



# The State of the European Consulting Engineering Sector

**BAROMETER spring 2015**



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## State of the consulting engineering sector

The most important trend identified in this latest biannual survey of the European consulting engineering sector is a further stabilisation of markets in southern Europe following five years of decline, and the apparent slowdown in the markets of central and northern Europe.

The sector in general is reflecting the gradual growth of European economies and their investment activity in gross fixed capital formation. The market for their services is generally stabilising at a low level and, as this had been anticipated, companies are managing to keep a steady level of order stock. However, taking on new staff or developing the industry based on a high growth in private and public demand has not yet materialised.

## INTRODUCTION

The Barometer Task Group of the European Federation of engineering Consultancy Associations (EFCA) has been conducting biannual surveys since 2012 to provide an overview of the consulting engineering sector in Europe, detailing developments for the latest six months and expected trends for the coming half year.

The Task Group has produced this report and analysis based on elementary information on the current state of business (March 2015) provided by the member associations of EFCA for their respective countries.

### Respondents

ACEI	Ireland
APPC	Portugal
ARIC	Romania
ATCEA	Turkey
BACEA	Bulgaria
CACE	Czech Republic
FRI	Denmark
HELLASCO	Greece
NLINGENIEURS	The Netherlands
OAI	Luxemburg
OICE	Italy
ORI	Belgium
RIF	Norway
SIDIR	Poland
SKOL	Finland
STD	Sweden
Syntec-Ingénierie	France
TECHNIBERIA	Spain
USIC	Switzerland
VBI	Germany

# SURVEY RESULTS

## Turnover

### Total turnover

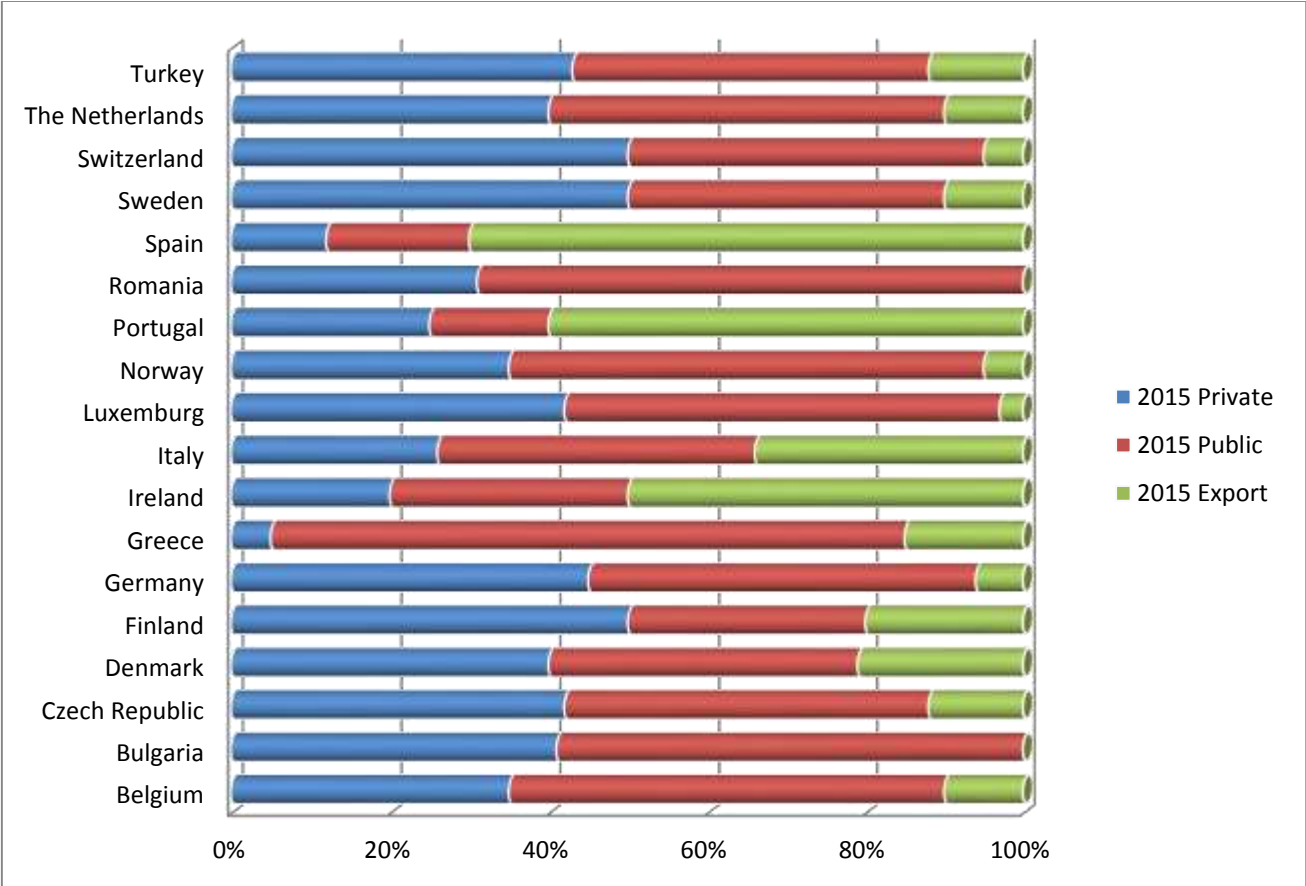
The total 2014 turnover of the consulting engineering companies represented by 20 national associations is €31.043 million (€31 billion). There is great variety in market size with Spain, Sweden, France and Germany being the largest included in the survey.

