



**European  
Investment  
Bank**

*The EU bank*

## Corporate Investment and Investment Finance in CESEE

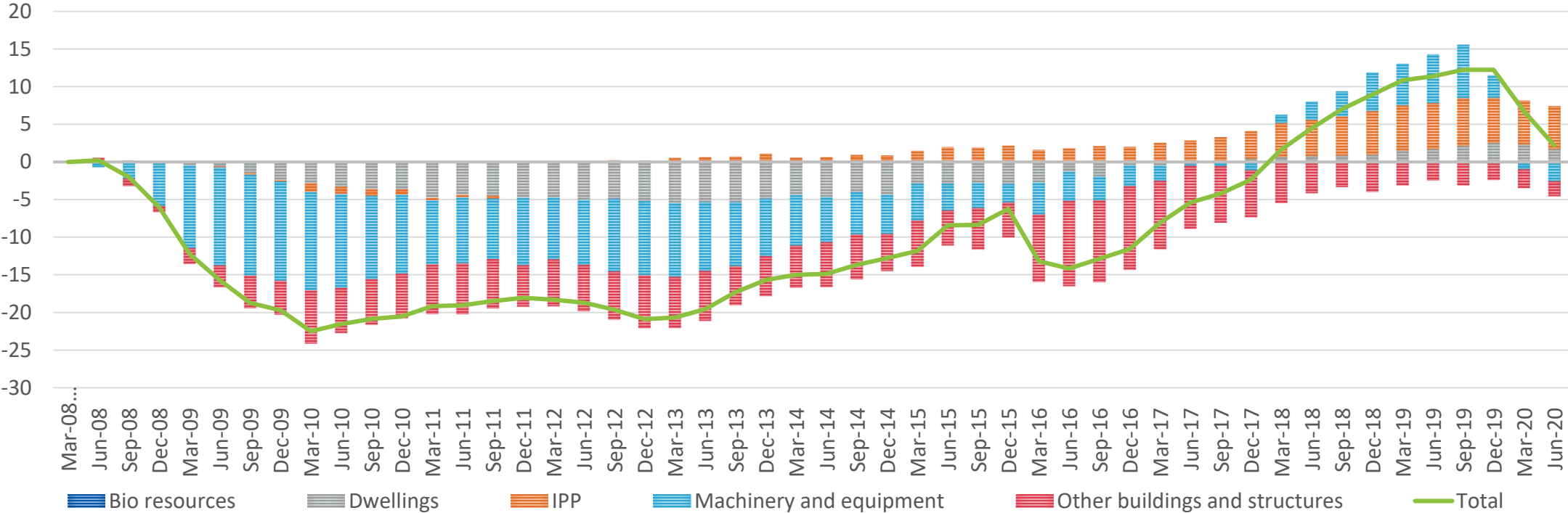
Joint JVI-EIB webinar, January 25, 2021

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# COVID-19 put a halt to the upswing in capital formation

Investment is close to 2008 levels in real terms.

Real Gross Fixed Capital Formation by asset type (Q1 2008 =0)



Source: Eurostat.

# The EIB investment survey (EIBIS)

*What can 12,000 firms tell us about investment trends in Europe and CESEE?*

12,000 firms surveyed in the EU27 (4,800 in CESEE) in Q3 2020

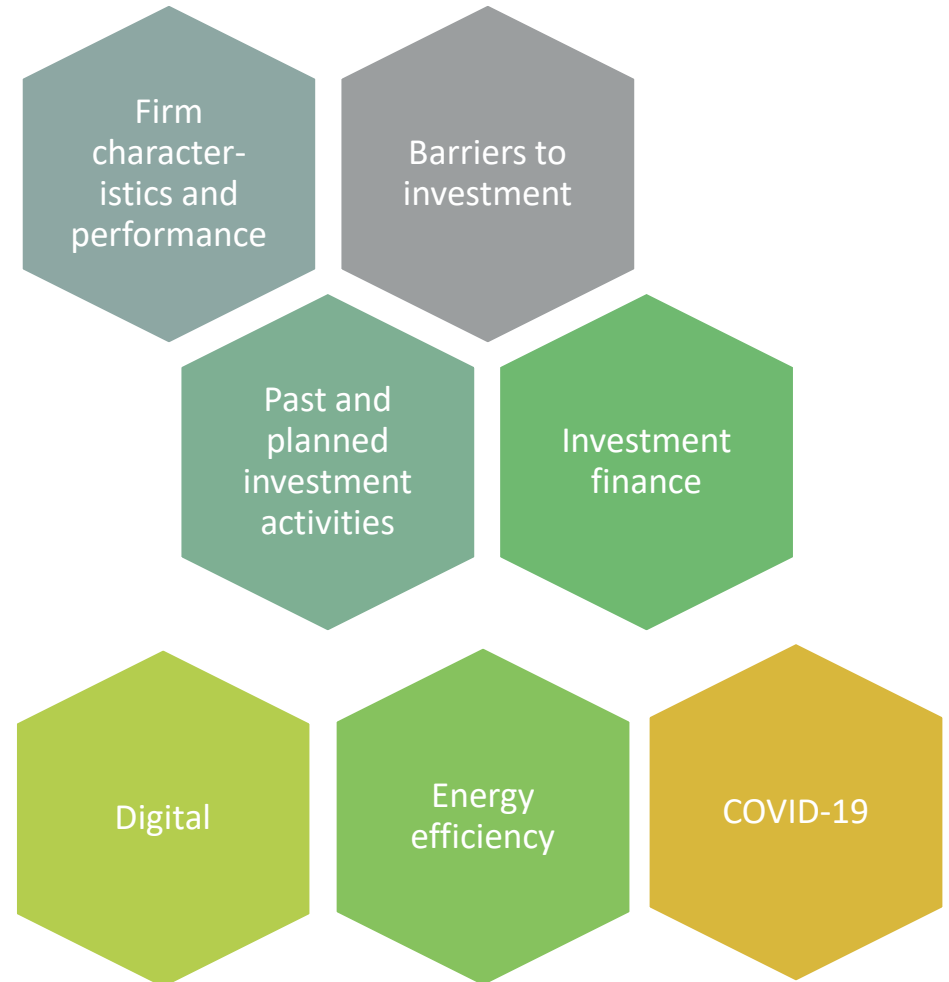
Non-financial companies with at least 5 employees

4 sectoral aggregates:  
manufacturing, services, construction and infrastructure

Aggregates by firm size (large firms vs SMEs)

