

# COUNTRY REPORT



Ukraine

# "OUR BIGGEST ADVANTAGE is our proximity to feldspar quarries"

by Andrea Serri

**Mr. Valentin Shevetovsky**, founder of Golden Tile Ceramic Group, **what are the prospects for the Ukrainian ceramic industry?**

Ukraine is well positioned to become one of the key players in the global ceramic industry. We have the highest quality eco-friendly raw materials, which we also supply to world-leading manufacturers from Italy and Spain. We have the most modern equipment. And most importantly, we have high-quality specialists, engineers and chemists working for companies throughout Ukraine. The only thing we lack is a favourable government policy.

The ceramic industry is one of the few industries in Ukraine that produces a world-class finished product with high added value. We invest a lot of resources in our own production activities, and achieve very high levels of efficiency even

at complex deposits. For example, the Maidan-Vilysky open pit (MVK, located in the Khmelnytsky region) grew almost from zero to 3% of the world feldspar market and our white clay is highly valued by world-leading manufacturers in Italy and Spain.

We are continuing to invest in production. Golden Tile Ceramic Group has launched two new ultra-modern production lines specializing in the production of large-format ceramic tiles, an important global trend. The launch of new lines has allowed us to increase our production capacity to 24 million square metres per year.

With our own eco-friendly raw materials, the best equipment in the world, our own design studio and a highly professional team, we have everything we need to control product quality along the entire supply chain from quarry to store. In addition, we are actively developing foreign branch offices and promoting the Ukrainian Ceramics brand around the world.

## What are the characteristics of Golden Tile Ceramic Group?

As the largest producer in Ukraine and anywhere in Eastern Europe, Golden Tile Ceramic Group is driving the industry's development. High environmental standards,

internship programs with leading technical universities, the creation of ceramic laboratories for students, the development of special training programs - this are just a few of the measures the group is adopting to harness the country's technological potential. However, the efforts of even the largest players in the market are not enough to sustain the entire industry. Ceramic production in Ukraine needs strong government support.

One of the most vulnerable aspects of the industry today is the lack of technical personnel and, as a result, the loss of high-qualified specialists who move abroad. One real challenge for the state is the development of technical education and support for industrial enterprises. An equally important issue is customs policy and the development of internal logistics. Strategically located at the heart of Europe, Ukraine has enormous logistic potential which unfortunately is not exploited. Rail transport remains problematical for industry as a whole, not just for ceramic manufacturers. Establishing an effective logistics system and pursuing a balanced customs policy are the prerequisites for the successful development of Ukrainian industry.

## What are the main requests to the government?

Measures to protect domestic producers, fair import duties, a system for training and supporting qualified personnel, reducing labour migration, raising social standards,



Valentin Shevetovsky



and a favourable climate for domestic investors are just a few of the challenges facing the Ukrainian government today. Industrialists, in turn, are ready to participate in the development of state programs and to support them with their own resources. The Golden Tile Ceramic Group's projects are eloquent proof of this.

**What are the main challenges for the Ukrainian Association?**

In conditions of weak state support, Ukraine's ceramic industry has taken control of the sector's development. Regional and national social programs, regional development programs, and educational projects are implemented with the active support of industry and local authorities, which, unlike the

government, meet manufacturers and support their development.

The biggest market challenge is to boost exports. We were the only ceramic producer to increase our exports in 2019 (+3%). I can't say that winning foreign markets is particularly easy for us given the lack of state support and the 20% revaluation of the hryvnia by the end of the year. Fortunately, we have been lucky to cooperate with reliable partners including the largest retail chains in Europe: Leroy Merlin, Praktiker, Mercury Market, Hornbach, OBI, Arabesque and Topps Tiles. Thanks to their support, we feel confident in the global market.

**How is the international economic situation affecting your sales market?**

We are seeing an increase in global production and a decline in ceramic tile consumption around the world. But we don't consider this a cause for pessimism, it's simply the new reality we have to deal with.

I believe that the solution lies in pursuing effective production processes, high quality projects, the development of professional education, as well as strengthening the international image of the country as a whole - in other words, creating a strong brand image for Ukraine and giving it real energy and meaning. As the sector's largest producer, it is our mission to strengthen Ukraine's brand image in the global ceramics market.

