

ACEC-Canada Engineering Business Sentiment

2024 H1

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ASSOCIATION OF CONSULTING
ENGINEERING COMPANIES | CANADA

Research Conducted by:

ACEC RESEARCH
INSTITUTE

2024 H1

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Executive Summary

Current Business Conditions

- Current sentiment is positive. The Net Ratings for firms' finances (+89) and for industry (+75) are extremely high. The Net Rating for the Canadian economy is +37.
- Current sentiment is very optimistic within all market sectors. Sentiment is strongest in Water/Wastewater and Airports and Harbours (Net Rating +78).
- While still positive, current sentiment is relatively lower in the Education sector (+51), Commercial Real Estate (+52) and Residential (+61).
- The median backlog stands at nine months, and sixty percent indicate their firm has a current backlog of less than one year.
- Eighty-nine percent of firms have at least one opening. The median number of open positions is 10. On average, eight percent of positions are unfilled at firms.

Future Business Conditions

- Future sentiment is positive for the firm's finances (+37 Net Rating) and the industry (+8), but respondents are less enthusiastic about the future of the Canadian economy (-3).
- Inflation and rising costs (73%), General economic uncertainty (69%), Workforce shortages (67%) and Political environment/uncertainty (67%) are fueling negative future sentiment.
- Future industry sentiment is positive in all sectors but one. It is highest in Residential – Land Development and Water/Wastewater (both +32 Net Rating).
- Future sentiment is weakest in Education (Net Rating +11) and Convention Centers, Sports Facilities and Cultural Facilities (0).
- More than half of firm executives (51%) believe their firms will see a higher backlog of projects 12 months from now compared to fourteen percent who think it will decrease.
- Seventy-four percent predict there will be an increase in hiring over the next 12 months at their firms compared to four percent who think it will decrease.
- Concern over the impact of inflation is elevated. Fifty-two percent agree that they are extremely concerned about the impact of inflation on their firm.
- The likelihood of recession in the next six months is forty-three percent according to the average estimate among firm leaders.

Hot Topics

- A majority (55%) of firm executives indicate they have experience with Integrated Project Delivery models and will continue to pursue more of these models.
- A majority (62%) of firm executives agree that Integrated Project Delivery models have the potential to more equitably share risk and reward than Design-Bid-Build.

Demographics

For reference, this report uses a modified five-region classification for geographic breaks of the data.

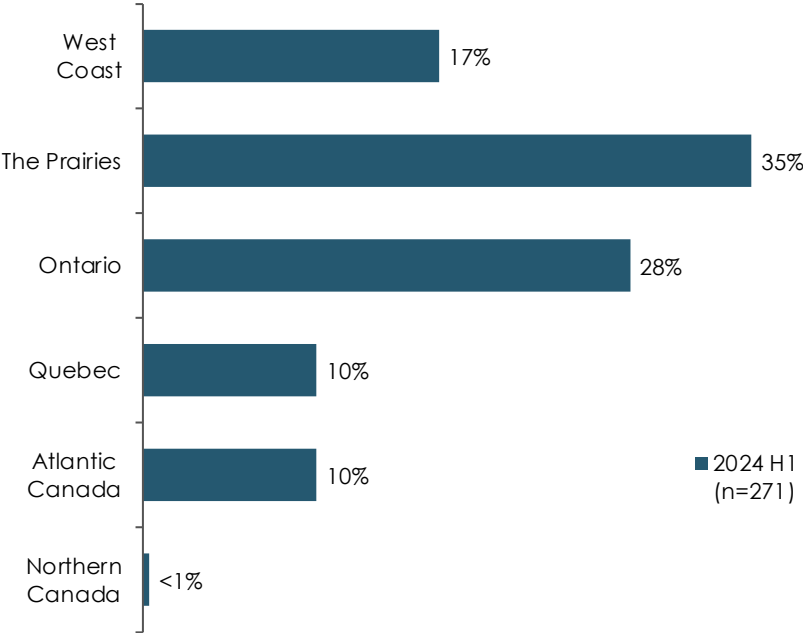
- **West Coast** includes the province of British Columbia.
- **The Prairies** includes the provinces of Manitoba, Saskatchewan, and Alberta.
- **Central Canada** includes the provinces of Ontario and Quebec, however, they are shown separately in this report.
- **Atlantic Canada** includes the provinces of Newfoundland and Labrador, Prince Edward Island, Nova Scotia, and New Brunswick.
- **Northern Canada** includes the territories of Nunavut, Northwest Territories, and Yukon.

