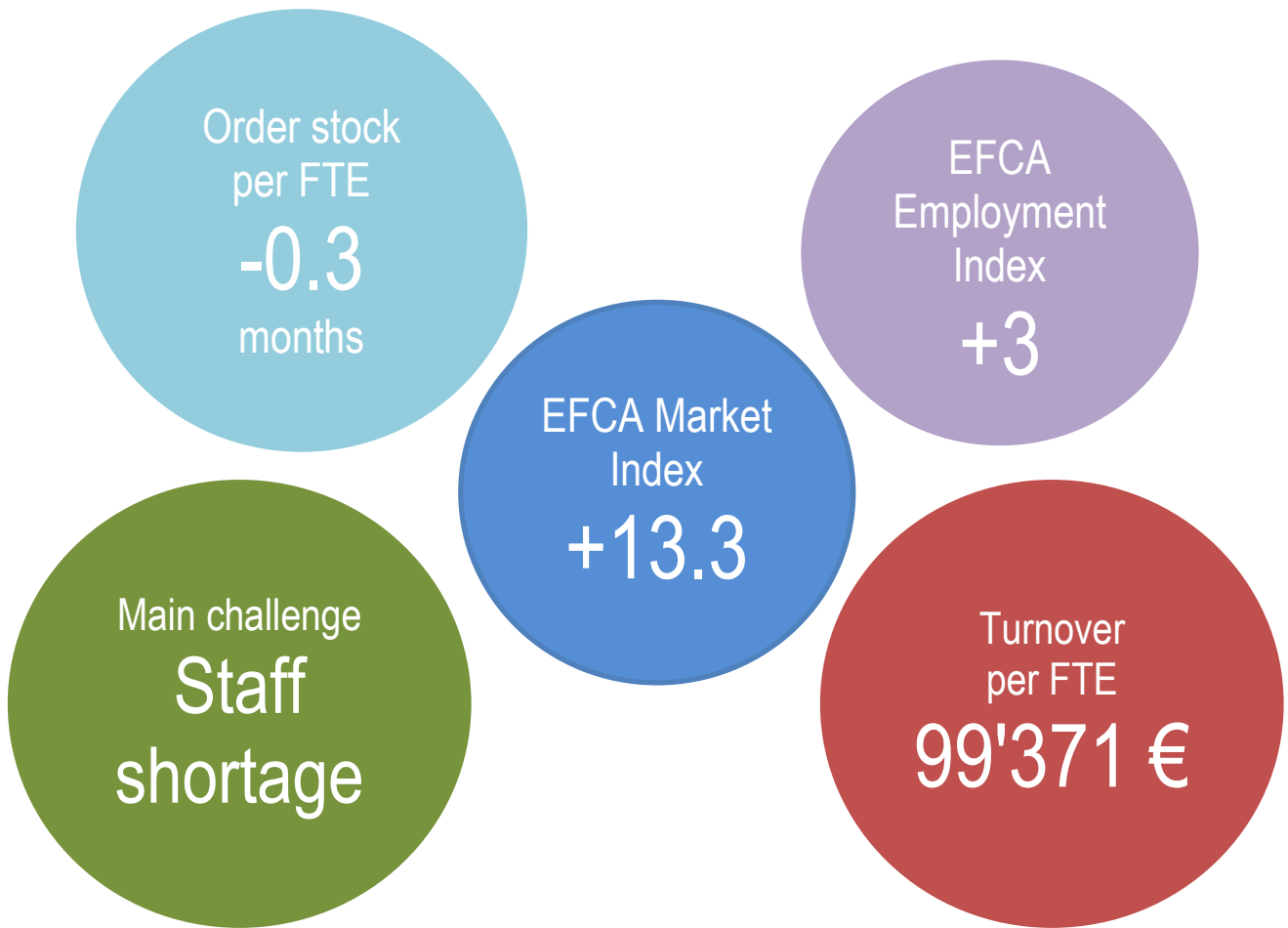




The State of the European Consulting Engineering Sector

BAROMETER spring 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 | Luxemburg, 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.

EFCA Industry Barometer Task Force

| | |
|--------------------|--|
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| Christophe Hautier | ORI (Belgium) |

The Task Force has produced this report and analysis based on best available information on the current state of business (March 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.

If you want to contact the Task Force, please contact the EFCA secretariat - efca@efca.be

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Executive summary

European Engineering Consultancy Markets are seeing new growth

Amid the extended COVID-19-crisis, European Engineering Consultancy markets are seeing new growth, indicating a more extensive recovery in the near future. But, the 12 months of Covid-crisis has impacted hiring polices, order stock, turnover and profitability alike. However, as a sign of the “return to normal”, the currently largest challenge for the consultancy and engineering industry in Europe, is staff shortage.

The COVID-19-crisis is reducing its grip on the consultancy and engineering industry in Europe. Markets bounced back by 13.3 index points and order stocks per full time employee are up by 2.4 months compared to spring 2020. However, the underlying indicators continue to provide reasons for concern. Order stock is still below the level from pre-covid-years, employment has recovered slightly, but the EFCA employment index remains close to a historically low level. The average turnover per employee is currently at €99,371.

Lack of projects is still a high concern of EFCA Members. But as an indicator of a more normal situation, staff shortage is the most salient concern. Low fees, digitalisation and bureaucracy/“red tape” have also gained in importance. Profitability for 2020 is expected to decline, compared to the average 5.4 percent in 2019.

The survey was conducted between 17 February and 23 March 2021, 18 member associations have responded (62%).

COVID-19-Surveys

The EFCA Industry Barometer Task Force has conducted four separate surveys in 2020 on the effect of COVID-19 on EFCA member associations. Please refer to these results also for a complete picture on the impact of the crisis on EFCA-Members.

