

CESEE

Overview

EIB INVESTMENT SURVEY

2019

EIB Group survey on investment and investment finance 2019

CESEE Overview

EIB Group survey on investment and investment finance 2019: CESEE overview

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About the EIB Investment Survey (EIBIS)

The EIB Group Survey on Investment and Investment Finance is a unique, annual survey of some 13.500 firms. It comprises firms in all EU Member States, as well as a sample of US firms which serves as a benchmark. 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 Member States of the EU and for the US, 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: <http://www.eib.org/eibis>.

About this publication

This CESEE report is an overview of a series covering the EU overall, plus each of the EU Member States and the United States of America. 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.

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. Our research makes a difference for decision makers and communities.



EIBIS 2019 – CESEE Overview

KEY RESULTS

Investment Dynamics

Aggregate investment in the CESEE region continues to improve. Around three in four firms invested in the last financial year (77%), below the EU average (85%). Investment intensity (firm investment in EUR per employee) remains similar to CESEE 2018 but is half the EU average. The net balance of firms expecting an expansion in investment in 2019 has declined but it is still positive (+8%). It is, however, well below the EU average of +12%.

Innovation Activities

Nearly two in five firms (39%) introduced new products, processes or services as part of their investment activities in the last financial year, on par with EIBIS 2018 and above the average for the EU (34%). Almost half of firms in the CESEE region (47%) have implemented at least one of the digital technologies asked about in part of their business, while a further 11% have organised their entire business around it – similar to the EU average.

Drivers and Constraints

Availability of skilled staff is the most commonly cited long-term barrier to investment: 86% of the firms mention it. When it comes to short-term influences, firms are concerned about the economic and political/regulatory climates. However, firms in the CESEE region continue to expect access to finance and business prospects to improve rather than deteriorate on balance.

Access to Finance

Firms are most dissatisfied with the collateral required and cost (both 8%) of securing external finance. Nine per cent of firms across the CESEE region can be considered financially constrained in terms of external finance, which is twice the EU share (5%).

Investment Focus

Over the next years, investment in replacing capacity (32%) is still the most cited priority followed by introducing new products and services (30%), yet the share of firms citing new products and services as their investment priority has risen since EIBIS 2018 (30% versus 24% respectively). CESEE firms still invest a lower share in intangible assets compared to the EU average, but the share of intangibles increased since EIBIS 2018. The largest share of investment is in machinery and equipment (53%),

Investment Needs

Three out of four firms (76%) believe that their investment activities over the last three years have been in line with their needs, slightly below the EU benchmark (79%). There has been a rise in the share of firms operating at or above full capacity (59%, up from 52% in EIBIS 2018). Firms' average perceived share of 'state-of-the-art' machinery and equipment (36%) is in line with EIBIS 2018 but is lower than the EU benchmark (44%).

Investment Finance

Bank loans make up the largest share of external finance used for investment activities (51%, lower than the EU average 58%). Grants – mainly financed from EU funds – account for a greater share of external finance used in the CESEE region compared with the EU average (12% versus 4%). About 18% of firms across the CESEE region report being highly profitable, which is in line with the EU average.

Investment Dynamics

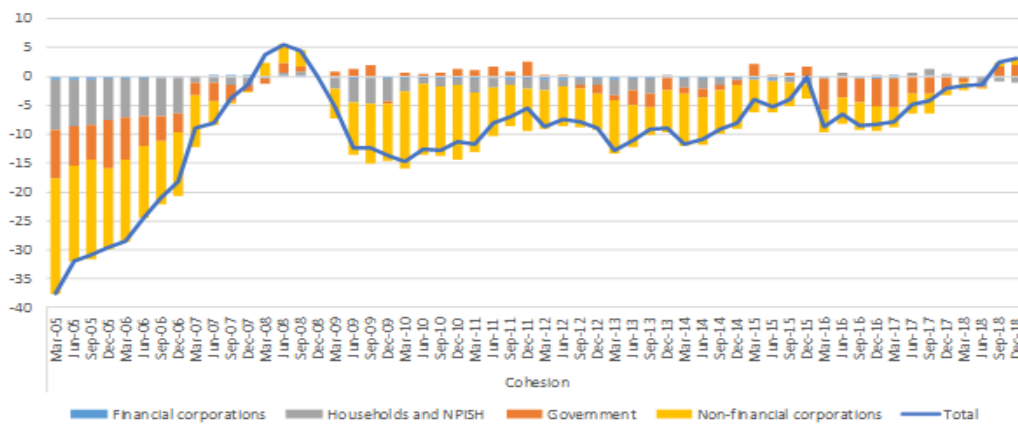
INVESTMENT DYNAMICS BY INSTITUTIONAL SECTOR

Aggregate investment in CESEE surpassed in real terms its pre-crisis levels in mid-2018.

While corporate investment had been lagging behind earlier levels for a long time, it started showing an increase since 2015, and recently reached the 2008 level. EU fund inflows helped government investment to maintain a stable level

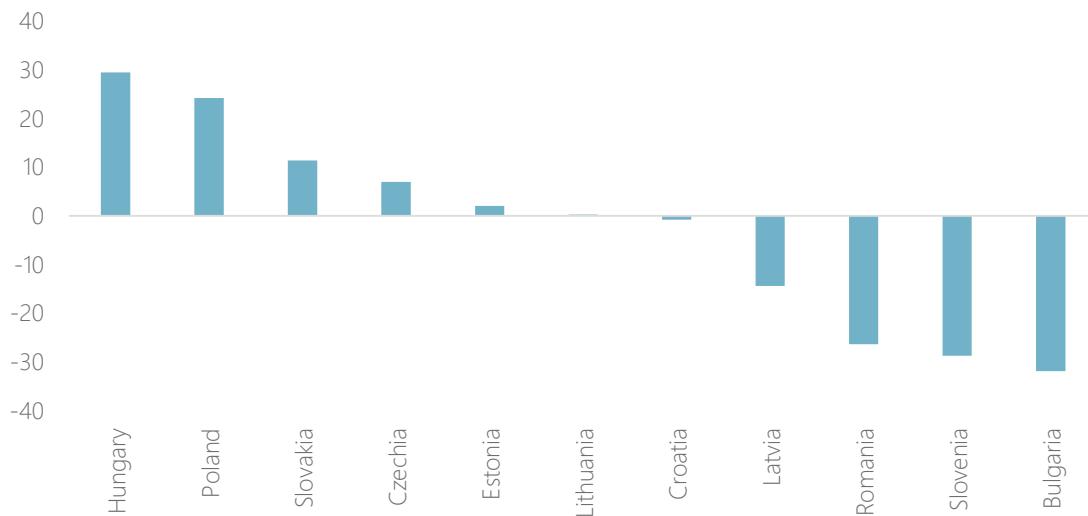
all along the post-crisis period.

From a cross-country perspective, aggregate investment still lags pre-crisis levels in Latvia, Romania, Bulgaria and Slovenia. Investment growth has been the strongest in the Visegrad 4 countries.



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 Q4 of 2008. Source: Eurostat.

INVESTMENT DYNAMICS BY COUNTRY



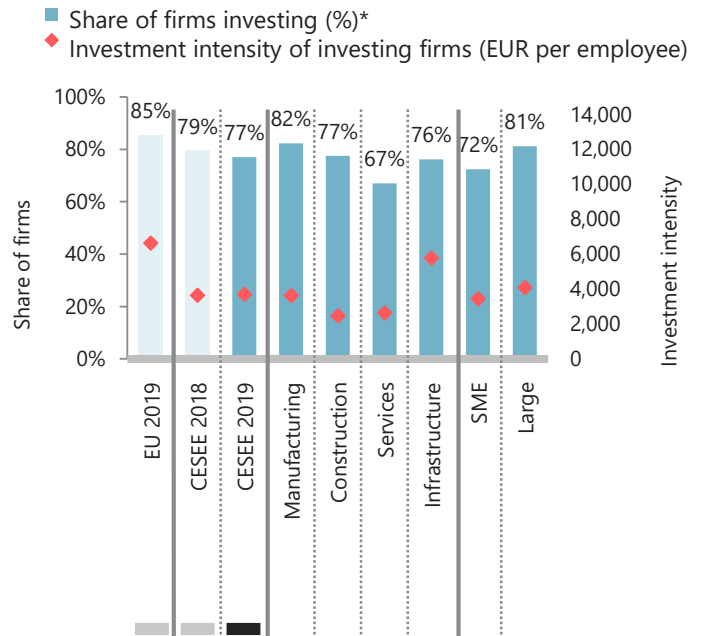
Investment Dynamics

INVESTMENT ACTIVITY IN LAST FINANCIAL YEAR

Around three in four firms across the CESEE region invested in the last financial year (77%). This is similar to the proportion that invested in EIBIS 2018 (79%), but remains below the EU average (85%). The share of firms investing is highest in the manufacturing sector (82%), and lowest in the service sector (67%). Large firms are more likely to invest (81%) than SMEs (72%).

Investment intensity (firm investment in EUR per employee) remains similar to CESEE 2018 but is half the EU average.

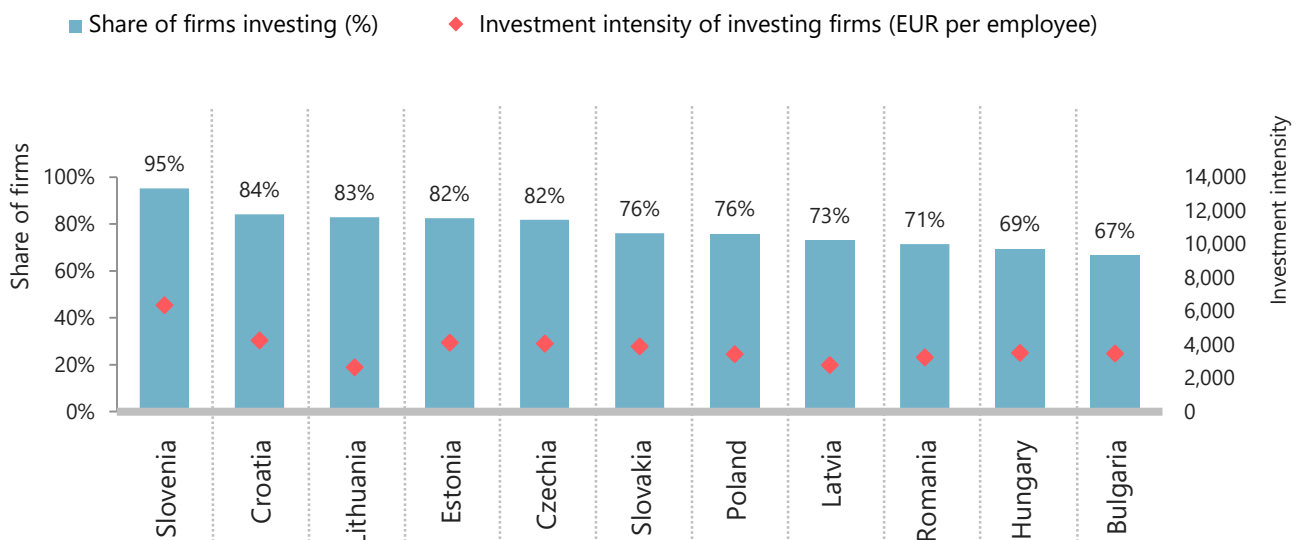
Firms in Slovenia are the most likely to invest (95%). The share of firms investing in Croatia, Lithuania, Estonia and Czechia is between 82% to 84% and similar to the overall EU average. Hungary and Bulgaria have the lowest share of firms investing over the last financial year (69% and 67% respectively).



*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 intensity is reported in real terms using the Eurostat GFCF deflator (indexed to EIBIS 2016).

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

INVESTMENT ACTIVITY IN LAST FINANCIAL YEAR BY COUNTRY



*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 intensity is reported in real terms using the Eurostat GFCF deflator (indexed to EIBIS 2016).

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

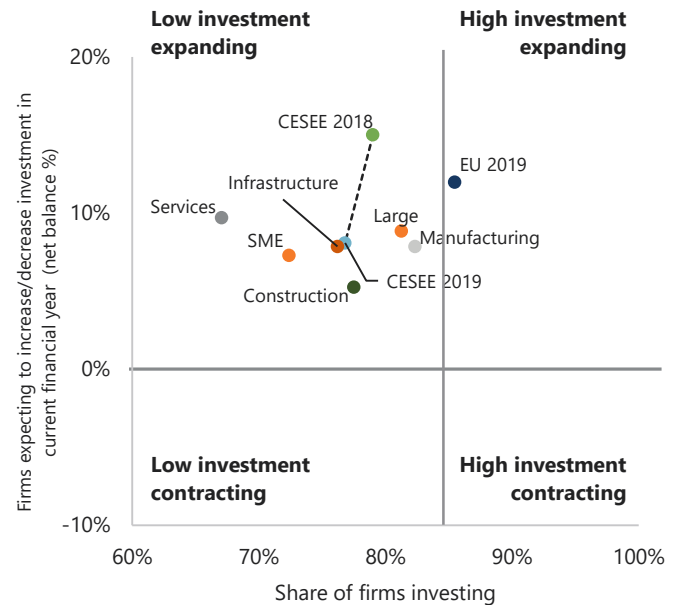
Investment Dynamics

INVESTMENT CYCLE

The CESEE region remains in the 'low investment expanding' quadrant, and firms are less optimistic about expanding their investment activity in the current year than they were in EIBIS 2018.

The CESEE region is behind the EU average both in terms of share of firms investing (77% versus 85% respectively) and, to a lesser extent, the net balance of firms expecting to increase rather than decrease their investment in the coming financial year (+8% versus +15%).

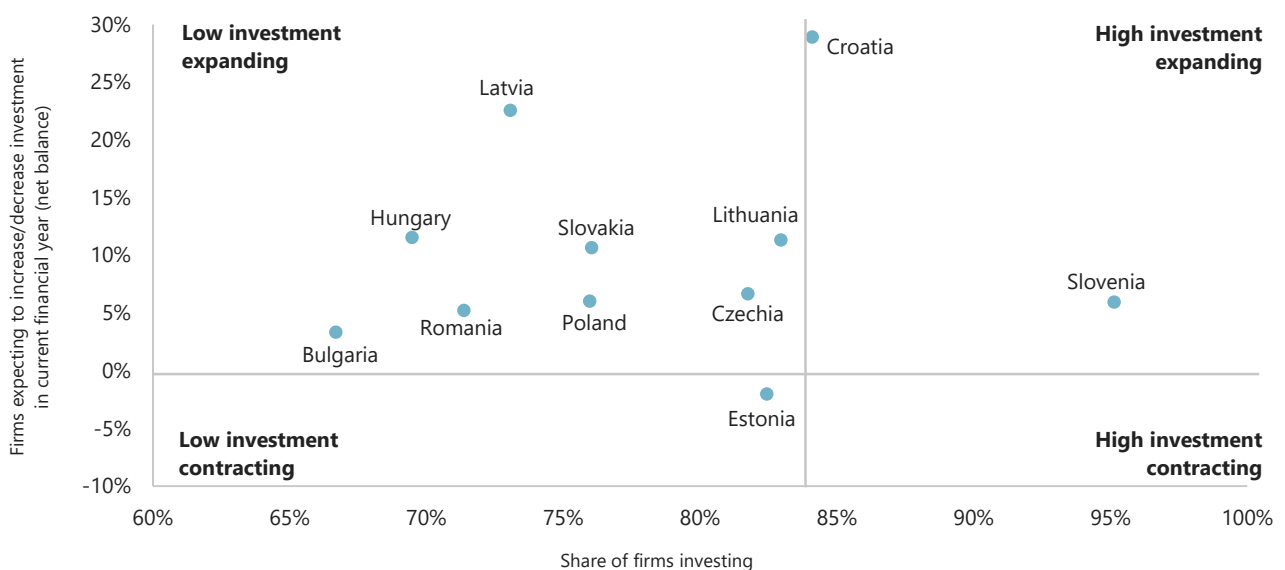
Croatia and Slovenia are the only countries that fall in the 'high investment expanding' quadrant. Estonia has the most negative outlook and is the only CESEE country falling into the 'low investment, contracting' quadrant.



