EIB Group Survey on Investment and Investment Finance Country Overview: Italy
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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.

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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.
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 622 firms in Italy in 2016 (July–October). Note: The results are weighted by value-added, reflecting firms’ contribution to the economy.

Key results

Investment outlook: High investment, expanding: a high share of firms invested in the last financial year, with a positive outlook for the current year on balance. SMEs and service sector firms are on balance somewhat less positive (than the aggregate) about their investment outlook; so are firms active in the construction sector.

Investment activity: 84% of firms invested in the last financial year, with an intensity (investment per employee) a little higher than the EU average. The average share of state-of-the-art machinery and equipment - as well as the share of firms’ building stock meeting high efficiency standards - are similar to the EU average.

Investment gap: 12% firms report that they invested too little over the past three years, while only 3% report that they invested too much.

Investment barriers: Political and regulatory climate is perceived to be the main barrier to implementing investment.

External finance: 9% of firms are finance constrained – more than the EU overall (comprising firms that had their application for finance rejected, were discouraged from applying, received less finance than they had asked for, or at too expensive a rate).

Firm performance: The distribution of firms’ productivity in Italy is similar to the EU. Within Italy, construction and manufacturing firms have the highest shares of low productivity firms compared to the EU average.
Overall 84% of firms in Italy invested in the last financial year, which is a similar level to the EU as a whole.

The intensity of investment in Italy is a little higher than the EU average. Moreover large firms were more likely to invest than SMEs.

Firms in manufacturing were more likely to invest, compared with those in the construction sector.

Almost half of firms in Italy invested the same amount in 2014 and 2015, though more firms increased investment than decreased it.

Firms in Italy were more likely to increase their investment between 2014 and 2015 compared with firms EU-wide (40% vs. 34%).

Infrastructure firms in Italy were significantly more likely to increase their investment than those in the construction and services sectors.
Almost 40% of firms in Italy expect their investment to remain at the same level as the previous year, while 36% expect to increase - broadly in line with the EU-level results.

On balance more firms are expected to increase investment than decrease it, with a positive net balance of 11%.

Within the investment cycle, this places firms in Italy in between the ‘low investment-high investment; expanding’ quadrants.

**Investment cycle**

- SMEs and service sector firms are on balance somewhat less positive about their investment outlook (than the aggregate). So are firms active in construction where investment activity, however, is relatively low already, consistent also with a still stagnant housing market.

- Large firms, the manufacturing and infrastructure sectors, on the other hand, expect an expansion on balance.
INVESTMENT ACTIVITY

- Forty five per cent of investment activity by firms in Italy is in machinery and equipment, followed by land, business buildings and infrastructure (14%) and software, data, IT and website (13%). These proportions are similar to the EU overall.

- Large firms in Italy invest more than average in land, business buildings and infrastructure.

- SMEs and large firms in Italy invest similar proportions in machinery and equipment and R&D.

**Investment abroad**

- Overall 12% of firms in Italy have invested in another country.

- One fifth of large firms in Italy have invested abroad compared to 5% of SMEs. Both are in line with the EU average.

- Manufacturing sector firms in Italy are more likely to invest abroad than those in other sectors.

**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?

- Organisation/business processes
- Training of employees
- Software, data, IT, website
- R&D
- Machinery and equipment
- Land, business buildings and infrastructure

**Base:** All firms who invested in the last financial year

Q. In the last financial year, has your company invested in another country?
- Just over half of investment in Italy is driven by the need to replace existing buildings, machinery, equipment and IT, in line with the pattern across the EU.

- Large firms invest a higher share than SMEs in expanding capacity for existing products and services (29% vs. 22%), while manufacturers are more likely than those in other sectors to invest in new products and services.

For 36% of firms planning to invest in the next three years, the priority is replacing existing buildings, machinery, equipment and IT. However just over one quarter prioritise the need for new products and services.

- Nearly half of firms in the construction and infrastructure sectors prioritise investing in replacing existing capacity.

