

U.S. Flooring Market Update

Presented to the Carpet America Recovery Effort
Annual Convention

Indianapolis, IN

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Presented by: **Market Insights LLC**

Santo Torcivia, President

610-927-2299

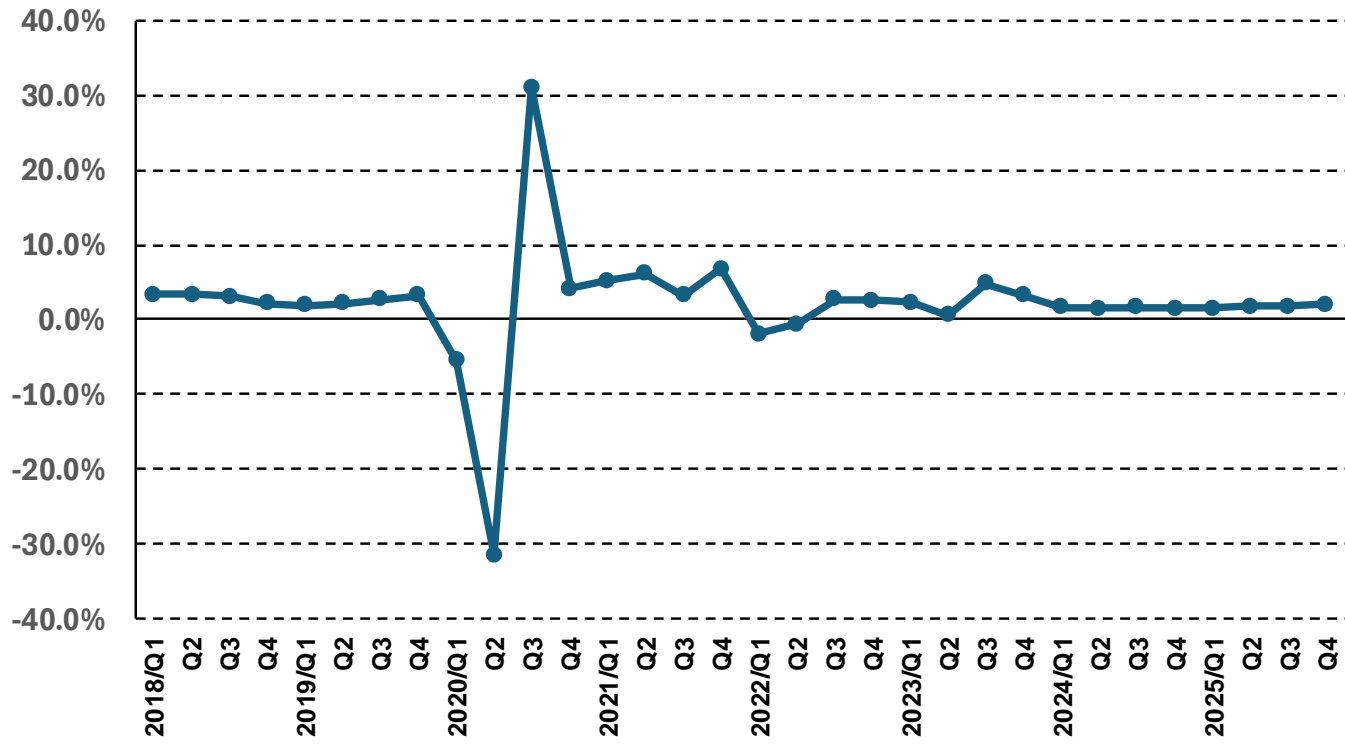
storcivia@marketinsightsllc.com

Agenda

- **Introduction**
- **U.S. Economic Situation**
- **U.S. Residential Market**
- **U.S. Non-Residential Market**
- **U.S. Flooring Market**
- **Conclusions**
- **Questions & Comments**

U.S. Economic Situation

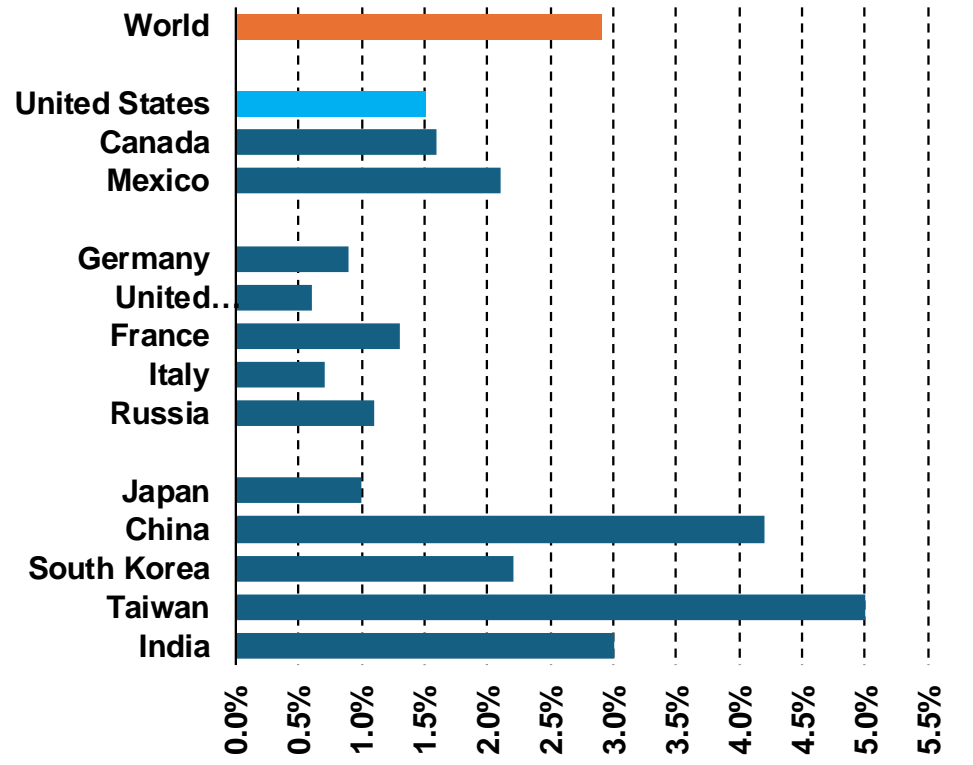
Real GDP



Note: Forecast begins 2024/Q1

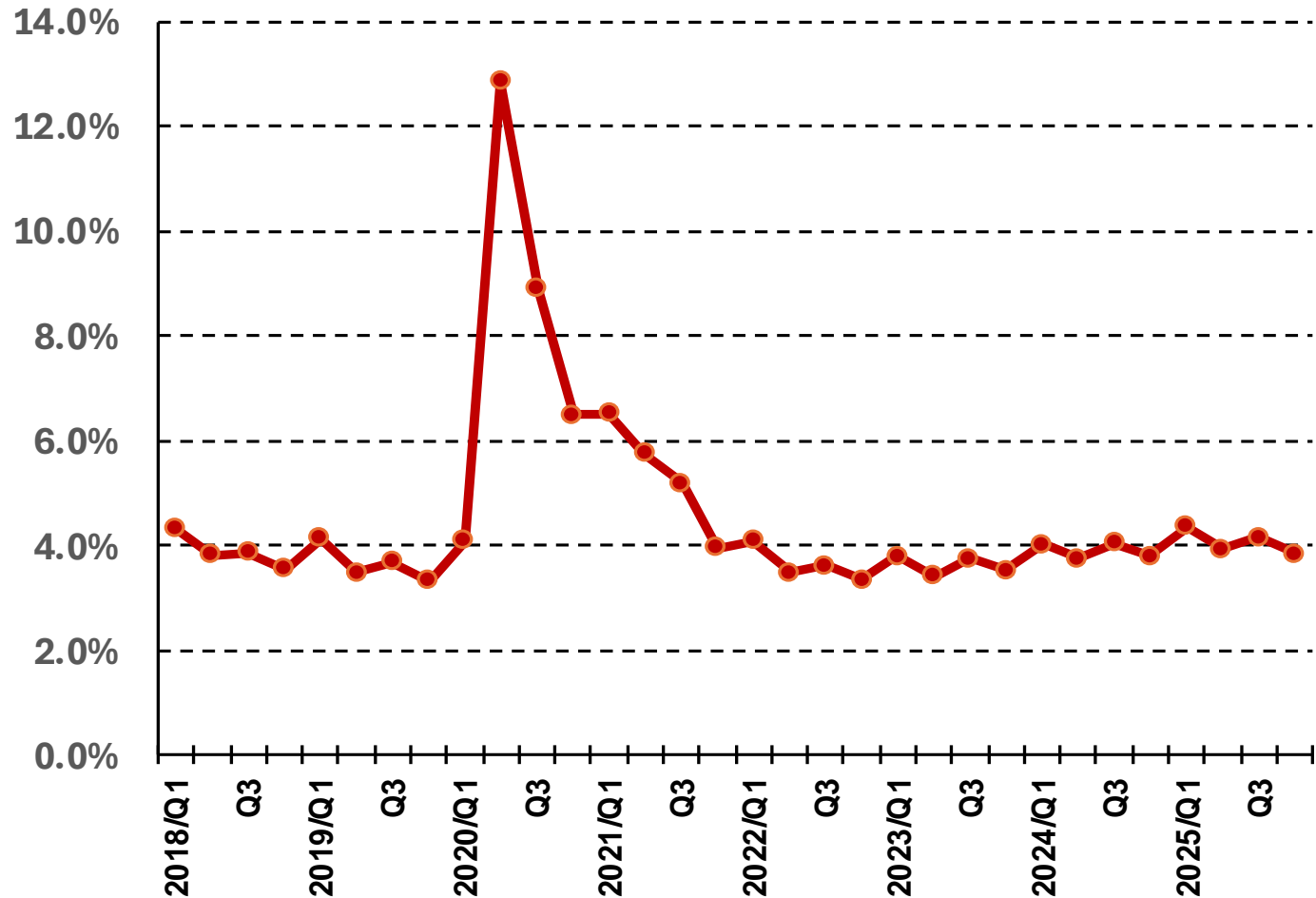
Sources: U.S. Dept. of Commerce, Moody's Analytics