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.

Base: All firms

INVESTMENT CYCLE BY COUNTRY

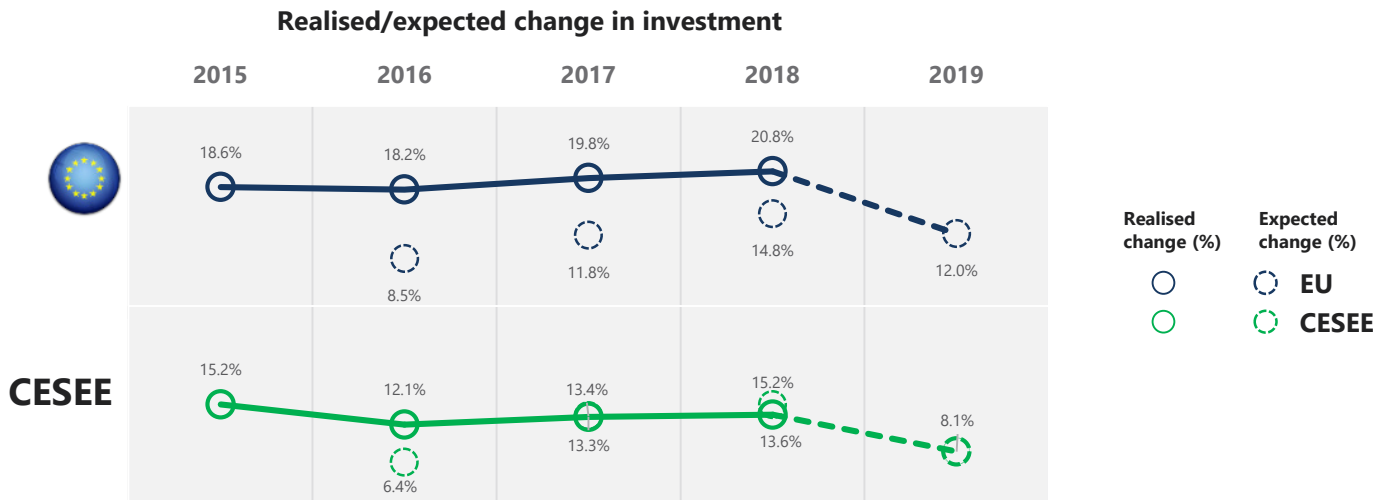


Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500. The y-axis line crosses x-axis on the EU average for 2016.

Base: All firms

Investment Dynamics

EVOLUTION OF INVESTMENT EXPECTATIONS



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.

Base: All firms

In each of the past four years, the net balance of firms increasing their investment activities compared with those decreasing has been stable around +11 to +15 per cent, and below the average for the EU.

The gap between realised change and expected investment has been narrow over the last two years.

The net balance of firms expecting an expansion in investment in 2019 has declined but it is still positive. It is, however, well below the EU average.

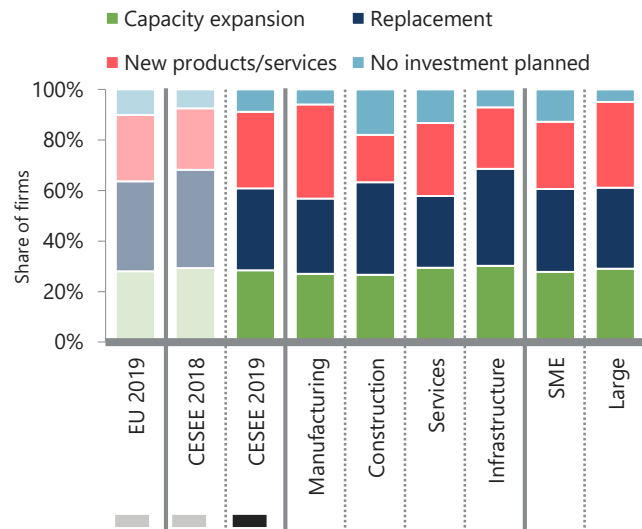
Investment Focus

FUTURE INVESTMENT PRIORITIES (% of firms)

Over the next three years, investment in replacing capacity (32%) is still the most commonly cited priority followed by introducing new products and services (30%). The share of firms citing new products and services as an investment priority has risen since EIBIS 2018 (30% versus 24% respectively).

Firms in the manufacturing sector and large organisations are the most likely to prioritise new products/services (37% and 34% respectively). Firms in the infrastructure and construction sectors most commonly cite capacity replacement (38% and 37% respectively), while those in the service sector have a balanced focus across all three areas.

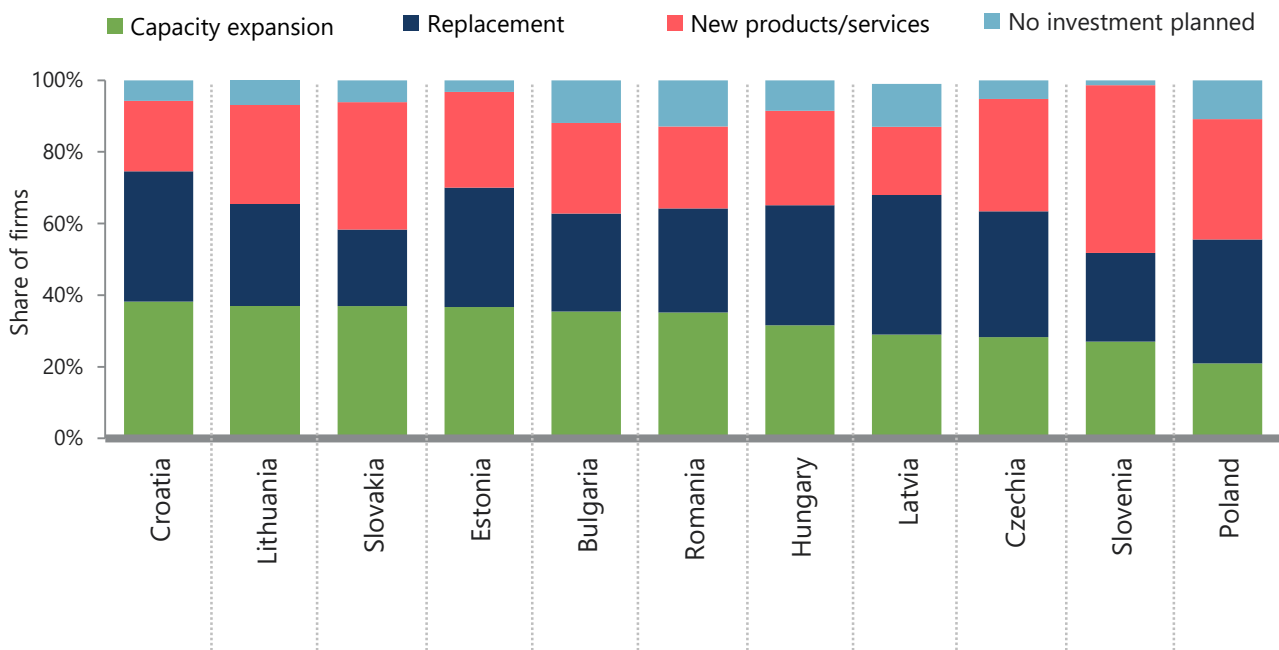
Priorities vary by country: firms in Slovenia are the most likely to cite new products/services as their key priority (47%), while firms in Croatia mention capacity expansion most frequently (38%).



Q. Looking ahead to the next three 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?

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

FUTURE INVESTMENT PRIORITIES BY COUNTRY



Q. Looking ahead to the next three 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?

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

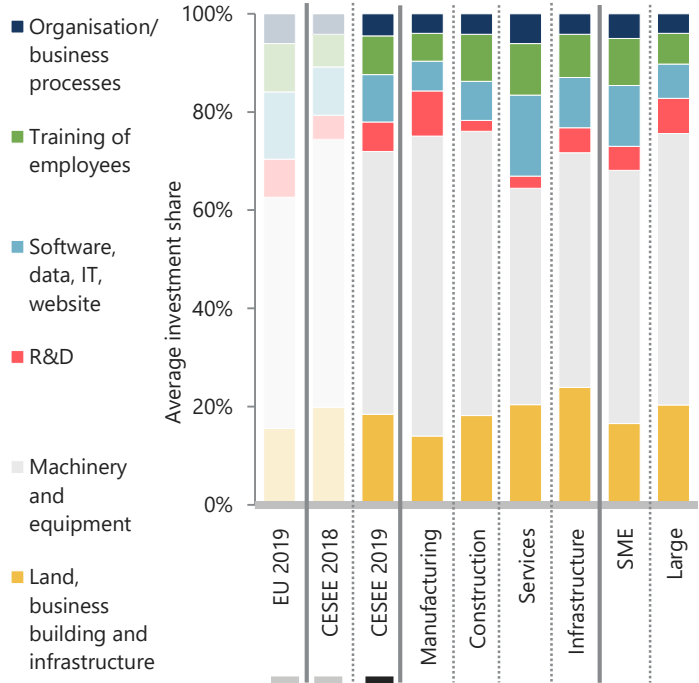
Investment Focus

INVESTMENT AREAS

CESEE firms still invest a lower share in 'intangible' assets (R&D, software, training and business processes) when compared to the EU average, but the share of intangibles increased since EIBIS 2018. The largest share of CESEE firms' investment is in machinery and equipment (53%), followed by land, business buildings and infrastructure (18%).

Investment activities vary depending on the sector and size of the business. Large firms and firms in the manufacturing sector invest a lower share in intangibles in general, on the other hand, they invest the highest share in R&D. Service sector firms invest the highest shares into IT (17%) and training (10%).

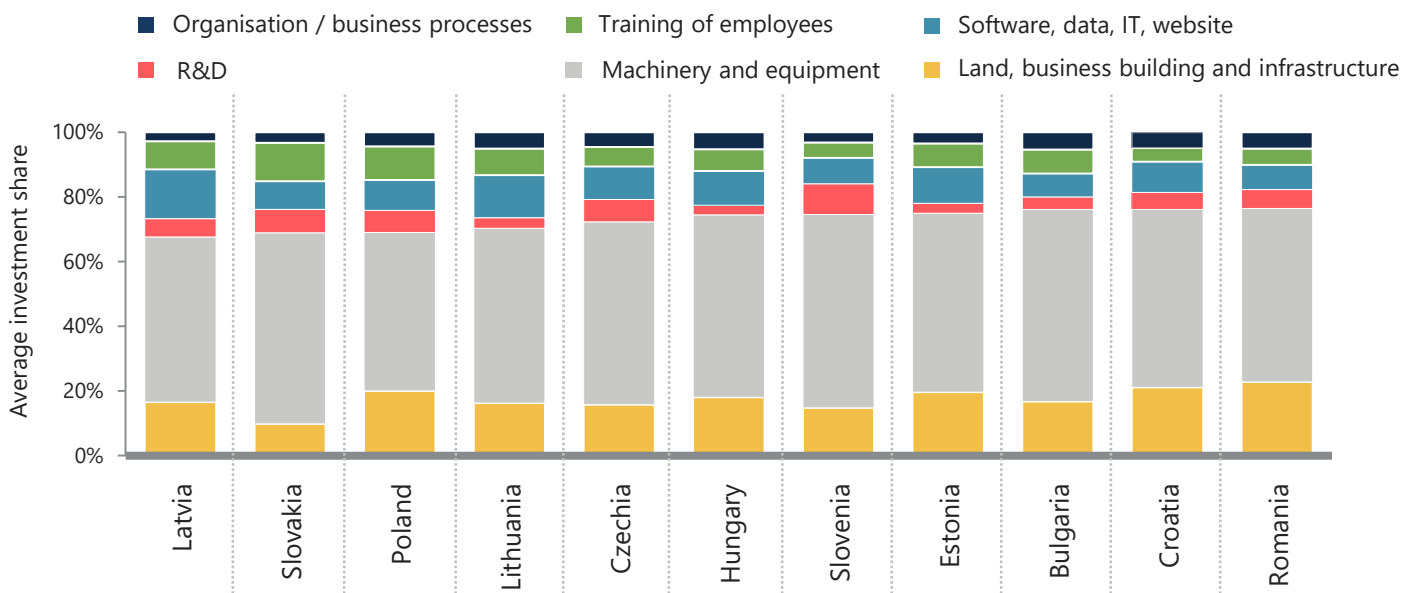
There are also some country variations: firms in Latvia and Lithuania report the highest shares of investment in software, data, IT and website (15% and 13% respectively). Share of R&D is highest in Slovenia (9%).



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?

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

INVESTMENT AREAS BY COUNTRY



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?

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

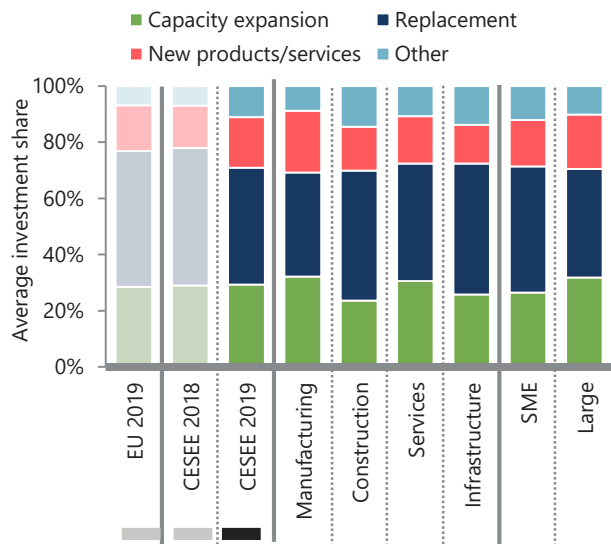
Investment Focus

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

Firms in the CESEE markets increased their share of investment in new products/services since EIBIS 2018 (18% versus 15%), and they are slightly above the EU average. The largest share of corporate investment is still allocated to replacement (42%), but this has declined since EIBIS 2018 (42% versus 49% in EIBIS 2018) and is also below the EU average (48%). Share of investment into capacity expansion remains on par with EIBIS 2018 (both 29%).

Firms in the manufacturing sector report the highest shares of investment in capacity expansion (32%) and new products/services (22%).

