BRAZIL – BAROMETER

Monthly Update

February 2025

FOCAL POINTS :

Macro Environment

Brazil has revised its 2025 GDP growth forecast downward to 2.3 percent, attributing the slowdown to the effects of ongoing monetary tightening aimed at curbing inflation. In contrast, the IMF maintains a more optimistic outlook, projecting 3.0 percent growth, citing resilient private consumption and investment as key drivers.

FX and money markets

At its latest meeting on January 30, 2025, Brazil's Central Bank continued its monetary tightening cycle, raising the benchmark Selic interest rate by 100 basis points to 13.25 percent. The Brazilian real strengthened against the USD, averaging BRL 6.01 per USD throughout the month.

Exports

Brazil's iron ore exports saw a modest recovery in January, reaching 31 million tonnes — the highest volume recorded for the month in the past five years. Meanwhile, soybean exports continued their downward trend, falling to 1.1 million tonnes in January, marking the seventh consecutive monthly decline. This represented a sharp 45 percent drop from December and an even steeper 61.47 percent contraction year-on-year.

Imports

In January, Brazil's chemical fertilizer imports totaled 3 million tonnes, reflecting a 12.72 percent month-on-month decline and an 8.8 percent drop year-on-year. Despite this being the third consecutive monthly decrease, January's import levels remained the highest on record for the month over the past five years.

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CONTENT PAGES :

• Brazil's Finance Ministry forecasts GDP growth of 3.5 percent for 2024, exceeding earlier projections. This robust performance was primarily driven by strong private consumption and investment, supported by government stimulus measures.

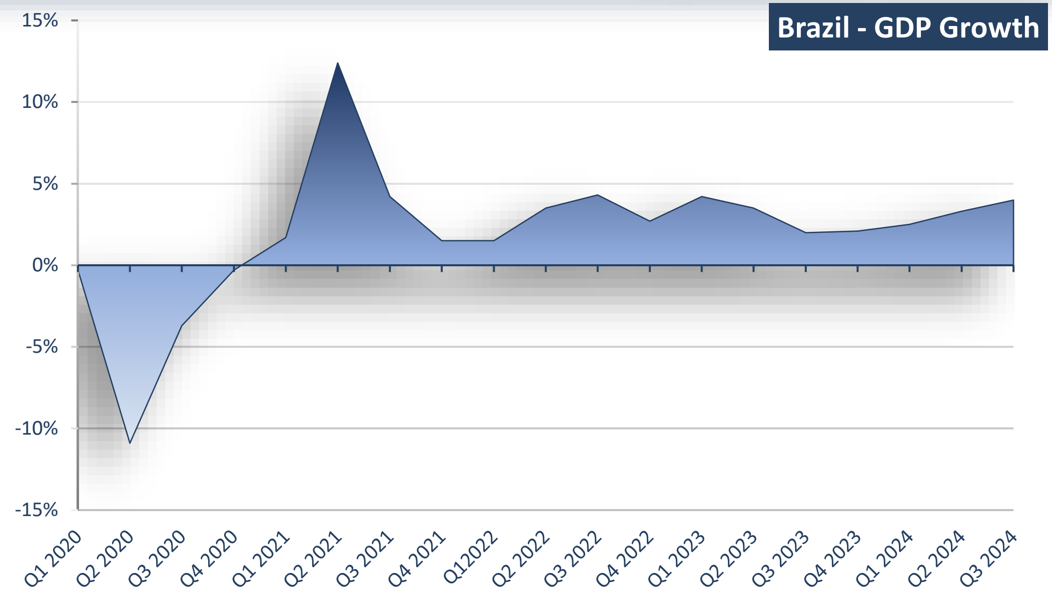
• Central government has revised its 2025 GDP growth forecast downward to 2.3 percent, citing the impact of ongoing monetary tightening aimed at curbing inflation.

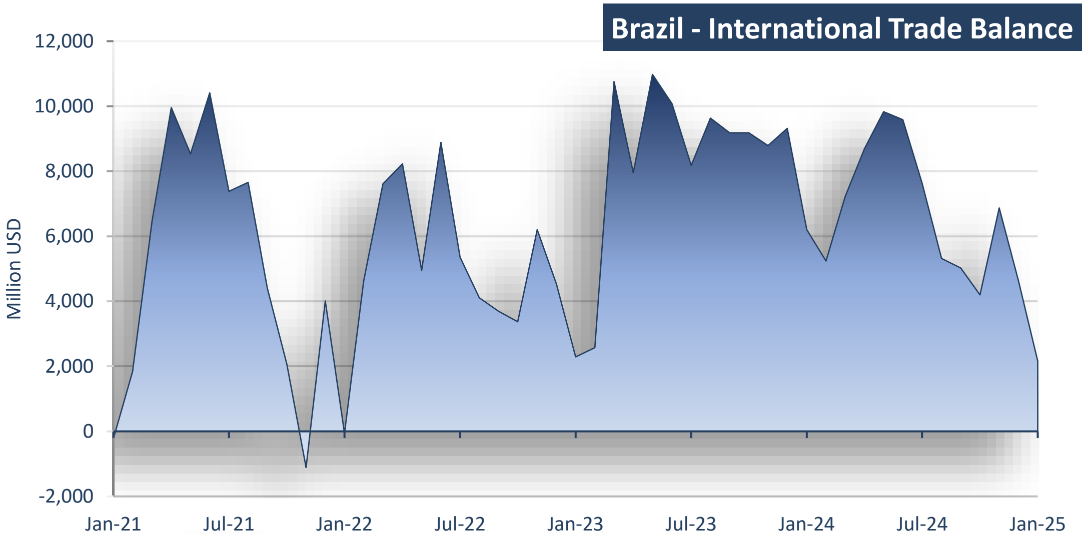
• In contrast, the International Monetary Fund (IMF) maintains a more optimistic outlook, projecting 3.0 percent growth for 2025, highlighting resilient private consumption and investment as key drivers.

