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Investment
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The EU bank



Slovakia

EIBIS 2016

EIB Group Survey on
Investment and
Investment Finance 2016

Country Overview

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.

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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.

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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.

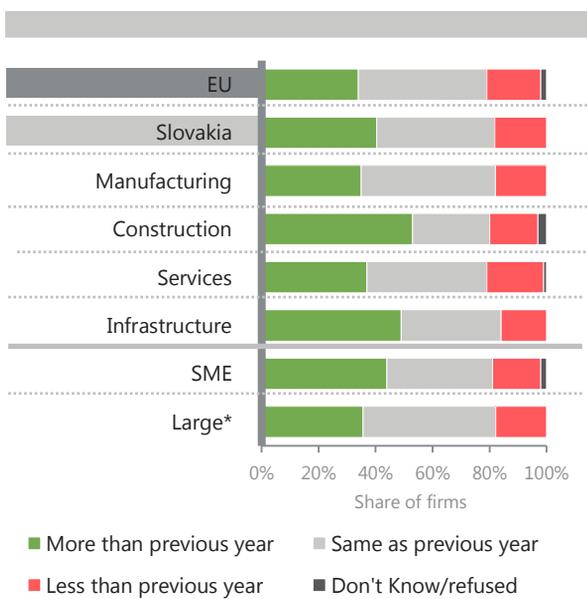
Key results

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.

INVESTMENT DYNAMICS

- 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.

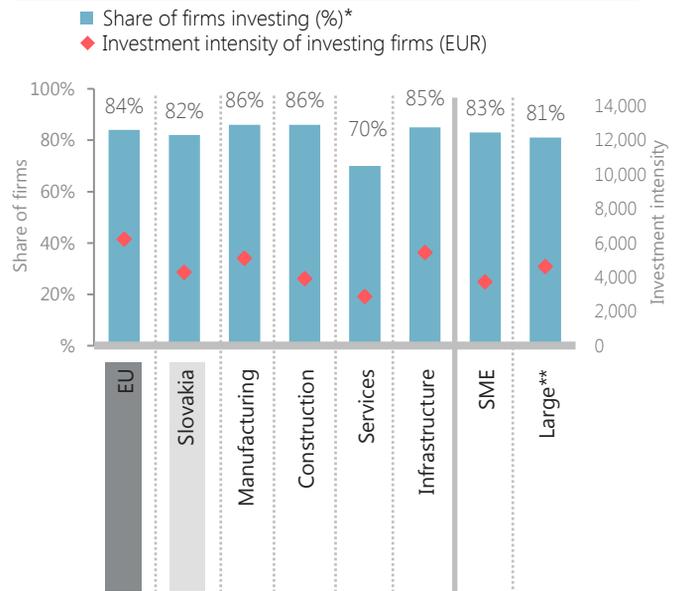
Investment activity in last financial year compared to previous



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?

*Caution very small base size less than 30

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.

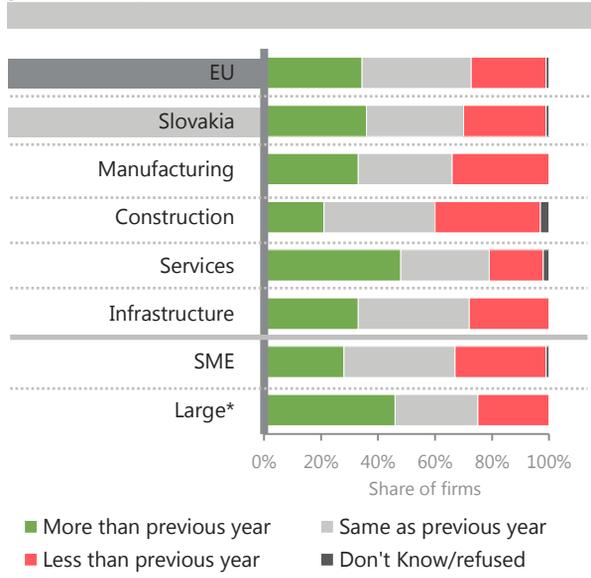
Investment intensity is the median investment per employee of investing firms.

