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Engineering in Transition:

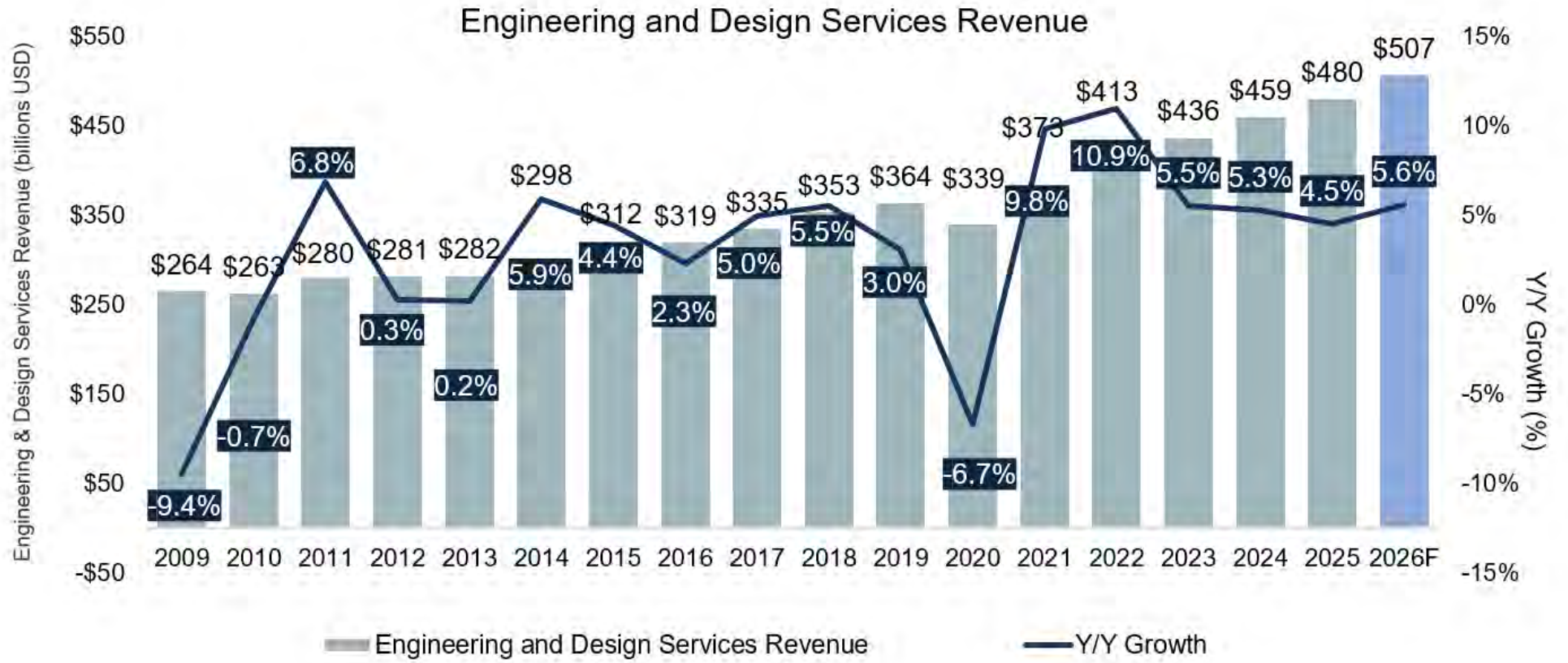
Industry Outlook and the Strategic Impact of AI

November 6, 2026

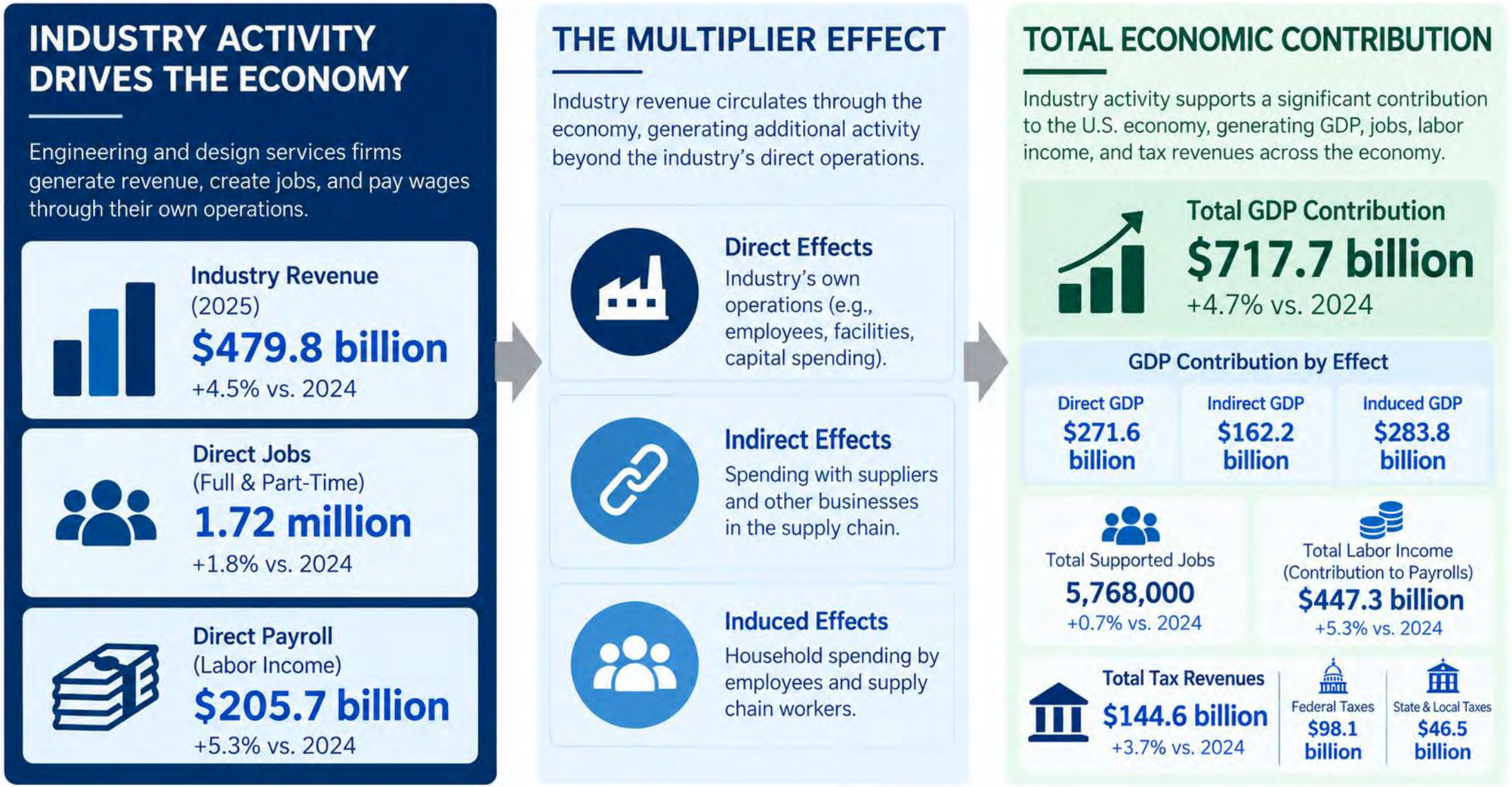
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Industry Outlook

