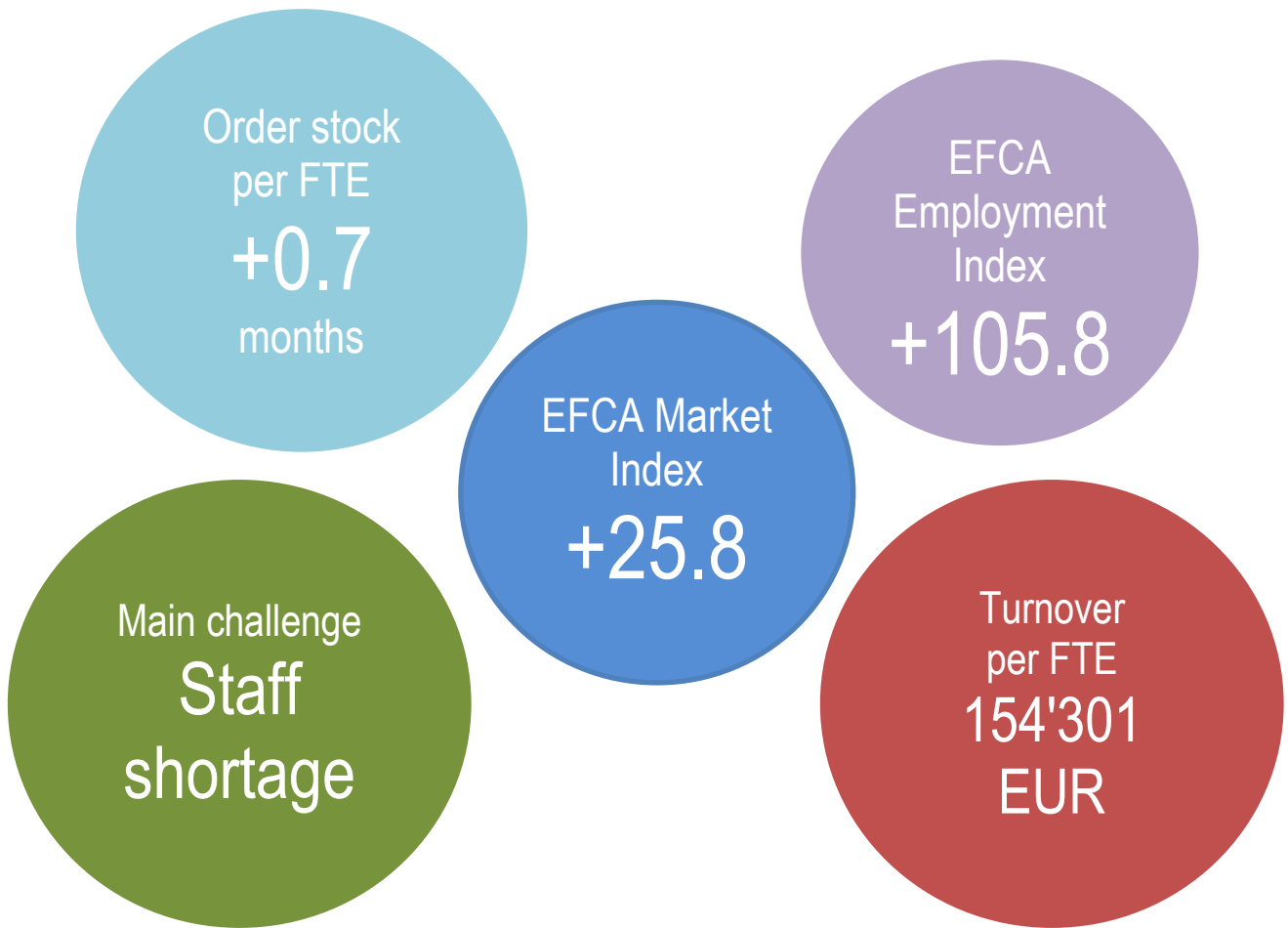




The State of the European Consulting Engineering Sector

BAROMETER autumn 2021





Participating Associations, in this survey

■ Austria, ACA	■ Finland, SKOL	■ Italy, OICE	■ Portugal, APPC	■ Sweden, FSIC
■ Belgium, ORI	■ France, Syntec / Cinov*	■ Latvia, LIKA	■ Romania, ARIC	■ Switzerland, USIC
■ Bulgaria, BACEA	■ Germany, VBI	■ Luxembourg, OAI	■ Russia, NACEC **	■ The Netherlands, NLingenieurs
■ Czech Republic, CACE	■ Greece, Hellasco	■ Macedonia, ACEMA	■ Serbia, ACES	■ Turkey, ATCEA
■ Denmark, FRI	■ Hungary, AHCEA	■ Norway, RIF	■ Slovenia, NACES	■ Ukraine, ICEG
■ Estonia, EAACEC	■ Ireland, ACEI	■ Poland, SIDIR	■ Spain, TECNIBERIA	■ United Kingdom, ACE ***

* France is represented by both Syntec-Ingénierie and Cinov. Their replies are aggregated and presented as one.

** Russia is an EFCA observer member.

*** United Kingdom (ACE) is a cooperating association.

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The Task Force has produced this report and analysis based on best available information on the current state of business (October 2021) collected through a survey by the member associations of EFCA for their respective countries. For European averages, national figures have been weighted by full time employees on the market of each country according to Eurostat figures. For the latest Eurostat figures see the appendix.

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Executive summary

European Consultancy Engineering Markets recovers from crisis

Amid the ongoing COVID-19-crisis, European Consultancy Engineering markets shows the recovery we expected in Spring 2021. We see in some cases significant growth for in staff numbers, order stock, turnover and profitability. The currently largest challenge for the consultancy and engineering industry in Europe is the shortage of staff.

