Investment in Spain and the EU

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Spain in comparison to the EU:

1. A brief macroeconomic view focussed on investment

2. Short-term prospects and investment gaps (a view from the EIBIS)

3. Intangible investment and quality of the capital stock (a view from the EIBIS)

4. Financial conditions (a view from the EIBIS)

5. Long-terms barriers to investment (a view from the EIBIS)

Concluding remarks
Real investment: Spain and EU country groupings

**Annual growth rate** *(real GDP, %)*

![Graph showing annual growth rate](image)

**Real investment** *(total, level, 08Q1 = 100)*

![Graph showing real investment](image)

*Source: EIB, based on Eurostat National Accounts.*

*Note: last record is 17Q1.*
Changes in the regulatory environment

Ease of doing business – distance to frontier

Comparisons across two periods

Changes between the periods

Source: World Bank
Source: EIB, based on Eurostat Sectoral Accounts.
Note: Last record is 16Q4. The two vertical lines portray the start of the two major recent crisis, the Lehman bankruptcy and the large upward revision in Greek public debt.
Real investment by asset

Real GFCF by asset class
(Change with respect to 08Q1)

Spain

EU28

Source: EIB, based on National Accounts and Eurostat
Note: last record is 17Q1
Infrastructure investment in Spain

Infrastructure investment
(in per cent of GDP)

By source

By sector

Source: EIB, based on Eurostat National Accounts
EIB Investment Survey (EIBIS)

- Some 12,500 firms surveyed across EU28 (of which 515 in Spain) – same questions asked to a sample of NFCs representative of the economy (firms weighted by value-added), with 5+ employees operating in manufacturing, services, construction & infrastructure.

- Qualitative and quantitative information on:
  - firm characteristics and performance
  - Investment needs and constraints
  - Impediments (short and long-run)
  - past investment activities and future focus
  - sources of finance
- On top, In 2017: policy priorities and a special module on municipalities assessment (the later not discussed)
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Concluding remarks
In the first round, the share of Spanish firms investing was slightly below the EU average but expanding at a record rate.

This graph plots the average share of firms that invested in the previous financial year (x-axis) against the net difference between those intending to expand and those expecting to contract investment in coming year.
Low share of firms operating above capacity (lower end of the EU), widespread across sectors but infrastructure

Share of firms at or above 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?
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?
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Concluding remarks
Share of Spanish firms’ investment into intangibles among the lowest in the EU, with less spending on trainings

Investment into intangibles

Source: INTAN invest
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 in new products, processes or services that are new to the company, new to the country or new to the global market?

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

Q. Were the new products, process or services (a) new to the company; (b) new to the country; (c) new to the global market?
**Quality of capital stock**

**State-of-the-art machinery and equipment**

**Energy efficient building stock**

*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.

*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.
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Concluding remarks
Very high reliance on internal finance

Type of financing used for investment

Q. Approximately what proportion of your investment in the last financial year was financed by each of the following?

Q. Approximately what proportion of your external finance does each of the following represent?
Internally financed vs. financially constrained

High availability of internal sources; low external barriers

Little availability of internal sources; low external barriers

High availability of internal sources; high external barriers

Little availability of internal sources; high external barriers

Base: All firms
Finance constrained firms include: those that invested which 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).
Firms happy to use internal funds are those that invested using exclusively internal funds and who stated that they did not seek any external finance because they were satisfied with their internal funds.
Financially constrained firms

Share of financially constrained firms

Satisfaction with external finance

Q. How satisfied or dissatisfied are you with …?

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)
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Concluding remarks
Long-term barriers to investment: uncertainty first and demand, access to external finance, energy cost & skilled labour

Long-term barriers to investment

q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?
Summary Survey findings for Spain

- **Investment recovers at a strong pace**, partly reflecting the sizeable gap following the crisis. Corporate investment rebounding, mostly due to **replacement of the capital stock**.

- Investment recovery not commensurate to the magnitude of the rebound: **investment gap increased**.

- Almost all of the gap now reflects **construction and infrastructure**.

- **Infrastructure investment severely hit**, mostly due to government spending which halved and transport. Companies see priorities in infrastructure for ICT and energy.

- **The reported quality of the capital stock is relatively high but investment in Intangibles at the lower end of EU distribution**.

- Availability of **external finance not the main problem overall** but may be in some pockets.

- **Main barriers to investment** are uncertainty, energy costs and lack of demand also matter; Most of the limiting factors have receded except **staff with the right skills and access to digital infrastructure**.
Thank you!