

OCEAN SHIPPING CONSULTANTS

WORLD CEMENT TRADE : GROWTH AHEAD?

After advancing by 18.4mt (21%) over 1998-2001, and then declining by 4mt (9%) to 102mt in 2003, the volume of cement and clinker traded internationally by sea has potential for further expansion, based on a number of contributory factors. This is one of the conclusions of the major new Report on the rapidly evolving cement sector, published by the UK-based independent research company *Ocean Shipping Consultants Ltd.*

The 175-page detailed report - entitled

"WORLD CEMENT to 2015:

Analysis of Production, Consumption & Trade for Individual Countries"

examines the cement demand/supply profile of each country, analysing the trends in consumption and production, and assessing the potential for future exports and imports. The result is an in-depth comprehensive appraisal of cement production & consumption throughout the world - now and in the forward period to 2015. With additional analysis of shipping market developments, the Study also includes detailed appraisals of cement & clinker import and exports.

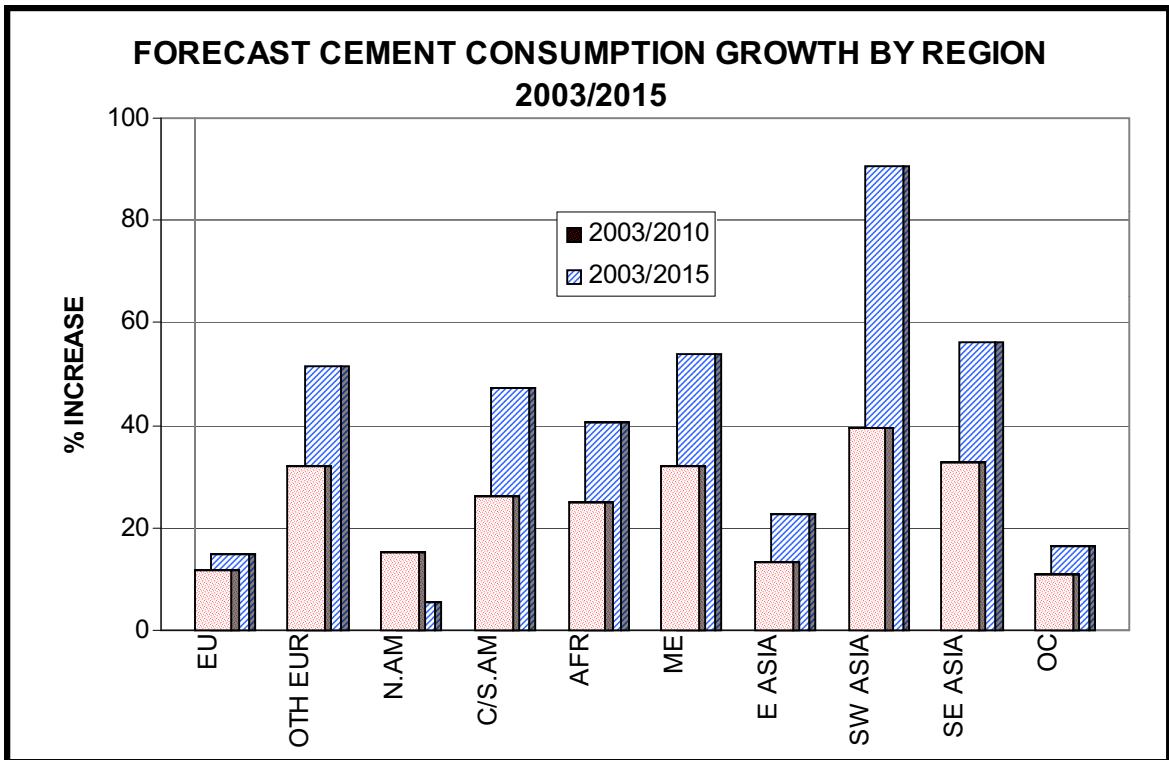
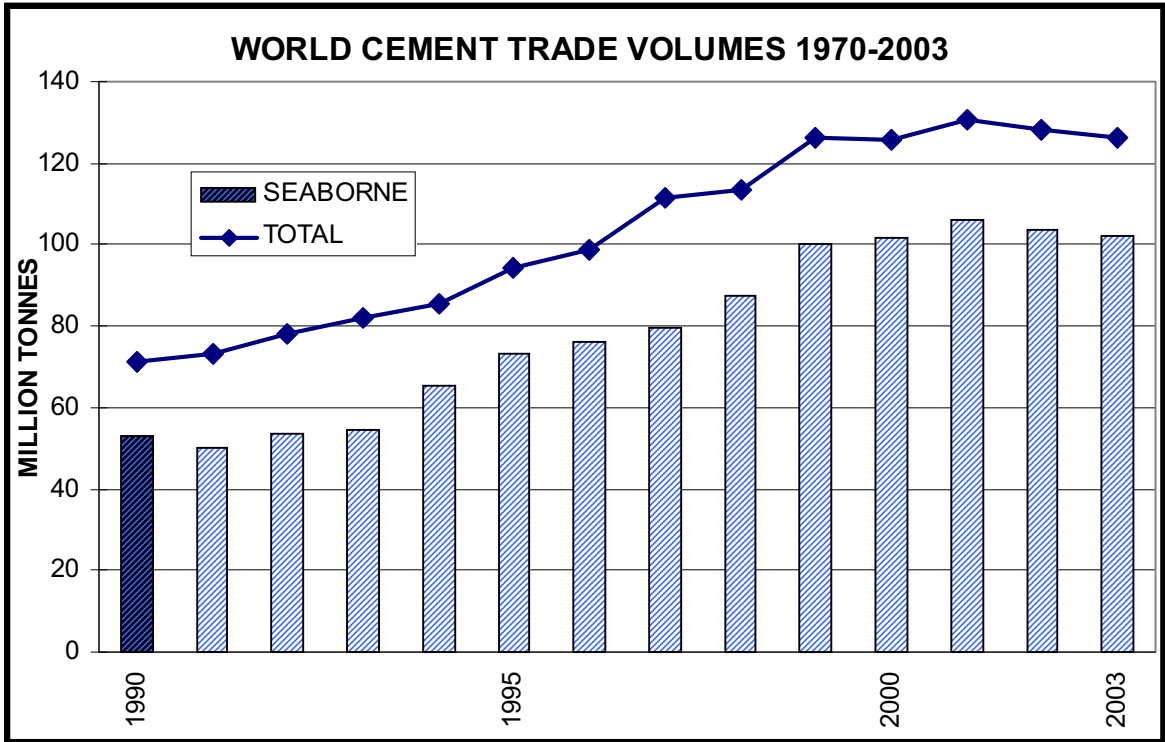
A summary of some of the findings of this major new study is provided hereunder:-