The COVID-19-crisis is further reducing its grip on the consultancy and engineering industry in Europe. Although COVID-19 is still challenging the business environment, and European society at large, the impact on the consultancy and engineering industry in Europe has been reduced significantly, compared to the situation 6, 12 and 18 months ago. The signs of improvement, forecasted in the EFCA Barometer (spring 2021), has materialised. The EFCA Market Index has increased by 25.8 index points and order stock per fulltime employee (avg. across Europe) has risen by 0.7 months. Thus, the current state of the European markets are showing strong improvements since the spring of 2021. The majority of markets in Europe are reported as either good or strong, four markets remain stable and only one market is still weak.

The underlying indicators continue to provide reasons for growing optimism. Employment has increased significantly with 105.8 index points since spring 2021. Turnover per employee, as an average for the markets covered by this version of the EFCA Barometer is at €154,301, which shows, that significant value and revenue is still being created by the European consultancy and engineering industry.

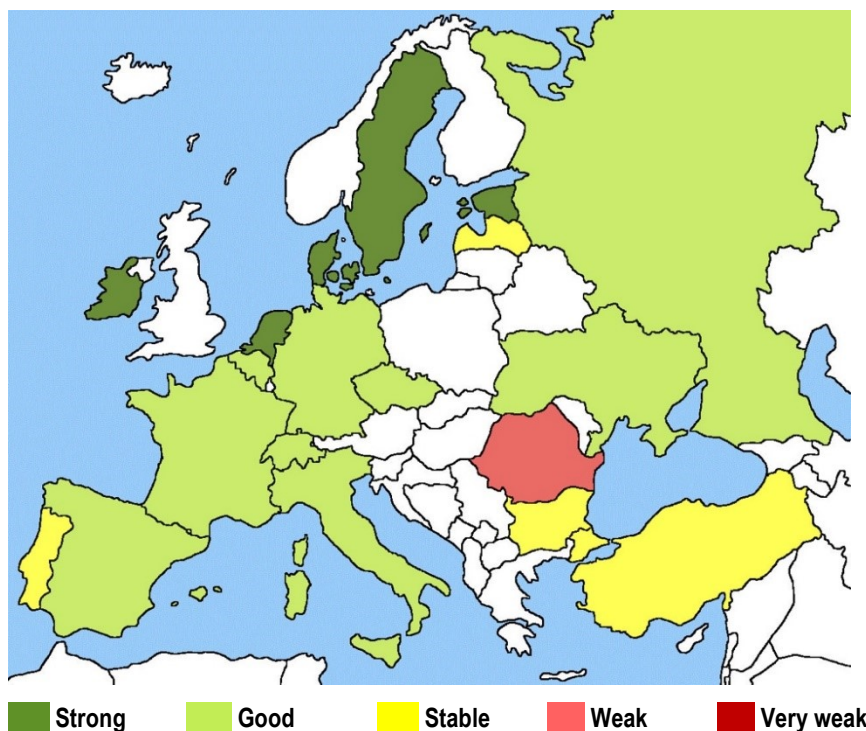
The shortage of staff is the most salient concern of EFCA Members. Low fees and digitalisation have gained in importance compared to previous surveys. Profitability for 2020 was an average of 7,1 percent, compared to 5.4 percent in 2019. For 2021 profitability is expected to increase in eight of 20 participating countries and remain unchanged in the rest, except for one country which expect a decrease.

The survey was conducted between 20th September and 28th October 2020, 20 member associations have responded (66%).

COVID-19-Surveys

The EFCA Industry Barometer Task Force conducted four separate surveys in 2020 on the effect of COVID-19 on EFCA member associations (early april 2020; late april 2020; early june 2020 and early september 2020). Please refer to these results, which can be acquired through the EFCA office, for a complete picture on the impact of the crisis on EFCA-Members.

Current state of European Markets. EFCA Survey Autumn 2021

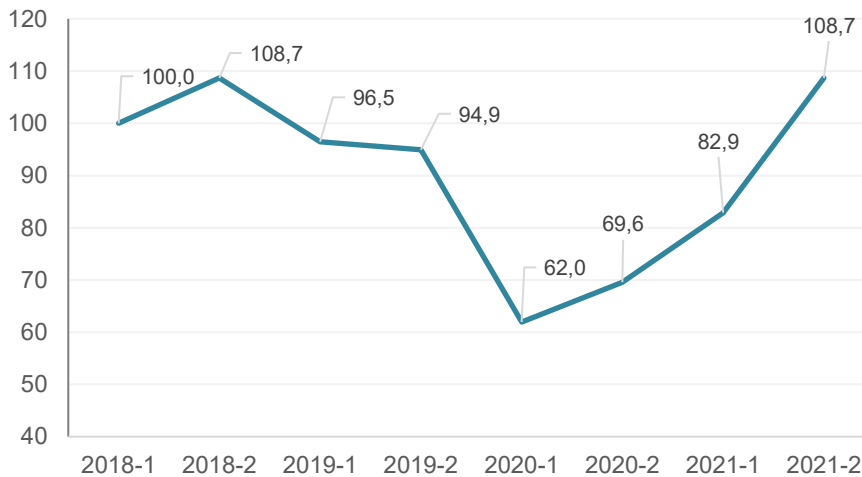


QUICK OVERVIEW, OVERALL MARKET IN EUROPE	
Current market status	➔
Expected order stock coming 6 months	➔
Expected turnover coming 6 months	➔
Expected staff change coming 6 months	➔

