

BRAZIL – A MAJOR WORLD PLAYER IN THE DIMENSION STONE INDUSTRY¹

GLOBAL SCENARIO

The reported world production of dimension stones evolved from 1.8 Mt/year, in the 1920s to a level of 160 Mt in 2020, when 60 Mt of raw and processed stones were traded in the international market, generating revenues totaling US\$21 billion. India is currently the world's largest stone exporter, in terms of volume. China is the world's leading importer of raw stone, as well as the largest exporter of processed stone. The US and South Korea are the main importers of processed stone, while France and the UK are the main importers of slate products.

Globally, Brazil ranks 5th in production and exports. Its mining-industrial park operates with modern techniques in a geological environment that favors ongoing diversification of the stone portfolio offered on the world market.

¹ Autoria do geólogo Cid Chiodi Filho, consultor da ABIROCHAS t. Artigo publicado na Revista Brasil Mineral, PDAC Special Issue 2022 (março/2022). <https://www.brasilmineral.com.br/magazine/2022/>

PROFILE OF PRODUCTION ACTIVITIES IN BRAZIL

Brazilian business in the industry, counting domestic and foreign markets, including services and machinery sales, equipment and inputs, generates a turnover of US\$5.5 billion/year. About 10,000 companies, including at least 400 regular exporters, are part of its production chain and account for 120,000 direct jobs.

The Brazilian production in 2021 was estimated by ABIROCHAS – the Brazilian Dimension Stone Industry Association - at 10.2 Mt. This production includes granites, pegmatites and similar stone, in addition to marble, travertine, slate, quartzite, basalt and gabbro, serpentinite, soapstone, limestone and others. It is assumed that there are at least 1,200 active mining operations, responsible for more than 1,000 commercial varieties of stone sold in the domestic and foreign markets.

Most of the mining and primary processing activities are concentrated in clusters, such as marble and granite from Espírito Santo, slate and foliated quartzite from Minas Gerais, foliated gneisses from Rio de Janeiro, slab basalts from Rio Grande do Sul, travertine from Bahia and limestone from Ceará, etc.



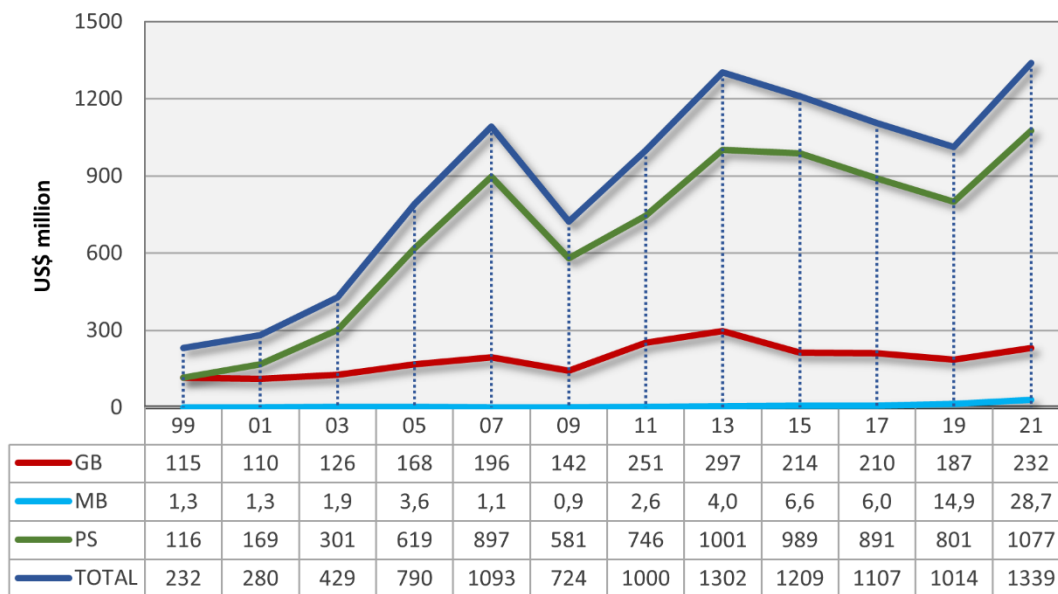
BRAZILIAN HISTORY IN THE INTERNATIONAL MARKET

Given its exceptional “geodiversity”, Brazil has become known as a provider of a growing variety of stones, especially the so-called “exotic”, with high added value. In the last 30 years, Brazil has internationally traded a greater variety of stone than Europe has over the last 500 years!

The insertion of the Brazilian dimension stone industry in the international market, promoted by the partnership between ABIROCHAS and Apex-Brasil (Brazilian Trade and Investment Promotion Agency), boosted the modernization of the industry and increased its productivity and competitiveness, allowing a notable increase in exports of processed stones.

In 2006, Brazil had already positioned itself as the 5th largest producer and exporter in the world, surpassing several traditional Europeans players. Brazil’s growth came on the heels of a significant global rearticulation of the industry, marked by the displacement of mining and processing activities to countries outside the European community, mainly China, India, Turkey and Brazil itself.

