



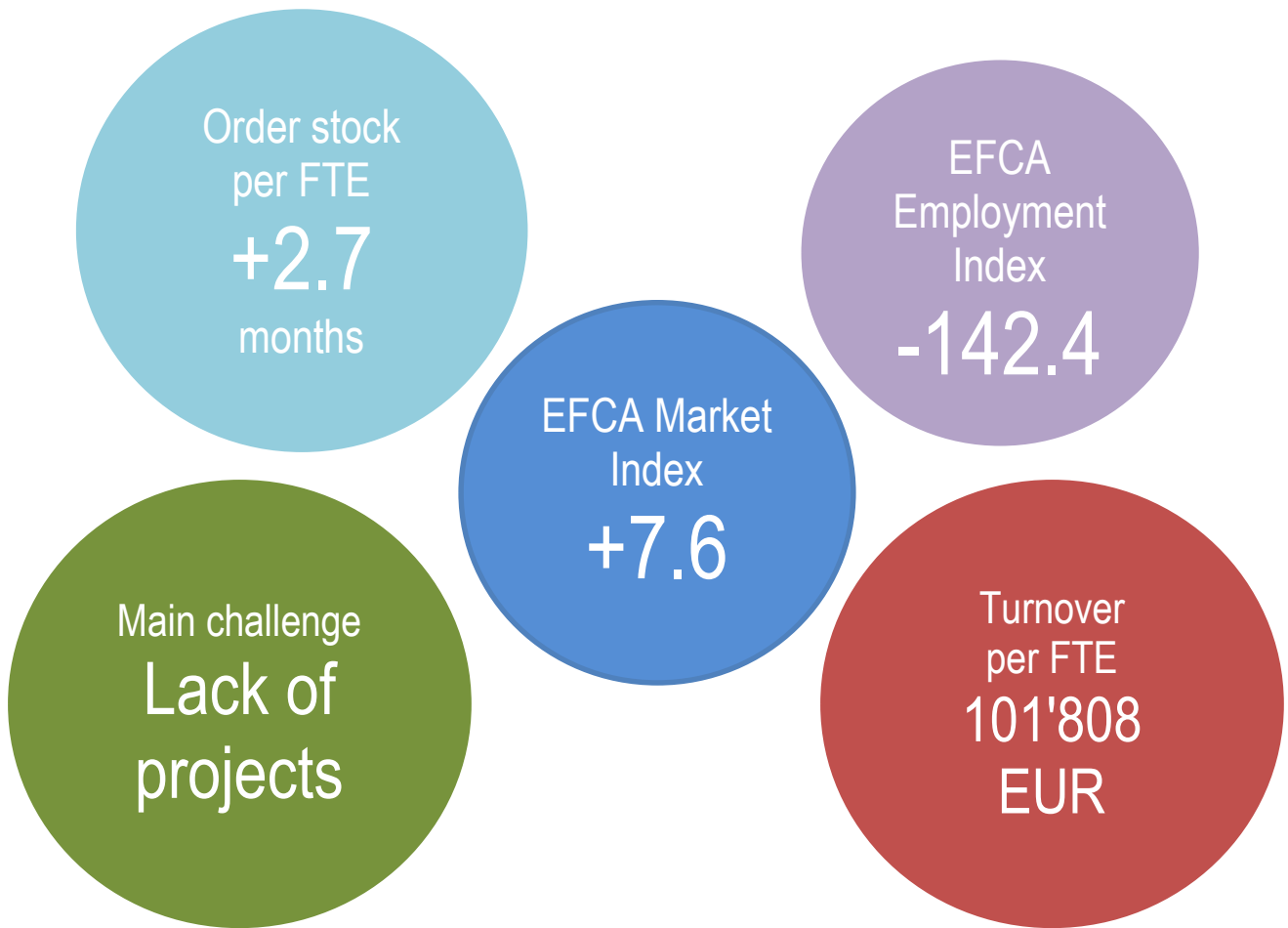
The State of the European Consulting Engineering Sector

BAROMETER autumn 2020

efca



Representing
FIDIC in Europe



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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The Task Force has produced this report and analysis based on best available information on the current state of business (October 2020) 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

Published by the European Federation of engineering Consultancy Associations (EFCA), Brussels, November 2020.
www.efcanet.org

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Executive summary

European Consultancy Engineering Markets level out

Amid the ongoing COVID-19-crisis, European Consultancy Engineering markets level out, giving rise to hope for recovery in the near future. But, the crisis has impacted hiring polices, order stock, turnover and profitability alike. The currently largest challenge for the consultancy and engineering industry in Europe, is the lack of projects.

The COVID-19-crisis continues to hold the industry in its grip. But, over the summer, there were signs of improvement. Markets bounced back by 7.6 percentage points and order stocks per full time employee have risen by 2.7 months. Thus, the current state of the European Markets is showing improvements since the spring of 2020, with the majority of markets now being stable, two markets are good, and the remaining markets are either weak or very weak.

However, the underlying indicators continue to provide reasons for concern. Employment has dropped significantly with no immediate expectations for recovery. Turnover has been reduced in a majority of countries and the current turnover per employee is €101,808.

Lack of projects are still the most salient concern of EFCA Members. Late payments and political uncertainty have gained in importance compared to previous surveys. Financially, there will be a significant impact of COVID-19 on the European Consultancy and engineering industry. Profitability for 2019 was an average of 5.4 percent, compared to 5.6 percent in 2018. For 2020 profitability is expected to decline in nine of 17 participating countries, and remain unchanged in the rest.

