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2Q 2015 Ceramic Tile Industry Update

U.S. Tile Consumption Overview:

Halfway through 2015 the U.S. ceramic tile market appears headed for its sixth consecutive year of growth. Through 2Q U.S. ceramic tile consumption was up 11.0% (in sq. ft.) vs. the first half of 2014.

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>
2Q 2015 YTD	450,600	911,128	20,272	1,341,456	11.0***
2014	816,050	1,711,571	36,996	2,490,624	0.5
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

*2014 Exports have been revised

** U.S. Shipments + Imports – Exports

***Note: % change vs. 2Q 2014 YTD

Imports:

Through 2Q 2015, 911.1 million sq. ft. of ceramic tile arrived in the U.S., a 10.3% increase from 2Q 2014 YTD (826.3 million sq. ft.) and an 8.8% increase from 2Q 2013 YTD.

Import penetration (2Q 2015 YTD) was 67.9%, down from 68.7% in 2014.

Through 2Q 2015 China remained the largest exporter to the U.S. (in sq. ft.) with a 29.7% share of U.S. imports. Mexico was in second place, making up 28.5% of imports, followed by Italy with a 17.4% share.

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Italy remained the largest exporter to the U.S. on a dollar basis (2Q 2015 YTD), comprising 33.8% of U.S. imports. China was second with a 26.5% share, and Mexico was third with a 15.6% share.

The \$ value/sq. ft. of all tile imports rose from \$1.05 (2Q 2014 YTD) to \$1.06 through 2Q 2015.

The five countries from which the most tiles were imported through 2Q 2015 based on sq. ft. were:

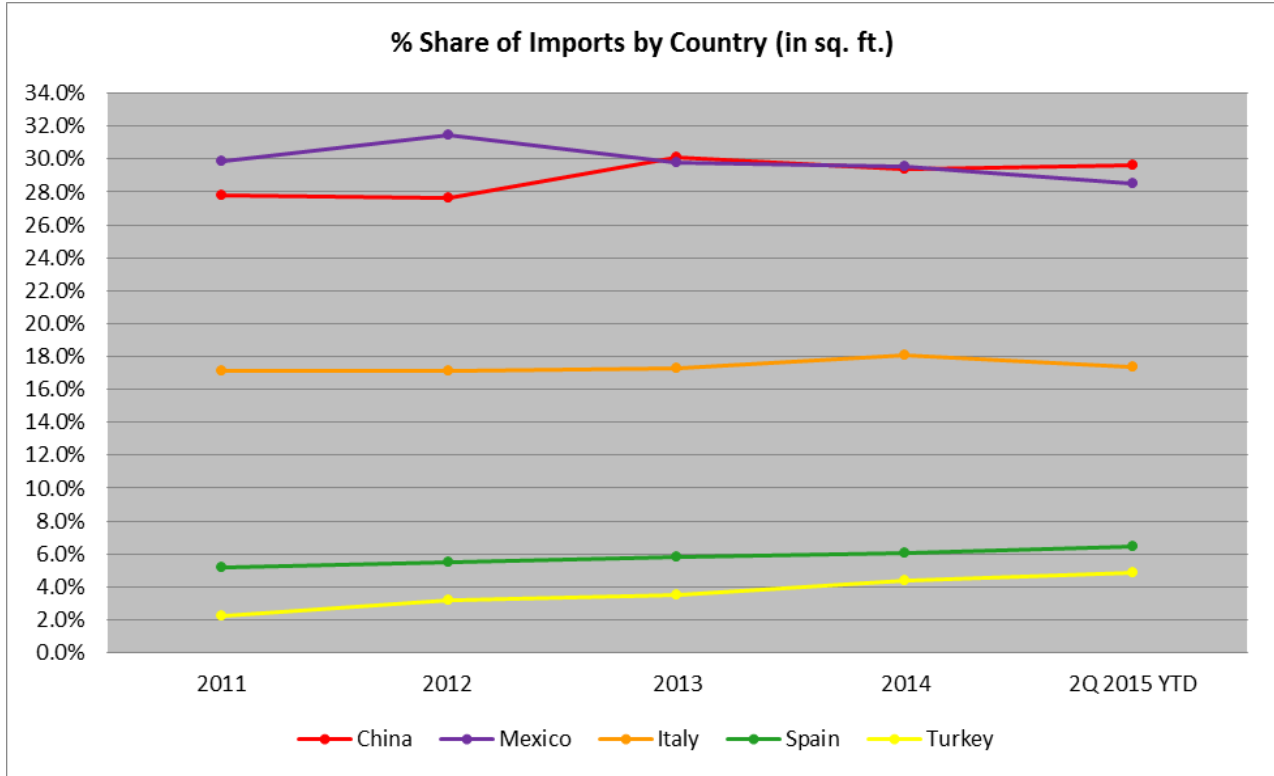
Country	Sq. Ft. 2Q 2015 YTD	Sq. Ft. 2Q 2014 YTD	2015/2014 % Change	2014/2013 % Change
China	270,287,011	238,687,582	13.2%	1.4%
Mexico	259,476,288	258,105,784	0.5%	-2.5%
Italy	158,490,271	145,263,201	9.1%	-0.8%
Spain	58,790,907	48,328,020	21.6%	1.7%
Turkey	44,025,459	38,536,920	14.2%	44.3%

