



FCW GUEST COLUMNIST

China's demand for flooring creates opportunity in the West

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China has achieved the fastest economic growth in history over the last two decades and despite the world's economic downturn, China's economy is expected to grow 8 percent this year. From now until 2015, roughly half the world's construction will take place in China, according to the World Bank. Estimates are that by 2010, China will have built 80 billion square meters of new housing and by 2020 it will have exceeded 200 billion square meters — and every square meter will need a floor.

China's massive industrialization efforts have resulted in what is perhaps the largest urban migration in history; more than 400 million people have moved from rural homes to urban locations where they are now among a growing middle class. This population shift has created a vast housing demand and construction boom. It is said that China builds at the rate of one new Shanghai every year. With a 165-percent increase in construction spending over the last four years, the real estate construction market is now a major driver of China's economy.

Transitioning from "Made in China" to "Sold in China"

Because exports have driven China's economy for two decades, it takes an adjustment in thinking to grasp a change from "Made in China" to "Sold in China," but it is widely believed that China could become the world's second-largest consumer market by 2015 with 69 percent of its population in urban settings. American business consultants McKinsey & Co. estimate the urban middle class will grow from its present 47 percent to 76 percent by 2025 with 612 million people wielding the equivalent of \$2.7 trillion U.S. in spending power. In all of Asia, McKinsey expects more than 1 billion new consumers will emerge in the next five years.

China's economic shift isn't based on sheer magnitude of population; it is also the result of a long-term structured plan of government-led investment.

Obituary

Rudolf Krepinsky, 85

Rudolf Krepinsky, a long-standing member of the international ceramic tile community and founder of Ceramic Antigua, passed away on September 22. He was 85.

Under his direction as company founder, Brazil-based Ceramica Antigua provided company workers and members of the local community with lodging, education, health care and other opportunities. Krepinsky also established Ceramic Tile Trends in the United States.

Since 1953, the People's Republic of China has implemented a series of five-year plans aimed at national economic development with the ultimate goal of making China a world power. The resulting market economy creates a potential new market for the construction and home fashion industries.

Market snapshot

Asian flooring preferences bear little simi-

larity to the U.S. and Europe: segments are 97 percent hard surface (90 percent ceramic, laminate and wood; 7 percent vinyl) and 3 percent broadloom, which is nearly all commercial. Rugs are not included in this number. New urban homes in China are apartment shells that owners must complete with flooring and fixtures; new construction accounts for about 50 percent of the market vs. 20 percent in the U.S.

This market must be approached cautiously — relationships are key. One low-risk way to gain initial exposure to the market in China is through tradeshows such as Domotex Asia/Chinafloor that is set to be held March 23–25, 2010 in Shanghai.

Stay tuned for future articles in this series including the breadth of the industry, potential for mergers and acquisitions, the green influence and innovations. **FCW**

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