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BRAZIL – BAROMETER

Monthly Update

February 2026

FOCAL POINTS :

Macro Environment

Brazil’s Finance Ministry has revised its economic growth projection for 2026 to 2.4 percent, down from the previously forecast 2.5 percent. Nevertheless, labour market conditions remain supportive, with unemployment falling to a historic low of 5.6 percent in early 2026. Combined with continued real wage growth, this is underpinning private consumption, which remains the main driver of domestic demand.

FX and money markets

At its first meeting of the year on 28 January 2026, the Monetary Policy Committee (Copom) unanimously decided to maintain the Selic rate at 15.00 percent p.a. This extended the pause in the tightening cycle that has been in place since June 2025, leaving Brazil with one of the highest real interest rate environments globally and reinforcing the restrictive monetary backdrop.

Exports

In January, Brazil exported 28.5 million tonnes of iron ore, marking a sharp 28.75 percent month-on-month decline. The contraction is likely linked to scheduled maintenance at key export terminals and weather-related disruptions, particularly heavy rainfall, which typically constrains mining and logistics operations.

Imports

Brazil’s chemical fertilizer imports stood at 2.88 million tonnes in January, posting a significant 24.86 percent month-on-month decline. Russia and China remained the dominant suppliers, jointly accounting for more than 58 percent of total fertilizer inflows at the start of the year, highlighting the continued concentration of sourcing and its importance for the country’s agricultural supply chain.

Doric Research Department
Michalis Voutsinas
Konstantinos Dimitriadis

CONTENT PAGES :

- Brazil's finance ministry has revised its economic growth projections for 2026 to 2.4percent from 2.5 percent previously forecasted.

- Unemployment has hit historical lows (around 5.6 percent in early 2026), and real wage growth is supporting private consumption, which remains the primary driver of domestic demand.

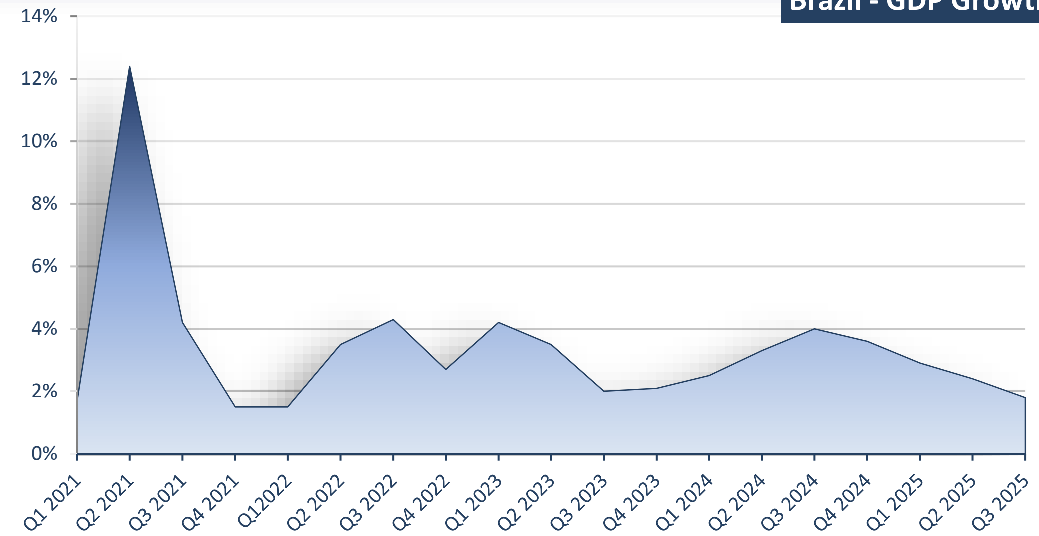
- Increased tariffs and shifting trade policies in major markets like the United States are creating uncertainty for Brazilian manufactured exports, though this is partially offset by the "pivot to China.“

- In January 2026, Brazil recorded a trade surplus of $4.34 billion, marking a steep 54.92 percent drop over last month.

- Comparing to the same period last year, the trade surplus stood 92.33 percent higher, which is attributed to a 9.8 percent drop in imports year-on-year.

- The Ministry of Development, Industry, Trade and Services (MDIC) forecasts a total trade surplus for 2026 ranging between $70-90 billion. Achieving the upper end of that range will depend on whether the "super-harvest" of soybeans in March can compensate for the persistent weakness in manufacturing and the trade friction with the United States.

Brazil - GDP Growth



Brazil - International Trade Balance

• Brazil's annual inflation rate, as measured by the IPCA (Extended National Consumer Price Index), remained unchanged in January at 0.33 percent.

