

CESEE

Central Eastern South-Eastern Europe Overview

EIB INVESTMENT SURVEY

2018

EIB Group survey on investment
and investment finance
Country overview

CESEE
Central Eastern South-Eastern Europe

EIB Group Survey on Investment and Investment Finance: CESEE overview

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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 some 12 350 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 CESEE-wide report is an overview of a series covering each of the 11 States of the CESEE region. 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 40 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 2018 – CESEE OVERVIEW

Central, Eastern and Southeastern Europe

This overview presents findings based on telephone interviews with around 12 350 firms across the CESEE region carried out between April and August 2018.

Key results

Macroeconomic context:	Aggregate investment is improving throughout the CESEE region, but remains below pre-crisis levels. Investment by the corporate and household sectors continue to lag most behind 2008 levels. Investment in 'machinery and equipment' and 'other buildings and structures' constitute a drag to aggregate investment.
Investment outlook:	Firms investment outlook remains positive. 79% of firms invested in 2017. For 2018 the share of firms expecting an increase in investment activities exceeds the share of firms expecting a contraction. Overall, the CESEE region remains in the 'low investment expanding' quadrant of the investment cycle.
Investment activity:	CESEE firms invest a relatively low share into 'intangible assets' compared with the EU average. Most firms consider investment in replacement of existing assets as priority for the coming years, with the exception of Slovenia, Slovakia and Croatia where most firms name capacity expansion as their main investment priority.
Perceived investment gap:	21% of firms report having investing too little in the last three years. The average share of machinery and equipment that firms in the CESEE region perceive to be state-of-the-art remains at 35%, significantly lower than the EU average (44%). The same is true for the commercial building stock satisfying high or highest energy efficiency standards (32% vs 37%). CESEE firms invest more in energy efficiency measures than in the rest of the EU (11% vs 9%).
Investment barriers:	83% of firms cite lack of staff with the right skills as the main barrier to investment making this the most frequently named obstacle to investment in the region. Outward migration and very tight labour markets explain the constraints, Firms are mostly concerned for lack of skills in low/middle skills jobs. Uncertainty, labour market regulation and business regulation, as well as energy costs represent other important constraints to investment for CESEE firms.
External finance:	7% of firms are finance constrained. This is slightly above the EU average, but there is a wide dispersion across countries. SMEs and firms active in infrastructure are almost twice as likely to be constrained than larger firms/ firms active in other sectors. Overall, firms are least satisfied with collateral requirements and the cost of finance.
Firm performance:	Firm productivity for CESEE countries is comparatively low when compared to the EU average. The majority of CESEE countries fall into the low productivity quintile, most notably Bulgaria and Romania.

INVESTMENT DYNAMICS

INVESTMENT ACTIVITY IN LAST FINANCIAL YEAR

Around eight in ten firms in the CESEE region (79%) invested in the last financial year. This is below the average proportion of firms investing in the EU (87%).

Firms in the manufacturing and infrastructure sector (86% and 80%) were more likely to invest than firms operating in the construction and services sector (72% and 70%). Large firms (85%) were more likely to invest than SMEs (73%).

CESEE firms invested less per employee compared to the EU median. Investment intensity was highest in the infrastructure sector and lowest in the services sector.

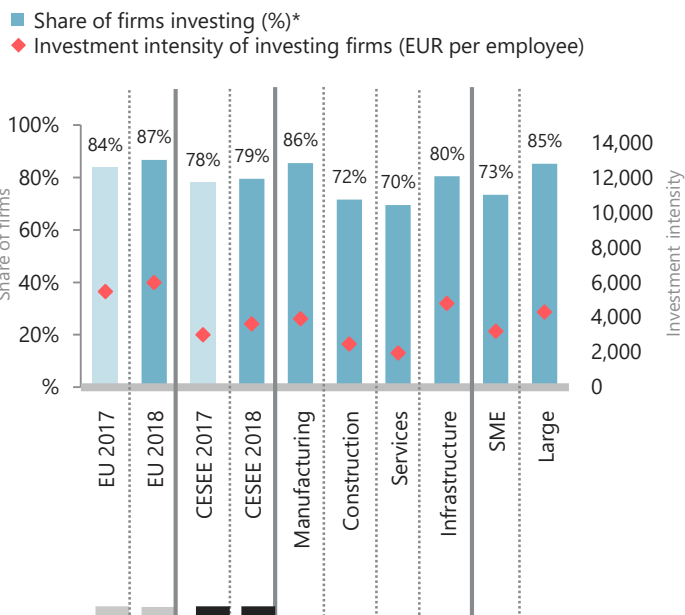
Heterogeneity exists in the region, with firms in Slovenia (94%) and the Czech Republic (89%) most likely to have invested, whereas firms in Bulgaria (64%) and Romania (68%) are least likely to have invested.

**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.

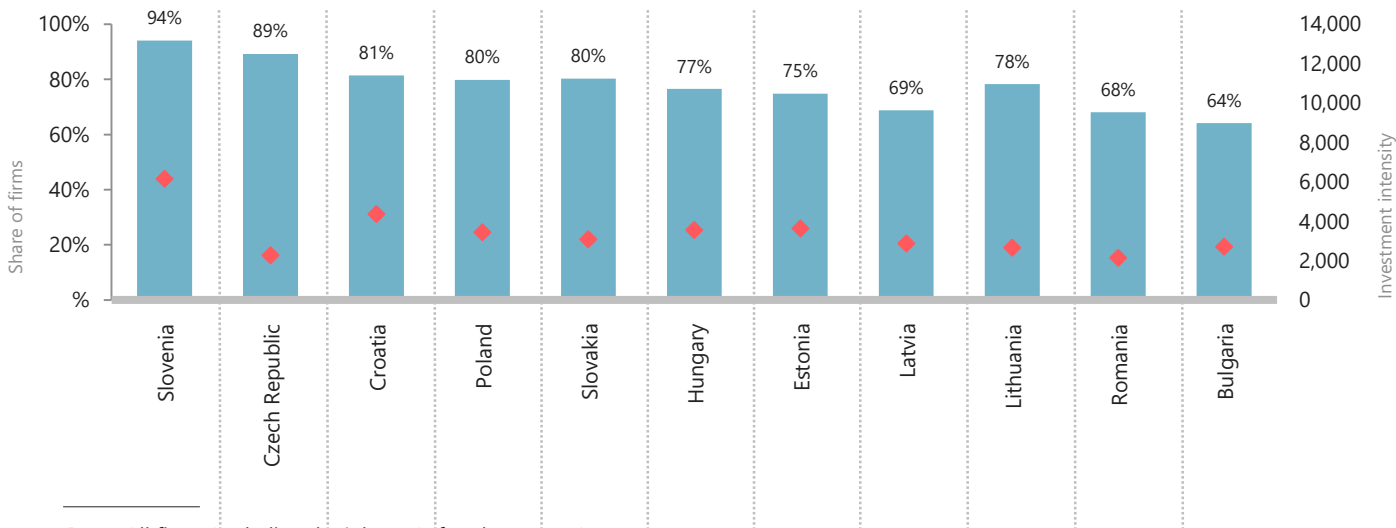
Investment intensity is the median investment per employee of investing firms.

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



INVESTMENT ACTIVITY IN LAST FINANCIAL YEAR BY COUNTRY

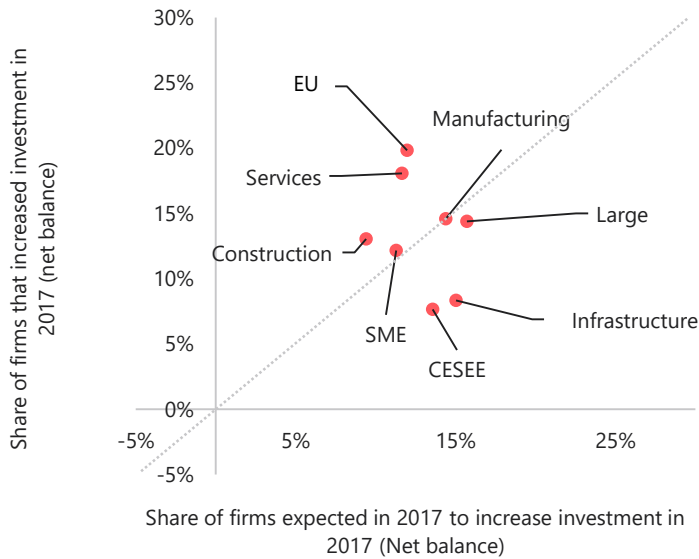
■ Share of firms investing (%) ◆ Investment intensity of investing firms (EUR per employee)



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

INVESTMENT DYNAMICS

EXPECTED VS REALISED INVESTMENT IN LAST FINANCIAL YEAR



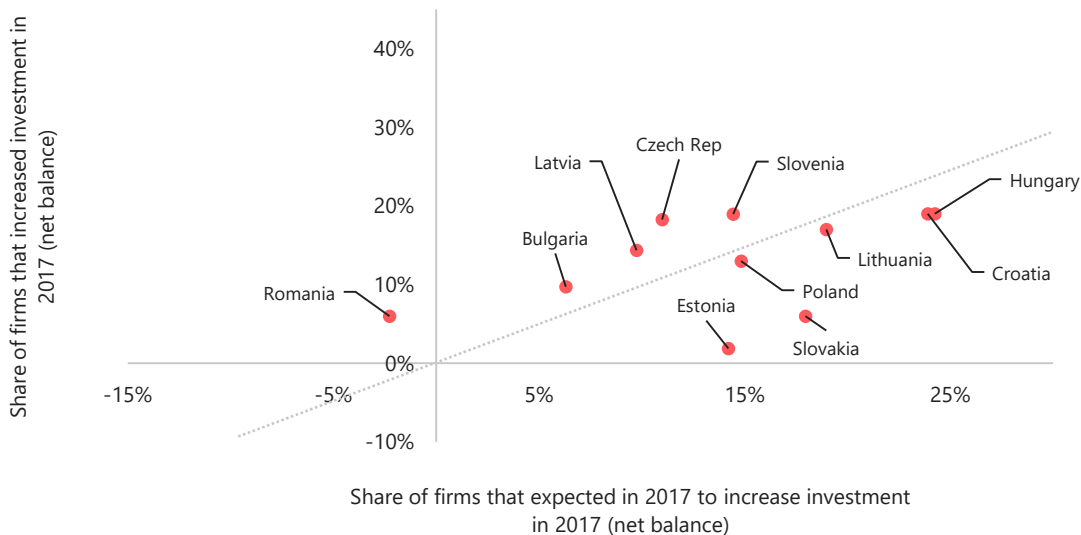
Realised investment in 2017 came in 6pp below expectations.

This data compares firms expectations for investment in 2017 (collected in the previous survey wave, EIBIS 2017) with realised investment for the year (collected in the current survey wave, EIBIS 2018).

Exceptions to this are firms operating in the services and construction sector which exceeded investment expectations, whereas firms operating in the infrastructure sector overestimated investment.

Base: All firms

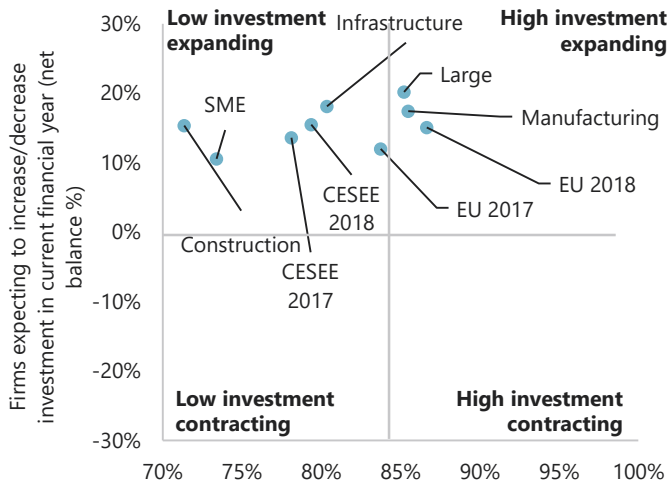
EXPECTED VS REALISED INVESTMENT IN LAST FINANCIAL YEAR



Base: All firms

INVESTMENT DYNAMICS

INVESTMENT CYCLE



For 2018, the CESEE region has a positive investment outlook, which places it in the 'low investment /expanding' quadrant of the investment cycle.

SMEs, services and construction companies tend to all fall into the 'low investment/ expanding' category, whereas larger firms and companies active in manufacturing and infrastructure sector fall into the 'high investment/ expanding' quadrant.

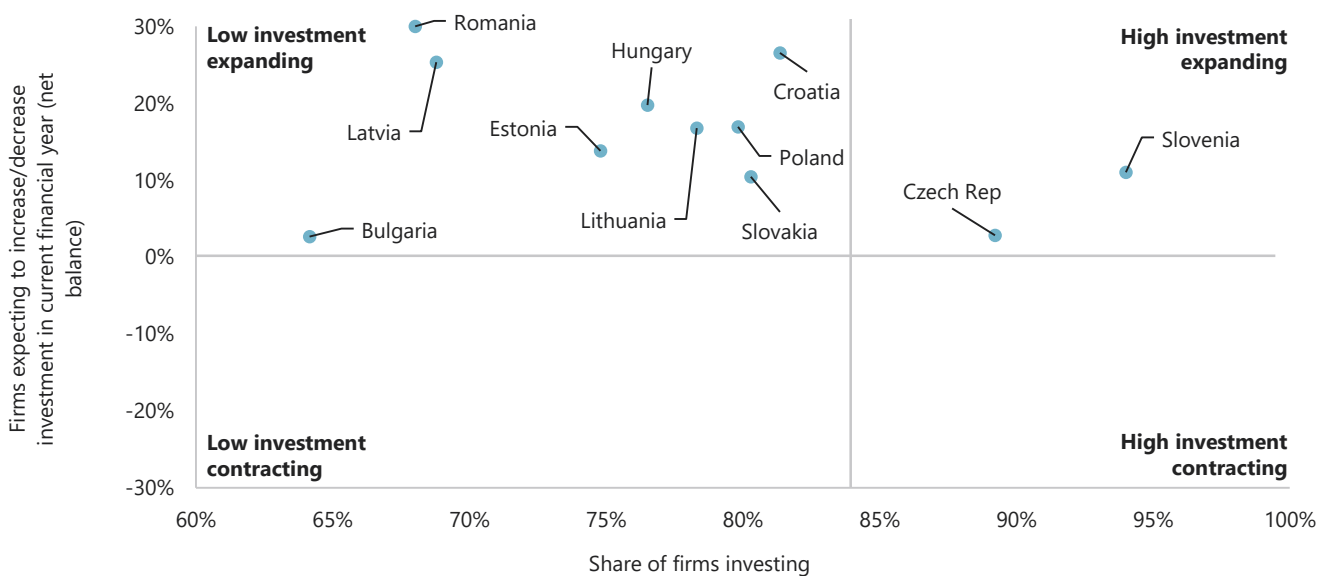
From a cross-country perspective, all countries have a positive investment outlook, with firms in the Czech Republic and Slovenia being most likely to expect a (further) expansion of their investment activities.

