

Vietnamese cement market outlook

ABSTRACT. The article analyzes data on the Vietnamese cement market. In 2022, domestic cement consumption decreased slightly compared to 2018, while the total volume of clinker and cement exports from the country was 27.1 % less than in 2021. The Vietnamese cement industry witnessed an aggressive investment in new capacity and capacity expansion projects in 2022. The total capacity could reach 142.6Mt per year in 2026F.

Keywords: cement, clinker, consumption, export.

A slump in domestic cement consumption in 2023

Vietnam cement market experienced a slowdown in recent years, especially in 2023. In particular, domestic cement consumption volume recorded a negative growth rate with CAGR 2018–2022 of –1.0 % (Figure 1), which could be explained by the stagnant construction market during COVID-19, slow public investment disbursement and legal constraints in terms of licensing and access to financing sources. In 8M2023, domestic demand showed no signs of improvement with a sharp decline of 16.7 % (y-o-y) at 37.6 million tons.

The weak domestic demand resulted from the stagnant domestic construction market due to the gloomy real estate market. In particular, the real estate market in Vietnam witnessed a downturn since Q3.2022 due to the tightened money policy and stricter regulations on corporate bond issuance resulting from the violations of the current regulations of corporate bonds. This gloomy real estate market situation remained throughout 2023 and continued to hamper the domestic demand for cement. Meanwhile, despite some improvements in the disbursement of public investment funds in Q3.2023, domestic cement demand stayed low and consumption declined over the first 8 months of 2023.

Weak clinker and cement demand from overseas buyers

Clinker and cement exports remained weak since 2022. In fact, total clinker and cement export volume witnessed a decrease of 27.1 % (y-o-y) and 1.5 % (y-o-y) in 2022 and 8M2023, respectively (Figure 2).

By segment, total clinker export volume recorded a plummet of 41.9 % (y-o-y) and 35.6 % (y-o-y) in 2022 and 8M2023, respectively, which mainly attributed to the collapse in demand from Chinese buyers, the Top 1st clinker buyer of Vietnam. In fact, Chinese buyers stopped importing clinker from Vietnam since June 2022 under stagnant construction in China due to "Zero COVID-19" policies in 2022. Despite the removal of Zero COVID-19 in late 2022, Chinese real estate crisis remained with the defaults by major real estate developers such as Evergrande and Country Garden. Meanwhile, clinker demand fluctuated in other traditional markets such as Bangladesh and Taiwan, resulting in the low record clinker export volume in 8M2023.

Given the subdued clinker export growth, domestic manufacturers boosted cement export by diversifying cement export destination. Total cement export volume surged by 28.4 % (y-o-y) in the first eight months of 2023, equivalent to

14.0 mn tpa. This could be explained by strong cement demand by Philippines buyers with the government's "Build, Build, Build" infrastructure development program. Besides, cement export volume from Vietnam to "new markets" such as Malaysia and the U.S. recorded the highest growth of 66.5 % (y-o-y) and 65.1 % (y-o-y).

Continued investments by private players

Despite the slowdown in total cement sales, the Vietnamese cement industry witnessed an aggressive investment in new capacity and capacity expansion projects in 2022 despite unfavourable market conditions. Particularly, FiinGroup recorded the launch of commercial operations of Long Son — Assembly 4 (1.86mn tpa of clinker); Xuan Thanh — Assembly 3 (3.60 mn tpa of clinker), and Dai Duong 1 (2.30 mn tpa of cement). It is noted that Long Thanh Cement completed the construction of its 2.3 mn tpa facility in December 2022, however, has not yet started its commercial operation due to the poor market situation. Nevertheless, in the next 4 years, there will be more and more waves of investment and the total capacity could reach 142.6Mt per year in 2026F (Figure 3).

Strong headwinds of Vietnam cement market

Given the weak demand from both domestic and export markets as well as the aggressive investment in new capacity, Vietnamese cement manufacturers are confronting strong headwinds ahead. In particular, the average utilization rates in 2022 for both cement and clinker in Vietnam reached 63 % and 66 %, respectively (Figure 4), the lowest level in the last five years. Given the surge in cement capacity in 2023, these figures are expected to drop to 59 % and 57 %, respectively.

