

# ENGINEERING BUSINESS SENTIMENT 2025 Q1

**MARCH 2025**

# ENGINEERING BUSINESS SENTIMENT

## 2025 Q1

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# EXECUTIVE SUMMARY

## Current Business Conditions

- Current sentiment remains positive. The Net Ratings for the firm's finances (+87) and for the industry (+82) are extremely high. The Net Rating for the U.S. economy is +49.
- Optimism about the U.S. economy climbed considerably compared to the previous quarter, increasing 13 points.
- Current sentiment remains very optimistic within most market sectors. Sentiment is strongest in Water/Wastewater (+82) and Data Centers (+81).
- Almost half (49 percent) indicate their firm has a current backlog of one year or more.
- The median backlog (11 months) fell by one month but is in line with levels from one year ago.
- Nine out of 10 (89 percent) firms still have at least one opening. The median number of open positions rose slightly from five to six.

## Future Business Conditions

- Future sentiment is increasingly positive on all metrics with sentiment for the U.S. economy increasing 22 points from last quarter to +33, while industry sentiment and firm's finances both increased 14 points (to +33 and +53, respectively).
- Political environment/uncertainty (82 percent) and General economic uncertainty (71 percent) are fueling negative future sentiment.
- Future industry sentiment is positive in all sectors and is highest in Data Centers (+60), Energy and Utilities (+56), and Industrial and Manufacturing Facilities (+50).
- Backlog sentiment for 12 months from now increased eight points from last quarter to a +41 Net Rating. It is also a point higher than one year ago.
- Seventy-five percent predict there will be an increase in hiring over the next 12 months at their firms, a Net Rating of +71.
- Future hiring sentiment increased 11 points from last quarter to +71 and is only three points lower than last year at this time.
- Concern over the impact of inflation remains elevated, but continues to fall (+33, down four points).
- The perceived likelihood of a recession in the next six months fell eight points from last quarter to 35 percent.

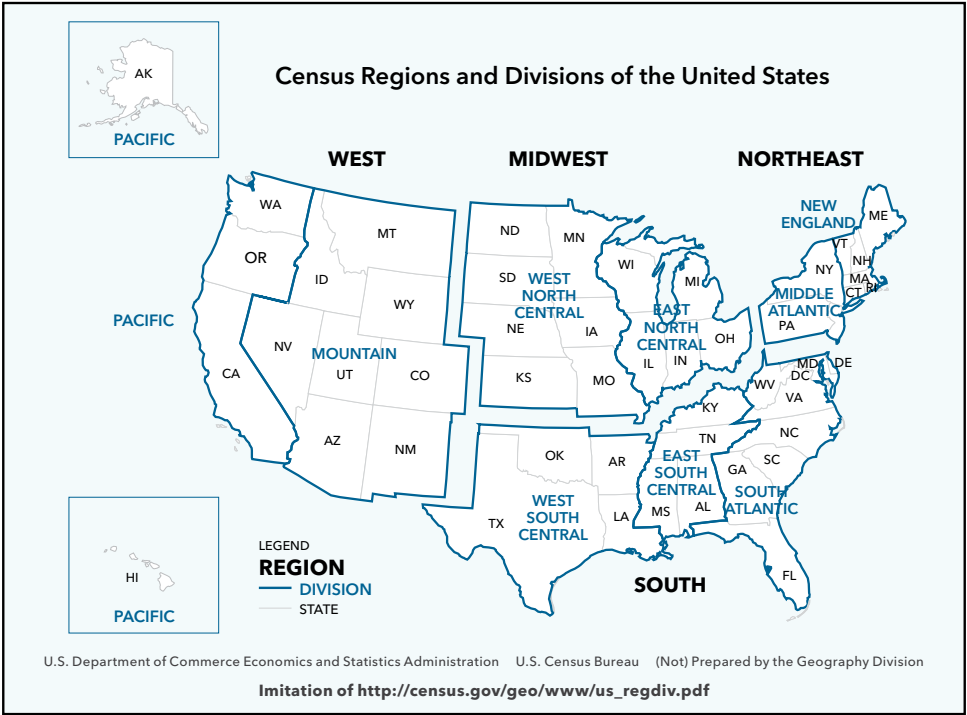
## Hot Topics

- Wage inflation is the biggest concern among firm executives as they head into 2025, although less so than in 2024.
- The average firm derives 38 percent of its revenue from private clients and 62 percent of its revenue from public clients.
- About one-third (34 percent) of firms have had at least 10 percent of their staff leave, about the same as last year. The average staff turnover is seven percent, down one point from last year.
- Most firms (86 percent) say that the average salary for new hires at their firm has increased in the past year, down two points from last year.
- The average annual salary increase for new hires was nine percent (unchanged from last year).
- Most firms (88 percent) report that the average salary for existing employees has increased in the past year, down one point from last year.
- The average salary increase for existing staff was seven percent over the past year (unchanged from last year).
- Nearly two-thirds (63 percent) of firms have an AI strategy in place or are working on one, up 11 points from 2024.
- Three-fourths (78 percent) of firms believe that AI will have a positive impact on their firm in the coming year, up 15 points from 2024.

# DEMOGRAPHICS

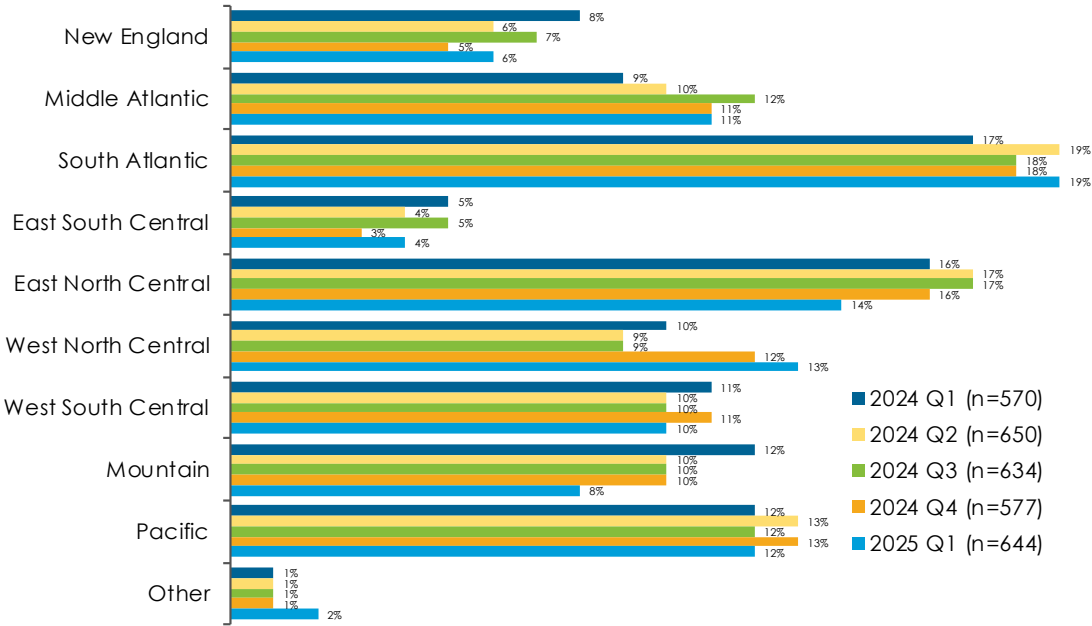
- For reference, the ACEC Research Institute uses the U.S. Census Bureau definition of geographic regions seen in Figure 1 below.

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



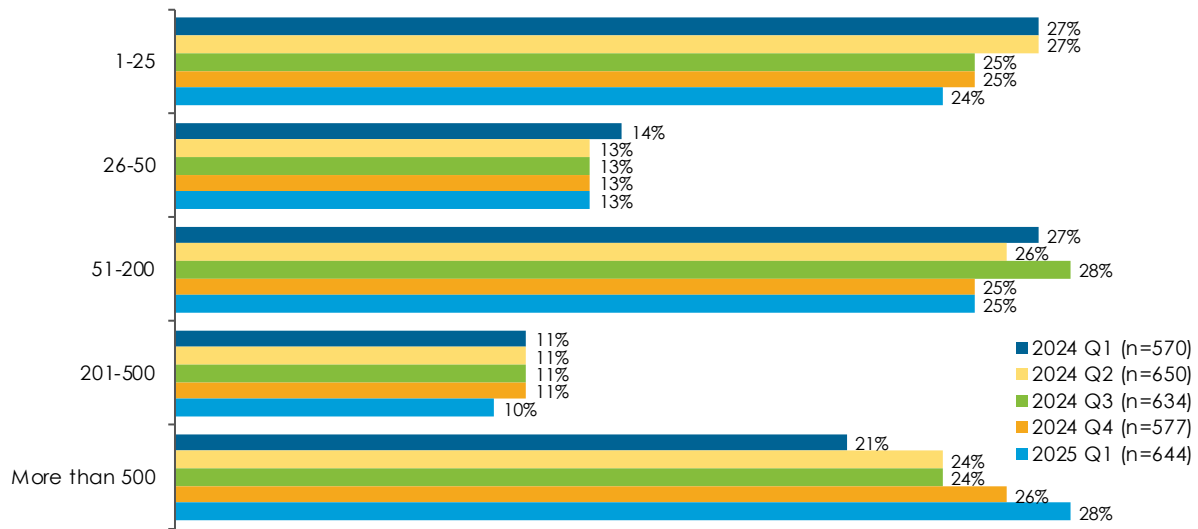
- Respondents' firms are widely dispersed around the United States. A few respondents (Other) indicate their firm is headquartered outside the U.S. These results are statistically similar to previous quarters.

