

Early impacts of the conflict in the Middle East on the trade balance

This box assesses the early developments of the Middle Eastern conflict on the Brazilian trade balance. Firstly, the impacts on net exports of crude oil and derivatives is investigated, with some expansion already observed from March to May. Next, the relative importance of the Middle East as a destination of Brazilian exports is discussed, indicating small relevance in aggregate terms, but significant for specific goods. Lastly, the impact on the imports of fertilizers is analyzed, especially of nitrogenous ones, for which the effect on the production and exports of Brazilian grains depend on the origin and the period when these imports occur.

The outbreak of the Middle Eastern conflict in late February impacted global financial conditions, production chains, and international trade flows. As highlighted in the box regarding the projection for external accounts in the March 2026 Monetary Policy Report (MPR), impacts on the Brazilian trade balance were already expected, especially due to the prospects of higher oil prices. This box deepens the analysis of the episode's main developments on the country's trade balance so far. For this, three transmission channels of the conflict's effects on the Brazilian trade balance are considered. The first, already mentioned and the most relevant, takes place through the trade balance of crude oil and derivatives, which should benefit from the higher commodity price. The second, referring to direct exports to the Middle East, tends to reduce the trade balance, although at a small magnitude, due to the low participation of that region in Brazilian exports. The third consists in the imports of fertilizers, since the Middle East is one of the suppliers of this input to Brazil.

Trade balance of crude oil and derivatives

The Middle East concentrates a large share of the world oil production, and the Strait of Hormuz is a strategic route for its transport.¹ Therefore, strictly from an economic point of view, the first clearer repercussion following the outbreak of the conflict occurred on oil prices in the international market.² The potential impact of this movement on the Brazilian trade balance can be measured through the crude oil and derivatives trade balance, i.e., the trade balance derived from exports and imports of these goods.

Brazil has turned in surpluses in the international trade for crude oil and its derivatives³ since 2018, mainly due to the growth of exports of crude oil, which have consolidated at a level above USD 40 billion since 2022 (Figure 1). Despite becoming a net oil exporter, with production exceeding consumption in overall terms, Brazil continues to import crude oil and derivatives, notably diesel oil.

1/ According to the International Energy Agency (IEA), the Middle East accounted for around 30% of global oil production in 2024 and around 34% of global crude oil trade passed through the Strait of Hormuz in 2025.

2/ The Brent-type oil price, which was below USD 70 in Jan-Feb, averaged more than USD 100 from March to May.

3/ It includes natural gas.

Figure 1 – Oil and petroleum derivatives trade balance

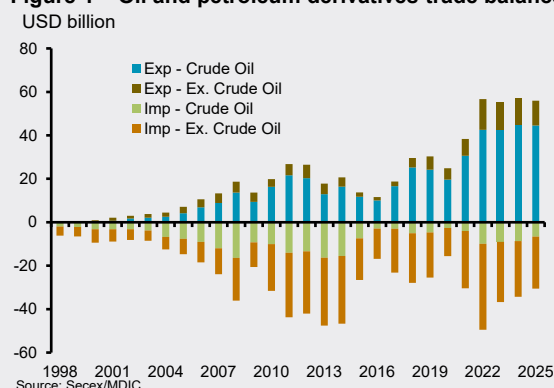
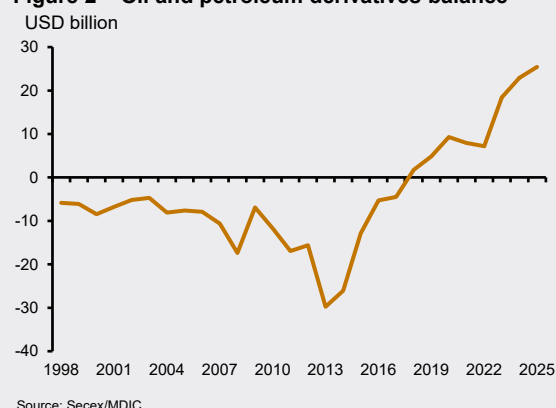


