EIB Group survey on investment and investment finance 2019

European Union
Overview
About the EIB Investment Survey (EIBIS)
The EIB Group Survey on Investment and Investment Finance is a unique, annual survey of some 13,500 firms. It comprises firms in all EU Member States, as well as a sample of US firms which serves as a benchmark. 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 Member States of the EU and for the US, 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: http://www.eib.org/eibis.

About this publication
This EU-wide report is an overview of a series covering each of the EU Member States and the United States of America. 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 40 economists, is headed by Debora Revoltella, Director of Economics.

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Disclaimer
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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. Our research makes a difference for decision makers and communities.
EIBIS 2019 – EU Overview

KEY RESULTS

Investment Dynamics
Ten years after the global financial crisis, aggregate investment surpassed its pre-crisis level in 2017 and continued to grow in 2018. The main driver of the recovery in investment was the corporate sector, which today stands nearly 10pp above its pre-crisis levels.

In 2019, more firms expect to increase their investment activities for the coming year than expect a contraction. The net balance between the two however has declined pointing towards a weakening in corporate investment momentum.

Innovation Activities
One in three firms across the EU are involved in some form of innovation activity. Over half of firms have either fully or partially implemented a digital technology. With respect to both dimensions the EU lags the US.

The digital adoption gap is most pronounced with respect to the use of IOT applications i.e. internet-linked devices, vehicles, and appliances that can collect and share data without need of human interaction. Small and medium sized firms, slow-growing firms and young firms tend to lag their US peers most when it comes to digital adoption.

Drivers and Constraints
The economic and political/ regulatory climate weighs on firms’ investment outlook. More firms expect to see the economic and regulatory climates deteriorate than improve over the next twelve months. This constitutes a further worsening from previous survey waves.

The most commonly cited long-term barriers to investment are ‘lack of staff with the right skills’ and ‘uncertainty’ with the latter relating primarily to increased fears of trade-tensions.

Access to Finance
Five per cent of firms across the EU can be considered financially constrained in terms of external finance – the same proportion as in EIBIS 2018.

Twice as many SMEs than large firms across the EU report being financially constrained (6% compared with 3%).

EU firms using external finance are most dissatisfied with the collateral required and the cost funding (both 7%).

Investment Focus
In line with a deteriorating economic outlook, firms most frequently cite replacement investment as their investment priority for the next three years (36%).

The largest share of firm investment in the last financial year went into machinery and equipment (47%), followed by land, business buildings and infrastructure (16%). Investments with the primary objective to improve energy efficiency accounted for about 10% of total investment activities.

Investment Needs
Fifteen per cent of firms report that their investment over the last three years has been below needs. Only 3% report over-investment over the same time period. This is consistent with EIBIS 2018.

Three in five firms report they are operating at or above full capacity. Over two in five firms (43%) recall having an energy audit in the last three years, with large firms twice as likely as SMEs to say they have had such an audit.

Investment Finance
Firms across the EU continue to fund the majority of their investment through internal financing (62%), while external financing accounts for just over one-third (36% share). As in previous waves, bank loans make up the largest share of external finance used for investment activities (58% in EIBIS 2019).

Sixteen per cent of all EU firms did not seek any external finance because they are happy to use internal funds or do not need the finance. One in five firms across the EU report being highly profitable, again in line with EIBIS 2018.
Investment Dynamics

INVESTMENT DYNAMICS BY INSTITUTIONAL SECTOR

Aggregate investment activities surpassed their pre-crisis levels in 2017 and continued to grow in 2018 and 2019. The main driver of the recovery in investment was the corporate sector. Government investment and household investment, on the other hand, are yet to reach their pre-crisis levels. From a cross-country perspective, aggregate investment lags pre-crisis levels in eleven countries still, most notably in Greece, Bulgaria and Slovenia.

INVESTMENT DYNAMICS BY COUNTRY

Investment Dynamics

INVESTMENT ACTIVITY IN LAST FINANCIAL YEAR

More than eight in ten firms across the EU invested in the last financial year (85%). This is similar to the proportion that invested in EIBIS 2018 (87%). The share of firms investing is highest in the manufacturing sector (92%), and lowest in the service sector (79%). A higher proportion of large businesses (89%) invested than SMEs (82%).

