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

Main contributors to this publication
Miroslav Kollar, EIB.

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

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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.
EIBIS 2016 – COUNTRY OVERVIEW

Slovakia

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

Key results

Investment outlook: 36% of firms expect an increase in investment activity, which is in line with EU average. High investment activity for infrastructure and manufacturing, some moderation in construction sector expected this year. Services, infrastructure sector and large companies plan on net balance to expand investment the most.

Investment activity: 55% of investment was in machinery and equipment. Investment in R&D is lagging behind the EU average. High share of capacity expansion last year and this year, above the EU and CESEE averages. Manufacturing firms investing most in new products.

Investment gap: 20% firms report having invested too little over the last three years, in line with the EU average. The average share of the state-of-the-art machinery and equipment of Slovakian firms is in line with the EU average.

Investment barriers: Political and regulatory climate perceived as main investment barrier, above the EU average, while business prospects are seen as a positive factor. Business and labour market regulations, uncertainty about the future and skill mismatches seen as major long-term obstacles to investment.

External finance: Majority of firms satisfied with external finance, and the share of finance constrained firms is in line with the EU average: the proportion of firms either dissatisfied with the amount of finance they received, had their application rejected, thought borrowing costs would be too high or were discouraged from applying. The highest share of finance constrained firms is in the construction sector.

Firm performance: Firms in Slovakia have lower productivity compared to the EU average. Job creation has been slightly above the EU as a whole.
The share of firms investing in Slovakia in the last financial year was comparable to the EU as a whole.

Slovakia remains one of the fastest growing economies in the EU, with GDP growth driven by investment and household consumption, recently supported by strong credit growth.

The intensity of investment is low compared with the EU average, but it is relatively higher in infrastructure and manufacturing than in other sectors.

Compared to 2014, 40% of firms increased their investment activities in 2015, in line with the EU average. On net balance, 22% of firms in Slovakia increased their investment in the last financial year compared to the previous year – versus 15% for the EU as a whole.
Overall 36% of firms in Slovakia expect their investment activity to increase in the current financial year, similar to the EU average.

On net balance, 7% of firms plan to invest more in current financial year compared to the last one in Slovakia, close to EU average.

*Caution very small base size less than 30*

**Investment cycle**

Infrastructure, manufacturing and construction sectors are all in the high investment phase of the investment cycle. The expected investment in the next couple of years in the auto industry and in transport infrastructure in Slovakia could further boost the investment activity.
In Investment Activity:

- Over half (55%) of investment activity in Slovakia was in machinery and equipment, and 17% in land, business buildings and infrastructure, in line with the EU average.

- Investment in R&D is running behind the EU as a whole (and as a share of GDP it is below the OECD average), which could lead to innovation bottlenecks and skills mismatches.

Investment abroad

- Only 6% of firms in Slovakia invested in another country in the last financial year, below EU average.
42% of investment was used to replace existing buildings, machinery equipment and IT, lower than the EU average.

Consistent with the macro picture of strong domestic demand, 40% of investment in Slovakia in the last financial year went into capacity expansion, the highest share in the EU as a whole and above CESEE average.

The manufacturing sector invested relatively more than other sectors in new products.

The top priority for future investment is the replacement of existing buildings: 38% of firms name this as their key priority for the next three years.

Expecting a continuation of strong domestic demand trend, 30% of firms in Slovakia plan to invest in capacity expansion over the next three years, ranking among the top five countries in the EU as a whole.
**INVESTMENT NEEDS**

- Over seven in ten (72%) invested about the right amount over the last three years, in line with the EU average.
- Overall 20% of firms in Slovakia reported investing too little over the last three years, again similar to the EU average on this measure.

**Perceived investment gap**

<table>
<thead>
<tr>
<th></th>
<th>EU</th>
<th>Slovakia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested too much</td>
<td></td>
<td></td>
</tr>
<tr>
<td>About the right amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested too little</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Don’t Know/refused</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

- The share of firms (50%) operating at or above full capacity in Slovakia in the last financial year is comparable to the EU as a whole.
- Nevertheless, facing strong domestic demand and buoyant housing market, 64% of firms in the construction sector reported operating at or above full capacity.
- On the other hand, only 40% of manufacturing firms reported operating at or above maximum capacity.
- The average share of machinery and equipment owned by Slovakian firms that is considered the state-of-the-art is in line with the EU as a whole, and it is fairly consistent across all sectors.