Figure 2: Location of Organization Headquarters



- The median number of full-time employees at respondents' firms is 108 versus 103 last quarter.

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

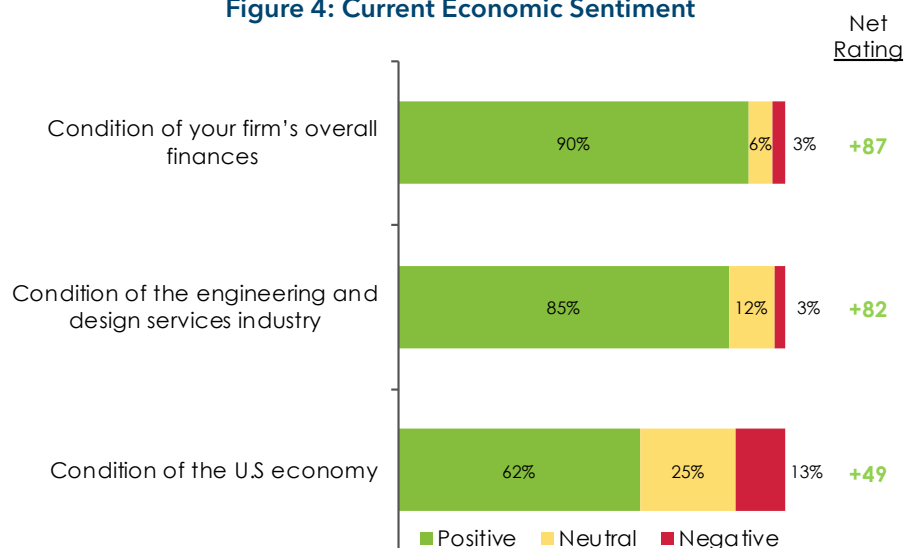


# CURRENT BUSINESS CONDITIONS

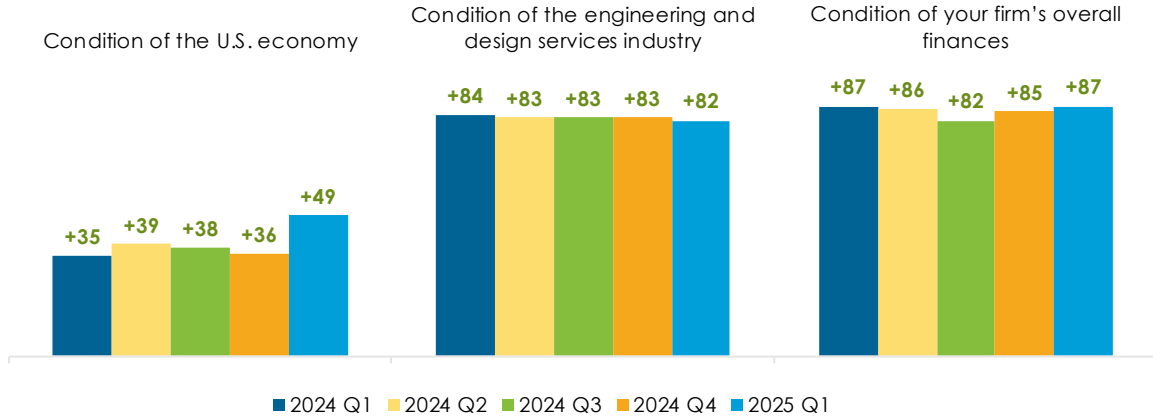
## Current U.S. Economy, Industry and Firm Sentiment

- Current sentiment remains positive. The Net Ratings for the firm's finances (+87) and for the industry (+82) are extremely high. The Net Rating for the U.S. economy is +49.
- Firms with more than 500 FTEs are the most positive about their firm's finances (+97).
- Firms with 51-200 and more than 500 FTEs have the highest confidence in the engineering and design services industry (+89).
- Sentiment for the U.S. economy is least positive among the smallest firms (1-25 FTEs) at +35.

**Figure 4: Current Economic Sentiment**



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



- Optimism about the U.S. economy climbed considerably compared to the previous quarter, increasing 13 points.
- All segments are feeling more optimistic about the state of the U.S. economy than last quarter, as well as one year ago. This is particularly true in the South.

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

| Condition of the U.S. economy | 2024 Q1 (n=562) | 2024 Q2 (n=640) | 2024 Q3 (n=627) | 2024 Q4 (n=569) | 2025 Q1 (n=637) | Change vs. Previous Quarter | Change vs. Previous Year |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------------------|--------------------------|
| <b>TOTAL</b>                  | <b>+35</b>      | <b>+39</b>      | <b>+38</b>      | <b>+36</b>      | <b>+49</b>      | <b>+13</b>                  | <b>+14</b>               |
| <b>REGION</b>                 |                 |                 |                 |                 |                 |                             |                          |
| Northeast                     | +43             | +54             | +53             | +45             | +50             | +5                          | +7                       |
| South                         | +24             | +35             | +29             | +21             | +47             | +26                         | +23                      |
| Midwest                       | +44             | +40             | +41             | +47             | +50             | +3                          | +6                       |
| West                          | +33             | +33             | +35             | +36             | +53             | +17                         | +20                      |
| <b>FIRM SIZE</b>              |                 |                 |                 |                 |                 |                             |                          |
| 1-25                          | +23             | +27             | +24             | +26             | +35             | +9                          | +12                      |
| 26-50                         | +32             | +34             | +30             | +23             | +44             | +21                         | +12                      |
| 51-200                        | +37             | +37             | +44             | +33             | +53             | +20                         | +16                      |
| 201-500                       | +36             | +54             | +44             | +40             | +54             | +14                         | +18                      |
| More than 500                 | +49             | +51             | +46             | +54             | +59             | +5                          | +10                      |

# Current Industry Sector Sentiment

- Current sentiment remains very optimistic within most market sectors. Sentiment is strongest in Water/Wastewater (+82) and Data Centers (+81).
- Many sectors saw declines compared to last quarter, as well as one year ago.

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

| Current Industry Sector Sentiment                             | 2024 Q1<br>(n=202-442) | 2024 Q2<br>(n=218-501) | 2024 Q3<br>(n=208-489) | 2024 Q4<br>(n = 187-436) | 2025 Q1<br>(n=211-484) | Change vs.<br>Previous<br>Quarter | Change vs.<br>Previous<br>Year |
|---|------------------------|------------------------|------------------------|--------------------------|------------------------|-----------------------------------|--------------------------------|
| Data Centers  | +78                    | +74                    | +72                    | +75                      | +81                    | +6                                | +3                             |
| Convention Centers, Sports Facilities and Cultural Facilities | +42                    | +56                    | +44                    | +37                      | +44                    | +7                                | +2                             |
| Industrial and Manufacturing Facilities                       | +62                    | +66                    | +63                    | +63                      | +64                    | +1                                | +2                             |
| Water/Wastewater  | +81                    | +81                    | +82                    | +83                      | +82                    | -1                                | +1                             |
| Commercial Real Estate  | +16                    | +14                    | +21                    | +12                      | +17                    | +5                                | +1                             |
| Justice   | +31                    | +42                    | +35                    | +31                      | +32                    | +1                                | +1                             |
| Education   | +52                    | +56                    | +51                    | +58                      | +52                    | -6                                | 0                              |
| Federal/Military, State and Local Government Buildings        | +65                    | +72                    | +71                    | +66                      | +63                    | -3                                | -2                             |
| Residential – Land Development                                | +27                    | +39                    | +32                    | +34                      | +24                    | -10                               | -3                             |
| Energy and Utilities  | +80                    | +76                    | +75                    | +78                      | +76                    | -2                                | -4                             |
| Healthcare Facilities   | +70                    | +69                    | +67                    | +68                      | +66                    | -2                                | -4                             |
| Transportation – Airports                                     | +82                    | +78                    | +79                    | +79                      | +76                    | -3                                | -6                             |
| Science and Technology  | +77                    | +68                    | +65                    | +66                      | +69                    | +3                                | -8                             |
| Telecommunications  | +61                    | +64                    | +59                    | +55                      | +50                    | -5                                | -11                            |
| Transportation – Roads and Bridges                            | +86                    | +83                    | +83                    | +83                      | +75                    | -8                                | -11                            |
| Transportation – Transit                                      | +76                    | +71                    | +71                    | +69                      | +63                    | -6                                | -13                            |

# Current Backlog

- Almost half (49 percent) indicate their firm has a current backlog of one year or more.
- The median backlog fell by one month, mainly due to declines in the South and West, but is the same compared to this time last year.

