



**2023**  
**CIRT SENTIMENT INDEX**  
Third Quarter Report



August 2023



In partnership with the **Construction Industry Round Table**

# EXECUTIVE SUMMARY

*The CIRT Sentiment Index improved going into the third quarter of 2023. The overall index score rose to 59.7 from 52.8 in the second quarter. The design index remained constant at 68.5.*

Over the past quarter, economic turmoil subsided with the continued cooling of inflation, the labor market remaining stable, housing activity swelling, and banking failures and contagion concerns fading. Additionally, the Federal Reserve paused rate hikes in June, just before our survey release. Though the most recent Fed policy decision in late July called for a 25-basis-point hike (putting the federal funds rate between 5.25% and 5.5%), few, if any, rate hikes are expected through the end of the year. While economic risks are still present through the inverted yield curve, we expect these recent developments to help mitigate uncertainty and ultimately boost design and construction investment.

Index components illustrate broad-based improvement in sentiment toward the U.S. economy, the local economies where CIRT members operate, the overall nonresidential sector, members' construction businesses and backlogs. Conversely, construction inputs, including labor, materials and productivity, all presented ongoing challenges. Compared to last quarter, design sentiment improved for international work and receded across consulting planning, heavy civil and industrial opportunities. Construction sentiment improved across health care, education and transportation, and optimism has begun to cool for nonmanufacturing industrial opportunities.

CIRT members were asked this quarter to respond to current issues questions focused on labor productivity and project staffing requirements. Overall, productivity has marginally declined over the past 12 to 18 months with nearly 1 in 4 respondents realizing some decrease in productivity, compared to only 1 in 10 realizing some improvement.

INDEX MOVEMENT			
Sentiment Index		Design Index	
<b>59.7</b>		<b>68.5</b>	
		Q3 2023	Q2 2023
Overall U.S. Economy	↑	45.52	29.49
Economy Where We Do Business	↑	53.73	42.95
Our Construction Business	↑	67.28	64.58
Nonresidential Sector	↑	54.62	46.05
Backlog	↑	65.42	62.82
Cost of Labor	↑	86.57	80.13
Cost of Materials	↑	64.93	60.26
Productivity	↓	44.78	48.08

CIRT members, however, have a good handle on their labor with approximately two-thirds either reporting rare labor cost overruns or labor underruns on nearly all projects. Further, members say field labor costs are well managed, with the majority anticipating only marginal savings in costs (less than 15%) through better management practices or the elimination of time wasted or spent unproductively.

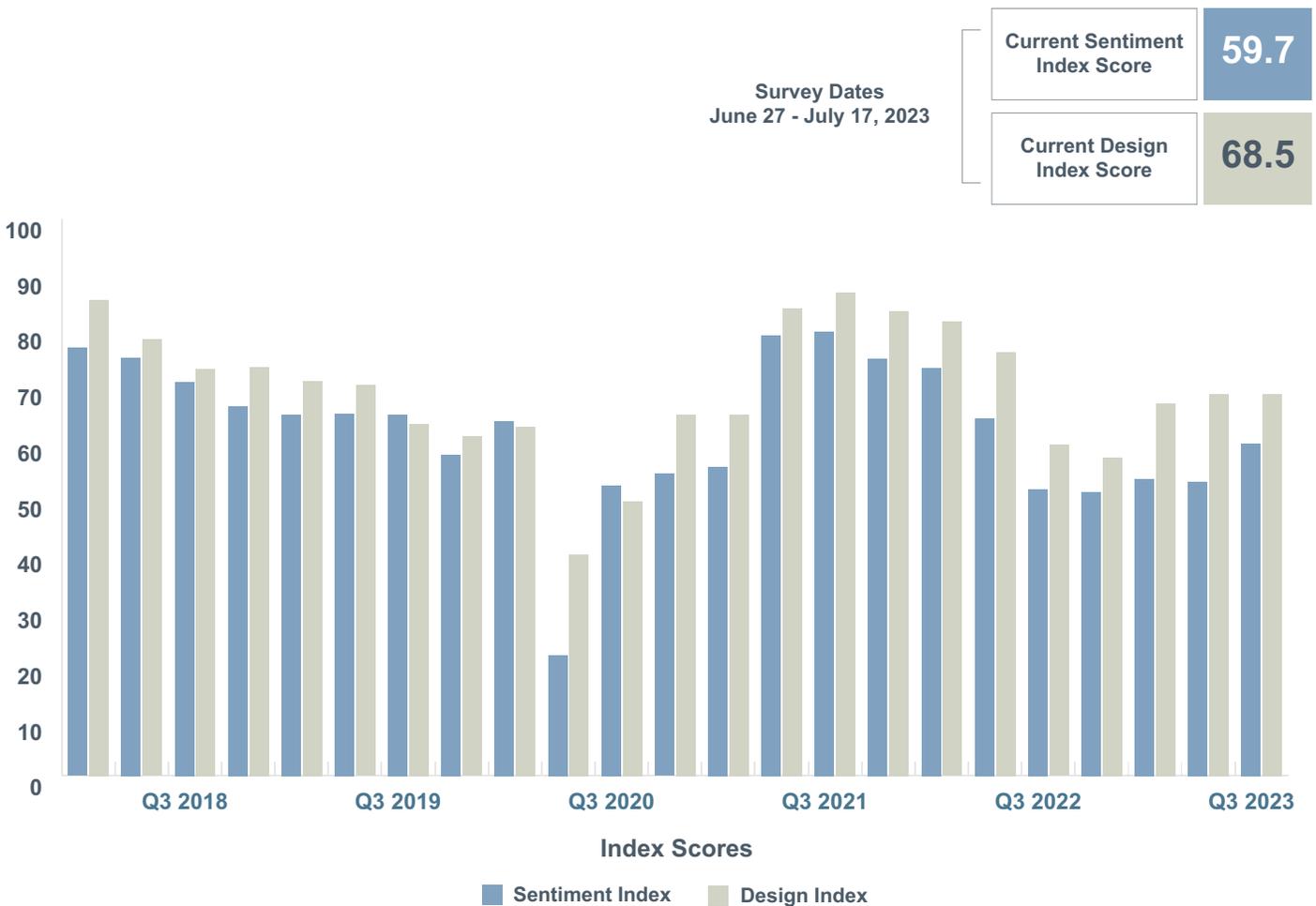
Internal factors negatively impacting productivity include lack of skilled labor and poor coordination. External factors such as project disruptions from external decisions and/or project controls were cited as leading causes of productivity loss. Nearly all respondents, or more than 9 out of 10, recently needed to increase staff to deliver projects on time and safely.

