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*The EU bank*



Portugal

## EIBIS 2016

EIB Group Survey on  
Investment and  
Investment Finance 2016

Country Overview

## EIB Group Survey on Investment and Investment Finance Country Overview: Portugal

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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](mailto: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

## Portugal

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

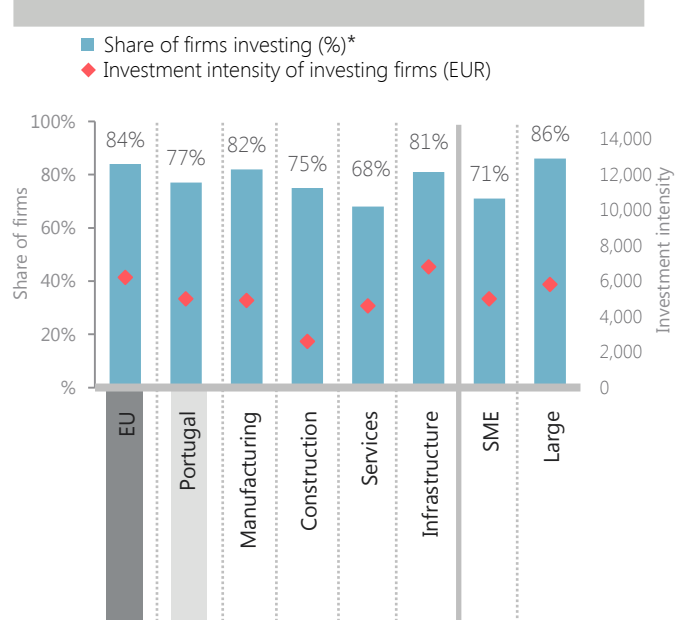
### Key results

<b>Investment outlook:</b>	<b>Lower share of firms investing.</b> A similar proportion expect an increase in investment in the current year compared with the EU average. Investment remains relatively weak but is likely to accelerate.
<b>Investment activity:</b>	<b>77% invested in the last financial year.</b> Intensity of investment (investment per employee) is lower than the EU average.
<b>Investment gap:</b>	<b>80% report investment was the right amount.</b> Less than one in five report that it was too little over the last three years (17% compared to 15% across the EU). The average share of state-of-the-art machinery and equipment is comparatively low, especially in services.
<b>Investment barriers:</b>	<b>As in the EU, uncertainty is seen as a major impediment to investment. Regulatory climate as well as energy costs are also perceived to be very relevant factors,</b> contrasting with the EU where the lack of skilled staff is seen as more important.
<b>External finance:</b>	<b>16% of firms can be considered finance constrained.</b> 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 is well above the EU average (5%).
<b>Firm performance:</b>	<b>Firms have lower productivity than their EU peers on average, especially in the manufacturing sector.</b>

# INVESTMENT DYNAMICS

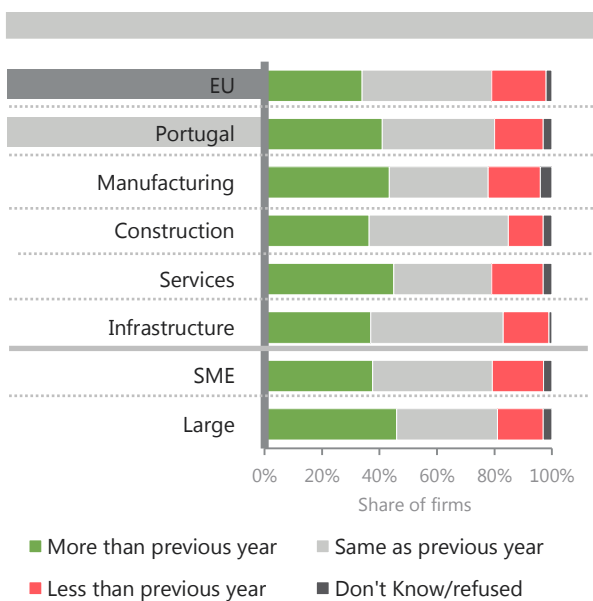
- Overall three-quarters of firms in Portugal invested in the last financial year (77% compared to 84% across the EU as a whole).
- Almost nine in ten large firms invested in the last financial year (86% compared to 71% of SMEs).
- The intensity of investment (investment per employee) in Portugal was lower than the EU average.

## 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

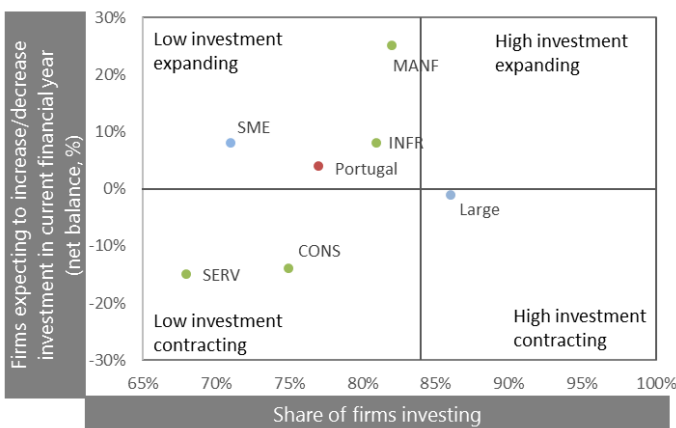


**Base:** All firms who invested in the last financial year  
 Q. Overall was this more, less or about the same amount of investment as in the previous year?

