

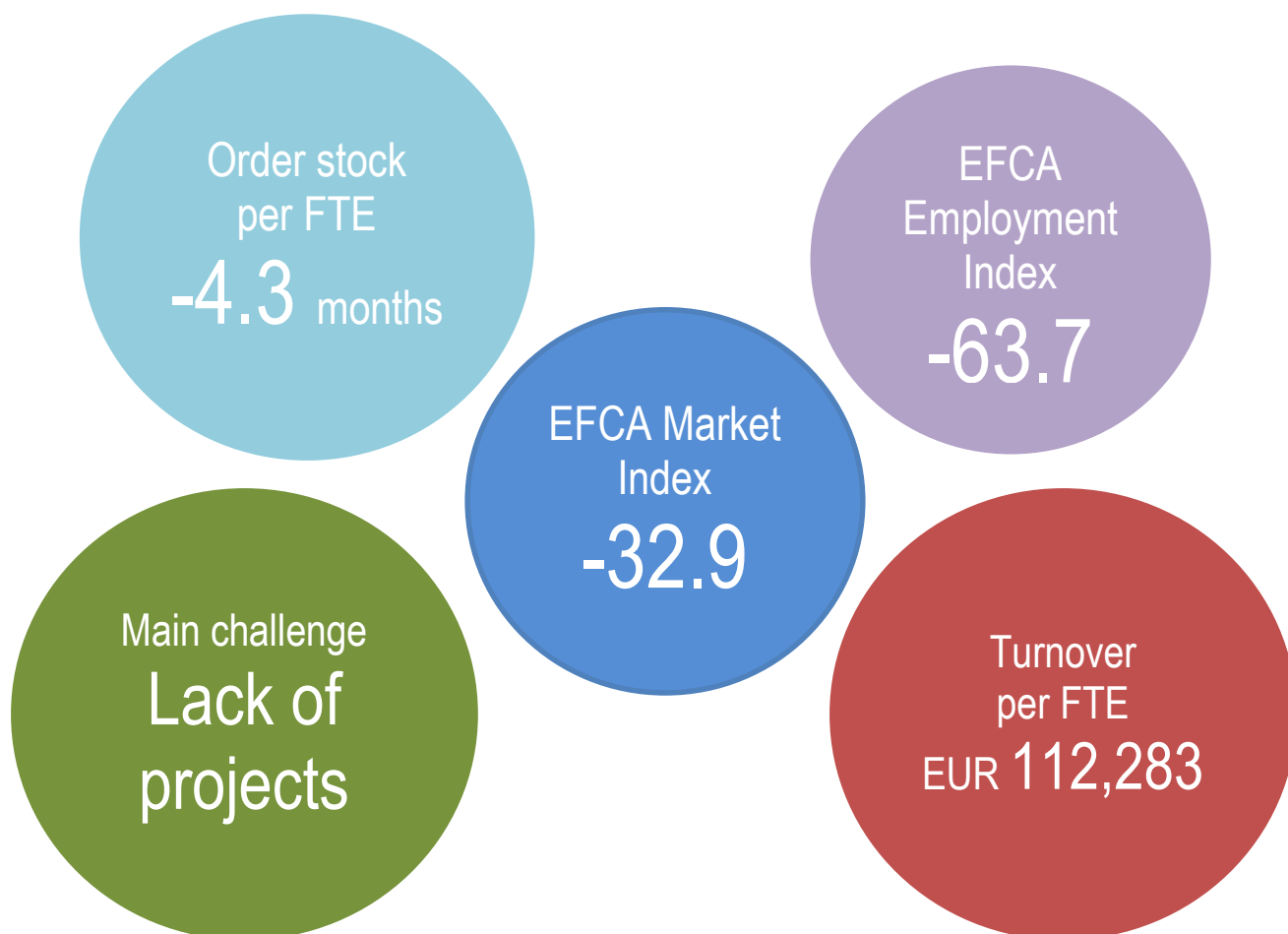
An abstract graphic featuring concentric circular rings in various shades of blue, green, and pink. Arrows of different colors (black, blue, green, orange) point in various directions, some following the rings and others crossing them. The overall effect is one of dynamic movement and interconnectedness.

The State of the European Consulting Engineering Sector

BAROMETER spring 2020



Representing
FIDIC in Europe



Participating Associations, in this survey

Austria, ACA	Finland, SKOL	Italy, OICE	Portugal, APPC	Switzerland, USIC
Belgium, ORI	France, Syntec / Cinov*	Latvia, LIKA	Romania, ARIC	The Netherlands, NLingenieurs
Bulgaria, BACEA	Germany, VBI	Luxemburg, OAI	Serbia, ACES	Turkey, ATCEA
Czech Republic, CACE	Greece, Hellasco	Macedonia, ACEMA	Slovenia, NACES	Ukraine, ICEG
Denmark, FRI	Hungary, AHCEA	Norway, RIF	Spain, TECNIBERIA	United Kingdom, ACE **
Estonia, EAACEC	Ireland, ACEI	Poland, SIDIR	Sweden, FSIC	

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

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

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

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www.efcanet.org

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EXECUTIVE SUMMARY

European Consultancy Engineering Markets in Distress

European Consultancy Engineering markets are hit hard by the COVID-19-crisis. Business for the first half of 2020 is dropping on all fronts. The crisis impacts hiring policies, order stock, turnover and profitability alike. The currently largest challenge is the lack of projects.

The current Barometer survey was conducted while the COVID-19-crisis unfolded across Europe. It shows that European Consultancy Engineering markets struggle significantly in economic terms. Overall markets have decreased by 33 index points compared to the survey in autumn 2019. Difficult market conditions are reflected in staff hiring policies across Europe. The hiring rate has seen a reduction by 64 index points compared to the previous survey. A negative value of the EFCA Employment Index of 82 points for the coming 6 months indicates possible layoffs.

