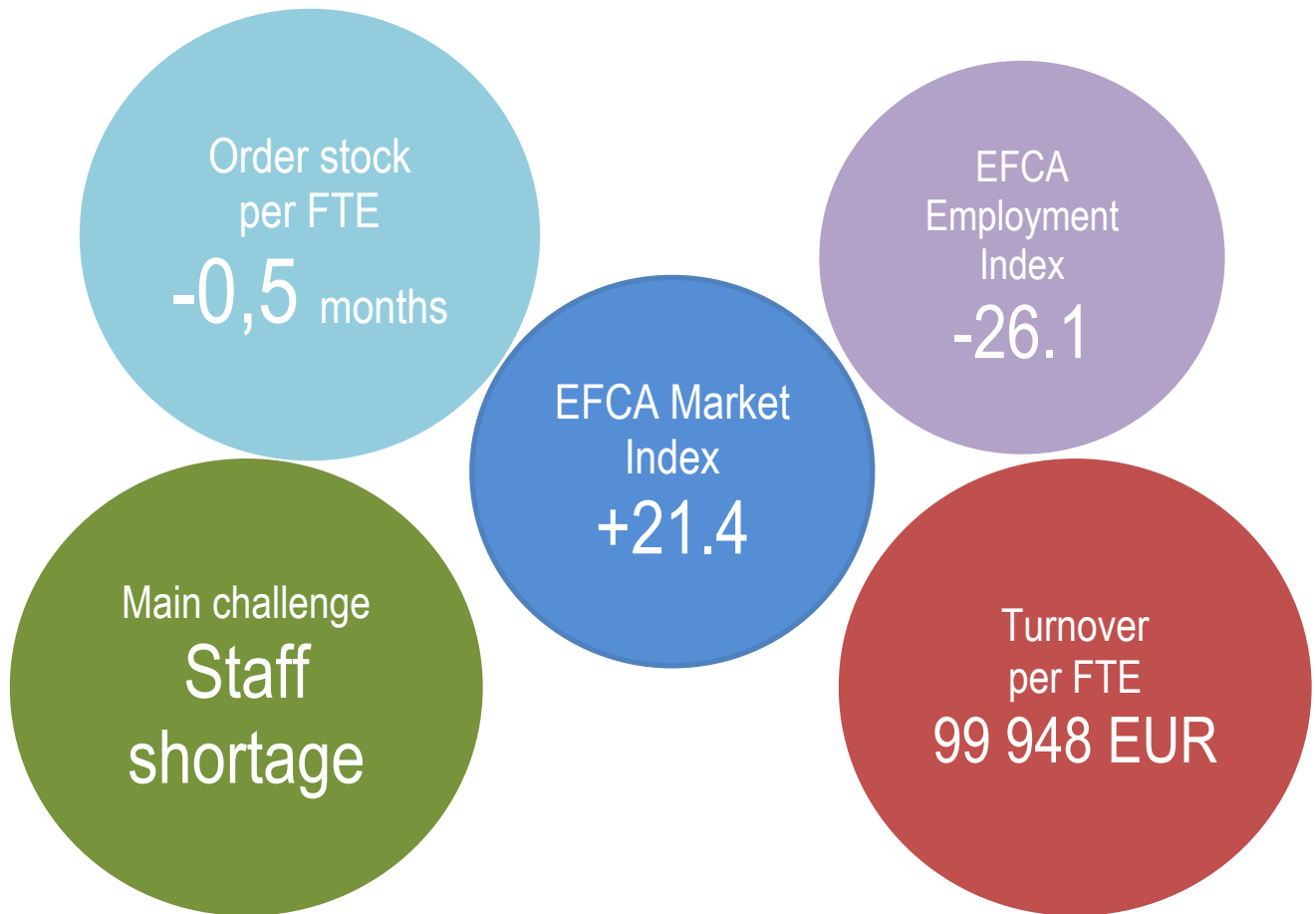




The State of the European Consulting Engineering Sector

BAROMETER AUTUMN 2022



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's EFCA observer membership is currently suspended.

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

EFCA Economic Environment Committee

Henrik Garver FRI – Foreningen af Rådgivende Ingeniører (Denmark)
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The Economic Environment Committee has produced this report and analysis based on the best available information on the current state of business (October-November 2022) 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 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 Committee, please contact the EFCA secretariat - efca@efca.be

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CONTENTS

Executive summary	3
Market development	4
Employment	5
Order stock	6
Turnover	7
Profitability	8
Challenges	9
Country Overview	10
Appendix	12

Executive summary

Current market is good but may have peaked

The past 6 months have been very busy for the consultancy and engineering industry in Europe, as shown by the current market index reaching an all-time high. Order books are also still looking very good, but the employment index is now falling.

The largest challenges for the consultancy and engineering industry in Europe are the shortage of staff, low fees, and salary increases. But the impact of the war in Ukraine, the energy crisis, rising inflation, and rising interest rates are continuing factors contributing to more uncertainty as to the market developments in the future.

The EFCA Market Index, showing the overall development of the European markets, has improved markedly from spring 2022 and is at the highest level recorded since the start in 2018.

