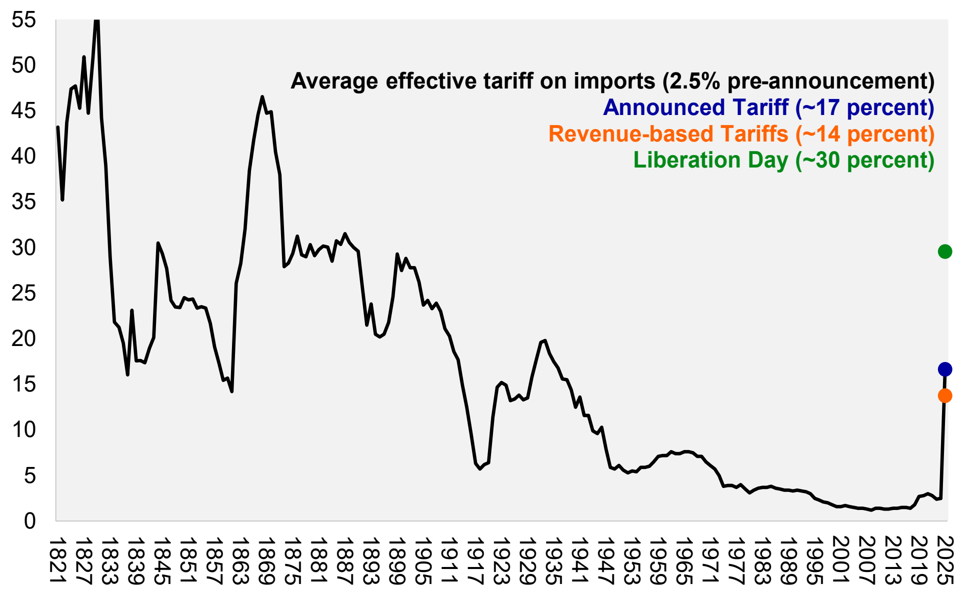
Global trade remains resilient despite the tariff shock

- The year 2025 was marked by one of the largest increases in trade tariffs in history, concentrated in the United States. Despite this, exports and global growth remain relatively resilient, with trade flows close to historical highs. Country by country, we observe the expected decline in exports to the United States, but there are two simultaneous offsetting movements, (a) more heavily tariffed countries (China, Brazil, Japan, Korea) are redirecting exports to other markets and (b) Asian hubs are intensifying triangular trade, reexporting Chinese goods to the United States.
- For Brazil, the redirection of sales has been concentrated in the agricultural sector, while industrial sectors appear to have been more affected. Despite the negative impact on trade with the United States, the redirection and strengthening of trade relations with other countries, especially in Asia, the Middle East and Africa, have supported the aggregate growth of Brazilian exports.
- The outlook for trade remains positive, aligned with robust global growth (we expect global GDP to grow 3.3 percent in 2026 and 2027).

The tariff increase implemented in 2025 was the most aggressive in the past ninety years. The average tariff on United States imports rose 14 pp to 17%, compared with an increase of only 1.3 pp between 2018 and 2019 when the focus was more concentrated on the trade war with China. In this report, we will analyze the most recent global trade data, the impacts on the United States and the rest of the world, and the outlook ahead.

Average U.S. Import Tariff (%)

