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1Q 2015 Ceramic Tile Industry Update

U.S. Tile Consumption Overview:

U.S. ceramic tile consumption, which has increased in each of the last 5 years, continued to grow in 1Q 2015 (+9.1% vs. 1Q 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>
1Q 2015	211,574	423,413	10,257	624,730	9.1**
2014	821,600	1,711,571	42,547	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

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

**Note: % change vs. 1Q 2014

Imports:

Through 1Q 2015, 423.4 million sq. ft. of ceramic tile arrived in the U.S. This was a 7.9% increase from 1Q 2014 (392.5 million sq. ft.) and a 9.0% increase from 1Q 2013.

Import penetration in 1Q 2015 was 67.8%, down from 68.7% in 2014.

Through 1Q 2015 China was the largest exporter to the U.S. (in sq. ft.) with a 33.3% share of U.S. imports. Mexico was in second place, making up 29.3% of imports, followed by Italy with a 15.5% share.

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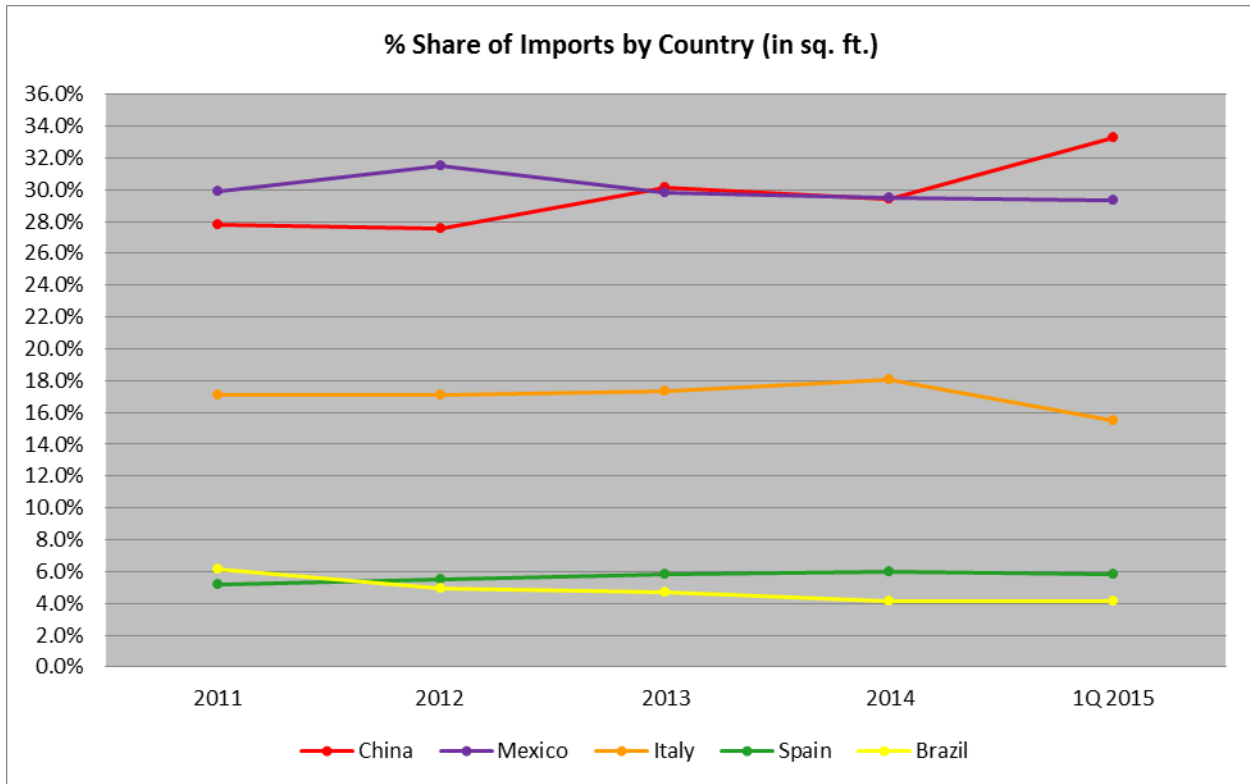
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Italy remained the largest exporter to the U.S. on a dollar basis in 1Q 2015, comprising 31.4% of U.S. imports. China was second with a 30.4% share, and Mexico was third with a 16.3% share.

The \$ value/sq. ft. of all tile imports rose from \$1.02 (1Q 2014) to \$1.05 for 1Q 2015.

