BRAZIL – BAROMETER

Monthly Update

July 2026

FOCAL POINTS :

Macro Environment

The Central Bank's monthly IBC-Br economic activity index showed that growth cooled from a solid 0.5 percent rebound in April to a marginal 0.1 percent in May, weighed down by a contraction in agriculture and the lagged effects of highly restrictive interest rates.

FX and money markets

During its meeting on June 18th, the Central Bank of Brazil's Monetary Policy Committee (Copom) cut the SELIC rate by 25 basis points to 14.25 percent, marking a cautious step in the easing cycle. However, persistent inflationary pressures, exacerbated by escalating geopolitical tensions in the Middle East and higher energy prices, continue to justify a restrictive monetary stance, limiting the scope for further rate cuts.

Exports

Brazil exported 42.2 million tonnes of iron ore in June, surging 50.71 percent from the previous month and reaching the highest monthly volume in five years. Following extensive maintenance work in May that temporarily disrupted operations at key terminals, port efficiency improved markedly in June, reducing vessel waiting times and supporting a strong rebound in export flows.

Imports

Brazil's wheat imports totaled 463.3 thousand tonnes in June, declining 21.95 percent from the previous month. Despite the sharp drop in overall volumes, Argentina remained Brazil's dominant supplier, while Russia strengthened its presence by shipping 70 thousand tonnes, becoming the country's second-largest wheat exporter for the month.

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CONTENT PAGES :

• Brazil's quarterly GDP expansion of 1.1 percent in Q1 2026 was primarily driven by robust government spending and strong household consumption.

• The Central Bank's monthly IBC-Br economic activity index shows that growth has cooled after a solid 0.5 percent rebound in April, to a marginal 0.1 percent in May, weighed down by a contraction in agriculture and the lagged effects of highly restrictive interest rates.

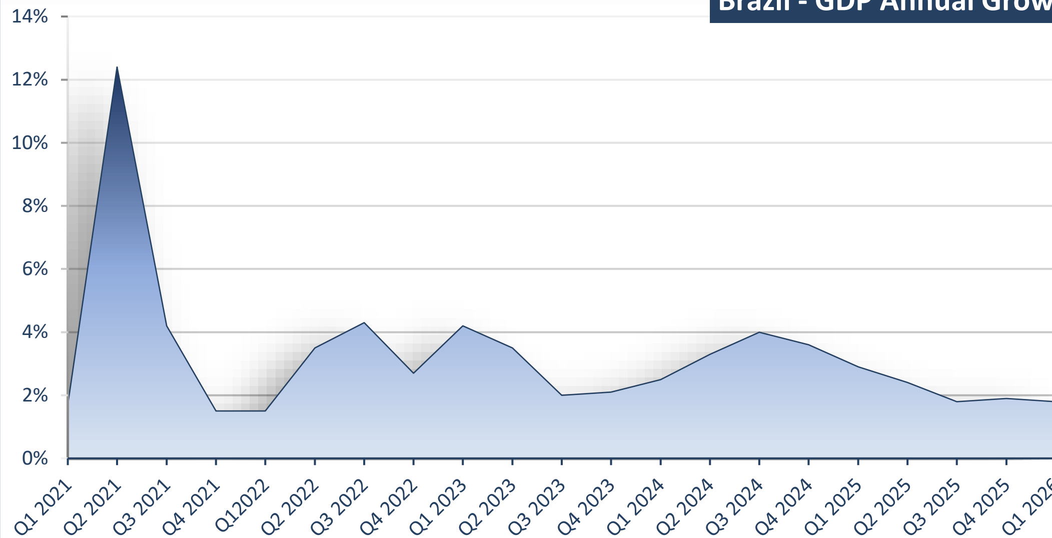
• Despite the cooling signs in Q2, the IMF upgraded its full-year GDP growth forecast for Brazil to 2.4 percent (up from 1.9 percent), while the Brazilian government maintains a steady estimate of 2.3 percent.

• Brazil recorded a trade surplus of $9.76 billion in June 2026, up 24.73 percent month-on-month. Compared to the same period last year this marked a steep 70.91 percent expansion, in line with market expectations.

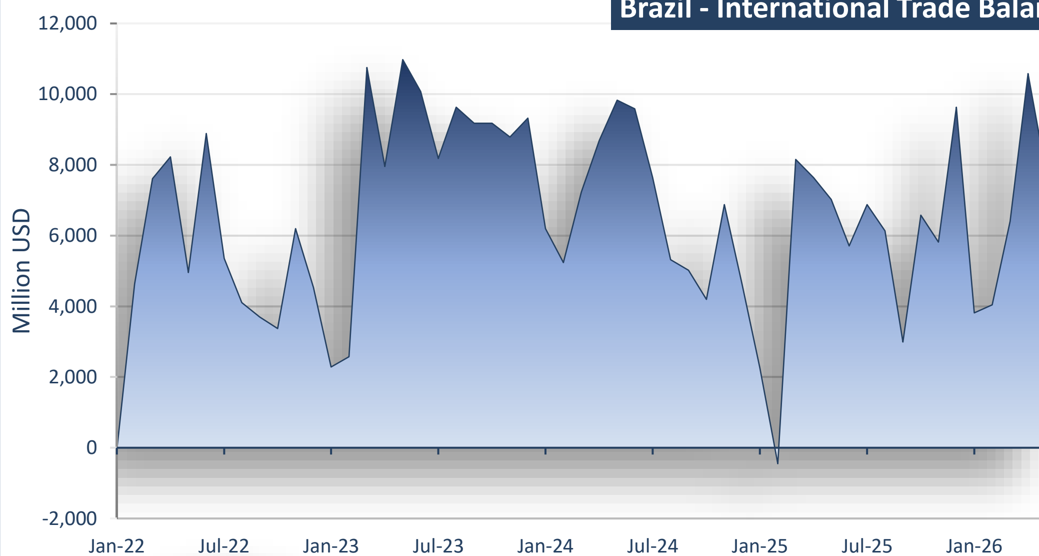
• Total exports for the month amounted to $36.28 billion, growing 25.2 percent year-on-year and reaching the highest level of the past 5 years.

