



Industry Focus. Powerful Results.™

# CIRT Sentiment Index

First Quarter Report





## EXECUTIVE SUMMARY

### INDEX MOVEMENT

		Q4 2018	Q1 2019
Overall U.S. Economy	↓	67.86	50.88
Economy Where We Do Business	↓	67.86	54.39
Our Construction Business	↓	76.85	76.79
Nonresidential Sector	↓	61.90	52.73
Backlog	→	77.78	77.78
Cost of Labor	↑	94.05	94.74
Cost of Materials	↓	94.05	92.11
Productivity	↑	45.24	46.49

Expectations surrounding the first quarter of 2019 caused a decrease in both the Sentiment and Design Indexes. The CIRT Sentiment Index fell from 66.3 to 64.8 and the Design Index fell from 73.4 to 70.8. Both indexes saw a steady downward trend all throughout 2018, with that trend now continuing into 2019. This movement is opposite the normal index cycle, which usually sees the indexes start optimistically high in the first quarter and then gradually fall throughout the year. This deviation from the normal cycle behavior could be due to lingering fears about the economy, global markets (tariffs), election results and uncertainty amid the longest government shutdown in United States history.

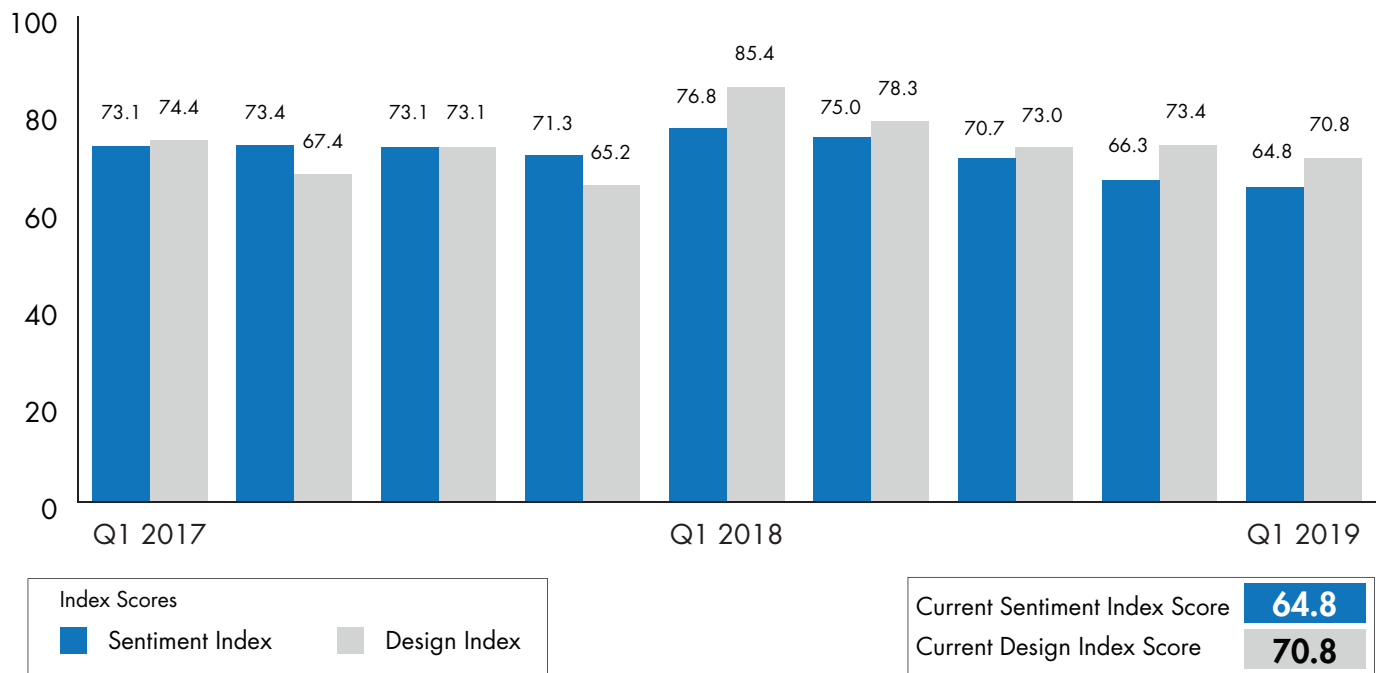
This quarter surveyed the members about their hiring prospects for this year and asked what they expect to be the biggest challenges for their businesses in 2019. As with each first quarter report, members were asked three things: Whether they intend to increase or decrease their workforce, by what magnitude they intend to increase or decrease their workforce and what their key considerations are for hiring salaried employees this year. The majority of CIRT members indicated that they will be increasing their salaried employees this year, with 46% expecting up to 5% growth and another 42% expecting between 5-10% growth. This seems to echo what 53% of respondents cited as their motive for hiring new people: Current employees are consistently over full work capacity.

