DCG Aggregates Outlook

By now we know who won the election, right? Well no matter, what we do get is a great civics lesson.

The outlook is little changed from last month where we called for a rapid recovery in residential activity. We can add manufacturing to that as the V shaped recovery continues. With the $3 Trillion stimulus that making its way through the economy and interest rates at record lows, the field is set for above 4% GDP growth over the next six months.

All the uncertainties (Covid, election) are getting closer to being resolved. Soon the conversation will shift to massive debt loads and how to slow the growing debt/GDP ratio. Not much will be done because it is too painful for anyone to enact remedies-such as a balanced budget.

Construction wise, growth is fantastic in the residential segment as more jobs are added and mortgage rates remain extremely low. Nonresidential will not rebound anytime soon (post 2022 before higher demand shows up). The Covid lockdowns have accelerated the 'Amazon effect' and some of the changes will become structural, i.e. less density and more online shopping, for a decade. Infrastructure is more complex. Everyone talks about new infrastructure stimulus but the definition of 'infrastructure' keeps changing. Now it means more than roads and bridges; it also means electric grid, energy alternatives, electric charging stations. education, etc. This means any new infrastructure funds will be spread out and less concentrated in roads and bridges. In addition, the state and local budgets will take a few years to return to health. As a result, we see modest uneven gains in aggregates going into infrastructure, higher but not by much.

Regionally, the states that have shut down the most and the longest will take the longest to recover as some businesses have left and the new ones replacing the old, take a little time to get going. This means the Southeast, the Mountain states and the Midwest will be growing the fastest.

Aggregates pricing strength will return by mid-2021 in most areas.

Billions of metric tons	**2016**	**2017**	**2018**	**2019**est	**2020**est	**2021**est	**2022**est
Residential	.57	.57	.57	.56	.54	.60	.63
Nonresidential	.72	.70	.71	.78	.68	.61	.62
Nonbuilding	1.03	1.00	1.08	1.17	1.17	1.16	1.18
Total	**2.32**	**2.27**	**2.36**	**2.51**	**2.39**	**2.37**	**2.43**
Yr./Yr. %Ch.	*+2.7%*	*-2.2%*	*+4.0%*	*+6.4%*	*-4.8%*	*-.9%*	*+2.5%*

Note: *There is a small difference between our estimates of consumption and the USGS because of our own estimates in states where USGS does not report values due to competitive concerns*

Oct. 2020 David Chereb, Ph.D., David Chereb Group, Inc. DCG produces customized market forecasts by major segments of construction, from the county level up. Clients use DCG market intelligence reports for business planning and acquisition analyses in aggregates, ready-mix concrete and cement. For more information, please visit www.davidcherebgroup.com Note: These results are based on our county level aggregates model. More details are available for an additional fee.