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A good year for imports

Foreign trade experts are expecting foreign sales from Brazil to grow marginally in 2018, while purchases are seen increasing faster. The economy should pick up, driving domestic consumption.

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São Paulo – Although foreign sales revenue will keep coming in next year, 2018 will be marked by growing imports in Brazil. Experts questioned by ANBA see exports increasing marginally, perhaps flattening out or even dropping, while imports are expected to go up on the back of rising domestic consumption, and driven by machinery and consumer goods.

Tânia Rego/Agência Brasil

Domestic consumption fuels imports

Brazil's Foreign Trade Association (AEB) forecasts an 11% hike in imports and a 1.1% hike in exports in 2018 from 2017. If the estimate comes to pass, then Brazil will spend 14.8% more on capital goods imports, 7.1% more on intermediate goods and 22% more on consumer goods.

Products whose imports should increase include ones that Arab countries supply to Brazil, such as oil products and fertilizers. "We will keep increasing our fertilizer imports to supply our new agricultural frontiers and meet growing demand," AEB president José Augusto de Castro said. The AEB also expects fuels and lubricants imports to be up 19.6% next year.

This year should end with a record trade surplus for Brazil. Consulting firm Tendências Consultoria Integrada estimates a USD 66 billion foreign trade surplus this year, which is seen shrinking to USD 58 billion in 2018. Tendências senior economist Silvio Campos Neto said the GDP will narrow down because Brazil's economy will be on the rebound, and this will drive up imports.

The AEB expects a 41.6% hike in durable goods, which include automobiles. The fact that Argentina is doing well means its auto imports from Brazil are likely to go up, and this in turn should drive Brazil's imports from Argentina, Neto noted, since the countries sustain an agreement whereby for each USD 1 worth of auto imports from Argentina to Brazil, the later can ship up to USD 1.50 of the same product, tax-free.

How about exports?

The experts interviewed by ANBA have different opinions when it comes to exports from Brazil, but none of them expect growth on par with this year's almost 20% hike. The AEB forecasts 1.1% growth, Tendências expects 4%, and economist André Leone Mitidieri, with Fundação Centro de Estudos de Comércio Exterior (Funcex), believes foreign sales will increase by no more than 1%.

Tendências sees exports from Brazil grossing USD 216 billion this year. Silvio Campos Neto says it's normal for numbers to flatten out when results have been strong the preceding year. He believes 2018 will be a good year in exports of staples such as sugar, grains, coffee and ore, as well as finished goods, since the outlook is good for the economies of Argentina and the United States – which import said goods from Brazil. Chinese growth is expected to slow to 6.3% next year.

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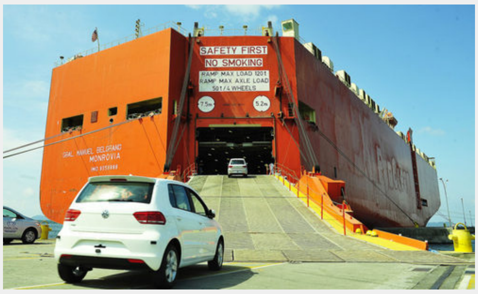

Automobile trade will drive trade numbers

Mitidieri of Funcex imputes his marginal exports growth forecast for Brazil to an expectation that commodity prices will remain the same as in 2017 or even drop. Despite the AEB's 1.1% foreign sales growth expectation, José Augusto de Castro believes numbers could either be higher or go down. The AEB sees basic goods exports – which account for nearly half of foreign sales from the country – going down 1.5% in 2018, driven by smaller soy and maize output.

How about Arab countries?

The experts believe sales to Arab countries will keep climbing. By the end of November this year, sales had gone up 21.6% to USD 12.5 billion. The region accounted for 6.2% of exports from Brazil during this period. The best-selling items to Arab countries are meats, ore and sugar, and good results are expected in 2018.

According to the AEB, prices will be up 4% for iron ore, 1.7% for beef and 1% for poultry. Raw sugar prices are expected to drop by 10%, but volume shipped is seen remaining the same. "There is no reason for a decrease in sales [to Arab countries]," the AEB president says. Neto of Tendências claims Brazil has a firm foothold in trade with Arab nations and market share is going up as Brazil works to meet market-specific demands, such as those of the meat industry.

Marwan Naamani/AFP

Arab countries will step up imports and exports

André Mitidieri expects Arab countries to step up their imports overall next year, as does the International Monetary Fund (IMF). The recent hike in oil prices – which should remain steady in 2018 – will lead to stronger exports and imports, he says.

How about the risks

The US dollar closed at BRL 3.29 this Wednesday (20). The AEB estimates that the American currency will be in the BRL 3.10-to-BRL 3.35 range next year. A strong dollar will usually fuel exports and take away from imports, whereas a strong real (the Brazilian currency) means the opposite. The exchange rate is affected by internal and external factors, and Brazil will need to deal with important issues, such as a presidential election and reform votes in the National Congress.

Although he believes exports hinge on the global scenario to a greater extent, Neto of Tendências claims the elections could bring some uncertainty. He said, however, that if they do swing the exchange rate, it'll be by driving the dollar up, which is not a bad thing for exporters. Nevertheless, he notes that too much volatility is a problem. On the international front, Neto fears the possibility of a US interest rate hike – in case the country's economy grows too much –, since this often pushes up the dollar, causing international markets to shift.

Elza Fiúza/Agência Brasil

Elections could bring uncertainty

Miditieri of Funcex does not expect the dollar to appreciate next year. He points out that the exchange rate is not an issue when it comes to commodity exports, but a weaker real would be a problem for Brazil's industry, since that leads to increased costs. Although a strong dollar is conducive to foreign sales, he believes costs could be a more involved issue.

***Translated by Gabriel Pomerancblum**

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