



FIRST
QUARTER
2024

CIVIL INFRASTRUCTURE CONSTRUCTION INDEX



FEBRUARY 2024

EXECUTIVE SUMMARY

By Brian Moore, Jackson Mathis and Brian Strawberry

The 2024 first quarter Civil Infrastructure Construction Index (CICI)* increased to 55.4 from 52.6, marking the sixth consecutive quarter of anticipated and ongoing sector expansion. Three out of four economic measures strengthened, including the outlook toward the overall U.S. economy, the economy where we do business, and our engineering and construction (E&C) business. Respondents' sentiment toward engineering and construction where we do business marked a second consecutive decline this quarter, falling to 55.4 from 61.4, indicating that while many are optimistic about their own businesses, they are more pessimistic about the conditions in their regions.

Contractors continue to expect that most heavy civil segments will strengthen through next quarter. Like last quarter, commercial and residential site development are expected to weaken. Respondents anticipate that public utilities, ports/marine/docks and other civil infrastructure (dams, levees) will be the strongest segments through the end of the year.

Backlog book-to-burn rates improved slightly, led by a slight drop in the share of respondents

who recorded decreases. More than half of the respondents indicated that their backlogs are higher this quarter compared to a year ago, and nearly three quarters (70%) said that backlogs are either at or higher than what is needed or anticipated at this point in the year.

A majority (76%) of respondents indicated that margins on work acquired this quarter are the same or better than they were one year ago. A slightly larger share (82%) reported margins were either up or about the same as last quarter.

Despite growing backlogs, contractors surveyed continue to report a competitive market, with nearly three quarters of respondents (72%) citing an increase in competitive pressures. In contrast, 27% indicated similar or decreasing competition, down from 42% last quarter.

Bid prices have climbed again this quarter, with 51% of respondents indicating a slight or significant increase, compared to 63% last quarter. Similarly, there is a small but notable increase in the share of contractors seeing new entrants, with 24% of respondents identifying new nontraditional civil firms entering their markets in the last six months compared to 20% last quarter.

“A majority (76%) of respondents indicated that margins on work acquired this quarter are the same or better than they were one year ago.”

*FORMERLY NAMED HEAVY CIVIL CONSTRUCTION INDEX. METHODOLOGY REMAINS UNCHANGED.

Current Reading for Q1 2024		Previous Reading for Q4 2023	
55.4		52.6	
CICI INDEX MOVEMENT		Q1 2024	Q4 2023
Overall U.S. Economy	↑	55.4	49.5
Economy Where We Do Business	↑	53.8	50.0
Our Engineering and Construction Business	↑	59.7	58.7
Engineering and Construction Where We Do Business	↓	55.4	61.4
Backlog	↑	61.3	58.3
Book/Burn Rate	↓	63.9	64.2
Cost of Materials	↑	32.8	31.3
Cost of Labor	↑	23.3	17.6
Productivity	↓	46.7	47.2