Figure 2 – Oil and petroleum derivatives balance



In 2025, the trade surplus reached USD 25 billion (Figure 2), reflecting exports of USD 56 billion and imports of USD 31 billion. A simple calculation using such data, compared with 2025, reveals that a 10% increase in the international price of crude oil and its derivatives, *ceteris paribus*, would generate a positive impact of USD 2.5 billion per year, around 0.1% of the Gross Domestic Product (GDP).⁴ As the Brent-type oil price increased by 50% on average from March to May 2026 compared with the 2025 average,⁵ this simplified calculation would indicate a positive impact of USD 12.7 billion (0.6% of GDP) in 12 months on the trade balance should prices remain at this level.

However, the effective magnitude of this impact depends on several factors, including the dynamics of relative prices and the responses of economic agents to such variations. The analysis of the oil account on a monthly basis (Figures 3 and 4) indicates expansions in the values of both exports (25%) and imports (18.5%) in Mar-May compared with what was observed in the same period in 2025. The surplus of crude oil and derivatives, which was around USD 2 billion per month throughout 2025, or USD 2.4 billion on average from March to May 2025, rose to USD 3.1 billion in the corresponding quarter of 2026, with a more significant impact in the beginning of the period. This monthly average increase of USD 0.7 billion would be equivalent to USD 9.0 billion in 12 months, below that suggested by the aforementioned calculation.

Figure 3 – Oil and petroleum derivatives trade balance

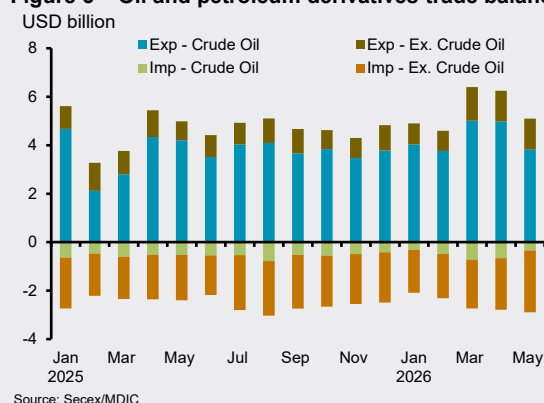
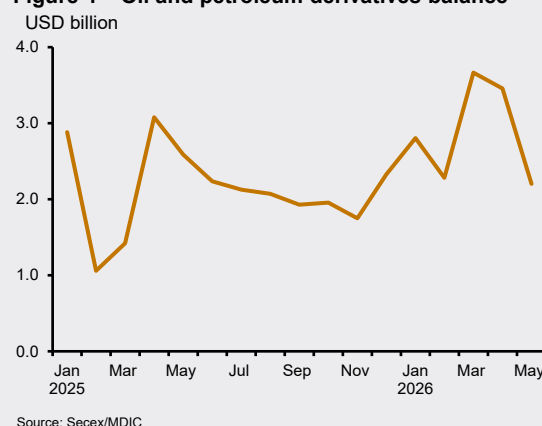


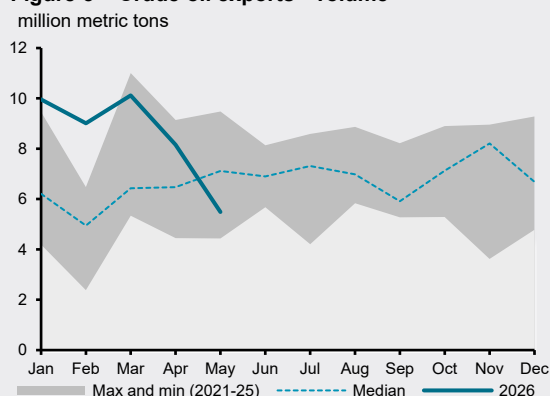
Figure 4 – Oil and petroleum derivatives balance



