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# Nod for building material producers to resume work

But slow demand recovery could weigh on companies

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**PETALING JAYA:** Cement and steel manufacturers may see trading interest after having been given the green light to resume operations under the movement control order (MCO) period, which has now been extended for another two weeks until April 28.

However, a slow pick-up in demand and potential delays in the rolling out of some infrastructure projects could weigh on these companies.

According to analysts, the initial one-month suspension of construction works has created some cashflow pressure to building materials players due to possible delays in payment from both the public and private sectors.

"Sustainability of these companies depend on the collection from the construction sector, which are also reeling from the MCO.

"Weighing on the minds of those in the construction and building materials sectors, plus property for that matter too, are uncertainties over how long Covid-19 will last and whether project deadlines will have to be pushed out," said one analyst.

UOB KayHian said it has reduced earnings

***"We are of the view that steel prices will continue to be under pressure post-MCO."***

UOB KayHian

forecasts for cement players due to the impact of the MCO, while for steel companies, they are "to remain in the red for 2020 given the lack of demand, excess supply and the continued downtrend of average selling prices (ASPs) of steel products."

The research firm noted that year-to-date, steel bar prices have remained flattish against 2019's average of RM2,124 per tonne.

"As at mid-March, steel bar price was recorded at RM2,105 per tonne which represents a 3.2% month-on-month contraction.

"We are of the view that steel prices will

continue to be under pressure post-MCO, given that demand recovery is slated to be slower than expected as construction activities will be muted," it said in a report.

Another issue facing the steel segment is existing oversupply. This has yet to be resolved and will lead to further compression in steel ASPs, said analysts.

In the case of bulk cement prices, UOB KayHian noted that ASPs have eased from the peak in February.

The research firm believes that the move to raise industry-wide bulk cement ASPs (including that of smaller cement players) may now be delayed.

It noted that prior to the MCO, bulk cement ASPs still hovered at around RM240-250 per tonne for leading industry players.

"Recall that back in early February, smaller cement companies announced that price hikes of RM30-RM40 per tonne will materialise from March onwards to match the prices set by industry leaders.

"We are of the view that the cement price recovery may be gradual post-MCO and the implementation of a RM30-RM40 per tonne price hike may only materialise in the second half of 2020."