• In January, Brazil recorded a trade surplus of $2.16 billion, with exports totaling $25.18 billion and imports reaching $23.02 billion.

• The surplus contracted sharply by 53.31 percent compared to the previous month, as exports declined by 5.7 percent month-on-month, while imports surged by 12.2 percent.

• The narrowing trade balance was influenced by price declines in key commodities such as crude oil and iron ore, while imports were driven higher by increased purchases of fuels, fertilizers, non-electric machinery, and automotive parts.

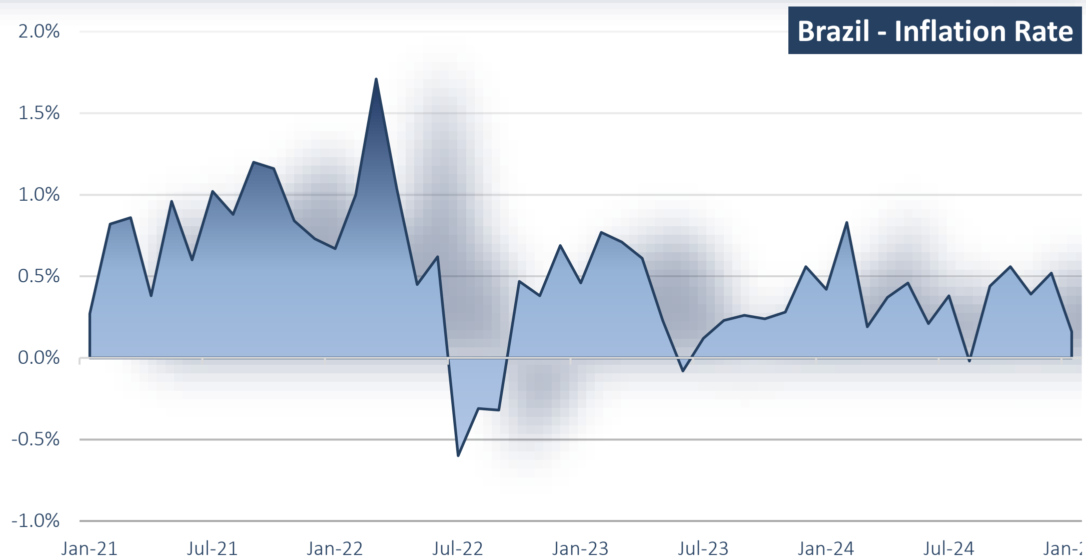




• Brazil's annual inflation rate eased to 4.56 percent in January 2025, down from 4.83 percent in December, marking its lowest level since September 2024.

• This decline was largely driven by a 14.21 percent drop in electricity costs, supported by a government subsidy. However, inflationary pressures remained evident in the food and transportation sectors.

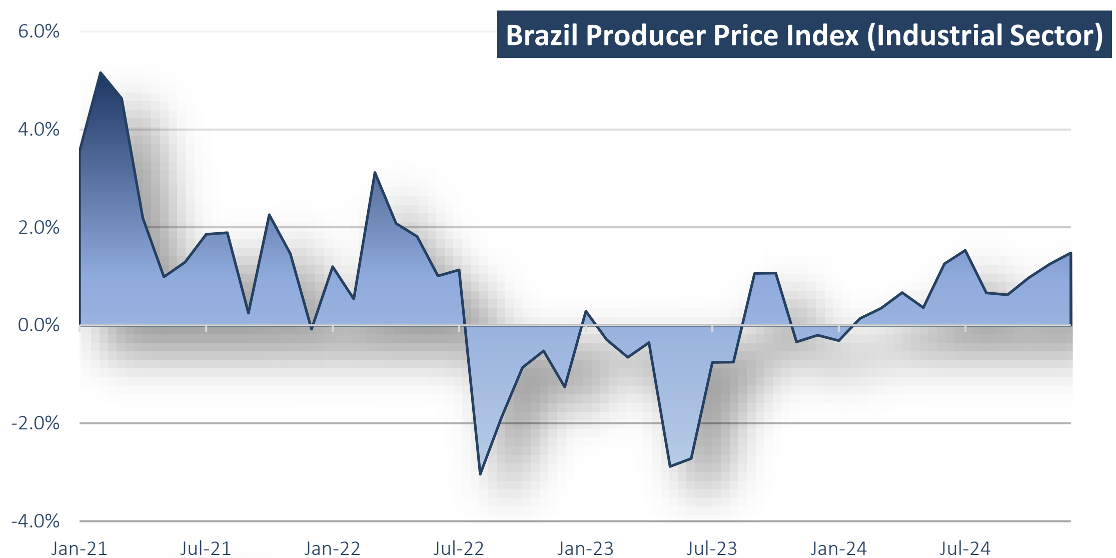
• On a monthly basis, the Consumer Price Index (CPI) increased by 0.18 percent in January, reflecting a notable slowdown from the 0.52 percent rise recorded in December.



