European Investment Bank

The EU bank

EU Overview

EIBIS 2016

EIB Group Survey on Investment and Investment Finance 2016

European Investment Bank The EU bank

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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 EU-wide report is an overview of a series covering each of the 28 EU Member States. 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

Philipp-Bastian Brutscher and Atanas Kolev, 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 – EU OVERVIEW

The annual EIB Group Survey on Investment and Investment Finance (EIBIS) is an EU-wide survey 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.

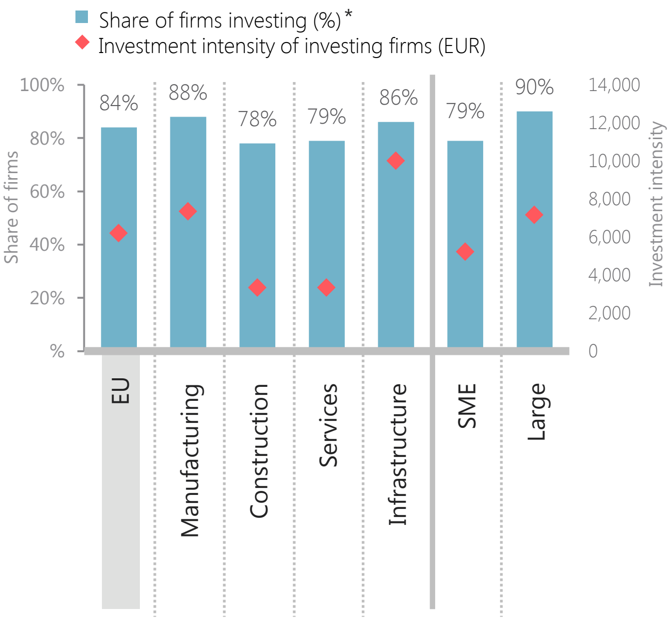
This overview presents selected findings based on telephone interviews with some 12,500 firms across the EU in 2016 (July-November). Note: The results are weighted by value-added, reflecting firms' contribution to the economy.

Key results

Investment outlook:	**Overall investment outlook optimistic** in particular among larger firms and firms active in manufacturing and infrastructure sectors. Estonia, Malta and Lithuania are the only countries with on balance more firms expecting a contraction in investment than an expansion.
Investment activity:	**Firms' investment focus is replacement** Over half of investment in the EU is driven by the need to replace existing buildings, machinery, equipment and IT.
Investment gap:	**15% of firms report having invested too little** over the last three years, while 3% found they invested too much.
Investment barriers:	**Uncertainty and lack of skilled staff are the main barriers to investment**. Business regulation is another important obstacle.
External finance:	**5% of firms are finance constrained** 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:	**There are very large within sector productivity differences in the EU** while cross-sector differences are relatively small.

INVESTMENT DYNAMICS

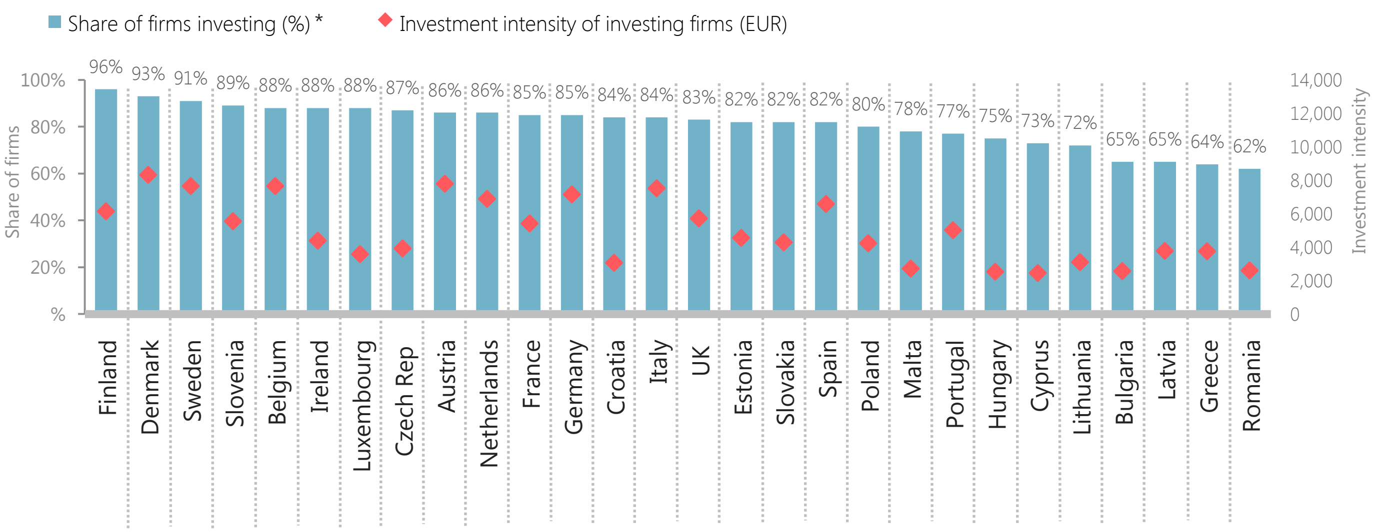
Investment activity in last financial year



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.

- Overall 84% of firms across the EU invested in the last financial year.
- The average intensity of investment (investment per employee) was notably higher in the infrastructure sector.
- At least six in ten firms invested in each country. More than nine out of ten firms invested in Finland, Denmark and Sweden. Firms in Bulgaria, Latvia, Greece and Romania were least likely to invest.

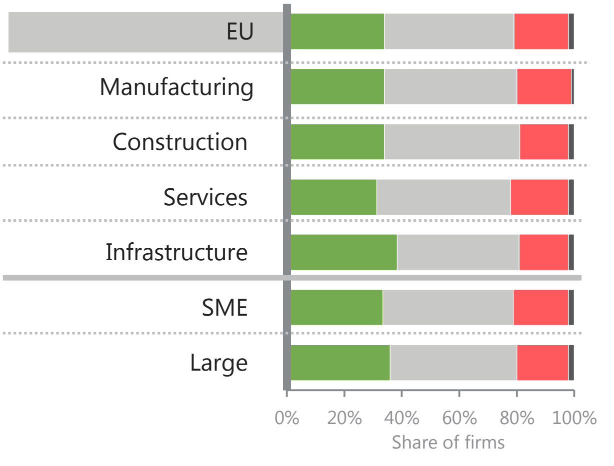
Investment activity in last financial year by country



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.

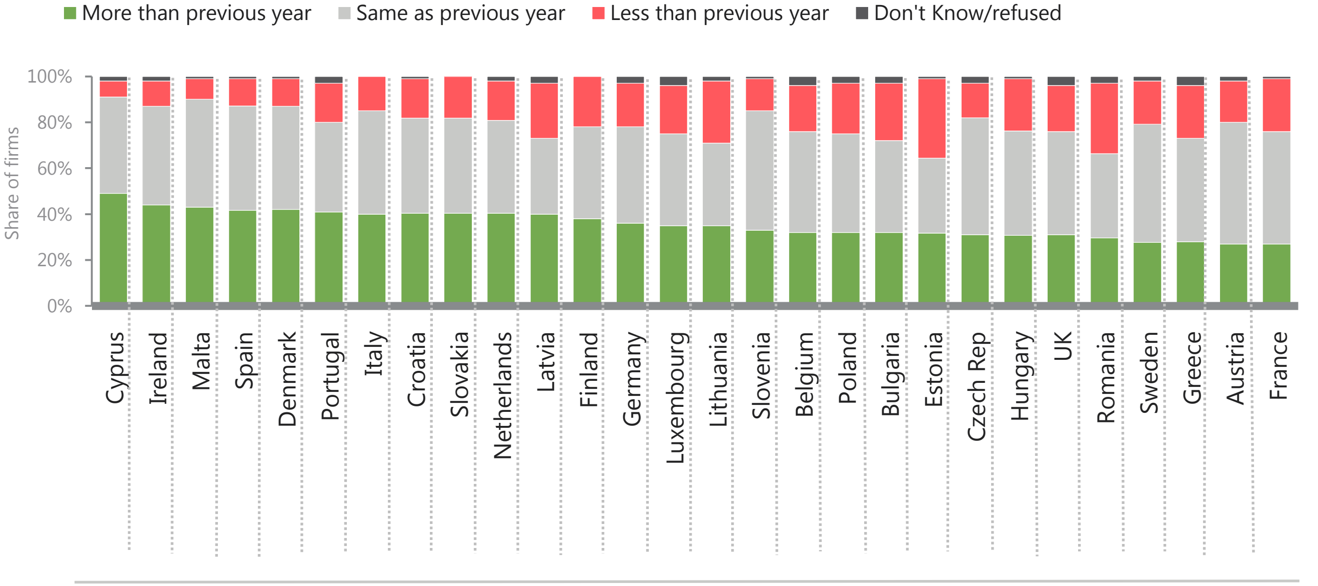
- On balance more firms increased their investment activities from 2014 to 2015 than decreased them (+15%); in line with an improvement in the aggregate investment figures for that year.
- Firms active in the infrastructure sector were more likely to increase their investment activities than manufacturing and service sector firms.
- Firms in Cyprus, Ireland and Malta are most likely to increase their investment activities in the EU. At the other end of the scale, only 27% of Austrian and French companies said they invested more in 2015 than 2014.

Investment activity in last financial year compared to previous



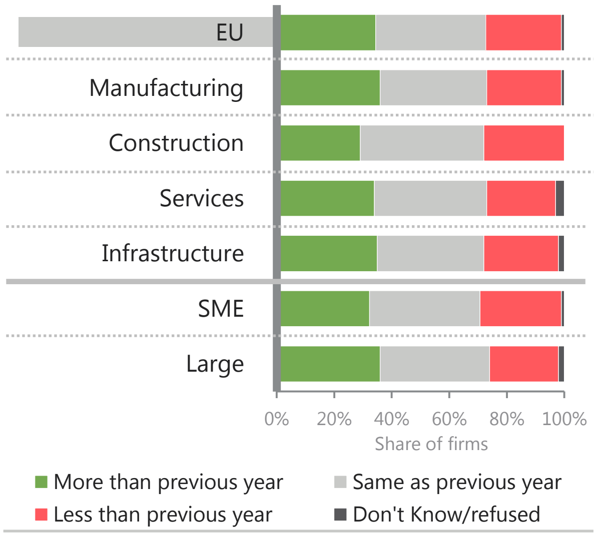
Base: *All firms who invested in the last financial year*
Q. Overall was this more, less or about the same amount of investment as in the previous year?

Investment activity in last financial year compared to previous by country



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?

