

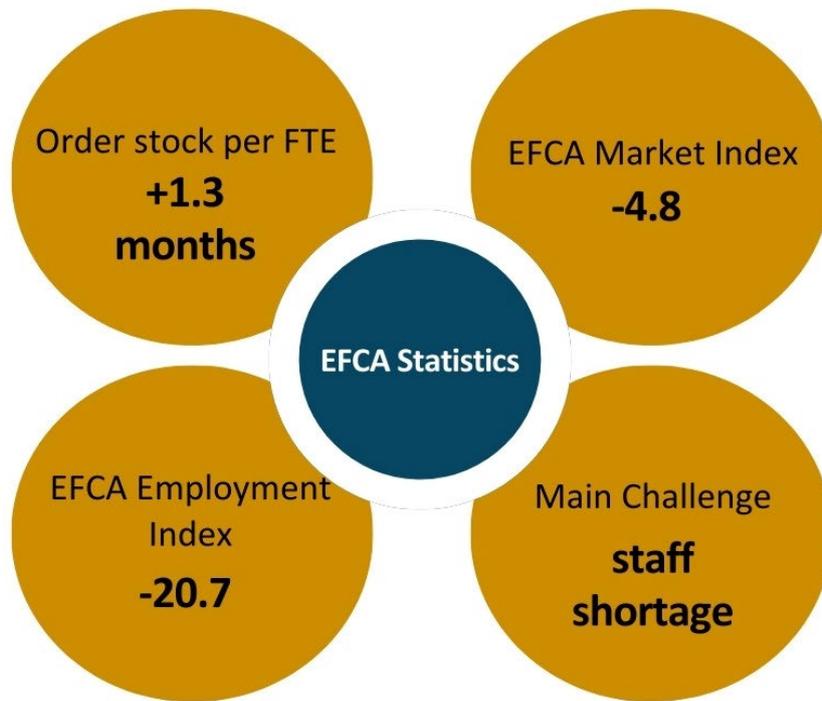


The State of the European Consulting Engineering Sector

BAROMETER autumn 2023

efca

European Engineering Consultancies



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, suisse.ing
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's EFCA observer membership is currently suspended.

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

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The **EFCA Economic Environment Committee** has produced this report and analysis based on the best available information on the current state of business (October-November 2023) 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 in each country's market according to Eurostat figures. For the latest Eurostat figures see the appendix.

If you want to contact the Committee, please get in touch with the EFCA secretariat - efca@efca.be

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Executive Summary

Order books remain strong but uncertain times lie ahead

Order books are still very good, and a vast majority of countries report stable or increased market development. We still have a strong state of business in the consultancy and engineering industry in Europe.

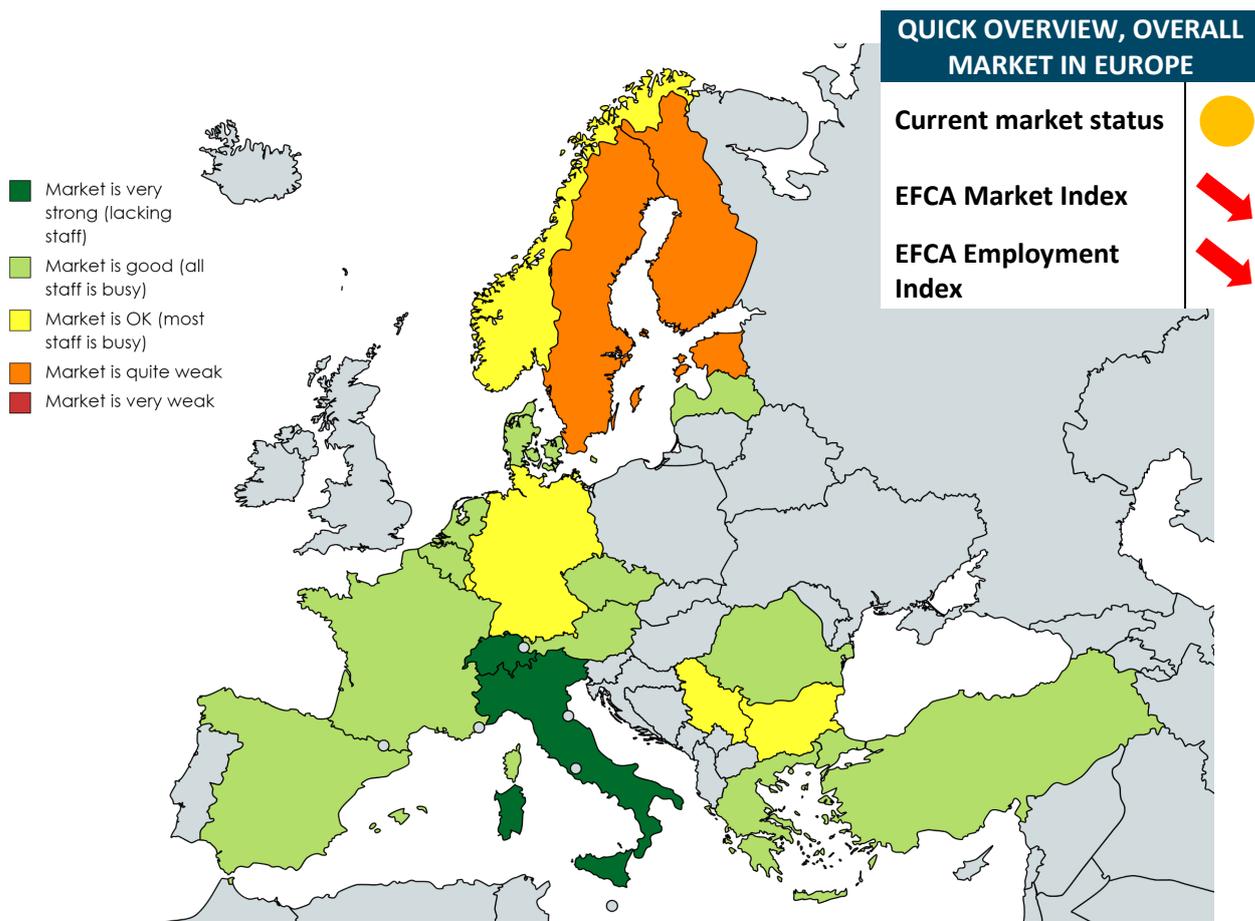
The largest challenges for the consultancy and engineering industry in Europe are the shortage of staff, low fees, and salary increases. However, some indicators may warn of more challenging times ahead, such as the negative outlook of the future employment index and the lack of projects, which are among the top five major challenges for the industry.

