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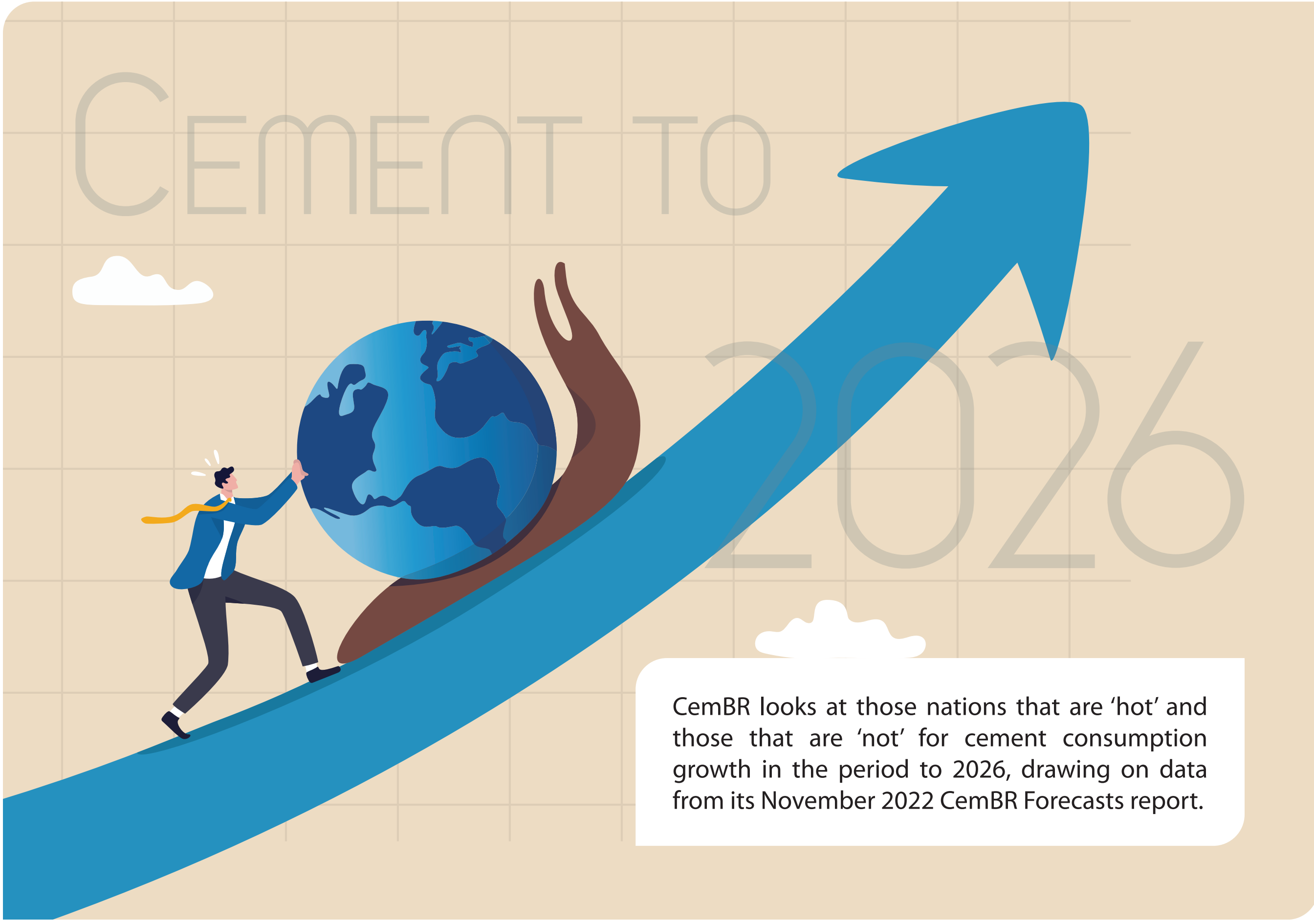


CemBR looks at those nations that are 'hot' and those that are 'not' for cement consumption growth in the period to 2026, drawing on data from its November 2022 CemBR Forecasts report.

'May you live in interesting times' is reportedly an ancient Chinese curse and, although the origin of this phrase is disputed, there is no doubt that we are living in interesting - perhaps turbulent - times at the moment. The same is true in the cement sector. In the long years of CemBR's involvement in the sector, we have never seen so many important issues brewing simultaneously; what might be described as a 'perfect storm' for our industry.

