



SECOND
QUARTER
2026

CIVIL INFRASTRUCTURE CONSTRUCTION INDEX



APRIL 2026

KEY TAKEAWAYS

- The CICI slipped to 50.1 in Q2 2026 from 52.1 in Q1, reflecting a broad cooling in sentiment. Eight of nine index components declined quarter over quarter, with only productivity ticking up modestly.
- Cost pressures reversed sharply. The materials index dropped to 25.0 from 35.4, and the labor index fell to 23.9 from 29.2; 52% of respondents report increases in both categories. Tariff-driven escalation is a primary contributor.
- Backlog expectations remain positive at 54.7 but are decelerating. The book-to-burn rate fell steeply to 48.9 from 56.3, signaling thinning pipelines for a widening share of firms.
- Margins are compressing. Thirty-five percent of firms report lower margins year over year, and none report significantly higher margins. Competition has intensified, with 71% noting increases and softening bid prices.
- Digital infrastructure and megaprojects are concentrating construction activity in specific geographies and challenging labor capacity.
- The workforce challenge gelled around field leadership, with field staff management roles the hardest to fill (59%) and firms responding with heavy investment in leadership development.



EXECUTIVE SUMMARY

By Brian Moore, Emily Beardall and Brian Strawberry

The 2026 Civil Infrastructure Construction Index (CICI) fell to 50.1 during the second quarter from 52.1 in the first, a broad-based decline that essentially brings it to the neutral line. Eight of nine components fell quarter over quarter; only productivity offered a modest bright spot (up to 50.0 from 49.0). The reading does not signal that work has disappeared, but is a clear indication that the conditions under which work is being won and delivered have grown materially harder. A common theme among interviewees is a sense of bifurcation on this point: the market seems to be getting more competitive for the smaller, hard-bid projects, but growing opportunity and limited competition continue for larger or more complex (potentially collaborative delivery) projects.

The pullback was led by an abrupt reversal in cost pressures. After several quarters of relative stability, materials and labor costs swelled again, driven by tariff escalation and persistent wage pressure. More than half of participating companies saw increases in both categories, pushing the materials and labor indices to 25.0 and 23.9, respectively. These cost dynamics are flowing directly into margin compression: 35% of firms report lower margins year over year and none report significant improvement.

Economic confidence eroded at both the national and local levels. The overall economy index slid to 46.7, and the local economy index slipped to 49.0. The gap between national and local sentiment narrowed considerably. Firm-level business confidence held at 54.2, still in expansion, but the broader civil infrastructure market index fell below 50.0 for the first time since the current expansion began.

Backlogs remain a relative bright spot. Nearly half of respondents reported higher levels than a year ago. However, the book-to-burn rate fell sharply to 48.9 from 56.3, a potential signal of diminishing pipelines or an indication that seasonally impacted contractors are finally out of the winter slow-down. Meanwhile, 71% of firms reported increased competition and 36% noted declining bid prices. The market still has work available, but the economics of pursuing and delivering it have tightened. Firms with disciplined pursuit criteria, strong estimating processes, embedded operational excellence, and investment in leadership development are best positioned to navigate this environment.

OVERALL ECONOMIC AND MARKET CONDITIONS—INDEX ANALYSIS

NATIONAL VS. LOCAL ECONOMY

National economic sentiment weakened in Q2 2026, with the overall economy index falling to 46.7 from 49.0, its lowest reading since the second half of 2022. Only 12.5% of respondents reported improving conditions nationally, while 18.8% said conditions are worsening and the majority (68.8%) saw no change. The drivers are familiar, but intensifying tariff escalation, trade policy uncertainty and persistent inflation in key input categories have weighed on confidence.

Local sentiment slipped as well, falling to 49.0 from 52.1. Only 16.7% of companies experienced improving local conditions; 18.8% saw deterioration and the majority (64.6%) sensed no change at all. The gap between national and local confidence, which had been a defining feature of the past several quarters, has dropped considerably. For most of this cycle, contractors felt insulated from broader economic uncertainty by strong local pipelines and public-sector investment. Now, that insulation is beginning to erode. Firms in markets with active state and municipal capital programs continue to operate in relative stability, but those more exposed to private-sector demand or federal funding timing are feeling more strain.

BUSINESS OUTLOOK

While business conditions remain in expansion territory at the company level, momentum is fading. The firm-level business index eased to 54.2 from 55.2; 22.9% of companies reported improving conditions, 14.6% reported deterioration and 62.5% saw no change. Firms still feel reasonably confident about their ability to win work and sustain revenue, but that confidence is increasingly tempered by concerns about margin protection, cost absorption and the ability to staff growing workloads.

The broader E&C market index tells a more cautionary story. It fell to 49.0 from 51.0, slipping below the neutral threshold for the first time since the current expansion began. Only 18.8% of respondents reported improving conditions in the wider market; 20.8% saw worsening conditions and 60.4% observed no change. This is not yet a contraction signal in the traditional sense, however, and workloads are not collapsing. Rather, the trend reflects a market that has stopped accelerating and is now absorbing the cumulative impact of cost pressures, competitive intensity and capacity constraints.

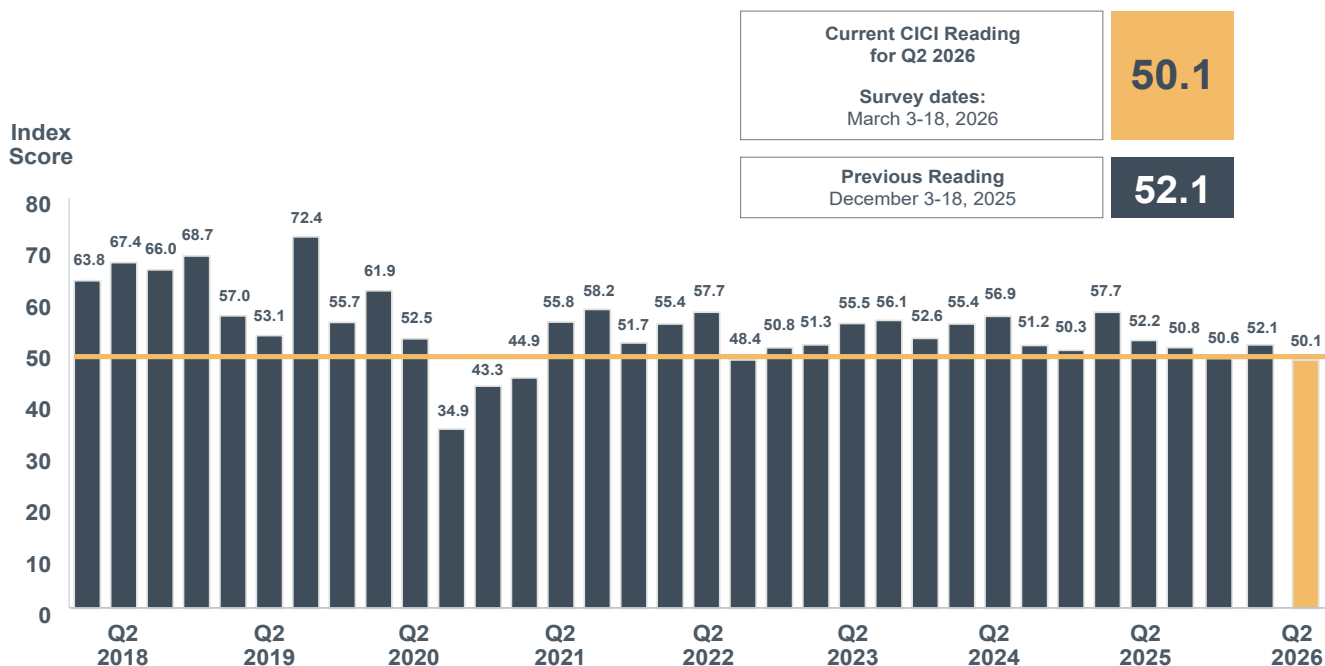
CIVIL INFRASTRUCTURE MARKET

The civil infrastructure market continues to benefit from durable public investment across transportation, water, utilities and digital infrastructure. Project pipelines remain active in most regions, and the publicly funded programs that have underpinned this cycle are still converting into construction. However, the composition of demand is shifting in ways that matter. Digital infrastructure and megaprojects increasingly concentrate activity and pull labor capacity toward specific geographies and owner types, leaving traditional civil segments competing for a tighter pool of resources. The result is a market that still has volume, but access to that volume, and the ability to profit from it, is becoming more uneven.