The survey was conducted between 8th September and 16th October 2020, 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.

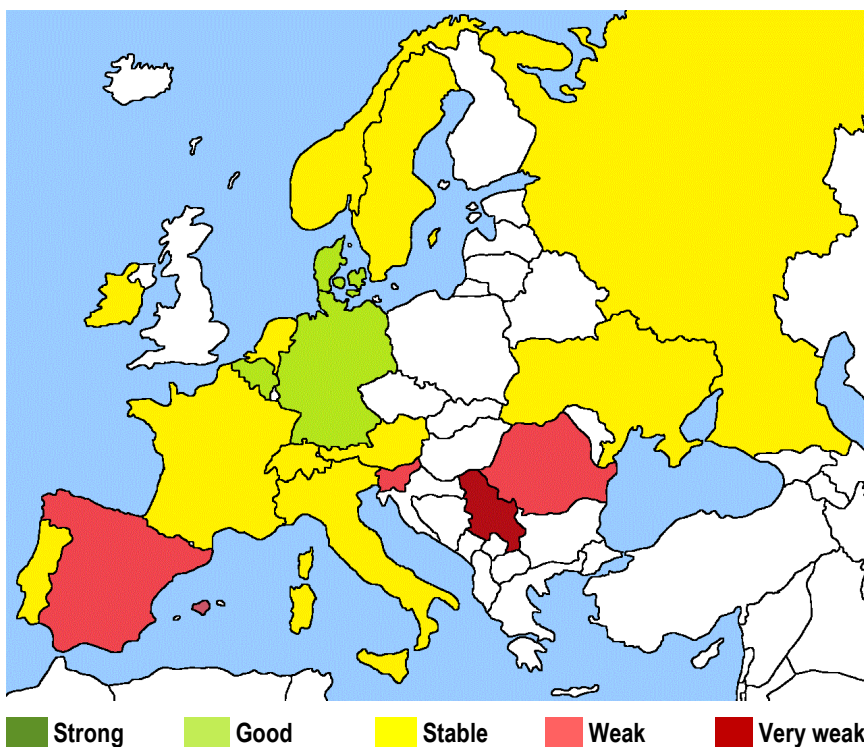
[EFCA – Corona Survey I \(2-6 April\)](#)

[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 Autumn 2020



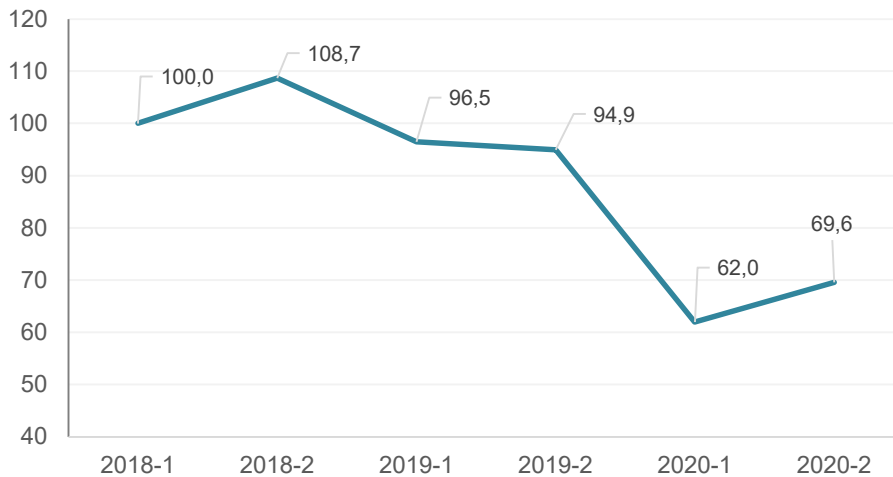
QUICK OVERVIEW, OVERALL MARKET IN EUROPE	
Current market status	➔
Expected order stock coming 6 months	➔
Expected turnover coming 6 months	➔
Expected staff change coming 6 months	➔

EFCA Industry Barometer Task Force, November 2020

Market development

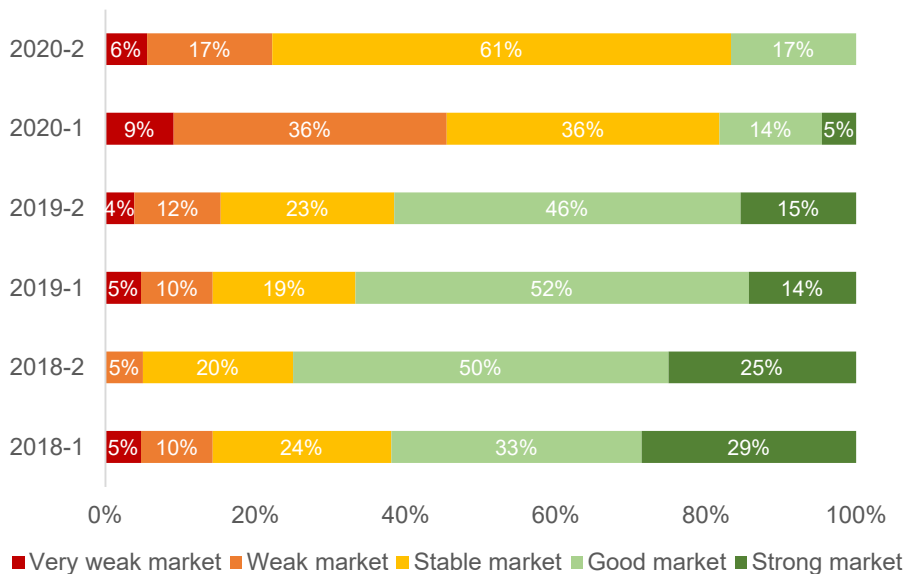
EFCA Market Index, spring 2018 – autumn 2020