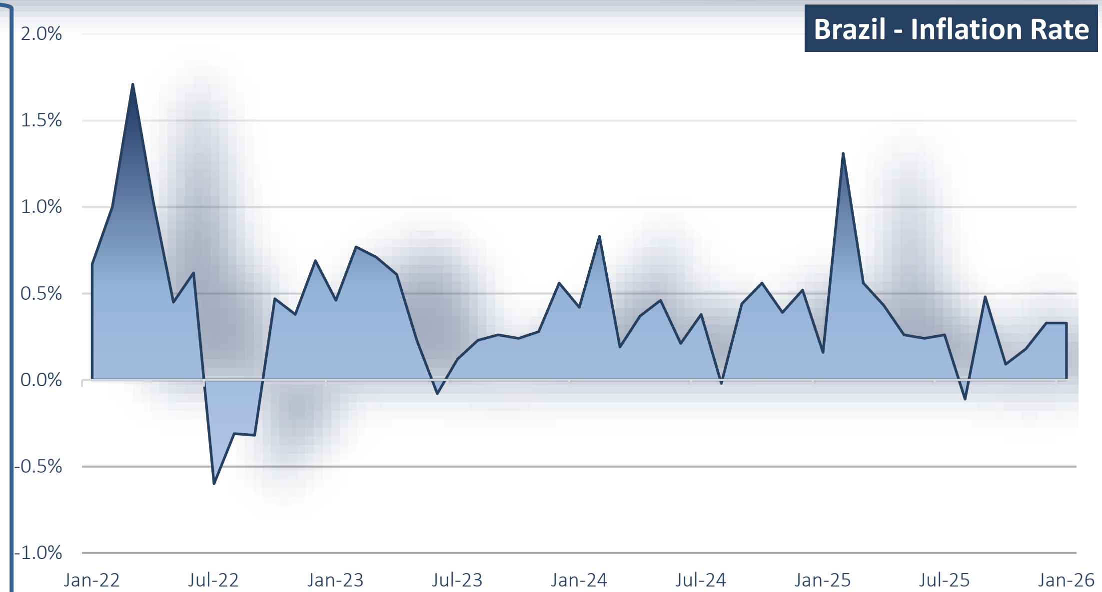
• While the monthly figure remained stable, the cumulative 12-month inflation rate edged up to 4.44 percent, remaining at the upper edge of the Central Bank's tolerance range on 3.0 percent (+/- 1.5 percentage points).

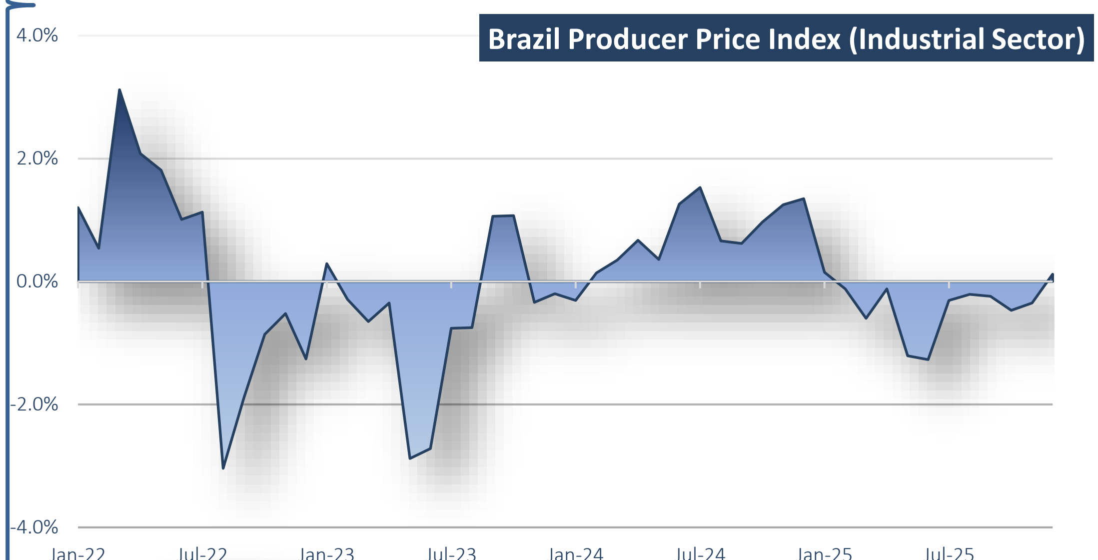
• According to the latest Central Bank Focus Survey, the year-end IPCA forecast for 2026 was lowered slightly from 3.99 to 3.97 percent.

• According to the IBGE, Brazil's Producer Price Index (IPP) for December 2025 rose to 0.12 percent, marking the first increase after ten consecutive monthly declines in industrial producer price.

• On a full-year basis for 2025, the IPP showed an annual contraction of 4.53 percent, indicating that producer price pressures overall were weaker over the year than in 2024 and reflecting broad cooling in input and commodity costs.

• The Manufacturing PMI fell to 47 in January from 47.6 in December, signaling the sharpest deterioration in business conditions in four months. Consumer Goods was the most resilient segment, remaining closest to the 50.0 neutral mark.





• At its first meeting of the year on January 28, 2026, the Monetary Policy Committee (Copom) unanimously voted to keep the Selic rate at 15.00 percent p.a.

• This decision extended a holding pattern that has been in place since June 2025, leaving Brazil with one of the highest real interest rates in the world.

• The BCB officially shifted its forward guidance, stating that "if the expected scenario is confirmed, it will begin easing monetary policy at its next meeting" (scheduled for March 17–18, 2026).

• In January 2026, the Brazilian Real staged a notable 5 percent recovery against the US Dollar, closing the month at 5.2594 BRL/USD while the average settled at 5.3316 BRL/USD.