The median investment intensity is similar to EIBIS 2018. Investment intensity is once again highest in the infrastructure and manufacturing sectors and lowest in the construction and service sectors.

The share of firms investing is highest in Slovenia and Finland (95% each), and lowest in Bulgaria and Hungary (67% and 69%, respectively).

*The blue bars indicate the proportion of firms who have invested in the last financial year. A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities. Investment intensity is the median investment per employee of investing firms. Investment intensity is reported in real terms using the Eurostat GFCF deflator (indexed to EIBIS 2016).

Base: All firms (excluding don’t know/refused responses)

INVESTMENT ACTIVITY IN LAST FINANCIAL YEAR BY COUNTRY

*The blue bars indicate the proportion of firms who have invested in the last financial year. A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities. Investment intensity is the median investment per employee of investing firms. Investment intensity is reported in real terms using the Eurostat GFCF deflator (indexed to EIBIS 2016).

Base: All firms (excluding don’t know/refused responses)
Investment Dynamics

INVESTMENT CYCLE

Overall, businesses across the EU tend to look positively towards their future investment. The majority of countries sit within the ‘low investment, expanding’ or ‘high investment, expanding’ quadrants of the investment cycle, as do all sectors and size classes.

The major exceptions are Cyprus and Estonia, which fall within the ‘low investment, contracting’ quadrant, and Ireland, Italy and Sweden, which fall within the ‘high investment, contracting’ quadrant – with more firms in these countries holding a negative rather than positive investment outlook. This illustrates a slightly more negative overall picture than in EIBIS 2018, when only Ireland fell within either contracting quadrant.

Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500. The y-axis line crosses x-axis on the EU average for 2016.

Base: All firms

INVESTMENT CYCLE BY COUNTRY

Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500. The y-axis line crosses x-axis on the EU average for 2016.

Base: All firms
Over the past three years, firms have reported increasingly positive investment expectations. 2019 is the first year in which the balance of firms expecting to increase their investment activities compared to those expecting to decrease them declined.

The more cautious investment outlook for the coming year holds across most EU countries as well as the US. This suggests that global factors contribute to the expected weakening in investment dynamics.
**Investment Focus**

**FUTURE INVESTMENT PRIORITIES (% of firms)**

In the next three years, investment in replacement is the most commonly cited priority (36%) – up from EIBIS 2018 (33%). Firms in the infrastructure sector are the most likely to prioritise replacement (42%).

Capacity expansion remains the second most commonly cited priority (27%), down from 31% in EIBIS 2018.

The pattern of investment priorities in the US is slightly different to the EU, with fewer citing replacement (23%) as a priority and a larger share citing capacity expansion (40%).

Priorities vary by EU country; for example, firms in Austria are the most likely to cite replacement as their key priority area (48%) and firms in Spain are the most likely to cite capacity expansion (41%).

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**FUTURE INVESTMENT PRIORITIES BY COUNTRY**

Q: Looking ahead to the next three years, which is your investment priority (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

Base: All firms (excluding don't know/refused responses)
Investment Focus

INVESTMENT AREAS

The largest share of EU firms investment is in machinery and equipment (47%) followed by land, business buildings and infrastructure (16%) – the same proportions recorded in EIBIS 2018. On average, firms invested 14% in software, data and IT activities.

Investment activities vary depending on the sector and size of the business. Large firms and firms in the manufacturing sector invest a lower share in ‘intangible assets’ (R&D, software, training and business processes) and higher share in ‘tangible assets’ (Land, buildings, infrastructure and machinery).

Firms in Romania, Croatia and Bulgaria invest the lowest share in intangible assets. The ‘intangibles share’ is highest in the Netherlands, Ireland and the UK.

INVESTMENT AREAS BY COUNTRY

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?

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

PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR (% of firms’ investment)

On average, businesses across the EU spent almost half (48%) of their investment on replacement – in line with EIBIS 2018 – ranging from 45% in the manufacturing sector to 54% in the infrastructure sector. Investment in capacity expansion also accounts for a large proportion of total investment spending (29%).

The proportion of investment allocated to capacity expansion is highest in Lithuania (39%) and lowest in France (22%); allocation for replacement is highest in Portugal (59%) and lowest in Slovakia (32%); and the share allocated to new products or services is highest in Slovenia (22%) and lowest in Romania and Croatia (11%).

