



European
Investment
Bank

The EU bank



Malta

EIBIS 2016

EIB Group Survey on
Investment and
Investment Finance 2016

Country Overview

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

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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.

About Ipsos Public Affairs

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

Malta

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 160 firms in Malta in 2016 (July-October). **Note:** The results are weighted by value-added, reflecting firms' contribution to the economy.

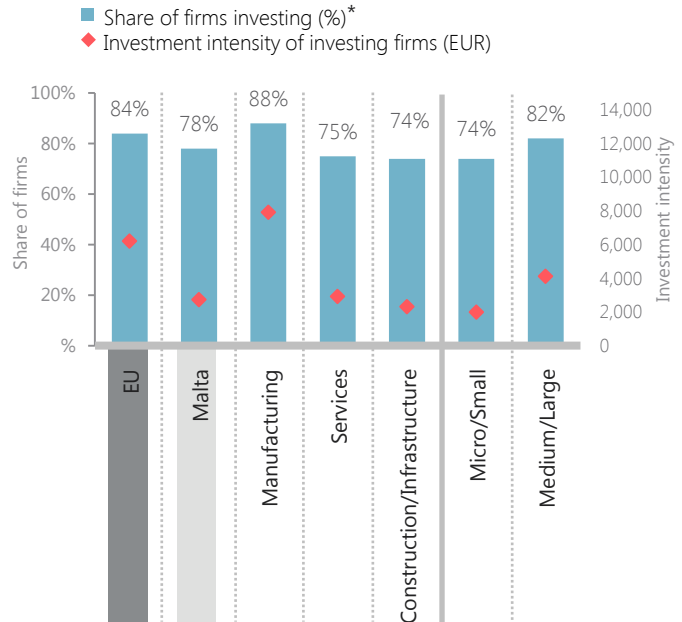
Key results

Investment outlook:	High investment, expanding: a high share of firms invested in the last financial year, with a positive outlook for the current year.
Investment activity:	78% of the firms invested in the last financial year, with an investment intensity (median investment per employee of the investing firms) less than the EU average.
Investment gap:	14% of the firms reported having invested too little over the last three years, while 8% found that they invested too much.
Investment barriers:	Firms in Malta are more concerned than other firms across the EU about the lack of availability of staff with the right skills . In fact, 56% of the firms consider the skills' mismatch issue as a major obstacle to their investment activities in the long term.
External finance:	Firms in Malta, appear to be finance constrained (14% of firms compared to 5% across the EU). This is the proportion of firms either dissatisfied with the amount of finance they received, had their application rejected, thought borrowing costs would be too high or were discouraged from applying. Firms are also dissatisfied with the collateral conditions and cost of external finance.
Firm performance:	Job creation has been improving as firms in Malta are more likely to increase and less likely to decrease their employment levels. Although firms in Malta show satisfactory productivity levels, in the construction sector there is a high share of firms in the lowest EU productivity quantile.

INVESTMENT DYNAMICS

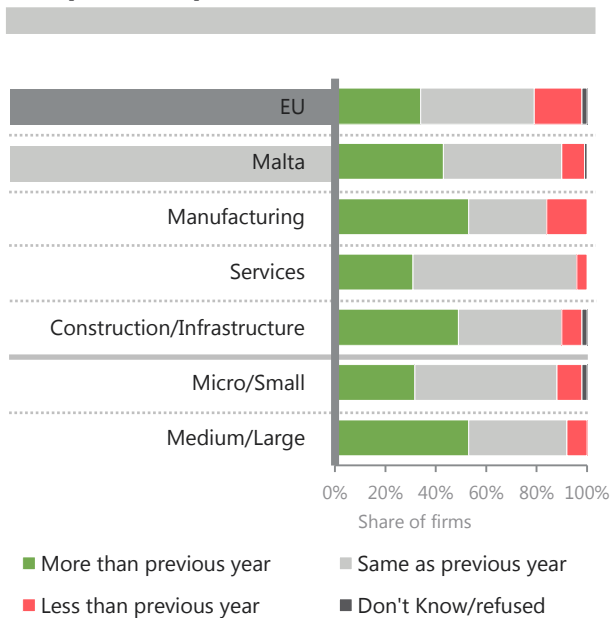
- 78% of firms in Malta invested in the last financial year, compared to 84% in the EU.
- The share of firms investing stood at 88% in the manufacturing sector, 75% in the services sector and 74% in the construction and infrastructure sectors.
- Intensity of investment (median investment per employee) was EUR 2,700 and, thus, significantly lower than for the EU as whole (with a median investment outlay of EUR 6,200).

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.

Investment activity in last financial year compared to previous

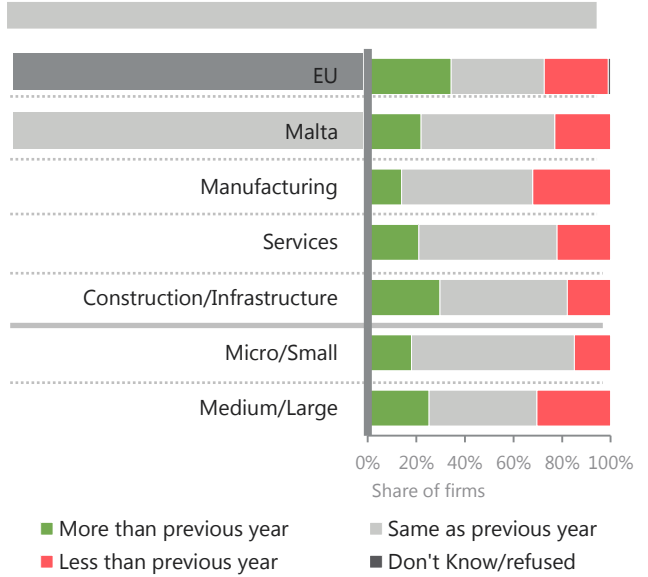


Base: All firms who invested in the last financial year
 Q. Overall was this more, less or about the same amount of investment as in the previous year?

