

Investment and Investment Finance in Poland

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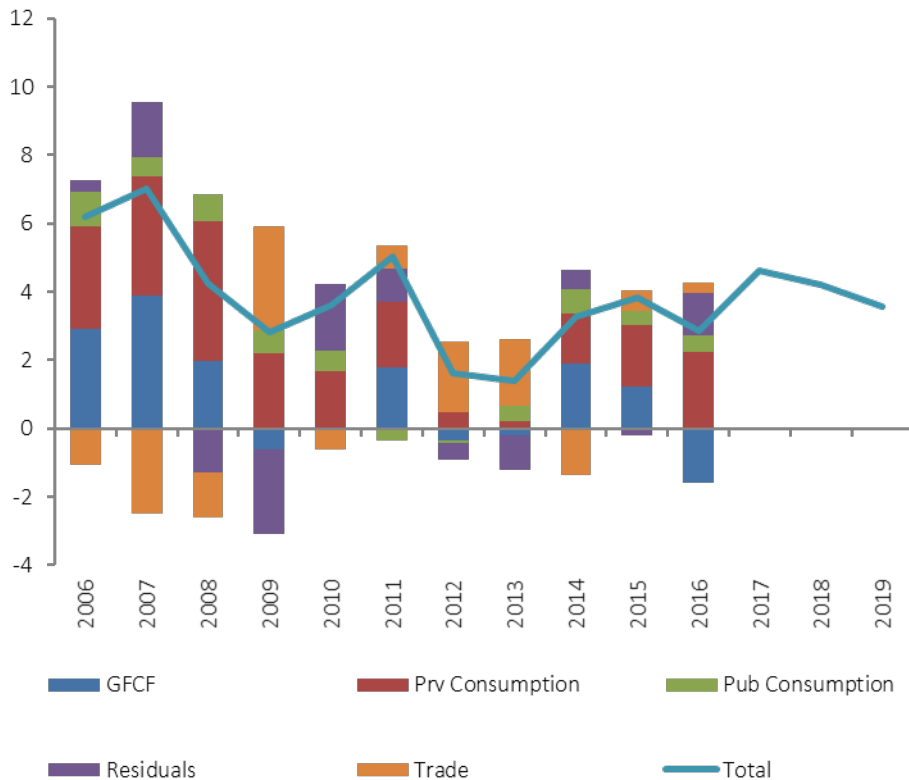
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- On the **corporate side** - a positive outlook, yet important to-dos:
 - Investment is increasing, and focus is shifting towards innovation
 - Yet, more innovation is needed - and not only adoption – to kick-start the new growth model
 - Need to upgrade the quality of the capital stock
 - Business uncertainty needs to be addressed
 - Medium-term growth depends crucially on developing, strengthening and retaining a skilled labour force
- On a **municipal level** – support of the knowledge-based economy can be strengthened
 - EU funds have been supporting a dynamic infrastructure development
 - While addressing the existing gaps in physical infrastructure, a “smart” approach is need to be embraced
 - Better coordination between levels can be beneficial

Robust growth – above potential?