Q. What proportion of total investment was for (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

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

PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR BY COUNTRY (% of firms’ investment)

Q. What proportion of total investment was for (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

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

ENERGY EFFICIENCY INVESTMENT

Across the EU, the average share of building stock meeting high energy efficiency standards is 37% - in line with EIBIS 2018. This is similar across all sectors and sizes and in line with US firms’ average share.

The share of investment intended primarily to improve energy efficiency is 10% across the EU – which is also in line with EIBIS 2018 (9%) and similar to the US (12%). The manufacturing sector has a higher share of investment primarily intended to improve energy efficiency (10%) than the construction sector (7%).

Austria is the EU country with the largest average share of building stock meeting high energy efficiency standards (50%), while Bulgaria is the EU country with the highest proportion of investment primarily intended to improve energy efficiency (16%).

Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?
Q. What proportion of total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

ENERGY EFFICIENCY INVESTMENT BY COUNTRY

Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?
Q. What proportion of total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

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

Data not shown for Greece and Cyprus as these countries were outliers at the higher end of the scale – potentially due to different interpretation of the question.
Innovation Activities

INNOVATION ACTIVITY

One in three firms (34%) introduced new products, processes or services as part of their investment activities – almost identical to the levels reported in EIBIS 2016, 2017 and 2018.

Eleven per cent of firms introduced a product, process or service that was new to either the country or world.

Innovation is less common among firms in the construction sector (24%), whereas those in the manufacturing sector are the most likely to have introduced new products, processes or services (42%) in the last financial year.

Levels of innovation are highest among firms in Denmark (51%), Slovenia and Finland (both 49%) and, after another decline from the previous survey wave, lowest in Germany (24%).

Q. What proportion of total investment was for developing or introducing new products, processes, services?
Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Base: All firms (excluding don’t know/refused responses)

INNOVATION ACTIVITY BY COUNTRY
Innovation Activities

INNOVATION PROFILE

Twenty per cent of EU firms can be classified as active innovators – that is, as firms that invested heavily in research and development and introduced a new product, process or service.

This share is lower than in the US (27%), with the main difference coming from firms that introduced products, processes or services that are new to the local context (‘incremental innovators’).

The share of ‘active innovators’ is highest in Slovenia, followed by Finland, Austria and Italy. It is lowest in Cyprus, France and Hungary.

Q. What proportion of total investment was for developing or introducing new products, processes, services?

Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Q. In the last financial year, how much did your business invest in Research and Development (including the acquisition of intellectual property) with the intention of maintaining or increasing your company’s future earnings?

Base: All firms (excluding don’t know/refused responses)

The ‘No innovation/Adopter only’ group comprises firms that did not introduce any new products, processes or services in the last financial year (no innovation) or did so but without any own research and development effort (adopter). ‘Developers’ are firms that did not introduce new products, processes or services but allocated a significant part of their investment activities to research and development. ‘Incremental’ and ‘Leading innovators’ have introduced new products, processes and services and also invested in research and development activities. The two profiles differ in terms of the novelty of the new products, processes or services. For incremental innovators these are ‘new to the firm’; for leading innovators these are ‘new to the country/world’.

INNOVATION PROFILE BY COUNTRY

Q. What proportion of total investment was for developing or introducing new products, processes, services?

Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Q. In the last financial year, how much did your business invest in Research and Development (including the acquisition of intellectual property) with the intention of maintaining or increasing your company’s future earnings?

Base: All firms (excluding don’t know/refused responses)
Innovation Activities

IMPLEMENTATION OF DIGITAL TECHNOLOGIES

Almost half of firms across the EU (48%) have partially implemented at least one digital technology, while a further 11% have organised their entire business around such technologies (‘fully implemented’).

Full implementation is most common among firms in the infrastructure sector, which includes ICT, (14%), while partial implementation is most common among manufacturing firms (56%).

Overall, seventy per cent of large businesses have at least partially implemented a digital technology, compared with 47% of SMEs.

Slovenia and Czechia have the largest shares of digital adopters, while Latvia, Ireland and France have the lowest.

Q. Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

Base: All firms (excluding don’t know/refused responses)

IMPLEMENTATION OF DIGITAL TECHNOLOGIES BY COUNTRY

Q. Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

Base: All firms (excluding don’t know/refused responses)
Innovation Activities

DIGITAL TECHNOLOGIES BY SECTOR

The proportion of firms implementing digital technologies varies across sectors and technologies. In most cases, however, EU firms tend to lag their US peers.