- Some 19% of SMEs do not plan to invest over the next three years.
More than four in five firms in Italy (84%) believe that their investment over the past three years was about the right amount. This is higher than the 78% of firms across the EU overall that said the same.

One in eight firms in Italy (12%) report that they invested too little, whilst only 3% say they think they invested too much.

These findings are consistent with a rather gloomy investment landscape in Italy.

Nearly half of firms in Italy (47%) report operating at or above maximum capacity in the last financial year, broadly in line with the EU average of 51% of firms operating at full capacity.

The proportion of large firms in Italy operating at or above full capacity is significantly higher than for SMEs.

The percentage of firms operating at full capacity in Italy is closest to the EU average for firms in the infrastructure sector.

**Share of firms at or above full capacity**

**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?
- The average share of state-of-the-art machinery and equipment owned by firms in Italy is higher than for the EU overall (48% for firms in Italy, and 44% for the EU as a whole).
- The average share of state-of-the-art machinery and equipment in Italy is broadly similar across different sectors and size of firms.

Among firms in Italy interviewed, on average 42% of their building stock is considered to meet high energy efficiency standards. This is in line with firms across the EU as a whole (40%).

The share of building stock that meets high efficiency standards is higher for manufacturing businesses in Italy (53%) than for other sectors, but a similar share is given by SMEs and large firms.
The political and regulatory climate is cited as a barrier to implementing planned investment in Italy in the current financial year.

In contrast, availability of finance and business prospects in the sector are cited as the main factors to facilitate planned investment in the current financial year in Italy.

Among firms that consider they have invested too little in the past three years, more expect the political and regulatory climate to have a negative than a positive effect on their planned investment.
Firms in Italy consider uncertainty about the future, labour market regulations, business regulations and availability of finance to be the main structural barriers to investment in Italy over the longer term, but four in ten firms cite demand for their products or services as a major obstacle and two in three firms cite energy costs as an obstacle.

**Long term barriers to investment**

- Uncertainty about the future
- Availability of finance
- Business regulations
- Labour market regulations
- Energy costs
- Availability of staff with right skills
- Demand for products or services

**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 Italy, 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 reporting that their investment has been below their needs in the past three years, the main obstacles are uncertainty about the future and availability of external finance.
Firms in Italy rely to a large extent on external funds to finance investment activities. This is higher than the EU average (45% versus 36%).

Bank loans are the most common source of external finance, though less so in the construction sector.

Firms that used external finance are most satisfied with the type of finance and amount obtained.

**Type of external finance used for investment activities**

- **Bank loan**
- **Other bank finance**
- **Bonds**
- **Equity**
- **Leasing**
- **Factoring**
- **Loans from family/friends**
- **Grants**
- **Other**

**Satisfaction with external finance**

- **Amount obtained**
- **Cost of finance**
- **Maturity**
- **Collateral**
- **Type of 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?**

**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 Italy want more of the type of external finance that they are already using, namely bank loans.

Almost one in ten firms in Italy (9%) can be considered finance constrained – nearly double the EU average of 5%.

The percentage of constrained firms is higher among large companies than SMEs in Italy.

The construction sector has 12% of firms that are finance constrained; this is likely to be a legacy of the bust cycle in the construction sector.

**Share of finance constrained firms**

**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.

**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), those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or thought that they would be turned down (discouraged).
PROFILE OF FIRMS

Contribution to Value-Added

- Micro and small firms make a higher contribution to value-added in Italy than is the case across the EU overall, while the reverse applies for large firms.
- Employment growth in Italy has been on a par with the EU average in the last three years.
- The distribution of firms by productivity class in Italy is similar to the EU. Within Italy, construction and manufacturing firms have the highest shares of low productive firms compared to the EU average.

Employment dynamics in last 3 years

- The charts reflect 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+.

Distribution of firms by productivity class

- The charts show the distribution 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).

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?

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).
In 2015, aggregate investment is still almost 30% below its 2008 levels.