Real GDP growth

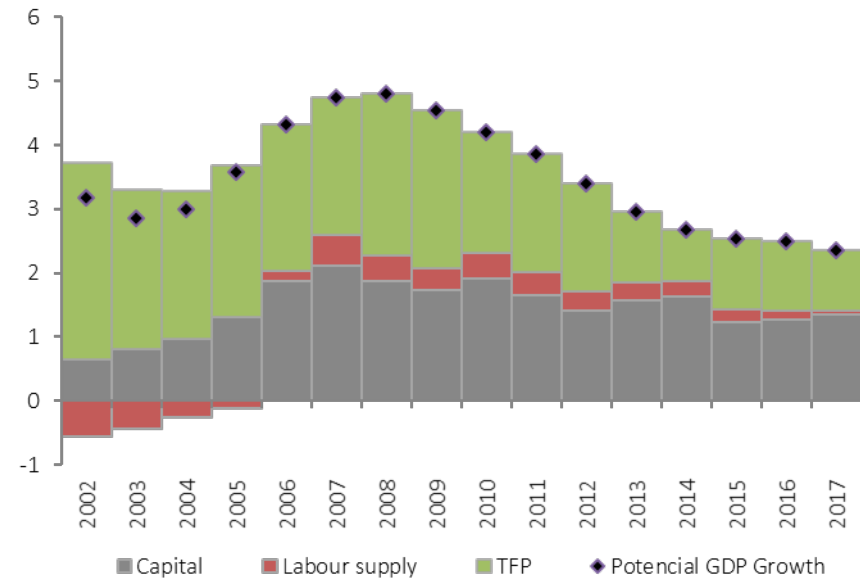
Change relative to previous year



Source: European Commission AMECO database

Potential GDP growth

Change relative to previous year

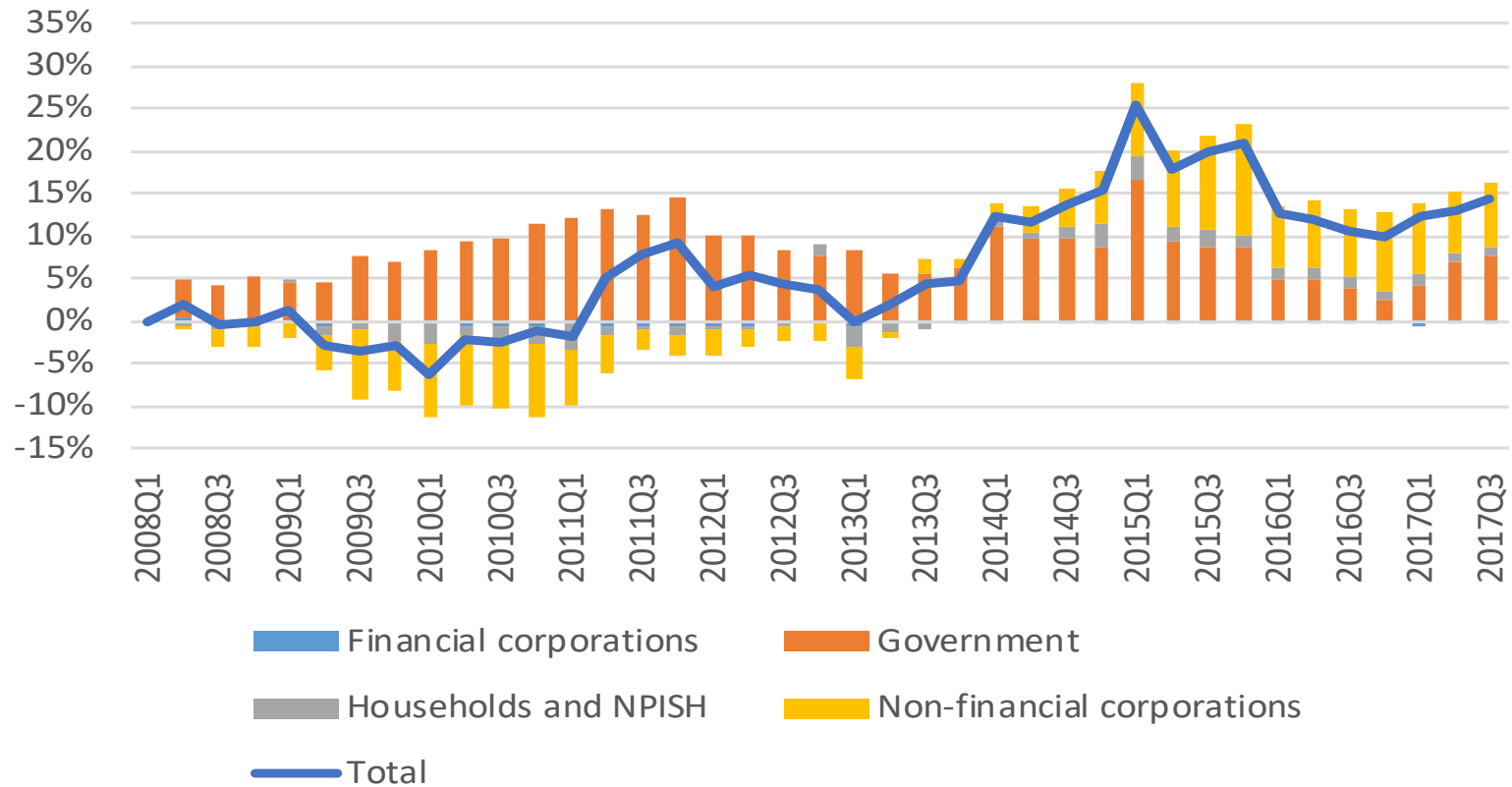


Source: EIB Econ calculations

Investment activity has been strengthening

Investment by sectors

Cumulative change relative to 2008, nominal



Note: Cumulative change of quarterly real investment relative to the 1Q08 level, with sector-level contributions.

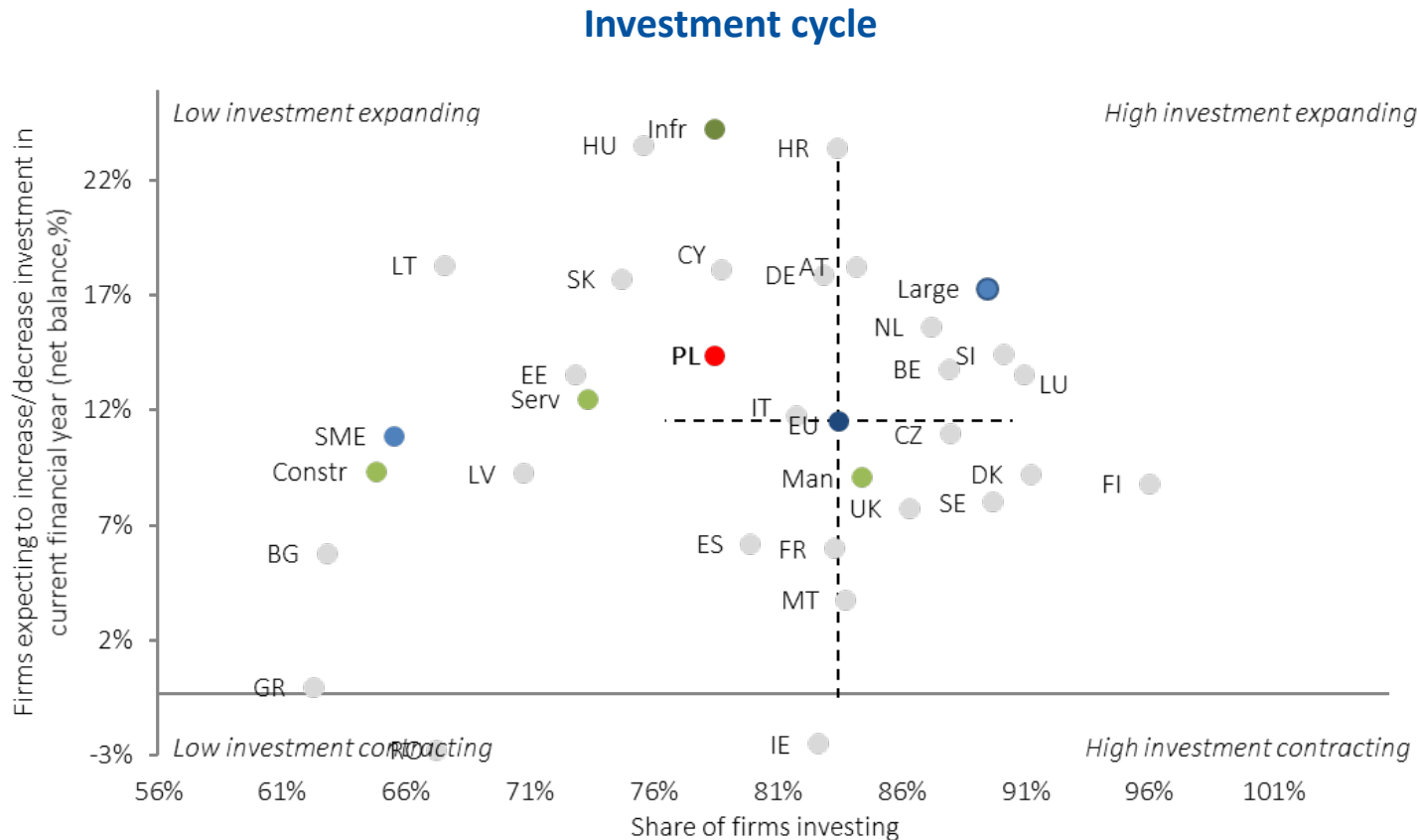
Source: Econ calculations, Eurostat, national authorities

The EIBIS: What can 12,500 firms tell us about investment trends in Europe?

EIB investment survey

- 12,500 firms surveyed across EU28 (of which 476 in Poland)
- NFCs 5+ employees in manufacturing, services, construction & infrastructure sector
- Information on:
 - Firm characteristics and performance
 - Investment needs and constraints
 - Past investment activities and future focus
 - Investment finance
- Representative of the economy (firms weighted by value-added)
- Data collected from April-July 2017

From a companies' perspective, investment activity is picking up in Poland in line with the cycle



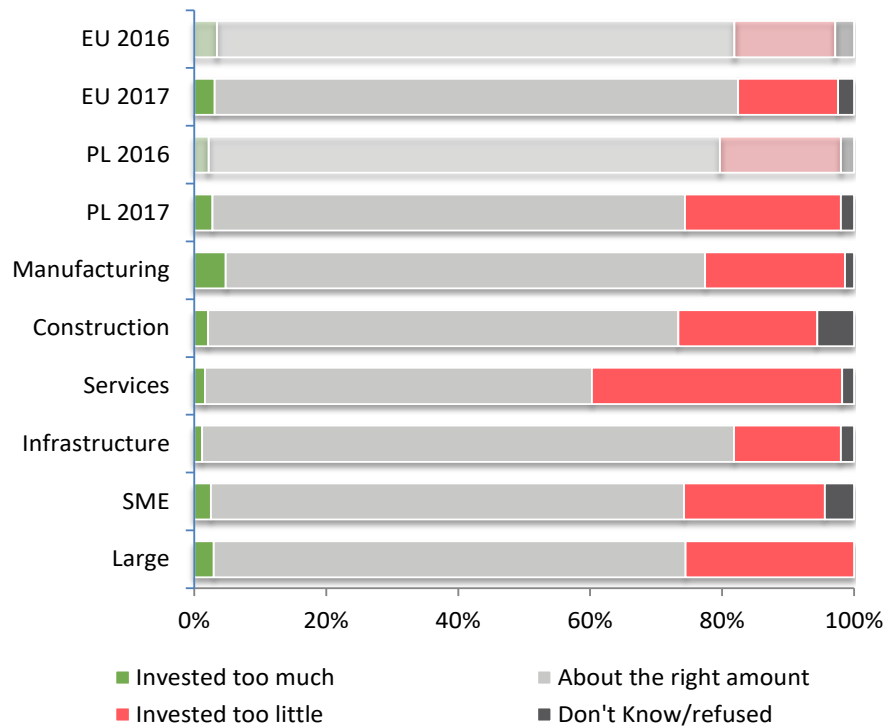
Note: Plots the share of firms with investment expanding/contracting relative to the share of firms investing, by sector or Member State; cross centred on EU average.

