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Cement, steel prices drop as early monsoon slows down construction activity

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With the early onset of monsoon and its rapid spread across the country by the end of June, the construction activity has slowed down, leading to a drop in cement and steel prices. The growth in demand for the industry is estimated to have shrunk to low single digits year-on-year in June 2025 and is likely to sustain at this level through the quarter.

Cement pricing momentum moderated in June with the all-India average price declining by about 1% month-on-month. The prices declined by Rs 7/bag or 2% month-on-month in June, with the average trade price at Rs 364/bag. The decline was mainly attributed to the price drop of Rs 10/bag (approx 3%) in Tamil Nadu and Kerala (each), and Rs 7/bag in Karnataka, according to analysts from Motilal Oswal Financial Services.

The prices of steel have fallen by Rs 4,000 per tonne in select markets, real estate developers said.

However, the industry players are likely to attempt a hike of Rs 10-15 per bag across regions in the month of July. The said price hike announcement may help to sustain current cement price levels, JM Financial said in its sectoral report.

Many large real estate companies in Bengaluru have expressed mixed views about the impact on their business. "In contrast, we actually see firming up of construction activities in the industry which in turn is resulting in firming of key input costs – as can be seen from publicly available data on cement prices," Gopalakrishnan J - ED & CEO, Shriram Properties Ltd. said.

For the April-June 2025 quarter, cement prices went up by 18% to 22% across markets, compared to January to March 2025 quarter and also reflected a strong year-on-year increase compared to the same quarter last year (April-June 2024), he said.

While this indicates pressure on construction costs, it also underscores

the sustained demand and activity in well-performing residential segments, he said adding, "At Shriram Properties, we are seeing healthy project momentum, especially in mid-income and aspirational housing categories."

Demand for cement has been lower since June with the early commencement of monsoon in southern parts of the country slowing down construction activity. "We expect the construction activity to pick up speed after the monsoon and also rise in the prices of cement and steel. We also expect the sales of houses to go up once the festival season kicks in," said Nesara B.S, Chairman, Concorde, a Bengaluru-based real estate developer.

Rohan Raju, Director, Kalyani Developers, said cement prices have seen some moderation recently after a sharp spike earlier in the quarter. While they remain higher, a downward correction has begun, offering some relief to the construction sector.

The June quarter witnessed significant volatility, with prices initially rising sharply before partially correcting towards the end of the period. While overall prices are still elevated compared to March, the recent softening trend is encouraging for ongoing and upcoming projects, he said.

"We were able to absorb the impact without compromising on timelines or quality. With prices now stabilizing, we see an opportunity to strengthen project margins in upcoming phases, reduce financial pressure, and enhance planning accuracy. This shift allows for more efficient capital deployment and supports our long-term commitment to timely delivery and customer value," Raju said.

While cement price fluctuations do impact short-term project costs, developers with strong procurement planning and phased execution strategies are better positioned to manage these variations. Players like Kalyani Developers have adopted a long-term view- balancing immediate cost considerations with a focus on timely delivery and customer satisfaction.

Nandakumar P S, Head of Projects, Assetz said the current bulk cement price is Rs 340 per bag (bulker). This remains in the same range as the March quarter, which was Rs 340–Rs 350 per bag. Therefore, there's no significant change in the cement prices quarter-over-quarter. At best, the prices of cement have dropped by Rs 10 per bag, which is negligible in bulk procurement terms, he said.

Although steel prices have come down by 4,000/tonne, it is not enough to materially move the needle on overall construction cost per sq ft, he added.