- In 2015, 43% of the companies in Malta increased their investment activity and only 9% of the firms decreased their investment activity compared to 2014.
- More than half (53%) of firms in the manufacturing sector, 49% of firms in the construction and infrastructure sectors and 31% of firms in the services sector increased their investment amount.
- Investment expansion is driven by firms across all sizes. However, the share of medium and large firms that increased investment is 21 percentage points higher than the equivalent share of micro and small firms.

- For 2016, firms in Malta expect a stagnation in investment.
- More than half (55%) of firms in Malta expect their investment in 2016 to be the same as in 2015, significantly more than the EU average of 38%.
- One out of five (22%) firms expect more investment in 2016 than 2015; 23% of firms expect less.
- On balance, firms in the manufacturing and services sectors expect a contraction in investment (net investment of -18% and -1% respectively) and firms in construction/infrastructure are positive about their investment outlook (+12% net investment).

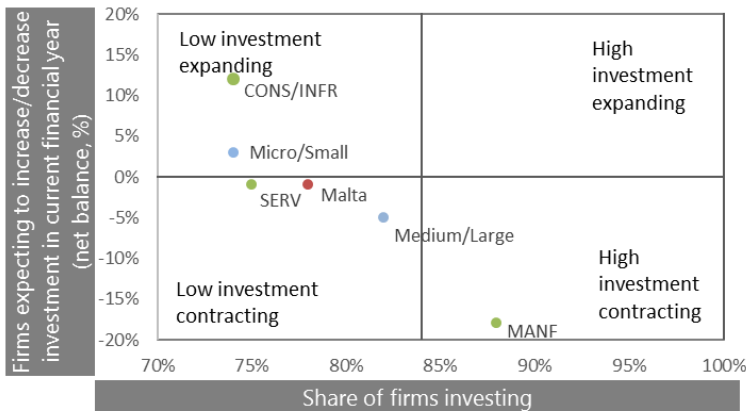
Expected investment in current financial year compared to last one



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

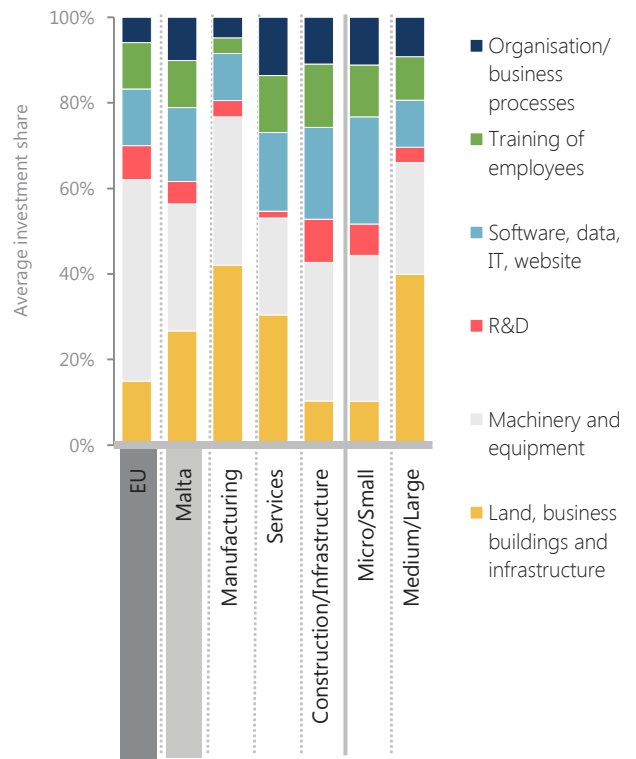
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.

- The conservative investment outlook places Malta in the “low investment” quadrants in the investment cycle.
- The construction and infrastructure sectors, which were severely hit by the crisis, signal an investment recovery for the current financial year; while the manufacturing sector may be in for a down-turn.