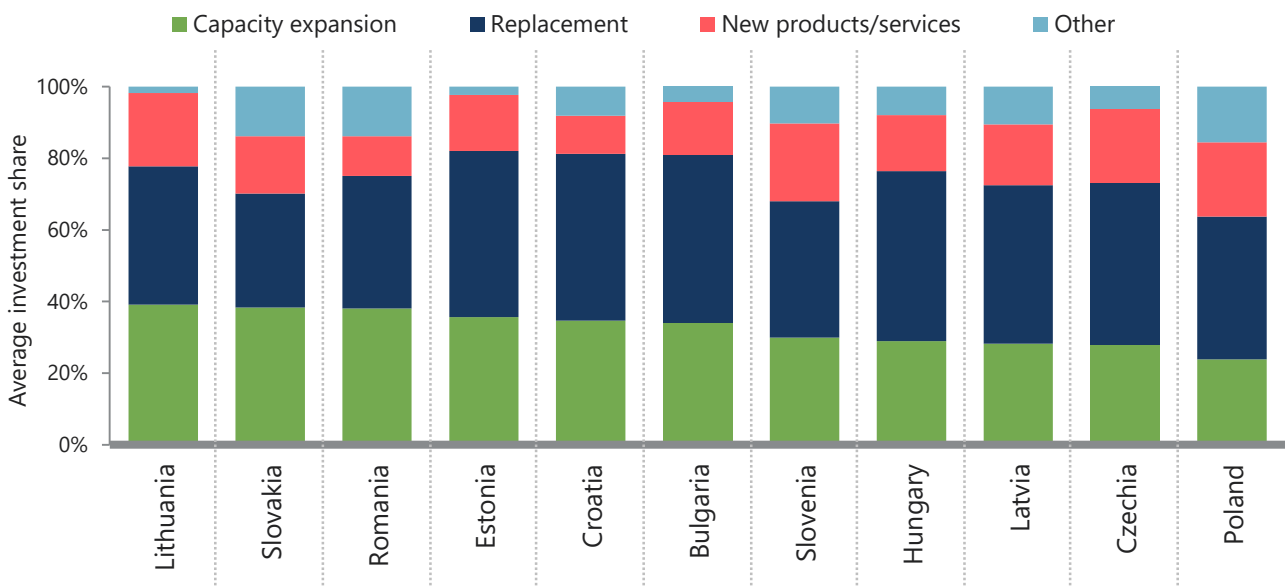
The proportion of investment allocated to capacity expansion is highest in Lithuania (39%) and lowest in Poland (24%); allocation for replacement is highest in Hungary (48%) and lowest in Slovakia (32%); and the share allocated to new products or services is highest in Slovenia (22%) and lowest in Romania and Croatia (both 11%).



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?

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

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



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?

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

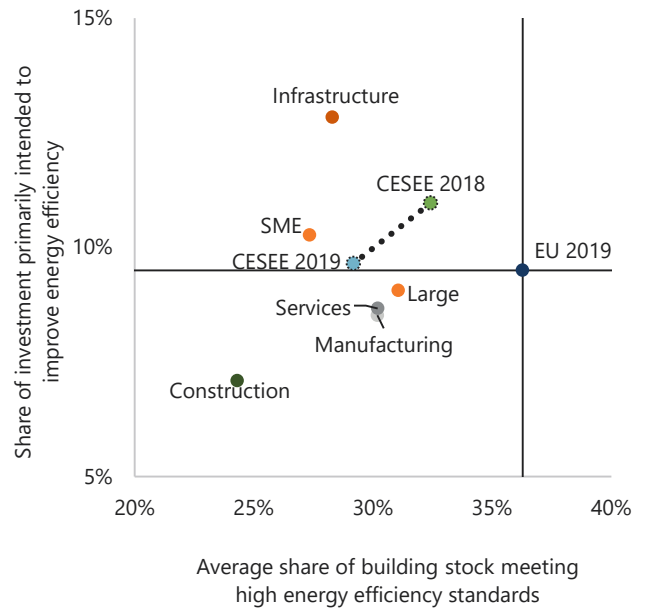
Investment Focus

ENERGY EFFICIENCY INVESTMENT

Across the CESEE region, firms' average share of building stock perceived to meet high energy efficiency standards is 29% - in line with EIBIS 2018, but below the EU average of 36%.

The share of investment intended primarily to improve energy efficiency is 10% across the CESEE region – which is also in line with the EU average (10%) and EIBIS 2018 (11%). Firms in the infrastructure sector report a higher share of investment primarily intended to improve energy efficiency (13%) than the manufacturing sector (9%).

Firms in Slovakia and Croatia report the largest average shares of building stock meeting high energy efficiency standards (both at 41%), while firms in Bulgaria report the highest proportion of investment primarily intended to improve energy efficiency (16%).

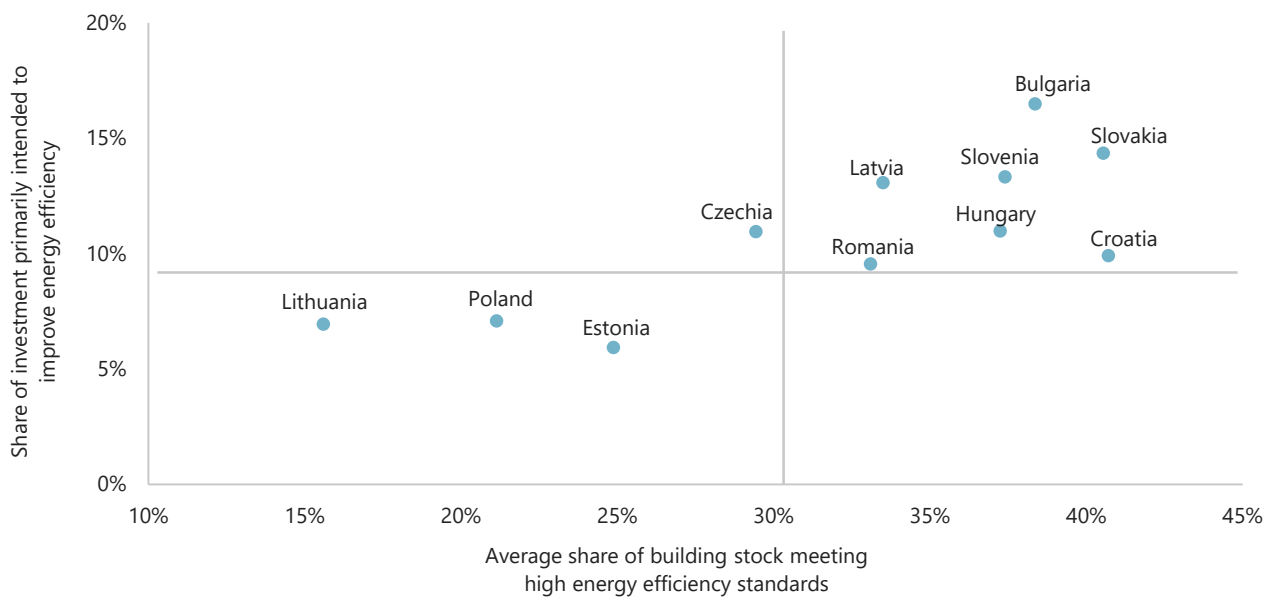


Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?

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

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

ENERGY EFFICIENCY INVESTMENT BY COUNTRY



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

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

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

Innovation Activities

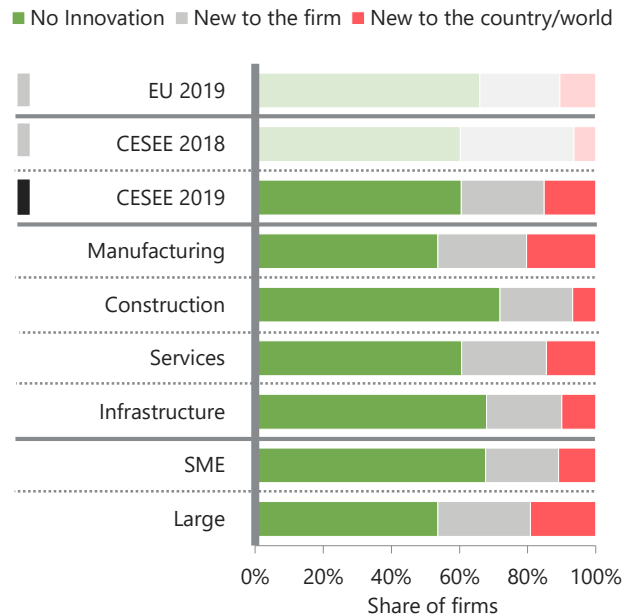
INNOVATION ACTIVITY

Nearly two in five firms (39%) introduced new products, processes or services as part of their investment activities in the last financial year, in line with EIBIS 2018 and above the average for the EU (34%).

Specifically, 15% of firms claim to have introduced a product, process or service that was new to the country or the world, and a further 24% claim to have introduced an innovation new to their firm.

Innovation is less common among firms in the construction sector (28%), whereas firms in the manufacturing sector and large firms (46% of both) are the most likely to have introduced innovations.

Levels of innovation are highest among firms in Slovenia (49%) and lowest in Bulgaria (25%).

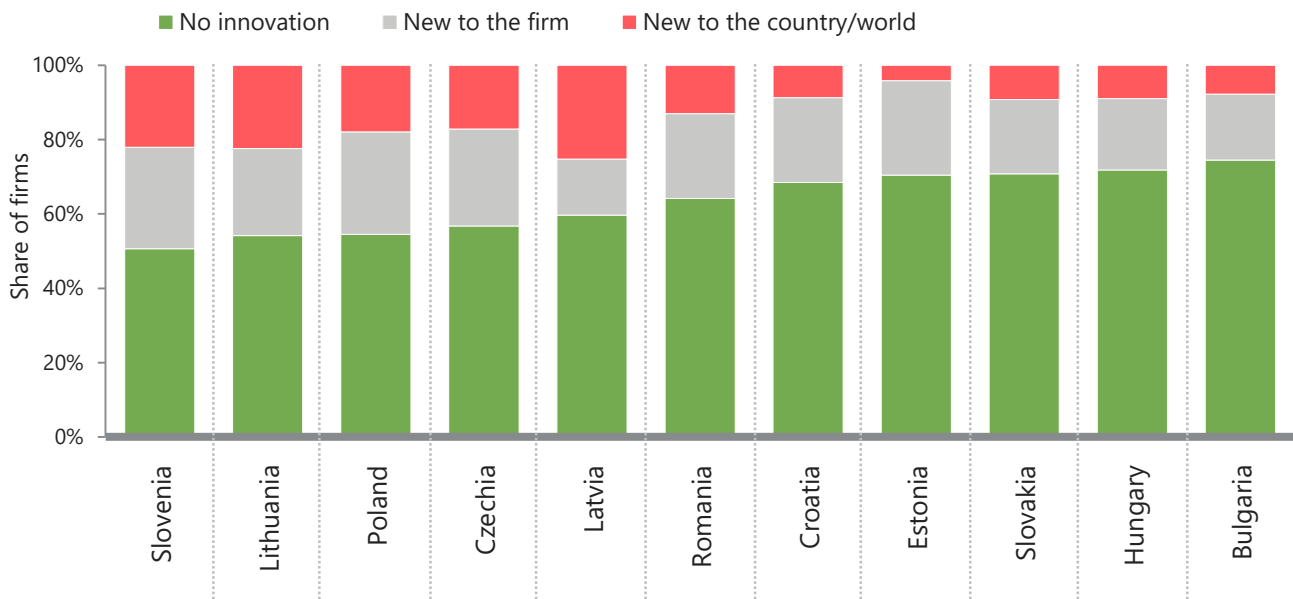


Q. What proportion of total investment was for developing or introducing new products, processes, services?

Q. Were the products, processes or services new to the company, new to the country, new to the global market?

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

INNOVATION ACTIVITY BY COUNTRY



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?

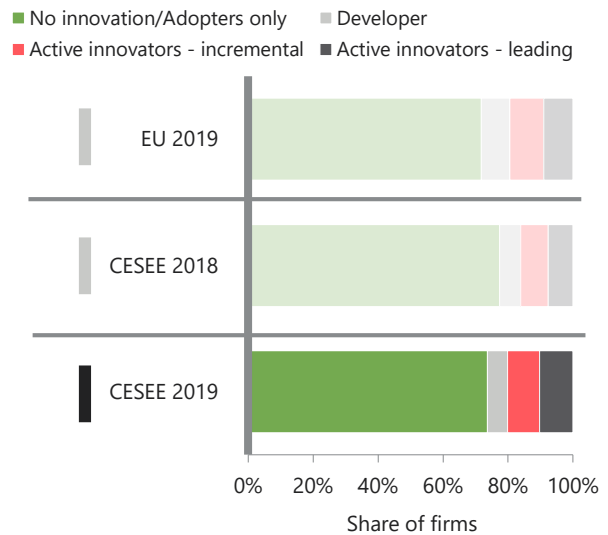
Base: All firms (excluding don't know/refused responses)

Innovation Activities

INNOVATION PROFILE

When firms' innovation and research and development activity is profiled more widely, 26% of firms in the CESEE region fit under one of the innovation categories (either as active innovators or developers), similar to EIBIS 2018 and the EU average.

Slovenia has the highest proportion of leading and incremental active innovators (34%), followed by Czechia (24%) and Poland (23%).

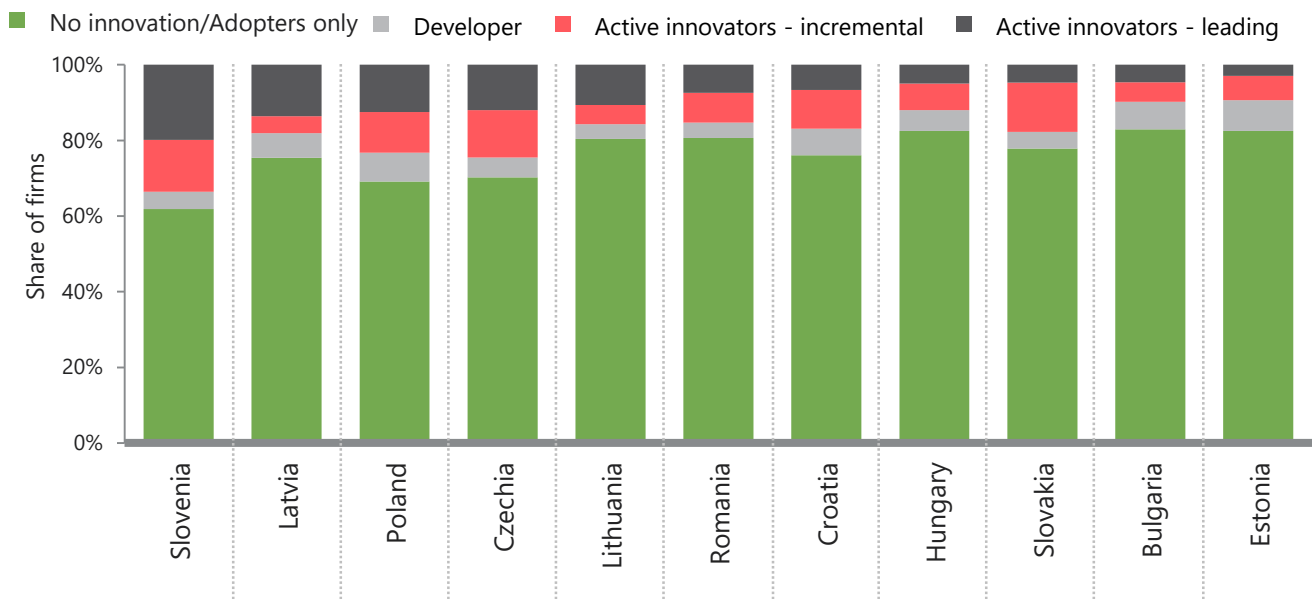


Q. What proportion of total investment was for developing or introducing new products, processes, services?
 Q. Were the products, processes or services new to the company, new to the country, new to the global market?
 Q. In the last financial year, how much did your business invest in Research and Development (including the acquisition of intellectual property) with the intention of maintaining or increasing your company's future earnings?

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

The 'No innovation/Adopter only' group comprises firms that did not introduce any new products, processes or services in the last financial year (no innovation) or did so but without any own research and development effort (adopter). 'Developers' are firms that did not introduce new products, processes or services but allocated a significant part of their investment activities to research and development. 'Incremental' and 'Leading innovators' have introduced new products, processes and services and also invested in research and development activities. The two profiles differ in terms of the novelty of the new products, processes or services. For incremental innovators these are 'new to the firm'; for leading innovators these are new to the country/world'.

INNOVATION PROFILE BY COUNTRY



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?
 Q. In the last financial year, how much did your business invest in Research and Development (including the acquisition of intellectual property) with the intention of maintaining or increasing your company's future earnings?

