Price and Supply Risk Forecasting
March 2023

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Consumer Price Index Trend All¹

In February, the Consumer Price Index for All Urban Consumers increased 0.4 percent, seasonally adjusted, and rose 6.0 percent over the last 12 months, not seasonally adjusted. The index for all items less food and energy increased 0.5 percent in February (SA); up 5.5 percent over the year (NSA)

+6.0% ↑

CPI Unadjusted 12 Months ended February 2023

+.4% ↑

CPI month to month change seasonally adjusted.

CPI West Region

+6.0% +0.5%

CPI Los Angeles Area

+5.1% -0.3%

CPI San Diego Area²

+6.4% +1.8%

CPI San Francisco Area²

+5.3% +1.8%

CPI Riverside Area²

+7.3% +1.3%

Food +9.5% annual/+.4% month

• At Home – +10.2% /+0.3%
• Away – +8.4%/+0.6%

Medical Care Services +2.1% annual/-0.7% mon.

• Professional Services - +2.4%/-0.3%
• Hospital Services - +3.6%/ +0%

Medical Care Goods +3.2% annual/+0.1% month

• Drugs +2.9%+0.1%
• Medical equipment and supplies +7.7%+0.2%

Gasoline -2.0% annual/+1.0% month

Delivery Services +7.7% annual/+0.2% month

• Postage - +6.7%+0%
• Delivery - +14.4%+1.3%

Public Trans +18.0% annual/+3.2% month

• Airfare - +26.5%+6.4%
• Intracity - +1.1%+0.9%

²BLS releases data for San Diego, Riverside Area and San Francisco every 2 months
# Index Data Summary Construction

## Building Cost Index¹

Driven by bricklayers, carpenters and structural ironworker’s rates, and cost of structural steel shapes, Portland cement and 2x4 lumber over the last 12 months

<table>
<thead>
<tr>
<th>Building Cost Index¹</th>
<th>Unadjusted 12 Months ended March 2023</th>
<th>San Francisco Area (Mar '23)</th>
<th>Los Angeles Area (Mar '23)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual change</td>
<td>+5.8%</td>
<td>-15.4%</td>
<td>+6.9%</td>
</tr>
<tr>
<td>Monthly change</td>
<td>+0.1%</td>
<td>-2.0%</td>
<td>-4.1%</td>
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## Materials Cost Index¹

Driven by Steel Pipe, copper and brass mill shapes, lumber, metal joists and rebar price increases over the last 12 months

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<tr>
<th>Materials Cost Index¹</th>
<th>Unadjusted 12 Months ended March 2023</th>
<th>San Francisco Area (Mar '23)</th>
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<tr>
<td>Annual change</td>
<td>+9.8%</td>
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<td>+2.4%</td>
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<tr>
<td>Monthly change</td>
<td>0.0%</td>
<td>-4.1%</td>
<td>-0.9%</td>
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## California Construction Cost Index²

- **San Francisco Area (Mar '23)**
  - Annual change: +10.5%
  - Monthly change: -0.9%

- **Los Angeles Area (Mar '23)**
  - Annual change: +21.1%
  - Monthly change: +10.9%

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1. Per Engineering News-Record. The BCI uses 68.38 hours of skilled labor, multiplied by the 20-city wage-fringe average for three trades—bricklayers, carpenters and structural ironworkers. The MCI uses 25 cwt of fabricated standard structural steel at the 20-city average price, 1,128 tons of bulk portland cement priced locally and 1,088 board ft of 2x4 lumber priced locally – March 8, 2023 Data

2. The California Construction Cost Index (CCCI) is developed based upon Building Cost Index (BCI) cost indices average for San Francisco and Los Angeles ONLY as produced by Engineering News Record (ENR) and reported in the second issue each month.
Demand for transportation services continues to soften.
Warehousing capacity remains constrained, meaning costs will remain high until utilization and availability improve.
The ILW Union negotiations in Canada and the U.S. West Coast begin and UPS and the Teamsters will begin negotiating in April.

The energy markets are still easing but caution is required given the increased oil prices.
Food prices held steady in February 2023.
The International energy agency found that a Supply gap of natural gas could emerge in European counties by the end of 2023.
Iron ore supply continues be a watch, prices expected to increase significantly.
### Current Supply Chain UC Risks and Actions

