



European
Investment
Bank

The EU bank



Ireland

EIBIS 2016

EIB Group Survey on
Investment and
Investment Finance 2016

Country Overview

EIB Group Survey on Investment and Investment Finance Country Overview: Ireland

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About the EIB Investment Survey (EIBIS)

The EIB Group Survey on Investment and Investment Finance is a unique, EU-wide, annual survey of 12,500 firms. It collects data on firm characteristics and performance, past investment activities and future plans, sources of finance, financing issues and other challenges that businesses face. Using a stratified sampling methodology, EIBIS is representative across all 28 member States of the EU, as well as for firm size classes (micro to large) and 4 main sectors. It is designed to build a panel of observations to support time series analysis, observations that can also be linked to firm balance sheet and profit and loss data. EIBIS has been developed and is managed by the Economics Department of the EIB, with support to development and implementation by Ipsos MORI. For more information see: <http://www.eib.org/eibis>.

About this publication

This Country Overview is one of a series covering each of the 28 EU Member States, plus an EU-wide overview. These are intended to provide an accessible snapshot of the data. For the purpose of these publications, data is weighted by value-added to better reflect the contribution of different firms to economic output. Contact: eibis@eib.org.

About the Economics Department of the EIB

The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The Department, a team of 30 economists, is headed by Debora Revoltella, Director of Economics.

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Disclaimer

The views expressed in this publication are those of the authors and do not necessarily reflect the position of the EIB.

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Ipsos Public Affairs works closely with national governments, local public services and the not-for-profit sector, as well as international and supranational organizations. Its c.200 research staff in London and Brussels focus on public service and policy issues. Each has expertise in a particular part of the public sector, ensuring we have a detailed understanding of specific sectors and policy challenges. This, combined with our methodological and communications expertise, helps ensure that our research makes a difference for decision makers and communities.

EIBIS 2016 – COUNTRY OVERVIEW

Ireland

The annual EIB Group Survey on Investment and Investment Finance (EIBIS) is an EU-wide survey of 12 500 firms that gathers quantitative information on investment activities by both SMEs and larger corporates, their financing requirements and the difficulties they face.

As the EU bank, the EIB Group responds to the need to accelerate investment to strengthen job creation and long-term competitiveness and

sustainability across all 28 EU member States. EIBIS helps the EIB to contribute to a policy response that properly addresses the needs of businesses, promoting investment.

This country overview presents selected findings based on telephone interviews with 400 firms in Ireland in 2016 (July-October). **Note:** The results are weighted by value-added, reflecting firms' contribution to the economy.

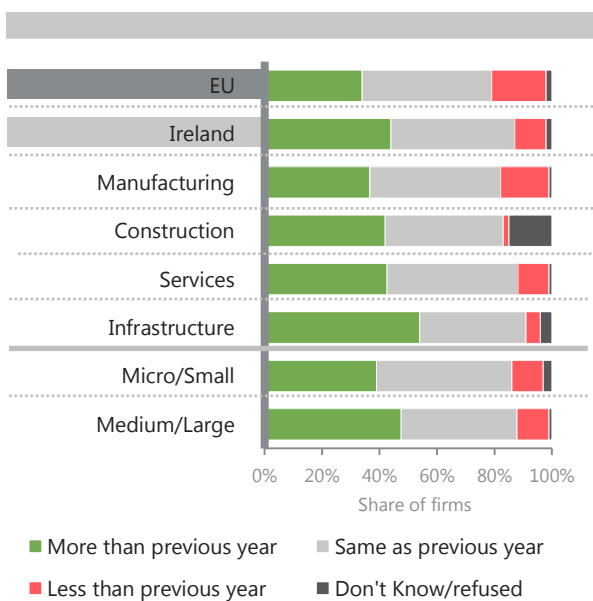
Key results

Investment outlook:	High investment, moderately expanding: compared to the EU, a high share of firms invested in the last (2015) financial year, and, on balance, the expectation for the current (2016) year remains positive (with the exception of smaller firms and firms active in the infrastructure sector). In 2016, the construction sector looks set to have been shedding its reluctance of recent years, shifting from a low to a high investment phase, while the services sector also looks to expand.
Investment activity:	Across sectors, investment in intangibles is particularly important in Ireland., including for smaller firms. In line with the wider-EU, investment in renewing the capital stock is the key priority with the bulk in machinery & equipment.
Investment gap:	One in five firms report having invested too little over the last three years, which is slightly above the EU average.
Investment barriers:	Uncertainty and availability of staff with the right skills are perceived to be the main barriers to investment, as is also the case in the wider EU, with high energy costs and regulatory concerns also noteworthy for Irish firms.
External finance:	By comparison with the wider EU, a relatively high share of firms (13%) face external finance constraints; with the share particularly high in the services sector, but also for manufacturing and small and micro enterprises .
Firm performance:	Firms in Ireland tend to be found in the mid-to higher-level productivity spectrum compared with the EU average.