• By resisting political pressure to cut rates early and maintaining a "hawkish" stance until inflation expectations cooled, the Central Bank bolstered investor confidence in the long-term stability of the Real.

• According to the Brazil Central Bank’s Focus survey of financial institutions, the median projection for the USD/BRL exchange rate by end-2026 is around BRL 6.00 per U.S. dollar, reflecting market expectations for a moderately weaker real against the dollar through 2026.

Brazil - Interest Rates

BRL/USD

• In January, Brazil exported 28.5 million tonnes of iron ore, representing a steep 28.75 percent month-on-month decline. On a year-on-year basis, exports declined notably by 8.06 percent.

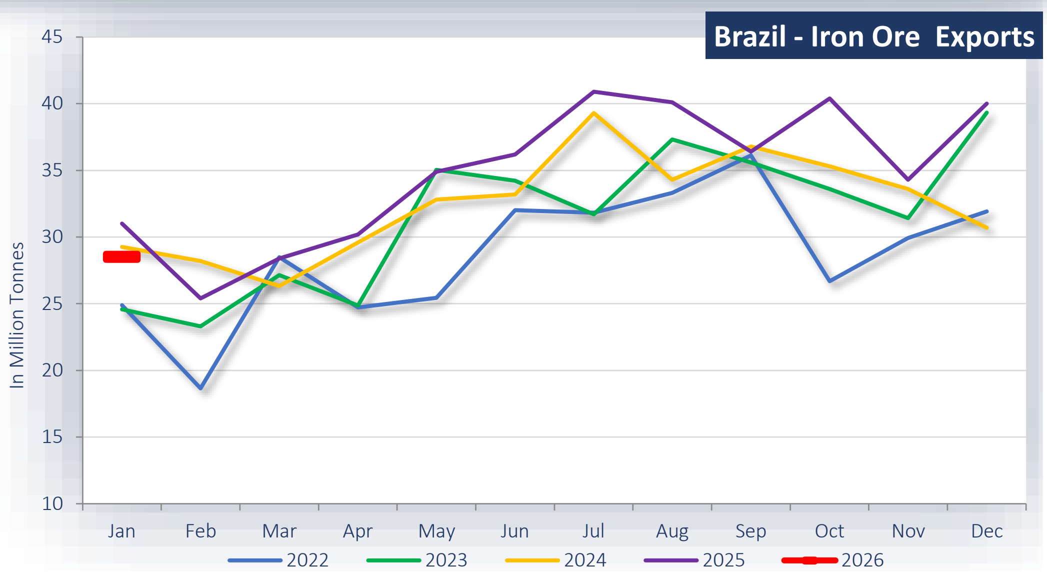
• December's slowdown may be attributed to planned maintenance at key export terminals and heavy rains in the "Iron Quadrangle" (Minas Gerais) and the Carajás region (Pará).

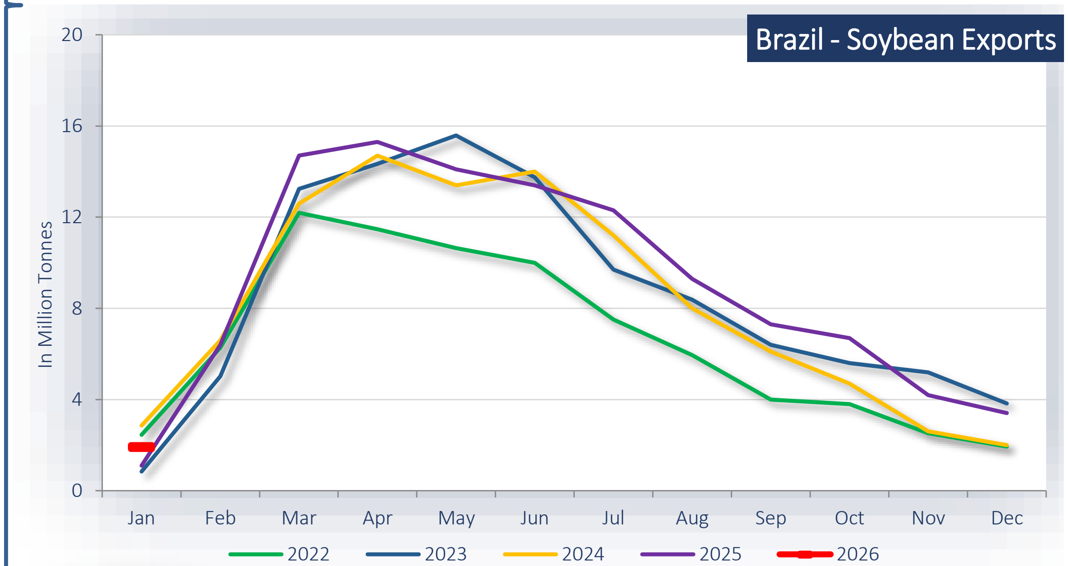
• The restart of Vale's Capanema mine is expected to add 15 million tonnes of annual capacity, supporting a national production target of 340–360 million tonnes for the year. Brazil's total iron ore export revenue is projected to remain a dominant GDP driver, estimated at USD 30–35 billion for the full year 2026.

