BRAZIL MACRO

August 01, 2022

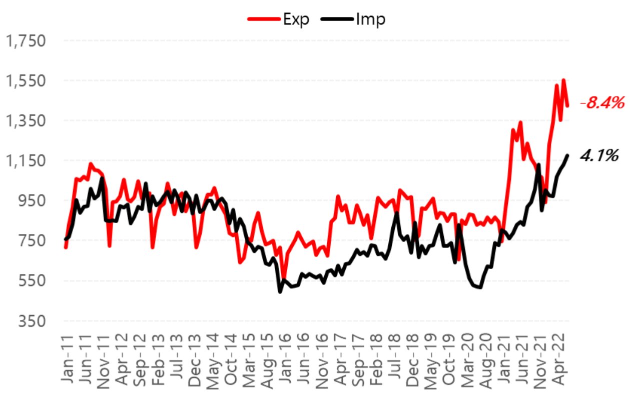
DATA ANALYSIS – EXTERNAL SECTOR

HIGH EXPORTS REVENUE, HIGHER IMPORTS OUTLAYS

Jankiel Santos*
jankiel.santos@santander.com.br
+5511 3012-5726

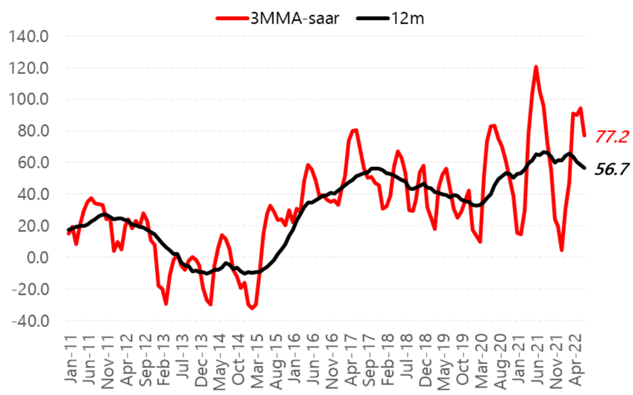
- **The US$5.4 billion trade surplus seen in July 2022 fell short of our (+US$7.7 billion) and the market median estimate (+US$7.0 billion) and the outcome was lower than the US$7.4 billion surplus seen a year ago. Although exports revenue exceeded our expectation (US$30.0 billion vs. US$27.1 billion), imports outlays topped our estimate by a larger margin (US$24.5 billion vs. US$19.4 billion). This result translated into a US$56.7 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 declined 8.4% MoM, thus having maintained the seesaw pattern seen of lately, but still hovering at a high level. On the other hand, imports outlays increased 4.1% MoM, which followed a 2.0% MoM sa expansion in the previous reading. Based on these figures, the 3MMA-saar gauge implies a US$77.2 billion surplus in annualized terms, which is higher than our forecast for this year, but lower than the level seen in the prior release.**
- **In our view, the increase in imports outlays in the recent months has been associated with a faster economic pace than anticipated—which has spurred high volume of purchases—but also with much higher prices of products that the country buys (e.g., fertilizers). As we expect lagged effects of the monetary policy to materialize ahead, we think the volume of imports may subside in the coming months. On the other hand, exports revenue has been hit by the accommodation seen in prices of main products (e.g., iron ore), as the volume of sales continues to run high–a backdrop that implies larger monthly surpluses in the coming readings.**
- **All in all, notwithstanding what we expected, we believe data related to July'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)

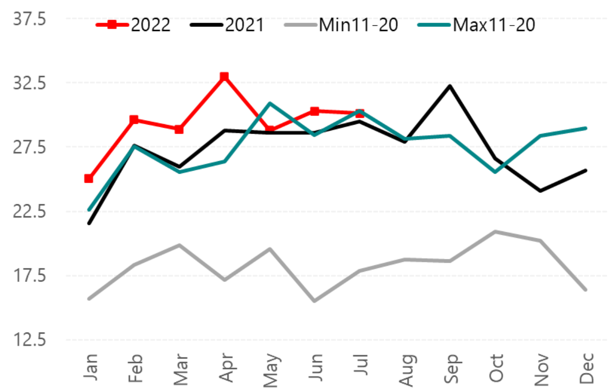


Sources: SECINT, Santander.

