

Brazil's Trade Surplus Falls 35% to US\$ 19.44 Bi, Worst in 10 Years

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Brazil posted its smallest annual trade surplus in a decade last year as a sluggish global economy curbed demand for its products despite government efforts to boost exports. Brazil's trade surplus fell 35% to 19.44 billion dollars from the prior year, the weakest performance since 2002, Trade Ministry data showed on Wednesday.

Subdued demand for products such as soy and iron ore has dragged down exports while demand for foreign products remains robust in Brazil, Latin America's largest economy. Particularly significant was the drop of exports to Mercosur partner Argentina, 20.7%, which is the lowest level since 2009.

Measures adopted by President Dilma Rousseff's government to help exporters have so far failed to raise sales abroad. Officials have repeatedly intervened in foreign exchange markets to weaken Brazil's currency, the real, in a bid to help cheapen costs for exporters.

Brazil's exports fell 5.3% to 242.58 billion dollars in 2012, and imports dropped 1.4% to 223.14 billion.

A sustained drop in exports this year could curtail government efforts to revive an economy that has struggled to grow over the last year and a half. A decade of high commodity prices helped Brazil become one of the world's most dynamic economies with growth rates of more than 4% a year. But last year, Brazil, a major exporter of beef and iron ore, likely grew less than 1%.

Brazil's trade balance improved in December to a surplus of 2.25 billion after an unexpected trade deficit of 186 million in November.

A pick-up in the economies of the United States and China would likely keep Brazilian exports

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stable this year, the foreign trade secretary, Tatiana Prazeres, told reporters in Brasilia. However, she warned that a recession in the European Union and weak sales to key trade partner Argentina remain a risk for Brazilian exports.

Brazil's exports to Argentina, its third largest trade partner after China and the United States and the top market for its manufactured goods, fell 20.7% in 2012 to 17.9 billion, the lowest level since 2009.

Excluded from international credit markets since its 2002 default, Argentina adopted import restrictions last year to curb the outflow of dollars. Its protectionist action slashed its trade deficit with Brazil by 73.2% in 2012, and also angered the Brazilian government and exporters who cried foul play.

In another trade quarrel, Brazil has threatened World Trade Organization action against a handful of countries that have banned imports of its beef after a case of mad cow disease.

Brazil itself has been harshly criticized by some countries for raising tariffs on dozens of imports ranging from cars to iron pipes and bus tires to protect its local industry. Brazil has said the temporary hikes are allowed under WTO rules.

The Brazilian Trade ministry reported a decline in exports of all three product categories: semi-manufactured goods (8.3%), basic goods (7.4%) and manufactured goods (1.7%).

Regarding semi-manufactured goods, the sharpest declines were seen in exports of iron and steel products, cast iron, raw sugar, wood pulp, and raw soy oil. Basic goods whose exports dropped the most were coffee bean, iron ore, crude oil and poultry.

Manufactured goods whose foreign sales saw the sharpest decline were flat-rolled steel, refined sugar, autos, aluminum oxides and hydroxides, orange juice, engines, plastic polymers, tires, auto parts, cargo vehicles, and land leveling machines and devices.

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There was, however, an increase in exports of ethanol, fuel oils, aircraft, electrical engines and generators, pumps and compressors, ferroalloys, semi-manufactured gold, hides, maize, cotton, soy bran, tobacco, beef, and soy bean.

Exports declined to all regions, except the United States, according to the ministry. The main target countries for Brazilian products were China, United States, Argentina, Netherlands and Japan.

On the other hand, there was a decline in imports of fuels and lubricants (2.4%) and of raw materials and intermediate goods (2.2%), and an increase in capital goods imports (1.5%). There was an increase in Brazilian imports from the Middle East, Latin America and the Caribbean (not including the Mercosur) and the European Union.

The main suppliers to Brazil were China, United States, Argentina, Germany and South Korea.

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