Order stock and turnover have also been strongly affected across Europe. The average order stock per full time equivalent staff member has dropped from 9.7 to 5.4 months, and the average turnover is at €112,283. The majority of respondents expects a further decline in the coming six months. Almost 80 percent of the turnover is generated within domestic markets, 45 percent in the public and 34 percent in the private sector. The largest challenge for the industry is the lack of projects, closely followed by the usual top challenges low fees and lack of qualified staff. Amid the COVID-19-crisis, late payments and political uncertainty have grown in importance.

The survey was conducted between 20th March and 15th April 2020, and 22 member associations have responded (75%).

COVID-19-Surveys

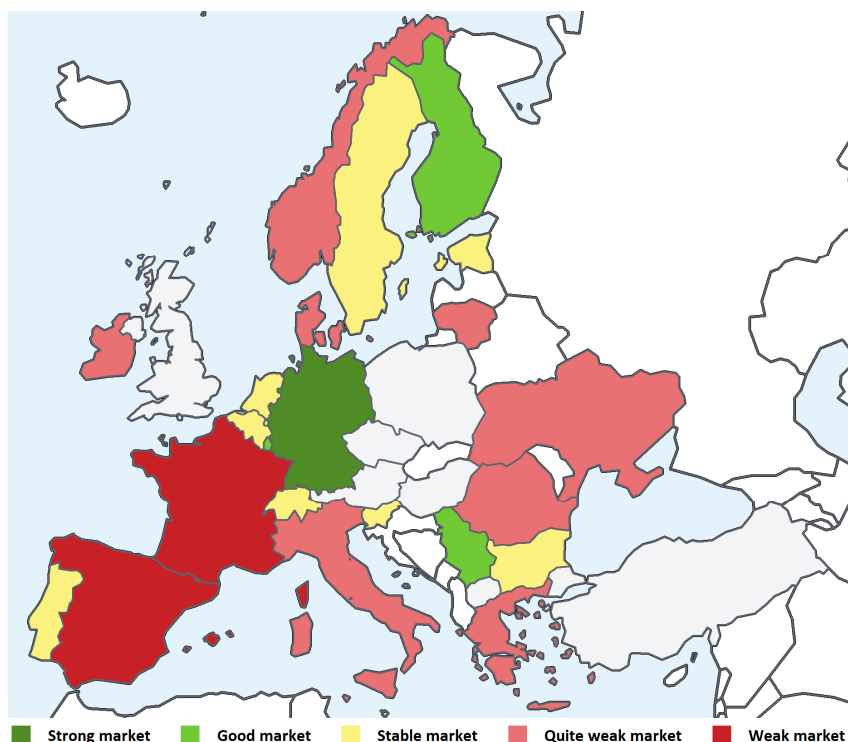
The Barometer Task-Group has conducted three separate surveys on the effect of COVID-19 on its member associations. Please refer to these results also for a complete picture on the impact of the crisis on EFCA-Members.

[EFCA –Corona Survey I \(2-6 April 2020\)](#)

[EFCA –Corona Survey II \(21-23 April 2020\)](#)

[EFCA -Corona Survey III \(27 May – 2 June 2020\)](#)

Current state of European Markets. EFCA Survey Spring 2020

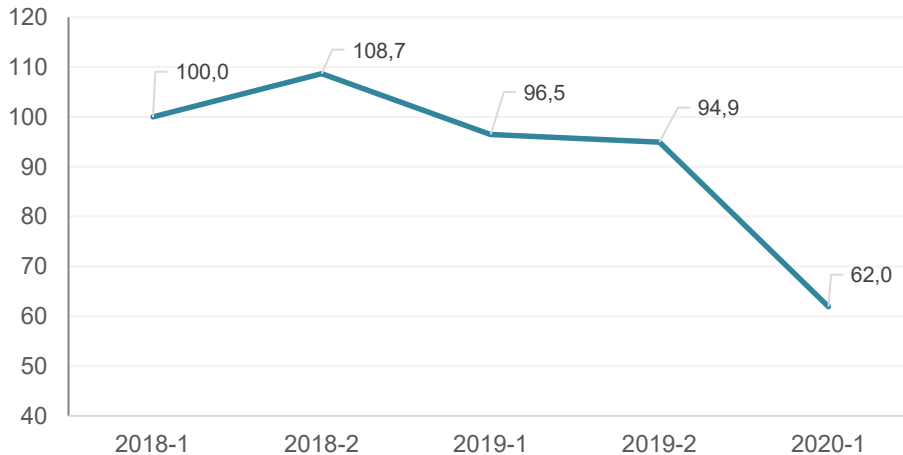


QUICK OVERVIEW, OVERALL MARKET IN EUROPE	
Current market status	↘
Expected order stock coming 6 months	↘
Expected turnover coming 6 months	↘
Expected staff change coming 6 months	↘

