BRAZIL – BAROMETER

Monthly Update

May 2026

FOCAL POINTS :

Macro Environment

Brazil’s economy showed resilient but moderating momentum in Q1 2026, with central bank activity indicators pointing to 1.3 percent quarter-on-quarter growth, although a notable slowdown in March highlighted underlying fragilities. Official forecasts for full-year GDP growth remain moderate, ranging between 1.8 and 2.3 percent, reflecting the impact of high interest rates and softer domestic demand.

FX and money markets

Monetary policy turned gradually more accommodative, with Copom cutting the Selic rate by 25 basis points to 14.50 percent at its April meeting, marking the second consecutive reduction since the easing cycle began. The move reflects the central bank’s attempt to balance inflation management with rising concerns over credit tightening and slowing economic activity.

Exports

External trade performance remained robust in key agricultural exports, with soybean shipments rising 15.17 percent month-on-month to 16.7 million tonnes, and increasing 9.15 percent year-on-year to the highest April level since 2021. Year-to-date volumes also strengthened, signalling sustained external demand support for Brazil’s export sector.

Imports

In contrast, imports of fertilizer declined 6.13 percent month-on-month to 3.21 million tonnes, driven primarily by reduced inflows of nitrogen and phosphate inputs. The weakness was largely attributed to logistics disruptions linked to geopolitical tensions in the Middle East.

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CONTENT PAGES :

• Brazil's economy showed stronger-than-expected momentum in Q1 2026, with central bank activity data projecting growth of about 1.3 percent quarter-on-quarter despite a sharp slowdown in March.

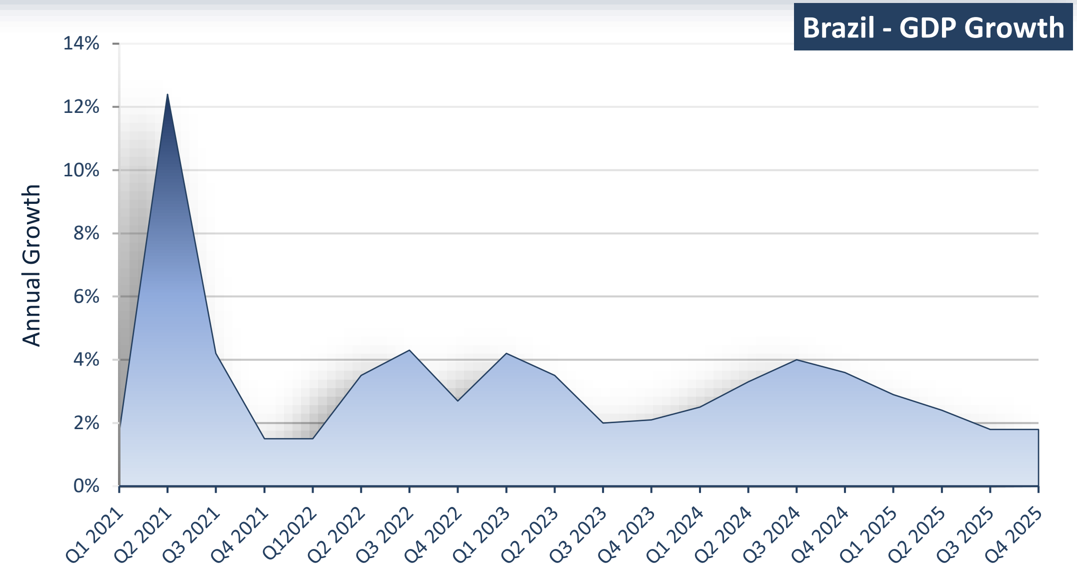
• Official forecasts for full-year 2026 GDP growth remain moderate, ranging between 1.8 and 2.3 percent, reflecting the impact of high interest rates and softer domestic demand.

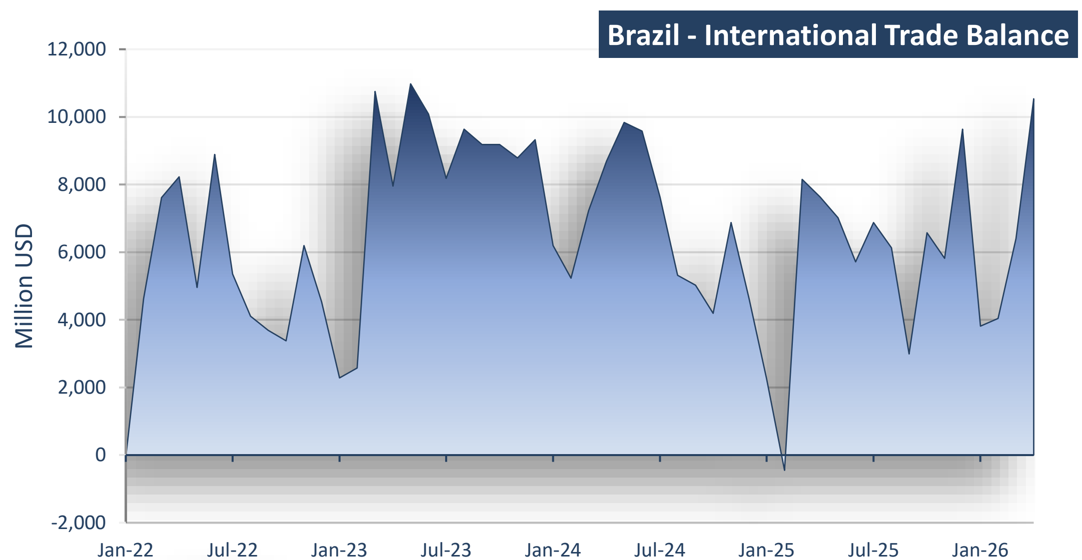
• Latest data points to an economic slowdown this year, with the central bank expected to continue its monetary easing cycle despite renewed inflationary pressures, partly driven by higher energy prices following the conflict in the Middle East

• Brazil recorded a trade surplus of about $10.5 billion in April 2026, the strongest April result on record and up 37.98 percent year over year.

