
Industry Forecast Report

Reference code: CN0509MR
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1 Executive Summary

Market size and growth potential

- The Chinese cement industry is expected to value CNYX trillion (US$XX billion) in 2012, after recording an annual growth rate of XX%. The industry increased in value at a compound annual growth rate (CAGR) of XX% during the review period (2007–2011), and is projected to grow at a CAGR of XX% over the forecast period (2012–2016), to reach CNYX trillion (US$XX billion) in 2016. This growth is primarily attributed to the government's high level of infrastructure spending, and the country’s increasing number of residential and commercial construction activities.
- The refractory cements, mortars and concretes is expected to remain the largest product category in cement industry over the forecast period. This category was also the fastest-growing category during the review period, after recording a CAGR of XX%. However, prefabricated structural components is projected to be the fastest-growing cement category over the forecast period, after recording an anticipated CAGR of XX%.

Trends

- Builders have traditionally preferred to use on-site mix rather than ready-mixed concrete, although the use of ready-mix concrete is increasing as the industry dynamics are changing. The acceptance of ready-mixed cement is particularly strong in urban centers. The reliability of supply and consistent quality of ready-mixed concrete are the main reasons for the increasing popularity of the product, as these product qualities improve the productivity of builders. Leading Chinese cement suppliers, such as Lafarge, are capitalizing on the increasing demand for ready-mixed concrete in the country.
- The Chinese cement industry is expected to become more consolidated over the forecast period. Large companies are acquiring small firms, mostly regional firms, to increase their presence across the country and gain instant access to more production facilities. Meanwhile, smaller firms are exiting the industry due to either attractive acquisition deals from large companies or due to the difficulty in sustaining operations following rising input costs.
- The Chinese cement industry transformed notably during the last two decades as a result of the increased adoption of energy-efficient technologies and processes. Around 93% of the total cement industry capacity utilizes environmentally friendly dry process technology.

Growth drivers

- Shorter deadlines for builders to complete projects, labor shortages, space constraints in large cities, the growing need for mechanization and the backlog of infrastructure projects are the main factors driving the increased use of ready-mixed concrete (RMC) in China. Large township projects in the suburbs of China’s leading cities where IT zones are prominent are also generating more demand for RMC. Upcoming infrastructure projects, including energy, roads, ports and airport projects, across China will continue to drive the growth of RMC in China over the forecast period.
- The Chinese government invested US$XXX billion on infrastructure during the Eleventh Five-Year Plan (2007–2012) and revealed plans to invest a further US$X trillion on infrastructure during the Twelfth Five-Year Plan (2012–2017). The large-scale investment on various infrastructure projects, including roads, railways, bridges and ports, will generate a huge demand for cement over the forecast period.
- The total investment in real estate is projected to reach US$X trillion over the forecast period. This high level of investment indicates the large demand for residential, retail and commercial real estate. There is also demand for hotel accommodation and better infrastructure in the country. This will drive the growth of the cement industry in China over the forecast period.

Competitive landscape

- The Chinese cement industry is fragmented and contains a few large producers and several regional and small-sized companies. Although there is already surplus capacity in the industry, leading cement producers are expected to expand their production capacity over the forecast period. The majority of Chinese cement producers are regionally focused and only two companies, Holcim and Aditya Birla Group, conduct operations across the whole of China.
Regulations

- Up to 100% foreign direct investment (FDI) is allowed in the Chinese mining industry under the automatic route for cement production. The Ministry of Mines regulates the country's mining industry, while the regional states own the minerals in their respective territories.
# TABLE OF CONTENTS