Figure 1: Map of Canada Provinces/Territories



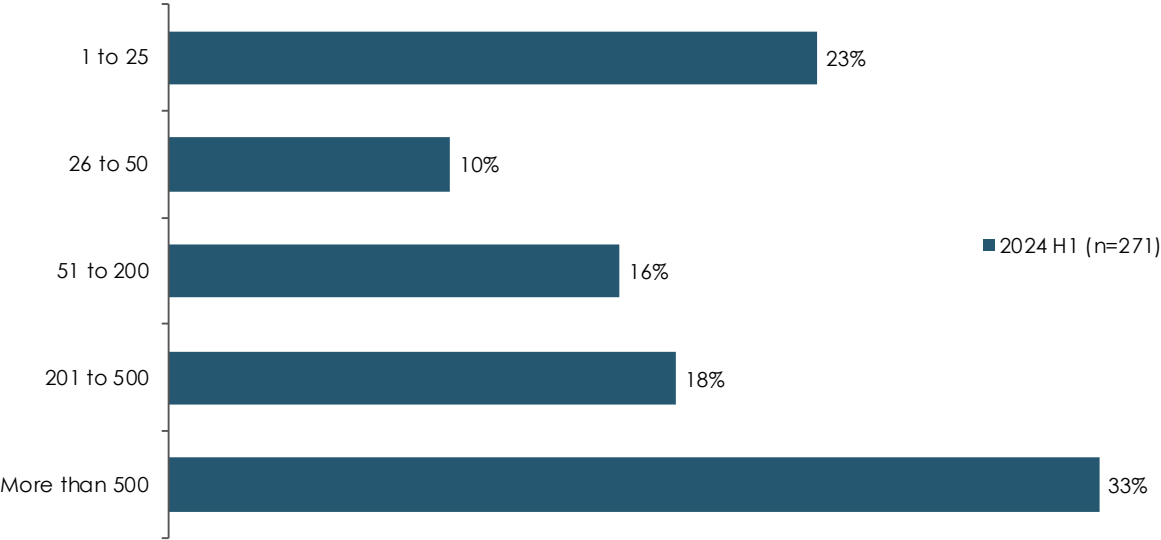
Respondents' firms are widely dispersed across Canada, however, a majority are located in the Prairies (35%) and Ontario (28%).

Figure 2: Location of Organization Headquarters



There is a diverse representation of firms by firm size. While one-third (33%) of respondents work for small firms (50 or fewer FTEs), one-third (33%) work for large firms (more than 500 FTEs).

Figure 3: Number of Full-Time Equivalents at Firm

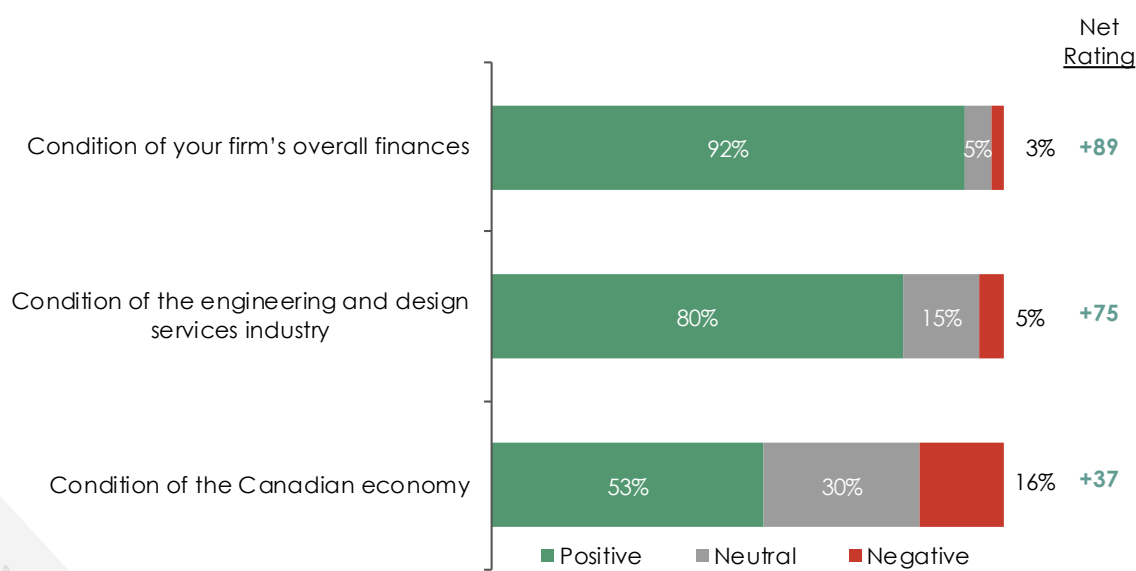


Current Business Conditions

Current Canadian Economy, Industry and Firm Sentiment

- Current sentiment is positive. The Net Ratings for firms' finances (+89) and for industry (+75) are extremely high. The Net Rating for the Canadian economy is +37.
- *U.S. Comparison:* Similar to Canada, sentiment towards the U.S. economy (+39) is lower than industry (+83) and firm finance sentiment (+86).
- Firms with 25 or fewer FTEs are the least positive about the Canadian economy (+20) and their firm's finances (+72).
- Firms with more than 200 FTEs are the most positive about their firm's finances (+97).
- Sentiment for the Canadian economy is strongest in Quebec (+67) and Atlantic Canada (+63), but weakest in the Prairies (+24).