FMI'S CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q2 2018 TO Q2 2026

(SCORES ABOVE 50 INDICATE EXPANSION; BELOW 50, CONTRACTION)



CICI INDEX MOVEMENT		Q2 2026	Q1 2026
Overall U.S. Economy	↓	46.7	49.0
Economy Where We Do Business	↓	49.0	52.1
Our Engineering and Construction Business	↓	54.2	55.2
Engineering and Construction Where We Do Business	↓	49.0	51.0
Backlog	↓	54.7	57.3
Book/Burn Rate	↓	48.9	56.3
Cost of Materials	↓	25.0	35.4
Cost of Labor	↓	23.9	29.2
Productivity	↑	50.0	49.0

SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q2 2026 (FORMERLY HCCI)

MARKET CONDITIONS

BACKLOG AND PIPELINE TRENDS

Backlog conditions remain positive but have softened from the highs seen earlier in the year. The backlog expectations index fell to 54.7 from 57.3, still above the expansion threshold but decelerating. More notably, the book-to-burn rate index dropped dramatically to 48.9 from 56.3, its steepest single-quarter decline since the pandemic-era contraction. Now below neutral, this reading suggests a growing share of firms are now consuming backlog faster than they are replenishing it.

At the firm level, the year-over-year outlook is mixed. Forty-seven percent of companies reported backlogs that are somewhat (38%) or significantly (9%) higher than the same quarter last year, while 34% indicated lower levels (23% somewhat, 11% significantly); 19% say backlog is about the same. This spread has widened from the opening period, reflecting growing divergence between firms with strong pub-

lic-sector positioning and those more dependent on a smaller set of markets or client types.

The book-to-burn rate data reinforces the inconsistency. Forty-one percent of respondents reported their rate stayed roughly the same year over year, 28% showed increases (20% moderate, 8% significant) and 31% noted decreases (20% moderate, 11% significant). The nearly even split between growth and contraction is a departure from the more broadly positive readings seen earlier in 2026 and throughout 2025.

When measured against anticipated or needed backlog, the situation carries additional caution. Forty percent of responding firms said their backlog is about where they expected at this point in the year, but 35% reported it is somewhat (26%) or significantly (9%) lower than anticipated. Only 25% indicated they are running ahead of plan (19%

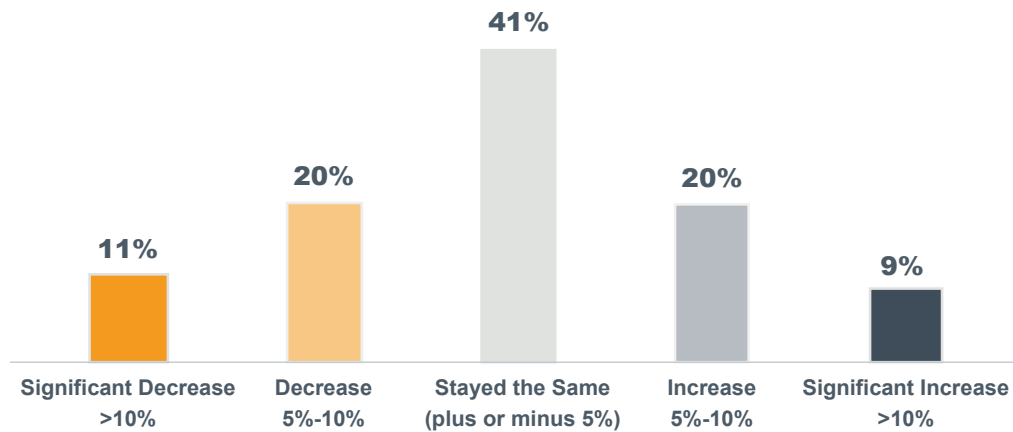
somewhat, 6% significantly). The gap between expectations and reality, which first appeared in Q1, has persisted and may reflect delayed project starts, funding timing challenges and/or the growing difficulty of converting pipeline opportunities into awards in an increasingly competitive environment.

The aggregate story is one of adequate but uneven backlog health. Firms with diversified segment exposure, strong public-sector relationships and the capacity to pursue larger or more complex projects are maintaining solid positions. Those more dependent on traditional, competitive bid work in narrower end markets are feeling the compounding effects of heightened competition and shifting demand patterns.

The market is no longer moving in unison. While some firms continue to benefit from strong positioning and diversified opportunities, others are facing declining backlog and increased pressure, creating a wider performance gap across the industry.

BACKLOG BOOK/BURN RATE (YEAR OVER YEAR)

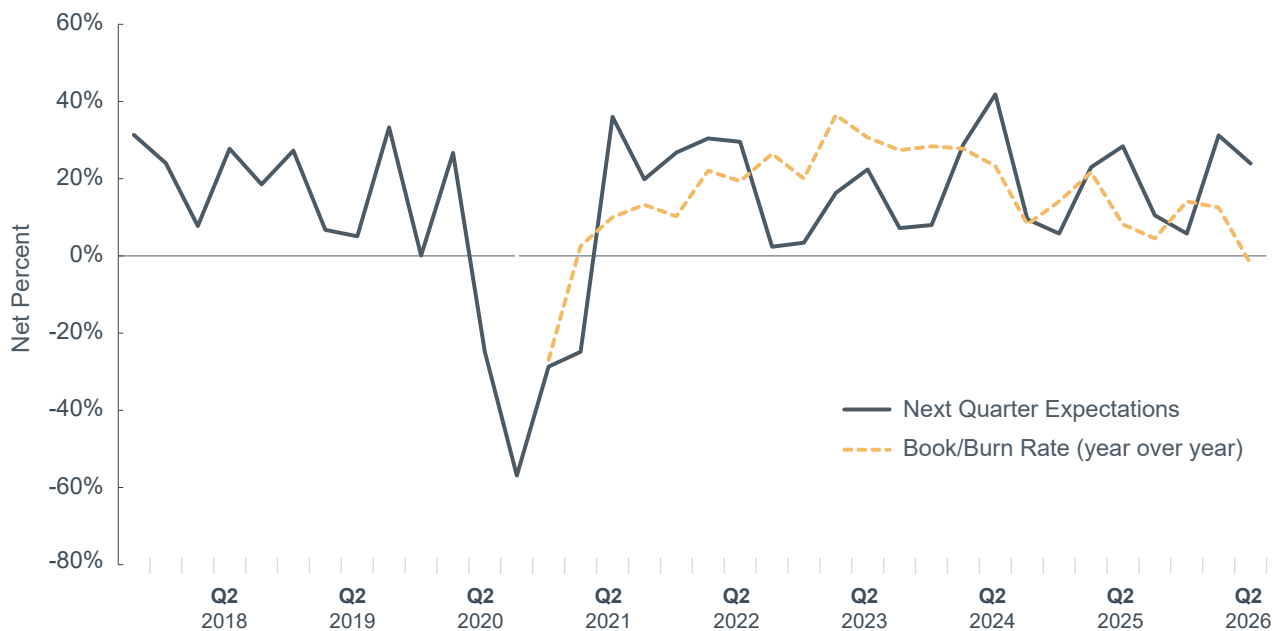
THIS REFERS TO THE RATE AT WHICH BACKLOG IS ADDED COMPARED TO HOW QUICKLY IT IS USED.



SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q2 2026

NET PERCENT OF RESPONDENTS REPORTING IMPROVING CONDITIONS

BACKLOGS | QUARTER OVER QUARTER



SOURCE: FMI RESEARCH

COST PRESSURES

Cost pressures reversed course in Q2 2026 after several quarters of relative stabilization on deteriorating materials and labor indices. The combined picture is the most challenging since the immediate post-pandemic surge, creating a dual squeeze that directly threatens margins and forces contractors to make harder choices about what work to pursue and how to price it.

MATERIALS: The materials cost index dropped to 25.0 from 35.4 in Q1, a significant move that reflects renewed cost acceleration after a period of relative predictability. Fifty-two percent of respondents noted higher materials costs than last quarter, 46% said they are the same and only 2% reported improvement. The stabilization that characterized late 2025 and early 2026 has given way to a fresh round of input cost escalation, driven in large part by tariff activity on steel, aluminum and other key construction inputs. Contrac-

tors who had built a more predictable cost environment into their bids are now recalibrating. The period of painful-but-stable materials pricing appears to have ended, at least for now.

LABOR: The labor cost index fell to 23.9 from 29.2, its lowest reading in the current cycle. Just over half (52%) of respondents experienced rising labor costs, 48% reported no change and none saw improvement. Wage pressure has not only persisted but gotten stronger, propelled by structural drivers. Workforce shortages, elevated turnover and the premium required to attract experienced field leadership all keep costs stubbornly high. With 59% identifying field management roles as the hardest to fill, and competition for experienced talent showing no sign of easing, labor cost relief is not on the horizon.

NET PERCENT OF RESPONDENTS REPORTING COST INCREASES ON INPUTS
 QUARTER OVER QUARTER



SOURCE: FMI RESEARCH

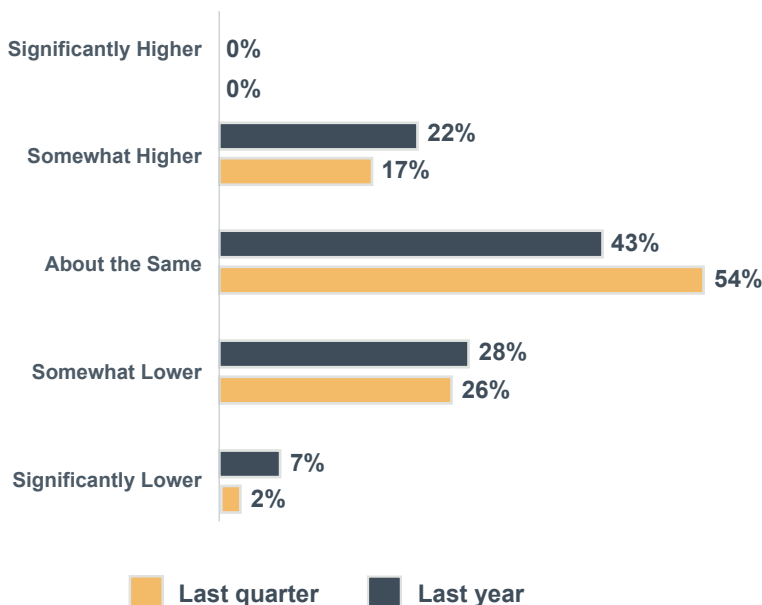
MARGINS: The margin environment in Q2 2026 is flat at best and, for many, quietly eroding. Compared to the same quarter last year, 43% of respondents said margins are about the same, 35% reported them as somewhat (28%) or significantly (7%) lower, and 22% somewhat higher. None noted significantly higher margins on a year-over-year basis.

Conditions are similar on a quarter-over-quarter basis: 54% indicated margins are about the same as last quarter, 28% reported them as somewhat (26%) or significantly (2%) lower and only 17% saw improvement. Again, no respondents reported significantly higher margins.

This is a compression, not a collapse. Margins are not falling off a cliff, but neither is momentum climbing in the other direction. The combination of surging input costs, rising competition and downward bid price pressure narrows the band in which contractors can operate profitably. Firms winning work primarily on price are feeling it the most. Those with strong estimating discipline, established owner relationships and a willingness to walk away from unfavorable pursuits are holding ground, though not gaining it.

MARGIN

HOW WOULD YOU COMPARE MARGIN ON THE WORK YOU HAVE ACQUIRED IN THIS QUARTER VERSUS LAST QUARTER AND THE SAME QUARTER LAST YEAR? (I.E., YEAR-OVER-YEAR CHANGE)



SOURCE: FMI RESEARCH

COMPETITIVE LANDSCAPE

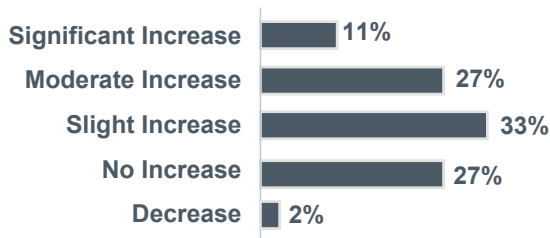
Competition intensified further in Q2 2026. Seventy-one percent of firms reported increased competition over the past quarter: 33% slight, 27% moderate and 11% significant. Only 27% indicated no increase, and just 2% noted a decrease. This is a step up from Q1 2026, when 90% reported some level of increased competition, with a greater share characterizing it as moderate or slight.

Bid prices reflect the competitive pressure. Thirty-six percent of companies saw bid prices decrease in the past quarter (27% slight, 9% significant) while 28% experienced increases (24% slight, 4% significant). Another 36% percent reported no change. This represents a meaningful shift from earlier in the cycle, when bid price escalation was the norm. Today's bid environment

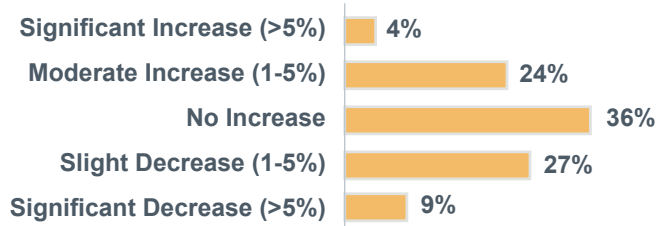
increasingly favors owners, and contractors are being forced to sharpen their pencils in ways that directly test their margin discipline.

New companies continue to enter the market, but activity appears to have stabilized. Twenty-two percent of respondents perceived a rise in nontraditional civil firms in the past quarter, down from 37% in Q1 2026. The majority (67%) sensed no increase, and 11% were unsure. While the initial surge of new entrants that characterized the earlier phase of this cycle appears to have moderated, competition from established players expanding into adjacent segments and geographies continues to ramp up the fight for awards.

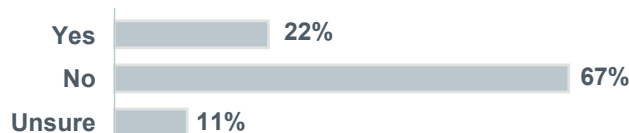
HOW HAS THE COMPETITIVE LANDSCAPE CHANGED IN THE LAST QUARTER?



HOW HAVE BID PRICES BEEN IMPACTED IN THE LAST QUARTER?



