

PCA Outlook: 2015-2019

Ed Sullivan

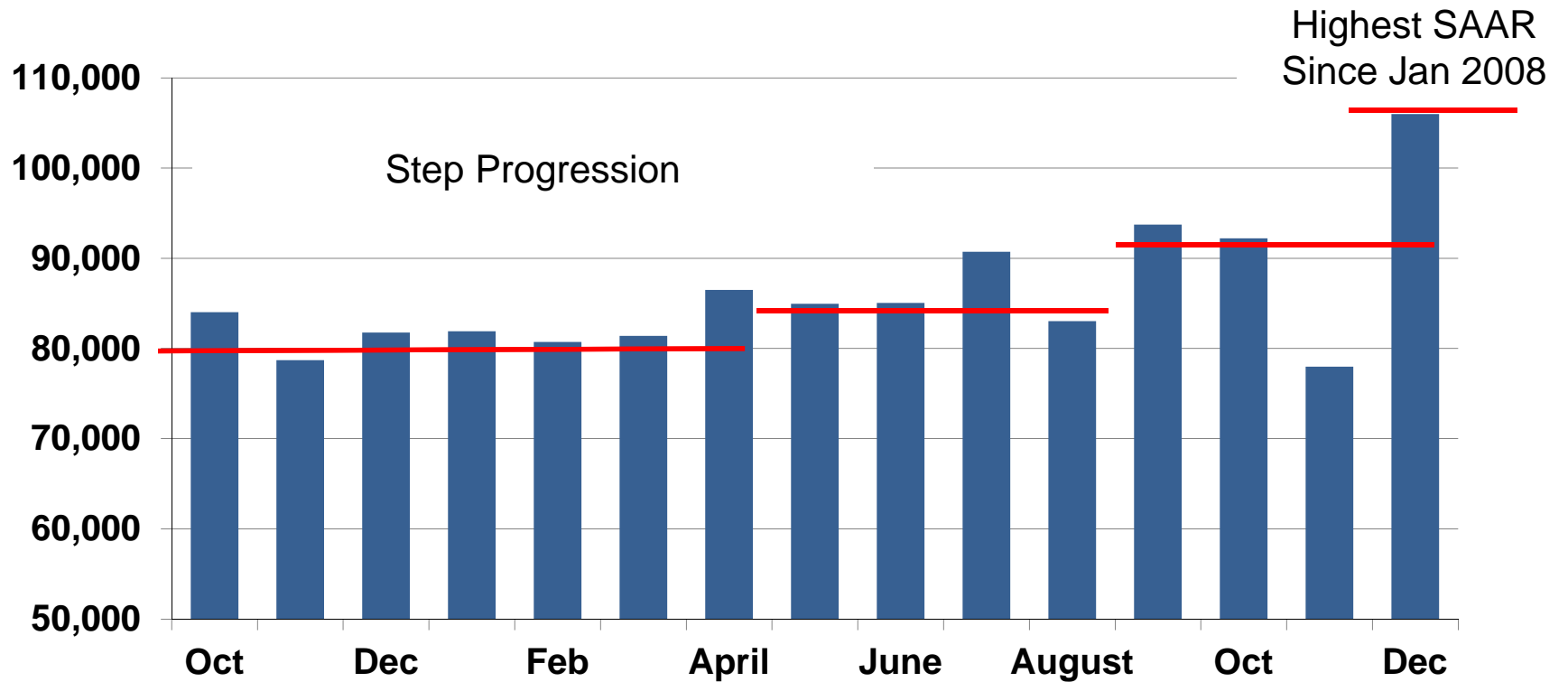
Chief Economist, Group VP

PCA

Overview

Portland Cement Consumption

Thousand Metric Tons



Putting Things Into Context: Economic Outlook

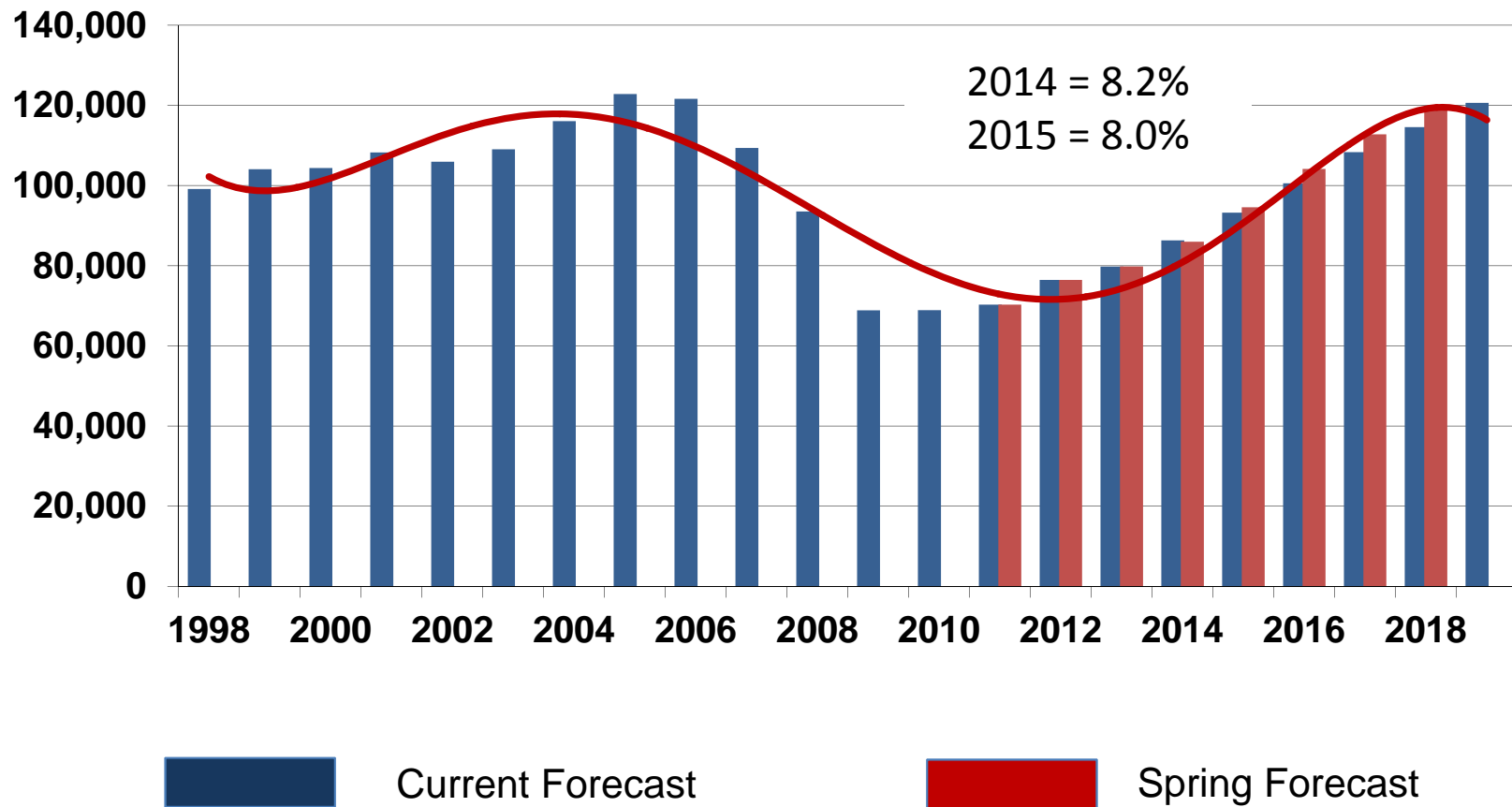
- Job creation exceeds 3.0 million net new jobs 2015-2017.
 - Stronger household formation
- Strong job growth in context of sub-6% unemployment suggests pressure on wages.
- Consumer confidence/sentiment has improved significantly and will continue.
- Low oil prices add 20-30 basis points to economic growth.
 - Regional disruptions among energy producing states.

