

# ACEC Engineering Business Index

EBI Composite Score

63.6

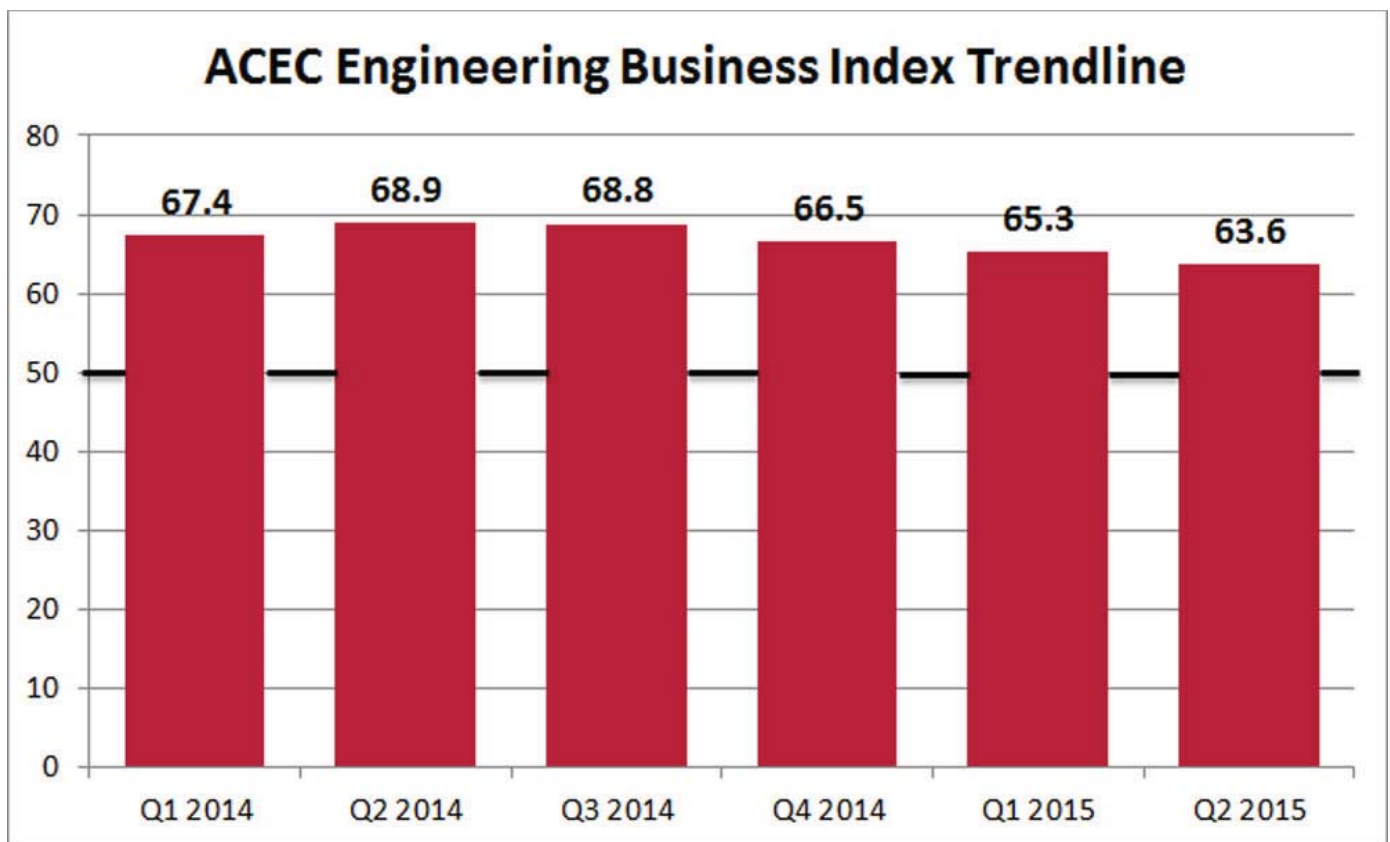
2nd Quarter 2015

Data collection and analysis by  
FMI Corporation

## Engineering CEOs Confident About 2015; Worried About 2016

While U.S. engineering firm leaders believe that their markets will remain strong for the remainder of 2015, their confidence is waning about prospects in 2016 and beyond, according to the latest ACEC Engineering Business Index (EBI).

The second-quarter EBI survey, conducted June 15-July 6 of 254 engineering firm leaders from throughout the country, produced a composite confidence score of 63.6, which, while positive, is 1.7 points below the previous quarterly survey and 5.2 points lower than the year-ago survey. In fact, the EBI has fallen in each of the past four quarters, even while reflecting generally optimistic sentiment.



EBI is a diffusion index that charts the health of the engineering industry by consolidating senior leadership responses on market and firm performance into a single composite score. Any number above 50 indicates expansion.

## Profitability and Backlog Anticipated to Drop in 2016

CEO confidence in today's market compared to six months ago remains steady, dropping only 1.2 points. Market conditions 12 months from now, however, are expected to be less promising, with the score dropping 6.1 points.

