Investment in Ireland and the EU

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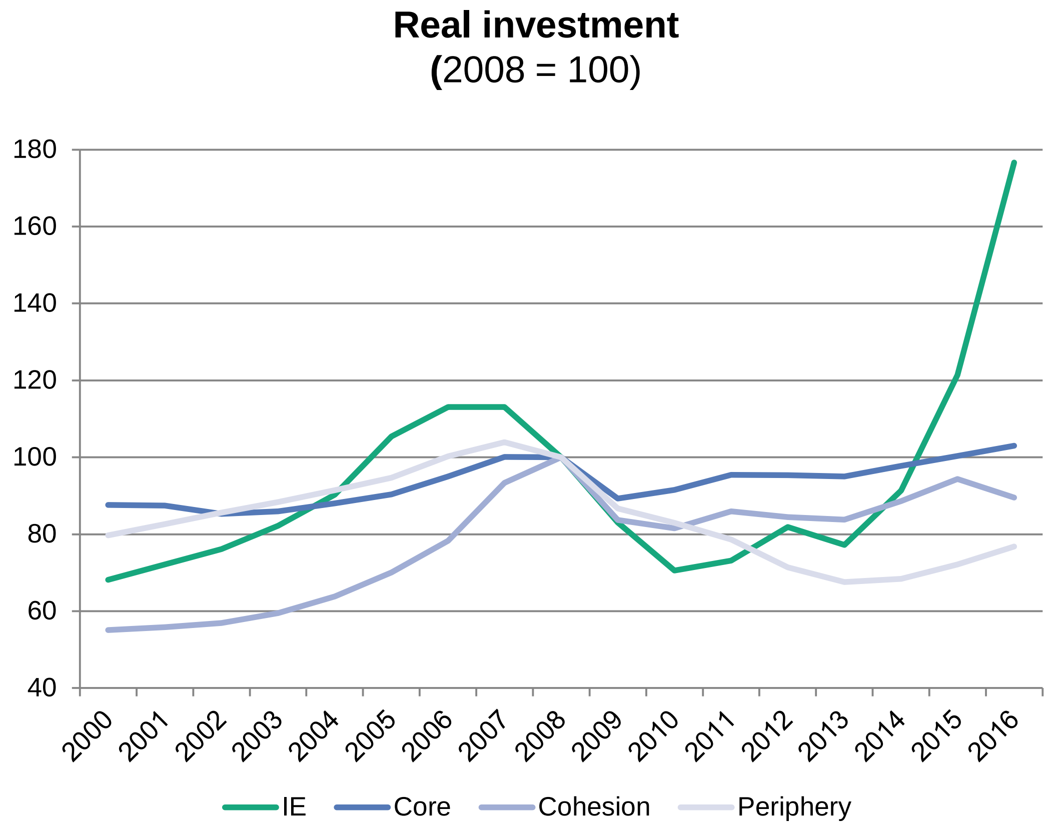
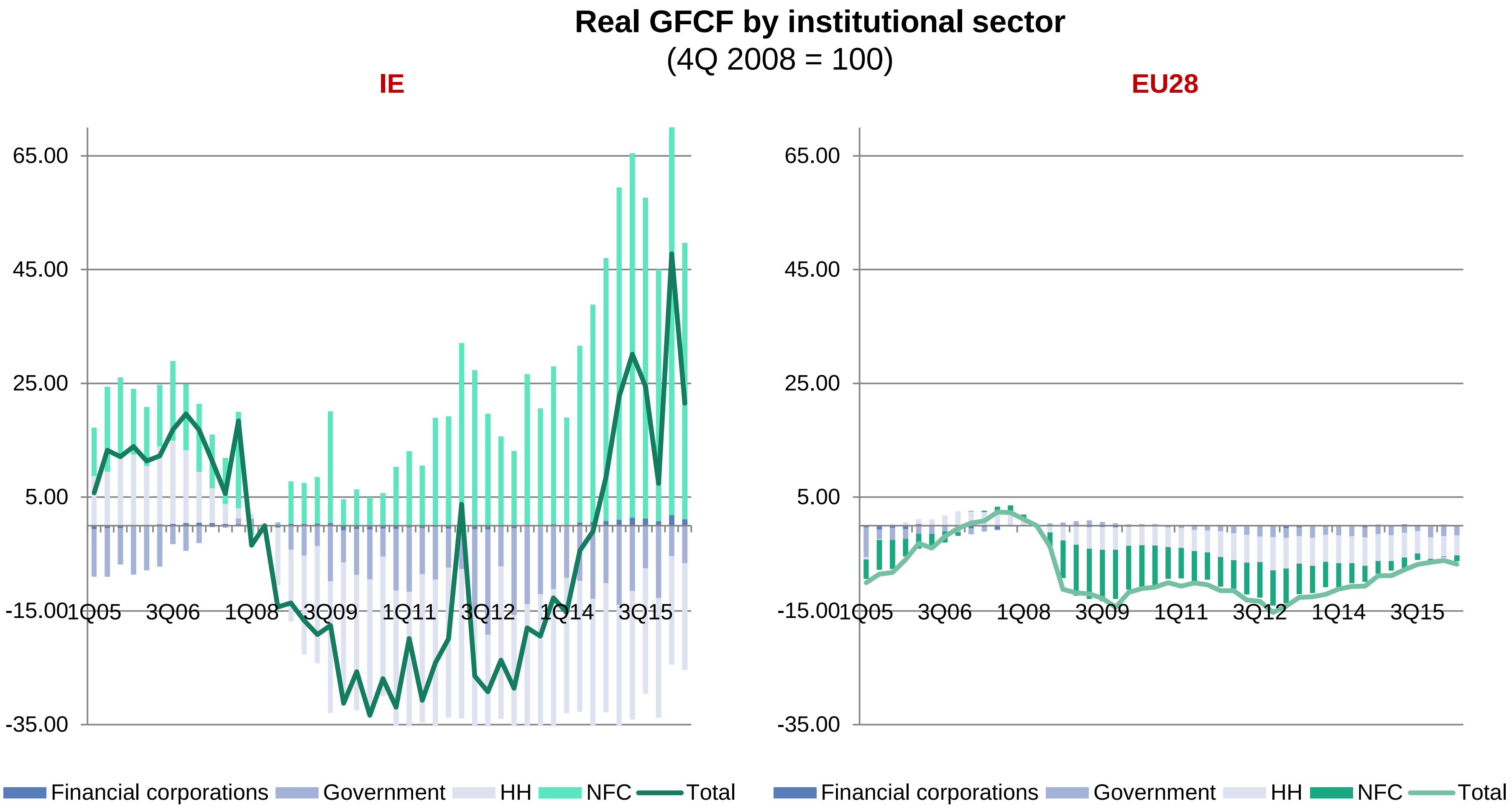
Real investment: IE v EU country groupings



