

# State of the Engineering Economy

2024 Q3

# How Is the Economy Doing?

# U.S. GDP Q2 2024 was solid allaying concerns about Q1 softness.

## Gross Domestic Product (Second Estimate), Corporate Profits (Preliminary Estimate), Second Quarter 2024

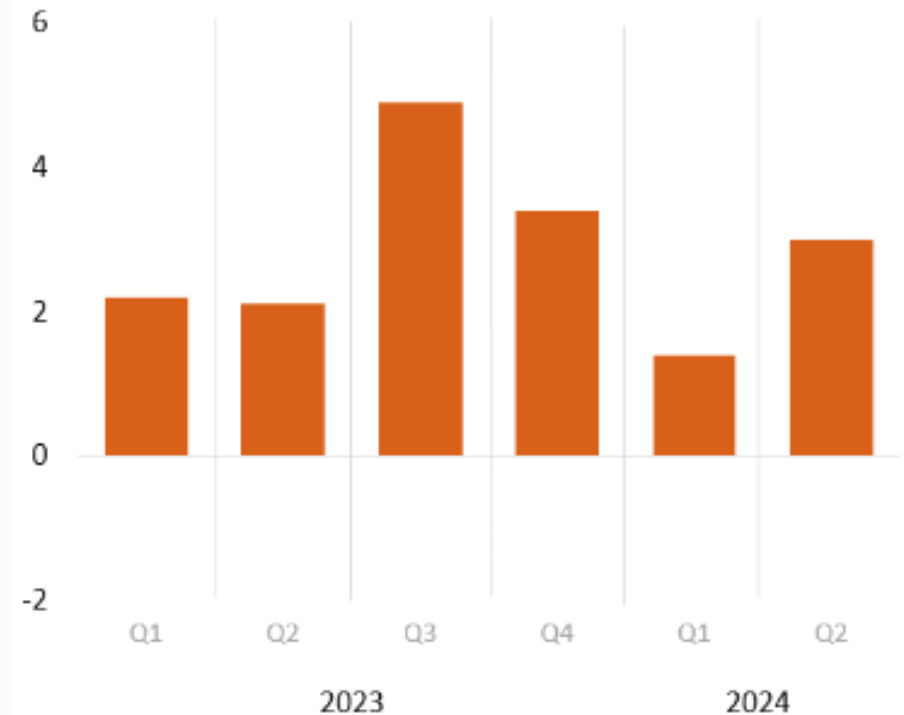
Q2 2024 (2nd)	+3.0%
Q1 2024 (3rd)	+1.4%

Real gross domestic product (GDP) increased at an annual rate of 3.0 percent in the second quarter of 2024, according to the "second" estimate. In the first quarter, real GDP increased 1.4 percent. The increase in the second quarter primarily reflected increases in consumer spending, private inventory investment, and business investment. Imports, which are a subtraction in the calculation of GDP, increased.

Current release: August 29, 2024

Next release: September 26, 2024

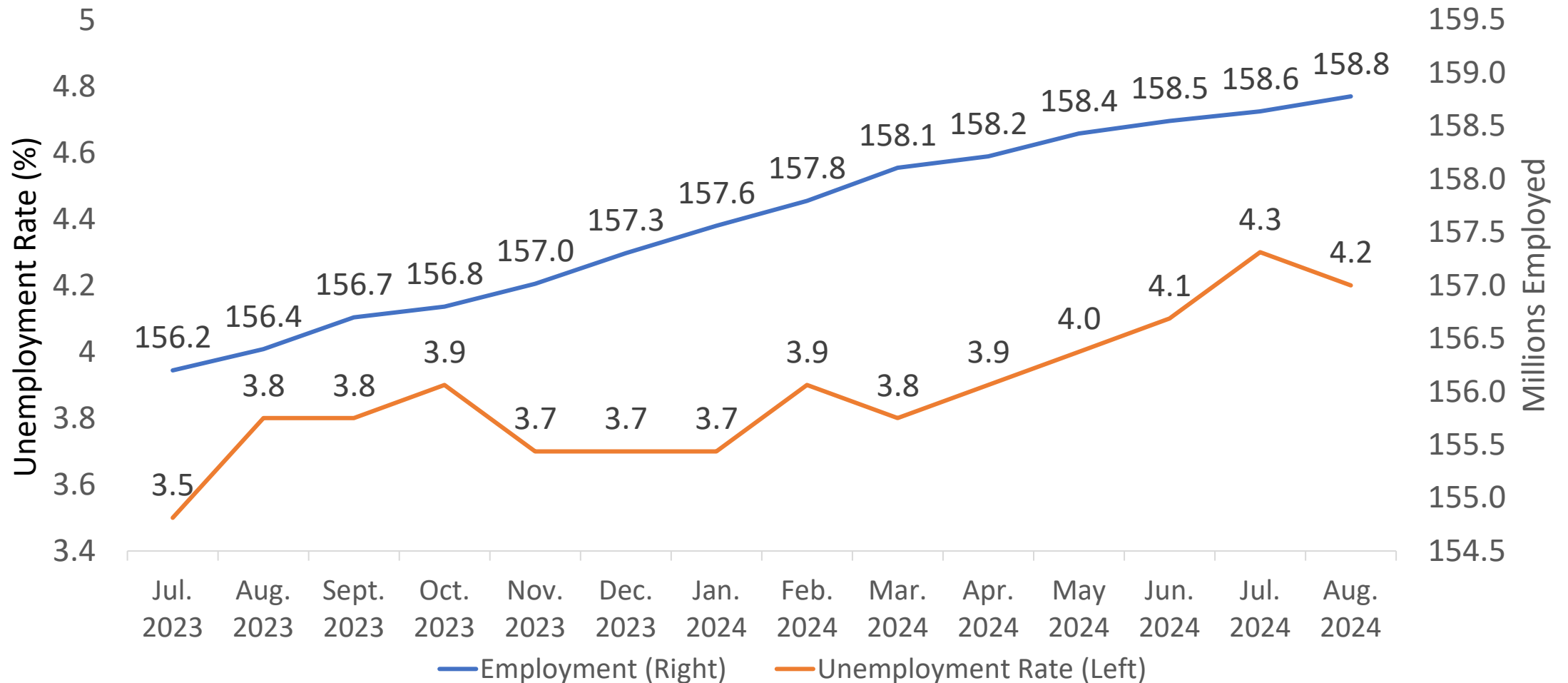
Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