** Caution very small base size less than 30

- 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.

Expected investment in current financial year compared to last one

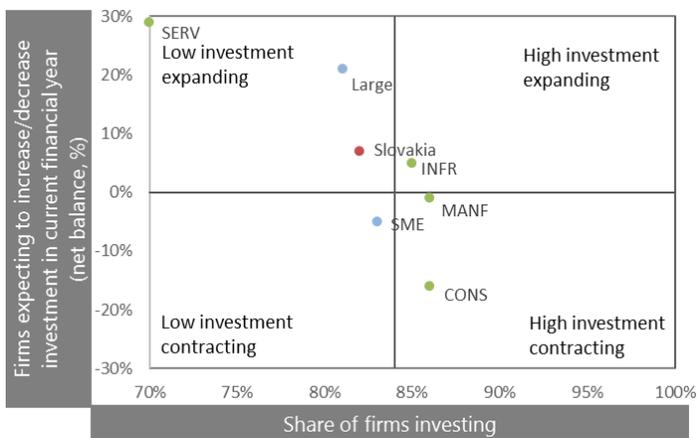


Base: All firms

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.

* Caution very small base size less than 30

Investment cycle



Base: All firms

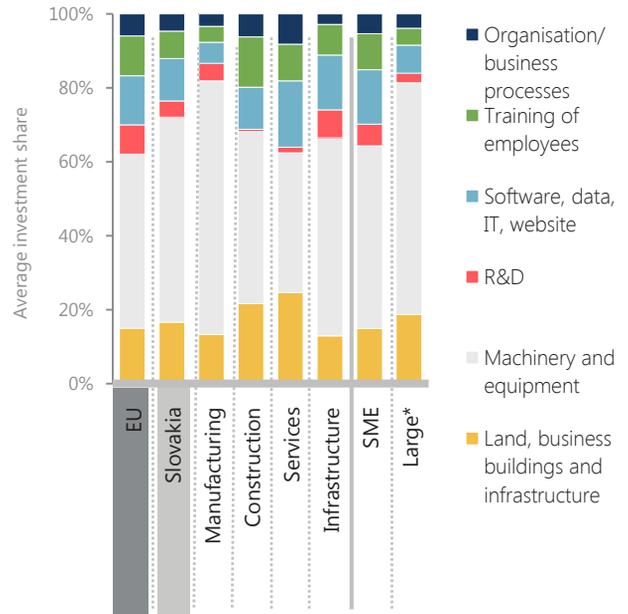
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.

- 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.

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 areas

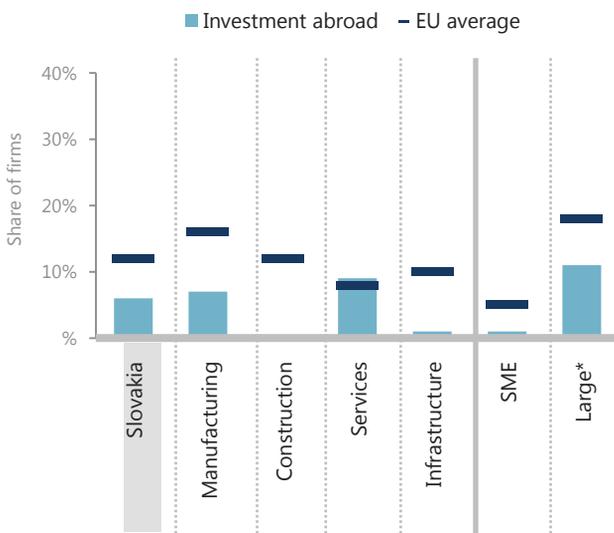


Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

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?