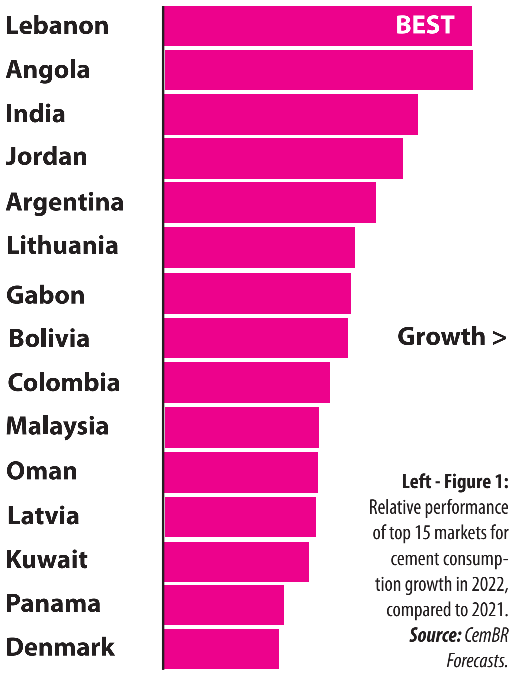
Global events that affect everyone such as the Covid-19 pandemic, Russia's invasion of Ukraine, and the disarray of the global supply chains are well known and have been discussed at length previously. In addition, for our sector, one might add towering energy costs, the volatile nature of consumption in the last few years, and the ubiquitous issues surrounding CO_2. Other major issues, less discussed but still important, include overcapacity and a high degree of fragmentation in many cement markets. Amidst all this uncertainty, cement professionals must navigate uncharted waters and plan and budget for the next few years. This is where CemBR Forecasts come into play.

Recent consumption profile

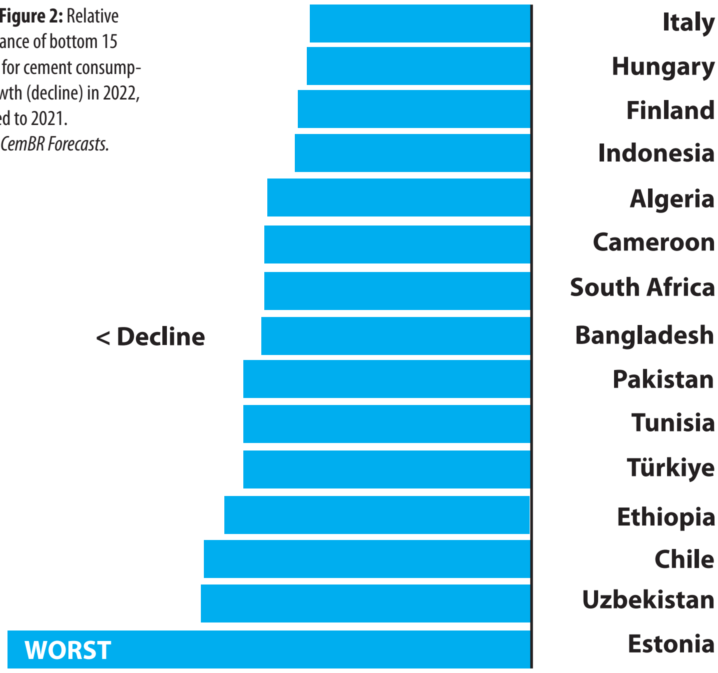
The past 11 years have been a 'game of two halves' for the cement sector. From 2010 to 2015, global cement consumption (excluding China) grew at a compound annual growth rate (CAGR) of 3.7%. This has reflected a strong recovery coming out of the global financial crisis of 2007-2008. However, between 2015 and 2021 global cement consumption (excluding China) grew at a CAGR of a mere 1.6%, less than half that of the first half of the decade. 2021 was a very strong recovery year for the global cement sector, again excluding China. Consumption grew by 8.3% year-on-year globally, with all regions advancing. The highest year-on-year rise was 10.3% in Asia/Oceania (excluding China), while the lowest year-on-year growth in 2021 was 4.1% in the Middle East, North Africa and the Gulf (MENA/Gulf). China's cement consumption declined by 1.2% in 2021.

