PCA Portland Cement Association
THE Monitor Flash Report
Breaking Analysis of the Economy, Construction and Cement Industries

Contact: > Ed Sullivan, Chief Economist 847.972.9006 > esullivan@cement.org

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Economic Stimulus Brightens Outlook

Overview

The United States economy faces severe near term challenges. Left unchecked, existing cyclical and structural conditions could result in a long and deep economic contraction. To avert this potential outcome, a massive economic stimulus program is planned to cushion or potentially offset present negative trends. Given the magnitude of the stimulus plan envisioned by Obama economists ($775 billion) and its reported emphasis on infrastructure spending, many have concluded that significant increases in cement consumption may be forthcoming in 2009. PCA rejects this hypothesis. Few offsets to worsening cement consumption trends are expected to materialize during 2009. Only if tax, state-aid and "shovel ready" programs materialize quickly, might the rate of decline in cement consumption be moderated late in the year. Most offsets are expected to materialize in 2010 and 2011. In the meantime, PCA expects cement consumption will contract at a 15% rate compared to depressed 2008 levels.

The purpose of this flash report is to provide guidance to our members regarding the near term outlook in the context of the impending stimulus plan. Keep in mind the magnitude, disposition, and timing of the stimulus is still in flux. Lacking clear details of the stimulus plan suggests significant risk should be attached to PCA estimates. Substantial modifications could materialize as the plan is fully revealed.

Economic Conditions: No Stimulus

Whatever stimulus plan materializes, it will be overlaid atop the underlying fundamentals of the economy. This is a critically important point. Even if economists could all correctly assess the simulative impact of forthcoming fiscal spending programs, their forecasts, and guidance to corporate decision makers, could differ substantially depending upon projections regarding anticipated economic conditions.

PCA Vs Obama Economists' Outlook: No Stimulus Fourth Quarter 2010 Estimates		
	Obama Economic Team	**PCA**
GDP (Billions, Chained 2000 $)	11,700	11,253
Employment	133, 876,000	130,013,000
Unemployment Rate	8.8%	10.0%
Source: PCA, Obama Recovery and Reinvestment Plan		

PCA projections regarding overall economic conditions during 2009-2010 are considerably more pessimistic than Obama's economists. Lacking fiscal intervention, for example, PCA expects massive job losses would materialize during 2009 and 2010. All totaled, PCA's no stimulus outlook suggests that in addition to the 2.6 million jobs lost in 2008 an additional 5.6 million jobs would be lost by the end of 2010 (4.0 million jobs lost in 2009, followed by 1.6 million in 2010). In comparison, Obama's economists project only an additional 2.8 million jobs lost during 2009-2010. Keep in mind, The United States economy is weakening at an accelerated pace and beyond PCA's pessimistic fall forecast. The economy has entered a new phase of the recession and adverse momentum is now in full gear. More than 500,000 jobs were shed in November and again in December – a pace that will likely be sustained through much of the first half of 2009. Unfortunately, due to policy lags, even an aggressive stimulus program can offer no relief until the second half of 2009 – at best.

PCA Outlook: No Stimulus		
Cement Consumption		
	2009	**2010**
Cement Consumption	81.1 Million Metric Tons	74.7 Million Metric Tons
- Annual Percent Change	-15.1%	-8.0%
Source: PCA		

PCA's pessimistic outlook is based on several critical assessments regarding the conditions influencing the economy. These include;

- Due to sub-prime reset schedules, home foreclosures are expected to accelerate through mid-2009. This will add to home inventories and depress home prices further – to the detriment of delicate financial conditions. A rapid reduction in the sub-prime drag is expected to materialize in late 2009 and beyond.

- Continued losses in consumer, business, and bank confidence is expected through mid-2009. A tepid recovery in confidence, from historical lows, is expected to begin in 2010. Low confidence undermines consumer spending and business investment and could delay an easing in bank lending standards.

- Continued tight lending standards are expected to characterize the financial sector through 2009 with only the beginnings of an easing emerging in mid-2010. Sustained and significant recovery in economic growth cannot materialize without an easing in lending standards.