IN THE PAST QUARTER, HAVE YOU EXPERIENCED AN INCREASE IN NONTRADITIONAL CIVIL FIRMS (NEW ENTRANTS) IN THE MARKET?



SOURCE: FMI RESEARCH

OUTLOOK BY SECTOR & TIME HORIZON

Across all three time horizons, the pattern from prior quarters continues with one important inflection: near-term expectations have cooled further. Several key segments now show net-negative or neutral sentiment over the next quarter. Medium-term confidence is selectively stronger, and the long-term view remains constructive for publicly funded and utility-driven segments. The unifying message is that demand is not the concern. Consistent, profitable execution is.

THREE-MONTH OUTLOOK

The near-term outlook entering Q2 2026 carries more pessimism than at any point in the last year. Residential site development is the most challenged segment: only 6.3% of respondents expect improvement over the next quarter, while 25% forecast worsening conditions and 68.8% anticipate no change, yielding a deeply negative net reading. Highway/bridge sentiment has also turned net-negative, with 23.8% expecting deterioration versus 21.4% assuming improvement. Commercial site development is nearly split, with 22.7% on each side. Also sitting at neutral are aviation (18.2% on each side) and transit/rail (13% on each side).

Segments generating the most near-term, relative optimism are private

utilities (41.2% improving vs. 11.8% worsening), port/marine/docks (25% improving vs. 15% worsening) and public utilities (24.1% improving vs. 13.8% worsening). These readings reflect continued momentum in energy, grid and utility investment, even as other civil segments lose steam. Other civil infrastructure, such as dams and levees, show the broadest stability, with 76.2% of respondents expecting no change.

Constraints remain familiar: labor availability, project staffing and the ability to convert pipeline into profitable awards. What is different in Q2 is the overlay of renewed cost pressure and competitive intensity, which are making near-term execution harder, even for firms with adequate backlog



While certain sectors continue to show momentum, the near-term environment is defined by softening confidence and execution challenges, as firms navigate stable demand alongside intensifying cost, labor and competitive headwinds.

12-MONTH OUTLOOK

Confidence improves a year out for segments tied to public investment and utility expansion. Private utilities lead with the strongest net optimism (47.1% improving vs. 17.6% worsening), followed by commercial site development (40.9% improving vs. 18.2% worsening) and public utilities (36.7% improving vs. 20% worsening). Aviation shows a notably positive net reading (22.7% improving vs. 4.5% worsening), driven by continued airport modernization and capacity programs.

Highway/bridge expectations strengthen significantly at the 12-month horizon (31% improving vs. 16.7% worsening), suggesting contractors believe current pipeline and funding commitments will translate into active construction over the next year. The outlook is modest for other civil infrastructure (23.8% improving vs. 9.5%

worsening) and balanced for residential site development (18.8% improving vs. 18.8% worsening).

Port/marine/docks sentiment softens at the 12-month mark (15% improving vs. 15% worsening), landing at neutral. This is a departure from the more positive, near-term view, and may reflect uncertainty about trade-dependent port activity in the current tariff environment.

The 12-month view reinforces the conviction that publicly funded programs remain durable and will continue converting into construction through 2027. Respondents are clear-eyed about what it will take to capture that opportunity. Workforce readiness, leadership capacity and operational discipline remain the gating factors between a favorable demand environment and profitable execution.

36-MONTH OUTLOOK

Contractor confidence is highest at the three-year horizon, particularly for utility and publicly funded segments. Private utilities stand out decisively (58.8% improving vs. 5.9% worsening), reflecting long-duration investment in grid modernization, power generation and digital infrastructure support. Public utilities follow strongly (40% improving vs. 16.7% worsening). Interestingly, highway/bridge carries both the highest optimism and the highest pessimism at this horizon (41.5% improving vs. 29.3% worsening), a spread that reflects genuine uncertainty about long-term federal funding continuity and formula allocation.

Other civil infrastructure, such as dams and levees (28.6% improving vs. 4.8% worsening) and aviation (23.8% improving vs. 14.3% worsening), indicate solid long-term conviction. Residential site development

(18.8% improving vs. 12.5% worsening) and transit/rail (18.2% improving vs. 13.6% worsening) show more modest improvement expectations.

Concerns are concentrated in commercial site development (19% improving vs. 23.8% worsening) and port/marine/docks (21.1% improving vs. 15.8% worsening), where trade policy, private investment cycles and development absorption dynamics create longer-horizon uncertainty.

The long-term story remains one of a prolonged infrastructure cycle with genuine, durable demand distributed unevenly across segments, geographies and firm types. Rather than chasing volume, firms positioning for the long run are investing in people, capacity and strategic selectivity.

Strategic and Operational Implications

Strategic Impact

The Q2 2026 data points to a market that has shifted from opportunity-rich and broadly expanding to one where the economics of pursuing and delivering work are materially harder. The CICI sits at 50.1, technically still in expansion but the narrowest margin of growth in this cycle. The strategic imperative is clear: disciplined selectivity is no longer a best practice – it's an operational necessity.

With competition rising, bid prices softening, costs spiking and margins compressing, firms that chase volume without rigorous pursuit criteria and pre-award planning risk winning work they cannot deliver profitably. The margin for error has tightened and the consequences of poor project selection or inadequate estimating are higher than they have been at any point in this cycle.

The growing concentration of activity around digital infrastructure and megaprojects creates a strategic fork in the road for many firms. Those with the capabilities, relationships and risk appetite to pursue this work have a clear path to growth. But it comes with its own complexity, including longer preconstruction timelines, demanding capacity requirements and a competitive landscape where trade partners hold significant leverage. Those opting out of these markets must be equally deliberate about defending and deepening their positions in traditional civil segments, where competition for a relatively smaller share of total activity is strengthening.

Additionally, workforce strategy has become inseparable from business strategy. The firms that will outperform over the next 12 to 36 months are those that treat leadership development, succession planning and organizational capacity as strategic investments, not overhead.

The data is clear: the bottleneck is not demand. It is the ability to field experienced, capable teams that can deliver work profitably at scale.

Operational Impact

With so many market dynamics shifting simultaneously, it can be easy for operations leaders to feel pulled in too many directions or simply discouraged. Tariffs, increased competition, rising labor costs, funding uncertainty – much of what's driving this quarter's data is outside any single firm's control. The firms that navigate this environment best will tune out the noise and focus on what they can actually influence.

What the market is telling us right now is that the tolerance for imprecision has shrunk. Intensified competition and compressing margins mean that contractors who lack a clear picture of true costs are increasingly at risk of winning work they cannot deliver profitably.

That clarity starts with field-labor productivity. When bid prices soften and competitors sharpen their pencils, padded field labor hours are no longer a margin buffer – they're a liability. Contractors who know exactly what it takes for their crews to complete specific scopes of work can price projects competitively, without guessing.

Equipment deserves the same level of attention. For contractors running a large amount of yellow iron, equipment rates built from rental benchmarks or something other than true ownership and operating costs introduce errors into bids. In a tighter market, those errors are exposed. The firms best positioned to compete right now are the ones that know their true costs.

CURRENT ISSUES

Two defining dynamics are shaping the civil infrastructure market in mid-2026:

1. The concentration of digital infrastructure and megaprojects
2. The evolving field leadership challenge

Concentration of Construction Activity: Digital Infrastructure and Megaprojects

Digital infrastructure and megaprojects are reshaping the distribution of construction activity in civil markets. The data reveals a spectrum of exposure at the firm level: a third of respondents reported zero digital infrastructure in their current backlogs, while 50% carried between 1% and 10%. Megaproject exposure is more evenly distributed, with 21% of firms at zero, 32% at 1-10%, and sizable shares at higher concentrations (21% at 26-50% and 18% at 51-75%).