1. **Executive Summary** .................................................................................................................. 2
2. **BRIC Comparison** ....................................................................................................................... 8
2.1 Market Opportunity ......................................................................................................................... 8
2.2 Macroeconomic Drivers ................................................................................................................ 9
3. **Analyst Opinion and Future Outlook** .......................................................................................... 10
4. **Cement Industry Market Dynamics** .......................................................................................... 12
4.1 Key Trends and Emerging Areas ................................................................................................... 12
4.2 Imports and Exports ..................................................................................................................... 14
4.2.1 Total cement industry ................................................................................................................ 14
4.2.2 Cement clinker ........................................................................................................................... 15
4.2.3 Factory-made mortars .............................................................................................................. 16
4.2.4 Portland cement ........................................................................................................................ 17
4.2.5 Refractory cements, mortars and concrete ............................................................................... 18
4.2.6 Other hydraulic cements .......................................................................................................... 19
4.2.7 Ready-mixed concrete .............................................................................................................. 20
4.2.8 Prefabricated structural components ....................................................................................... 21
5. **Analysis of Market Drivers** ....................................................................................................... 22
5.1 Economic Drivers ........................................................................................................................ 22
5.2 Business Drivers .......................................................................................................................... 26
6. **Cement Industry Opportunity and Future Potential** ................................................................. 27
6.1 Cement Industry Market Size and Forecast .................................................................................. 27
6.2 Breakdown by Category ............................................................................................................... 30
6.2.1 Cement clinker ........................................................................................................................... 30
6.2.2 Factory-made mortars .............................................................................................................. 32
6.2.3 Portland cement ....................................................................................................................... 34
6.2.4 Refractory cements, mortars and concrete ............................................................................... 36
6.2.5 Other hydraulic cements .......................................................................................................... 38
6.2.6 Ready-mixed concrete .............................................................................................................. 40
6.2.7 Prefabricated structural components ....................................................................................... 42
6.3 Capacity Utilization ..................................................................................................................... 44
6.3.1 Existing capacity ....................................................................................................................... 44
6.3.2 Capacity addition in future ....................................................................................................... 44
7. **Industry Structure and Competitive Landscape** ..................................................................... 45
7.1 Industry Structure ....................................................................................................................... 45
7.2 Leading Companies ...................................................................................................................... 46
7.3 Porter Five Forces Analysis ........................................................................................................ 47
8. **Business and Operational Strategy** ........................................................................................... 48
8.1 Regulation ..................................................................................................................................... 48
8.2 Market Entry Strategy .................................................................................................................. 49
8.3 Growth Strategy .......................................................................................................................... 50
8.4 Operational Strategy ................................................................................................................... 51
<table>
<thead>
<tr>
<th>9</th>
<th>Appendix</th>
<th>52</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1</td>
<td>About BRICdata</td>
<td>52</td>
</tr>
<tr>
<td>9.1.1</td>
<td>Areas of expertise</td>
<td>52</td>
</tr>
<tr>
<td>9.2</td>
<td>Methodology</td>
<td>53</td>
</tr>
<tr>
<td>9.3</td>
<td>Definitions</td>
<td>54</td>
</tr>
<tr>
<td>9.4</td>
<td>Disclaimer</td>
<td>54</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