Expected investment in current financial year compared to last one

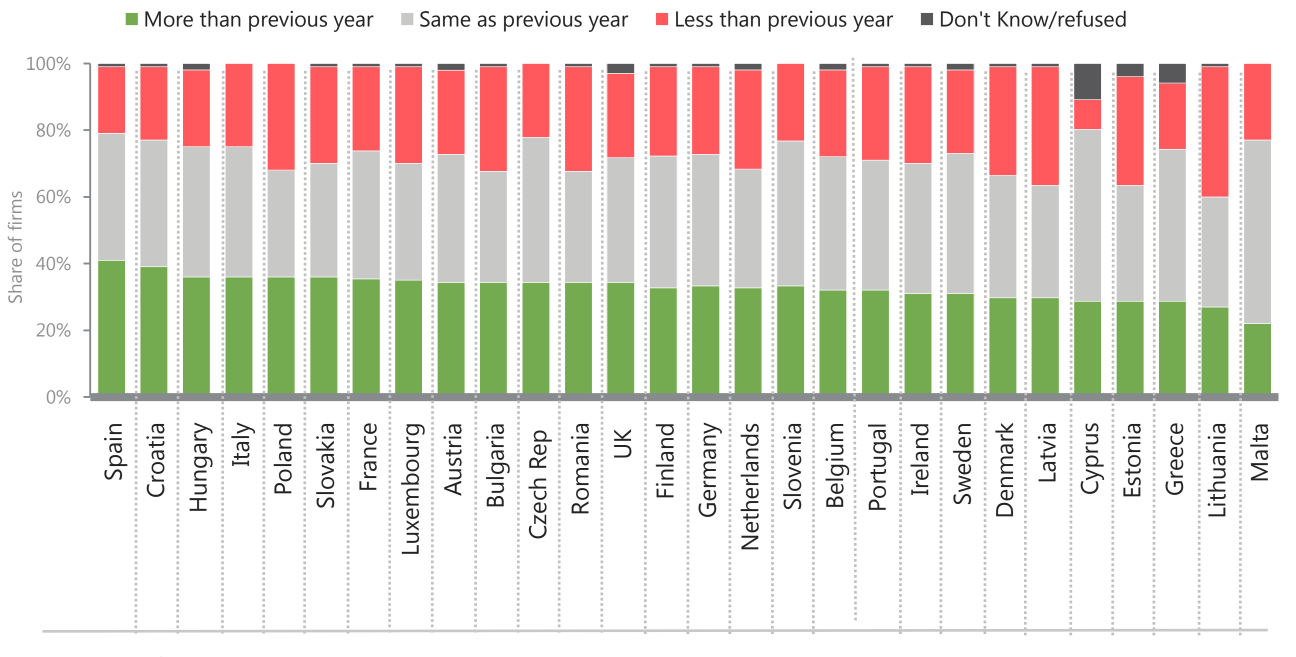


Base: *All firms*

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

- For the current financial year, firms in the EU are modestly optimistic to (further) increase their investment activities; with, on net, 8% of firms expecting an increase in their investment activities.
- Firms in Spain, Cyprus and Croatia are most optimistic about their investment outlook (with net balances of: 21%; 20% and 17%); firms in the Baltics are least optimistic (-12% in Lithuania; -6% in Latvia; and -4 in Estonia).

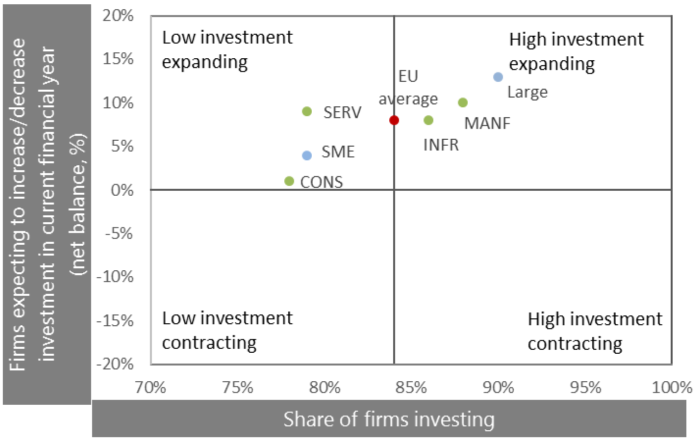
Expected investment in current financial year compared to last one by country



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

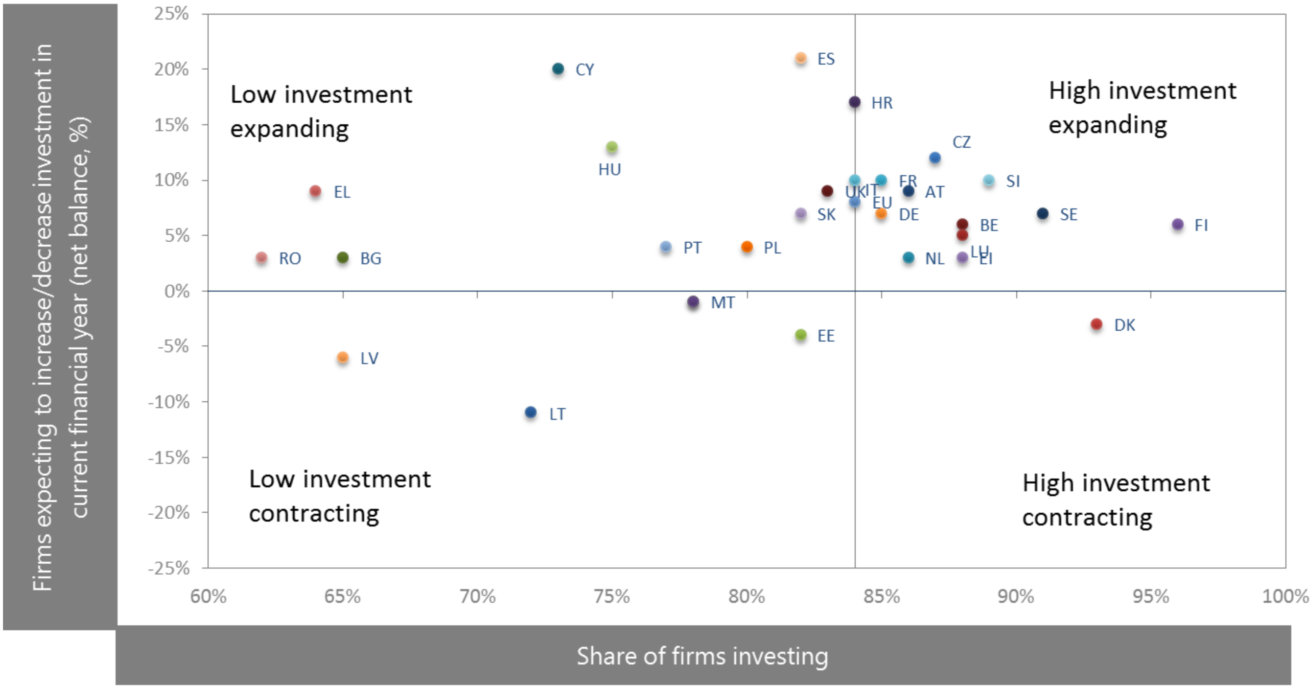
Investment cycle



Base: *All firms*
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.
The y axis crosses x axis at the EU average

- Thanks to their (overall), on balance, positive investment outlook, EU firms tend to fall into either the 'low investment; expanding' or 'high investment; expanding' quadrant of the investment cycle.
- SMEs, service sector firms and firms active in construction tend to belong to the first group; whereas large firms, firms active in manufacturing and infrastructure firms to the second one.
- Firms in the Baltics and firms located in Malta are the only ones in the 'low investment; contracting' quadrant.

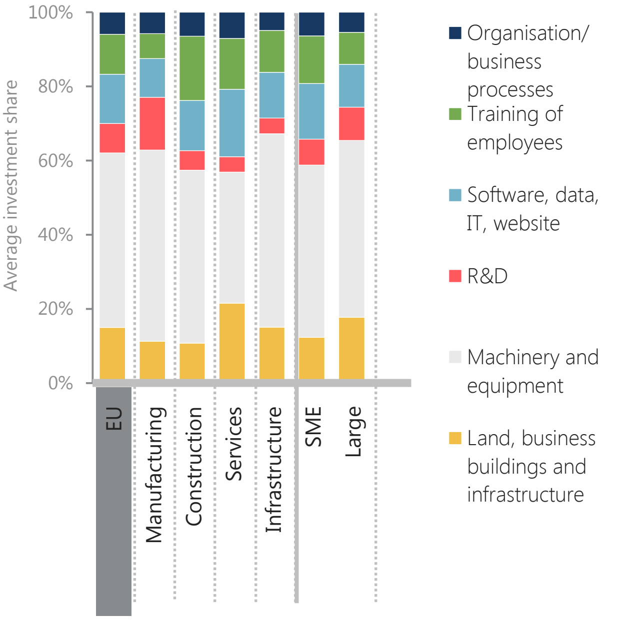
Investment cycle by country



INVESTMENT ACTIVITY

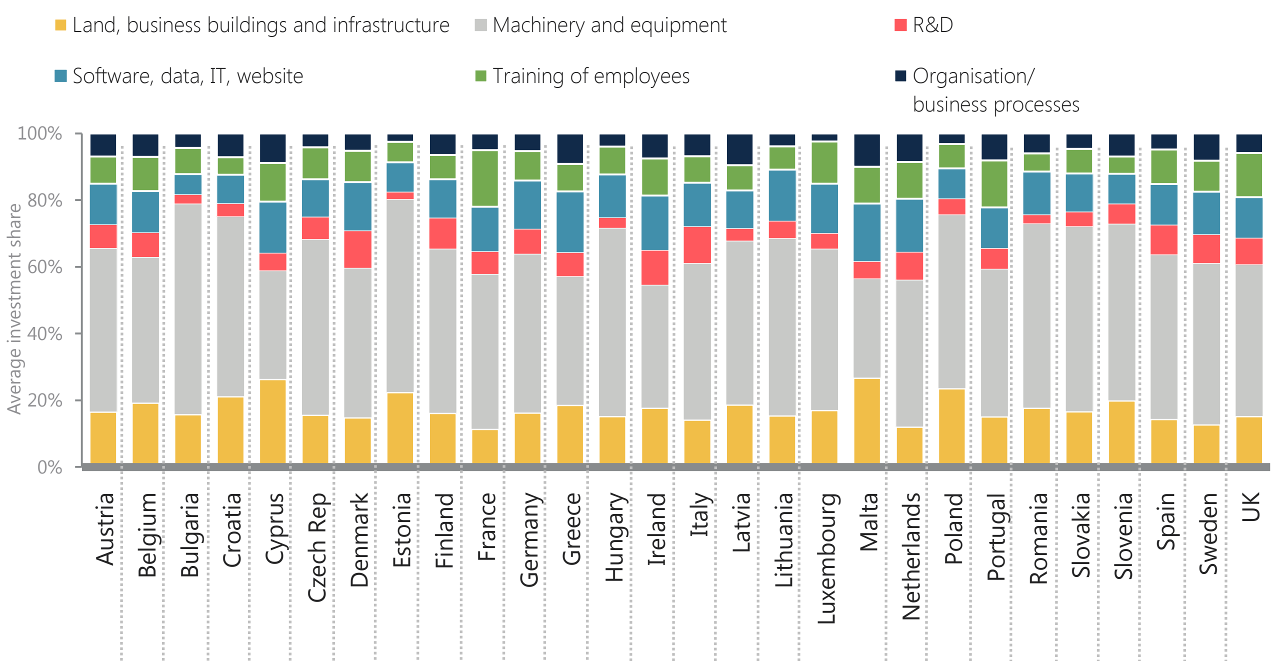
- About half of the investment activity in the EU is in 'machinery and equipment'.
- Investment activities vary depending on the sector and size of firms.
- There is a strong (negative) correlation between the share of investment that goes into tangible goods and GDP per capita.