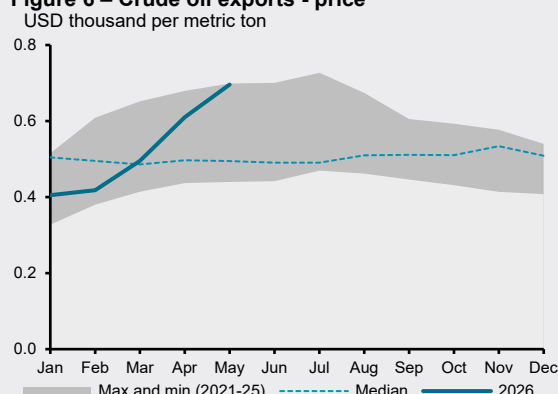
Figures 5 to 8 present the breakdown of crude oil export and import values by price and quantum components. The increase in exported and imported values is directly associated with the trajectory of prices, which increased rapidly and sharply, in line with the international Brent-type oil price. Compared with the same period in 2025, prices of exports and imports grew by 28% and 29%, respectively, on average in the Mar-May quarter, while the Brent increased 51.5% in the same period. In addition, exported and imported volumes declined.

4/ This calculation implicitly assumes that the change in international oil prices is proportionally passed through to exported and imported values, under the hypothesis of constant volumes.

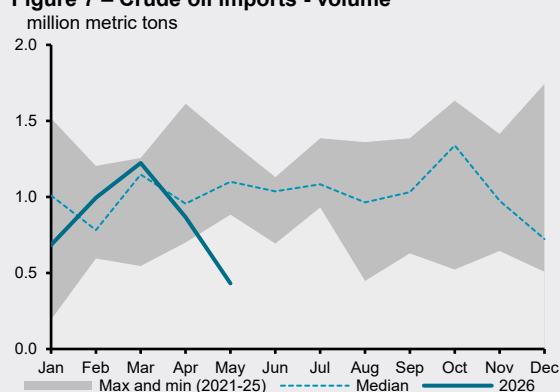
5/ These changes consider the Brent crude generic front-month Intercontinental Exchange (ICE) futures contract in USD per barrel.