Global Real GDP Change in 2024



Sources: International Monetary Fund, Moody's Analytics

U.S. Unemployment Rate



Feb. 2024

Selected State Rates

Total U.S. **3.8%**

Top-5/ Lowest Rate:

North Dakota	2.1%
South Dakota	2.3%
Vermont Maryland	2.4%
Nebraska	2.5%
New Hampshire	2.6%

Bottom-5/ Highest Rate:

Illinois	4.8%
New Jersey	4.8%
District of Columbia	5.1%
Nevada	5.2%
California	5.3%

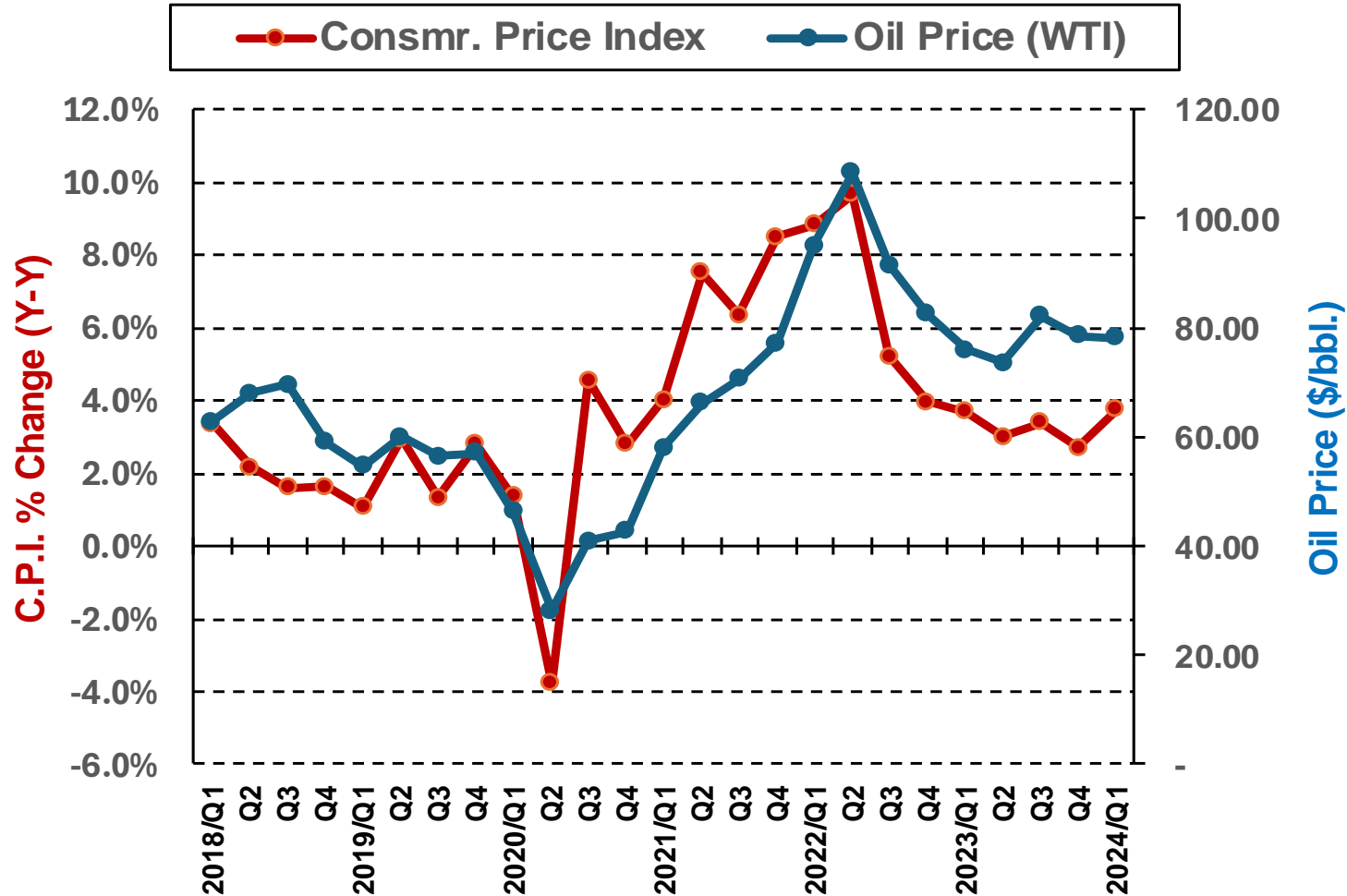
Other Key States/ Rate:

Florida	3.1%
Texas	3.9%
New York	4.4%

Note: Forecast begins 2024/Q1

Sources: U.S. Dept. of Labor, Moody's Analytics

U.S. Inflation & Key Driver



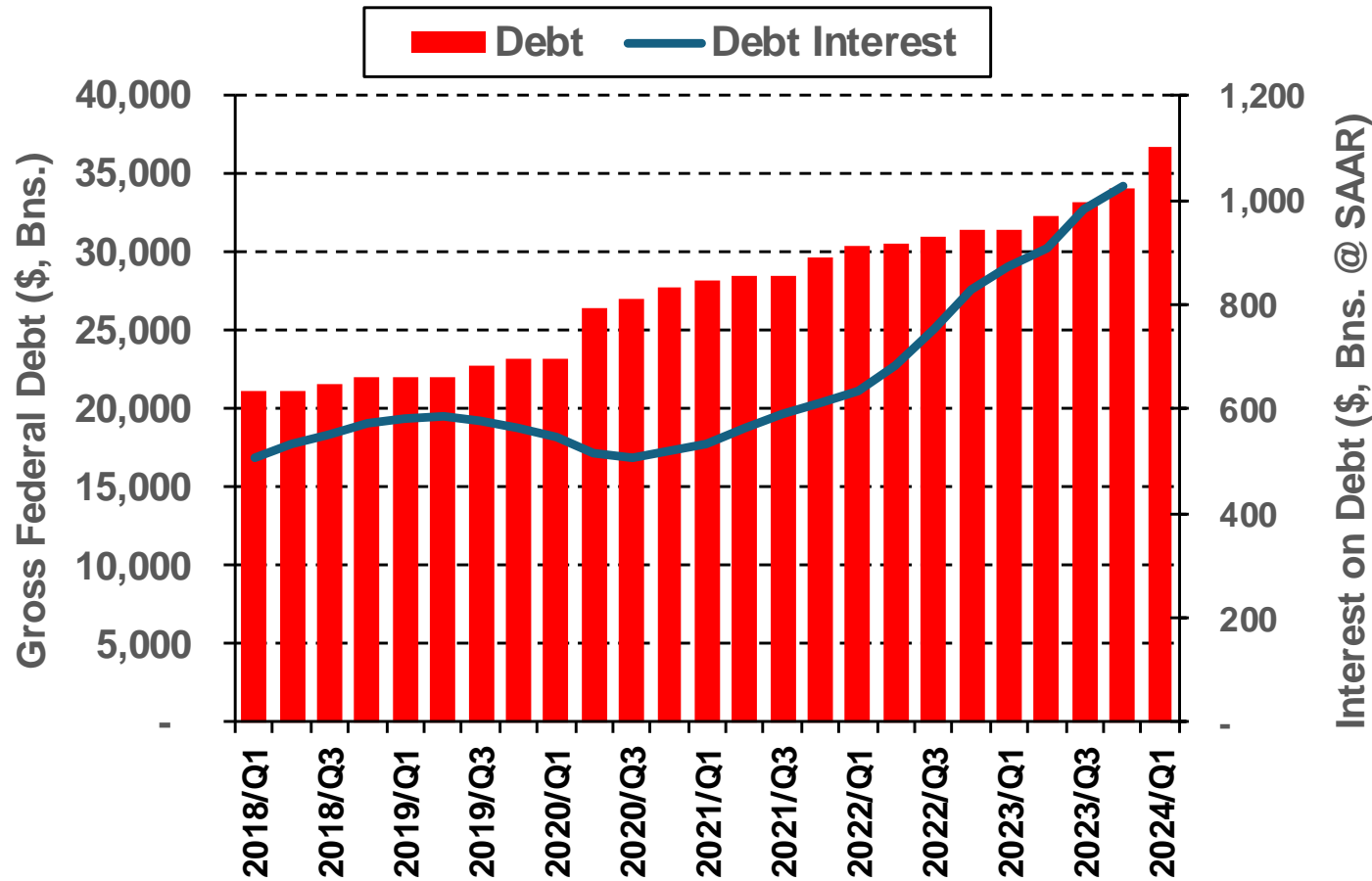
Inflation Rate/ 2020 to 2023:

Housing	37.6%
Transport	32.7%
Food	24.9%
Energy	21.9%

Notes: - Oil Price is price (\$/bbl.) of one barrel of West Texas Inter. Crude
 - Forecast begins 2024/Q1