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?

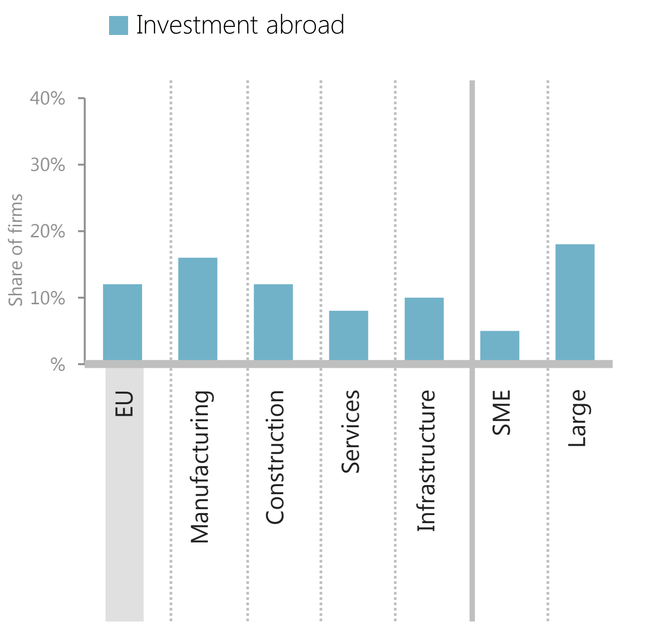
Investment areas by country



Base: *All firms who have invested in the last financial year (excluding don't know/refused responses)*
"The average share of investment that goes into different investment areas"
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?

INVESTMENT ACTIVITY

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?

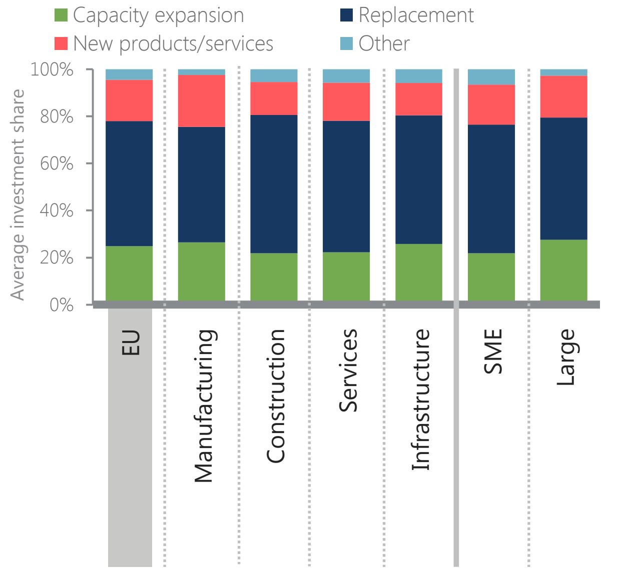
- Overall twelve per cent of firms in the EU have invested in another country.
- Almost a fifth of larger firms in the EU have invested abroad.
- Firms in Denmark (31%), followed by Belgium and the Netherlands (both 19%), were the most likely to invest abroad.

Investment abroad by country

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

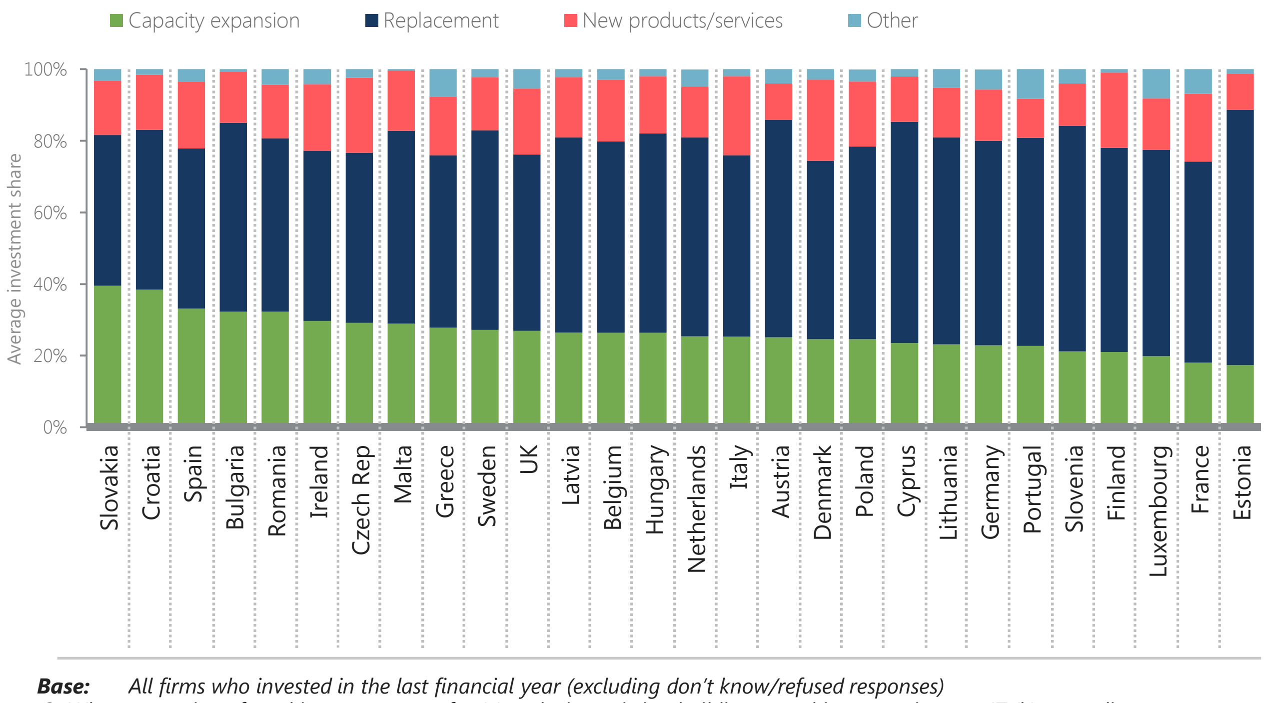
- Over half of investment in the EU is driven by the need to replace existing buildings, machinery, equipment and IT (53%).
- Replacement plays an important role across all sectors in the EU.
- The proportion of investment that goes into replacement was highest in Estonia (71%), followed by Austria, Cyprus and Slovenia (61%-63%).

Purpose of investment in last financial year



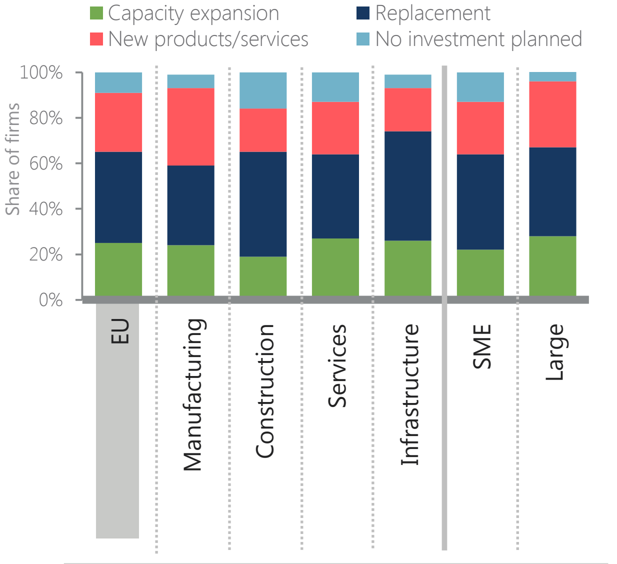
Base: *All firms who invested in the last financial year (excluding don't know/refused responses)*
Q. What proportion of total investment was for (a) replacing existing buildings, machinery, equipment, IT (b) expanding capacity for existing products/services (c) developing or introducing new products,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

Purpose of investment in last financial year by country



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?

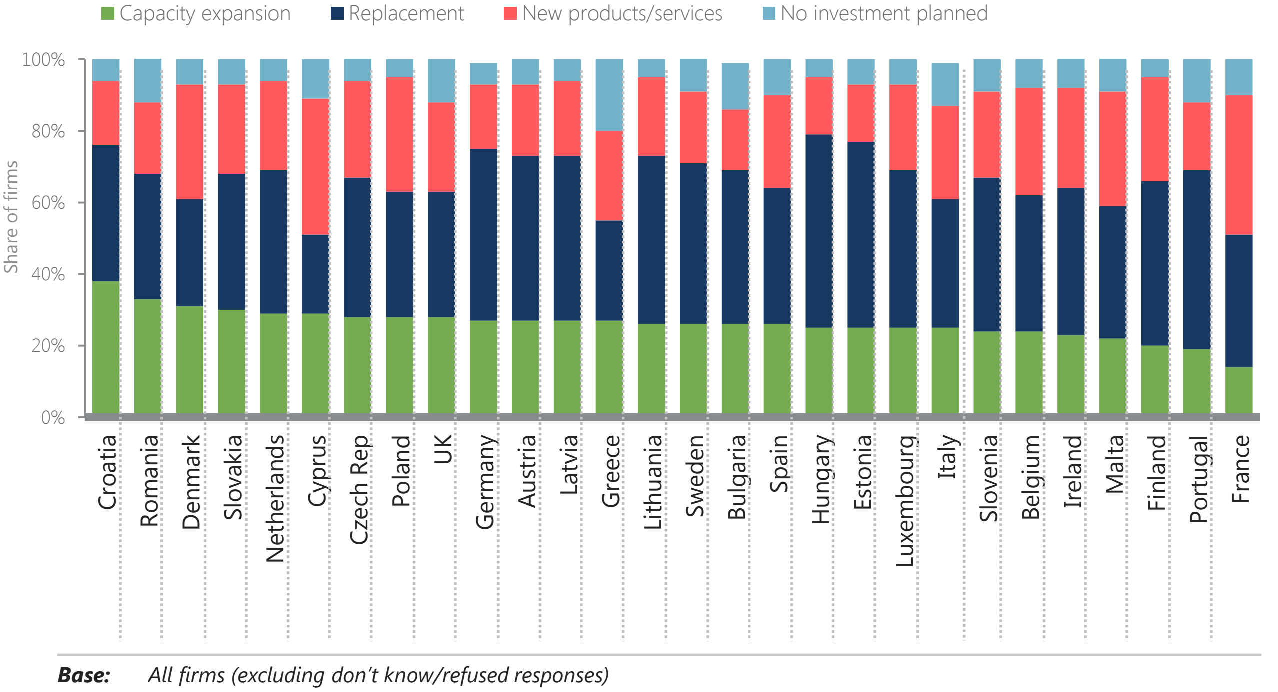
Future investment priorities



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?