### Origin of turnover

On average, 35% of turnover for consulting engineers in Europe is due to private sector business. About 46% originates with the public sector, and exports account for 19%. In Portugal, Ireland and Spain, exporting services is crucial for domestic firms to maintain their turnover. These three countries account for 50-70% of all turnover from exports.

In Italy, Finland and Denmark exporting services also creates significant value, generating 20-34% of turnover. For the remaining countries covered by the survey, exported services generate 10% or less of turnover.

The public market is a significant contributor to turnover within the sector, particularly in Norway, Turkey, Belgium, The Netherlands, Luxembourg and the Czech Republic. It is also important in Ireland, especially when compared with that generated by private domestic projects.

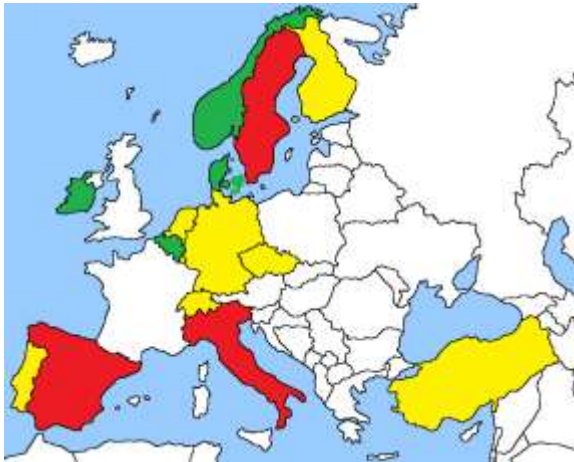


Turnover of national consulting engineering sectors – according to market

## Actual developments in turnover

The recent trend in turnover at a European level is towards a steadying of the market and a first tendency to revival of the market in Europe. This is the result of growth in Ireland, Luxemburg, Germany, Czech Republic, Switzerland, Denmark, Turkey and Belgium. A status quo in Finland, The Netherlands, France, Spain, Portugal, Italy and Romania; and a decline in Greece.

Results November 2014



Results May 2015



Turnover: increase ■ (green); stable ■ (yellow); decrease ■ (red).

### Turnover for consulting engineering sectors – six month trends 2014

Comparing *expectations* at November 2014 (see below) with actual developments that took place in the period to May 2015 (above right), it can be seen that more than half of the countries fared better than expected (Luxembourg, Switzerland, Italy, Spain, Germany, Austria, Czech Republic, Sweden and Turkey), other fared as expected (Ireland, Belgium, Denmark, Finland and Portugal), and only Norway did worse than expected.

## Expected developments in turnover

In the survey, respondents were asked about the expected development in their turnover for the coming six months. Half of the consulting engineering associations expect the turnover in their country to stabilise and the other half expect it to increase. For the first time since 2012 both countries of the Iberian Peninsula are hopeful. Out of the 20 countries providing data only Greece expect turnover to decrease in the six months to November 2015.

