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FOR IMMEDIATE RELEASE:
January 19, 2015

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3Q 2014 Ceramic Tile Industry Update

U.S. Tile Consumption Overview:

U.S. ceramic tile consumption through 3Q 2014 was 1.87 billion sq. ft. (-1.1% vs. 3Q 2013 YTD). Barring a big gain in 4Q, consumption will decrease year-over-year for the first time since 2009.

The following table shows U.S. tile shipments, imports, exports, and total consumption in thousands of sq. ft.

<u>Year</u>	<u>U.S. Shipments (incl. Exports)</u>	<u>Imports</u>	<u>Exports</u>	<u>Total Consumption*</u>	<u>% Change in Consumption from Previous Year</u>
3Q 2014 YTD	613,079	1,283,764	26,106	1,870,737	-1.1**
2013	793,931	1,723,470	39,513	2,477,888	12.9
2012	748,290	1,491,845	45,618	2,194,518	5.4
2011	717,865	1,410,194	45,278	2,082,781	4.0
2010	649,057	1,394,779	42,044	2,001,792	7.7

*Note: U.S. Shipments + Imports – Exports

**Note: % change vs. 3Q 2013 YTD

Imports:

Through 3Q 2014, 1.28 billion sq. ft. of ceramic tile arrived in the U.S. This was a 2.0% decrease from 3Q 2013 YTD, in which 1.31 billion sq. ft. of ceramic tile were imported into the U.S., but an 11.7% increase from 3Q 2012 YTD.

Import penetration through 3Q 2014 was 68.6%, down from 69.6% in 2013.

Through 3Q 2014 Mexico was the top exporter to the U.S. in sq. ft. with a 30.5% share of U.S. imports (in sq. ft.). China was in second place, making up 28.9% of imports, followed by Italy with a 17.7% share.

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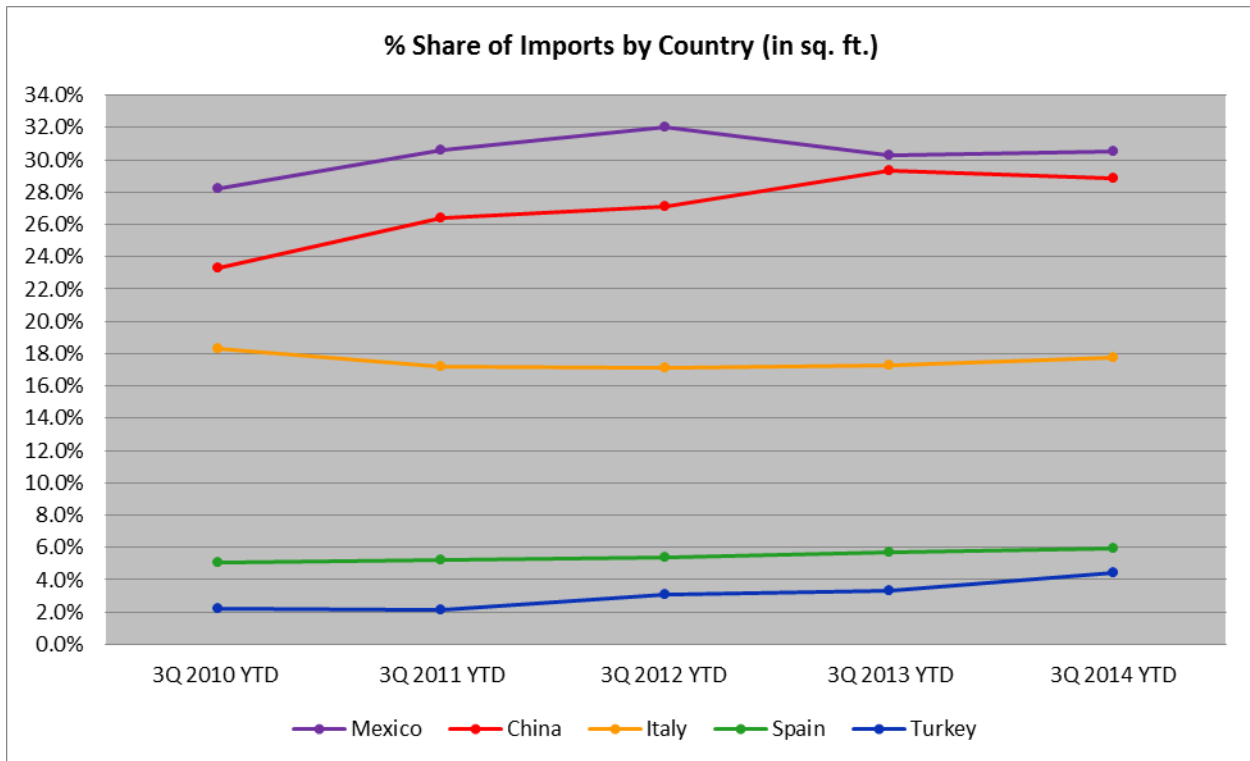
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Italy was the top exporter to the U.S. on a dollar basis (3Q 2014 YTD), comprising 34.7% of U.S. imports. China was second with a 25.3% share, and Mexico was third with a 17.0% share.

