

# ENGINEERING BUSINESS SENTIMENT 2024 Q4

**OCTOBER 2024**

# ENGINEERING BUSINESS SENTIMENT

## 2024 Q4

### TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY.....</b>	<b>1</b>
<b>DEMOGRAPHICS.....</b>	<b>2</b>
<b>CURRENT BUSINESS CONDITIONS.....</b>	<b>3</b>
Current U.S. Economy, Industry and Firm Sentiment .....	3
Current Industry Sector Sentiment .....	5
Current Backlog .....	5
Current Open Positions.....	6
<b>FUTURE BUSINESS CONDITIONS.....</b>	<b>7</b>
Future U.S. Economy, Industry and Firm Sentiment .....	7
Reasons for Negative Economic Sentiment 12 Months from Now .....	9
Future Industry Sector Sentiment .....	9
Future Backlog .....	10
Future Hiring Projections.....	12
Inflation .....	13
Likelihood of Recession in Next Six Months.....	14
<b>HOT TOPICS.....</b>	<b>14</b>
Workforce/Turning Down Work .....	14
<b>METHODOLOGY .....</b>	<b>16</b>
<b>STATISTICAL NOTES.....</b>	<b>16</b>

# EXECUTIVE SUMMARY

## Current Business Conditions

- Current sentiment remains positive. The Net Ratings for the firm's finances (+85) and for the industry (+83) are extremely high. The Net Rating for the U.S. economy is +36.
- Optimism about the U.S. economy was nearly steady compared to the previous quarter, declining two points.
- Current sentiment remains very optimistic within most market sectors. Sentiment is strongest in Water/Wastewater (Net Rating +83) and Roads and Bridges (+83).
- More than half (53 percent) indicate their firm has a current backlog of one year or more. In addition, the median backlog remained unchanged at 12 months.
- Nine out of 10 (92 percent) firms still have at least one opening. The median number of open positions held steady at five.

## Future Business Conditions

- Future sentiment remains positive on all metrics, although all have declined since the last quarter. Future sentiment for the U.S. economy declined 11 points from last quarter to +11, while industry sentiment and firm's finances declined eight points to +19 and seven points to +39, respectively.
- General economic uncertainty (83 percent), political environment/uncertainty (81 percent), and inflation and rising costs (75 percent) are fueling negative future sentiment.
- Future industry sentiment is positive in all but one sector and is highest in Energy and Utilities (+47), Water/Wastewater (+39), Roads and Bridges (+37), and Data Centers (+37).
- Half (48 percent) believe their firms will see a higher backlog of projects 12 months from now.
- Backlog sentiment for 12 months from now decreased two points from last quarter to a +33 Net Rating. It is four points lower than one year ago.
- Sixty-eight percent predict there will be an increase in hiring over the next 12 months at their firms, resulting in a Net Rating of +61.
- Future hiring sentiment decreased five points from last quarter and is down seven points from last year at this time.
- Concern over the impact of inflation remains elevated. Fifty-nine percent at least somewhat agree that they are extremely concerned about the impact of inflation.
- The perceived likelihood of a recession in the next six months is up three points (43 percent) from last quarter but down six points from one year ago.

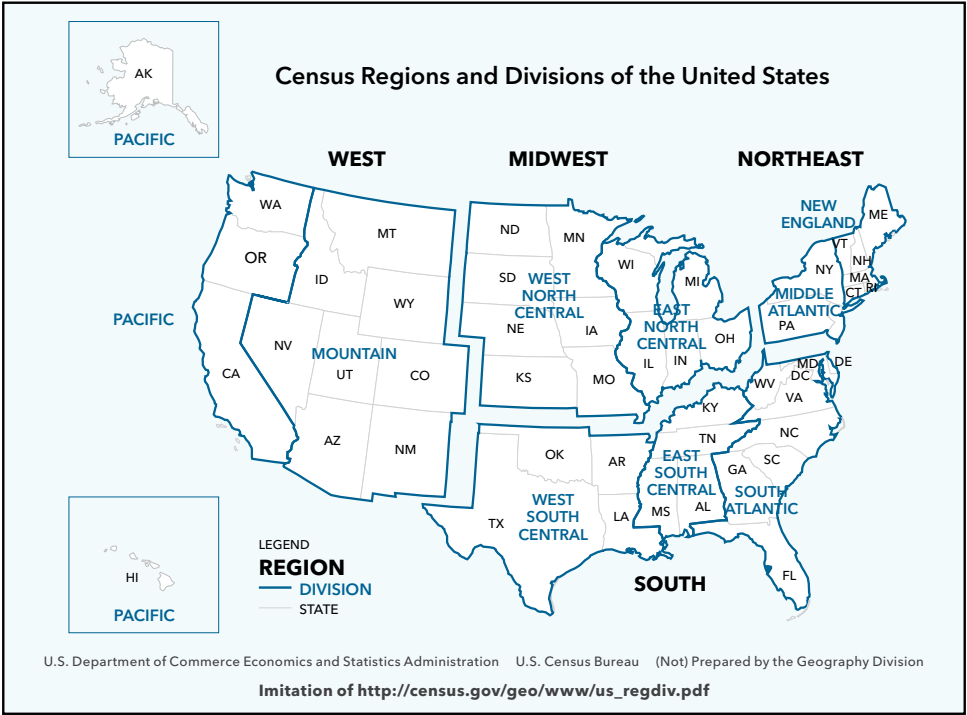
## Hot Topics

- In the past three months, over half of firms (51 percent) continue to turn down work due to workforce shortages.
- Among firms turning down work, most (83 percent) are being more selective about the projects they are accepting, down from 88 percent in 2024 Q1.
- Twenty-six percent of firms also indicate that they are turning down good profitable projects, up two points from 2024 Q1.

