Santander
Macroeconomic Research

BRAZIL MACRO

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DATA ANALYSIS – EXTERNAL SECTOR

UNCLOGGING THE PIPES

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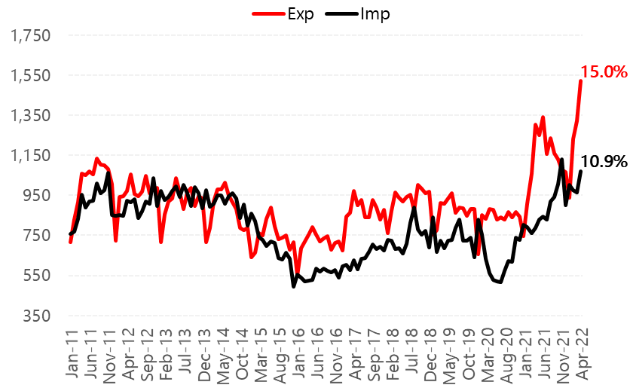
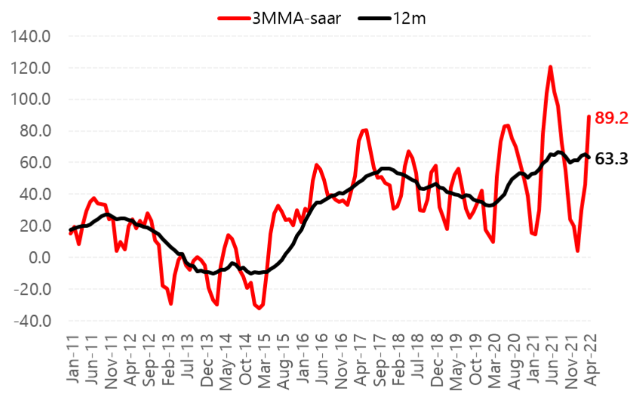
- **The US$8.1 billion trade surplus seen in April 2022 fell short of our estimate (+US$10.0 billion) due to higher-than-anticipated imports outlays (US$20.8 billion vs. US$19.2 billion) and slightly lower exports revenue (US$28.9 billion vs. US$29.1 billion), which translated into a US63.3 billion surplus on a 12-month basis vs. our expectation of a US$73.5 billion trade surplus in 2022 as a whole and above the US$61.7 billion surplus registered in 2021. In our view, the strong acceleration in imports outlays in the last week of April may have to do with some reduction in the backlog of operations that had been affected by strikes in certain areas of public service.**
- **Adjusting figures by seasonal factors and the number of business days, exports revenue increased 15.0% MoM and imports outlays increased 10.9% MoM, thus leading the 3MMA-saar gauge to hint at a US$89.2 billion surplus in annualized terms—higher than our forecast for this year—which reinforces our perception that the Brazilian foreign trade should help the Brazilian current account deficit to continue running at low levels vs. historical standards.**
- **All in all, despite the lower-than-anticipated outcome, we believe data related to April's trade balance should contribute for markets to continue holding a constructive view about 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)

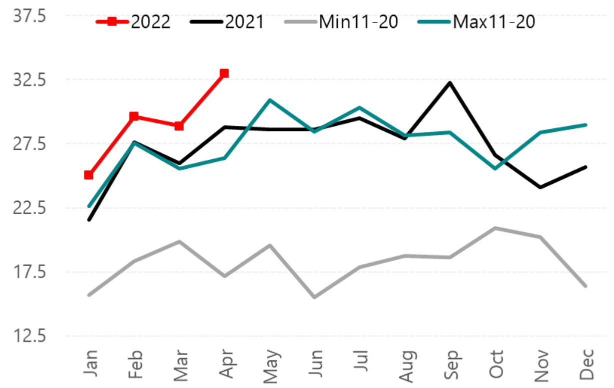


Sources: SECINT, Santander.