- Looking ahead, replacement remains the main investment priority.
- Overall, four in ten firms name replacing existing buildings, machinery, equipment and IT as their main investment priority in the next three years.
- Firms' main concern appears, thus, to be with up-grading the quality of capital stock rather than with quantity.

Future investment priorities by country

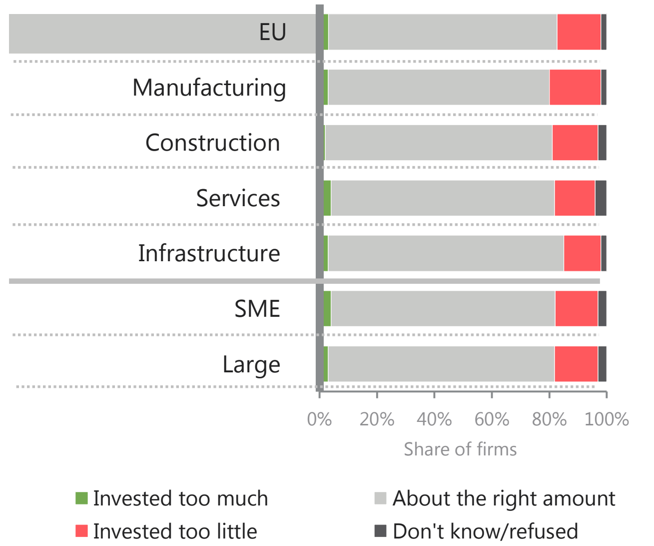


Base: *All firms (excluding don't know/refused responses)*
Q. Looking ahead to the next 3 years, which of the following is your investment priority (a) replacing existing buildings, machinery, equipment, IT (b) expanding capacity for existing products/services (c) developing or introducing new products,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

INVESTMENT NEEDS

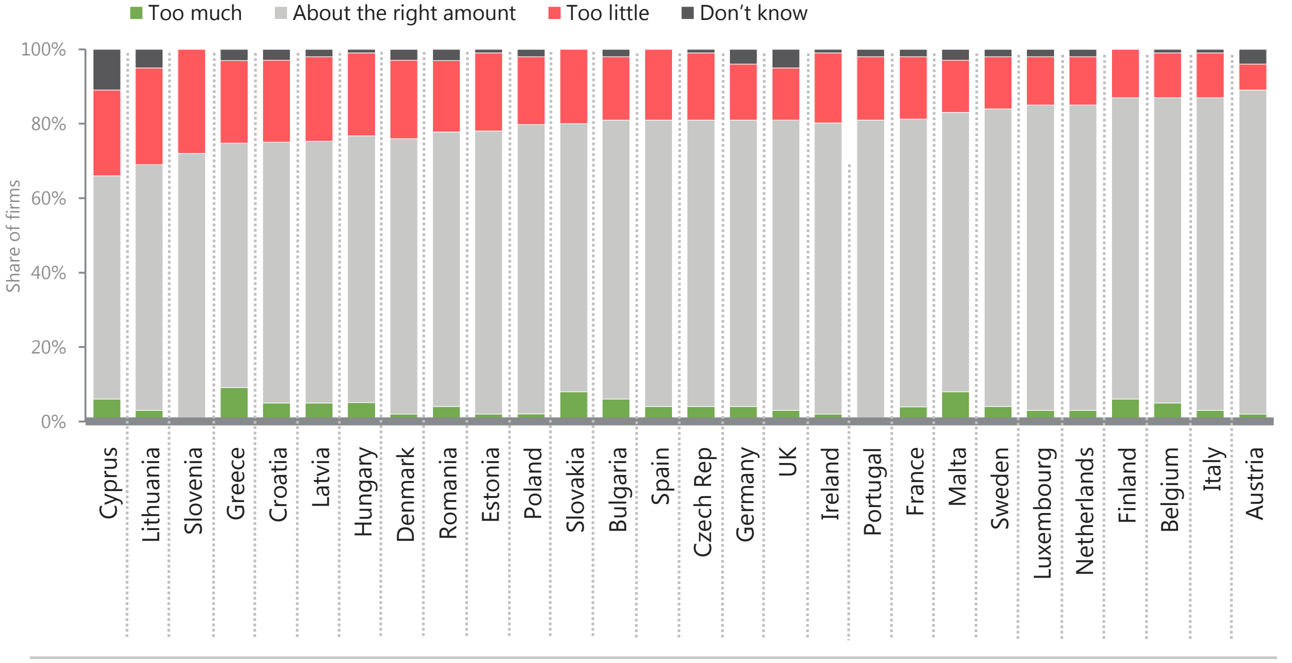
- About four in five firms in the EU believe their investment over the last three years was about right; around 15% report investing too little.
- More than a quarter of firms in Slovenia (28%) and Lithuania (26%) believe their investment over the last three years was about right.
- In contrast, less than one out of ten firms in Austria (7%) believe their investment activity in the past three years was insufficient.

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?

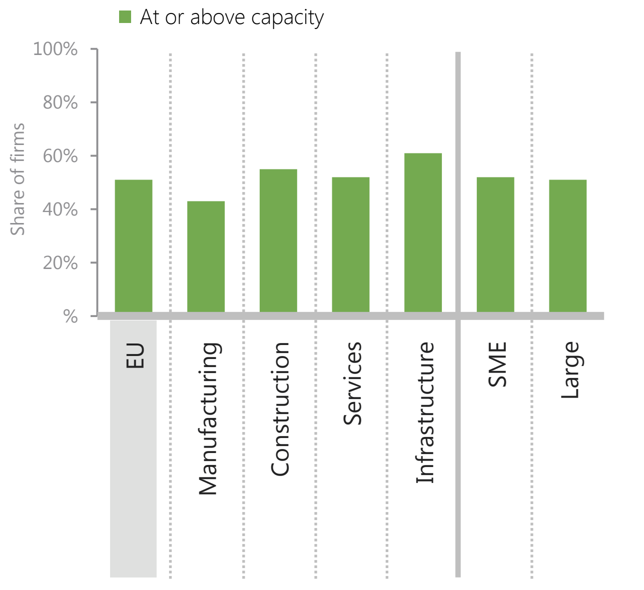
Perceived investment gap by country



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?

INVESTMENT NEEDS

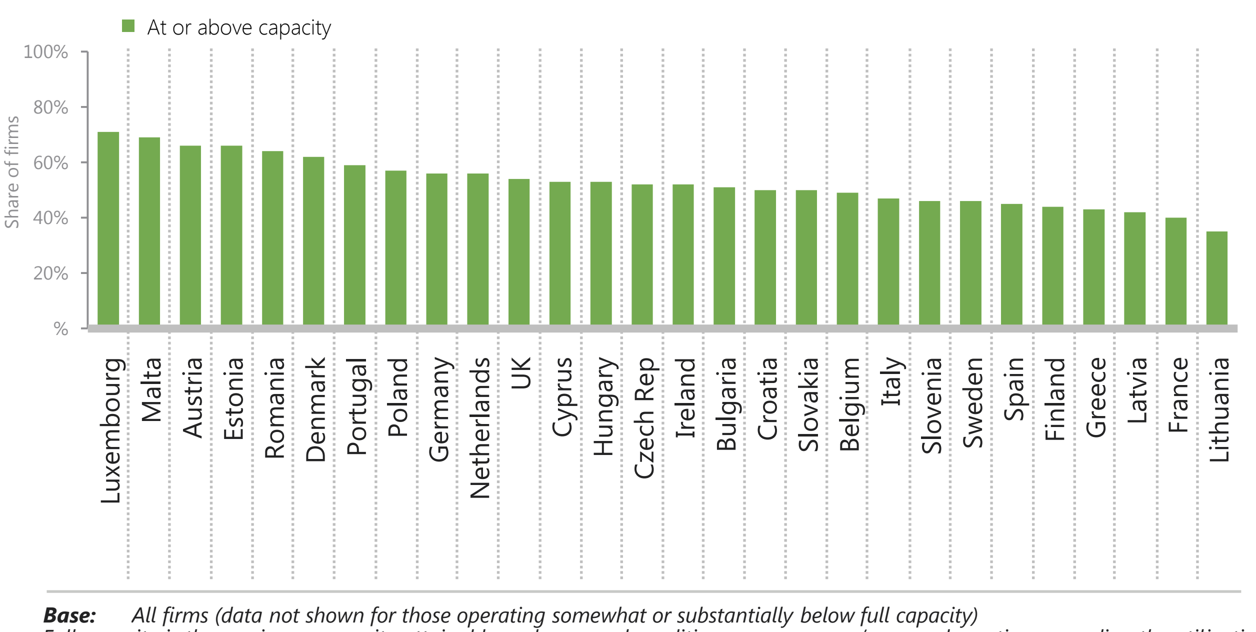
Share of firms at or above full capacity



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?

- Around half of the firms in the EU report operating at or above maximum capacity in the last financial year.
- Firms in Luxembourg are most likely to report operating at or above full capacity (71 %); the proportion is notably lower in Lithuania (35%).

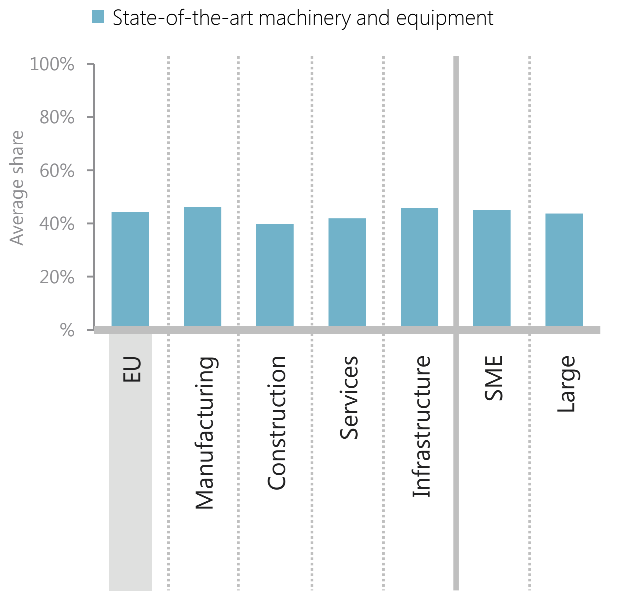
Share of firms at or above full capacity by country



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?

