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OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

The role of finance in corporate investment in Austria

EIB/OeNB Workshop
„Investment and Investment Finance: The Austrian case“
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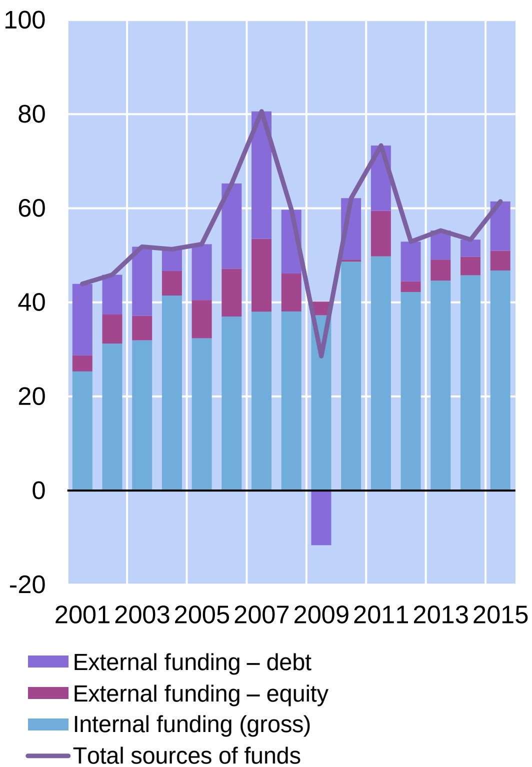
Internal financing is the most important and most stable source of funds for Austrian nonfinancial corporations

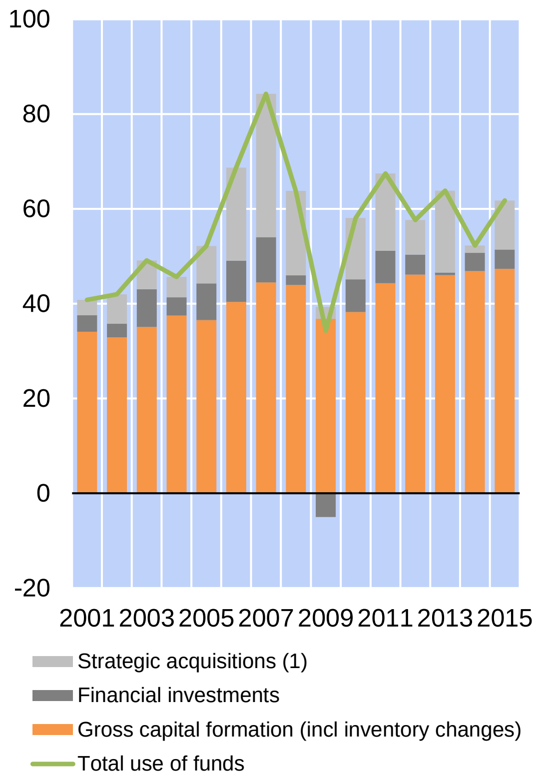
Sources of funds

EUR billion



Use of funds

EUR billion



Source: OeNB (Financial accounts), Statistics Austria.

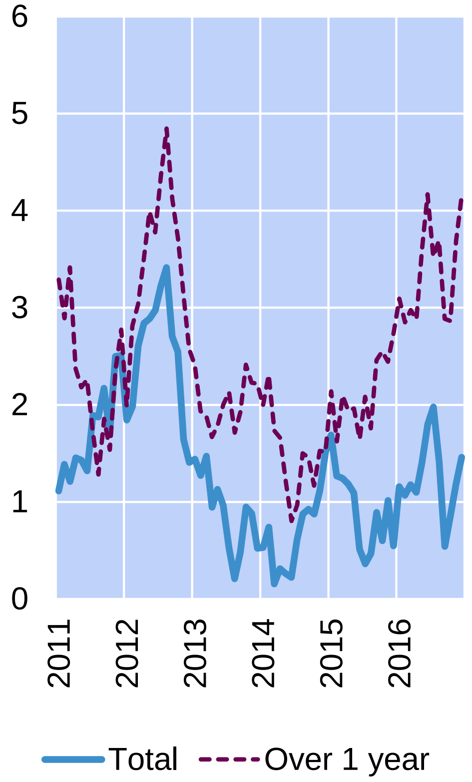
(1) Equity and loans

- Both (internal and external) financing of NFCs has been muted since 2012, slight upturn in 2015
- Share of internal finance in total financing higher than before the crisis (81% between 2012 and 2015 against 59% 2006-2008)
- External funding was dominated by equity (13% of total financing between 2012 and 2015)
- No evidence of gross capital formation being displaced by financial investments of NFCs
- Volume of internal financing similar to gross capital formation volumes between 2012 and 2015
- NFC sector has become a net lender since the start of the crisis