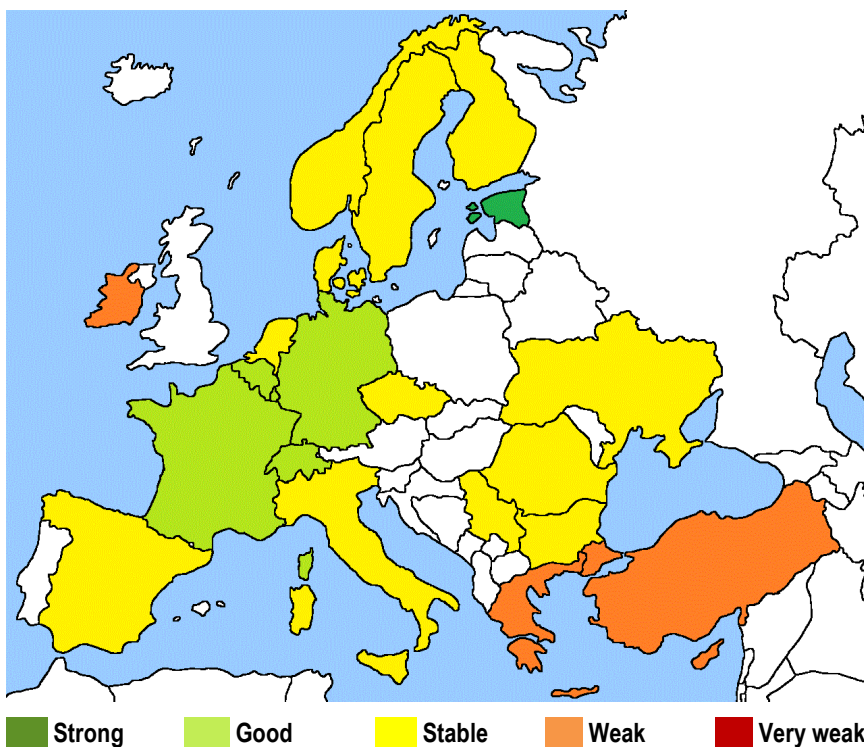
[EFCA – Corona Survey I \(2-6 April\)](#)

[EFCA – Corona Survey II \(21-23 April\)](#)

[EFCA – Corona Survey III \(27 May – 2 June\)](#)

[EFCA – Corona Survey IV \(1-7 September\)](#)

Current state of European Markets. EFCA Survey Spring 2021



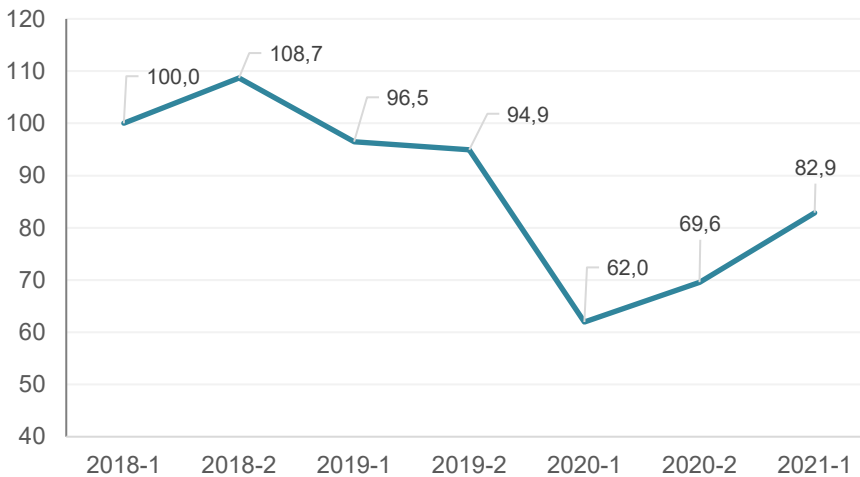
| QUICK OVERVIEW, OVERALL MARKET IN EUROPE | |
|--|---|
| Current market status | ➔ |
| Expected order stock coming 6 months | ➔ |
| Expected turnover coming 6 months | ➔ |
| Expected staff change coming 6 months | ➔ |

EFCA Industry Barometer Task Force, April 2021

Market development

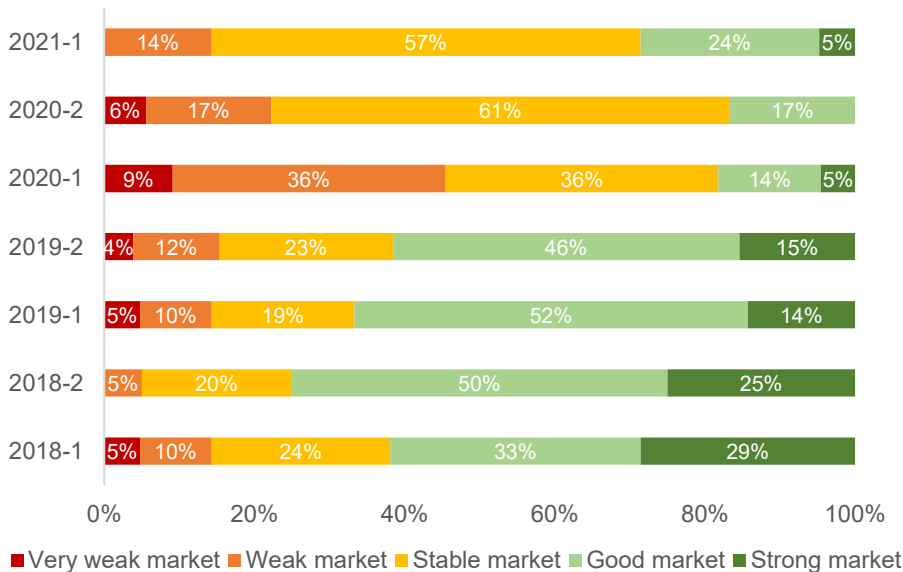
EFCA Market Index, spring 2018 – spring 2021

