

Cement: Local dispatches fall resulting from sluggish construction activity

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Cement exports continue to thrive on the back of favorable coal prices

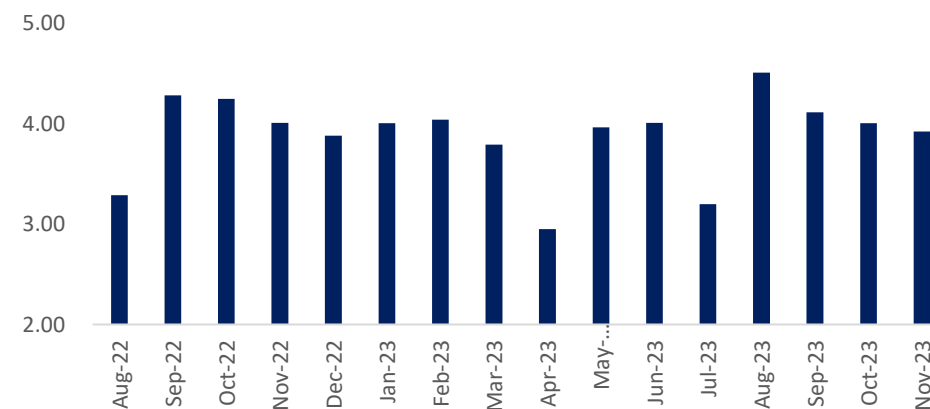
- Overall Cement dispatches declined by 3% YoY in Nov-23, on the back of a 16% YoY fall in local dispatches. The decline was in spite of a 4.5x YoY increase in exports. The resetting of external economic equilibrium has rendered cement exports to be relatively more competitive in the international market contributing to the massive 2.0x YoY increase in exports during 5MYFY24. Meanwhile, local dispatches showed a slight 2% YoY recovery for 5MFY24. Consequently, overall dispatches in 5MFY24 experienced a noteworthy double-digit increase of 11% compared to the SPLY.
- In Nov-23, local cement dispatches witnessed a significant YoY decline of 16% YoY, whereas on a MoM basis dispatches remained flattish, declining by 1% YoY. Northern dispatches saw a 14% YoY decline, while southern dispatches experienced a more substantial decrease of 23% YoY. The drop in dispatches is on account of rising construction cost, and the closure of brick kilns due to smog concerns.
- Moreover, cement exports have surged by an astronomical 4.5x YoY, leading to a 2.0x YoY volumetric growth in exports for 5MFY24. The growth in exports is primarily attributed to the relief in coal prices, lower freight charges, and the strengthening of USD against the PKR, leading to favorable export prices.
- In Nov-23, the average cement prices in the northern region were PKR 1,270/bag, marking an increase of 23% YoY and 6% MoM. In the southern region, cement prices averaged PKR 1,187/bag, showing a 13% YoY increase while remaining unchanged MoM. The YoY increase in cement prices was mainly on the back of higher power expenses, while on monthly basis cement prices recorded an increase due to implementation of new axle load regime.
- We expect Cement Dispatches to sustain at current levels, mainly due to subdued construction activity emanating from economic slowdown. Nevertheless, there could be a slight adjustment in cement prices due to upcoming capacity expansions coupled with the decline in coal cost.

Cement Dispatches (mn tons)

	Nov-23	YoY	MoM	5MFY23	5MFY24	YoY
North Local	2.7	-14%	-2%	13.6	13.8	2%
South Local	0.5	-23%	5%	2.8	2.9	2%
Exports	0.7	4.5x	-7%	1.5	3.1	2.0X
Total Local	3.3	-16%	-1%	16.3	16.7	2%
Total	3.9	-3%	-2%	17.9	19.8	11%

Source: PBS, Akseer Research

Cement dispatches monthly trend (mn tons)