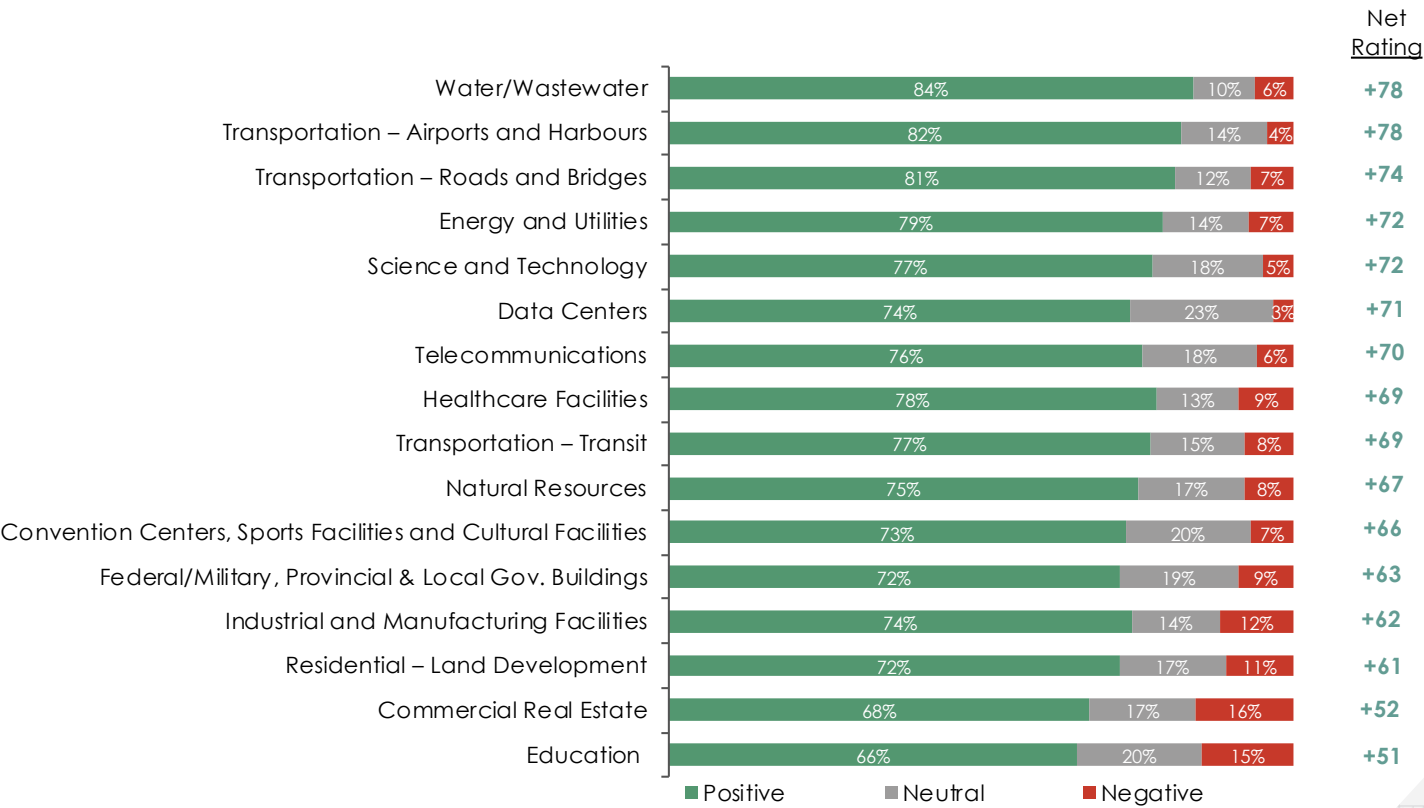
Figure 4: Current Economic Sentiment



Current Industry Sector Sentiment

- Current sentiment is very optimistic within all market sectors. Sentiment is strongest in Water/Wastewater and Airports and Harbours (Net Rating +78).
- While still positive, current sentiment is relatively lower in the Education sector (+51), Commercial Real Estate (+52) and Residential (+61).

Figure 5: Current Industry Sentiment by Sector



Current Backlog

- The median backlog stands at nine months, and sixty percent indicate their firm has a current backlog of less than one year.
- *U.S. Comparison:* Median and average backlogs in the U.S. are 11 months, slightly higher than in Canada.
- Backlog generally increases as firm size increases. Firms with 25 or fewer FTEs have a six-month backlog compared to 12 months for firms with more than 500 FTEs.

Figure 6: Current Backlog

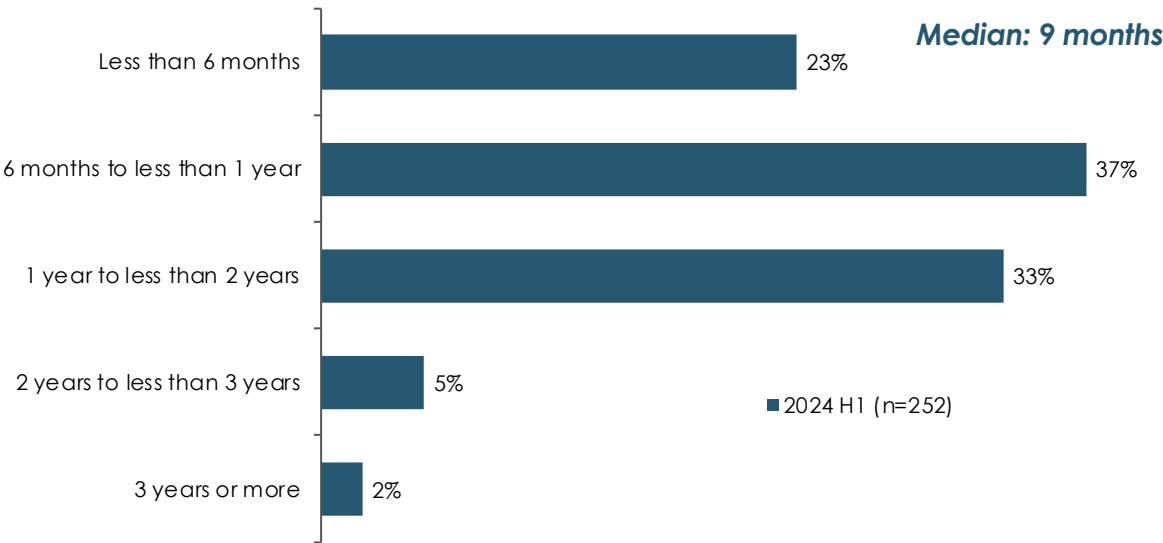


Figure 7: Current Backlog – By Region and Firm Size

	2024 H1 Mean (n=252)	2024 H1 Median (n=252)
TOTAL	10	9
REGION		
West Coast	12	9
The Prairies	10	10
Ontario	11	10
Quebec	11	12
Atlantic Canada	6	6
FIRM SIZE		
1-25	6	6
26-50	8	6
51-200	14	10
201-500	10	8
More than 500	12	12