Sources: U.S. Dept. of Labor, U.S. Energy Info. Agency, Moody's Analytics

U.S. Gross Federal Debt

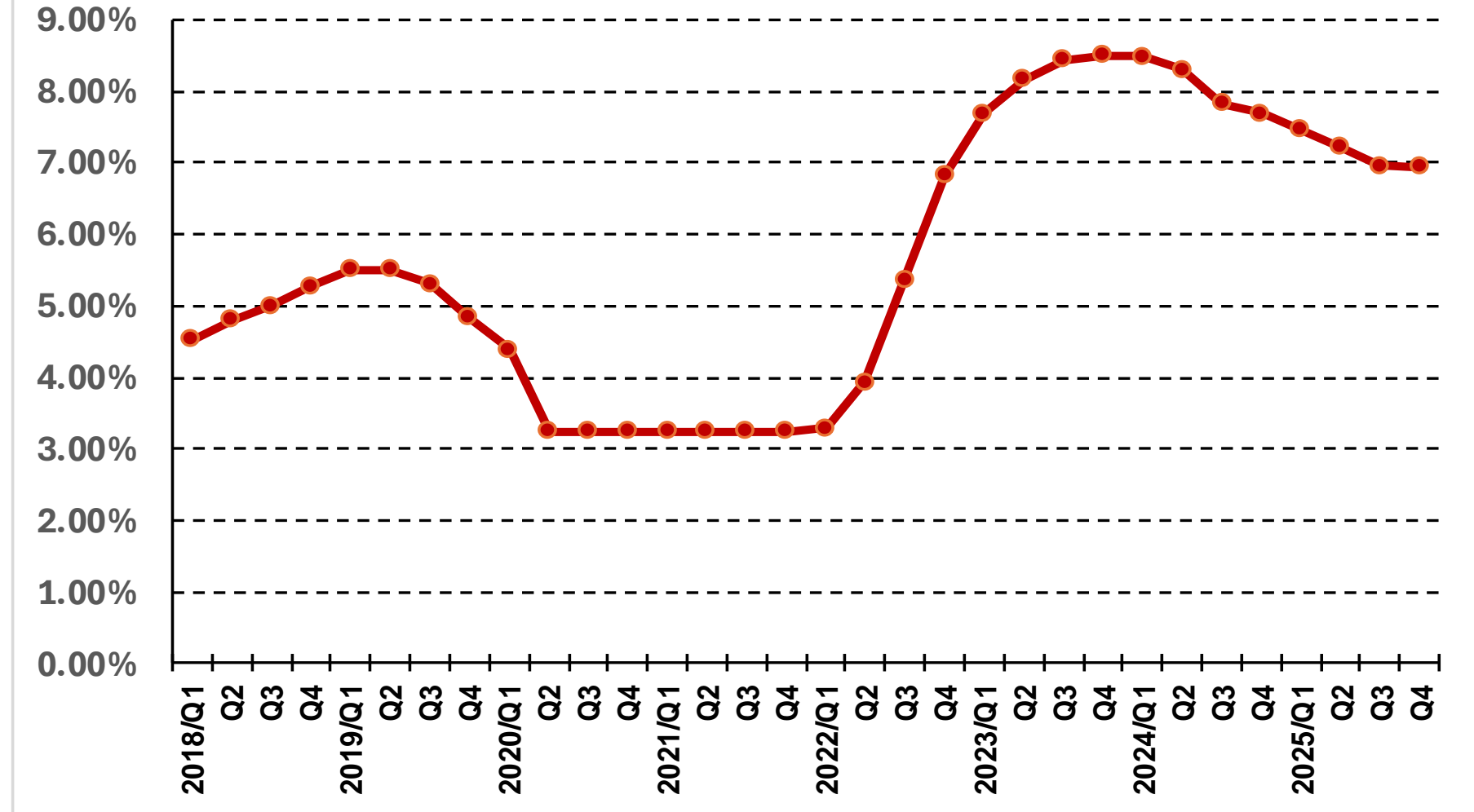


	FY 2023
	<u>Debt to GDP</u>
<i>Highest Ratio Nations:</i>	
Japan	255%
Greece	168%
Singapore	168%
Italy	144%
United States	123%
France	110%
<i>Other Key Nations:</i>	
Canada	112.9%
United Kingdom	95.4%
India	72.3%
China	52.6%
Mexico	36.6%

Note: SAAR= Seasonally Adjusted Annual Rate

Source: U.S. Treasury Dept.

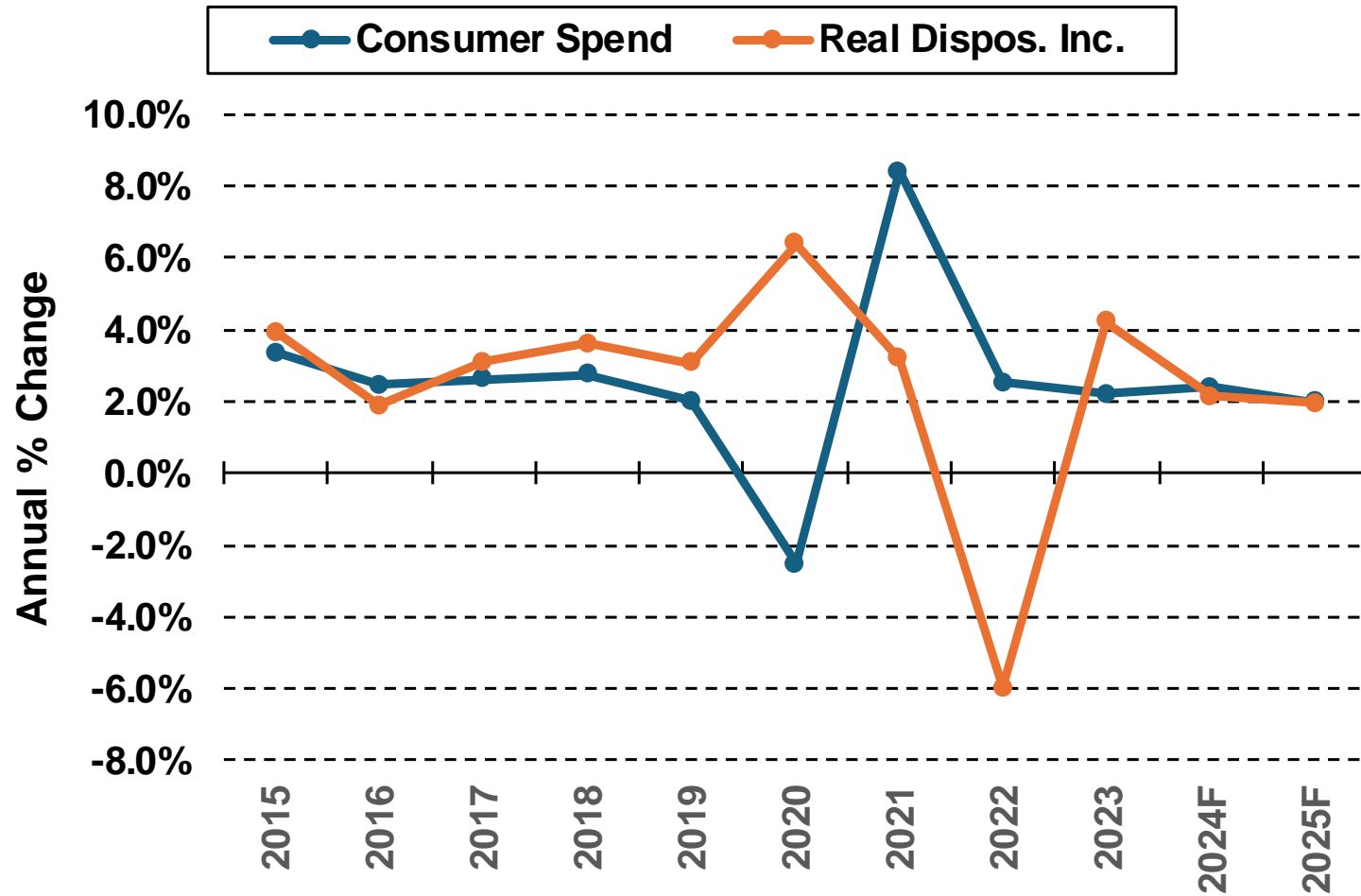
Average Bank Prime Rate



Notes: Forecast begins 2024/Q1

Sources: U.S. Energy Information Agency, Moody's Analytics

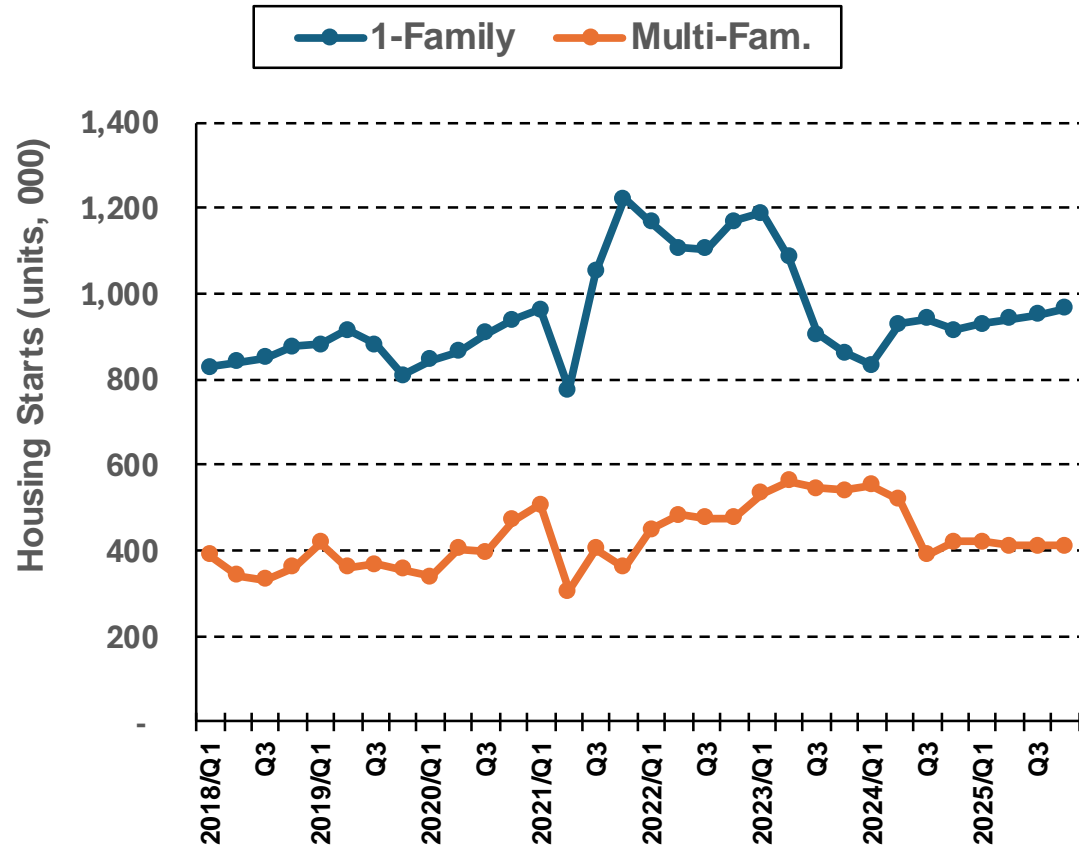
Real Consumer Spending and Disposable Income Change