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



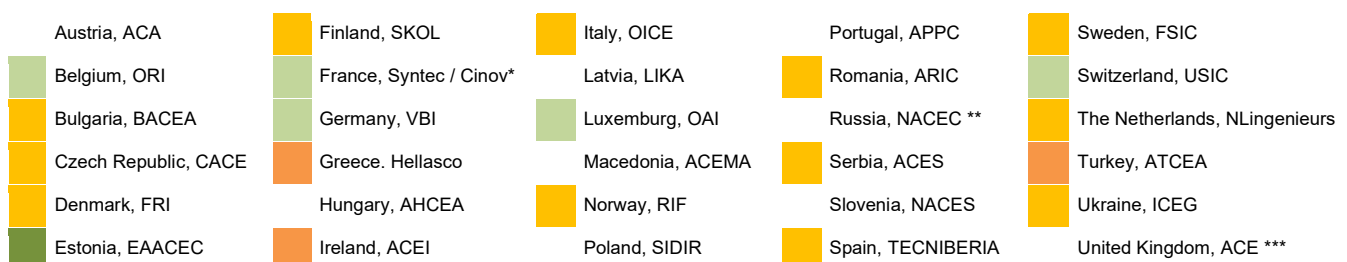
European markets have increased by 13.3 points compared to the 2020 autumn survey. This indicates a continuous recovery from the negative trend previously observed due to the Corona crisis. However, markets remain 17.1 points lower compared to the Baseline survey for the EFCA Market Index, in spring 2018.

Market development by category in percent



While no country has reported very weak markets, the majority (57%) said that their markets are stable. The share of good or very strong markets has increased since autumn from 17 to 29 percent.

Market development by country



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

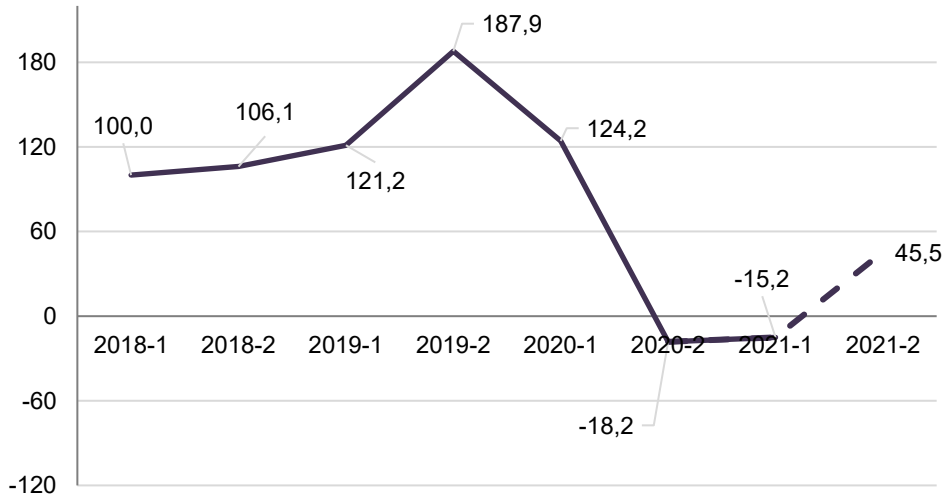
** Russia is an EFCA observer member.