# DEMOGRAPHICS

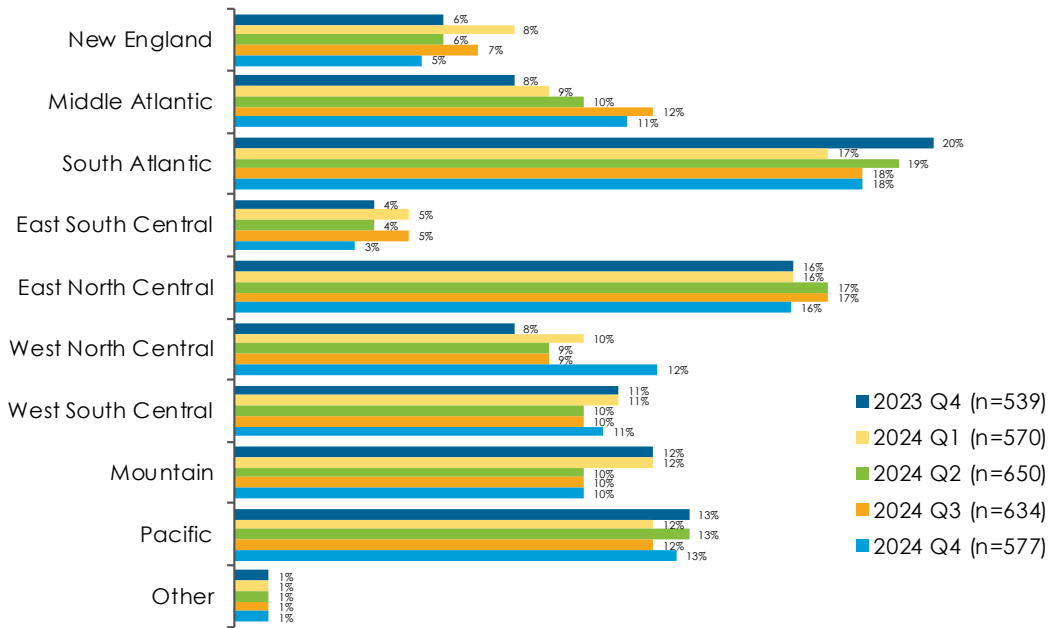
- For reference, the ACEC Research Institute uses the U.S. Census Bureau definition of geographic regions seen in Figure 1 below.

Figure 1: U.S. Census Regions of the United States



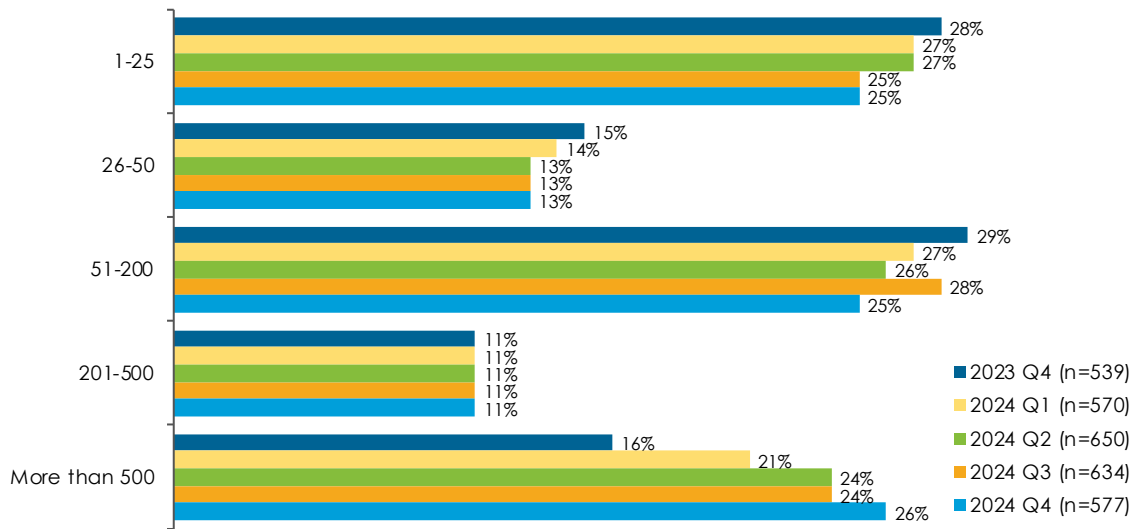
- Respondents' firms are widely dispersed around the United States. A few respondents (Other) indicate their firm is headquartered outside the U.S. These results are statistically similar to previous quarters.

Figure 2: Location of Organization Headquarters



- The median number of full-time employees at respondents' firms is 103 versus 96 last quarter.

**Figure 3: Number of Full-Time Equivalents at Firm**

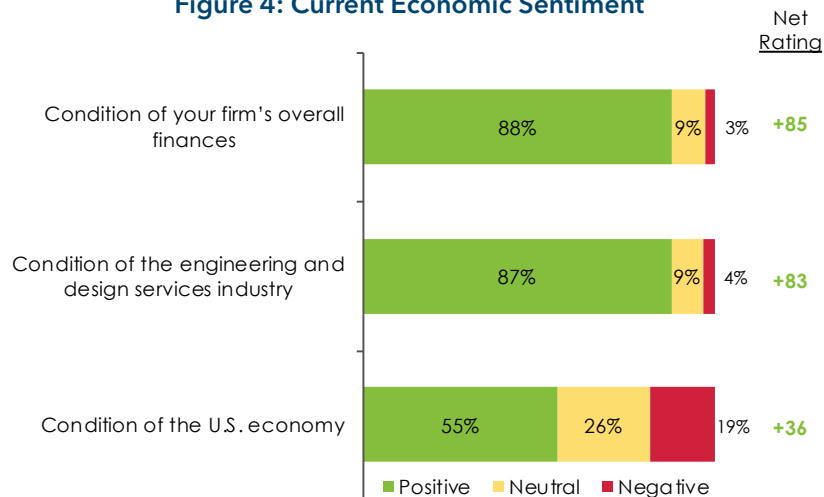


## CURRENT BUSINESS CONDITIONS

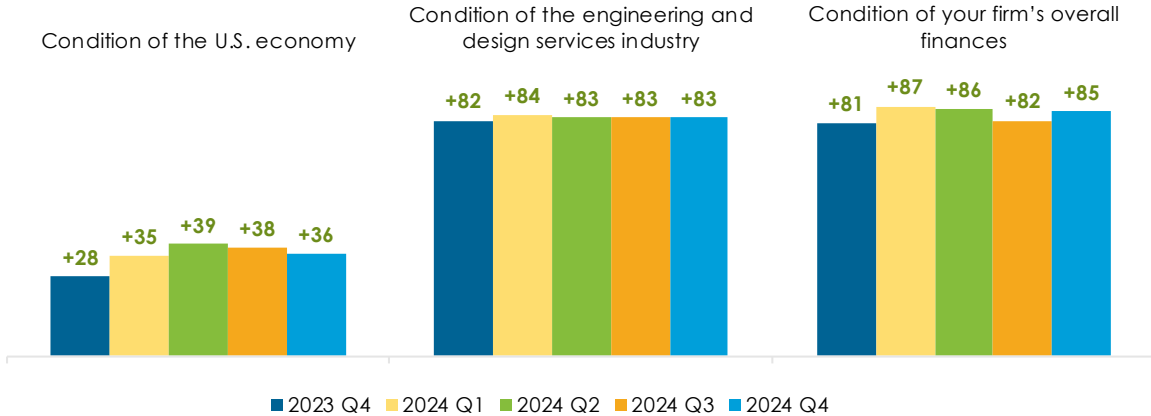
### Current U.S. Economy, Industry and Firm Sentiment

- Current sentiment remains positive. The Net Ratings for the firm's finances (+85) and for the industry (+83) are extremely high. The Net Rating for the U.S. economy is +36.
- Firms with more than 500 FTEs are the most positive about their firm's finances (+96).
- Firms with 201-500 FTEs have the highest confidence in the engineering and design services industry (+97).
- Sentiment for the U.S. economy is weakest among small firms (1 to 25 FTEs at +26 and 26-50 FTEs at +23).

