

Investment Survey

October 2018

Business investment expected to increase by 4.4% in nominal terms in 2019

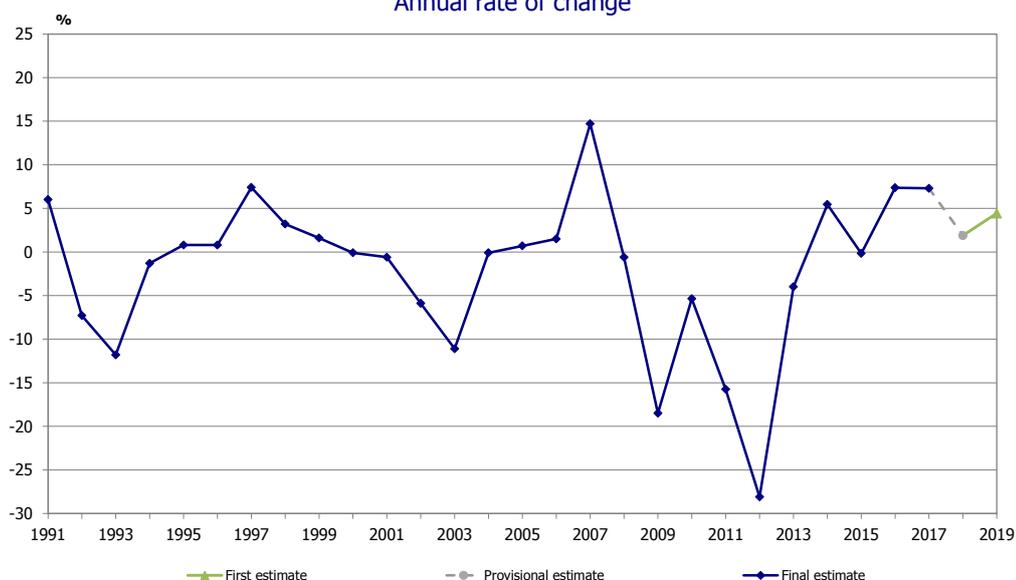
According with the results from the October 2018 Investment Survey (with a surveying period between the 1st October 2018 and the 17th January 2019), the business investment in nominal terms is expected to grow by 4.4% in 2019. The results of this survey also point to a 1.9% increase in investment in 2018, which represents a downward revision comparing with the perspectives revealed in the previous survey (growth rate of 5.1%), especially in large firms (500 or more workers).

Among the investment objectives, from 2018 to 2019, the relative weights of the streamline production investment and investment for other purposes are expected to increase, while relative weights of investment associated with the extension of the production capacity and the replacement investment are projected to decrease. Despite the reduction of its relative weight, the replacement investment is the most mentioned objective in both years.

The main limitative factor for business investment identified by entrepreneurs in both years was the deterioration of the sales perspectives. Between 2018 and 2019, the relative weights of the lack of self-funding capacity and the uncertainty about the investment profitability are expected to increase, while the relative importance of the difficulty in obtaining bank loans and the shortage of qualified labour force should decrease.

Graph 1¹

Evolution of business GFCF in nominal terms
Annual rate of change



¹ The percentages correspond to the last estimate available for each year. For 2019, the rate of change corresponds to the perspectives of entrepreneurs.

1. Main results

The results from the October 2018 Investment Survey (with a surveying period between 1st October 2018 and 17th January 2019) point to a 1.9% nominal increase of the business Gross Fixed Capital Formation (GFCF) in 2018 (table 1). This growth represents a downward revision of 3.2 percentage points (p.p.) comparing with the investment expectations obtained in the April 2018 survey (occurred between 1st April and 28th June 2018) and 1.8 p.p. when compared with the first estimate obtained in the October 2017 survey (3.7%).