The broader market picture paints a different story. When asked about overall construction activity in their geographies, regardless of their own involvement, respondents tell a tale of significant and growing presence. Thirty-seven percent estimate that digital infrastructure accounts for 11-25% of activity, and another 14% put it at 26-50%. Megaproject activity is similarly distributed, with 28% estimating it at 11-25%, and 21% at 26-50%. Only 8-9% of participating firms saw no digital infrastructure or megaproject activity in their markets.

The gap between firm-level exposure and market-level activity is telling. Many contractors operate in markets where digital infrastructure and megaprojects represent a substantial share of total construction volume, even if they are not yet directly participating. This creates opportunity and competitive tension: firms that can credibly pursue this work are seeing pipelines expand, while those that cannot are competing for a relatively smaller pool of traditional civil work in markets where capacity and resources are being pulled toward larger programs.

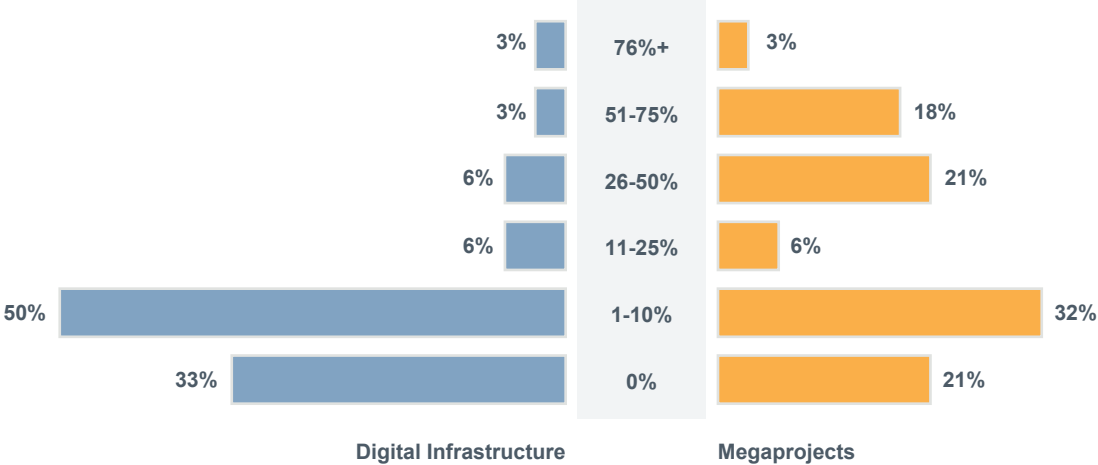
Interviewees' open-ended responses reinforce these dynamics with striking clarity. Several respondents admit that the pace, scale and speed of digital infrastructure projects are unlike anything they've experienced. Power generation and grid expansion are growing in parallel, creating a compounding demand signal for civil contractors with utility and energy capabilities. One interviewee described a market where nearly 75% of their large projects are now digital infrastructure-related, all hitting simultaneously.

At the same time, regional variation is significant. Respondents on the East and West Coasts witness less data center activity in their immediate markets, while contractors in the Mountain West and Southeast describe intense and growing demand. Several flag power capacity as the constraining factor. States like Utah lack the generation capacity to support further data center growth, prompting government leaders to explore alternatives, such as small modular nuclear reactors and geothermal energy.

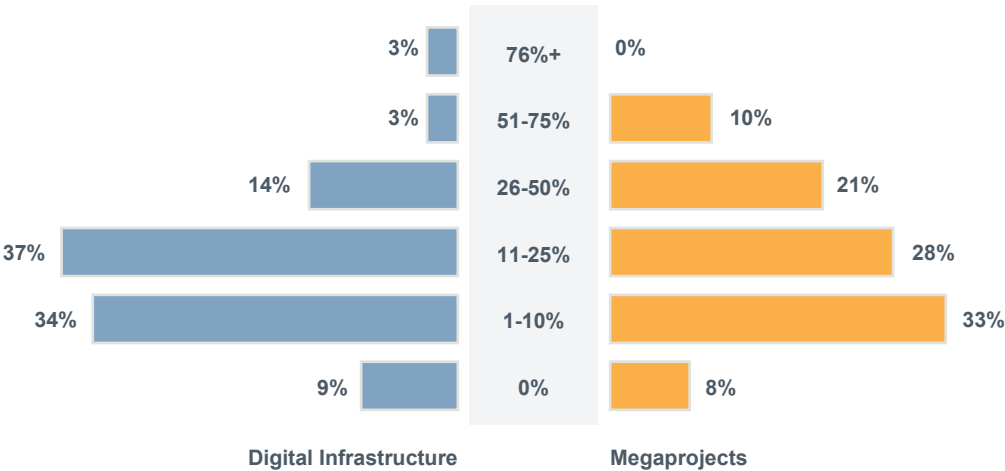
The megaproject landscape is equally nuanced. While large public projects reach historic scale, several interviewees observed that long preconstruction timelines, funding gaps and budget overruns slow the pace at which these projects convert into active construction. Others share that the traditional \$1 billion threshold for defining a megaproject may no longer be meaningful, as projects of that scale are increasingly commonplace in 2026.

Perhaps the most consequential dynamic is the capacity squeeze. Multiple respondents describe a market where the sheer volume of large projects outstrips the industry’s ability to staff and deliver them – and owners are recognizing the constraints. Some now negotiate rather than bid major projects. Trade partners guard their capacity carefully, declining competitive processes in favor of negotiated work, where terms are more favorable. This dynamic is fundamentally altering how work is procured and delivered in the most active markets.

AS OF TODAY, ESTIMATE THE SHARE OF YOUR CURRENT BACKLOG ASSOCIATED WITH DIGITAL INFRASTRUCTURE OR MEGAPROJECTS



THINKING ABOUT OVERALL CONSTRUCTION ACTIVITY IN YOUR EXISTING MARKETS (GEOGRAPHIES), REGARDLESS OF WHETHER YOUR COMPANY IS INVOLVED, ESTIMATE SHARE OF ACTIVITY ASSOCIATED WITH MEGAPROJECTS OR DIGITAL INFRASTRUCTURE



