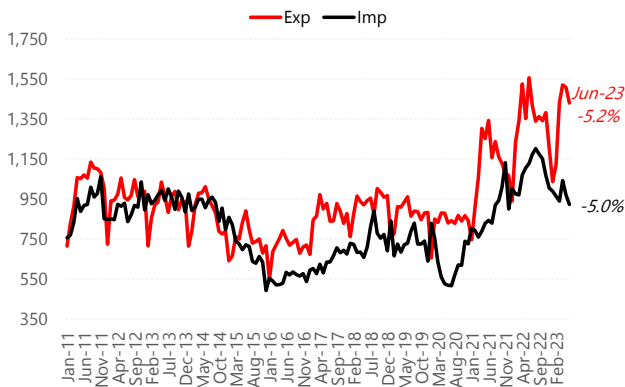


PUSHING THE BAR HIGHER

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

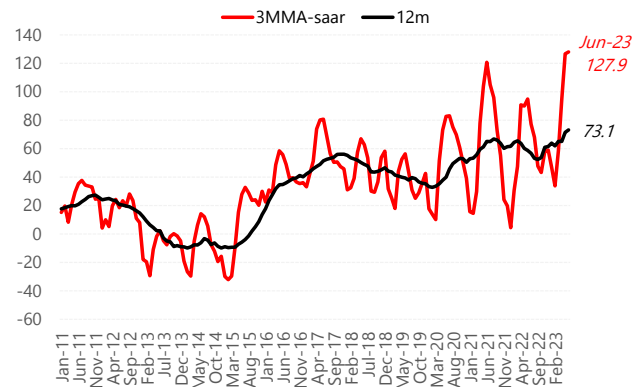
- The trade balance registered a USD10.6 billion surplus in June 2023, in line with our estimate of a USD10.8 billion positive reading and above the market median estimate of USD9.5 billion. Moreover, the outcome topped the USD8.9 billion surplus observed in the same month a year ago, causing the foreign trade surplus in 12-month terms to turn into a historical peak of USD73.1 billion.
- Despite the new record for the trade balance, both export revenue and import outlays fell short of our expectations. We anticipated USD31.0 billion for the former and USD20.2 billion for the latter, but the actual readings were USD30.1 billion and USD19.5 billion, respectively.
- In seasonally adjusted terms, the daily average of exports receded (-5.2% MoM) in June 2023, with the daily average import outlays also declining in a similar pattern (-5.0% MoM). Although it was the second drop in a row for both, the daily average of exports remained at fairly high levels, while the daily average of imports reinforced the downward trend which started in August 2022. As a result, the 3MMA-saar gauge climbed to USD127.9 billion from USD126.6 billion in May 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 believe there are upside risks for 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.

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

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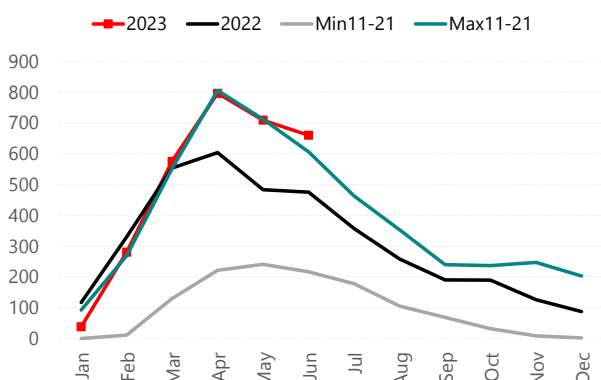


The trade balance registered a USD10.6 billion surplus in June 2023, stemming from an acceleration in export revenue in the last days of the month and a slowdown in import outlays in the same period. While the former tallied USD30.1 billion last month, total import outlays amounted to USD19.5 billion in May. Nonetheless, both export revenue and import outlays fell short of our estimates of USD31.0 billion and USD20.2 billion. The June trade surplus was higher than the reading of a year ago (USD8.9 billion), bringing the 12-month surplus to its new historical peak of USD73.1 in these terms.

When we consider seasonally adjusted data, daily average exports declined (-5.2% MoM) and were accompanied by a similar drop in daily average imports (5.0% MoM). As a result, we saw the average of the last three months' annualized surplus (3MMA-saar) climbing to USD127.9 billion from USD126.6 billion in May 2023, higher than our full-year forecast of USD53.7 billion for 2023.

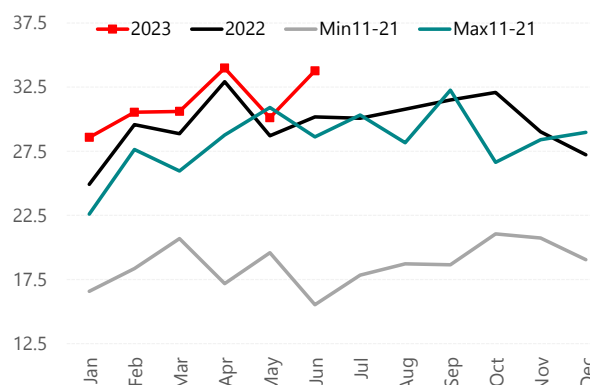
Looking at specific items in both exports and imports, we believe there are still signals suggesting that trade surpluses are likely to remain sizeable. From an export standpoint, we see volumes of certain key items such as soybeans and animal proteins above the readings for the last ten years. As we 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)



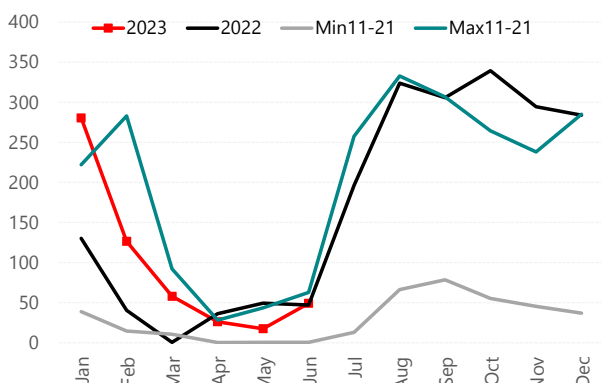
Sources: SECINT, Santander.

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



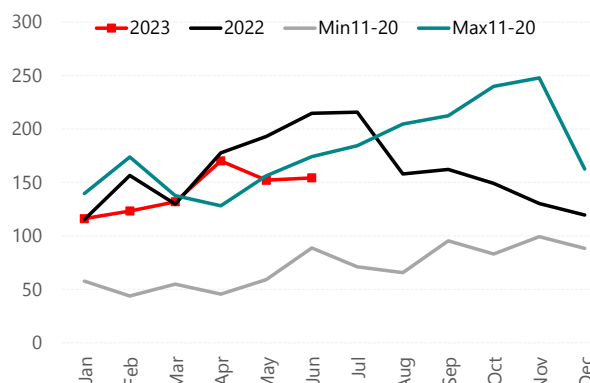
Sources: SECINT, Santander

Figure 5 – Exports of Corn (kilotons/day)



Sources: SECINT, Santander.

Figure 6 – Imports of Fertilizers (kilotons/day)



Sources: SECINT, 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
Felipe Kotinda*	Economist – Commodities	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Fabiana Moreira*	Economist – Credit	fabiana.de.oliveira@santander.com.br	5511-3553-6120
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327

Global Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Rodrigo Park *	Economist – Argentina	rpark@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
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Aline de Souza Cardoso*	Head, Brazil	aline.souza.cardoso@santander.com.br	5511-3553-1684

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