



CIRT SENTIMENT INDEX

2022 First Quarter Report



February 2022



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

EXECUTIVE SUMMARY

INDEX MOVEMENT			
Sentiment Index		Design Index	
73.2		81.5	
		Q1 2022	Q4 2021
Overall U.S. Economy	↓	61.61	64.71
Economy Where We Do Business	↓	71.43	73.53
Our Construction Business	↑	83.08	79.38
Nonresidential Sector	↓	71.30	74.24
Backlog	↓	75.30	75.98
Cost of Labor	↓	93.75	97.06
Cost of Materials	↑	89.29	83.82
Productivity	↓	42.86	47.06

First quarter 2022 CIRT index scores came in slightly lower than the fourth quarter of 2021. The Sentiment Index fell marginally from 74.9 to 73.2. The Design Index followed the trend, declining from 83.4 to 81.5. Both remain just under historic highs set in the third quarter of 2021.

Though mid- and longer-run economic optimism has been propped up by the passage of the Infrastructure Investment and Jobs Act (IIJA) and ongoing improvements to the labor market, short-term obstacles include the uptick in consumer prices from the global wave of omicron COVID-19 cases, widespread labor shortages and ongoing international turmoil. Additionally, toward the end of 2021, the Federal Reserve announced an accelerated end to its purchasing with anticipated rate increases as early as March.

Like last quarter, most (6 out of 8) of the index components realized some decline, with downward movement tied to the overall U.S. economy, the local economy where participants operate, and the nonresidential sector. Though the cost of labor fell, materials costs increased alongside some declines in productivity. Encouragingly, however, participants' outlooks on their construction businesses improved and backlogs remained stable.

This quarter, Construction Industry Round Table (CIRT) members were asked to respond to current issues questions focused on backlogs, capacity, hiring goals, impact of the infrastructure package on business planning, and identifying the top risks or concerns for 2022.

More than half of participating members' backlogs are higher now than they were a year ago, and nearly 90% have more than a full year of design and construction activity planned. Approximately 4 out of 5 respondents report workload capacity exceeds 80%, with 2 out of 5 reporting workload capacity between 90% and 100%. Similarly, 2022 hiring goals are greater than 2021 levels, with most stating labor capacity is low relative to backlogs.

Participants were nearly split on whether the passage of the infrastructure bill impacted 2022 business and strategy planning. Of the slight minority that found the bill impactful for business planning, the top factors considered were hiring plans, geographic market expansion and segment market expansion.

Top risks among CIRT members for 2022 include inflationary pressures, a limited supply of labor, government mandates associated with the pandemic, and cost escalations due to supply chain disruptions in materials and equipment.

Among the industries represented by CIRT's member base, health care and pre-design work are projected to experience the largest short-term gains in design. Public works, manufacturing and transportation are identified as strong short-term leaders for construction demand.

The design industry's long-term view of project growth remains upbeat, with all but residential tracking well above 3.5. The construction industry's one-year outlook is similarly optimistic, with just two sectors tracking below 3.5 — international and office. Though many segments were strengthened, likely due to the passage of the infrastructure bill, softness in residential and international markets is a new development this quarter.



