



SECOND
QUARTER
2024

CIVIL INFRASTRUCTURE CONSTRUCTION INDEX



MAY 2024

EXECUTIVE SUMMARY

By Brian Moore, Jackson Mathis and Brian Strawberry

The second quarter 2024 Civil Infrastructure Construction Index (CICI) increased to 56.9 from 55.4, marking the seventh consecutive quarter of expansion. All four economic measures strengthened including the outlook toward the overall economy, the economy where we do business, respondents' engineering and construction business, and engineering and construction where respondents do business.

Contractors continue to expect that most heavy civil segments will strengthen through the next quarter. Respondents anticipate that highway/bridge, public utilities, and ports/marine/docks will be the strongest segments through the summer. Commercial and residential site development sentiment improved over the last quarter, with about twice as many respondents expecting strengthening in the coming quarter.

Backlog book-to-burn rates decreased slightly, led by a slight drop in the share of respondents who recorded increases. More than half of the respondents indicated that their backlogs are higher this

quarter compared with a year ago, and almost three-quarters (71%) said that backlogs are either at or higher than what is needed or anticipated at this point in the year.

A majority (82%) of respondents indicated that margins on work acquired this quarter are the same or better than they were one year ago, and 81% reported margins were either up or about the same as last quarter.

Despite growing backlogs, contractors in the survey continue to report a competitive market, with almost three-quarters of respondents (72%) citing an increase in competitive pressures. In contrast, 28% indicated similar or decreasing competition, up from 27% last quarter.

Bid prices have increased again this quarter, with 59% of respondents indicating a slight or significant increase, compared with 51% last quarter. Similarly, there is a slight but notable increase in the share of contractors seeing new competitors, with 27% of respondents identifying new entrants to their markets in the past six months compared with 24% last quarter.

About 80% of respondents indicated that margins on work acquired were up or the same as last quarter (and compared to one year ago).

Current Reading for Q2 2024		Previous Reading for Q1 2024	
56.9		55.4	
CICI INDEX MOVEMENT		Q2 2024	Q1 2024
Overall U.S. Economy	↑	55.6	55.4
Economy Where We Do Business	↑	60.0	53.8
Our Engineering and Construction Business	↑	65.6	59.7
Engineering and Construction Where We Do Business	↑	61.7	55.4
Backlog	↑	65.3	61.3
Book/Burn Rate	↓	61.6	63.9
Cost of Materials	↓	27.9	32.8
Cost of Labor	↓	18.0	23.3
Productivity	↑	51.1	46.7



