


# ENGINEERING BUSINESS SENTIMENT

## 2025 Q3

SEPTEMBER 2025



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## 2025 Q3

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# EXECUTIVE SUMMARY

## Current Business Conditions

- Current sentiment is positive. The Net Ratings for firms' finances (+83) and for the industry (+78) are high. The Net Rating for the U.S. economy is +50.
- Optimism about the U.S. economy improved considerably compared to the previous quarter, increasing 39 points, to an all-time high of +50.
- Current sentiment remains very optimistic within most market sectors. Sentiment is strongest in Data Centers (+85) and Water/Wastewater (+78).
- Over half (55%) indicate their firm has a current backlog of one year or more. Following two quarters of declines, the median backlog rose from 10 to 12 months.
- Eighty-nine percent of firms still have at least one opening. The median number of open positions remained steady at five.
- On average, eight percent of positions remain unfilled, however, fewer firms are reporting that 10 percent or more of positions are unfilled (19 percent down from 27 percent one year ago).

## Future Business Conditions

- Future sentiment is positive on all three metrics, with condition of firms' finances looking the strongest (+29).
- All segments increased substantially over the prior quarter, but still lag compared to last year, when asked about the future of the U.S. economy.
- Political environment/uncertainty (87%), General economic uncertainty (80%), and Inflation and rising costs (73%) are fueling negative future sentiment.
- Future industry sentiment improved compared to last quarter and is positive in most sectors. Sentiment is highest in Data Centers (+52), Energy and Utilities (+35), and Transportation - Airports (+32). Nearly all sectors remain below their levels from one year ago.
- Forty-two percent believe their firms will see a higher backlog of projects 12 months from now, a Net Rating of +21.
- Backlog sentiment for 12 months from now increased 18 points from last quarter to a +21 Net Rating, however, it remains well below the first quarter of the year.
- Sixty percent predict there will be an increase in hiring over the next 12 months at their firms, a Net Rating of +52.
- Future hiring sentiment increased seven points from last quarter but is down 14 points from last year at this time.
- Concern over the impact of inflation remains high. Sixty-four percent at least somewhat agree that they are extremely concerned about the impact of inflation, resulting in a Net Rating of +44. Inflation concerns dropped 17 points from last quarter and four points since last year at this time.
- Concern over the impact of tariffs remains elevated. Fifty-one percent at least somewhat agree that they are extremely concerned about the impact of tariffs on their firm in the coming year (Net Rating of +22). Tariff concerns fell 27 points from a Net Rating of +49 last quarter, the first time this question was asked.
- The perceived likelihood of a recession in the next six months declined 13 points from last quarter to 41 percent and is on par with sentiment from one year ago (40 percent).

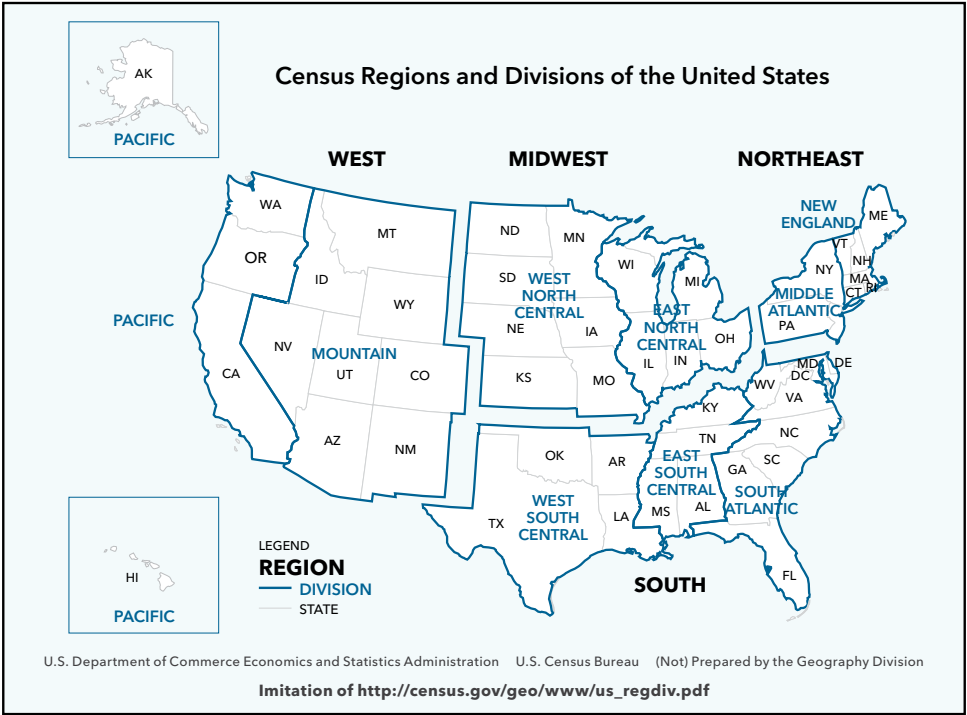
## Hot Topics

- Twenty-four percent of respondents' firms have a Disadvantaged Business Enterprise (DBE) certification.
- The Small Business Enterprise (SBE) certification is the most common (33%).
- Among DBE firms, 87 percent agree that elimination of the DBE program would negatively impact their firm's ability to pursue and secure public sector contracts. Eighty-five percent believe the DBE program is important to the success of the firm's participation in federal projects.
- Among non-DBE firms, 58 percent say that the elimination or alteration of the DBE program would improve their firm's ability to pursue and secure public sector contracts.

# DEMOGRAPHICS

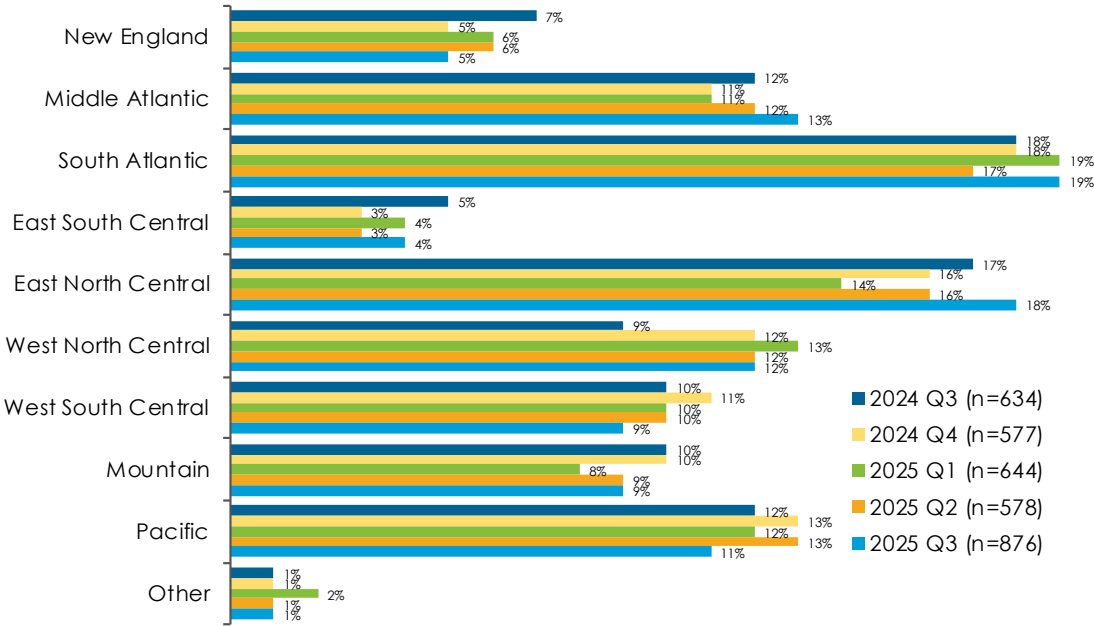
- For reference, the ACEC Research Institute uses the U.S. Census Bureau definition of geographic regions seen in Figure 1 below.

