

2014 U.S. Ceramic Tile Industry Update



U.S. ceramic tile consumption, which has increased for each of the last four years, levelled off in 2014. In spite of healthy gains in both the construction and housing markets, as well as positive signs from other key economic indicators, the U.S. tile market did not respond similarly.

In the residential market, total new home starts increased for the fifth consecutive year and were at their highest annual level since 2007. The 1,006,000 units started in 2014 represented an 8.8% increase from the previous year.

However, even with the steady growth in housing, 2014 starts were down 44.2% vs. 2006, the year before the recent recession began (Fig. 1).

Single family new home starts in 2014 increased 4.9% from 2013 to 648,000 units, and multi-family housing starts were up 16.4% from 2013 to 358,000

units.

New home sales were at a six-year high of 435,000 units, up 1.2% vs. 2013.

Compared to historical levels though, 2014 new home sales were down almost 60.0% vs. 2006 (Fig. 2).

Existing home sales in 2014 were at a level of 4.34 million units, down 3.1% vs. 2013 and the first year-over-year decrease since 2009-2010.

Despite the decline in existing home sales, the National Association of Homebuilders' (NAHB) Remodeling Index, which takes into account both current remodeling activity and indicators of future remodeling activity, was at an all-time high in 4Q 2014. Remodeling is closely linked to existing home sales, as buyers often look to renovate their newly purchased home.

Another key indicator of the residential market's health is foreclosure activity. There

were 1.12 million foreclosure filings on U.S. properties in 2014, down 17.9% from 2013, and the lowest annual total since 2006. Four consecutive years (2010-2014) of declines in foreclosures indicate stabilization of the U.S. housing industry. The 30-year fixed mortgage rate rose from 3.98% in 2013 to 4.17% in 2014. Even with this increase the 2014 annual rate was still the third lowest on record.

As of Dec. 2014 the U.S. unemployment rate was 5.6%, down from 7.4% in 2013 and the lowest rate since 2008.

U.S. construction spending (includes both private and public residential and non-residential construction) in 2014 was \$961.4 billion, a 5.6% increase from the previous year.

The overall U.S. economy also experienced solid growth in 2014, as GDP increased 2.4% vs. 2013. This represented five consecutive years of growth

and was the largest year-over-year increase since 2009-2010.

U.S Ceramic Tile Consumption Overview

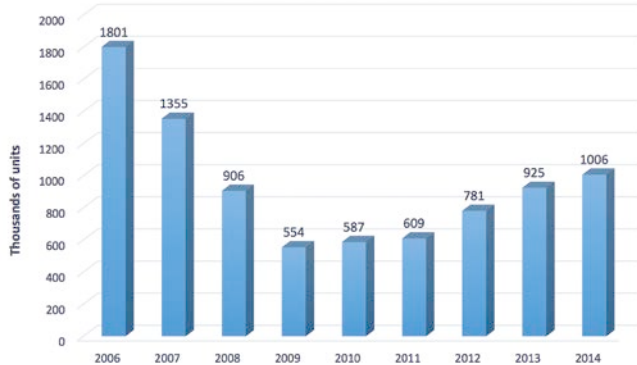
Through 3Q 2014 U.S. ceramic tile consumption was at 1.87 billion sq. ft. (173.8 million sq. m), down 1.1% vs. 3Q 2013 YTD (1.89 billion sq. ft./175.8 million sq. m) (tab. 1).

Based on data available to date, we estimate 2014 U.S. ceramic tile consumption to be 2.49 billion sq. ft. (231.4 million sq. m), up 0.5% vs. 2013 (fig. 3).

