

Investment and Investment Finance

The EU and the Austrian Story

Debora Revoltella

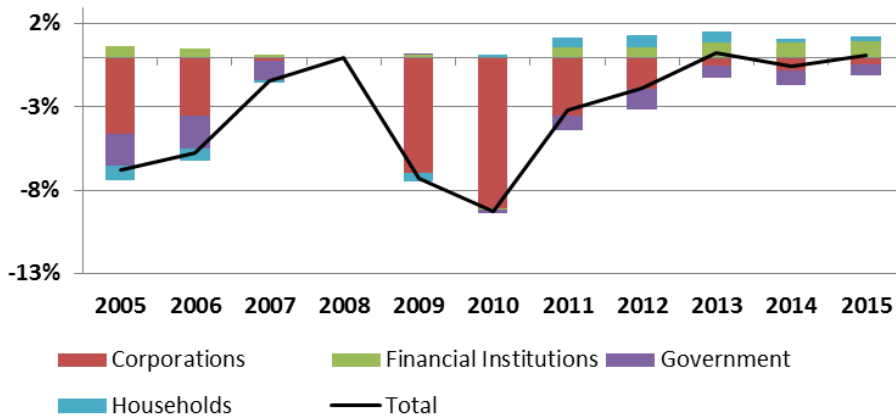
Director – Economics Department EIB

Wien, 20th of March 2017 – OENB-EIB Conference

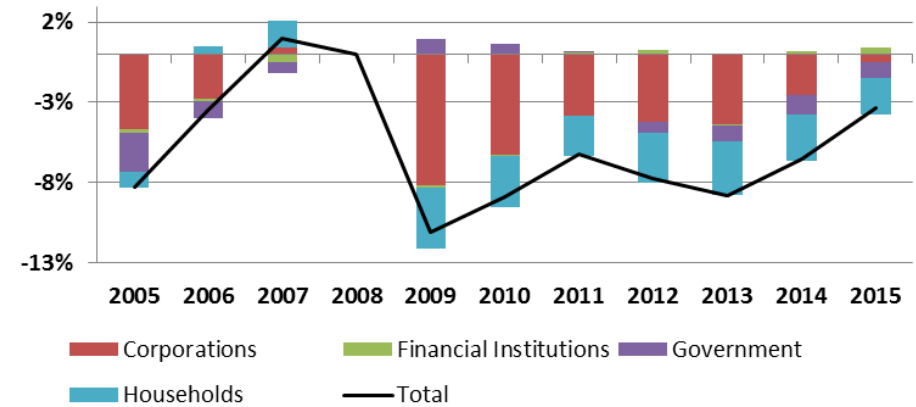
Investment recovered much faster than in the EU, particularly for households and financial institutions

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

AUSTRIA



EU28



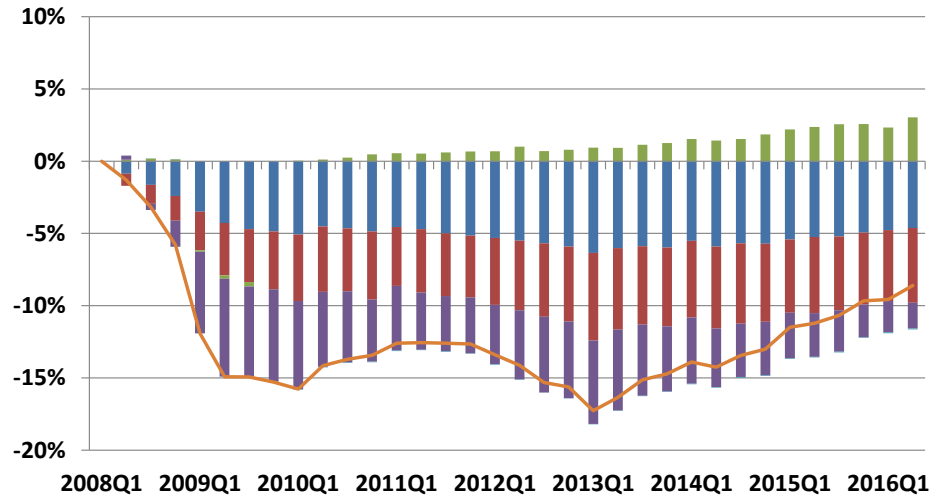
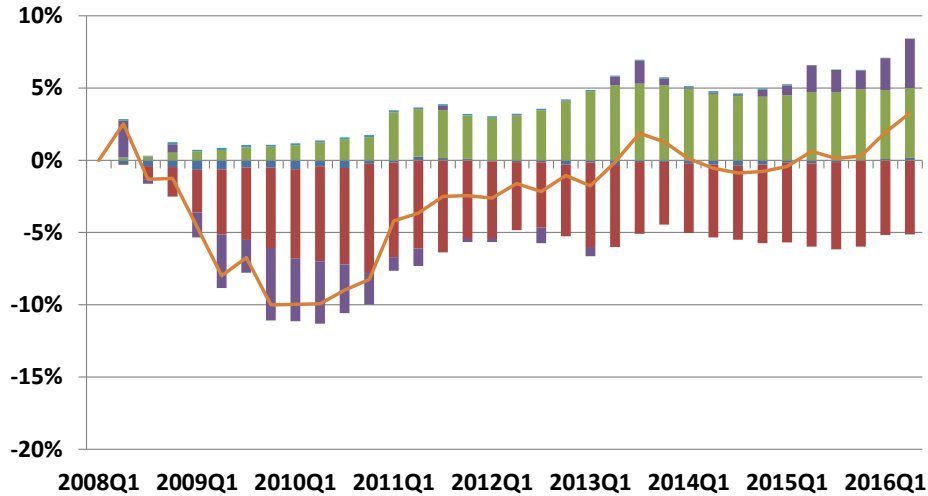
Source: National Sector Accounts, Eurostat

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

AUSTRIA

EU28



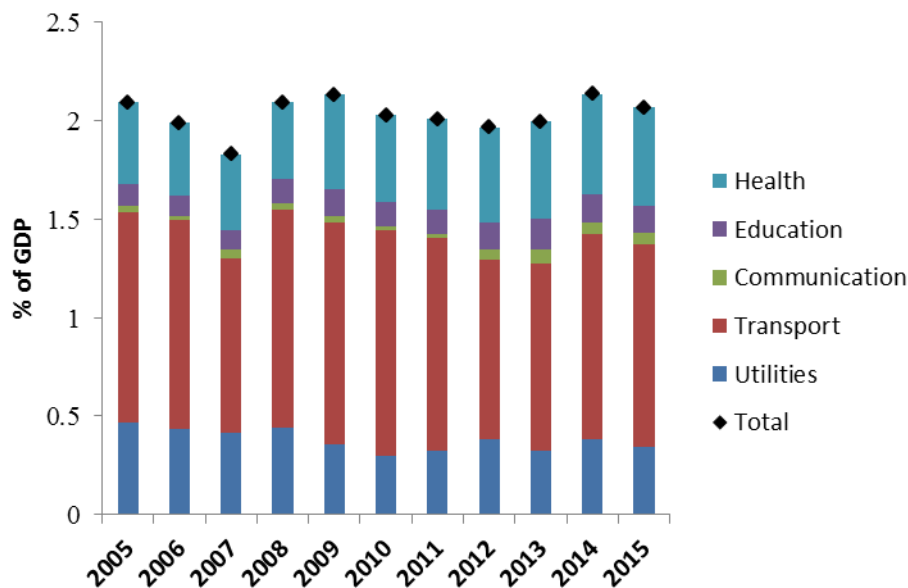
- Dwellings
- IPP
- Other
- Other buildings and structures
- Machinery and equipment
- Total