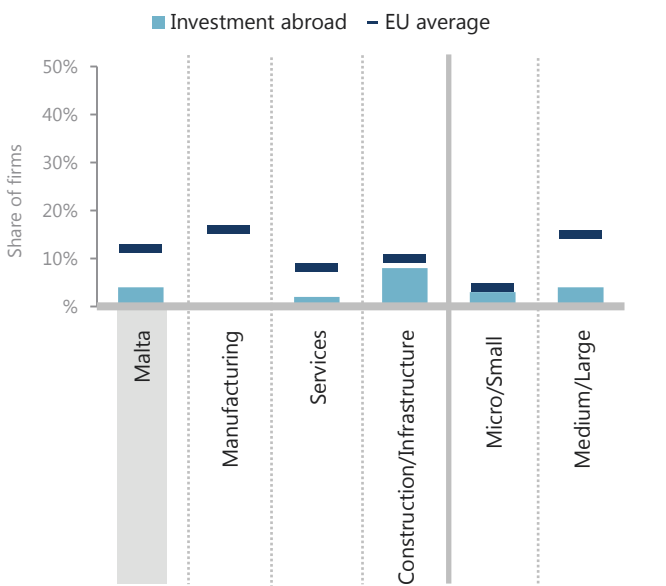
INVESTMENT ACTIVITY

- Most investment activity in Malta was concentrated in machinery and equipment (30% of total investment), followed by investments in land, business buildings and infrastructure (27%) and software, data, IT and website (17%).
- However, compared to their EU peers, firms in Malta stand out by allocating a larger share of their investments to investments in land, business buildings and infrastructure and a lower share to investments in machinery and equipment.

Investment areas



Investment abroad



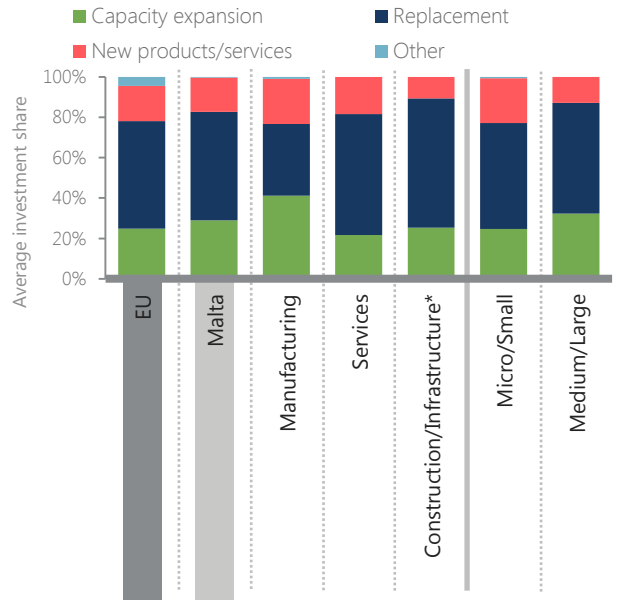
Base: All firms who invested in the last financial year
Q. In the last financial year, has your company invested in another country?

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?

- Four per cent of firms in Malta have invested in another country in the last financial year, with an average of 12% across the EU as a whole.
- Eight per cent of firms in construction/infrastructure and two per cent of firms in the services sector invested abroad. No firms in the manufacturing sector reported foreign investment activities in the last financial year.

- Investments in Malta are dominated by replacement of existing buildings, machinery, equipment and IT (irrespective of their size), followed by capacity expansion and new products or services, closely in line with the pattern across the EU.

Purpose of investment in last financial year

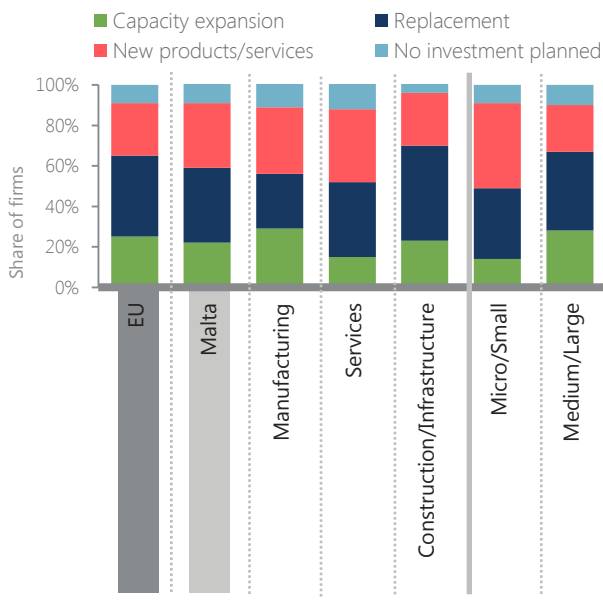


Base: All firms who invested in the last financial year (excluding don't know/refused responses)

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?

*Caution: very small base size of less than 30

Future investment priorities



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

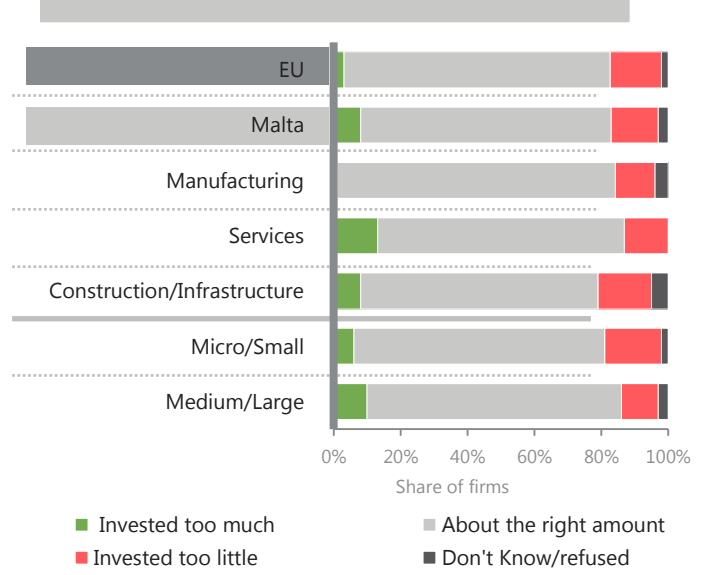
Q. Looking ahead to the next 3 years, which of the following is your investment priority (a) replacing existing buildings, machinery, equipment, IT (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

- For nearly two in five (37%) firms, the investment priority for the coming 3 years is to replace existing buildings, machinery, equipment and IT, similar to the EU average.
- In line with other EU countries, nearly a third (32%) of firms in Malta plan to invest in new products, processes or services in the next 3 years, and the proportion increases to 42% among micro and small firms.
- Over a fifth (22%) of firms name the capacity expansion as their main investment priority going forward, again similar to the pattern across the EU.