Base: All firms

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

The y-axis line crosses x-axis on the EU average for 2016.

INVESTMENT CYCLE BY COUNTRY



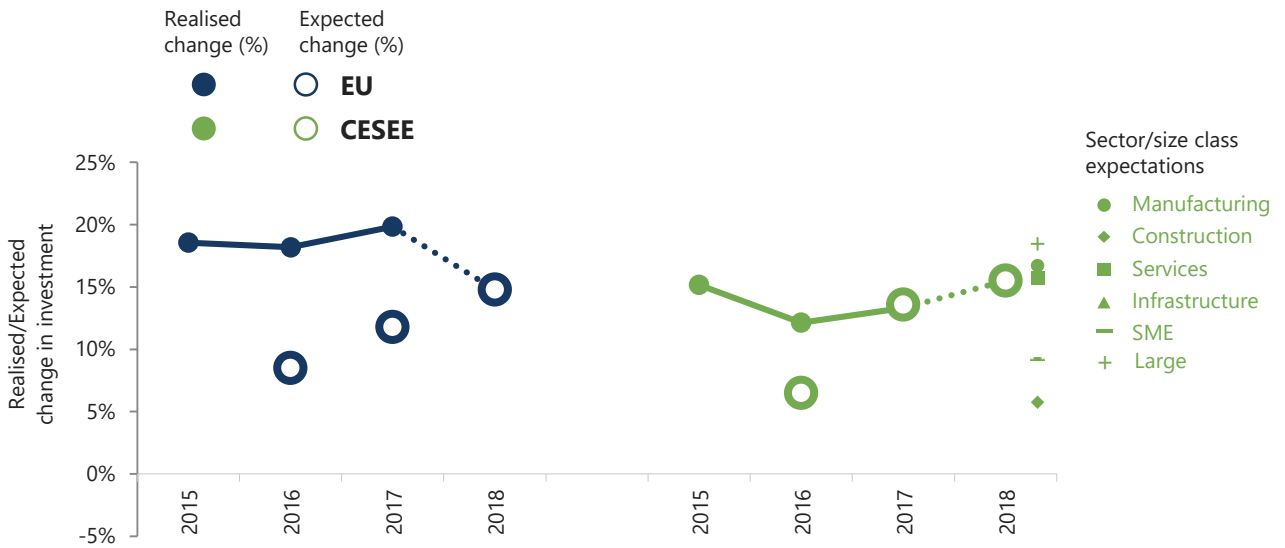
Base: All firms

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

The y-axis line crosses x-axis on the EU average for 2016.

INVESTMENT DYNAMICS

EVOLUTION OF INVESTMENT EXPECTATIONS



Base: All firms

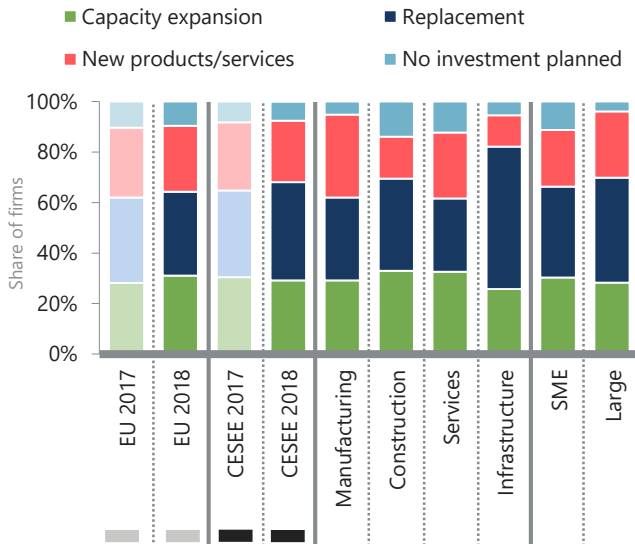
'Realised change' is the share of firms who invested more minus those who invested less; 'Expected change' is the share of firms who expect(ed) to invest more minus those who expect(ed) to invest less.

For the past three years, the balance of firms increasing their investment activities compared to those decreasing investment in the CESEE region has been relatively stable and positive. Whilst investment activities in 2016 exceeded expectation, expectations met realised investment in 2017.

For 2018, firms continue to expect investment activities to increase at a steady rate. Expectations of increased investment are strongest amongst large firms and those in the manufacturing and infrastructure sector. Firms in the construction sector express the least optimism for expected investment for 2018.

INVESTMENT DYNAMICS

FUTURE INVESTMENT PRIORITIES (% of firms)



Looking to the next three years, investment in replacement of buildings, machinery and equipment is the most commonly cited priority, with an increase from 34% to 39% compared with the result from EIBIS 2017.

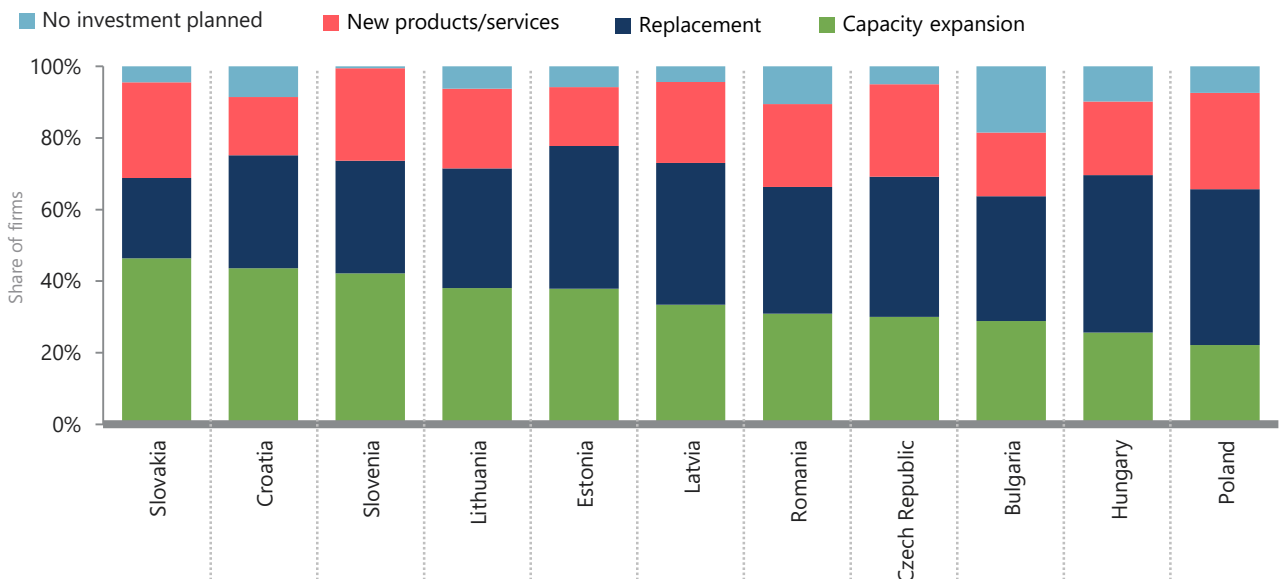
The share of firms planning to invest in capacity expansion is the second most commonly cited priority at 39%. The share of companies investing into new products/services has declined from 27% to 24%.

Across CESEE countries, Slovakia (46%), Croatia (44%) and Slovenia (42%) record the highest shares of firms naming capacity expansion as their principal investment priority.

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

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

FUTURE INVESTMENT PRIORITIES BY COUNTRY (% of firms)



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

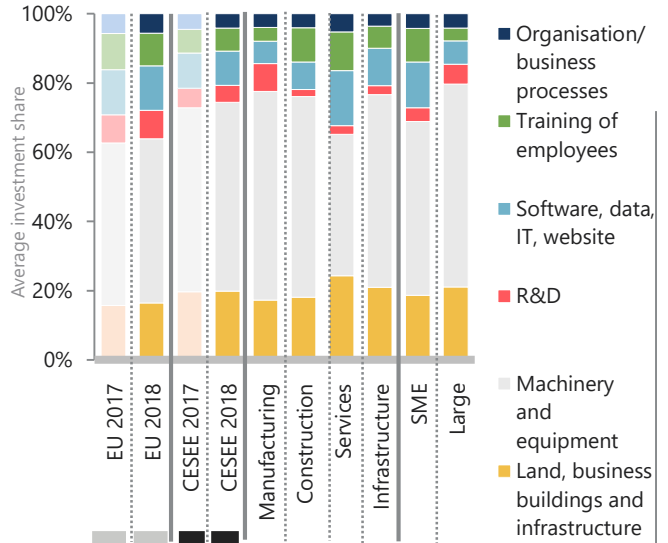
INVESTMENT FOCUS

INVESTMENT AREAS

CESEE firms invest less in 'intangible' assets (R&D, software, training and business process) when compared to the EU average and more in 'tangible' assets (Land, buildings, infrastructure and machinery). CESEE firms invest 26% into 'intangibles', below the EU average of 36%.

Machinery and equipment receive the largest share of investment (55%), followed by buildings and infrastructure (20%). The services sector largest share of their investment outlays in software and IT.

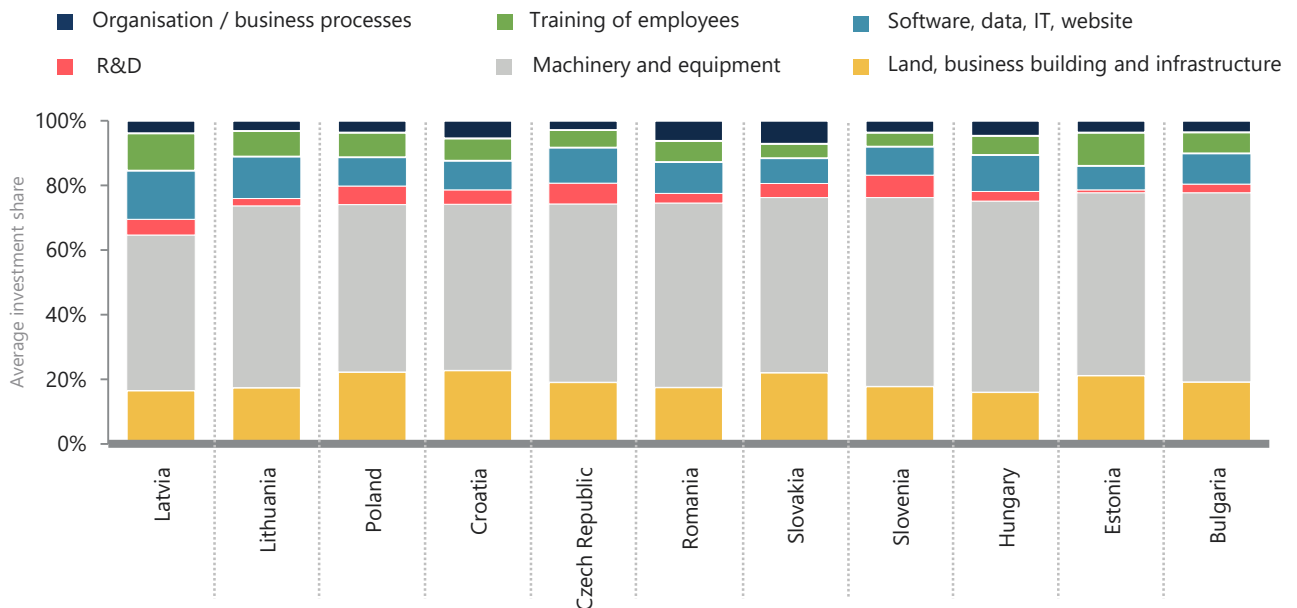
Firms in Latvia invest the largest share in 'intangibles' (35%), with 15% of investment being assigned to software and IT. Firms in Bulgaria invest the lowest share in 'intangibles' (22%).



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 AREAS BY COUNTRY

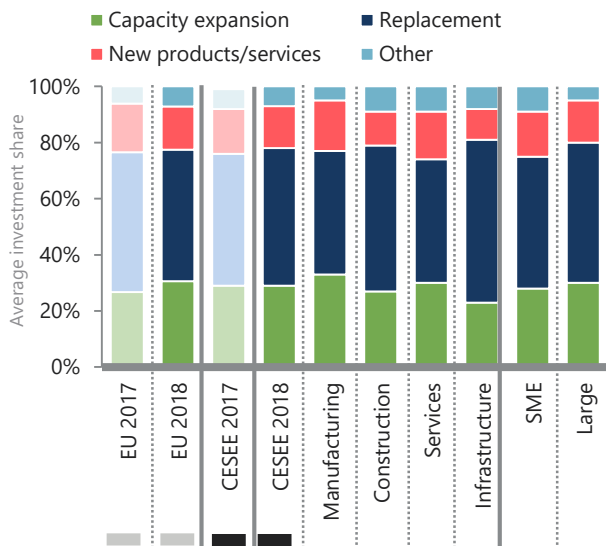


Base: All firms who have invested in the last financial year (excluding don't know/refused responses)

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?

INVESTMENT FOCUS

PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR (% of firms' investment)



Nearly half of all investment in the region in the last financial year was driven by the replacement of capital stock (49%), a slight increase from 47% vis-à-vis EIBIS 2017. This is in line with the EU average.

Capacity expansion is the next most important driver of investment, with 29% of all investment allocated to this end.

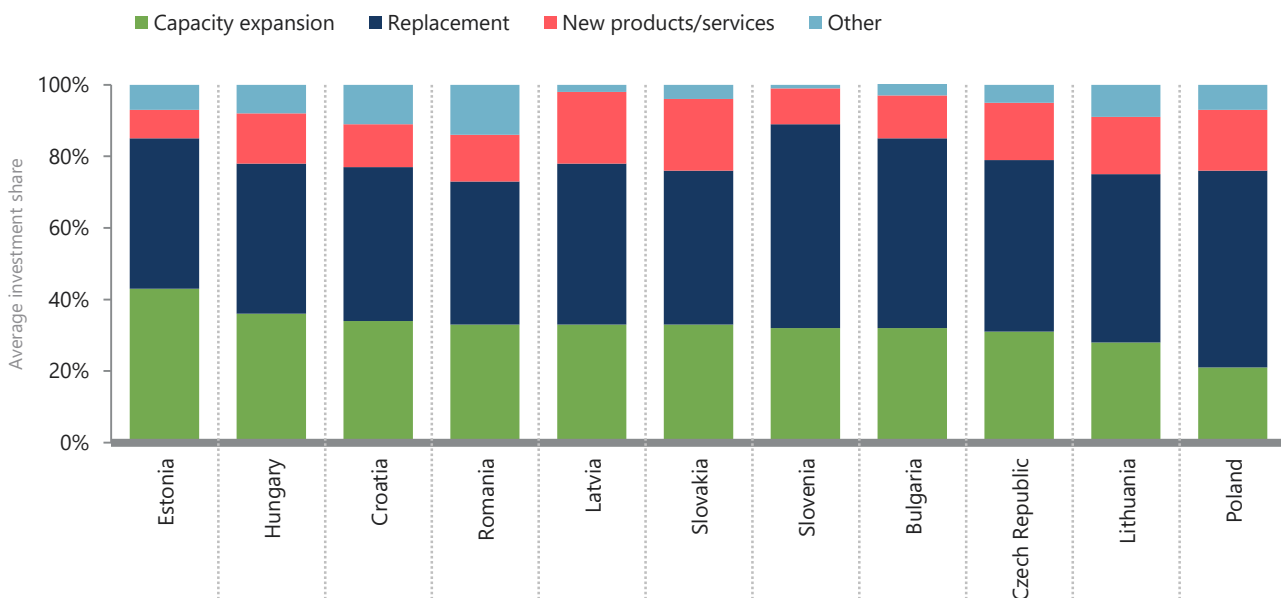
Cross-country differences are present. Whilst the focus on capacity expansion was particularly high in Estonia (43%), firms in Slovenia and Poland focused on replacement of capital stock (with investment shares of 57% & 55% respectively).

