

Investment and Investment Finance in Luxembourg

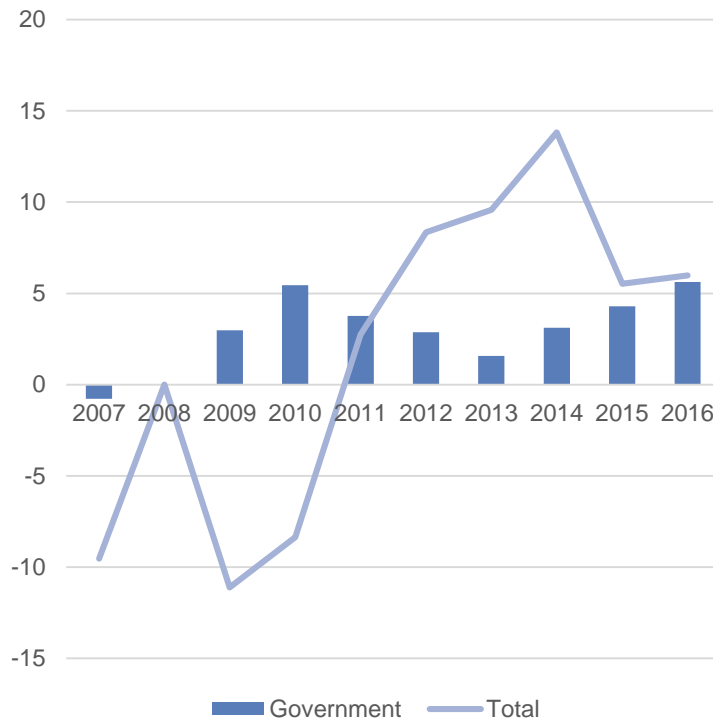
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Luxembourg
January 30, 2018

Quick after-crisis recovery in investment

Real investment by sector

Cumulative change relative to 2008

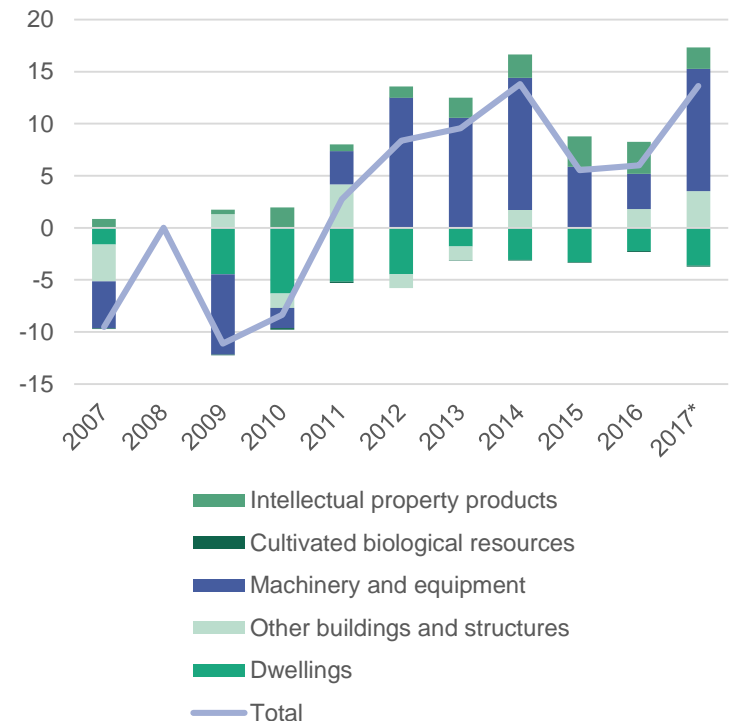


Note: Cumulative change of quarterly real investment relative to the 2008 level, with sector-level contributions.

Source: Econ calculations, Eurostat, national authorities

Real investment by asset

Cumulative change relative to 2008



Note: Cumulative change of annual real investment relative to the 2008 level, with asset class contribution.

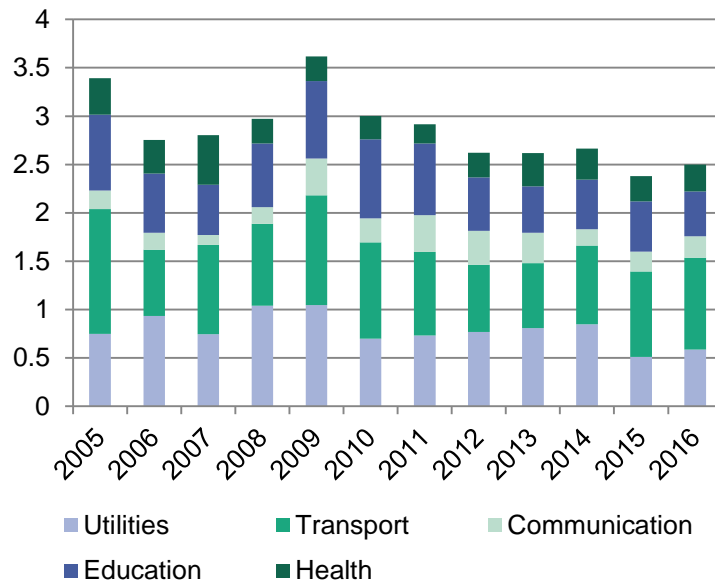
* Q4 2017 extrapolated by average quarterly y-o-y growth rates for 2016/2017

Source: Econ calculations, Eurostat

Infrastructure financed dominantly by public sources

Infrastructure investment, occupational

per cent of GDP

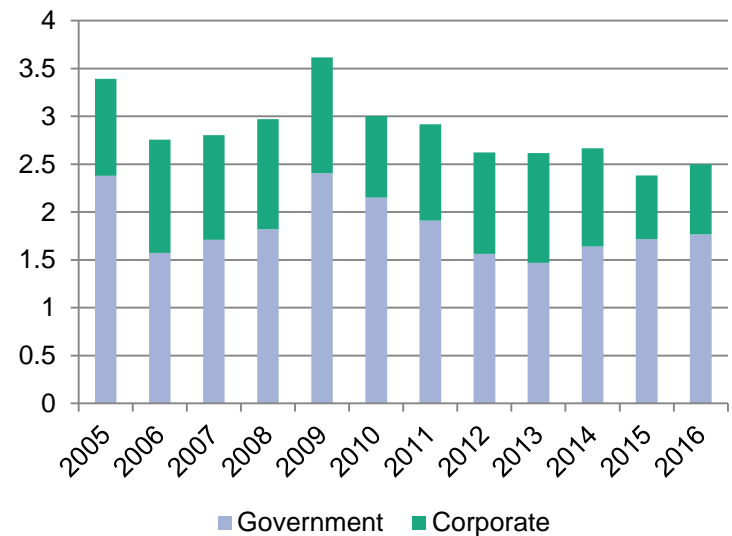


Note: Annual infrastructure investment as a share of GDP, broken down by occupational sector.