Aggregates weighted by firm value added

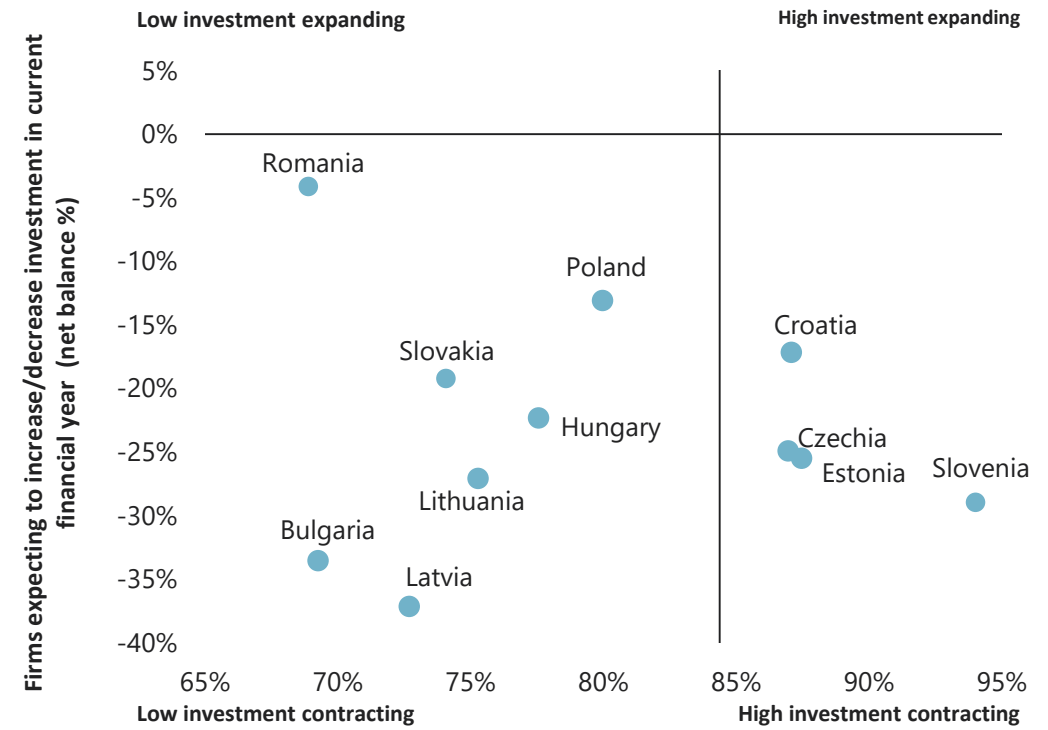
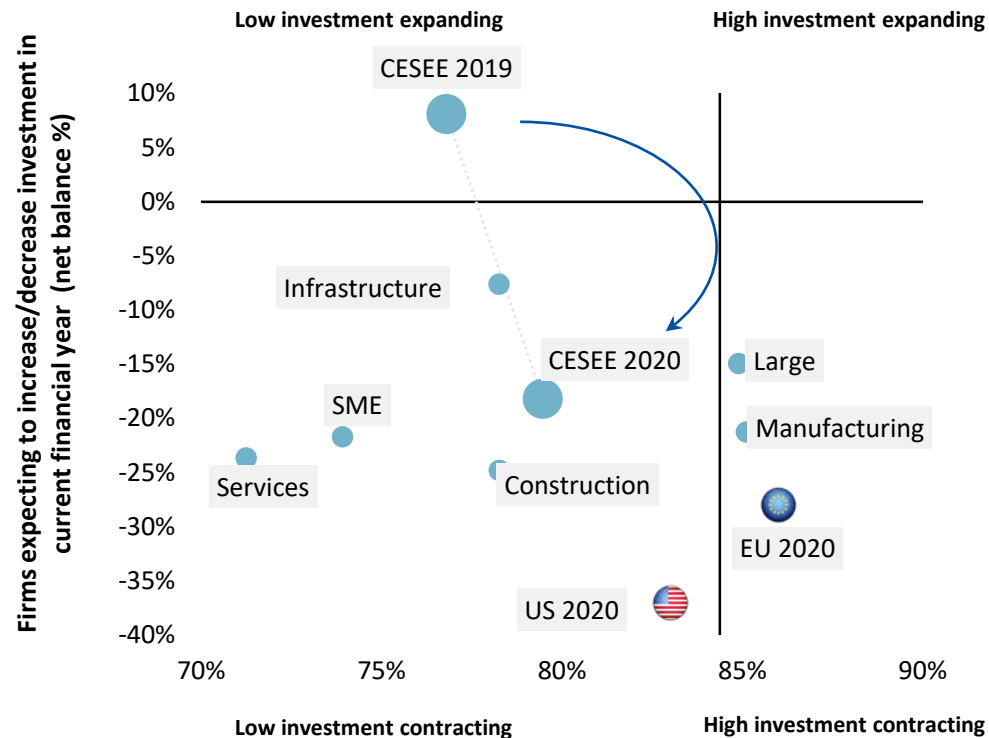
Link with BvD/Orbis



# The investment outlook is turning negative

*The investment cycle is moving to the “low investment/contracting” quadrant, however, the shift towards cutting back investment is less pronounced than in the full EU sample*

## The investment cycle by sector, firm size and country



Share of firms investing

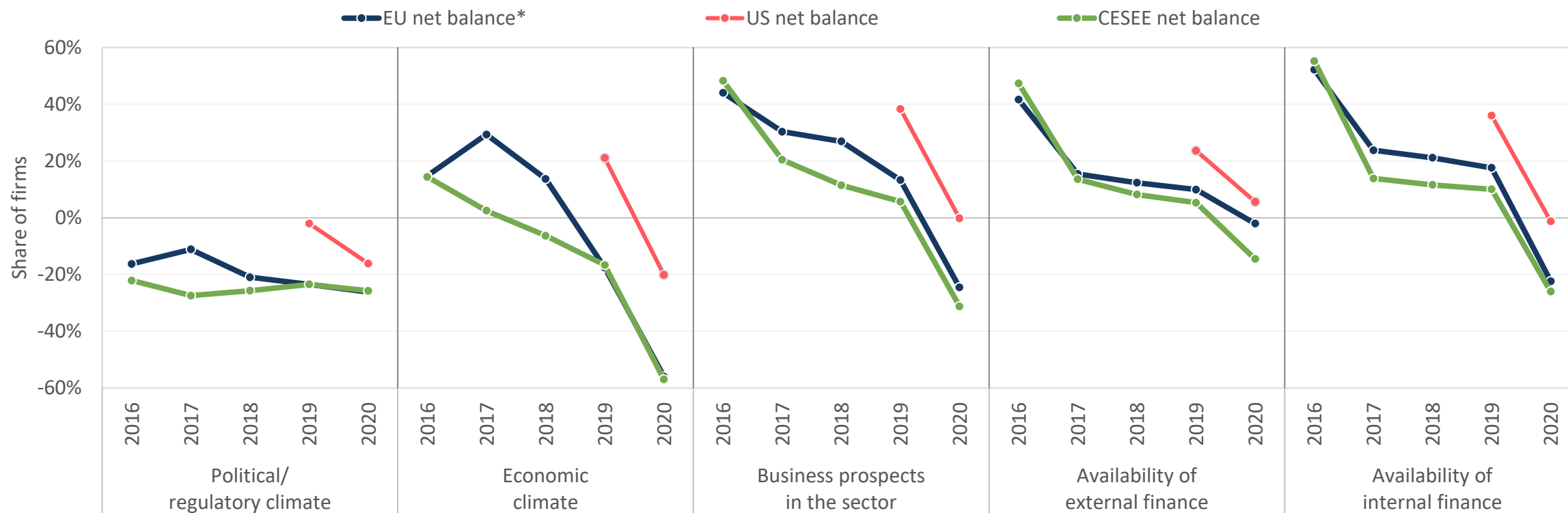
Share of firms investing

*Note: Plots the net balance of firms set to expand investment over the percentage of firms having investment more than EUR 500 per employee. Relative to the share of firms investing, by sector or Member State; cross centered on EU 2020 average.*

