

ACA MARKET INTELLIGENCE

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April 2026

Spring Forecast Update

Introduction

ACA has made a slight downward revision to its growth rate expectations for 2026 and now projects cement consumption will decline 2.5%. In the fall forecast, it was ACA's view that the economy was on an increasingly tenuous footing but there was not a clear impetus for the U.S. to enter a recession absent some black swan event. A black swan event has come in the form of the conflict with Iran. However, ACA's baseline forecast still does not expect it will push the economy into a recession. The longer hostilities in the Middle East persist, the weaker that operating assumption becomes.

At present, the closure of the Strait of Hormuz has caused the price of oil to average roughly 60% higher than pre-conflict levels. This resulted in inflation in March, measured by the CPI, to rise to 3.3%. With a cooling U.S. labor market, the Federal Reserve had turned its focus to the full employment side of its dual mandate. In its fall forecast, ACA expected the Federal Open Market Committee (FOMC) to cut the Federal Funds rate three additional times in 2026. In light of the inflationary nature of the conflict, it now only anticipates one 25-basis point reduction during its October meeting. Meanwhile, the war has produced a restive bond market which has pushed up borrowing costs; the prevailing mortgage rate is at a level roughly equivalent to what it was before the Fed began cutting rates last September.

All of this implies another weak year for private construction. Yet, ACA's expectations for the trajectory of cement consumption remain broadly unchanged. There are several reasons for this. For one, no earnest private recovery was anticipated in the fall. Interest rates throughout most of 2026 were expected to be prohibitive, which would continue to hinder private construction. Single family starts were expected to be flat. Given that borrowing costs are now anticipated to be higher for longer in the context of a weaker economy, single family starts are now projected to decline 5.2% in 2026 to under 900 thousand units.

Public construction, less sensitive to interest rates, is also characterized by long project timelines and slow momentum. As such, the effects of the war in Iran on public construction in 2026 will be small. Monthly construction spending on highways, sewers, and water systems has held up stronger than anticipated in the fall. While all three are expected to record negative growth in 2026, there is enough momentum to prevent the negatives from being as sharp as the fall forecast suggested. Finally, there is a bit more clarity regarding the reauthorization of the next surface transportation funding than existed in the fall. While streets and highways are expected to remain negative into 2027, some of the more unfavorable funding scenarios now appear less likely.

ACA still expects cement consumption to turn positive in 2027, but growth will be subdued by the residual effects of 2026 as the economy and construction sector attempt to regain its bearings.

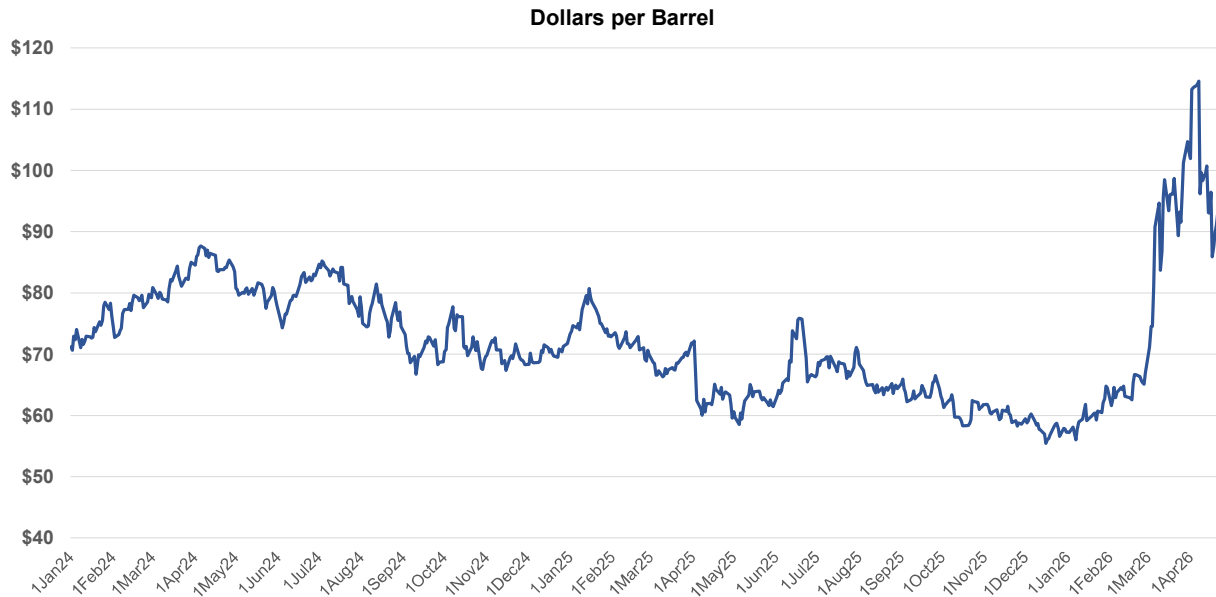
Backdrop: Conflict in Iran

On February 28, the United States and Israel initiated a joint military operation in Iran. Codenamed Operation Epic Fury, it targeted Iranian military command centers and assets as well as top government officials, including Supreme Leader Khamenei, who was killed in the attack.

Iran retaliated with a bombing campaign against Israel and U.S. military bases and assets in the region. In response to attacks on its infrastructure, Iran also struck manufacturing plants, refineries, and other

energy infrastructure in the surrounding U.S.-allied Arab states. The most consequential action by the Iranian government for the global economy is its targeting of ships attempting to pass the Strait of Hormuz, effectively closing it to civilian tanker traffic. Approximately 20% of global oil output flows through the Strait of Hormuz. With the strait closed for eight weeks, approximately 650 million barrels of oil have been taken off the market. This has caused the price of oil to spike. West Texas Intermediate (WTI) oil prices have ranged between \$90-\$110 per barrel over the past several weeks.

West Texas Intermediate Oil Price



The supply shock is not limited to just oil. An outsized portion of fertilizer, plastic, helium (critical for semiconductor manufacturing), LNG, aluminum, and chemicals pass through the strait. Moreover, states in the Middle East are heavily dependent on imports. After an unsuccessful round of negotiations between the U.S. and Iran, the U.S. initiated its own blockade of the Strait of Hormuz in an attempt to cut off shipments to Iran and maximize damage to its economy to force a more favorable deal.

The developments in the Middle East will have a material impact on the economy, and thus the construction sector and cement consumption. ACA has created scenarios based upon how the conflict is resolved. In its optimistic scenario, a deal is reached soon with definitive terms that opens up trade in the region and provides certainty. In the pessimistic scenario, the conflict continues with intermittent bombing campaigns and ceasefires, and the Strait of Hormuz remains closed. Energy prices and availability remain restrictive through the summer months. An increasing amount of energy infrastructure is damaged, which further extends the supply issues and exacerbates the problem. Under a pessimistic scenario, it isn't difficult to present a runaway grim scenario. Refineries in Arab states could continue to be struck, taking large amounts of capacity offline for years. The Houthis in Yemen could target vessels in the Bab al-Mandab Strait, putting more of a stranglehold on global trade. However, ACA has limited its scenarios to the *most likely* optimistic and pessimistic sequence of events.