CIRT Sentiment Index and Design Index Scores from Q1 2018 to Q1 2022

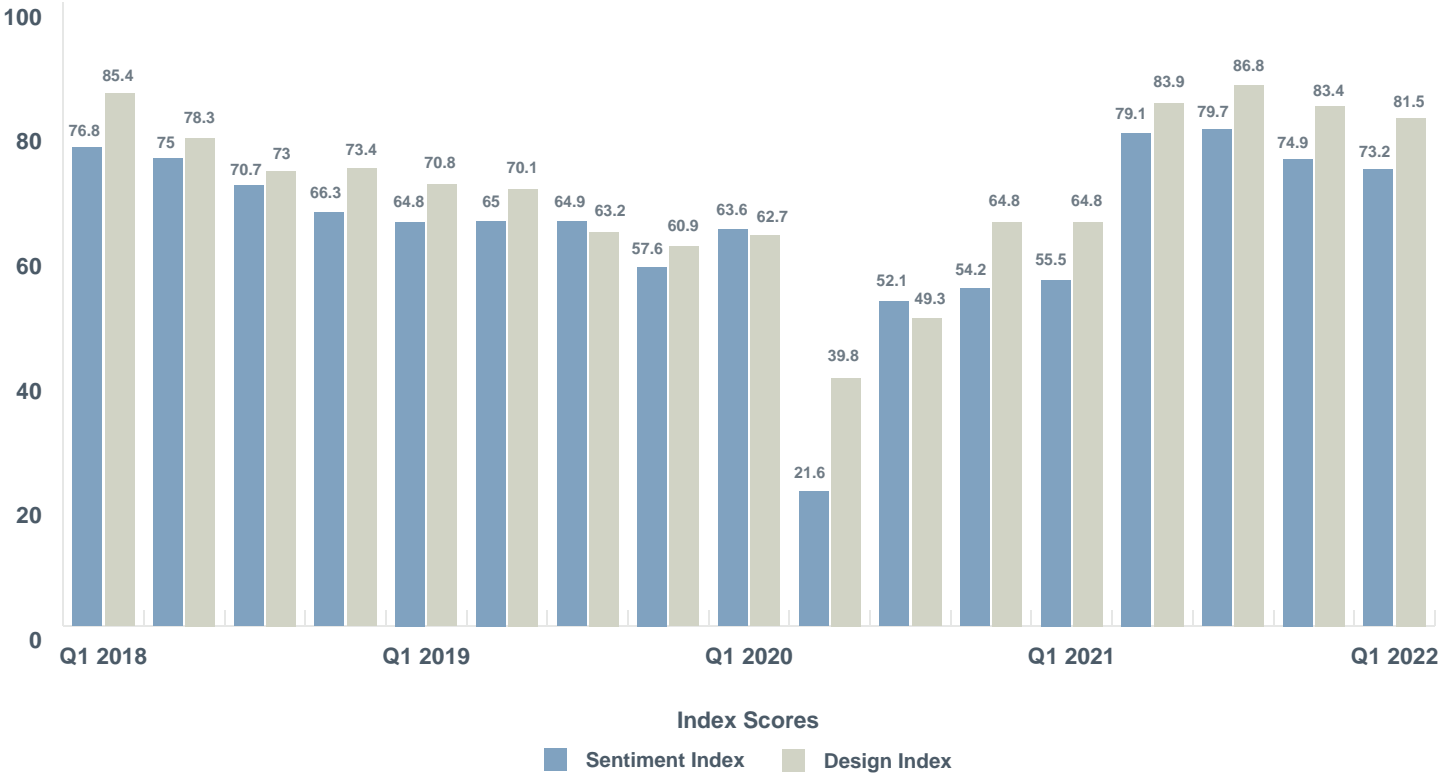
Survey Dates
January 5-17, 2022

Current Sentiment
Index Score

73.2

Current Design
Index Score

81.5





Local and National Economic Predictions for Next Quarter

The overall U.S. economy will:



The economy where we do business will:

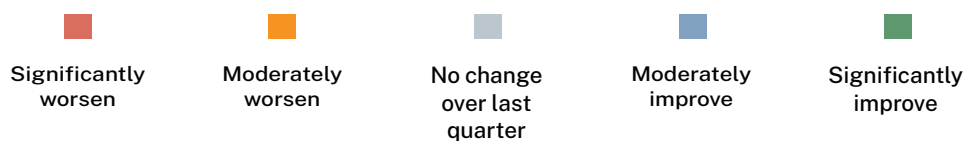


Expectations for the Residential and Nonresidential Building Markets for Next Quarter