MARKET DEVELOPMENT

EFCA Market Index, spring 2018 – spring 2020

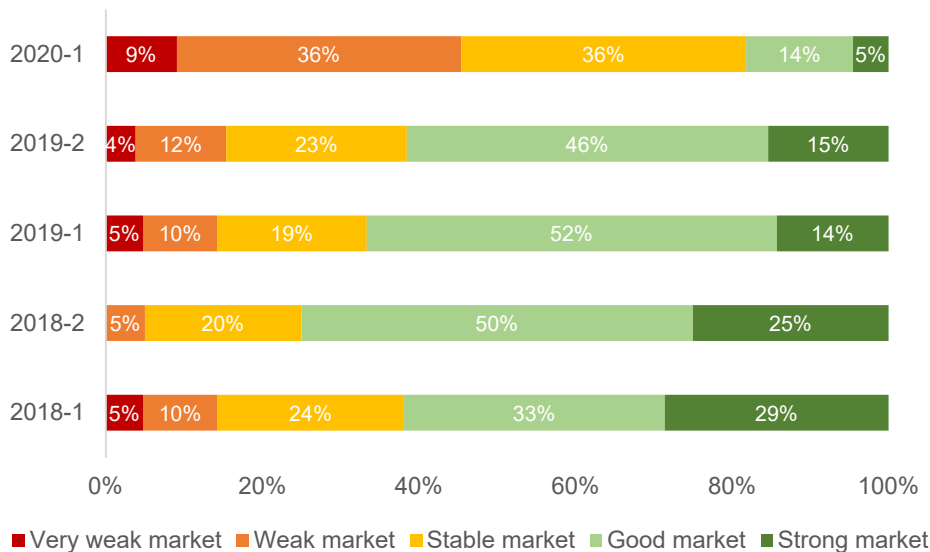
2018-1 = 100 (see appendix, definitions).



EFCA Member Associations have reported a significant decline in market development by 32.9 index points since autumn 2019, from 94.9 to 62.

The EFCA Market index has been constructed, to show, how the overall market status has changed over time. Spring 2018 is the base/reference period.

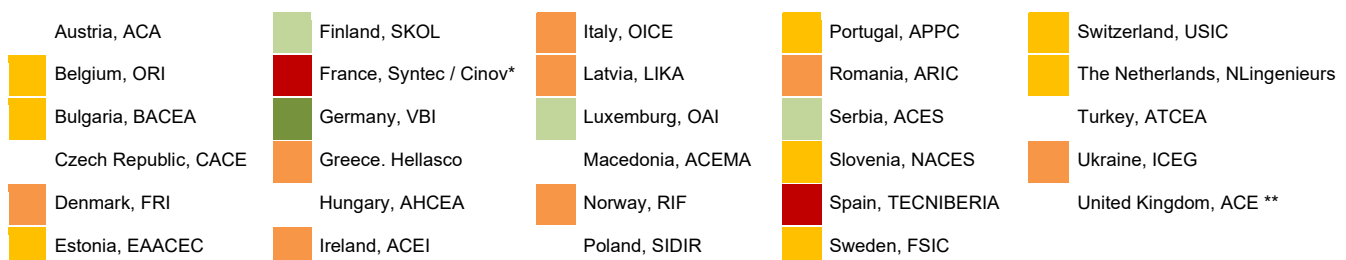
Market development: Market status by category in percent since Spring 2018



Only four countries (19%) have reported good or strong markets. The majority of countries (45%) have reported their markets to be weak or very weak, while 36 percent declared stable markets.

This stands in stark contrast to the previous survey, where a majority of 61 percent had reported good or strong markets.

Current market status by country



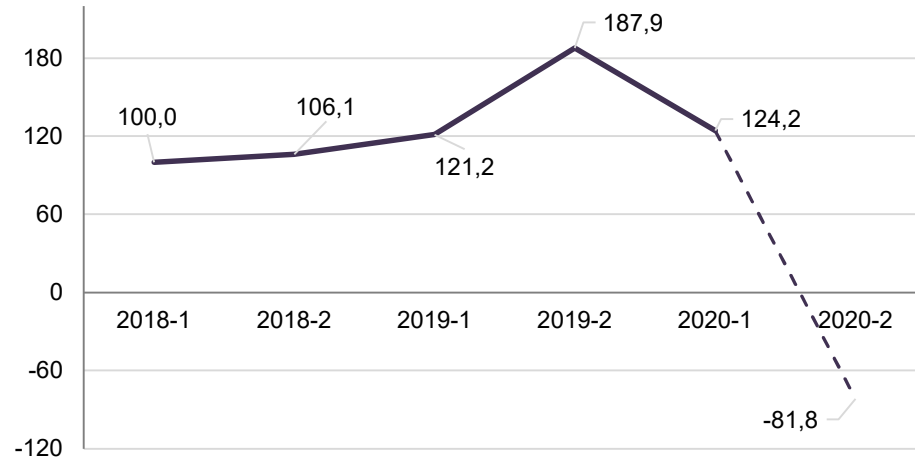
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EMPLOYMENT

EFCA Employment Index

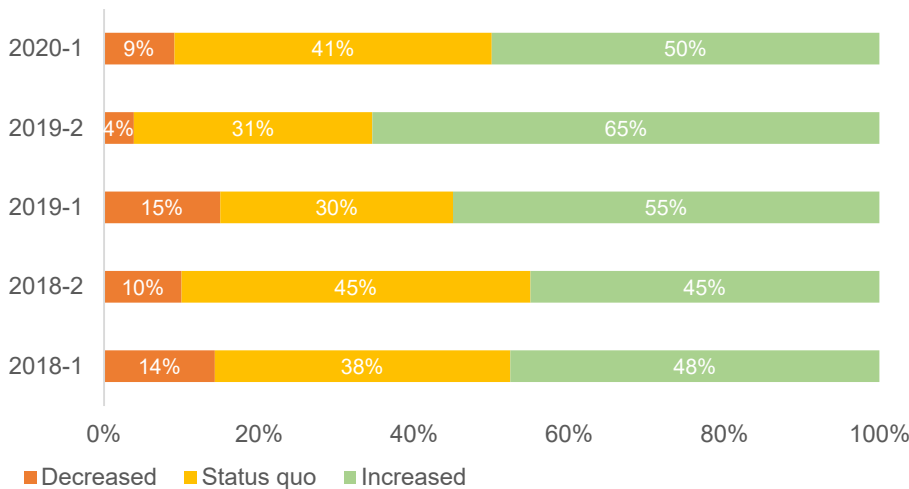
2018-1 = 100 (see appendix, definitions).