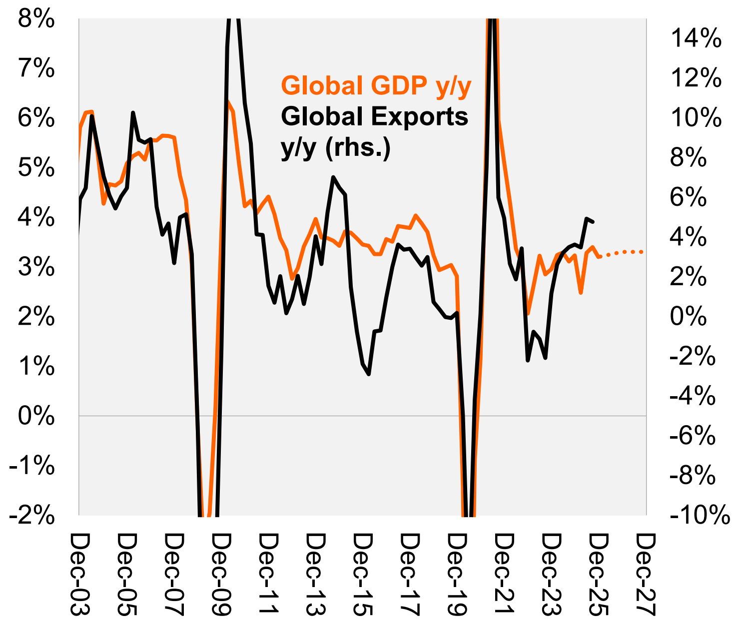


Source: Tax Foundation, Itaú

Despite the tariff shock, global trade remains resilient through export redirection and trade triangulation

In aggregate terms, despite the increase in tariffs, international trade remains resilient, consistent with global economic growth above 3%. It is also noteworthy that the current pace of export growth exceeds that of 2018–19, during the first trade war, when the tariff increase was far less comprehensive. This dynamic was surprising. At the worst moment of recent global uncertainty, shortly after Liberation Day, when the average United States tariff reached approximately 30%, we expected, without being in the pessimistic camp, that global GDP would grow 2.7% in 2025 and 2.6% in 2026. Today, we estimate growth of 3.2% in 2025 and expect 3.3% for 2026 and 2027. For 2025, the revision reflects a direct impact of 0.1 pp from the U.S. and 0.4 pp from the rest of the world; for 2026, 0.2 pp from the U.S. and 0.5 pp from the rest of the world.

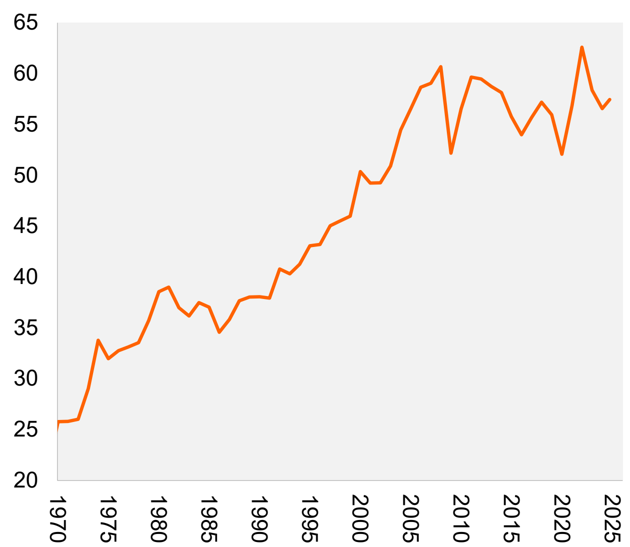
Global GDP vs Exports



Source: Haver, Itaú

From a longer-term perspective, global trade openness (exports + imports as a proportion of world GDP) remains solid. The historical process of globalization, intensified in the 1990s and paused since the 2008 crisis, remains close to its highs, despite recent shocks and heightened geopolitical tensions.

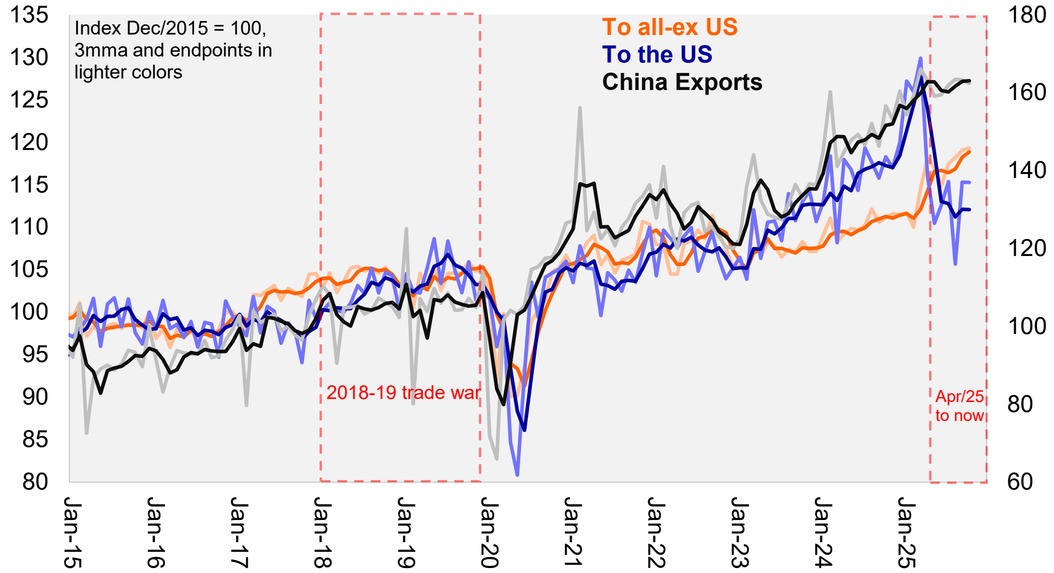
Trade Chain (Exports + Imports as % of GDP)