Source: EIB, based on Eurostat National Accounts

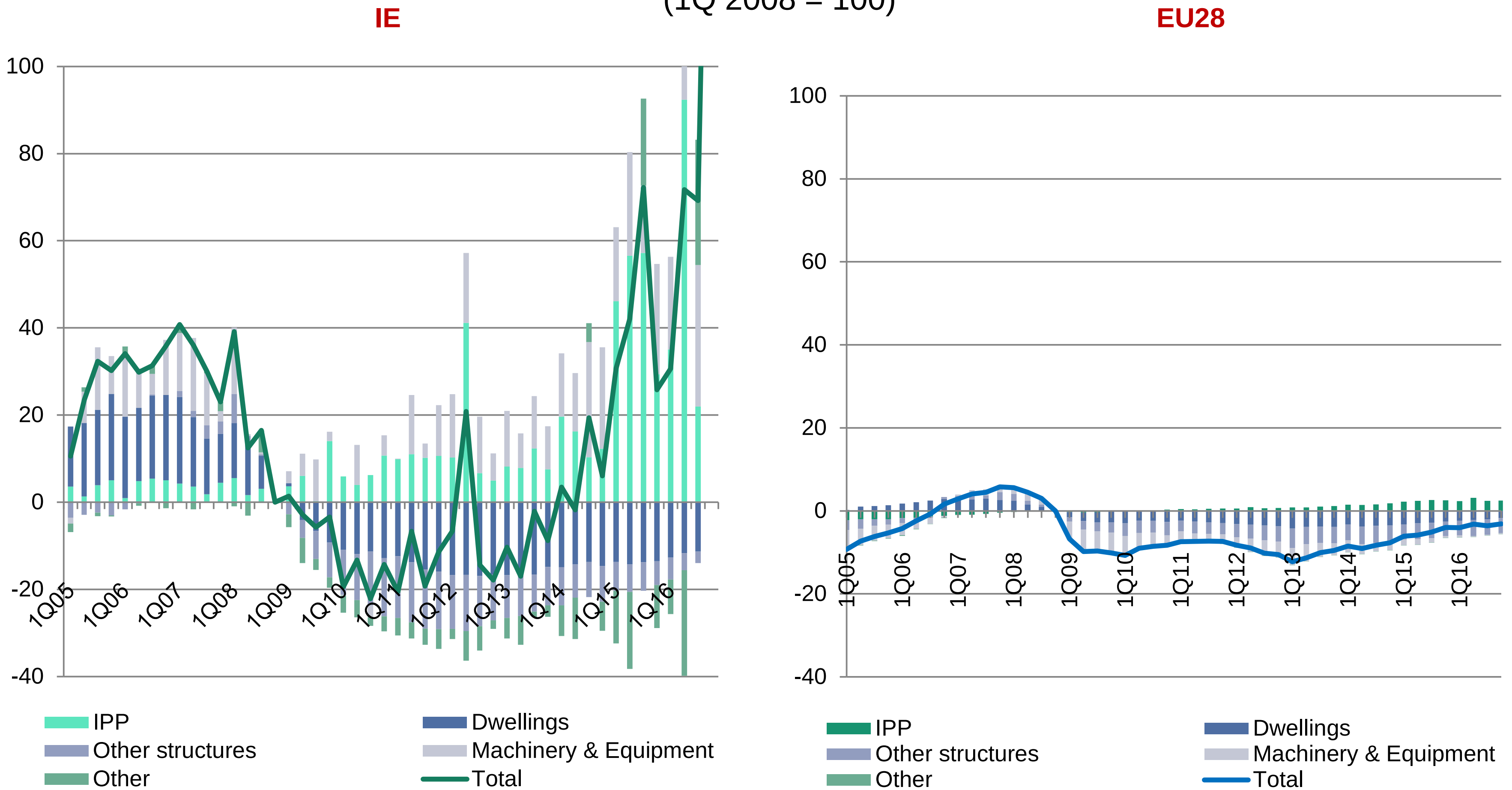
Real investment: Sector-level



Note: Includes 2016 revisions
Source: EIB, based on Eurostat Sectoral Accounts

Real investment by asset

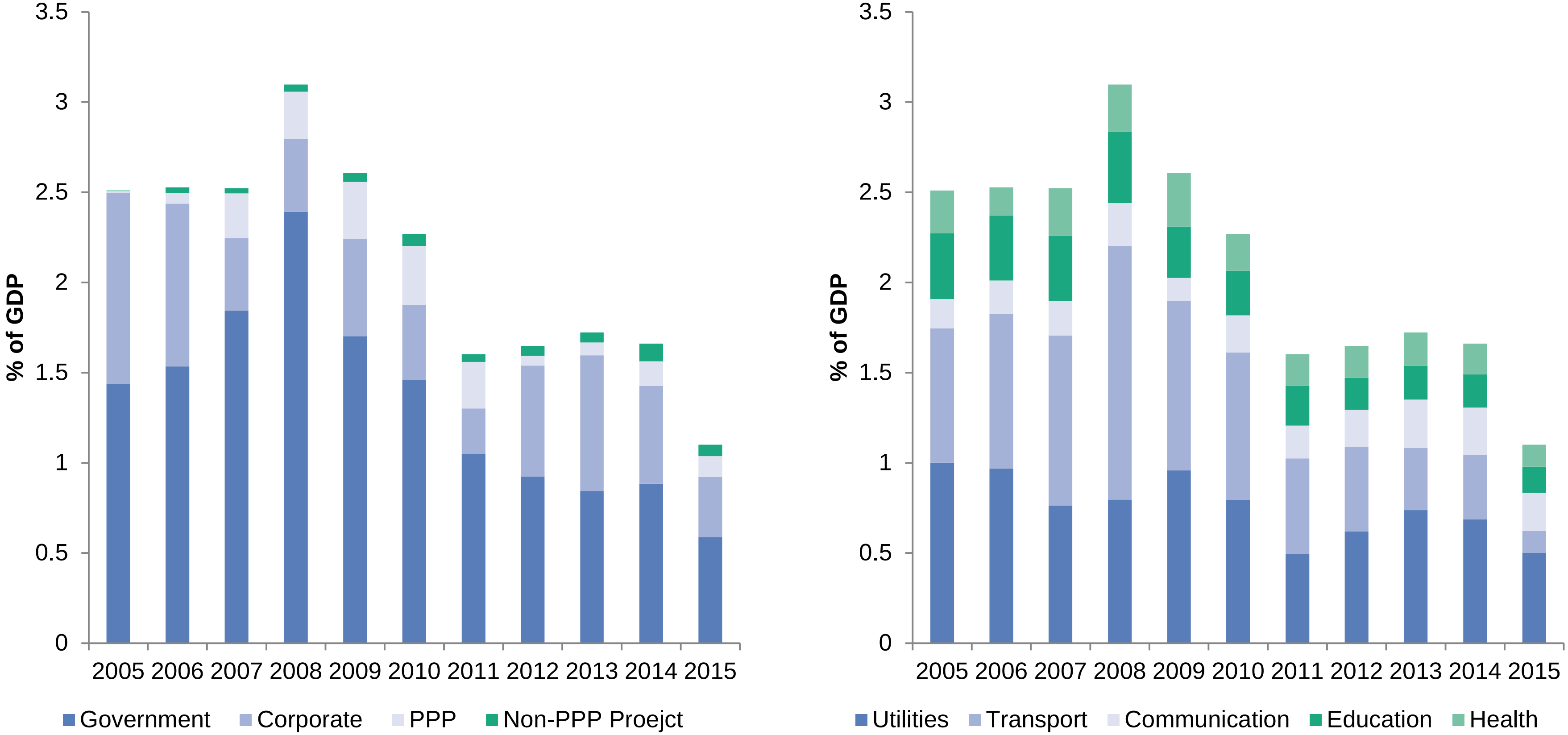
Real GFCF by asset class
(1Q 2008 = 100)



Source: EIB, based on National Accounts and Eurostat

Infrastructure investment

Infrastructure investment
in per cent of GDP

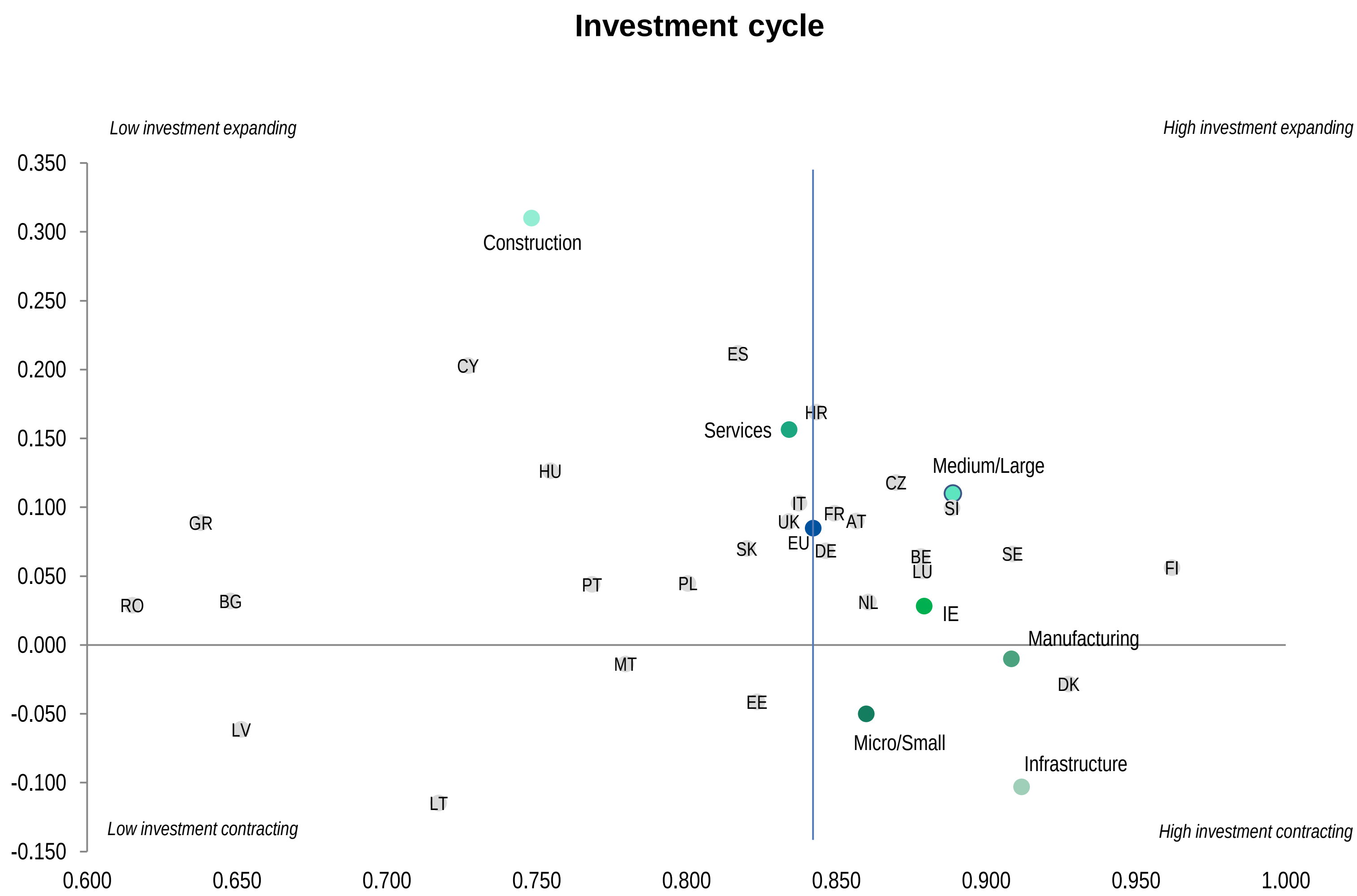


Source: EIB, based on Eurostat National Accounts

EIB Investment Survey (EIBIS)

