BALANCE OF BRAZILIAN DIMENSION STONE EXPORTS AND IMPORTS IN 2016

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Exports

Brazilian exports of dimension stone and covering products ended fiscal year 2016 with US$1.14 billion and 2.46 million tons. Following the same trend as in 2014 and 2015, export revenues had negative variation (-5.85%), in spite of the increment in physical volume (+5.82%).

The share of processed stones in total revenue declined from 81.8% in 2015 to 80.2% in 2016. In physical volume, the share declined from 58.2% to 55.9%.

The average export price declined 11%, going from US$ 520.4/t in 2015 to US$ 463.0/t in 2016. This variation was due both to the decline in average price of the main export products, especially granite and related stone blocks and slabs, as well as the increase in the share of raw stones of total exports.

The non-specificity of the tariff codes available for description of the trade products in chapter 68 of the TEC/NESH does not permit to quantify finished processed products stone exports, which prejudices the evaluation of the progress of the industry's so-called "third export wave".

Main destinations

Brazil exported dimension stones to 120 countries in 2016, once again with highlights to the US, China and Italy. In total, the sales to these three countries made up 80.6% of total Brazilian stone exports.

Exports to the United States totaled US$ 715.1 million and 1.04 million tons, with average price of US$ 690/t. the physical volume of these exports maintained the same level of 2015. Revenue declined 9.7% against 2015 (US$ 792.2 million), due to the fall in average price of exported products (US$ 760/t in 2015). The share of the United States in Brazilian export revenues of stones declined from 65.5% in 2015 to 62.8% in 2016. Exports made under NCM 6802.99.90 totaled US$ 46.3 million and had an average price of US$ 2,130/t, which suggests an expressive participation of finished products.

Exports to China are dominated by raw stones (blocks) and have an average price of only US$ 180/t. They totaled US$ 131.3 million and 746.3 thousand tons, with respective growths of 25.8% and 31.3% over 2015. The Chinese share in total Brazilian stone exports was 11.5% in revenue and 30.4% in physical volume in 2016, against 8.6% and 24.5%, respectively, in 2015.

Exports to Italy totaled US$ 72.2 million and 165.5 thousand tons, with a negative variation of 8.1% and 15.8%, respectively, over 2015. The share of sales to Italy in total Brazilian stone exports was 6.3% of the revenue and 11.3% of physical volume.

The United Kingdom is the main destination of Brazilian slate exports (6803), followed by the US, Germany and Chile. In several destinations of Brazilian slate exports, they are the first or second product exported, being traded to 61 countries on all continents. A similar situation is observed for

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foliated quartzite products (6801), sold to 32 countries, mainly sold to Germany, Japan, Italy and France.

Slate and foliated quartzite have export potential much superior to their present level. In retrospect, slate of the boulder type can assume even greater commercial importance that the foliates.

Main exporting states

Exports of dimension stones were made by 18 Brazilian states in 2016. Only the states of Espírito Santo, Minas Gerais, Bahia, Ceará and Rio Grande do Norte made sales greater than US$ 10 million. With 1.8 million tons and US$ 921.4 million, once again Espírito Santo was the highlight, which corresponded to 75% of the physical volume and 81% of total revenue of Brazilian exports.

The highest average price for export products (US$ 1,120/t) was Paraná, followed by Rio de Janeiro (US$ 770/t) and Ceará (US$ 710/t). The highest average price from Paraná was due to exports of carbonate stone slabs (6802.91 and 6802.21) and finished products (6802.99.90).

Main ports of shipment

The ports of Santos (São Paulo), Vitória (Espírito Santo), Rio de Janeiro and Sepetiba (Rio de Janeiro) corresponded to 94.7% (2.33 million t) of total stone exports made by Brazil in 2016. Observing export volume from the Port of Vitória, almost half of the exports from the state of Espirito Santo are being done through São Paulo and Rio de Janeiro. The extinction of FUNDAP benefits and inadequate infrastructure in the port of Vitória for large ships and containerized cargo are responsible for the interstate transposition of dimension stone, especially semi-finished (slabs) products.

Brazilian imports

Brazilian imports of natural stones totaled US$ 31.9 million and 58.9 thousand tons in 2016, with negative variation of 24.6% and 19.7%, respectively over 2015. Imports under NCMs 6810.19 and 6810.99, which include artificial stone materials, totaled US$ 30.5 million and 44.8 thousand tons, with also negative variation of 29.2% and 15.8%, respectively, over 2015.