• On the back of the strong results for the first half of the year, the Ministry of Development, Industry, Trade and Services raised its forecast for the 2026 trade surplus to US$90 billion, up from a previous estimate of US$72.1 billion.

Brazil - GDP Annual Growth



Brazil - International Trade Balance



• Brazil's IPCA inflation slowed sharply to 0.16 percent in June, down from 0.58 percent in May, bringing the trailing 12-month inflation down slightly to 4.6 percent.

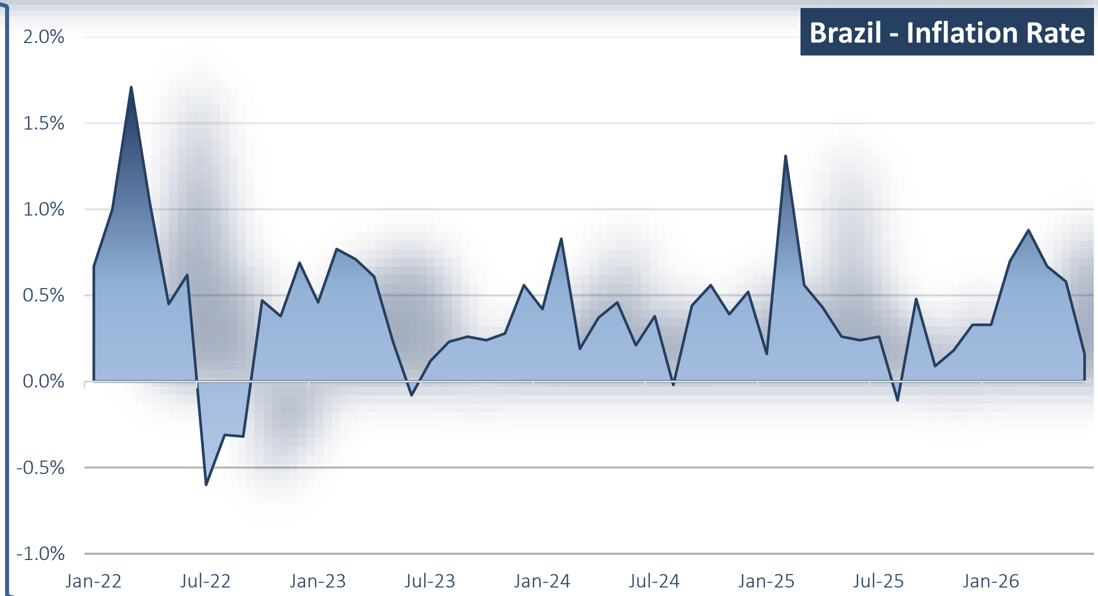
• 12-month inflation remains above the Central Bank's 3.0 percent target and sits near the 4.5 percent upper limit of the tolerance band, keeping policymakers highly cautious about further interest rate cuts.

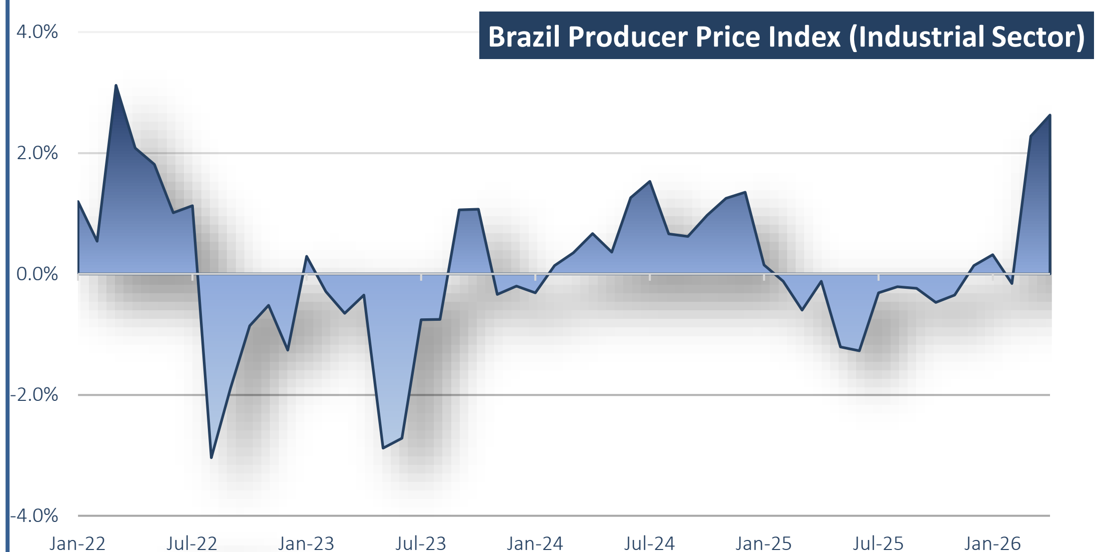
• Despite the overall slowdown, residential electricity costs jumped by 2.04 percent, representing the largest single item impact on the monthly index. This was triggered by the implementation of the "yellow" utility tariff flag (adding BRL 1.885 per 100 kWh consumed).

• Brazil's industrial prices fell 0.30 percent month-over-month in May 2026, reversing a sharp 2.62 percent surge in April.

• This brought trailing 12-month producer inflation to 1.99 percent, though cumulative year-to-date IPP remained elevated at 4.80 percent.