FMI'S CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q2 2018 TO Q2 2024

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

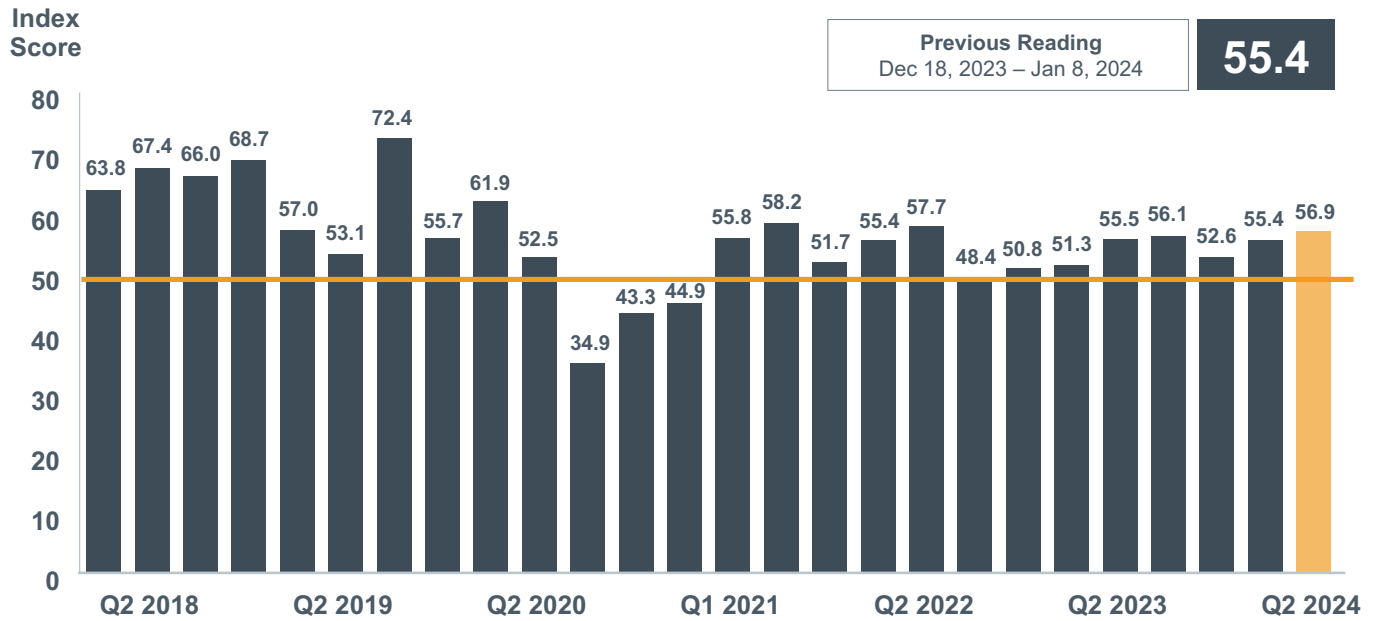
**Current CICI Reading
for Q2 2024**

Survey dates:
March 8 – 21, 2024

56.9

Previous Reading
Dec 18, 2023 – Jan 8, 2024

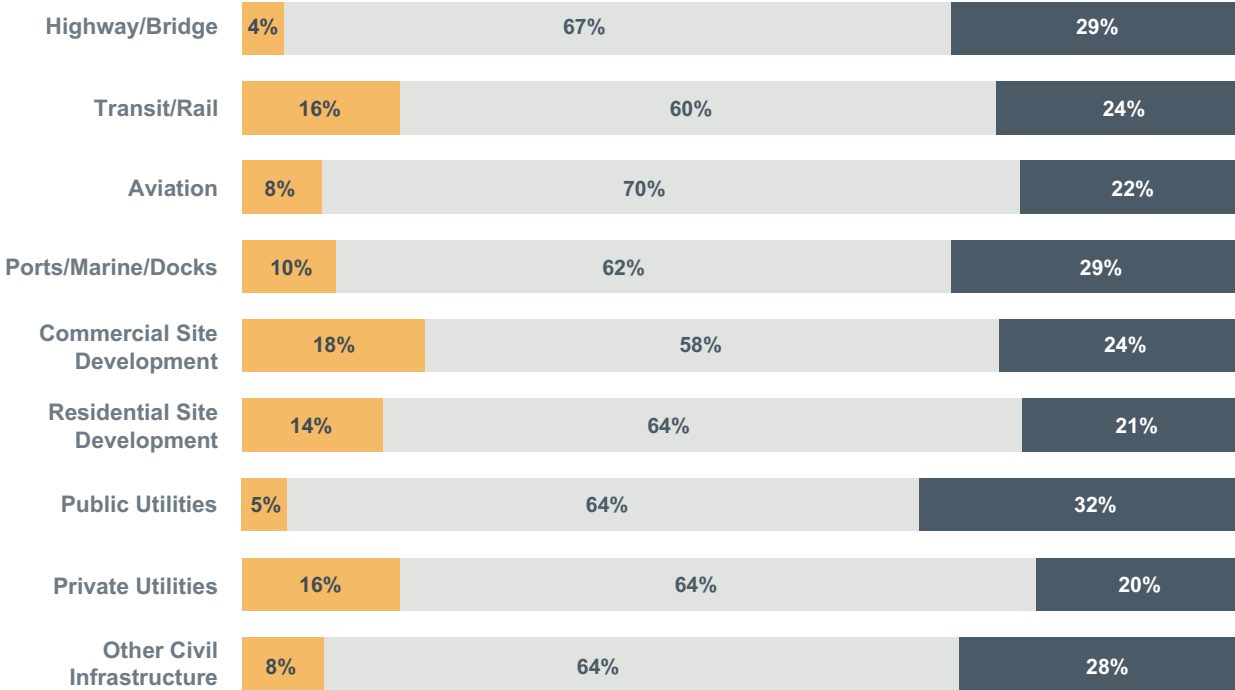
55.4



SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q2 2024



PERCEPTION OF CHANGE BY SEGMENT FOR NEXT QUARTER



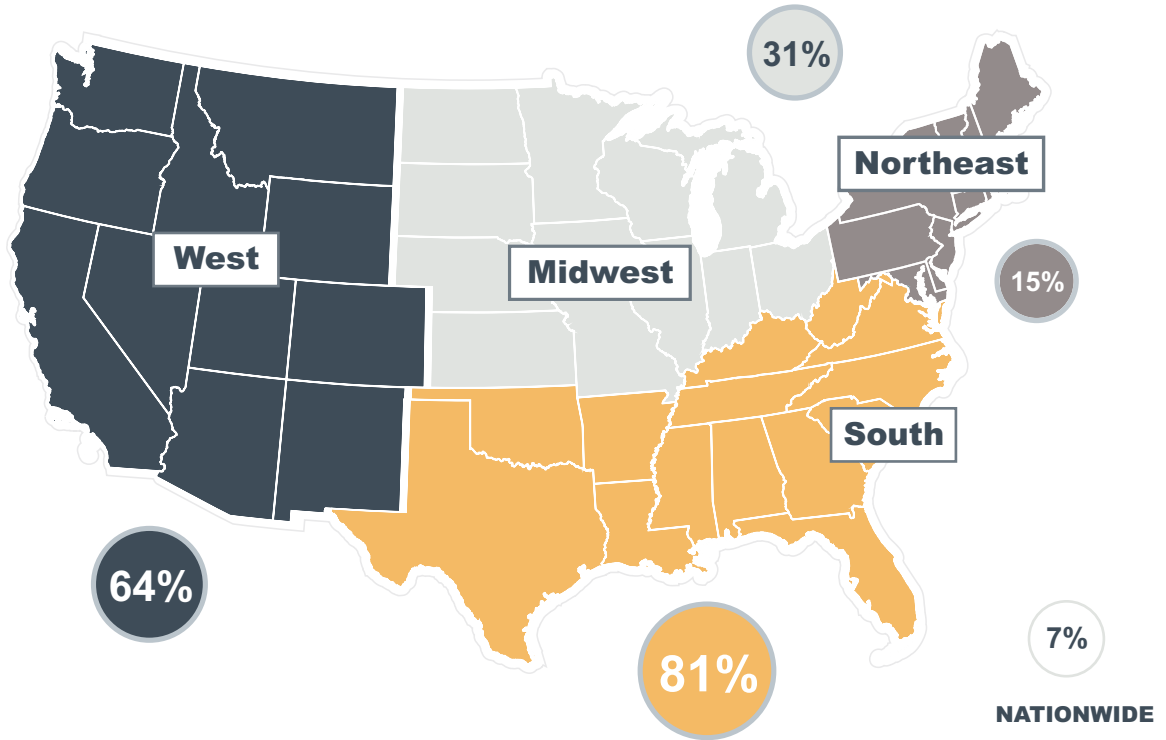
Worsening No Change Improving

SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q2 2024

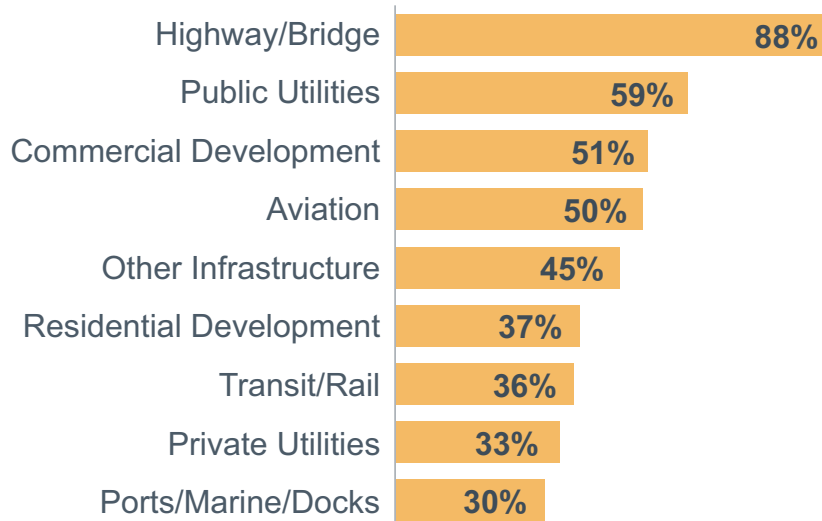


WHERE SURVEY PARTICIPANTS WORK

BY GEOGRAPHY



BY DISCIPLINE



RESPONDENTS ARE ABLE TO SELECT MORE THAN ONE OPTION

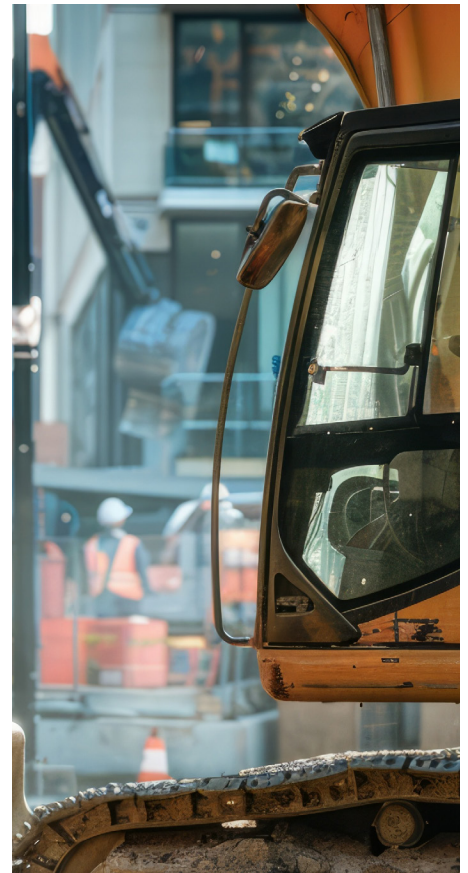
MARKET CONDITIONS



MARKET CONDITIONS

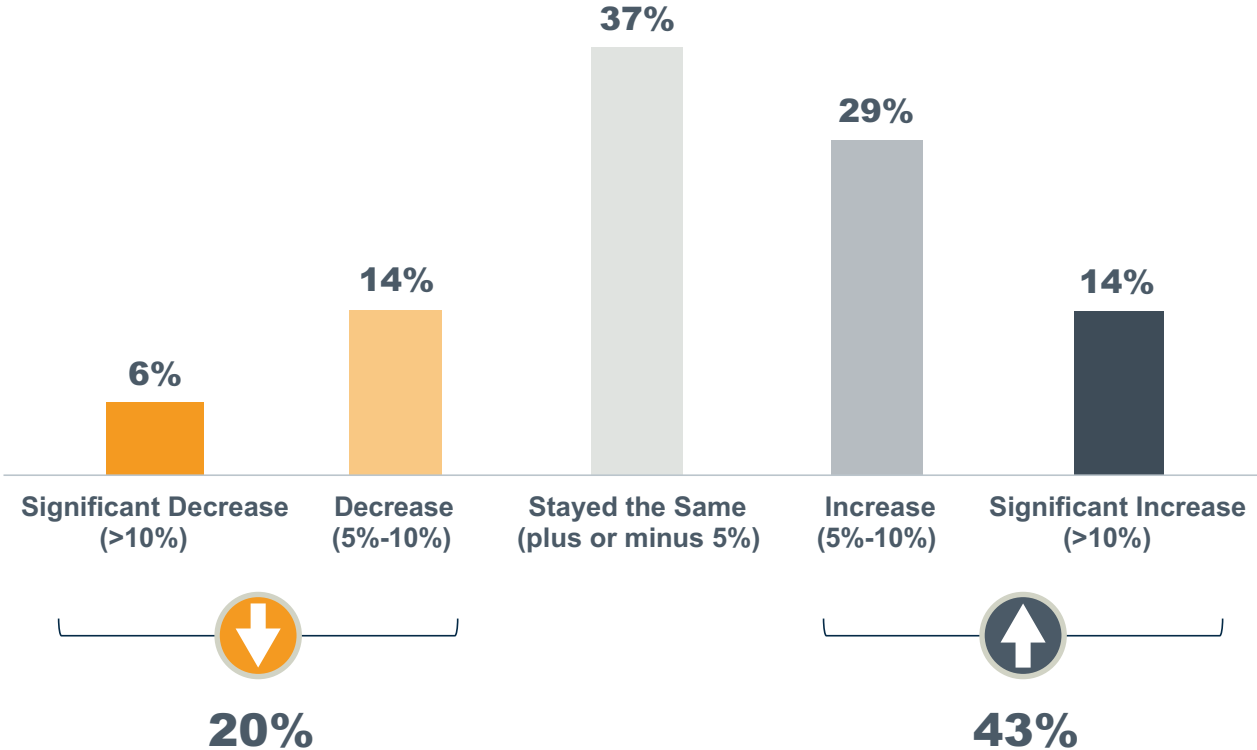