**Figure 4: Current Economic Sentiment**



**Figure 5: Current Economic Sentiment vs. Previous Quarters**



- Optimism about the U.S. economy was nearly steady compared to the previous quarter, declining two points.
- Some segments are feeling more (and some less) optimistic about the state of the U.S. economy than last quarter. However, most segments are feeling more optimistic than one year ago.

**Figure 6: Current Condition of U.S. Economy vs. Previous Quarters - By Region and Firm Size**

Condition of the U.S. economy	2023 Q4 (n=524)	2024 Q1 (n=562)	2024 Q2 (n=640)	2024 Q3 (n=627)	2024 Q4 (n=569)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	+28	+35	+39	+38	+36	-2	+8
<b>REGION</b>							
Northeast	+35	+43	+54	+53	+45	-8	+10
South	+23	+24	+35	+29	+21	-8	-2
Midwest	+32	+44	+40	+41	+47	+6	+15
West	+28	+33	+33	+35	+36	+1	+8
<b>FIRM SIZE</b>							
1-25	+14	+23	+27	+24	+26	+2	+12
26-50	+31	+32	+34	+30	+23	-7	-8
51-200	+28	+37	+37	+44	+33	-11	+5
201-500	+30	+36	+54	+44	+40	-4	+10
More than 500	+50	+49	+51	+46	+54	+8	+4

## Current Industry Sector Sentiment

- Current sentiment remains very optimistic within most market sectors. Sentiment is strongest in Water/Wastewater (+83) and Roads and Bridges (+83).
- Many sectors saw declines compared to last quarter, and most sectors declined compared to one year ago.

Figure 7: Current Industry Sentiment by Sector vs. Previous Quarters

Current Industry Sector Sentiment	2023 Q4 (n = 174-387)	2024 Q1 (n=202-442)	2024 Q2 (n=218-501)	2024 Q3 (n=208-489)	2024 Q4 (n = 187-436)	Change vs. Previous Quarter	Change vs. Previous Year
Data Centers	+70	+78	+74	+72	+75	+3	+5
Water/Wastewater	+79	+81	+81	+82	+83	+1	+4
Transportation – Roads and Bridges	+80	+86	+83	+83	+83	0	+3
Residential – Land Development	+32	+27	+39	+32	+34	+2	+2
Federal/Military, State and Local Government Buildings	+65	+65	+72	+71	+66	-5	+1
Education (K-12 and Higher Education)	+58	+52	+56	+51	+58	+7	0
Energy and Utilities	+78	+80	+76	+75	+78	+3	0
Telecommunications	+56	+61	+64	+59	+55	-4	-1
Transportation – Transit (Rail, BRT)	+70	+76	+71	+71	+69	-2	-1
Transportation – Airports	+80	+82	+78	+79	+79	0	-1
Healthcare Facilities	+70	+70	+69	+67	+68	+1	-2
Industrial and Manufacturing Facilities	+65	+62	+66	+63	+63	0	-2
Justice (Courthouses and Corrections)	+38	+31	+42	+35	+31	-4	-7
Convention Centers, Sports Facilities and Cultural Facilities	+45	+42	+56	+44	+37	-7	-8
Commercial Real Estate (Office, Hotel, Retail and Multifamily Residential)	+20	+16	+14	+21	+12	-9	-8
Science and Technology	+74	+77	+68	+65	+66	+1	-8

## Current Backlog

- More than half (53 percent) indicate their firm has a current backlog of one year or more. In addition, the median backlog remained unchanged at 12 months.
- The median backlog remained steady across most segments compared to last quarter, with a slight increase overall from a year ago in some segments.

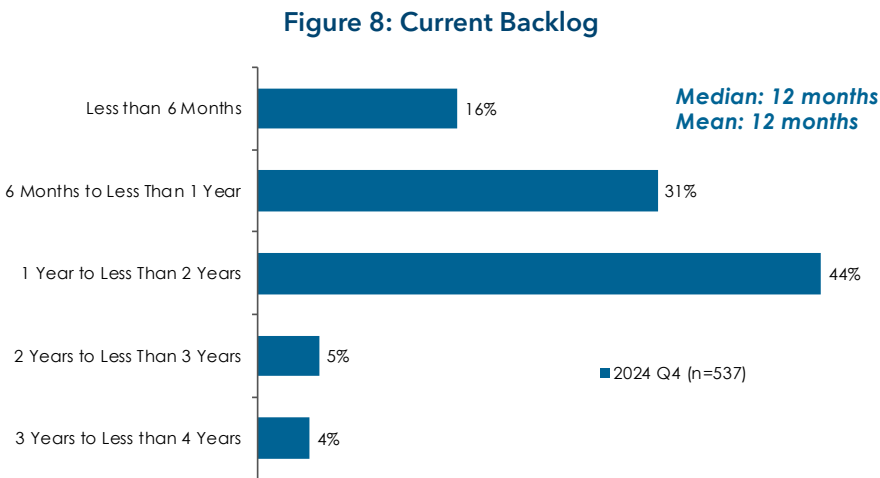


Figure 9: Current Backlog vs. Previous Quarters - By Region and Firm Size

Current Backlog	2023 Q4 (n=498)	2024 Q1 (n=534)	2024 Q2 (n=596)	2024 Q3 (n=585)	2024 Q4 (n=537)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	11	11	11	12	12	0	+1
<b>REGION</b>							
Northeast	12	12	12	12	12	0	0
South	10	10	12	12	12	0	+2
Midwest	11	12	12	12	12	0	+1
West	10	10	9	10	9	-1	-1
<b>FIRM SIZE</b>							
1-25	6	6	6	6	6	0	0
26-50	8	12	10	12	9	-3	+1
51-200	12	10	11	12	12	0	0
201-500	12	12	12	12	12	0	0
More than 500	13	12	13	12	14	+2	+1

## Current Open Positions

- Nine out of 10 (92 percent) firms still have at least one opening. The median number of open positions held steady at five.
- On average, 8 percent of positions remain unfilled, one point less than last quarter, and the first decline since the inception of this metric.
- For the first time, most segments saw declines compared to one year ago, a favorable improvement.