Industry Revenue Stronger than Previous Forecast



Industry Overview

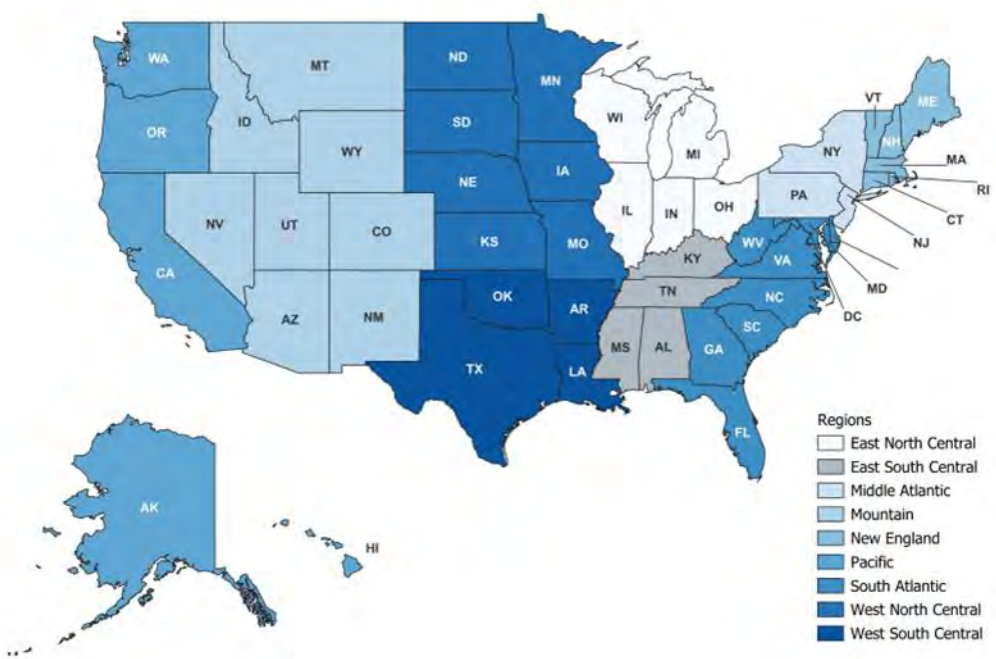


Solid Growth in All Areas



Industry Revenue by Region

U.S. Regional Map

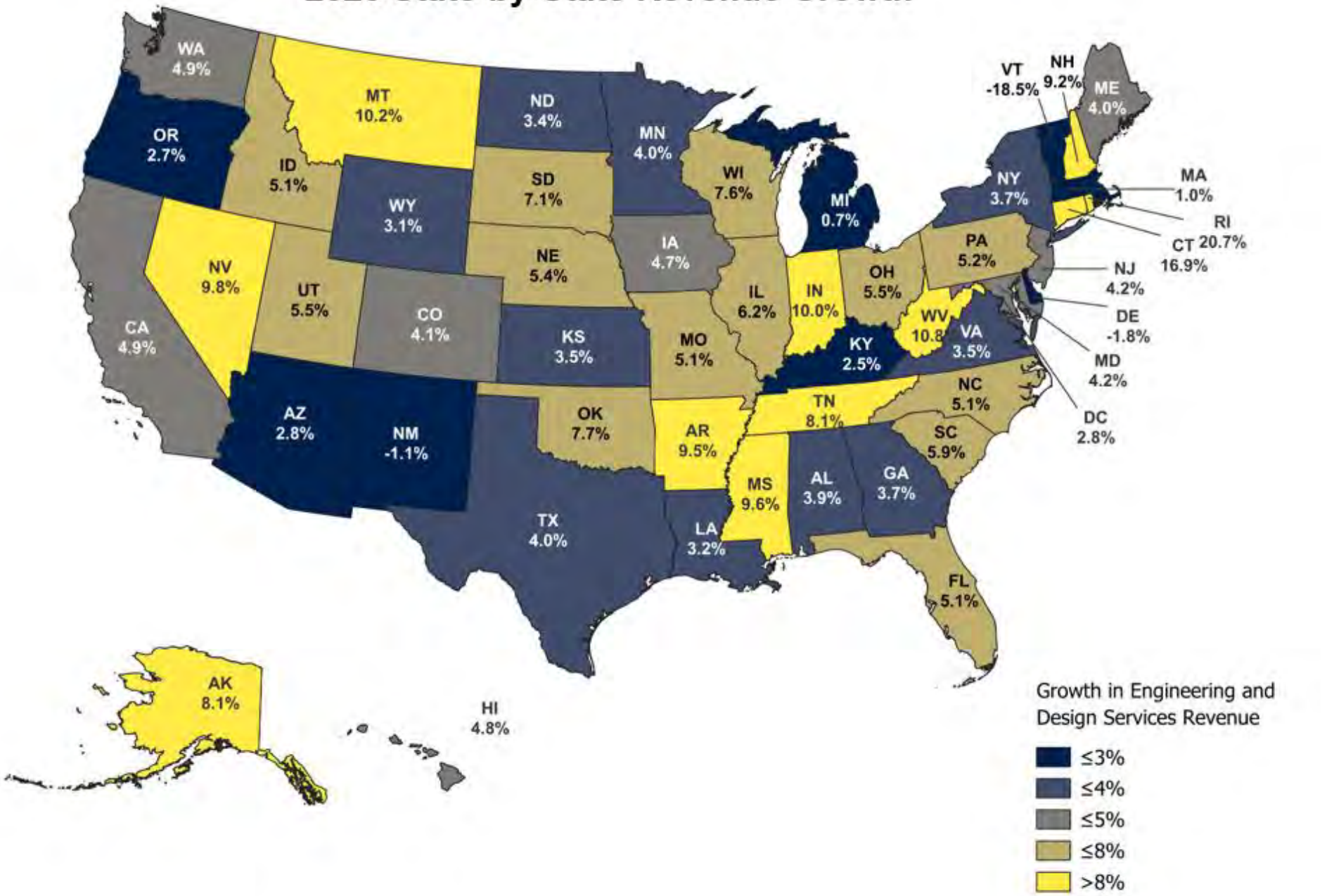


2025 Revenue, Wage, and Job Growth by Region

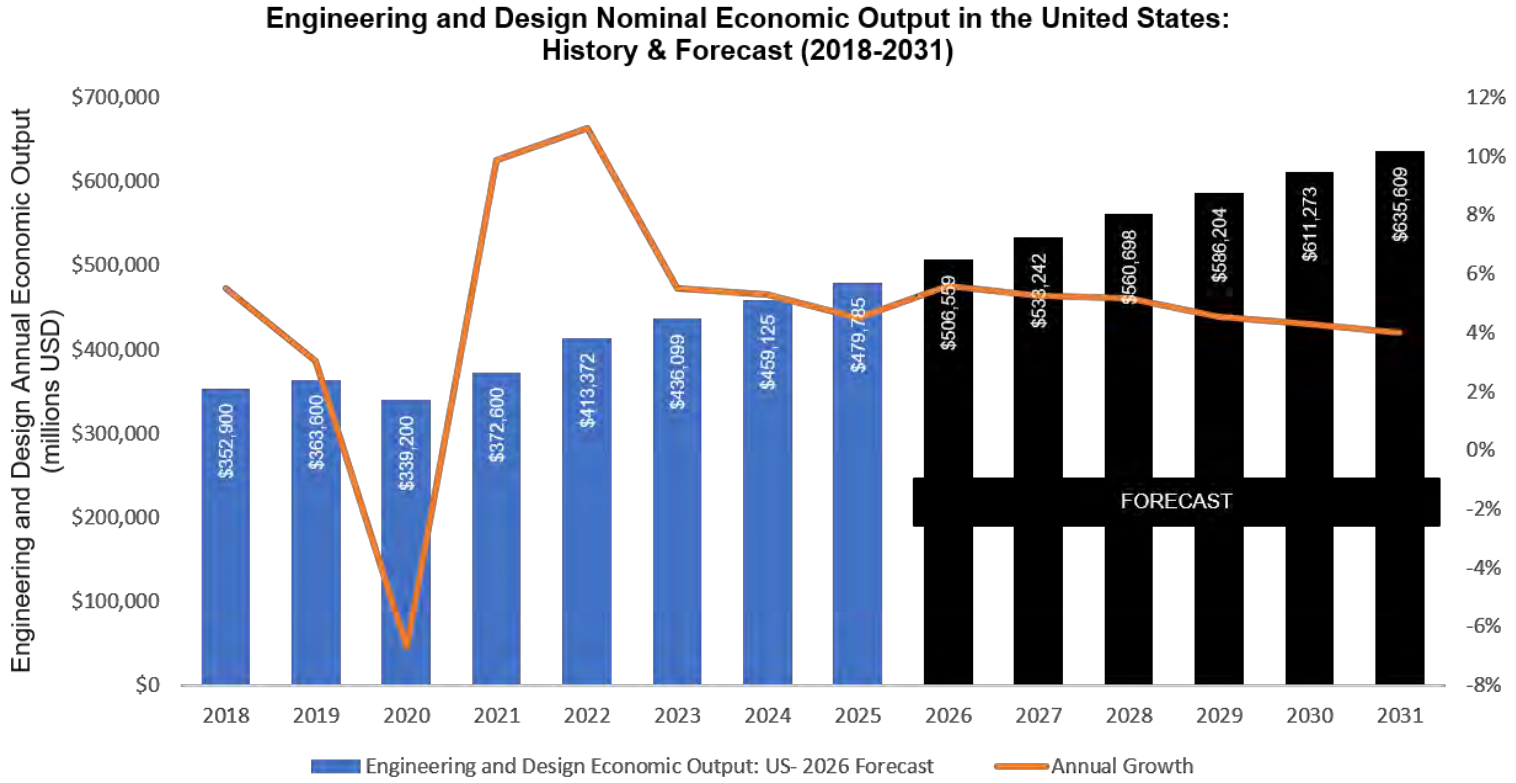
Region	Revenue (in bils $)	% Growth	Wages	% Growth	Jobs (x 1,000)	% Growth
South Atlantic	$96.8	4.5%	$41.5	6.1%	367	1.6%
Pacific	$84.3	4.8%	$36.1	6.4%	265	1.2%
West South Central	$68.1	4.2%	$29.2	5.8%	244	3.4%
East North Central	$62.3	4.3%	$26.7	5.9%	234	1.3%
Middle Atlantic	$53.2	4.3%	$22.8	5.9%	190	1.1%
Mountain	$43.0	4.5%	$18.4	6.1%	159	2.2%
West North Central	$25.8	4.5%	$11.1	6.1%	97	2.3%
New England	$24.7	4.8%	$10.6	6.4%	81	0.8%
East South Central	$21.7	5.5%	$9.3	7.1%	84	3.5%

