Economic Outlook for Engineering Firms

Q2 2026

Presenters

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How is the U.S. Economy Doing?

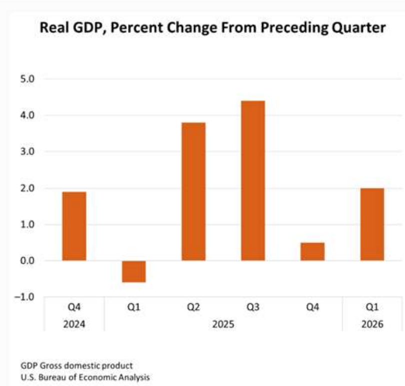
U.S. GDP solid in Q1 with all categories increasing spending after a weak Q4.

GDP (Advance Estimate), 1st Quarter 2026

Q1 2026 (Adv)	+2.0%
Q4 2025	+0.5%

Real gross domestic product (GDP) increased at an annual rate of 2.0 percent in the first quarter of 2026 (January, February, and March), according to the advance estimate released today by the U.S. Bureau of Economic Analysis. In the fourth quarter of 2025, real GDP increased 0.5 percent. The contributors to the increase in real GDP in the first quarter were investment, exports, consumer spending, and government spending. Imports, which are a subtraction in the calculation of GDP, also increased.

Current Release: April 30, 2026 Next Release: May 28, 2026



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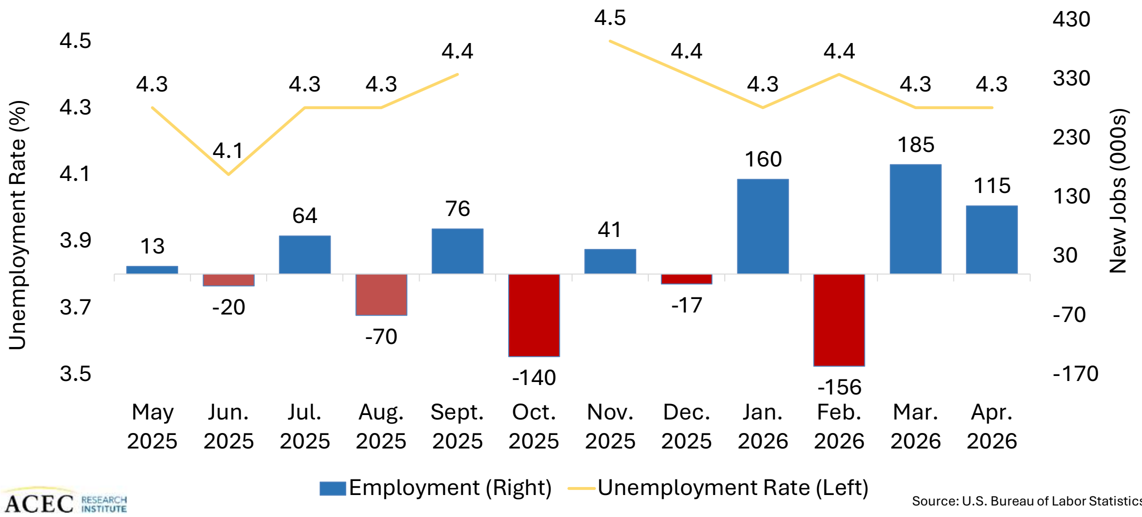
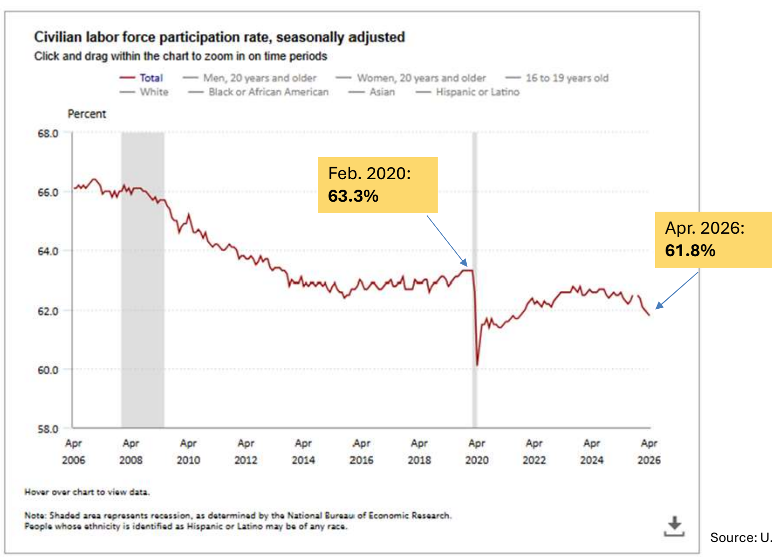
Source: Bureau of Economic Analysis

U.S. job growth slowed to <10K per month in 2025…beginning to pick up in 2026???



Source: U.S. Bureau of Labor Statistics

Labor force participation rate plunges to lowest point since Oct. 2021 keeping unemployment rate low.



Source: U.S. Bureau of Labor Statistics

Consumer spending continues to hold up, but at the expense of personal savings.

Consumer Spending

Monthly	
March 2026	+0.9%
February 2026	+0.6%

Consumer spending, or personal consumption expenditures (PCE), is the value of the goods and services purchased by, or on the behalf of, U.S. residents. At the national level, BEA publishes annual, quarterly, and monthly estimates of consumer spending.

Current release: April 30, 2026 Next release: May 28, 2026

Personal Saving Rate

Real Change From Preceding Month	
March 2026	+3.6%
February 2026	+3.9%
January 2026	+4.5%
December 2025	+3.9%

The U.S. personal saving rate is personal saving as a percentage of disposable personal income. In other words, it's the percentage of people's incomes left after they pay taxes and spend money.