Evolution of the Brazilian dimension stones exports - 1999/2021
 GB - granite blocks; MB - marble blocks; PS - processed stones



In 2013, Brazilian stone exports totaled US\$1.3 billion and 2.73 Mt, surpassing the historical records of 2006 (physical volume) and 2007 (revenue), with the effective incorporation of diamond wire technology for mining and processing of blocks. In addition, dimension stones have become the 5th main mineral-based product exported by Brazil (excluding oil), behind iron ore, copper ore, iron-niobium alloys and gold.

Brazil remains the world's largest stone supplier to the demanding US market, where Brazilian polished slab mainly serve the single-family residential segment. Due to the history of Brazilian participation, the US is the main prospective target for commercial products targeted by Brazil in the foreign market, including, in this case, semi-finished processed stone (slab) and, mainly finished or dressed ones (tiles, vanity tops, countertops and cut-to-size).

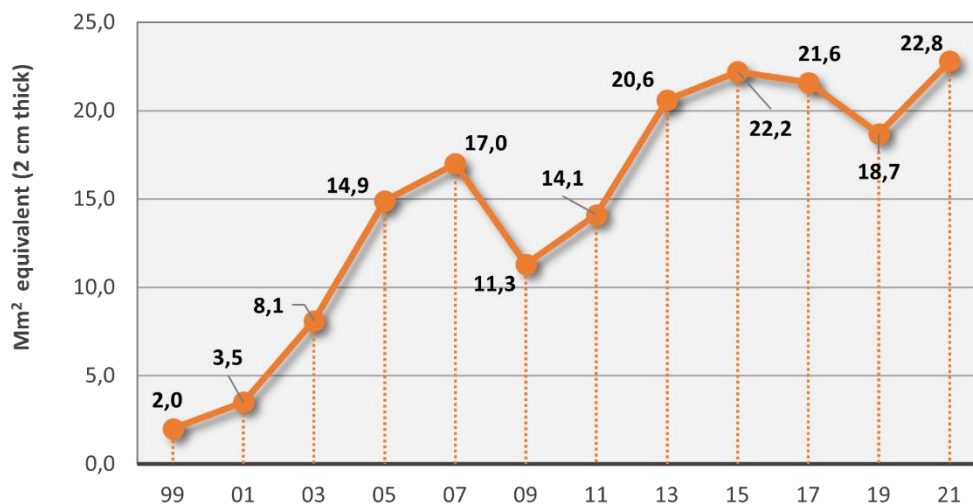
BRAZILIAN EXPORTS IN 2021

Exports in 2021 reached US\$1.34 billion, exceeding those of 2013. Slabs compose the main product of Brazilian exports, with an estimated sale of 22.8 equivalent Mm². The carbonate (marble), siliceous (quartzite) and ultramafic (soapstone) products have become more important in the international market.

The “global logistical chaos”, linked to the increase in ocean freight and the general lack of ships and containers, did not hold back this remarkable export performance in 2021, with a growth of 35.5% compared to 2020. In physical volume, exports grew 11.4%, reflecting the increase in the share of products with higher added value.

Of the total of 121 export destination countries, the US, China, Italy, Mexico and the United Kingdom accounted for 86.3% of total Brazilian revenue. The participation of quartzite slabs, marble slabs and soapstone products is already quite significant, which contributed to the increase in the average US dollar price (+21%) of exported products.

Evolution of Brazilian slabs exports - 1999 / 2021



CONCLUDING REMARKS

The behavior of the international dimension stone market in 2020 and 2021 was greatly influenced by the Covid-19 pandemic. In the 1st half of 2020, a decline in Brazilian exports occurred in function of the uncertainties in the development of production activities. The beginning of the recovery, observed from the 2nd half of the same year, was linked to new expectations created by mass vaccination and relaxation of the restrictive measures to movements of the population.

In 2021, the strong increase in Brazilian exports resulted from the significant volume of financial resources and tax incentives dispensed to stimulate the recovery of the world economy. The most vigorous movement came from the US, the largest customer of Brazilian stones in the international market. This was highlighted by the amount of resources channeled and captured by real estate sector, reflecting its importance for the formation of GDP in more mature economies.

As was observed in the 2010-2013 period, we reiterate that what occurred in 2021 resulted from a medium and long-term internationalization strategic process, implemented by ABIROCHAS since 1999. Contributing to this more recent performance was the increase in the exchange rate, which ended a long period of overvaluation of the Real.

We consider that this strong phase will persist, albeit not with the same intensity, in 2022. The preservation and improvement of Brazil's position in the international market, and particularly in the US, will depend on a qualitative leap in exports. This leap is guided by the commercialization of finished products and direct service to developers, guaranteed in total by the maturity of the Brazilian dimension stone industry.

ABOUT BRAZIL

Over the last 20 years, Brazil's performance in the international dimension stone market has followed, or even surpassed, that of the other major new players in the industry, with the exception of China. This effectively differentiated performance was achieved from a process of migration of the production activity to countries outside Europe that, like only a few others, Brazil was able to take advantage of.

In the course of this migration, Brazil became notable for its great variety of raw materials, thus being considered the country with the greatest world geodiversity in dimension stone. It is difficult to determine in what proportion, but the Brazilian growth was based on the permanent support of Apex-Brasil to the successive agreements signed with ABIROCHAS and based on correct strategies of business internationalization.

It is evident that Brazil clearly defines a success story in the international market, establishing itself among the top five world players in the stone industry.