The EFCA Employment index has been constructed, to show staff development over time, with spring 2018 as the base/reference period.

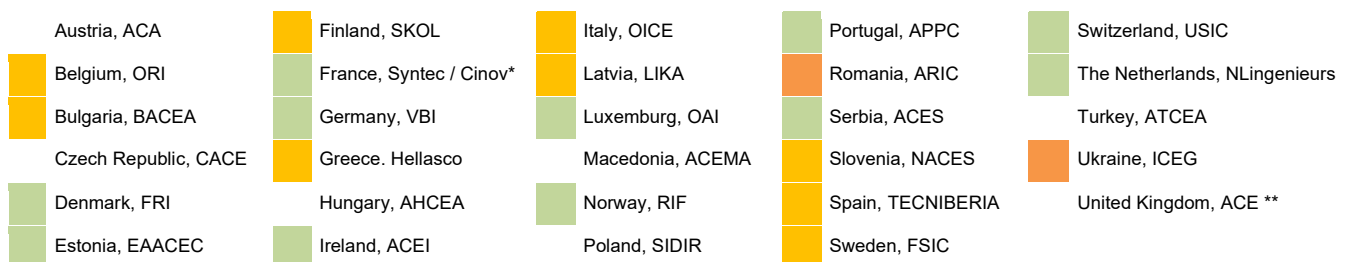
The current negative market conditions appear to take a toll on the hiring policy of consulting engineering companies. The EFCA Employment index has decreased by 63.7 index points, compared to the previous survey. The outlook for the coming 6 months is particularly grim with an expected further drop by 206 points, leading to a negative index value of 81.8, which indicates future layoffs.

Staff development by category in percent



The share of respondents reporting increasing staff developments has dropped from 65 to 50 percent since the last survey. In contrast, members reporting decreasing staff developments have risen from 4 to 9 percent. 41 percent reported no change in staff development since autumn 2019.

Staff development by country



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

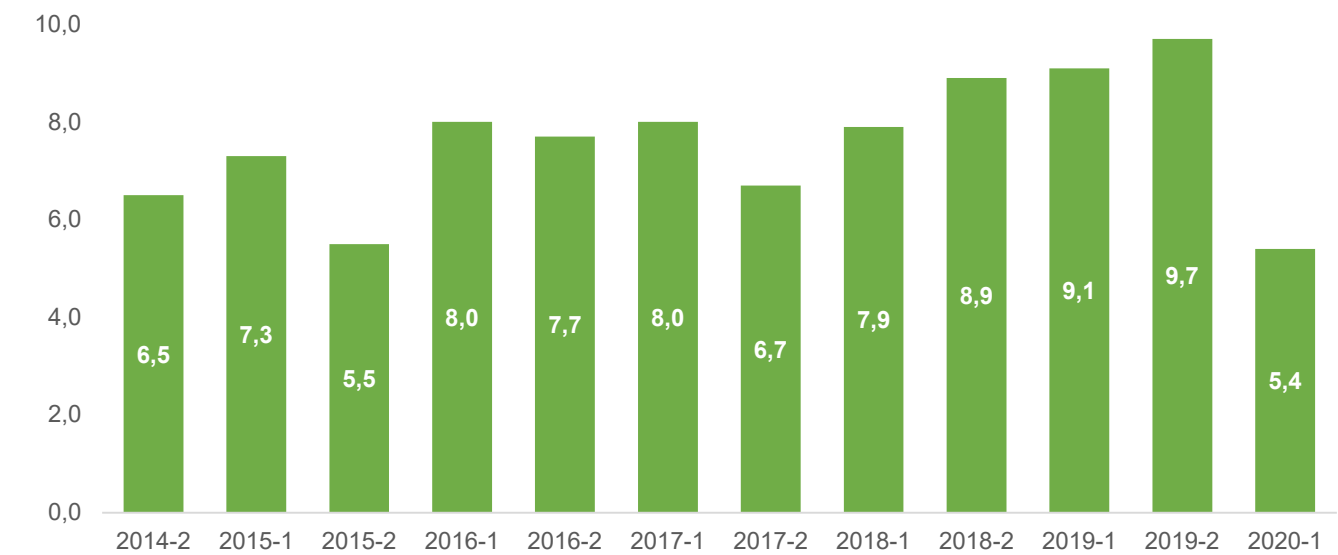
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ORDER STOCK

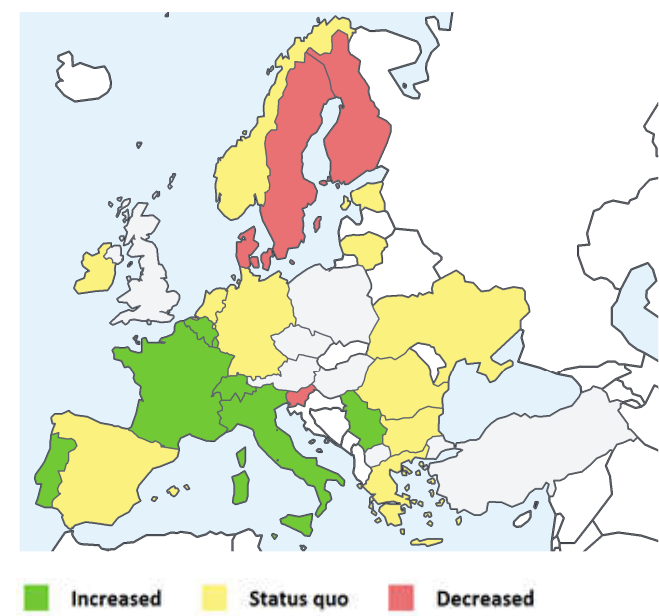
After a consecutive rise in order stock for the previous five periods, order stocks per full time equivalent staff member have plummeted from 9.7 to currently 5.4 months.

