

Investment and Investment Finance – open questions?

COMPNET 13th ANNUAL CONFERENCE
CHIEF ECONOMISTS PANEL

29 June 2017

Debora Revoltella
Economics Department
European Investment Bank

Key issues

Questions - Is economic recovery enough?

- Strengthening growth and investment and the consequences of the crisis
- Potential growth and productivity
- Investment needs and constraints
 - Infrastructure investment – needs and constraints
 - Technological change and adoption of innovation
 - Winners and losers
 - Policy action and challenges

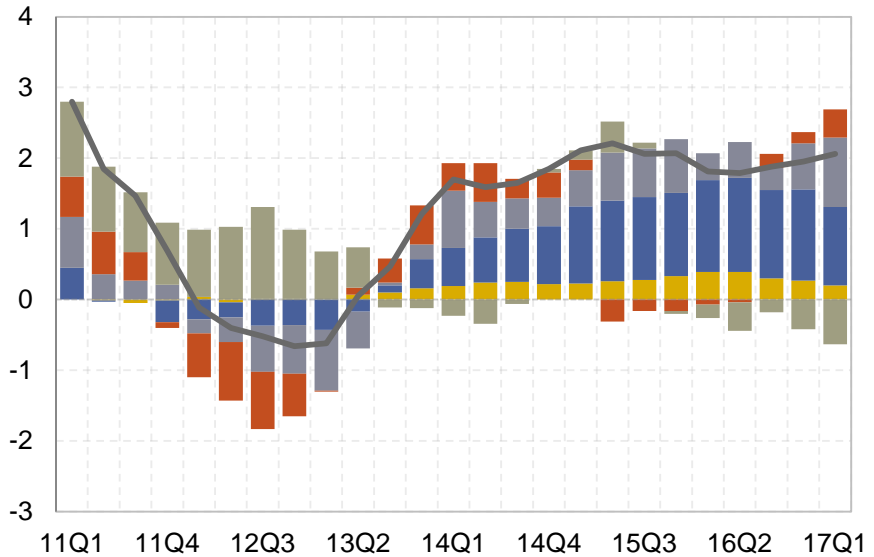
Data Issues

- Macro data and survey data

Coordinated approach

Improving economy and investment

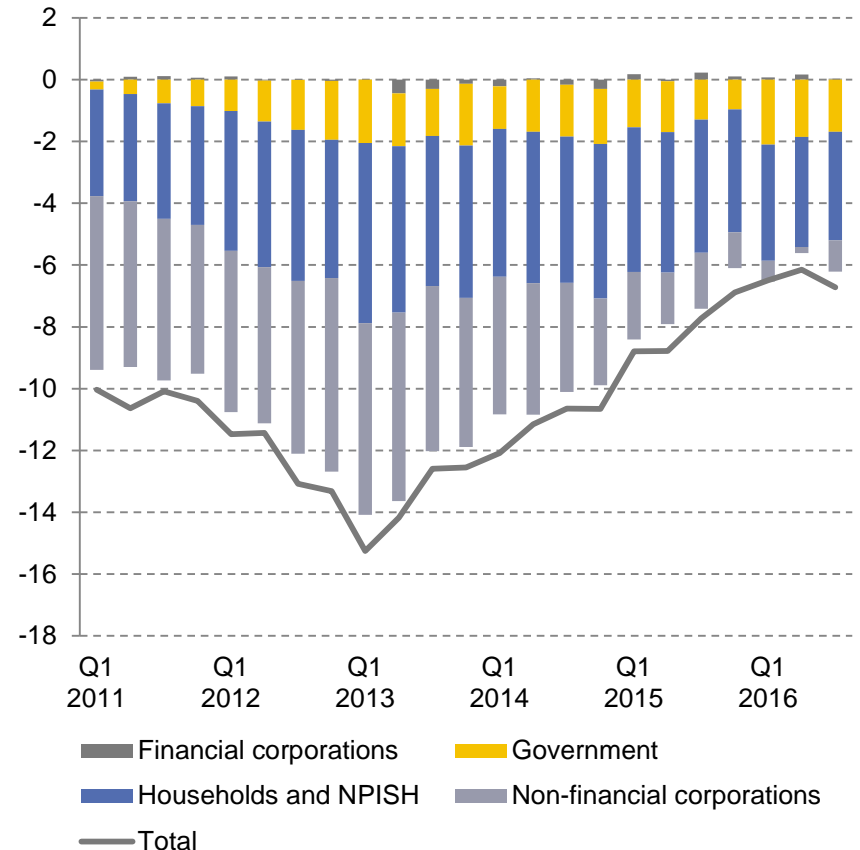
Real GDP and contribution of aggregate expenditure components
% change yoy