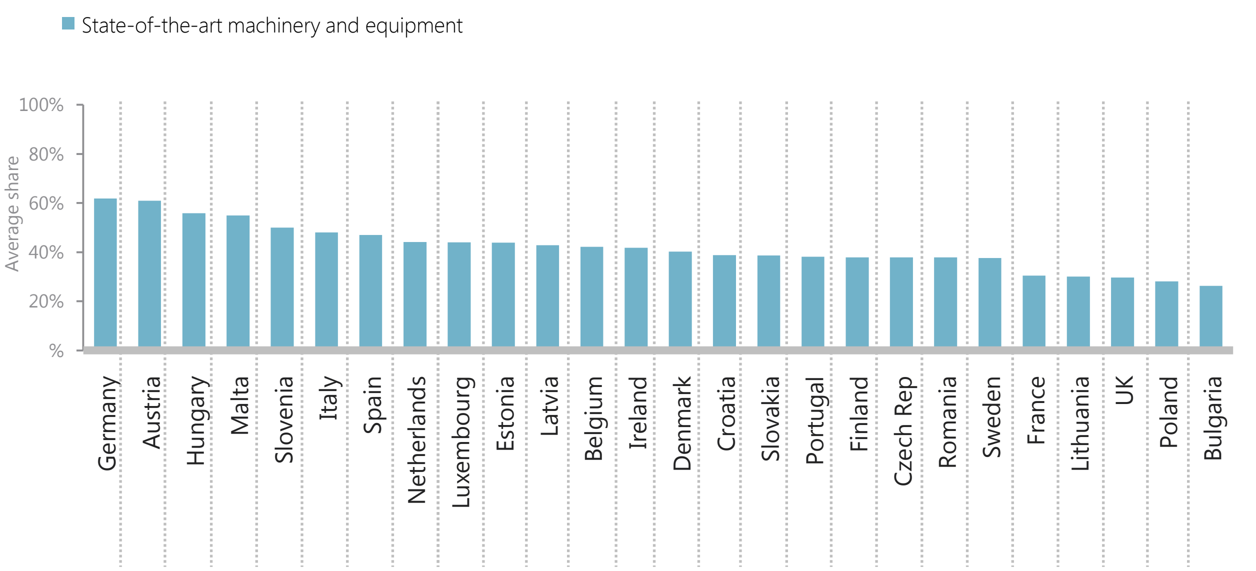
- The average share of state-of-the-art machinery and equipment across firms in the EU is 44%.
- In Germany and Austria, firms report that on average slightly more than 60% of their machinery and equipment is state-of-the-art; in Poland and Bulgaria this share is less than 30%.

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



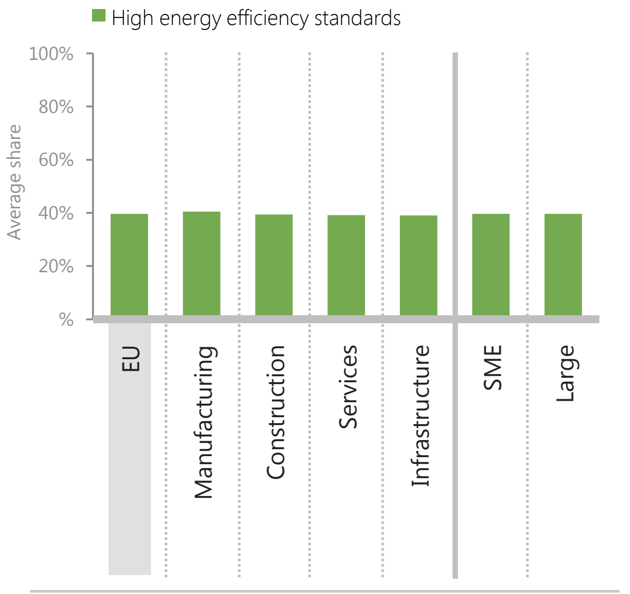
Base: *All firms*
Q. What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?

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



Base: *All firms*
Q. What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?
Data not shown for Greece and Cyprus, as the Greek translation may have influenced interpretation of the question.
This will be addressed in the next round of interviews.

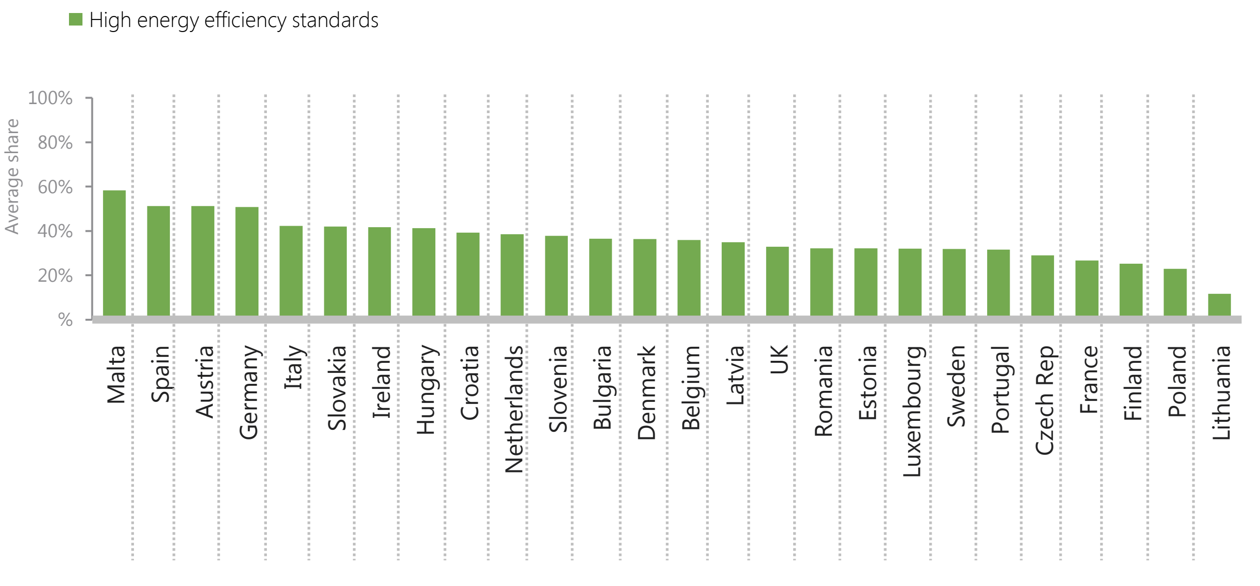
Average share of building stock meeting high energy efficiency standards



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

- Firms report that, on average, 40% of their building stock satisfies high efficiency standards; this does not vary at all between different company sizes and sectors.
- There is considerable variation across the countries; with firms in Malta; Spain; Austria and Germany reporting more than 50% of their building stock as energy efficient.

Average share of building stock meeting high energy efficiency standards by country

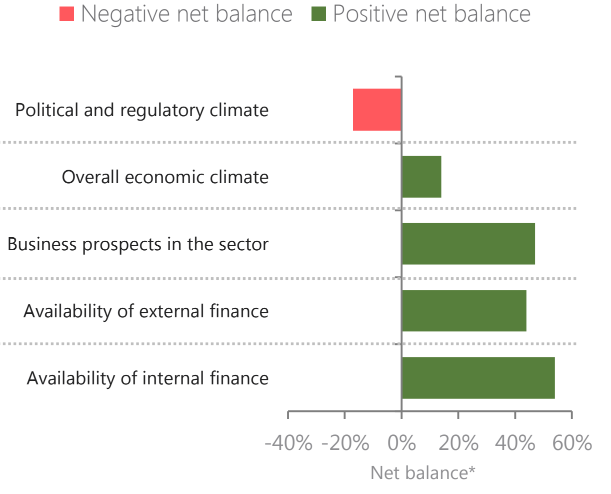


Base: *All firms*
Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?
Data not shown for Greece and Cyprus, as the Greek translation may have influenced interpretation of the question.
This will be addressed in the next round of interviews.

INVESTMENT CONSTRAINTS

- The political and regulatory climate is perceived as the main barrier to the implementation of planned investment in the current financial year.
- Sector specific prospects and finance are seen as clearly supportive.

Short term influences on investment

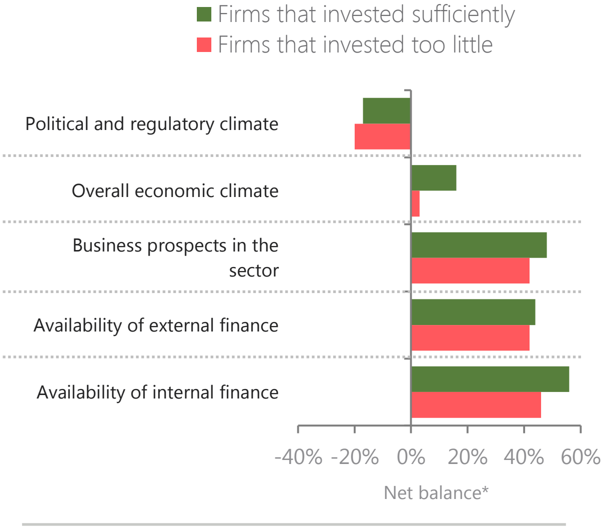


Base: *EU average of all firms who have planned to invest in the current financial year*

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)*

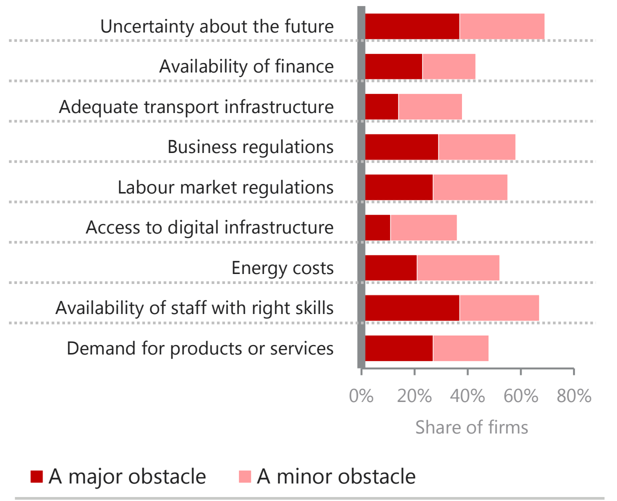
Q. How do each of the following affect your ability to carry out your planned investment. Does it affect it positively or negatively, or make no difference at all?

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

- Among firms that report their investment in the past three years has been below their needs, a lower proportion consider the overall economic climate to be conducive to the implementation of their planned investment projects.

- Firms in the EU consider uncertainty about the future and availability of staff with right skills as the main structural barriers to investment.