Source: National Sector Accounts, Eurostat

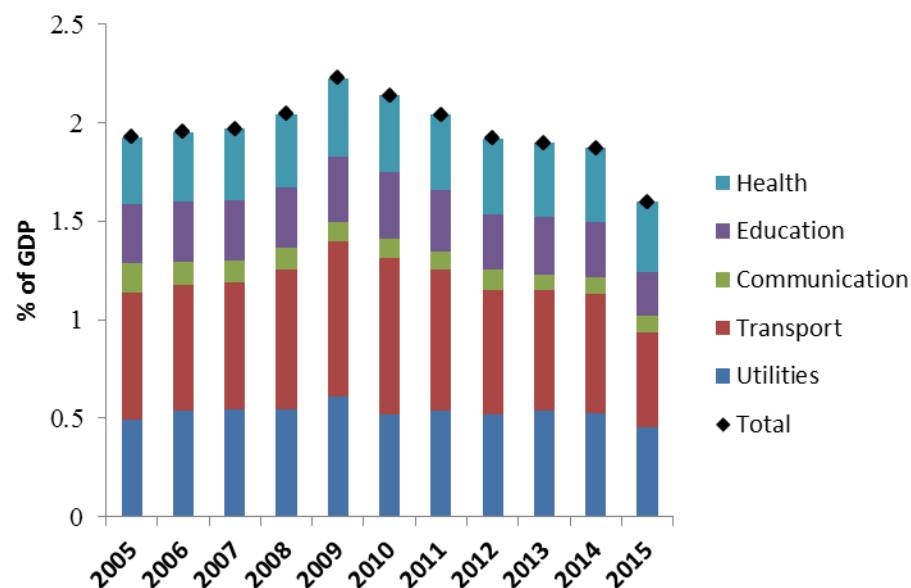
Unlike at the EU level, infrastructure investment remained solid

Infrastructure investment by sector as % of GDP

AUSTRIA



EU28



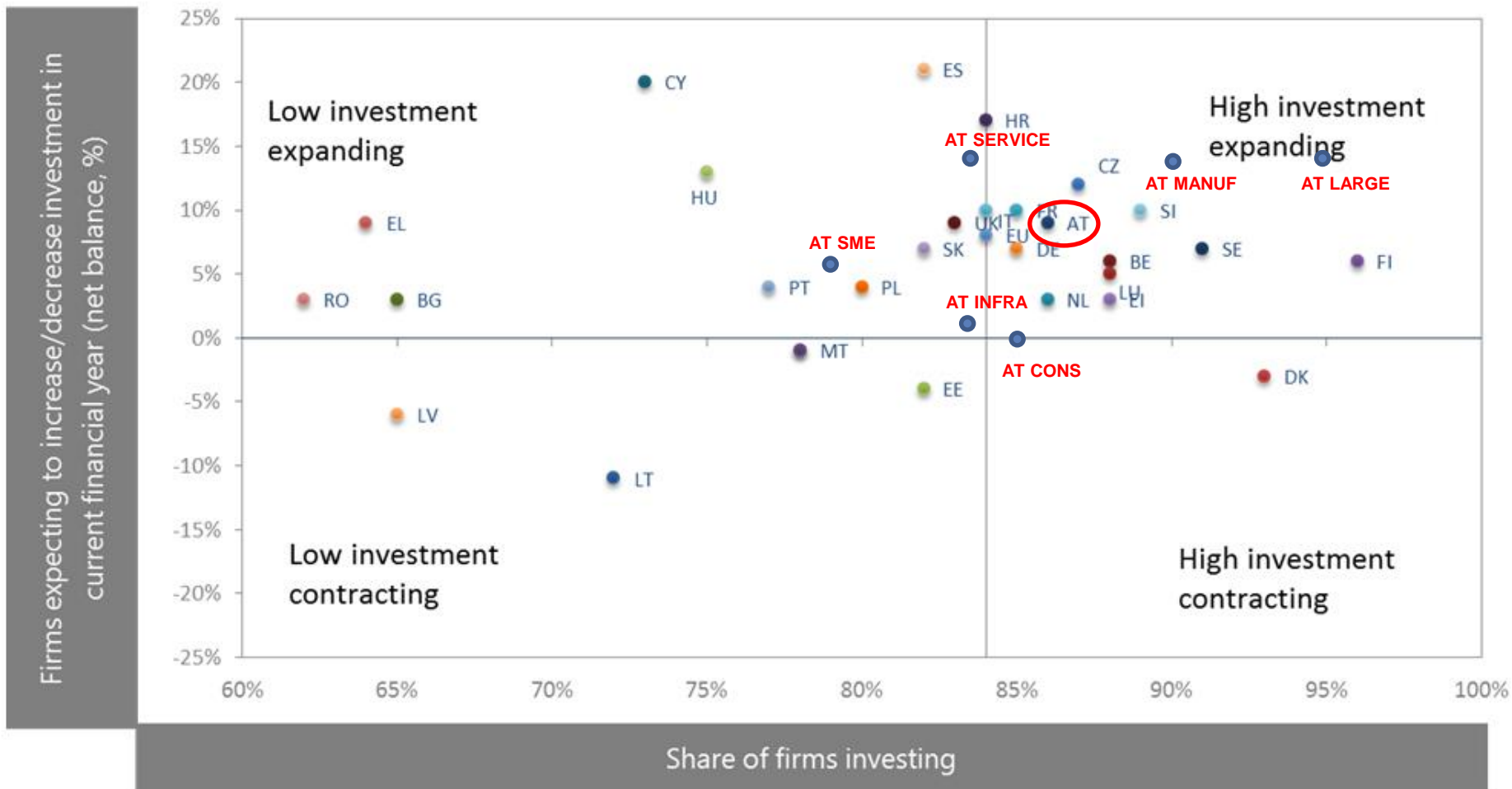
Source: Eurostat, EIB/EPEC, Projectware, includes government, corporate, PPP and non-PPP projects

- Government financed infrastructure investment stable.
- PPPs almost non-existent.
- Asfinag model playing a role?