Results (November 2014)



Results (May 2015)

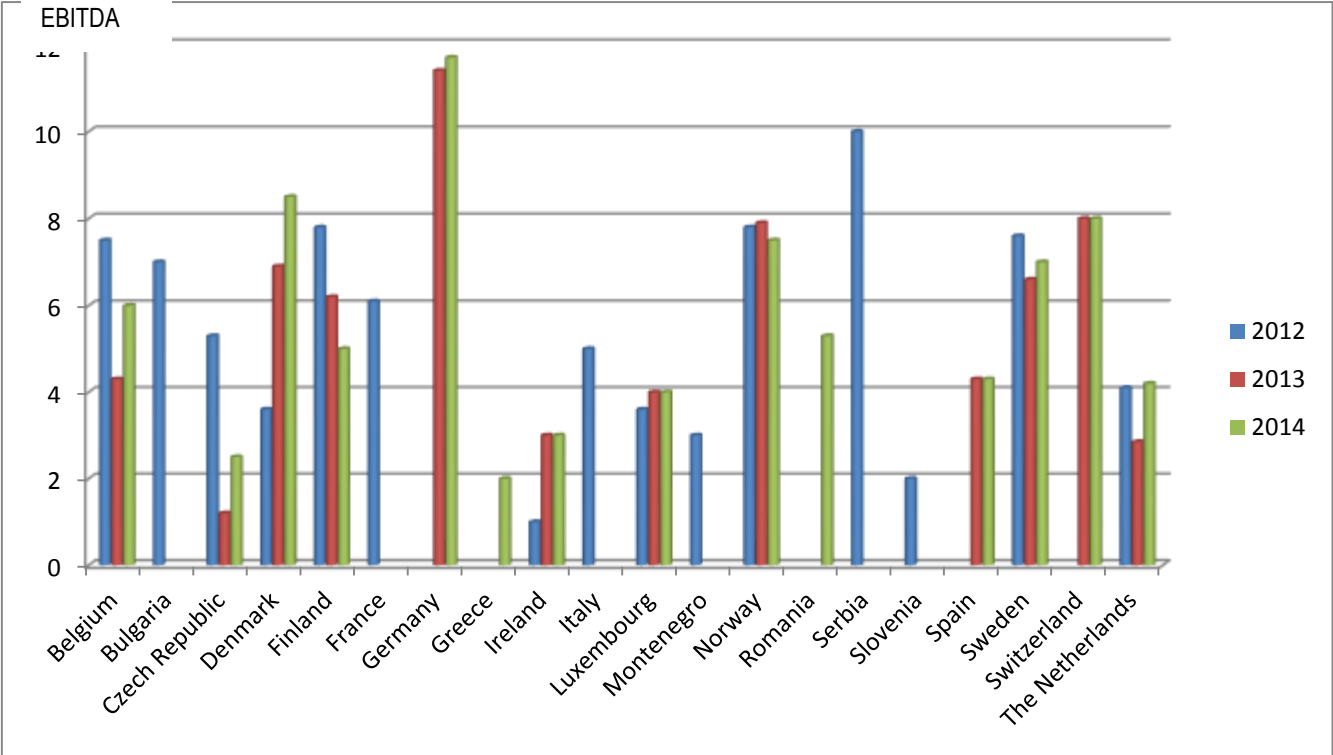


Turnover: increase ■ (green); stable ■ (yellow); decrease ■ (red).

### Turnover for consulting engineering sectors – expectations for coming six months

**Profit**

Once a year, EFCA member associations are asked for the average profit ratio in their country, based on the results of the previous financial year. Profit ratio is measured as EBITDA, 'earnings before interest, taxes, depreciation, and amortisation'. On average, the European profit ratio in 2014 was 5.6% of total turnover (including Germany). When Germany, with the strongest ratio figures, is excluded, the European average was 5.2%, down from 5.8 in 2013 and from 5.4% in 2012.