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



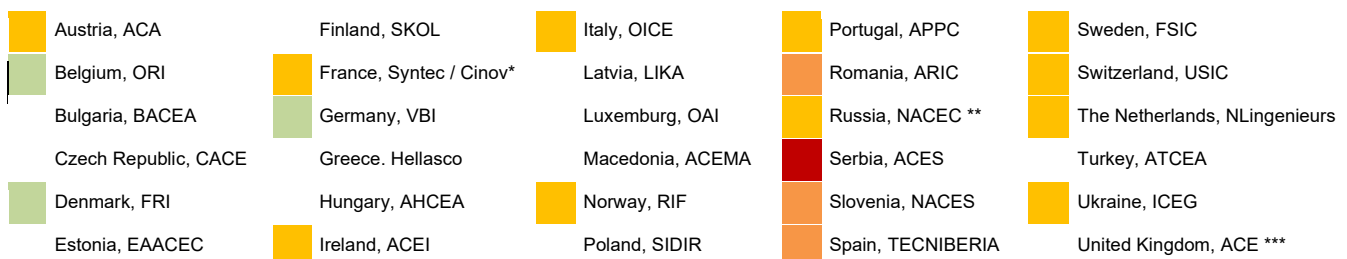
European markets have increased by 7.6 points compared to the spring survey. This indicates a current stabilisation from the negative trend previously observed due to the Corona crisis. However, markets remain 30.4 points lower compared to the first survey in spring 2018.

Market development by category in percent



While no country has reported strong markets, the majority (61%) said that their markets are stable. The share of weak or very weak markets has decreased since spring from 45 to 23 percent.

Market development by country



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

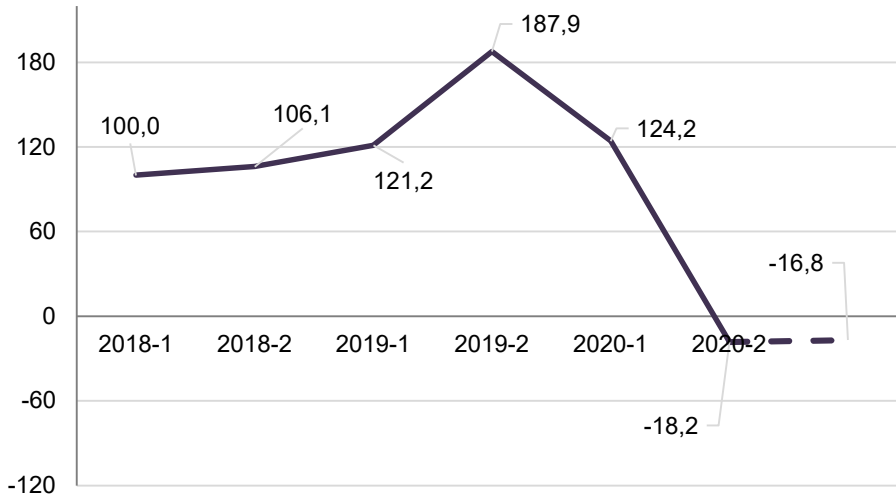
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Employment

EFCA Employment Index

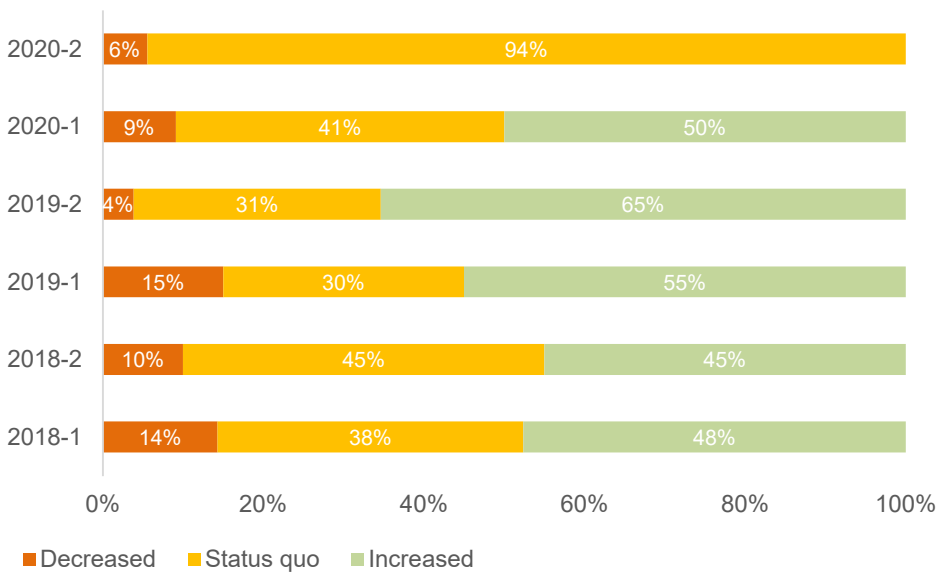
2018-1 = 100 (see appendix, definitions).