• The Producer Price Index (PPI) for the industrial sector posted strong growth, rising by 1.48 percent in December.

• Of the 24 monitored sectors, 23 reported gains, with significant increases in metallurgy and transport equipment manufacturing.

• December's rise brought the annual PPI increase to 9.42 percent, the fourth highest yearly gain since the index series began in 2014. The food sector was the primary driver of this upward trend, contributing 3.48 percentage points to the overall increase.



- At its latest meeting on January 30, 2025, Brazil's Central Bank continued its monetary tightening cycle, raising the benchmark Selic interest rate by 100 basis points to 13.25 percent.

- The decision aimed to curb persistent inflation, which remained above target, while also addressing concerns over fiscal policy and currency depreciation.

- The Central Bank's Monetary Policy Committee highlighted that both headline and core inflation continued to exceed target levels. Additionally, uncertainties surrounding public spending had disrupted asset prices, reinforcing the need for a credible policy to anchor inflation expectations and lower risk premiums on financial assets.

- In January, the USD/BRL exchange rate experienced notable fluctuations, driven by Brazil's monetary policy stance.

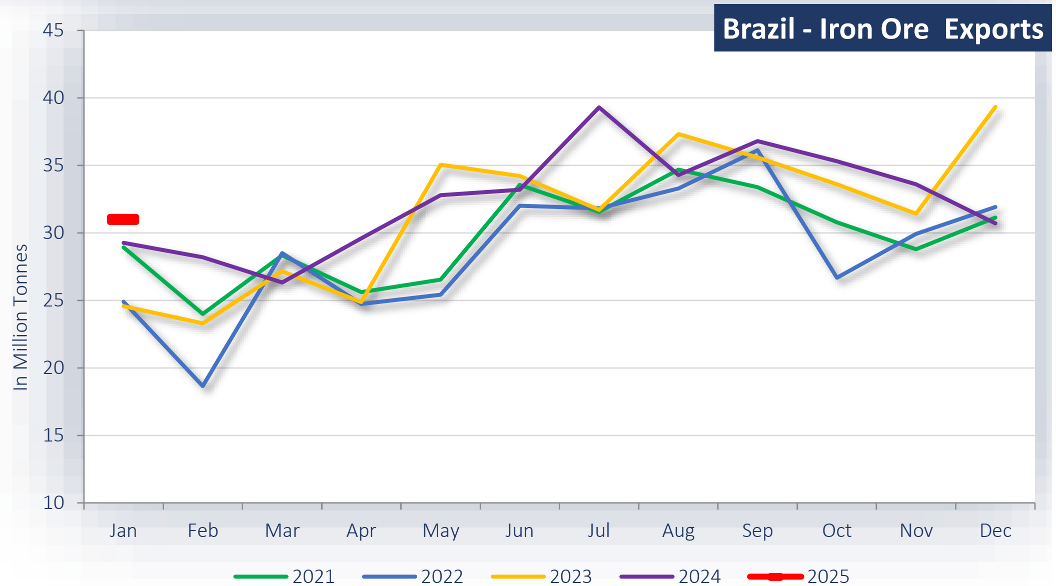
- The Brazilian real strengthened against the USD, averaging BRL 6.01 per USD throughout the month.

- With inflationary pressures persisting, the central bank may need to implement further policy measures to ensure price stability in the coming months.

• Brazil's iron ore exports saw a modest recovery in January 2025, reaching 31 million tonnes — the highest volume recorded for the month in the past five years.

• This represented a 0.98 percent increase from December and a 5.93 percent rise year-on-year, making it the strongest January performance since 2021.

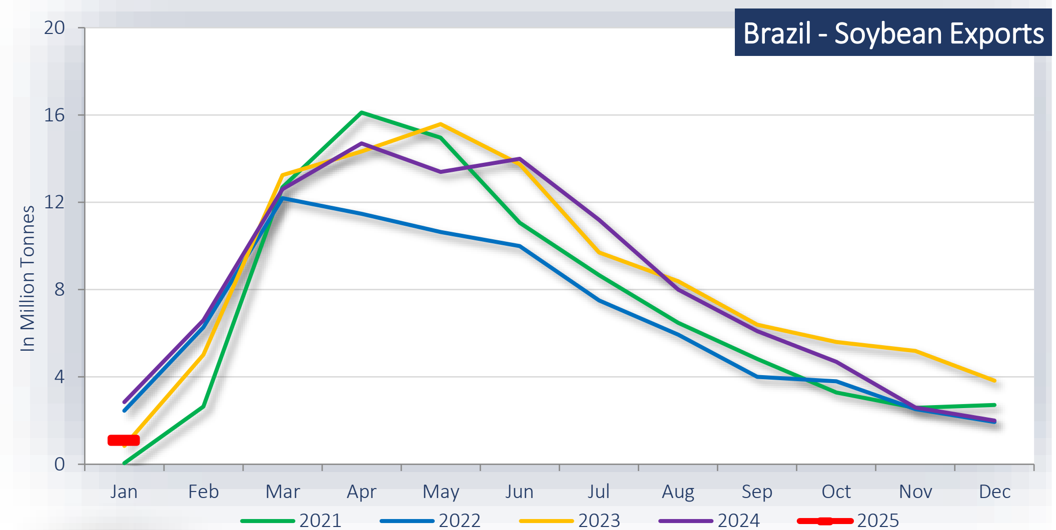
• The Brazilian Mining Institute expects production volumes to remain elevated, with an average price projection of USD 92 per tonne. However, export levels will hinge on the operational efficiency of major producers, weather conditions, and global demand, particularly from China.