Residential Building Construction Market

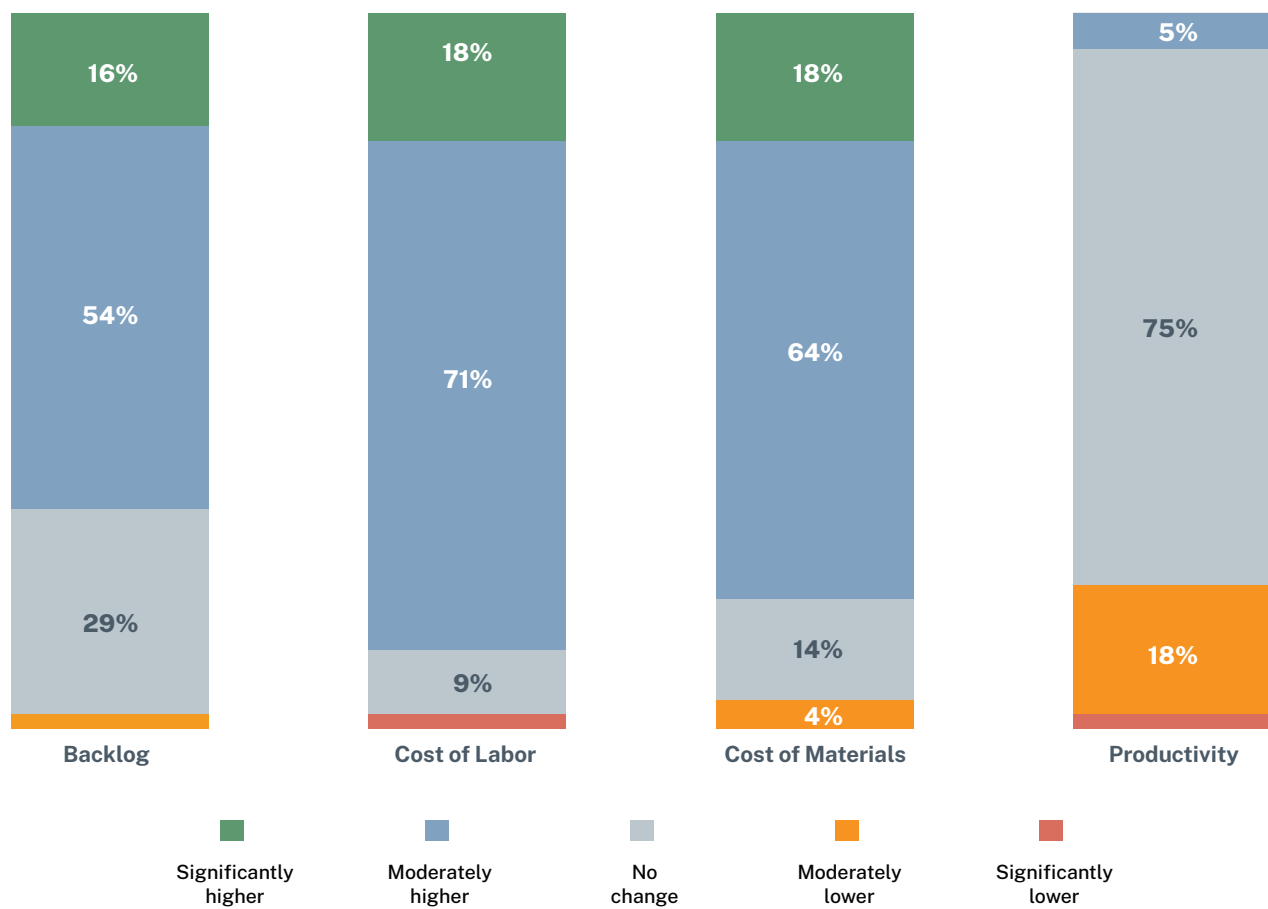


Nonresidential Building Construction Market



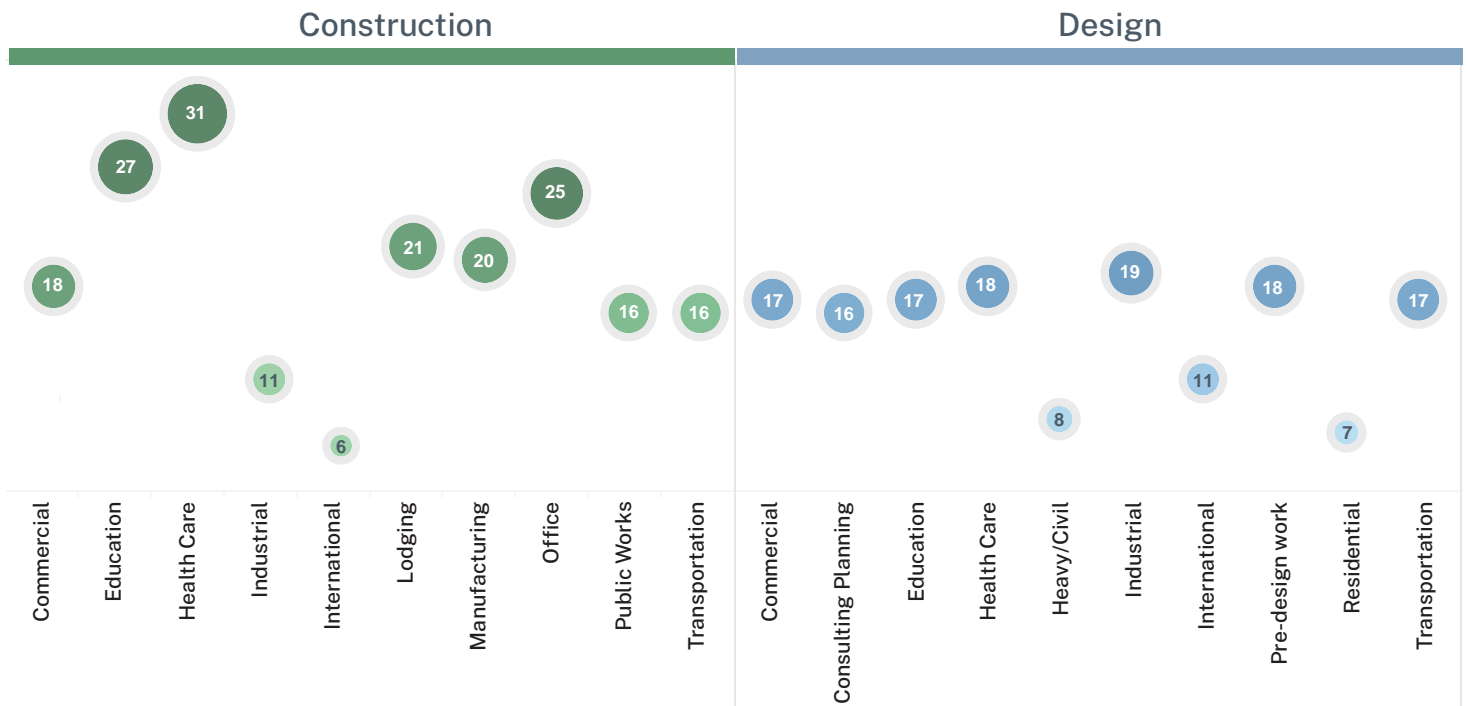


Construction Input Predictions for Next Quarter

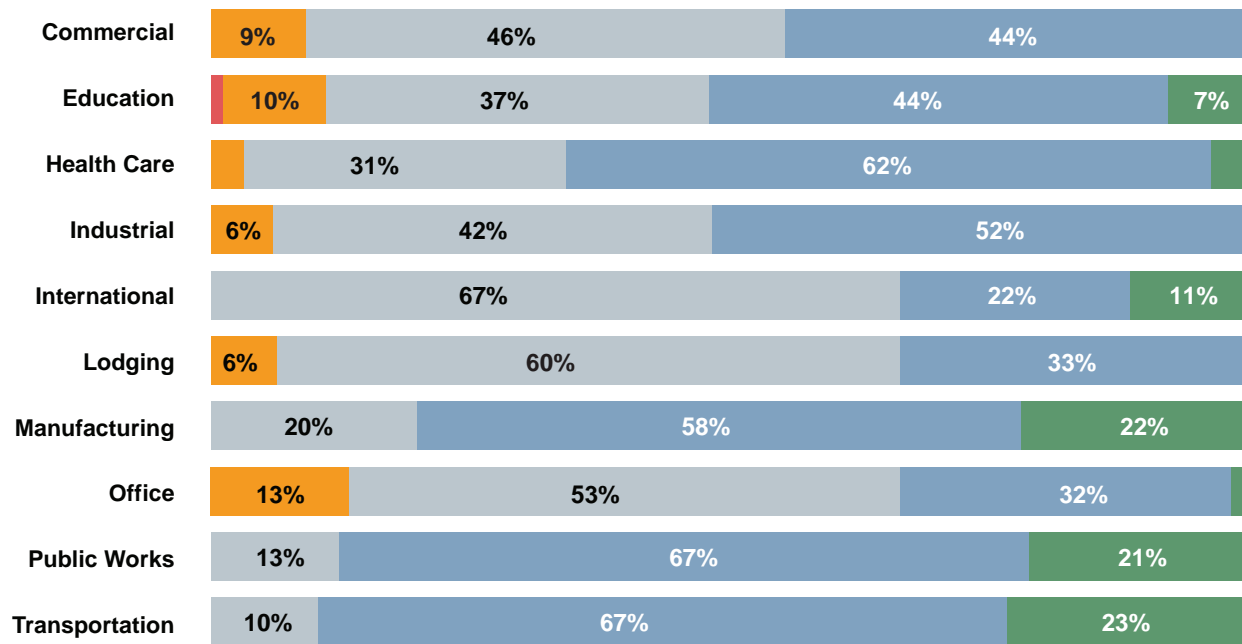




Member Profile: Number of CIRT Member Companies in Each Sector

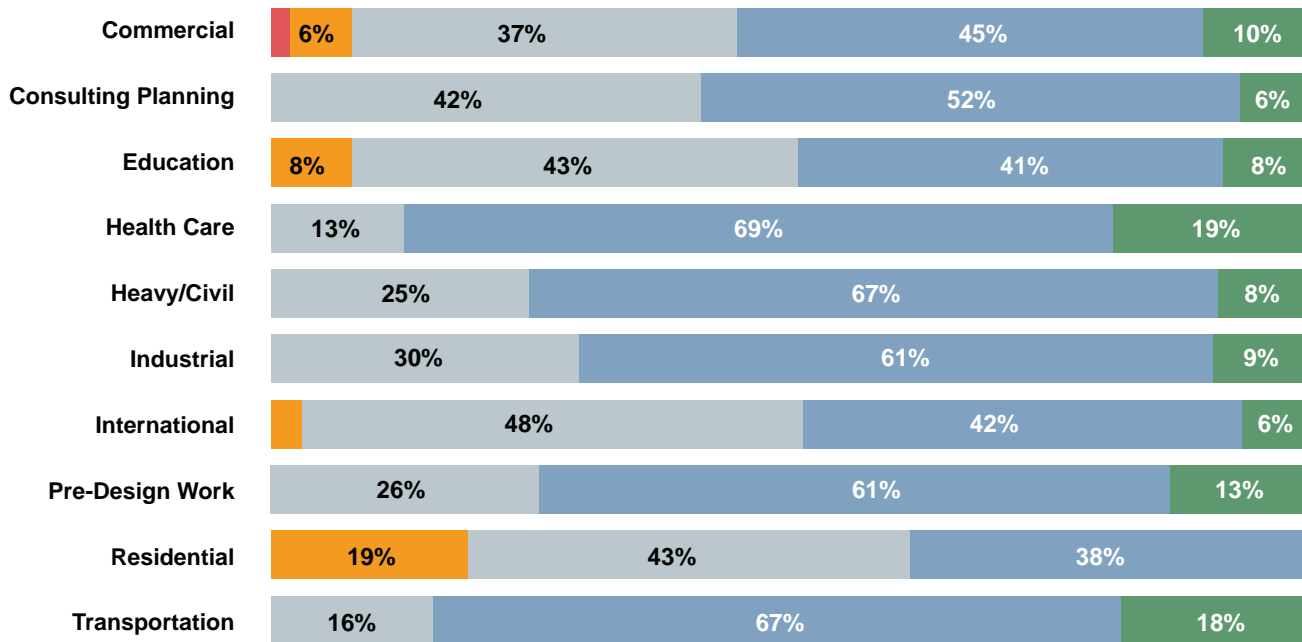


Perception of Change for Next Quarter: Construction



■ Significantly worsen
 ■ Moderately worsen
 ■ No change
 ■ Moderately improve
 ■ Significantly improve

Perception of Change for Next Quarter: Design



■ Significantly worsen
 ■ Moderately worsen
 ■ No change
 ■ Moderately improve
 ■ Significantly improve

The background of the slide is a blue-tinted aerial photograph of an industrial facility, possibly a refinery or chemical plant, with various structures, pipes, and storage tanks. Overlaid on this image is a white network diagram consisting of dots connected by lines. Several circular icons are placed