- In net terms, firms increased their investment activity in 2015.
- However, four in ten firms in Portugal invested the same amount in 2014 and 2015.
- Around four in ten firms increased investment (41%, well above the EU average, 34%), with large firms most likely to invest more than the previous year (46%).

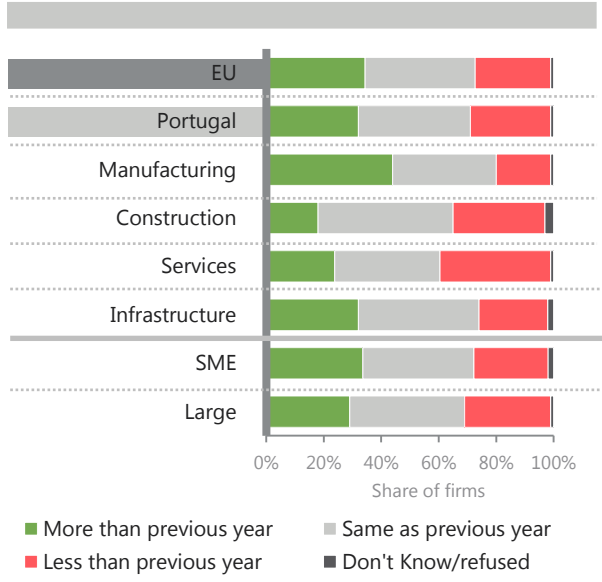
- In net terms, by a small margin, firms expect to increase their investment effort in the current financial year.
- Around four in ten firms in Portugal expect their investment in the current financial year to be the same as the previous one (39%).
- Around three in ten firms expect investment to increase (32%).
- Overall, within the investment cycle, Portuguese firms are located in the low investment but expanding quadrant.

## Investment cycle



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

## Expected investment in current financial year compared to last one



**Base:** All firms

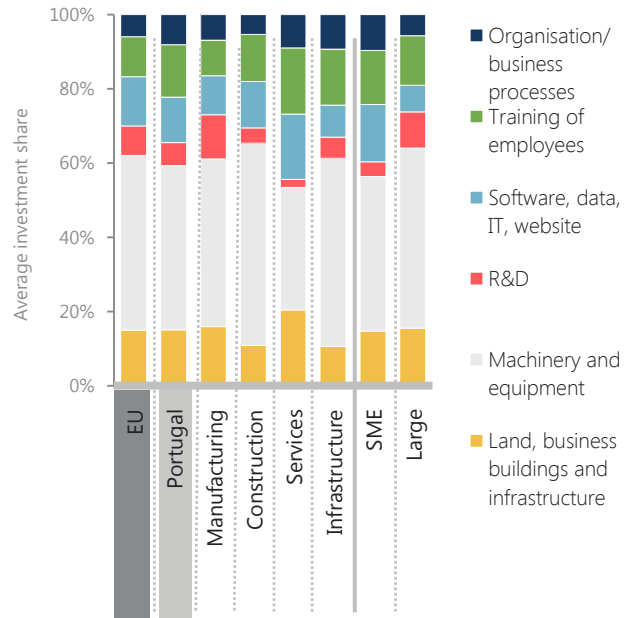
Data is derived from two questions: firms who had invested in the last financial year were asked if they expect to invest more, around the same amount or less than last year; firms who had not invested in the last financial year were asked if they had already invested, or expect to invest in the current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

- While remaining relatively weak, investment in Portugal is likely to accelerate slightly in the current year.
- Firms in manufacturing and infrastructure sectors are on balance somewhat relatively more positive about their investment outlook than the aggregate.
- Large firms, while still showing relatively high levels of investment activity, expect a contraction. So do the firms in the construction and services sectors, despite their already low investment activity.

# INVESTMENT ACTIVITY

- Most investment activity in Portugal is in machinery and equipment, well above the investment in land, business buildings and infrastructure and training of employees. The pattern is similar to the EU as a whole.
- Large companies and manufacturing firms are more likely to invest in research and development compared to the country average.