Among the industries represented by CIRT’s member base, transportation and heavy civil are projected to have both short- and long-term gains in design opportunities (as rep-

resented by growth figures reported above 3.5). Conversely, commercial, residential and industrial design opportunities are expected to remain challenged through at least midyear 2024.

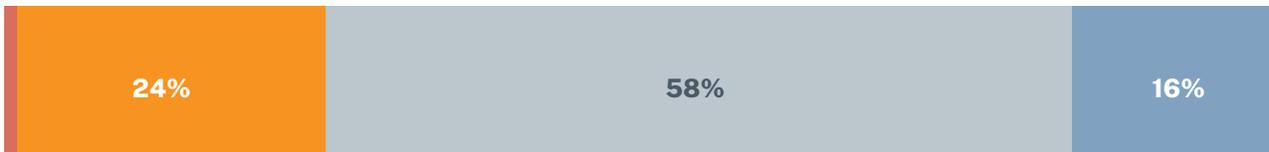
Health care, manufacturing, public works and transportation are the four areas identified to likely see expanding opportunities over both the short term and long term. Conversely, office, lodging and commercial construction are all expected to remain challenged into midyear 2024.

### CIRT Sentiment Index and Design Index Scores From Q3 2018 to Q3 2023



## Local and National Economic Predictions for Next Quarter

The overall U.S. economy will:

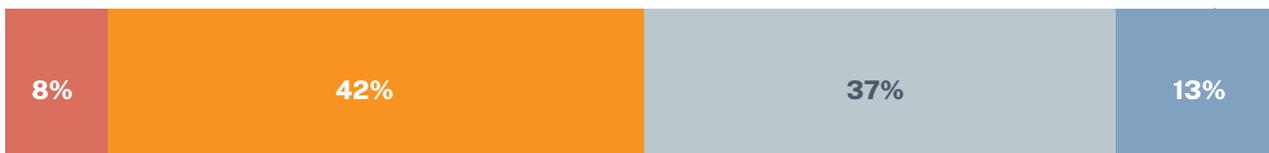


The economy where we do business will:



## Expectations for the Residential and Nonresidential Building Markets for Next Quarter

Residential Building Construction Market

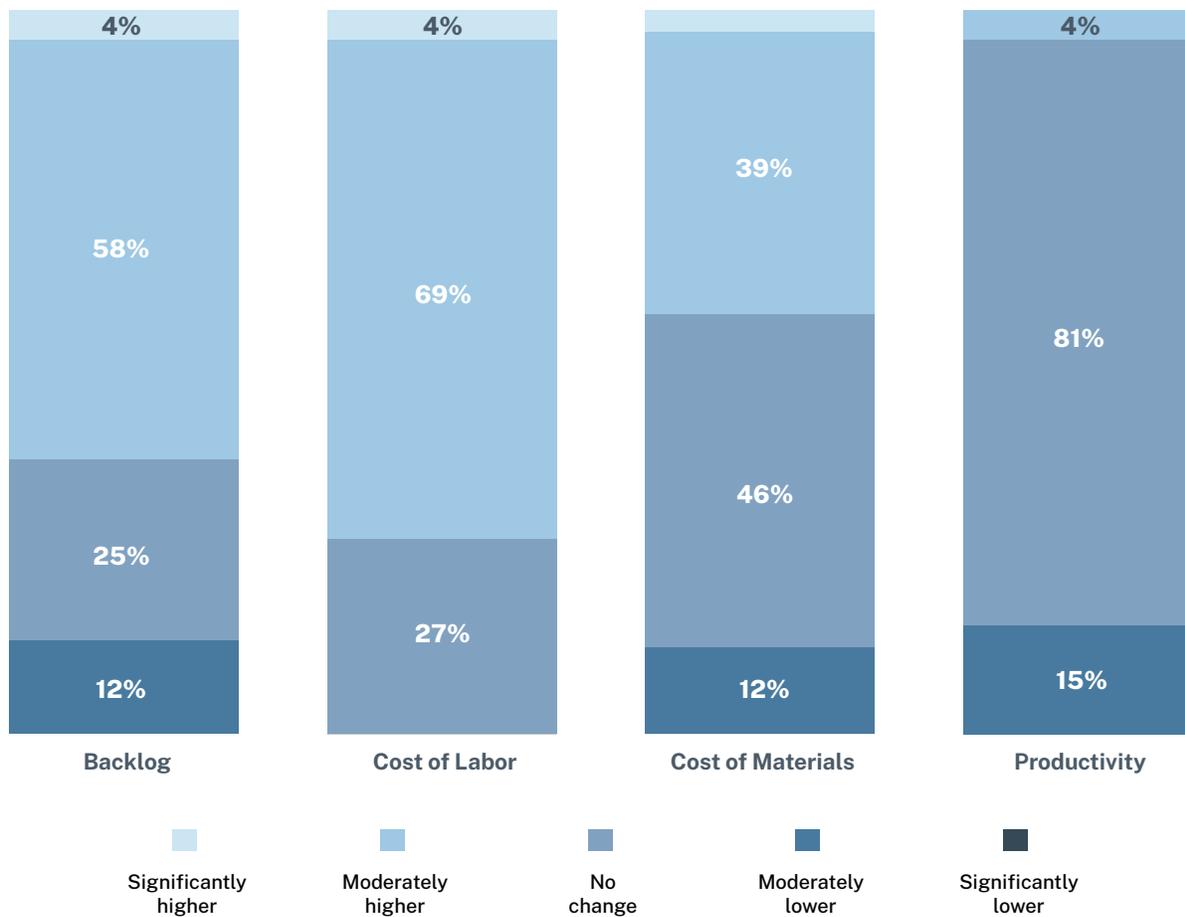


Nonresidential Building Construction Market



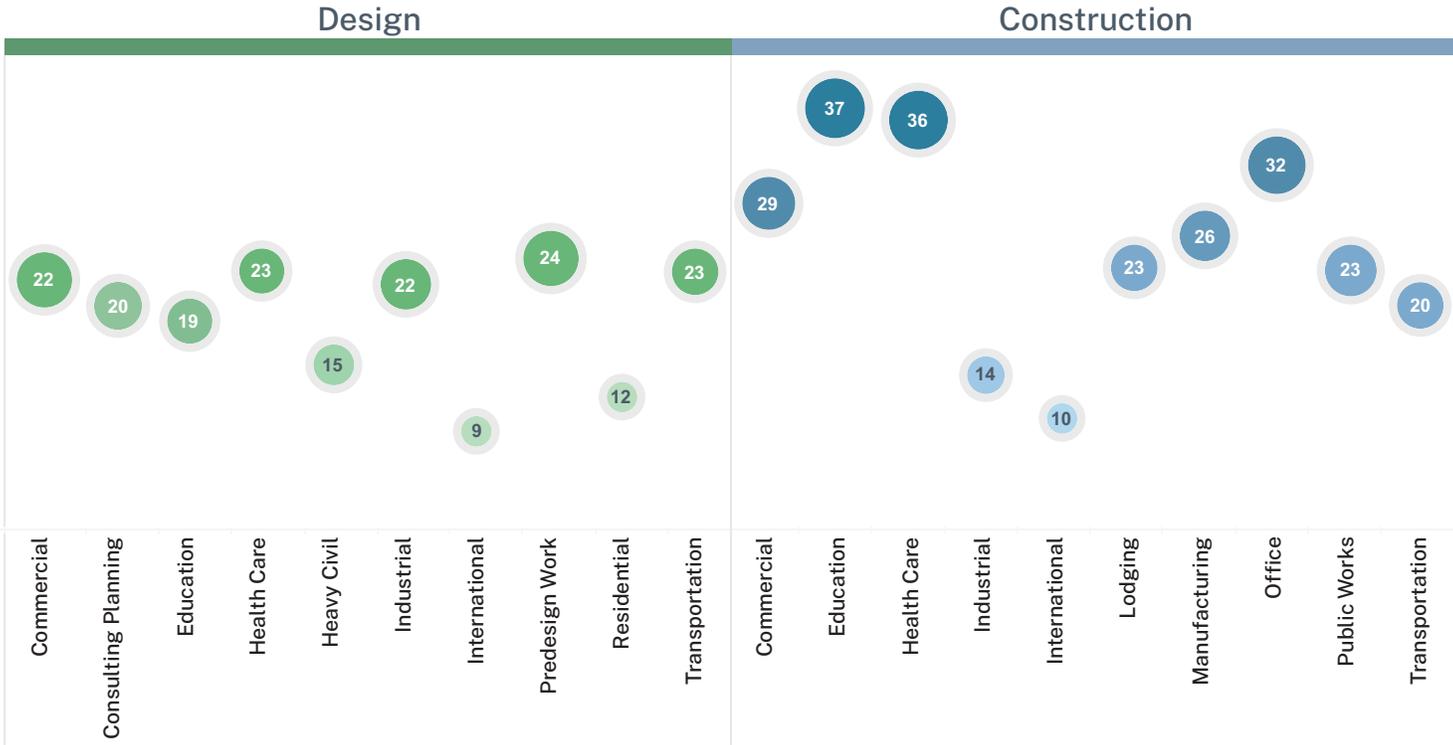