The outlook for the coming six months continues to paint a dire picture. A majority of responding countries expects order stocks to decline further. Only Greece and Serbia expect a rise.

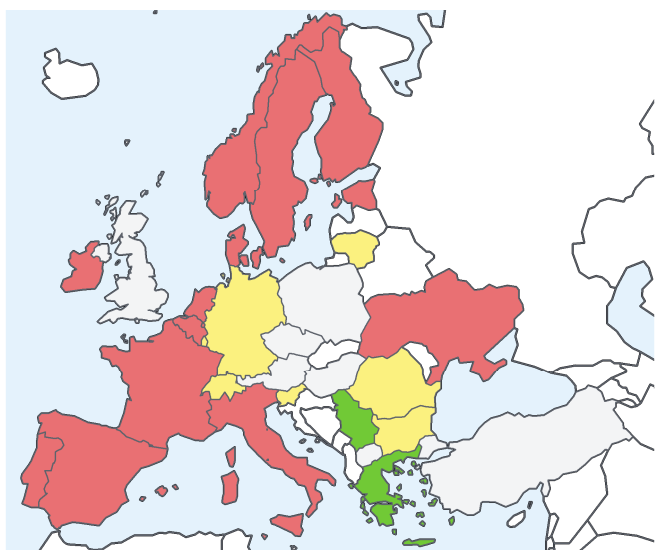
Average order stock in months, European average 2014-2020



Order stock, past six months



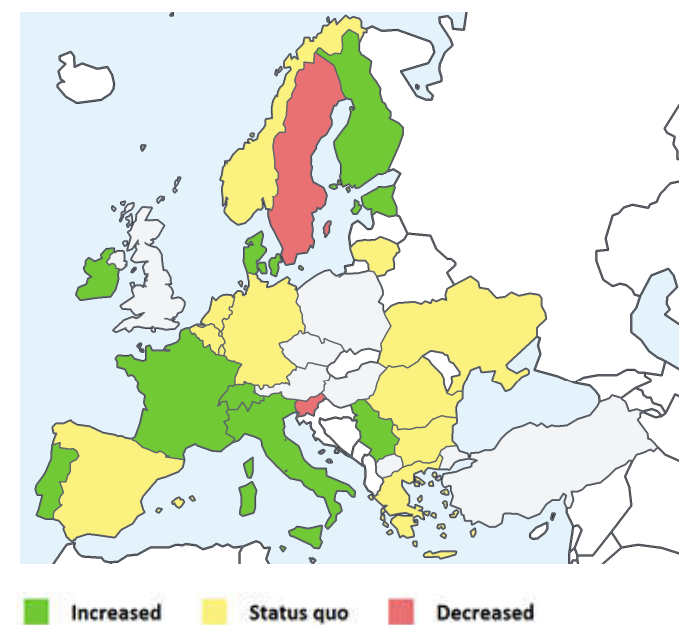
Order stock, coming six months



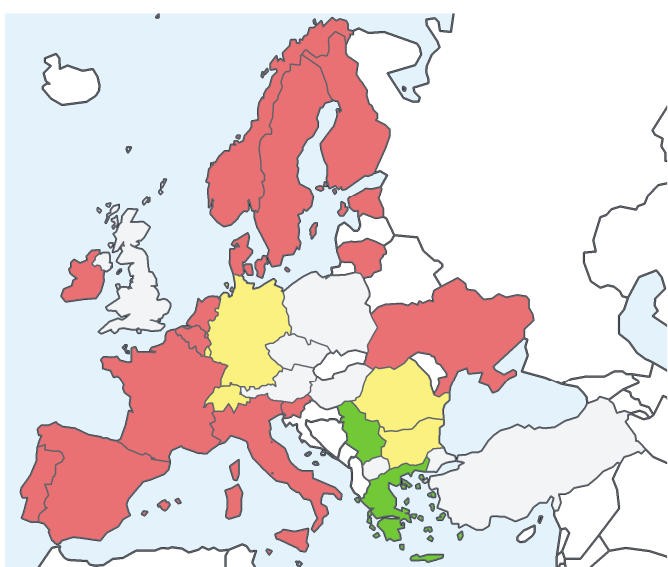
TURNOVER

The average turnover per number of full-time equivalent staff member is at €112,283 across Europe for the current period. Again, the majority of respondents expect the turnover to further decline in the coming six months.

