

The logo for PCA (Portland Cement Association) features the letters 'PCA' in a bold, white, sans-serif font. A white swoosh underline starts under the 'A' and extends to the right, ending in a registered trademark symbol (®).

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America's Cement Manufacturers™

## Cement Outlook Briefing

Podcast #2. February 2021

Ed Sullivan, SVP & Chief Economist

# Presentation Focus

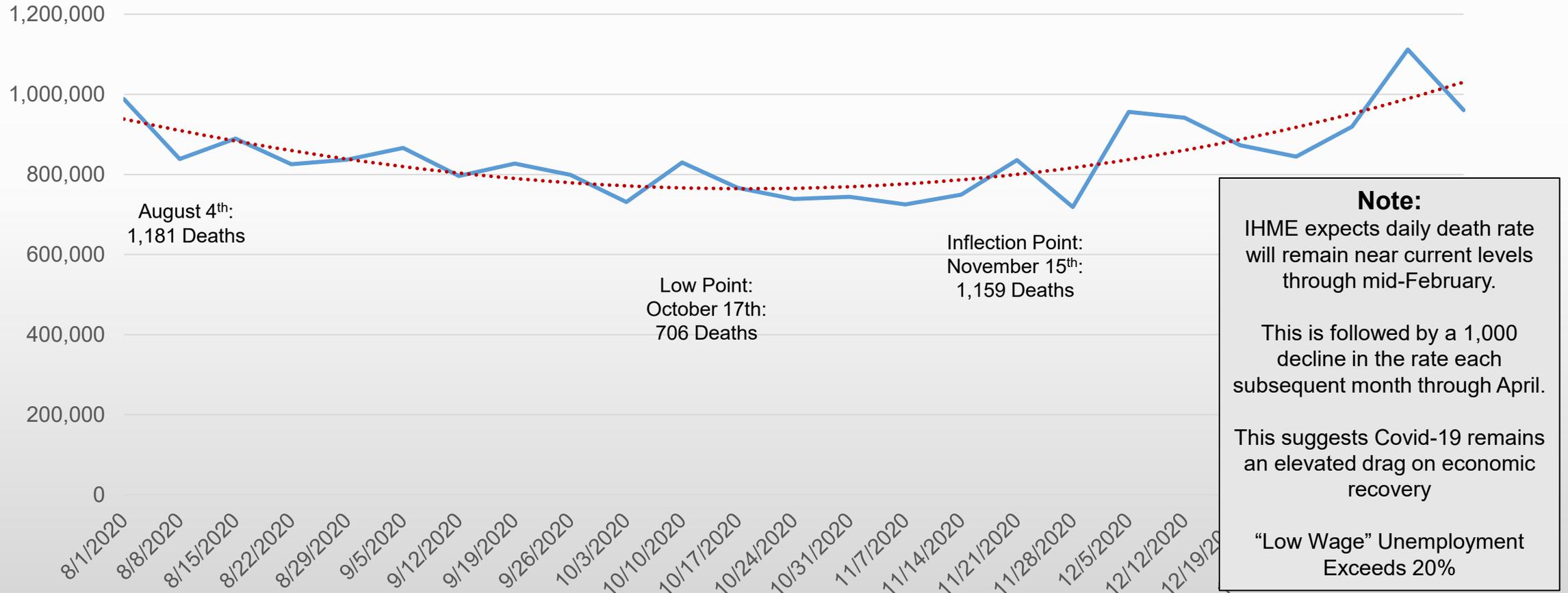
1. Macroeconomic Data & Covid-19 Relief Impacts
2. IHME Covid-19 Projections
3. The Vaccine Scenario & Achieving Herd Immunity
4. Inflation Threats
5. Winter 2020-2021 Segment Projections

# Macroeconomic Data

# Unemployment Claims

## New, Weekly

Current 7 Day Moving Average:  
3,183 Deaths



**Note:**  
IHME expects daily death rate will remain near current levels through mid-February.

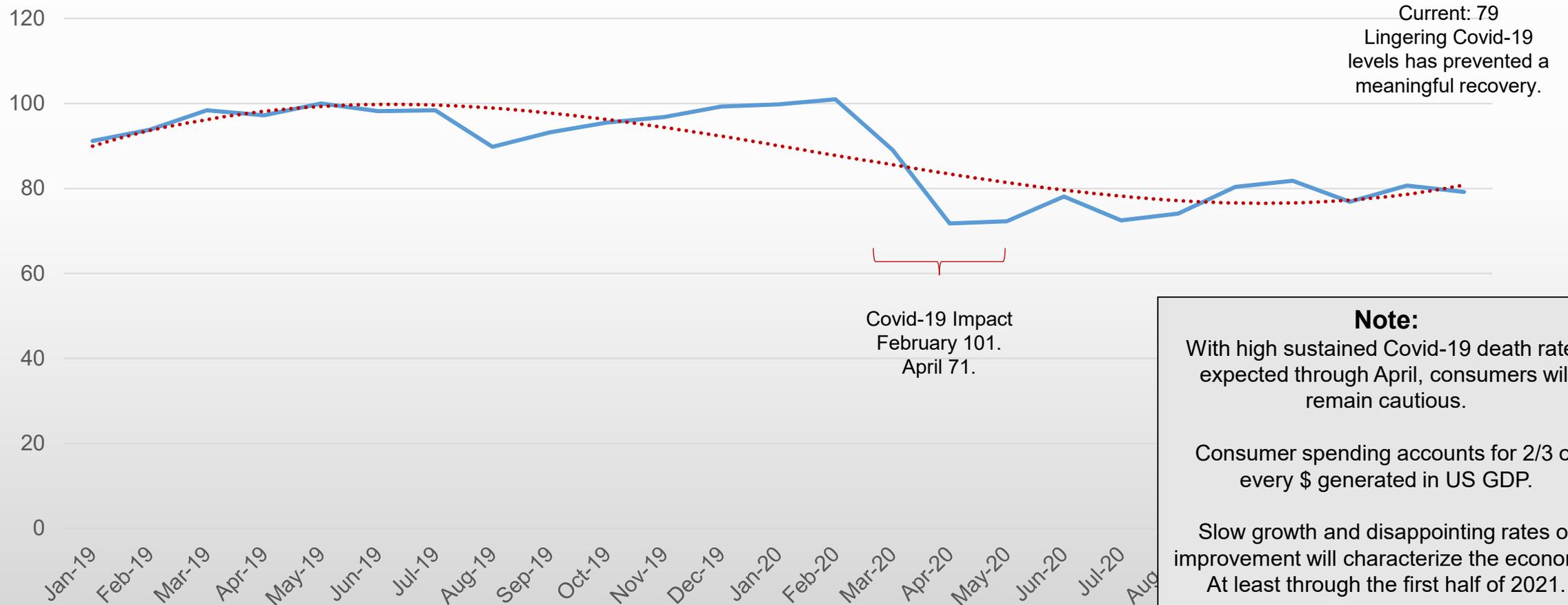
This is followed by a 1,000 decline in the rate each subsequent month through April.

