

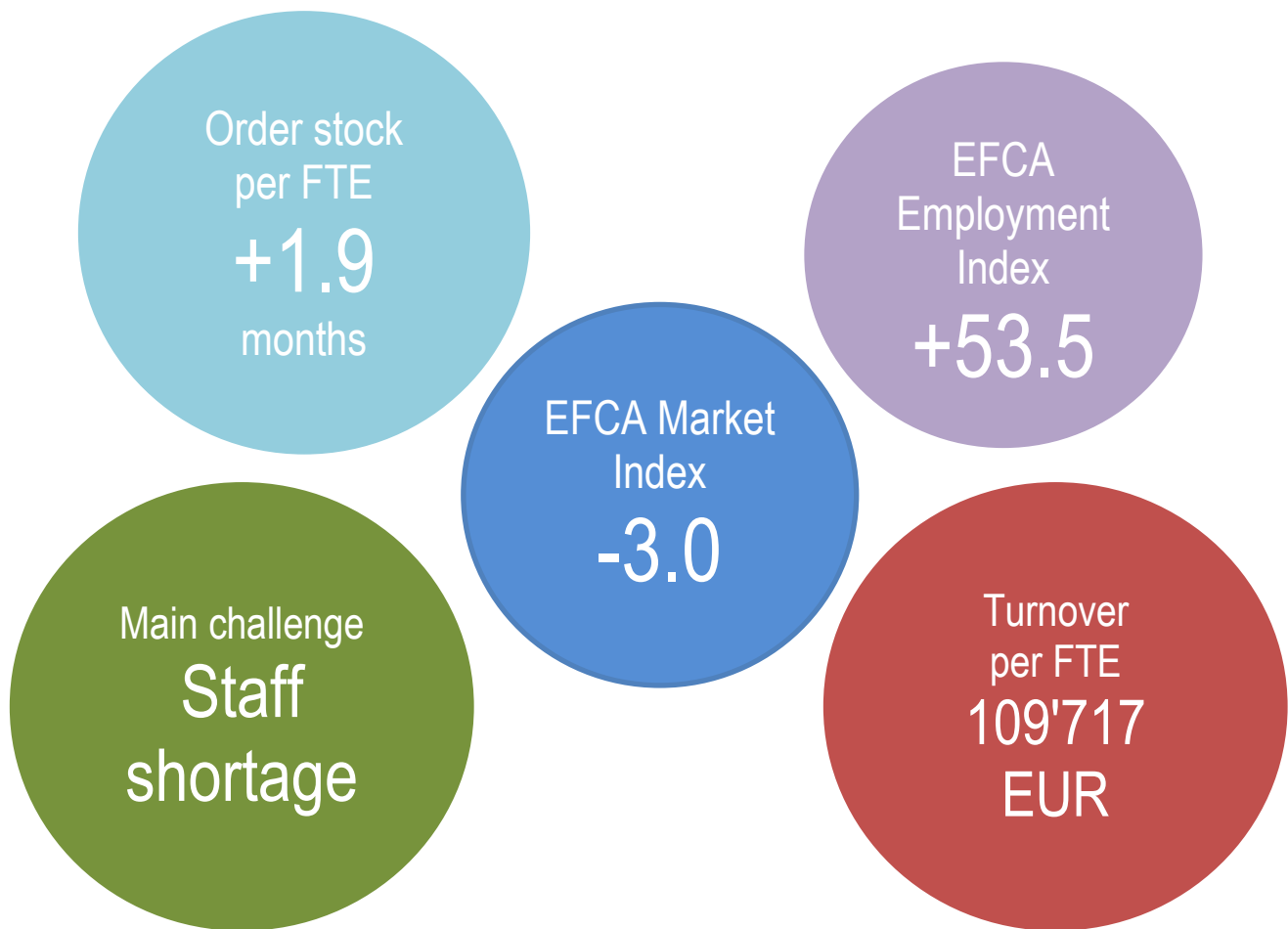


The State of the European Consulting Engineering Sector

BAROMETER spring 2022



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	Luxembourg, 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. Though data has been provided, it has not been taken into account in this survey.

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

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The Task Force has produced this report and analysis based on best available information on the current state of business (March and April 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 employees on the market of each country according to Eurostat figures. For the latest Eurostat figures see the appendix.

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Executive summary

Geopolitics creates uncertainty for strong European Consultancy Engineering Markets

The COVID-19-crisis in Europe has been managed, but the Russian invasion of Ukraine has triggered new uncertainties for the European Consultancy and Engineering companies. In general, markets had recovered throughout 2021, reporting the highest order stock ever registered. The impact of high numbers of COVID-19 infections during the early months of 2022 has not impeded the growth of the consultancy and engineering industry across Europe. The currently largest challenge for the consultancy and engineering industry in Europe is the shortage of staff. But the impact from the war in Ukraine, continued COVID-lockdowns in China, rising inflation and interest rates are all factors contributing to new uncertainty as to the market developments in the future.