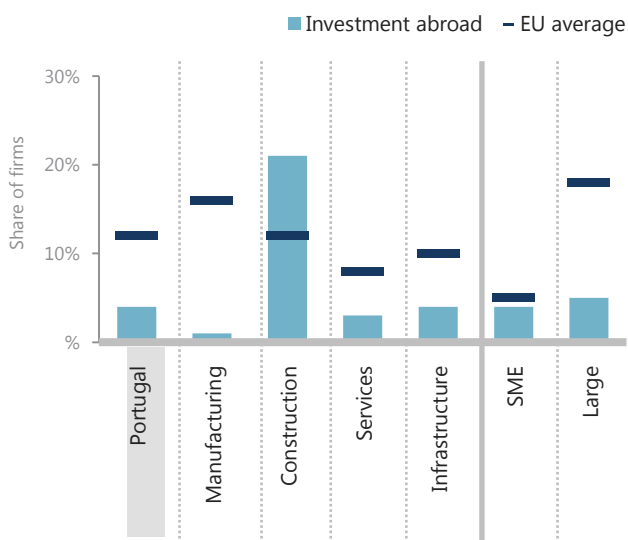
## Investment areas



**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

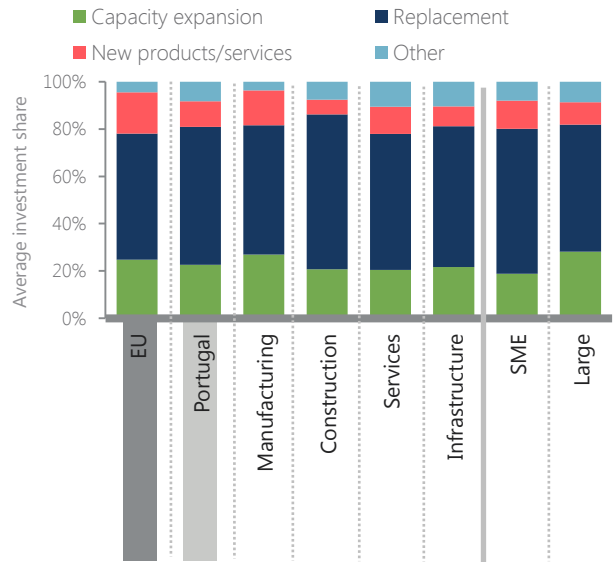


**Base:** All firms who invested in the last financial year  
**Q:** In the last financial year, has your company invested in another country?

- Overall 4% of firms in Portugal have invested in another country.
- Conversely, in the construction sector, 21% of firms have invested abroad. This likely reflects the activity of large firms which tend to invest more abroad.

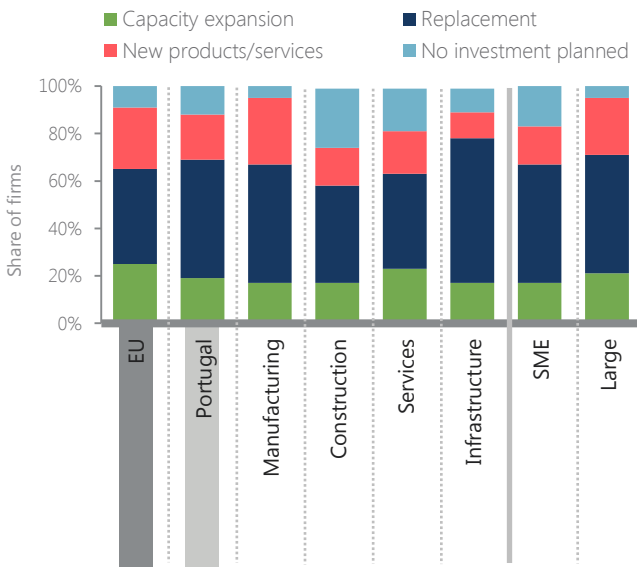
- Most investment in Portugal is driven by the need to replace existing buildings, machinery, equipment and IT, in line with the pattern across the EU.
- Investment in the development of new products and services is highest in the manufacturing sector.

### 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



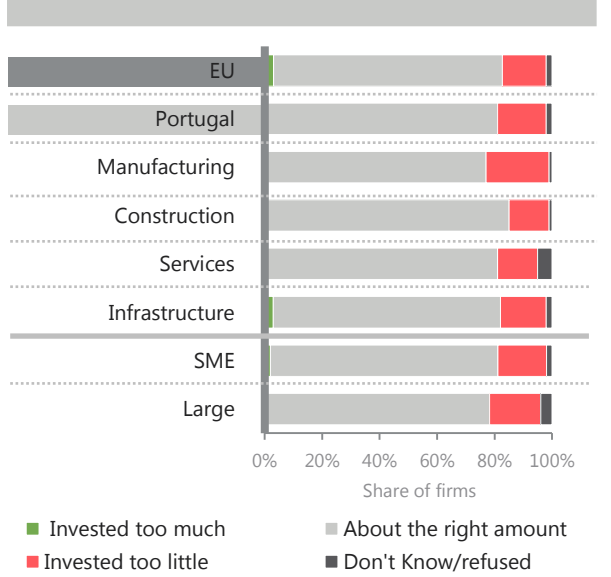
**Base:** All firms (excluding don't know/refused responses)  
 Q. Looking ahead to the next 3 years, which of the following is your investment priority (a) replacing existing buildings, machinery, equipment, IT (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

- For half of the firms planning to invest in the next three years, the priority is replacing existing buildings, machinery, equipment and IT (50%).
- Investment priorities for replacement are highest in the infrastructure sector (61%).
- Firms in the construction sector are less likely to plan investment in the next three years compared to the country average.