•The monthly decline was primarily driven by a 5.90 percent contraction in extractive industries and a 2.05 percent drop in food products, which more than offset notable price increases in plastic and chemical products, up 4.80 percent and 2.14 percent, respectively.





• During its meeting on June 18th, the Central Bank of Brazil's Monetary Policy Committee (Copom) lowered the SELIC rate by 25 basis points to 14.25 percent, signaling a cautious start to the monetary easing cycle while maintaining a restrictive policy stance.

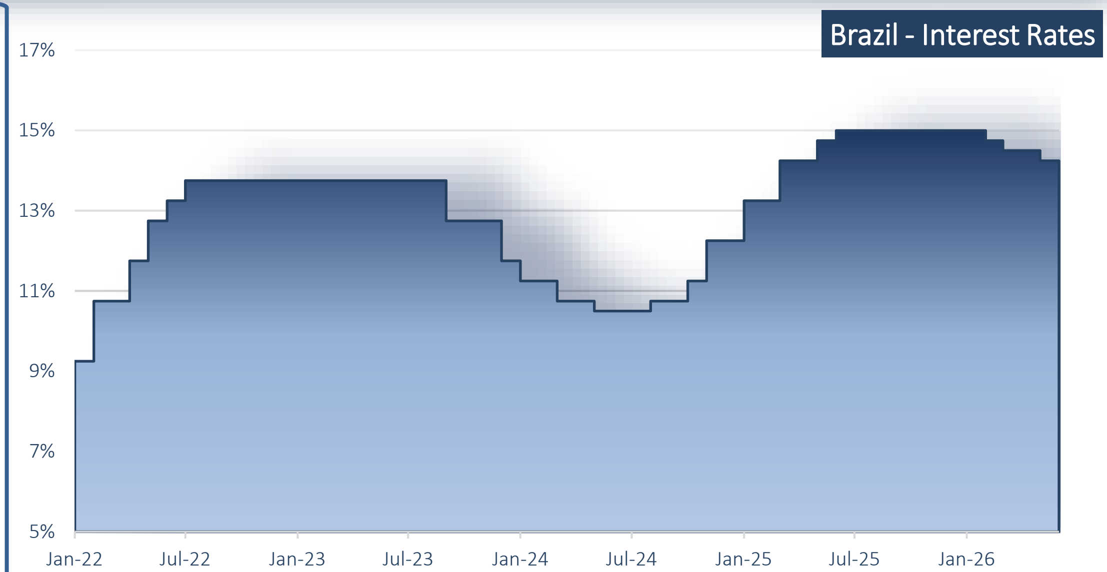
• Inflationary pressures, fueled by escalating geopolitical tensions in the Middle East, continue to pose upside risks to consumer prices.

• Reflecting this cautious outlook, financial institutions surveyed in the central bank's weekly Focus bulletin expect only limited additional easing, with the SELIC rate forecast to end 2026 at 14.00 percent.

• The Brazilian Real experienced a gradual depreciation against the US Dollar throughout June 2026, with the monthly exchange rate averaging 5.1241 BRL per USD.

• The exchange rate started the month trading at 5.0416 BRL per USD and climbed steadily to close the month at 5.1762 BRL per USD, marking a monthly decline of 2.6 percent.

• The weakening of the Real was primarily driven by growing investor anxiety regarding Brazil's structural fiscal balance, combined with early positioning ahead of the upcoming October 2026 general elections.



• In June 2026, Brazil exported 42.2 million tonnes of iron ore, surging 50.71 percent higher than the month prior and recorded the highest export volume of the past 5 years.

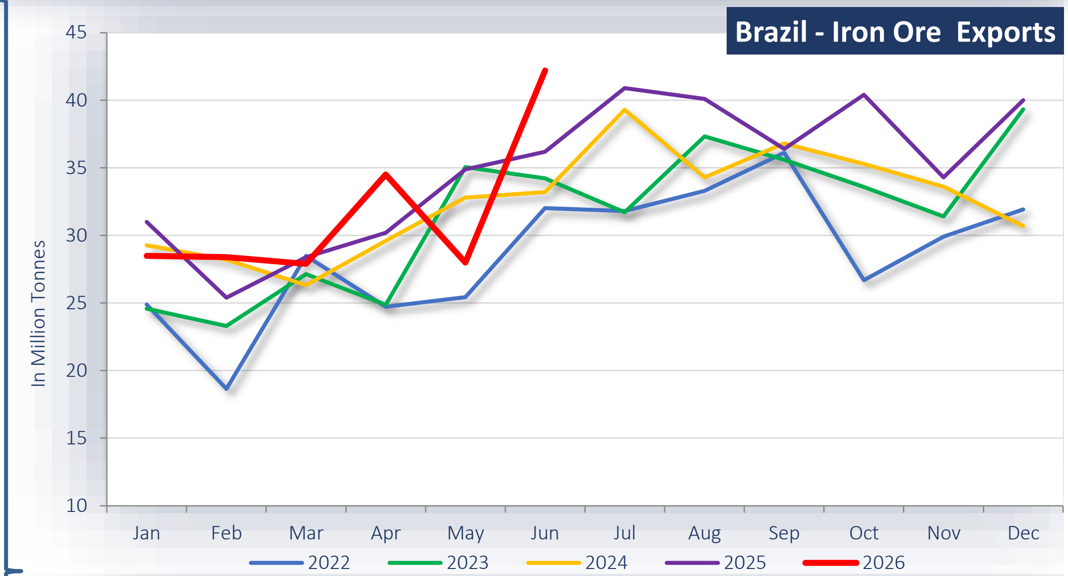
• Compared to June of 2025, export volumes also increased significantly by 16.57 percent, while cumulative export volume for the first half of the year reached 189.5 million tonnes, marking a 1.83 percent increase over the same period last year.

