



Cost News

Industry Articles

Concerning Cost & Estimating

Nearly 40% of Firms Have Laid Off Workers, New AGC Survey Says

Source: Engineering News Record

Nearly 40% of U.S. firms have been forced to lay off employees because of project cancellations and shortages of equipment or materials caused by the COVID-19 pandemic, according to an online survey released April 10 by the Associated General Contractors of America.

Owners are not only halting many current construction projects but are canceling a growing number of projects that have not yet started. Inevitably, that has caused a growing number of contractors to furlough or terminate jobsite workers.

AGC also reported that 39% of respondents in the latest survey said they had encountered project delays or disruptions due to shortages of personal protective equipment such as masks for jobsite workers, while 23% reported shortages of construction materials, equipment or parts.

The share of firms that reported furloughs or terminations rose to 40% from 31% a week earlier. More than 36% said they had had furloughed or terminated jobsite workers, while 18% had laid off office or other workers.

ENR's 20-city average cost indexes, wages and material prices

Current Materials Costs

Construction Cost Index				Building Cost Index				Material Cost Index			
ANNUAL INFLATION RATE				ANNUAL INFLATION RATE				ANNUAL INFLATION RATE			
+1.6%				+2.0%				+0.4%			
APR. 2020				APR. 2020				APR. 2020			
1913=100	INDEX VALUE	MONTH	YEAR	1913=100	INDEX VALUE	MONTH	YEAR	1913=100	INDEX VALUE	MONTH	YEAR
CONSTRUCTION COST	11412.67	+0.1%	+1.6%	BUILDING COST	6,233.93	+0.3%	+2.0%	MATERIALS COST	3526.17	+0.4%	+2.9%
COMMON LABOR	23917.29	0.0%	+1.3%	SKILLED LABOR	10626.24	0.0%	+1.8%	CEMENT S/TON	145.92	+1.1%	+14.2%
WAGE S/HR.	45.96	0.0%	+1.3%	WAGE S/HR.	58.72	0.0%	+1.8%	STEEL S/CWT	55.87	+0.4%	+3.3%
								LUMBER S/MBF	606.17	+0.1%	0.0%
The Construction Cost Index's annual escalation is 1.6%, while the monthly component increased 0.1%.				The Building Cost Index is up 2.0%, while the monthly component increased 0.3%.				The MCI rose 0.4%, while the annual escalation rate is 2.9%.			

Historical data and details for ENR's 20 cities can be found at ENR.com/economics

Construction Cost Forecast

Source: Transportation Estimators Association (TEA) Community Conversation

During a recent survey sent to TEA community members, several questions were sent out for the community to answer about what is happening in their Transportation Agency. These question pertained to data indicators for project cost trending.

The questions and WSDOT's answers are included below.

Does your data show or do you anticipate:

- **Fewer bidders or more bidders?**

We have seen a slight increase in the number of bidders we are getting on projects. We expect this trend to continue in the short term as bidder's try to lock in work.

- **Increased or decreased item costs?**

In general, item costs are down with the current competitive bidding environment plus the negative movement in oil and fuel prices. There is an expectation that short term cost reduction for oil and fuel as well as relatively flat steel prices will keep bid item costs down. However, by the 3rd quarter of 2020, although oil and fuel prices may not reach prices as high as they were prior to the influences of pandemic, and OPEC events, recovery could be at least 80%. Additionally skilled labor shortages will influence the trend toward upward cost.

- **Are you expecting any material supply or delivery issues?**

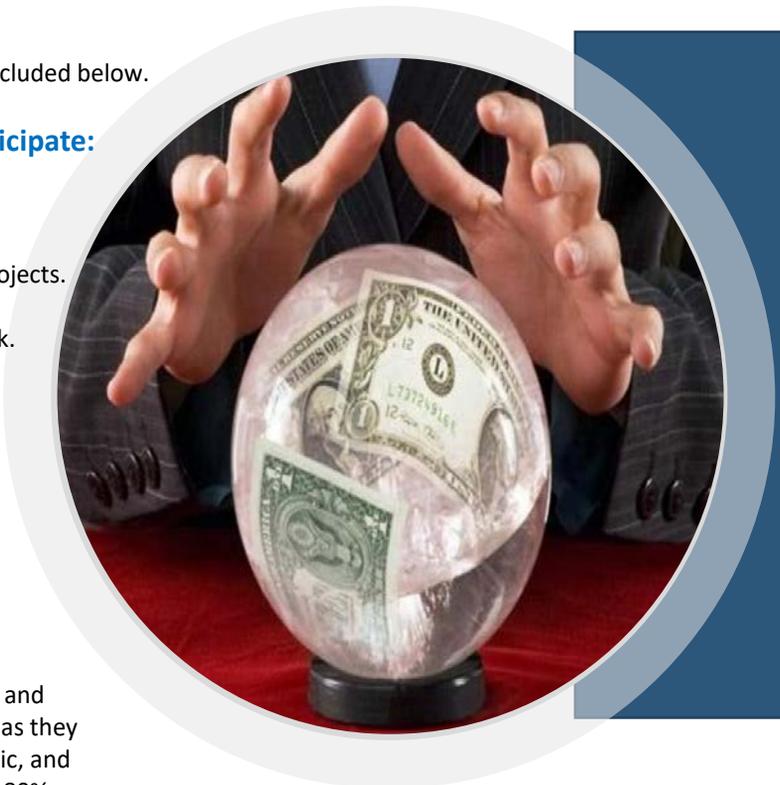
Yes, anything with components from China i.e. traffic marking products. Consideration must also be made regarding demand for resources with everything coming back online at once. There will be a high level of competition for materials and work components, which may result in higher cost & longer lead times.