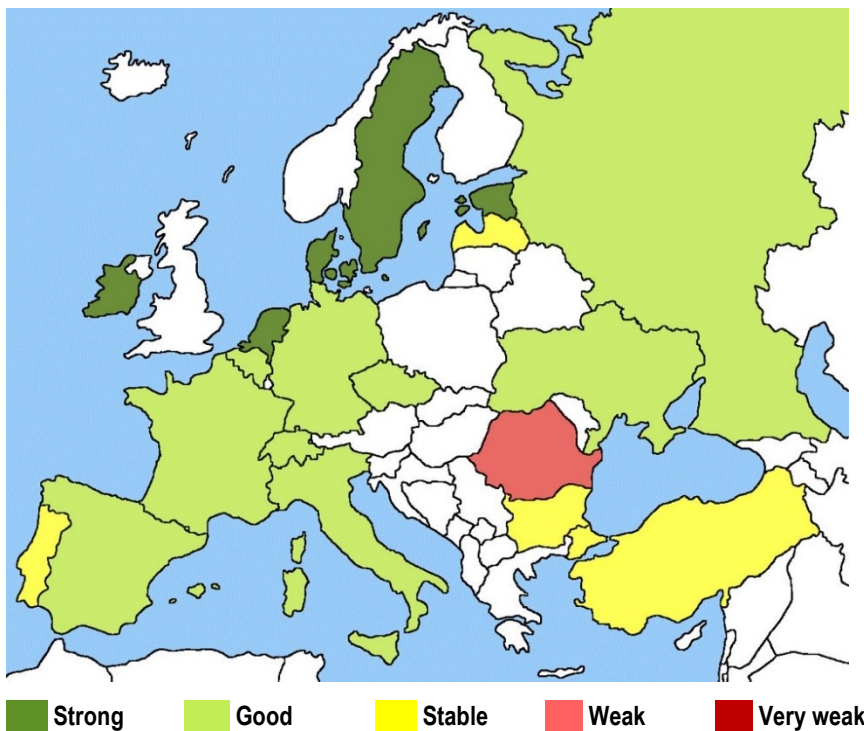
Although COVID-19 is still challenging parts of the business environment, and European societies, the impact on the consultancy and engineering industry in Europe is significantly reduced, compared to the situation 6, 12 and 24 months ago. The signs of improvement, forecasted in the two most recent EFCA Barometer reports (spring 2021 and autumn 2021), has materialised, and the market situation is good. In spite of the fact that the EFCA Market Index has been reduced by 3 index points, order stock per fulltime employee (avg. across Europe) has risen by 1.9 months. Thus, the current state of the European markets are showing strong improvements compared to the autumn of 2021. The majority of markets in Europe are reported as either good or strong, four markets remain stable and only one market is still weak.

The underlying indicators provide reasons for caution. Despite an increase of Employment by 53.5 index points since autumn 2021, the forecast for autumn 2022 is pessimistic. Turnover per employee, as an average for the markets covered by this edition of the EFCA Barometer is at €109,717, which shows, that significant value and revenue is being created by the European consultancy and engineering industry.

Nonetheless, shortage of staff is currently the most salient concern among EFCA Members. Low fees and digitalisation have gained in importance compared to previous surveys. Profitability for 2020 was at an average of 7.1 percent, compared to 5.4 percent in 2019. For 2021 profitability is expected to increase in eight of 20 participating countries and remain unchanged in the rest, except for one country which expects a decrease.

The survey was conducted between 23rd February and 10th April 2022, 24 member associations have responded (80%).

Current state of European Markets. EFCA Survey Spring 2022

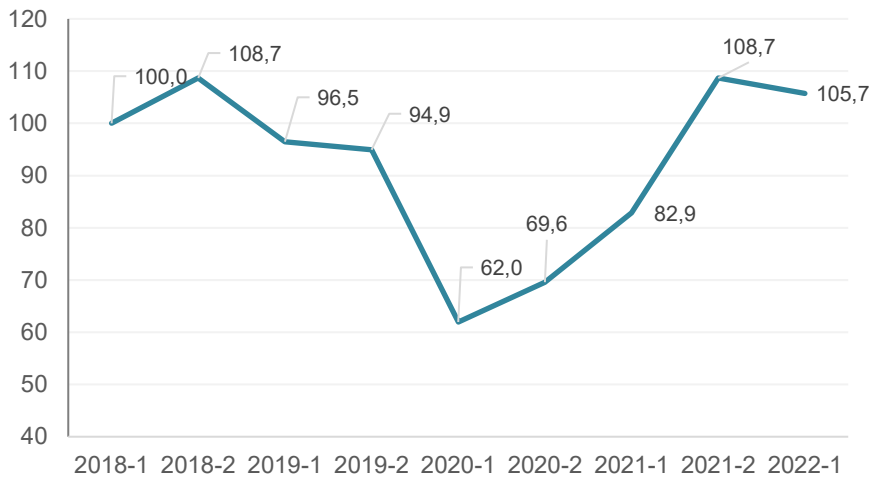


QUICK OVERVIEW, OVERALL MARKET IN EUROPE	
Current market status	➡
Expected order stock coming 6 months	➡
Expected turnover coming 6 months	➡
Expected staff change coming 6 months	➡