- The gap is similar when compared to the pre-crisis trend; even though slowing potential growth make this a difficult benchmark to reach.

- The corporate sector and investments in ‘other buildings and structures’ are lagging most compared to 2008 as well as households’ investment in dwellings.

**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 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.*
The final data are based on a sample, rather than the entire population of firms in Italy, 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

<table>
<thead>
<tr>
<th>EU</th>
<th>Italy</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Services</th>
<th>Infrastructure</th>
<th>SME</th>
<th>Large</th>
<th>EU vs Country</th>
<th>Manufacturing vs Construction</th>
<th>SME vs Large</th>
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<tr>
<td>12483</td>
<td>622</td>
<td>173</td>
<td>136</td>
<td>162</td>
<td>147</td>
<td>491</td>
<td>131</td>
<td>(12483 vs 622)</td>
<td>(173 vs 136)</td>
<td>(491 vs 131)</td>
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<tr>
<td>10% or 90%</td>
<td>1.0%</td>
<td>2.4%</td>
<td>4.1%</td>
<td>4.7%</td>
<td>4.4%</td>
<td>4.6%</td>
<td>2.5%</td>
<td>4.6%</td>
<td>2.6%</td>
<td>6.2%</td>
</tr>
<tr>
<td>30% or 70%</td>
<td>1.5%</td>
<td>3.6%</td>
<td>6.3%</td>
<td>7.2%</td>
<td>6.7%</td>
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<td>3.8%</td>
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<td>3.9%</td>
<td>9.5%</td>
</tr>
<tr>
<td>50%</td>
<td>1.7%</td>
<td>4.0%</td>
<td>6.9%</td>
<td>7.8%</td>
<td>7.3%</td>
<td>7.6%</td>
<td>4.2%</td>
<td>7.7%</td>
<td>4.3%</td>
<td>10.4%</td>
</tr>
</tbody>
</table>

### 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.
## Base sizes

<table>
<thead>
<tr>
<th>Base definition and page reference</th>
<th>EU</th>
<th>Italy</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Services</th>
<th>Infrastructure</th>
<th>SME</th>
<th>Large</th>
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<tr>
<td>All firms, p. 3, p. 6, p. 7, p. 9, p. 11, p. 12, p. 13</td>
<td>12483</td>
<td>622</td>
<td>173</td>
<td>136</td>
<td>162</td>
<td>147</td>
<td>491</td>
<td>131</td>
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<tr>
<td>All firms (excluding don’t know/refused responses), p. 2</td>
<td>11838</td>
<td>612</td>
<td>169</td>
<td>136</td>
<td>161</td>
<td>142</td>
<td>486</td>
<td>126</td>
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<td>12159</td>
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<td>486</td>
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<td>All firms who invested in the last financial year, p. 2</td>
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<td>147</td>
<td>491</td>
<td>131</td>
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<td>All firms who invested in the last financial year, p. 4</td>
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<td>559</td>
<td>155</td>
<td>123</td>
<td>142</td>
<td>135</td>
<td>432</td>
<td>127</td>
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<td>543</td>
<td>152</td>
<td>123</td>
<td>137</td>
<td>128</td>
<td>425</td>
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<td>9682</td>
<td>524</td>
<td>145</td>
<td>121</td>
<td>133</td>
<td>122</td>
<td>405</td>
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<td>All firms who invested in the last financial year (excluding don’t know/refused responses), p. 10</td>
<td>9093</td>
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<td>127</td>
<td>129</td>
<td>403</td>
<td>114</td>
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<tr>
<td>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</td>
<td>10536</td>
<td>525</td>
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<td>All firms who used external finance in the last financial year (excluding don’t know/refused responses), p. 10, p. 11</td>
<td>4344</td>
<td>329</td>
<td>90</td>
<td>74</td>
<td>71</td>
<td>90</td>
<td>247</td>
<td>82</td>
</tr>
</tbody>
</table>

### Percentage rounding

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