INVESTMENT NEEDS

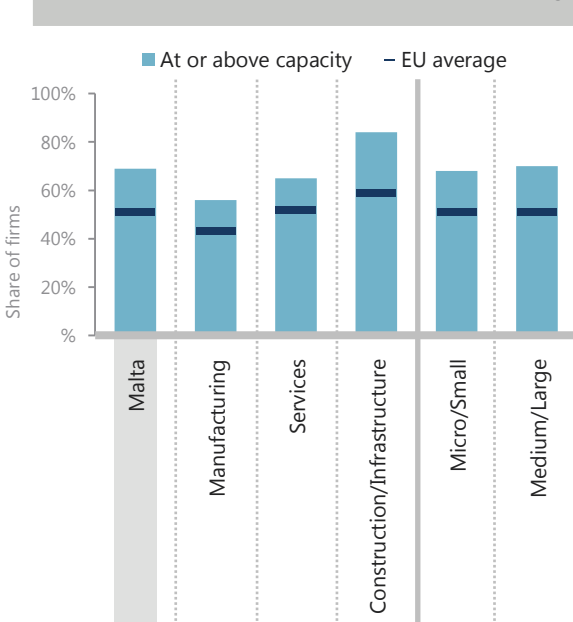
- Three out of four (75%) firms in Malta consider their investment over the last three years to have been of the right size, in line with the EU average.
- Nearly one in ten firms (8%) believe that their investment expenditure was too much.
- Similar to the EU figure, 14% of the firms state that invested too little in the last three years (relative to their needs).
- Micro and small firms are more likely than the overall to state that they have invested too little (17% versus 14% overall).

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



- The share of firms in Malta reporting operations at the maximum capacity in the last financial year is 69%, 18 percentage points more than the EU average figure.
- The proportion operating at or above full capacity is 84% in the construction and the infrastructure sectors, 65% in the services sector and 56% in the manufacturing sector.

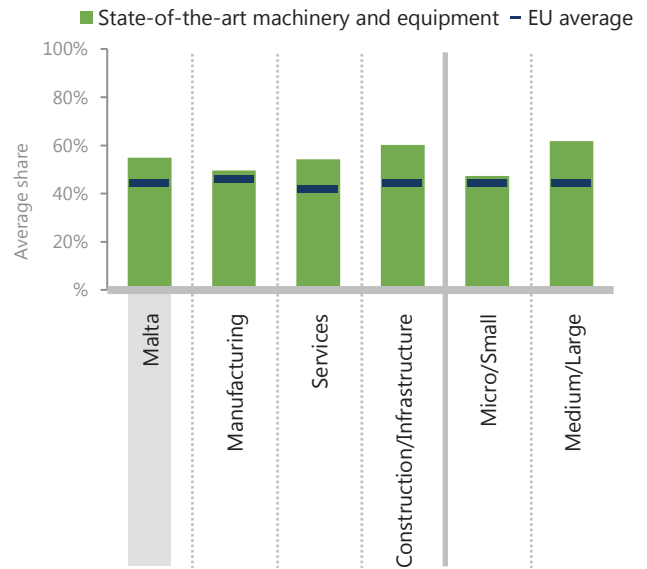
Base: All firms (data not shown for those operating somewhat or substantially below full capacity)

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?

- The average share of machinery and equipment owned by firms in Malta that is considered to be state-of-the-art stands at 55%, significantly higher than the EU average of 44%.
- Among firms in construction/infrastructure the average stands at 60%, among firms in the services sector it is 54% and in the manufacturing sector the average is 50%.

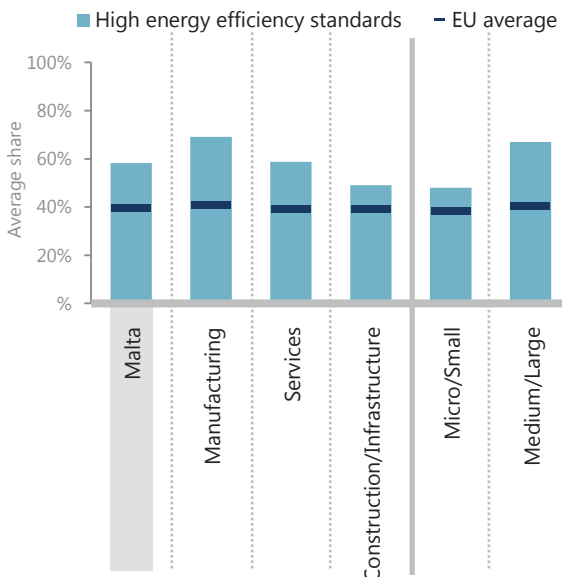
Average share of state-of-the-art machinery and equipment