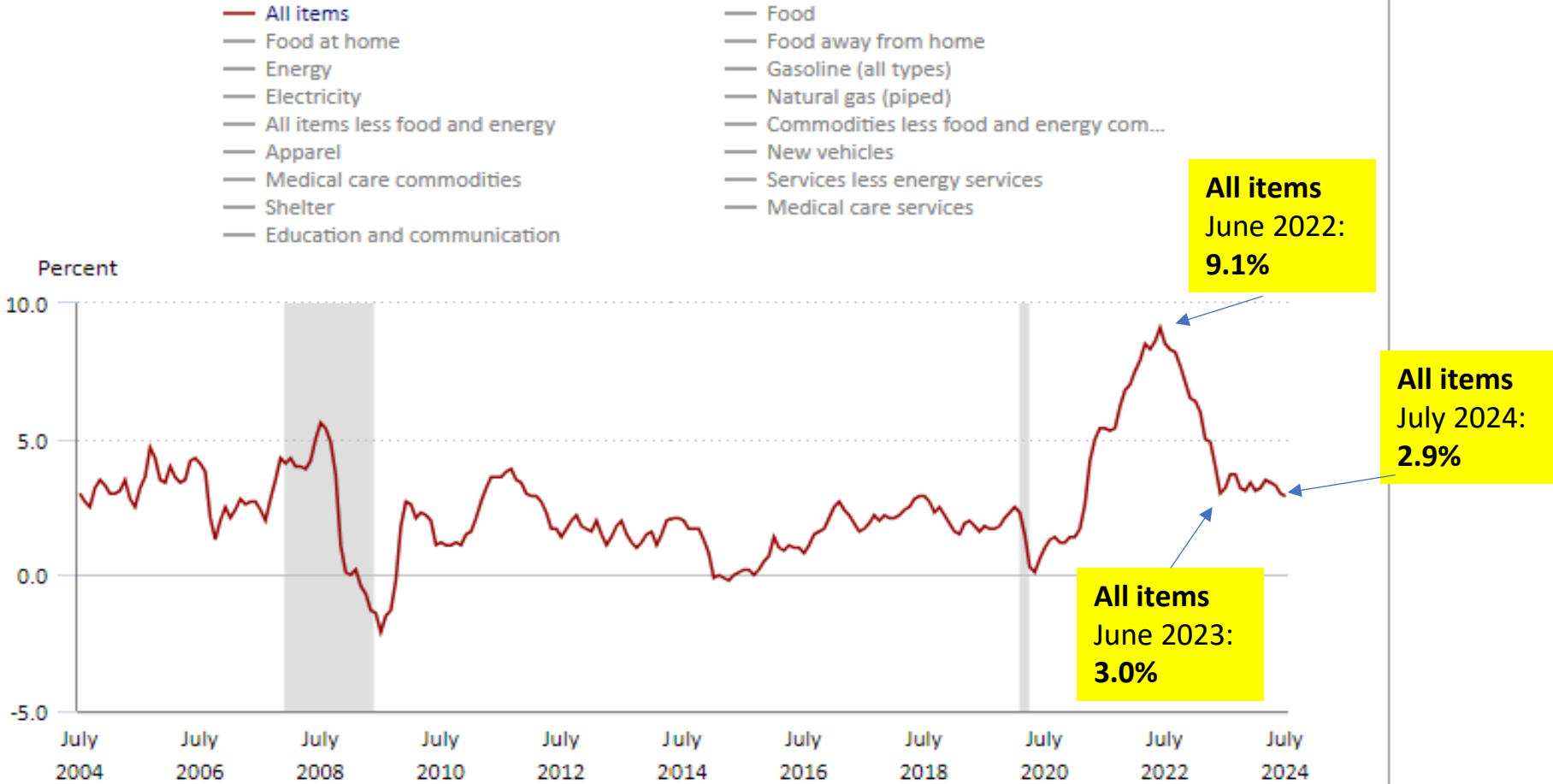
Seasonally adjusted annual rates

# Labor market has slowed considerably since April causing concern for some.



# “Headline” inflation falls below 3% for first time since March 2021.

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted



Hover over chart to view data.

Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

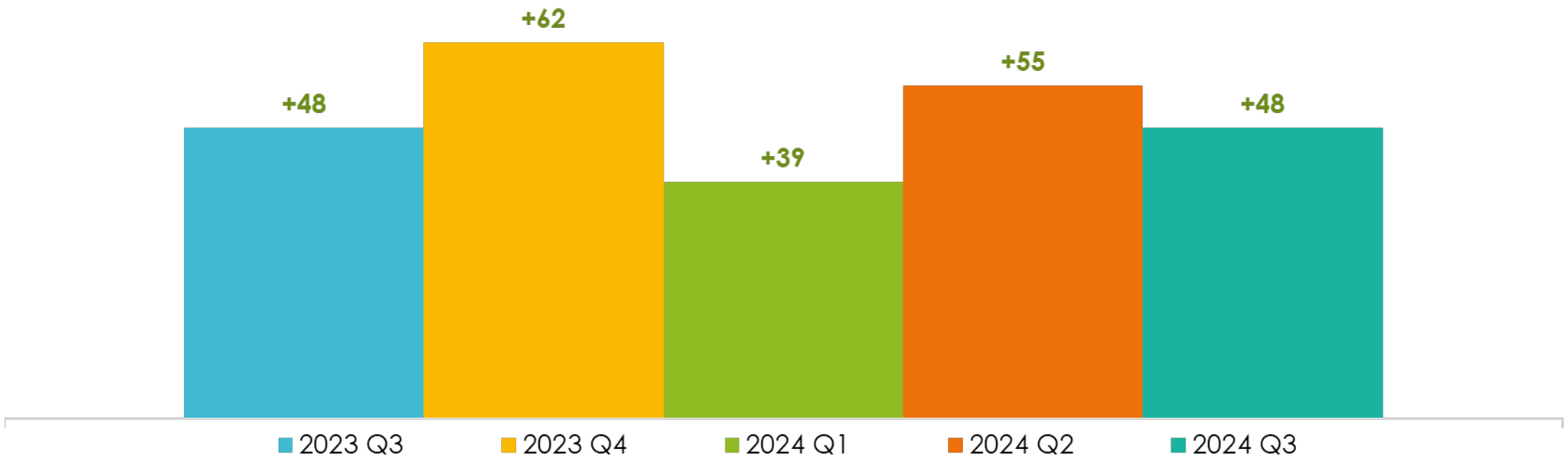
Source: U.S. Bureau of Labor Statistics.



# Inflation concerns slide a bit, but still elevated.

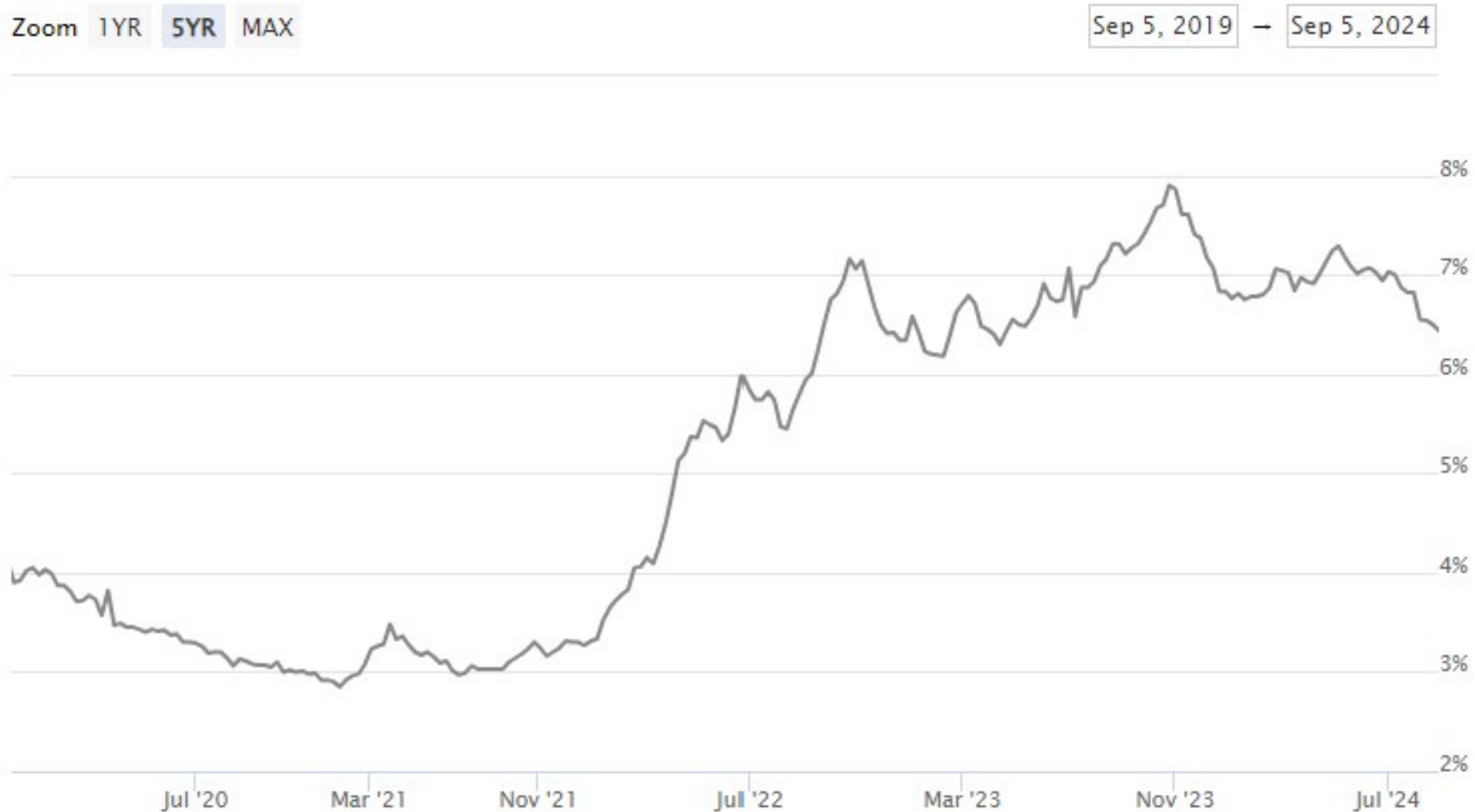
Impact of Inflation  
Net Rating - Trend

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



Q17. To what extent do you agree or disagree with the following statement: I am extremely concerned about the impact inflation will have on my firm in the coming year.  
Not sure omitted from calculations.