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, IMPLAN, Rockport Analytics

2025 State-by-State Revenue Growth



Industry Forecast



Industry Output Growth (Annual percent change)	2026	2027	2028	2029	2030	2031
Nominal industry output growth	5.6%	5.3%	5.1%	4.5%	4.3%	4.0%
Real industry output growth	2.6%	2.7%	2.7%	2.2%	2.0%	1.7%

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Key Drivers



1 The Economy Finished 2025 Stronger Than Expected

Real GDP grew 2.1% in 2025, above the 1.4% midyear forecast. Resilient spending and business investment reduced the risk of widespread project cancellations.

IMPACT

A stronger economy preserved private-sector demand entering 2026.



2 Construction Mix Favors Engineering-Intensive Markets

Weak housing and conventional commercial building weigh on headline spending, while water, power, public works, and complex nonresidential projects remain active.

IMPACT

Market composition supports engineering and design services revenue even when total construction softens.



3 Committed IIJA Funding Extends the Project Pipeline

Four major agencies had obligated $434.2B through September 2025, including $198.6B not yet disbursed. Long delivery schedules will carry work beyond 2026.

IMPACT

Committed funding sustains multiyear design and infrastructure work.

Key Drivers (cont'd)



4

Data Centers Are Driving Power and Utility Investment

New campuses require grid connections, substations, cooling, water, and site infrastructure. Power availability increasingly determines where projects can proceed.

IMPACT

AI investment expands demand well beyond the building shell.



5

Financing Conditions Still Restrain Private Building

Policy rates have declined, but long-term borrowing costs remain high. The Architecture Billings Index stood at 46.6 in July 2026, signaling continued weakness in conventional building markets.

IMPACT

High financing costs continue to delay conventional building projects.



6

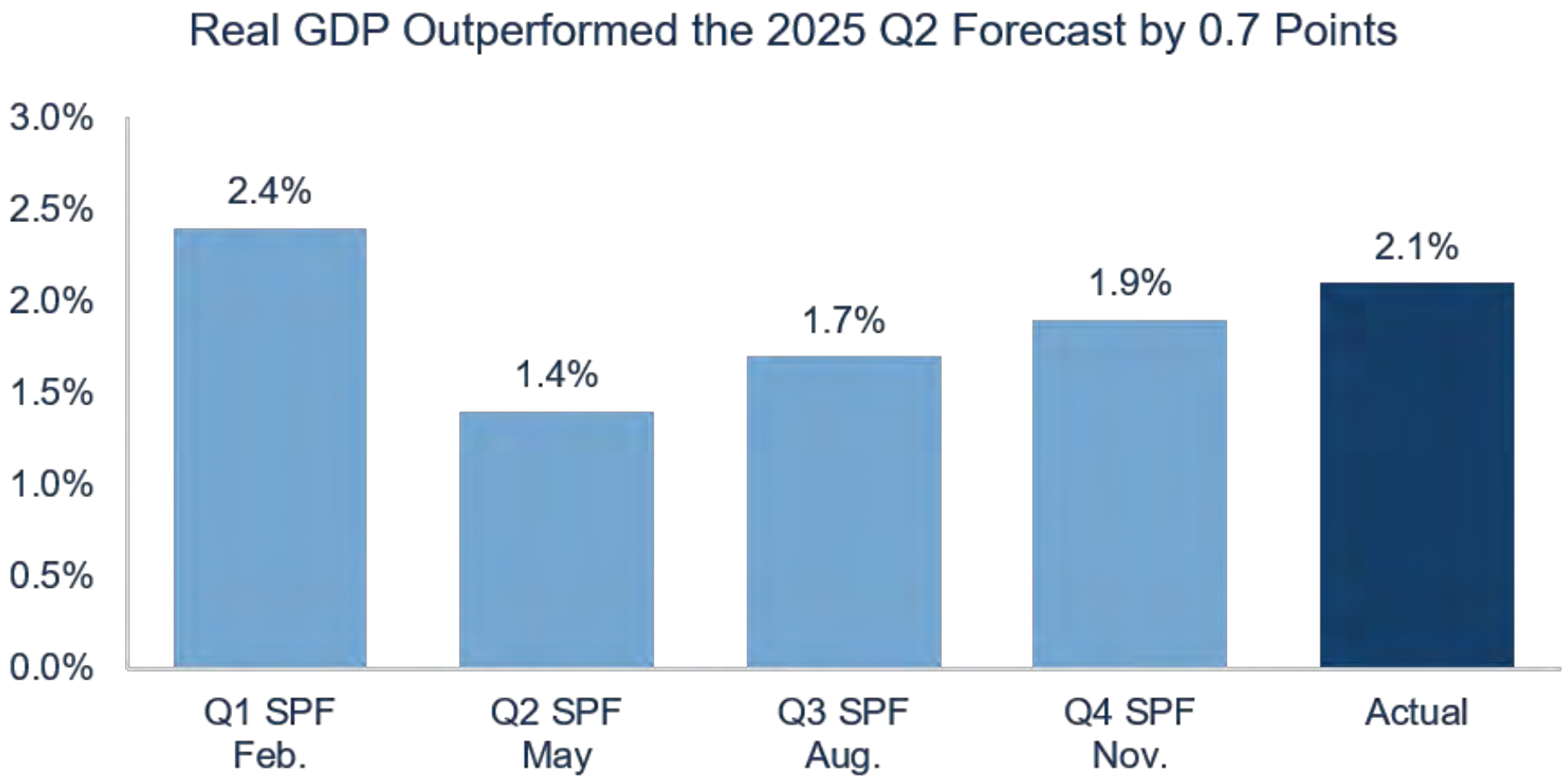
Healthy Backlogs Support Revenue as Labor Constraints Ease

Median backlog stood at 12 months in Q3 2026. The share of firms with openings equal to at least 10% of current staff fell from 19% one year earlier to 16%.

