Life is like a rollercoaster...

by Peter Halliday

Figure 1 Moving 12 month totals

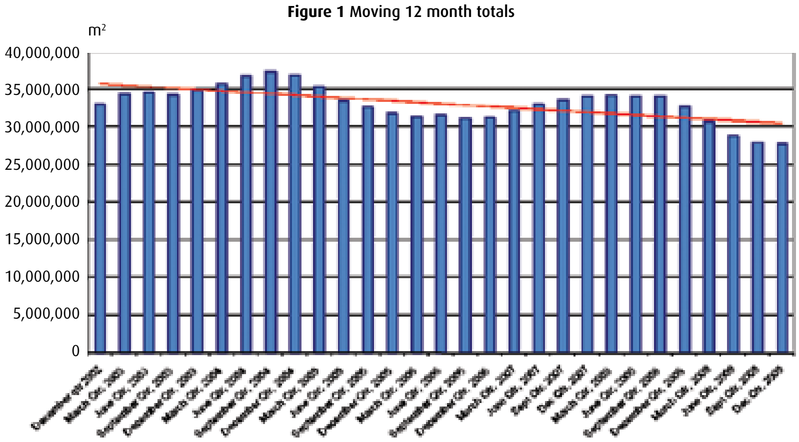
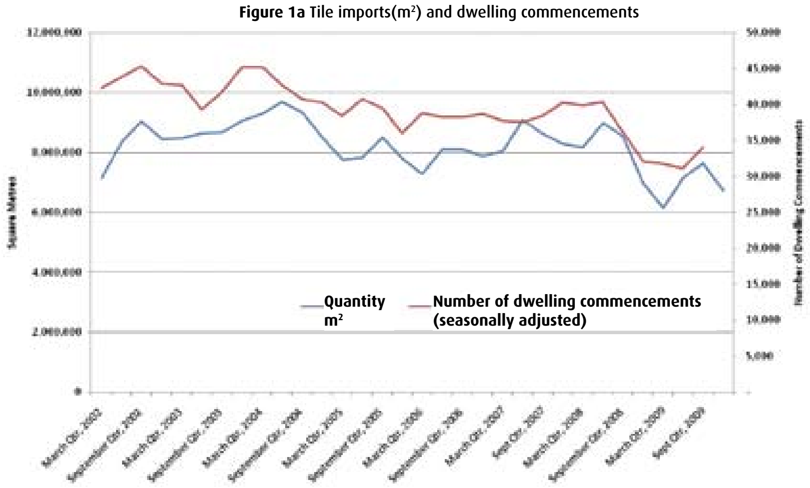


Figure 1a Tile imports(m²) and dwelling commencements



The old adage 'Life is like a rollercoaster ride with its ups and downs' is true of many businesses and industries. Just think of the recent performance of your superannuation fund. Ceramic tile imports and construction both operate in cycles. The graph of imports over the last 7 years (**Fig. 1**) shows a regular series of rises and falls in the number of square metres imported over the preceding 12 months. The moving 12 month total shows the cycle more clearly than actual monthly or quarterly totals. When a trend line (shown in red) is applied to the graph, a clear downward trend can be seen. Before we conclude however that tiles are losing popularity, a closer analysis of Australian building activity as well as local tile production figures must be taken into account. The volume of tiles imported closely follows the number of Australian dwelling unit commencements **(Fig. 1a)**.

A review of the graph **(Fig. 1)** shows that the latest cycle of decline began in the June Quarter of 2008 and really gathered pace in the March and June Quarters of 2009. The end result for the full 2009 calendar year was a decline of 16 per cent in volume or almost 5.2 million square metres when compared with 2008. Ceramic tile imports totalled 27,502,045 square metres in 2009 which had a value for customs purposes of A$246,274,686 **(Fig. 3)**. The fall was actually much higher in the first half of 2009. The decline was 33 per cent when compared with the corresponding periods in 2008. Like countries around the world the figures reflect the loss of confidence and activity as we all grappled with the fear and consequences of the global financial crisis. Thankfully the worst economic predictions appeared to be overstated and the Australian economy has stood up well so far when compared with other developed economies. Of course not all regions were affected equally and some states like Queensland have seen a much sharper and more sustained slowdown in building activity and hence tile imports **(Fig. 2)**.