Source: Econ calculations, Eurostat, national authorities

Infrastructure investment, institutional

per cent of GDP



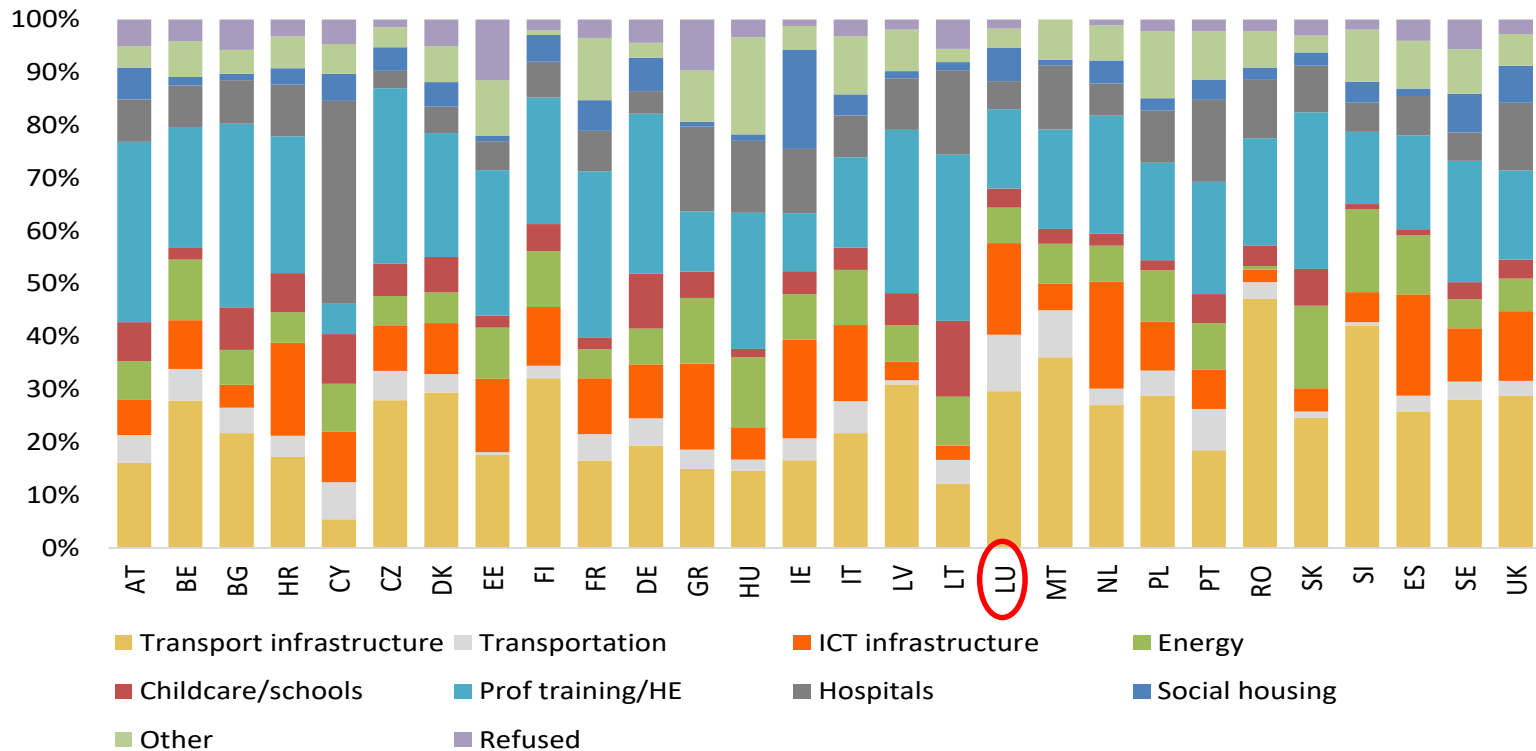
Note: Annual infrastructure investment as a share of GDP, broken down by institutional sector.

Source: Econ calculations, Eurostat, national authorities

Policy priority –Transport, ICT and training

Perceived public investment priorities

proportion of responses



Note: Proportion of responses in per cent: Q. From your business' perspective, if you had to prioritise one area of public investment for the next 3 years, which one would it be?

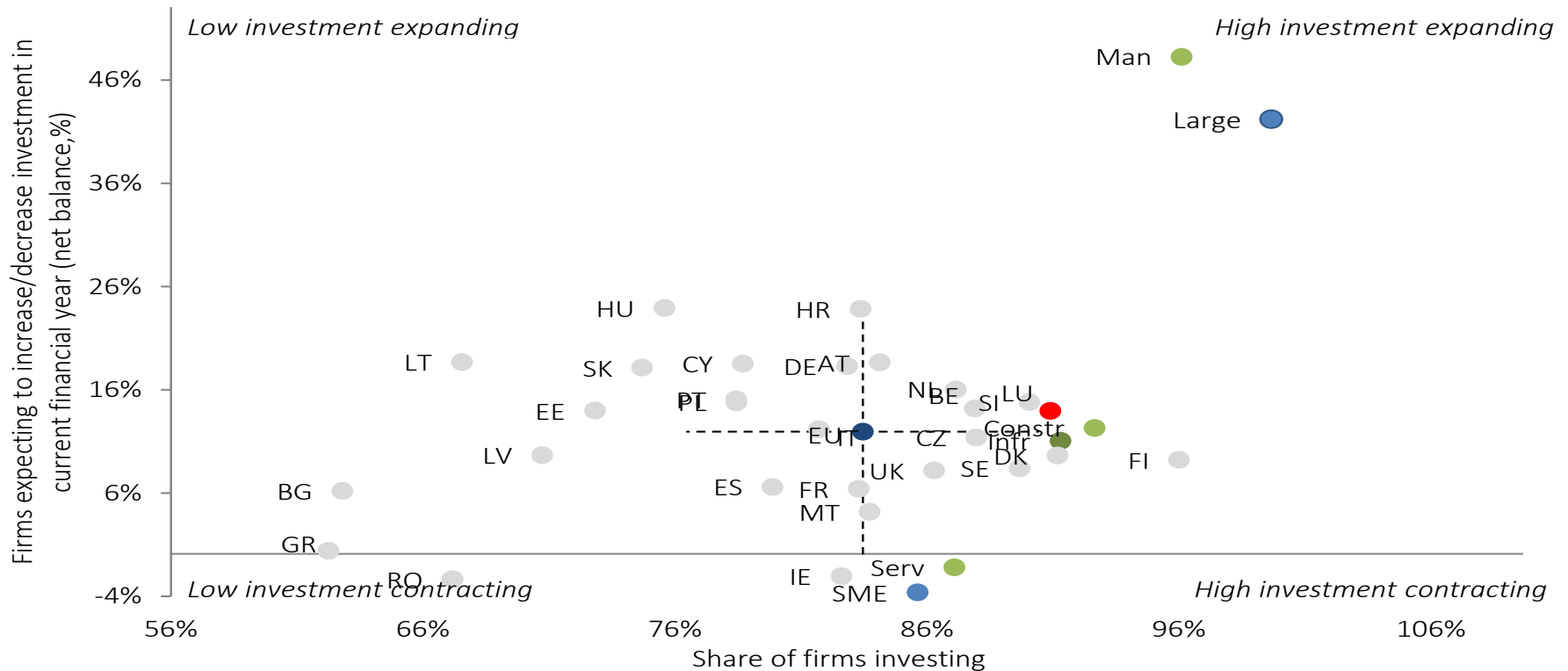
Source: Econ EIBIS

EIB investment survey:

- 12,500 firms surveyed across EU28 (of which 177 in LU)
- NFCs 5+ employees in manufacturing, services, construction & infrastructure sector
- Information on:
 - Firm characteristics and performance
 - Investment needs and constraints
 - Past investment activities and future focus
 - Investment finance
- Representative of the economy (firms weighted by value-added)
- Data collected from April-July 2017

Solid investment activity

Investment cycle



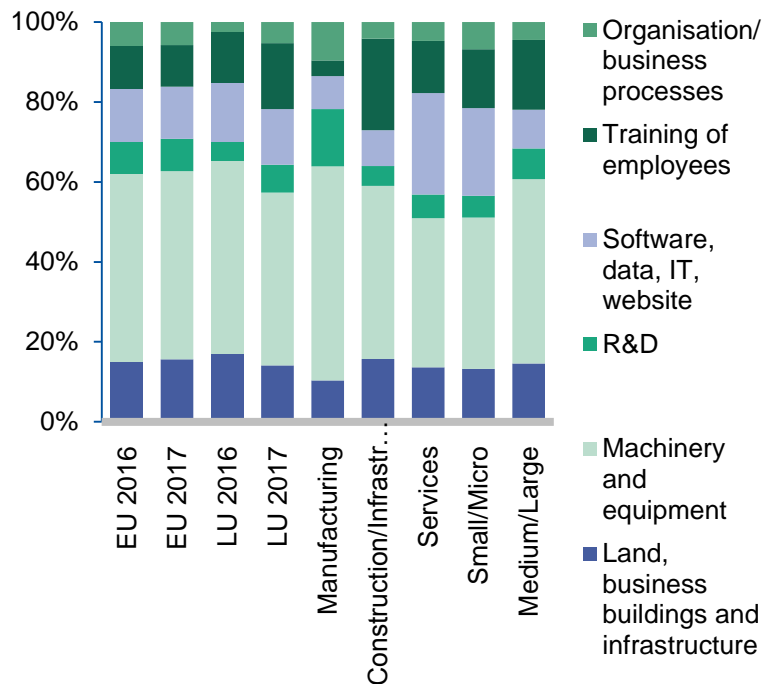
Note: Plots the share of firms with investment expanding/contracting relative to the share of firms investing, by sector or Member State; cross centred on EU average.

Source: Econ EIBIS

Machinery and equipment with little innovation

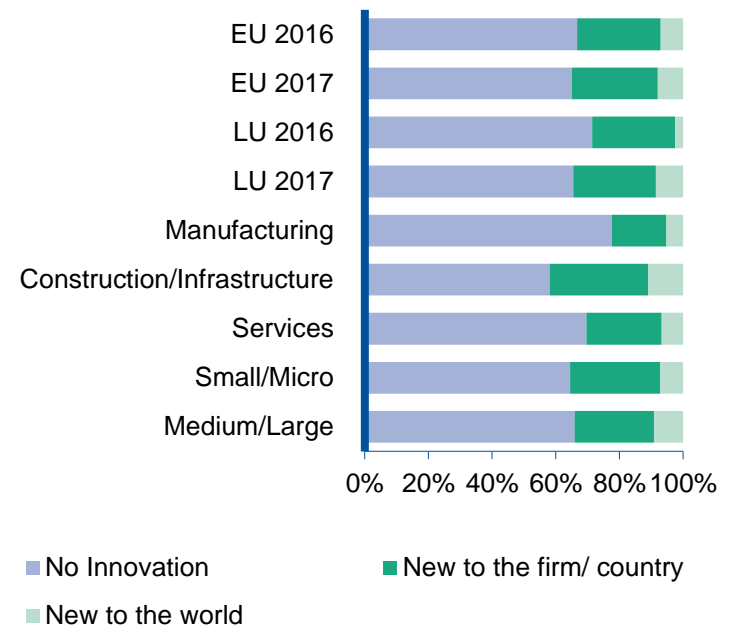
Areas of investment

average share allocated



Innovation activity

average share allocated



Note: Average of responses for allocations by area in per cent: 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?

Source: Econ EIBIS

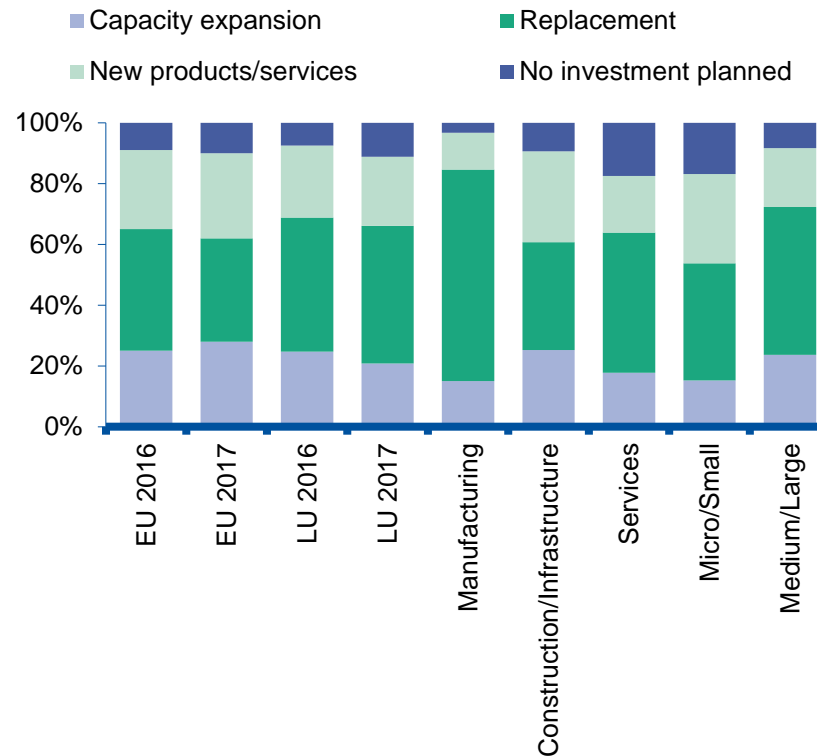
Note: Average of responses in per cent: Q. What proportion of total investment was for developing or introducing new products, processes, services? Q. Were the products, processes or services new to the company, new to the country, new to the global market?

Source: Econ EIBIS

Why are firms investing?