Recent Developments

- World production and consumption of cement approximated 1758mt in 2003, this level representing an increase of approximately 2% (34mt) on the previous year, and a continuation of the annual underlying expansion which has seen year-on-year growth in almost every year since 1975.
- There is a strong and direct linkage between cement consumption and macro-economic growth on a global scale.
- The 1995-2003 period witnessed a global expansion of 333mt, with this aggregate including 158mt growth from East Asia alone, and 59mt from other Asian countries. Other regional expansion includes 15mt for C/S America, 39mt for Africa/Middle East, 35mt for Europe, and 27mt for North America.
- East Asia now accounts for approximately 45% of all world cement demand - against less than 31% in 1990. The global significance of Other Asia has also risen – from 8% in 1985 to almost 14% in 2003 – despite the large demand decline witnessed in many SE Asian markets in the late 1990s. Total European consumption now represents 18.3% of the global aggregate - against 35% in 1990, with this decline linked mainly to developments in the Former Soviet Union.
- The profile of current cement consumption closely mirrors that of production - the volume of cement entering world trade has traditionally been low, typically accounting for approximately 5% of production in aggregate terms.
- The trade volume aggregate declined by a little over 1.3% in 2003 to 126.5mt. Within this trade aggregate, the seaborne trade level represents approximately 81% of all cement traded. Seaborne trade levels expanded from under 88mt in 1998 to 106mt in 2001, with a 2003 level of 102mt.
- Bulk carrier freight rates often play a critical role in shaping cement trading patterns, with shipping costs accounting for a high proportion of overall landed prices for imported cement. Bulk carrier freight rates have increased on a massive scale over the past 2 years – the Baltic Dry Index soared to a level of over 2300 in early-2003 – more than double the level witnessed in mid-2002. Since then, the index has more than doubled again to over 5000 in early-2004 due to a combination of a number of factors.
- Since 2001, the main developments within the cement trade structure have been some import expansion in Europe, small-scale import decline in Asia, and large-scale import decline in North America.
- Europe accounts for approximately 35mt and 45.5mt of world imports and exports respectively. Asia as a whole also figures prominently, and within the Asian total, S/E Asia and E Asia are dominant for exports (20% and 17% respectively of world trade in 2003). The USA is a major import market, with a significant role played by Africa and the Middle East in both world exports and imports.

Future Outlook

- The global cement consumption profile is one of positive development throughout the study period, taking the annual volume up from the 1758mt of 2003 to around 2109mta by 2010, and 2347mta by 2015. This represents overall forward expansion of some 33.5%.
- Within the aggregate there are very different forward patterns of growth for individual regions – ranging from 5% for North America to 91% for South-West Asia.
- Of the total 589mt forecast increase in world cement consumption, the majority is set to occur in Asia – with volume increases of 181mt for East Asia, 117mt for SW Asia and 58mt for SE Asia. The Other Europe category (i.e. all Europe excluding the current EU 15) is set to record consumption growth of 66mt, with expansion of 51mt expected for C/S America, 35mt for Africa and 43mt for the Middle East. The total for North America is set to rise by approximately 6.3mt over the study period, with an increase of 1.5mt anticipated for Oceania.
- In the Low Case, the world cement consumption aggregate is projected to grow only marginally in the near-term, followed by some more significant growth thereafter. The global total is projected to reach 1897mt by 2010, and 2007mta by 2015 - representing overall forward expansion of just over 14%.
- In the High Case, average annual expansion is expected to be relatively high over the near/medium-term, slowing thereafter. Average annual growth for the period to 2010 is therefore approximately 5.2%, with this slowing to under 4% for the 2010-15 period. In tonnage terms, this translates to a projected level of around 2500mta by 2010, rising to 3034mta by 2015.
- The forward outlook for cement trade volumes overall is complicated by the case-specific nature of trade expansion. Each individual trade is subject to a different combination of factors, with the importance of shipping costs adding a further layer of complexity to the dynamic. The development of cement trade volumes will continue to be dominated by essentially short-term import requirements, set against an underlying background of clinker import dependency and other long-term supply patterns. Trade volumes will remain highly susceptible to cost and availability factors, with any major shift in shipping costs being of primary significance in this regard.
- The very nature of the cement trade suggests continued significant year-on-year volatility for individual markets and at the aggregate trade level throughout the study period. This will continue to be exacerbated by any major movement in shipping costs through bulk carrier freight rates.



In 175 pages, the highly detailed and extensive new report contains analysis of all aspects of international cement demand and supply. With detailed forecasts of developments throughout the period to 2015, the Report is essential reading for all parties with an interest in the future development of the international cement sector.

**“WORLD CEMENT to 2015:
Analysis of Production, Consumption & Trade for
Individual Countries”**

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Details from :

Study Sales Dept., Ocean Shipping Consultants Ltd, Ocean House,
60 Guildford Street, Chertsey, Surrey KT16 9BE, England.

Telephone : (0)1932 560332

Fax : (0)1932 567084

Website: www.OSClimited.com

E-mail: info@OSClimited