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Building Materials

Building materials supply centers

April 2010 US$395

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BUILDING MATERIALS

Supplier capability in China

EXECUTIVE SUMMARY

China's building materials industry is positive that overseas demand will strengthen with the gradual recovery of key economies. Global Sources' recent survey of the sector suggests that most suppliers are anticipating increases of at least 10 percent in export revenue this year.

To accelerate growth, a number of companies have renewed efforts to increase penetration of North America and the EU. The two areas still account for more than one-fourth of overseas sales, despite the decline in orders. Between January and June 2009, shipments to the two areas amounted to $2.7 billion.

Several enterprises, however, remain wary of relying solely on the two markets for revenue. To minimize risk, they are eyeing alternative destinations, where demand remained relatively stable during the economic downturn. A number are also reducing exposure to countries that have recently imposed or are planning to levy anti-dumping and countervailing duties.

For the months ahead, the Middle East, Central America and Southeast Asia are considered attractive markets, with consumption fueled mainly by government-funded projects.

Some makers are strengthening their presence at home. The domestic arena has gained increased attention from the industry, in large part due to the $586 billion stimulus package.

The strategy, however, works only for certain companies. Small businesses, for one, find it hard to compete domestically with midsize and large players that have already established strong brands.

The following are some of the key trends we see in China's building materials industry.

- Amid the implementation of stricter product requirements and higher consumer expectations, suppliers are exploring various materials and formulations that will provide models increased resistance to different elements and environmental conditions.
- Ecological considerations will also play a major role in R&D, leading to increased adoption of sustainable materials. Usage of nontoxic additives and coatings with low VOC content are expected to become common as well.
- Export prices may increase further in the months ahead. While companies intend to maintain quotes at present levels, this will prove difficult for many since manufacturing outlay is already on the rise. Adjustments, if any, will be kept minimal, with supplies improving operating efficiency for cost savings.

This report covers the major products of the industry, namely tiles, doors and windows, flooring, paneling and framework, insulation, building supplies and building compounds.

The categories are discussed in separate sections. For each, details about the different types offered, their common features and price determinants are provided.

The latest trends in design and materials are discussed. Information on the supplier base and major production centers can likewise be found.

The Industry Overview elaborates on issues affecting manufacturing and exports. It also identifies the common strategies suppliers are employing to cope with challenges and enhance overall competitiveness.

To reflect the industry structure, the companies in this report include privately owned enterprises and those with financing from Hong Kong, Taiwan and farther overseas. Most are based in Guangdong and Jiangsu provinces, which account for more than 40 percent of China's export sales in building materials.

In this report

- 31 in-depth company profiles
- 16 additional suppliers
- 138 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics & charts

METHODOLOGY

To produce this report, Global Sources surveyed a wide range of suppliers. Rather than focus simply on high-profile makers, we compiled a representative sample of large, midsize and emerging manufacturers. All profiled companies are export-oriented professional suppliers that may or may not be clients of Global Sources.

The selection of suppliers is designed to reflect the composition of the industry in China in terms of geographic spread, business type and company ownership.

For in-depth company profiles, our research teams interviewed senior executives and export managers who discussed their recent performance and provided R&D, production and export forecasts for the next 12 months. The interviews were done in person, by phone or e-mail.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including their production and export statistics, and a breakdown of exports by product type and market. Our production checklist details the product-specific manufacturing capability of each supplier.

All profiled suppliers participated in a survey designed to provide insight into product and price trends, and challenges facing the industry. All survey questions are single choice. Results were calculated based on the actual number of valid responses to each question.

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INDUSTRY OVERVIEW

China's building materials industry is optimistic of demand strengthening in the months ahead as the global economy continues to recover. A number of suppliers have even renewed efforts to boost exports to North America and the EU, as despite the decline, consumption in the two markets remained high. For the first six months of 2009, they contributed more than one-fourth to the sector's overseas sales.

Expansion of the customer base beyond these two areas, however, is expected to proceed as part of suppliers' efforts to minimize risk. Many enterprises are still wary of depending on these markets for revenue after seeing orders plunge in the latter half of 2008.

Customs statistics show overall exports in 2008 rose 20 percent YoY to reach $46.5 billion. Growth during the last quarter, however, was significantly slower at 4 percent as the financial slump took its toll. Between January and June 2009, revenue from shipments plummeted more than 50 percent YoY to $9.8 billion.

In choosing alternative destinations, many are looking toward those with economies that remained relatively stable during the economic downturn.

Companies are also steering clear of countries where anti-dumping or countervailing duties are being levied on China-made products. Such charges raise final prices in those areas significantly, threatening the competitiveness of their models.

Canada, a top market for paneling and framework, began charging anti-dumping tariffs on aluminum extrusions last year. The taxes range from 1.7 to 101 percent, while the countervailing rate is between $0.38 and $2.32 per kilogram.