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



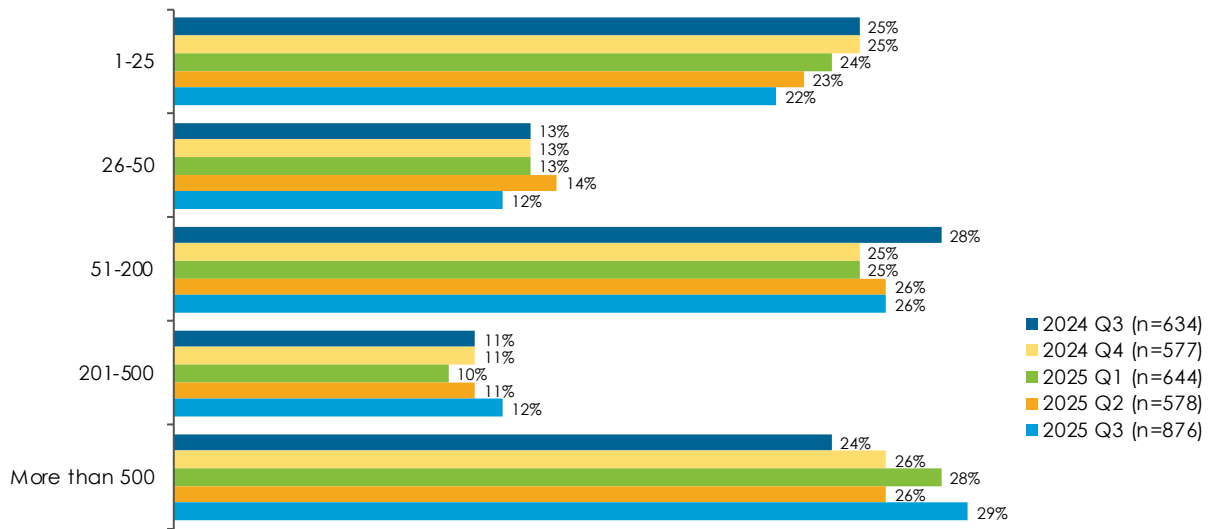
- Respondents' firms are widely dispersed across the United States. A few respondents (Other) indicate their firm is headquartered outside the U.S. These results are statistically similar to previous quarters.

Figure 2: Location of Organization Headquarters



- The median number of full-time employees at respondents' firms is 110 versus 107 last quarter.

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



# CURRENT BUSINESS CONDITIONS

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

- Current sentiment is positive. The Net Ratings for firms' finances (+83) and for the industry (+78) are high. The Net Rating for the U.S. economy is +50.
- Firms with more than 500 FTEs are the most positive about their firm's finances (+94).
- Firms with 201-500 have the highest confidence in the engineering and design services industry (+91).
- Sentiment for the U.S. economy is most positive among firms in the Northeast (+61).

**Figure 4: Current Economic Sentiment**

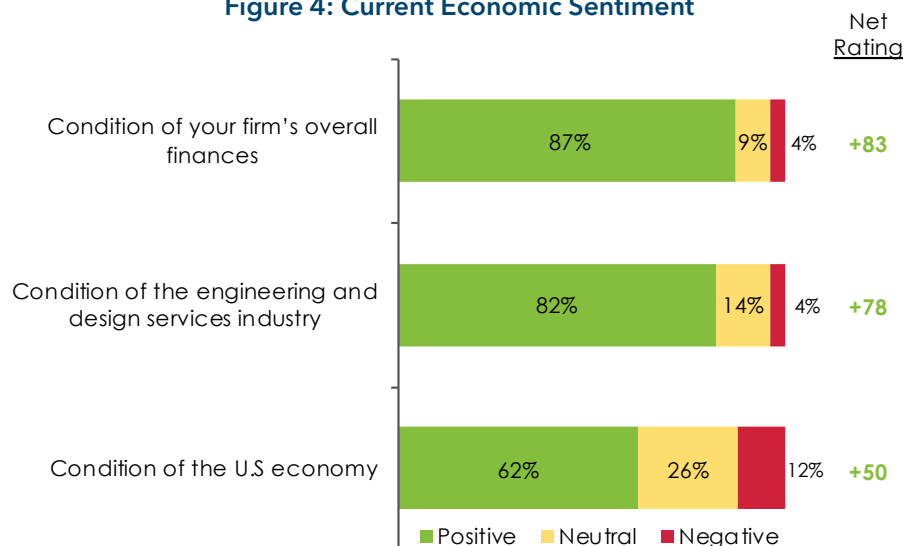
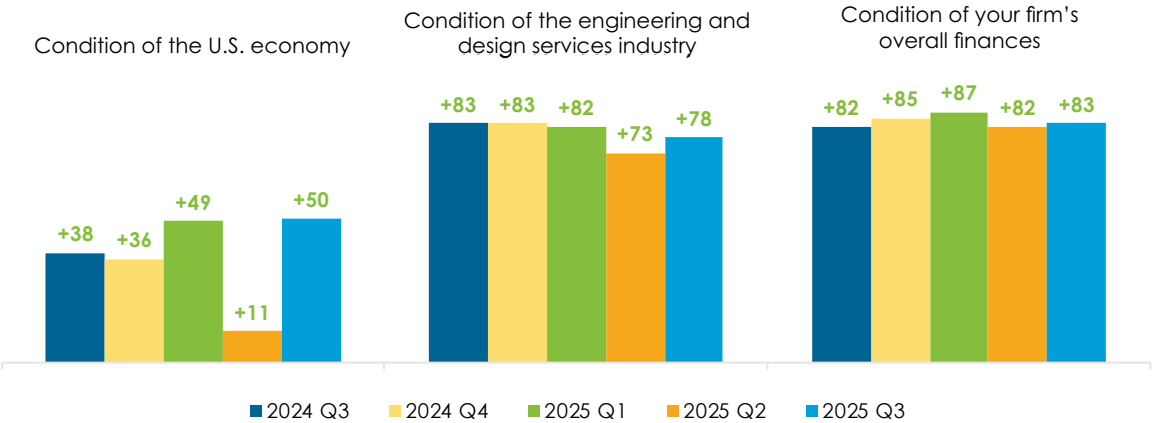


Figure 5: Current Economic Sentiment vs. Previous Quarters



- Optimism about the U.S. economy improved considerably compared to the previous quarter, increasing 39 points, to an all-time high of +50.
- All segments are feeling much more optimistic about the state of the U.S. economy than last quarter, as well as 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	2024 Q3 (n=627)	2024 Q4 (n=569)	2025 Q1 (n=637)	2025 Q2 (n=565)	2025 Q3 (n=867)	Change vs. Previous Quarter	Change vs. Previous Year
TOTAL	+38	+36	+49	+11	+50	+39	+12
REGION							
Northeast	+53	+45	+50	+9	+61	+52	+8
South	+29	+21	+47	+12	+54	+42	+25
Midwest	+41	+47	+50	+16	+43	+27	+2
West	+35	+36	+53	+5	+43	+38	+8
FIRM SIZE							
1-25	+24	+26	+35	+8	+47	+39	+23
26-50	+30	+23	+44	+7	+42	+35	+12
51-200	+44	+33	+53	+6	+44	+38	0
201-500	+44	+40	+54	+20	+48	+28	+4
More than 500	+46	+54	+59	+18	+61	+43	+15

## Current Industry Sector Sentiment

- Current sentiment remains very optimistic within most market sectors. Sentiment is strongest in Data Centers (+85) and Water/Wastewater (+78).
- Most sectors saw improvement compared to last quarter, though all but two segments decreased compared to one year ago.