This suggests Covid-19 remains an elevated drag on economic recovery

“Low Wage” Unemployment Exceeds 20%

# Consumer Sentiment

## Composite, University of Michigan



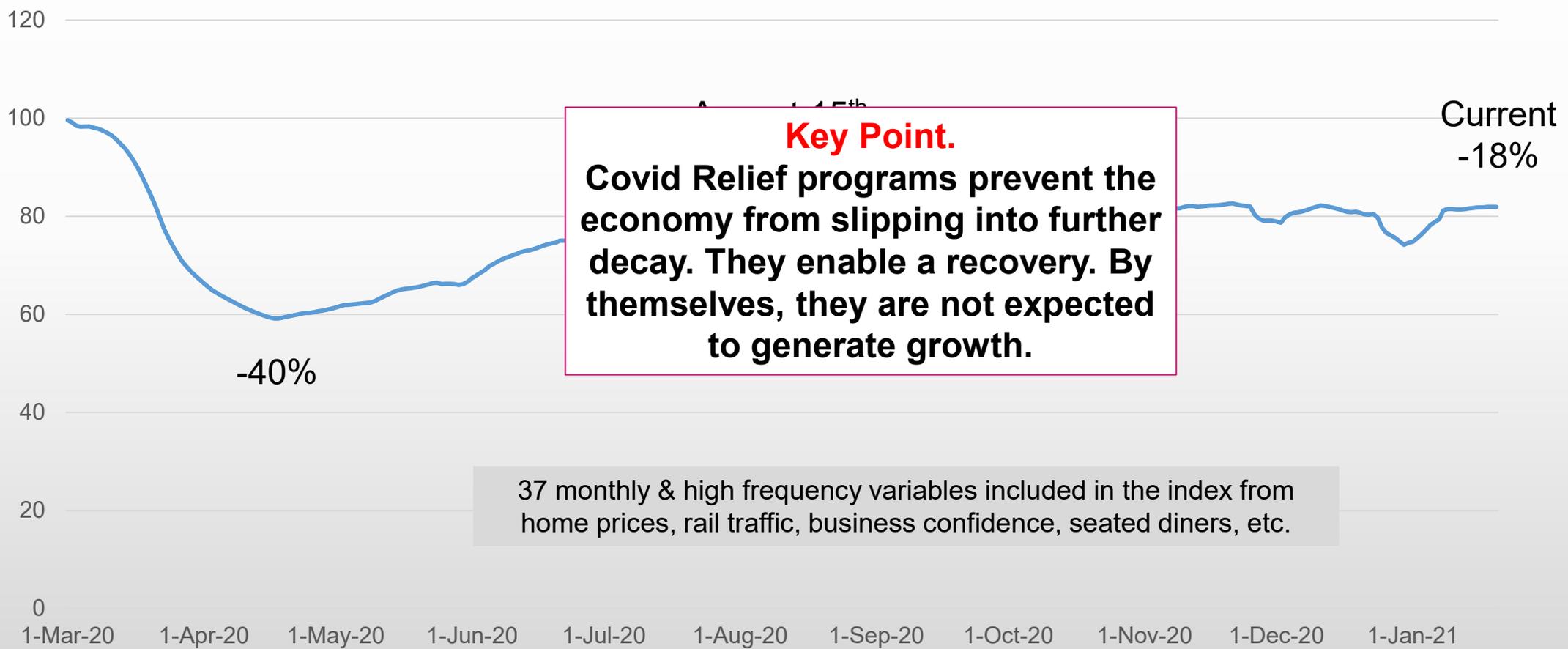
**Note:**  
 With high sustained Covid-19 death rates expected through April, consumers will remain cautious.

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.