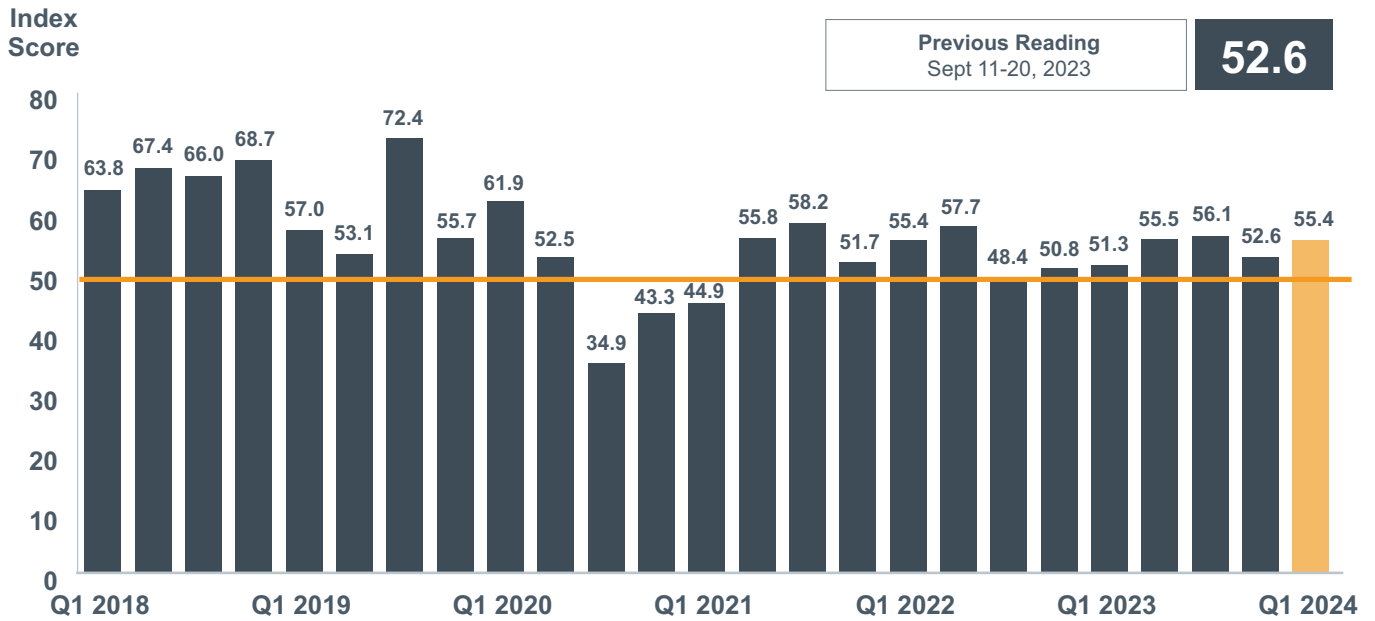


FMI'S CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q1 2018 TO Q1 2024

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

<p>Current CICI Reading for Q1 2024</p> <p>Survey dates: Dec 18, 2023 – Jan 8, 2024</p>	55.4
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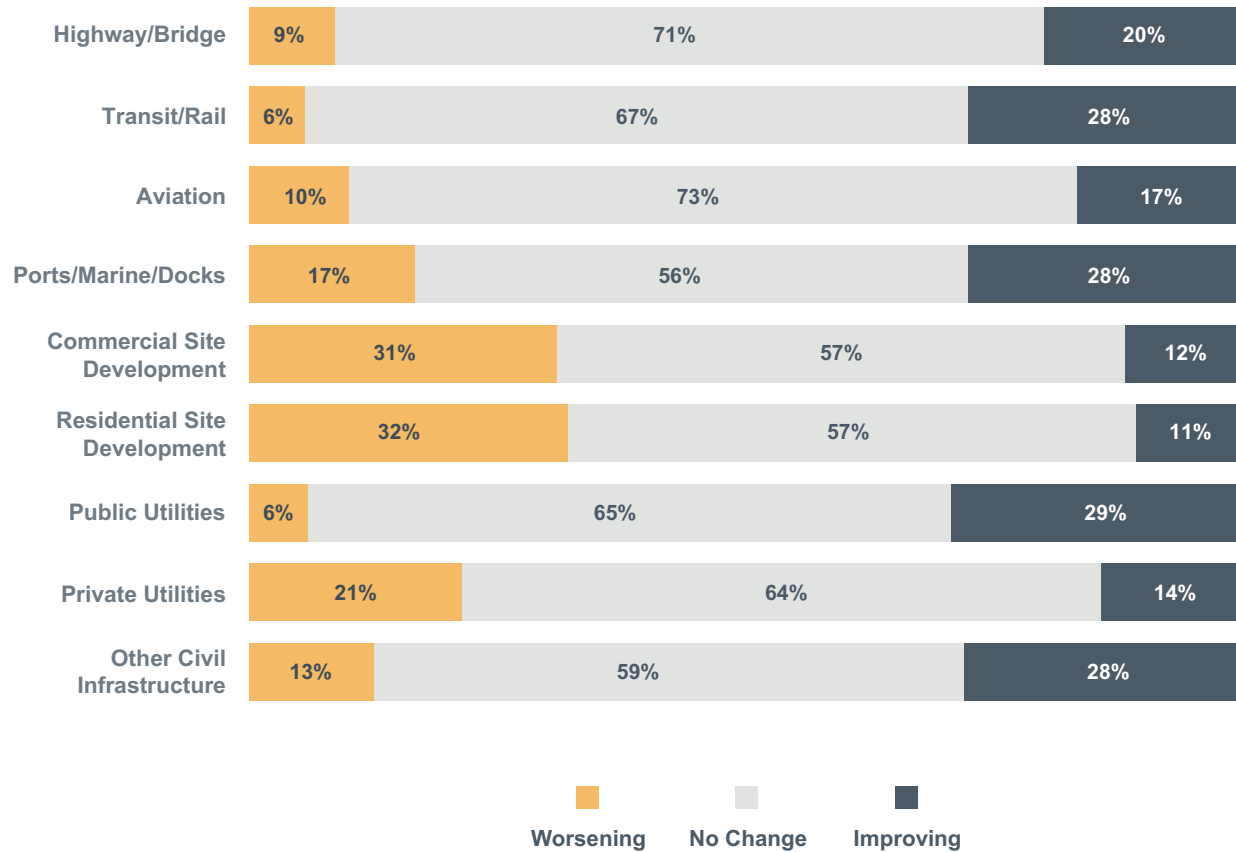
<p>Previous Reading Sept 11-20, 2023</p>	52.6
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SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q1 2024