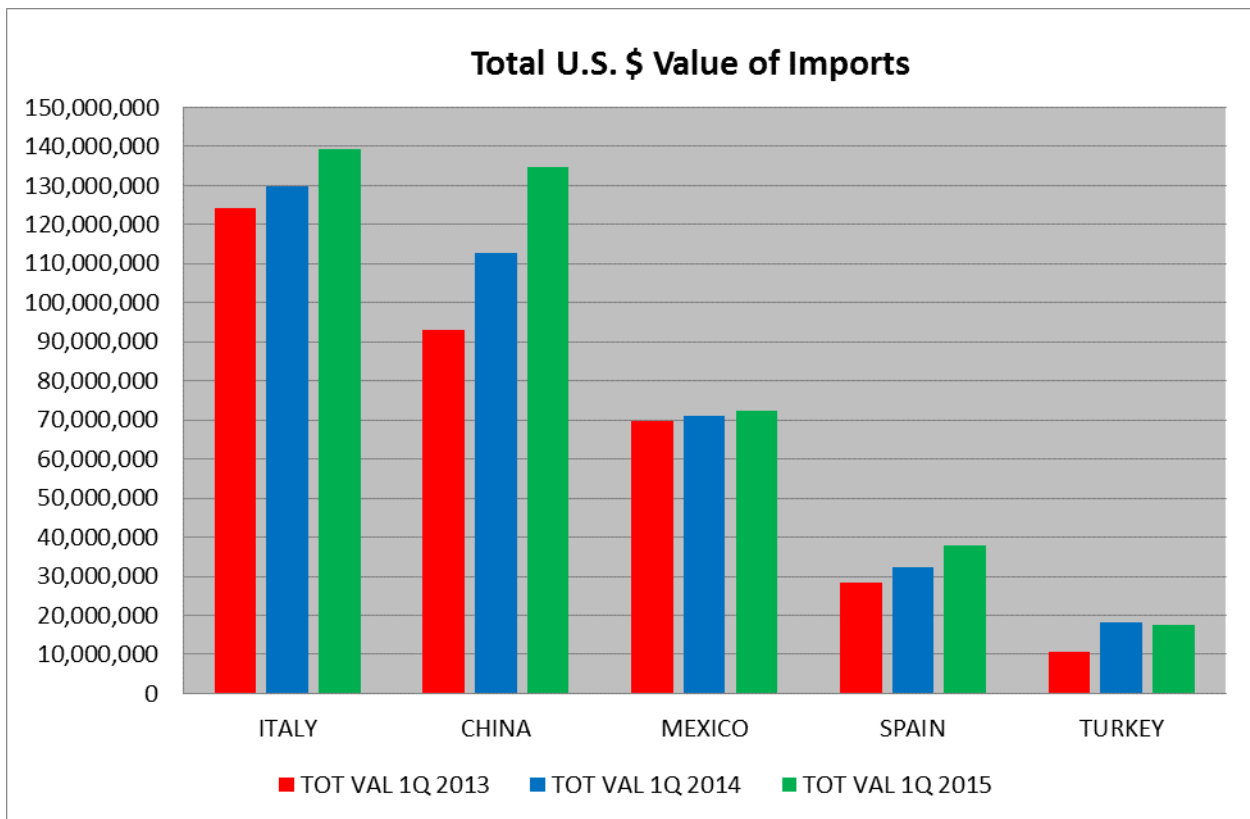
The five countries from which the most tiles were imported in 1Q 2015 based on sq. ft. were:

Country	Sq. Ft. 1Q 2015	Sq. Ft. 1Q 2014	2015/2014 % Change	2014/2013 % Change
China	140,970,360	125,381,258	12.4%	10.8%
Mexico	124,262,080	121,260,004	2.5%	-1.1%
Italy	65,493,099	63,759,679	2.7%	-1.6%
Spain	24,821,513	21,237,184	16.9%	10.0%
Brazil	17,494,045	14,524,605	20.4%	-23.8%



The five countries from which the most tiles were imported in 1Q 2015 based on total U.S. \$ value (including duty, freight, and insurance) were:

Country	\$ Value 1Q 2015	\$ Value 1Q 2014	2015/2014 % Change	2014/2013 % Change
Italy	139,438,316	129,835,280	7.4%	4.5%
China	134,843,326	112,599,149	19.8%	20.8%
Mexico	72,400,875	71,115,198	1.8%	2.1%
Spain	37,767,530	32,276,703	17.0%	13.4%
Turkey	17,667,848	18,273,931	-3.3%	73.4%
All Countries	444,270,706	400,839,343	10.8%	7.8%