- Contractors continue to build backlog faster than they are burning it, however the share of respondents indicating an increase has dropped slightly. Declines this quarter were led by a 3 percentage-point decrease in the share of contractors who said they saw some, or a significant, increase in backlog book-to-burn rates at 43% in the second quarter of 2024, down from 46% in the first quarter.
- More than half of respondents (58%) said their backlog levels are either significantly or somewhat higher than the same quarter a year ago. Further, 71% of contractors reported their backlogs are either at or exceeding levels for what is needed or anticipated at this point in the year. Despite facing obstacles such as weather-related setbacks and slower-than-anticipated contract awards, survey participants are optimistic about a near-term uptick in market conditions, particularly in the third quarter this year.
- A majority (82%) of respondents indicated that margins on work acquired this quarter are the same or better than they were one year ago, and 81% said margins were either up or about the same as last quarter. Despite the abundance of opportunities, competitors are observed to be bidding aggressively, prompting a response from firms to carefully manage their margins. While margins for highway/bridge projects of standard duration remain narrow, respondents mentioned increases in margins for complex projects with extended timelines. This is likely attributed to the need to mitigate heightened risks associated with such endeavors.
- Nearly three-quarters of contractors (72%) reported an increase in competitors over the prior quarter. Additionally, 59% of respondents said bid prices have increased since last quarter, a byproduct of elevated material and labor costs, up from 51% in the first quarter.
- Commentary from survey participants indicates that one new source of competition has come from private-equity-owned firms expanding into new markets and a trend of contractors bidding on projects beyond their usual scope. On the other hand, there is also a noticeable decline in the number of contractors capable of handling large projects, leading to reduced competition in megaprojects.