Figure 8: Current Backlog

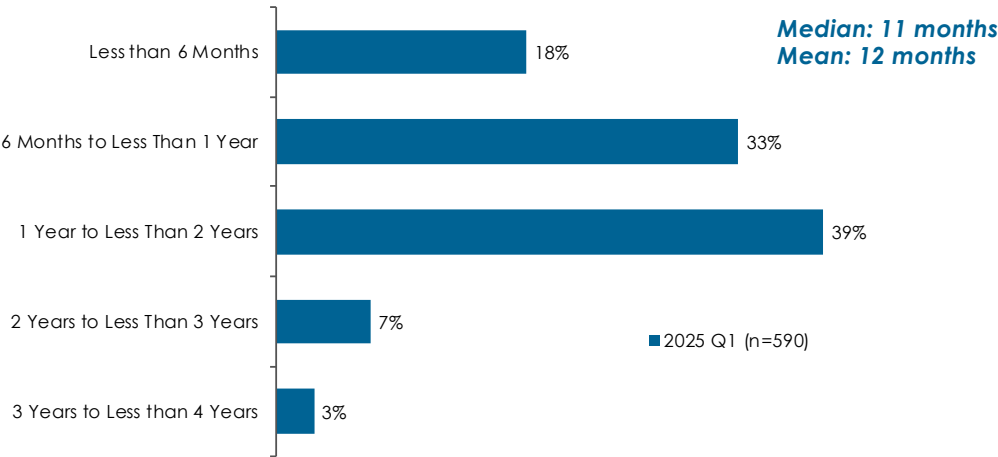




Figure 9: Current Backlog vs. Previous Quarters - By Region and Firm Size

| Current Backlog  | 2024 Q1<br>(n=534) | 2024 Q2<br>(n=596) | 2024 Q3<br>(n=585) | 2024 Q4<br>(n=537) | 2025 Q1<br>(n=590) | Change vs.<br>Previous<br>Quarter | Change vs.<br>Previous<br>Year |
|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------------------|--------------------------------|
| <b>TOTAL</b>     | 11                 | 11                 | 12                 | 12                 | 11                 | -1                                | 0                              |
| <b>REGION</b>    |                    |                    |                    |                    |                    |                                   |                                |
| Northeast        | 12                 | 12                 | 12                 | 12                 | 12                 | 0                                 | 0                              |
| South            | 10                 | 12                 | 12                 | 12                 | 10                 | -2                                | 0                              |
| Midwest          | 12                 | 12                 | 12                 | 12                 | 12                 | 0                                 | 0                              |
| West             | 10                 | 9                  | 10                 | 9                  | 8                  | -1                                | -2                             |
| <b>FIRM SIZE</b> |                    |                    |                    |                    |                    |                                   |                                |
| 1-25             | 6                  | 6                  | 6                  | 6                  | 6                  | 0                                 | 0                              |
| 26-50            | 12                 | 10                 | 12                 | 9                  | 9                  | 0                                 | -3                             |
| 51-200           | 10                 | 11                 | 12                 | 12                 | 12                 | 0                                 | +2                             |
| 201-500          | 12                 | 12                 | 12                 | 12                 | 12                 | 0                                 | 0                              |
| More than 500    | 12                 | 13                 | 12                 | 14                 | 14                 | 0                                 | +2                             |

## Current Open Positions

- Nine out of 10 (89 percent) firms still have at least one opening. The median number of open positions rose slightly from five to six.
- On average, nine percent of positions remain unfilled, one point more than last quarter, but consistent with previous quarterly data.

Figure 10: Current Number of Open Positions vs. Previous Quarters

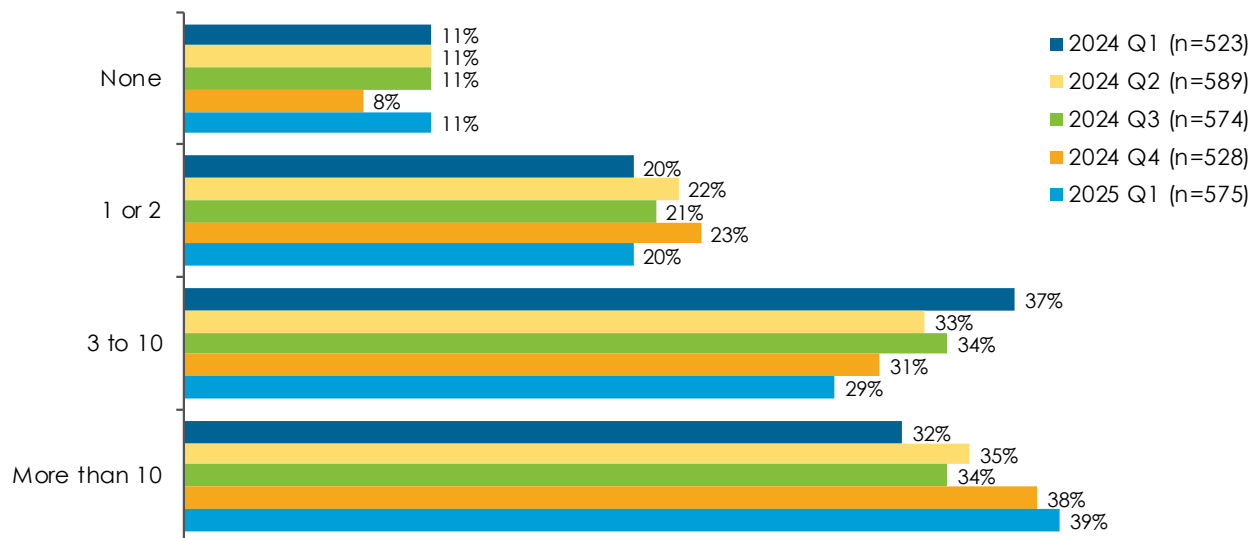


Figure 11: Open Positions as Percentage of Overall FTEs vs. Previous Quarters

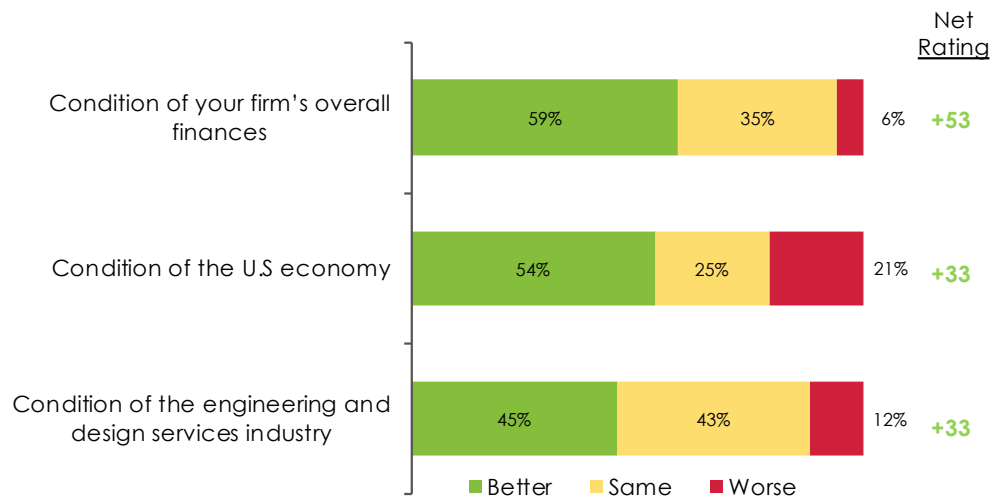
| Open Positions   | 2024 Q1<br>(n=523) | 2024 Q2<br>(n=589) | 2024 Q3<br>(n=573) | 2024 Q4<br>(n=528) | 2025 Q1<br>(n=574) | Change vs.<br>Previous<br>Quarter | Change vs.<br>Previous<br>Year |
|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------------------|--------------------------------|
| <b>TOTAL</b>     | 9%                 | 9%                 | 9%                 | 8%                 | 9%                 | +1                                | 0                              |
| <b>REGION</b>    |                    |                    |                    |                    |                    |                                   |                                |
| Northeast        | 7%                 | 10%                | 7%                 | 7%                 | 13%                | +6                                | +6                             |
| South            | 8%                 | 10%                | 11%                | 9%                 | 8%                 | -1                                | 0                              |
| Midwest          | 12%                | 8%                 | 8%                 | 8%                 | 8%                 | 0                                 | -4                             |
| West             | 8%                 | 9%                 | 8%                 | 9%                 | 7%                 | -2                                | -1                             |
| <b>FIRM SIZE</b> |                    |                    |                    |                    |                    |                                   |                                |
| 1-25             | 15%                | 16%                | 16%                | 14%                | 12%                | -2                                | -3                             |
| 26-50            | 8%                 | 7%                 | 7%                 | 7%                 | 8%                 | +1                                | 0                              |
| 51-200           | 7%                 | 7%                 | 6%                 | 6%                 | 7%                 | +1                                | 0                              |
| 201-500          | 7%                 | 7%                 | 6%                 | 6%                 | 7%                 | +1                                | 0                              |
| More than 500    | 6%                 | 7%                 | 6%                 | 6%                 | 10%                | +4                                | +4                             |