The \$ value/sq. ft. of all tile imports rose from \$0.99 (3Q 2013 YTD) to \$1.06 for 3Q 2014 YTD.

The top five countries from which tiles were imported through 3Q 2014 based on sq. ft. were:

Country	Sq. Ft. 3Q 2014 YTD	Sq. Ft. 3Q 2013 YTD	2014/2013 % Change	2013/2012 % Change
Mexico	392,189,782	397,149,846	-1.2%	8.2%
China	370,663,791	383,533,542	-3.4%	23.3%
Italy	227,820,371	227,115,970	0.3%	15.6%
Spain	75,956,922	74,546,075	1.9%	20.4%
Turkey	56,750,543	42,599,747	33.2%	19.1%



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The top five countries from which tiles were imported through 3Q 2014 based on total U.S. \$ value (including duty, freight, and insurance) were:

Country	\$ Val 3Q 2014 YTD	\$ Val 3Q 2013 YTD	2014/2013 % Change	2013/2012 % Change
Italy	471,972,521	445,918,738	5.8%	17.0%
China	344,695,559	327,984,124	5.1%	30.2%
Mexico	231,488,116	229,965,470	0.7%	10.6%
Spain	120,081,499	106,345,308	12.9%	18.5%
Turkey	60,634,057	41,313,443	46.8%	27.6%
All Countries	1,359,805,159	1,298,801,427	4.7%	17.8%

The average values of tile from the top five countries (based on sq. ft.) from which tiles were imported through 3Q 2014 were:

Country	Sq. Ft. 3Q 2014 YTD	\$ Val 3Q 2014 YTD	Value per Sq. Ft. 3Q 2014 YTD	Value per Sq. Ft. 3Q 2013 YTD	Value per Sq. Ft. 3Q 2012 YTD
Mexico	392,189,782	231,488,116	\$0.59	\$0.58	\$0.57
China	370,663,791	344,695,559	\$0.93	\$0.86	\$0.81
Italy	227,820,371	471,972,521	\$2.07	\$1.96	\$1.94
Spain	75,956,922	120,081,499	\$1.58	\$1.43	\$1.45
Turkey	56,750,543	60,634,057	\$1.07	\$0.97	\$0.90
All Countries	1,283,764,094	1,359,805,159	\$1.06	\$0.99	\$0.96

U.S. Shipments:

3Q 2014 YTD U.S. shipments (less exports) were at 587.0 million sq. ft., up 0.8% from 3Q 2013 YTD.

Exports:

U.S. exports through 3Q 2014 were at 26.1 million sq. ft., down 16.1% vs. 3Q 2013 YTD. The vast majority of these exports (in sq. ft.) were to Canada (63.8%) and Mexico (16.2%).

(Sources: TCNA and U.S. Commerce Dept.)

