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Germany

EIBIS 2016

EIB Group Survey on Investment and Investment Finance 2016

Country Overview

EIB Group Survey on Investment and Investment Finance Country Overview: Germany

About the EIB Investment Survey (EIBIS)

The EIB Group Survey on Investment and Investment Finance is a unique, EU-wide, annual survey of 12,500 firms. It collects data on firm characteristics and performance, past investment activities and future plans, sources of finance, financing issues and other challenges that businesses face. Using a stratified sampling methodology, EIBIS is representative across all 28 member States of the EU, as well as for firm size classes (micro to large) and 4 main sectors. It is designed to build a panel of observations to support time series analysis, observations that can also be linked to firm balance sheet and profit and loss data. EIBIS has been developed and is managed by the Economics Department of the EIB, with support to development and implementation by Ipsos MORI. For more information see: http://www.eib.org/eibis.

About this publication

This Country Overview is one of a series covering each of the 28 EU Member States, plus an EU-wide overview. These are intended to provide an accessible snapshot of the data. For the purpose of these publications, data is weighted by value-added to better reflect the contribution of different firms to economic output. Contact: eibis@eib.org.

About the Economics Department of the EIB

The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The Department, a team of 30 economists, is headed by Debora Revoltella, Director of Economics.

Main contributors to this publication

Georg Weiers, EIB.

Disclaimer

The views expressed in this publication are those of the authors and do not necessarily reflect the position of the EIB.

About Ipsos Public Affairs

Ipsos Public Affairs works closely with national governments, local public services and the not-for-profit sector, as well as international and supranational organizations. Its c.200 research staff in London and Brussels focus on public service and policy issues. Each has expertise in a particular part of the public sector, ensuring we have a detailed understanding of specific sectors and policy challenges. This, combined with our methodological and communications expertise, helps ensure that our research makes a difference for decision makers and communities.

Ipsos Public Affairs

EIBIS 2016 – COUNTRY OVERVIEW

Germany

The annual EIB Group Survey on Investment and Investment Finance (EIBIS) is an EU-wide survey of 12 500 firms that gathers quantitative information on investment activities by both SMEs and larger corporates, their financing requirements and the difficulties they face.

As the EU bank, the EIB Group responds to the need to accelerate investment to strengthen job creation and long-term competitiveness and sustainability across all 28 EU member States.

EIBIS helps the EIB to contribute to a policy response that properly addresses the needs of businesses, promoting investment.

This country overview presents selected findings based on telephone interviews with 605 firms in Germany in 2016 (July-October). Note: The results are weighted by value-added, reflecting firms' contribution to the economy.

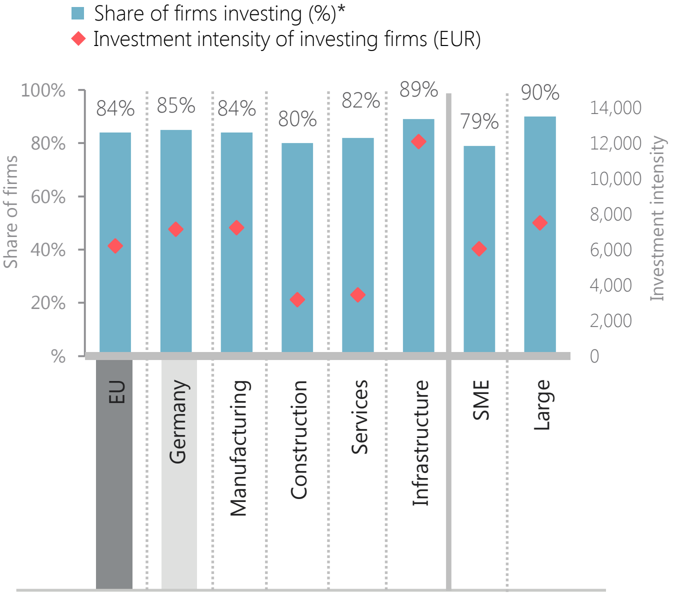
Key results

Investment outlook:	**In Germany the service sector is somewhat neutral but other sectors are on balance positive about their investment outlook.** More firms are increasing investment (34%) than reducing it (26%) in line with the EU average.
Investment activity:	**85% of firms in Germany invested in last financial year**. Intensity of investment (investment per employee) is above the EU average.
Investment gap:	**81% of firms say their investment has been the right amount** over the last three years which is in line with the EU average. On average firms in Germany say half of their building stock satisfies high efficiency standards, which is considerably above the EU average.
Investment barriers:	**Political and regulatory climate** is perceived to be the main short term barrier to implementing investment, similar to the EU. The economic climate is less of a concern in Germany than across the EU as a whole.
External finance:	**Six per cent of firms are finance constrained**, compared with 5% EU-wide. This is the proportion of firms dissatisfied with the amount of finance obtained, sought finance but did not receive it, did not seek finance because they thought borrowing costs were too high or that they would be turned down.
Firm performance:	**Firms have higher productivity** compared to the EU average, except for in the service sector.

INVESTMENT DYNAMICS

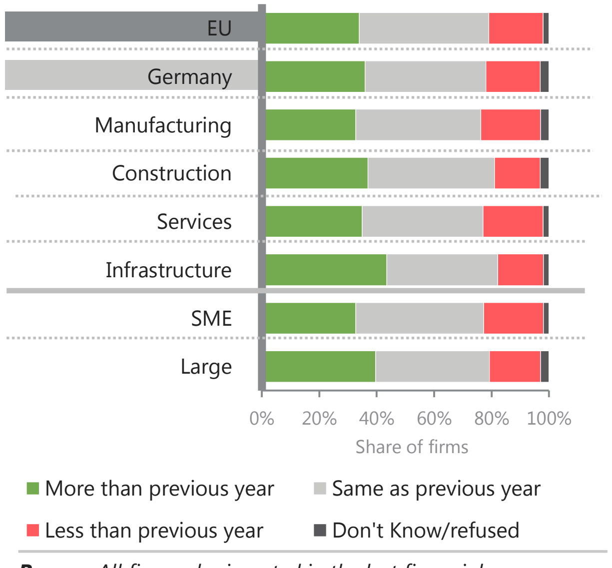
- Overall 85% of firms in Germany invested in the last financial year compared to 84% across the EU as a whole.
- The intensity of investment (investment per employee) in Germany is above the EU average.