The EIB Investment Survey (EIBIS) 2016

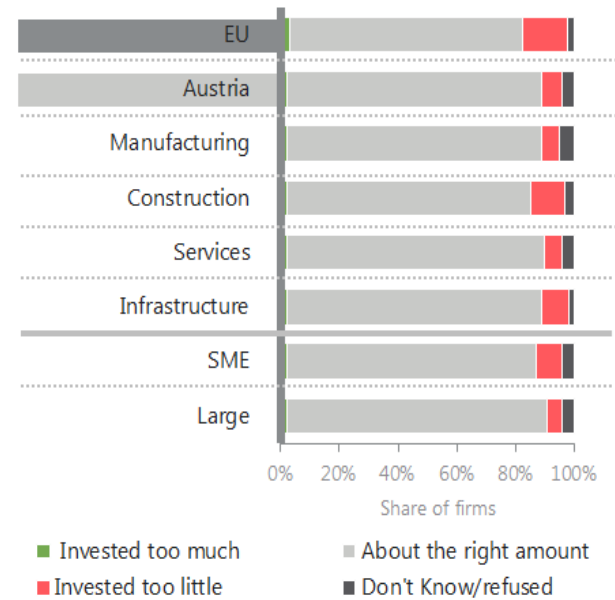
- Some 12,500 completed telephone interviews in total
- Survey of non-financial corporate sector (with 5+ employees)
- Covering manufacturing, services, construction and infrastructure sector
- Representativeness at high scientific standards for:
 - the EU 28 (as a whole)
 - each Member country (separately)
 - 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



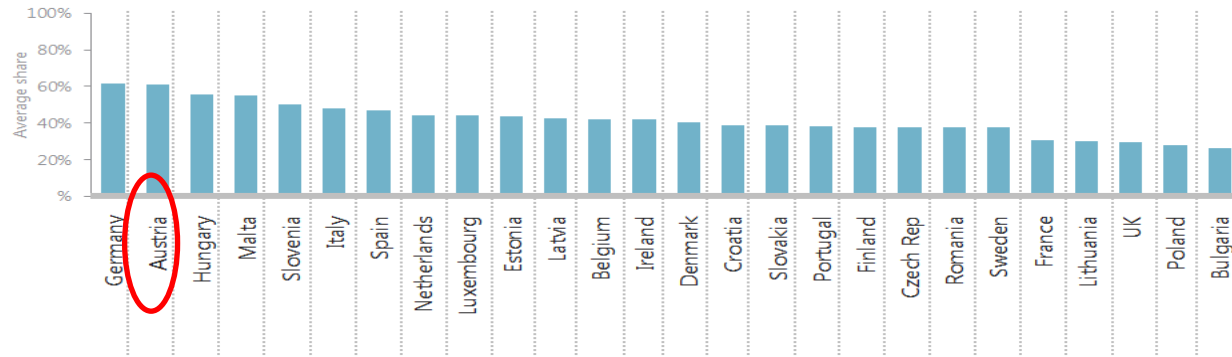
Austrian firms rate their capital stock rather positively

Perceived investment gap

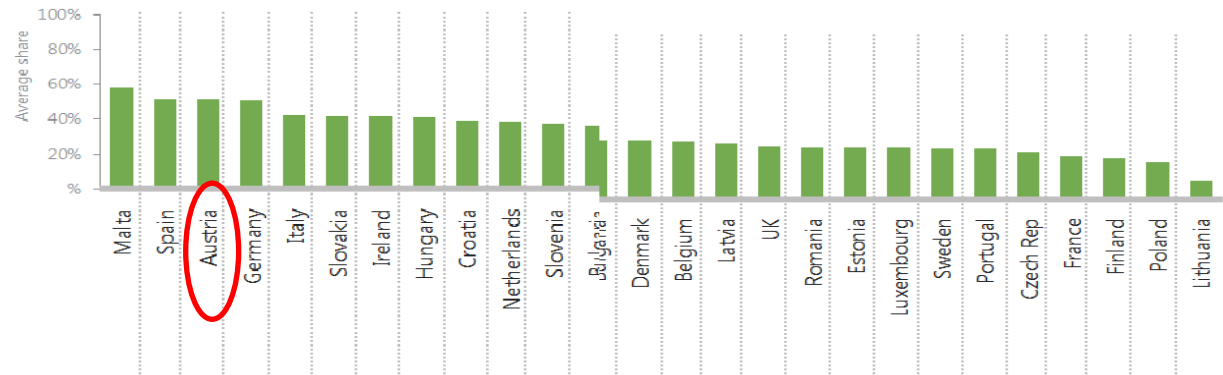


Base: All firms (excluding 'Company didn't exist three years ago' responses)
Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount to ensure the success of your business going forward?

Share of firms with state-of-the-art machinery and equipment



Share of building stock meeting high energy efficiency standards



High share of firms operating at or above full capacity

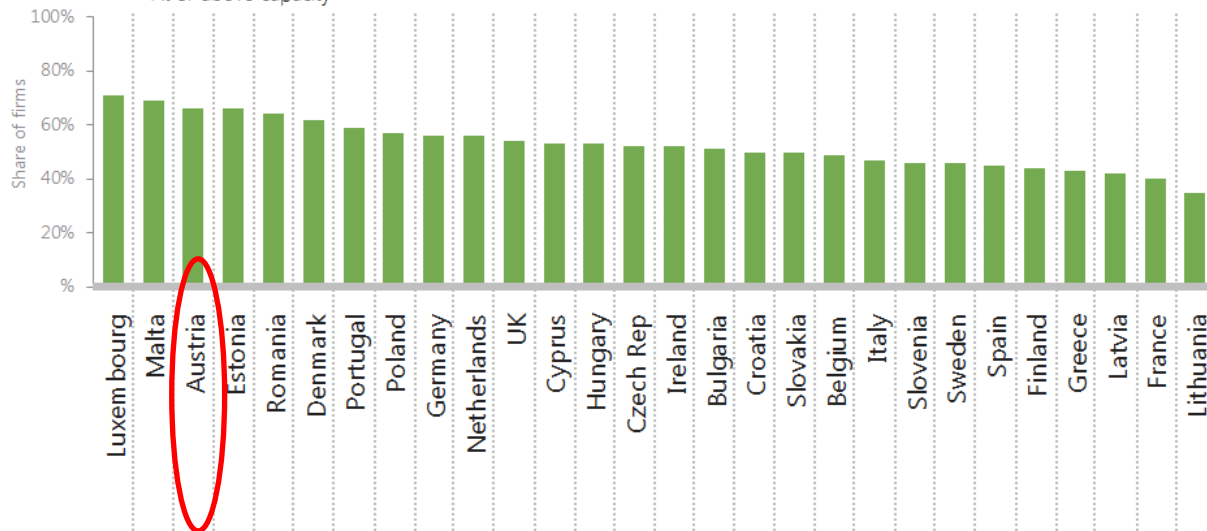
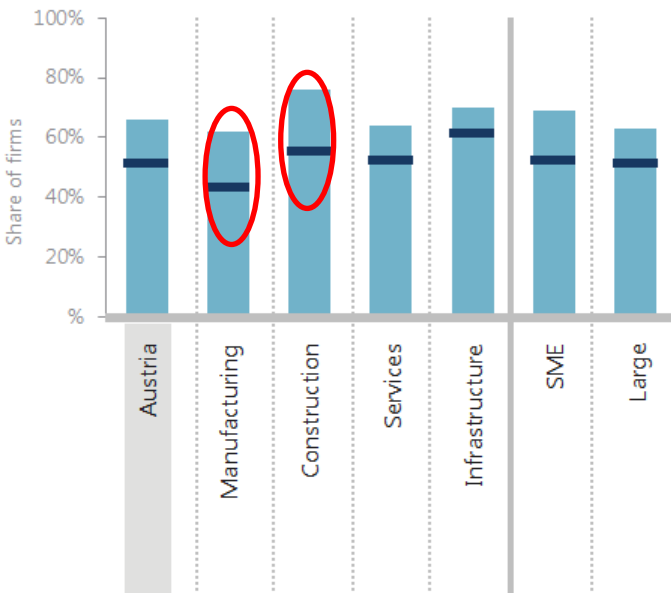
Share of firms at or above full capacity