Figure 10: Current Open Positions vs. Previous Quarters

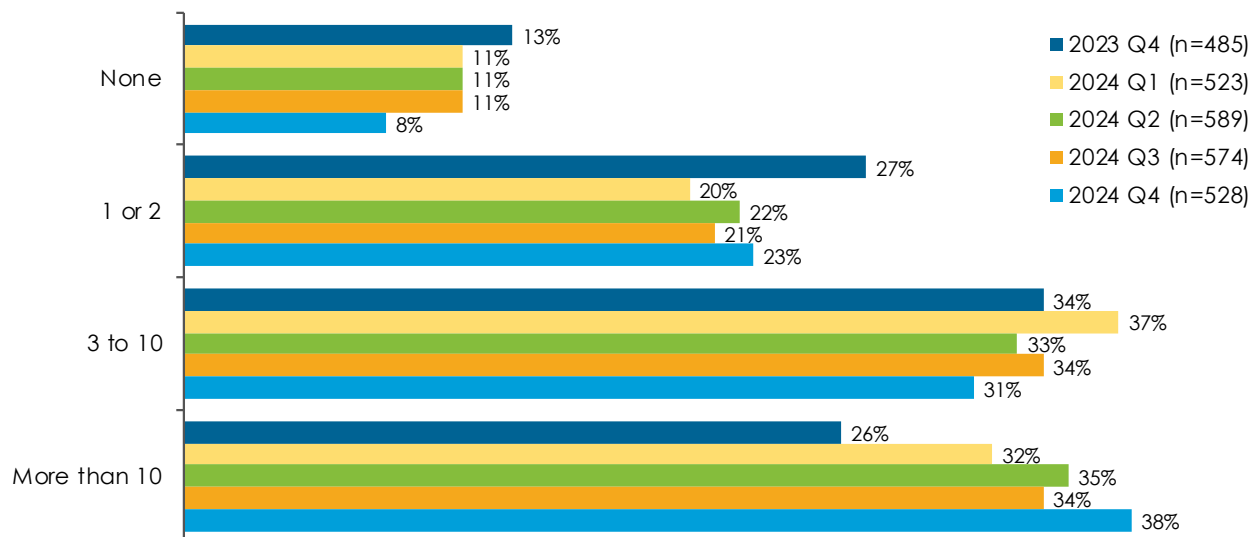




Figure 11: Open Positions as Percentage of Overall FTEs vs. Previous Quarters

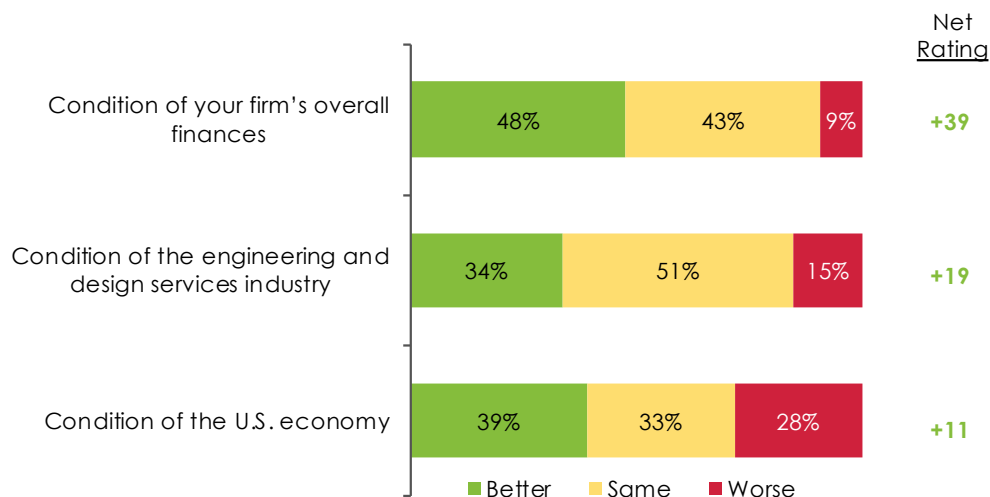
Open Positions	2023 Q4 (n=485)	2024 Q1 (n=523)	2024 Q2 (n=589)	2024 Q3 (n=573)	2024 Q4 (n=528)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	9%	9%	9%	9%	8%	-1	-1
<b>REGION</b>							
Northeast	10%	7%	10%	7%	7%	0	-3
South	9%	8%	10%	11%	9%	-2	0
Midwest	10%	12%	8%	8%	8%	0	-2
West	9%	8%	9%	8%	9%	+1	0
<b>FIRM SIZE</b>							
1-25	15%	15%	16%	16%	14%	-2	-1
26-50	8%	8%	7%	7%	7%	0	-1
51-200	6%	7%	7%	6%	6%	0	0
201-500	7%	7%	7%	6%	6%	0	-1
More than 500	7%	6%	7%	6%	6%	0	-1

# FUTURE BUSINESS CONDITIONS

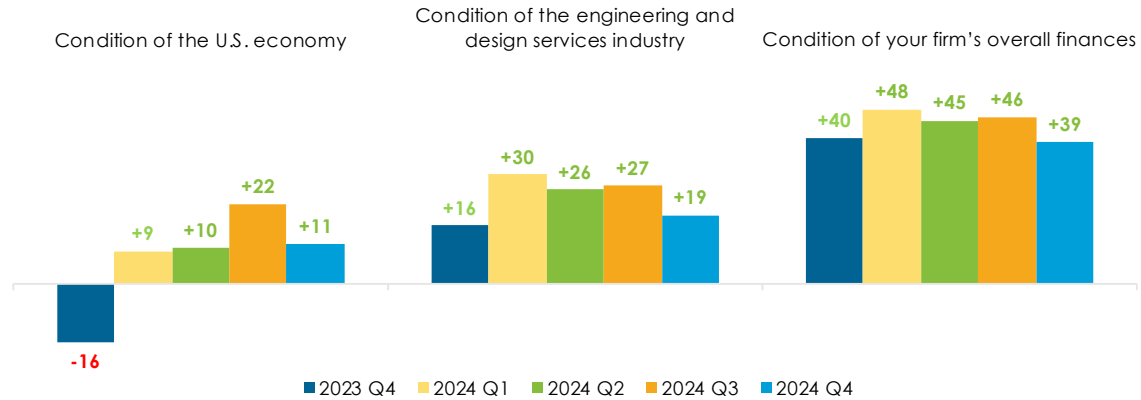
## Future U.S. Economy, Industry and Firm Sentiment

- Future sentiment remains positive on all metrics, although all have declined since the last quarter.
- Future sentiment for the U.S. economy declined 11 points from last quarter to +11, while industry sentiment and firm's finances declined eight points to +19 and seven points to +39, respectively.

Figure 12: Economic Sentiment 12 Months from Now



**Figure 13: Economic Sentiment 12 Months from Now vs. Previous Quarters**



- Most segments decreased substantially over the prior quarter, though all segments maintained a healthy increase over the prior year when asked about the future of the U.S. economy.

