

Georgia Construction Aggregate Association



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Outline

- Unexpected events in 2010

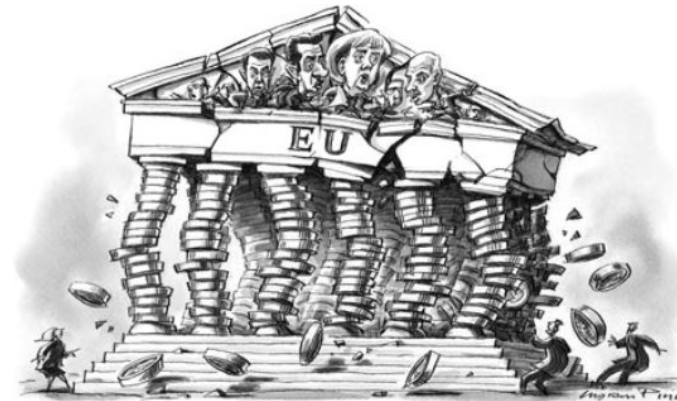
- Economic Outlook for 2011
 - Employment
 - State Fiscal Condition
 - Inflation
 - Construction
 - Housing
 - Non-residential Construction
 - Highways

- 2011 Georgia Forecast for Construction Aggregates

What happened to the Recovery in 2010?

Unexpected events proved to be detrimental to the Recovery. For example.....

- European Debt Crisis
 - Ripple effect into U.S

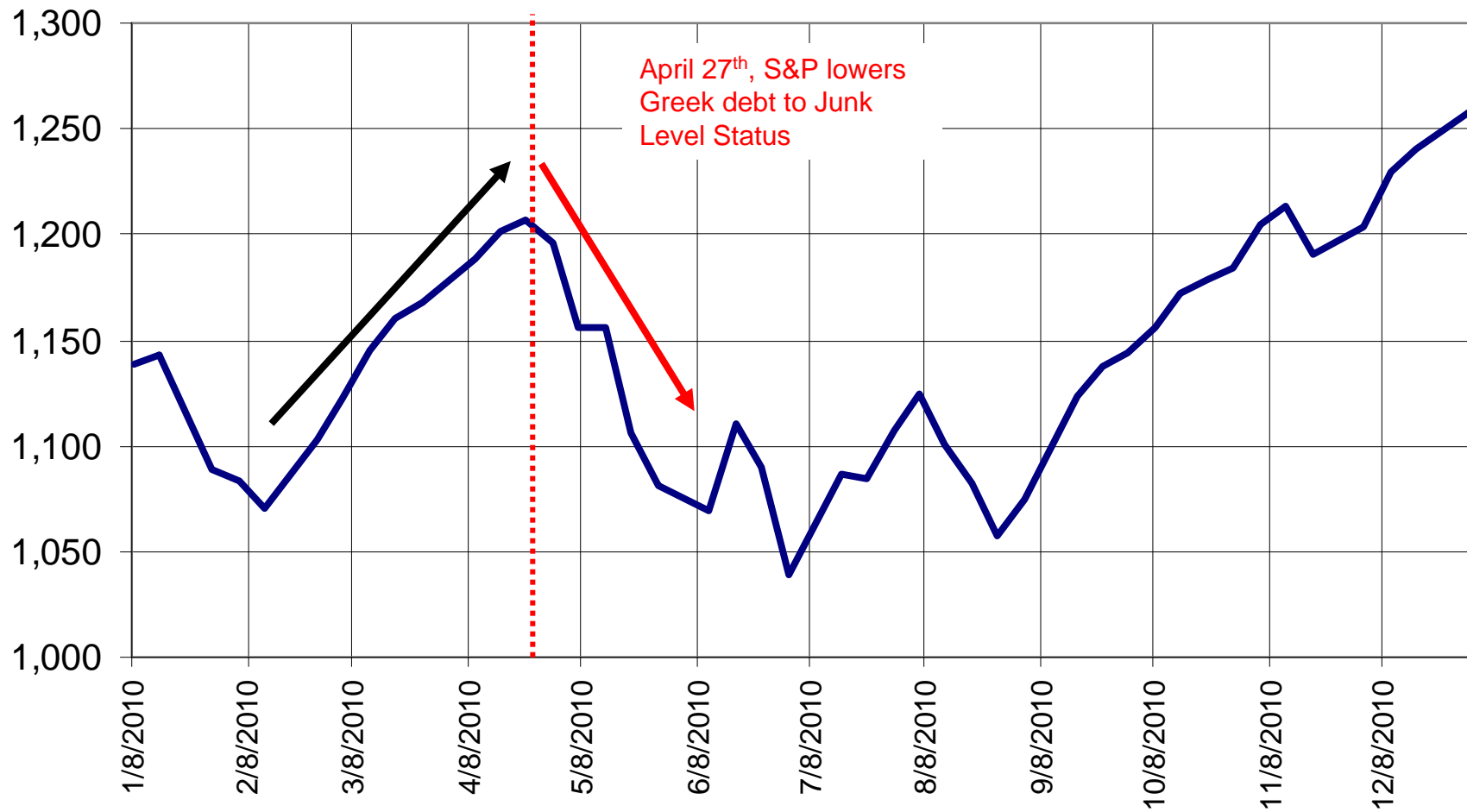


- Housing
 - Issues with the foreclosure process



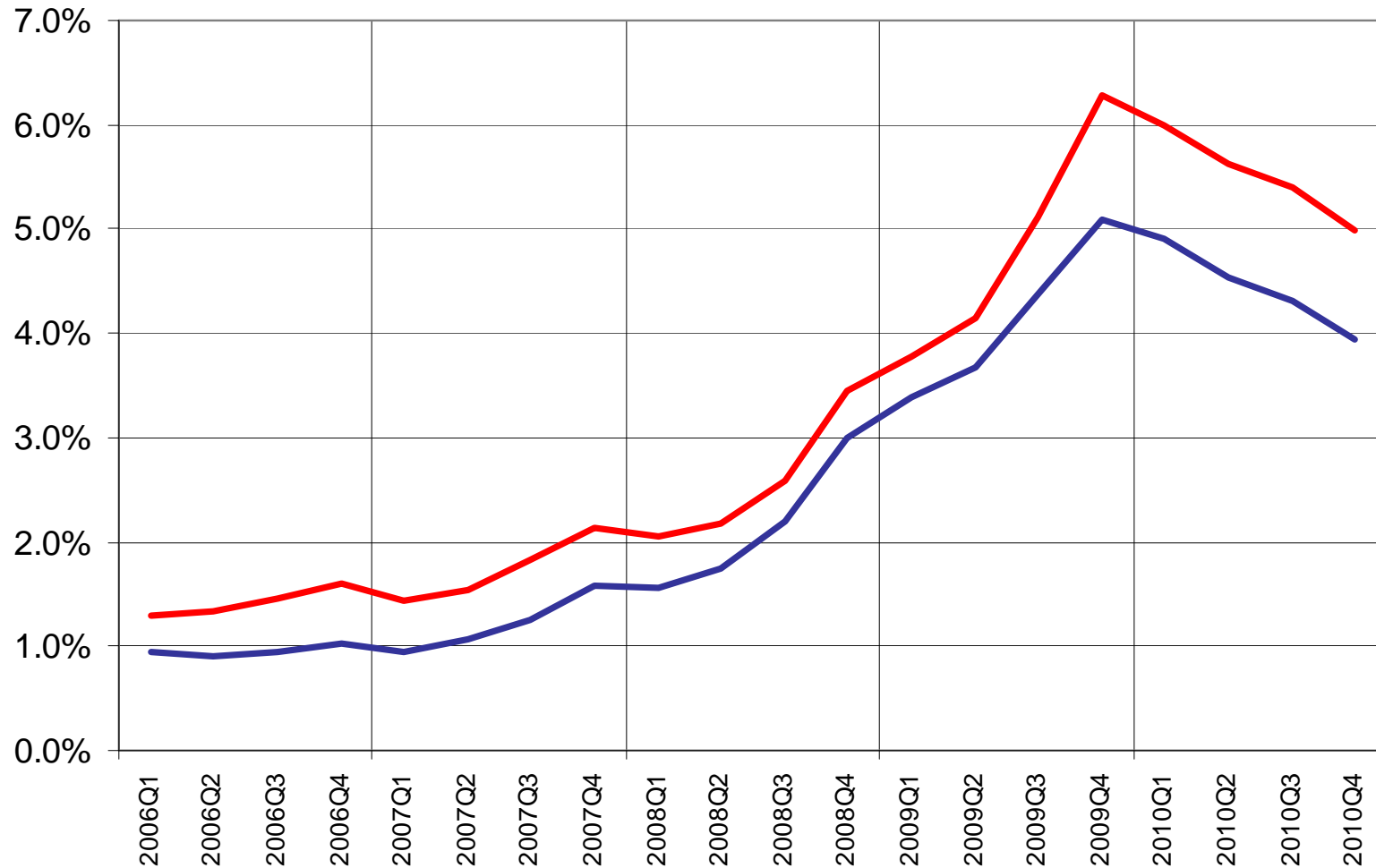
European Debt Crisis caused uncertainties in the U.S.

