

CustomIQ Research

Industrial Storage Shelves

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What's in this Report

This report provides a brief overview of the industrial storage shelves market, specifically in Brazil and other Latin America countries. This report provides some of the key operators in the market that have physical operations in Brazil. Also covered are the key price drivers that have been impacting this market throughout Latin America countries, as well an overview of the key risks within the supply chain.

Vendor Sourcing

Company Name	Estimated Revenue (\$ million)	Key Areas of Operation	Contact	Website
Easytoque	5-10	Brazil	Email: Aretha@easytoque.com.br Phone: +55 (11) 94716-3346 General Contact: Email: contato@easytoque.com.br Phone: +55 0800 880 1859	https://www.easytoque.com.br/
Eleva Sistemas de Armazenagem	<5	Brazil	General Contact: Email: contato@elevasistemas.com.br Phone: +55 (11) 4191-5364	https://www.elevasistemas.com.br/
ISMA Ltda	50-100	Brazil	General Contact: Email: storage-sp@isma.com.br Phone: +55 (11) 3879-2011	https://isma.com.br/
Longa Industrial	100-150	- HQ: Brazil - Scope extends to other LATAM countries, but is unspecified	General Industrial Manager Nilson Cagali Email: +55 (15) 3262-8100 Phone: nilson@longa.com.br General Contact: Email: Longo@longa.com.br Phone: +55 (15) 3262-8100	https://www.longa.com.br/



Company Name	Estimated Revenue (\$ million)	Key Areas of Operation	Contact	Website
Mecalux SA*	750-1,000	- Global HQ: Spain - LATAM Offices with Production Centers in Brazil, Argentina, Mexico - Additional Production centers in Poland, USA	LATAM Channel Manager Jose Jimenez Cruz Email: jose.jimenez@mecalux.com Phone: +52 (55) 5384-2922 Ext 282 General Contact: Phone: 1 (708) 344-9999	https://www.interlakemecalux.com/
SA Grupo	50-100	Brazil	General Contact: Email: contato@sagrupo.com Phone: +55 (31)3627-1023	https://www.sagrupo.com/
Soluções Porta Pallet	<5	Brazil	General Contact: Email: comercial@solucoesp.com.br Phone: +55 (43) 3029-6921	https://www.solucoesp.com.br
TQT Brasil	<5	Brazil	General Contact: Email: contato@tqtbrasil.com.br Phone: (11) 2967-5416	https://www.tqtbrasil.com.br/

**While Mecalux SA has its global HQ in Spain, they have a strong physical presence in LATAM countries, with both a local headquarters in Hortolândia, Brazil and a 27,000 m² production center in São Paulo.*

Price Driver Overview

World Price of Steel

- Steel is the primary input cost in the production of industrial storage shelves, with wood, aluminum and plastic products falling behind as key costs in terms of the share of revenue.
- During the three years to 2021, the world price of steel has been falling at an annualized rate of 6.2%. The decline in the price of steel is largely due to the sudden decrease in global demand as industrial activity waned in response to the COVID-19 outbreak.
 - Despite COVID-19 having a key impact on the falling price of steel, the world price of steel had been falling prior to the pandemic due to weakening activity in key industrializing countries and rapid steel production in China.
 - Falling steel prices have eased costs for vendors of industrial storage shelves, helping ease prices and providing room for buyers to negotiate.



- During the three years to 2024, the world price of steel is forecast to increase at an annualized rate of 5.4%.
 - Growth in the world price of steel is expected to be largely as a result of recovery in industrial activity as the world recovers from the pandemic, driving stronger demand for steel and helping reduce the current surplus.
 - Increasing steel prices will pressure costs up for vendors as the manufacturing of industrial storage shelves rises in cost, contributing to price growth during the next three years.