# FUTURE BUSINESS CONDITIONS

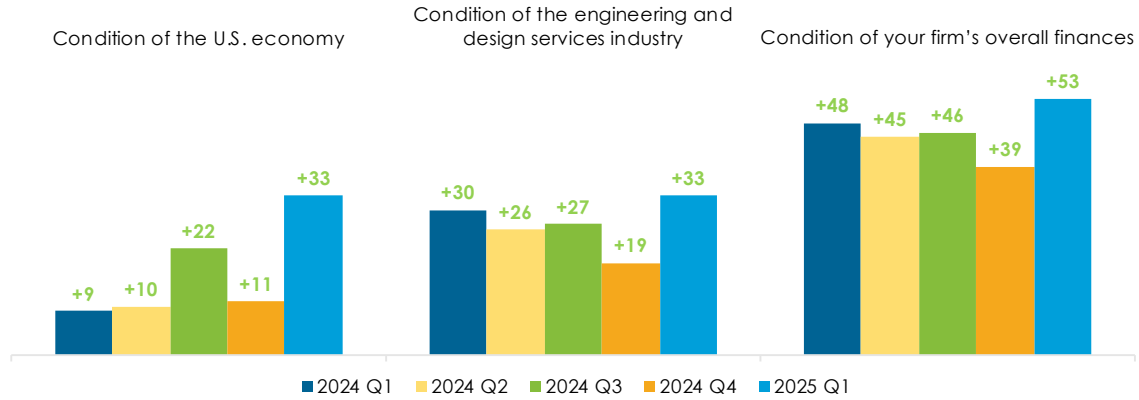
## Future U.S. Economy, Industry and Firm Sentiment

- Future sentiment is increasingly positive on all metrics, with all improving dramatically since the last quarter.
- Future sentiment for the U.S. economy increased 22 points from last quarter, while industry sentiment and firm's finances both increased 14 points.

Figure 12: Economic Sentiment 12 Months from Now



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



- Most segments increased substantially over the prior quarter, as well as over the prior year, when asked about the future of the U.S. economy. The South showed the highest increase of all regions.

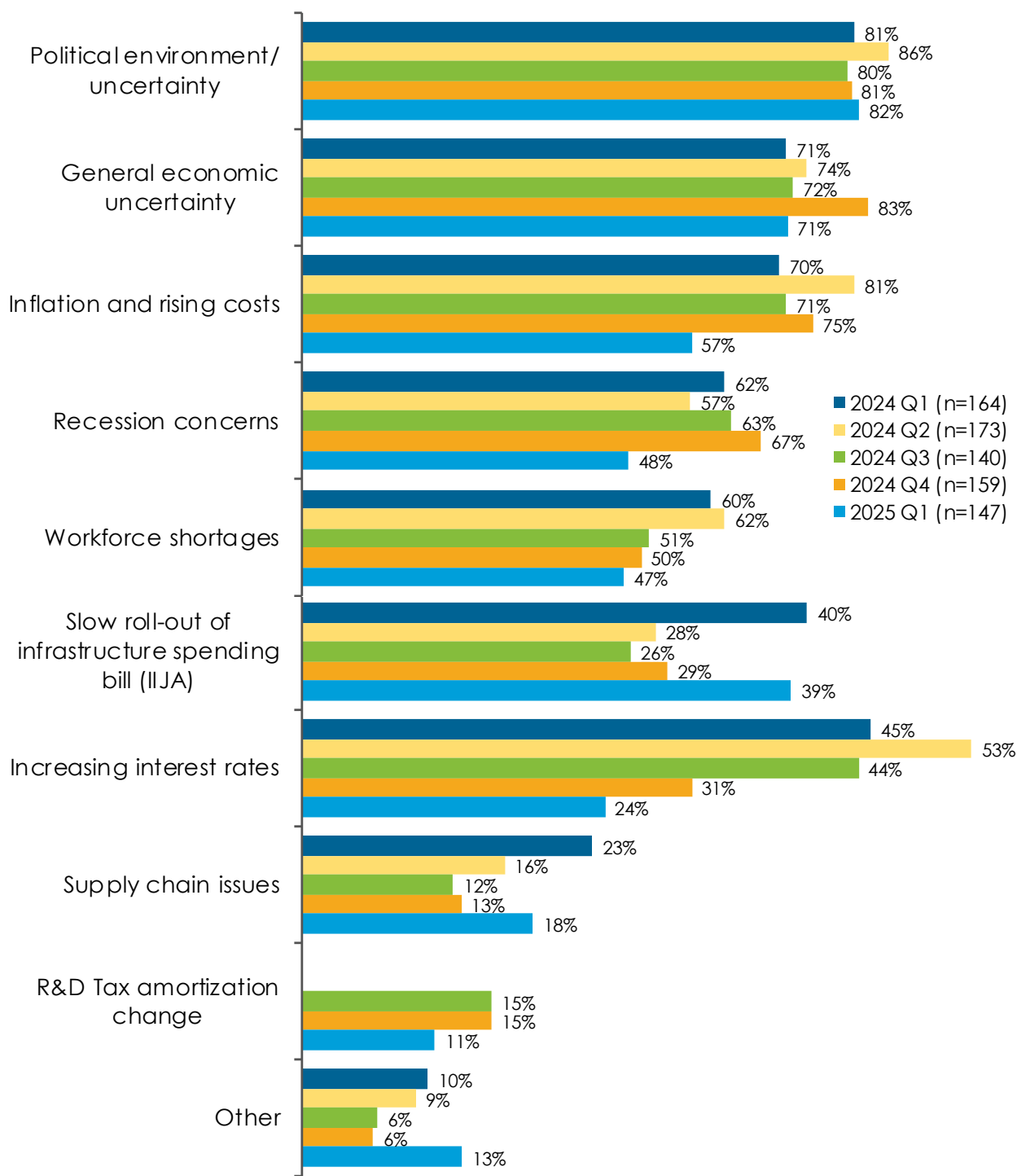
**Figure 14: Condition of U.S. Economy 12 Months from Now vs. Previous Quarters - By Region and Firm Size**

| Condition of the U.S. economy | 2024 Q1 (n=510) | 2024 Q2 (n=579) | 2024 Q3 (n=543) | 2024 Q4 (n=491) | 2025 Q1 (n=571) | Change vs. Previous Quarter | Change vs. Previous Year |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------------------|--------------------------|
| <b>TOTAL</b>                  | <b>+9</b>       | <b>+10</b>      | <b>+22</b>      | <b>+11</b>      | <b>+33</b>      | <b>+22</b>                  | <b>+24</b>               |
| <b>REGION</b>                 |                 |                 |                 |                 |                 |                             |                          |
| Northeast                     | +18             | +17             | +28             | +20             | +37             | +17                         | +19                      |
| South                         | +10             | +8              | +24             | +7              | +46             | +39                         | +36                      |
| Midwest                       | +6              | +9              | +29             | +9              | +24             | +15                         | +18                      |
| West                          | +2              | +12             | +9              | +14             | +21             | +7                          | +19                      |
| <b>FIRM SIZE</b>              |                 |                 |                 |                 |                 |                             |                          |
| 1-25                          | +1              | +6              | +11             | 0               | +28             | +28                         | +27                      |
| 26-50                         | +10             | +18             | +1              | +3              | +22             | +19                         | +12                      |
| 51-200                        | +9              | +9              | +30             | +21             | +33             | +12                         | +24                      |
| 201-500                       | +12             | +3              | +42             | +15             | +43             | +28                         | +31                      |
| More than 500                 | +18             | +18             | +28             | +13             | +37             | +24                         | +19                      |

# Reasons for Negative Economic Sentiment 12 Months from Now

- Political environment/uncertainty (82 percent) and General economic uncertainty (71 percent) are fueling negative future sentiment.
- Concerns over the slow roll-out of IIJA increased 10 points to 39 percent.
- Concerns about inflation dropped 18 points from last quarter.
- Recession concerns dropped 19 points.

Figure 15: Reasons for Economic Sentiment 12 Months from Now



## Future Industry Sector Sentiment

- Future industry sentiment is positive in all sectors and is highest in Data Centers (+60), Energy and Utilities (+56), and Industrial and Manufacturing Facilities (+50).
- Future industry sentiment has increased across all but one sector from last quarter, and over half have increased compared to one year ago.