Longer-term loans increase while short-term financing by banks loses importance

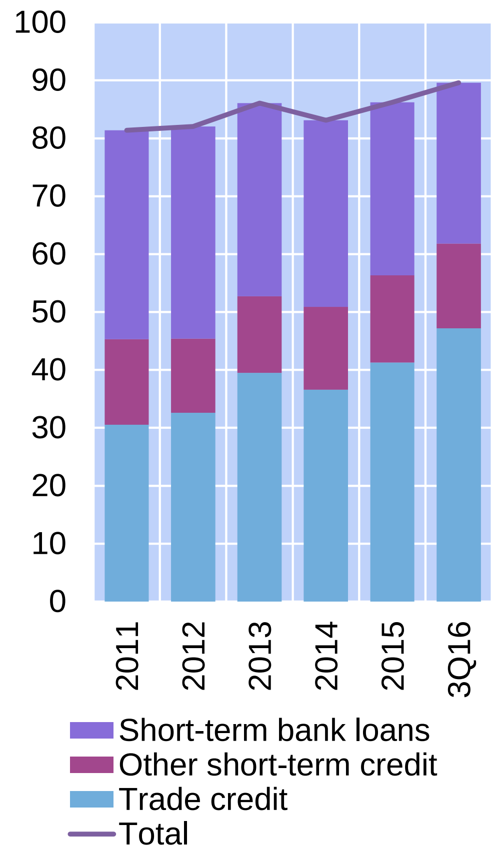
MFI loans to NFCs

Annual change in %



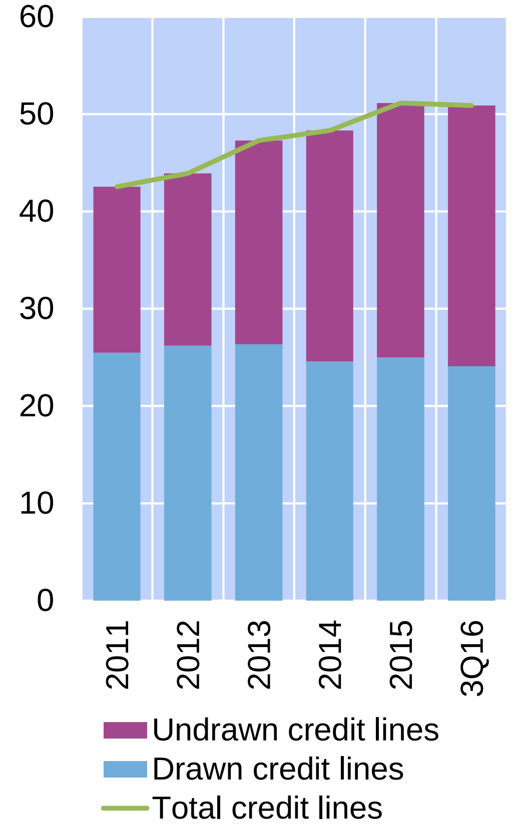
Short-term finance

EUR billion



Credit lines

EUR billion

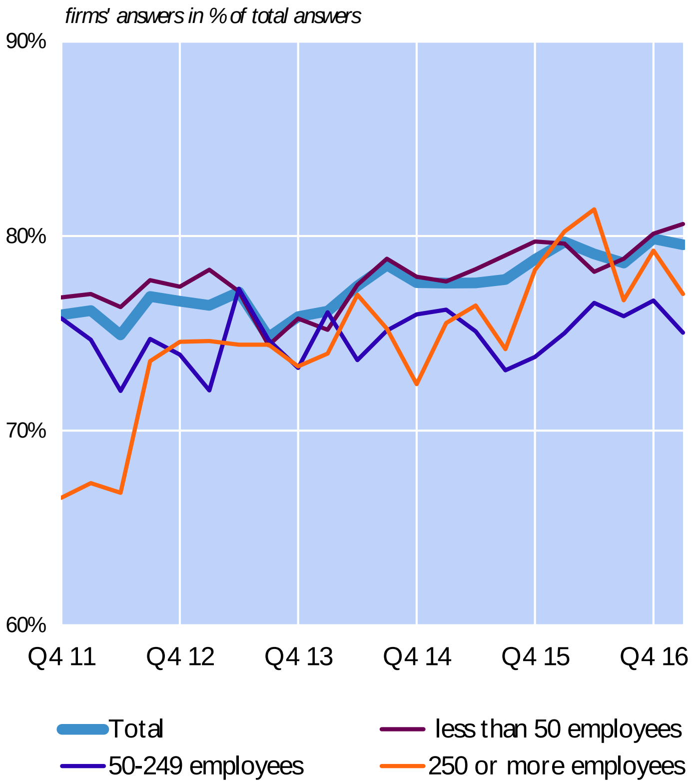


Source: OeNB.

