

March  
2011

# Market Trends and Alerts

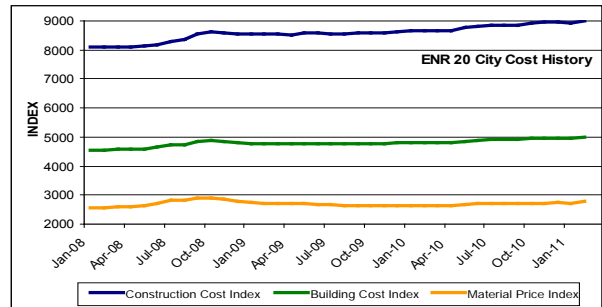
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Skanska USA Building Inc. continuing to build on its leadership role in the construction industry in the United States, understands its obligation to its clients and employees in compiling and cataloging the latest pricing information available. The importance of current and accurate construction related information is critical to the success of our company and to our clients. As an industry, and as a country, we are living through very challenging economic times. Below is a summary of trends and events that will impact our pricing and execution over the coming months. All offices are encouraged to share information on the pricing and delivery of material and labor.

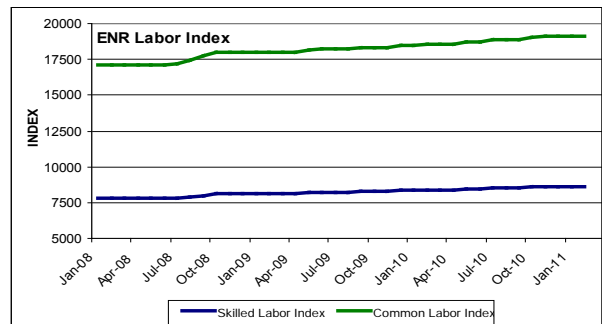
## Summary

- Stock Market - Dow Jones rose +2.8% in February and the S & P 500 rose +2.6%. The markets have been up seven of the past eight months. In the first week of March both indexes dropped slightly due to extreme oil spikes. The markets were up +17.5% and +19% in the past year as of the 2/28 market close.
- GDP - U.S. economy expanded 2.8% in the 4th quarter following 2.6% in the 3rd quarter, 1.7% in the 2nd quarter and +3.7% in the 1st quarter. The GDP rose 2.7% for calendar 2010. GDP for 2009 dropped by -2.4%, the worst single year performance since 1946. The average increase in GDP for the last six decades has been +3.4%. The economy will expand 2.5-3.5% in 2011 and 3-3.5% in 2012 according to analysts.
- Unemployment rate dropped to 8.9% (February) and number of new claims dropped to 409,000/month. With the official end of the recession in June of 2009, a job-loss recovery continues. February drop of 0.1% was unexpected but welcomed.
- Construction unemployment is at 21.8%. Construction employment gained 33,000 jobs in February after losing 22,000 in January due to weather. Construction spending down -5.9% in the past year but trending up.
- The February Department of Labor report is showing long term unemployed at 6 million (m) and involuntary part time employed at 8.3 (m) for a total of 13.7(m). There was an increase of 192,000 jobs in February, with most new jobs in the private sector.
- The Governments in Tunisia and Egypt have been ousted creating instability in the entire Middle East. The Government of Libya might not survive a raging civil war. Populations demanding better access to food, better living standards and employment have risen up and protests are continuing to affect trade worldwide.

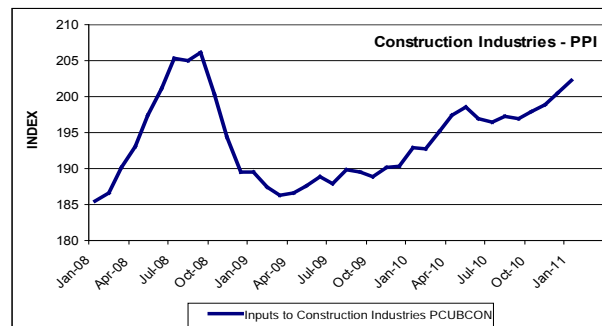
## ENR 20 City Cost Index



## ENR Labor Index



## Construction Industries Index



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## Construction Put in Place

