BRAZIL – BAROMETER

Monthly Update

July 2025

FOCAL POINTS :

Macro Environment

Brazil's Gross Domestic Product grew by a solid 1.4 percent in the first quarter of 2025 compared to the previous one, marking the 15th consecutive quarter of expansion. The sustained growth was underpinned by strong performance in the agricultural sector. However, economists surveyed by Reuters anticipate a deceleration in the pace of growth over the coming quarters.

FX and money markets

The Central Bank of Brazil maintained its hawkish stance in June, raising the Selic rate to 15.00 percent in a continued effort to combat inflationary pressures. In response, the Brazilian Real appreciated against the U.S. dollar, with the average exchange rate for the month strengthening to 5.5458 BRL/USD.

Exports

Iron ore exports totaled 186.2 million tonnes during the first half of 2025, representing the highest volume for this period in five years and reinforcing Brazil's position as a key global supplier. Soybean shipments also surged, reaching 65 million tonnes by end-June — another five-year high — driven by favorable weather and strong international demand.

Imports

Brazil's fertilizer imports climbed for the fourth consecutive month in June, reaching 4.14 million tonnes, a 10.64 percent increase month-on-month. The sustained rise in fertilizer volumes aligns with expectations for a record grain harvest in 2025, with output projected at 327.6 million tonnes, requiring continued high levels of agricultural input.

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CONTENT PAGES :

• Brazil's economy maintained its momentum in the first quarter of 2025, with GDP expanding by a robust 1.4 percent quarter-on-quarter, marking the 15th consecutive quarter of growth.

• The agricultural sector was the key driver, posting an impressive 12.2 percent quarterly increase, supported by favorable weather conditions and prospects for a record soybean harvest.

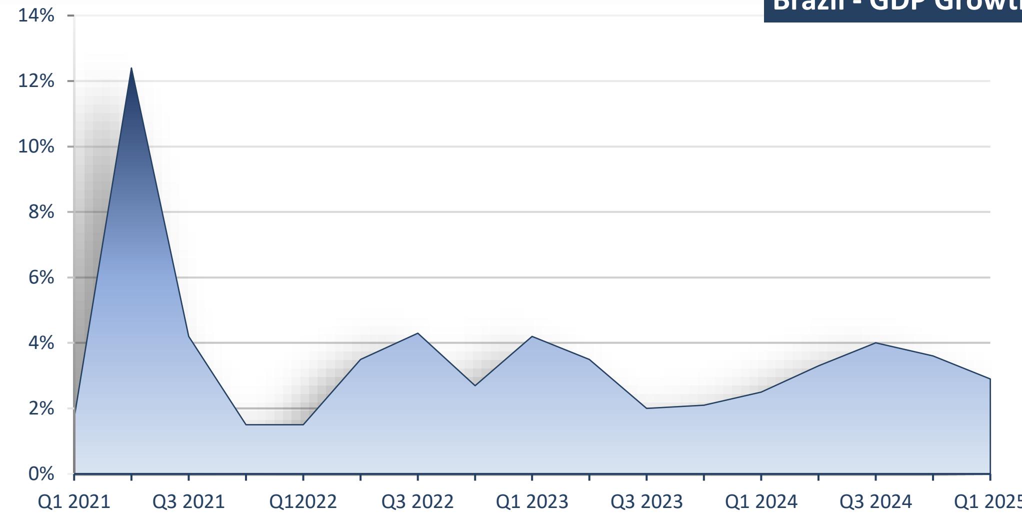
• Forward-looking indicators suggest a moderation in growth. According to a Reuters survey, economists expect GDP to expand by 2.4–2.5 percent for the full year, down from 3.4 percent in 2024.

• On the external front, Brazil recorded a trade surplus of $5.89 billion in June 2025, down 16.1 percent from May, as import volumes rose sharply.

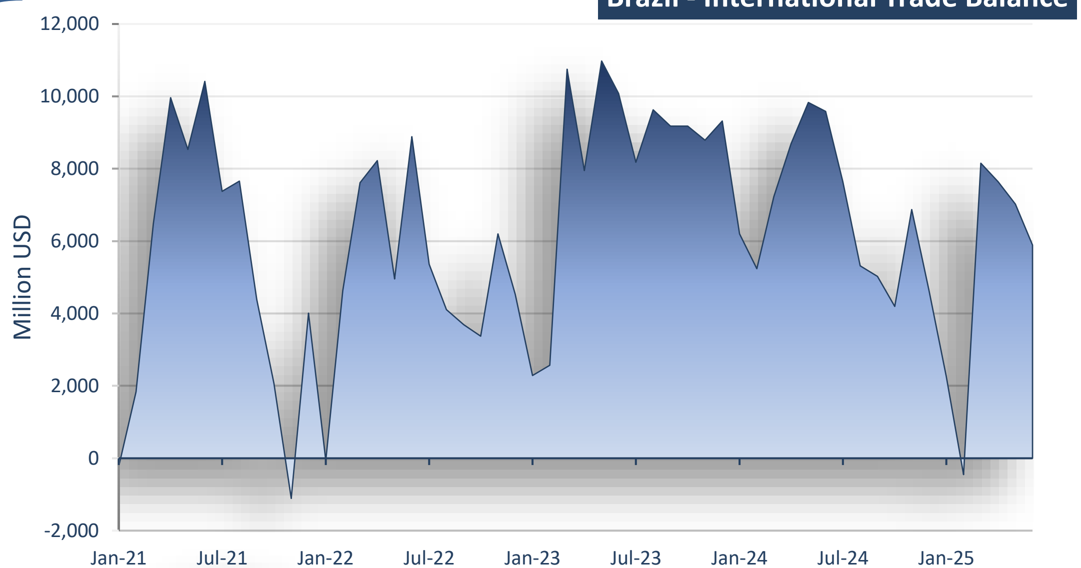
• Imports surged by 19.5 percent year-on-year, led by a 5.5 percent increase in manufacturing-related goods, while exports grew by a modest 0.4 percent. Notably, exports from the mining and quarrying sector contracted by 6.2 percent.