Source: Eurostat

- Net exports
- Changes in inventories
- Gross fixed capital formation
- Household final consumption
- Government final consumption
- GDP

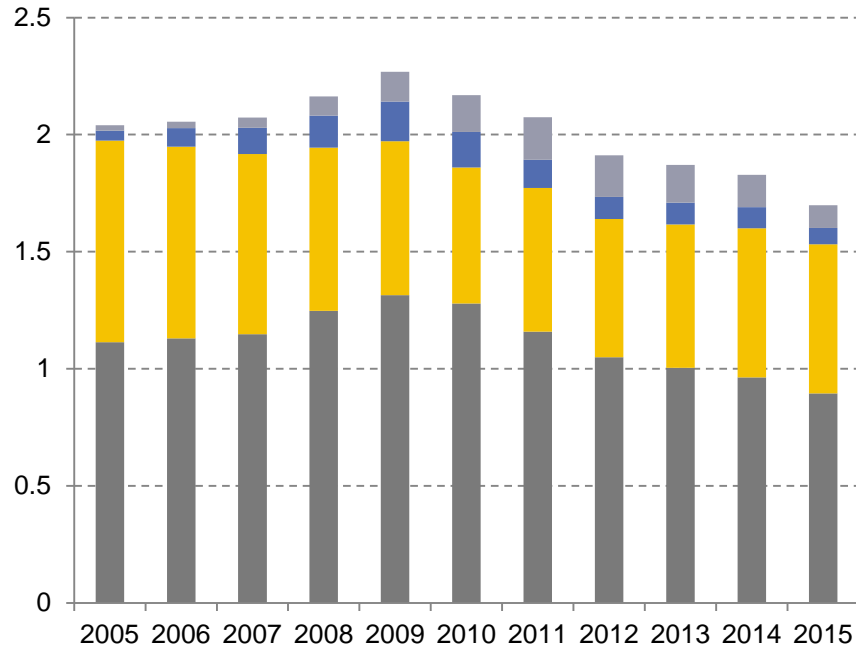
Real GFCF and contribution of institutional sectors
relative to 2008



- Financial corporations
- Households and NPISH
- Non-financial corporations
- Government
- Total