Putting Things Into Context: Economic Outlook

- Inflation remains low, interest rates expected to only gradually increase, slower increases in home prices and stronger increases in rents.
 - New home affordability remains favorable in absolute terms and against rents.
- Lending risks subside and lending standards ease.
- Economic recovery moving into higher growth phase in the years ahead.
 - In excess of 3% growth on a sustained basis.
 - Healing of excesses, and huge pent-up demand.

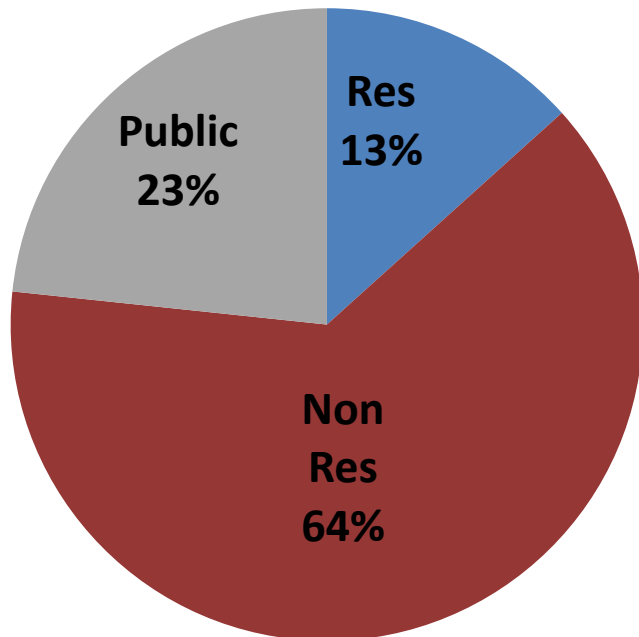
Portland Cement Consumption

Thousand Metric Tons

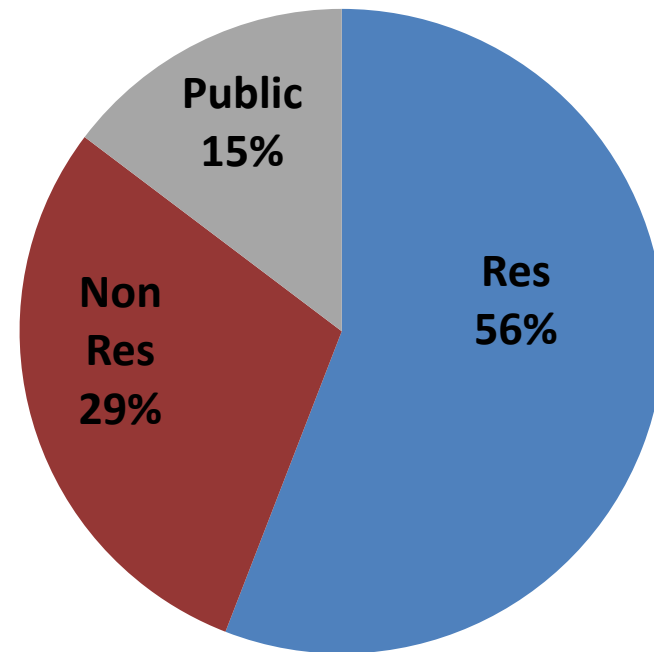


Composition of Changes in Cement Consumption Share of Total Growth

**2014:
+6.5 MMT**

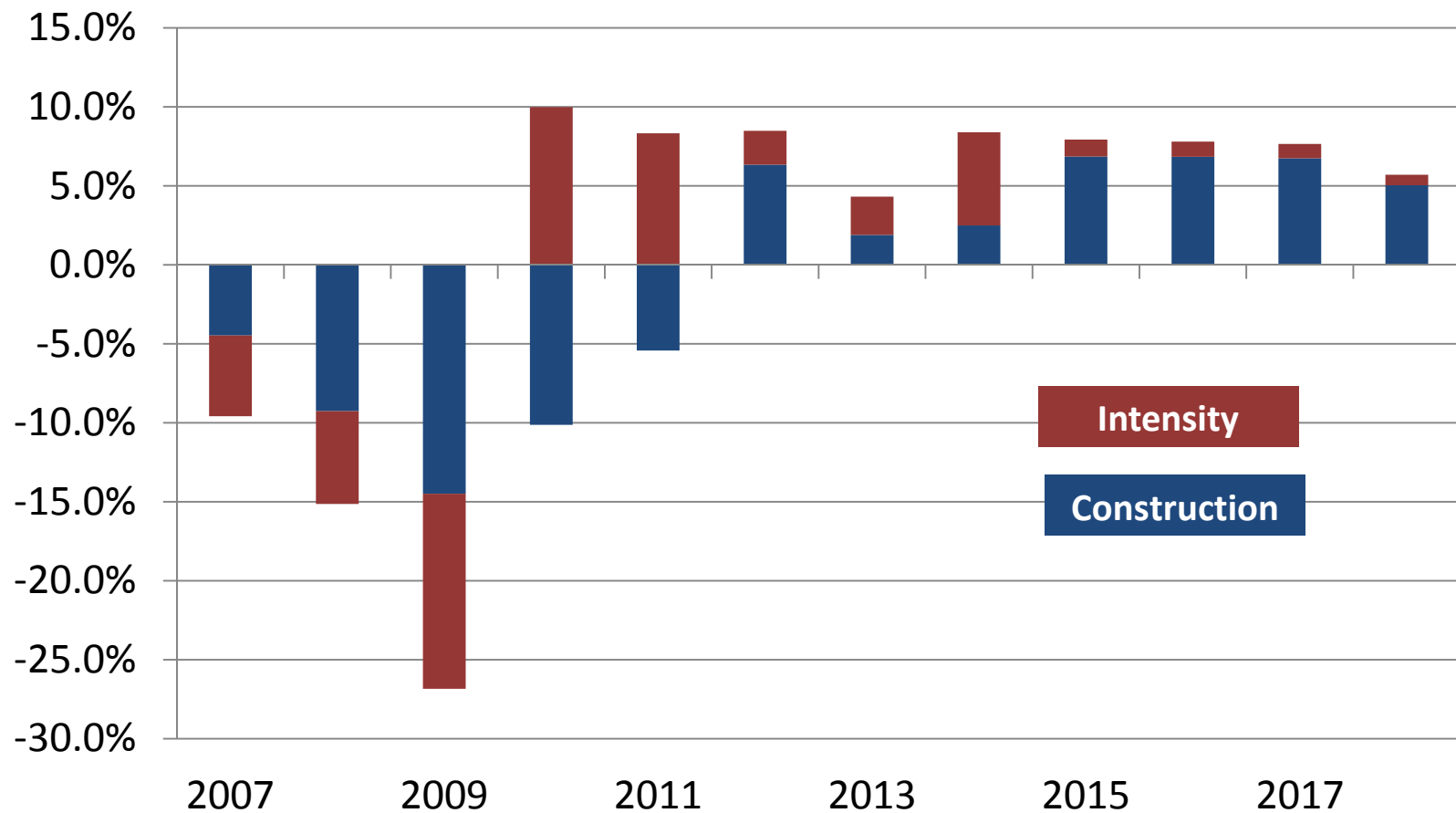


**2015:
+6.9 MMT**



Composition of Changes in Cement Consumption

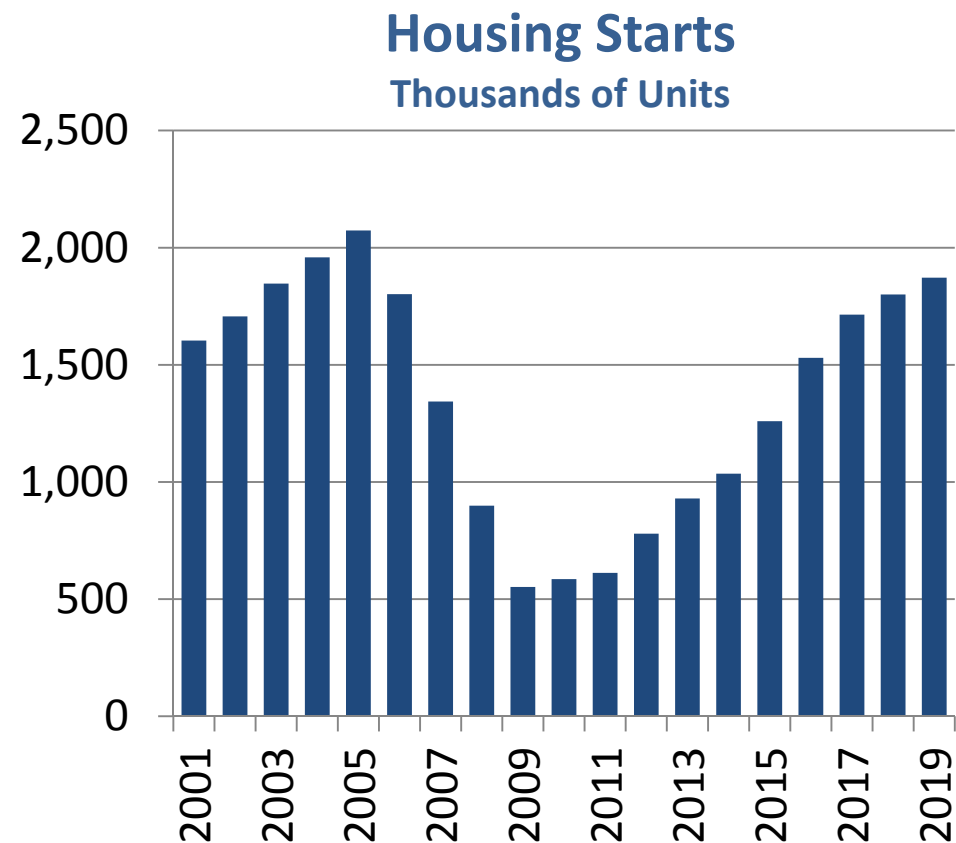
Annual Percent Change, Real Put-In-Place Construction & Cement Intensity