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

Innovation Activities

IMPLEMENTATION OF DIGITAL TECHNOLOGIES

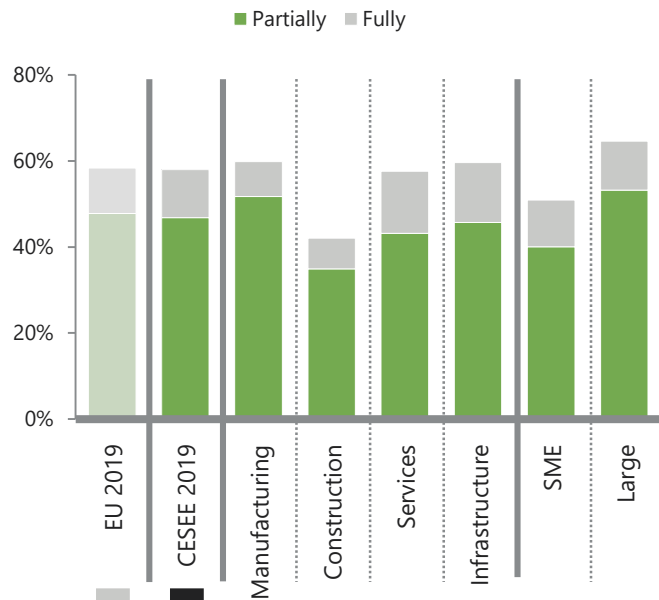
All firms were asked whether they had implemented, either fully or partially, any of four digital technologies.

Almost half of the firms across CESEE (47%) have partially implemented at least one of the digital technologies, while a further 11% have organised their entire business around one or more of them – similar to the EU averages.

Full implementation is most common among firms in the service and infrastructure sectors (both 14%), while partial implementation is most common among manufacturing firms (52%).

Overall, around two-thirds (65%) of large firms have at least partially implemented digital technologies, compared with 51% of SMEs.

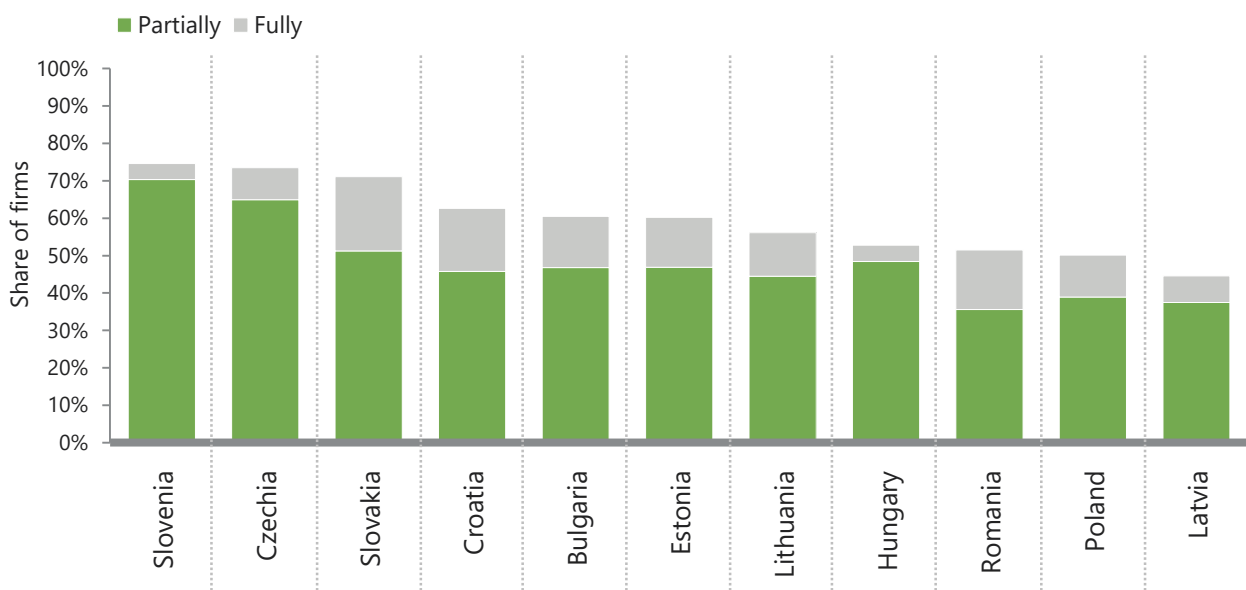
Slovenia, Czechia and Slovakia have the largest shares of firms implementing digital technologies (75%, 73% and 71%).



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

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

IMPLEMENTATION OF DIGITAL TECHNOLOGIES BY COUNTRY

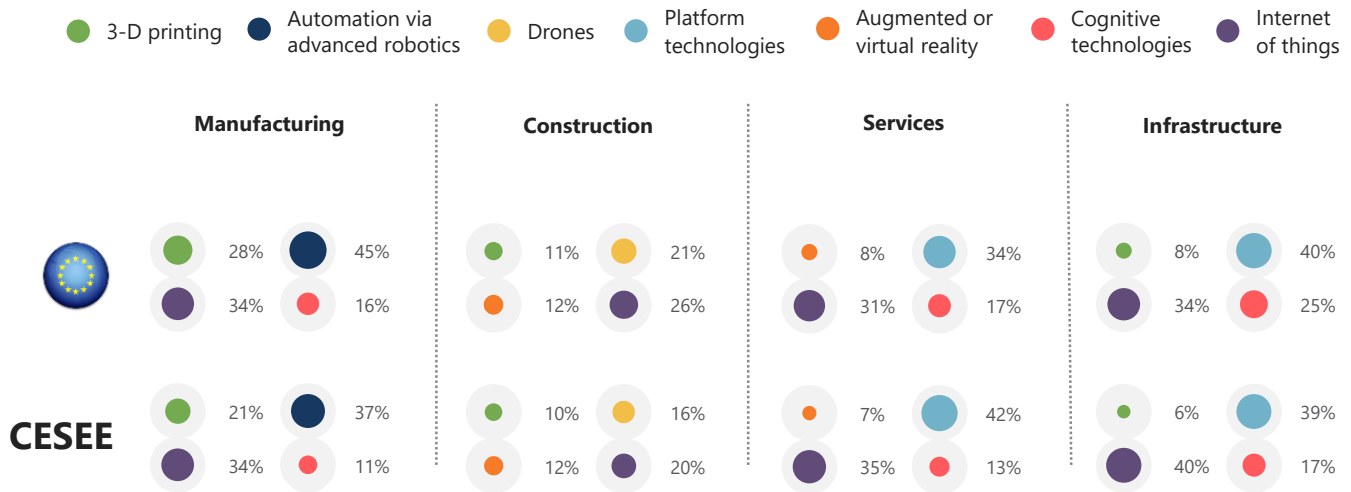


Q. Can you tell me for each of the following digital technologies if you have heard about them, not heard about them, implemented them in parts of your business, or whether your entire business is organised around them?

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

Innovation Activities

DIGITAL TECHNOLOGIES BY SECTOR



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

Reported shares combine implemented the technology 'in parts of business' and 'entire business organised around it'
 Base: All firms (excluding don't know/refused responses)

All firms were asked whether they had implemented either fully or partially a set of four digital technologies. The listed set of technologies mentioned to each sector varied.

The proportion of firms implementing a given digital technology varied across the sectors. For example, two in ten firms (21%) in the manufacturing sector had implemented 3-D printing compared to around 10% of construction and 6% of infrastructure sector firms.

In contrast the internet of things is more widely implemented across all sectors (manufacturing 34%, construction 20%, services 35% and infrastructure 40%).

Within the relevant sectors, relatively few firms are using cognitive technologies, augmented/virtual reality or 3-D printing, with adoption rates at or slightly below the corresponding EU averages.

In contrast, firms in the service sector in the CESEE region exceed the EU sector average in terms of their adoption of platform technologies. Implementation of the internet of things is also above the corresponding EU sector averages in the service and infrastructure sectors.

Investment Needs

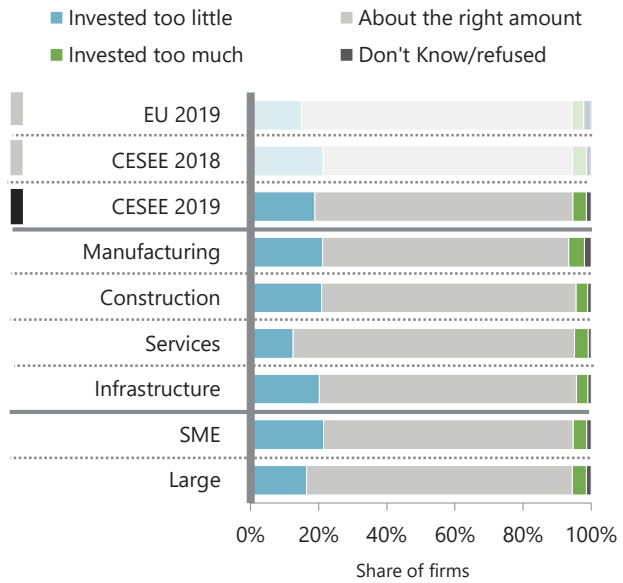
PERCEIVED INVESTMENT GAP

Three out of four firms in the CESEE region (76%) believe that their investment activities over the last three years have been in line with their needs, slightly below the EU benchmark (79%).

Nearly one in five report investing too little (19%, versus 15% of all EU firms). Firms in the service sector are least likely to think they had invested too little (12%).

Out of all CESEE countries, firms in Lithuania (28%) and Hungary (26%) are most likely to think they had invested too little, while the share of such firms is smallest in Slovakia (7%).

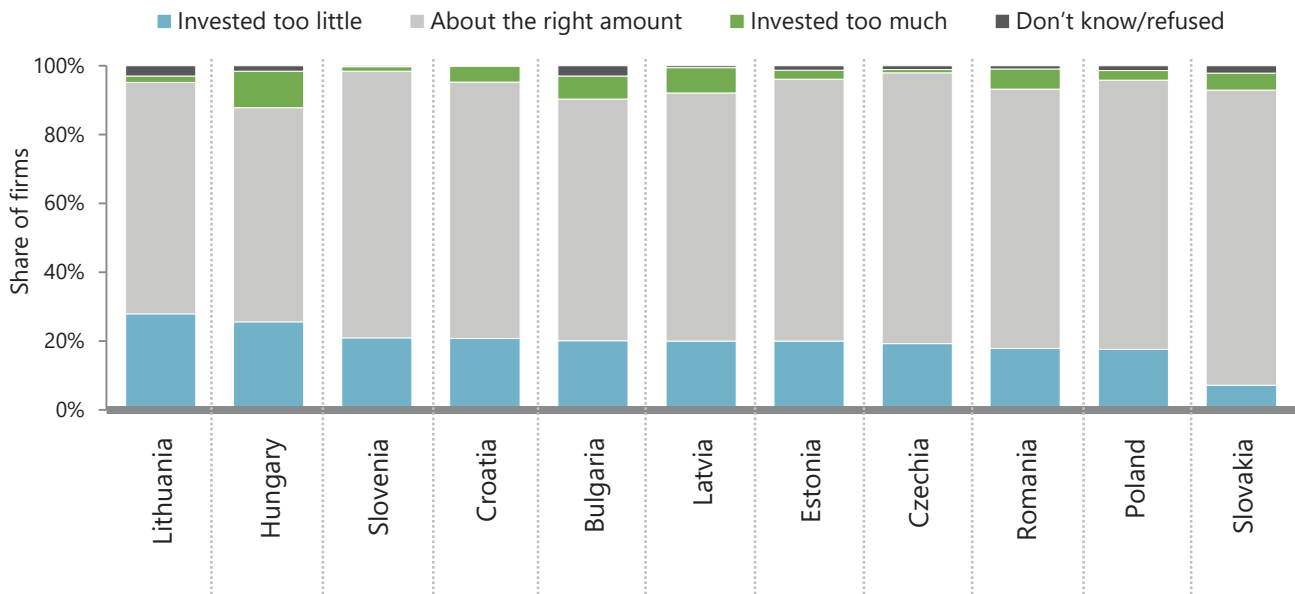
Hungary (11%) also had the highest share of firms reporting investing too much in the last three years, followed by Latvia and Bulgaria (both 7%).



Q. Looking back at your investment over the last three years, was it too much, too little, or about the right amount?

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

PERCEIVED INVESTMENT GAP BY COUNTRY



Q. Looking back at your investment over the last three years, was it too much, too little, or about the right amount?

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

Investment Needs

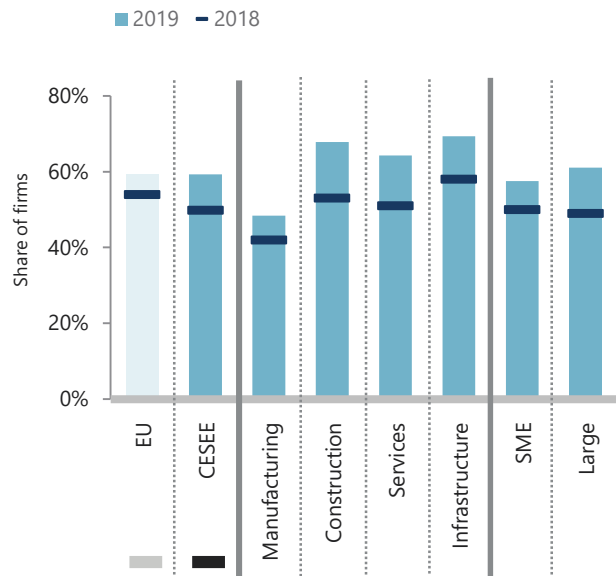
SHARE OF FIRMS AT OR ABOVE FULL CAPACITY

There has been a rise in the share of firms operating at or above full capacity in the CESEE region (59%, up from 50% in EIBIS 2018). This rise has occurred across all types of firm. CESEE now matches the EU average (also 59%).

Firms in the manufacturing sector are least likely to be at or above full capacity (48%), while capacity utilisation ranges between 64% and 69% in other sectors.

As in EIBIS 2018, firms in Estonia are the most likely to report operating at or above full capacity (74%), while firms in Latvia remain the least likely to do so (38%).

The largest increases in the share of firms operating at or above full capacity compared with EIBIS 2018 can be seen in Slovakia (63% from 42%), Slovenia (67% from 52%) and Czechia (70% from 55%).

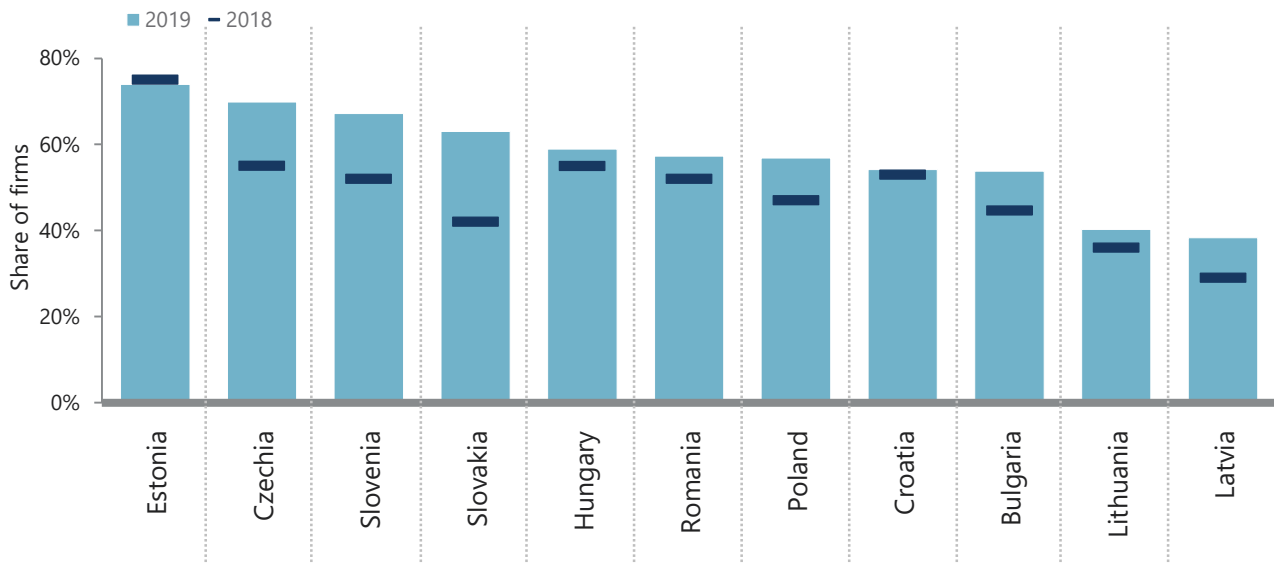


Full capacity is the maximum capacity attainable under normal conditions e.g., company's general practices regarding the utilization of machines and equipment, overtime, work shifts, holidays etc.