The EFCA Market Index, reflecting the overall development of the European markets, has exhibited a steadily and slowly declining trend over the past two years, which has persisted for the last six months. Nevertheless, the index is now descending from a peak level in 2021 and is currently at approximately average levels—at least for the time being.

The profitability of European engineering firms declined from 5.7% in 2021 to 5.4% in 2022. This decrease is notable considering that the average profitability level from 2013 to 2022 was 6.0%. Consequently, both 2021 and 2022 were slightly below average years for the industry in terms of profitability. Interestingly, order books were very good in 2021-2022, suggesting that consultancies, in general, were not able to capitalise fully on these favourable market conditions.

The survey was conducted in October-November 2023, and 21 EFCA Member Associations have responded (75%).

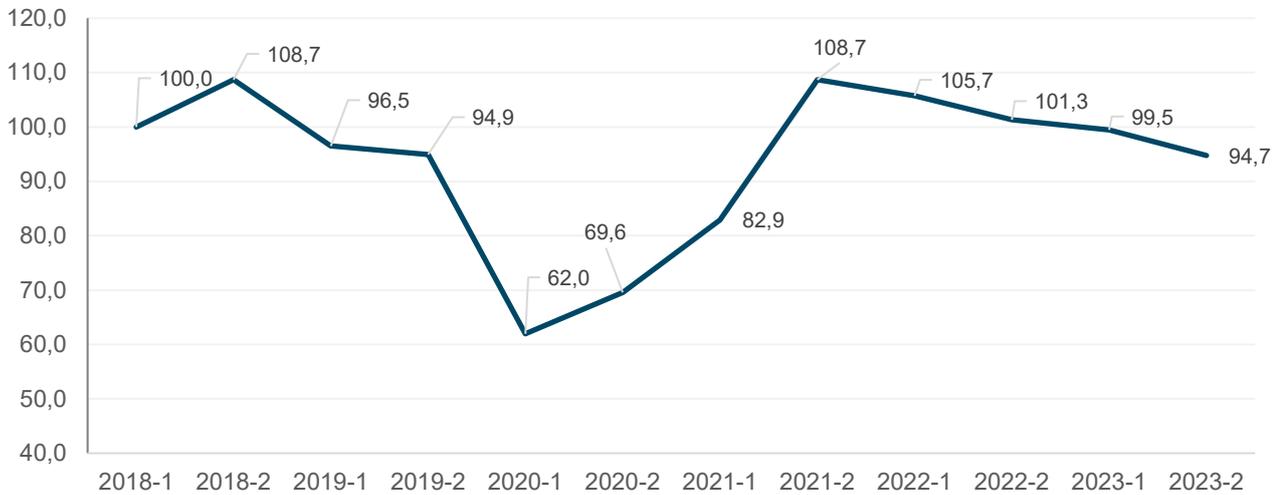
The current state of European Markets. EFCA Barometer Autumn 2023



Market Index

EFCA Market Index, Spring 2018 – Autumn 2023

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

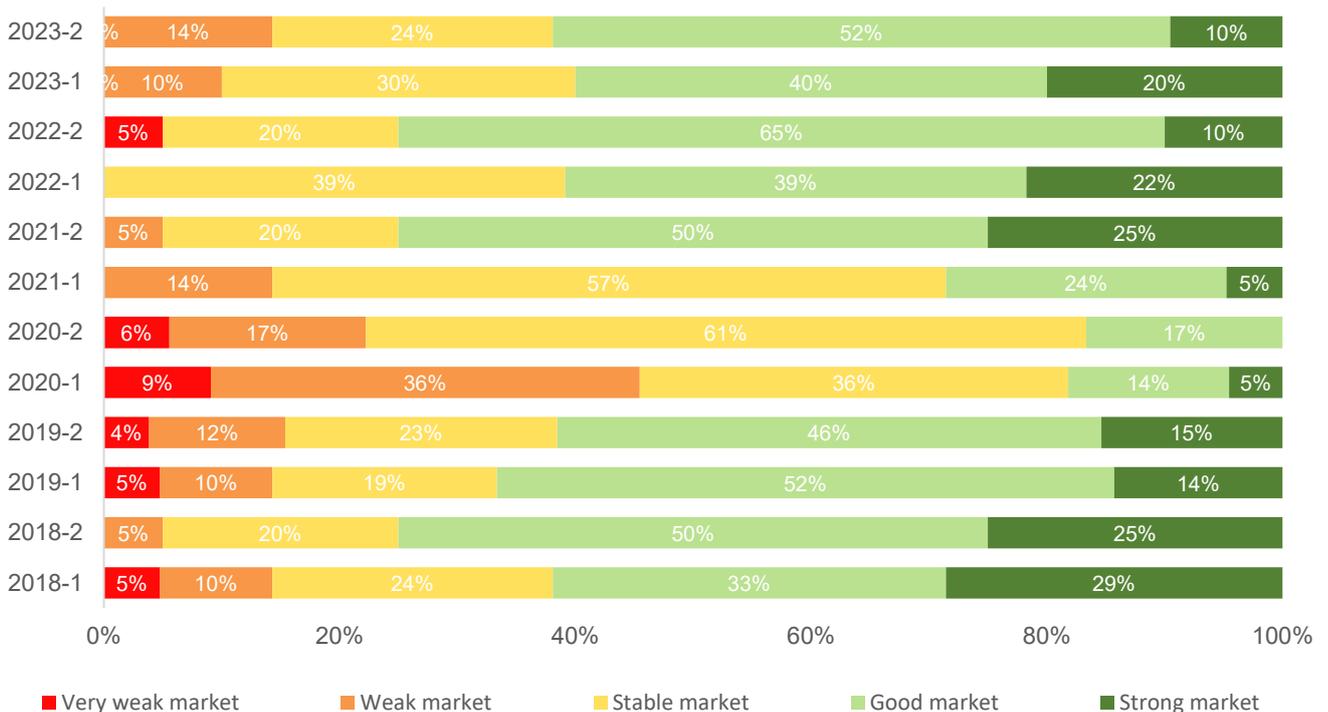


The EFCA Market Index shows the overall development of the European markets.

The markets experienced a distinct peak in 2021, coinciding with the end of the COVID-19 pandemic. Since then, there has been a slow and steady decline back to more normalised levels.

If the current trend continues, we may be heading for more challenging times in the European consultancy market.

Market development by category in percent



The market development in the past six months has not changed dramatically, as observed in the figures for 2023-1 and 2023-2.