Areas where the US has a particularly notable edge include the use of IOT applications as well as, to a lesser extent, the use of cognitive technologies.

Adoption rates are more similar between Europe and the US with regard to the use of platform technologies and 3-D printing, with the EU even having a slight edge over the US in some sectors when it comes to these technologies.

Further analyses show that laggard segments contribute to the digital adoption gap. These include small and medium sized firms and, slow-growing firms. Geographical differences, on the other hand, are rather small when it comes to digital adoption rates.
Investment Needs

PERCEIVED INVESTMENT GAP

Four out of five firms across the EU (79%) believe that their investment activities over the last three years have been in line with their needs, similar to the shares reported in EIBIS 2017 and 2018 (79% and 77%, respectively).

A smaller proportion of firms (15%) report that they invested too little, in line with EIBIS 2018 (16%). Only 3% of firms believe that they invested too much.

Firms in Lithuania (28%) are the most likely to think that they invested too little in the last three years, followed by Hungary (26%) and Slovenia (21%). Conversely, firms in Cyprus are the most likely to think they had invested too much (17%), followed by Greece and Hungary (11% for both).

Q. Looking back at your investment over the last three years, was it too much, too little, or about the right amount?

Base: All firms (excluding 'Company didn’t exist three years ago' responses)

PERCEIVED INVESTMENT GAP BY COUNTRY
**SHARE OF FIRMS AT OR ABOVE FULL CAPACITY**

Three in five firms across the EU report operating at or above full capacity (59%, up from 54% in EIBIS 2018). This rise has occurred across all sizes of firms and sectors with the exception of infrastructure.

Firms in the construction sector are the most likely to be at or above full capacity (69%), followed by firms in the infrastructure sector (64%). Conversely, those in the manufacturing sector are the least likely to be operating at or above capacity (51%).

Firms in Malta are most likely to report operating at or above full capacity (79%), while, as in the previous two waves firms in Latvia are the least likely (38%).

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?**

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

SHARE OF STATE-OF-THE-ART MACHINERY

Across the EU, the average share of machinery and equipment that firms perceive to be ‘state-of-the-art’ is 44% – in line with EIBIS 2018 and similar for both SMEs and large businesses.

The infrastructure sector has the highest average share of perceived state-of-the-art machinery and equipment (47%), while the construction sector has the lowest (41%).

Firms in Austria report the highest average share of state-of-the-art machinery and equipment (62%), while firms in Lithuania report the lowest (27%). This is in line with EIBIS 2018.

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

Base: All firms (excluding don’t know/refused responses)

SHARE OF STATE-OF-THE-ART MACHINERY BY COUNTRY

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

Base: All firms (excluding don’t know/refused responses)

Data not shown for Greece and Cyprus as these countries were outliers at the higher end of the scale –potentially due to different interpretation of the question.
Investment Needs

ENERGY AUDIT

Across the EU, two in five (43%) firms have had an energy audit in the last three years – an important driver of investments in energy efficiency. Firms in the manufacturing sector are the most likely to have had an energy audit (52%), while those in the construction sector are the least likely (28%). Large firms, for whom regular energy audits are mandatory, are more likely to have had an audit than SME firms (58% compared with 28%).

Overall, businesses in the EU are more likely than in the US to have had an energy audit (43% compared with 31% respectively).

Within the EU, Croatia has the highest proportion of businesses that have had such an audit (59%), while Estonia has the lowest (22%).

Q. In the past three years has your company had an energy audit (an assessment of the energy needs and efficiency of your company’s building or buildings)?

Base: All firms (excluding companies that didn’t exist three years ago)

ENERGY AUDIT BY COUNTRY

Q. In the past three years has your company had an energy audit (an assessment of the energy needs and efficiency of your company’s building or buildings)?

Base: All firms (excluding companies that didn’t exist three years ago)
Drivers And Constraints

SHORT TERM INFLUENCES ON INVESTMENT

On balance more firms in the EU expect the economic climate to deteriorate than improve in the next twelve months. Firms also remain pessimistic about the course of the political and regulatory climate. For both dimensions, EU firms are more pessimistic than their US peers, suggesting a rather fragile investment environment going forward.