\* No data received from Bulgaria, France, Italy, Poland, Portugal, and Turkey

**Profit ratio for 20 European countries, 2012-2013-2014**

For the countries that responded to the survey there is an overall trend of slight increase in the development of profit margins. However, comparisons between the 2013 and 2014 figures show a fall in margins for Finland and Norway.

Insufficient data prevents the analysis of profit margins for other European markets.

# Employment

## Actual developments in staffing

The trends in employment vary between the countries studied. The majority of EFCA member associations indicate that the number of staff (measured in ‘full time equivalents’ (FTE)<sup>1</sup>) in their member firms was stable over the six months to March 2015. The map (below right) indicates where employment has increased, been stable, or has decreased.

Results November 2014



Results May 2015



Employment: increase ■ (green); stable ■ (yellow); decrease ■ (red).

### Developments in employment for consulting engineering sector – six-month trends 2014

## Expected developments in staffing

Looking ahead, more than half of the associations participating in the survey expect employment by their member firms to be stable over the next six months. This indicates that the industry does not expect to see any significant growth in the next 6 to 12 months.

Results November 2014



Results May 2015



Employment: increase ■ (green); stable ■ (yellow); decrease ■ (red).

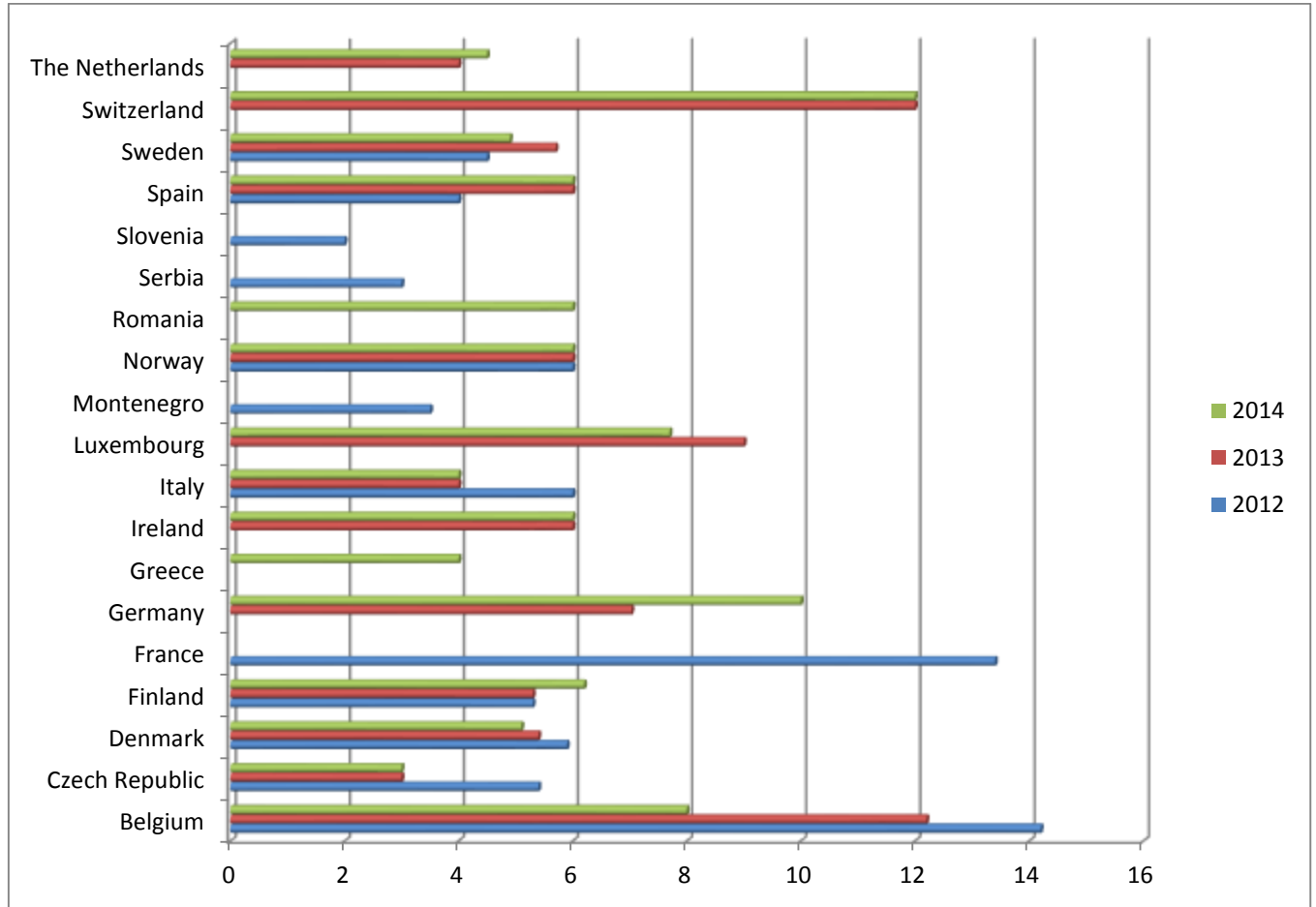
### Developments in employment for consulting engineering sector – expectations for the coming six months