INVESTMENT DYNAMICS

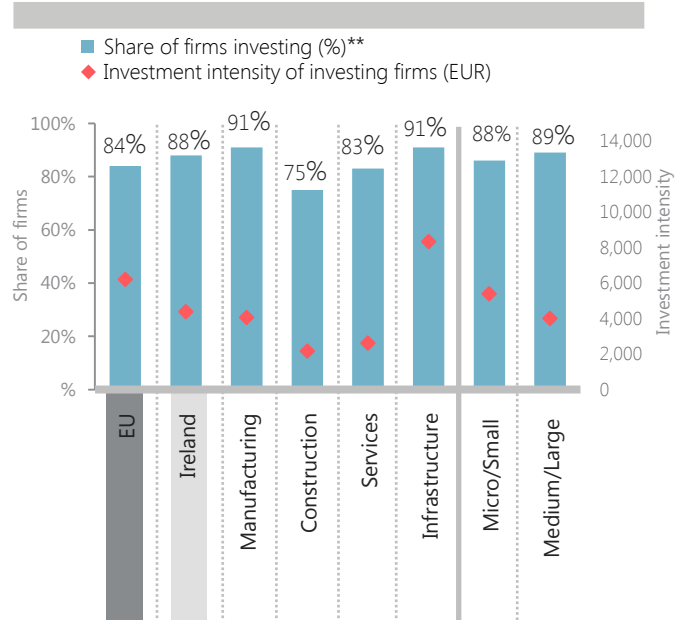
- Overall 88% of firms in Ireland invested in the last financial year, above the EU average, with a significant sectoral contrast:
- Manufacturing and infrastructure have the largest share of firms having invested (each 91%);
- Construction has the lowest share of firms having invested (75%).
- Investment per employee (or investment intensity) in Ireland is somewhat below the EU average, with construction and services both lower-intensity sectors.

Investment activity in last financial year compared to previous



Base: All firms who invested in the last financial year
Q. Overall was this more, less or about the same amount of investment as in the previous year?

Investment activity in last financial year



Base: All firms (excluding don't know/refused responses)

**The blue bars indicate the proportion of firms who have invested in the last financial year.

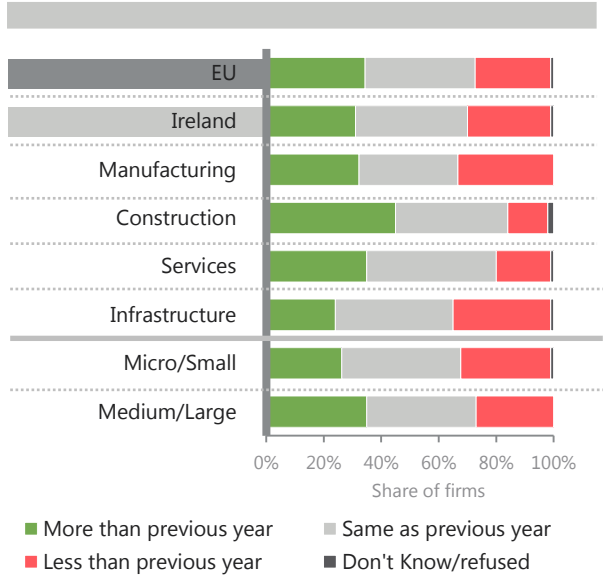
A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities.

Investment intensity is the median investment per employee of investing firms.

- Just over two in five firms (44%) increased their investment activities from 2014 to 2015, significantly above the EU average (34%).
- On balance, significantly more firms increased their investment activities than reduced it (44% versus 11%), which is consistent with the strong macro-economic rebound.
- This positive balance is especially pronounced for infrastructure firms.

- For the current financial year, the outlook is more cautious; with the number of firms broadly balanced across those that expect to invest more and those expecting to invest less (31% versus 29%).
- The construction sector stands out, with expectations to expand investment significantly outweighing the reverse (45% versus 14%), followed by services (35% versus 19%).
- The reverse pattern is evident in the infrastructure sector with a higher proportion expecting to invest less (34% versus 24%).

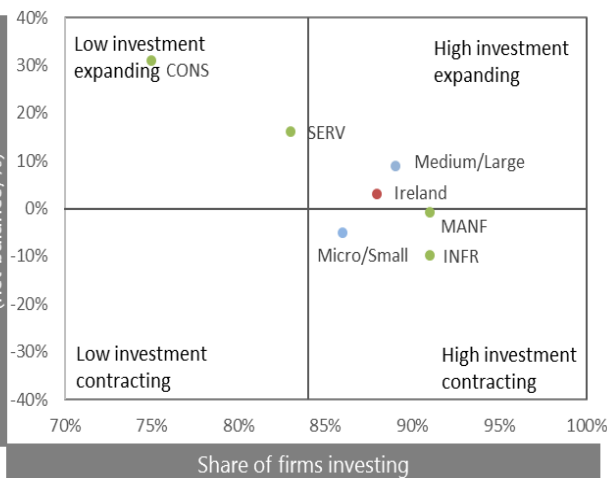
Expected investment in current financial year compared to last one



Base: All firms

Data is derived from two questions: firms who had invested in the last financial year were asked if they expect to invest more, around the same amount or less than last year; firms who had not invested in the last financial year were asked if they had already invested, or expect to invest in the current year

Investment cycle



Base: All firms

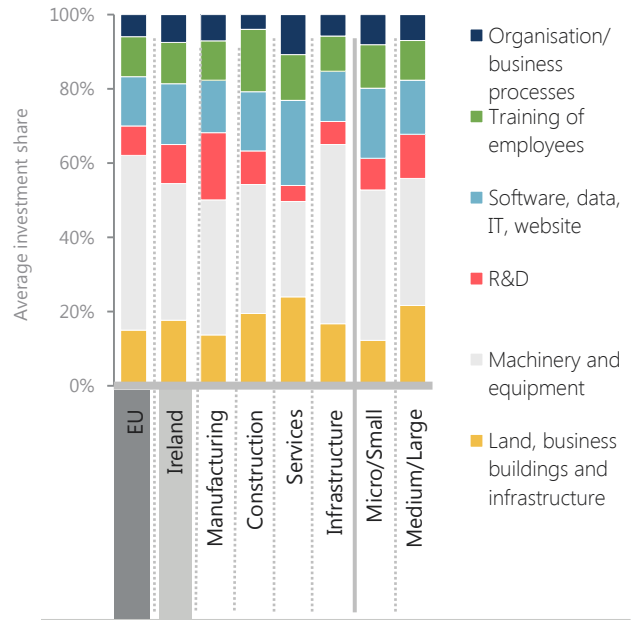
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.

