

Czech Republic

Geography	
Area	78,867km ²
Capital	Prague
Demography	
Population	10.6m
Density	134 inhab./km ²
Urbanisation	74%
Official language	Czech
Economy	
GNI per capita	US\$35,010
Currency	koruna (CZK)
Per capita cement consumption	381kg



Sustained economic growth supported construction output in the Czech Republic from 2017 onwards. Buoyed by increasing demand, cement producers saw domestic sales rise as company results improve.

The Czech Republic's GDP growth accelerated from 2.5 per cent in 2016 to 4.3 per cent in 2017, according to the IMF. In 2018 economic expansion slowed to 3.1 per cent as a labour deficit impacted the economy.

Total construction output in the Czech Republic fell 7.6 per cent YoY in 2016 with the building and civil engineering markets contracting 3.3 and 16 per cent, respectively. However, in the following year the sector reported a modest expansion as output increased by 2.1 per cent YoY in response to the back of higher building construction (5 per cent), which offset a 5.7 per cent dip in civil engineering. The total value of orders grew by 9.3 per cent and was estimated at CZK202.6bn (US\$8.77bn). In addition, the value of construction saw a 24.1 per cent YoY uptick to CZK352.9bn in 2017, supported by the government initiative to simplifying building permit procedures that year.

Construction growth continued to accelerate in 2018 as the sector's output advanced by 8.4 per cent YoY with both building construction and civil engineering segments showing healthy growth. The total value of orders expanded by 16.4 per cent YoY to CZK108.6bn.

Consumption

Cement demand increased 10 per cent YoY from 4.04 million in 2017 to 4.45Mt in 2018, according to the Czech Cement Association.

Concrete batching plants account for the largest share of cement offtake, with cement companies supplying some 53.2 per cent of their output to this segment. Another 17.1 per cent of Czech cement is sold to the prefabricated product sector while 4.8 per cent of sales is to construction companies. In addition, 8.5 per cent of supply is sold as bagged cement.

Production

There are four cement producers in the Czech Republic, which operate a total of 6.07Mta of production capacity, installed

in one grinding and five integrated units.

HeidelbergCement-owned Českomoravský Cement is the country's largest producer, operating the 1.4Mt Mokrá and 0.87Mta Radotín cement works near Mokrá-Horákov and Prague, respectively. In 2018 the company reported Czech sales volumes ahead by over two per cent while prices edged up by around one per cent when compared with the previous year.

Cemex subsidiary, Cemex Czech Republic runs the 1.2Mta integrated plant and 0.3Mta grinding unit at Prahovice.

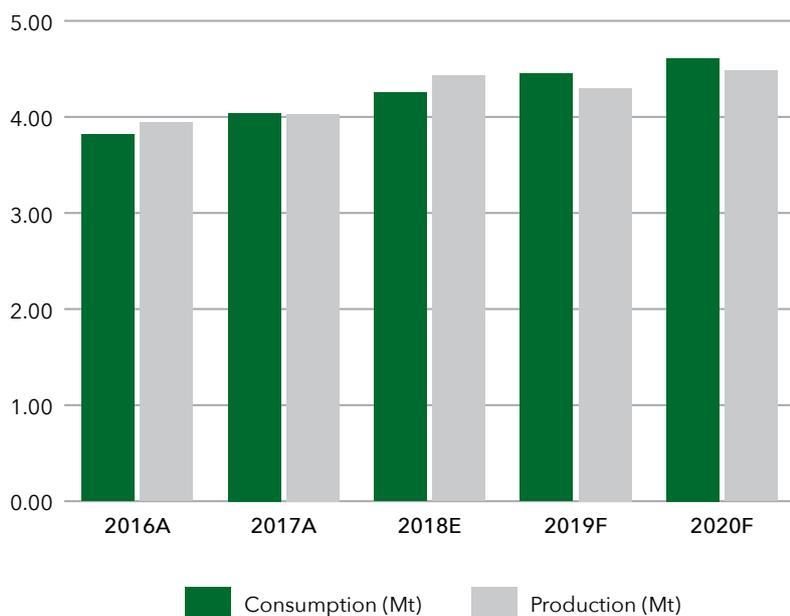
Lafarge Cement, as part of the LafargeHolcim group, supplies cement from its 1.2Mta plant at Cizkovice. In 2016 the company reported a nearly two per cent rise in sales to CZK992m when compared to the previous year, driven by increased domestic consumption. Full-year net profit was up by 23 per cent YoY at CZK206m. In 2018 the company invested CZK50m in the complete recon-