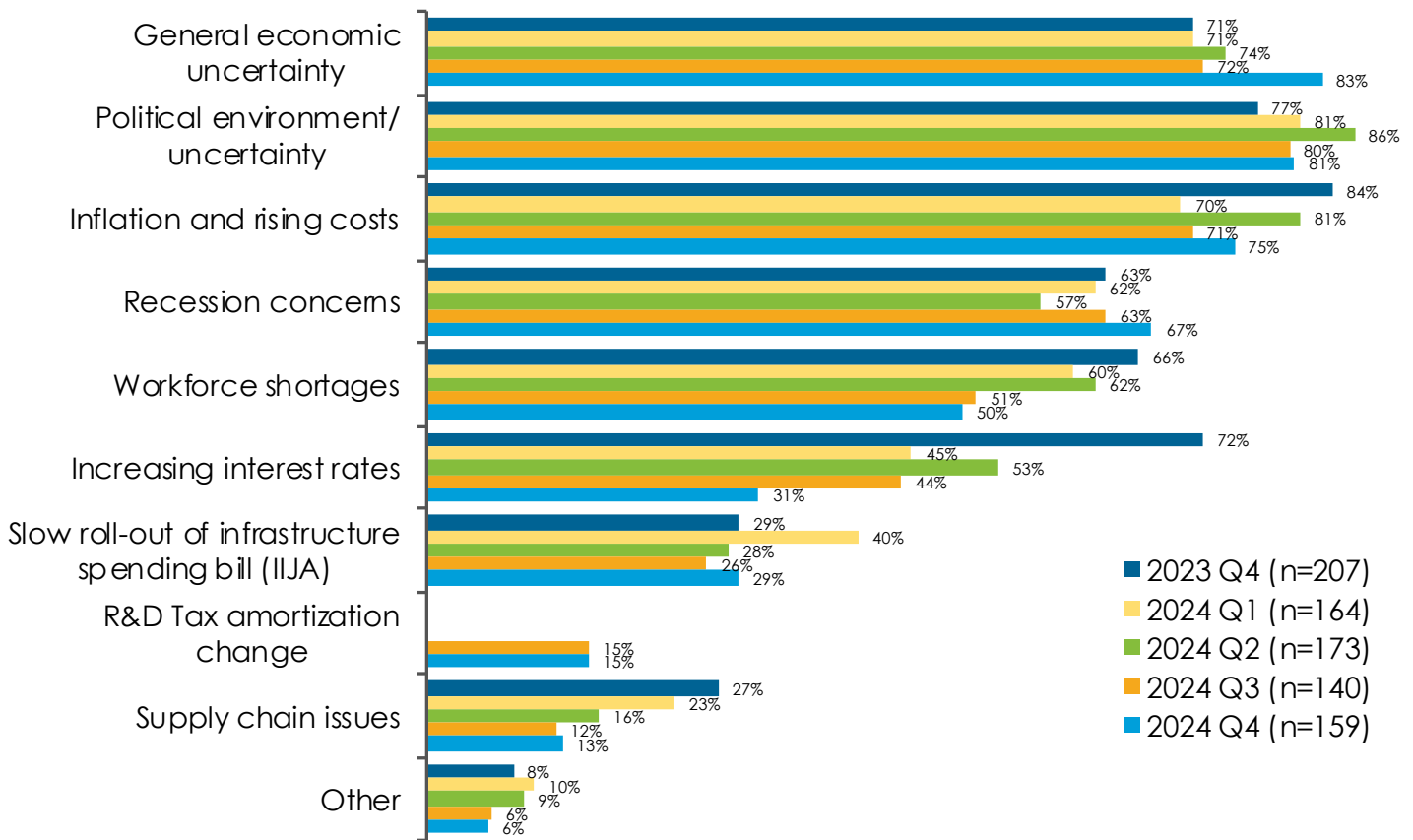
**Figure 14: Condition of U.S. Economy 12 Months from Now vs. Previous Quarters - By Region and Firm Size**

Condition of the U.S. economy	2023 Q4 (n=481)	2024 Q1 (n=510)	2024 Q2 (n=579)	2024 Q3 (n=543)	2024 Q4 (n=491)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	-16	+9	+10	+22	+11	-11	+27
<b>REGION</b>							
Northeast	-6	+18	+17	+28	+20	-8	+26
South	-13	+10	+8	+24	+7	-17	+20
Midwest	-26	+6	+9	+29	+9	-20	+35
West	-19	+2	+12	+9	+14	+5	+33
<b>FIRM SIZE</b>							
1-25	-21	+1	+6	+11	0	-11	+21
26-50	-30	+10	+18	+1	+3	+2	+33
51-200	-13	+9	+9	+30	+21	-9	+34
201-500	-8	+12	+3	+42	+15	-27	+23
More than 500	-4	+18	+18	+28	+13	-15	+17

## Reasons for Negative Economic Sentiment 12 Months from Now

- General economic uncertainty (83 percent), political environment/uncertainty (81 percent), and inflation and rising costs (75 percent) are fueling negative future sentiment.
- General economic uncertainty increased 11 points.
- Concerns about inflation rose four points from last quarter.
- Recession concerns increased four points.
- Increasing interest rates declined 13 points.

Figure 15: Reasons for Economic Sentiment 12 Months from Now



## Future Industry Sector Sentiment

- Future industry sentiment is positive in all but one sector and is highest in Energy and Utilities (+47), Water/Wastewater (+39), Roads and Bridges (+37), and Data Centers (+37).
- Future industry sentiment has declined across more than half of sectors from last quarter, but over half have increased compared to one year ago.
- Residential-Land Development and Commercial Real Estate have both seen significant improvement compared to last year (+33 and +24 respectively).

Figure 16: Industry Sentiment by Sector 12 Months from Now vs. Previous Quarters

Future Industry Sector Sentiment	2023 Q4 (n = 177- 362)	2024 Q1 (n=213- 419)	2024 Q2 (n=229- 482)	2024 Q3 (n=230- 465)	2024 Q4 (n=219- 421)	Change vs. Previous Quarter	Change vs. Previous Year
Residential – Land Development	-15	+15	+16	+16	+18	+2	+33
Commercial Real Estate (Office, Hotel, Retail and Multifamily Residential)	-21	-6	-1	+4	+3	-1	+24
Industrial and Manufacturing Facilities	+12	+30	+26	+28	+31	+3	+19
Data Centers	+25	+31	+37	+35	+37	+2	+12
Convention Centers, Sports Facilities and Cultural Facilities	-10	+1	+7	+3	-1	-4	+9
Energy and Utilities	+38	+46	+45	+46	+47	+1	+9
Healthcare Facilities	+24	+28	+28	+29	+30	+1	+6
Science and Technology	+21	+38	+29	+30	+25	-5	+4
Water/Wastewater	+37	+46	+43	+39	+39	0	+2
Justice (Courthouses and Corrections)	-1	-4	-1	+5	0	-5	+1
Transportation – Airports	+36	+43	+40	+41	+36	-5	0
Education (K-12 and Higher Education)	+11	+15	+14	+19	+10	-9	-1
Transportation – Transit (Rail, BRT)	+35	+43	+37	+40	+34	-6	-1
Federal/Military, State and Local Government Buildings	+26	+31	+28	+26	+24	-2	-2
Telecommunications	+22	+27	+24	+26	+17	-9	-5
Transportation – Roads and Bridges	+46	+47	+46	+42	+37	-5	-9

