Outlook

by Daryl Delano

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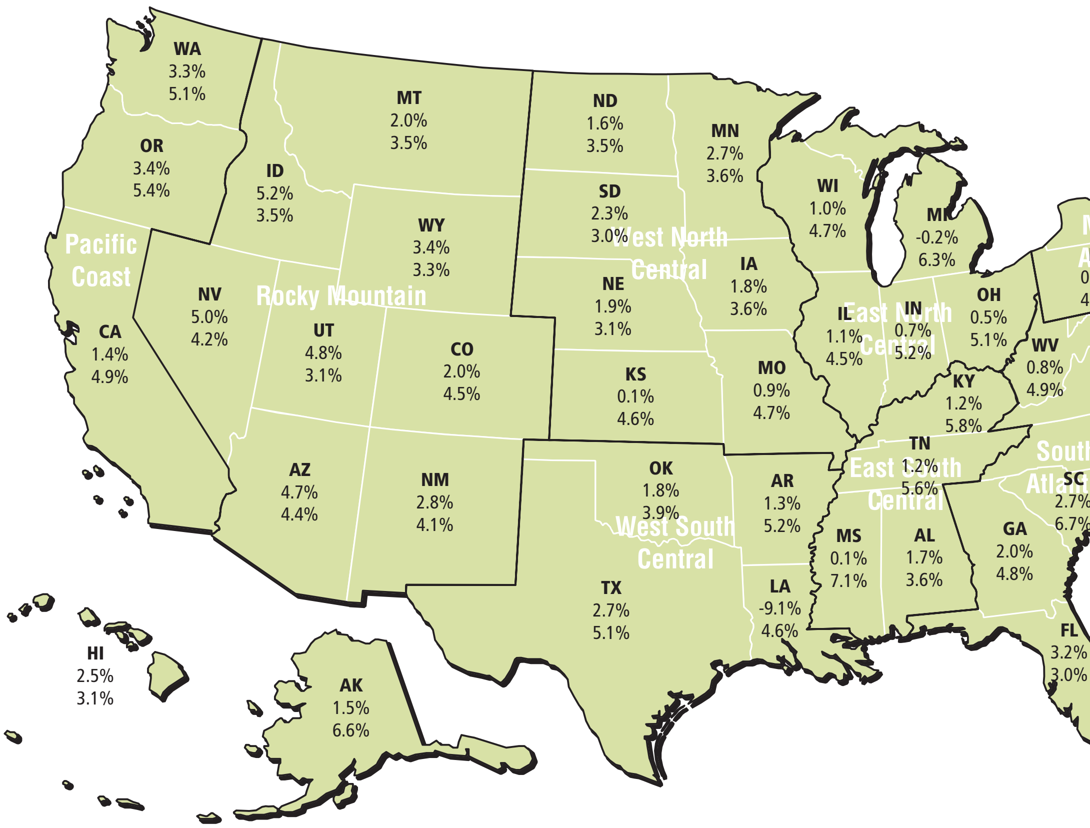
Employment Trends by State



Employment Trends by State
Total employment in the United States increased by a moderate 1.4 percent between June 2005 and the same month of this year, but there were a total of eight states in the nation that recorded job growth more than twice as strong as this national average rate. Leading the way was Idaho, with an over-the-year employment gain of 5.2 percent. Nevada, Utah, and Arizona recorded job growth of more than 4.5 percent.

The national unemployment rate this June stood at 4.8 percent. A total of 17 states in the country recorded unemployment rates of less than 4 percent during June 2006, with the 3.0-percent rate recorded by both Florida and South Dakota being the lowest in the nation.

Based on an integrated assessment of employment growth trends and the unemployment rate, Florida was the state exhibiting the healthiest overall labor market trends at the mid-point of 2006, in addition to having the lowest jobless rate.