When asked to reflect upon their main reasons for increasing their salaried workforce, the most commonly used words were “growth” and “backlog.” In stark contrast to the overall Sentiment Index score, CIRT members expect an increase in demand in 2019.

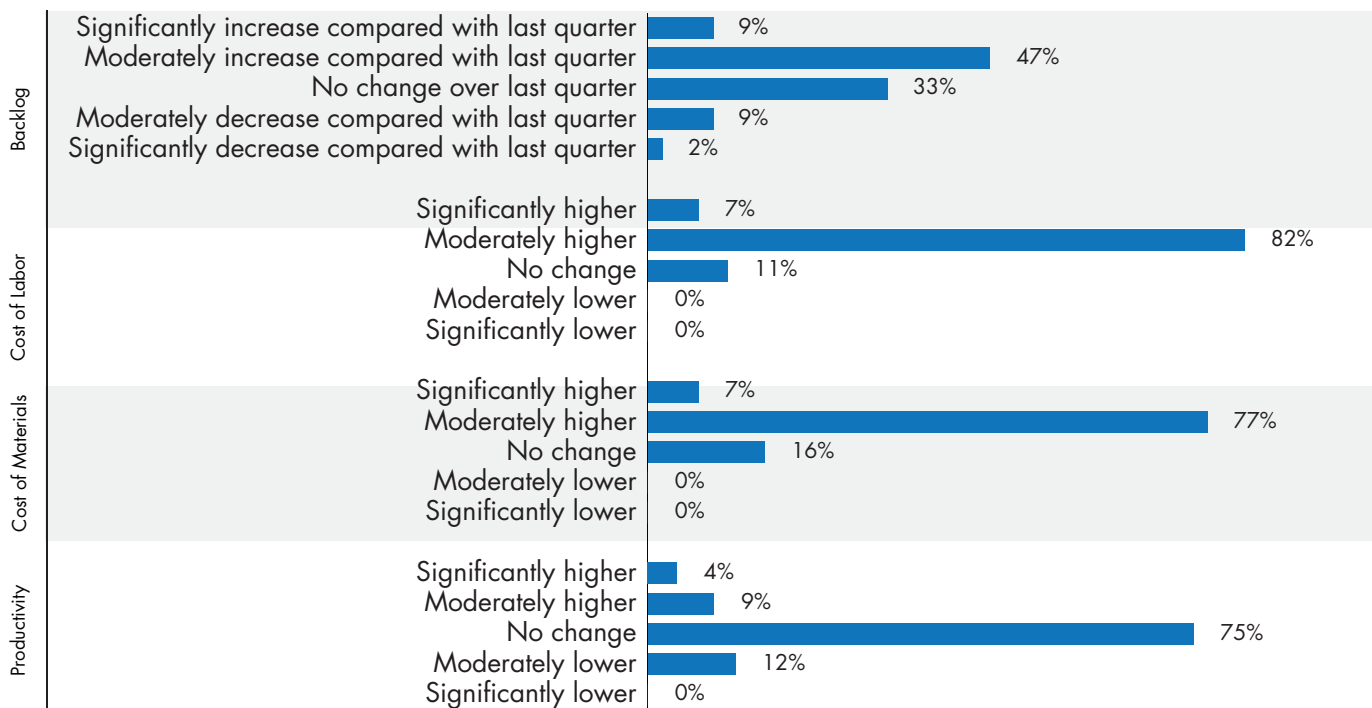
The biggest challenge for businesses this year is a familiar one: finding, recruiting and retaining qualified people. With the rise in megaprojects putting more risk on the contractor, acquiring skilled labor is that much more important.

Among the CIRT member markets: heavy/civil, consulting planning, pre-design and transportation industries within the design sector are projected to experience the most short- and long-term growth. Within the construction sector: the public works, health care, education and industrial-based industries are expected to see the most growth or remain steady in the short term and long term.

