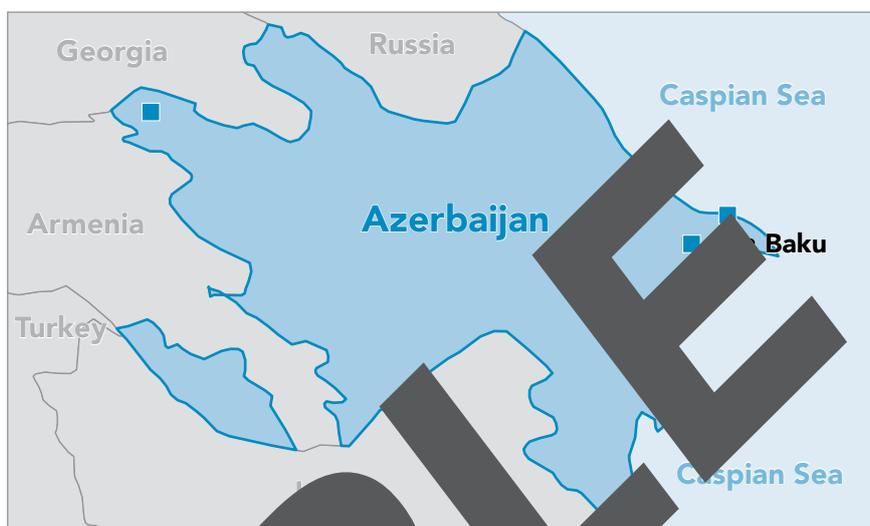


Azerbaijan

Geography	
Area	86,600km ²
Capital	Baku
Demography	
Population	9.8m
Density	113 inhab./km ²
Urbanisation	53%
Official language	Azerbaijani
Economy	
GNI per capita	US\$17,140
Currency	new manat (AZN)
Per capita cement consumption	339kg



The global fall in oil prices has affected Azerbaijan's government spending, but the country's cement market is expected to recover in 2018.

Azerbaijan's economy has seen its growth curtailed in recent years. GDP growth more than halved from 5.8 per cent in 2013 to 2.8 per cent one year later and again to an estimated 1.1 per cent in 2015, according to the IMF. Moreover, it expects a three per cent contraction of the country's GDP in 2016 although in September 2016 it revised this indicator up to 1.5 per cent.

In addition to lower economic output, the state budget was also impacted by the global fall in oil prices, leading to a deficit of 1.5 per cent of GDP according to the State Statistics Committee. The government now is broadening structural reforms on a stronger non-oil private sector growth footing, while a restructuring of the banking system has been advised by the IMF.

Construction contributed 12.5 per cent to GDP in 2015, now depends to a large extent on foreign investment. Parliament's passing of the build-operate-transfer (BOT) model bill is helping to speed up large-scale construction schemes funded by foreign investment.

The infrastructure sector is benefitting from key projects such as the development of the Baku-Tbilisi-Kars railway, the Bingadi-Novakhani-Jorat highway and the Trans Anatolian gas pipeline.

The housing sector has been impacted by the creation of the State Housing Construction Agency (SHA) in April 2016 as part of government initiatives to encourage the mass residential building with the first 2000 apartments to be built on a pilot plot along Baku's outer ring road, in the central district, with further development in Ganja, Sumgait, Lankaran, Misali and Shamkir.

To reduce the number of unregistered houses in a country with a housing shortage, structural reform is also being sought. Private homes built before 2013, where the owner holds the right of land-ownership, will not need design documents to be registered as legal.

Consumption

Cement demand in Azerbaijan stood at

4.3Mt at the end of 2014 but fell to an estimated 2.6Mt in 2016. The national statistic office has attributed this decrease to lower public and private spending.

Key end consumers are the ready-mix market with a market share of 38 per cent, followed by retailers (27 per cent) and precast concrete elements and products (26 per cent). The construction and dry mortar segments account for seven and two per cent, respectively.

There is a fairly even split between bagged and bulk cement. In 2015 around 52 per cent of cement was sold as bagged cement while 48 per cent was supplied in bulk. Cement is predominantly delivered by road in 24-32t trucks.