at key nodes of the network: a smartphone at the top left, a house at the top right, a Wi-Fi symbol in the center, a laptop at the bottom right, and a car at the bottom left. The overall aesthetic is high-tech and industrial.

CURRENT TRENDS

This quarter CIRT members were asked to respond to current issues questions focused on backlogs, capacity, hiring goals and the impact of the infrastructure package on business planning, and to identify top risks and/or concerns for 2022.

Members were also asked about supply chain disruptions and how delays and cancellations compared to more normal years of design and construction activity.

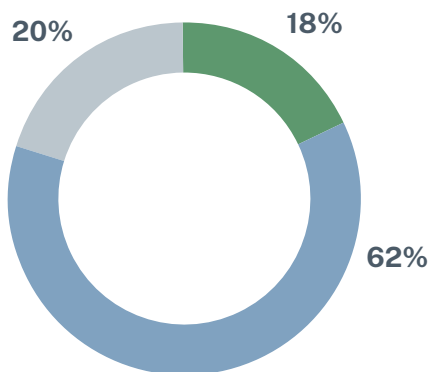


Supply Chain Disruptions

Last quarter, 4 out of 5 respondents, or 82%, said they experienced project delays in 2021 from supply chain disruptions, and 19% said they had projects canceled. We asked participants this quarter how those disruptions compared to more normal years of activity, such as 2016 to 2018.