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

Employment

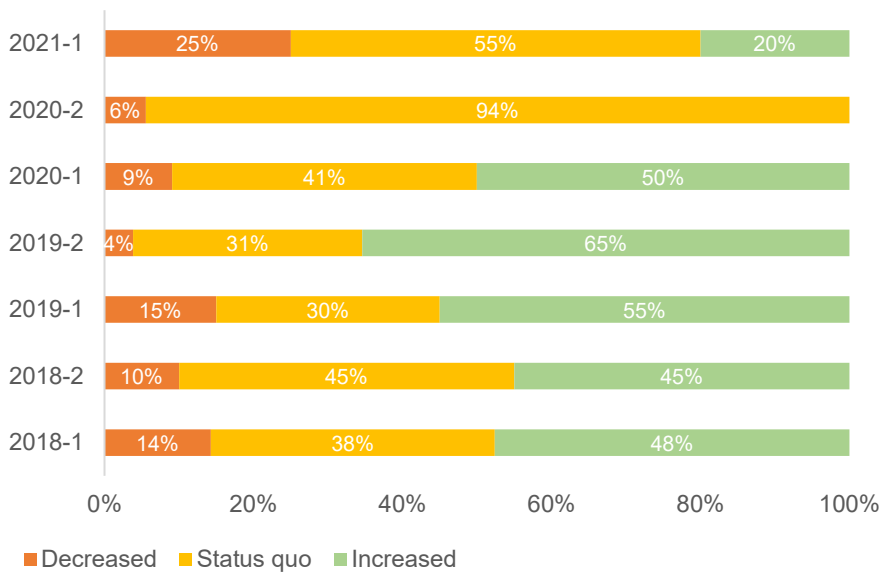
EFCA Employment Index

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



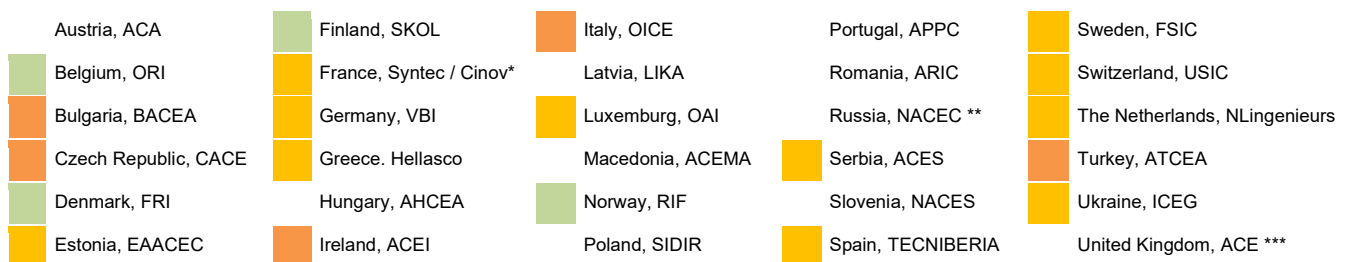
Despite a gain of 3 points, employment in spring remained significantly lower with -115.2 points compared to the Baseline survey in spring 2018. However, the outlook for the coming six months is optimistic with an expected increase of the index by 60.7 points – from -15.2 to 45.5.

Staff development by category in percent



Compared to autumn 2020, a quarter of all responding countries experienced a reduction in staff, the highest share recorded, while a fifth reported an increase. This indicates that the recovery has not been even across European countries. In the west, particularly Italy and Ireland still struggle, while northern countries appear to recover more quickly.

Staff 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.

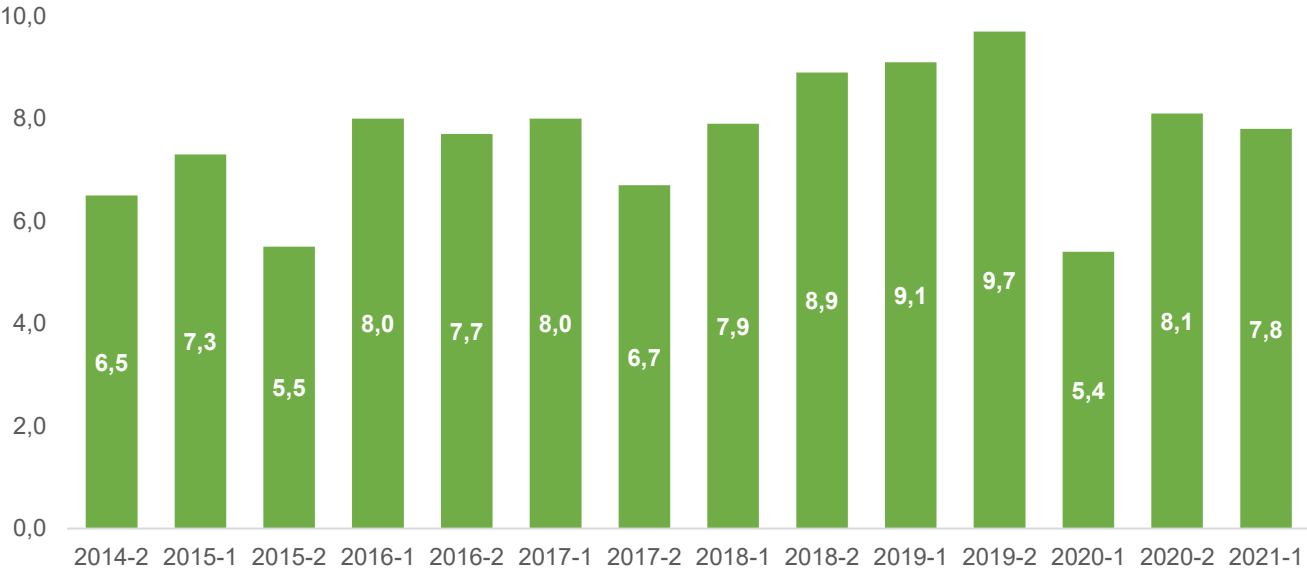
*** United Kingdom (ACE) is a cooperating association.

Order stock

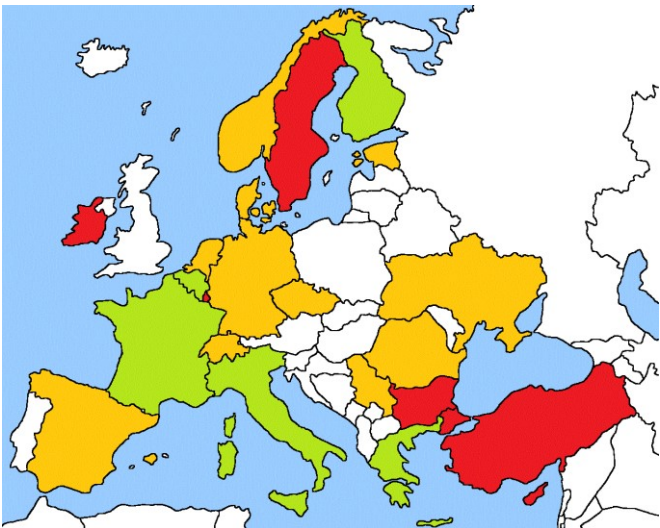
Order stocks have stabilized at an average of -0.3 months lower than last autumn at 7.8 months. This also indicates a trend toward recovery although still away from the record high recorded two years ago.

The outlook for the coming six months paints a rather optimistic picture. Six countries expect an increase in order stocks, while twelve expect order stocks to remain the same. Ireland, Norway, and Turkey expect order stocks to decline.