In ACA's baseline scenario, hostilities continue for 4-8 more weeks and the strait remains closed, but the bombing campaigns witnessed in March do not resume in earnest. There are several reasons for this assumption. The U.S., Israel, and the Arab states have not reached their strategic objectives against Iran. Though its military is weakened, Iran still has drones and ballistic missile capabilities, in which they have demonstrated they can inflict a great amount of damage. It still has enriched uranium, and the regime remains in place. Israel continues to be threatened by Iranian proxies. And for Arab countries, the prospect of another round of bombings on its infrastructure and closure of trade routes is existential as they seek to diversity into tech, finance, and tourism hubs.

Iran, in its negotiating demands, wants security guarantees, reparations for the war, to keep its ballistic weapons as well as a civilian enrichment program, control over the Strait of Hormuz and the ability to charge a toll for safe passage. Iranian control over the strait would give it de facto OPEC-like supply control over the oil market, which is unacceptable to the U.S. and oil-producing nations in the region.

While there are stark divides between parties, it is possible a framework deal could be agreed upon in the next month or two. In the meantime, Iran’s main deterrence is to create as much pain as possible for the world economy to disincentivize a future attack. Though the U.S. has already experienced some adverse effects from the war, namely higher gas prices, it does not face the same level of harm as U.S. allies in Europe and Asia. Many countries in those regions are already faced with fuel rationing and shortages. The United Kingdom could run out of jet fuel within six weeks. Asian factories, which produce much of the world’s goods, have been hit by energy shortages and reduced operating rates – furthering a supply shock. For this reason, ACA assumes a 4-8 week time frame for settlement of the conflict most plausible. Though a formal deal would provide the most clarity, ACA’s baseline does not preclude the possibility that each side decides to end the conflict without a formal resolution.

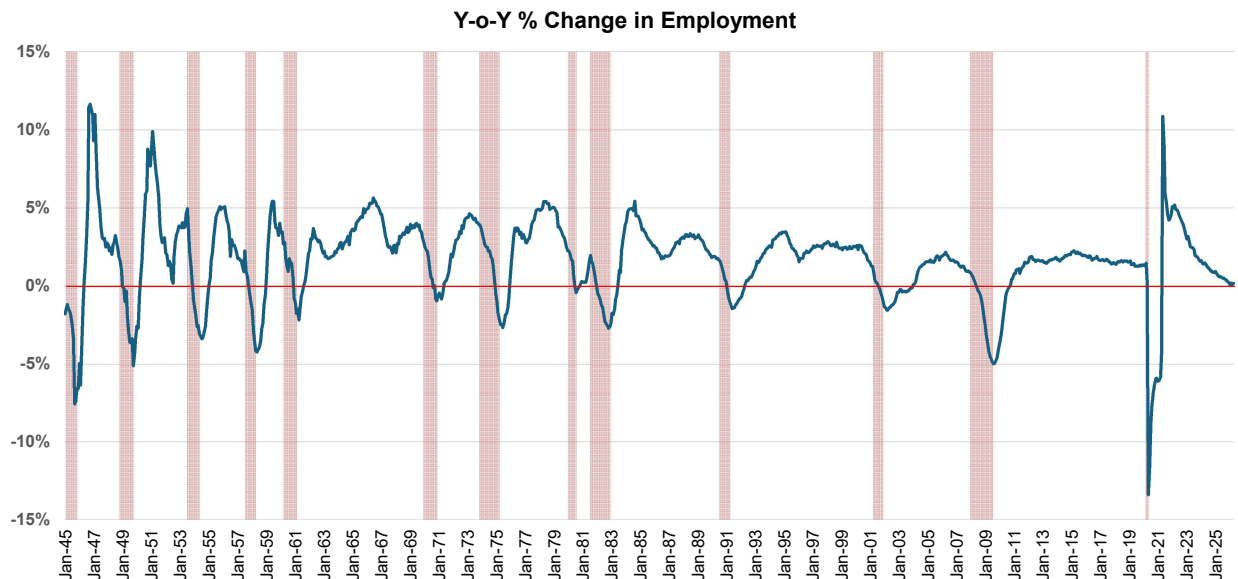
Economic Outlook

Before the events in the Middle East unfolded, the U.S. economy was already faced with heightened risk. Inflation was stubbornly high at a time when the labor market was quickly cooling.

Typically, when year-over-year growth in the labor market approaches zero, there is enough negative momentum to push the economy into a recession. The only time in the post-war period where job growth approached zero but rounded was in 1952. While it lacks much historical precedent, it remains ACA’s baseline outlook that the U.S. avoids a recession.

The labor market is anomalous compared to past cycles for several reasons. For one, the federal government workforce declined by a considerable 277,000 positions in 2025. Furthermore, the labor shortages in 2021-2023 led to varying degrees of labor hoarding across industries. With some softening in the economy, employers now seem willing to release some slack. Stricter immigration enforcement at the southern border and higher levels of deportations also represent a departure from policies of the past several years. Finally, the large question mark artificial intelligence (AI) poses to future employment needs may give employers pause when contemplating hiring additional workers. In portions of the tech sector, AI has been explicitly cited as the reason for layoffs.

Growth in the U.S. Labor Market

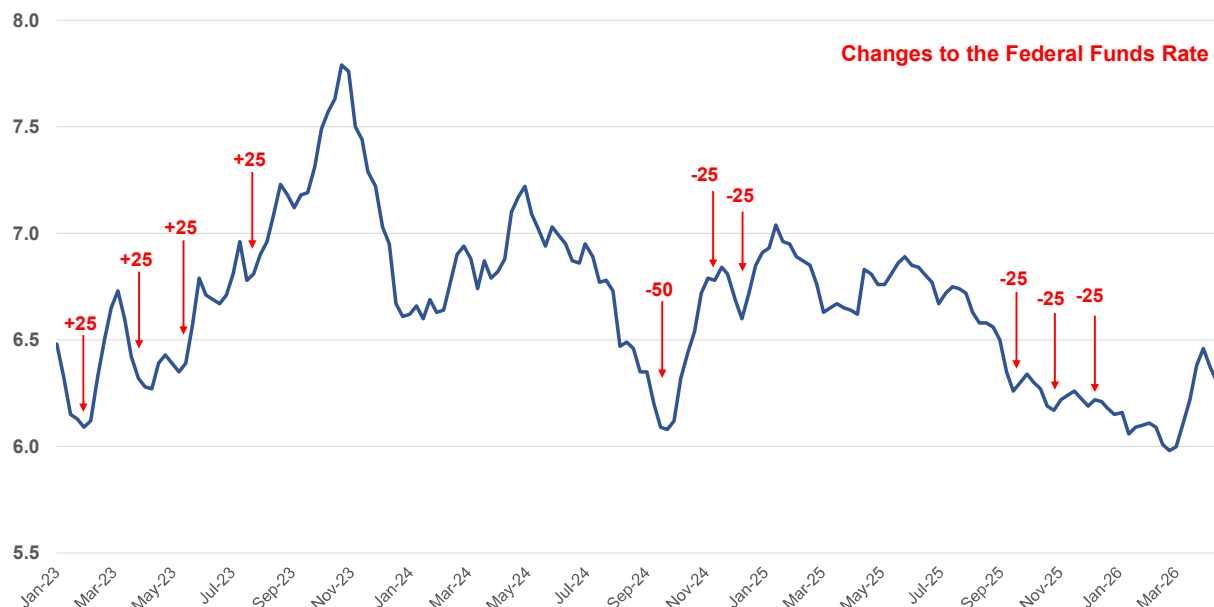


In February, the Supreme Court issued its *Learning Resources, Inc. v. Trump* decision and held that the president does not have the authority to impose broad based tariffs under the International Emergency Economic Powers Act. While the ruling does not affect all tariffs, it struck down the sweeping Liberation Day-related tariffs which represented an upwards of \$160 billion in tariffs collected to date. The White House is currently pursuing other statutory mechanisms to impose tariffs. The potential softening effects on inflation from the cessation of tariffs were soon negated by the spike in oil prices related to the war in Iran.