Construction Sector Outlook

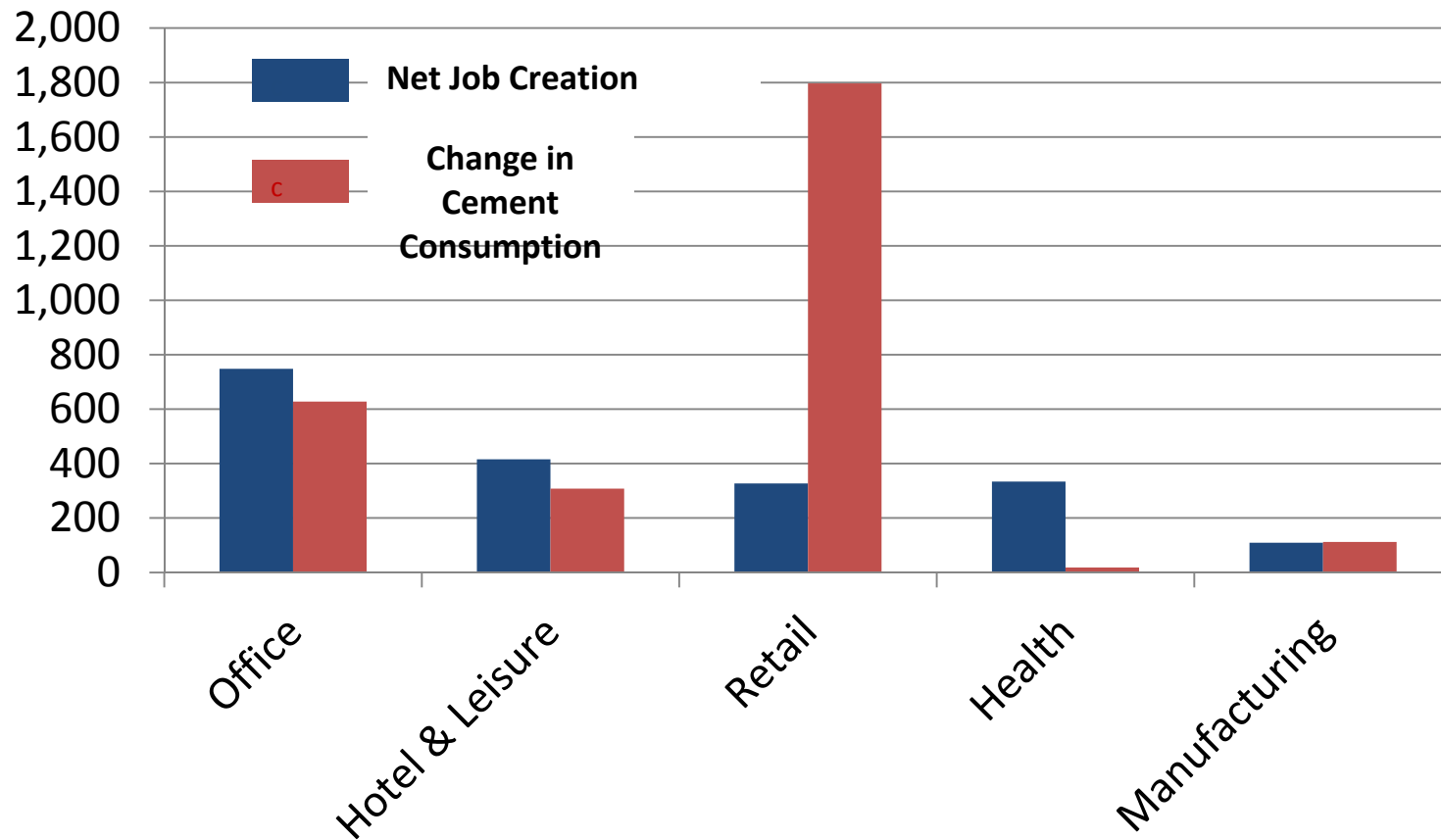
Putting Things Into Context: Housing Outlook

- Days supply is low and starts activity is targeted to roughly 5 monthly supply throughout the forecast.
- New home prices rise at rates above inflation rate.
- Constraint to construction - such a labor shortages & property availability - are assumed to be temporary and fixed by the market.
- Starts mix remains trending toward multifamily.



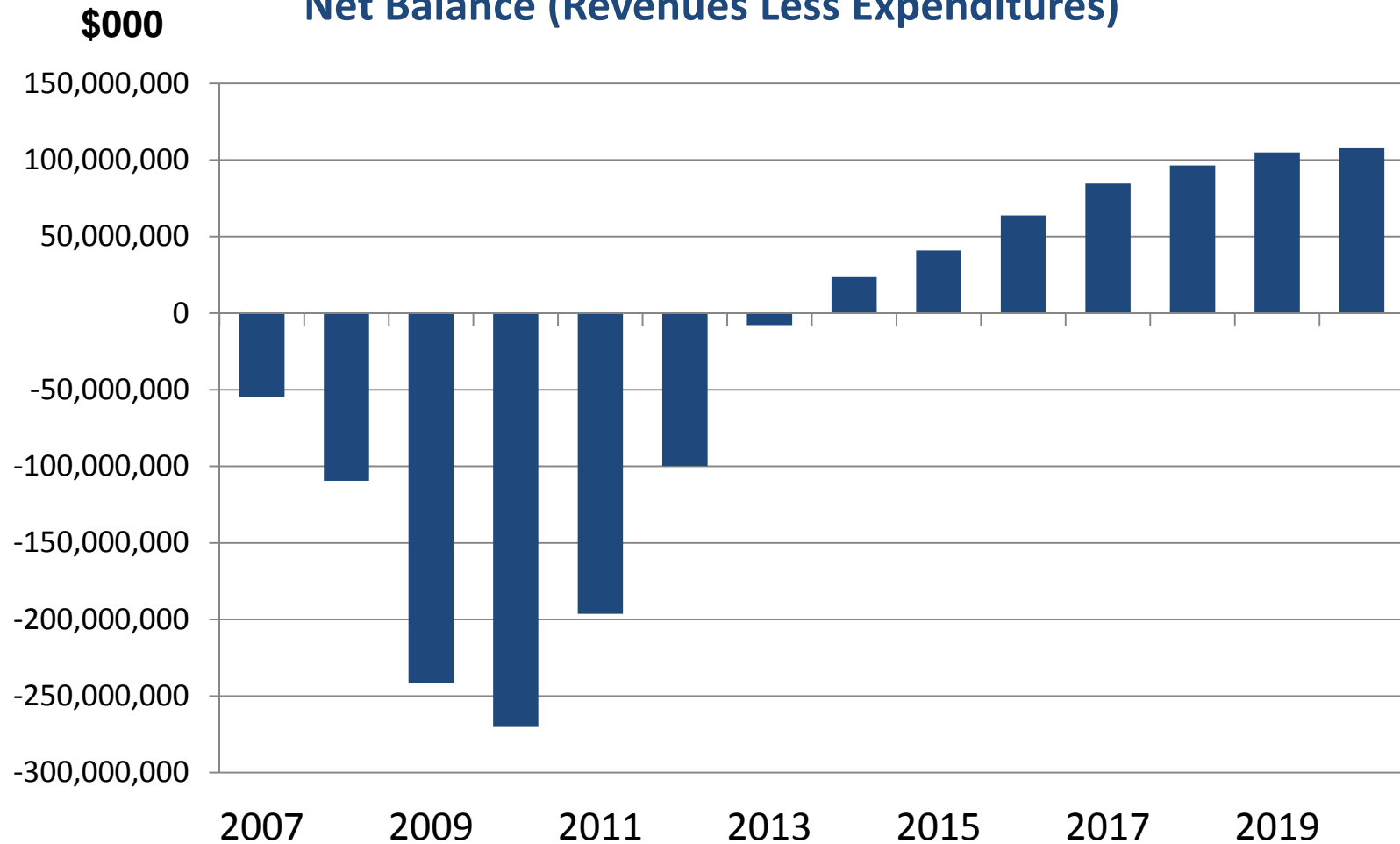
Update: Job Creation Relationship to Changes in Cement Consumption