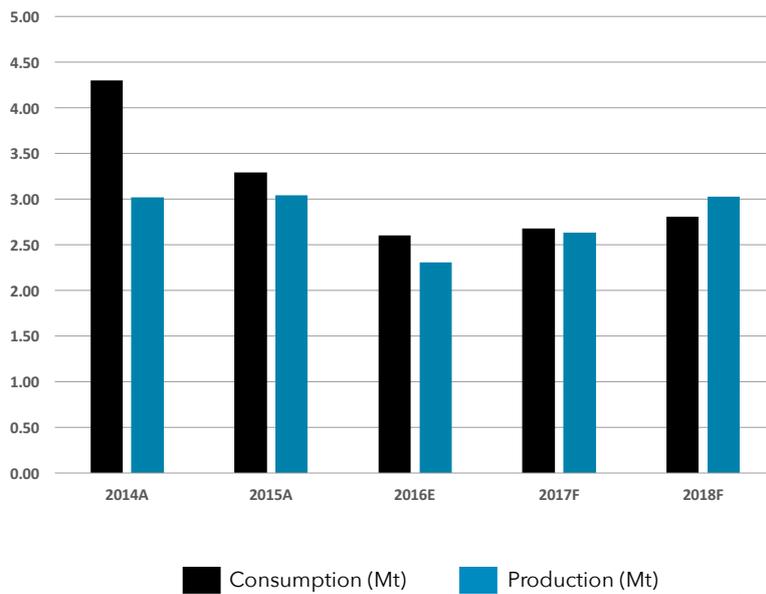
Production

Cement production capacity has remained at 5.2Mta for a few years now, but only about a third of this is required at present. In 2015, cement production stood at 3.04 per cent, up slightly on the previous year. However, with domestic

Azerbaijan's cement production base		
Company	Capacity (Mta)	Plants (No.)
Norm LLC	2.00	1
Holcim (Azerbaijan) OJSC	1.90	1
Akkord	1.00	1
Gemikaya Group	0.26	1

Source: Industry sources

Azerbaijan's cement market expected to pick up in 2018



	2014A	2015A	2016E	2017F	2018F
Consumption (Mt)	4.30	3.29	2.60	2.68	2.81
Change (%)	-2.3	-23.5	-21.0	+3.0	+4.9
Production (Mt)	3.02	3.04	2.31	2.63	3.03
Exports (Mt)	0.08	0	0.01	0.21	0.01
Imports (Mt)	2.24	0.35	0.31	0.04	0.01

Source: ICR Research

demand declining steeply, 2016 production amounted to just 2.31Mt.

Holcim OJSC accounts for around 40 per cent of the domestic market. It has received significant investment from the European Bank for Reconstruction & Development to improve fuel efficiency with the aim of reducing its stakeholder company to 2016.

Georgian Group opened a 200tpd (0.2Mt) factory in 2011, built by China Chengfei. NBM opened a 1.8Mta Qizildas cement plant, built by NBM-owned China Triumph International Engineering. Output at the Yaglar Garadagh, Baku, reached 0.54Mt in 2014. Claudius Peters supplied a 5500tpd ETA 10610S clinker cooler to the plant with 10 static inlet rows, six parallel aerated lanes and 10 air channels. The cooler is also equipped with a roller crusher. The concrete works for the clinker discharge hole and pre-heater foundations were carried out by MCC Tiangong Construction Group of

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high-strength and self-compacting concretes are needed. In terms of mineral additives, producers use limestone and volcanic ash (natural pozzolan).

Prices

Ex-works bulk cement prices (excl VAT) range between AZN78-84/t in 2016 and this has widened from the price range of AZN75-80 in 2015. Prices of imported cement in May 2016 were just under AZN80/t (US\$46.60/t).

Exports

Norm LLC plans to export undisclosed volumes of cement to southern Russia, Kazakhstan and Turkmenistan. Meanwhile, Akkord Cement was reported as exporting 91,000t of clinker in 2015. In January 2016, it won contracts for 200,000t of exports with Georgia as a potential market. Gemikaya has also exported to Iran and Turkey.

Imports

Azerbaijan imported around five per cent of domestic demand with clinker imports adding a further 10 per cent.

Georgia has been a regular source of cement imports, but as Azerbaijani prices are now 3-10 per cent lower and the country considers itself now self-sufficient, imports have tailed off. In addition, measures to protect the domestic industry from imports were announced in the summer of 2016 and were due to come into force on 1 November 2016.

Outlook

Azerbaijan can expect GDP growth of just under one per cent in 2017, accelerating to 2.2 per cent the following year, according to the IMF. Cement demand is expected to rise to 2.68Mt in 2017 and will remain stable throughout 2018 at 2.81Mt. Modernisation and new capacity in the industry will lead to more efficient production but the sector needs an increase in domestic demand. Export markets are anticipated to remain competitive. ■

IN SUMMARY

4 plants

5.2Mta cement capacity

■ Cement consumption to recover in 2018

■ Prices to remain largely stable.