Sources: U.S. Commerce Dept., Moody's Analytics

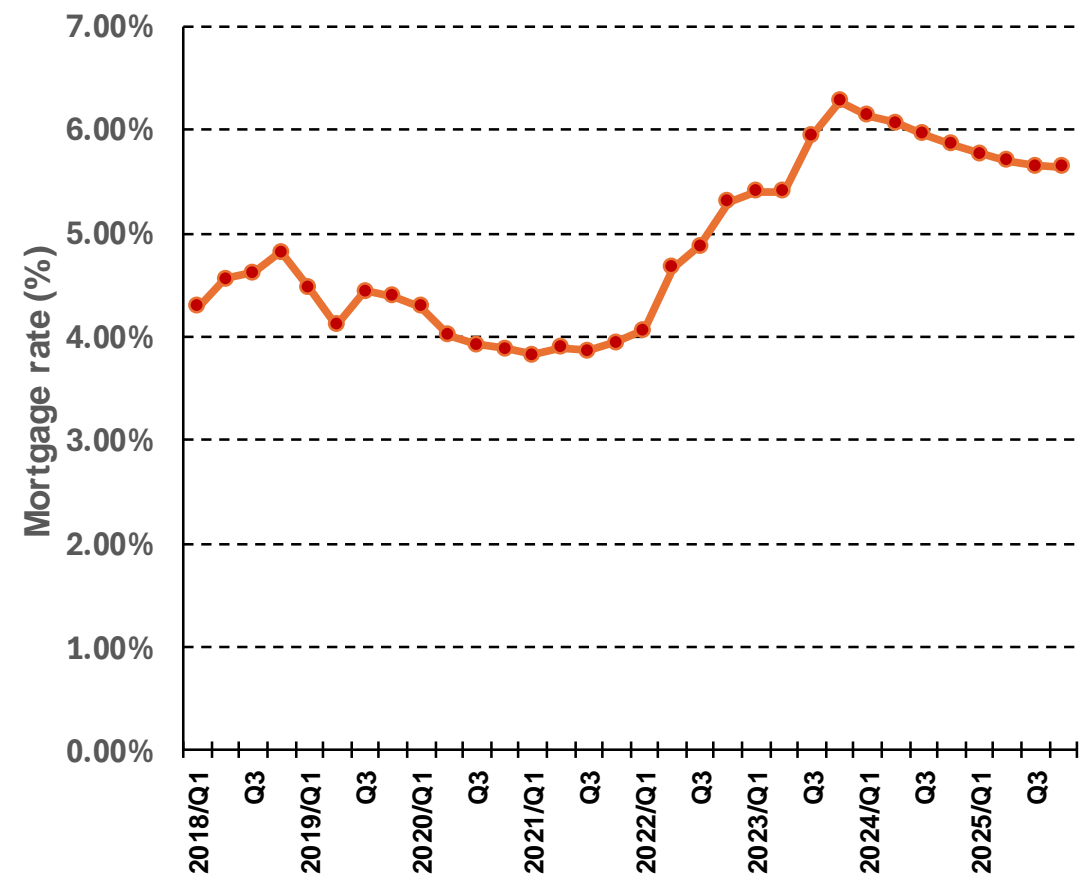
U.S. Residential Market Situation

Residential Housing Unit Starts



Note: Forecast begins 2024/Q1
Source: U.S. Dept. of Commerce

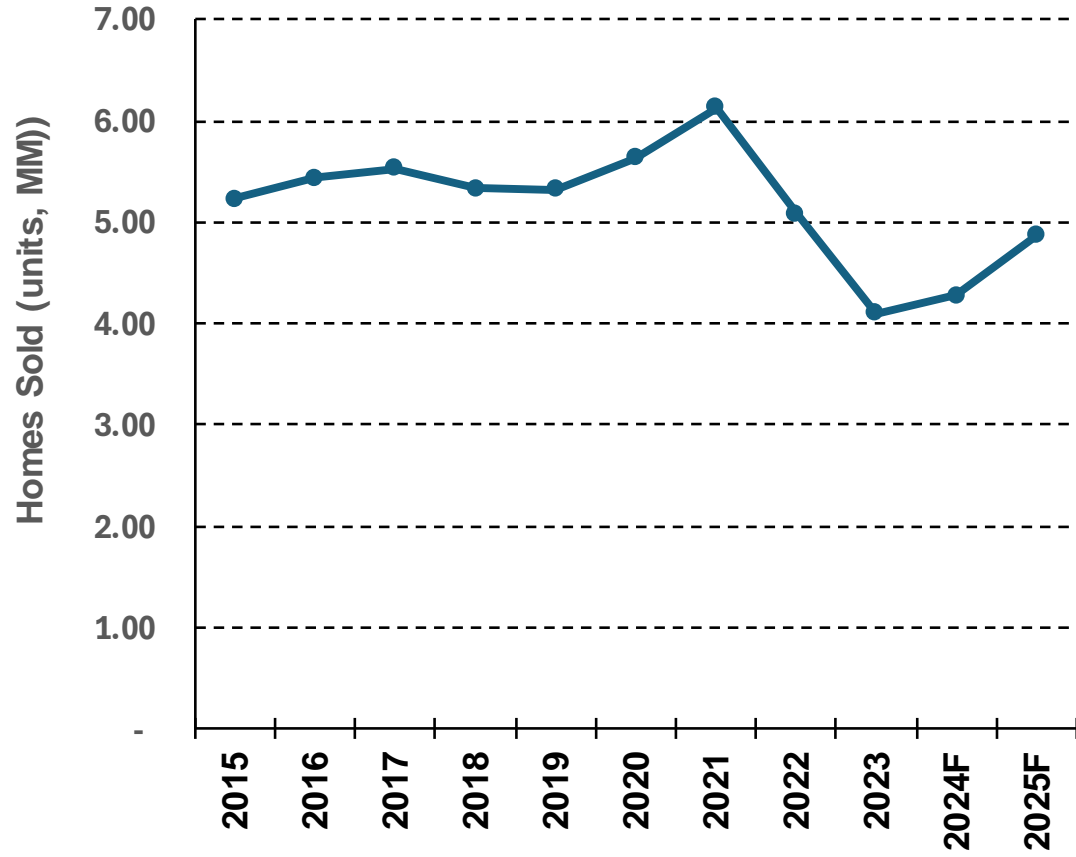
Average Home Mortgage Rate



Note: Forecast begins 2024/Q1
Source: U.S. Dept. of Commerce

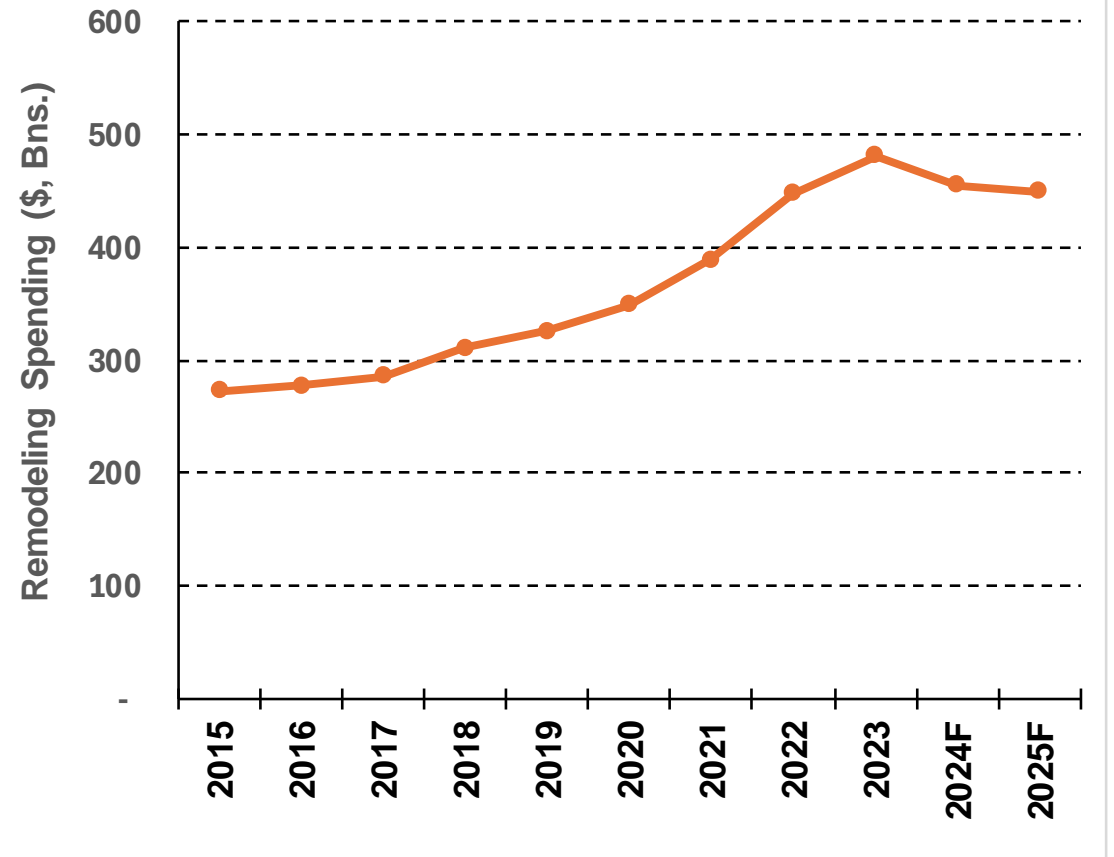
State	Total Housing Units Started (in 000's)					2023
	2020	2021	2022	2023	2024	Cuml. %
					(forecast)	