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

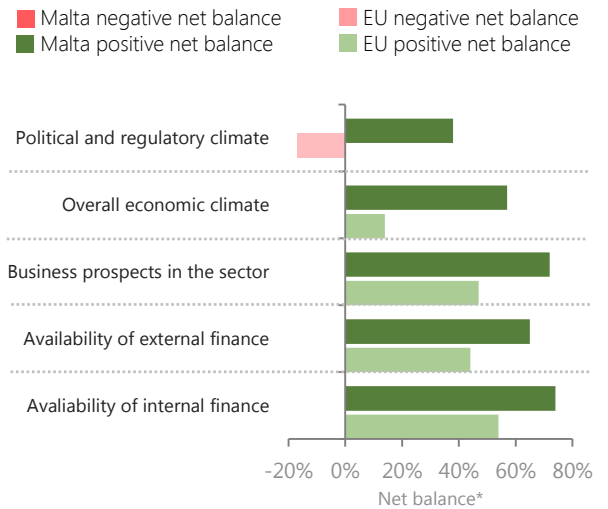
Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?

- Overall the share of building stock in Malta meeting high efficiency standards is 58%, again well above the average for the EU (40%).
- Medium and large firms are significantly more likely overall to report a higher share (67% versus 58% overall).

INVESTMENT CONSTRAINTS

- Malta is one of the few countries across the EU where in net terms, firms believe that the influence of the political and regulatory climate contributes positively to their ability to implement planned investment.
- Across all dimensions, firms in Malta consider the availability of internal finance, and business prospects to be favourable.

Short term influences on investment

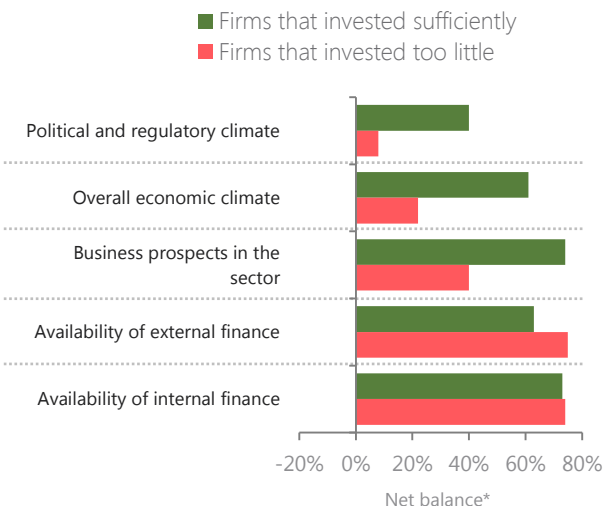


Base: All firms who have planned to invest in the current financial year

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

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)

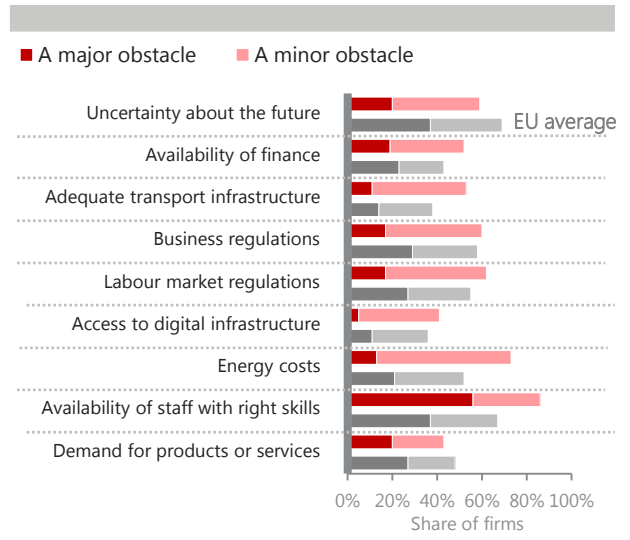
Q. How do each of the following affect your ability to carry out your planned investment. Does it affect it positively or negatively, or make no difference at all?

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

- Among firms that report that their investment in the last three years has been below needs, while still positive, are somewhat less enthusiastic about the role of the political and regulatory climate with regard to the implementation of their planned investment.

- Lack of staff with the right skills is the main long term obstacle to investment in Malta; 56% of the firms consider lack of skilled staffs a major obstacle, while 30% of the firms consider it a minor obstacle.
- Around one in five firms consider future uncertainty, finance availability, business and labour market regulations and the demand for their products or services as major obstacles for investment activities.
- The cost of energy is more beneficial to firms in Malta than the EU average, with 13% of Maltese firms considering it a major issue (7 percentage points less than the corresponding EU average).