Infrastructure investment remains a drag, due to policy choices

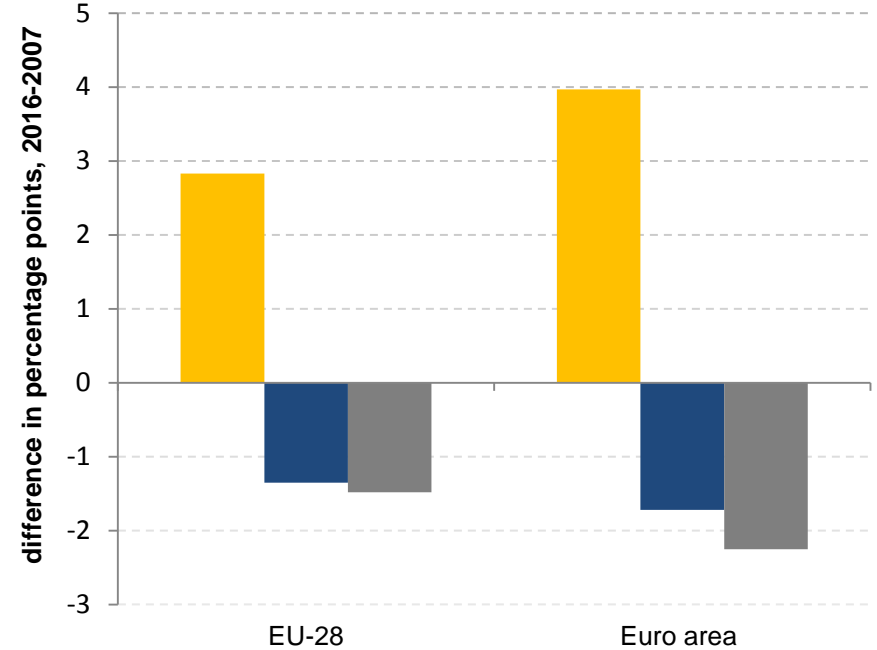
Infrastructure Investment
% of GDP



Government Non Project
 Corporate Non Project
 PPP
 Non PPP Projects

Source: Eurostat

Change in composition of General Government expenditure, 2007-16

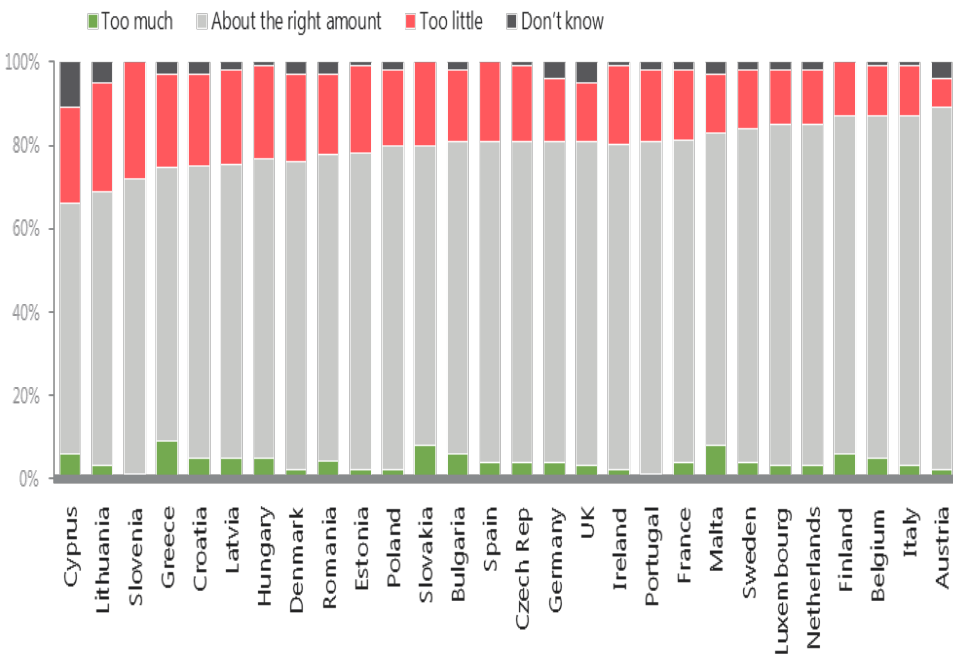


Current Expenditure
 Interest
 Capital Expenditure

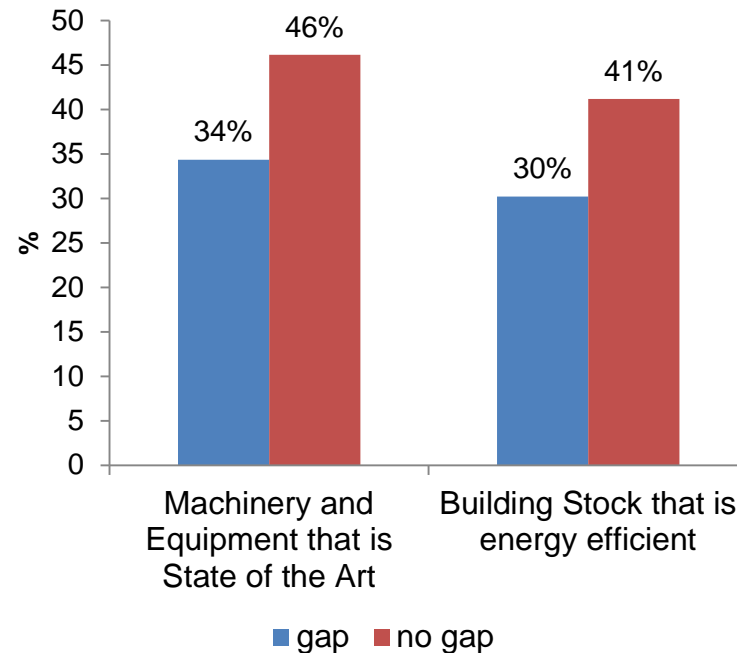
Source: Eurostat

Corporate investment is strengthening, but past investment has left investment gaps

