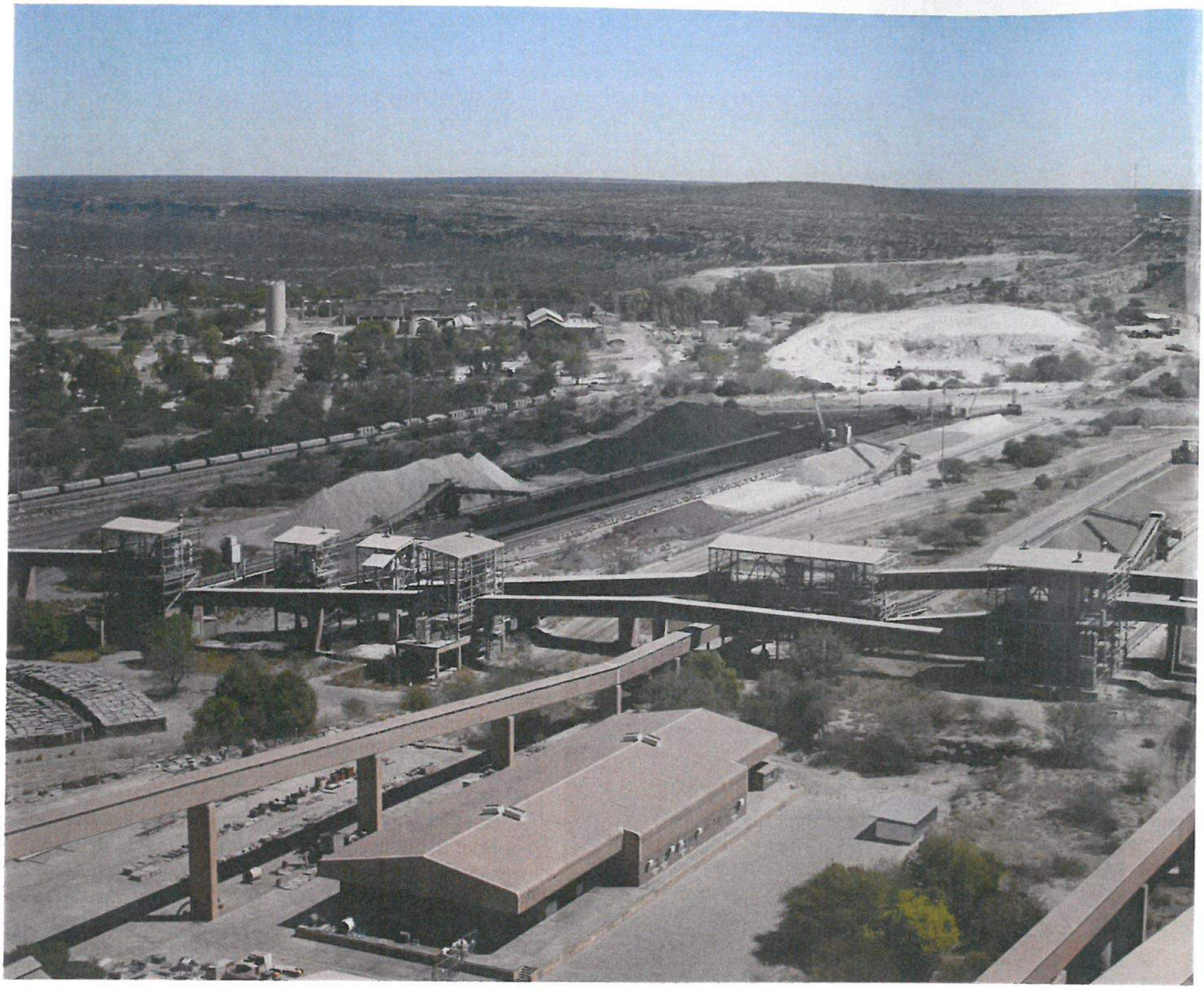
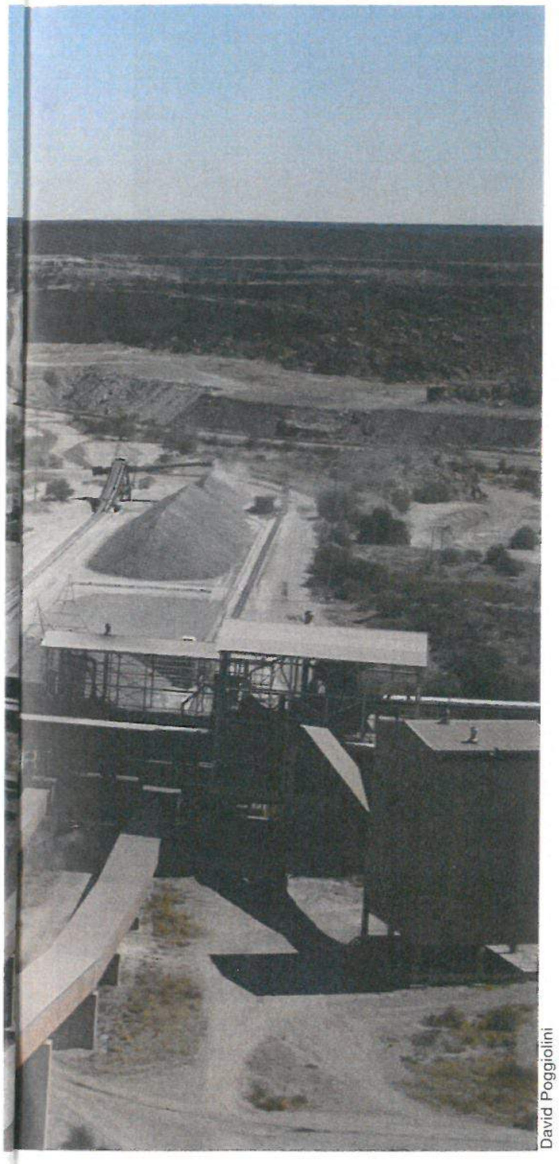