Figure 1: BRIC Countries’ Cement Industry Comparison, 2007–2016 .......................................................... 8
Figure 2: Chinese Cement Industry Outlook, 2011–2016 ................................................................................. 10
Figure 3: Chinese Installed Cement Production Capacity by Region (% Share), FY2009–2010 ............................. 12
Figure 4: Chinese Cement Industry Imports and Exports (CNY Million), 2007–2011 ........................................ 14
Figure 5: Chinese Cement Clinker Imports and Exports (CNY Million), 2007–2011 ........................................ 15
Figure 6: Chinese Factory-Made Mortars Imports and Exports (CNY Million), 2007–2011 ............................. 16
Figure 7: Chinese Portland Cement Imports and Exports (CNY Million), 2007–2011 ......................................... 17
Figure 8: Chinese Refractory Cements, Mortars and Concrete Imports and Exports (CNY Million), 2007–2011 18
Figure 9: Chinese Other Hydraulic Cements Imports and Exports (CNY Million), 2007–2011 .......................... 19
Figure 10: Chinese Ready-Mixed Concrete Imports and Exports (CNY Million), 2007–2011 ......................... 20
Figure 11: Chinese Prefabricated Structural Components Imports and Exports (CNY Million), 2007–2011 .... 21
Figure 12: Chinese Urban and Rural Population (%), 2007–2016 ................................................................. 23
Figure 13: Chinese Construction Net Output (US$ Billion), 2007–2016 ......................................................... 24
Figure 14: Chinese Number of Households (Million), 2007–2016 ................................................................. 25
Figure 15: Chinese Cement Industry Market Size by Category (CNY Billion), 2012–2016 .............................. 29
Figure 16: Chinese Cement Industry – Cement Clinker (CNY Billion), 2007–2011 ..................................... 30
Figure 17: Chinese Cement Industry – Cement Clinker (CNY Billion), 2012–2016 ................................. 31
Figure 18: Chinese Cement Industry – Factory-Made Mortars (CNY Billion), 2007–2011 ............................. 32
Figure 19: Chinese Cement Industry – Factory-Made Mortars (CNY Billion), 2012–2016 .......................... 33
Figure 20: Chinese Cement Industry – Portland Cement (CNY Billion), 2007–2011 ................................. 34
Figure 21: Chinese Cement Industry – Portland Cement (CNY Billion), 2012–2016 ................................. 35
Figure 22: Chinese Cement Industry – Refractory Cements, Mortars and Concrete (CNY Billion), 2007–2011 36
Figure 23: Chinese Cement Industry – Refractory Cements, Mortars and Concrete (CNY Billion), 2012–2016 37
Figure 24: Chinese Cement Industry – Other Hydraulic Cements (CNY Billion), 2007–2011 ...................... 38
Figure 25: Chinese Cement Industry – Other Hydraulic Cements (CNY Billion), 2012–2016 ...................... 39
Figure 26: Chinese Cement Industry – Other Hydraulic Cements (CNY Billion), 2012–2016 ...................... 39
Figure 27: Chinese Cement Industry – Ready-Mixed Concrete (CNY Billion), 2007–2011 ............................ 40
Figure 28: Chinese Cement Industry – Ready-Mixed Concrete (CNY Billion), 2012–2016 ....................... 41
Figure 29: Chinese Cement Industry – Prefabricated Structural Components (CNY Billion), 2007–2011 ....... 42
Figure 30: Chinese Cement Industry – Prefabricated Structural Components (CNY Billion), 2012–2016 ....... 43
Figure 31: Installed Cement Production Capacity Vs Production (Million Tons), 2010–2012 ............................ 44
Figure 32: Installed Cement Production Capacity by Leading Companies (% Share), 2011 .......................... 45
LIST OF TABLES