# Back to Normal Index

Moody's-CNN Survey 100=March 1st



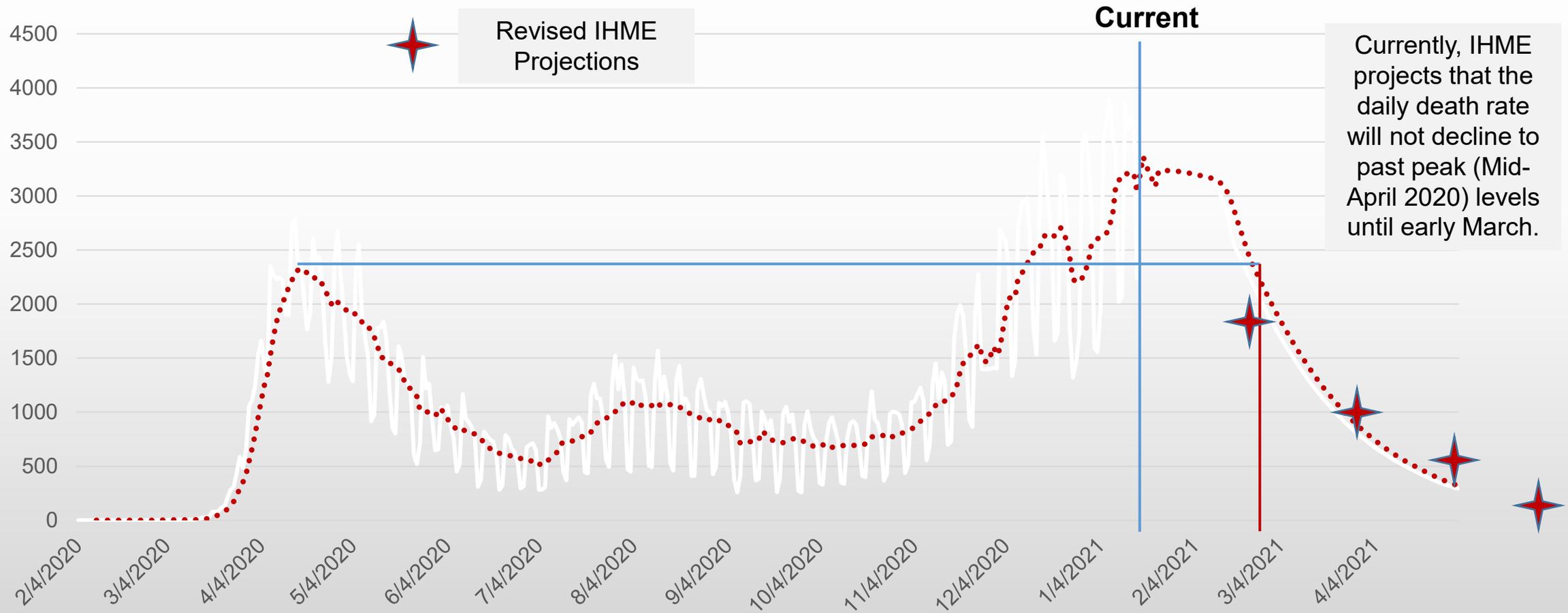
# The Next Round of Covid-19 Relief: Key Spending

• Direct Payments	\$422 Billion
• State Aid	<b>\$350</b>
• 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

# IHME Daily Death Rate Projections

## 7 Day Moving Average



# The Vaccine Scenario

# Vaccine Impact on the Economy

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

It will:

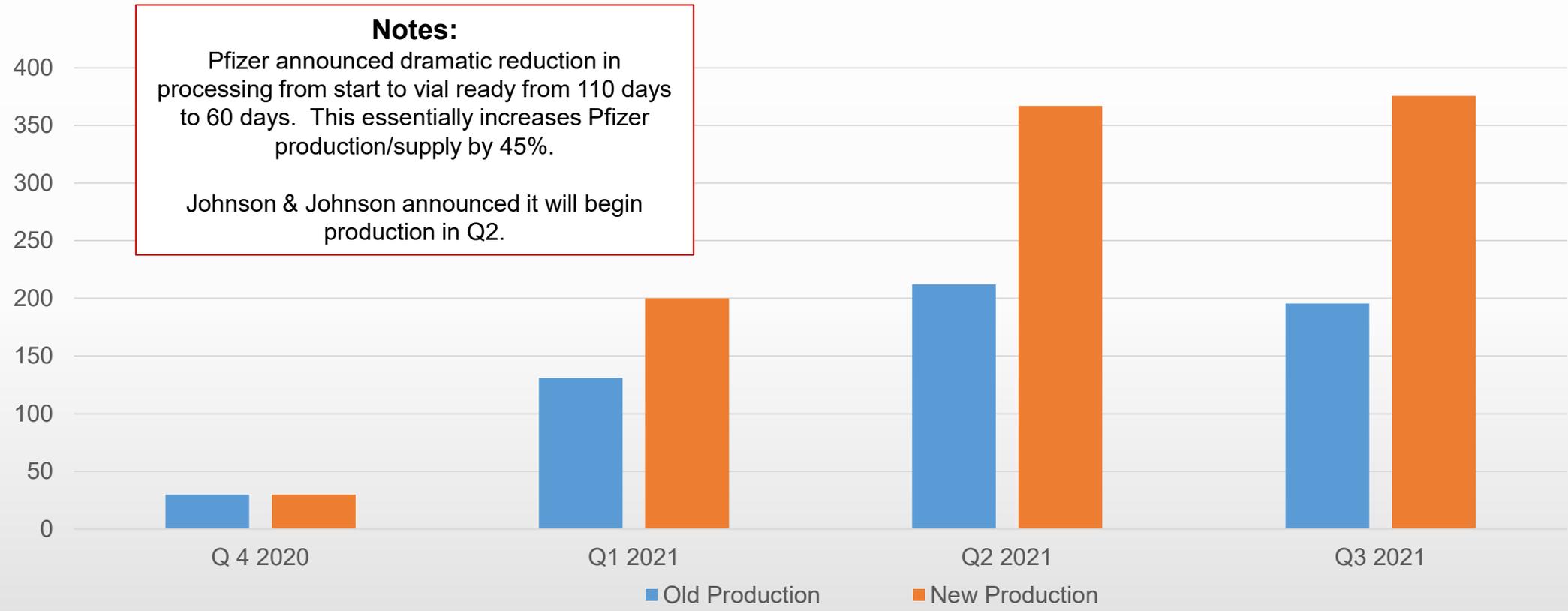
- Result in a dramatic surge in consumer confidence.
- Encourage a return to many, but not all, Pre-Covid activities
  - Dining, movies, shopping, face-to-face interactions.
- Business will reopen, new businesses will emerge to fill voids created by the virus.
  - Perhaps encouraged by SBA support
- 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