Source: Econ EIBIS

Many firms believe they invested too little in the past, while priorities shift away from replacement

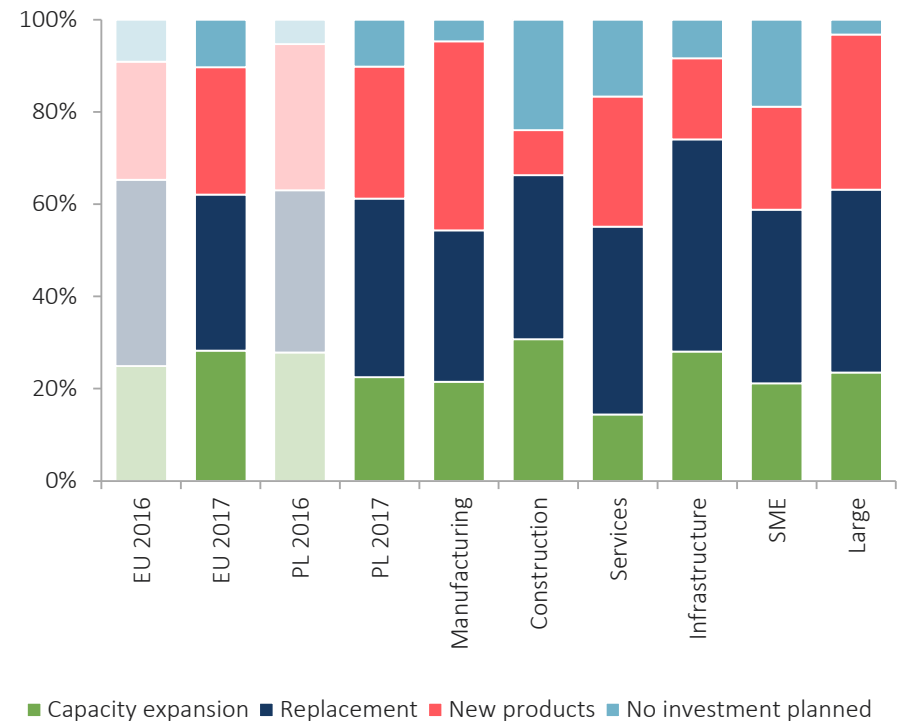
Perceived investment gap

share of firms



Future investment priorities

share of total investment



Note: Share of responses in per cent: Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount?

Note: Share of firms by main purpose of investment, in per cent. Q. Looking ahead to the next 3 years, which is your investment priority (a) replacing existing buildings, machinery, equipment, IT; (b) expanding capacity for existing products/services; (c) developing or introducing new products, processes, services?

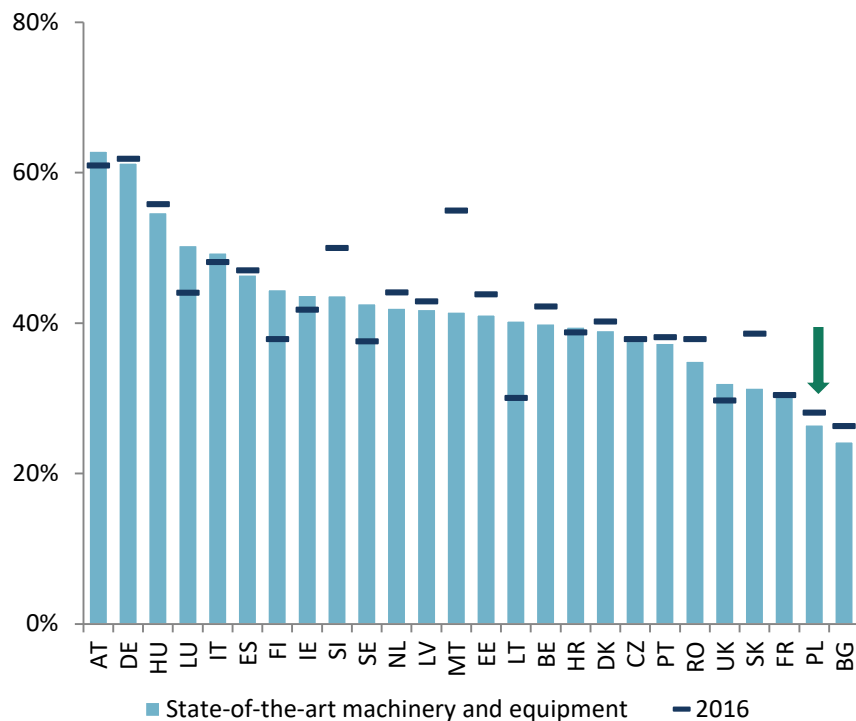
Source: Econ EIBIS

Source: Econ EIBIS

The quality of assets calls for upgrade upgrade

State-of-the-art machinery and equipment

average share

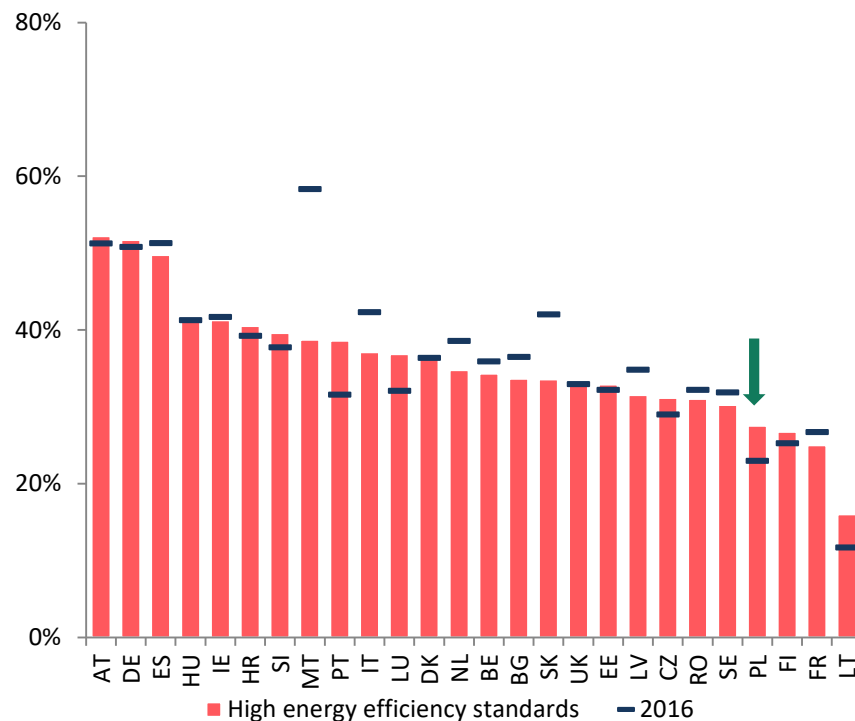


Note: Average of responses in per cent: Q. What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?