Turnover, past six months

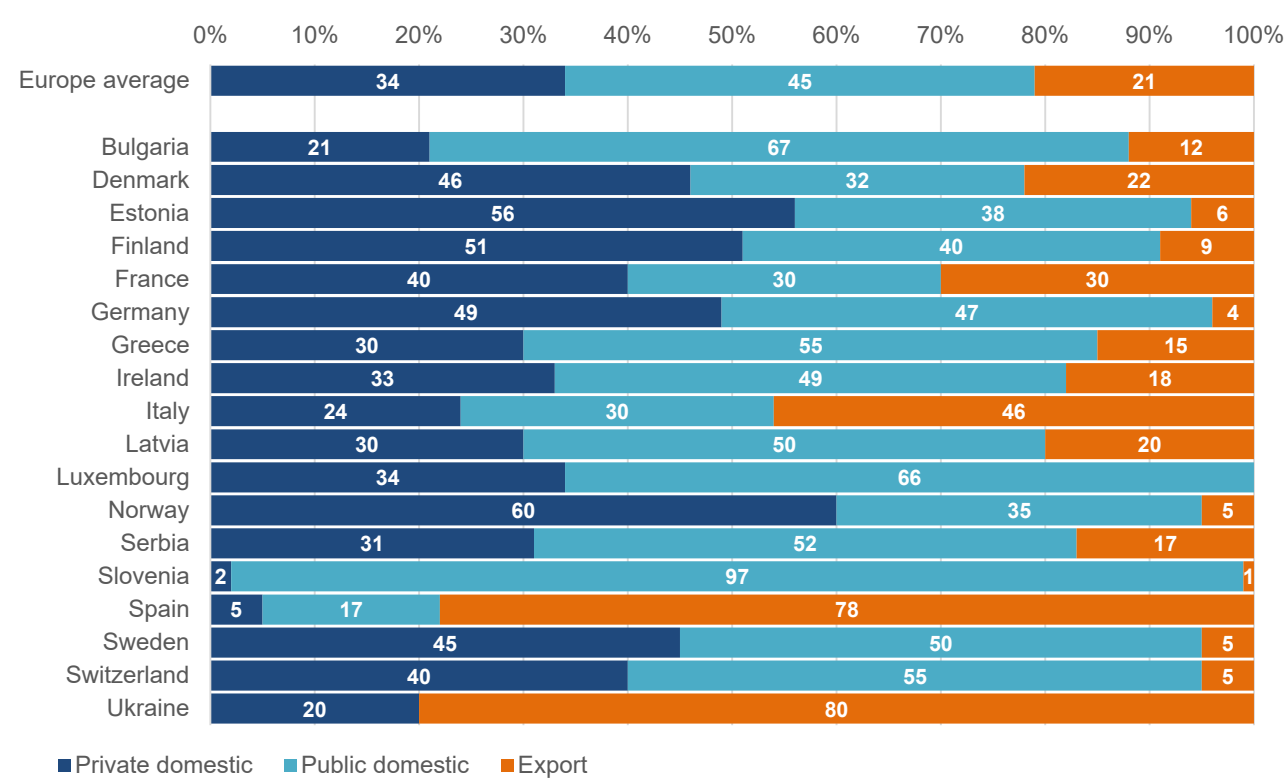


Turnover, coming six months



For the first time, respondents were also asked on the turnover distribution. On average, 21 percent are attributed to export activities, 34 percent to internal private and 45 percent to internal public markets.

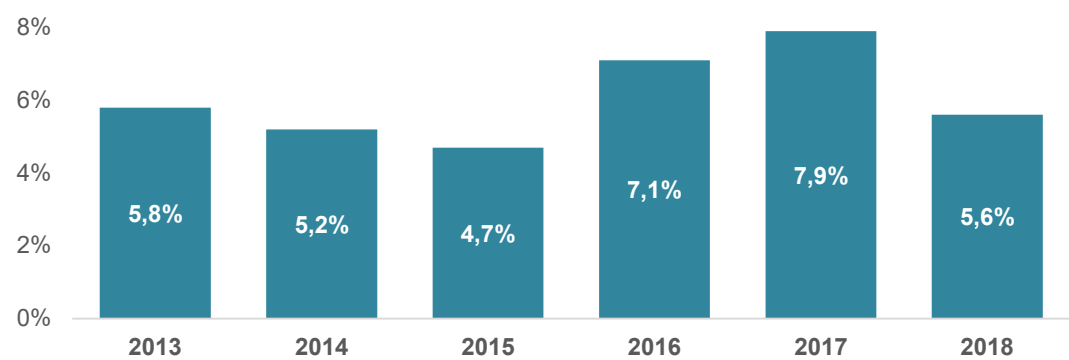
Turnover by domestic (private/public) and export activity, spring 2020



PROFITABILITY

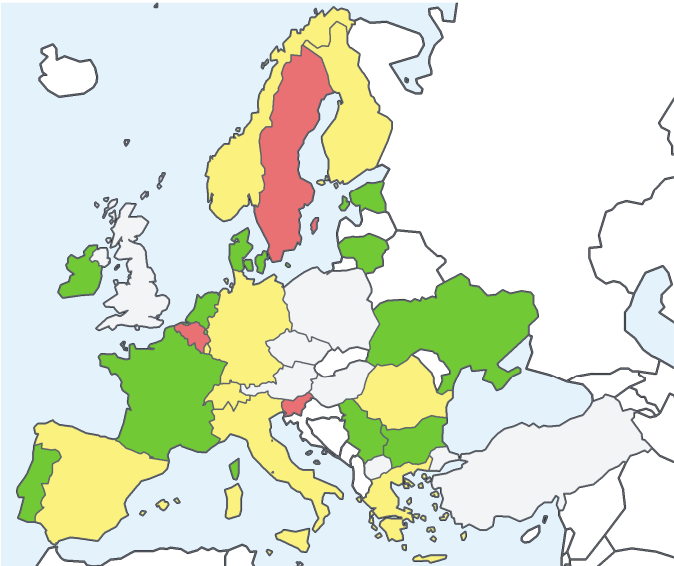
From the previous autumn survey, an average profit ratio (EBITDA) of 5.6 percent was observed for 2018. These numbers are collected once a year. Data for 2019 will be available in the autumn survey 2020. In retrospective, profitability for 2019, compared to 2018, is expected to be more positive. Ten responding countries have reported increasing, nine unchanged and only three decreasing expectations. However, 2020 will most likely see a sharp reduction in profitability. 17 out of 22 responding countries expect profitability to decline. Greece and Serbia expect a rise in profitability.