Investment activity in last financial year



Base: *All firms (excluding don't know/refused responses)*
**The blue bars indicate the proportion of firms who have invested in the last financial year.*
A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities.
Investment intensity is the median investment per employee of investing firms.

Investment activity in last financial year compared to previous

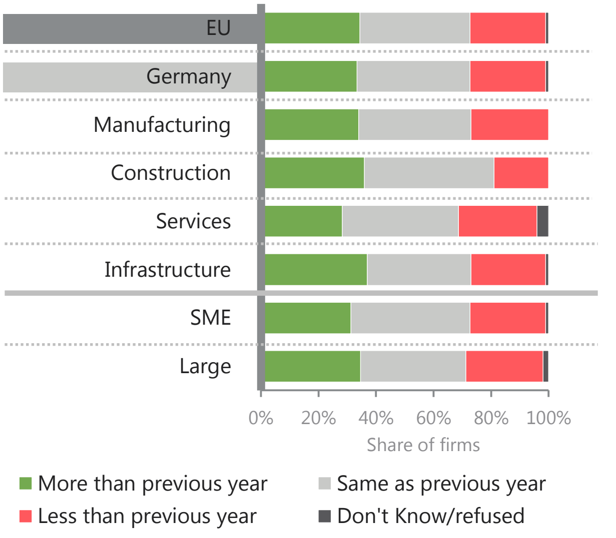


Base: *All firms who invested in the last financial year*
Q. Overall was this more, less or about the same amount of investment as in the previous year?

- More firms in Germany increased their investment activity in 2015 (36%) than reduced it (19%) – representing a net balance of +17 slightly higher than the EU average of +15.
- Infrastructure sector firms in Germany were more likely than average to have increased their investment activity in 2015.

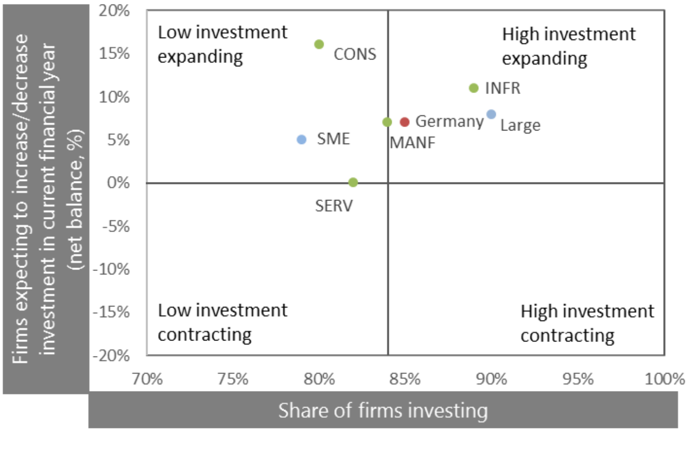
- On balance more firms are increasing investment (33%) in Germany than decreasing it (26%), consistent with expected strong macro-economic investment figures for the year.
- The proportion of firms expecting to invest less than in the previous year is highest in the service and manufacturing sectors (both 27%) and lowest in the construction sector (19%, versus 26% overall).

Expected investment in current financial year compared to last one



Base: *All firms*
Data is derived from two questions: firms who had invested in the last financial year were asked if they expect to invest more, around the same amount or less than last year; firms who had not invested in the last financial year were asked if they had already invested, or expect to invest in the current year

Investment cycle

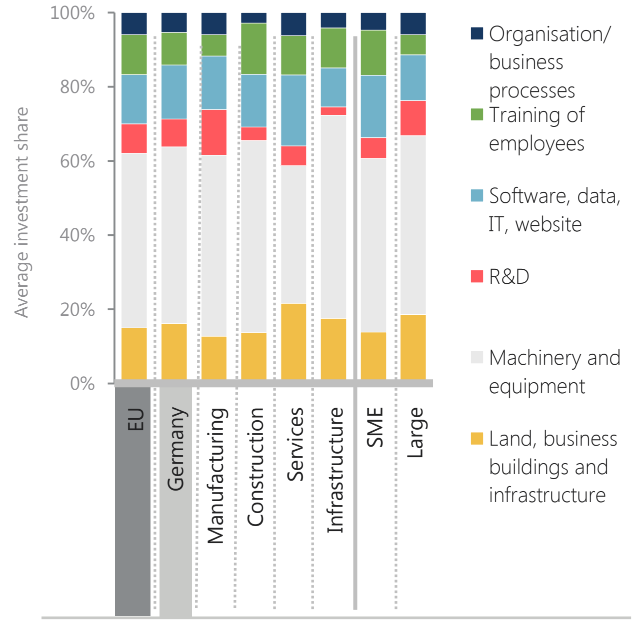


Base: *All firms*
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.

- While the service sector is on balance somewhat neutral, all other sectors are on balance positive about their investment outlook.
- Large firms and the infrastructure sector, while still showing relatively high levels of investment activity, expect to expand further still.