Slovakia and Latvia allocated the largest share to the introduction of new products, processes and services (both 20%); Estonia the smallest one (8%).

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

Q. What proportion of total investment was for (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR BY COUNTRY (% of firms' investment)



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

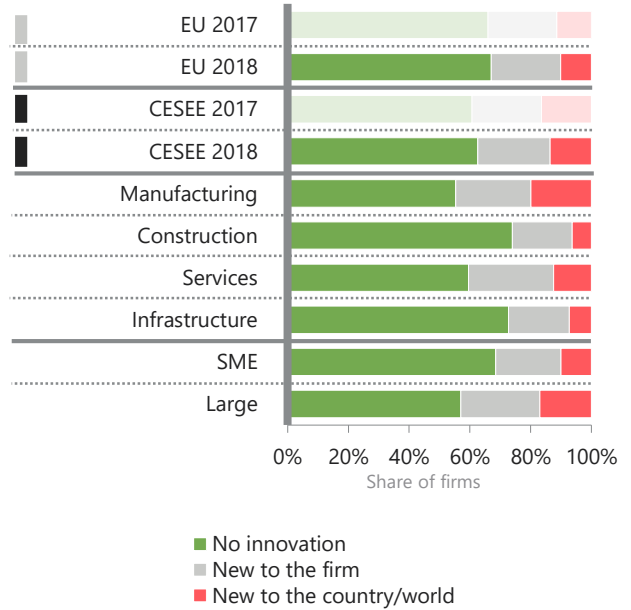
INVESTMENT FOCUS

INNOVATION ACTIVITY

Around two out of five firms (38%) introduced new products, processes or services in the last financial year, above the EU average of 34%. 14% of CESEE firms report undertaking innovations that are new to the country / world, and 24% introduced an innovation new to their firm.

Firms in the manufacturing sector are most likely to have developed or introduced new products, processes or services new to the country/global market (20%), whereas firms in the construction sector are least likely to have done so (6%), in line with overall EU patterns.

Firms in Czech Republic show the highest level of innovation at 52%. Latvia reports the largest share (28%) of firms who have introduced innovations new to the country or world.

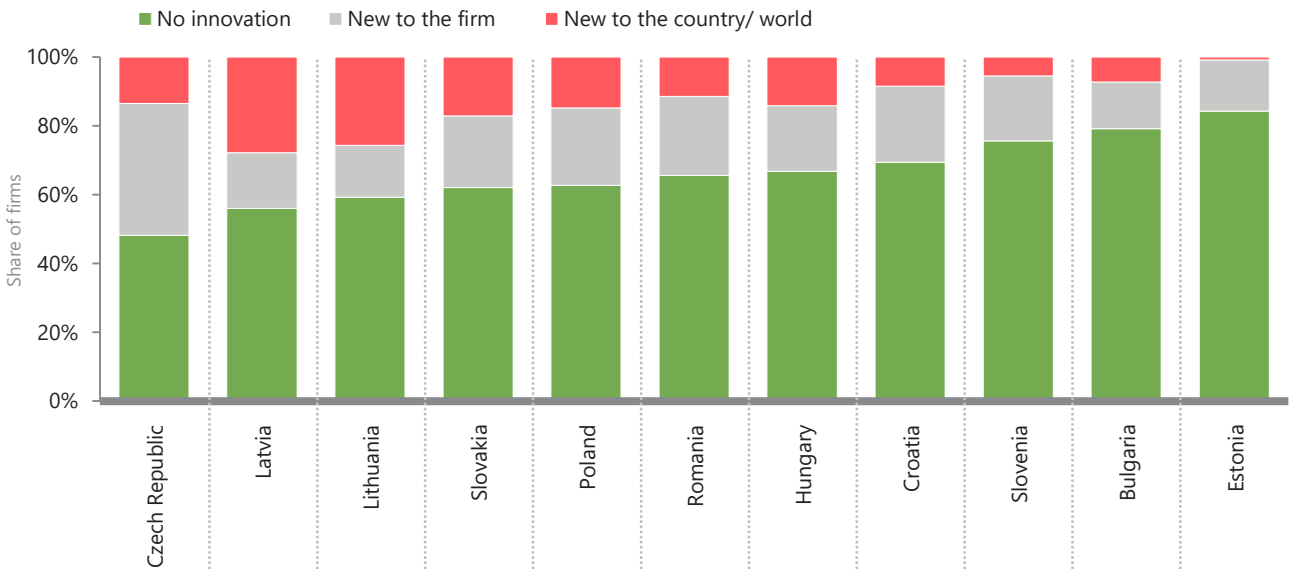


Base: All firms (excluding don't know/refused responses)

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?

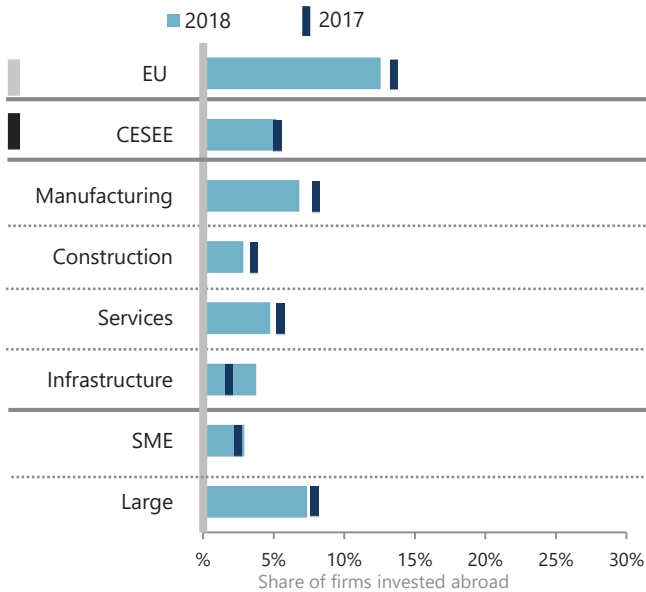
INNOVATION ACTIVITY BY COUNTRY



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

INVESTMENT FOCUS

INVESTMENT ABROAD



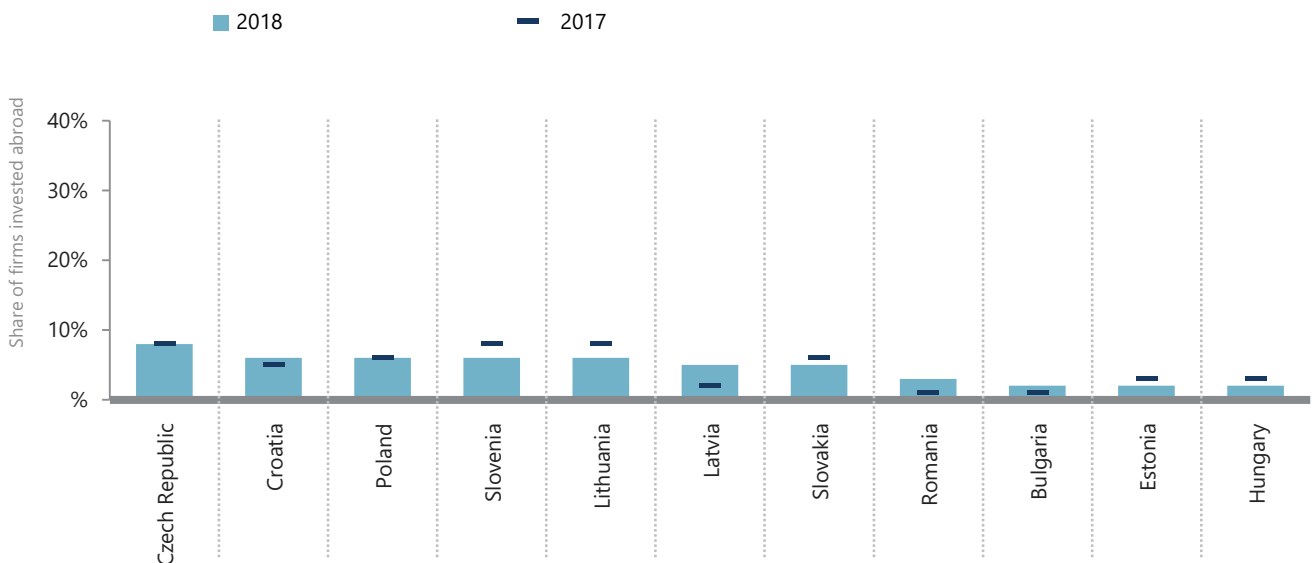
The share of CESEE firms who have invested into another country remains at 5%, unchanged from the result in EIBIS 2017. The share of CESEE firms investing abroad is substantially below the EU average of 12%.

Large firms are most likely to have invested abroad, compared to SMEs (7% vs 35%), whilst firms in the manufacturing sector (7%) are more likely to have invested abroad compared to other sectors.

Firms in the Czech Republic (8%) are the most likely to have invested abroad, whereas firms in Bulgaria, Estonia and Hungary are least likely to have invested in another country (all 2%).

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

INVESTMENT ABROAD BY COUNTRY



Base: All firms who invested in the last financial year

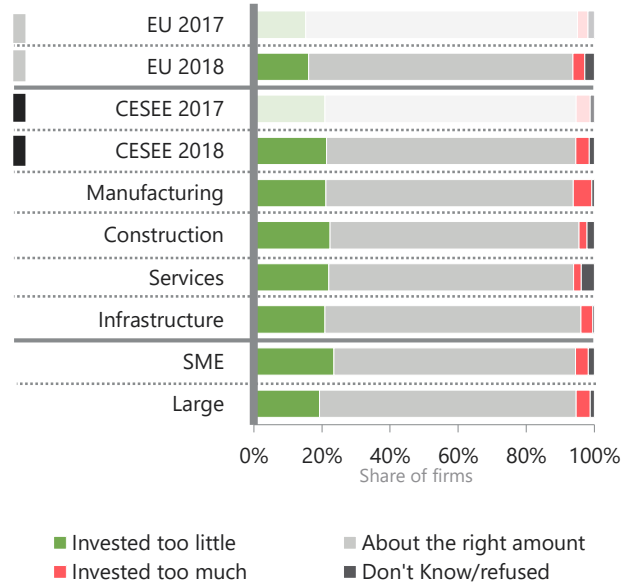
INVESTMENT NEEDS

PERCEIVED INVESTMENT GAP

Almost four in five firms (73%) consider their investment activities over the last three years to have been about the right amount, below the EU average of 77%. The share of CESEE firms reporting to have invested too little (21%) is above the EU average (16%). Only 4% of firms report to have invested too much.

One in three firms in Lithuania (33%), and one than one in four in Slovenia (29%) and Latvia (25%) believe that they invested too little in the last three years.

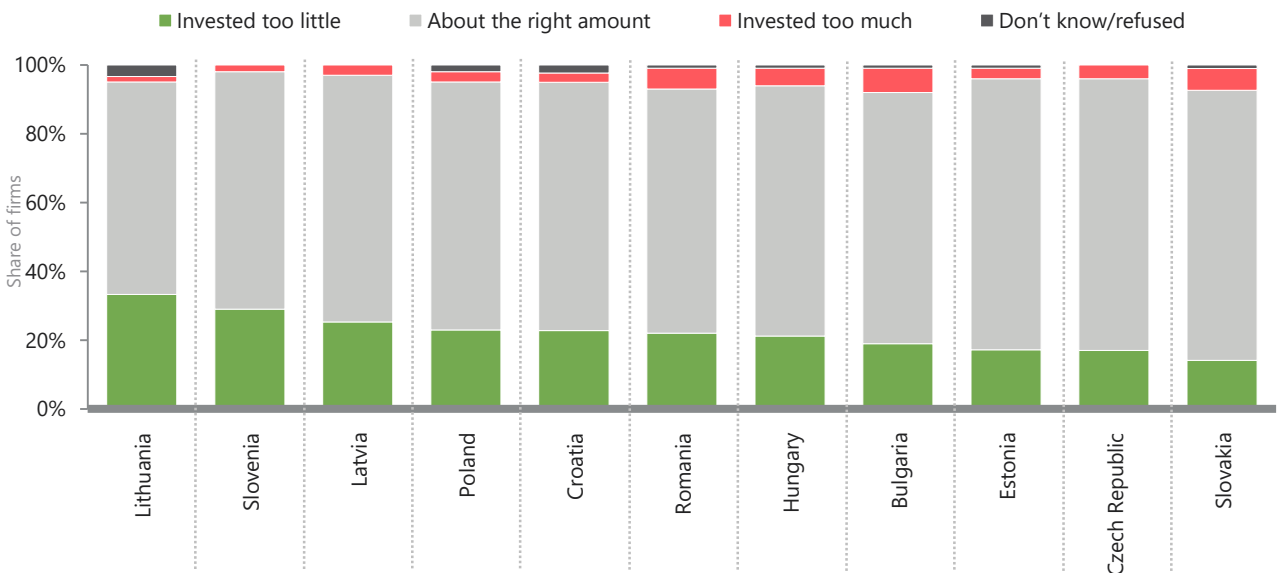
Conversely, almost eight in ten firms in Slovakia (78%), Estonia (78%) and Czech Republic (79%) believe their investment was about the right amount.



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?

PERCEIVED INVESTMENT GAP BY COUNTRY



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

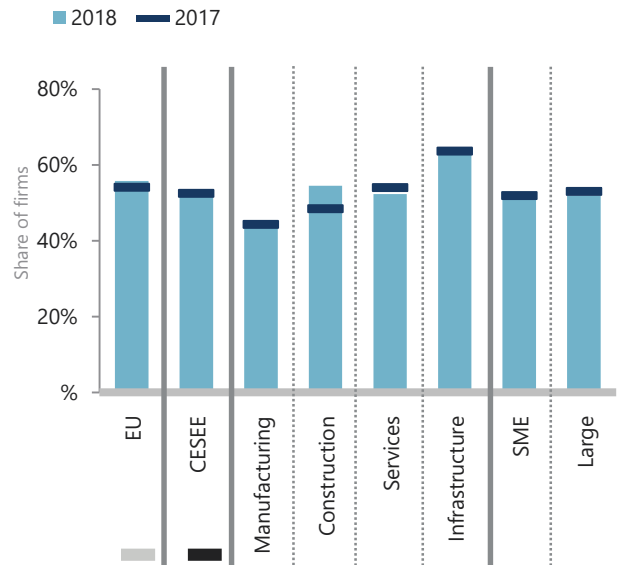
INVESTMENT NEEDS

SHARE OF FIRMS AT OR ABOVE FULL CAPACITY

Around half of all CESEE firms (52%) report operating at or above full capacity in the last financial year, in line with EIBIS 2017.

