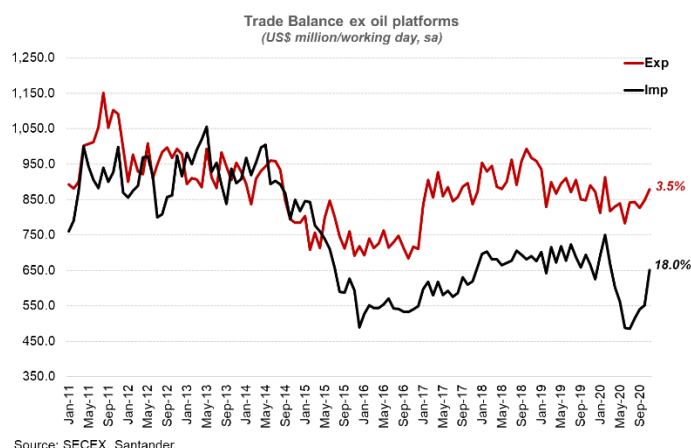


**Brazil Macro: External Sector**

**Trade Balance: November 2020**

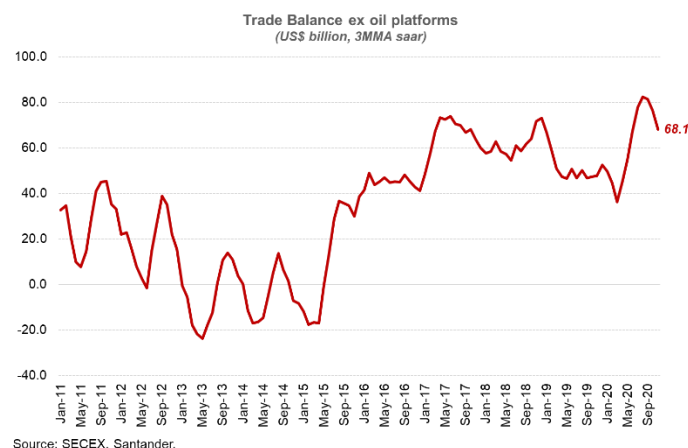
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The Brazilian trade balance registered a USD3.7 billion surplus in November 2020, which was below our estimate (USD4.3 billion), on the heels of USD17.5 billion in exports and USD13.8 billion in imports (our estimates were USD17.7 billion and USD13.4 billion, respectively). Based on that, the trade surplus reached USD51.2 billion in November, from USD47.4 billion in the previous reading in year-to-date terms, while it increased to USD57.1 billion in 12-month-to-date terms from USD56.9 billion in the previous reading and USD48.0 billion in December 2019.

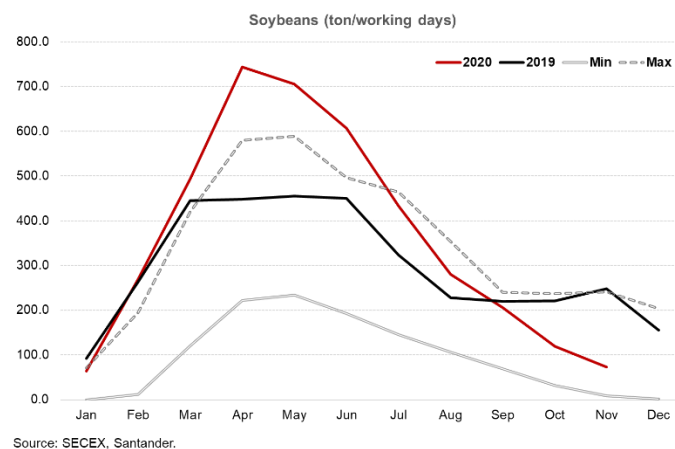


The outcome reinforced our perception that exports were less hard-hit than imports in the early stages of the pandemic. Nonetheless, the latter have started showing signs of recovery lately. According to our calculations, when we factor out deals related to oil platforms—which are not really either exports 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 expanded 3.5% MoM in seasonally adjusted (s.a.) terms (or -1.3% YoY) in November. As for the imports daily average, after having broken a six-month streak of contractions in August 2020, it has registered the fourth consecutive seasonally-adjusted monthly increase in the period (an astounding 18.0% 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 we do not expect this 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 USD68.1 billion annual trade surplus, which is higher than our forecast for 2020 (USD57.2 billion). Incidentally, the reversal of the upward trend registered by this annualized trade balance metric between March and September 2020 appears to reinforce our expectation of a lower annualized result at the end of the year.



In our view, part of the resilience displayed by exports has to do with the sound performance by external sales of soybeans so far. On the heels of 16.1% growth in the volume of soybean exports year to date, combined with a small decline in their average price (-0.9% YTD), Brazilian producers witnessed a 13.7% year-to-date increase in their revenue in USD terms.



**IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE “IMPORTANT DISCLOSURES” SECTION OF THIS REPORT.**

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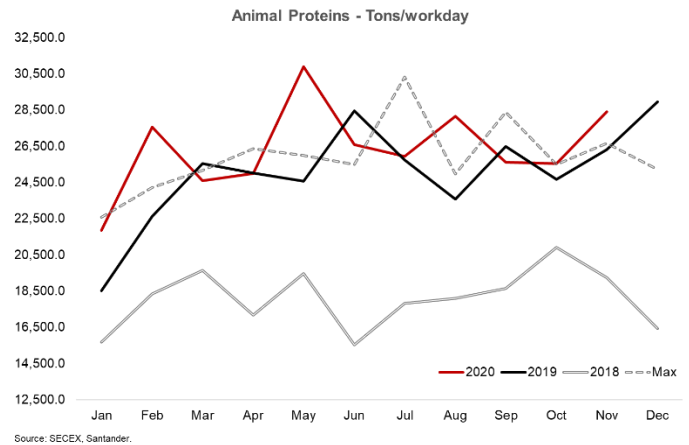


Taking into account the IBGE's estimate for the soybean crop in 2020 (c. 121.5 million tons, according to the latest version of the so-called Municipal Agriculture Production Survey, released in early November), approximately 68% of the total harvest projected for the year has already been sent abroad so far, which is the highest level ever seen for that measure. How much higher can it go? The total volume sold abroad reached nearly 82.9 million tons, which is approximately 100% of the total expected by MB Agro (a local consultancy firm specialized in agricultural themes) to be sold this year (around 83.0 million tons).

Another group of items that registered a favorable performance last month was animal proteins (beef, pork, and chicken), whose revenues have grown 6.6% YTD in the wake of both volume and price increases. 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.

After a boom in May 2020, the volume of animal protein exports registered a decline in YoY terms in June 2020 and remained relatively stable in July 2020, but it increased again in August, thus reversing the previous number that indicated a smaller supply shortage in China. Therefore, it looks as if these sales have found a support, which in our

view should lead the annual volume of exports in 2020 to exceed that registered in 2019, as well as to continue to deliver good results in the coming months. In our view, that's a positive indicator for the continuation of a favorable environment for both animal proteins and soybeans in coming years, as the latter is usually used for feeding animals. Hence, albeit lower than the USD68.1 billion surplus indicated by the current 3MMA saar, we think the trade balance is likely to reach a sizeable surplus in the near future.





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