

Notes for April 19th, 2023 CCI Report

On April 3rd, OPEC and partner countries announced they would cut **Crude Oil** production through the end of 2023. Forecast numbers presented in last month's report already accounted for some declines in production in the coming months. Overall, EIA now expects less global liquid fuels production this year, but less production from OPEC was offset by the increase in Russia's production forecast, resulting in the most current forecast for crude to be adjusted up to about \$80 per barrel through 2023, and \$75.25 into 2024.

We know contractors have been adding 5% fuel surcharges to most orders to account for fuel cost volatility. The takeaway of this recent OPEC news indicates oil and fuel as supply-chain variables will remain as negative influences on FDOT costs, but should not worsen over the rest of the year.

This month's Monthly **Costs Composition chart** shows that since October, asphalt the biggest share of FDOT's total construction contract costs. The supply chain variables that influence asphalt costs are aggregate, refinery capacity, polymers, rail, trucking, pavement markings, labor, and competition (fuel is underlying in all variables). Of these, the only variable not exerting a negative influence on asphalt is competition. However, competition isn't a positive influence either, but rather a neutral one. While competition from other sectors has slowed down, it is still creating demand for the same resources that our transportation projects need.

2023's first quarter average bid price for **Asphalt** was \$169.19. Volatility is expected to continue over the next few years. Asphalt bids during the first six months of the fiscal year increased 15% which is higher than had been expected, but potential recessionary conditions should moderate cost increases. We should know if this is the case with this final quarter's bids.

Structural Concrete averaged \$1,597 in the first quarter. Bids for structural concrete pay items are overshooting forecasts, but limited bids and several low volume projects make it difficult to discern trends.

Currently all concrete supply chain variables – cement, aggregate, fly ash, rail, trucking, labor, and competition are exerting a negative influence on FDOT's costs for concrete.

Labor and equipment supply-chain influences continue their negative effects on **Earthwork** bid prices, although truck driver employment in Florida continues increasing. Statewide competition for truck drivers continues to be a constraint, causing longer lead times and higher costs.

Steel makers reported unexpected large price increases for steel plate and square tubing in February. FDOT suppliers were unable to include steel plate cost increases for jobs let in January and February, but they showed up in bids received in March, as you can see on the combined Structural Steel and Reinforcing Steel charts. Fabricators expect similar price increases for plate and square tubing to continue into April until moderating over the summer months.

First quarter bid data shows the cost of building a **New 4-Lane Divided Typical Section** has increased 17% since last fiscal year, which means a 2% increase since February's lettings. March Stabilization+base unit prices were 59% higher than March of last year.

The cost of **Resurfacing** that **typical section** has risen 26% since last year to \$1.1 million dollars, or \$281,856 per lane mile. That's a 4% increase since February's lettings. March friction course unit prices were 21% higher than last year.

Our **Florida Producer Input Price Index vs Bid Prices** shows input prices remained fairly stable through February. The average of all FDOT bids increased 6% since last month, but winning bid prices were slightly below input prices. On proposals with multiple bidders, this has manifested in a large spread between the lowest bid and the highest bid.

First quarter **Competition** for FDOT construction contracts dropped slightly to 3.5 bids per contract, and the number of contracts with two or less bidders is at a three-year high of 40.2%.