Presentation Focus

1. Macroeconomic Data & Covid-19 Relief Impacts
2. IHME Covid-19 Projections
3. The Vaccine Scenario & Achieving Herd Immunity
4. Inflation Threats
5. Winter 2020-2021 Segment Projections
Macroeconomic Data
Unemployment Claims
New, Weekly

August 4th: 1,181 Deaths
Low Point: October 17th: 706 Deaths
Inflection Point: November 15th: 1,159 Deaths

Current 7 Day Moving Average: 3,183 Deaths

Note:
IHME expects daily death rate will remain near current levels through mid-February. This is followed by a 1,000 decline in the rate each subsequent month through April. This suggests Covid-19 remains an elevated drag on economic recovery.

“Low Wage” Unemployment Exceeds 20%
Lingering Covid-19 levels has prevented a meaningful recovery.

Note:
With high sustained Covid-19 death rates expected through April, consumers will remain cautious.

Consumer spending accounts for 2/3 of every $ generated in US GDP.

Slow growth and disappointing rates of improvement will characterize the economy. At least through the first half of 2021.
Key Point.

Covid Relief programs prevent the economy from slipping into further decay. They enable a recovery. By themselves, they are not expected to generate growth.
The Next Round of Covid-19 Relief: Key Spending

- Direct Payments: $422 Billion
- State Aid: $350
- Unemployment Sweetener: $246
- Re-open Schools: $129
- Child Tax Credit: $109
- Underfunded Pension: $82
- Covid-19 Testing: $49
- FEMA Disaster Support: $45
- Minimum Wage: $47
- Metro Transit: $28
Covid Data & Projections
Currently, IHME projects that the daily death rate will not decline to past peak (Mid-April 2020) levels until early March.
The Vaccine Scenario
Vaccine Impact on the Economy

Once the Vaccine is Mass Distributed….and herd immunity levels reached…..

It will:

• Result in a dramatic surge in consumer confidence.

• Encourage a return to many, but not all, Pre-Covid activities
  • Dining, movies, shopping, face-to-face interactions.

• Business will reopen, new businesses will emerge to fill voids created by the virus.
  • Perhaps encouraged by SBA support

• Investment uncertainty will decline.

• Economy will expand rapidly.

• Jobs growth will be strong.

This is largely based on consumers returning to pre-Covid patterns.

Given the severity and duration of the disruption…restoration of consumer patterns may occur over several quarters to materialize…

The process begins with consumers sense of safety and the achievement of herd immunity.
US Vaccine Supply

Notes:
- Pfizer announced dramatic reduction in processing from start to vial ready from 110 days to 60 days. This essentially increases Pfizer production/supply by 45%.
- Johnson & Johnson announced it will begin production in Q2.

Notes:
- Q 4 Performance: Production-to-Contract: 67%, Doses Delivered-to-Vaccination: 33%
- Forward Assumptions: Production-to-Contract: 85%, Doses Delivered-to-Vaccination: 85%
Daily Rate of Vaccinations

Notes:
With the news of increased vaccine production, the issue begins to shift from vaccine supply to convincing enough of the population to get the vaccination.

Implied Herd Immunity Dates:
- 70% August 2nd
- 75% August 12th
- 80% August 22nd
- 85% September 2nd

Winter Forecast Assumption:
White Knight shows up mid-to-late third quarter, compared to early third quarter assumed in the Winter Forecast.
Growing Inflation Concerns
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**2020**
- Global Pandemic Unfolds
- Oil Prices Drop
- Massive Unemployment Materializes
- Consumer Demand Contracts
- Capacity Utilization Eases
- Inflationary Expectations are Reduced
- Federal Reserve Accommodative.
- US Covid-19 Vulnerability Prompts Weakening of Dollar

- Inflation Declines an Estimated 50 Basis Points
- Inflation Rate: 1.3%

**2021**
- Consumer Demand Increase
- Capacity Utilization Rises But Slack Remains.
- High Inventories, Increased Iran Supply, Potential OPEC Production Significantly Neutralize Demand Pull on Oil Prices
- Unemployment Reduced to 6% by Year End – Still High and Holds In-Check Wage Increases
- Minimum Wage Slowly Phased In.
- Inflationary Expectations Rise Modestly.
- Federal Reserve Remains Accommodative.

- Inflation Increases an Estimated 80 to 90 Basis Points – From Low Level.
- Inflation Rate: 2.0%

**2022-23**
- Much of Pandemic Has Passed.
- Pent-Up Demand Is Released.
- Unemployment Declines Below 5%.
- Phase in of Minimum Wage Limits Impact on Inflation.
- Capacity Slack is Reduced.
- Inflationary Expectations Rise More Aggressively.
- Federal Reserve Becomes Mildly Restrictive.
- US Dollar Strengthens.

- Inflation Increases an Estimated 50 to 70 Basis Points
Residential Projection
Residential Cement Consumption

Residential Cement Consumption
Metric Tons

Residential Cement Consumption Growth
% Y-O-Y
Nonresidential Projection
Nonresidential Recovery Process

Working Capital Factor:
The longer below “normal” economic conditions persist – the more pressure occurs on working capital and ability to stay open.

Structural Factors Contribute to Vacancy Rates:
- Work-At-Home
- E-Retail
- Virtual Meeting
- E-Learning
- Urban Trend Slows

Nonresidential Construction
Real PIP, Y-O-Y Change

Nonresidential is not expected to contribute to growth until 2023
Public Projection
Depressed economic activity reduces tax collections.

In context of Balance Budget Amendments, states either raise revenue collections via taxes or cut spending.

Tax increases are out given the economic distress.

Entitlement programs and support are least likely to be cut.

Public construction programs become vulnerable.

Without specific state relief in the Covid-19 Federal support program – public spending becomes a key downside risk factor for 2021 cement consumption.

PCA Winter forecast positions public so that up and downside risks are balance.

Currently, the next Federal Covid-19 support program may direct $300 Billion for state support. This represents upside risk to the current forecast.
### "Hybrid" Baseline Level of Detail: $2 Trillion over 4 Years

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**Key Point.** The proposed program, as we see it, is more massive than any previous infrastructure program.

The “Face Value” plan is more than 8 times the size of PCA’s “placeholder of $235 billion over 10 years.

PCA combines information from the Biden infrastructure plan and the Moving Forward Act passed by the House to garner potential details. From there, cement intensities are assigned.

Very rough estimates suggest massive - UNPRECEDENTED increases in annual cement consumption beginning in 2023.
Winter Projection
Total Cement Consumption

Cement Consumption Growth, %, Y-O-Y

Residential Strength Continues.
Nonresidential weakness.
Public reflects State fiscal exposure

2022-2023 Growth Acceleration reflects a Biden Infrastructure “Placeholder” of $260 Billion Ten Year Program.
Cement Outlook Briefing
Podcast #2. February 2021
Ed Sullivan, SVP & Chief Economist