# 30-year fixed mortgage rates remain at one-decade high, despite recent decline.

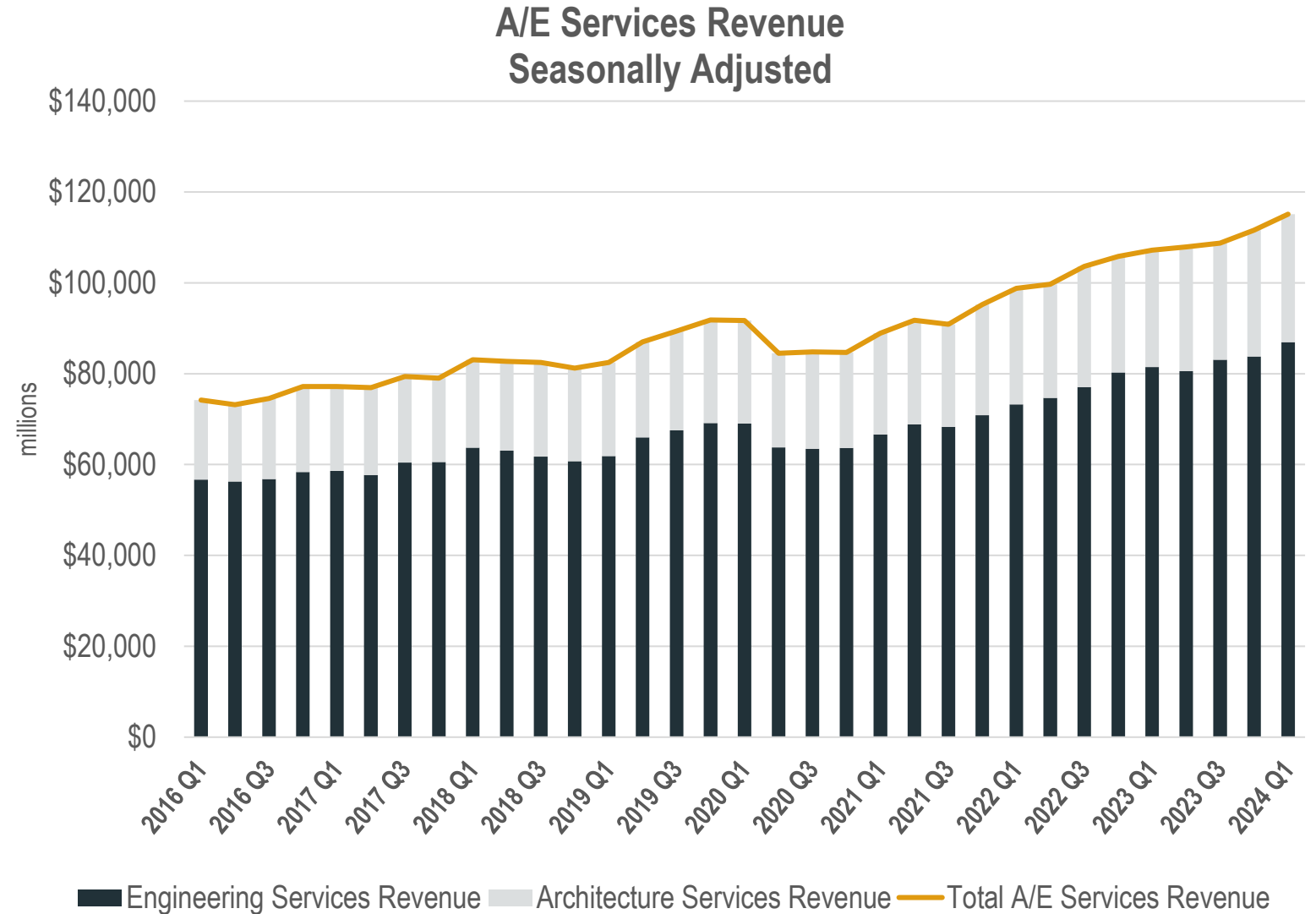


# How Is the A/E Industry Doing?



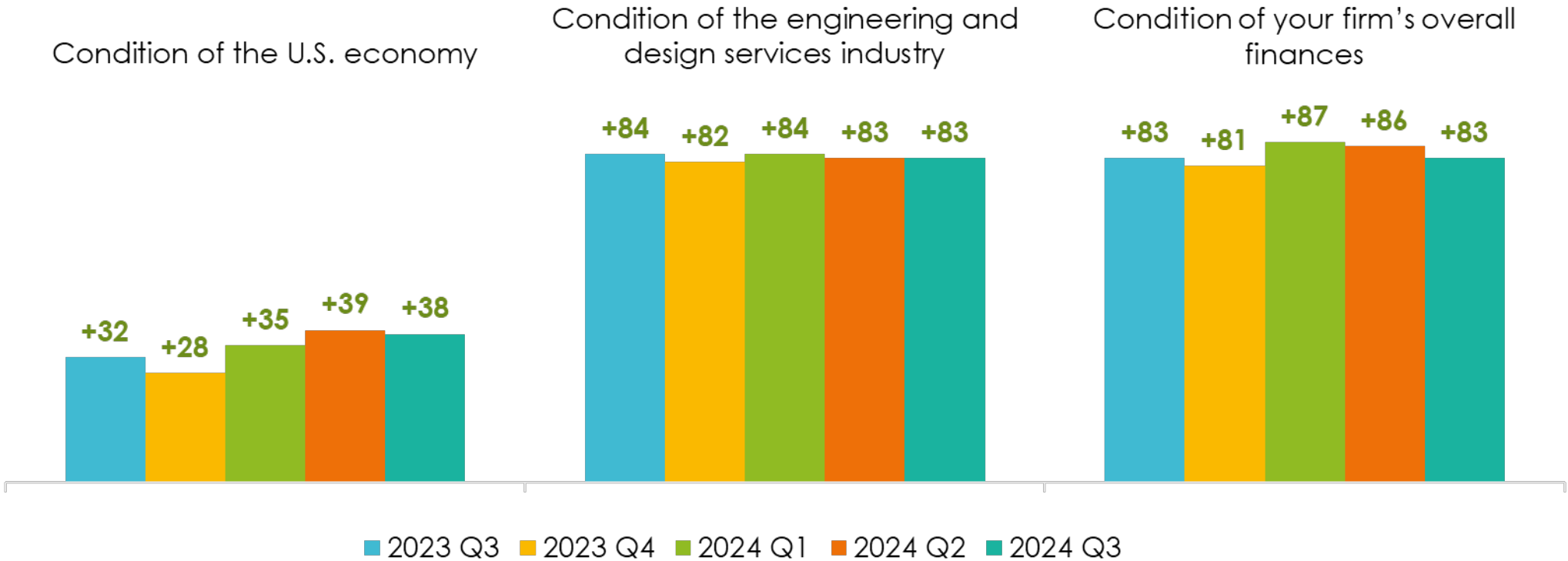
# 2024 Q1 A/E revenues continues to reach new (nominal) highs

- A/E Total Services Revenue = \$115.1B for 2024 Q1
- Total revenues up 3.1% compared to 2023 Q4
- Total revenues up 7.4% YoY



# Sentiment regarding U.S. economy nearly steady versus last quarter; higher than one year ago.

## Current Economic Sentiment Net Rating - Trend



Q4: How would you rate each of the following today?  
Not sure omitted from calculations.