In our view, the lower-than-anticipated trade surplus seen in July 2022 should not change the constructive view that markets have on the soundness of the Brazilian external position. We think the strength shown by imports outlays recently has partially stemmed from the faster-than-expected economic pace of the Brazilian economy in the initial months of 2022, which has led to an increase in the volume of purchases abroad. However, another important contribution has come from higher prices of products that the country buys. For example, on top of a 16.0% increase in the volume of fertilizers imports in year-to-date terms, prices of these products skyrocketed in the same terms (131.4%).

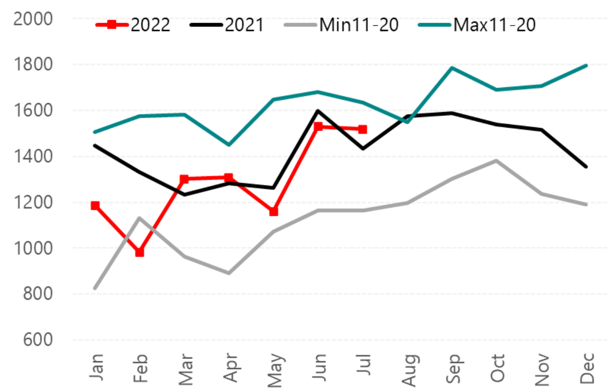
When we consider seasonally adjusted data, although daily average exports receded significantly as compared with June 2022 (-8.4% vs. 14.8%, respectively), they have remained at a high level. In turn, daily average imports (+4.0% MoM sa) advanced for the fourth month in a row. In our view, the seesaw pattern shown by exports revenue of late underpins our view that the demand for commodities remains robust and should continue to benefit the Brazilian trade balance in the short term. On the other hand, as we expect lagged effects of the tighter monetary grip to materialize ahead, we believe imports volume could slowdown in the coming months, thus bringing some respite to trade surpluses as well. Hence, it was not a surprise that the average of the last-three-month annualized surplus (3MMA-saar) of US$77.2 billion continues to indicate a robust result for this year as a whole (we forecast a US$70.3 billion surplus in 2022). 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)



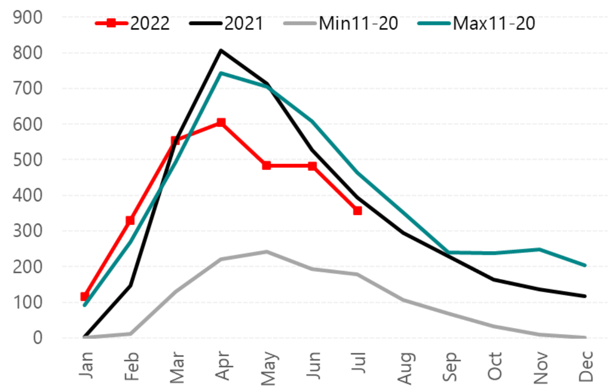
Sources: SECINT, Santander.

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



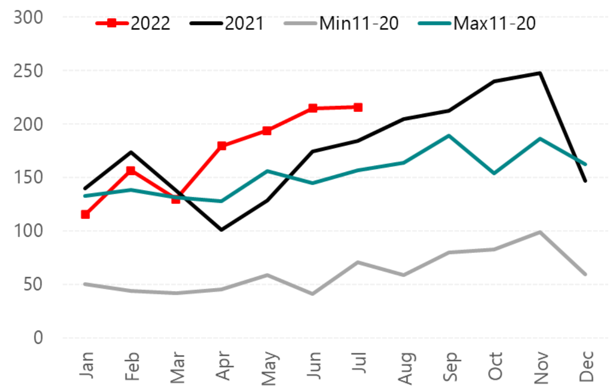
Sources: SECINT, Santander

Figure 5 – Export of Soybeans (kilotons/day)



Sources: SECINT, Santander.

