# MACRO BRAZIL

June 1, 2023

## DATA ANALYSIS – TRADE BALANCE

### HAIL TO THE NEW PEAK

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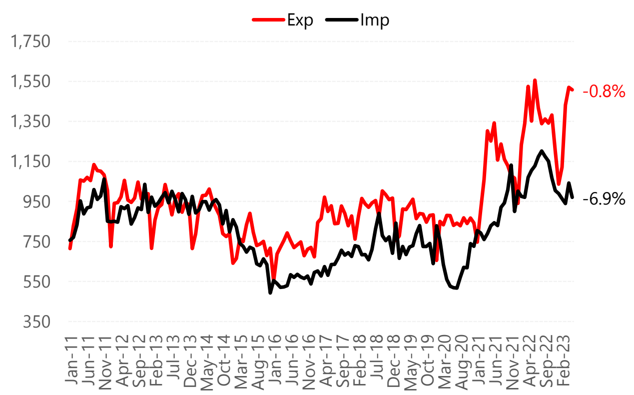
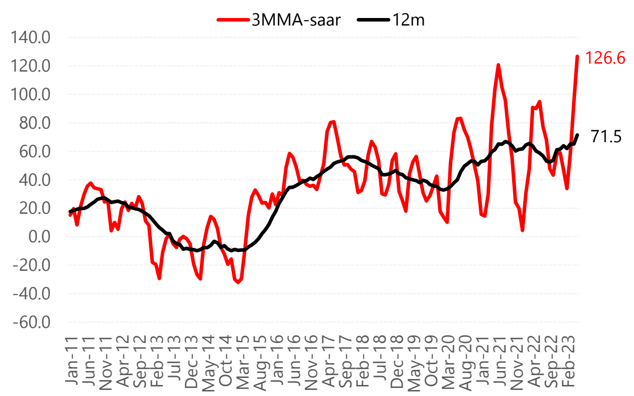
- **The trade balance registered a USD11.4 billion surplus in May 2023, far above our estimate of a USD7.6 billion positive reading (the market median estimate was USD9.7 billion). Moreover, this was more than twice as high as the USD5.0 billion surplus observed in the same month a year ago, causing the foreign trade surplus in 12-month terms to turn into a historical peak of USD71.5 billion.**
- **While export revenue topped what we expected, import outlays fell short, as the former gained momentum in the last days of May and the latter lost some steam in the same period. We anticipated USD30.6 billion for the former and USD23.0 billion for the latter, but the actual readings were USD33.1 billion and USD21.7 billion, respectively.**
- **In seasonally adjusted terms, the daily average of exports receded slightly (-0.8% MoM) in May 2023, thus putting an end to a three-month streak of increases. Daily average import outlays also dropped during the period, although in a stronger fashion (6.9% MoM), thus reversing a good part of the increase observed in the previous reading (+11% MoM). The 3MMA-saar gauge climbed to USD126.6 billion from USD94.7 billion in April 2023, underpinning our view that trade balance should continue to deliver sizeable surpluses ahead.**
- **In fact, assessing the performance of some typical products on the exports list, we continued to see some encouraging information, as the sales volumes of some items are hovering around their recent peaks and others have significant potential to deliver sound performances in the coming months. Therefore, in our view, export revenue is likely to remain in good shape. On the other hand, we believe the MoM-sa decrease in import outlays buttresses our perception that the lagged effects of the monetary tightening cycle are weighing on their expansion and should continue to do so ahead.**
- **All in all, we remain confident on our forecast of a USD53.7 billion surplus for 2023, which supports our already constructive view on the Brazilian external position.**

**Figure 1 – Trade Balance**
**(USD million/working day, sa)**




Sources: SECINT, Santander.

**Figure 2 – Trade Balance**
**(USD billion)**



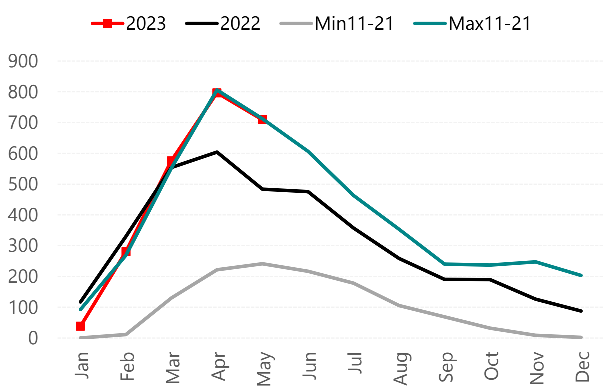

Sources: SECINT, Santander.