INVESTMENT ACTIVITY

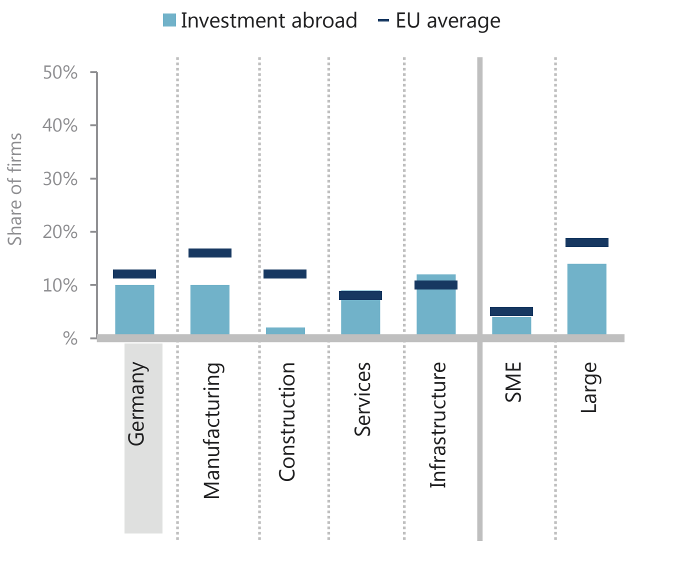
Investment areas



Base: *All firms who have invested in the last financial year (excluding don't know/refused responses)*
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?

- Almost half of investment spend in Germany is on machinery and equipment (48%), followed by land, business buildings and infrastructure (16%). The pattern is similar to the EU as a whole.
- The gap is much smaller for service sector companies in Germany – 37% of their investment spend is on machinery and equipment, and 22% on land, business buildings and infrastructure – but there are few notable differences by size or sector.

Investment abroad

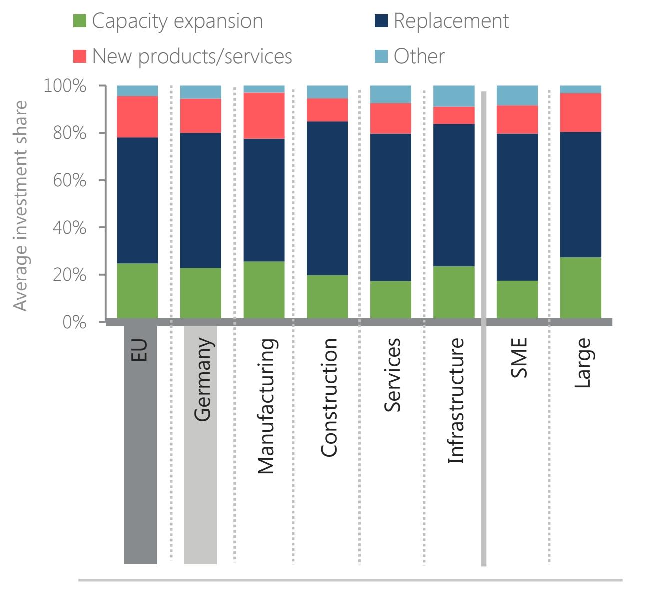


Base: *All firms who invested in the last financial year*
Q. In the last financial year, has your company invested in another country?

- Only ten per cent of firms in Germany invested in another country in the last financial year, which is similar to the EU average of 12%.
- Large companies in Germany are significantly more likely than SMEs to invest abroad (14% vs. 4%).
- Only two per cent of construction companies in Germany say they invested abroad in 2015.

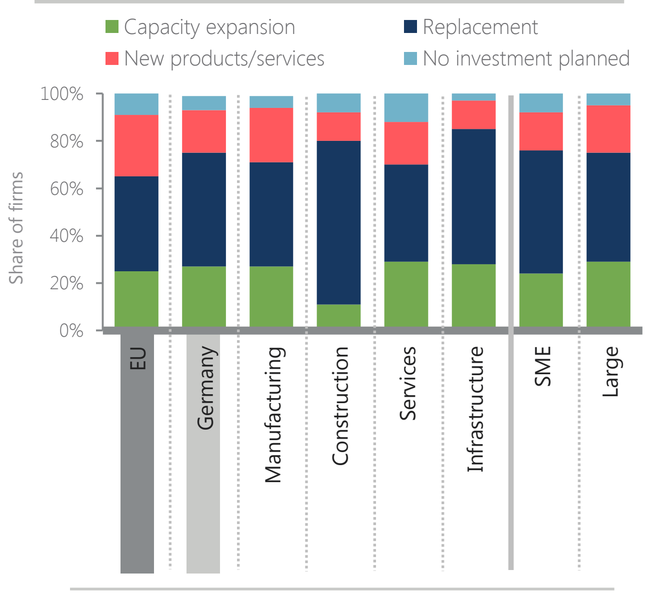
- The majority of investment in Germany is driven by the need to replace existing buildings, machinery, equipment and IT, in line with the pattern across the EU.
- Capacity expansion is more common among large companies than SMEs in Germany (comprising 27% vs. 18% of total investment).
- The manufacturing sector is more likely than average to invest in developing or introducing new products, processes or services.

Purpose of investment in last financial year



Base: *All firms who invested in the last financial year (excluding don't know/refused responses)*
Q. What proportion of total investment was for (a) replacing existing buildings, machinery, equipment, IT (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

Future investment priorities



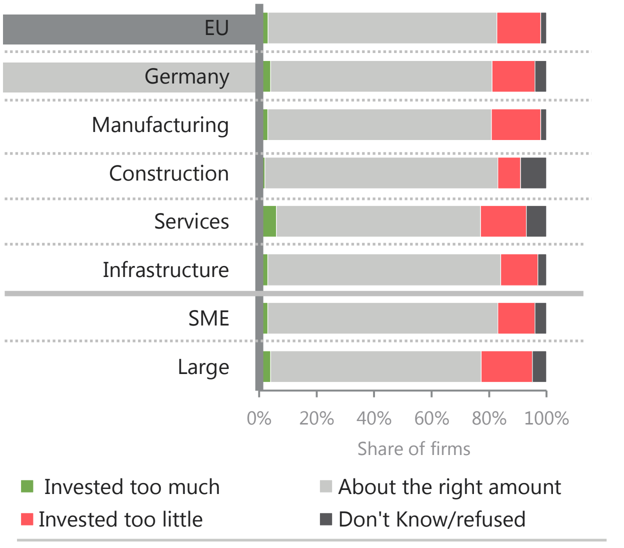
Base: *All firms (excluding don't know/refused responses)*
Q. Looking ahead to the next 3 years, which of the following is your investment priority (a) replacing existing buildings, machinery, equipment, IT (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

- For nearly half of firms in Germany planning to invest in the next three years (48%), the priority is replacing existing buildings, machinery, equipment and IT. This is higher than the EU average of 40%.
- Firms in the construction sector in Germany consider capacity expansion to be a lower priority than those in other sectors.