This quarter 80% of respondents said delays were either significantly higher (18%) or somewhat higher (62%) in 2021. Conversely, less than 30% found cancellations of design and construction activity more frequent compared to 2016 to 2018. The majority, or 72%, suggested that cancellations were either about the same (65%) or somewhat lower (7%) last year.

Given the supply chain disruptions seen through most of 2021, how would you describe the frequency of project **DELAYS** when compared to more normal periods of construction activity (for example, 2016-2018)?

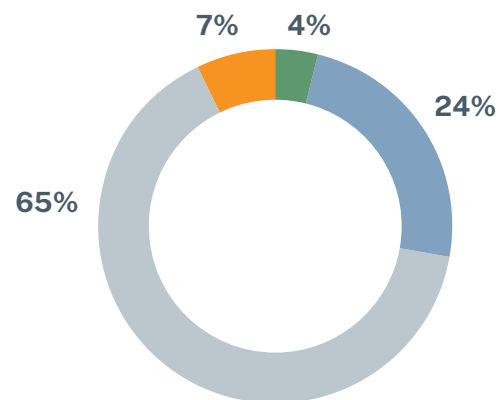


Significantly
higher

Somewhat
higher

About
the same

Given the supply chain disruptions seen through most of 2021, how would you describe the frequency of project **CANCELLATIONS** when compared to more normal periods of construction activity?



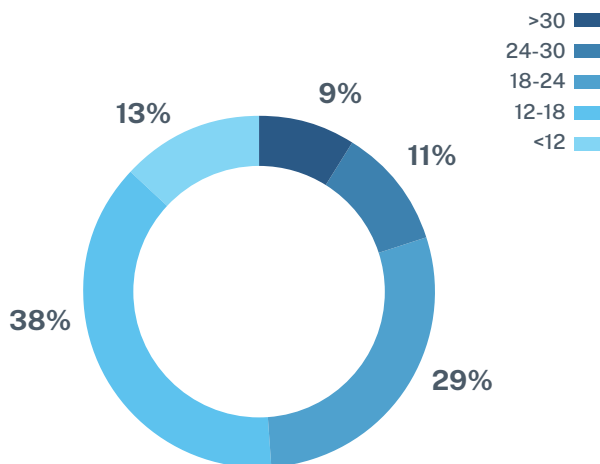
Significantly
lower



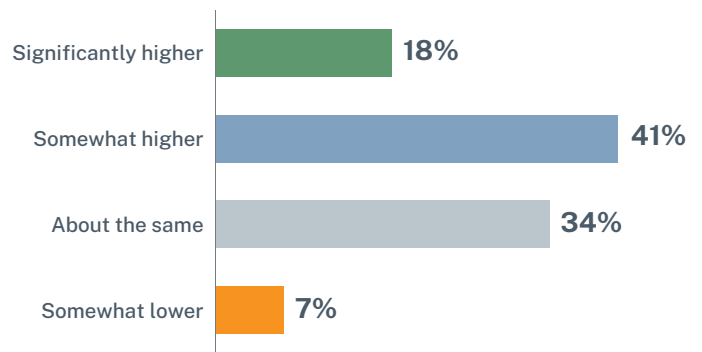
Backlog

Backlogs at the end of 2021 appear strong. More than half of participating members' backlogs are higher now than they were a year ago. Further, nearly 90% of respondents reported more than 12 months of design and construction activity going into 2022, and just under half reported backlogs exceeding 18 months.

As we close 2021 and head into 2022, how strong is your backlog in terms of months?



How does this backlog compare to the close of the last year?

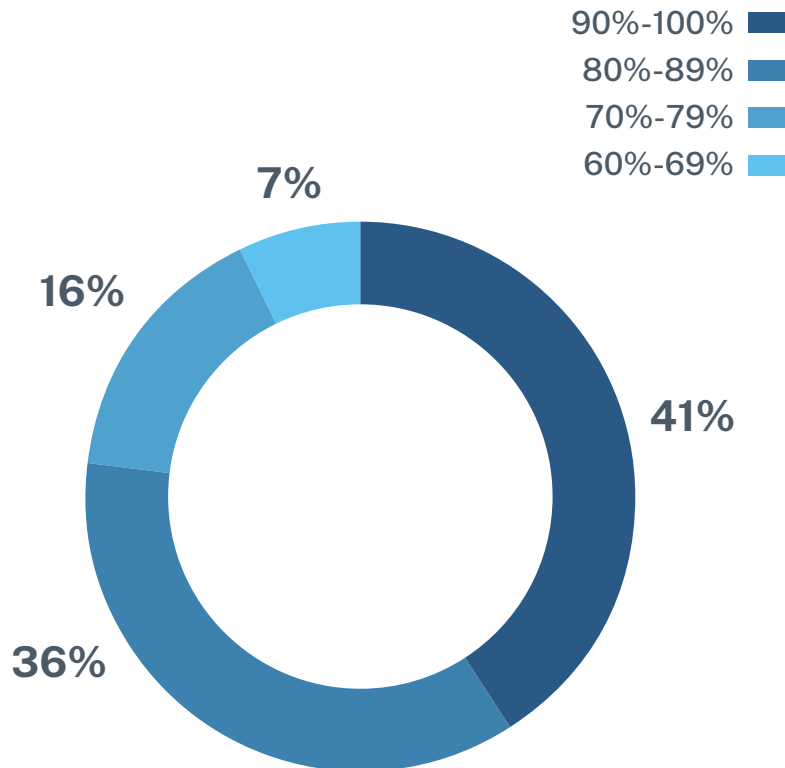




Capacity

Most respondents, or nearly 4 out of 5, report project workload capacity is greater than 80%, with 41% suggesting near or full capacity between 90% and 100%.