Market development

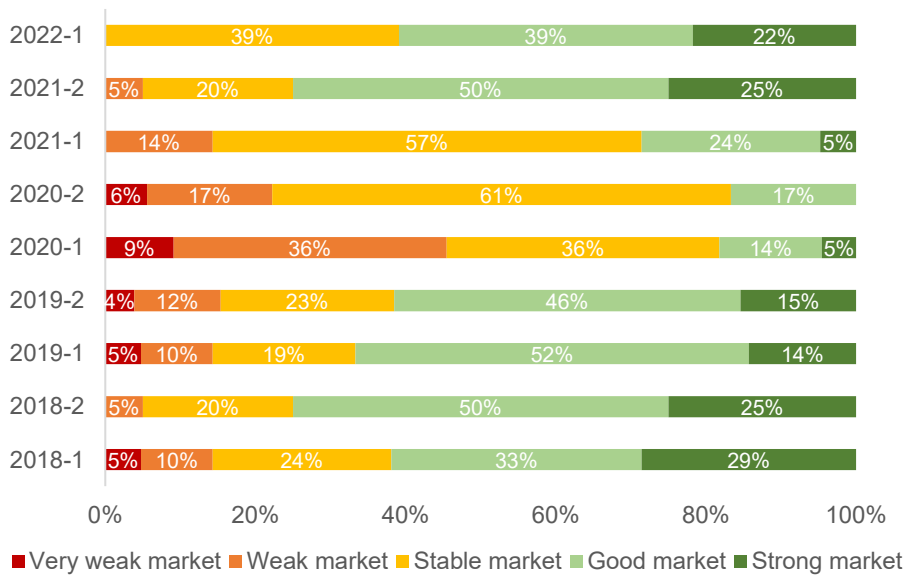
EFCA Market Index, spring 2018 – spring 2022

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



The EFCA Market Index, showing the overall development of the European markets, has decreased by three points compared to the autumn 2021 survey. This indicates a stable development, following the recovery over the past 18 months, from the COVID-19-Crisis. Markets are 5.7 points higher, compared to the first survey in spring 2018.

Market development by category in percent



Markets have returned to the levels prior to the COVID-19-crisis. Sixty-one percent of the markets are strong or good markets, compared to 29% in the spring of 2021. Only Romania reported weak markets, no EFCA member association declared markets to be very weak.

Employment

EFCA Employment Index, spring 2018 – spring 2022

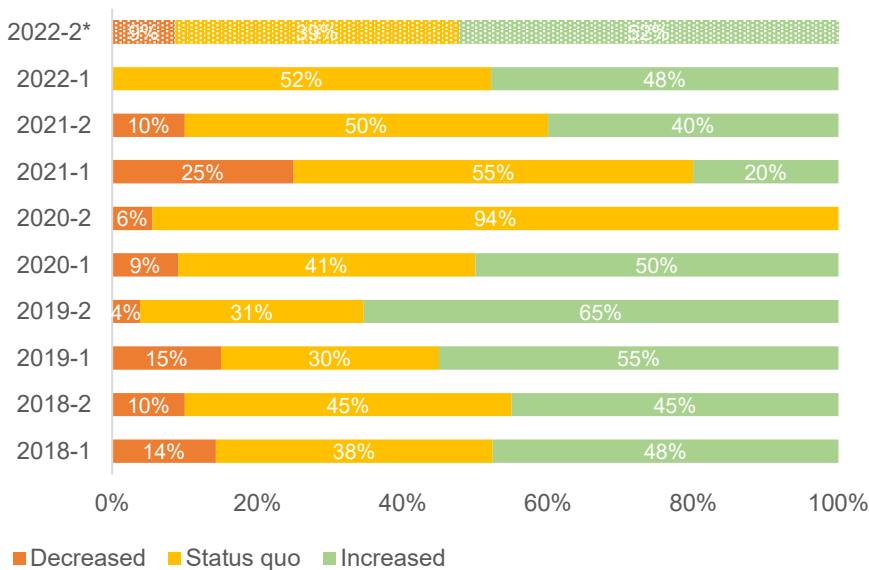
2018-1 = 100 (see appendix, definitions).



Employment has significantly increased by 53.5 points since autumn 2021, and by a massive 159.3 index points over the past twelve months. The current level of 143.5 points is 43.5 points above the reference period of spring 2018, but still less than what was expected in autumn of 2021, thus reflecting a development which is levelling out.

Projections for the next six months reflects the current uncertainties in the market, with an expected decrease in the EFCA Employment index to 130.4 points.

Staff development by category in percent (* = expected)



From all respondents, 48% reported an increase in staff numbers over the past six months. The remaining 52% had unchanged staff numbers.