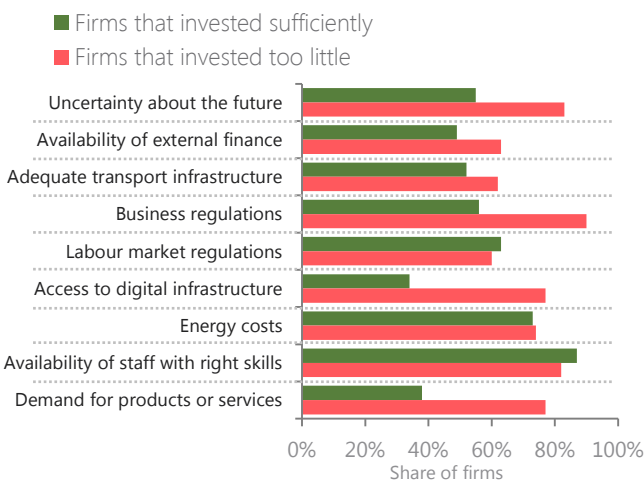
Long term barriers to investment



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 Malta, 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 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)

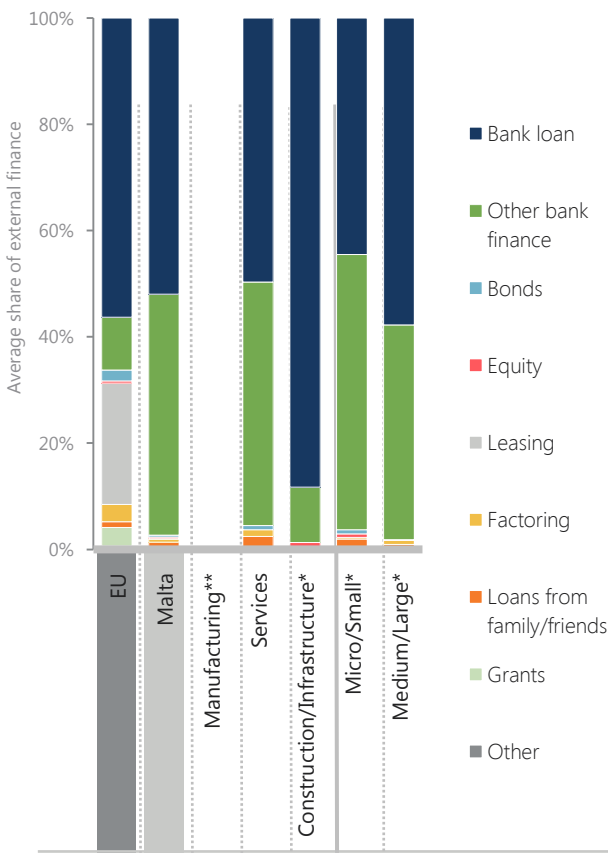
Q. Thinking about your investment activities in Malta, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

- Firms that have invested too little in the past three years, are significantly more likely to cite business regulation; uncertainty; demand for new products and access to digital infrastructure as long-term barriers to their investment activities.

INVESTMENT FINANCE

- Firms in Malta largely depend on internal funds for financing their investment activities (80% against the EU average of 60%).
- Bank loans and other types of bank finance are the dominant sources of external finance.
- Firms in Malta are generally satisfied with the amount of external finance obtained; but slightly less so with the cost of external finance and the corresponding collateral requirements.

Type of external finance used for investment activities



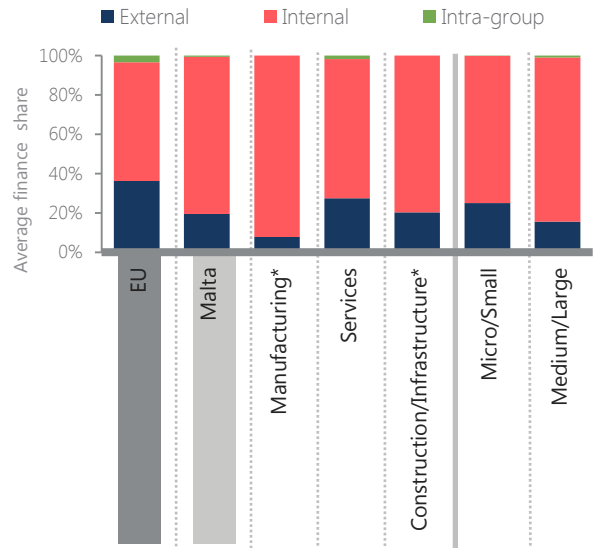
Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

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

*Caution: very small base size of less than 30

** Data not shown as only 4 companies asked question 10

Source of investment finance

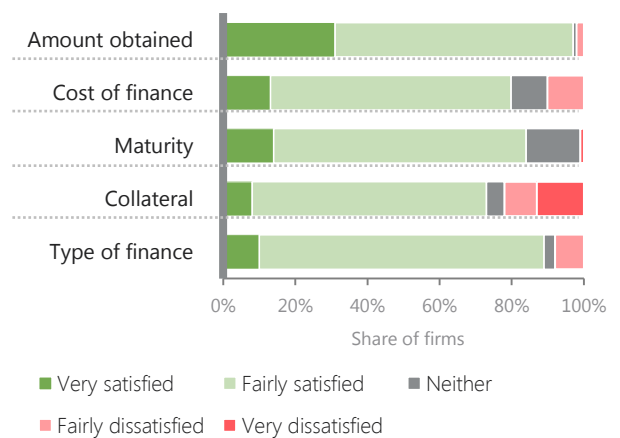


Base: All firms who invested in the last financial year (excluding don't know/refused responses)