Firms in the infrastructure sector were the most likely to operate at or above capacity (63%). Manufacturing firms (44%) were the least likely to operate at or above capacity. This pattern is consistent with EIBIS 2017 across all sectors, with the most notable change occurring in the construction sector, increasing from 48% to 55%.

From a cross country perspective, capacity utilisation is highest in Estonia (75%). Firms in Latvia and Lithuania are least likely to report operating at or above full capacity, with Lithuania experiencing the largest decrease vis-à-vis EIBIS 2017.

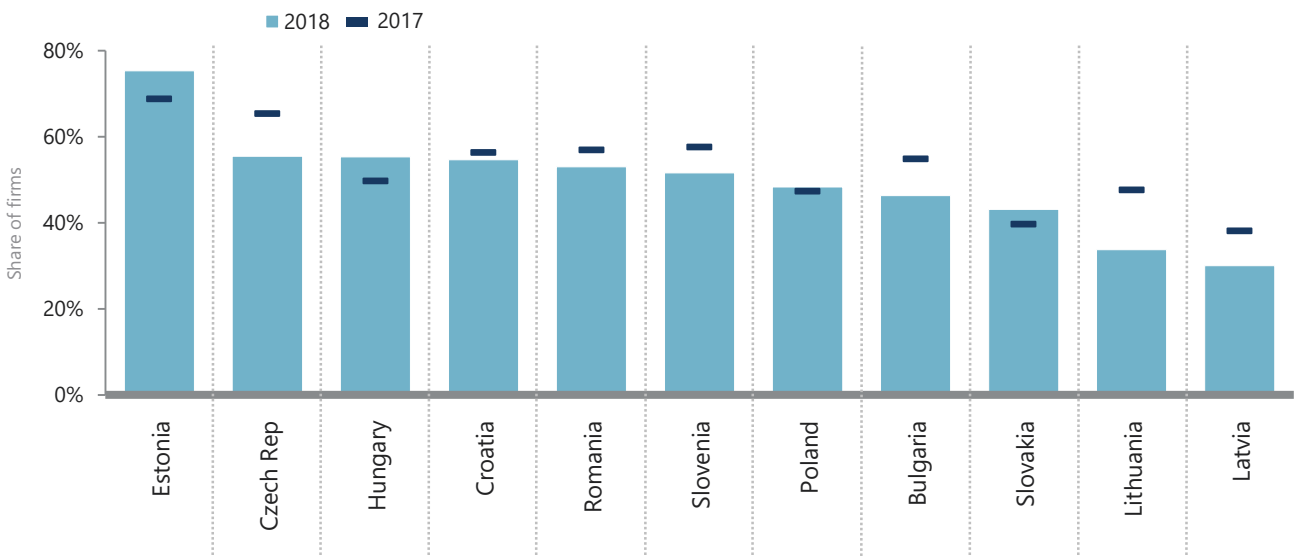


Base: All firms (data not shown for those operating somewhat or substantially below full capacity)

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?

SHARE OF FIRMS AT OR ABOVE FULL CAPACITY BY COUNTRY



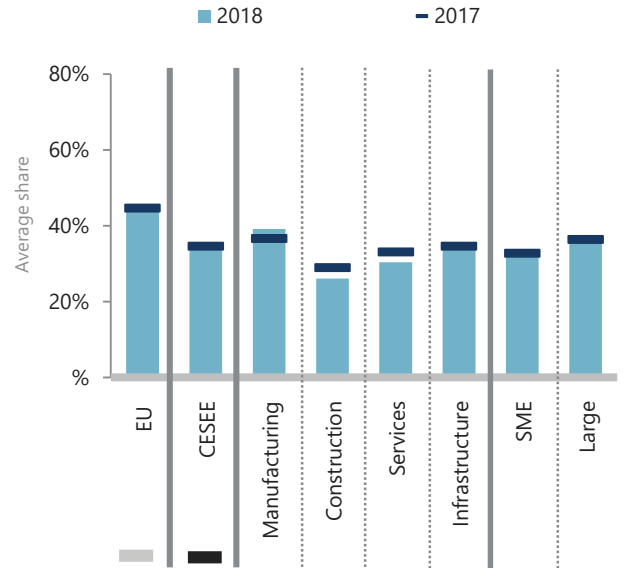
Base: All firms (data not shown for those operating somewhat or substantially below full capacity)

INVESTMENT NEEDS

PERCEIVED SHARE OF STATE OF THE ART MACHINERY

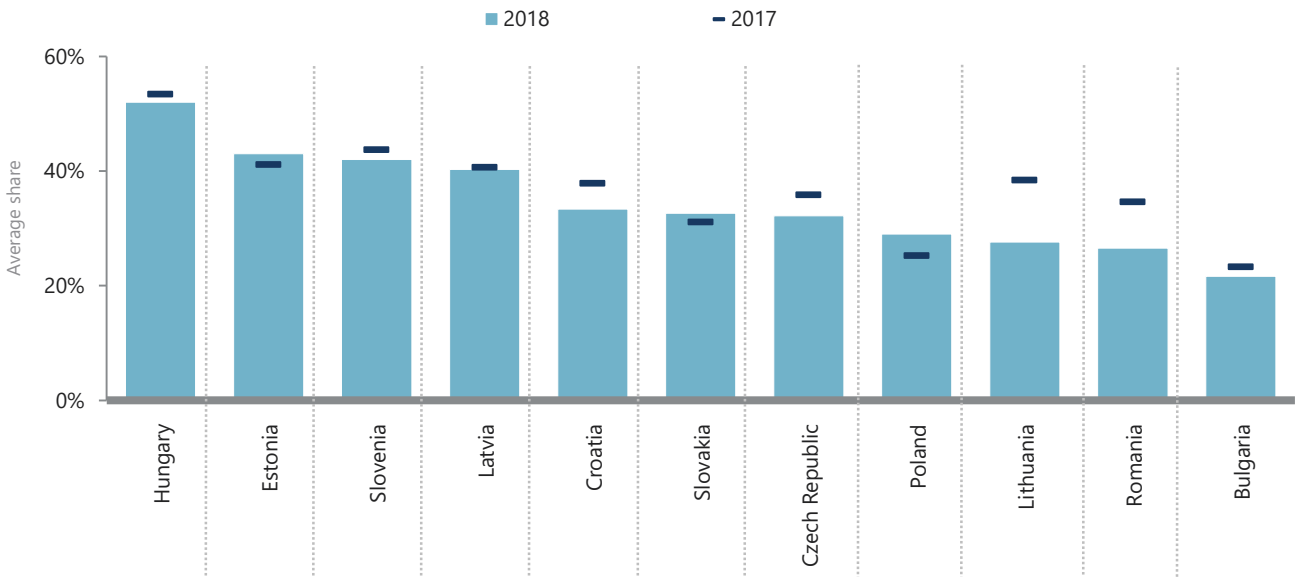
The average share of machinery and equipment that is perceived to be state-of-the-art by CESEE firms remains at 35%, significantly lower than the EU average (44%). This is in line with EIBIS 2017. Large firms and companies from the manufacturing or infrastructure sector report somewhat higher proportions of state-of-the-art machinery compared to firms from the construction sector.

Firms in Hungary (52%) report the highest share of machinery and equipment that is state-of-the-art. Firms in Bulgaria report the lowest shares (22%). Lithuania has the largest decline in perceived state-of-the-art equipment between EIBIS 2018 and EIBIS 2017, falling from 38% to 28%.



Base: All firms who have invested in the last financial year (excluding don't know/refused responses)
Q. What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?

PERCEIVED SHARE OF STATE OF THE ART MACHINERY BY COUNTRY



Base: All firms who have invested in the last financial year (excluding don't know/refused responses)
Data not shown for Greece and Cyprus as these countries were outliers at the higher end of the scale –potentially due to different interpretation of the question.

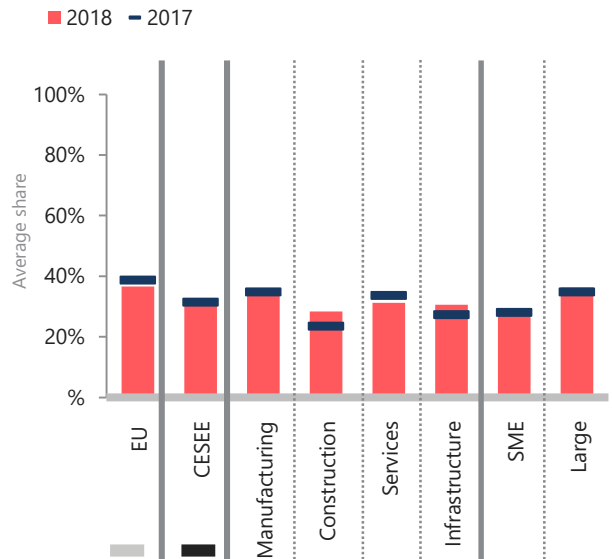
INVESTMENT NEEDS

PERCEIVED SHARE OF BUILDING STOCK MEETING HIGH ENERGY EFFICIENCY STANDARDS

Firms in the CESEE report, on average, that 32% of their building stock satisfies high energy efficiency standards, below the EU average of 37%.

The share of building stock that is energy efficient is highest among large firms (36%) and manufacturing firms (35%) and lowest among construction sector firms and SMEs (both 28%).

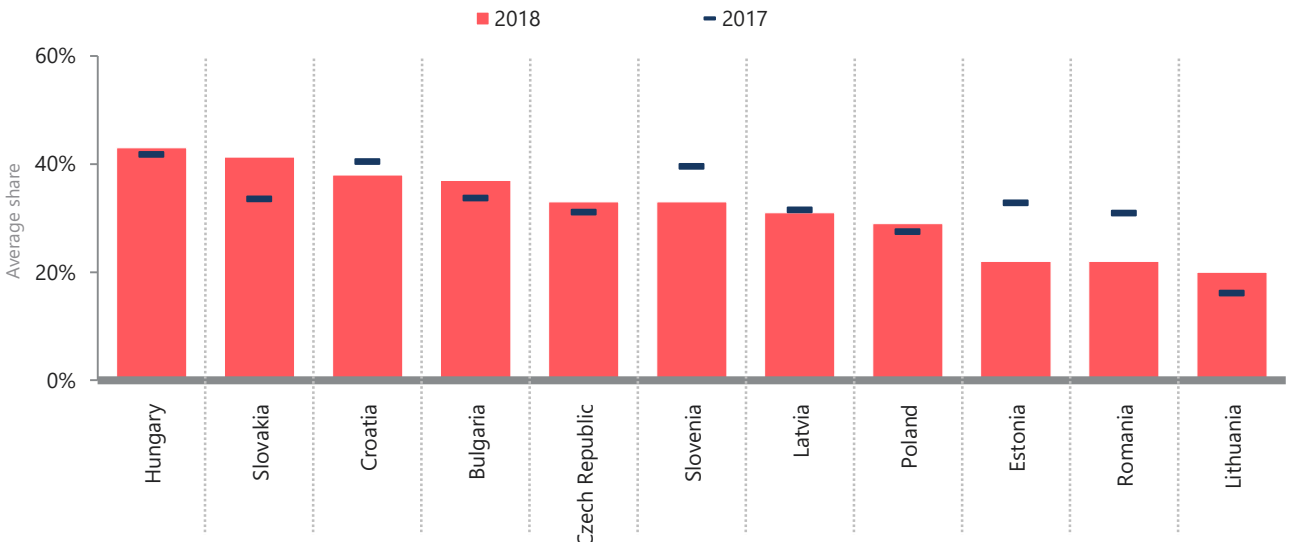
The reported share varies substantially across countries. Firms in Hungary (43%) and Slovakia (41%) report relatively high shares of building stock that satisfies high efficiency standards; firms in Lithuania a relatively low share (20%).



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

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

PERCEIVED SHARE OF BUILDING STOCK MEETING HIGH ENERGY EFFICIENCY STANDARDS BY COUNTRY

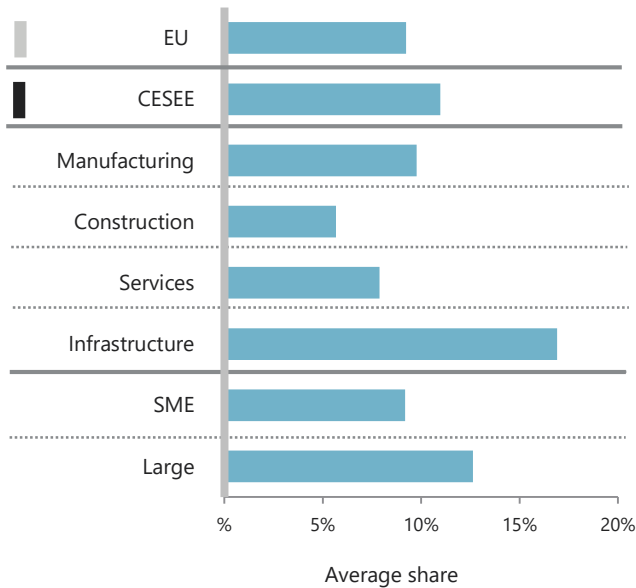


Base: All firms

Data not shown for Greece and Cyprus as these countries were outliers at the higher end of the scale –potentially due to different interpretation of the question.

INVESTMENT NEEDS

ENERGY EFFICIENCY INVESTMENT



Across the CESEE countries, the average share of investment allocated to improving energy efficiency is 11%. This is higher than the EU average of 9%.