Australia, another key export destination for the sector, plans to impose a provisional anti-dumping tariff of 16 percent on certain aluminum extrusions. Customs authorities are due to make a recommendation to the Minister of Home Affairs by April 15 this year on whether to finalize the duty.

In India, starting June 2009, ceramic glazed tiles with at least one side exceeding 17in have been subject to a provisional anti-dumping tariff of $3 per square meter. The country is among China's largest markets for tiles, contributing about 4 percent to overseas revenue.

In certain categories, stringent product requirements have been another consideration in suppliers' expansion plans. Shipments of interior matte coatings to the EU, for example, are curtailed by the fact that the allowable limit for VOC levels is now at 30g per liter. This is because most models are formulated to meet the national standard, which is currently at 200g per liter.

Faced with these challenges, several suppliers are turning to the Middle East, South America and Southeast Asia for better sales. State-funded housing and infrastructure projects are expected to be the main drivers of growth, with demand in the latter lifted further by the ASEAN-China Free Trade Area agreement.

The domestic market has also gained greater importance for many companies, thanks largely to the government's $586 billion stimulus package. In fact, several ceiling and wall panel makers estimate more than 60 percent of their output will go to local clients this year. For suppliers of roof and wall insulation, local consumption now accounts for 70 percent of output.

This strategy, however, works only for a few enterprises. Suppliers focused previously on overseas markets, particularly those with small factories, find it difficult to compete locally since large counterparts and a number of midsize businesses have already built brand loyalty. During the economic downturn, many makers sustained operations by becoming subcontractors of major players.

Supplier summary

Suppliers surveyed	31
Export sales	$386.4mn
Export ratio	56%
OEM business	46%
Capacity utilized	54%
Annual R&D spending	$20.1mn
Full-time employees	20,565

Data: All surveyed suppliers

Product trends

Suppliers are realigning their product and pricing strategies to support sales and profit objectives. Most will continue to target the low end and midrange, although upscale releases will continue to grow in number. Several makers aim to raise output of high-end models by about 5 percent this year, with the selection including designs for destinations other than North America and the euro zone.

In their product development efforts, the emphasis is on enhancing performance and environmental friendliness. This step is generally in response to higher consumer requirements and the stringent regulations being implemented overseas and within China.

Ceiling and wall panel makers are exploring various additives and surface treatment options to improve their models' resistance to heat, cold and water.

Major customers

Company	
Foshan Jinlan	PT Citra (Indonesia)
Shanghai Zhenxing	Saint Gobain (France), B&Q (UK)

Data: All surveyed suppliers

Anping County Anyang Wire Mesh Co. Ltd

Anping County Anyang produces wire mesh panels in a 4,000sqm factory equipped with four shuttleless looms from Japan. Operating at 50 percent of capacity, the plant manufactured 100,000 square meters monthly in 2009.

Three-fourths of output was exported, all under OEM contracts. Annual overseas sales amounted to $3.8 million.

Europe and the Asia-Pacific region were the primary sources of revenue, absorbing 50 and 30 percent of outbound shipments, respectively. Other destinations included North America and the Middle East.

Targeting the EU, the company expects overseas sales to increase by more than 20 percent in the months ahead.

Anping County Anyang allocates $130,000 annually for product development. Thirteen of its 65 full-time employees carry out related tasks. A seven-member team performs quality inspection and testing following ISO 9001:2000 guidelines.

Established in 1997, the company also offers filtering equipment.

Company facts

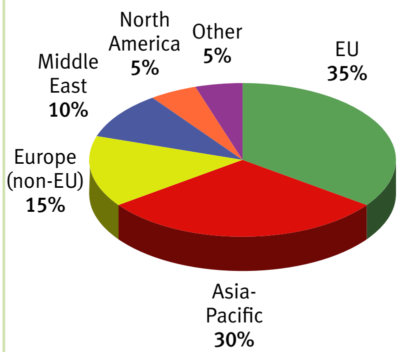
Year established	1997
Business type	Manufacturer
Company ownership	Mainland China-owned
Head office location	Hengshui (Hebei)
Number of factories	1
Factory location(s)	Hengshui (Hebei)
Total factory area	4,000sqm
No. of full-time employees	65
No. of R&D/design staff	13
No. of QC staff	7
Annual sales (all products)	$12.0mn
Annual R&D spending	$130,000
ISO certification	Yes

Sales & output: Building materials

Annual sales	$4.8mn
Share of total sales	40%
Annual export sales	$3.8mn
Total monthly capacity	200,000sqm
Average monthly output	100,000sqm
Capacity utilized	50%
Average monthly exports	75,000sqm
Export ratio	75%
OEM % of exports	100%
ODM % of exports	—
OBM % of exports	—
Other products made	Filtering equipment