<sup>1</sup> No. 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 work load. Example: four half-time employees are counted as two employees.

## Market

### Average order stock<sup>2</sup>

By March 2015, the average amount of work consulting engineers had 'in stock' in Europe (the 'order stock') was 6.23 months' worth.



\* No data received from Bulgaria, France, Italy, Poland, Portugal, and Turkey

### Average order stock held by consulting engineering firms, 2012-2014 – by country

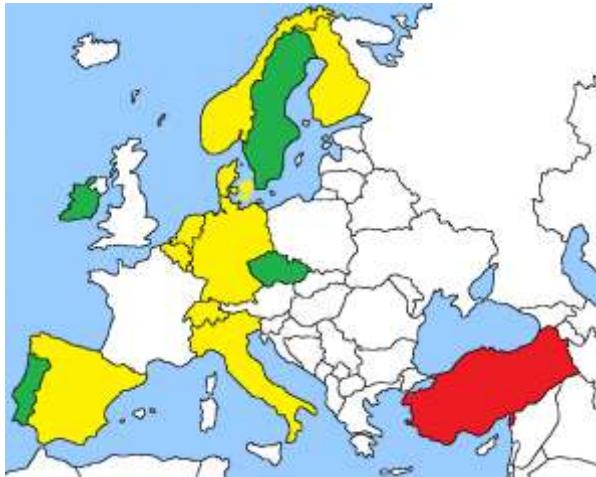
### Development in order stock

On the whole, the average order stock for consulting engineering firms in Europe has been stable over the past six months. For Spain, Germany, Denmark, Czech Republic, Finland and Italy there was even an increase volume of orders only for Greece the order stock was declining.

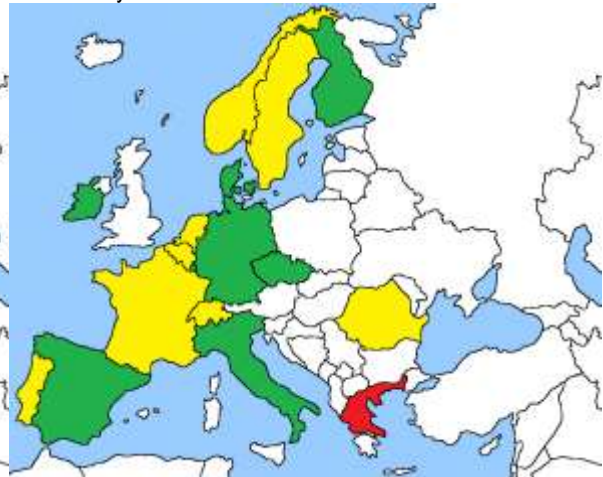
<sup>2</sup> Order stock can be defined as 'the total work that a firm has agreed to do in the future'. Example: The order stock is €1 million and the firm has 20 employees. The average annual turnover/employee is €100,000 and the current order stock/employee is €1 million/20 = €50,000/employee. The current order stock therefore represents €50,000/100,000 = 0.5 \* 1 year = 6 months' work for the firm.



Results November 2014



Results May 2015



Order stock increase ■ (green); stable ■ (yellow); decrease ■ (red)

**Average order stock –November 2014 and May 2015**

### Expected developments in order stock

Half of the associations that responded to the survey expect the order stock of their member firms to increase while the other half expect it to remain stable, over the six months to May 2015. Only Greece expects it to decrease.