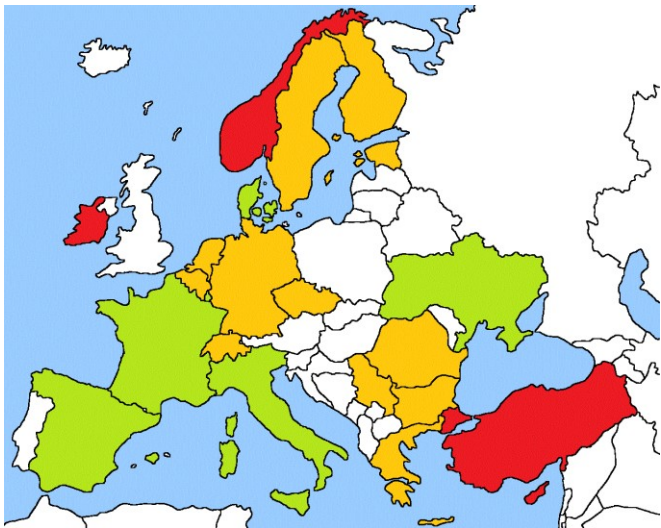
Average order stock in months, European average 2014-2021



Order stock, past six months



Order stock, coming six months



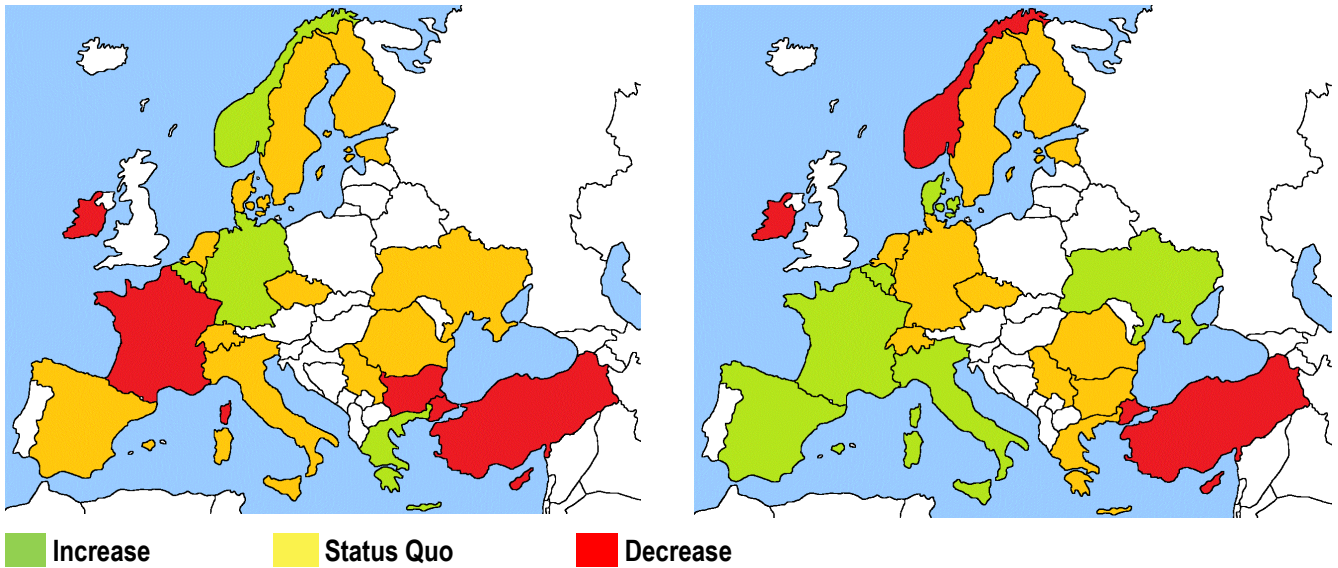
■ Increase
 ■ Status Quo
 ■ Decrease

Turnover

The “across Europe” average turnover per full-time equivalent staff member in this survey was 99'371 Euro. The overall development in turnover shows a decline for the past six months in four countries, whereas thirteen countries have experienced a status quo and four have seen actual growth. The outlook is even more positive. Twelve countries expect turnover to at least remain stable, while six expect an increase and three a decrease in turnover.