## CIRT SENTIMENT INDEX AND DESIGN INDEX SCORES FROM Q1 2017 TO Q1 2019

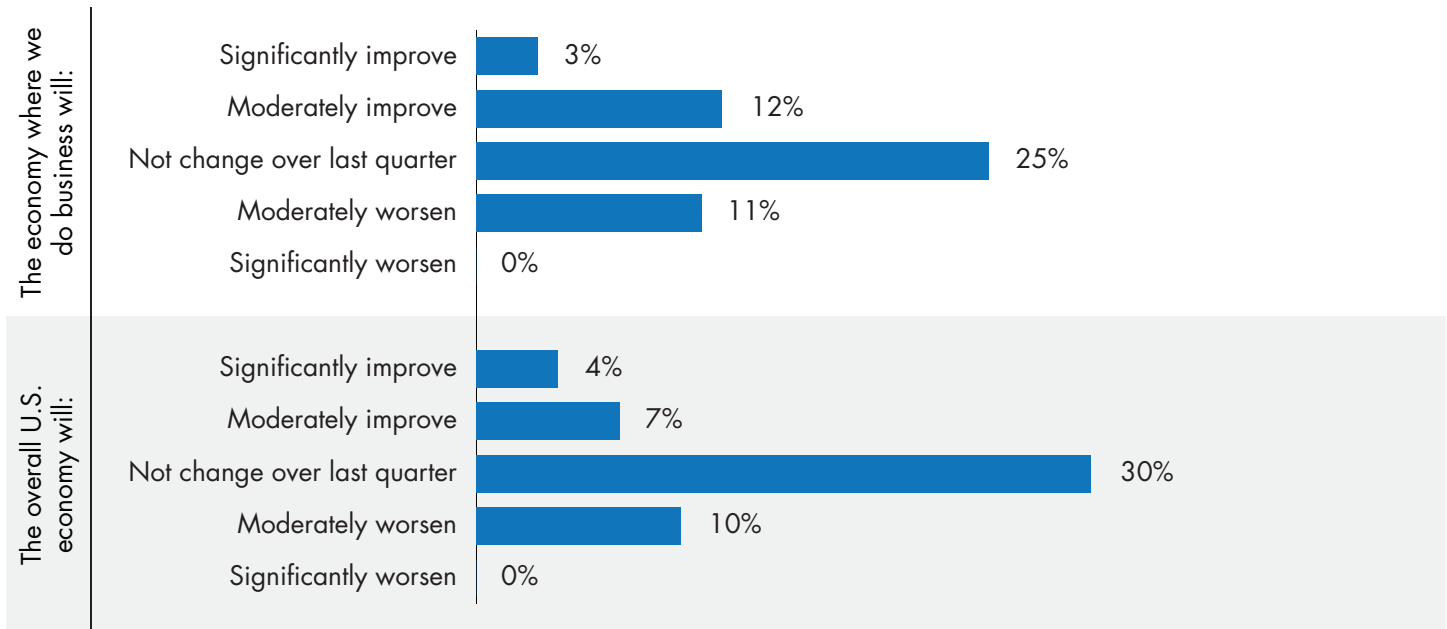


## CONSTRUCTION INPUT PREDICTIONS FOR NEXT QUARTER

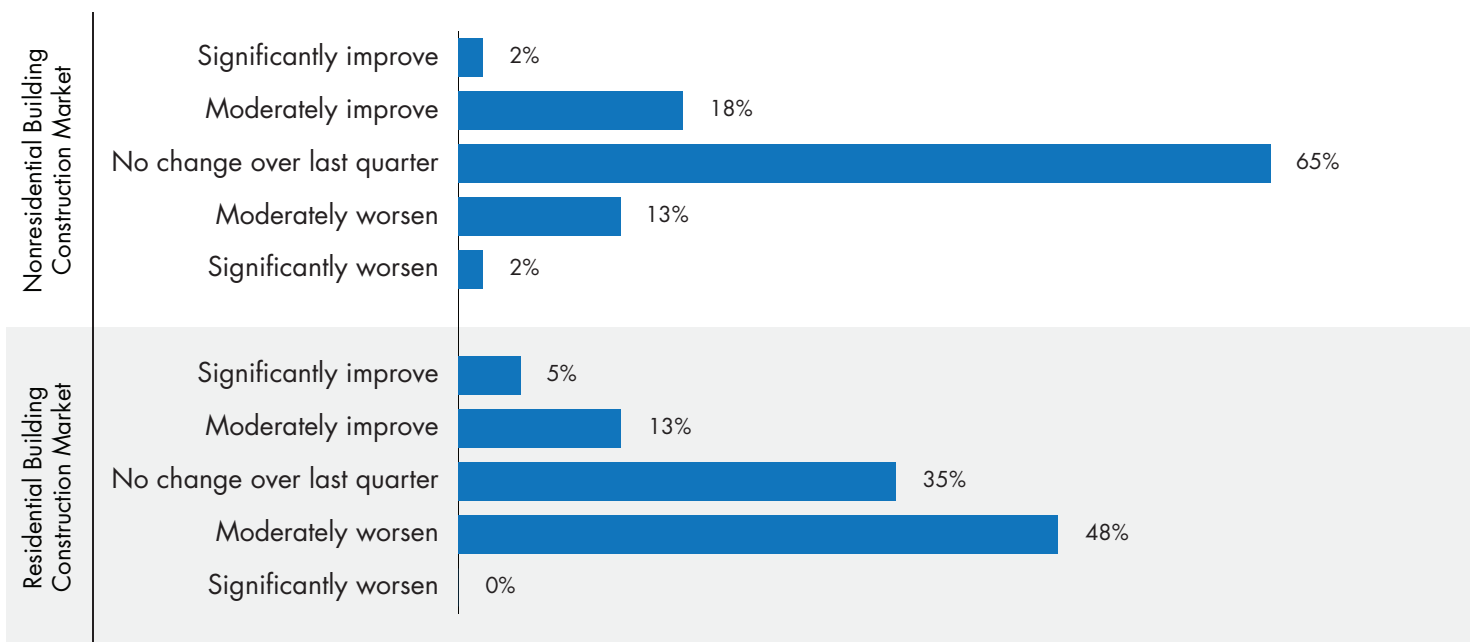




## LOCAL AND NATIONAL ECONOMIC PREDICTIONS FOR NEXT QUARTER



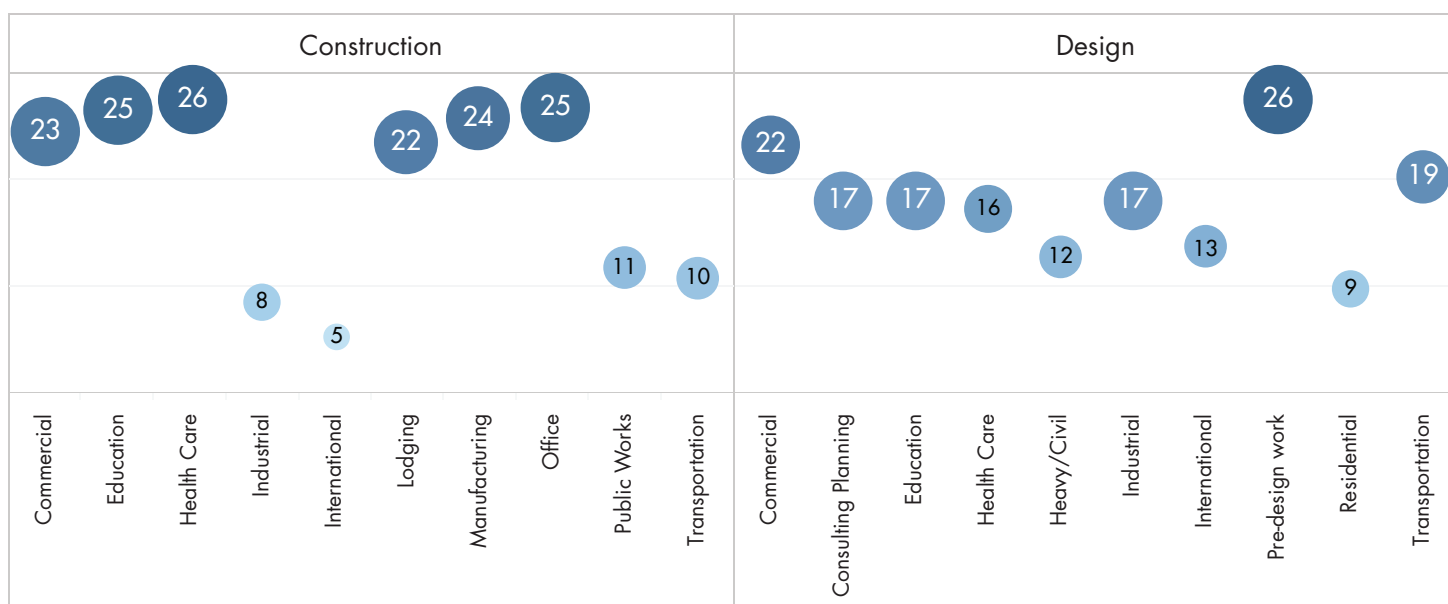
## EXPECTATIONS FOR THE RESIDENTIAL AND NONRESIDENTIAL BUILDING MARKETS



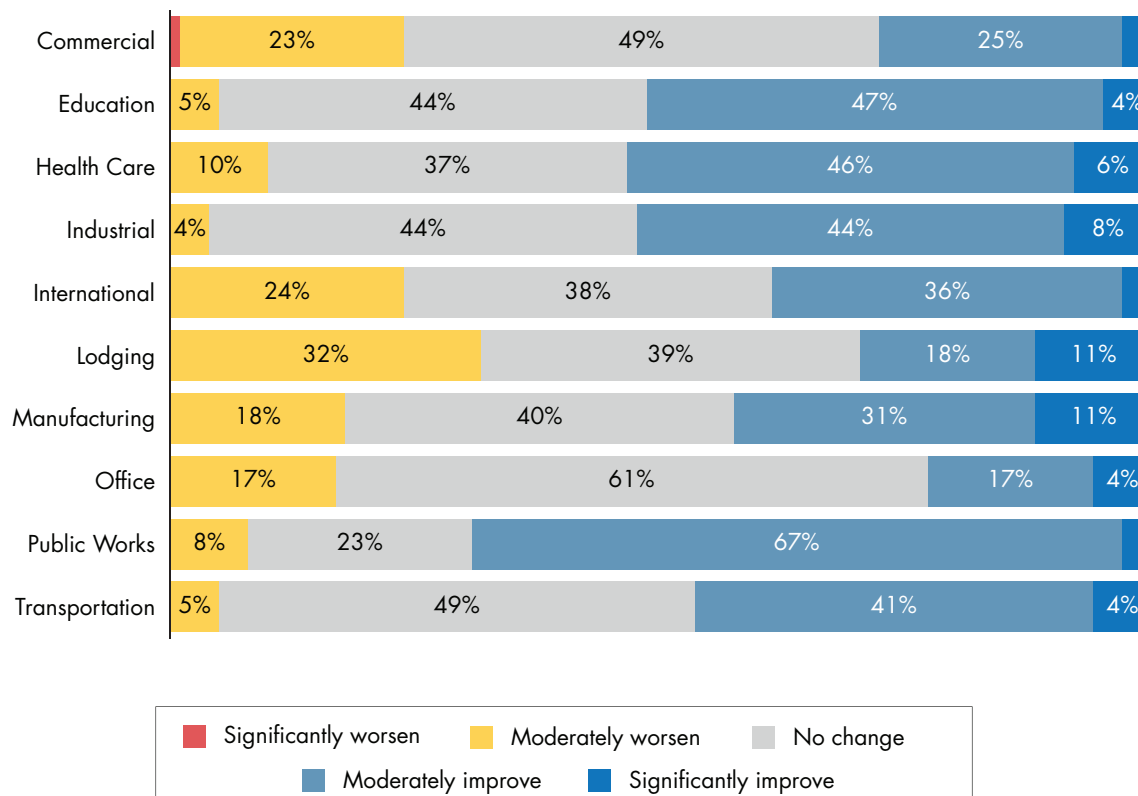




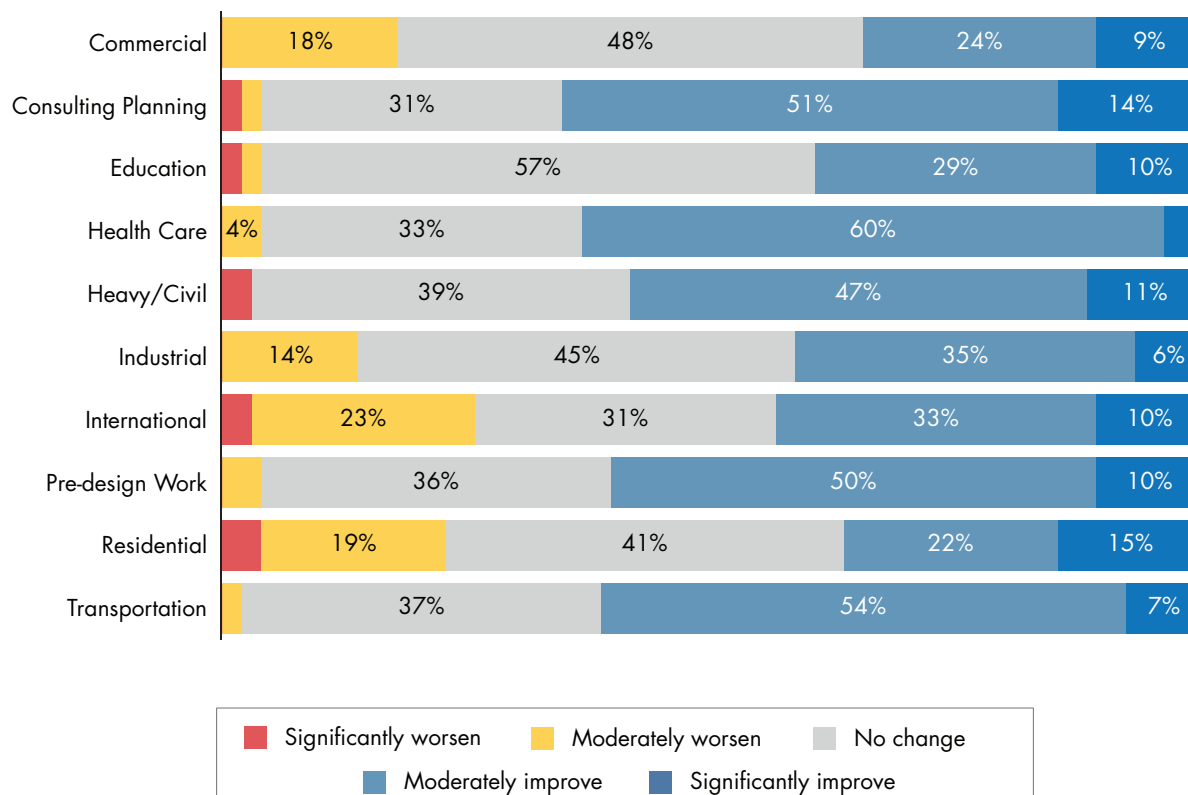
## MEMBER PROFILE: NUMBER OF CIRT MEMBER COMPANIES IN EACH SECTOR

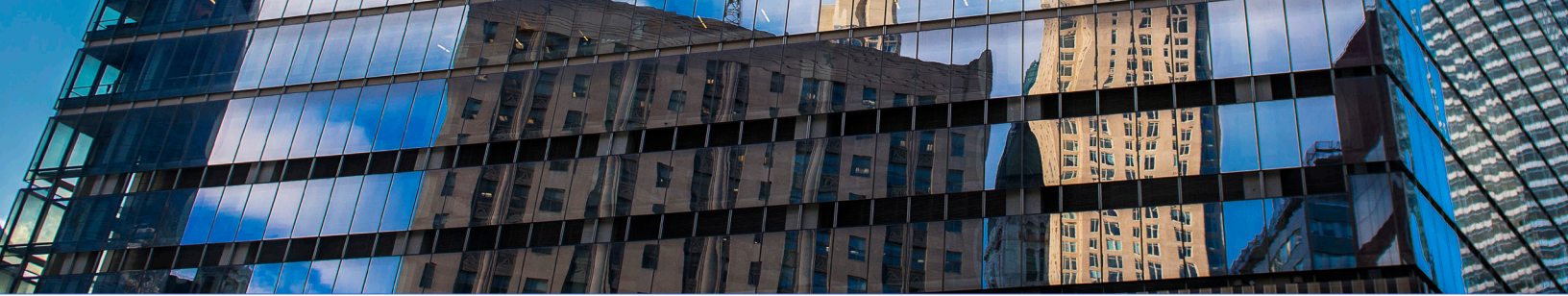


## PERCEPTION OF CHANGE FOR NEXT QUARTER: CONSTRUCTION



## PERCEPTION OF CHANGE FOR NEXT QUARTER: DESIGN





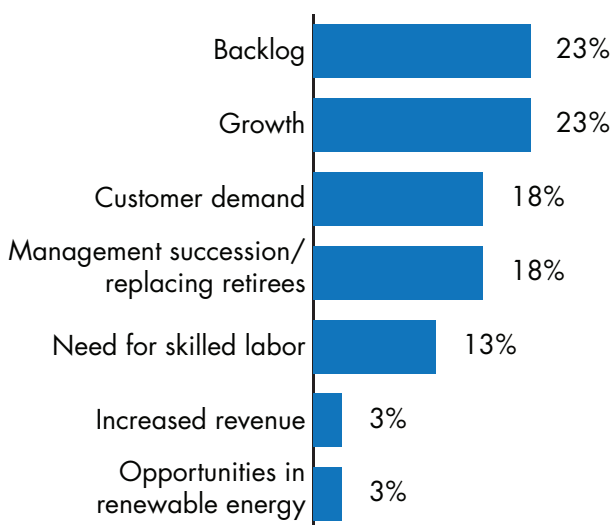
## CURRENT TRENDS

### HIRING TRENDS

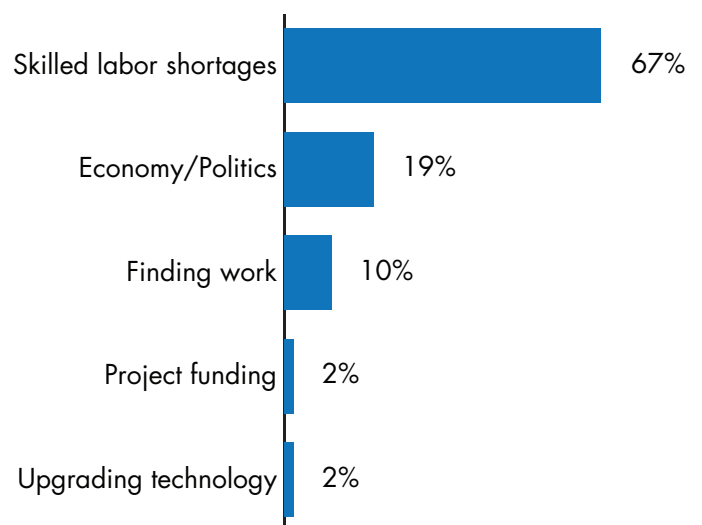