Source: Econ EIBIS

Share of high energy efficiency buildings

average share



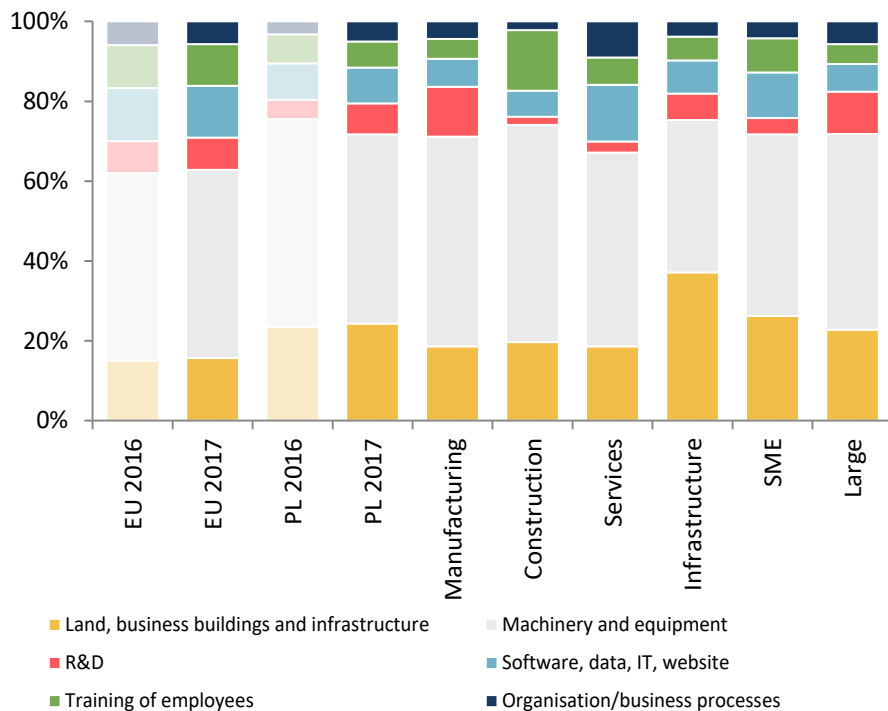
Note: Average of responses in per cent: Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?

Source: Econ EIBIS

Firms have an increasing focus on innovation, yet usually they rely on adoption of technology

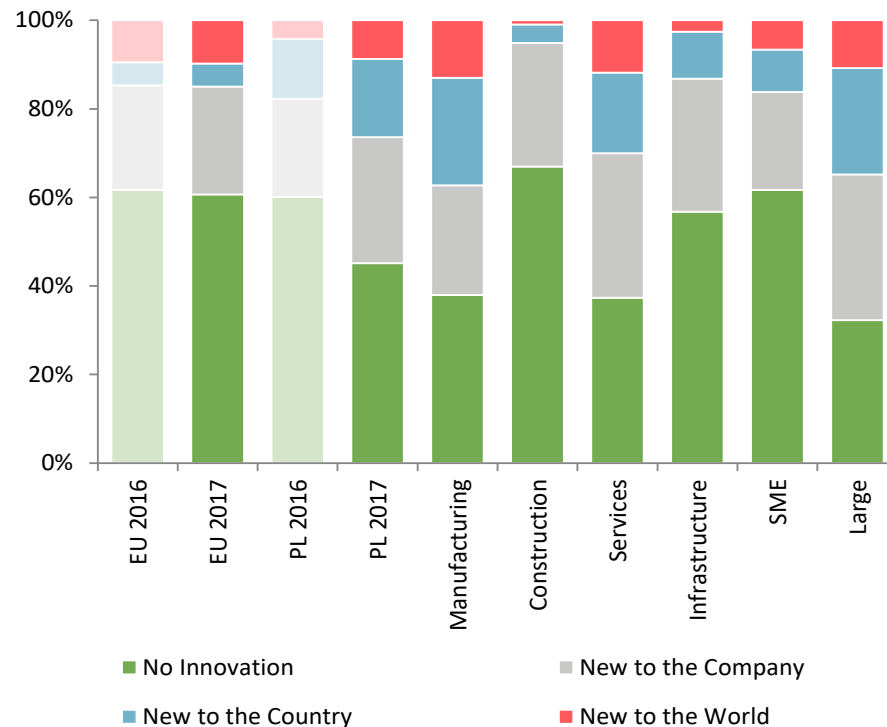
Areas of investment

average share allocated



Innovation activity

average share allocated



Note: Average of responses for allocations by area in per cent: Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company's future earnings?

Note: Average of responses in per cent: Q. What proportion of total investment was for developing or introducing new products, processes, services? Q. Were the products, processes or services new to the company, new to the country, new to the global market?

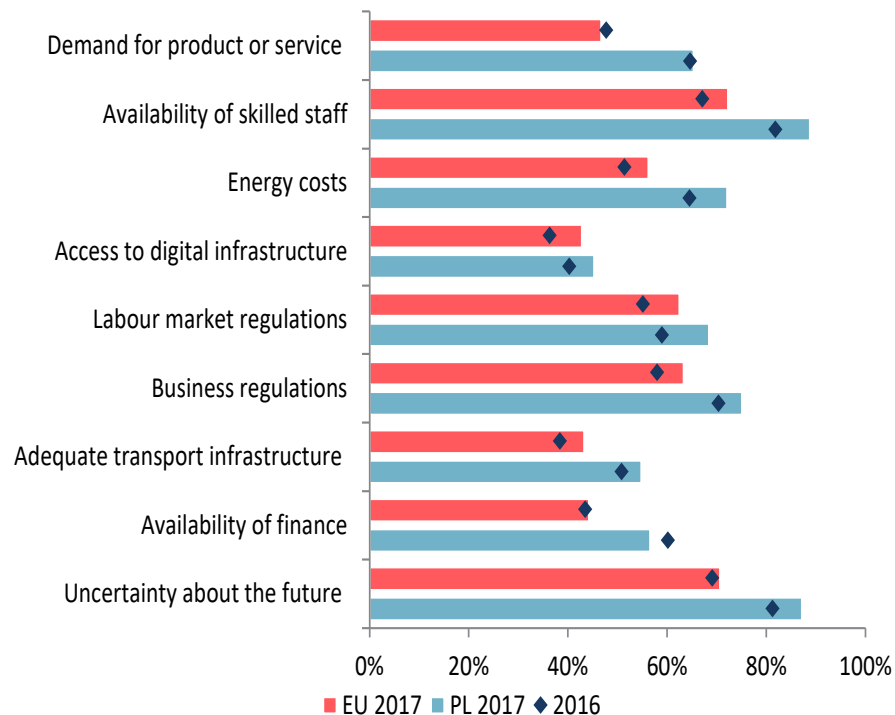
Source: Econ EIBIS

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Skilled labour and uncertainty are barriers to investment