The CPI has hovered in the mid-to-high 2%'s since the autumn of 2024 – above the Fed’s target of 2%. Softening oil prices were expected to put downward pressure on inflation this year. Instead, since oil prices began to rise in early March, the CPI grew by 3.3%. An increase in gasoline and diesel prices raise transportation prices and percolate broadly throughout the goods economy. On top of that, fertilizer scarcity will lead to higher food input prices as the agricultural sector enters growing season. ACA projects the CPI will average 3.1% in 2026.

In turn, the Federal Reserve is expected to act cautiously as to not add any more fuel to inflationary spirits. ACA only expects one 25-basis point rate cut at the October FOMC meeting. This represents a departure from ACA’s fall forecast which presumed three 25 basis-point rate cuts throughout the year.

30-Year Fixed Rate Mortgage



Changes to the Federal Funds rate alone do not dictate lending terms. Mortgage rates tend to closely follow the 10-year treasury yield, as it is an indicator of longer-term borrowing costs. The bond market prices in expected future movements by the Federal Reserve and long-term risks. While over time, it typically adjusts to the directional moves of the Fed, it can often have a mind of its own. Since the start of the Iran war, the 10-year treasury yield rose sharply on medium-term inflation expectations, the pricing in of the Fed keeping rates higher for longer, the potential for more government borrowing, and higher risk premiums. In turn, mortgage rates stand at levels roughly equivalent to what they were before the Fed began cutting rates last September.

Higher sustained interest rates leave the labor market in greater peril. In 2025, monthly net job creation averaged a mere 62,000 jobs. ACA expects this figure to drop to 19,000 in 2026.

All of this weighs on consumer confidence, which was already at a near 12-year low before the events in Iran transpired. The University of Michigan consumer sentiment index dropped to the lowest point in its 73-year history in March.

A large drop in consumer confidence over a short period is typically an indication of an impending recession. Growing economic uncertainty and anxiety over the job market causes consumers to delay large purchases. Indeed, plans to purchase a new vehicle or home declined in recent consumer survey data. A dip in spending, leading to less business income in an already tenuous labor market, could have cascading effects. A vicious cycle of spending contraction and job loss could result in a recession.

It remains ACA’s view that consumer spending will soften but will remain positive and that there will continue to be hiring freezes and attrition, but no mass layoffs. That rests on the consumer’s ability to continue spending through years of high inflation. And the longer this inflationary conflict in the Middle East continues, the more fragile that becomes.

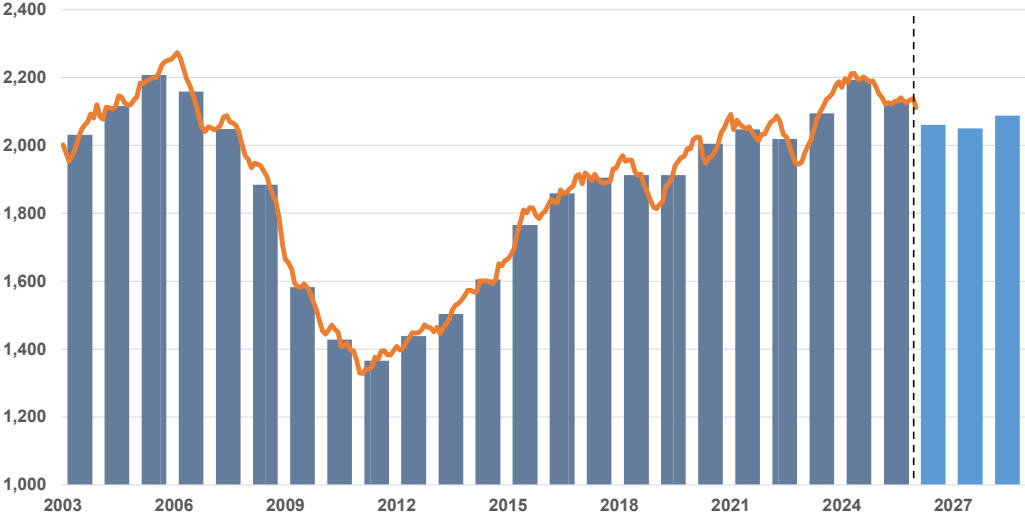
U.S. consumers are increasingly bifurcated. High income earners have been disproportionately responsible for a greater share of spending. In this so-called “K shaped” economy, people on the lower end of the income spectrum are showing more signs of stress from years of high inflation and interest rates. Going forward, if a supply shock is the main driver of inflation, it suggests consumers will not reap the benefits of the growing wages that typically coexist during times of higher inflation. Inflation will increasingly squeeze less well-off consumers, resulting in more delinquencies and defaults. Aggregate house debt to income remains low, but ACA’s baseline assumption of positive consumption expenditures increasingly rests on spending habits of the top 20% income households and the expectation that they will not pull back their spending levels.

Construction Overview

Real construction spending contracted 3.0% in 2025, reflecting its largest decline since 2011. ACA expects inflation-adjusted construction spending will fall another 3.1% in 2026 as all three construction sectors turn negative. Despite this, the year will undoubtedly begin strong in year-over-year growth in cement consumption. In 2025, January and February were both weak with a seasonally adjusted annual rate (SAAR) of 89.8 and 96.3 million metric tons, respectively. However, as the year continues into heavier cement consuming months, year-over-year growth is expected to turn negative. ACA projects cement intensities – the amount of cement consumed per real construction dollar – will continue to improve throughout forecast horizon. This translates to cement consumption outpacing construction spending, as it began to in 2025.