- Slower world economic growth is expected to prevail – depressing the outlook for U.S. exports. Counteracting this, commodity prices are expected to remain depressed. Oil (West Texas Intermediate) is expected to remain below $40 per barrel through 2010 – adding as much as $150 billion back into consumer pockets during 2009-2010.

- Sustained deterioration in fiscal conditions among state governments is expected to continue. PCA estimates total state deficits will reach more than $100 billion in 2010 – nearly 5 times the level recorded during the 2002-2003 "state fiscal crisis". Such an assessment suggests dramatic cutbacks in state spending, including construction projects – worsening the job picture.

In this environment, little exists to offset mounting economic adversity. It is difficult to envision stronger economic growth being propelled by consumer spending, investment spending, net exports or government spending. Under this scenario, PCA estimates the economy would decline 2.7% during 2009 followed by a more modest decline during 2010. It is in this context that PCA envisions more than six million jobs lost during 2009-2010. Under this scenario cement consumption declines 15% during 2009 followed by an 8% decline in 2010. Subdued growth materializes thereafter.

Differences between PCA and Obama economists' projections regarding the economy point out PCA's potential pessimism and/or the inadequacy of a $875 billion program to restore January 2008 employment levels. Such an assessment is somewhat shocking. Keep in mind the proposed $775 billion program seeks to address the 2.6 million job loss in 2008, as well as the potential loss of another 2.8

million jobs during 2009-2010 – roughly 5 million jobs. PCA's estimate is closer to 8.0 million jobs – requiring an even larger stimulus during 2008-2010.

Stimulus Assumptions

Information regarding the Obama stimulus plan is slowly emerging. Undoubtedly, political negotiations and assessments regarding the state of the economy will result in substantial revisions to the eventual plan.   Revisions to the magnitude, composition and timing of the stimulus can result in significant risk to forecast projections.

One assessment regarding the stimulus plan is certain, to create 4-5 million jobs, the magnitude of the stimulus plan will be shocking. According to Obama's economists the stimulus package is currently set at $775 billion. Keep in mind, a wide spectrum of funding levels has surfaced over the past several weeks. The common trend is that the stimulus levels are growing rapidly. Upward revisions in proposed stimulus levels are in recognition of the adversity present in the economy. If the focus of the stimulus plan is to bring employment levels back to January 2008 levels, then even higher funding levels may materialize. Indeed, the House Appropriations committee only recently proposed an $825 billion stimulus plan.

All assumptions contain risk. Despite the lack of specific details on the stimulus plan, the urgency of business planning decisions are here and now and require some pealing back of uncertainty. While the following assessments will undoubtedly be readjusted as more details become known, certain key and important concepts regarding the plan may be revealed by our analysis.

According to various accounts, the stimulus plan will target three objectives – (1) provide immediate economic stimulus to slow adverse economic momentum and stabilize conditions, (2) create jobs and (3) invest in long neglected infrastructure, education, and energy programs to support longer term economic growth. The stimulus program may include five key aspects including;

- Extended unemployment and other entitlement spending
- Tax rebates
- Aid to state governments
- Immediate funding for shovel ready infrastructure projects
- Funding for longer term traditional infrastructure projects

PCA expects the Obama stimulus plan will be enacted in three phases – each designed for a specific purpose regarding economic growth. If this scenario plays out, significant relief from current economic conditions impacting the cement industry probably will not materialize until 2010-2011.

Phase I: Stemming the Tide of Adverse Economic Momentum

- **Policy Tools: Tax Rebates, Entitlement Spending, Aid to States.**

Initially, an Obama stimulus plan will probably be targeted at providing a respite from mounting adverse economic momentum. Tax cuts and increases in entitlement spending are among the fastest ways to provide fiscal stimulus. While these programs may work fast in curbing the tide of adverse momentum that is present in today's economy, their net, long lasting stimulus to the economy is less robust than direct fiscal spending programs. A tax cut is envisioned as a quick fix, albeit short lived, means of preventing further erosion in economic growth and a respite from mounting adverse economic momentum.

