

DCG Aggregates Outlook

November, 2020

Aggregates demand will be just fine for the next few years. It will not grow by much until 2023 but considering what we've been going through it will be enough to keep aggregates prices increasing in most markets.

We look at both macro and micro (local) events to come up with a national outlook. Therefore, we consider inflation changes, mortgage rates, highway taxes, debt levels, employment changes, state and local budgets and construction contracts. When we put it all together, we get many crosscurrents for 2021. If there are no major policy changes construction activity will decrease by modest amounts with almost all of it attributed to nonresidential. Residential will be strong as low mortgage rates and high savings rates are enough to overcome higher home prices. Both nonresidential and nonbuilding will be flat to down but for different reasons. As we have said before the structural changes are hitting nonresidential demand the hardest with little prospect of any real gains for years to come. The retail segment remains in a huge adjustment due to online shopping gains and office investment is changing from urban centric to suburban centric due to the virus and social unrest.

Nonbuilding will muddle along as state and local governments strive to re-balance their budgets. We do not expect any major bump in funding from the federal government. Given the long lead times of most nonbuilding projects it means 2021 will be weaker than 2020 and 2022 will probably be the bottom for this segment.

We know there is a reasonable likelihood of an infrastructure boost from the Federal government but that is not reflected in our numbers yet. As the dust settles the numbers will be updated.

As we asked last month, so we know who is president and who controls Congress, right? If so, budgets and strategies can once again return to projections with smaller standard deviations.

Aggregates pricing strength will return by late-2021 in most areas.

Billions of metric tons	2016	2017	2018	2019est	2020est	2021est	2022est	
Residential	.57	.57	.57	.56	.54	.61	.63	
Nonresidential	.72	.70	.71	.78	.68	.62	.62	
Nonbuilding	1.03	1.00	1.08	1.17	1.17	1.14	1.15	
Total	2.32	2.27	2.36	2.51	2.39	2.37	2.41	
Yr./Yr. %Ch.	+2.7%	-2.2%	+4.0%	+6.4%	-4.8%	-0.8%	+1.7%	

Note: *There is a small difference between our estimates of consumption and the USGS because of our own estimates in states where USGS does not report values due to competitive concerns*

Nov. 2020 David Chereb, Ph.D., David Chereb Group, Inc. DCG produces customized market forecasts by major segments of construction, from the county level up. Clients use DCG market intelligence reports for business planning and acquisition analyses in aggregates, ready-mix concrete and cement. For more information, please visit www.davidcherebgroup.com Note: These results are based on our county level aggregates model. More details are available for an additional fee.