• Cumulatively, over the first half of 2025, exports declined by 0.7 percent while imports climbed 8.3 percent, resulting in a trade surplus of US$30.1 billion for the period—a narrower margin compared to previous years.

Brazil - GDP Growth



Brazil - International Trade Balance



PRICE ENVIRONMENT JULY 2025

• Brazil's annual inflation rate, as measured by the IPCA (Extended National Consumer Price Index), edged up to 5.35 percent in June 2025, a slight increase from 5.32 percent in May.

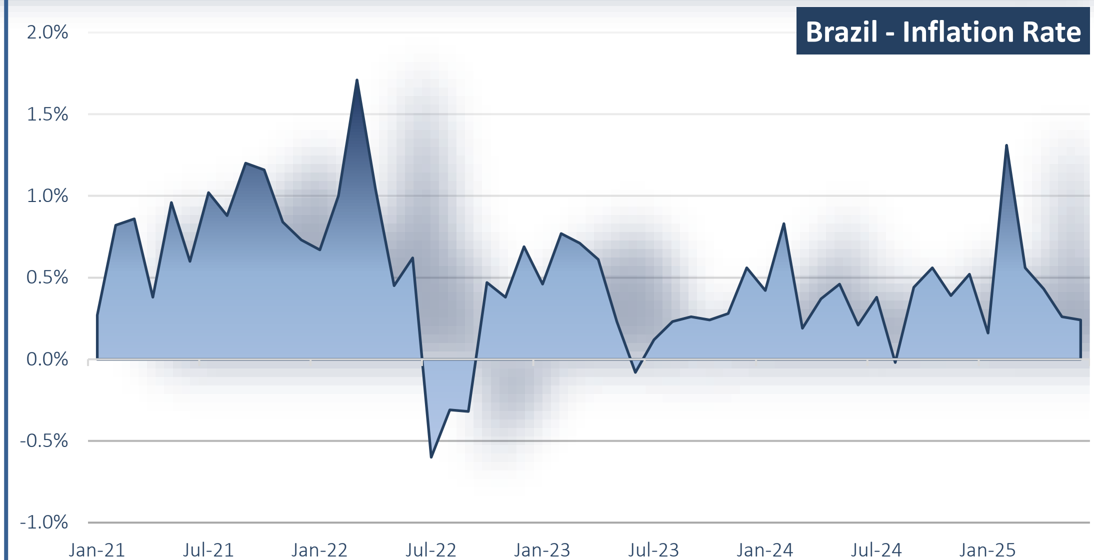
• On a monthly basis, consumer prices rose 0.24 percent in June, a slight deceleration from 0.26 percent in May.

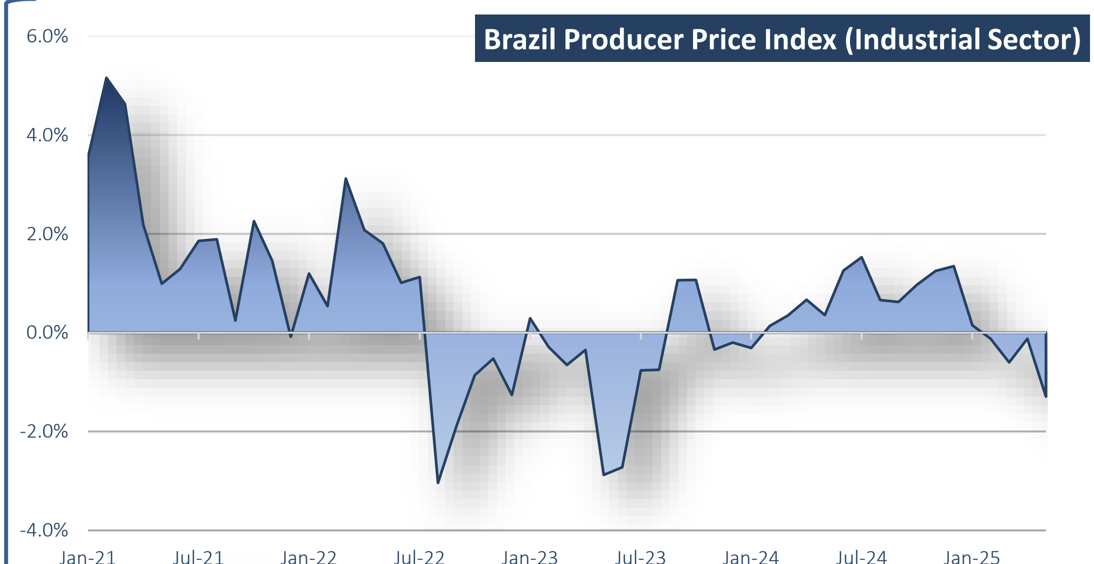
• Despite this slowdown, Brazil’s inflation rate remained above the Central Bank’s upper limit of 4.5 percentage points. This marked the eight consecutive month that inflation exceeded the upper limit, highlighting persistent price pressures.

• Brazil's Producer Price Index (PPI) for May 2025 settled at -1.29 percent, indicating a continued deflationary trend, marking the fourth consecutive month of declining producer prices.

