

ACEC Engineering Business Index

EBI Composite Score

58.5

4th Quarter 2018

Data collection and analysis by FMI Corporation

Engineering Firm Leader Confidence Drops

The 4th quarter 2018 Engineering Business Index (EBI) survey produced the most dramatic decline in U.S. engineering firm leader confidence in the survey's five-year history.

In the survey of more than 200 engineering firm leaders, conducted January 3—18, the composite EBI score fell sharply from 66.3 to 58.5—the biggest quarter-to-quarter decline and the lowest overall rating since the survey began in 2014.

The EBI measures engineering industry leader confidence about their firms and their markets. Any score above 50 signals positive market sentiment. (See box below to learn more about the survey methodology).

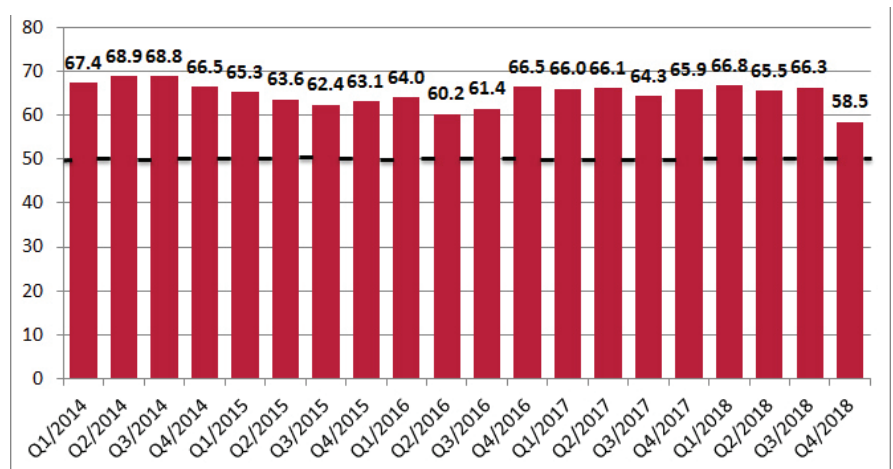
Firm leader expectations for the coming year plummeted across all public market sectors except for transportation. The biggest declines from the 3rd Quarter survey were in Water and Wastewater (71.9 to 62.3) and Buildings (63.6 to 52.3).

Other big drops were in profitability expectations for the next six months (73.1 to 52.4), and in backlog projections for the coming year (68.1 to 62.3).

"The economy is going well but the market keeps reacting to all of the divisive politics," said one respondent. "If the politicians could somehow get on the same page, then we could see another bull market and increases in private development and construction."

Said another respondent, "The government shutdown and the uncertainty created by the 'trade war' will adversely affect the A/E/C market in the short-term future."

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.

ACEC

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100 Years of Excellence

While the Transportation Market beamed as a beacon among all A/E/C markets, with industry leader optimism increasing from last quarter (72.0 from 69.8), many respondents signaled significant concerns about current transportation funding.

In the private-client markets, respondents were also less than enthusiastic about the coming year, with the biggest declines in Buildings (66.2 to 50.3), Energy and Power (70.4 to 61.8), and Land Development/Surveying (62.1 to 45.0).

Mileage-Based User Fee

Asked what they believed would be the most financially prudent way to raise much-needed revenues for the Highway Trust Fund, a plurality of firm leaders (41 percent) said mileage-based user fees combined with an increase in the federal gas tax, followed by solely increasing the federal gas tax (35 percent), and only implementing a mileage-based user fee (14 percent).

“The Trust Fund has to be fixed,” said one respondent. “It’s currently unsustainable.”

“To fund a specific project, institute a user fee,” said another respondent. “To maintain the infrastructure once built, draw from federal, state and local funding.”

Another respondent said, “Keep the gas tax to encourage more fuel-efficient vehicles but supplement with mileage-based fees to capture non-gas vehicles and heavy users.”

Component Results Q4 2018	Better	Same	Worse	Q4 2018 Results	Q3 2018 Results
Current business climate vs. 12 months ago	47.0%	40.4%	12.6%	67.2	75.0
Current business climate vs. 3 months ago	19.9%	67.4%	12.8%	53.6	65.8
Current business climate vs. 12 months from now	23.5%	54.6%	21.9%	50.8	63.6
Profitability expectations for next 6 months	36.4%	52.0%	11.6%	62.4	73.1
Profitability expectations for next 12 months	37.1%	49.2%	13.7%	61.7	68.6
Profitability expectations for 3 years from now	33.0%	46.2%	20.8%	56.1	63.6
	Larger	Same	Smaller		
Backlog vs. 12 months ago	56.9%	25.4%	17.8%	69.5	73.7
Backlog vs. 6 months ago	36.2%	48.0%	15.8%	60.2	66.5
Backlog expectations for 12 months from now	38.8%	46.9%	14.3%	62.3	68.1
Twelve-month expectations for PUBLIC markets	Better	No Change	Worse		
Transportation	50.3%	43.4%	6.3%	72.0	69.8
Water and Wastewater	31.0%	62.7%	6.3%	62.3	71.9
Environmental (Other than water/wastewater)	13.0%	76.3%	10.8%	51.1	56.0
Health Care	28.5%	61.3%	10.2%	59.1	61.1
Education	19.6%	70.3%	10.1%	54.7	57.9
Buildings	20.1%	64.4%	15.4%	52.3	63.6
Twelve-month expectations for PRIVATE markets	Better	No Change	Worse		
Energy and Power	29.1%	65.4%	5.5%	61.8	70.4
Land Development	13.6%	62.9%	23.6%	45.0	62.1
Buildings	19.7%	61.2%	19.1%	50.3	66.2
Health Care	28.6%	60.9%	10.5%	59.0	63.6
Industrial/Manufacturing	28.1%	62.6%	9.9%	59.4	66.7
Education	18.3%	70.2%	11.5%	53.4	57.5
Overall EBI				58.5	66.3

Why Did You Become an Engineer?

Intellectual curiosity (34 percent) followed by the thrill of finding creative solutions to society's problems (24 percent) were the most popular reasons leaders say they became engineers. Other results include: family influence (17 percent); and the satisfaction of advancing society's quality of life (12 percent).

"Growing up, I constantly saw the need to improve dilapidated infrastructure," said one respondent. "Thought I could be part of the solution."

"Even though family influence existed, the challenge of funding solutions to critical problems was the main reason for me," said another respondent, while yet another respondent added: "I fell into it, but I love it. Engineering is an honorable profession and we need to have more self-esteem and recognize the value we bring to the quality of life we all enjoy."

Other Respondent Comments:

"Federal infrastructure spending is badly needed to jump start AEC industry."

"Small businesses like ours are getting killed by large companies. Increased regulation will squeeze us even further."

"We feel that the rancor surrounding the Presidential election next year, regardless of your politically leanings, will undermine consumer confidence regarding large purchases next year."

"Uncertainty about environmental regulations and clean water act reduces our projects."

"We expect slight improvement in public markets and a slight deterioration in private markets this year."

"I find it very difficult to predict the future in these very uncertain and volatile times."

"I see (feel) a slow down is coming..."

"Concerned that Engineers in public practice are hurting the profession by unreasonably capping rates and fees. They don't do the same for attorneys."

"Our business is becoming increasingly commoditized by global engineering companies, especially Chinese."