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

Current Industry Sector Sentiment	2024 Q3 (n=208-489)	2024 Q4 (n=187-436)	2025 Q1 (n=211-484)	2025 Q2 (n=197-444)	2025 Q3 (n=275-678)	Change vs. Previous Quarter	Change vs. Previous Year
Data Centers	+72	+75	+81	+78	+85	+7	+13
Commercial Real Estate	+21	+12	+17	+13	+23	+10	+2
Energy and Utilities	+75	+78	+76	+74	+73	-1	-2
Industrial and Manufacturing Facilities	+63	+63	+64	+57	+61	+4	-2
Telecommunications	+59	+55	+50	+53	+57	+4	-2
Residential – Land Development	+32	+34	+24	+28	+29	+1	-3
Convention Centers, Sports Facilities and Cultural Facilities	+44	+37	+44	+32	+40	+8	-4
Transportation – Airports	+79	+79	+76	+71	+75	+4	-4
Water/Wastewater	+82	+83	+82	+76	+78	+2	-4
Science and Technology	+65	+66	+69	+47	+59	+12	-6
Transportation – Roads and Bridges	+83	+83	+75	+70	+76	+6	-7
Justice	+35	+31	+32	+20	+26	+6	-9
Education	+51	+58	+52	+37	+42	+5	-9
Healthcare Facilities	+67	+68	+66	+56	+58	+2	-9
Transportation – Transit	+71	+69	+63	+52	+55	+3	-16
Federal/Military, State and Local Government Buildings	+71	+66	+63	+34	+47	+13	-24



# Current Backlog

- Over half (55%) indicate their firm has a current backlog of one year or more.
- Median backlog for projects rose to 12 months after declining for two quarters.

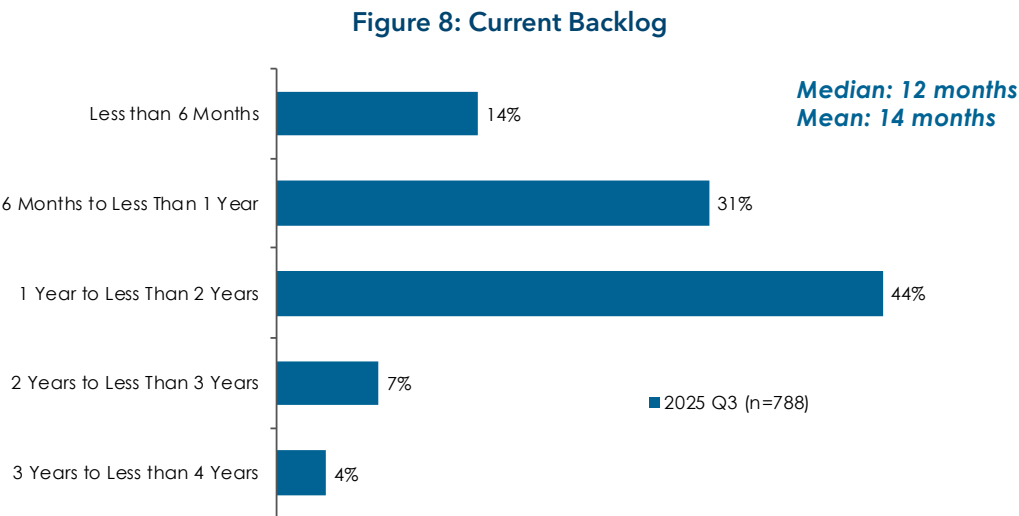


Figure 9: Current Backlog vs. Previous Quarters - By Region and Firm Size

Current Backlog	2024 Q3 (n=585)	2024 Q4 (n=537)	2025 Q1 (n=590)	2025 Q2 (n=539)	2025 Q3 (n=788)	Change vs. Previous Quarter	Change vs. Previous Year
TOTAL	12	12	11	10	12	+2	0
REGION							
Northeast	12	12	12	12	12	0	0
South	12	12	10	10	12	+2	0
Midwest	12	12	12	11	12	+1	0
West	10	9	8	10	10	0	0
FIRM SIZE							
1-25	6	6	6	6	6	0	0
26-50	12	9	9	10	12	+2	0
51-200	12	12	12	11	12	+1	0
201-500	12	12	12	12	12	0	0
More than 500	12	14	14	12	13	+1	+1

# Current Open Positions

- Eighty-nine percent of firms still have at least one opening. The median number of open positions remained steady at five.
- On average, eight percent of positions remain unfilled, however, fewer firms are reporting that 10 percent or more of positions are unfilled (19 percent down from 27 percent one year ago – not shown in graphs).