Real Construction Spending

\$2024 Put-in-place; SAAR

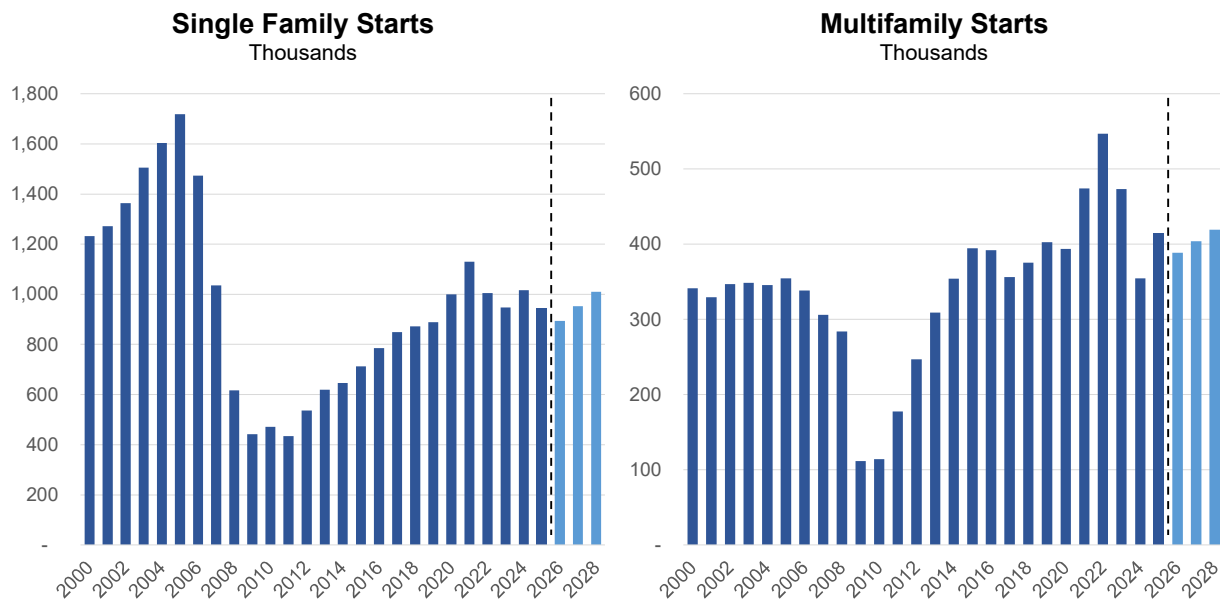


Residential Construction

Lack of affordability continues to characterize the housing market. Although the share of homeowners who hold super low mortgage rates gradually wanes, the “lock-in effect” effect is still at play. This keeps inventory of existing homes low and prices high. And it has resulted in the greatest relative price parity between new and existing homes since the housing bubble of 2005-2006. This phenomenon supports new home construction. With such little inventory on the market, if someone in the market for a new home cannot find one with their desired specifications, they may build a new house. However, in many metro regions, listings outnumber buyers, causing existing home prices to fall. This threatens the new/existing price dynamic that has helped prop up new home construction.

New home sales have also been supported by discounts and incentives like interest rate buydowns, subsidized upgrades, and closing-cost credits on the part of homebuilders. Moreover, the median new home price has now declined three years in a row. The sustainability of this level of new home sales subsidization was already questionable in a healthy economy. Homebuilders are positioned with a lot of inventory; monthly supply of new homes currently sits at 9.7 months’ supply. Amid growing economic uncertainty, builders may sit it out and take a wait-and-see approach.

In the fall, it was presumed that single family starts would begin the year weak but would gain steam during the second half of the year as interest rates declined and the labor market improved. This would result in a flat single family starts market. Now, there is much less mortgage rate relief in sight in 2026. ACA expects only one 25-basis point interest rate cut in October and mortgage rates to average 6.12 in 2026. This, coupled with an expected weaker economy and job market, caused ACA to downwardly revise its single family starts forecast in 2026 to 894 thousand starts, a decline of 5.2% from 2025. While residential construction is still anticipated to be the growth leader in cement consumption in 2027-2028, its growth trajectory is now somewhat muted compared to the fall forecast. Cumulative single family starts from 2026 to 2027 are approximately 117 thousand lower than the fall release.



Multifamily construction was overbuilt in 2021-2022. Leasing rates eased and vacancy rates increased as a result. While multifamily construction was positive in 2025, it was largely a result of low affordability in the single-family market. Multifamily often acts as a pressure valve during times of prolonged housing unaffordability as it offers a less expensive option. Though not as interest rate sensitive as single family, multifamily construction is hindered by higher rates. The multifamily market is expected to decline in 2026 to under 400 thousand units but record growth in 2027 and 2028.

Nonresidential Construction

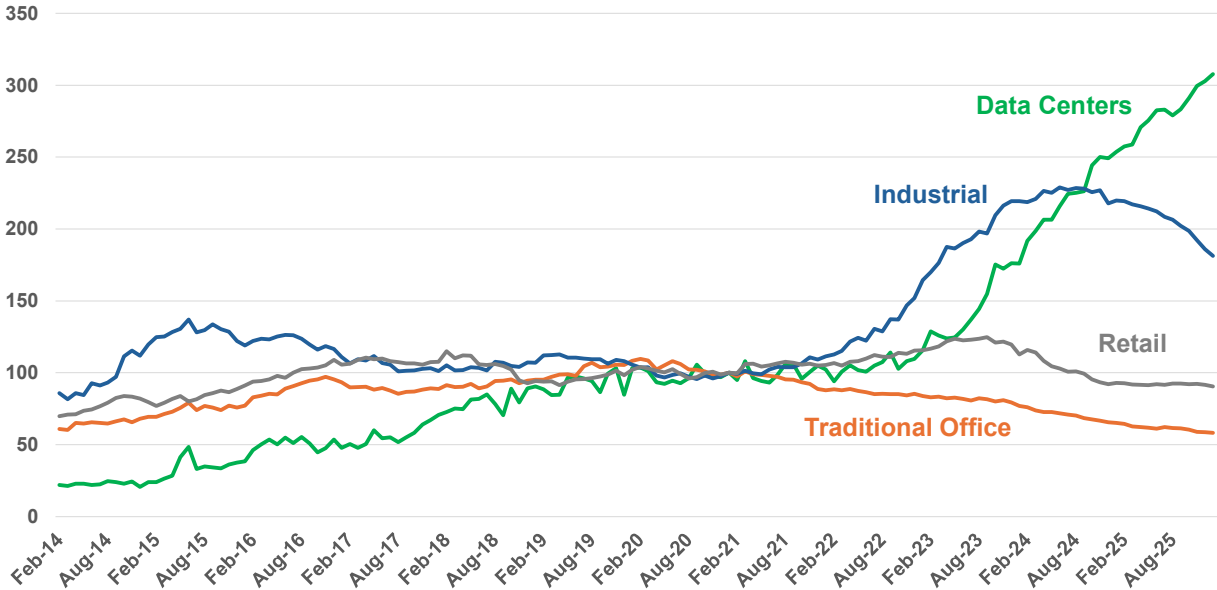
ACA has made only minor adjustments to its nonresidential outlook. The nonresidential construction sector overall remains anemic. Interest-rate-sensitive and cyclical commercial markets like office and retail have been afflicted by high vacancy rates for many years. For these segments to make an earnest recovery, net operating income will have to improve through a decline in vacancies and an increase in leasing rates. This will require strengthening in the economy and employment to work through excess vacancy. Unfortunately, both are expected to soften in 2026. This implies a prolonged recovery period for traditional commercial construction.

