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Strong recovery in the United States



Bolstered by the improving construction and housing markets, the U.S. economy and ceramic tile industry continued to expand in 2013.

In the residential market, new home starts increased for the fourth straight year and were at their highest annual level since 2007. The 923,000 units started in 2013 represented an 18.3% increase from the

previous year. Single family starts, which comprised two-thirds of total starts, were up 15.4% to 618,000 units, and multi-family unit construction saw a 24.6% gain to 306,000 units.

New home sales, with which ceramic tile sales are closely linked, were at a five-year high of 428,000 units, up 16.4% vs. 2012. In spite of this increase, new home sales were only a

third of what they were at their peak level in 2005 (1.28 million units).

Existing home sales in 2013 rose 8.6% from 2012 to 4.48 million units, the highest level since 2006.

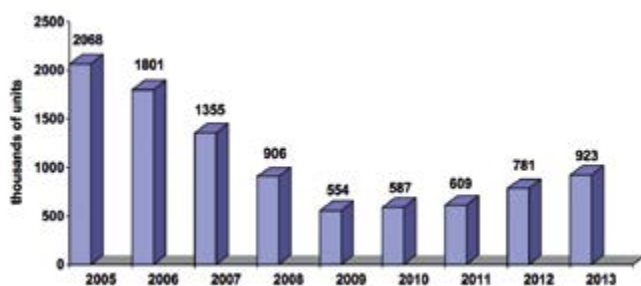
Existing home sales especially affect remodeling, as buyers often look to update their newly purchased home. According to the National Association of Homebuilders (NAHB),

the remodeling index in 4Q 2013 was at its highest level in ten years. This is of particular interest to the ceramic tile industry, as the two rooms most commonly remodeled are kitchens and bathrooms, which happen to be the two rooms in which tile is most frequently used.

Adding to the good news on the residential front was a sharp decrease in foreclo-

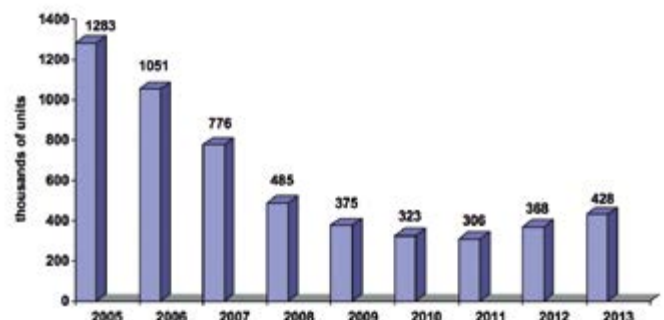


FIG. 1: U.S.A.: NEW HOUSING STARTS



Source: US Census Bureau

FIG. 2: U.S.A.: NEW SINGLE FAMILY HOME SALES



Source: US Census Bureau

ures. Foreclosure filings, which are another important indicator of the U.S. housing sector's health, declined by 25.9% in 2013 to 1.36 million units. This represented the lowest annual total of foreclosures since 2007 and was a 52.6% decrease from the all-time high level in 2010.

The 30-year fixed mortgage rate rose to 3.98% in 2013, up from 3.66% in 2012; this was still the second lowest annual rate on record.

The U.S. unemployment rate in 2013 was 7.4%, down from 8.1% in the previous year and the lowest annual rate since 2008.

U.S. construction spending (includes both private and public residential and non-residential construction) in 2013 was \$898.4 billion, a 4.8% increase from 2012.

U.S Tile Consumption Overview

Through 3Q 2013 YTD U.S. tile consumption was at 1.89 billion sq. ft. (175.8 million sq m), up 12.0% vs. 3Q 2012 YTD (table 1). Based on data available to date and early 4Q indications, we estimate 2013 U.S. tile consumption to be 2.48 billion sq. ft. (230.2 million sq. m), up 12.9% vs. 2012.

Imports

Through 3Q 2013, 1.31 billion sq. ft. (121.7 million sq. m) of ceramic tile arrived in the U.S.

TAB. 1 - U.S. ceramic tile shipments, sales and consumption

Year	U.S. shipment	Imports	Exports	U.S. Consumption	% var. in consumption from previous year
2013 (Jan-Sept)	57.0	121.7	2.9	175.8	12.0 (% change from 3Q 2012 YTD)
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

Values in million sq.m - Valori in milioni mq.

Source : U.S. Dept. of Commerce & TCNA statistics

TAB. 2 - USA: Ceramic tile imports by country in volume (Jan-Sept.)

Country	2010 Sq.m/mq	2011 Sq.m/mq	2012 Sq.m/mq	% Var. 2012/2011	2013 Sq.m/mq	% Var. 2013/2012	% on total 2012-13 imports
Mexico	28,177,132	30,897,821	34,111,980	10.4%	36,896,428	8.2%	31.9 - 30.3
China	23,345,978	26,665,847	28,894,337	8.4%	35,631,432	23.3%	27.1 - 29.3
Italy	18,296,765	17,379,216	18,256,526	5.0%	21,099,764	15.6%	17.1 - 17.3
Spain	5,075,302	5,264,255	5,751,432	9.3%	6,925,557	20.4%	5.4 - 5.7
Brazil	6,210,781	6,441,573	5,376,852	-16.5%	6,043,467	12.4%	5.0 - 5.0
Turkey	2,250,103	2,075,011	3,323,447	60.2%	3,957,646	19.1%	3.1 - 3.3
Peru	2,611,785	2,611,282	2,823,566	8.1%	2,801,623	-0.8%	2.6 - 2.3
Colombia	4,373,126	3,109,396	2,156,997	-30.6%	2,359,711	9.4%	2.0 - 1.9
Thailand	4,913,542	2,023,573	1,447,758	-28.5%	1,306,030	-9.8%	1.4 - 1.1
Hong Kong	-	1,025,066	877,675	-14.4%	796,976	-9.2%	0.8 - 0.7