Employment has significantly dropped since spring by 142.4 points compared to the spring survey. It is currently 118.2 points lower than the first survey in spring 2018. The negative trend is expected to stabilise by spring 2021.

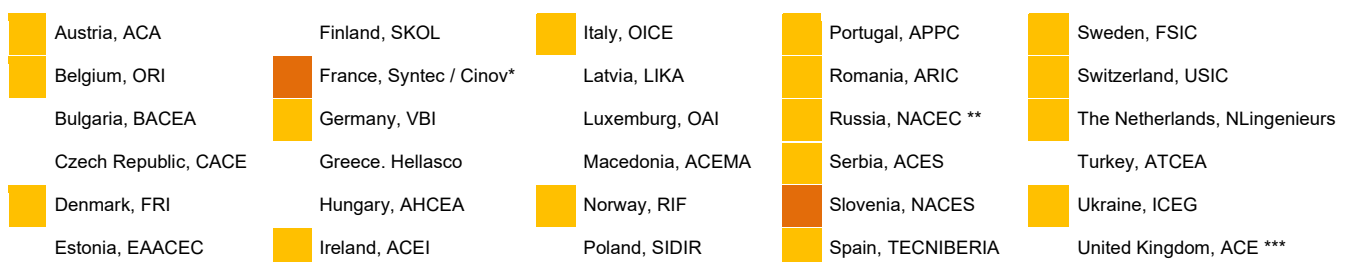
However, the actual result for this autumn has turned out to be less severe, when the expected reduction was estimated at 206 points.

Staff development by category in percent



Reasons for the drop are not so much due to an actual decrease in staff. While no responding country has reported an increase in staff since spring, all countries except France and Slovenia have reported unchanged staff developments. This indicates that the negative trend is based on policies of not hiring further staff.

Staff development by country



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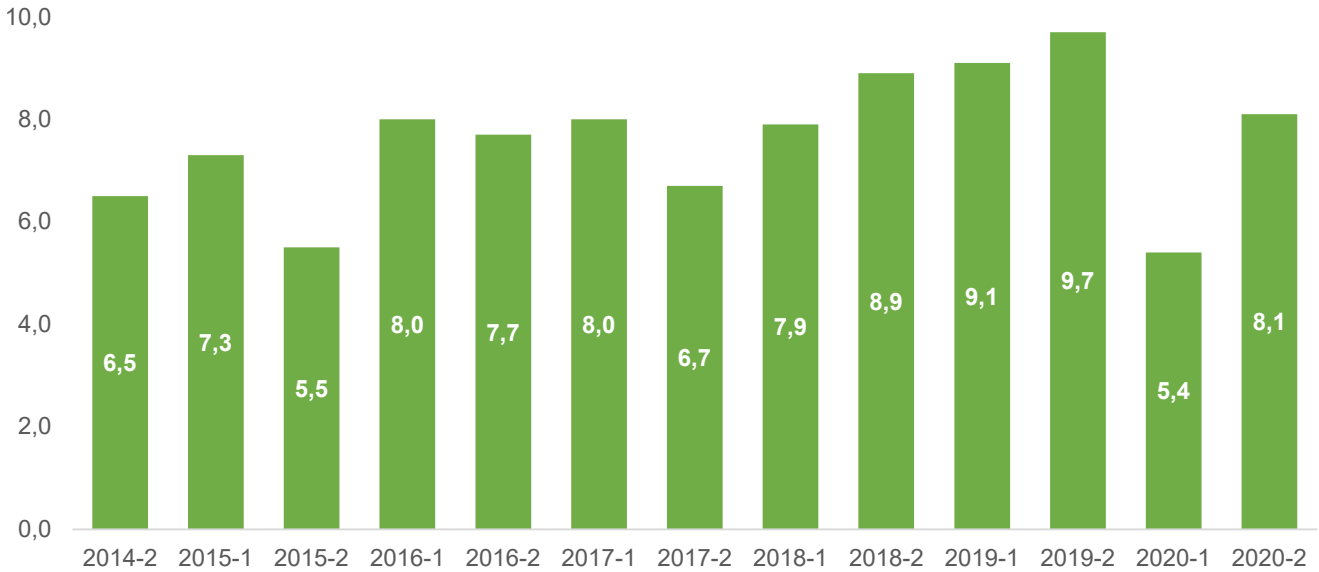
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Order stock

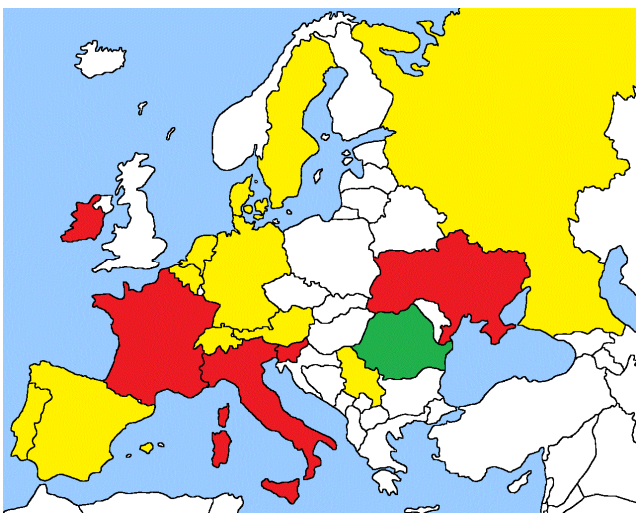
After a significant drop to 5.4 months in spring, order stocks per full time equivalent staff member have gained some terrain and are back at 8.1 months. The improvement from spring 2020 to autumn 2020 is entirely derived from developments in the French market. It is also worth noting, that the average order stock, despite the improvement, remain lower than the values observed in the previous two years.