• Export growth remained robust, rising 14.2 percent annually to $34.1 billion, driven by soybeans, oil, mining products, and strong demand from China, while imports grew a slower at 6.2 percent.

• China further strengthened its role as Brazil's key trading partner, with Brazilian exports to China surging more than 30 percent, whereas shipments to the United States and Argentina declined by 18.5 and 11.3 percent respectively.





PRICE ENVIRONMENT MAY 2026

• Brazil's consumer inflation (IPCA) rose by 0.67 percent in April 2026. This represents a deceleration from the 0.88 percent spike recorded in March.

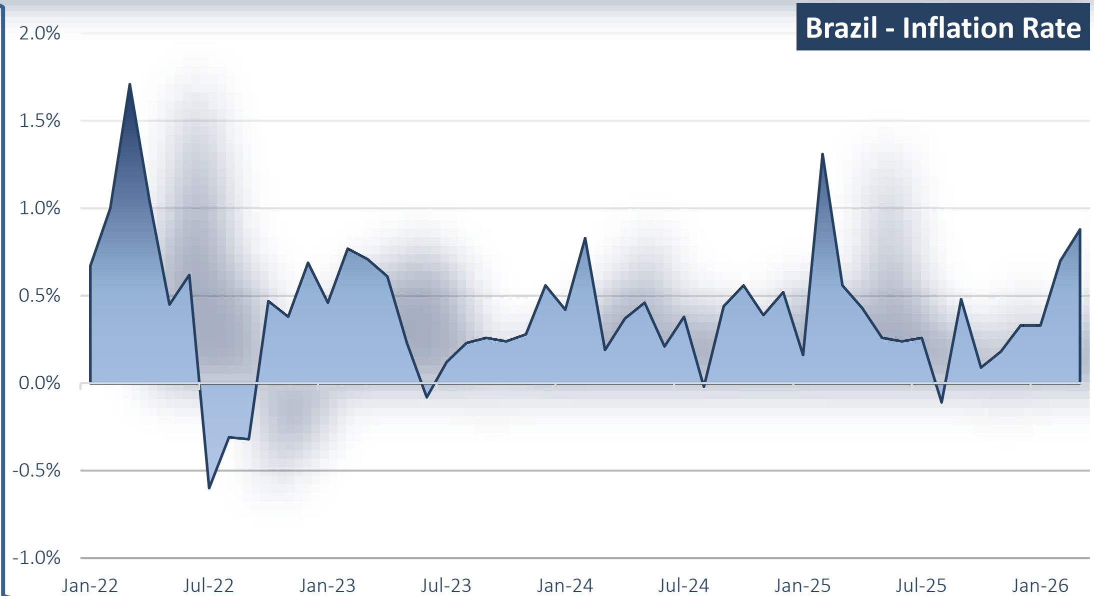
• The 12-month accumulated inflation was pushed up to 4.39 percent (up from 4.14 percent in the previous month). This keeps the headline index floating close to the upper ceiling of the central bank's target comfort zone.

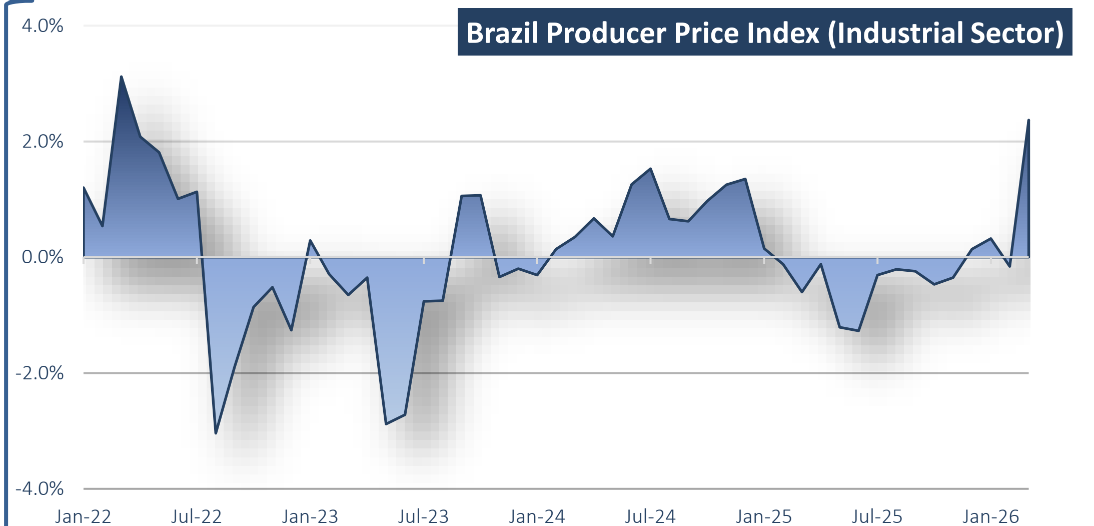
• The monthly index was heavily propelled by Food and Beverages (up 1.34 percent) and Health and Personal Care (up 1.16 percent), which accounted for approximately 67 percent of the entire April inflation basket.

• According to the IBGE, Brazil's Producer Price Index (IPP) swung aggressively back into inflationary territory, jumping 2.37 percent in March after a brief deflationary dip in February.