Stock Price Index: S&P 500, (Index, NSA)



Technicalities stalled the foreclosure process but didn't change the facts

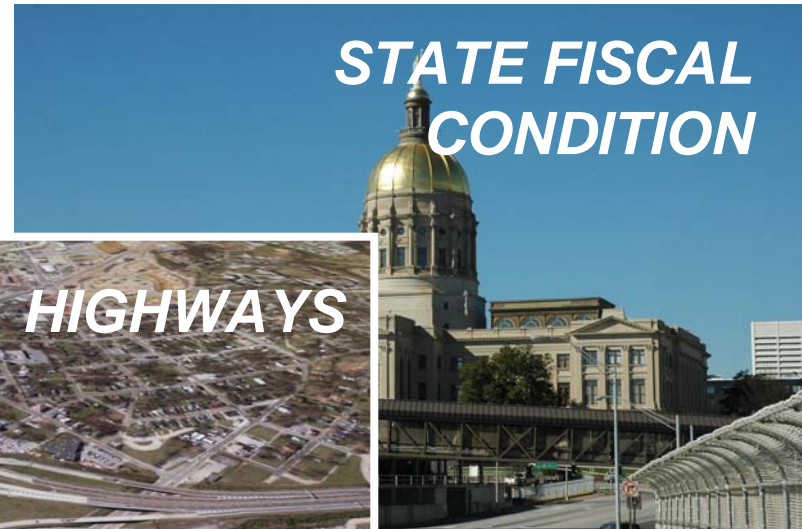
MBA: All Loans - Percent of Loans Past Due 90 Days, (% , NSA)



Source: Mortgage Bankers Association: National Delinquency Survey

— Georgia — United States

What is the 2011 outlook for.....



Employment

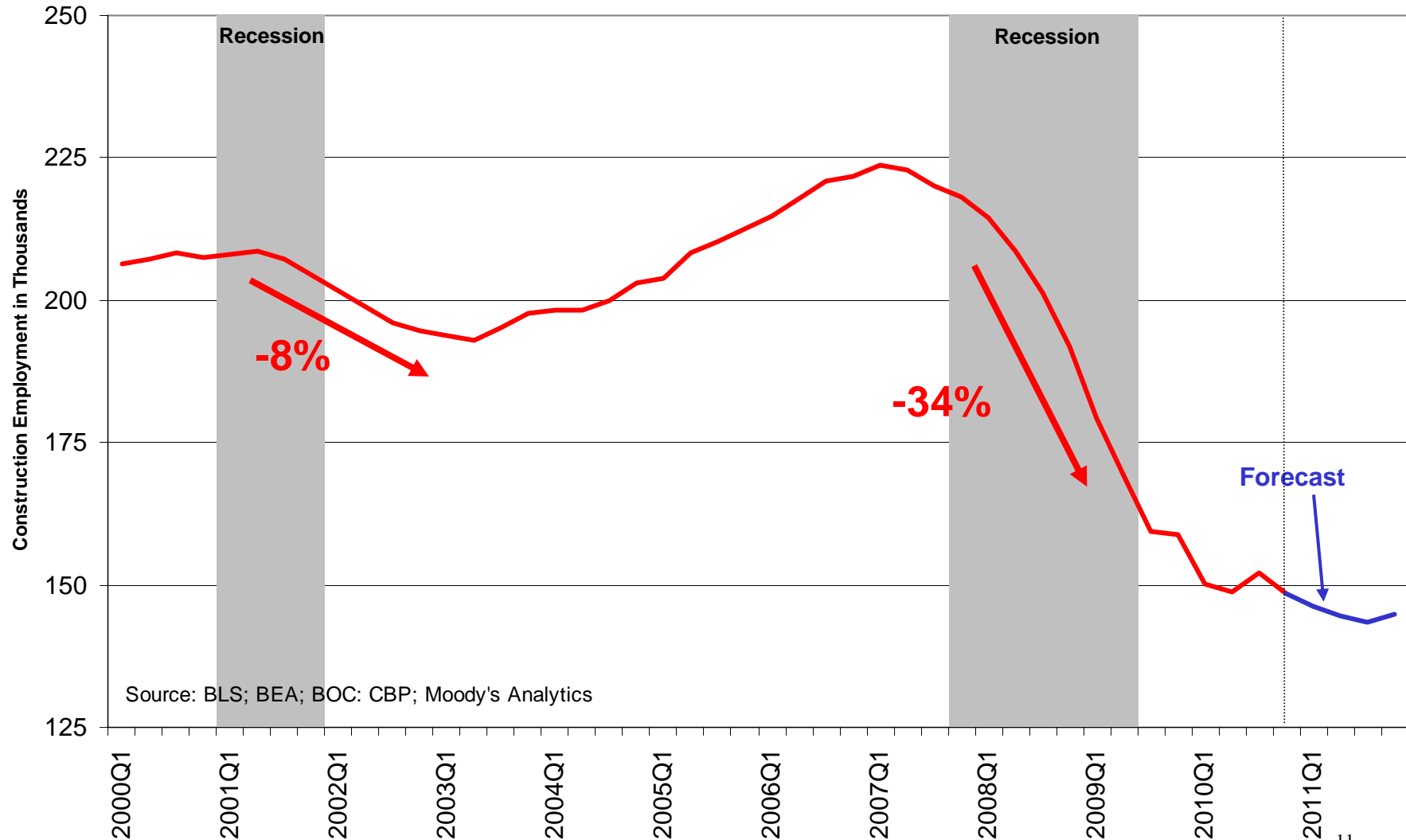
Georgia employment declined in 2010 (with construction being hit the hardest).....

Employment by Sector (SA)	% Change 2009 to 2010
Education and Health Services	1.8%
Leisure and Hospitality	0.3%
Other Services	0.1%
Professional and Business Services	-0.1%
Government	-0.4%
Trade, Transportation, and Utilities	-1.5%
TOTAL NONFARM	-1.6%
Information	-2.8%
Manufacturing	-5.7%
Financial Activities	-6.5%
Construction	-9.9%

