

Strong growth in cement demand was seen in the second quarter of this year but there was no sign of rising prices until recently when cement prices in different regions across China began a steady rise. However, this latest rise has been led by the leading cement producers in most regions while in the past they had followed the trend. Nevertheless demand for cement has remained strong, price adjustment is lagging behind the growth in demand.

The reasons for these "unusual" phenomena were mainly due to concerns about production capacity. Rapid growth of cement investment in 2008 has led to an increase in new capacity in 2009. Cement producers have adopted strategies boosting sales volumes rather than raising prices due to uncertainties over future demand.

Although government's heavy investment on infrastructure has helped boost the industry's confidence, cement producers remained doubtful about the effectiveness of the initiatives. The cement industry expects demand to explode in the second half of the year. In the first half, they tried to increase the sales volume to capture market share while maintaining low inventory so as to prepare for the market recovery and price increase in the second half.