Imports

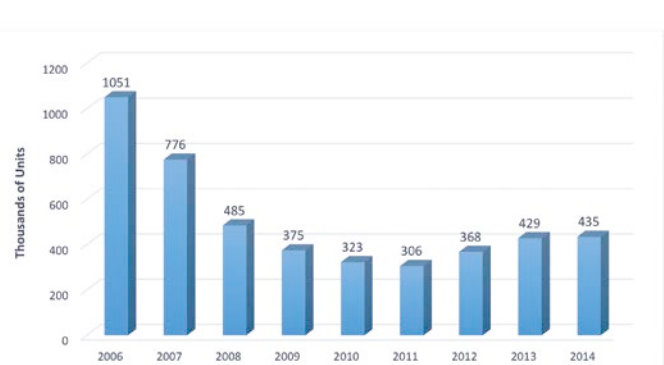
Through 3Q 2014, 1.28 billion sq. ft. (119.3 million sq. m) of ceramic tile arrived in the U.S. This was a 2.0% decrease from 3Q 2013 YTD, in which 1.31 billion sq. ft. (121.7 million sq. m) of ceramic tile were imported into the U.S., but an 11.7% in-

FIG. 1 - USA: New Housing Starts

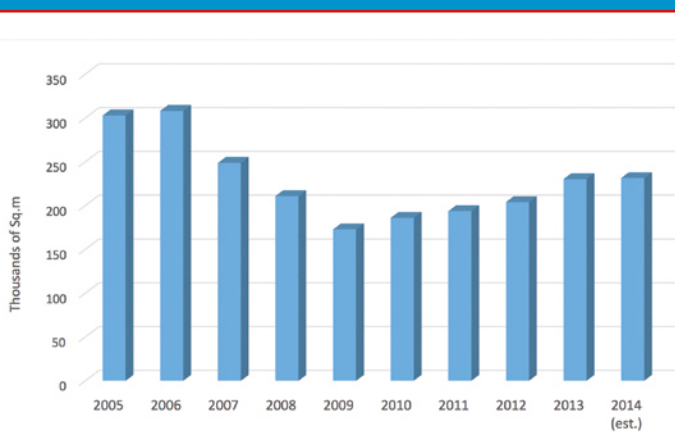


Source: U.S. Census Bureau

FIG. 2 - USA: New single family home sales



Source: U.S. Census Bureau


FIG. 3 - U.S. consumption of ceramic tile, 2005-2014


crease from 3Q 2012 YTD. Imports through 3Q 2014 made up 68.6% of U.S. tile consumption (in sq. ft.), down from 69.6% in the previous year. Mexico, the top exporter to the U.S. from 2008-2012, lost its top exporter status (in sq. ft.) last year to China. However, through 3Q 2014, Mexico was once again the top exporter to the U.S. with a 30.5% share of imports. China was in second place with a 28.9% share, followed by Italy, which was in third place with a 17.7% share. Spain and Turkey rounded out the top five with a 5.9% and

4.4% share of imports, respectively (tab. 2). Of the top ten countries from which the U.S. imported tile (in sq. ft.), Turkey (+33.2%) had the highest increase in exports to the U.S. (3Q 2014 YTD vs. 3Q 2013 YTD), and Thailand (-36.2%) had the largest decrease over the same timeframe. Italy remained 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 (tab. 3).

TAB. 1 - U.S. ceramic tile shipments, imports, exports, and total consumption

Year	U.S. shipment	Imports	Exports	U.S. Consumption*	% var. in consumption from previous year
2014 (Jan-Sep)	56.9	119.3	2.4	173.8	-1.1**
2013	73.7	160.1	3.7	230.2	12.9
2012	69.5	138.6	4.2	203.9	5.4
2011	66.7	131.1	4.2	193.6	4.0
2010	60.3	129.6	3.9	186.0	7.7
2009	53.1	123.9	4.2	172.8	-18.1
2008	58.9	156.6	4.7	210.9	-15.2
2007	50.6	202.4	4.4	248.7	-19.3
2006	58.5	253.8	4.2	308.1	1.8
2005	61.1	245.1	3.4	302.8	3.5
2004	64.6	231.2	3.2	292.6	11.8
2003	57.1	207.2	2.7	261.7	6.6
2002	60.3	189.0	3.1	245.5	16.2
2001	54.9	159.5	3.1	211.3	0.5

* U.S. Shipments + Imports - Exports

** % change from 3Q 2013 YTD

Values in million sq.m

Source: U.S. Dept. of Commerce & Tile Council of North America

U.S. Shipments

Through 3Q 2014 YTD, domestic shipments (less exports) were at 587.0 million sq. ft. (54.5 million sq. m), up 0.8% from 3Q 2013 YTD, in which 582.5 million sq. ft. (54.1 million

sq. m) of ceramic tile were shipped domestically.