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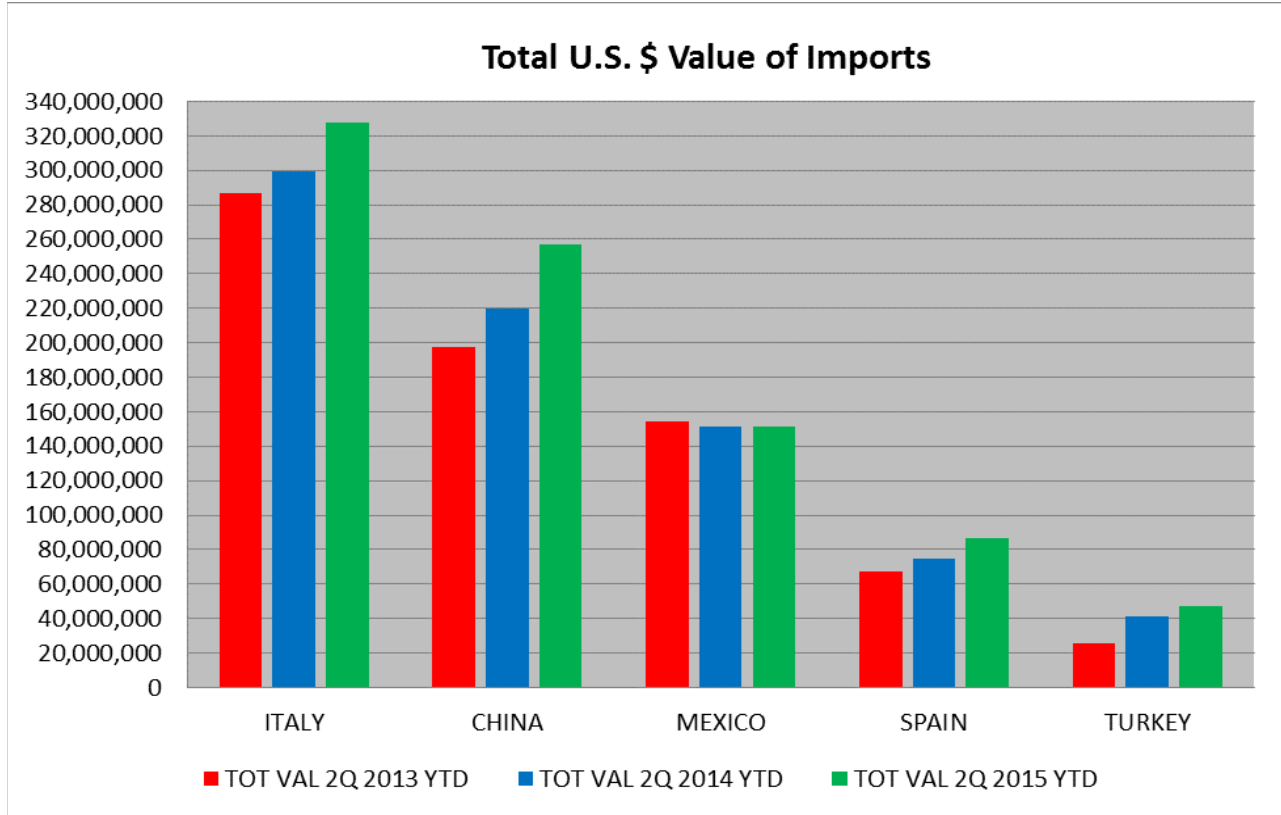
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The five countries from which the most tiles were imported through 2Q 2015 based on total U.S. \$ value (including duty, freight, and insurance) were:

Country	\$ Value 2Q 2015 YTD	\$ Value 2Q 2014 YTD	2015/2014 % Change	2014/2013 % Change
Italy	327,671,508	299,631,453	9.4%	4.6%
China	257,105,759	219,843,080	16.9%	11.2%
Mexico	151,119,846	151,222,476	-0.1%	-2.2%
Spain	86,287,978	75,017,765	15.0%	11.1%
Turkey	47,411,006	41,278,614	14.9%	60.8%
All Countries	970,299,134	867,149,638	11.9%	4.9%





The average values¹ (including duty, freight, and insurance) of tile from the top five countries (based on sq. ft.) from which tiles were imported through 2Q 2015 were:

Country	Sq. Ft. 2Q 2015 YTD	\$ Value 2Q 2015 YTD	Val/Sq. Ft. 2Q 2015 YTD	Val/Sq. Ft. 2Q 2014 YTD	Val/Sq. Ft. 2Q 2013 YTD
China	270,287,011	257,105,759	\$0.95	\$0.92	\$0.84
Mexico	259,476,288	151,119,846	\$0.58	\$0.59	\$0.58
Italy	158,490,271	327,671,508	\$2.07	\$2.06	\$1.96
Spain	58,790,907	86,287,978	\$1.47	\$1.55	\$1.42
Turkey	44,025,459	47,411,006	\$1.08	\$1.07	\$0.96
All Countries	911,128,441	970,299,134	\$1.06	\$1.05	\$0.99

¹ The average value is significantly affected by the mix of tiles imported, with different types of tiles impacting the average value, in addition to differences in pricing for the same types of tile.

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U.S. Shipments:

2Q 2015 YTD U.S. shipments (less exports) were at 430.3 million sq. ft., up 12.5% from 2Q 2014 YTD.

Exports:

U.S. exports through 2Q 2015 were at 20.3 million sq. ft., up 13.9% vs. 2Q 2014 YTD. The vast majority of these exports (in sq. ft.) were to Canada (55.3%) and Mexico (18.4%).

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

Economic news:

- The government's revised 2Q 2015 estimate of the change in real GDP was 3.9%, an increase of 3.3 percentage points from the change seen in 1Q 2015.²
- Aug. 2015 new home starts were at a seasonally-adjusted annual rate of 1,126,000 units, a 3.0% decrease from July 2015.³
- Aug. 2015 new one-family home sales were at a seasonally-adjusted annual rate of 552,000 units, a 5.7% increase from July 2015.⁴
- Existing single family home sales in Aug. 2015 were at a seasonally-adjusted annual rate of 4.69 million units, down 5.3% from the previous month.⁵
- There were 110,000 foreclosure filings on U.S. properties in Aug. 2015, down 12.3% from the previous month.⁶
- The 30-year fixed mortgage rate in Aug. 2015 was 3.91%, down from 4.05% in July 2015.⁷
- The U.S. unemployment rate was 5.1% in Aug. 2015, down from 6.1% one year ago (Aug. 2014).⁸