Current release: April 30, 2026 Next release: May 28, 2026

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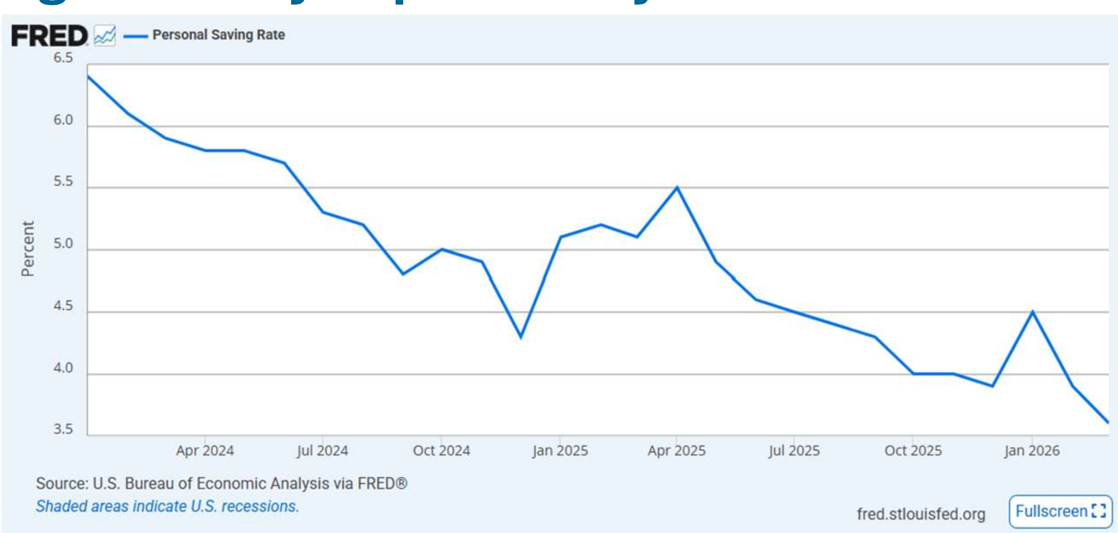
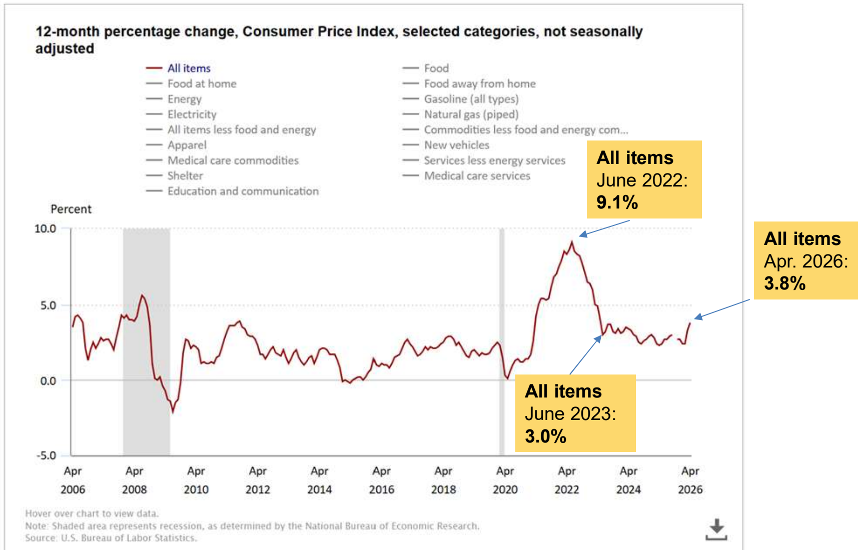
Source: U.S. Bureau of Economic Analysis

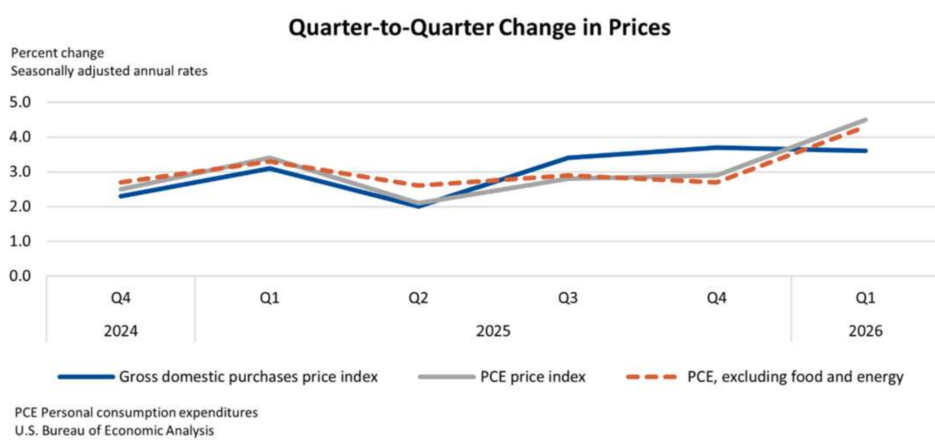
Personal savings rate has declined significantly in past two years.



Headline inflation surges to 3.8% with core inflation at 2.8%.



Fed's preferred inflation measure, PCE, increased from 2.9% in Q4 to 4.5% in Q1.

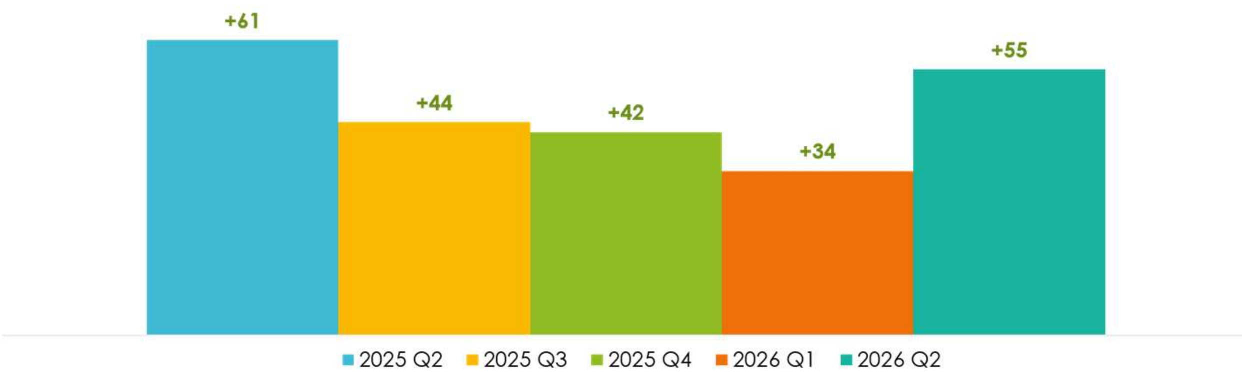


Source: U.S. Bureau of Labor Statistics

Inflation concerns surge.