Past 12 Months, Thousand Net New Jobs, Thousand Tons



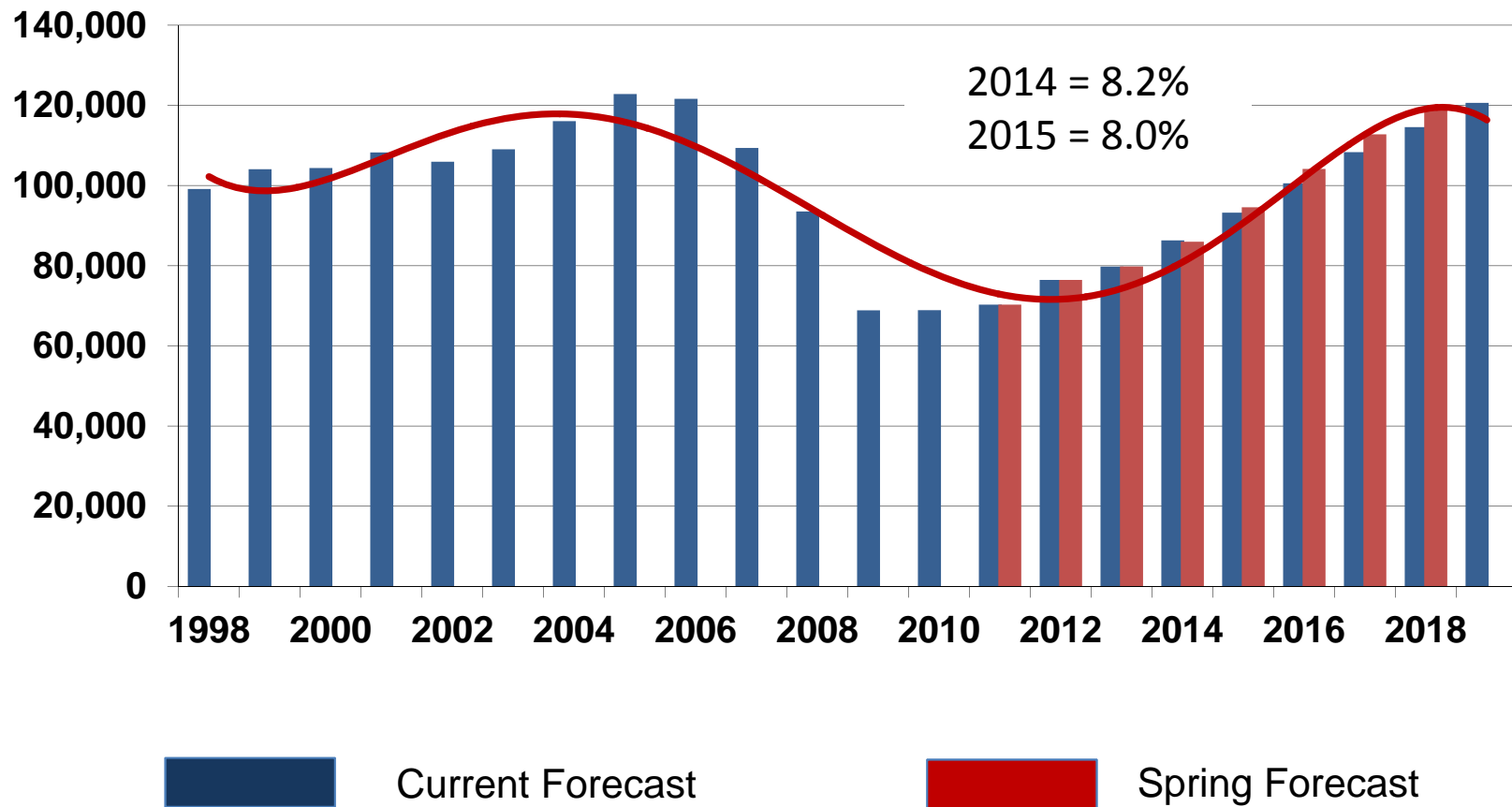
State Deficit Outlook

Net Balance (Revenues Less Expenditures)