PERCEPTION OF CHANGE BY SEGMENT FOR NEXT QUARTER

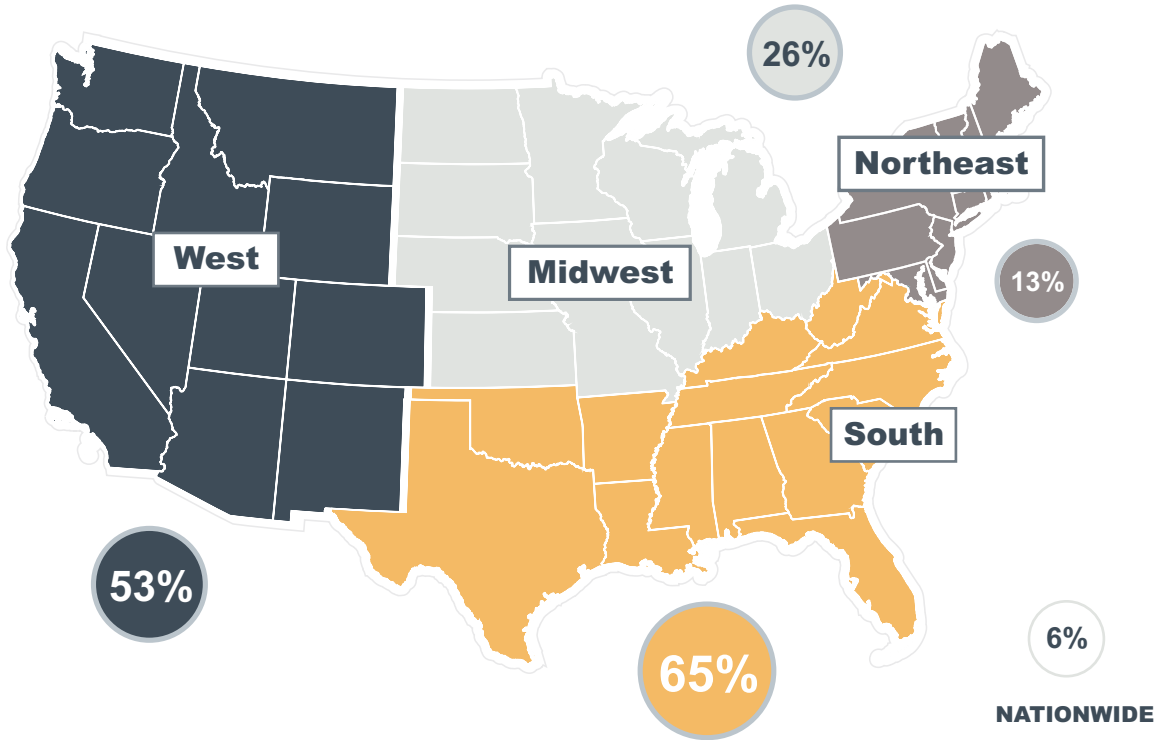


SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q1 2024

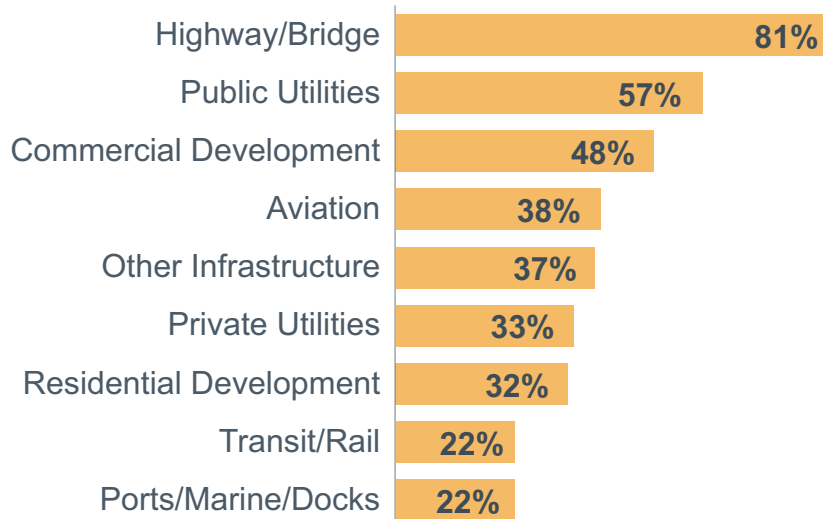


WHERE SURVEY PARTICIPANTS WORK

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. Improvements this quarter were led by a 2% gain in the share of contractors who said they saw some or a significant increase in backlog book/burn rate at 46% in the first quarter of 2024, up from 44% in the fourth quarter of 2023.
- Over half of respondents (54%) said their backlog levels are either significantly or somewhat higher

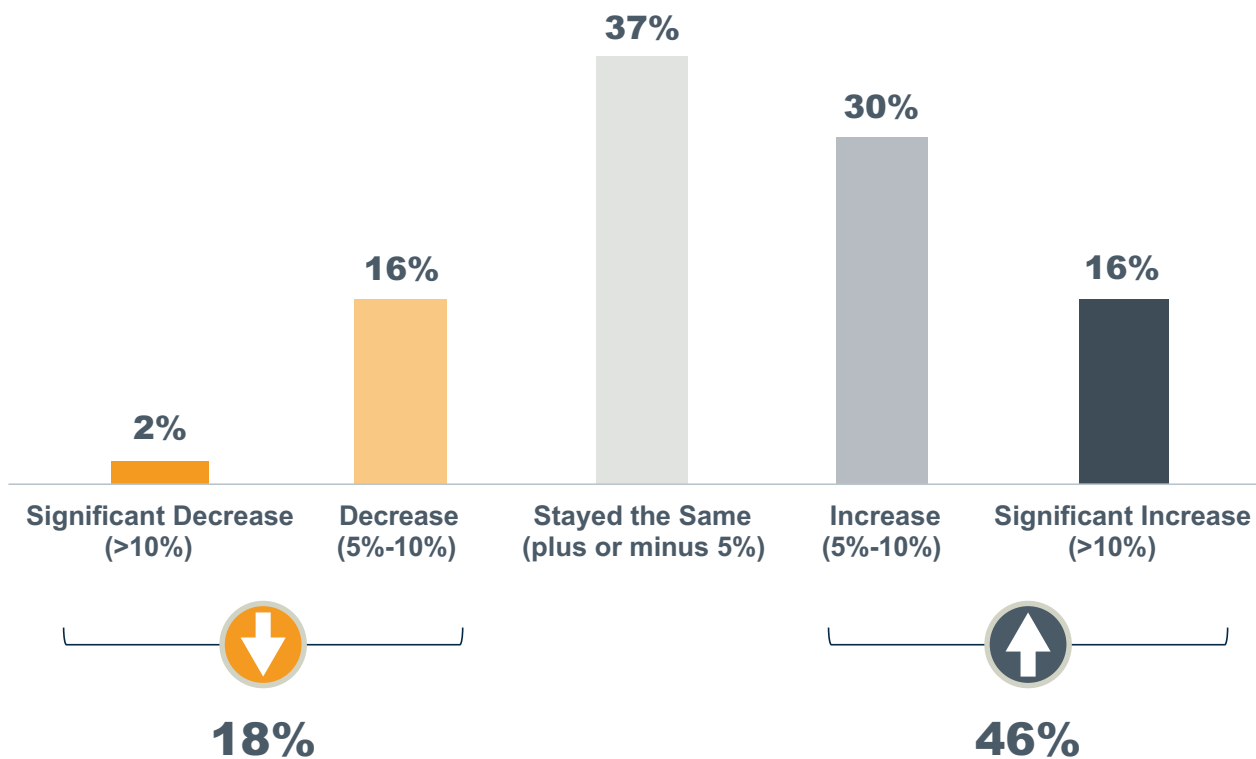
than the same quarter a year ago. Further, 70% of contractors reported their backlogs are either at or exceeding levels for what is needed or anticipated at this point in the year. Commentary points to weather conditions and an uptick in bidding opportunities as reasons for elevated backlog levels.

- A majority (76%) of respondents indicated that margins on work acquired this quarter are the same or better than they were one year ago. A slightly larger share (82%) reported margins were either up or about the same as the end of 2023.
- Nearly three quarters of contractors (72%) reported an increase in competitors over the prior quarter. Additionally, 51% of respondents indicated bid prices have increased since last quarter, contributing to greater competition and higher costs across the industry.
- More contractors are seeing new competitors in their markets, as 24% of respondents said they've seen new entrants within their market in the last six months, compared to 20% last quarter.

“24% of respondents said they’ve seen new entrants within their market in the last six months, compared to 20% last quarter.”

