DCG, Inc. Aggregates Forecast

Compared to a few months ago 2012 is stronger and 2013 is weaker.

This is written before we know the results of the fiscal cliff negotiations. It does seem as though the end result will be less near term capital investment and slower job growth; hence our slightly weaker 2013-14 outlook for the economy and aggregates. The pleasant surprise so far has been the housing recovery where both prices and new units are gaining in most areas for the first time in five years. Housing gains will be moderate until there is faster job growth. Most of the gains so far are driven by investors taking advantage of low prices and low financing. A boom in housing doesn't occur until first time buyers and move up buyers return to the market—which is a few years from now.

	2010	2011	2012	2013	2014
Residential	.31	.34	.37	.36	.38
Nonresidential	.48	.54	.56	.53	.60
Nonbuilding	1.20	1.10	1.07	1.05	1.10
Total	**1.99**	**1.98**	**2.00**	**1.94**	**2.08**
Yr/Yr %Ch	*2.5%*	*-.5%*	*1.0%*	*3.0%*	*7.2%*

Nonresidential demand has recovered but now at a plateau due once again to slow job growth. Vacancies will not decline much until we return to 2+% employment growth. Nonbuilding, mainly public works, also remains at a plateau as federal stimulus money begins to decline and state and local budgets remain tight. Until some popular new way to fund infrastructure is found, volume will continue to be bounded in the 1.0 – 1.3 billion metric ton range.

As this is written, the political compromise does not favor investment growth. As such our longer term outlook is somewhat lower—more on that after we know the actual fiscal cliff deal.

Dec., 2012. David Chereb, Ph.D.