

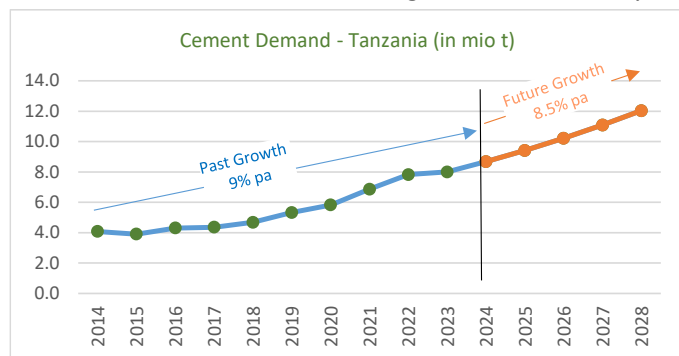
Tanzania Cement Market: An Overview

GREY CEMENT MARKET IN TANZANIA: DYNAMICS, CHALLENGES, AND FUTURE PROSPECTS

Tanzania, the 13th largest country in Africa by area, is rapidly emerging as one of the continent's fastest-growing economies. According to the World Bank projections, Tanzania's GDP grew by 5% in 2023 and is expected to maintain an annual growth rate of 5-6% over the next four to five years. This economic upsurge is underpinned by substantial investments in infrastructure, encompassing transportation, energy and telecommunications, aimed at enhancing connectivity, facilitating trade, and improving access to basic services, especially in rural areas. A significant beneficiary of these investments is the cement industry, which plays a pivotal role in the nation's construction and development sectors.

Cement Consumption in Tanzania

Over the past decade, cement consumption in Tanzania has witnessed robust growth. The country has seen an average annual growth rate of around 9% in the past ten years, accelerating to approximately 11% per annum over the past five years. This growth trajectory remained resilient even during the COVID-19 pandemic, largely due to the absence of strict lockdown measures that might have otherwise dampened construction activities.



Despite this impressive growth, Tanzania's per capita cement consumption remains relatively low by global standards, estimated at about 130 kg. This is comparable to other East African countries, with Kenya at 180 kg, Ethiopia at 90 kg, Mozambique at 95 kg, Uganda at 100 kg, Rwanda at 60 kg, and Burundi at 30 kg. Nonetheless, the future demand outlook for cement in Tanzania is positive, with projections indicating an average annual growth rate of 8.5% over the next 4-5 years.

The primary drivers of this increasing demand include ongoing infrastructure development and the construction of residential and commercial buildings. The Tanzanian government is committed to economic development, improving the business environment, attracting foreign investment, enhancing the processes or products within crucial industries to increase their economic worth, increasing agricultural productivity, and strengthening governance and accountability. These initiatives are supported by substantial investments in infrastructure projects, such as the standard gauge railway connecting major cities, expansion and upgrading of the road network, modernization of port facilities (particularly in Dar es Salaam), hydropower projects, affordable housing developments and urban renewal projects aimed at improving infrastructure, housing and public spaces.

Cement Production in Tanzania

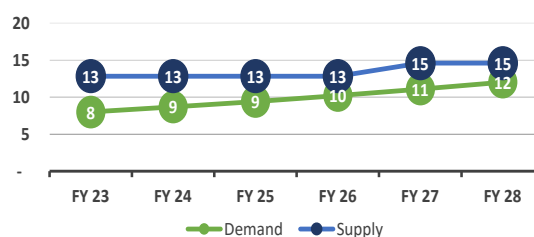
Tanzania's cement industry comprises of 12 cement plants, including six integrated units and six grinding units, operated by 11 cement players with a combined production capacity of around 13 million tonnes per annum (mio tpa). Of these grinding units, only Huaxin Cement has captive clinker capacity, with the remaining five relying on imported clinker for their production.