The average price of natural materials declined 6.1%, going from US$ 577.4/t in 2015 to US$ 542.0/t in 2016. The average price of artificial materials declined 16%, going from US$ 810.5/t in 2015 to US$ 681.2/t in 2016, which evidences the great price elasticity of prices practiced by the suppliers.

The main suppliers of natural materials to Brazil include Italy, Spain, China, Greece, Turkey, Indonesia and Portugal. These Brazilian imports mainly involve carbonate stones (marble, travertine and limestone) in finished and semi-finished products.

Brazil imports artificial materials from 23 countries, being China and Spain the two most important ones. From China alone, purchases account for 82.6% of total physical volume imported, with 10.3% from Spain.

Comments

As mentioned, Brazilian stone exports had the same behavior in 2016 as in 2014 and 2015, evidencing declines in revenue and relative increment in physical volume traded. This trend should persist while the trading of finished products is not incremented, with higher added value to supply

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works. Fortunately, according to revenue and average price of exports made under tariff code 6802.99.90, this already seems to be occurring.

Another noteworthy aspect is the processing of exports from the state of Espírito Santo, above all slabs, through the ports of Rio de Janeiro and mainly São Paulo (Santos). This translates into a logistical shortcoming, prejudicing the stone industry in Espírito Santo and Brazil itself.

The decline in imports continues to reflect the weak Brazilian economy and its real estate market. This retraction, as always happens, provokes a race by producers to the export market and has induced a price decline of products traded. The average dollar in 2016 (R$3.45) was only 3.6% higher than in 2015 (R$3.33), which has not compensated the price discounts given by exporters.

Brazilian slab exports have maintained exactly the same level as in 2015, estimated at 22.6 million equivalent m^2 in pieces with 2 cm thickness. Brazilian stone exports had a 0.61% share of total Brazilian export revenues in 2016.

The effect of the new US government administration is still uncertain for Brazilian stone exports. Brazil has already lost the fiscal benefits of the GSP (General System of Preferences) in the US for products exported under NCM 6802.93.90.

In the face of the still confusing political-institutional scenario of the country, as well as its fragile economic situation, the performance of dimension stone exports can be considered as quite satisfactory. Once again, exports constitute the sustainability base of the stone industry production chain in Brazil.

Stone Exports Figures in the January-December 2016 Period

- Revenue US$ 1,138.3 million [US$ 1.14 billion] (-5.85% over the same period in 2015);
- 2.49 million tons (+5.82% over the same period in 2015);
- 80.2% share of processed stones in revenue (against 81.8% in 2015);
- 55.9% share of processed stone in physical volume (against 58.2% in 2015);
- 7.7% decline in revenue of processed stones;
- 1.7% increase in physical volume of processed stones;
- US$ 1,106.4 million [US$ 1.1 billion] trade surplus;
- 0.61% share of total Brazilian export revenues;
- US$ 463.0/t average Brazilian dimension stone price, against US$ 287.1/t Brazilian general exports.

