

ECONOMIC VIEW

Latin America
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BRAZIL TARIFF TRACKER

Brazilian standoff

New U.S. tariffs on Brazil will deal a small but tangible setback to growth over the next year, with carve-outs for key exports and the gradual redirection of trade flows limiting their overall impact. Citing human rights and free speech violations as well as impairment to U.S. firms from tariff and non-tariff barriers, President Trump imposed a 50% tariff on Brazil this week, following through with the administration's July 30 tariff announcement. Nearly half of Brazilian exports were excluded from the measure, including key aerospace, oil, chemical, and paper and pulp exports, as well as orange juice and humanitarian goods.

Accounting for the exemptions, we calculate the overall effective, or weighted-average tariff rate, at just less than 30%, with the latest tariffs accounting for 15.8 percentage points of the total. Making up the remainder are the Trump administration's April reciprocal tariffs and sectoral duties on steel and aluminum, autos and parts, and copper.

According to our global macroeconomic model, which takes into account Brazil's structurally low reliance on exports, each 1-percentage point increase in the effective U.S. tariff rate subtracts 3 basis points from GDP growth over the next 12 months. All else equal, the July tariffs would slow GDP growth by around 0.5 percentage point in the upcoming year. However, because we ultimately expect the Trump administration to broaden the exemptions—particularly for consumer goods such as coffee, for which Brazil accounts for nearly one-third of U.S. imports—the ultimate impact on GDP will be closer to 0.2%, bringing cumulative GDP growth through fall of 2026 just below 1.7%.

The tariffs' largest impact will be in the near term. While the U.S. is a distant second after China among Brazil's largest trade partners, it still accounts for some 12% of Brazil's total exports. Fraying ties between the U.S. and China will work to Brazil's favor in the medium term, with increased Chinese purchases of

Effective U.S. Tariff Rate, Brazil

Total: 29.4%

Reciprocal tariffs:	8.9%
July announcement:	15.8%
Steel and aluminum:	3.7%
Autos and parts:	0.7%
Copper:	0.3%

Brazilian soy, corn and meat dimming the tariffs' impact over time. While the trade relationship with the U.S. was once complementary, with Brazil exchanging commodities for manufactured goods, outside of aerospace, the two economies more closely resemble rivals on the world stage as competing oil and agricultural exporters.

Brazil's own trade barriers

While Brazilian President Luis Inacio Lula da Silva, known as Lula, has expressed a willingness to address tariff and non-tariff barriers to U.S. exports in Brazil, it is unclear whether he has the authority to halt supreme court proceedings against former President Jair Bolsonaro, accused of directing a coup attempt following his 2022 election loss. The charges against Bolsonaro are one of the key disputes outlined in the July 30 statement.

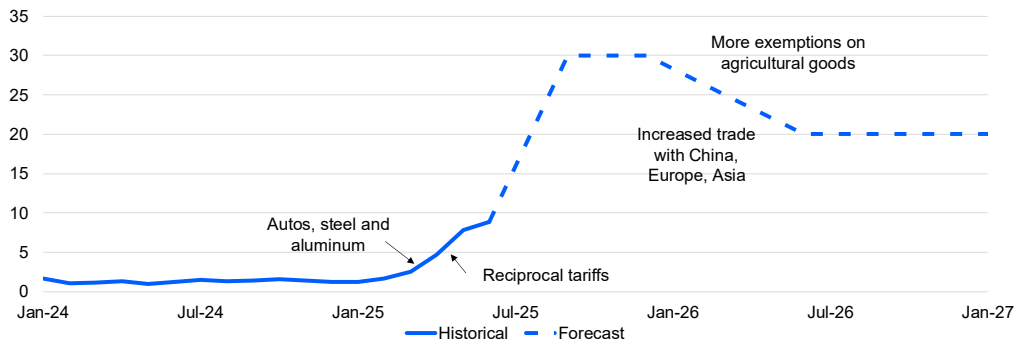
Claims of tariff and non-tariff barriers facing U.S. firms are easier to substantiate. Foreign firms operating in Brazil face a web of regulations, tariffs, import quotas, and other measures to protect domestic industry that push up the cost of manufactured goods and price Brazilian auto and tech exports out of global markets. Addressing these could bring vast welfare gains for the Brazilian economy, but it is unlikely that the rift between Lula and Trump will narrow soon given lingering disputes with Brazil and other BRICS members.