# INVESTMENT NEEDS

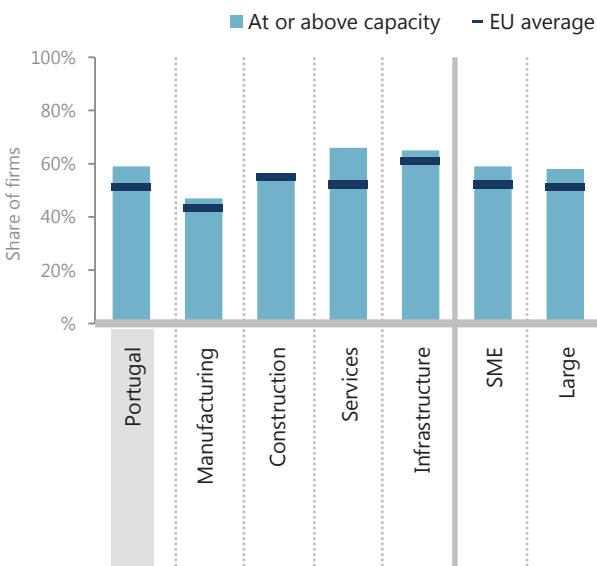
- Eight in ten firms in Portugal believe their investment over the last three years was about the right amount. Less than one in five report they invested too little (17%).
- The proportion claiming to have invested too little is slightly above the EU average (15%).

## 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.

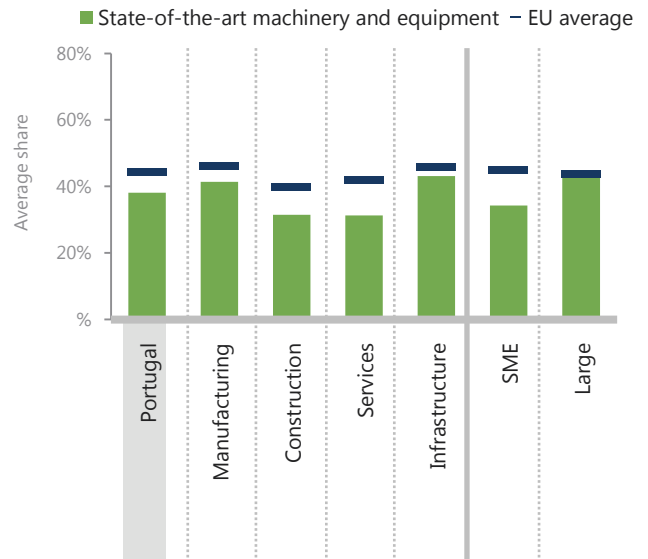
Q. In the last financial year, was your company operating above or at maximum capacity attainable under normal circumstances?

- Around three in five firms in Portugal report operating above or at maximum capacity in the last financial year (59%). This is higher than the EU average (51%).
- Firms in the manufacturing sector are less likely to report operating at or above full capacity compared to the firms in services and infrastructure sectors.
- The share of firms operating at or above full capacity is very similar for SMEs and large firms.



- The average share of state-of-the-art machinery and equipment is comparatively low (38% for firms in Portugal versus 44% for the EU).
- The average share of state-of-the-art machinery and equipment is highest for large firms, and firms in the infrastructure and manufacturing sectors.

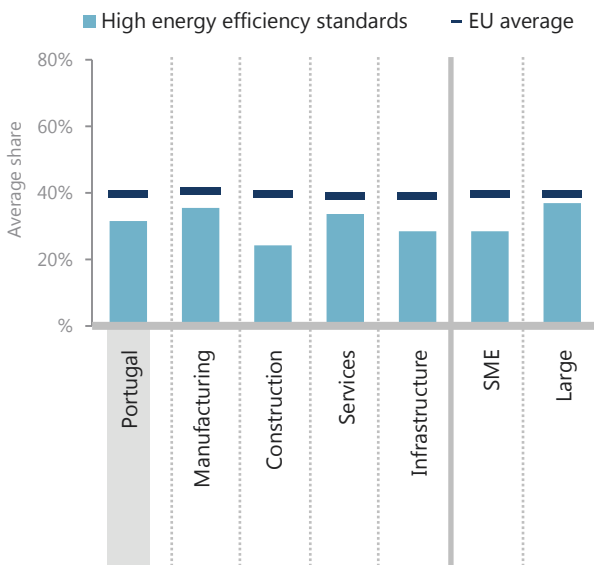
### Average share of state-of-the-art machinery and equipment



**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

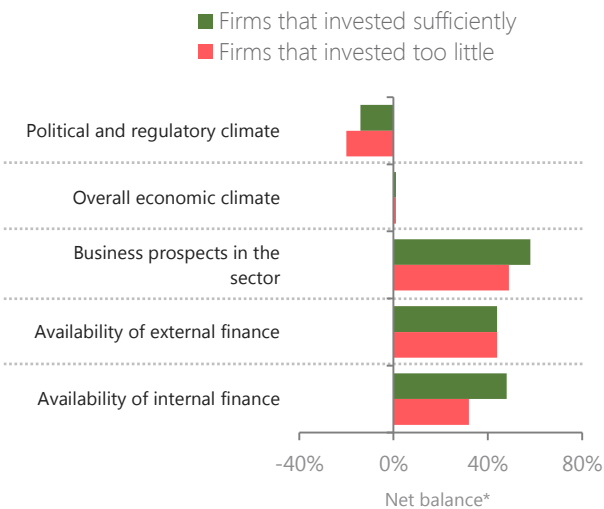
Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?

