

Utah Department of Transportation - Central Preconstruction

Construction Cost Outlook and Recommended Inflation Projections – September 2017

Executive Summary – Construction Item Inflation (FY = Fiscal Year, July 1 to June 30):

	FY2018	FY2019	FY2020	FY2021	FY2022
High	+8.5%	+8.5%	+7.5%	+7.0%	+6.5%
Recommended	+5.5%	+5.5%	+4.5%	+4.0%	+3.5%
Low	+3.5%	+4.0%	+3.0%	+2.5%	+2.0%

(These percentage recommendations have been reflected in the Concept Cost Estimate Spreadsheet on the [UDOT Estimator's Corner website](#).)

FY2017 Recap - both UDOT cost indexes increased over the past 18 months:

- The All Average Unit Bid Prices UDOT Construction Cost Index is generally regarded as the preferred measure of overall UDOT inflation
 - CY2016: +4.6%
 - CY2017 through June: +13.9%
- The Roadway, Surfacing & Structures UDOT Construction Index uses more limited data
 - CY2016: +2.9%
 - CY2017 through June: +32.4%

Recent Contributors to Inflation:

- Continued shortage of skilled trade workers and laborers puts upward pressure on construction labor costs.
- Diesel costs increased by 6.2% while UDOT's Asphalt Binder Index decreased 3.1% since August 2016.
- Total construction spending for the nation during CY2016 increased 6%.

FY2018 Projections Key Factors:

- Contractors and suppliers will likely maintain or continue expanding their profit margins because of solid growth in Utah's construction market.
- U.S. Energy Information Administration predicts
 - Regular gasoline fuel prices will remain mostly stable and end CY2018 3% lower.
 - Diesel fuel will gradually increase to end CY2018 13% higher.
- National forecast trends
 - Total put-in-place construction spending for CY 2017 +7.2%, CY 2018 +7.3%, and CY 2019 +7.2% suggests that stability in construction is expected over the next two-and-a-half years.
 - Highway and street spending for CY2017 +3.2%, CY 2018 +6.4%, and CY 2019 +7.0%.
 - Construction goods and services producer price index increasing +2.5% to +4% annually through CY2019.
 - Employment cost index increasing from +2.4% in CY2017 to +3.2% in CY2018 through CY2020.
- State funding has increased with the Legislature authorizing an additional \$1 billion over the next four years for UDOT highway projects. New federal infrastructure funding is on hold and is not included in these projections.