Market development

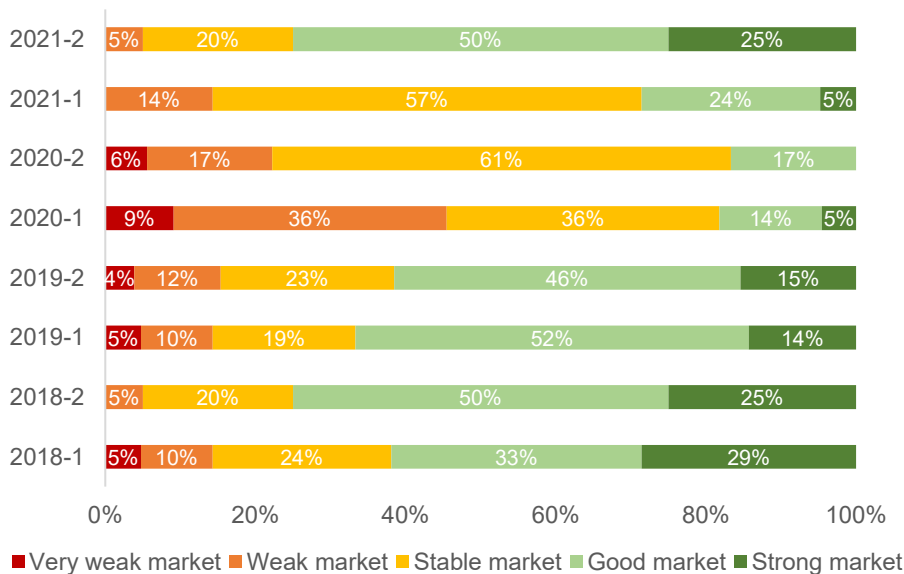
EFCA Market Index, spring 2018 – autumn 2021

2018-1 = 100 (see appendix, definitions).



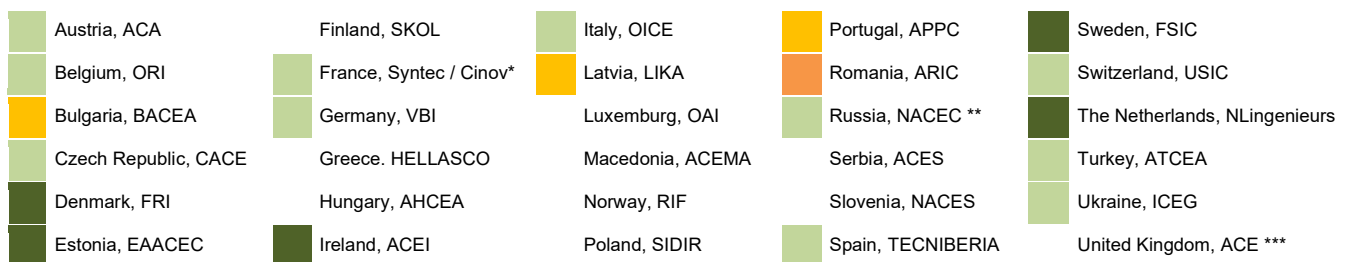
European markets have increased by 25.8 points compared to the spring survey. This indicates a strong recovery from the negative trend previously observed due to the Corona crisis. Markets are 8.7 points higher, compared to the first survey in spring 2018.

Market development by category in percent



Markets have returned to the level of autumn 2018 with 75% strong or good markets, compared to 29% in spring. Only Romania reported weak markets, no EFCA member association declared markets to be very weak.

Market development by country



* France is represented by both Syntec-Ingénierie and Cinov. Their replies are aggregated and presented as one.

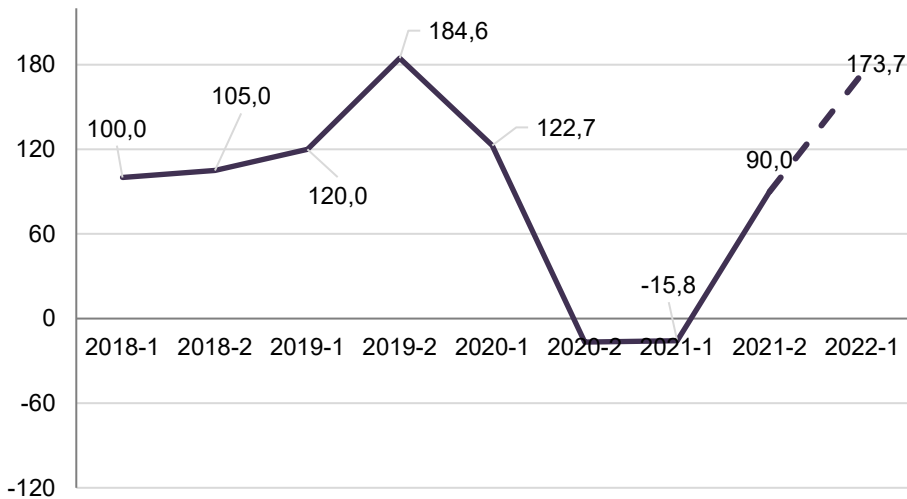
** Russia is an EFCA observer member.

*** United Kingdom (ACE) is a cooperating association.

Employment

EFCA Employment Index, spring 2018 – autumn 2021

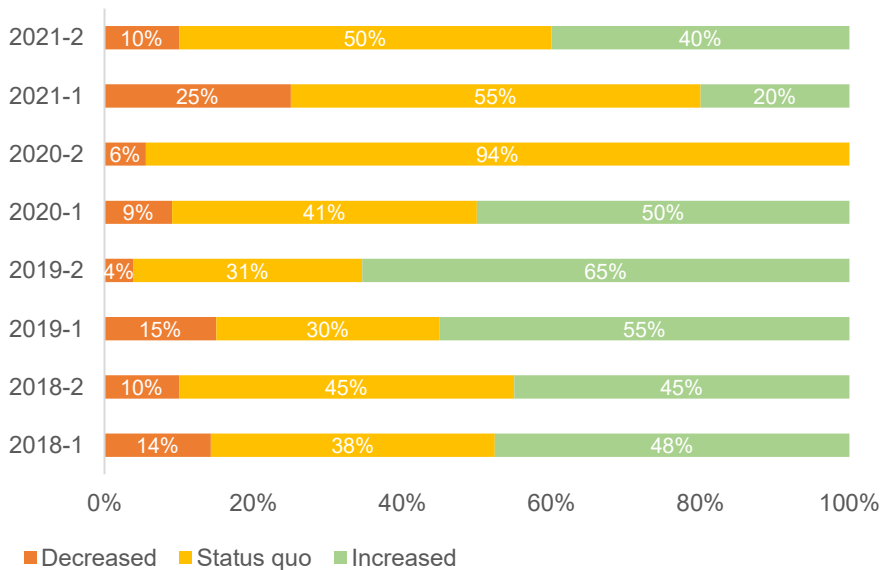
2018-1 = 100 (see appendix, definitions).