AUSTRIA

EU28

■ At or above capacity — EU average

■ At or above capacity



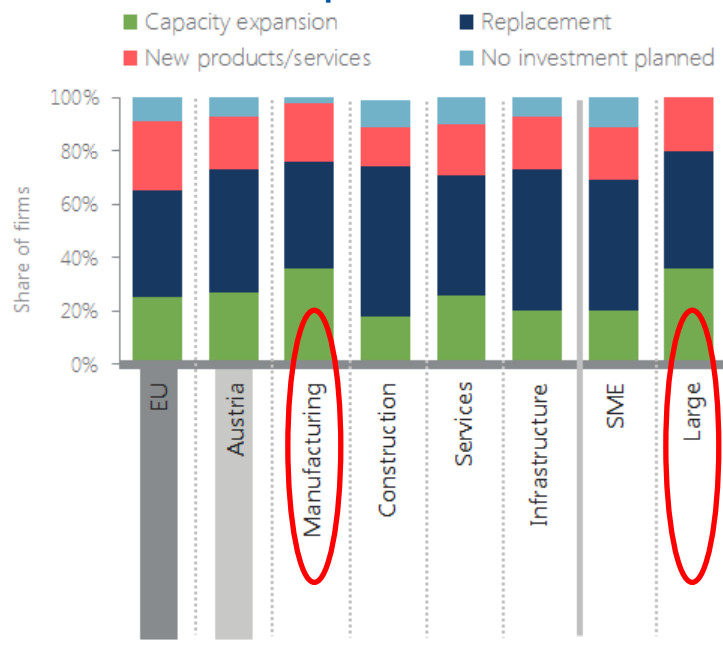
Base: All firms (data not shown for those operating somewhat or substantially below full capacity)

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?

Replacement and capacity expansion as key investment priorities

Future investment priorities



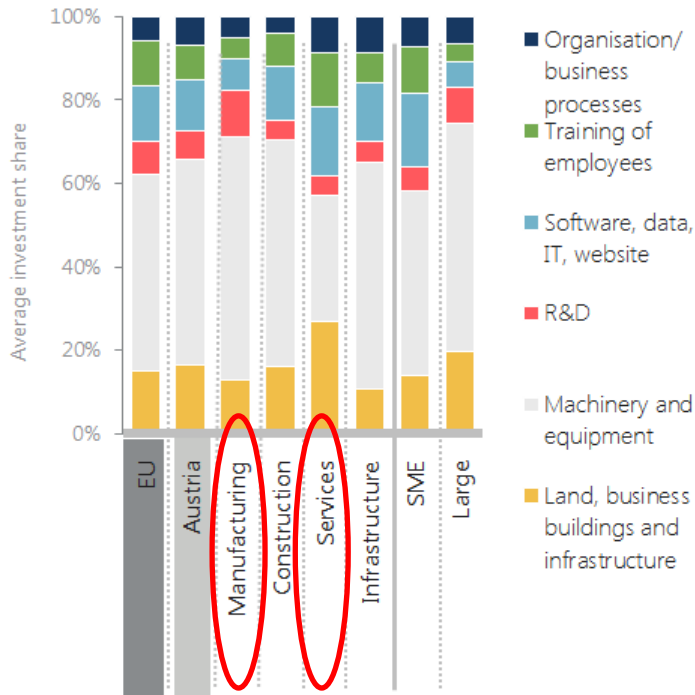
- High quality of the capital stock and full capacity reflected in firms' plans for capacity expansion in manufacturing sector and among medium/large firms

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

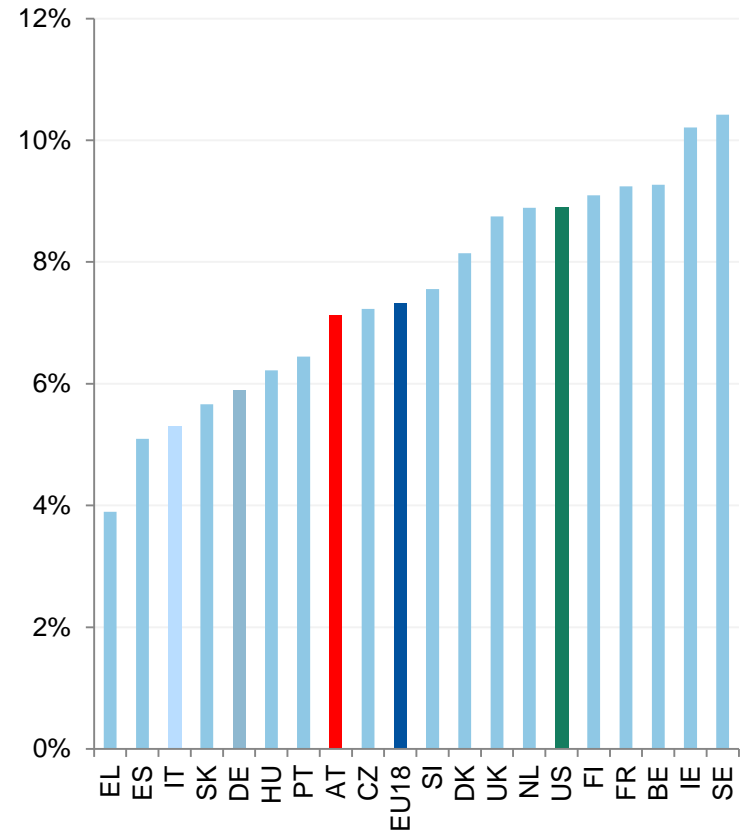
Investment activity in financial year 2015



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?