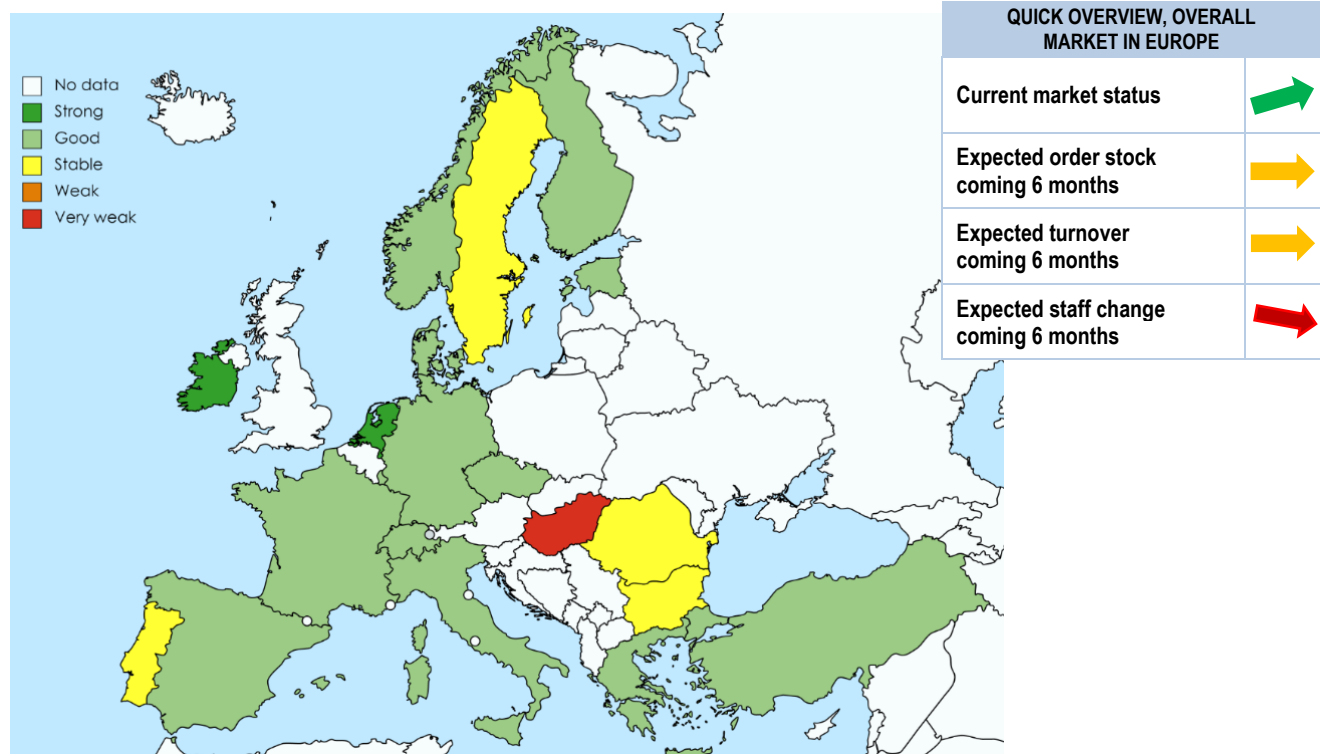
The employment index reached a peak in spring 2022 and has now fallen back to more normal levels, and is expected to decline slightly in the coming 6 months.

Order stock has fallen slightly since spring 2022 but is still very high. With order stock measured to 9.8 months, it is at the second-best level since measurements began in 2014. This emphasizes the current strong state of business in the consultancy and engineering industry in Europe. However, the high backlog of orders may explain in part why there are significant shortages of staff in a lot of companies across Europe.

Profitability fell back significantly from a high of 7.1% in 2020 to 4.9% in 2021 - which is a fairly similar level as 2018-2019. 4.9% is however the second worst level since measurements began in 2013.

The survey was conducted between 1st October and 10th November 2022, and 20 EFCA member associations have responded (67%).

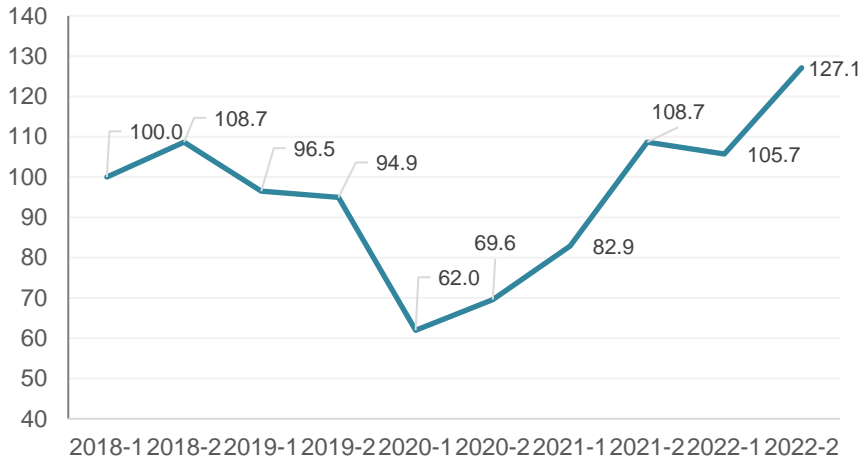
The current state of European Markets. EFCA Survey autumn 2022