The outlook for the coming six months continues to paint a rather pessimistic picture. Only four countries expect an increase in order stocks, while seven each expect order stocks to remain the same or decline.

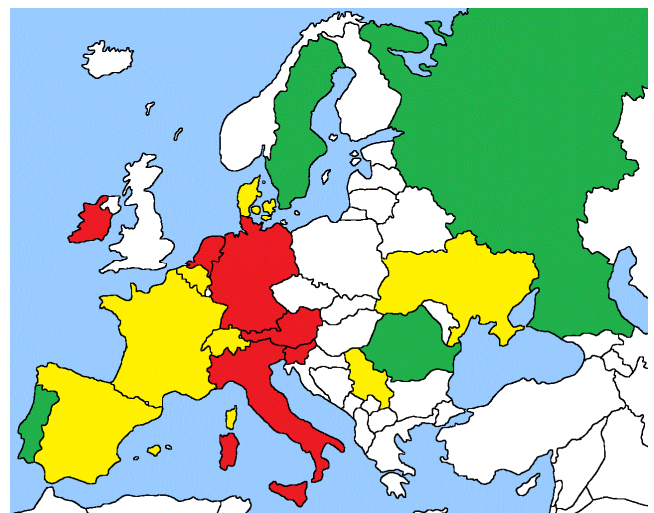
Average order stock in months, European average 2014-2020



Order stock, past six months



Order stock, coming six months



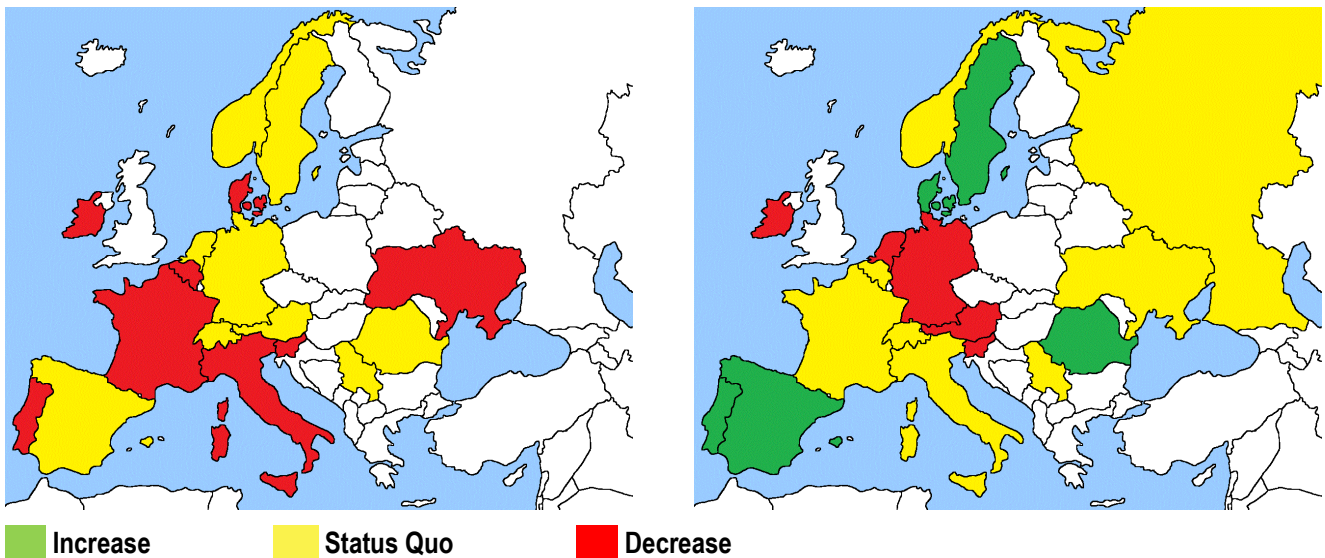
■ Increase
 ■ Status Quo
 ■ Decrease

Turnover

The “across Europe” average turnover per full-time equivalent staff member in this survey was 101’808 Euro. The overall development in turnover shows a decline for the past six months in eight countries, whereas nine countries have experienced a status quo. The outlook is less pessimistic. Eight countries expect turnovers to at least remain stable, while five equally expect a decrease or increase, respectively.