More than half of respondents (58%) said their backlog levels are either significantly or somewhat higher than the same quarter a year ago.



BACKLOG BOOK/BURN RATE (YEAR OVER YEAR)

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

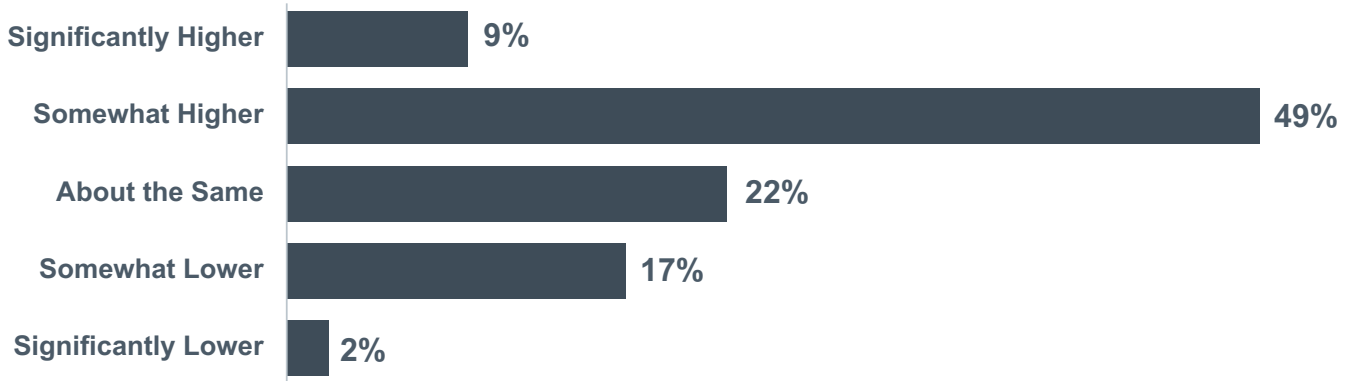


SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q2 2024

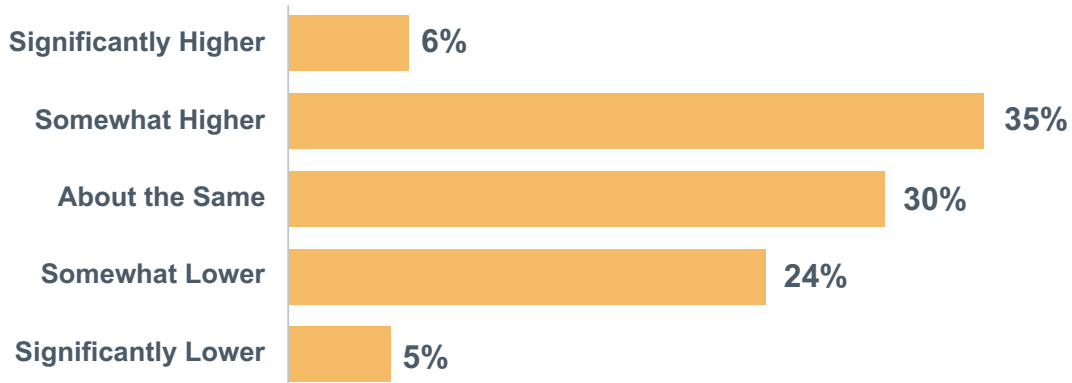


BACKLOG

HOW DOES YOUR BACKLOG IN THE MOST RECENT QUARTER COMPARE TO THE SAME QUARTER LAST YEAR?