Two factors having the biggest impact on this reduced confidence level are lower expected profitability, dropping 5.1 points, and declining projected backlogs, falling 7.2 points.

"We expect 2016 to be a tough year," said one respondent.

Composite Results Q2 2015	Better	Same	Worse	Q2 2015 Results	Q1 2015 Results
Current business climate vs. 12 months ago	55.3%	34.4%	10.3%	72.5	73.8
Current business climate vs. 6 months ago	39.5%	52.2%	6.7%	65.6	66.8
Current business climate vs. 12 months from now	41.8%	49.0%	9.2%	66.3	72.4
Profitability expectations for next 6 months	39.9%	53.8%	6.3%	66.8	68.8
Profitability expectations for next 12 months	39.3%	51.2%	9.5%	64.9	69.0
Profitability expectations for 3 years from now	41.8%	47.6%	10.4%	65.7	66.6
	Larger	Same	Smaller		
Backlog vs. 12 months ago	55.1%	26.8%	18.1%	68.5	70.1
Backlog vs. 6 months ago	47.8%	38.7%	13.4%	67.2	63.7
Backlog expectations for 12 months from now	38.1%	46.0%	15.9%	61.1	68.3
Twelve-month expectations for PUBLIC markets	Better	No Change	Worse		
Transportation	35.3%	42.3%	22.4%	56.5	60.8
Water and Wastewater	34.8%	55.6%	9.6%	62.6	66.3
Health Care	24.2%	66.0%	9.8%	57.2	55.3
Environmental (Other than water/wastewater)	22.1%	57.1%	20.8%	50.6	53.1
Education	25.2%	60.5%	14.3%	55.4	54.8
Twelve-month expectations for PRIVATE markets	Better	No Change	Worse		
Land Development	52.2%	42.7%	5.1%	73.6	72.8
Energy and Power	36.1%	53.4%	10.5%	62.8	65.6
Buildings	43.4%	49.7%	6.9%	68.2	68.9
Industrial/Manufacturing	43.0%	50.3%	6.6%	68.2	69.5
Health Care	33.6%	56.4%	10.0%	61.8	58.5
Education	21.5%	64.6%	13.9%	53.8	56.5
OVERALL EBI				63.6	65.3

## Market Sector Expectations Uneven

Asked about their expectations for various market sectors one year from now, respondents see a mixed picture, with private markets continuing to perform better than public markets.

In private markets, only two sectors are expected to grow in 2016: Land Development climbing from 72.8 to 73.6 and Health Care rising from 58.5 to 61.8. Buildings remains virtually unchanged, from 68.9 to 68.2

Respondents expect drops in three other private market sectors: Energy/Power, down from 65.6 to 62.8; Education, from 56.5 to 53.8; and Industrial/Manufacturing, from 69.5 to 68.2.

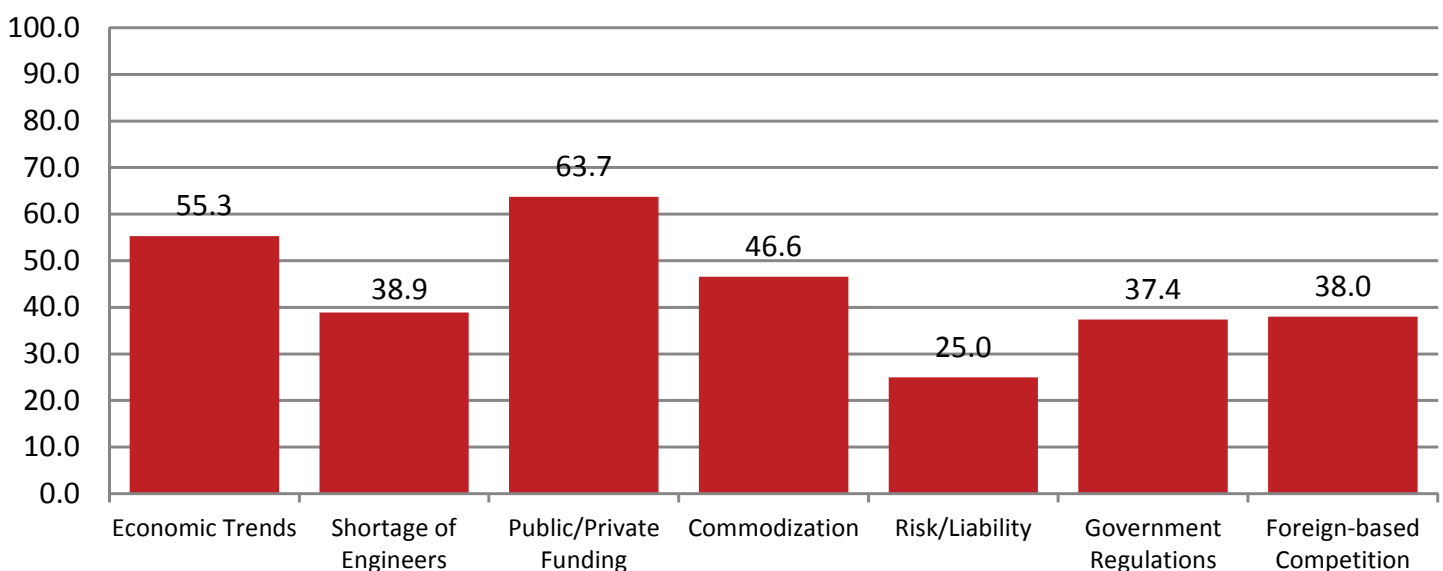
In the public sphere, uncertainty about federal transportation funding continues to dampen market sentiment, with the Transportation score dropping from 60.8 to 56.5. Expectations for the Water/Wastewater market also fell, from 66.3 to 62.0, as did Education, which declined from 53.1 to 50.6.