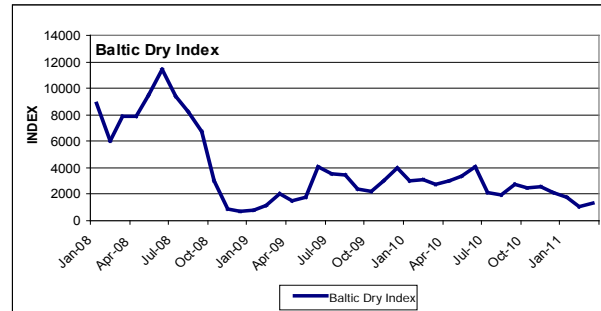
	1 Month	1 Year
<b>Total Construction</b>	<b>-0.7%</b>	<b>-5.9%</b>
<b>Public Construction</b>		
Total Public Construction	+0.1%	+2.9%
Office	-3.7%	-20.3%
Commercial	+7.2%	-1.6%
Health Care	+4.5%	+19.8%
Educational	+1.7%	-9.7%
Public Safety	+4.4%	-15.4%

### Private Construction

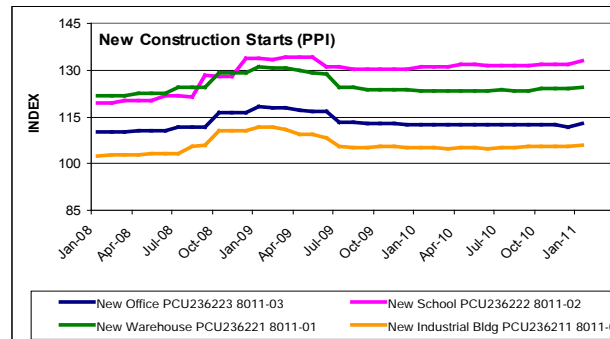
Total Private Construction	-1.2%	-10.5%
Office	-6.0%	-23.8%
Commercial	-1.4%	-18.1%
Health Care	-9.7%	-8.0%
Educational	-4.4%	-17.8%
Lodging	-18.2%	-47.4%

Per U.S. Census Bureau – Commerce Department – January 2011 Spending Data  
(Seasonally adjusted)

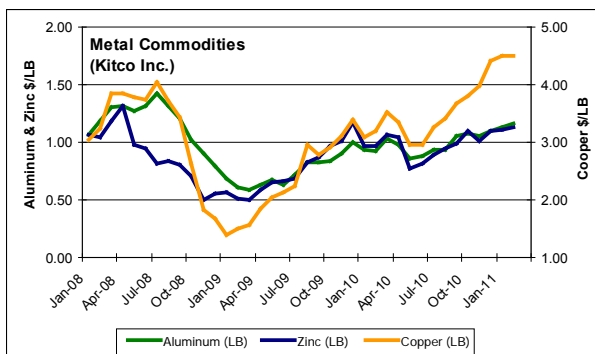
## Transport Cost



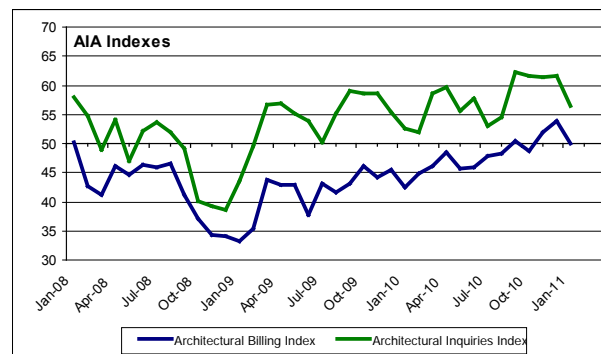
## Trade Data



## Commodities



## AIA Index



- Institute of Supply Management (ISM) is reporting their manufacturing index continues its positive momentum and expanded for the 19th consecutive month.