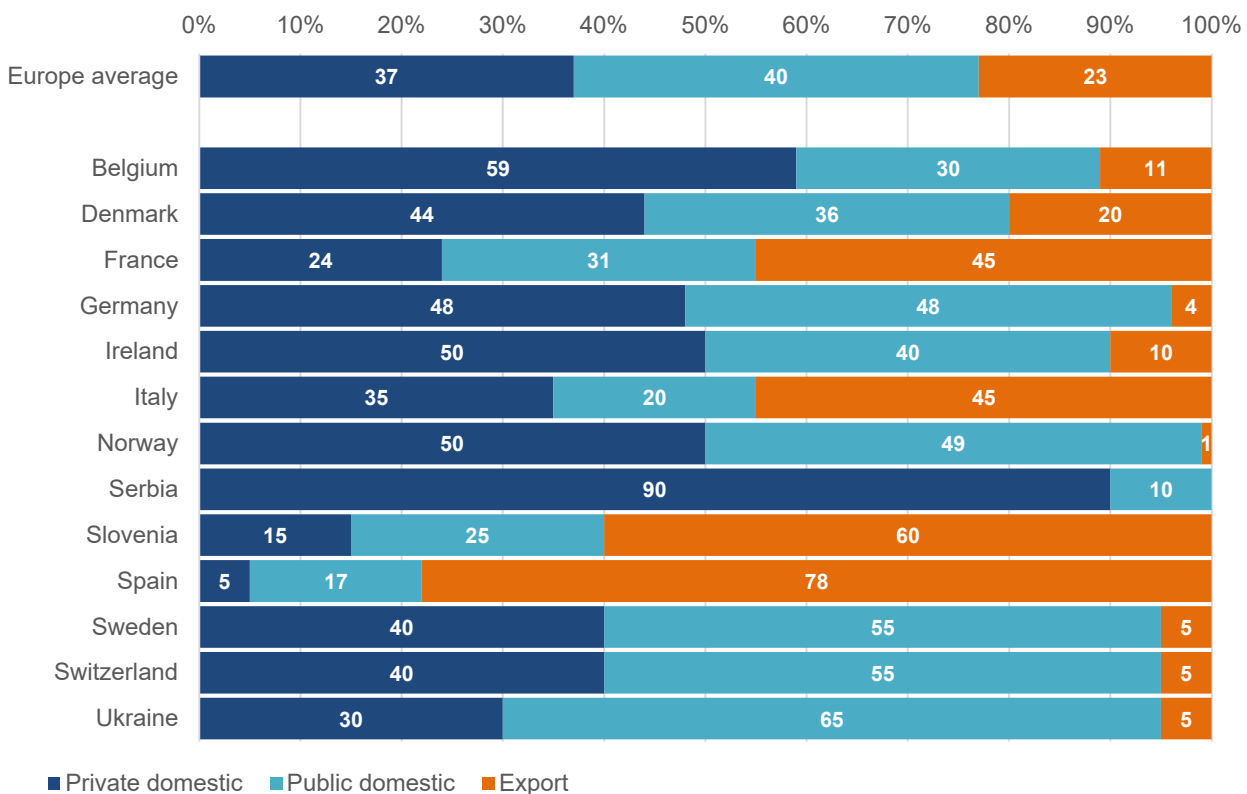
Turnover, past six months

Turnover, coming six months



On average, 23 percent of turnover for the European consultancy and engineering companies are attributed to export activities, 37 percent to domestic private and 40 percent to domestic public markets.

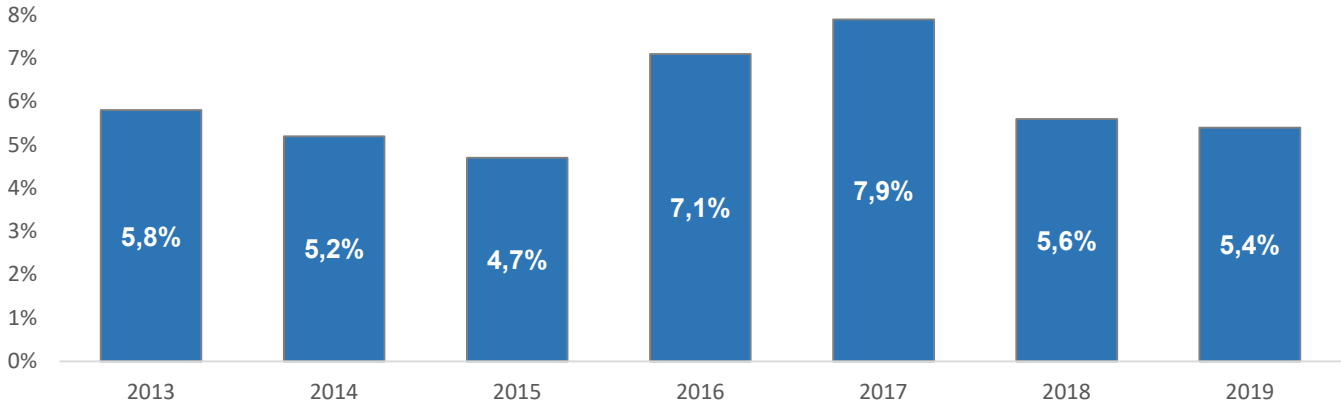
Turnover by domestic (private/public) and export activity, autumn 2020



Profitability

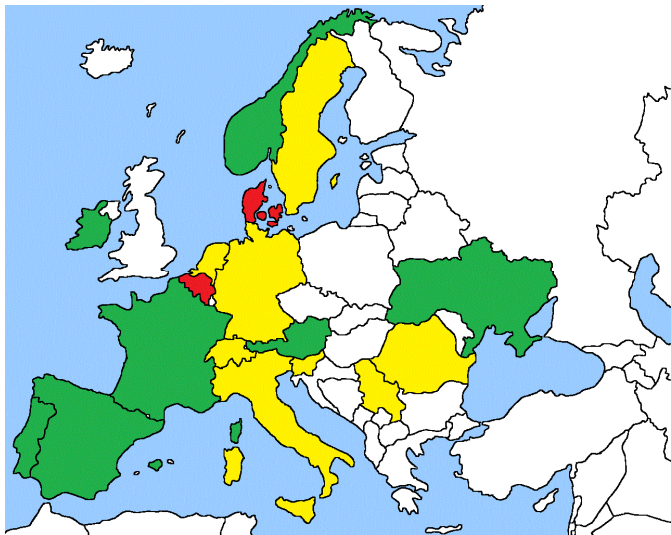
At 5.4 percent, the average profit ratio (EBITDA) has declined by 0.2 percentage points between 2018 and 2019. Seven countries have reported an increase, two countries a decrease and eight countries stable profit ratios. For 2020 no country expects profit ratios to increase. Nine expect profit ratios to decline while eight expect them to remain the same.

