



UNITER



# Construction materials industry



# CONSTRUCTION MATERIALS

*In 2011 – beginning of 2012 there was a tendency of decline in production of main construction materials*

Belarusian construction materials branch accounts for 5-7% of the total industrial output of the country. The main industry growth driver is a state policy of triggering capital investments, especially, in construction. However, due to review of the governmental approach to stimulating of construction sector (cut of emission-based lending for governmental programs) in 2011 and beginning of 2012 there was a downward tendency in production of main construction materials. In general the total industry's output dropped by 4% over 1Q2012 (comparing to 1Q2011). In particular, production of lime, construction brick, asbestos boards, and reinforced concrete declined.

*Belarus has a negative FT balance in basic construction materials and positive in materials with higher value added*

The major task of the Belarusian construction materials industry is to meet the demand of domestic construction sector. However, in conditions of country's construction volumes decline the industry's enterprises face the problem of exports increase. The sharp depreciation of Belarusian ruble in 2011 strengthened the position of Belarusian companies on major markets: Russia, Ukraine, Lithuania. Belarus has a negative balance of foreign trade in basic construction materials (mainly formed by gypsum, chalk and crushed stone), and positive balance of FT in construction materials with higher value added (mainly represented by glass, ceramic tiles, bricks, etc.). Belarus holds strong positions on the regional construction materials market. Thus, the country is one of the largest supplier of float-glass and ceramic tiles in Russia (ca. 1/3 of Russia's imports) and the Ukraine.

*Per capita cement consumption in Belarus accounts for 460 kg.*

Per capita cement consumption in Belarus accounts for 460 kg. By this indicator Belarus overruns not only CIS countries such as the Ukraine (ca. 200 kg) and Russia (352kg) but some of EU countries. At the same time the market of construction materials with higher value added (ceramic tiles, glass, dry mixes etc.) has considerable potential for growth as their per capita consumption is much lower than in developed countries.

*The industry is monopolized by the state*

Belarusian construction materials industry is highly monopolized and dominated by the state. Thus, each subsector is represented by 1-3 state-owned companies (except for reinforced concrete sector with many state-owned players distributed throughout the country). A few independent producers also depend on the state in terms of access to material resources and sales.

*Belarusian government implemented a number of large investment projects in the industry*

The industry is characterized by significant wear of production assets (ca. 60%), as well as high level of materials and energy consumption. In this respect a number of large-scale investment projects have been implemented in Belarus, i. a. construction of additional dry-method lines at three cement plants, reconstruction of the 2<sup>nd</sup> technological line on JSC "Gomelglass", construction of 5<sup>th</sup> production line on crushed stone production on RUPE "Granit". At the same time the government is interested in attraction of strategic investors via creation of JV, sale of state shares, as well as selling concessions on development of mineral deposits.

UNITER Investment Company – financial and investment adviser in Belarus with 14+ years of experience with national and international investors in 40+ industries and markets within the country.

The company's activity is focused on investment banking; support of foreign investors and attraction of financing for national companies; conducting marketing and analytical research; project and asset management.

UNITER



220114 Belarus, Minsk, 117A Nezavisimosti avenue 12 floor (Aleksandrov Passage Business Center)

Office +375 17 385 24 65, Fax +375 17 385 24 64, [uniter@uniter.by](mailto:uniter@uniter.by), [www.uniter.by](http://www.uniter.by)

#### Disclaimer

This outlook was prepared for informational purpose only and does not constitute an offer or solicitation of a strategic transaction. Points of view, forecasts and evaluations presented in this outlook reflects our opinion as of the publication date and may be changed without notice. Although the information contained herein has been obtained from sources we believe to be reliable and although we ensured their accuracy as of the publication date, we cannot guarantee, expressly or impliedly, practicality of this outlook regarding future events or current or future value evaluation. Any investment decision based on this outlook should be made only at the discretion of the investor and UNITER or its employees or any third party shall not be responsible in any form and in no circumstances for any action of any party taken on the basis of this outlook. Nor UNITER, nor any of its employees, nor any third party shall be responsible for losses that result from such actions.

©2017 CJSC «UNITER Investment Company» is registered entity under Belarusian legislation. All rights reserved.

UNITER and UNITER logo are registered trade marks under Belarusian legislation.