# The short-term outlook has been deteriorating sharply

*In line with the full EU sample, firms in the CESEE region have become increasingly pessimistic, especially about the economic climate*

## Short-term firm outlook

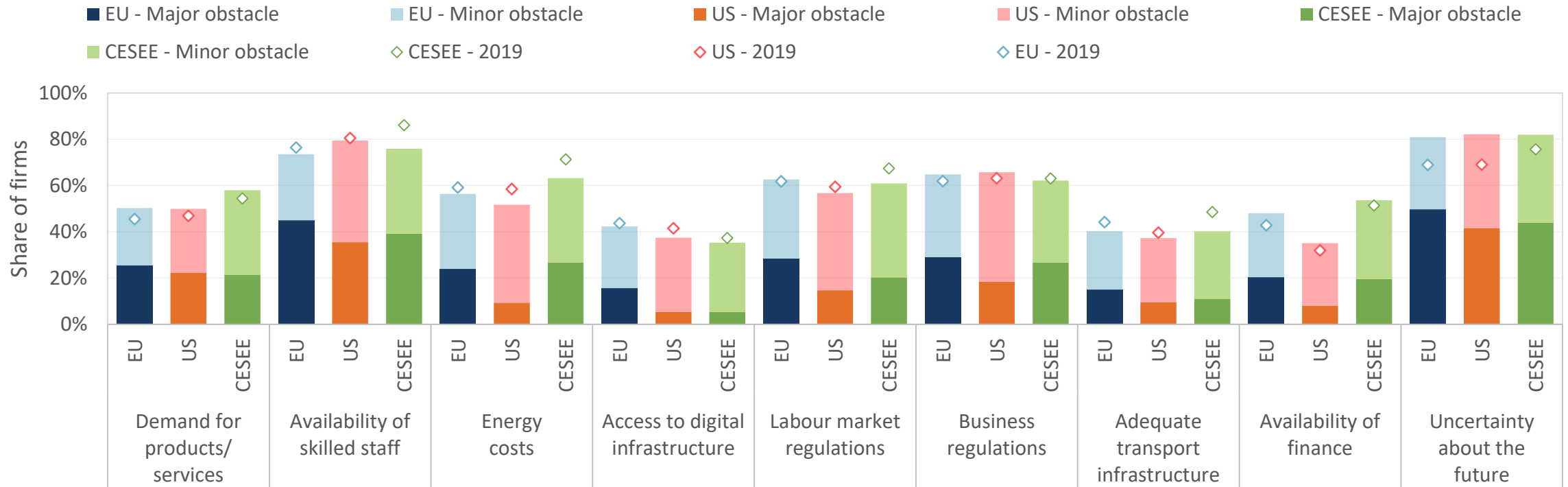


Q. Do you think that each of the following will improve, stay the same, or get worse over the next twelve months? (net balance)