## Future Backlog

- Half (48 percent) believe their firms will see a higher backlog of projects 12 months from now.
- Firms in the Midwest have the lowest future backlog Net Rating (+18) compared to other regions.
- Firms with 26-50 FTEs have the lowest future backlog Net Rating (+20) compared to other firm sizes.

Figure 17: Backlog 12 Months from Now

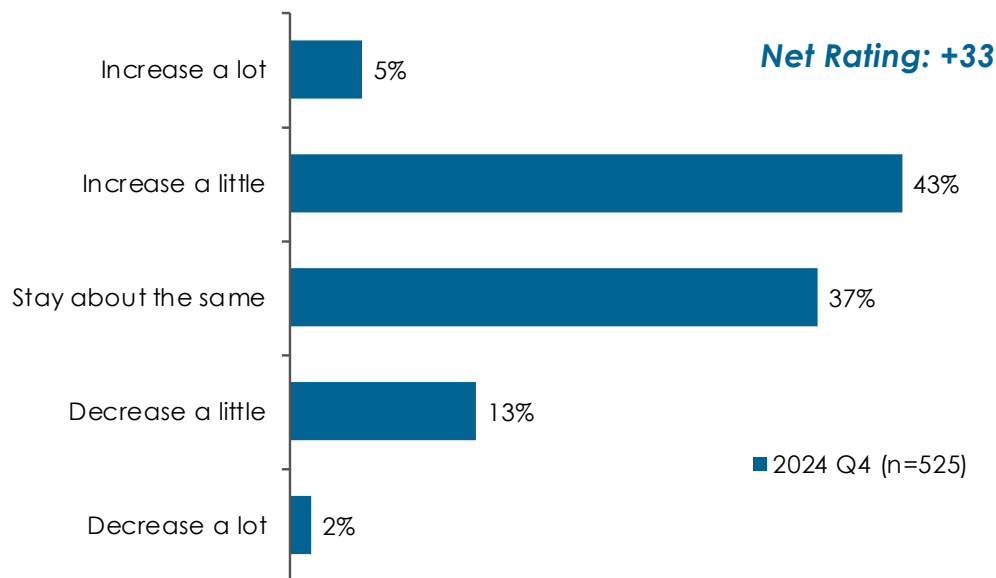
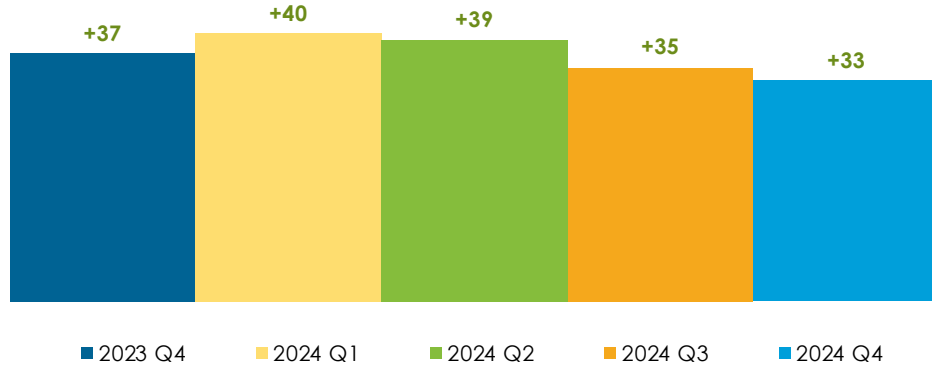


Figure 18: Backlog 12 Months from Now - Net Rating Trend



- Backlog sentiment for 12 months from now decreased two points from last quarter to a +33 Net Rating. It is four points lower than one year ago.
- Backlog sentiment for one year from now has improved in some segments and declined in others compared to last quarter and last year at this time.

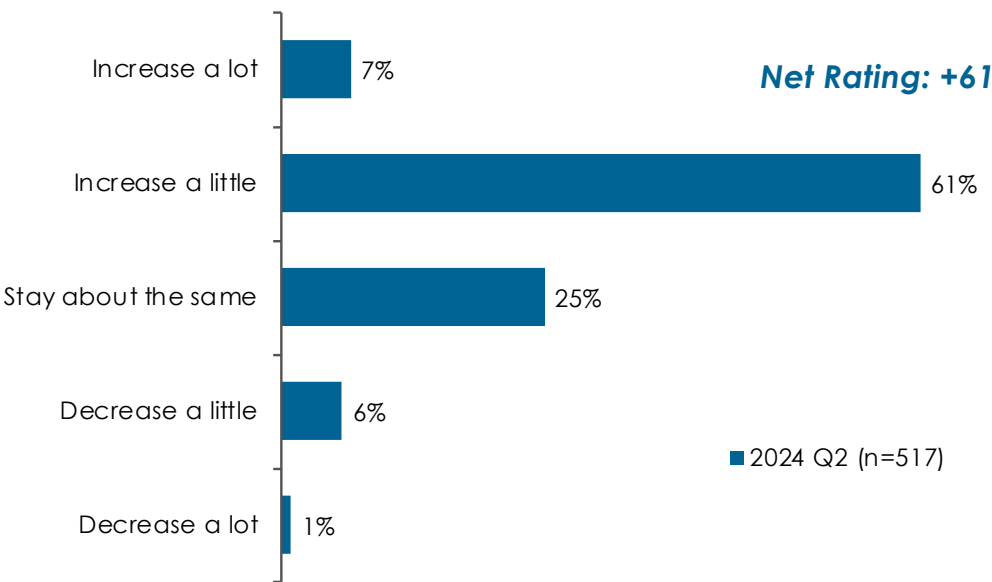
Figure 19: Backlog 12 Months from Now vs. Previous Quarters - By Region and Firm Size

Backlog	2023 Q4 (n=485)	2024 Q1 (n=525)	2024 Q2 (n=596)	2024 Q3 (n=574)	2024 Q4 (n=525)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	+37	+40	+39	+35	+33	-2	-4
<b>REGION</b>							
Northeast	+45	+61	+55	+40	+56	+16	+11
South	+36	+31	+42	+41	+42	+1	+6
Midwest	+37	+35	+35	+40	+18	-22	-19
West	+32	+42	+27	+23	+24	+1	-8
<b>FIRM SIZE</b>							
1-25	+29	+22	+24	+22	+25	+3	-4
26-50	+17	+19	+29	+34	+20	-14	+3
51-200	+40	+49	+36	+37	+38	+1	-2
201-500	+49	+54	+35	+50	+37	-13	-12
More than 500	+57	+56	+65	+43	+42	-1	-15

## Future Hiring Projections

- Sixty-eight percent predict there will be an increase in hiring over the next 12 months at their firms, resulting in a Net Rating of +61.