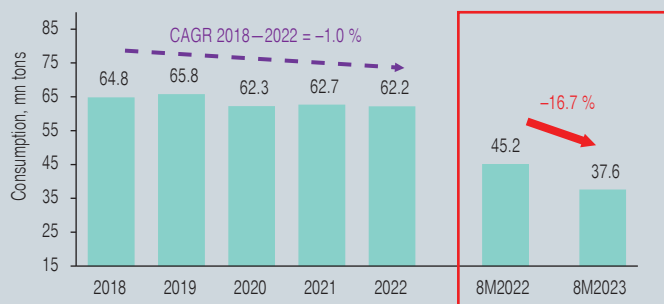


Fig. 1. Domestic cement consumption in Vietnam, 2018–8M2023
Sources: FiinGroup, Vietnam National Cement Association (VNCA)

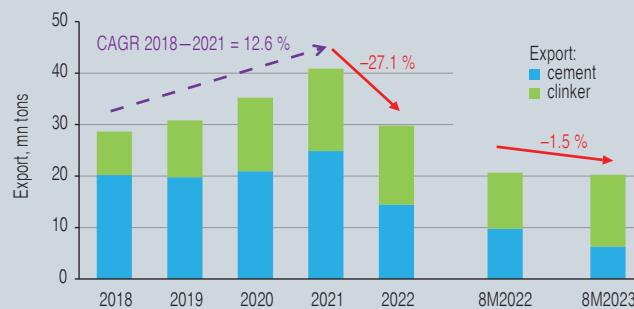


Figure 2. Clinker and cement export (mn tons) of Vietnam, 2018–8M2023
Sources: FiinGroup, General Customs

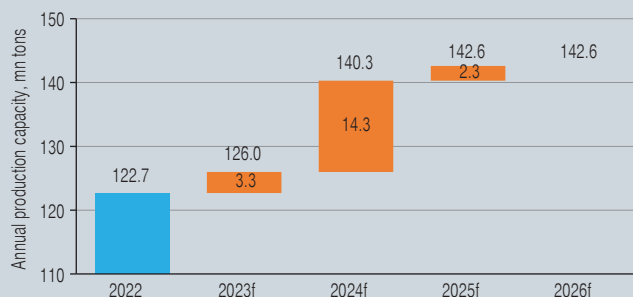


Figure 3. Supply forecast of Vietnam cement market (mn tons), 2023f-2026f
Source: FiinGroup

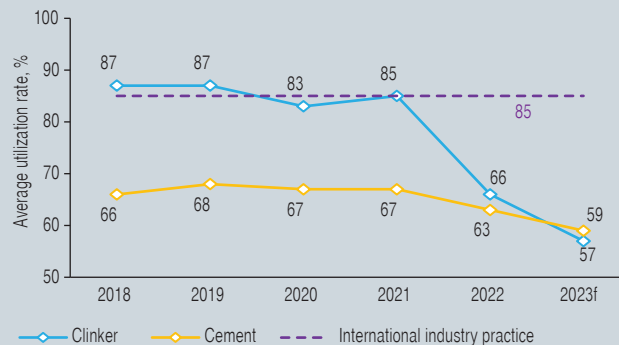


Figure 4. Utilization rate of cement industry in Vietnam, 2018–2023f. f – forecast
Source: FiinGroup

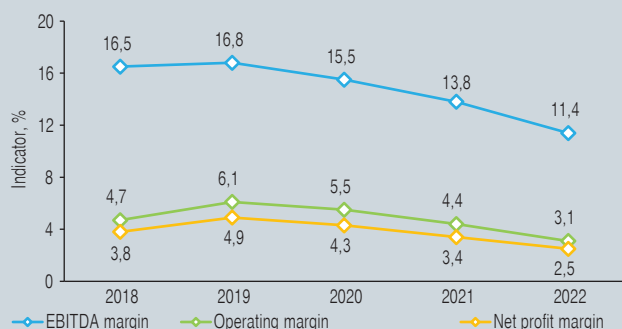


Figure 5. Profitability of Vietnam listed cement companies
Note: The quarterly analysis is conducted based on the financial data of 10 listed cement companies, which account for 16 % of total cement designed capacity in 2022.
Source: FiinGroup

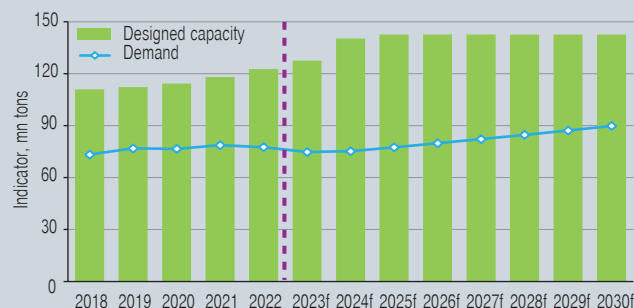


Figure 6. Forecast of cement designed capacity and cement demand in Vietnam, mn tons. f – forecast
Source: FiinGroup

A numerous cement factories have operated at low productivity and even closed their kilns to stop their loss under unfavourable market conditions. For instance, VICEM, Long Thanh, and some manufactures in Ninh Binh, Ha Nam, Thanh Hoa Province have temporarily closed their kilns since Q1.2023.

