GLOBALISATION SCENARIOS IN THE WORLD CERAMIC MARKET

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Good morning everyone and welcome to this conference.

Ceramic tile is a globalised product in terms of areas of production and consumption and sheer scale of international trade. This product, which developed in post second world war Italy from an artisanal product into a sophisticated and industrially advanced material, is now experiencing one of the most extraordinary processes of transformation in world economic history. An analysis of the product's past growth trends in terms of quantities may be useful for understanding its future development.

The five years that have gone by since 2008 have brought a dramatic transformation in the reference framework within which the world ceramic industry operates. In spite of the strong economic, financial and trading interconnections between the various continents, the global crisis has had a very different impact on different areas of the world.

The world consumption of ceramic tiles, which represents the true indicator of the growth or recession of an industrial sector, offers interesting – and in some ways unexpected – food for thought.

During the disastrous year 2009 – the year of the subprime mortgage and financial crisis – world tile consumption certainly dropped, but was far short of collapsing.

Measured against a total consumption of more than 8.6 billion square metres, the decline of 30 million square metres was indicative of a sector that had merely stopped growing at an average annual rate of close to 5%, as it had done over the previous decade. And this, in marked contrast to the European perspective of events, is undoubtedly a new element. But it is not the only one.

The crisis in consumption was concentrated in advanced western economies, as demonstrated by the double-digital fall in europe (from the west to the east and the balkan region) and in north america. a perhaps less well-known fact is that during the same year of 2009 asia maintained strong growth rates, close to 6%, driven by consumption in the most populous countries in the continent – china, india and indonesia.

But the real surprises – not so much in terms of absolute values, where asia continued to dominate with more than half of the world's ceramic tile consumption, but in terms of positive growth – were the gulf region, latin america and north africa, areas that accounted for a further quarter of total world consumption volumes.

Further contrasts could be observed in neighbouring countries within the same free trade areas. the double-figure fall in the united arab emirates counterbalanced the double-figure growth of saudi arabia; the 6.7% growth in brazil contrasted with falls of 8.7% in argentina and 9.5% in chile; divergent performances were reported in taiwan and in malaysia. the list goes on and on.

2010 saw the first partial recovery, evidenced by 7.24% growth in world consumption in terms of volume. But here too the recovery was highly variable, with different trends in the various continents. Although still negative, the situation improved in Europe and the Balkans; Central and Eastern Europe forged head; and while the NAFTA area, Latin America and Asia were level at the same average growth rate, North Africa and the Gulf states continued to maintain double-figure growth.

Observations of this two-year period provide further interesting information, first and foremost the different levels of reactivity of countries on emerging from the crisis. In the space of just twelve months, Finland and Russia regained 30 percentage points in ceramic tile consumption, while Canada, the Philippines and Thailand recovered between 15 and 25 percentage points.

At the other end of the list, we find countries – all European, some in the east and others in the west of the continent – that for the second year running continued to experience falls in consumption. In Latvia, Lithuania, Slovenia and Bulgaria, the decline reached double figures.

Two years after the onset of the crisis, a new phase in world ceramic tile consumption began. While demand continued to grow over the two-year period 2011-2012 and for the first time exceeded 10 billion square metres per year, the growth rates gradually slowed: 6.7% in 2011 and 4.7% in 2012.

Western Europe was in difficulty. Strict budgetary and bureaucratic constraints prevented the continent from emerging from the crisis, triggering a further 10% fall in consumption over the two-year period to 678 million square metres, approximately 180 million square metres below pre-crisis levels.

A similar but not identical trend was observed in the Balkan region of Europe, which continued to see a drop in consumption to reach a value of 93 million square metres at the end of 2012, about 30 million square metres less than four years previously.

Eastern Europe steadily made up the losses suffered in 2009 and returned to the almost 700 million square metres of consumption of the pre-crisis period. The recovery was driven by strong growth in the countries with the highest per capita consumption, including Russia, Turkey and Poland.