- On average 32% of firms' building stock in Portugal satisfies high efficiency standards compared to the EU average of 40%.
- Medium and large firms in Portugal have a much higher average share of energy efficient buildings than smaller firms (not shown in the chart).
- The manufacturing sector has a considerably higher share of energy efficient buildings than the construction and infrastructure sectors.

# INVESTMENT CONSTRAINTS

- In line with the EU, the political and regulatory climate is cited as the main barrier to implementing planned investment in Portugal in the current financial year.
- Overall economic climate is seen as almost neutral for short-term prospects in investment while it is seen as supportive in the EU.
- Business prospects in the sector are clearly seen as supportive.

## Short term influences by investment performance

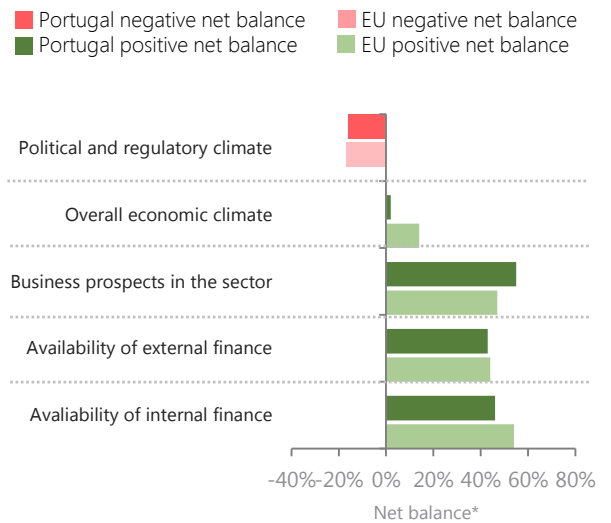


**Base:** All firms who have planned to invest in the current financial year and who invested too much, about the right amount or too little in the last financial year (excluding don't know/refused/company didn't exist three years ago responses)

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

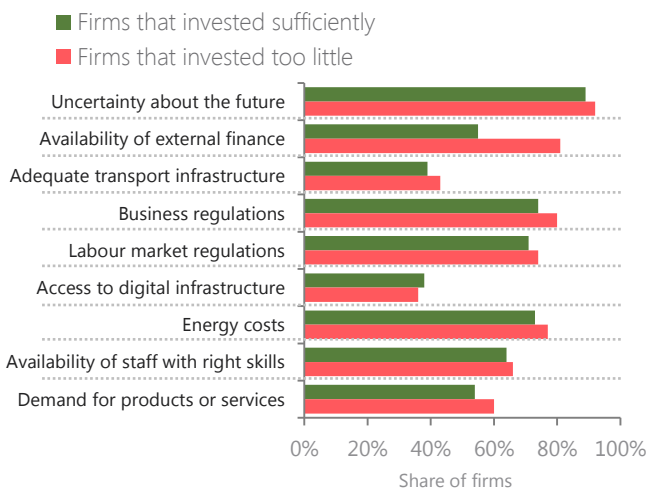
Q. How do each of the following affect your ability to carry out your planned investment. Does it affect it positively or negatively, or make no difference at all?

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

- Among firms that report their investment in the past three years has been below their needs, the dampening role of the political and regulatory climate is seen as strong.
- The supportive role of both business prospects in the sector and availability of external finance seem to be stronger for firms which invested sufficiently.

- Around six in ten firms consider uncertainty about the future to be a major obstacle to investment in Portugal over the longer term, followed by business regulations and energy costs (47% and 46%, respectively).
- The perception of energy costs and business regulations as major long term barriers to investment in Portugal contrasts with their limited role as major obstacles in the EU as a whole (where they are seen as major obstacles for 29% and 31%, respectively).

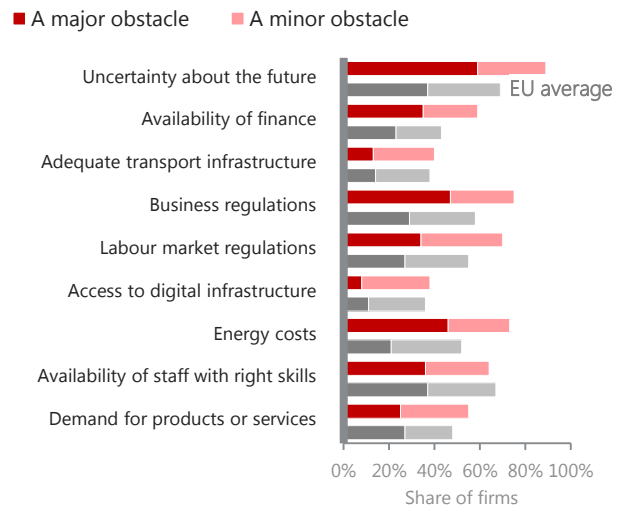
### Long term barriers by investment performance