EXCESS CAPACITY STIFLES GROWTH

South Africa remains one of the biggest cement markets in sub-Sahara Africa, but recent developments are stifling growth. By *Munesu Shoko*.

On the back of rising cement imports, a protracted construction market recovery, continued capacity-building by new players and a shrinking economy, traditional cement market players in South Africa report dipping cement sales this year.

According to recent figures published by Pretoria Portland Cement (PPC), South African cement sales dropped 5,2% in the first half of this year from 5,82 million tons (mt) in the same period last year to 5,52mt. This is followed by a 5,1% year-on-year fall in sales to 3,04mt in the second quarter of 2014. The latest cement sales figures have been compiled from PPC's own figures, in conjunction with those


David Poggiolini

from Lafarge, AfriSam, NPC, Ash Resources, Sephaku Ash, Sephaku Cement and Ulula Ash. The figures exclude exports to neighbouring countries.

New capacity

Several factors continue to shackle the growth in sales of cement. The recent arrival of Sephaku Cement with its 1mt added capacity to the South African cement block inflicted further pinch on a market already struggling with 18mt of capacity a year against about 14mt of demand. New industry reports suggest that South Africa consumed 12,2mt of cement in 2013, representing 16% of the total sub-Saharan market share, compared with Nigeria's 18,3mt, which is 25% of the continental market share. Meanwhile, another new player has also joined the ranks in a seemingly overcrowded market. Jidong Development Group, a Chinese building materials group said to be ranked among the world's top five cement makers, is building a new cement factory in Limpopo. The R1,8-billion (about USD163-million) plant will reportedly add another 1mt to the South African market.

However, analysts believe that continued capacity-building in the country is not the real concern, but the continued influx of cement imports, especially from Pakistan, is the problem at hand. "Investing in additional cement capacity requires significant capital and forward planning. Thus investors would carefully consider the long-term opportunities, and not only focus on the immediate or short-term gains," says Elsie Snyman, CEO of Industry Insight. "The fact that it has taken so long for a new cement player to enter the local market is evidence that the local market can benefit from additional players, especially if we consider what happened during the preparation for the 2010 World Cup when not only did prices increase rapidly but there was a shortage of supplies."

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Imports debacle

The major talk in the country's cement sector at present is the fight against Pakistani imports. PPC says rising imports and unsatisfactory capacity utilisation levels in the local cement industry have constrained growth in selling prices. After a formal complaint by major players, Pakistan cement manufacturers facing the anti-dumping probe by the International Trade Administration Commission argue that claims by Afrisam, Lafarge, NPC Cimpor and PPC that bagged cement from Pakistan is being dumped at 48% lower than the normal price in the home country are unfounded.

Lucky Cement and DG Khan Cement are the leading Pakistani exporters to the Southern African Customs Union, which comprises South Africa, Botswana, Lesotho,