• Among 24 industrial activities, 17 posted declines, with the sharpest seen in metallurgy (-3.46 percent) and chemical products (-3.11 percent)

• On an annual basis, producer prices rose by 5.78 percent in the 12 months through May. While still an increase, this was the slowest pace in eleven months, easing significantly from a 7.54 percent increase in April.

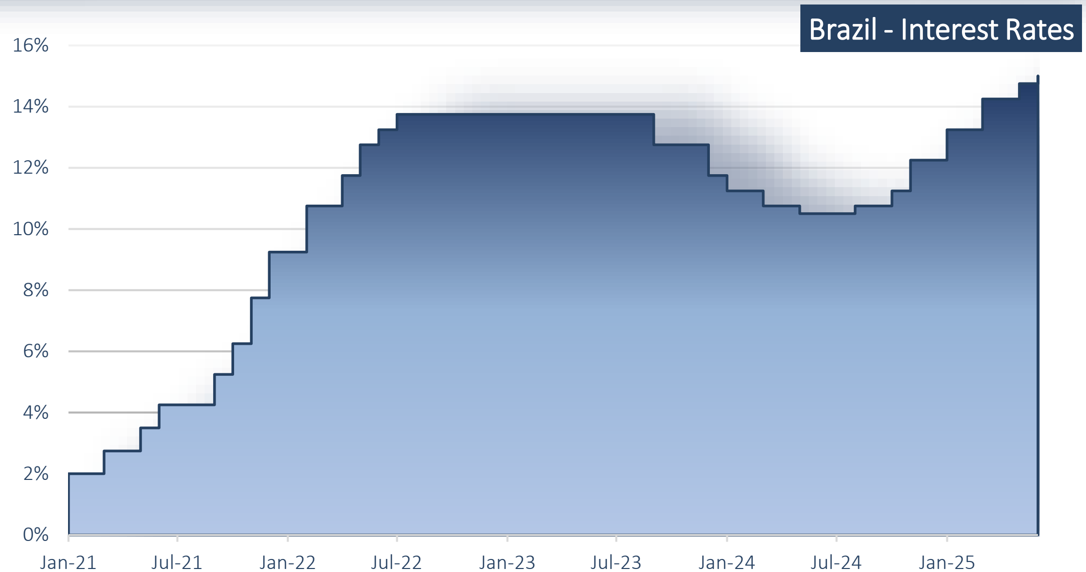




• In June 2025, the Central Bank of Brazil (BCB) continued its aggressive fight against inflation, raising its benchmark interest rate, the Selic rate, to 15.00 percent

• This marked the seventh consecutive rate hike in nine months, highlighting the Central Bank's strong commitment to curbing persistent inflation.

• While hiking the rate, the BCB signaled a likely "very prolonged pause" to assess the full impact of the cumulative 450 basis points of tightening since August 2024.



• In June 2025, the Brazilian Real strengthened its position against the U.S. dollar with the average exchange rate for the month settling at 5.5458 BRL/USD.

• The exchange rate returned to levels last recorded in July of 2024, and showed significant recovery since January of 2025, when it stood at 6.0109 BRL/USD on average.

• A Reuters poll conducted in early June suggested that the real was expected to remain relatively flat near term, with a slight depreciation outlook within 12 months, implying only a 1.9 percent decline from current levels.

• In June, Brazil exported 36.3 million tonnes of iron ore, marking a 4.01 percent increase over the figures recorded in May.

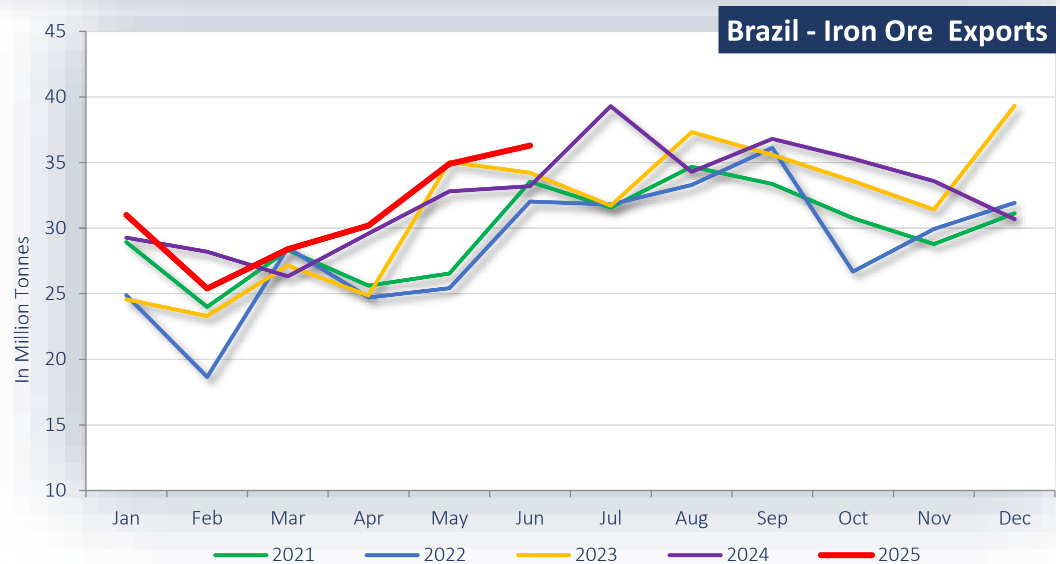
• When comparing to the same period in 2024, exports rose significantly, by 9.34 percent, representing solid growth. Cumulatively, exports for the first half of the year reached 186.2 million tonnes, an increase of 3.8 percent year on year marking the highest volume recorded for this period in the past five years.

