



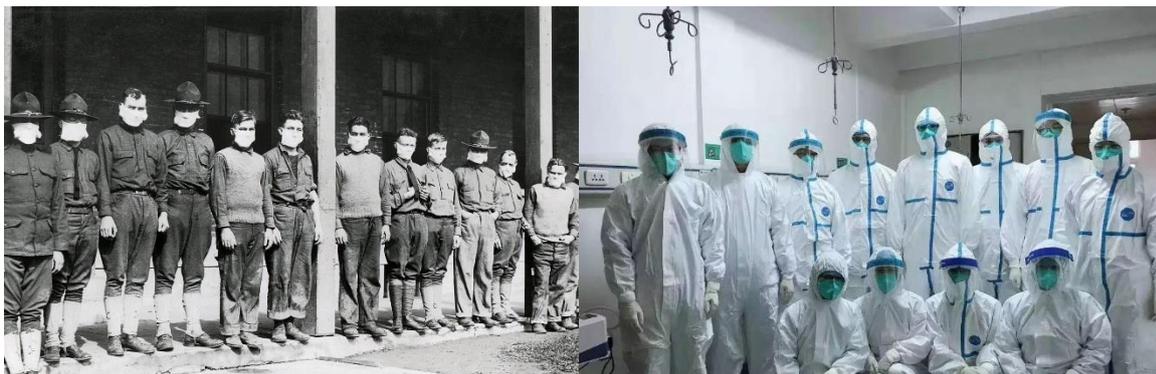
At the beginning of 2020, on the 10th January to be precise, we sent out a note on what might the major trends in the global cement sector be in 2020? We then spoke of overcapacity, market fragmentation and climate change driven initiatives as the three major trends for 2020.

**And those were good trends too!**

**And then what happened?**

However, many of us (actually, all of us) at that time, failed to appreciate the impact of the onset of the largest pandemic since the Spanish flu. Only a few months earlier, we would not have dreamt the terrifying effects on our lives this would have. It has been tragic so far and sadly for many of us, we are still at the beginning of an uncertain and fearful short-term future.

But, as has happened throughout the history of human endeavour, we will fight and work and innovate and we will come out of this, hopefully stronger and wiser!



**Our actions and thoughts:**

We at CemBR follow diligently the instructions from the authorities and do our bit to keep this threat at bay. But we are still working hard and with increased zeal to keep our research, reports and insights fresh and accurate for our clients.

We have been thinking about the impact of this pandemic on the cement industry. It would be presumptuous of us to say that we have definitive answers. However, we have raised a few questions and speculated on the answers for how things might map out going forward:

**The most fundamental question:**

Will construction activity stop in order to affect social distancing? This must be answered by the relevant authorities across the world. Some have already taken this step, others not yet.

So, if construction stops completely the impact on the cement and other building materials sectors will be extensive. Clearly, the length of such lock down will be relevant in estimating the impact on the sector and the economy.



**However, if construction activity can continue what might then happen?**

- Will corporate investment be curtailed? We believe definitely, corporate investment will be curtailed in order to safeguard cash. Heidelberg's contingency plan has as a main pillar "cash preservation". Vicat just announced the cancellation of discretionary CAPEX and the list grows. We believe this will probably be a common thread among most sectors of the economy.
- Will private individual investment be curtailed i.e. will residential construction slow down? Again, we'd suggest probably yes (depending on prices and individual circumstances), residential construction will decline given the uncertainty many households are experiencing.
- Will infrastructure projects get cancelled or postponed? This is less straight forward. Many governments have put a lot of money on the table to combat the current situation. Will they skimp on infrastructure money? If construction activity can

continue then one would think that infrastructure will be the only pillar of the industry standing under the circumstances.



### **2020 new trends?**

So, all in all, and depending on the duration of this situation, the only trend for 2020 left on the table is “uncertainty”.

Many institutions have presented several different scenarios for this year, ranging from "doom and gloom" to "exuberance". The old fashioned, long forgotten terms of U, V or W recovery have come back in earnest. In reality however, no one is in a position to predict what might happen following the curbing of the current scourge.

Cement won't be sheltered by a global recession, which by now is a universally accepted view for at least 2020, but it may be somewhat better placed than others if construction activity is allowed to go on and government money continues (or even increases) to pour into infrastructure projects.

### **CemBR activity:**

We are continuing our efforts to launch the most comprehensive and accurate database in the cement sector. CemBR Global Compendium (CGC™) is still scheduled for this year. In times of uncertainty and turbulence, accurate and insightful information may prove invaluable.

We wish you and yours the best!