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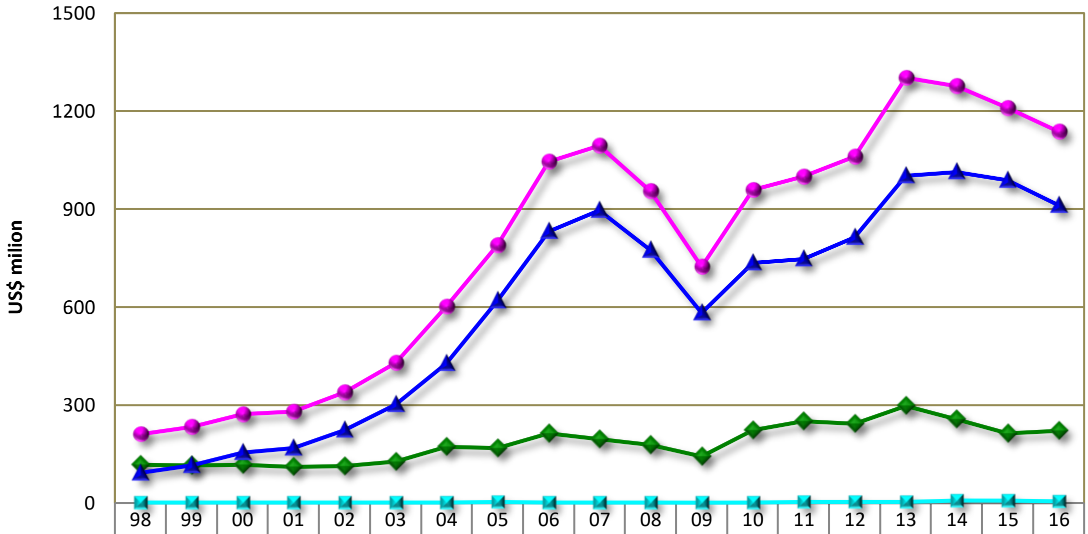
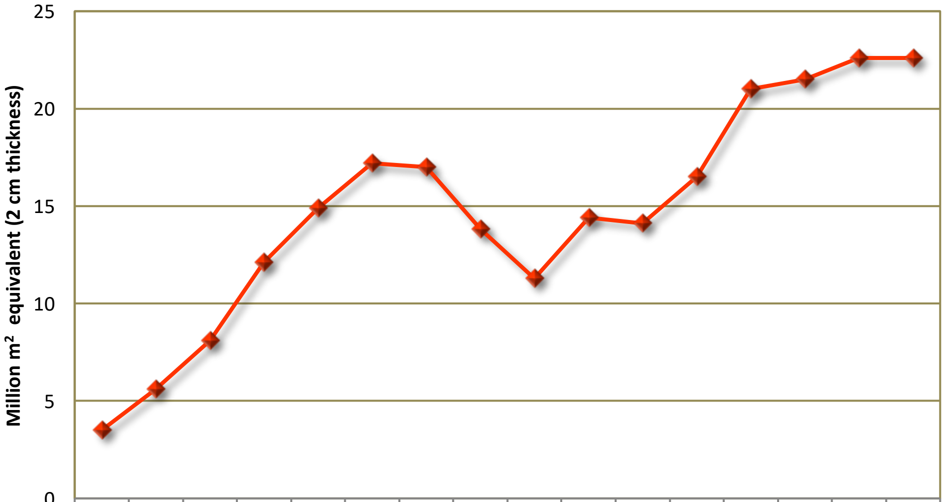
EVOLUTION OF BRAZILIAN DIMENSION STONE EXPORT REVENUES - 1998/2016

RSB - granite blocks; RCB - marble blocks; RP - processed stones.



	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16
RSB	117	115	117	110	114	126	173	168	213	196	178	142	223	251	242	297	257	214	221
RCB	1,1	1,3	1,5	1,3	1,5	1,9	1,4	3,6	1,7	1,1	1,9	0,9	1,5	2,6	3,6	4,0	7,3	6,6	5,0
RP	92	116	153	169	224	301	427	619	831	897	775	581	734	746	814	1001	1013	989	912
TOTAL	210	232	272	280	339	429	601	790	1045	1093	955	724	959	1000	1060	1302	1277	1209	1138

Evolution of sawed Brazilian slab exports (2001/2016)



	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16
Valores	3,5	5,6	8,1	12,1	14,9	17,2	17,0	13,8	11,3	14,4	14,1	16,5	21,0	21,5	22,6	22,6