- While a high share of firms in Ireland have been investing, on average they plan to increase the amount invested only marginally.
- A significant degree of heterogeneity is behind this:
 - The construction sector appears to be moving from a low- to a high-investment mode;
 - Micro/small firms as well as those active in the infrastructure sector appear to be tapering investment activities.

INVESTMENT ACTIVITY

- Compared to the EU as a whole, firms in Ireland tend to invest more in intangible goods such as software, data, IT and website activities.
- Investment in machinery and equipment accounts for the largest share of firms' investments in Ireland (37%), if to a lesser degree than across the wider EU (47%).

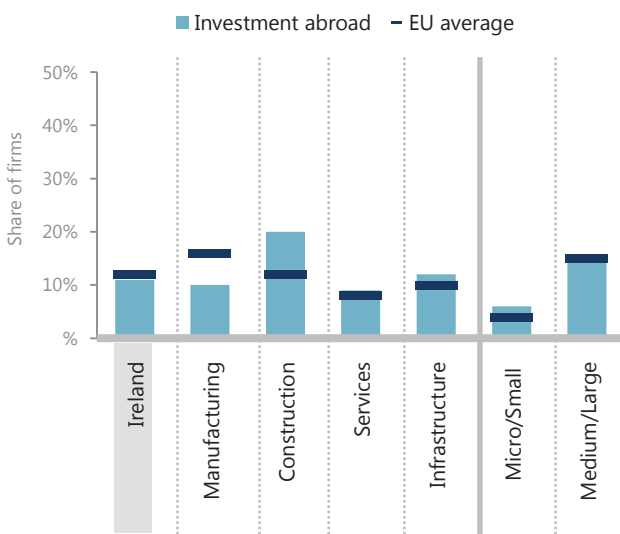
Investment areas



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

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?

Investment abroad



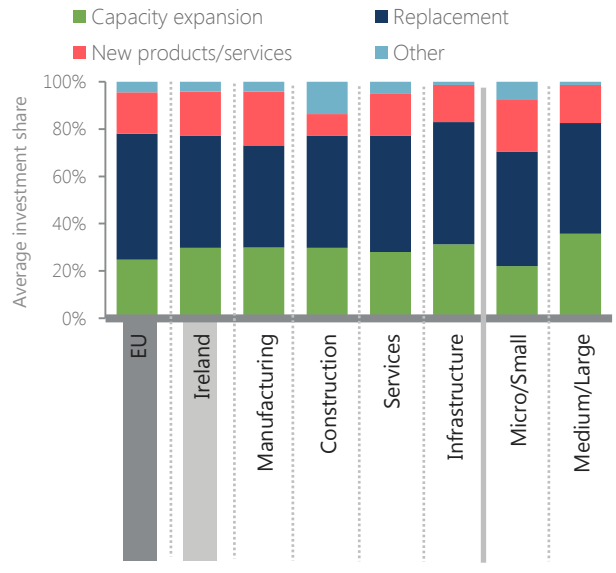
Base: All firms who invested in the last financial year
*Caution very small base size less than 30

Q. In the last financial year, has your company invested in another country?

- Overall eleven per cent of firms in Ireland have invested in another country, in line with the EU average.
- Nearly two in ten firms in the construction sector have invested abroad - twice the EU average.
- This contrasts with manufacturing, where the proportion is around half the EU average.
- Similar to across the EU, medium-sized and larger firms are more likely to invest abroad than smaller firms (15% versus 6%).

- As is the case across the EU, the largest share of investment in the last financial year was for replacing existing buildings, machinery, equipment and IT (47%).
- This notwithstanding, the share of investment that went into capacity expansion in 2015 in Ireland (30%) was among the highest in the EU.

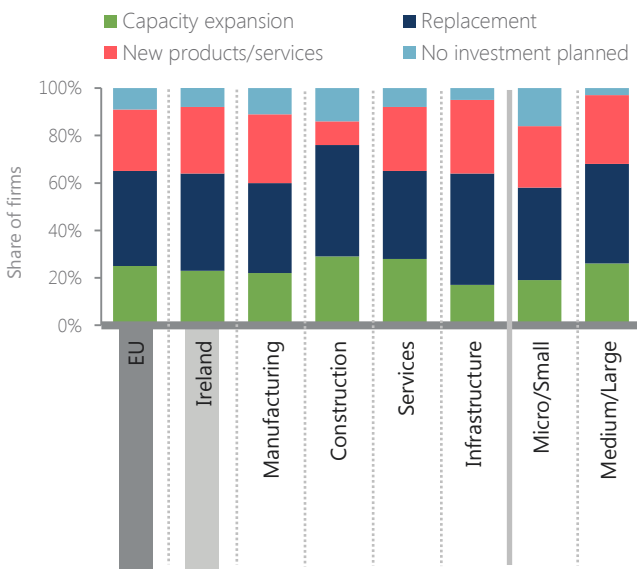
Purpose of investment in last financial year



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

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?

Future investment priorities



Base: All firms (excluding don't know/refused responses)

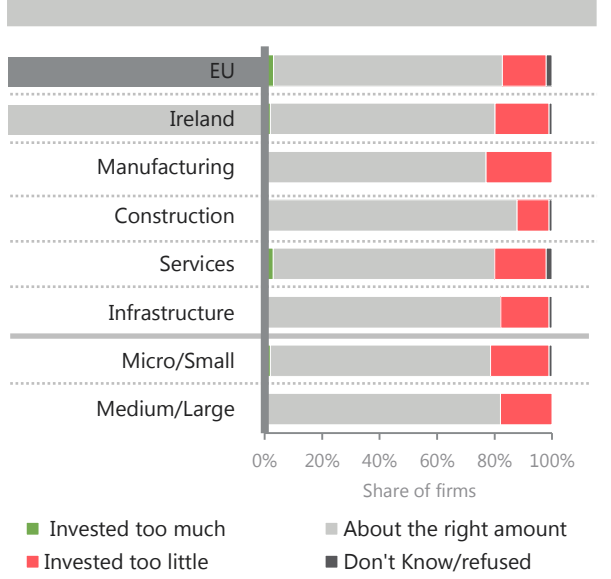
Q. Looking ahead to the next 3 years, which of the following is your investment priority (a) replacing existing buildings, machinery, equipment, IT (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

- For around two in five firms planning to invest in the next three years, the priority is replacing existing buildings, machinery, equipment and IT (41%).
- Overall around one quarter are planning to expand capacity (23%) and for three in ten the priority is developing or introducing new products, processes and services (28%).