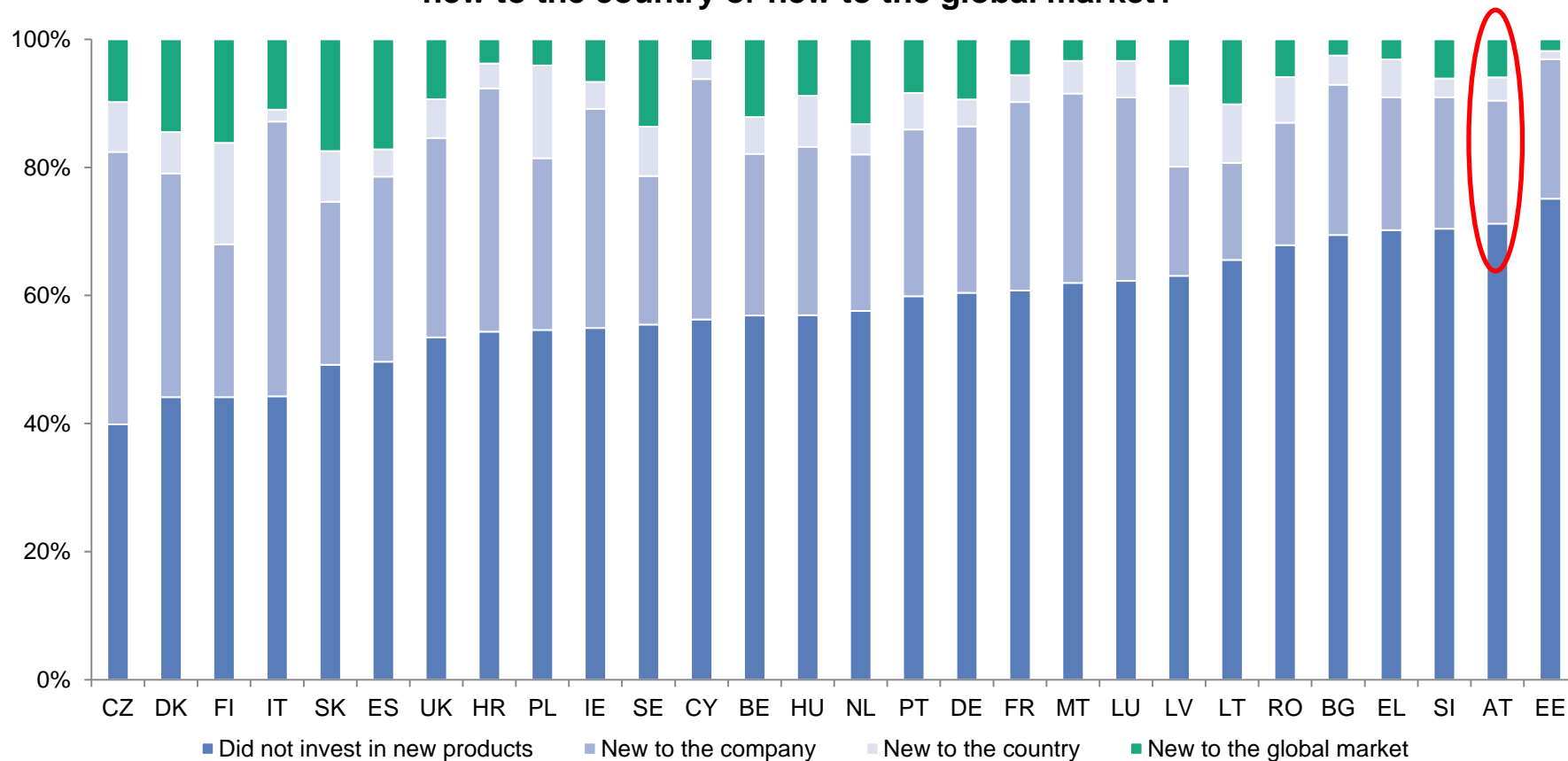
Investments in intangibles (% of GDP)



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?



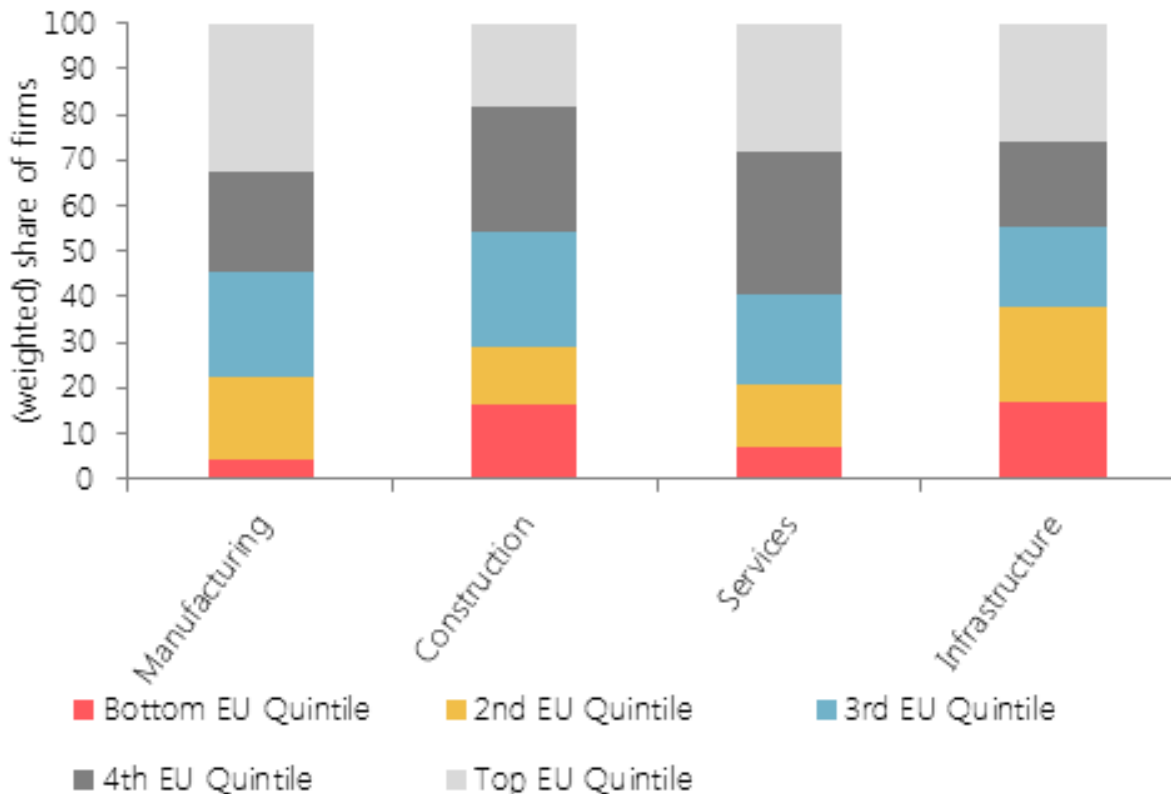
Base: All firms that invested in the last financial year (excluding don't know/refused responses)

