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2Q 2013 U.S. Ceramic Tile Industry Update

Economic Overview:

At the halfway point in 2013, the U.S. economy continued to show marked improvement vs. 2012.

According to the U.S. Census Bureau, new home starts in June rose to a seasonally-adjusted annual rate of 846,000 units, up 11.8% from June 2012.

New home sales soared 38.1% from June 2012 to June 2013 to a seasonally-adjusted annual rate of 497,000 units, per the U.S. Census Bureau. Existing home sales also were up, rising 14.5% from 3.93 million units in June 2012 to 4.50 million units in June 2013 (source: National Association of Realtors).

In more good news for the economy, unemployment continued to decline midway through the year. As of June the U.S. unemployment rate was at 7.6%, down from 8.2% in June 2012 (Bureau of Labor Statistics).

30-year fixed rate mortgages steadily rose during 2Q and as of June were at 4.07%, up from 3.68% in June 2012 (Freddie Mac).

The Census Bureau reported June 2013 U.S. construction spending (including both private and public residential and non-residential construction) to be at a seasonally-adjusted annual rate of \$884 billion, a 3.3% increase from June 2012.

U.S. Tile Consumption Overview:

Midway through 2013 U.S. ceramic tile consumption was up 11.7% from 2Q 2012 YTD.

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

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<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 2013 YTD	406,881	837,265	21,651	1,222,496	11.7**
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
2009	571,255	1,333,252	45,555	1,858,952	-18.1

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

** Note: % change vs. 2Q 2012 YTD

Imports:

Through 2Q 2013 YTD, 837.3 million sq. ft. of ceramic tile arrived in the U.S. This was an increase of 14.8% from 2Q 2012 YTD, in which 729.3 million sq. ft. of ceramic tile were imported into the U.S. and an 18.2% increase from 2Q 2011 YTD.

Import penetration was at 68.5% through 2Q 2013 YTD, up from 66.7% through 2Q 2012 YTD.

Mexico remained the top exporter in sq. ft. to the U.S. through 2Q 2013 YTD with a 31.6% share. China held the second position, making up 28.1% of imports (in sq. ft.). Italy was in third place with a 17.5% share.

On a dollar basis Italy continued to hold the top exporter position, making up 34.7% of U.S. imports. The next two highest shares belonged to China and Mexico, which had 23.9% and 18.7% of the \$ value of U.S. imports, respectively.

The \$ value/sq. ft. of all tile imports rose from \$0.96 (2Q 2012 YTD) to \$0.99 for 2Q 2013 YTD.

The top five countries from which tiles were imported through 2Q 2013 YTD based on sq. ft. were:

Country	Sq Ft 2Q 2013 YTD	Sq Ft 2Q 2012 YTD	2013/2012 % Change	2012/2011 % Change
Mexico	264,853,949	236,981,728	11.8%	8.4%
China	235,396,183	195,109,127	20.6%	10.1%
Italy	146,486,358	126,605,157	15.7%	1.1%
Spain	47,528,897	37,773,393	25.8%	1.0%
Brazil	41,308,099	35,000,889	18.0%	-20.9%

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The top five countries from which tiles were imported through 2Q 2013 YTD based on total U.S. \$ value (including duty, freight, and insurance) were:

Country	\$ Val 2Q 2013 YTD	\$ Val 2Q 2012 YTD	2013/2012 % Change	2012/2011 % Change
Italy	286,581,514	246,136,359	16.4%	5.5%
China	197,737,463	152,451,492	29.7%	11.2%
Mexico	154,666,537	134,825,386	14.7%	11.8%
Spain	67,528,039	55,926,060	20.7%	3.5%
Brazil	25,802,091	22,062,425	17.0%	-25.4%

The average values of tile from the top five countries (based on sq. ft.) from which tiles were imported through 2Q 2013 YTD were:

Country	Sq Ft 2Q 2013 YTD	\$ Val 2Q 2013 YTD	Val/Sq Ft 2Q 2013 YTD	Val/Sq Ft 2Q 2012 YTD	Val/Sq Ft 2Q 2011 YTD
Mexico	264,853,949	154,666,537	\$0.58	\$0.57	\$0.55
China	235,396,183	197,737,463	\$0.84	\$0.78	\$0.77
Italy	146,486,358	286,581,514	\$1.96	\$1.94	\$1.86
Spain	47,528,897	67,528,039	\$1.42	\$1.48	\$1.44
Brazil	41,308,099	25,802,091	\$0.62	\$0.63	\$0.67
All Countries	837,265,293	826,521,055	\$0.99	\$0.96	\$0.94

U.S. Shipments:

U.S. shipments (less exports) were at 385.2 million sq. ft. through 2Q 2013 YTD, up 5.6% from 2Q 2012 YTD.

Exports:

U.S. exports through 2Q 2013 YTD were at 21.7 million sq. ft., down 7.7% vs. 2Q 2012 YTD. The vast majority of these exports (in sq. ft.) were to Canada (61.9%), Mexico (17.8%), and China (6.2%).

(Source: U.S. Commerce Dept.)

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