Table 1: BRIC Countries’ Cement Industry Comparison (US$ Billion), 2007–2011 ......................................................................................... 8
Table 2: BRIC Countries’ Cement Industry Comparison (US$ Billion), 2012–2016 ......................................................................................... 8
Table 3: BRIC Countries’ Macroeconomic Indicators, 2011 ............................................................................................................................... 9
Table 4: BRIC Countries’ Macroeconomic Indicators, 2011 ............................................................................................................................... 9
Table 5: Chinese Cement Industry Imports and Exports (US$ Million), 2007–2011 .................................................................................. 14
Table 6: Chinese Cement Industry Imports and Exports (CNY Million), 2007–2011 .................................................................................. 14
Table 7: Chinese Cement Clinker Imports and Exports (US$ Million), 2007–2011 .................................................................................. 15
Table 8: Chinese Cement Clinker Imports and Exports (CNY Million), 2007–2011 .................................................................................. 15
Table 9: Chinese Factory-Made Mortars Imports and Exports (US$ Million), 2007–2011 .......................................................................... 16
Table 10: Chinese Factory-Made Mortars Imports and Exports (CNY Million), 2007–2011 ...................................................................... 16
Table 11: Chinese Portland Cement Imports and Exports (US$ Million), 2007–2011 .............................................................. 17
Table 12: Chinese Portland Cement Imports and Exports (CNY Million), 2007–2011 .............................................................. 17
Table 13: Chinese Refractory Cements, Mortars and Concrete Imports and Exports (US$ Million), 2007–2011 ........................................... 18
Table 14: Chinese Refractory Cements, Mortars and Concrete Imports and Exports (CNY Million), 2007–2011 ........................................... 18
Table 15: Chinese Other Hydraulic Cements Imports and Exports (US$ Million), 2007–2011 .............................................................. 19
Table 16: Chinese Other Hydraulic Cements Imports and Exports (CNY Million), 2007–2011 .............................................................. 19
Table 17: Chinese Ready-Mixed Concrete Imports and Exports (US$ Million), 2007–2011 .............................................................. 20
Table 18: Chinese Ready-Mixed Concrete Imports and Exports (CNY Million), 2007–2011 .............................................................. 20
Table 19: Chinese Prefabricated Structural Components Imports and Exports (US$ Million), 2007–2011 .............................................................. 21
Table 20: Chinese Prefabricated Structural Components Imports and Exports (CNY Million), 2007–2011 .............................................................. 21
Table 21: Chinese Government Infrastructure Spending during Eleventh Five-Year Plan (US$ Billion), 2007–2012 .................................................. 26
Table 23: Chinese Cement Industry Market Size by Category (CNY Billion), 2007–2011 .............................................................. 27
Table 24: Chinese Cement Industry Market Size by Category (US$ Billion), 2012–2016 .............................................................. 29
Table 25: Chinese Cement Industry Market Size by Category (CNY Billion), 2012–2016 .............................................................. 29
Table 26: Chinese Cement Industry – Cement Clinker (CNY Billion), 2007–2011 .............................................................. 30
Table 27: Chinese Cement Industry – Cement Clinker (US$ Billion), 2012–2016 .............................................................. 31
Table 28: Chinese Cement Industry – Cement Clinker (CNY Billion), 2012–2016 .............................................................. 31
Table 29: Chinese Cement Industry – Cement Clinker (CNY Billion), 2012–2016 .............................................................. 31
Table 31: Chinese Cement Industry – Factory-Made Mortars (CNY Billion), 2007–2011 .............................................................. 32
Table 32: Chinese Cement Industry – Factory-Made Mortars (US$ Billion), 2012–2016 .............................................................. 33
Table 33: Chinese Cement Industry – Factory-Made Mortars (CNY Billion), 2012–2016 .............................................................. 33
Table 34: Chinese Cement Industry – Portland Cement (US$ Billion), 2007–2011 .............................................................. 34
Table 35: Chinese Cement Industry – Portland Cement (CNY Billion), 2007–2011 .............................................................. 34
Table 36: Chinese Cement Industry – Portland Cement (US$ Billion), 2012–2016 .............................................................. 35
Table 37: Chinese Cement Industry – Portland Cement (CNY Billion), 2012–2016 .............................................................. 35
Table 38: Chinese Cement Industry – Refractory Cements, Mortars and Concrete (US$ Billion), 2007–2011 .................................................. 36
Table 39: Chinese Cement Industry – Refractory Cements, Mortars and Concrete (CNY Billion), 2007–2011 .................................................. 36
Table 40: Chinese Cement Industry – Refractory Cements, Mortars and Concrete (US$ Billion), 2012–2016 .................................................. 37
Table 41: Chinese Cement Industry – Refractory Cements, Mortars and Concrete (CNY Billion), 2012–2016 .................................................. 37
Table 42: Chinese Cement Industry – Other Hydraulic Cements (US$ Billion), 2007–2011 .............................................................. 38
Table 43: Chinese Cement Industry – Other Hydraulic Cements (CNY Billion), 2007–2011 .............................................................. 38
Table 44: Chinese Cement Industry – Other Hydraulic Cements (US$ Billion), 2012–2016 .............................................................. 39
Table 45: Chinese Cement Industry – Other Hydraulic Cements (CNY Billion), 2012–2016 .............................................................. 39
Table 47: Chinese Cement Industry – Ready-Mixed Concrete (CNY Billion), 2007–2011 .............................................................. 40
Table 48: Chinese Cement Industry – Ready-Mixed Concrete (US$ Billion), 2012–2016 .............................................................. 41
Table 49: Chinese Cement Industry – Ready-Mixed Concrete (CNY Billion), 2012–2016 .............................................................. 41
Table 50: Chinese Cement Industry – Prefabricated Structural Components (US$ Billion), 2007–2011 .................................................. 42
Table 51: Chinese Cement Industry – Prefabricated Structural Components (CNY Billion), 2007–2011 .................................................. 42
Table 52: Chinese Cement Industry – Prefabricated Structural Components (US$ Billion), 2012–2016 .................................................. 43
Table 53: Chinese Cement Industry – Prefabricated Structural Components (CNY Billion), 2012–2016 .................................................. 43
Table 54: Chinese Cement Industry – Market Entry Strategy of Foreign Companies, 1999–2008 .............................................................. 49
Table 55: Definitions ........................................................................................................................................................................................................... 54
1.1 Imports and Exports