## Construction Input Predictions for Next Quarter

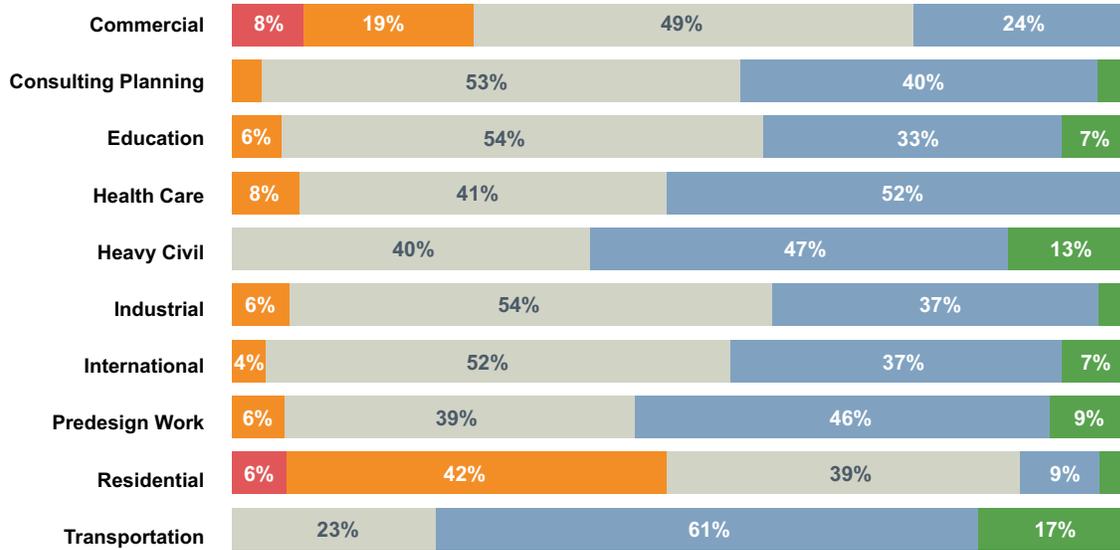




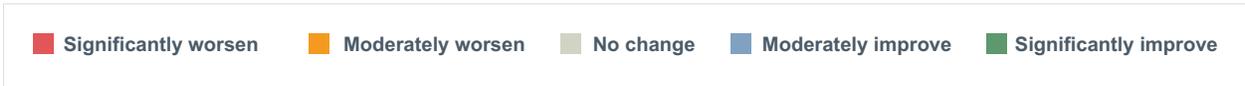
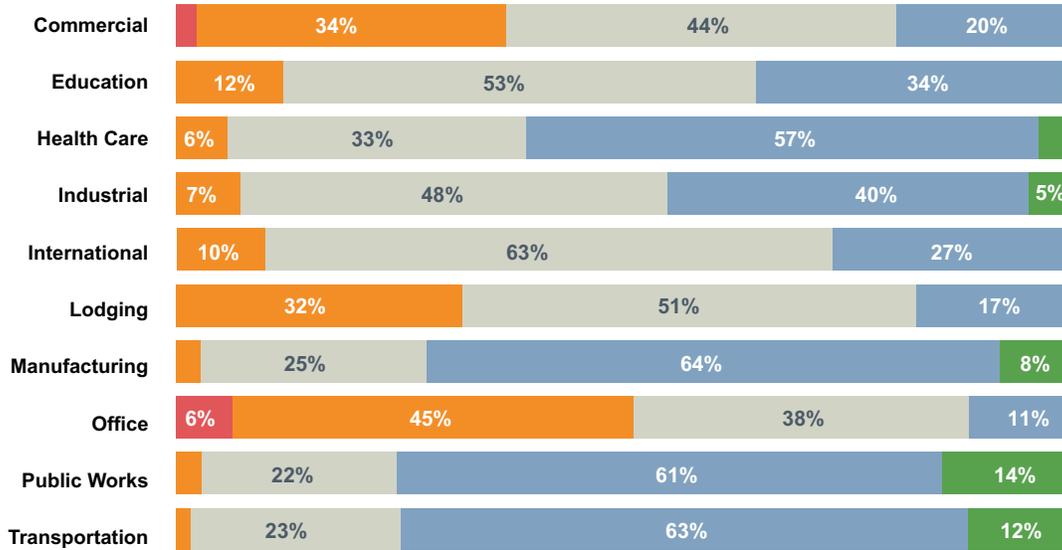
### Member Profile: Number of CIRT Member Companies in Each Sector