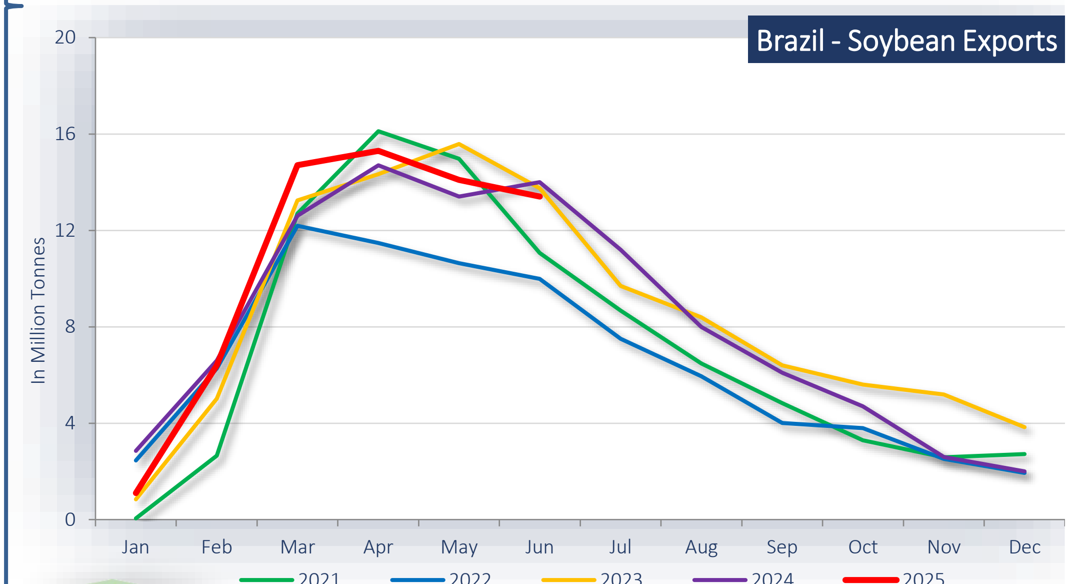
• China remains the primary destination for Brazilian iron ore, accounting for approximately 69.6 percent of Brazil's total iron ore exports in the first half of 2025.

•In June, Brazil's soybean exports totaled 13.4 million tonnes, marking a 4.96 percent decline over the month prior.

• Year-on-year, the volumes exported also decreased by 4.29 percent, while for the first half of 2025 cumulative exports stood at 65 million tonnes, a 1.32 percent increase over the same period in 2024 and the highest volume observed over that period in the past 5 years.

• The USDA also projects Brazil's 2024/25 soybean production to reach 169 million metric tons, driven by increased planted area and favorable weather conditions.





• Brazil's corn exports in June rose to 369.5 thousand tonnes—a steep 849.87 percent increase compared to May, as Brazil is headed into its corn harvest season.

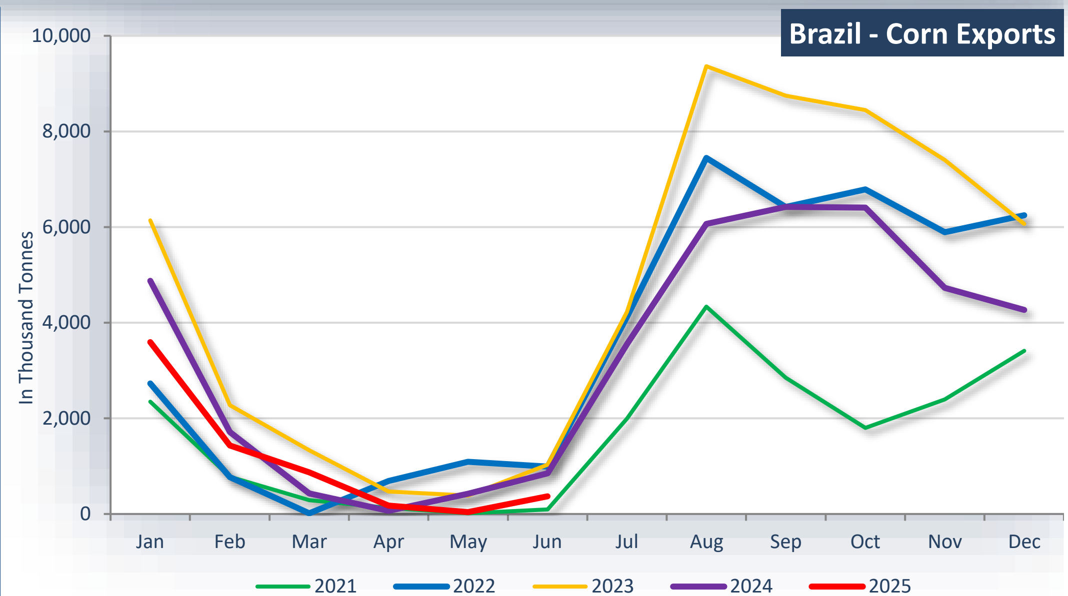
• Year-on-year however exports were significantly lower by 56.58 percent. Total exports for the first half of 2025 stood at 6.11 million tonnes, reflecting a 22.39 percent decrease compared to the same period in 2024.