• The primary catalyst for the surge was the mining and quarrying industry, which rose by 18.65 percent, marking its biggest monthly price increase since February 2021.

• Upstream cost pressures were systemic, with 18 out of 24 industrial activities recording price increases. Notable drivers included chemical products and petroleum refining/biofuels which rose 5.03 and 4.24 percent.





FX AND MONEY MARKETS

MAY 2026

• At its April 28–29 meeting, the Central Bank of Brazil's Monetary Policy Committee (Copom) voted unanimously to cut the benchmark Selic rate by 25 basis points to 14.50 percent per year.

• This marked the second consecutive reduction since the bank initiated its current loosening cycle in March, aiming to alleviate credit and growth deceleration from prolonged restrictive rates.

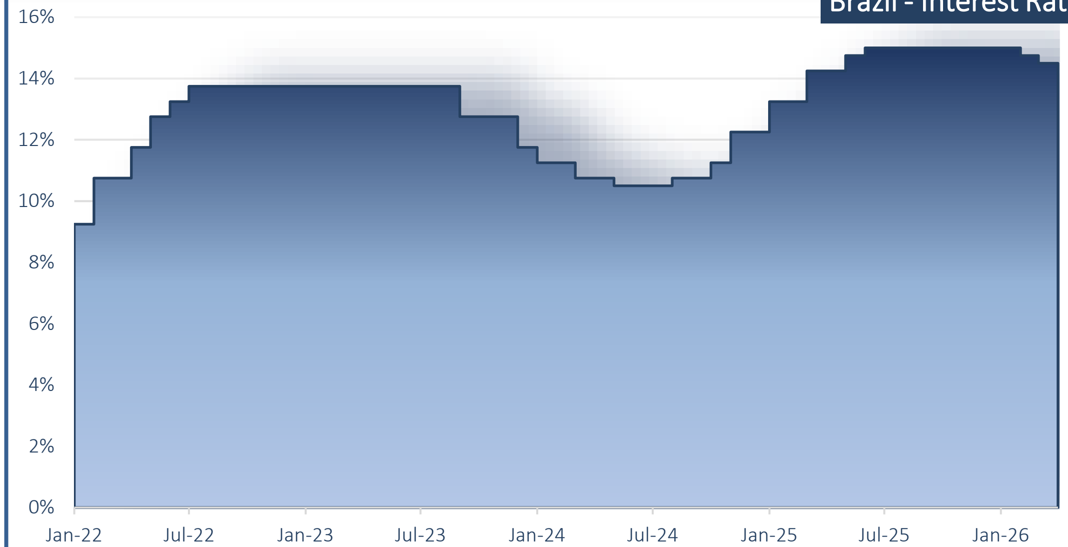
• Heavily impacted by global uncertainties, particularly fuel and commodity supply chain anxieties stemming from the conflict in the Middle East, the committee refrained from providing any forward guidance.

• The Brazilian real strengthened noticeably during April 2026, with the USD/BRL exchange rate averaging 5.034, reflecting improved investor sentiment and strong commodity export flows.

• Brazil's high interest rates continued to support the currency, helping attract carry-trade inflows and supporting the real against the U.S. dollar.

• Strong trade surpluses reinforced the BRL during the month, although inflation concerns and global geopolitical risks could limit further appreciation in the coming months.

Brazil - Interest Rates



BRL/USD

- In April 2026, Brazil exported 34.6 million tonnes of iron ore, marking a steep 24.01 percent rise over the month prior.

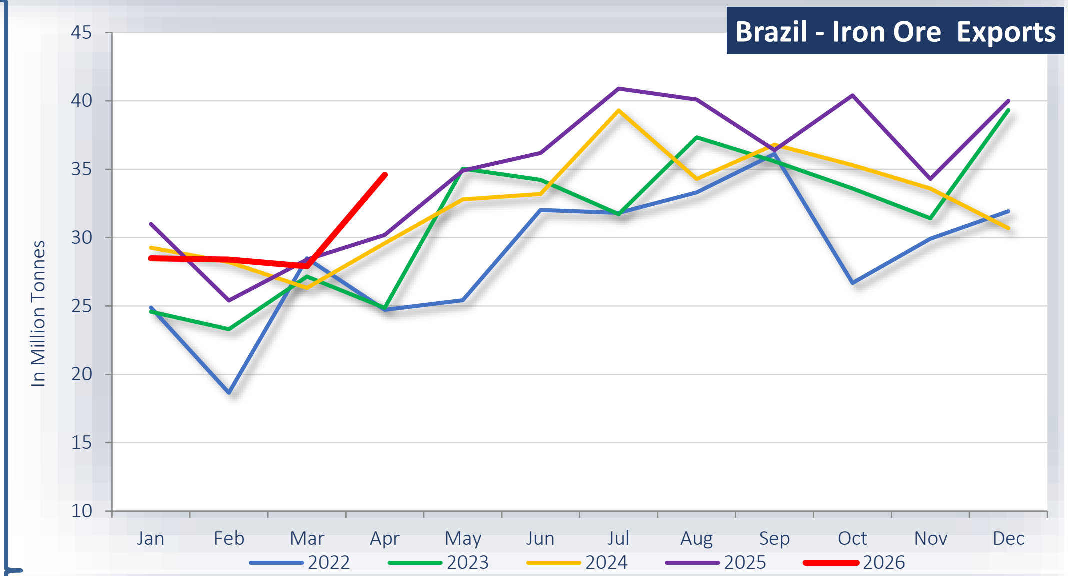
- Compared to the same period last year, export volumes also increased significantly by 14.57 percent, reaching the highest level for the period in the past 5 years.