SOURCE: FMI RESEARCH

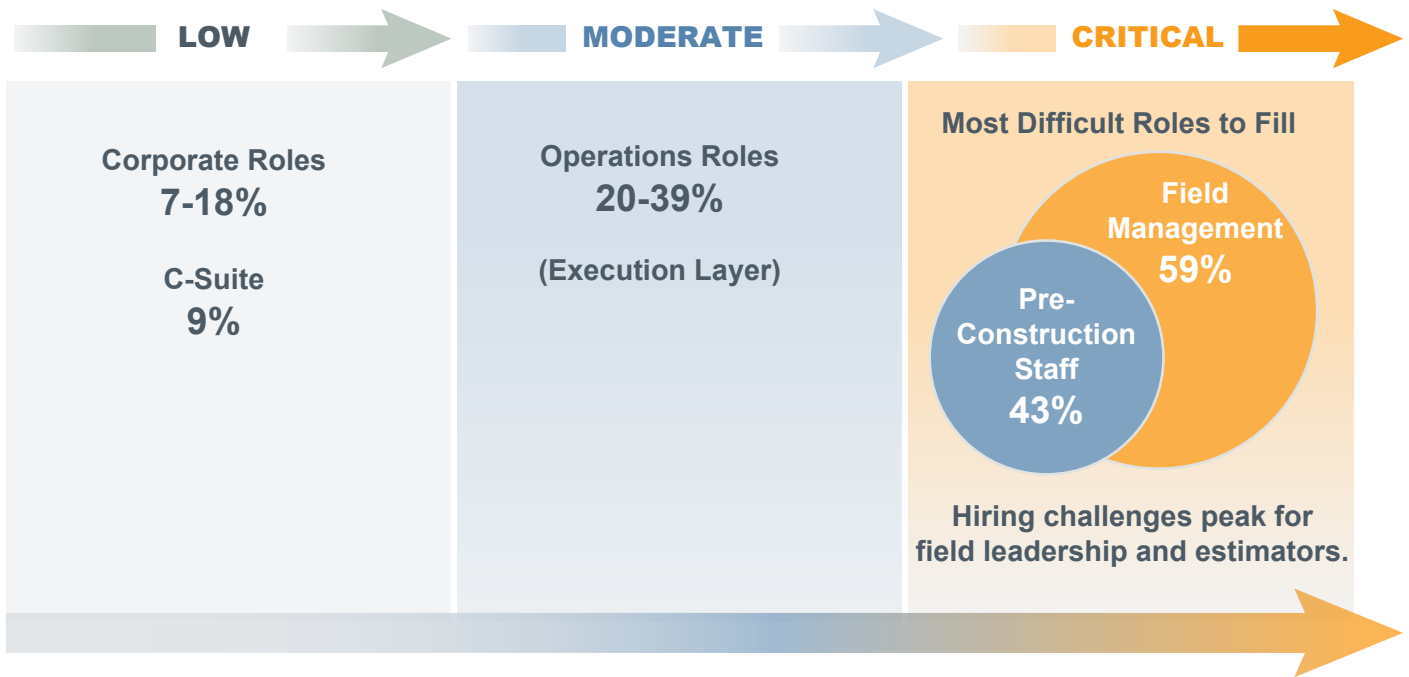
Workforce Availability

The workforce challenge in mid-2026 centered on a specific pressure point: field leadership. Fifty-nine percent of respondents identify field staff management roles (superintendents, field managers and similar positions) as the most difficult to fill, making it the top hiring challenge by a wide margin. Estimating and preconstruction non-management (43%) and operations management (39%) roles round out the top three. Field staff non-management roles (30%) and estimating management positions (25%) follow closely behind.

This is not a generic labor shortage story. The data points to a specific gap in the industry’s leadership pipeline: experienced mid-career professionals who translate strategy into execution on job sites and in project offices. These are the people who manage crews, sequence work, solve problems in real time and protect margins during delivery. Their scarcity is not new, but it is growing more acute as workloads expand and retirements continue to trim the experienced talent pool.

Respondents also highlighted corporate staff management roles (18%) and C-suite positions (9%), reflecting the downstream effects of a dwindling, industry-wide leadership bench at every level. The “other” category (5%) underscores additional pressure on specialized roles, such as CDL drivers, mechanics and laborers, positions essential to daily operations but often overlooked in workforce planning conversations.

WHAT POSITIONS OR ROLES IS YOUR COMPANY FINDING THE MOST DIFFICULT TO FILL? (SELECT UP TO THREE)



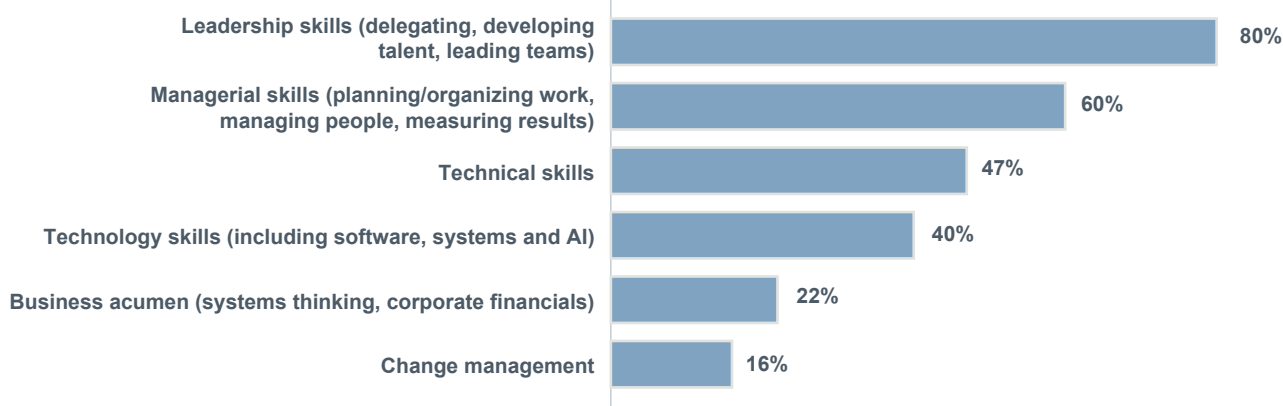
SOURCE: FMI RESEARCH

Training Strategy

Firms are responding to the leadership gap with deliberate and growing investment in development. Their training priorities reflect a market-wide recognition that the most critical bottleneck is not technical knowledge but the ability to lead teams, develop talent and manage increasingly complex operations.

Leadership skills (80%) topped the list, followed by managerial (60%), technical (47%) and technology skills, including AI (40%). Business acumen (22%) and change management (16%) were lower priorities.

OVERALL, WHAT TYPE OF TRAINING IS YOUR COMPANY FOCUSED ON THE MOST, GIVEN TODAY'S LABOR NEEDS? (SELECT UP TO THREE)



SOURCE: FMI RESEARCH

Workforce development is emerging as a true competitive advantage, with firms placing greater emphasis on leadership and managerial capability (rather than technical skills) to sustain growth and strengthen execution capacity.

The dominance of leadership and managerial training need is not incidental. When the hardest roles to fill are superintendents, field managers and operations leaders, the logical strategic response is to build them internally rather than wait for a labor market that shows no sign of loosening.

Interviewees' qualitative responses add depth to these numbers. Several firms describe structured leadership development programs with clear progression paths, from entry-level craft workers through foreman and superintendent roles. One respondent detailed a creative approach, using color-coded hard hats to create a visible promotion ladder: blue for new hires, yellow after 90 days, red for crew leaders, green for foremen in training and white for supervisory personnel. Others described strategic succession planning at the executive level, with phased transition plans spanning three or more years. ESOP-structured firms are leveraging ownership culture to reinforce both development and retention.

Multiple respondents said they are investing in formalized learning infrastructure, creating internal academies, hiring dedicated learning and development leadership, and expanding craft training programs to include leadership, communication and management content alongside technical skills. Firms that once treated training as a line-item expense are now building it into their organizational architecture.