• Meanwhile, Brazil's soybean exports continued to decline, falling to 1.1 million tonnes in January - the seventh consecutive monthly drop.

• This marked a steep 45 percent decline from December and an even sharper 61.47 percent contraction year-on-year.

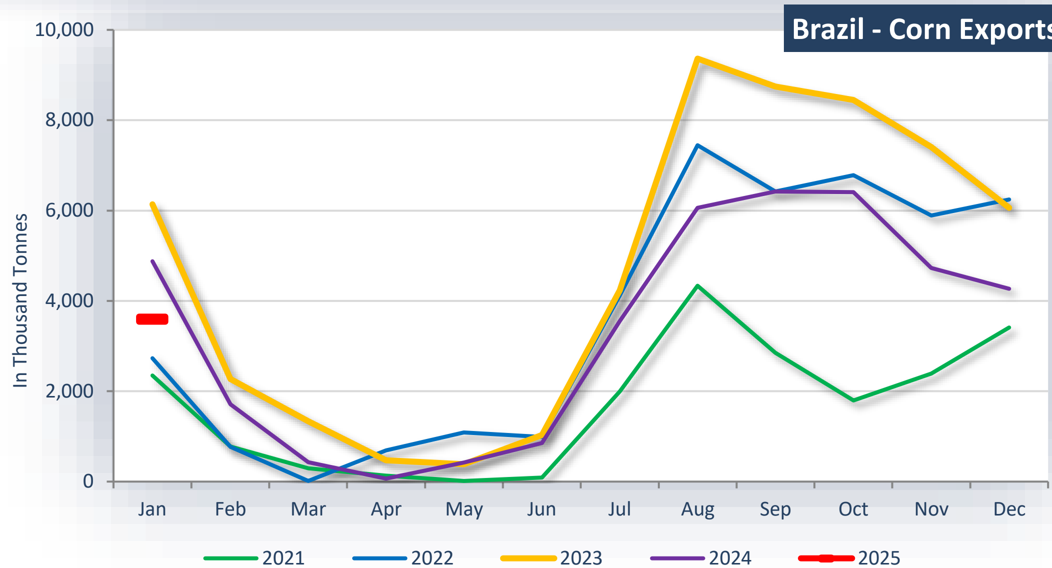
• Despite the recent downturn, Brazil's soybean exports are projected to reach a record 107 million tonnes in 2025, up 10 percent from 97 million tonnes in 2024. This surge is underpinned by expectations of an all-time high soybean harvest of approximately 173.71 million tonnes.



• Brazil's corn exports in January 2025 fell to 3.59 million tonnes, marking the fourth consecutive monthly decline.

• Shipments dropped by 15.75 percent compared to December and by an even steeper 26.30 percent year-on-year.

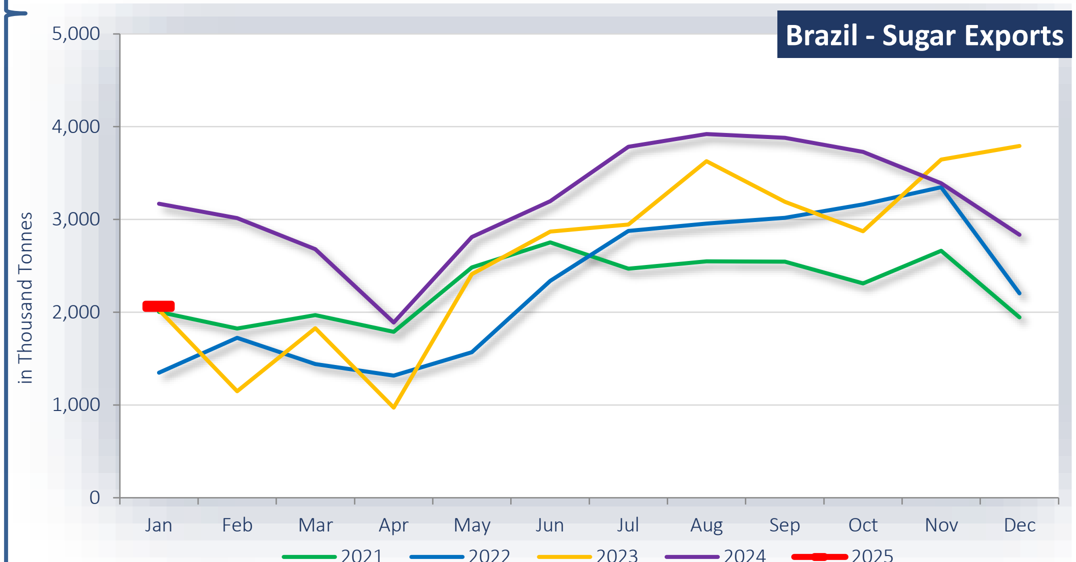
• While the upcoming season's corn production is projected to surpass last year's levels, the potential for higher exports remains uncertain. A sharp downturn in China's corn import demand, coupled with increased domestic consumption for ethanol production, may cap Brazil's export growth.