BACKLOG BOOK/BURN RATE (YEAR OVER YEAR)

BOOK/BURN RATE IS THE PACE BACKLOG IS ADDED COMPARED TO HOW QUICKLY IT IS USED

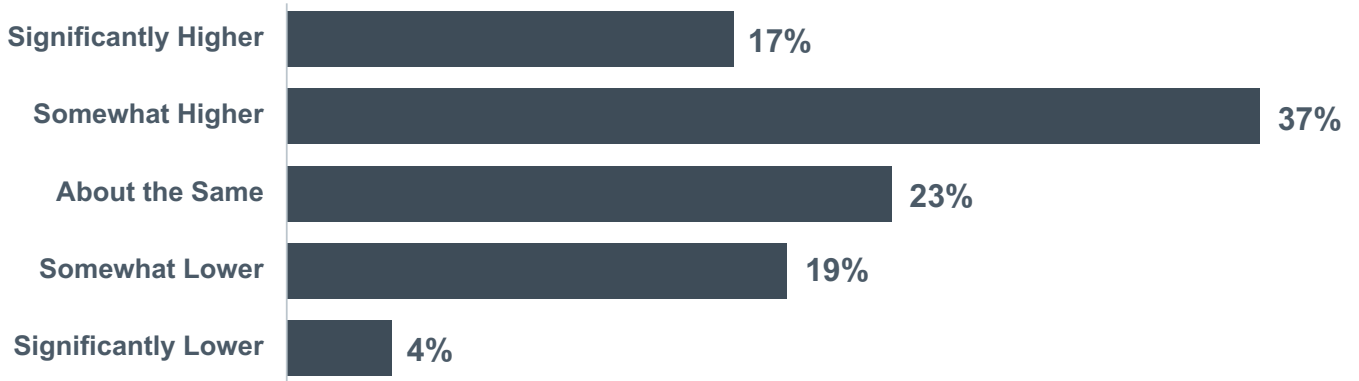


SOURCE: FMI CIVIL INFRASTRUCTURE CONSTRUCTION INDEX Q1 2024

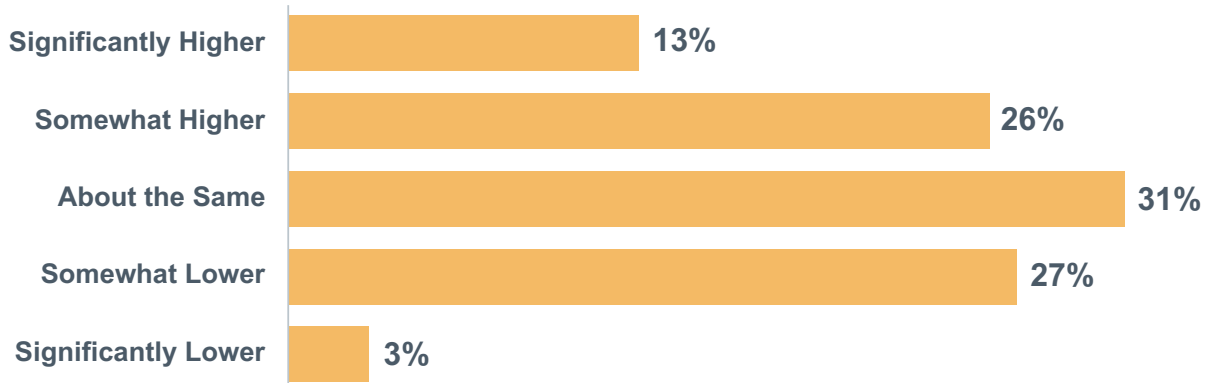


BACKLOG

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

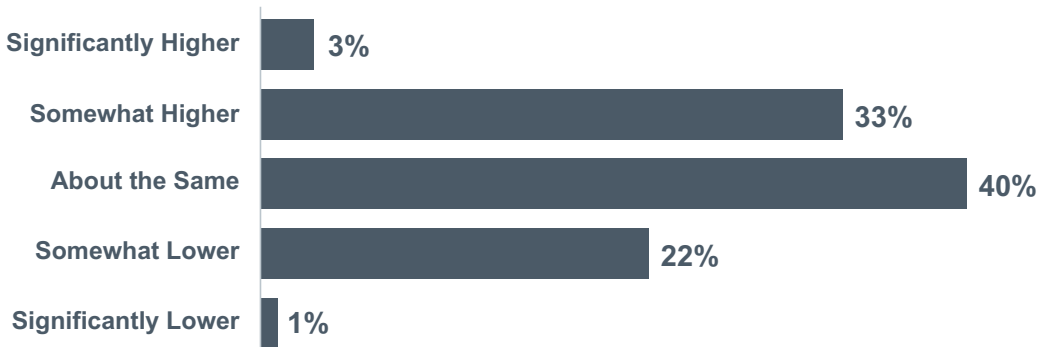


WHAT IS YOUR CURRENT BACKLOG COMPARED TO YOUR ANTICIPATED/NEEDED BACKLOG AT THIS POINT IN THE YEAR?

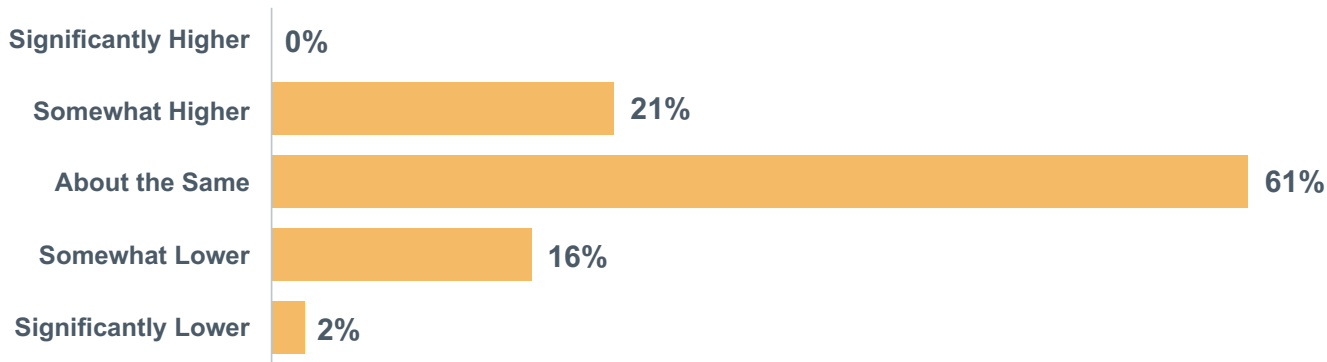


MARGINS

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

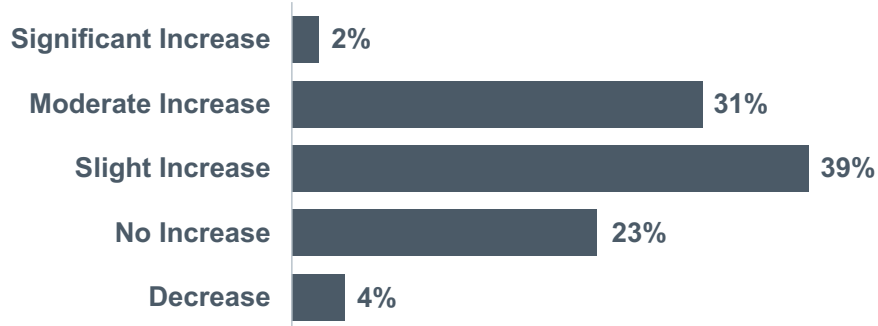


HOW WOULD YOU COMPARE MARGINS ON THE WORK YOU HAVE ACQUIRED IN THIS QUARTER COMPARED TO THE LAST QUARTER?