<table>
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<tr>
<th>Risk Impact/Probability</th>
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<td>Probable</td>
<td>Food - General</td>
<td>Dry food Good, Frozen, All types of proteins</td>
<td>• Dry food Goods, Frozen, all types of proteins. Market is stable for now but will see destabilization due to heavy rains.</td>
<td>• We should see the impact of the either, on the food markets in the next few weeks. Grain are still high due to the war in Ukraine.</td>
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| Probable                | Food Proteins/Dairy | Fresh/Frozen Red meats, Poultry, Egg products, liquid dairy | • Increased cost of labor and feed cost  
• Shelled eggs – shortage of supply | • Red meats and poultry have stabilized. As I mentioned above the weather situation nation wide has or sill affect the feed market and we should see increases in the meat and poultry commodities. |         |
| Probable                | Food Other          | Frozen Potatoes             | • Potatoes increased 40% due to crop shortages  
• Wage increases | • Most campuses are not deviating from what they currently have on the menu. We should see the impact of the either, on the food markets in the next few weeks. Grain are still high due to the war in Ukraine, |         |
| Probable                | Food                | Produce                     | • Due to heavy rains and flooding in Monterey County and Watsonville, we will see shortages on green leaf and fruit (Strawberries) for the next 3 to 4 months. | • Produce, green leaf (80% of crops) and some fruit products (20% crops) i.e. strawberries which is affected by the flooding, in Watsonville and Monterey county. Typically, it takes 90 days to grow to full crops for green leaf and 60-70 days for strawberries. Mitigation is that we will see better crops after a full cycle of 110 to 120 days for green leaf and estimate of 70 days for Strawberries. |         |
| Probable                | IT                  | IT equipment                | • Global Semiconductor demand is slowing, easing supply shortages for industrial and high-tech manufacturers.  
• Supply chain improving on some products, backlogs are seeing improved deliveries. | • 2nd half of 2023 could see significant improvement  
• Still continue to monitor. |         |
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<td>Probable</td>
<td>Construction</td>
<td>Non-residential construction</td>
<td>• Dodge predicts a 2.6% drop in non-residential construction, while residential work is expected to rise 5.4%. Health care and education work are expected to increase, while office construction is predicted to fall.</td>
<td>• Increases in non-residential construction signal continued strains on a low skilled and trained construction workforce, potentially resulting in less competition and availability of competent firms for project delivery.</td>
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| Probable                | Construction | Electrical, Telecom and HVAC Equipment | • Lead times for HVAC equipment are in excess of 25-65 weeks and Electrical Equipment and Generators are in excess of 65-100 weeks dependent on manufacturer and size of equipment, an increase from last month. | • Monitor new and renovation projects for major equipment needs. Identify if funding strategy can accommodate early release of key equipment.  
• Source - [SourceBlue 2022 Fourth Quarter Update](#) | 🖕       |
| Probable                | Construction | Materials                | • Slower commercial construction activity in office, warehouse along with slower institutional construction contributed to the overall dip in escalation.  
• Cement pricing is up 19.5% and has been affecting projects across the country with both cost and allocation.  
• Buy America is back with new standards forth coming, may cause impacts on supply and demand adding costs. | • Despite an overall softening of the economy and continued recession concerns, materials remain static in their pricing and in some cases continue to rise. Recommend looking at strategies to lock in material pricing as soon as possible. | 🖕       |
| Probable                | Energy: Utilities | Natural Gas and Electricity Generation | • Energy pricing has been historically high for the last couple months but there is an anticipated stabilization of the market as we head into warmer months. | • Aside from utilities costs borne by the UC, we have not seen suppliers trying to recapture this price increase on their product pricing as of yet.  
• If interested, reach out to your campus Energy Managers as they can discuss campus specific negotiations or arrangements around energy savings. | 🔄       |
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<td>Life Sciences Clinical/Campus</td>
<td>Lab consumables</td>
<td>• Neta Scientific reports: Our suppliers have cited increased costs of raw materials, resin, steel, containers, freight, labor, oil, fuel, sterilization, energy, and corrugated packaging. There are continuing profound supply chain issues causing increases in our costs: raw material costs soared due to a reduction in competitive imported raw materials; volatile gasoline prices are driving up transportation costs; drum shortages for raw material shipping; truck driver shortages for raw materials delivery; disruptions in wood and plastic product manufacturing causing large and ongoing packaging cost increases.</td>
<td>• Provide options/alternatives to end users, maintain good communication with suppliers</td>
<td>▶️</td>
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<tr>
<td>Probable</td>
<td>Life Sciences Clinical/Campus</td>
<td>Chemicals</td>
<td>• Thomas Scientific reports: Chemicals seem to be the largest impact overall in our price increase. Most of the following companies have cited the price of raw materials, packaging costs, availability, transportation costs, and labor costs as reasons for the price increases, we have received. Many raw chemicals are produced in China and Europe. As if July 1st, 2022, the Superfund Chemical Excise Tax was reinstated which impacts roughly 200 chemicals and these taxes are being passed along to us.</td>