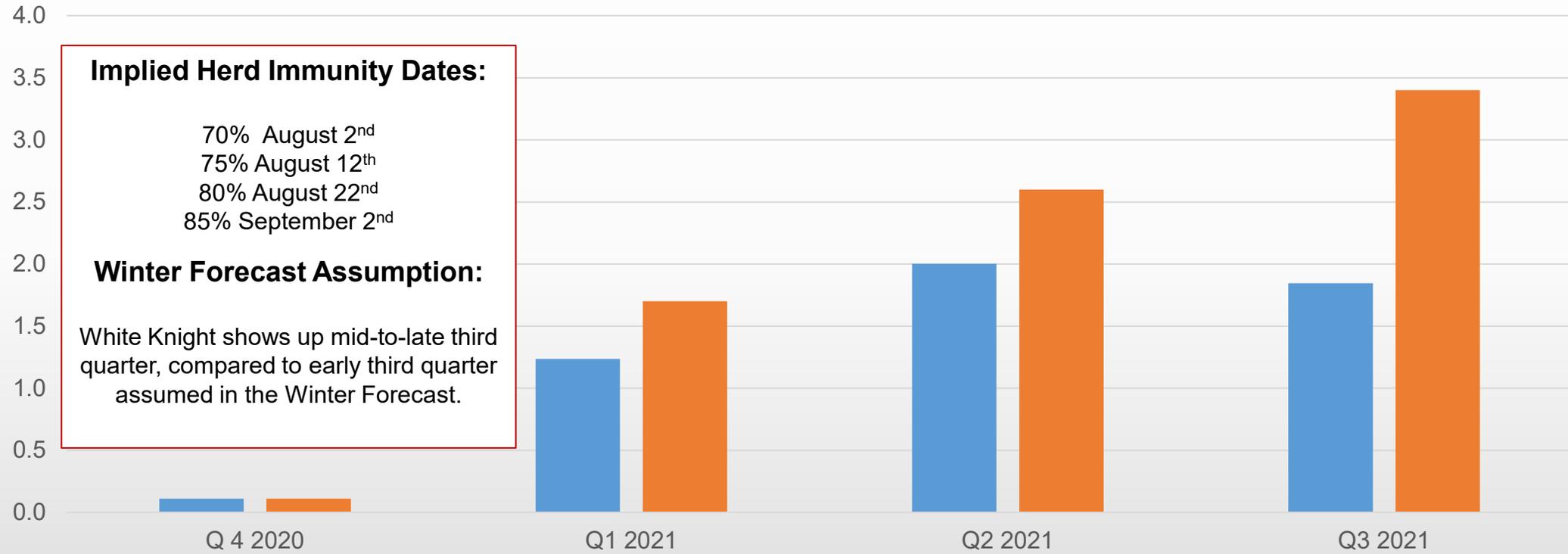
**Notes:**  
Pfizer announced dramatic reduction in processing from start to vial ready from 110 days to 60 days. This essentially increases Pfizer production/supply by 45%.  
Johnson & Johnson announced it will begin production in Q2.

**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

Million Vaccination  
Doses Daily



**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.

# Growing Inflation Concerns

# Growing Inflation Concerns

## 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

- Global Increase Access to Vaccine Materializes in 2<sup>nd</sup> Half 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.
  - Reduced US Covid-19 Vulnerability Prompts a modest Strengthening Weakening of Dollar.
- 
- Inflation Increases an Estimated 80 to 90 Basis Points – From Low Level.
  - Inflation Rate: 2.0%

## 2022-23

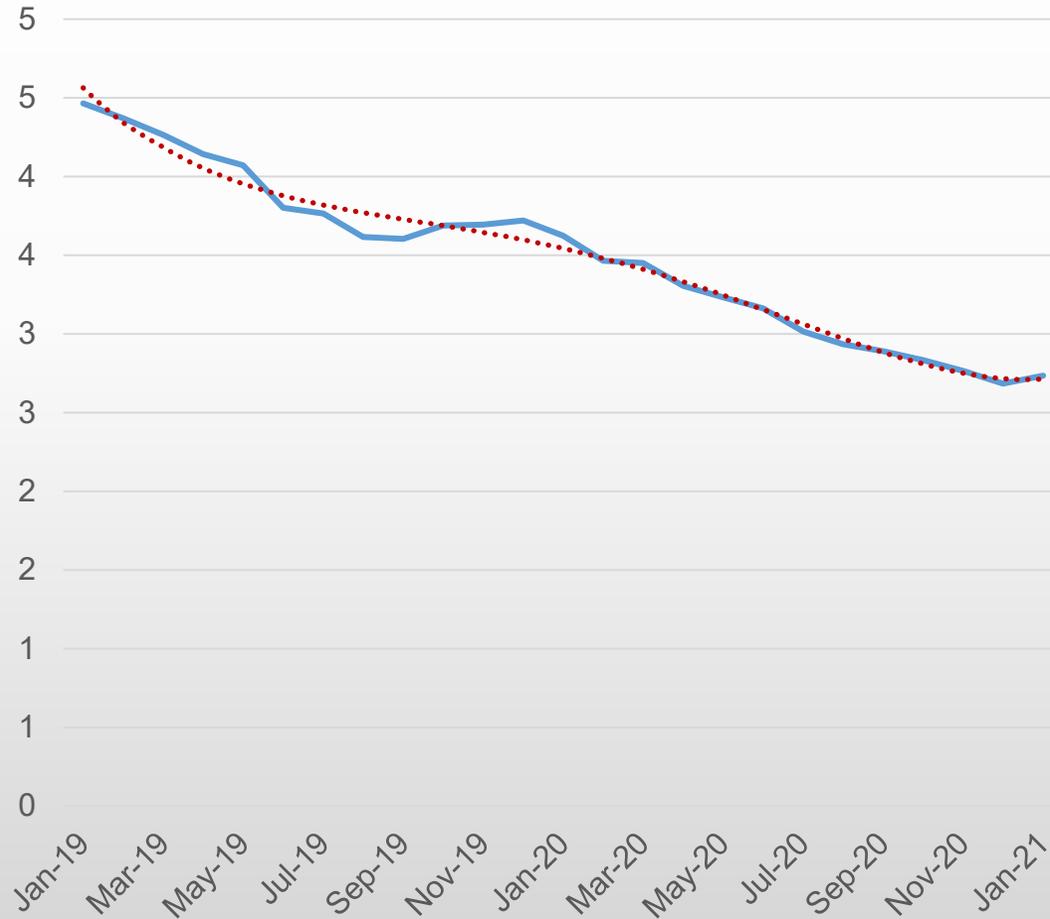
- Much of Pandemic Has Passed.
  - Pent-Up Demand Is Released.
  - Unemployment Declines Below 5%.
  - Phase in of Minimum Wage Limits Impact on Inflation.
  - Capacity Slack is Reduced.
  - Inflationary Expectations Rise More Aggressively.
  - Federal Reserve Becomes Mildly Restrictive.
  - US Dollar Strengthens.
- 
- Inflation Increases an Estimated 50 to 70 Basis Points