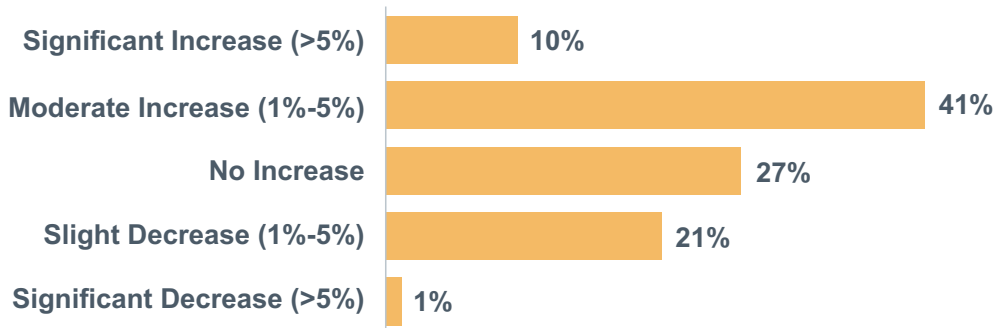


COMPETITIVE LANDSCAPE

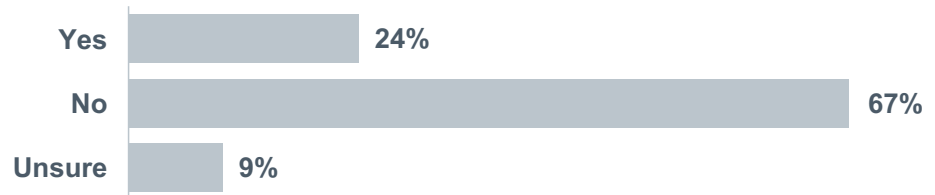
HOW HAS THE COMPETITIVE LANDSCAPE CHANGED IN THE LAST QUARTER?



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

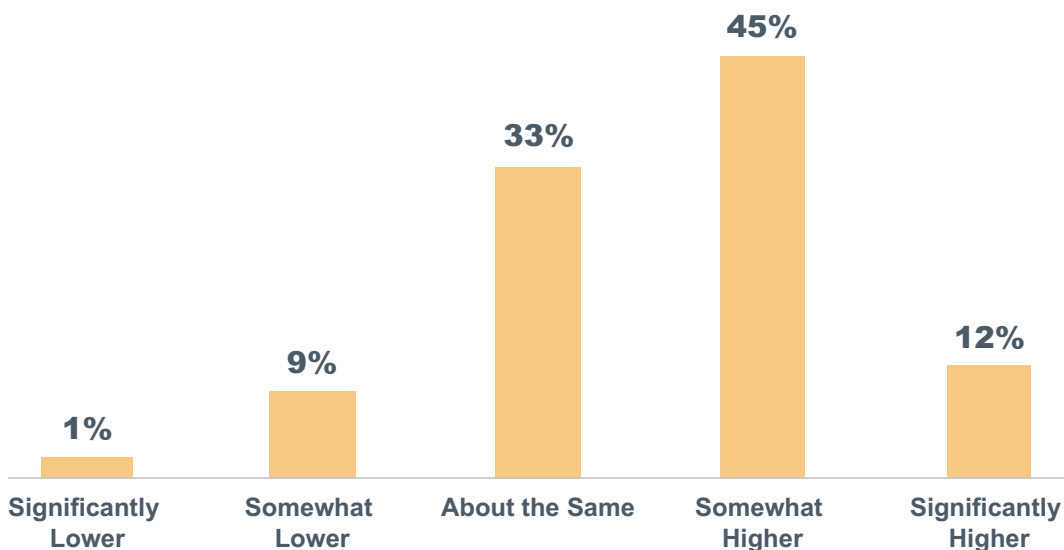
CURRENT ISSUES

- More than half of contractors (57%) plan to increase their hiring goals for 2024 either somewhat or significantly, compared to 62% at the same time last year. Notably, the number of participants indicating that their labor force aligns with their backlog requirements increased by 5% from 2023 to 33%. Yet there is still a labor challenge, with a sizable percentage of contractors (64%) reporting low labor-force-to-backlog ratios this year, mirroring the 65% reported in 2023.
- The top three risks cited in the first quarter of 2024 were a limited supply of skilled/craft workers (76%), more competitors in respondents' markets (39%) and economic slowdown (28%). This marks a shift from the first quarter of 2023 when the predominant concerns were a scarcity of skilled/craft workers (86%), rising costs in materials and equipment due to supply chain disruptions (59%), and economic downturn (45%).
- When asked what the largest challenge for their firms would be in 2024, 43% of respondents said a limited supply of skilled and craft workers, with 11% citing economic slowdown, indicating that most in civil infrastructure continue to focus on labor challenges as their biggest hurdle.
- In thinking about how to create a resilient business for 2024, respondents prioritized profitability, followed by backlogs, and investments in core products and services. Market share in new segments and/or geographies constituted the least significant driver in creating a resilient business.
- When asked how they would change strategic decisions in 2024, civil infrastructure companies indicated that they plan to increase hiring (74%), selective bidding (54%) and the pursuit of alternative procurement opportunities or those awarded on a basis other than price (46%). Respondents plan to keep the same levels of investments in facilities and equipment, geographic and segment expansion, and aggressive bidding. Notably, alternative procurement emerged as a significant decision, with 91% of respondents indicating that their strategy in this area would either remain stable or increase.
- Alternative procurement remains a crucial part of respondents' strategies, with 22% indicating this has been a strategy of theirs for years or that it has been a more recent strategic shift (56%). This is a slight decrease from the fourth quarter of 2022 (the last time this question was asked), when 28% said it was a recent shift and 79% indicated they had been pursuing alternative procurement for several years.
- Likewise, almost half of survey respondents (46%) signaled that they are going to focus more on alternative procurement.