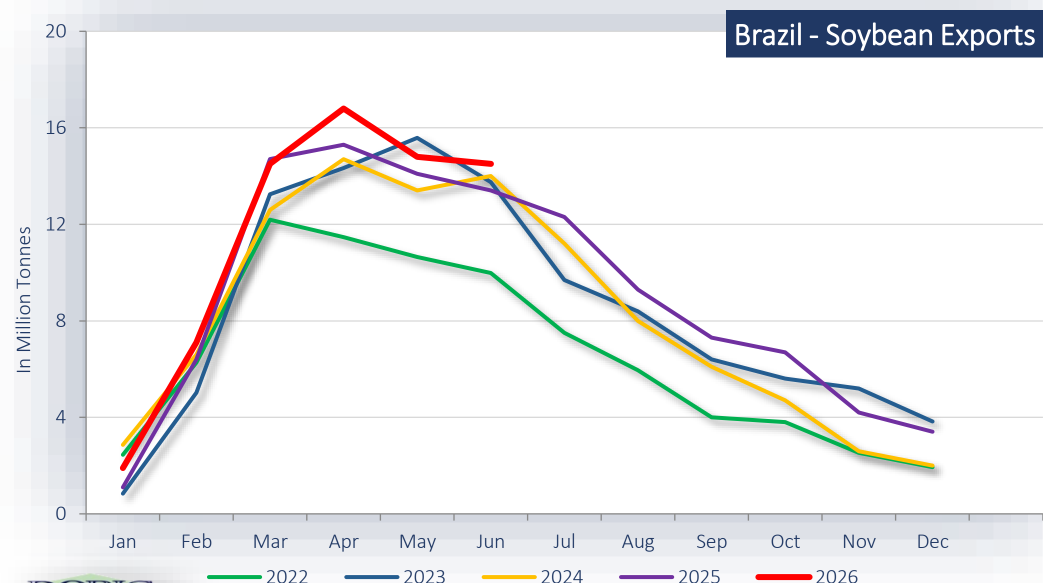
• After major maintenance operations in May slowed down several key terminals (such as Itaguaí and Guaíba), ports operated with significantly improved efficiency in June, sharply reducing vessel wait times.

• Brazil's soybean exports in June dropped moderately to 14.5 million tonnes, marking a 2.03 percent decrease month-over-month.

• When comparing to the same period in 2025, exports rose notably by 8.21 percent. Total volumes for the first half of the year reached 69.6 million tonnes, marking a 7.08 percent increase over the same period last year.

• The monthly drop-off in volume was driven both by a natural seasonal cooling of the harvest cycle and by localized heavy rainfall that disrupted port operations and slowed down vessel loadings.





• In June, Corn exports remained subdued, in line with seasonal trends, totaling 435.5 thousand tonnes before Brazil enters the second-crop (safrinha) harvest in late summer.

• Brazil recorded a notable 17.86 percent increase in exports compared to the same month in 2025. For the first half of the year exports amounted to 7.94 million tonnes, marking a significant 22.49 percent increase over the same period last year.

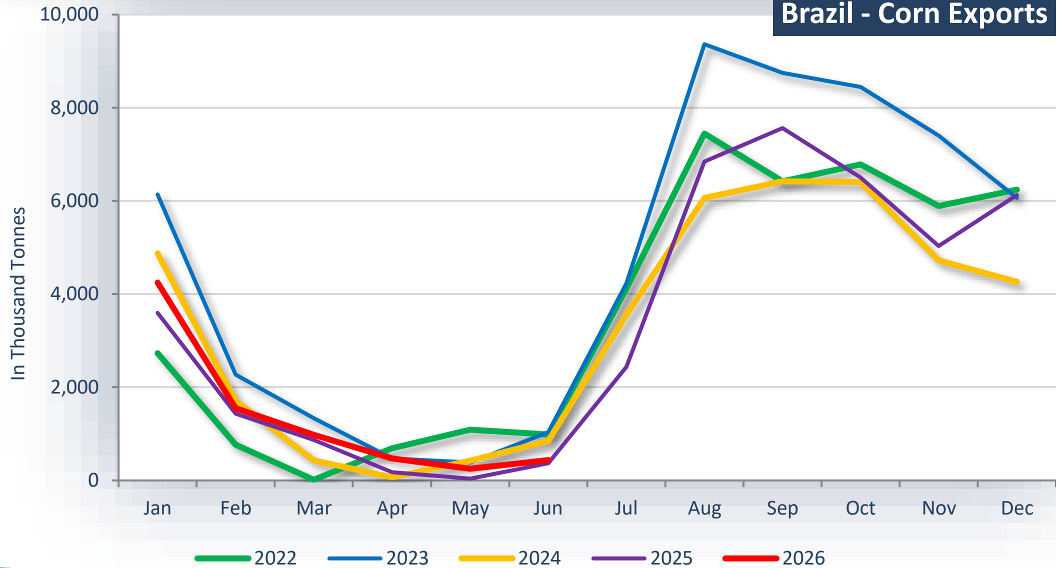
• In the long term, the expansion of corn-based ethanol production capacity is creating an increasingly inelastic floor for domestic demand. As a growing share of the corn harvest is diverted to ethanol, less surplus remains for exports.

• Sugar exports in June rose steeply by 58.93 percent month-over-month to 3.13 million tonnes, but dropped by 7.22 percent compared to the year prior.