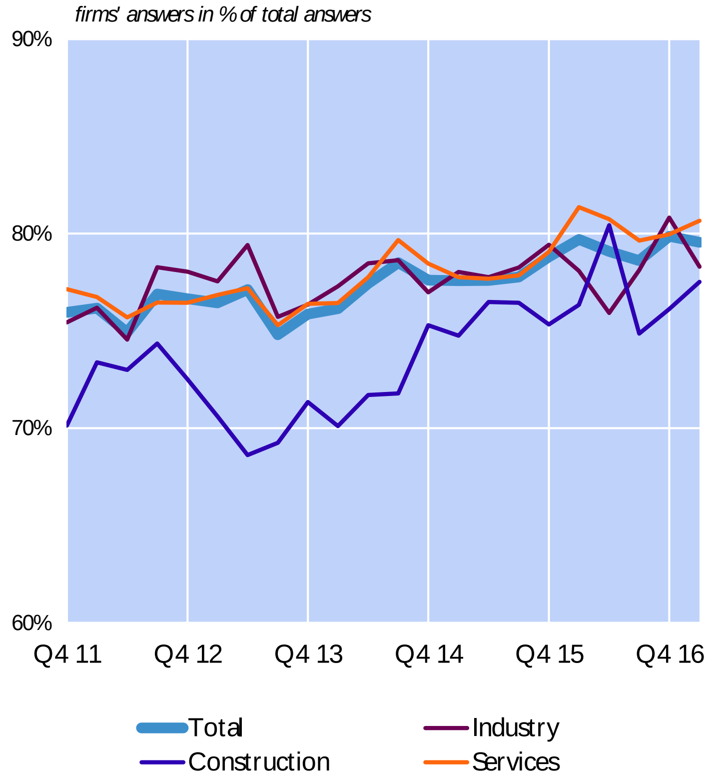
The share of firms reporting that they have “no need for bank loans” increased slightly

No need for bank loans

Answers clustered by firms' size



Answers clustered by firms' sector



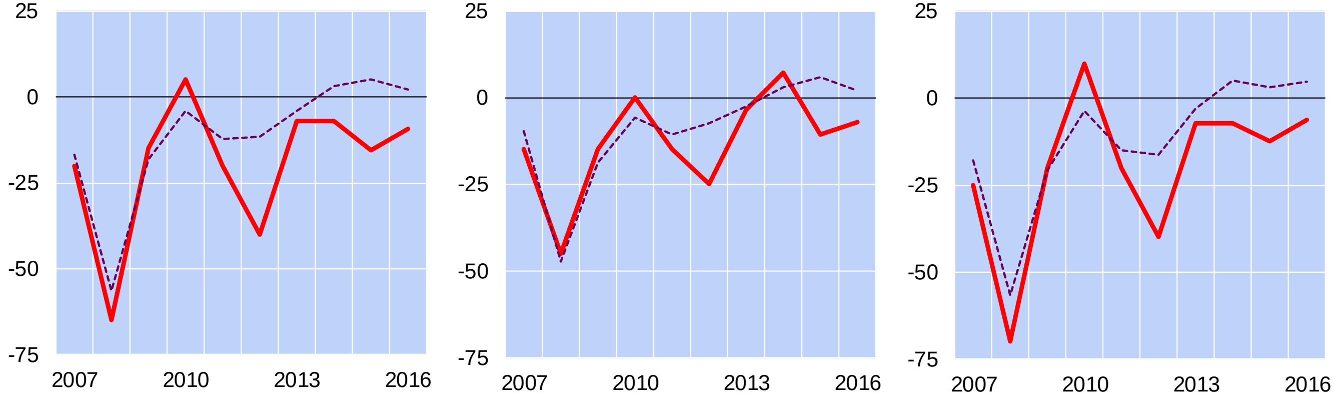
Source: WIFO-KT. *Note: Seasonally adjusted data.*