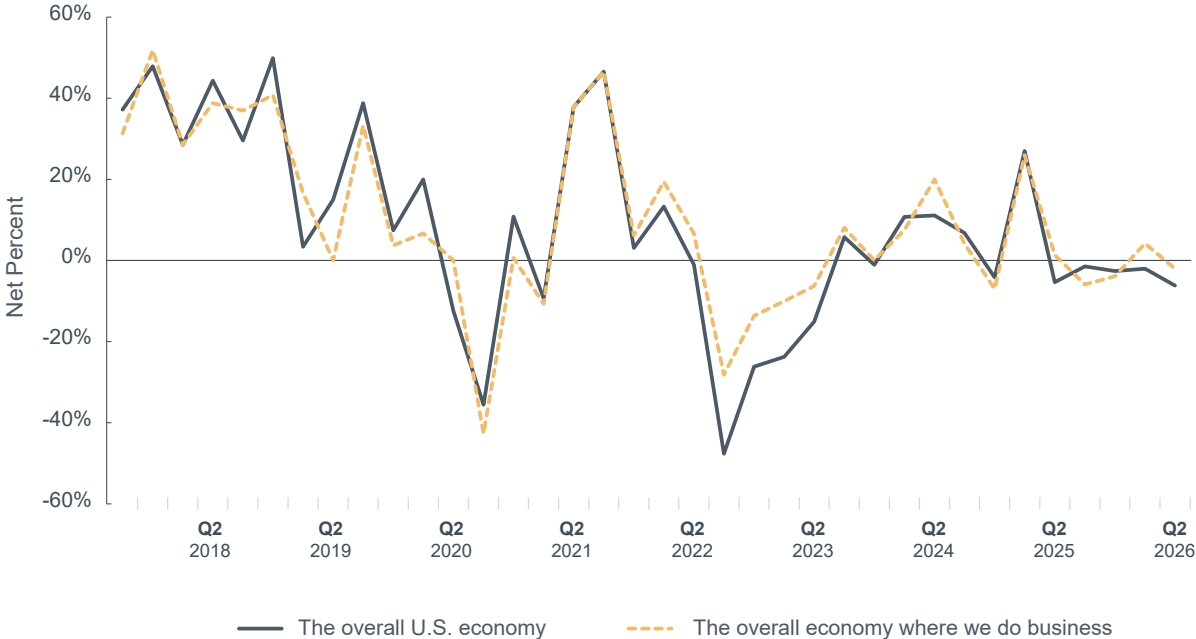
Technology training (40%) reflects growing but still deliberate adoption of software, systems and AI tools. Contractors are not rushing into technology for its own sake; they're building capability to use platforms that drive efficiency in estimating, job management and equipment tracking.

The common thread across all of these responses is intentionality. Firms no longer treat workforce development as a reaction to attrition. The best-positioned companies are building institutional training infrastructure that treats talent development as a long-term competitive advantage rather than a near-term expense.

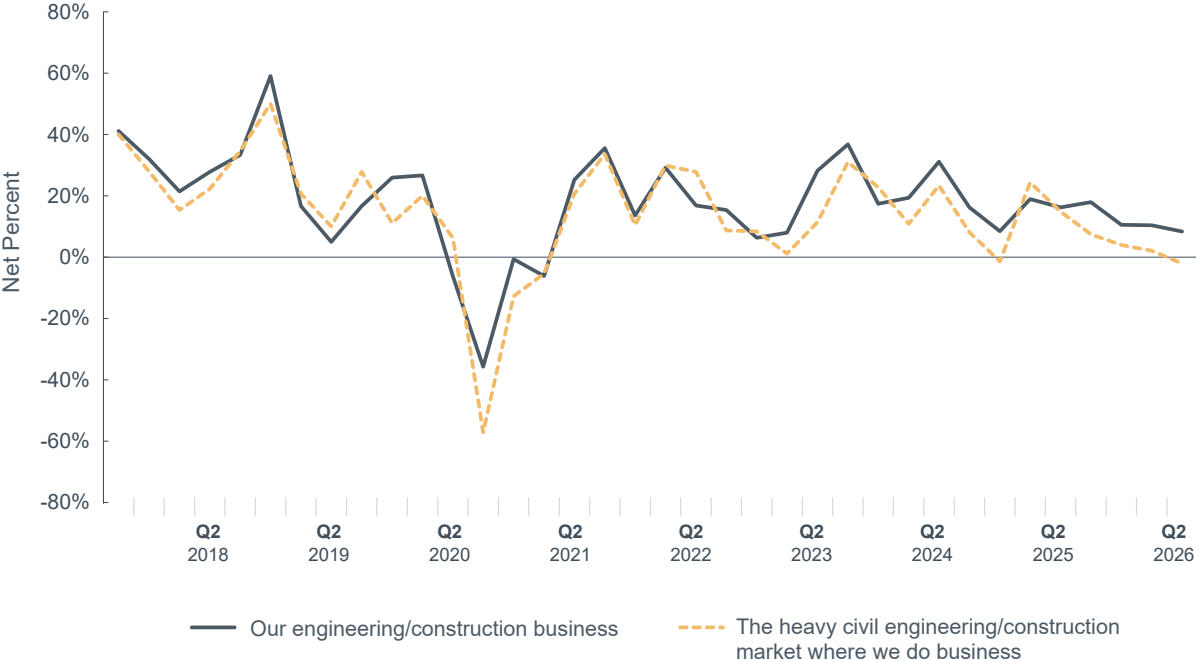


APPENDIX

NET PERCENT OF RESPONDENTS REPORTING IMPROVING CONDITIONS ECONOMIC CONDITIONS | QUARTER OVER QUARTER



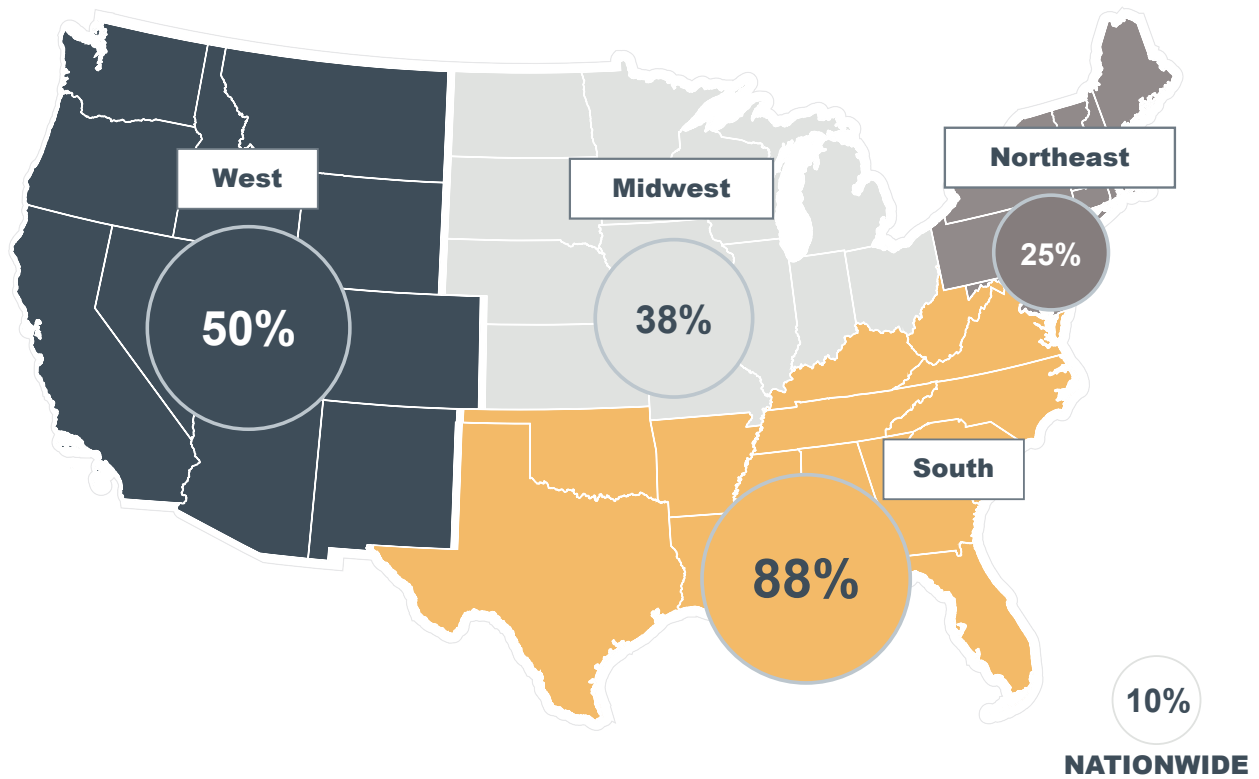
BUSINESS CONDITIONS | QUARTER OVER QUARTER