**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 Portugal, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

### Long term barriers to investment



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

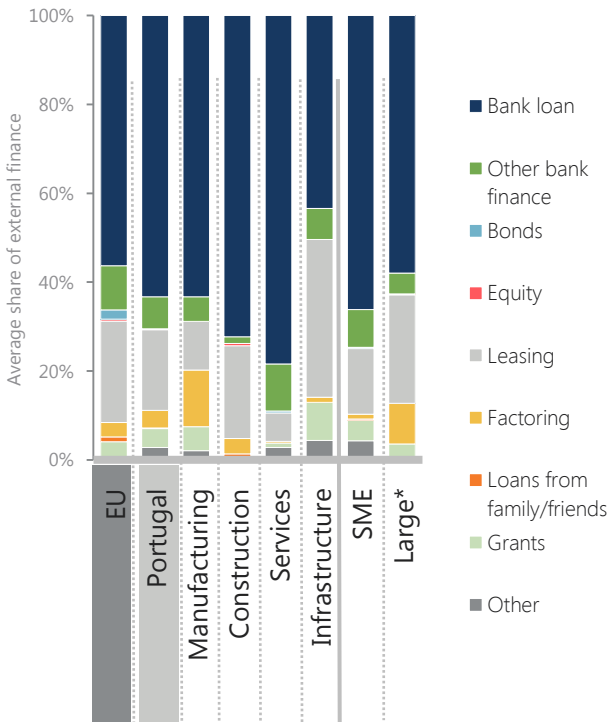
Q. Thinking about your investment activities in Portugal, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

- The availability of external finance appears to be the most discriminant long-term barrier when distinguishing among firms that invested sufficiently and those which invested too little.

# INVESTMENT FINANCE

- Around six in ten firms in Portugal rely on internal funds to finance their investment activities (in line with the EU average).
- Bank loans are the most common source of external finance.
- Firms that used external finance are on balance satisfied with the amount, cost, maturity, collateral and type of finance received (though more are fairly rather than very satisfied).