Banks tighten their credit standards to a lesser extent, while loan demand by enterprises remained weak

Credit standards

Overall | **Loans to SMEs** | **Loans to large enterprises**

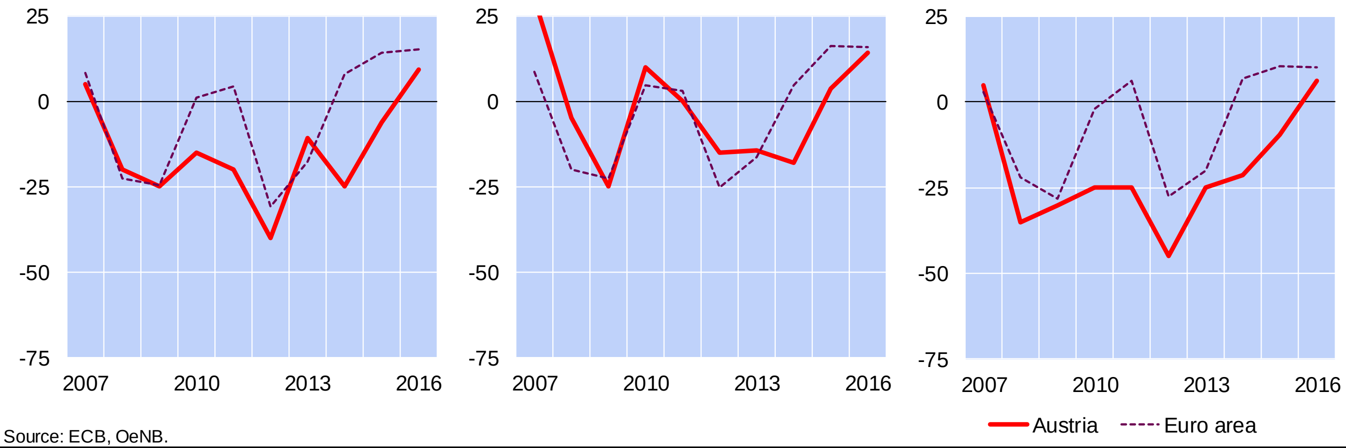
Net percentage of respondents (+=easing, -=tightening), annual averages



Loan demand

Overall | **Loans to SMEs** | **Loans to large enterprises**

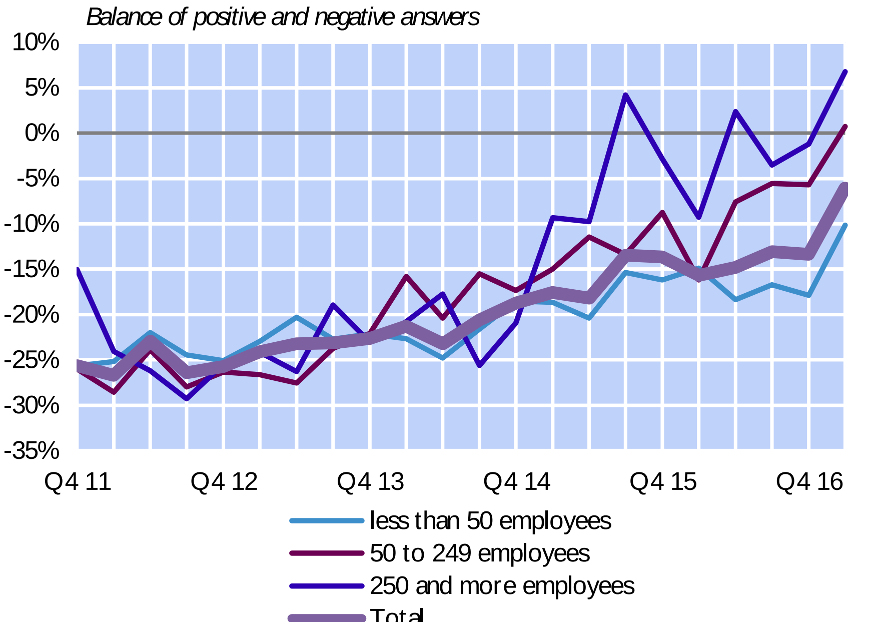
Net percentage of respondents (+=ncreasing, -=decreasing), annual averages



Source: ECB, OeNB.