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

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

SHARE OF FIRMS AT OR ABOVE FULL CAPACITY BY COUNTRY



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?

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

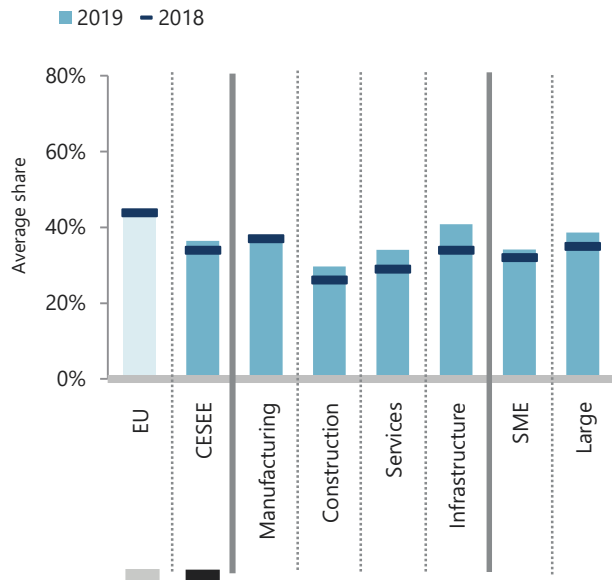
Investment Needs

SHARE OF STATE-OF-THE-ART MACHINERY

Firms in the CESEE region report their average share of machinery and equipment that is perceived to be 'state-of-the-art' is 36%, in line with EIBIS 2018 (34%) but lower than the EU benchmark (44%).

The share of state-of-the-art machinery and equipment is highest among firms in the infrastructure sector (41%), while it is lowest in the construction sector (30%).

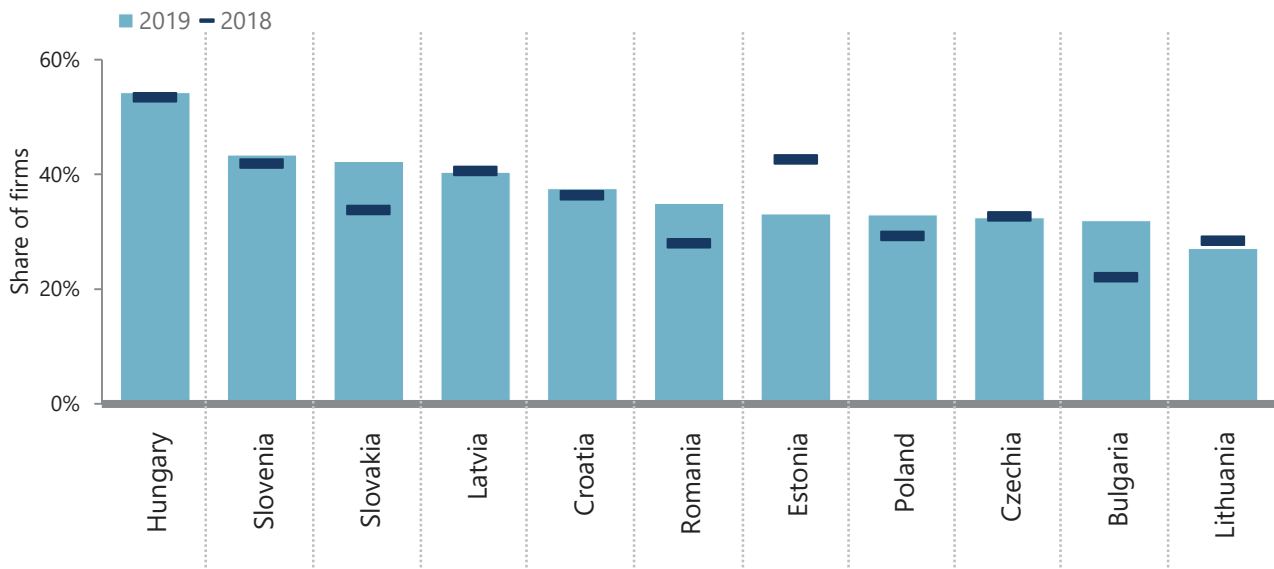
Firms in Hungary report the highest average share of state-of-the-art machinery and equipment (54%), while firms in Lithuania have the lowest (27%). The share of state-of-the-art machinery has increased in Bulgaria (32%, up from 22% in EIBIS 2018), Slovakia (42%, up from 34%), and Romania (35%, up from 28%), while the share in Estonia has declined (33%, down from 43% in EIBIS 2018).



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

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

SHARE OF STATE-OF-THE-ART MACHINERY BY COUNTRY



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

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

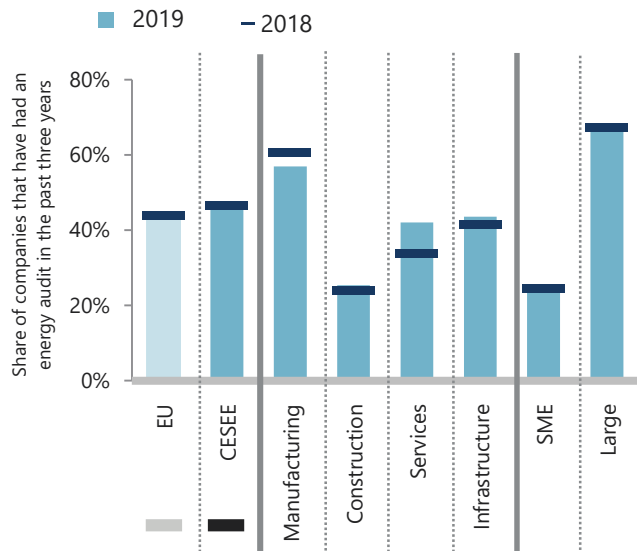
Investment Needs

ENERGY AUDIT

Nearly half (47%) of firms in the CESEE region have had an energy audit in the last three years – slightly higher than EU average (43%).

Firms in the manufacturing sector are the most likely to have had an energy audit (57%), while those in the construction sector are the least likely (25%). Large firms are much more likely to have had an energy audit than SMEs (68% compared with 26% respectively).

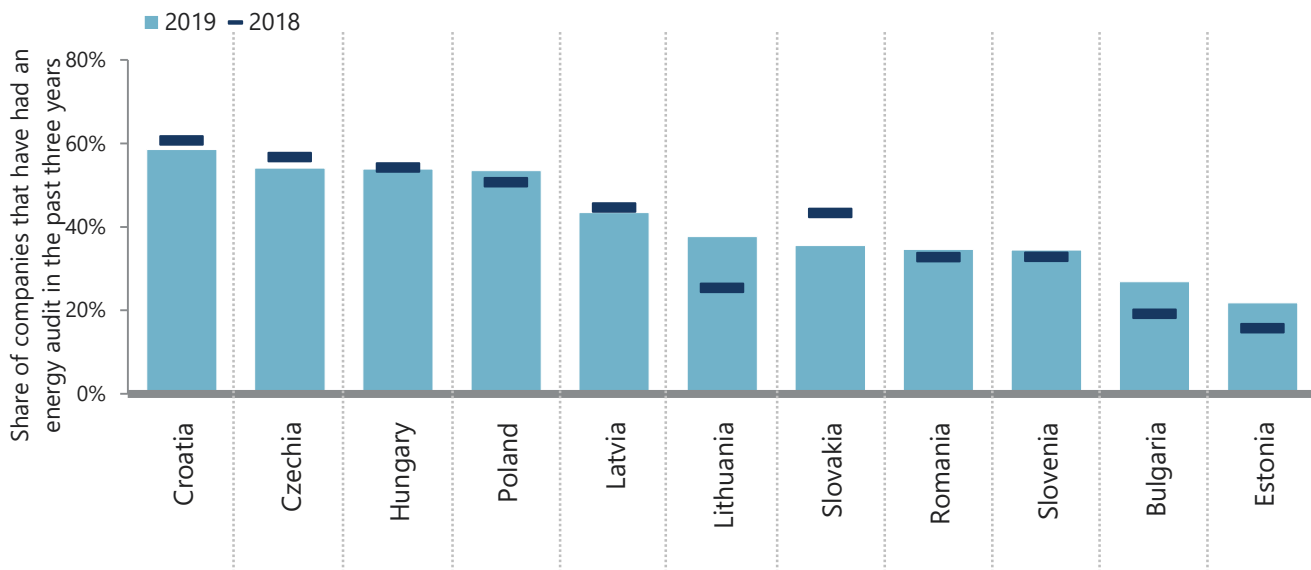
Within the CESEE region, Croatia has the largest share of businesses that have had an energy audit (59%), followed by Czechia (54%), Hungary (also 54%) and Poland (53%). The lowest shares are reported in Estonia (22%) and Bulgaria (27%).



Q. In the past three years has your company had an energy audit (an assessment of the energy needs and efficiency of your company's building or buildings)?

Base: All firms (excluding companies that didn't exist three years ago)

ENERGY AUDIT BY COUNTRY



Q. In the past three years has your company had an energy audit (an assessment of the energy needs and efficiency of your company's building or buildings)?

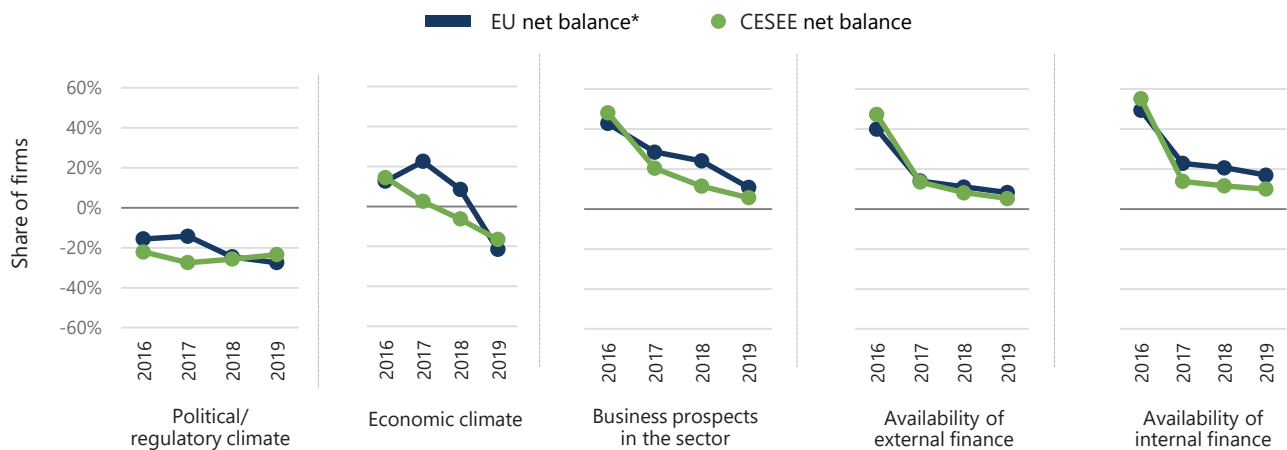
Base: All firms (excluding companies that didn't exist three years ago)

Drivers And Constraints

SHORT TERM INFLUENCES ON INVESTMENT

On balance more firms in the CESEE region expect the political/regulatory and economic climates to deteriorate rather than improve in the next twelve months – similar to the overall EU averages.

Firms in the CESEE region continue to expect availability of finance and business prospects to improve rather than deteriorate. However there has been a slight decline in the net balance of firms with optimistic views in these areas.

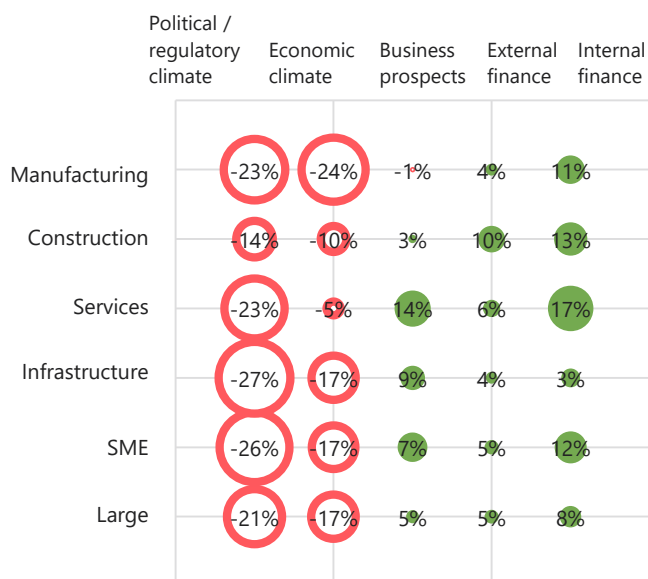


Q. Do you think that each of the following will improve, stay the same, or get worse over the next twelve months?

*Net balance is the share of firms expecting improvement minus the share of firms expecting a deterioration.

Base: All firms

SHORT TERM INFLUENCES BY SECTOR AND SIZE (NET BALANCE)



Across all sizes and sectors, more firms are negative than positive about both the political/regulatory climate and the economic climate. Firms are most consistently positive on balance about the availability of internal finance.

Firms in the construction and service sectors are least pessimistic about the economic climate in the year ahead (-10% and -5%, respectively). Firms in the service sector are the most positive about the availability of internal finance (+17%) and the business prospects in their sector (+14%), while construction firms are marginally most positive about availability of external finance (+10%).

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

Base: All EU firms

Green bubbles denote a positive net difference between businesses expecting an improvement in the factor minus businesses expecting it to get worse. Red bubbles denote a negative net difference between these two groups.

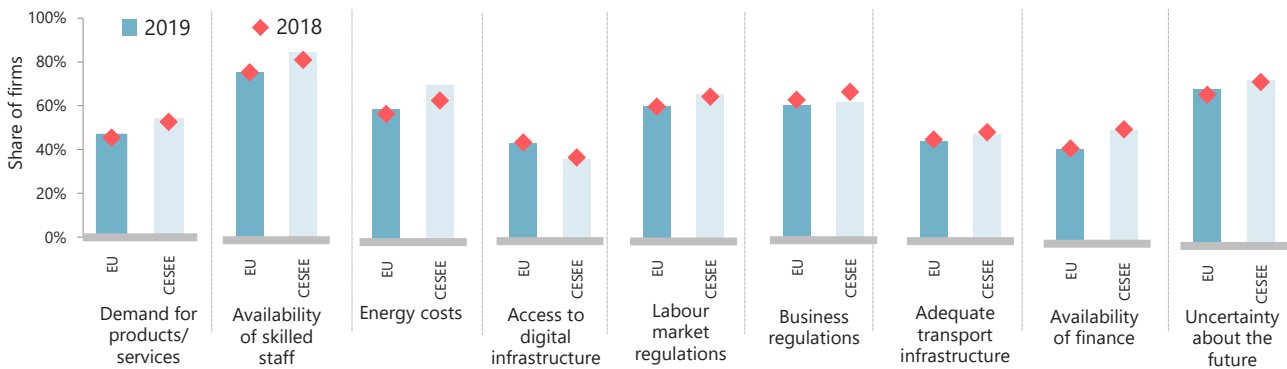
Drivers And Constraints

LONG TERM BARRIERS TO INVESTMENT

The availability of skilled staff is still the most commonly cited long term barrier to investment (for 86% of firms in the CESEE region). Uncertainty about the future is the next most frequently mentioned barrier (76%). Firms remain least concerned about access to digital infrastructure (37%).