Source: U.S. Bureau of Labor Statistics, Moody's Economy.com

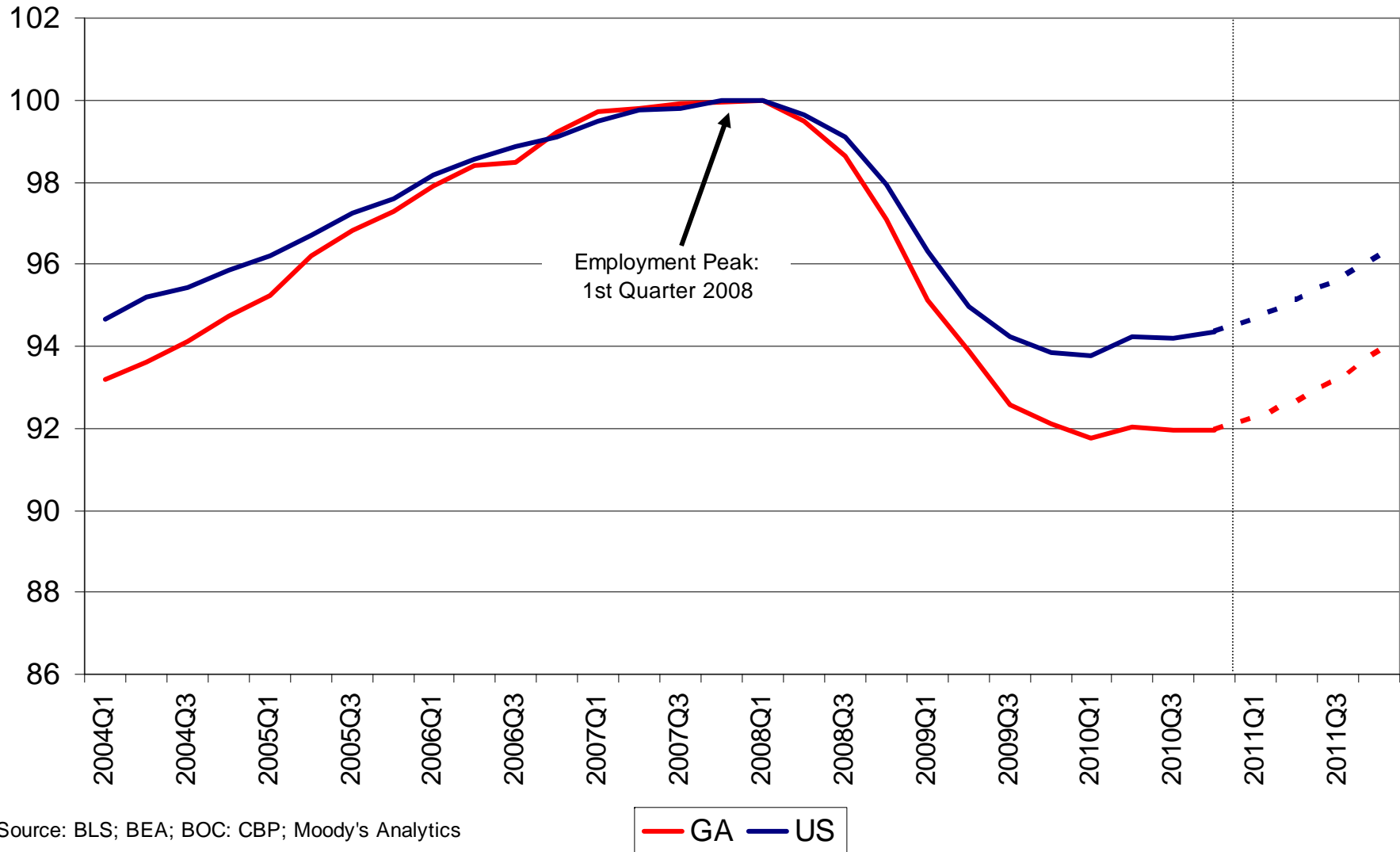
Construction employment is forecasted to fall further in 2011

Employment: Construction, (Ths., SA) for Georgia



However, total employment is expected to increase for 2011

Employment: Total Nonagricultural, (Indexed to 2008Q1., SA)



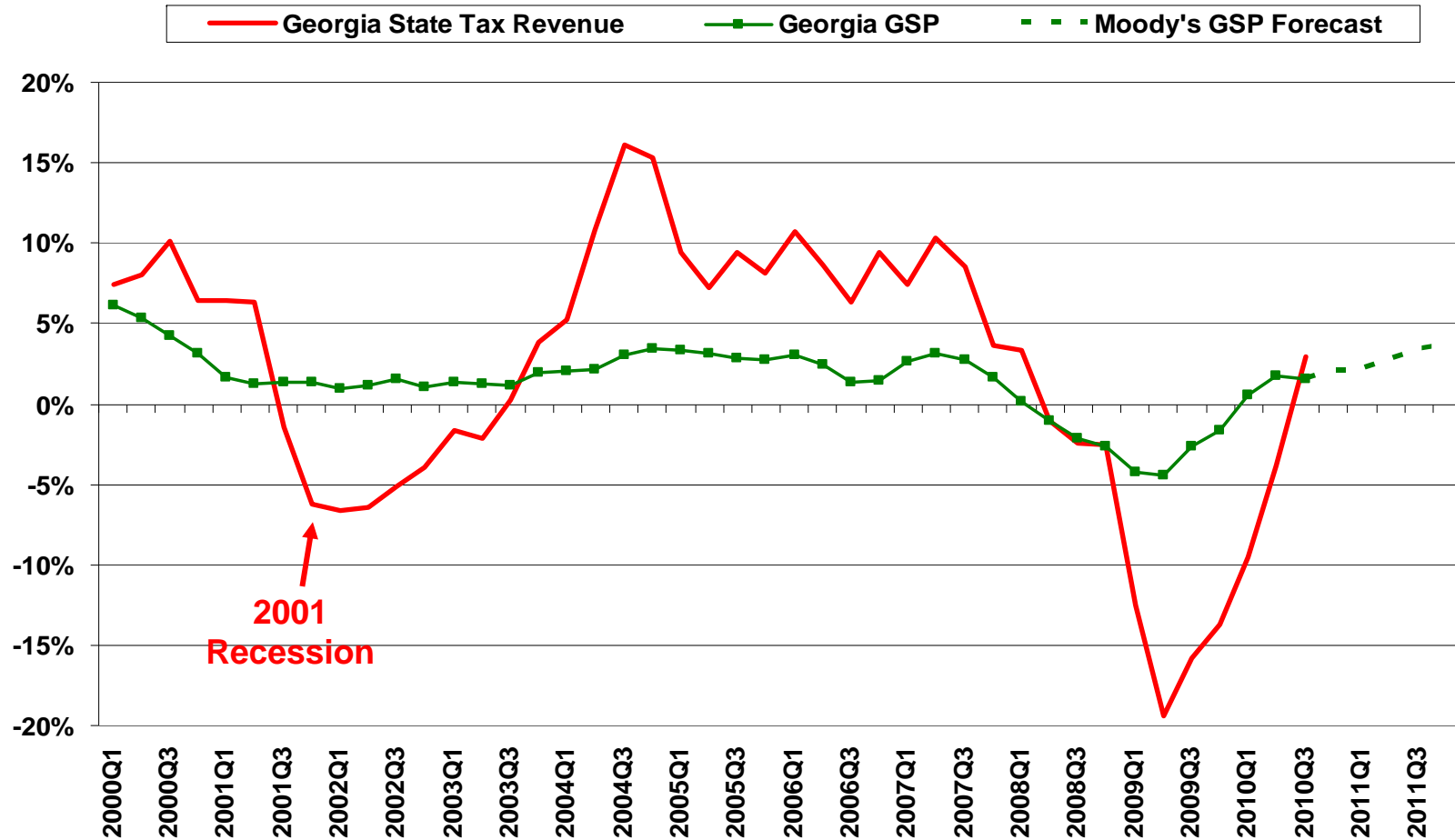
Source: BLS; BEA; BOC; CBP; Moody's Analytics

GA US

State Fiscal Condition

Tax Revenues and Gross State Product are both positive again

State & Local Tax Receipts Compared to Real GSP
Percent Change Prior Year Same Quarter - Two Quarter Moving Average



Source: The Nelson A Rockefeller Institute, U.S. Bureau of Economic Analysis, Moody's Economy.com

Business Friendly Tax Structures help promote growth....



State Business Tax Climate Index, 2010 - 2011

	FY 2011 State Business Tax Climate Index		FY 2010 State Business Tax Climate		Change from 2010 to 2011	
	Score	Rank	Score	Rank	Score	Rank
US	5.00		5.00			
Alabama	4.99	28	5.19	19	-0.20	-9
Florida	6.53	5	6.62	5	-0.08	0
Georgia	5.02	25	5.01	29	0.01	4
South Carolina	5.04	24	5.03	26	0.00	2
Tennessee	5.00	27	5.10	22	-0.11	-5

Note: The higher the score, the more favorable a state's tax system is for business. All scores are for fiscal years

Source: Tax Foundation - Jan 2011

Until they become “unfriendly”

“Senate Appropriations Chairman Jack Hill, R-Reidsville, warned Monday that the state’s budget hole for next fiscal year is closer to \$2 billion than to the \$1 billion that’s been discussed.....Despite the positive news that state revenues are growing, Hill said it’s not enough.”