Market development

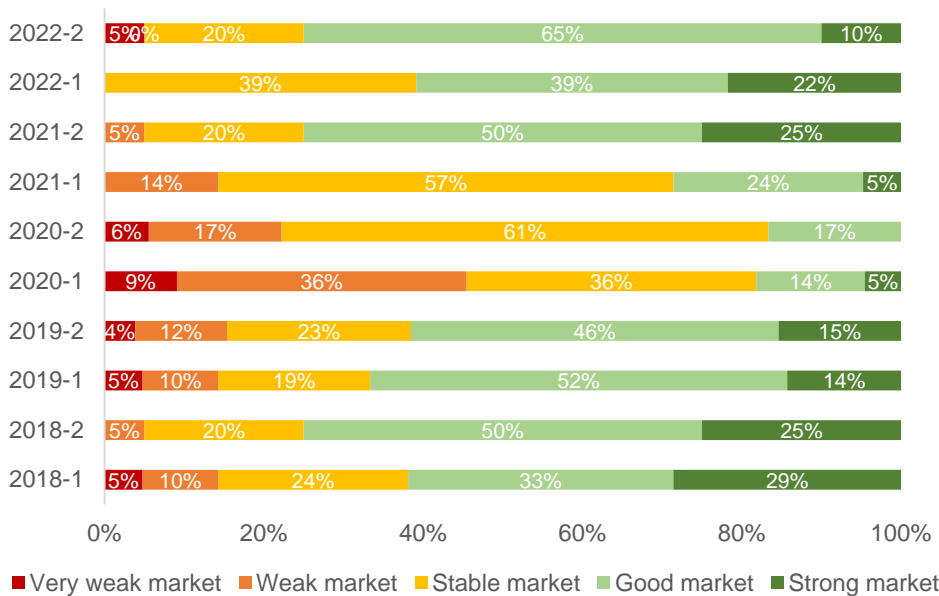
EFCA Market Index, spring 2018 – autumn 2022

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



The EFCA Market Index, showing the overall development of the European markets, has improved markedly from spring 2022 and is at the highest level recorded since the start of 2018.

Market development by category in percent

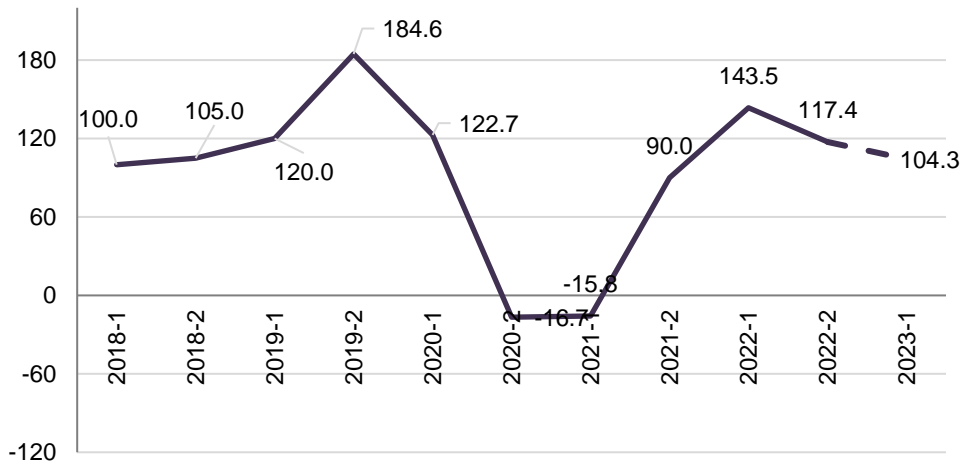


The figures for autumn 2022 show greater regional differences in market conditions for consultancy and engineering companies in Europe, than was the case in spring 2022. Fewer countries are reporting strong markets, but a vast majority (95%) are still reporting that markets are stable or better.

Employment

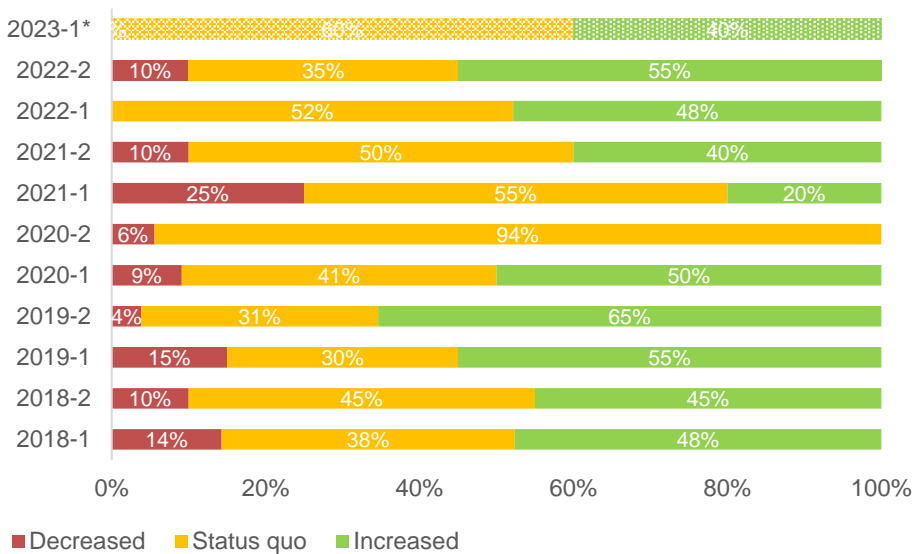
EFCA Employment Index, spring 2018 – spring 2022

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



The employment index reached a peak in spring 2022 and has now fallen back to more normal levels, and is expected to decline slightly in the coming 6 months.