1.1.1 Total cement industry

China’s cement imports valued CNYXX billion (US$XXX million) in 2011, while its exports valued CNYXX billion (US$XXX million). The country’s cement imports increased in value at a CAGR of X% during the review period, and its exports grew at a CAGR of XX% during the review period.

Table 1: Chinese Cement Industry Imports and Exports (US$ Million), 2007–2011

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Source: BRICdata analysis

Table 2: Chinese Cement Industry Imports and Exports (CNY Million), 2007–2011

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Source: BRICdata analysis
2 Cement Industry Opportunity and Future Potential

2.1 Cement Industry Market Size and Forecast

The Chinese cement industry market size increased from CNYXXX billion (US$XX billion) in 2007 to CNYX trillion (US$XX billion) in 2011, at a CAGR of XX% during the review period. Furthermore, the industry is expected to increase in value from CNYX trillion (US$XX billion) in 2012 to CNYX trillion (US$XX billion) in 2016, at a CAGR of XX% over the forecast period. This strong growth will be mainly driven by the government's spending on infrastructure development and the country's increasing residential and commercial construction activity.

Portland cement was the largest category, accounting for XX% of the total industry in 2011. Cement clinker was the second-largest category with XX%. Prefabricated structural components accounted XX% of the total cement industry in the country. Over the forecast period, Portland cement will be the largest category in the cement industry with a share of XX%, followed by cement clinker with XX%. Prefabricated structural components will account for XX% in 2016.

Table 3: Chinese Cement Industry Market Size by Category (CNY Billion), 2007–2011

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Source: BRICdata analysis

Figure 1: Chinese Cement Industry Market Size by Category (CNY Billion), 2007–2011

Source: BRICdata analysis
## Table 4: Chinese Cement Industry Market Size by Category (CNY Billion), 2012–2016

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Source: BRICdata analysis

## Figure 2: Chinese Cement Industry Market Size by Category (CNY Billion), 2012–2016

![Graph showing the market size of Chinese cement industry by category from 2012 to 2016.](source)

Source: BRICdata analysis

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2.2 Breakdown by Category

2.2.1 Cement clinker

The Chinese cement clinker market size increased from CNY X billion (US$X billion) in 2007 to CNY X billion (US$X billion) in 2011, at a CAGR of X% during the review period. The category is expected to increase in value from CNY XX billion (US$XX billion) in 2012 to CNY XX billion (US$XX billion) in 2016, at a CAGR of X% over the forecast period. The healthy growth will be mainly driven by government's spending on infrastructure and the increasing number of Chinese residential and commercial construction projects.