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# PER CAPITA TILE CONSUMPTION reaches 1.05 square metres



by Sara Seghedoni

**Despite the** longstanding difficulties caused by the Russian conflict, Ukraine is experiencing growth in many different sectors. The ceramic industry is performing particularly strongly and is one of the most attractive areas for Italian investments.

Growth in ceramic production is largely driven by the enormous potential of the domestic market.

Further growth factors include the country's strategic position between two huge markets (the EU and the Russian Federation), the potential for shipping tiles by sea to the United States, Arab countries and China, and the large reserves of the basic raw materials required for ceramic tile production, especially clay.

In 2018 the Ukrainian ceramic industry was made up of 8 main companies and saw 3% growth in production compared to the previous year, reaching 54 million square metres.

Ceramic production in the country has showed a fluctuating trend over the last 10 years. Output grew by more than 50% in 2012 compared to 2008 to reach 61.3 million square metres, after which there was a steady contraction from 2013 to 2015, when production dropped to 44.9 million square metres (-4% in 2013, -14%

## The Ceramic Tile Market in Ukraine

Million sq. mt. - Years 2015-2018

	2015	2016	2017	2018
Consumption	33.4	37.3	43.3	44.2
Sales by domestic producers	25.9	27.9	33.4	33.2
Imports	7.5	9.4	9.9	10.9
Exports	18.4	17.3	19.9	19.2
Production	44.9	45.9	52.5	54.0

Source: Confindustria Ceramica estimates

by Simona Malagoli

### BMR IS A MAJOR SUPPLIER OF

polishing, lapping, squaring and treatment lines to the Ukrainian ceramic industry. In response to customers' needs, it delivers plants tailored to the latest production processes, from traditional product sizes through to lapped, glazed and technical porcelain slabs, and has become a trusted partner for leading players such as Kharkiv Tile Plant, Epicentr K, Atem and Intercerama.

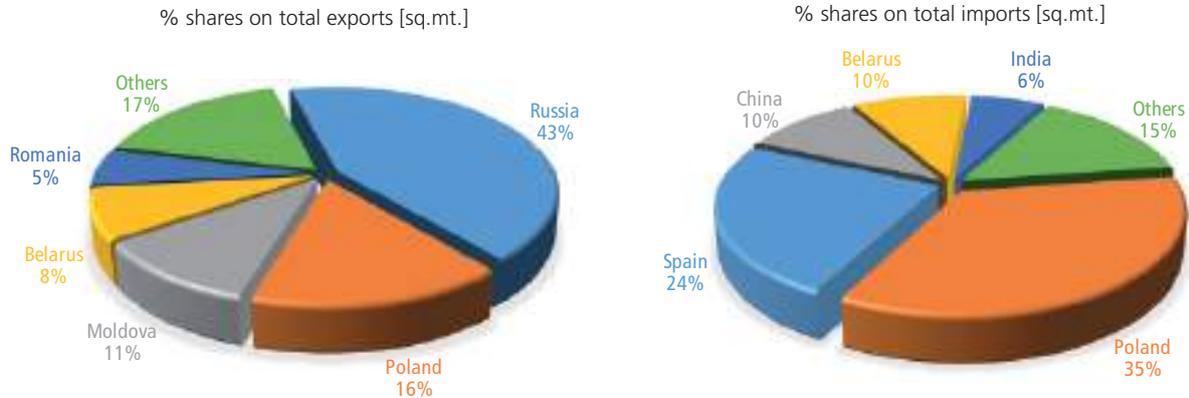
### LB HAS SUPPLIED A COMPLETE

reception, storage and press feeding plant to Ukrainian tile producer Epicentr. The new line, used for the production of glazed porcelain tiles in 60x60 cm and 45x45 cm sizes, came into operation at the end of the summer of 2019 at the factory in Kaluś in the Ivano-Frankiv'sk region. This was the second plant supplied to Epicentr by LB following the installation of an Easy Color Boost dry colouring plant in the new Kiev factory in 2018.