Firms report that the willingness of banks to grant loans is improving

Willingness of banks to grant a loan



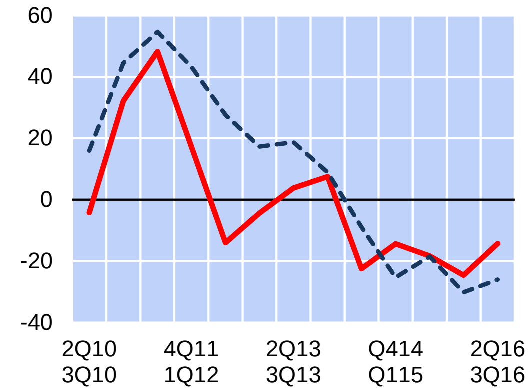
Source: WIFO- KT. *Note: Seasonally adjusted data.*

- The relative majority of firms reports that they perceive the willingness of banks to grant loans as still “restrictive”.
- However, this majority is decreasing. More and more firms perceive the willingness of their banks to extend credit as “normal” or “accommodating”.
- All firms – the small ones and the large ones – experience this improvement. However, banks seem to accommodate loan demand of large firms more than of small firms.

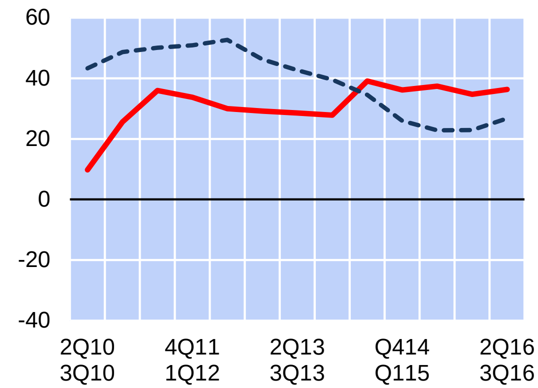
Austrian SMEs regard the banks' requirements on collateral and covenants as restrictive