At what capacity do you estimate your firm to be, given current project workload?

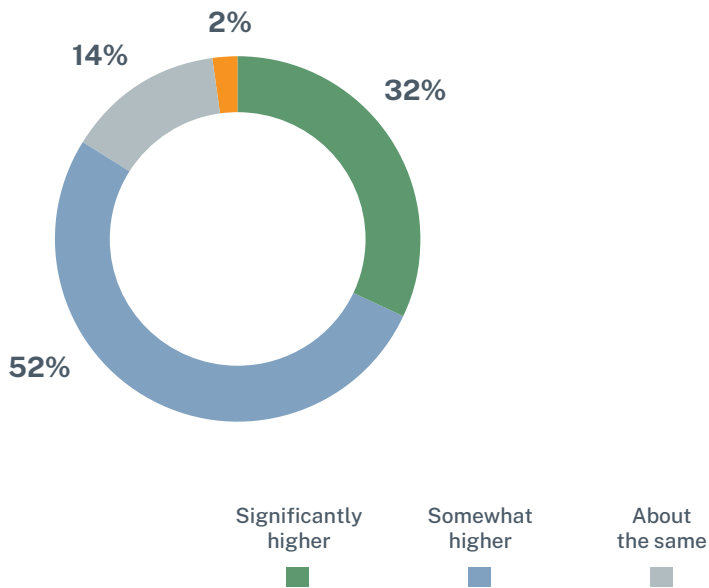




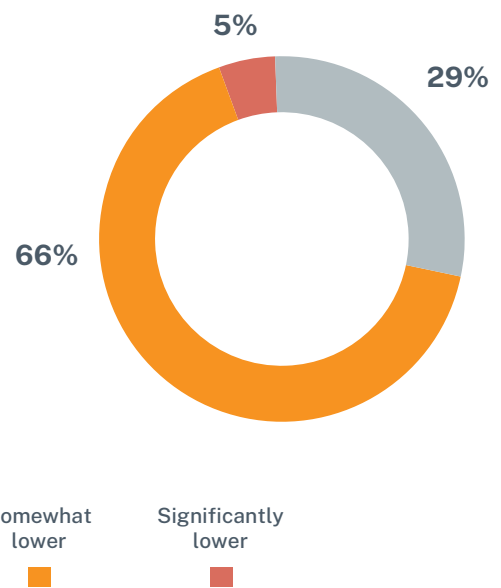
Labor

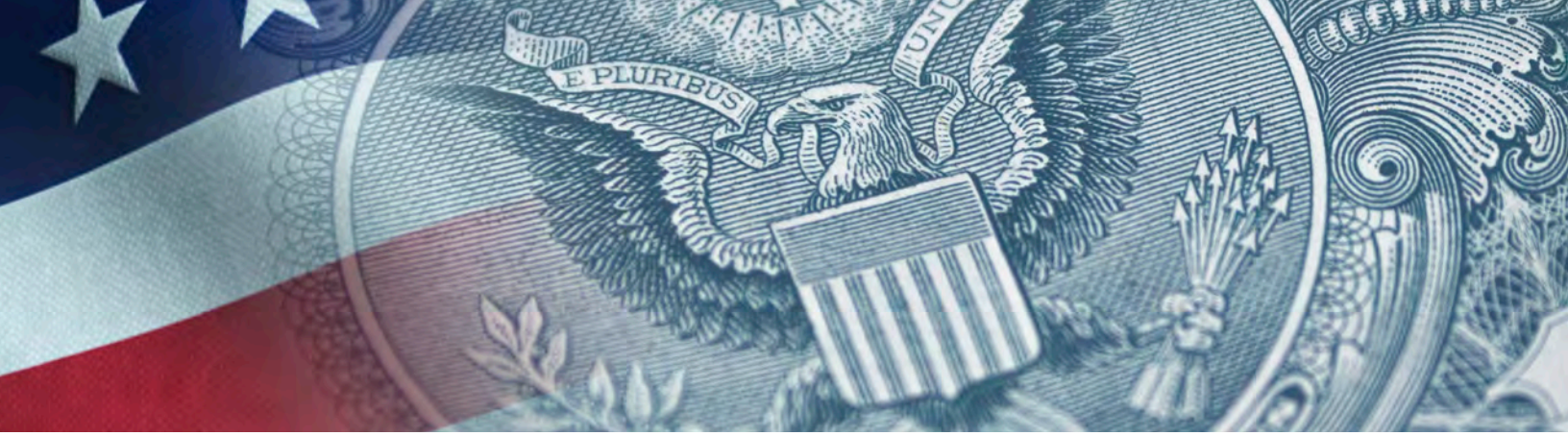
2022 hiring goals have generally expanded beyond 2021 levels for 84% of respondents. Additionally, 71% reported labor force capacity either low (66%) or significantly lower (5%) relative to their backlogs.

How would you describe your hiring goals for 2022 compared to 2021?



How would you describe your labor force capacity relative to your 2022 backlog?