² Bureau of Economic Analysis

³ U.S. Census Bureau

⁴ U.S. Census Bureau

⁵ National Association of Realtors

⁶ RealtyTrac

⁷ Freddie Mac

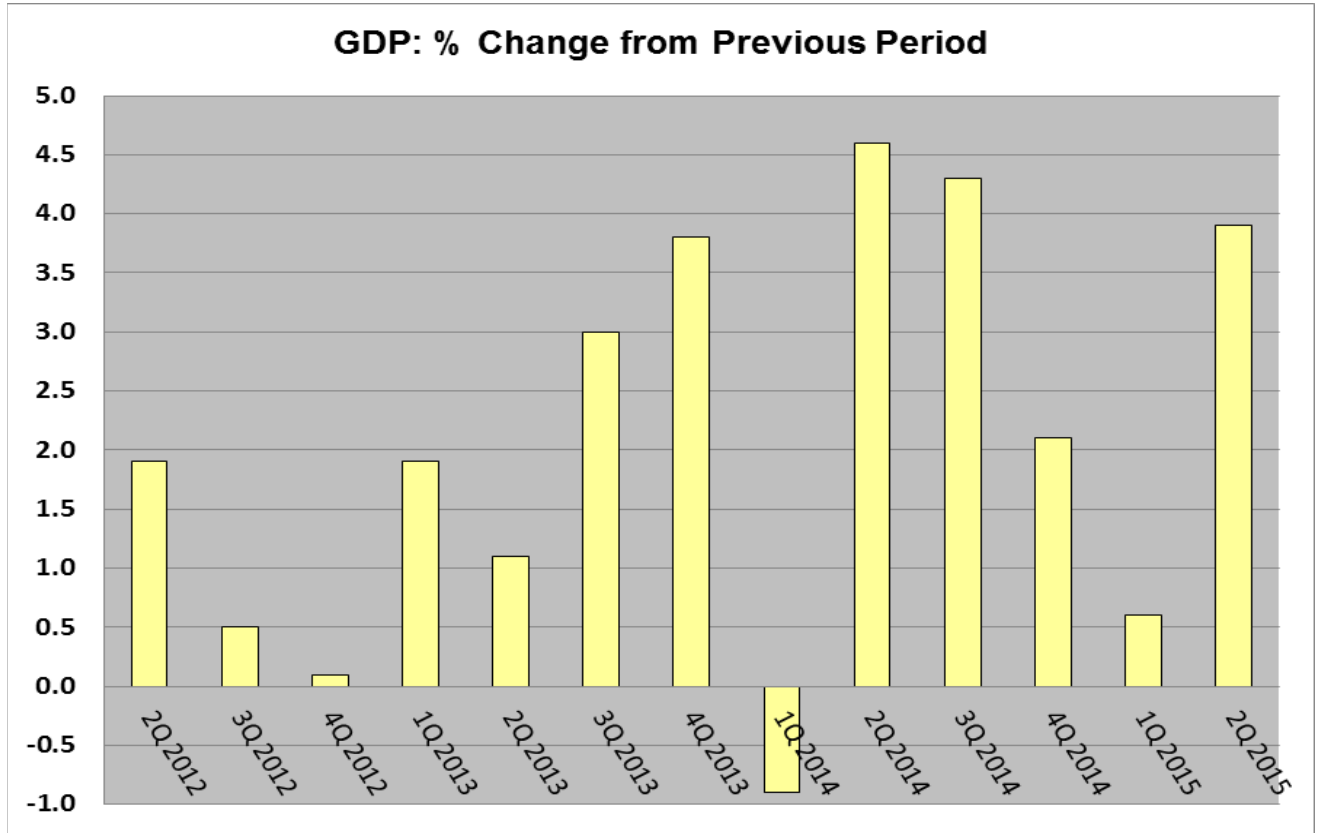
⁸ Bureau of Labor Statistics

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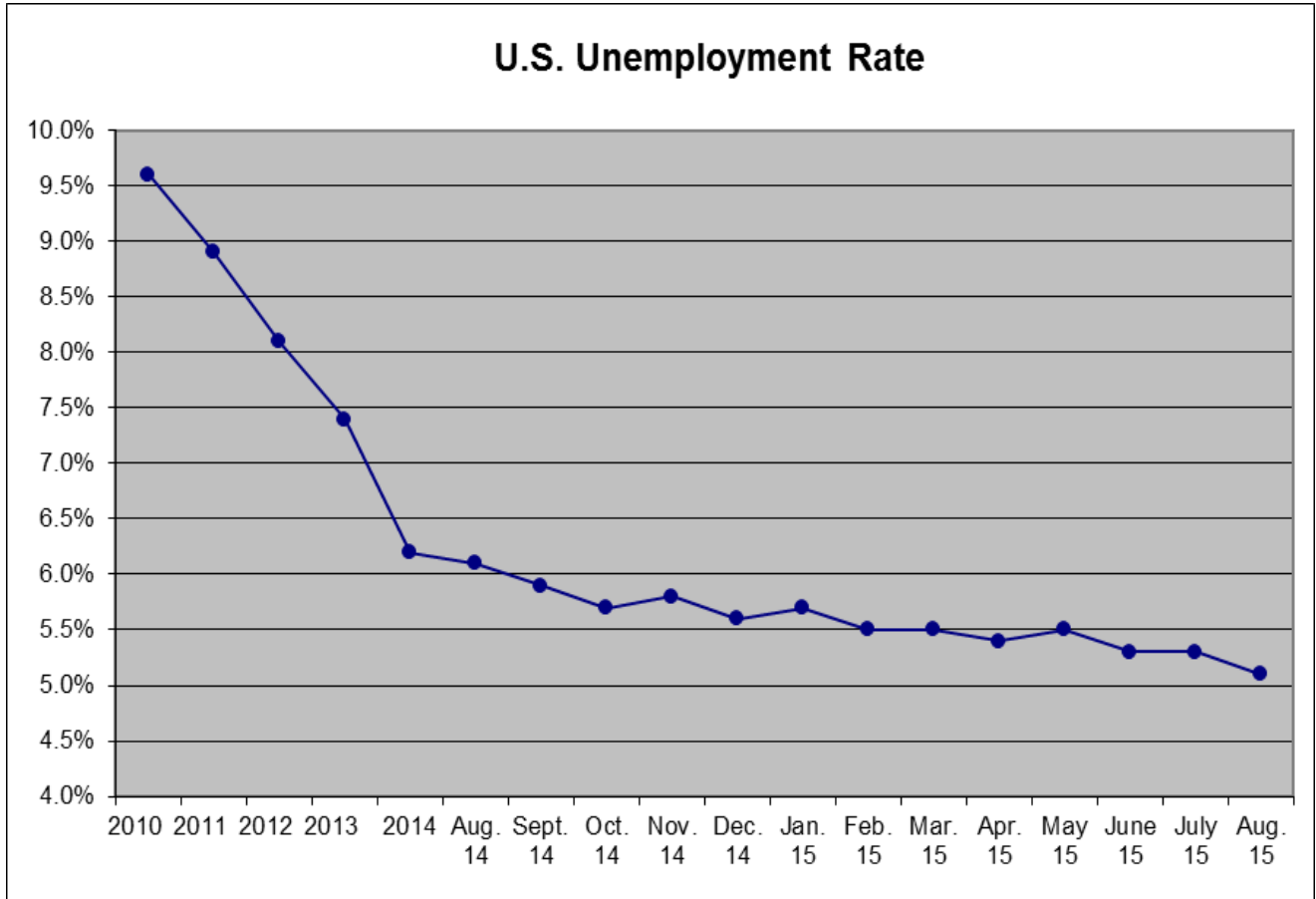