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

*Caution: very small base size of less than 30

Satisfaction with external finance

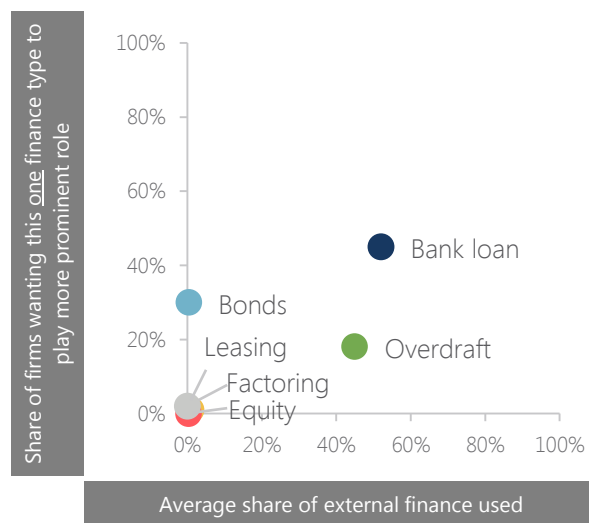


Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

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

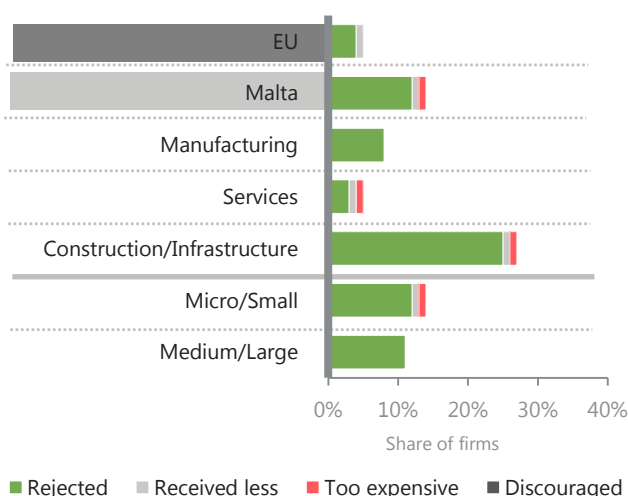
- Overall firms in Malta want more of the type of external finance they are already using.
- However, firms overall would like to have bond issuance play a much more prominent role in their financing mix.

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

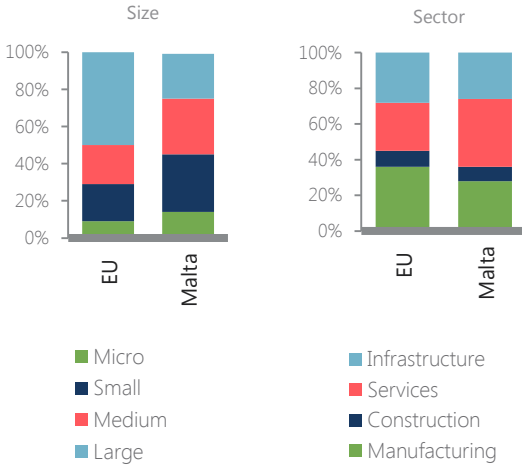


Base: All firms
Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive)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

- Firms in Malta are relatively finance constrained (14% of firms compared to 5% across the EU). The proportion of finance constrained firms increases to 27% among firms in the construction and infrastructure sectors.

PROFILE OF FIRMS

Contribution to Value-Added

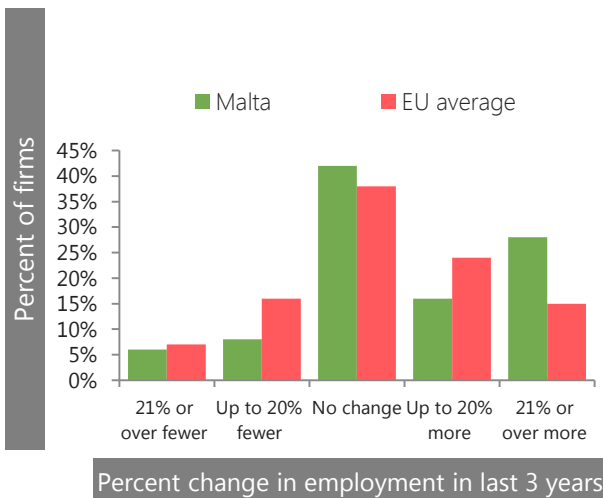


Base: All firms

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+.

- Large firms represent nearly a quarter of the firms in Malta (24%), below the EU average of 50%. On the other hand, SME companies are significantly overrepresented (76% versus an average of 50%).
- The sectors profile of firms surveyed in Malta are similar to the EU profile.
- Employment dynamics in Malta are skewed towards employment expansion, with 28% of the firms reporting more than 21% employment in the last 3 years, compared to the EU average of 15%.
- Firms are very diverse in terms of their productivity performance: nearly 60% of Maltese manufacturing firms fall into the top EU productivity quintile (of manufacturing firms); while 70% of construction firms fall into the bottom EU quintile (of construction firms).