• Brazil's sugar exports saw a significant decline, reaching 2.06 million tonnes in January — a drop of 27.28 percent month-on-month and 34.94 percent year-on-year.

• The decrease is largely attributed to limited stock availability during the off-season in the Center-South region, the country's primary sugar-producing area.

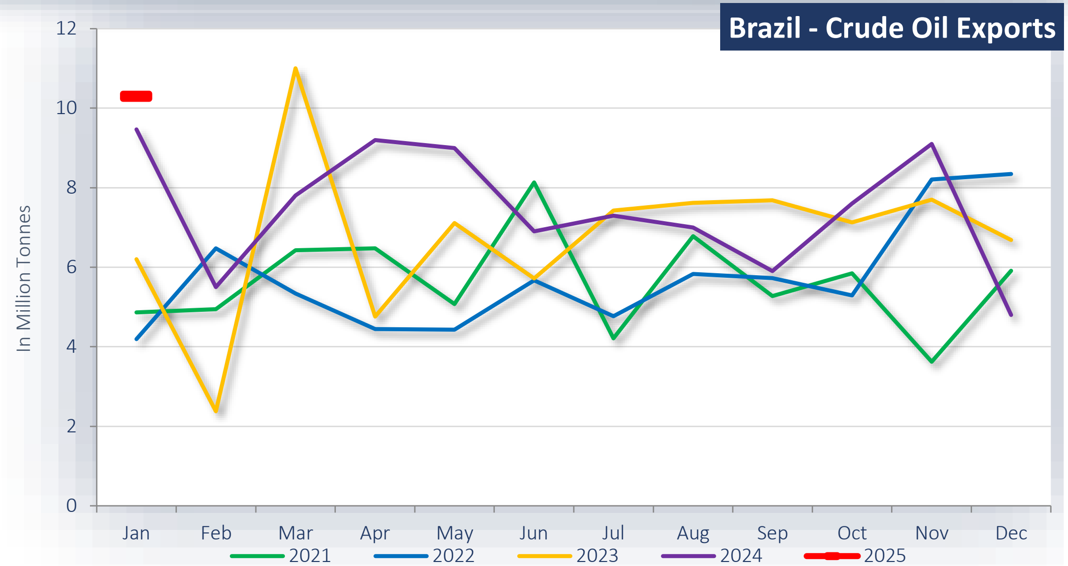
• A combination of falling exports and weakening global sugar prices presents a challenging outlook for Brazil's sugar industry. While improved weather conditions have boosted global supply, domestic constraints, including stock shortages and environmental factors, have restricted Brazil's export capacity.



• Brazil's crude oil exports surged in January, reaching 10.3 million tonnes, a sharp 114.58 percent month-on-month increase.

• On a year-on-year basis, exports rose 9 percent, marking the highest January export volume in the past five years.

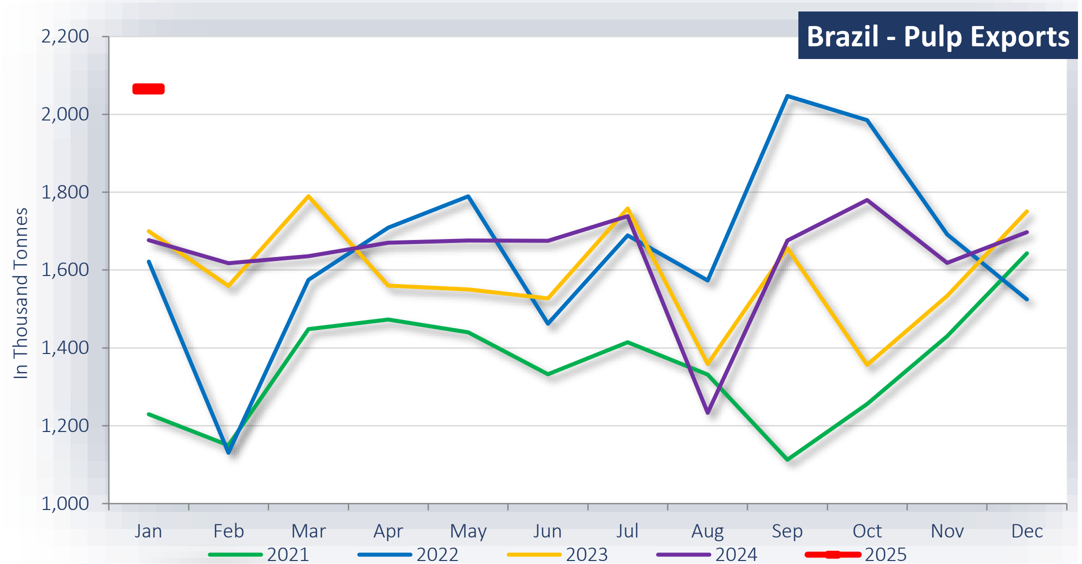
• Brazil's recent decision to join OPEC+ underscores its growing status as a key oil producer. This move comes just nine months before Brazil is set to host the UNs' annual climate summit, highlighting the country's evolving role in the energy sector.



