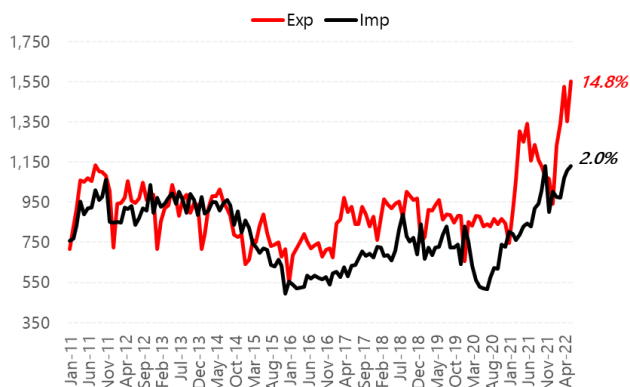


THE SHOW MUST GO ON

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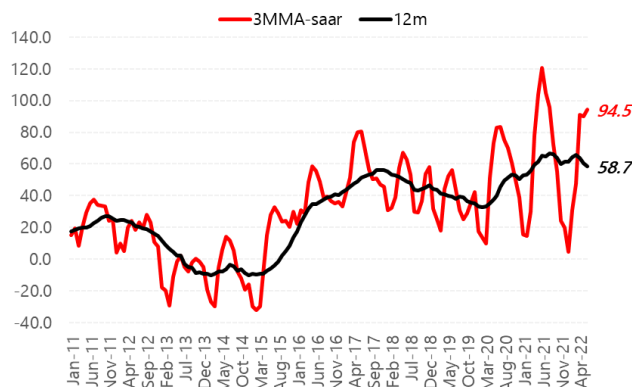
- The US\$8.8 billion trade surplus seen in June 2022 fell short of our estimate (+US\$10.4 billion)—which was close to the market median estimate (+US\$10.0 billion)—and the outcome was below the US\$10.4 billion surplus seen a year ago. The result stemmed from higher-than-anticipated imports outlays (US\$23.9 billion) and exports revenue in line with our expectation (US\$32.7 billion vs. US\$32.5 billion, respectively), which translated into a US\$58.7 billion surplus on a 12-month basis vs. our expectation of a US\$70.3 billion trade surplus in 2022.
- Adjusting by seasonal factors, exports daily average revenue expanded 14.8% MoM, after having receded 11.4% MoM sa in May 2022, while imports outlays increased 2.0% MoM, which followed a 3.3% MoM sa expansion in the previous reading. Based on these figures, the 3MMA-saar gauge implies a US\$94.5 billion surplus in annualized terms—also higher than our forecast for this year.
- In our view, the increase in imports outlays in the last month may still be associated with some reduction in the backlog of operations that were affected by strikes in certain areas of public service. On the other hand, exports revenue strengthened—a backdrop that implies eventual larger monthly surpluses in the coming readings.
- All in all, we believe data related to June’s trade balance should contribute to markets continuing to have a constructive view on the soundness of the Brazilian external position.

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



Sources: SECINT, Santander.

Figure 2 – Trade Balance
(USD billion)



Sources: SECINT, Santander.

In our view, although lower-than-anticipated, the trade surplus seen in June 2022 continued to indicate the path for a new record trade surplus to be registered in 2022 (we forecast a US\$70.3 billion surplus vs. US\$61.4 billion in 2021). We believe the performance could have been better, as a part of the strength shown by imports—especially in the last weeks of June—stemmed from the normalization of operations that were delayed by strikes in certain areas of public service. In our opinion, this temporary setback contributed to the weaker outcome than a year ago (+US\$10.4 billion surplus in June 2021), but its impact is likely to fade in the coming months.

IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE “IMPORTANT DISCLOSURES” SECTION OF THIS REPORT.

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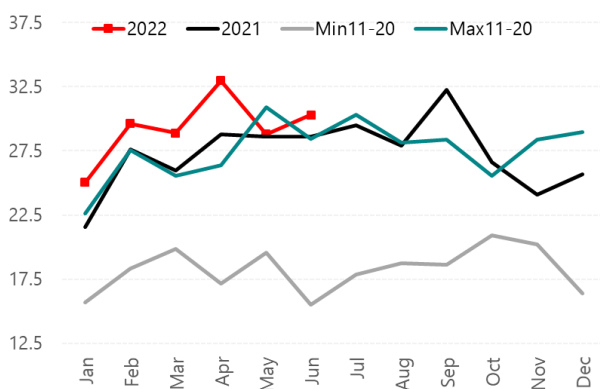
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From an exports revenue standpoint, the volume of sales of animal proteins continued to run at high levels last month and above the historical peak observed in the last decade. Additionally, the volume of iron ore exports increased, thus putting visions about a decline in world economy in check. The volume of soybean exports has levelled off and reinforced our view that the behavior appears to be a result of anticipated shipments that occurred in the previous months. Hence, we believe the pattern of soybean shipments may show a more front-loaded curve than in previous years, but with a final result still favorable for the sale of the harvest abroad. From an import perspective, we highlight that the volume of fertilizers bought offshore registered another hefty increase last month, which more than offset the decline observed in May 2022, thus reducing fears of a shortage of the product stemming from the Russia-Ukraine conflict. This is a backdrop that bodes well for the productivity of the Brazilian grain harvest in 2023.