The availability of skilled staff is perceived as the main barrier across firms of all sectors and sizes.

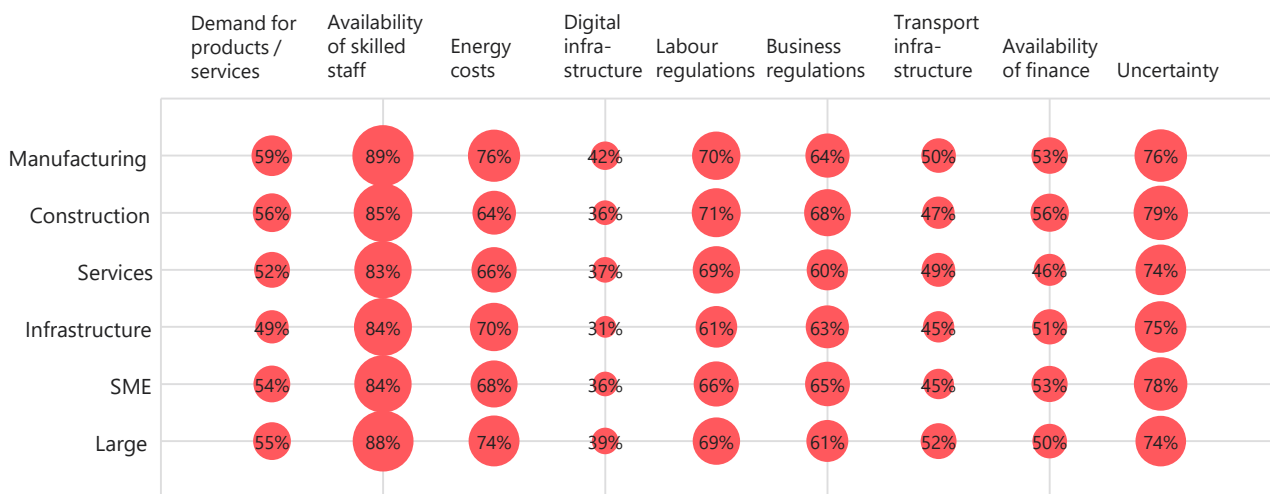
The share of firms in the CESEE region mentioning energy costs as an obstacle has increased since EIBIS 2018.



Q. Thinking about your investment activities in [country name], to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all? Reported shares combine 'minor' and 'major' obstacles into one category

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

LONG TERM BARRIERS TO INVESTMENT BY SECTOR AND SIZE



Q. Thinking about your investment activities in [country name], to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all? Reported shares combine 'minor' and 'major' obstacles into one category

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

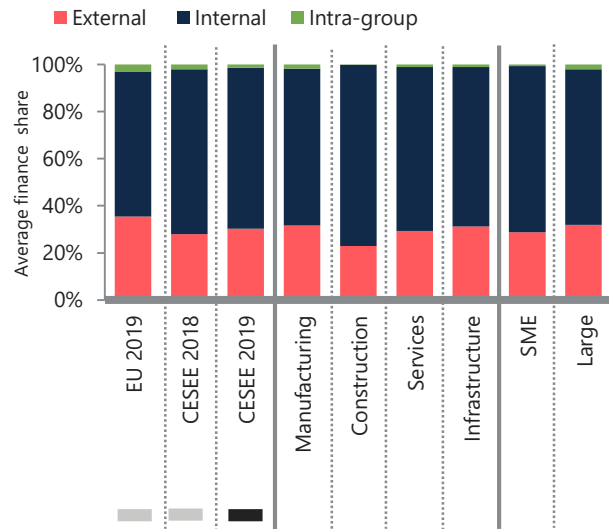
Investment Finance

SOURCE OF INVESTMENT FINANCE

Firms in the CESEE region continue to fund the majority of their investment through internal funds (68%) – similar to EIBIS 2018 (70%), and higher than the EU average (62%).

Firms in the construction sector report the lowest share of investment funded through external finance (23%, compared with between 29% and 32% across other sectors).

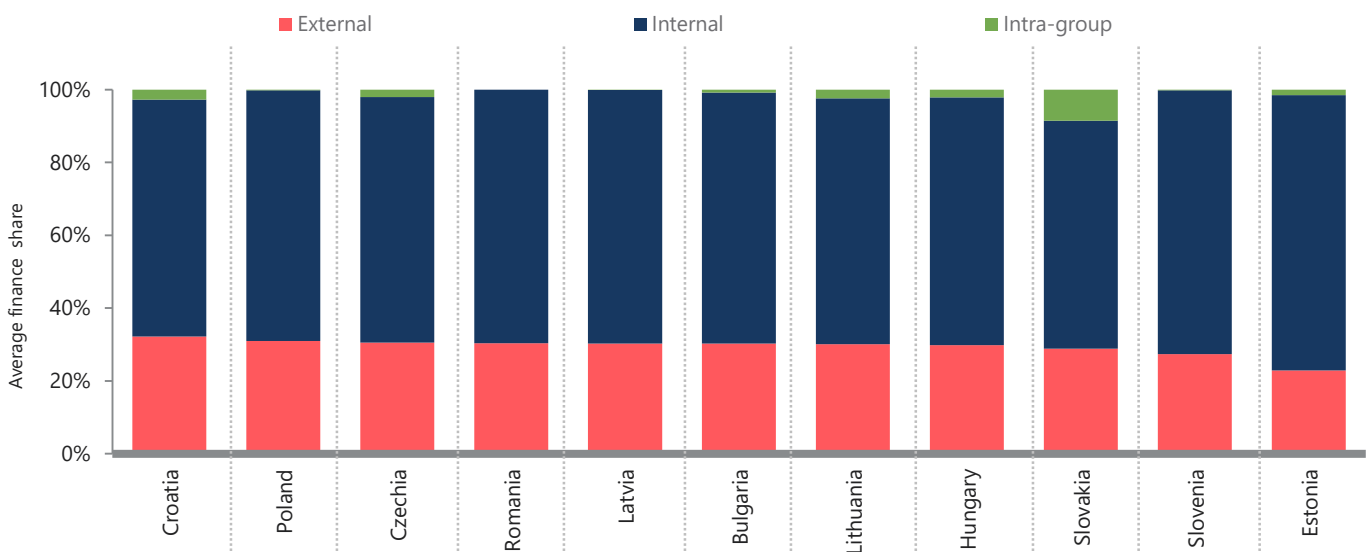
Firms in Croatia have the highest share of external finance (32%), while firms in Estonia report the lowest (23% share).



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

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

SOURCE OF INVESTMENT FINANCE BY COUNTRY



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

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

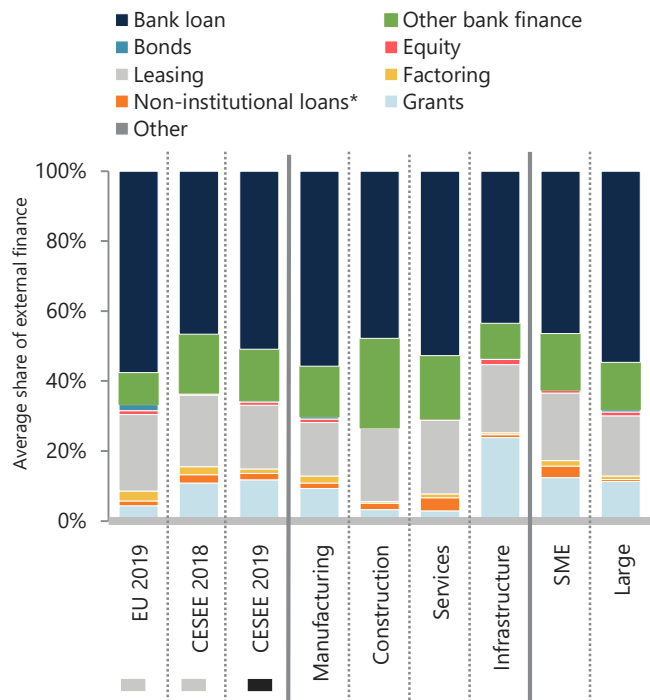
Investment Finance

TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES

Bank loans make up the largest share of external finance used for investment activities (51%) – lower than the EU average (58%) but in line with EIBIS 2018. Leasing or hire purchases make up the second largest average share (18%).

Grants – mainly financed from EU funds – account for a greater share of external finance used in the CESEE region compared with the EU average (12% versus 4%). Within the infrastructure sector the share of grants is much higher (24%).

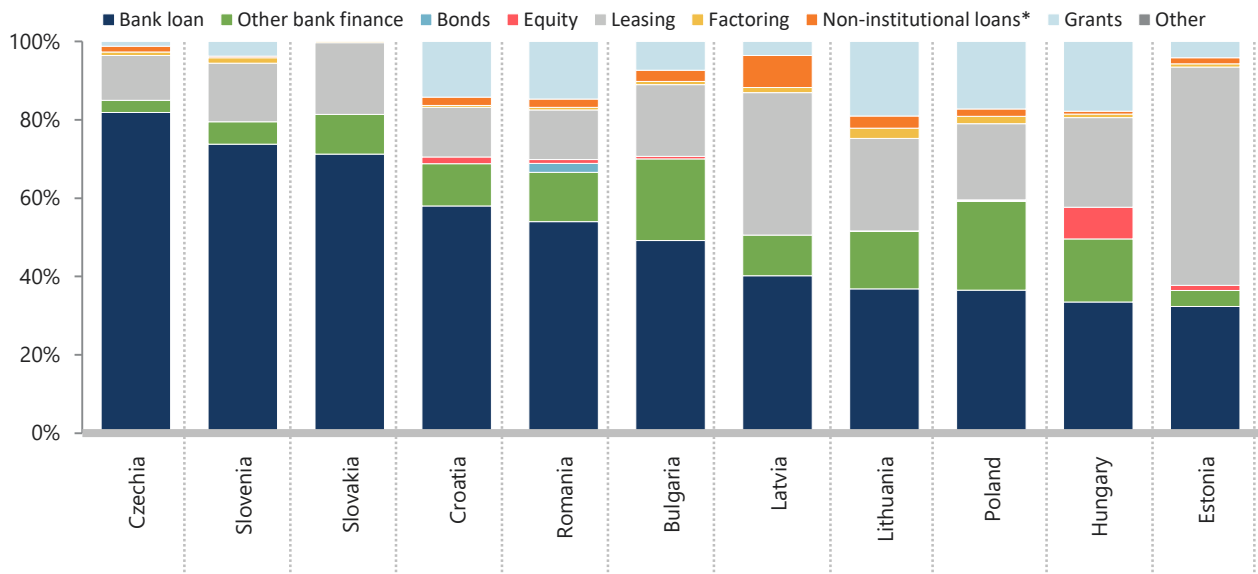
Firms in Czechia rely most heavily on bank loans – which constitute 82% of their external finance on average, while firms in Estonia and Hungary rely least heavily on bank loans (32% and 34% on average). Firms in Estonia rely more on leasing than any other country in the EU – accounting for 56% of their external financing.



Q. What proportion of your investment was financed by each of the following?
*Loans from family, friends or business partners

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

TYPE OF EXTERNAL FINANCE USED FOR INVESTMENT ACTIVITIES BY COUNTRY



Q. What proportion of your investment was financed by each of the following?
*Loans from family, friends or business partners

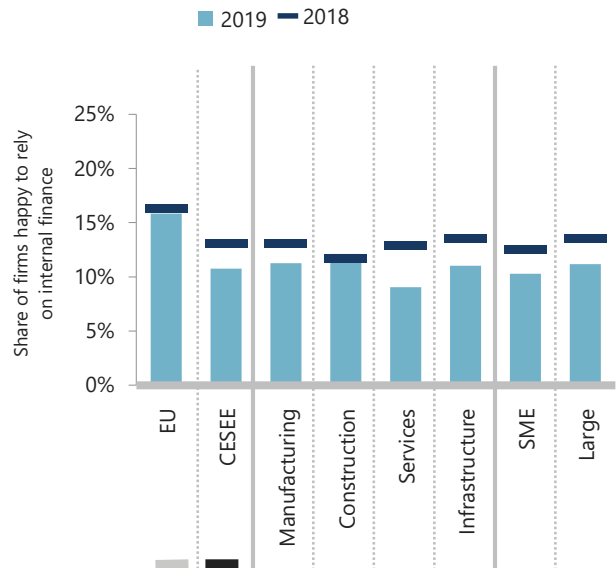
Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

Investment Finance

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

Eleven per cent of all firms across the CESEE region do not seek external finance, either because they are happy to use internal finance, or because they do not need the finance. This is slightly lower than in EIBIS 2018 (13%), and lower than the EU average (16%). The decline is relatively consistent across all sectors and sizes of firms.

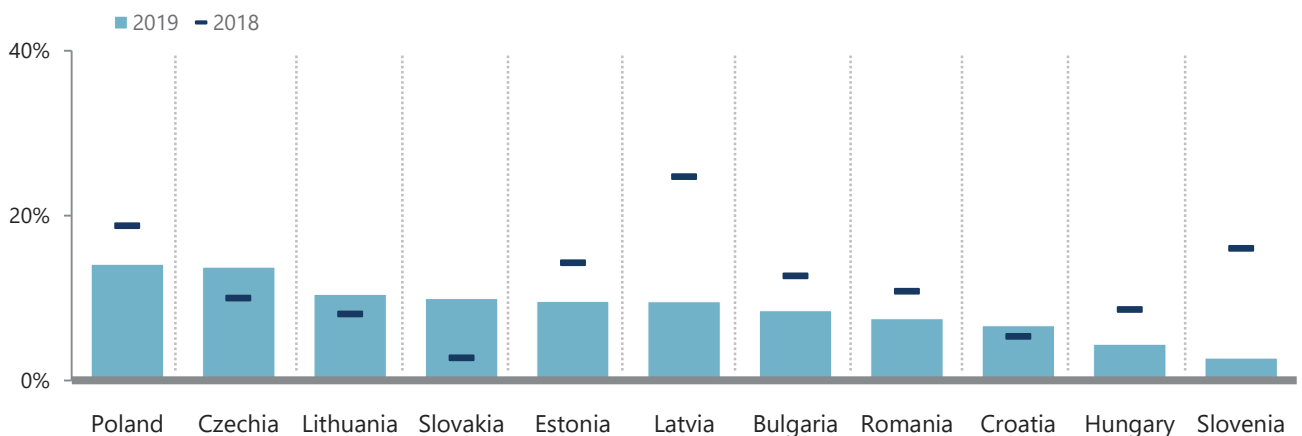
Firms in Poland and Czechia are most likely to say they are happy to rely exclusively on internal finance or do not need the finance (14% in both countries), while firms in Slovenia are least likely to cite this (3%).