Employment has significantly increased by 105.8 points since spring 2021. The current level of 90 points is a mere 10 points below the reference period of spring 2018. This is significantly higher than the projected expectation from last spring, which was at approximately 45 points.

Projections for the next six months are very optimistic, with an expected rise in the EFCA Employment index to 173.7 points.

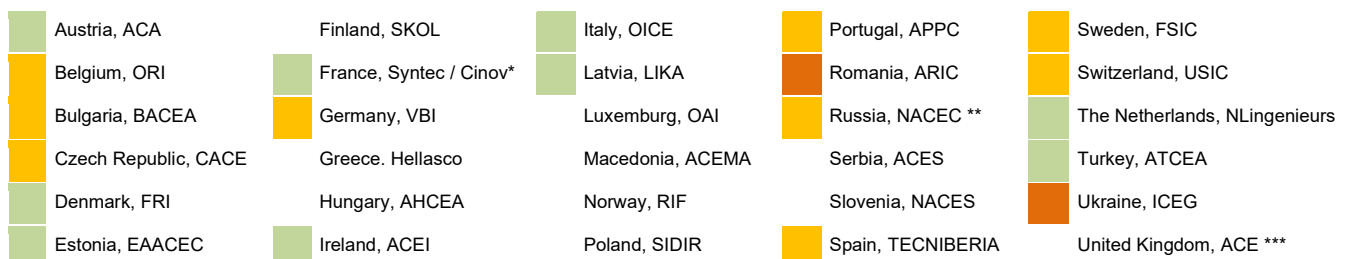
Staff development by category in percent



From all respondents, 40% reported an increase in staff numbers over the past six months. For half of the respondents, the level of staff remained unchanged. Only Romania and Ukraine reported a decrease in staff.

Hence, also in terms of employment, the levels have almost returned to the pre-Covid situation.

Staff development by country



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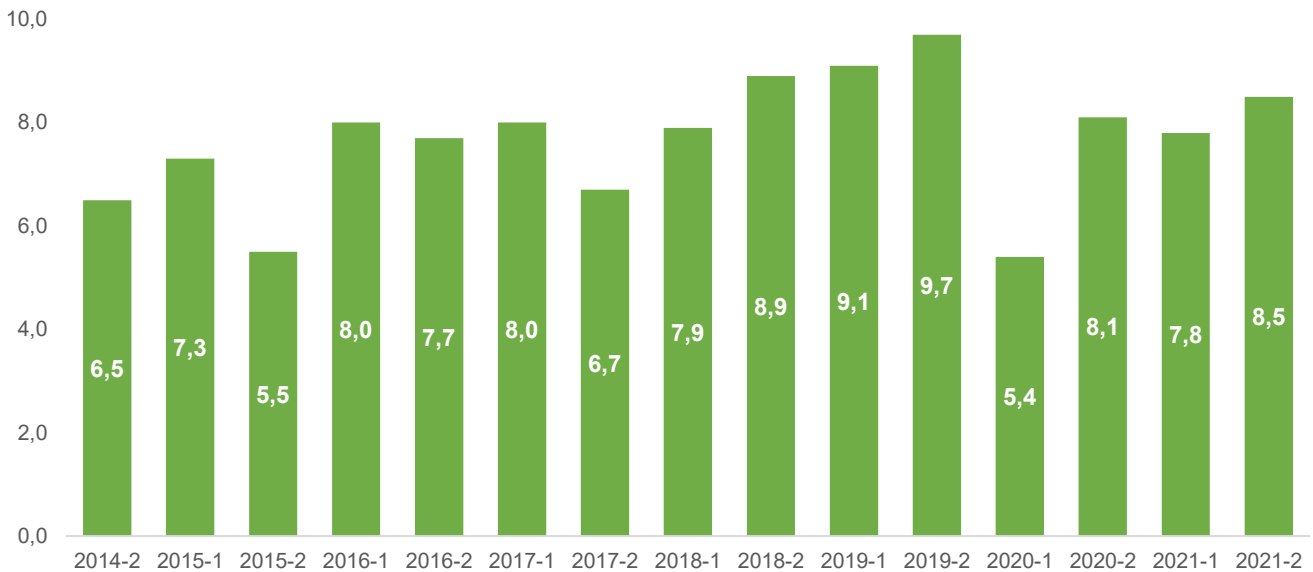
Order stock

Despite being lower than in previous years, order stock for the second half of 2021 have increased by 0.7 months to 8.5 months, compared to the spring survey.

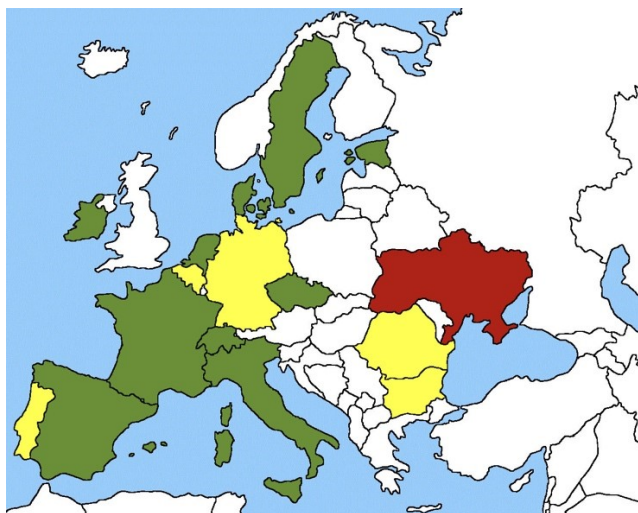
After a slight drop by 0.3 months in Spring 2021, order stock has regained strength and at 8.5 months, it is at the highest level since the Europe-wide Covid-19-lockdowns began in March 2020. It is worth noting, that the average order stock, despite the improvement, remain lower than the level of 2019, where order stock/backlog peaked for the European consultancy and engineering companies.