TEXAS	155	179	177	121	170	12%
FLORIDA	113	113	145	123	83	21%
CALIFORNIA	65	65	70	66	45	26%
NORTH CAROLINA	60	60	68	66	45	30%
GEORGIA	48	48	53	49	33	34%
ARIZONA	45	45	50	44	30	37%
SOUTH CAROLINA	35	35	43	38	25	40%
TENNESSEE	33	33	37	35	24	42%
COLORADO	29	29	32	26	18	44%
WASHINGTON	26	26	27	26	18	46%
All Other States	790	975	823	817	1,006	
United States	1,397	1,605	1,524	1,412	1,495	100%

Existing Home Sales



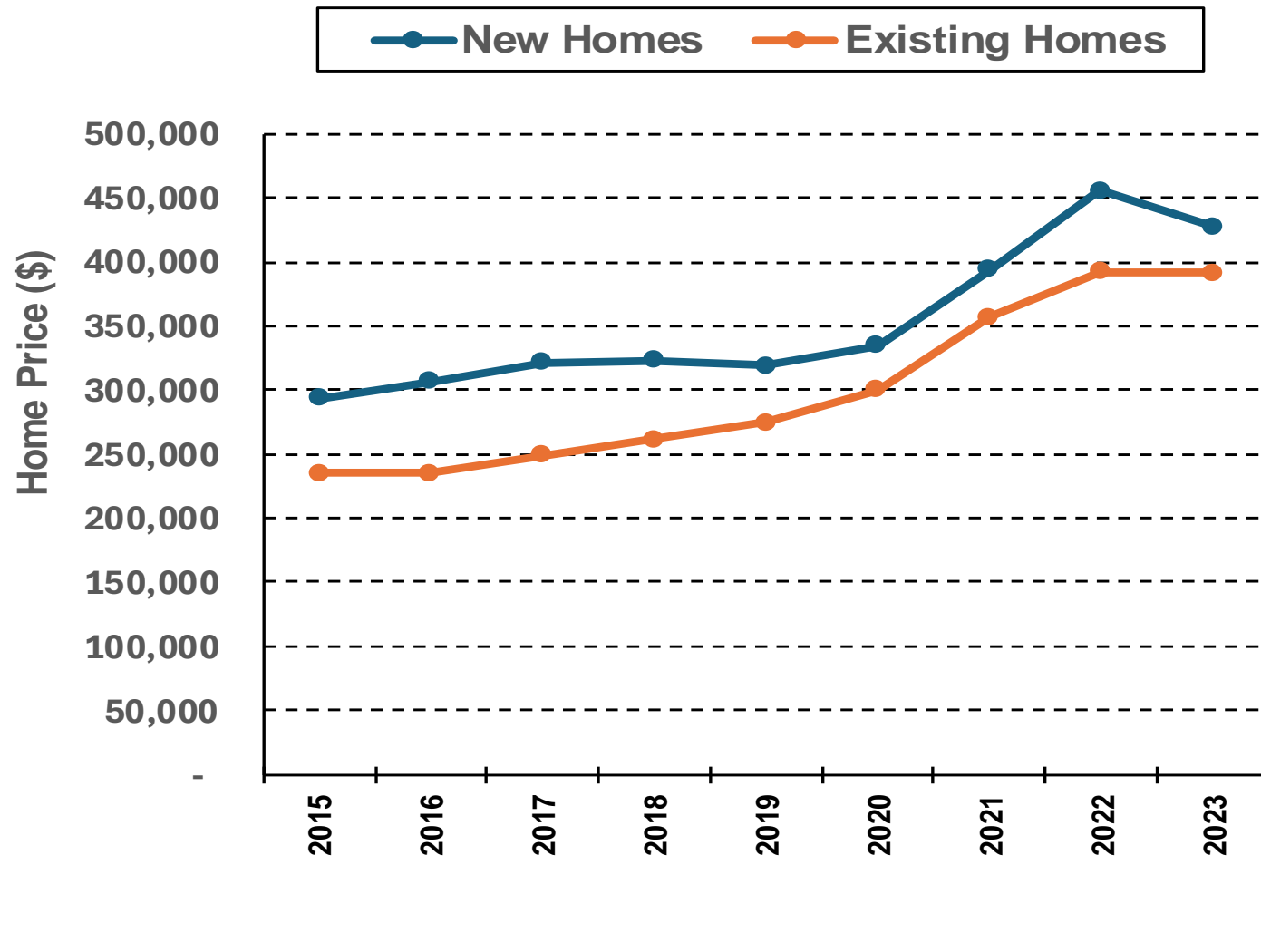
Sources: National Assoc. of Realtors, Moody's Analytics