INVESTMENT NEEDS

- Overall, 79% of firms in Ireland believe their investment over the last three years was about the right amount. Around one in five (19%) report investing too little, slightly above the EU average.
- The share of firms that state having underinvested is highest among firms active in the manufacturing sector.

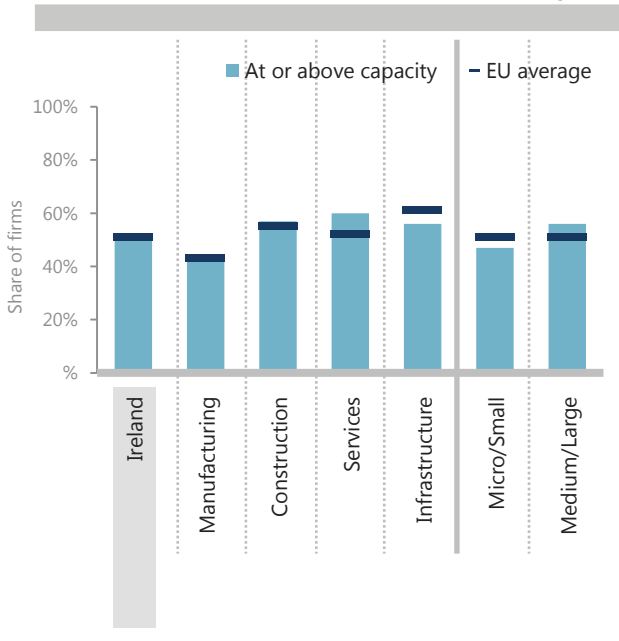
Perceived investment gap



Base: All firms (excluding 'Company didn't exist three years ago' responses)

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?

Share of firms at or above full capacity



Base: All firms (data not shown for those operating somewhat or substantially below full capacity)

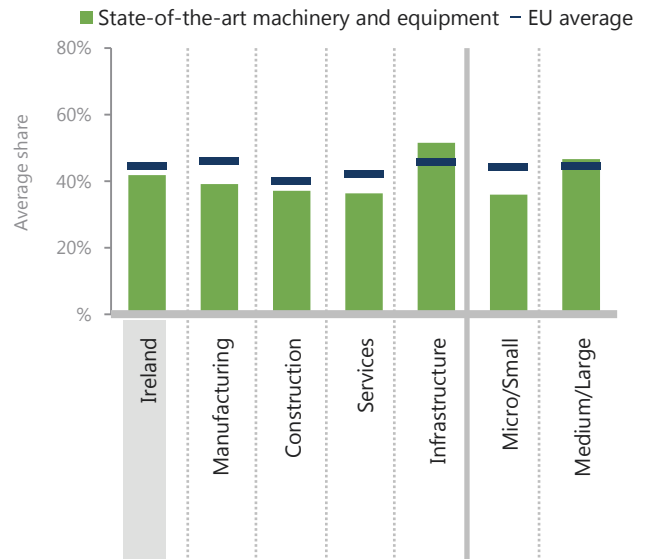
Full capacity is the maximum capacity attainable under normal conditions e.g., company's general practices regarding the utilization of machines and equipment, overtime, work shifts, holidays etc.

Q. In the last financial year, was your company operating above or at maximum capacity attainable under normal circumstances?

- Half of companies in Ireland report operating at or above maximum capacity in the last financial year (52%), similar to the EU average (51%).

- The average share of state-of-the-art machinery and equipment that firms report in Ireland (42%) is similar to the EU average (44%); services and manufacturing sectors are slightly lower.
- The infrastructure sector is the only one to report higher than average share of state-of-the-art machinery and equipment (51% versus 46% across the EU).

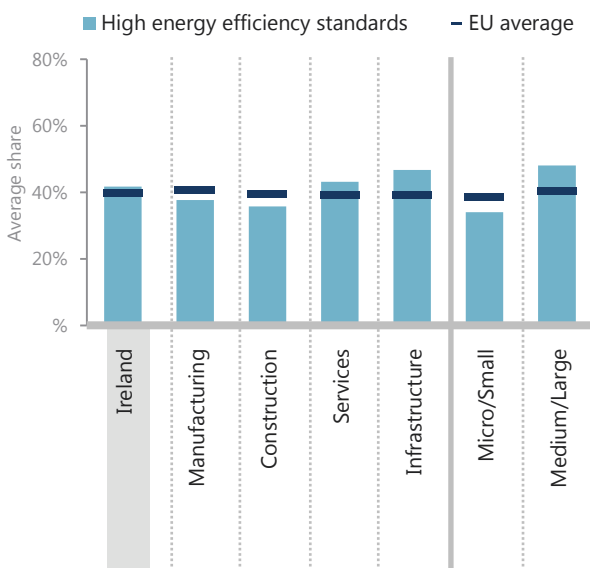
Average share of state-of-the-art machinery and equipment



