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Stock Spotlight

Jul 31, 2017



Cement De-capacity Plan

❖ Latest sector development

- ▶ According to Xinhua Net, China Cement Industry Association released a draft Cement De-capacity Plan.
- ▶ The plan calls for 1) closure of 390mt clinker capacity (~20% of total), 2) elimination of all 32.5 grade cement in 2018, 3) set up cement investment fund to help de-capacity and 4) encourage elimination of small scale clinker plants.

❖ Citi's View

- ▶ News about the cement industry de-capacity plan has been under discussion for a long time.
- ▶ For example, the China Cement Association released its Cement Industry 13th FYP in Jun 2017 and called for elimination of 400mt clinker capacity.
- ▶ We expect the de-capacity plan, if strictly executed, would help improve utilization and provide support to the cement price.
- ▶ Large producers will likely benefit from the policy in the long run through higher pricing power.
- ▶ However, the real impact will be mostly dependent on both central government support in supply-side initiatives and execution by local govts.

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