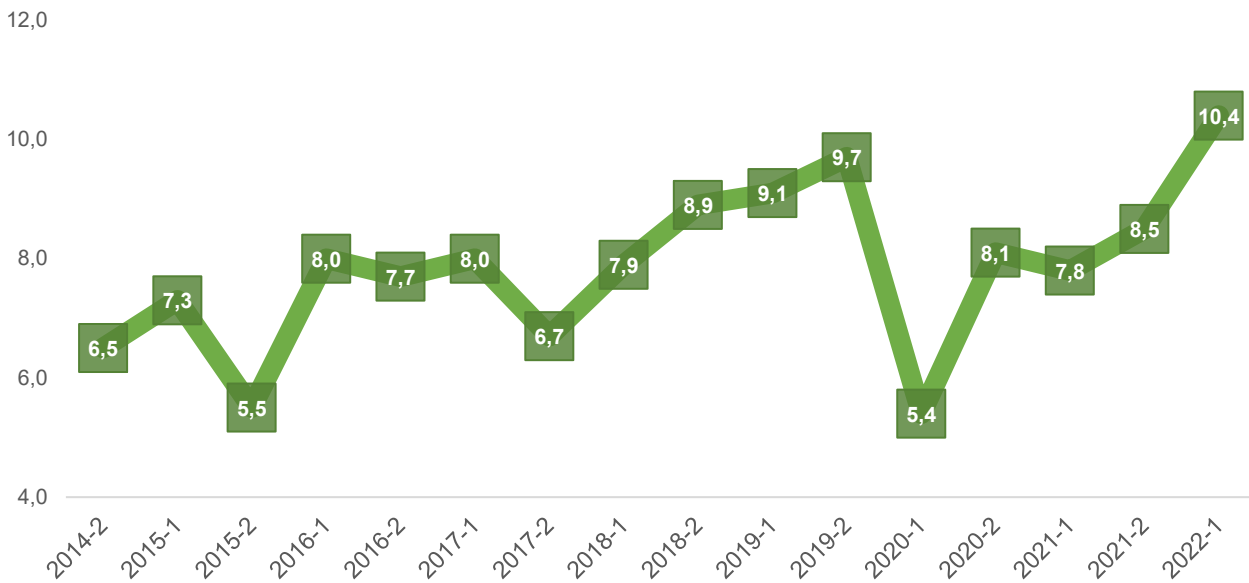
Looking towards the future, 52% expect increased staff number for the next six months, 39% expect unchanged numbers, and 9% expect to see a decrease.

Order stock

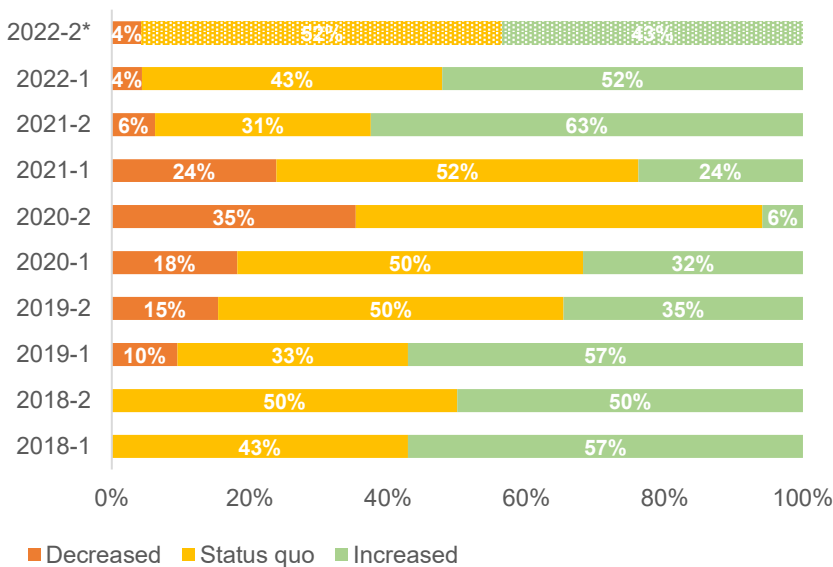
Order stock has reached the highest ever recorded level by the EFCA Barometer by spring 2022. This follows a significant dip during the COVID-19-crisis and can be seen as a strong indicator of the overall good state of business of the consultancy and engineering industry in Europe. However, the strong backlog of orders is not only good news, but also an indicator for a significant shortage of staff in a lot of companies across Europe. The average order stock in months has increased by 1.9 months since autumn 2021.

Given the market uncertainties that are revealed in this EFCA Barometer report, the average order stock across Europe, measured in months, is expected to remain unchanged.