Across all sizes and sectors, more firms are negative than positive about the political/regulatory climate and the economic climate. This represents a notable difference from EIBIS 2018 when more firms were positive about the economic climate.

Firms in the construction sector are most positive on balance about their business prospects (+19%).

Firms in the service sector are the least positive about changes to the political/regulatory climate (-29%), and those in the manufacturing sector are the least positive about the economic climate (-27%).

Q. Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

Base: All firms

*Net balance is the share of firms expecting improvement minus the share of firms expecting a deterioration.

SHORT TERM INFLUENCES BY SECTOR AND SIZE (NET BALANCE)

<table>
<thead>
<tr>
<th>Political/regulatory climate</th>
<th>Economic climate</th>
<th>Business prospects</th>
<th>External finance</th>
<th>Internal finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>-28%</td>
<td>-27%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Construction</td>
<td>-23%</td>
<td>-14%</td>
<td>19%</td>
<td>6%</td>
</tr>
<tr>
<td>Services</td>
<td>-29%</td>
<td>-20%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>-26%</td>
<td>-20%</td>
<td>9%</td>
<td>12%</td>
</tr>
<tr>
<td>SME</td>
<td>-29%</td>
<td>-17%</td>
<td>14%</td>
<td>8%</td>
</tr>
<tr>
<td>Large</td>
<td>-26%</td>
<td>-26%</td>
<td>8%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Q. Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

Base: All EU firms

Green bubbles denote a positive net difference between businesses expecting an improvement in the factor minus businesses expecting it to get worse. Red bubbles denote a negative net difference between these two groups.
Drivers And Constraints

LONG TERM BARRIERS TO INVESTMENT

As with EIBIS 2017 and 2018, the availability of skilled staff is still the most commonly cited long term barrier to investment (77%). Uncertainty about the future is the next most frequently mentioned barrier (72%), also in line with EIBIS 2018.

The availability of skilled staff is perceived as the main barrier across all sectors and sizes. The main difference between the EU and US is with regard to access to finance, transport and digital infrastructure which are all reported more frequently as barriers by EU firms, pointing towards a relative disadvantage for European firms in these areas.

LONG TERM BARRIERS TO INVESTMENT BY SECTOR AND SIZE

Q. Thinking about your investment activities in [country name], to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all? Reported shares combine ‘minor’ and ‘major’ obstacles into one category.

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Demand for products/services</th>
<th>Availability of skilled staff</th>
<th>Energy costs</th>
<th>Digital infrastructure</th>
<th>Labour market regulations</th>
<th>Business regulations</th>
<th>Transport infrastructure</th>
<th>Availability of finance</th>
<th>Uncertainty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>49%</td>
<td>78%</td>
<td>64%</td>
<td>47%</td>
<td>61%</td>
<td>61%</td>
<td>47%</td>
<td>40%</td>
<td>72%</td>
</tr>
<tr>
<td>Construction</td>
<td>43%</td>
<td>79%</td>
<td>57%</td>
<td>43%</td>
<td>64%</td>
<td>64%</td>
<td>40%</td>
<td>43%</td>
<td>69%</td>
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<tr>
<td>Services</td>
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<td>74%</td>
<td>59%</td>
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<td>60%</td>
<td>44%</td>
<td>43%</td>
<td>71%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>45%</td>
<td>77%</td>
<td>58%</td>
<td>44%</td>
<td>62%</td>
<td>63%</td>
<td>47%</td>
<td>44%</td>
<td>72%</td>
</tr>
<tr>
<td>SME</td>
<td>46%</td>
<td>75%</td>
<td>60%</td>
<td>43%</td>
<td>62%</td>
<td>64%</td>
<td>42%</td>
<td>44%</td>
<td>71%</td>
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<tr>
<td>Large</td>
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<td>78%</td>
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<td>46%</td>
<td>61%</td>
<td>60%</td>
<td>48%</td>
<td>46%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Q: Thinking about your investment activities in [country name], to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all? Reported shares combine ‘minor’ and ‘major’ obstacles into one category.

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

SOURCE OF INVESTMENT FINANCE

As in EIBIS 2018, firms across the EU continue to fund the majority of their investment through internal financing (62%).