Base: All firms

Q. What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?

Average share of building stock meeting high energy efficiency standards



Base: All firms

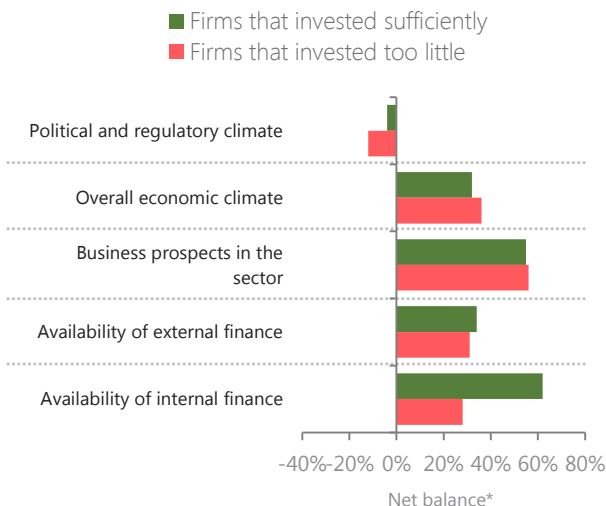
Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?

- Firms in Ireland report that about 42% of their building stock on average satisfies high energy efficiency standards; in line with the EU.

INVESTMENT CONSTRAINTS

- Though to a lesser extent than in the wider EU, the political and regulatory climate is perceived as the main barrier to implementing planned investment in Ireland in the current financial year.
- On the other hand, improvements in availability of finance and business prospects are associated with a positive impact.

Short term influences by investment performance

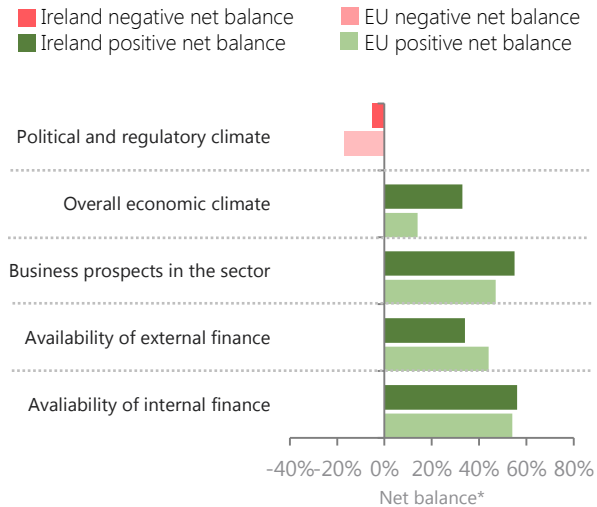


Base: All firms who have planned to invest in the current financial year and who invested too much, about the right amount or too little in the last financial year (excluding don't know/refused/company didn't exist three years ago responses)

Q. How do each of the following affect your ability to carry out your planned investment. Does it affect it positively or negatively, or make no difference at all?

* Net balance is the share of firms seeing a positive effect minus the share of firms seeing a negative effect

Short term influences on investment



Base: All firms who have planned to invest in the current financial year

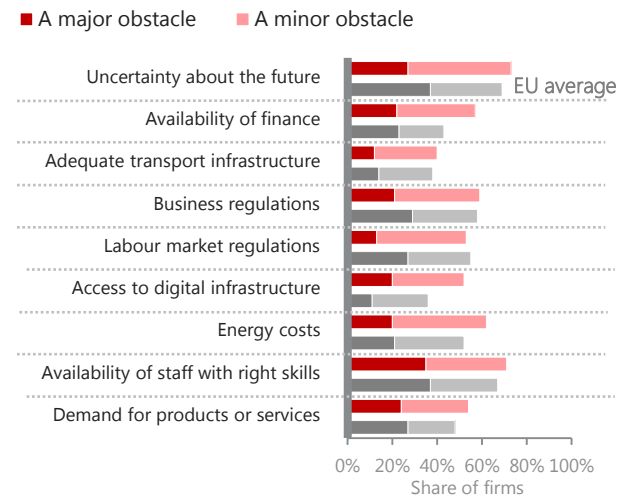
Q. How do each of the following affect your ability to carry out your planned investment. Does it affect it positively or negatively, or make no difference at all?

*Net balance is the share of firms seeing a positive effect minus the share of firms seeing a negative effect

- Political and regulatory climate is even more likely to be considered a barrier to investment for firms that deem themselves to have underinvested in recent years.

- In line with the wider EU, around seven in ten firms in Ireland consider uncertainty about the future and availability of staff with the right skills as an obstacle to investment over the longer term.
- High energy costs and business regulations are also important barriers to investment, as are availability of finance and labour market regulations.

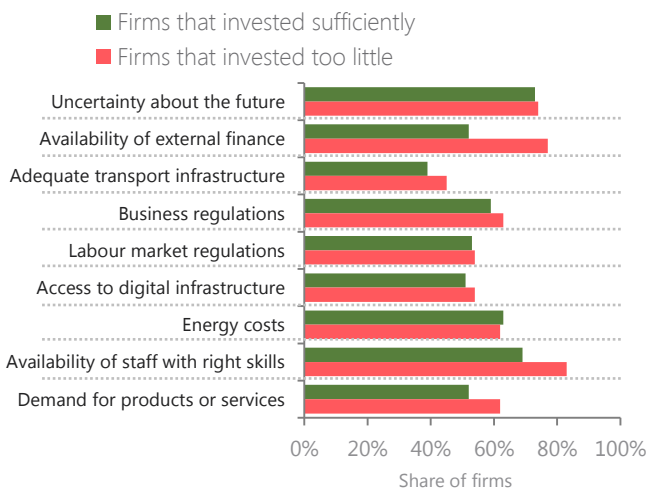
Long term barriers to investment



Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

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?

