

**PCA**

Portland Cement Association

THE Monitor

# Forecast Report

Contact: > Ed Sullivan, Chief Economist 847.972.9006 > [esullivan@cement.org](mailto:esullivan@cement.org)

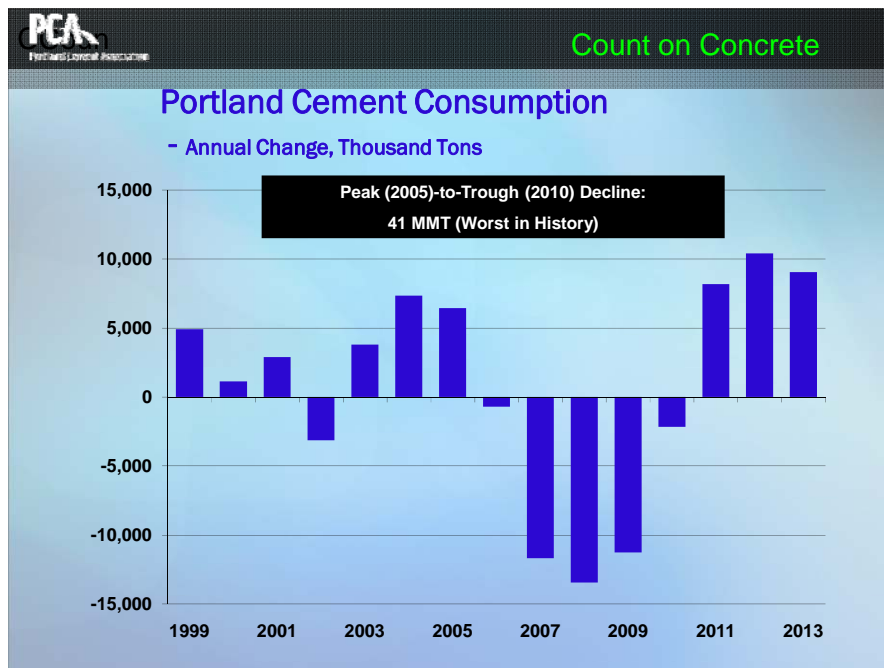
## ***U.S. Cement & Construction Forecast***

## The Outlook Worsens

### Overview

The economy is expected to weaken through the first half of 2009. Real GDP is expected to grow less than 1% during 2008 and 2009. Consumer spending is expected to contract during the third and fourth quarters of 2008 as well as the first quarter of 2009. In the context of lower expected ROIs and credit tightness, business investment spending will also face additional weakness. Global weakness implies reduced export opportunities. Finally, growth in federal government spending will be partially offset by growing fiscal stress among states and localities. Each of these adverse conditions will gain momentum through the first half of 2009. Job losses are expected to total 1.2 million in 2008 and 1.8 million in 2009. Unemployment is expected to reach 7.5% by mid-2009.

These harsh economic realities translate into weak conditions for the construction industry through 2010. In total, real construction spending is expected to decline 9.5% in 2008, 13.9% in 2009, and 0.8% in 2010. Following large 2007 and 2008 declines, residential construction is expected to record another 18% decline in 2009. Housing starts are not expected to begin a meaningful recovery until the second half of 2010. Nonresidential construction, which provided some support to overall construction activity during the past two years, is expected to decline 23% during 2009 and 12% in 2010. Nonresidential construction is not expected to recover until 2011. Finally, nearly 3 million jobs are expected to be shed during 2008-2009. These losses suggest that state government revenues will be adversely impacted. PCA expects the states' fiscal crisis will far exceed those encountered following the 2001 recession. Public construction is expected to decline roughly 5% annually during 2009-2010.



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## ***U.S. Cement and Construction Forecast Tables***