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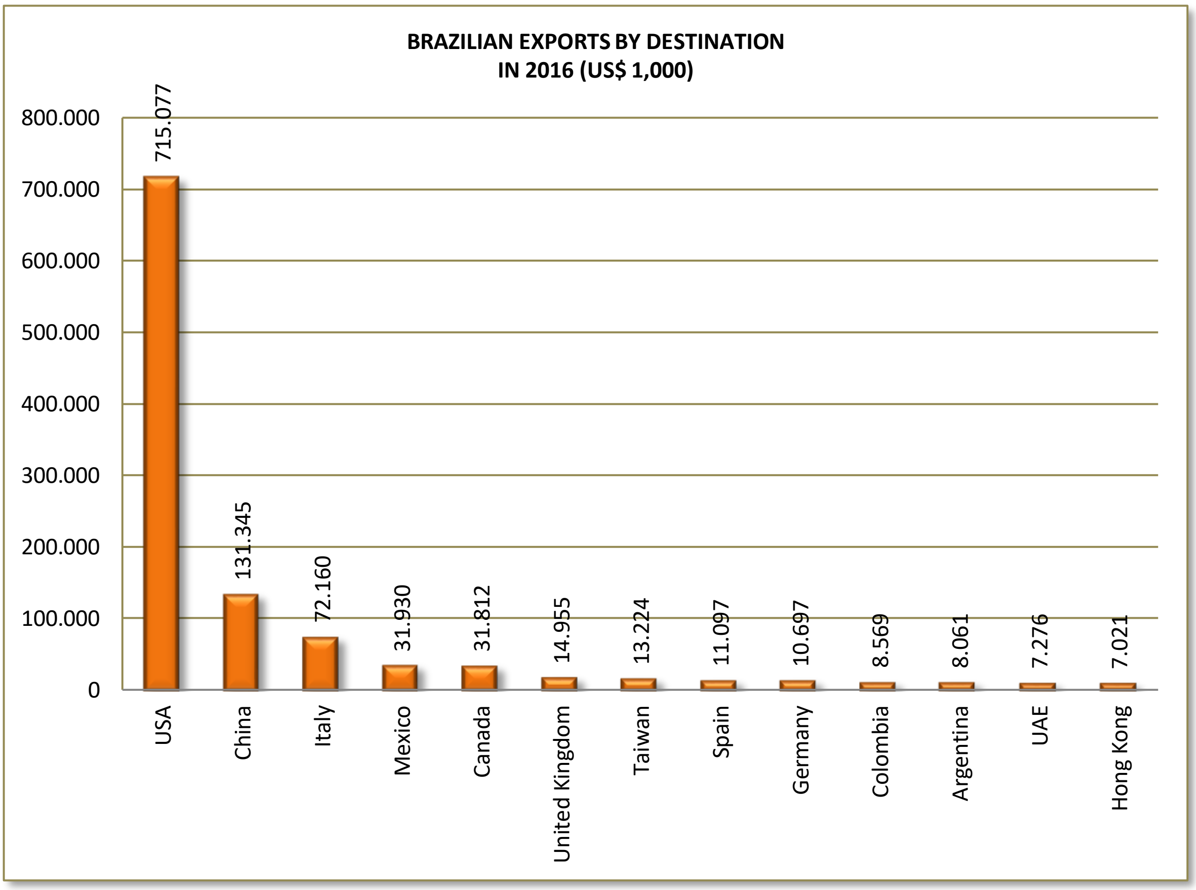

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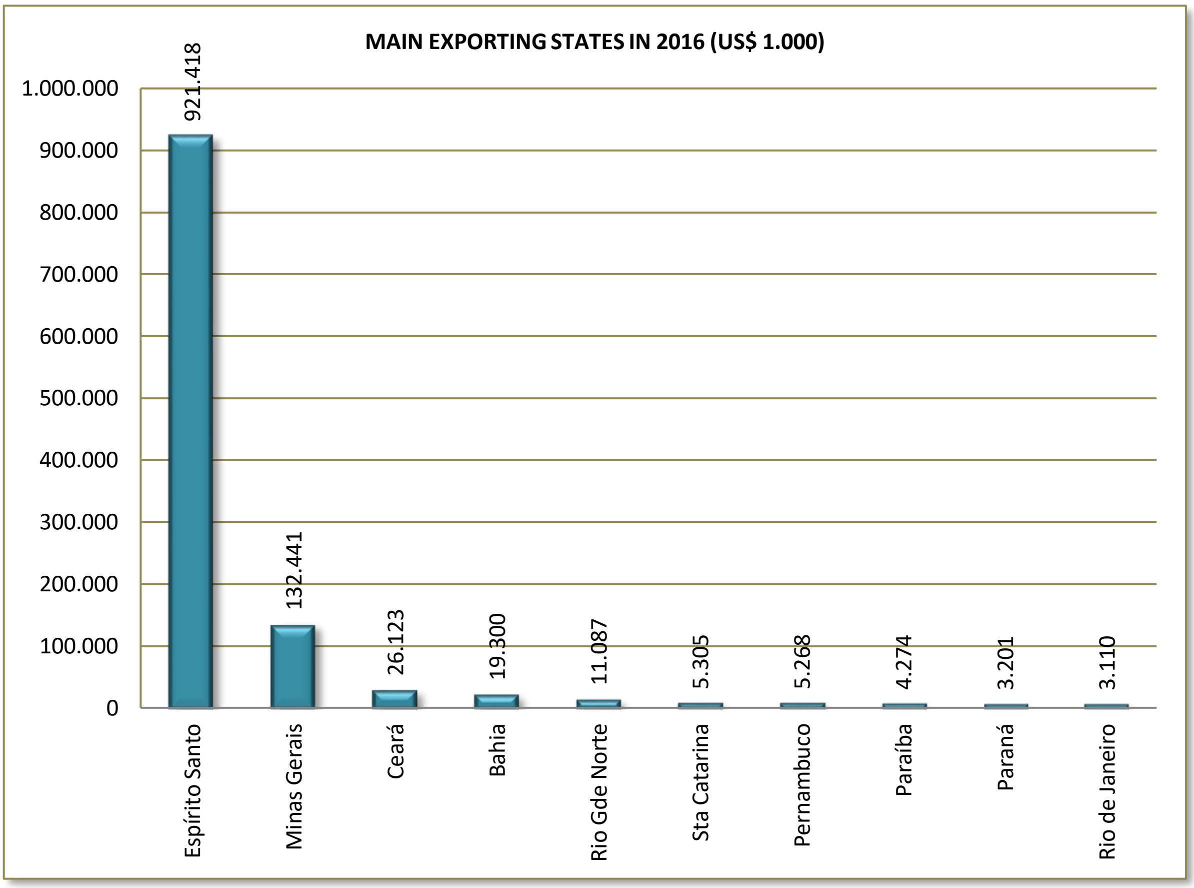