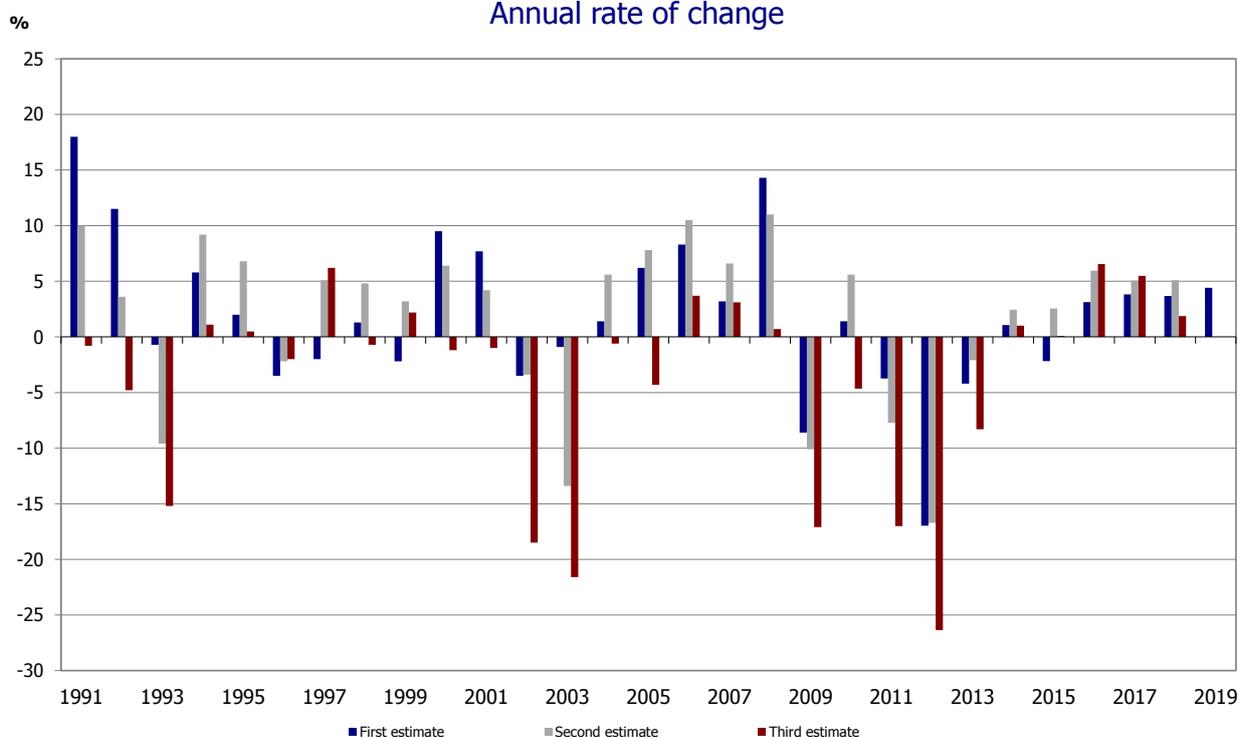
Considering the firms size by number of workers, the fourth group (employing 500 or more workers) presented the most intense positive contribution (3.6 p.p.) to the investment change rate in 2018, reflecting an increase of 9.9%, followed by the firms of the third group (employing between 250 and 499 workers) with a contribution of 0.6 p.p. (rate of change of 3.7%). The firms from the first and second groups (employing less than 50 workers and between 50 and 249 workers) registered negative contributions (-1.2 p.p. in both cases) to the investment growth in 2018, due to decreases of 4.0% and 5.8%, respectively.

For 2019, the results of the present survey point to an increase of the enterprises' investment by 4.4%. This growth reflects the positive contribution of the firms from the fourth group (6.9 p.p.), as a result of a 17.5% rate of change, and of the firms from the second group (1.8 p.p.), reflecting a 9.7% growth rate.

The acceleration of the business investment between 2018 (1.9%) and 2019 (4.4%), mainly reflects the evolution of the business investment from the fourth group, shifting from a contribution of 3.6 p.p. in 2018 to 6.9 p.p. in 2019 (growth rates of 9.9% and 17.5% in 2018 and 2019, respectively).

Graph 2

Evolution of business GFCF in nominal terms
Annual rate of change



The results obtained for a set of firms from the section of *Manufacturing* industries qualified as exporters (see technical note), designated in this analysis by "exporting firms", point to a 6.1% change rate of the investment in 2018. This

increase was more intense than the observed for the section (2.6%) and for the total (1.9%). For 2019, the exporting firms' investment is expected to present a decrease of 2.3%, which compares with the more significant decrease for the *Manufacturing* section (-6.6%) and the increase for total firms (4.4%).

In this survey, the diffusion indicator of investment (percentage of firms with investments or intending to invest) presented a downward evolution in the three years analysed. This indicator stood at 89.4%, 80.2% and 77.9%, for 2017, 2018 and 2019, respectively.

2. Results by section of economic activity (NACE-Rev.2)

In 2018, the increase of business GFCF (1.9%) was due to the positive contribution of eight of the thirteen surveyed sections of economic activity. *Financial and Insurance Activities* recorded the most significant positive contribution (2.1 p.p.), presenting a growth rate of 56.3%. *Information and Communication* and *Accommodation and Food Service Activities* registered the most intense negative contributions (-1.4 p.p. and -1.2 p.p., respectively), due to rates of change of -11.9% and -34.1%, in the same order.