How 2022 shaped up

2022 is expected to have been a weak year for cement demand with a year-on-year *decline* in global consumption (excluding China) of around 0.8%. The only region not expected to decline is Asia/Oceania



Left - Figure 1: Relative performance of top 15 markets for cement consumption growth in 2022, compared to 2021. ***Source:*** *CemBR Forecasts.*



Right - Figure 2: Relative performance of bottom 15 markets for cement consumption growth (decline) in 2022, compared to 2021. ***Source:*** *CemBR Forecasts.*

(+1.2% year-on-year). All other regions are projected to decline, ranging from the Americas (-0.6% year-on-year) to MENA/Gulf (-4.7% year-on-year).

Figures 1 & 2 show the relative growth rates of the top 15 and bottom 15 performers in the global cement sector in 2022. There are several observations for 2022. Firstly, there are more markets declining than growing. Secondly, the Americas is the least represented region in the bottom 15 performers and the highest represented region in the top 15 performers, reflecting its relatively small regional decline.

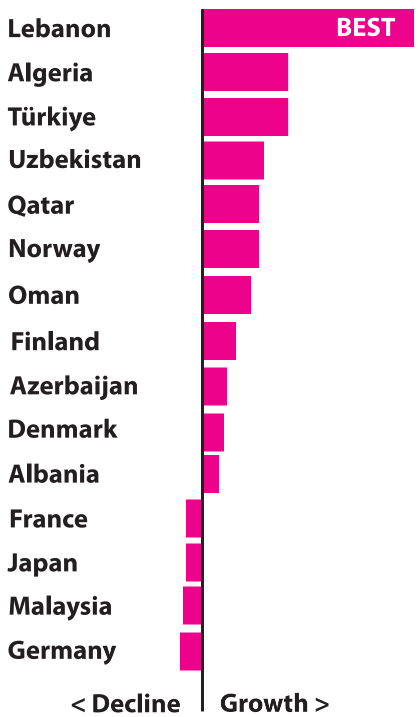
On the other hand, although Asia/Oceania was the only region estimated to have grown in 2022, there are more countries from the region in the bottom 15 than in the top 15 performers. However, India - being such a large market - skews the overall results. Finally, Western Europe has a low representation on both the top and bottom tiers, indicating that most Western European markets experienced a somewhat average growth/decline in 2022. China's consumption is estimated to have dropped by over 7% year-on-year in 2022.

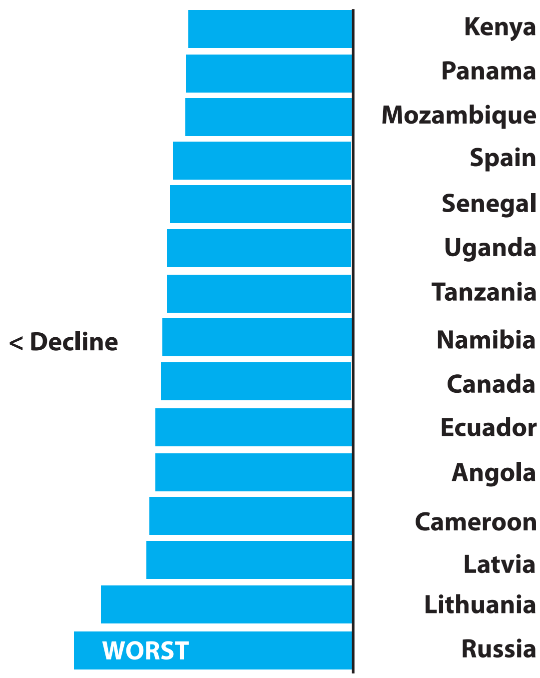
Better or worse in 2023?

Current geopolitical events, the cost-of-living crisis, supply chain issues and the overall uncertainty conspire to make 2023 another year in which global cement consumption will decline. The expectation for the world (excluding China) is a 2.8% decline year-on-year compared to 2022. China is expected to fare worse. All regions are expected to decline. Regional declines range from a small drop of 0.3% year-on-year in MENA/Gulf to a whopping -5.2% year-on-year in Eastern Europe / Central Asia. This region is projected to be the hardest hit, mainly due to its proximity to and/or close involvement with the conflict in Ukraine.

Figures 3 & 4 show the markets that are expected to fare best and worst in 2023. They show the relative performance of the top 15 and bottom 15 performers in the global cement sector. Only 10% of all countries in CemBR's 90 market sample 'universe' are projected to grow in 2023. The vast majority are expected to decline.