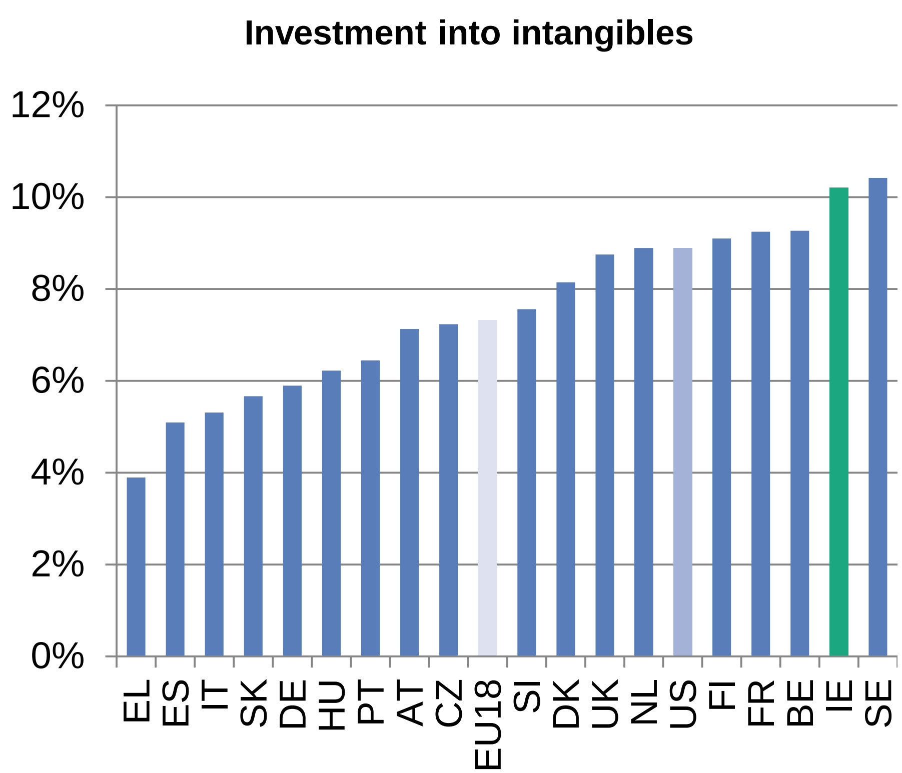
- Annual survey commenced 2Q 2016
- Some 12,500 firms surveyed across EU28 (of which 400 in Ireland)
- NFCs with 5+ employees operating in manufacturing, services, construction & infrastructure
- Qualitative and quantitative information on:
  - firm characteristics and performance
  - Investment needs 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

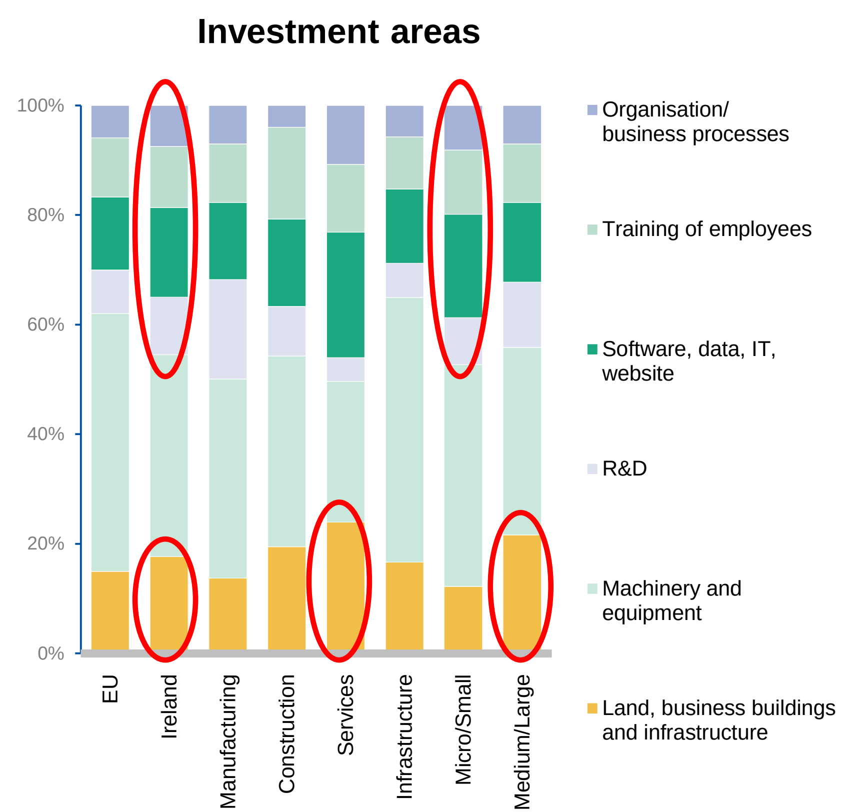


This graphs plots the average share of firms that invested in the previous financial year (x-axis) against the net difference between those intending to expand and those expecting to contract investment in coming year .

Share of Irish firms' investment into intangibles highest in the EU, with machinery further crowded out by property



Source: INTAN invest

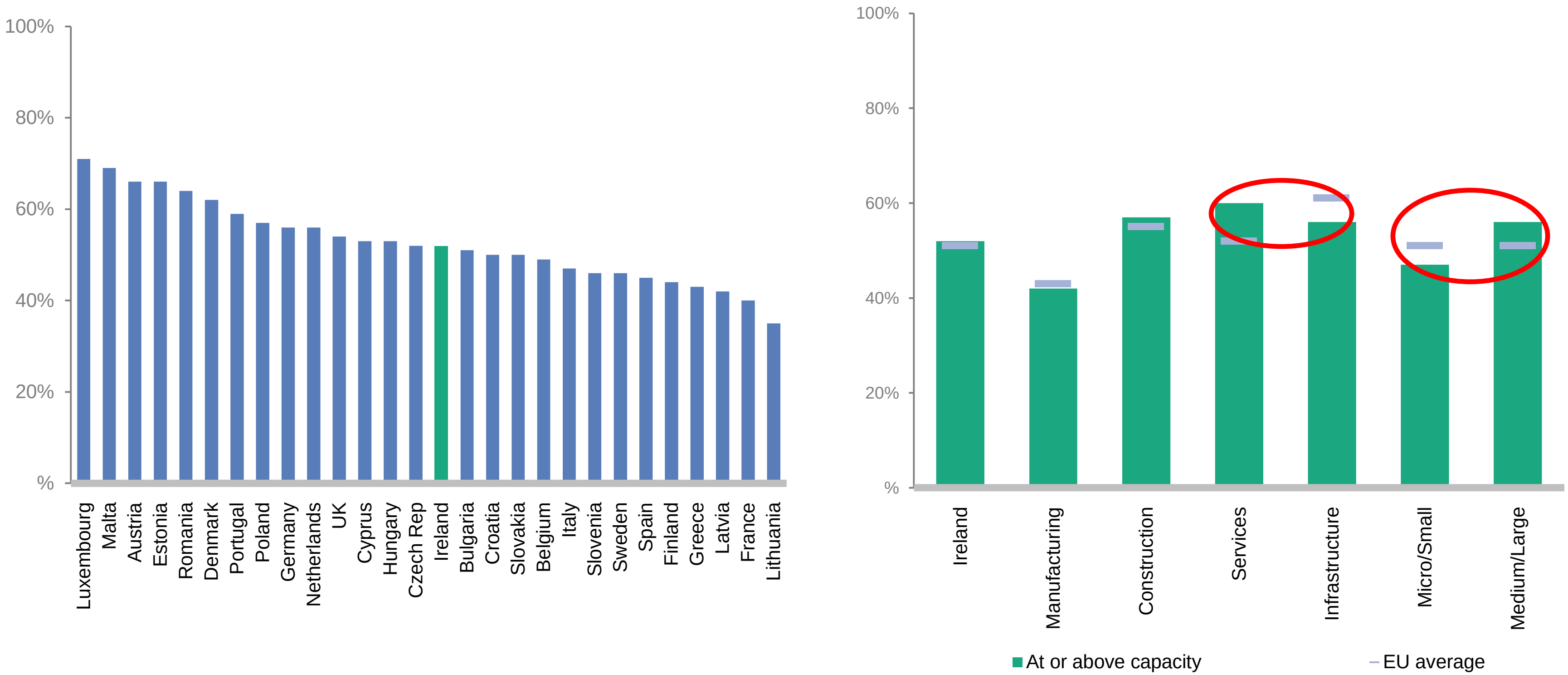


***The blue bars indicate the proportion of firms who have invested in the last financial year. A firm is considered to have invested if it spent at least EUR 500 per employee on investment activities.*
Investment intensity is the median investment per employee of investing firms.