Current Open Positions

- Eighty-nine percent of firms have at least one opening. The median number of open positions is 10.
- *U.S. Comparison:* Exactly the same as in Canada, eighty-nine percent of firms have at least one open position, however, the median number of open positions in the U.S. is much lower at five. This is likely due to the fact that the median firm size in the U.S. is 75 FTEs compared to 240 in Canada.
- The largest firms (more than 500 FTEs) have a median of 100 open positions.
- On average, eight percent of positions remain unfilled. However, twenty percent of firms indicate this figure is ten percent or more.
- Firms with 50 or fewer FTEs have a much higher percentage of openings (15%).

Figure 8: Current Open Positions

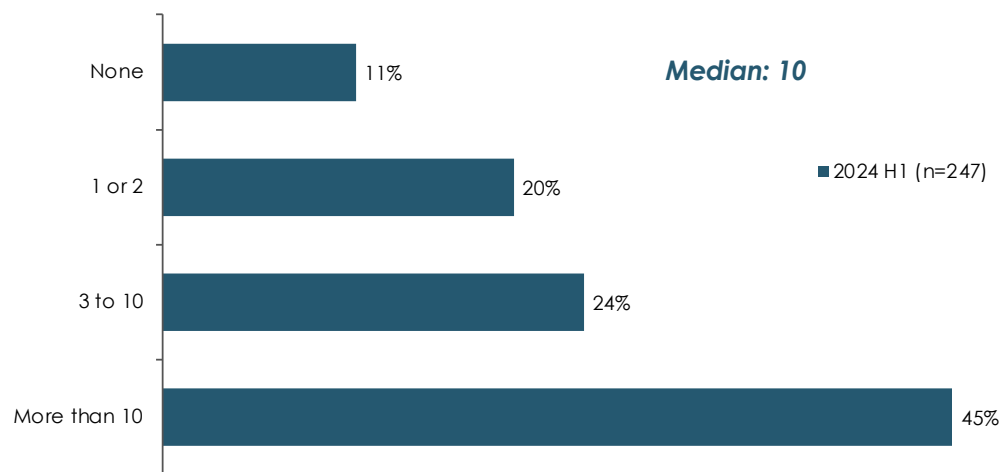


Figure 9: Open Positions as Percentage of Overall FTEs – By Region and Firm Size

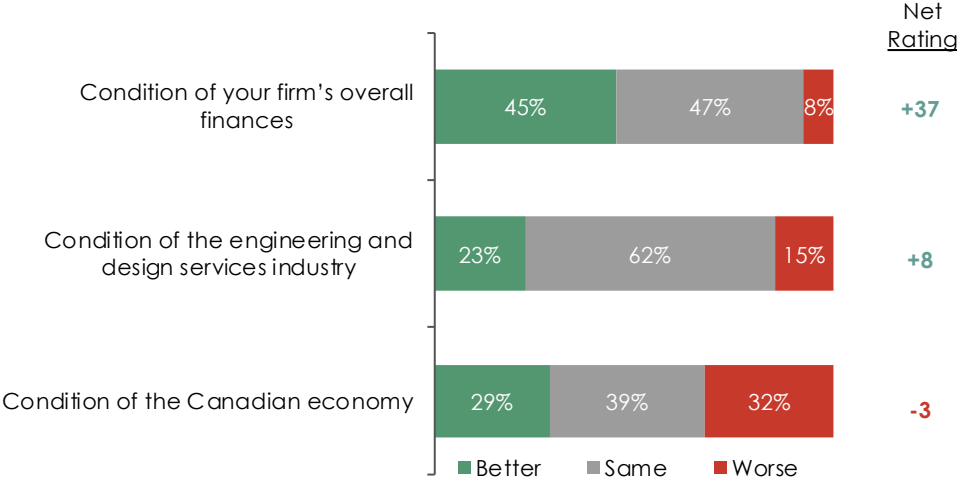
Open Positions	2024 H1 (n=247)
TOTAL	8%
REGION	
West Coast	9%
The Prairies	8%
Ontario	6%
Quebec	6%
Atlantic Canada	10%
FIRM SIZE	
1-25	15%
26-50	15%
51-200	4%
201-500	5%
More than 500	4%

Future Business Conditions

Future Canadian Economy, Industry and Firm Sentiment

- Future sentiment is positive for the firm’s finances (+37 Net Rating) and the industry (+8), but respondents are less enthusiastic about the future of the Canadian economy (-3).
- *U.S. Comparison:* Future sentiment is more positive in the U.S., although the trend is similar in that firm executives are more positive about firm finances (+45) and less positive about the industry (+26) and the overall U.S. economy (+10).

Figure 10: Economic Sentiment 12 Months from Now



- Future sentiment about the firm’s overall finances is mostly consistent across all segments. Only Quebec is less certain (+12 Net Rating).