Figure 20: Hiring Over the Next 12 Months



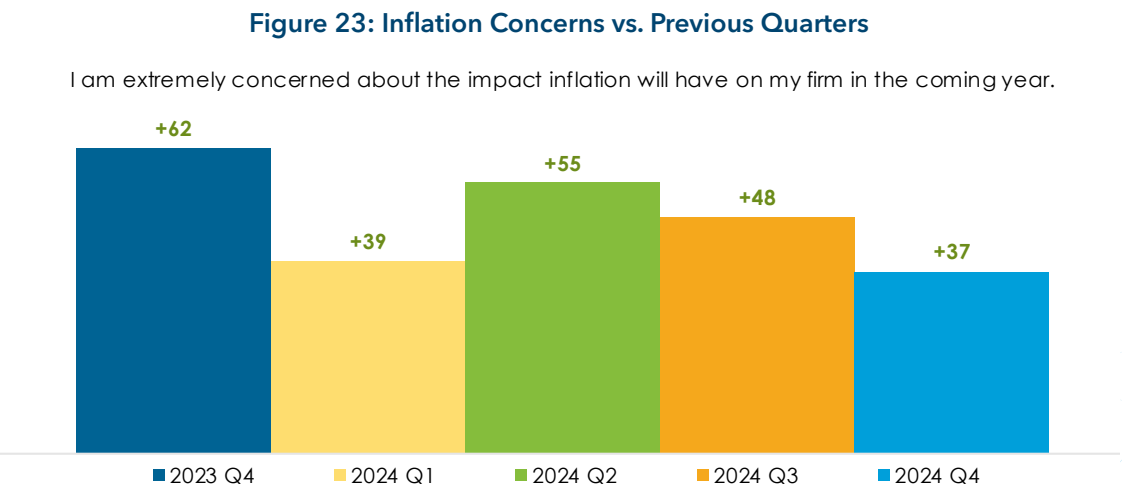
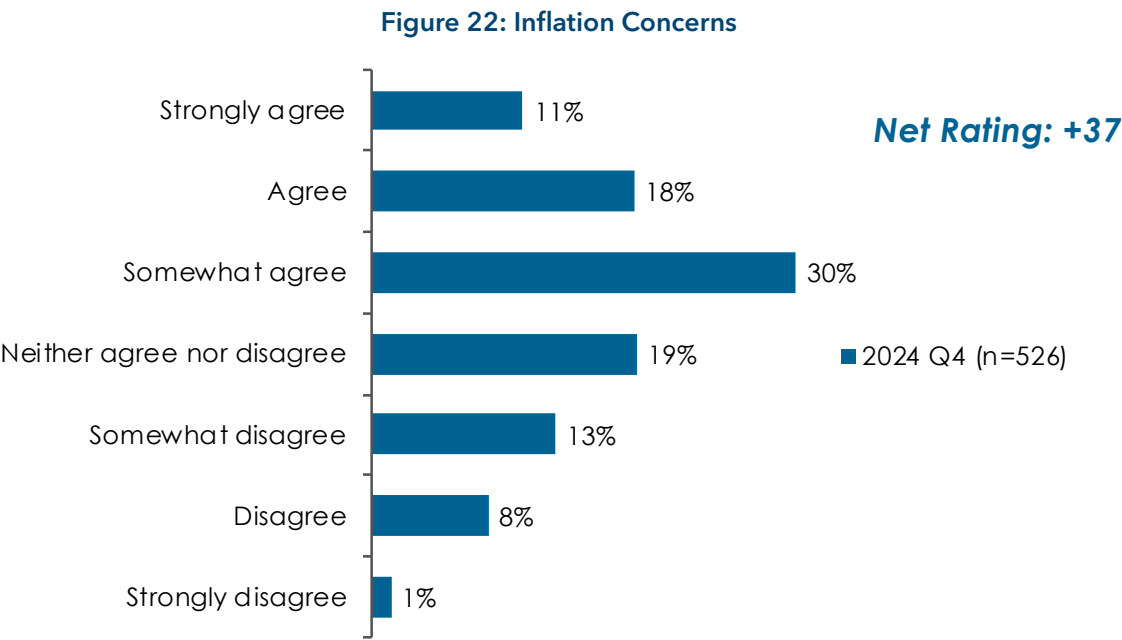
- Future hiring sentiment decreased five points from last quarter and is down seven points from last year at this time. Most segments have seen declines from the prior quarter and year over year.
- The Northeast is the most optimistic (+69).
- Firms with 201 to 500 FTEs (+82) are the most optimistic about future hiring.

Figure 21: Expectations for Hiring Increases Over the Next 12 Months vs Previous Quarters - By Region and Firm Size

Status of Hiring	2023 Q4 (n=478)	2024 Q1 (n=518)	2024 Q2 (n=589)	2024 Q3 (n=571)	2024 Q4 (n=517)	Change vs. Previous Quarter	Change vs. Previous Year
TOTAL	+68	+73	+71	+66	+61	-5	-7
REGION							
Northeast	+72	+85	+86	+80	+69	-11	-3
South	+67	+68	+66	+65	+63	-2	-4
Midwest	+68	+75	+73	+68	+65	-3	-3
West	+68	+72	+64	+54	+46	-8	-22
FIRM SIZE							
1-25	+57	+54	+44	+35	+38	+3	-19
26-50	+57	+71	+67	+62	+43	-19	-14
51-200	+68	+78	+75	+74	+63	-11	-5
201-500	+76	+83	+84	+86	+82	-4	+6
More than 500	+92	+87	+92	+83	+79	-4	-13

# Inflation

- Concern over the impact of inflation remains elevated. Fifty-nine percent at least somewhat agree that they are extremely concerned about the impact of inflation.
- While concern about the impact of inflation is elevated, it is improving. Concern fell 11 points from last quarter (+37 Net Rating) and is 25 points lower than one year ago.



## Likelihood of Recession in Next Six Months

- The perceived likelihood of a recession in the next six months is up three points (43 percent) from last quarter but down six points from one year ago.