Impact of Inflation
Net Rating - Trend

I am extremely concerned about the impact inflation will have on my firm in the coming year.



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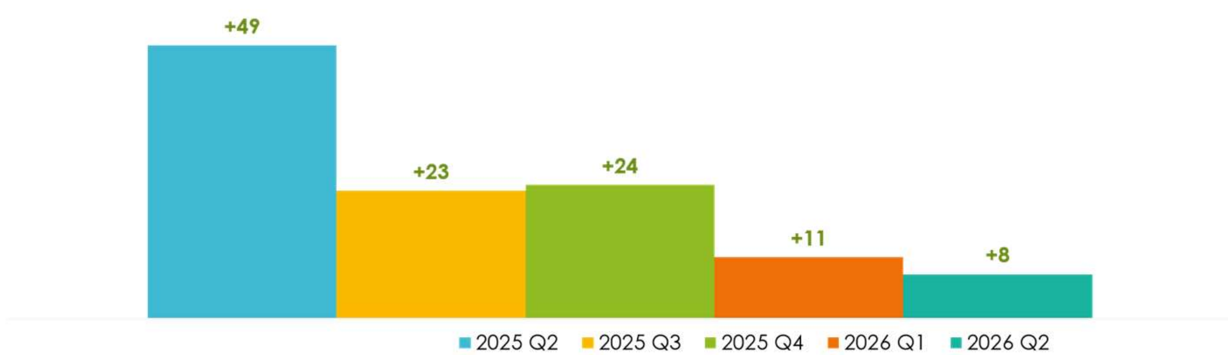
Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Tariff concerns continue to fall.

Impact of Tariffs
Net Rating - Trend

I am extremely concerned about the impact tariffs will have on my firm in the coming year.



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Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Mortgage rates spiked since end of February.

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Source: Mortgage News Daily

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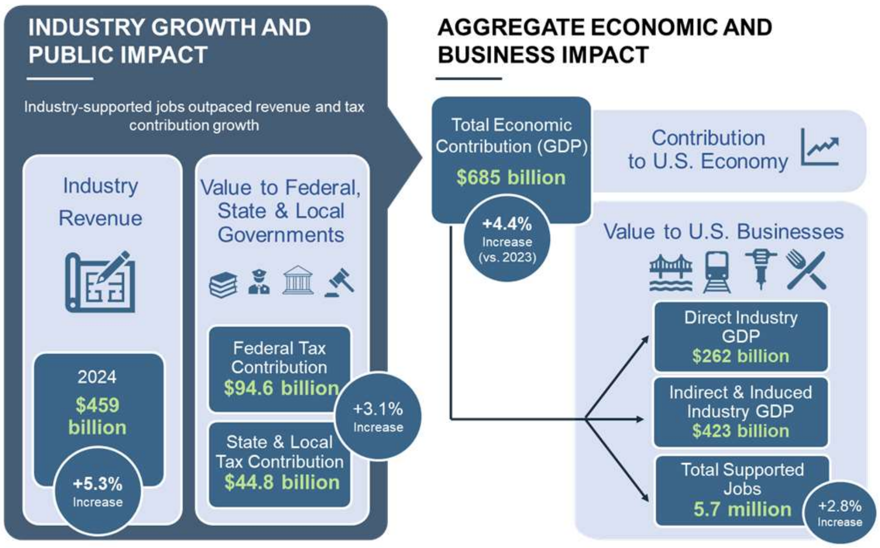
Economic Impact

Strong economic significance



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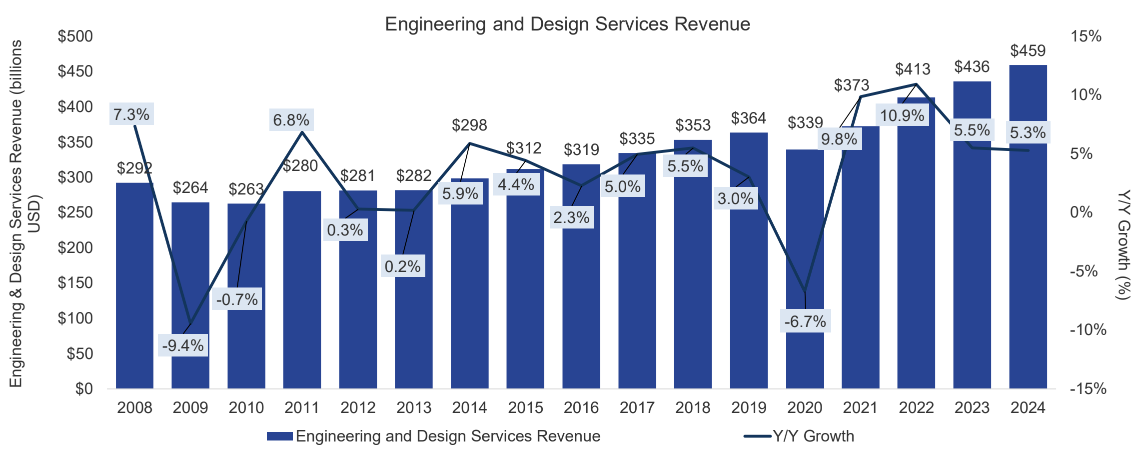
Source: ACEC Research Institute, 2025 Economic Assessment and Forecast