Staff development by category in percent (* = expected)



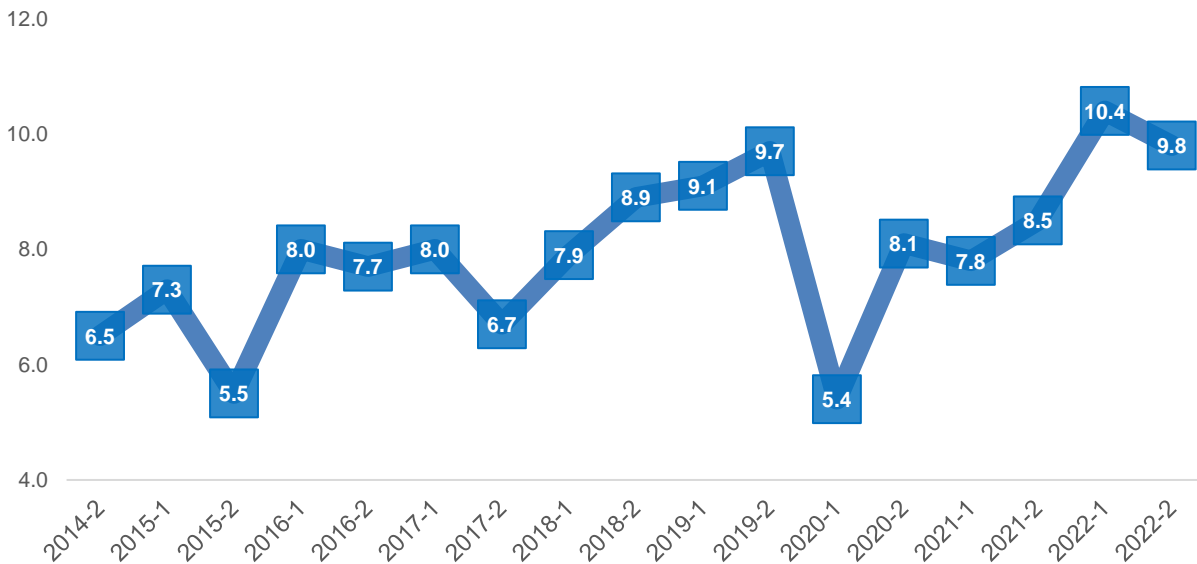
Staff development has been good for the past year, with 90-100 % reporting status quo or increased development. 10% decreased development is about average since 2018.

Projected staff development for the next 6 months is either status quo or increased for all countries.

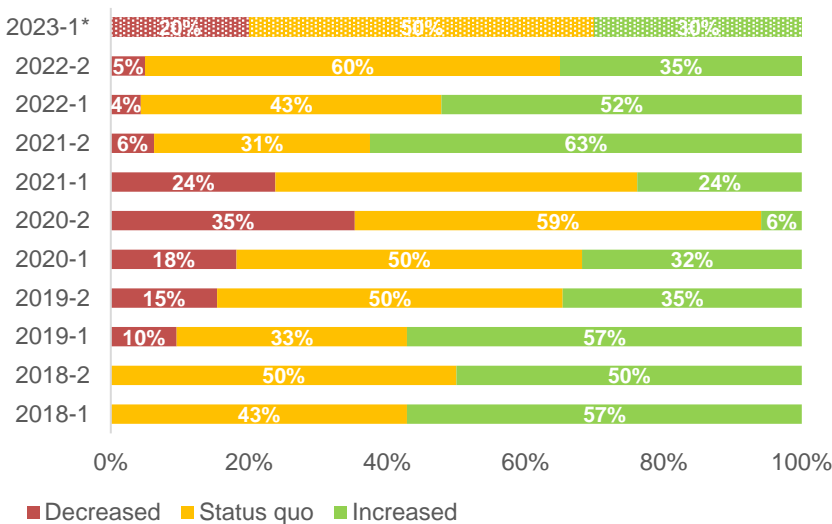
Order stock

Order stock has fallen slightly since spring 2022 but is still very high. An order stock / backlog of 9.8 months is the second-best level since measurements began in 2014. This emphasizes the current strong state of business in the consultancy and engineering industry in Europe. However, the high backlog of orders may explain in part why there are significant shortages of staff in a lot of companies across Europe, and why the current geopolitical uncertainties have not significantly impacted the industry for the worse.