Results November 2014



Results May 2015



Order stocks: increase ■ (green); stable ■ (yellow); decrease ■ (red).

**Expected trends in order stock – May and November 2014**

## CONCLUSIONS

This survey of the European national associations of consulting engineers shows that the market for their member's services is stabilising, albeit at a low level of activity. In most markets such a development was anticipated which meant the industry has managed to keep a steady level of order stock and remain profitable. However, any intake of new staff and development of the industry based on a high growth in private and public demand has not happened.

The most significant trend emerging from the survey is the stabilisation of markets in southern Europe after several years of decline while those in central and northern Europe appear to be slowing down.

In conclusion, activity in the consulting engineering industry in Europe appears to be following the general growth trend of European economies (see Eurostat growth figures, below) and also seems to be aligned with the general investment activity in gross fixed capital formation (see figures from the European Central Bank, below).

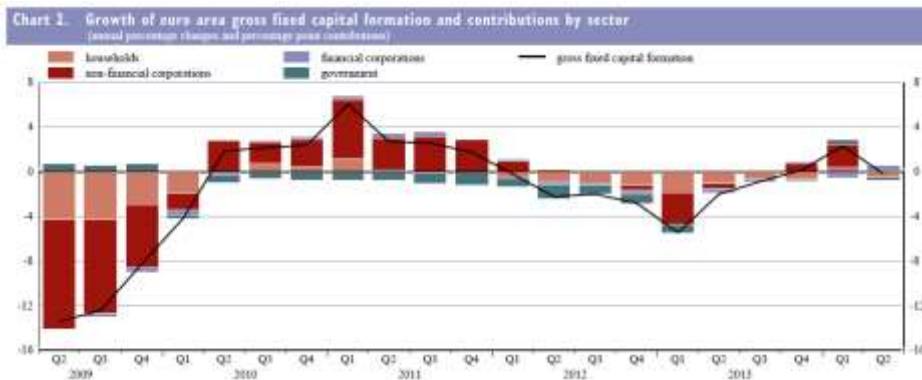
### Real GDP growth, 2003–13 (% change compared with the previous year; average 2003–13) YB14