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Economic highlights:

- The government's revised 3Q 2014 estimate of the change in real GDP was 5.0%. This was an increase of 0.4 percentage points from the change seen in 2Q 2014.¹
- Nov. 2014 new home starts were at a seasonally-adjusted annual rate of 1,028,000 units, down 7.0% from Nov. 2013.²
- Nov. 2014 new single family home sales were down 1.6% from Nov. 2013 to a seasonally-adjusted annual rate of 438,000 units/yr.³
- Existing single family home sales in Nov. 2014 were at a seasonally-adjusted annual rate of 4.33 million units, up 2.4% from Nov. 2013.⁴
- There were 112,000 foreclosure filings on U.S. properties in Nov. 2014, down 0.8% from Nov. 2013.⁵
- The 30-year fixed mortgage rate in Nov. 2014 was 4.00%, down from 4.26% in Nov. 2013.⁶
- The U.S. unemployment rate was 5.8% in Nov. 2014, down from 7.0% one year ago (Nov. 2013).⁷
- Nov. 2014 total U.S. construction spending (includes both private and public residential and non-residential construction) was at a seasonally-adjusted annual rate of \$975 billion, a 2.4% increase from Nov. 2013.⁸

¹ Bureau of Economic Analysis

² U.S. Census Bureau

³ U.S. Census Bureau

⁴ National Association of Realtors

⁵ RealtyTrac

⁶ Freddie Mac

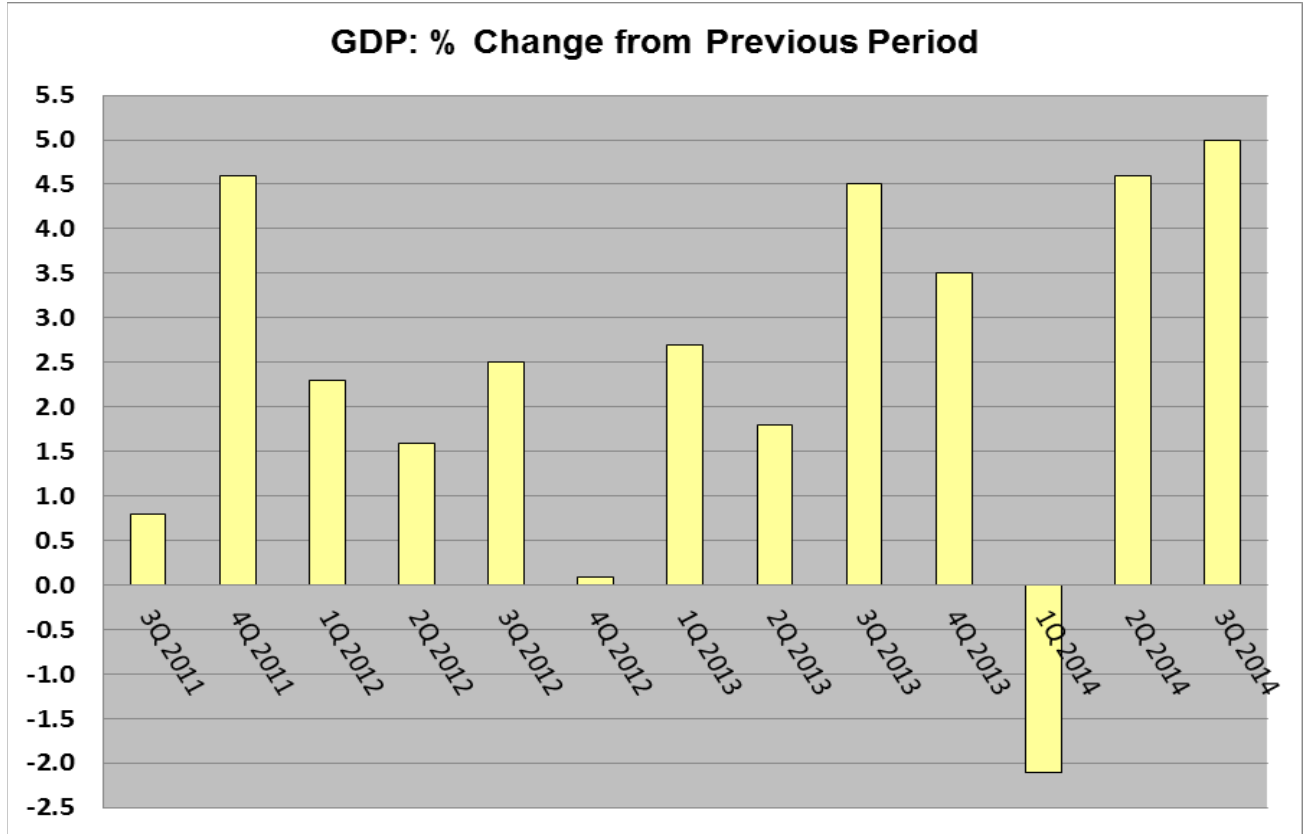
⁷ Bureau of Labor Statistics

⁸ U.S. Census Bureau

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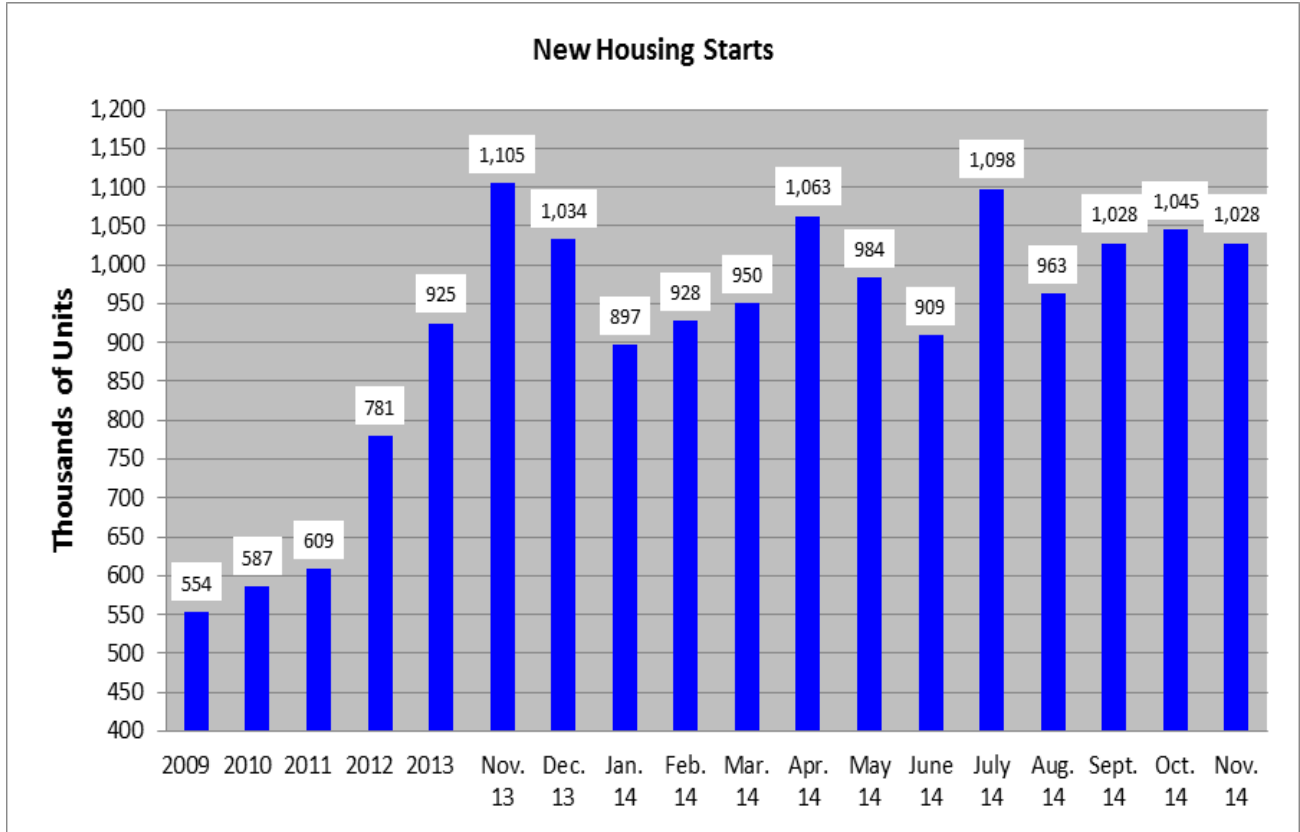