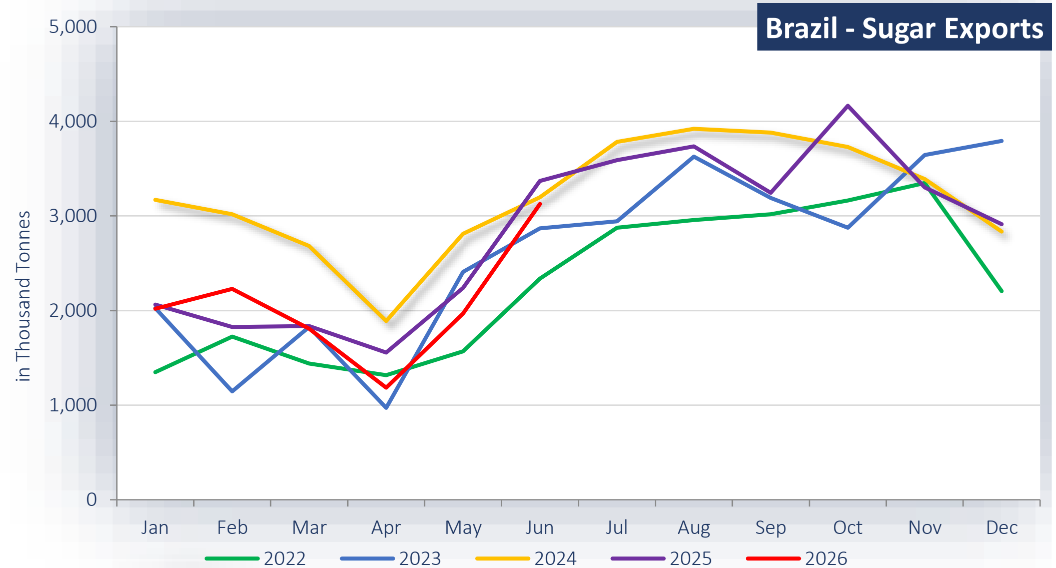
• Surging crude oil prices and Brazil's aggressive push toward an expanded 32 percent anhydrous ethanol fuel blend mandate have caused mills to actively shift their sugarcane crushing mix toward biofuel production over sugar.

• With India absent from the export market and Thailand's crop expected to shrink, any shift by Brazilian mills toward ethanol production would further reduce global sugar supply, increasing the risk of a structural deficit.

Brazil - Corn Exports



Brazil - Sugar Exports



EXPORTS 3/3

- Crude oil exports rebounded in June, reaching 8.5 million tonnes, a steep 54.55 percent month-on-month increase.

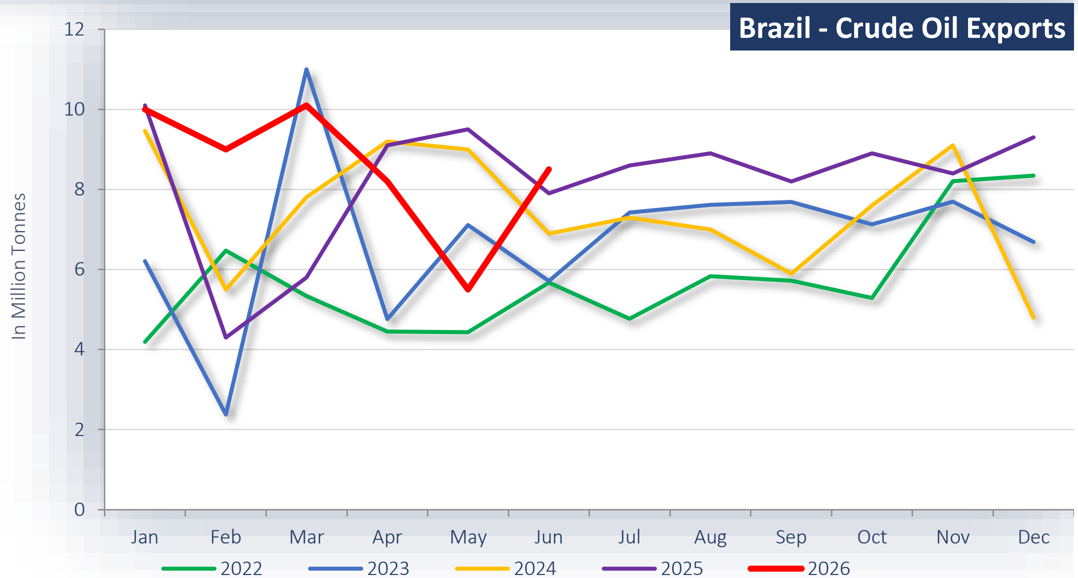
- Compared to the same period last year, exports were also higher by 8 percent, while total exports for the first half of the year reached 51.3 million tonnes, marking a 9.85 percent increase over the same period in 2025.

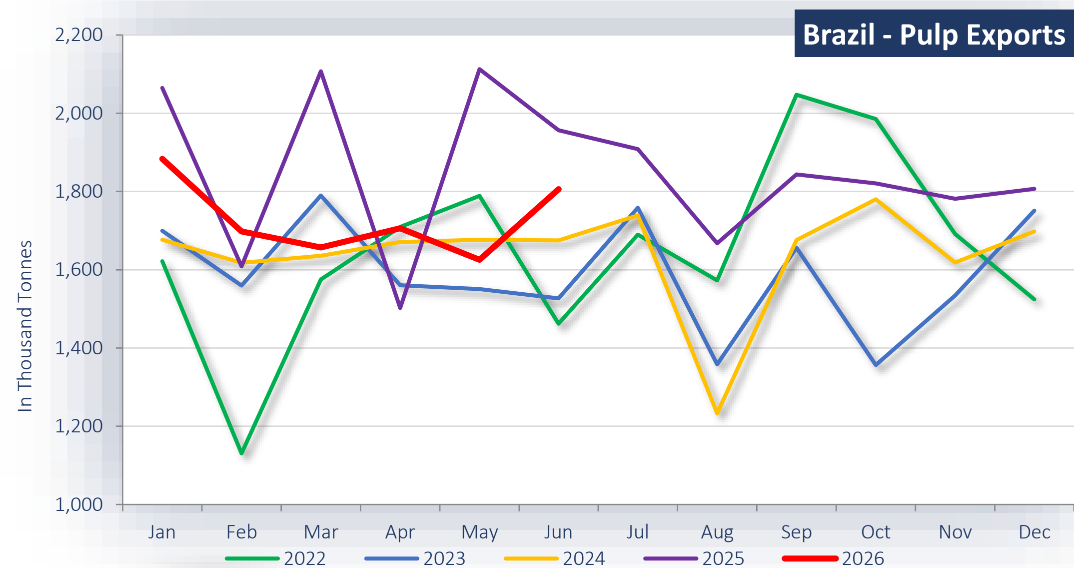
- Amid global supply constraints and significant disruptions to Middle Eastern shipments throughout the second quarter of 2026, South America, led by Brazil, has emerged as a vital swing supplier.