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)

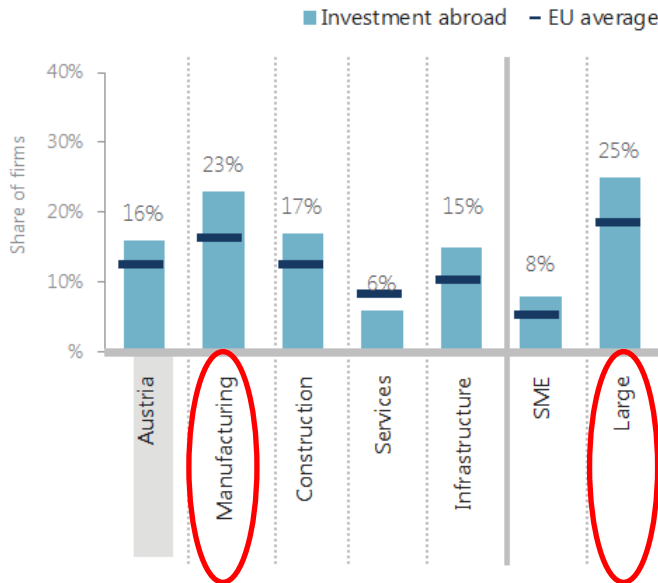


- Almost 33% of Austrian manufacturing firms and 28% of services firms fall into the top EU (sector specific) productivity quantiles.

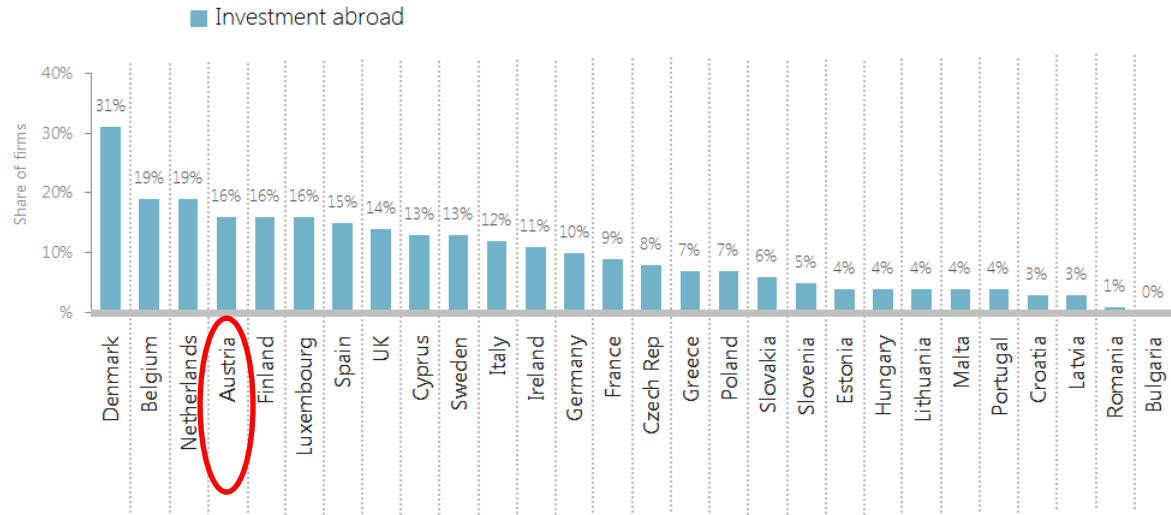
Austrian firms investing abroad

Investment abroad (Austria, EU average and by country)