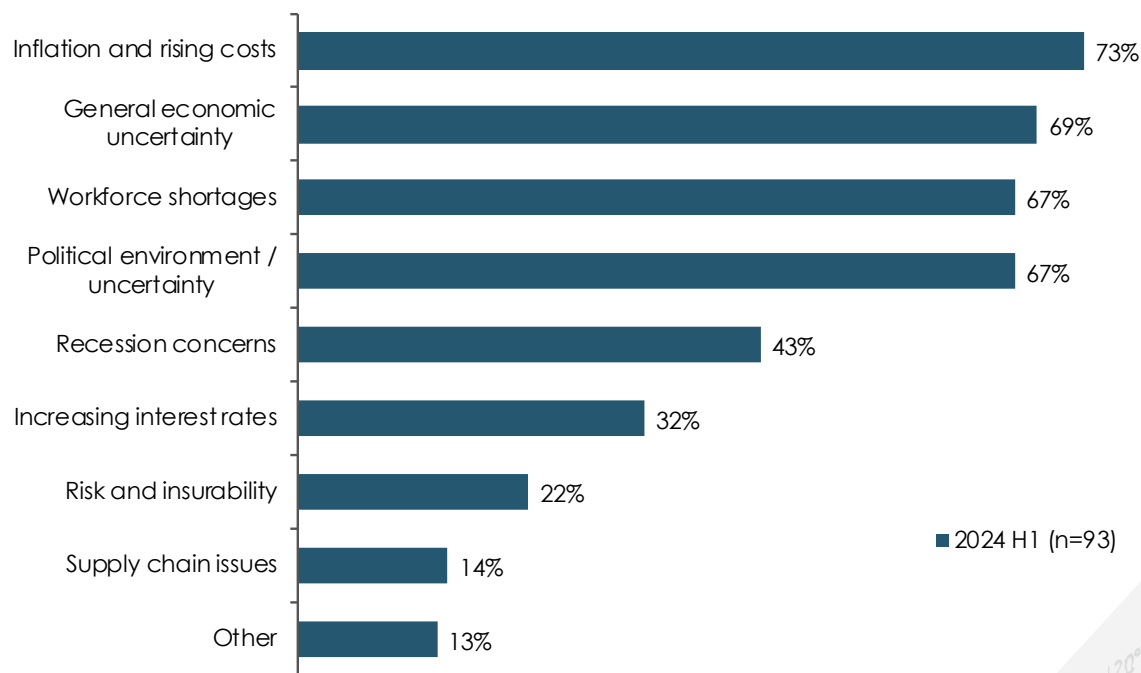
Figure 11: Condition of Firm’s Finances 12 Months from Now – By Region and Firm Size

Condition of your firm's overall finances	2024 H1 (n=251)
TOTAL	+37
REGION	
West Coast	+43
The Prairies	+41
Ontario	+43
Quebec	+12
Atlantic Canada	+28
FIRM SIZE	
1-25	+37
26-50	+26
51-200	+47
201-500	+45
More than 500	+34

Reasons for Economic Sentiment 12 Months from Now

- Inflation and rising costs (73%), General economic uncertainty (69%), Workforce shortages (67%) and Political environment/uncertainty (67%) are fueling negative future sentiment.
- *U.S. Comparison:* Political uncertainty (86%) is the biggest concern in the U.S. (due to this being a Presidential Election year), followed by Inflation and rising costs (81%), General economic uncertainty (74%) and Workforce shortages (62%).
- Concern over Inflation and General economic uncertainty is greatest in Atlantic Canada (78% and 89%, respectively).
- Concern over Workforce shortages is greatest in Ontario (83%).