Figure 6 – Import of Fertilizers (kilotons/day)



Sources: SECINT, Santander

CONTACTS / IMPORTANT DISCLOSURES

Brazil Macro Research			
Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Mauricio Oreng*	Head of Macro Research	mauricio.oreng@santander.com.br	5511-3553-5404
Jankiel Santos*	Economist – External Sector	jankiel.santos@santander.com.br	5511-3012-5726
Ítalo Franca*	Economist – Fiscal Policy	italo.franca@santander.com.br	5511-3553-5235
Daniel Karp Vasquez*	Economist – Inflation	daniel.karp@santander.com.br	5511-3553-9828
Tomas Urani*	Economist – Global Economics	tomas.urani@santander.com.br	5511-3553-9520
Lucas Maynard*	Economist – Economic Activity	lucas.maynard.da.silva@santander.com.br	5511-3553-7495
Felipe Kotinda*	Economist – Commodities	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Fabiana Moreira*	Economist – Credit	fabiana.de.oliveira@santander.com.br	5511-3553-6120
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327
Global Macro Research			
Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Rodrigo Park *	Economist – Argentina	rpark@santander.com.ar	54-11-4341-1272
Ana Paula Vescovi*	Economist – Brazil	anavescovi@santander.com.br	5511-3553-8567
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Guillermo Aboumrad*	Economist – Mexico	gjaboumrad@santander.com.mx	5255-5257-8170
Piotr Bielski*	Economist – Poland	piotr.bielski@santander.pl	48-22-534-1888
Mike Moran	Head of Macro Research, US	mike.moran@santander.us	212-350-3500
Fixed Income Research			
Juan Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santanderrio.com.ar	5411-4341-1065
Mauricio Oreng*	Senior Economist/Strategist – Brazil	mauricio.oreng@santander.com.br	5511-3553-5404
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778
Equity Research			
Miguel Machado*	Head Equity Research Americas	mmachado@santander.com.mx	5255 5269 2228
Alan Alanis*	Head, Mexico	aalanis@santander.com.mx	5552-5269-2103
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Mariana Cahen Margulies*	Head, Brazil	mmargulies@santander.com.br	5511-3553-1684
Murilo Riccini*	Head, Chile	murilo.riccini@santander.cl	56 22336 3359

Electronic	
Bloomberg	SIEQ <GO>
Reuters	Pages SISEMA through SISEMZ

This report has been prepared by Santander Investment Securities Inc. ("SIS"; SIS is a subsidiary of Santander Holdings USA, Inc. which is wholly owned by Banco Santander, S.A. "Santander"), on behalf of itself and its affiliates (collectively, Grupo Santander) and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy any relevant securities (i.e., securities mentioned herein or of the same issuer and/or options, warrants, or rights with respect to or interests in any such securities). Any decision by the recipient to buy or to sell should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with and available from the entity governing the related market and the company issuing the security. This report is issued in Spain by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa"), and in the United Kingdom by Banco Santander, S.A., London Branch. Santander London is authorized by the Bank of Spain. This report is not being issued to private customers. SIS, Santander London and Santander Investment Bolsa are members of Grupo Santander.

ANALYST CERTIFICATION: The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed, that their recommendations reflect solely and exclusively their personal opinions, and that such opinions were prepared in an independent and autonomous manner, including as regards the institution to which they are linked, and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report, since their compensation and the compensation system applying to Grupo Santander and any of its affiliates is not pegged to the pricing of any of the securities issued by the companies evaluated in the report, or to the income arising from the businesses and financial transactions carried out by Grupo Santander and any of its affiliates: Jankiel Santos*.

*Employed by a non-US affiliate of Santander Investment Securities Inc. and not registered/qualified as a research analyst under FINRA rules, and is not an associated person of the member firm, and, therefore, may not be subject to the FINRA Rule 2242 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

The information contained herein has been compiled from sources believed to be reliable, but, although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgment as at the date of this report and are subject to change without notice.

Any U.S. recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with SIS, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934) for this report and its dissemination in the United States.