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

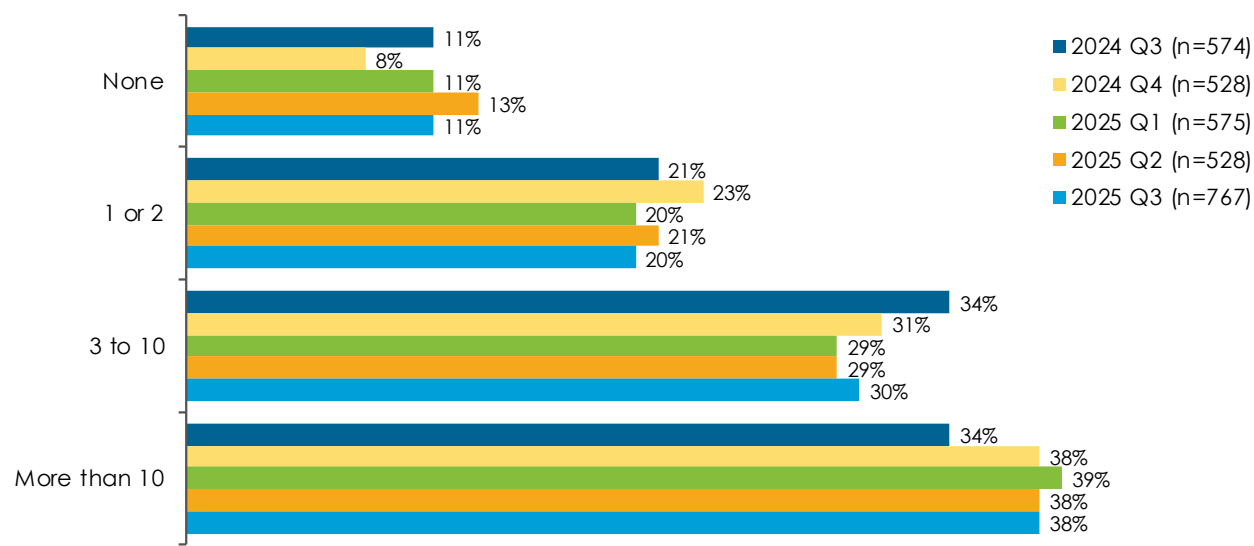


Figure 11: Open Positions as Percentage of Overall FTEs vs. Previous Quarters

Open Positions	2024 Q3 (n=573)	2024 Q4 (n=528)	2025 Q1 (n=574)	2025 Q2 (n=528)	2025 Q3 (n=767)	Change vs. Previous Quarter	Change vs. Previous Year
TOTAL	9%	8%	9%	7%	8%	+1	-1
REGION							
Northeast	7%	7%	13%	7%	6%	-1	-1
South	11%	9%	8%	8%	8%	0	-3
Midwest	8%	8%	8%	9%	7%	-2	-1
West	8%	9%	7%	7%	9%	+2	+1
FIRM SIZE							
1-25	16%	14%	12%	12%	13%	+1	-3
26-50	7%	7%	8%	6%	7%	+1	0
51-200	6%	6%	7%	6%	6%	0	0
201-500	6%	6%	7%	7%	6%	-1	0
More than 500	6%	6%	10%	6%	6%	0	0

# FUTURE BUSINESS CONDITIONS

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

- Future sentiment is positive on all three metrics, with condition of firms’ finances looking the strongest (+29).
- Future sentiment for the U.S. economy increased 34 points from last quarter, while industry sentiment and firms’ finances also increased 19 and 12 points, respectively.
- Levels are still well below their highs in Q1 of this year.

Figure 12: Economic Sentiment 12 Months from Now

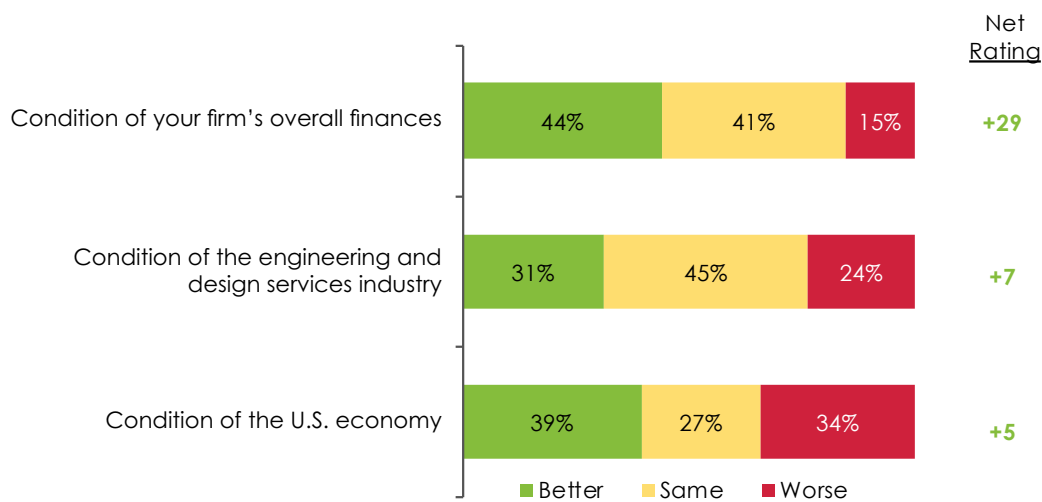
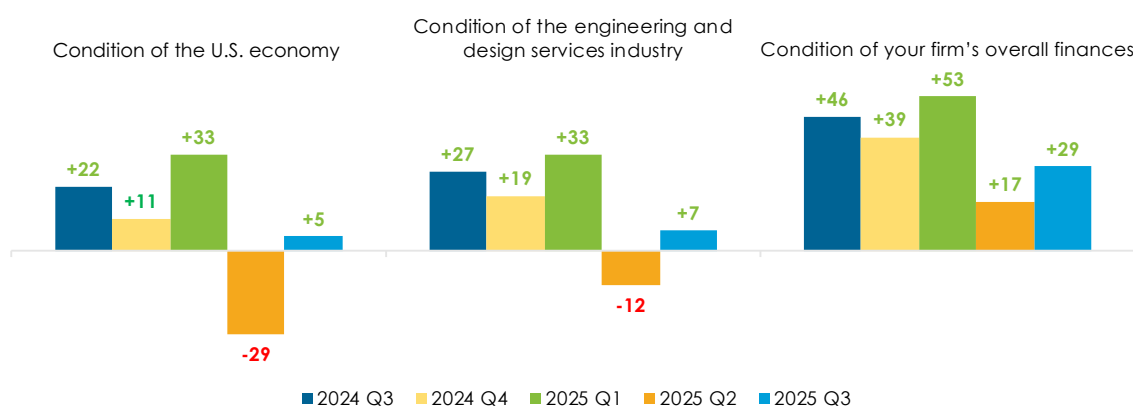


Figure 13: Economic Sentiment 12 Months from Now vs. Previous Quarters



- All segments increased substantially over the prior quarter, but still lag compared to last year, when asked about the future of the U.S. economy.