Reported Adequacy of past Investment



Investment Gap and Quality of Capital



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

Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount to ensure the success of your business going forward?

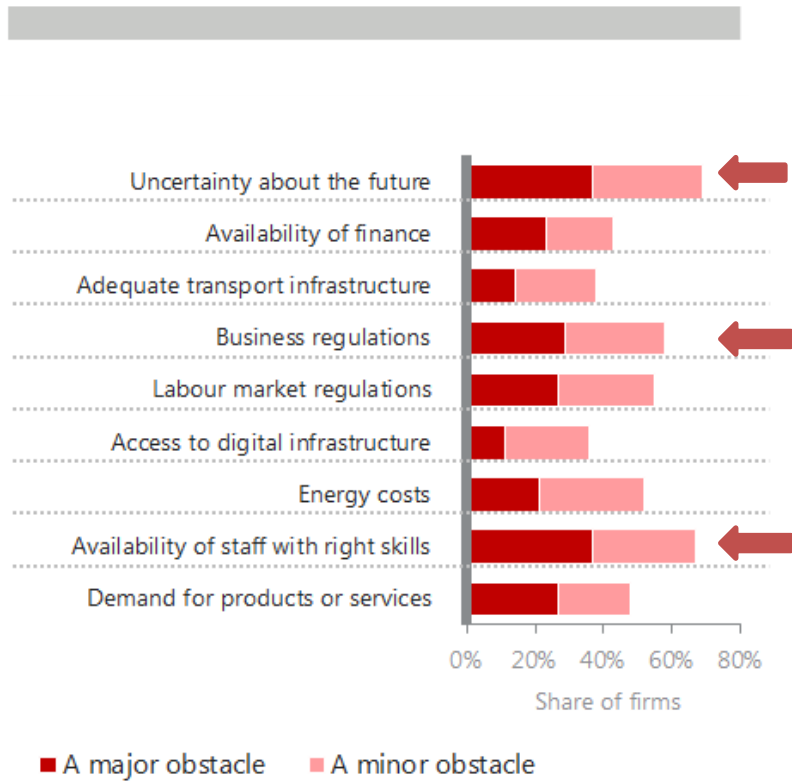
Base: All firms

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

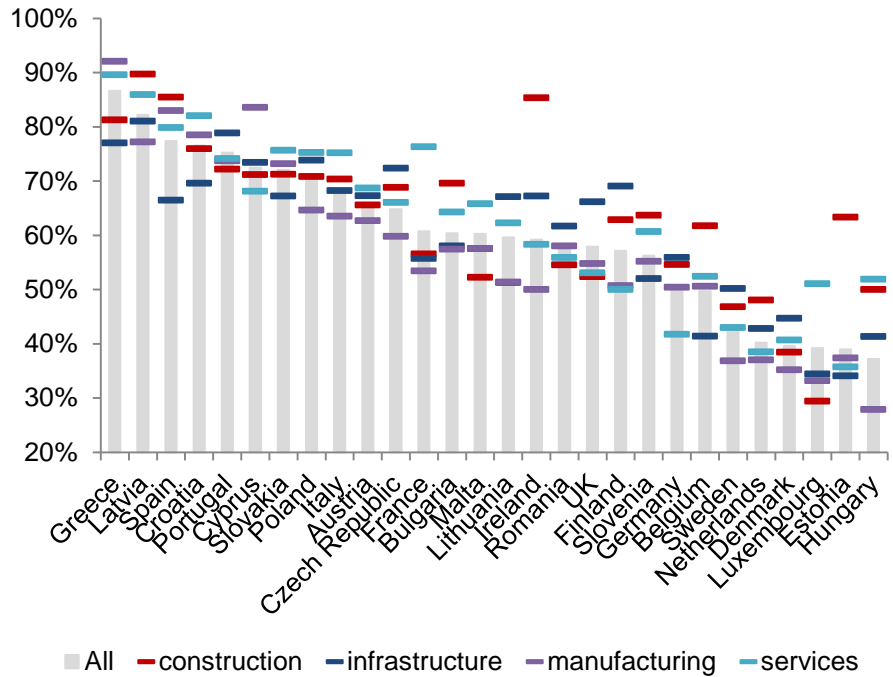
Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?