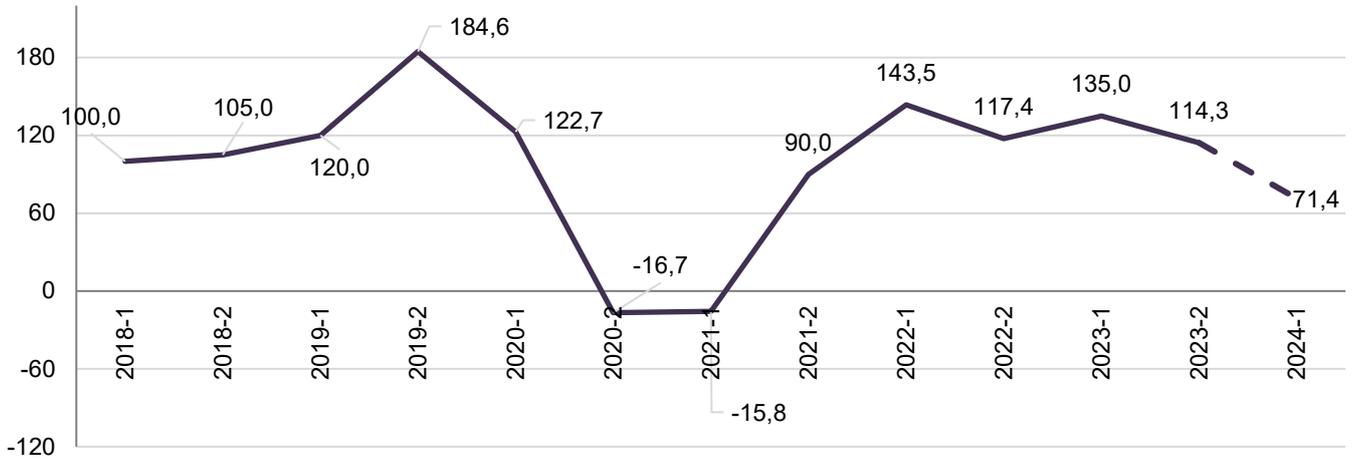
However, the percentage of countries reporting strong markets has halved, decreasing from 20% to 10%, which, historically, represents a relatively small percentage. This decline is particularly noticeable from 2021 (25%) to the current date, corresponding to the trend in the EFCA Market Index.

There is also a concerning trend in the percentage of countries reporting weak or very weak markets in the past year. However, a reassuring 86% are still reporting stable or better markets.

Employment Index

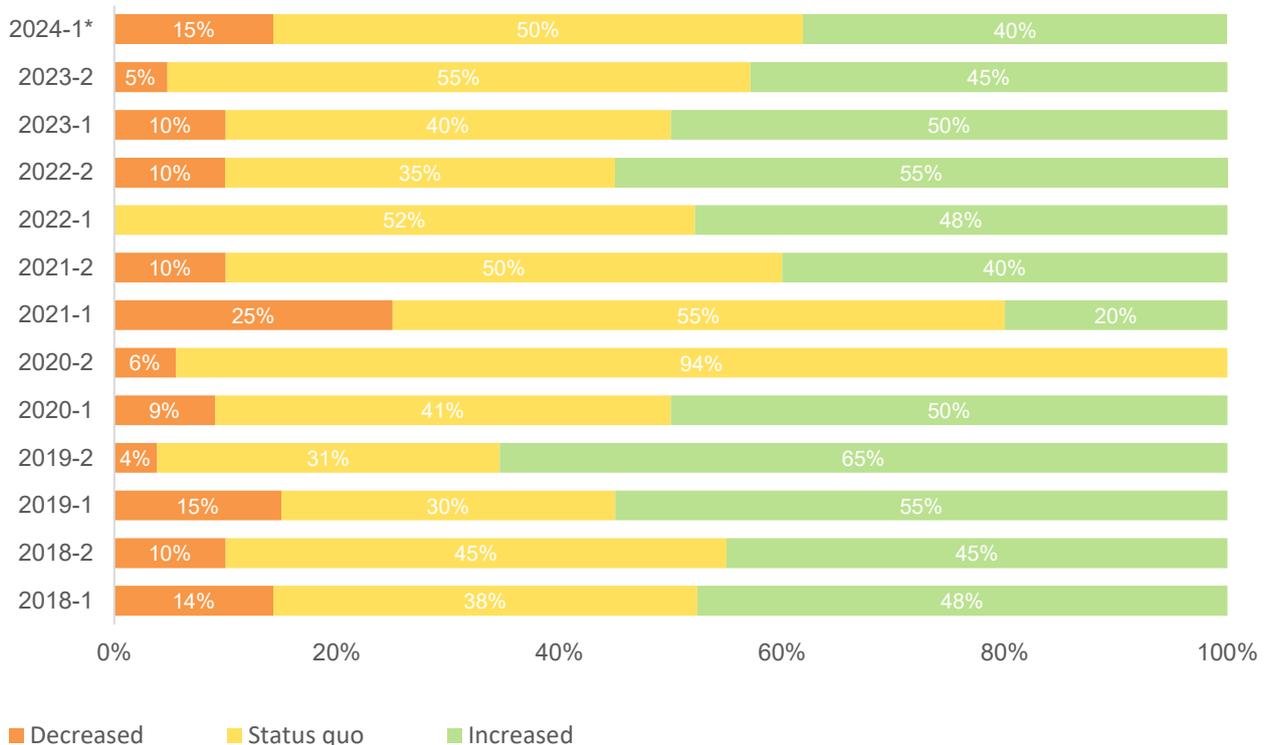
EFCA Employment Index, spring 2018 – autumn 2023

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



The employment index has now developed a distinct downturn for the coming 6-month period. This clearly shows a pessimistic outlook for the future development of markets.

Staff development by category in percent (* = expected)



The percentage of MAs reporting increased need for staff has clearly fallen during the past year.

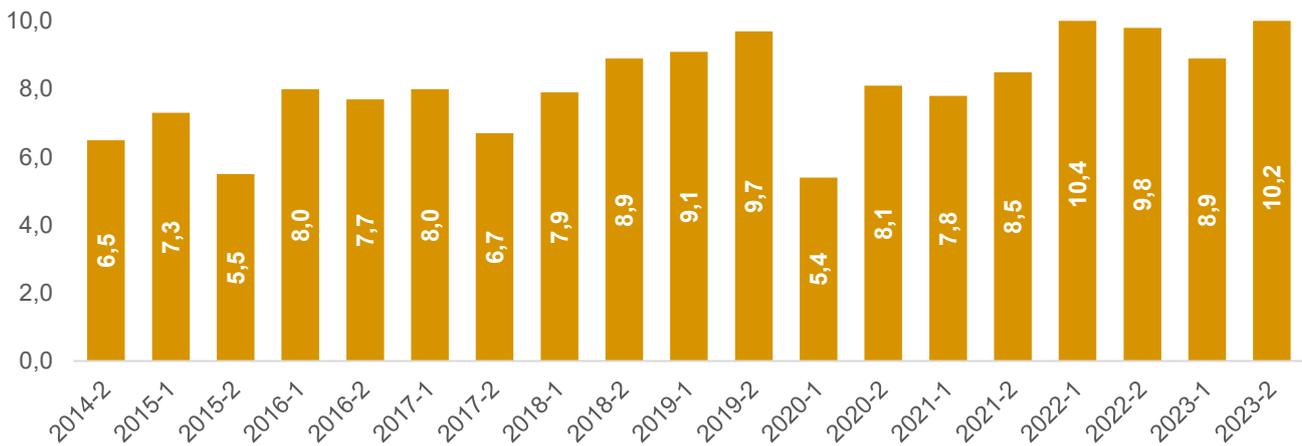
15% of MAs are reporting a reduced need for staff in the coming period, which is approximately average when looking back over the past five years. However, there is a noticeable change from 2023-2 (5%) to the reported figure of 2024-1.