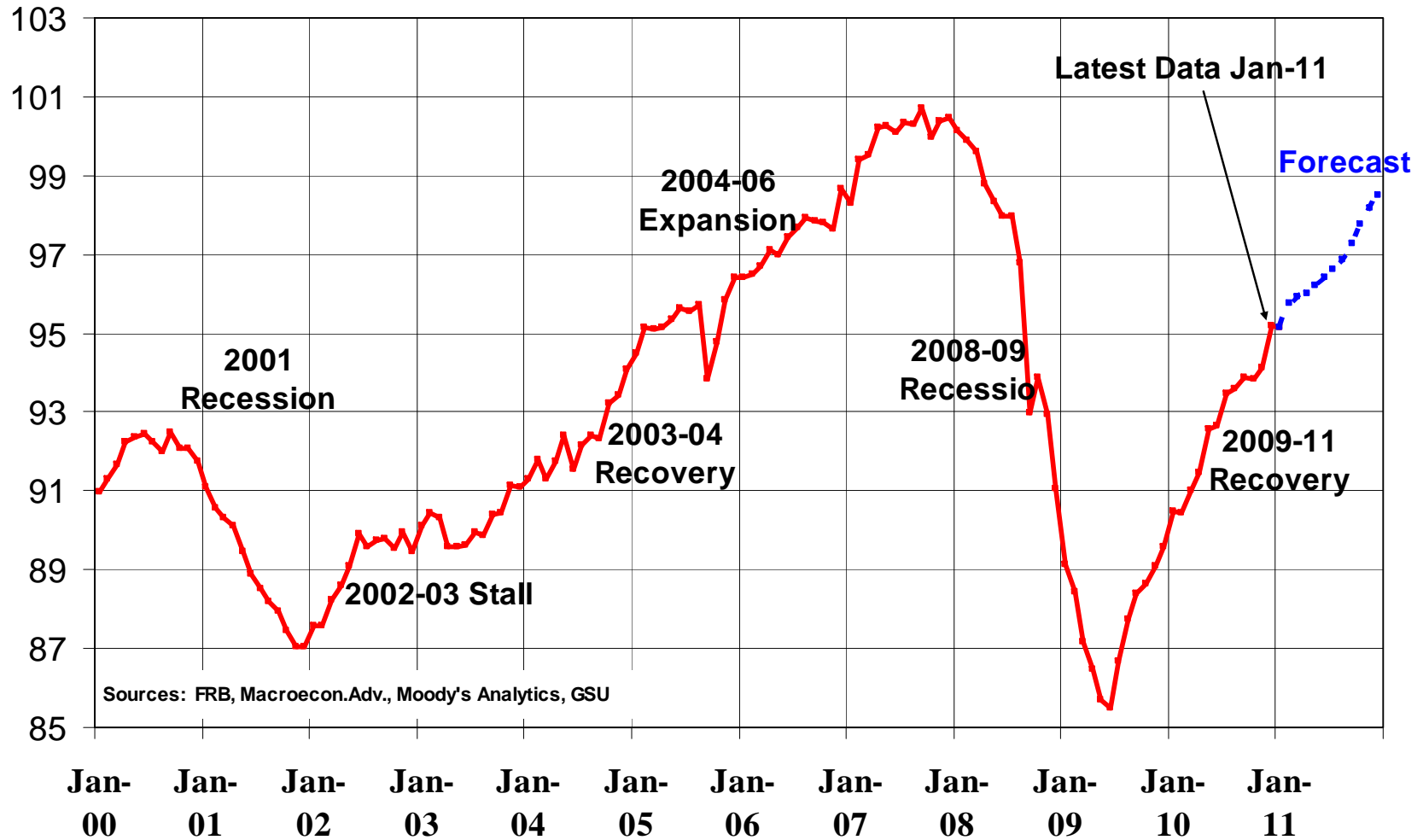
ajc.com, December 13th, 2010

Decisions have to be made about how to close these budget gaps.....

**There is good news to be
found....**

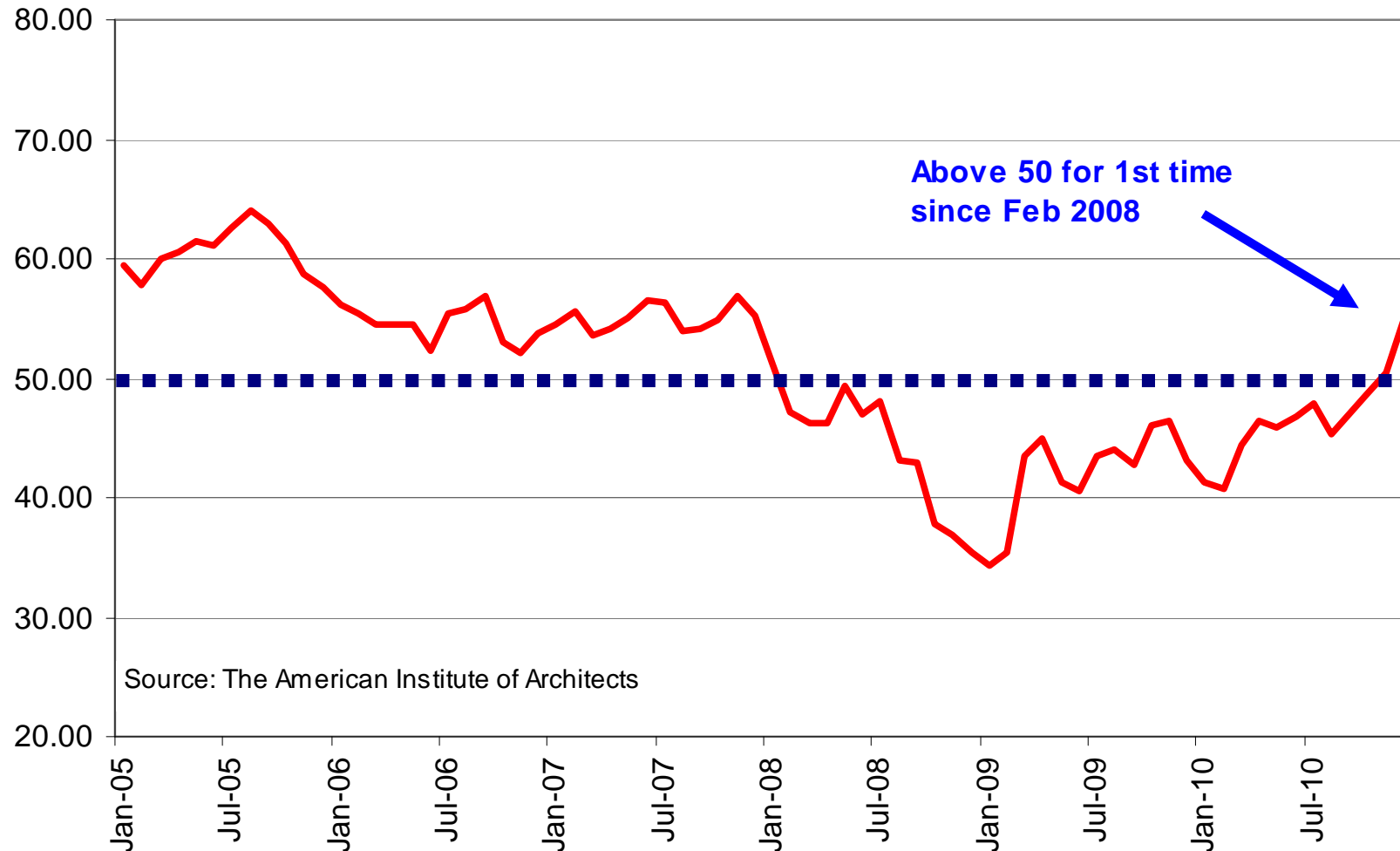
Industrial Production continues to recover

Industrial Production: Total, (Index, 2007=100, SA)