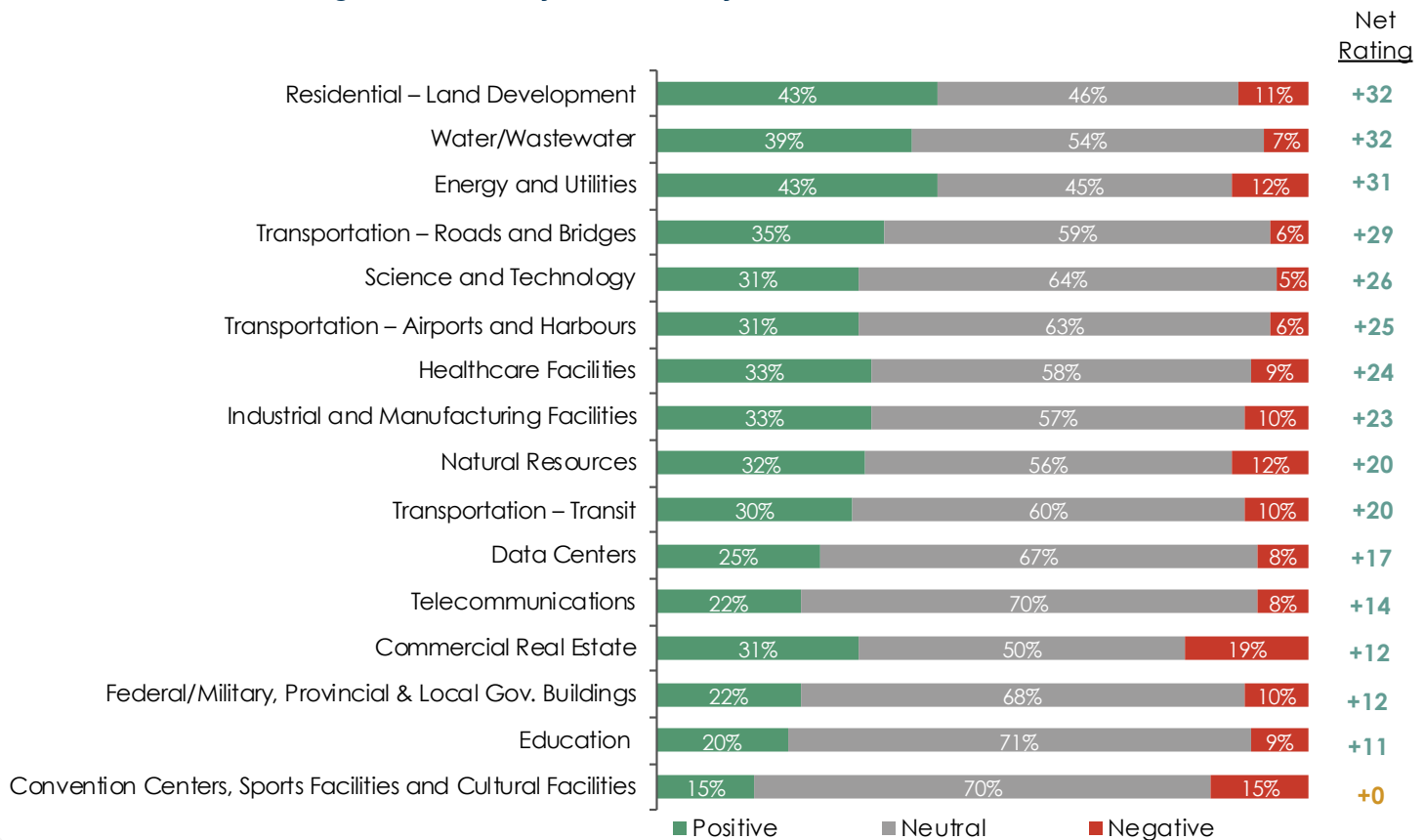
Figure 12: Reasons for Economic Sentiment 12 Months from Now – Among those Predicting Worse Business Conditions



Future Industry Sector Sentiment

- Future industry sentiment is positive in all sectors but one. It is highest in Residential – Land Development and Water/Wastewater (both +32 Net Rating).
- Future sentiment is weakest in Education (Net Rating +11) and Convention Centers, Sports Facilities and Cultural Facilities (0).

Figure 13: Industry Sentiment by Sector 12 Months from Now



Future Backlog

- More than half of firm executives (51%) believe their firms will see a higher backlog of projects 12 months from now.
- *U.S. Comparison:* Future backlog sentiment is very similar in the U.S. where fifty-three percent of firm executives believe their firms will see a higher backlog of projects.
- Firms in Quebec have the highest future backlog Net Rating (+61) compared to other regions.
- Firms with 26-50 FTEs have a significantly lower future backlog Net Rating (+8) compared to other firm sizes.

