Brazilian Machinery Exports Grow 39% Resulting in Surplus

Contributed by Alexandre Rocha
Tuesday, 02 August 2005

In spite of the appreciation of the Brazilian real in relation to the American dollar, which has already been worrying entrepreneurs in Brazil, Brazilian machinery and equipment exports are increasing in an accentuated manner.

According to information released Tuesday, August 2, by the Brazilian Machinery Manufacturers Association (Abimaq), shipments yielded US$ 4.1 billion in the first semester, against US$ 2.95 billion in the same period last year, an increase in 39%.

At the same time, the sector's total revenue, which includes exports and sales in the internal market, reached US$ 11.3 billion, in relation to US$ 8.7 billion in the first six months of 2004, an increase in 29.5%. Whereas imports of capital goods increased in 29%, going from US$ 3,12 billion to a little over US$ 4 billion.

In the first semester the trade balance in the sector was slightly positive for Brazil, which is a rare thing to happen, once that, in general, it presents a deficit. "It is an unprecedented event," said the Abimaq president, Newton de Mello.

He did acknowledge that up to the present moment the entrepreneurs' fears about the real's appreciation against the dollar still haven't been reflected on the figures.

"The numbers show that in spite of the dollar at a low, exports haven't decreased, nor have imports increased too much," he stated.

Since the Brazilian currency started its valorization during the second semester in 2004, the businessmen in the exporting sectors have been complaining of the possibility of it affecting exports, due to the increase in the prices of Brazilian products abroad, and stimulating imports, with foreign goods at lower prices.

This impact, although observed in some sectors, to this moment hasn't been generalized. Proof of this is that the country's total exports in July yielded more than US$ 11 billion and the trade balance surplus was favorable to Brazil in more than US$ 5 billion. Both numbers are historic monthly records.

Mello, however, believes the sector may yet be affected, mentioning the segment of agriculture machinery as an example, for its bad performance in the period.

But apart from the dollar, the agriculture machinery industry was also affected by the break in the harvest caused by the drought that affected the great producing regions in the country, such as the Rio Grande do Sul, southernmost state in Brazil.

Inertia

For him, the exports' good performance is an "inertia" resulting from long-term contracts and the businessmen's performance in maintaining markets that were hard to enter.

"Industrial machines are not shelf goods, not cans of sardines. They require technical assistance, a distribution channel," he said. This means the businessman may even sacrifice part of his profit too ensure market maintenance.

The Brazilian Export Promotion Agency (Apex) president, Juan Quirós, who renewed today an agreement with Abimaq, highlighted, however, that the trade promotion activities carried out jointly by the private sector and the government has helped maintain growing exports.

He called on the machinery sector's businessmen to participate in the distribution centers that Apex is building abroad. Of the 90 companies that signed up in the first one, located in Miami, none of them are from the sector.

"Wherever we go, Brazil is considered a partner. We have good cost-benefit relation, with technology added products and competitive prices," he said.

The sector's five main markets in the period were the United States, Argentina, Mexico, Germany and the United Kingdom.

The Abimaq's president is also concerned with the internal market. He does not believe in an improvement before the end of the year, indeed he speaks of retraction.

With this, even though he estimates an increase in exports of about 40% during the year as a whole, he believes the sector's total revenue will remain stable in relation to last year. For this reason he wants from the government a reduction in the benchmark interest rate.

Anba - www.anba.com.br