Residential Remodeling Spending



Source: Harvard Joint Center for Housing

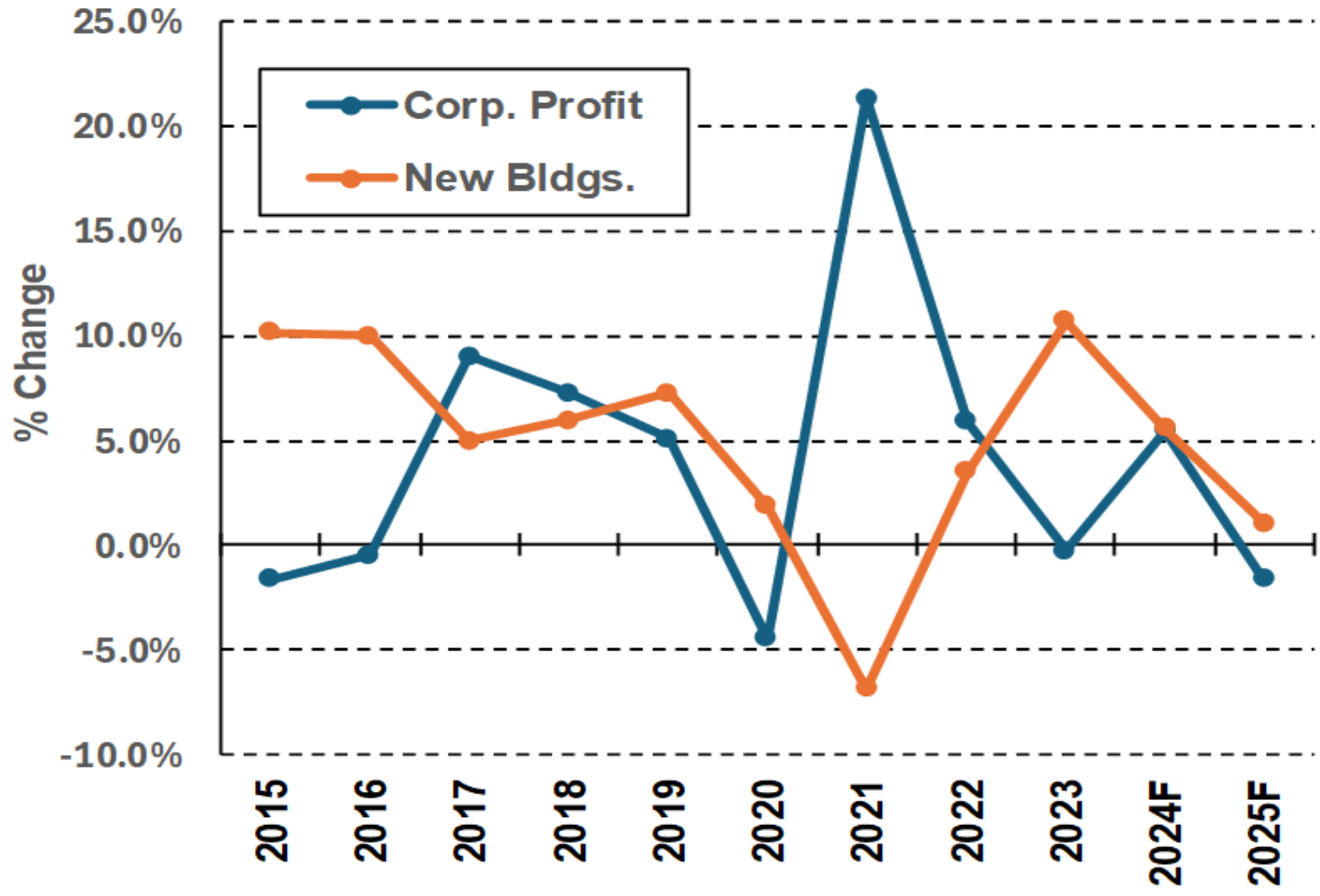
Median U.S. Home Prices



Sources: S&P Case-Shiller

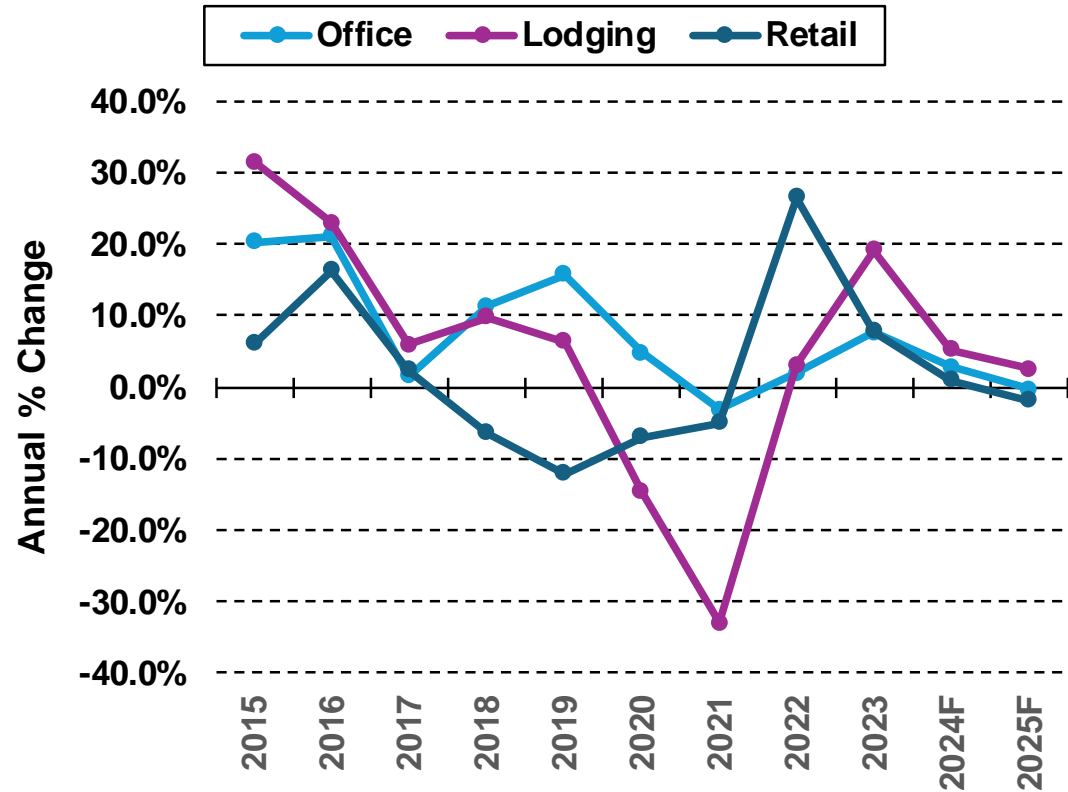
U.S. Non- Residential/Commercial Market Situation

Corporate After-Tax Profits & Non-Residential Buildings Completed



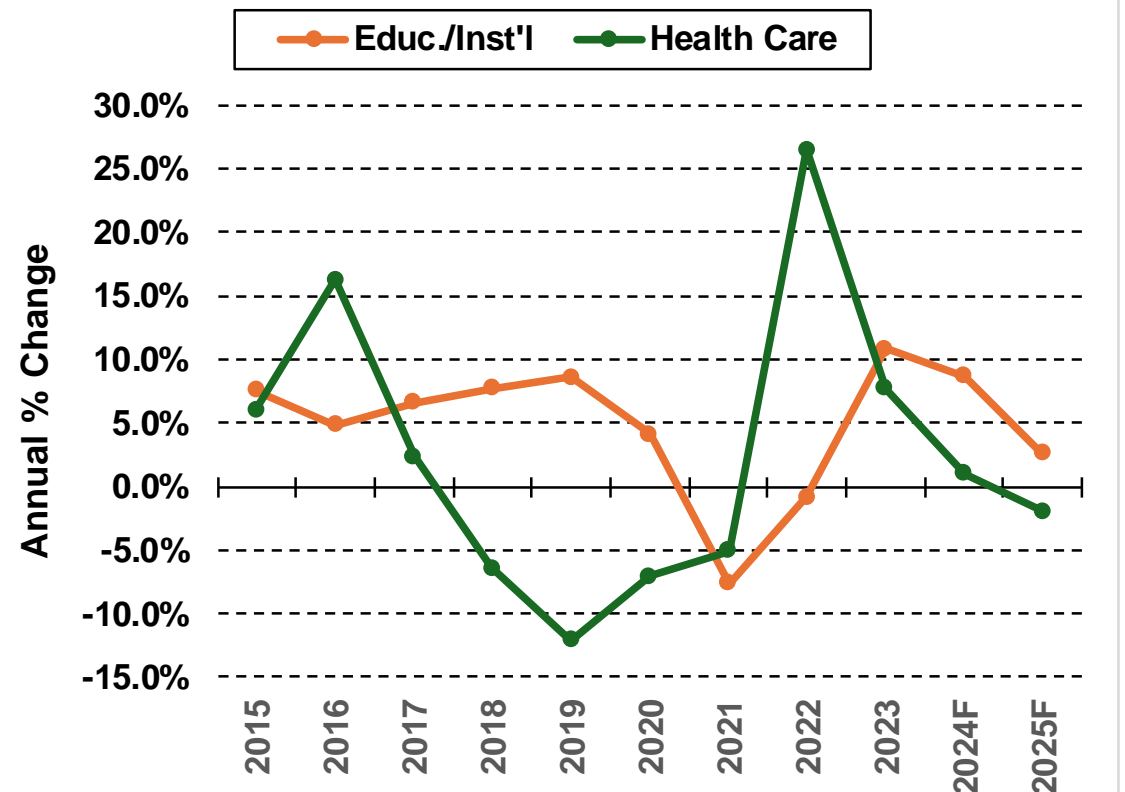
Sources: U.S. Commerce Dept., Moody's Analytics

Non-Residential Buildings Annual Change in Put-in-Place Value



Sources: U.S. Commerce Dept., Moody's Analytics

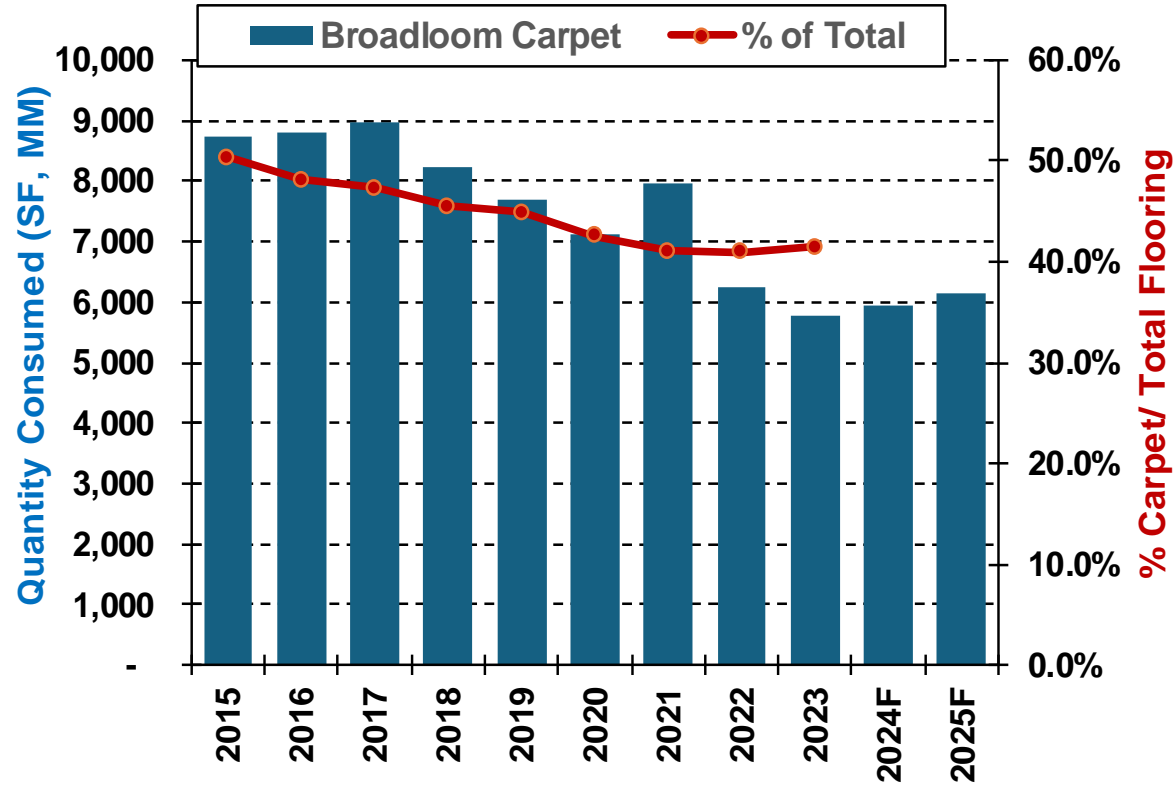
Non-Residential Buildings Annual Change in Put-in-Place Value