Order stock

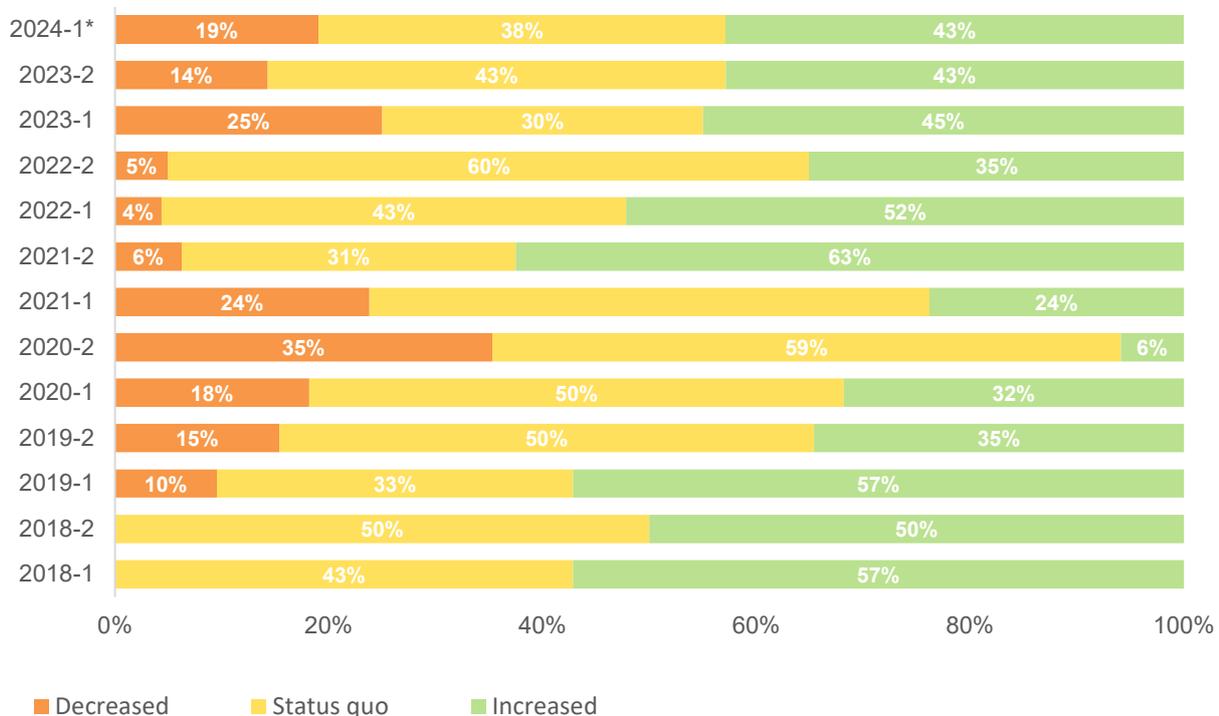
Order stock remains very good through 2022 and 2023. We still have a strong current state of business in the consultancy and engineering industry in Europe.

Average order stock in months, European average 2014-2022

The figure for average order stock in months is weighted according to market size, based on Eurostat figures (see appendix).



Order stock development by category in percent (* = expected)

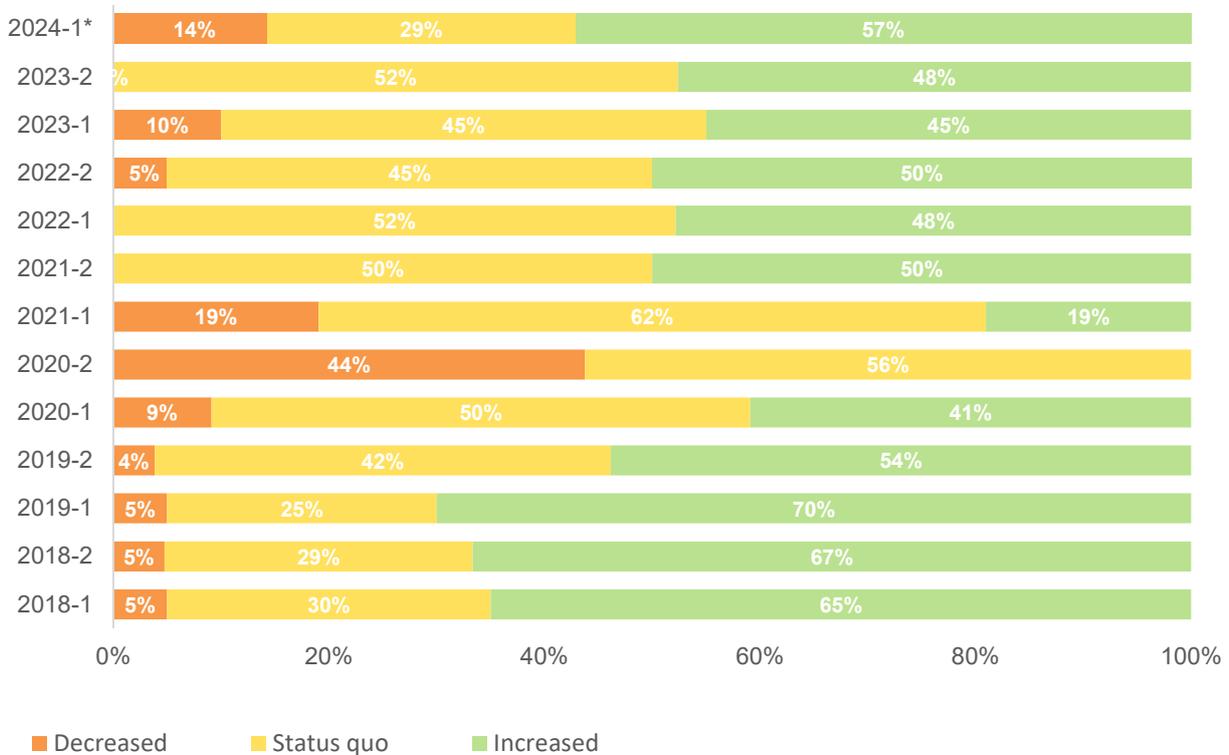


Looking ahead to the next 6-month period, 19% of the countries are anticipating a decline in order stock for their local markets. However, as indicated by the previous graph, the overall market currently has very good order stock.