Long-term barriers to investment

share of responses

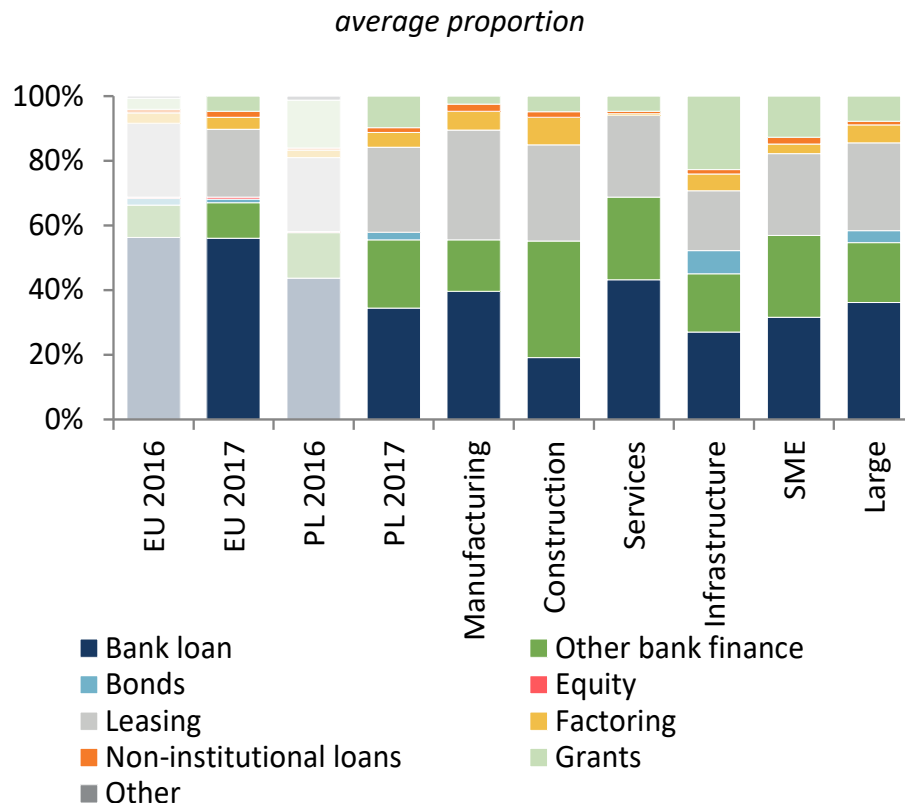


Note: Share of responses in per cent: Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?

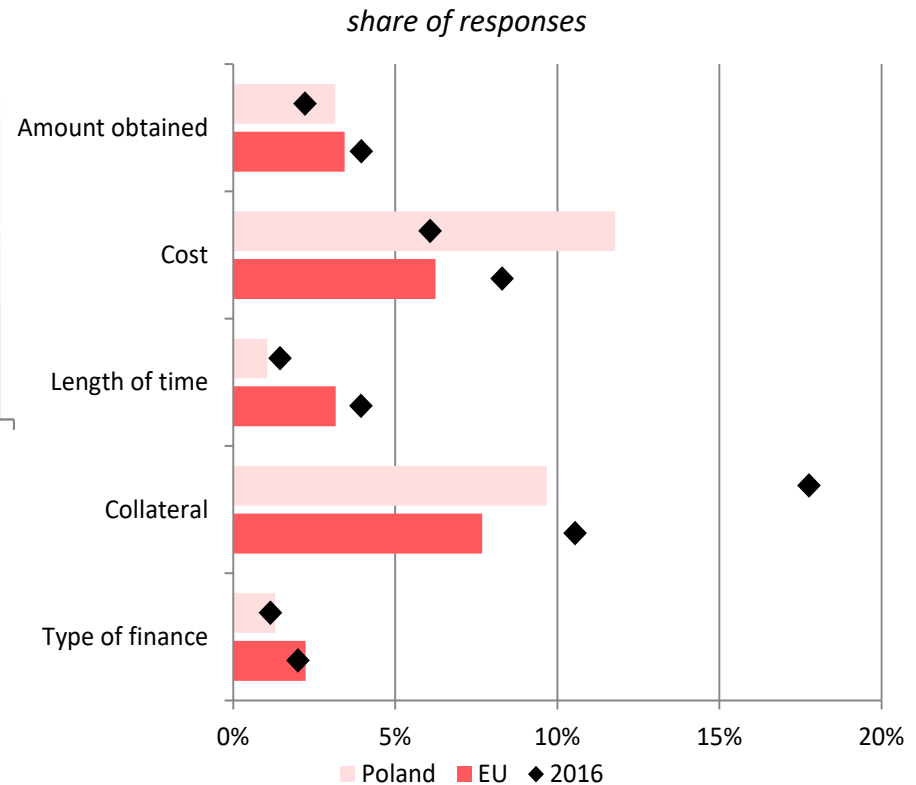
Source: Econ EIBIS

Many firms still face financing constraints despite low interest rate environment

Type of external investment financing



Dissatisfaction with external finance



Note: Q. Approximately what proportion of your external finance does each of the following represent?

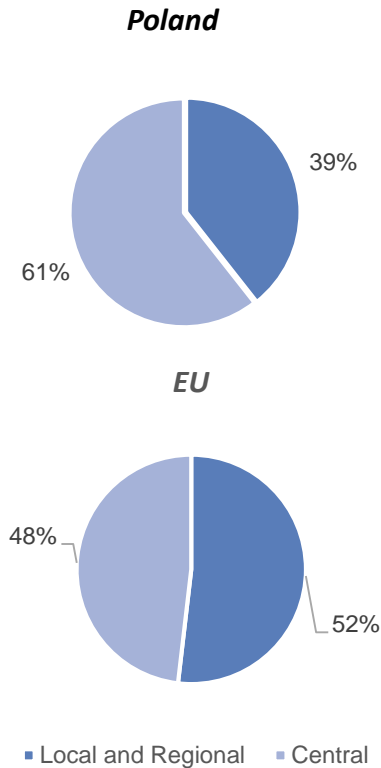
Note: Average share of responses, in per cent Q. How satisfied or dissatisfied are you with?