Figure 5 – Crude oil exports - volume

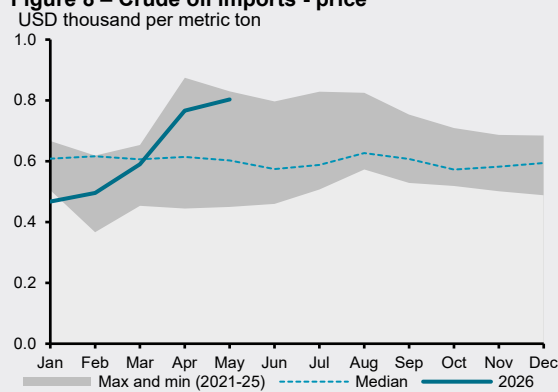
Source: Secex/MDIC

Figure 6 – Crude oil exports - price

Source: Secex/MDIC

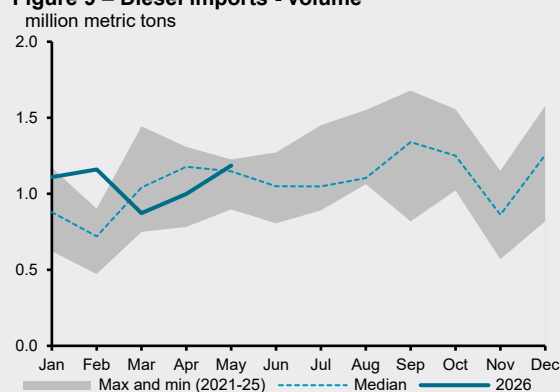
Figure 7 – Crude oil imports - volume

Source: Secex/MDIC

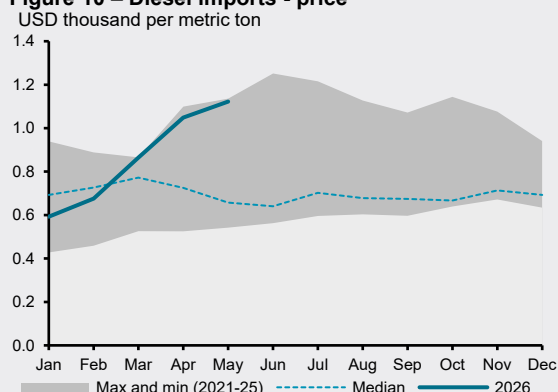
Figure 8 – Crude oil imports - price

Source: Secex/MDIC

Among oil derivatives, the early impacts on the imports of diesel (Figures 9 and 10), the main imported item, stand out.⁶ Prices rose by 64% in Mar-May when compared with the same period in 2025. This increase is much higher than the change in the price of exported crude oil, which reduces the net positive effect of the rise in Brent oil price on the trade balance. The asymmetry between these changes helps explain the reason why the simplified calculation is not fully corroborated by early data, since it implicitly assumed a proportional pass-through to export and import prices.

Figure 9 – Diesel imports - volume

Source: Secex/MDIC

Figure 10 – Diesel imports - price

Source: Secex/MDIC

Summing up, the oil price shock tends to benefit the trade balance of crude oil and derivatives, since Brazil runs a surplus in this segment. An early positive impact is observed in the first monthly data available after the outbreak of the conflict, although at a more moderate magnitude than a simplified analysis based on 2025 data could suggest.

6/ In 2025, imports of diesel accounted for 61% of the total imported value of oil derivatives.

This occurs because the increase in exported oil prices was smaller than that observed for imported products, especially diesel, for which prices increased due to, among other factors, wider refining margins (crack spreads).

Exports to the Middle East

In addition to the impacts related to the price of crude oil and derivatives, Brazil maintains a direct trade relationship with the other countries in the Middle East, the region where the conflict occurs. Therefore, some impact on exports to this region is expected. Brazil exported USD 16.1 billion to the Middle East in 2025, equivalent to 4.6% of total exports in the year⁷ (Table 1) and 0.7% of GDP. Despite the little relevance of this participation in aggregated terms, the breakdown of the exports basket reveals the importance of this destination for some specific goods. This region absorbs around one third of the total Brazilian exports of chicken and corn and is also a relevant destination for sugar cane exports.

Table 1 – Brazilian exports in 2025

USD billion			
Product	Middle East	World	Middle East (%)
Poultry meat	3.1	8.8	34.9
Corn	2.8	8.6	32.4
Sugar	2.4	14.1	16.9
Iron ore	1.8	29.0	6.2
Beef	1.2	16.6	7.1
Soybeans	0.9	43.5	2.1
Coffee	0.4	14.9	2.5
Gold	0.3	6.6	5.2
Others	3.3	206.2	1.6
Total	16.1	348.3	4.6

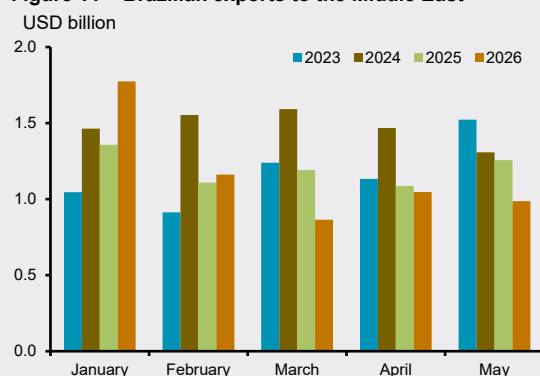
Source: Secex/MDIC

Data for 2026 indicate that exports to the region grew by 19% in Jan-Feb, the period immediately before the outbreak of the conflict, when compared with the same period in 2025 (Figure 11). However, a 18% decline (USD 0.6 billion) was observed in Mar-May, also compared with the same period in 2025. Moreover, March, April, and May 2026 corresponded to the lowest export levels to the Middle East when compared with the same months in recent years.