*Caution very small base size less than 30

Investment abroad



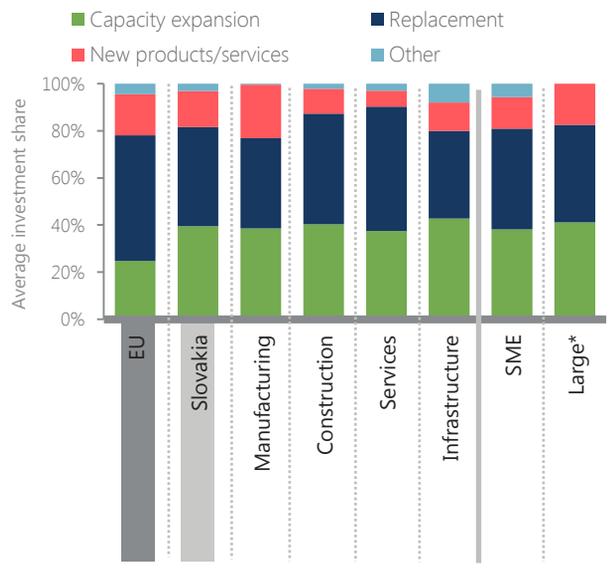
Base: All firms who invested in the last financial year
Q. In the last financial year, has your company invested in another country?

*Caution very small base size less than 30

- 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.

Purpose of investment in last financial year

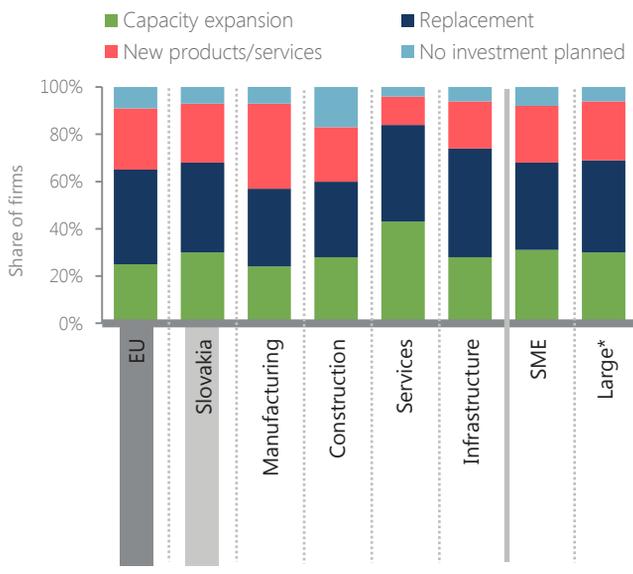


Base: All firms who invested in the last financial year (excluding don't know/refused responses)

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?

*Caution very small base size less than 30

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?

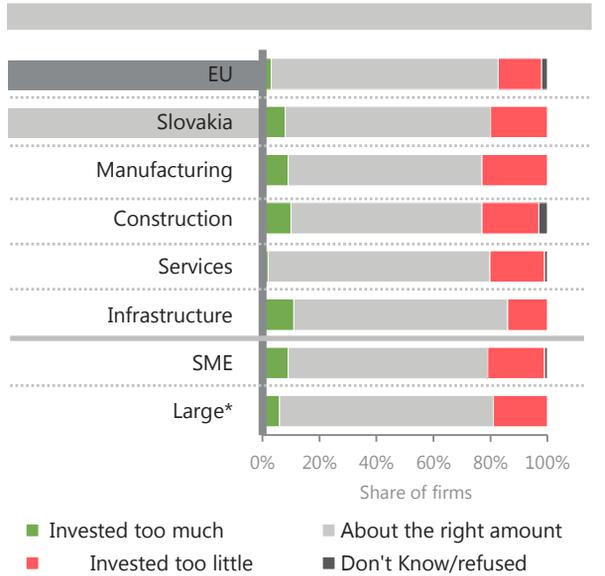
*Caution very small base size less than 30

