

USA: in recovery we trust



The American economy has consigned another bleak year to the history books. The United States Department of Labor reported 4.2 million lost jobs in 2009, the highest yearly total since the government began tracking unemployment in 1939. The unemployment rate in 2009 was at 9.3%, up significantly from 5.8% the previous year and the highest rate since 1983. This helped lead to a record 2.8 million foreclosure filings in 2009, a 21% increase over 2008 and more than double the 2007 total. The trend went into reverse in January 2010, however, when the rise in foreclosures slowed. Feeling the pinch from high unemployment, tighter lending practices, foreclosures, falling home prices and nervous buyers, the US housing market continued to decline in 2009. According to the United States Commerce Department, new home starts in 2009 were at a level of 553,800 units, compared to 905,500 units in 2008 and 1.36 million units in 2007. New single family home sales were estimated by the National Association of Homebuilders (NAHB) to be 379,000 units in 2009, down from 485,000 units in 2008 and 776,000 units in 2007. The commercial construction market was down considerably, as well. The American Institute of Architects (AIA) estimated that U.S. commercial construction spending fell 16% in 2009.

Despite all this, there are positive indicators that the worst of the economic disaster has past, and the market is set to rebound. Gross domestic product increased in the third quarter of 2009 (+2.2%) after four consecutive quarters of contraction. 30-year fixed mortgage rates fell in 2009 to 5.04%, the lowest annual rate on record. Driven by extended tax credits and these historically-low mortgage rates, the NAHB predicts that new home starts and new home sales will rise by 25% and 36%, respectively, in 2010. This should restore growth to the ceramic tile market, which has been contracting since 2007.

The tile market

Based on trends to date, tile consumption in the United States will fall for the third consecutive year in 2009. This is the first time this has occurred since 1982, during the midst of the last major recession. Annualising the data available from the first three quarters of 2009 (the definitive figures for the year as a whole will be available in April and will be published in the May issue of Ceramic World Review), total U.S. tile consumption for 2009 would be around 168.2 million square metres (-14.6% vs. 2008), approximately the same consumption level as 1998.

Top exporters: Italy by value, Mexico by quantity

In the first nine months of 2009, 91.8 million square metres of ceramic tile arrived in the United States. This was a decrease of 24.6% on the same period of 2008, in which 121.7 million square metres of ceramic tile were imported into the country. These falls, which compound those reported in the previous two years, are gradually reducing the share of the U.S. market held by imports. By the end of 2009, the share of imports may in fact have fallen to below 73%, the lowest level

TILE IMPORTS TO USA JAN-SEPT 2008 AND 2009
(in dollars and sq.m and percent variation)

Country	Million Dollars FOB		%	Average value FOB per sq.m 2008	Average value FOB per sq.m 2009	%
	2008	2009				
Italy	456.0	263.8	-42.1	\$ 16.10	\$ 16.11	0.1
Mexico	201.9	147.3	-27.0	\$ 6.48	\$ 5.61	-13.4
China	115.0	111.9	-2.7	\$ 5.38	\$ 5.73	6.5
Brazil	66.0	42.2	-36.9	\$ 5.58	\$ 5.32	-4.6
Spain	106.1	64.0	-39.7	\$ 11.62	\$ 11.74	1.1
Thailand	15.9	17.7	11.3	\$ 3.79	\$ 5.59	-5.4
Colombia	13.6	16.9	24.3	\$ 4.37	\$ 4.44	1.4
Turkey	23.2	13.2	-43.1	\$ 6.69	\$ 7.81	16.8
Argentina	17.2	11.0	-36.0	\$ 10.62	\$ 10.19	-4.1
Indonesia	5.7	4.7	-17.5	\$ 4.83	\$ 6.27	29.7
Venezuela	2.7	0.8	-70.4	\$ 3.86	\$ 3.48	-9.8
Other	48.8	30.9	-36.7	\$ 8.92	\$ 7.94	-11.0
TOTAL	1,073.0	724.4	-32.5	\$ 8.82	\$ 7.89	-10.5

Source: Confindustria Ceramica

since 1999. According to initial estimates, imports for the whole year will settle at 122.4 million square metres.

Mexico was the top exporter to the U.S., with a growing share of the market. In the first nine months of 2009, 28.5% of the market was in the hands of Mexican manufacturers, as against 25.6% in the same period of 2008. China held the second position, comprising 21.3% of imports (in square metres), up from 17.6% in September 2008.

Italy was in third place with a 17.8% share, in quantitative terms, representing a slight fall from the figure of 23.3% in the first nine months of 2008.

Of the major exporting countries to the U.S. (in square metres), only Colombia (+22.3%) and Thailand (+17.8%) experienced increases with respect to

THE CERAMIC TILE MARKET IN THE UNITED STATES (MILLION SQ.M)

Year	Domestic shipments	Imports	Exports	Consumption	Variation %
2009 *	50.1	122.4	4.3	168.2	-14.6
2008	45.0	156.6	4.7	197.0	-20.8
2007	50.6	202.4	4.4	248.6	-19.3
2006	58.4	253.8	4.2	308.1	1.8
2005	61.1	245.1	3.4	302.8	3.5

* Annualized from 1Q-3Q 2008 data

Source: U.S. Commerce Dept.

the previous year. Turkey saw the worst falls, amounting to a reduction of 51.4%.

On a dollar basis, Italy continued to hold the top exporter position, well ahead of the closest competitors. Italy holds 36% of the market, which is more than twice the share held by Mexico, in second place with 20.3%, and China, in third place with 15.4% of the total value of imports.

Local production and exports

While overall tile consumption will be down in 2009, consumption of domestic tile is on pace to increase slightly.

In the first nine months of the year, domestic shipments increased 6.2% on the same period in 2008.

Using an annualized total, 2009

U.S. shipments would be 50.1 million square metres (+11.3% on 2008), approximately the same level as in 2007.

U.S. exports were at 3.2 million square metres for the first nine months of 2009, down 7.0% on the same period the previous year.

The vast majority of these exports were to Canada (55.4%) and Mexico (24.3%).



THE TOP TEN EXPORTING COUNTRIES TO THE UNITED STATES IN VOLUME IN THE FIRST NINE MONTHS OF 2009 (JAN-SEPT)

Country	Jan-Sept 2009 Mill. Sq.m	Jan-Sept 2008 Mill. Sq.m	2009/2008 % Change	2008/2007 % Change
Mexico	26,154,221	31,174,043	-16.1%	-4.9%
China	19,517,713	21,366,212	-8.7%	-9.2%
Italy	16,372,810	28,327,041	-42.2%	-25.0%
Brazil	7,929,875	11,987,927	-33.9%	-46.0%
Spain	5,454,712	9,131,733	-40.3%	-42.9%
Thailand	4,931,750	4,188,075	17.8%	-12.4%
Colombia	3,801,518	3,107,835	22.3%	5.0%
Turkey	1,686,560	3,470,216	-51.4%	-32.5%
Peru	1,635,230	1,721,986	-5.0%	2.0%
Argentina	1,075,961	1,619,502	-33.6%	-23.4%

Source: U.S. Commerce Dept.