In spite of being the epicentre of the crisis, the NAFTA area recovered rapidly and by the end of 2012 had exceeded the levels of 2009, consolidating a sustainable upward trend to reach 6.3% of world ceramic tile consumption.

The figures for other continents show that they were entirely unaffected by the global crisis: 488 million square metres (+40%) of additional consumption in the Persian Gulf in the space of four years; 65 million square metre growth in consumption in North Africa. And no less importantly, Latin America achieved more than 30% growth over the four-year period, from 882 million square metres to more than a billion square metres; and Asia added a further billion and a half square metres to its consumption levels to reach 57.8% of world consumption.

From these figures we can draw a few initial conclusions. Demand for ceramic tiles is and remains a global phenomenon, although the growth rates are highest in continents that are home to what until not long ago were termed "developing countries" but now display the highest levels of consumption in absolute terms.

A second consideration concerns the average selling prices of products. Without doubt the most expensive tiles are to be found in high-prestige architectural projects in the capital cities of Asia, Latin America and North Africa, where they sell for very high prices. But to explain the almost two billion square metre growth in consumption over a four-year period in these three areas alone, it is important to understand that ceramic tiles are most successful when they cater for a wide range of uses by offering better value for money than competitor materials. This fact is also reflected at a company level in the various countries worldwide.

I would now like to address a second series of questions. In what way have the years of the crisis influenced international trade? What kind of relationship exists between the trend in continental consumption and the share of this consumption attributable to imports? How have the main ceramic tile exporter countries performed over the last four years?

At the beginning of this century, imports made up one quarter of total consumption. On the one hand this demonstrated the importance of local production; on the other it revealed the emergence of industries with specialist production processes and product types located in some parts of the world but with markets in other regions. In 2008, import volumes dropped to 22.7% of total consumption, equivalent to 1,968 million square metres. Four years later, although imports had risen to 2.17 billion square metres in absolute terms, their share of total consumption had dropped further to 21%. This was due firstly to the development of local ceramic manufacturing industries that used state-of-the-art production plant supplied by the Italian technology producers; and secondly to the objective difficulties and limits to international trade of this product caused by the proliferation of tariffs and other barriers.

An analysis of import trends also reveals divergent situations between the various continents. The difficulties in consumption in Western Europe prompted a decline in imports (albeit limited to -17.1%), thereby increasing the share of total consumption satisfied by non-EU supplier countries.

The opposite situation occurred in Eastern Europe, where consumption remained stable but import flows fell by 15%, and in the Balkans region, where the fall in imports was more than 10 percentage points higher than that of consumption (-24.75%).

In North America the completion of investments in technological modernisation at factories located in the free trade area resulted in consumption returning to pre-crisis levels and enabled local products to substitute imports, which fell by 6.4%.

The areas of rapid growth in consumption not only offered the best opportunities for ceramic tile imports but were also the areas where imported tiles were able to win limited market shares.

During this period, ceramic tile consumption in Latin America rose by 31.9% while imports grew by an additional 4.5 percentage points; a very similar trend was observed in Asia, where demand rose by 31.7% and imports by 37.2%. The situation was similar in the Gulf region, where a 32.1% growth in consumption corresponded to a 39.3% rise in imports.

The same trend, but with a much larger differential, occurred in North Africa, where the growth in imports (+56.8%) was more than double that of consumption.

Although the vast majority of ceramic tile producer countries are also exporters, an important distinction must be made. On the one hand we have countries with volumes limited to a few tens of millions of square metres and a radius of action limited to geographically nearby countries. On the other we have the six countries that export at least 100 million square metres a year and are the true global players making up the backbone of international ceramic tile trade.

Measuring performance in terms of percentage of world exports, we find a small increase (a few tenths of a point) in the import shares of Spain (global share of 13.6% in 2012), Turkey (4.4%) and Mexico (3.2%).

The trends are more pronounced in Italy, where the 2.7% decline (13.3% share) is partly attributable to an intense process of production internationalisation (now 140 million square metres, corresponding to a value of 1.2 billion euro), and Brazil, which in order to exploit the opportunities offered by the domestic market has reduced its export share by half a point and now makes up 2.9% of the world total.