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?

Share of firms operating at or above capacity

Share of firms at or above 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?

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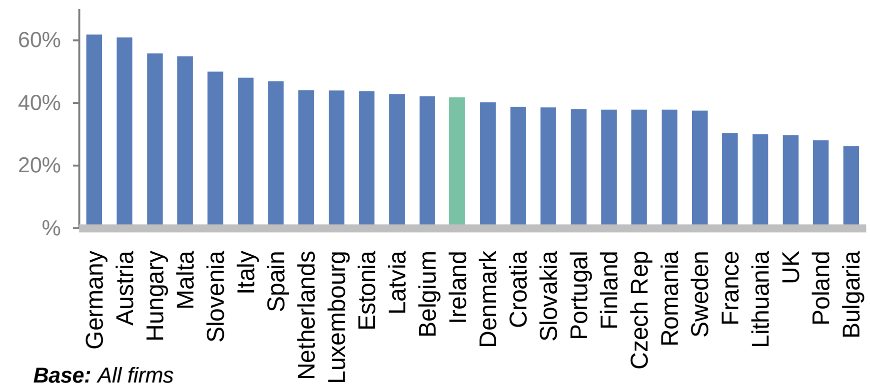
Perceived investment gap

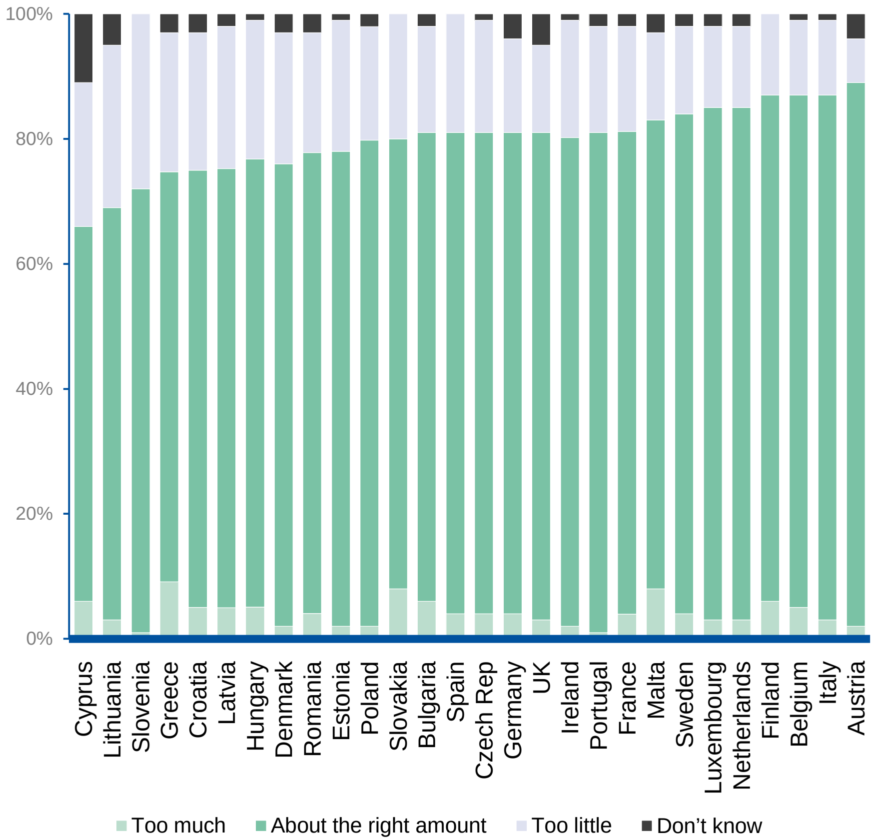
Quality of capital stock

State-of-the-art machinery & equipment



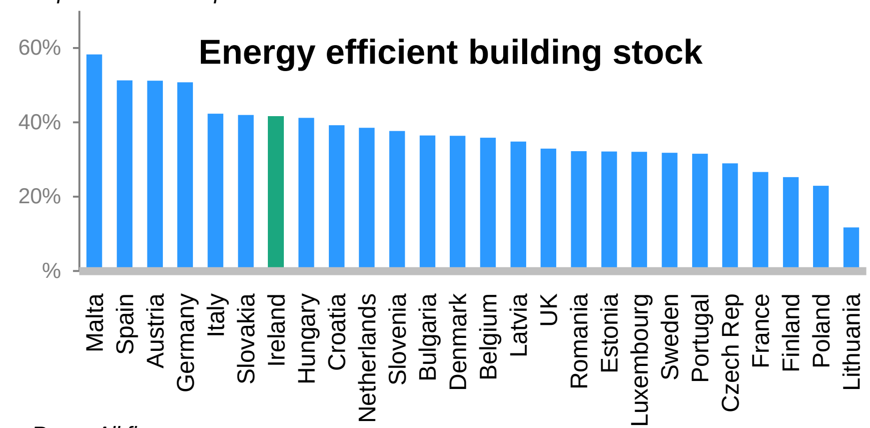
Base: *All firms*
Q. What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?
Data not shown for Greece and Cyprus, as the Greek translation may have influenced interpretation of the question. This will be addressed in the next round of interviews.

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?

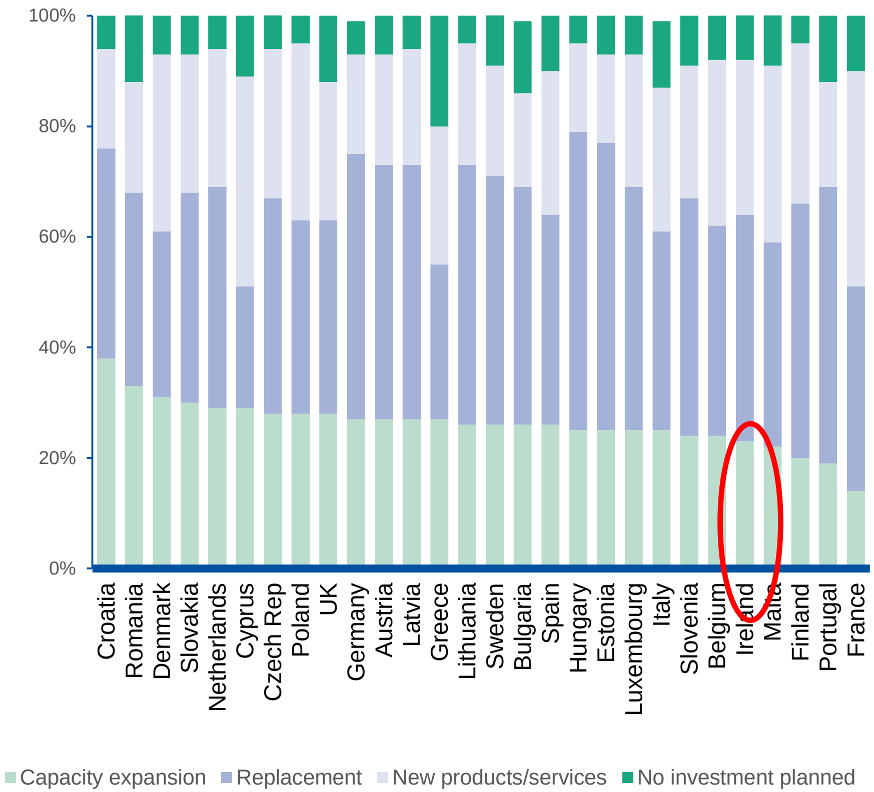
Energy efficient building stock



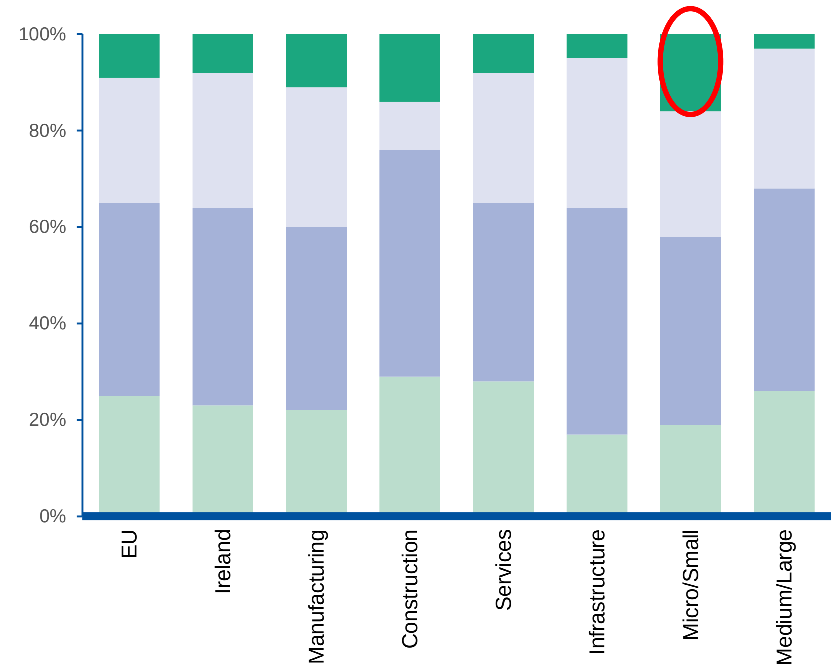
Base: *All firms*
Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?
Data not shown for Greece and Cyprus, as the Greek translation may have influenced interpretation of the question. This will be addressed in the next round of interviews.