Industrial construction continues its slide from historically high levels. Even with steep declines expected throughout the forecast timeframe, industrial spending in 2028 is expected to be roughly 25% higher than pre-CHIPS and Science Act levels. Data center construction continues at an ardent pace, fueled by rising demand for cloud computing, artificial intelligence, and machine learning capabilities. In January 2026, spending on data centers overtook traditional office spending for the first time and now accounts for 50.4% of the office category. ACA has modestly upwardly revised its expectations for data center growth in 2026.

In total, ACA projects cement consumed in nonresidential construction to recede 5% in 2026 before the market flattens next year. Growth is anticipated in all nonresidential categories besides industrial construction come 2028.

U.S. Commercial Construction Spending

Index, January 2021=100; Constant Dollars



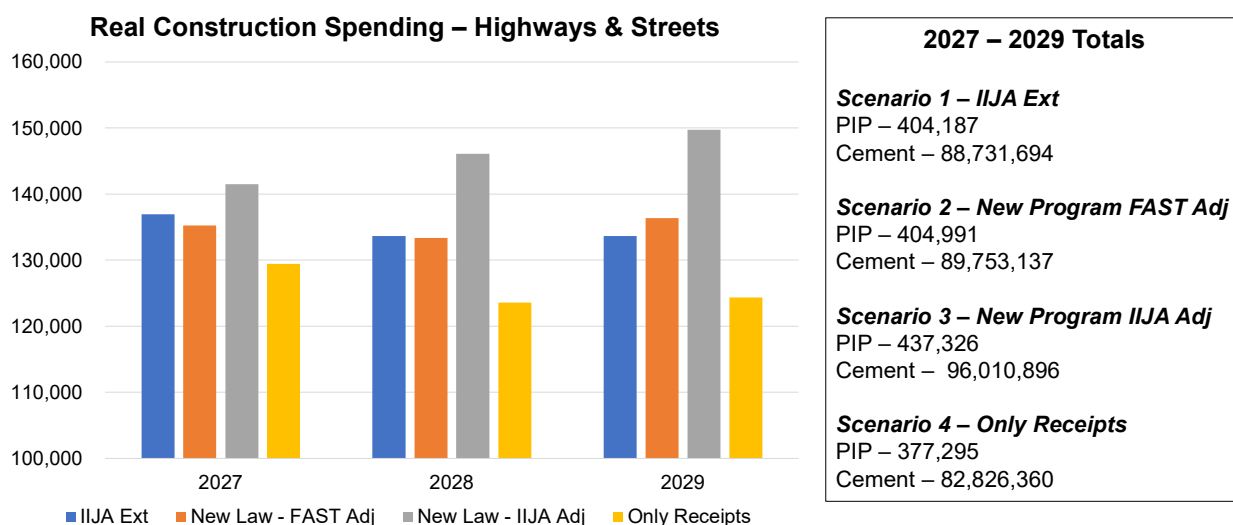
Public Construction

The public sector has provided important support to construction during times of weak private construction under the weight of high borrowing costs. Its ability to do so was enhanced by the Infrastructure Investment and Jobs Act’s (IIJA), passed in November 2021. Even though IIJA’s capacity to translate into cement consumption was increasingly diminished by high construction inflation throughout its lifespan, it acted as a support to public volumes during that period of historic inflation. IIJA sunsets in September 2026. Formula programs, state DOT’s, and metropolitan planning organizations have multiple years to obligate their allocations, so some IIJA dollars will be spent beyond 2026.

The largest question looming over public construction for the past few years has been what the next reauthorization of surface transportation funding will look like in terms of size and scope. What comes next is uncertain and the complexity and breadth of funding under IIJA was considered when modeling the effects of the program that replaces it. To that end, ACA analyzed several surface transportation funding scenarios to follow the ending of IIJA this year.

A first consideration is whether IIJA is extended or a new funding program is voted into law. While discussions on new programs are underway, ACA's baseline reflects a 1-year extension that is enacted for 2027. The scenario modeling for the replacement examined several possible program formats which include changes to formula funding, grant programs, and state reactionary functions.

Summary Comparison of the Path of Streets & Highways



ACA assumed different top-line funding levels adjusted for inflation and included figures that have been discussed publicly by lawmakers. But a possibly overlooked factor is the potential drop off in grant programs after IIJA. New programs targeted towards bridges and mega projects allocated significant dollars to these projects under the law. ACA has modeled the effects of those remaining, lessening, and being removed completely.

It is also important to consider how states react under different scenarios. Certainty surrounding federal funds is key to maintaining a healthy pipeline of projects. The longer the period extends without a new program, the effects begin to creep into state planning. An extension of IIJA does include similar effects as well. Without a clear understanding of their federal support, state DOT activity becomes cautious. This can have a medium-term impact on road construction and is incorporated into ACA's baseline.

The discussion of details of what replaces IIJA will certainly begin to heat up soon. What is needed is a full inflation adjustment to IIJA formula and grant funding. However, ACA assumes this is not the final figures that will be passed. ACA's baseline assumes some inflation adjustment is made but not enough to fully recover to real levels comparable to when the program began. Furthermore, grant funding does not get implemented at the same levels, particularly the historic bridge funding included with the law. The translation to construction spending under this scenario calls for an idling in activity.

Spending on streets and highways is expected to fall 1.2% this year and 1.0% next year. Without strong enough real funding levels to replace IIJA, the sector only improves 0.6% in 2028. While spending on streets and highways is expected to be modestly negative, the likelihood of some of the more unfavorable scenarios has been diminished. As a result, ACA has upwardly revised its streets and highways cement consumption. A larger federal commitment to surface transportation also provides more clarity to states, providing them with more leeway to tackle larger, more cement intensive projects.

Yet it would be a mistake to think there are no other risks to the paving market. With expected softer economic growth, less tax revenue from a cooling labor market, and growing entitlement obligations, states often pull back resources for infrastructure projects. Furthermore, higher gas prices often correlate with reduced vehicle miles traveled. Some states have temporarily suspended their gas tax in an effort to lessen the blow of higher prices. Finally, higher inflation means less spending power for infrastructure projects. The largest risk on state infrastructure spending is that states may repurpose federal funds they would otherwise dedicate to construction projects on other priorities in the context of a weakening economy and scarce dollars.

Monthly construction spending on highways, sewers, and water systems has held up stronger than anticipated in the fall. ACA now expects real public construction spending to contract 1.9% in 2026 versus 3.1% anticipated in the fall. While funding for water-related construction is expected to be reauthorized, the myriad of categories IIJA funded are not expected to be mirrored in a future bill. As such, sewer and water supply systems' construction spending is projected to be negative throughout the remainder of the forecasted period. However, cement intensities during this time frame are projected to improve as IIJA contained funding for non-concrete relevant priorities like \$15 billion for lead service line replacement and \$10 billion for perfluoroalkyl or polyfluoroalkyl substance (PFAS) treatment.