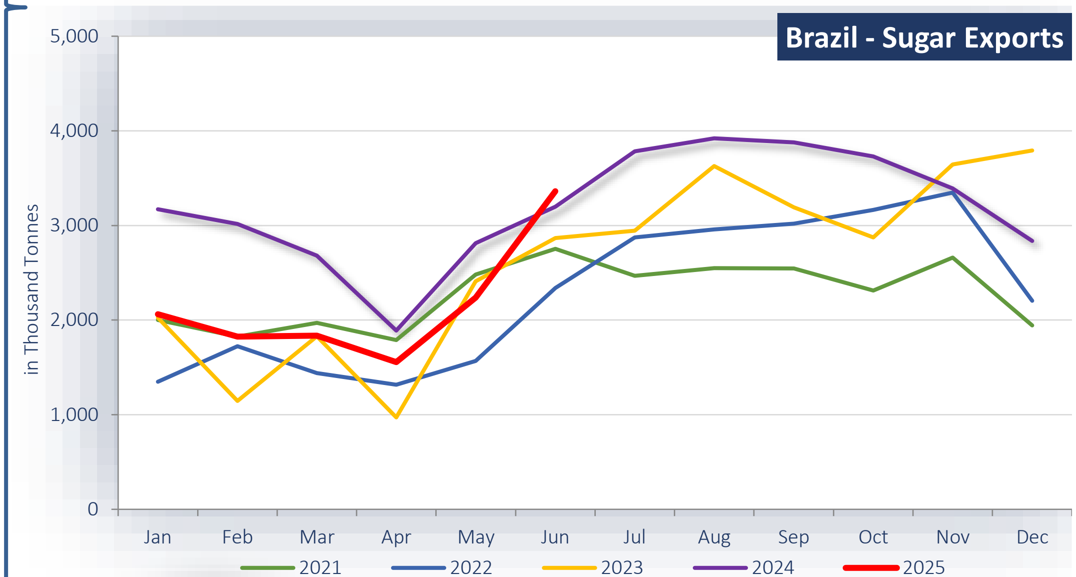
• China, a significant buyer of Brazilian corn in previous years, has reduced its imports due to its own bumper harvest. This forces Brazil to seek out new buyers in other markets like Iran, Egypt, and Vietnam, which may not be able to absorb the same volumes.

• Brazil's sugar exports continued their step rise in June 2025, with the total volume reaching 3.36 million tonnes, which represents a 50.17 percent increase over the month prior.

• Comparing to June 2024, exports were higher by 5.11 percent. For the first half of the year corn exports reached 12.88 million tonnes, a 23.19 percent decrease over the same period last year.

• Mills have continued to prioritize sugar production over ethanol due to favorable global sugar prices. This trend is expected to continue, despite the Brazilian government's decision to raise the ethanol blend in gasoline starting August 2025.





- Brazil's crude oil exports fell to 8 million tonnes in June, representing a 15.79 percent month-on-month decrease.

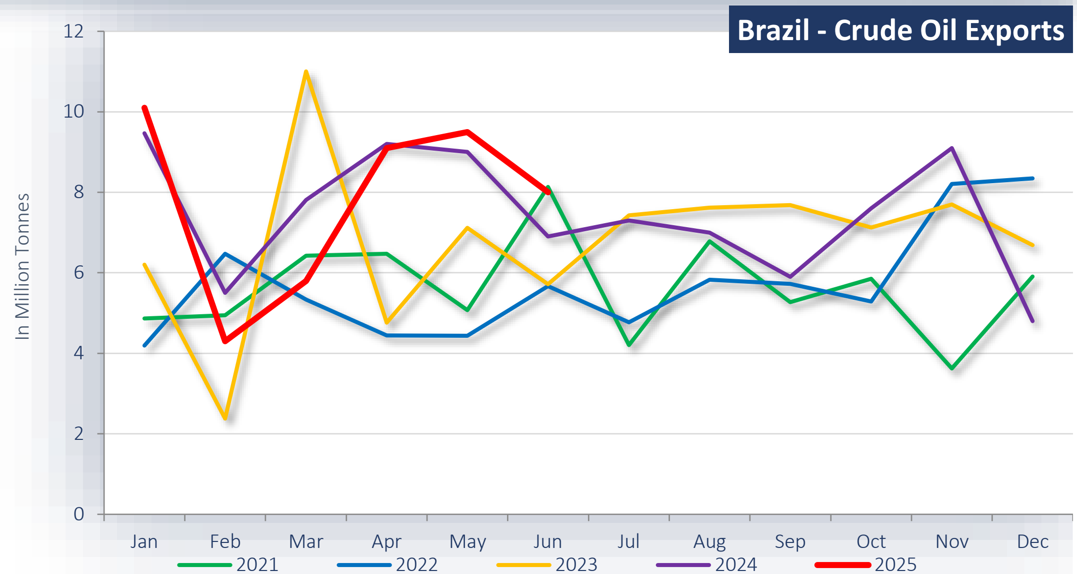
- On a year-on-year basis however, crude oil exports increased by 16 percent. Total exports for the first half of 2025 amounted to 46.8 million, tonnes, a 2.25 percent decrease compared to the same period in 2024.