# Continuing to see softening among smaller firms' sentiment regarding their finances.

## Current Economic Sentiment Net Rating by Segment

<i>Condition of your firm's overall finances</i>	2023 Q3 (n=565)	2023 Q4 (n=528)	2024 Q1 (n=569)	2024 Q2 (n=648)	2024 Q3 (n=630)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	<b>+83</b>	<b>+81</b>	<b>+87</b>	<b>+86</b>	<b>+82</b>	<b>-4</b>	<b>-1</b>
<b>REGION</b>							
Northeast	<b>+81</b>	<b>+76</b>	<b>+88</b>	<b>+91</b>	<b>+88</b>	<b>-3</b>	<b>+7</b>
South	<b>+82</b>	<b>+80</b>	<b>+86</b>	<b>+84</b>	<b>+81</b>	<b>-3</b>	<b>-1</b>
Midwest	<b>+88</b>	<b>+88</b>	<b>+90</b>	<b>+86</b>	<b>+87</b>	<b>+1</b>	<b>-1</b>
West	<b>+81</b>	<b>+79</b>	<b>+84</b>	<b>+83</b>	<b>+73</b>	<b>-10</b>	<b>-8</b>
<b>FIRM SIZE</b>							
1-25	<b>+72</b>	<b>+66</b>	<b>+75</b>	<b>+70</b>	<b>+62</b>	<b>-8</b>	<b>-10</b>
26-50	<b>+77</b>	<b>+87</b>	<b>+85</b>	<b>+80</b>	<b>+79</b>	<b>-1</b>	<b>+2</b>
51-200	<b>+83</b>	<b>+80</b>	<b>+91</b>	<b>+91</b>	<b>+87</b>	<b>-4</b>	<b>+4</b>
201-500	<b>+91</b>	<b>+93</b>	<b>+86</b>	<b>+98</b>	<b>+87</b>	<b>-9</b>	<b>-4</b>
More than 500	<b>+98</b>	<b>+100</b>	<b>+99</b>	<b>+97</b>	<b>+95</b>	<b>-2</b>	<b>-3</b>

Q4: How would you rate each of the following today?

Not sure omitted from calculations.

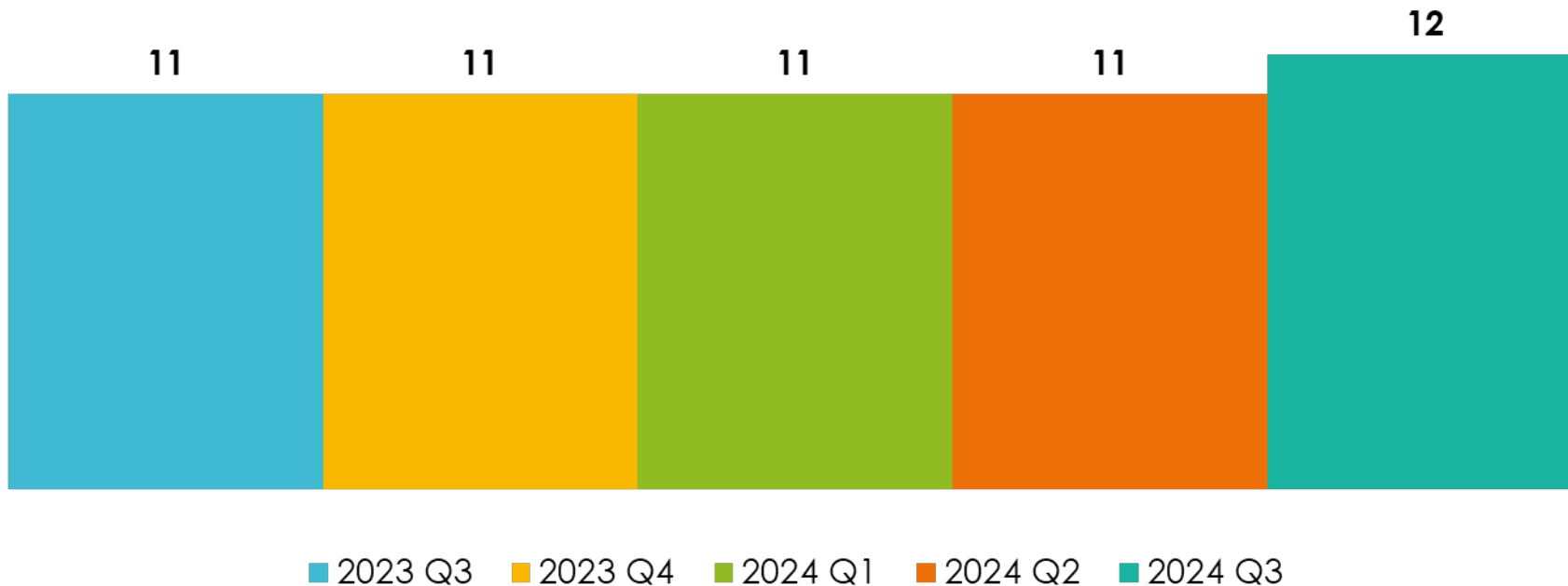
While about half of all sectors saw declines versus last quarter, most sectors declined versus year ago.

### Current Industry Sentiment By Sector

Current Industry Sector Sentiment	2023 Q3 (n = 192-438)	2023 Q4 (n = 174-387)	2024 Q1 (n=202-442)	2024 Q2 (n=218-501)	2024 Q3 (n=208-489)	Change vs. Previous Quarter	Change vs. Previous Year
Data Centers	+71	+70	+78	+74	+73	-1	+2
Transportation – Airports	+78	+80	+82	+78	+79	+1	+1
Convention Centers, Sports Facilities and Cultural Facilities	+43	+45	+42	+56	+44	-12	+1
Federal/Military, State and Local Government Buildings	+72	+65	+65	+72	+71	-1	-1
Healthcare Facilities	+68	+70	+70	+69	+67	-2	-1
Transportation – Roads and Bridges	+84	+80	+86	+83	+83	0	-1
Transportation – Transit (Rail, BRT)	+72	+70	+76	+71	+71	0	-1
Water/Wastewater	+83	+79	+81	+81	+82	+1	-1
Commercial Real Estate (Office, Hotel, Retail and Multifamily Residential)	+23	+20	+16	+14	+21	+7	-2
Industrial and Manufacturing Facilities	+65	+65	+62	+66	+63	-3	-2
Energy and Utilities	+79	+78	+80	+76	+75	-1	-4
Justice (Courthouses and Corrections)	+39	+38	+31	+42	+35	-7	-4
Education (K-12 and Higher Education)	+55	+58	+52	+56	+51	-5	-4
Residential – Land Development	+37	+32	+27	+39	+32	-7	-5
Telecommunications	+65	+56	+61	+64	+59	-5	-6
Science and Technology	+71	+74	+77	+68	+65	-3	-6

