

October 28, 2009

## Long-Term Cement Consumption Outlook

## Overview

United States' cement consumption is expected to decline to 75 million metric tons in 2009, compared to near record levels of 128 million metric tons recorded in 2005. This decline reflects current economic adversities impact on cement consumption. With economic recovery, cement consumption is expected to reach nearly 192 million metric tons in 2035.

PCA's 25-year long-term outlook takes into consideration the population and demographic changes anticipated by the United States Bureau of Census (BOC). These demographic changes are expected to materialize in the context of slow long-term economic growth. Slower real GDP growth rates are expected to materialize as a result of an aging population, structural changes in world demand for oil and raw commodities, climate impacts on energy prices, and the potential for large federal deficits accrued due to rising costs of entitlement programs. Slower economic growth suggests modest gains in per capita cement consumption.

Structural construction considerations are also addressed including state and local government financial stresses and the potential difficulties in funding public construction projects. While these stresses could hinder growth in street and highway construction activity, new opportunities could emerge for the cement industry as a result of a sustained and large improvement in paving costs versus asphalt. Government policies aimed at energy independence and green building suggest further opportunities for cement consumption growth.

Long-term demand considerations must be weighed against supply conditions. Climate change legislation and sustained high oil prices are likely to result in the elimination of wet process cement production. The National Emission Standards for Hazardous Air Pollutants (NESHAP) could force the closure of a further significant portion domestic cement capacity. This uncertain regulatory environment will likely cause a temporary hiatus in plant expansions once existing expansion plans are completed.

Given the likely growth in cement consumption, and considering the context of a potential reduction in domestic capacity, the potential for a 100 million metric ton supply gap may materialize. Decisions regarding how to source the United States market, domestically or through imports, may begin to re-emerge in the next decade.

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