The outlook for the coming six months continues to paint a picture of strong growth. Nine countries expect an increase in order stocks, while six expect order stock to remain at the same level. Only two countries expect a decline.

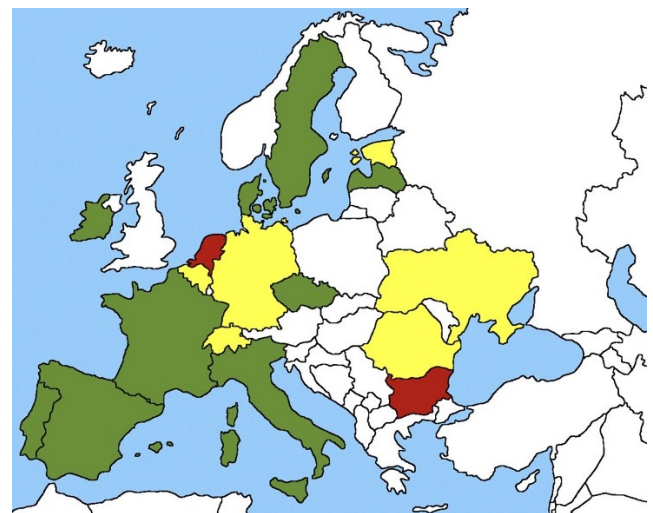
Average order stock in months, European average 2014-2021



Order stock, past six months



Order stock, coming six months



■ Increase
 ■ Status Quo
 ■ Decrease

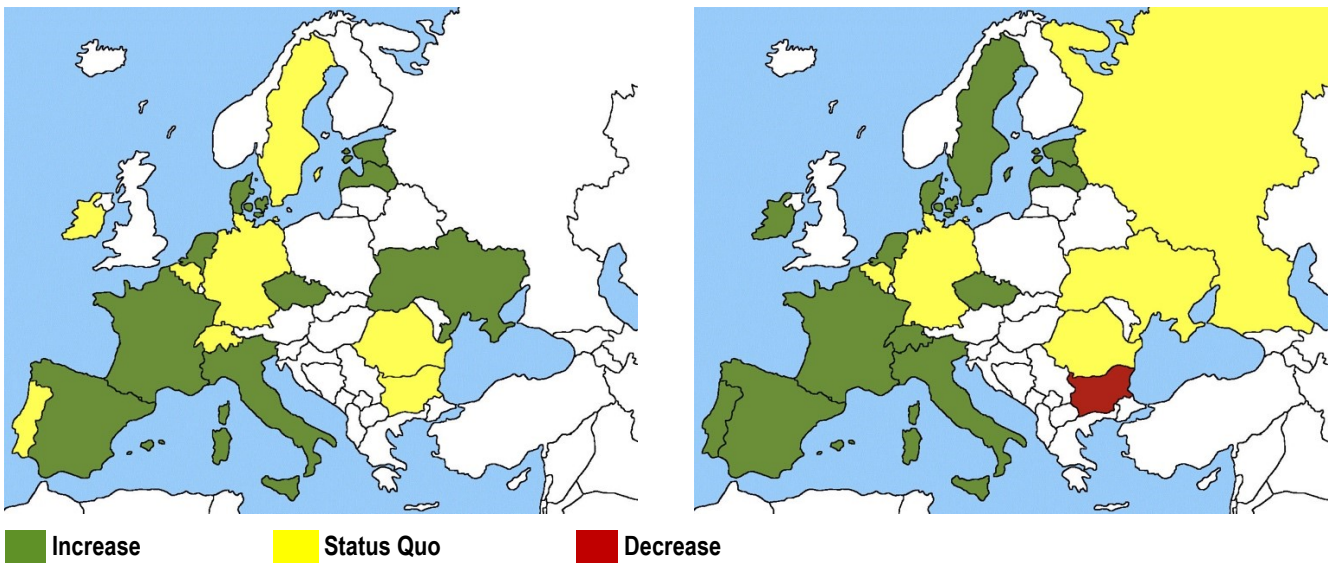
Turnover

The “across Europe” average turnover per full-time equivalent staff member in this survey was 154’301 Euro. This is a steep increase, compared to the 101’808 Euro observed in spring 2021. The reason for this difference is that the mix of participating countries in the Barometer has changed.

The overall development in turnover shows an increase for nine countries for the past six months, whereas eight countries have experienced a status quo. The outlook looks even more promising. Twelve countries expect turnover in the consultancy and engineering industry to increase, while five expect turnover to remain at the same level and only one country foresees a decline.