Barriers to Investment

Long term barriers to investment



Business regulation as a barrier by sector

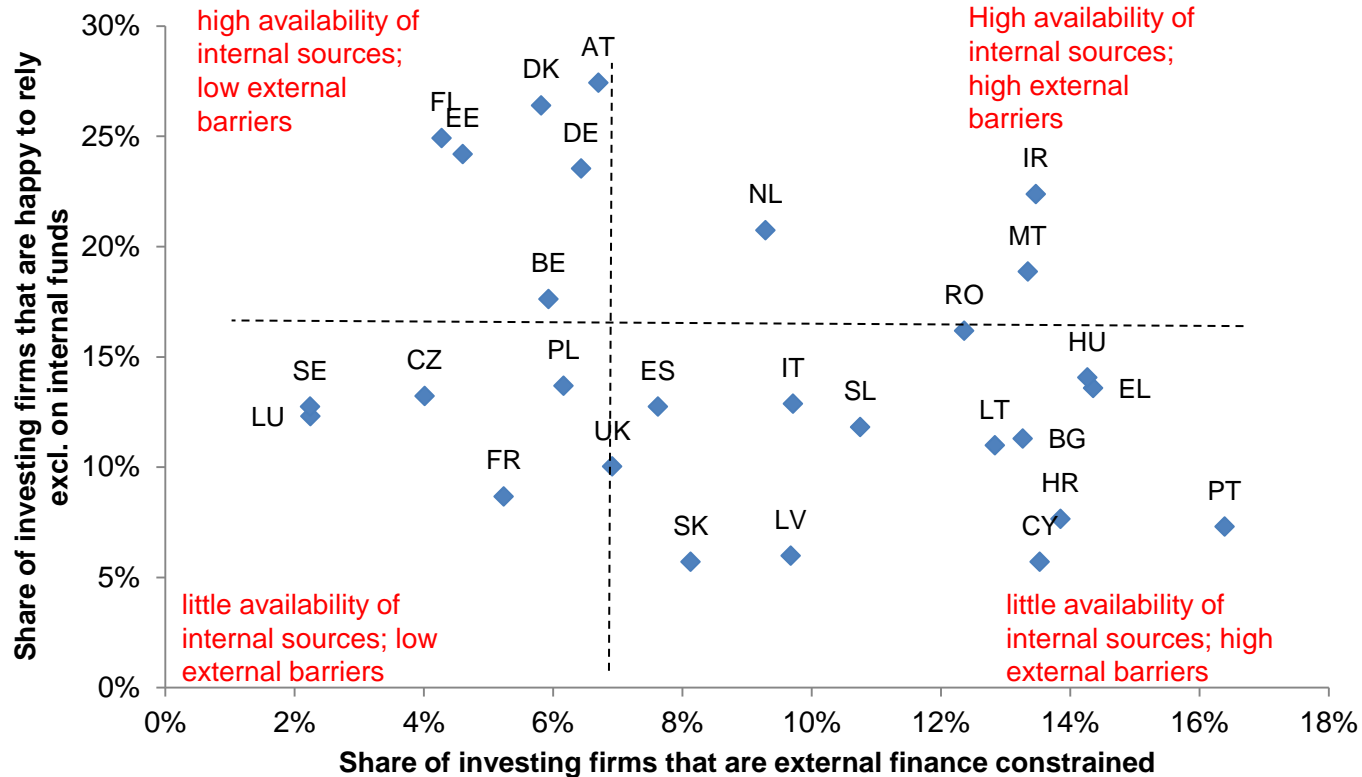


Base: EU average of all firms (data not shown for those who said not an obstacle at all/don't know/refused)

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

Access is an issue for some

Access to Finance among Investing Firms



Base: All firms

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

Firms happy to use internal funds are those that invested using exclusively internal funds and who stated that they did not seek any external finance because they were satisfied with their internal funds.

