PCA Portland Cement Association
THE Monitor Flash Report
Breaking Analysis of the Economy, Construction and Cement Industries
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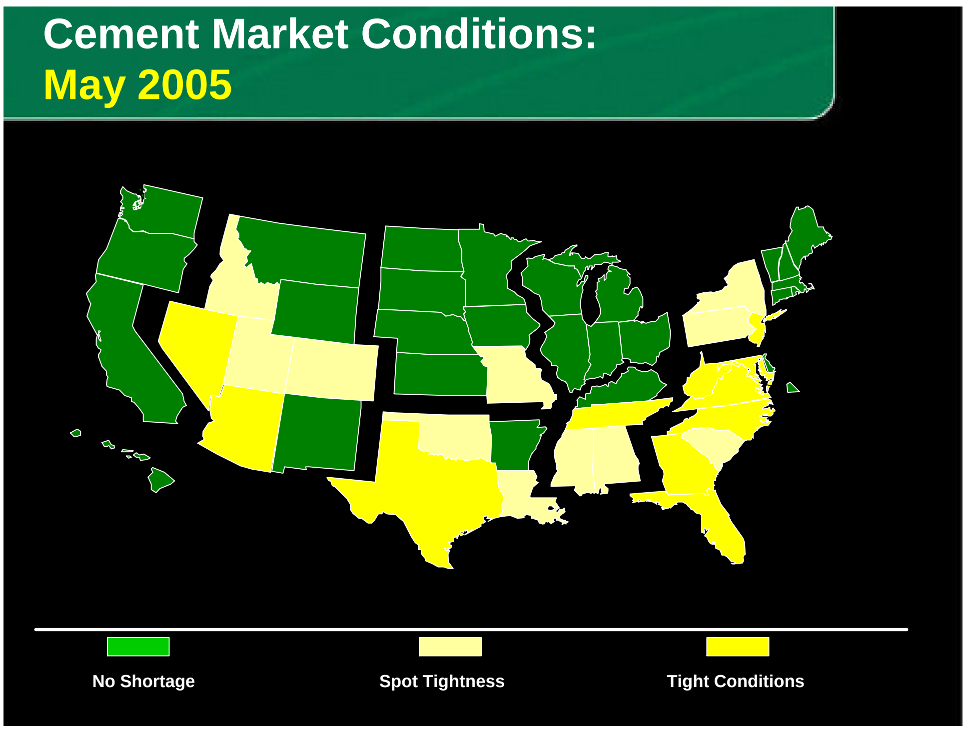
**Point 1: Cement supplies remain tight in many regions.**

According to PCA's May 2005 survey of cement suppliers, 23 states report tight supplies of cement. Among these, ten states report tight supplies in only portions of the state – typically focused around large metropolitan areas. PCA's survey of fall 2004 reported 35 states with tight supplies.

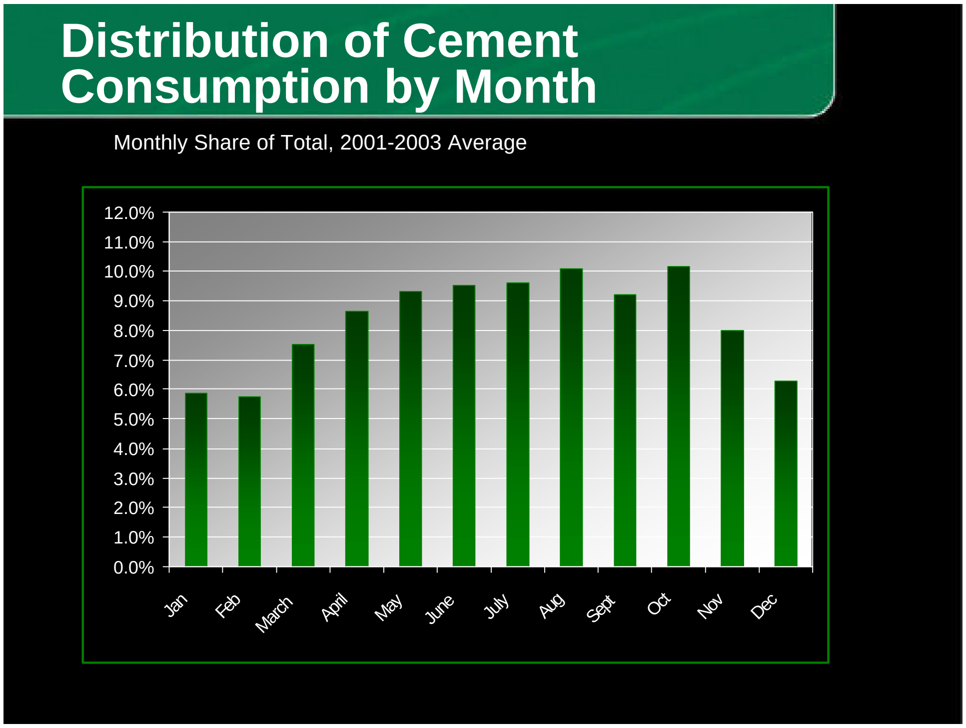



**Point 2: Market tightness may spread.**

Fragile market balances prevail in several other areas currently not characterized by tight supplies.

Harsh weather conditions earlier in the year depressed construction activity and enabled cement companies to build inventories, staving off current tight supply conditions. As weather conditions improve, the release of pent-up construction demand could further tighten supplies in some regional markets. This is particularly evident for West Coast markets.

Construction activity typically accelerates in late spring through October. The current survey reflects market conditions before this heightened period of building activity. As the late spring building boom takes hold, cement supplies could tighten in other markets.




**Point 3: Nationally, demand for cement remains at a record high level.**

Tight supplies are primarily the result of record demand for cement. Cement consumption in the United States grew to 119.9 million metric tons in 2004, an increase of 6.8 percent over 2003 and a record year for cement consumption. Through the first quarter of 2005, U.S. cement consumption has increased 7.0% over very strong 2004 levels.

Because mortgage rates have remained near historic lows, home building continues to be very strong. In addition, nonresidential and public construction is also expected to increase as the economy improves.

Price hikes for other construction materials have also increased demand for concrete. Concrete price increases have been slight—and relatively stable--compared to increases in steel and lumber prices.

Shortages of fly ash in some areas have further increased demand for cement. Fly ash is used as a supplementary cementing material in concrete mixes.

**Point 4: Cement companies are taking both near- and long-term measures to prevent and resolve regional shortages by operating at full capacity, expanding domestic capacity, and importing more cement.**

U.S. cement plants are operating at maximum levels, as they did throughout 2004. To meet market demand last year, cement producers drew 4 million tons from inventory. This year, inventory levels are at historic lows and a further draw-down is not likely.

To meet demand, additional cement is also being imported. Imports' share of total U.S. consumption rose from 20.6% in 2003 to 22.7% in 2004. PCA expects that imports' share will exceed 25% during 2005 through 2007.

Cement suppliers successfully increased import tonnage by 17% to 27.5 million metric tons during 2004. During the past six months, import tonnage has been averaging more than 32 million metric tons on an annualized basis (SAAR, seasonally adjusted annual rate).

Longer term, individual cement companies are actively working to build new plants to increase supply in regional areas. U.S. cement manufacturers have announced plans to spend approximately $3.5 billion to build new plants and expand existing ones to produce an additional estimated 14.5 million tons of annual cement capacity by 2010. That represents a 15 percent increase over 2004 domestic capacity levels.