

**Jankiel Santos**

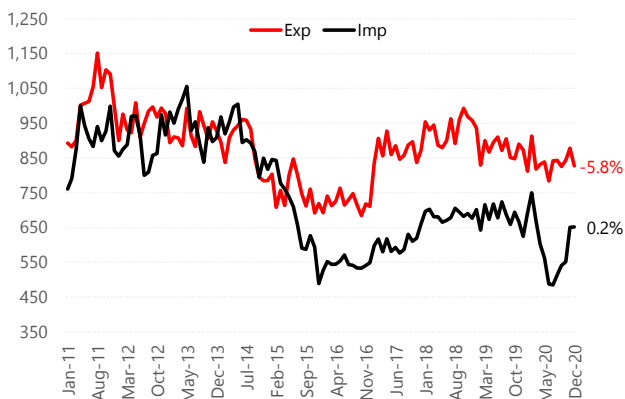
jankiel.santos@santander.com.br  
+5511 3012-5726

## Trade Balance – December 2020

- The USD42 million trade deficit observed in December 2020 ended a 10-month streak of surpluses on the heels of the same reason that caused the last monthly imbalance a year ago: deals related to oil platforms.
- **Stripping out these platform deals from both exports and imports, the resultant USD4.7 billion surplus seen last month was the seventieth consecutive positive result in these terms, and the annual surplus in 2020 would have reached USD61.2 billion, instead of the official number of USD51.0 billion.**
- The favorable dynamics of the (genuine) foreign trade is reinforced by the performance of the 3-month moving average of seasonally adjusted figures in annualized terms, which indicated a surplus of USD58.4 billion on the margin last month.

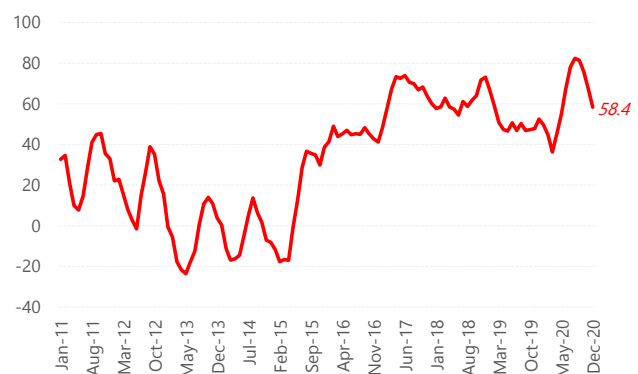
The Brazilian trade balance registered a USD42 million deficit in December 2020, which was below our estimate (USD200 million), on the heels of USD18.4 billion in exports and USD18.4 billion in imports (our estimates were USD18.4 billion and USD18.2 billion, respectively). Based on that, the trade surplus reached USD51.0 billion in 2020 as compared with a USD48.0 billion positive outcome in 2019.

**Figure 1 – Trade Balance ex-platforms  
(USD million/working day, s.a.)**



Sources: SECEX and Santander.

**Figure 2 – Trade balance ex-platforms  
(USD billion, 3MMA saar)**



Sources: SECEX and Santander.

The outcome reinforced our perception that exports were less hard-hit than imports in the early stages of the pandemic. Nonetheless, the latter have continued to show signs of recovery lately. According to our calculations, when we factor out deals related to oil platforms—which are not really either exports or imports, but rather accounting operations derived from tax issues—and adjust for the number of working days in the month, the exports daily average receded 5.8% MoM in seasonally adjusted (s.a.) terms (or -5.2% YoY) in December. As for the imports daily average, after having broken a six-month streak of contractions in August

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2020, it has registered the fifth consecutive seasonally-adjusted monthly increase in the period (+0.2% MoM s.a., according to our calculations). We consider this a positive signal for the continuation of the recovery of the Brazilian economy, even though it reinforces our expectation for a gradual pace to prevail in the coming months.

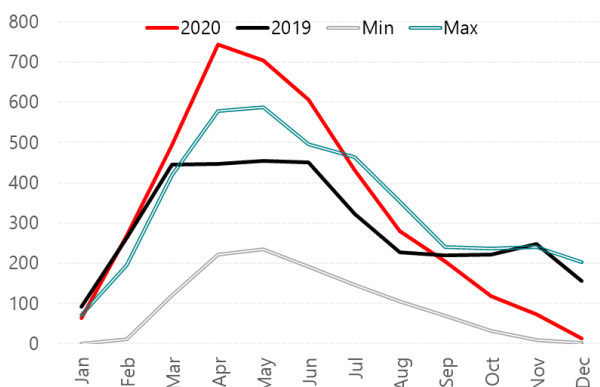
In any case, by annualizing the exports and imports daily average of the last three months, we come to an indication of a USD58.4 billion annual trade surplus, which is lower than our forecast for 2021 (USD65.2 billion). However, it is important to note that the annual trade surplus registered in 2020 factoring out oil platforms amounted to USD61.2 billion. Therefore, given our expectation for commodity prices to continue to run at favorable levels and the international trade to remain on the rise, we continue to see room for exports to outpace imports during this year.

In our view, part of the resilience displayed by exports has to do with the sound performance by external sales of soybeans. On the heels of 13.2% growth in the volume of soybean exports last year, combined with a small decline in their average price (-0.5% YTD), Brazilian producers witnessed a 10.7% increase in their revenue in USD terms, with their sales accounting for 13.6% of total export revenue in 2020 (11.6% in 2019).

Another group of items that registered a favorable performance last year was animal proteins (beef, pork, and chicken), whose revenues grew 3.7% YTD in the wake of a 5.9% larger volume, which was more than enough to offset the 0.9% average price decline. The performance came in the wake of the African swine fever that hit Chinese pig herds last year, thus boosting purchases of animal proteins in other regions, including Brazil. These items accounted for 7.2% of total export revenues in 2020, thus increasing its participation as compared with the previous year (6.4%).

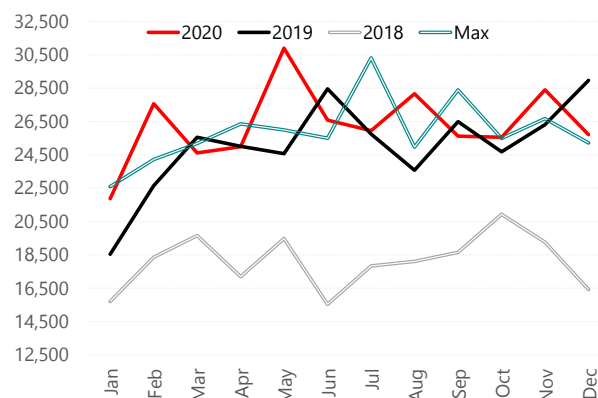
Prospects for both groups continue to be favorable on the heels of the need for the restoration of the Chinese pig herd, which also underpins our expectation for the maintenance of a constructive environment for the trade balance (especially as the oil platforms deals should not be repeated in the near future).

**Figure 3 – Soybean export  
(tonnes/working day)**



Sources: SECEX and Santander.

**Figure 4 – Animal proteins export  
(tonnes/working day)**



Sources: SECEX and 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 – Credit	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Gilmar Lima	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327
Raissa Freitas	Business Manager	raifreitas@santander.com.br	5511-3553-7424

### Global Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Juan Cerruti *	Senior Economist – Argentina	jcerruti@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
Claudia Benavente*	Head, Chile	claudia.benavente@santander.cl	562-2336-3361
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Daniel Gewehr*	Head, Brazil	dhgewehr@santander.com.br	5511-3012-5787

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