Source : U.S. Dept. of Commerce

This was an increase of 14.0% from 3Q 2012 YTD, in which 1.15 billion sq. ft. (106.7 million sq. m) of ceramic tile were imported into the U.S., and a 20.6% increase from 3Q 2011 YTD. In 2013 consumption of imports grew at a higher rate than domestically produced tile. Through the third quarter imports comprised 69.2% of U.S. tile consumption (in sq. ft.), up from 68.0% in the previous year. This marked the second straight year imports gained market share vs. domestically produced tile. Though Mexico remained the top exporter to the U.S. (in sq. ft.) through the third quarter with a 30.3% share of imports, China gained significant ground and was right behind with a 29.3% share. Italy was in third place with a 17.3% share,

and Spain and Brazil rounded out the top five with a 5.7% and 5.0% share of imports, respectively. Of the top ten countries from which the U.S. imported tile (in sq. ft.), China (+23.3%) had the highest increase in exports to the U.S. (3Q 2013 YTD vs. 3Q 2012 YTD), and Thailand was down the most (-9.8%). Through 3Q 2013 YTD the value of imports grew to \$1,299 million (+17.8% vs. 3Q 2012 YTD, \$1,103 million). Italy remained the top exporter to the U.S. on a dollar basis (3Q 2013 YTD), comprising 34.3% of U.S. imports (\$446 million, +17% vs. 3Q 2012 YTD). China was second with a 25.3% share (\$328 million, +30.2%) and Mexico was third with a 17.7% share (\$230 million, +10.6%).

U.S. Shipments

Through 3Q 2013 YTD, domestic shipments (less exports) were at 582.5 million sq. ft. (54.1 million sq. m), up 7.9% from 3Q 2012 YTD (539.7 million sq. ft.; 50.1 million sq. m). Over the last 12 months ending 3Q 2013, domestic shipments (less exports) were at 745.5 million sq. ft. (69.3 million sq. m), up 6.1% from the same period ending 3Q 2012 (702.5 million sq. ft.; 65.3 million sq. m). In dollar value U.S. FOB factory sales of domestic shipments (less exports) through 3Q 2013 were at \$826.6 million, up 10.8% vs. 3Q 2012 YTD (\$746.0 million). In dollar value over the last 12 months ending 3Q 2013, domestic shipments (less exports) were at \$1.1 bil-

lion, up 8.5% from the same period ending 3Q 2012 (\$972.0 million). The per unit value of domestic shipments (less exports) rose from \$1.38 sq. ft. to \$1.42 sq. ft. (from 14.88 to 15.28 \$/sq.m) from 3Q 2012 YTD to 3Q 2013 YTD.

Exports

U.S. exports through 3Q 2013 were at 31.1 million sq. ft. (2.9 million sq. m), down 11.9% vs. 3Q 2012 YTD. The countries to which the vast majority of these exports were shipped were Canada (62.2%), Mexico (17.7%), and China (4.5%). The value of U.S. exports fell 7.9% from \$33.2 million (3Q 2012 YTD) to \$30.6 million (3Q 2013 YTD).

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

Country	2011 US \$	2012 US \$	% Var. 2012/2011	2013 US \$	% Var. 2013/2012	2012-2013 Average price \$/sq.m	% on total 2012-2013 imports
Italy	351,060,865	381,150,405	8.6%	445,918,738	17.0%	20.9 – 21.1	34.6 – 34.3
China	222,301,596	251,914,697	13.3%	327,984,124	30.2%	8.7 – 9.2	22.8 – 25.3
Mexico	184,697,105	207,889,992	12.6%	229,965,470	10.6%	6.1 – 6.2	18.8 – 17.7
Spain	81,276,922	89,713,659	10.4%	106,345,308	18.5%	15.6 – 15.4	8.1 – 8.2
Brazil	45,502,147	35,872,099	-21.2%	41,430,037	15.5%	6.7 – 6.9	3.2 – 3.2
Turkey	20,108,824	32,374,578	61.0%	41,313,443	27.6%	9.7 – 10.4	2.9 – 3.2
Peru	13,137,935	14,843,619	13.0%	14,982,617	0.9%	5.2 – 5.3	1.3 – 1.2
Colombia	20,696,697	13,468,918	-34.9%	14,818,506	10.0%	6.2 – 6.3	1.2 – 1.1
Thailand	13,242,050	11,131,289	-15.9%	10,128,902	-9.0%	7.7 – 7.8	1.0 – 0.8
Japan	10,111,205	9,500,348	-6.0%	9,523,613	0.2%	n.a.	0.9 - 0.7
All countries	1,019,201,247	1,102,934,452	8.2%	1,298,801,427	17.8%	10.3 - 10.7	

Source : U.S. Dept. of Commerce / *including duty, freight and insurance