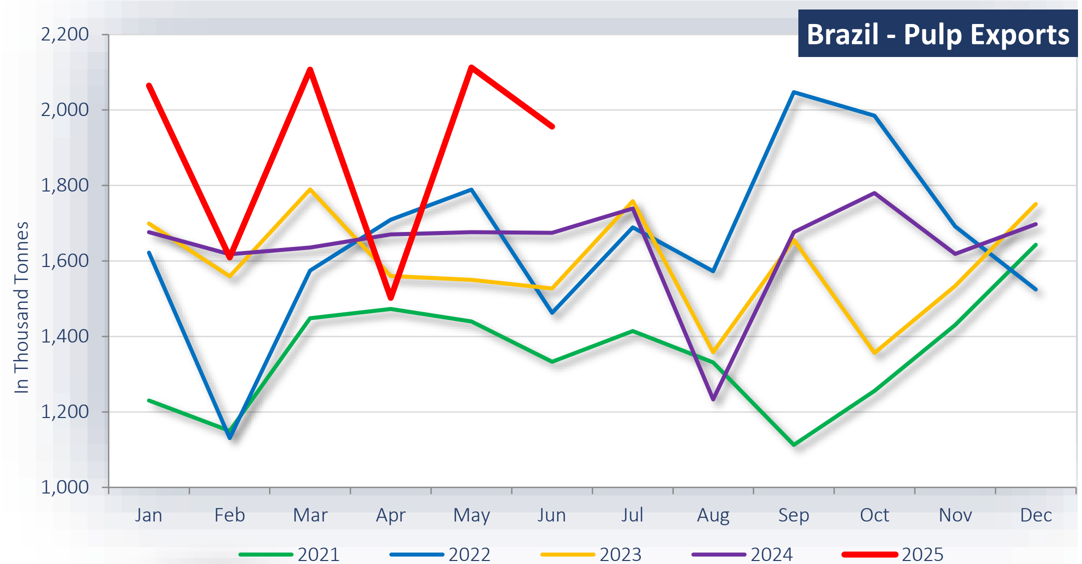
- Despite the looming uncertainty of US tariffs, state-controlled Petrobras, Brazil's largest oil producer, has relatively little direct exposure to the US, sending only 4 percent of its crude exports to the US in Q1 2025.

- Wood pulp exports in June dropped to 1.96 million tonnes, a 7.4 percent decrease over May.

- Year-on-year exports however increased significantly by 16.81 percent, and the total volume exported so far this year amounted to 11.35 million tonnes, a 14.08 percent increase compared to the same period in 2024.

- China remains the top consumer market for Brazilian pulp, accounting for approximately 30 percent of its exports. This strong demand from Asia is expected to continue supporting Brazilian exports, potentially absorbing some volumes diverted from the US, due to the tariffs coming into effect in August.





• In June, Brazil's chemical fertilizer imports rose for the 4th consecutive month to 4.14 million tonnes, representing a 10.64 percent increase month-on-month.

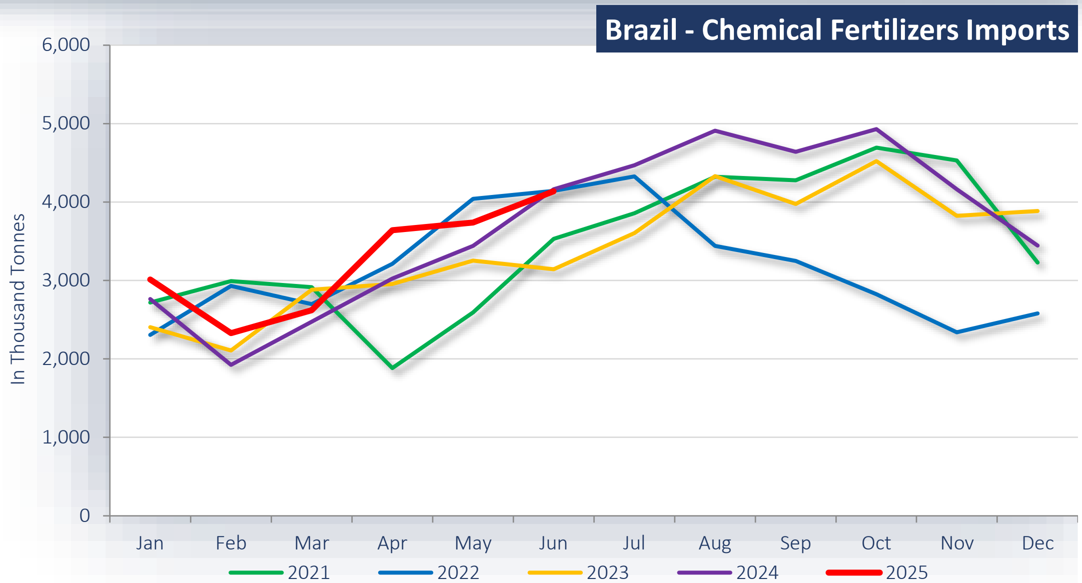
• On a year-on-year basis, imports decreased marginally by 0.7 percent, while import volumes for the first half of the year stood at 19.48 million tonnes, marking a 9.46 percent increase over 2024.

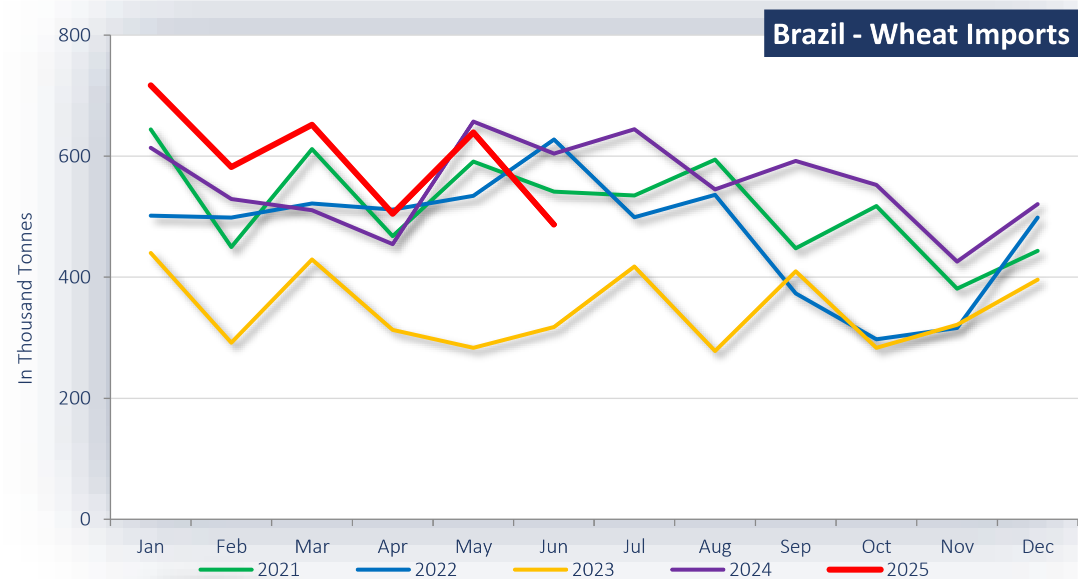
• Brazil is expected to achieve record grain harvests in 2025, with projections of 327.6 million tons of cereals, legumes, and oilseeds, an 11.9 percent increase over 2024, requiring significant fertilizer application.

