BRAZIL MACRO
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DATA ANALYSIS – EXTERNAL SECTOR

A NEW RECORD LOOMS?

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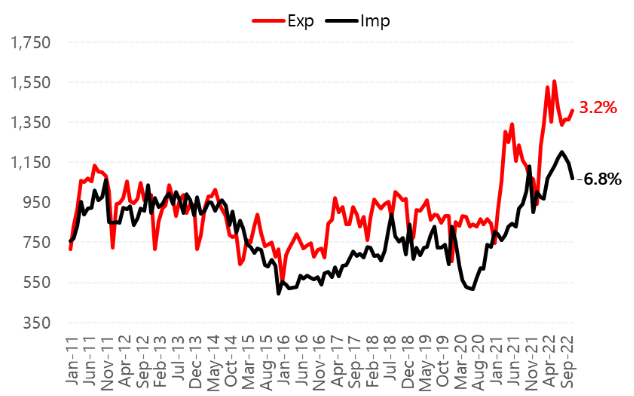
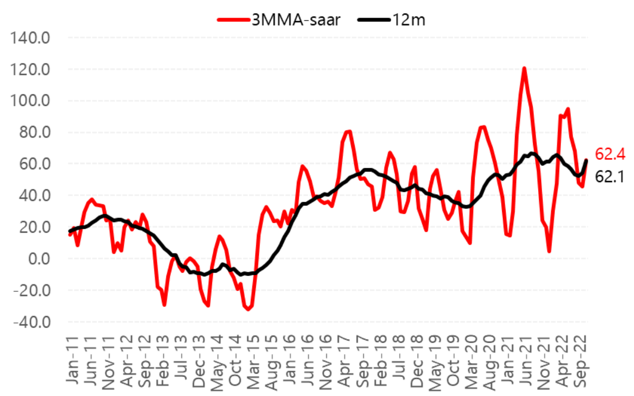
- **The trade balance registered a USD6.7 billion surplus in November 2022, thus topping our estimate of a USD4.3 billion surplus for the period. While exports revenue was largely in line with our expectation (USD28.2 billion vs. USD27.9 billion, respectively), imports outlays fell far short of our expectation (USD21.5 billion vs. USD23.6 billion), as the latter decelerated steeply in the last weeks of November.**
- **The monthly surplus contrasted with the deficit seen a year ago (-USD1.1 billion), thus leading the 12-month figure to reach a USD62.1 billion surplus in November compared with USD61.4 billion in December 2021. Hence, the positive surprise revived the possibility that the trade surplus in 2022 could surpass the record set last year (USD61.4 billion). In 3MMA-saar terms, the monthly surplus translated into a surplus of USD62.1 billion, thus reinforcing this likelihood.**
- **In seasonally adjusted terms, daily average exports revenue climbed 3.2% MoM in November, continuing the seesaw pattern it has followed lately. On the other hand, daily average imports outlays receded 6.8% MoM, marking a three-month streak of contractions. Hence, while daily average exports revenue continues to hover at a high level — on the heels of still favorable commodity prices and firm external demand — we think daily average imports outlays suggest the beginning of an accommodation of the Brazilian economy.**
- **All in all, we forecast that the Brazilian trade balance will continue to deliver sizeable surpluses ahead, which should help keep current account deficits at manageable levels in the coming years, thus leading markets to maintain their constructive view 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.

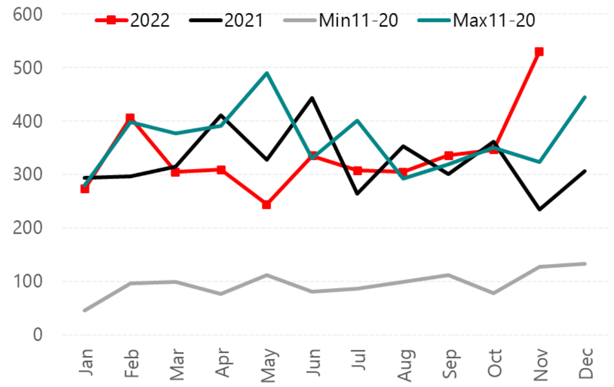
The trade balance registered a USD6.7 billion surplus in November 2022, stemming from a deceleration in imports outlays in the last month, while exports revenue managed to expand in the period. Total imports outlays amounted to USD21.5 billion in November, falling well short of our estimate of USD23.6 billion. On the other hand, total exports revenue amounted to USD28.2 billion, in line with the level that we expected (USD30.0

billion). The November trade surplus surpassed the reading seen a year ago (-USD1.1 billion), leading the 12-month surplus to reach USD62.4 billion.