- 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

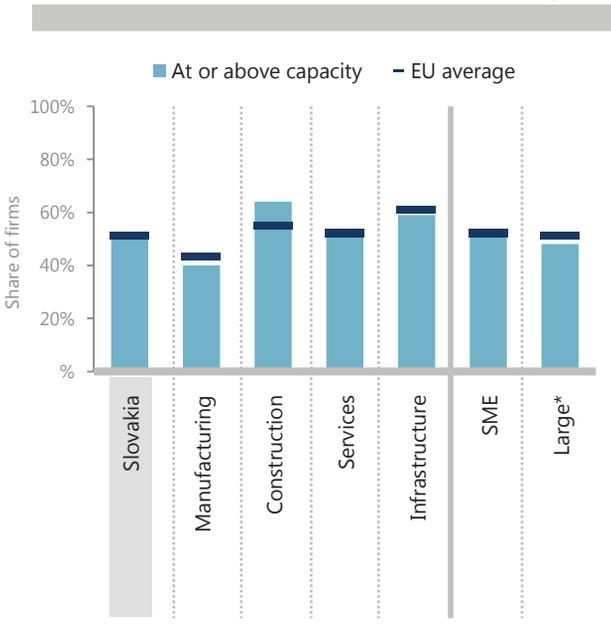
- Over seven in ten (72%) invested about the right amount over the last three years, in line with the EU average.
- Overall 20% of firms in Slovakia reported investing too little over the last three years, again similar to the EU average on this measure.

Perceived investment gap



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?
 * Caution very small base size less than 30

Share of firms at or above full capacity



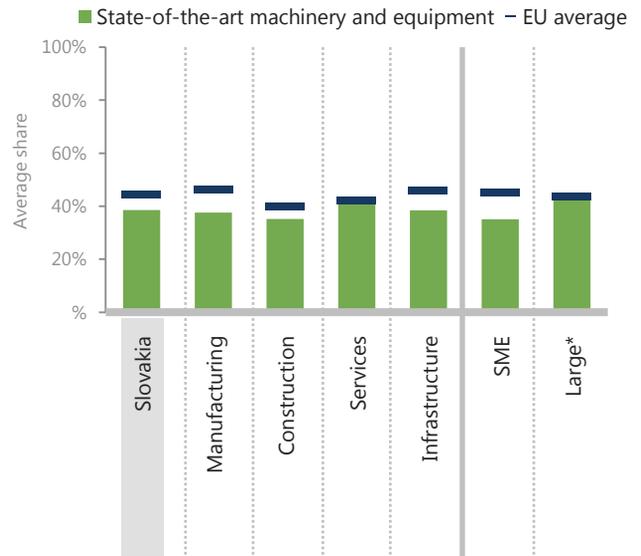
Base: All firms (data not shown for those operating somewhat or substantially below full capacity)

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. * Caution very small base size less than 30
 Q. In the last financial year, was your company operating above or at maximum capacity attainable under normal circumstances? 6

- 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.

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

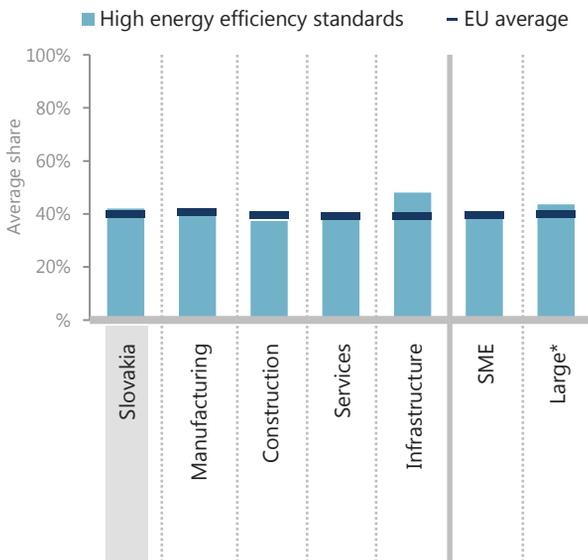


Base: All firms

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

* Caution very small base size less than 30

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?

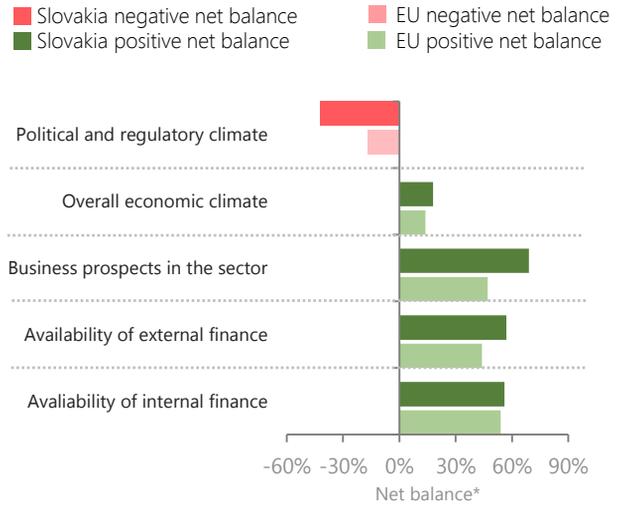
* Caution very small base size less than 30

- 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.