## Type of external finance used for investment activities

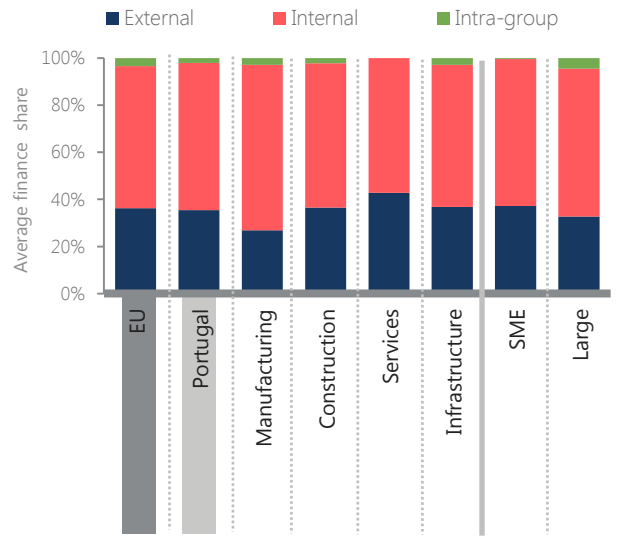


**Base:** All firms who used external finance in the last financial year (excluding don't know/refused responses)

\* Caution very small base size less than 30

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

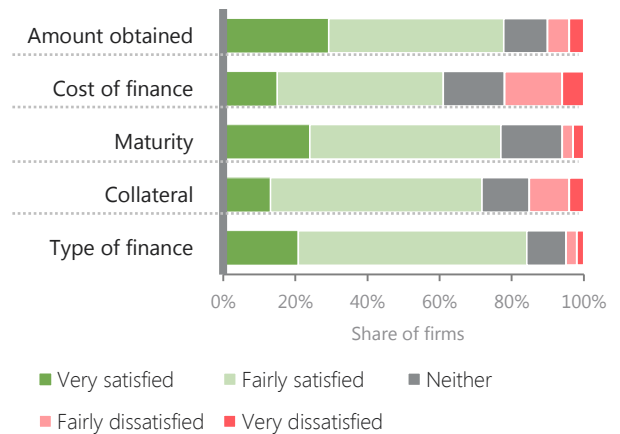
## Source of investment finance



**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

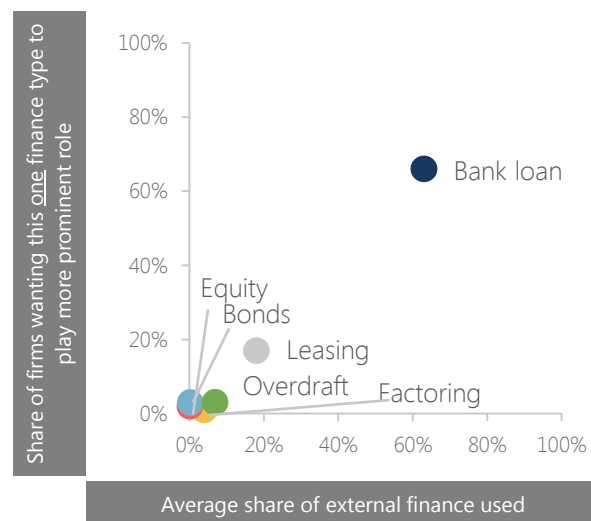


**Base:** All firms who used external finance in the last financial year (excluding don't know/refused responses)

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

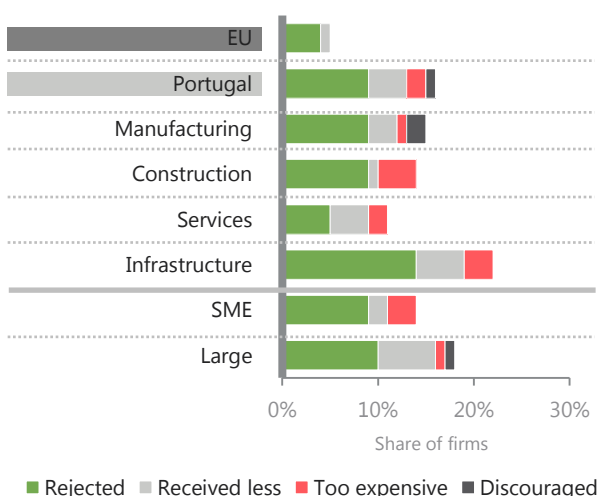
- Overall firms in Portugal want more of the type of external finance they are already using.
- 16% of firms in Portugal can be considered as finance constrained compared to 5% across the EU as a whole.
- Infrastructure firms are more likely to be finance constrained than firms in other sectors.

### 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

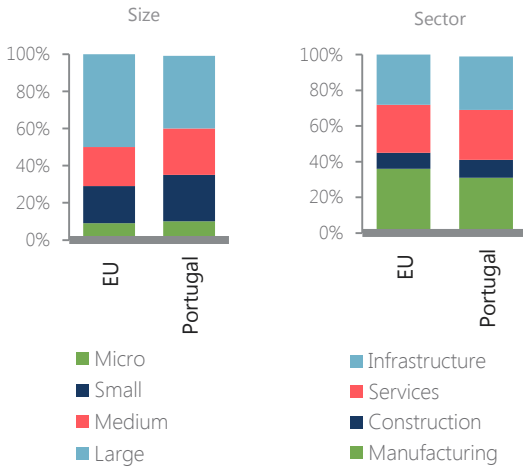
### Share of finance constrained firms



**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)

# PROFILE OF FIRMS

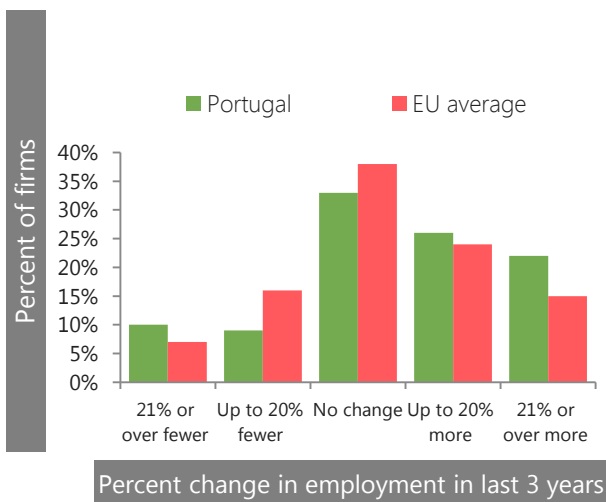
## Contribution to Value-Added



**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

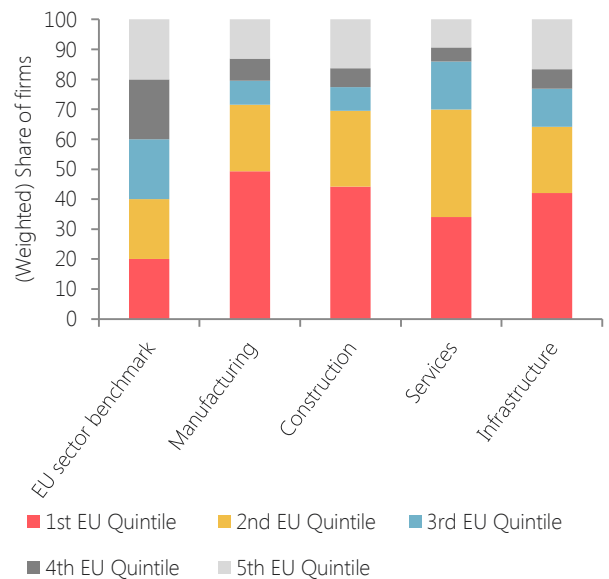


**Base:** All firms (excluding don't know, refused and missing responses)

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

- Large firms with more than 250 employees, and medium firms with 50 to 249 employees account for around two-third of value added in Portugal, below the EU average (respectively 64% and 71%).
- Compared to the EU average, the size distribution of firms in Portugal is skewed towards smaller firms.
- Manufacturing firms account for 31% in Portugal, compared to 36% across the EU as a whole.
- Employment growth has been similar to the EU average – around one-third of firms exhibit no employment change.
- Firms in Portugal tend to have lower productivity than their EU peers. The gap is largest in manufacturing where 49% of firms fall into the lowest EU productivity class and the smallest in services.