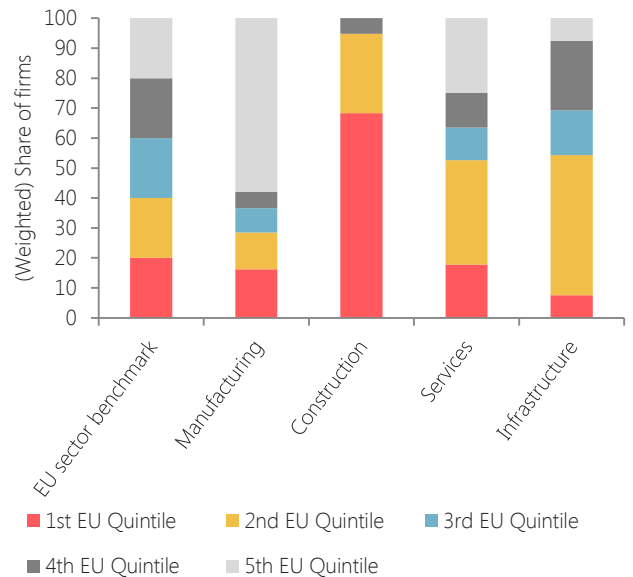
Employment dynamics in last 3 years



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?

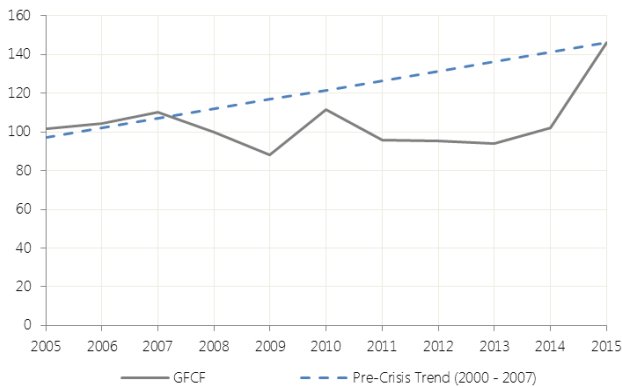
Distribution of firms by productivity class



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

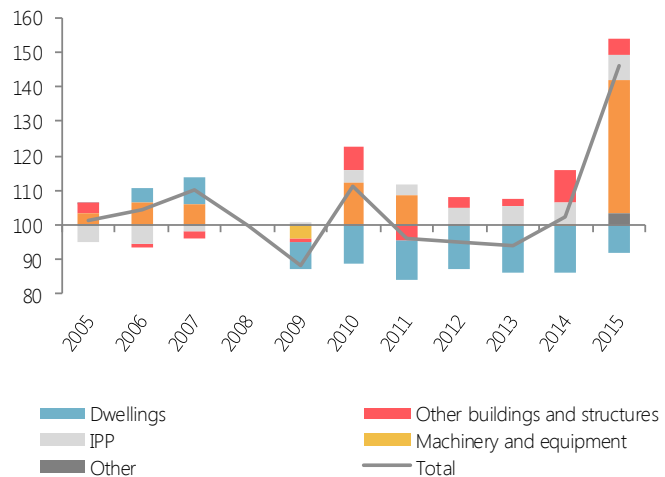
Investment Dynamics over time



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 in Malta increased 40% more than the equivalent 2008 investment levels, which enabled the country to reach the pre-crisis trend.
- Investment in dwellings still has not recovered since the crisis.
- The strong upturn in machinery and equipment investment in 2015 originated on the back of a number of large-scale projects and investment in EU-funded projects.

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 Malta, 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	Malta	Manufacturing	Services	Construction/ Infrastructure	Micro/ Small	Medium/ Large	EU vs Country	Manufacturing vs Construction/ Infrastructure	Micro/Small vs Medium/Large
	(12483)	(160)	(38)	(85)	(37)	(104)	(56)	(12483 vs 160)	(38 vs 37)	(104 vs 56)
10% or 90%	1.0%	6.7%	14.9%	9.8%	10.9%	6.9%	10.9%	6.8%	18.4%	12.8%
30% or 70%	1.5%	10.2%	22.7%	15.0%	16.6%	10.6%	16.6%	10.3%	28.1%	19.6%
50%	1.7%	11.2%	24.8%	16.4%	18.1%	11.5%	18.1%	11.3%	30.6%	21.4%

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) and 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).
SME	Firms with between 5 and 249 employees.
Large firms	Firms with at least 250 employees.

EIBIS 2016 – COUNTRY TECHNICAL DETAILS

Base sizes

Base definition and page reference	EU	Malta	Manufacturing	Services	Construction / Infrastructure	Micro / Small	Medium / Large
All firms, p. 3, p. 6, p. 7, p. 9, p. 11, p. 12, p. 13	12483	160	38	85	37	104	56
All firms (excluding don't know/refused responses), p. 2	11838	159	38	84	37	103	56
All firms (excluding those who have no investment planned/don't know/refused responses), p. 5	12159	159	38	84	37	104	55
All firms (excluding 'Company didn't exist three years ago' responses), p. 6	12453	159	37	85	37	103	56
All firms (excluding don't know, refused and missing responses), p. 13	12162	159	38	84	37	103	56
All firms who invested in the last financial year, p. 2	12281	159	38	84	37	103	56
All firms who invested in the last financial year, p. 4	10881	145	34	78	33	93	52
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4	10060	139	32	76	31	91	48
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5	9682	133	33	72	28	86	47
All firms who invested in the last financial year (excluding don't know/refused responses), p. 10	9093	110	21	64	25	75	35
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	145	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	47	4	32	11	29	18

Percentage rounding

Percentages with value of less than 0.5 but greater than zero have not been shown in the charts.






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