Figure 24: Likelihood of Recession in Next Six Months vs. Previous Quarter

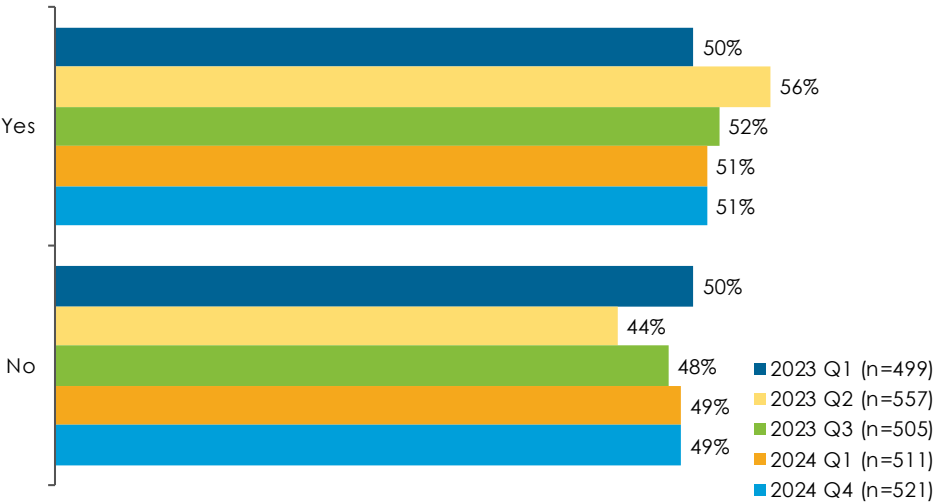
Recession Likelihood	2023 Q4 (n=473)	2024 Q1 (n=508)	2024 Q2 (n=567)	2024 Q3 (n=551)	2024 Q4 (n=505)	Change vs. Previous Quarter	Change vs. Previous Year
TOTAL	49%	41%	40%	40%	43%	+3	-6
REGION							
Northeast	46%	38%	38%	36%	39%	+3	-7
South	51%	41%	41%	43%	47%	+4	-4
Midwest	49%	42%	38%	37%	40%	+3	-9
West	48%	43%	40%	40%	42%	+2	-6
FIRM SIZE							
1-25	53%	46%	44%	46%	48%	+2	-5
26-50	51%	40%	42%	40%	45%	+5	-6
51-200	47%	42%	39%	39%	41%	+2	-6
201-500	47%	37%	33%	35%	41%	+6	-6
More than 500	45%	38%	37%	35%	38%	+3	-7

## HOT TOPICS

### Workforce/Turning Down Work

- In the past three months, over half of firms (51 percent) continue to turn down work due to workforce shortages.
- The workforce shortage is having the least impact in the Northeast, where only 44 percent have turned down work.

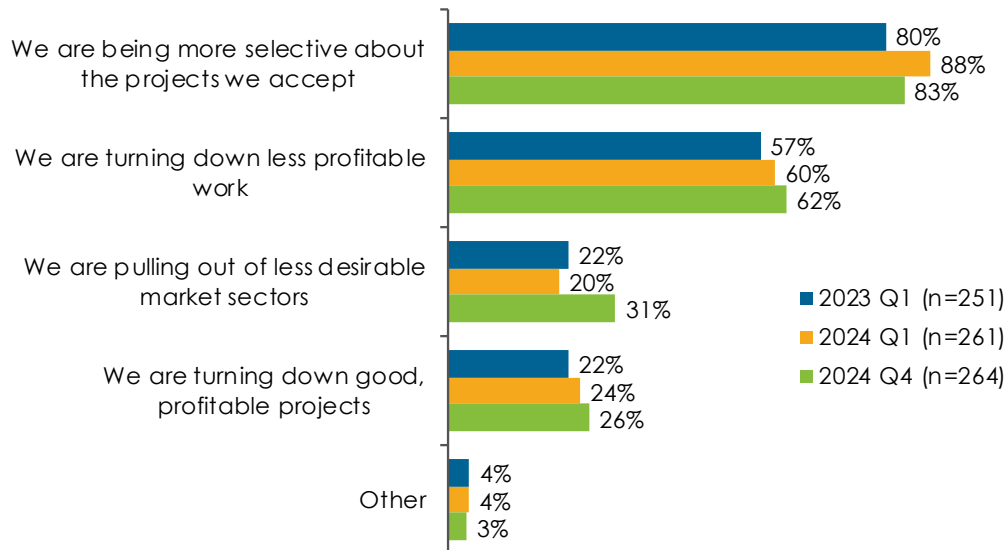
Figure 25: Turned Down Work Due to Workforce Shortage





- Among firms turning down work, most (83 percent) are being more selective about the projects they are accepting, down from 88 percent in 2024 Q1.
- Twenty-six percent of firms also indicate that they are turning down good profitable projects, up two points from 2024 Q1.

**Figure 26: Types of Work Turned Down - Among Those Turning Down Work**



# METHODOLOGY

The Institute for Association and Nonprofit Research (IFANR) recruited individuals from among the database list of members provided by the ACEC Research Institute. Data collection occurred between September 5 and 18, 2024.

A total of 9,270 invitations were emailed, although 2,374 bounced and 20 opted out, resulting in a total of 6,876 potential respondents. Individuals who did not respond to the first email were sent up to three follow-up reminders.

In all, 577 individuals completed the survey for an overall response rate of eight percent.

Throughout this report meaningful, statistically significant differences are noted for various subgroups, including geographic region and firm size.

NOTE: Throughout this report, “Net Ratings” are shown on many graphs to quantify the sentiment of respondents. The Net Rating is calculated by subtracting the negative ratings from the positive ratings. Therefore, a positive Net Rating indicates overall sentiment is optimistic while a negative Net Rating indicates an overall pessimistic sentiment. The higher the numeric value the stronger the sentiment (either optimistic or pessimistic).

## STATISTICAL NOTES

Due to rounding, not all graphs total 100 percent.

Statistically significant differences are evaluated at a 95 percent confidence interval.

There is no margin of sampling error as this was a census of all executive-level individuals at member firms in the ACEC database.

Although every effort was taken to minimize survey bias, there is no way to eliminate all sources of potential bias. Sources of potential bias include, but are not limited to, the following:

- Non-response bias
- Confounding bias
- Question wording bias
- Question order bias
- Habituation
- Sponsor bias
- Confirmation bias

The ACEC Research Institute provides the engineering industry with cutting edge research, trend data, and economic analysis to help firm owners make decisions and delivers thought leadership that advances engineering's essential value to society.

**The ACEC Research Institute wishes to extend its sincere appreciation to its generous contributors.**

*As of October 2024*

## Founder Circle (\$50,000+)



## Chair Circle (\$25,000+)



## President Circle (\$15,000+)