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

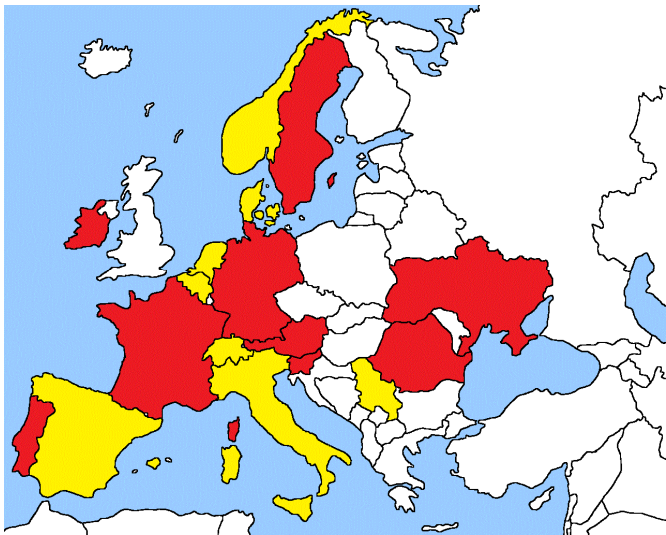


Developments in profitability

2019 compared to 2018



Expected profitability for 2020 compared to 2019



■ Increase
 ■ Status Quo
 ■ Decrease

Challenges

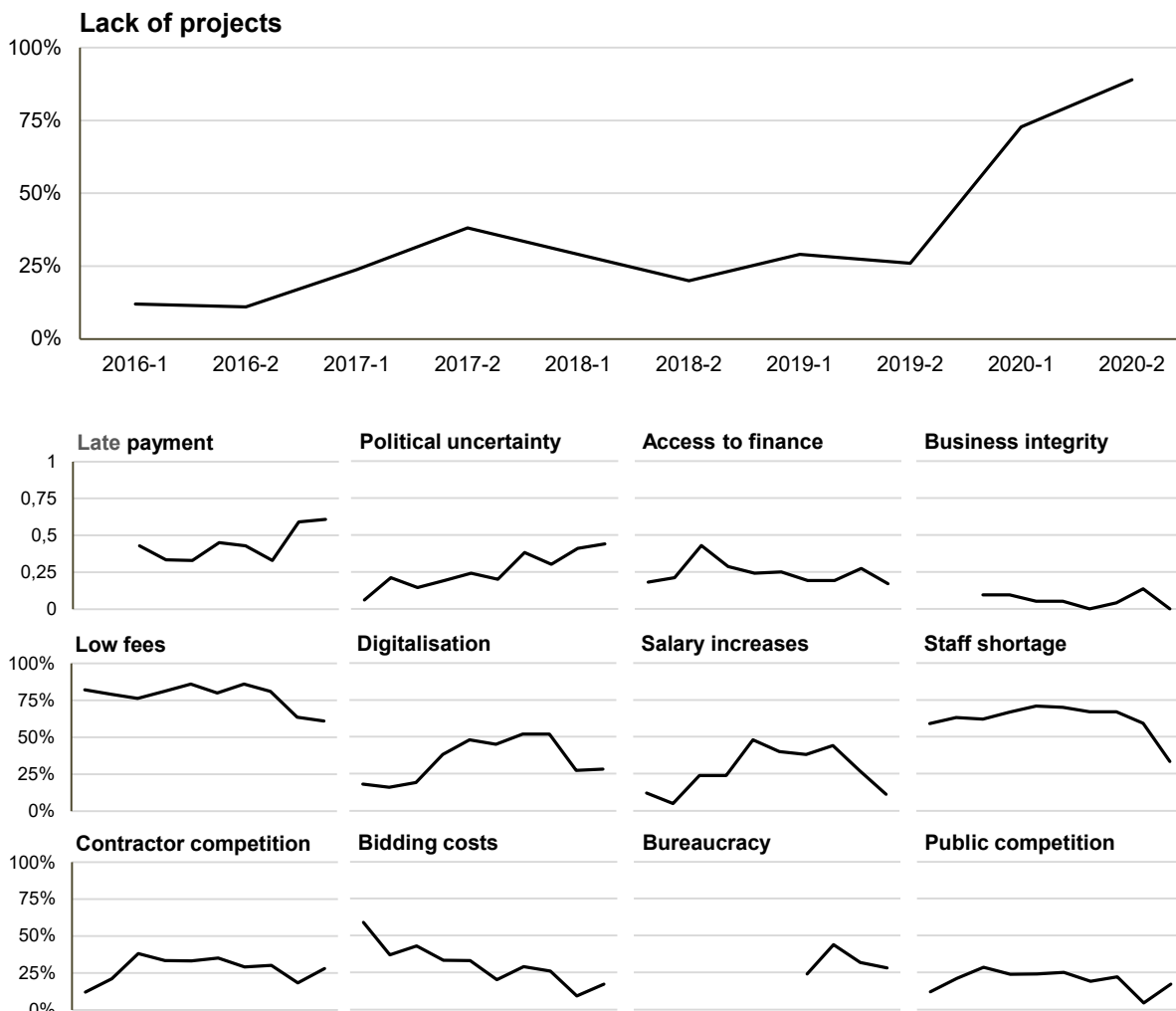
Lack of projects remains the top concern of consulting engineering firms. Its salience has increased from previously 73 to 89 percent. While low fees have always been amid the top concerns, late payment and political uncertainty have gained and staff shortage has lost in importance significantly.

