

ACEC Engineering Business Index

EBI Composite Score

65.5

2nd Quarter 2018

Data collection and analysis by FMI Corporation

CEOs Buoyant About Current Market; Concerned About Future

Engineering firm leaders' confidence in the economy and the A/E market dipped slightly in the second quarter, but they remain optimistic, according to the latest ACEC Engineering Business Index (EBI) survey.

The 2nd Quarter 2018 (Q2/18) EBI score slipped to 65.5, down 1.3 from 66.8 in the Q1/18 survey but any score above 50 signals positive CEO sentiment. (See box below to learn more about the EBI methodology.)

"Our volume and backlog has increased significantly over the last three years," said one respondent. "We still expect it to be up some but not as much as we've seen."

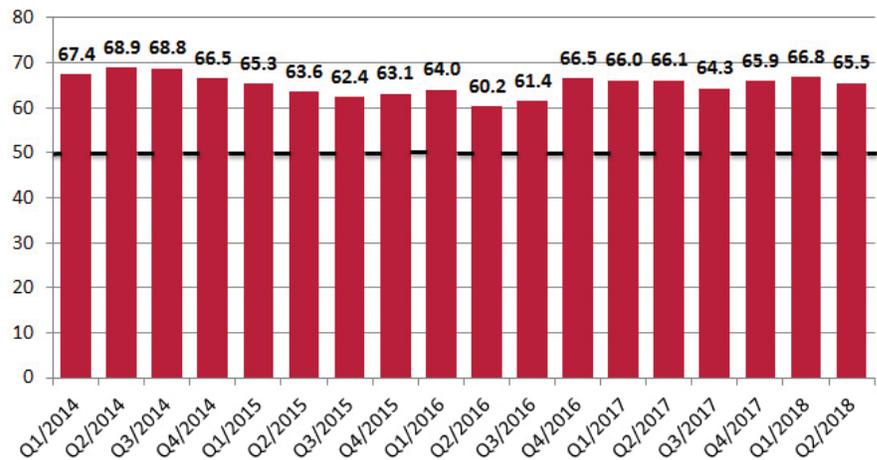
The EBI is hovering very close to the average score of 65.2 since its inception at the start of 2014. The survey of 347 engineering firm leaders was conducted June 14 – 29.

Current Market Optimism

Firm leaders are upbeat about the current market. Comparing today's market to a year ago, respondents gave a score of 79.8, the highest in the survey and up 3.1 points from the previous report. Looking ahead over the next 12 months, they remain optimistic; the score for market expectations one year from now rose 1.0 point to 66.1.

Respondents, however, are less sanguine about long-term trends. Asked about expectations for profitability three years from now, the score dropped 7.2 points, from 66.7 to 59.5.

EBI Trendline



About the EBI The ACEC Engineering Business Index (EBI) is a leading indicator of America's economic health based on the business performance and projections of engineering firms that develop the nation's transportation, water, energy and industrial infrastructure. The EBI is a diffusion index derived from quarterly surveys of engineering industry leaders on their firm's business, market and financial performance. The EBI index mean is 50, with scores above 50 indicating business expansion, and scores below 50 indicating contraction. The EBI is produced by the American Council of Engineering Companies (ACEC) in conjunction with FMI Corporation.

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“I am concerned about the impact of tariffs on costs for buildings, infrastructure, and industrial projects,” said a respondent.

Backlog expectations are also lower, with the score for the year-from-now backlog dropping 1.9 points to 65.9.

Public Market Doubts

“There’s a lot of uncertainty in all markets, but especially public infrastructure,” said one firm leader.

Of the six public markets tracked by the survey, scores fell in five. The Transportation sector fell the farthest (down 3.5 points to 67.6), followed by Environmental (down 2.3 points to 55.7), Health Care (down 1.9 points to 56.6), Education (down 0.7 points to 56.1), and Water and Wastewater (down 0.6 points to 66.1). Buildings was the only sector that rose, climbing 1.3 points to 62.1.

Energy and Power Lead Private Markets

In the private sector markets, optimism is muted, with scores climbing in only two of the six sectors. The strongest performer was Energy and Power (up 3.7 points to 69.3), followed by Health Care (up 0.2 points to 60.6). The largest drop was in Land Development (down 3.4 points to 64.8), followed by Industrial/Manufacturing (down 2.5 points to 65.3), Buildings (down 2.2 points to 65.1), and Education (down 1.6 points to 56.6).

Component Results Q2 2018	Better	Same	Worse	Q2 2018 Results	Q1 2018 Results
Current business climate vs. 12 months ago	67.7%	24.2%	8.1%	79.8	76.7
Current business climate vs. 3 months ago	39.1%	57.1%	3.8%	67.7	69.4
Current business climate vs. 12 months from now	39.8%	52.6%	7.6%	66.1	65.1
Profitability expectations for next 6 months	54.4%	38.7%	7.0%	73.7	73.4
Profitability expectations for next 12 months	43.9%	48.3%	7.9%	68.0	72.5
Profitability expectations for 3 years from now	36.7%	45.6%	17.8%	59.5	66.7
	Larger	Same	Smaller		
Backlog vs. 12 months ago	63.4%	21.0%	15.6%	73.9	73.6
Backlog vs. 6 months ago	41.6%	47.7%	10.7%	66.5	66.9
Backlog expectations for 12 months from now	42.0%	47.8%	10.1%	65.9	67.8
Twelve-month expectations for PUBLIC markets	Better	No Change	Worse		
Transportation	42.9%	49.5%	7.7%	67.6	71.1
Water and Wastewater	36.7%	59.0%	4.4%	66.1	66.7
Environmental (Other than water/wastewater)	23.4%	64.7%	11.9%	55.7	58.0
Health Care	23.3%	66.7%	10.1%	56.6	58.5
Education	24.0%	64.3%	11.8%	56.1	56.8
Buildings	31.6%	60.9%	7.5%	62.1	60.8
Twelve-month expectations for PRIVATE markets	Better	No Change	Worse		
Energy and Power	42.7%	53.2%	4.1%	69.3	65.6
Land Development	36.2%	57.3%	6.5%	64.8	68.2
Buildings	37.8%	54.6%	7.6%	65.1	67.3
Health Care	28.9%	63.4%	7.7%	60.6	60.4
Industrial/Manufacturing	36.2%	58.3%	5.5%	65.3	67.8
Education	21.2%	70.8%	8.1%	56.6	58.2
Overall EBI				65.5	66.8