Average order stock in months, European average 2014-2022



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

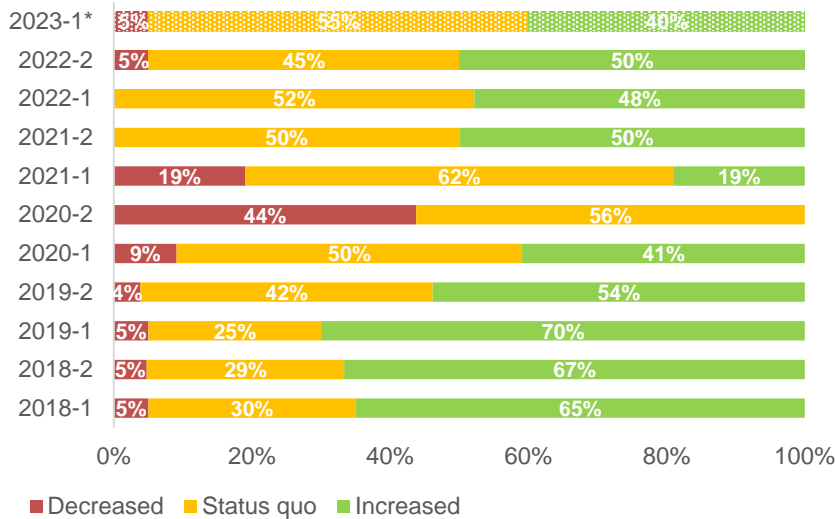


The development of order stock by country shows a slight negative trend in that fewer countries report increased stock and more than half report status quo. This trend is expected to continue in the coming six months with 20% of participating countries expecting decreased order stock development, which is a significant change, compared to the past four years.

Turnover

The “across Europe” average turnover per full-time equivalent staff member in this survey was 99,948 Euro thus declining further compared to the level 6 months ago. The numbers are however influenced by a variety of countries and companies reporting in the EFCA Barometer surveys.

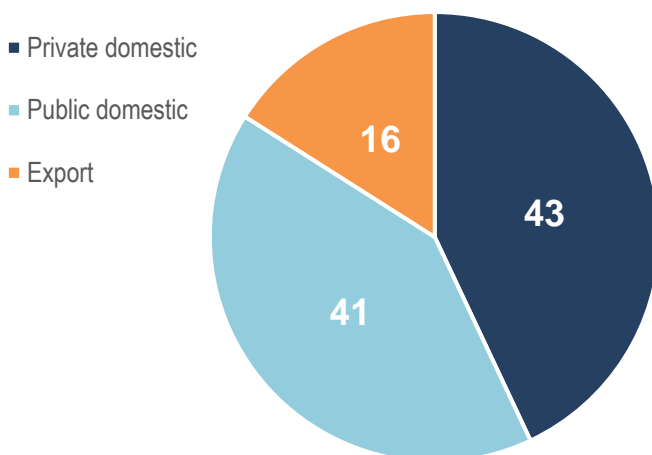
Turnover development by category in percent (* = expected)



Looking at the development of turnover per country in the past year and 6 months ahead, conditions are either stable or increasing for 95-100% of the participating countries.

Turnover distribution remains at similar levels since the last measurement in spring 2022. Private and public domestic services are almost equal in size while exports, though varying significantly from country to country stays at 15-16% on average. Countries with the highest levels of export of engineering services are Spain at 70% and Turkey and Italy at 40%. About half of the participating countries have exports of less than 10%.

Turnover by domestic (private/public) and export activity, European average, autumn 2022



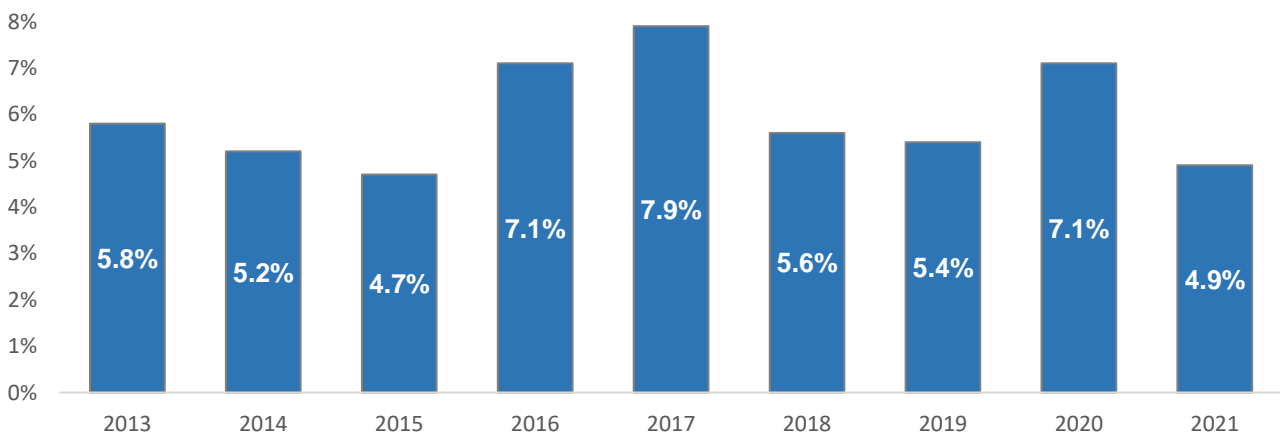
Turnover distribution, top tier countries, autumn 2022

Private domestic	Public domestic	Export
1 Norway (66%)	1 Romania (80%)	1 Spain (70%)
2 Finland (64%)	2 Switzerland (70%)	2 Italy and Turkey (40%)
3 France and Sweden (55%)	3 Bulgaria (55%)	4 Denmark (17%)
5 Germany (51%)	4 Luxembourg (51%)	5 Greece (16%)
	5 Czech Republic (49%)	