IMPACT

More delivery capacity helps firms convert existing work into revenue.

2025 Economy Outperformed



Engineering Leading Construction

Engineering-intensive construction is outperforming the broader U.S. market. Total construction was virtually flat in 2025 and is forecast to decline 1.3% in 2026, while the most engineering-intensive segments continue to expand.



Total construction stalled in 2025.

U.S. construction put in place reached **$2.24 trillion in 2025,** up just 0.2% from 2024. FMI forecasts spending to decline 1.3% to **$2.21 trillion in 2026** before returning to growth in 2027.



Engineering-intensive work grew 6.3%.

The engineering-intensive basket reached **$471.3 billion in 2025** and is forecast to grow another 4.2% to **$491.0 billion in 2026.** It is projected to reach **$691.5 billion by 2030,** a 7.7% annual growth rate from 2024.

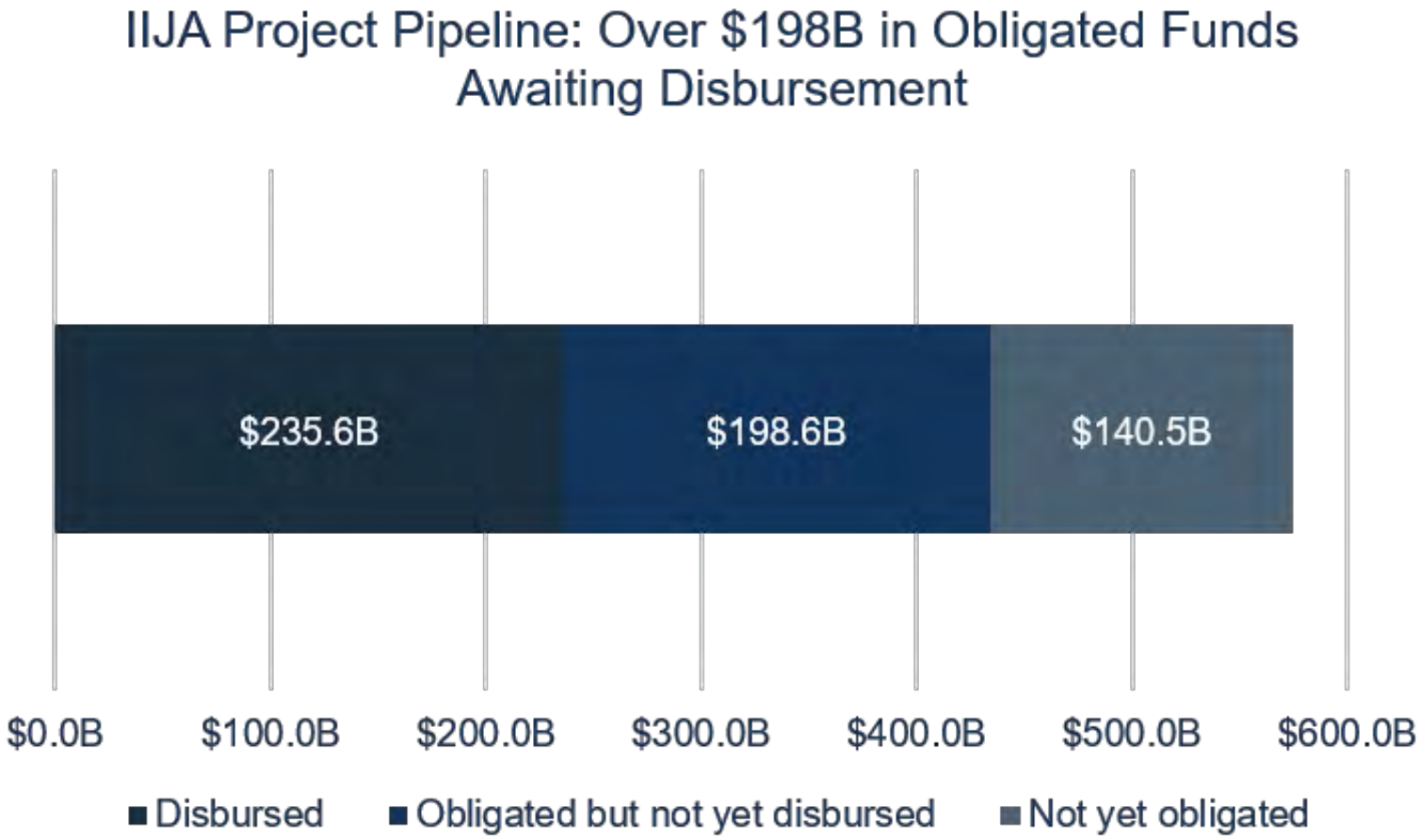


Data centers and infrastructure lead.

