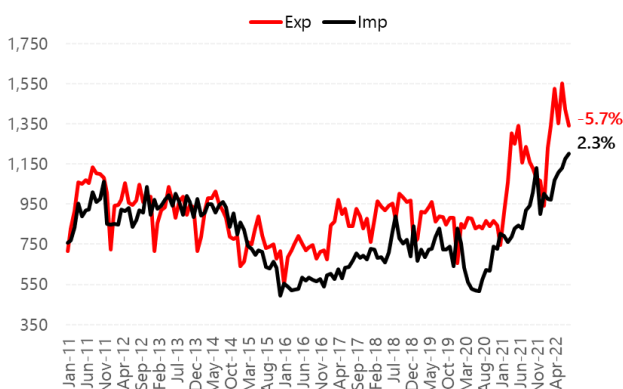


BETTER MONTHLY PERFORMANCE, WORSE ANNUAL PROSPECTS

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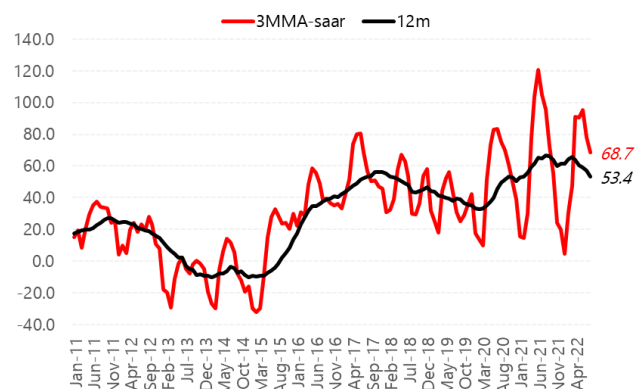
- The trade balance registered a US\$4.2 billion surplus in August 2022, thus topping our estimate of a US\$3.1 billion surplus for the period. While exports revenue was in line with our expectation (US\$30.8 billion vs. US\$30.9 billion, respectively), imports outlays lost steam in the last two weeks of August and fell short of our estimate (US\$26.7 billion vs. US\$27.8 billion, respectively).
- Although larger than expected, the monthly surplus was substantially lower than a year ago (US\$7.7 billion), thus leading the 12-month figure to recede to a US\$53.4 billion surplus compared with US\$61.4 billion in 2021. Moreover, it translated into a US\$68.7 billion surplus in 3MMA-saar terms, thus undermining the likelihood that our forecast of US\$70.3 billion in 2022 will materialize.
- In seasonally adjusted terms, daily average exports revenue declined for the second month in a row (5.7% MoM in August), thus confirming the seesaw pattern it has followed lately. On the other hand, daily average imports outlays grew 2.3% MoM, marking a five-month streak of expansion. Hence, although daily average exports revenue continues to hover at a high level, the surge in daily average imports outlays has weighed on the dynamics of the Brazilian trade balance.
- All in all, although we think it probable that the Brazilian trade balance will manage to deliver a still sizeable surplus in 2022 — above US\$50.0 billion, which has happened only three times since 2000 — the case for another record performance has become weaker, in our view.

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 better-than-expected surplus in August 2022, stemming from a deceleration in imports outlays in the last two weeks of August 2022 compared with the first two weeks of the month, while exports revenue managed to remain stable throughout August. Hence, total imports outlays amounted to US\$26.7 billion last month, falling short of our estimate of US\$27.8 billion. On the other hand, total exports revenue amounted to US\$30.8 billion, thus nearly matching our expected US\$30.7 billion figure. Although

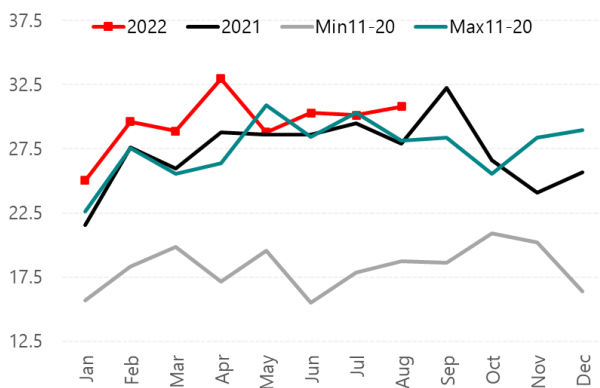


higher than our estimate, the August trade surplus did not surpass the reading seen a year ago (US\$7.7 billion), which has kept the 12-month surplus on the downward trend that started in April 2022.