# Uncertainty and lack of skilled staff are the key obstacles

*Nevertheless, the role of skill/staff shortages have been decreasing in CESEE*

## Long-term barriers to investment

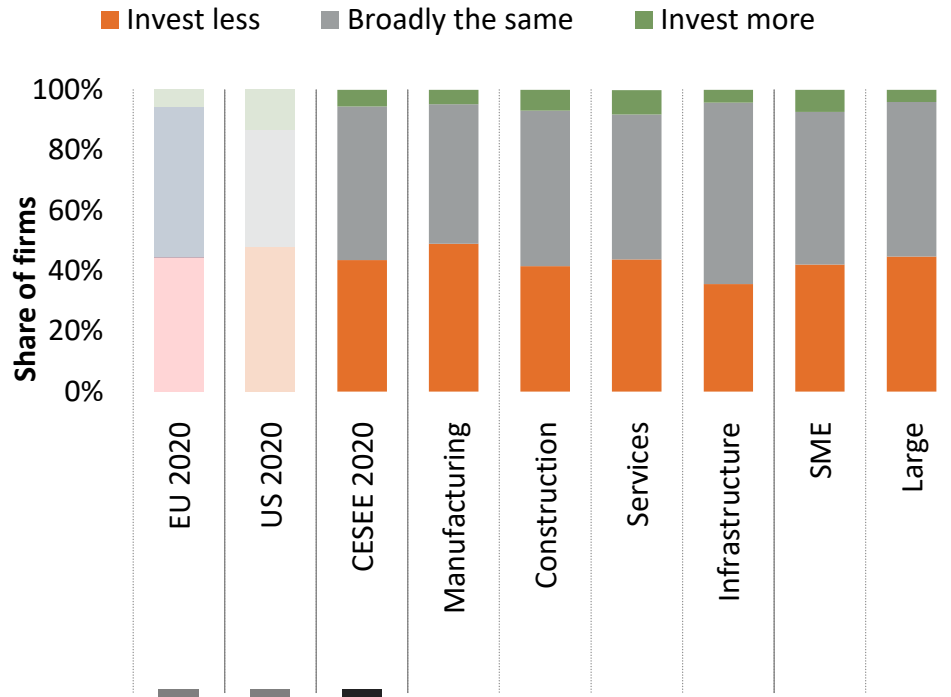


Q. Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

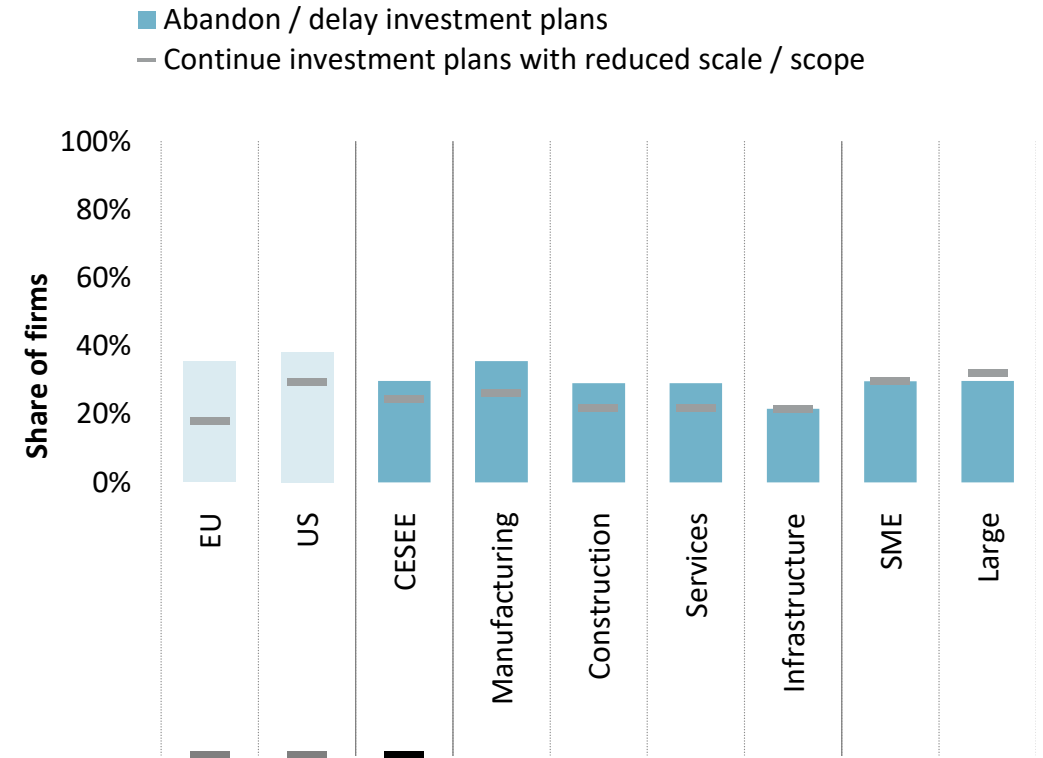
# Corporate investment is heavily hit

*Around 44% of CESEE firms expect to invest less in 2020 due to COVID-19. A third of firms will delay or abandon their investment plans, and 24% will reduce the scale or scope of the plans.*

## Impact of COVID-19 on firm investment



## Action taken due to COVID



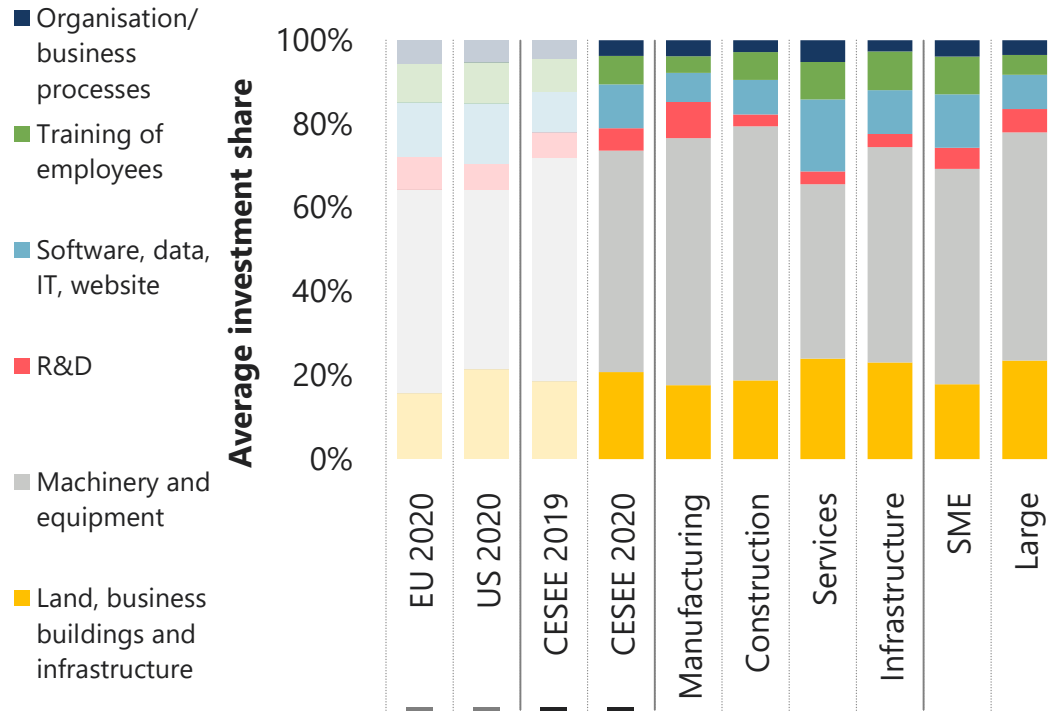
Q. Have your company's overall investment expectations for 2020 changed due to coronavirus?

Q. You just said you will invest less due to coronavirus. Can I just check which of the following actions will your company undertake?

# Investment areas: old vs new?

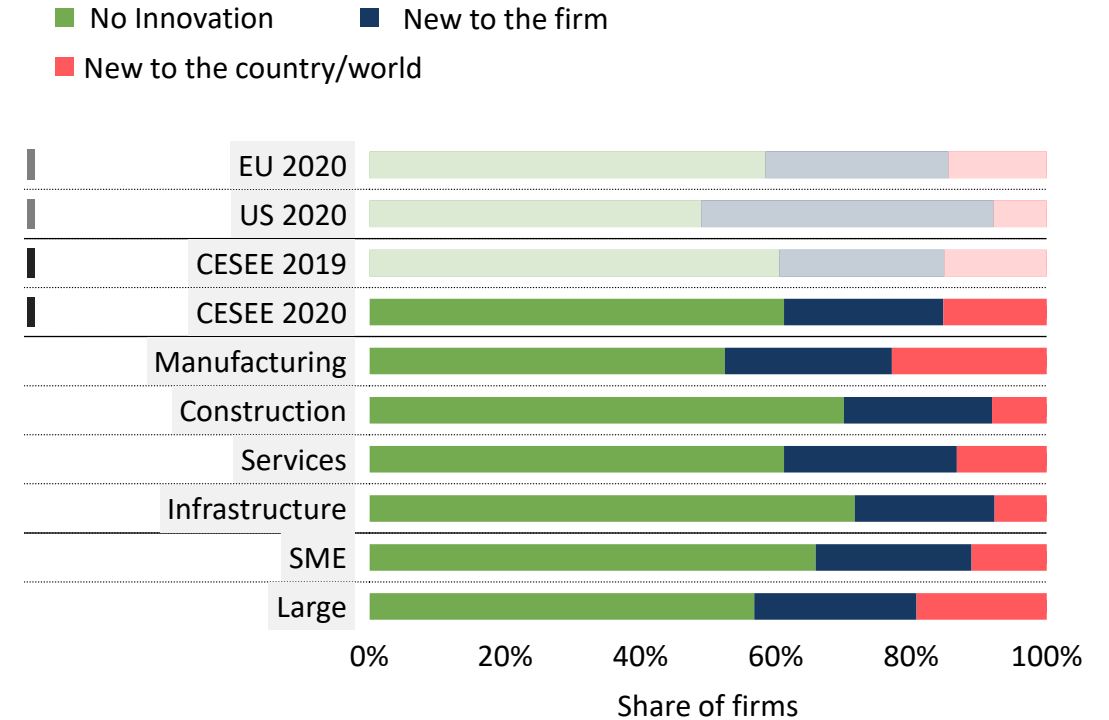
Most CESEE firms still typically invest into machinery (52%), and lag behind the EU peers in terms of intangibles and R&D (5% vs 8%) in particular. Two in five firms introduced new products or technologies last year.