Long term barriers by investment performance



Base: All firms who invested too much, about the right amount or too little in the last financial year (excluding don't know/refused/company didn't exist three years ago responses), data shown for firms who said each was a major or minor obstacle

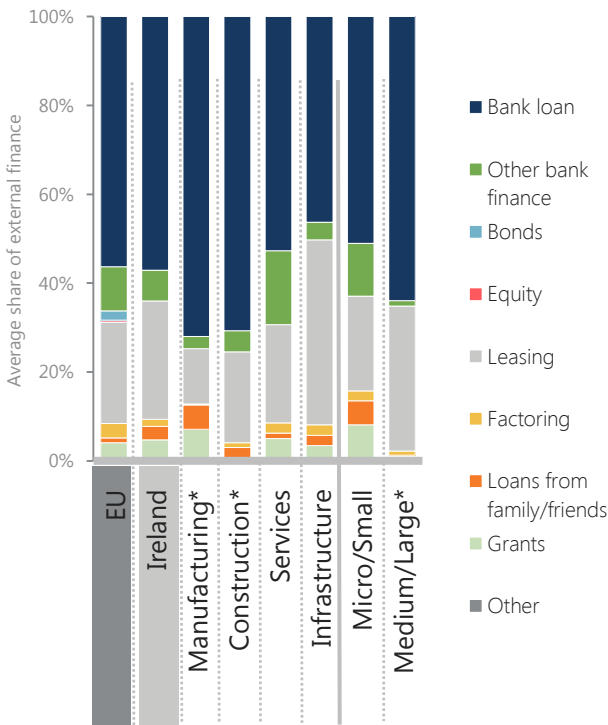
Q. Thinking about your investment activities in Ireland, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?

- Views on long term barriers are broadly similar among those who report underinvestment and those who report investments in line with needs.
- The main exception to this is access to external finance and availability of skilled staff, which are named more often as barriers to investment by those firms that feel that they have invested too little in the past.

INVESTMENT FINANCE

- Firms in Ireland primarily use internal funds to finance their investment activities (75% compared to 60% for the EU as a whole).
- Bank loans are the most common source of external finance for firms in Ireland.
- Firms that used external finance are on balance satisfied with the amount, maturity, and type of finance. Cost and collateral requirements could be improved.

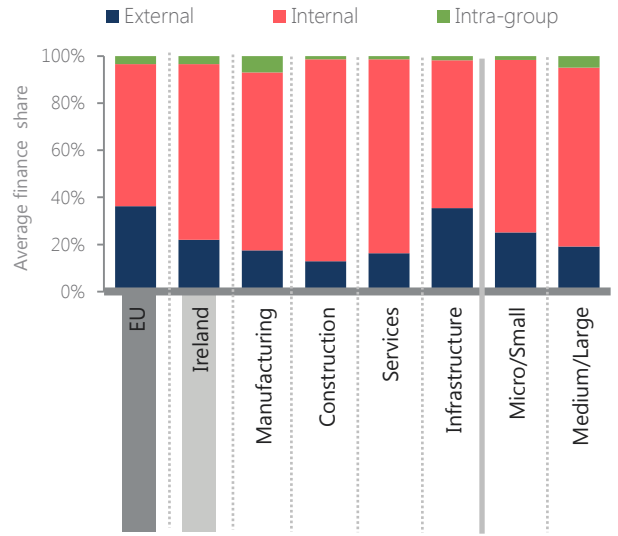
Type of external finance used for investment activities



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

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

Source of investment finance



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

Q. Approximately what proportion of your investment in the last financial year was financed by each of the following?

Satisfaction with external finance

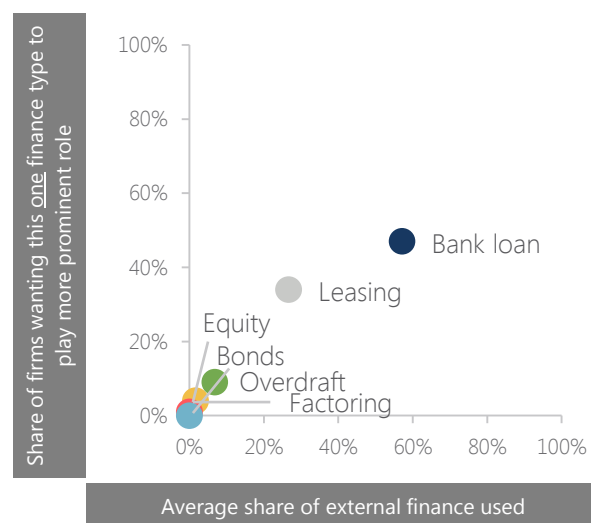


Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

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

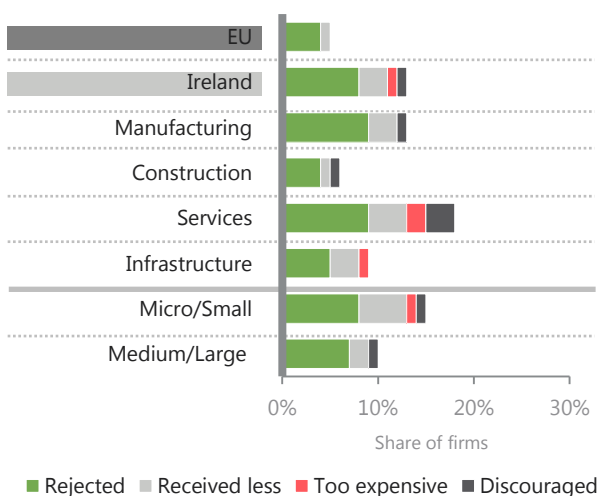
- Overall firms in Ireland want more of the type of external finance they are already using.