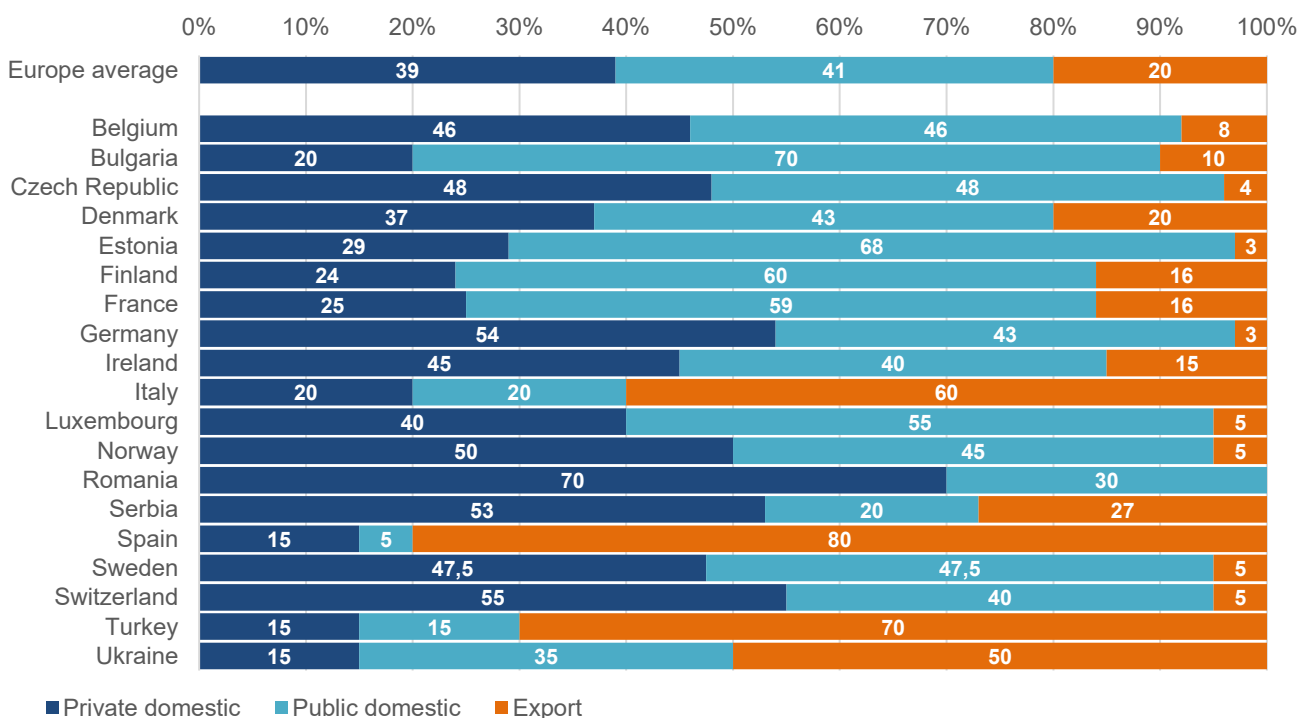
Turnover, past six months

Turnover, coming six months



On average, 20 percent of turnover can be attributed to export activities (-3%), 39 percent to domestic private (+2%) and 41 percent to domestic public markets (+1%). These figures are primarily based on the 2019 financial accounts, and a Covid-19-effect cannot be identified.

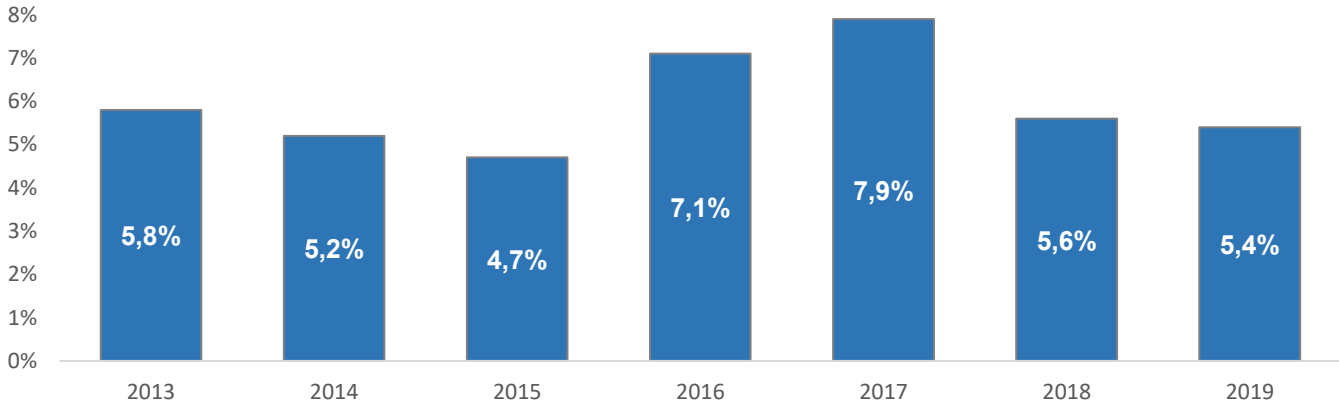
Turnover by domestic (private/public) and export activity, spring 2021