This quarter's survey revealed that nearly all of CIRT's members are planning to hire between 1-10% more salaried employees in their businesses and that 9% of CIRT's members are planning to increase their salaried workforce by more than 10%. Approximately 53% of respondents answered that these hiring trends are due to their current staff being consistently over full capacity. The exodus of baby boomers is causing a combined 67% of respondents to hire new people to fill roles being vacated by retirees, with 40% of those respondents increasing their salaried staff specifically to prepare for management succession plans. Another 31% of CIRT members answered that they are hiring because they are planning to enter new markets this year, and 16% plan to open new offices.

CIRT members were asked two open-ended response questions; one ascertained the reason behind hiring increases, and the other assessed what members believe to be their biggest challenges in the coming year. An equal 23% of respondents said that strong backlog and business growth are driving their reasons for hiring more salaried employees, and an equal 18% said that management succession and customer demands were their main reasons for hiring. In relation to their biggest challenges for 2019, 67% of CIRT members cited that acquiring and retaining skilled labor will be their biggest challenge this year, and 19% said that the political climate is their largest source of uncertainty.

What are your main reasons for increasing the number of salaried employees?



What do you expect to be the biggest challenges for your business in 2019?





# CONSTRUCTION OUTLOOK

Industry	Construction Sector Business Outlook			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	3.13	3.09	2.83	
Education	3.52	3.56	3.40	
Health Care	3.54	3.46	3.46	