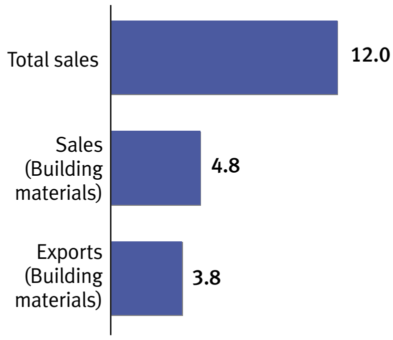
Profile

Export markets



Sales

$mn/yr



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Capability

Production checklist

Automated painting lines	No
Cutting machines	—
Dryers/drying ovens	—
Punching machines	—
Extrusion machines	—
Polishing machines	—
Glazing booths/lines	—

Exports by product

Tiles	—
Doors & windows	—
Flooring	—
Paneling & framework	—
Insulation	—
Building supplies	100%
Building compounds	—

Exports by market

North America	5%
European Union	35%
Europe (non-EU)	15%
Asia-Pacific	30%
Middle East	10%
Other	5%

Survey

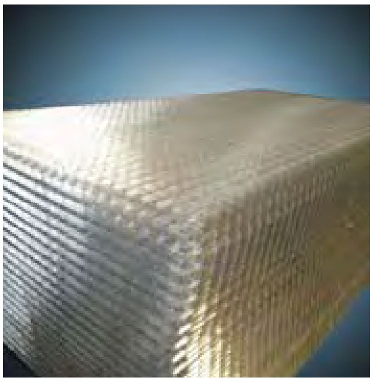
- **Export prices**
  Stayed the same
- **Export sales**
  Increase more than 20%
- **Target market**
  European Union
- **Capital expenditure**
  Increase up to 50%
- **Major challenge**
  Price competition
- **Export capability**
  Improve operating efficiency
- **R&D focus**
  Higher-grade materials

Popular export models

Building supply

Model	12Mesh
MOQ	300sqm
Packaging	Wooden box
Delivery	10 days
Price	•

Description: Stainless steel wire mesh; 0.5mm thread diameter; 1.61mm spacing



Building supply

Model	Weld Wire Mesh
MOQ	100 pieces
Packaging	Wooden pallet
Delivery	3 days
Price	•

Description: Welded wire mesh; 1.8mm thread diameter; 2in spacing; 1.22m width, 2.44m length

Building supply

Model	Hex Wire Mesh
MOQ	1,500sqm
Packaging	Wooden pallet
Delivery	5 days
Price	•

Description: Hexagonal wire mesh; 0.8mm thread diameter; $^3/_4$in spacing; 3in width, 100in length

• Information not disclosed

PRODUCT GALLERY

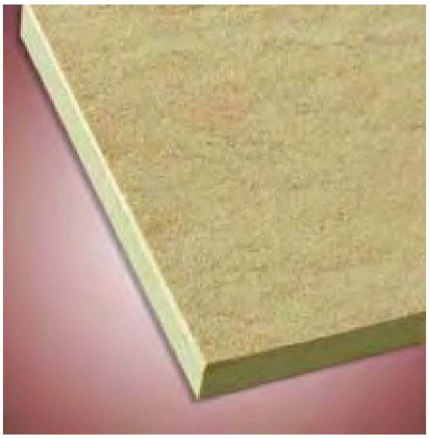
Tiles

Foshan Dolphin
(profile page 40)
Model: ZM6620
MOQ: 1,000sqm
Packaging: Carton
Delivery: 20 days
Price: •
Description: Porcelain floor/wall tile; glazed, black matte finish; <0.3% water absorption; 300x300, 300x600 or 600x600mm; 10mm thickness

Foshan Dolphin
(profile page 40)
Model: CZ6866
MOQ: 1,000sqm
Packaging: Carton
Delivery: 20 days
Price: •
Description: Porcelain floor/wall tile; glazed, coffee color; <0.3% water absorption; 300x300, 300x600 or 600x600mm; 10mm thickness

Foshan Dolphin
(profile page 40)
Model: ZF6312
MOQ: 1,000sqm
Packaging: Carton
Delivery: 20 days
Price: •
Description: Porcelain floor/wall tile; glazed, beige matte finish; <0.3% water absorption; 300x300, 300x600 or 600x600mm; 10mm thickness

Foshan Dolphin
(profile page 40)
Model: DX5001
MOQ: 1,000sqm
Packaging: Carton
Delivery: 20 days
Price: •
Description: Porcelain floor/wall tile; glazed; <0.3% water absorption; 500x500mm (20x20in)



Foshan Dolphin
(profile page 40)
Model: ZM6613
MOQ: 1,000sqm
Packaging: Carton
Delivery: 20 days
Price: •
Description: Porcelain floor/wall tile; glazed, golden beige matte finish; <0.3% water absorption; 300x300, 300x600 or 600x600mm; 10mm thickness

Foshan Dolphin
(profile page 40)
Model: ZF6111
MOQ: 1,000sqm
Packaging: Carton
Delivery: 20 days
Price: •
Description: Porcelain floor/wall tile; glazed, ivory matte finish; <0.3% water absorption; 300x300, 300x600 or 600x600mm; 10mm thickness

• Information not disclosed

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