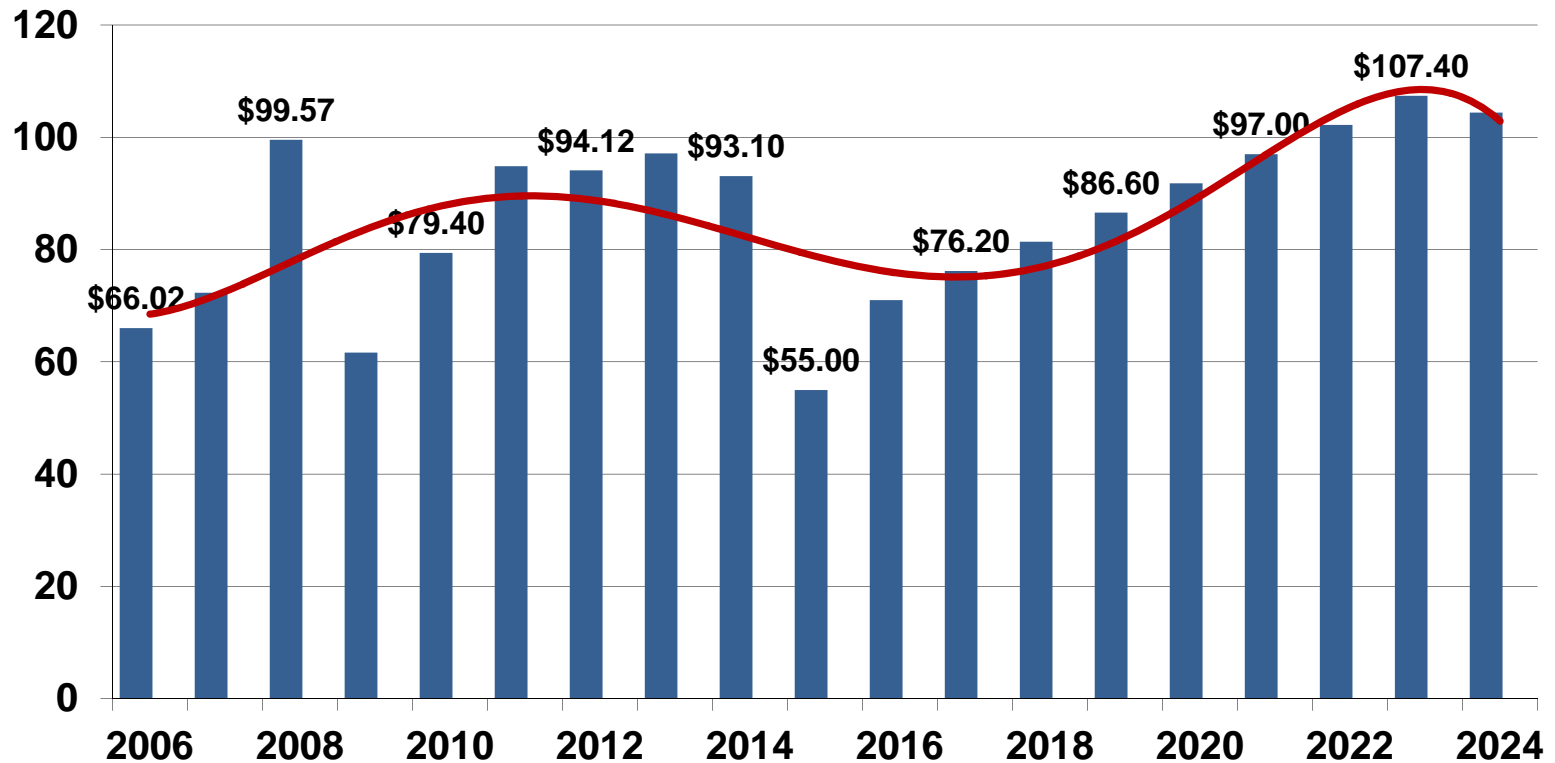
Portland Cement Consumption

Thousand Metric Tons



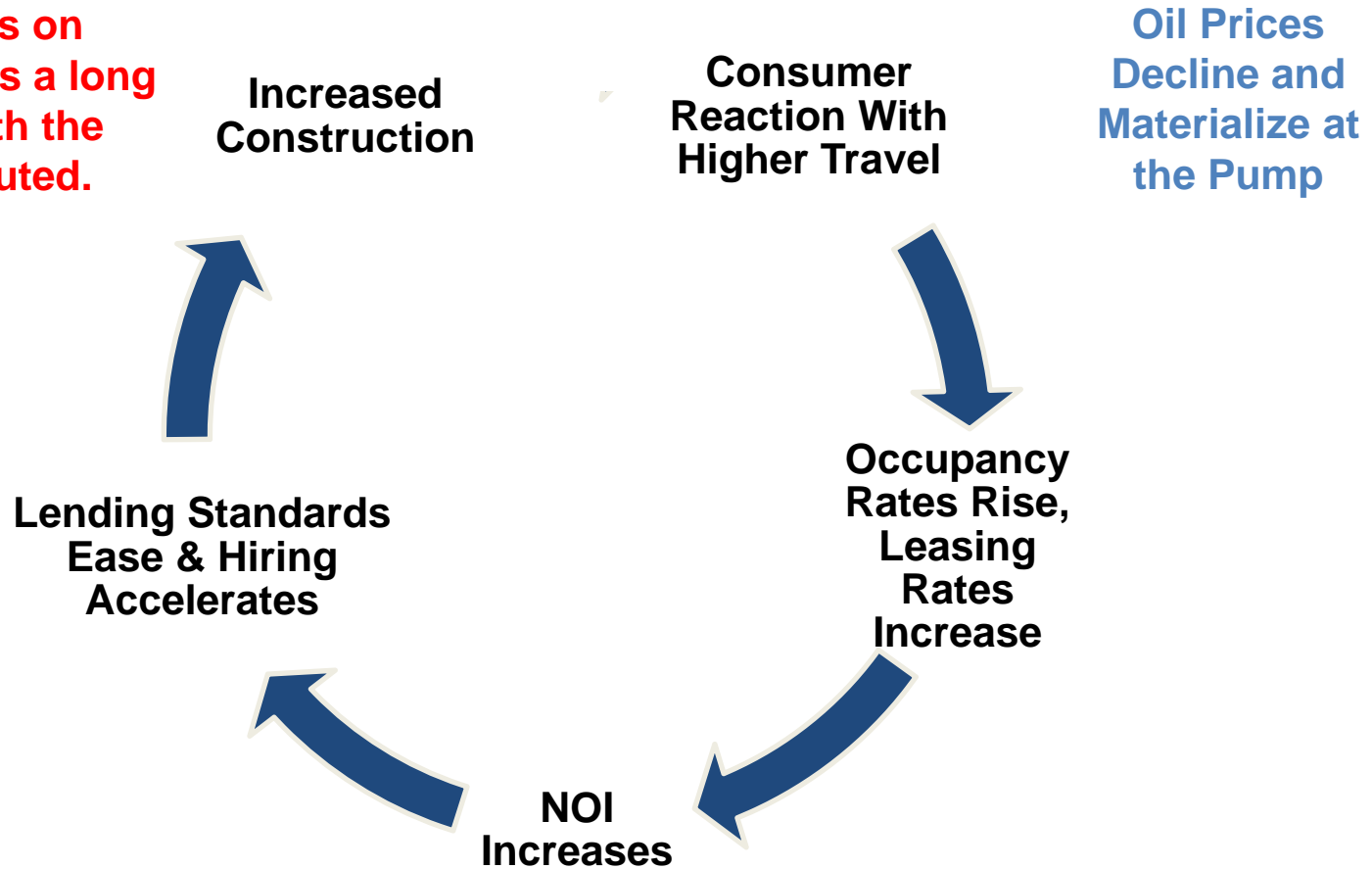
Oil Price Adjustments