Figure 14: Backlog 12 Months from Now

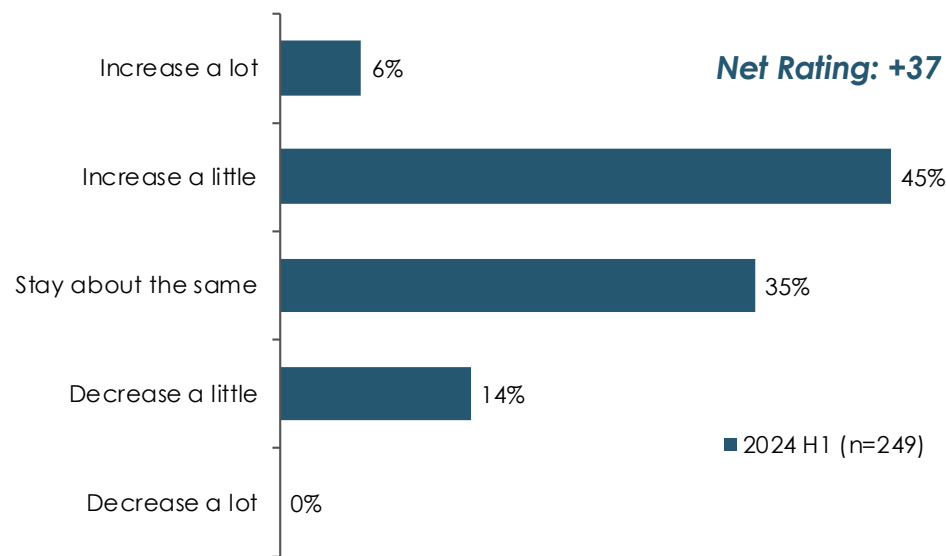


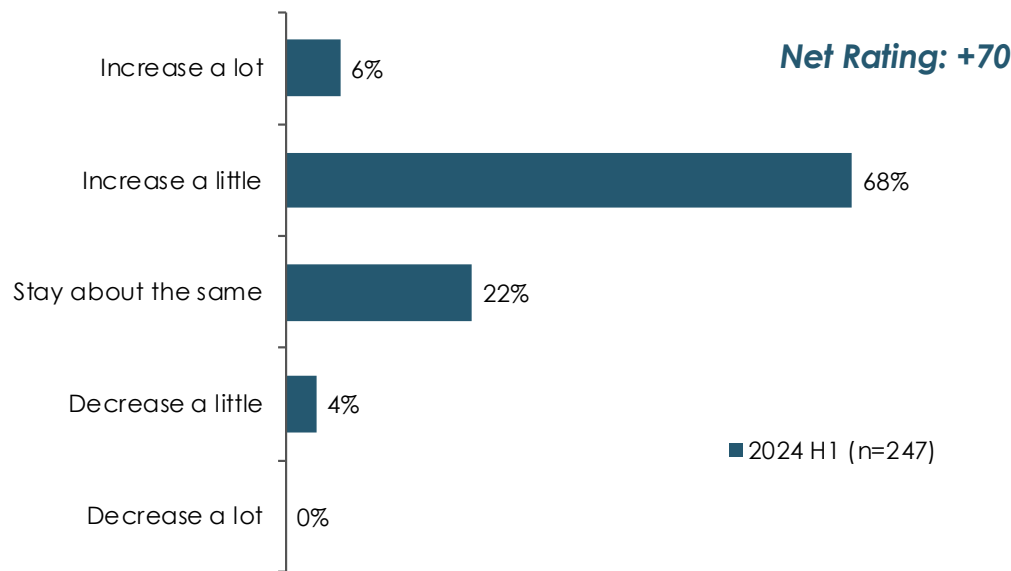
Figure 15: Backlog 12 Months from Now – By Region and Firm Size

Backlog	2024 H1 (n=249)
TOTAL	+37
REGION	
West Coast	+37
The Prairies	+36
Ontario	+32
Quebec	+61
Atlantic Canada	+28
FIRM SIZE	
1-25	+34
26-50	+8
51-200	+35
201-500	+51
More than 500	+41

Future Hiring Projections

- Seventy-four percent predict there will be an increase in hiring over the next 12 months at their firms compared to four percent who think it will decrease, resulting in a Net Rating of +70.
- *U.S. Comparison:* Future hiring projections are very similar in the U.S. where seventy-seven percent predict there will be an increase in hiring over the next 12 months at their firms.

Figure 16: Hiring Over the Next 12 Months



- Future hiring sentiment is high across all segments.
- Quebec is the most optimistic with a +81 Net Rating.
- Firms with 201 to 500 FTEs (+80) are the most optimistic about future hiring.

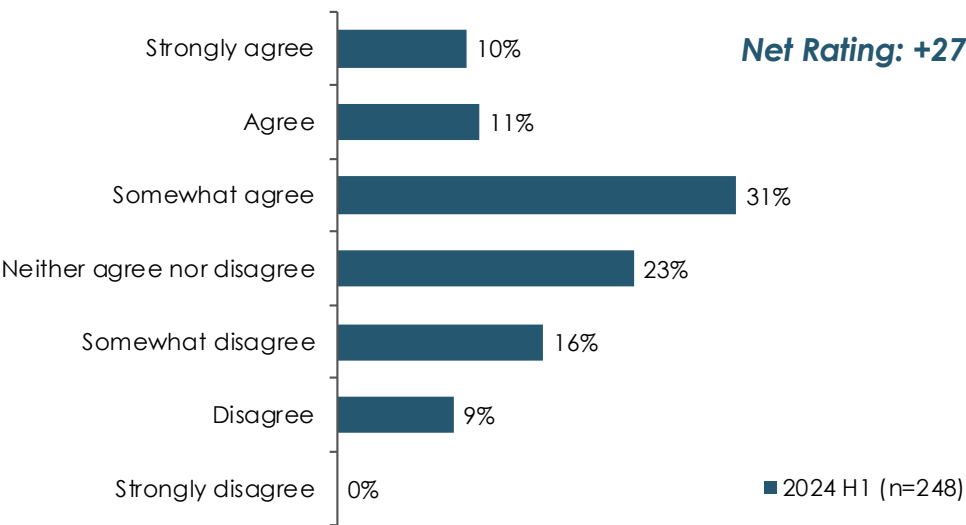
Figure 17: Expectations for Hiring Increases Over the Next 12 Months – By Region and Firm Size

Future Hiring	2024 H1 (n=247)
TOTAL	+70
REGION	
West Coast	+68
The Prairies	+65
Ontario	+74
Quebec	+81
Atlantic Canada	+72
FIRM SIZE	
1-25	+56
26-50	+64
51-200	+71
201-500	+80
More than 500	+77

Inflation

- Concern over the impact of inflation is elevated. Fifty-two percent agree that they are extremely concerned about the impact of inflation on their firm.
- *U.S. Comparison:* Inflation concerns are higher in the U.S. where sixty-two percent of firm executives agree.

