

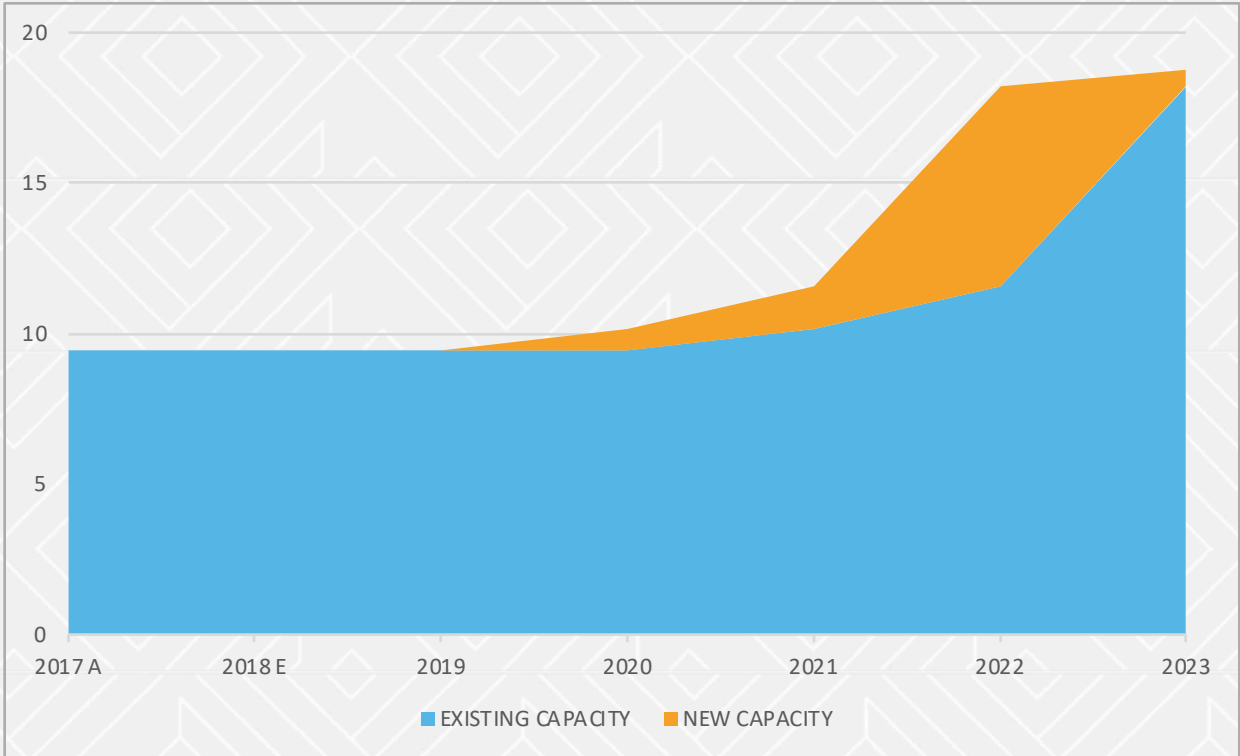
Tanzania Cement Market:



A new status-quo on the horizon – coal and clinker import bans are reshaping the cement industry dynamics

Tanzania's cement sector has grown significantly over the last decade, with cement consumption almost tripling, expanding at a 10.6% CAGR. This growth is impressive when considering the several challenges that the cement industry has faced. During this time, cement consumption had only one marginal drop in 2013. The major challenges reported in recent years include a general power shortage in 2015, a somewhat rushed coal import ban and a clinker import ban that appears to favour integrated cement producers. Moreover, cement prices plummeted since 2014 and reached their bottom in mid-2017.

FIGURE: PROJECTED SUPPLY (2007 – 2023)



These headwinds, coupled with significant overcapacity, are believed to have created a perfect storm. The skies appear to have cleared in the last year or so, but tough times might be approaching again if all mooted cement plant projects materialize. This could result to a country’s DCUF™ of 40%. Unlike its regional peer, Kenya, where a large part of the cement plant projects have been cancelled or delayed, Tanzania is still expected to add cement capacity in the next five years. However, all these projects are in the planning stage, some still looking for funding, thus reducing the likelihood of their coming on stream. If all planned cement projects are implemented, cement capacity could reach almost 19 million tonnes by 2023.

Tanzania’s cement industry dates back to 1959 when Tanzania Portland Cement Company was founded. The first development stage of the market (to 1983) has been dominated by 4-stage suspension preheaters with planetary coolers, kilns that were later refurbished and modernized. One of the major refurbishments that all these old process lines had to go through was the elimination of the Low Efficiency Electrostatic Filters (ESPs) that had to be done until the end of 2013.

Starting in 2009, Tanzania saw the addition of six new kilns, five of which were rotary kilns and one vertical shaft kiln (VSK). This stage of development was largely dominated by the addition of 5-stage preheater precalciners, with the kilns’ capacity ranging from 1,200 tonnes per day to 6,000 tonnes per day.

FIGURE: NUMBER OF KILNS BY CAPACITY RANGE



The report suggests that Tanzania’s demand projections are realistic mainly driven by increased infrastructure spending and other construction segments. One of the major risks associated with the cement demand is an indirect consequence of the country’s dependence on imported building materials. The pricing volatility of these products could have a strong effect on the local market through project delays and the inability to secure additional funding, which could limit the growth of cement consumption going forward. However, while taking all factors into consideration, the risk should still be on the upside for Tanzania.

East Africa Cement Market Report (Q4 2018) is an essential tool for anyone interested in East Africa and includes Kenya, Tanzania, Uganda, Ethiopia and Mozambique. You can order the 217-page report directly from our website (www.cementbusinessresearch.com). Alternatively, please comment on the article for more information.