Figure. 2. State Imports 2005 - 2009

TOTAL IMPORTS m² by State of final destination								
Calendar Year	**NSW**	**NT**	**Qld**	**SA**	**Tas**	**Vic**	**WA**	**Total m²**
2005	10,061,923	249,905	8,342,343	1,806,751	232,253	7,571,250	3,574,185	31,838,614
2006	10,085,107	361,862	8,317,377	1,834,227	312,008	6,216,113	4,203,034	31,329,728
2007	10,229,857	333,799	9,637,275	2,099,893	268,252	7,148,021	4,299,205	34,016,303
2008	10,445,553	346,413	8,772,643	2,087,870	236,641	6,958,200	3,850,263	32,697,582
2009	8,863,047	354,635	6,483,850	2,008,516	231,490	6,261,498	3,299,007	27,502,045
STATE SHARE OF IMPORTS by State of final destination								
Calendar Year	**NSW**	**NT**	**Qld**	**SA**	**Tas**	**Vic**	**WA**	**Total**
2005	31.6%	0.8%	26.2%	5.7%	0.7%	23.8%	11.2%	100.0%
2006	32.2%	1.2%	26.5%	5.9%	1.0%	19.8%	13.4%	100.0%
2007	30.1%	1.0%	28.3%	6.2%	0.8%	21.0%	12.6%	100.0%
2008	31.9%	1.1%	26.8%	6.4%	0.7%	21.3%	11.8%	100.0%
2009	32.2%	1.3%	23.6%	7.3%	0.8%	22.8%	12.0%	100.0%
CHANGE ON PREVIOUS YEAR by State of final destination								
Calendar Year	**NSW**	**NT**	**Qld**	**SA**	**Tas**	**Vic**	**WA**	**Total**
2006	0.2%	44.8%	-0.3%	1.5%	34.3%	-17.9%	17.6%	-1.6%
2007	1.4%	-7.8%	15.9%	14.5%	-14.0%	15.0%	2.3%	8.6%
2008	2.1%	3.8%	-9.0%	-0.6%	-11.8%	-2.7%	-10.4%	-3.9%
2009	-15.2%	2.4%	-26.1%	-3.8%	-2.2%	-10.0%	-14.3%	-15.9%