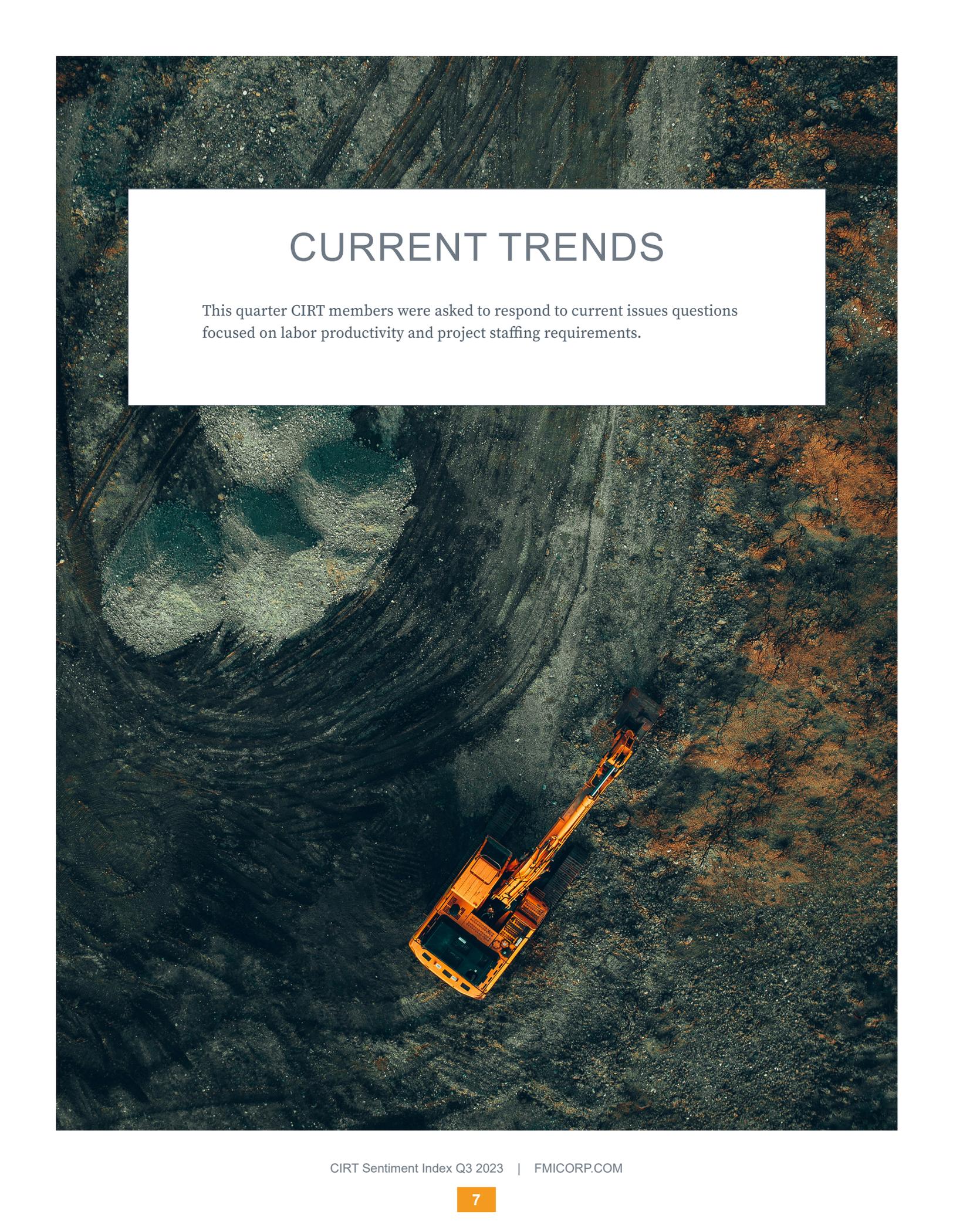


## Perception of Change for Next Quarter: Design



## Perception of Change for Next Quarter: Construction





# CURRENT TRENDS

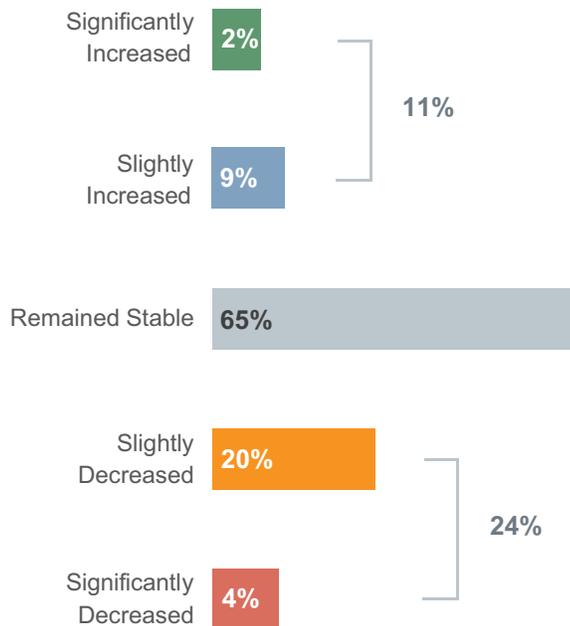
This quarter CIRT members were asked to respond to current issues questions focused on labor productivity and project staffing requirements.