Table 1

STRUCTURE, CHANGE AND DIFFUSION OF INVESTMENT								
NACE-Rev.2	STRUCTURE (a)			CHANGE (b)		DIFFUSION (c)		
	2017	2018	2019	2018	2019	2017	2018	2019
Mining and quarrying (Section B)	1.5	2.0	2.0	36.7	4.3	89.1	78.3	73.9
Manufacturing (Section C)	30.6	30.8	27.6	2.6	-6.6	92.9	84.6	82.8
<i>Of which: exporting firms</i>	-	-	-	6.1	-2.3	97.4	92.9	91.4
Electricity, gas, steam and air-conditioning supply (Section D)	5.8	5.9	5.9	3.6	3.6	93.3	86.7	86.7
Water supply; sewerage, waste management and remediation activities (Section E)	0.8	1.6	2.5	92.0	65.5	82.7	82.7	76.9
Construction (Section F)	2.6	2.6	2.5	-1.9	1.0	85.6	77.8	76.7
Wholesale and retail trade; repair of motor vehicles and motorcycles (Section G)	15.3	14.1	14.2	-6.0	5.2	90.8	78.4	75.2
Transportation and storage (Section H)	7.6	8.3	11.3	10.7	42.6	86.0	78.3	74.1
Accommodation and food service activities (Section I)	3.7	2.4	2.0	-34.1	-9.5	93.4	86.9	82.0
Information and communication (Section J)	11.6	10.0	9.2	-11.9	-4.7	85.5	79.0	74.6
Financial and insurance activities (Section K)	3.7	5.7	6.8	56.3	23.3	85.6	77.8	75.0
Real estate activities (Section L)	0.6	0.8	0.6	40.5	-25.2	80.5	64.0	59.8
Professional, scientific and technical activities (Section M)	2.6	2.3	3.3	-9.7	50.8	87.8	80.2	77.9
Administrative and support service activities (Section N)	13.4	13.5	12.2	2.0	-5.6	87.0	73.6	75.1
TOTAL	100	100	100	1.9	4.4	89.4	80.2	77.9

(a) Percentual investment distribution by NACE sections

(b) Year-on-year change rate, nominal (%)

(c) Percentage of firms with investments or expecting to invest

For 2019 (expected growth rate of 4.4%), the survey results point to positive change rates of the business GFCF in eight of the thirteen sections. The section with the most relevant positive contribution is *Transportation and Storage* (3.5 p.p. with a rate of change of 42.6%). On the other hand, *Manufacturing* registered the most significant negative contribution to the change rate of total investment in 2019 (-2.0 p.p., with a reduction of 6.6%).

The business GFCF acceleration between 2018 (1.9%) and 2019 (4.4%) is determined by the contribution of six sections, mainly *Transportation and Storage*, *Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles* and *Professional, Scientific and Technical Activities*, with contributions of 2.7 p.p., 1.6 p.p. and 1.4 p.p., respectively.

3. Results by subsection of the Manufacturing section

For 2018, the results from the current survey point to an increase of 2.6% of the investment in the *Manufacturing* section, with positive change rates in eight of the fourteen subsections (table 2). *Manufacture of Chemicals and Chemical Products; Manufacture of Basic Pharmaceutical Products and Pharmaceutical Preparations* and *Manufacture of Coke and Refined Petroleum Products* registered the most intense positive contributions to the investment growth for this section (3.2 p.p. and 2.4 p.p., respectively), increasing by 36.0% and 107.2% in 2018. In turn, *Manufacture of Paper and Paper Products; Printing and Reproduction of Recorded Media* recorded the most significant negative contribution (-1.9 p.p.) to the rate of change of this section's investment in 2018.

Comparing with the results from the previous survey, the business GFCG growth rate for the *Manufacturing* section was downward revised by 2.1 p.p. (growth rate of 4.7% in the previous survey).

Table 2

STRUCTURE AND CHANGE IN MANUFACTURING

NACE-Rev.2	STRUCTURE (a)			CHANGE (b)	
	2017	2018	2019	2018	2019
Manufacture of food products, beverages and tobacco products (10 11 12)	15.1	14.5	13.4	-2.0	-13.8
Manufactures of textiles, wearing apparel and leather and related products (13 14 15)	11.2	9.2	8.4	-15.3	-15.1
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials (16)	3.6	5.3	3.2	53.0	-43.4
Manufacture of paper and paper products; Printing and reproduction of recorded media (17 18)	7.5	5.5	5.7	-24.8	-2.5
Manufacture of coke and refined petroleum products (19)	2.2	4.5	8.9	107.2	84.5
Manufacture of chemicals and chemical products; Manufacture of basic pharmaceutical products and pharmaceutical preparations (20 21)	8.8	11.7	9.5	36.0	-24.0
Manufacture of rubber and plastic products (22)	5.1	5.9	6.6	18.9	4.0
Manufacture of other non-metallic mineral products (23)	5.5	4.0	4.9	-25.5	14.7
Manufacture of basic metals; Manufacture of fabricated metal products, except machinery and equipment (24 25)	11.7	9.9	11.0	-12.9	3.4
Manufacture of computer, electronic and optical products (26)	3.9	4.7	4.5	23.1	-10.1
Manufacture of electrical equipment (27)	2.2	2.3	3.3	6.6	34.2
Manufacture of machinery and equipment n.e.c. (28)	4.3	5.5	4.4	33.2	-25.2
Manufacture of motor vehicles, trailers and semi-trailers and other transport equipment (29 30)	15.6	13.6	13.2	-10.4	-9.5
Other manufacturing (31 32 33)	3.4	3.4	3.1	3.0	-15.5
MANUFACTURING (SECTION C)	100	100	100	2.6	-6.6
<i>Of which: exporting firms</i>				<i>6.1</i>	<i>-2.3</i>

(a) Percentual investment distribution by subsections of Manufacturing

(b) Year-on-year change rate, nominal (%)

For 2019, the estimated rate of change for the GFCF in the *Manufacturing* section is -6.6%, pointing to a decrease in investment in nine of the fourteen subsections. The most relevant contribution to this result is observed in the *Manufacture of Chemicals and Chemical Products; Manufacture of Basic Pharmaceutical Products and Pharmaceutical Preparations* (-2.8 p.p.), reflecting a rate of change of -24.0%.