•Brazil's soybean exports in January declined for the ninth consecutive month to 1.9 million tonnes, representing a 44.12 percent drop month-on-month.

• In early 2026, Brazil accounted for over 73 percent of China's total soybean imports, a trend accelerated by a significant tariff advantage (3 percent for Brazilian beans vs. up to 13 percent for U.S. beans).

• Analysts expect total exports to surpass 112 million tonnes for the full calendar year of 2026, further cementing Brazil's position as the world's dominant supplier.





• In January, corn exports reached 4.28 million tonnes, marking a significant 30.69 percent decline over last month.

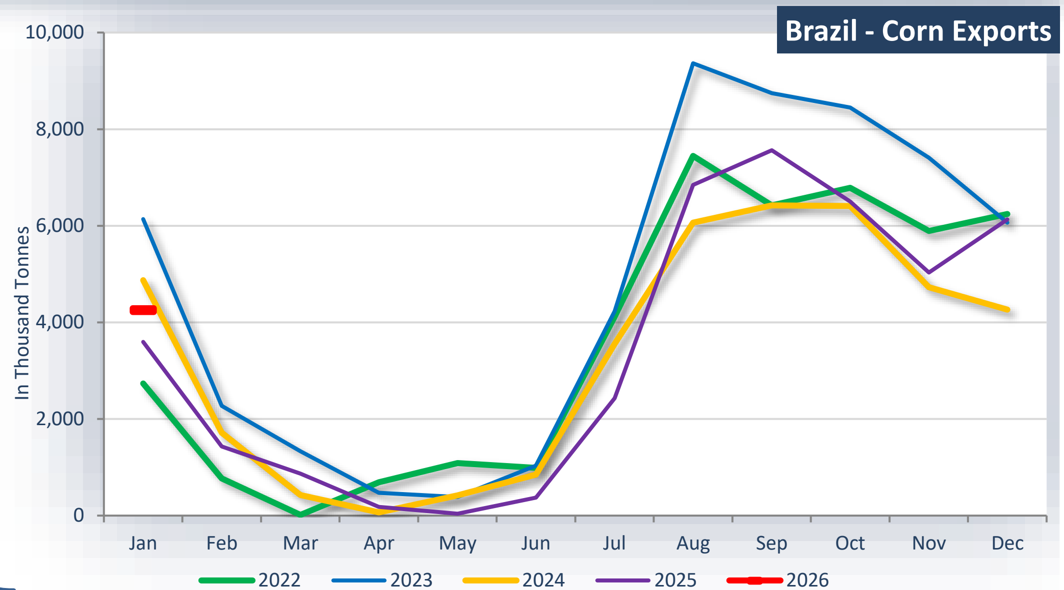
• Comparing however with the first month of 2025, exports were notably higher, by 18.18 percent. USDA and CONAB expect Brazil to export around 43–44 million tonnes of corn for the full year, compared to 41.9 million tonnes in 2025.

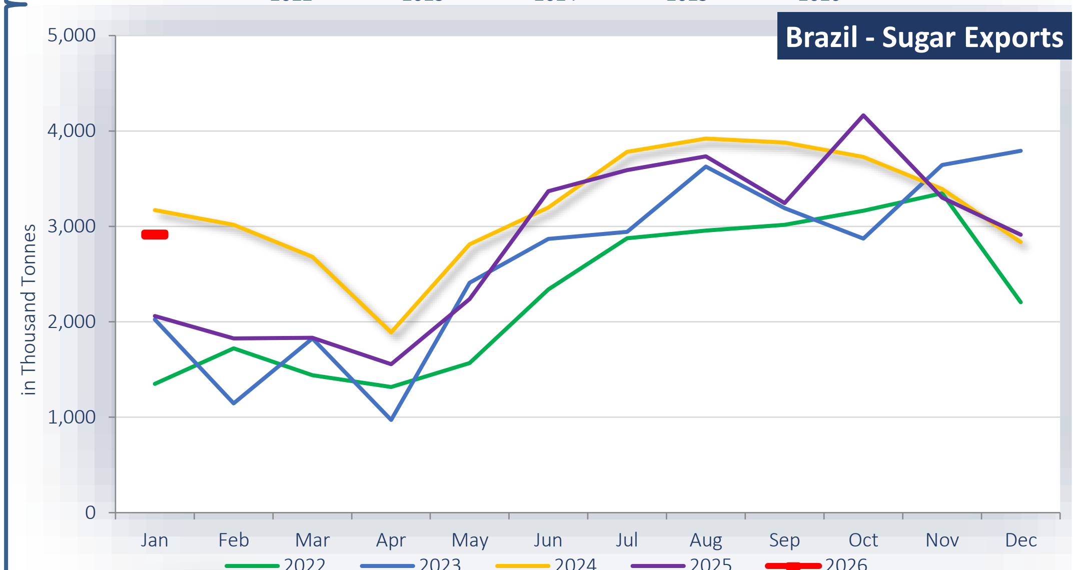
• One of the most notable developments in January was Iran emerging as the top export destination, accounting for nearly 29 percent of all shipments.