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

Base: All firms

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



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

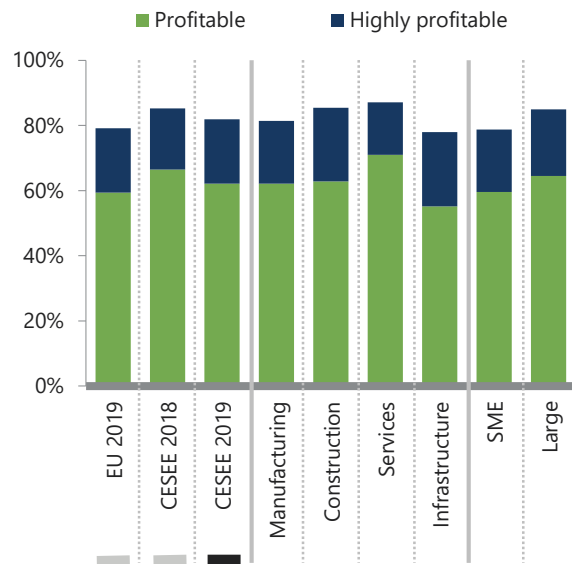
Base: All firms

Investment Finance

SHARE OF PROFITABLE FIRMS

One in five firms across the CESEE region (19%) report being highly profitable (i.e. a profit margin of more than 10% of turnover) – a similar share as in EIBIS 2018, and compared to the EU average. The infrastructure and construction sectors have the largest proportions of highly profitable firms (both 23%), while the service sector has the smallest (16%).

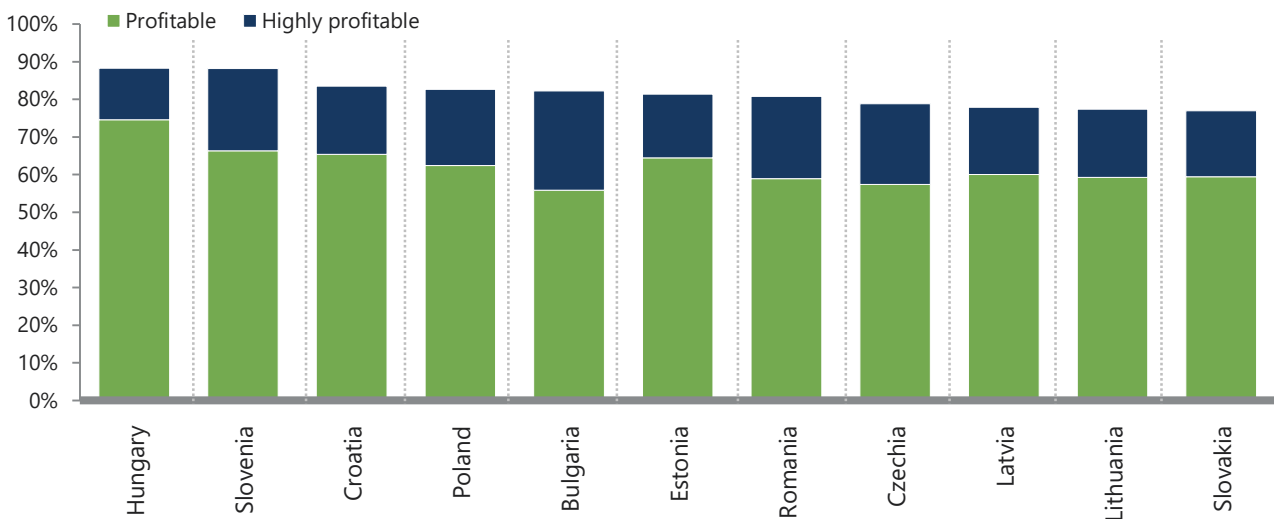
Bulgaria has the largest share of highly profitable firms (26%), whilst Hungary (14%) has the lowest share of highly profitable firms, though Hungary also has the highest share of firms reporting generating any profit (88%).



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 of 10% or more

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

SHARE OF PROFITABLE FIRMS BY COUNTRY



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 of 10% or more

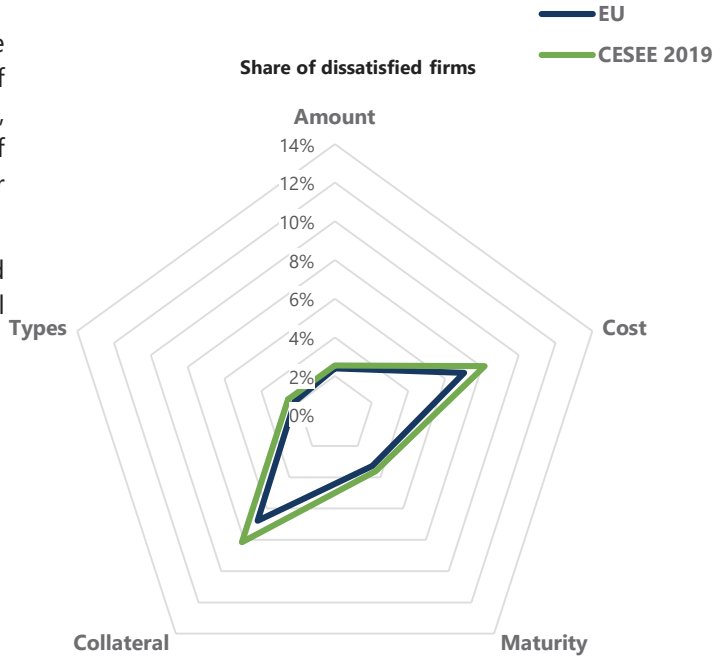
Base: All firms (excluding don't know/refused)

Access To Finance

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED

Some of the firms that used external finance in the CESEE region are dissatisfied with the conditions of the offer (i.e. amount, cost, length of time, collateral or type of finance received). The levels of dissatisfaction are very similar to the average for the EU overall.

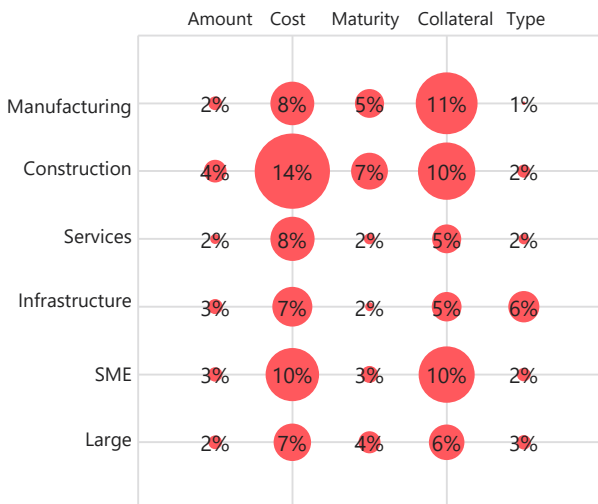
Firms in the CESEE region are most dissatisfied with the collateral required and cost of external finance (both 8%).



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

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

DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED BY SECTOR AND SIZE



Firms in construction showed higher overall levels of dissatisfaction than other sectors on almost all measures. They were the most likely to be dissatisfied with the cost of external finance (14%).

Organisations in the manufacturing sector report the highest levels of dissatisfaction with the collateral required for the external finance (11%). SMEs are more likely to be dissatisfied with cost and collateral than large firms.

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

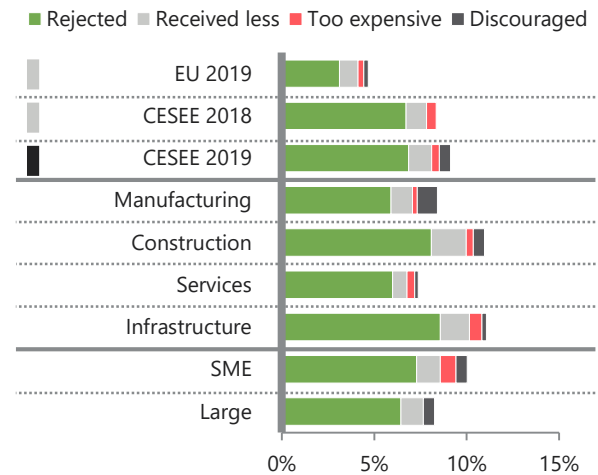
Base: All EU firms who used external finance in the last financial year (excluding don't know/refused responses)

Access To Finance

SHARE OF FINANCE CONSTRAINED FIRMS

CESEE firms are more likely to be financially constrained in one way or another than the average EU firm (9% versus 5% for the EU overall). A similarly large share is also reported in EIBIS 2018 (8%).

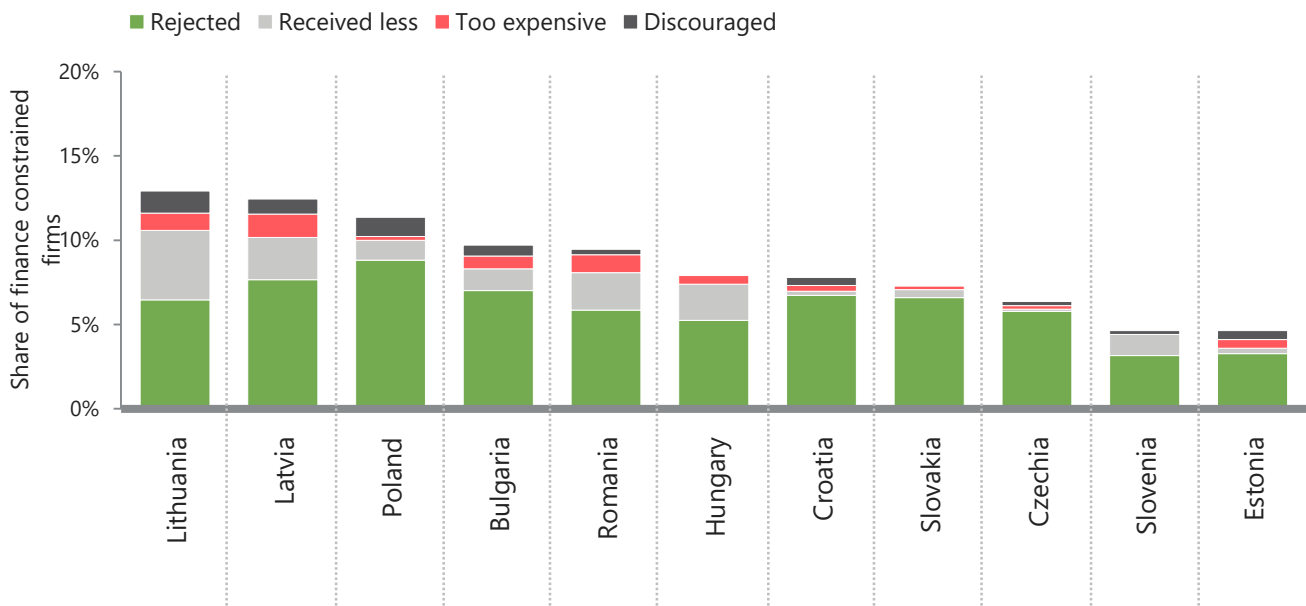
Lithuania and Latvia record the largest shares of financially constrained firms (13% and 12%, respectively), while Slovenia and Estonia record the lowest shares (both 5%).



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)

Base: All firms

SHARE OF FINANCE CONSTRAINED FIRMS BY COUNTRY

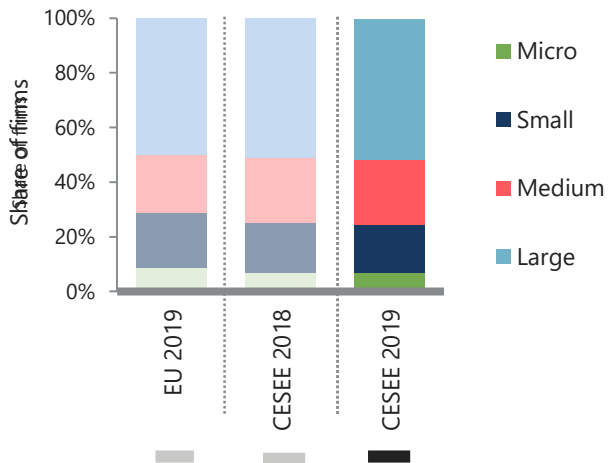


Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would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

Base: All firms

Profile Of Firms

CONTRIBUTION TO VALUE ADDED BY SIZE



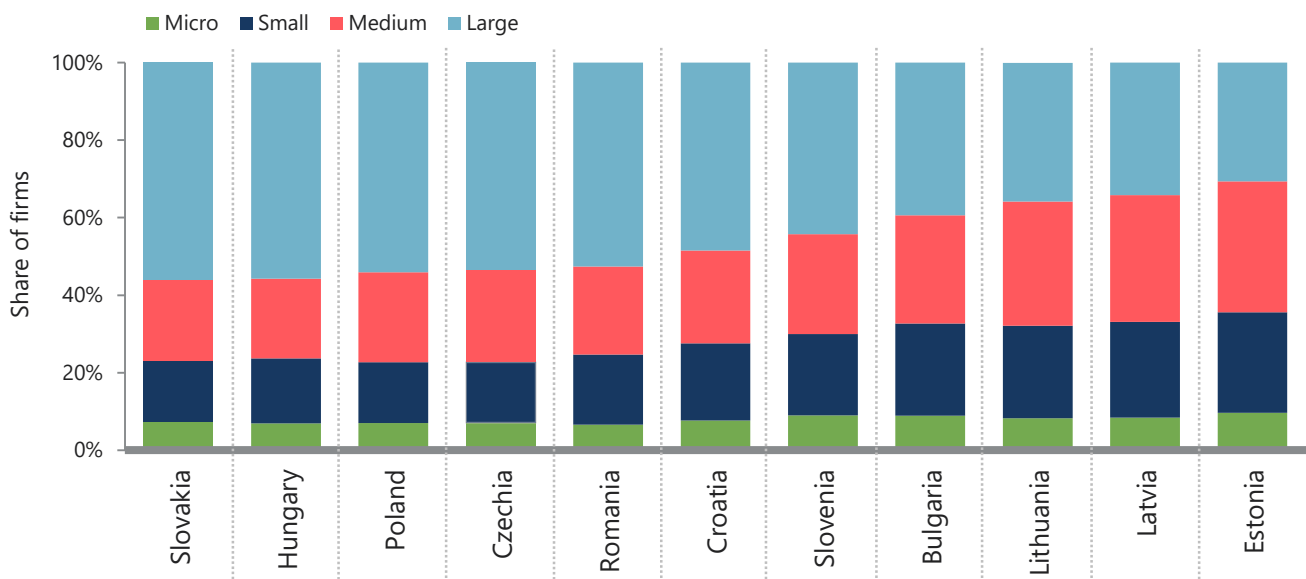
Half (51%) of the value added in the CESEE region can be attributed to large firms (with 250+ employees), which is similar to the EU benchmark. Medium size firms account for one-quarter (24%), as do micro and small firms combined (also 24%).

Among CESEE countries, the value-added distribution is skewed towards large firms in Slovakia and Hungary (both 56%). The value-added distribution is most skewed towards medium and small firms in Estonia (34% and 26% respectively).

The charts reflect 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+. The share for Ireland is much larger but has been capped for reasons of weighting efficiency.

Base: All firms

FIRM SIZE DISTRIBUTION BY COUNTRY

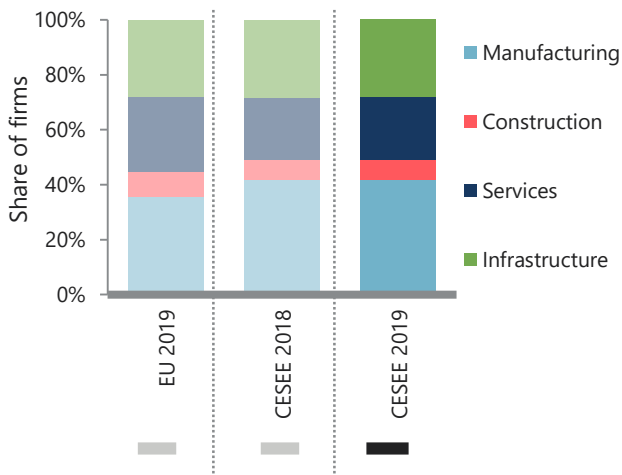


The charts reflect the relative contribution to value-added by firms belonging to a particular size class in the population of firms considered. That is, all firms with 5 or more employees active in the sectors covered by the survey. Micro: 5-9 employees; Small: 10-49; Medium: 50-249; Large: 250+. The share for Ireland is much larger but has been capped for reasons of weighting efficiency.