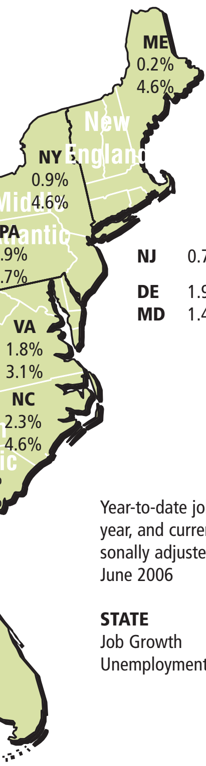
Economic Growth Slowed Markedly During the Spring and Early Summer

Paradoxically, with warmer weather and bluer skies this year, came a cooling in the nation's economic activity and a clouding of economic prospects for the near-term future. As we moved into the early weeks of this year's second quarter, overall economic growth appeared lackluster and inflation rates increasingly troubling.

The Commerce Department's advance estimate of annualized gross domestic product (GDP) growth for April through June of 2006 came in at a subdued 2.5 percent — particularly discouraging in light of the super-charged 5.6-percent annualized gain recorded during the opening quarter of this year. Business investment in structures increased at a double-digit annualized rate during the second quarter of 2006, but that was about the only truly "bright" spot in the report. In combination with official indicators of declining housing starts, home sales, and remodeling spending, the latest GDP report crystallizes the prospect of much slower economic growth over the balance of 2006.

Consumer spending (which accounts for a whopping two-thirds of this nation's GDP, much more than in any other country of the developed world) increased only about half-as-much during April-June than it did during the first three months of the year. And the residential investment component of GDP declined for the third consecutive quarter during April-June. But whereas residential market declines had been of a very small order (less than 1 percent) during the final quarter of 2005 and the first quarter of this year, the magnitude of erosion in residential investment deepened to a 6.3-percent annualized decline during the second quarter of 2006. So housing is now a net drag on economic growth — not its prime driver as in 2004 and 2005.

Despite all this evidence of a broad-based slowing in domestic demand, however, there was one piece of very

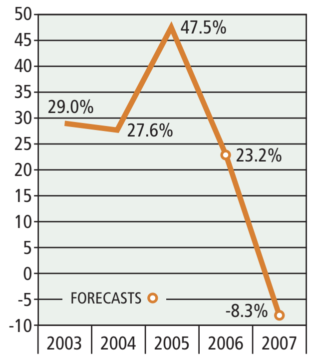


CT	0.4%	4.1%
MA	0.7%	5.0%
NH	1.1%	3.3%
RI	0.4%	5.5%
VT	0.6%	3.3%
NJ	0.7%	4.9%
DE	1.9%	3.7%
MD	1.4%	4.0%

Year-to-date job-growth trends vs. last year, and current unemployment rate (seasonally adjusted) for U.S. states, through June 2006

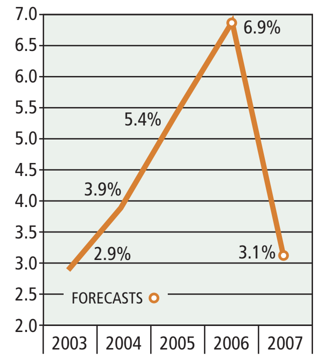
STATE
Job Growth
Unemployment Rate

#2 Diesel Fuel
% change vs. previous year



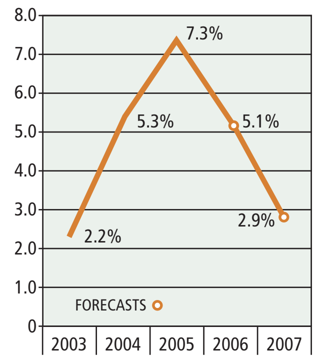
Diesel fuel price increases accelerated during the second quarter of the year; the nationwide average price this June was 33 percent higher than in June 2005. This will be the fourth straight year of 20-percent-plus inflation, following declines in fuel prices during both 2001 and 2002.

Limestone
Crushed & Broken



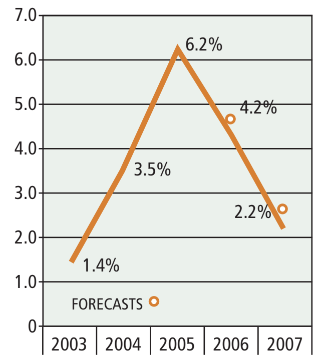
The average nationwide price for crushed and broken limestone was 8.3 percent higher this June than last June. Demand remains reasonably strong, so producers have been able to pass on to the end-user much of their higher energy costs associated with mining and transporting the stone.