Such policies may soften harsh declines in near term GDP growth and consumption. Generally, for every $100 billion in tax relief, GDP growth is bumped by roughly 80 basis points and 1 million jobs could be saved (Obama's economists are in rough agreement with this assessment). Keep in mind, tax rebates are likely to be implemented quickly and prevent steeper declines in GDP and labor markets than would otherwise be the case - but will probably do little to significantly restore lost confidence among consumers or businesses. More importantly, risk aversion among banks and lenders is likely to remain in place to the detriment of economic recovery.

The Obama plan calls for $300 billion in tax relief (Note: the House Appropriations plan offers $275 billion in tax relief). Of this, $200 billion is targeted at personal income tax cuts. The remaining cuts are targeted at corporate tax relief and other incentives. Personal income taxes, investment tax credits, and other forms of tax relief can have significantly different impacts on economic growth, the timing of growth, the composition of growth and job creation. Given the lack of specifics on potential tax policies, PCA has lumped the entire $300 billion in proposed tax cuts together and applied general economic principles to estimate potential impacts on economic growth, employment, construction activity, and cement consumption. Furthermore, PCA assumes that the impact of these tax cuts fully dissipate in one year.

Based on these assumptions and methodology, PCA estimates that tax cuts will temporarily raise GDP growth by 250 basis points in 2009, from -2.7% to -0.4% growth. More modest GDP improvement will materialize during the first half of 2010. In total, the tax policy forestalls the job loss of 1.9 million workers during 2009 and 230,000 workers in 2010. Nevertheless, strong adverse momentum will continue to result in job losses – the tax cuts only reduce the rate of job loss. During this period, job losses slow from an average rate of 500,000 per month to roughly 350,000 per month. Due to a less adverse economic environment, cement consumption seasonally adjusted selling rates are expected to increase over no stimulus scenario projections by 1 million metric tons. The tax impact is assumed to be fully dissipated in the second half of 2010. Keep in mind, tax cuts only mask adverse underlying adverse economic fundamentals. Once the full effects of the tax cuts wear off, these adverse fundamentals will again become more apparent to the detriment of economic and cement consumption growth rates.

In addition to tax cuts and increases in entitlement spending, any stimulus program that does not include substantial aid-to-states immediately will fail. Jobs losses are creating a huge financial strain on states. For every job lost, income and sales tax revenues are compromised. Corporate income taxes will also be adversely affected during the economic slowdown. This, combined with home price declines and increased vacancy rates, will compromise revenue conditions among municipalities. Finally, the bond market offers little help for local governments. At the same time revenue conditions are deteriorating, state expenditures on entitlement programs will increase. Several states, for example, have already exhausted unemployment trust funds. It is likely that the fiscal stresses facing state and local governments will worsen significantly through fiscal 2009.

State balance budget amendments will force tax increases, spending cutbacks and job reductions. Keep in mind, nearly 20 million are employed by state and local governments. Without addressing state aid – PCA estimates nearly 500,000 state jobs could be lost in 2009 (2.5% of total state employment) and an additional 650,000 jobs in 2010. Forced to choose between funding entitlement programs, such as Medicaid, or necessary infrastructure spending, states are likely to cut infrastructure spending. Potential state cutbacks could sterilize federal government efforts to stimulate jobs and improve the nation's infrastructure.

While tax cuts and increases in entitlement spending will add incrementally to construction activity and cement consumption, ***aid-to-states could make a more significant improvement in the cement consumption outlook***. Roughly 50% of cement consumption is consumed by the public sector. Of that, more than 90% is related to state and local construction. According to the no stimulus plan, the state fiscal crisis is the largest contributor to near term weakness and accounts for a 5.2 million metric ton decline in cement consumption during 2009, and an additional 5.1million metric ton decline in 2010.