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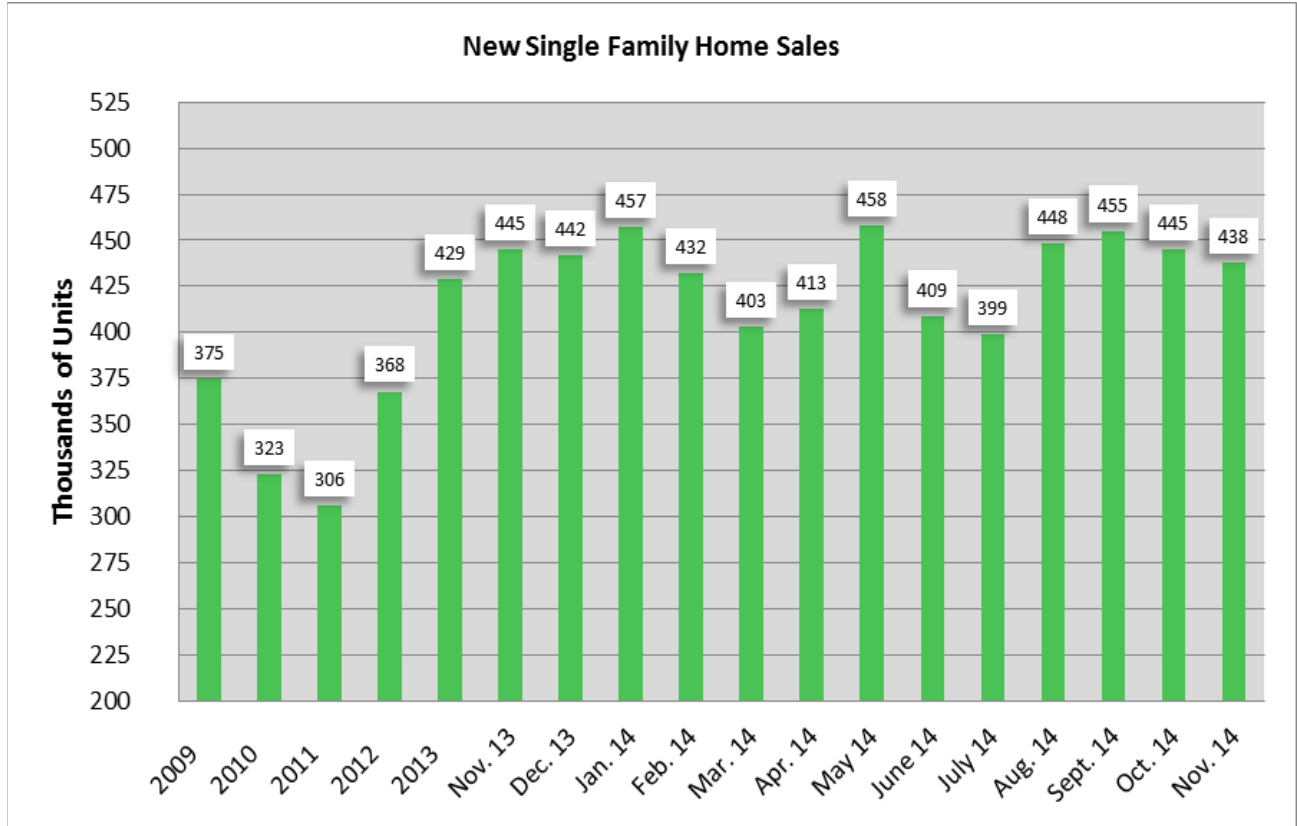


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