INVESTMENT NEEDS

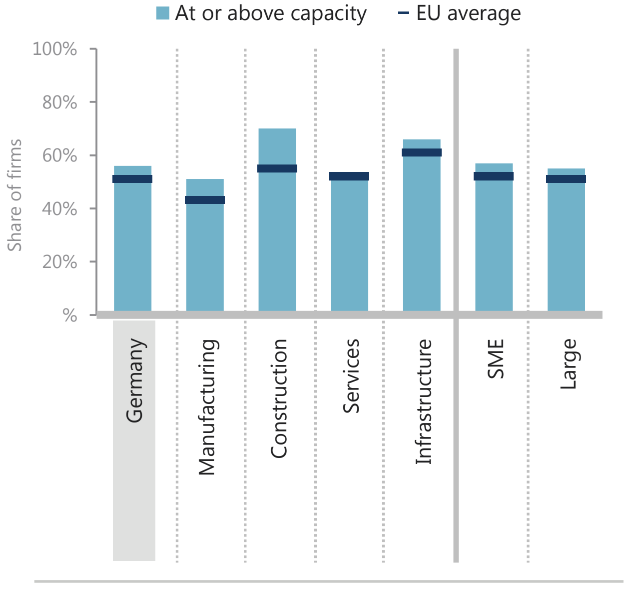
- Almost eight in ten firms in Germany (77%) believe their investment over the last three years was about the right amount – 15% report investing too little, and only four per cent think they invested too much.
- All of the above figures are in line with the EU average.

Perceived investment gap



Base: *All firms (excluding 'Company didn't exist three years ago' responses)*
Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount to ensure the success of your business going forward?

Share of firms at or above full capacity

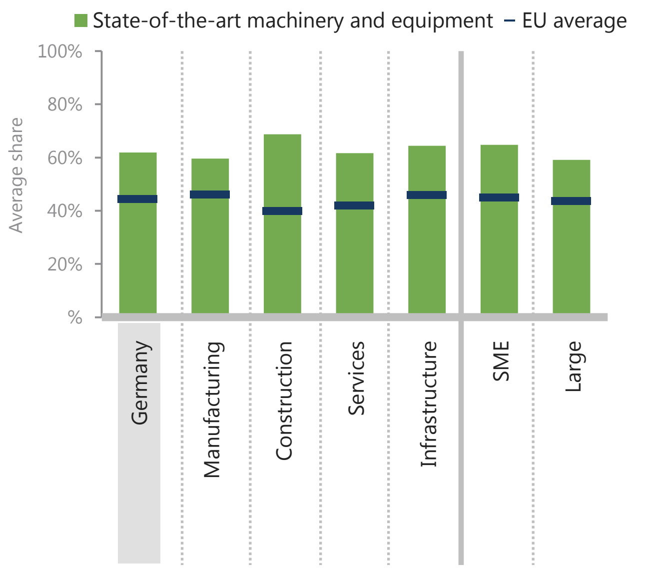


Base: *All firms (data not shown for those operating somewhat or substantially below full capacity)*
Full capacity is the maximum capacity attainable under normal conditions e.g., company's general practices regarding the utilization of machines and equipment, overtime, work shifts, holidays etc.
Q. In the last financial year, was your company operating above or at maximum capacity attainable under normal circumstances?

- Over half of firms in Germany report operating at or above maximum capacity in the last financial year (56%), compared with an EU average of 51% of firms operating at full capacity.
- Construction firms in Germany are more likely than average to report operating at or above full capacity (70%) which is in line with the uptake in investments in dwellings in recent years.

- The average share of machinery and equipment owned by firms in Germany that is considered to be state-of-the-art is significantly higher than the EU average (62% for firms in Germany versus 44% for the EU).
- The share of state-of-the-art machinery and equipment owned by firms in Germany is higher than average for construction firms (69%) and SMEs (65%).

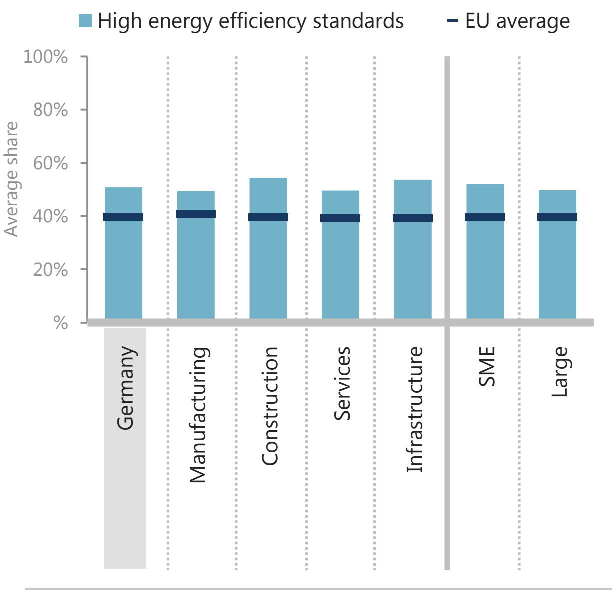
Average share of state-of-the-art machinery and equipment



Base: *All firms*

Q. What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?

Average share of building stock meeting high energy efficiency standards



Base: *All firms*

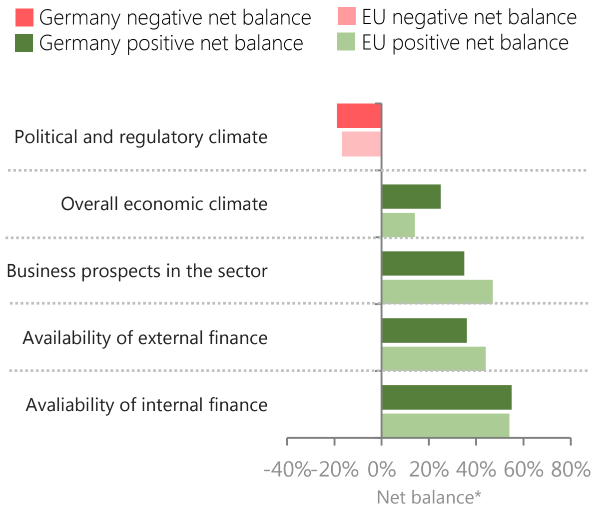
Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?