Firms working in the infrastructure sector report the largest share of investment funded through external finance (42%), while firms working in the services sector have the lowest share (30%).

Large firms finance a higher proportion of their investment through intra-group funding than small firms (5% compared with 2% overall average).

Firms in France and Italy rely most on external finance (50% and 44% shares respectively), while firms in Greece rely on external finance the least (18% share).

Q. What proportion of your investment was financed by each of the following?

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

SOURCE OF INVESTMENT FINANCE BY COUNTRY

Q. What proportion of your investment was financed by each of the following?

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

TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES

Bank loans make up the largest share of external finance used for investment activities (58%). This is in line with the data from EIBIS 2016-2018. Firms in the service sector are especially likely to rely on bank loans (66% share of external finance). Leasing or hire purchases make up the second largest average share at 22%.

The pattern of external finance used in the US is different to the EU. The share of bank loans (70%) and equity (5%) is much higher whilst there is a lower share attributed to leasing (7%).

Firms in Czechia rely most heavily on bank loans – which constitute 82% of their external finance on average, while firms in Denmark and Estonia rely least heavily on bank loans (32% each, on average). Firms in Estonia rely more on leasing than any other country in the EU – which makes up 56% of their external financing.

Q. What proportion of your investment was financed by each of the following?
*Loans from family, friends or business partners

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

TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES BY COUNTRY

Q. What proportion of your investment was financed by each of the following?
*Loans from family, friends or business partners

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

SHARE OF FIRMS HAPPY TO RELY EXCLUSIVELY ON INTERNAL SOURCES TO FINANCE INVESTMENT

Sixteen per cent of all firms across the EU do not seek external finance because they are happy to use internal finance or do not need the finance. More SMEs (18%) are happy to rely on internal finance than large firms (13%).

Firms in Ireland are most likely to say they are happy to rely on internal finance or do not need the finance (27%), while those in Slovenia and France are least likely to cite this (3% each).

Q. What was your main reason for not applying for external finance for your investment activities? Was happy to use internal finance/didn’t need the finance

Base: All firms

SHARE OF FIRMS HAPPY TO RELY EXCLUSIVELY ON INTERNAL SOURCES TO FINANCE INVESTMENT BY COUNTRY

Q. What was your main reason for not applying for external finance for your investment activities? Was happy to use internal finance/didn’t need the finance

Base: All firms
SHARE OF PROFITABLE FIRMS

One in five firms across the EU report being highly profitable – the same share as in EIBIS 2018. The infrastructure sector has the largest proportion of highly profitable firms (22%), while the service sector has the smallest (15%). A higher proportion of firms in the US report being highly profitable than in the EU (32% versus 20% respectively).

Within the EU, Malta again has the largest share of highly profitable firms (32%, in line with EIBIS 2018), whilst France (9%) and Greece (8%) have the lowest shares of highly profitable firms.

Q. Taking into account all sources of income in the last financial year, did your company generate a profit or loss before tax, or did you break even? Highly profitable is defined as profits/turndover of 10% or more

Base: All firms (excluding don’t know/refused)

SHARE OF PROFITABLE FIRMS BY COUNTRY

Q. Taking into account all sources of income in the last financial year, did your company generate a profit or loss before tax, or did you break even? Highly profitable is defined as profits/turndover of 10% or more

Base: All firms (excluding don’t know/refused)
Access To Finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED

A small share of EU firms that used external finance are dissatisfied with the amount, cost, length of time, collateral or type of finance received.

EU firms are most dissatisfied with the collateral required (7%) and the cost of external finance (also 7%).

In general, the share of firms expressing dissatisfaction with the finance they received is consistent with the results reported in EIBIS 2018.

Levels of dissatisfaction are slightly higher among EU than US firms on almost all aspects of external finance; most notably collateral and costs.

Q. How satisfied or dissatisfied are you with …?

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

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED BY SECTOR AND SIZE

Firms in the infrastructure sector show lower levels of dissatisfaction across all aspects.

Q. How satisfied or dissatisfied are you with …?

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

SHARE OF FINANCE CONSTRAINED FIRMS

Five per cent of firms across the EU can be considered financially constrained in terms of external finance – the same proportion as in EIBIS 2018. SMEs are twice as likely as large firms to be financially constrained (6% compared with 3%, respectively).