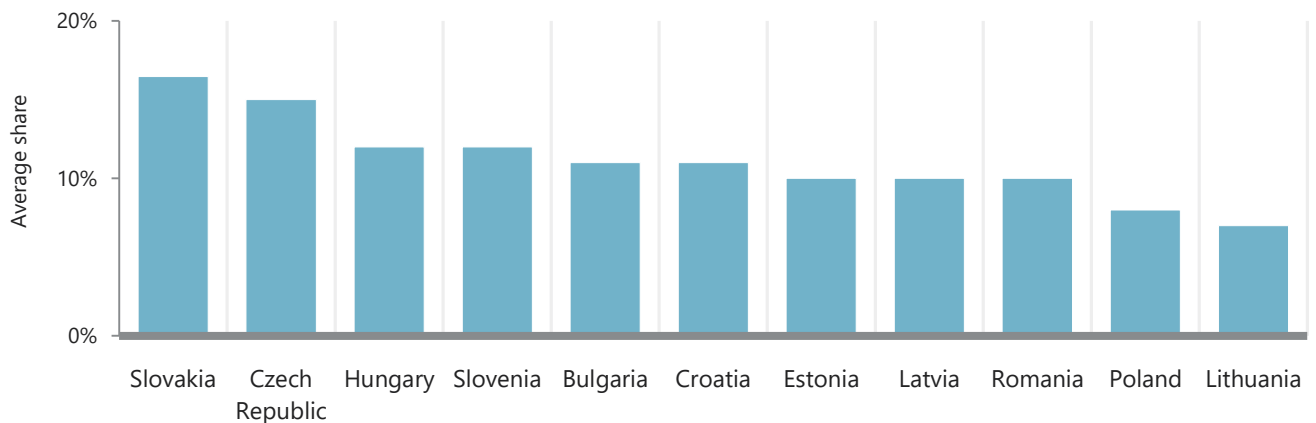
Energy efficiency investment varies by sector, with firms in the infrastructure sector (17%) allocating a larger share of their investment to energy efficiency improvements than firms in the construction sector (6%).

Slovakia (17%) reports highest share of investment for measures to improve energy efficiency in the CESEE region, followed by the Czech Republic (15%). In contrast, only 7% of investment by firms in Lithuania is primarily intended for energy efficiency measures.

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

Q. What proportion of total investment in the last financial year was primarily for measures to improve energy efficiency in your organisation?

ENERGY EFFICIENCY INVESTMENT BY COUNTRY



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

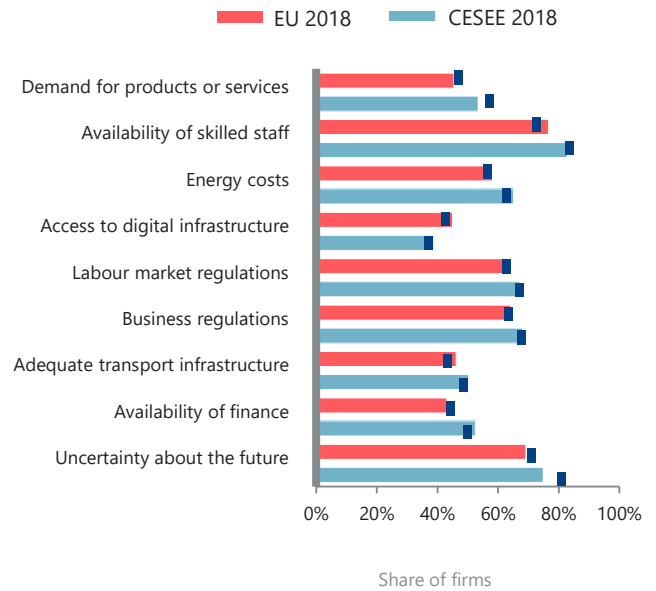
DRIVERS AND CONSTRAINTS

LONG TERM BARRIERS TO INVESTMENT

Around four in five firms (83%) cite the availability of skilled staff as an obstacle to investment. This was also the main barrier to investment in EIBIS 2017, however, the proportion of firms mentioning this has declined (marginally).

Uncertainty about the future (75%) is the next most prevalent obstacle to investment, as in EIBIS 2017, followed by business regulations (68%) and labour market regulations (67%).

The availability of skilled staff is perceived as the main barrier across sectors and size classes, although more common among large firms (83%), and those in the manufacturing and construction sectors (87% and 84% respectively).

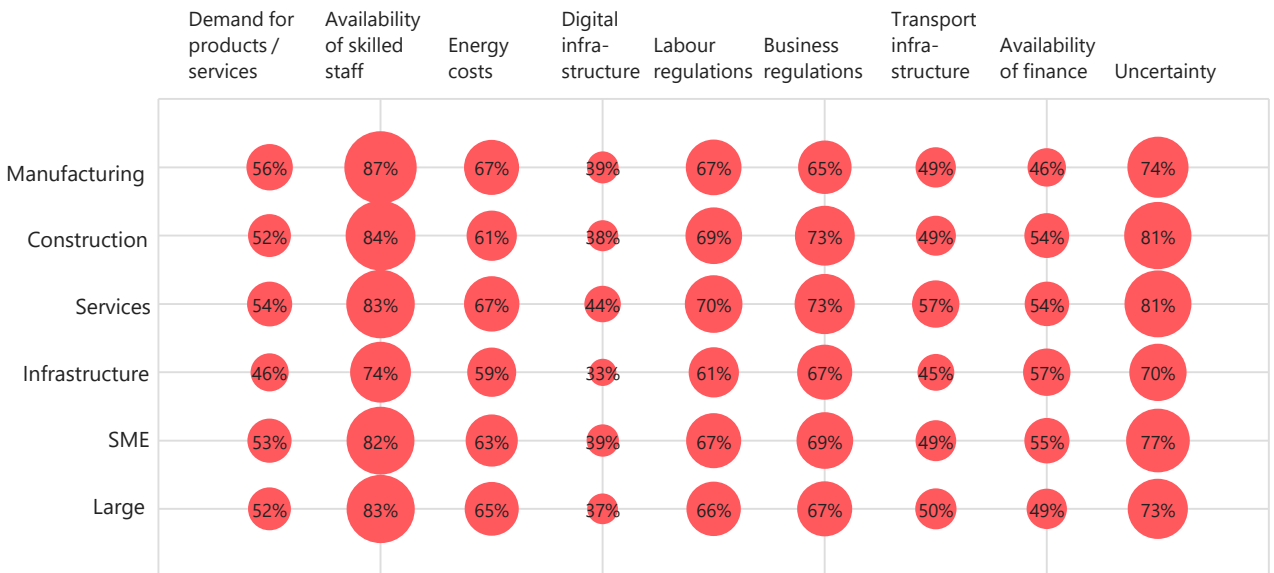


Base: All firms (data not shown for those who said not an obstacle at all/don't know/refused)

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

Reported shares combine 'minor' and 'major' obstacles into one category.

LONG TERM BARRIERS TO INVESTMENT BY SECTOR AND SIZE



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

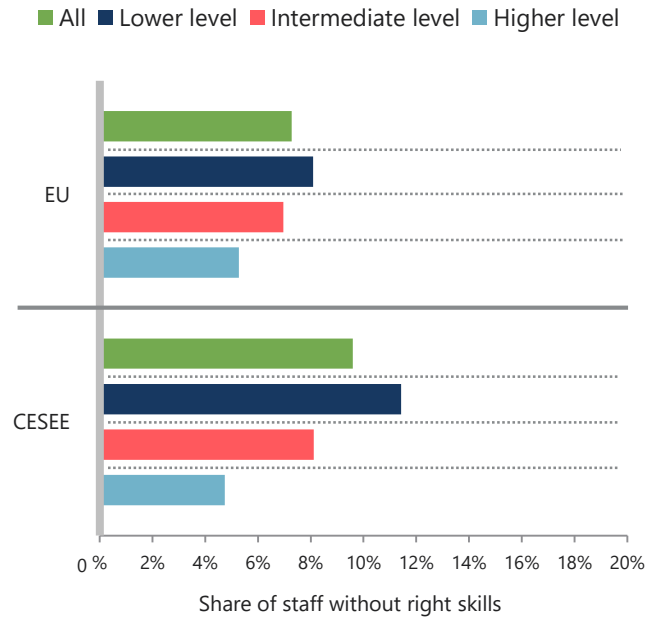
DRIVERS AND CONSTRAINTS

PERCEIVED SKILLS MIS-MATCH

Firms across the CESEE region report a greater level of skills mis-match among existing staff than the EU average (10% compared to 7%).

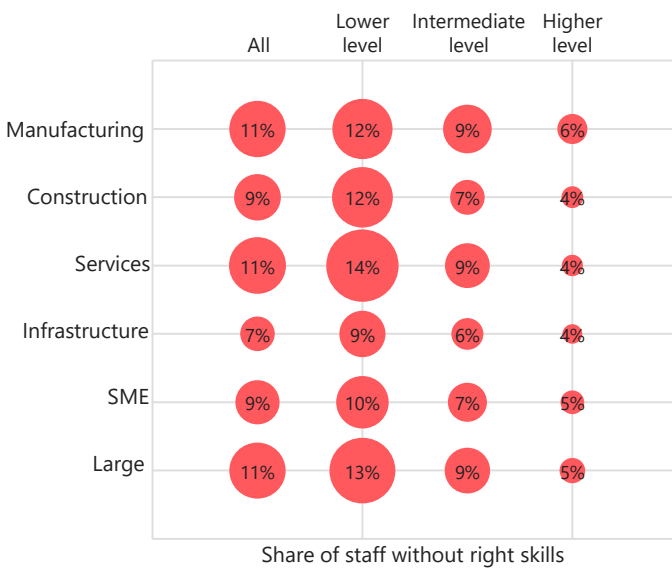
The greatest share of perceived skills mis-matches among current staff is in lower level occupations (11%).

Given that 77% of CESEE firms reported 'lack of skilled staff' as a barrier to investment, yet only 10% of firms report a skills mis-match among existing staff, it seems that reported skill shortages refer primarily to finding new staff rather than issues with existing staff.



Base: All staff in lower/intermediate/higher level occupations (excluding don't know/refused responses)
 Q. How many of your existing staff would you regard as having the right skills to fit your company's current needs?

SKILLS MIS-MATCH BY SECTOR AND SIZE



The proportion of staff that is perceived to lack the required skills for their role varies by size and sector. For example, the overall level of skills mis-matches among existing staff is highest in the services sector and the manufacturing sector and amongst larger firms (all at 11%).

Looking only at lower level occupations, the proportion of staff lacking the necessary skills is highest in services firms (14%) and in large businesses (13%).

The smallest skills mis-match is amongst those in higher level occupations within firms in the construction sector and services sector (both at 4%).

Base: All staff in lower/intermediate/higher level occupations (excluding don't know/refused responses)
 Q. How many of your existing staff would you regard as having the right skills to fit your company's current needs?

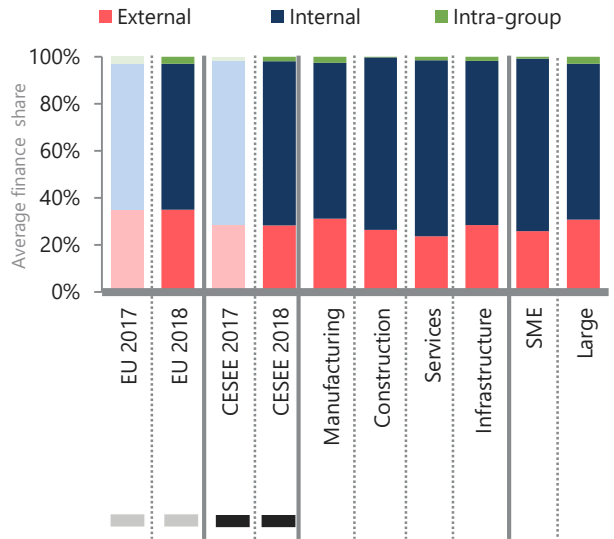
INVESTMENT FINANCE

SOURCE OF INVESTMENT FINANCE

Across the CESEE region, firms finance the majority of their investment activities (70%) by means of internal financing. This is somewhat higher than the EU average of 62%. CESEE firms rely less upon external finance (28%), compared to the EU average (35%). Intra-group financing accounts for 2% of CESEE firms investment finance.

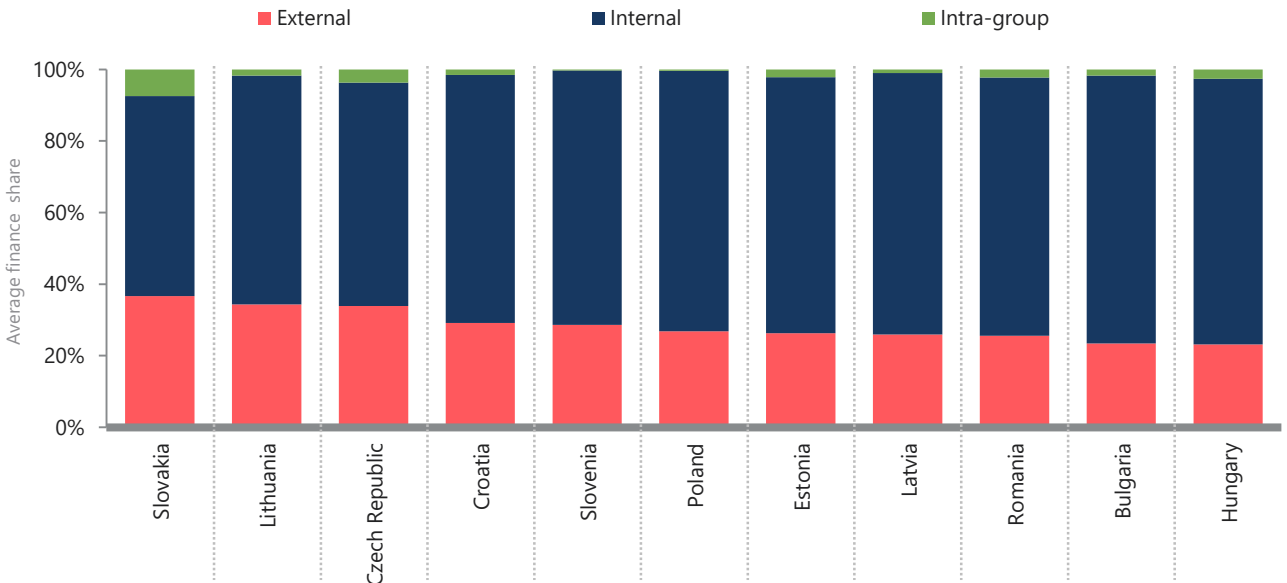
The share of finance accounted for by internal funds is highest in Bulgaria, Hungary and Poland (75%, 74% & 73% respectively).

On the other hand, firms in Slovakia, the Czech Republic and Lithuania rely the most on external finance (making up 37%, 34% and 34% respectively of their total investment finance).



Base: All firms who invested in the last financial year (excluding don't know/refused responses)
 Q. What proportion of your investment was financed by each of the following?