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Source: BRICdata analysis © BRICdata

Figure 3: Chinese Cement Industry – Cement Clinker (CNY Billion), 2007–2011

Source: BRICdata analysis © BRICdata
2.2.2 Factory-made mortars

**Table 7: Chinese Cement Industry – Factory-Made Mortars (US$ Billion), 2012–2016**

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Source: BRICdata analysis

**Table 8: Chinese Cement Industry – Factory-Made Mortars (CNY Billion), 2012–2016**

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Source: BRICdata analysis

**Figure 4: Chinese Cement Industry – Factory-Made Mortars (CNY Billion), 2012–2016**

[Graph showing the trend of factory-made mortars (CNY Billion) from 2012 to 2016 with CAGR 2012–2016.]

Source: BRICdata analysis
2.3 Capacity Utilization

2.3.1 Existing capacity

China generates a significant surplus cement production capacity, and the country’s cement capacity utilization rate was around XX% during 2010–2012. The country’s installed capacity stood at XXX million tons in FY2012, while the production stood at XXX million tons. The excess capacity is expected to continue over the forecast period.

Figure 5: Chinese Installed Cement Production Capacity vs Production (Million Tons), 2010–2012

Source: BRICdata analysis

2.3.2 Capacity addition in future

By the end of 2012, China’s total clinker production capacity is expected to reach XX billion tons per annum (btpa), and cement capacity is expected to reach XX btpa. Cement production is likely to grow by XX % to meet national economic needs during the 12th five-year plan, and according to the Chinese Consumer Association, the demand is anticipated to reach XX btpa in the next five to 10 years. China currently has nearly XXX dry cement production lines each with an annual output capacity below XXXX tons, but expects to increase the capacities of all these lines to more than XXX tons each by 2020.
3 Industry Structure and Competitive Landscape

3.1 Industry Structure

The Chinese cement industry is highly fragmented with close to XXXX producers, and the top ten producers accounted for less than XX% of the industry in 2011. The government has initiated a restructuring plan in 2012, replacing outdated capacity with modern production facilities and encouraging top cement producers to carry out mergers and acquisitions to consolidate the industry. New capacity is now restricted to around 250mtpa, and tougher emission standards are expected to lead to more consolidation in the industry as less competitive firms restructure or are acquired by larger businesses. Industry consolidation among the top 10 operators is expected to improve their combined market share to XX% in 2015, as opposed to XX% in 2012. The number of Chinese cement producers fell to XXXX in 2011, down from XXXX in 2005, and is expected to decrease further by around XX% by the end of 2015.
4 Appendix

4.1 About BRICdata

BRICdata publishes in-depth strategic intelligence reports that help its customers better understand opportunities in emerging markets and industry sectors. Its reports provide an independent, expert view supported by primary research and access to leading data and intelligence sources.

BRICdata is a comprehensive source of insights and analysis, and publishes a broad range of reports across a number of different industry sectors, including consumer, retail, financial services, technology, telecoms and construction.

BRICdata is headquartered in London with research, analysis and account management teams based across Europe, the US and Asia-Pacific. Its global research footprint is supported by a network of external associates, data partners and industry experts to give the clearest possible perspective on emerging markets.

4.1.1 Areas of expertise

BRICdata operates a dedicated, multilingual team of in-house industry analysts with significant experience of global and country-level research. BRICdata also maintains data and research partnerships with other research companies, industry experts and trade associations, along with a network of independent industry consultants and former industry participants contributing research and reports to bring additional insight and expertise in more specialist areas.

BRICdata’s research offering spans the following industry areas:

Construction

BRICdata publishes reports covering the entire construction value chain: construction materials, equipment, construction services, architectural services and interior design. It also covers the main value sectors of construction activity: commercial, infrastructure, industrial, institutional and residential.

This comprehensive view of the market enables BRICdata to detail key growth sectors and countries and identify the most attractive industry opportunities.

Consumer goods

Covering a broad range of areas across the consumer goods market, from interior products to fast-moving consumer goods (FMCG), ingredients, and packaging, BRICdata offers a comprehensive insight into key consumer sectors across fast-growing markets, identifying key trends, future innovations and growth opportunities.

Comprehensive data sets including unique primary survey-driven research creates accurate market forecasts and understanding of the factors driving consumption behavior.