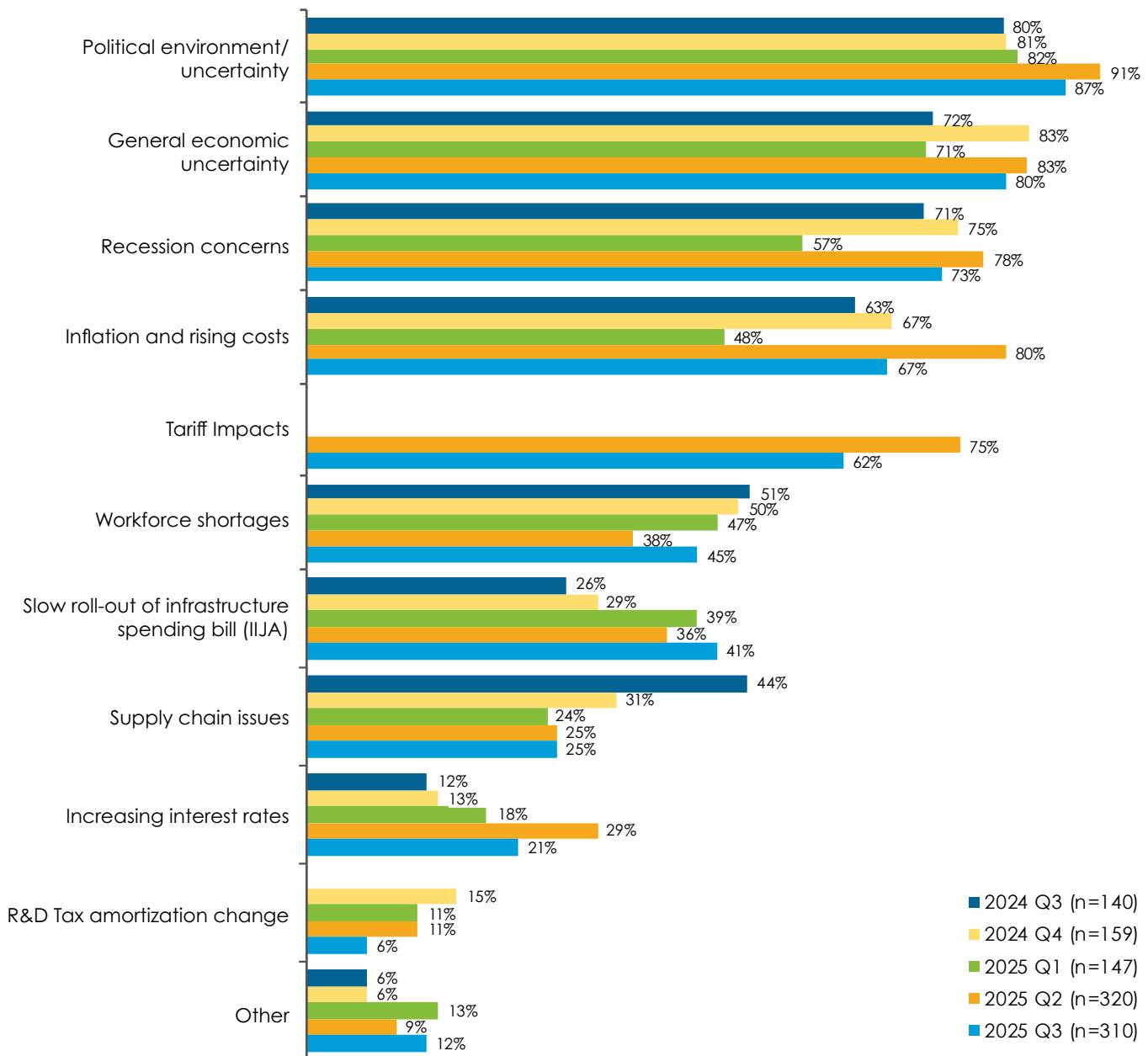
Figure 14: Condition of U.S. Economy 12 Months from Now vs. Previous Quarters - By Region and Firm Size

Condition of the U.S. economy	2024 Q3 (n=543)	2024 Q4 (n=491)	2025 Q1 (n=571)	2025 Q2 (n=521)	2025 Q3 (n=765)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	<b>+22</b>	<b>+11</b>	<b>+33</b>	<b>-29</b>	<b>+5</b>	<b>+34</b>	<b>-17</b>
<b>REGION</b>							
Northeast	+28	+20	+37	-33	+8	+41	-20
South	+24	+7	+46	-17	+21	+38	-3
Midwest	+29	+9	+24	-32	-9	+23	-38
West	+9	+14	+21	-41	-1	+40	-10
<b>FIRM SIZE</b>							
1-25	+11	0	+28	-33	+2	+35	-9
26-50	+1	+3	+22	-43	+2	+45	+1
51-200	+30	+21	+33	-23	+7	+30	-23
201-500	+42	+15	+43	-19	-3	+16	-45
More than 500	+28	+13	+37	-29	+12	+41	-16

## Reasons for Negative Economic Sentiment 12 Months from Now

- Political environment/uncertainty (87%), General economic uncertainty (80%), and Inflation and rising costs (73%) are fueling negative future sentiment.
- Political environment/uncertainty declined four points from last quarter
- General economic uncertainty declined three points.
- Concerns about inflation declined by five.
- Recession concerns and Tariff impacts declined 13 points.
- However, Workforce shortages increased by 13 points.

Figure 15: Reasons for Economic Sentiment 12 Months from Now



## Future Industry Sector Sentiment

- Future industry sentiment improved compared to last quarter and is positive in most sectors. Sentiment is highest in Data Centers (+52), Energy and Utilities (+35), and Transportation – Airports (+32).
- Future sentiment is the weakest in Justice (-6).
- Nearly all sectors remain below their levels from one year ago.

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

Future Industry Sector Sentiment	2024 Q3 (n=230-465)	2024 Q4 (n=219- 421)	2025 Q1 (n=250- 470)	2025 Q2 (n=228- 430)	2025 Q3 (311-639)	Change vs. Previous Quarter	Change vs. Previous Year
Data Centers	+35	+37	+60	+36	+52	+16	+17
Industrial and Manufacturing Facilities	+28	+31	+50	+24	+27	+3	-1
Commercial Real Estate	+4	+3	+24	-23	-1	+22	-5
Convention Centers, Sports Facilities and Cultural Facilities	+3	-1	+11	-28	-3	+25	-6
Telecommunications	+26	+17	+36	+6	+18	+12	-8
Transportation – Airports	+41	+36	+38	+6	+32	+26	-9
Energy and Utilities	+46	+47	+56	+30	+35	+5	-11
Justice	+5	0	+5	-25	-6	+19	-11
Water/Wastewater	+39	+39	+42	+16	+27	+11	-12
Residential – Land Development	+16	+18	+30	-18	+3	+21	-13
Transportation – Roads and Bridges	+42	+37	+40	+10	+26	+16	-16
Federal/Military, State and Local Government Buildings	+26	+24	+28	-29	+7	+36	-19
Science and Technology	+30	+25	+37	-5	+10	+15	-20
Healthcare Facilities	+29	+30	+32	-5	+8	+13	-21
Education	+19	+10	+18	-22	-10	+12	-29
Transportation – Transit	+40	+34	+26	-10	+8	+18	-32

# Future Backlog

- Forty-two percent believe their firms will see a higher backlog of projects 12 months from now, a Net Rating of +21.
- Firms in the South have the highest future backlog Net Rating (+29) compared to other regions.
- Firms with more than 500 FTEs have the highest future backlog Net Rating (+33) compared to other firm sizes.

Figure 17: Backlog 12 Months from Now

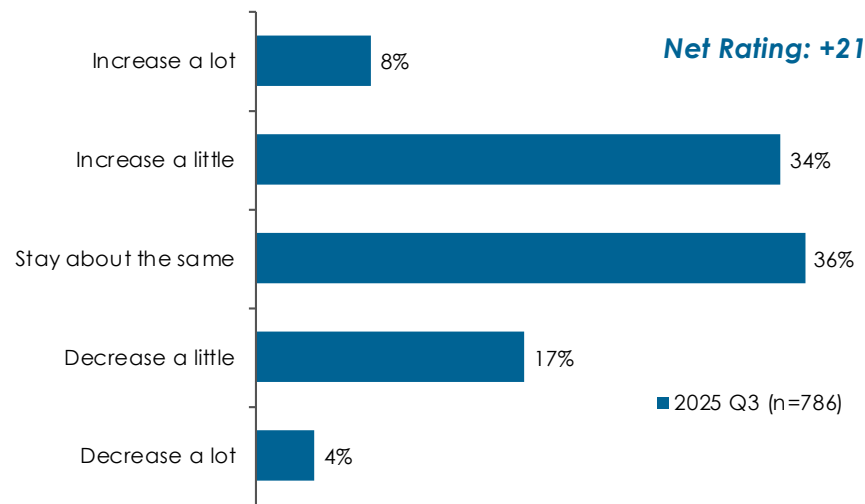
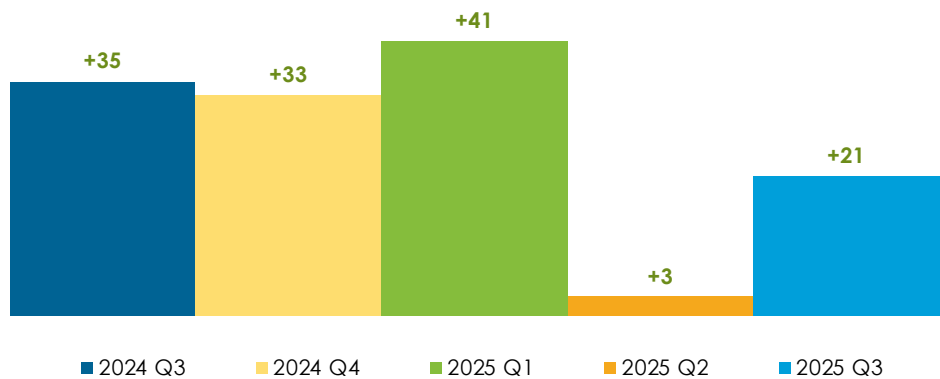


