Malaysia

Geography

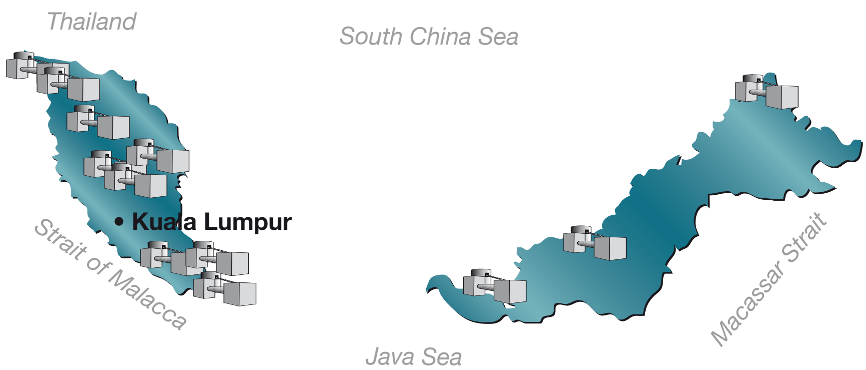
Area	329,750km^2
Capital	Kuala Lumpur

Demography

Population	26.9m
Density	82 inhab./km^2
Urbanisation	62%
Official language	Malay

Economy

GNI per capita	US$4960
Currency	ringgit (MYR)
Per capita cement consumption	625kg



With a strong electronics exports sector and higher oil and gas export prices, Malaysia has nursed its economy back into health and with it, its cement consumption, which will receive an extra boost by the country's Ninth Malaysia Plan and its healthy population growth rate. Add to that a broadly stable, if promising export market, and the local cement industry has much to smile about. However, excess grinding capacity, growing imports and low prices temper full-out optimism.

Once recovered in 2003 with typical annual growth rates of five per cent, GDP growth has largely stagnated until early part of 2006 as a result of the confidence generated by government's adoption of the Ninth Malaysia Plan, which aims to pursue "... a program that enhances the nation's capability to compete globally, to strengthen national unity and to bring about a better distribution of income and wealth and higher quality of life among the people. ...", according to its Prime Minister.

Its healthy foreign exchange reserves, low inflation, and a small external debt are all strengths that make it unlikely that Malaysia will experience a financial crisis over the near term similar to the one in 1997. Malaysia "unpegged" the ringgit from the US dollar in 2005, but so far there has been little movement in the exchange rate.

However, its economy is strongly tied the economic performance and growth in the US (20 per cent), Chinese (12 per cent) and Japanese (eight per cent) markets, not only its top export destinations but also its primary sources of foreign investment.

Consumption

The present market consumption has recovered to 625kg from its 1998-99 slide into the abyss, when demand fell from 813kg in 1997 to 430kg two years later. Today, the picture looks much more positive, entering a growth period as infrastructure and housing projects associated with the Ninth Malaysian Plan begin to come on-stream and its population continues to grow at just under two per cent annually.

Production

The production base is made up from a nominal 13 companies controlling seven integrated plants, five dedicated grinding units and one plant where only clinker is produced. The demands on clinker-making are such that the plants are running at near to full capacity of 17.8Mta. However, there is a huge milling overcapacity of 28.3Mta.

Lafarge is the biggest manufacturer in Malaysia with 44 per cent of the market. It has just launched Avancrete that it sells at a 20 per cent premium but claims a 25 per cent improvement in performance in return. Lafarge hopes to sell 2.3Mta of Avancrete in 2006. Lafarge announced in mid-2006 that its has outline plans to increase its production (clinker) capacity from 8Mta to 12Mta.

The South Korean group, YTL, is the lowest cost producer in Malaysia and has made good profits during the recent long four-year period when its competitors lost money. YTL has controlling interests in Pahang Cement (PCSB) and Perak Hanjoong Simen (PHS) that combined make up a 24 per cent share of the market. YTL has recently raised its holding in PCSB to 64.8 per cent. In 2005, YTL also acquired a 21 per cent in the ailing Jurong Cement Ltd in Singapore.

Cement Industries of Malaysia Bhd (CIMA) controls 16 per cent of the market. There has been talk of CIMA expanding its 1.4Mta integrated plant