A closer look at Brazil tariff assumptions

We do not expect an agreement between Trump and Lula to be close at hand. While both trade and political differences are articulated in the July U.S. tariff announcement, Lula has shown more willingness to discuss the former, and it is unclear what steps the Brazilian leader could take to address Trump's demands to halt the supreme court trial of Bolsonaro. Rather, we assume the effective tariff rate falls over the next year as Trump exempts more Brazilian agricultural goods from the tariffs and as Brazilian exporters divert more agricultural and oil exports to China, Europe, the Middle East, and elsewhere in Asia.

Exemptions, Rerouting Will Lower Effective Tariff Rate

Effective tariff rate (U.S. import duties as a % of U.S. imports), Aug baseline scenario



Sources: Census Bureau, Moody's Analytics

Moody's Analytics

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Though exemptions and trade diversion will lower the effective tariff rate, we do not expect it to return to the lows that prevailed prior to January. Beyond the Bolsonaro trial and barriers to U.S. firms operating in Brazil, Trump has articulated concerns with Brazil's leadership role within the BRICS group of developing nations and, in particular, Lula's support for the use of the Brazilian real and other BRICS member currencies in global trade and as reserve currencies.

In July, Trump proposed a tariff on nations that align with BRICS members' positions on geopolitical disputes and had previously floated the possibility of a 100% tariff on nations advocating a replacement for the U.S. dollar. We assume any BRICS-related tariffs would be offset by additional trade diversion, potentially by China hastening purchases of Brazilian soybeans, dampening much of the potential increase in the effective U.S. tariff rate.

Corollas and the Brazil Cost

Non-tariff barriers appear to be a secondary concern in the July tariff announcement but likely represent a more concrete obstacle to U.S. firms operating in Brazil and to the strength of the Brazilian economy more broadly. While data on tariffs are readily available, sizing up just how much additional regulations, red tape and taxes add to the cost of doing business in Brazil—widely referred to as the *Custo Brasil*, or "Brazil Cost"—can be a difficult task.

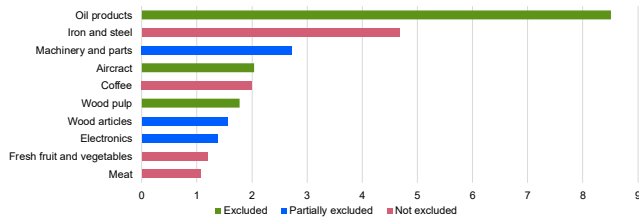
One way to indirectly measure the cost of Brazilian protectionism is to examine the cost of consumer goods manufactured in Brazil, with prices for electronics, household appliances and autos ranging from 30% to 50% more than in most other emerging economies. Take, for example, the cost of a base model Toyota Corolla, which is similarly priced in the U.S. and Mexico but can cost up to one-third more in Brazil. Import taxes and red tape can elevate the cost of an iPhone—whether imported from China or produced in Brazil—to nearly twice that charged in the U.S.

It is similarly difficult to assess the broader economic gains that could come from a more competitive, export-oriented manufacturing economy given how critical protectionism is to the DNA of Brazil's factory sector. But it would not be imprudent to anticipate that a gradual liberalization of regulations and other non-tariff barriers could yield productivity growth similar in scale to export-oriented Asian economies South Korea, the Philippines and Vietnam.