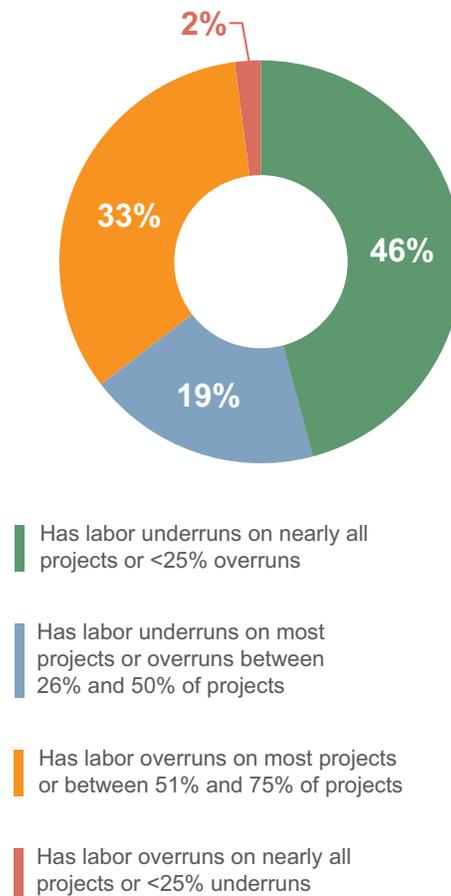
## Labor Productivity

Overall productivity has marginally declined across responding members with nearly 1 in 4 (24%) realizing some decrease over the past 12 to 18 months and just over 1 in 10 (11%) realizing some improvement. Budgeted labor cost findings show that approximately two-thirds of members are experiencing either labor underruns on nearly all projects (46%) or infrequent labor overruns on 26% to 50% of projects (19%).

### How would you describe the trend in labor productivity at your company over the last 12-18 months?



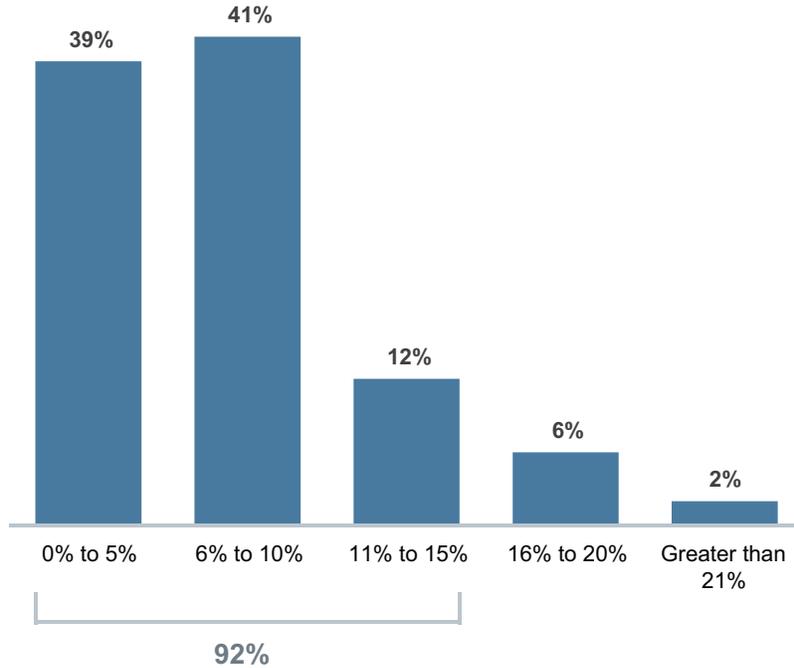
### With respect to budgeted labor costs on projects, your company:



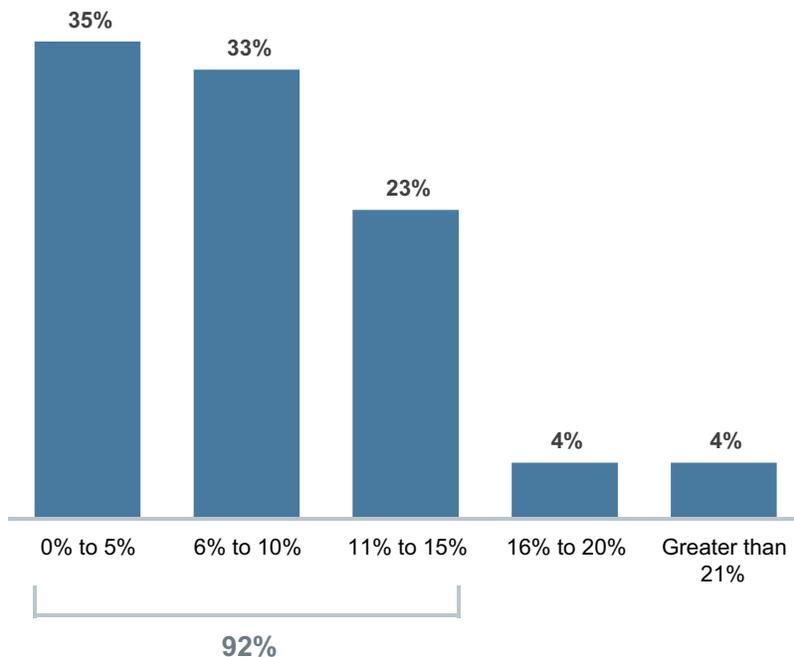
## Labor Productivity *continued ...*

Most CIRT members say field labor costs are well managed. More than 9 out of 10 respondents anticipate at most a 15% savings in field labor through better management practices. A similar share of members expects small amounts of downtime, estimating between 0% and 15% of field labor cost as time wasted or time spent unproductively in the field.

### Approximately what percentage of your annual field labor cost do you believe could be saved through better management practices?