Moderating industry growth amidst higher rate environment



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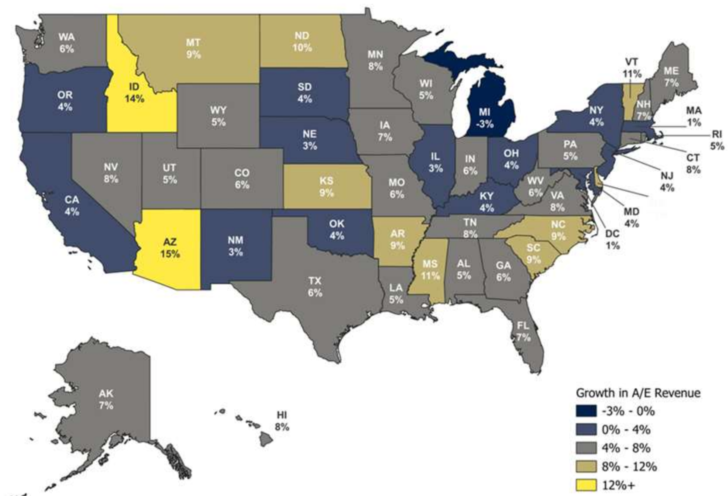
Source: ACEC Research Institute, 2025 Economic Assessment and Forecast

Iowa saw 7% A/E revenue growth in 2024 to nearly $2.4 billion.

2024 State-by-State A/E Revenue Growth



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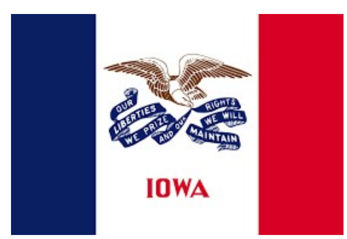
Source: ACEC Research Institute, 2025 Economic Assessment and Forecast

Iowa Snapshot - 2024

Jobs	27,500
Wages	$1.95 billion
State/Local Taxes	$185 million
Federal Taxes	$399 million
GDP	$2.8 billion



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Source: ACEC Research Institute, 2025 Economic Assessment and Forecast

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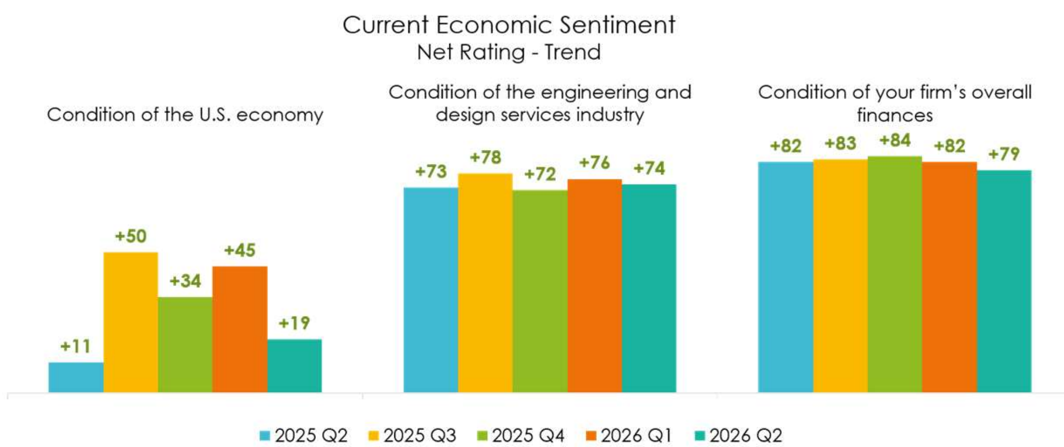
How is the A/E Industry Doing?

Sentiment regarding U.S. economy takes a dive.



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Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Sector sentiment remains positive, many improving over last year.

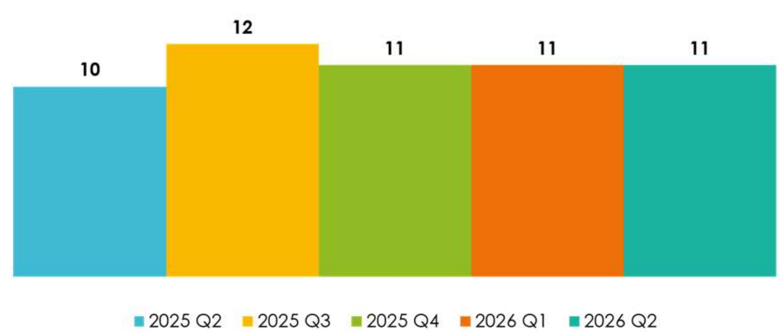
Current Industry Sentiment By Sector
Net Rating

Current Industry Sector Sentiment	2025 Q2 (n = 197-444)	2025 Q3 (n=275-678)	2025 Q4 (n=258-551)	2026 Q1 (n=225-484)	2026 Q2 (n=191-444)	Change vs. Previous Quarter	Change vs. Previous Year
Federal/Military, State and Local Government Buildings	+34	+47	+39	+48	+54	+6	+20
Science and Technology	+47	+59	+56	+57	+65	+8	+18
Convention Centers, Sports Facilities and Cultural Facilities	+32	+40	+41	+42	+46	+4	+14
Education (K-12 and Higher Education)	+37	+42	+41	+39	+49	+10	+12
Justice (Courthouses and Corrections)	+20	+26	+27	+30	+32	+2	+12
Data Centers	+78	+85	+86	+89	+87	-2	+9
Healthcare Facilities	+56	+58	+62	+60	+65	+5	+9
Commercial Real Estate (Office, Hotel, Retail and Multifamily Residential)	+13	+23	+25	+21	+21	0	+8
Energy and Utilities	+74	+73	+79	+78	+80	+2	+6
Industrial and Manufacturing Facilities	+57	+61	+60	+59	+57	-2	0
Telecommunications	+53	+57	+50	+52	+52	0	-1
Transportation – Airports	+71	+75	+67	+71	+70	-1	-1
Water/Wastewater	+76	+78	+74	+73	+75	+2	-1
Residential – Land Development	+28	+29	+30	+24	+24	0	-4
Transportation – Roads and Bridges	+70	+76	+67	+69	+65	-4	-5
Transportation – Transit (Rail, BRT)	+52	+55	+47	+50	+45	-5	-7

Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Backlog remains steady.