What We're Monitoring

U.S. Tariffs on Brazil Exclude Many Top Exports

Exports to the U.S. from Brazil, US\$ bil



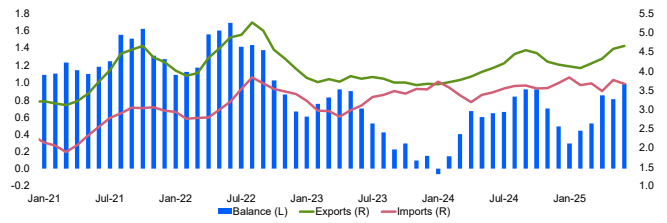
Sources: Census Bureau, Moody's Analytics

Moody's Analytics

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U.S. Trade With Brazil in Surplus

Trade value, U.S. with Brazil, \$ bil, 3-mo MA, NSA



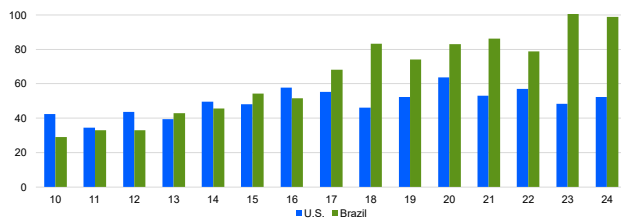
Sources: Census Bureau, Moody's Analytics

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Brazilian Soybean Exports Leapfrog U.S.

Soybean exports, metric ton, ths



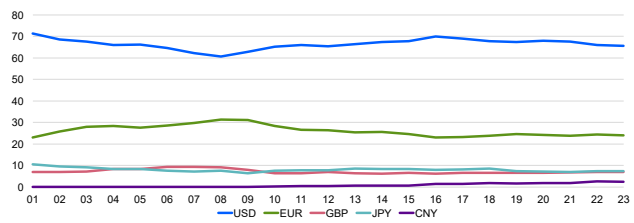
Sources: USDA, MDIC, Moody's Analytics

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Dollar Replacement a Distant Dream

Index of International Currency Usage



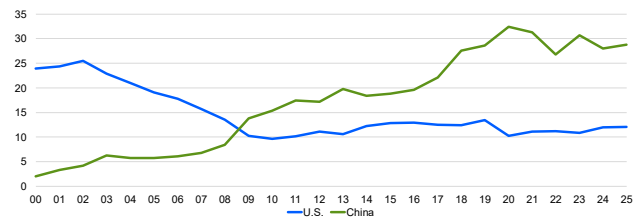
Sources: Federal Reserve, Moody's Analytics

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China Overtakes U.S. as Brazil's Largest Export Destination

Share of Brazilian exports by country of destination, %



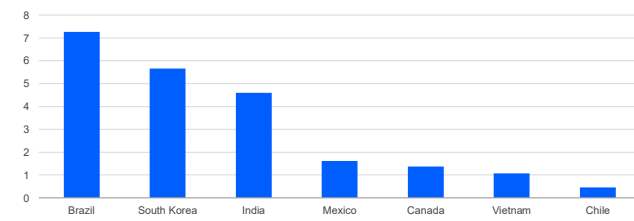
Sources: MDIC, Moody's Analytics

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Brazil's Own Tariffs Higher Than Most

Effective tariff rate applied to imports, %, 2022



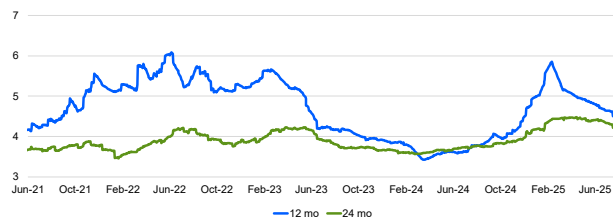
Sources: World Bank, Moody's Analytics

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Inflation Expectations Slowly Come in...

Inflation rate expected in...



Sources: Banco Central do Brazil, Moody's Analytics

Moody's Analytics

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Brazilian Economy Slows in Second Quarter

Economic activity index, Brazil, 2022=100, SA



Sources: Central Bank of Brazil, Moody's Analytics

Moody's Analytics

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Tariffs Enacted

Effective date	Target goods	Tariff rate	Est. value, US\$ bil	Status
3/12/2025	Steel and aluminum	25%	3.1	Revised
3/26/2025	Autos and parts	25%	1.1	Enacted
4/5/2025	Reciprocal tariffs	10%	42.3	Enacted
6/4/2025	Steel and aluminum, including cans	50%	3.1	Enacted
7/14/2025	Brazil July national emergency	50%	16.7	Enacted
7/30/2025	Copper products	50%	0.5	Enacted

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