In our view, albeit lower than what we estimated, the April 2022 trade balance did not alter the constructive backdrop for the year as a whole, as it continued to indicate the path for a new record trade surplus to be registered in 2022 (we forecast a US$73.5 billion surplus vs. US$61.4 billion observed in 2021). Nonetheless, we believed the outcome could have been better; we had estimated a US$10.0 billion surplus for the period, which was offset by stronger import outlays (US$20.8 billion vs. US$19.2 billion) and slightly weaker exports revenue (US$28.9 billion vs. US$29.2 billion.) From an exports revenue standpoint, the positive highlight was the sales of animal proteins, which continued to run above the historical peak observed in the last decade. Additionally, the volume of iron ore exports showed an increase and stood above the level seen last year once again, although remaining far from the peak of the last decade. However, on the other hand, soybean exports have lost steam and helped explain the downward miss in exports revenue, which appears to be a result of anticipated shipments occurred in 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 outcome still favorable for the sale of the harvest abroad. From an import perspective, we highlight that the volume of fertilizers bought offshore registered a hefty increase last month, which more than offset the decline observed in March 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 grains harvest in 2023.

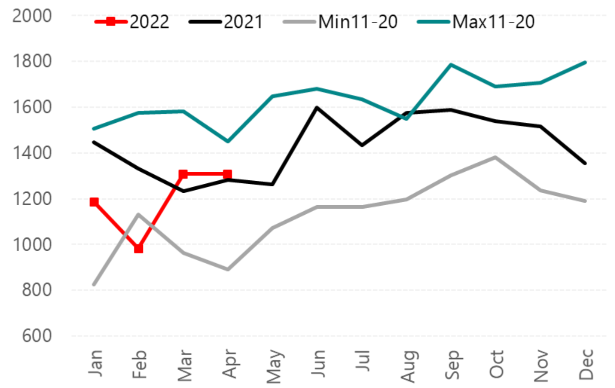
When we consider seasonally adjusted data, daily average exports printed another significant increase vs. the previous month (+15.0%), which was followed by a similar trend in daily average imports (+10.9% MoM sa) on the heels of normalization of operations that were delayed by strikes in certain areas of public service. In our view, the former indicates 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 slowing down, which should result in a slower rhythm of purchases abroad. What's more, there is no indication this slowdown should 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 May 4). Hence, it was not a surprise that the average of the last-three-month annualized surplus (3MMA-saar) of US$89.2 billion continues to indicate a robust result for this year as a whole. In sum, trade figures should contribute for the current account balance to remain at low levels and keep the Brazilian external position out of the list of market participants' concerns for more than a while.

Figure 3 – Export of animal proteins (kilotons/day)



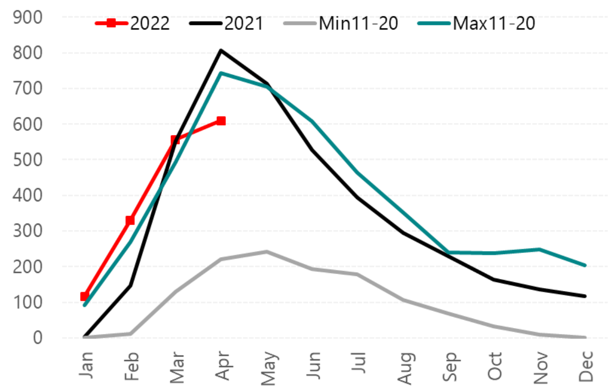
Sources: SECINT, Santander.

Figure 4 – Export of iron ore (kilotons/day)



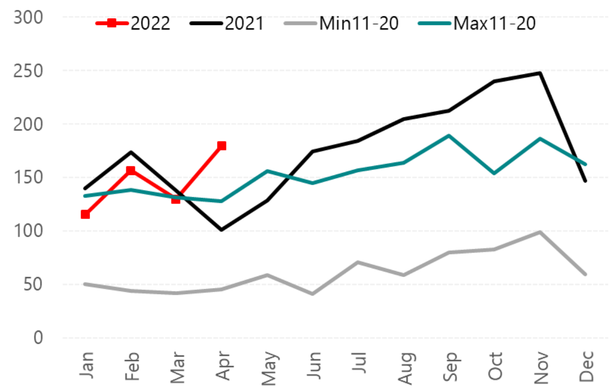
Sources: SECINT, Santander

Figure 5 – Export of soybeans (kilotons/day)



Sources: SECINT, Santander.

Figure 6 – Import of fertilizers (kilotons/day)



Sources: SECINT, Santander

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