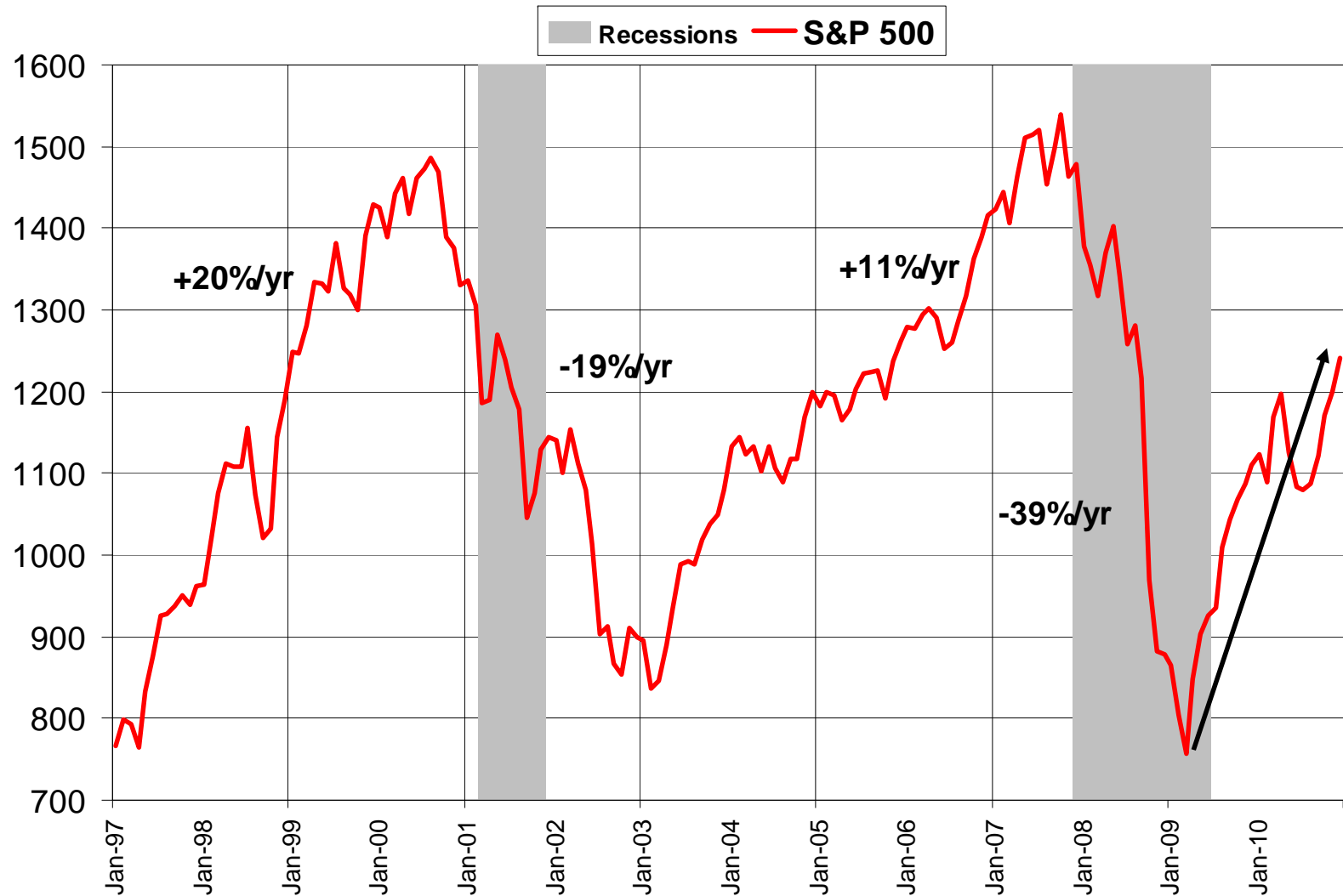
The Architecture Billing Index went positive in December

AIA Architecture Billings Index: Total, (Index, SA)
South Region



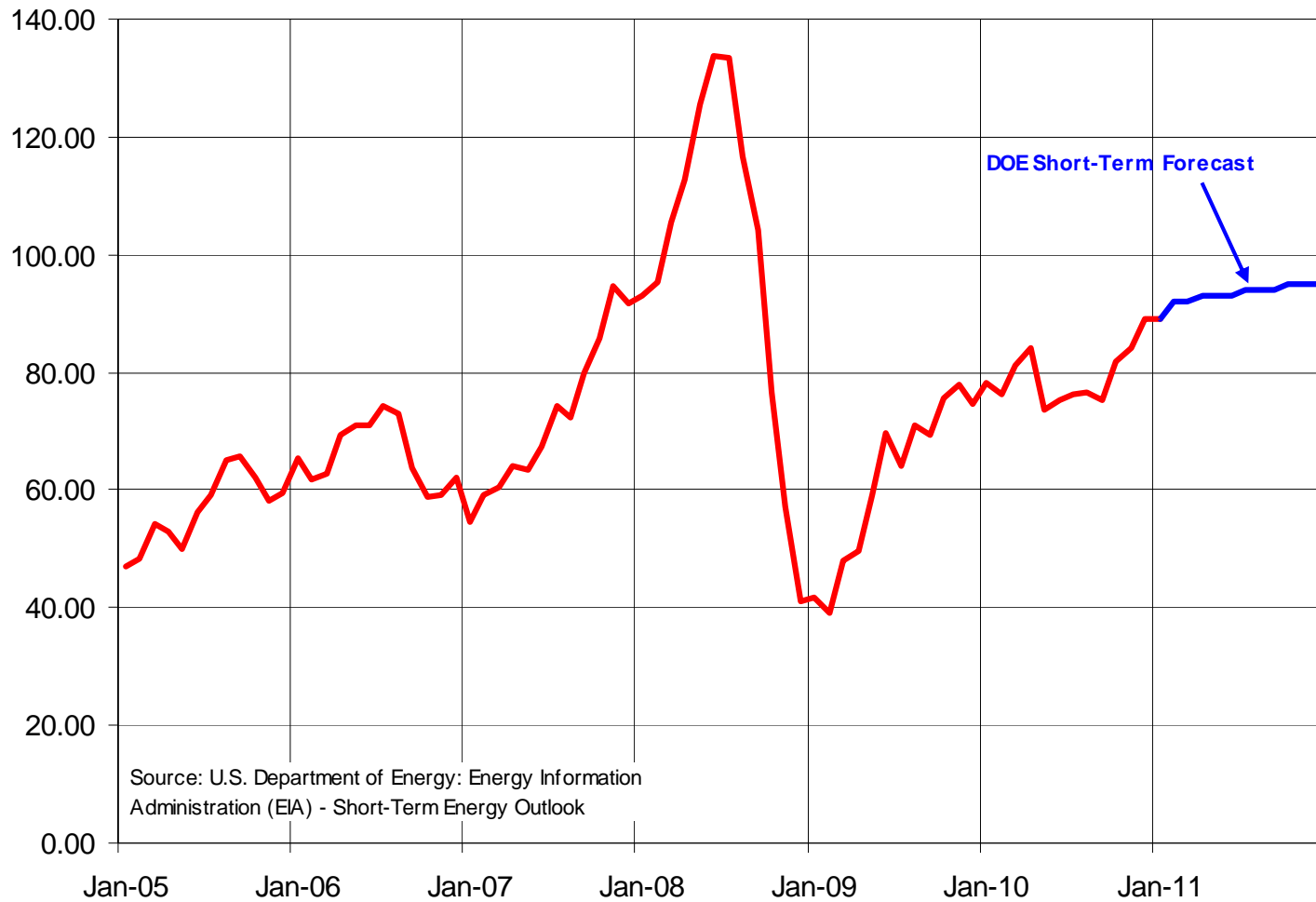
Source: The American Institute of Architects