**Economic Forecast**

	2007	2008	2009	2010	2011	2012	2013
<b>General Economic Factors</b>							
Real GDP Growth (%)							
Unemployment Rate (%)							
Inflation Rate (%)							
Consumer Sentiment Index (Average)							
Total Housing Starts (000)							
Oil Price, WTI Per Barrel							
Note: Oil Rig Count							
<b>Key Interest Rates (%)</b>							
Mortgage Rate 30 Yr Fixed							
Federal Funds Rate							
Three Year Treasury							
BAA Bond							
Implied Corporate Risk Premium							
<b>Key Single Family Factors</b>							
Single Family Starts (000)							
Average New Home Sq Footage							
Total Single Family Sq Footage (Million)							
Average Cement Tons Per Start							
Mortgage Rate 30 Yr Fixed							
Median Home Price (\$ 000)							
Home Appreciation Rate							
Average Monthly Payment							
Home Affordability Index (1999=100)							
<b>Key Multifamily Factors</b>							
Multifamily Starts (000)							
Average New Home Sq Footage							
Total Multifamily Sq Footage (Million)							
Average Cement Tons Per Start							
Vacancy Rate (%)							
Mortgage to Rent Index (1999=100)							
Target Rental Population (20-29) Index							
<b>Key Nonresidential Factors</b>							
Capacity Utilization (%)							
Office Vacancy Rate (%)							
Office Worker Employment Index (1999=100)							
<b>General Cement Ratios</b>							
Cement Consumption (Tons Per 000 Capita)							
Cement Tons Per Mil \$ Construction							

Contact: Ed Sullivan, Chief Economist, PCA, (847) 972-9006



**Construction Put-in-Place <sup>(1)</sup>**  
(Billions 1996\$)

**United States**

	2007	2008	2009	2010	2011	2012	2013
<b>Total</b>							
<b>Residential Buildings</b>							
New Housing Units							
Single Family							
Multifamily							
Improvements							
<b>Nonresidential Buildings</b>							
Industrial							
Office							
Hotels, Motels							
Hospitals, Institutions							
Religious							
Educational							
Other Commercial							
Miscellaneous							
<b>Public Utility &amp; Other Farm Nonresidential</b>							
<b>Public Construction</b>							
Buildings <sup>(1)</sup>							
Highways & Streets							
Military/Public Security <sup>(1)</sup>							
Conservation							
Sewer Systems							
Water Supply Systems							
Miscellaneous							

**Percent Change**

<b>Total</b>							
<b>Residential Buildings</b>							
New Housing Units							
Single Family							
Multifamily							
Improvements							
<b>Nonresidential Buildings</b>							
Industrial							
Office							
Hotels, Motels							
Hospitals, Institutions							
Religious							
Educational							
Other Commercial							
Miscellaneous							
<b>Public Utility &amp; Other Farm Nonresidential</b>							
<b>Public Construction</b>							
Buildings <sup>(1)</sup>							
Highways & Streets							
Military/Public Security <sup>(1)</sup>							
Conservation							
Sewer Systems							
Water Supply Systems							
Miscellaneous							

<sup>(1)</sup> New Commerce Department reporting now reflects new classification



**Portland Cement Consumption**  
(000 Metric Tons)

**United States**

	2007	2008	2009	2010	2011	2012	2013
<b>Total</b>							
<b>Residential Buildings</b>							
New Housing Units							
Single Family							
Multifamily							
Improvements							
<b>Nonresidential Buildings</b>							
Industrial							
Office							
Hotels, Motels							
Hospitals, Institutions							
Religious							
Educational							
Other Commercial							
Miscellaneous							
<b>Public Utility &amp; Other</b>							
<b>Farm Nonresidential</b>							
<b>Oil &amp; Gas Wells</b>							
<b>Public Construction</b>							
Buildings							
Highways & Streets							
Military/Public Security							
Conservation							
Sewer Systems							
Water Supply Systems							
Miscellaneous							
<b>Percent Change</b>							
<b>Total</b>							
<b>Residential Buildings</b>							
New Housing Units							
Single Family							
Multifamily							
Improvements							
<b>Nonresidential Buildings</b>							
Industrial							
Office							
Hotels, Motels							
Hospitals, Institutions							
Religious							
Educational							
Other Commercial							
Miscellaneous							
<b>Public Utility &amp; Other</b>							
<b>Farm Nonresidential</b>							
<b>Oil &amp; Gas Wells</b>							
<b>Public Construction</b>							
Buildings							
Highways & Streets							
Military/Public Security							
Conservation							
Sewer Systems							
Water Supply Systems							
Miscellaneous							

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## U.S. Cement Consumption Forecast (000 Metric Tons)

United States

	2007	2008	2009	2010	2011	2012	2013
Total Cement Consumption							
Portland Cement							
Masonry Cement							
Portland Share of Total, (%)							
Cement and Clinker Imports							
Import Share, (%)							

### Percent Change

Total Cement Consumption							
Portland Cement							
Masonry Cement							
Cement and Clinker Imports							

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