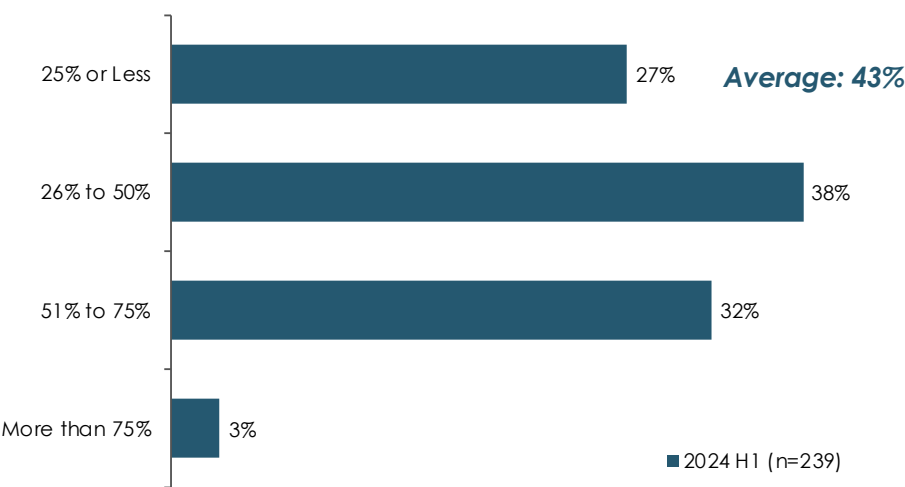
Figure 18: Inflation Concerns



Likelihood of Recession in Next 6 Months

- The likelihood of recession in the next six months is forty-three percent according to the average estimate among firm leaders.
- *U.S. Comparison:* The likelihood of a recession (40%), according to firm executives, is similar in the U.S.

Figure 19: Likelihood of Recession in Next 6 Months



Integrated Project Delivery Models

- A majority (55%) of firm executives indicate they have experience with Integrated Project Delivery models and will continue to pursue more of these models.
- Firms with 1 to 25 FTEs are least likely to pursue more of these models (28%), while those with more than 500 FTEs are the most likely (80%).
- A majority (62%) of firm executives agree that Integrated Project Delivery models have the potential to more equitably share risk and reward than Design-Bid-Build.

Figure 20: Experience with Integrated Project Delivery Models

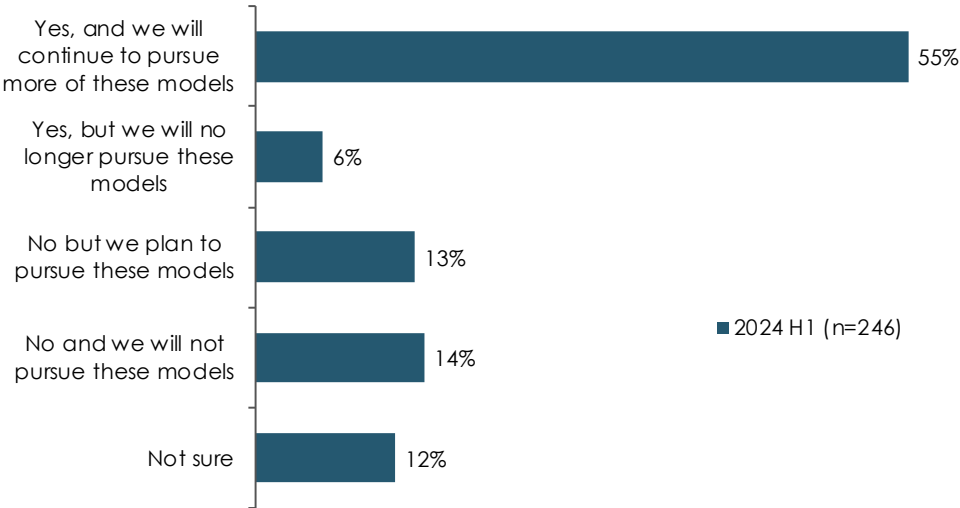
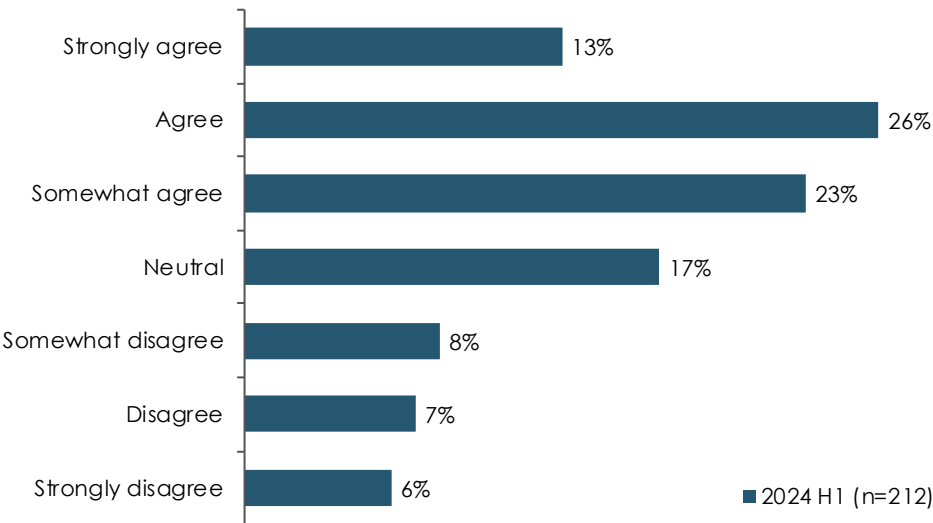


Figure 21: Statement - Integrated Project Delivery Models More Equitably Share Risk and Reward than Design-Bid-Build



Methodology

The Institute for Association and Nonprofit Research (IFANR) surveyed senior executives from among the database list of members provided by ACEC-Canada. Data collection occurred between March 21 and April 1, 2024.

A total of 1,254 invitations were emailed, although 80 bounced and 20 opted out, resulting in a total of 1,154 potential respondents. Individuals who did not respond to the first email were sent two follow-up reminders.

In all, 271 individuals completed the survey for an overall response rate of 23%.

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%.

Statistically significant differences are evaluated at a 95% 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-Canada 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