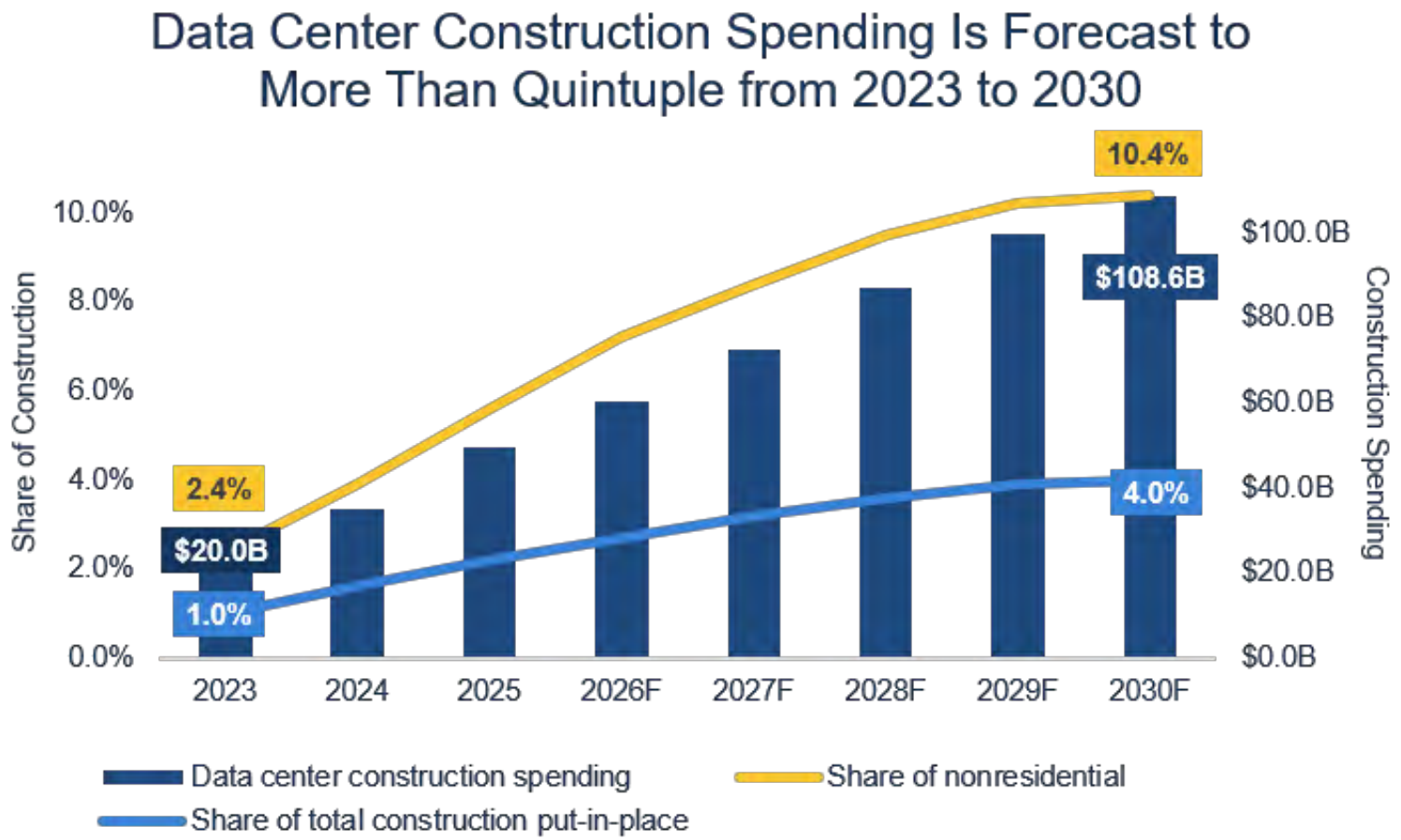
Data center construction surged **42.9% in 2025** and is forecast to rise **21.4% in 2026.** Nonbuilding construction grew **3.2% in 2025** and is projected to increase **2.2% in 2026,** supported by power, water, wastewater and conservation projects.

Source: FMI 2026 North American Engineering and Construction Outlook, Third Quarter Edition. Current dollars. 2025 actual; 2026–2030 forecast. Engineering-intensive basket includes data centers, power, highway and street, sewage and waste disposal, water supply, and conservation and development.