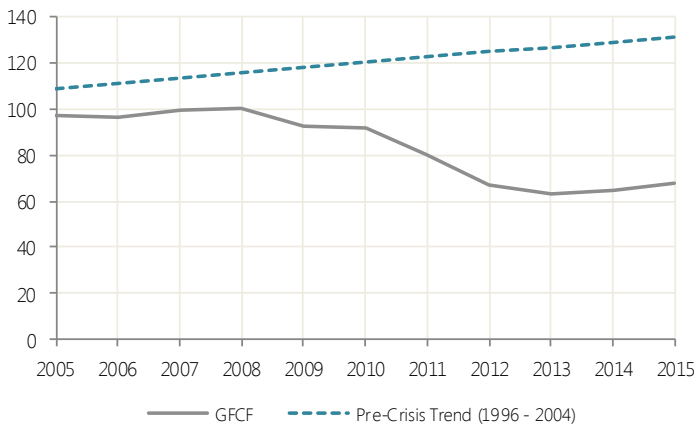
## Within country productivity comparison



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

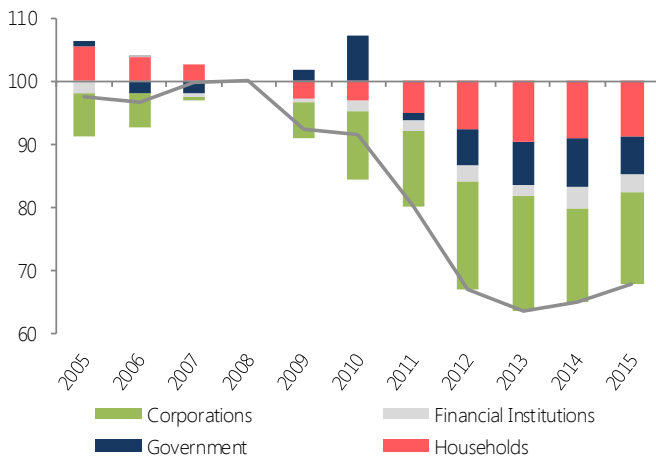
## Investment Dynamics over time



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.

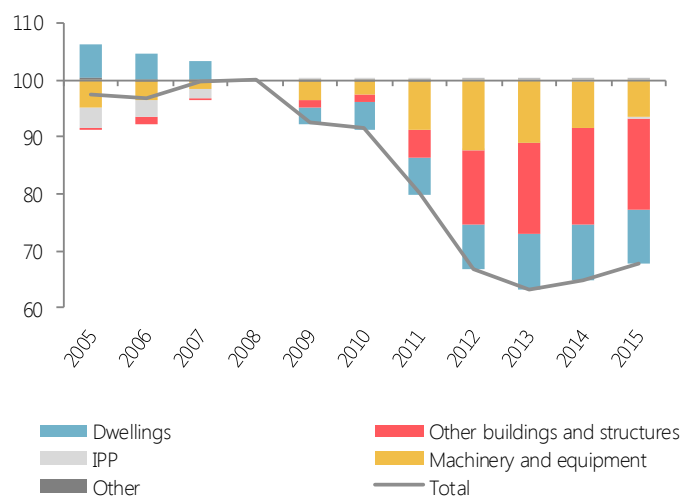
- In 2015, aggregate investment is around 30% below its 2008 level.
- The gap is even larger when extrapolating pre-crisis trend.
- Each of the major institutional sectors contributes to the gap, corporations first, but also households and government. Dwellings and investments in 'other buildings and structures' are the main contributors to the gap.

## 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 Portugal, 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	Portugal	Manu- facturing	Cons- truction	Services	Infras- tructure	SME	Large	EU vs Country	Manufacturing vs Construction	SME vs Large
	(12483)	(480)	(118)	(117)	(119)	(125)	(403)	(77)	(12483 vs 480)	(118 vs 117)	(403 vs 77)
10% or 90%	1.0%	2.8%	5.3%	5.3%	5.6%	5.1%	2.7%	5.8%	3.0%	7.5%	6.4%
30% or 70%	1.5%	4.3%	8.1%	8.2%	8.5%	7.8%	4.1%	8.9%	4.5%	11.5%	9.8%
50%	1.7%	4.7%	8.8%	8.9%	9.3%	8.5%	4.5%	9.7%	5.0%	12.5%	10.7%

## 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	Portugal	Manufacturing	Construction	Services	Infrastructure	SME	Large
All firms, p. 3, p. 6, p. 7, p. 9, p. 11, p. 12, p. 13	12483	480	118	117	119	125	403	77
All firms (excluding don't know/refused responses), p. 2	11838	452	108	109	112	122	381	71
All firms (excluding those who have no investment planned/don't know/refused responses), p. 5	12159	470	115	114	117	123	397	73
All firms (excluding 'Company didn't exist three years ago' responses), p. 6	12453	479	117	117	119	125	403	76
All firms (excluding don't know, refused and missing responses), p. 13	12162	462	111	115	114	121	392	70
All firms who invested in the last financial year, p. 2	12281	476	117	117	118	123	400	76
All firms who invested in the last financial year, p. 4	10881	415	96	102	105	111	343	72
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4	10060	373	81	93	99	100	312	61
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5	9682	333	75	79	88	90	273	60
All firms who invested in the last financial year (excluding don't know/refused responses), p. 10	9093	327	73	83	79	91	274	53
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	395	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	165	34	42	42	47	138	27

## 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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