Between 2018 and 2019, the results point to a pronounced decrease in the *Manufacturing* section investment, shifting from an increase of 2.6% to a reduction of 6.6%), mainly due to the *Manufacture of Chemicals and Chemical Products; Manufacture of Basic Pharmaceutical Products and Pharmaceutical Preparations* (-6.0 p.p.).

The results obtained for the exporting firms of the *Manufacturing* section point to a more intense increase in 2018 than for the total section (6.1% compared to 2.6%) and the total of inquired firms (1.9%). For 2019, the survey points to a decrease of 2.3% of the business investment for the exporting firms, less intense than the reduction expected for the *Manufacturing* section (-6.6%), while for the total firms is expected an increase by 4.4%.

4. Size of firms by number of workers

Considering all the surveyed sections and the firms' size by number of workers, the firms from the third and fourth groups contributed positively for the increase of investment in 2018 (1.9%), especially the latter, with a rate of change of 9.9% and a contribution of 3.6 p.p..

Table 3

STRUCTURE AND CHANGE BY SIZE OF FIRMS

SIZE OF FIRMS (number of workers)	STRUCTURE (a)			CHANGE (b)	
	2017	2018	2019	2018	2019
MANUFACTURING					
≤49	23.9	20.1	18.4	-13.7	-14.7
50-249	29.5	25.5	26.5	-11.5	-2.8
250-499	18.0	21.2	19.5	20.7	-14.2
≥500	28.6	33.2	35.6	19.2	0.3
TOTAL	100	100	100	2.6	-6.6
TOTAL ACTIVITIES					
≤49	28.5	26.8	22.1	-4.0	-13.7
50-249	19.7	18.2	19.2	-5.8	9.7
250-499	15.2	15.4	14.2	3.7	-3.6
≥500	36.6	39.5	44.4	9.9	17.5
TOTAL	100	100	100	1.9	4.4

(a) Percentual investment distribution by firms size

(b) Year-on-year change rate, nominal (%)

For 2019 the results point to an increase in investment in the firms from the third and fourth groups, with rates of change of 9.7% and 17.5% and contributions to the growth rate of total investment of 1.8 p.p. and 6.9 p.p., respectively. On the contrary, the firms from the first and third groups recorded negative contributions to the change rate of total investment of -3.7 p.p. and -0.6 p.p. (due to the rates of change of -13.7% and -3.6%, respectively).

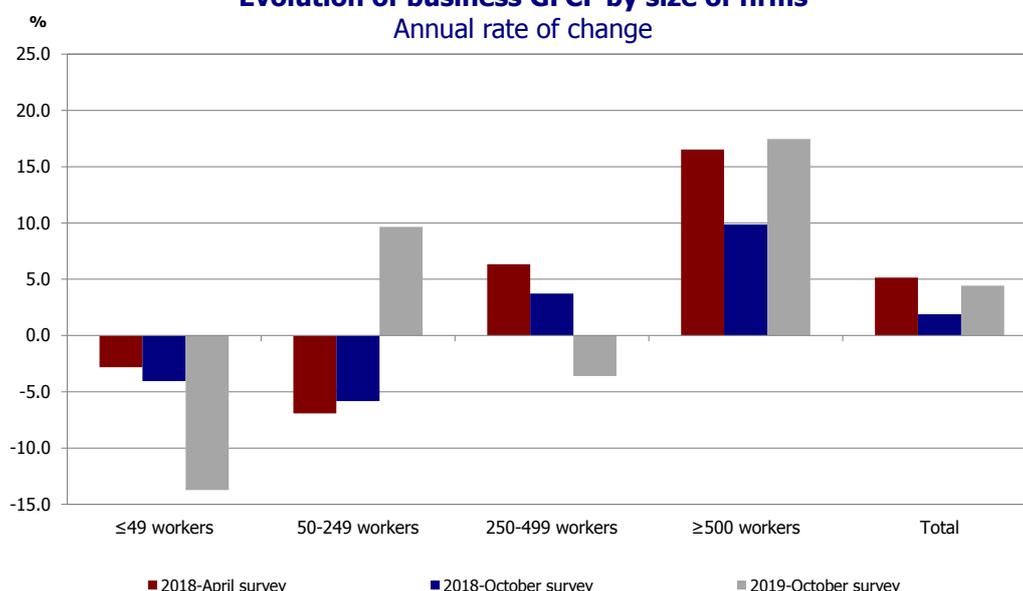
Concerning the *Manufacturing* section, in 2018, the firms from the third group registered the most intense increase in investment (20.7%), with a positive contribution of 3.7 p.p. to this section rate of change, while the firms of the fourth group presented the most significant positive contribution (5.5 p.p.).