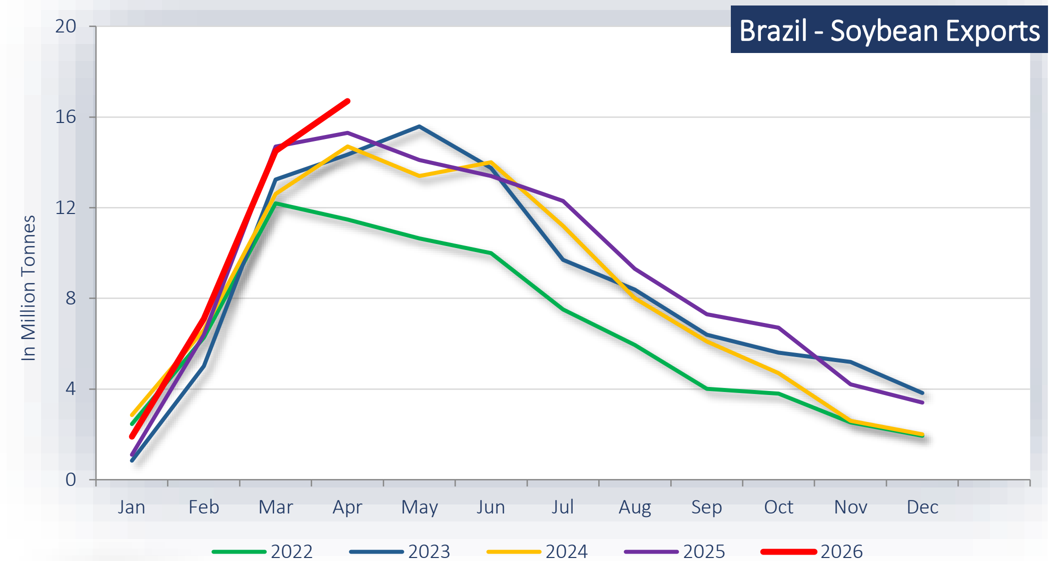
- China was once again the primary destination, absorbing approximately 65 percent of the total volume as Chinese steel mills aggressively rebuilt their port inventories following extensive first-quarter maintenance shutdowns.

- Brazil's soybean exports in April rose significantly to 16.7 million tonnes, marking a 15.17 percent increase compared to March.

- When comparing to the same period in 2025, exports also rose by 9.15 percent, reaching the highest level since April of 2021. Total volumes for the year-to-date reached 40.2 million tonnes, 7.2 percent higher than in the same period last year.

- China remained overwhelmingly dominant as a buyer, importing about 11.6 million tonnes in April, amounting to 69 percent of Brazil's soybean exports. This reflects both China's dependence on Brazilian supply and the continuing competitiveness of Brazilian soybeans relative to U.S. origin cargoes, in conjunction with the ongoing trade tensions between China and the U.S.





• In April, corn exports dropped for the 4th consecutive time, to 120.8 thousand tonnes, marking a significant 87.71 percent decline over last month. Year-on-year, exports were also lower, by 32.25 percent.

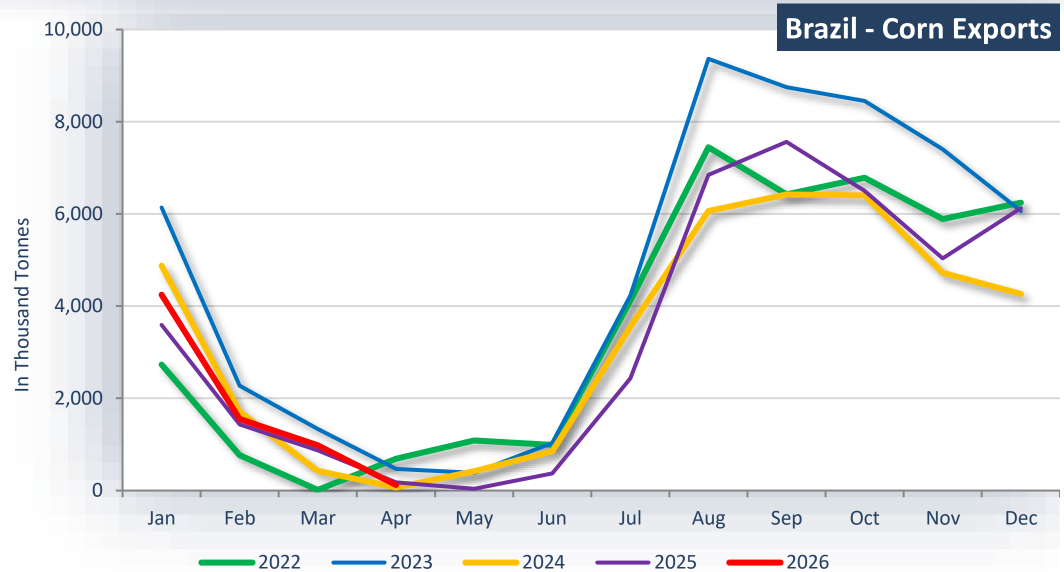
• Year-to-date exports totaled 6.9 million tonnes, representing a 13.62 percent decrease compared to the corresponding period last year.