No details have been provided by the Obama economists regarding the size of relief to be provided to the states. In the most optimistic scenario, state aid would at least equal potential state shortfalls – estimated conservatively at $78 billion in 2009 and $102 billion in 2010 ($180 billion total) under the no stimulus scenario. PCA assumes $125 billion will be directed to state aid. Such a program will reduce the magnitude of state deficits – but not eliminate them. The impact on cement consumption of this cash injection to the states will be influenced by the mechanisms that the aid materializes. In addition, tax increases and state employee layoffs, assumed in the no stimulus scenario, may be reduced or eliminated – reducing the amount of state aid that finds its way to public construction spending. PCA's scenario assumes state tax increases and worker layoffs will be half the amount under the no stimulus scenario. While public cement consumption declines, it is less severe than under the no stimulus scenario. The net impact on cement consumption from state aid is 2.2 million metric tons in 2009 and 5.4 million metric tons in 2010.

Phase II. Stablizing Labor Markets/Job Creation

- **Policy Tools: Shovel Ready Projects**

Stabilizing labor markets and job creation by way of increased infrastructure spending is the critical ingredient in the second phase of the stimulus plan. The design and implementation of new construction projects can take upwards of a year before actual construction begins. Unfortunately, the need to create jobs is an immediate objective of the stimulus plan. There is, however, an estimated $65 (AASHTO report) to $70 billion (Council of Mayor's report) in "shovel ready" construction projects that have been designed and only await funding. These projects could begin within 90-180 days. It is likely that the only stimulus to the construction industry that will materialize during 2009 will be those associated with "shovel ready" projects. More meaningful projects, with higher cement intensities, are likely to materialize in 2010-2011. Analysts estimate that the potential stimulus impact on 2009 cement consumption could be very significant – in the range of 20 million metric tons or more. PCA believes this estimate for increased cement consumption is far too optimistic.

PCA estimates of the potential stimulus arising from "shovel ready" infrastructure spending are substantially lower – estimated at 6-8 million metric tons on an annualized basis. PCA applied appropriate cement intensities to each of the 9,000 "shovel ready" projects identified in the Council of Mayors' report. A somewhat similar analysis was performed for AASHTO "ready-to-go" projects. Project-by-project assessments revealed a critical difference between what construction executives would typically consider an infrastructure program versus that contained in the Mayor's report. "Shovel ready" infrastructure spending in the Mayor's report includes items such as software, energy-saving light bulbs, fire trucks and other non-traditional "infrastructure programs. As a result, application of a general public cement intensity to the $70 billion spending yields an exaggerated estimate regarding the potential addition to 2009 cement consumption. Similarly, AASHTO "ready-to-go" projects, when detailed, contain significant levels of re-surfacing activity – to the detriment of cement intensities. It is a mistake to believe, however, that "shovel ready" projects will make an immediate impact on cement consumption.