Types of finance used versus the one type of finance firms want to use more



Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)
Data is derived from two questions: firms were first asked about the types of external finance used in the last financial year and then which one type of external finance they would want to have a more prominent role over the next 3 years

Share of finance constrained firms

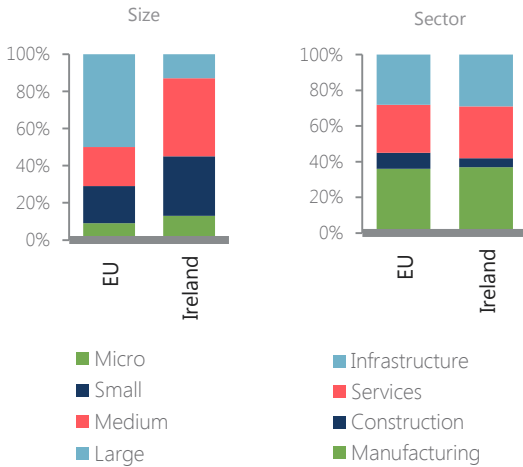


Base: All firms
Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive)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

- Thirteen per cent of firms in Ireland can be considered finance constrained; above the EU average.
- About one in five firms in the service sector are finance constrained (18%) as opposed to 6% if firms in the construction sector.

PROFILE OF FIRMS

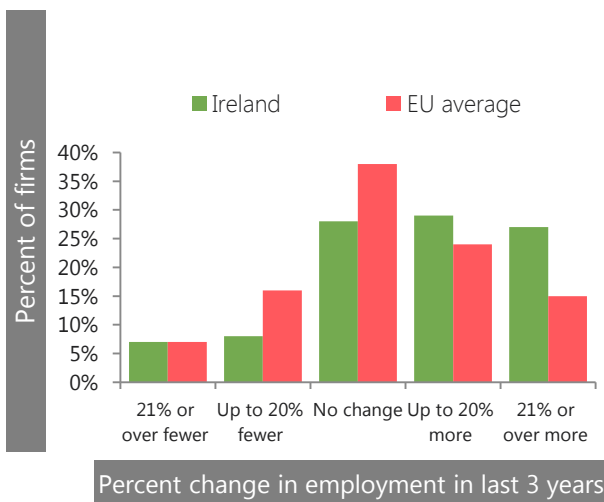
Contribution to Value-Added



Base: All firms

The charts reflect the relative contribution to value-added by firms belonging to a particular size class / sector in the population of firms considered. That is, all firms with 5 or more employees active in the sectors covered by the survey. Micro: 5-9 employees; Small: 10-49; Medium: 50-249; Large: 250+.

Employment dynamics in last 3 years

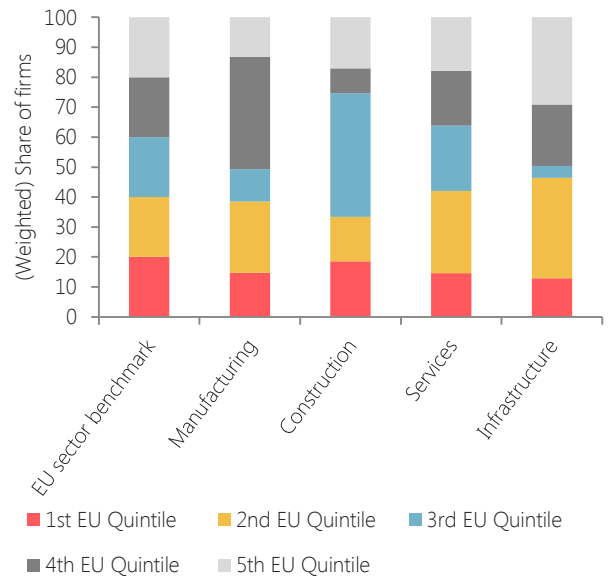


Base: All firms (excluding don't know, refused and missing responses)

Q. Thinking about the number of people employed by your company, by how much has it changed in the last 3 years?

- The manufacturing sector has the largest share of contribution to value-added in Ireland and the EU.
- In terms of weighted size distribution medium-sized companies account for the largest share of firms (42%).
- Employment dynamics in Ireland over the past three years were more favourable than the EU as a whole.
- Productivity distribution of firms in Ireland is somewhat heterogeneous across sectors, with manufacturing and especially infrastructure firms exhibiting higher productivity relative to their EU peers.

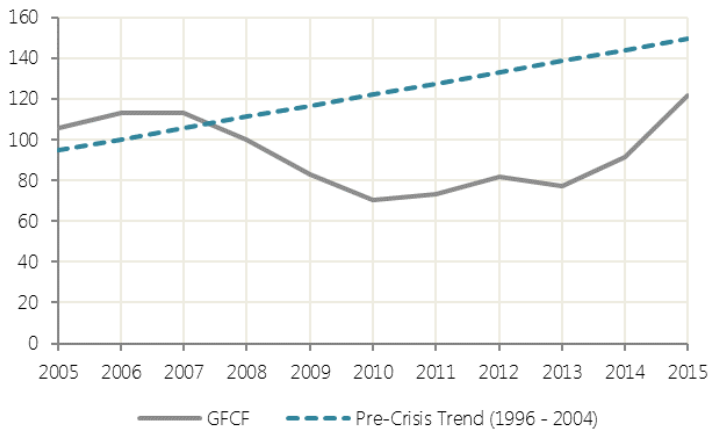
Distribution of firms by productivity class



Share of firms by productivity class (Total Factor Productivity). Productivity classes are sector specific; they are defined on the basis of the entire EU sample (for a particular sector).

MACROECONOMIC INVESTMENT CONTEXT

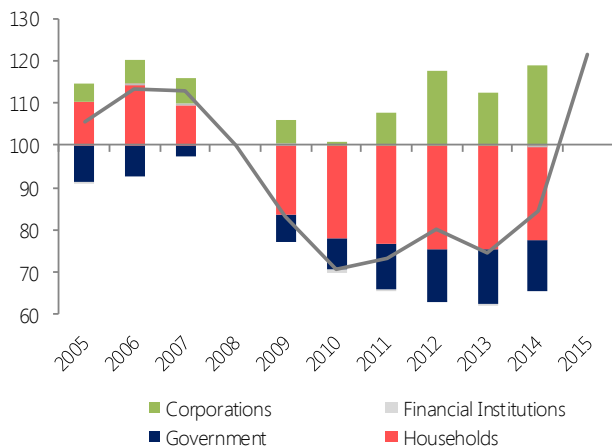
Investment Dynamics over time



The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); against the series 'pre-crisis trend'. The data has been indexed to equal 100 in 2008. Source: Eurostat.

