

As published in the January 2012 edition

Major projects drive growth in regional cement industry



The recently inaugurated Baularte Bridge, the World's tallest suspended bridge, is just one example of mega projects that are feeding the cement industry all over Latin America, from Mexico to Ecuador to Argentina.

Mexico is witnessing a dozen interesting infrastructure projects such as the Baluarte Bridge or the expansion of the Mexico City subway. All those initiatives are helping increase cement consumption in a country with a tradition as having one of the most competitive cement manufacturing industries in the world.

In Brazil, production is surpassing the 59 million ton mark. 35.5 million tons were produced in the first seven months of the year, which represents an annual growth of over 10%. Brazil is the seventh largest cement producer in the world and the fourth largest consumer (684,2 pounds per capita annually).

According to the Brazilian Portland Cement Association (ABCP), the country's production is the most sustainable in the world, with CO₂ emissions 30% below the global average. The outstanding production increase is due to the most spectacular construction fever in the country since the city of Brasilia was built in the late 50s.

Soccer stadiums, airports, high-speed railway lines, the expansion of underground Metro systems, the modernization of the port network and even a state-of-the-art bridge in the middle of the Amazonian region are behind the exponential increase in cement sales in the hyperactive economy.

Right across the border, the Argentinean government is interested in developing the cement industry, which is considered to be a key factor for the economy, now and in the coming years. According to data from the Mining Department, cement production reached a record 10.5 million tons in 2010, representing US\$1.5 billion.

This growth in production helped Argentina to reach a consumption level of 558 pounds per capita. Production during the first nine months of the year reached 8.5 million tons, in other words, an annual 16% increase. The country's goal is to double production by 2020.

In the Andean country of Colombia, the outlook for grey cement production is promising due to the demand generated by engineering works aimed at fixing the structural damages created by the harsh Colombian winter. The new Colombian government is committed to improving infrastructures and housing in the country.

As a result of this growth in the sector, grey cement production increased by 14.5% in the first nine months of 2011, totaling 7.9 million tons.

The Peruvian cement market is characterized by its high competitiveness. Cementos Lima is the leader with a 39.8% market share, followed by Cementos Pacasmayo (of 20.79%), Cementos Andina (17.2%) and Cementos Yura (13.68%). Cementos Sur, Cementos Selva and Cemento Inca control the remaining 9%.

Chile is another very interesting case. 70% of all the construction works are funded with government monies, mainly in the mining and energy fields. This makes the Chilean government the biggest construction investor, as in many of the region's other countries, but with one remarkable exception: the country's largest and most influential mining company is owned by the Republic of Chile.

Construction investments rose 8% during the second quarter of 2011. Gross Domestic Products in the construction sector jumped 8.4% in the first nine months of the year, which is great news after the big recession.

There is no doubt that interesting things are happening in the booming Latin American cement industry.

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Foreign investment remain strong in Latin America

Latin America continues to be a favorite destination for global foreign investment. In the first half of 2011, foreign direct investment (FDI) in Latin America and the Caribbean rose significantly according to data from the Economic Commission for Latin America and the Caribbean (ECLAC).

According to the agency, FDI in 18 regional economies increased by 54% during the first six months of 2011 compared to the same period in 2010. Meanwhile, investments abroad by Latin American corporations fell sharply, reaching a negative balance in the first half of the year.

ECLAC predicts very high inflows of FDI in the last months of 2011, which may set a new historic record and confirm the estimates made in May by that organization.

The higher FDI increase is attributed to the stability and dynamism of most of the countries' economies and the high prices for raw materials set by international markets, which continue to attract investments in sectors such as mining and hydrocarbons, particularly in South America.

Nevertheless—and despite the good prospects for the region—the European sovereign debt crisis and the global financial volatility leave some doubts about financing available from global companies in the coming future.

In 2011, Brazil's performance was outstanding, totaling US\$44 billion dollars between January and August, 157% above the figures registered the previous year. This financial record comes after new capital contributions and a sharp increase in inter company loans; two ingredients that help vitalize the Brazilian economy.



Venezuelan port industry gains competitive edge

The international port industry is experiencing vital changes due to increasing cargo demand from emerging economies, the expansion of the Panama Canal and the reorganizing of international commerce.

As a response to the market's outlook, the Venezuelan government recently signed an expansion contract for the Puerto Cabello facilities as well as to increase handling capacity at La Guaira Port. The Puerto Cabello project, valued at over US\$2 billion, would be financed with Chinese capital in exchange for oil.

Once the project is finished, the port will have an annual capacity of 700,000 containers while La Guardia, the country's second largest container port, will handle 600,000 TEUs. This latter project, run by a Portuguese consortium, is expected to include Ship-to-Shore cranes.

The development of Venezuela's two main non petroleum-export ports is a response to the changing demands for cargo handling on post-panamax ships due to the expansion of the Panama Canal. Despite the minor influence of the Canal's expansion on ships departing from Venezuelan ports—only the vessels heading towards North America's West Coast or the Far East would need to cross the isthmus—the intertwining relationship between ports and an increasing competition among them might have been the reason for the ambitious expansion projects that are underway in Venezuela.

Cargo volume at Puerto Cabello decreased to under 800,000 TEU and it handled about 790,000 containers in 2010. With this new investment in technology the Venezuelan port industry will be as competitive as it was.