Base: All firms

Profile Of Firms

CONTRIBUTION TO VALUE ADDED BY SECTOR



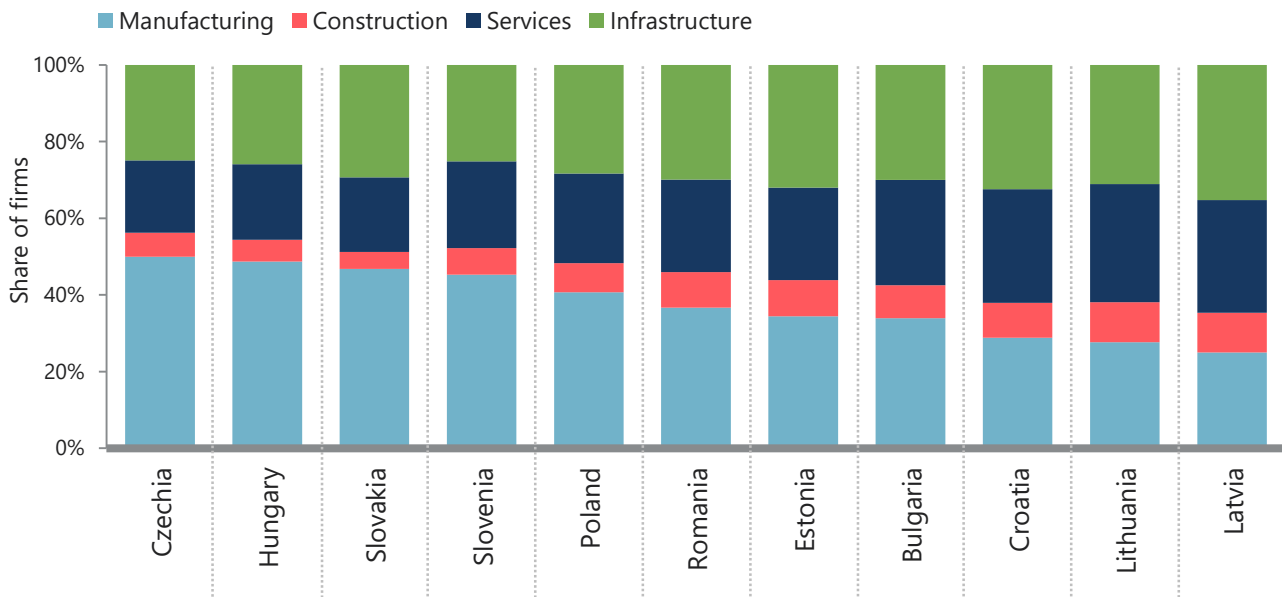
The manufacturing sector accounts for the majority of value-added in the CESEE region (42%) which is above the average for the EU overall (36%). Firms in the infrastructure sector account for more than one-quarter (28%, on par with the EU).

The value-added distribution is most skewed towards the manufacturing sector in Czechia (50%), Hungary (49%), Slovakia (47%) and Slovenia (45%), and the infrastructure sector in Latvia (35%).

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

Base: All firms

FIRM SECTOR DISTRIBUTION BY COUNTRY



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

Base: All firms

Profile Of Firms

STRATEGIC MANAGEMENT

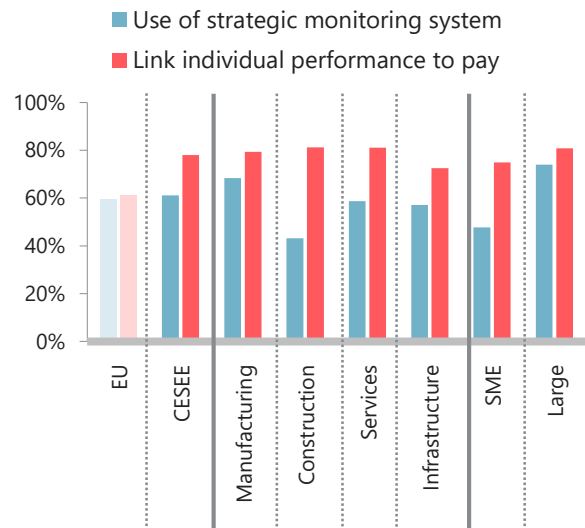
Three in five firms across the CESEE region say they use a formal strategic performance monitoring system (61%), which is similar to the overall EU level (60%).

Nearly four in five firms in the region link individual performance with pay (78%, higher than the EU average, 61%).

Firms in the infrastructure sector are the least likely to link individual performance with pay (73%, versus the 78% CESEE average).

Firms in Slovenia are the most likely to use a formal strategic monitoring system (80%) while firms in Estonia are least likely to do so (34%).

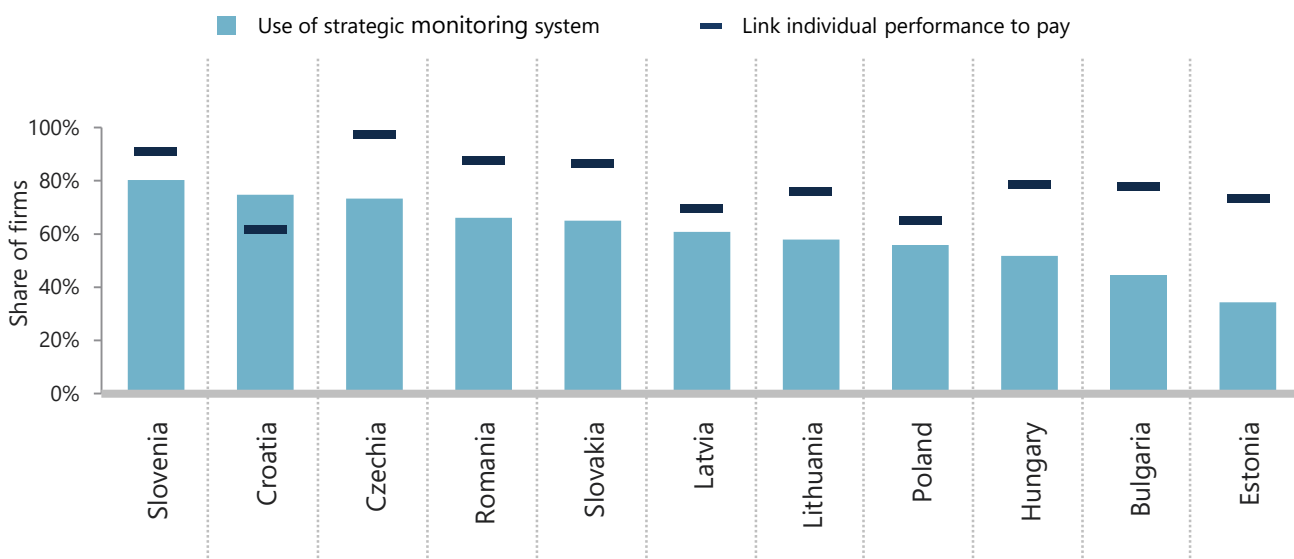
The highest share of firms that link individual performance with pay is in Czechia (98%), and the lowest is in Croatia (62%).



Q. And does your company (a) use a formal strategic business monitoring system (that compares the firm's current performance against a series of strategic key performance indicators) (b) link individual performance with pay?

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

STRATEGIC MANAGEMENT BY COUNTRY



Q. And does your company (a) use a formal strategic business monitoring system (that compares the firm's current performance against a series of strategic key performance indicators) (b) link individual performance with pay?

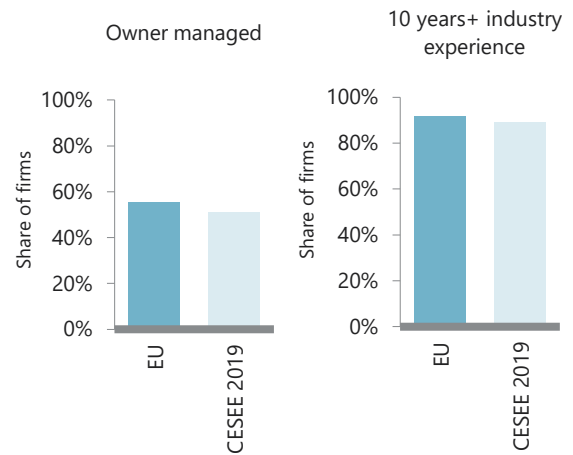
Base: All firms (excluding don't know/refused responses)

Profile Of Firms

FIRM MANAGEMENT

Around half of firms in the CESEE region say their CEO/company head or a member of the CEO's family owns or controls the firm (51%), and the vast majority claim their company is owned by someone with more than ten years of experience in the firm's sector or industry (89%). These shares are both slightly lower than the overall levels in the EU (55% and 92% respectively).

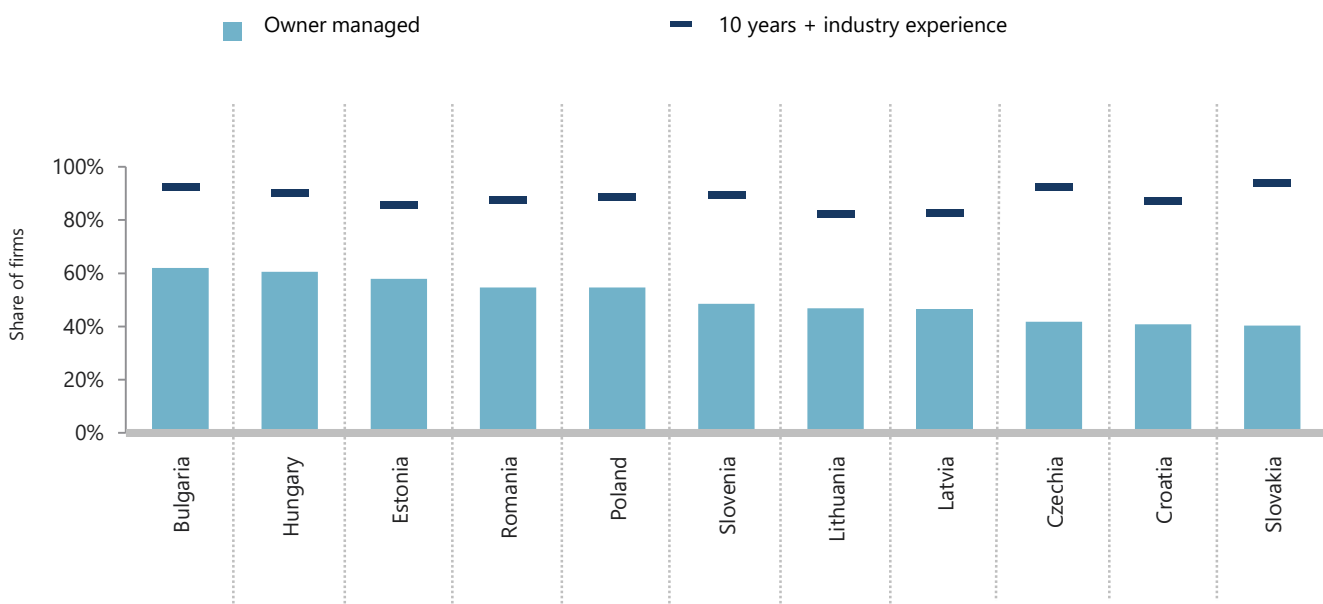
The CESEE countries with the largest shares of owner-managed firms are Bulgaria (62%), Hungary (61%) and Estonia (58%), while the smallest shares are in Slovakia (40%), Croatia (41%) and Czechia (42%).



Q Does the CEO/ company head of your firm (a) own or control the firm, or have a family member that owns/controls it (b) have more than 10 years of experience in your firm's industry or sector?

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

FIRM MANAGEMENT BY COUNTRY



Q Does the CEO/ company head of your firm (a) own or control the firm, or have a family member that owns/controls it (b) have more than 10 years of experience in your firm's industry or sector?

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

EIBIS 2019 – EU 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 in the CESEE region and EU overall, so the percentage results are subject to sampling tolerances. These vary with the size of the sample and the percentage figure concerned.

	EU 2019	CESEE 2019	CESEE 2018	Manufacturing	Construction	Services	Infrastructure	SME	Large	CESEE 2019 vs. CESEE 2018
	(12672)	(4899)	(4797)	(1521)	(1041)	(1154)	(1143)	(4298)	(601)	(4899 vs 4797)
10% or 90%	1.0%	1.5%	1.5%	2.6%	3.4%	3.1%	2.8%	1.1%	2.8%	2.1%
30% or 70%	1.5%	2.4%	2.2%	4.0%	5.2%	4.7%	4.3%	1.7%	4.3%	3.2%
50%	1.7%	2.6%	2.4%	4.4%	5.6%	5.2%	4.7%	1.8%	4.7%	3.5%

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.
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 2019 – Technical Details

BASE SIZES

Base definition and page reference	EU 2019 / EU 2018	CESEE 2019 / CESEE 2018	Manufacturing CESEE 2019	Construction CESEE 2019	Services CESEE 2019	Infrastructure CESEE 2019	SME CESEE 2019	Large CESEE 2019
<i>*Chart with multiple bases - due to limited space, only the lowest base is shown (lowest per sector for p.13).</i>								
All firms, p. 4, 5, 15, 18, 19, 22, 25, 26, 27, 28*	12672 / 12355	4889/ 4797	1521	10141	1154	1143	4928	601
All firms (excluding don't know/refused responses), p. 3	11967 / 11790	4658/ 4628	1440	1004	1085	1089	4105	551
All firms (excluding don't know/refused responses), p. 6	12343 / 12095	4775/ 4692	1487	1005	1123	1120	4191	584
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 7	10005 / 10126	3851/ 3927	1213	839	866	896	3395	456
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 8	10188 / 10088	3941/ 3943	1253	835	890	926	3429	512
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 9	10247 / 10004	1592/ 1518	588	270	340	381	1275	317
All firms (excluding don't know/refused responses), p. 9	11697 / 11343	4558/ 4456	1403	972	1078	1066	4018	540
All firms (excluding don't know/refused responses), p. 10	12351 / 12068	4775/ 4681	1493	1018	1119	1107	4195	580
All firms (excluding don't know/refused responses), p. 11	8802 / 9095	3379/ 3499	1094	725	744	782	2981	398
All firms (excluding don't know/refused responses), p. 12, 13*	12360 / NA	4874 / NA	1518	1041	1149	1137	4281	593
All firms (excluding 'company didn't exist three years ago' responses), p. 14, p.17*	12640 / 12335	4893 / 4792	1518	1039	1153	1143	4292	601
All firms (excluding don't know/refused responses), p. 16	12216 / 11952	4776/ 4656	1475	1018	1123	1111	4191	575
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 20	9407 / 9030	3860/ 3821	1151	879	884	913	3418	442
All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 21	4578 / 4323	1833/ 1852	579	384	376	481	1580	253
All firms (excluding don't know/refused responses), p. 23	10980 / 10865	4263/ 4263	1353	907	979	988	3734	529
All firms who used external finance in the last financial year (excluding don't know/refused responses) p. 24*	4426 / 4212	1850/ 1861	581	391	380	485	1596	254
All firms (excluding don't know/refused responses), p. 29	12201 / NA	4681 / NA	1448	996	1103	1096	4120	561
All firms (excluding don't know/refused responses), p. 30	12440 / NA	4854/ NA	1503	1034	1143	1134	4262	592



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CESEE

Overview

EIB INVESTMENT SURVEY

2019