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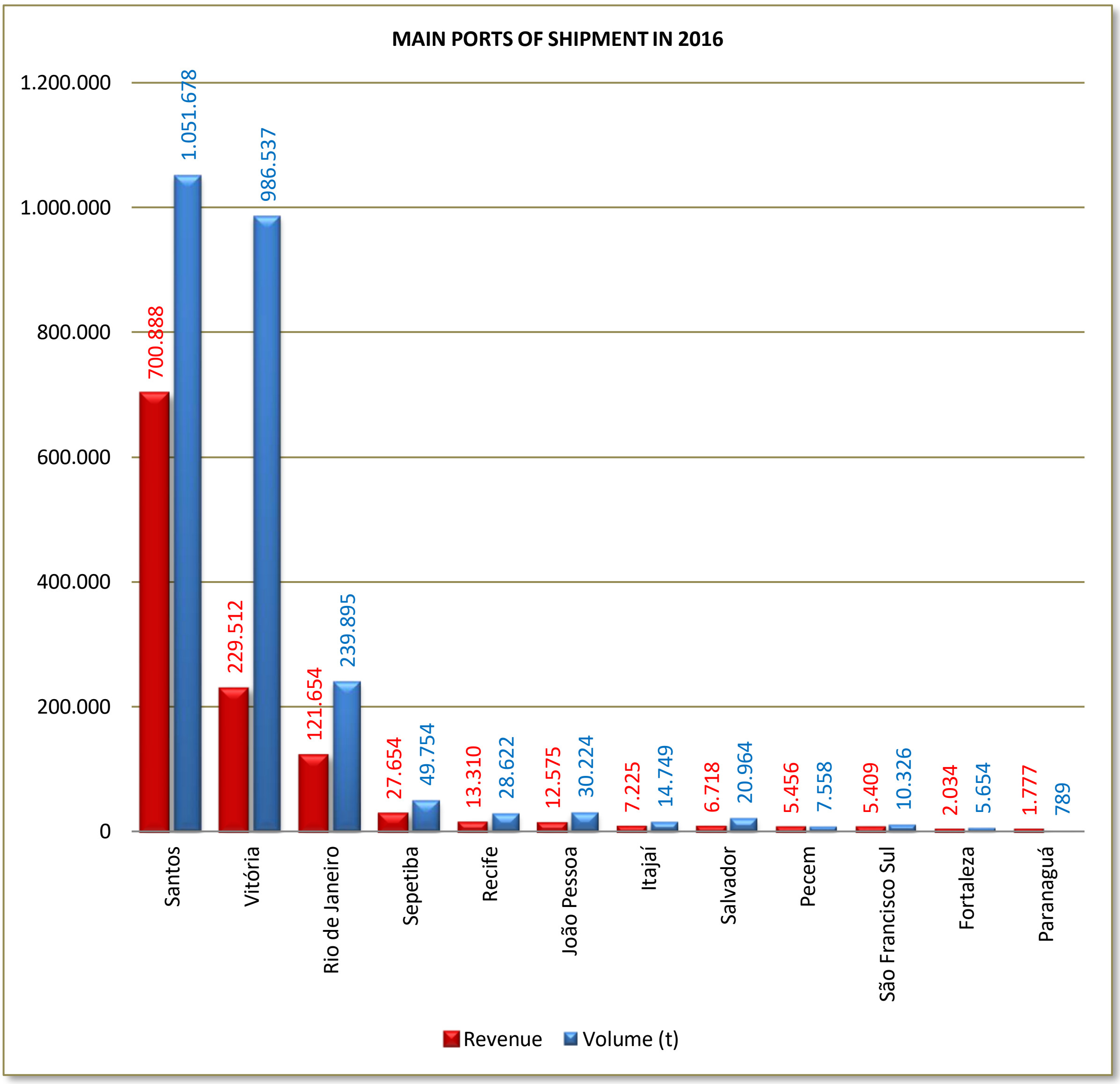