• Wheat imports in June fell to 487 thousand tonnes, marking a significant 23.82 percent decrease month-over-month.

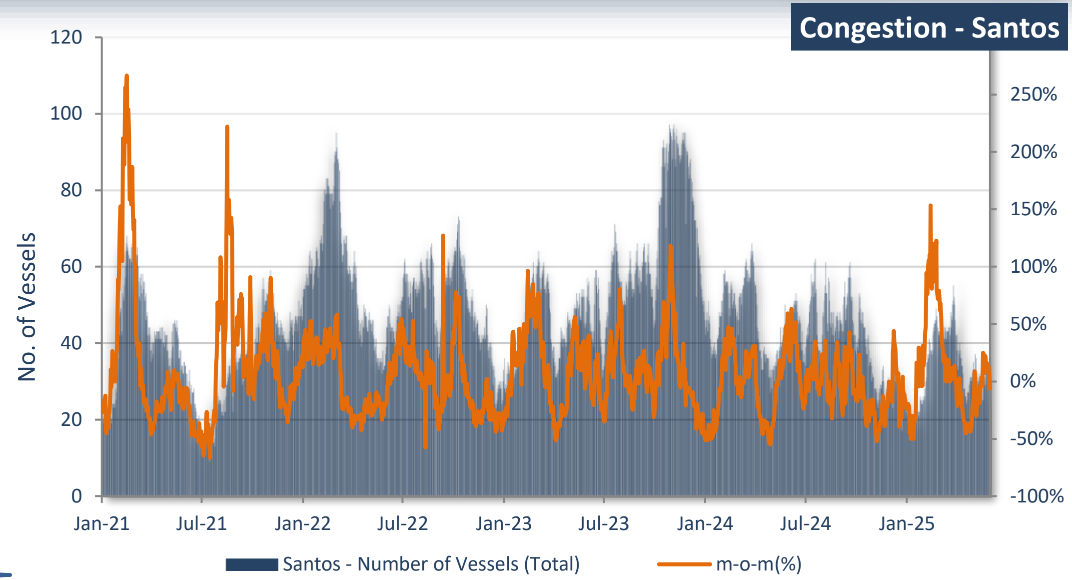
• Comparing to the same period last year, import volumes dropped by 19.44 percent. For the first six months of 2025, imports totaled 3.58 million tonnes, marking a 6.29 percent increase year-on-year.

• CEEMA has warned that Brazil's domestic market will continue its heavy reliance on wheat imports, given the decreased national production and consistent competitive international prices. 94.1 percent of Brazil's wheat imports in June 2025 were sourced from Argentina, with 5.9 percent from Paraguay.

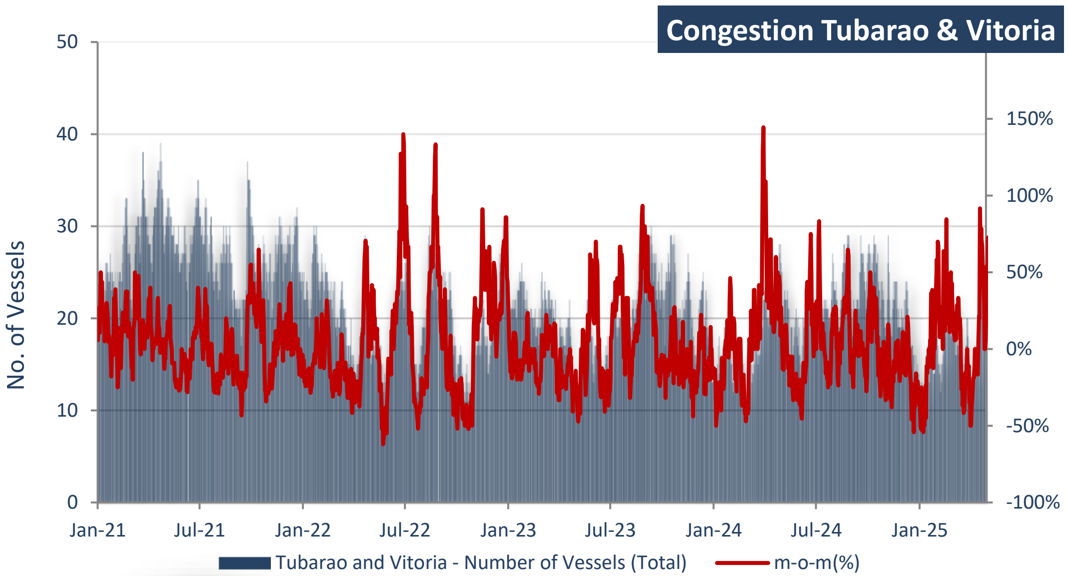




- In June, vessel congestion at the Port of Santos averaged 29 units, marking an 8 percent decline from May's average.
- The average deadweight of the congested fleet also edged down by 3 percent month-on-month, suggesting not only fewer vessels waiting but also lighter average tonnage.
- Compared to the same period last year, the number of congested vessels was once again significantly lower, with a 35 percent drop being recorded.