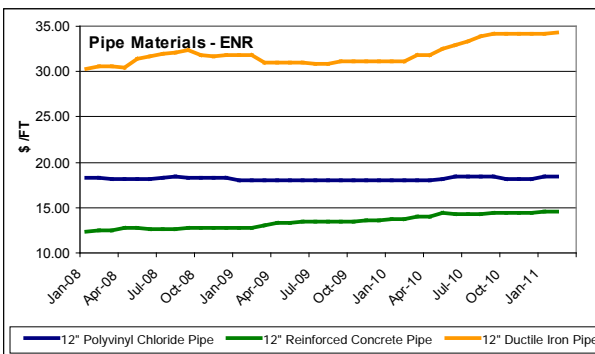
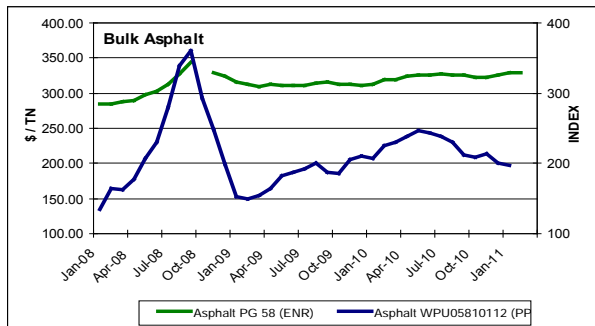
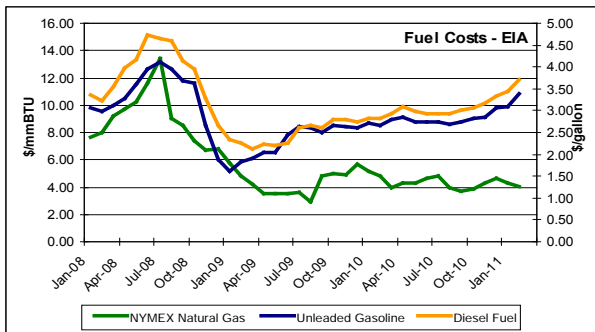
- AIA “Billing Index” dropped to 50.0 and the “Project Inquires” Index dropped to 56.5. Both indexes paused in their recovery in January after 4 months of gains.

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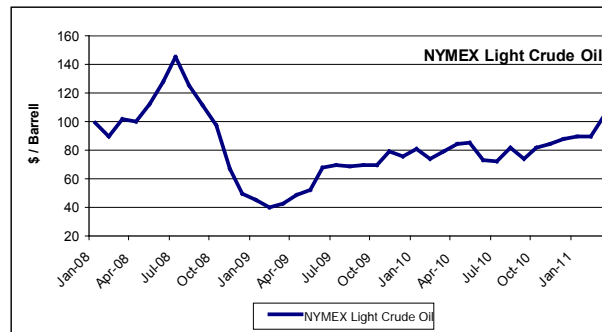
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## Site/Civil



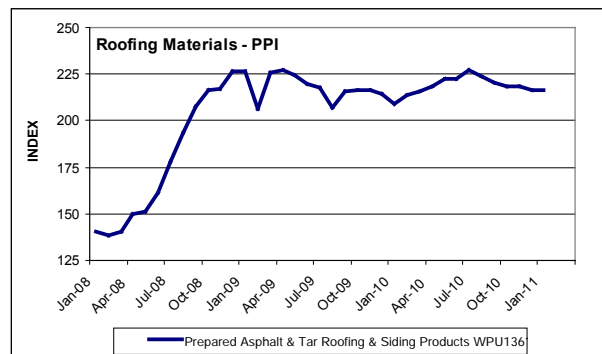
- PPI reporting “Materials and Components of Construction” rose 2.8% in past year. Demand is still weak but raw commodity pricing climbs.

## Crude Oil



- Crude oil briefly dropped to \$88/barrel in February but started March at \$104/barrel, the highest in 29 months due to turmoil in Libya.
- Gasoline and diesel pricing is up \$0.28/gallon this month. Gasoline is up \$0.68/gallon in past year while diesel is up \$0.86/gallon in same time period. Pricing jumped again the first week of March.
- Businesses showing signs of modest recovery and expansion. Consumers more optimistic, personal income up and savings up (5.8%). Higher oil costs could slow down rate of recovery and introduce inflation.

