DCG Aggregates Forecast

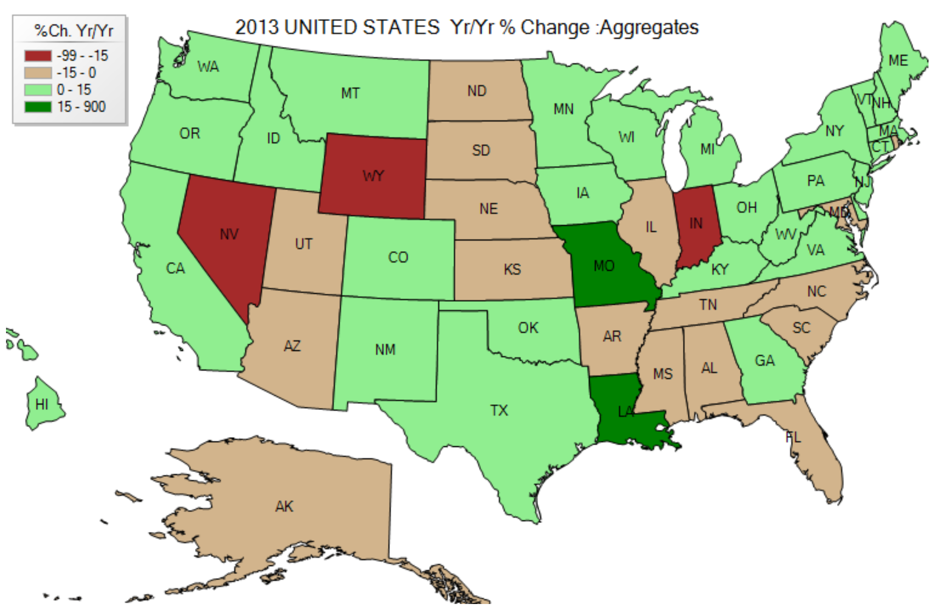
The U.S. is growing slowly with 2012 poised to grow even slower. A quarter of negative GDP growth sometime during 2012 now seems likely. The reason for such slow growth is the combination of temporary stimulus measures fading and deleveraging. The European recession will hurt our exports and poor personal income growth will prevent rapid improvements in new home buying.

Countering these pessimistic factors are improved employment conditions compared to two years ago, higher oil and gas investments and healthy corporate profits.

Our conclusion is that public works will decline in 2012 due to flat federal support and less state and local activity as most of these entities continue to struggle to balance their budgets. Nonresidential has recovered nicely from a few years ago but is now running into a wall as weak employment growth is keeping vacancy rates from dropping by large enough rates to justify stronger activity. Residential is now gaining from a very low trough and will be the main source of higher demand for 2012. On balance total aggregates demand will decline in 2012, leaving demand under 2 billion metric tons for the fourth straight year.

By region we expect energy states, including the new gas drilling states to do well along with areas with high concentrations of hi-tech companies. Areas that will languish are the high cost, high tax areas.

While this year will again be disappointing in terms of demand the stage is being set for higher volumes. Our base case assumes pro-growth policies will be implemented by the end of 2013 and begin to spur the economy in 2014. While we don't know the details of what these pro-growth policies are, we include changes that will favor capital formation and new business growth. In addition the $2+trillion dollars the Federal Reserve has pumped into the economy during the past three years will support higher investment in residential and nonresidential projects via low financing costs.



Billions of Metric Tons	2010	2011est	2012est	2013est
Aggregates	**1.99**	**1.93**	**1.83**	**1.85**

%Ch. Yr./Yr.	+2.5%	-3.0%	-5.2%	+1.1%

The elephant in the room impacting any longer term forecast is the U.S. debt/GDP ratio. This ratio is now approximately 100% and will make rapid economic growth difficult. The ratio will not come down unless the U.S. grows faster since it is unlikely there will be large spending cuts. Thus our conundrum- we need faster growth, yet our debt ratio makes rapid growth difficult.

Source: DCG Feb 1, Forecast