Despite this unfavorable movement, it only accounts for a low share of total exports. Even in the early months of the conflict, when a relevant logistics crisis took place in the region, Brazilian exports remained largely unchanged. The Middle East is, as shown, a large consumer of Brazilian corn, and shipments of this commodity are heavily concentrated in the second half of the year.⁸ Thus, the likely negative effects are not expected to have been fully consolidated yet and may not even be felt on a large scale, depending on the unfolding of the conflict.

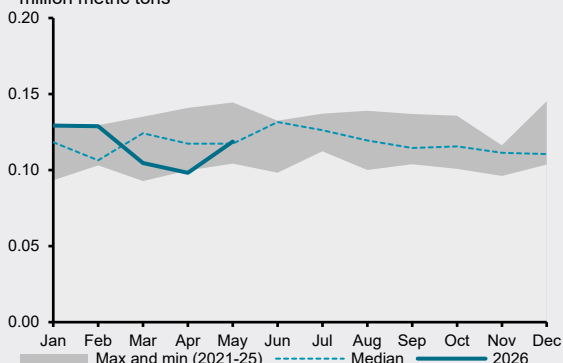
7/ The sum of data for the United Arab Emirates, Saudi Arabia, Iran, Iraq, Oman, Bahrain, Israel, Jordain, Lebanon, Qatar, Yemen, Kuwait, Palestine, and Syria was used for calculating the aggregate information for the Middle East.

8/ In 2025, 83% of total value of exports of corn occurred in the second half of the year. The availability of grains depends on the crop's seasonality, heavily dependent on the second harvest.

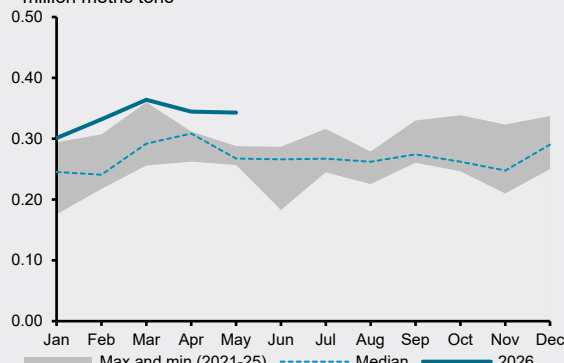
Figure 11 – Brazilian exports to the Middle East

Source: Secex/MDIC

Regarding the exports of poultry meat, the figures below show the exported quantum, broken down by the Middle East (Figure 12) and other countries (Figure 13). Despite the high levels of the volume exported to the other regions, even above the peaks registered in recent years, the exported quantum to the Middle East fell sharply, particularly in March and April. Exports to the region, which stood around 130 thousand tons in January and February, averaged slightly above 100 thousand tons in Mar-May. Average export values dropped from USD 259 million to USD 220 million on the same comparison basis.

Figure 12 – Poultry meat exports to the Middle East - volume

Source: Secex/MDIC

Figure 13 – Poultry meat exports to other countries - volume

Source: Secex/MDIC

Lastly, it is worth highlighting that corn and poultry meat are largely consumed on the domestic market and any likely shifting of exports to the local market would bring economic impacts beyond the trade balance, including on prices.⁹

Fertilizers

The analysis of imports of fertilizers in the context of the Middle Eastern conflict is relevant for many reasons. Brazil is one of the largest consumers of this input, accounting for 8% of global consumption. Furthermore, more than 80% of total Brazilian consumption is supplied by imports.¹⁰ In 2025, Brazilian foreign purchases of fertilizers amounted to USD 15.5 billion, around 5% of total imports and 0.7% of GDP. This input is important for agriculture, which accounts for around 6% of GDP and has been the sector registering the largest productivity gains in recent years.¹¹