Turnover

The turnover development across Europe has been positive, but expectations are more volatile.

Turnover development by category in percent (* = expected)



Turnover development remained stable for 52% of participating countries in this survey, while it increased in the remaining 48%.

Expectations are more volatile, with 57% of countries anticipating additional increases in turnover, while 14% expect a decline. Although the numbers are relatively small, the trend is significant

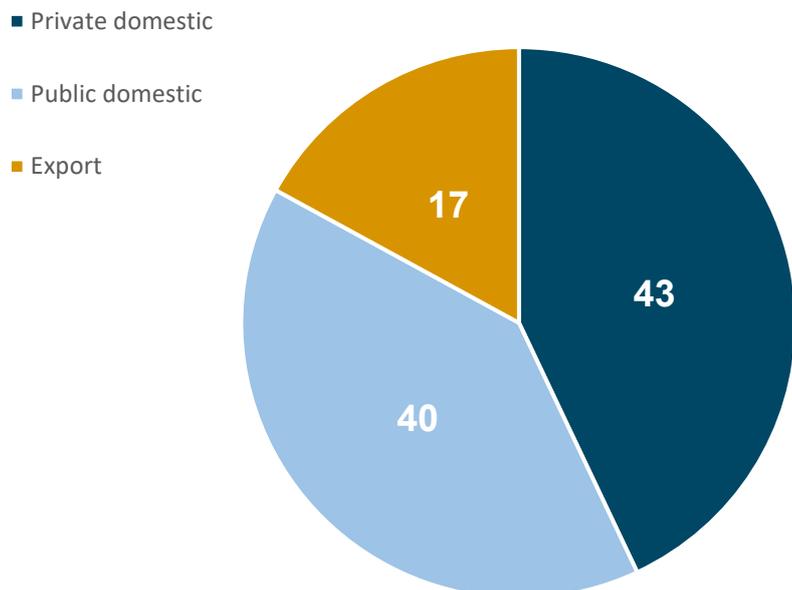
Except for a brief downturn during the pandemic in 2020-21, turnover has remained stable or increased in 90-100% of countries since 2018.

Turnover remains at a fairly constant distribution between domestic private, domestic public, and export markets.

Private and public domestic markets are almost equal in size while exports, which vary significantly from country to country, typically range from 15% to 20% on average. Notably, the countries with the highest levels of export of engineering services are Spain at 70% and Turkey at 60% , both surpassing the export levels of other countries.

Private domestic clients remain dominant in some Nordic and northwestern countries while public clients are more prominent in some eastern countries.

Turnover by domestic (private/public) and export activity, European average, Autumn 2023



Client* turnover distribution, top three participants, autumn 2023

Private domestic	Public domestic	Export
1 Norway (70%)	1 Romania (90%)	1 Spain (70%)
2 Finland (63%)	2 Latvia (66%)	2 Turkey (60%)
3 Belgium (58%)	3 Serbia (60%)	3 Italy (35%)

*Note: The client of the consultant is registered as a private entity (such as a private EPC contractor) even if the project owner / source of finance is a public entity.

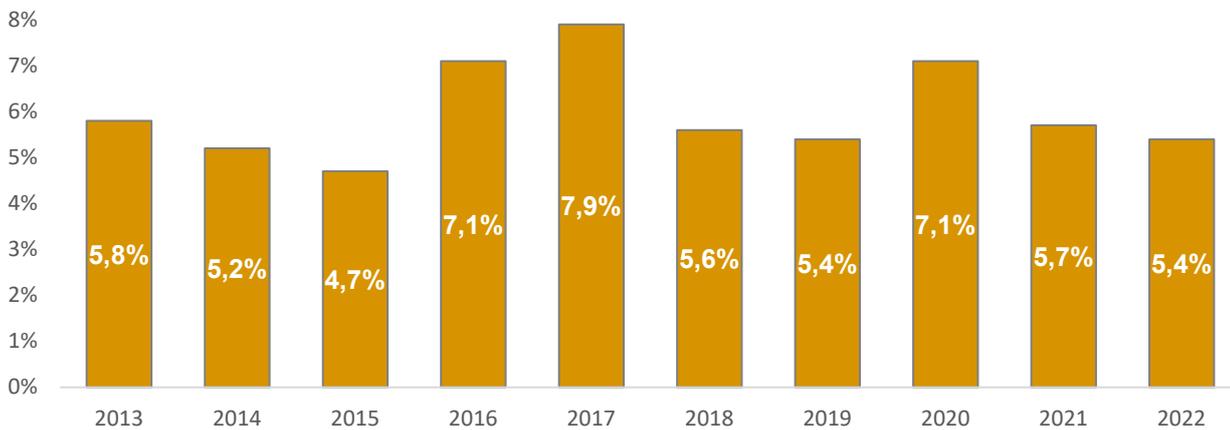
Profitability

The profitability of European engineering firms has fallen from 5.7% in 2021 to 5.4% in 2022. The average level from 2013-2022 is 6.0%, which means that both 2021 and 2022 were slightly below average year for the industry in terms of profitability. The order stock, however, was very high in the same time period, indicating that consultancies in general are not capitalizing on very good markets.

On a more detailed note, in 2022, profits declined for 33% of countries compared to 2021, while 50% saw no significant change, and 17% experienced increasing profits compared to the previous year. For 2023, a majority of countries (66%) expect profit ratios to remain stable compared to 2022, with 20% anticipating improvement and 15% expecting a decline.

