

# ACE Quarterly Members' Survey Q3 2009

ACE's quarterly members' survey provides a snapshot of business trends every three months. This functions as a barometer of what is going on in the consultancy and engineering marketplace as well as forward insight into where the market is going.

## Overview

Although not out of the woods yet, the economy could be on the mend. However, tackling the deficit, winding down quantitative easing and high unemployment all add downside risks. Although the recessionary dust has not yet settled, the economy could remain policy-dependent for some time. A square root-shaped recovery – initial expansion followed by modest growth – is expected by some economists. GDP figures for Q4 are likely to remain weak.

For the construction industry, excess capacity in the broader economy, restricted private development and fiscal tightening will limit prospects. New construction output stabilised somewhat in the second quarter 2009 but is still 14% lower year on year. Furthermore, despite a quarterly rise, new orders are also 14% down over the same period. Output should begin to expand by Q3 2010.

Civil engineering workloads have also been under pressure. In some sectors design work is holding up but construction phases are being delayed. ACE members have concerns over falling order books, revenue growth and market developments in 2010. For this reason the headline business optimism measure for Q3 2009 was 30%.

## Business expectations

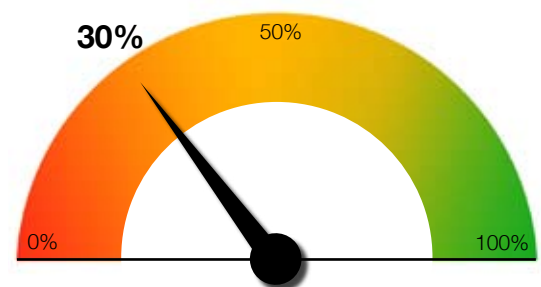
In line with the slowly improving economic fundamentals, a sizeable proportion – around 43% – of consultancy and engineering firms expect an upturn in their overall business activity over the next 12 months as the construction market stabilises and demand picks up. However, the UK economy is still path-dependant and, reflecting this uncertainty, 30% of firms anticipate current activity to remain constant over the same time frame. A similar amount – 27% – forecast a reduction in activity levels as public and private capital investment remains constrained and there is continued pressure on workloads across the board. Firms are expecting a return to trend growth from 2011. Growth in infrastructure and public non-residential activity is contingent on the promised public finance being released.

## Staffing levels

Despite better than expected broader labour data, there is still pressure on construction employment levels. Only 11% of ACE member firms have increased their head count over the past three months. Around 43% of businesses have kept their staffing levels constant which is perhaps due to labour market flexibility and a desire to keep hold of skilled people. 46% of the sample ▶

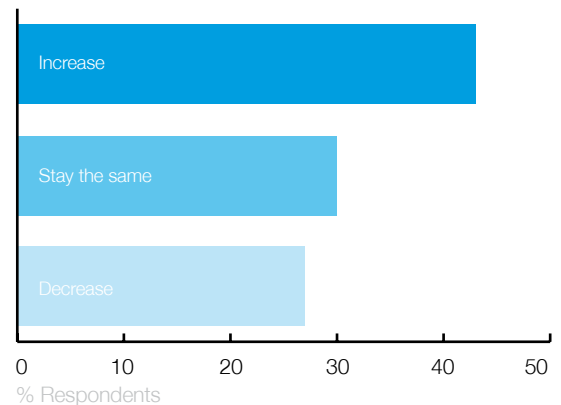
## Headline optimism barometer

Q3 2009



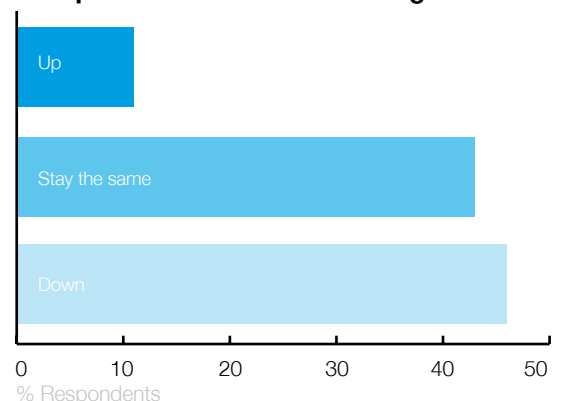
## BUSINESS EXPECTATIONS

Over the next 12 months do you expect overall activity of your business to:



## STAFFING LEVELS

Compared with three months ago?



have reduced employee numbers over the same period. The consultancy and engineering market is still seeing job losses but the rate of decline is slowing. A potential reduction in infrastructure activity from the middle of 2010 could add further risk to employment in the sector.

### Business environment

The marketplace is still challenging; 43% of members' incoming new orders fell over the past three months, 32% remained constant whilst only 25% reported an uptick in order books. Client activity is also continuing to head southwards, with 46% of the membership sample reporting a drop in demand on the quarter, 36% stating that demand stayed the same and only 18% saying that it had picked up. The results could indicate that the rate of decline has moderated. Less bad, however, does not necessarily mean good as consultants' fee levels are still under pressure. 58% of firms are decreasing their fees and 42% report steady levels over the past three months. With inflation subdued over the medium term and a current lack of supply constraints this is not likely to alter any time soon. Tender prices are forecast to continue falling to the end of 2010 albeit at a slowing rate. Reflecting such trends, 48% of the sample recorded a reduction in overall business activity, 30% stated that it remained stable whilst 22% reported growth.

### Tender success rate

The majority of member firms' competitive tendering output remained broadly in line with the previous quarter, with 57% of the sample stating that levels had remained constant. This could reflect that the stabilisation in economic activity over the past three months is beginning to feed through to the construction marketplace. More client activity means less competition for contracts. The recent growth in service output and demand in the economy has contributed to 16% of the sample recording an improvement in their tender success rates. As client demand and order book indicators slowly pick up over the next 12 months this measure is expected to further increase. A greater focus on business development could also provide upward pressure. Nevertheless, over a quarter of firms are still reporting a reduction in their competitive tendering which shows that private development is still subdued. There is some suggestion from the data that the success rate is lower on larger scale bids. ■

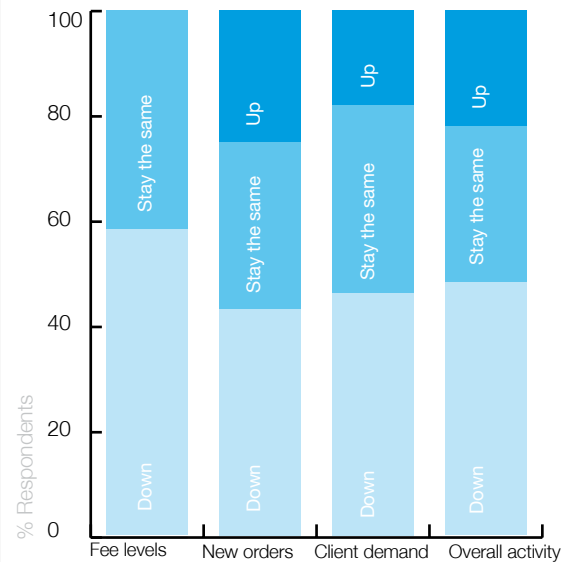
This survey was sent to ACE's full membership base of more than 800 firms in October 2009. ACE represents 80% of the consultancy and engineering industry with a combined member fee income of around £8 billion. Survey data is based on a sample of 50 responses.

For further information about ACE's quarterly member's survey or broader market intelligence portfolio please contact:

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## BUSINESS ENVIRONMENT Compared with three months ago?



## TENDER SUCCESS RATE Compared with three months ago?