Future investment priorities

share of total investment



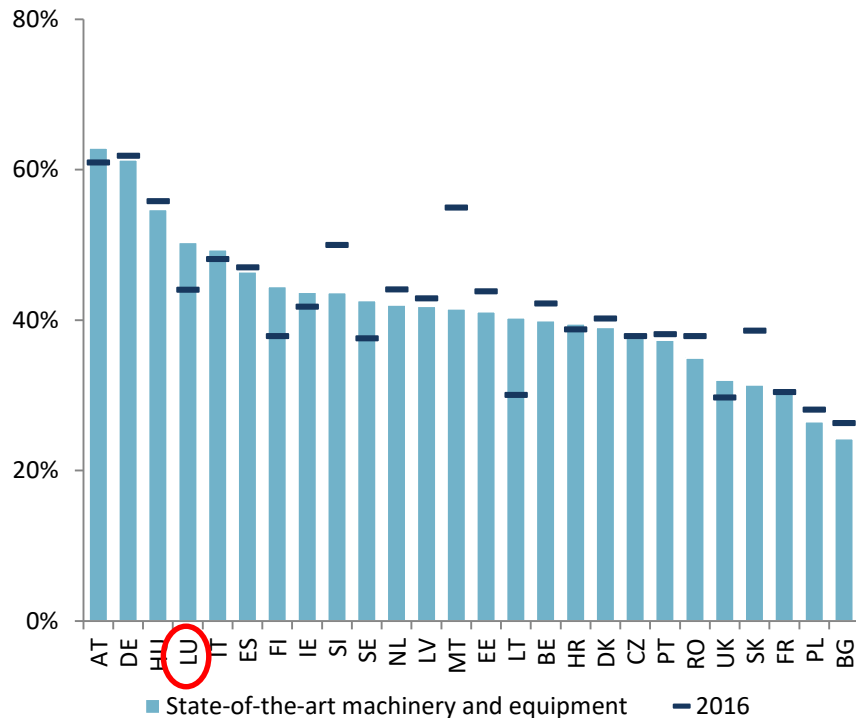
Note: Share of firms by main purpose of investment, in per cent. Q. Looking ahead to the next 3 years, which is your investment priority (a) replacing existing buildings, machinery, equipment, IT; (b) expanding capacity for existing products/services; (c) developing or introducing new products, processes, services?

Source: Econ EIBIS

Machineries more modern than buildings

State-of-the-art machinery and equipment

average share

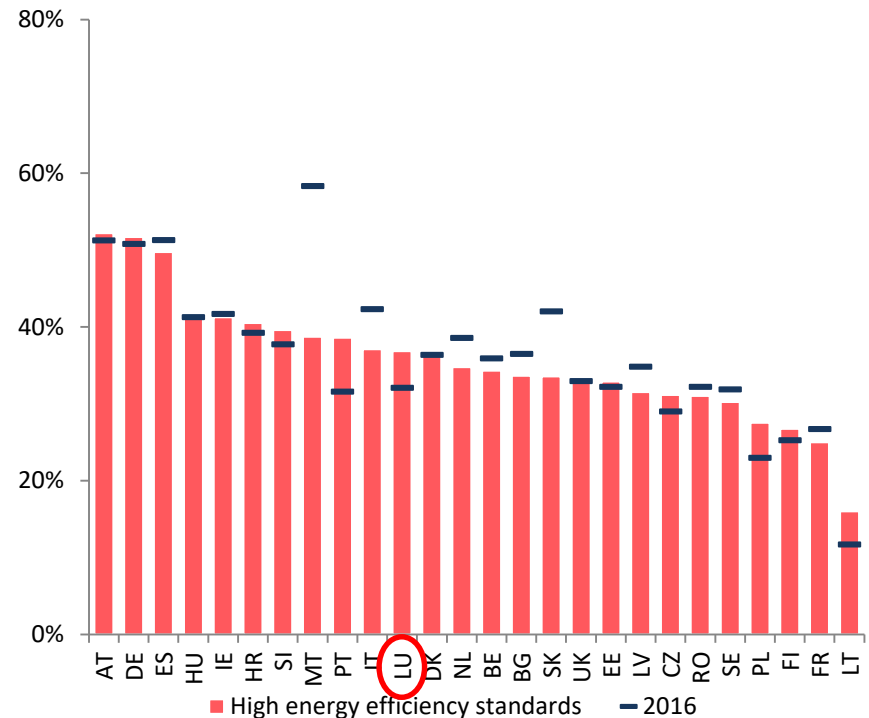


Note: Average of responses in per cent: Q. What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?

Source: Econ EIBIS

Share of high energy efficiency buildings

average share



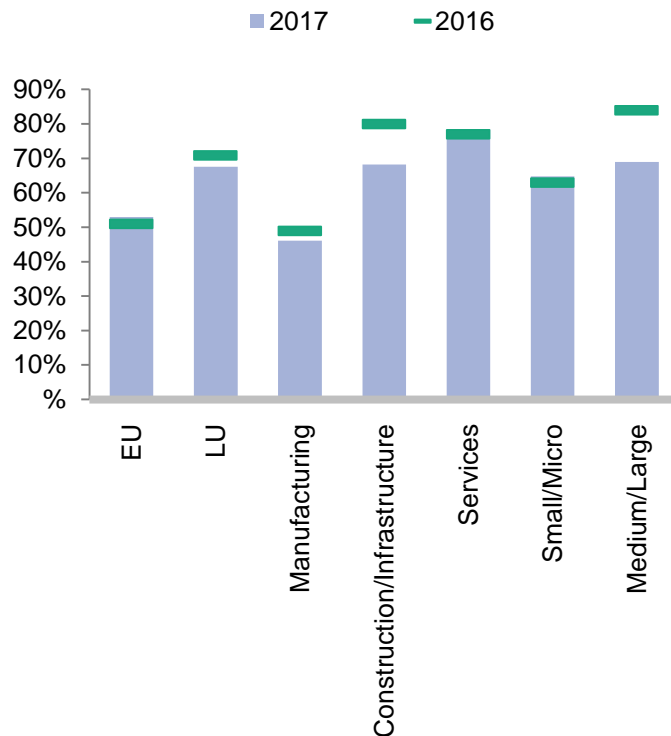
Note: Average of responses in per cent: Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?

Source: Econ EIBIS

High utilization rates

Capacity utilisation (EIBIS)

average share at or above capacity

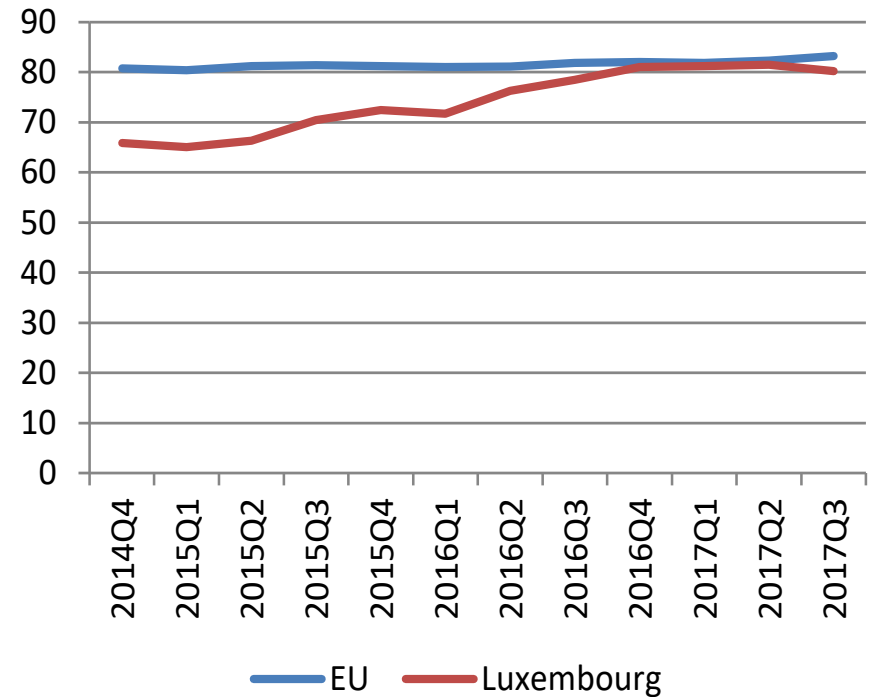


Note: Average share of responses in per cent: Q. In the last financial year, was your company operating above or at maximum capacity attainable under normal circumstances?