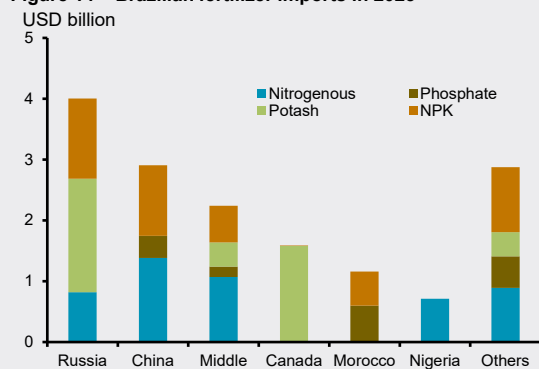
9/ Foreign Trade Secretariat (Secex) and Brazilian Association of Animal Protein (ABPA) data indicate that the Middle East is the destination of around 10% of chicken and corn produced in the country.

10/ Data from the National Fertilizers Plan (PNF).

11/ More details about the evolution of labor productivity can be found in the box [Recent evolution of labor productivity](#) in the March 2026 MPR.

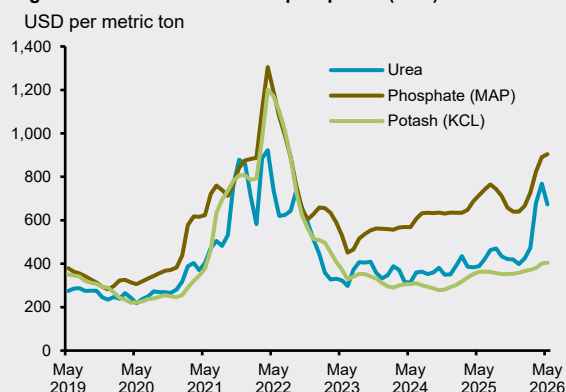
The Middle East accounted for 14.5% of total Brazilian imports of fertilizers in 2025, a percentage only lower than that of Russia (25.9%) and China (18.8%). The region plays a particularly relevant role in the global trade of nitrogenous fertilizers by concentrating around 34% of the global trade of urea.¹² As for Brazil, nitrogenous fertilizers corresponded to around one third of the imports of fertilizers in 2025, of which 22% came from the Middle East (Figure 14). This breakdown is relevant because the prices of nitrogenous fertilizers, in particular, tend to be highly correlated with oil prices, owing to the central role of natural gas as an intermediate input in their production.

Figure 14 – Brazilian fertilizer imports in 2025



Source: Secex/MDIC

Figure 15 – Brazil - fertilizer import prices (CFR)

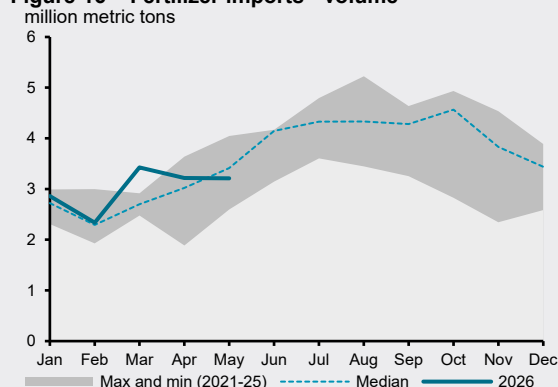


Source: Green Markets/Bloomberg

Data shown by Figure 15 reveal that the reference price of granular urea delivered to Brazil rose by 50% in May compared with the Jan-Feb 2026 average, an increase that spilled over to the prices of phosphate (29.7%) and, to a small extent, to potassium (9.7%). This increase in prices can potentially reduce the positive short-term impact of the conflict on the trade balance and, eventually, influence the production and exports of grains ahead.