Industrial	3.50	3.63	3.56	
International	3.21	3.14	3.14	
Lodging	3.18	3.09	2.95	
Manufacturing	3.46	3.33	3.25	
Office	3.12	3.16	2.96	
Public Works	3.55	3.77	3.64	
Transportation	3.28	3.48	3.56	

This quarter respondents were asked to comment on how the construction sector 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 percentage is a reflection of the change in score in comparison to the starting average score of the “next quarter” period. 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 3.13 for next quarter, 3.09 for six months from now, and 2.83 for one year from now.

## EDUCATION

Starting average score of 3.52 for next quarter, 3.56 for six months from now, and 3.40 for one year from now.

## HEALTH CARE

Starting average score of 3.54 for next quarter, 3.46 for six months from now, and 3.46 for one year from now.

## INDUSTRIAL

Starting average score of 3.50 for next quarter, 3.63 or six months from now, and 3.56 for one year from now.



## INTERNATIONAL

Starting average score of 3.21 for next quarter, 3.14 for six months from now, and 3.14 for one year from now.

## LODGING

Starting average score of 3.18 for next quarter, 3.09 for six months from now, and 2.95 for one year from now.

## MANUFACTURING

Starting average score of 3.46 for next quarter, 3.33 for six months from now, and 3.25 for one year from now.

## OFFICE

Starting average score of 3.12 for next quarter, 3.16 for six months from now, and 2.96 for one year from now.

## PUBLIC WORKS











Starting average score of 3.55 for next quarter, 3.77 for six months from now, and 3.64 for one year from now.

## TRANSPORTATION

Starting average score of 3.28 for next quarter, 3.48 for six months from now, and 3.56 for one year from now.