Profitability

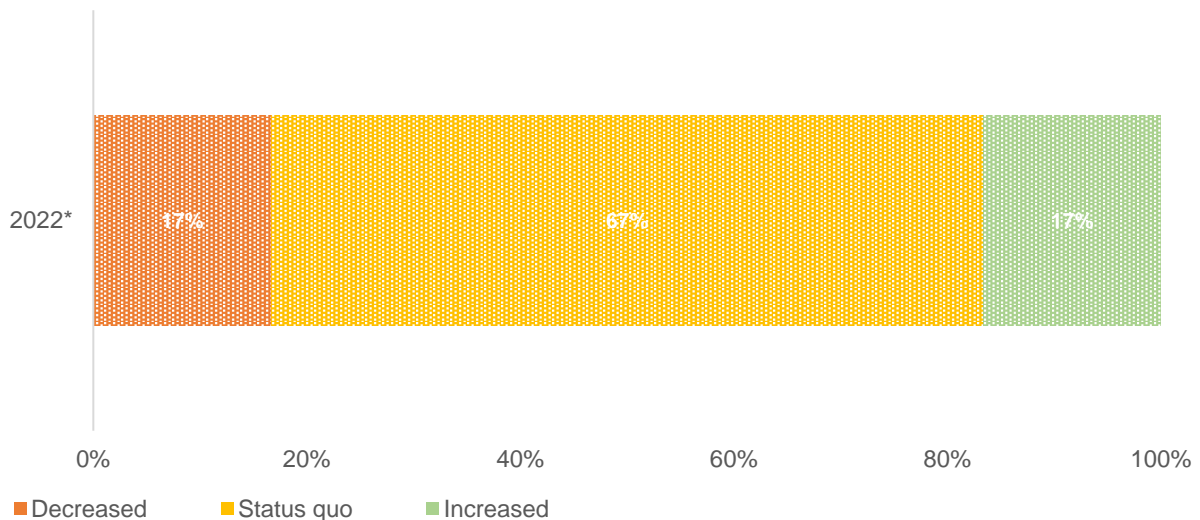
Profitability fell back significantly from a high of 7.1% in 2020 to 4.9% in 2021 which is a fairly similar level as in 2018-2019. 4.9% is however the second worst level since measurements began in 2013.

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



For 2022 a large majority of countries (67%) expect profit ratios to be stable, at the current 2021-level, while 17% expect profit ratios to improve, and a similar 17% expect profit ratios to decline further.

Expected profitability development by category in percent (* = expected)



Challenges

As in the previous survey in spring 2022, staff shortage, low fees combined with salary increases are the top three challenges for the industry.

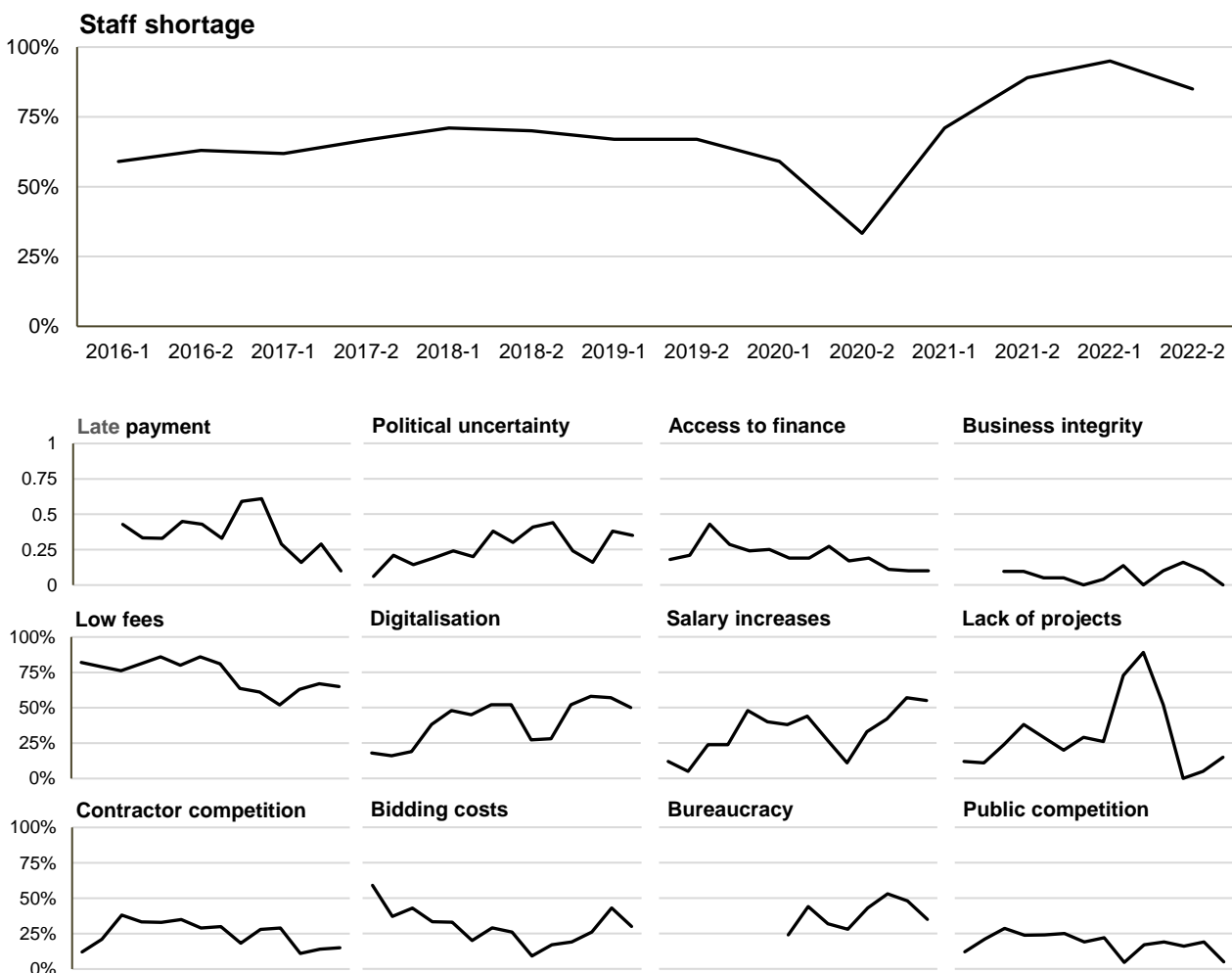
Other notable trends shown below over previous years are that we seem to have reached a peak in terms of staff shortage concerns 6 months ago, there are fewer concerns over late payment, low fees, and access to finance, and increased concerns over salary increases.