Figure 18: Backlog 12 Months from Now - Net Rating Trend



- Backlog sentiment for 12 months from now increased 18 points from last quarter to a +21 Net Rating, however, it remains well below the first quarter of the year.
- Backlog sentiment has increased in all segments compared to last quarter but remains below levels from one year ago.

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

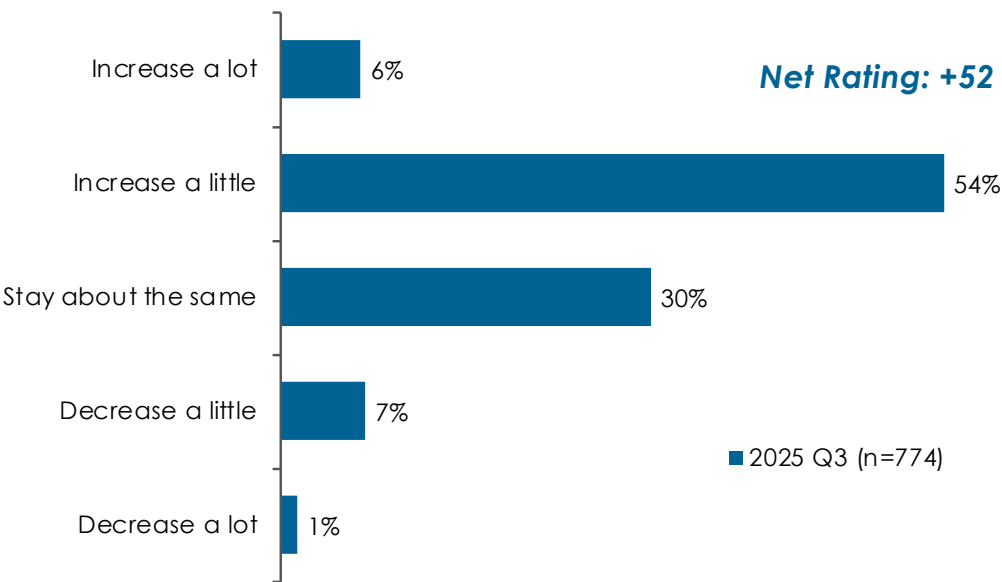
<i>Future Backlog</i>	2024 Q3 (n=574)	2024 Q4 (n=525)	2025 Q1 (n=579)	2025 Q2 (n=525)	2025 Q3 (n=786)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	+36	+33	+41	+3	+21	+18	-15
<b>REGION</b>							
Northeast	+40	+56	+39	0	+21	+21	-19
South	+41	+42	+45	+8	+29	+21	-12
Midwest	+40	+18	+37	-4	+15	+19	-25
West	+23	+24	+42	+8	+16	+8	-7
<b>FIRM SIZE</b>							
1-25	+22	+25	+31	+3	+9	+6	-13
26-50	+34	+20	+39	-1	+16	+17	-18
51-200	+37	+38	+36	-3	+15	+18	-22
201-500	+50	+37	+42	+3	+30	+27	-20
More than 500	+43	+42	+54	+12	+33	+21	-10



## Future Hiring Projections

- Sixty percent predict there will be an increase in hiring over the next 12 months at their firms, a Net Rating of +52.

Figure 20: Hiring Over the Next 12 Months



- Future hiring sentiment increased seven points from last quarter but is down 14 points from last year at this time. All segments have seen decreases over the last year.
- The Northeast and South are the most optimistic, with a +55 Net Rating.
- Firms with more than 500 FTEs are the most optimistic about future hiring (+72) compared to other firm sizes.

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

Status of Hiring	2024 Q3 (n=571)	2024 Q4 (n=517)	2025 Q1 (n=575)	2025 Q2 (n=518)	2025 Q3 (n=774)	Change vs. Previous Quarter	Change vs. Previous Year
TOTAL	+66	+60	+71	+45	+52	+7	-14
REGION							
Northeast	+80	+69	+75	+46	+55	+9	-25
South	+65	+63	+69	+41	+55	+14	-10
Midwest	+68	+65	+76	+54	+51	-3	-17
West	+54	+46	+67	+40	+46	+6	-8
FIRMSIZE							
1-25	+35	+38	+40	+23	+29	+6	-6
26-50	+62	+43	+75	+46	+37	-9	-25
51-200	+74	+63	+76	+51	+53	+2	-21
201-500	+86	+82	+86	+54	+67	+13	-19
More than 500	+83	+79	+88	+53	+72	+19	-11

# Inflation

- Concern over the impact of inflation remains high. Sixty-four percent at least somewhat agree that they are extremely concerned about the impact of inflation, resulting in a Net Rating of +44.
- The concern about the impact of inflation dropped 17 points from last quarter and four points since last year at this time.

