The market demand for cement will remain high this year. Deputy Chairman of China Cement Association Kong Xiangzhong told the press that the high level of investment in infrastructure last year has led to massive demand for cement; and the Chinese government’s effort to close down obsolete production facilities has also led to increasing demand for cement this year.

Kong said the cement production recorded a double-digit growth last year. 176 new production lines were built. The total investment was more than RMB 100 billion.

Kong also remarked that regional cement markets have been developed in China through competition and restructuring. Profits of the whole cement industry improved due not only to positive market trends but also coordination between large companies in different regions.

“There are still too many cement companies. Last year there were 1113 new dry-type cement production lines but not many were under cement groups,” Kong said. He pointed out that the large companies should continue to strengthen their operations by merger, acquisition and restructuring. It is estimated that the number of cement companies will drop to below 2000 in two to three years. Every province will then have three leading cement companies and about 15 medium or small size companies. There will then be no more than 500 cement groups across the country with weaker companies quitting the market and the stronger players speeding up merger and acquisitions.

Meanwhile, government policies have accelerated the cement industry consolidation. “The No. 38 document issued by the State Council has put the brakes on the overheated investment in the cement industry. Qualification for entering into cement industry is being formulated. And amendments to cement industry related policies are anticipated during the 12th Five-Year Plan. These will facilitate the industrial restructuring,” said Kong.

It has been revealed that the process of eliminating obsolete production facilities will be sped up this year. Kong said: “I would advise the government to offer fiscal compensation to companies being eliminated or raise the compensation levels in particular in the underdeveloped regions.”

The government has proposed the “Building Materials Going to the Countryside” policy which is very positive news to the cement industry. Generally speaking, new policies and the extension of favorable policies are expected to be announced. Companies are expected to benefit from policies on waste heat power generation and comprehensive resources utilization in terms of tax abatement and exemption, which will in turn optimise the industry structure and improve efficiency.