INVESTMENT CONSTRAINTS

- 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.

Short term influences on investment

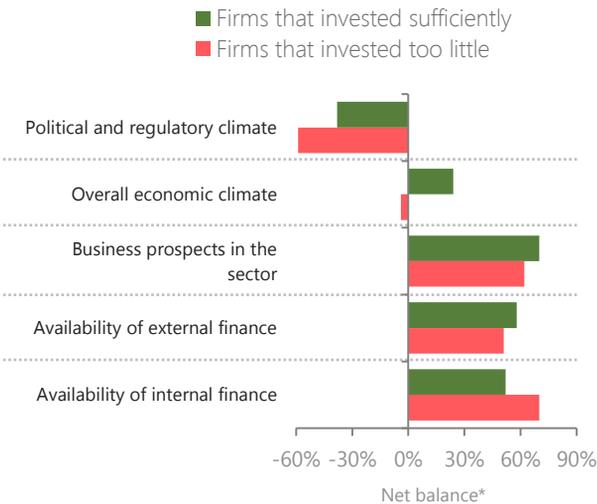


Base: All firms who have planned to invest in the current financial year

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)

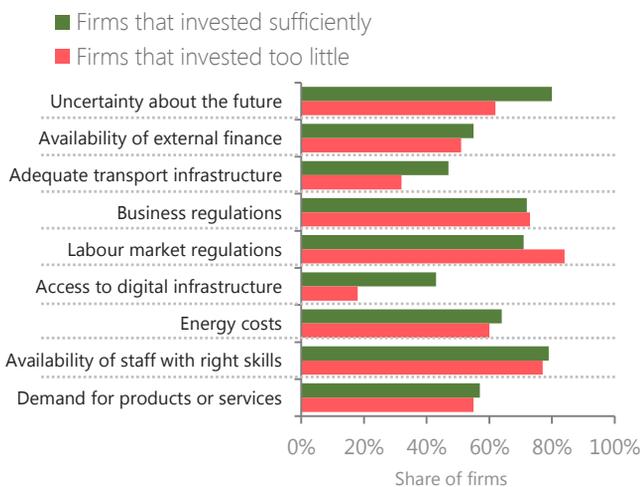
Q. How do each of the following affect your ability to carry out your planned investment. Does it affect it positively or negatively, or make no difference at all?

* Net balance is the share of firms seeing a positive effect minus the share of firms seeing a negative effect

- 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.

- 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.

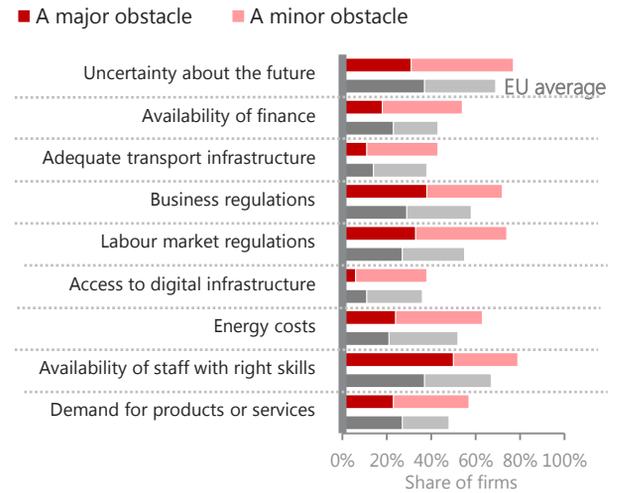
Long term barriers by investment performance



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 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?