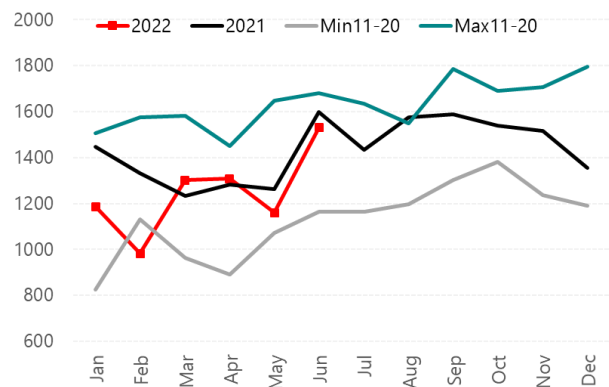
When we consider seasonally adjusted data, daily average exports increased significantly as compared with May 2022 (14.8% vs. -11.4%, respectively), while daily average imports (+2.0% MoM sa) advanced for the third month in a row, given the reduction in the backlog of operations that were delayed by strikes. In our view, the former underpins our view that sales should pick up, especially as the demand for commodities remains robust and should continue to benefit the Brazilian trade balance in the short term. On the other hand, the latter does not change our assessment that the Brazilian economy is decelerating, which should result in a decline in purchases abroad. What's more, there is no indication that this slowdown is likely to be reversed in the medium term, especially as the country could face a lagged impact from the ongoing monetary tightening cycle that is bound to be extended (as indicated by the Brazilian Central Bank in the last Copom meeting held on June 15). Hence, it was not a surprise that the average of the last-three-month annualized surplus (3MMA-saar) of US\$94.5 billion continues to indicate a robust result for this year as a whole. In sum, we believe trade figures should contribute to keeping the current account balance at low levels and keep the Brazilian external position off the list of market participants' concerns for quite a while longer.

Figure 3 – Export of Animal Proteins (kilotons/day)



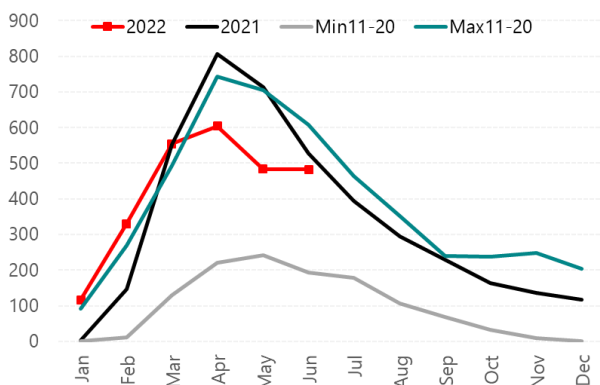
Sources: SECINT, Santander.

Figure 4 – Export of Iron Ore (kilotons/day)



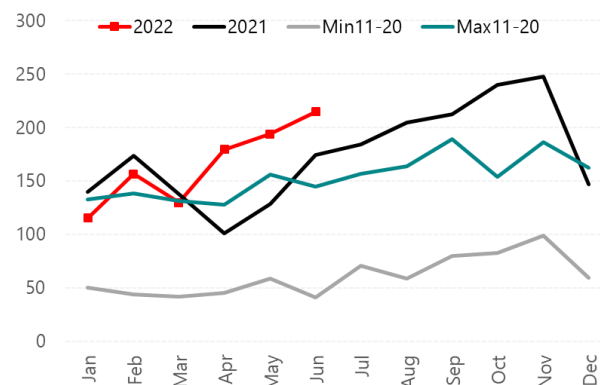
Sources: SECINT, Santander

Figure 5 – Export of Soybeans (kilotons/day)



Sources: SECINT, Santander.

Figure 6 – Import of Fertilizers (kilotons/day)



Sources: SECINT, Santander



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