### THE ATEM GROUP'S FACTORY IN KIEV

produces more than two hundred different high-quality products, including floor and wall tiles, special pieces and ceramic panels in 500 different colours. Total annual capacity amounts to more than 20 million sqm. Along with various types of surfaces, the products come in 18 different sizes and a wide variety of patterns and luxury decorations. Atem has an extensive sales network throughout the country and in Russia and the United States, with 26 showrooms located in major Ukrainian cities and one in Moscow.

Ukraine ceramic tile market in 2018



Source: : Confindustria Ceramica estimates

in 2014 and -11% in 2015). The industry then resumed its upward trend with growth of 2.2% in 2016 and 3.8% in 2017.

Domestic demand absorbs more than 60% of ceramic tile production. Sales by domestic producers totalled 33.2 million square metres in 2018, while exports reached a value of 19.2 million square metres, 4% down on the previous year.

The main destination countries for Ukrainian ceramic tile exports are the Russian Federation with 6.44 million square metres (43%), Poland with 2.38 million square metres (16%) Moldova with 1.61 million square metres (11%) and Belarus with 1.19 million square metres (8%). Smaller shares are shipped to Romania (5%),

Azerbaijan (3%), and Italy, Germany and USA (2% each).

Ceramic tile consumption in Ukraine grew by 2% in 2018 compared to the same period in 2017 to reach 44.2 million square metres, corresponding to a per capita consumption of 1.05 square metres/year.

Total imports to Ukraine from other countries amounted to 10.9 million square metres in 2018, 11% up on the previous year.

The largest exporter country to Ukraine is Poland with 3.02 million square metres (35% of the total), followed by Spain with 2.08 million square metres (24%), China and Belarus each with 10% of total exports, India with 6%, Italy with 5%, Russia with 4%, Turkey with 3%

and the Czech Republic with 1%.

According to Eurostat estimates for EU countries' exports to Ukraine, Poland continues to be the main exporting country with a total of 4.4 million sqm exported in the period January-December 2019, up 13.3%. This corresponds to a value of 33 million euros and an average selling price of 7.37 euros/sqm. Next is Spain with 4 million square metres (+73.5%), 20.9 million euros and an average price of 5.15 euros/sqm, then Italy with more than 472,000 square metres (+27.8%), equivalent to a value of 11.8 million euros and an average selling price of 25.13 euros/sqm.

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**AFTER SECURING A NUMBER OF MAJOR**

