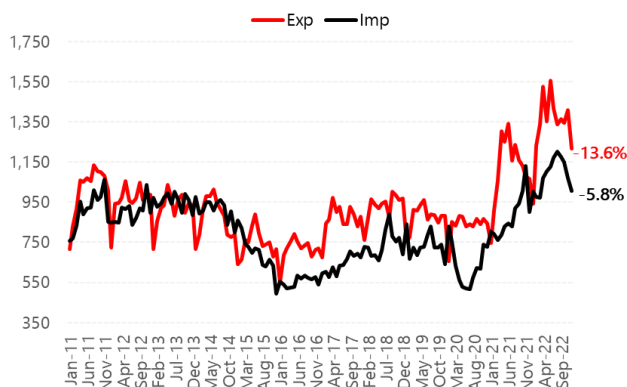


A NEW RECORD REACHED

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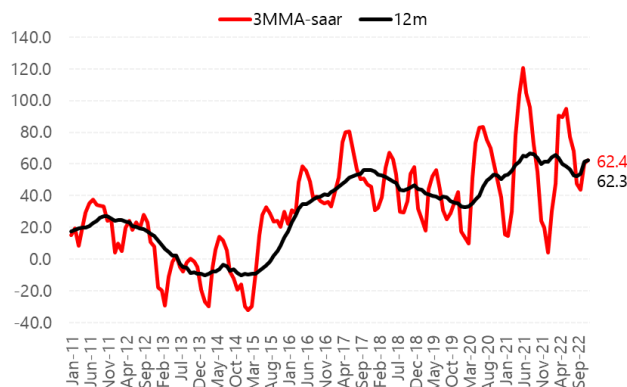
- The trade balance registered a USD4.8 billion surplus in December 2022, which translated into an annual surplus of USD62.3 billion for full-year 2022, topping the previous record of USD61.4 billion set in 2021. Both export revenue and import outlays came in line with our estimates, thus amassing USD335.0 billion and US272.7 billion last year, respectively.
- In seasonally adjusted terms, daily average exports revenue declined 13.6% MoM in December, as external sales of manufactured goods slowed down. Despite the steep decline, daily average exports revenue continued to run historically high. Similarly, daily average import outlays also receded in the period (5.8% MoM), marking a four-month streak of contractions and reinforcing our perception that the lagged effects of the monetary tightening cycle have started to weigh on the Brazilian economy.
- The 3MMA-saar gauge has hovered at around USD60 billion since mid-2021, which we consider to be an indication that the Brazilian trade balance will continue to deliver sizeable surpluses ahead. This backdrop 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 USD4.8 billion surplus in December 2022, stemming from a deceleration in export revenue in comparison with November figures, while import outlays managed to remain fairly stable in the same comparison. Total import outlays amounted to USD21.9 billion in December, topping our estimate of USD21.7 billion by a hairbreadth. Likewise, total exports revenue amounted to USD26.6 billion, thus also exceeding what we expected (USD26.3 billion) by a small margin. The December trade surplus surpassed the reading of a year ago (+USD4.0 billion), leading the 12-month surplus to reach USD62.3 billion — the largest surplus for any given year in the historical data series.

When we consider seasonally adjusted data, daily average exports decreased 13.6% MoM after expanding in the previous month, thus repeating the seesaw pattern that they have followed recently. We believe it is important to reiterate that — despite this seesawing — daily average exports have hovered close to historically

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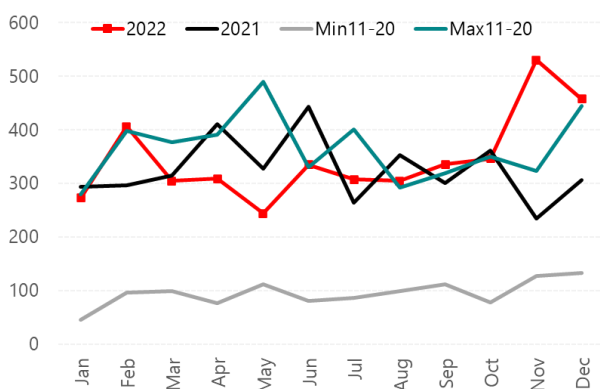
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high levels, indicating continued good demand for Brazilian products. On the other hand, daily average imports receded once again in the last month (-5.8% MoM sa), marking a four-month streak of contractions, which we believe is associated with an 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 USD62.4 billion in December 2022, which nearly coincided with our full-year forecast of USD62.5 billion for 2022.

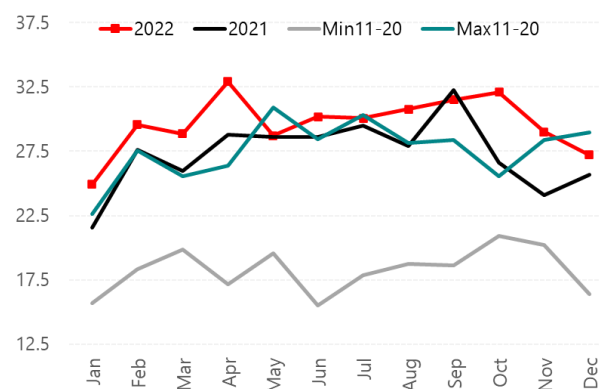
Looking at specific items in both exports and imports, we believe there are signals suggesting that trade surpluses should remain sizeable. From an export standpoint, we continue to see volumes either in line with or above last year's readings. As most commodity prices are higher than a year ago, revenue 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 the materialization of another record performance in 2022, 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)



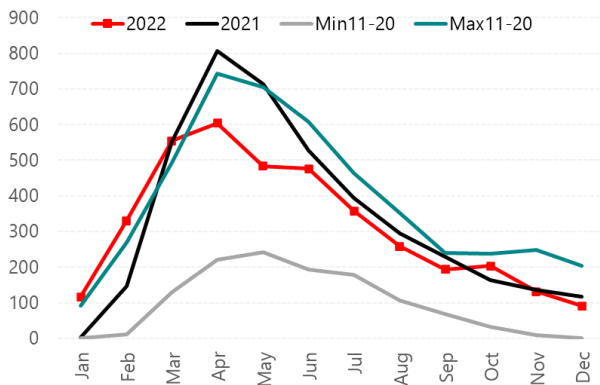
Sources: SECINT, Santander.

Figure 4 – Export of Animal Proteins (kilotons/day)



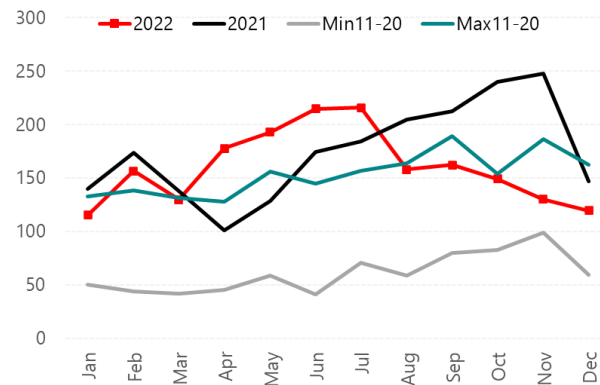
Sources: SECINT, Santander.

Figure 5 – Export of Soybeans (kilotons/day)



Sources: SECINT, Santander.

Figure 6 – Import of Fertilizers (kilotons/day)



Sources: SECINT, Santander.



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