A rather special case is that of China, which as the "world's factory" has seen its export volumes expand from 490 million square metres to 725 million square metres. Its share has increased by 4.5% and it now makes up one third of all export flows. This growth included exports to all continents.

These medium-term trends in areas of consumption, producer countries and international trade flows demonstrate that ceramic tile is in all respects a product for the global age. The rapid and continuous transfer of technologies, capital, products and know-how from one area of the planet to another – no continent excluded – demonstrates this very clearly.

In this context, it is essential to ensure that the rules are fair for everyone competing in the arena of international trade and individual markets. This is vital in order to safeguard companies' economic activity, employment and development prospects.

In 2011 the European Ceramic Tile Manufacturers' Federation, observing unfair practices in imports of Chinese ceramic tiles to Europe, launched an antidumping procedure to verify the existence of unfair market practices. At the end of the nine-month period of investigation envisaged by the procedure, the competent authorities decided to take action. The measures adopted involved the application of countervailing duties of between 30.6% and 69.7% of the value of imports for a period of five years.

In the period from April 2010 to March 2011, before the countervailing measures came into force, total imports into EU-27 amounted to 122 million square metres, of which 64.9 million square metres was from China. This figure – more than half of the total – far outstripped the 9 million square metres of the United Arab Emirates and the 1 to 2 million square metres each of the group consisting of Malaysia, Indonesia, Thailand and Ukraine.

Over the following twelve months, the first year of application of the countervailing duties, total imports to EU-27 fell by 20.2% to 97.4 million square metres. This was due to a drop in imports from China (-43.8%), Singapore (-69.5%) and Ukraine (-40.4%). By contrast, there was substantial growth in imports from India, rising from 300,000 square metres to 1 million square metres, and from Vietnam, which saw 231% growth to reach almost 700,000 square metres.

During the second year of application of the tariffs, the market difficulties in Europe led to a further 9 million square metre fall in imports from non-EU countries. This resulted in a further 11 million square metre drop in imports from China, along with falls in imports from all other non-EU exporters to Europe, with the notable exceptions of Vietnam (up by 1.3 million square metres) and India (up by 200,000 square metres).

Today China accounts for 28.61% of total import volumes, followed by the United Arab Emirates at 8.81%, Malaysia at 4.86% and Vietnam at 2.27% (amongst countries with shares of more than 1%).

In view of marked differences between geographically and commercially nearby countries, in the last few months CET has undertaken monitoring action to combat circumvention and absorption of import duties.

These events have much to teach us. The first point is that compliance with the rules of the international market has not closed the doors of the European market to Chinese imports, which as we have seen continue to maintain their leading share with more than a quarter of the total. This means that there is a demand for ceramic tiles in the EU market that China is best able to satisfy. And it is only right that China should be able to sell its products within the context of fair market dynamics. In this respect, the Chinese ceramic industry may continue to have a share of the EU market.

Secondly, it is increasingly important to find unique, unified nomenclature codes and to clearly identify the nature of products to allow consumers to make informed choices.

Thirdly, the steady improvements in product and technology standards in many producer countries are strengthening local production activities and making it more difficult for exporters to gain a foothold in foreign markets.

This is not in itself a bad thing provided that action is taken rapidly to eliminate clauses and rules that are now anachronistic. Continuing to grant preferential duties to development countries that for a number of years have been maintaining double-figure growth rates (rates that are several points higher than European levels), and failure to adequately reward the efforts made in terms of sustainable development to reduce carbon dioxide emissions constitute an equally serious and unacceptable distortion of competition.

The world ceramic industry can boast one of the very few products that escaped a fall in demand throughout the crisis of 2008 and the following years. It is now up to us, the world ceramic community, to enable this process of positive development to continue against a backdrop of fair global distribution of consumption levels and corresponding economic activity.

Thank you for your attention.