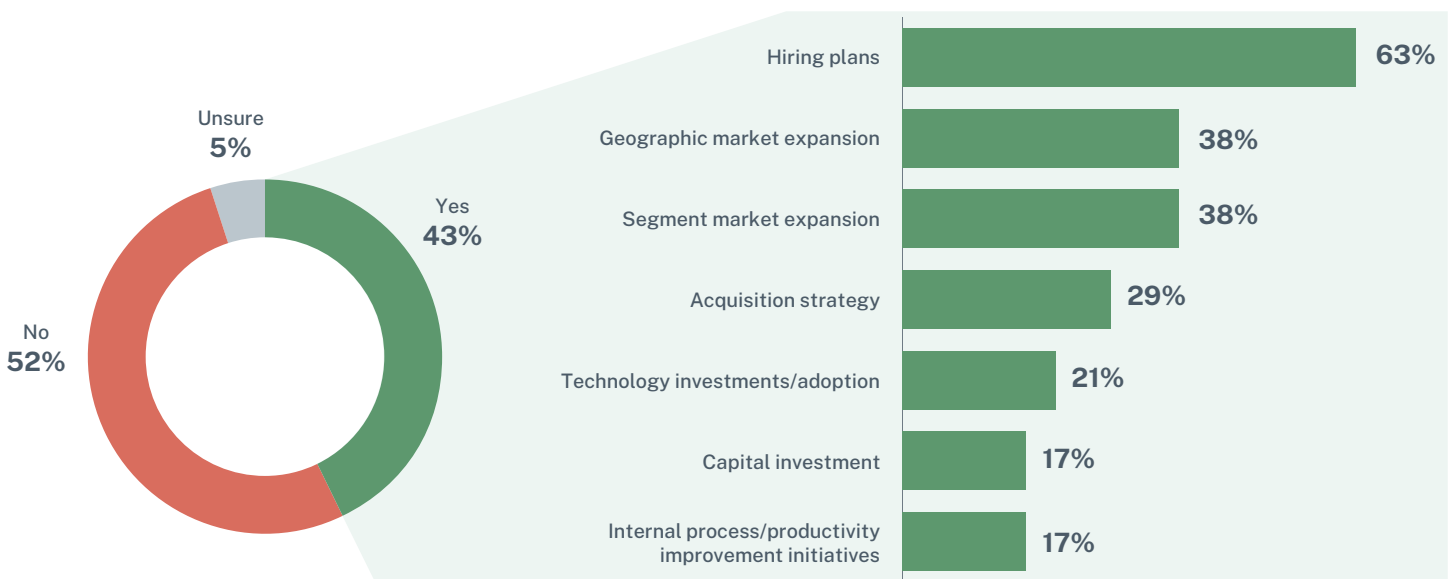


Infrastructure Package Impact on Business Planning

Participants were nearly split on whether the passage of the infrastructure bill impacted 2022 business and strategy planning. Of the slight minority (43%) that found the bill impactful for business planning, the top factors considered were hiring plans (63%), geographic market expansion (38%) and segment market expansion (38%).

Has the passage of the infrastructure bill made an impact on your 2022 business/strategy planning?

(If yes) Select the top two components of your 2022 planning most impacted from the passage of the infrastructure bill.



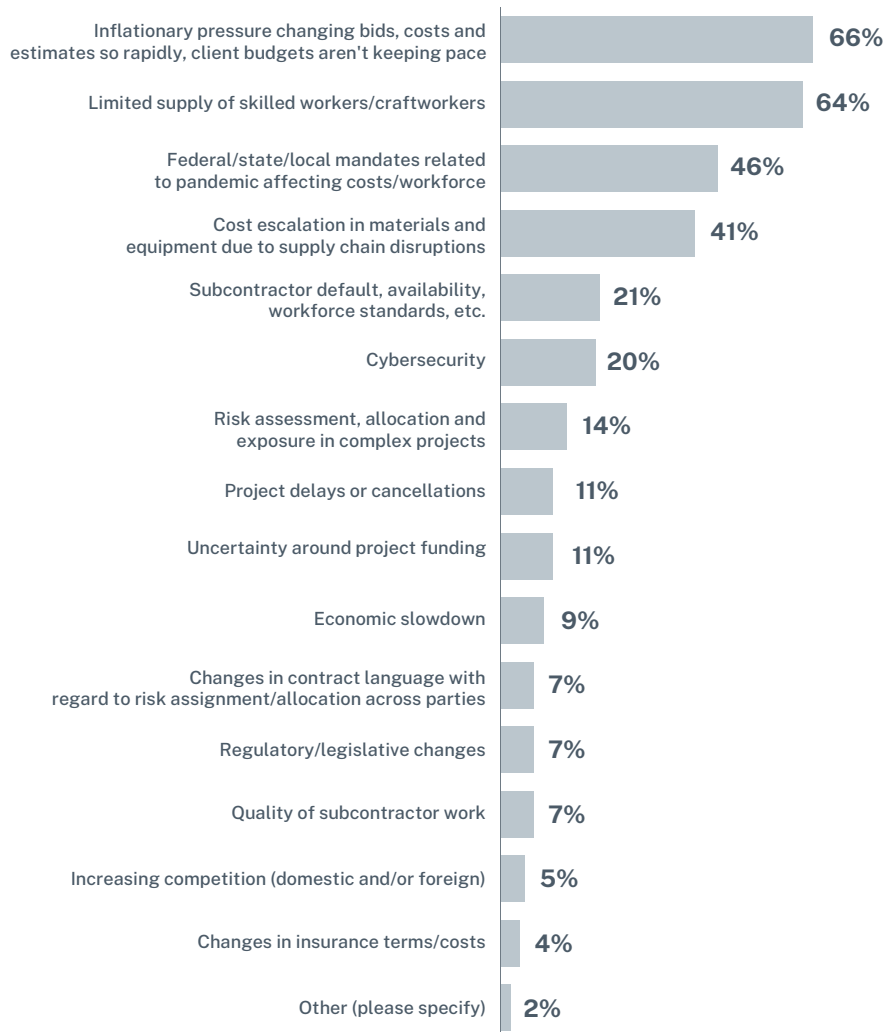


Greatest Risks for 2022

More than half of all respondents found that inflationary pressures (66%) and a limited supply of labor (64%) are leading risks for 2022.