- Firms in Germany say half of their building stock (51%) satisfies high energy efficiency standards, which is considerably above the EU average (40%).

INVESTMENT CONSTRAINTS

- The political and regulatory climate is cited as the main barrier to implementing planned investment in Germany in the current financial year, in line with findings at EU level.
- Firms in Germany are more positive about the influence of the overall economic climate in their investment behaviour than firms across the EU a whole.

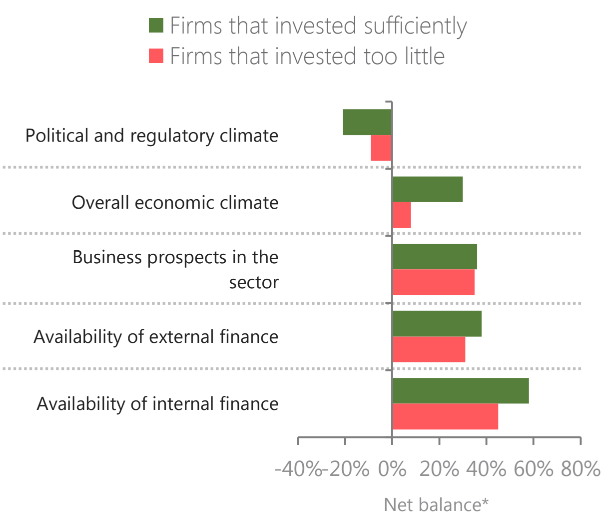
Short term influences on investment



Base: *All firms who have planned to invest in the current financial year*

Q. How do each of the following affect your ability to carry out your planned investment. Does it affect it positively or negatively, or make no difference at all?
**Net balance is the share of firms seeing a positive effect minus the share of firms seeing a negative effect*

Short term influences by investment performance



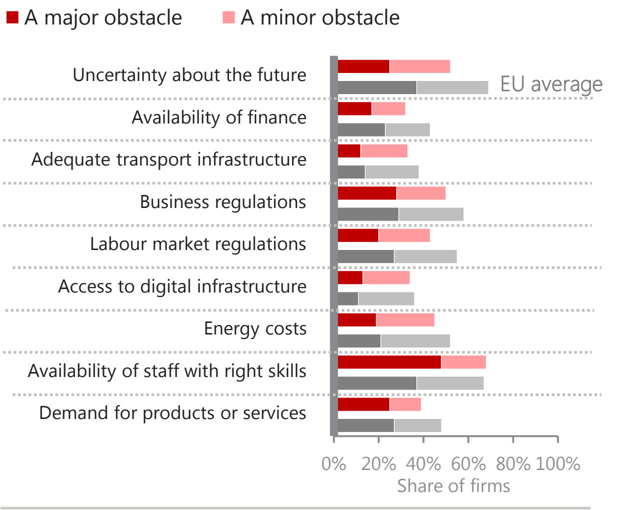
Base: *All firms who have planned to invest in the current financial year and who invested too much, about the right amount or too little in the last financial year (excluding don't know/refused/company didn't exist three years ago responses)*

Q. How do each of the following affect your ability to carry out your planned investment. Does it affect it positively or negatively, or make no difference at all?

- Firms in Germany that invested too little over the past three years are generally more cautious in considering influences to be positive or negative than firms that invested sufficiently during that time.

- Almost half of firms in Germany consider availability of staff with the right skills as a major obstacle to investment over the longer term, which is well above the EU average (48% vs. 37%).
- One in four firms in Germany consider business regulations, uncertainty about the future and demand for products or services as major obstacles to investment.

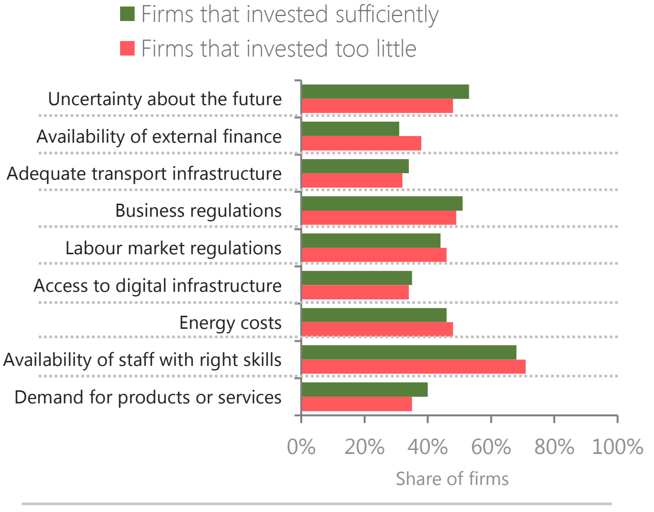
Long term barriers to investment



Base: *All firms (data not shown for those who said not an obstacle at all/don't know/refused)*

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

Long term barriers by investment performance



Base: *All firms who invested too much, about the right amount or too little in the last financial year (excluding don't know/refused/company didn't exist three years ago responses), data shown for firms who said each was a major or minor obstacle*