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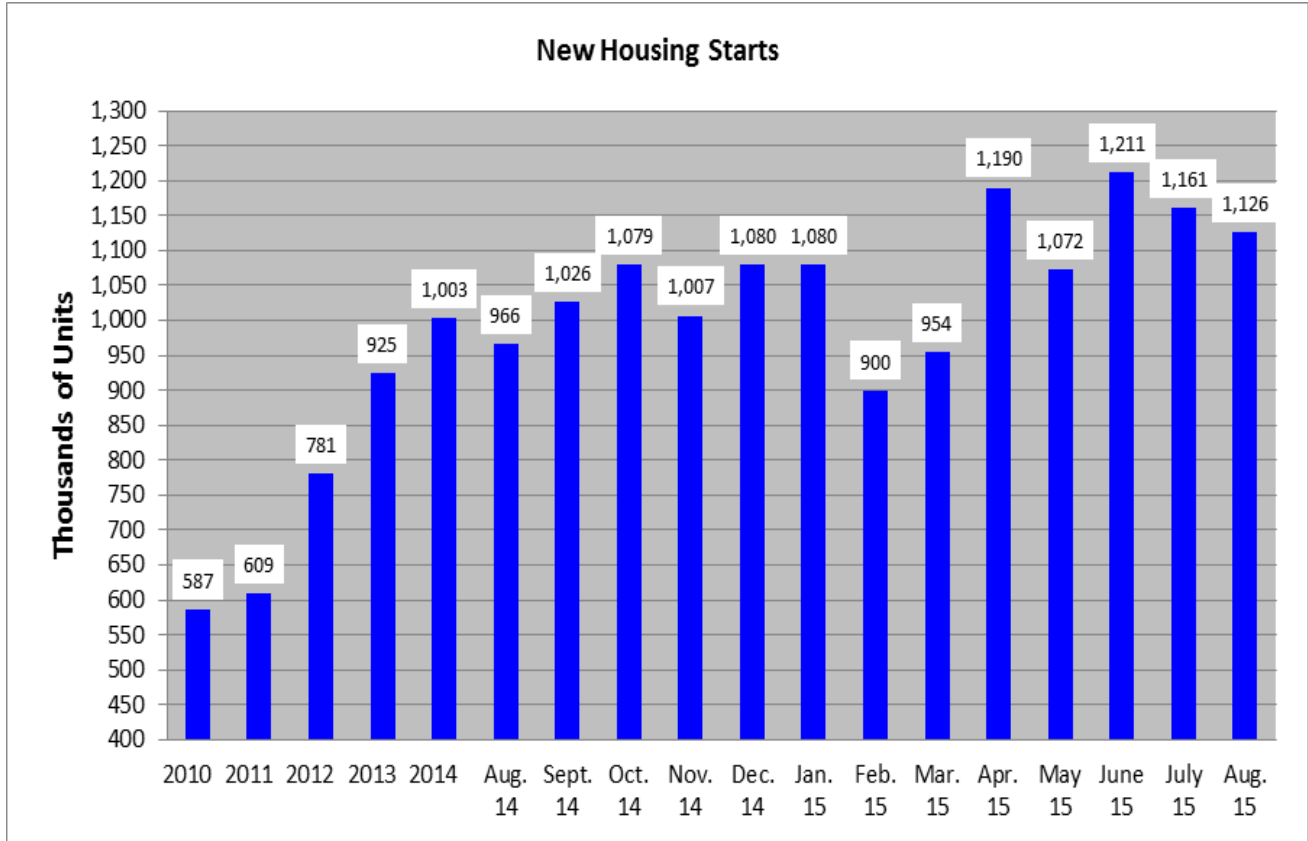