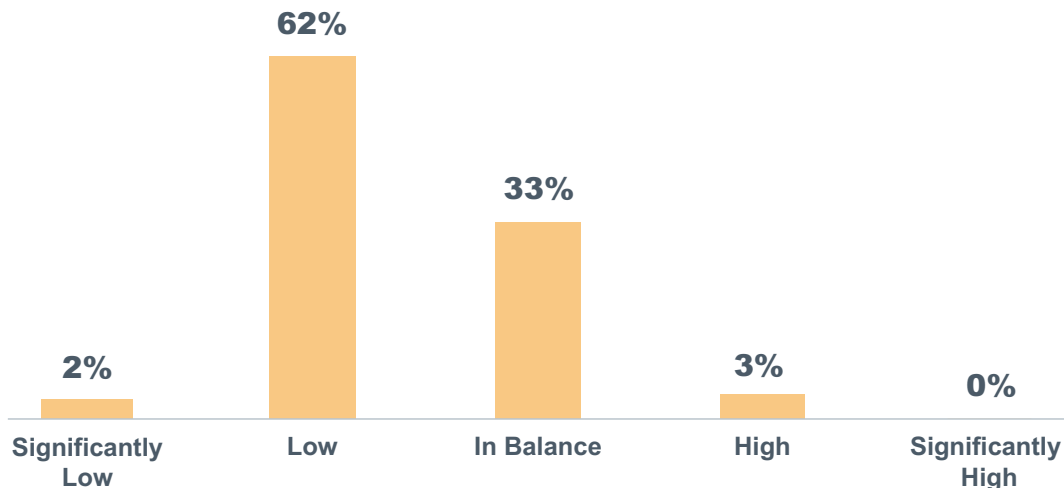


HIRING AND LABOR FORCE

HOW WOULD YOU DESCRIBE YOUR HIRING GOALS FOR 2024 COMPARED TO 2023?

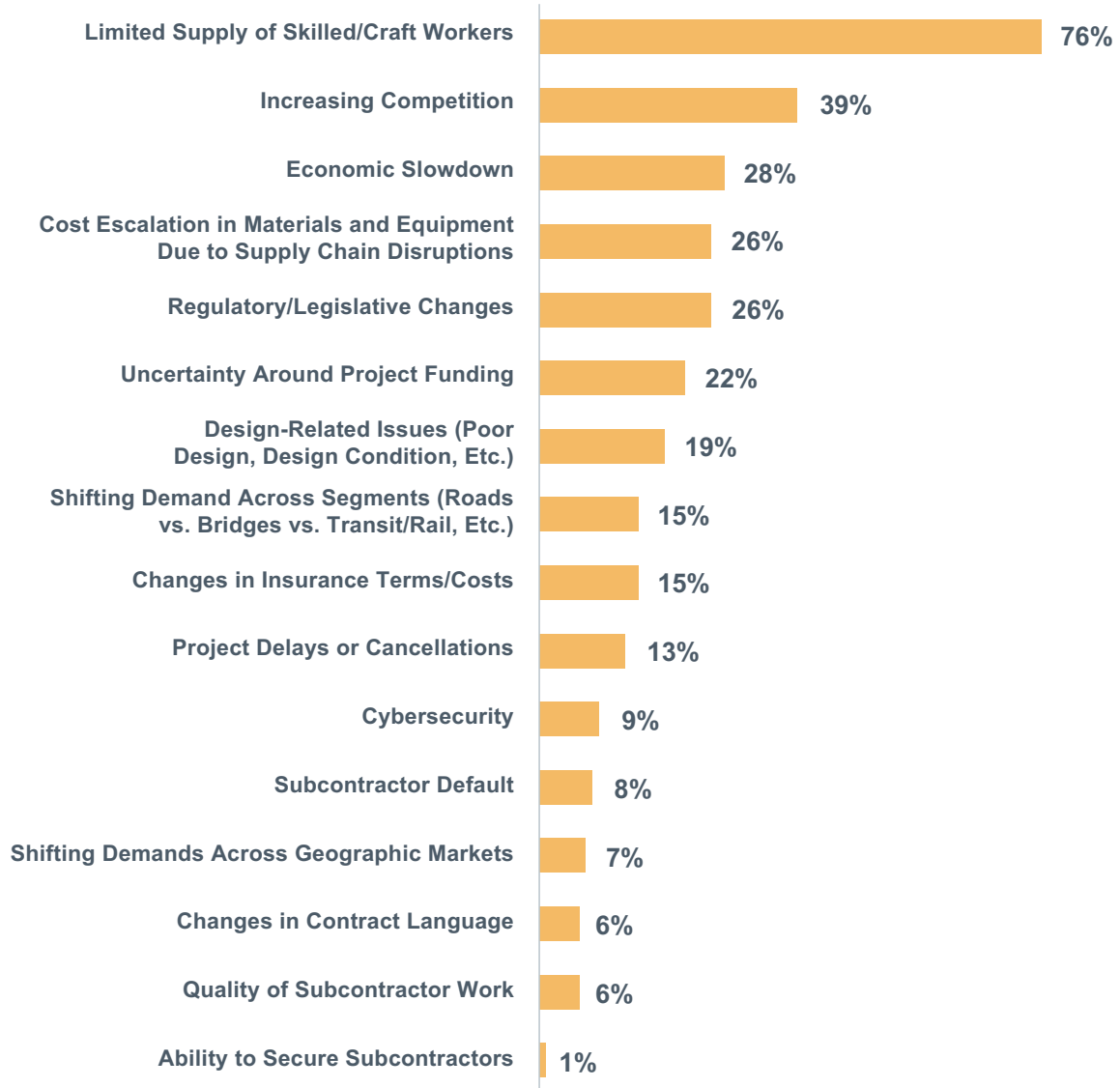


HOW WOULD YOU DESCRIBE YOUR LABOR FORCE CAPACITY RELATIVE TO YOUR 2024 BACKLOG?



