Global trade was strongly impacted by the Covid-19 pandemic, with the reduction of trade flow, international commodity prices, and adoption of measures for restricting exports, including food products\(^1\), in at least 80 countries. In this scenario, Brazil registered an improved trade balance, with a sharper decline in imports rather than in exports. This behavior is distinct even when considering other Latin American countries (Figure 1), for which most exports also depend on basic goods. In this context, this box analyses the factors underlying the relative resilience of Brazilian exports.

Compared with the global figures, Brazil’s exported volumes increased, while the prices of Brazilian exports fell more than the global total (Figure 2). The Foundation Center of Foreign Sector Studies (Funcex) data\(^2\) reinforce that the quantum exported by the country was more resilient than prices. The average of the monthly quantum index accumulated up to October remained relatively stable, while the price index dropped 7.4% in the YoY comparison. In this period, the Brazilian real depreciated 31% on average, offsetting the decline of international prices in US dollar, thus favoring the increase of exported volume.

The trajectory of exports was heterogeneous among the aggregate factors, with improved sales of basic goods and sharp drop in manufactured goods, which had already been at a low level with the sharp drop of Argentinean purchases\(^3\). Figure 3 shows the products with the largest positive and negative value changes in the year and their respective price and quantum percentage changes; the size of the circles represents the importance of the value of each product in Brazilian exports. In addition to the good performance of beef, pork and sugar in 2020, this figure reveals the sharp growth in the volume exported of soybeans and oil, which are products with high participation in the Brazilian foreign trade list.

Concerning soybeans, the growth of the exported value (24% accumulated in the year up to October) reflected the increased Chinese demand and the gain of participation of the Brazilian product in the Chinese market. In the year up to September, 75% of the total imports of soybeans by the Asian country came from Brazil, above the participation observed in 2018 (72%), when China, in response to trade sanctions, imposed

\(^{1/}\) WTO information available at [https://www.wto.org/english/tratop_e/covid19_e/export_prohibitions_report_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/export_prohibitions_report_e.pdf)


\(^{3/}\) Further information about the decline of Brazilian exports to Argentina are available in the Box “Recent evolution of the trade balance” released in the December 2019 Inflation Report.
restrictions on purchases of soybeans from the United States\(^4\). The expansion of exported volume was associated with the record harvest and the increased share of exported production (from 58% in 2019 to 67% in 2020)\(^5\). China was the destination of 73% of soybeans exported in 2020.

Regarding oil, the quantum exported increased 25% in the year up to October, although not enough to offset the price decline (-32% in the same comparison basis), reflecting the trajectory of the international commodity prices. The increased volume of foreign sales may be explained by the exceeding generated by the increased production (12.9% accumulated in the year up to August, according to ANP data), not fully accompanied by the refining of national oil (4.5% growth in the same comparison basis). As a result, the share of oil exports increased from 42% in 2019 to 50% in 2020.\(^6\) China was the main destination, with a participation of 61% in the accumulated up to October.

Figure 4 illustrates two counterfactual scenarios for Brazilian exports. The dotted line shows the trajectory of exports excluding soybeans from the list in 2019 and 2020. The green line, in turn, highlights the scenario in which, in addition to soybeans, the highs of oil volume are excluded, considering for 2020 the quantum exported in 2019 and the price of 2020. Under these hypothetical scenarios, the Brazilian performance would have been worse than the global performance: -15.6% accumulated in the year up to August, compared with -11.5% in the world\(^7\). The decline by US$15 billion in exports accumulated in the year up to October according to Secex/ME data would have been US$20 billion excluding soybeans and US$18 billion excluding the increased volume of oil exports.

Summing up, the composition of the export products – with relevant participation of basic goods, particularly food products – and the sharp participation of China among the foreign sales destinations help to explain the relative resilience of Brazilian exports. The exchange rate depreciation accumulated in the year also contributes to this phenomenon by increasing foreign sales in view of the decline of international prices.

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\(^4\) Further information on the impact of the trade war on Brazilian exports of soybeans are available in the Box “Recent evolution of the trade balance” released in the December 2019 Inflation Report. Data concerning the participation of Brazilian soybeans in Chinese imports were obtained from Bloomberg.

\(^5\) Total exported in the January-October period of 2019 and 2020 obtained from Secex/ME and production from the Agricultural Systematic Survey (LSPA) of IBGE.

\(^6\) Considering export and production data from the National Petroleum Agency (ANP) accumulated in the year up August 2019 and 2020.

\(^7\) The line referring to the world does not consider the values of the counterfactual exercises with Brazilian data.