According with the results obtained in the current survey, the decrease in investment in 2019 for the *Manufacturing* section is determined by the firms of the first three groups (change rates of -14.7%, -2.8% and -14.2% with contributions of -2.9 p.p., -0.7 p.p. and -3.0 p.p., respectively). The investment of the firms of the fourth group presented a slight increase (0.3% with a 0.1 p.p. contribution).

The marked decrease of investment in the *Manufacturing* section between 2018 (2.6%) and 2019 (-6.6%), was driven by the results of the firms of the third and fourth groups.

Graph 3

Evolution of business GFCF by size of firms
Annual rate of change



As can be seen in graph 3, the downward revision of business GFCF growth between the present survey (growth rate of 1.9%) and the April 2018 survey (5.1%), was mainly determined by the firms from the fourth group. This revision may be associated with the postponement of investment intentions for 2019. It is important to underline that larger firms present the most significant increase in their investment intentions for 2019. It should be noted that the previous surveyed period occurred between 1st April and 28th June 2018.

5. Investment by type of asset

The business GFCF growth (1.9%) obtained for 2018 resulted from the positive contributions of others investments (2.5 p.p.), investment in equipment (0.4 p.p.) and in constructions (0.2 p.p.), while the investment in transport material registered a negative contribution (-1.2 p.p.) (table 4).

For 2019, the investment in transport material registers the most significant positive contribution (2.4 p.p.) to the rate of change of total investment (4.4%), followed by constructions and others investments (2.0 p.p. and 1.8 p.p., respectively), while investment in equipment is expected to contribute negatively (-1.7 p.p.).

Table 4

INVESTMENT BY TYPE OF ASSET

YEAR	STRUCTURE (a)				CHANGE (b)			
	CONSTRUCTIONS	EQUIPMENT	TRANSPORT MATERIAL	OTHERS	CONSTRUCTIONS	EQUIPMENT	TRANSPORT MATERIAL	OTHERS
2017	16.7	57.6	13.0	12.8				
2018	16.5	56.9	11.6	15.0	1.1	0.7	-9.3	19.5
2019	17.7	52.9	13.4	16.0	11.9	-3.0	20.8	11.7

(a) Percentual investment distribution by type of assets.

(b) Year-on-year change rate, nominal (%)

6. Investment objectives

In 2018 and 2019, for the total of the surveyed sections, the replacement investment objective stood out as the main objective of investment (with a weight of 38.7% for the average of the two years), followed by extension of production capacity (36.9%) (table 5). The objectives related to other investments and streamline production represented respectively 14.7% and 9.7% of total business investment in the average of the two years.

The relative weight of the extension of production capacity investment and the replacement investment is expected to diminish between 2018 and 2019 (-2.6 p.p. and -2.0 p.p. respectively), while the relative importance of other investment and the streamline production objectives is predicted to increase (3.0 p.p. and 1.6 p.p. in the same order).

In the specific case of the *Manufacturing* section, considering the average weight of the two years, 51.0% of the investment will have the objective of extension production capacity and 26.8% of replacement. From 2018 to 2019, the importance of streamline production investment and other investment objectives should increase (4.0 p.p. and 0.9 p.p. respectively), while the relative weight of replacement and the extension of production capacity objectives may diminish (-2.9 p.p. and -1.8 p.p., respectively).

Regarding the exporting firms, the extension of the production capacity is also the main objective of investment for 2018 and 2019 (weighting 51.3% in the average of the two years), followed by the replacement investment (27.1%). Comparing to the *Manufacturing* section, the replacement and extension of the production capacity investments present a higher weight among the exporting firms (0.3 p.p.) and the streamline production a lower weight (-0.3 p.p.). Between 2018 and 2019, the weight of the extension of the production capacity investment is expected to increase among the exporting firms (0.3 p.p.), which contrasts with a 1.8 p.p. decrease for the total of the *Manufacturing* section.

Table 5

INVESTMENT OBJECTIVES (a)					
NACE-Rev.2	YEAR	REPLACEMENT	EXTENSION OF PRODUCTION CAPACITY	TO STREAMLINE PRODUCTION	OTHER INVESTMENT OBJECTIVES
TOTAL	2018	39.7	38.2	8.9	13.2
	2019	37.7	35.6	10.5	16.2
Manufacturing	2018	28.3	51.9	12.9	6.8
	2019	25.4	50.1	16.9	7.7
<i>Of which: exporting firms</i>	2018	29.8	51.1	12.8	6.3
	2019	24.4	51.4	16.5	7.7

(a) Percentual investment distribution by investment objectives

7. Investment funding

Self-funding is the main source of funding for the surveyed firms, weighting 67.1% and 65.6% of the total in 2018 and 2019, respectively (table 6). For the average of the two years, this source of funding is particularly relevant in the *Information and Communication* (94.2%), the *Mining and Quarrying* (88.4%) and the *Electricity, Gas, Steam and Air Conditioning Supply* (87.7%) sections. Self-funding is less important in the *Administrative and Support Service Activities* section (33.0%).