• Sugar exports in January dropped for the third consecutive month to 2.02 million tonnes, marking a significant 30.65 percent decline over the previous month, and a 2.07 drop year-on-year.

• India is expected to see a 25 percent surge in production for its 2025/26 season, keeping global prices at multi-year lows, which may lead Brazilian producers to hold back stocks or wait for better exchange rate windows.

•Mills in the Center-South region continued to favor sugar over ethanol. The "sugar mix" remained high at approximately 50.7 percent, as sugar, despite a drop in prices, remained more profitable than domestic hydrous ethanol for much of the month.





• Brazil's crude oil exports in January rose to 10.6 million tonnes, marking a notable 13.98 percent month-on-month increase and reaching the highest level since March 2023.

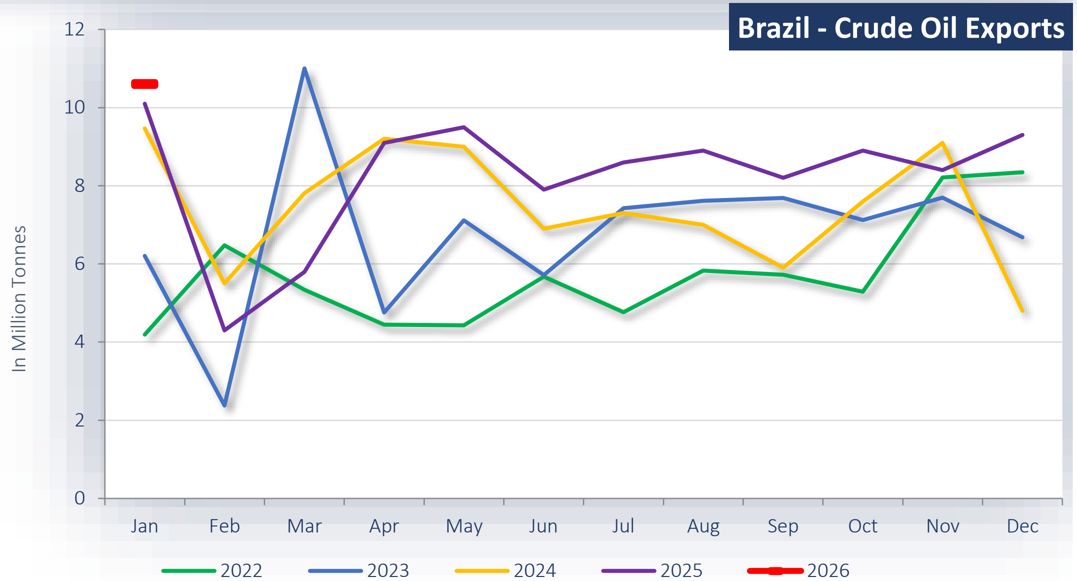
• Comparing to the same period last year, exports rose by 5 percent, surpassing the previous record for the period.

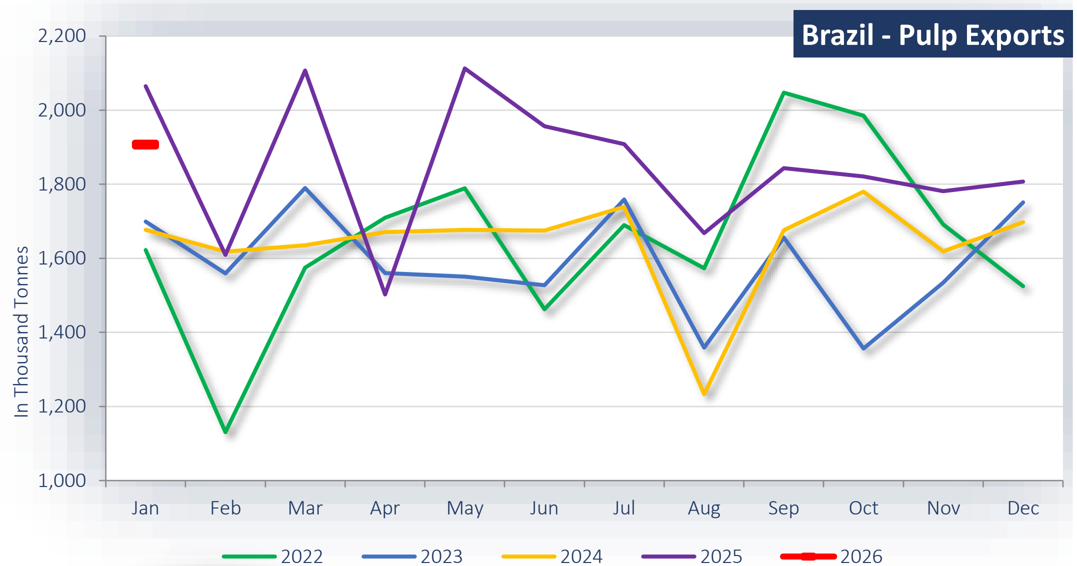
• During India Energy Week, Petrobras renewed and expanded crude sales contracts with India's main state refiners: Indian Oil Corporation, Bharat Petroleum and Hindustan Petroleum with agreements running through March 2027.

• Wood pulp exports in January rose to 1.91 million tonnes, marking a 5.49 percent increase over last month and recording the second highest exports of the period for the past five years.