## Investment areas



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?

## Innovation activity



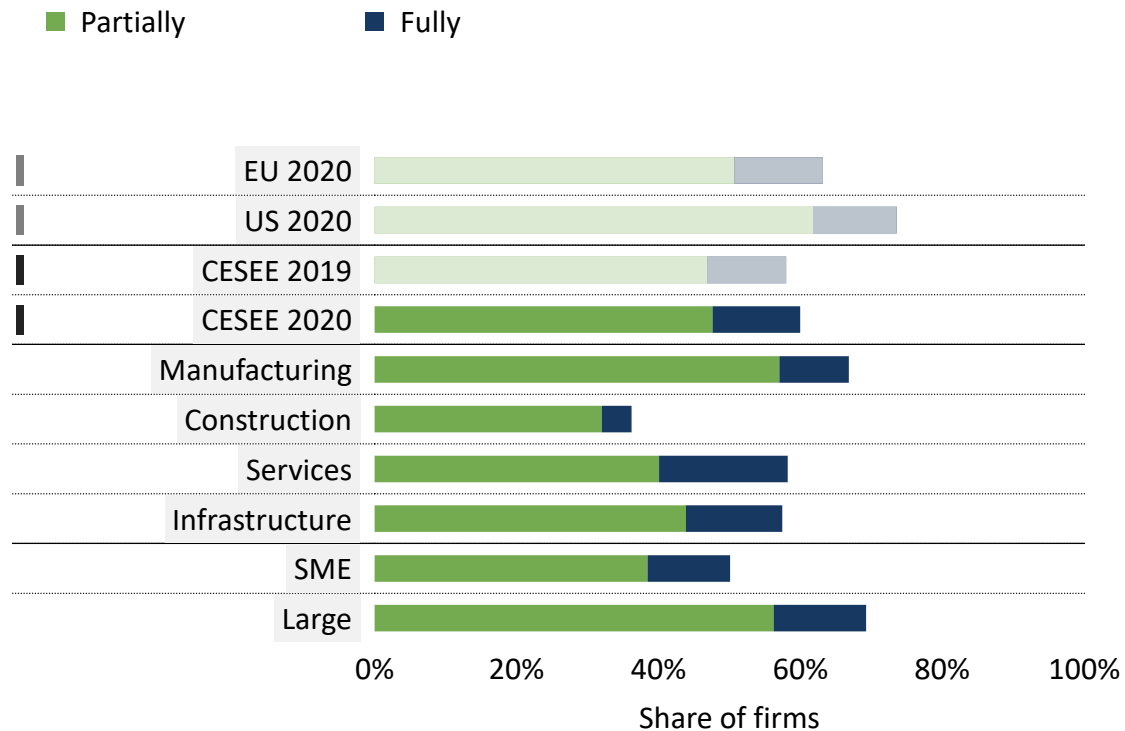
Q. What proportion of total investment was for developing or introducing new products, processes, services?  
Q. Were the products, processes or services new to the company, new to the country, new to the global market?



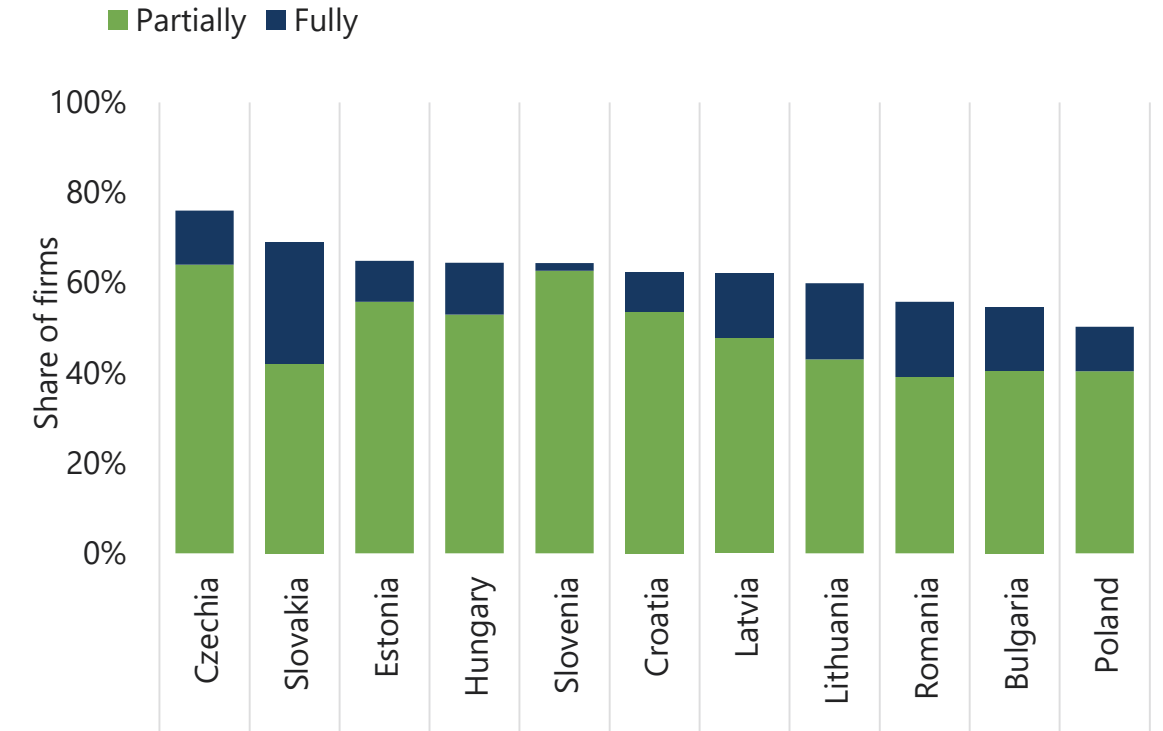
# Digitalisation is spreading

*CESEE firms are close to the EU average in implementing digital tech, but there is a lot of heterogeneity across countries*