Profit ratio (EBITDA). European average, 2013-2018

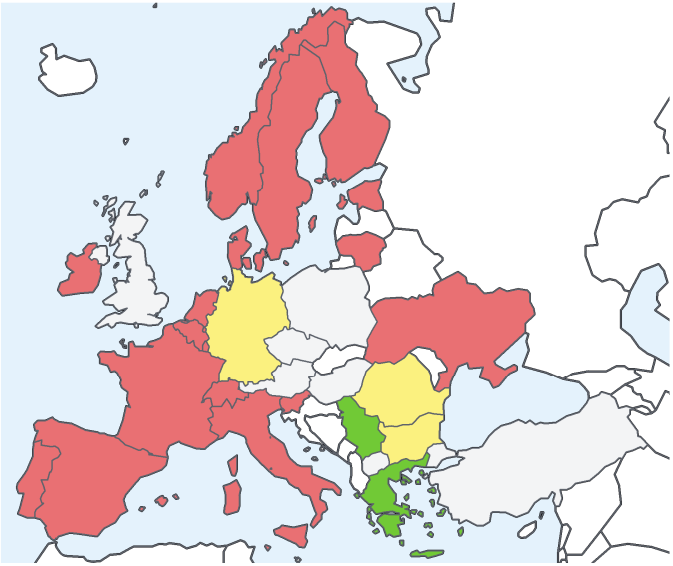


Expected developments in profitability

2019 compared to 2018



2020 compared to 2019



Increased Status quo Decreased

CHALLENGES

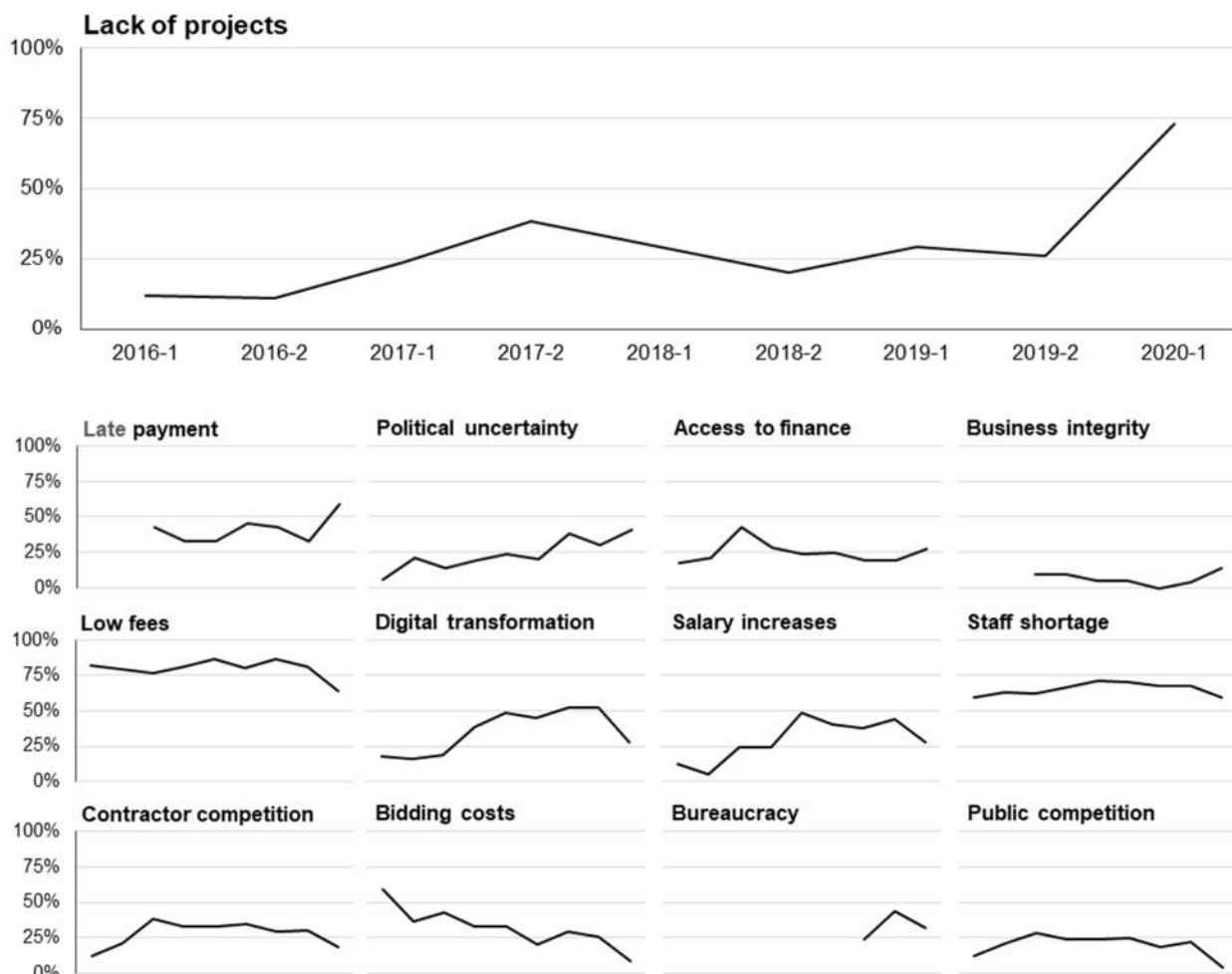
The COVID-19-crisis appears to have also impacted the challenges for the industry across Europe. In previous surveys low fees, shortage of qualified staff and digitalisation were regularly observed to be the top challenges.