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

| Future Industry Sector Sentiment                              | 2024 Q1<br>(n=213-419) | 2024 Q2<br>(n=229-482) | 2024 Q3<br>(n=230-465) | 2024 Q4<br>(n=219-421) | 2025 Q1<br>(n=250-470) | Change<br>vs.<br>Previous<br>Quarter | Change<br>vs.<br>Previous<br>Year |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|--------------------------------------|-----------------------------------|
| Commercial Real Estate  | -6                     | -1                     | +4                     | +3                     | +24                    | +21                                  | +30                               |
| Data Centers  | +31                    | +37                    | +35                    | +37                    | +60                    | +23                                  | +29                               |
| Industrial and Manufacturing Facilities                       | +30                    | +26                    | +28                    | +31                    | +50                    | +19                                  | +20                               |
| Residential – Land Development                                | +15                    | +16                    | +16                    | +18                    | +30                    | +12                                  | +15                               |
| Convention Centers, Sports Facilities and Cultural Facilities | +1                     | +7                     | +3                     | -1                     | +11                    | +12                                  | +10                               |
| Energy and Utilities  | +46                    | +45                    | +46                    | +47                    | +56                    | +9                                   | +10                               |
| Telecommunications  | +27                    | +24                    | +26                    | +17                    | +36                    | +19                                  | +9                                |
| Justice   | -4                     | -1                     | +5                     | 0                      | +5                     | +5                                   | +9                                |
| Healthcare Facilities   | +28                    | +28                    | +29                    | +30                    | +32                    | +2                                   | +4                                |
| Education   | +15                    | +14                    | +19                    | +10                    | +18                    | +8                                   | +3                                |
| Science and Technology  | +38                    | +29                    | +30                    | +25                    | +37                    | +12                                  | -1                                |
| Federal/Military, State and Local Government Buildings        | +31                    | +28                    | +26                    | +24                    | +28                    | +4                                   | -3                                |
| Water/Wastewater  | +46                    | +43                    | +39                    | +39                    | +42                    | +3                                   | -4                                |
| Transportation – Airports                                     | +43                    | +40                    | +41                    | +36                    | +38                    | +2                                   | -5                                |
| Transportation – Roads and Bridges                            | +47                    | +46                    | +42                    | +37                    | +40                    | +3                                   | -7                                |
| Transportation – Transit                                      | +43                    | +37                    | +40                    | +34                    | +26                    | -8                                   | -17                               |

## Future Backlog

- Over half (53 percent) believe their firms will see a higher backlog of projects 12 months from now, a Net Rating of +41.
- Firms in the South have the highest future backlog Net Rating (+45) compared to other regions.
- Firms with more than 500 FTEs have the highest future backlog Net Rating (+54) compared to other firm sizes.

**Figure 17: Backlog 12 Months from Now**

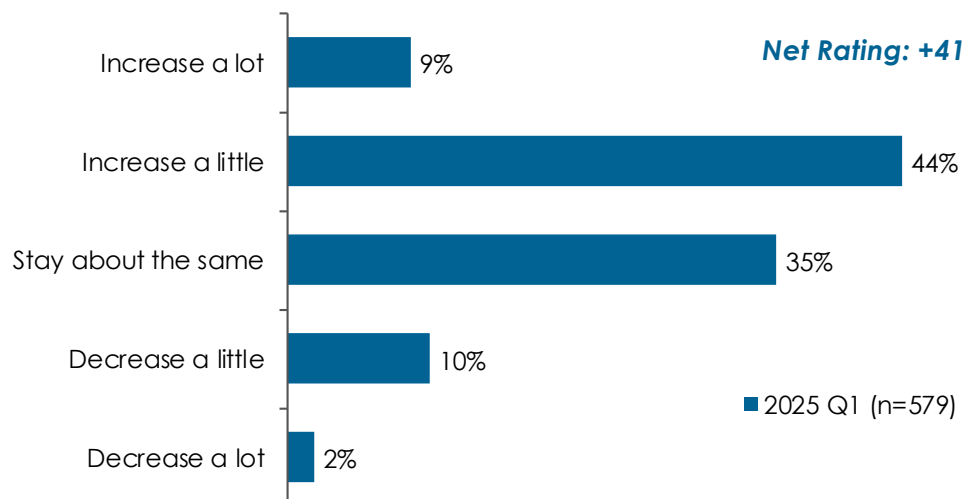
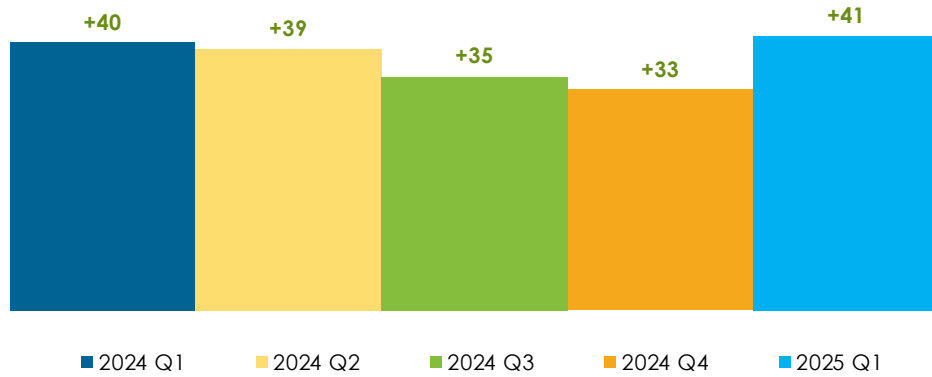


Figure 18: Backlog 12 Months from Now - Net Rating Trend



- Backlog sentiment for 12 months from now increased eight points from last quarter to a +41 Net Rating. It is also a point higher than one year ago.
- Backlog sentiment for one year from now has improved in most segments compared to last quarter. The one exception is the Northeast where it fell by 17 points.

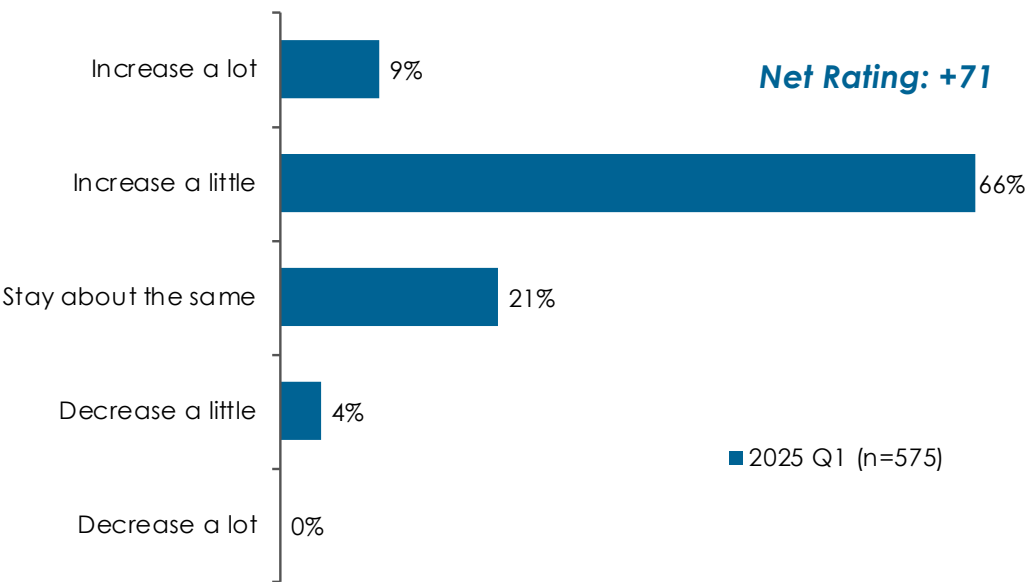
Figure 19: Backlog 12 Months from Now vs. Previous Quarters - By Region and Firm Size

| Future Backlog   | 2024 Q1<br>(n=525) | 2024 Q2<br>(n=596) | 2024 Q3<br>(n=574) | 2024 Q4<br>(n=525) | 2025 Q1<br>(n=579) | Change vs.<br>Previous<br>Quarter | Change vs.<br>Previous<br>Year |
|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------------------|--------------------------------|
| <b>TOTAL</b>     | +40                | +39                | +35                | +33                | +41                | +8                                | +1                             |
| <b>REGION</b>    |                    |                    |                    |                    |                    |                                   |                                |
| Northeast        | +61                | +55                | +40                | +56                | +39                | -17                               | -22                            |
| South            | +31                | +42                | +41                | +42                | +45                | +3                                | +14                            |
| Midwest          | +35                | +35                | +40                | +18                | +37                | +19                               | +2                             |
| West             | +42                | +27                | +23                | +24                | +42                | +18                               | 0                              |
| <b>FIRM SIZE</b> |                    |                    |                    |                    |                    |                                   |                                |
| 1-25             | +22                | +24                | +22                | +25                | +31                | +6                                | +9                             |
| 26-50            | +19                | +29                | +34                | +20                | +39                | +19                               | +20                            |
| 51-200           | +49                | +36                | +37                | +38                | +36                | -2                                | -13                            |
| 201-500          | +54                | +35                | +50                | +37                | +42                | +5                                | -12                            |
| More than 500    | +56                | +65                | +43                | +42                | +54                | +12                               | -2                             |

## Future Hiring Projections

- Seventy-five percent predict there will be an increase in hiring over the next 12 months at their firms, a Net Rating of +71.

Figure 20: Hiring Over the Next 12 Months



- Future hiring sentiment increased 11 points from last quarter but is still down three points from last year at this time. All segments saw increases from the prior quarter.
- The Midwest is the most optimistic, with a +76 Net Rating.
- Firms with more than 500 FTEs are the most optimistic about future hiring (+88).