Questions

Is economic recovery enough?

- Are there gaps, taking into account long term trends?
- Winners and losers
 - Micro-analysis is Key
 - Efficiency in the allocation of resources
- Policy action and challenges
 - Can we shift policy options towards long term thinking?
 - Efficiency vs short term objectives
- Sustainable growth?

Key issues

Is economic recovery enough?

- Strengthening growth and investment and the consequences of the crisis
- Potential growth and productivity
- Investment needs and constraints
 - Infrastructure investment – needs and constraints
 - Technological change and adoption of innovation
 - Winners and losers
 - Policy action and challenges

Data Issues

- Macro data and survey data

Coordinated approach

Data issues : Availability and quality of data on investment critical to support effective policy making

- No official statistics on infrastructure investment
- EIB estimates on investment in infrastructure sectors (i.e. education, health, transport, ICT and utilities) based on data from Eurostat and Projectware
 - Private infrastructure investment = Total infrastructure GFCF – Government infrastructure GFCF
 - Corporate non-project = Private infrastructure investment – PPP projects – non-PPP projects
- Official estimates from national accounts on intangible investment include software, databases, R&D, mineral exploration
 - But do not cover design, financial innovation, advertising, market research, organisational capital or firm training (INTAN-invest)
 - Firm-level data on intangibles from EIBIS and Eurostat CIS

Key issues

Is economic recovery enough?

- Strengthening growth and investment and the consequences of the crisis
- Potential growth and productivity
- Investment needs and constraints
 - Infrastructure investment – needs and constraints
 - Technological change and adoption of innovation
 - Winners and losers
 - Policy action and challenges

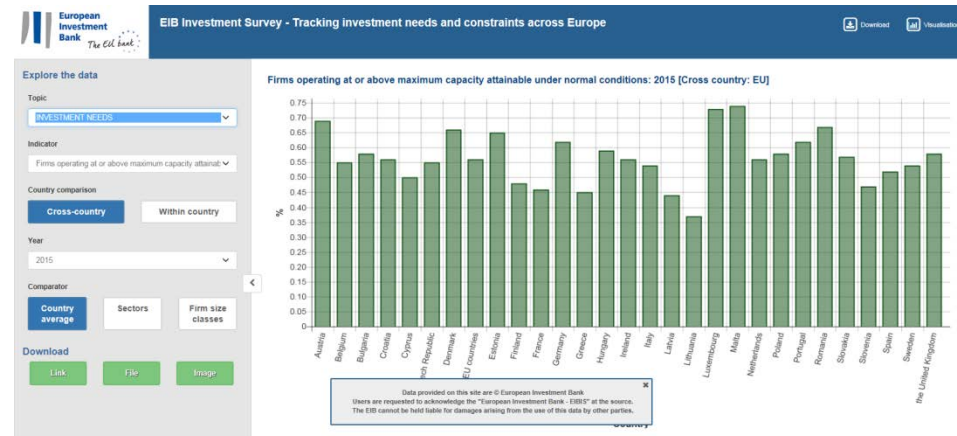
Data Issues

- Macro data and survey data

Coordinated approach

EIB catalytic on investment analysis

- EIB wishing to be Catalytic for research in investment and investment finance in Europe
 - Collaborations with international organizations and top academics on the topic of investment and investment finance
- Building on:
 - EIB annual Investment report (the EIB Investment Survey);
 - Annual Investment Conference;
 - Annual country conferences with central banks
 - Internal country workshops
 - Strong links with CompNET for micro-analysis!



Thank you!