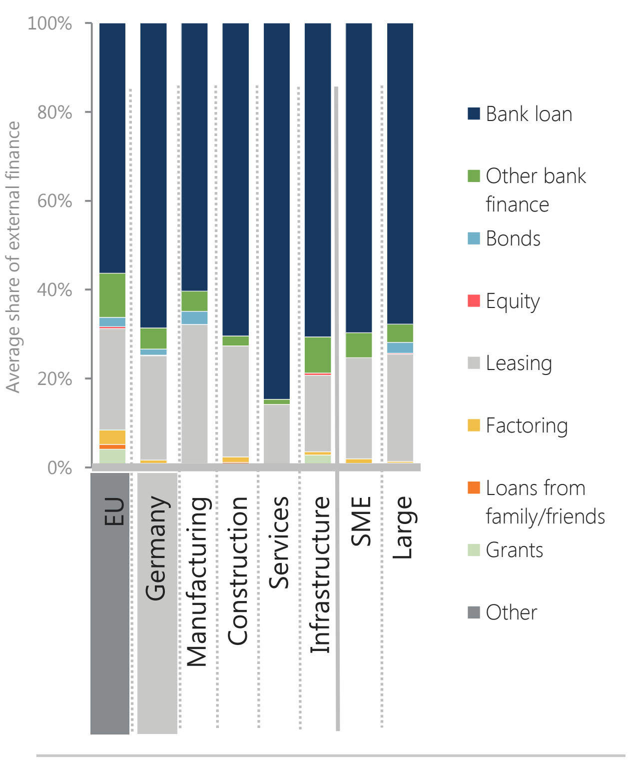
Q. Thinking about your investment activities in Germany, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?

- For firms in Germany that report their investment in the past three years has been below their needs, the main obstacle is availability of staff with right skills.

INVESTMENT FINANCE

- Firms in both Germany and the EU rely to a large extent on internal funds to finance their investment activities (64% of activity in Germany and 60% EU-wide).
- Bank loans are the most common source of external finance, particularly for the service sector.
- Firms that used external finance are on balance satisfied with the amount, cost, maturity, collateral and type of finance received (and in each case more firms are very rather than fairly satisfied).

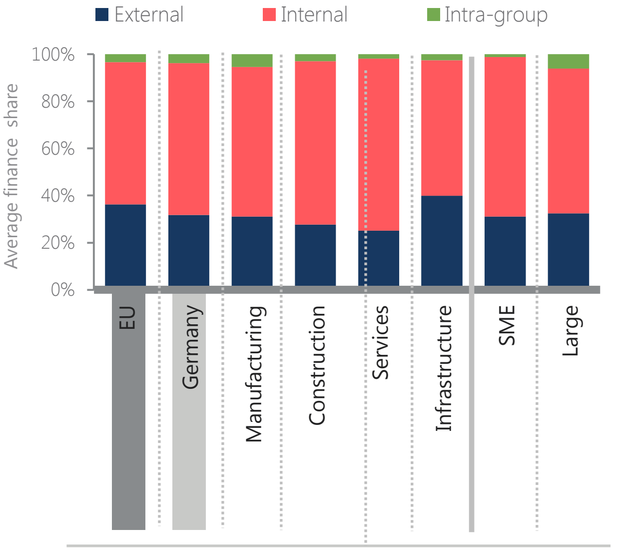
Type of external finance used for investment activities



Base: *All firms who used external finance in the last financial year (excluding don't know/refused responses)*

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

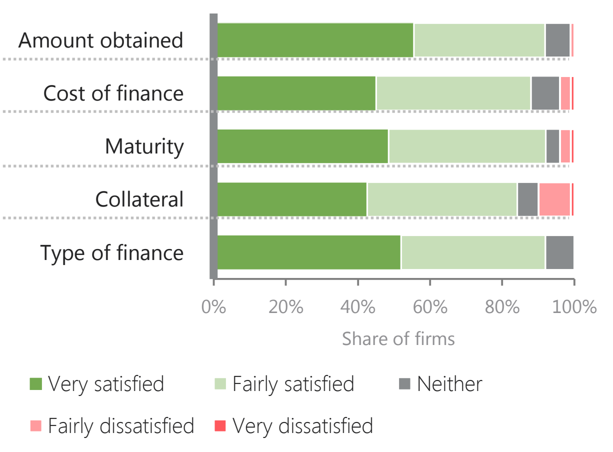
Source of investment finance



Base: *All firms who invested in the last financial year (excluding don't know/refused responses)*

Q. Approximately what proportion of your investment in the last financial year was financed by each of the following?

Satisfaction with external finance

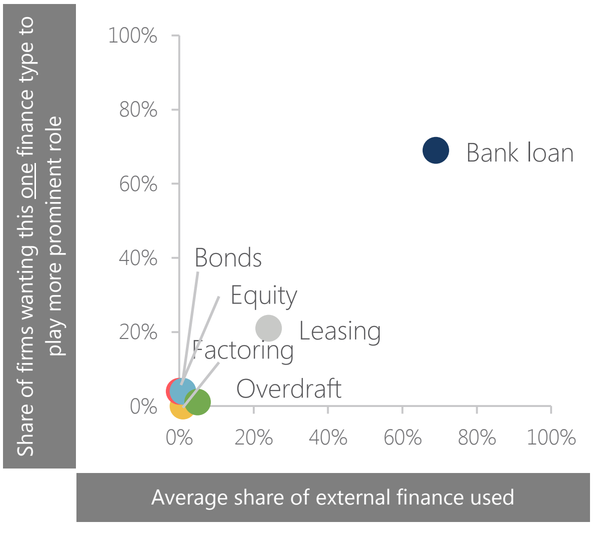


Base: *All firms who used external finance in the last financial year (excluding don't know/refused responses)*