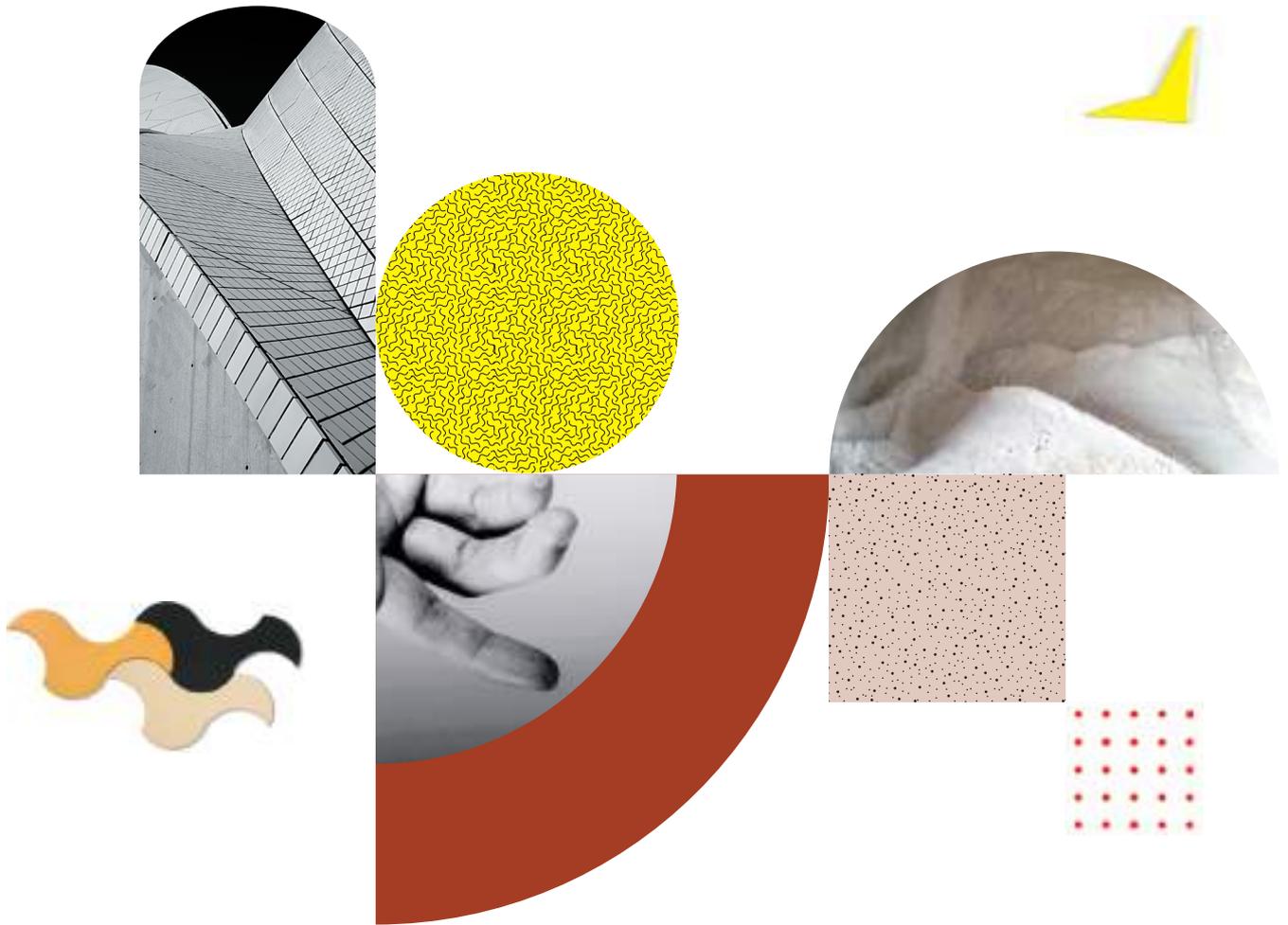
contracts in Ukraine, Sacmi has decided to provide support to the local market by opening an after-sales service centre called Sacmi Kiev, consisting of a team of engineers and a spare parts warehouse. Sacmi has also installed a new small and medium-size tile line with a capacity of 2.5 million sqm/year at the Epicenter K group's recently renovated and upgraded manufacturing facility in Kaluš.

**INTERCERAMA HAS CHOSEN MACHINERY**

and equipment from LB for the production of glazed and unglazed porcelain tiles with high aesthetic quality. The scope of supply includes Easy Color Boost technology for dry colouring of ceramic bodies. The materials are sent directly to the forming devices according to recipes that can be changed rapidly. The system is combined with latest-generation aesthetic kits in keeping with the new Freestyle production concept.

**EPICENTER K, A GROUP WITH 25,000**

employees and around sixty shopping centres located throughout Ukraine, recently started up a new complete Sacmi plant for the production of 12 million sqm/year of monoporosa and large-size porcelain tiles with the aim of internalising production of the ceramic items sold at its retail outlets. The new factory is located in Kalynivka, in the Kiev region, alongside the main Epicenter K logistic centre. Sacmi supplied PH 6500 presses equipped with the new Powerlink automation, modular mills, latest-generation spray dryers, two single-layer kilns and the H.E.R.E. Manufacturing Execution System.



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\* to have new ideas a long time before  
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“  Ceramics of Italy ”

# PARALLEL GROWTH FOR ceramic market and real estate sector

by Barbara Benini

**Founded 26 years ago**, the Ukrainian company Agromat has grown from a small business to a leading player in the local ceramic tile market with 20 stores across Ukraine and one recently opened in Georgia, as well as a logistics centre in the Czech Republic. The company's dominant position is reflected in its outstanding sales results with an annual turnover of more than 91 million euros. From his unique vantage point as General Director of Agromat and President of the Ukrainian Association of Ceramics, we asked Sergii Voitenko where he believes his company and the country's ceramic sector and real estate market are heading.