## Roofing



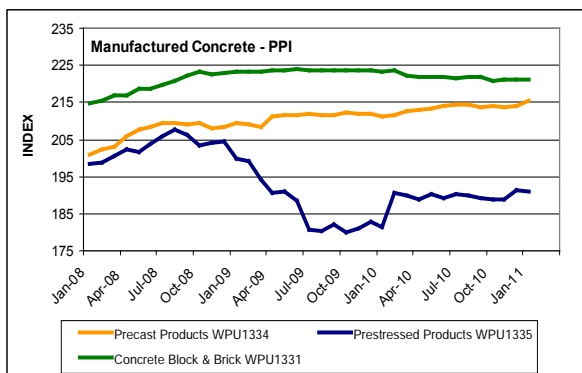
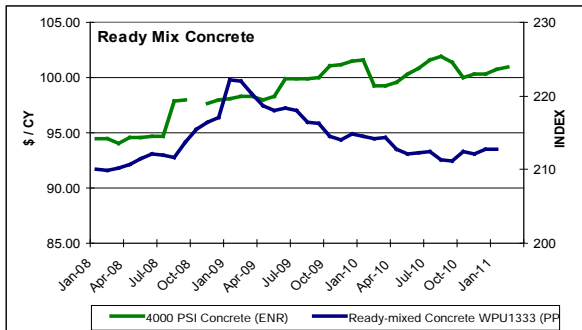
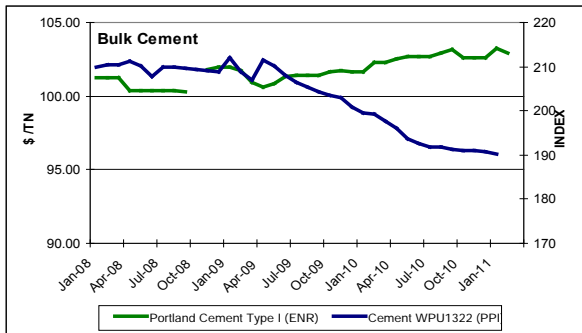
- Worldwide demand for petroleum based products continues with China's dependence of imported oil at 55%, up from 33% a year earlier. This will result in continued upward pressure on cost of oil.

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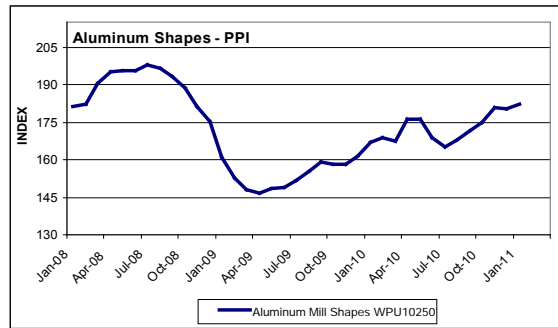
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## Cement and Concrete



- Recovery at the State and Local level could be derailed by unfunded pension liabilities and out of control state budgets. State Houses preparing for large layoffs as stimulus funds run out.