Data Source: Australian Bureau of Statistics

Figure. 3 Ceramic Tile Imports January 2009 - December 2009

Country of Origin	State of Final Destination								
	NSW*	NT	Qld	SA	Tas	Vic	WA	Total m²	Total Customs Value A$
Argentina	25,632					3,906		29,537	$556,385
Australia (Re-imports)		14,632	1,901			6,226		22,759	$292,895
Belize				1,265		52		1,317	$83,669
Brazil	46,366		24,437	1,626	3,658	13,150	18,424	107,661	$949,070
Bulgaria	26,400					62,400		88,800	$404,004
China	5,329,560	133,486	2,777,732	1,043,580	52,677	3,083,419	1,119,814	13,540,268	$111,692,306
Czech Republic	3,383							3,383	$32,787
Egypt	8,048					846	376	9,270	$45,183
France	10,761		1,286	2,791			2,500	17,338	$521,384
Germany	3,012		4,713	411		46,723	4,607	59,465	$982,079
Greece			921			166		1,087	$14,823
Hong Kong (Sar of China)	4,987		6,099	9,929		5,969	4,587	31,572	$363,736
India	22,383		5,287	1	2,435	4,630	7,185	41,920	$372,205
Indonesia	394,012	96,325	732,946	116,114	56,890	512,671	286,224	2,195,182	$13,548,737
Italy	360,412	10,696	197,824	181,339	19,495	279,429	511,551	1,560,746	$32,365,654
Japan	6,673		736			600	3,776	11,785	$330,789
Jordan	422							422	$3,603
Korea, Republic of	10,308		17,081			26,539	15	53,942	$358,573
Lebanon	3,495							3,495	$11,574
Macau (Sar of China)						1,553		1,553	$5,269
Malaysia	818,867	59,984	1,103,049	280,974	11,014	897,506	297,364	3,468,758	$24,621,010
Mexico	377		9	19		858		1,262	$56,555
Morocco	1,180			33				1,213	$36,523
Netherlands			20				1,807	1,827	$31,927
New Zealand	637		130	910		50	42	1,769	$70,481
Papua New Guinea			360					360	$5,810
Philippines	1,180							1,180	$36,965
Portugal	27,453		10,392		10,798	63,019	8,652	120,314	$2,091,297
Singapore	1,097		98			10	1,863	3,068	$43,878
South Africa			2,300				5,733	8,033	$58,756
Spain	292,565		128,139	42,833	38,663	162,697	274,602	939,500	$16,927,133
Sri Lanka	52,287		130,513	6,727		27,213	279,947	496,686	$3,772,355
Taiwan	7,295		84,890	1,590		9,007	16,010	118,792	$1,133,597
Thailand	856,810	15,718	785,945	133,202	28,843	759,517	312,789	2,892,823	$21,741,092
Turkey	78,800		80,520	56,682		9,766	67,954	293,722	$2,799,648
United Arab Emirates	339,566	12,484	23,421	34,957	6,968	67,421	20,415	505,231	$3,791,846
United Kingdom	14,774				50	64,427	100	79,351	$970,589
United States of America	367		1,765			382	1	2,515	$248,932
Viet Nam	113,938	11,311	361,338	93,533		151,347	52,671	784,138	$4,901,566
Grand Total	8,861,815	354,635	6,483,850	2,008,516	231,490	6,261,498	3,299,007	27,502,045	$246,274,686

Data source: Australian Bureau of Statistics

* Includes ACT

While import volumes dropped by 16 per cent or almost 5.2 million square metres in 2009, the value of imports dropped by only 12 per cent or $32.4 million. The natural question is why? Some producers put up their prices in 2008 which were reflected in higher prices for the full year in 2009. Foreign exchange volatility also affected the value. Customs value is calculated on the day the goods are shipped from the exporting country at the daily foreign exchange rate. The drop in the Australian dollar against the US dollar and Euro in foreign exchange rates between 2008 and 2009 resulted in higher costs, however the exchange rate has recovered ,but the volatility makes it difficult to read much into average prices per metre.

The trend in sourcing more tiles from lower cost, principally Asian producers that began many years ago has continued during 2009. Over 80 per cent of Australia's imports are now sourced from just 4 countries; all within the South East Asian region. China supplies 49 per cent of all tiles imported. Malaysia is the second biggest supplier followed by Thailand and Indonesia.

Imports from China actually declined in 2009 by almost 10 per cent or 1.43 million square metres when compared with 2008. The value however only dropped less than 1 per cent. China's overall market share increased from 46 per cent in 2008 to 49 per cent in 2009. Imports from Malaysia declined by an above average -18 per cent, Thailand by the national average -15 per cent while imports from Indonesia actually increased by 1 per cent in 2009.

Imports from Italy declined again, this time by almost 40 per cent. Italy dropped from fourth to fifth position in the ranking of largest supplier nations. Spain at number 6 dropped by an even larger 44 per cent as many Spanish companies struggled in the wake of the global financial crisis and the collapse of Spain's residential construction industry.

Vietnam went against the trend and exported 2 per cent more to Australia in 2009. Sri Lanka also increased exports to Australia by 21 per cent over the previous year. United Arab Emirates exports to Australia declined although the largest manufacturer, RAK, has manufacturing plants in many countries so production could have been shifted to other regions. Turkey declined by 33 per cent on the previous year.