West Texas Intermediate Oil Prices Per Barrel

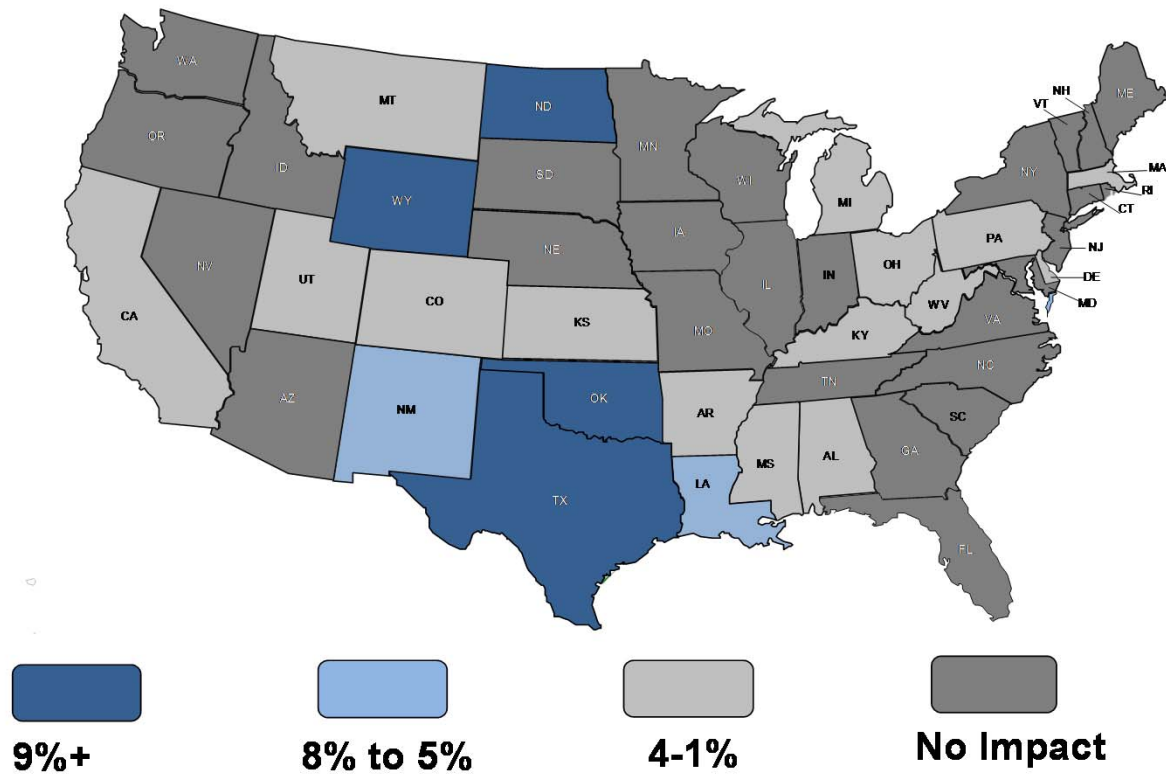


Oil Impact on Hotel Construction

Oil impacts on construction is a long process with the impacts muted.

