Investment in Ireland and the EU

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April 10, 2017
Real investment: IE v EU country groupings

Source: EIB, based on Eurostat National Accounts
Real investment: Sector-level

Real GFCF by institutional sector
(4Q 2008 = 100)

IE

EU28

Financial corporations
Government
HH
NFC
Total

Note: Includes 2016 revisions
Source: EIB, based on Eurostat Sectoral Accounts
Real investment by asset

Real GFCF by asset class
(1Q 2008 = 100)

Source: EIB, based on National Accounts and Eurostat
Infrastructure investment
in per cent of GDP

Source: EIB, based on Eurostat National Accounts
- Annual survey commenced 2Q 2016
- Some 12,500 firms surveyed across EU28 (of which 400 in Ireland)
- NFCs with 5+ employees operating in manufacturing, services, construction & infrastructure
- Qualitative and quantitative information on:
  - firm characteristics and performance
  - Investment needs and constraints
  - past investment activities and future focus
  - sources of finance
- Representative of the economy (firms weighted by value-added)
The share of Irish firms investing is already high and, on balance, these expect to mildly expand investment.
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?

**The blue bars indicate the proportion of firms who have invested in the last financial year. A firm is considered to have invested if it spent at least EUR 500 per employee on investment activities. Investment intensity is the median investment per employee of investing firms.**

**Source:** INTAN invest
Share of firms operating at or above 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?
Perceived investment gap by country

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?

Energy efficient building stock

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.

State-of-the-art machinery & equipment

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.
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?
Technology: Investment to modernise stock

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?
Q. Thinking about your investment activities in Ireland, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?
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?
Access to finance: a story of two worlds

Internally financed vs. financially constrained

- High availability of internal sources; low external barriers
- Little 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

- **Amount obtained**
  - Very satisfied
  - Fairly satisfied
  - Neither

- **Cost of finance**
  - Very satisfied
  - Fairly satisfied
  - Neither

- **Maturity**
  - Very satisfied
  - Fairly satisfied
  - Neither

- **Collateral**
  - Very satisfied
  - Fairly satisfied
  - Neither

- **Type of finance**
  - Very satisfied
  - Fairly satisfied
  - Neither

**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).

Q. How satisfied or dissatisfied are you with ...?
Expected effect of outcome of Brexit referendum on investment activities

Q. How do you expect the outcome of the UK referendum on EU membership to affect your investment activities in the coming year?
Summary Survey findings for Ireland

- **Investment continues to recover**, though data and accounting particularities related to multinationals blur the picture.

- **Infrastructure investment severely hit and continued to suffer through 2015**, with the impact of fiscal constraints on public sector capital investment driving;

- **High private sector propensity to invest ongoing**, with rotation toward catch-up in construction and services; elevated share of smaller firms not investing;

- **Main barriers to investment** are uncertainty, lack of skills, energy costs, and digital infrastructure; external finance a limiting factor for firms that underinvested.

- **Polarised world of financing needs**, with a high share of firms relying on internal finance, including intra-group, and most of the remainder on banking, with an elevated share of firms experiencing constraints, especially smaller and younger firms; cost and collateral requirements are important.
Thank you!
Q. What proportion of total investment was for (a) replacing existing buildings, machinery, equipment, IT (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

**Base:** All firms who invested in the last financial year (excluding don’t know/refused responses)
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)
On average, Irish firms are more productive than their EU counterparts.

Average firm-level TFP growth is falling in IE but the growth rate is higher than in the EU.

**Note:** Core: AT BE DE DK FI FR SE UK; Periphery: EL ES IE IT PT SI; Cohesion: BG CZ EE HU PL RO SK. **Source:** ECON calculations based on the Bureau Van Dijk’s Orbis database.