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The average values¹ (including duty, freight, and insurance) of tile from the top five countries (based on sq. ft.) from which tiles were imported in 1Q 2015 were:

Country	Sq. Ft. 1Q 2015	\$ Value 1Q 2015	Val/Sq. Ft. 1Q 2015	Val/Sq. Ft. 1Q 2014	Val/Sq. Ft. 1Q 2013
China	140,970,360	134,843,326	\$0.96	\$0.90	\$0.82
Mexico	124,262,080	72,400,875	\$0.58	\$0.59	\$0.57
Italy	65,493,099	139,438,316	\$2.13	\$2.04	\$1.92
Spain	24,821,513	37,767,530	\$1.52	\$1.52	\$1.47
Brazil	17,494,045	12,513,988	\$0.72	\$0.69	\$0.61
All Countries	423,412,969	444,270,706	\$1.05	\$1.02	\$0.96

U.S. Shipments:

1Q 2015 U.S. shipments (less exports) were at 201.3 million sq. ft., up 11.8% from 1Q 2014.

Exports:

U.S. exports in 1Q 2015 were at 10.3 million sq. ft., up 15.6% vs. 1Q 2014. The vast majority of these exports (in sq. ft.) were to Canada (54.3%) and Mexico (16.2%).

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

Economic news:

- The government's revised 1Q 2015 estimate of the change in real GDP was -0.2%. This was a decrease of 2.4 percentage points from the change seen in 4Q 2014.²
- May 2015 new home starts were at a seasonally-adjusted annual rate of 1,036,000 units, a 5.1% increase from May 2014.³
- May 2015 new one-family home sales were at a seasonally-adjusted annual rate of 546,000 units, a 19.5% increase from May 2014.⁴

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.

² Bureau of Economic Analysis

³ U.S. Census Bureau

⁴ U.S. Census Bureau

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- Existing single family home sales in May 2015 were at a seasonally-adjusted annual rate of 4.73 million units, up 9.7% from May 2014.⁵
- There were 127,000 foreclosure filings on U.S. properties in May 2015, up 15.5% from May 2014.⁶
- The 30-year fixed mortgage rate in May 2015 was 3.84%, down from 4.19% in May 2014.⁷
- The U.S. unemployment rate was 5.5% in May 2015, down from 6.3% one year ago (May 2014).⁸
- May 2015 total U.S. construction spending (includes both private and public residential and non-residential construction) was at a seasonally-adjusted annual rate of \$1.04 trillion, an 8.2% increase from May 2014.⁹

