

# China's Construction and Building Materials Industry

## Industry Overview

Considered as the world's largest producer and consumer of construction and building materials, China has been playing an indispensable role in this worldwide industry with 3 market segmentations: plastic building material, green building material, and new building material. Total industrial output value of China's Construction and Building Material industry was USD 1873 billion USD in 2011, 22.6% higher than that in 2010. As can be seen in Figure 1, this number has been increasing stably since 2007.

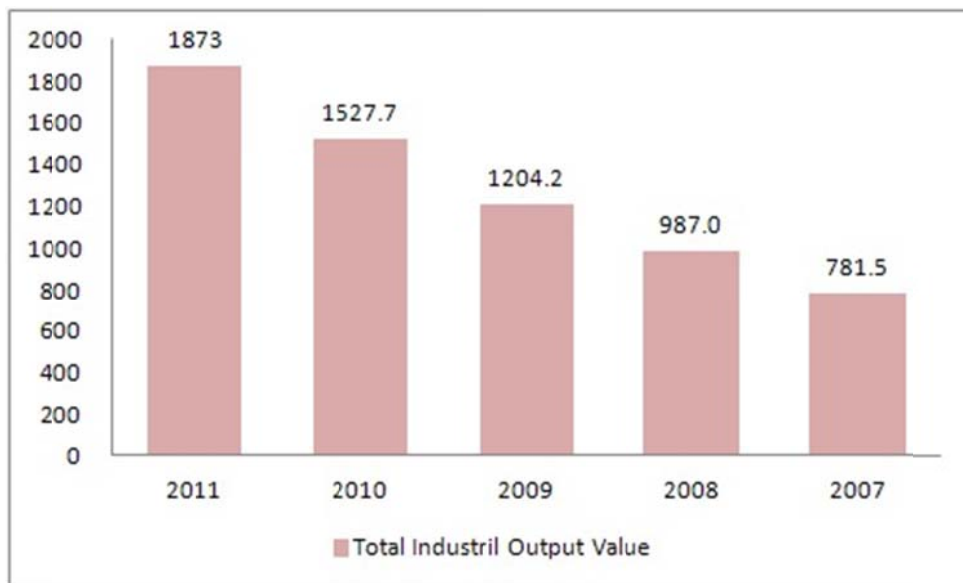


Figure 1, Total Industrial Output Value of China's Construction and Building Materials (Billion USD), 2007 – 2011, Units: Billion USD

Source: China Building Material Industry Association

During the research, PIM found that the imports of China's construction and building materials in 2011 was USD 16.9 billion, increasing by 38.3% from last year and the exports was USD24.2 billion, 25.1% rise as compared to 2010. The main products of the imports and exports are cements, flat glass, ceramics, building steel, and others. According to Table 1, China had a large share of world's production.

Main Products	China's	World's Output	China/World %
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	<b>Output</b>		
<b>Cements (Billion)</b>	2.06	3.4	60.59%
<b>Flat Glass(Billion)</b>	7.38	14.9	49.23%
<b>Ceramics(100 million m<sub>2</sub>)</b>	93.6	155.69	60.12%
<b>Steel (Million)</b>	683.3	1,490.1	45.86%

*Table 1 The main products in 2011 China's construction and building materials production and the proportion of the world's total output*

### **Market Analysis**

In 2011, the Construction and Building Materials industry's 12th Five-Year Plan (2011-2015) released on the website of the Ministry of Industry and Information Technology (MIIT), saying that demand for cement and flat glass was projected to grow by 3.3% and 2.6% year-on-year to reach 2.2 billion and 37.5 million metric tons respectively in the next coming 5 years. Meanwhile, the demand for architectural ceramic and sanitary pottery would be increased by 4% and 3.3% yearly to 9.5 billion square meters and 200 million pieces in 2015. The plan also established the strict goals for emission reduction, requiring construction and building materials producers to cut their annual energy consumption and carbon dioxide emissions per unit of industrial value-added output by 18 to 20% during the five-year period. According to the Plan, this Industry would have greater adoption and investment on green products and technologies, which would result in greater import demands and development of local green industry, including green building material and new building material.

Apart from the government policies, the performance of China's construction and building materials sector is also closely tied to the fluctuation in fixed asset investment (FAI) growth. As the National Development and Reform Commission of China (NDRC) recently announced the plans to further slowdown China's FAI growth in 2012, PIM's market research division believed that the final growth rate of FAI will be between 16% and 20%, given the facts that the growth target for

2012 has been set at 16%. It was the very time that China had reduced its target growth rate from last year.

PIM's research showed that there would still be a tight supply-demand balance. On the one hand, the industry not only involved in various construction structures, including housing, factories, schools, bridges and roads, but also encompassed setting up new sites, repair, maintenance and modification of existing structures thanks to the urbanization, rising income and industrialization. On the other hand, national construction and building materials supply in 2012 was expected to remain limited because the Ministry of Industry and Information Technology had targeted to eliminate 150 million tons of obsolete production capacity in 2011, especially in the northeastern, northern, eastern, central, and southern China.

### **Laws and Regulations**

Tariff rates on building materials vary from 0 to 25%, depending on the type of building material, its intended use, the specific tariff codes and the WTO accession requirements. Value added tax (VAT) is applied to all imports at the rate of 17%, except those specifically used in manufacturing for re-export.

As China is highly restricting approval of new product lines, there are two commonly applied standards in China:

- The Chinese National Standards known as 'GB' for mandatory or 'GB/T' for voluntary or recommended. A standard number follows GB or GB/T.
- The quality assurance system for building materials manufacturing – ISO 9001 and ISO 9002.

### **Competition Landscape**

Competition in China's Construction and Building Material Industry is typically fierce and the intensification of competition may lead to reduced profits.

Following are listed companies:

- Anhui Conch
- CNBM
- China Shanshui Cement: Top Stock

- Asia Cement: Top Stock
- TCC International: Top Stock
- China Resources Cement
- BBMG Corporation: Top Stock
- West China Cement
- China National Materials
- Beijing New Building Material (Group) Co., Ltd.
- Wuhu Conch Profiles and Science Co., Ltd.
- Sichuan Guodong Construction Co., Ltd
- Southern Building Materials Co., Ltd.
- Huaxin Cement Co., Ltd.
- China Fiberglass Co., Ltd.

## **Reference**

National Bureau of Statistics of China

China Building Material Industry

China Building Materials Federation

China 12th Five-Year Plan for Building Material Industry

World Steel Association

USGS Mineral Program Cement Report (2012)

China Customs