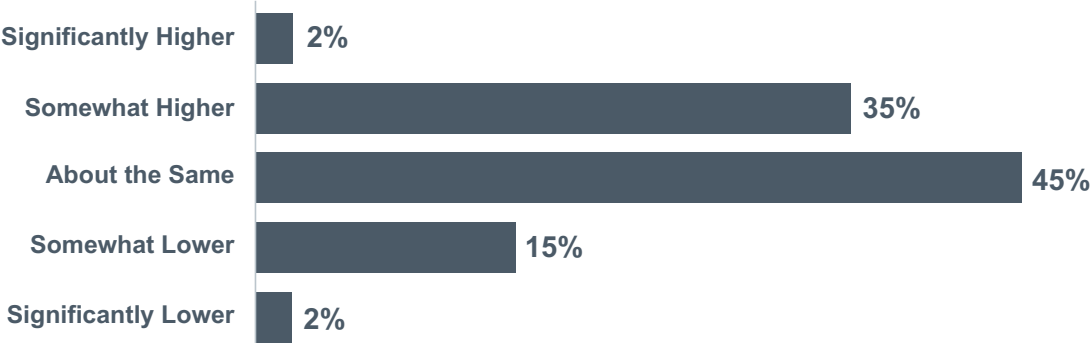


WHAT IS YOUR CURRENT BACKLOG COMPARED TO YOUR ANTICIPATED/NEEDED BACKLOG AT THIS POINT IN THE YEAR?

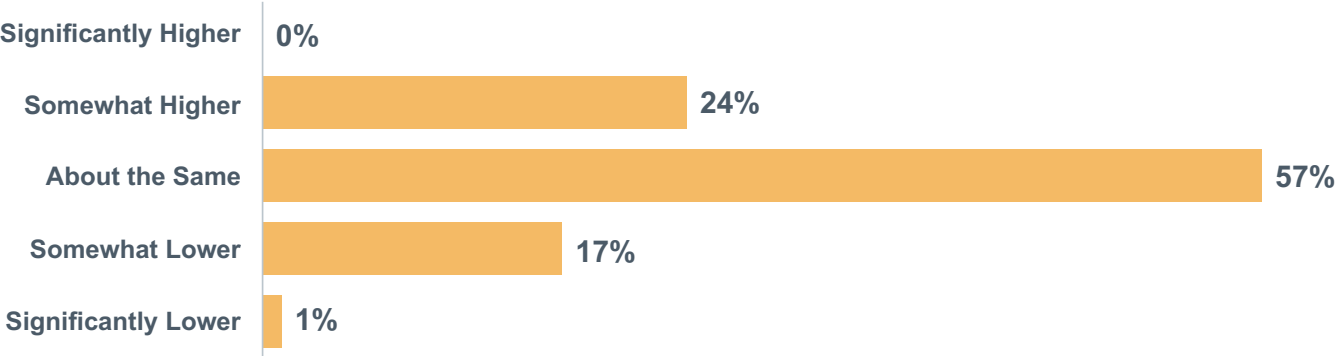


MARGINS

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

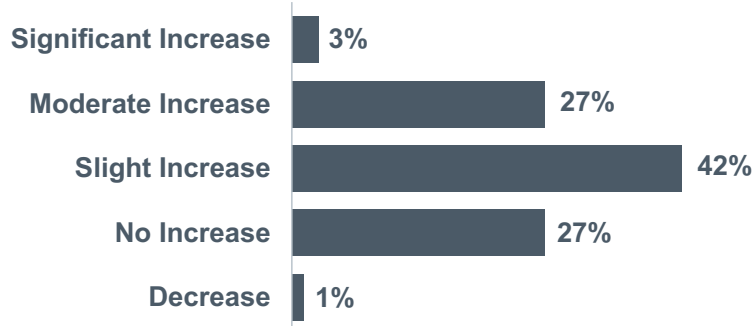


HOW WOULD YOU COMPARE MARGINS ON THE WORK YOU HAVE ACQUIRED IN THIS QUARTER VERSUS THE LAST QUARTER?