Long term barriers to investment



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

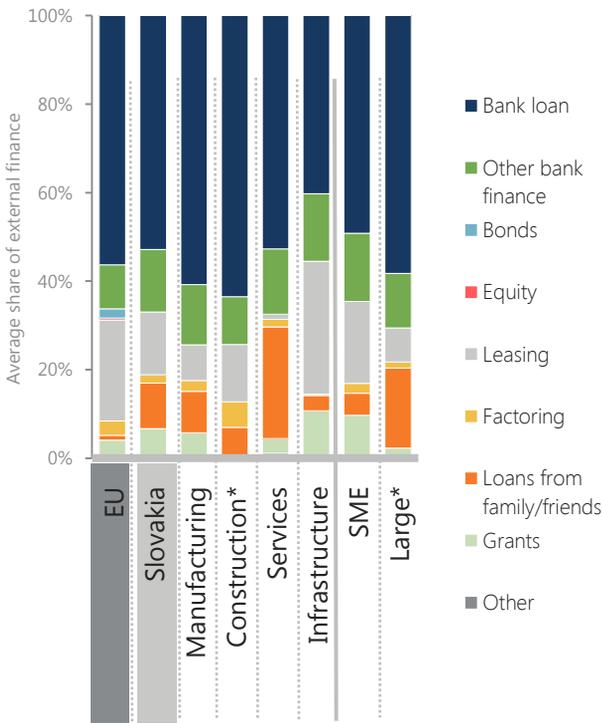
Q. Thinking about your investment activities in Slovakia, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?

- For firms in 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.

INVESTMENT FINANCE

- 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.

Type of external finance used for investment activities

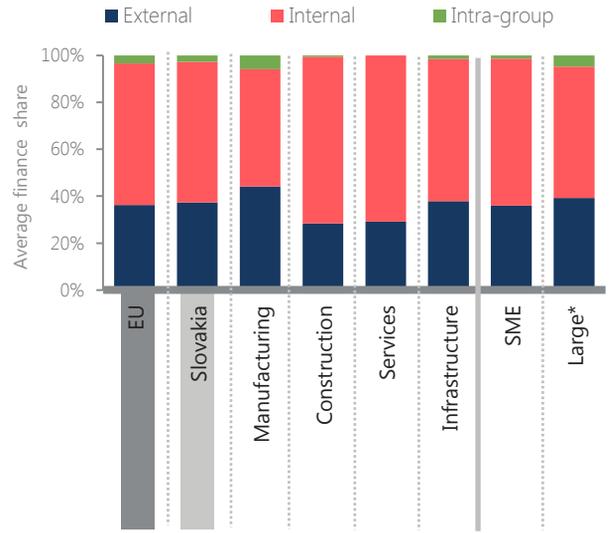


Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

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

*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.

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?