Average order stock in months, European average 2014-2022



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

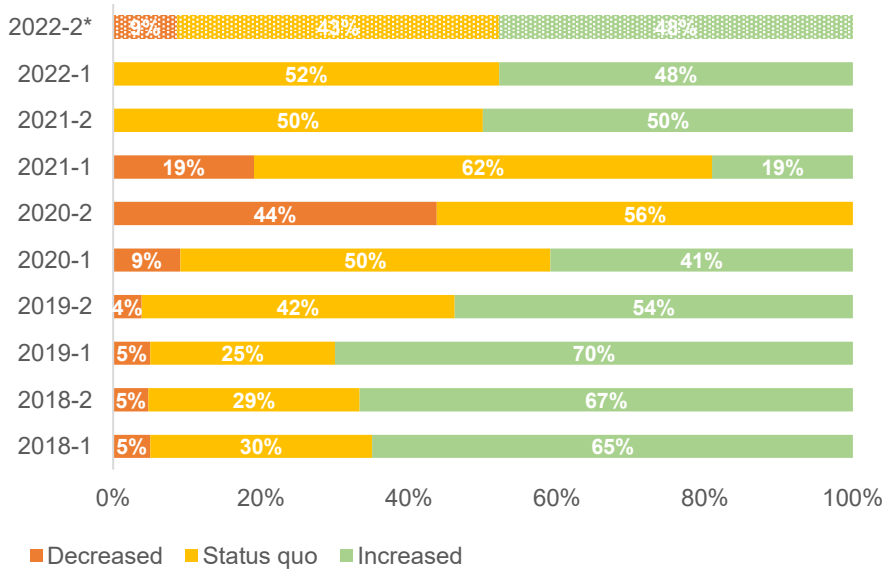


The outlook for the coming six months continues to paint a picture of growth, in line with the expected developments in staff numbers. 43 % of the countries expect an increase in order stock, 52 % expect order stock to remain at the same level. Only 4 % (one country) expect a decline.

Turnover

The “across Europe” average turnover per full-time equivalent staff member in this survey was 109’717 Euro. This is a steep decrease, compared to the 154’301 Euro observed in autumn 2021. The reason for this difference is that the mix of participating countries in the Barometer has changed.

Turnover development by category in percent (* = expected)

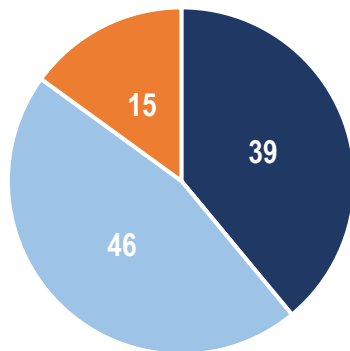


The overall development in turnover shows an increase for eleven countries for the past six months, whereas twelve countries have experienced a status quo. The outlook is slightly pessimistic. Eleven countries expect turnover in the consultancy and engineering industry to increase, while ten expect turnover to remain at the same level and two countries foresee a decline.

On average, 9 percent of turnover for the European consultancy and engineering companies can be attributed to export activities, 37 percent to domestic private and 53 percent to domestic public markets.

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

- Private domestic
- Public domestic
- Export



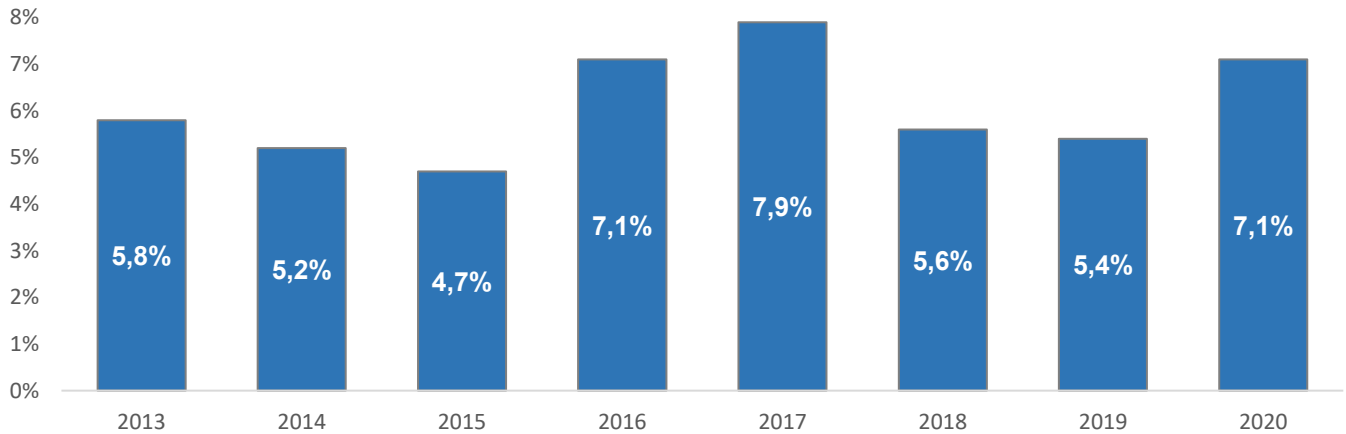
Turnover distribution, top tier countries, spring 2022

Private domestic	Public domestic	Export
1 Serbia (80%)	1 Romania (80%)	1 Spain (80%)
2 Finland (62%)	2 Bulgaria (60%)	2 Italy (50%)
3 Luxembourg/ Sweden (60%)	3 Belgium (58%)	3 Turkey (22%)
4 Norway/ Czech Republic/ Estonia/ Ireland (50%)	4 France (57%)	4 Denmark (20%)
5 Germany (45%)	5 Switzerland (55%)	5 Greece (16%)

