

# WHAT SHOULD WE EXPECT IN 2019 FOR THE AFRICAN, MENA AND EUROPEAN CEMENT MARKETS?

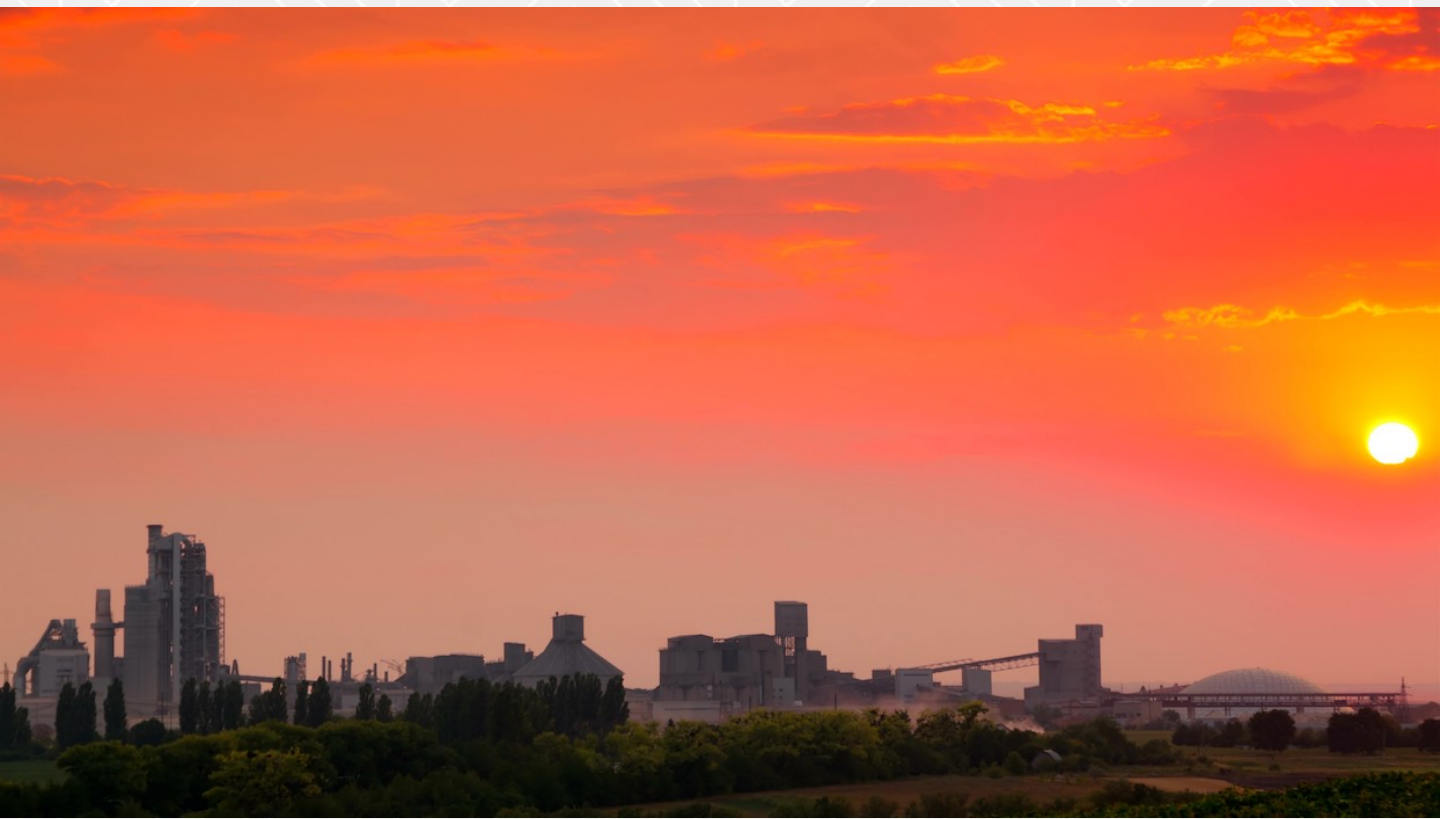


**CemBR NEWSLETTER**

**What should we expect in 2019 for the African, MENA and European cement markets?**  
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2019 has started with conflicting signs regarding the global cement sector. There are some that indicate that 2019 will see a turning point in the fortunes of the sector whereas others predict a dire year to come. Certain major cement producers have made statements of a better year in 2019 without giving many details as to why they believe this to be the case. It seems that because 2018 was so bad in terms of volume increases and cost recovery leading to deteriorating financial performance, 2019 ought to be better...

In addition to the uncertainty regarding demand scenarios in 2019, there is the question of whether price increases would be able to cover rising costs. So how does CemBR view the coming year in terms of volume / pricing scenarios for the industry in the regions we have examined so far?



## **REGIONAL DISCREPANCIES**

Surely, one thing that is certain is that there are significant regional discrepancies. CemBR's view on many regional markets supported by insights gained through many industry professionals show a disparate picture.

The only region that indicates a relatively robust growth in volumes are the markets in Sub-Saharan Africa. CemBR estimates that these markets will, on average exhibit a 4%-5% volume growth in 2019. This is indeed good news for the region, but the financial performance of many cement producers will be more dependent on the ability to increase prices to recover costs. This, in CemBR's view is doubtful as price increases are unlikely to counter cost inflation.

MENA shows a mixed picture as well. Most North African markets are expected to show a growth in volumes whereas some large markets are expected to decline (examples here are Saudi Arabia, Algeria, Iran and Turkey). This results in a negative growth for the region of close to 4% (as these markets are very large and impact on the average volumes dis-proportionally). However, the rest of the region is expected to show a reasonable growth in volumes in 2019. At the same time, pricing is expected to be robust but as with Sub-Saharan Africa it may not be enough to counter significant cost increases. Financial performance is also likely to suffer in this region.

Western Europe is expected to show subdued growth in volumes at less than 2%. European economies are on the brink of recession and as usual, cement consumption is one of the first things to suffer under these circumstances.



However, robust pricing may support cost recovery and hence maintain financial performance at 2018 levels.

This is a high-risk region as deteriorating macroeconomic situation may subdue demand further and hinder meaningful price increases. In this case, financial performance is likely to suffer. Eastern Europe and Central Asia region is expected to outperform Western Europe by a large margin. Volume growth may reach 4% in 2019. However, as this region is very much linked to Western Europe the risk here is also on the high side. Price increases in this region may be adequate to counter cost inflation thus maintaining a steady financial performance in 2019.

**Contact CemBR for more details on these markets.**

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