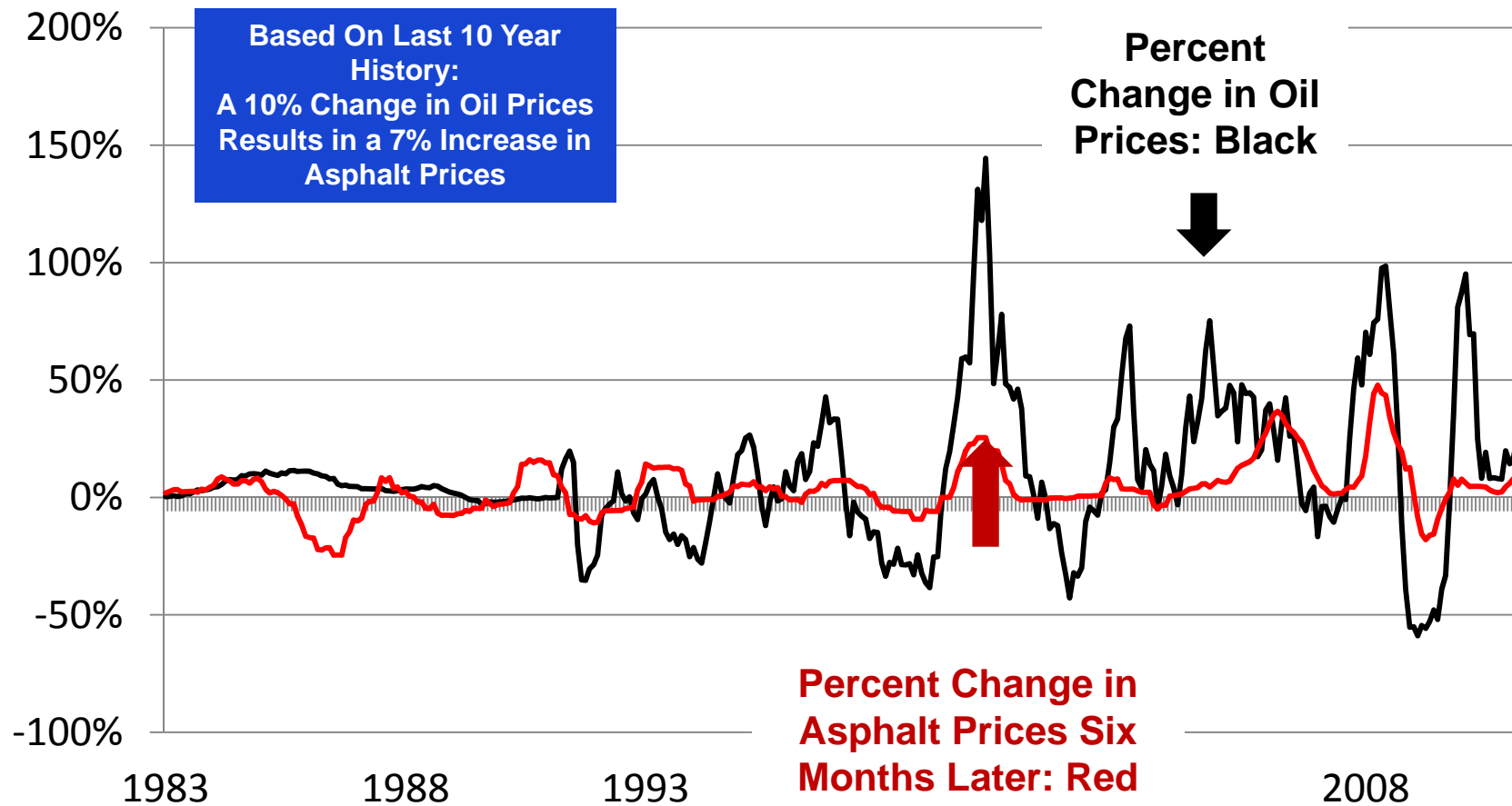


Energy Industry Wages as Share to Total State Wages



Asphalt & Oil Price Correlation

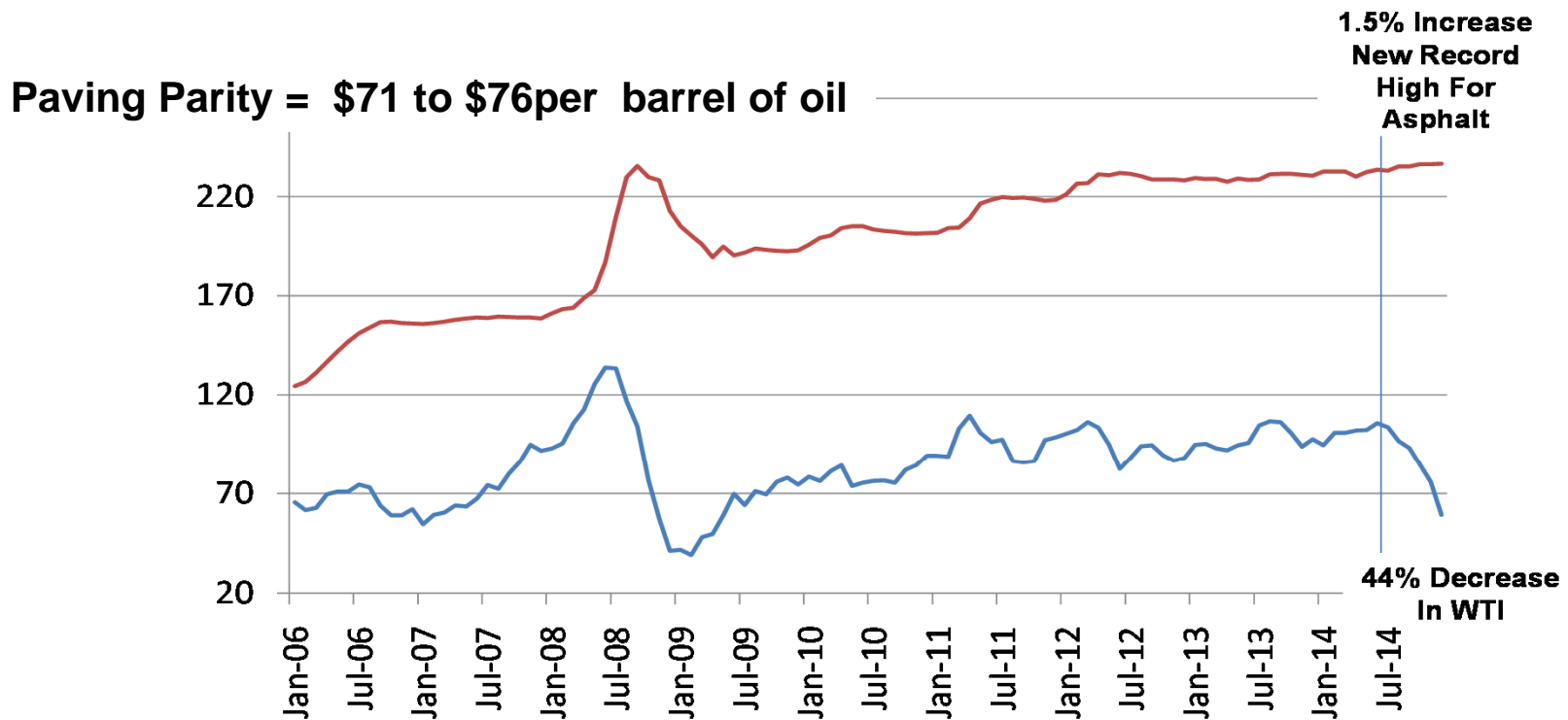
Percent Change in Oil Prices Vs Percent Change in Asphalt PPI Lagged 6 months



Source: PCA Estimates

Asphalt Prices & West Texas Intermediate Prices

\$ Per Barrel, Asphalt PPI



Summary

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