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

| Status of Hiring | 2024 Q1<br>(n=518) | 2024 Q2<br>(n=589) | 2024 Q3<br>(n=571) | 2024 Q4<br>(n=517) | 2025 Q1<br>(n=575) | Change vs.<br>Previous<br>Quarter | Change vs.<br>Previous<br>Year |
|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-----------------------------------|--------------------------------|
| TOTAL            | +74                | +71                | +66                | +60                | +71                | +11                               | -3                             |
| REGION           |                    |                    |                    |                    |                    |                                   |                                |
| Northeast        | +85                | +86                | +80                | +69                | +75                | +6                                | -10                            |
| South            | +68                | +66                | +65                | +63                | +69                | +6                                | +1                             |
| Midwest          | +75                | +73                | +68                | +65                | +76                | +11                               | +1                             |
| West             | +72                | +64                | +54                | +46                | +67                | +21                               | -5                             |
| FIRM SIZE        |                    |                    |                    |                    |                    |                                   |                                |
| 1-25             | +54                | +44                | +35                | +38                | +40                | +2                                | -14                            |
| 26-50            | +71                | +67                | +62                | +43                | +75                | +32                               | +4                             |
| 51-200           | +78                | +75                | +74                | +63                | +76                | +13                               | -2                             |
| 201-500          | +83                | +84                | +86                | +82                | +86                | +4                                | +3                             |
| More than 500    | +87                | +92                | +83                | +79                | +88                | +9                                | +1                             |

# Inflation

- Concern over the impact of inflation remains elevated. Fifty-six 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 four points from last quarter (+33 Net Rating) and is 29 points lower than Q4 2023.

Figure 22: Inflation Concerns

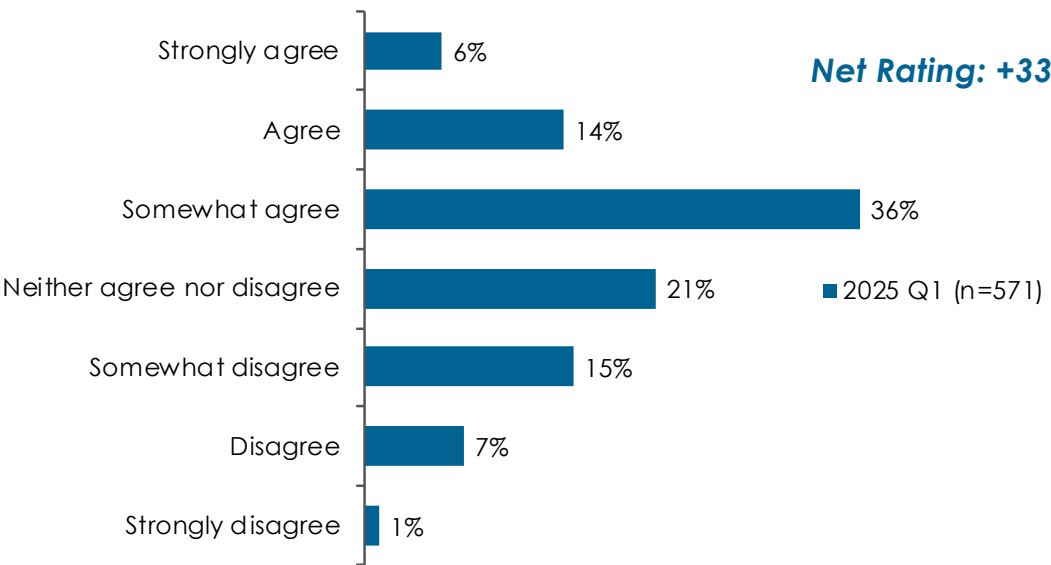
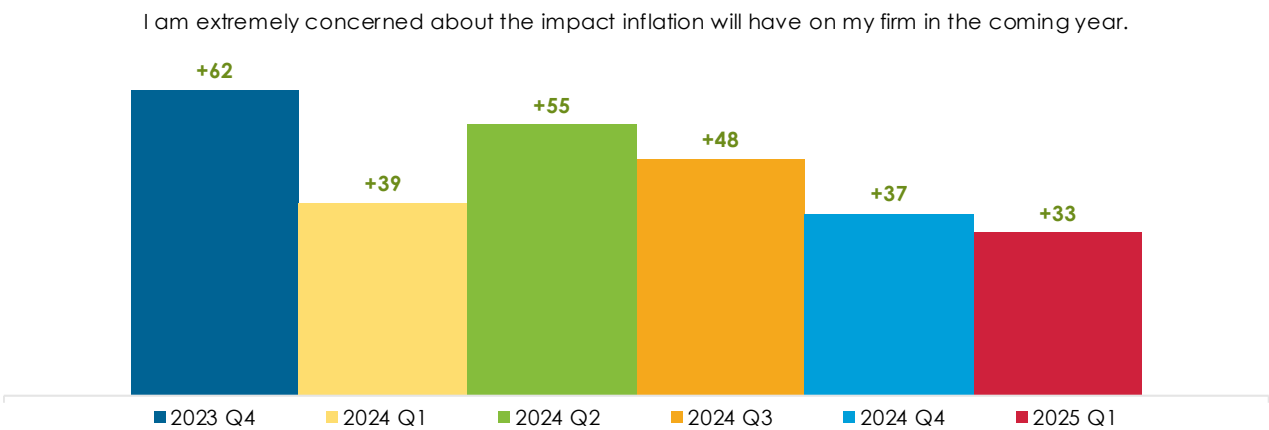


Figure 23: Inflation Concerns vs. Previous Quarters





# Likelihood of Recession in Next Six Months

- The perceived likelihood of a recession in the next six months is down eight points from last quarter and down six points from one year ago.

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

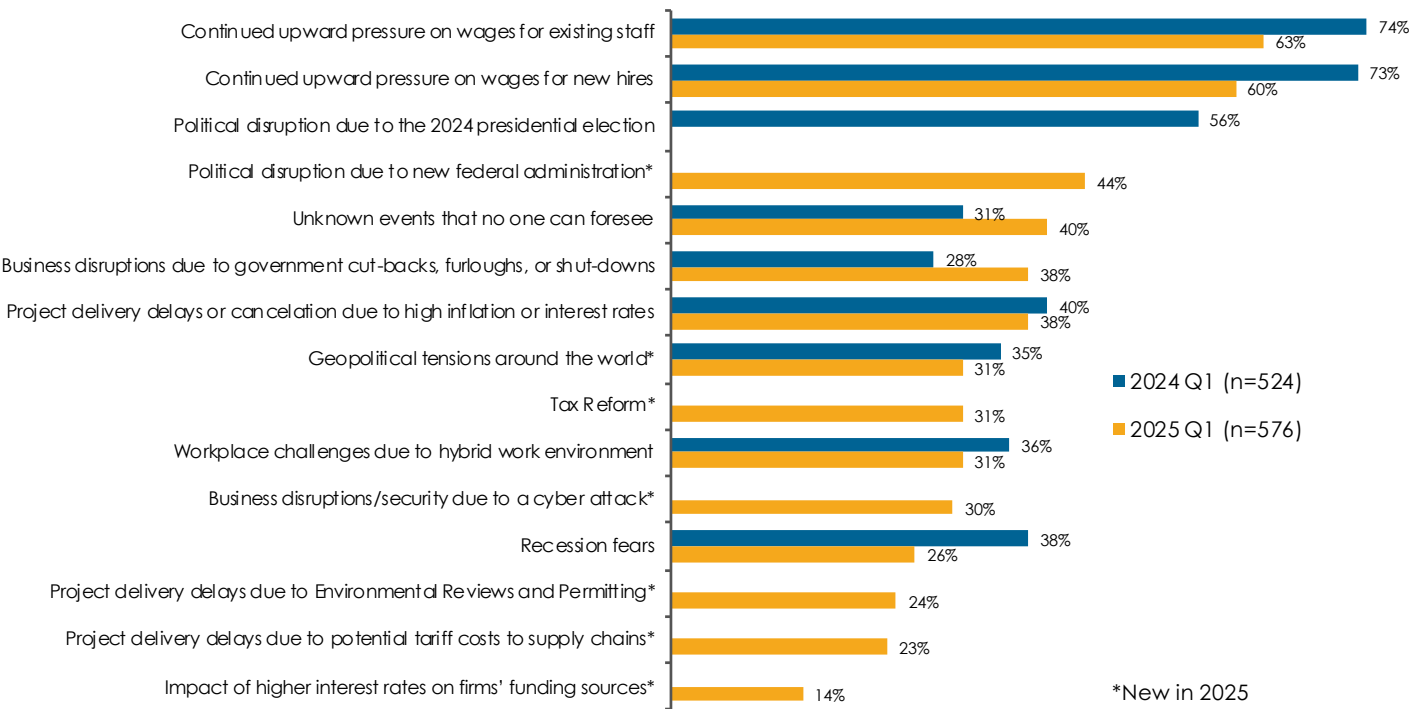
| Likelihood of Recession | 2024 Q1 (n=508) | 2024 Q2 (n=567) | 2024 Q3 (n=551) | 2024 Q4 (n=505) | 2025 Q1 (n=555) | Change vs. Previous Quarter | Change vs. Previous Year |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------------------|--------------------------|
| TOTAL                   | 41%             | 40%             | 40%             | 43%             | 35%             | -8                          | -6                       |
| REGION                  |                 |                 |                 |                 |                 |                             |                          |
| Northeast               | 38%             | 38%             | 36%             | 39%             | 33%             | -6                          | -5                       |
| South                   | 41%             | 41%             | 43%             | 47%             | 34%             | -13                         | -7                       |
| Midwest                 | 42%             | 38%             | 37%             | 40%             | 34%             | -6                          | -8                       |
| West                    | 43%             | 40%             | 40%             | 42%             | 38%             | -4                          | -5                       |
| FIRM SIZE               |                 |                 |                 |                 |                 |                             |                          |
| 1-25                    | 46%             | 44%             | 46%             | 48%             | 40%             | -8                          | -6                       |
| 26-50                   | 40%             | 42%             | 40%             | 45%             | 37%             | -8                          | -3                       |
| 51-200                  | 42%             | 39%             | 39%             | 41%             | 33%             | -8                          | -9                       |
| 201-500                 | 37%             | 33%             | 35%             | 41%             | 34%             | -7                          | -3                       |
| More than 500           | 38%             | 37%             | 35%             | 38%             | 32%             | -6                          | -6                       |

# HOT TOPICS

## Biggest Concerns

- Wage inflation is the biggest concern among firm executives as they head into 2025, although less so than in 2024. The results are consistent across all segments.