• Comparing to the same period last year, exports decreased by notably by 7.69 percent, while total pulp production is expected to reach 27-28 million tonnes for the full year 2026, with roughly 75-80 percent of that volume destined for international markets.

• Despite cooling demand in some sectors, China remained the primary destination, absorbing significant volumes of Brazilian hardwood kraft pulp for its expanding tissue and packaging industries.





- In January, Brazil's chemical fertilizer imports totaled 2.88 million tonnes, marking a significant 24.86 percent decline compared to the previous month.

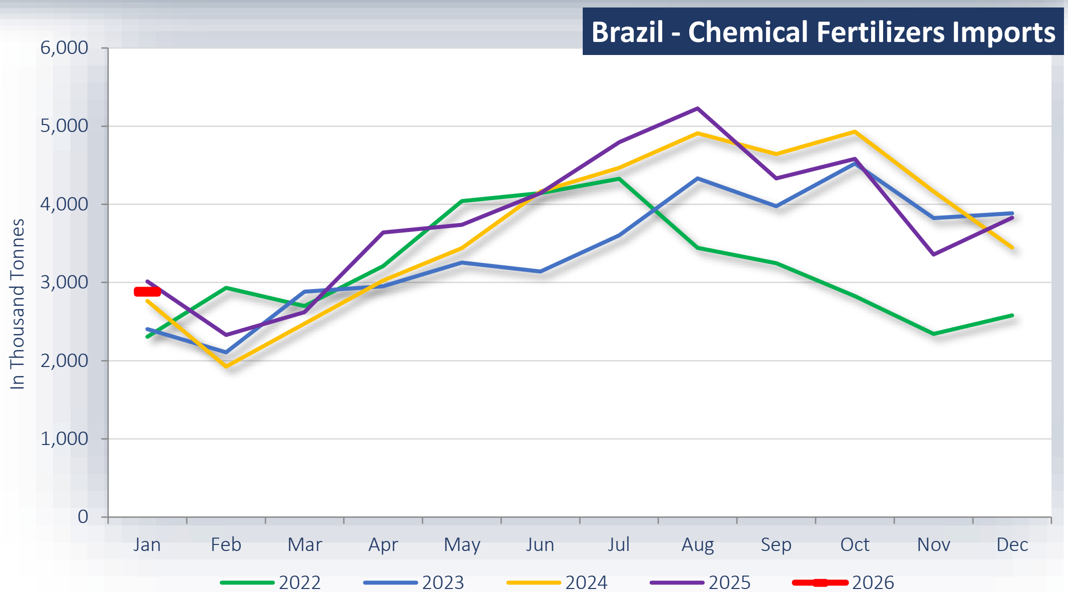
- Comparing to the same period last year, imports where 4.4 percent lower, but were still the second highest of the past five years.

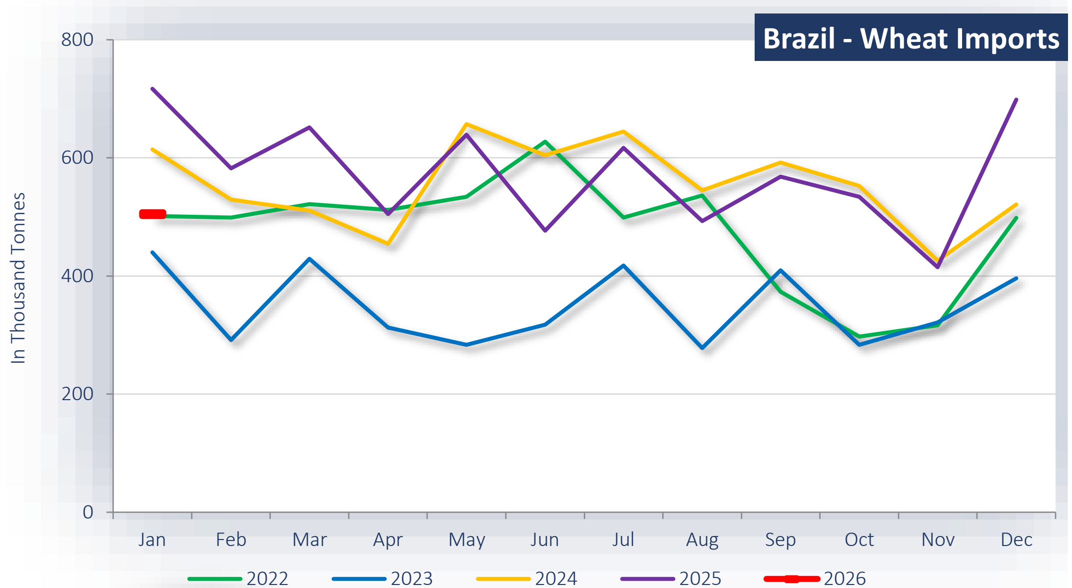
- Russia and China remained the dominant suppliers of Brazil's fertilizers, collectively accounting for over 58 percent of the total fertilizer intake for the start of the year.

- Brazil imported 504.2 thousand tonnes of wheat in January, marking a significant 27.84 percent drop over the month prior.