⁵ National Association of Realtors

⁶ RealtyTrac

⁷ Freddie Mac

⁸ Bureau of Labor Statistics

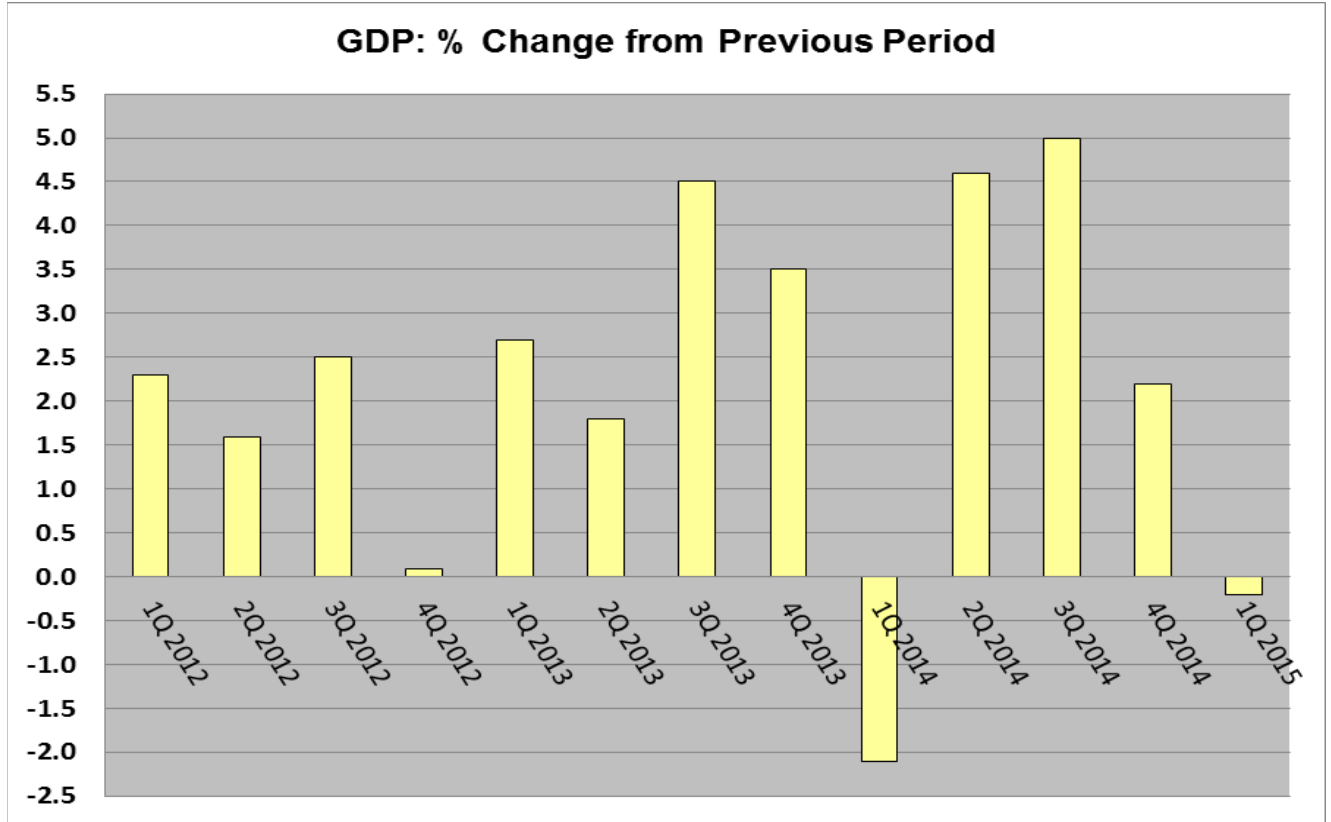
⁹ U.S. Census Bureau