Investment focus over coming three years

Future investment priorities by country



Irish firms' future investment priorities by sector



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?

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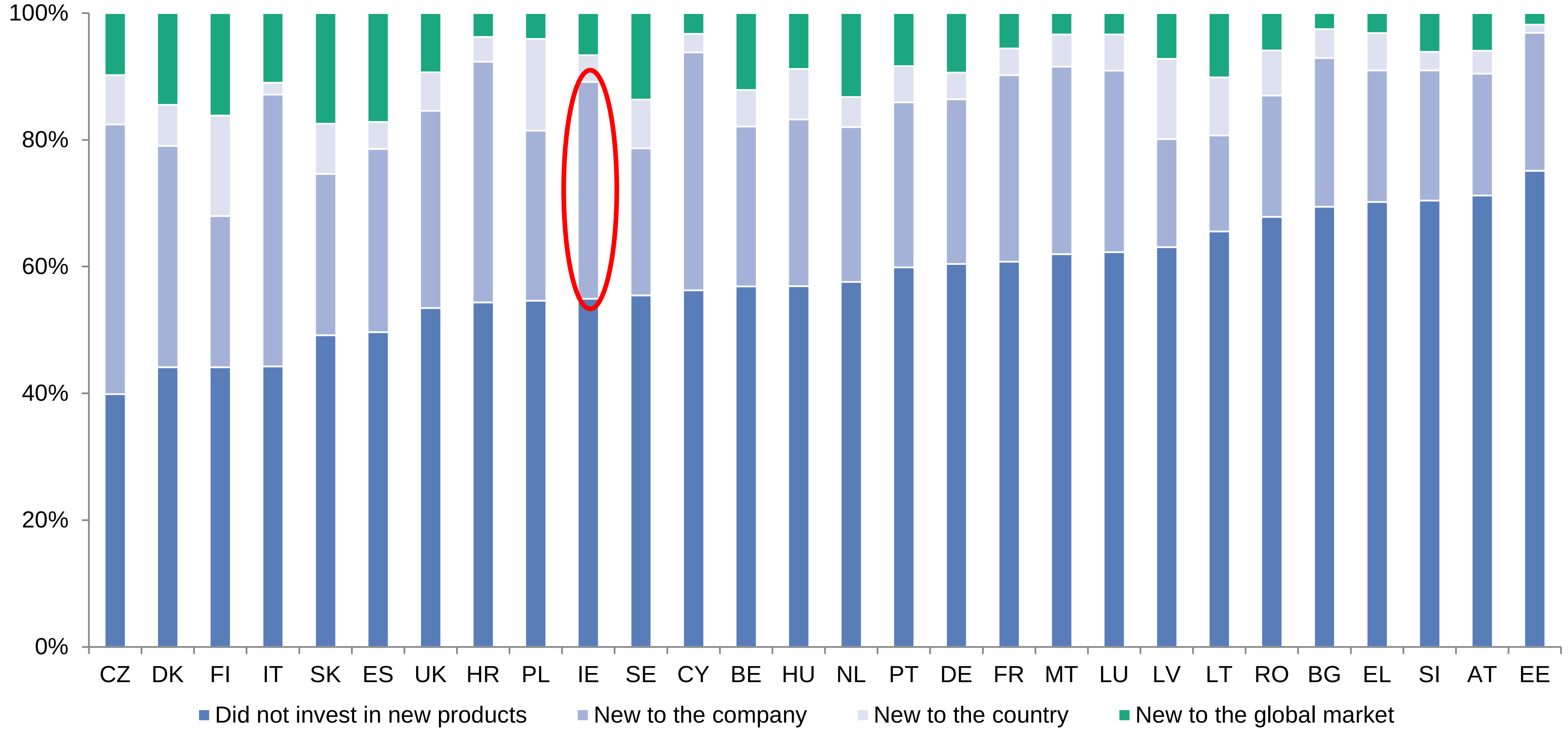
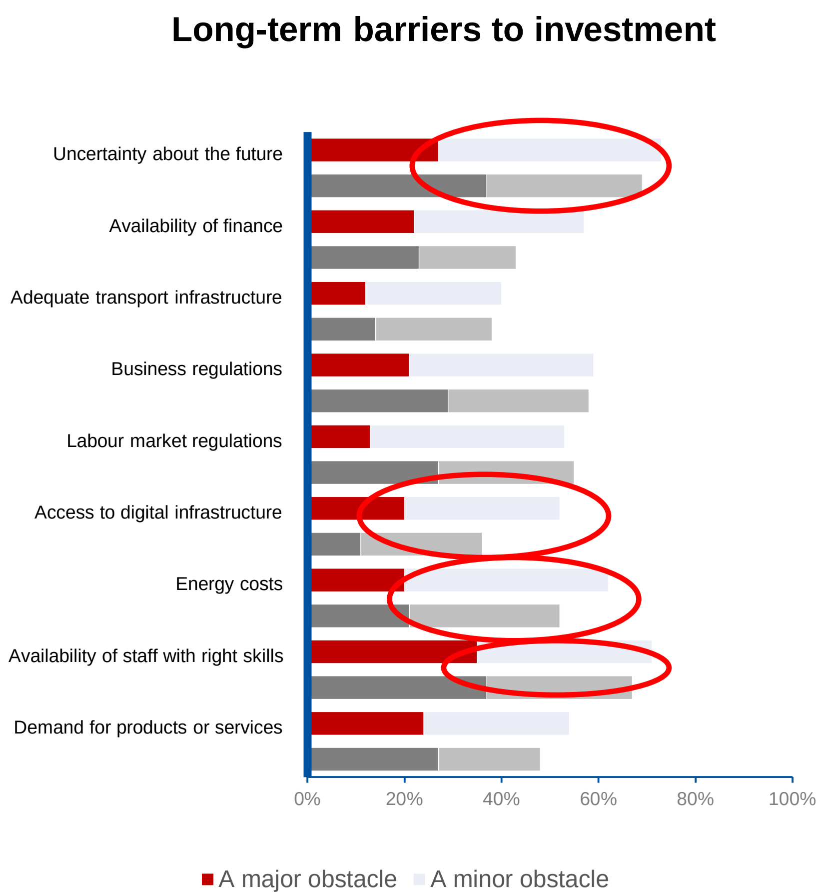
Technology: Investment to modernise stock

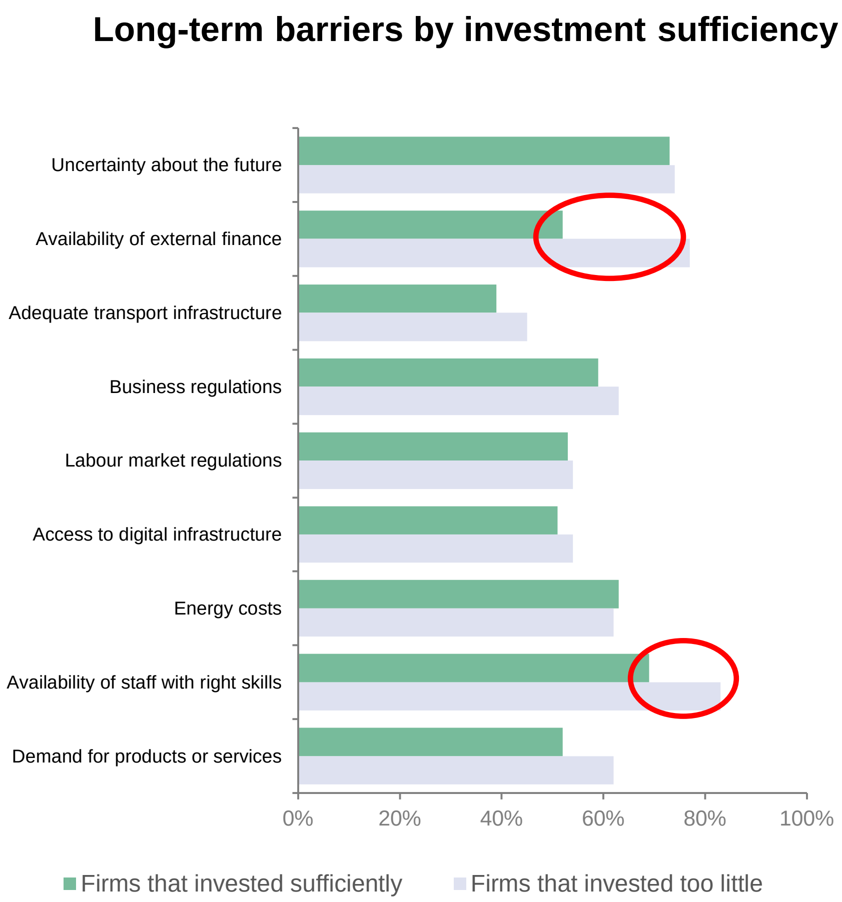
Investment in new products, processes or services that are new to the company, new to the country or new to the global market?