Q. How satisfied or dissatisfied are you with …?

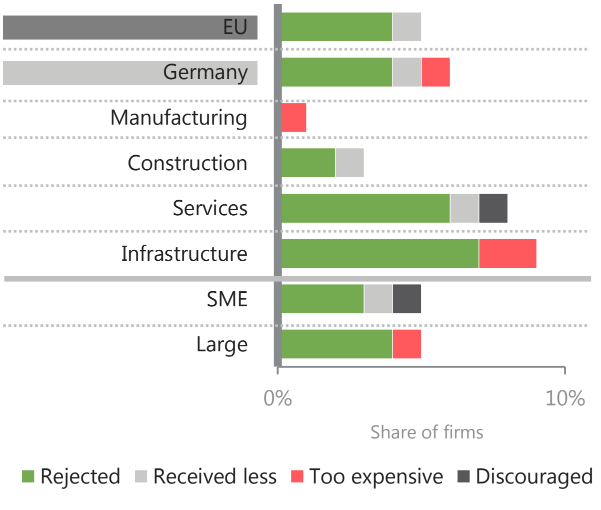
- Overall firms in Germany want more of the type of external finance they are already using.
- Six per cent of firms in Germany can be considered finance constrained, compared to 5% across the EU as a whole.

Types of finance used versus the one type of finance firms want to use more



Base: *All firms who used external finance in the last financial year (excluding don't know/refused responses)*
Data is derived from two questions: firms were first asked about the types of external finance used in the last financial year and then which one type of external finance they would want to have a more prominent role over the next 3 years

Share of finance constrained firms



Base: *All firms*
Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged)

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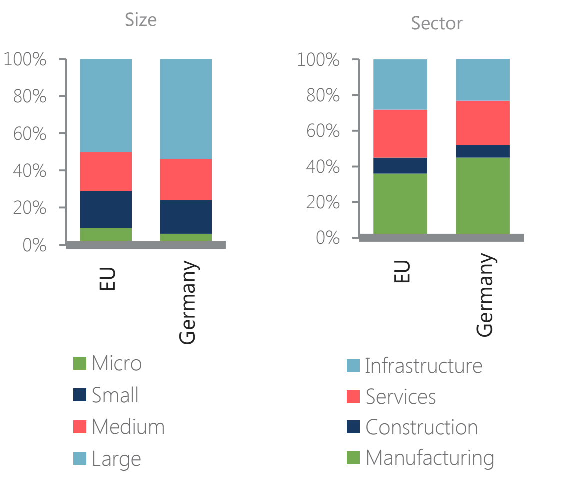
PROFILE OF FIRMS

Contribution to Value-Added

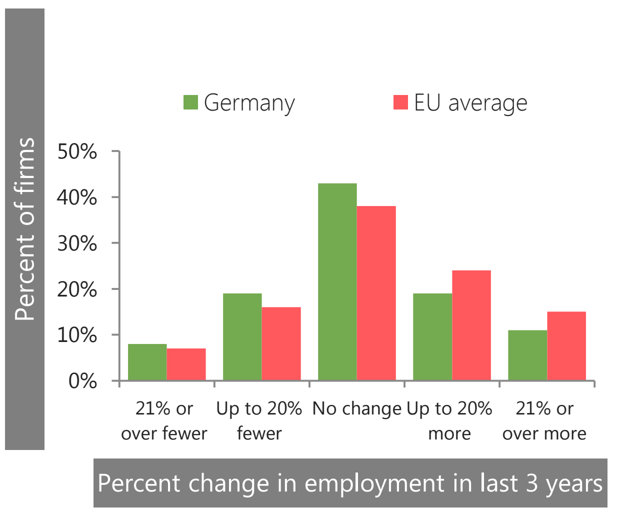


Base: *All firms*

The charts reflects the relative contribution to value-added by firms belonging to a particular size class / sector in the population of firms considered. That is, all firms with 5 or more employees active in the sectors covered by the survey. Micro: 5-9 employees; Small: 10-49; Medium: 50-249; Large: 250+.

- More than half the value added in Germany that is part of this survey comes from large companies (54%). This is similar to the EU average of 50%.
- Employment change is less favourable in Germany than the EU average – the EU average sees more favourable employment growth which is in line with already high employment figures in Germany and reported hiring constraints.
- Except for the service sector, firms in Germany have higher productivity compared to the EU average. Within Germany, the construction and manufacturing sector have the highest productivity.

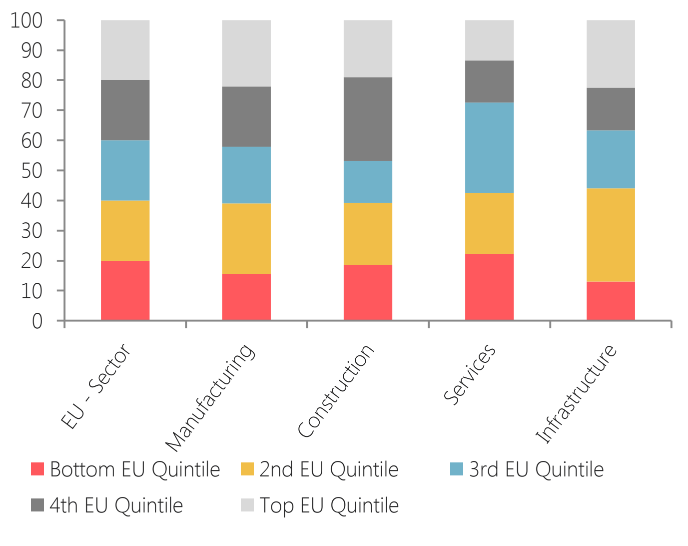
Employment dynamics in last 3 years



Base: *All firms (excluding don't know, refused and missing responses)*

Q. Thinking about the number of people employed by your company, by how much has it changed in the last 3 years?

Distribution of firms by productivity class



Share of firms by productivity class (Total Factor Productivity). Productivity classes are sector specific; they are defined on the basis of the entire EU sample (for a particular sector).