World Price of Aluminum

- Aluminum is a key input cost in the production of industrial storage shelves as it is used in many components in the construction of shelving and as a main material for lighter-duty shelving units.
- During the three years to 2021, the world price of aluminum has been increasing at an estimated annualized rate of 5.1%. Like steel, the price of aluminum has declined dramatically largely as a response to the coronavirus outbreak. As the pandemic struck, business restriction and quarantine practices led to reduced industrial output. As aluminum is used heavily in manufacturing, this decline led to falling demand for aluminum globally, pulling prices down.
 - Also, like steel, aluminum prices declined in 2019, prior to the COVID-19 outbreak, in response to weakening industrialization in many developing nations and strong production rates in China, creating a supply glut and weakening prices.
 - The decline in the world price of aluminum has helped ease manufacturing costs for South American producers of industrial storage shelves, helping weaken price growth.
- During the three years to 2024, the world price of aluminum is forecast to recover and increase at an annualized rate of 3.3%.
 - Recovery from the pandemic will contribute to greater industrial output, indicating strong manufacturing activity globally. As demand for aluminum strengthens during the forecast period, supplies will diminish and the price of aluminum will increase.
 - Recovering aluminum prices will create challenges for South American vendors of industrial storage shelves, as input costs will rise, forcing prices up.

Average Wages in Brazil

- Wages are a key input cost for manufacturers of industrial storage shelves in Brazil and other LATAM countries.
- Labor is heavily used during the metal forming process, storage and inventory management and the final assembly of the industrial storage shelves.
- Average wages in the manufacturing sector in Brazil are estimated to be \$471 USD per month.
 - Wages have been increasing during the past three years, though, at a slow rate.





- Brazil experienced a significant economic recession in mid-2014, which led to widespread unemployment and declines in wages throughout numerous sectors. Recovery in wages had been slow, particularly in lower wage brackets, gaining some speed in 2019.
 - The onset of the COVID-19 pandemic halted progress in recovering from this recession, stalling wage growth and leading to another increase in unemployment.
 - Slow wage growth in the manufacturing sector has helped suppress price growth for industrial storage shelves as vendors have been experiencing reduced costs.
- As the world undergoes recovery from the pandemic and industrial activity expands in Brazil, wages are forecast to increase to \$540 USD per month by 2024. As such, vendors will undergo increasing labor costs, pushing prices up for industrial storage shelves.

Industrial Output in Latin America

- Industrial activity, such as manufacturing, in Latin America indicates both the supply of industrial storage shelves and demand for these products, as manufacturers regularly use these products for raw material and finished goods storage.
- Prior to the COVID-19 pandemic, the industrial production index for Latin American countries had been decreasing. The decline had been, in part, attributable to factors such as trade restrictions enacted by the United States limiting exports, political unrest in numerous countries and the continued negative impacts of the economic recession in Brazil.
- The onset of the COVID-19 outbreak led to further declines in industrial production, resulting in an estimated 5.3% decline in GDP among Latin American countries.
 - Brazil is one of the biggest economies and leading industrial producers in the Latin America countries.
 - Brazil suffered from the second highest COVID-19 cases, putting an abrupt halt to production rates.
- Weakening industrial production in these countries has suppressed demand for industrial storage shelves, helping keep price growth at bay.
 - As economies around the globe recover during the next three years as the pandemic is contained more effectively, industrial output is expected to ramp up in Latin America countries, generating stronger demand and price growth.