AUSTRIA



EU28

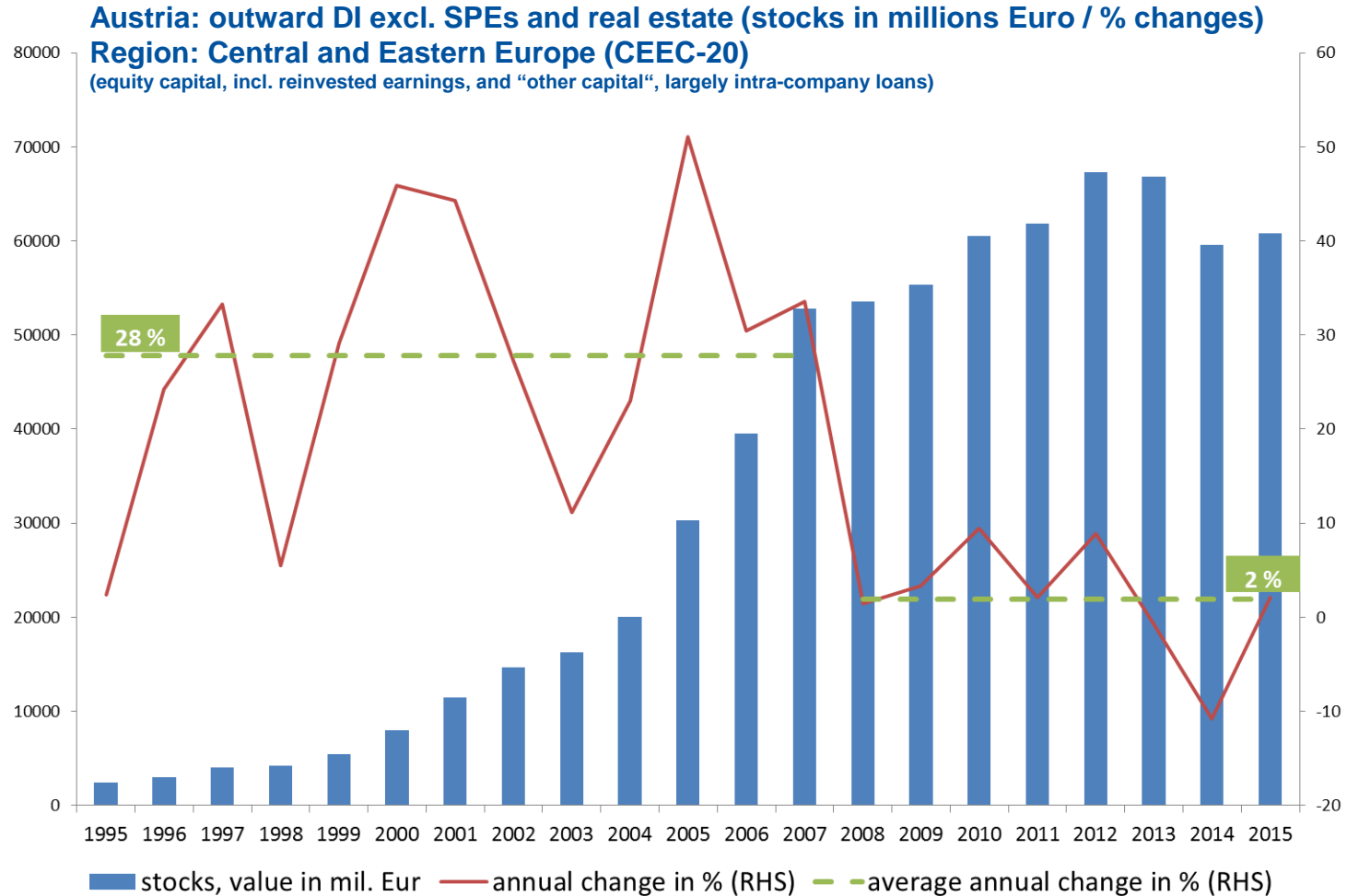


Base: All firms who invested in the last financial year
 Q. In the last financial year, has your company invested in another country?

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

- 16% of Austrian firms invested in another country, one of the highest shares in EU. Manufacturing and large firms more likely to invest abroad.

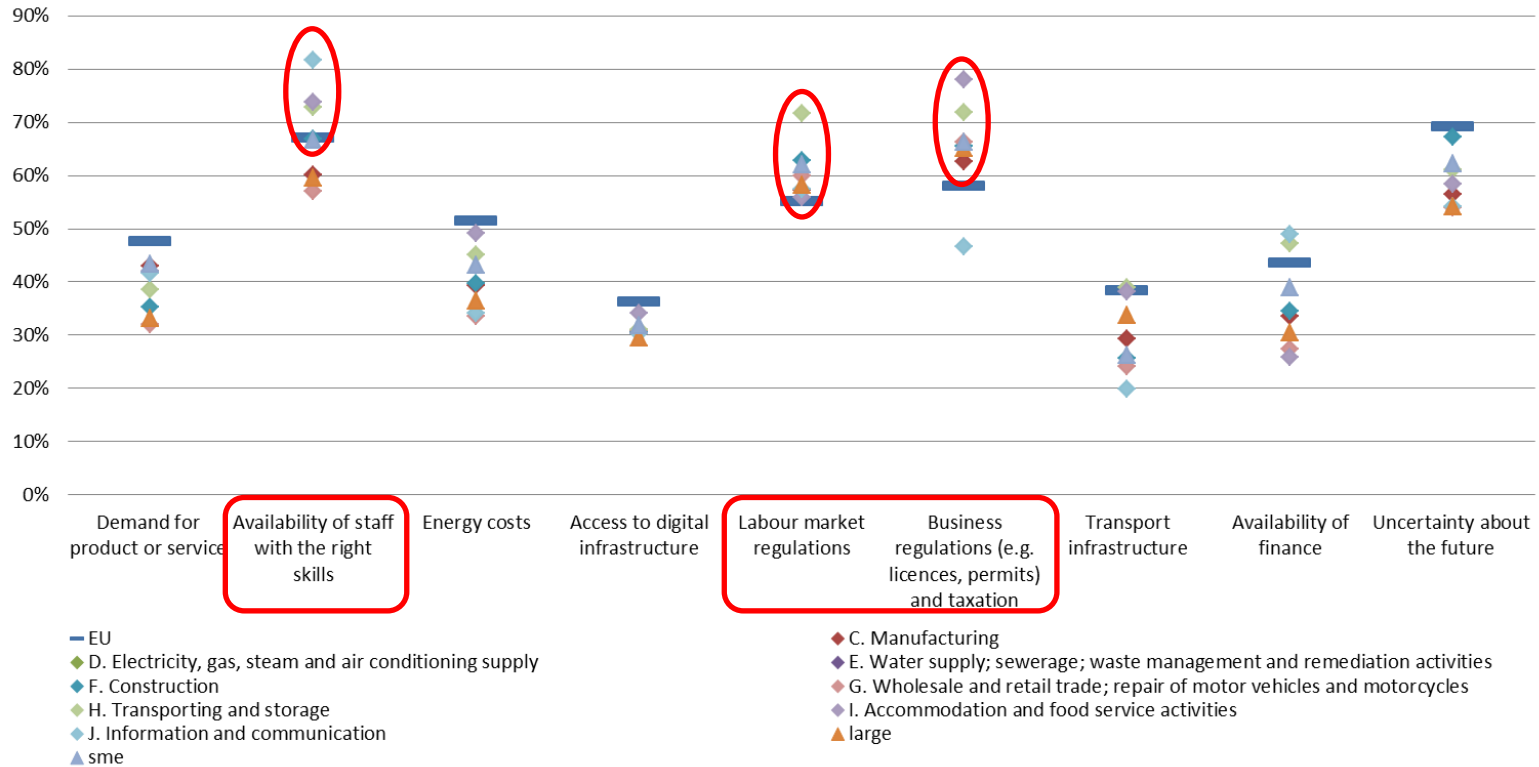
Outward direct investment from Austria to CESEE stagnant



- Net annual outward direct investment from Austria to CESEE countries have declined substantially post crisis.