Alternative Scenarios: Iran Conflict & Energy Crisis

With each forecast release, ACA also considers economic scenarios it deems the *most probable* optimistic and pessimistic outcomes. In the fall, the top concern was a faltering labor market. While this is still a critical consideration, the key force determining its trajectory has shifted. Tariff induced inflation and a consumer spending slowdown are now superseded by war in the Middle East. ACA's baseline assumption is that a resolution is reached within 4-8 weeks. However, progress in peace discussions has been unsteady thus far, adding a high level of uncertainty to this assumption. Should the war escalate and the Strait of Hormuz remain closed for longer, the implications globally on energy availability and ensuing prices would be remarkable.

Noticeable impacts from the war have already appeared in data, which will continue in the near-term. The length and severity of these impacts are the potential catalyst pushing the economy into a recession.

Under ACA's Pessimistic scenario, the conflict drags on and energy prices and availability remain restrictive through the summer months. An increasing amount of energy infrastructure is damaged, which further extends the supply issues and exacerbates the problem. These input costs begin to curtail investment domestically and further dampen the labor market. This scenario yields a considerable recession with the dynamics of stagflation.

Under the Optimistic scenario, resolution with Iran is reached soon, with definitive terms. This works to settle consumer and business fears, and sentiment rises over the summer. The labor market remains subdued comparable to the baseline but does enough to keep the economy churning. Residential and commercial markets see an earlier rise under this scenario. While the Pessimistic scenario is more severe than discussed in previous forecasts, ACA assigns a lower likelihood of 15% to the downside. The Optimistic scenario carries a 20% likelihood.

Optimistic Scenario - 20% Likelihood

	2025	2026	2027	2028
Real GDP Growth	2.1%	2.2%	2.3%	2.8%
Unemployment Rate	4.3%	4.5%	4.3%	4.1%
Federal Funds Rate	4.21	3.58	3.02	2.86
Consumer Price Index	2.7%	2.9%	2.3%	2.1%
Housing Starts	1,339	1,302	1,387	1,455
Real Construction Spending	-3.0%	-2.3%	-0.1%	1.4%
Cement Consumption	-1.5%	-1.3%	1.7%	3.3%

Baseline Scenario - 65% Likelihood

	2025	2026	2027	2028
Real GDP Growth	2.1%	1.8%	2.2%	2.9%
Unemployment Rate	4.3%	4.7%	4.5%	4.2%
Federal Funds Rate	4.21	3.58	3.11	2.86
Consumer Price Index	2.7%	3.1%	2.2%	2.0%
Housing Starts	1,359	1,283	1,357	1,407
Real Construction Spending	-3.0%	-3.1%	-0.5%	1.8%
Cement Consumption	-1.5%	-2.5%	0.9%	3.0%

Pessimistic Scenario - 15% Likelihood

	2025	2026	2027	2028
Real GDP Growth	2.1%	1.3%	1.1%	3.2%
Unemployment Rate	4.3%	4.8%	5.1%	4.5%
Federal Funds Rate	4.21	3.64	2.82	2.66
Consumer Price Index	2.7%	3.6%	2.5%	2.1%
Housing Starts	1,339	1,252	1,242	1,328
Real Construction Spending	-3.0%	-3.8%	-3.7%	2.2%
Cement Consumption	-1.5%	-3.1%	-2.0%	3.5%

Optimistic Scenario

There are only a few key changes that differentiate the Optimistic scenario from ACA's baseline outlook. Regardless of ceasefires or complete reopening of supply lines, there will be continued economic damage from the war in Iran. The CPI has already moved above 3% with more impacts likely in upcoming releases. However, the Optimistic scenario arises from a sooner and *clearer* resolution to the conflict. A swifter timeline is an obvious boost to the outlook but a resolution that leads to a true reopening and safe Strait of Hormuz is key in this scenario. Under this scenario, global energy returns to a free flow and businesses feel more confident in their ability to access energy and other supplies. Prices begin to retreat from extreme levels by late summer.

Domestically, a clean resolution to the war leads to a swift rebound in consumer and business confidence that can help reinvigorate a teetering economy. Labor markets do not see a noteworthy improvement compared to the baseline, but monthly job gains are slightly higher. Inflation does post several months of elevated inflation, but the Federal Reserve sees through the disruption and still enacts one rate cut, the same as under the baseline. With one less uncertainty, business investment sees a modest improvement, arriving earlier than under the baseline outlook. Healthier labor and business outlooks boost interest rate sensitive construction sectors in 2027. Both housing and commercial construction levels are higher as compared to the baseline in the out years of the forecast. Construction put-in-place and cement consumption outperform the baseline by 0.8% and 1.2% respectively in 2026. Cement grows at a healthier rate in the following years as well.

Pessimistic Scenario

The U.S. economy entered 2026 with several headwinds. Restrictive interest rates amid tariffs, a deteriorating labor market, and an increasingly K-shaped economy were all downside risks to be considered. These have now been compounded with an energy crisis stemming from war in Iran, which is the driving force behind ACA's Pessimistic scenario.

As stated above, some economic fallout is already guaranteed. But the severity and length of those impacts can grow much worse the longer the conflict restricts the transfer of energy. The closure of the Strait of Hormuz has broad reaching effects as significant amounts of crude oil, LNG, fertilizers and other chemicals move through the strait. Helium that is essential for chip manufacturing, is another key supply being disrupted. As witnessed during the pandemic, once supply chains are disrupted, the impacts do not resolve quickly. Should Iran continue to limit or hinder movement through the region for an extended period, vital production will be restrained and prices will rise.

A possibly more dire implication would be an increase in damaged or destroyed energy infrastructure in the region. Re-opening and increasing movement through the strait may be a disruption for several weeks to months but rebuilding of critical energy infrastructure could cause much longer consequences. This would cause a more prolonged, severe shift in costs. All these implications should be considered as real possibilities under the Pessimistic scenario.

How these effects spill into the U.S. economy is anything but certain, but they will arrive, nonetheless. While the country is not dependent on oil from the region, several other inputs will disrupt our ability to produce and source the goods needed to keep the economy at level. As prices rise and global supply chains are disrupted, business confidence and investment will scale back. This will eventually present itself in the form of job cuts from a labor market that has already seen essentially no net job growth in the past year.

Americans will be faced with higher costs as the CPI averages 3.6% in 2026, combined with less certainty on income. This brings about a recessionary cycle late in 2026 and into 2027. The dynamics described under this scenario align largely with an energy-induced period of stagflation. This leaves the Federal Reserve in an incredibly sticky position, which they are already seeing the beginnings of. Its dual mandate will be pulling in opposite directions and it's uncertain it will yield to first. Under this scenario, ACA assumes the Fed will not cut during 2026, but it will be forced to early in 2027 as economic growth

clearly declines. The worst of the macro effects are seen next year as GDP growth musters only just above 1% and unemployment averages above 5.1% for the year.

This scenario dampens residential construction to a degree this year, but the majority of the effects arrive next year. Housing dips even further from subdued levels this year, only posting 1.242 million housing starts. The commercial rebound is delayed further as both interest rates remain higher and economic growth stalls. Tax revenues fall notably during 2027, and states react in turn during the following year. One other public consideration is how reauthorization funding levels following IIJA could be influenced under this scenario. If the war is extended and funding comes into question it may draw attention away from other programs such as surface transportation. ACA did not include notably different funding levels, but the risk should be noted.