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?

Long-term barriers to investment: uncertainty & skilled labour

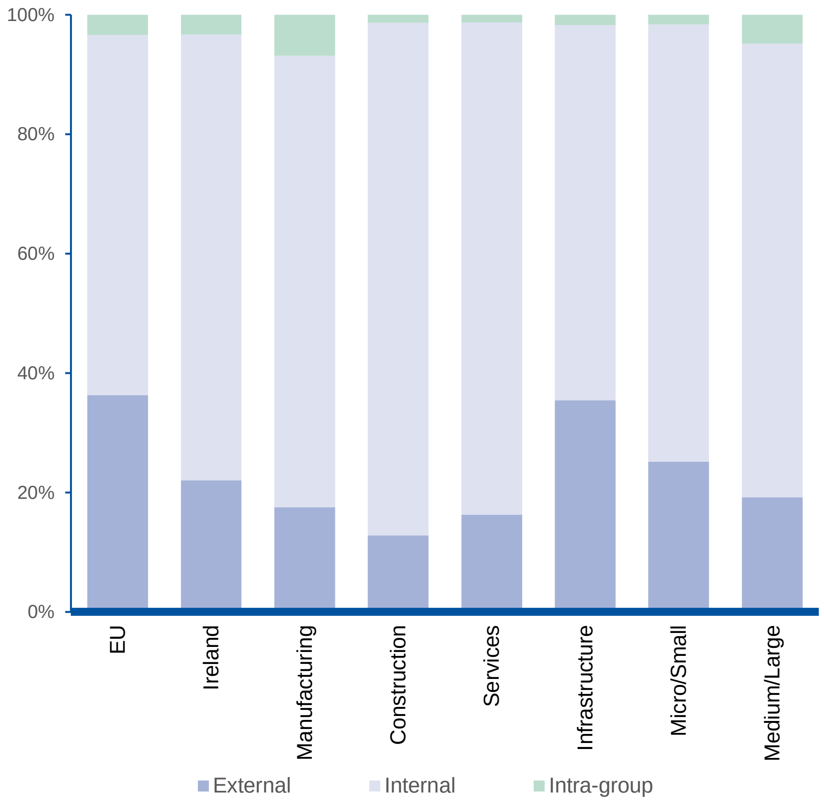




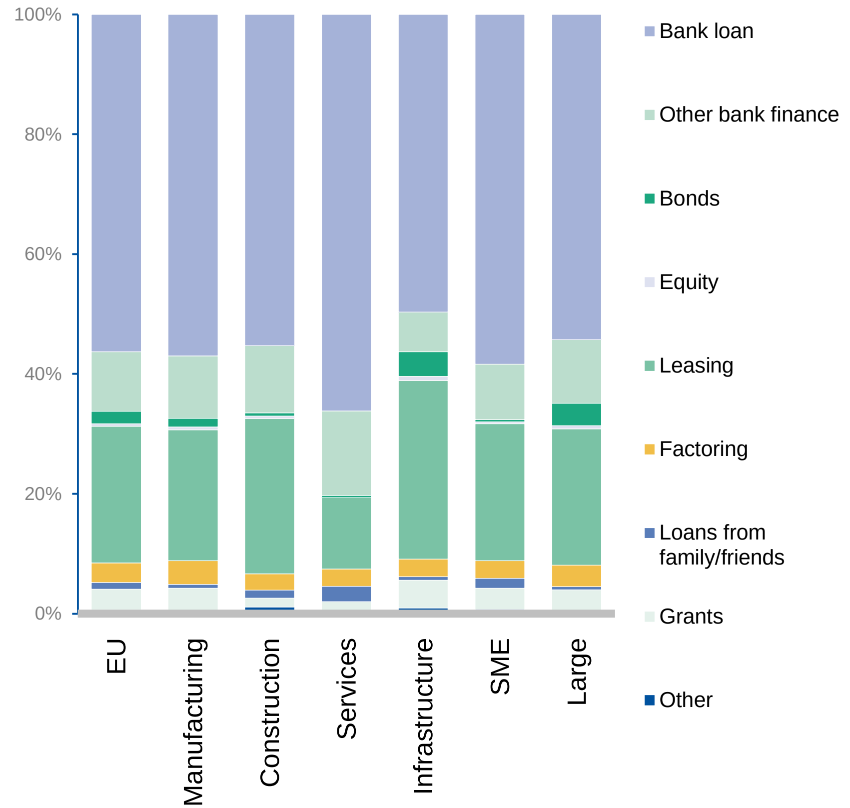
Q. Thinking about your investment activities in Ireland, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?

Very high reliance on internal finance

Type of financing used for investment



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?

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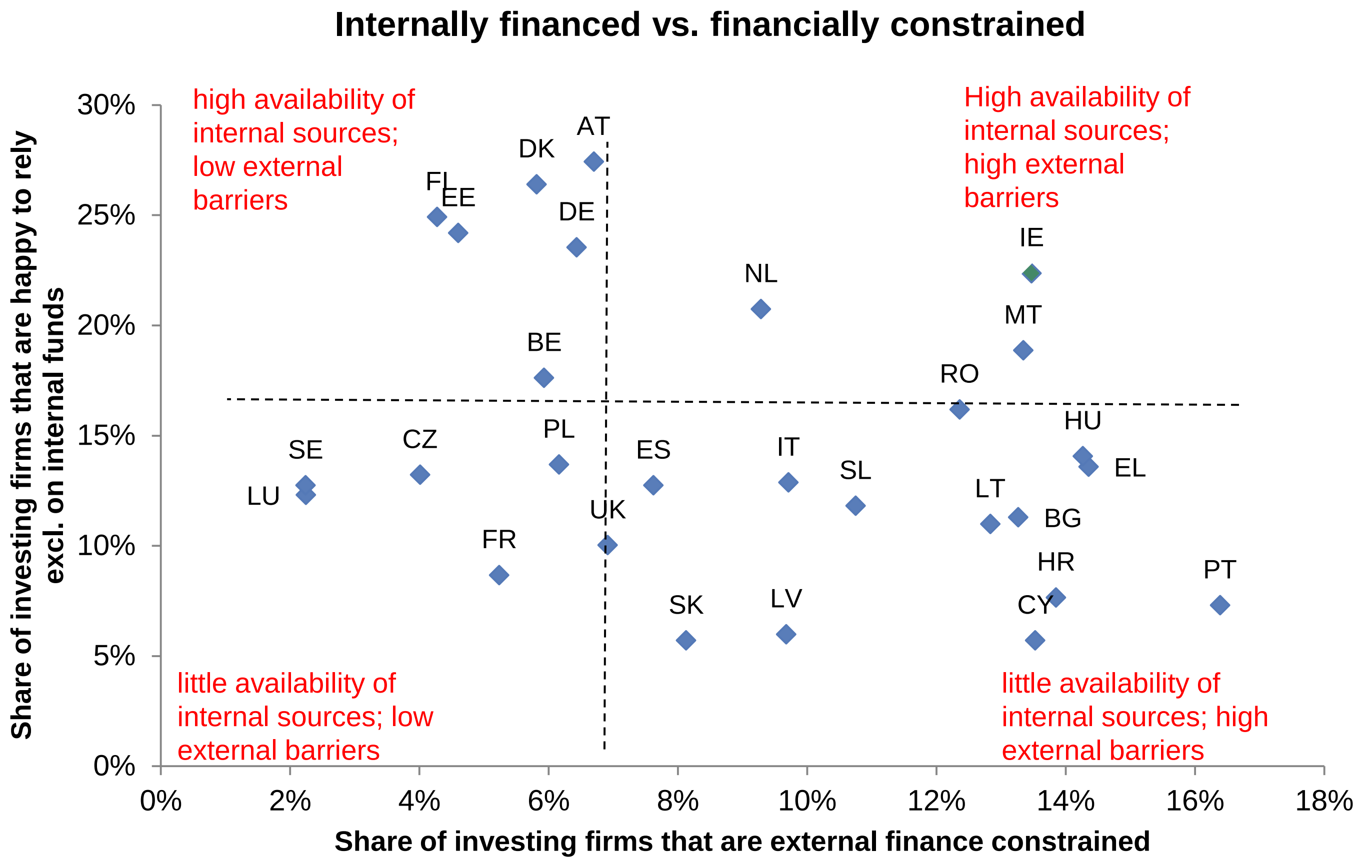
Access to finance: a story of two worlds