Source: Econ EIBIS

Capacity utilization in manufacturing

average capacity utilised



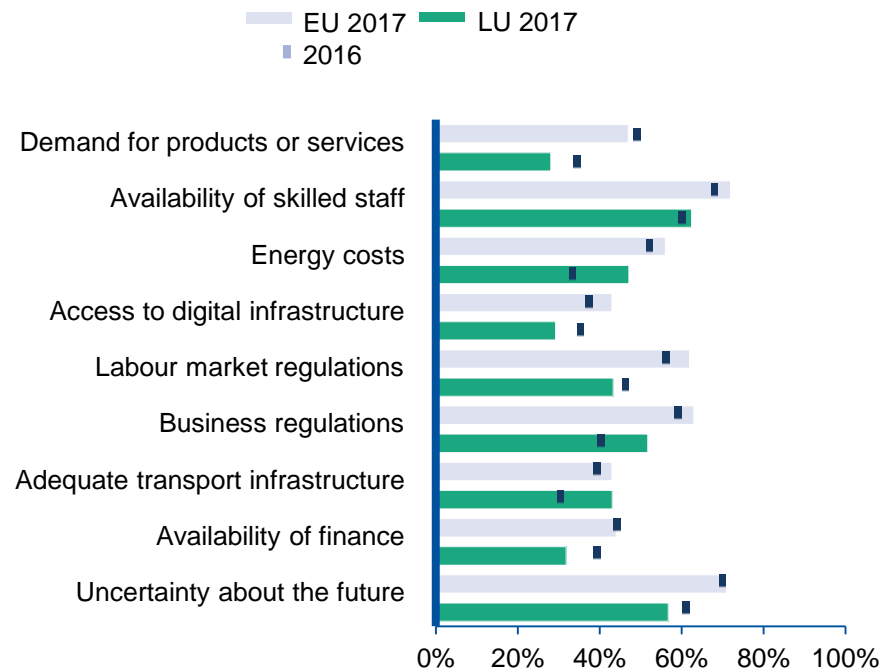
Note: Average across surveyed firms of capacity utilised.

Source: European Commission

What is holding back investment and growth?

Long-term barriers to investment

share of responses

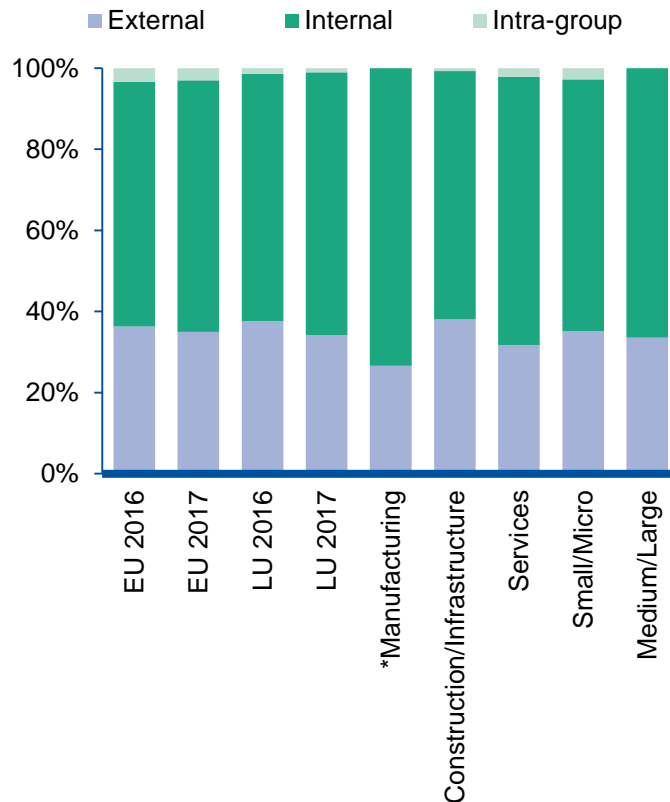


Note: Share of responses in per cent: Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?

Source: Econ EIBIS

Source of investment finance

average proportion

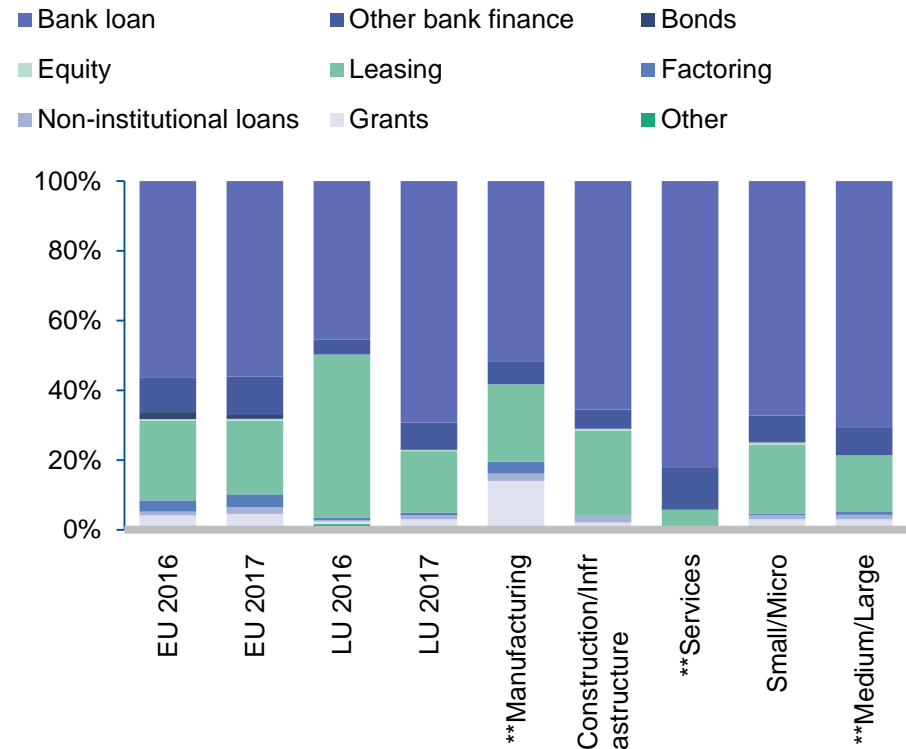


Note: Average of responses in per cent: Q. What proportion of your investment was financed by each of the following?