Stock Market rebounding



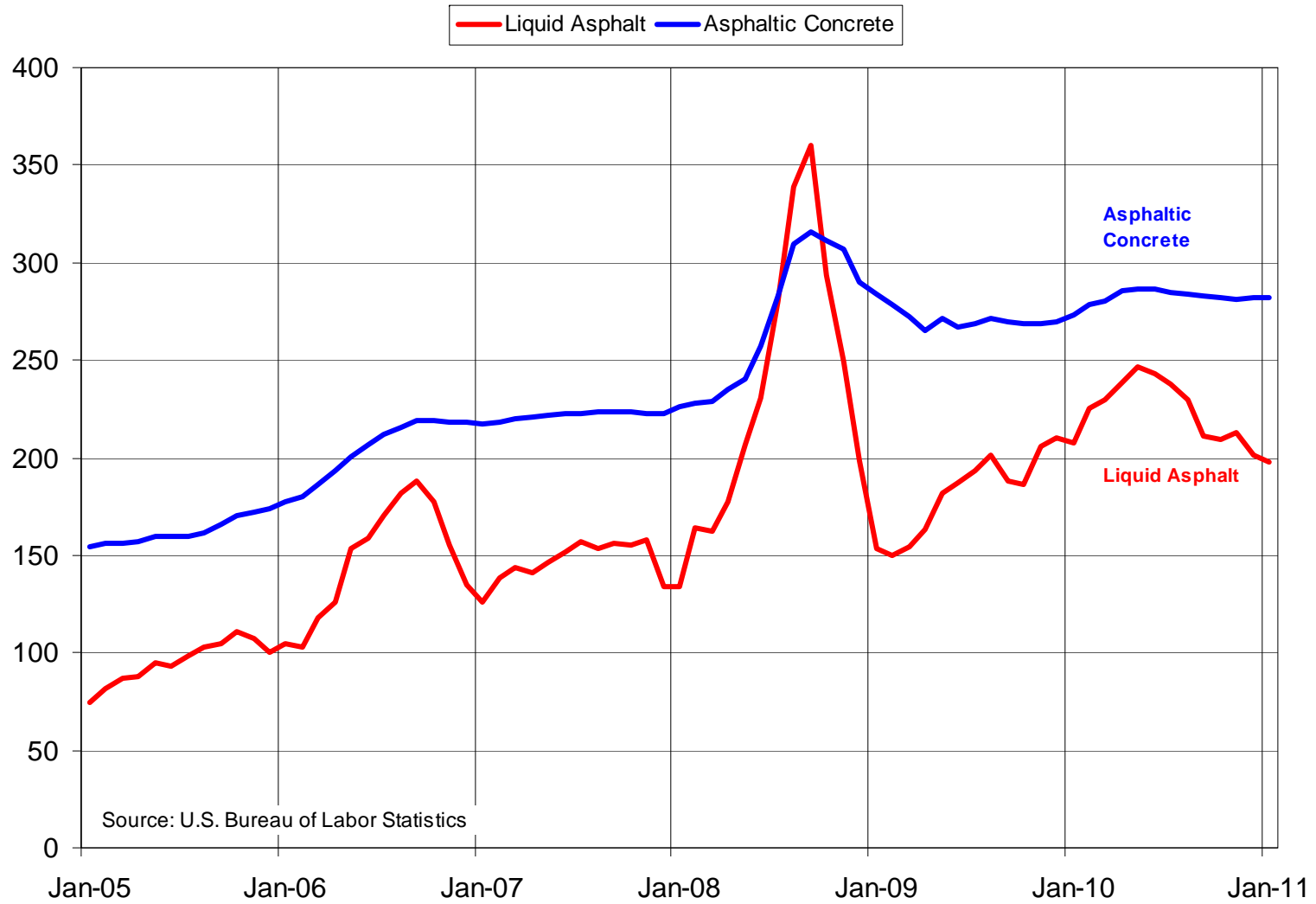
Inflation: Oil Price

Crude Oil - West Texas Intermediate Spot Average, (dollars per barrel)



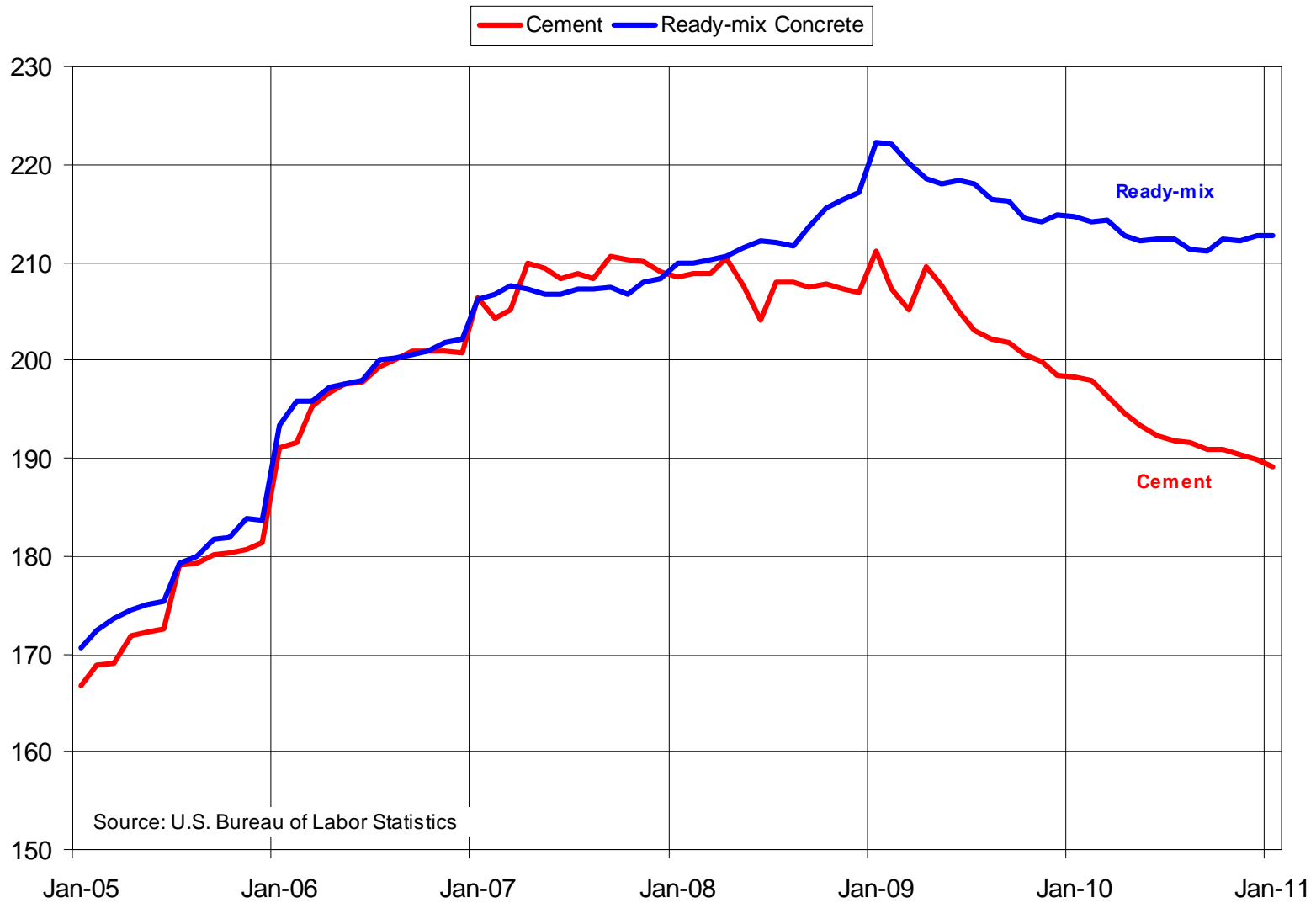
Source: U.S. Department of Energy: Energy Information Administration (EIA) - Short-Term Energy Outlook

PPI: Liquid Asphalt & Asph.Conc.