Figure 22: Inflation Concerns

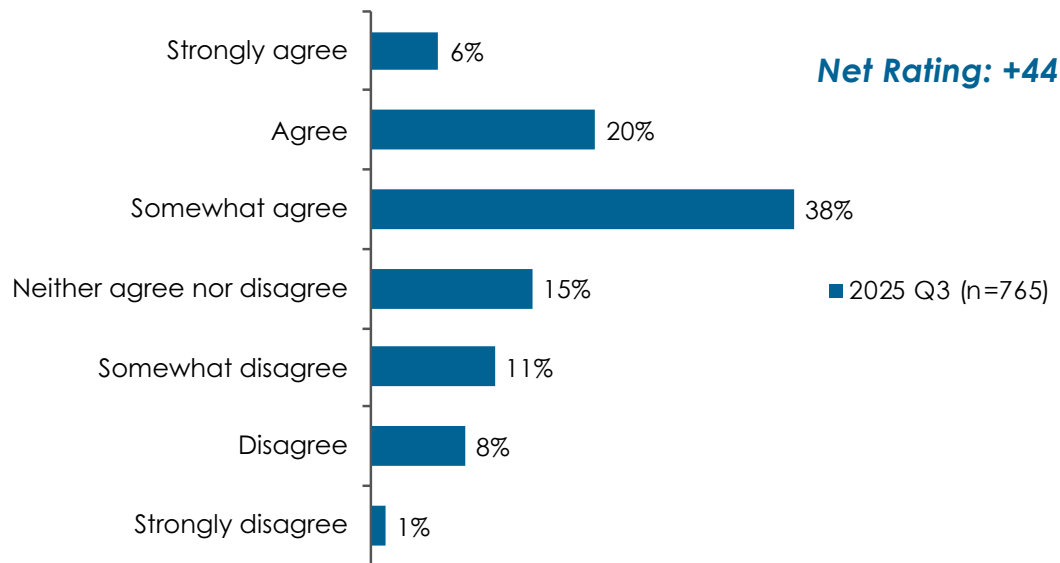
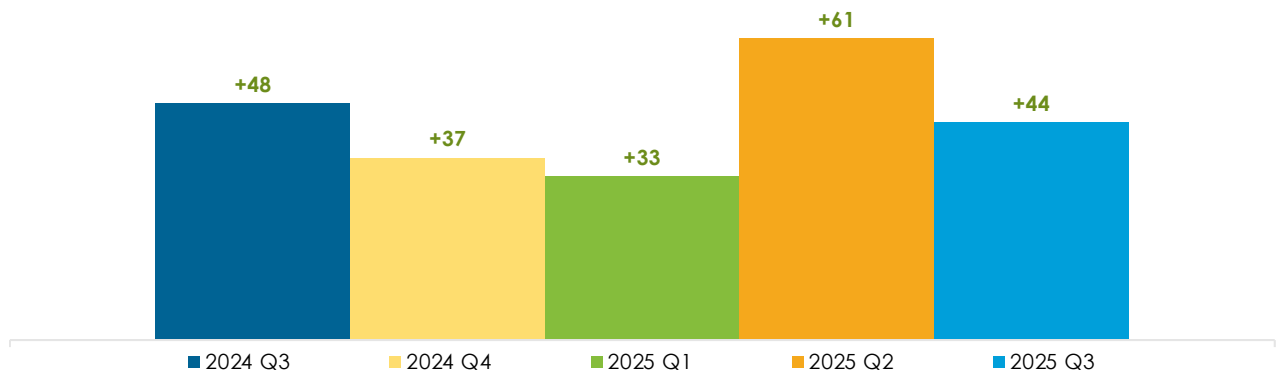


Figure 23: Inflation Concerns vs. Previous Quarters

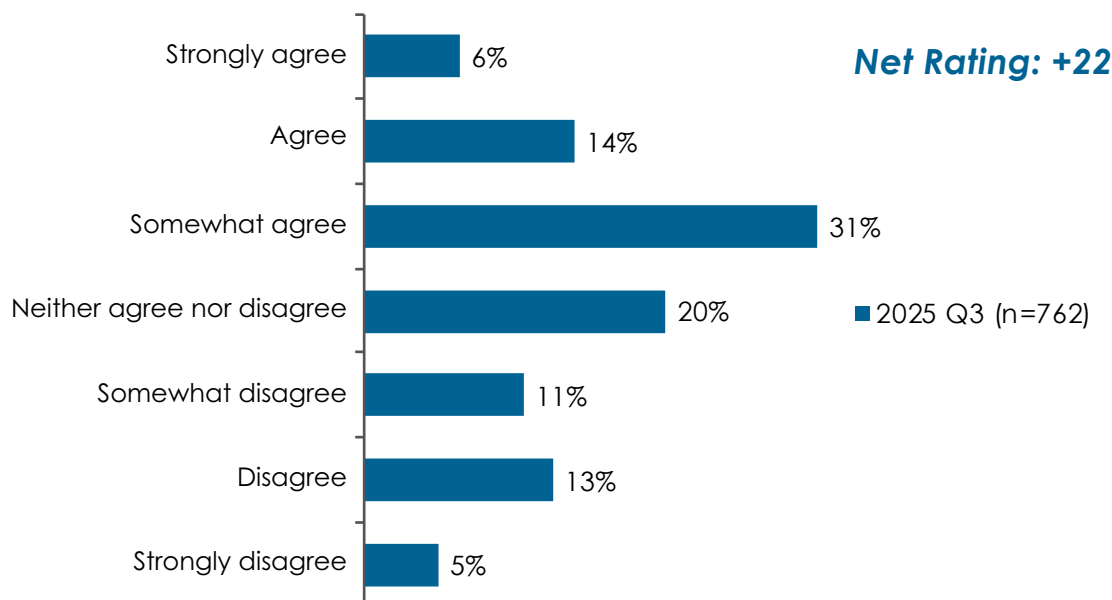
I am extremely concerned about the impact inflation will have on my firm in the coming year.



## Tariffs

- Concern over the impact of tariffs remains high. Fifty-one percent at least somewhat agree that they are extremely concerned about the impact of tariffs on their firm in the coming year (Net Rating of +22).
- Tariff concerns fell 27 points from a Net Rating of +49 last quarter, the first time this question was asked.

Figure 24: Tariff Concerns



## Likelihood of Recession in Next Six Months

- The perceived likelihood of a recession in the next six months declined 13 points from last quarter and is on par with sentiment from one year ago.

Figure 25: Likelihood of Recession in Next 6 Months vs. Previous Quarter

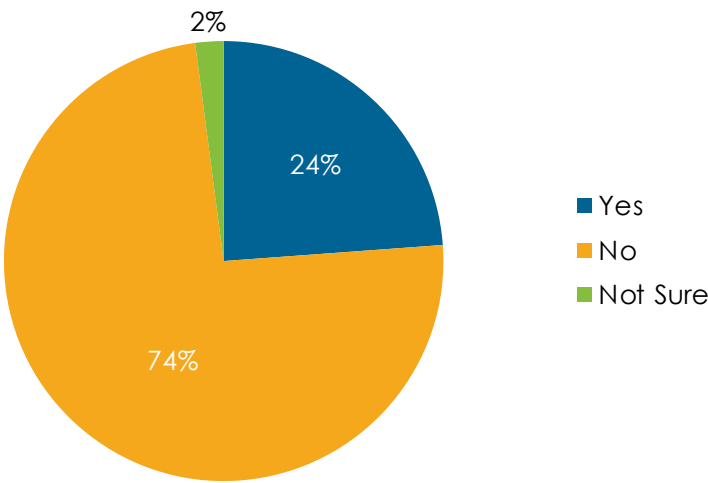
Likelihood of Recession	2024 Q3 (n=551)	2024 Q4 (n=505)	2025 Q1 (n=555)	2025 Q2 (n=517)	2025 Q3 (n=739)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	40%	43%	35%	54%	41%	-13	+1
<b>REGION</b>							
Northeast	36%	39%	33%	52%	39%	-13	+3
South	43%	47%	34%	55%	40%	-15	-3
Midwest	37%	40%	34%	54%	42%	-12	+5
West	40%	42%	38%	54%	43%	-11	+3
<b>FIRMSIZE</b>							
1-25	46%	48%	40%	55%	45%	-10	-1
26-50	40%	45%	37%	56%	42%	-14	+2
51-200	39%	41%	33%	53%	40%	-13	+1
201-500	35%	41%	34%	51%	39%	-12	+4
More than 500	35%	38%	32%	54%	39%	-15	+4