Current Backlog
Months – Trend (Median)



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Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

84% of firms have open positions. Median fluctuates between 5 and 6.

Current Openings
Trend – Median (Positions)

Open Positions	2025 Q2 (n=528)	2025 Q3 (n=767)	2025 Q4 (n=625)	2026 Q1 (n=570)	2026 Q2 (n=551)	Change vs. Previous Quarter	Change vs. Previous Year
TOTAL	5	5	6	5	5	0	0
REGION							
Northeast	12	10	12	12	20	+8	+8
South	4	4	6	5	3	-2	-1
Midwest	9	8	10	7	8	+1	-1
West	2	3	3	2	2	0	0
FIRM SIZE							
1-25	1	1	1	1	1	0	0
26-50	2	2	2	2	2	0	0
51-200	5	5	5	5	5	0	0
201-500	20	20	20	20	20	0	0
More than 500	90	100	100	100	100	0	+10

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Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Total open positions remain steady.

Open Positions as Percentage of Overall FTEs
Trend – Mean (%)

Open Positions	2025 Q2 (n=528)	2025 Q3 (n=767)	2025 Q4 (n=625)	2026 Q1 (n=570)	2026 Q2 (n=551)	Change vs. Previous Quarter	Change vs. Previous Year
TOTAL	7%	8%	7%	7%	7%	0	0
REGION							
Northeast	7%	6%	6%	6%	5%	-1	-2
South	8%	8%	7%	8%	7%	-1	-1
Midwest	9%	7%	8%	7%	7%	0	-2
West	7%	9%	8%	6%	6%	0	-1
FIRM SIZE							
1-25	12%	13%	12%	12%	10%	-2	-2
26-50	6%	7%	7%	6%	5%	-1	-1
51-200	6%	6%	6%	6%	6%	0	0
201-500	7%	6%	5%	5%	6%	+1	-1
More than 500	6%	6%	5%	6%	6%	0	0

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Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

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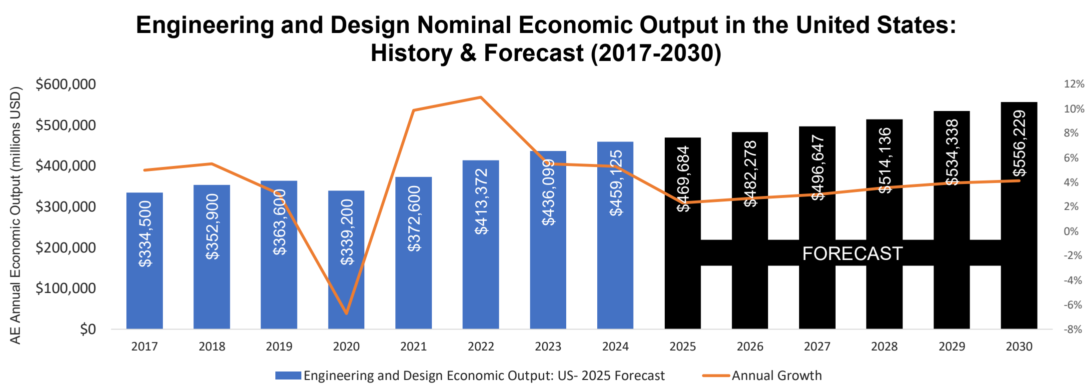
What Does the Future Hold?

Future growth expected to reaccelerate.



2025 Forecast	2025	2026	2027	2028	2029	2030
Nominal Output Growth	2.3%	2.7%	3.0%	3.5%	3.9%	4.1%
Real Output Growth	0.7%	0.3%	0.7%	1.3%	1.7%	1.8%

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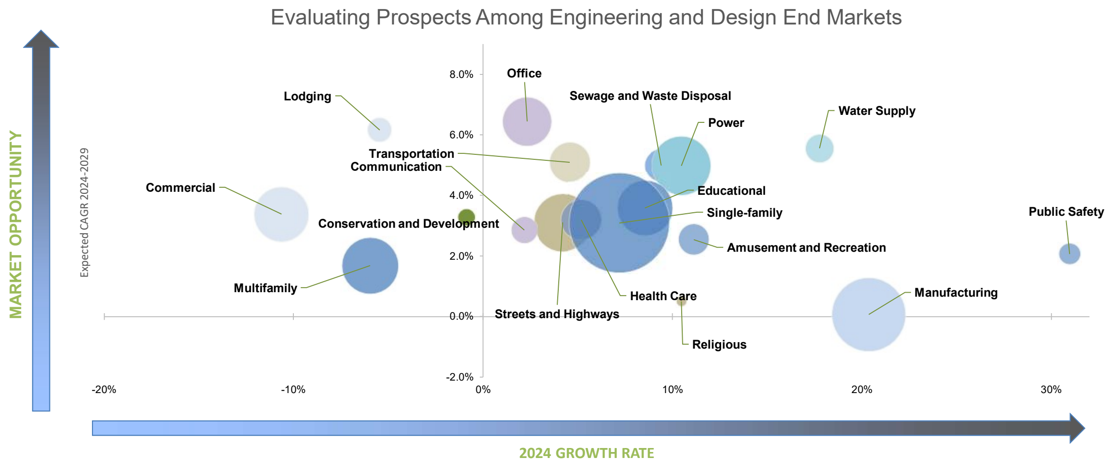
Source: ACEC Research Institute, 2025 Economic Assessment and Forecast

Infrastructure leadership persists, cyclicals markets poised to return.



