

## Notes for November 17<sup>th</sup>, 2021 CCI Report

1. Title Slide

2. Year to date, crude **Oil Prices** have increased 57% to \$81.93 per barrel. Total US crude oil production is expected to tick up in 2022 as a result of operators beginning to increase rig additions. Prices are expected to average \$68.24 per barrel going into 2022.

3. **Residential Building Permit** activity is up 34.2% from a year ago, and in dollar terms the amounts were up 43.6%. However, according to the *UCF Institute for Economic Forecasting*, there are now expectations of declines in housing with overall decline to be about 5 to 9% in 2022, and 6 to 9% in 2023. High bids for materials like lumber and rebar, driven by demand and supply issues, have finally dampened projected residential construction. This is important for FDOT, because housing competes for many of the same resources as highway construction.

4. Florida **Heavy Construction Employment** has somewhat stagnated over the past two quarters, though its up 2.8% since last year. The Florida Economic Estimating Conference expects heavy construction employment to increase 2.6% in 2022.

5. Statewide **Construction Employment** in major Florida markets is shown here. Employment is expected to increase an average 1% in 2022. A workforce survey shows that 85% of construction firms in Florida have open positions and 90% of those are having trouble filling those positions.

6. The latest **Commodity & Labor** composition chart shows that a large increase in concrete dollars in August boosted concrete costs to the largest share for that month. Steel's share of costs was also up in August compared to previous months, and preliminary September data shows a spike in aggregate costs in relation to the other materials. Remember, these are rough estimates based on the latest available earned revenue numbers and industry reported wage costs and they vary by month depending on the projects under construction.

7. The **National Highway & Street Construction PPI** is up 20.6% from a year ago and increased 4.1% from last quarter.

8. New to this presentation is the **FDOT Benchmark Input Costs** Index. It shows the change in supplier reported input costs for asphalt, concrete, steel and aggregate products, and has been on a steady rise since November 2020 when major material price increases first began. This is compared to the blue line which shows the change in FDOT Bid prices for those same commodities. Changes in FDOT contractor bid prices have been less consistent, but still trend upward, with September material prices 14% higher than November. Since increases in material bid prices have remained below input costs, this indicates that contractors are still absorbing cost increases, but the gap is closing.

9. Tracking the cost of a 1-mile **New Construction Typical Section** 4 months into this fiscal year shows that while costs remain generally higher, our bidders may be anticipating asphalt prices to level off in 2022.

10. Interestingly, the cost of a 1-mile **Resurfacing Typical Section** is trending ever higher, possibly due to the majority of Resurfacing costs being more immediate than new construction costs.

11. The September and October monthly averages for FDOT **Asphalt** bid prices saw consecutive decreases to \$116.09 per ton since August, though asphalt input costs have increased rapidly over the last few months due to high fuel prices.

12. The **quarterly asphalt** trend gives a look back at where we were in terms of bids pre-pandemic. Our 3<sup>rd</sup> and start of 4<sup>th</sup> quarter average bid prices have surpassed prices from the same quarters in 2019. Preliminary data show that our asphalt prices have increased 8.3% in the first three months of fiscal year 2022, on top of a 3.6% increase between 2020 and 2021.

13. Asphalt **Binder** average bid prices held steady between August and October. Binder prices have increased 25% in 2021 due to higher crude oil prices and production costs, and increases are expected to continue. With very few suppliers, polymers continue exerting a negative influence on FDOT's costs, however US imports of polypropylene in August reached their highest levels in more than a decade.

14. Asphalt binder's quarterly trend since just before the pandemic set in. Supply is sufficient to meet demand, possibly due to reported increases in imports across the east coast over the summer.

15. Only in September did **Structural Concrete** average bid prices increase to a notable level (not counting the April outlier), but producers are increasing prices to keep their margins. Some good news: concrete components like fly ash and slag should soon be easier to source due to capacity improvements at Florida ports and the expansion of qualified material producers around the globe. Cemex has invested millions in improving the Pensacola and Palm Beach cement terminals in order to improve distribution, and upgrades at Port Manatee are expected to be completed this year as well.

16. & 17. **Base** average bid prices, and due to truck driver shortages affecting base and **Earthwork** prices. Driver and operator shortages are still affecting earthwork contractors, and providers are still having issues obtaining equipment and parts. There has been a recent push to incentivize workers to join the profession, which may help improve the situation and decrease costs in the long run.

18. **Steel** production has taken a hit due to China cutting back, meaning there will be less material available stateside to accommodate demand from multiple industries, continuing to push prices up. It is expected that China's production will continue to decline through the end of the year and before the 2022 winter Olympics. Here at home, supply is currently insufficient to meet demand due to mill closures and high component costs.

19. There were 2 contract lettings with **Structural Steel** in October, with an average bid price of \$2.93.

20. Once again, our **Reinforcing Steel** average bid prices in September and October are not reflecting the increases in costs for raw materials that our suppliers report. There were 2 projects with reinforcing steel pay items in September, and 10 in October.

21. The October Steel Fabricator Survey Results are shown here, with respondents reporting price increases they have experienced, and which are still expected to occur.

Some producers have reported that price increases in previous months were worse than they expected. They report that their bid prices have increased alongside the price increases.

22. **Guardrail** continues to show an upward trend in our bid prices.

23. The same goes for **Overhead Sign Structures**.

24. **Trucking & Freight** – This graph shows the National Flatbed Load-to-Truck Ratio, which is a measure of flatbed demand and capacity – in other words there's an average 48 loads for every available truck.

25. The monthly look at **Competition** for FDOT construction contracts through October shows a slight increase in the number of bids per contract, at 3.9, and the number of contracts with two bidders or less was a healthy 3.2%.