In dollar value U.S. FOB factory sales of domestic shipments (less exports) through 3Q 2014 were \$866.1 million, up 4.8% vs. 3Q 2013 YTD (\$826.6 million). The per unit value of domestic shipments (less exports) rose from \$1.42 sq. ft. to \$1.48 sq. ft. from 3Q 2013 YTD to 3Q 2014 YTD.

Exports

U.S. exports through 3Q 2014 were at 26.1 million sq. ft. (2.4 million sq. m), 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%).

The value of U.S. exports fell 0.9% from \$30.6 million (3Q 2013 YTD) to \$30.3 million (3Q 2014 YTD). X

TAB. 2 - US Ceramic tile imports by country of origin, in volume (Jan-Sept.)

Country	2012 Sq.m	2013 Sq.m	Var. % 2013/2012	2014 Sq.m	Var. % 2014/2013	% on total 2013 - 2014 imports
Mexico	34,111,980	36,896,428	8.2%	36,435,623	-1.2%	30.3% - 30.5%
China	28,894,337	35,631,432	23.3%	34,435,793	-3.4%	29.3% - 28.9%
Italy	18,256,526	21,099,764	15.6%	21,165,205	0.3%	17.3% - 17.7%
Spain	5,751,432	6,925,557	20.4%	7,056,629	1.9%	5.7% - 5.9%
Turkey	3,323,447	3,957,646	19.1%	5,272,298	33.2%	3.3% - 4.4%
Brazil	5,376,852	6,043,467	12.4%	4,964,171	-17.9%	5.0% - 4.2%
Peru	2,823,566	2,801,623	-0.8%	2,886,860	3.0%	2.3% - 2.4%
Colombia	2,156,997	2,359,711	9.4%	1,890,886	-19.9%	1.9% - 1.6%
Thailand	1,447,758	1,306,030	-9.8%	833,035	-36.2%	1.1% - 0.7%
Portugal	451,567	577,554	27.9%	549,060	-4.9%	0.5% - 0.5%

Source: U.S. Dept. of Commerce

TAB. 3 - USA: Ceramic tile imports by country of origin, in value* (Jan-Sept.)

Country	2012 US \$	2013 US \$	2013/2012 % Change	2014 US \$	2014/2013 % Change	2013 - 2014 Average price US \$/sq.m	% on total 2013-2014 imports
Italy	381,150,405	445,918,738	17.0%	471,972,521	5.8%	21.1 - 22.3	34.3% - 34.7%
China	251,914,697	327,984,124	30.2%	344,695,559	5.1%	9.2 - 10.0	25.3% - 25.3%
Mexico	207,889,992	229,965,470	10.6%	231,488,116	0.7%	6.2 - 6.3	17.7% - 17.0%
Spain	89,713,659	106,345,308	18.5%	120,081,499	12.9%	15.4 - 17.0	8.2% - 8.8%
Turkey	32,374,578	41,313,443	27.6%	60,634,057	46.8%	10.4 - 11.5	3.2% - 4.5%
Brazil	35,872,099	41,430,037	15.5%	37,334,335	-9.9%	6.9 - 7.5	3.2% - 2.7%
Peru	14,843,619	14,982,617	0.9%	15,134,126	1.0%	5.3 - 5.2	1.2% - 1.1%
Colombia	13,468,918	14,818,506	10.0%	11,439,531	-22.8%	6.3 - 6.0	1.1% - 0.8%
Japan	9,500,348	9,523,613	0.2%	9,556,090	0.3%	n.a.	0.7% - 0.7%
Argentina	11,396,345	8,062,417	-29.3%	7,862,246	-2.5%	n.a.	0.6% - 0.6%
All Countries	1,102,934,452	1,298,801,427	17.8%	1,359,805,159	4.7%		

Including duty, freight and insurance - Source: U.S. Dept. of Commerce