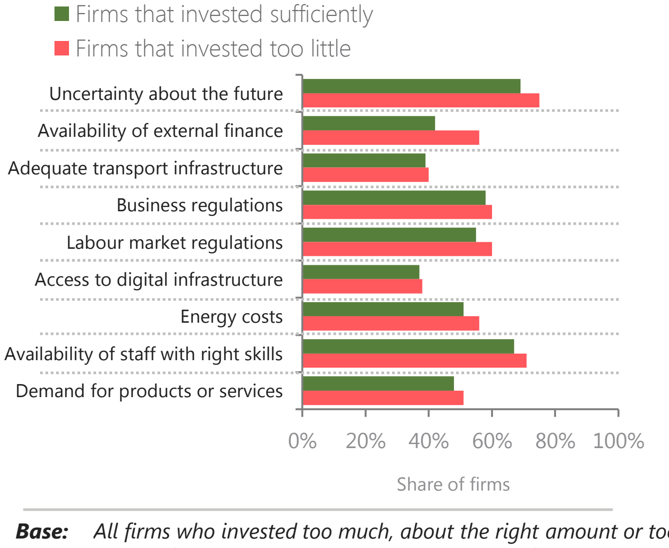
Long term barriers to investment



Base: *EU average of 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 #country#, 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*

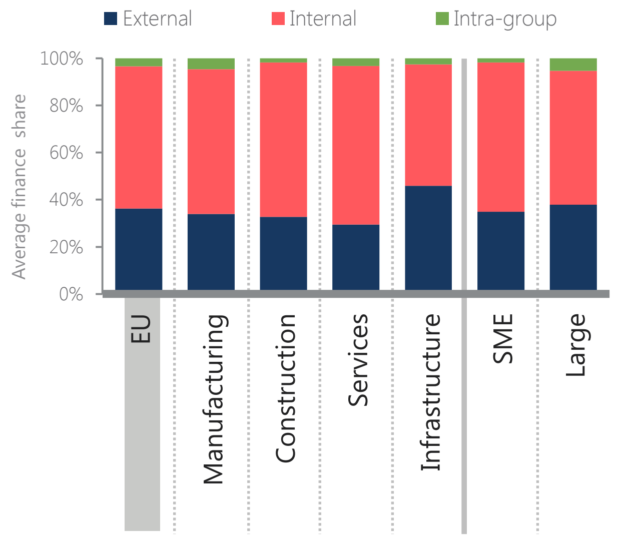
Q. Thinking about your investment activities in #country#, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?

- Views on long term barriers are broadly similar among those who report underinvestment and those who report investments in line with needs.
- The main exception to this is access to external finance, which is named more often a barrier to investment by those firms that feel that they have invested too little in the past.

INVESTMENT FINANCE

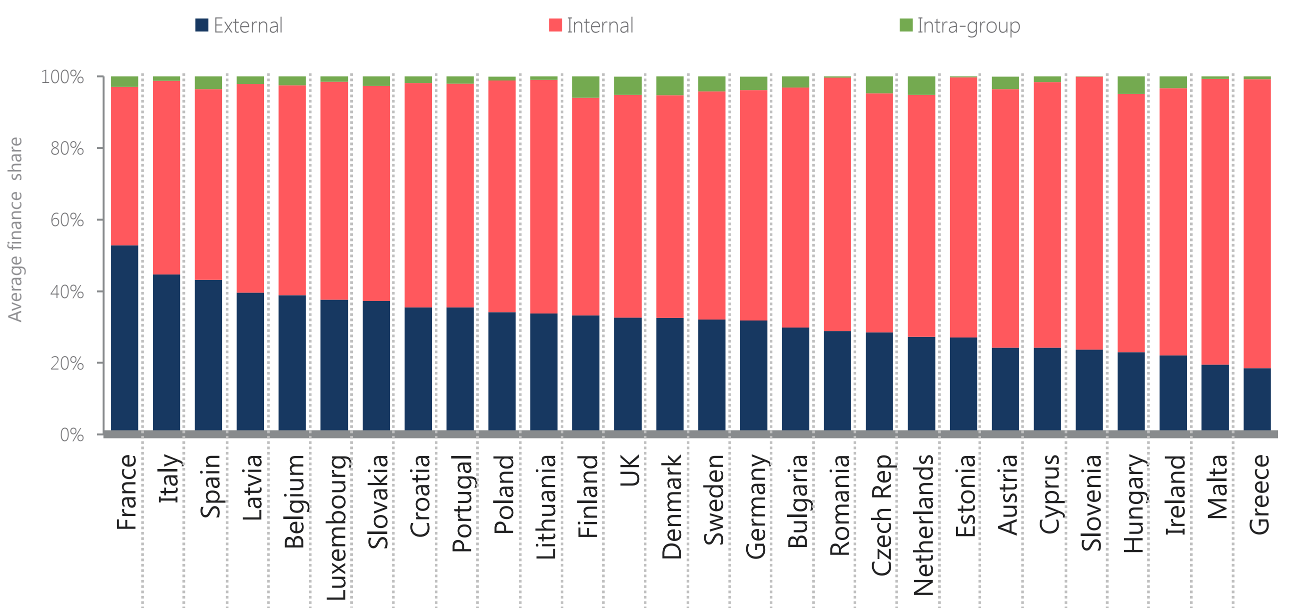
- Firms in the EU rely to a large extent on internal funds to finance their investment activities.
- Infrastructure firms are more likely to rely on external funds than other sectors.
- Firms in France (53%), Italy (45%) and Spain (43%) are most likely to rely on external finance; those in Greece (18%) and Malta (20%) are least likely to rely on it.

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?

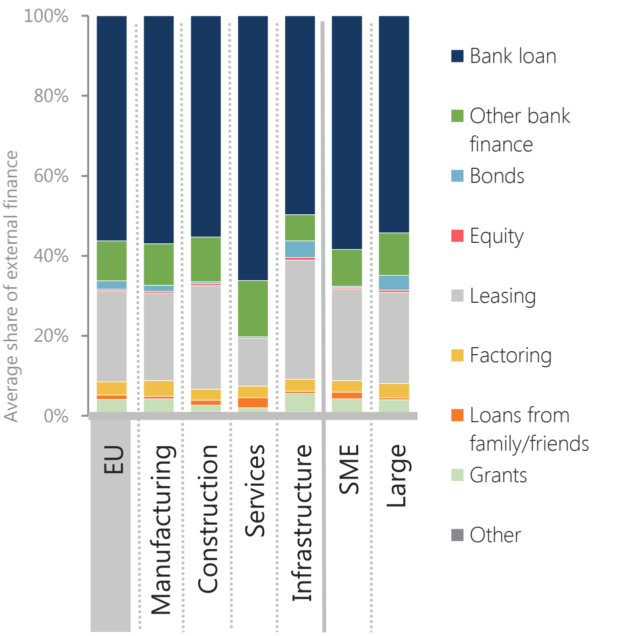
Source of investment finance by country



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?

- Bank loans are the most common source of external finance, particularly for the service sector. Leasing is also a common type of external finance, particularly in the infrastructure sector.
- Firms in Cyprus (96%), Austria (73%), Spain, Greece and Slovenia (all 71%) report the highest proportion of external finance from bank loans.
- Leasing plays a particularly important role in Luxembourg; the UK; and Denmark (where it accounts for more than 40% of external finance for investment).

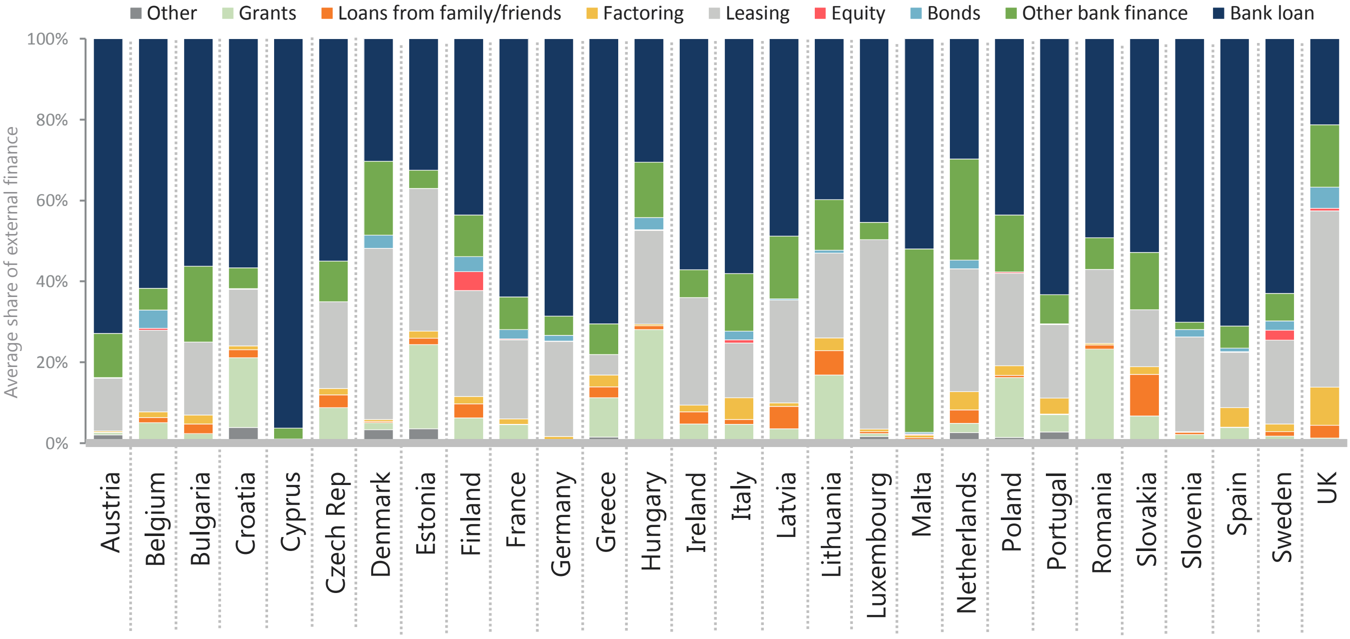
Type of external finance used for investment activities



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?