Source: Econ EIBIS

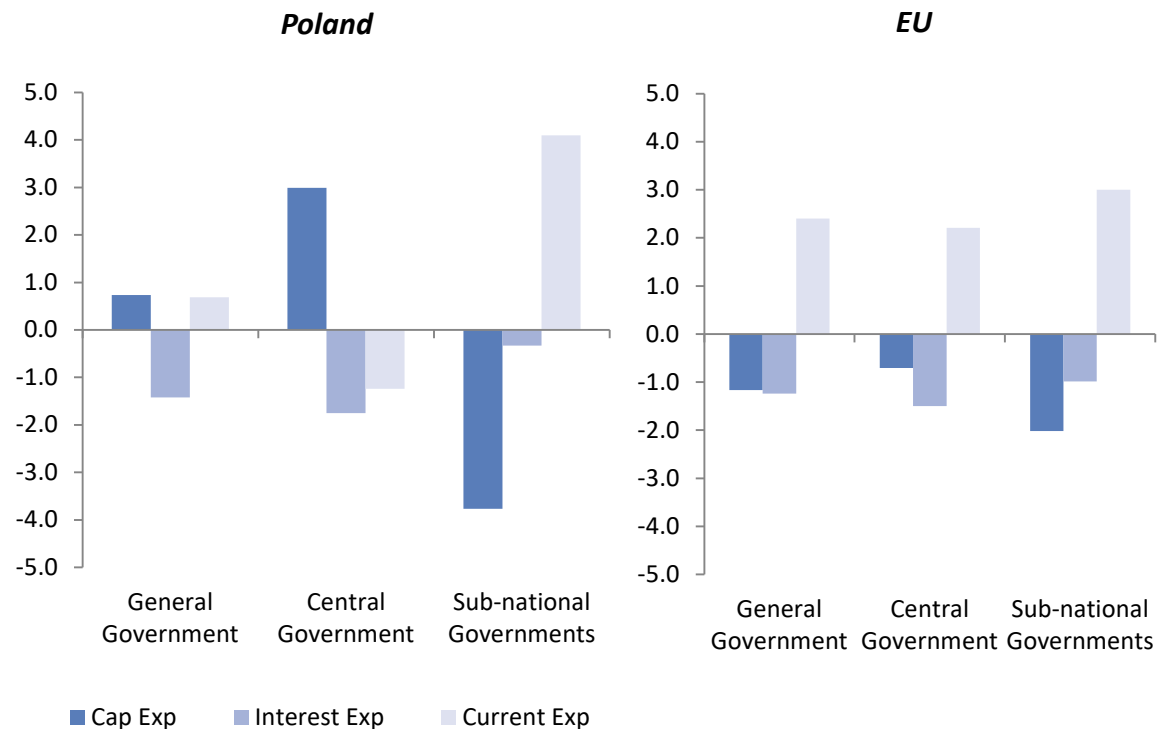
Source: Econ EIBIS

Municipal investment accounts for 40 per cent of total public investment in Poland

Share of municipal spending in public investment (%)



Difference in public expenditure between 2005 and 2016 (%)



Source: Eurostat

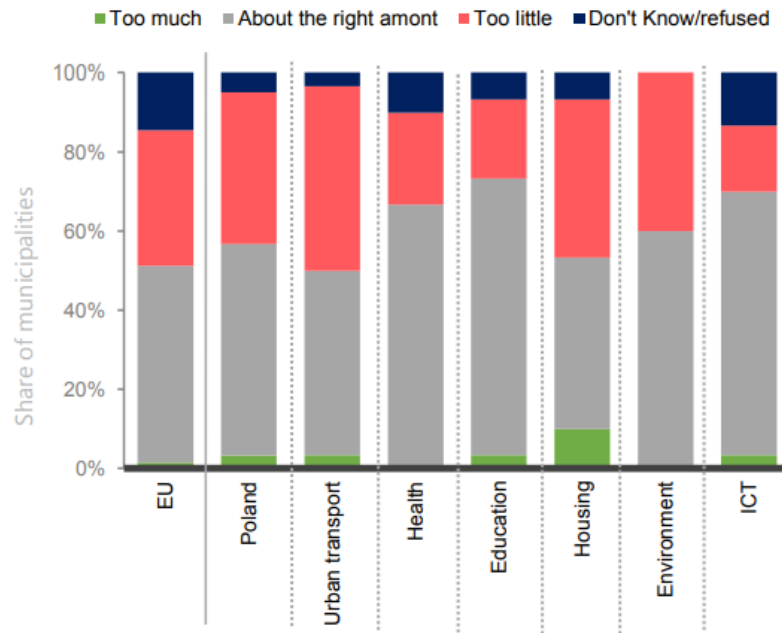
The EIB Municipality Survey

- Add-on survey module for 2017: 555 municipalities were interviewed in all 28 Member States.
- 30 of them are located in Poland.
- Individual results for large countries – France, Germany, Italy, Spain, Poland, UK.
- For the other Member States, we use 6 country groups.

40% of municipalities invested too little, with fiscal constraints and length of approval processes as constraints

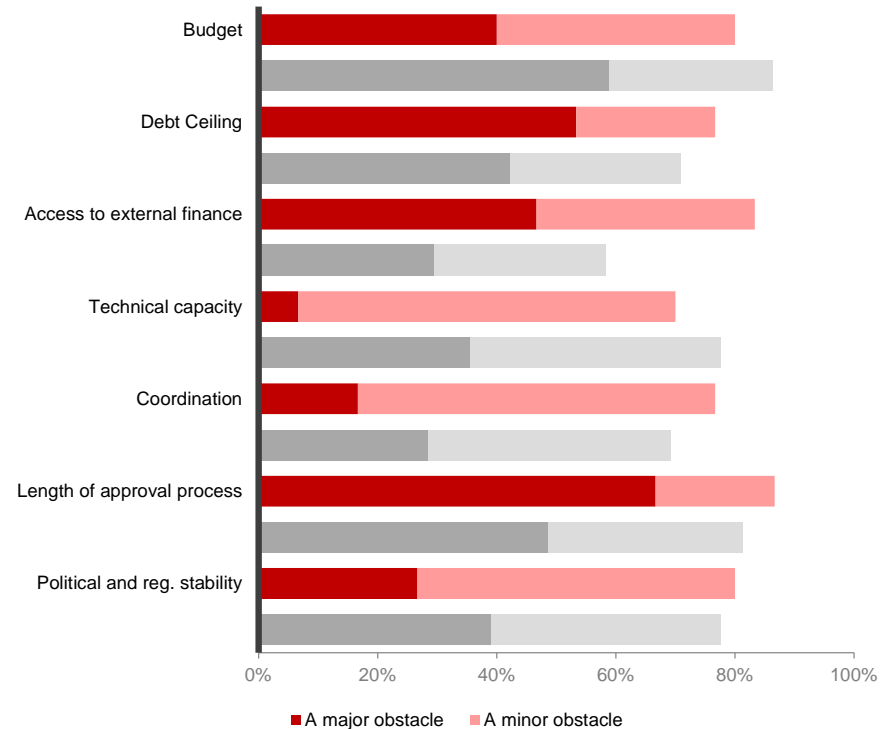
Municipalities' perceived investment gap

share of responses



Obstacles to infrastructure investment

share of responses in per cent



Note: Proportion of responses: Q. For each of the following, would you say that, overall, past investment in your municipality has ensured the right amount of infrastructure, or led to an under provision or over provision of infrastructure capacity?

Source: Econ EIBIS

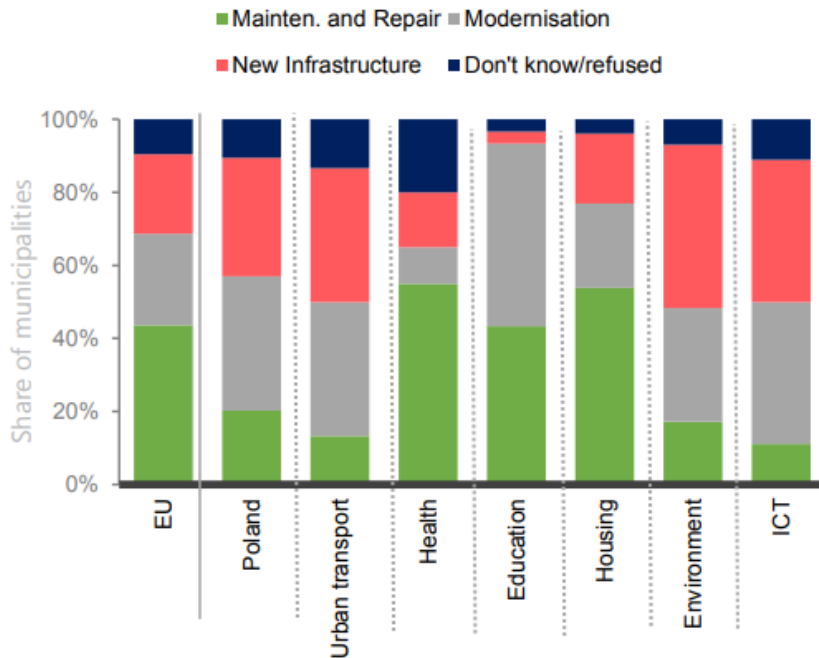
Note: Share of responses in per cent. Q. To what extent is each of the following an obstacle to the implementation of your infrastructure investment activities?