The top three players in the market, in terms of capacity, are Tanzania Portland Cement Company, Huaxin Cement and Dangote Cement, which together account for over 60% of the industry's capacity. The remaining 40% is distributed among the other eight players. The industry is poised for further

expansion, with an additional 1.8 mio tpa of capacity expected to be added over the next five years, bringing the total installed capacity to about 15 mio tpa by 2028.

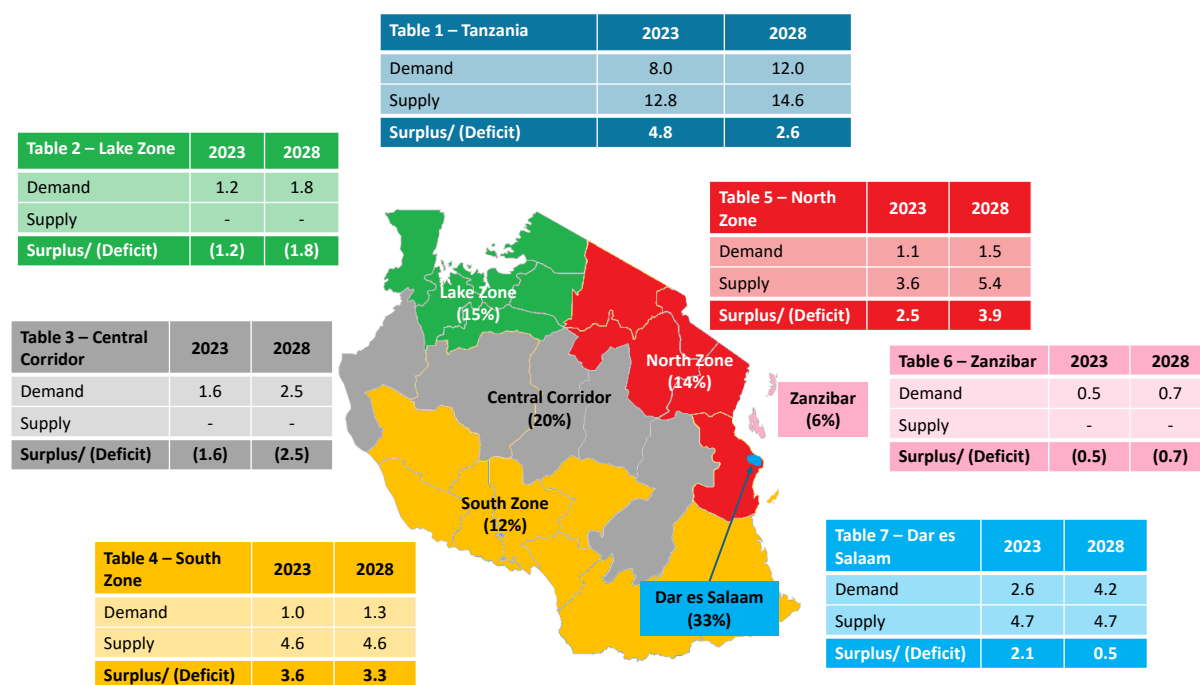
Demand-Supply Balance

Despite high growth projections for cement demand, Tanzania remains a cement surplus country and is likely to continue as such in the foreseeable future. This surplus production capacity positions Tanzania to meet both domestic demand and support regional export markets.



Regional Demand and Production Capacity

Tanzania's cement market is divided into six sub-regions: Dar-es-Salaam, North Zone, Lake Zone, Central Corridor, South Zone, and Zanzibar.



Demand: Cement demand is highest in the Dar es Salaam region, accounting for over 30% of the country's consumption. This is driven by Dar es Salaam's status as the largest city, principal port and leading commercial center. The South, North, and Lake zones each have similar levels of consumption, ranging between 1.0 MTPA and 1.2 MTPA. Zanzibar has the lowest demand. The demand dispersion is largely influenced by urbanization and population density, with urban centers like Dar es Salaam leading consumption trends.

