Sweden’s cement industry can look forward to a more positive 2016 as the country’s cement market is set to move its downturn behind.

The construction market is expected to continue its recent recovery, much to the benefit of domestic cement sales.

The Swedish GDP, which had fallen by 0.3 per cent in 2012, improved by 1.3 per cent in 2013. A growth rate of 2.1 per cent was achieved in 2014 and is expected to rise to 2 per cent per annum thereafter. Inflation is estimated to be at 0.1 per cent in 2014, rising to 1.4 per cent in 2015.

Civil engineering spending is expected to grow in both 2015 and 2016, in particular when it comes to roads, bridges and ports, while energy-related expenditures are supposed with a peak in 2015. Roads and bridges represent some 60 per cent of civil engineering expenditure.

The national cement market is in a cyclical recovery coming from a low base and the current level of activity is well below the European average.

Housebuilding is in its early stages of recovery, having seen a jump in housing starts of around 40 per cent in 2013 to almost 30,500. In 2014 the increase moderated to about six per cent, having seen a rise to over 18,000 units during the first half. The number of starts are expected to remain at around the 2014

The Swedish cement production base

<table>
<thead>
<tr>
<th>Company</th>
<th>Capacity (Mta)</th>
<th>Plants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scancem (HeidelbergCement)</td>
<td>3.40</td>
<td>3 plants</td>
</tr>
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</table>
Swedish market has started recovery

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption (Mt)</th>
<th>Change (%)</th>
<th>Production (Mt)</th>
<th>Exports (Mt)</th>
<th>Imports (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012A</td>
<td>2.29</td>
<td>-3.0</td>
<td>3.06</td>
<td>1.22</td>
<td>0.45</td>
</tr>
<tr>
<td>2013A</td>
<td>2.20</td>
<td>-4.0</td>
<td>3.01</td>
<td>1.28</td>
<td>0.47</td>
</tr>
<tr>
<td>2014E</td>
<td>2.20</td>
<td>0</td>
<td>2.92</td>
<td>1.20</td>
<td>0.48</td>
</tr>
<tr>
<td>2015F</td>
<td>2.25</td>
<td>+4.7</td>
<td>2.85</td>
<td>1.10</td>
<td>0.50</td>
</tr>
<tr>
<td>2016F</td>
<td>2.33</td>
<td>+3.6</td>
<td>2.86</td>
<td>1.05</td>
<td></td>
</tr>
</tbody>
</table>

Source: ICR Research

The Slite works burns 64 per cent fossil fuels and 22 per cent biomass, with the remainder being made up of various other alternative fuels. The Skövde works has a cement capacity of 0.6Mta and investment has allowed an increased use of alternative fuels, which increased to 21 per cent in 2013.

Cementa still draws its supplies of white cement from Aalborg Portland, though the two compete in the Danish and Norwegian grey cement markets. At the peak of demand in 2007 and 2008, Cementa did import modest amounts of clinker.

Prices

The ex-works list price for standard grey cement is around €80, with a premium for ex-depot supply depending on location. There are some discounts that may reach up to €7/t. Bagged cement retails at about €7/t, but special offers can see this as low as €4.77.

Outlook

Domestic cement consumption reached a peak of 2.51Mt in 2008, a level that does not look likely to be exceeded in the short term. Swedish consumption should receive a boost in 2015 from the combination of continued good demand for cement from the civil engineering industry, some recovery in commercial building activity and in housebuilding.

The overall production volume will depend on the sometimes volatile exports, notably the current uncertainty surrounding Russia. The recovery in the USA should give a boost to demand for higher-value low-alkali cements.

IN SUMMARY

- Low-alkali cement helps exports
- A major coastal plant ensures economic domestic transport
- Domestic consumption at healthy levels

Cemex works in Latvia. Thomas Cement, a subsidiary of the Thomas Concrete group, started importing cement to Oxelönsund in 2010, with cement coming from Akménas in Lithuania and slag and fly ash from northern Germany.

The white cement sold by Cemex is imported from Çimsa in Turkey and some is re-exported to Norway. Cementa also draws its supplies of white cement from Aalborg Portland, though the two compete in the Danish and Norwegian grey cement markets. At the peak of demand in 2007 and 2008, Cementa did import modest amounts of clinker.

The Degerhamn works on the isle of Öland has a cement capacity of around 0.3Mta. It produces special cements of various kinds, mainly for use by the civil engineering industry. Degerhamn works produced 272,870t during 2013, a decline of 6.6 per cent.

Exports

Total cement exports reached 2.8Mt in 2013, compared with the 2009 peak of 1.96Mt. Exports of grey cement amounted to 2.1Mt, with Russia being the largest recipient. Exports of white cement accounted for 0.82Mt. The main export markets have historically been Lithuania and Denmark but, with the changes in the Russian economy, the USA and Canada are now far stronger. The increase in exports is in part the result of continued strong demand in Russia and also a result of the strong growth in exports to China.

Imports

European statistics show a 3.6 per cent increase in Swedish cement imports to 0.47Mt in 2013. Cemex A/B is the largest importer of bulk cement into Sweden and operates terminals at Surte (near Gothenburg), Landskrona (in the south) and Västerås (west of Stockholm). The supplies have been coming from the Cemex plants at Rüdersdorf east of Berlin and from the Cemex works in Latvia. Thomas Cement, a subsidiary of the Thomas Concrete group, started importing cement to Oxelönsund in 2010, with cement coming from Akménas in Lithuania and slag and fly ash from northern Germany.

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