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average 2003–13
EU-28	1.5	2.8	2.2	3.4	3.2	0.4	-4.5	2.0	1.6	-0.4	0.1	1.1
Euro area	0.7	2.2	1.7	3.3	3.0	0.4	-4.5	1.9	1.5	-0.7	-0.4	0.8
Belgium	0.8	3.3	1.8	2.7	2.9	1.0	-2.8	2.3	1.8	-0.1	0.2	1.3
Bulgaria	5.5	6.7	6.4	6.5	6.4	6.2	-5.5	0.4	1.8	0.6	0.8	3.3
Czech Republic	3.8	4.7	6.8	7.0	5.7	3.1	-4.5	2.5	1.8	-1.0	-0.9	2.6
Denmark	0.4	2.3	2.4	3.4	1.6	-0.8	-5.7	1.4	1.1	-0.4	0.4	0.6
Germany	-0.4	1.2	0.7	3.7	3.3	1.1	-5.1	4.0	3.3	0.7	0.4	1.2
Estonia	7.6	6.3	8.9	10.1	7.5	-4.2	-14.1	2.6	9.6	3.9	0.8	3.6
Ireland	3.7	4.2	6.1	5.5	5.0	-2.2	-6.4	-1.1	2.2	0.2	-0.3	1.5
Greece	5.0	4.4	2.3	5.5	3.5	-0.2	-3.1	-4.9	-7.1	-7.0	-3.9	-0.4
Spain	3.1	3.3	3.0	4.1	3.5	0.0	-3.8	-0.2	0.1	-1.6	-1.2	1.1
France	0.9	2.5	1.8	2.5	2.3	-0.1	-3.1	1.7	2.0	0.0	0.2	1.0
Croatia	5.4	4.1	4.3	4.0	5.1	2.1	-8.9	-2.3	-0.2	-1.9	-1.0	1.2
Italy	0.0	1.7	0.9	2.2	1.7	-1.2	-5.5	1.7	0.4	-2.4	-1.9	-0.2
Cyprus	1.9	4.2	3.9	4.1	5.1	3.6	-1.8	1.3	0.4	-2.4	-5.4	1.3
Latvia	7.7	8.8	10.1	11.0	10.0	-2.8	-17.7	-1.3	5.3	5.2	4.1	3.7
Lithuania	10.3	7.4	7.8	7.8	9.8	2.0	-14.8	1.6	8.0	3.7	3.3	4.2
Luxembourg	1.7	4.4	5.3	4.9	8.8	-0.7	-5.6	3.1	1.9	-0.2	2.1	2.1
Hungary	3.9	4.0	4.0	3.9	0.1	0.9	-8.8	1.1	1.6	-1.7	1.1	1.2
Malta	0.7	-0.3	3.6	2.6	4.1	3.9	-2.8	4.1	1.6	0.6	2.4	1.9
Netherlands	0.3	2.2	2.0	3.4	3.9	1.8	-3.7	1.5	0.9	-1.2	-0.8	0.9
Austria	0.0	2.6	2.4	3.7	3.7	1.4	-3.8	1.0	2.8	0.9	0.4	1.5
Poland	3.9	5.3	3.9	6.2	6.8	5.1	1.8	3.9	4.5	2.0	1.6	4.0
Portugal	-0.9	1.6	0.8	1.4	2.4	0.0	-2.9	1.9	-1.3	-3.2	-1.4	-0.1
Romania	5.2	9.5	4.2	7.9	6.3	7.3	-6.5	-1.1	2.3	0.6	2.5	3.5
Slovenia	2.9	4.4	4.0	5.8	7.0	3.4	-7.9	1.3	0.7	-2.5	-1.1	1.6
Slovakia	4.8	5.1	6.7	8.3	10.5	5.8	-4.9	4.4	3.0	1.8	0.9	4.2
Finland	2.0	4.1	2.9	4.4	5.3	0.3	-8.5	3.4	2.8	-1.0	-1.4	1.3
Sweden	2.3	4.2	3.2	4.3	3.3	-0.6	-5.0	6.6	2.9	0.9	1.5	2.1
United Kingdom	3.8	3.2	3.2	2.8	3.4	-0.8	-5.2	1.7	1.1	0.3	1.7	1.4
Iceland	2.4	7.8	7.2	4.7	6.0	1.2	-6.6	-4.1	2.7	1.5	3.3	2.4
Norway	1.0	4.0	2.6	2.3	2.7	0.1	-1.6	0.5	1.3	2.9	0.6	1.5
Switzerland	0.0	2.4	2.7	3.8	3.9	2.2	-1.9	3.0	1.8	1.0	2.0	1.9
Montenegro (*)	2.5	4.4	4.2	8.6	10.7	6.9	-5.7	2.5	3.2	-2.5	-	3.5
FYR of Macedonia	2.8	4.5	4.4	5.0	6.1	5.0	-0.9	2.9	2.0	-0.4	3.1	3.2
Serbia	2.5	9.3	5.4	3.6	5.4	3.8	-3.5	1.0	1.6	-1.5	2.9	2.7
Turkey (*)	5.3	9.4	8.4	6.9	4.7	0.7	-4.8	9.0	-	-	-	5.0
Japan	1.7	2.4	1.3	1.7	2.2	-1.0	-5.5	4.7	-0.5	1.4	1.6	0.9
United States	2.8	3.8	3.4	2.7	1.9	-0.3	-2.8	2.5	1.8	2.8	1.9	1.9

(\*) Average 2003–12 instead of 2003–13.

(\*) Average 2002–10 instead of 2003–13.

Source: Eurostat (online data codes: nama\_gdp\_x or tsis000)



### Euro area economic and financial development by institutional sector (Q2 2014)

Source: European Central Bank

## Appendix – definitions

EFCA	European Federation of engineering Consultancy Associations – the association for the engineering consultancy industry in Europe
ECB	European Central Bank
Turnover	Total revenues/sales
Profit ratio/margin	Turnover divided by profit, measured as EBITDA (earnings before interest, taxes, depreciation and amortization)
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 years work load. <i>Example</i> : 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 work load of the current order stock represent for the whole firm? <i>Example calculation</i> : 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