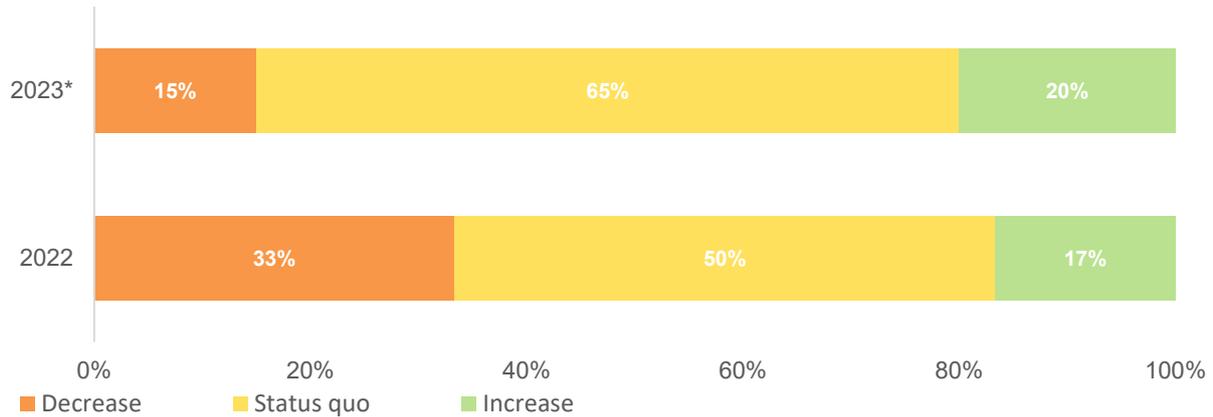
Profit ratio (EBITDA), European average, 2013-2022

The figure for Profit ratio (EBITDA), is weighted according to market size, based on Eurostat figures (see appendix)



On a more detailed note, in 2022 33% of countries saw profits decline, compared to 2021. 50% saw no significant change, and 17% had increasing profits compared to 2021. For 2023 most countries (66%) expect profit ratios to be stable compared to 2022, while 20% expect profit ratios to improve, and 15% expect profit ratios to decline.

Profitability development by category in percent (* = expected)



Challenges

Staff shortage, low fees and salary increases are still the top three challenges for the industry.

It is worth noting that the lack of projects has now emerged as one of the top five challenges. This aligns with the pessimistic outlook in the employment index, as mentioned previously.

Together, these two indicators may serve as a warning of more challenging times ahead.

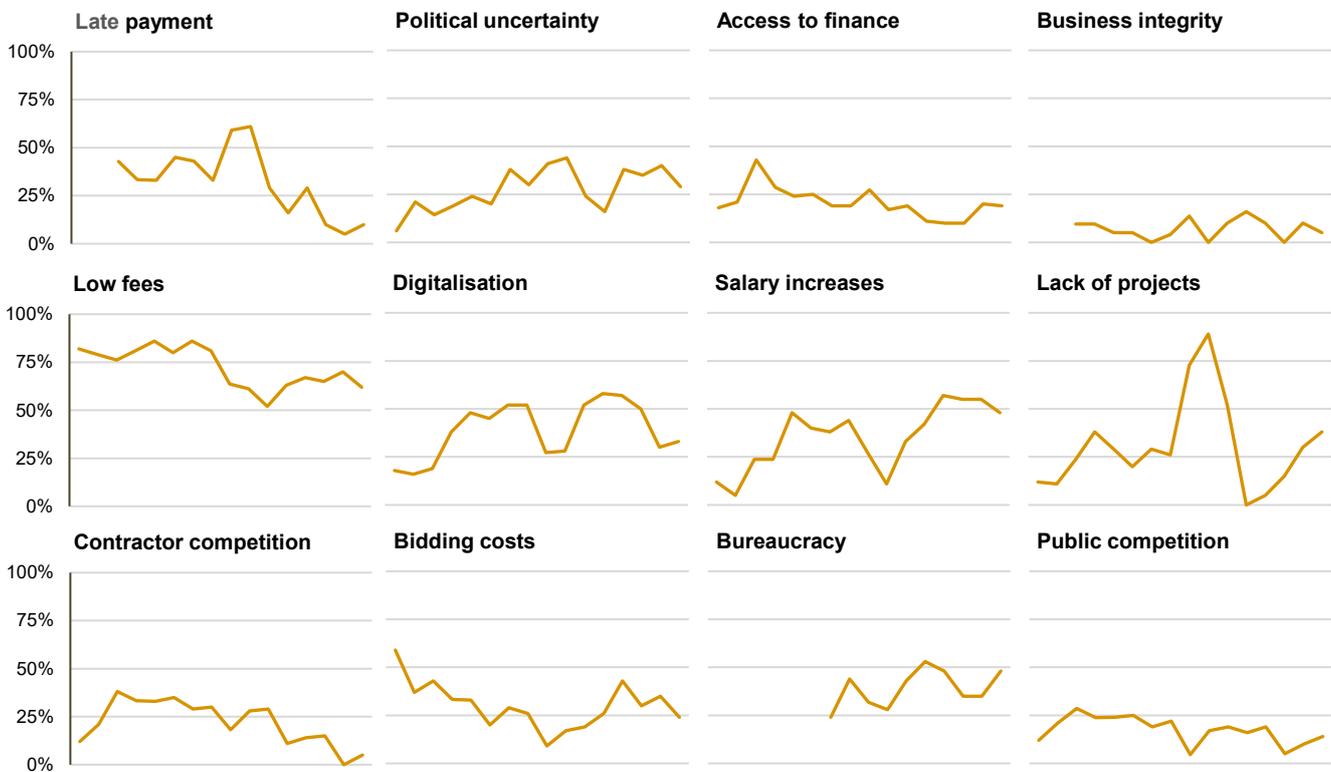
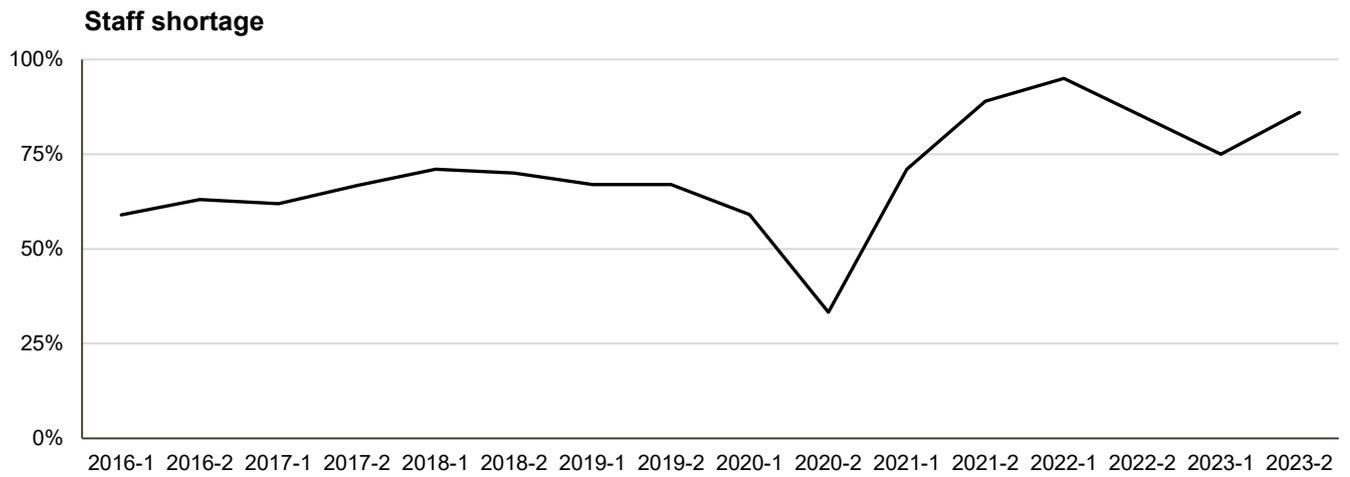
Top 5 challenges faced by European companies

Challenge	Rank	Change
Staff shortage	1	-
Low fees	2	-
Salary increases	3	-
Bureaucracy	3	+2
Lack of projects	5	+2

One approach to address staff challenges in individual markets is to hire more young professionals in the industry and adjust the staff balance on projects by incorporating a higher number of less experienced staff as well as more international staff.