Profitability

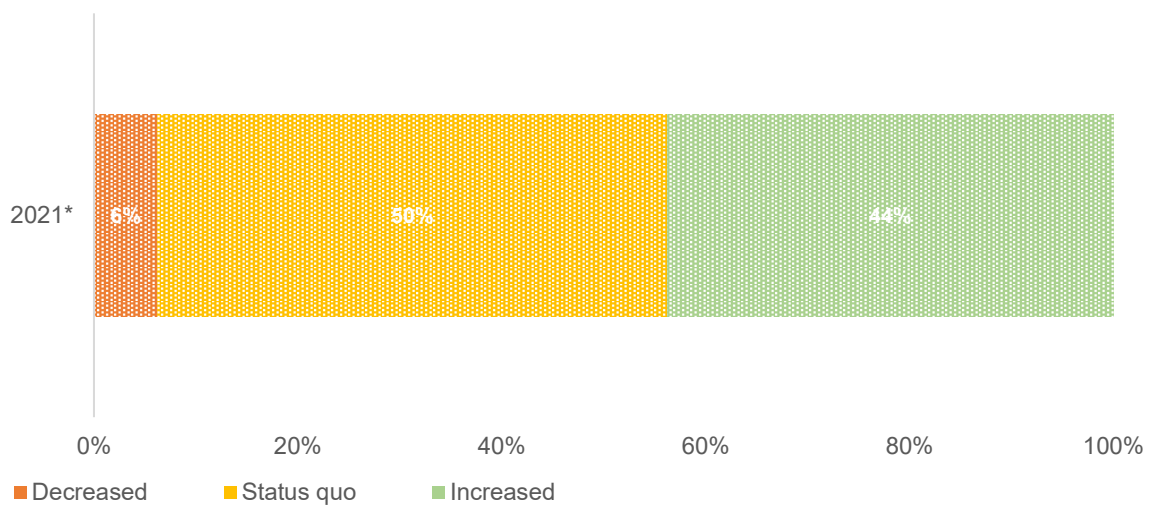
At 7.1 percent, the average profit ratio (EBITDA) has increased by 1.7 percentage points between 2019 and 2020. Four countries have reported an increase, five countries a decrease and eight countries stable profit ratios.

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



For 2021 eight countries expect profit ratios to increase, only one expects profit ratios to decline, while eight expect them to remain the same.

Profitability development by category in percent (* = expected)



Challenges

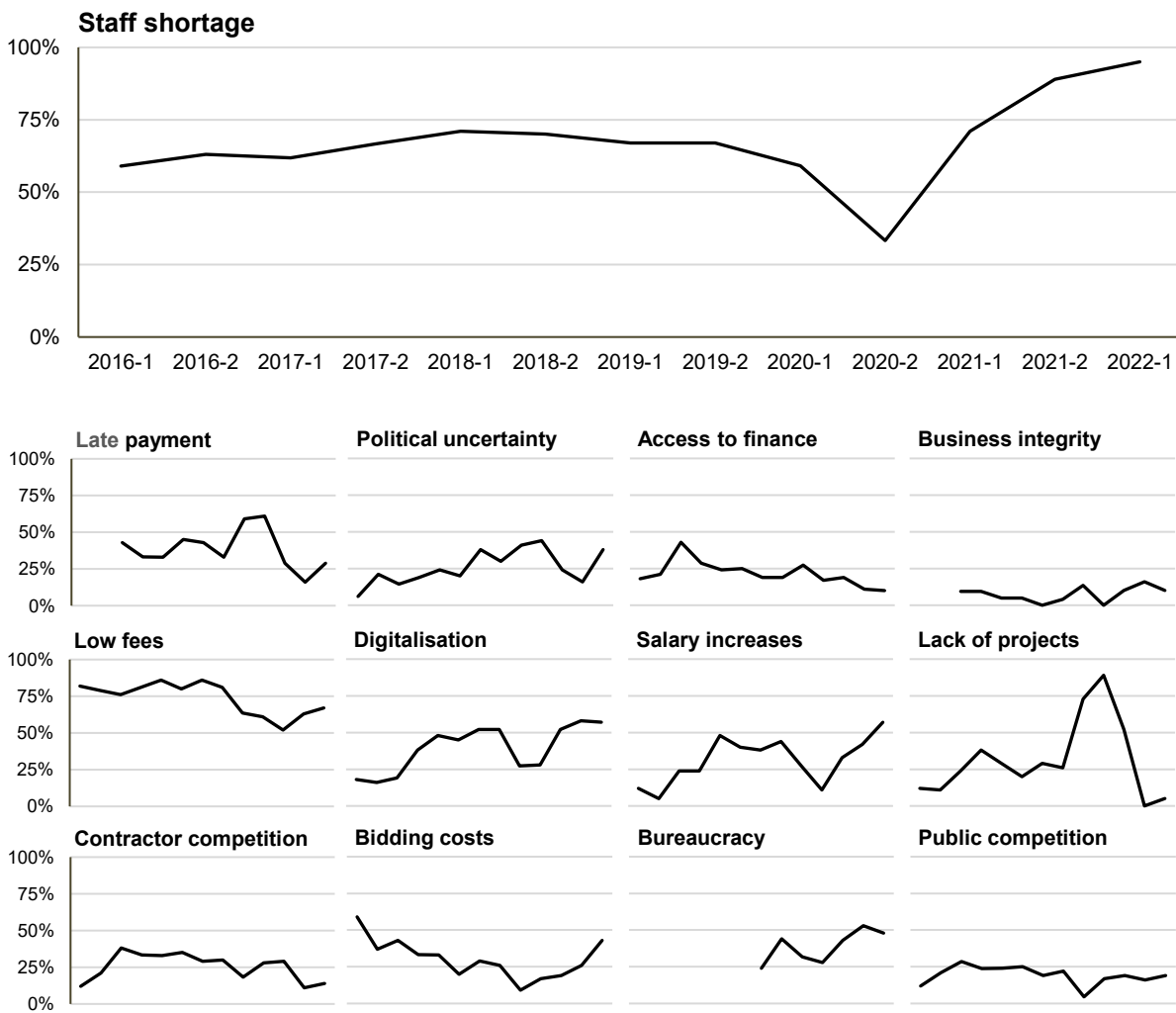
As in the previous survey, staff shortage and low fees continue to dominate as primary concerns of the industry. However, lack of projects is now ranked as the least of all concerns. While digitalisation, bureaucracy and salary increase remain in the upper ranks.