Sources: U.S. Commerce Dept., Moody's Analytics

U.S. Flooring Market Situation

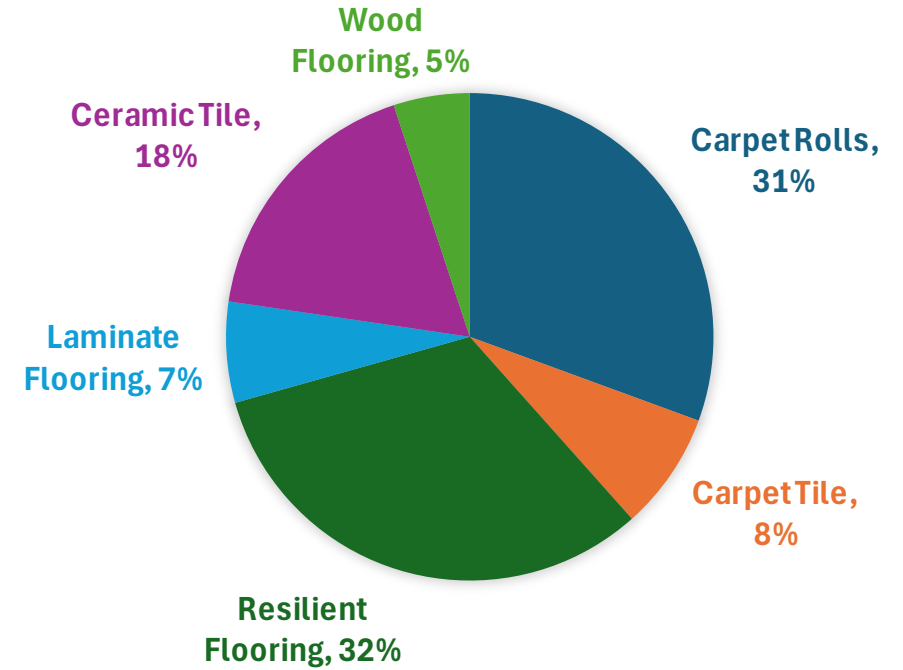
U.S. Broadloom Carpet & Tile Quantity Consumption



Note: Carpet forecast figures are preliminary

Source: *U.S. FLOORreport- 2024 Ed.* (Market Insights LLC)

TYPE SHARES OF TOTAL U.S. FLOORING QUANTITY CONSUMED IN 2023



Note: Carpet figures exclude Area Rugs and Bathmats

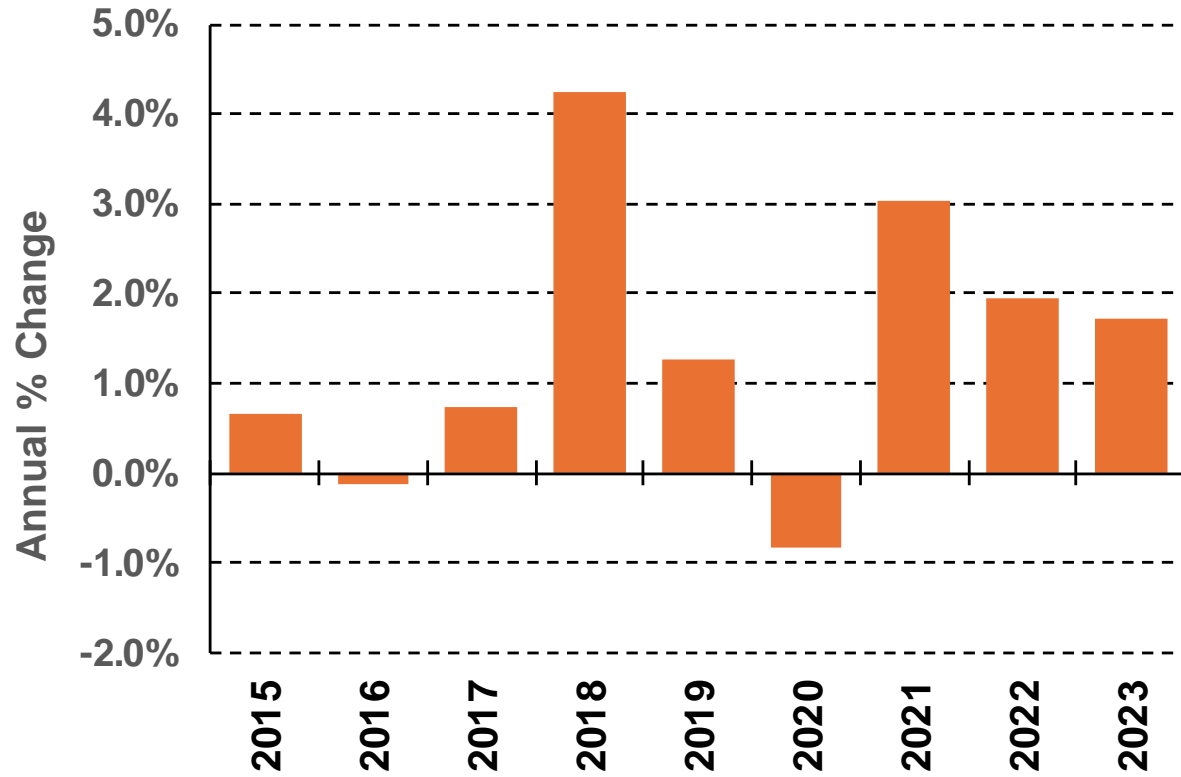
Source: *U.S. FLOORreport- 2024 Ed.* (Market Insights LLC)

U.S. population moving South & West

Sandy soil, Mediterranean styles, Desert climate

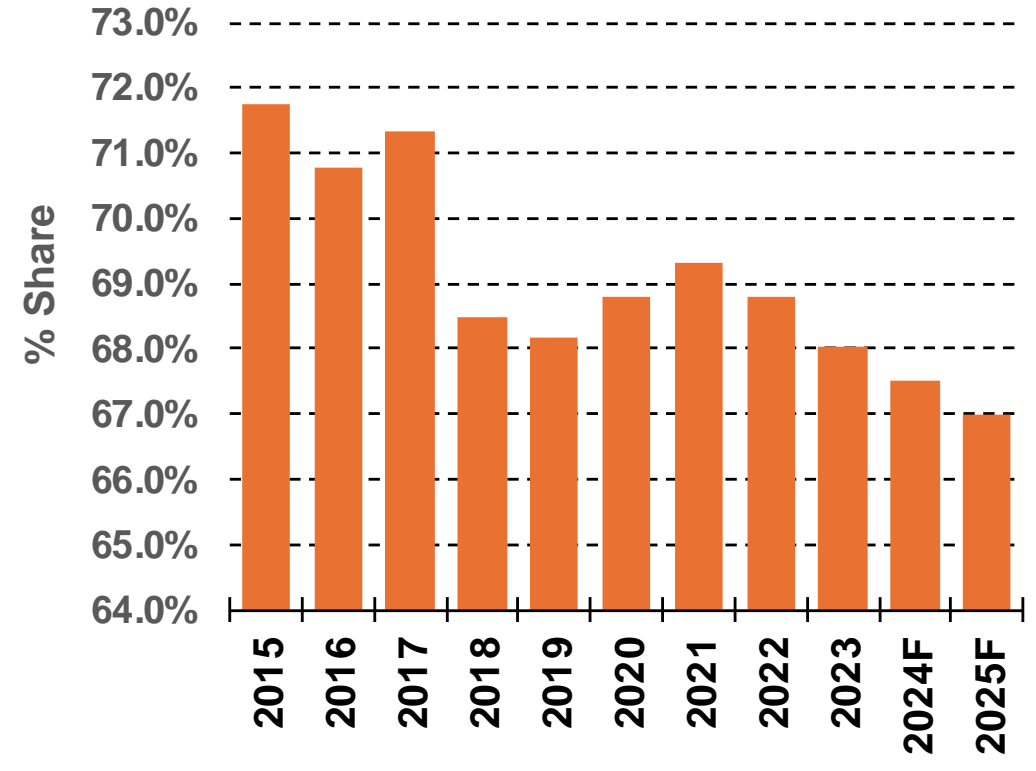


Annual Change in U.S. Produced Tufted Carpet Producer Price Index



Source: U.S. Dept. of Labor

Carpet Rolls Share of Total U.S. Carpet Broadloom & Tile



Source: U.S. FLOORReport- 2024 Ed. (Market Insights LLC)

Product Installations by Room FY 2019

Room Product Installed	Room Shares by Product (percents add down)						
	% of Purchs.	Resilient Floors		Lamin. Floors	Wood Floors	Ceramic Flr. Tile	Carpet
		Other	LVT				
Kitchen	17%	30%	25%	25%	25%	36%	8%
Bathroom	30%	46%	32%	32%	7%	27%	8%
Foyer/ Entry/ Hall	18%	4%	18%	18%	21%	16%	13%
Subtotal/ Wet Areas	65%	80%	75%	75%	53%	79%	29%
Family Room/ Rec. Rm./ Den	12%	6%	6%	6%	13%	6%	19%
All Other Rooms*	23%	14%	19%	19%	34%	15%	52%
Total-	100%	100%	100%	100%	100%	100%	100%
	Product Shares by Room (percent add across)						
	100%	5%	32%	17%	17%	20%	8%
Kitchen	100%	5%	32%	17%	17%	20%	8%
Bathroom	100%	8%	42%	22%	5%	15%	8%
Foyer/Entry/Hall	100%	1%	32%	17%	20%	12%	18%
Subtotal/ Wet Areas	100%	5%	36%	19%	13%	17%	11%
Family Room/ Rec. Rm./ Den	100%	2%	17%	9%	20%	8%	44%
All Other Rooms*	100%	2%	20%	10%	18%	7%	43%
Total All Rooms-	100%	4%	29%	15%	15%	13%	23%