- **Are Contractors still working or shutting projects down?**

All projects except Fish Passage and Emergency are currently shut down.

- **Do you expect increased/decreased workload, number of projects, funding, etc.?**

Expecting a workload increase to try to meet scheduling commitments. We are also expecting delays as regulatory agencies struggle to deliver.



Construction Spending, Commodity Prices Continue to Fall Amid Global Crisis

Source: Engineering News Record

April 2, 2020

Estimated total construction spending in February fell 1.3% below January's estimated numbers, at a seasonally adjusted rate, according to a report published by the U.S. Census Bureau on April 1. Public construction spending decreased 1.5%, to 340.9 billion.

The Dodge Momentum Index, which measures initial reporting of nonresidential building projects in the planning stage, showed a small 0.6% drop in March. The commercial side fell 0.8% while institutional planning was 0.2% lower.

However, it remains to be seen if the early planning stages move forward at the usual pace amid so much uncertainty.

Commodity prices fell 4.7% last week, according to IHS Markit's Material Price Index (MPI), with nine of the ten commodities declining. Oil prices decreased 9% while nonferrous metals dropped 4.1%, and a downturn in car sales led to a 8.5% decrease in rubber. Only lumber prices increased, by 0.3%, after falling more than 30% in the last four weeks.

Current Market Volatility



AASHTO Asks Congress for \$50 Billion in COVID-19 Relief Aid for State DOTs

Source: AASHTO News

In a letter to Congress, the American Association of State Highway and Transportation Officials (AASHTO) made an urgent request for \$50 billion in direct emergency assistance to state departments of transportation experiencing a dramatic decrease in revenues due to the nationwide response to the COVID-19 pandemic.



“State DOTs are forecasting a significant reduction in state transportation revenues that will challenge their ability to maintain and operate our transportation system in a way that can support the COVID-19 response,” said Jim Tymon, AASHTO’s executive director. “Some state DOTs are already furloughing workers due to funding shortfalls and more will be faced with the same difficult decision about projects and people, unless Congress takes action.”

Just as Congress has provided billions of dollars in emergency assistance in support of public transportation agencies, commercial airlines, and other industries, AASHTO is calling on Congress to approve an immediate funding “backstop” to state departments of transportation as part of a “Phase 4” recovery package.

Preliminary projections from state DOTs show at least a **30 percent** decline in transportation revenues on average for the next 18 months.

AASHTO’s proposal calls for a fiscal year 2020 and 2021 funding backstop of \$50 billion to be distributed to state DOTs via formula: approximately \$16.7 billion for the remainder of fiscal year 2020 (30 percent state revenue cut prorated over six months) and approximately \$33.3 billion for all of fiscal year 2021 (30 percent state revenue cut for a full year).

Supply Chain Disruptions

How coronavirus will impact the global supply chain

Source: USC News

March 13, 2020

What is the impact of the novel coronavirus having on the global supply chain?

Coronavirus has posed tremendous global disruption in the end-to-end global supply chain. When we think about supply chain disruption, consider the products you use every day. Each product entails many elements before it reaches you: the raw material, the manufacturing, packaging, transportation and distribution. Each one takes a journey using ocean, rail, air and road before being made available to your store or doorstep. Once you take one of the nodes out of commission, you will impact the entire value chain. In the case of COVID-19, it has affected all of the nodes connected through the China-centric network.

What are the long-term changes we're likely to see?

There will be a decoupling from some long-term supply chain dependencies from the China-centric supply chain network. Initially, the trade war set the stage to begin the process, and COVID-19 might be the last straw that will force the supply chain redesign. As part of the redesign, we'll be seeing a lot more appetite to bring the supply chain close to customer demand with on-shore or near-shore. We will also see a lot more focus on supply chain resiliency and risk mitigation and global supply chain management in international settings.

How long before things go back to normal?

It will take us two to three months once the virus has passed through our system. We can see the impact through the third quarter before the supply chain stabilizes and normalizes.

Longer-term goals — such as decoupling from China with a more diversified supply chain network — will take a few years at least.

NWSA's March container volumes dip 22% due to COVID-19

Source: Northwest Seaport Alliance

April 15, 2020

The Northwest Seaport Alliance handled 264,133 twenty-foot equivalent units (TEUs) in March 2020 as total container volumes dropped 21.6%, compared to March 2019. Full imports declined 28.2% while full exports decreased 8.6% year over year.

During the first quarter of 2020, there was a total of 32 void sailings due to a combination of lingering trade dispute and the pandemic. Of the 32 canceled sailings, 19 were in March as unprecedented disruptions from COVID-19 rippled across the global supply chain. The NWSA handled 788,882 TEUs year to date, a 15.4% decline from the same period last year. Full imports and exports declined 19.3% and 4.9%, respectively.

The NWSA terminals remain open and operating, and the overall supply chain in the Pacific Northwest is fluid. Efforts to mitigate the impacts of COVID-19 in the gateway are ongoing and include customized solutions to address specific needs. Information regarding our COVID-19 response are updated regularly on the [NWSA website](#).

Other cargo highlights:

- Breakbulk cargo volumes were down 11.9% year over year to 62,779 metric tons.
- NWSA auto volumes year to date were 40,555 units, down 0.5% year over year.