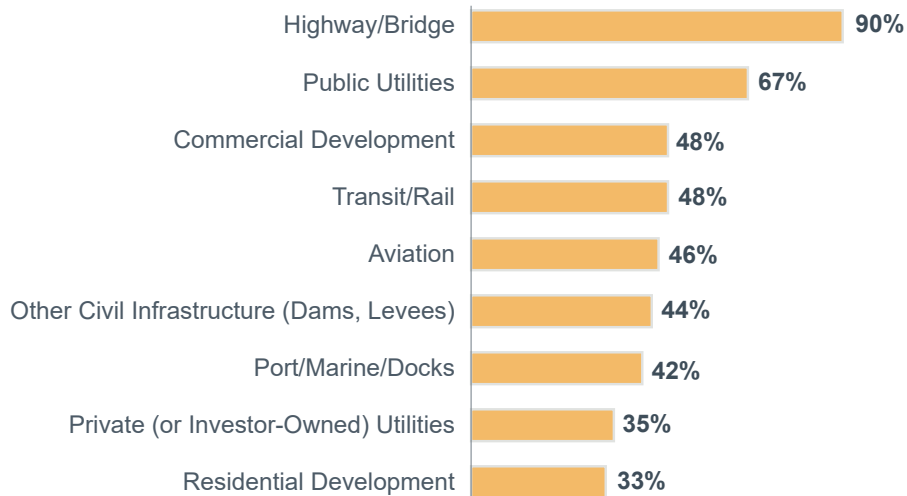
SOURCE: FMI RESEARCH

WHERE SURVEY PARTICIPANTS WORK

BY GEOGRAPHY



BY DISCIPLINE

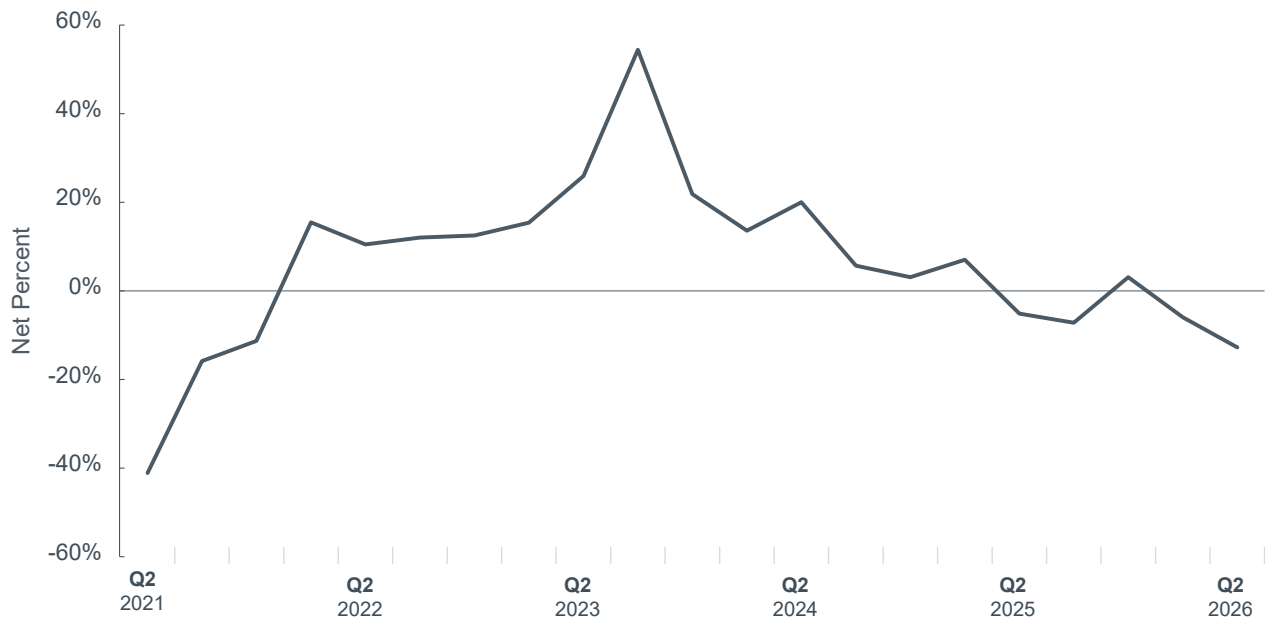


SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q2 2026

RESPONDENTS ARE ABLE TO SELECT MORE THAN ONE OPTION, WITH MANY SELECTING "OTHER INFRASTRUCTURE" ALONGSIDE ONE OF THE DISCIPLINES LISTED ABOVE.

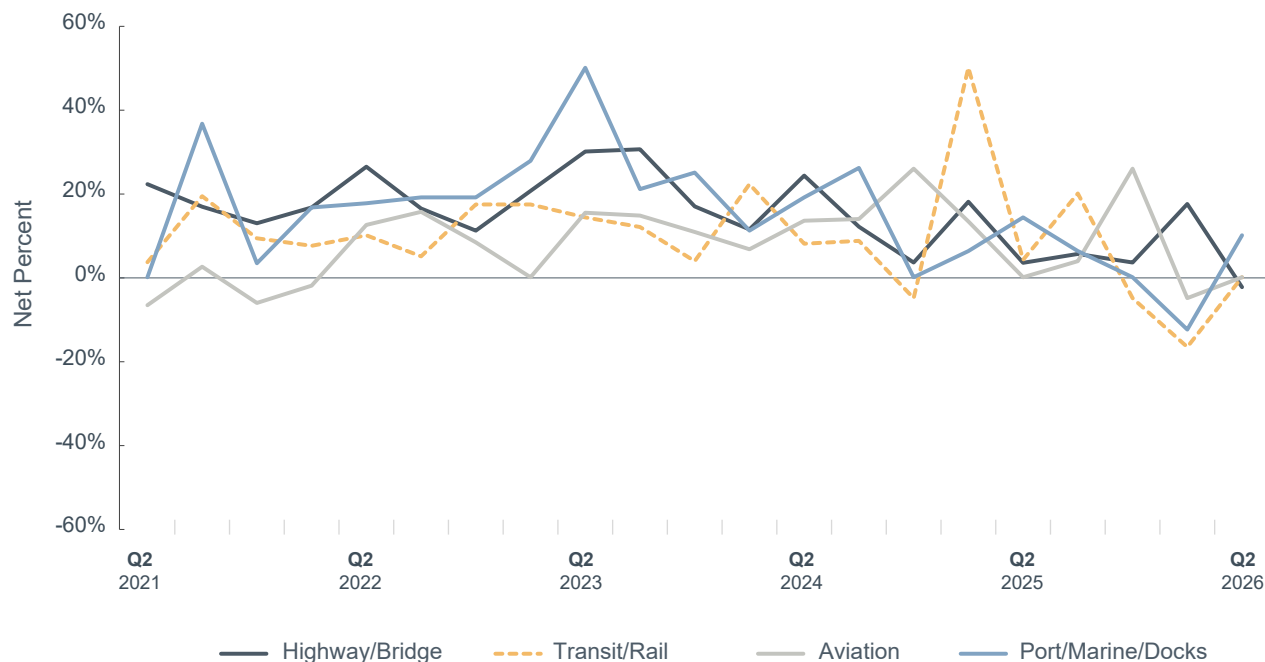
NET PERCENT OF RESPONDENTS REPORTING INCREASED MARGINS

QUARTER OVER QUARTER



NET PERCENT OF RESPONDENTS REPORTING IMPROVING CONDITIONS

SEGMENTS: TRANSPORTATION | QUARTER OVER QUARTER



SOURCE: FMI RESEARCH

SEGMENTS: OTHER CIVIL INFRASTRUCTURE | QUARTER OVER QUARTER



SOURCE: FMI RESEARCH



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