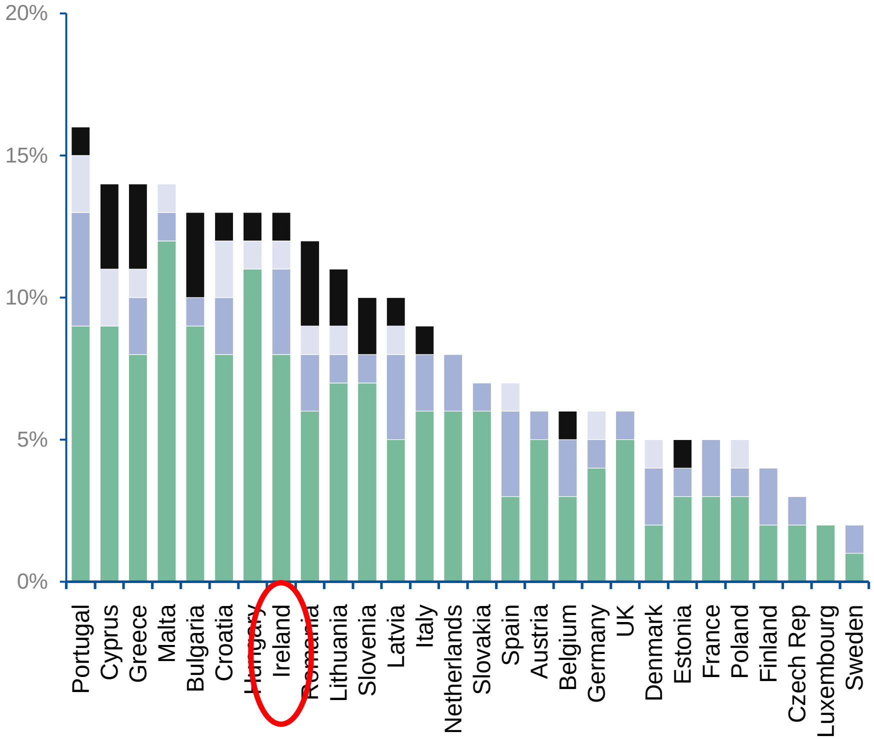


Base: *All firms*

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.

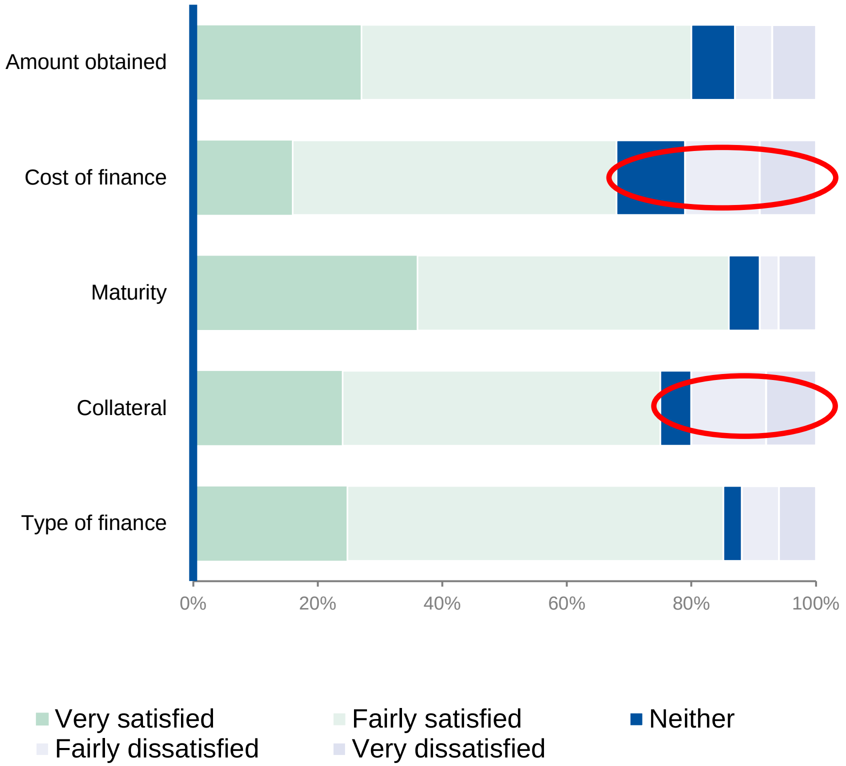
Financially constrained firms

Share of financially constrained firms



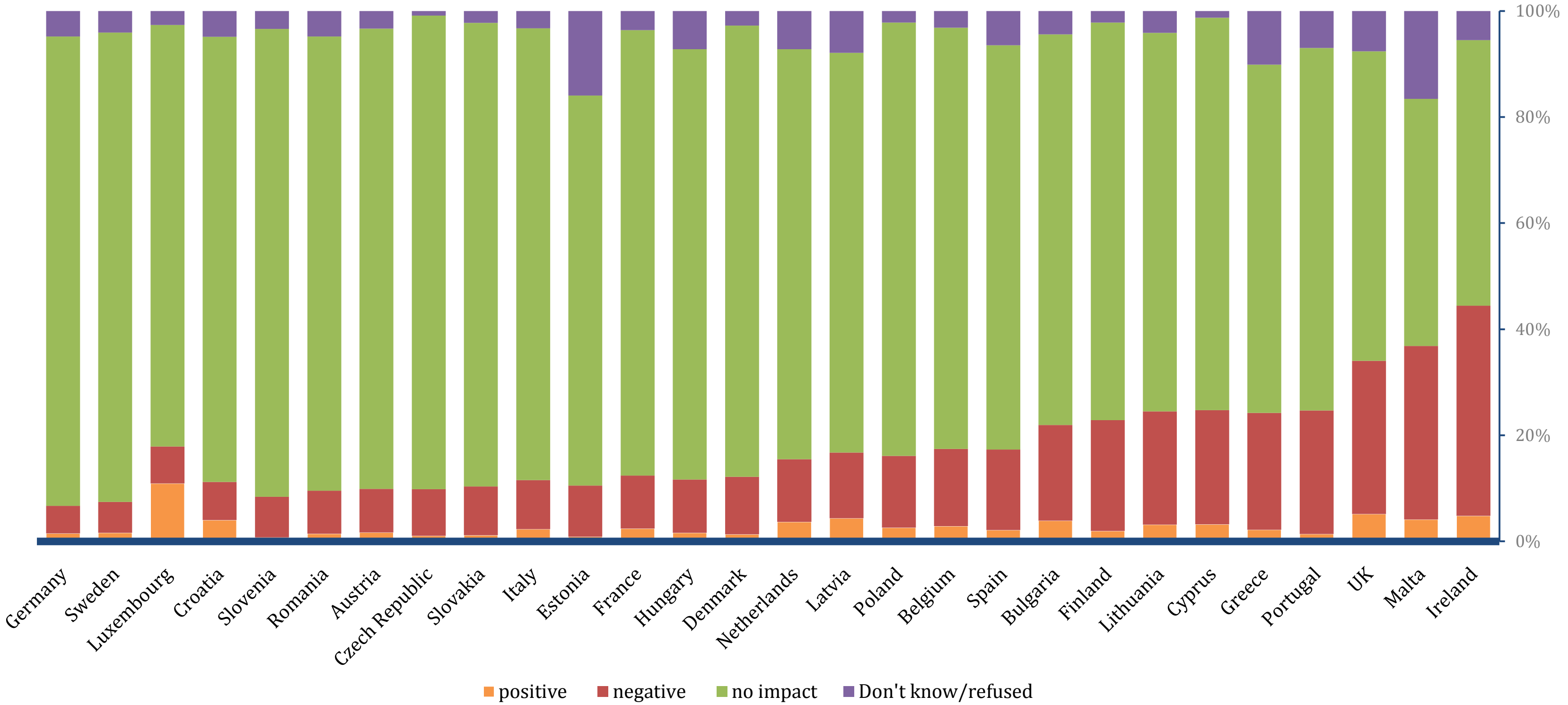
***Base:** All firms; Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too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

Satisfaction with external finance



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!