This development strongly reflects the uncertainties due to the ongoing COVID-19-crisis.

Main challenges faced by European companies

Challenge	Rank	Change
<i>Lack of projects</i>	1	-
<i>Low fees</i>	2	-
<i>Late payment</i>	2	+1
<i>Political uncertainty</i>	4	-
<i>Staff shortage</i>	5	-2

Main challenges faced by European companies across time, 2016-2020



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

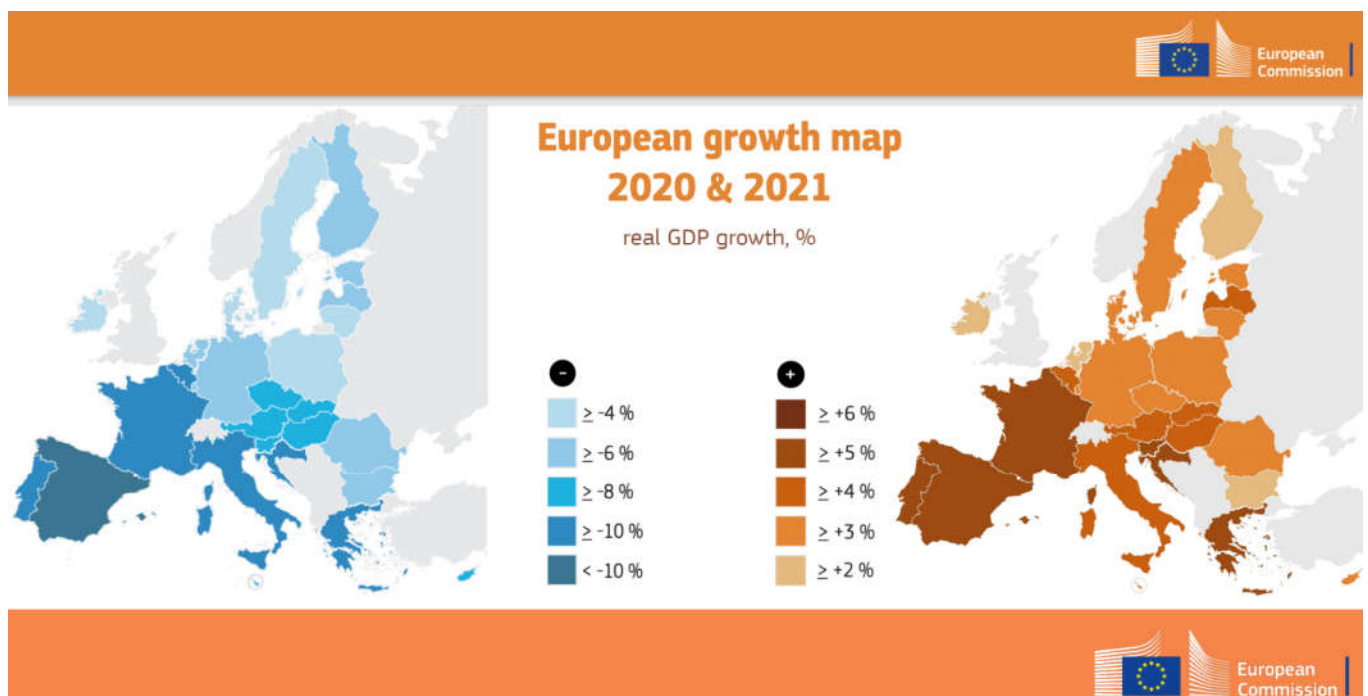
Most important is the Autumn 2020 Economic Forecast and “Growth Map 2021” as made by the European Commission. The Autumn 2020 Economic Forecast projects that the EU economy will contract by 7.4% in 2020 before recovering with growth of 4.1% in 2021 and 3% in 2022.

The unemployment rate in the EU is forecast to rise from 6.7% in 2019 to 7.7% in 2020 and 8.6% in 2021, before declining to 8.0% in 2022.

Key messages from the European Commission on the Autumn 2020 forecast are:

1. COVID-19 has caused a deep, uneven recession in the first half of 2020, but has been followed by a strong rebound in the third quarter
2. The resurgence of the pandemic is set to interrupt the recovery, albeit temporarily
3. National and EU policy measures continue to cushion the impact of the crisis
4. Uncertainty is exceptionally high, regarding the pandemic but also the future EU-UK trade relationship
5. Downside risks are exceptionally large, but there are also upside risks to our forecast

The Autumn 2020 EFCA Barometer the European Growth Map has included the 2020 as well as the 2021 forecasts, both are part of the Economic Forecast made by the European Commission.



Source: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2021

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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