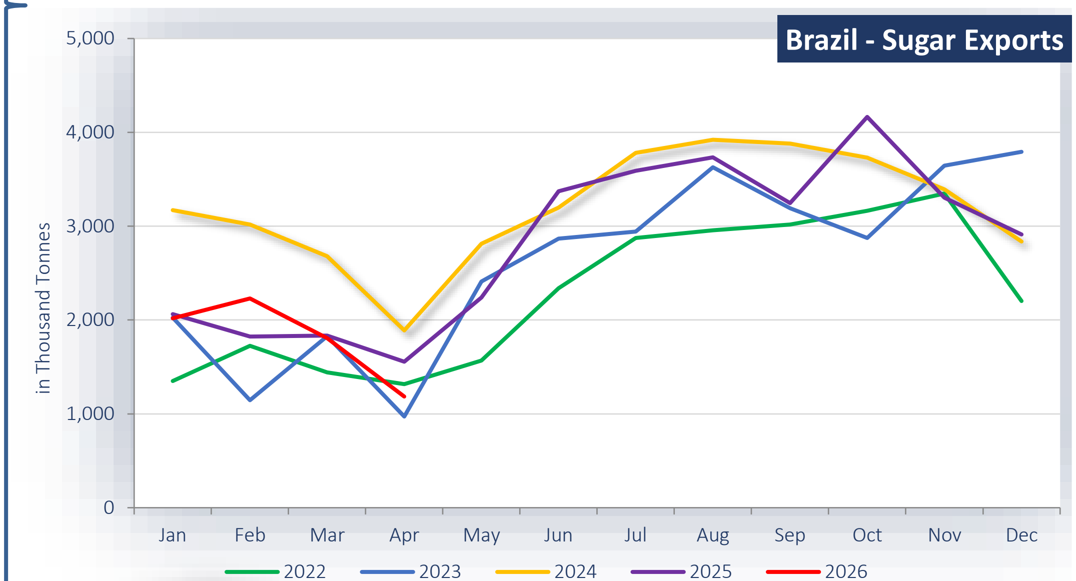
• Corn exports faced intense domestic competition for port space at Santos and Paranaguá, as ports were overwhelmed by the record-breaking soybean harvest, corn moving velocity was structurally capped.

• Sugar exports in April fell significantly by 34.5 percent month-over-month to 1.18 million tonnes, and by 23.86 percent compared to the year prior.

• Cumulative exports for the year reached 7.24 million tonnes, marking a marginal 0.48 percent decline compared to the same period in 2025.

• Sugar exporters saw earnings fall as prices dropped 23 percent year-on-year, prompting mills to shift cane toward ethanol production supported by Brazil's 30 percent ethanol blending mandate.





• Crude oil exports in April fell to 8.2 million tonnes, marking a steep 18.81 percent drop month-on-month.

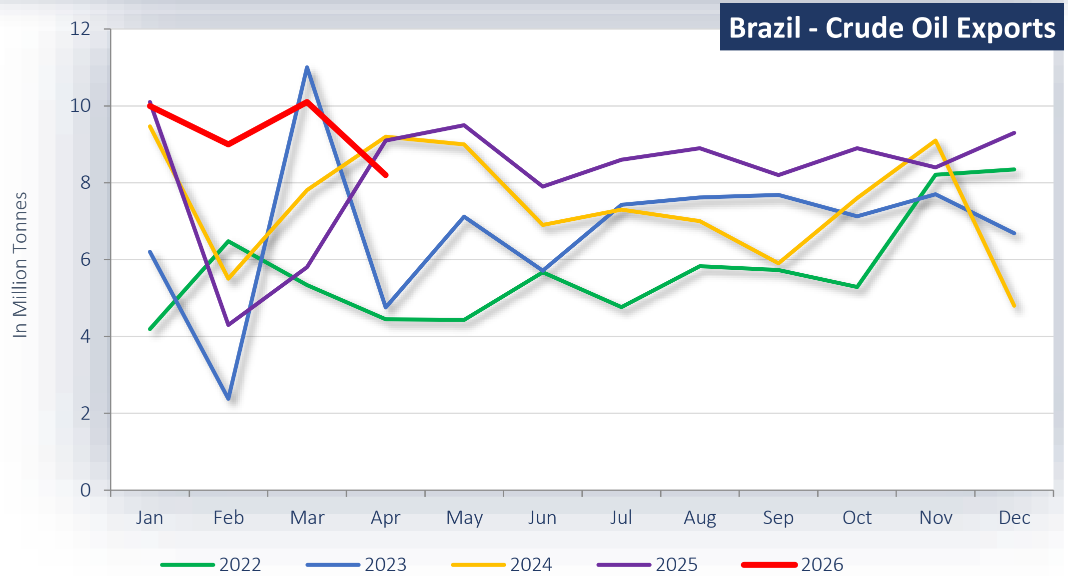
• Compared to the same period last year, exports were also notably lower, declining by 10 percent. Nevertheless, year-to-date exports reached 37.3 million tonnes, representing a significant 27.3 percent increase compared to the corresponding period last year.