Source: Econ EIBIS

New capacities are planned in transport, environment and ICT. Firms ask for investment in transport and education

Investment Focus for the 5 years

share of responses in per cent



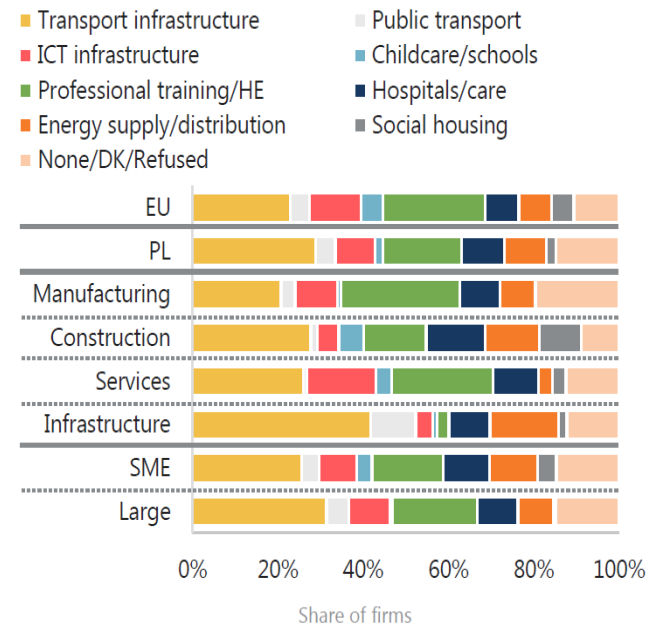
Base: All municipalities

Note: Average share: Q. Looking ahead to the next five years, will the largest share of your spend on infrastructure in each of these areas be for maintenance and repair, modernisation or the construction of new infrastructure?

Source: Econ EIBIS

Perceived public investment priorities

proportion of responses



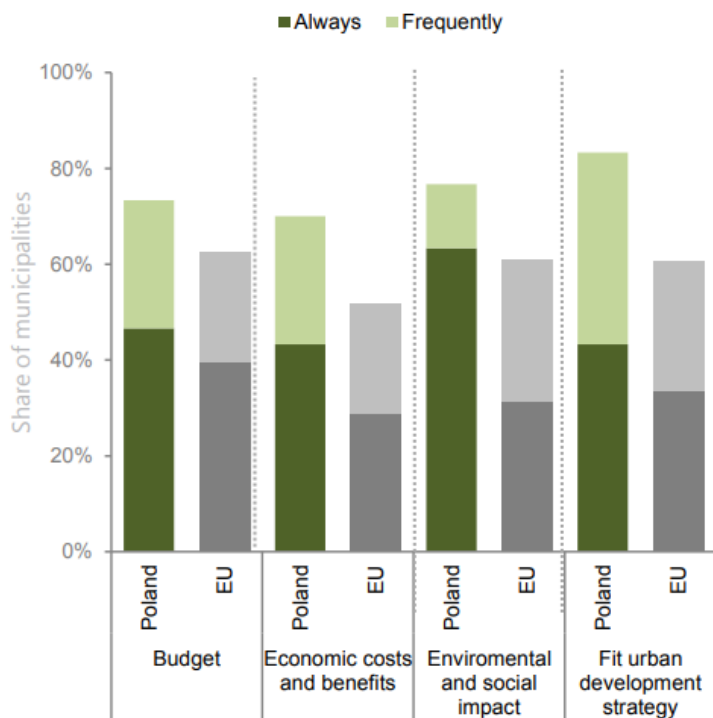
Note: Proportion of responses in per cent: Q. From your business' perspective, if you had to prioritise one area of public investment for the next 3 years, which one would it be?

Source: Econ EIBIS

While the ex-ante assessments are frequent, coordination of infrastructure projects is weak

Ex ante assessment

share of responses in per cent

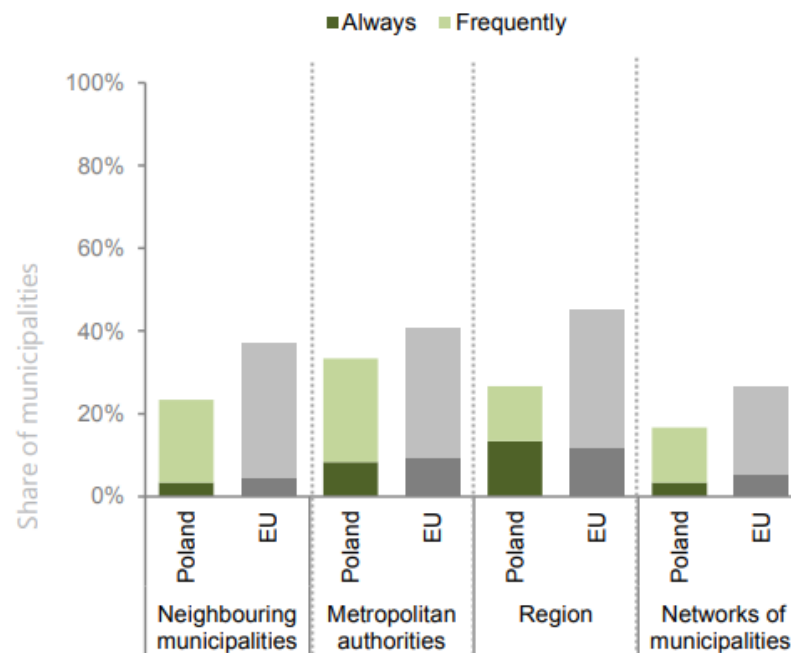


Note: Q. Before going ahead with an infrastructure project, do you carry out an independent assessment of...?