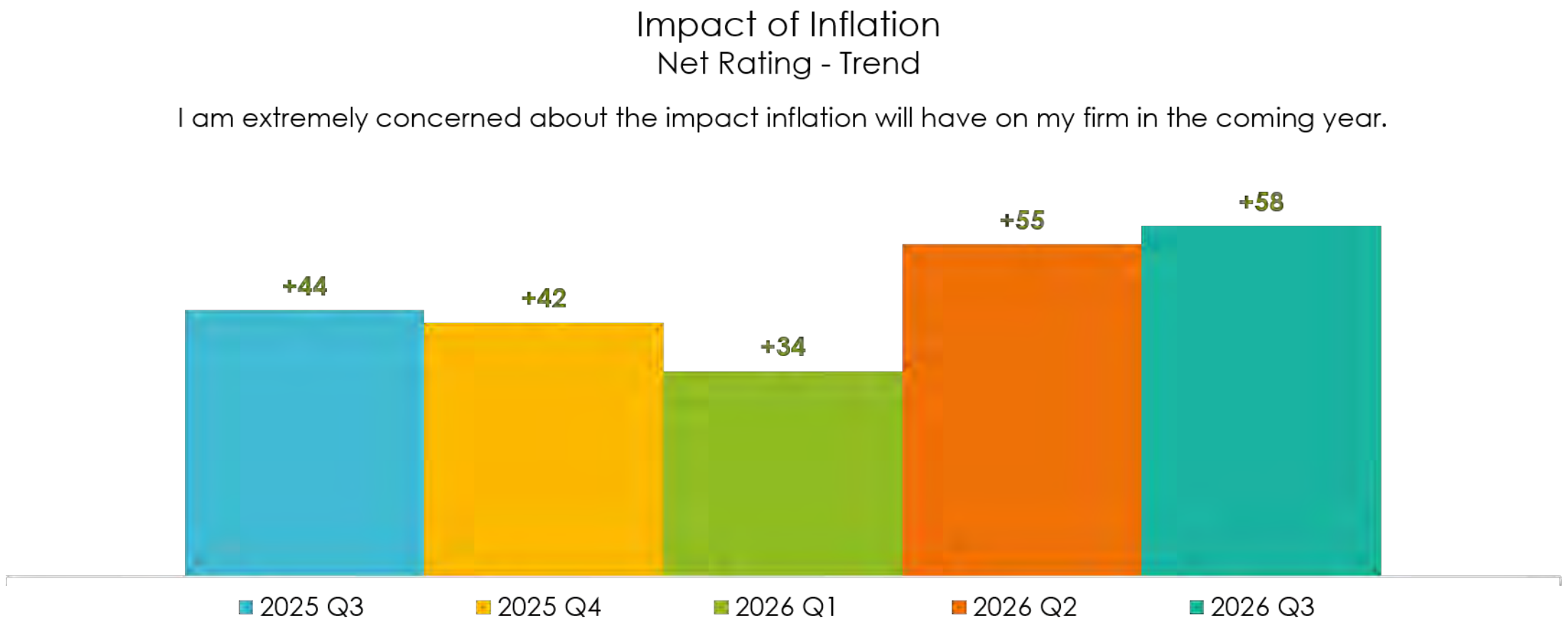
Federal Infrastructure Investment



Data Centers



Financing and Costs



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Questions?

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Redefining the Firm: Talent, Technology, and Transformation

The Structural Shift

From Labor → To Intelligence

- Capacity historically scaled with headcount
- Now scales with technology and data

Bottom Line: Value is no longer tied to hours worked.

Source: Redefining the Firm: Talent, Technology and Transformation

The Three Themes

The Future of the Engineering Firm

- Reconfiguring the Work
- Reinventing the Firm
- Redefining the Industry

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Source: Redefining the Firm: Talent, Technology and Transformation

Theme 1: Reconfiguring the Work

From Producing Designs → Orchestrating Systems

1. AI expands capacity, not replace engineers
2. Engineers become system orchestrators

Source: Redefining the Firm: Talent, Technology and Transformation

Theme 2: Reinventing the Firm

From Labor-Based → Hybrid Organizations

3. Data becomes a strategic asset
4. Engineering firms becomes hybrid human-AI organizations

Source: Redefining the Firm: Talent, Technology and Transformation

Theme 3: Redefining the Industry

From Projects → Lifecycle Intelligence

5. Infrastructure becomes a continuous intelligence system
6. AI-native engineering firms may emerge

Source: Redefining the Firm: Talent, Technology and Transformation

The Bottom Line

The firm is being redefined.

- Work is changing
- Firms are restructuring
- Industry is shifting

Where and how will your firm create value in this new environment?

Source: Redefining the Firm: Talent, Technology and Transformation

The Roadmap

What Firms Must Do

1. Build a firm-wide data strategy
2. Redesign engineering workflows around AI
3. Develop hybrid engineering talent
4. Expand services across the infrastructure lifecycle
5. Leverage industry collaboration for scale
6. Prepare to manage a digital workforce

Source: Redefining the Firm: Talent, Technology and Transformation

Closing

From Labor → To Intelligence

Source: Redefining the Firm: Talent, Technology and Transformation

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Questions?

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Leading Through AI Risk

The Enterprise Framework for Engineering Firm Leaders

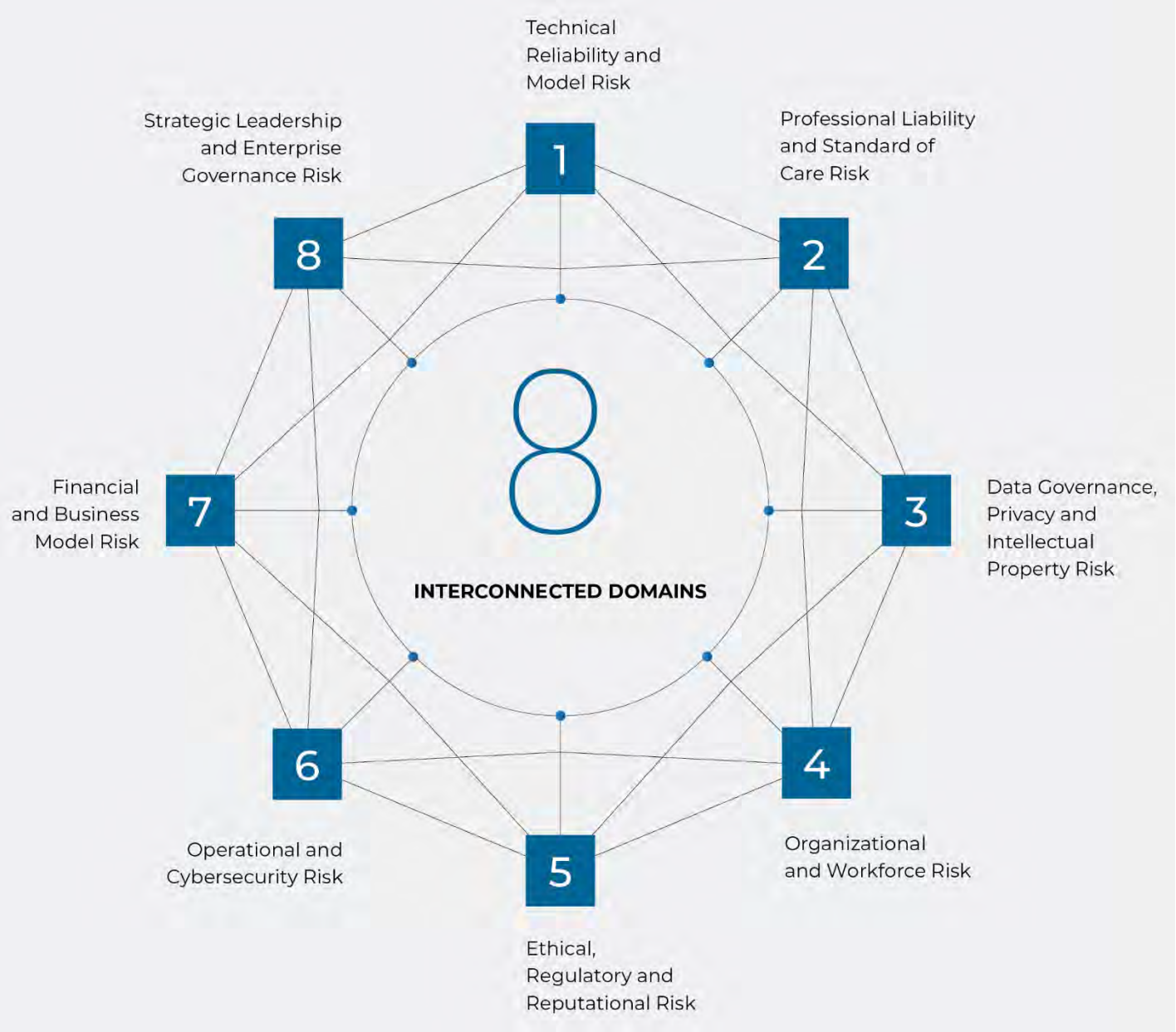
What are the risks associated with adopting AI and how can firms manage those risks?