The trade balance registered a USD11.4 billion surplus in May 2023, stemming from an acceleration in export revenue in the last days of the month and a slowdown in import outlays in the same period. While the former tallied USD33.1 billion last month, total import outlays amounted to USD21.7 billion in May. While export revenue beat our estimate of USD30.6 billion, import outlays fell short of the USD23.0 billion we expected. As a result, the May trade surplus was 2.3x higher than the reading of a year ago (USD5.0 billion), bringing the 12-month surplus to its new historical peak of USD71.5 in these terms.

When we consider seasonally adjusted data, daily average exports declined marginally (-0.8% MoM), thus putting an end to a three-month streak of significant increases, but still running at a high level. In turn, daily average imports receded as well in May, but in a more intense way (6.9% MoM), reversing a good chunk of the increase observed in the previous reading. As a result, we saw the average of the last three months' annualized surplus (3MMA-saar) climbing to USD126.6 billion from USD94.7 billion in April 2023, higher than our full-year forecast of USD53.7 billion for 2023.

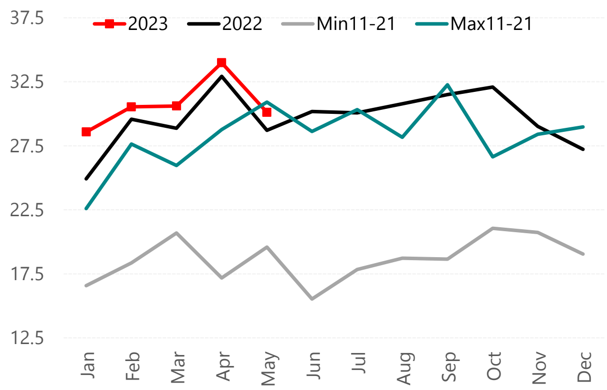
Looking at specific items in both exports and imports, we believe there are still signals suggesting that trade surpluses are likely to remain sizeable. From an export standpoint, we see volumes of certain key items such as soybeans and animal proteins above the readings for the last ten years. As we expected, the Agriculture Ministry's temporary suspension of beef exports in March did not prevent the sales volume of animal proteins from remaining robust. Moreover, while the sales volume of soybeans is bound to show a seasonal decline in 2H23, we expect corn exports to ramp up in the same period. Hence, revenue should likewise remain high, in our view. Conversely, we think Brazilian importers took advantage of the price drop observed in some strategic products to increase their purchases—especially those inputs related to the buoyant Brazilian agribusiness activities—but such opportunistic approach seems to have been completed. In addition, we expect the economic slowdown stemming from the lagged effects of prior interest rate hikes in Brazil to weigh on their expansion. Thus, we think the Brazilian trade balance should continue to deliver good-sized surpluses ahead.

**Figure 3 –Exports of Soybeans (kilotons/day)**



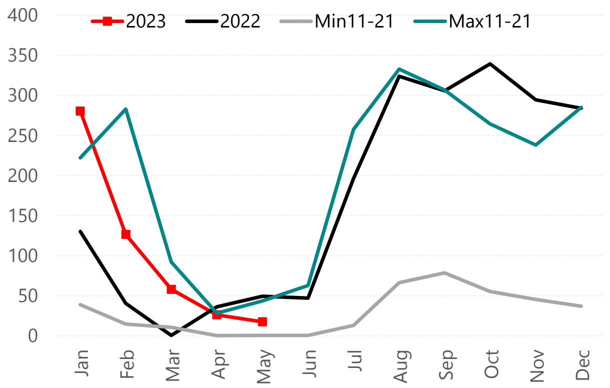

Sources: SECINT, Santander.

**Figure 4 – Exports of Animal Proteins (kilotons/day)**



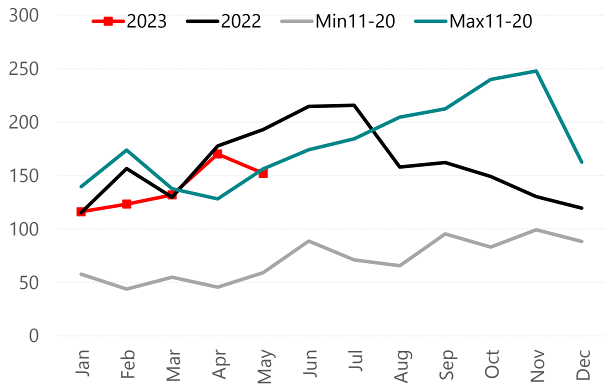

Sources: SECINT, Santander

**5 – Exports of Corn (kilotons/day)**




Sources: SECINT, Santander.

**Figure 6 – Imports of Fertilizers (kilotons/day)**




Sources: SECINT, Santander

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