Figure 25: Biggest Concerns



## Project Revenue

- The average firm derives 38 percent of its revenue from private clients and 62 percent of its revenue from public clients.

Figure 26: Revenue from Private Sources

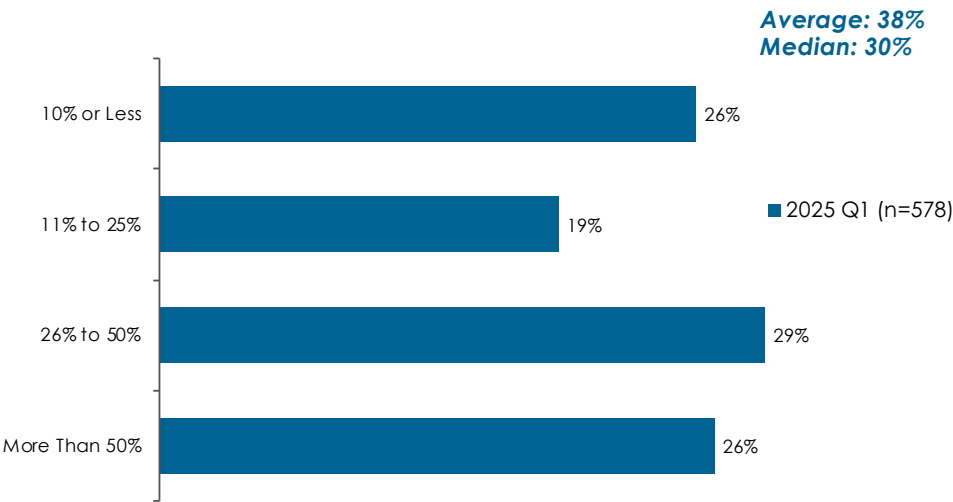
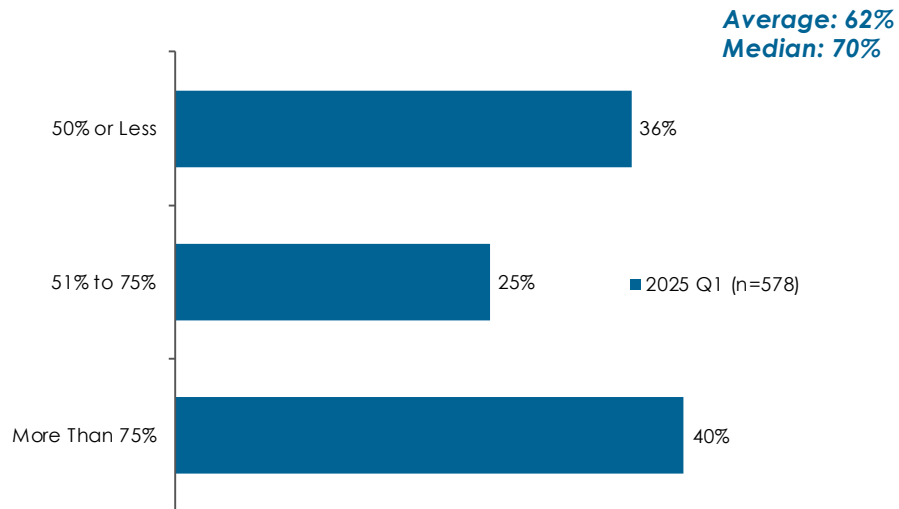


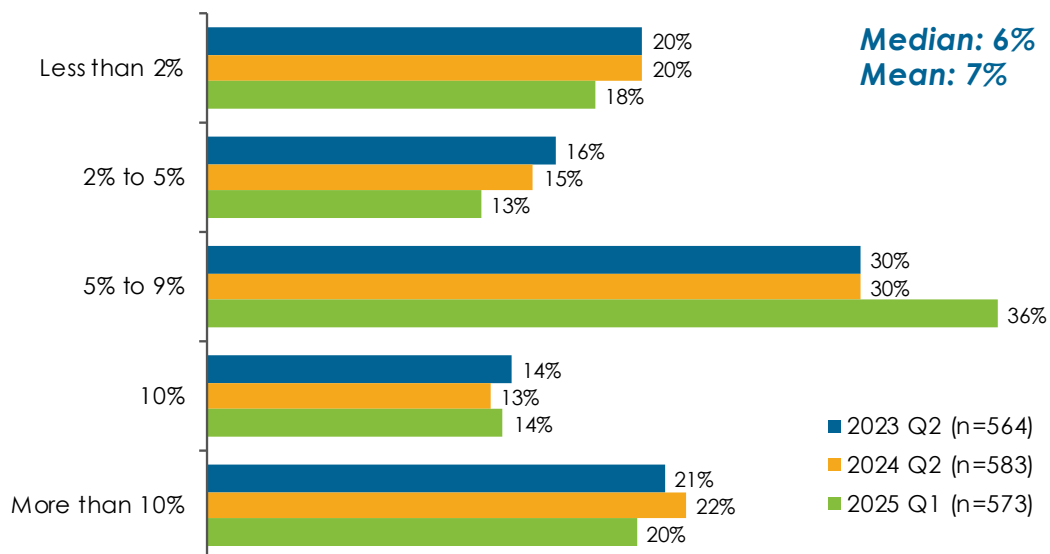
Figure 27: Revenue from Public Sources



## Staff Turnover

- About one-third (34 percent) of firms have had at least 10 percent of their staff leave, about the same as last year. The mean for staff turnover is seven percent, down one point from last year.

Figure 28: Percentage of Staff That Has Left



# New Hire Salary

- Most firms (86 percent) say that the average salary for new hires at their firm has increased in the past year, down two points from last year.
- The average annual salary increase for new hires was nine percent the same as last year.

Figure 29: New Hires Salary

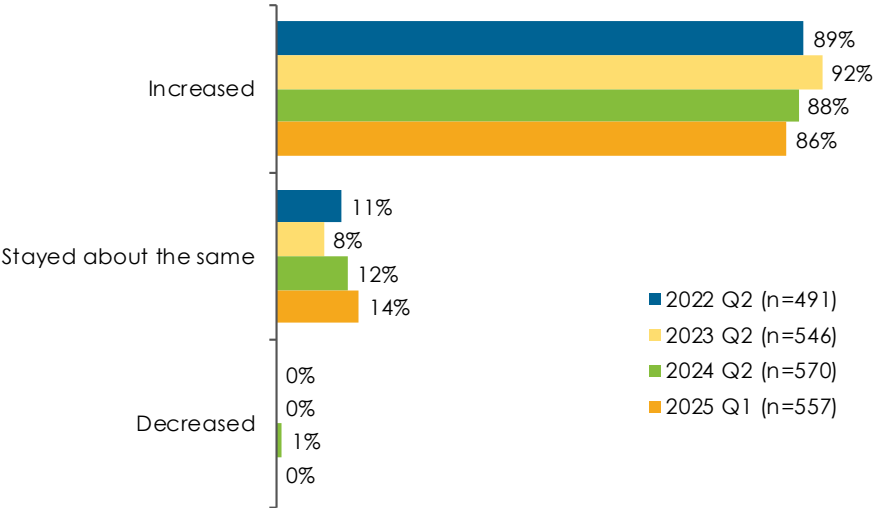
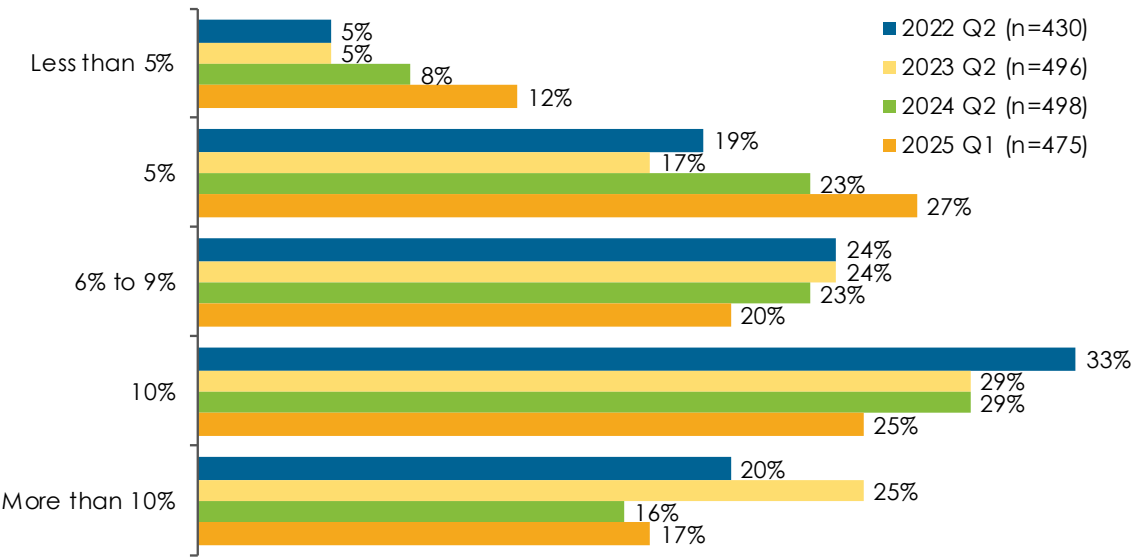