The only public market drawing significantly higher CEO confidence levels is Environmental, up from 55.3 to 57.2. Health Care market expectations remain largely unchanged, rising from 54.8 to 55.4.

Asked about the market factor that most threatens their businesses, respondents point to tight funding availability for projects in both public and private sectors.

---

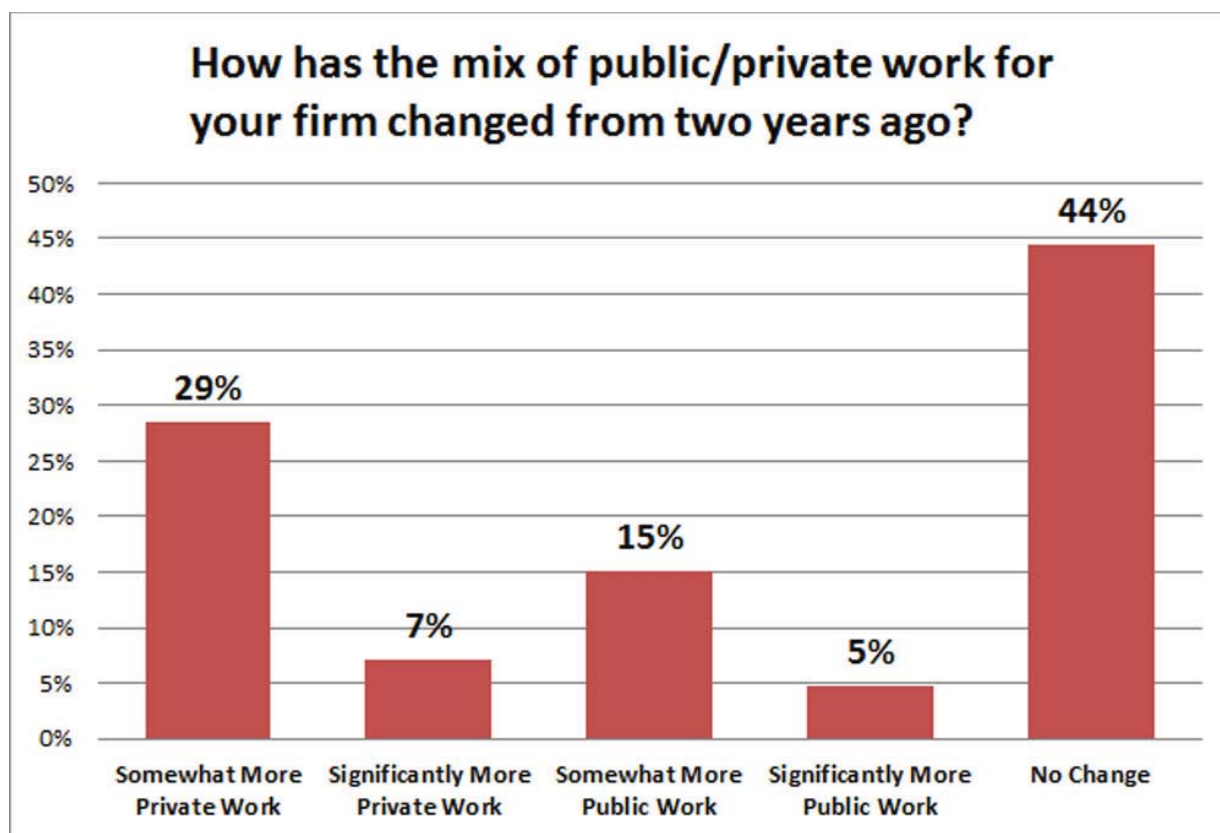
### Rate the following factors in relation to how much they threaten your firm's success



## Public versus Private

Asked how the blend of public and private work within their firms has changed over the past two years, respondents report an increased proportion of private work and an overall current mix of 59 percent public and 41 percent private.

Thirty-six percent of respondents reported doing “somewhat more” or “significantly more” private client work over the past two years.



“Public projects have been slower to recover from the recession due to lack of revenue,” said one respondent. “Industrial has led the way and now other private work has reawakened.”

“Federal funding uncertainty continues to be a risk,” said another respondent. “It needs to be resolved so state and local governments can move forward.”

Watch for the next quarterly  
*ACEC Engineering Business Index*  
survey form in your email in-box in September.