# Residential Projection

# Residential Cement Consumption

## Mortgage Interest Rates

%



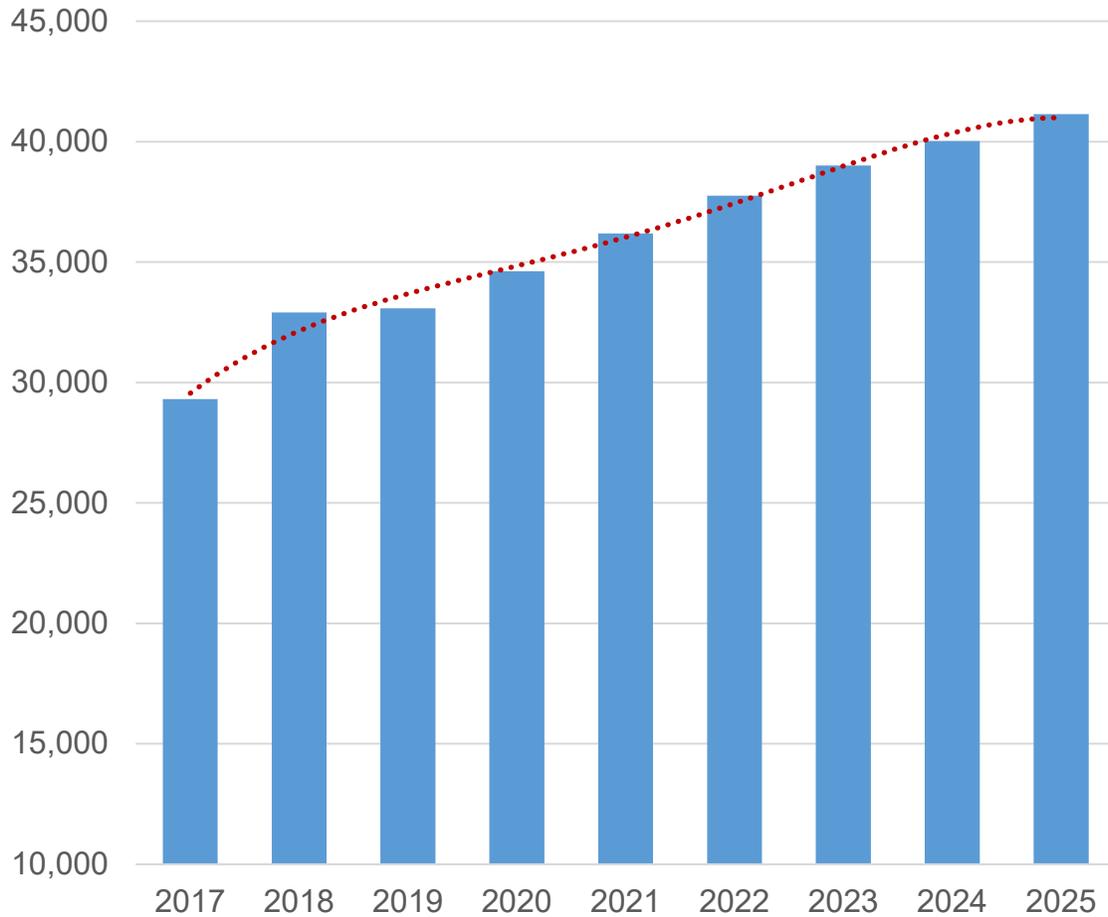
## Average SF Monthly Payment



# Residential Cement