Santander
Macroeconomic Research

MACRO BRAZIL

May 2, 2023

DATA ANALYSIS – TRADE BALANCE

KEEPING THE BAR HIGH

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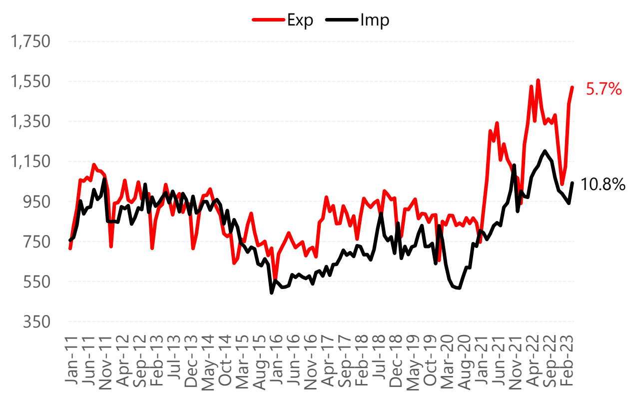
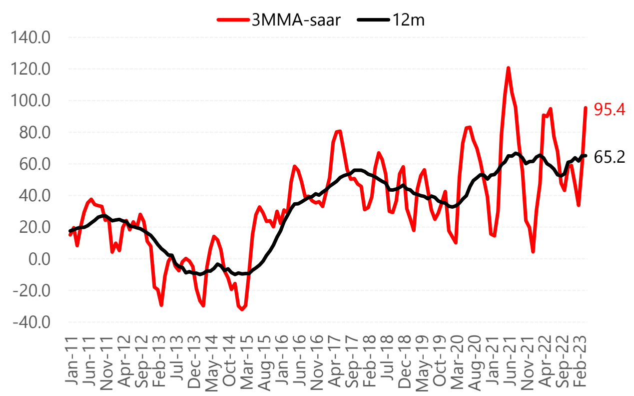
- **The trade balance registered a USD8.2 billion surplus in April 2023, below our estimate of a USD8.6 billion positive reading (the market median estimate was USD8.4 billion). However, this was exactly in line with the USD8.2 billion surplus observed in the same month a year ago, causing the foreign trade surplus in 12-month terms to remain at USD65.2 billion compared with March's release.**
- **Both export revenue and import outlays fell short of what we expected, as both lost some steam in the second half of April compared with the first fortnight. We anticipated USD28.6 billion for the former and USD20.0 billion for the latter, but the actual readings were USD27.4 billion and USD19.1 billion, respectively.**
- **In seasonally adjusted terms, daily average export revenue rose 5.7% MoM in April 2023, thus marking a three-month streak of increases. At the same time, daily average import outlays climbed during the period (10.8% MoM), thus marking the end of a seven-month streak of declines. The 3MMA-saar gauge climbed to USD95.4 billion from USD59.1 billion in March 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 running above 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 increase in import outlays is a rebound after a long period of contractions, which does not alter our perception that the lagged effects of the monetary tightening cycle will weigh on their expansion ahead.**
- **All in all, we forecast a USD53.7 billion surplus for 2023 which supports the 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)



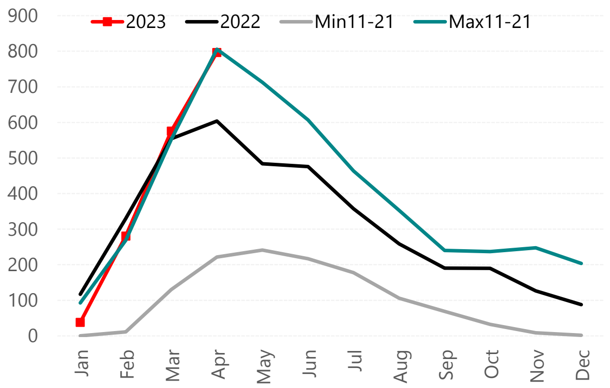
Sources: SECINT, Santander.

The trade balance registered a USD8.2 billion surplus in April 2023, stemming from a deceleration on both export revenue and import outlays in the last days of the month. While the former tallied USD27.4 billion last month, total import outlays amounted to USD19.1 billion in April, falling short of our estimate of USD28.6 billion and USD20.0 billion, respectively. The April trade surplus perfectly matched the reading of a year ago (USD8.2 billion), keeping the 12-month surplus at the USD65.2 billion level seen in March's release.