- Wood pulp exports in June rose by 11.12 percent month-to-month, reaching 1.81 million tonnes. Comparing to June of 2025 however, exports were notably lower, by 6.67 percent.

- For the first half of the year exports totaled 10.38 million tonnes, marking an 8.59 percent decline over the same period in 2025.

- China remained the primary destination for Brazilian wood pulp, absorbing 46.3 percent of the total volume, followed by the U.S., that was a buyer of 11.8 percent of Brazil's total export volume, despite the ongoing trade rebalancing and a slight contraction in trade flows.





• In June, Brazil imported 3.31 million tonnes of chemical fertilizers, marking a 3.23 percent increase compared to the previous month.

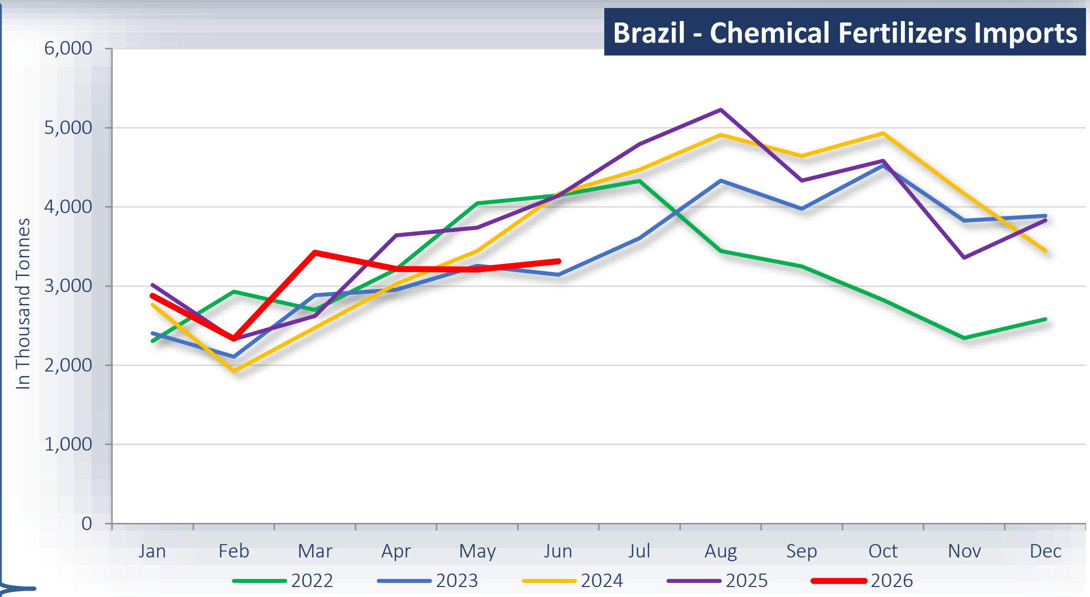
• Comparing to the same period in 2025, imports fell significantly by 20.1 percent. For the first half of the year, imports amount to 18.37 million tonnes, marking a notable 5.73 percent decline of the same period a year prior.

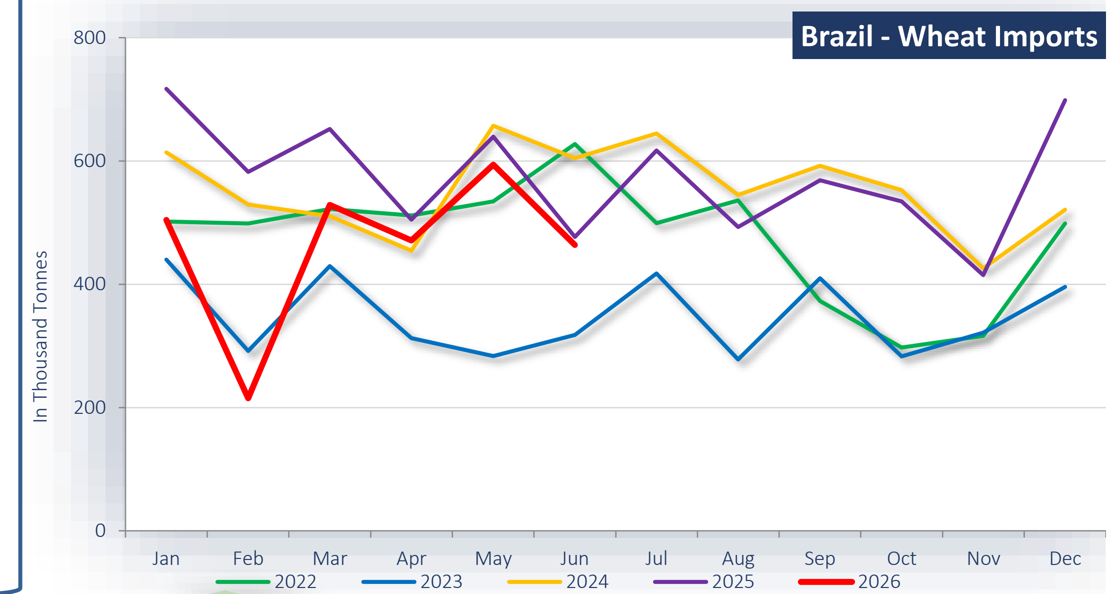
• As Brazil relies on international markets for 85 percent of its fertilizer needs, the import slowdown creates an urgent bottleneck, forcing importers and distributors to ramp up phosphate and nitrogen arrivals before the crucial September–October planting season.