• In January, wood pulp exports totaled 2.07 million tonnes, reflecting a 21.64 percent month-on-month increase and a 23.17 percent rise year-on-year.

• For the full year 2024, wood pulp exports reached 19.78 million tonnes, up 3.54 percent from 2023.

• Looking ahead, the sector is poised for further expansion, with major investments planned. Suzano's upcoming plant, with an annual capacity of 2.55 million tonnes, and Arauco's 2.5 million tonne facility set for 2028, are expected to bolster Brazil's position as a leading pulp supplier.



- In January 2025, Brazil's chemical fertilizer imports totaled 3 million tonnes, marking a 12.72 percent decline month-on-month and an 8.8 percent drop year-on-year.

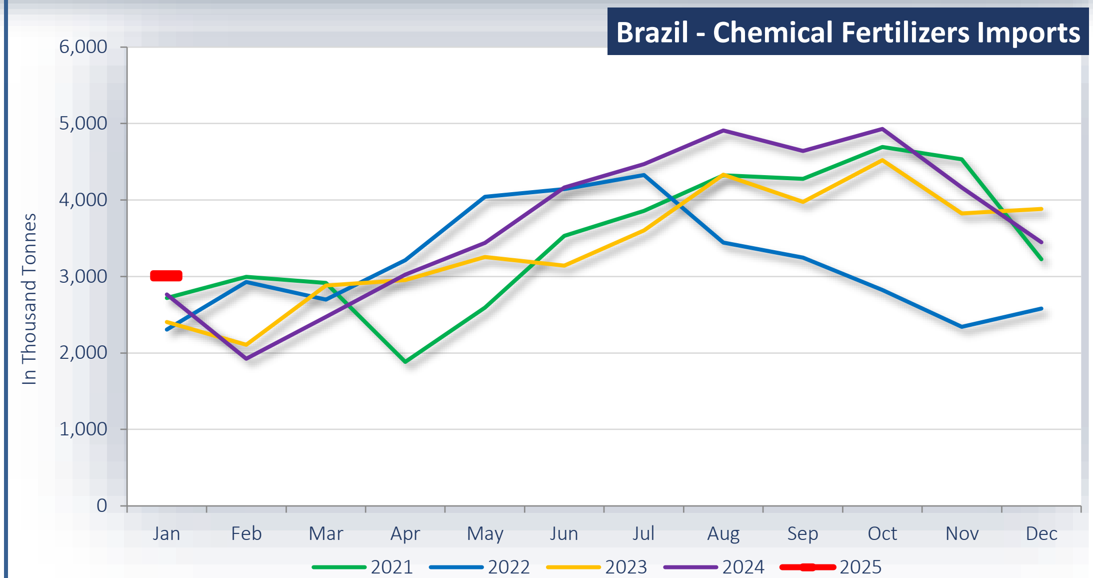
- Despite this being the third consecutive monthly decline in import volumes, January's levels were the highest recorded for the month in the past five years.

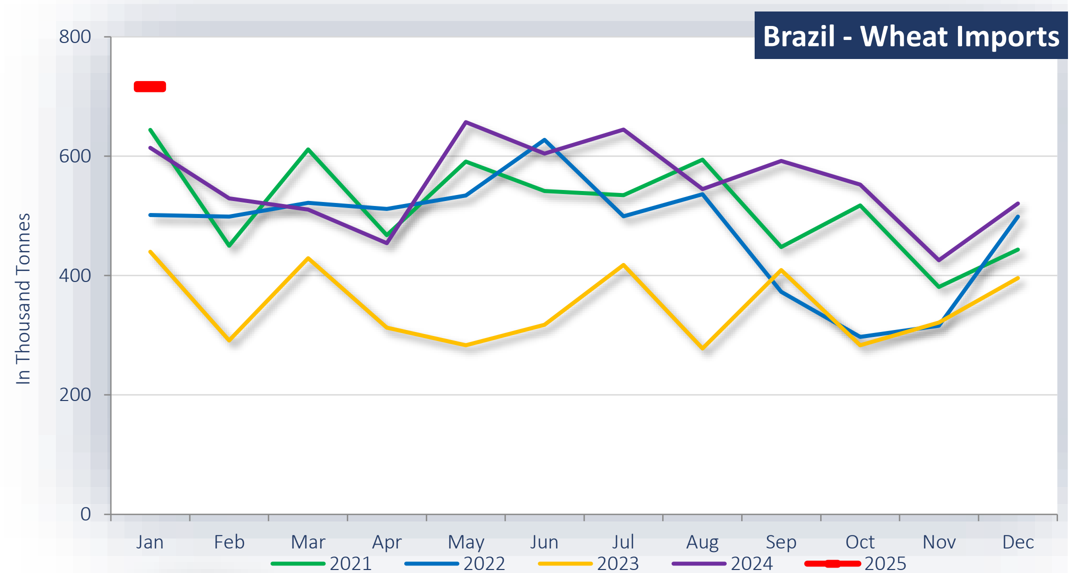
- Southeastern ports, particularly Paranaguá and Santos, remained the primary entry points for these imports.