When analysing the evolution of the funding structure between 2018 and 2019, the weight of self-funding decreases in seven of the thirteen sections, more intensely in the cases of the *Transportation and Storage* (-11.4 p.p.), the *Professional, Scientific and Technical Activities* (-7.4 p.p.) and the *Water Supply; Sewerage, Waste Management and Remediation Activities* (-5.0 p.p.) sections. On the contrary, the sections of *Electricity, Gas, Steam and Air Conditioning*

Supply (6.8 p.p.) and of *Mining and Quarrying* (6.6 p.p.) presented the most significant increases of the weight of self-funding between the two years.

The weight of other investment funding and bank loans is predicted to increase between 2018 and 2019 (1.1 p.p. and 0.5 p.p., respectively). Bank loans continue to be the second main source of funding (21.7% in the average of the two years). Note that in the *Transportation and Storage and the Construction* sections this source represents, on average, 43.3% and 34.0% of the total, respectively. From 2018 to 2019, the importance of this funding source increased in five of the thirteen sections, mainly in the sections of *Professional, Scientific and Technical Activities* (9.6 p.p.) and *Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles* (3.6 p.p.). The sections of *Construction* (-11.4 p.p.), *Mining and Quarrying* (-5.9 p.p.), and *Administrative and Support Service Activities* (-5.4 p.p.) presented the most pronounced decreases in the weight of this funding source between the two referred years.

Similarly to the total of the inquired activities and to the *Manufacturing* section, the exporting firms also indicate self-funding as the main source of funding, weighting 70.3% and 64.0% of the total in 2018 and 2019, respectively. Between the two years, the weight of this source diminished in both the exporting firms (-6.3 p.p.) and in the *Manufacturing* section (-1.8 p.p.). Bank loans are the second source of funding among the exporting firms, weighting 26.6% in the average of the two years (comparing with 27.4% for the *Manufacturing* section and 21.7% for the total of the surveyed activities).

Table 6

INVESTMENT FUNDING							
NACE-Rev.2	YEAR	INVESTMENT FUNDING (a)					
		SELF-FUNDING	BANK LOANS	SHARE AND BOND ISSUING	GOVERNMENT LOANS AND GRANTS	EU FUNDS	OTHER
Mining and quarrying (Section B)	2018	85.1	14.2	0.0	0.0	0.6	0.0
	2019	91.7	8.3	0.0	0.0	0.0	0.0
Manufacturing (Section C)	2018	66.1	26.6	0.1	1.2	3.9	2.1
	2019	64.3	28.3	0.1	0.9	4.6	1.8
<i>Of which: exporting firms</i>	2018	70.3	23.6	0.1	0.7	3.2	2.1
	2019	64.0	29.5	0.2	0.9	3.9	1.4
Electricity, gas, steam and air conditioning supply (Section D)	2018	84.3	7.1	0.0	0.0	3.4	5.1
	2019	91.1	2.3	0.0	0.0	1.3	5.2
Water supply; sewerage, waste management and remediation activities (Section E)	2018	61.9	20.7	0.0	0.0	17.3	0.0
	2019	56.9	17.5	0.0	0.0	24.7	1.0
Construction (Section F)	2018	58.3	39.7	0.0	0.1	0.1	1.8
	2019	62.7	28.3	0.0	0.0	0.1	8.7
Wholesale and retail trade; repair of motor vehicles and motorcycles (Section G)	2018	75.9	22.3	0.0	0.0	0.3	1.5
	2019	73.3	25.9	0.0	0.0	0.1	0.7
Transportation and storage (Section H)	2018	45.9	42.2	0.0	4.2	3.3	4.4
	2019	34.5	44.4	0.0	2.9	4.5	13.6
Accommodation and food service activities (Section I)	2018	81.0	15.4	0.0	0.0	0.1	3.5
	2019	78.1	18.8	0.0	0.5	1.3	1.3
Information and communication (Section J)	2018	93.3	3.9	0.0	0.1	2.2	0.5
	2019	95.0	3.4	0.0	0.1	0.9	0.5
Financial and insurance activities (Section K)	2018	84.3	7.3	0.0	0.0	0.0	8.3
	2019	89.7	6.3	0.0	0.0	0.0	3.9
Real estate activities (Section L)	2018	79.1	6.2	7.0	0.0	1.6	6.1
	2019	77.6	4.1	9.3	0.0	0.6	8.4
Professional, scientific and technical activities (Section M)	2018	80.1	14.9	0.3	0.5	2.8	1.5
	2019	72.7	24.5	0.0	0.2	1.7	0.9
Administrative and support service activities (Section N)	2018	32.7	22.2	10.8	0.1	0.0	34.2
	2019	33.4	16.8	9.3	0.0	0.0	40.5
TOTAL	2018	67.1	21.4	1.5	0.8	2.3	6.9
	2019	65.6	21.9	1.2	0.6	2.6	8.0

