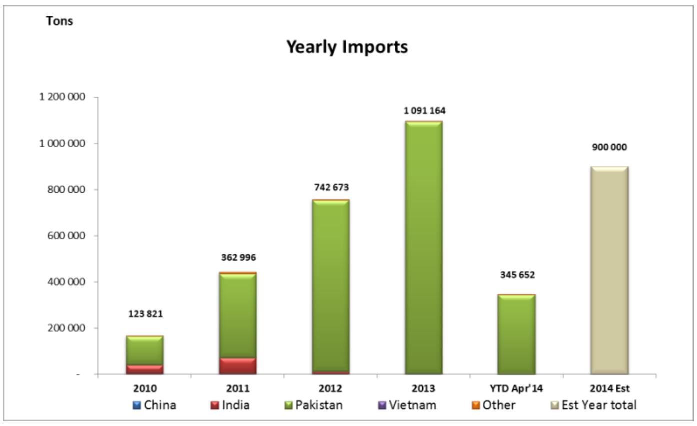
Cement Imports

The domestic cement industry is facing tough conditions in the short term, with excess supply expected to keep margins under pressure. As a result, any further investments are likely to be channelled into upgrading dated and inefficient plants. Supply gains have come from an increase in imports for 2013, which surged by 44% to 1.1-million tonnes. The YTD April 2014 cement import volumes are at 346kt. There is talk in the industry of lobbying for protection from cheap imports.



Imports account for 8 per cent of the local cement market annually. Lucky Cement from Pakistan is the main player in this space and has the advantage of Chinese government subsidies. A further advantage for exporters of cement is that South Africa does not levy any tax on imported cement.

Gavin Wood, chief investment officer at Kagiso Asset Management, believes the South African cement market "is facing a challenging coming few years".

Amidst the increase in supply, Mr Wood says cement demand "is likely to be weak".

Weighing on demand will be the slow roll-out of the government's infrastructure programme, and less private sector corporate construction following a reasonably strong few years. This is in addition to expectations for subdued residential construction activity, "particularly in the low-income market where unsecured credit conditions are much tighter".

Meanwhile, Mr Wood says the energy-intensive industry is now dealing with energy prices which are materially higher than before, while the implementation of carbon taxes will affect the "heavy carbon emission industry".

Source : BD Live