Consumption

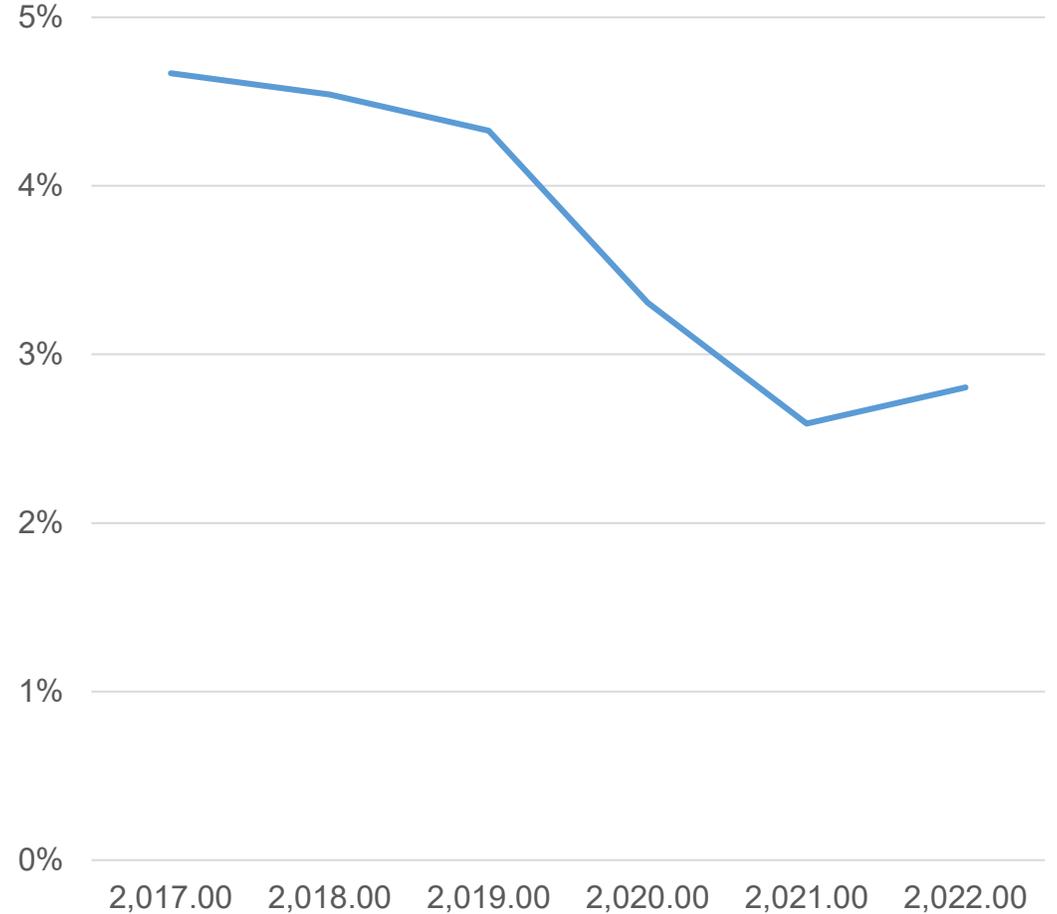
## Residential Cement Consumption

Metric Tons



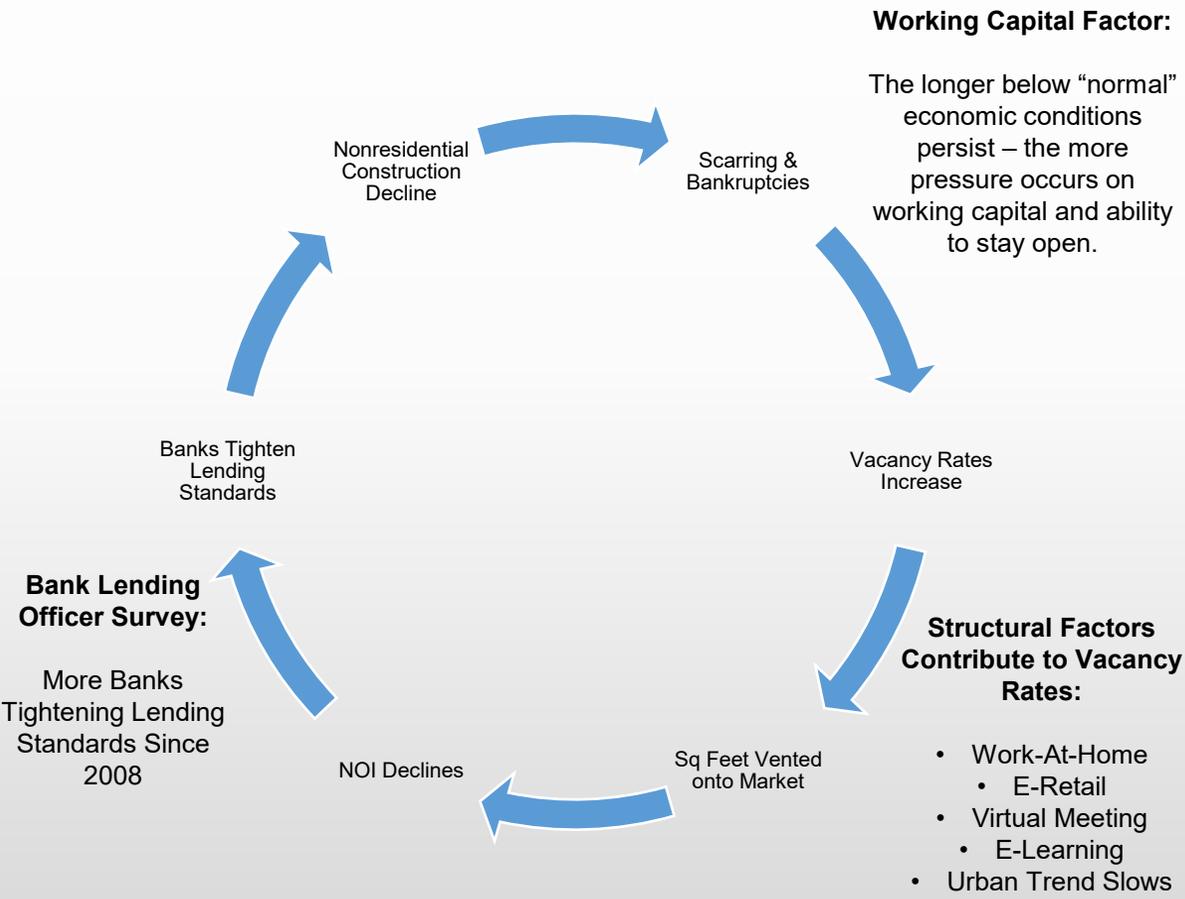
## Residential Cement Consumption Growth