## Aluminum



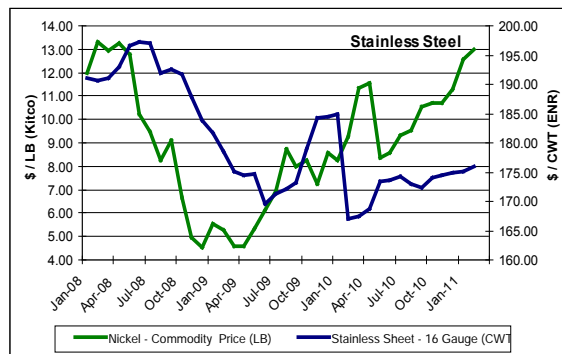
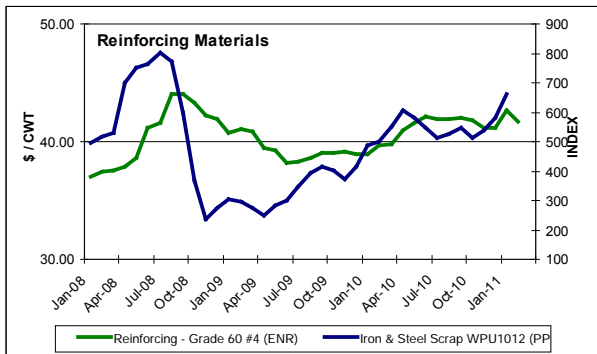
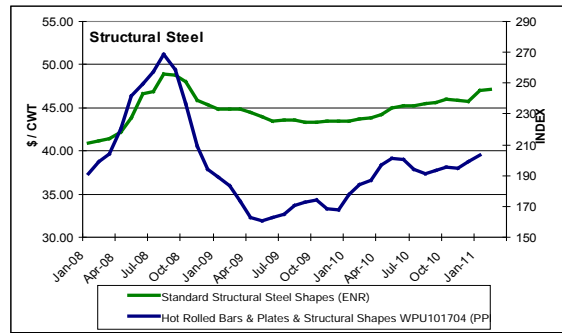
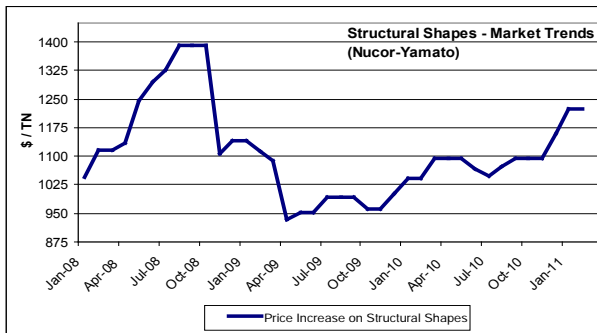
- Aluminum producers reporting strong demand from China and recovering consumption from Europe and U.S. Declining stockpiles anticipated thru 2112. PPI reporting aluminum mill shape pricing up 9.2% in the past year. Analysts forecasting stable pricing in 2011.
- Portland Cement Association has seen only +0.3% increase in consumption in 2010 and forecasts +1.4% in 2011 and +4% in 2012.
- Although the PPI for cement is down -4.8% in past year, analysts anticipate increased costs in 2011 partially due to environmental laws and higher transportation and energy costs.
- U.S. Producer Price Index increased by +0.8% in January and it is up +3.6% in the past year.
- U.S. Consumer Price Index increased by +0.4% in January and increased +1.6% in the past year. Inflation rate expected to remain below 2% in 2011.
- The ATA is reporting truck tonnage surged +3.8% in January and is up +8% over last years levels. (Accounts for 69% of all freight shipments) Carload rail traffic is up 7.2% over 2010 per AAR. Maritime shipping volume up over 15% in 2010 with very low rates.
- U.S. dollar weakened to \$1.40 against the Euro and \$1.03 against Canadian Dollar. Global leaders are concerned U.S. will drag down global recovery. Imbalances could add to inflation in other countries and lead to "currency wars" and loss of dollar as reserve currency.

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## Structural Steel, Rebar & Stainless Steel



