Investment and Investment Finance in Luxembourg

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Quick after-crisis recovery in investment

Real investment by sector
Cumulative change relative to 2008

Real investment by asset
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

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

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

Source: Econ calculations, Eurostat, national authorities

Infrastructure investment, institutional

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

Source: Econ calculations, Eurostat, national authorities
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

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
Future investment priorities

share of total investment

- Capacity expansion
- Replacement
- New products/services
- No investment planned

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

Share of high energy efficiency buildings

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

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*

![Bar chart showing capacity utilization in EIBIS across different sectors and size categories for 2016 and 2017.]

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*

![Line graph showing capacity utilization in manufacturing across EU and Luxembourg from 2014Q4 to 2017Q3.]

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

- Demand for products or services
- Availability of skilled staff
- Energy costs
- Access to digital infrastructure
- Labour market regulations
- Business regulations
- Adequate transport infrastructure
- Availability of finance
- Uncertainty about the future

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

**Source of finance**

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

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

Dissatisfaction with external finance

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
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

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

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
Obstacles to infrastructure investment

Share of responses in per cent

Positive prospects amid budget constraints

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
Conclusion

- 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*

- EU 2016
- EU 2017
- LU 2016
- LU 2017
- Manufacturing
- Construction/Infrastructure
- Services
- Small/Micro
- Medium/Large

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