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The AI Risk Framework

AI Risk Framework



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Key Findings from the Research

Finding #1

AI risk is fundamentally an organizational challenge, not simply a technology challenge.

Finding #2

Engineering judgment becomes more important, not less.

Finding #3

Organizational knowledge is becoming a strategic asset.

Finding #4

AI is changing organizations, not simply workflows.

Finding #5

The firms making the greatest progress share common characteristics.

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Questions?

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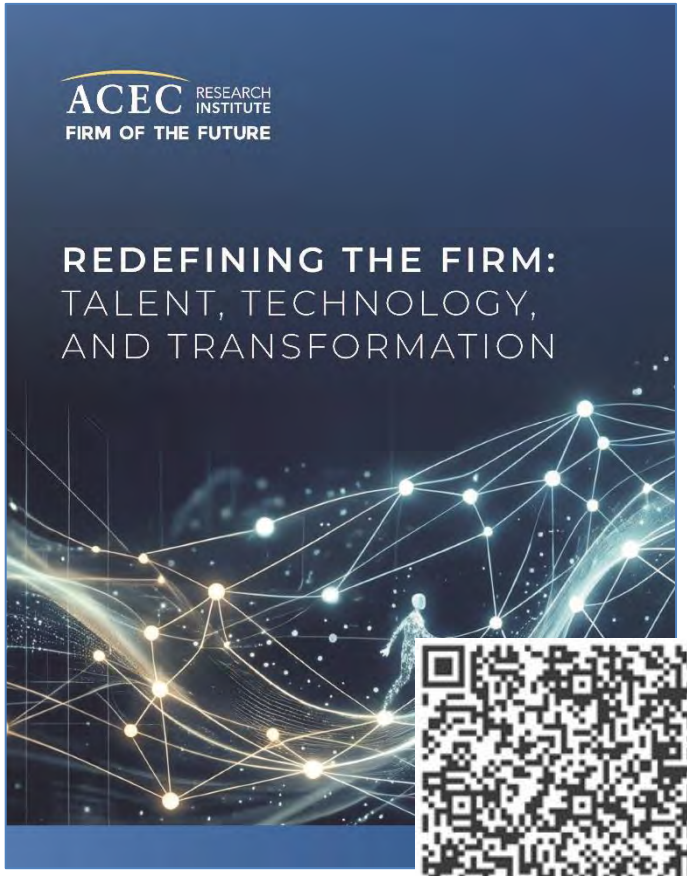
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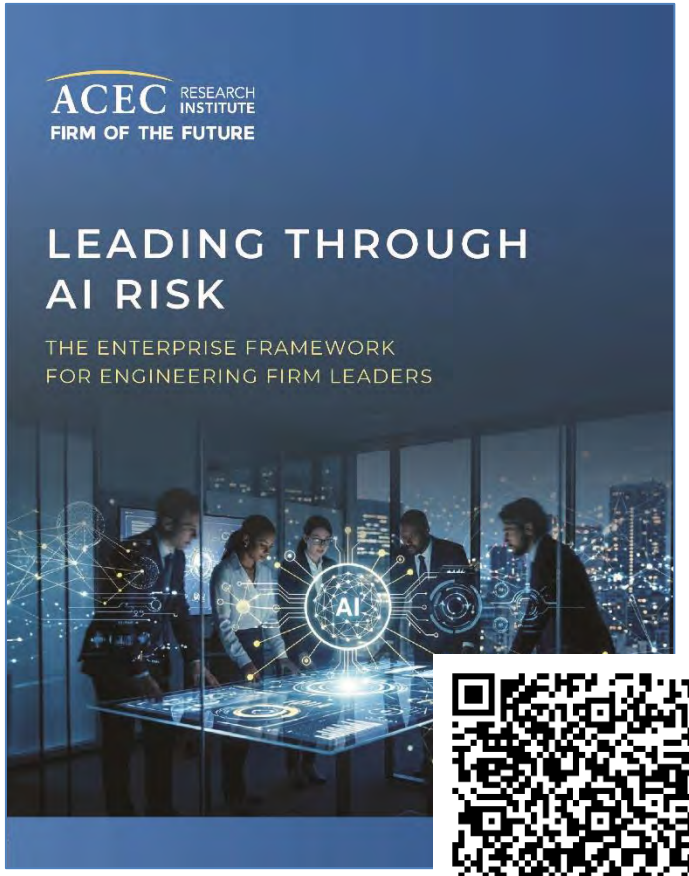
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