



Cement

Comment on recent news – this page

Today's headlines – page two

Recommendations and valuations – page three

The cement sector remains resilient.

Despite the barrage of macroeconomic issues currently confronting the country, the cement industry has remained resilient in 2023. The country faced a cash shortage in Q1 2023 as a result of the naira redesign program, which greatly distorted commerce. This, combined with the uncertainty surrounding the general elections, caused a pause in essential corporate and government infrastructure construction. As a result of these circumstances, the cement growth rate fell from 3.89% in Q4 2022 to 1.58% in Q1 2023. Similarly, related sectors such as real estate and construction also saw a sharp decline, with growth rates falling in Q1 2023 to 1.70% and 3.27% respectively from 2.78% and 3.80% in Q4 2022.

Commercial activities picked up in Q2 2023 as the economic environment stabilized with the inauguration of a new administration. This resulted in an increase in the cement GDP growth rate to 3.34% in Q2 from 1.58% in Q1. Furthermore, related sectors such as real estate and construction also grew by 1.87% and 3.42% respectively. Despite the uptick in business activities in the sector, the numerous macroeconomic economic problems facing the country, most especially the depreciation of the Naira has impacted the profitability of the industry players significantly. In 9M 2023, the three major players in the industry; BUA Cement, Dangote Cement, and WAPCO (Lafarge) witnessed a significant increase in their foreign exchange losses totaling about N135.38bn, a 441% y/y growth.

Despite the losses, two of the three companies reported strong pre-tax profit growth. Dangote reported a pre-tax profit of N404.89bn, a 20.54% year-on-year growth. WAPCO's pre-tax profit increased by 13.36% to N61.17bn, while BUA Cement recorded a marginal 3.5% y/y decline to N85.748 billion. We attribute the strong bottom-line performance among these cement companies to Revenue growth driven by price increases in the face of diminishing sales volumes. Y/y Dangote cement, Bua cement, and Lafarge Africa reported price hikes of 17.5%, 21%, and 23% respectively while Dangote cement and Lafarge Africa saw 2.3% and 8.9% decline in sales volume, respectively. Conversely, Bua Cement volumes increased by 6.5%/y.

MARKET UPDATE

	1 year	30-Dec-22	1 day
NSE - Index*	44,701.84	51,251.06	71,008.70
Naira / US\$	444.34	461.50	750.14
Brent, US\$/bbl	87.45	85.91	82.32
MPR %	15.50	16.50	18.75

Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. *NGX Exchange All-Share Index.

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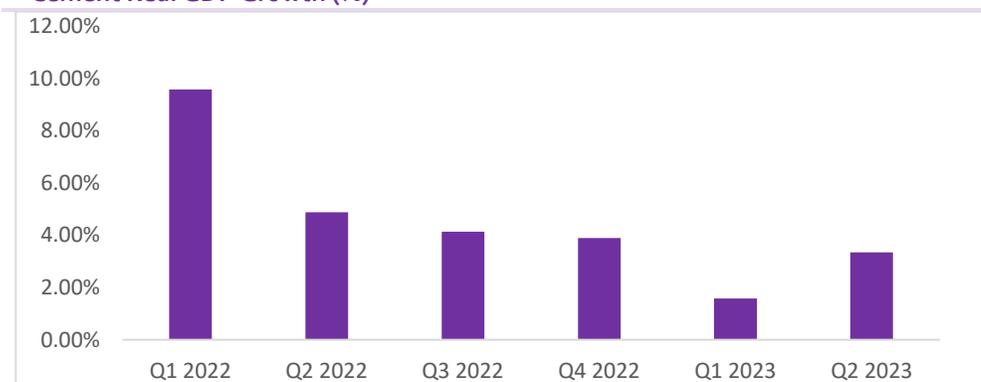
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Cement Real GDP Growth (%)



Source: NBS, CSL Research



News headlines:

Again, CBN postpones MPC as inflation soars: The Central Bank of Nigeria has again postponed the meeting of its monetary policy committee despite the surge in inflation. A report by Bloomberg on Monday which quoted the CBN's Director of Corporate Communications, Dr Isa Abdulmumin, said, "MPC is not holding" a meeting this week in a text message response. The meeting, which was scheduled to be held on Monday and Tuesday, has been postponed for a second time since Olayemi Cardoso became governor in September. This latest postponement will keep investors and analysts waiting a bit longer for Cardoso's approach to surging inflation, which hits 27.33 per cent in October 2023. However, AbdulMumin, in a chat with The PUNCH indicated that the meeting may have been postponed due to the upcoming Chartered Institute of Bankers of Nigeria dinner, where the CBN governor is expected to present an economic roadmap for Nigeria. Source: Punchng.com
<https://punchng.com/again-cbn-postpones-mpc-as-inflation-soars/>

As Investment Wanes in Oil Sector, Nigeria's Rig Count Drops in October: Nigeria's rigs count dropped to 13 in October from 15 the previous month, underscoring the waning investment in the oil and gas sector as well as the incessant disruptions to production in the Niger Delta. Latest data released by the Organisation of Petroleum Exporting Countries (OPEC), showed the decline in the rigs count which is a major index for measuring activities in the upstream sector, including drilling and employment. A review of the OPEC data showed that Nigeria's average rigs count was 11, seven and 10 respectively in 2020, 2021 and 2022 respectively, but had recently grown to 15. Source: thisdaylive.com
<https://www.thisdaylive.com/index.php/2023/11/21/as-investment-wanes-in-oil-sector-nigerias-rig-count-drops-in-october>

Tinubu woos G-20 investors, FAAC meets over multiple taxation: President Bola Tinubu has assured international investors from G20 nations that their money is safe within the borders of the country. The president disclosed this during a panel discussion titled "Fostering Local Value Chains and Investments in Africa — The Role of the German Private Sector at the G20 Compact with Africa Economic Conference, hosted by German Chancellor, Olaf Scholz, in Berlin, on Monday. He highlighted to the investors that Nigeria has a large market and is ready to leverage all its advantages to become successful. While the president is trying to woo investors in Germany, the Federation Account Allocation Committee is mulling plans to take decisive actions against multiple taxation in the country. Source: punchng.com
<https://punchng.com/tinubu-woos-g-20-investors-faac-meets-over-multiple-taxation/>

Crude oil prices surge as OPEC+ mulls deeper production cuts: Crude oil prices soared this week on mounting expectations that the Organization of Petroleum Exporting Countries (OPEC) and its allies will deepen voluntary production cuts. Both Brent crude and West Texas Intermediate shot up in mid-morning trade in Asia today, with Brent crude spiking above \$81 per barrel, where it climbed on Friday, and WTI breaching the \$76 mark. OPEC+ members are convening next Sunday to hash out production policy, with Reuters reporting from three unnamed sources within the cartel that OPEC+ will explore further production cuts. This discussion comes after a four-week skid for oil as the war premium from the conflict between Israel and Hamas waned. Goldman Sachs analysts told Reuters "Our statistical model of OPEC decisions suggests that deeper cuts should not be ruled out given the fall in speculative positioning and in time spreads, and higher-than-expected inventories." Source: businessday.ng
<https://businessday.ng/energy/article/crude-oil-prices-surge-as-opec-mulls-deeper-production-cuts/>

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