# Backlog is strong and increased by one month.

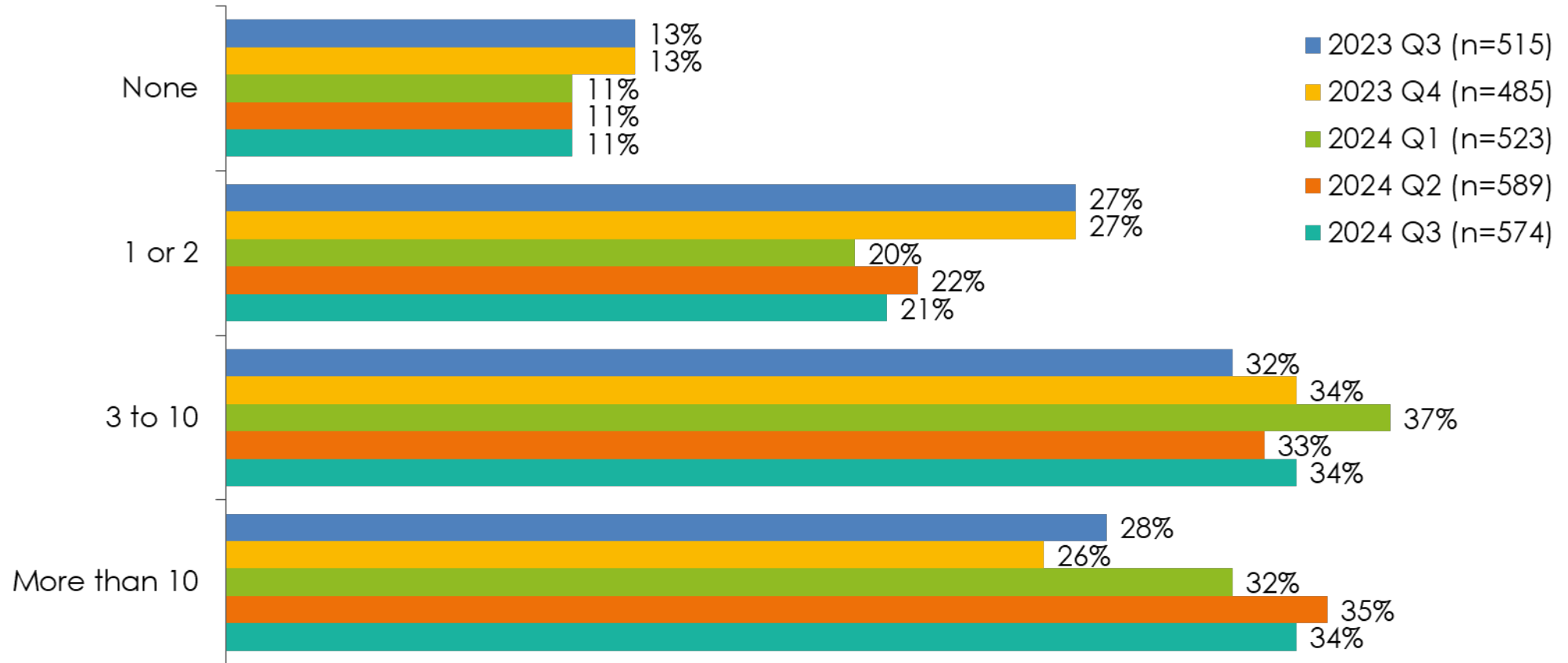
Current Backlog  
Months – Trend (Median)



Q6. Assuming your firm wins no new projects, how many months of backlog does your firm currently have?

# Nine out of ten firms still have open positions. The median number remained steady at 5.

Current Open Positions



Q15. How many open positions do you currently have at your firm? If you are not sure, please provide your best estimate.

# On average, about one out of ten positions are unfilled at firms, the same as last quarter.

Open Positions as Percentage of Overall FTEs  
Trend – Mean (%)

<i>Open Positions</i>	2023 Q3 (n=515)	2023 Q4 (n=485)	2024 Q1 (n=523)	2024 Q2 (n=589)	2024 Q3 (n=573)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	9%	9%	9%	9%	9%	0	0
<b>REGION</b>							
Northeast	7%	10%	7%	10%	7%	-3	0
South	9%	9%	8%	10%	11%	+1	-2
Midwest	9%	10%	12%	8%	8%	0	-1
West	10%	9%	8%	9%	8%	-1	-2
<b>FIRM SIZE</b>							
1-25	15%	15%	15%	16%	16%	0	+1
26-50	6%	8%	8%	7%	7%	0	+1
51-200	6%	6%	7%	7%	6%	-1	0
201-500	7%	7%	7%	7%	6%	-1	-1
More than 500	6%	7%	6%	7%	6%	-1	0

Q3. Including yourself, how many full-time equivalent employees (FTEs) does your organization currently have? If you are not sure, please provide your best estimate.

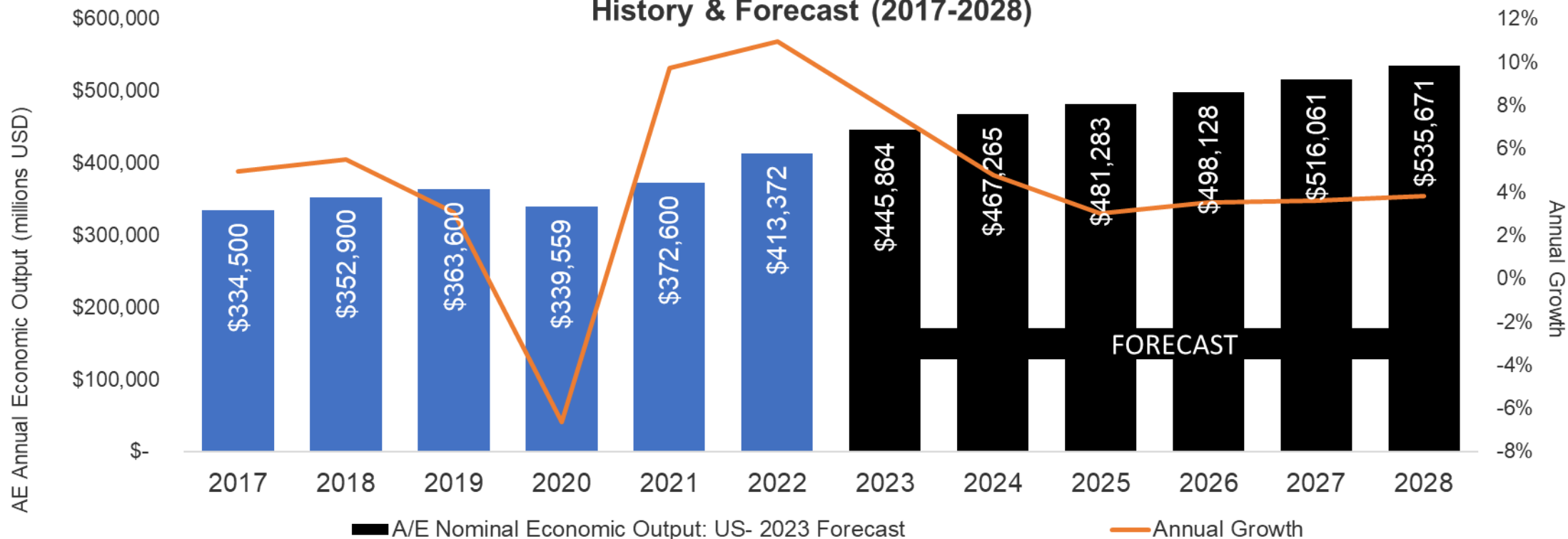
Q15. How many open positions do you currently have at your firm? If you are not sure, please provide your best estimate.