Capacity: Cement production capacity is concentrated in three regions: Dar es Salaam, South Zone and North Zone. Dar es Salaam and the South Zone have similar capacities, creating a surplus in these areas, while Lake and Central Zones remain cement deficit.

Import and Export Dynamics

Tanzania engages in both importing and exporting cement. The primary export destinations include the Democratic Republic of Congo, Burundi and Rwanda; while Zanzibar is the main importer, sourcing cement primarily from Pakistan and Middle Eastern countries. In recent years Tanzania is believed to

have imported less than 1 mio tonnes of cement & clinker and exported about 0.50 million tonnes of cement. Importing cement and clinker into Tanzania from non-EAC (East African Community) countries incurs customs duty. However, if cement or clinker is imported from EAC countries into Tanzania, the import duty rates are typically lower or nil, thanks to the preferential treatment granted under the EAC Common Market Protocol.

Market Characteristics

Prices: Cement prices in Tanzania are generally quoted on an ex-factory basis with an additional 18% VAT. The retail price for blended cement in the first quarter of 2024 ranged from US\$120 to US\$170 per tonne across different regions. Ordinary Portland Cement (OPC) prices are typically US\$8-10 per tonne higher than blended cement.

Product Mix: The Tanzanian cement market predominantly consumes blended cement, accounting for around 95% of all sales. The remaining 5% is OPC. Major additives used in blended cement include limestone and pozzolana. The most prevalent type of blended cement is limestone-based cement, representing 75% of the market, followed by pozzolana-based and composite cement. A small percentage of slag-based cement is also produced and sold.

Packaging and Distribution: Approximately 95% of the cement consumed in Tanzania is bagged, with the remaining 5% being bulk cement. Cement is traditionally sold on an ex-factory basis to distributors and large construction companies, who bear the transportation costs. About 75-80% of cement is sold through trade channels involving wholesalers, distributors, and retailers. The rest is sold directly to large construction companies. Cement transport within Tanzania is primarily by road, with trucks ranging from 10 to 30 tonnes in capacity. Despite the availability of a rail network, the lack of wagons limits its use for cement transportation.

Customer Segmentation

The end customers in Tanzania are divided into three main segments: Residential, Projects (infrastructure and commercial buildings), and Concrete Products & Block Manufacturers. The Residential segment is the largest consumer, accounting for around 40% of cement consumption, followed by Projects at 35%, and Concrete Products & Block Manufacturers at 25%.

Input Materials and Technology

Key input materials for the cement industry include limestone and fuel. Tanzania is self-sufficient in both, with ample limestone reserves to support its current and planned clinker capacities. The industry predominantly uses local coal as fuel, given Tanzania's substantial coal reserves estimated at 1.9 billion tonnes, 25% of which are proven. Some cement producers are beginning to incorporate Alternative Fuel Resources (AFR) to reduce their carbon footprint, but the sustainable supply of AFR remains a constraint.

Technologically, most cement plants commissioned in the past decade and those currently being set up in Tanzania employ contemporary technology with performance indicators that meet global standards. However, some older plants have relatively high fuel and power consumption, indicating a need for technological upgrades.

Future Outlook

Tanzania has demonstrated robust growth in cement consumption, driven by substantial government investments in infrastructure. Addressing infrastructure deficits, institutional weaknesses, and socio-

economic disparities remains critical for sustained and inclusive development. The country also faces a significant housing shortage, particularly in urban areas.

While challenges exist, the potential for growth and diversification in the cement sector remains strong. As Tanzania continues on its path of economic transformation, the cement sector is set to play a pivotal role in shaping the nation's future. The focus on improving infrastructure, enhancing connectivity and facilitating trade will most likely drive demand for cement, positioning the industry as a cornerstone of Tanzania's development ambitions.

In conclusion, the Tanzanian cement market is poised for continued growth, supported by a stable economic environment and strategic government initiatives. The industry's ability to meet rising domestic and regional demand will be crucial in ensuring that it contributes effectively to the nation's development and prosperity.

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