%, Y-O-Y



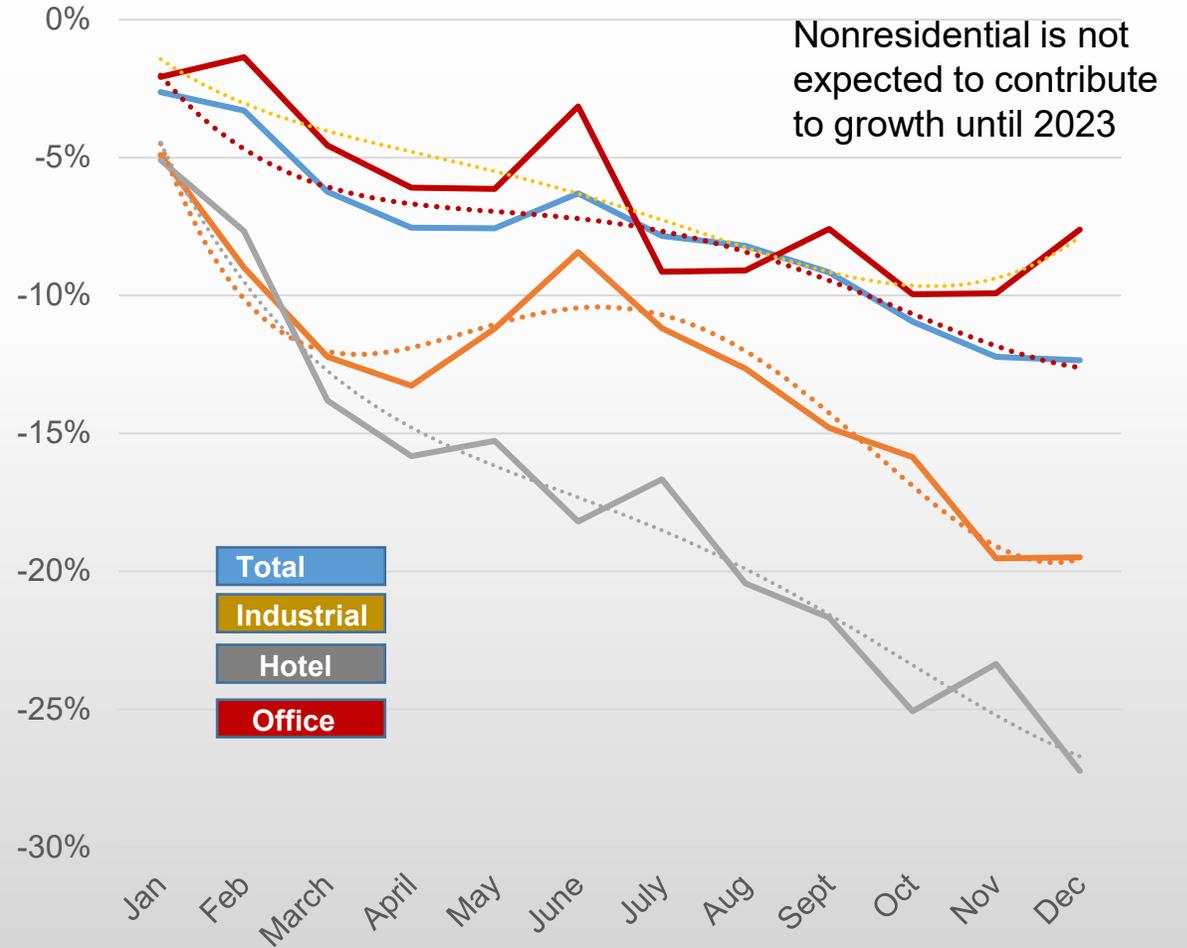
# Nonresidential Projection

# Nonresidential Recovery Process



# Nonresidential Construction

Real PIP, Y-O-Y Change



# Public Projection



# Biden Plan & Moving Forward Act

**"Hybrid" Baseline Level of Detail: \$2 Trillion over 4 Years**

Item	
Highways	\$494.0
Low Carbon Technology & Research	\$400.0
Road & Bridge Repair	\$300.0
School Building Repair & Modern	
Rail Infrastructure	
Affordable Housing	
Broadband Internet	
Renewable Energy	
Misc. Green Projects	\$70.0
Water Infrastructure	\$58.0
Transformation Projects Fund	\$40.0
Hospital Upgrades & Expansion	\$30.0
Urban Revitalization Projects	\$18.0
Airport Direct Funding	\$14.0
<b>Total</b>	<b>\$1,954.0</b>