Source: Our World in Data, Haver, Itaú

This surprising resilience results from concurrent movements. On one hand, tariffs are reducing exports to the United States and that country's trade activity, on the other hand, exports to other markets have accelerated significantly, likely stimulated by China's strength as a driver of global trade. Starting in April, with the announcement of the tariffs, United States imports, which were at an elevated level due to the stronger performance of the U.S. economy and an anticipation effect ahead of the tariffs, began to decline. In contrast, over the same period, exports to the rest of the world began to accelerate. We highlight that this pattern differs from what was observed in 2018–2019, when total exports to the United States and to other markets remained relatively stable. In fact, China's trade flow today is larger than it was at that time and has offset, at least in part, the increased closure of the U.S. economy.

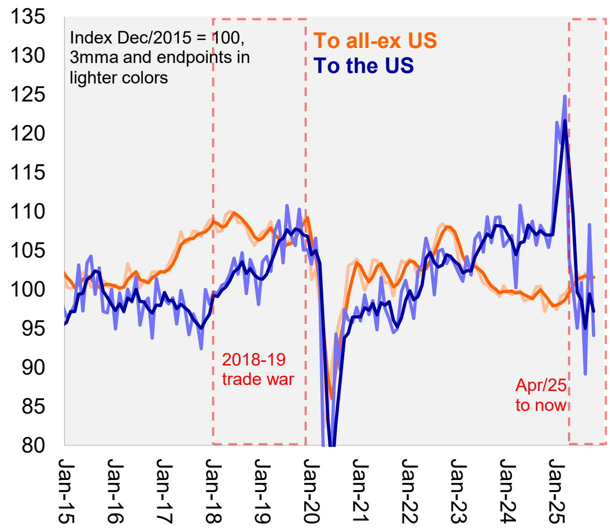
Global Real Exports to the US



Source: Haver, Itaú

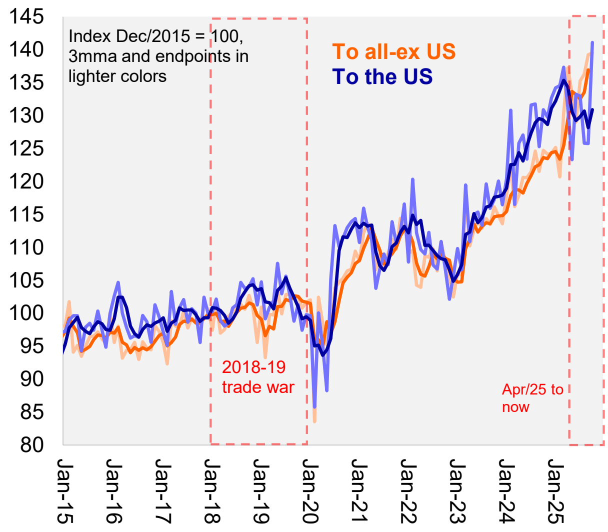
The effects differed between developed markets (DMs) and emerging markets (EMs). Among DMs, the anticipation effect was more pronounced and sales to other destinations have been growing more gradually. In EMs, the anticipation effect was smaller, but exports to markets outside the United States increased more sharply, indicating greater capacity for expansion beyond the U.S. market, or rapid triangulation strategies.