Type of external finance used for investment activities by country

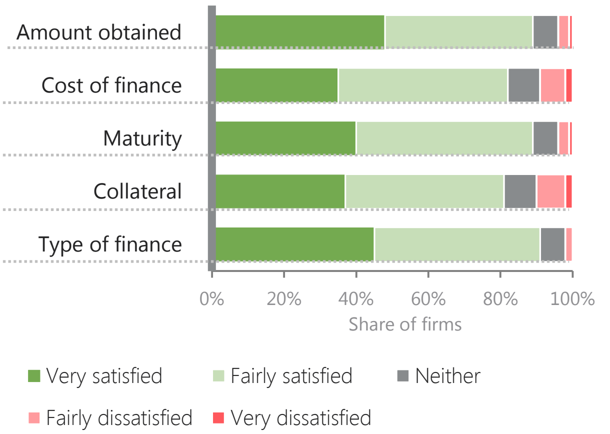


Base: *All firms who used external finance in the last financial year (excluding don't know/refused responses)*

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

INVESTMENT FINANCE

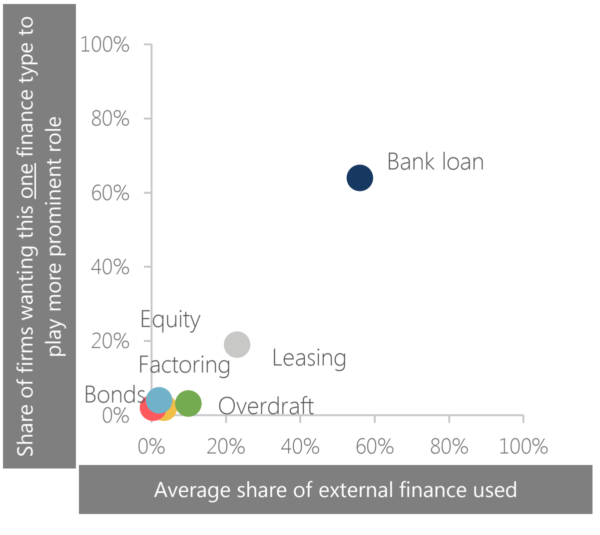
Satisfaction with external finance



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 that used external finance are on balance satisfied with the amount, cost, maturity, collateral and type of finance received.
- Firms in the South of Europe are less content with the cost of external finance (than the average); while firms in the rest of Europe are primarily concerned with the collateral required to receiving external finance.

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



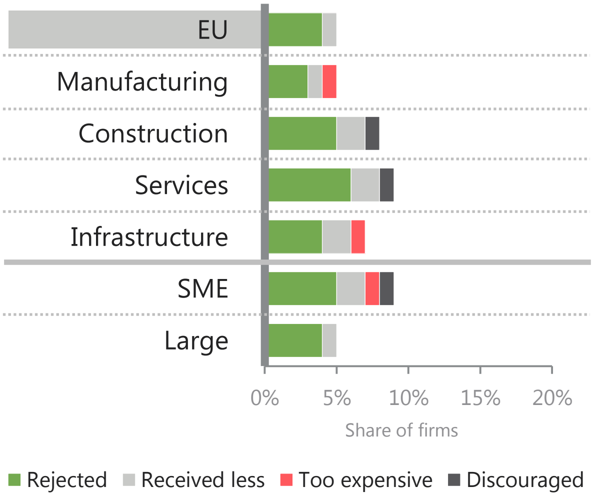
Base: *All firms who used external finance in the last financial year (excluding don't know/refused responses)*
Data is derived from two questions: firms were first asked about the types of external finance used in the last financial year and then which one type of external finance they would want to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

- Overall firms in the EU want more of the type of external finance they are already using. A notable exception is overdrafts; firms in the EU want to use less of this type of finance.

INVESTMENT FINANCE

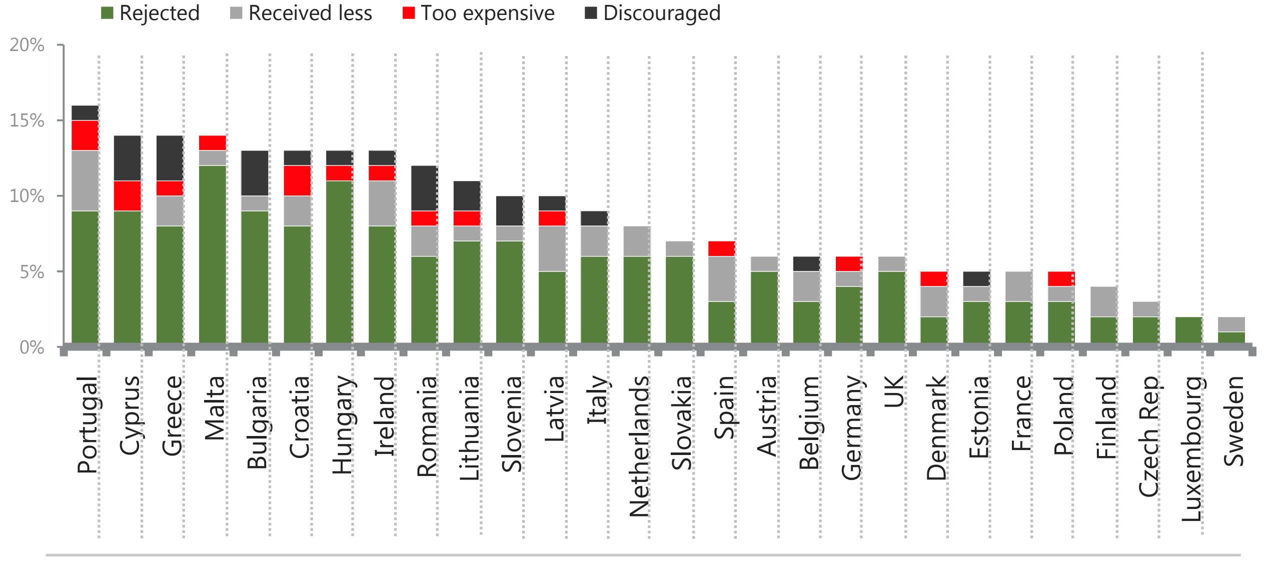
- Five per cent of firms in the EU can be considered external finance constrained.
- SMEs are more likely to be external finance constrained than larger firms.
- Portugal (16%) and Cyprus, Greece and Malta (all 14%) have the highest proportion of external finance constrained firms. At the other end of the scale, only 2% of firms in Luxembourg and Sweden report finance constraints.

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)

Share of finance constrained firms by country



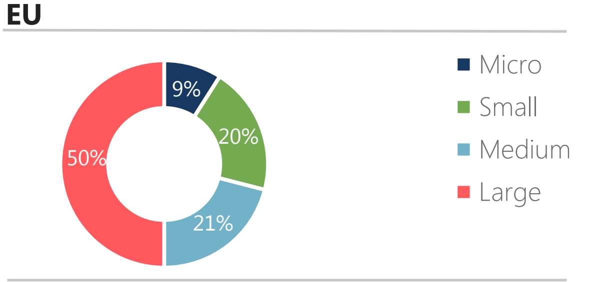
Base: *All firms*

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)

PROFILE OF FIRMS

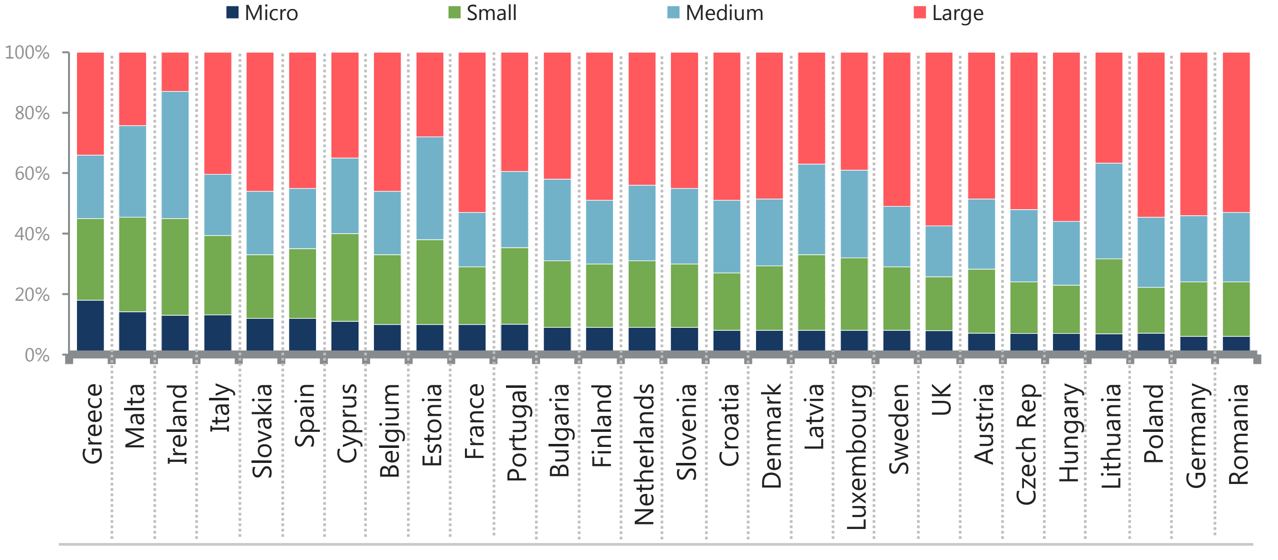
- In the weighted size distribution, half of firms (50%) are large firms with 250+ employees.
- The size distribution of firms is most skewed towards large firms in the UK (58%).

Contribution to value-added by size



Base: *All firms*
The charts reflects the relative contribution to value-added by firms belonging to a particular size class 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+

Firm size distribution by country

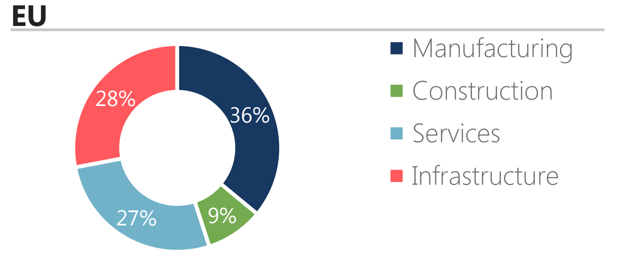


Base: *All firms*

PROFILE OF FIRMS

- In the weighted sector distribution, the manufacturing sector dominates. Firms in this sector contribute 36% to value-added, followed by firms in the infrastructure and service sectors (contributing 28% and 27% respectively).
- Manufacturing firms account for around half of value-added in Hungary (49%) and the Czech Republic (48%).