(a) Percentual investment distribution by investment funding

8. Investment limitations

Between 2018 and 2019, for the total of the inquired activities, the percentage of firms with investment limitations increased slightly (33.4% and 33.8% in 2018 and 2019, respectively), led by six of the thirteen surveyed sections (three sections stabilized and four sections registered a decrease). Considering the average of the two years, three of the thirteen sections presented limitations of investment in more than 50% of the firms, namely in *Water Supply; Sewerage, Waste Management and Remediation Activities* (67.1%), *Mining and Quarrying* (54.9%) and *Information and Communication* (54.5%) (table 7). The *Electricity, Gas, Steam and Air Conditioning Supply* section presented the lowest percentage (21.2%).

In the *Manufacturing* section, the percentage of firms with investment limitations shifted from 36.0% in 2018 to 35.9% in 2019, with higher percentages in the case of the exporting firms (38.1% and 39.3% in 2018 and 2019, respectively).

Table 7

INVESTMENT LIMITATIONS (a)		
NACE-Rev.2	2018	2019
Mining and quarrying (Section B)	55.1	54.6
Manufacturing (Section C)	36.0	35.9
<i>Of which: exporting firms</i>	<i>38.1</i>	<i>39.3</i>
Electricity, gas, steam and air conditioning supply (Section D)	21.2	21.2
Water supply; sewerage, waste management and remediation activities (Section E)	66.5	67.6
Construction (Section F)	36.8	37.3
Wholesale and retail trade; repair of motor vehicles and motorcycles (Section G)	30.8	31.3
Transportation and storage (Section H)	36.2	36.2
Accommodation and food service activities (Section I)	24.2	25.0
Information and communication (Section J)	51.1	57.9
Financial and insurance activities (Section K)	27.4	26.7
Real estate activities (Section L)	27.0	27.7
Professional, scientific and technical activities (Section M)	32.7	32.1
Administrative and support service activities (Section N)	33.2	33.2
TOTAL	33.4	33.8

(a) Percentage of enterprises with investment limitations

The deterioration of the sales perspectives remained as the most mentioned main limiting factor (29.0% and 30.8% in 2018 and 2019, respectively), followed, in 2018, by the uncertainty of investment profitability (19.8%) and, in 2019, by the uncertainty on self-funding capacity (20.3%) (table 8).

From 2018 to 2019, there was an increase of the lack of self-funding capacity weight (1.9 p.p.), as opposed to the decrease in the weight of the difficulty in obtaining bank loans (-1.5 p.p.).

Table 8

MAIN FACTOR LIMITING INVESTMENT IN 2019 (a)

NACE-Rev.2	INSUFFICIENT PRODUCTION CAPACITY	DETERIORATION OF THE SALES PERSPECTIVES	SHORTAGE OF QUALIFIED LABOUR FORCE	INTEREST RATE LEVEL	UNCERTAINTY ABOUT THE INVESTMENT PROFITABILITY	SELF-FUNDING CAPACITY	DIFICULTY OBTAINING BANK LOANS	CAPITAL MARKETS	OTHER
Mining and quarrying (Section B)	14.7	23.8	7.7	0.7	14.7	9.6	14.7	0.0	14.0
Manufacturing (Section C)	7.0	22.1	9.1	0.3	22.8	25.7	7.4	0.1	5.5
<i>Of which: exporting firms</i>	6.5	33.7	8.5	0.5	18.3	17.5	9.2	0.3	5.4
Electricity, gas, steam and air conditioning supply (Section D)	0.0	0.0	0.0	0.0	2.5	87.7	0.0	0.0	9.9
Water supply; sewerage, waste management and remediation activities (Section E)	0.0	28.0	13.0	1.5	20.2	6.9	10.1	0.0	20.2
Construction (Section F)	4.9	35.9	15.7	0.2	14.8	19.7	4.5	0.0	4.2
Wholesale and retail trade; repair of motor vehicles and motorcycles (Section G)	0.0	37.3	2.2	0.5	19.6	16.1	7.4	1.4	15.5
Transportation and storage (Section H)	9.1	48.6	9.5	0.0	16.8	4.9	0.2	0.0	10.9
Accommodation and food service activities (Section I)	2.4	6.7	1.4	0.5	36.0	36.8	13.8	0.1	2.3
Information and communication (Section J)	1.6	16.3	20.7	0.4	2.4	21.9	9.4	0.0	27.5
Financial and insurance activities (Section K)	3.4	33.7	0.0	7.1	10.3	15.0	1.8	2.0	26.8
Real estate activities (Section L)	2.3	29.9	4.6	0.0	9.2	28.7	4.6	2.3	18.4
Professional, scientific and technical activities (Section M)	1.1	41.0	0.0	4.4	17.4	18.8	3.7	0.0	13.7
Administrative and support service activities (Section N)	3.2	34.0	13.5	8.0	10.2	14.0	13.1	0.0	3.9
TOTAL	3.3	30.8	6.5	0.9	19.9	20.3	7.3	0.6	10.5