When we consider seasonally adjusted data, daily average exports increased 3.2% MoM after being unchanged in the previous month, thus repeating the seesaw pattern that they have followed recently. We believe it is important to reiterate that — although seesawing — daily average exports have hovered at historically high levels, which indicates continued good demand for Brazilian products. On the other hand, daily average imports receded steeply in the last month (-6.8% MoM sa), marking a three-month streak of contractions, which we believe is associated with an accommodation in the pace of the Brazilian economy lately. As a result, we saw the average of the last-three-month annualized surplus (3MMA-saar) evolving to USD62.1 billion in November 2022, a reading above our full year forecast of USD56.9 billion for 2022. Given recent dynamics, we think November's trade balance imparts an upward bias to our YE2022 forecast.

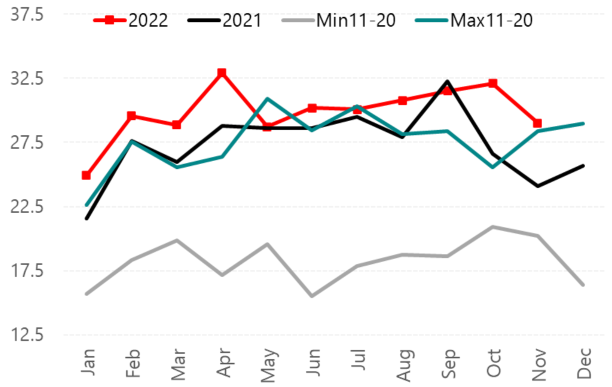
Looking at specific items in both exports and imports, we believe there are signals suggesting that trade surpluses should continue to be sizeable. From an exports standpoint, we continue to see volumes either in line with or above last year's readings. As most commodity prices are higher than a year ago, revenue should likewise remain high, in our view. Conversely, we see a deceleration in imports of strategic products, whose prices have risen substantially this year. Therefore, in addition to believing that the case for another record performance has gained momentum, we think the Brazilian trade balance will help keep current account deficits at manageable levels, allowing markets to maintain a constructive view of the Brazilian external position.

Figure 3 –Export of Oils (kilotons/day)



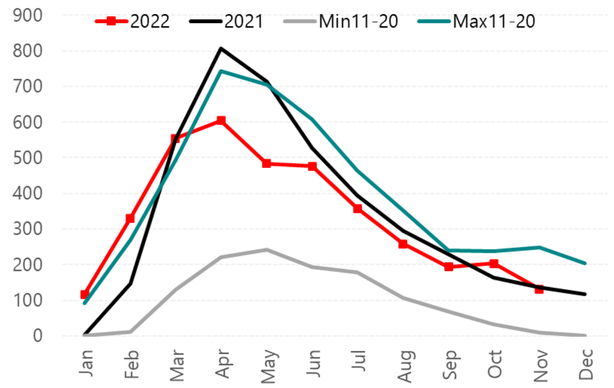
Sources: SECINT, Santander.

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



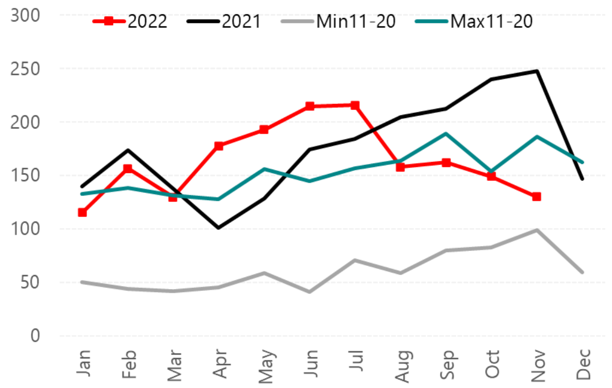
Sources: SECINT, Santander

Figure 5 – Export of Soybeans (kilotons/day)



Sources: SECINT, Santander.

Figure 6 – Import of Fertilizers (kilotons/day)



Sources: SECINT, Santander

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