SOURCE OF INVESTMENT FINANCE BY COUNTRY



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

INVESTMENT FINANCE

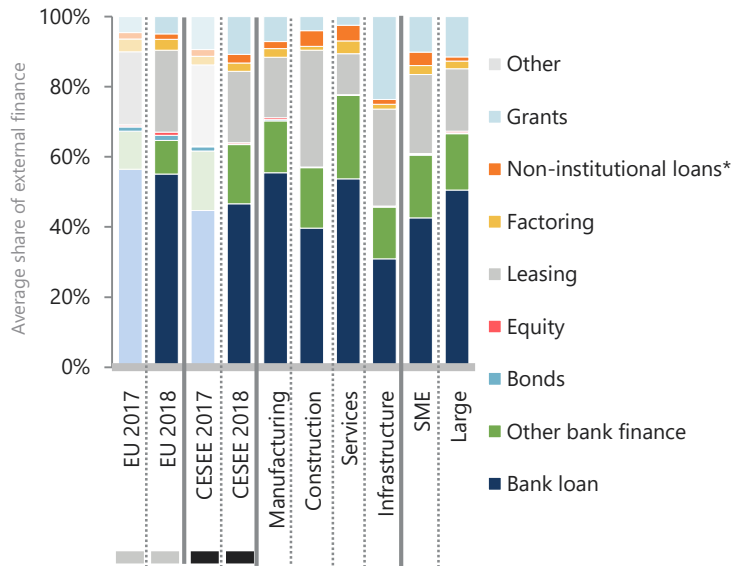
TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES

Bank loans account for the highest share of external finance (47%), followed by leasing (20%). This is largely consistent with EIBIS 2017.

Bank loans make up a particularly high share of firms' external finance mix in the manufacturing and construction sectors.

Firms in the construction and infrastructure sectors stand out in their reliance of leasing to fund their investment activities (33% and 28% respectively).

In many countries of the region - notably Hungary, Romania and Poland - grants are also an important element of firms' external finance mix.

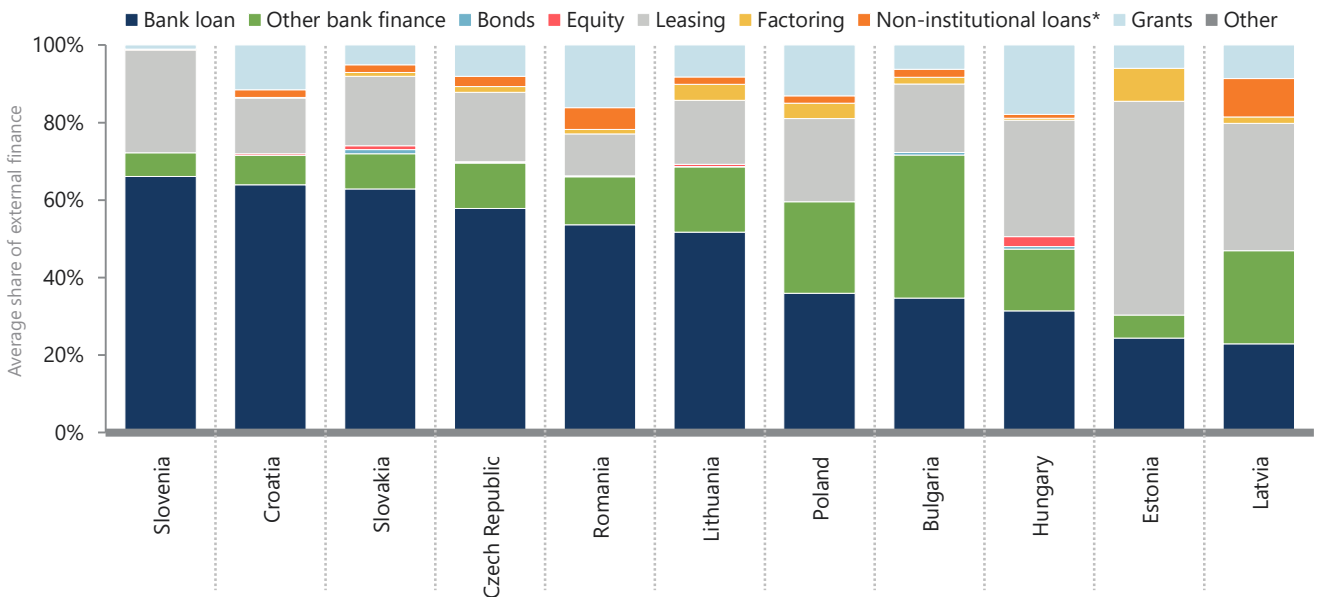


Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

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

*Loans from family, friends or business partners

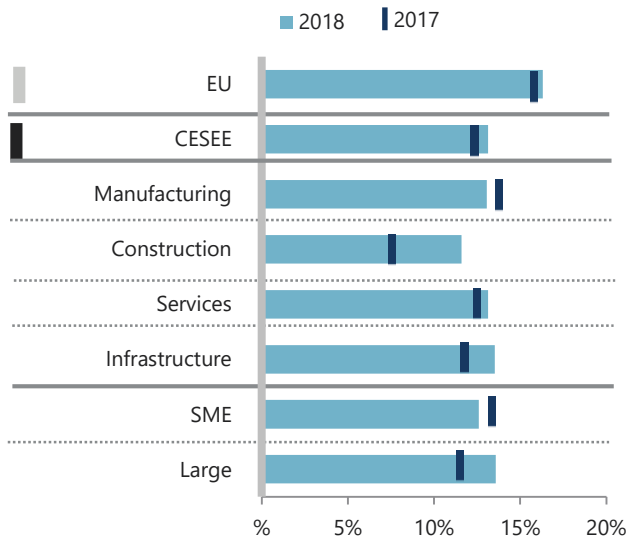
TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES BY COUNTRY



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

INVESTMENT FINANCE

SHARE OF FIRMS HAPPY TO RELY EXCLUSIVELY ON INTERNAL SOURCES TO FINANCE INVESTMENT



Across CESEE firms, 13% report that their main reason for not applying for external finance was because they were happy to use internal funds / did not have a need for it. This is below the EU average of 16%.

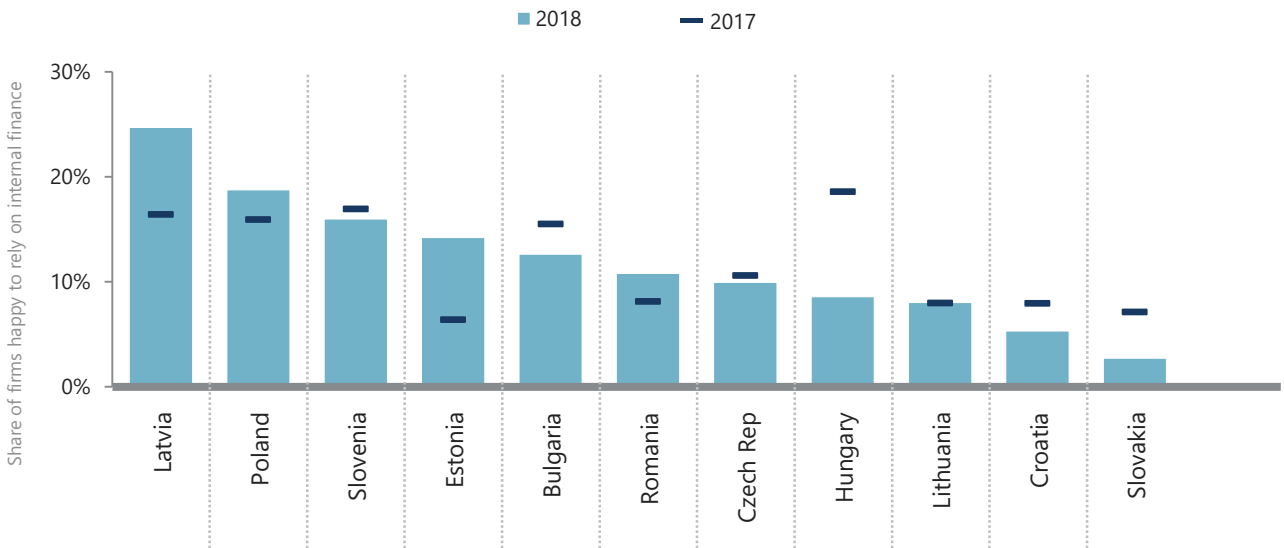
Large firms are more likely to be satisfied with relying on internal finance than SMEs (14% compared with 13%).

Around two in ten firms in Poland (19%) report being happy to use internal finance, the highest proportion among CESEE countries. Firms in Slovakia are least likely to report this (3%). The share of firms in Hungary happy to rely on internal sources declined to 9% from 19% in EIBIS 2017.

Base: All firms Share of firms happy to rely on internal finance

Q. What was your main reason for not applying for external finance for your investment activities? Was happy to use internal finance/didn't need the finance (Unprompted)

SHARE OF FIRMS HAPPY TO RELY EXCLUSIVELY ON INTERNAL SOURCES TO FINANCE INVESTMENT BY COUNTRY



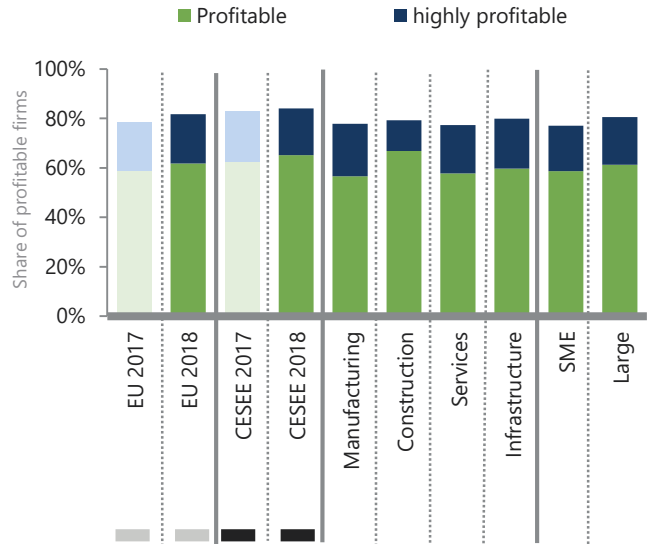
Base: All firms

INVESTMENT FINANCE

SHARE OF PROFITABLE FIRMS

Over eight in ten CESEE businesses (84%) reported having generated a profit in the last financial year, slightly above the EU average of 82%.

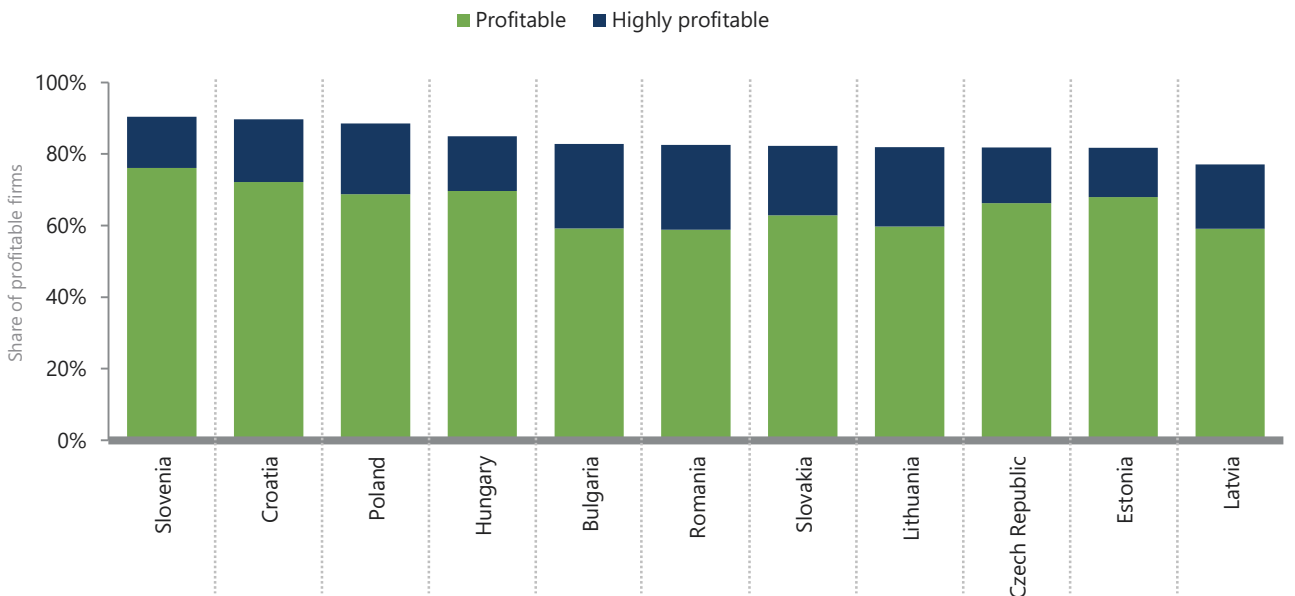
The highest share of profitable firms was reported in Slovenia and Croatia (both 90%). Bulgaria and Romania had the highest shares of highly profitable firms (with a profit margin of more than 10%). Estonia and Slovenia have the lowest share of highly profitable businesses (both 14%).



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

Q. Taking into account all sources of income in the last financial year, did your company generate a profit or loss before tax, or did you break even? Highly profitable is defined as profits/turnover bigger than 10%

SHARE OF PROFITABLE FIRMS BY COUNTRY



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

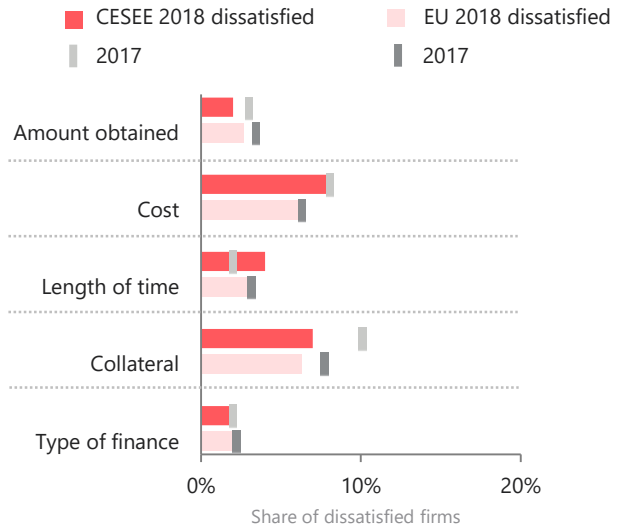
SATISFACTION WITH FINANCE

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED

In general, only a small share of firms that used external finance are dissatisfied the external finance they received.

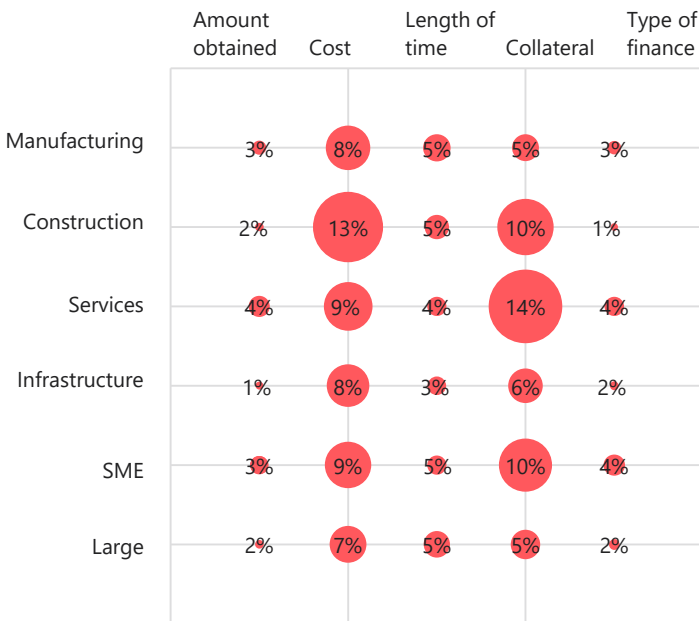
CESEE firms are more likely to be dissatisfied compared with the EU average, and specifically are most dissatisfied with the cost (8%) and collateral requirements (7%) of securing external finance.