When we consider seasonally adjusted data, daily average exports increased 5.7% MoM, thus marking a three-month streak of significant increases. In turn, daily average imports ended a seven-month streak of declines and expanded in April (10.8% MoM sa), implying a rebound in the long period of contraction. As a result, we saw the average of the last three months' annualized surplus (3MMA-saar) climbing to USD95.4 billion from USD59.1 billion in March 2023, higher than our full-year forecast of USD53.7 billion for 2023.

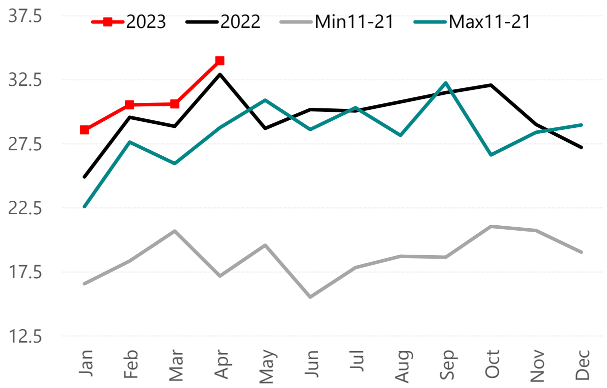
Looking at specific items in both exports and imports, we believe there are still signals suggesting that trade surpluses are likely to remain sizeable. From an export standpoint, we see volumes of certain key items such as soybeans and animal proteins above the readings for the last ten years, with minimal prospects of a slowdown in the coming months. The Agriculture Ministry's temporary suspension of beef exports in March did not prevent the sales volume of animal proteins to remain robust, which indicates the potential for an increase ahead. Moreover, for products such as oil and iron ore, we believe sales volumes should be favored by the Chinese economic reopening and governmental incentives. Hence, revenue should likewise remain high, in our view. Conversely, we think Brazilian importers are taking advantage of the price drop observed in some strategic products to increase their purchase–especially those inputs related to the buoyant Brazilian agribusiness activities. However, we expect the economic slowdown stemming from the lagged effects of prior interest rate hikes in Brazil to weigh on their expansion. Thus, after setting a record performance in 2022, we think the Brazilian trade balance will continue to deliver good-sized surpluses over the medium term.

Figure 3 –Exports of Soybeans (kilotons/day)



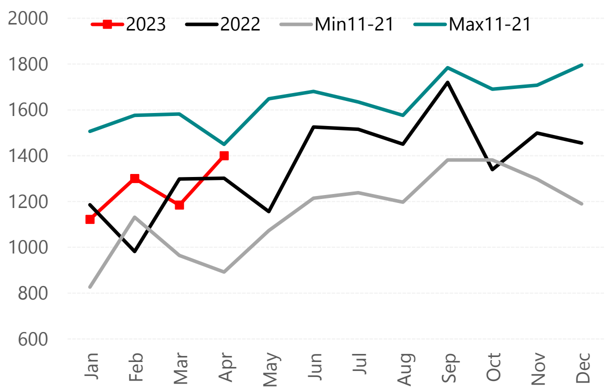
Sources: SECINT, Santander.

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



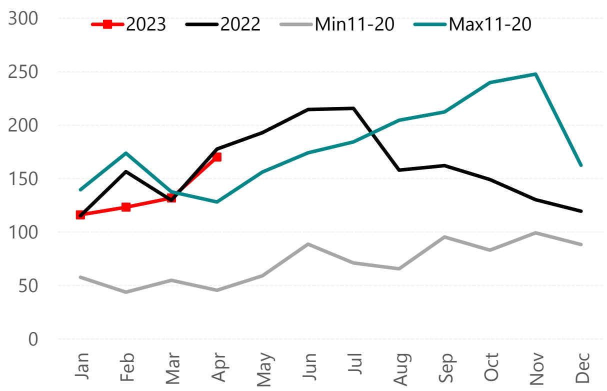
Sources: SECINT, Santander

Figure 5 – Exports of Iron Ore (kilotons/day)



Sources: SECINT, Santander.

Figure 6 – Imports of Fertilizers (kilotons/day)



Sources: SECINT, Santander

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