- At the Ports of Tubarão and Vitória, combined congestion in May averaged 13 vessels, reflecting a significant 23 percent decrease from the previous month.
- The decline was even more pronounced in deadweight terms, with a 33 percent month-on-month drop in total average tonnage.
- Comparing to the same period in 2024, congestion at these ports was 33 percent lower, reinforcing the broader trend of easing logistical pressure that has been observed this past year.



• In June, the Capesize Baltic C3 Index (Tubarão/Qingdao) closed at USD 19.985 per metric tonne, marking a slowdown toward the end of the month compared to the monthly average of USD 23.51 per tonne.

• Despite the weaker levels at the end of the month, June's average represented a 23.67 percent increase from May's average of USD 19.01 per tonne.

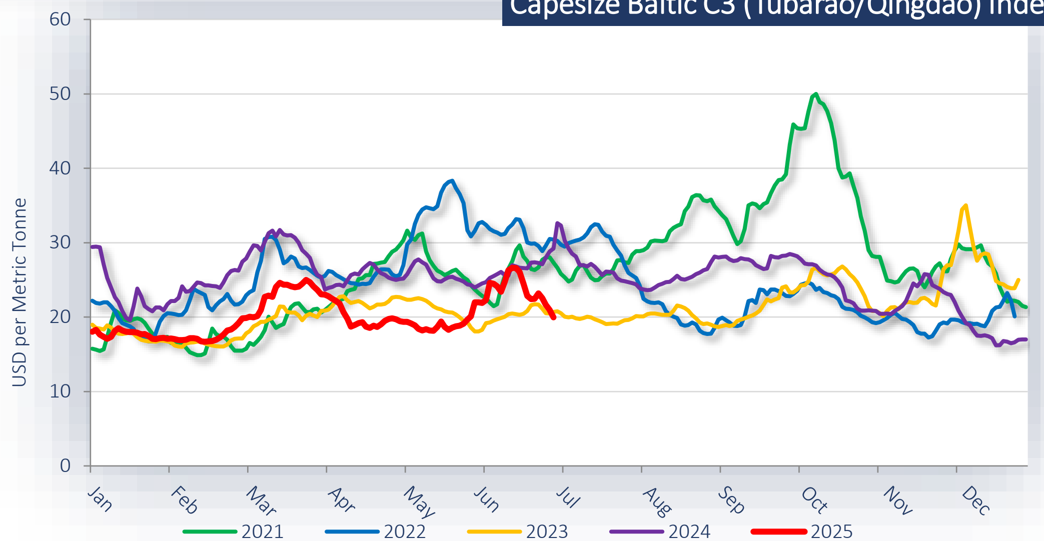
• On a year-on-year basis, the index continued its lackluster performance, with the monthly average down 11.56 percent from the same period last year.

• The Panamax Baltic P8 Index (Santos/Qingdao) ended the month at USD 36.093 per metric tonne, indicating promising recovery signs.

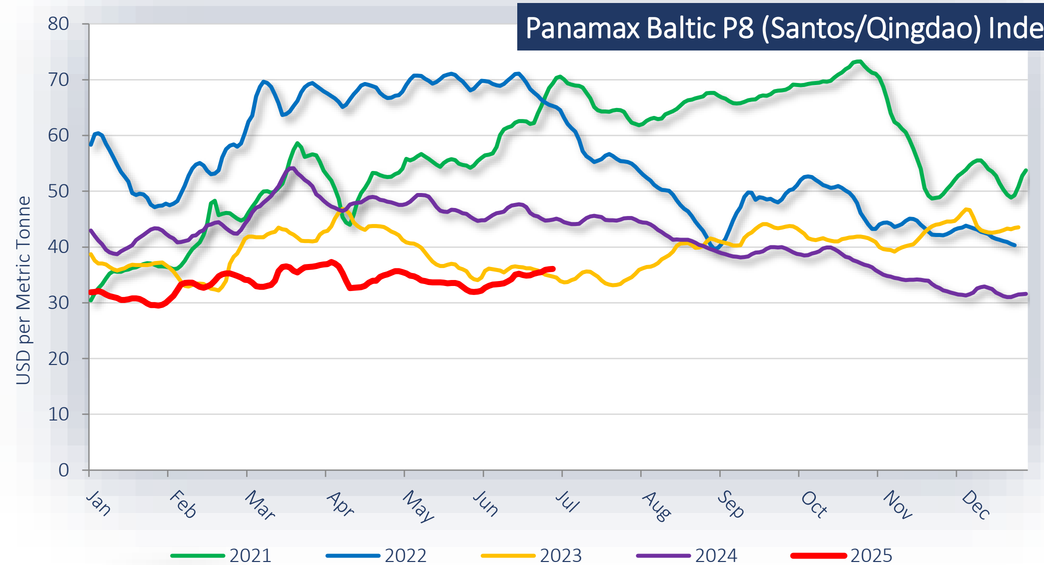
• The monthly average settled at USD 34.31 per tonne, reflecting a minor 1.78 percent increase over May's average of USD 33.71 per tonne.

• Despite the modest recovery recorded over May, June's average represents a 25.44 decrease over the same period of 2024. The Index's average for the first half of 2024 is the lowest of the past five years, underscoring the constant pressures in the Panamax sector.

Capesize Baltic C3 (Tubarão/Qingdao) Index



Panamax Baltic P8 (Santos/Qingdao) Index



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