Greece and Latvia record the largest shares of financially constrained firms (13% and 12%, respectively), while Austria (1%), Sweden and Luxembourg (both 2%) record the lowest.

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).

Base: All firms

SHARE OF FINANCE CONSTRAINED FIRMS BY COUNTRY

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).

Base: All firms
Half (50%) of the value added in the EU can be attributed to large firms (with 250+ employees). Medium size firms account for 21%, while a similar proportion comes from small firms (20%). Nine per cent of value added can be attributed to micro firms.

Compared to the US, the firm size distribution in the EU is skewed towards smaller firms.

Among EU countries the value-added distribution is most skewed towards smaller firms in Ireland, Malta and Estonia. The value-added distribution is least skewed towards these firms in the UK and Slovakia.
The manufacturing sector accounts for more than one third of value-added in the EU (36%). Firms in the infrastructure and service sectors account for 28% each. Construction firms account for 9%.

Compared to the US, the sector distribution in the EU is skewed towards manufacturing and infrastructure.

The manufacturing share is highest in Czechia (50%); the infrastructure share in Malta and Latvia (each 35%), while Greece and Cyprus (41% each) are the countries in which service sector firms contribute the most to value added.

The charts reflect the relative contribution to value-added by firms belonging to a particular sector in the population of firms considered.

Base: All firms
Profile Of Firms

STRATEGIC MANAGEMENT

Three in five firms across the EU say they use a strategic performance monitoring system (60%) and link individual performance with pay (61%). This compares to 63% and 76% of firms in the US, respectively.

Across the EU, firms in the manufacturing sector are most likely to use a strategic monitoring system (66%), while firms in the construction sector are least likely to do so (45%). Firms in the manufacturing sector are also the most likely to link performance with pay (65%), while those in the infrastructure sector are least likely to do so (56%). Large firms are much more likely than SMEs to do both.

Firms in Finland are the most likely to use a strategic management system (92%) and firms in Czechia are the most likely to link individual performance with pay (98%).

Q. And does your company (a) use a formal strategic business monitoring system (that compares the firm’s current performance against a series of strategic key performance indicators) (b) link individual performance with pay?

Base: All firms (excluding don’t know/refused responses)

STRATEGIC MANAGEMENT BY COUNTRY

Q. And does your company (a) use a formal strategic business monitoring system (that compares the firm’s current performance against a series of strategic key performance indicators) (b) link individual performance with pay?

Base: All firms (excluding don’t know/refused responses)
Profile Of Firms

FIRM MANAGEMENT

Fifty-five per cent of firms across the EU are owned or controlled by their CEO or a member of the CEO’s family. This compares with 66% of firms in the US.

Across the EU, SMEs are more likely than large businesses to be owner-managed (74% compared with 37%) and the construction sector has the largest proportion of owner managed firms (68%), while the infrastructure sector has the lowest (46%). Cyprus is the EU country reporting the largest share of owner-managed firms (91%).

The vast majority of firms (92%) report being owned by someone with at least ten years of experience in the firm’s industry or sector.

Q: Does the CEO/company head of your firm (a) own or control the firm, or have a family member that owns/controls it (b) have more than 10 years of experience in your firm’s industry or sector?

Base: All firms (excluding don’t know/refused responses)

FIRM MANAGEMENT BY COUNTRY

Q: Does the CEO/company head of your firm (a) own or control the firm, or have a family member that owns/controls it (b) have more than 10 years of experience in your firm’s industry or sector?

Base: All firms (excluding don’t know/refused responses)
EIBIS 2019 – EU Technical Details

**SAMPLING TOLERANCES APPLICABLE TO PERCENTAGES AT OR NEAR THESE LEVELS**

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

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<td>(12672)</td>
<td>(12355)</td>
<td>(803)</td>
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<td>(1978)</td>
<td>(12672 vs 12355)</td>
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10% or 90%
- Manufacturing vs Construction

- SME
- Large

- SME
- Large

- SME
- Large

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**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.

**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 2019 – Technical Details

### BASE SIZES
(Note: The United States was included for the first time in EIBIS in 2019 – 220 Manufacturing, 160 Construction, 220 Services and 200 Infrastructure firms were interviewed – 619 SMEs and 184 Large firms.)

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<td>10005 / 10126</td>
<td>620</td>
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<td>3672</td>
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