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Geopolitics creates uncertainty for Engineering Consultancies

The latest ***Industry Barometer*** from the European Federation of Engineering Consultancy Associations (EFCA) shows that order books are still very good, and that business is still strong in the consultancy and engineering industry in Europe.

However, primary challenges include a shortage of staff, low fees, and rising salaries. Certain indicators, such as the negative future employment outlook and the scarcity of projects, which rank among the top five major challenges for the industry, may signal more difficult times on the horizon.

On the release of the latest edition of the biannual report, Henrik Garver, CEO of the Danish Association of Consulting Engineers and Chair of EFCA's Economic Environment Committee comments *"The EFCA Market Index, reflecting the overall development of European markets, has exhibited a consistently declining trend over the past two years, and this pattern persists over the last six months. Nevertheless, it's worth noting that the index is descending from a peak level in 2021 and currently remains at approximately average levels – at least for the time being. The profitability of European engineering firms experienced a small decline in 2022, for a second successive year. Comparing the 5.4% seen last year with the average level from 2013-2022, a healthier 6.0%, bears this out. Interestingly, despite this dip in profitability, order books remained robust in 2021-2022, suggesting that consultancies in general, have not been able to fully capitalise on the opportunities presented by the very good market conditions during this period,"* says Mr Garver.

The percentage of countries reporting robust markets has, however, decreased by half, falling from 20% to 10%, which is historically a relatively low figure. This decline is especially pronounced from 2021, where it stood at 25%, up to the present date. This aligns with the trends observed in the EFCA Market Index. There is also an unfavourable trend in the percentage of countries reporting weak or very weak markets in the past year.

Mr. Garver emphasises, *"EFCA is strongly advocating for the right regulatory incentives to foster green investments, augmented funds for the energy transition, and accelerated permitting deadlines for renewable energy projects. The engineering consulting industry plays a crucial role in fulfilling Europe's ambitious climate change targets."*

EDITOR'S NOTE

The EFCA Barometer (autumn 2023) is available from the website: www.efcanet.org.

EFCA has member associations in 28 countries and is the sole European federation representing the business interests of professional engineering consultancy and related services, a sector that employs around one million staff in Europe.

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