Source: U.S. Bureau of Labor Statistics

PPI: Cement & Readymix



CONSTRUCTION

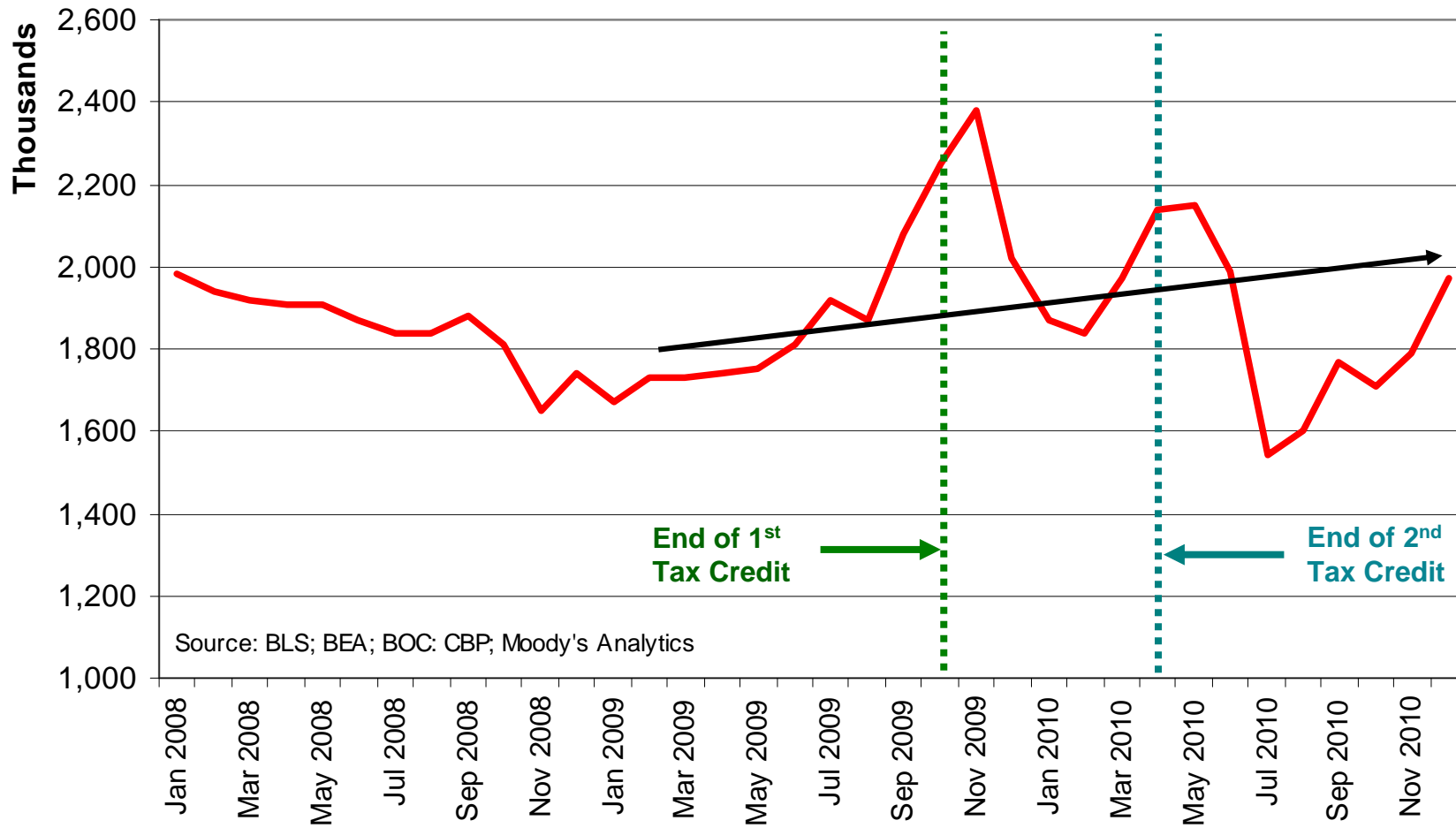
- Housing
- Non-Residential Buildings
- Highways
- Total Aggregates

Variables affecting Housing

- No tax-credit in 2011, little net impact in 2010
- Foreclosures are limiting new housing
- Pent up demand
- Interest rates rising but still favorable
- Need more “reasonable” lending standards

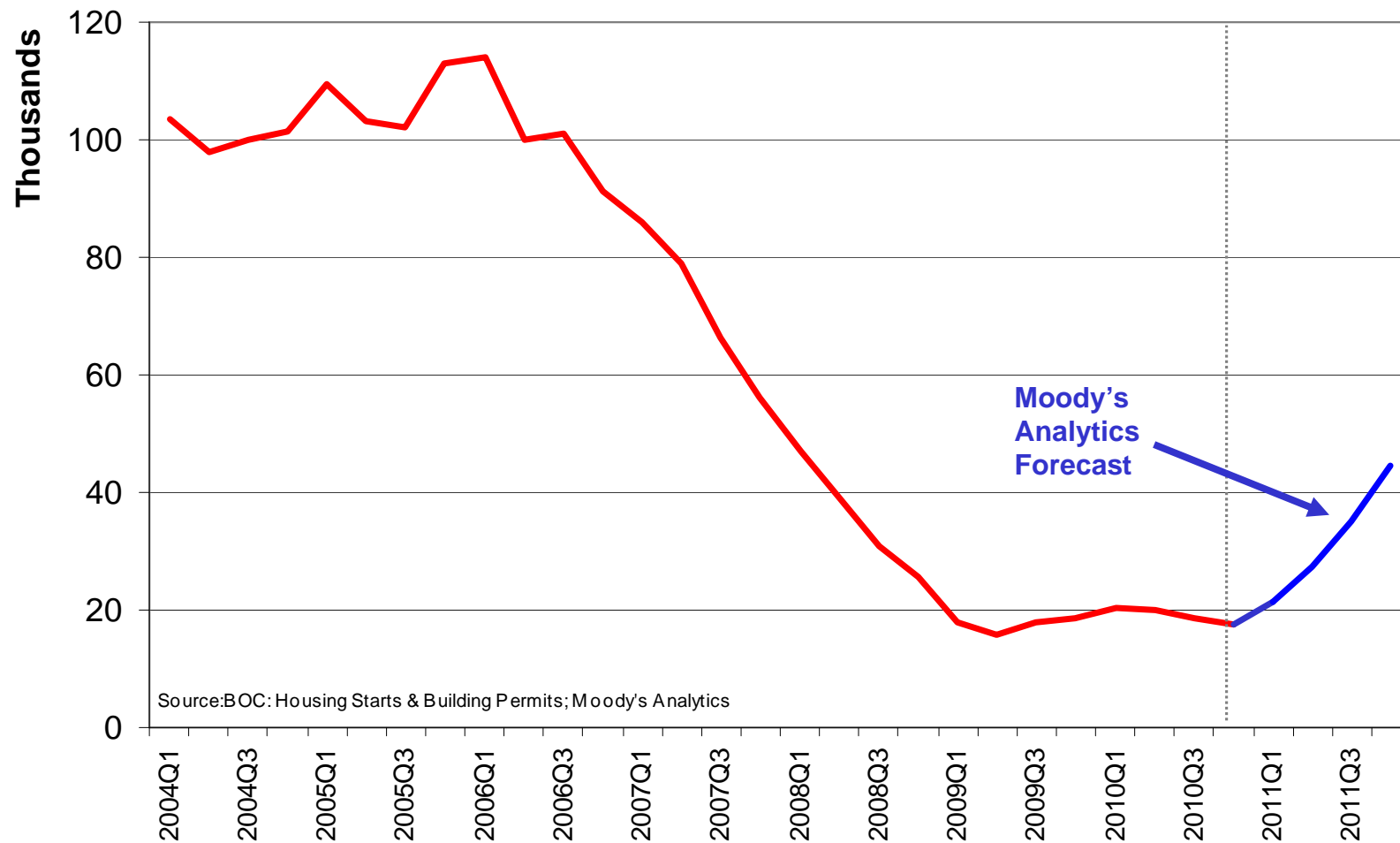
The Home Buyer Tax Credit mostly pulled forward future purchases

Existing Home Sales: Single-Family & Condo & Co-op, (Ths., SAAR) for South



Georgia Housing Starts optimistic forecast

Housing Starts for Georgia: Total, (#, SAAR)