• Brazil's wheat imports in June reached 463.3 thousand tonnes, dropping steeply by 21.95 percent compared to the previous month.

• While Argentina remained Brazil's dominant wheat supplier, Russia surged into the number two spot, supplying 70,000 tonnes for the month, displacing Paraguay, whose shipments to Brazil collapsed from 288,500 tonnes last June to just 54,000 tonnes this year.

• Due to rising production costs and intense El Niño rainfall risks, Brazilian farmers are slashing planted area, pushing domestic production down to a projected six-year low of 6 million tonnes, thus creating anticipation for larger import volumes for the second half of the year.





PORT CONGESTION JULY 2026

• In June, congestion at the Port of Santos averaged 42 vessels, representing a 5 percent decline from the previous month's levels, as decongestion is observed for a third consecutive month in Brazil's largest port.

• The average deadweight of the congested fleet also declined by 6 percent month-on-month, underscoring the easing of logistical pressure as we move away for the peak months of Spring.

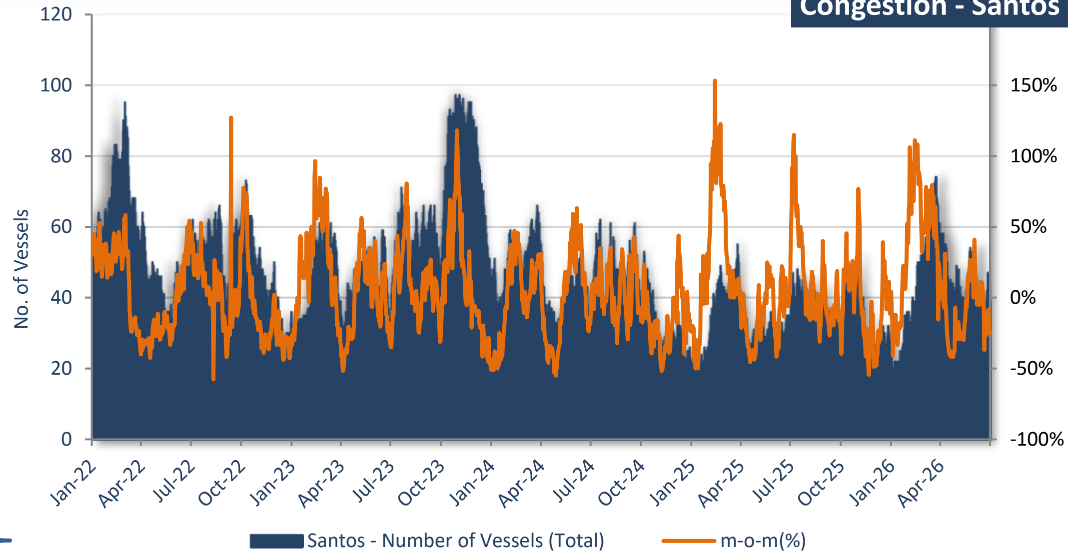
• Comparing to the same period last year however, congestion was significantly higher by 45 percent, reflecting Brazil's record breaking exports for the first half of the year.

• At the ports of Tubarão and Vitória, combined congestion averaged 15 vessels throughout June, marking a notable 13 percent increase over the month prior.

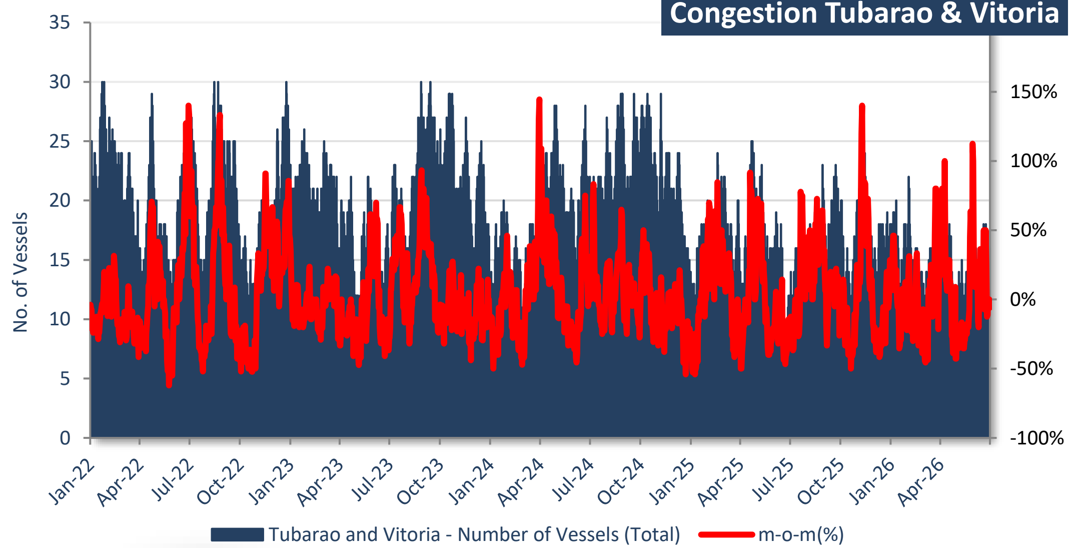
• As far as congested deadweight tonnage is concerned, data showed a 29 percent decline month-over-month, indicating that smaller vessels reached the ports of Tubarão and Vitória

• Comparing to the same period in 2025, the number of congested vessels was higher by a notable 8 percent.