Council of Mayors: Shovel Ready Jobs

	# of Projects	Funding Required *($, Mil)*	Direct Construction Jobs	Downstream Jobs	Total Job Creation	Cement Consumption *(Metric Tons)*
Alabama	128	1,452	38,964	105,204	144,168	104,059
Alaska	5	94	1,080	2,916	3,996	31,974
Arizona	79	390	2,029	5,478	7,507	110,977
Arkansas	249	3,157	30,754	83,037	113,792	380,500
California	754	11,178	74,364	200,783	275,147	1,203,820
Colorado	58	820	8,865	23,936	32,802	222,747
Connecticut	95	858	5,246	14,164	19,410	76,179
DC	0	0	0	0	0	0
Delaware	6	52	84	227	311	5,391
Florida	1,143	7,404	156,234	421,831	578,065	1,881,443
Georgia	118	2,034	17,535	47,345	64,880	235,114
Hawaii	61	709	5,803	15,668	21,471	30,842
Idaho	207	529	3,908	10,552	14,460	61,580
Illinois	416	2,144	15,850	42,794	58,644	508,185
Indiana	230	1,104	14,903	40,238	55,142	202,071
Iowa	25	168	1,646	4,444	6,090	21,761
Kansas	68	260	1,627	4,393	6,020	93,988
Kentucky	327	1,062	23,804	64,271	88,075	193,292
Louisiana	122	946	6,925	18,697	25,621	142,512
Maine	184	749	7,777	20,998	28,775	89,752
Maryland	13	60	122	329	451	1,987
Massachusetts	27	65	384	1,036	1,420	10,367
Michigan	158	1,019	6,952	18,770	25,722	124,013
Minnesota	196	700	9,513	25,685	35,198	69,837
Mississippi	287	1,281	17,811	48,090	65,901	229,246
Missouri	329	3,387	80,235	216,635	296,871	324,955
Montana	42	215	2,681	7,239	9,920	19,240
Nebraska	71	181	2,255	6,087	8,342	40,296
Nevada	76	586	7,202	19,445	26,647	108,059
New Hampshire	0	231	0	0	0	0
New Jersey	123	1,434	18,161	49,035	67,196	131,874
New Mexico	125	2,383	6,643	17,935	24,577	185,318
New York	97	323	7,075	19,103	26,178	85,734
North Carolina	213	1,216	11,436	30,878	42,315	235,761
North Dakota	48	87	1,239	3,345	4,584	14,903
Ohio	430	3,330	18,748	50,620	69,369	314,940
Oklahoma	46	602	3,903	10,538	14,441	138,455
Oregon	55	1,125	13,026	35,170	48,196	123,203
Pennsylvania	91	2,429	27,397	73,973	101,370	179,754
Puerto Rico	90	1,778	15,131	40,854	55,986	189,837
Rhode Island	68	676	8,085	21,828	29,913	37,488
South Carolina	232	1,528	24,035	64,895	88,930	260,299
South Dakota	0	0	0	0	0	0
Tennessee	7	20	463	1,250	1,713	4,438
Texas	695	4,988	59,994	161,983	221,976	1,166,158
Utah	168	1,596	19,219	51,891	71,110	149,400
Vermont	57	145	2,818	7,609	10,427	24,100
Virginia	104	472	4,914	13,267	18,180	25,067
Washington	183	1,255	29,470	79,568	109,038	322,699
West Virginia	127	252	8,375	22,613	30,988	37,464
Wisconsin	127	252	8,375	22,613	30,988	37,464
Wyoming	7	11	84	227	311	3,528
Total	**8,439**	**66,609**	**794,180**	**2,144,285**	**2,938,465**	**10,050,519**