Firms in Slovakia report that on average 42% of their building stock satisfies high energy efficiency standards and this is broadly similar to the EU as a whole (and higher than the CESEE average).

The Slovakian economy is highly energy intensive and it is to a large extent dependent on foreign gas and oil supplies, hence high energy efficiency of the commercial building stock is essential.
The political and regulatory climate is cited as the main barrier to implementing planned investment, well above the EU average.

On the other hand, business prospects have been on balance a largely positive factor in enabling investment in Slovakia, higher than EU average.

Political and regulatory climate has had a higher negative impact on firms that reported to have invested too little compared to those who have invested sufficiently.

**Short term influences on investment**

- **Political and regulatory climate**
  - Slovakia negative net balance: -30%
  - Slovakia positive net balance: 0%
  - EU negative net balance: 0%
  - EU positive net balance: 30%

- **Overall economic climate**
  - Slovakia negative net balance: -30%
  - Slovakia positive net balance: 0%
  - EU negative net balance: 0%
  - EU positive net balance: 30%

- **Business prospects in the sector**
  - Slovakia negative net balance: -30%
  - Slovakia positive net balance: 0%
  - EU negative net balance: -30%
  - EU positive net balance: 0%

- **Availability of external finance**
  - Slovakia negative net balance: -30%
  - Slovakia positive net balance: 0%
  - EU negative net balance: -30%
  - EU positive net balance: 0%

- **Availability of internal finance**
  - Slovakia negative net balance: -30%
  - Slovakia positive net balance: 0%
  - EU negative net balance: -30%
  - EU positive net balance: 0%

**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*

<table>
<thead>
<tr>
<th>Short term influences by investment performance</th>
<th>Firms that invested sufficiently</th>
<th>Firms that invested too little</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political and regulatory climate</td>
<td>Green</td>
<td>Red</td>
</tr>
<tr>
<td>Overall economic climate</td>
<td>Green</td>
<td>Red</td>
</tr>
<tr>
<td>Business prospects in the sector</td>
<td>Green</td>
<td>Red</td>
</tr>
<tr>
<td>Availability of external finance</td>
<td>Green</td>
<td>Red</td>
</tr>
<tr>
<td>Availability of internal finance</td>
<td>Green</td>
<td>Red</td>
</tr>
</tbody>
</table>

**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).
Slovakian firms consider uncertainty about the future, business and labour market regulations and availability of staff with right skills as their main long term obstacles to investment. This mirrors the observed rising skill mismatches, tertiary education gaps and high youth unemployment rate in Slovakia.

Firms in Slovakia are more likely than the EU as a whole to cite business and labour market regulation, energy costs, availability of finances and availability of staff with right skills as long term investment barriers.

**Long term barriers to investment**

- Uncertainty about the future
- Availability of finance
- Adequate transport infrastructure
- Business regulations
- Labour market regulations
- Access to digital infrastructure
- Energy costs
- Availability of staff with right skills
- Demand for products or services

**Long term barriers by investment performance**

- Firms that invested sufficiently
- Firms that invested too little

**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 Slovakia, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?**

For firms in Slovakia that invested too little in the last financial year, uncertainty about the future, availability of staff with right skills, business and labour market regulation were reported as the main obstacles.

Labour market regulations and uncertainty about the future were on balance the main factors differentiating between firms that invested enough and those that invested too little.
The composition of investment finance in Slovakia is broadly similar to the EU as a whole.

Bank loans are the most common sources of external finance.

Corresponding to the easy credit standards in Slovakia, the vast majority of firms were broadly satisfied with the aspects of the external finance they obtained in the last financial year.

**Source of investment finance**

- Bank loans are the most common sources of external finance.
- Corresponding to the easy credit standards in Slovakia, the vast majority of firms were broadly satisfied with the aspects of the external finance they obtained in the last financial year.

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

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

**Satisfaction with external finance**

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

*Caution very small base size less than 30, and low response rate for this question. Loans from family/friends include also loans from business partners.*
Firms in Slovakia want more of the type of external finance that they are already using, particularly bank loans. Seven per cent of firms in Slovakia can be considered finance constrained, in line with the EU figure (5%). A significantly higher proportion of construction firms (17%) is finance constrained, compared to firms in other sectors.
PROFILE OF FIRMS

In terms of the weighted size and sector distribution, firms in Slovakia have a similar profile to the EU average profile.

The pace of job creation in Slovakia in the last three years was slightly higher than the EU average.

Productivity levels across the main sectors in Slovakia remain largely below EU averages. Among the sectors in Slovakia, manufacturing has the highest share of firms falling into the top EU productivity quantile.