Source: Econ EIBIS

Type of external investment financing

average proportion



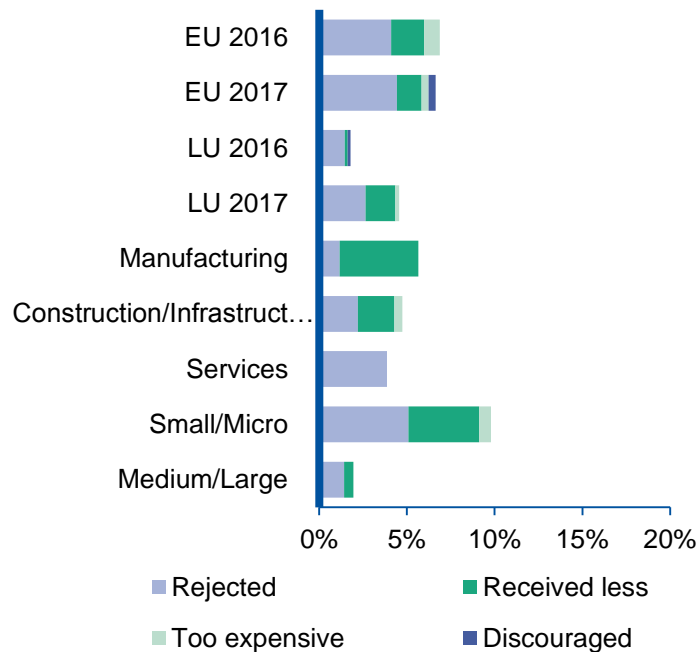
Note: Q. Approximately what proportion of your external finance does each of the following represent?

Source: Econ EIBIS

5% of firms are financially constrained

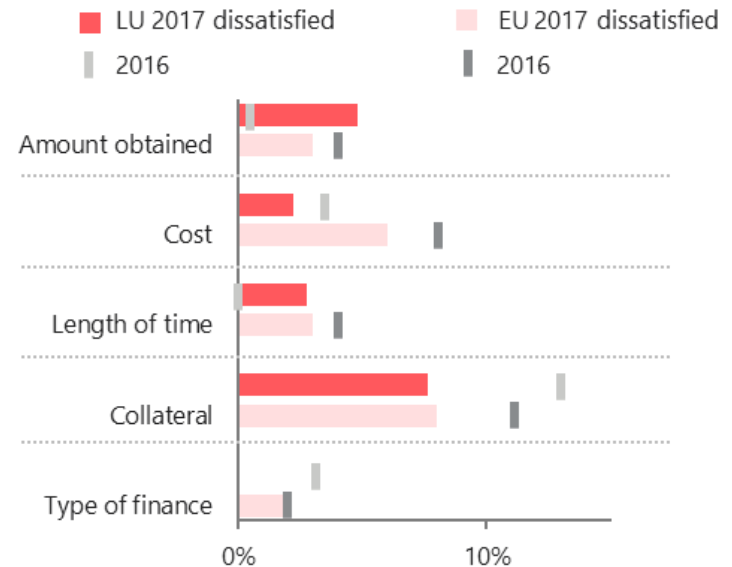
Share of finance constrained firms

share of responses



Dissatisfaction with external finance

share of responses



Note: Proportion of firms considering themselves finance constrained: 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)

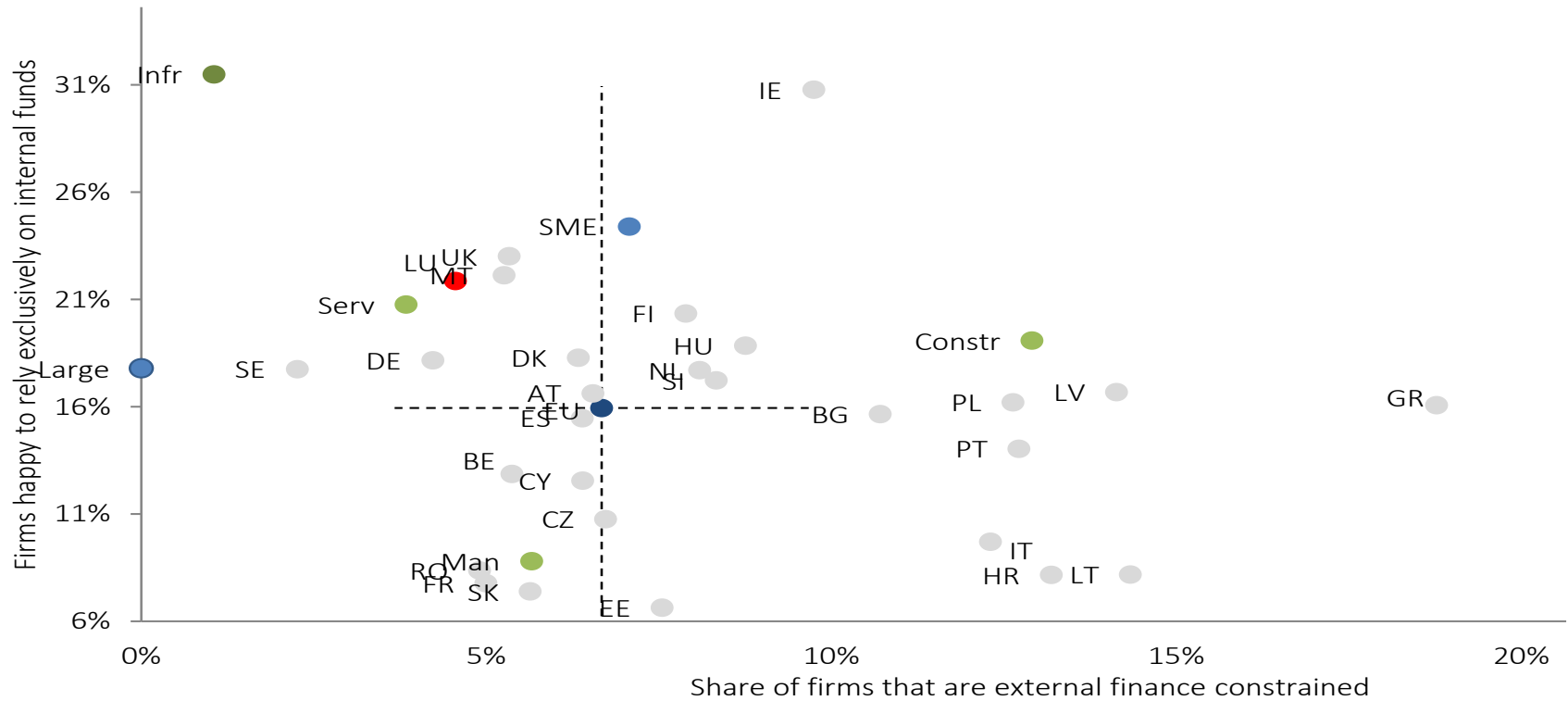
Source: Econ EIBIS

Note: Average share of responses, in per cent Q. How satisfied or dissatisfied are you with?