# DESIGN OUTLOOK

Industry	Design Sector Project Growth			
	Next Quarter	Six Months From Now	One Year From Now	
Commercial	3.18	3.23	3.32	
Consulting Planning	3.71	3.65	3.82	
Education	3.18	3.59	3.53	
Health Care	3.44	3.63	3.75	
Heavy/Civil	3.75	3.42	3.75	
Industrial	3.29	3.24	3.47	
International	3.31	3.00	3.46	
Pre-design Work	3.65	3.65	3.69	
Residential	3.22	3.33	3.22	
Transportation	3.58	3.63	3.79	

Respondents were asked to comment on how the design sector 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 percentage is a reflection of the change in score in comparison to the starting average score of the “next quarter” period. 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 3.18 for next quarter, 3.23 for six months from now, and 3.32 for one year from now.

## CONSULTING

Starting average score of 3.71 for next quarter, 3.65 for six months from now, and 3.82 for one year from now.

## EDUCATION

Starting average score of 3.18 for next quarter, 3.59 for six months from now, and 3.53 for one year from now.



## HEALTH CARE

Starting average score of 3.44 for next quarter, 3.63 for six months from now, and 3.75 for one year from now.

## HEAVY/CIVIL

Starting average score of 3.75 for next quarter, 3.42 for six months from now, and 3.75 for one year from now.

## INDUSTRIAL

Starting average score of 3.29 for next quarter, 3.24 for six months from now, and 3.47 for one year from now.

## INTERNATIONAL

Starting average score of 3.31 for next quarter, 3.00 for six months from now, and 3.46 for one year from now.

## PRE-DESIGN

Starting average score of 3.65 for next quarter, 3.65 for six months from now, and 3.69 for one year from now.

## RESIDENTIAL

Starting average score of 3.22 for next quarter, 3.33 for six months from now, and 3.22 for one year from now.

## TRANSPORTATION

Starting average score of 3.58 for next quarter, 3.61 for six months from now, and 3.79 for one year from now.

## ABOUT THE CONSTRUCTION INDUSTRY ROUND TABLE (CIRT)

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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](mailto:cirt@cirt.org).

## CIRT SENTIMENT INDEX

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

## CONFIDENTIALITY

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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.



## About FMI

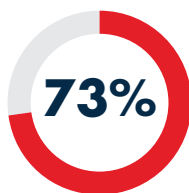
For over 65 years, FMI has been the leading **management consulting and investment banking** firm dedicated exclusively to **engineering and construction, infrastructure and the built environment**.

FMI serves all sectors of the industry as a trusted advisor. More than six decades of context, connections and insights lead to transformational outcomes for our clients and the industry.

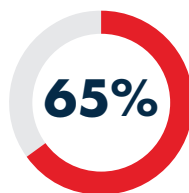
### Sector Expertise

- A/E and Environmental
- Building Products
- Construction Materials
- General Contractors/CM
- Energy Service & Equipment
- Energy Solutions & Cleantech
- Heavy Civil
- Industrial
- Owners
- Private Equity
- Specialty Trades
- Utility T&D

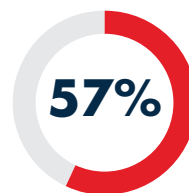
## FMI Client Highlights



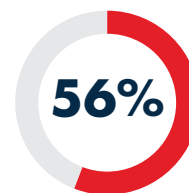
of the ENR  
**Top-400**  
**LARGEST**  
**CONTRACTORS**



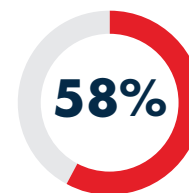
of the ENR  
**Top-200**  
**SPECIALTY**  
**CONTRACTORS**



of the ENR  
**Top-100**  
**DESIGN**  
**FIRMS**



of the ENR  
**Top-200**  
**ENVIRONMENTAL**  
**FIRMS**



of the ENR  
**Top-100**  
**CM FOR**  
**FEE FIRMS**



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**Denver**

210 University Boulevard  
Suite 800  
Denver, CO 80206  
303.377.4740

**Edmonton**

Edmonton, AB  
780.850.2693

**Houston**

1301 McKinney Street  
Suite 2000  
Houston, TX 77010  
713.936.5400

**Phoenix**

7639 East Pinnacle Peak Road  
Suite 100  
Scottsdale, AZ 85255  
602.381.8108

**Raleigh** (headquarters)

223 S. West Street  
Suite 1200  
Raleigh, NC 27603  
919.787.8400

**Tampa**

308 South Boulevard  
Tampa, FL 33606  
813.636.1364



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