## Mr Voitenko, who are your main customers?

Our customers are people who do home and office repairs and those who run their own businesses such as restaurants, hotels, stadiums and shopping centres. And our main partners in the customer service process are construction companies, architects and designers. Until 2008-2009, Agromat was a wholesaler and mainly sold products through a dealer network. After the 2008 crisis, many dealers left the market and we decided to develop our own retail network. Half of our company's revenue now comes from retail customers. But we have also developed our distribution network and have more than 500 active

partner dealers who work with us.

## What is the situation in the ceramic tile market in Ukraine and what are the biggest problems you face?

The ceramic tile and sanitaryware market in Ukraine is developing in parallel with the construction sector. The market saw a significant contraction following the events of 2014, but now the situation is now returning to normal. Ceramic tile consumption in Ukraine stands at approximately 40 million sq.m per year, of which 10 million sq.m consists of imports.



Sergii Voitenko

## What are the trends in the real estate market in Ukraine?

New buildings in Ukraine are more in demand than secondary housing and the pace of construction is stable. According to the State Statistics Committee of Ukraine, 7,743,416 sq.m of housing was commissioned in Ukraine in three quarters of 2019.

At the same time we are seeing an increase in the financing of commercial real estate development. If developers meet the stated deadlines for putting projects into operation in 2020-2021, at least 12 large retail properties will enter the Ukrainian retail real estate market, the total area of which will

exceed 700,000 sq.m – a record for our country.

## Considering the trends in the real estate market, what are the prospects and development opportunities for the ceramic industry?

Interest in the real estate market is consistently high. In the coming years, as in the past, the real estate sector will remain one of the most attractive areas for investment. This in turn will lead to further development in the ceramic market.

## What are your expectations for your sector's development?

The development trends for the ceramic industry in Ukraine are comparable with those of the construction market as a whole. Over the next three years, more than 350,000 apartments will be put up for sale in Kiev alone. We are also constantly studying and analysing the market so as to adapt our business model to future trends and to meet customer expectations. This has allowed us to maintain the position of market leader in tiles and sanitaryware in our country for many years. Accordingly, we are committed to increasing sales, further developing our own retail network and actively cooperating with dealers.

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# CONSTRUCTION MARKET

## growth driven by new buildings

by Sara Seghedoni



Photo by enelene (from Pixabay)

Lviv, Ukraine

Ukraine's GDP grew by 2.7% in 2019 to 105.6 billion euros, driven in no small part by the construction industry where investments totalled 7.9 billion euros, 5.4% up on the previous year. The growth forecasts for investments in construction remain positive for the next four years: +7.9% in 2020, +8% in 2021, +7.9% in 2022 and +7.4% in 2023.

These growth estimates are particularly significant considering that the country is emerging from a major recession that began with the 2014 crisis, when construction investment fell by about 30% (5.8 billion euros).

Total investments in non-residential construction in 2019 stood at 2.8 billion euros (up 5.4% compared

to 2018), while investments in civil engineering amounted to 2.5 billion euros (+5.3%). A similar sum was invested in residential construction, 5.6% up on the previous year.