Amid the crisis, lack of projects seems to be the major concern for the industry, which gained 6 ranks. While low fees and lack of qualified staff are still among the top three concerns, late payments and political uncertainty have also gained strong importance.

Main challenges faced by European companies

Challenge	Rank	Change
<i>Lack of projects</i>	1	+6
<i>Low fees</i>	2	-1
<i>Staff shortage</i>	3	-1
<i>Late payment</i>	3	+2
<i>Political uncertainty</i>	4	+2
<i>Bureaucracy</i>	5	-1

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



APPENDIX

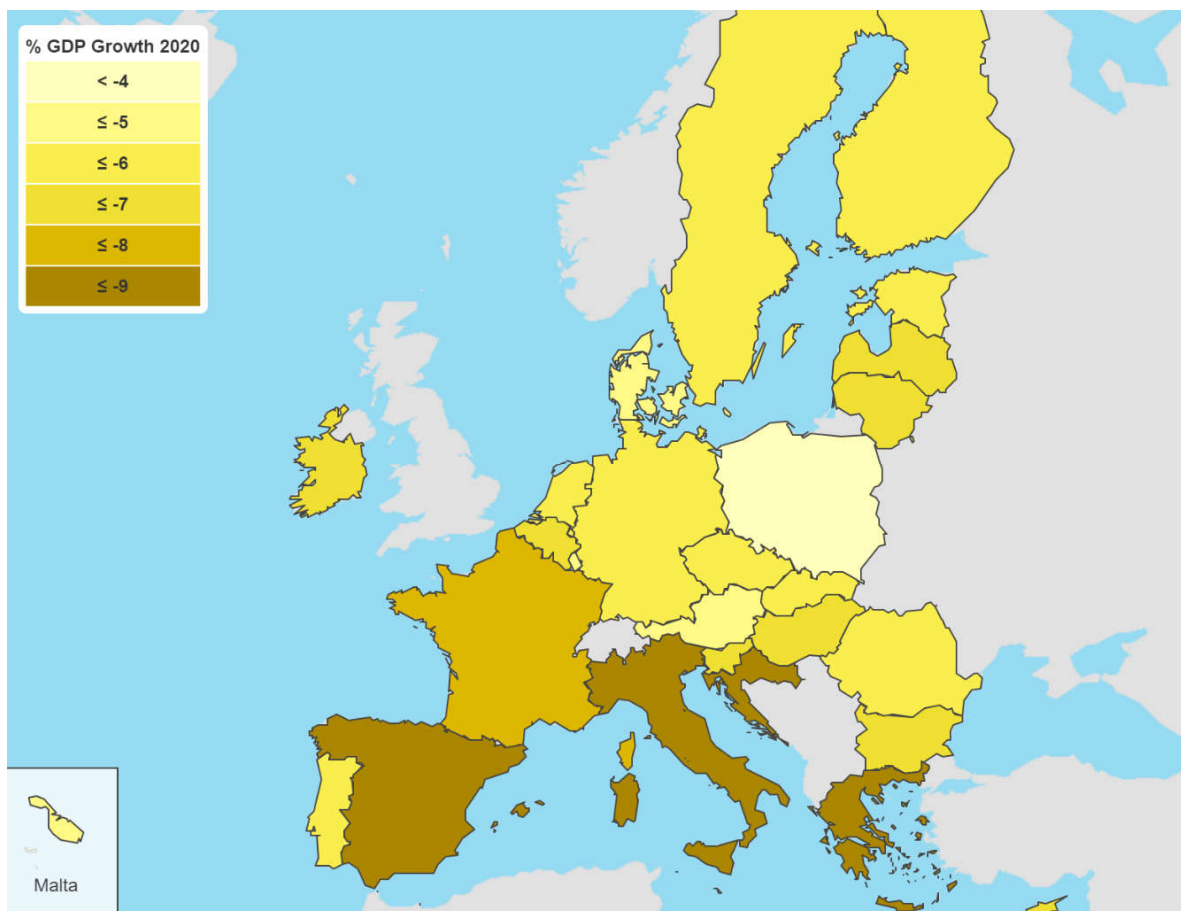
The appendix carries information from the European Commission, which is of interest for the consulting engineering industry, when reviewing market trends.

The first part of the appendix focuses on the most Economic Forecast, including “European Growth Map” from the European Commission.

The Spring 2020 Economic Forecast projects that the euro area economy will contract by a record 7¼% in 2020 and grow by 6¼% in 2021. The EU economy is forecast to contract by 7½% in 2020 and grow by around 6% in 2021. Growth projections for the EU and euro area have been revised down by around nine percentage points compared to the Autumn 2019 Economic Forecast.

Key messages from the European Commission in the spring 2020 forecast are:

- The coronavirus pandemic has severely affected consumer spending, industrial output, investment, trade, capital flows and supply chains. The expected progressive easing of containment measures should set the stage for a recovery. However, the EU economy is not expected to have fully made up for this year's losses by the end of 2021. Investment will remain subdued and the labour market will not have completely recovered.
- The unemployment rate in the euro area is forecast to rise from 7.5% in 2019 to 9½% in 2020 before declining again to 8½% in 2021. In the EU, the unemployment rate is forecast to rise from 6.7% in 2019 to 9% in 2020 and then fall to around 8% in 2021.
- A more severe and longer lasting pandemic than currently envisaged could cause a far larger fall in GDP than assumed in the baseline scenario of this forecast. In the absence of a strong and timely common recovery strategy at EU level, there is a risk that the crisis could lead to severe distortions within the Single Market and to entrenched economic, financial and social divergences between euro area Member States.



Source: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/spring-2020-economic-forecast-deep-and-uneven-recession-uncertain-recovery_en#economic-forecast-documents

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



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