Source: Econ EIBIS

Project coordination

per cent



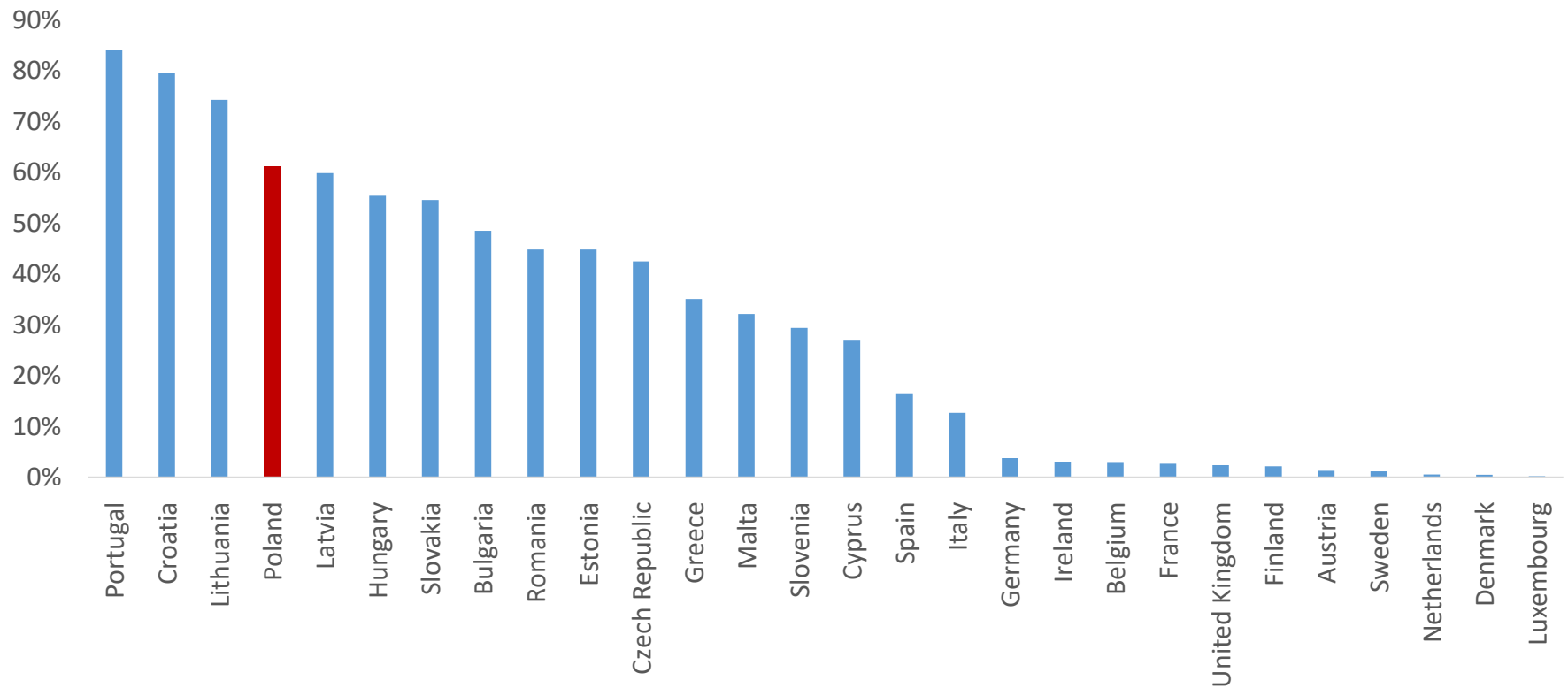
Note: Q. Thinking about planning and implementation of infrastructure projects, how often does your municipality coordinate its investment projects with ...?

Source: Econ EIBIS

While EU sources play an important role in public investment in Poland in general, ...

Share of cohesion policy funding in public investment

2015-2017, per cent

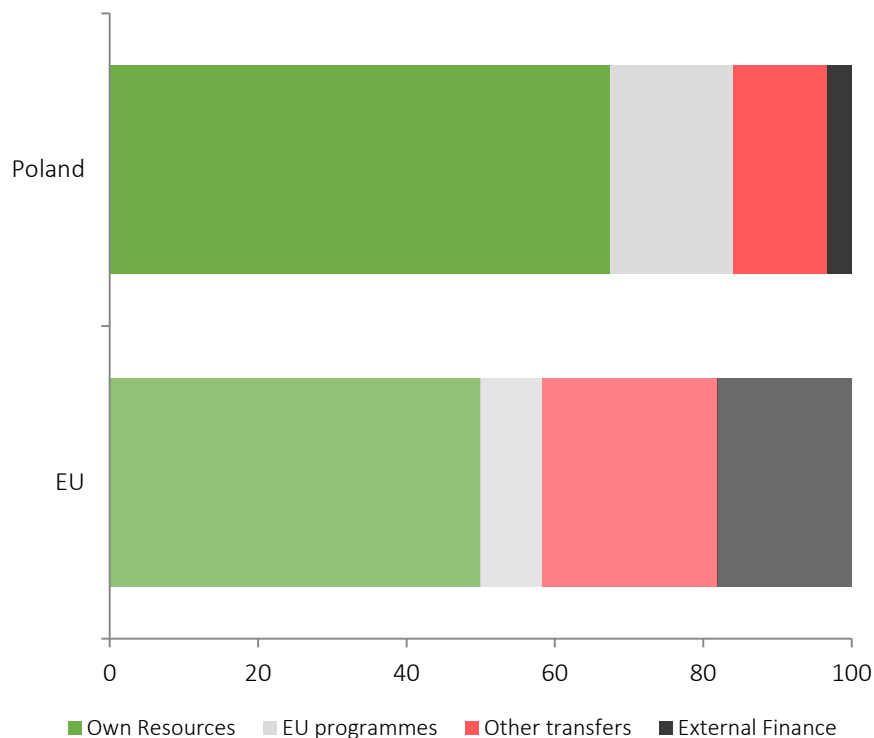


Source: European Commission

...municipalities report relying on own resources and EU programs for financing investment

Municipalities' financing sources

average share in per cent

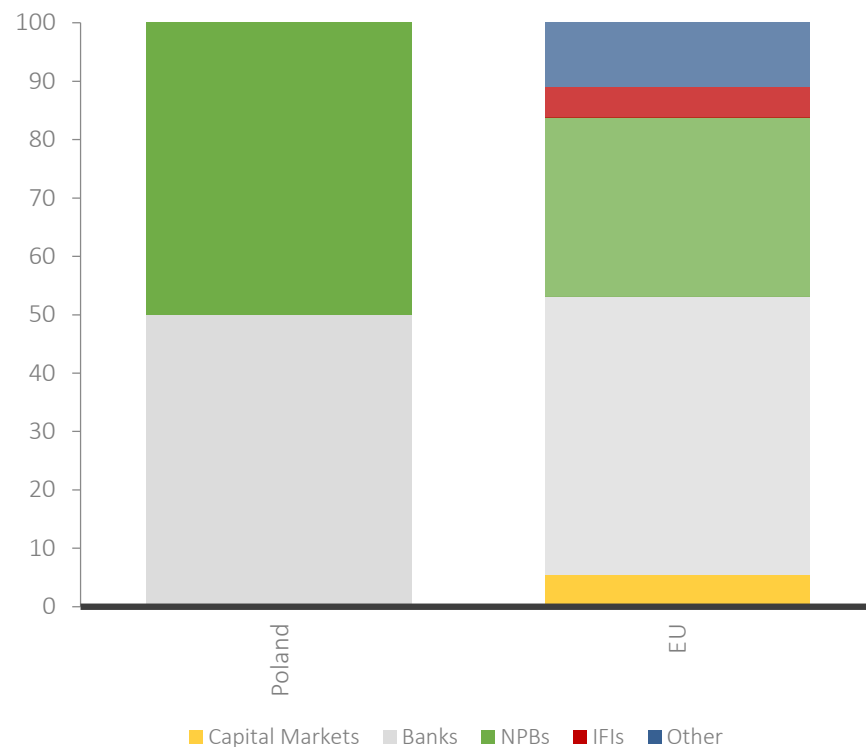


Note: Average share: Q. Can you tell me approximately what proportion of your infrastructure investment activities were financed by each of the following?

Source: Econ EIBIS

Municipalities' external finance sources

average share in per cent



Note: Average share: Q. Approximately what proportion of your external finance does each of the following represent?

Source: Econ EIBIS

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Thank you