# What Does the Future Hold?



# Infrastructure bill has forecast upside

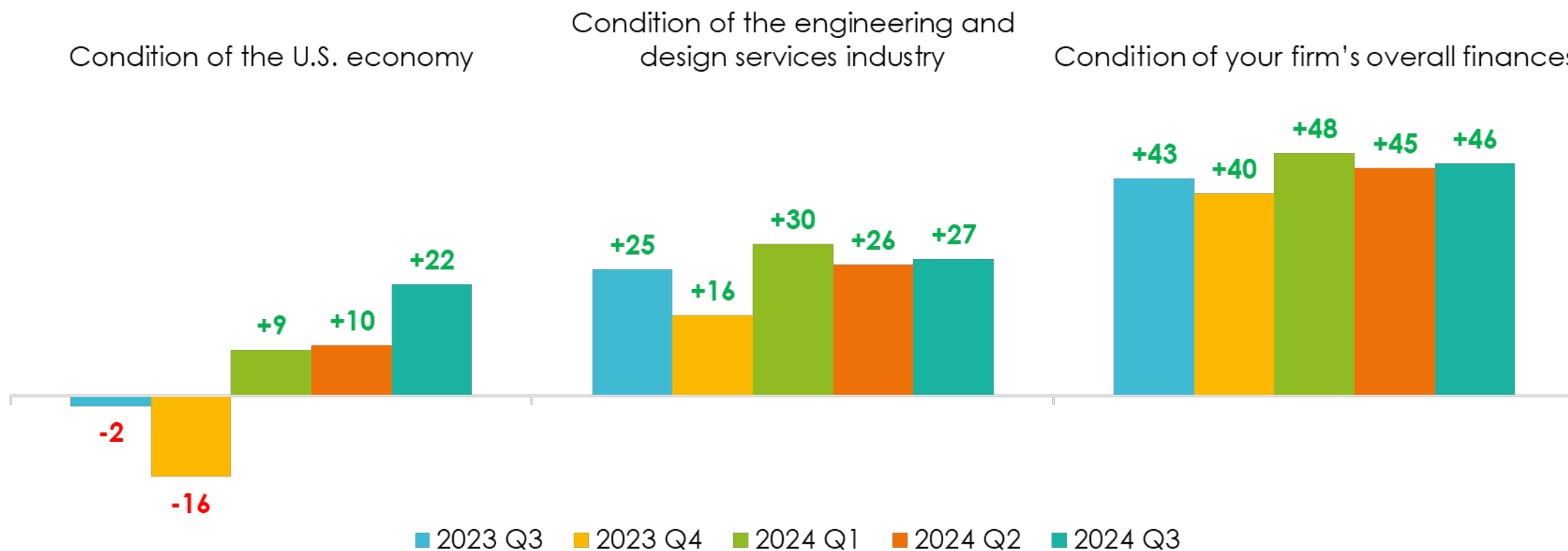
**A/E Nominal Economic Output in the United States:  
History & Forecast (2017-2028)**



2023 Forecast	2023	2024	2025	2026	2027	2028
<b>Nominal Output Growth</b>	7.9%	4.8%	3.0%	3.5%	3.6%	3.8%
<b>Real Output Growth</b>	3.3%	2.5%	0.9%	1.5%	1.6%	1.7%

# Future U.S. economic sentiment improved by twelve points as industry sentiment and firm finances hold steady.

## Economic Conditions 12 Months From Now Net Rating - Trend



Q11: Thinking ahead 12 months from now, how do you feel each of the following will be compared to today?  
Not sure omitted from calculations.

# Most segments' future view of U.S. economy improved substantially over the prior quarter and the past year.

## Economic Conditions 12 Months From Now Net Rating by Segment

Condition of the U.S. economy	2023 Q3 (n=507)	2023 Q4 (n=481)	2024 Q1 (n=510)	2024 Q2 (n=579)	2024 Q3 (n=543)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	-2	-16	+9	+10	+22	+12	+20
<b>REGION</b>							
Northeast	+13	-6	+18	+17	+28	+11	+15
South	-11	-13	+10	+8	+24	+16	+13
Midwest	+12	-26	+6	+9	+29	+20	+17
West	-13	-19	+2	+12	+9	-3	+22
<b>FIRM SIZE</b>							
1-25	-15	-21	+1	+6	+11	+5	+26
26-50	+2	-30	+10	+18	+1	-17	-1
51-200	-3	-13	+9	+9	+30	+21	+27
201-500	+20	-8	+12	+3	+42	+39	+22
More than 500	+3	-4	+18	+18	+28	+10	+25

Q11: Thinking ahead 12 months from now, how do you feel each of the following will be compared to today?

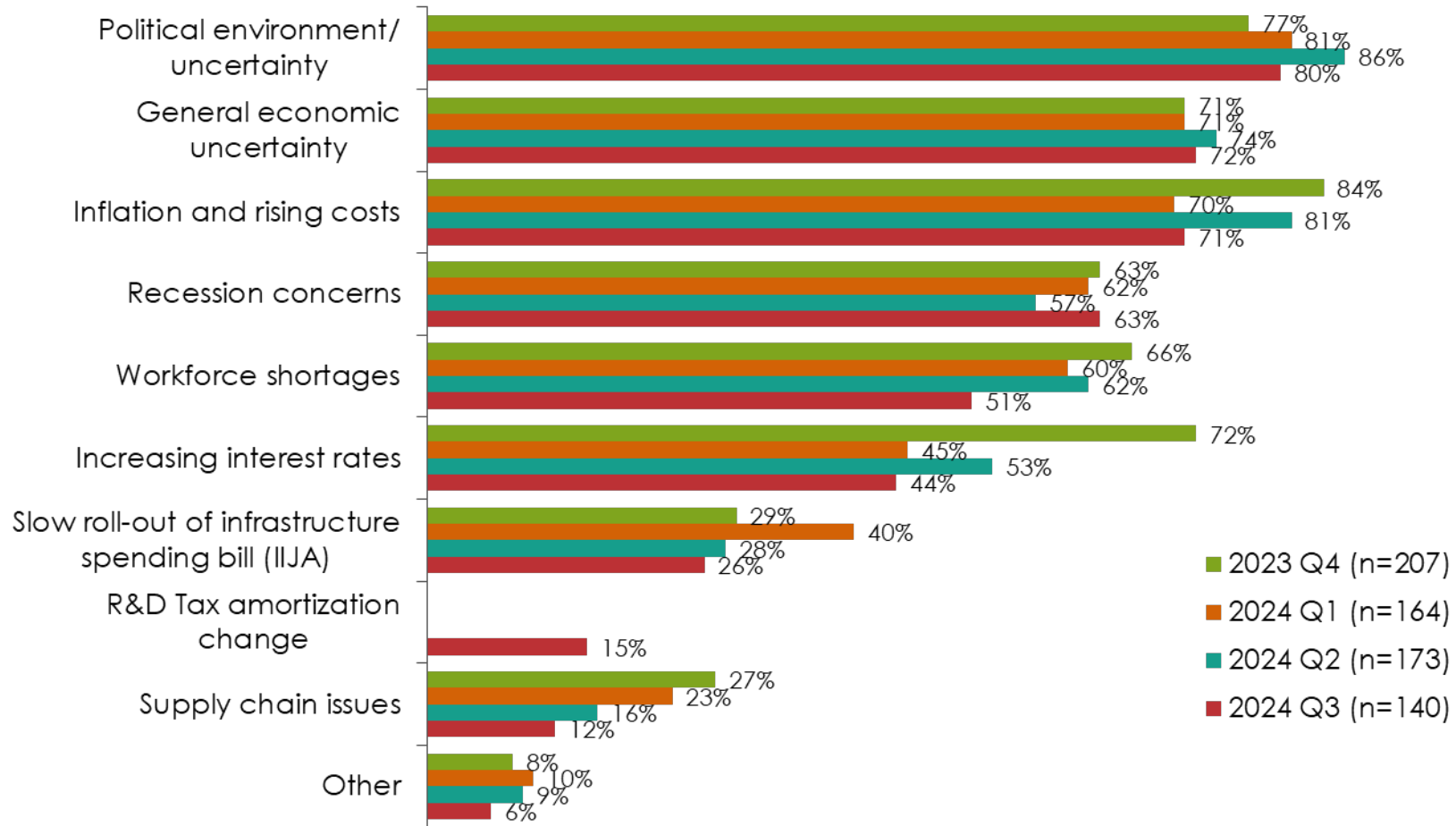
Future industry sentiment has increased across a majority of segments from last quarter and half have increased compared to one year ago.