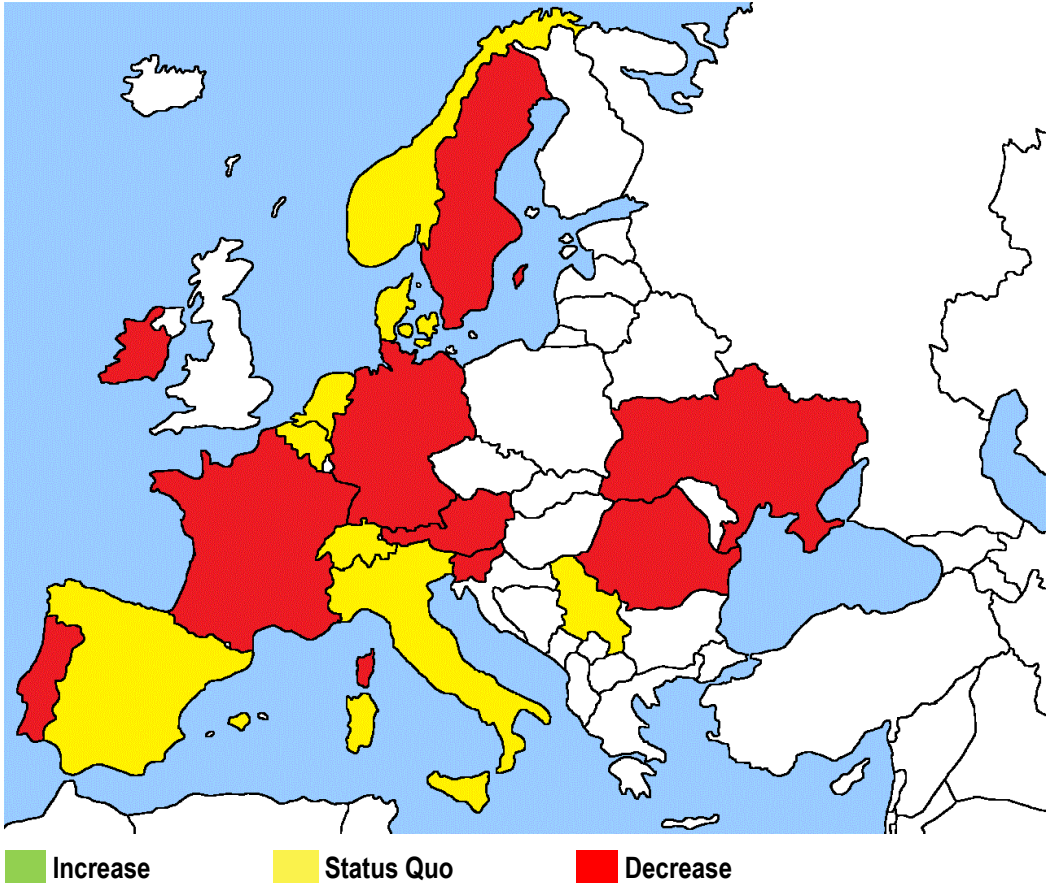
Profitability

These numbers are collected once a year. Data for 2020 will be available in the autumn survey 2021. At 5.4 percent, the average profit ratio (EBITDA) declined by 0.2 percentage points between 2018 and 2019. For 2020 no country expects profit ratios to increase. Nine expect profit ratios to decline while eight expect them to remain the same. For 2021 profit ratios can be expected to recover.

Profit ratio (EBITDA). European average, 2013-2019



Expected developments in profitability – 2020 compared to 2019



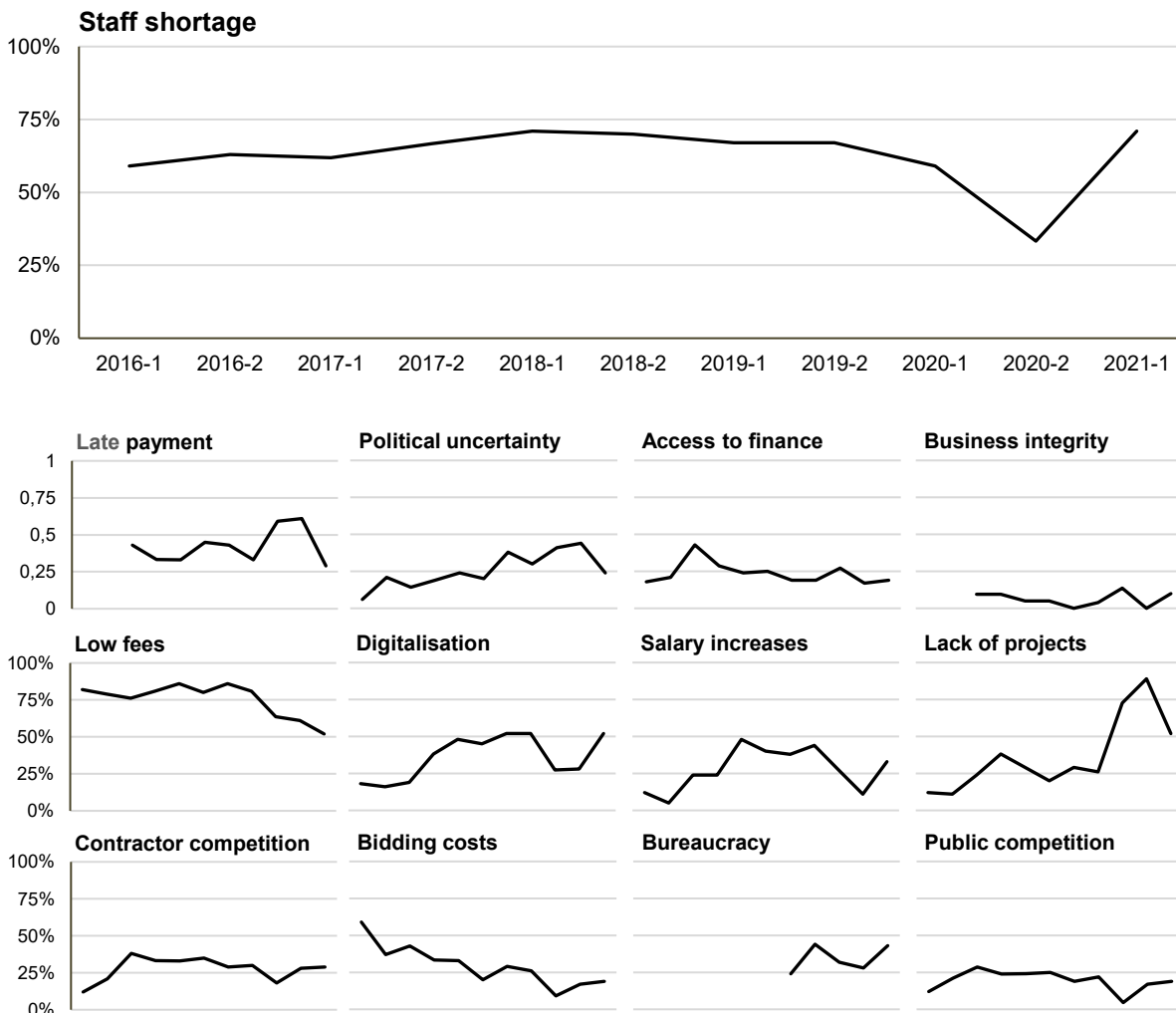
Challenges

Another indicator strengthening the hope of a recovery is that Staff shortage is once again the main challenge for the industry, gaining three ranks compared to autumn 2020. However, lack of projects remains prevalent. Digitalisation and bureaucracy have made it into the top five challenges of the industry. These may be accelerated through the Covid-crisis which requires more working from distance and intensified digital interactions with authorities and clients.