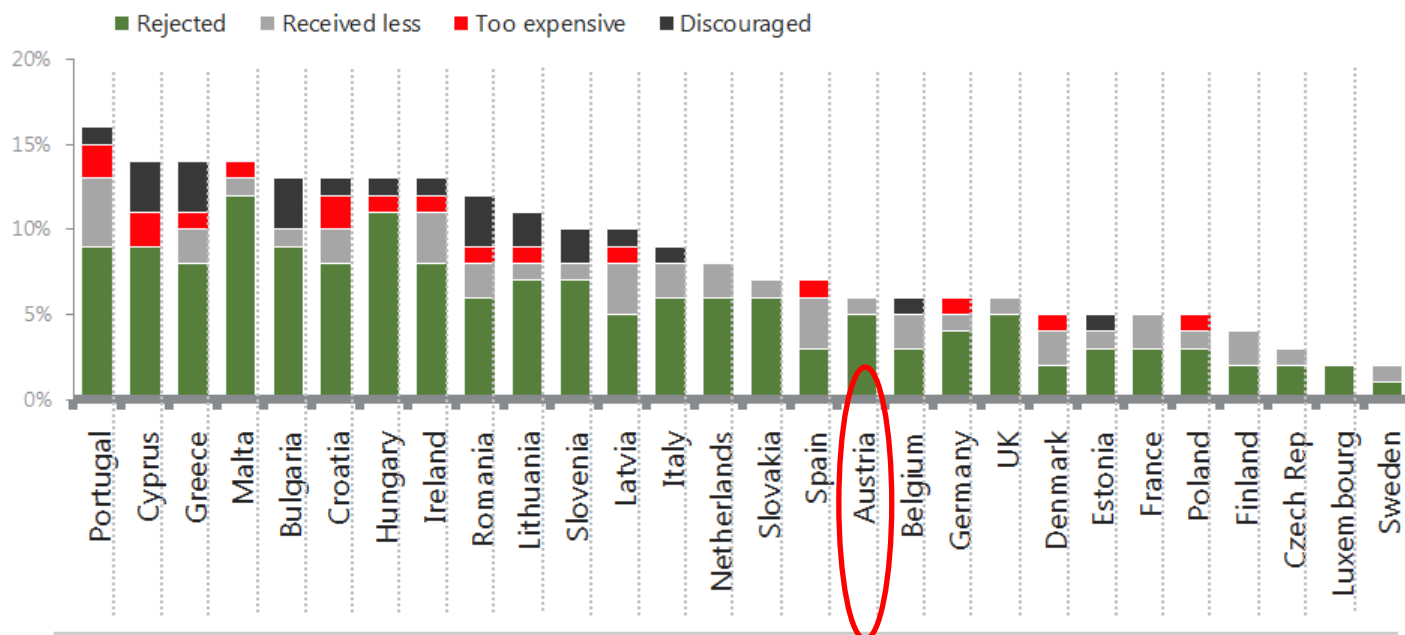
Regulatory environment and skill mismatches as main impediments

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



Finance constraints for those firms that invested, in line with EU average

Share of finance constrained firms by country



Base: All firms

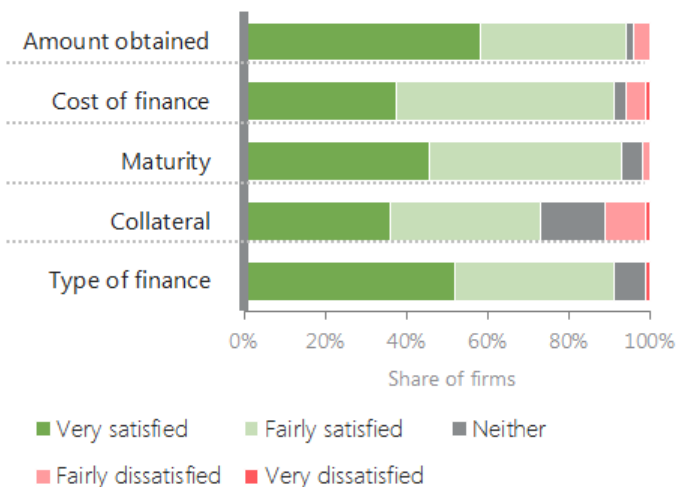
Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged)

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

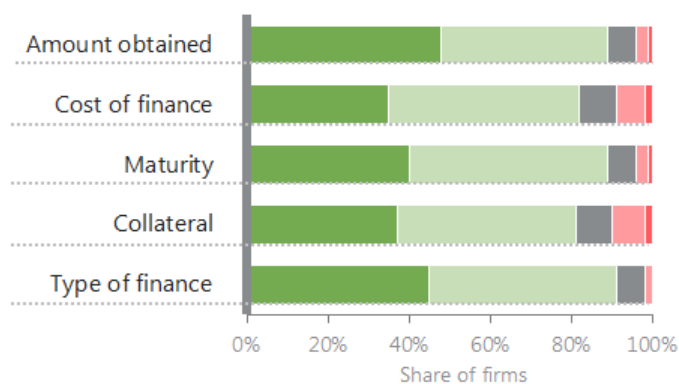
Majority of firms satisfied with modalities of external finance

Satisfaction with external finance

AUSTRIA



EU28



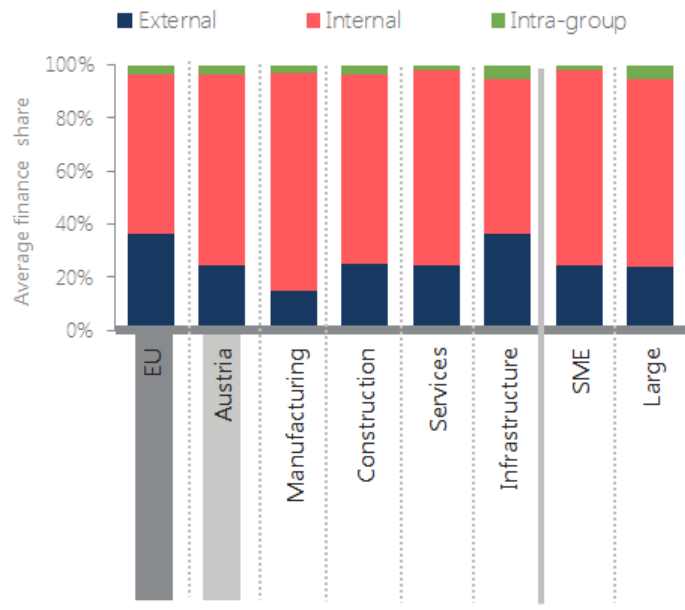
Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

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.

Bank loans wanted more

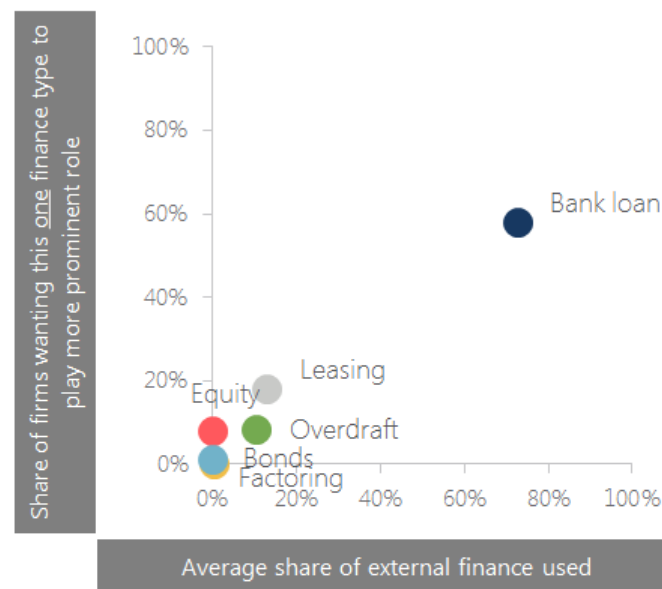
Sources of investment finance in Austria



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?

What source of external finance they want 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

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