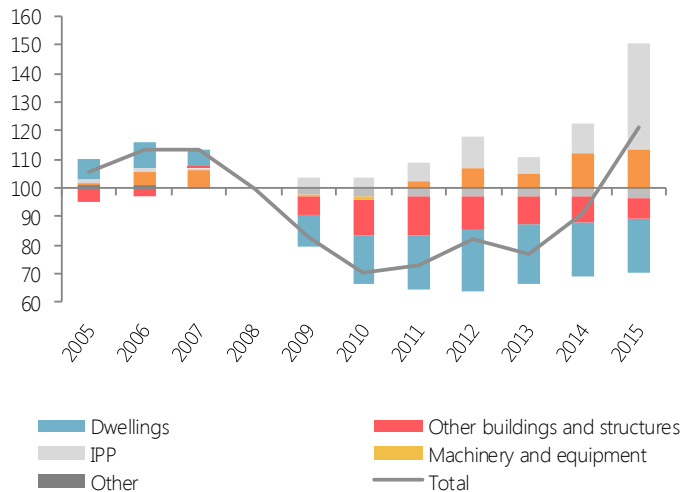
- In 2015, aggregate investment is some 20% above its 2008 levels, even if the pre-crisis trend suggests that a 30% gap remains.
- The current composition appears more balanced as, post-boom, the household sector and investments in 'dwellings' are lagging most compared to 2008.
- Intellectual property plays a leading role in the rebound.

Investment Dynamics by Institutional Sector



The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); by institutional sector. The data has been indexed to equal 100 in 2008. Source: Eurostat.

Investment Dynamics by Asset Class



The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); by asset class. The data has been indexed to equal 100 in 2008. Source: Eurostat.

EIBIS 2016 – COUNTRY TECHNICAL DETAILS

The final data are based on a sample, rather than the entire population of firms in Ireland, so the percentage results are subject to sampling tolerances. These vary with the size of the sample and the percentage figure concerned.

Approximate sampling tolerances applicable to percentages at or near these levels

	EU	Ireland	Manu- facturing	Cons- truction	Services	Infras- tructure	SME	Large	EU vs Country	Manufacturing vs Construction	SME vs Large
	(12483)	(400)	(109)	(92)	(111)	(88)	(382)	(18)	(12483 vs 400)	(109 vs 92)	(382 vs 18)
10% or 90%	1.0%	3.3%	5.7%	12.4%	5.8%	6.4%	3.4%	11.6%	3.5%	13.6%	12.1%
30% or 70%	1.5%	5.1%	8.8%	19.0%	8.8%	9.8%	5.2%	17.8%	5.3%	20.8%	18.5%
50%	1.7%	5.6%	9.6%	20.7%	9.6%	10.7%	5.7%	19.4%	5.8%	22.7%	20.1%

Glossary

Investment	A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities with the intention of maintaining or increasing the company's future earnings.
Investment cycle	Based on the expected investment in current financial year compared to last one, and the proportion of firms with a share of investment greater than EUR 500 per employee.
Productivity	Total factor productivity is a measure of how efficiently a firm is converting inputs (capital and labor) into output (value-added). It is estimated by means of an industry-by-industry regression analysis (with country dummies).
Manufacturing sector	Based on the NACE classification of economic activities, firms in group C (manufacturing).
Construction sector	Based on the NACE classification of economic activities, firms in group F (construction).
Services sector	Based on the NACE classification of economic activities, firms in group G (wholesale and retail trade), group I (accommodation and food services activities).
Infrastructure sector	Based on the NACE classification of economic activities, firms in groups D and E (utilities), group H (transportation and storage) and group J (information and communication).
Micro/Small	Firms with between 5 and 49 employees.
Medium/Large	Firms with at least 50 employees.

EIBIS 2016 – COUNTRY TECHNICAL DETAILS

Base sizes

Base definition and page reference	EU	Ireland	Manufacturing	Construction	Services	Infrastructure	Micro / Small	Medium / Large
All firms, p. 3, p. 6, p. 7, p. 9, p. 11, p. 12, p. 13	12483	400	109	92	111	88	307	93
All firms (excluding don't know/refused responses), p. 2	11838	379	104	88	105	82	290	89
All firms (excluding those who have no investment planned/don't know/refused responses), p. 5	12159	393	106	90	111	86	301	92
All firms (excluding 'Company didn't exist three years ago' responses), p. 6	12453	399	109	91	111	88	306	93
All firms (excluding don't know, refused and missing responses), p. 13	12162	393	106	89	111	87	303	90
All firms who invested in the last financial year, p. 2	12281	390	105	90	109	86	299	91
All firms who invested in the last financial year, p. 4	10881	355	96	78	102	79	267	88
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4	10060	333	94	72	91	76	251	82
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5	9682	315	87	68	91	69	240	75
All firms who invested in the last financial year (excluding don't know/refused responses), p. 10	9093	307	77	73	91	66	241	66
All firms who have planned to invest in the current financial year and who invested too much, about the right amount or too little in the last financial year (excluding don't know/refused/company didn't exist three years ago responses), p. 8	10536	333	N/A	N/A	N/A	N/A	N/A	N/A
All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 10, p. 11	4344	116	24	25	32	35	94	22

Percentage rounding

Percentage with value of less than 0.5 but greater than zero has not been displayed in the charts.






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