The results indicate that the COVID-19-crisis has come to an end, in the business reality for consultancy and engineering companies. With many projects in the pipeline and the usual challenges dominating. At the same time, some of the underlying trends, from before the COVID-19-crisis, seem to be on a continued rise as challenges for the industry: complex bureaucratic constraints (red tape) and digitalisation challenges. Political uncertainty is also in the rise, and this figure would have been even higher, had the survey been conducted in May 2022, rather than in February to April 2022.

Main challenges faced by European companies

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

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



Country Overview

Austria, ACA

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

Belgium, ORI

Market			OK
Staff		→	→
Order stock	8,9	↘	→
Turnover		→	↘
Domestic/Public/Export	33,5	58,0	8,5
Profit ratio (EBITDA)	7,0	→	↘

Bulgaria, BACEA

Market			OK
Staff		→	→
Order stock	3,0	→	↗
Turnover		→	↗
Domestic/Public/Export	30,0	60,0	10,0
Profit ratio (EBITDA)		↘	→

Czech Republic, CACE

Market			Strong
Staff		→	→
Order stock	8,0	↗	↗
Turnover		↗	↗
Domestic/Public/Export	50,0	46,0	4,0
Profit ratio (EBITDA)	5,0	↗	→

Denmark, FRI

Market			Good
Staff		↗	↗
Order stock	5,7	↗	→
Turnover		↗	↗
Domestic/Public/Export	42,0	38,0	20,0
Profit ratio (EBITDA)	6,9	↗	→

Estonia, EAACEC

Market			OK
Staff		→	→
Order stock	7,9	→	→
Turnover		→	→
Domestic/Public/Export	50,0	42,0	7,5
Profit ratio (EBITDA)	8,5	→	↗

Finland, SKOL

Market			Good
Staff		↗	→
Order stock	1,6	↗	→
Turnover		→	→
Domestic/Public/Export	62,0	32,0	6,0
Profit ratio (EBITDA)			

France, Syntec / Cinov*

Market			Strong
Staff		→	↗
Order stock	12,2	↗	→
Turnover		↗	↗
Domestic/Public/Export	38,9	57,2	3,9
Profit ratio (EBITDA)	7,4	↗	↗

Germany, VBI

Market			Strong
Staff		↗	↗
Order stock	11,0	→	→
Turnover		→	→
Domestic/Public/Export	45,0	50,0	5,0
Profit ratio (EBITDA)		→	→

Greece, Hellasco

Market			OK
Staff		↗	↗
Order stock	3,0	↗	↗
Turnover		↗	↗
Domestic/Public/Export	44,0	40,0	16,0
Profit ratio (EBITDA)			

Hungary, AHCEA

Market			OK
Staff		→	↘
Order stock		↗	↗
Turnover		→	→
Domestic/Public/Export			
Profit ratio (EBITDA)			

Ireland, ACEI

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

Italy, OICE

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

Latvia, LIKA

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

Luxemburg, OAI

Market			Good
Staff		→	↗
Order stock	5,8	→	→
Turnover		→	→
Domestic/Public/Export	60,3	35,1	4,6
Profit ratio (EBITDA)			

Macedonia, ACEMA

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

Norway, RIF

Market			OK
Staff		↗	↗
Order stock		↗	↗
Turnover		→	→
Domestic/Public/Export	50,0	49,0	1,0
Profit ratio (EBITDA)			