## Implementation of digital technologies



## Implementation of digital technologies by country

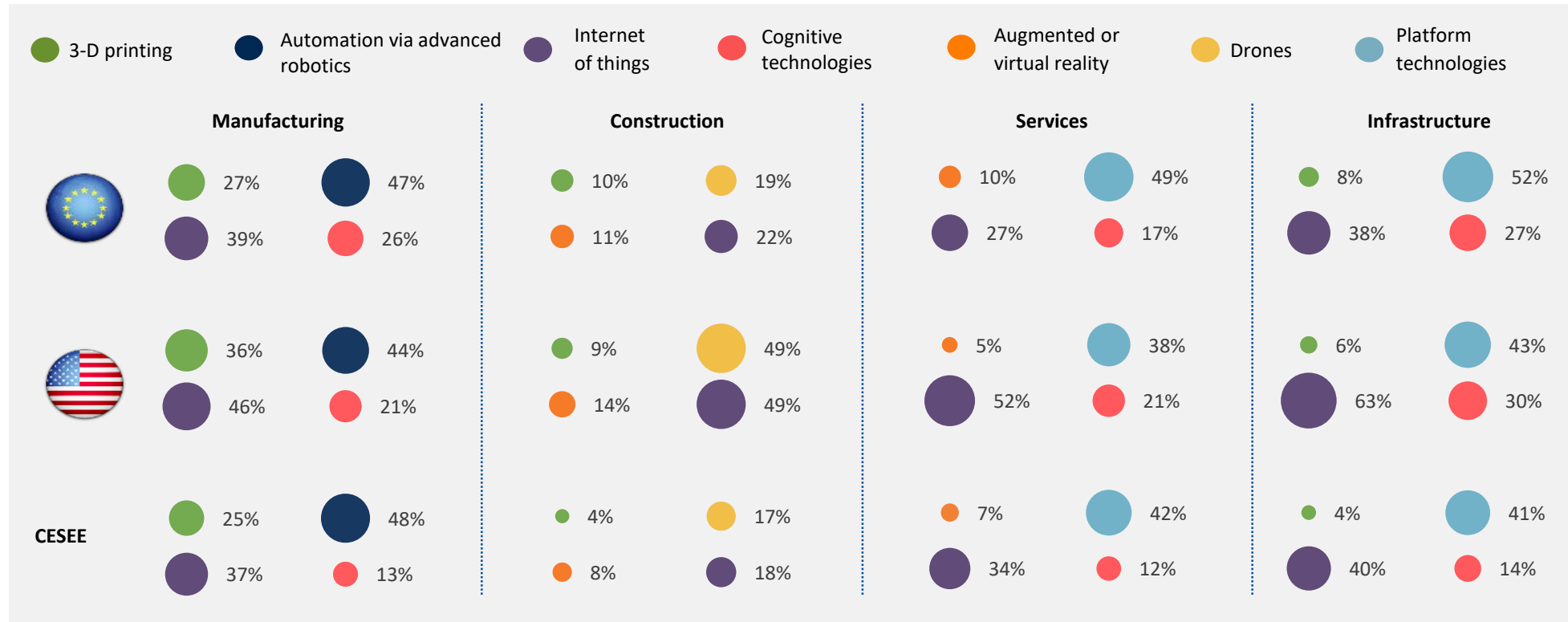


Q. Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

# Digital: who and what?

*Advanced robotics is very widespread in manufacturing. Internet of things is also gaining ground in all sectors. Gaps exist in other technologies, such as artificial intelligence, virtual reality and platforms*

## Digital implementation by sector and technology

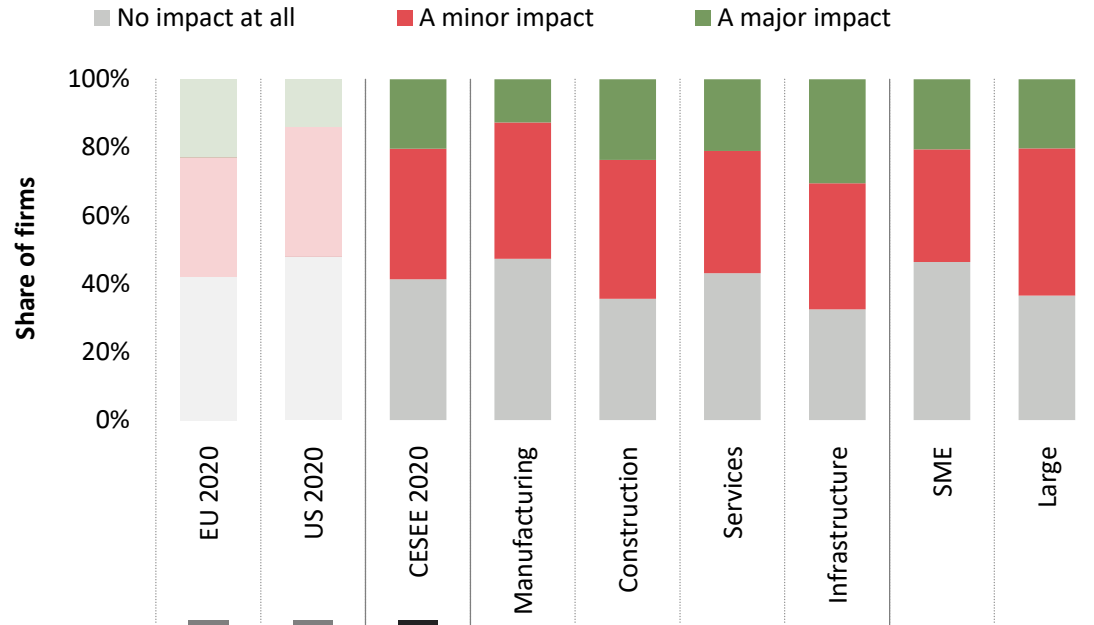


Q. Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

# Climate change: impact and action

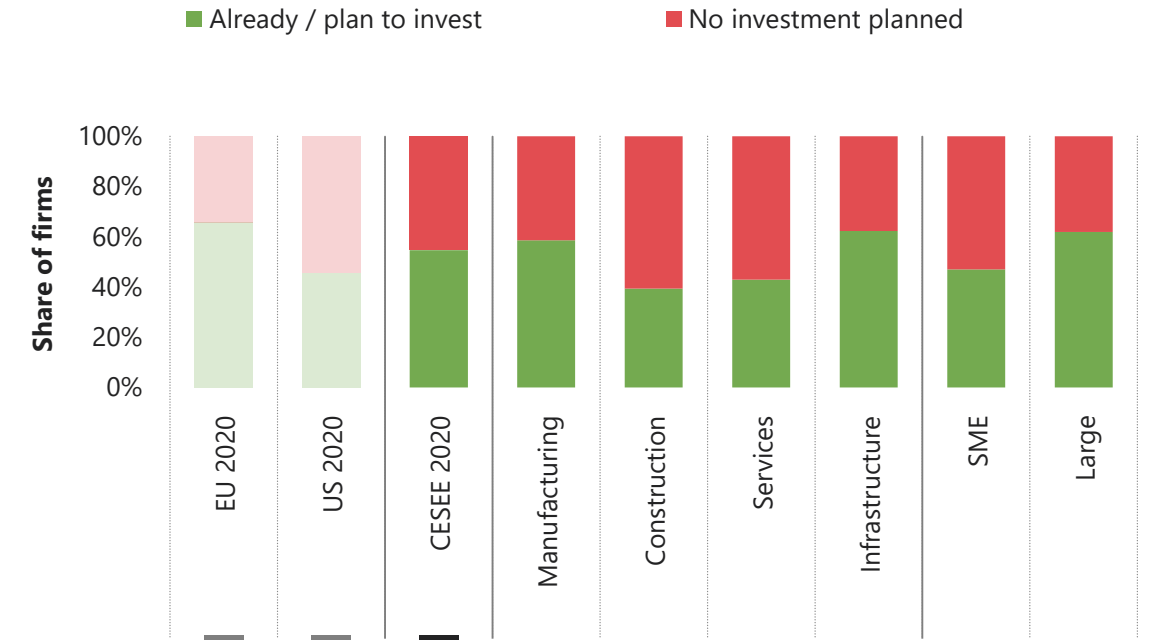
*Close to 60% of the firms are concerned about the impact of climate change in their business, and 56% of CESEE companies are investing or planning to invest into tackling climate change.*