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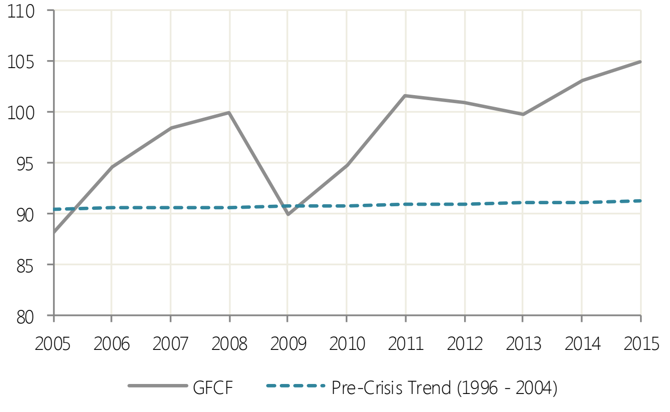
MACROECONOMIC INVESTMENT CONTEXT

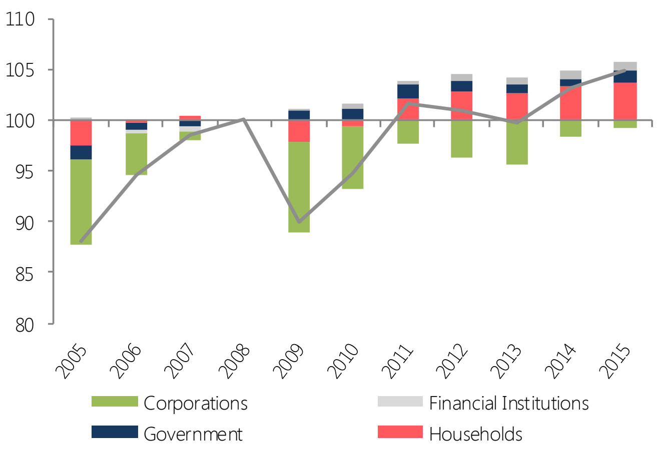
Investment Dynamics over time



The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); against the series 'pre-crisis trend. The data has been index to equal 100 in 2008. Source: Eurostat .

- Investment levels, after a drop in 2009 that recovered quickly, have been mostly stable and are even increasing slightly. Overall the level is well above the pre crisis trend.
- Household investments show an even faster rebound based largely on buoyant construction investments.

Investment Dynamics by Institutional Sector



The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); by institutional sector. The data has been indexed to equal 100 in 2008. Source: Eurostat.

Investment Dynamics by Asset Class

The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); by asset class. The data has been indexed to equal 100 in 2008. Source: Eurostat.

EIBIS 2016 – COUNTRY TECHNICAL DETAILS

The final data are based on a sample, rather than the entire population of firms in Germany, so the percentage results are subject to sampling tolerances. These vary with the size of the sample and the percentage figure concerned.

Approximate sampling tolerances applicable to percentages at or near these levels

	EU	Germany	Manu-facturing	Cons-truction	Services	Infras-tructure	SME	Large	EU vs Country	Manufacturing vs Construction	SME vs Large
	(12483)	(605)	(156)	(138)	(155)	(156)	(451)	(153)	(12483 vs 605)	(156 vs 138)	(451 vs 153)
10% or 90%	1.0%	2.6%	4.6%	5.1%	5.0%	4.5%	2.8%	4.3%	2.8%	6.8%	5.1%
30% or 70%	1.5%	4.0%	7.0%	7.7%	7.7%	6.9%	4.3%	6.5%	4.3%	10.4%	7.8%
50%	1.7%	4.4%	7.6%	8.4%	8.4%	7.5%	4.6%	7.1%	4.7%	11.3%	8.5%

Glossary

Investment	A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities with the intention of maintaining or increasing the company's future earnings.
Investment cycle	Based on the expected investment in current financial year compared to last one, and the proportion of firms with a share of investment greater than EUR 500 per employee.
Productivity	Total factor productivity is a measure of how efficiently a firm is converting inputs (capital and labor) into output (value-added). It is estimated by means of a country-by-country regression analysis (with industry dummies).
Manufacturing sector	Based on the NACE classification of economic activities, firms in group C (manufacturing).
Construction sector	Based on the NACE classification of economic activities, firms in group F (construction).
Services sector	Based on the NACE classification of economic activities, firms in group G (wholesale and retail trade) and group I (accommodation and food services activities).
Infrastructure sector	Based on the NACE classification of economic activities, firms in groups D and E (utilities), group H (transportation and storage) and group J (information and communication).
SME	Firms with between 5 and 249 employees
Large firms	Firms with at least 250 employees

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EIBIS 2016 – COUNTRY TECHNICAL DETAILS

Base sizes

Base definition and page reference	EU	Germany	Manufacturing	Construction	Services	Infrastructure	SME	Large
All firms, p. 3, p. 6, p. 7, p. 9, p. 11, p. 12, p. 13	12483	605	156	138	155	156	451	153
All firms (excluding don't know/refused responses), p. 2	11838	535	136	126	135	138	406	129
All firms (excluding those who have no investment planned/don't know/refused responses), p. 5	12159	568	145	132	146	145	422	146
All firms (excluding 'Company didn't exist three years ago' responses), p. 6	12453	604	156	137	155	156	450	153
All firms (excluding don't know, refused and missing responses), p. 13	12162	584	150	134	151	149	436	148
All firms who invested in the last financial year, p. 2	12281	568	145	131	143	149	431	137
All firms who invested in the last financial year, p. 4	10881	494	124	117	114	139	364	130
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4	10060	403	101	92	99	111	312	91
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5	9682	397	108	92	86	111	293	104
All firms who invested in the last financial year (excluding don't know/refused responses), p. 10	9093	441	113	112	97	119	336	105
All firms who have planned to invest in the current financial year and who invested too much, about the right amount or too little in the last financial year (excluding don't know/refused/company didn't exist three years ago responses), p. 8	10536	521	N/A	N/A	N/A	N/A	N/A	N/A
All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 10, p. 11	4344	208	61	45	37	65	147	61

Percentage rounding

Percentage with value of less than 0.5 but greater than zero has not been displayed in the charts.

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