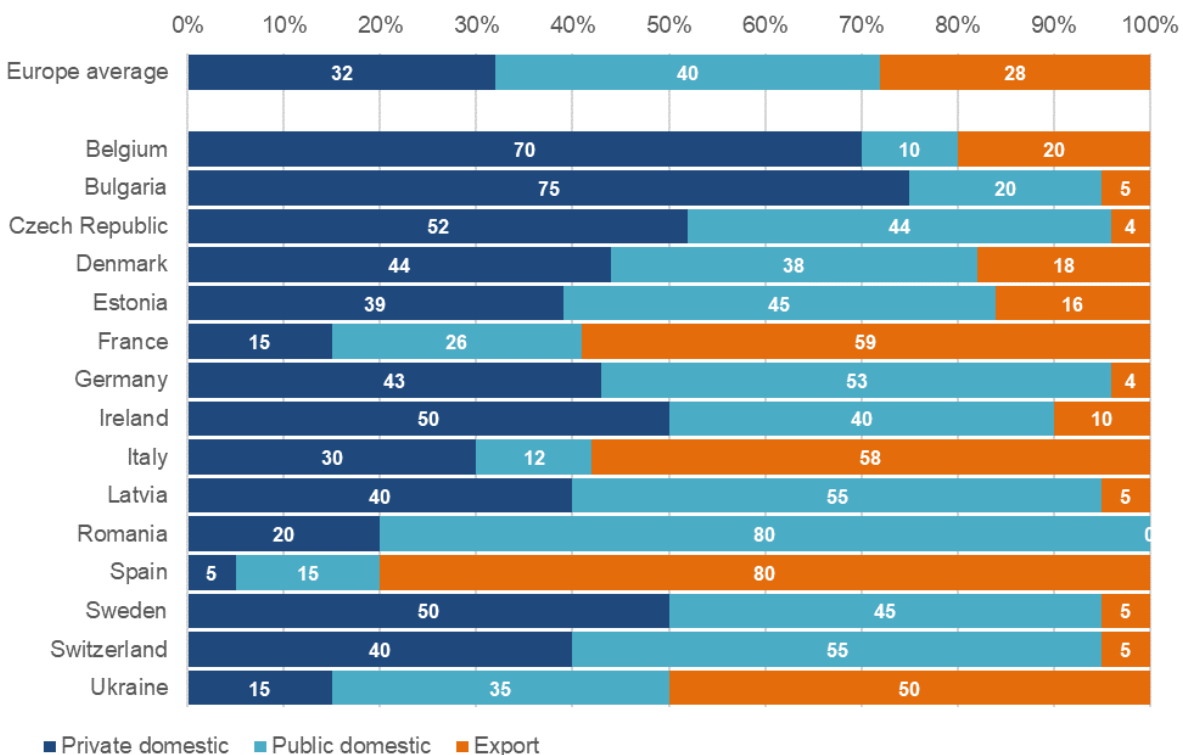
Turnover, past six months (April – Sept. 2021)

Turnover, coming six months (Oct 2021 – March 2022)



On average, 28 percent of turnover for the European consultancy and engineering companies are attributed to export activities, 32 percent to domestic private and 40 percent to domestic public markets.

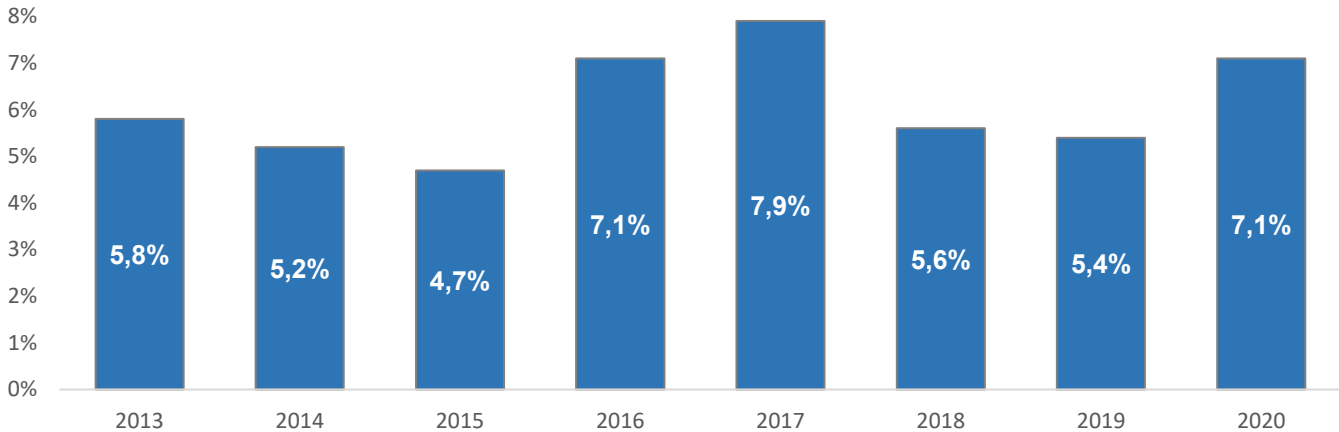
Turnover by domestic (private/public) and export activity, autumn 2021



Profitability

At 7.1 percent, the average profit ratio (EBITDA) has increased by 1.7 percentage points between 2019 and 2020. Four countries have reported an increase, five countries a decrease and eight countries stable profit ratios. For 2021 eight countries expects profit ratios to increase, only one expect profit ratios to decline, while eight expect them to remain the same.

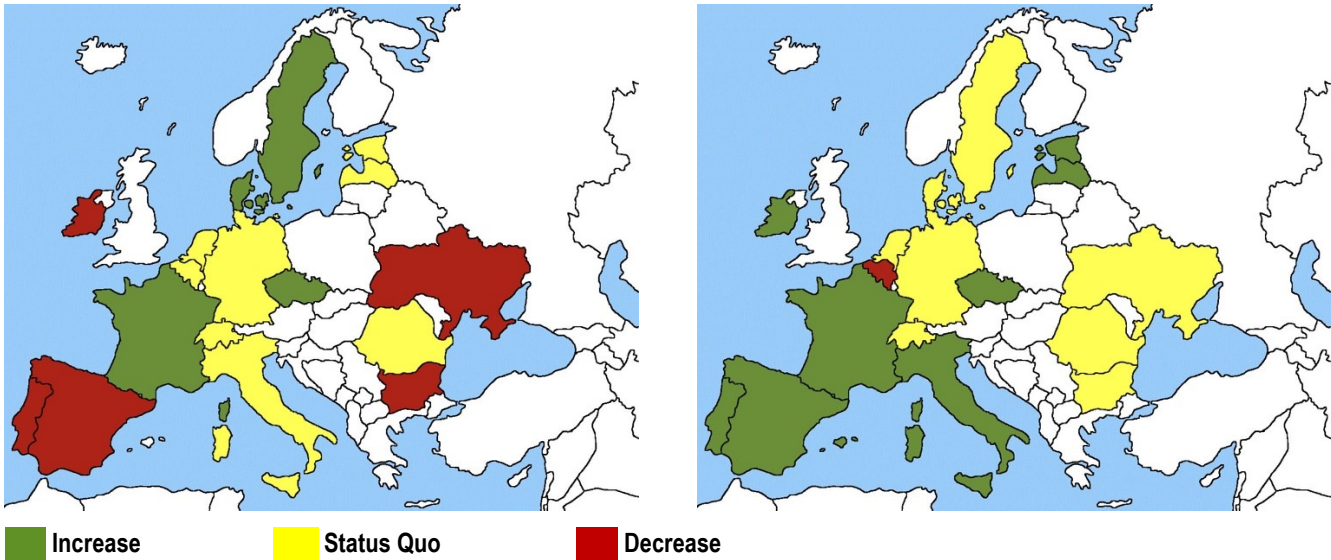
Profit ratio (EBITDA). European average, 2013-2020