## Perceived impact of climate change



*Q, Thinking about climate change and the related changes in weather patterns, would you say these weather events currently have a major impact, a minor impact or no impact at all on your business?*

## Investment plans to tackle climate change

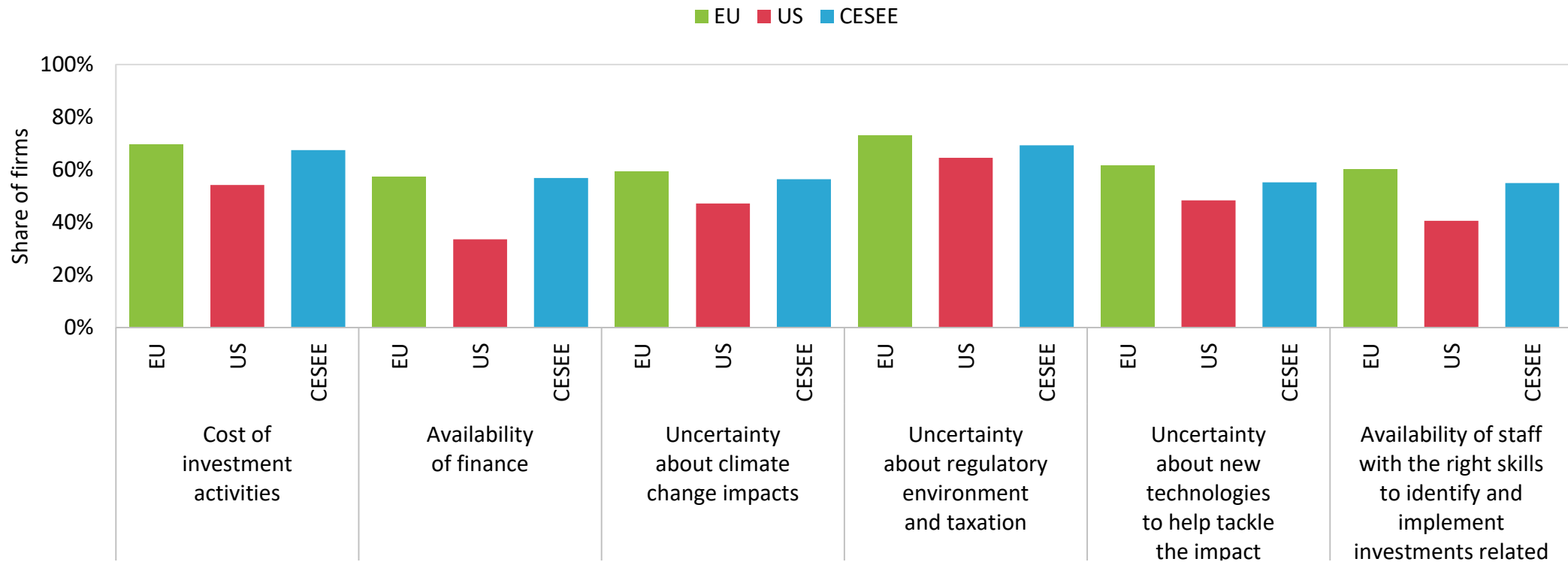


*Q, Now thinking about investments to tackle the impacts of weather events and reduction in carbon emissions, which of the following applies?*

# Barriers to tackle climate change

*Uncertainty about regulations and the costs of investment are the key barriers that prevent firms from investing more into green*

## Barriers to invest into climate change mitigation

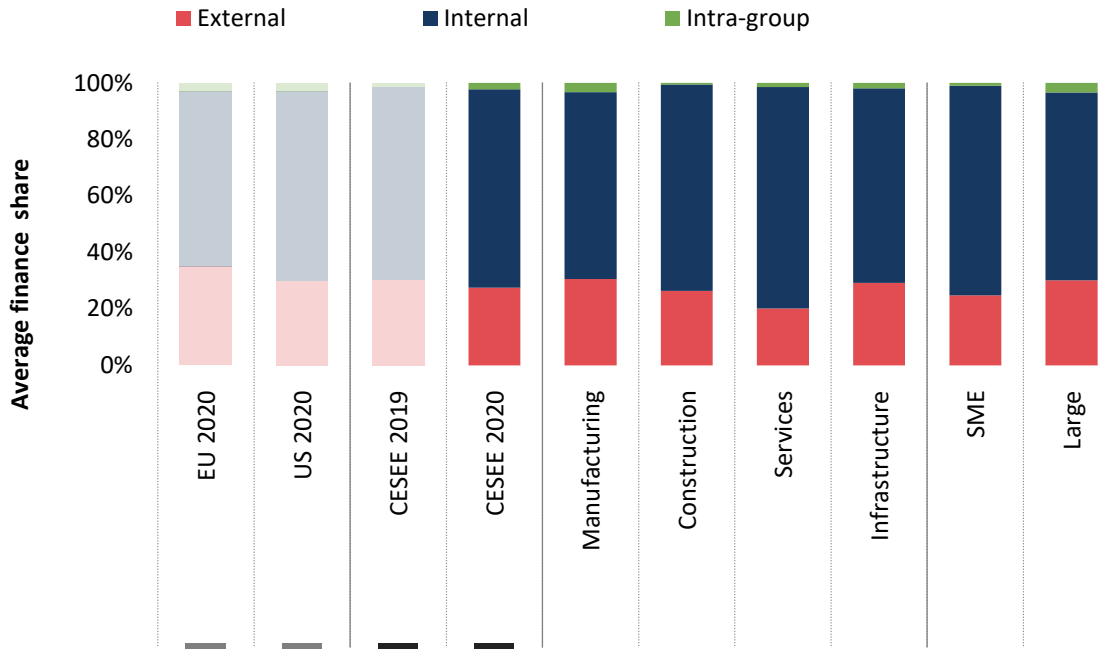


Q. To what extent is the following an obstacle to investing in activities to tackle weather events and emissions reduction? Is it a major obstacle, minor obstacle or not at obstacle at all?