DMs Real Exports to the US



Source: Haver, Itaú

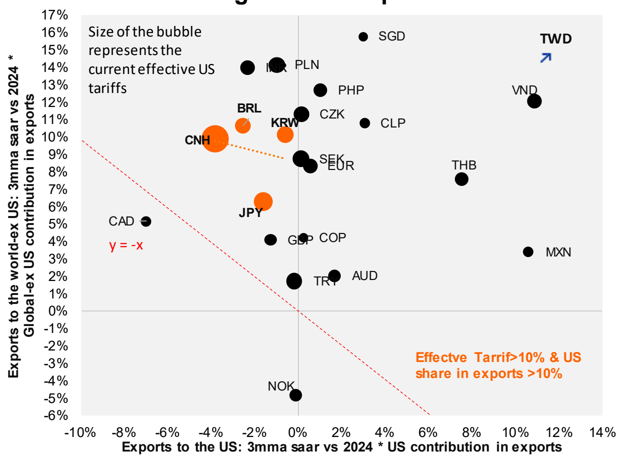
EMs Real Exports to the US



Source: Haver, Itaú

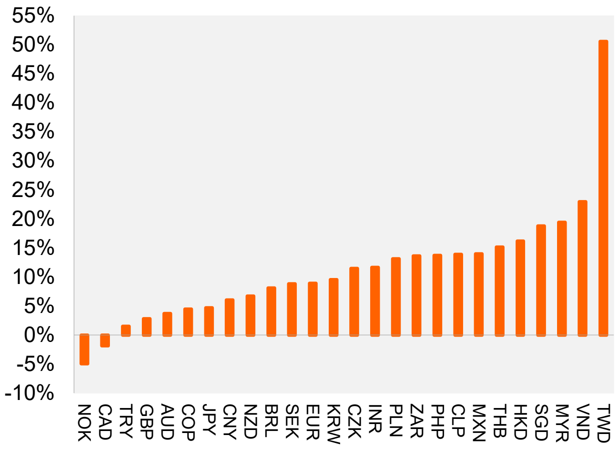
Countries that experienced the largest tariff increases appear to have been able to redirect their production to other markets, avoiding a decline in their exports. The chart below shows the annualized seasonally adjusted variation of exports in the three months ending in October (or November/December for countries with more recent data) compared with 2024, both to the United States (X-axis) and to the rest of the world (Y-axis), adjusted by their respective shares in total exports. China, Brazil, South Korea and Japan, the countries with the largest tariff increases (larger point size), saw a reduction in exports to the United States, but flows to the rest of the world more than offset this decline. Furthermore, we observe that only Canada and Norway recorded declines in total exports, especially Canada, which was unable to redirect the sharper reduction in sales to the United States.

Exports: to the US vs to the world-ex US
Contribution to change in total exports



Source: Haver, Itaú

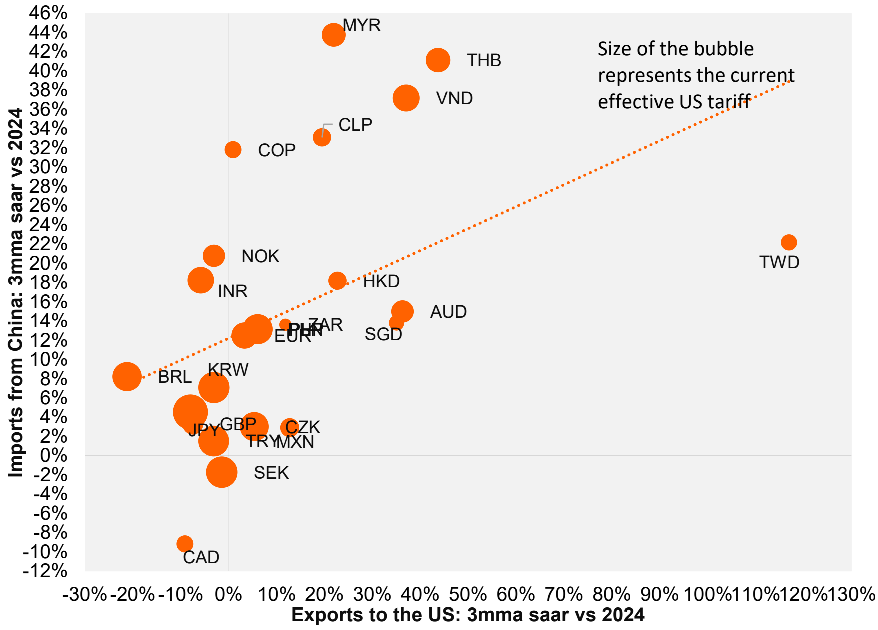
Total Exports change: 3mma saar vs 2024



Source: Haver, Itaú

There was also triangulation. Countries that increased their exports to the United States the most also significantly expanded their imports coming from China. The main hubs of this triangulation are Asian economies, such as Thailand, Vietnam, Malaysia and Taiwan, which have consolidated themselves as intermediaries in global supply chains, absorbing Chinese goods and reexporting them to the U.S. market.