MARKET RISKS

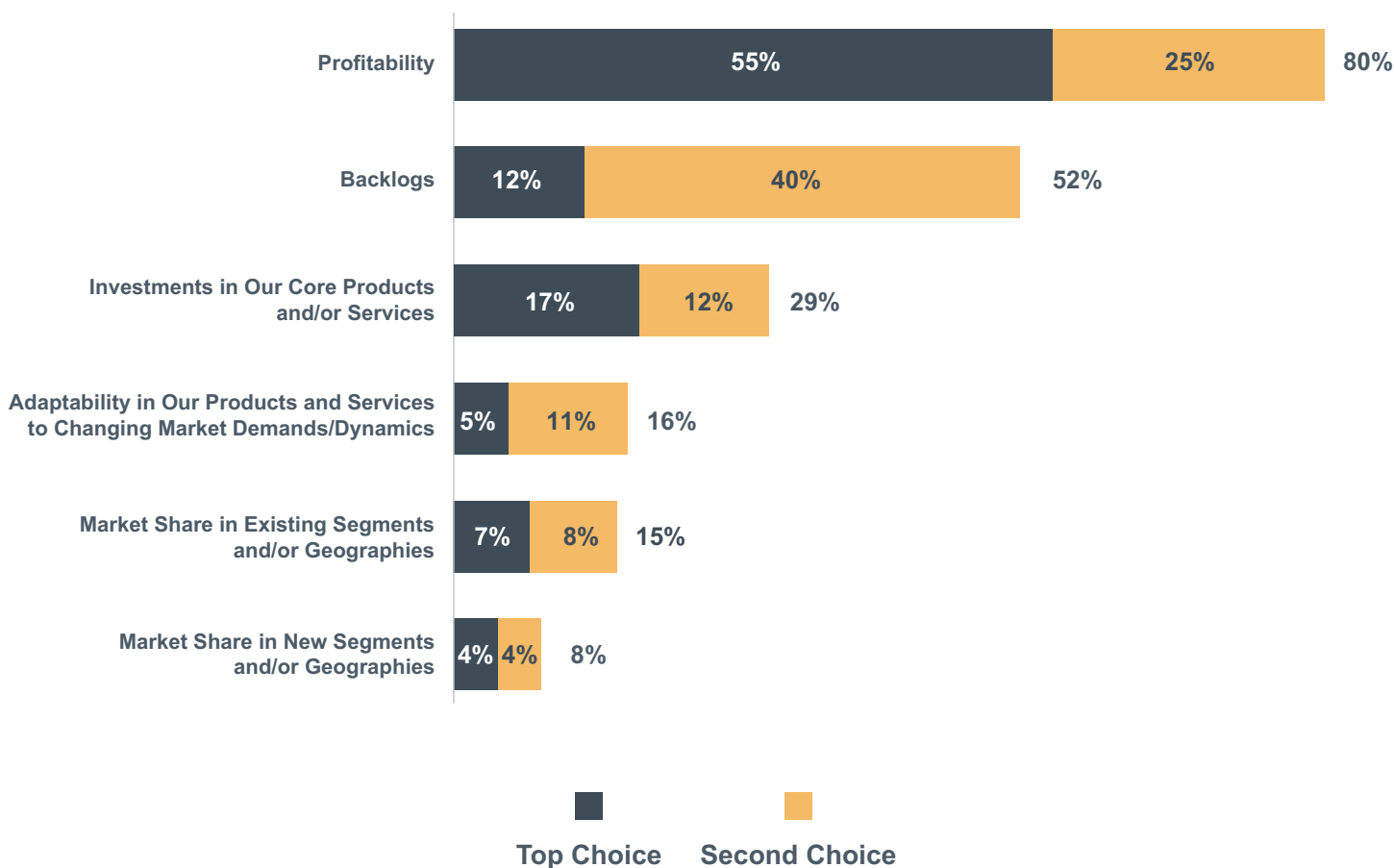
LOOKING TO 2024, WHAT THREE RISKS DO YOU EXPECT TO INCREASE THE MOST?



RESILIENT BUSINESS PRACTICES

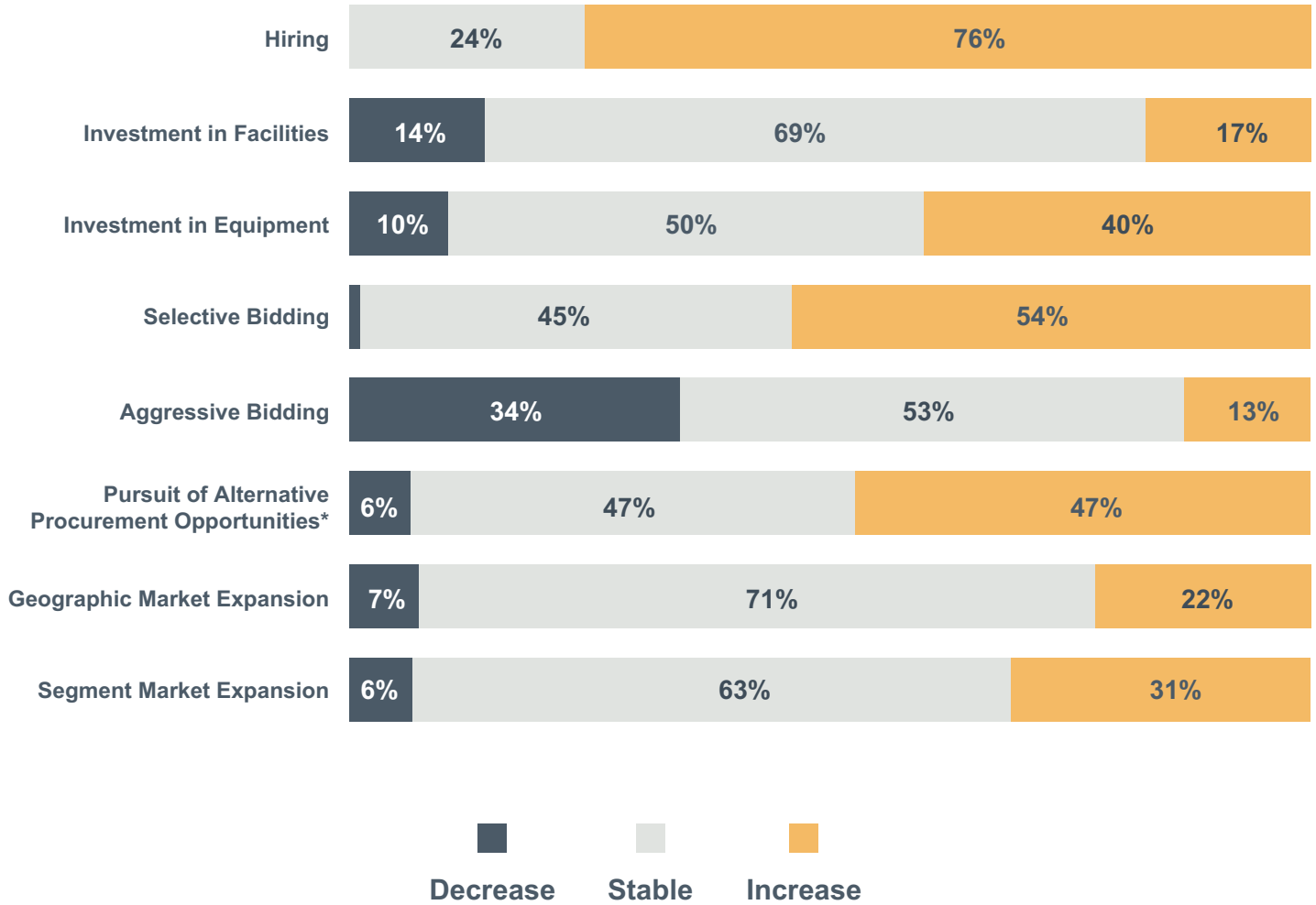
EXCLUDING LABOR, WHEN THINKING ABOUT CREATING A RESILIENT BUSINESS GOING INTO 2024, HOW WOULD YOU RANK THE FOLLOWING ON IMPORTANCE?
(RANK 1-6, WITH 1 BEING THE MOST IMPORTANT)