# Financing investments

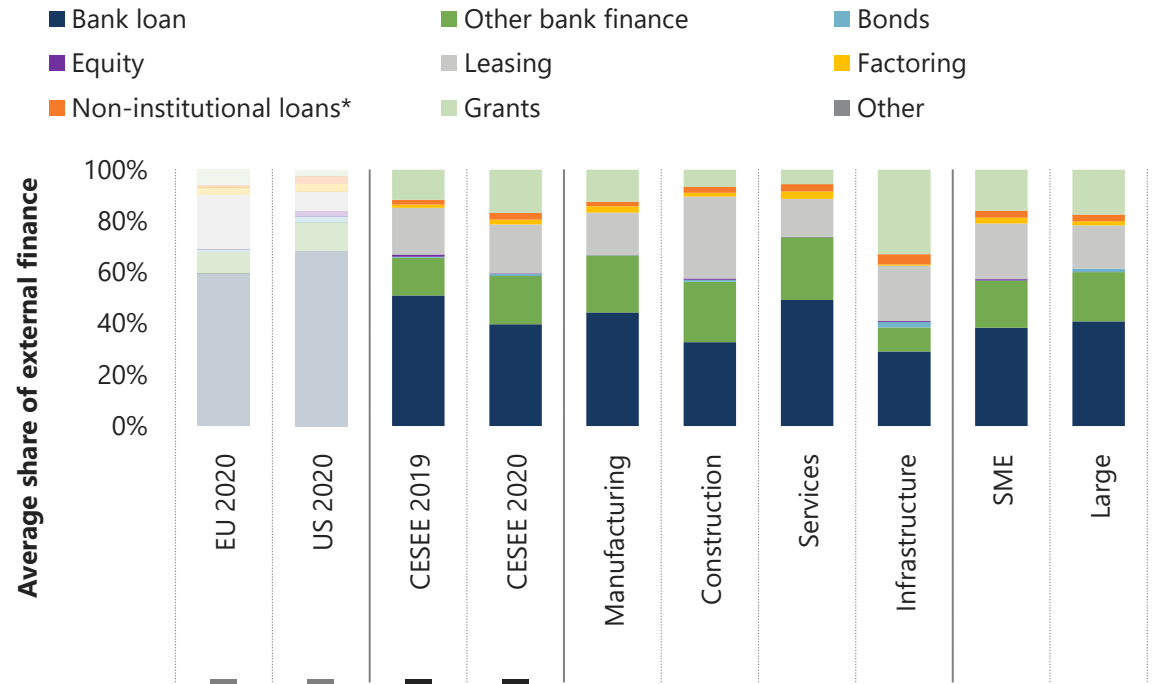
*Firms in CESEE fund the majority – 70% – of their investment through internal funds, more than their EU peers (62%). Besides bank financing, they also often use leasing and grants to finance investments.*

## Reliance on internal finance



Q. What proportion of your investment was financed by each of the following?

## Types of external finance used



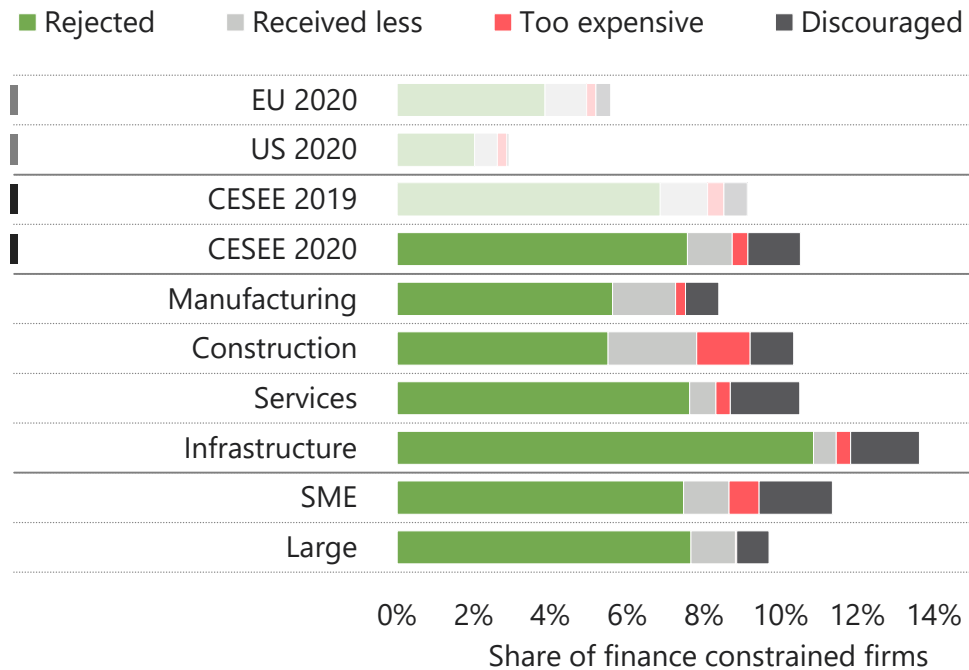
Q. Approximately what proportion of your external finance does each of the following represent?

\* Loans from family, friends or business partners

# Access to finance

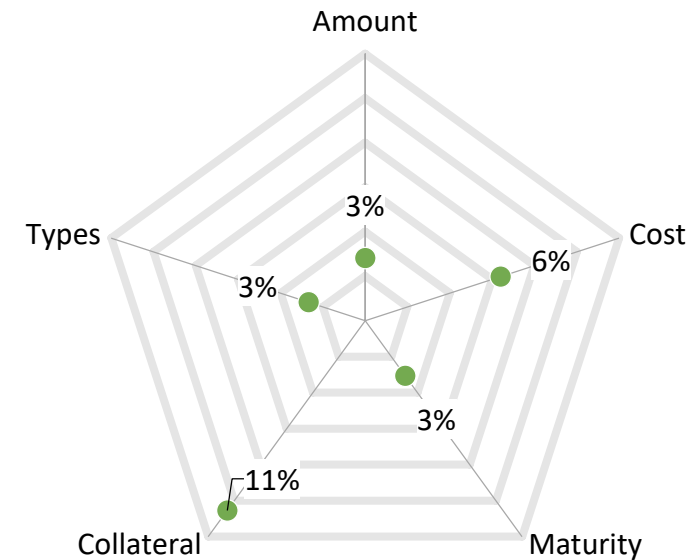
*CESEE firms are more likely to be financially constrained than the average EU firm (6% vs 11%). The infrastructure sector is particularly affected. Some firms are dissatisfied with collateral requirements.*

## Share of finance-constrained firms



Q. What proportion of your investment was financed by each of the following?

## Dissatisfaction with elements of external finance



Q. How satisfied or dissatisfied are you with ...?

# Key takeaways

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- **COVID-19 abruptly halted the positive investment trend in the CESEE region** - about one-third of firms say they will delay or abandon at least some of their investment plans, and another quarter expects to reduce the scope.
- **Economic uncertainty and skill shortages** prevent some firms from investing.
- **CESEE firms continue to invest heavily into machinery** – investment into intangible assets such as R&D is low.
- **Digitalisation is in progress** – advanced robotics is widespread the manufacturing sector, yet gaps exists in other sectors and technologies.
- **There is a growing awareness of climate change at firm level** – however, costs and uncertainty limit firms to invest more into green.
- **CESEE firms are more financially constrained** than their EU peers.

# How to access the EIB Investment Survey (EIBIS)?

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## Individual country write-ups:

<https://www.eib.org/en/publications-research/economics/surveys-data/eibis/index.htm>

## Data aggregated at country/sector/firm size level (for all 5 survey waves):

<https://data.eib.org/eibis/>

**Access to the firm-level data is possible** for interested researchers through joint projects with the EIB Economics Department