Mining
Machinery & Equipment



Average prices charged for U.S.-manufactured mining machinery and equipment appear to have hit a cyclical peak. The over-the-year inflation rate eased to just below 5 percent annualized during the second-quarter of the year, and is expected to moderate further as we move into 2007.

Construction
Machinery & Equipment



The average price realized for U.S.-produced construction machinery and equipment increased by 3.9 percent between last June and June 2006. Moderating demand, particularly from a rapidly cooling home building sector, should continue to bring inflation closer to the long-term average in the months ahead.

Construction Spending
by Sector

After rising by 10.5 percent last year and 11.6 percent in 2004, the combined value of all types of construction work completed during the first half of 2006 was still increasing at an annualized rate of a strong 8.5 percent. The mix of "hot" market sectors has changed, however, with the bulk of growth shifting emphatically away from residential and toward non-residential building and infrastructure projects.

New residential construction spending was still growing moderately during the first six months of this year, but spending for residential additions and remodeling projects had turned down following growth that averaged more than 10 percent throughout the past two years. The rate of growth for total residential sector spending eased to the annualized pace of 5.1 percent during the first half of 2006, following increases of 13.6 percent last year and an exceptional 18.6-percent gain during 2004. Non-residential spending momentum, on the other hand, continues to build, from modest 4.1-percent growth in 2004 to 6.7 percent last year and now to an annualized growth pace of 12.9 percent through the first six months of 2006.

% change in value of construction put in place. 2006 value represents total spending through June compared to the first-half of 2005.

	2005	YTD 2006
Total Construction	10.5%	8.5%
Total Residential	13.6%	5.1%
Single-Family Residential	14.8%	7.5%
Multi-Family Residential	20.7%	21.7%
Residential Improvements	9.0%	-6.8%
Total Non-Residential	6.7%	12.9%
Office	7.0%	5.5%
Automotive	11.9%	3.7%
Food/Beverage	-1.5%	-11.2%
General Merchandise	8.8%	-2.2%
Shopping Centers/Malls	32.4%	57.9%
Drug Stores	-7.6%	6.5%
Building Supply Stores	-0.2%	5.4%
Commercial Warehouses	9.2%	18.0%
Mini-Storage	17.8%	-25.1%
Lodging	4.6%	38.1%
Health Care	7.5%	14.5%
Educational	5.3%	6.4%
Religious	-4.6%	3.5%
Sports	3.1%	-0.6%
Fitness	21.9%	19.6%
Social Centers	-38.0%	-7.5%
Performance/Meeting Ctrs	36.1%	25.9%
Movie Theaters/Studios	2.6%	-17.1%
Public Safety	11.1%	19.0%
Manufacturing	30.6%	24.5%
Air Transportation	-4.9%	-2.0%
Land Transportation	9.4%	33.3%
Communication	7.1%	11.9%
Power	-1.2%	9.7%
Highway and Street	9.0%	16.6%
Sewage & Waste Disposal	7.8%	20.2%
Water Supply	5.9%	13.3%
Conservation & Dvlpmnt	9.4%	15.8%

Source: U.S. Commerce Department

good news for the non-residential market sector of construction. Second-quarter growth in GDP was bolstered by the fact that business investment in new buildings and renovation/retrofit projects improved markedly. Overall capital spending increased at only a 2.7 percent annualized rate during April-June, but investment in non-residential structures expanded at a 12.7 percent rate. Businesses spending for equipment and software actually decreased at a 1.0 percent annualized pace, its first quarterly decline since the opening months of 2003.

The current, revised consensus view is that what we've just seen during the most recent quarter is a close reflection of what we're going to get in the way of economic growth for the balance of this year and into at least the early months of 2007. Continued concerns about the long-term impact on the economy of elevated high energy prices weigh heavily on consumers and businesses alike, and will make consumers more reluctant to spend on big-ticket items such as houses and cars, and businesses more cautious about investing in IT equipment and trucks. But prospects appear much brighter for two important sub-sectors of construction that are of great interest to *AggMan* businesses — privately-funded development of non-residential buildings and publicly funded highway/infrastructure projects.