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<td>Probable</td>
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<td>• VWR/Avantor reports Q1 2023 reports: Filtration Capsules have been improved and removed from Red. • Centrifuge Tubes have been improved and turned into Green completely. • Serological Pipets, Microcentrifuge Tubes, PCS Plasticware, and Apparel keep improving as well. • Continue to see return to normalcy in availability of key lab supplies (pipet tips, tubes, plates), safety products (gloves, apparel), and Lab Chemicals (solvents, acids, salts), with lower lead times, reduced backorders, and inventory available to meet customer demand in Q1 2023.</td>
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<td>Probable</td>
<td>Life Sciences</td>
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<td>• Millipore Sigma update: Chemicals price increases (10-20%). Many raw chemicals are produced in China and Europe. As of July 1st, 2022, the Superfund Chemical Excise Tax was reinstated which impacts roughly 200 chemicals and these taxes are being passed along to us.</td>
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| Probable                | Life Sciences             | General Lab Supplies, LCC and Capex | • Raw Materials continue to be volatile  
• Semiconductor supply continues to be challenging globally and has continued to drive prices of equipment and instruments upwards  
• Increased cost of energy, labor, transportation and Logistics affecting all | • All our contracted LS suppliers will continue to help assure continuity of supply, optimize costs, and provide alternatives as needed to mitigate best pricing for UC System wide. |             |
| Probable                | Life Sciences             | Medications/Pharmaceuticals | • Albuterol, pediatric ibuprofen, pediatric acetaminophen supply struggles to keep up with flu season, RSV. Infant formula manufacturing at Abbott labs continues under watch due to unsanitary manufacturing conditions and potential SEC and contracting inconsistencies that might have contributed to the poor manufacturing conditions that caused illness and death. Amerisource Bergen reported in mid-January 2023 supply disruption and delays at US distribution centers due to personnel shortages, weather, logistics. ABC says UC's primary distribution centers are not impacted. | • Seasonal decline on demand expected to resolve supply issues. Abbott labs remains under observation by FDA. |             |
| Probable                | Life Sciences             | Lab consumables | • Small distributors of lab supplies report ongoing supply disruption, increased costs due to packaging, logistics, labor, raw materials costs. | • Provide options/alternatives to end users, maintain good communication with suppliers. Verify with large distributors. |             |
| Probable                | Life Sciences             | Gases            | • Linde accounts not in good standing must provide a card to put on file to continue to place orders. Accounts with past due AR greater than 60 days will be placed on a hard hold. This hold will remain until ALL UC accounts are in good standing. | • OP issued communication for campuses to address past due invoices individually. Alternatively, have provided other strategic gas suppliers to utilize |             |
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| Probable                | Logistics    | Household Moving and Relocation | • Truck driver shortage, particularly for long-distance drivers. Cost of diesel fuel in California is $5.32 per gallon as of 3/6/23. Although this is a decrease of 22% from a high in June, it is still up 8% compared to this time last year.  
• Supplier exploring use of autonomous vehicles; Enhanced efforts by supplier for recruitment and training of drivers. Supplier shifting to containerized shipping to create additional efficiency.  | • Supplier exploring use of autonomous vehicles; Enhanced efforts by supplier for recruitment and training of drivers. Supplier shifting to containerized shipping to create additional efficiency. |         |
| Probable                | Paper        | Paper PPI - is becoming more static with virgin paper. Recycled paper remains heavily impacted but decreasing. | • Main janitorial supplier has mentioned a decrease in recycled cardboard stock due to Amazon marketplace. We may see tightening of raw materials for recycled paper products.  
• Food containers, packaging, and shifts from plastic to paper options are affecting the paper industry and will continue to transform the supply chain. Hybrid office programs will increase recycled paper options, but that market may never return to full strength.  | • Pricing stabilizing but there are still supply constraints. Review virgin paper certifications for source material.  |         |
| Probable                | Furniture    | Office Furniture, Tables, seating, Freestanding Furniture, Systems Furniture, storage and accessories | • Logistics remains to be the biggest challenge in this area with a lack of drivers and higher fuel costs.  | • Evaluate reupholstering services to freshen furniture as opposed to buying new. Cambridge of California is a known SBE in this space for UC. Remember, prevailing wage does not apply to delivered and placed furniture. It does apply for assembly or construction of furniture on site. |         |
| Probable                | Professional Services | Temp Labor | • Labor shortages have been ongoing since the pandemic due to an unprecedented 3.2% decrease in the labor force participation rate during the pandemic and the stagnation of the working-age population as the largest generation in American history reaches retirement age.  | • Tightness in the labor market has continued into 2023, with the unemployment rate falling to 3.4%, its lowest point since 1969.  
• Due to these widespread labor shortages, the demand for staffing services is elevated and the supply of staffing labor is being stretched.  |         |
Thank You
Questions or Feedback, Please contact
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