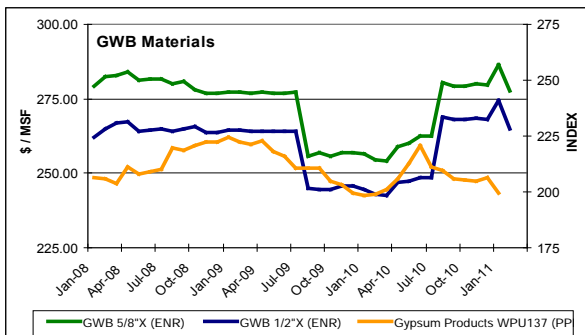
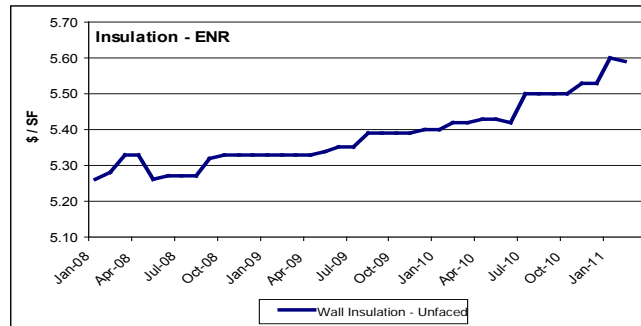
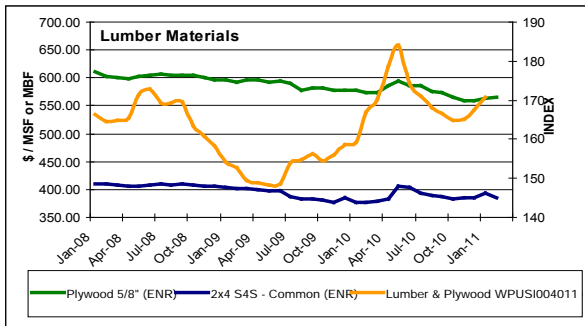
- Iron ore prices to rise on China steel industry demand. Increases of 10% to 60% expected in 2nd quarter. Pricing expected to be 40% higher than last year.
- Copper pricing (\$4.49/#) remains high after hitting highest price ever last month (\$4.57/#) with falling inventory and continued demand. Copper demand may grow by 7% in China in 2011. Prices surged 30% in 2010. Chinese economy grew at 10.3% in 2010 and will grow over 8% in 2011.
- Rebar pricing is softening this month after climbing for past 2 months due to severe winter weather and glut of imports.
- World Steel Association is reporting +9.4% increase in steel production in U.S. compared to January 2010.
- Sharp increases in prices of metal studs and hollow metal doors and frames this month.
- Steel pricing at Nucor remained unchanged after rising \$150/ton in past 2 months. Depending on real demand, pricing could soften in the summer and fall. Arcelor Mittal expects steel demand to rise 10% in 2011.
- The Chinese steel industry currently represents more than 44% of world steel production.
- World Steel Association reported a +15% increase in steel production in 2010 (a new record) after contracting by -6.6% in 2009. Forecasting +5.3% increase in 2011. World steel production +5.3% higher than January 2010 and utilization at 75.6%.
- State and Federal construction work could decline due to serious budget shortages with some projects being canceled. This includes both building and civil projects.
- Steel pipe manufacturers raised pricing this month by 8% on many types of products.

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## Lumber, Drywall and Insulation



- Existing home sales up 2.7% last month with 7.6 month supply. Inventory of new homes at a 7.9 month supply. Shadow inventory of foreclosed homes hindering residential construction recovery.

### Key - Please Click on the link to website

- PPI = Producer Price Index  
<http://www.bls.gov/ppi/>
- ENR = Engineering News Record  
<http://enr.construction.com/Default.asp>
- KITCO = Kitco, Inc - metals products retailer  
<http://www.kitcometals.com/>
- Bureau of Labor and Statistics - Unemployment, CPI  
<http://www.bls.gov>
- Department of Commerce - Construction Spending  
<http://www.census.gov/const/www/sitemap.html>
- The American Institute of Architects  
<http://www.aia.org/press/index.htm>

In these challenging times, we must continue to “beat” project schedules and turn projects over to Owners for early completion where possible. We are facing demands to make construction purchases earlier in the design cycle and this is putting added pressure on our procurement specialists, yet, we are confident that with a committed Skanska workforce, led by knowledgeable management teams, this will translate into more opportunities, and as we continue to grow the company, we are confident that we will successfully meet our obligations as we exceed our client’s expectations.

This newsletter has been prepared by Skanska USA Building Inc and is provided to you for information purposes only. The content in this report is based on sources that Skanska finds reliable. However, Skanska does not guarantee the correctness of these sources. If you have any questions, please call your local Procurement Strategist:

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