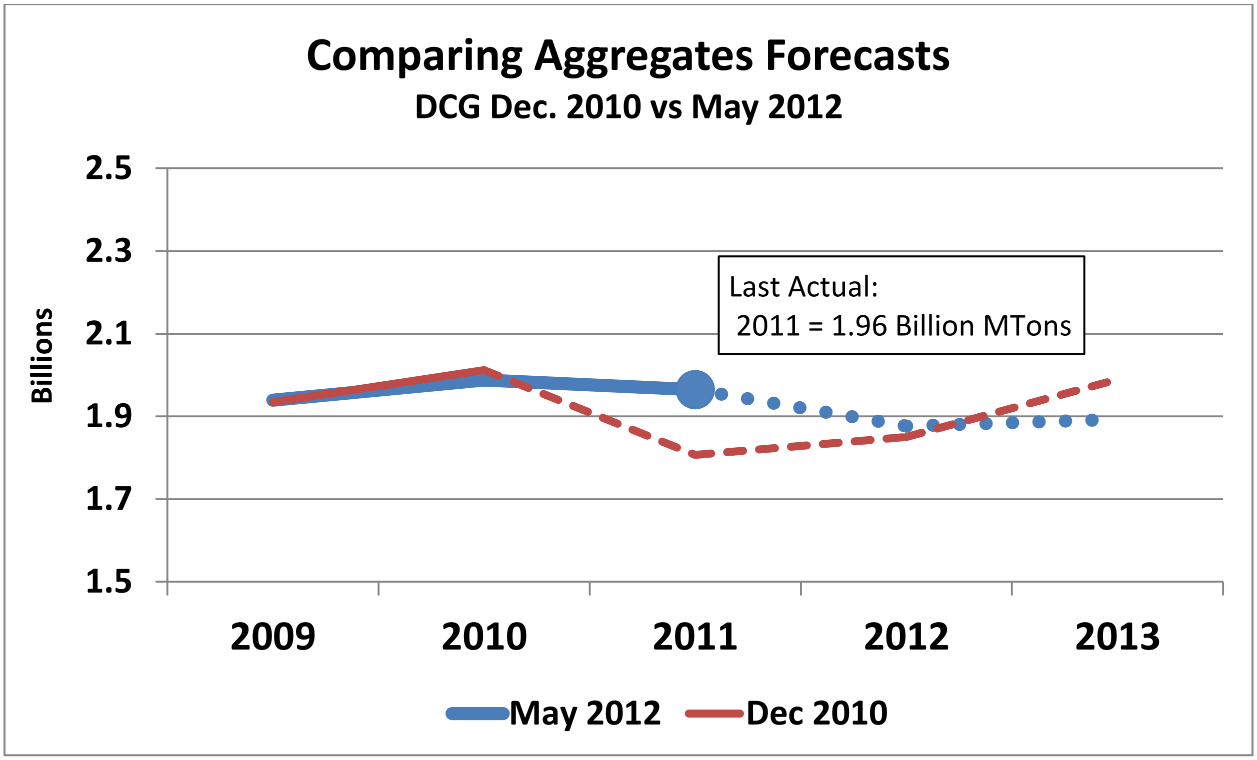
DCG Aggregates Forecast Comparison

The DCG aggregates forecast calls for several more years of low demand. How does this compare to the forecast we made a few years ago? As the chart shows, the current forecast is similar to the December 2010 DCG forecast. In both cases aggregates demand remains under 2.0 billion metric tons per year.



In 2010 DCG forecast that volume for 2011 would decline to 1.81 billion metric tons. Actual volume as estimated by the USGS was 1.96 billion metric tons*. While volume was lower than 2010, it was somewhat higher than our forecast. For 2012 the two forecasts are roughly the same at 1.87 billion metric tons. In both cases the end of the stimulus impact and a slow growing economy are the main factors. The DCG forecast for 2013 is for no growth (1.89 vs. 1.87) compared to 2012. This is modestly lower than the 2010 forecast of 1.99 billion metric tons. The continuation of low demand is caused by three factors that have gotten worse in the last two years. One, Europe is unable to solve its debt and growth problems. Structural reforms in pensions, health care and work flexibility rules need to be implemented and to date very little has been done. Hence, most European economies remain uncompetitive. Two, U.S. growth is well below a normal recovery path and shows only tepid signs of speeding up. Pouring more money into an economy that has near zero interest rates only helps banks and does not solve our fiscal and debt imbalances. Three, the 'fiscal cliff' we face at the end of 2012 is creating more uncertainly for business investment. A political compromise to this 'fiscal cliff' (expiring tax cuts, unemployment extensions, AMT fix and doctor fix) will probably be enacted in Dec. 2012 after the election. But by then business plans and expansions for 2013 will already have been made and caution will rule the day.

What this all means is another 18 to 24 months of low volumes. Beyond that depends on what kind of growth policies are implemented during the next twelve months.

*DCG values differ a small amount from the USGS values because we add in estimates for a few areas where USGS does not report numbers in order not to reveal competitive information. They enter a W for the state values. *USGS: W Withheld to avoid disclosing company proprietary data.*

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