



Ceramic Tile And Stone Consultants, Inc.

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ABSTRACT FOR THE CATALINA REPORT ON CERAMIC TILE

SUMMARY OF MAJOR FINDINGS

The U.S. ceramic tile market remains a growing and profitable sector of the domestic floor coverings industry, especially on a square foot basis. Currently, however, demand is being adversely affected by the sharp drop in the U.S. housing market. As a result, the industry is increasing emphasis on residential replacement and remodeling markets and the nonresidential construction market. Ceramic tile is expected to make additional inroads in these markets as sourcing shifts to low cost Mexican, Brazilian, and Chinese manufacturers. In addition, Italian manufacturers are holding on to their share of the U.S. market as they acquire U.S. companies and invest in domestic production capacity. These investments have improved the profitability of U.S. plants and upgraded the product lines available to U.S. consumers. More efficient plants and upgraded product lines will benefit U.S. ceramic tile demand as the U.S. housing market begins to recover in the second half of 2007 and into 2008.

CERAMIC TILE MARKET TRENDS

Catalina Research uncovered these trends in our 230-page report on the U.S. ceramic tile industry. Report sections cover the U.S. market on a dollar and square foot basis. Catalina has calculated ceramic tile's position in the U.S. floor coverings industry and the hard surface flooring market. Catalina also conducted a comparative analysis of ceramic and other flooring material prices.

SOURCE OF SUPPLY

Separate sections evaluate U.S. shipments and imports. Data is segmented by tile size and whether the tile is glazed or unglazed. Import shipments are tracked by country of origin. As part of our analysis, Catalina calculated U.S. tile sales by country of origin. There is also an analysis of tile pricing by country source, as well as insurance, freight, and tariff costs faced by importers. In addition, Catalina reviewed the product strategies of the major competitors including the introduction of porcelain tiles and stone looks, and investments in new U.S. production capacity.

END-USE MARKETS AND FACTORS AFFECTING DEMAND

Ceramic tile sales are provided for residential and nonresidential markets and for new construction and remodeling markets. End-use market trends are correlated with U.S. housing demand, characteristics of new homes, nonresidential construction spending, mortgage interest rates, and other economic indicators to uncover the factors driving demand and provide insights into the direction of domestic demand in 2007 and beyond.

DISTRIBUTION CHANNELS AND CONSUMER DEMOGRAPHICS

Ceramic tile distribution is analyzed by type of outlet. The specialty floor covering store and home center channels are evaluated to indicate the shifts in industry sales channels. In addition, the role of the major U.S. floor coverings marketers are evaluated. Catalina analyzed household spending on hard surface flooring products by household income, age of household head, household size, and region to point to important target markets.

WORLDS MARKETS AND U.S. EXPORTS

Catalina analyzed world output, and the tile market in major producing and consuming countries. The manufacturing base and domestic demand were reviewed for the Italian, Spanish, Mexican, Brazilian, Chinese, and other markets- totaling 53 worldwide manufacturers. U.S. exports are analyzed by product and major country of destination. In addition, Catalina reviewed the trends in the Canadian market. The report includes Canadian imports by product and by major country of origin.

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COMPETITIVE ENVIRONMENT AND PLANT PROFIT MARGINS

In addition, Catalina Research examined the cost structure and profitability of U.S. ceramic tile plants. Data trends are compiled for material, labor, and capital inputs. Catalina supplemented industry data with profiles and sales of 38 leading U.S.- and foreign-based manufactures. Catalina used this data to calculate leading manufacturer market shares. Company profiles cover product lines and new products, manufacturing and distribution, capital investments, and acquisitions. Executives are urged to review the growth- and profit-oriented strategies of leading worldwide ceramic tile manufactures and compare their company's own performance to the industry averages.

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