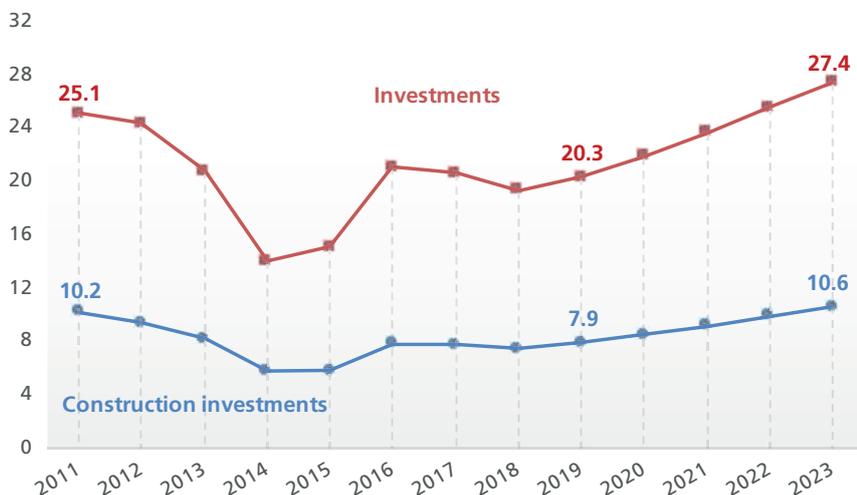
Ukrainians see real estate as a safe investment and have a preference for new build, a segment that attracted 7.1 billion euros of investments in 2019 (+5.4%). However, investments in renovation projects have also increased over the last year (800 million euros, +5.6%). A comparison between the various segments reveals that investments in residential new construction (2.1 billion euros, +5.5%) were higher than those in renovation (400 million euros, +5.9%); investments in new civil engineering works amounted to 2.4 billion euros (+5.3%) and renovation projects 100 million euros (+5.1%); while investments in non-residential new construction totalled 2.6 billion euros (+5.4%) and renovation projects 200 million euros (+5.4%).

The real estate market recorded a lacklustre performance in the first quarter of 2019 despite the improved economic conditions, with house prices in the capital Kiev falling 5.53% year on year. Apartment prices likewise dropped by more than 5 percentage points net of inflation to an average of \$1,038 per square metre during 2018 and through to Q1 2019, marking a year-on-year price decline for the 22nd consecutive quarter. House prices also fell by 1.38% on a quarterly basis in the first three months of 2019.

Prices have fallen over the last five

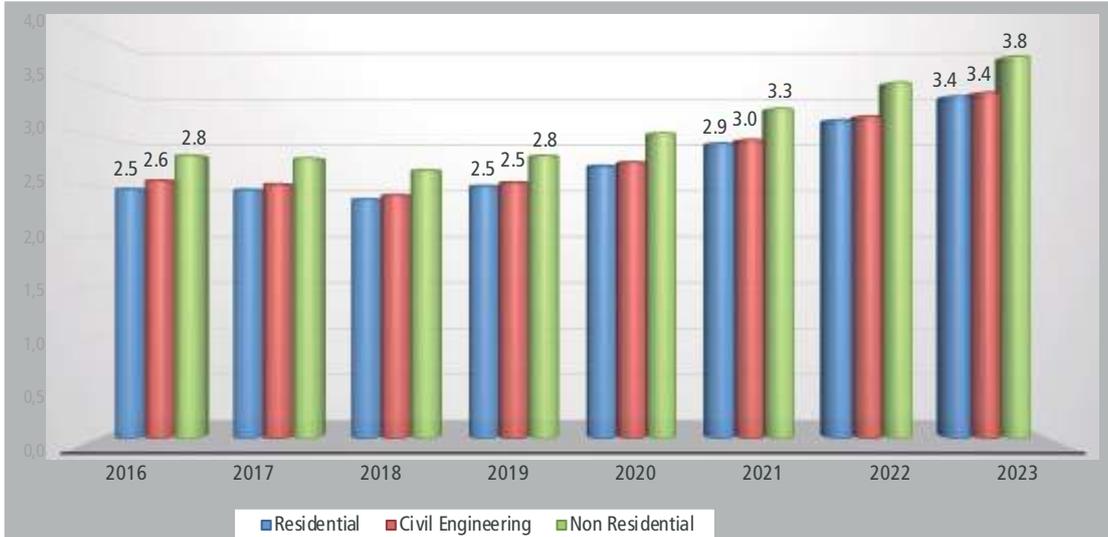
Investments and Construction Investments in Ukraine

Billions of Euros



Source: Cresme Simco on different sources

**Construction investments in Ukraine: market trends**  
Billions of Euros



Source: Cresme Simco on different sources

years, particularly in 2014 (down by 37.38%) due to the devaluation of the national currency prompted by the conflict with Russia.