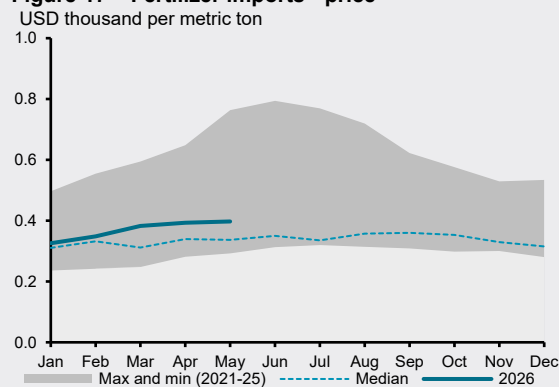
This potential largely depends on the period when this good is imported throughout the year, which is associated with the seasonality of crops in the country, especially of grains. Soybeans – for which the production is less dependent on nitrogenous fertilizers – and corn are predominantly sowed in the fourth quarter of the year, while the second-harvest corn – which accounts for more than 75% of the domestic production of this cereal – is sowed right after the harvest of soybeans, mainly in the first four months of the year. This characteristic implies that the imported volume of fertilizers, especially of nitrogenous ones, grows significantly in the second half of each year (Figures 16 and 18). Thus, the economic shock from the conflict begun in late February occurred at a potentially less harmful period to the Brazilian imports of fertilizers.

Figure 16 – Fertilizer imports - volume



Source: Secex/MDIC

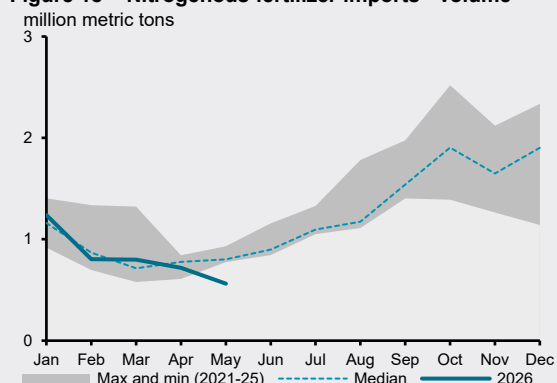
Figure 17 – Fertilizer imports - price



Source: Secex/MDIC

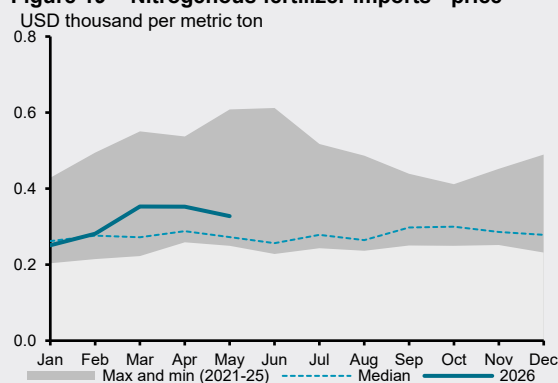
12/ Data from the International Fertilizer Association (IFA). A simple classification of mineral fertilizers indicates three main groups, according to the predominant nutrient: nitrogenous, phosphate, and potash. The NPK acronym is commonly used for fertilizers combining these nutrients. Urea, in turn, is a nitrogenous fertilizer widely used in agriculture.

Figure 18 – Nitrogenous fertilizer imports - volume



Source: Secex/MDIC

Figure 19 – Nitrogenous fertilizer imports - price



Source: Secex/MDIC

Therefore, a limited impact of the conflict is expected on the production and exports of grains in 2026, since a large amount of the required fertilizers had been imported before its outbreak. Nonetheless, as the largest share of imports of fertilizers is concentrated in the second half of each year, a more significant impact could affect the 2027 harvest of grains, depending on the duration of the shock and its developments.

Conclusion

The economic shock resulting from the Middle Eastern conflict tends to benefit the Brazilian trade balance, with early positive impacts via oil prices being already observed. The impacts on direct exports to the Middle East also seem to be present, but tend to be limited, since the shipments to the region accounted for just 4.6% of total exports in 2025, and 0.7% of GDP. Some stronger negative effect may be observed as of the second half of the year, when imports of fertilizers intensify and the corn crop should be transported towards that region. Finally, the effects described in this box are preliminary, being subject to revision according to the conflict's developments, and could be smoothed or reverted in case of a settlement, or even intensified in the opposite scenario.