### Industry Sectors 12 Months From Now Net Trend

<i>Future Industry Sector Sentiment</i>	2023 Q3 (n = 203-402)	2023 Q4 (n = 177-362)	2024 Q1 (n=213-419)	2024 Q2 (n=229-482)	2024 Q3 (n=230-465)	Change vs. Previous Quarter	Change vs. Previous Year
Residential – Land Development	-10	-15	+15	+16	+16	0	+26
Commercial Real Estate	-14	-21	-6	-1	+4	+5	+18
Data Centers	+23	+25	+31	+37	+35	-2	+12
Convention Centers, Sports Facilities and Cultural Facilities	-6	-10	+1	+7	+3	-4	+9
Industrial and Manufacturing Facilities	+20	+12	+30	+26	+28	+2	+8
Healthcare Facilities	+25	+24	+28	+28	+30	+2	+5
Education	+14	+11	+15	+14	+19	+5	+5
Justice	+4	-1	-4	-1	+5	+6	+1
Energy and Utilities	+47	+38	+46	+45	+46	+1	-1
Transportation – Transit	+41	+35	+43	+37	+40	+3	-1
Federal/Military, State and Local Government Buildings	+28	+26	+31	+28	+26	-2	-2
Transportation – Airports	+43	+36	+43	+40	+41	+1	-2
Science and Technology	+35	+21	+38	+29	+30	+1	-5
Water/Wastewater	+49	+37	+46	+43	+39	-4	-10
Transportation – Roads and Bridges	+54	+46	+47	+46	+42	-4	-12
Telecommunications	+38	+22	+27	+24	+26	+2	-12

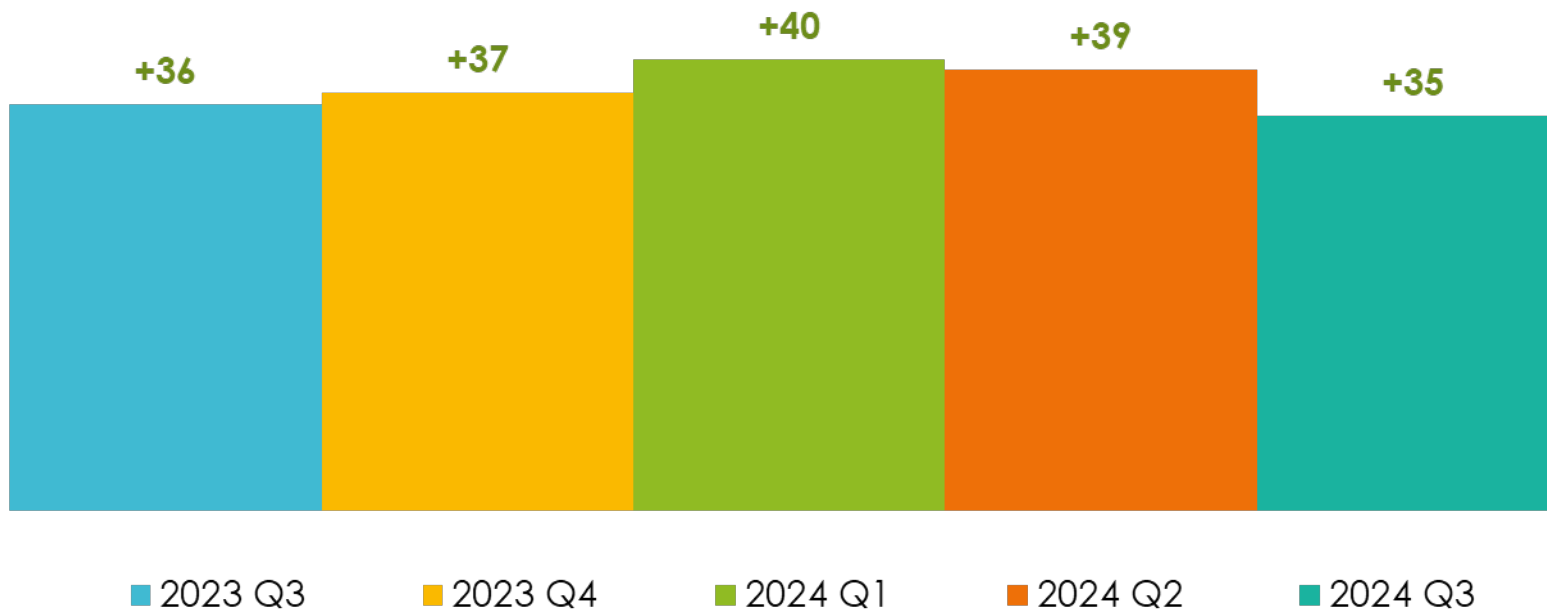
# Political environment remains the leading cause of negative sentiment. Concern over inflation falls.

Reasons for Economic Sentiment 12 Months From Now  
Among Those Predicting Worse Business Conditions



# Sentiment regarding future backlog slips.

Anticipated Backlog 12 Months from Now  
Net Rating - Trend



Q12. Thinking ahead 12 months from now, do you think your backlog will increase, decrease or stay about the same compared to today? Not sure omitted from calculations.

# Future backlog sentiment declines most in Northeast and among large firms.

Anticipated Backlog 12 Months from Now  
Trend – Net Rating

Backlog	2023 Q3 (n=519)	2023 Q4 (n=485)	2024 Q1 (n=525)	2024 Q2 (n=596)	2024 Q3 (n=574)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	<b>+36</b>	<b>+37</b>	<b>+40</b>	<b>+39</b>	<b>+35</b>	<b>-4</b>	<b>-1</b>
<b>REGION</b>							
Northeast	<b>+48</b>	<b>+45</b>	<b>+61</b>	<b>+55</b>	<b>+40</b>	<b>-15</b>	<b>-8</b>
South	<b>+32</b>	<b>+36</b>	<b>+31</b>	<b>+42</b>	<b>+41</b>	<b>-1</b>	<b>+9</b>
Midwest	<b>+42</b>	<b>+37</b>	<b>+35</b>	<b>+35</b>	<b>+40</b>	<b>+5</b>	<b>-2</b>
West	<b>+28</b>	<b>+32</b>	<b>+42</b>	<b>+27</b>	<b>+23</b>	<b>-4</b>	<b>-5</b>
<b>FIRM SIZE</b>							
1-25	<b>+27</b>	<b>+29</b>	<b>+22</b>	<b>+24</b>	<b>+22</b>	<b>-2</b>	<b>-5</b>
26-50	<b>+20</b>	<b>+17</b>	<b>+19</b>	<b>+29</b>	<b>+34</b>	<b>+5</b>	<b>+14</b>
51-200	<b>+34</b>	<b>+40</b>	<b>+49</b>	<b>+36</b>	<b>+37</b>	<b>+1</b>	<b>+3</b>
201-500	<b>+50</b>	<b>+49</b>	<b>+54</b>	<b>+35</b>	<b>+50</b>	<b>+15</b>	<b>0</b>
More than 500	<b>+58</b>	<b>+57</b>	<b>+56</b>	<b>+65</b>	<b>+43</b>	<b>-22</b>	<b>-15</b>

Q12. Thinking ahead 12 months from now, do you think your backlog will increase, decrease or stay about the same compared to today? Not sure omitted from calculations.

# Future hiring sentiment decreased six points and is down one point from year ago.

## Status of Hiring (Next Year) Trend – Net Rating

Status of Hiring	2023 Q3 (n=508)	2023 Q4 (n=478)	2024 Q1 (n=518)	2024 Q2 (n=589)	2024 Q3 (n=571)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	+66	+68	+73	+71	+65	-6	-1
<b>REGION</b>							
Northeast	+77	+72	+85	+86	+80	-6	+3
South	+60	+67	+68	+66	+65	-1	+5
Midwest	+74	+68	+75	+73	+68	-5	-6
West	+60	+68	+72	+64	+54	-10	-6
<b>FIRM SIZE</b>							
1-25	+51	+57	+54	+44	+35	-9	-16
26-50	+66	+57	+71	+67	+62	-5	-4
51-200	+63	+68	+78	+75	+75	0	+12
201-500	+81	+76	+83	+84	+86	+2	+5
More than 500	+88	+92	+87	+92	+83	-9	-5