Change of financial conditions for SMEs over the past six months*

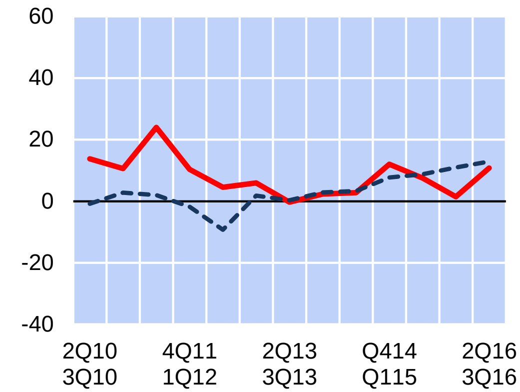
Level of interest rates



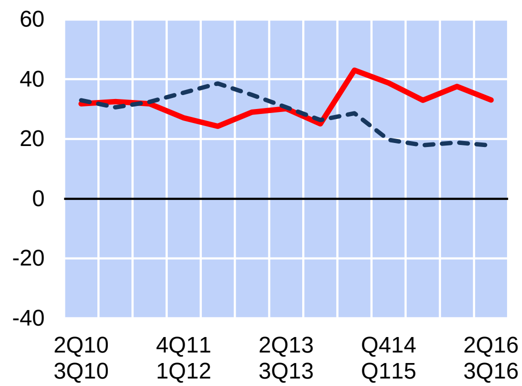
Cost other than interest rates



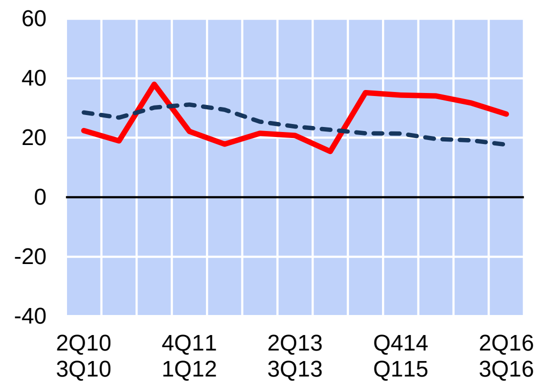
Loan size



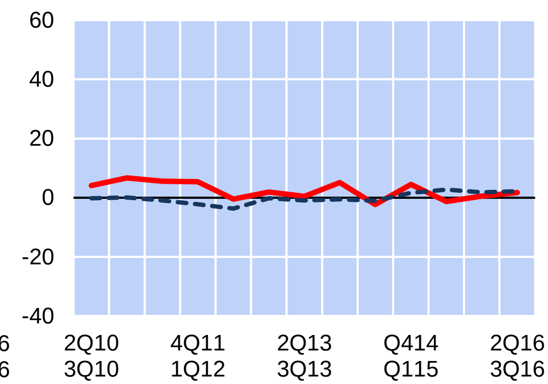
Collateral requirements



Loan covenants/other



Maturity



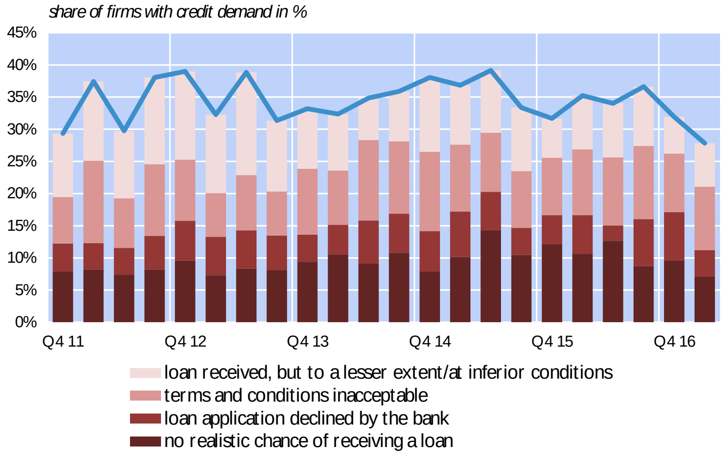
Austria
Euro area

Source: ECB (SAFE). **Net (increased minus decreased responses)* - weighted *percentage of responses*

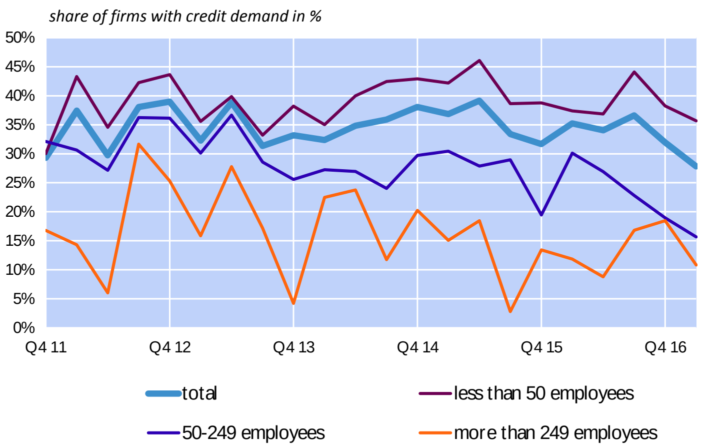
Financing obstacles back down

Credit constrained firms

Four different forms of credit constraints



Firms' answers clusterd by firm size



Source: WIFO-KT. Note: Seasonally adjusted data.

- Since 2011 30–40% of all firms with credit demand have experienced one or the other form of credit constraint.
- Financing obstacles have diminished since they peaked in mid 2015:
  - complete rejections of loan applications by banks have decreased
  - firms feel more encouraged to enter a bank with a loan application
- The share of firms receiving the loan demanded in full extent and at terms and conditions as expected has increased as well (not shown in the graph).
- This improvement is felt by all firms. Although credit constraints are less likely for larger firms than for small and medium sized enterprises.

Conclusions

We have collected many jigsaw pieces. By putting them together the following picture emerges:

- Since 2012 Austrian firms have adjusted their funding sources: In the most recent years internal funding dominated and equity finance was stronger than debt finance.
- It seems that the capital formation of Austrian firms was mainly financed by internal sources. The need for external credit finance declined slightly.
- The (nominal) volume of Austrian MFI loans increased by about 1% (y-o-y) over the last couple of years.
- A relative majority of firms still perceives the willingness of banks to grant a loan as “restrictive”. Collateral requirements, loan convenants and additional charges (other than interest rates) are still high. Nevertheless, this “restrictive”-overhang diminishes. More and more firms perceive it as “neutral” and “accommodating”.
- Financing obstacles have backed down since they peaked in 2015.

Financial factors do not seem to restrict corporate investment.

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