Finally, it is worth noting, that political uncertainty has become a top-five challenge for the consultancy and engineering industry.

Top challenges faced by European companies

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

Main challenges faced by European companies across time, 2016-2022



Country Overview (autumn 2022)

Austria, ACA

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

Belgium, ORI

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

Bulgaria, BACEA

Market			OK
Staff			→ →
Order stock	3,2		→ →
Turnover			↗ ↗
Domestic/Public/Export	35	55	10
Profit ratio (EBITDA)			→ →

Czech Republic, CACE

Market		Good	
Staff		→	→
Order stock	7,0	→	→
Turnover		→	→
Domestic/Public/Export	46	49	5
Profit ratio (EBITDA)	4,2	→	→

Denmark, FRI

Market			Good
Staff			↗ ↗
Order stock	7,0		↗ ↗
Turnover			↗ ↗
Domestic/Public/Export	49	34	17
Profit ratio (EBITDA)	7,7		↗ ↘

Estonia, EAACEC

Market			Good
Staff			↗ →
Order stock	6,9		→ →
Turnover			→ →
Domestic/Public/Export	48	45	7
Profit ratio (EBITDA)	6,2		→ →

Finland, SKOL

Market		Good	
Staff		↘	→
Order stock	7,0	→	↘
Turnover		→	→
Domestic/Public/Export	64	28	8
Profit ratio (EBITDA)			

France, Syntec / Cinov*

Market			Good
Staff			↗ ↗
Order stock	12,0		→ →
Turnover			↗ →
Domestic/Public/Export	55	35	10
Profit ratio (EBITDA)	6,0		→ →

Germany, VBI

Market			Good
Staff			→ →
Order stock	11,0		→ ↘
Turnover			→ →
Domestic/Public/Export	51	45	4
Profit ratio (EBITDA)	N/A		

Greece, Hellasco

Market		Good	
Staff		↗	↗
Order stock	3,7	↗	↗
Turnover		↗	↗
Domestic/Public/Export	42	42	16
Profit ratio (EBITDA)	10,0	↗	↗

Hungary, AHCEA

Market			Very weak
Staff			↘ →
Order stock	N/A		↘ ↘
Turnover			↘ ↘
Domestic/Public/Export	N/A	N/A	N/A
Profit ratio (EBITDA)	N/A		→ ↘

Ireland, ACEI

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

Italy, OICE

Market		Good	
Staff		↗	↗
Order stock	N/A	↗	↗
Turnover		→	→
Domestic/Public/Export	40	20	40
Profit ratio (EBITDA)	5,8	→	↗

Latvia, LIKA

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

Luxemburg, OAI

Market			Good
Staff			↗ →
Order stock	12,0		→ →
Turnover			→ →
Domestic/Public/Export	47	51	2
Profit ratio (EBITDA)	7,0		↘ →

Macedonia, ACEMA

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

Norway, RIF

Market			Good
Staff			↗ →
Order stock	9,0		→ ↘
Turnover			→ →
Domestic/Public/Export	66	33	1
Profit ratio (EBITDA)	7,0		→ →

Poland, SIDIR

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

Portugal, APPC				Romania, ARIC				Russia, NACEC **			
Market		OK		Market		OK		Market			
Staff		→	→	Staff		→	↗	Staff			
Order stock	N/A	→	↗	Order stock	8,0	↗	↗	Order stock			
Turnover		↗	↗	Turnover		↗	↗	Turnover			
Domestic/Public/Export	N/A	N/A	N/A	Domestic/Public/Export	15	80	5	Domestic/Public/Export			
Profit ratio (EBITDA)	N/A	→	→	Profit ratio (EBITDA)	3,5	→	→	Profit ratio (EBITDA)			
Serbia, ACES				Slovenia, NACES				Spain, TECNIBERIA			
Market				Market				Market		Good	
Staff				Staff				Staff		↗	→
Order stock				Order stock				Order stock		↗	↗
Turnover				Turnover				Turnover		↗	↗
Domestic/Public/Export				Domestic/Public/Export				Domestic/Public/Export	10	20	70
Profit ratio (EBITDA)				Profit ratio (EBITDA)				Profit ratio (EBITDA)	N/A	↗	↗
Sweden, FSIC				Switzerland, USIC				The Netherlands, NIngenieurs			
Market		OK		Market		Good		Market		Strong	
Staff		→	→	Staff		↗	↗	Staff		↗	→
Order stock	6,5	→	→	Order stock	10,0	↗	→	Order stock	6,5	→	→
Turnover		→	→	Turnover		↗	↗	Turnover		↗	↗
Domestic/Public/Export	55	40	5	Domestic/Public/Export	26	70	4	Domestic/Public/Export	N/A	N/A	N/A
Profit ratio (EBITDA)	7,0	→	→	Profit ratio (EBITDA)	4,5	↗	→	Profit ratio (EBITDA)	N/A		
Turkey, ATCEA				Ukraine, ICEG				United Kingdom, ACE ***			
Market		Good		Market				Market			
Staff		→	↗	Staff				Staff			
Order stock	N/A	→	→	Order stock				Order stock			
Turnover		→	→	Turnover				Turnover			
Domestic/Public/Export	15	45	40	Domestic/Public/Export				Domestic/Public/Export			
Profit ratio (EBITDA)				Profit ratio (EBITDA)				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 carries information from the European Commission, which is of interest to 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