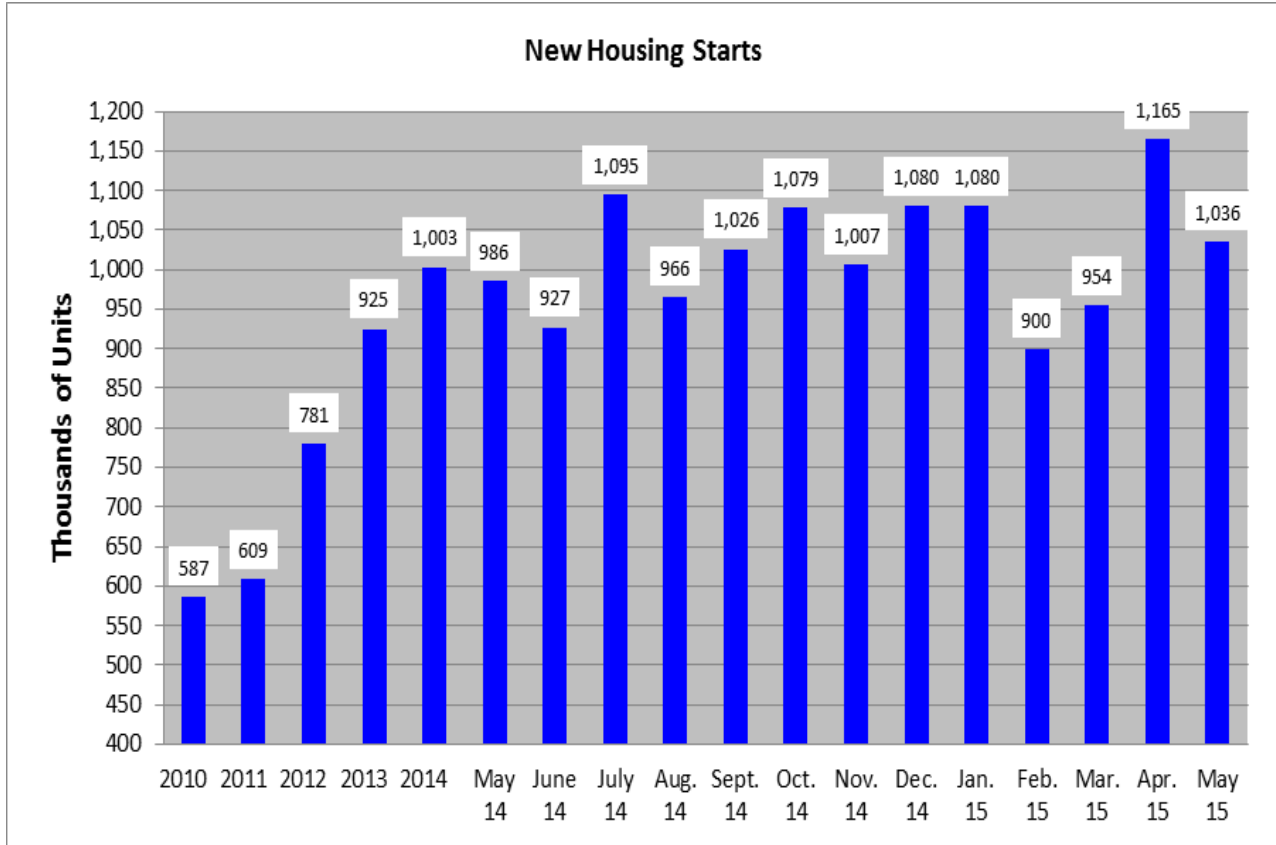
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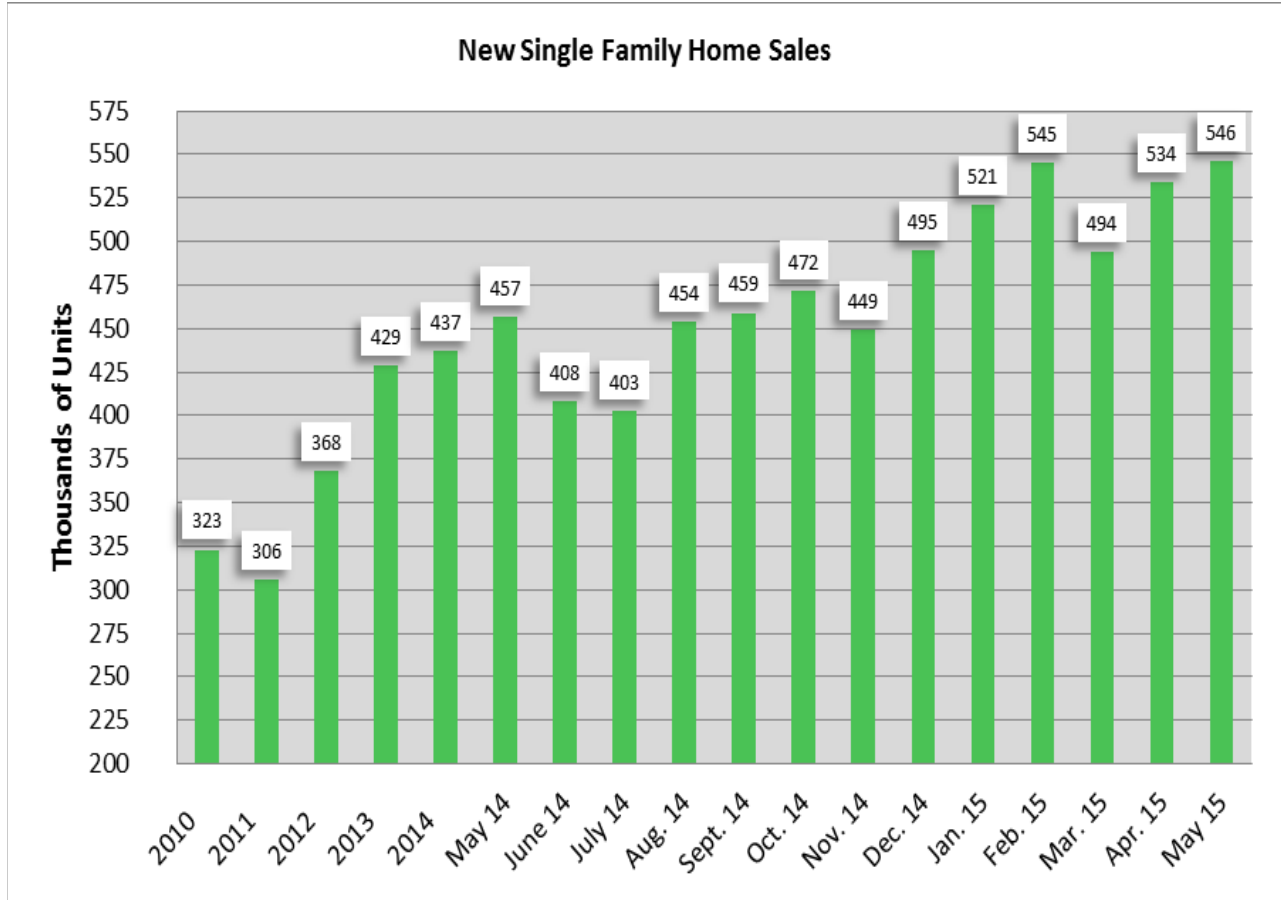


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