AASHTO: Shovel Ready Jobs

	# of Projects	Funding Required ($, Mil)	Direct Construction Jobs	Downstream Jobs	Total Job Creation	Cement Consumption High Est. (Metric Tons)	Cement Consumption Low Est. (Metric Tons)
Alabama	16	877	8,357	12,245	24,395	139,997	76,058
Alaska	4	$139	1,327	1,945	3,875	25,938	15,754
Arizona	72	1,092	10,402	15,240	30,361	292,430	132,790
Arkansas	130	$1,121	10,678	15,645	31,168	279,760	151,989
California		5,000	47,648	69,812	139,080	1,116,076	606,345
Colorado	113	$1,154	10,997	16,113	32,100	208,492	113,270
Connecticut	5	765	7,287	10,677	21,271	96,605	52,484
DC	3	$56	534	782	1,558	3,845	2,089
Delaware		125	1,191	1,745	3,477	8,116	4,409
Florida	92	$6,968	66,405	97,294	193,830	1,148,034	623,707
Georgia	319	1,933	18,420	26,988	53,766	317,793	172,652
Hawaii	51	$418	3,982	5,835	11,624	56,505	30,698
Idaho	126	805	7,671	11,240	22,392	137,176	102,533
Illinois	245	$783	7,465	10,937	21,788	163,158	88,641
Indiana	109	501	4,776	6,998	13,941	68,675	37,310
Iowa	41	$221	2,108	3,088	6,153	68,496	37,213
Kansas	107	357	3,402	4,985	9,930	98,538	53,534
Kentucky	50	$400	3,812	5,585	11,126	53,088	28,842
Louisiana	58	423	4,031	5,906	11,766	121,943	66,249
Maine	44	$221	2,106	3,086	6,147	25,351	13,773
Maryland		230	2,192	3,211	6,398	28,526	15,498
Massachusetts	37	$220	2,097	3,072	6,120	24,358	13,233
Michigan	208	1,750	16,677	24,434	48,678	333,590	181,234
Minnesota	200	$950	9,053	13,264	26,425	159,602	86,709
Mississippi	75	600	5,718	8,377	16,690	129,052	70,112
Missouri	34	$510	4,860	7,121	14,186	136,177	73,983
Montana	158	350	3,335	4,887	9,736	70,844	38,488
Nebraska	30	$250	2,382	3,491	6,954	97,797	53,132
Nevada	40	250	2,382	3,491	6,954	57,236	31,096
New Hampshire	27	$231	2,197	3,218	6,412	29,996	16,296
New Jersey	153	1,640	15,629	22,898	45,618	187,321	101,768
New Mexico	49	$1,136	10,827	15,863	31,602	164,765	89,514
New York	40	550	5,241	7,679	15,299	55,276	30,030
North Carolina	296	$5,170	49,268	72,186	143,809	685,464	372,401
North Dakota		300	2,859	4,189	8,345	61,886	33,622
Ohio		$2,160	20,584	30,159	60,083	439,538	238,794
Oklahoma	95	778	7,414	10,863	21,641	138,704	75,356
Oregon	105	$564	5,375	7,875	15,688	93,309	50,693
Pennsylvania	319	1,030	9,815	14,381	28,650	157,957	85,815
Puerto Rico	132	$1,591	15,158	22,209	44,244	294,473	159,982
Rhode Island	40	100	953	1,396	2,782	12,118	6,584
South Carolina	51	$850	8,100	11,868	23,644	167,001	90,729
South Dakota	29	155	1,477	2,164	4,311	47,609	25,865
Tennessee	120	$400	3,812	5,585	11,126	64,239	34,900
Texas	853	6,018	57,353	84,031	167,408	1,560,681	847,891
Utah	136	$10,800	102,920	150,794	300,413	2,851,651	1,221,377
Vermont	22	95	902	1,322	2,634	11,223	6,097
Virginia	40	$680	6,484	9,500	18,926	92,364	50,180
Washington	60	1,339	12,760	18,696	37,246	174,939	95,041
West Virginia	181	$1,134	10,810	15,839	31,554	144,922	78,734
Wisconsin	60	320	3,049	4,468	8,901	73,355	39,852
Wyoming	105	$400	3,815	5,589	11,135	74,203	40,313
Total	**5,280**	**64,320**	**628,098**	**920,265**	**1,833,358**	**12,755,721**	**6,605,675**

Lags associated with the implementation and administration of shovel ready stimulus programs could delay the commencement of construction until mid-summer. No doubt the urgency to create jobs quickly could speed up the process. Nevertheless, implementation and administration lags reinforce the prospect of a later than expected commencement of “shovel ready” construction. This suggests an even further diminishment of the stimulatory impact of shovel ready projects to 2009 cement consumption. Keep in mind the construction season tends to wind down in northern states during the fourth quarter – further limiting the potential impacts of shovel ready programs in those states. Taking these factors into consideration, PCA believes the potential stimulatory impact on cement consumption is a 3.3 million metric ton increase in 2009 and 6.7 million metric tons in 2010.

Phase III. Job Creation/Infrastructure Improvement

Investment in Roads, Bridges, Renewable Energy, Schools

In some ways, “shovel ready” projects can best be viewed as largely maintenance and repair of existing infrastructure. For example, a bridge may get re-painted (quick jobs) and funded under “shovel ready”, but needs by the same bridge for additional access ramps are deferred. Given time to design, PCA envisions “traditional” infrastructure spending to materialize by the second half of 2010. “traditional” infrastructure spending addressed the needs to improve and expand highways and bridges – not just maintain and repair existing surfaces. “Traditional” infrastructure carries significantly higher cement intensities.