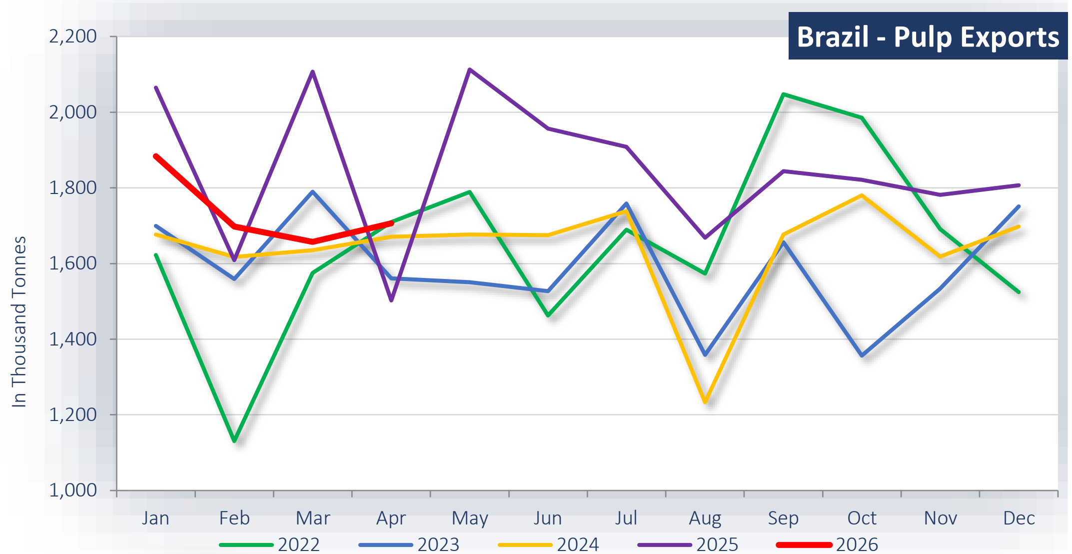
• With insurance premiums surging for shipping routes near the Persian Gulf, Brazil's pre-salt fields solidified their status as a reliable, geopolitically insulated alternative for major European and Asian refineries.

• Wood pulp exports in April rose by 2.97 percent month-to-month, reaching 1.71 million tonnes. Comparing to the same period last year, exports were also notably higher, by 13.57 percent.

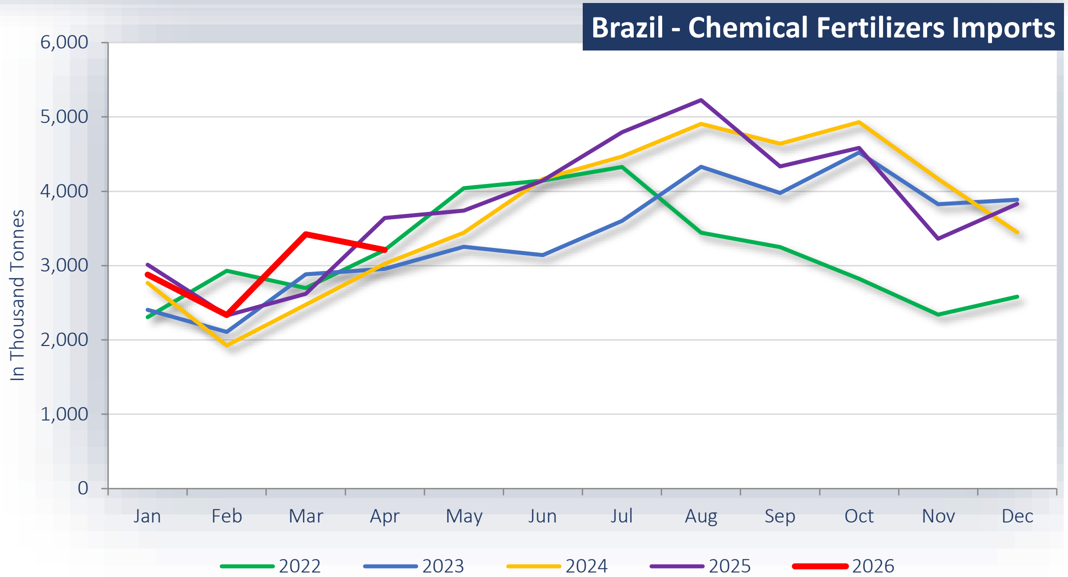
• Total exports for the year-to-date amounted to 6.95 million tonnes, marking a 4.64 percent decline over the same period in 2025.

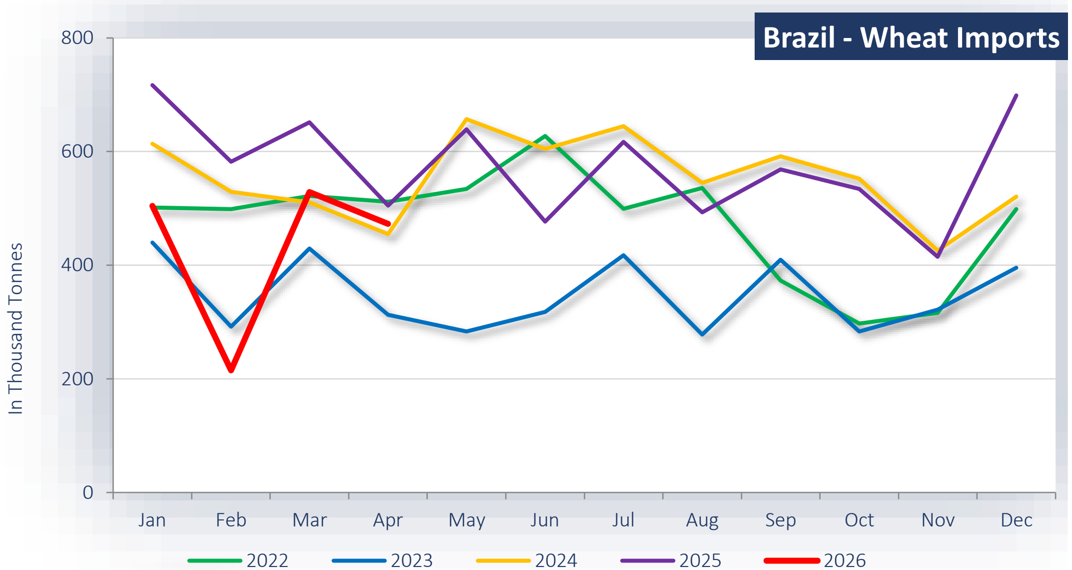
• Export prices were relatively stable, with average pulp prices slipping only by 0.6 percent, suggesting resilient international demand despite softer global commodity pricing.