- Wheat imports surged to 716.9 thousand tonnes, reflecting a 37.63 percent increase month-on-month and a 16.76 percent rise year-on-year.

- January's import volumes were the highest for the period in the past five years, highlighting Brazil's growing dependence on foreign wheat supplies.

- According to the National Supply Company (Conab), Brazil's 2024/2025 wheat production is projected at 7.89 million tonnes, down 2.6 percent year-on-year. This decline, coupled with an 11.9 percent reduction in cultivated area, has resulted in a domestic shortfall of approximately 3.5 million tonnes, necessitating higher import volumes to meet the annual demand of 11.9 million tonnes.





• Port congestion at Santos averaged 22 vessels in January, marking an 18.51 percent decline from December's average of 27 vessels.

• The total deadweight of congested vessels saw a similar 15 percent month-on-month decrease.

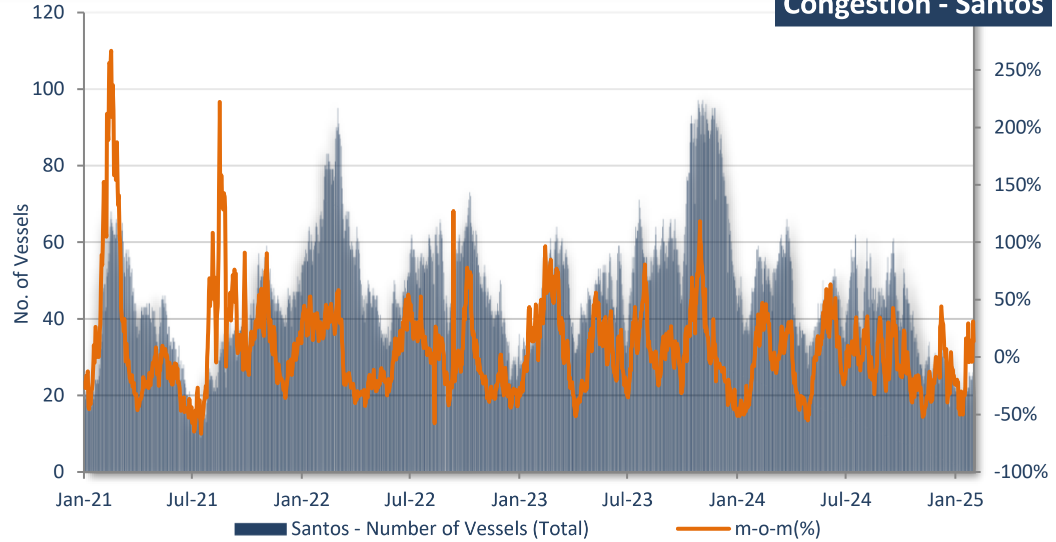
• Compared to January 2024, when congestion averaged 43 vessels, this represents a significant 28.83 percent year-on-year decline.

• At the Ports of Tubarão and Vitória, combined congestion in January averaged 14 vessels, registering a 22.22 percent month-on-month decline from December 2024.

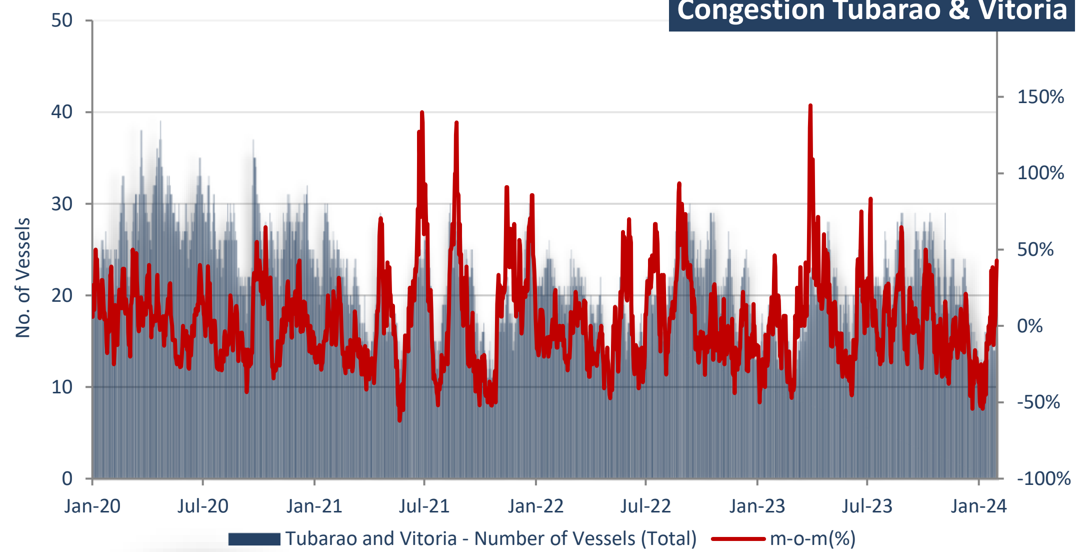
• The total deadweight of congested vessels also saw a 15 percent decrease compared to the previous month.