Figure 30: Salary Increase Over the Past Year - New Hires



# Existing Employees Salary

- Most firms (88 percent) report that the average salary for existing employees has increased in the past year, down one point from last year.
- The average salary increase for existing staff was seven percent over the past year, the same as last year.

Figure 31: Existing Employees Salary

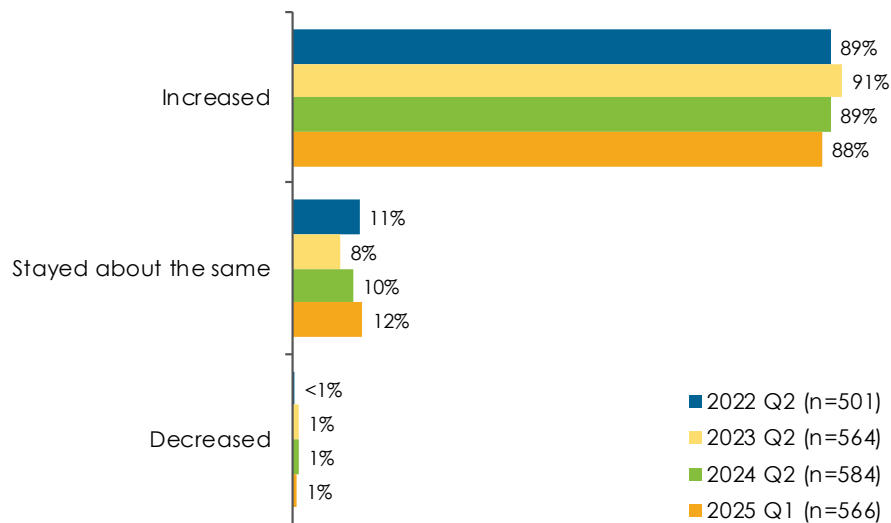
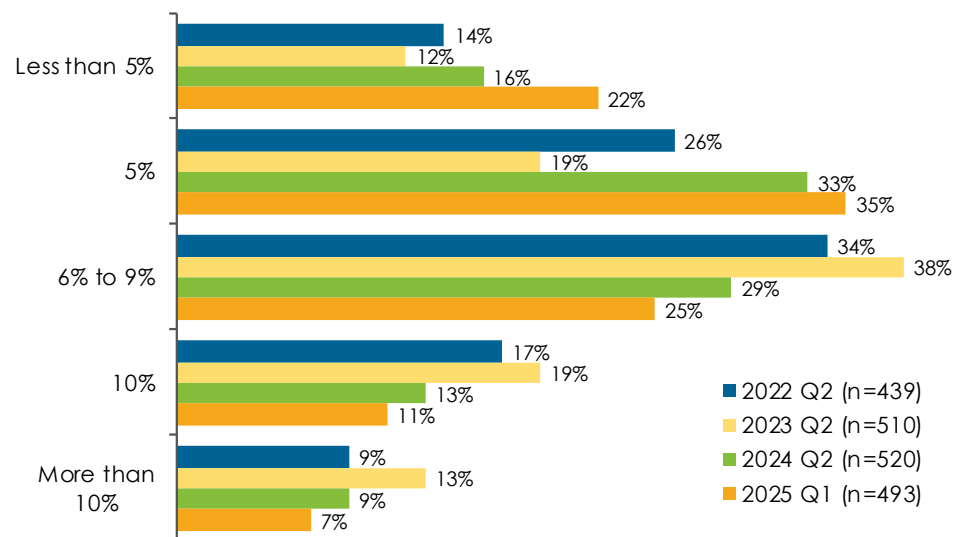


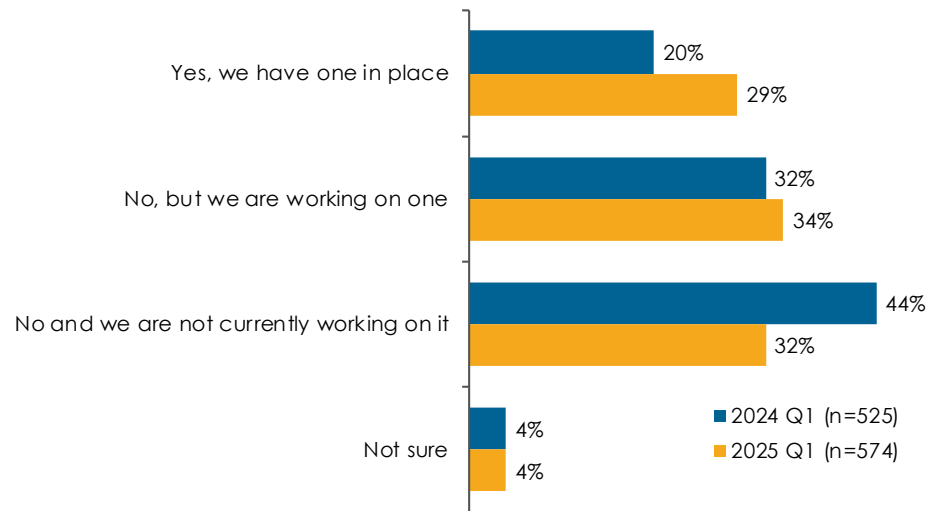
Figure 32: Salary Increase Over the Past Year - Existing Staff



# Artificial Intelligence

- Nearly two-thirds (63 percent) of firms have an AI strategy in place or are working on one, up 11 points from 2024

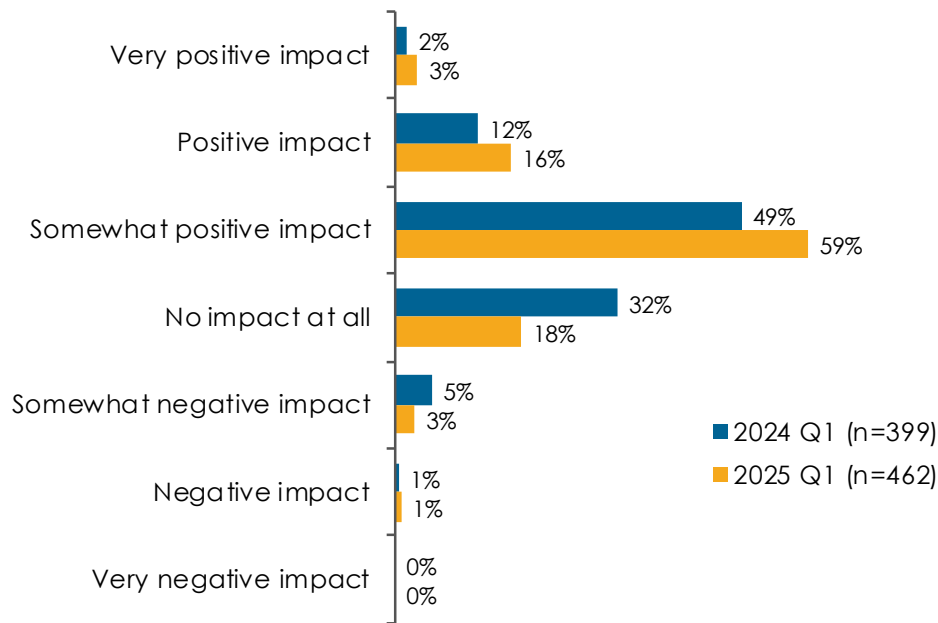
Figure 33: Artificial Intelligence (AI) Strategy



# Impact of Artificial Intelligence

- Three-fourths (78 percent) of firms believe that AI will have a positive impact on their firm in the coming year, up 15 points from 2024.

Figure 34: Impact of Artificial Intelligence (AI)



# 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 January 14 and 27, 2025.

A total of 9,512 invitations were emailed, although 2,689 bounced and 24 opted out, resulting in a total of 6,799 potential respondents. Individuals who did not respond to the first email were sent up to three follow-up reminders.

In all, 644 individuals completed the survey for an overall response rate of nine 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 February 2025*

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