When we consider seasonally adjusted data, daily average exports fell for the second month in a row (-5.7%), thus returning to the same level seen in May 2022 and reinforcing the seesaw pattern that they have followed recently. However, we believe it is important to reinforce that — although seesawing — daily average exports have hovered at historically high levels, which indicates that good demand for Brazilian products continues. In turn, daily average imports (+2.3% MoM sa) advanced for the fifth month in a row, a trend associated with the faster-than-expected pace of the Brazilian economy lately. As a result, we saw the average of the last-three-month annualized surplus (3MMA-saar) recede to US\$68.7 billion in August 2022, the first reading since April 2022 that was below our full year forecast of US\$70.3 billion for 2022. Given the unfavorable seasonal pattern of the coming months, we think August’s trade balance imparts a downward bias to our YE2022 forecast.

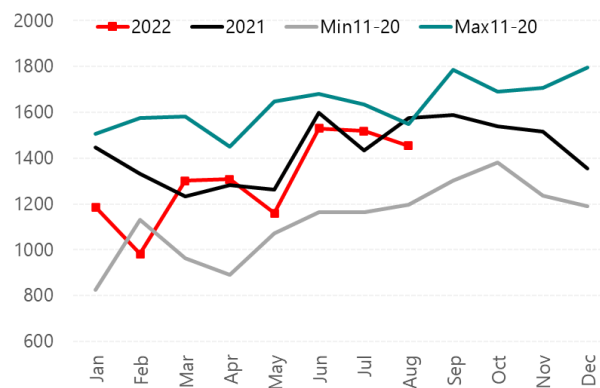
Looking at specific items in both exports and imports, we believe there are signals suggesting that the downward trend observed in 12-month terms may be reversed. From an exports standpoint, we continue to see volumes either in line with or above last year’s readings. As most commodity prices are higher than a year ago, revenue should remain high, in our view. Conversely, we see a deceleration in imports of strategic products whose prices have risen substantially this year. Therefore, although we judge the case for another record performance has become weaker, we think the Brazilian trade balance will manage to deliver a still sizeable surplus in 2022 — above US\$50.0 billion, which has happened only three times since 2000.

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



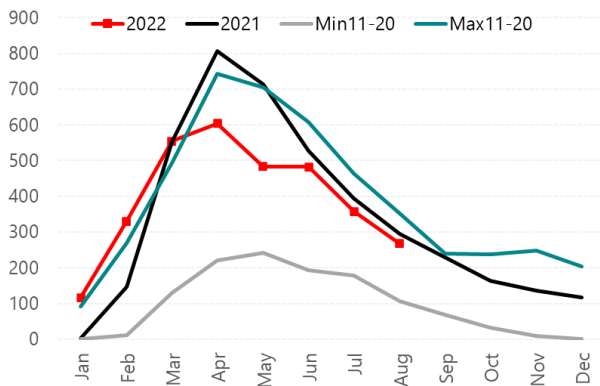
Sources: SECINT, Santander.

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



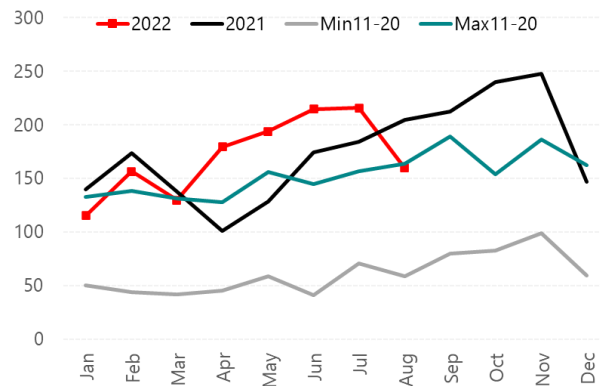
Sources: SECINT, Santander.

Figure 5 – Export of Soybeans (kilotons/day)



Sources: SECINT, Santander.

Figure 6 – Import of Fertilizers (kilotons/day)



Sources: SECINT, Santander.



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