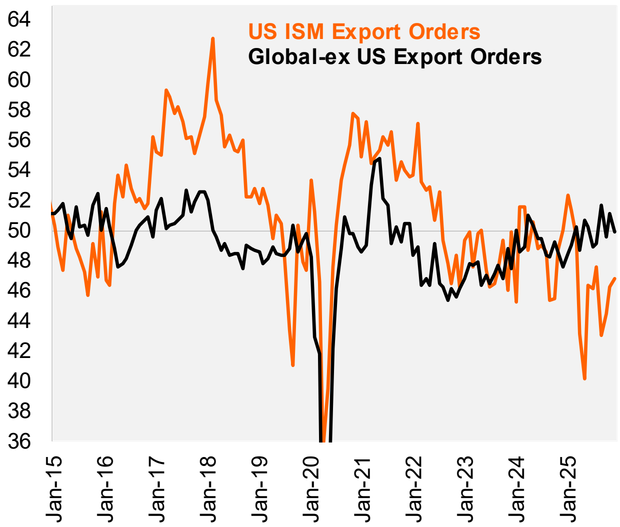
Exports to the US vs Imports from China



Source: Haver, Itaú

Looking ahead, we expect the resilience of global exports to continue. In the short term, the global export orders PMI continues to indicate resilience, while, in the medium term, the Chinese economy will remain a driver of global trade, given the apparent difficulty in completing the transition to a growth model based on the domestic consumer market.

Global PMI: export orders



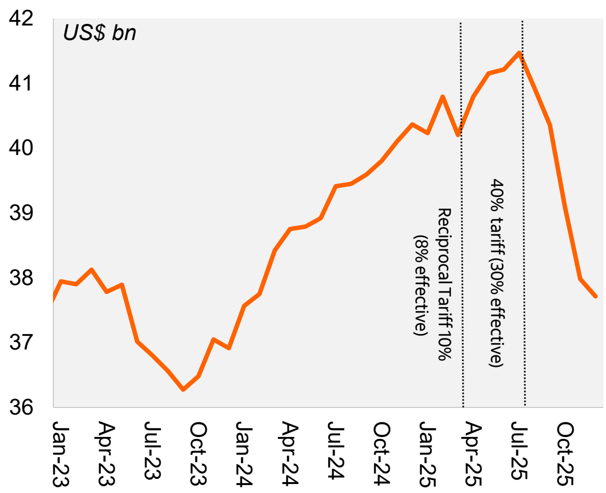
Source: Haver, JPM, Itaú

The case of Brazil

Brazil was one of the countries that faced the largest tariff increase imposed by the United States. We estimate that the effective tariff in place reached 30% in August (40% when not considering exceptions) and was reduced to 25% in November after the introduction of new exceptions, mainly for some agricultural products (such as beef, coffee and certain tropical fruits).

Brazilian exports to the United States have declined sharply since the introduction of the tariffs. On a year-over-year basis, the decline was 35% in October and 30% in November and 7% in December.

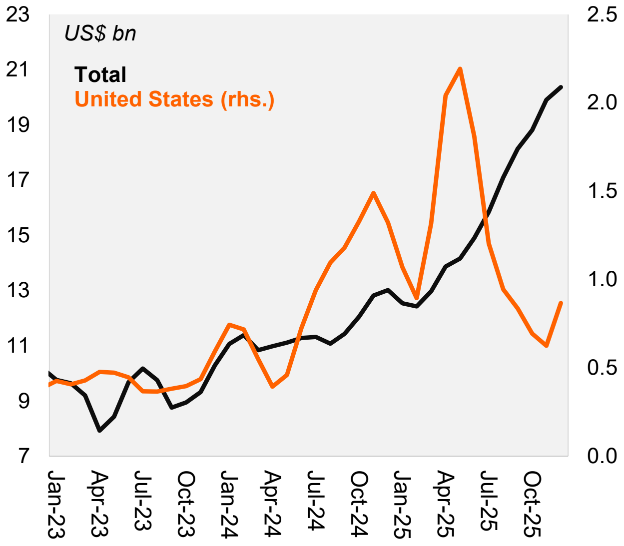
Brazilian Exports to the United States (12M, US$ bn)