Congestion - Santos



Congestion Tubarao & Vitoria



• In June 2026, the Capesize Baltic C3 Index (Tubarão/Qingdao) closed at USD 28.22 per metric tonne,, dropping by USD 9.5 per metric tonne throughout the month.

• The average level for June was USD 33.5 per metric tonne, marking an 8.25 percent decrease month-on-month, while still remaining firmly above last year's levels by 42.51 percent

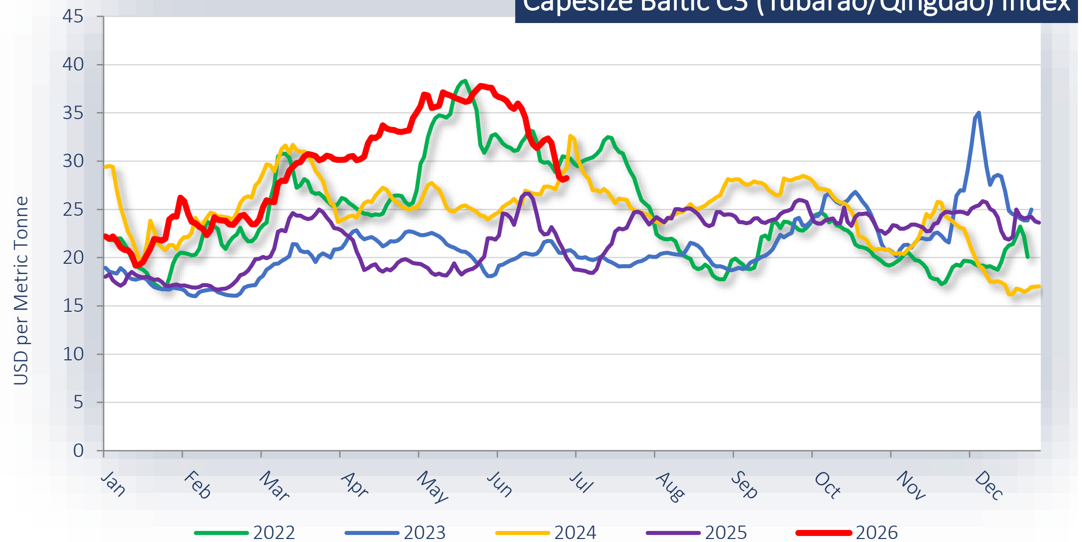
• A key driver behind the early-to-mid June softening was an influx of ballast Capesize vessels returning to the South Atlantic, which briefly outpaced mining firm order volumes out of Brazil before firming back up toward USD 30.00–33.00 per metric tonne by month-end.

• The Baltic P8 Index (Santos/Qingdao) closed at USD 50.38 per metric tonne in June, recording a 4.92 percent drop during the month.

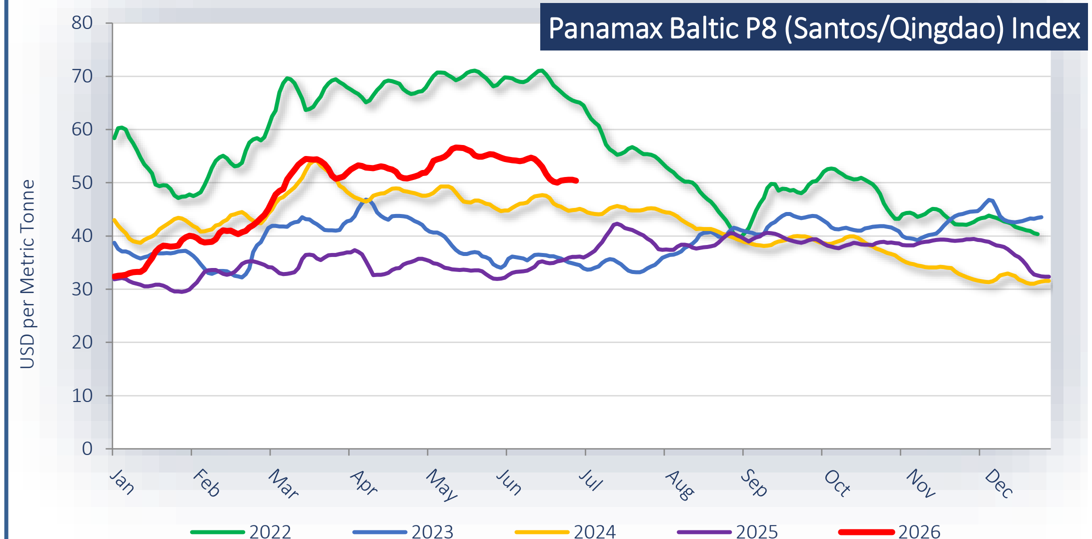
• The monthly average stood 4.26 percent lower than the month prior, at USD 52.76 per tonne. Comparing to the same period in 2025 this marks a 53.76 percent increase

• Unlike the Capesize segment, Panamax tonnage supply in the South Atlantic remained relatively tight throughout June, as steady East Coast South America chartering activity absorbed available ballasters coming from Asia and Europe on the back of elevated exports.

Capesize Baltic C3 (Tubarão/Qingdao) Index



Panamax Baltic P8 (Santos/Qingdao) Index



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