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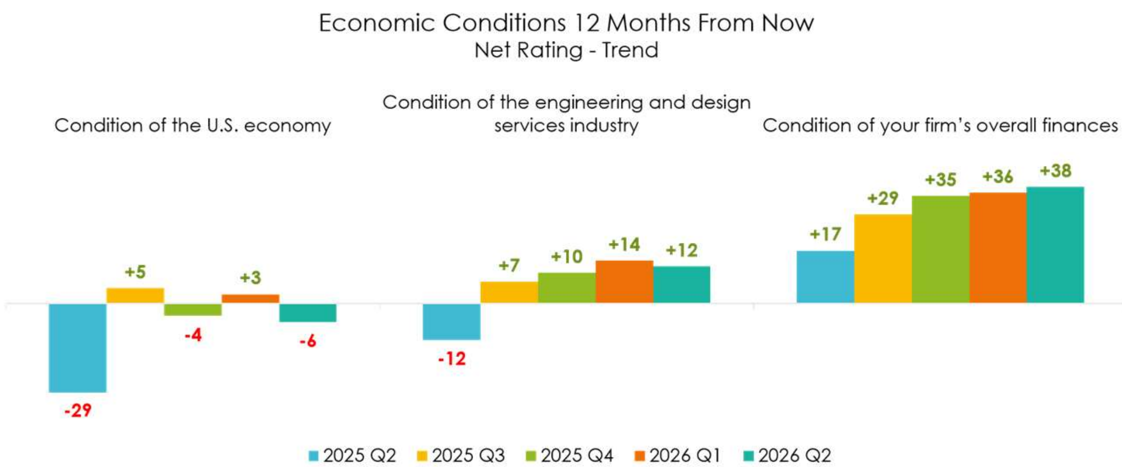
Source: ACEC Research Institute, 2025 Economic Assessment and Forecast

Future U.S. economy sentiment turns negative.



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Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Future sentiment fell across most sectors, but nearly all above year ago levels.

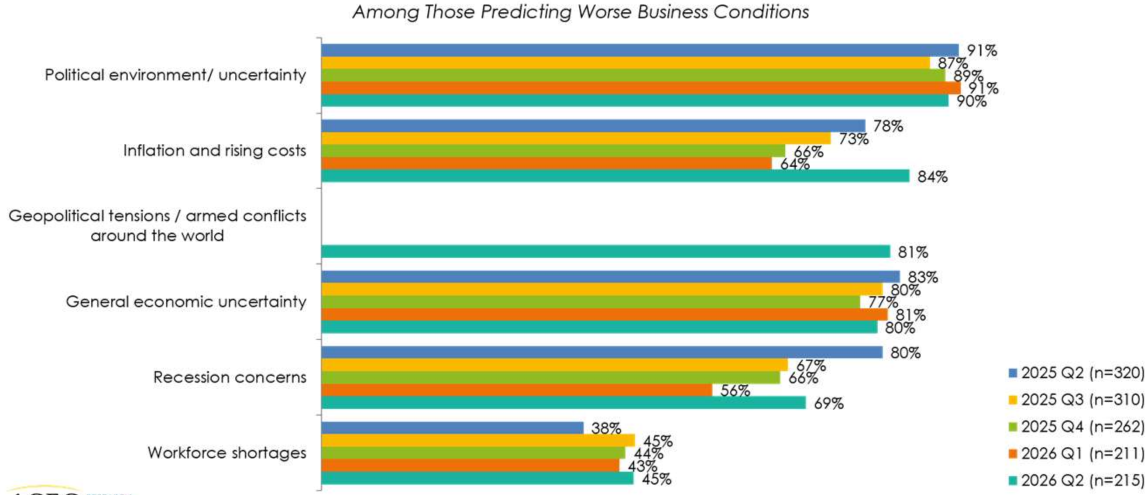
Industry Sectors 12 Months From Now
Net Trend

Future Industry Sector Sentiment	2025 Q2 (n=228-430)	2025 Q3 (n=311-639)	2025 Q4 (n=277-528)	2026 Q1 (n=252-466)	2026 Q2 (n=225-422)	Change vs. Previous Quarter	Change vs. Previous Year
Federal/Military, State and Local Government Buildings	-29	+7	+10	+18	+24	+6	+53
Healthcare Facilities	-5	+8	+21	+17	+23	+6	+28
Commercial Real Estate (Office, Hotel, Retail and Multifamily Residential)	-23	-1	+8	+6	0	-6	+23
Convention Centers, Sports Facilities and Cultural Facilities	-28	-3	-3	-1	-5	-4	+23
Education (K-12 and Higher Education)	-22	-10	-1	0	0	0	+22
Justice (Courthouses and Corrections)	-25	-6	-4	-1	-5	-4	+20
Residential – Land Development	-18	+3	+14	+16	+2	-14	+20
Science and Technology	-5	+10	+16	+16	+14	-2	+19
Energy and Utilities	+30	+35	+47	+49	+47	-2	+17
Transportation – Transit (Rail, BRT)	-10	+8	+7	+10	+6	-4	+16
Transportation – Airports	+6	+32	+25	+28	+20	-8	+14
Water/Wastewater	+16	+27	+32	+33	+29	-4	+13
Transportation – Roads and Bridges	+10	+26	+27	+22	+17	-5	+7
Telecommunications	+6	+18	+22	+15	+11	-4	+5
Data Centers	+36	+52	+53	+50	+33	-17	-3
Industrial and Manufacturing Facilities	+24	+27	+31	+27	+18	-9	-6

Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Political environment, inflation, armed conflicts and economic uncertainty driving negative sentiment.