Altogether under the pessimistic scenario, cement consumption falls 3.1% this year and 2.0% in 2027. This would yield five straight years of declining consumption. Growth is projected to return in 2028 but with total levels of consumption much lower.

Summary Outlook

According to ACA's baseline scenario, inflation heats up in 2026 and causes interest rates to remain restrictive throughout the year despite a cooling labor market. Consumer spending softens but stays positive, allowing the U.S. economy to skirt by without entering a recession.

The events of 2026 will leave the economy and construction sector afloat but scarred. Lower interest rates will eventually come to the aid of private construction markets in 2027 and beyond, but it will take time for the benefits to manifest. Furthermore, the impact of lower rates will not be the same as it was in a roaring underlying economy where consumers and businesses were eager to spend on less expensive credit.

Real construction spending and cement consumption are expected to decline 3.1% and 2.5% in 2026, respectively. Construction spending is projected to remain sluggish into 2027 but due to an improvement in cement intensities, cement consumption is expected to record growth after four years of retreat.

U.S. Forecast Tables

Spring 2026



MARKET INTELLIGENCE

Economic Forecast

	2023	2024	2025	2026	2027	2028
General Economic Factors						
- Real GDP Growth (%)	2.9%	2.8%	2.1%	1.8%	2.2%	2.9%
- Unemployment Rate (%)	3.6%	4.0%	4.3%	4.6%	4.5%	4.2%
- Employment	155,895	157,694	158,439	158,669	159,329	160,973
- Average Monthly Change in Employment	279	150	62	19	55	137
- Inflation Rate (%)	4.1%	3.0%	2.6%	3.1%	2.2%	2.0%
- Consumer Sentiment Index	105.4	104.5	96.1	89.7	94.2	103.4
- Total Housing Starts (000)	1,421	1,371	1,357	1,283	1,357	1,430
- Oil Price, WTI Per Barrel	78	77	65	83	72	73
- Note: Oil Rig Count	687	599	562	564	575	584
Key Interest Rates						
- Mortgage Rate - 30 Yr Fixed (%)	6.91	6.80	6.60	6.12	5.88	5.44
- Federal Funds Rate	5.02	5.14	4.21	3.58	3.11	2.86
Key Single Family Factors						
- Single Family Starts (000)	947	1,016	943	894	953	1,010
- Average New Home Sq Footage	2,409	2,370	2,361	2,365	2,383	2,404
- Total Single Family Sq Footage (Million)	2,282	2,408	2,225	2,114	2,272	2,429
- Average Cement Tons Per Start	20.7	19.8	20.3	20.4	20.6	20.9
- Mortgage Rate - 30 Yr Fixed	6.91	6.80	6.60	6.12	5.88	5.44
- Median Home Price (000)	\$425	\$419	\$414	\$416	\$427	\$439
- Home Appreciation Rate	-1.1%	-1.4%	-1.3%	0.5%	2.6%	2.9%
- Average Monthly Payment	\$2,803	\$2,736	\$2,642	\$2,527	\$2,527	\$2,478
Key Multi-Family Factors						
- Multi-Family Starts (000)	473	355	415	389	404	419
- Average New Home Sq Footage	1,311	1,313	1,314	1,312	1,320	1,323
- Total Multi-Family Sq Footage (Million)	621	466	545	510	533	555
- Average Cement Tons Per Start	6.4	6.7	6.6	6.7	6.8	6.8
- Vacancy Rate (%)	6.5	6.8	7.1	7.2	6.7	6.2
- Mortgage to Rent Ratio	1.6	1.6	1.6	1.6	1.6	1.6
- Target Rental Population (20-29) (Million)	44.4	44.9	45.0	45.0	45.0	45.0
Key Nonresidential Factors						
- Capacity Utilization (%)	77.3	76.1	76.0	75.6	75.7	76.1
- Office Vacancy Rate (%)	19.2	20.1	20.7	21.4	21.9	21.5
- Office Worker Employment (Thousand)	34,954	34,663	34,472	34,318	34,402	34,480
General Cement Ratios						
- Cement Consumption (Per 000 Capita)	318.1	298.7	292.6	284.0	285.4	292.7
- Cement Tons Per Mil Construction	51.2	46.3	47.0	47.3	48.0	48.5

Construction Put-in-Place
(Billions 2024\$)

	2023	2024	2025	2026	2027	2028
Total	2,094.4	2,192.7	2,126.0	2,061.1	2,050.2	2,087.4
Residential Buildings	885.3	927.5	880.8	872.7	901.0	939.3
New Housing Units	548.5	558.4	516.1	505.0	534.2	564.9
Single Family	406.7	433.6	404.0	391.4	414.2	439.8
Multi Family	141.9	124.8	112.2	113.7	120.0	125.0
Improvements	336.8	369.1	364.7	367.7	366.8	374.4
Nonresidential Buildings	530.6	544.9	511.7	460.8	439.0	441.4
Industrial	201.2	234.8	217.3	168.0	144.5	136.6
Office	113.3	111.0	108.6	109.9	110.8	112.6
Hotels, Motels	26.2	23.7	22.2	22.3	22.8	24.8
Hospitals, Institutions	28.1	31.0	32.3	32.0	31.7	32.3
Religious	4.0	4.2	4.8	4.6	4.6	4.6
Educational	23.9	25.8	24.7	24.0	23.3	24.0
Other Commercial	133.9	114.4	101.9	100.0	101.3	106.5
Public Utility & Other	180.6	185.2	190.2	193.0	191.5	191.2
Farm Nonresidential	12.7	12.5	12.3	12.0	11.8	11.9
Miscellaneous	83.5	85.9	86.8	86.7	88.3	90.4
Public Construction	401.6	436.7	444.1	435.9	418.6	413.2
Buildings	161.9	182.5	186.5	182.6	175.4	174.1
Highways & Streets	142.1	145.2	141.4	139.7	138.3	139.2
Military/Public Security	14.9	18.6	19.3	18.1	16.5	16.5
Conservation	12.0	11.6	11.9	11.9	11.5	12.0
Sewer Systems	42.4	46.0	50.9	50.1	46.5	43.4
Water Supply Systems	28.4	32.8	34.2	33.5	30.5	28.1
Percent Change						
Total	3.8%	4.7%	-3.0%	-3.1%	-0.5%	1.8%
Residential Buildings	-8.3%	4.8%	-5.0%	-0.9%	3.2%	4.3%
New Housing Units	-7.9%	1.8%	-7.6%	-2.2%	5.8%	5.7%
Single Family	-14.5%	6.6%	-6.8%	-3.1%	5.8%	6.2%
Multi Family	18.2%	-12.0%	-10.1%	1.3%	5.6%	4.2%
Improvements	-9.0%	9.6%	-1.2%	0.8%	-0.2%	2.1%
Nonresidential Buildings	19.2%	2.7%	-6.1%	-10.0%	-4.7%	0.5%
Industrial	49.9%	16.7%	-7.4%	-22.7%	-14.0%	-5.4%
Office	-0.2%	-2.0%	-2.2%	1.2%	0.8%	1.6%
Hotels, Motels	23.3%	-9.4%	-6.2%	0.4%	2.1%	8.7%
Hospitals, Institutions	-3.3%	10.3%	4.1%	-1.0%	-0.8%	1.9%
Religious	16.3%	4.8%	13.3%	-3.1%	-1.3%	0.5%
Educational	9.3%	7.9%	-4.3%	-2.7%	-3.1%	3.2%
Other Commercial	10.0%	-14.6%	-11.0%	-1.9%	1.4%	5.1%
Public Utility & Other	14.7%	2.5%	2.7%	1.5%	-0.8%	-0.2%
Farm Nonresidential	2.6%	-1.9%	-1.5%	-2.4%	-2.2%	1.6%
Miscellaneous	9.5%	2.9%	1.0%	-0.1%	1.9%	2.4%
Public Construction	11.6%	8.7%	1.7%	-1.9%	-4.0%	-1.3%
Buildings	7.4%	12.7%	2.2%	-2.1%	-4.0%	-0.7%
Highways & Streets	12.7%	2.2%	-2.7%	-1.2%	-1.0%	0.6%
Military/Public Security	15.8%	24.7%	3.6%	-6.2%	-8.7%	-0.2%
Conservation	20.6%	-2.9%	2.0%	0.0%	-3.0%	4.2%
Sewer Systems	21.2%	8.5%	10.7%	-1.5%	-7.3%	-6.6%
Water Supply Systems	12.1%	15.6%	4.4%	-2.0%	-9.1%	-7.9%