Developments in profitability

2020 compared to 2019

Expected profitability for 2021 compared to 2020



Challenges

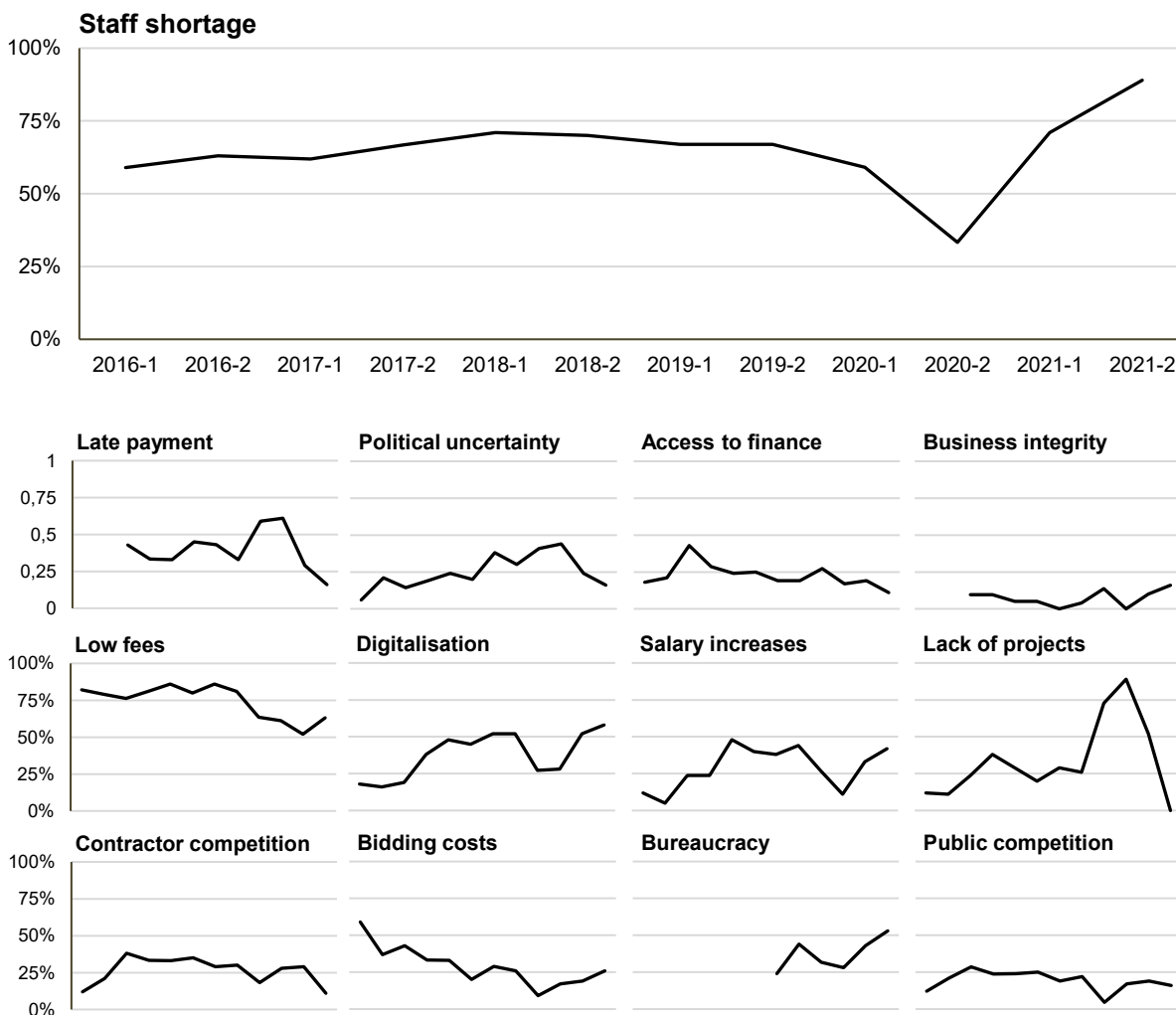
As in the previous survey, staff shortage and low fees continue to dominate as primary concerns of the industry. However, lack of projects is now ranked as the least of all concerns. While digitalisation, bureaucracy and salary increase remain in the upper ranks.

The results indicate that the Covid-19-crisis is coming to an end. With many projects in the pipeline and the usual challenges dominating. At the same time, some of the underlying trends, from before the Covid-19-crisis, seem to be on a continued rise as challenges for the industry: complex bureaucratic constraints (red tape) and digitalisation challenges.

Main challenges faced by European companies

Challenge	Rank	Change
Staff shortage	1	-
Low fees	2	-
Digitalisation	3	-1
Bureaucracy	4	-1
Salary increases	5	-1

Main challenges faced by European companies across time, 2016-2021



Appendix

The appendix carries information from the European Commission, which is of interest for the consulting engineering industry, when reviewing market trends as well as the Eurostat figures that are used for calculating European averages in the EFCA Barometer.

