Notes for September 20th, 2023 CCI Report

Crude **oil prices** have increased since June, primarily because of extended voluntary cuts to Saudi Arabia's crude oil production and increasing global demand. Accordingly, the forecast is revised up, peaking to about $88 per barrel through November, before tapering down to around $83 per barrel at the start of 2024. For FDOT, this means fuel will continue to exert upward pressure on our costs and bid prices.

The latest update to The **Florida Producer Input Price Index**, shows that commodity input prices – in other words what our contractors pay for construction materials - have remained elevated and there is little indication that the market supports prices coming down in the coming months. Since late last Fall, the large spread between the lowest bid and the highest bid on many proposals reflects uncertainty on the part of our contractors. Their uncertainty is dominated by questions surrounding product delivery, prior price agreements and labor availability.

Florida has out-performed the national average for **Construction Employment**. While this is good news for the state, it's a negative market indicator for FDOT bid prices. The numbers for Florida's major urban markets show that construction employment continues to grow in Jacksonville and Tampa, but Orlando and especially Miami continue to see declines in multi-family housing, retail, warehouse, office, and lodging construction.

The average bid price of **Asphalt** continued to creep up mid-way through the 3rd quarter. This latest cost data is 20% higher than last year. Although the number of asphalt producers on the APL and FDEP's air permitted facilities list have increased, it's still unlikely that will help lower FDOT's costs given the current high demand.

The market influences that led to 45% year-over-year increases in **Structural Concrete** bid prices in fiscal year 2023 will continue in 2024. These market influences include a strong work program, anticipated price increases for aggregate, and ongoing labor constraints.

Trucking and labor costs are the main market influences in the **Earthwork** sector. Lower housing development and lower fuel costs would drive Earthwork costs down, but intensive infrastructure demand is supporting higher prices. The extremely high unit bid prices we are seeing this quarter are due to low quantity projects.

There have been no lettings for **Structural Steel** this quarter, however our work program quantities will see a significant increase in FY 2024 due to major projects expected to start.

There was no significant change in the cost of building a **New 4-Lane Divided Typical Section** since my last report. Although it's too early to say that the cost increases we've seen over the past 4 years are beginning to level off, contractor survey responses and market indicators support that they are or soon will.

Likewise, there was no significant change in the cost of **Resurfacing** a **4-Lane divided typical section**. Again, its too early to call this a “trend”.

Preliminary data of the **Monthly Costs Composition** chart show asphalt had the largest cost shares in July. The share of aggregate, concrete and steel costs were lower than they have been in the past two years, especially concrete. Labor costs remained consistent with previous months, where they fluctuated between 10 and 11%.

Competition for FDOT construction contracts in the 3rd quarter remained unchanged at 3.2 bids per contract, while 38.7% of contracts had two or less bidders.