- In April, Brazil's chemical fertilizer imports amounted to 3.21 million tonnes, marking a 6.13 percent drop compared to the previous month.
- Comparing to the same period in 2025, imports also fell by 11.8 percent.
- The downturn in import volumes was heavily concentrated in nitrogen and phosphate lines, driven by severe supply logistics disruptions stemming from the ongoing conflict in the Middle East and transit blockages in the Strait of Hormuz.
- Brazil imported 473 thousand tonnes of wheat in April 2026, reflecting a 11.2 percent decline compared to March and a substantial 27.3 percent drop compared to April 2025, signaling a notable slowdown in international buying pace by domestic mills.
- Year-to-date imports totaled 1.716 million tonnes, remaining 30.5 percent lower compared to the corresponding period in 2025. The weaker import performance was mainly driven by domestic mills maintaining ample carryover inventories at the start of the year.
- During the same period, Argentina emerged as the leading supplier, accounting for 1.26 million tonnes, or 73 percent of total imports. Paraguay followed with 241 thousand tonnes.



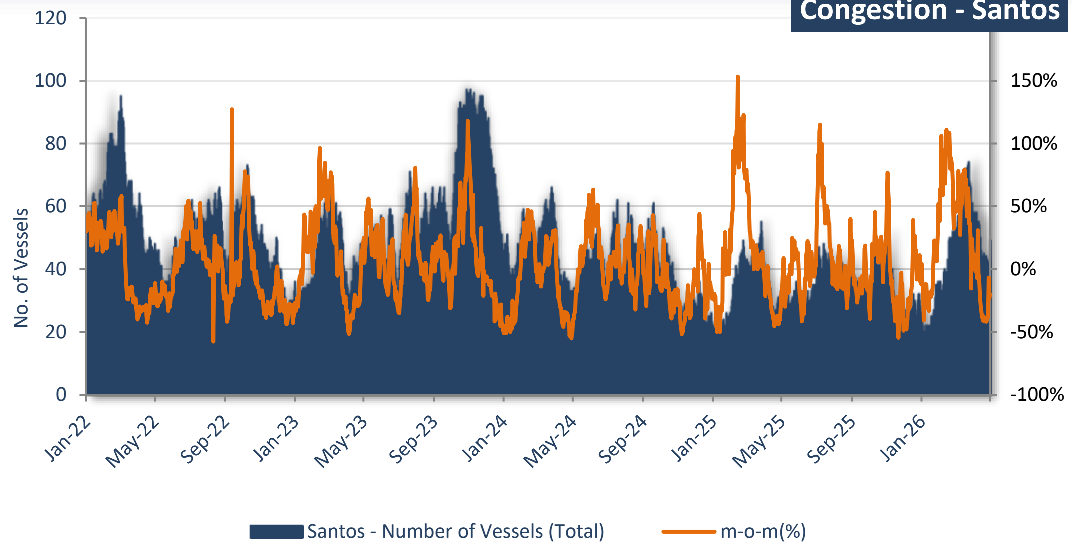


PORT CONGESTION MAY 2026

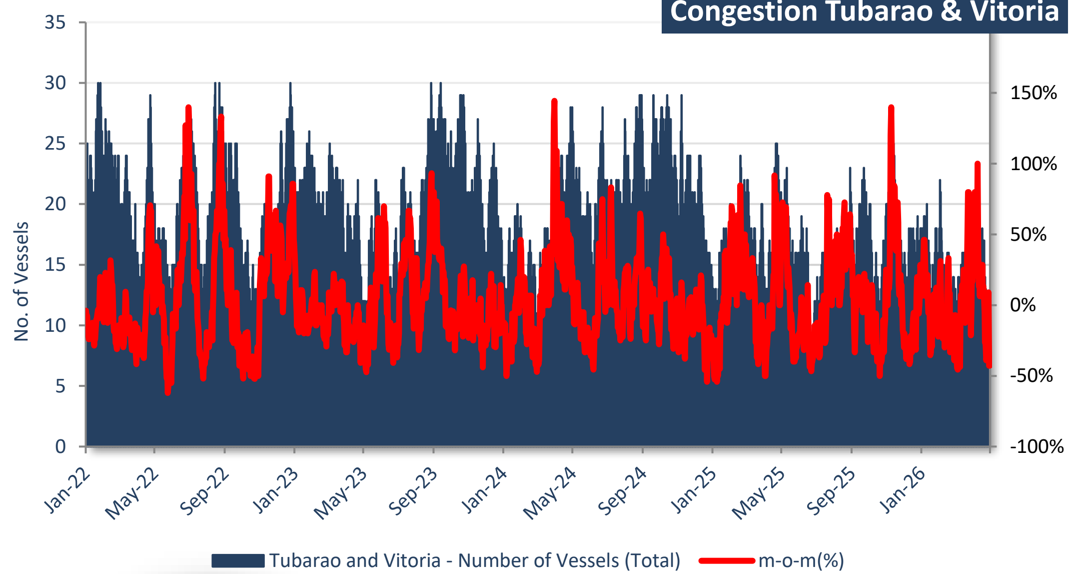
- In April, congestion at the Port of Santos averaged 48 vessels, representing a steep 22 percent decline from the previous month's levels and returning to levels similar to those observed at the beginning of the year.
- The average deadweight of the congested fleet also declined by 26 percent month-on-month, underscoring the easing of logistical pressure from vessels of higher tonnage.
- Comparing to the same period last year however, congestion was significantly higher by 53 percent, reflecting Brazil's record export activity for the season.