Reasons for Economic Sentiment 12 Months From Now
Among Those Predicting Worse Business Conditions



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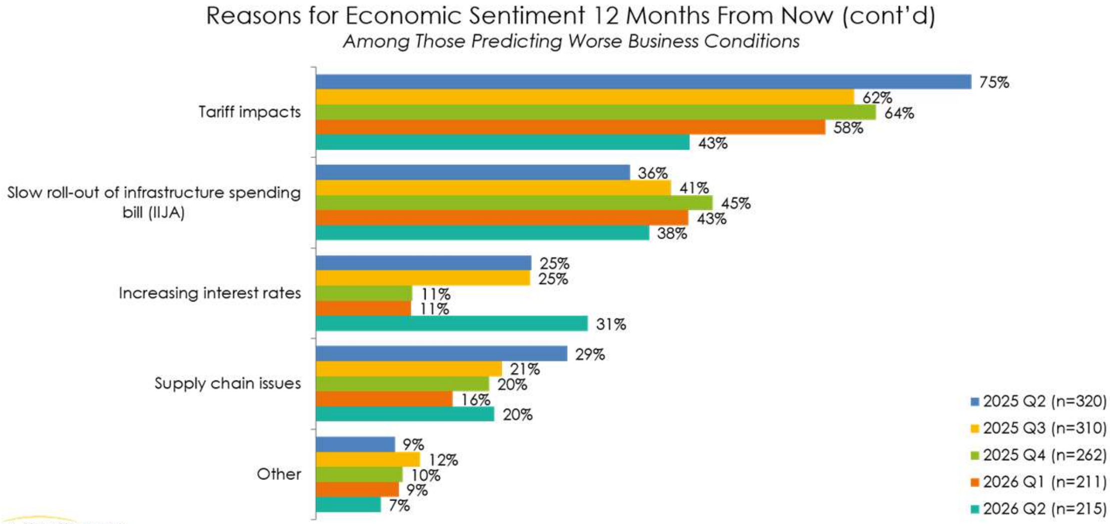
Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Tariff impacts and slow roll-out of IIJA remain elevated. Concerns about interest rates jumped.



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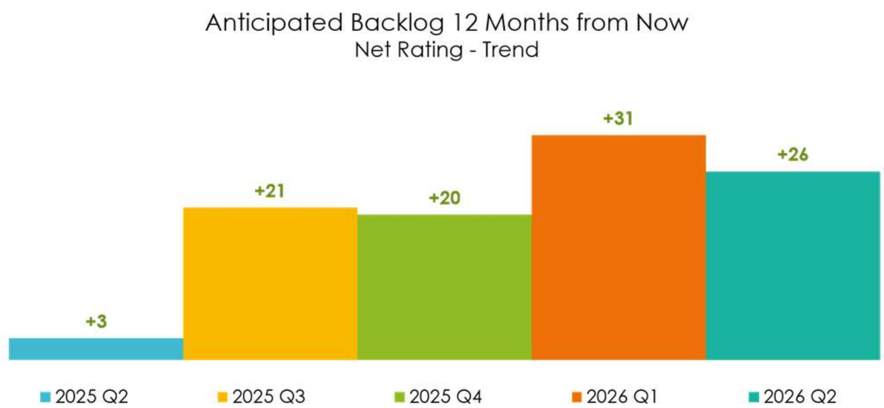
Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Future backlog sentiment falls but remains above year ago level.



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Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Future hiring sentiment falls slightly but remains strong.

Status of Hiring (Next Year)
Trend – Net Rating

Status of Hiring	2025 Q2 (n=518)	2025 Q3 (n=774)	2025 Q4 (n=641)	2026 Q1 (n=576)	2026 Q2 (n=551)	Change vs. Previous Quarter	Change vs. Previous Year
TOTAL	+45	+52	+57	+60	+57	-3	+12
REGION							
Northeast	+46	+55	+60	+76	+69	-7	+23
South	+41	+55	+57	+56	+60	+4	+19
Midwest	+54	+51	+57	+65	+58	-7	+4
West	+40	+46	+55	+50	+46	-4	+6
FIRM SIZE							
1-25	+23	+29	+30	+31	+39	+8	+16
26-50	+46	+37	+49	+49	+42	-7	-4
51-200	+51	+53	+58	+66	+61	-5	+10
201-500	+54	+67	+61	+76	+73	-3	+19
More than 500	+53	+72	+77	+79	+70	-9	+17

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Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Recession concerns jump but lower than year ago.

Likelihood of Recession in Next 6 Months
Trend – Mean (%)

Likelihood of Recession	2025 Q2 (n=517)	2025 Q3 (n=739)	2025 Q4 (n=612)	2026 Q1 (n=540)	2026 Q2 (n=528)	Change vs. Previous Quarter	Change vs. Previous Year
TOTAL	54%	41%	45%	38%	46%	+8	-8
REGION							
Northeast	52%	39%	45%	36%	42%	+6	-10
South	55%	40%	43%	36%	44%	+8	-11
Midwest	54%	42%	45%	39%	46%	+7	-8
West	54%	43%	46%	41%	49%	+8	-5
FIRM SIZE							
1-25	55%	45%	49%	40%	47%	+7	-8
26-50	56%	42%	49%	42%	48%	+6	-8
51-200	53%	40%	42%	35%	45%	+10	-8
201-500	51%	39%	42%	34%	43%	+9	-8
More than 500	54%	39%	43%	39%	45%	+6	-9

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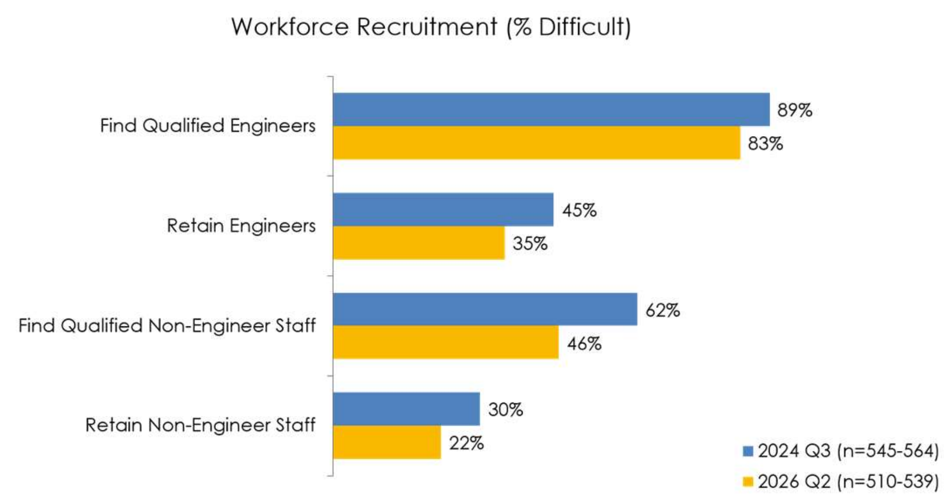
Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