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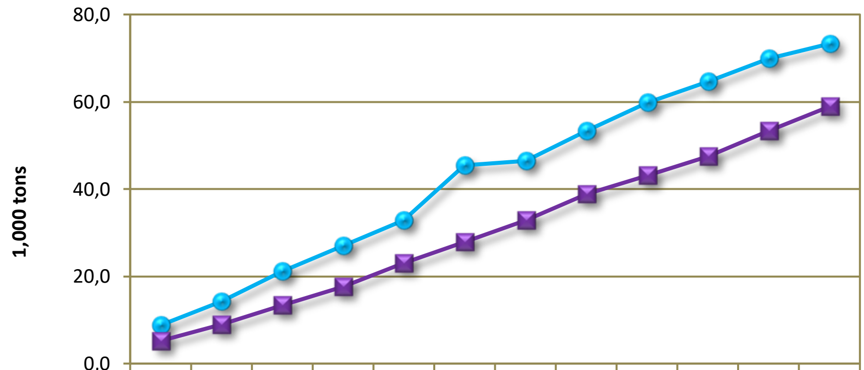
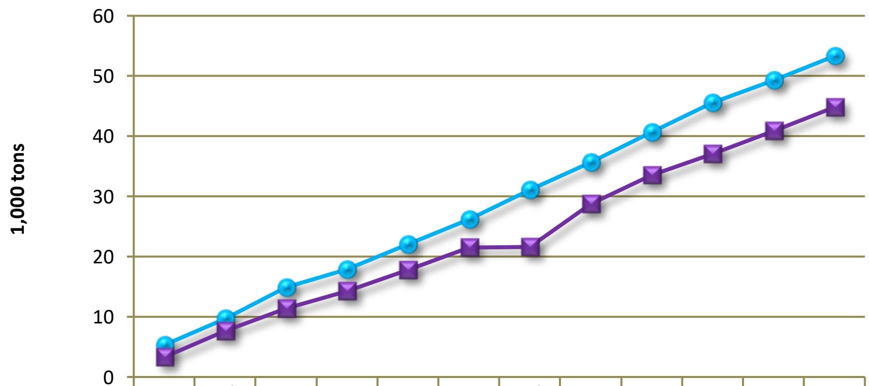
ACCUMULATED BRAZILIAN IMPORTS OF NATURAL STONE MATERIALS - 2015-2016



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2015	8,8	14,2	21,1	27,0	32,8	45,5	46,5	53,3	59,8	64,6	69,9	73,3
2016	5,2	9,0	13,3	17,6	23,0	27,9	32,9	38,9	43,1	47,5	53,3	58,9

ACCUMULATED BRAZILIAN IMPORTS OF ARTIFICIAL STONE MATERIALS (AGGLOMERATED) - 2015-2016



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2015	5,3	9,7	14,9	17,9	22,0	26,2	31,1	35,7	40,7	45,5	49,3	53,3
2016	3,3	7,7	11,4	14,2	17,8	21,5	21,6	28,7	33,5	37,0	40,9	44,8

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