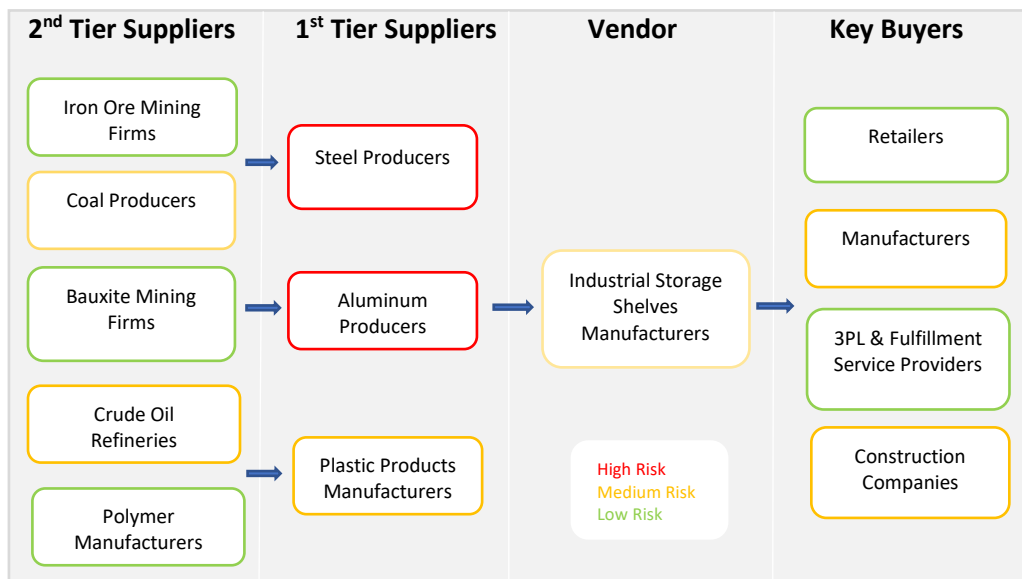
Consumer Spending

- Consumer spending has a strong impact on demand for industrial storage shelves as increased spending on goods drives greater demand for warehousing and storage solutions.
- Global consumer spending has been increasing at an estimated annualized rate of 0.7% during the past three years.
 - Despite overall growth, the COVID-19 outbreak caused a sharp decline in consumer spending globally as business restrictions led to weak business activity and economic declines worldwide. In turn, these trends ultimately led to increasing unemployment and weakening per capita disposable income.
 - The temporary decline in consumer spending helped suppress demand for industrial storage shelves, helping keep price growth at bay during 2020, but the overall upward trend has helped promote price growth.
- As the pandemic is contained more effectively and global economies recover, global consumer spending is forecast to increase at an annualized rate of 3.7% in the next three years.
 - Latin America countries are no exception to this forecast, as Brazil is anticipated to undergo about 3.4% GDP growth in 2021, indicating recovery.
 - As consumer spending increases, demand for warehousing and storage solutions will strengthen, prompting greater demand for industrial storage shelves, which will contribute to price growth.





Supply Chain Dynamics and Risk



- The primary risk to the supply chain for the industrial storage shelves market is steel.
 - Steel is a highly volatile commodity, fluctuating in price rapidly year over year as it is highly sensitive to global shifts in supply and demand.
 - Volatility in the price of steel makes it difficult for manufacturers to budget their costs, but they generally protect themselves by inflating prices to account for this cost movement.
 - Sudden declines in demand due to the COVID-19 pandemic caused a dramatic decline in the price of steel, as industrial activity across the globe suddenly weakened.
 - Many countries faced issues obtaining demand, and shipping and transportation activities were heavily constrained at the onset of the pandemic. However, Brazil is the leading producer and a net exporter of steel in South America, helping alleviate the risk of delayed shipments of steel needed for production.
- Vendors also face some risk from plastic products manufacturers in the form of cost uncertainty.
 - Plastic products heavily rely on refined oil as a raw material.
 - Crude oil is subject to significant price fluctuations as the price is sensitive to global supply, demand and OPEC production decisions.
 - Similar to other commodities, the COVID-19 outbreak led to a strong decline in demand for crude oil, resulting in a supply glut and pulling prices down, leading to unexpected shifts in costs for suppliers.



- Transportation logistics presents a degree of risk to the overall supply chain, for both vendors and buyers, particularly in Brazil.
 - Brazil's wide geographic scope and fragmented nature of industrial production present an issue in transportation.
 - Vendors sourcing key inputs and buyers purchasing products from manufacturers face the issue of either potentially purchasing products from suppliers that are located a considerable distance away, increasing transportation costs, or limiting themselves to a smaller selection of vendors, reducing competition.
 - Regulatory issues negatively affect railroad infrastructure and ports.
 - The country lacks appropriate railways due to the requirement for concessionaires to maintain rail networks, with little incentive to perform maintenance as early investors in railroads were agricultural producers and miners looking to have sole usage of the lines. The lack of new investors in railroads and the little incentive to expand lines inhibits industrial transport via railroads.
 - Ports suffer a similar problem, with anti-competition behavior among ports and previous regulations creating barriers to entry for new investors, expanding the available public ports has been an issue throughout the country. Though, changes in regulations are being made to address these issues, as demand for ports grows consistently out of the economic crisis Brazil experienced in 2014 and the need for efficient shipping infrastructure increases.
 - Roads are a key aspect of cargo transportation in Brazil, with 90% of cargo in Brazil being transported over roads.
 - While Brazil boasts to have the fourth largest road system in the world, the vast majority of these roads are either poorly maintained or not paved at all, leading to a high accident rate and inefficiencies in transportation operations. This issue is primarily a result of significant underfunding for public road projects. Though, improvements in roadways throughout São Paulo have been seen as privatization of road ownership has been occurring, allowing private investors to maintain highways.