Just under half identified risk related to government mandates associated with the pandemic (46%) and cost escalations due to supply chain disruptions in materials and equipment (41%). Further, approximately 1 in 5 see elevated risk related to subcontractors (21%) and cybersecurity (20%).

Looking to 2022, what three risks do you expect to be of the greatest concern?





DESIGN OUTLOOK

	Design Sector Project Growth		
Industry	Next Quarter	Six Months From Now	One Year From Now
Commercial	3.35	3.47	3.82
Consulting Planning	3.50	3.69	3.75
Education	3.18	3.35	3.94
Health Care	3.89	4.06	4.22
Heavy/Civil	3.63	3.75	4.13
Industrial	3.74	3.74	3.89
International	3.27	3.36	3.91
Pre-design Work	3.83	3.78	4.00
Residential	3.14	3.14	3.29
Transportation	3.65	4.06	4.35

Respondents were asked to comment on how the design sector will change next quarter, six months from now and in one year. Each industry score is on a scale of 1 to 5, with 1 being the worst and 5 being the best. Each percentage reflects the change in score in comparison to the starting average score of the next quarter. Please refer to the “Design Sector Project Growth by Industry” chart to see a visual representation of the scores. Below are the predominant perceptions of CIRT’s members:

COMMERCIAL

Starting average score of 3.35 for next quarter, 3.47 for six months from now, and 3.82 for one year from now.

CONSULTING PLANNING

Starting average score of 3.50 for next quarter, 3.69 for six months from now, and 3.75 for one year from now.

EDUCATION

Starting average score of 3.18 for next quarter, 3.35 for six months from now, and 3.94 for one year from now.

HEALTH CARE

Starting average score of 3.89 for next quarter, 4.06 for six months from now, and 4.22 for one year from now.



HEAVY/CIVIL

Starting average score of 3.63 for next quarter, 3.75 for six months from now, and 4.13 for one year from now.

INDUSTRIAL

Starting average score of 3.74 for next quarter, 3.74 for six months from now, and 3.89 for one year from now.

INTERNATIONAL

Starting average score of 3.27 for next quarter, 3.36 for six months from now, and 3.91 for one year from now.

PRE-DESIGN WORK

Starting average score of 3.83 for next quarter, 3.78 for six months from now, and 4.00 for one year from now.

RESIDENTIAL

Starting average score of 3.14 for next quarter, 3.14 for six months from now, and 3.29 for one year from now.

TRANSPORTATION

Starting average score of 3.65 for next quarter, 4.06 for six months from now, and 4.35 for one year from now.



CONSTRUCTION OUTLOOK

Industry	Construction Sector Business Outlook		
	Next Quarter	Six Months From Now	One Year From Now
Commercial	3.06	3.44	3.56
Education	3.07	3.52	3.81
Health Care	3.32	3.74	3.90
Industrial	3.18	3.55	3.64
International	3.50	3.50	3.33
Lodging	3.05	3.19	3.57
Manufacturing	3.90	4.00	4.15
Office	2.96	3.28	3.40
Public Works	4.00	3.94	4.31
Transportation	3.81	4.13	4.44

This quarter respondents were asked to comment on how the construction sector will change next quarter, six months from now and in one year. Each industry score is on a scale of 1 to 5, with 1 being the worst and 5 being the best. Each percentage reflects the change in score in comparison to the starting average score of the next quarter. Please refer to the previous chart to see a visual representation of the scores. Below are the predominant perceptions of CIRT's members:

COMMERCIAL

Starting average score of 3.06 for next quarter, 3.44 for six months from now, and 3.56 for one year from now.

EDUCATION

Starting average score of 3.07 for next quarter, 3.52 for six months from now, and 3.81 for one year from now.

HEALTH CARE

Starting average score of 3.32 for next quarter, 3.74 for six months from now, and 3.90 for one year from now.

INDUSTRIAL

Starting average score of 3.18 for next quarter, 3.55 for six months from now, and 3.64 for one year from now.



INTERNATIONAL

Starting average score of 3.50 for next quarter, 3.50 for six months from now, and 3.33 for one year from now.

LODGING

Starting average score of 3.05 for next quarter, 3.19 for six months from now, and 3.57 for one year from now.

MANUFACTURING

Starting average score of 3.90 for next quarter, 4.00 for six months from now, and 4.15 for one year from now.

OFFICE

Starting average score of 2.96 for next quarter, 3.28 for six months from now, and 3.40 for one year from now.

PUBLIC WORKS

Starting average score of 4.00 for next quarter, 3.94 for six months from now, and 4.31 for one year from now.

TRANSPORTATION

Starting average score of 3.81 for next quarter, 4.13 for six months from now, and 4.44 for one year from now.



ABOUT THE CONSTRUCTION INDUSTRY ROUND TABLE (CIRT)

The Construction Industry Round Table (CIRT) is composed exclusively of approximately 115-120 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.

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.

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.

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