Cement Business Research

Mozambique Cement Market:

A fragmented market confronted with low utilization rates and declining cement consumption

Mozambique's 2018 cement consumption is expected to be the lowest within the East African region, having declined from the all-time high of 2.8 million tonnes in 2016 to 2.2 million tonnes, following the political and economic challenges introduced by the recent debt scandal. The Government's tight spending approach coupled with frozen foreign aid and subdued investors' confidence pose a risk to cement consumption going forward. A weak local currency is also an ongoing concern as any delay of construction projects generally implies higher costs.

The Mozambican cement market was widely opened to new investors in 2012 with 10 new companies commissioning cement plants since then. Despite their lower cement capacity when compared to international standards, their combined throughput results in an unattractive supply-demand balance. At the level of clinker capacity, Mozambique remains heavily under-supplied with the expectation of new clinker capacity being added in the following years, if funding is secured. Overall, the supply – demand balance over the next five years is expected to be unfavourable.

FIGURE: S-D BALANCE AND DCUF™ (2017 – 2023)

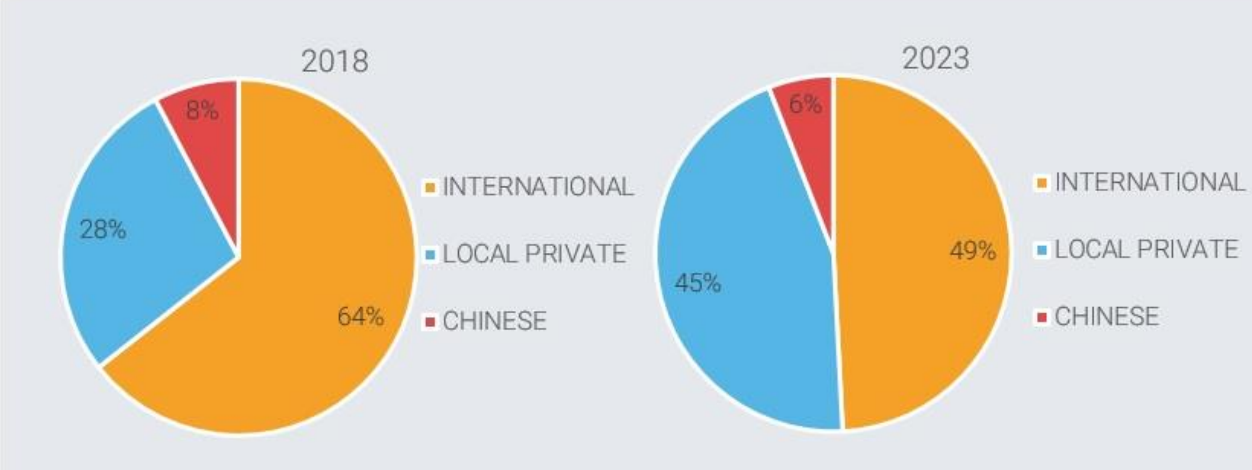
Source: CemBR Analysis

DCUF™ is a metric introduced by CemBR. Although, it is a simple ratio of domestic demand over domestic nameplate capacity (excluding trade with other markets), it provides a wealth of intuitive insights into a cement market. Examined alone, it provides an indication of the propensity and need of a market to export / import. In consideration with the Industry Structure and Dynamics (ISD™) tool and the Supply – Demand balance would provide useful insights on pricing behaviour going forward. This metric is subject to the overall Disclaimers of this report.

Mozambique is a fragmented cement market with three distinct sub-markets: Maputo, Beira and Northern Mozambique. The geographical footprint of all cement plants is concentrated in these three areas, with 56% of all cement capacity present in Southern Maputo, followed by 29% in Central Beira and 15% in the Northern area of the country. The establishment of the cement plants in these locations follows closely the distribution of the Mozambican population, which is also an indication of where the cement consumption markets are. The development of the natural gas industry in the Northern part of the country is expected to boost cement consumption in the area.

There are three types of participants present in Mozambique: major international cement companies, local private producers and Chinese owned cement companies. If the mooted new capacity comes on stream, the nature of market participants will shift, giving local producers a comparable capacity share with international players.

FIGURE: COMPARATIVE VIEW OF TYPE OF MARKET PARTICIPANTS (2018 VS 2023E)



Source: CemBR Analysis

Going forward, Mozambique's demand projections are good, but they are subject to underlying risks. The growth of the cement market is heavily dependent on Government backed projects, currently scrutinizing all its budgetary components. The construction industry is expected to be under pressure at least for a few years, until the indirect effect of the natural gas developments impacts the overall economy. Thus, the demand projections for Mozambique have a downside risk.

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.