Source: MDIC, Itaú

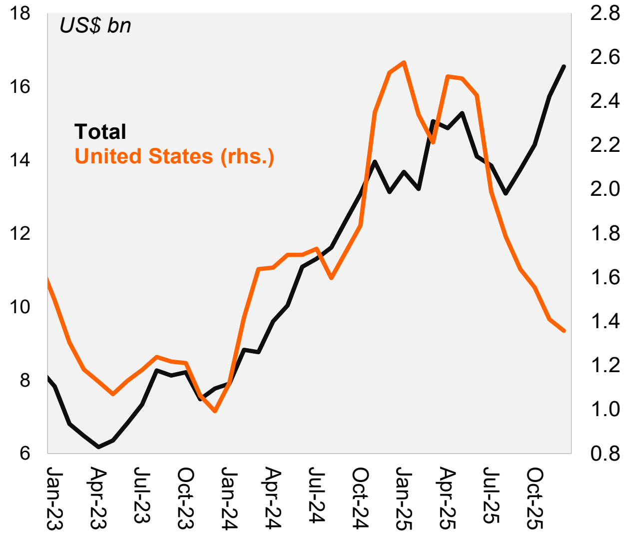
Sectorally, the agricultural sector was able to offset the decline in sales to the United States, but the same did not occur for some industrial sectors, which proved more vulnerable to the loss of competitiveness in the U.S. market. Exports of beef and coffee, for example, managed to offset the decline in sales to the United States, while exports from industrial sectors linked to iron ore and wood showed a decrease in total sales, indicating greater difficulty in repositioning. In the annex, we present a table with the results for the main products in Brazil's export portfolio.

Beef Exports (US$ bn, 3MMA SAAR)



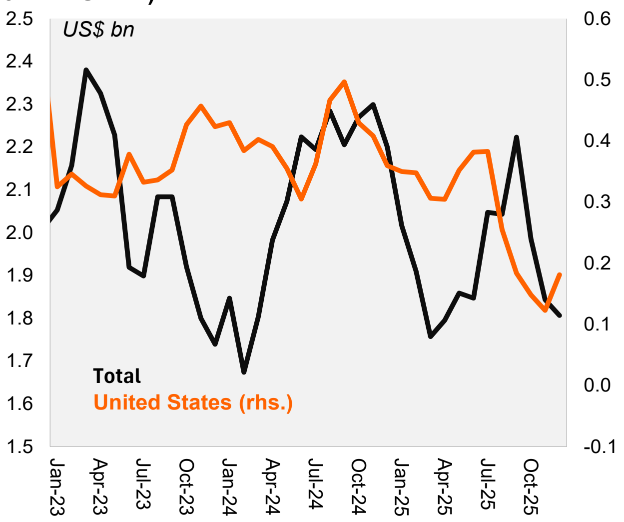
Source: MDIC, Itaú

Coffee Exports (US$ bn, 3MMA SAAR)



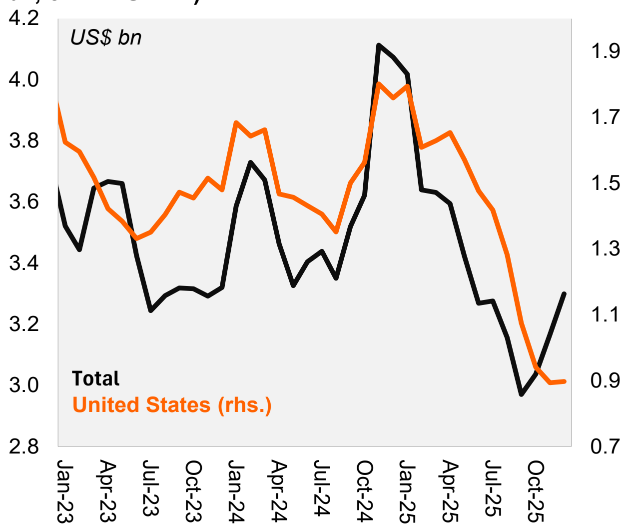
Source: MDIC, Itaú

Exports of Cast Iron, Iron or Steel Products (US$ bn, 3MMA SAAR)



