

ARDOT Newsletter

March 2023



SUPPORTIVE SERVICES

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FMI Releases 2023 Engineering & Construction Industry Overview & First Quarter Outlook

[FMI Corporation](#), a provider of consulting and investment banking services to the built environment, released the [2023 North American Engineering and Construction Industry Overview](#). The report provides a comprehensive forecast for a broad range of construction and engineering segments in the U.S. and Canada. Entering 2023, FMI expects construction spending to decline 2% compared to 2022, mostly due to a decline in residential construction. We continue to see near-record inflation, supply chains still face disruptions across global markets, and companies continue to struggle to find the talent needed to execute new and existing projects.

"Given this uneven landscape, it is critical to understand your core competencies, markets and clients to compete in 2023," wrote FMI CEO Chris Daum in the introduction to the report. "Knowing your opportunities and challenges and having a plan for tackling them will help your company continue to be successful. Furthermore, firms that focus on their people and culture and execute a clear strategy will be more likely to weather the upcoming downturn." In addition to FMI's segment commentary, key highlights of the report include:

- Total engineering and construction spending for the U.S. is forecast to end 2022 up 8%, the same increases as in 2020 and 2021, all led primarily by residential construction.
- High-growth segments in 2022 are expected to include multifamily, residential improvements, commercial, manufacturing, sewage and waste disposal, water supply, and conservation and development construction, each with annual growth rates exceeding 10%.

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2023 Outlook on the Construction Industry and Liability Insurance

The U.S. construction industry is on a post-pandemic rally, with the sector spending [\\$1.7 trillion in October 2022](#)—that's 9.2% better than October 2021. Furthermore, the entire insurance liability market is expanding significantly, projected to grow from [\\$252.3 billion in 2021](#) to an estimated \$432.8 billion in 2028, according to Allied Market Research.

With more government money and more building projects in play going into 2023, one area where the construction industry is finding firm footing is with liability insurance, albeit with some major risks in play.

"The introduction of new construction materials coupled with a renewed emphasis on modular building, artificial intelligence, 3D printing, and wearable and drone technologies is not only expected to ease existing cost burdens but also speed construction processes while completing projects on time and within budgets," says insurance analyst Jeff Slivka in a [2022 research report by RT Specialty Environmental & Construction Professional Liability Practice](#).

Another boost is expected to come from President Joe Biden's \$1.2 trillion infrastructure spending plan, which says it "will deliver \$550 billion of new federal investments in America's infrastructure over five years, touching everything from bridges and roads to the nation's broadband, water and energy systems."

There is downside risk for construction firms seeking the best terms on a liability insurance deal.

"Current optimism should also be tempered in at least the near term by the effects of an environment filled with greater governmental scrutiny and regulatory guidelines," Slivka says. "Contractors are also facing double-digit increases in insurance premiums experienced in many lines of business, tighter underwriting standards and new exclusions covering the scope of communicable disease exposures."

"Even though these factors are slightly less impactful on the contractors professional liability insurance products, they'll influence liability insurance deals nonetheless," Slivka says.

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About The ARDOT

The goal of the DBE Supportive Services Program is to increase the number of DBEs participating on ARDOT contracts and facilitate the opportunity for DBEs to obtain contracts. The services are designed to:

- Assist established construction firms to move them from bidding as a subcontractor to bidding as a Prime Contractor to produce sound bids.
- Provide access to training increases DBE expertise in handling of daily business operations.



CEI DBE Supportive Services

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