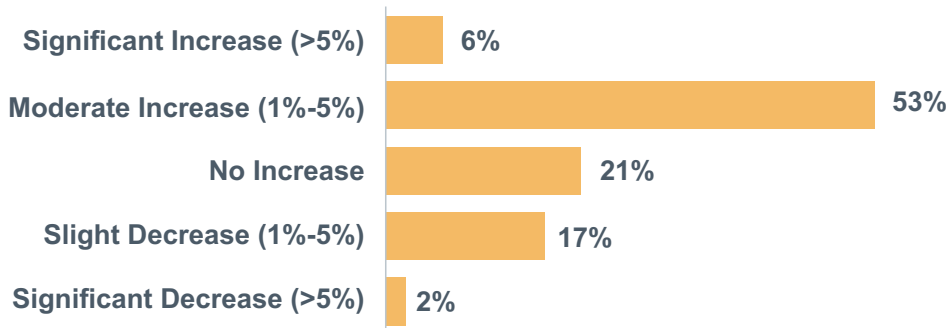


COMPETITIVE LANDSCAPE

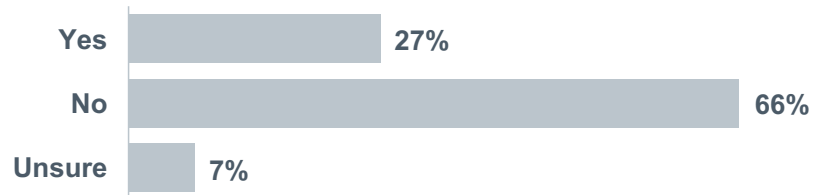
HOW HAS THE COMPETITIVE LANDSCAPE CHANGED IN THE LAST QUARTER?



HOW HAVE BID PRICES BEEN IMPACTED IN THE LAST QUARTER?



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





CURRENT ISSUES

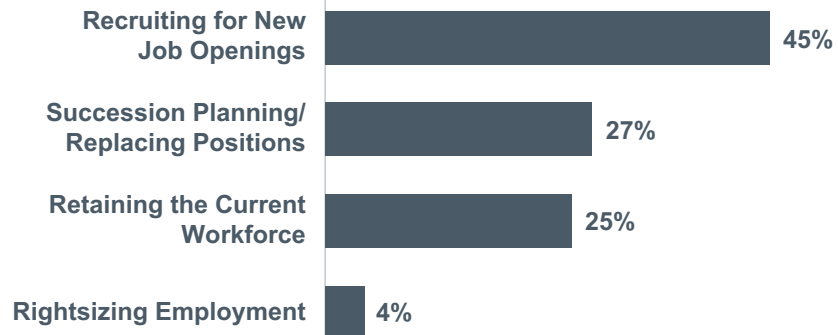
CURRENT ISSUES

- Looking at the rest of 2024, a predominant portion of respondents (45%) identified recruiting for new job openings as their firm's foremost priority concerning talent acquisition. A smaller percentage (27%) highlighted succession planning and position replacement as additional areas of focus.
- Nearly half of respondents (47%) disclosed that their firms increased their budgets for compensation-related expenses by 3% to 4%. Slightly fewer than one-third (28%) of respondents indicated a budget increase within the range of 4% to 5%. A smaller proportion of respondents (9%) indicated a budget increase of greater than 5%.
 - Furthermore, a substantial portion of respondents (60%) are anticipating that 2024 pay raises will be consistent with those of 2023.
- When surveyed about the impact of performance on salary increases and annual bonuses, 53% of respondents said individual performance is subjectively considered for raises, while 47% said the same for bonuses. Furthermore, 32% reported that formal performance reviews determine raises, and 33% indicated these reviews influence bonus allocations.

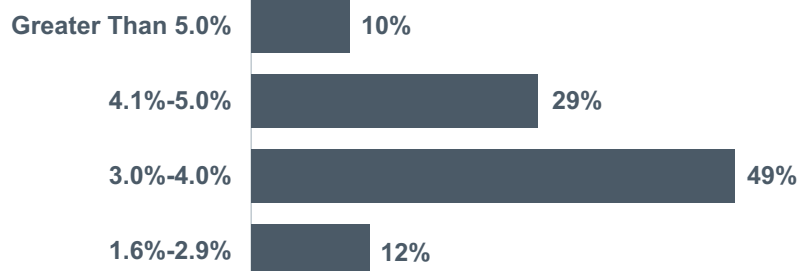


2024 COMPENSATION

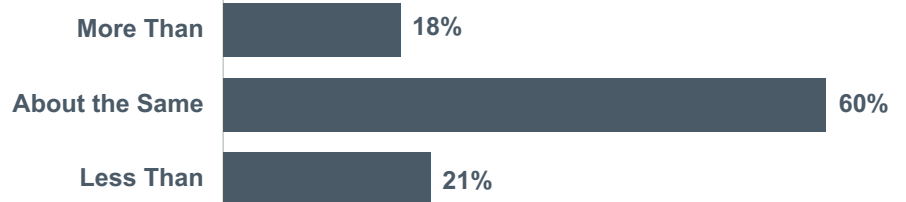
WHAT IS YOUR FIRM'S TOP PRIORITY REGARDING TALENT IN 2024?



WHAT IS YOUR FIRM'S 2024 PAY INCREASE BUDGET?