- Comparing to the same period last year, imports were considerably lower by 29.68 percent. This decline is largely attributed to a massive domestic carryover from the 2025 harvest and lower overall domestic price incentives.

- Weather forecasts suggest drier conditions in Southern Brazil due to La Niña, which could threaten the next domestic planting cycle, potentially forcing an even higher reliance on imports in the latter half of the year.

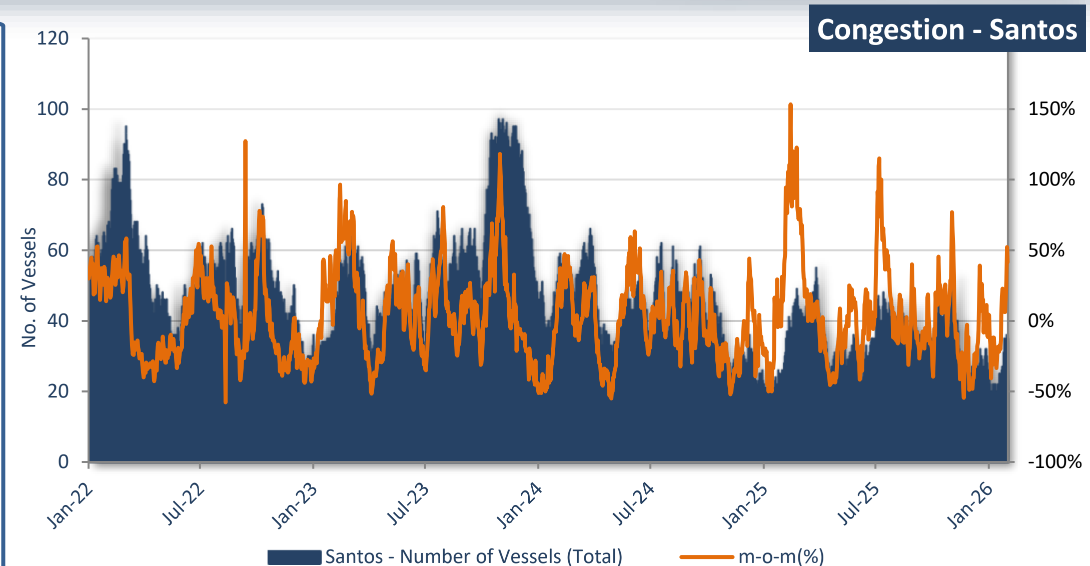




- In January, congestion at the Port of Santos averaged 25 vessels, representing a 7 percent decline from the previous month’s average and marking the third consecutive month of easing congestion at Brazil’s largest port.

- The average deadweight of the congested fleet also fell by 11 percent month-on-month, indicating a notable logistical easing in Brazil’s largest port.

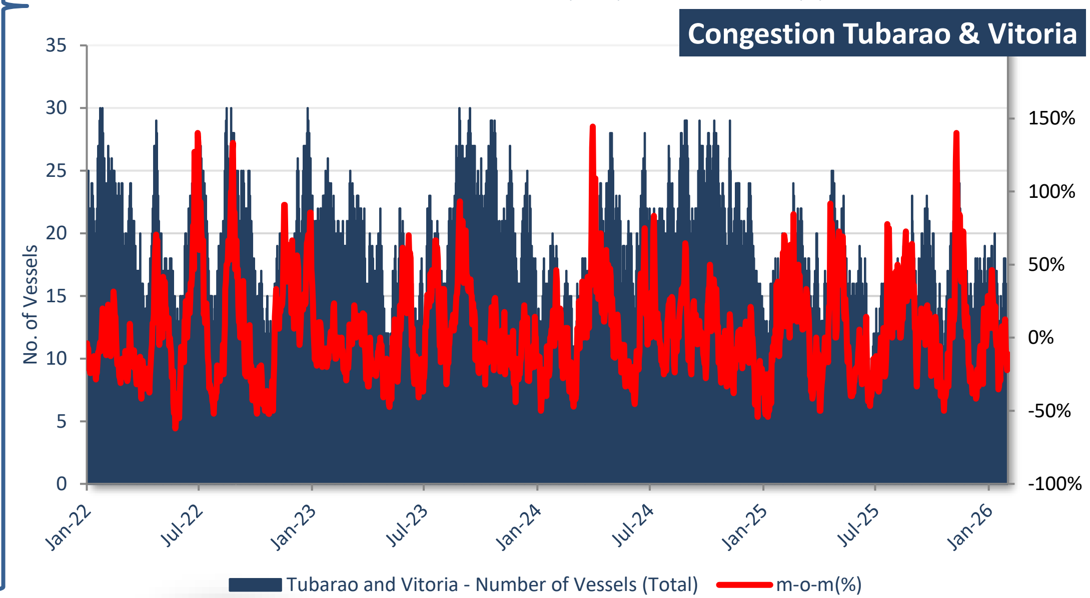
- Comparing to the same period last year however, congestion was notably higher by 18 percent.



- At the ports of Tubarão and Vitória, combined congestion averaged 16 vessels during the first month of the year, remaining at the same levels as the month prior.

- When examining deadweight tonnage, congestion however, there was a notable 15 percent increase, signaling the arrival of larger tonnage.