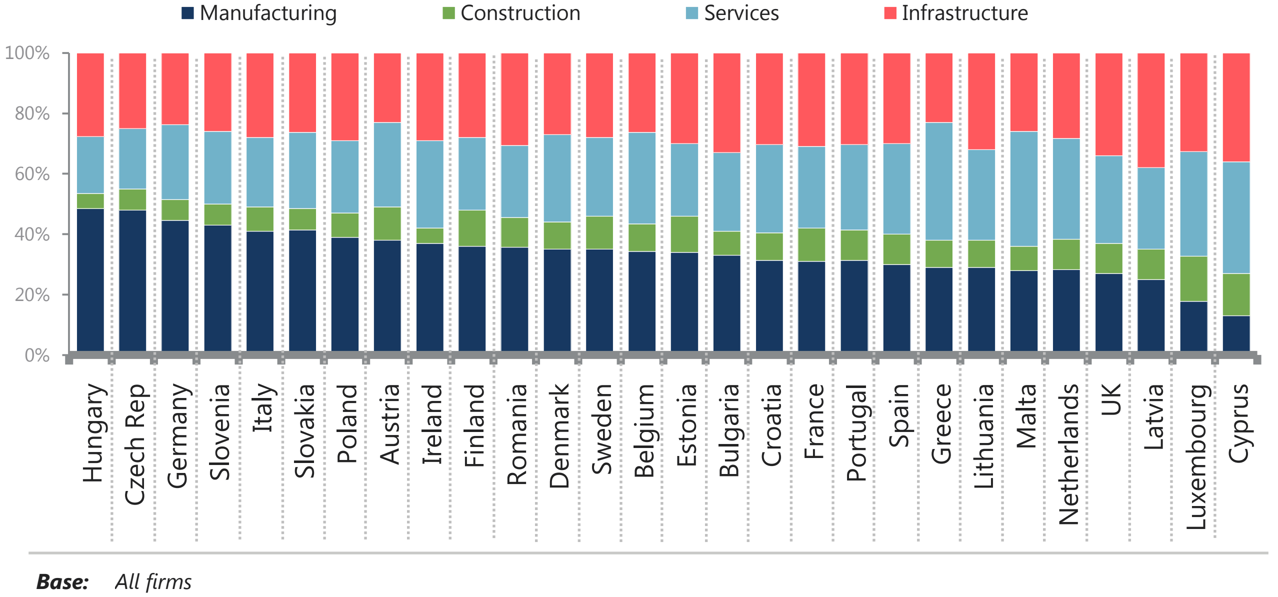
Contribution to value-added by sector



Base: *All firms*

The charts reflects the relative contribution to value-added by firms belonging to a particular sector in the population of firms considered. That is, all firms with 5 or more employees active in the sectors covered by the survey

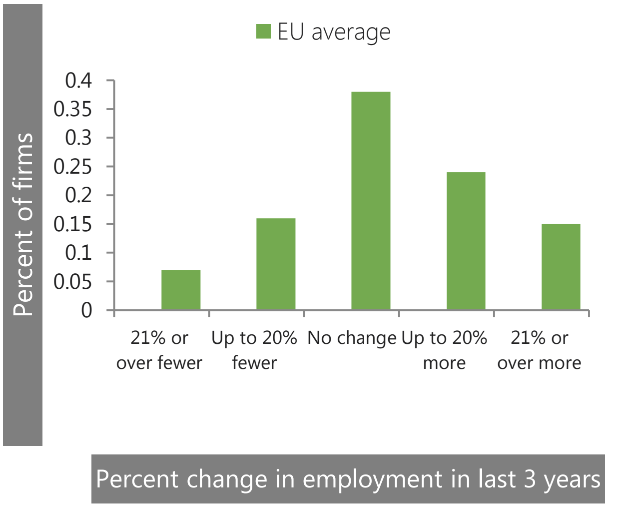
Firm sector distribution by country



Base: *All firms*

- Four out of ten firms report no change in employment in the last three years; 15% report a more than 20% increase in the number of employees.
- Productivity differences vary strongly across countries, with a notable North-South and East-West dimension.

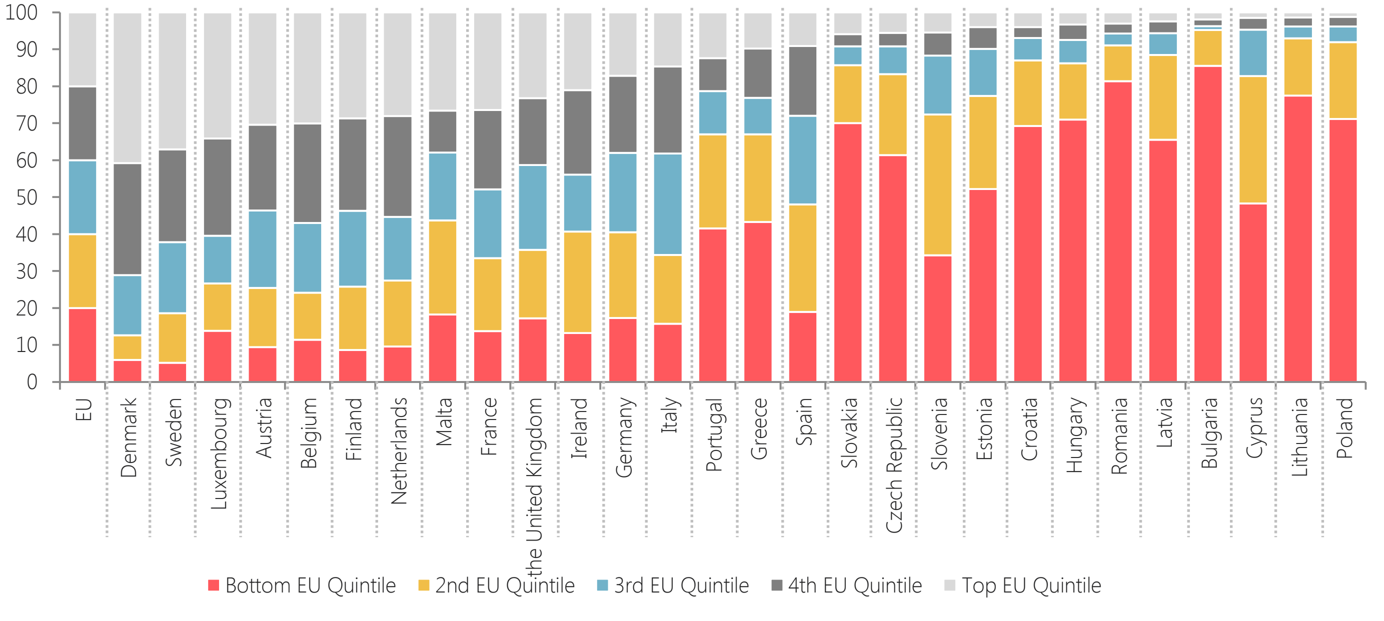
Employment dynamics in last 3 years



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?

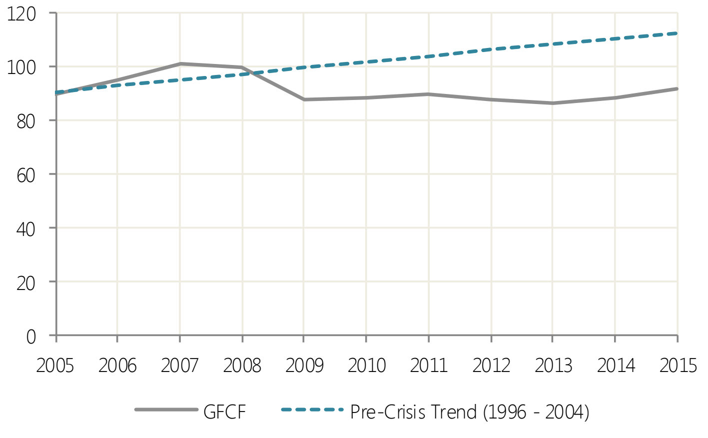
Cross country productivity comparison



Share of firms by productivity class (Total Factor Productivity). Productivity classes are defined on the basis of the entire EU sample.

MACROECONOMIC INVESTMENT CONTEXT

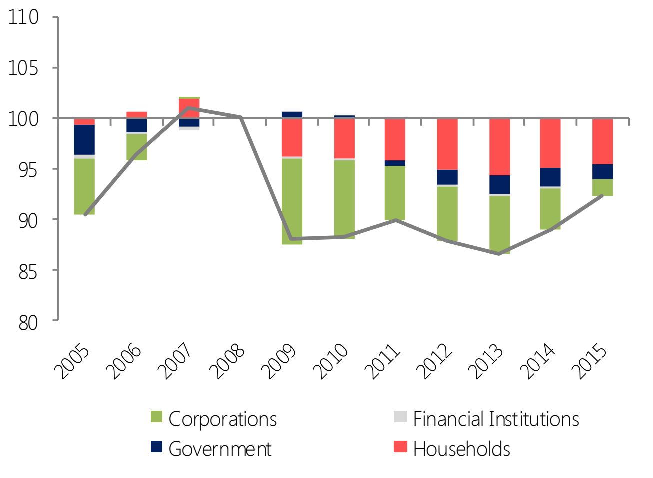
Investment Dynamics over time



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.

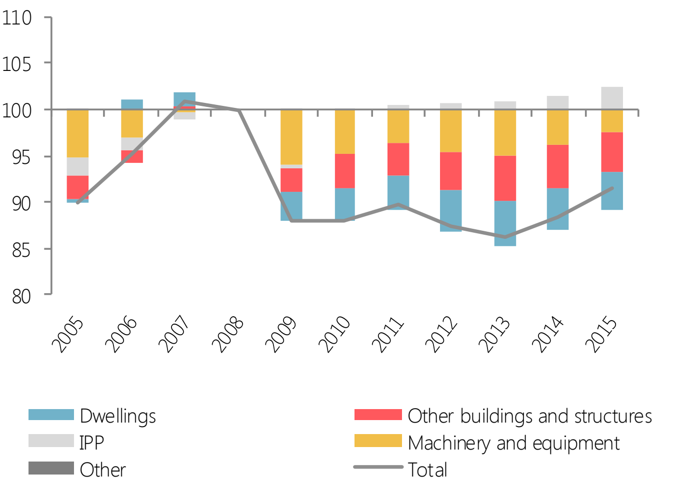
- In 2015, aggregate investment is still some 10% below its 2008 levels.
- The gap is bigger when compared to the pre-crisis trend; even though slowing potential growth makes this a difficult benchmark to reach.
- The household sector and investments in 'dwellings' and 'other buildings and structures' are lagging most compared to 2008 levels.

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, 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	Manufacturing	Construction	Services	Infrastructure	SME	Large	Manufacturing vs Construction	SME vs Large
	(12483)	(3500)	(2772)	(3064)	(3133)	(7780)	(1993)	(3500 vs 2772)	(7780 vs 1993)
10% or 90%	1.0%	1.8%	2.0%	1.9%	1.7%	0.9%	1.7%	2.6%	2.4%
30% or 70%	1.5%	2.7%	3.0%	2.9%	2.6%	1.3%	2.6%	4.0%	3.7%
50%	1.6%	2.9%	3.3%	3.1%	2.9%	1.5%	2.9%	4.4%	4.0%

Percentage rounding

Percentages with value of less than 0.5 but greater than zero have not been shown in the charts.

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.

European Investment Bank
The EU bank

Economics Department
economics@eib.org
www.eib.org/economics

Information Desk
+352 4379-22000
+352 4379-62000
info@eib.org

European Investment Bank
98-100, boulevard Konrad Adenauer
L-2950 Luxembourg
+352 4379-1
+352 437704
www.eib.org

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