Financial services

Providing detailed insights into insurance and banking markets, BRICdata’s financial services reports identify key market opportunities, emerging technologies and channel strategies. The reports provide unique data combined with local examples of best practice and expert insights into the market.

Retail

BRICdata maintains a comprehensive database of forecasts of retail spending, along with a series of unique indicators enabling a forward view of retailers’ prospects in emerging markets. The reports identify emerging concepts in retail, including the nascent online and mobile retail sectors in the BRIC countries and other emerging markets.

Technology

BRICdata tracks key trends and innovations, emerging technologies and markets, and the key operators in both emerging markets and technologies. Covering a range of emerging and disruptive technologies including telecoms, social media, online and mobile retailing, and telemedicine, BRICdata examines strategies for success, the state of the competitive landscape and the inherent threats and opportunities in the emerging economies.
APPENDIX

4.2 Methodology

All BRICdata reports are rigorously sourced and created according to a comprehensive, two-stage methodology. This includes internal audit and primary research.

A) Internal audit

- Review of in-house databases to gather existing data:
  - Historic market databases and reports
  - Company database
  - Projects database

B) Primary research

- Review of the latest company strategy and asset management trends

1) Research

A. Sources

- Collection of the latest market-specific data from a wide variety of industry sources:
  - Government statistics
  - Industry associations
  - Company filings
  - Broker reports
  - International organizations

B. Expert opinion

- Collation of opinion taken from leading industry experts
- Analysis of third-party opinion and forecasts:
  - Broker reports
  - Industry associations
  - Official government sources

C. Data consolidation and verification

- Consolidation of data and opinion to create historical datasets
- Creation of models to benchmark data across sectors and geographies

2) Research Analysis

A. Market forecasts

- Feed of forecast data into market models:
  - Macroeconomic indicators
  - Industry-specific drivers
- Analysis of Market Databases to identify trends by sector:
  - Latest trends
  - Key drivers of the market

3) Report Writing

- Analysis of market data
- Discussion of company and industry trends and issues
- Integration of survey results
4) Quality Control

A. Templates
   - Detailed process manuals
   - Standardized report templates and accompanying style guides
   - Complex forecasting tool used to ensure forecast methodologies are consistently applied
   - QC checklists

B. Quality control process
   - Peer review
   - Senior-level QC
   - Random spot checks on data integrity
   - Benchmark checks across databases
   - Market data cross-checked for consistency with accumulated data from company filings

4.3 Definitions

<table>
<thead>
<tr>
<th>Terms</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement clinker</td>
<td>A type of concrete and cement which is generally in the form of lumps or granules between 2mm and 30mm in size. For reporting purposes, cement clinker of any size is categorized under this category.</td>
</tr>
<tr>
<td>Factory-made mortars</td>
<td>Any type of mortar that is produced within the factory rather than on construction sites is assessed under this category. Depending on countries and regions, various types of mortars are produced within this category.</td>
</tr>
<tr>
<td>Portland cement</td>
<td>The most common type of cement category used in the construction industry. For reporting purposes, any variant of Portland cement is included in this category, ignoring the differences in constituents and standards.</td>
</tr>
<tr>
<td>Refractory cements, mortars and concretes</td>
<td>Includes, refractory cements, refractory mortars and refractory concretes in any compositions. Refractory plastics, ramming mixes and gunning mixes are also included within this category. Any kind of carbonaceous pastes are excluded from this category.</td>
</tr>
<tr>
<td>Other hydraulic cements</td>
<td>Any type of cement within the hydraulic category, with the exception of Portland cements, is categorized under other hydraulic cements</td>
</tr>
<tr>
<td>Ready-mixed concrete</td>
<td>A type of concrete that is prepared in the factory rather than the construction sites. Compositions of ready-mixed concrete can vary according to requirements and locations.</td>
</tr>
<tr>
<td>Prefabricated structural components</td>
<td>Includes all ready-to-use construction components made up of cements, concretes or stones.</td>
</tr>
</tbody>
</table>

Source: BRICdata analysis

4.4 Disclaimer

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