The share of firms expressing dissatisfaction with the finance they received is broadly in line with data in from EIBIS 2017. Firms expressing dissatisfaction with collateral requirements has declined somewhat while dissatisfaction with the length of time rose.



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?

DISSATISFACTION BY SECTOR AND SIZE



SMEs (10%) and firms from the services sector (14%) are most likely to be dissatisfied with the collateral required to secure external finance.

Firms in the construction sector are most likely to be dissatisfied with the cost of external finance (13%).

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?

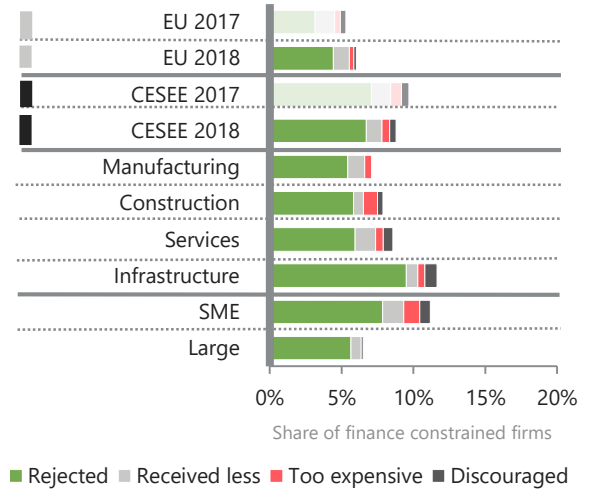
SATISFACTION WITH FINANCE

SHARE OF FINANCE CONSTRAINED FIRMS

7% of firms in the CESEE region can be considered external finance constrained. This figure is in line with the figure from EIBIS 2017, and somewhat higher than the EU average (5%).

The share of financing constrained firms is highest among infrastructure sector firms (10%) and SMEs (8%). Manufacturing companies report to be the least finance constrained.

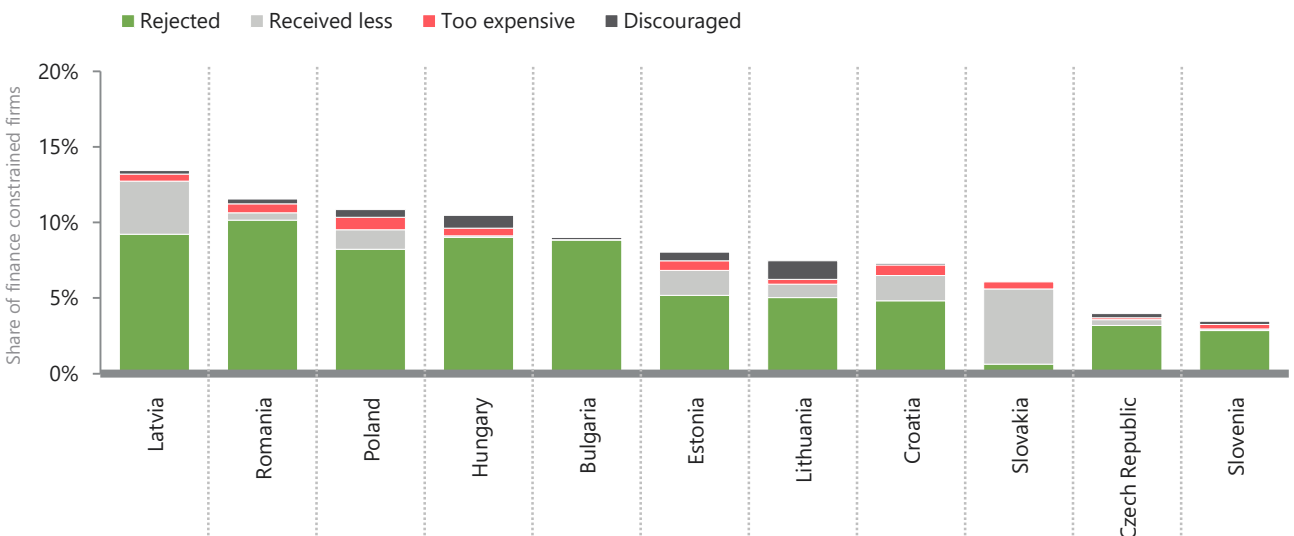
Firms in Latvia (13%) are most likely to be financially constrained, whilst firms from Slovenia and the Czech Republic are least likely to be financially constrained (3% and 4% respectively).



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)

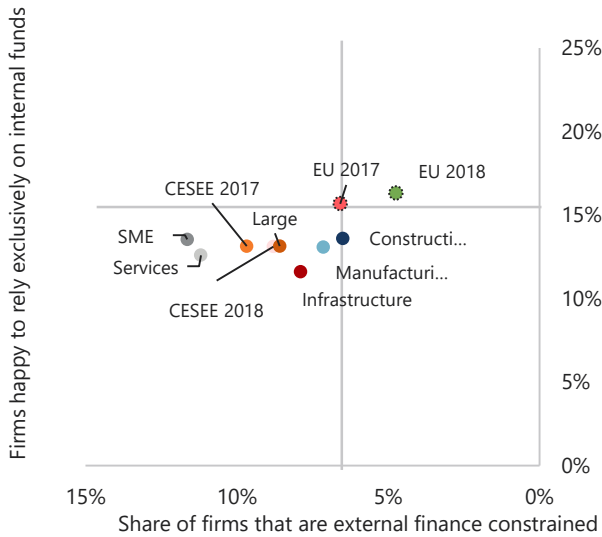
SHARE OF FINANCE CONSTRAINED FIRMS BY COUNTRY



Base: All firms

SATISFACTION WITH FINANCE

FINANCING CROSS



The share of CESEE firms experiencing finance constraints (9%) is higher than the EU average (5%), while the proportion of firms satisfied to rely on internal sources of funds is lower (13% compared to 16%). This makes access to external finance a relatively bigger issue for the CESEE region when it comes to supporting a strong investment climate.

The share of firms reporting external financial constraints has declined by 2% from 2017.

Firms from the infrastructure sector are more likely to be external finance constrained (12%) whilst also being more likely to be happy to rely exclusively on internal finance (14%).

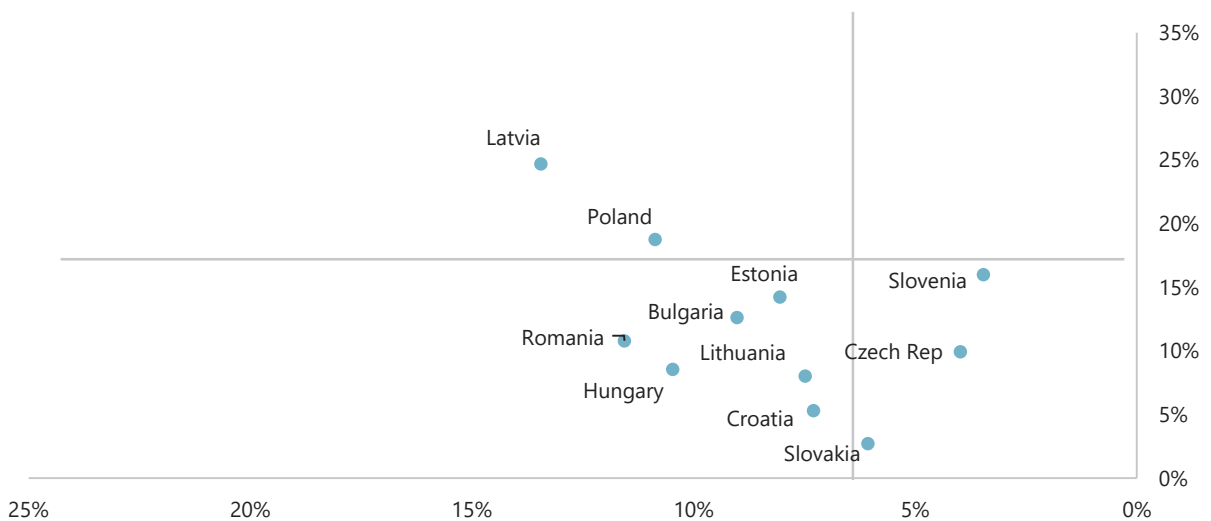
Base: All firms

Data derived from the financial constraint indicator and firms indicating main reason for not applying for external finance was 'happy to use internal finance/didn't need finance'

The x and y-axis lines cross on the EU average for 2016.

*Financing constraints for 2016 among non-investing firms estimated

FINANCING CROSS BY COUNTRY



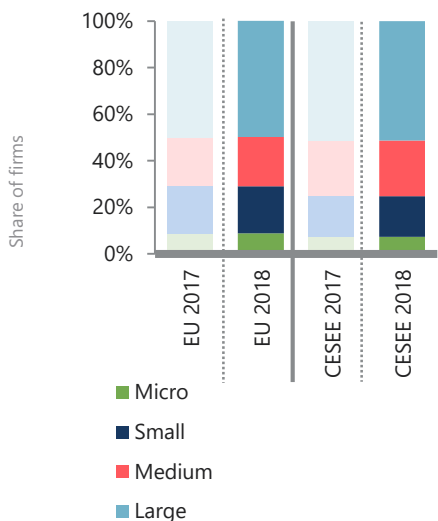
Base: All firms

Data derived from the financial constraint indicator and firms indicating main reason for not applying for external finance was 'happy to use internal finance/didn't need finance'

The x and y-axis lines cross on the EU average for 2016.

PROFILE OF FIRMS

CONTRIBUTION TO VALUE ADDED BY SIZE



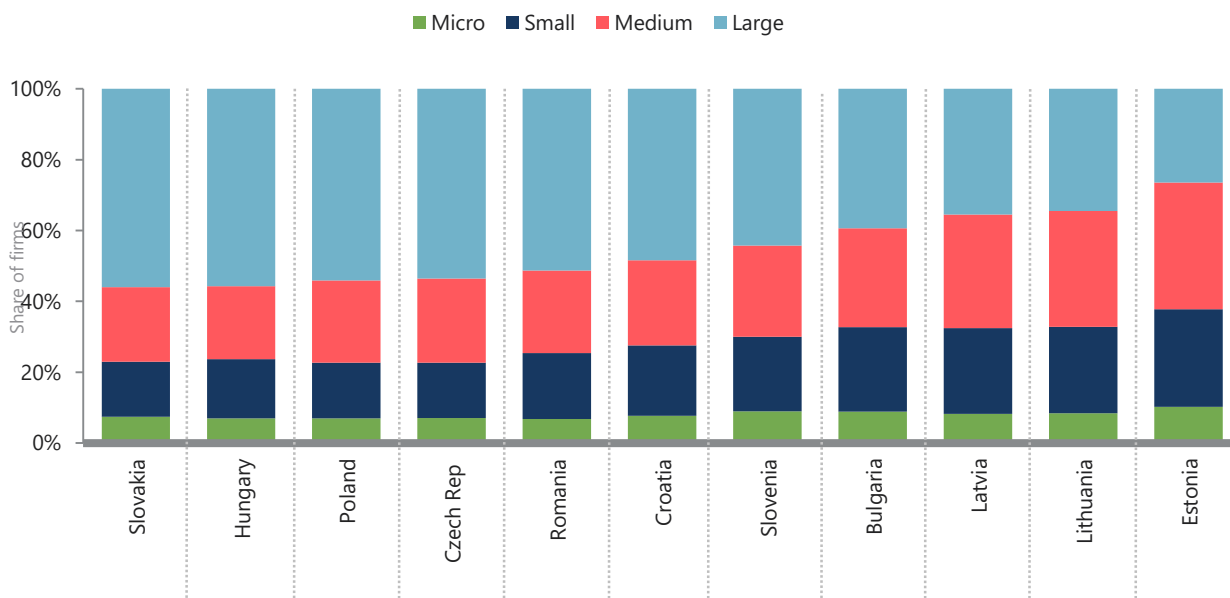
Half of value added in the CESEE region (51%) is contributed by large firms with 250+ employees. About one quarter comes from medium sized (24%) and around one in fifth of value added from small firms (17%). Just under one tenth of value added in the region comes from micro enterprises (7%). These results are inline with the EU average.

The share of value added coming from large firms is largest in Hungary and Slovakia (both 56%) and smallest in Estonia (28%).

Base: All firms

The chart reflects the relative contribution to value-added by firms belonging to a particular size class 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+.

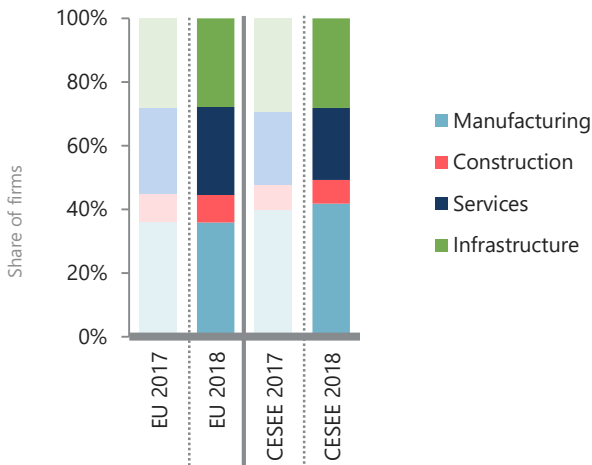
CONTRIBUTION TO VALUE ADDED BY COUNTRY



Base: All firms

PROFILE OF FIRMS

CONTRIBUTION TO VALUE ADDED BY SECTOR



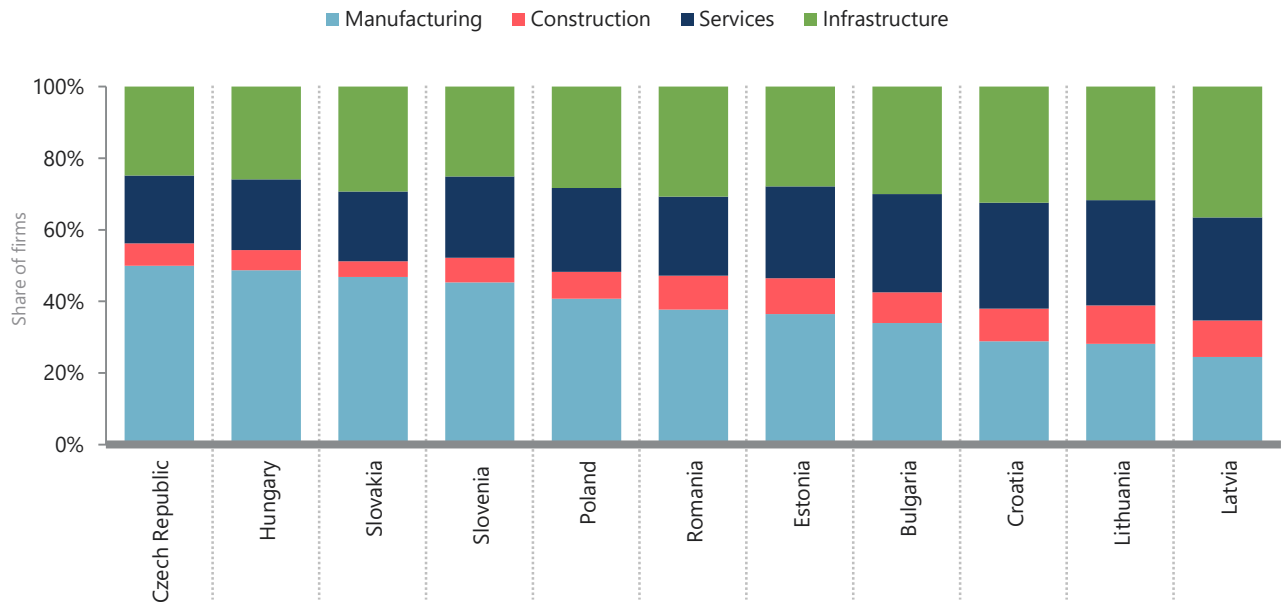
Manufacturing firms account for 42% of value-added. This is above the EU average of 36%. Firms in the infrastructure sector and services sector account for 28% and 23%, below the EU average. Construction firms contribute 7%.