Source: Econ EIBIS

Internal vs external financing

Finance cross

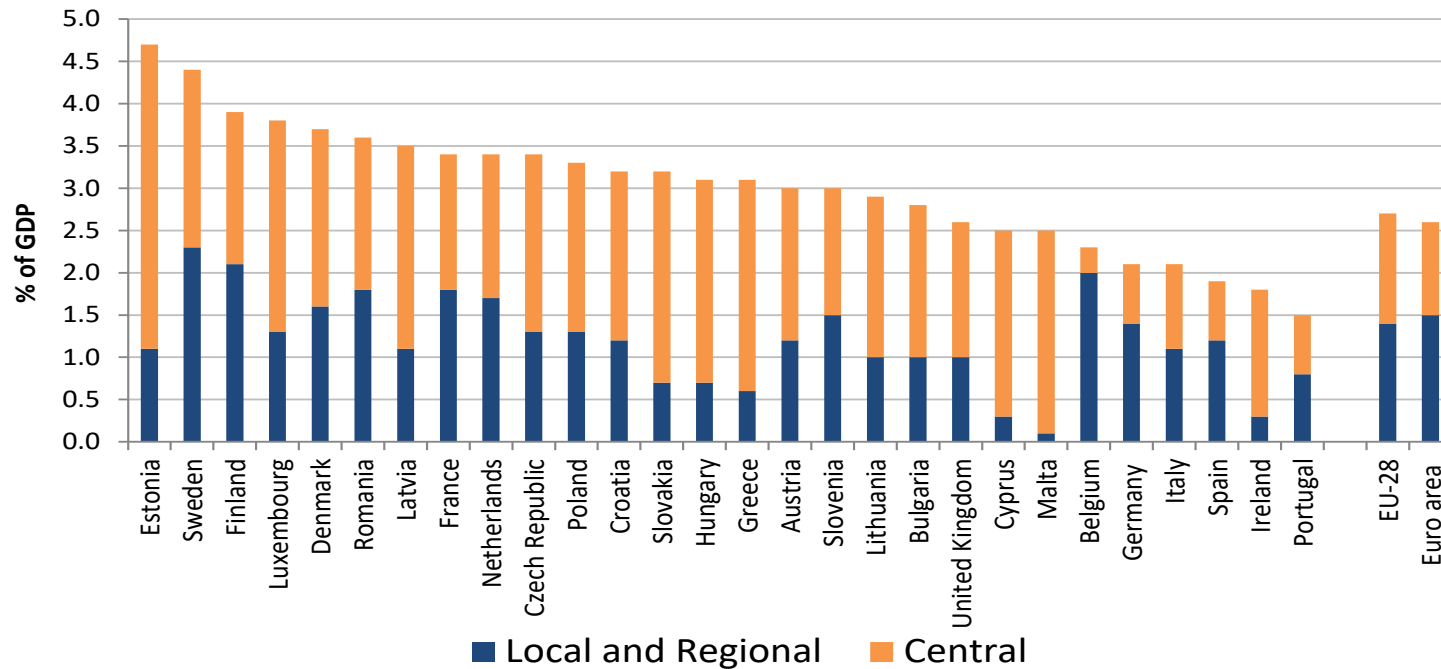


Note: Proportion of firms reliant on internal finance over share financially constrained firms, by sector or Member State.

Source: Econ EIBIS

Important role of central government

Share of public investment



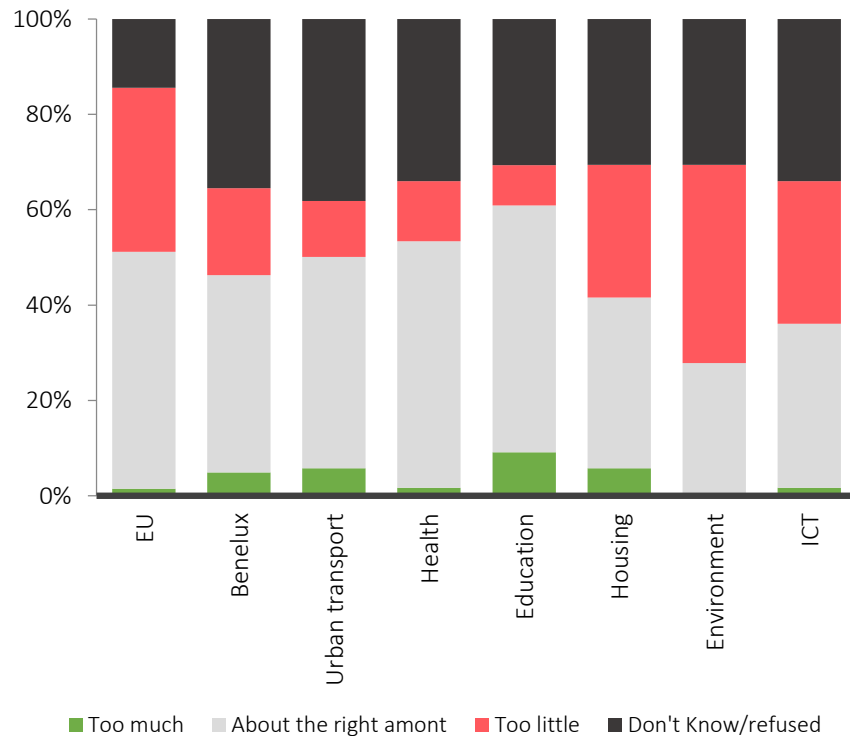
Note: Public investment as share of GDP undertaken at the central as well as local and regional levels

Source: Eurostat

Small investment gap in BeNeLux countries

Municipalities' perceived investment gap

share of responses

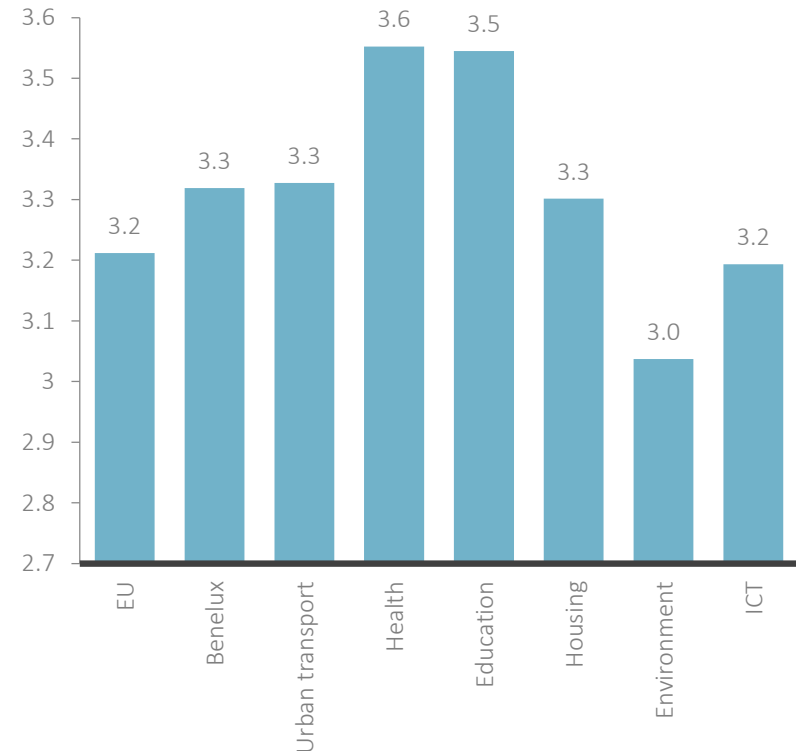


Note: Proportion of responses: Q. For each of the following, would you say that, overall, past investment in your municipality has ensured the right amount of infrastructure, or led to an under provision or over provision of infrastructure capacity?