Main challenges faced by European companies

| Challenge | Rank | Change |
|------------------|------|--------|
| Staff shortage | 1 | +3 |
| Lack of projects | 2 | -1 |
| Low fees | 2 | - |
| Digitalisation | 2 | +3 |
| Bureaucracy | 3 | +2 |

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



Appendix

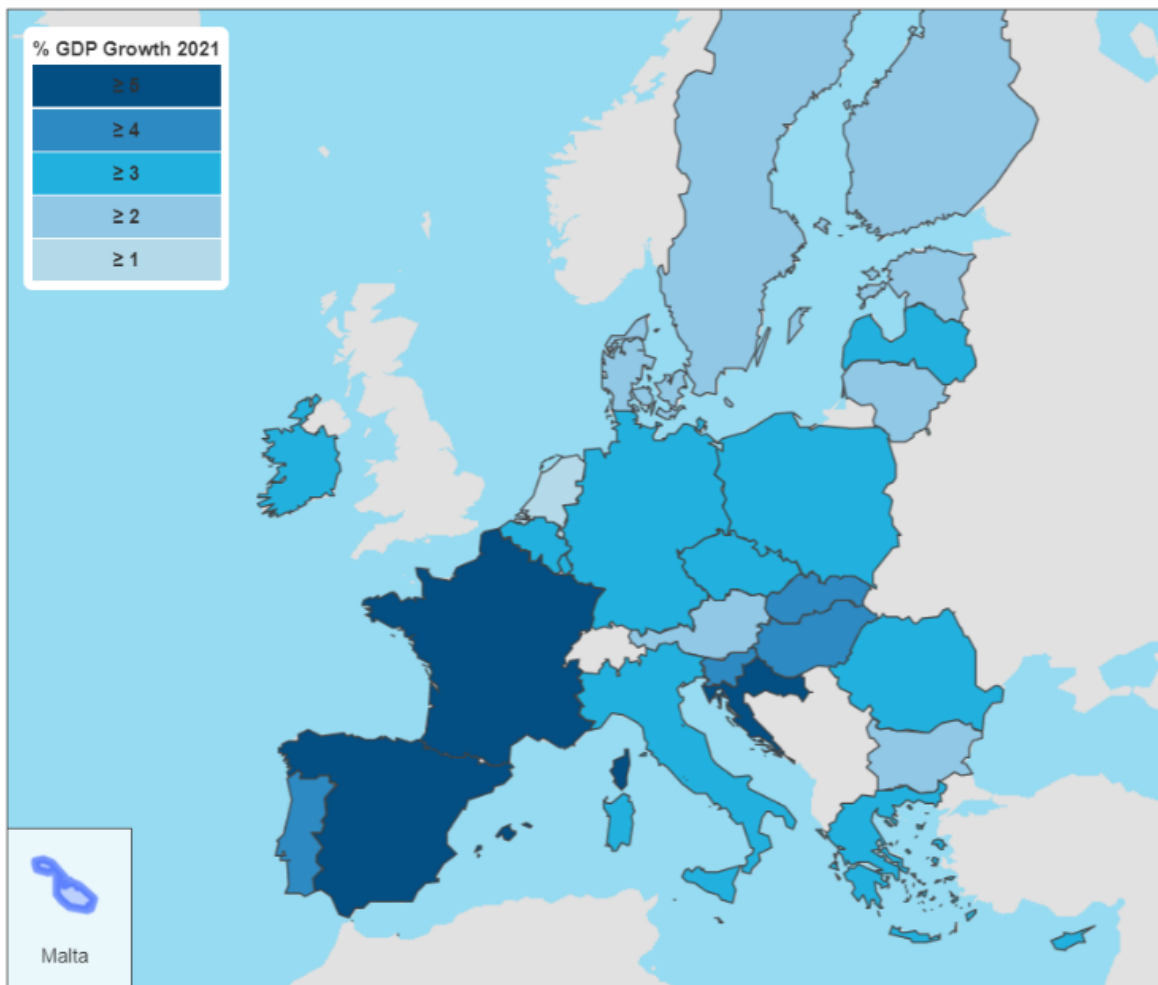
The appendix carries information from the European Commission which is of interest for the consulting engineering industry, when reviewing market trends.

Most important is the “GDP Growth Map 2021” as made by the European Commission. The growth map illustrates that the European economy is expected to recover from the Covid-19 pandemic, as containment measures are eased. But, as the pandemic still holds Europe in its grip, the outlook is subject to large uncertainty, mainly related to the evolution of the pandemic and the success of vaccination campaigns.

Key messages from the European Commission on the Winter 2021 forecast are:

- The forecast projects that the EU economy will grow by 3.7% in 2021 and 3.9% in 2022.
- The euro area and EU economies are expected to reach their pre-crisis levels of output earlier than anticipated in the Autumn 2020 Economic Forecast, largely because of the stronger than expected growth momentum projected in the second half of 2021 and in 2022.
- The forecast projects that inflation in the euro area is set to increase from 0.3% in 2020 to 1.4% in 2021, before moderating slightly to 1.3% in 2022.

One interesting aspect is, that for the first time in several years, Brexit is not mentioned in the Winter Forecast from the European Commission.



Source: https://ec.europa.eu/info/sites/info/files/economy-finance/ip144_en_1.pdf

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 |
| Bosnia and Herzegovina | 8,390 |
| Bulgaria | 14,182 |
| Croatia | 21,196 |
| Cyprus | 2,582 |
| Czechia | 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 |
| Iceland | 2,418 |
| Ireland | 25,348 |
| Italy | 63,158 |
| Latvia | 7,904 |
| Lithuania | 10,785 |
| Luxembourg | 6,412 |
| Malta | 2,183 |
| Netherlands | 96,500 |
| North Macedonia | 5,642 |
| Norway | 40,566 |
| Poland | 67,759 |
| Portugal | 32,267 |
| Romania | 63,230 |
| Serbia * | 25,000 |
| Slovakia | 17,277 |
| Slovenia * | 9,000 |
| Spain | 175,888 |
| Sweden | 97,937 |
| Switzerland | 93,302 |
| Turkey * | 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

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 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

Room for reflections



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European Federation of Engineering Consultancy Associations

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