*Caution very small base size less than 30

Satisfaction with external finance

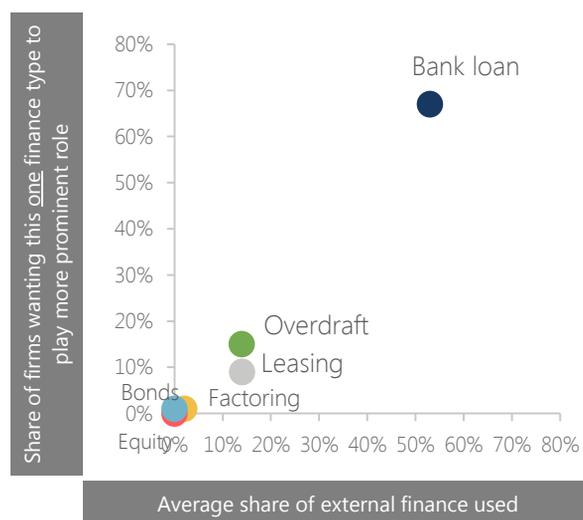


Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

Q. How satisfied or dissatisfied are you with ...?

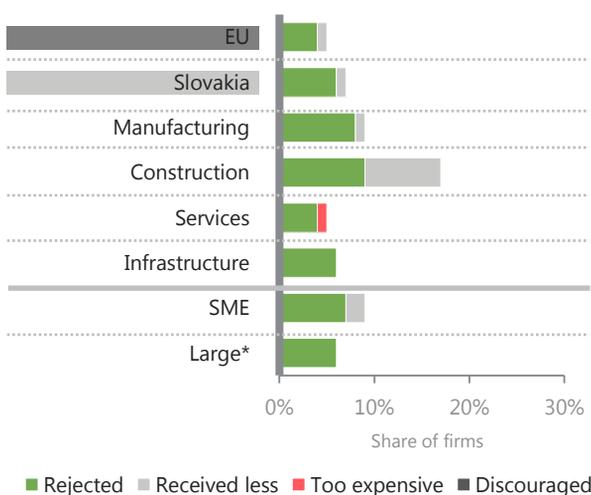
- Firms in Slovakia want more of the type of external finance that they are already using, particularly bank loans.

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

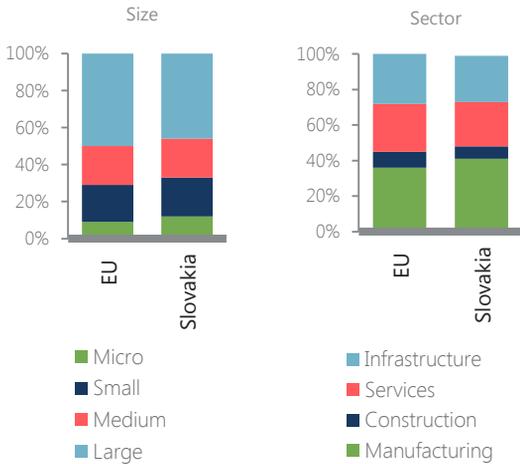


Base: All firms
Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged) * Caution very small base size less than 30

- 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

Contribution to Value-Added

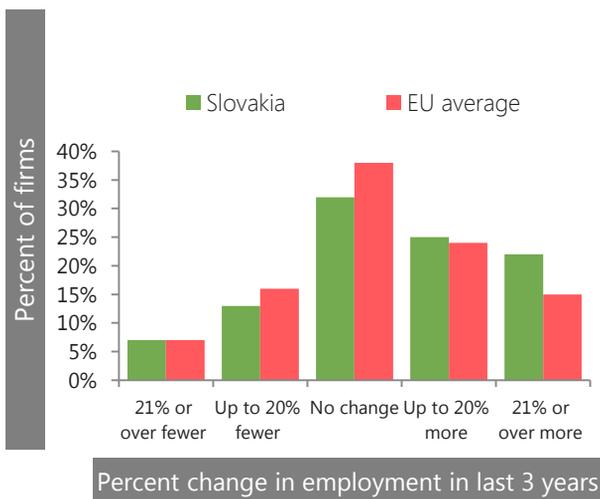


Base: All firms

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+.

- 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 quintile.

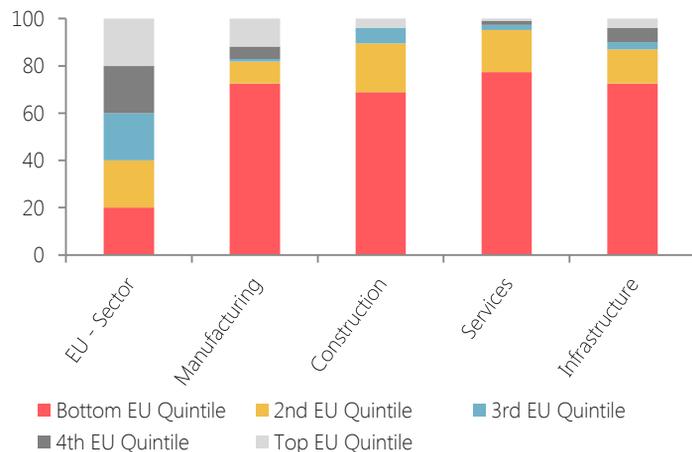
Employment dynamics in last 3 years



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?

