

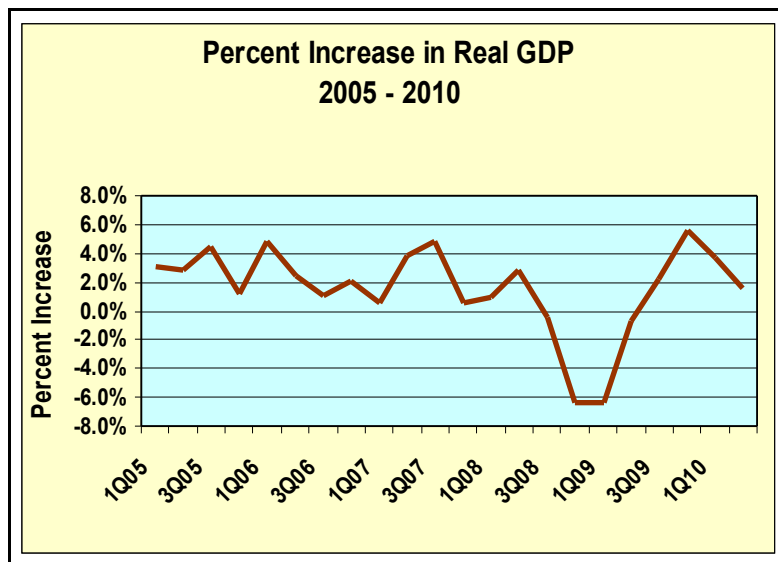
## Introduction

The outlook for 2010 remains downbeat. Downturns in construction typically lag downturns in the general economy. Housing remains a drag on the economy, but there are other causes as well. Credit remains tight and the jobs situation is not improving. The only bright spot is lower inflation, mainly due to lower oil costs. Economic indicators and their forecasts provide an excellent view of where we are and where we are going.

## GDP

Real GDP increased at an annual rate of 1.6% in the second quarter of 2010, according to the "second" estimate. Real GDP increased 3.7% in the first quarter of 2010.

The major contributors to this increase were positive contributions from private inventory investment, exports, federal government spending, residential fixed investment, personal consumption expenditures (PCE) and nonresidential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

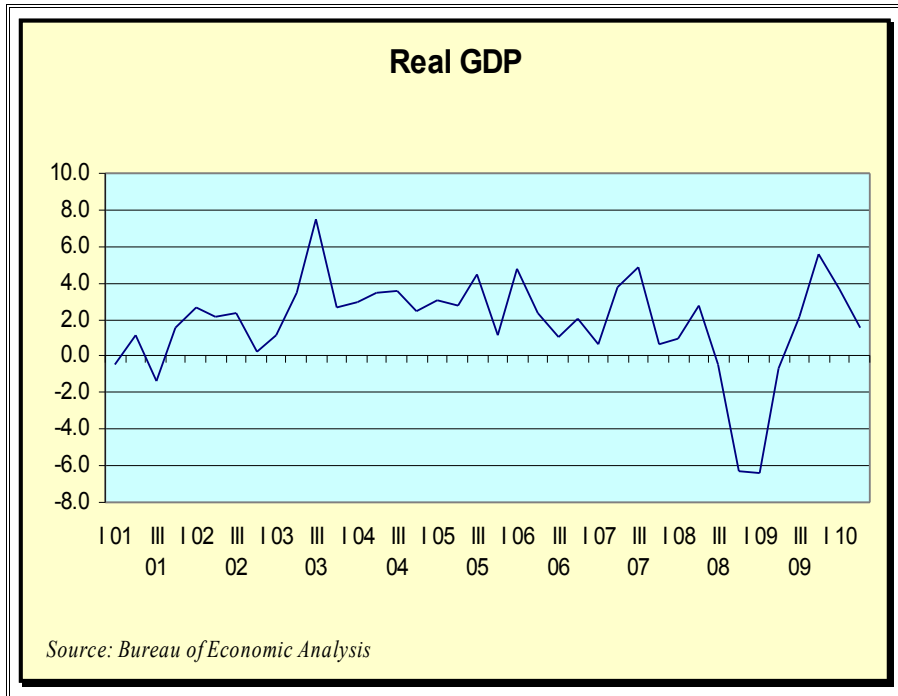


The Federal Reserve decided to maintain the target federal funds rate at 0.0% to 0.25% at its August meeting. The Fed stated, "Economic data releases were mixed, on balance, over the intermeeting period, but market participants were especially attentive to incoming information on the labor market—most notably, the private payroll figures in the employment report for May, which were considerably weaker than investors expected. Those data, combined with heightened concerns about the global economic outlook stemming in part from Europe's sovereign debt problems, contributed to a downward revision in the expected path of policy implied by money market futures rates."

The most recent Consensus Forecast projects a year-over-year increase for 2010 of 3.3% and an increase in of 3.1% for 2011. FMI believes that GDP growth will be in that range.

<i>Comparison Forecasts</i>	<i>2010</i>	<i>2011</i>
<i>Consensus</i>	3.3	3.1
<i>CBO (Aug. '09)</i>	1.7	3.5
<i>OMB (Aug. '09)</i>	2.0	3.8
<i>IMF (Jan. '10)</i>	3.1	2.6
<i>OECD (Nov. '09)</i>	2.5	2.8

*Components of GDP* – Real personal consumption expenditures increased 2.0% in the second quarter of 2010, compared with an increase of 1.9% in the first quarter. Real nonresidential fixed investment increased 17.6%, compared to an increase of 7.8% in the first quarter. Nonresidential structures increased 0.4%, compared with a decrease of 17.8% in the previous quarter. Equipment and software increased 24.9%, compared to an increase of 20.4% in the first quarter. Real residential fixed investment increased 27.2%, compared with a decrease of 12.3% in the first quarter.



According to the revised estimates, profits from current production (corporate profits with inventory valuation and capital consumption adjustments) increased \$72.7 billion in the second quarter of 2010. In the first quarter of 2010, profits increased \$148.4 billion. Current production cash flow (net cash flow with inventory valuation and capital consumption adjustments) — the internal funds available to corporations for investment — increased \$53.7 billion in the second quarter of 2010, compared with an increase of \$33.3 billion in the first quarter.