# HOT TOPICS

## Designated Business Enterprise (DBE) Certification

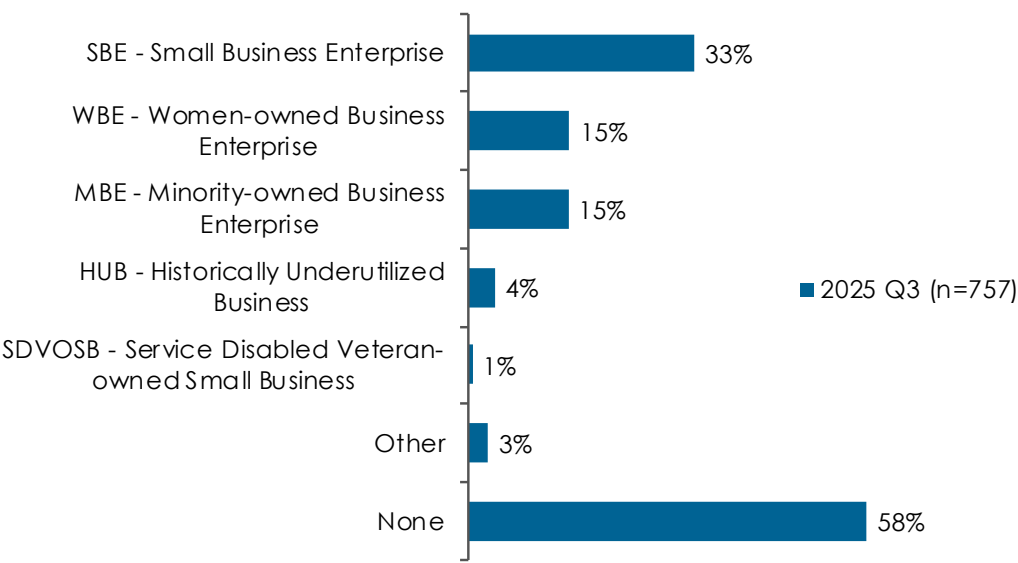
- Twenty-four percent of respondents' firms have a Designated Business Enterprise certification.

Figure 26: DBE Certification



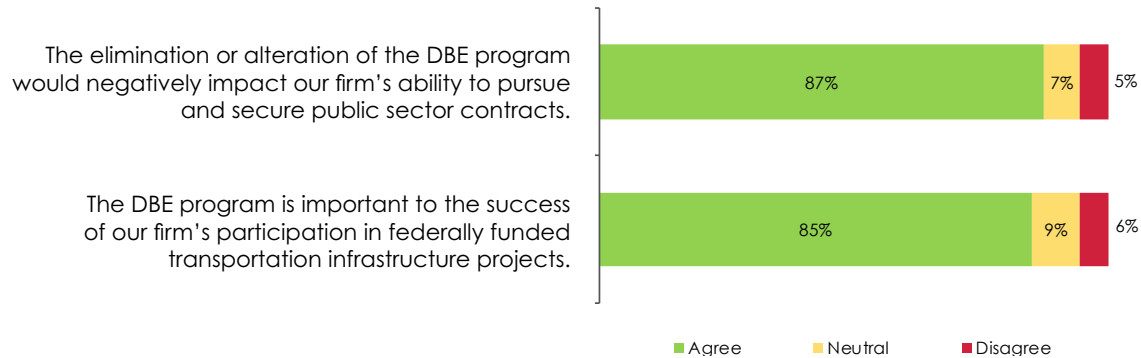
- The Small Business Enterprise (SBE) certification is the most common (33%).

Figure 27: Certifications



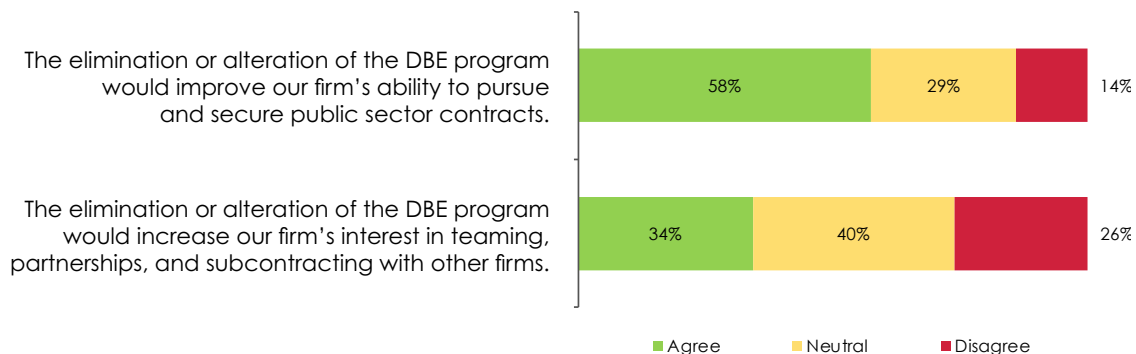
- Among DBE firms, 87 percent agree that elimination of the DBE program would negatively impact their firm's ability to pursue and secure public sector contracts.
- Eighty-five percent believe the DBE program is important to the success of the firm's participation in federal projects.

**Figure 28: DBE Statements (Among DBE Firms)**



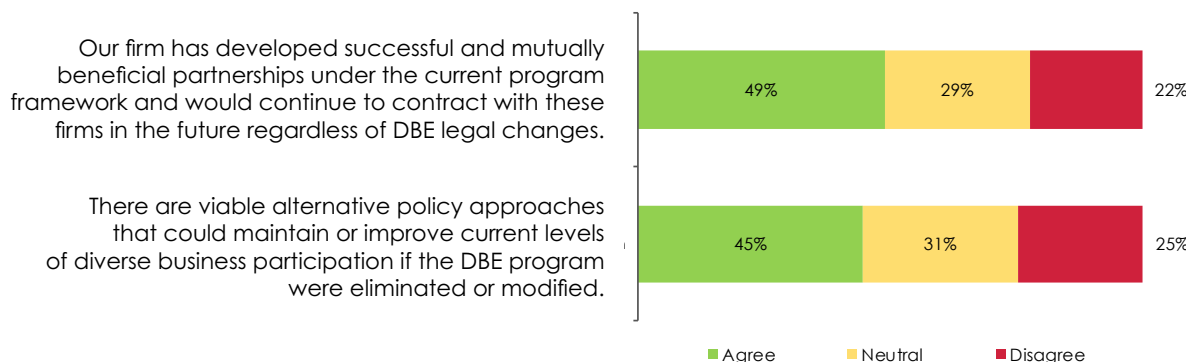
- Among non-DBE firms, 58 percent say that the elimination or alteration of the DBE program would improve their firm's ability to pursue and secure public sector contracts.

**Figure 29: DBE Statements (Among non-DBE Firms)**



- While pluralities agree with both statements below, nearly one-fourth of respondents disagree with both.
- Forty-nine percent of non-DBE firms believe there are viable alternative policy approaches that could maintain the current levels of diverse business participation if the DBE program were eliminated or modified. Only thirty-four percent of DBE firms agree.

**Figure 30: DBE Statements (Among All Firms)**



# 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 July 24 and August 11, 2025.

A total of 9,763 invitations were emailed, although 2,821 bounced and 43 opted out, resulting in a total of 6,899 potential respondents. Individuals who did not respond to the first email were sent up to three follow-up reminders.

795 individuals completed the survey for an overall response rate of 12 percent. An additional 81 respondents completed the survey using a universal link, giving this survey 876 completed responses.

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 September 2025*

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