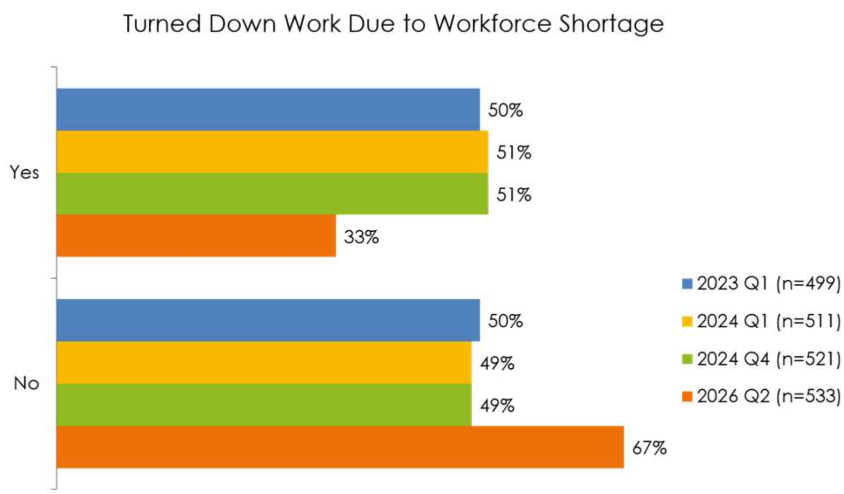
Hot Topics:
Workforce and Health Insurance

Recruiting and retaining workforce a little easier but remains difficult for engineers.



Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Impacts of workforce availability fall significantly.



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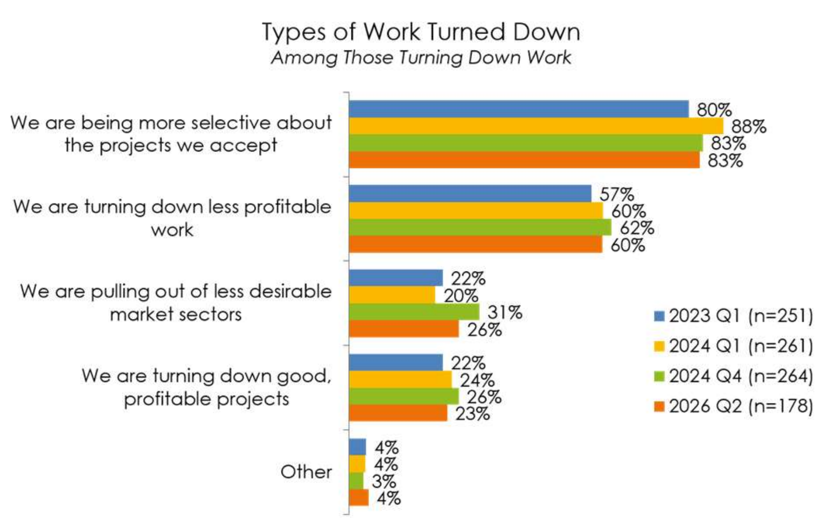
Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Types of work turned down unchanged.



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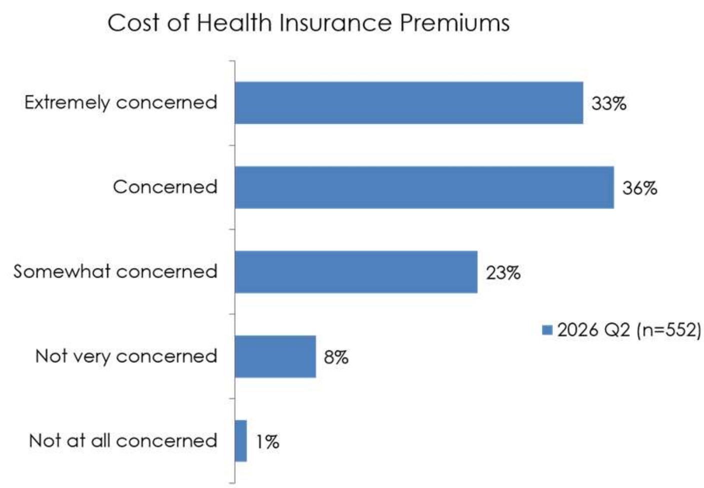
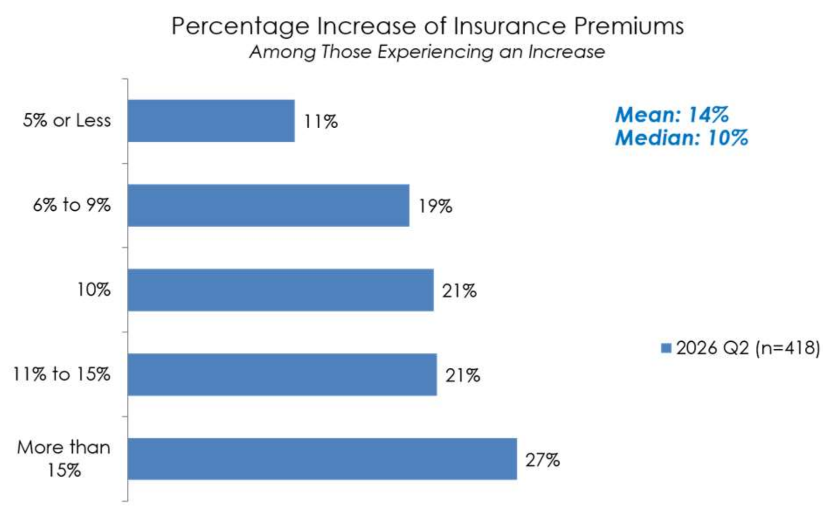
Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Nine out of ten firm leaders are concerned about the cost of health insurance premiums.



Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

Eight out of ten firms say cost of health insurance premiums increased by average of 14%.



Source: ACEC Research Institute, Engineering Business Sentiment – 2026 Q2

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Questions & Discussion

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