

Construction optimistic despite upcoming polls

DEVELOPMENT



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The ongoing pandemic has been quite a gut punch for everyone, not only in the industry. After the World Health Organisation (WHO) declared the Covid-19 outbreak a pandemic almost two years ago, governments worldwide imposed unprecedented lockdown measures that curtailed economic activities, particularly in the second and third quarters of 2020. What had started as a normal year soon ushered in the most challenging season in recent times.

Comparative data from the Kenya National Bureau of Statistics (KNBS) show Kenya's economy shrunk in 2020 for the first time in 12 years, by an estimated 0.3 per cent from a 5.0 percent growth in 2019. The data showed Kenya's cement market contracted by 2.3 percent that year (2019) with the national cement consumption closing the year at 5.9 million tonnes due to slower than anticipated activity. What is interesting though is that in the pandemic year of 2020, the cement market grew by an average of 23 percent year on year, to reach 7.3 million tonnes.

This signalled a pick-up in industrial and construction activity that defied the pandemic induced economic slowdown. We saw people use the time to start or complete their construction projects, while a number of planned government infrastructure projects also kicked off; contributing to the upward trend. This is a trend that was recorded globally. According to the *Global Cement Report*, 14th Edition, at the beginning of last year, world cement demand was forecast to increase by 4.65 per cent in 2021 and 2.45 per cent in 2022 after falling by 0.23 per cent in 2020.

For our market, the major drivers of the industry have been the massive infrastructural projects with pressure to complete ongoing projects under the Big Four agenda. The projects are expected to continue in this election year. Manufacturers have however had to bear with high cost of raw materials exacerbated by supply chain disruptions as a result of the Covid-19 pandemic.

To face this complex environment, we sought to intensify our



A worker at affordable housing units under construction at Pangani Redevelopment Site. FILE

efforts to grow the business through product innovation, re-engineering our route to market, execution of cost suppression initiatives, and digital transformation initiatives to improve business flexibility, and performance. We have already seen the growth reflected in our returns - our turnover increased to Sh19.6 billion in the first half of 2021, compared to Sh16.2 billion the same period previous year.

As we maintain our support of the government's Big Four Agenda projects, in particular affordable housing and key infrastructure projects such as bridges, ports, dams, roads, bypasses and road interchanges we acknowledge the fact that it not only takes adaptability but also innovation to realise gains from an improving economy. By investing in the right capacity we are able to support delivery of projects like Nairobi Expressway, Dongo Kundu bypass, Lamu port, Mombasa port, ongoing bridges in Mombasa and Malindi, Thwake dam, multiple affordable housing projects, roads among others. As an example, the Dongo Kundu Bypass stretches approximately 17.7km, and when complete it will help minimise traffic gridlocks in Mombasa and its environs; facilitate easy movement of goods and services hence boosting the economy of the coastal region. Solutions that support the needs of individual home builders, investors and community projects are also very important, especially with considerations of affordability and low carbon construction to drive the industry towards Net Zero.

We closed the year with the an-

nouncement of the futuristic 3D house printing technology entry into the Kenyan market. Bamburi Cement will be supplying our innovative building materials to Africa's largest 3D printed affordable housing project in Kenya - Mvule Gardens - to be built in Kilifi by 14Trees in early 2022. The material to be used in Mvule Gardens is part of our soon to be launched Tector range of mortar products, reaffirming our commitment to offering the Kenyan market with the highest quality, most innovative and greenest building materials.

The timely roll out of 3D construction is expected to fast-track delivery of affordable houses in Kenya, an agenda we have been championing for since the introduction almost five years ago. Globally, the 3D technology is gaining popularity as the next frontier in construction. Dubai, for example, is positioning itself as a hub for 3D printing of buildings in line with its Vision 2025 where at least 25 percent of all new structures in the city will be 3D printed. It is not too early for Kenya to start moving in the same direction given the cost saving and environment conserving aspects of 3D printing. To meet the exploding demand for cement in the market, we also have lined up capacity expansion projects going forward including a multi-billion clinker plant in Kwale which we are set to be commission this year, and diversifying into use of solar energy.

Like the government, we are positive about economic recovery in 2022, though we maintain some cautious optimism. Being an election year, we have to prepare for political disruptions which sometimes can suppress growth. Private sector credit may become stifled which could stagnate the real estate growth. Our optimism is in the continuity of the national infrastructure upgrade, which we believe is a shared vision within the political class. The emergence of new worrying strains of the coronavirus is also casting a shadow on the outlook as the Omicron variant has necessitated the reintroduction of containment measures in some parts of the world. This may weigh heavily on Kenya's hospitality where we are not sure which way it will go during the campaign season.

The East African cement markets are expected to exhibit a V-shaped recovery in 2022. Irrespective of the excess cement capacity invested in the region, stable or rising utilisation levels will provide a basis for improved profitability but only for the innovative cement companies.

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AUTHOR

OTHER VOICES



NKOSAZANA DLAMINI-ZUMA
South Africa's Co-operative Governance minister
Katherine Graham & Vanessa Rogers, Business Day

Even though the government has enough supply to vaccinate the entire adult population, there is widespread vaccine hesitancy, a perception that the vaccine trials were rushed and a fear of possible side effects. In an effort to allay these fears, co-operative governance minister Nkosazana Dlamini-Zuma established a Covid-19 vaccination injury No-Fault Compensation Scheme in April 2021.



GEORGE OSBORNE
Former British Chancellor of the Exchequer

Larry Elliott, The Guardian

Plenty of people - on the left as well as the right - believed George Osborne when he conjured up a dystopian vision of Britain after a vote for Brexit during the final weeks of the referendum campaign. The then chancellor said victory for leave would result in a "DIY recession", the loss of 800,000 jobs, a weaker housing market and a stock market crash.



NAJIB MIKATI
Lebanese Prime Minister

Makram Rabah, Al Arabiya

Last week Hezbollah and its ally the Amal Movement, led by Speaker Nabih Berri, announced the suspension of their boycott of the Najib Mikati cabinet. In October, they started the sanction with the demand to remove Tarek Bitar, the special investigator, from the August 4, 2020, Beirut Port explosion. Both Amal and Hezbollah have justified their backtracking to serve the public good as their boycott of the cabinet meetings have obstructed the discussion and passing of the country's budget.