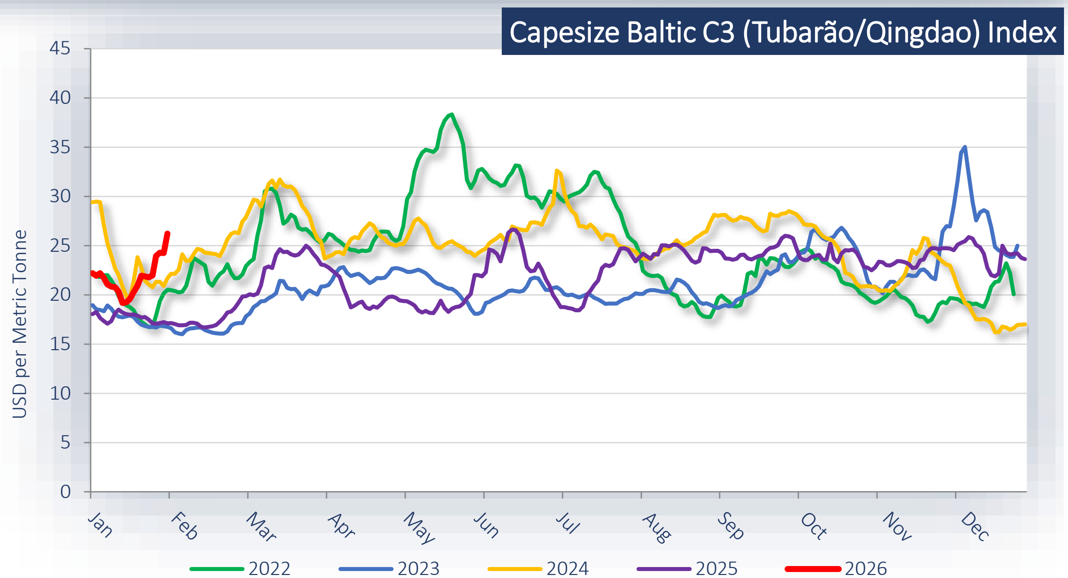
- Congestion was also notably higher by 12 percent when comparing to the same period last year.



• In January 2026, the Capesize Baltic C3 Index (Tubarão/Qingdao) closed at USD 26.22 per metric tonne, USD 2.6 higher compared to the level at the end of 2025.

• The C3 faced significant pressure throughout the month, with the index falling as low as USD 19.18 per metric tonne before recording a steep rise of more than USD 7 per metric tonne.

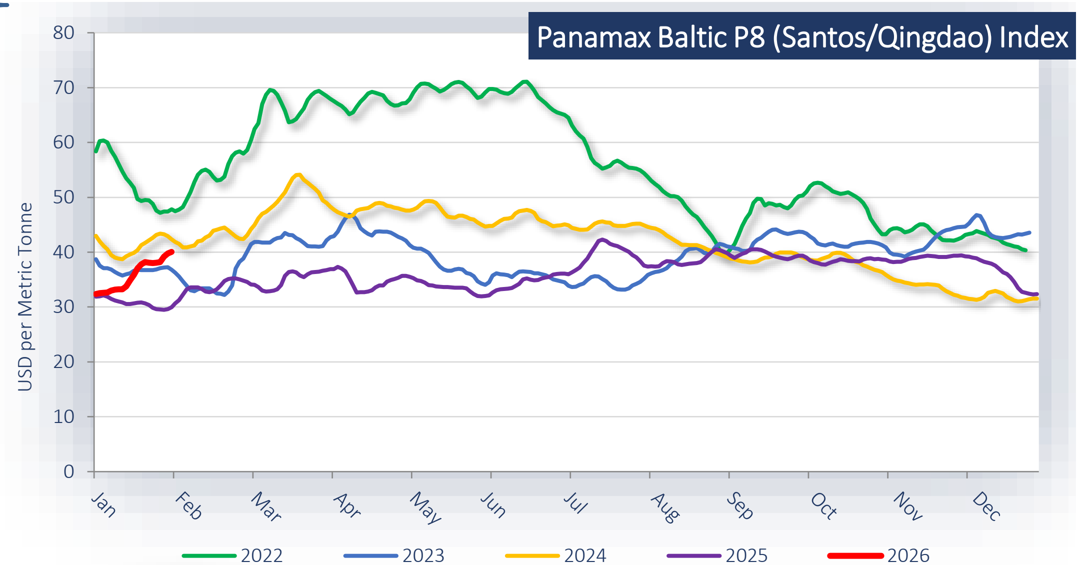
• The average of the month stood at USD 21.74 per metric tonne, 9.89 percent lower than December 2025. Comparing however to the same period last year, levels were 23.23 percent higher.



• During the first month of the year, the Panamax Baltic P8 Index (Santos/Qingdao) closed at USD 40.05 per metric tonne, recording a 23.74 percent rise throughout the month.

• The monthly average stood at USD 35.79 per tonne, marginally higher than December's levels, by 0.13 percent.

• Comparing to January of last year, the performance of the P8 index was notably stronger by 16.55 percent. This was also the first time in the past five years that the index has moved positively throughout January.



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