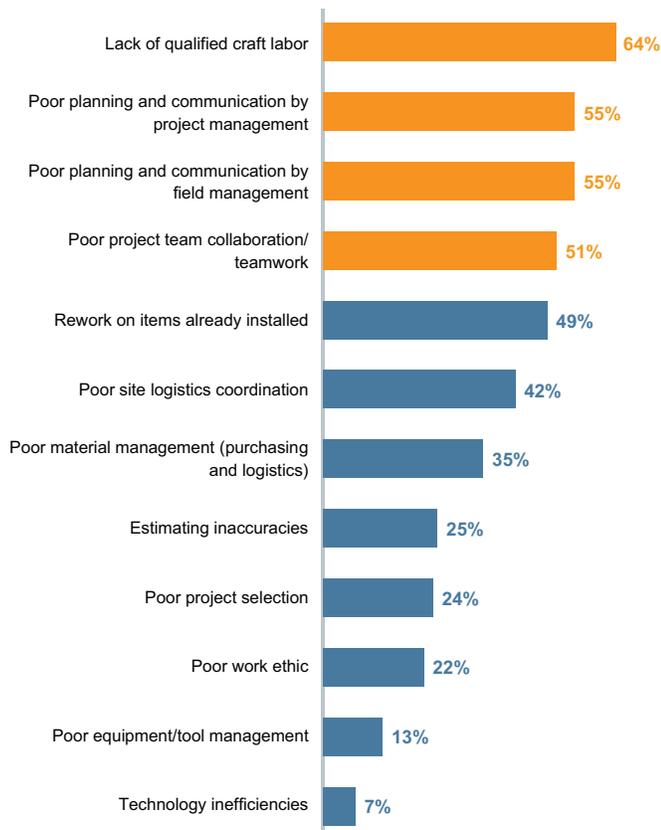


### Approximately what percentage of your annual field labor cost do you believe is waste or spent unproductively in the field?

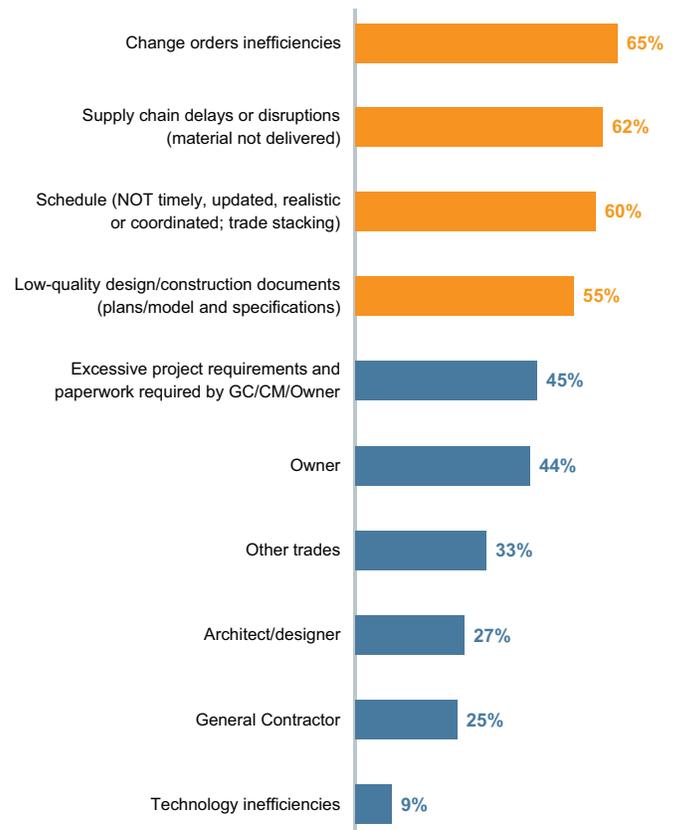


## Labor Productivity *continued ...*

What do you believe are the top five most significant **internal factors** that negatively impact field labor productivity at your company?



What or who do you believe are the top five most significant **external factors** that negatively impact field labor productivity at your company?



Lack of qualified skilled labor is the main internal factor negatively impacting field labor productivity, according to nearly two-thirds of member respondents (64%). Additionally, more than half of respondents identified productivity losses stemming from a lack of project team coordination, including planning, communication, collaboration and teamwork. Top external factors negatively impacting field labor productivity, selected by more than half of respondent members, include change order inefficiencies, supply chain delays, scheduling, or poor planning and designs on construction documentation.

Open-ended responses on the **top factors negatively impacting field labor** were split evenly between internal and external sources. The common internal theme was the general lack of available labor, which simultaneously impacts internal coordination and planning (e.g., lack of field supervisors). External factors pointed to project disruptions stemming from peripheral decision making, including planning, scheduling and material management/delays.

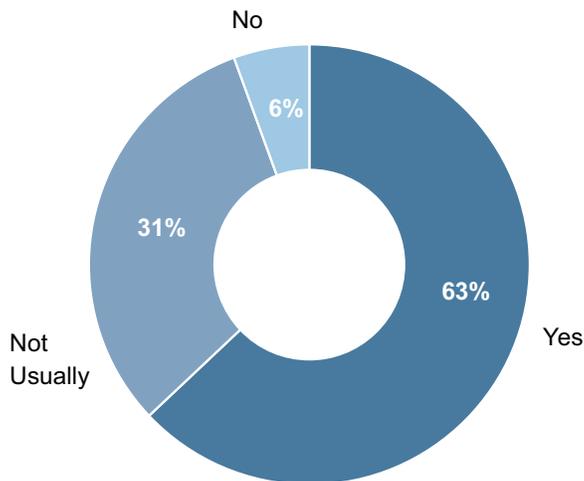
Open-ended responses on the **top factors positively impacting field labor** highlighted satisfaction with internal investments related to training and mentoring; coordination, communication and planning; technology; lean management and improved construction practices (e.g., adoption of engineered or premanufactured products).