*Note: All Other Rooms includes Bedrooms, Basements, Dining, and all other room types not shown

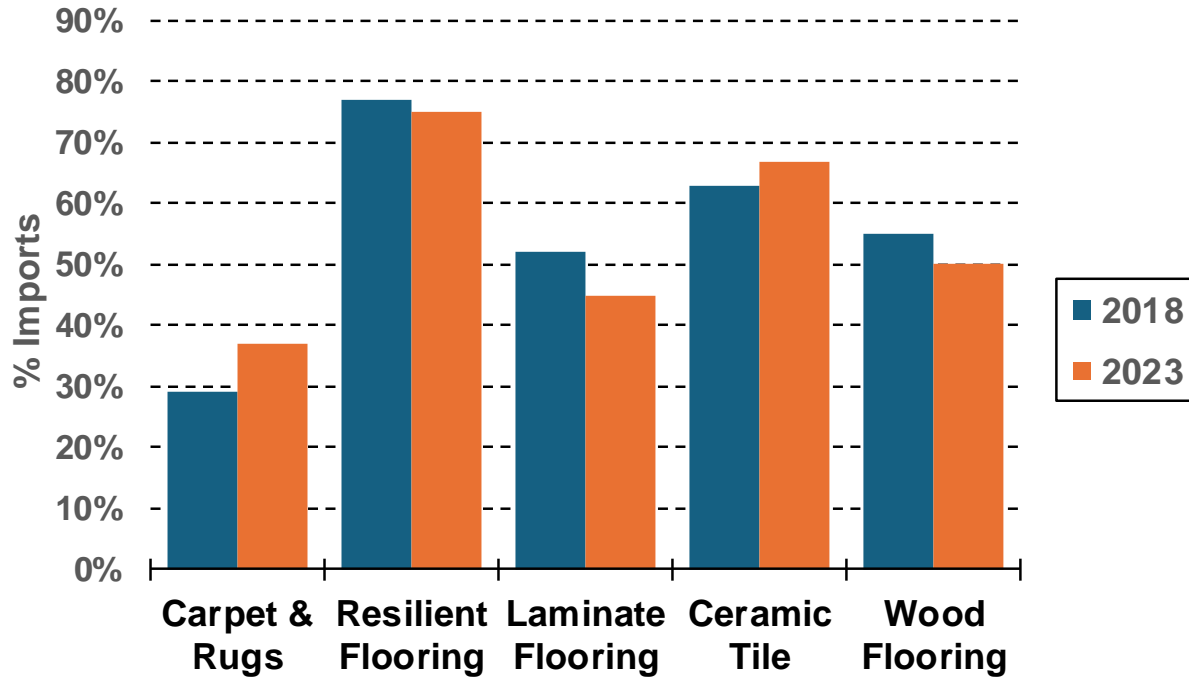
Sources: Market Insights LLC proprietary market research and estimates

Flooring Type Share of Non-Residential Building Type FY 2022						
	Building Type Shares per Product Type (percents add down)					
Building Types	Total Flooring	Resilient Flooring	Laminate Floors	Wood Floors	Ceramic Fl. Tile	Carpet
Health Care	8%	10%	6%	2%	5%	7%
Education & Institutional	33%	33%	18%	59%	54%	27%
Retail	23%	22%	46%	22%	23%	22%
Offices	25%	26%	14%	17%	9%	29%
Lodgings	12%	8%	15%	1%	9%	15%
Total-	100%	100%	100%	100%	100%	100%
	Product Type Shares per Building Type (percents add across)					
Health Care	100%	45%	1%	0%	9%	45%
Education & Institutional	100%	35%	1%	2%	23%	40%
Retail	100%	34%	2%	1%	14%	49%
Offices	100%	37%	1%	1%	5%	57%
Lodgings	100%	24%	1%	0%	11%	63%
Total-	100%	35%	1%	1%	14%	49%
Total Quantity Market (SF, MM)	3,549	1,231	39	34	503	1,742

Note: Percents may not add exactly to 100% to due to rounding

Source: Market Insights LLC

Imports Share of Product Type Consumption Value



Sources: U.S. International Trade Commission, U.S. FLOORReport- 2024 Ed. (Market Insights LLC)

Summary Currency Exchange Rates with 1 U.S. Dollar

Country	Monetary Unit	Currency Units per 1 US\$		Yr.-Yr. % Chg.	(US \$) Trend
		2023/Q1	2024/Q1		
		(average)	(average)	(*)	
Brazil	Real	5.19	4.95	-4.7%	▼
Canada	Dollar	1.35	1.34	-1.0%	▼
China	Yuan	6.84	7.22	5.5%	▲
European Union	Euro	0.93	0.92	-1.7%	▼
Japan	Yen	132.39	147.45	11.4%	▲
Mexico	Peso	18.67	17.28	-7.4%	▼
South Korea	Won	1,275	1,296	1.7%	▲
Sweden	Krona	10.44	10.40	-0.4%	▼
Taiwan	New Dollar	30.38	31.49	3.6%	▲
United Kingdom	Pound	0.82	0.79	-4.1%	▼
Cryptocurrency	Bitcoin	22,875	45,956	100.9%	▲

***Notes:**

- Negative percent change indicates U.S. Dollar has weakened versus the subject currency (▼), while a positive percent change indicates a strengthening U.S. Dollar versus the subject currency (▲);
- A strong U.S. Dollar promotes imports into the U.S. making them less expensive for U.S. entities to purchase but discourages U.S. exports;
- A weak U.S. Dollar promotes U.S. exports making them less costly to purchase with foreign currency.

Source: Unless noted otherwise the source of all data is the International Monetary Fund as presented by Moody Analytics

U.S. Flooring Import

Top-10 Countries of Origin Ranked by Full Year 2023 Import Values

Figures are Imports for Consumption at Landed Duty-Paid Value: Includes cost of product, insurance, freight, and duties landed at the U.S. port of entry

Tufted Carpet & Rug Imports										
Country of Origin	Annual Import Values (US\$ in millions @ Landed Duty-Paid Value)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1 India	329	320	326	301	310	299	289	419	373	356
2 China	286	288	287	320	400	284	222	267	257	197
3 South Korea	16	21	19	35	42	62	62	62	121	170
4 Mexico	0	0	-	0	0	25	72	115	135	107
5 Turkey	38	37	35	34	30	40	41	43	51	66
6 Vietnam	13	15	16	15	13	21	39	73	63	61
7 Egypt	33	21	22	27	40	38	24	45	39	50
8 Netherlands	49	52	36	33	26	39	65	67	46	40
9 Canada	117	109	108	97	77	53	46	51	45	33
10 United Arab Em	0	1	1	2	4	5	5	13	13	14
All Others	73	65	72	71	77	61	46	69	63	61
Total Imports-	956	930	922	935	1,020	927	910	1,223	1,205	1,154
% Change	--	-2.7%	-0.9%	1.5%	9.1%	-9.1%	-1.8%	34.4%	-1.5%	-4.2%
Share of Import Value										
1 India	34%	34%	35%	32%	30%	32%	32%	34%	31%	31%
2 China	30%	31%	31%	34%	39%	31%	24%	22%	21%	17%
3 South Korea	2%	2%	2%	4%	4%	7%	7%	5%	10%	15%
4 Mexico	0%	0%	0%	0%	0%	3%	8%	9%	11%	9%
5 Turkey	4%	4%	4%	4%	3%	4%	4%	3%	4%	6%
6 Vietnam	1%	2%	2%	2%	1%	2%	4%	6%	5%	5%
7 Egypt	3%	2%	2%	3%	4%	4%	3%	4%	3%	4%
8 Netherlands	5%	6%	4%	4%	3%	4%	7%	5%	4%	3%
9 Canada	12%	12%	12%	10%	8%	6%	5%	4%	4%	3%
10 United Arab Em	0%	0%	0%	0%	0%	1%	1%	1%	1%	1%
All Others	8%	7%	8%	8%	8%	7%	5%	6%	5%	5%
Total Imports-	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

*Note: - A punitive tariff of 10% was added to all imports from China Sep. 2018; this tariff was increased to 25% on June 15, 2019 and remains in force

Source: U.S. International Trade Commission

Change in U.S. Consumption Value (prelim.)						
2022 to 2023				(% Chg.) (Index)		
Total Flooring				<u>-11%</u>	<u>100</u>	
Carpet Broadloom & Tile				-11%	100	
Ceramic Tile				-9%	82	
Laminate Flooring				-15%	136	
Wood Flooring				-20%	182	
Resilient Flooring				-12%	109	
Sources: <i>Floor Focus</i> magazine, Market Insights LLC, Tile Council No. America, U.S. International Trade Commission						

Conclusions

- U.S. economy will see slow growth through 2025- mainly due to inflation, budget deficits/printing money, high interest rates, & weak wage growth
- Housing construction & turnover slowed by affordability
- Remodeling will boost flooring sales, as always
- Commercial market will see growth in 2024 then slow in 2025
- Offices suffering from remote work, high vacancy rate, uncertainty
- Commercial bright spots= Educ./Institutional & Health Care
- Carpet tile boosting broadloom due to commercial market growth

continued

Conclusions

- Imports gaining share of Tufted Carpet consumption- especially from India and South Korea
- **Weak U.S. Dollar will likely slow many imports- raising cost**
- Carpet does well in slow economy- 2023 was better, lost less
- Carpet remains the least expensive flooring
- Carpet continues to have secure position in residential public spaces
- Carpet is vulnerable in health care (LVT) and offices (uncertainty)
- **No flooring exhibits softness, sound deadening, recyclability, and value of carpet**

Conclusions

- Slow growth in 2024- similar to 2023
- Slight pick-up in economic activity in 2025

Questions & Comments