Source:BOC: Housing Starts & Building Permits; Moody's Analytics

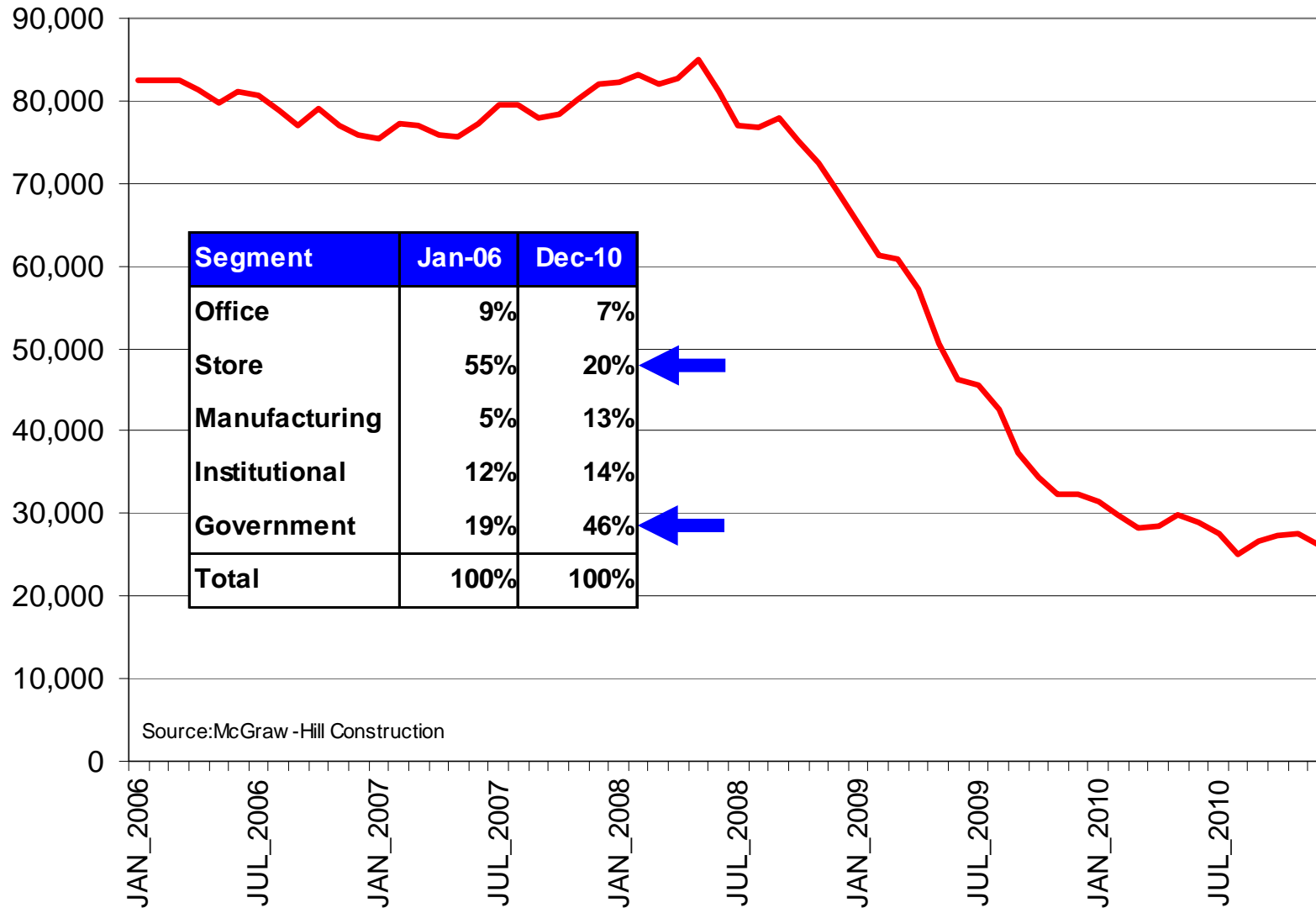
Moody's
Analytics
Forecast

Variables Affecting Buildings

- State Budgets constrained even more as stimulus ends
- Commercial lending still tight
- Excess office building inventories
- Strip mall stores awaiting new single family
- Education and health helped by stimulus \$

Buildings appear to be bottoming out

Non-Res Awards - Sq. Ft. (thousands)- Georgia, 12 month Moving Average



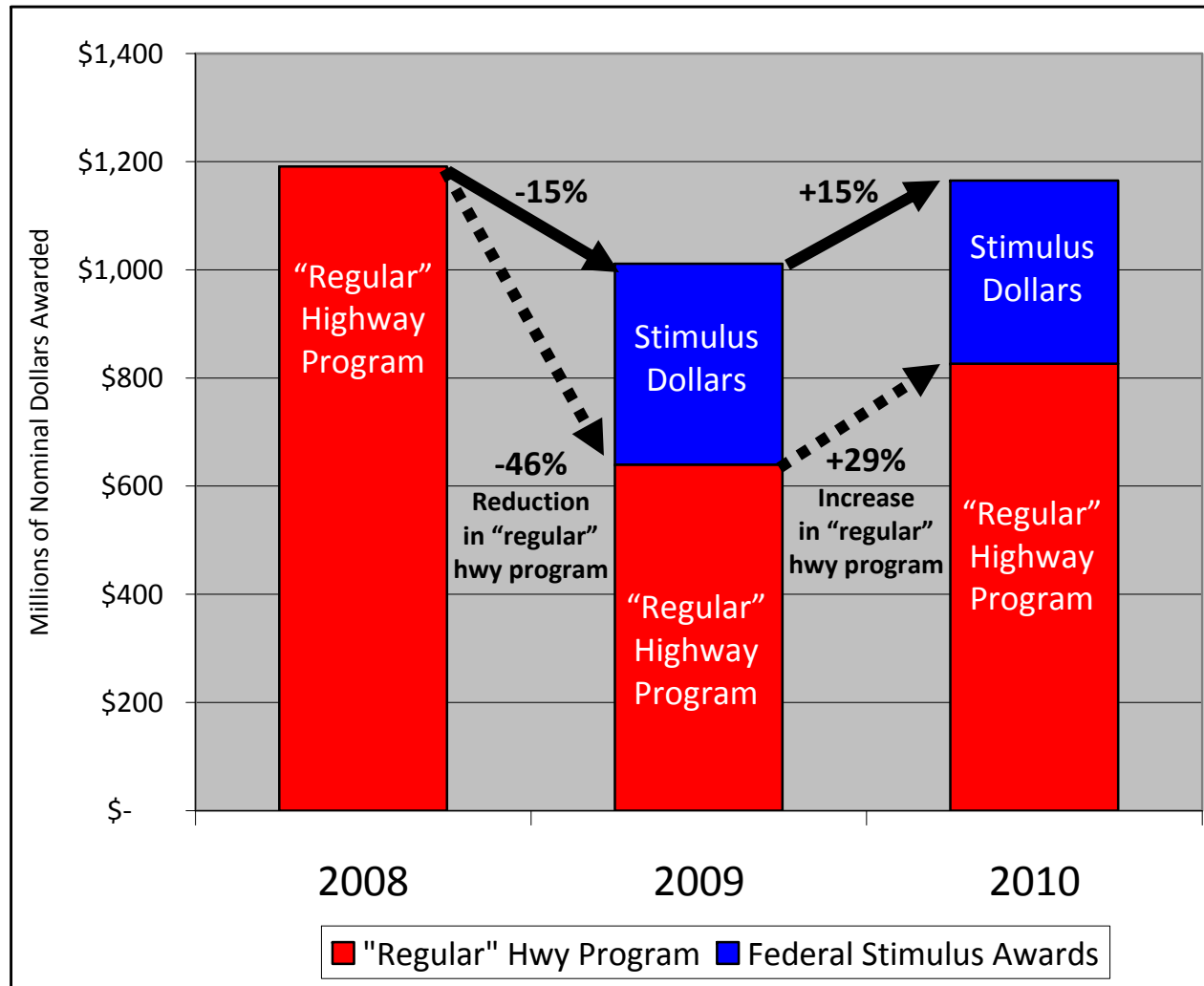
Source: McGraw-Hill Construction

Georgia Highway Awards

Total Highway Awards - Georgia (\$millions), 12 Month Moving Avg



What was the Impact of "Highway" Stimulus for Georgia?



Source: McGraw-Hill F.W. Dodge Construction Award Series

What does the President's 2012 proposed budget mean for transportation spending?

- Large increases being proposed, including an additional \$50 billion in the first year for roads, railways, and runways.
 - \$50 billion to be used to jumpstart construction industry by creating jobs immediately (Shovel-ready projects).....Will likely mean a higher percentage of resurfacing projects.
- However, it first has to be approved by Congress.....

Infrastructure support shouldn't be a partisan issue.....

THE NATIONAL COMMISSION ON FISCAL RESPONSIBILITY
AND REFORM – Released 12/1/2010

Our Guiding Principles and Values.....

Cut and invest to promote economic growth and keep America competitive. We should cut red tape and unproductive government spending that hinders job creation and growth. At the same time, **we must invest in** education, **infrastructure**, and high-value research and development **to help our economy grow**, keep us globally competitive, and make it easier for businesses to create jobs.

Georgia Aggregates Demand Forecast

	<u>Highways</u>	<u>Infrastr.</u>	<u>Housing</u>	<u>Buildings</u>	<u>Total</u>	<u>GCAA</u>
2009	-20%	-29%	-38%	-32%	-28%	-28%
2010	7%	-2%	2%	-32%	-7%	-3%
2011	0%	7%	8%	-4%	1%	