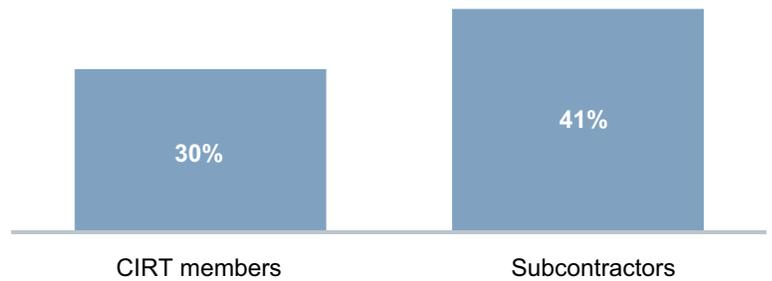
## Project Staffing Requirements

Nearly all respondents had recent experiences with needing to increase staff to deliver projects on time and safely. On average, CIRT members find the need to increase staff on projects about 30% of the time, while they see subcontractors needing to add staff to finish work about 40% of the time.

On specific/recent projects, do you or the subcontractors have to staff up (i.e., find additional field workers) to deliver the project safely and on time?



For those experiencing projects needing to increase staff – average share of projects staffed up by:



# DESIGN OUTLOOK

Industry	Next Quarter	Six Months From Now	One Year From Now
Commercial	2.71	2.86	3.10
Consulting Planning	3.25	3.45	3.60
Education	3.39	3.28	3.61
Health Care	3.36	3.41	3.55
Heavy/Civil	3.67	3.60	3.93
Industrial	3.29	3.33	3.48
International	3.33	3.44	3.67
Predesign Work	3.43	3.52	3.78
Residential	2.45	2.36	3.00
Transportation	3.86	3.91	4.05

# CONSTRUCTION OUTLOOK

Industry	Next Quarter	Six Months From Now	One Year From Now
Commercial	2.72	2.72	2.97
Education	3.22	3.14	3.36
Health Care	3.57	3.49	3.71
Industrial	3.43	3.21	3.64
International	3.10	3.10	3.30
Lodging	2.87	2.74	2.96
Manufacturing	3.84	3.68	3.80
Office	2.47	2.56	2.59
Public Works	3.74	3.91	3.96
Transportation	3.85	3.75	3.95

Darker shades indicate higher optimism.



This quarter respondents were asked how the design and construction sectors will change next quarter, six months from now and one year from now. Each industry score is on a scale of 1 to 5, with 1 being the worst and 5 being the best. Each response reflects the change in score in comparison to the starting average score of the next quarter. Darker colors indicate higher optimism.



## ABOUT THE CONSTRUCTION INDUSTRY ROUND TABLE (CIRT)

---

The Construction Industry Round Table (CIRT) is composed exclusively of approximately 130-135 CEOs from the leading architectural, engineering and construction firms doing business in the United States.

CIRT is the only organization that is uniquely situated as a single voice representing the richly diverse and dynamic design/construction community. First organized in 1987 as the Construction Industry Presidents' Forum, the Forum has since been incorporated as a not-for-profit association with the mission "to be a leading force for positive change in the design/construction industry while helping members improve the overall performance of their individual companies."

The Round Table strives to create one voice to meet the interests and needs of the design/construction community. CIRT supports its members by actively representing the industry on public policy issues, by improving the image and presence of its leading members, and by providing a forum for enhancing and developing strong management approaches through networking and peer interaction.

The Round Table's member CEOs serve as prime sources of information, news and background on the design/construction industry and its activities. If you are interested in obtaining more information about the Construction Industry Round Table, please call **202-466-6777** or contact us by email at **[cirt@cirt.org](mailto:cirt@cirt.org)**.

## CIRT SENTIMENT INDEX

---

The CIRT Sentiment Index is a survey of members of the Construction Industry Round Table conducted quarterly by FMI. For press contact or questions about the CIRT Sentiment Index, contact **Mark Casso** at **[mcasso@cirt.org](mailto:mcasso@cirt.org)**.

## CONFIDENTIALITY

---

All individual responses to this survey will be confidential and shared outside of FMI only in the aggregate. All names of individuals responding to this survey will remain confidential to FMI.



FMI is a leading consulting and investment banking firm dedicated to serving companies working within the built environment. Our professionals are industry insiders who understand your operating environment, challenges and opportunities. FMI's sector expertise and broad range of solutions help our clients discover value drivers, build resilient teams, streamline operations, grow with confidence and sell with optimal results.

## CONTACT US

---



**RALEIGH HEADQUARTERS**  
223 S. West Street  
Suite 1200  
Raleigh, NC 27603



919.787.8400

[fmicorp.com](http://fmicorp.com)

## OFFICES

---

Denver  
44 Cook Street  
Suite 900  
Denver, CO 80206  
303.377.4740

Houston  
1301 McKinney Street  
Suite 2000  
Houston, TX 77010  
713.936.5400

Tampa  
4300 W. Cypress Street  
Suite 950  
Tampa, FL 33607  
813.636.1364