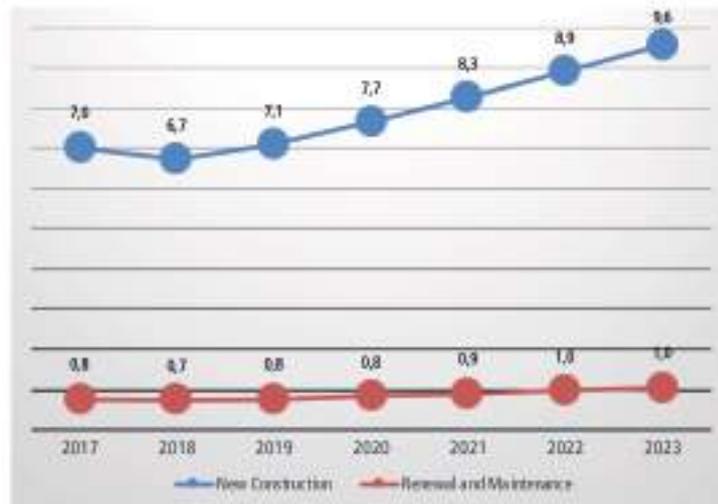
According to S&V Development, house prices are currently 75% (net of inflation) lower than their third quarter 2008 peak of \$3,627 per square metre.

Despite this, not everything would appear to be lost for the Ukrainian construction industry. According to the Ukrainian State Statistics Service, the prices of new one- and three-room apartments rose by 7% and 3% respectively in 2019, although that of two-room apartments fell by 2%.

Prices of used apartments have fallen by 2 percentage points due to the preference of Ukrainians for newly built homes.

In the first few months of 2018, more than 330 new buildings were completed or were under construction in Kiev, about 200 in L'viv and almost 150 in Odessa. The capital alone accounted for 28.6% of total delivered housing, or 28 million square metres. So despite a 50% contraction with respect to 2013 values, new build market purchases grew by two thirds and second-hand purchases by 60% compared to 2017. Ukraine's transport infrastructure falls far short of the country's

**Construction investments by typology in Ukraine**  
Billions of Euros



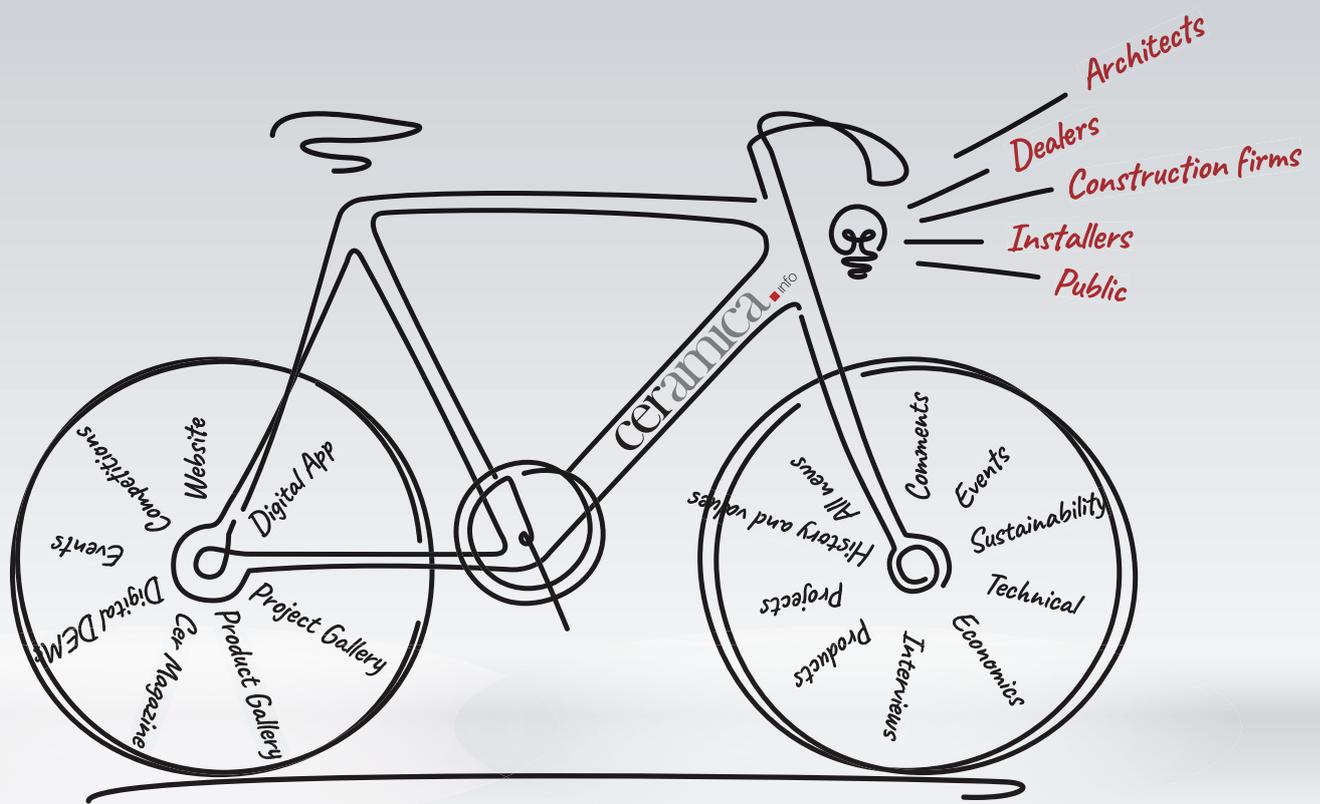
Source: Cresme Simco on different sources

