

## Low Dollar Hurts Brazil's Machinery Sector

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The exports of Brazilian machinery and equipment has broken a new historic record bringing equilibrium to the sector trade balance. Foreign sales in 2004 have reached US\$ 6.841 billion, which represents a growth of 38.5% over the 2003 result.

Imports, in turn, have reached US\$ 6.836 billion, an increase of 18% when compared to 2003. The sector has reached revenues of US\$ 45.613 billion in 2004, with growth of 30% over the 2003 result, which was US\$ 35.1 billion. This result represents the best performance since 1995.

According to the president of the Brazilian Machinery Manufacturers Association (Abimaq), Newton Mello, this figure is very positive for the development of the Brazilian economy, as it represents a significant increase in the competitive capacity of the domestic industry.

On analysing the data, the Abimaq president emphasized the efforts made by Brazilian producers who, after the devaluation of the Brazilian real, in 1999, went after the foreign market, contributing to the increase of relevance of the sector, which is the second largest Brazilian industrial exporter.

"Another factor that contributed to the elevation of exports was the value of the United States dollar from 2003 to mid 2004, guaranteeing the competitiveness of Brazilian machinery in markets where the price is important," he stated.

### Freefall

Despite the positive result for 2004, the forecast for 2005 is not very optimistic. "The low dollar reduces competitiveness on the foreign market. If we keep the same export volume that will already be a great success," he guaranteed. "If the US dollar continues falling against the Brazilian real, we may even register a 20% drop in the second half," he added.

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