• On a year-on-year basis, congestion at these ports was 12.5 percent lower, down from 16 vessels in January 2024, indicating a sustained reduction in port delays.

Congestion - Santos



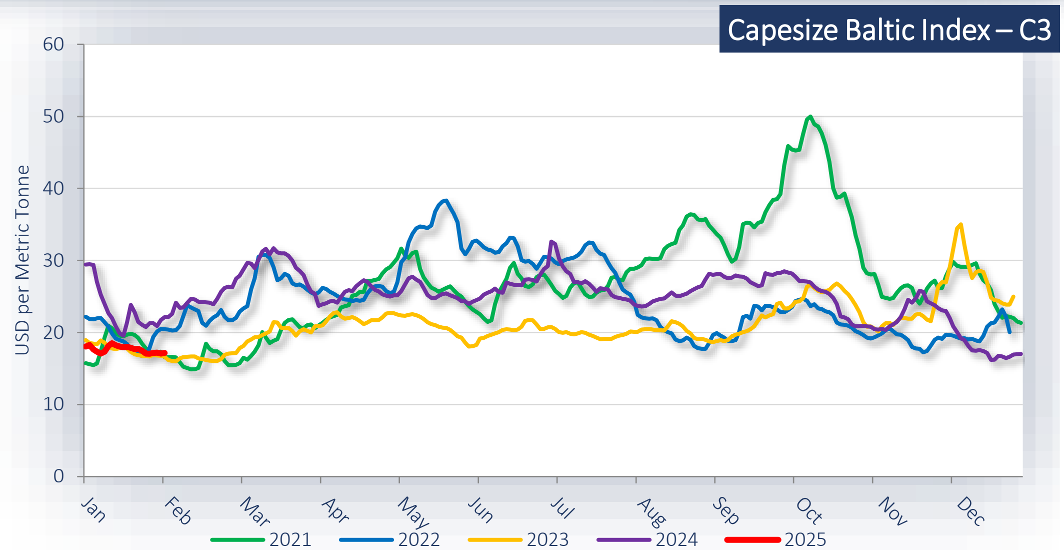
Congestion Tubarao & Vitoria



- In January 2025, the Capesize Baltic C3 (Tubarão/Qingdao) Index closed at 17.14 USD per metric tonne, with the monthly average settling at 17.64 USD per metric tonne.

- This marked a modest 2.26 percent month-on-month increase from December's average of 17.25 USD per metric tonne.

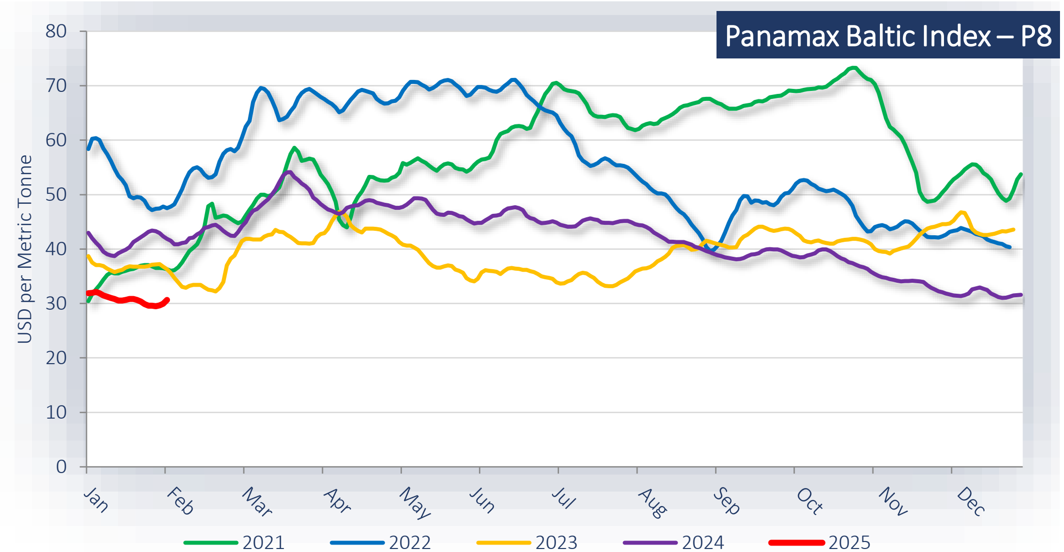
- However, on a year-on-year basis, the index saw a substantial decline of 23.38 percent, compared to the 23.38 USD per metric tonne average recorded in January 2024, highlighting the ongoing weakness in the Capesize market.



- Meanwhile, the Panamax Baltic P8 (Santos/Qingdao) Index closed January at 30.64 USD per metric tonne, with a monthly average of 30.71 USD per metric tonne.

- This reflected a 3.43 percent month-on-month decline from December's average of 31.80 USD per metric tonne, reinforcing the downward trajectory that has persisted since the second quarter of 2024.

- Notably, January's P8 Index average was the lowest in the past five years, underscoring the prolonged weakness in the Panamax sector amid soft demand and market headwinds.



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