needs in terms of both quality and quantity and requires major modernisation, upgrading and expansion work. It is only in recent years that the country has benefited from funding from supra-national and international bodies and institutions for the improvement of road, airport, railway, maritime and river infrastructure with the aim of bringing transport infrastructure as close as possible to European standards. With a view to development and modernization, the Ukrainian Government has recently

approved the National Transport Strategy guidelines through to 2030 (Drive Ukraine 2030), the main focus of which is to ensure the availability and quality of transport services, to integrate the national transport system into European and international networks, to improve the efficiency of the public administration in the transport sector and to develop transport infrastructure.

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# "DESIGN IS GROWING IN parallel with the use of ceramics"

by **Alessandra Ferretti**

**Interview** with Maksym Romanenko, director of the Fashion Interior design studio.

## What are the main design trends in Ukraine today?

Ukrainian design has begun to develop rapidly, with increasing numbers of designers taking part in international competitions, awards and exhibitions. At the same time, we are seeing growth in the use of ceramics and the emergence of small manufacturers inspired by the latest design trends. This is precisely what our manufacturers lacked, given that our country offers everything else necessary for top-level ceramic production.

## What characteristics are Italian ceramics best known for in your country?

Italian ceramics are known primarily for their interesting design solutions and variety of sizes, such as large formats up to 1000x2400 mm or more. These size tiles require a very small number of joints, a very important factor when using concrete or natural stone effect tiles.

## How have the preferences of Ukrainian consumers changed in recent years?

Ukrainian customers have begun to make bold and unusual design choices in recent years, demonstrating that they are following and understanding trends. Products now in fashion include concrete tiles, all kinds of natural stone variations,

tiles of non-standard shapes and sizes as well as large formats.

## Could you give us a brief overview of your firm?

Our design studio is called Fashion Interior.

We have been working in Ukraine since 2008 and now have 6 people in our team. We are involved in developing design projects and fully implementing them on a turnkey basis.

Our head office is located in Kiev, but since last year we have also been rapidly establishing a presence in the Georgian market. We have carried out projects in Ukraine, Georgia and Italy.

## Have you used Italian tiles for your projects in Italy?

Yes of course, we often use Italian ceramic tiles in our projects. In some cases we choose well-established brands that offer a good balance between quality and price. In other cases we like to use tiles with beautiful decorations that create interesting dimensional grid patterns, so here too we opt for large sizes.

## What projects are you currently working on?



Maksym Romanenko



At present we are mainly working on projects in the residential sector – essentially apartments ranging from 42 to 188 sqm in size – and two office premises, one with an area of 70 sqm and the other 132 sqm.

As for the near future, it's hard to say what other projects are planned, as we never know which customers might contact us tomorrow. But whoever calls us, we're ready to meet their needs.

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