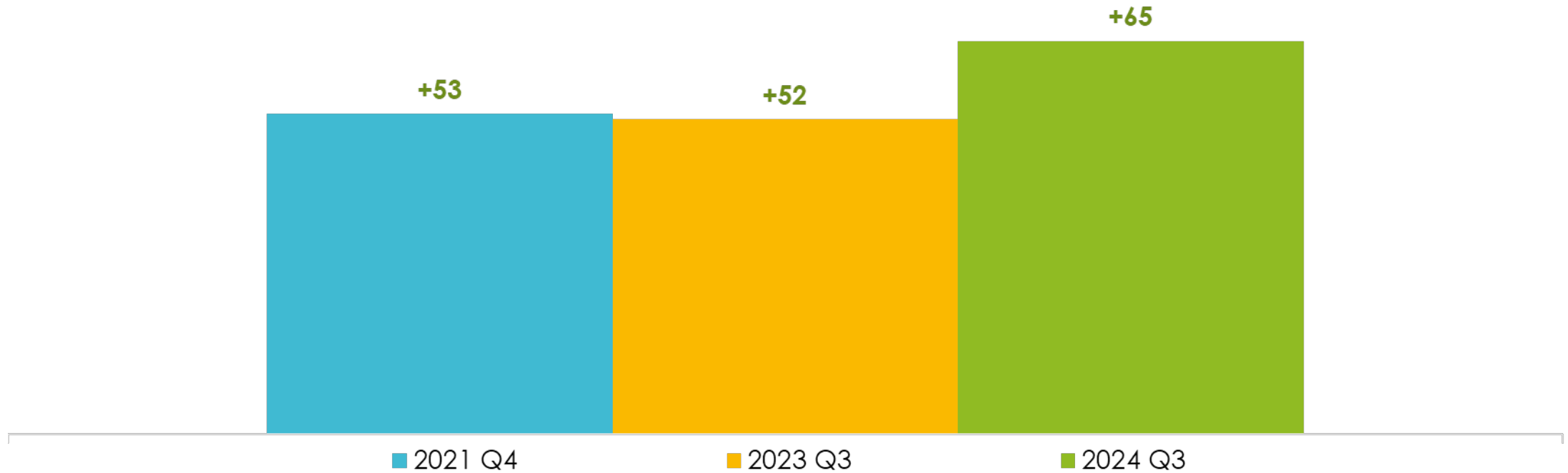
Q13. Thinking ahead 12 months from now, do you think the number of FTEs at your organization will increase, decrease or stay about the same compared to today? Not sure omitted from calculations.



# Lack of qualified workers still inhibiting firm growth.

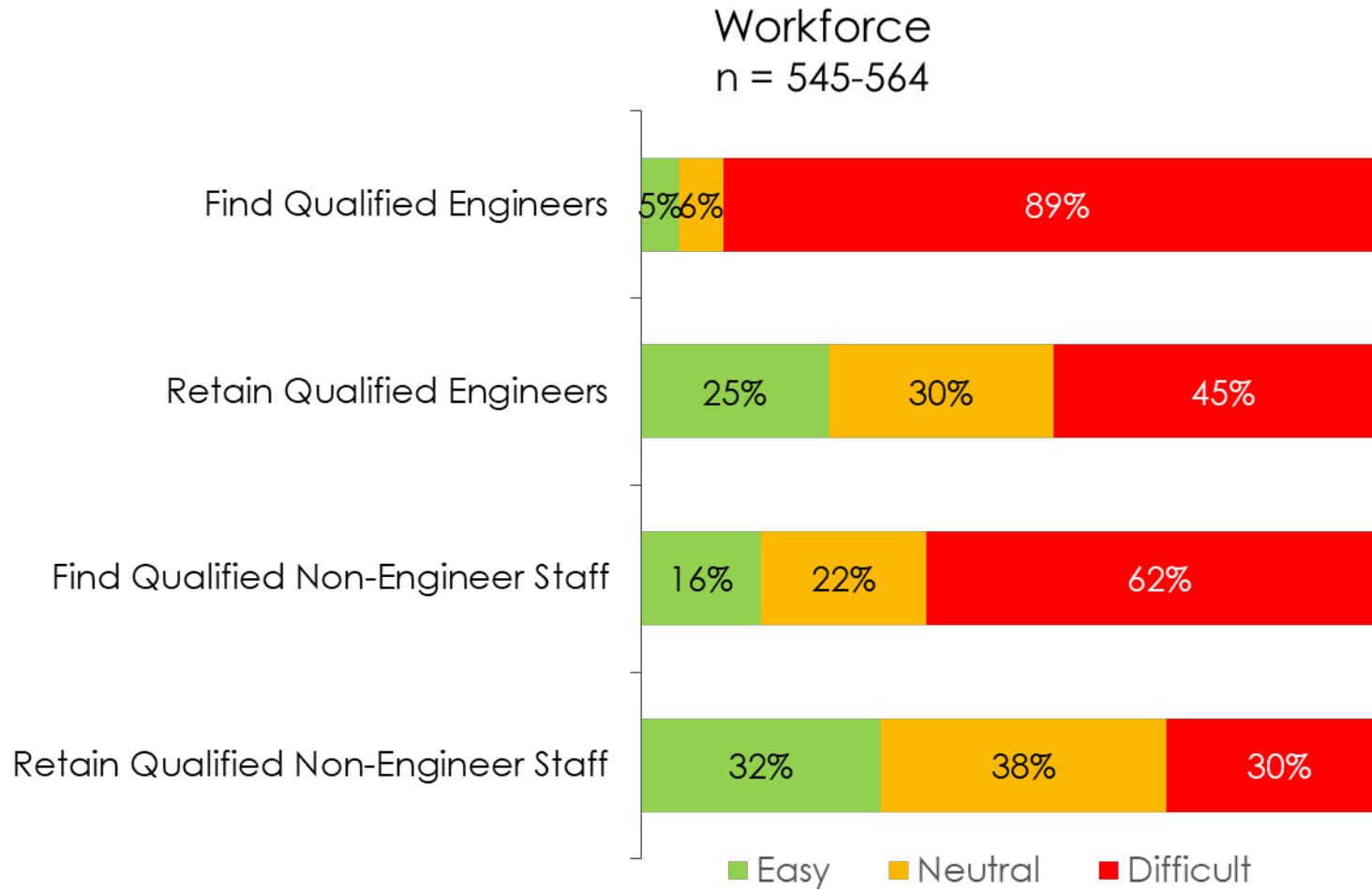
## Lack of Qualified Workers Net Rating - Trend

The single largest barrier to growing my company is a lack of qualified workers



Q17. To what extent do you agree or disagree with the following statement: I am extremely concerned about the impact inflation will have on my firm in the coming year.  
Not sure omitted from calculations.

# Nine out of 10 (89%) firm leaders say it is difficult to find qualified engineers right now.



Q19: In general, how easy or difficult is it for your organization to do the following right now?  
Not sure omitted from calculations.

# Likelihood of a recession same as last quarter and down 6 points from one year ago.

## Likelihood of Recession in Next 6 Months Trend – Mean (%)

<i>Recession Likelihood</i>	2023 Q3 (n=518)	2023 Q4 (n=473)	2024 Q1 (n=508)	2024 Q2 (n=567)	2024 Q3 (n=551)	Change vs. Previous Quarter	Change vs. Previous Year
<b>TOTAL</b>	46%	49%	41%	40%	40%	0	-6
<b>REGION</b>							
Northeast	43%	46%	38%	38%	36%	-2	-7
South	48%	51%	41%	41%	43%	+2	-5
Midwest	44%	49%	42%	38%	37%	-1	-7
West	48%	48%	43%	40%	40%	-1	-8
<b>FIRM SIZE</b>							
1-25	50%	53%	46%	44%	46%	+2	-4
26-50	48%	51%	40%	42%	40%	-2	-8
51-200	46%	47%	42%	39%	39%	0	-7
201-500	42%	47%	37%	33%	35%	+2	-7
More than 500	42%	45%	38%	37%	35%	-2	-7

Q18: How likely is it the US will experience a recession in the next 6 months? Please indicate the percentage likelihood in your opinion from 0% which means no chance of a recession to 100% which means a definite recession will occur.

*Thank you for  
helping to make this  
research possible!*

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