Source: Econ EIBIS

Infrastructure quality in municipality

average score between 1 (low) and 5 (high)



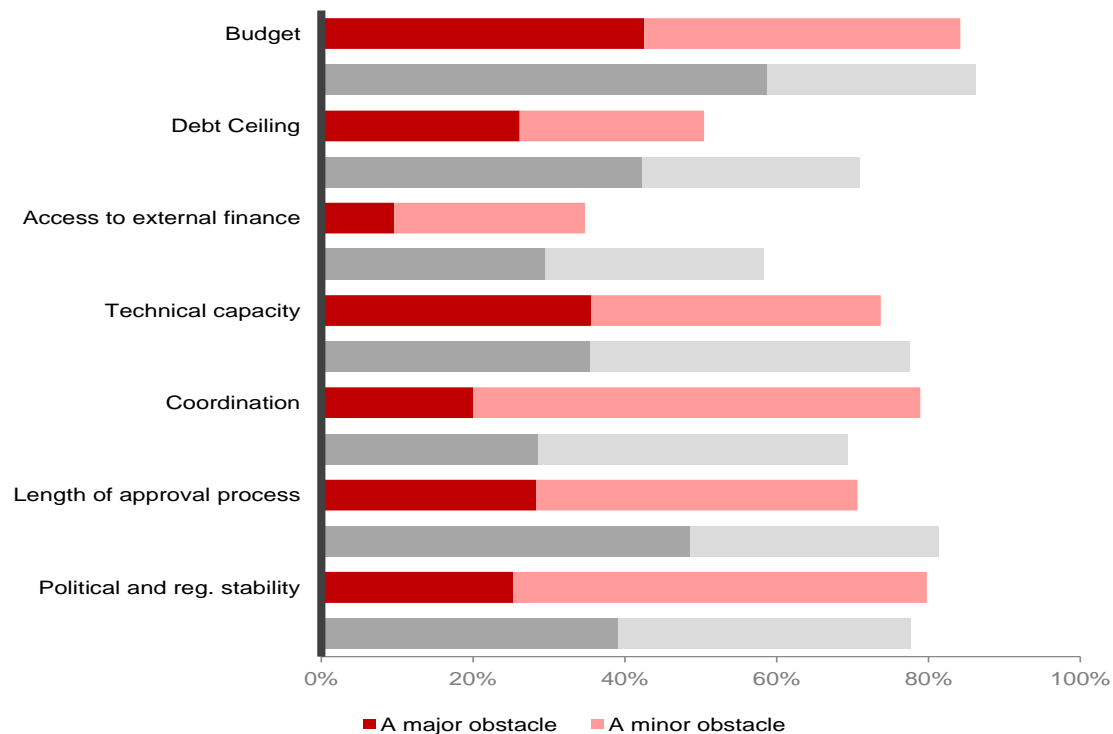
Note: Average score: Q. How would you assess the quality of infrastructure each of these areas in your municipality on a scale of 1 to 5 where 1 means it is completely outdated and 5 means it is up to latest international standards.

Source: Econ EIBIS

Positive prospects amid budget constraints

Obstacles to infrastructure investment

share of responses in per cent



Note: Share of responses in per cent. Q. To what extent is each of the following an obstacle to the implementation of your infrastructure investment activities?

Source: Econ EIBIS

- Investment growth is solid, with a strong support from the public sector
- Corporates share positive investment outlook
- Focus on intangibles important
- Availability of skilled staff and uncertainty about the future continue to be perceived as the main barriers to investment
- 5% of firms are finance constrained

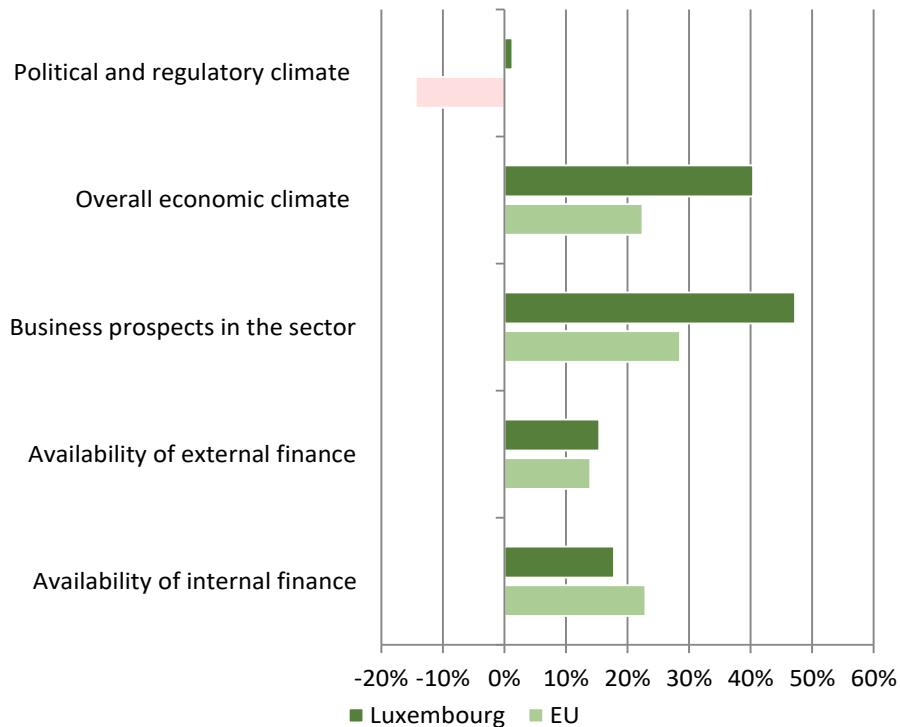
Thank you



Investment drivers and constraints

Short-term influences on investment

net balance in per cent of municipalities



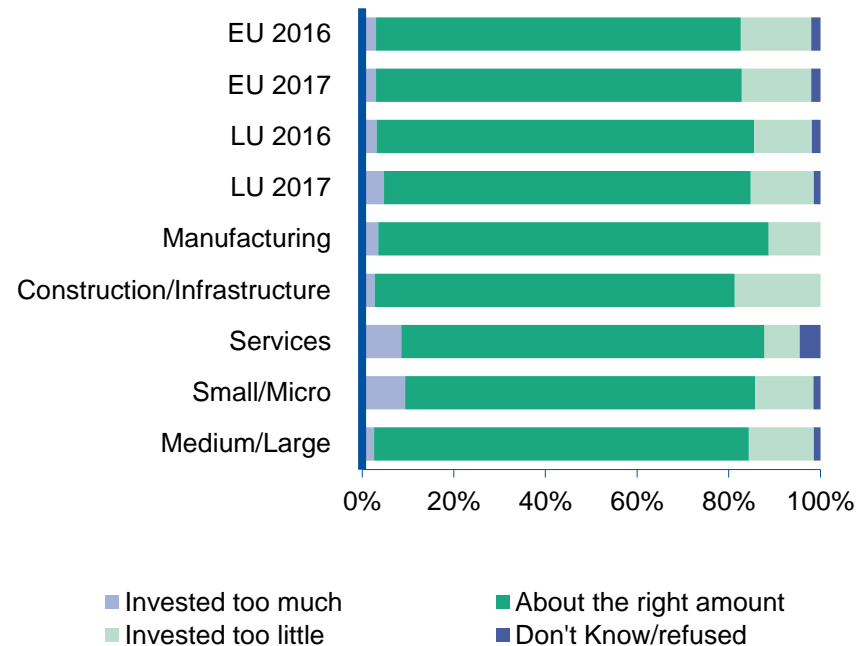
Note: Infrastructure quality scored from 1 to 7 (best) against GDP per capita; blue line plots predicted values.

Source: Econ EIBIS

Where do firms invest too little?

Perceived investment gap

share of firms



Note: Share of responses in per cent: Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount?

Source: Econ EIBIS