Source: MDIC, Itaú

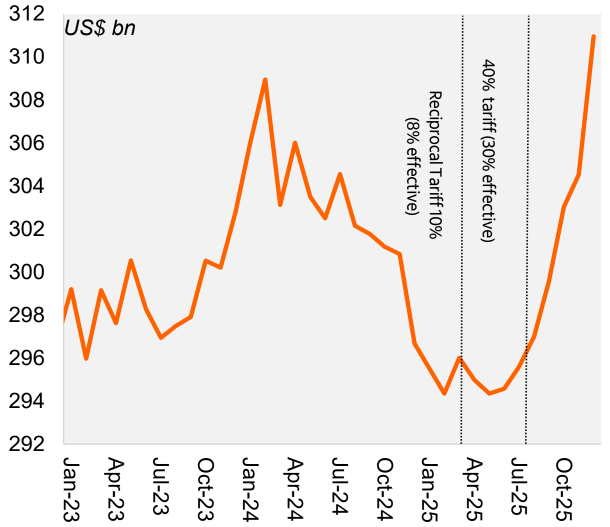
Exports of Wood, Charcoal and Wood Products (US$ bn, 3MMA SAAR)



Source: MDIC, Itaú

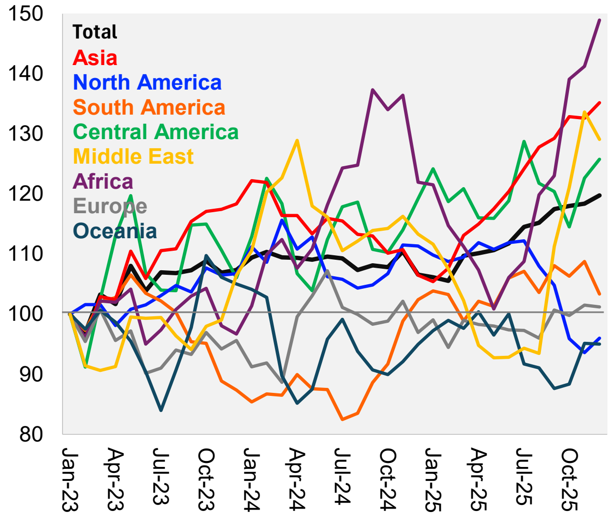
In aggregate terms, the performance of Brazilian exports remained robust. The country managed to redirect part of its trade to other markets or strengthen commercial relations with additional partners, which offset the decline in sales to the United States. Throughout the year, growth was driven mainly by Asia and South America, with China standing out as it consolidated its position as the main destination for Brazilian exports, and Argentina. More recently, the Middle East and Africa have gained relevance, indicating an effective strategy of geographic diversification.

Brazilian Exports ex-US (12M, US$ bn)



Source: MDIC, Itaú

Export volume by region (3MMA SAAR, 2023 = 100)



Source: MDIC, Itaú

Given this scenario of limited tariff impact, we recently improved our estimate for Brazil's trade balance in 2026. We expect a slightly higher surplus than the one recorded last year.

