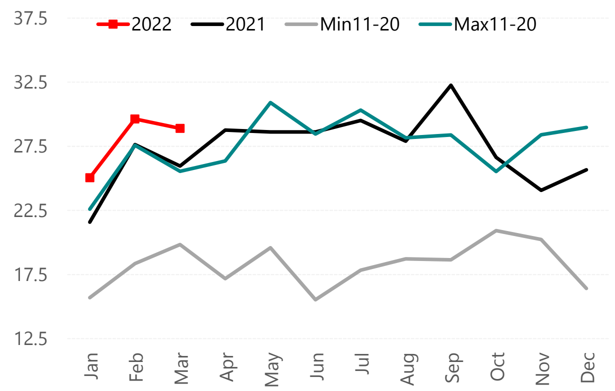
Sources: SECINT, Santander

Figure 5 – Export of soybeans (kilotons/day)



Sources: SECINT, Santander.

Figure 6 – Export of animal proteins (kilotons/day)



Sources: SECINT, Santander

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