Czech cement production base

Company	Capacity (Mta)	Plants (No.)
Českomoravský Cement (HeidelbergCement)	2.27	2
Cemex Czech Republic	1.50	2
Lafarge Cement (LafargeHolcim)	1.20	1
Cement Hranice (Buzzi Unicem)	1.10	1

Source: Industry sources

Czech cement market expected to see expansion slow



	2016A	2017A	2018E	2019F	2020F
Consumption (Mt)	3.82	4.04	4.25	4.45	4.61
Change (%)	+3.9	+5.9	+5.3	+4.5	+3.8
Production (Mt)	3.94	4.03	4.40	4.30	4.48
Exports (Mt)	0.59	0.55	0.51	0.54	0.59
Imports (Mt)	0.46	0.55	0.63	0.69	0.72

Source: ICR Research, Czech Cement Association

struction of the plant's flue gas filter. Cement Hranice, owned by Unicem through its Dyckerhoff subsidiary, has a 1.1Mta production facility in Hranice and is the country's smallest cement producer. In 2017, the company saw its sales increase by 10 per cent YoY to CZK1.697bn from CZK1.569bn in 2017, which followed a 10 per cent increase from 2016. Meanwhile, profit rose 15 per cent to CZK513m in 2018 from CZK443m in 2017. While the start to the year was slow, business picked up in the second half. The company attributed the improved results to a domestic construction boom and higher exports to Poland. The majority of its cement output was sold domestically, generating CZK1.229bn, while exports finished at CZK467m for the year.

Coal remains the single-largest fuel source for the cement industry, accounting for 30.2 per cent of the sector's total fuel mix. In addition, biomass represents 25.7 per cent of fuel use, followed by used tyres (5.9 per cent). Other solid

fuels account for 35.8 per cent while other liquid fuels take up 2.1 per cent of demand.

In terms of CO₂ emissions, the price hike in energy and CO₂ emission rights has supported a downward move of CO₂ emissions in recent years. In 2016 around 1.89Mt of CO₂ was released by the industry. However, one year later this figure had declined to 1.74Mt despite cement production volumes trending in the opposite direction.

In terms of output levels, Czech cement production advanced 2.3 per cent YoY from 3.94Mt in 2016 to 4.03Mt in 2017, according to the Czech Cement Association. In the 9M18 output from Czech cement plants reached 3.27Mt, up from 3.02Mt in the year-ago period.

Exports

Export volumes by Czech producers fell by six per cent to 0.55Mt in 2017, then rebounded in 2018 to 0.75Mt. In addition, negligible volumes of clinker were exported – some 0.026Mt in 2017.

Key destinations of Czech cement and clinker were Slovakia and Germany, although Poland and Austria also contributed to export sales.

Imports

As the domestic market increased its offtake, imports have risen in recent years. Import volumes advanced from 0.46Mt in 2016 to an estimated 0.65Mt two years later.

Deliveries from Slovakia account for almost half of imported cement while Polish imports represent almost a third.

Prices

At the start of 2019, CEM I 42.5R cement was sold for CZK2840/t while CEM II/B-M (S-LL) 32.5R product was priced at CZK2500/t (excluding VAT).

Outlook

Looking ahead, labour shortages and declining global trade are expected to present downside risks to further growth. Therefore, GDP is projected to expand by three and 2.5 per cent in 2019 and 2020, respectively.

Cement demand in the Czech Republic is expected to see more moderate rates of growth in 2019 with total domestic consumption forecast to be around the 4.45Mt mark, rising to 4.61Mt in 2020.

With a deceleration in growth expected in the domestic market, Czech cement producers may increasingly look abroad to improve their sales. Therefore, export sales are forecast to rise to 0.54Mt and 0.59Mt in 2019 and 2020, respectively. Growth in terms of imports is projected to be more muted, edging up to 0.69Mt in 2019 and 0.72Mt in 2020.

To offset higher energy and CO₂ rights costs, cement producers are expected to increase cement prices. ■

IN SUMMARY

6 plants

6.1Mta cement capacity

■ Healthy consumption growth as building sector improved

■ Moderate expansion of output while capacity remained stable

■ Exports expected to pick up and imports to edge up.