Brazilian Exports (3MMA SAAR) – Dec/25 vs. 2024 (%)								
Code	SH2 Description	Share in Exports	Share US	Average Tariff until Oct/25	Current Average Tariff	US	Ex-US	Total
17	Sugars and Confectionery Products	1%	4%	50%	50%	-86%	-25%	-28%
22	Beverages, Alcoholic Liquids (including Ethanol) and Vinegars	0%	15%	50%	50%	-78%	-23%	-34%
93	Arms and Ammunition; Parts and Accessories	1%	61%	50%	50%	-68%	94%	-5%
33	Essential Oils and Resinoids; Perfumery	0%	24%	50%	50%	-90%	22%	-5%
48	Paper and Paperboard (including Pulp)	1%	11%	50%	50%	-65%	9%	0%
3	Fish and Crustaceans, Mollusks and Other Aquatic Invertebrates	0%	61%	50%	50%	-59%	40%	-20%
24	Tobacco and Manufactured Substitutes	1%	9%	50%	50%	-39%	28%	17%
15	Animal or Vegetable Fats and Oils	1%	17%	50%	47%	-78%	30%	13%
2	Meat and Edible Offal	3%	4%	50%	5%	-12%	45%	43%
9	Coffee, Tea, Mate and Spices	5%	16%	50%	0%	-29%	60%	46%
74	Copper and Articles Thereof	1%	31%	50%	50%	-19%	38%	21%
35	Albuminoidal Substances; Modified Starch-Based Products	1%	35%	50%	50%	-26%	33%	11%
21	Miscellaneous Food Preparations	1%	18%	50%	44%	-19%	20%	13%
16	Meat Preparations	1%	30%	50%	1%	-14%	27%	16%
64	Footwear	1%	20%	50%	50%	-20%	-3%	-5%
76	Aluminum and Articles Thereof	1%	17%	50%	50%	54%	30%	36%
40	Rubber and Articles Thereof	2%	27%	49%	49%	15%	6%	9%
29	Organic Chemicals	1%	23%	49%	49%	-75%	3%	-14%
73	Articles of Cast Iron, Iron or Steel	1%	19%	48%	48%	-54%	-3%	-14%
44	Wood, Charcoal and Articles of Wood	3%	43%	48%	48%	-43%	12%	-10%
39	Plastics and Articles Thereof	1%	8%	47%	47%	-34%	-1%	-4%
94	Furniture	1%	26%	46%	46%	-51%	12%	-4%
90	Instruments and Apparatus for Optics, Photography, Cinematography, Measurement, Control or Precision	1%	28%	42%	42%	6%	12%	10%
84	Nuclear Reactors, Boilers, Machinery, Mechanical Appliances and Parts	9%	28%	42%	42%	-10%	41%	25%
85	Electrical Machinery and Equipment	4%	29%	35%	35%	-2%	7%	2%
72	Cast Iron, Iron and Steel	14%	48%	34%	34%	-10%	36%	12%
68	Articles of Stone, Plaster, Cement, Asbestos, Mica or Similar Materials	2%	65%	29%	29%	5%	26%	12%
71	Pearls, Precious Stones, Precious Metals and Articles Thereof	1%	7%	27%	27%	-54%	113%	102%
87	Motor Vehicles, Tractors, Cycles and Other Land Vehicles, Parts and Accessories	1%	5%	25%	25%	-37%	15%	12%
28	Chemicals; Compounds of Precious Metals, Radioactive Elements, Rare Earth Metals	3%	18%	23%	23%	-12%	-12%	-13%
20	Preparations of Vegetables, Fruits or Other Plant Parts (including Juice)	4%	33%	17%	2%	37%	-33%	-14%
26	Ores, Slag and Ash	1%	1%	10%	10%	-33%	20%	19%
88	Aircraft and Spacecraft, and Parts Thereof	8%	62%	10%	10%	40%	17%	35%
47	Wood Pulp or Other Fibrous Cellulosic Material; Recovered Paper or Paperboard	4%	16%	1%	1%	-25%	3%	0%
27	Mineral Fuels, Mineral Oils and Products of Their Distillation	17%	13%	0%	0%	-31%	4%	-6%

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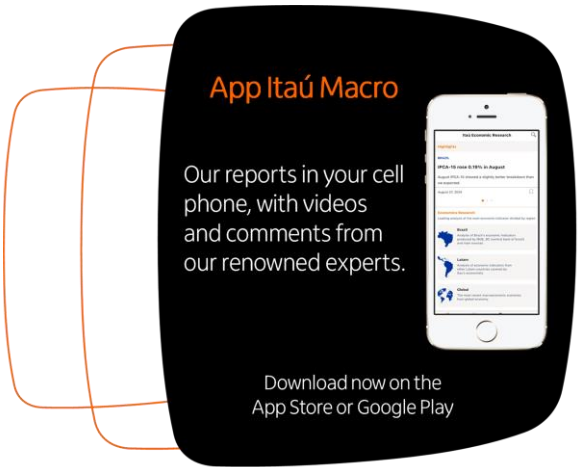

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