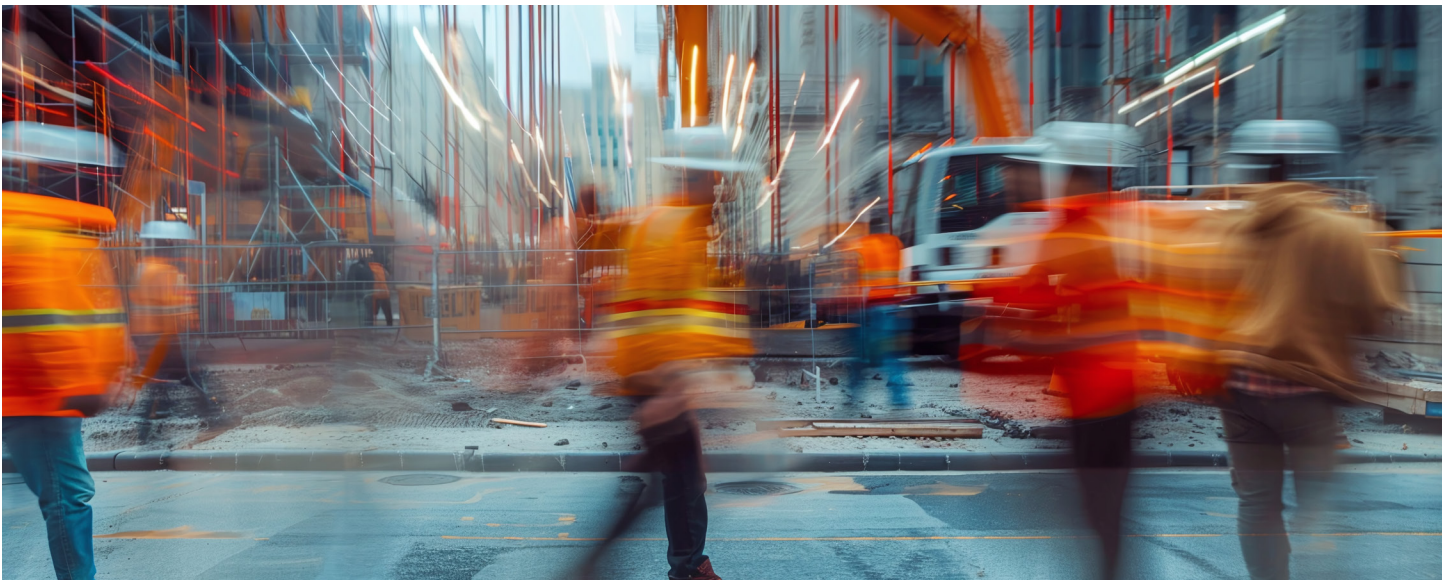
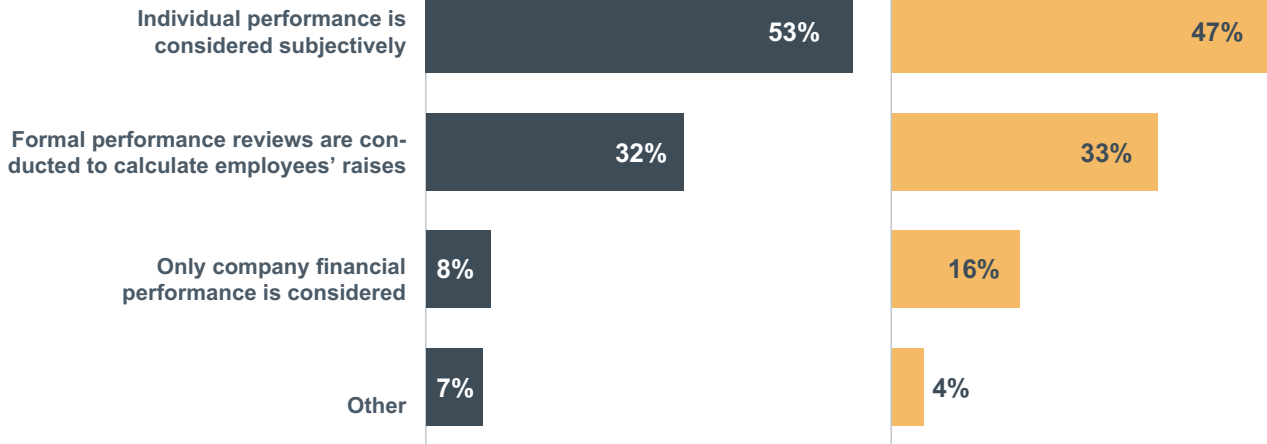
COMPARED WITH 2023, WHAT DO YOU EXPECT FOR PAY RAISES?



2024 COMPENSATION

HOW DOES PERFORMANCE INFLUENCE RAISES?

HOW DOES PERFORMANCE INFLUENCE ANNUAL INCENTIVES/BONUSES



AUTHORS



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