Yet, a challenge for the consultancy and engineering industry in Europe is that public clients are not supportive of consulting and engineering firms utilising young professionals (with less than five years of experience) on projects. Additionally, public clients are not encouraging the use of other languages (e.g. French or English) as the formal project language – instead there is a trend to discourage the use of more international languages on projects in almost half of the participating countries.

Main challenges faced by European companies across time, 2016-2023



Country Overview (Autumn 2023)

Austria, ACA			
Market		Good	
Staff		→	→
Order stock	N/A	→	↘
Turnover		→	↘
Domestic/Public/ Export	N/A	N/A	N/A
Profit ratio (EBITDA)	5	→	

Belgium, ORI			
Market		Good	
Staff		→	→
Order stock	5,0	↗	↗
Turnover		↗	↗
Domestic/Public/ Export	58	20	22
Profit ratio (EBITDA)	N/A	↗	

Bulgaria, BACEA			
Market		OK	
Staff		→	→
Order stock	5,0	→	→
Turnover		→	→
Domestic/Public/ Export	50	45	5
Profit ratio (EBITDA)	6,2	→	

Czech Republic, CACE			
Market		Good	
Staff		→	↗
Order stock	3,0	→	→
Turnover		→	↗
Domestic/Public/ Export	100	0	0
Profit ratio (EBITDA)	2,1	→	

Denmark, FRI			
Market		Good	
Staff		↗	↗
Order stock	6,4	↗	→
Turnover		↗	↗
Domestic/Public/ Export	52	30	18
Profit ratio (EBITDA)	6,1	→	

Estonia, EAACEC			
Market		Weak	
Staff		→	↘
Order stock	5,0	→	↘
Turnover		→	↘
Domestic/Public/ Export	55	41	4
Profit ratio (EBITDA)	5,4	↘	

Finland, SKOL			
Market		Weak	
Staff		↗	↘
Order stock	8,0	↘	↘
Turnover		↗	→
Domestic/Public/ Export	63	31	6
Profit ratio (EBITDA)	9	→	

France, Syntec / Cinov*			
Market		Good	
Staff		↗	→
Order stock	16,0	↗	→
Turnover		↗	↗
Domestic/Public/ Export	50	30	20
Profit ratio (EBITDA)	6,0	→	

Germany, VBI			
Market		OK	
Staff		→	→
Order stock	11	→	→
Turnover		→	→
Domestic/Public/ Export	45	53	2
Profit ratio (EBITDA)	N/A	→	

Greece. Hellasco			
Market		Good	
Staff		↗	↗
Order stock	4,3	↗	↗
Turnover		↗	↗
Domestic/Public/ Export	40	45	15
Profit ratio (EBITDA)	9,0	→	

Hungary, AHCEA			
Market		Weak	
Staff		↘	→
Order stock	8,0	↘	→
Turnover		↘	↘
Domestic/Public/ Export	N/A	N/A	N/A
Profit ratio (EBITDA)	N/A	↘	↘

Ireland, ACEI			
Market		OK	
Staff		→	→
Order stock	8,5	→	→
Turnover		→	→
Domestic/Public/ Export	50	40	10
Profit ratio (EBITDA)	8,0	↗	→

Italy, OICE			
Market		Strong	
Staff		↗	↗
Order stock	4	↗	↗
Turnover		↗	↗
Domestic/Public/ Export	35	30	35
Profit ratio (EBITDA)	6	↗	

Latvia, LIKA			
Market		Good	
Staff		→	↗
Order stock	5	↗	↗
Turnover		↗	↗
Domestic/Public/ Export	30	65	5
Profit ratio (EBITDA)	7	→	

Luxemburg, OAI			
Market		OK	
Staff		→	→
Order stock	12,0	→	→
Turnover		→	→
Domestic/Public/ Export	40	58	2
Profit ratio (EBITDA)	6,0	→	

Macedonia, ACEMA			
Market			
Staff			
Order stock			
Turnover			
Domestic/Public/ Export			
Profit ratio (EBITDA)			

Norway, RIF			
Market		OK	
Staff		↗	↗
Order stock	9,0	↘	↗
Turnover		→	→
Domestic/Public/ Export	70	25	5
Profit ratio (EBITDA)	7,4	→	

Poland, SIDIR			
Market			
Staff			
Order stock			
Turnover			
Domestic/Public/ Export			
Profit ratio (EBITDA)			

Portugal, APPC			
Market		OK	
Staff		↗	→
Order stock	N/A	↗	→
Turnover		↗	→
Domestic/Public/ Export	N/A	N/A	N/ A
Profit ratio (EBITDA)	N/A		

Romania, ARIC			
Market		Good	
Staff		→	→
Order stock	12, 0	↗	↗
Turnover		→	↗
Domestic/Public/ Export	10	90	0
Profit ratio (EBITDA)	9,5	→	

Russia, NACEC **			
Market			
Staff			
Order stock			
Turnover			
Domestic/Public/ Export			
Profit ratio (EBITDA)			

Serbia, ACES			
Market		OK	
Staff		↗	↗
Order stock	12	↗	↗
Turnover		→	↗
Domestic/Public/ Export	40	60	0
Profit ratio (EBITDA)	7	↗	

Slovenia, NACES			
Market			
Staff			
Order stock			
Turnover			
Domestic/Public/ Export			
Profit ratio (EBITDA)			

Spain, TECNIBERIA			
Market		Good	
Staff		→	→
Order stock	N/A	↗	↗
Turnover		↗	↗
Domestic/Public/ Export	10	20	70
Profit ratio (EBITDA)	1	↗	

Sweden, FSIC			
Market		Weak	
Staff		→	↘
Order stock	5	↘	↘
Turnover		→	↘
Domestic/Public/ Export	55	40	5
Profit ratio (EBITDA)	6,5	↘	