Economic Forecast

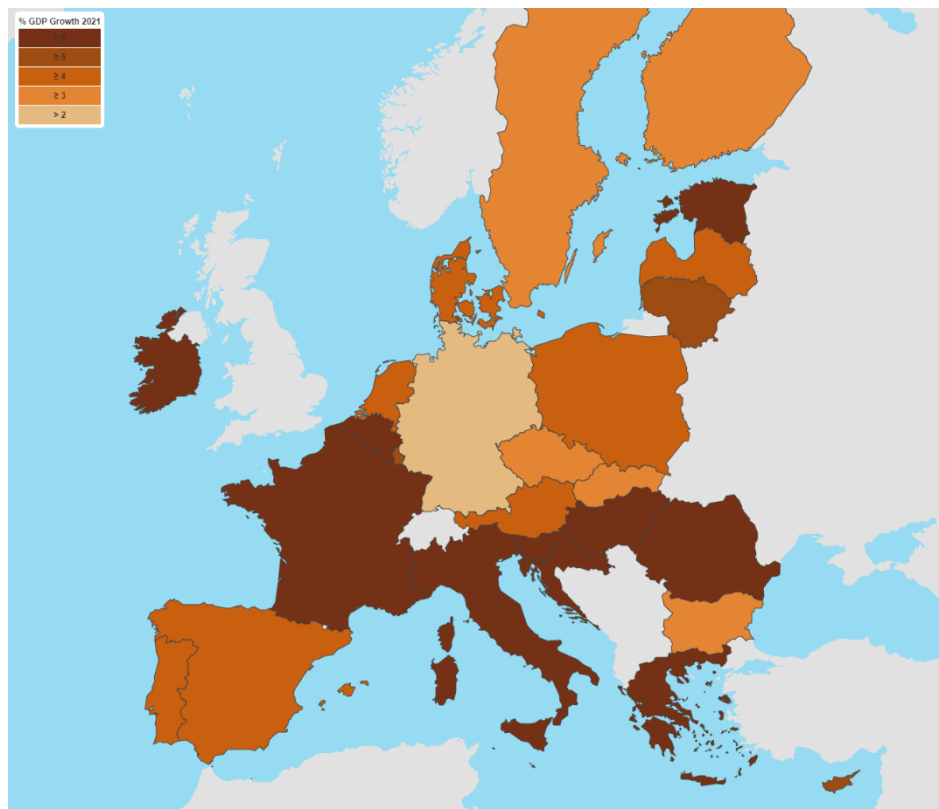
Most important is the Autumn 2021 Economic Forecast and “Growth Map 2022” as made by the European Commission.

The EU economy is rebounding from the pandemic recession faster than expected. Households responded to the improving epidemiological situation and the gradual relaxation of containment measures with a spending spree that propelled EU private consumption growth to 3.3% q-o-q (3.5% in the euro area) in the second quarter of 2021. The rebound of economic activity was broad-based, with all components of domestic demand contributing positively to the 2.0% q-o-q rebound in GDP (2.1% in the euro area).

The Autumn 2021 Economic Forecast projects that the EU economy will expand by 5.0 % for 2021 as a whole. In 2022, the propelling forces of the re-opening are set to fade out, while supply bottlenecks loosen and energy prices abate. Growth is expected to be supported by an improving labour market, still high savings, favourable financing conditions and the full deployment of the Recovery and Resilience Fund (RRF). Economic activity in the EU is thus projected to expand by a solid 4.3% (same as in the euro area) in 2022, before decelerating to 2.5% (2.4% in the euro area) in 2023.

The Autumn 2021 European Growth Map is part of the Economic Forecast made by the European Commission. The Map and the developments described by the European Commission are very much reflecting the trends measured by the EFCA Barometer.

Growth Map 2021



Source: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/autumn-2021-economic-forecast_en

Eurostat figures

For calculations of European averages, the figures for each country are weighted by the FTE-numbers provided by Eurostat. The Eurostat figures may not always correspond exactly with the actual numbers of employees in each country, since they are based on NACE industry codes that can sometime inflate or deflate the size of the market depending on how accurately companies are coded. But they give an idea of the comparative size of each national market and they are consistent.

Employees in FTE (Full Time Equivalent units)

Employees in full time equivalent units	2017
Austria	40,146
Belgium	31,110
Bulgaria	14,182
Croatia	21,196
Czech Republic	51,497
Denmark	41,008
Estonia	5,745
Finland	38,753
France	308,495
Germany (until 1990 former territory of the FRG)	565,113
Greece	15,377
Hungary	34,674
Ireland	25,348
Italy	63,158
Latvia	7,904
Lithuania	10,785
Luxembourg	6,412
Netherlands	96,500
North Macedonia	5,642
Norway	40,566
Poland	67,759
Portugal	32,267
Romania	63,230
Russia *	400,000
Serbia *	25,000
Slovakia	17,277
Slovenia *	9,000
Spain	175,888
Sweden	97,937
Switzerland	93,302
Turkey *	50,000
Ukraine *	50,000
United Kingdom	442,472

* Figures are not available from Eurostat and have therefore been estimated.

Definitions

EFCA: European Federation of engineering Consultancy Associations – the sole association for the engineering consultancy industry in Europe

EFCA Index: The indexes (EFCA Market Index and EFCA Employment Index) introduced to the survey in spring 2020, take the initial measurements (baseline: spring 2018) and transform them to 100 index points. Measurements from consecutive surveys are then transformed accordingly, in order to present the change in index points and/or percentage points compared to the baseline. For the Spring 2020 Barometer report, the reported changes are the changes in index points.

ECB: European Central Bank

FTE: Full time equivalent. Number of staff/employees is defined as FTE, where the total number of hours worked by the staff in a company is divided by the equivalent of a full year's workload. *Example:* four half-time employees are counted as two employees according FTE

Order stock: The total work/assignments that the firm has agreed to do in the future

Order stock in months: Order stock defined by what it represents in time for the firm. How much time, how many months, does the workload of the current order stock represent for the whole firm? *Example calculation:* The order stock is €1 million. The firm has 20 employees. The average yearly (12 months) turnover/employee is €100,000. The current order stock/employee is: €1 million/20 = €50,000/employee.

Order stock defined in months is: €50,000/€100,000 = 0.5 * 12 (months) = 6 months

Profit ratio/margin: Turnover divided by profit, measured as EBITDA (earnings before interest, taxes, depreciation and amortization)

RRF: The European Recovery and Resilience Fund

Turnover: Total revenues/sales

Room for reflections



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