- At the ports of Tubarão and Vitória, combined congestion averaged 15 vessels during April, marking a marginal 7 percent increase over the month prior.
- When examining deadweight tonnage, the trend was negative, with congestion dropping by 9 percent month-over-month, indicating that smaller vessels reached the ports of Tubarão and Vitória
- Comparing to the same period in 2025, the number of congested vessels was notable lower by 16 percent.

Congestion - Santos



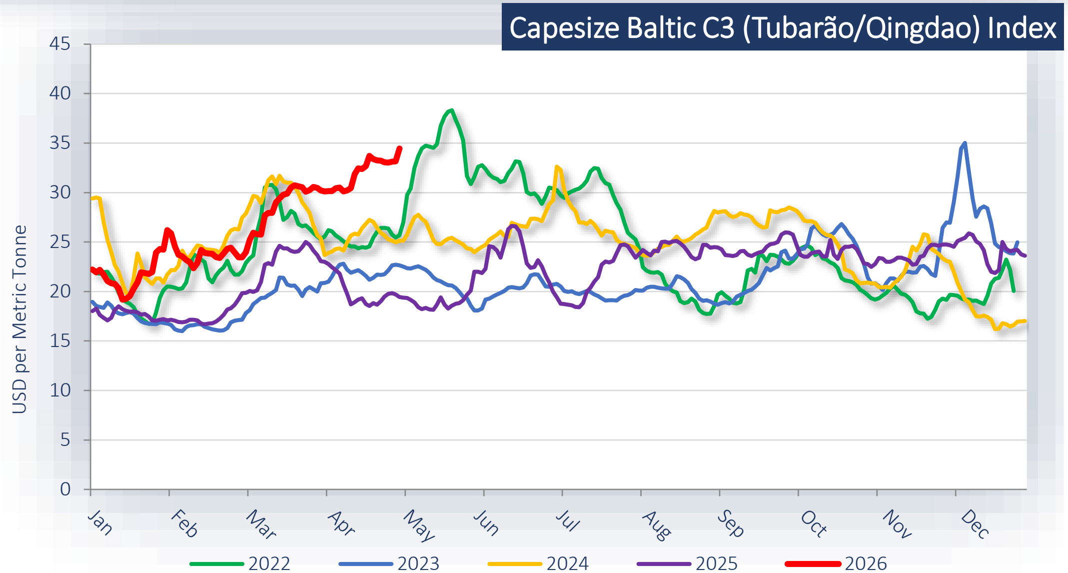
Congestion Tubarao & Vitoria



• In April 2026, the Capesize Baltic C3 Index (Tubarão/Qingdao) closed at USD 34.46 per metric tonne,, reaching its highest mark since July 2024.

• During the month, the C3 route rose significantly, averaging USD 32.09 per metric tonne, marking an 11.62 percent increase month-on-month and a steep 60.13 percent increase compared to April last year.

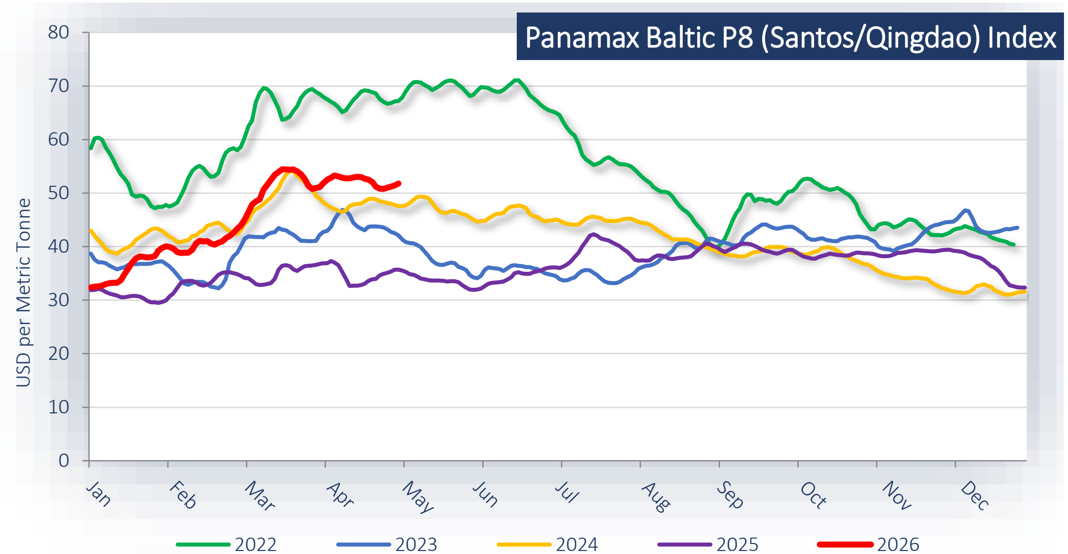
• Spot market rally was primarily supported by a vivid Atlantic activity, driven by Vale's record first-quarter iron ore sales of 68.7 million metric tonnes.



• The Baltic P8 Index (Santos/Qingdao) closed at USD 51.8 per metric tonne, recording a mild drop throughout the month..

• The monthly average however, stood 1.47 percent higher than the month prior, at USD 52.23 per tonne, the highest level for the period since October 2022.

• While the Pacific Panamax market softened due to a breakdown in Asian coal legs (fueled by a drop in Chinese thermal coal imports), the immense agricultural flow out of Brazil acted as a strong structural floor, attracting ballasting ships to the Atlantic.



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