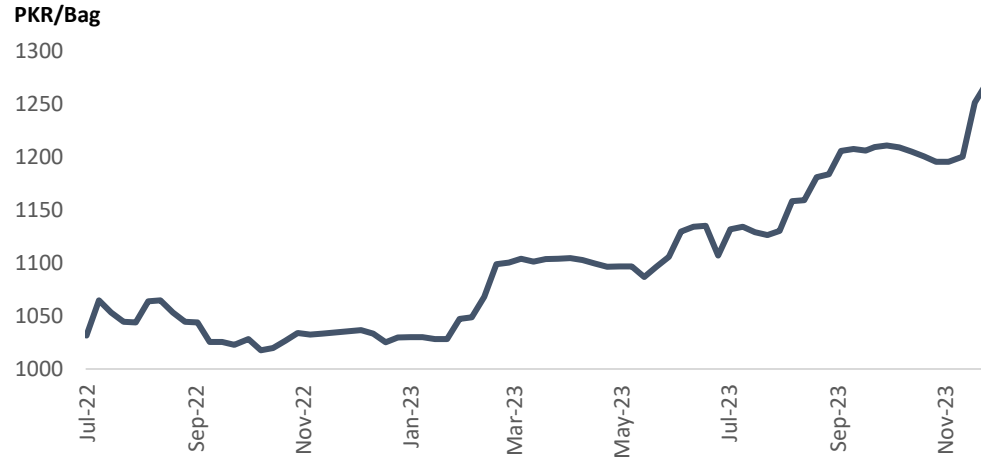


Source: APCMA, Akseer Research

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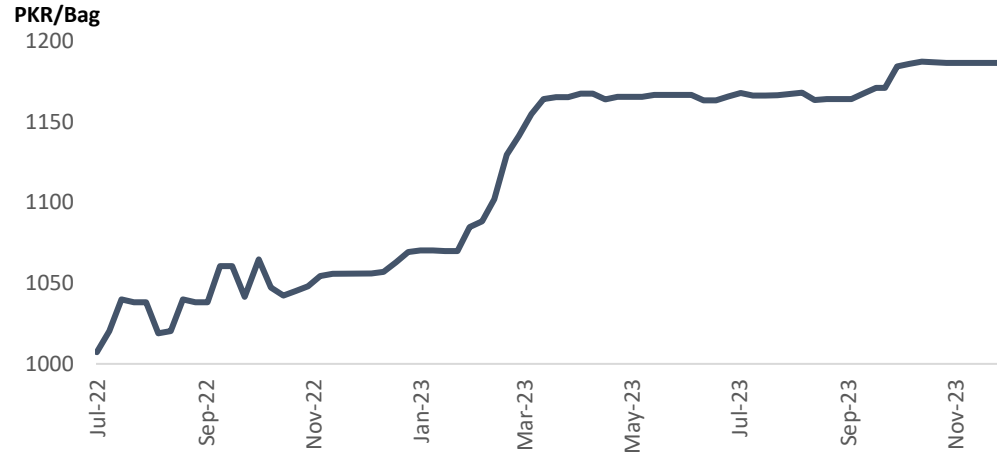
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North cement prices increase on axle load regime



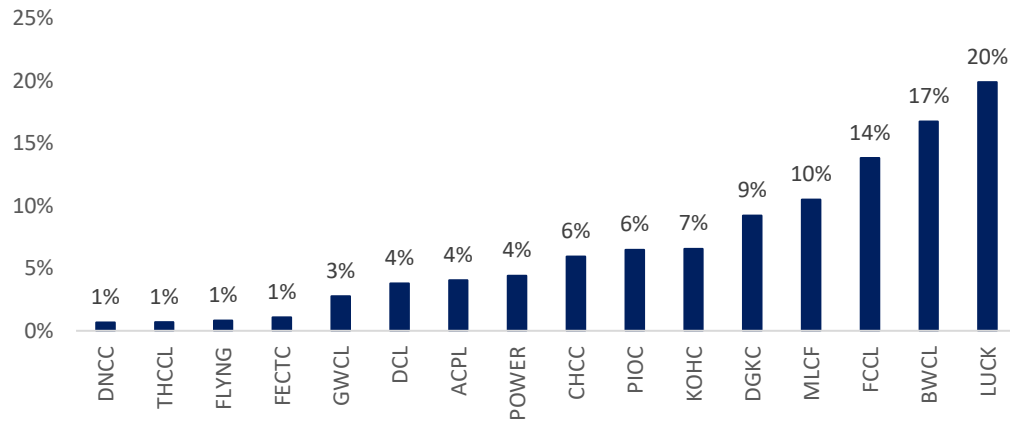
Source: PBS, Akseer Research

South cement prices remain unchanged on MoM



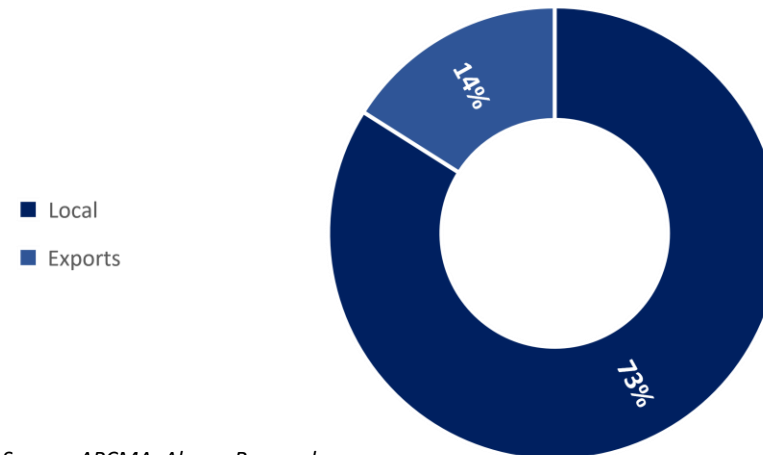
Source: PBS, Akseer Research

Capacity based market shares



Source: APCMA, Akseer Research

Market share of local and export dispatches



Source: APCMA, Akseer Research

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