Investment and Investment Finance

The EU and the Austrian Story

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Wien, 20th of March 2017 – OENB-EIB Conference
Investment recovered much faster than in the EU, particularly for households and financial institutions.

Real GFCF by institutional sector, (total rate of change with respect to 2008)

Source: National Sector Accounts, Eurostat
R&D investment and lately machinery and equipment, driving the pickup

Real GFCF and contribution by asset type in 2016 Q2, total rate of change relative to 2008 Q1

Source: National Sector Accounts, Eurostat
Unlike at the EU level, infrastructure investment remained solid.

- Government financed infrastructure investment stable.
- PPPs almost non-existent.
- Asfinag model playing a role?
The EIB Investment Survey (EIBIS) 2016

- Some 12,500 completed telephone interviews in total
- Survey of non-financial corporate sector (with 5+ employees)
- Covering manufacturing, services, construction and infrastructure sector
- Representativeness at high scientific standards for:
  - the EU 28 (as a whole)
  - each Member country (separately)
  - 4 industry grouping (within each Member country – for most countries), and
  - 4 size classes (within each Member country – for most countries)
- Implemented once a year (panel plus cross-section) – 1st run summer 2016
- In Austria, 477 firms have been asked.
Investment cycle: high and expanding

Share of firms investing

Firms expecting to increase/decrease investment in current financial year (net balance, %)

- Low investment expanding
- Low investment contracting
- High investment expanding
- High investment contracting
Austrian firms rate their capital stock rather positively

**Perceived investment gap**

- **Share of firms with state-of-the-art machinery and equipment**
  - [Bar chart showing the share of firms by country and category]
  - **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?

- **Share of building stock meeting high energy efficiency standards**
  - [Bar chart showing the share of firms by country and category]
High share of firms operating at or above full capacity

Share of firms at or above full capacity

**AUSTRIA**

- At or above capacity
- EU average

**EU28**

- At or above capacity

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**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?
Replacement and capacity expansion as key investment priorities

Future investment priorities

- High quality of the capital stock and full capacity reflected in firms’ plans for capacity expansion in the manufacturing sector and among medium/large firms

**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?
Relative bias towards tangible investments, particularly for large firms

Investment activity in financial year 2015

Investments in intangibles (% of GDP)

Source: EIB Investment Survey and Eurostat and INTAN-Invest database, OECD
Innovation by country

Investment in new products, process 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?
Firms in Austria in aggregate have among the highest shares of firms in the top two EU productivity quantiles.

Distribution of firms by productivity class (TFP)
(Productivity classes are sector specific; they are defined on the basis of the entire EU sample for a particular sector)

- Almost 33% of Austrian manufacturing firms and 28% of services firms fall into the top EU (sector specific) productivity quantiles.
16% of Austrian firms invested in another country, one of the highest shares in EU. Manufacturing and large firms more likely to invest abroad.
Outward direct investment from Austria to CESEE stagnant

Net annual outward direct investment from Austria to CESEE countries have declined substantially post crisis.
Regulatory environment and skill mismatches as main impediments

Investment constraints in Austria: major or minor obstacle (% share of firms)

- Demand for product or service
- Availability of staff with the right skills
- Energy costs
- Access to digital infrastructure
- Labour market regulations
- Business regulations (e.g., licences, permits) and taxation
- Transport infrastructure
- Availability of finance
- Uncertainty about the future

Legend:
- EU
- D. Electricity, gas, steam and air conditioning supply
- F. Construction
- H. Transporting and storage
- J. Information and communication
- SME
- C. Manufacturing
- E. Water supply; sewerage; waste management and remediation activities
- G. Wholesale and retail trade; repair of motor vehicles and motorcycles
- I. Accommodation and food service activities
- Large
Finance constraints for those firms that invested, in line with EU average

Share of finance constrained firms by country

- Manufacturing and infrastructure firms are more likely to be finance constrained than firms in other sectors in Austria

**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).
Majority of firms satisfied with modalities of external finance

Satisfaction with external finance

**AUSTRIA**

- **Amount obtained**
- **Cost of finance**
- **Maturity**
- **Collateral**
- **Type of finance**

**EU28**

- **Amount obtained**
- **Cost of finance**
- **Maturity**
- **Collateral**
- **Type of 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 ...?

- Slightly higher dissatisfaction with banks’ collateral requirements (10% of firms that used external finance) than for the EU as a whole.
Sources of investment finance in Austria

What source of external finance they want more?

**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?

**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.
Conclusions

• A growth story, with a history of strong investment activity, confirmed over the crisis
• Infrastructure investment supported by creative financing model, particularly for transport
• R&D investment, and recently machinery and equipment investment (regulatory induced), have been the main drivers of investment activity in terms of asset type
• At the firms level, solid investment cycle:
  • High quality of the capital stock
  • Innovation puzzle?
  • High capacity utilization, pushing medium/large firms and firms in manufacturing to consider capacity expansion
  • Business and labor market regulation and skill mismatches main drag on investment
  • External finance less binding, although manufacturing and infrastructure firms more likely to be finance constrained than other firms in Austria.
• EIB Group as a partner
Thank you