The amount of “traditional” infrastructure spending to be included in the stimulus package is unknown. To this end PCA has incorporated congressman Oberstar’s infrastructure plan. In addition, elements not contained in Oberstar’s plan, but identified in the Obama plan, are also included. It should be noted, these assumptions are highly speculative and contain considerable risk. It is assumed that all spending initiatives are in addition to reauthorization of SAFETEA-LU at existing levels. Finally, spending initiatives in this phase are assumed to be spread out during eight quarters – beginning in the second quarter of 2010. Given these assumptions, PCA estimates that cement consumption would increase 5.0 million metric tons in 2010 and 12.1 million metric tons in 2011.

Phase III Spending Assumptions: Oberstar/Obama Hybrid Spending		
Oberstar Plan		
Highway and Bridges	18.2	8.9
Clean Water	9.0	2.7
Locks and Dams	5.0	1.5
Transit/Amtrak	6.5	1.3
Airport Grants	1.0	0.3
Other Programs	5.2	0.2
Obama Plan Additions		
Clean Energy	50.0	0.0
School Construction	20.0	3.0
Other Education Spending	50.0	0.0
Clinic & Hospital Construction	2.0	0.2
Other Health Care Spending	30.0	0.0

Total	196.9	18.1

Summary

According to PCA projections, the assumed stimulus program will increase GDP by 3.1% over no stimulus levels by the fourth quarter of 2010. Obama economists project a 3.7% improvement. PCA estimates the stimulus' job creation at 3.3 million jobs by the end of 2010, compared to Obama estimates of 3.7 million jobs. This suggests that PCA is somewhat less optimistic than the Obama economists regarding the stimulatory impact of the proposed program. Keep in mind, PCA is forming a "best guess" regarding the details of the stimulus plan. The details assumed by PCA could be considerable different than those used by the Obama economists – yielding different stimulatory impacts.

PCA Vs Obama Economists' Outlook: Stimulus Projections		
- Fourth Quarter 2010 Estimates		
	Obama Economic Team	**PCA**
GDP (Billions, Chained 2000 $)	12,203	11,604
Employment	137,550,000	133,366,000
Unemployment Rate	7.0%	8.8%
Source: PCA, Obama Recovery and Reinvestment Plan		

PCA is also more pessimistic regarding the underlying weakness facing the economy. Obama's economists expect an un-stimulated economy will lose only 2.8 million jobs by the end of 2010. In contrast, PCA expects the job loss near 6.0 million. According to our assessment, the stimulatory impact of the plan will be more muted than many expect and the need additional stimulus to bring employment back to January 2008 levels. Both assessments suggest that the size of the stimulus package must be larger than the $775 proposed. PCA roughly estimates the size of the stimulus at $1.2 trillion to restore employment to January 2008 levels. The near term stimulus to the economy could also be enhanced by reducing the portion of the plan targeting tax cuts and placing more emphasis on state aid and traditional infrastructure spending.

PCA Cement Projections: Stimulus Impacts				
	2008	**2009**	**2010**	**2011**
No Stimulus	95.6 MMT	81.1 MMT	74.7 MMT	79.4 MMT
- Percent Change	-13.2%	-15.1%	-8.0%	+6.3%
With Stimulus	95.6 MMT	87.4 MMT	92.1MMT	97.4 MMT
- Percent Change	-13.2%	-8.6%	+5.3%	+5.8
Stimulus Impact	0.0	+6.3 MMT	+17.4 MMT	+18.0 MMT
- Percent Increase	----	+8.4%	+23.3%	+22.6%

Source: PCA				

Projection Risks

Information regarding the Obama stimulus plan is slowly emerging. Undoubtedly, political negotiations and assessment regarding the state of the economy will result in substantial revisions to the eventual plan. Revisions to the magnitude, composition and timing of the stimulus can result in significant risk to forecast projections.

Aside the risks contained in the stimulus assumptions, cement consumption projections could contain upside risks. New paving realities are now in place – reflecting changes in global oil demand and new refining practices which reduce liquid asphalt production. The new paving realities now show that comparative life cycle and initial bid cost assessments will increasingly favor concrete over asphalt in the foreseeable future. Even modest gains in concrete paved roads' share of the new highways contained in the infrastructure portion of the stimulus plan could translate into significantly more cement consumption.