Investment and Investment Finance in Slovenia

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Investment decline has been strong, and persistent, particularly for corporates.

The graph shows the evolution of total Gross Fixed Capital Formation (in real terms) by institutional sector and asset type. The data has been indexed to equal 100 in 2008. For 2017 we use the forecast of the European Commission.

Source: Eurostat, European Commission
Infrastructure investment is slowly regaining traction, but the effect of the EU cycle is visible.

**Infrastructure investment in Slovenia (occupational)**

*per cent of GDP*

**Infrastructure investment in Slovenia (institutional)**

*per cent of GDP*

Note: Annual infrastructure investment as a share of GDP, broken down by occupational sector.

Source: EIB Econ calculations, Eurostat, national authorities

Note: Annual infrastructure investment as a share of GDP, broken down by institutional sector.

Source: EIB Econ calculations, Eurostat, national authorities
What can 12,000 firms tell us about investment trends in Europe?

**EIB investment survey:**
- 12,500 firms surveyed across EU28 (of which 400 in Slovenia)
- NFCs 5+ employees in manufacturing, services, construction & infrastructure sector
- Information on:
  - Firm characteristics and performance
  - Investment needs and constraints
  - Past investment activities and future focus
  - Investment finance
- Representative of the economy (firms weighted by value-added)
- Data collected from April-July 2017
Business investment activity is picking up in Slovenia, particularly for the manufacturing sector.

Investment cycle

Note: Plots the share of firms with investment expanding/contracting relative to the share of firms investing, by sector or Member State; cross centred on EU average.

Source: Econ EIBIS
Slovenian firms invest more in machinery and less in intangibles than the EU average

Areas of investment

Innovation activity

Note: Average of responses for allocations by area in per cent: 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?

Note: Average of responses in per cent: 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?

Source: Econ EIBIS
The share of firms believing that they invested too little in the past is higher in Slovenia than in the EU.

**Perceived investment gap**

*per cent*

Note: Share of responses in per cent: Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount?

Source: Econ EIBIS
Future investment priorities

per cent of total investment

Capacity utilisation (EIBIS)

per cent

Note: Share of firms by main purpose of investment, in per cent. Q. Looking ahead to the next 3 years, which 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?

Source: Econ EIBIS

Note: Average share of responses in per cent: Q. In the last financial year, was your company operating above or at maximum capacity attainable under normal circumstances?

Source: Econ EIBIS
The quality of the capital stock scores relatively well in European comparison.

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

*average share in per cent*

**Share of high energy efficiency buildings**

*average share in per cent*

Note: Average of responses in per cent: Q. What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?

Source: Econ EIBIS

Note: Average of responses in per cent: Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?

Source: Econ EIBIS
Availability of skilled staff has become the key concern in most sectors

**Long-term barriers to investment**

<table>
<thead>
<tr>
<th>Barrier</th>
<th>EU 2017</th>
<th>SI 2017</th>
<th>2016</th>
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<tbody>
<tr>
<td>Demand for product or service</td>
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<td>Availability of skilled staff</td>
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<td>Energy costs</td>
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<td>Access to digital infrastructure</td>
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<td>Labour market regulations</td>
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<td>Business regulations</td>
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<td>Adequate transport infrastructure</td>
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<td>Availability of finance</td>
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<td>Uncertainty about the future</td>
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**Investment barriers by size/sector**

<table>
<thead>
<tr>
<th>Sector</th>
<th>EU 2017</th>
<th>SI 2017</th>
<th>2016</th>
</tr>
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<tbody>
<tr>
<td>Manufacturing</td>
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<td>Construction</td>
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<td>Infrastructure</td>
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<td>SME</td>
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<tr>
<td>Large</td>
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</table>

Note: Share of responses in per cent: 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?
Source: Econ EIBIS
Finance is mostly internal finance and bank loans

Source of investment finance

Type of external investment financing

Note: Average of responses in per cent: Q. What proportion of your investment was financed by each of the following?

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

Source: Econ EIBIS
Certain firms still face financing constraints, but satisfaction with the financing offers improved.

Share of finance constrained firms

Dissatisfaction with external finance

Note: Proportion of firms considering themselves finance constrained: 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).

Source: Econ EIBIS

Note: Average share of responses, in per cent Q. How satisfied or dissatisfied are you with ....?

Source: Econ EIBIS
Transport infrastructure development is the key public investment priority for Slovenian firms.

Note: Proportion of responses in per cent: Q. From your business’ perspective, if you had to prioritise one area of public investment for the next 3 years, which one would it be?

Source: Econ EIBIS
Municipality infrastructure – gaps exist and impediments related to budget and procedures

- Add-on survey module for 2017: **555 municipalities were interviewed in all 28 Member States.**
- **Central Europe (Czech Republic, Hungary, Slovakia, Slovenia)**

**Key results:**

- **In Central Europe,** municipalities see a **smaller investment gap than the rest of the EU**: 75 per cent believes they invested enough in the past years (vs around 50% in the EU). Still 20% of municipalities believe they invested too little.

- Perceived **infrastructure quality** at municipal level is slightly **above the EU** average. The main areas where gaps should be closed in the future are **health** and **housing**.

- Ex ante assessment of projects is more wide-spread than in the rest of the EU. Still, the **coordination of projects** among the various stakeholders (central level, region, neighboring municipalities) **could be improved**.

- **Main obstacles** for investment: **budget**, but also **length of approval, technical capacity** and **political and regulatory stability**.
Conclusions

- The crisis resulted in a sizable investment gap, but the recovery of corporate investment has begun.
- The manufacturing sector is particularly dynamic in expanding its capital stock.
- Capacity expansion is becoming an important investment objective for firms.
- While investment is shifted towards tangibles, the manufacturing sector is shifting towards R&D.
- The perceived quality of the capital stock is good by EU standards.
- The key barriers to investment are the shortage of skilled staff, uncertainty, and regulatory constraints.
- Certain firms still face financing constraints, but satisfaction with the financing offers improved.
- Municipalities could strengthen the coordination between the various stakeholders when it comes to infrastructure planning.
Thank you