State analysis **(Fig. 2)** shows Queensland suffered the biggest decline in imports in 2009, dropping by 26 per cent when compared with 2008. This was on the back of a 9 per cent decline in 2008. Since the last peak in imports, Queensland has declined by almost 34 per cent. Western Australia has dropped by 24 per cent since 2007 while New South Wales and Victoria have dropped by 13 and 12 per cent respectively over the same period. South Australia has dropped by only 4 per cent and most of that was in the last 12 months.

As stated at the beginning of this article, local tile production must be taken into account when analysing any import figures and commenting on the state of the market. National Ceramic Industries opened its first glazed porcelain production line in 2004. With a production capacity of around 10,000 square metres per day or 3.3 million square metres per annum, the ability to source a greater proportion of tiles locally rather than import has been attractive for many large Australian wholesalers and retail groups. Since the opening of the second production line and kiln in 2008 capacity at the factory has doubled although both lines did not operate for the majority of 2009. With a total capacity now of more than 8 million square metres, some decline in imports is to be expected. This is assuming most production is sold locally rather than exported.

Glass Mosaic Imports

Work has commenced on analysing the amount of other hard surface products which are sold through tile outlets in Australia. A quick look around any tile showroom will reveal that an increasing amount of natural stone tile and mosaic is on display. Glass mosaics are also sold through tile outlets, probably in greater numbers than stone mosaics. Glass mosaics are not just for swimming pools but are sold for for murals and colourful feature walls. The material has continued to grow in popularity over the last 10 years and if displays at the recent Cersaie and Cevisama exhibitions are any guide, we will see the trend continue for many years to come.

The harmonised tariff codes used by Australian customs to categorise imported products, and assess the appropriate payable duties are often broad and some products are hard to categorise. The general nature of the wording can make careful analysis of specific types of products difficult. The category for glass mosaics describes "Glass cubes and other glass smallwares, for mosaics or similar decorative purposes". Unfortunately as glass mosaics are not always imported in sheets, customs does not record the volume of imports in square metres. This make analysis very difficult. The only data available is the Australian dollar value for customs purposes. The imported value of glass mosaics has increased by approximately A$1 million each year since 2004 **(Fig. 4)**. When the value of imports is analysed by the state where the goods were landed, approximately 70 per cent of glass is imported into New South Wales, where the largest mosaic suppliers such as Bisazza, Trend, and Everstone are located. Many of the products landed in New South Wales are naturally sold in other states so normal market assumptions cannot be made with glass mosaics. Companies from Victoria and Queensland import approximately 10 per cent of the total each.

When the countries that supply glass mosaic are looked at, Italy dominated the Australian market with approximately 48 per cent of total imports for a number of years. China followed next with around 30 per cent. **(Fig. 5)** reveals however that over the first 9 months of 2009, glass mosaic imports from China actually exceeded imports from Italy for the first time. Maybe the only comment can be 'Life is like a rollercoaster.....' TT

Figure. 4 Glass Mosaic Imports 2004 -2009*

	Customs Value (A$) Calendar Year					
State of Importation	2004	2005	2006	2007	2008	2009 Jan-Sept
NSW	$5,656,767	$5,814,669	$6,754,225	$7,033,631	$8,626,649	$5,526,466
NT	$21,340	$11,100		$8,532	$4,738	$13,907
Qld	$609,740	$1,060,694	$958,580	$1,068,975	$1,267,716	$1,007,492
SA	$121,406	$225,917	$159,778	$162,914	$88,303	$117,536
Tas	$12,668	$18,753	$28,764	$8,275	$26,375	$33,887
Vic	$1,056,233	$1,421,897	$957,969	$1,235,363	$1,326,406	$939,132
WA	$370,020	$421,245	$509,565	$607,341	$596,126	$435,595
Grand Total	$7,848,174	$8,974,275	$9,368,881	$10,125,031	$11,936,313	$8,074,015

Data source: Australian Bureau of Statistics

* 2009 January to September data only

Figure 5. Glass cubes for mosaics