Portland Cement Consumption

(000 Metric Tons)

	2023	2024	2025	2026	2027	2028
Total	107,134	101,570	100,009	97,494	98,398	101,319
Residential Buildings	30,676	30,087	29,397	28,374	29,974	31,769
New Housing Units	22,684	22,544	21,880	20,844	22,381	23,966
Single Family	19,643	20,154	19,161	18,240	19,648	21,114
Multi Family	3,041	2,391	2,719	2,604	2,733	2,851
Improvements	7,991	7,543	7,517	7,530	7,593	7,803
Nonresidential Buildings	21,150	17,975	16,533	15,713	15,711	16,388
Industrial	2,345	2,079	1,883	1,504	1,334	1,307
Office	1,275	1,132	1,142	1,146	1,186	1,227
Hotels, Motels	400	323	317	333	344	376
Hospitals, Institutions	1,095	1,094	1,119	1,119	1,126	1,160
Religious	61	64	69	67	67	68
Educational	2,086	1,927	1,915	1,849	1,769	1,802
Other Commercial	13,889	11,356	10,087	9,695	9,885	10,448
Public Utility & Other	2,557	2,551	2,608	2,666	2,660	2,677
Farm Nonresidential	3,729	3,838	3,758	3,657	3,568	3,630
Oil & Gas Wells	1,945	1,874	1,702	1,681	1,746	1,856
Miscellaneous	1,475	1,487	1,592	1,590	1,626	1,677
Public Construction	45,601	43,759	44,419	43,813	43,114	43,322
Buildings	1,962	2,051	2,150	2,137	2,070	2,072
Highways & Streets	32,639	31,068	30,903	30,499	30,426	30,895
Military/Public Security	229	225	214	199	183	186
Conservation	2,684	2,567	2,600	2,568	2,520	2,637
Sewer Systems	4,433	4,362	4,779	4,724	4,466	4,258
Water Supply Systems	3,653	3,486	3,774	3,687	3,450	3,275
	2023	2024	2025	2026	2027	2028
	Percent Change					
Total	-0.8%	-5.2%	-1.5%	-2.5%	0.9%	3.0%
Residential Buildings	-8.2%	-1.9%	-2.3%	-3.5%	5.6%	6.0%
New Housing Units	-9.5%	-0.6%	-2.9%	-4.7%	7.4%	7.1%
Single Family	-8.2%	2.6%	-4.9%	-4.8%	7.7%	7.5%
Multi Family	-17.2%	-21.4%	13.7%	-4.2%	5.0%	4.3%
Improvements	-4.4%	-5.6%	-0.3%	0.2%	0.8%	2.8%
Nonresidential Buildings	3.7%	-15.0%	-8.0%	-5.0%	0.0%	4.3%
Industrial	47.9%	-11.4%	-9.4%	-20.1%	-11.3%	-2.0%
Office	13.1%	-11.2%	1.0%	0.3%	3.4%	3.5%
Hotels, Motels	44.9%	-19.3%	-1.7%	5.0%	3.2%	9.4%
Hospitals, Institutions	-4.3%	-0.1%	2.3%	0.0%	0.6%	3.0%
Religious	4.1%	5.6%	7.4%	-2.9%	0.1%	0.8%
Educational	2.2%	-7.6%	-0.6%	-3.5%	-4.3%	1.9%
Other Commercial	-1.9%	-18.2%	-11.2%	-3.9%	2.0%	5.7%
Public Utility & Other	1.6%	-0.2%	2.2%	2.2%	-0.2%	0.7%
Farm Nonresidential	4.3%	2.9%	-2.1%	-2.7%	-2.4%	1.7%
Oil & Gas Wells	7.4%	-3.7%	-9.2%	-1.2%	3.9%	6.3%
Miscellaneous	13.7%	0.8%	7.0%	-0.1%	2.3%	3.1%
Public Construction	1.4%	-4.0%	1.5%	-1.4%	-1.6%	0.5%
Buildings	-7.7%	4.5%	4.9%	-0.6%	-3.1%	0.1%
Highways & Streets	-0.7%	-4.8%	-0.5%	-1.3%	-0.2%	1.5%
Military/Public Security	53.4%	-2.1%	-4.8%	-7.1%	-7.8%	1.6%
Conservation	9.6%	-4.4%	1.3%	-1.2%	-1.9%	4.6%
Sewer Systems	14.8%	-1.6%	9.5%	-1.1%	-5.5%	-4.7%
Water Supply Systems	4.2%	-4.6%	8.2%	-2.3%	-6.4%	-5.1%

U.S. Cement Consumption Forecast
(000 Metric Tons)

	2023	2024	2025	2026	2027	2028
Total Cement Consumption	109,484	103,754	102,090	99,516	100,479	103,504
Portland Cement	107,134	101,570	100,009	97,494	98,398	101,319
Masonry Cement	2,350	2,184	2,082	2,021	2,081	2,184
- Portland Share of Total, (%)	97.9%	97.9%	98.0%	98.0%	97.9%	97.9%
Cement and Clinker Imports	25,141	23,402	23,600	23,078	23,219	23,756
- Import Share, (%)	23.0%	22.6%	23.1%	23.2%	23.1%	23.0%
Percent Change						
Total Cement Consumption	-0.9%	-5.2%	-1.6%	-2.5%	1.0%	3.0%
Portland Cement	-0.8%	-5.2%	-1.5%	-2.5%	0.9%	3.0%
Masonry Cement	-5.0%	-7.1%	-4.7%	-2.9%	3.0%	5.0%
Cement and Clinker Imports	-2.8%	-6.9%	0.8%	-2.2%	0.6%	2.3%