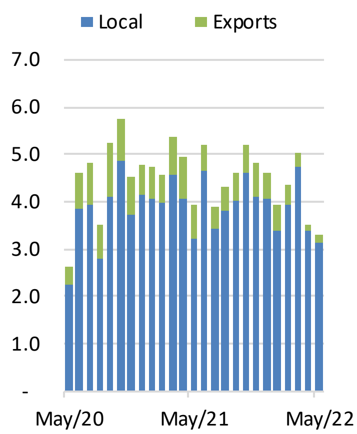
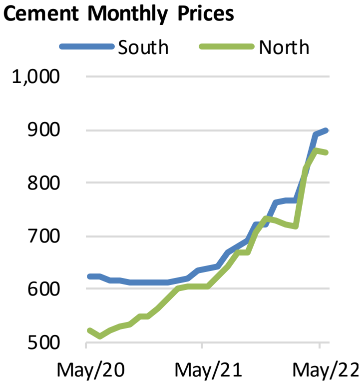
Sector

Cement Monthly Sales



Cement Monthly Prices



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Cement

May-22: Cement sales declines by 16%y as demand slows down

- For May 2022, the latest cement sales as released by All Pakistan Cement Manufacturers Association (APCMA); are down by 15.9%y to 3.3mn/tons.
- Cement sales locally contracted 1.6%y to clock in at 3.14mn/tons. We believe this is mainly due to slowdown in construction activities and dull demand on the back of rising inflation, higher interest rates and upcoming budget.
- Looking ahead; we expect further slowdown in cement sales owing to demand tapering off

Monthly Cement sales record a 16%y decline to 3.3mn/tons

For May 2022, the latest cement sales as released by All Pakistan Cement Manufacturers Association (APCMA); are down by 16%y to 3.3mn/tons. Similarly, on a monthly, basis sales reported a decrease of 6%m. This takes 11mFy22 total cement dispatches to 47.7mn/tons compared to 52.2mn/tons last year same period; depicting a decline of 9%y.

Exhibit: Monthly Cement Dispatches

in kTons		May/22	Apr/22	m/m	May/21	y/y	11mFy22
North	↓	2,570	2,807	-8%	2,713	-5%	35,311
South	↑	576	568	1%	487	18%	7,378
Local	↓	**3,146**	**3,375**	**-7%**	**3,201**	**-2%**	**42,684**
North	↑	73	61	19%	204	-64%	813
South	↑	99	95	5%	543	-82%	4,158
Export	↑	**172**	**156**	**11%**	**747**	**-77%**	**4,970**
North	↓	2,643	2,868	-8%	2,917	-9%	36,124
South	↑	676	663	2%	1,030	-34%	11,536
Grand Total	↓	**3,318**	**3,530**	**-6%**	**3,947**	**-16%**	**47,654**

Local dispatches down by 7%m to 3.15mn/tons

Cement sales locally reported a decrease of 7%m to clock in at 3.15mn/tons. On yearly basis local sales are down by 2%y. We believe this is mainly due to slowdown in construction activities and dull demand on the back of rising inflation, higher interest rates and political instability. On 11mFy22 total local sales now stand 42.7mn/tons depicting a decline of 2%y. Region wise, sales from north during the period stood at 2.6mn/tons down by 5%y unlike south based cement manufacturers as dispatches arrived at 576k/tons up by 18%y. Whereas, exports suffered a massive decline 77%y arriving at 0.17mn/tons.

Exports sales took a hit on rising freight and input costs

Export dispatches during the period reported a major drop of 77%y (+11%m) to 0.17mn/tons compared to 0.75mn/tons last year. This brings 11mFy22 total exports to 4.9mn/tons compared to last year 8.8mn/tons (down by 43%y). Region wise, north exports suffered a 64%y drop (+19%m) to 0.07mn/tons, whereas south exports declined by 82%y (+5%m) to 0.099mn/tons We believe this is likely owing to a) north border closure, b) rising freight and input costs (coal prices), and c) lower price differential international market.

Exhibit: Monthly Cement Dispatches

in k Tons		May/22	Apr/22	m/m	May/21	y/y	11mFy22
LUCK	↓	563	590	-5%	671	-16%	8,117
DGKC	↓	329	391	-16%	488	-33%	6,060
MLCF	↓	323	343	-6%	330	-2%	4,071
CHCC	↑	253	226	12%	286	-12%	3,132
KOHC	↑	248	201	23%	247	0%	3,165
FCCL	↓	199	238	-16%	241	-18%	2,911
PIOC	↓	209	236	-11%	236	-11%	2,965
ACPL	↑	117	100	17%	272	-57%	2,063

Source: APMCA, Newsprint, *Provisional numbers

Outlook

Looking ahead; we may expect a slowdown in upcoming months due to predicted monsoon and Eid holidays. Whereas, on pricing front, international coal prices are still on the surge and expected to remain on the higher side. On comparative basis, domestic manufacturers have increased average cement prices by 43% on average with North selling a PKR 917/bag (up by 44%y) and south retailing at PKR 879/bag (up by +43%y). In the medium term demand is expected to remain low owing to higher rates, upcoming budget, and higher cement prices.

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