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	→	↗		Order stock	24,0	↗	↗	Order stock			
Turnover	→	↗		Turnover		↗	↗	Turnover			
Domestic/Public/Export				Domestic/Public/Export	20,0	80,0	0,0	Domestic/Public/Export			
Profit ratio (EBITDA)	↘	↗		Profit ratio (EBITDA)	→	→		Profit ratio (EBITDA)			
Serbia, ACES				Slovenia, NACES				Spain, TECNIBERIA			
Market	Good			Market				Market	Good		
Staff	→	→		Staff				Staff	↗	→	
Order stock	10,0	→	→	Order stock				Order stock	→	↗	
Turnover		→	→	Turnover				Turnover	↗	↗	
Domestic/Public/Export	80,0	7,5	12,5	Domestic/Public/Export				Domestic/Public/Export	5,0	15,0	80,0
Profit ratio (EBITDA)	7,0			Profit ratio (EBITDA)				Profit ratio (EBITDA)	↘	↗	
Sweden, FSIC				Switzerland, USIC				The Netherlands, NLingenieurs			
Market	Good			Market	Good			Market	Strong		
Staff	↗	↗		Staff	↗	↗		Staff	→	→	
Order stock	↗	→		Order stock	1,6	↗	→	Order stock	↗	→	
Turnover	↗	→		Turnover		↗	↗	Turnover	↗	→	
Domestic/Public/Export	60,0	35,0	5,0	Domestic/Public/Export	40,0	55,0	5,0	Domestic/Public/Export			
Profit ratio (EBITDA)	7,7	↘	↗	Profit ratio (EBITDA)	→	→		Profit ratio (EBITDA)	→	→	
Turkey, ATCEA				Ukraine, ICEG				United Kingdom, ACE ***			
Market	OK			Market				Market			
Staff	→	↘		Staff				Staff			
Order stock	→	↘		Order stock				Order stock			
Turnover	→	↘		Turnover				Turnover			
Domestic/Public/Export	30,0	48,0	22,0	Domestic/Public/Export				Domestic/Public/Export			
Profit ratio (EBITDA)				Profit ratio (EBITDA)	6,0	↘	→	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 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

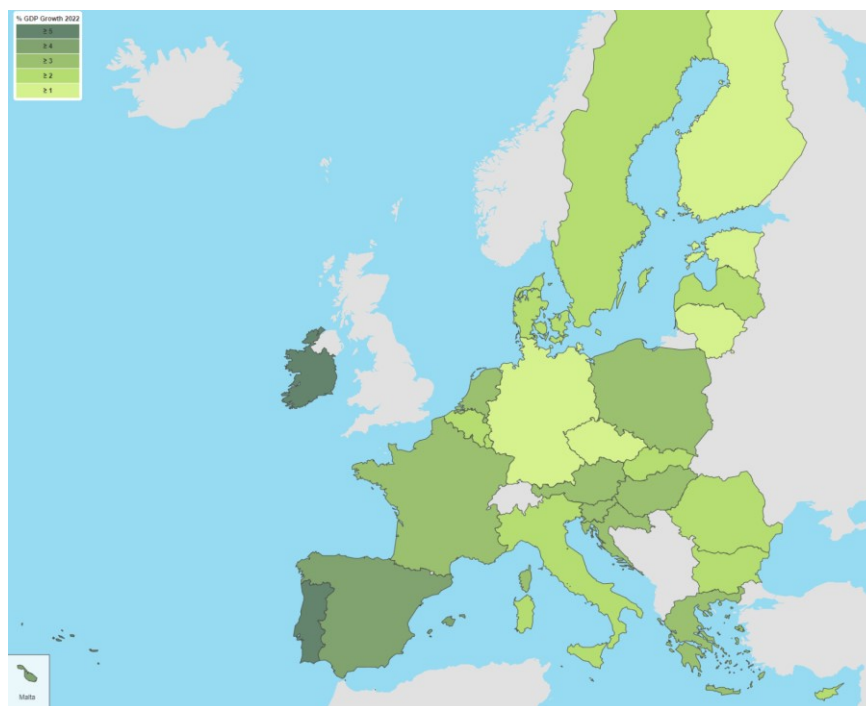
Most important is the Spring 2022 Economic Forecast and “Growth Map 2022” as made by the European Commission.

The outlook for the EU economy before the outbreak of the war in Ukraine was for a prolonged and robust expansion. But Russia's invasion of Ukraine has posed new challenges, just as the European Union had recovered from the economic impacts of the Covid-19 pandemic. By exerting further upward pressures on commodity prices, causing renewed supply disruptions and increasing uncertainty, the war is exacerbating pre-existing headwinds to growth, which were previously expected to subside. This has led the European Commission to revise the EU's growth outlook downwards, and the forecast for inflation upwards.

Real GDP growth in both the EU and the euro area is now expected at 2.7% in 2022 and 2.3% in 2023, down from 4.0% and 2.8% (2.7% in the euro area), respectively, in the Winter 2022 interim Forecast.

However, the European labour market is entering the new crisis on a strong footing. In 2021, more than 5.2 million jobs were created in the EU economy, which attracted nearly 3.5 million more people into the labour market. In addition, the number of unemployed decreased by nearly 1.8 million people. Labour market conditions are expected to improve further. Employment in the EU is projected to grow by 1.2% this year, though this annual growth rate is spurred by the strong momentum in the second half of last year.

The Spring 2022 European **Growth Map** 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, and especially on its impact on energy markets.



Source: [Sprhttps://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2022-economic-forecast_ening_2022_Economic_Forecast:_Russian_invasion_tests_EU_economic_resilience_|_European_Commission_\(europa.eu\)](https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2022-economic-forecast_ening_2022_Economic_Forecast:_Russian_invasion_tests_EU_economic_resilience_|_European_Commission_(europa.eu))

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
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, 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

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

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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