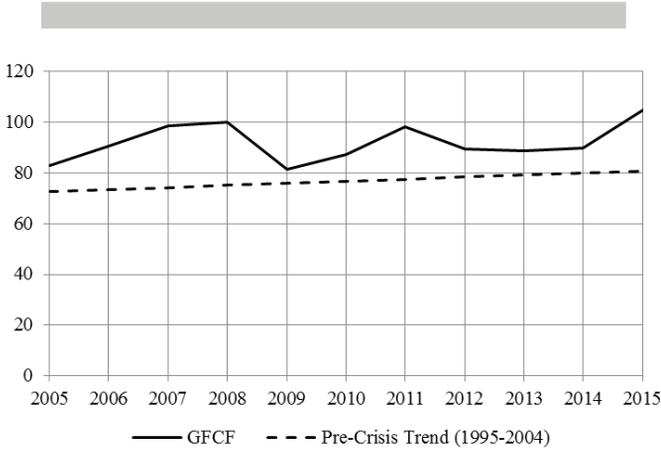
Distribution of firms by productivity class



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).

MACROECONOMIC INVESTMENT CONTEXT

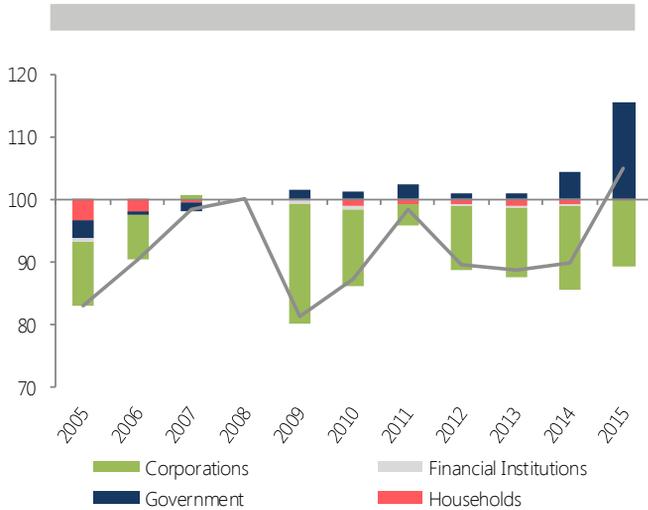
Investment Dynamics over time



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

- 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.

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 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

	EU	Slovakia	Manu- facturing	Cons- truction	Services	Infras- tructure	SME	Large	EU vs Country	Manufacturing vs Construction	SME vs Large
	(12483)	(385)	(154)	(46)	(122)	(63)	(355)	(30)	(12483 vs 385)	(154 vs 46)	(355 vs 30)
10% or 90%	1.0%	4.6%	7.6%	8.5%	10.1%	8.0%	3.6%	9.1%	4.7%	11.4%	9.8%
30% or 70%	1.5%	7.0%	11.7%	12.9%	15.4%	12.2%	5.5%	13.9%	7.2%	17.4%	14.9%
50%	1.7%	7.7%	12.7%	14.1%	16.8%	13.4%	6.0%	15.2%	7.8%	18.9%	16.3%

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.

EIBIS 2016 – COUNTRY TECHNICAL DETAILS

Base sizes

Base definition and page reference	EU	Slovakia	Manufacturing	Construction	Services	Infrastructure	SME	Large
All firms, p. 3, p. 6, p. 7, p. 9, p. 11, p. 12, p. 13	12483	385	154	46	122	63	355	30
All firms (excluding don't know/refused responses), p. 2	11838	363	150	42	112	59	336	27
All firms (excluding those who have no investment planned/don't know/refused responses), p. 5	12159	378	154	42	121	61	349	29
All firms (excluding 'Company didn't exist three years ago' responses), p. 6	12453	383	153	46	121	63	353	30
All firms (excluding don't know, refused and missing responses), p. 13	12162	382	153	45	121	63	352	30
All firms who invested in the last financial year, p. 2	12281	377	151	45	119	62	348	29
All firms who invested in the last financial year, p. 4	10881	360	148	42	111	59	332	28
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4	10060	355	145	42	109	59	327	28
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5	9682	328	136	35	102	55	303	25
All firms who invested in the last financial year (excluding don't know/refused responses), p. 10	9093	313	125	39	95	54	294	19
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	334	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	172	74	22	44	32	160	12

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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The EU bank

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