

RECOVERY CONTINUED, YET STILL FELL SHORT

In November 2020, industry cement sales volume was recorded at 6.1 million tons, which declined by -2% (M/M) despite October result is usually the stronger one, but the result fell short from that of last year at 7.1 million tons. Indeed, the result has shown us that recovery continues from the year-low in May, but a question whether the relatively benign result will continue next year or not remains up in the air.

WEST JAVA MARKET APPEARS TO IMPROVE

November result of 6.1 million tons is lower by -2% (M/M), but we note that several areas are showing better reading than in October in terms of year-on-year change. West Java, for example, declined by -12.2% (Y/Y) vs. -19.7% (Y/Y) in October, Jakarta declined -39.1% (Y/Y) vs. -41.5% (Y/Y), while Yogyakarta improved to a contraction of -11.6% (Y/Y) from -13.5% (Y/Y). Yet, Central Java (-15.2% Y/Y vs. -10.9% Y/Y) and East Java (-19.7% Y/Y vs. -18.4% Y/Y) booked sluggish results last month. Outside Java showed slight improvement, with Sumatra (-5.2% Y/Y vs. -5.4% Y/Y) and Kalimantan (-3.8% Y/Y vs. -14.1% Y/Y) recording stronger figures.

BULK MARKET SHOWS A GLIMPSE OF HOPE

In November, both bag and bulk market recorded contractions of -9.0% (Y/Y) and -26.1% (Y/Y), respectively; but bulk sales contracted by -30.2% (Y/Y) in October, while bag sales change was only at -9.3% (Y/Y), a slight change if compared with the change in bulk sales. Looking at the contribution to total sales volume, bulk sales contribution touched 24.3%, the highest since March 2020, which stood at 25.3%. In our view, bulk sales should become a key factor to watch going into next year, as the bulk sales' gap between this year's November and last year (more than half a million ton) remains wide even after the large-scale social restriction (PSBB) has been eased, even the gap is wider than the gap in bag sales.

HOPING FOR A BETTER YEAR AHEAD

As of 1120, sales volume reached 57 million tons, which decreased by -10.3% (Y/Y) from 63.5 million tons last year. Assuming the December result is no better nor worse than last year, the full-year result will be around 62 to 63 million tons. There are two things that we may take note coming into next year: **1. Infrastructure development** and **2. New players' entrance**. The government has allocated Rp414T of infrastructure budget next year, higher than the allocation for this year, suggesting the government's intention to speed up economic growth through infrastructure, which we believe will mostly stem from National Strategic Projects (PSN). Yet the work will be completely normal if only the pandemic has been over, thus we are unsure sales volume returns to pre-pandemic level in January. Moreover, new entrants could start its operations early next year, implying another price competition that may again arise. We are reviewing our forecasts on SMGR and INTP.

Figure 1

11M20 industry volume sales reached 82% of FY 2019 result

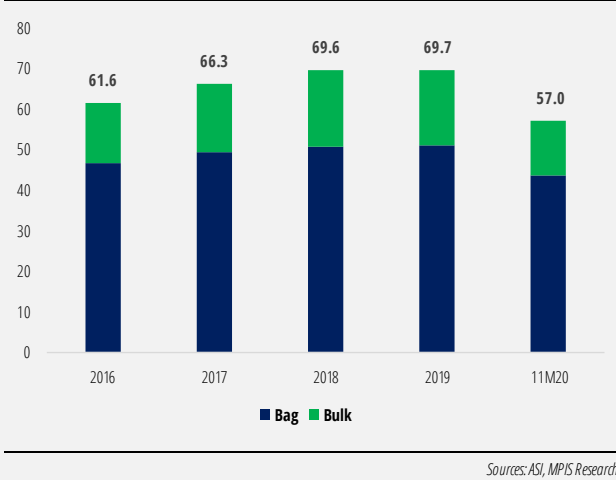


Figure 2

Yet November result showed continuous improvement

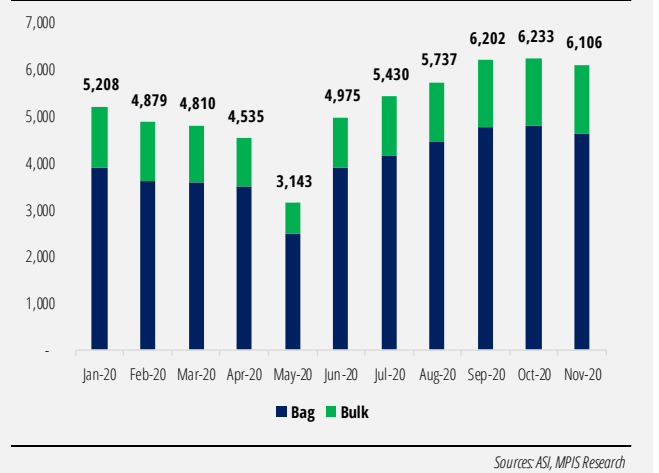


Figure 3

Bulk sales contribution increased

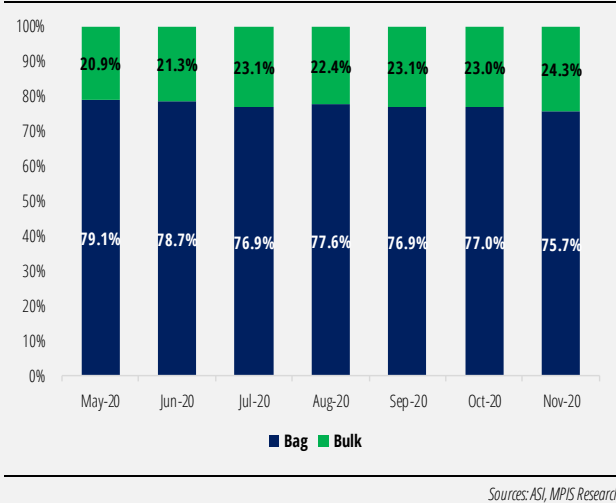
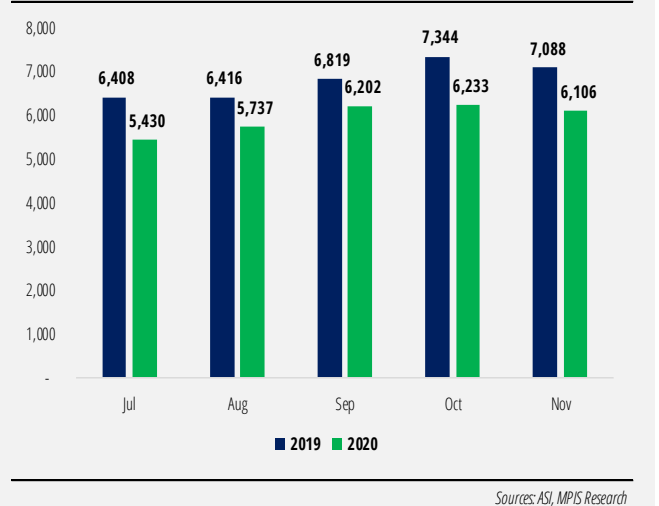


Figure 4

But 2020 results remained below those of last year



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