**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.

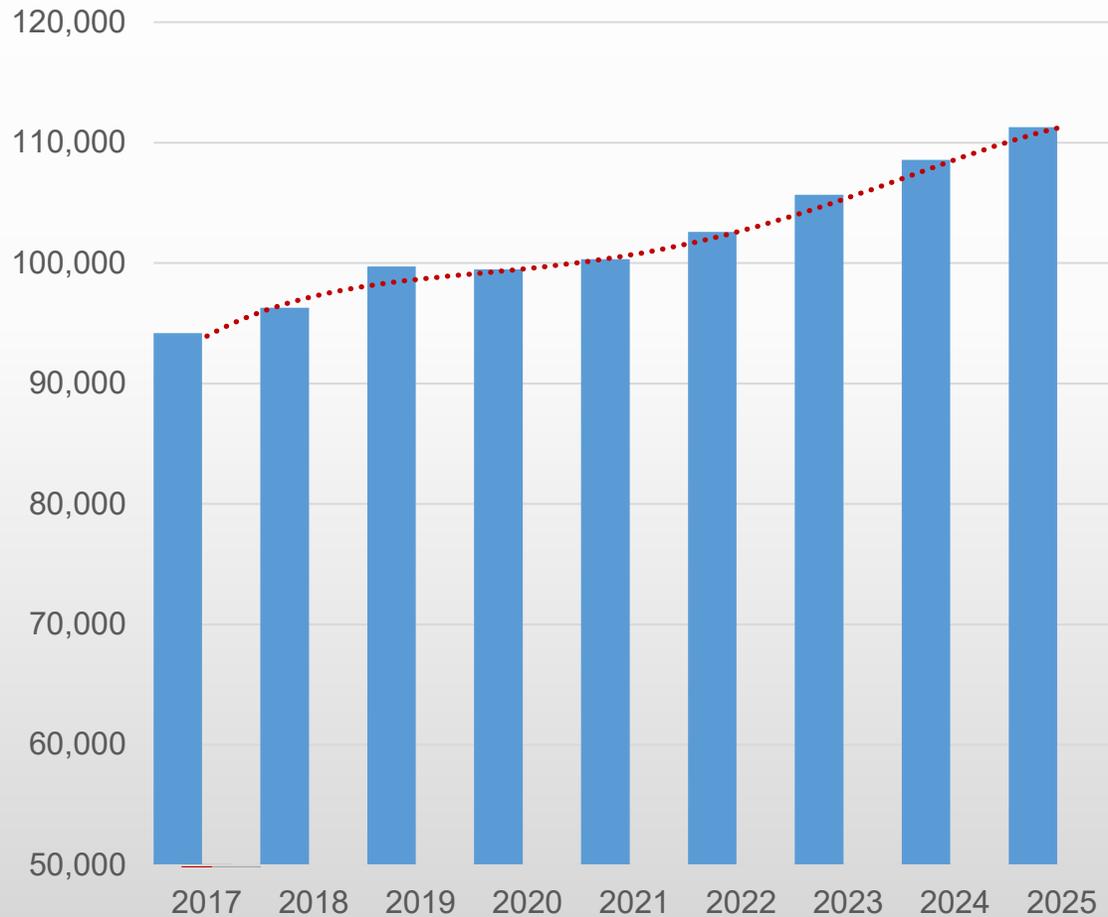
# Winter Projection



# Total Cement Consumption

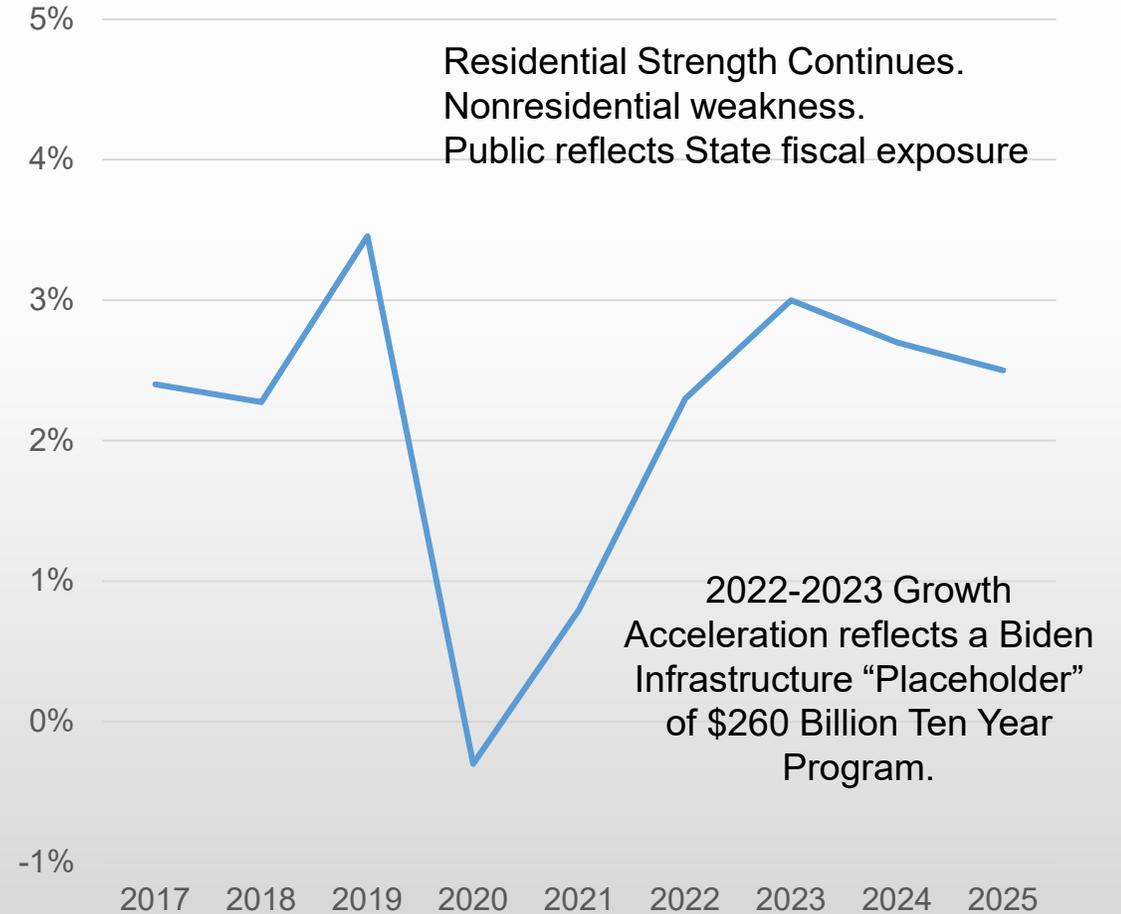
## Total Cement Consumption

Metric Tons



## Cement Consumption Growth

%, Y-O-Y



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