Switzerland, suisse.ing			
Market		Strong	
Staff		↗	↗
Order stock	N/A	→	↗
Turnover		↗	↗
Domestic/Public/ Export	N/A	N/A	N/ A
Profit ratio (EBITDA)	N/A		

The Netherlands, NLingenieurs			
Market		Good	
Staff		↗	→
Order stock	6,5	→	→
Turnover		↗	↗
Domestic/Public/ Export	N/A	N/A	N/ A
Profit ratio (EBITDA)	6,5	→	

Turkey, ATCEA			
Market		Good	
Staff		→	↘
Order stock	N/A	→	→
Turnover		→	→
Domestic/Public/ Export	10	30	60
Profit ratio (EBITDA)	N/A	→	

Ukraine, ICEG			
Market			
Staff			
Order stock			
Turnover			
Domestic/Public/ Export			
Profit ratio (EBITDA)			

United Kingdom, ACE ***			
Market			
Staff			
Order stock			
Turnover			
Domestic/Public/ Export			
Profit ratio (EBITDA)			

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

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Appendix

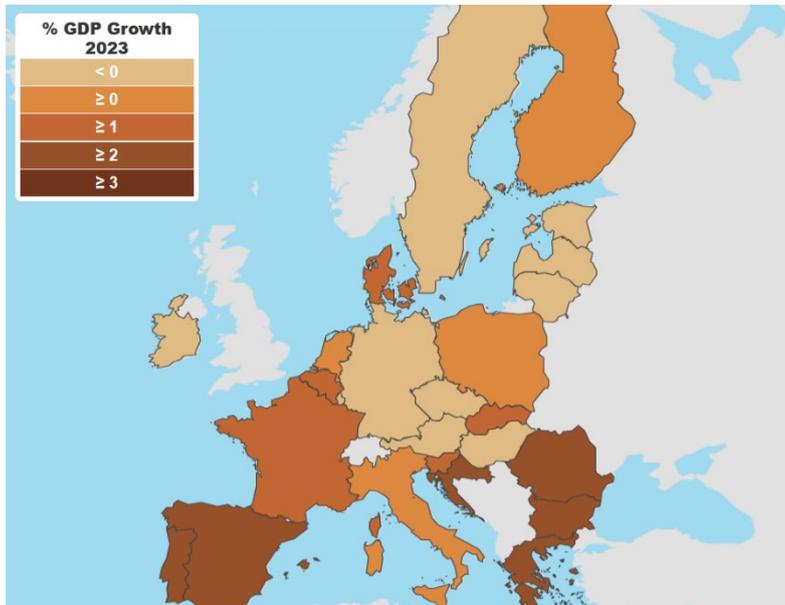
The appendix contains information from the European Commission that is pertinent to the consulting engineering industry, particularly when reviewing market trends. It also includes Eurostat figures, which are used to calculate European averages in the EFCA Barometer.

Autumn 2023 Economic Forecast

Following a robust post-pandemic expansion in 2021 and 2022, the EU economy has lost momentum. Real GDP barely grew in the first three quarters of 2023. The high cost of living took a heavier toll than expected, and global trade provided little support. The response of monetary policy to high inflation is working its way through the economy, and fiscal support is partly being phased out. GDP growth in 2023 is projected lower than previously, at 0.6% in both the EU and the euro area. It is expected to rebound mildly as consumption recovers with rising real wages, investment remains supportive and external demand picks up, at 1.3% in 2024 and 1.7% in 2025. In the euro area, it is expected to be slightly lower, at 1.2% in 2024 and 1.6% in 2025. Inflation in the EU is set to decrease from 6.5% in 2023 to 3.5% in 2024 and 2.4% in 2025. In the euro area, it is forecast to fall from 5.6% in 2023 to 3.2% in 2024 and 2.2% in 2025. Short-term real interest rates in the euro area are expected to turn positive towards year-end and increase gradually to 1% by the end of 2025. Nominal long-term rates in the euro area (10-year) are expected to stay at around 3.4% over the forecast horizon and to remain stable at around 0.9% in real terms.

Gross value added in industry was held back by weak demand and high energy costs. Total investment growth is too slow to 1.2% in 2023 but picking up to 1.5% in 2024 and 2.3% in 2025. Strong corporate balance sheets provide room for addressing the business transformation and capacity adjustment needed for the transition to energy saving and low-emission production. Infrastructure investment is also expected to grow. But high input and financing costs, as well as labour shortages, are expected to keep exerting a drag on construction activity, albeit a diminishing one, in particular in housing.

Uncertainty and downside risks to the economic outlook have increased in recent months. Russia's protracted war of aggression against Ukraine and the conflict in the Middle East. Renewed disruptions to energy supplies could potentially have a significant impact on energy prices, global output, and the overall price level. Economic developments in the EU's major trading partners, China in particular. The adjustment of firms, households and governments to higher interest rates could prove more challenging. Barring the risks to energy price developments, risks to the inflation outlook appear broadly balanced. Finally, mounting risks associated to climate change also weigh on the outlook.



The slowly falling trend of the EFCA Market Index and turnover expectations appear to align closely with the developments outlined by the European Commission, especially in relation to investment.

The Autumn 2023 Economic Forecast is a component of the European Commission's Economic Forecast publication cycle. It delivers individual forecasts for each EU Member State, as well as for candidate and some non-EU countries. The upcoming forecast in this cycle is the Winter 2024 Economic Forecast, scheduled for publication in February.

Source: https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/autumn-2023-economic-forecast-modest-recovery-ahead-after-challenging-year_en

Eurostat figures

For calculation 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 number of employees in each country. This discrepancy arises from the use of NACE industry codes, which can sometimes either inflate or deflate the size of the market depending on how accurately companies are coded. Despite this, the figures provide a useful indication of the comparative size of each national market, and they ensure consistency in the analysis.

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. Subsequent measurements from consecutive surveys are then transformed accordingly to depict the change in index points and/or percentage points compared to the baseline. For the autumn 2023 Barometer report, the reported changes represent alterations in index points.

ECB: European Central Bank.

FTE: Full time equivalent. The 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 to the FTE-definition.

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

Order stock in months: Order stock defined by the time it represents 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: $\text{€}50,000/\text{€}100,000 = 0.5 * 12 \text{ (months)} = 6 \text{ months}$

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

RRF: The European Recovery and Resilience Fund.

Turnover: Total revenues/sales.

General information: The data for the report is based on a survey of companies and organisations that are members of EFCA. The respondents' answers (companies and organisations) have been added up by country. Unless otherwise noted, the charts in the report show the state of business in the EFCA countries. It should be noted that this data is not weighted based on the size of each country's engineering sector.



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European Federation of Engineering Consultancy Associations

EFCA is representing FIDIC in Europe