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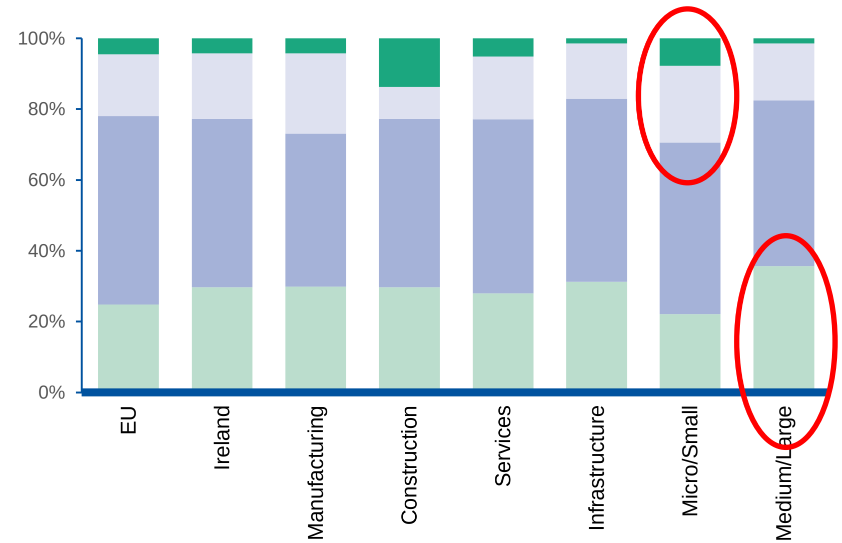
Annex

Investment purpose in 2015

Purpose of investment in last financial year by country

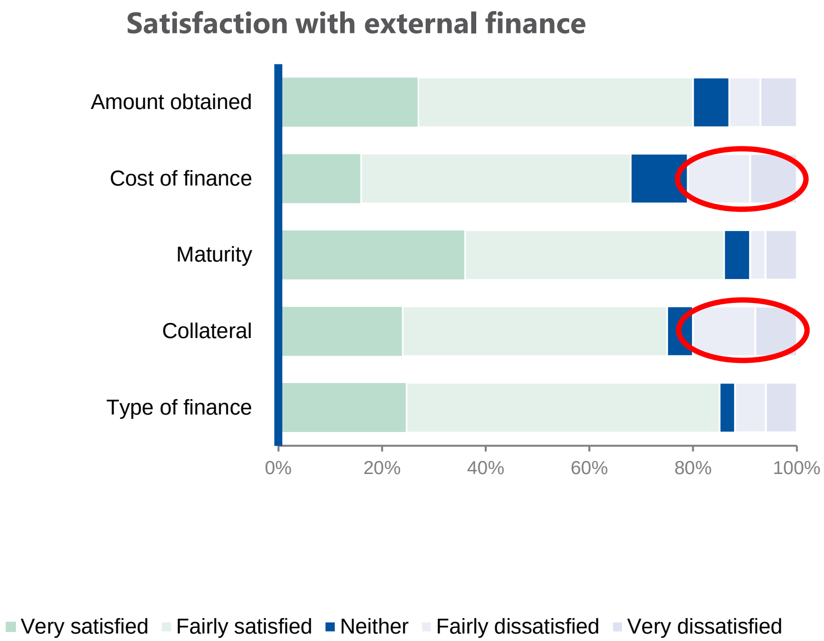
Purpose of investment in last financial year by sector

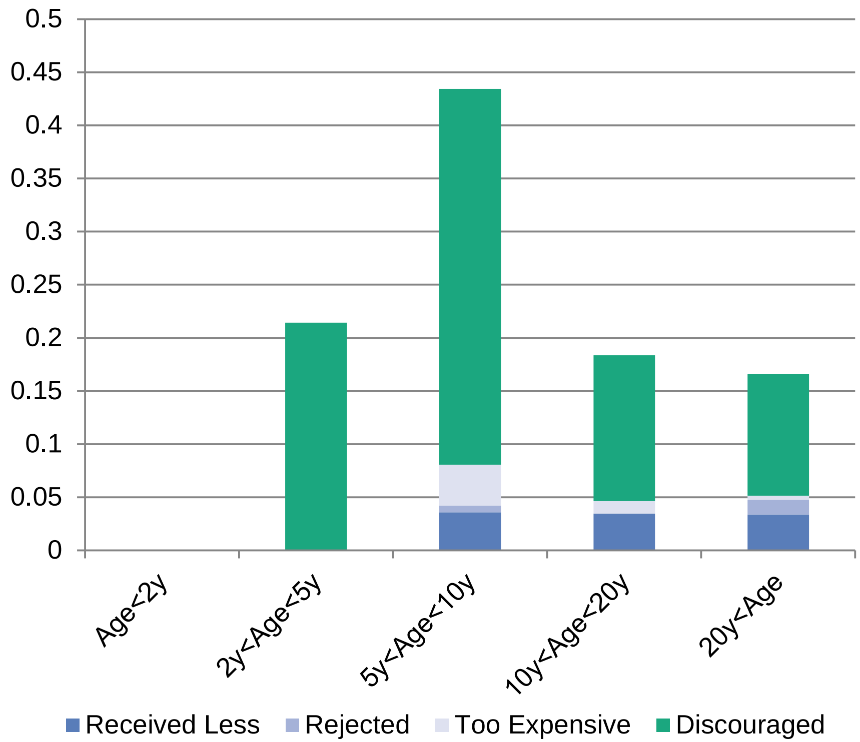


Q. What proportion of total investment was for (a) replacing existing buildings, machinery, equipment, IT (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

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

External finance



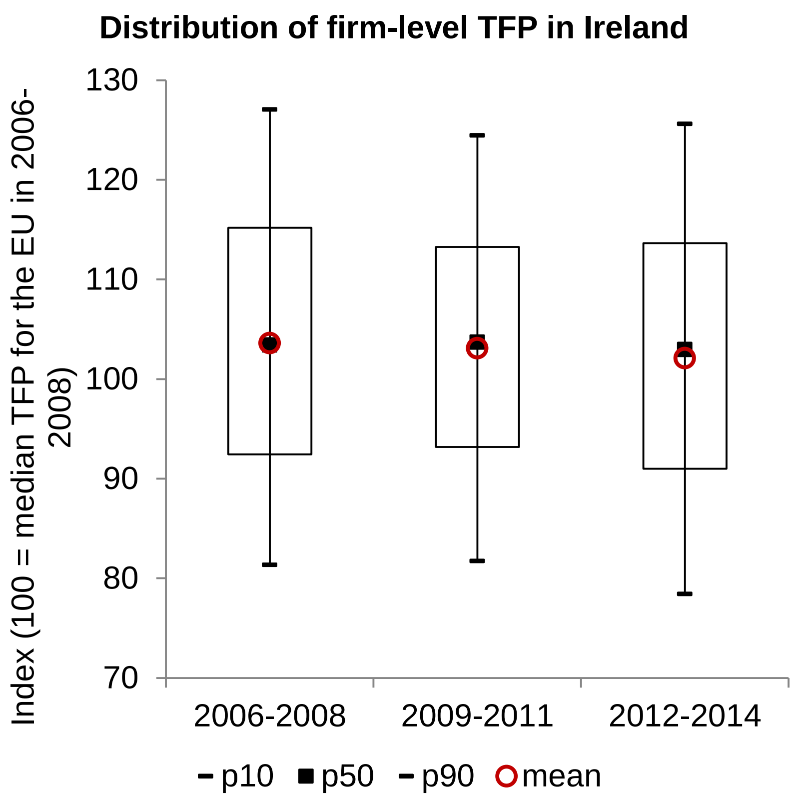


Q. How satisfied or dissatisfied are you with …?

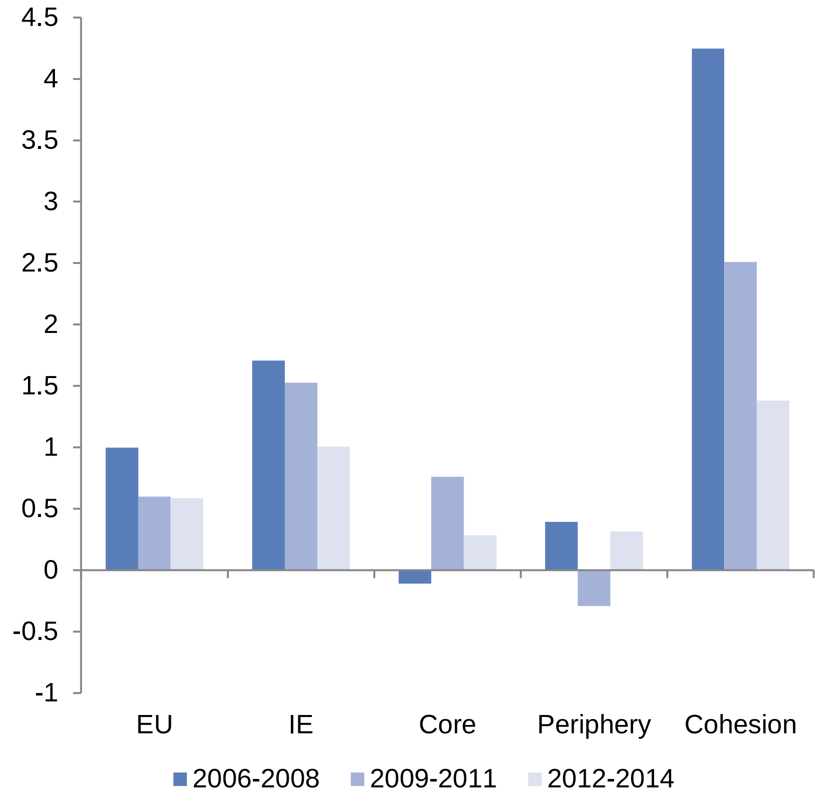
Base: *All firms; Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive)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

Productivity

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.