Manufacturing firms account for nearly half of value added in Hungary (49%), Czech Republic (47%) and Slovenia (43%). Infrastructure firms account for nearly 40% of value added in Latvia. Services firms represent an important share in Lithuania (30%) and Croatia (29%). Estonia has the highest percentage of construction firms compared to other countries (12%).

Base: All firms

The chart reflects the relative contribution to value-added by firms belonging to a particular sector in the population of firms considered.

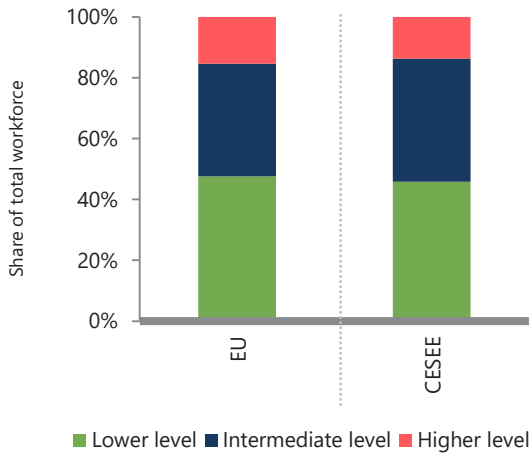
FIRM SECTOR DISTRIBUTION BY COUNTRY



Base: All firms

PROFILE OF FIRMS

DISTRIBUTION OF STAFF BY OCCUPATIONAL CLASSIFICATION



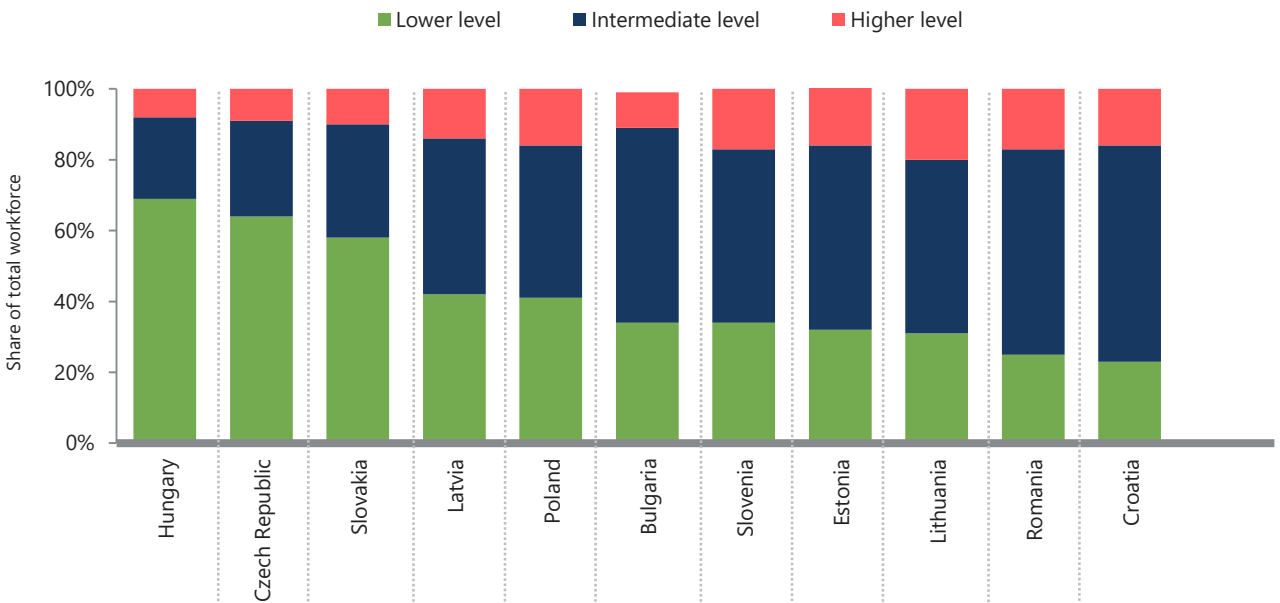
Across CESEE firms, around half (46%) of the total workforce is comprised by staff in lower level occupations, in line with the EU average of 48% of lower level occupations. The remaining half is made up of 41% of staff in intermediate level occupations and 14% of staff in higher level occupations.

Firms in Hungary and the Czech Republic report to have the highest proportion of staff in lower level occupations (69% & 64% respectively), whilst firms in Romania and Croatia report to have the highest proportion of staff in intermediate level occupations (58% & 61% respectively).

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

Q. Approximately how many of your staff across all locations are employed in... occupations?

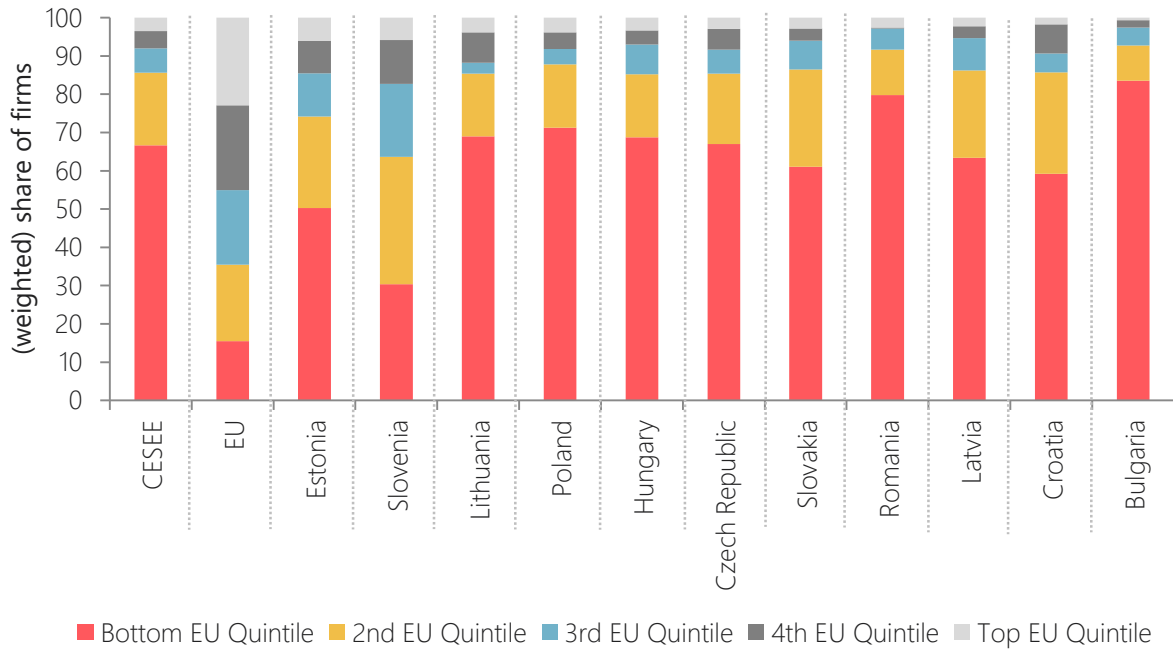
DISTRIBUTION OF STAFF BY OCCUPATIONAL CLASSIFICATION BY COUNTRY



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

PROFILE OF FIRMS

CROSS COUNTRY PRODUCTIVITY COMPARISON



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

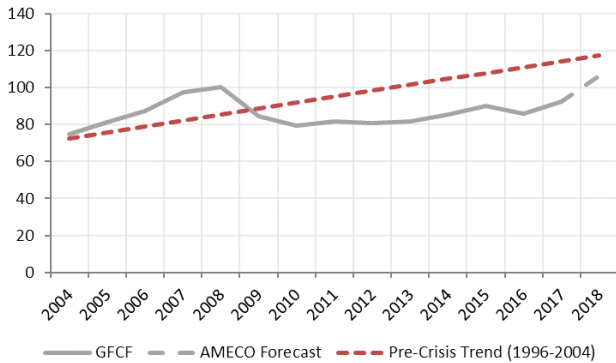
Share of firms by productivity class (Total Factor Productivity). Productivity classes are defined on the basis of the entire EU sample

Overall, The majority of CESEE firms fall into the bottom EU-wide productivity quintile,

From a cross country perspective, firm productivity varies substantially across CESEE countries. Estonia and Slovenia record the highest proportion of firms falling into the top productivity quintile, whilst Bulgaria records the highest share of firms falling into the bottom productivity quintile.

MACROECONOMIC INVESTMENT CONTEXT

Investment Dynamics over time



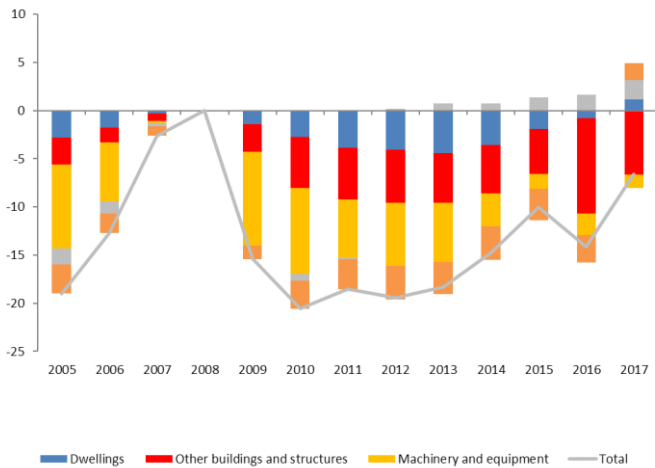
The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); against the series 'pre-crisis trend'. The data has been indexed to equal 100 in 2008. Source: Eurostat.

Whilst aggregate investment activity continued to expand in 2017, it remains 8% below its pre-crisis level.

A significant gap remains between investments and the pre-crisis trend, although slowing potential growth makes the trend level a difficult benchmark to reach.

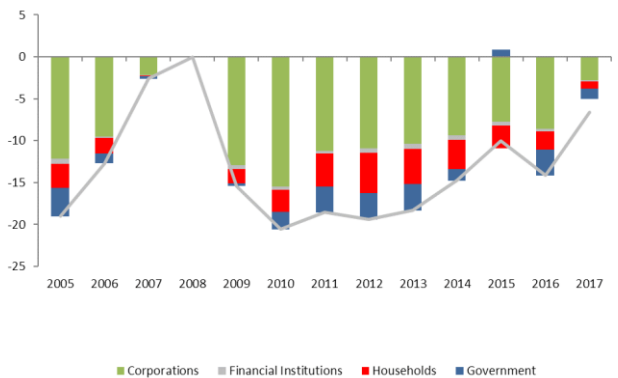
Investment activities in the corporate sector, while steadily improving, continue to lag most behind 2008 levels.

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 0 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 0 in 2008. Source: Eurostat.

EIB 2018 – COUNTRY TECHNICAL DETAILS

SAMPLING TOLERANCES APPLICABLE TO PERCENTAGES AT OR NEAR THESE LEVELS

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

	CESEE 2018	CESEE 2017	Manufacturing	Construction	Services	Infrastructure	SME	Large	CESEE 2018 vs CESEE 2017
	(4797)	(4748)	(1432)	(1049)	(1133)	(1133)	(4187)	(610)	(4797 vs 4748)
10% or 90%	1.5%	1.5%	2.4%	3.1%	3.0%	2.8%	1.2%	2.6%	2.1%
30% or 70%	2.2%	2.2%	3.7%	4.7%	4.5%	4.2%	1.8%	4.0%	3.2%
50%	2.4%	2.5%	4.0%	5.2%	4.9%	4.6%	1.9%	4.4%	3.4%

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

EIB 2018 – COUNTRY TECHNICAL DETAILS

BASE SIZES

Base definition and page reference	CESEE 2017	CESEE 2018	Manufacturing	Construction	Services	Infrastructure	SME	Large
All firms, p. 2, 3, 6, 9, 11, 13, 14	4748	4797	1432	1049	1133	1133	4187	610
All firms (excluding don't know/refused responses), p. 2	4597	4628	1389	1024	1073	1094	4048	580
All firms (excluding don't know/refused responses), p. 3	4612	4692	1403	1022	1103	1115	4094	598
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4	4035	3927	1208	863	878	939	3408	519
All firms (excluding don't know/refused responses), p. 5	4663	4681	1397	1024	1111	1100	4077	604
All firms who invested in the last financial year, p. 5	4230	4259	1307	932	959	1014	3683	576
All firms (excluding 'company didn't exist three years ago' responses), p. 6	4736	4792	1431	1046	1133	1132	4182	610
All firms (excluding don't know/refused responses), p. 7*	4377	4456	1346	953	1055	1055	3900	556
All firms who invested in the last financial year (excluding don't know/refused responses), p. 7	NA	3965	1216	878	890	940	3446	519
All firms (data not shown for those who said not an obstacle at all/don't know/refused), p. 8	4748	4797	1432	1049	1133	1133	4187	610
All firms with staff in higher / intermediate lower level occupations (excluding don't know/refused responses), p. 9*	NA	3165	1085	740	676	630	2733	432
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 10	3809	3821	1117	879	846	933	3367	454
All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 10	1641	1852	577	394	380	480	1602	250
All firms (excluding don't know/refused responses), p. 11	4213	4263	1298	924	985	1008	3708	555
All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 12	1652	1861	576	391	386	486	1606	255
All firms (excluding don't know/refused responses), p. 14	NA	4538	1342	1010	1070	1068	4020	518



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CESEE

Central Eastern South-Eastern Europe Overview

EIB INVESTMENT SURVEY

2018