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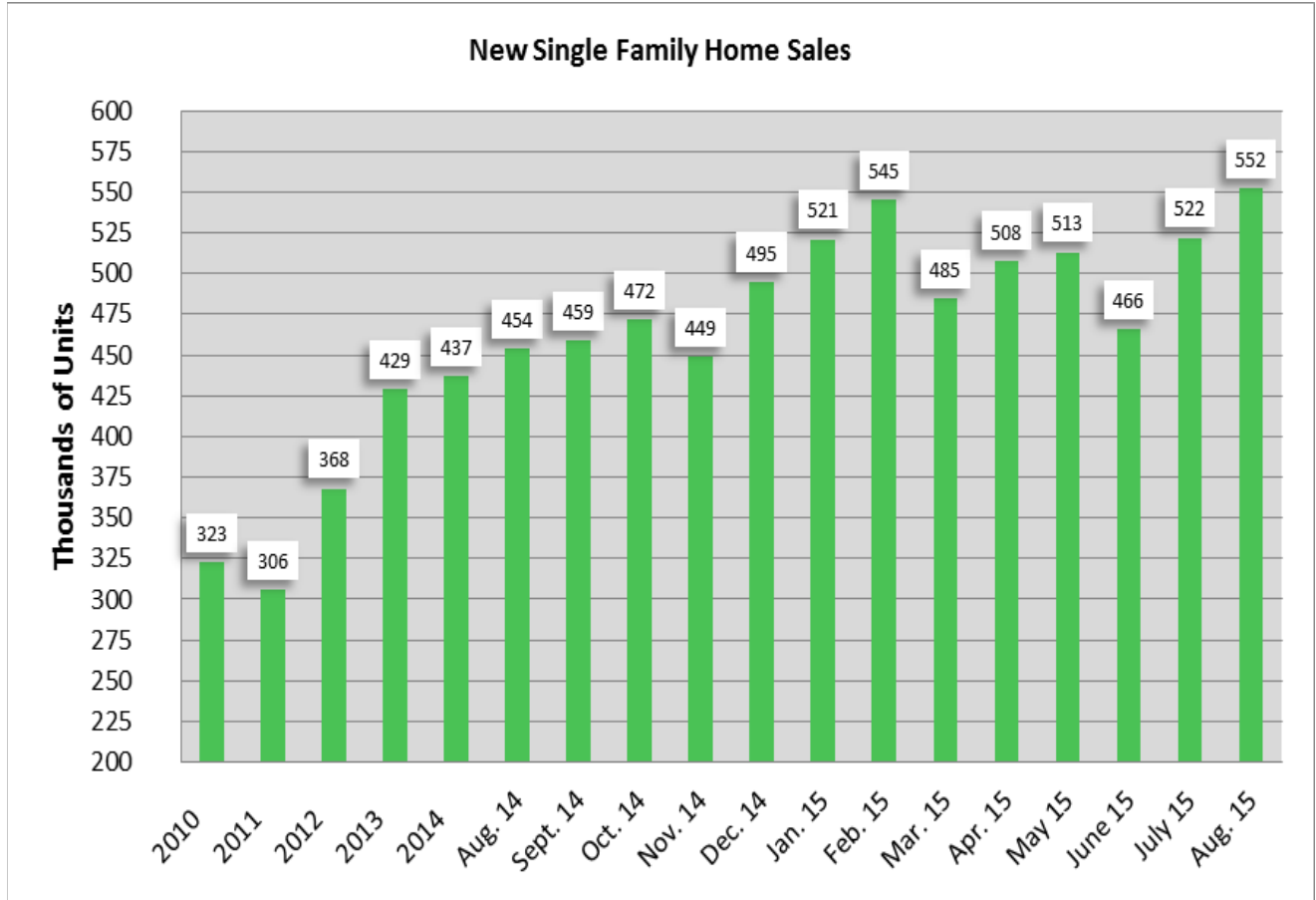


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