MOST IMPORTANT FACTORS BASED ON FREQUENCY OF TOP RANKINGS



STRATEGIC DECISIONS

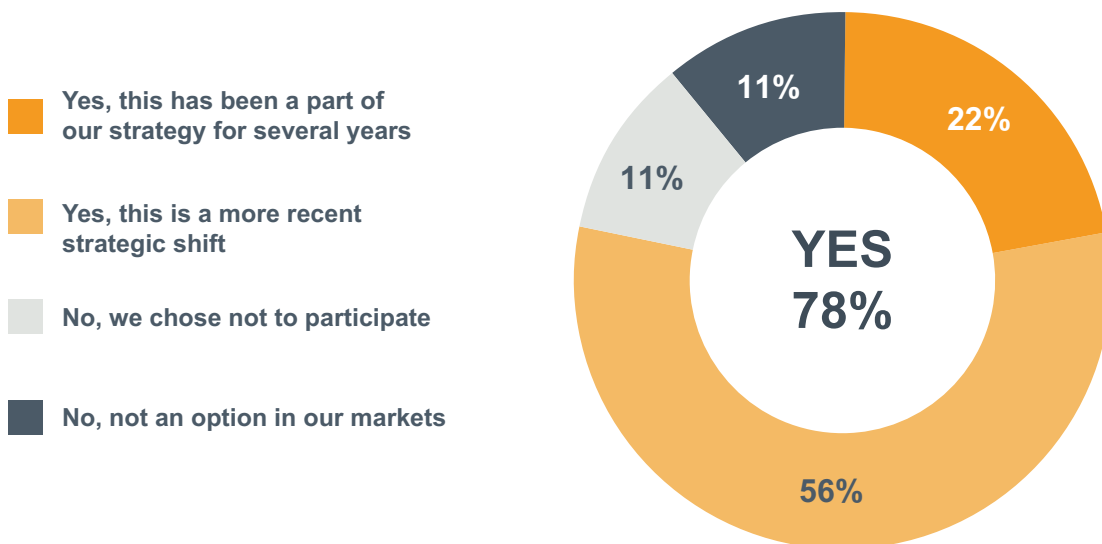
HOW IS YOUR ORGANIZATION PLANNING TO ADJUST STRATEGIC DECISIONS THROUGH 2024 CONSIDERING THE BELOW LISTED FACTORS?



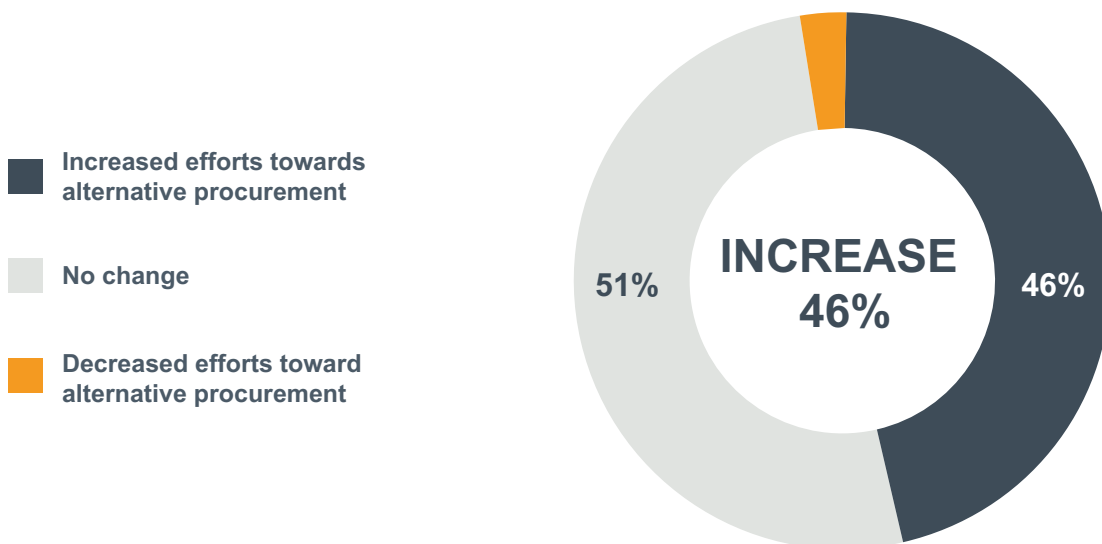
*DEFINED AS PUBLIC PROJECTS AWARDED ON SOMETHING OTHER THAN PRICE ALONE, SUCH AS QUALIFICATIONS-BASED SELECTION.

ALTERNATIVE PROCUREMENT

IS PURSUIT OF ALTERNATIVE PROCUREMENT PART OF YOUR ORGANIZATION'S STRATEGY?



IF YES, SELECT THE TOP THREE ALTERNATIVE PROCUREMENT STRATEGIES.



AUTHORS



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