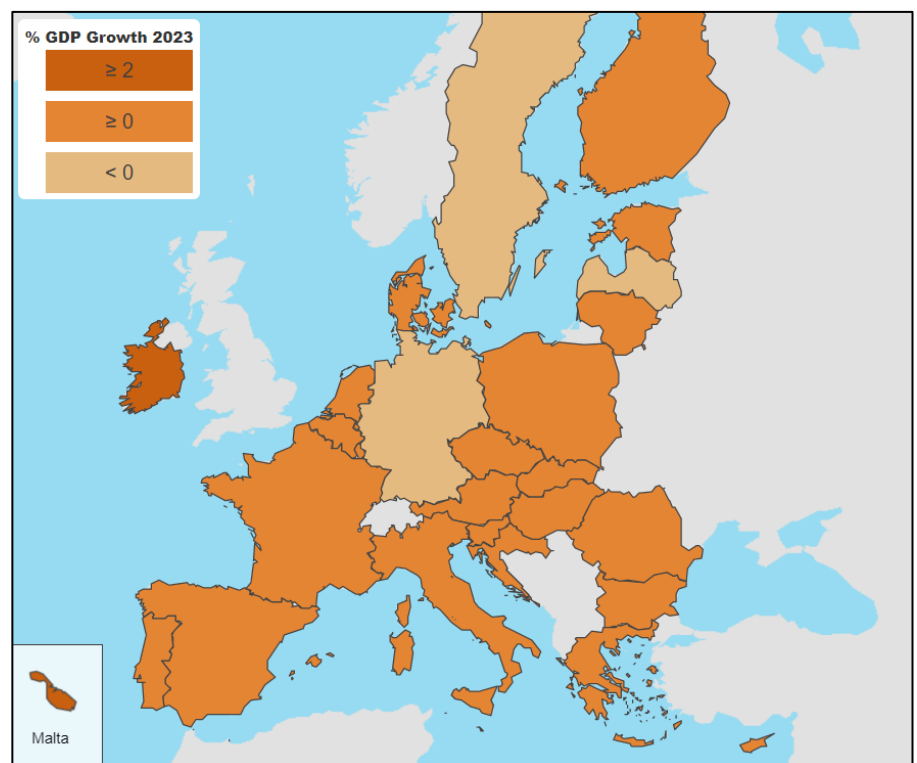
Most important is the Spring 2022 Economic Forecast and “Growth Map 2022” as made by the European Commission.

After a strong first half of the year, the EU economy has now entered a much more challenging phase. The shocks unleashed by Russia's war of aggression against Ukraine are denting global demand and reinforcing global inflationary pressures. The EU is among the most exposed advanced economies, due to its geographical proximity to the war and heavy reliance on gas imports from Russia. The energy crisis is eroding households' purchasing power and weighing on production. Economic sentiment has fallen markedly. As a result, although growth in 2022 is set to be better than previously forecast, the outlook for 2023 is significantly weaker for growth and higher for inflation compared to the European Commission's Summer interim Forecast.

The potent momentum from 2021 and strong growth in the first half of the year, driven by Covid-19-recovery, are set to lift real GDP growth in 2022 as a whole to 3.3% in the EU (3.2% in the euro area) - well above the 2.7% expected in the Summer interim forecast. However, with powerful headwinds still holding back demand, economic activity is set to be subdued, with GDP growth reaching 0.3% in 2023 as a whole in both the EU and the euro area, down from the expected 2.3% in the Summer 2022 interim Forecast.

Despite the challenging environment, the labour market has continued performing strongly, with employment and participation at their highest and unemployment at its lowest in decades. Labour markets are expected to react to the slowing of economic activity with a lag, but to remain resilient. Employment growth in the EU is forecast at 1.8% in 2022, before coming to a standstill in 2023 and moderately edging up to 0.4% in 2024.

The Autumn 2022 European **Growth Map** for 2023 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, including a reflection on the high level of uncertainty. Risks to the forecast for economic activity and inflation are heavily dependent on the evolution of the war in Ukraine, and especially on its continued impact on energy markets.



Source: https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/autumn-2022-economic-forecast-eu-economy-turning-point_en#executive-summary

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 sometimes 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, 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. 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 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



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European Federation of Engineering Consultancy Associations

EFCA is representing FIDIC in Europe