Besides, cement manufacturers faced the pressure of increasing production costs. Particularly, production costs for coal and electricity, the two major raw materials in cement production, surged dramatically. Of which, while the coal price in Vietnam increased by approx. 87 % (y-o-y) in 2022, the electricity price recorded the first increase of 3 % after stabilising in 4 years. These increases led to a surge of 11 % in the production cost of cement in 2023.

As a result, cement sector recorded deteriorated profit margins. Given a slump in sales

revenue and a surge in production costs, Vietnamese listed cement manufacturers recorded a deteriorated average EBITDA margin from approx. 13.8 % in 2021 to approx. 11.2 % in 2022 (Figure 5). In addition, given fierce competition due to low demand, cement manufacturers incurred higher marketing & selling expenses to boost sales, contributing to a lower EBITDA margin for the year 2022.

Vietnamese cement market outlook in 2023

FiinGroup assesses both the Vietnamese domestic and export markets in 2023 with a negative outlook. In particular, despite the acceleration of public investment disbursement in 8M2023, the domestic market is forecasted to remain weak in 2023 and may witness some signs of recovery in 2024. Meanwhile, in terms of

Vietnam's key overseas markets, cement exports are forecasted to remain stable given solid demand from infrastructure development in the Philippines. Moreover, clinker exports are anticipated to decrease by 35 % in 2023, due to low demand from China. Import demand from China is forecasted to remain low at present due to stagnant domestic construction market activity.

According to FiinGroup, cement oversupply situation is expected to remain in 2030 (Figure 6) and the market may witness the consolidation trend in the time to come, resulted from small-scaled manufacturers with low occupancy rate or new cement factory with limited customer awareness. In addition, given the strict regulation on sustainable developments by Vietnamese government (i. e. emission, decarbonization in production, etc.), sector consolidation could be a potential solution for old and out-date production facilities.

Market Research and Consulting Services

Cement Company to start using alternative fuel from solid domestic waste (refuse-derived fuel, RDF) instead of imported natural gas and coal. A special process line for the use of such fuel was built and put into operation in 2022. The transition from natural gas to peat in the preparation of raw meal also provides significant savings for the enterprise.

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Innovative electrostatic precipitators for cement industry

Innovative electrostatic precipitators of the environmental holding company Kondor Eco-SF NIOGAS can be used to solve problems within the framework of the national project Ecology with respect to the federal projects Clean Air and Implementation of the best available technologies. According to the information and technical reference book on the best available technologies ITS 6-2022 Cement Production, when modernizing ESPs it is recommended to reduce dust emissions to the level of less than 50 mg/Nm³ by means of automatic voltage control or replacement of electrodes with upgraded versions. The same handbook indicates the possibility of installing additional filtration sections. As a result of the research, the holding company's specialists developed a new principle of voltage control in the ESP and new designs of corona and precipitation electrodes, and it became possible to increase the active filtration zone in the ESP on the former site for the unit with minimal costs for modernization or new construction.

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V.I. Parubets

Reverse engineering, import substitution, repair and modernization of gearboxes and gearmotors

OOO STC REDUCTOR has been successfully working on the Russian market of mechanical engineering for more than 30 years. The company designs and manufactures gears, gearboxes and gearmotors that allow tackling difficult operational tasks. An example is the 6-ES series of planetary, planetary bevel, helical gearboxes and gearmotors, which meet high requirements for their capacity/weight ratio, load and durability. Gearboxes of this series are used in many industries, including cement and concrete plants. The company also performs modernization, repair and maintenance of Russian and foreign-made gearboxes, gearmotors and drives, manufactures their parts and spare parts.

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Starter kit for alternate solid fuel feeding

The alarming rise in waste generation and fall in the availability of fossil fuels have together highlighted the absolute requirement and benefits of co-processing of alternate fuels (AF) to attain a sustainable cement manufacturing process. Co-processing of fuels in the cement plant is considered as an effective option as it targets both material and energy recovery from the solid wastes along with substitution of coal or other fossil fuels. The main challenges in AF feeding can be broadly categorised under feeding related issues and process related issues.

The market for the feeding equipment is vast, with multiple technologies targeting different scales of feeding capacity requirements and material properties, thus making the potential for innovation very high. Other than this, the fuel supply is also a major bottleneck for increasing the thermal substitution rates (TSR) beyond the regulatory minimum. This

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Vietnam Cement Market Report - A Part of FiinGroup's Industry Report Series for Vietnam Market

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