**Base:** All firms

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+.

**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).
Steady investment growth. Gross fixed capital formation above pre-crisis level and above the level for the EU as a whole.

Pickup in investment recently driven by the public sector as a result of the stepped-up use of EU funds.

Machinery and equipment have recently been the main drivers of investment, followed by a small contribution of investment in dwellings.
EIBIS 2016 – COUNTRY TECHNICAL DETAILS

The final data are based on a sample, rather than the entire population of firms in Slovakia, 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></th>
<th>EU</th>
<th>Slovakia</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>
</tr>
</thead>
<tbody>
<tr>
<td>10% or 90%</td>
<td>(12483)</td>
<td>(385)</td>
<td>(154)</td>
<td>(46)</td>
<td>(122)</td>
<td>(63)</td>
<td>(355)</td>
<td>(30)</td>
<td>(12483 vs 385)</td>
<td>(154 vs 46)</td>
<td>(355 vs 30)</td>
</tr>
<tr>
<td>30% or 70%</td>
<td>1.0%</td>
<td>4.6%</td>
<td>7.6%</td>
<td>8.5%</td>
<td>10.1%</td>
<td>8.0%</td>
<td>3.6%</td>
<td>9.1%</td>
<td>4.7%</td>
<td>11.4%</td>
<td>9.8%</td>
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<tr>
<td>50%</td>
<td>1.5%</td>
<td>7.0%</td>
<td>11.7%</td>
<td>12.9%</td>
<td>15.4%</td>
<td>12.2%</td>
<td>5.5%</td>
<td>13.9%</td>
<td>7.2%</td>
<td>17.4%</td>
<td>14.9%</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>Slovakia</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Services</th>
<th>Infrastructure</th>
<th>SME</th>
<th>Large</th>
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<tbody>
<tr>
<td>All firms, p. 3, p. 6, p. 7, p. 9, p. 11, p. 12, p. 13</td>
<td>12483</td>
<td>385</td>
<td>154</td>
<td>46</td>
<td>122</td>
<td>63</td>
<td>355</td>
<td>30</td>
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<tr>
<td>All firms (excluding don’t know/refused responses), p. 2</td>
<td>11838</td>
<td>363</td>
<td>150</td>
<td>42</td>
<td>112</td>
<td>59</td>
<td>336</td>
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<tr>
<td>All firms (excluding those who have no investment planned/don’t know/refused responses), p. 5</td>
<td>12159</td>
<td>378</td>
<td>154</td>
<td>42</td>
<td>121</td>
<td>61</td>
<td>349</td>
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<tr>
<td>All firms (excluding ‘Company didn’t exist three years ago’ responses), p. 6</td>
<td>12453</td>
<td>383</td>
<td>153</td>
<td>46</td>
<td>121</td>
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<td>353</td>
<td>30</td>
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<tr>
<td>All firms (excluding don’t know, refused and missing responses), p. 13</td>
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<td>382</td>
<td>153</td>
<td>45</td>
<td>121</td>
<td>63</td>
<td>352</td>
<td>30</td>
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<tr>
<td>All firms who invested in the last financial year, p. 2</td>
<td>12281</td>
<td>377</td>
<td>151</td>
<td>45</td>
<td>119</td>
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<td>All firms who invested in the last financial year, p. 4</td>
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<td>360</td>
<td>148</td>
<td>42</td>
<td>111</td>
<td>59</td>
<td>332</td>
<td>28</td>
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<td>All firms who have invested in the last financial year (excluding don’t know/refused responses), p. 4</td>
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<td>355</td>
<td>145</td>
<td>42</td>
<td>109</td>
<td>59</td>
<td>327</td>
<td>28</td>
</tr>
<tr>
<td>All firms who have invested in the last financial year (excluding don’t know/refused responses), p. 5</td>
<td>9682</td>
<td>328</td>
<td>136</td>
<td>35</td>
<td>102</td>
<td>55</td>
<td>303</td>
<td>25</td>
</tr>
<tr>
<td>All firms who invested in the last financial year (excluding don’t know/refused responses), p. 10</td>
<td>9093</td>
<td>313</td>
<td>125</td>
<td>39</td>
<td>95</td>
<td>54</td>
<td>294</td>
<td>19</td>
</tr>
<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>334</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<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>172</td>
<td>74</td>
<td>22</td>
<td>44</td>
<td>32</td>
<td>160</td>
<td>12</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.