Below: Cement consumption growth will be relatively subdued in the period to 2026.





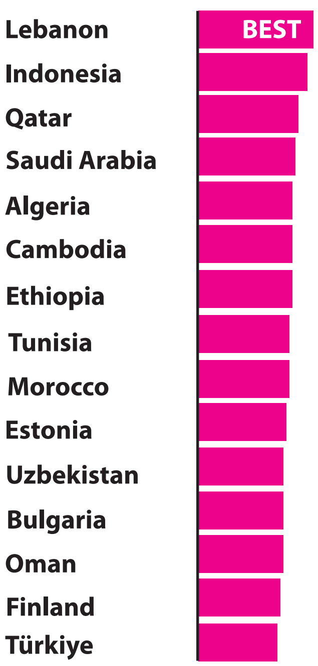
Right - Figure 3: Relative performance of top 15 markets for cement consumption growth (decline) in 2023, compared to 2022. ***Source:*** *CemBR Forecasts.*

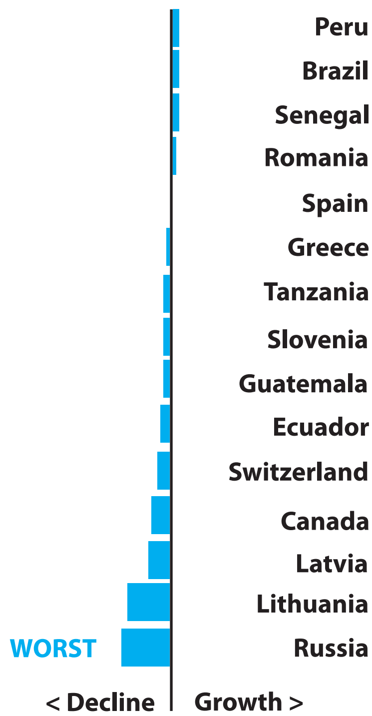
Far Right - Figure 4: Relative performance of bottom 15 markets for cement consumption decline in 2023, compared to 2022. ***Source:*** *CemBR Forecasts.*

Below - Figure 5: Relative performance of top 15 markets for cement consumption CARG 2022-2026. ***Source:*** *CemBR Forecasts.*

Below Right - Figure 6: Relative performance of bottom 15 markets for cement consumption CARG 2022-2026. ***Source:*** *CemBR Forecasts.*

There are no countries from the Americas and Sub-Saharan Africa present in the top 15 performers. In the bottom performers, the Americas are well represented, with three countries. This reflects a significant regional decline of just over 4%. There are no countries from MENA/Gulf or Asia/Oceania in the bottom 15. This highlights the smaller regional declines of 0.3% and 2.6% respectively in those two regions. Finally, Western Europe is expected to fare relatively better in 2023, with five countries represented in the top 15 and only one in the bottom 15.





Relative strengths to 2026

Global cement consumption is expected to experience subdued growth between 2022 and 2026, with a projected CAGR of around 1.2%.This is positively pedestrian compared to the 2010-2021 CAGR of 2.6%. However, this anaemic growth trend varies from region to region. Eastern Europe / Central Asia is expected to be flat. The Americas and Western Europe will hover just above the 0.5% CAGR mark. Asia Oceania and Sub-Saharan Africa will experience a CAGR 1-2%, with only MENA/Gulf projected to see a CAGR above 2%.

Figures 5 & 6 shows the relative performance of the top and bottom 15 markets and their expected CAGR to 2026. MENA/Gulf is well represented in the top 15 performers, with seven countries present and none in the bottom 15. Eastern Europe / Central Asia has countries in both the top and bottom 15 performers, however the size of the Russian market, which is expected to decline from 2022 to 2026, skews the results of the region as a whole.

The last word

It is worth stating again, that CemBR cannot remember a period in which the global cement sector was facing more challenges - both in number and importance - all at once. It is therefore not surprising that the forecasts provide a subdued picture for cement consumption from now until 2026. There are, of course, other significant issues that the sector is facing in addition to subdued growth expectations.

Without wishing to sound too pessimistic, the fact is that we may experience some turbulent years ahead in our industry. For its part, CemBR will strive to provide data-driven, thoroughly researched and rationally derived forecasts to the industry.