(a) Percentage of enterprises that chooses each limiting factor, from all the enterprises with investment limitations

Considering the exporting firms, the main factor limiting investment more frequently indicated was the deterioration of the sales perspectives (27.4% and 33.7%, in 2018 and 2019, respectively), followed by the uncertainty about the investments profitability (20% and 18.3%, respectively). For the average of the two years and comparing to the *Manufacturing* section, the deterioration of the sales perspectives, the ability to obtain bank loans and the insufficient production capacity are more relevant to exporting firms. In the opposite direction, the lack of self-funding capacity is less relevant.

Between 2018 and 2019, the weight of deterioration of the sales perspectives increased 6.3 p.p. (3.0 p.p. in the *Manufacturing* section) and the weight of insufficient production capacity diminished 4.6 p.p. (having stabilized in the *Manufacturing* section).

9. Investment and job creation

Concerning the creation of jobs related to investment, most of the inquired sections presented positive balances. Considering the average for the two analysed years, the highest balances were observed in the sections of *Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles*, of *Water Supply; Sewerage, Waste Management and Remediation Activities* and of *Transportation and Storage* (table 9). On the contrary, the sections of *Financial and Insurance Activities* and *Electricity, Gas, Steam and Air Conditioning Supply* presented negative balances.

From 2018 to 2019, this balance should increase slightly for the total of the inquired activities, driven by eight of the thirteen sections. The *Information and Communication* section registers the most significant growth, while the *Administrative and Support Service Activities* section records the most pronounced decrease.

For the exporting firms, the average of this balance was positive and higher than in the *Manufacturing* section and the total of inquired activities, decreasing between 2018 and 2019 (similar to the decrease in the *Manufacturing* section and in contrast with the increase for the total of inquired activities).

Table 9

INVESTMENT AND JOB CREATION (a)					
NACE-Rev.2	YEAR	INCREASE	REMAIN UNCHANGED	DECREASE	BALANCES
Mining and quarrying (Section B)	2018	17.3	78.9	3.8	13.5
	2019	22.0	78.0	0.0	22.0
Manufacturing (Section C)	2018	20.5	75.8	3.6	16.9
	2019	19.9	75.8	4.4	15.5
<i>Of which: exporting firms</i>	2018	28.0	69.1	2.9	25.1
	2019	25.3	70.6	4.1	21.2
Electricity, gas, steam and air conditioning supply (Section D)	2018	4.4	81.3	14.3	-9.9
	2019	5.1	80.6	14.3	-9.2
Water supply; sewerage, waste management and remediation activities (Section E)	2018	21.9	75.5	2.6	19.4
	2019	27.8	69.6	2.6	25.2
Construction (Section F)	2018	14.1	82.0	3.9	10.2
	2019	13.6	82.0	4.4	9.2
Wholesale and retail trade; repair of motor vehicles and motorcycles (Section G)	2018	27.0	69.2	3.8	23.2
	2019	29.2	67.3	3.5	25.7
Transportation and storage (Section H)	2018	21.5	75.1	3.4	18.1
	2019	21.1	77.4	1.5	19.6
Accommodation and food service activities (Section I)	2018	17.2	81.4	1.4	15.8
	2019	21.2	78.2	0.6	20.6
Information and communication (Section J)	2018	26.9	54.2	18.9	8.0
	2019	29.2	66.4	4.5	24.7
Financial and insurance activities (Section K)	2018	6.9	44.3	48.8	-41.9
	2019	6.1	43.4	50.6	-44.5
Real estate activities (Section L)	2018	9.9	85.6	4.5	5.4
	2019	8.2	87.5	4.3	3.9
Professional, scientific and technical activities (Section M)	2018	14.9	82.9	2.3	12.6
	2019	20.9	76.5	2.6	18.2
Administrative and support service activities (Section N)	2018	20.4	76.8	2.8	17.5
	2019	15.9	78.1	6.0	9.9
TOTAL	2018	20.6	73.7	5.7	14.8
	2019	20.8	73.4	5.8	15.1

(a) Opinions/expectations from the entrepreneurs of the impact of investment on the change on the number of employees (percentage of enterprises in each result)

Technical note:

The Investment Survey was based on a sample of 3.731 firms with more than 4 workers, classified in divisions 05-82 of NACE-Rev.2 and with a yearly turnover of, at least, €125,000. The firms with 250 or more workers were exhaustively surveyed.

The survey was conducted between the 1st October 2018 and the 17th January 2019 and the overall response rate was 92.1%.

Considering the number of workers as the stratification/extrapolation variable, these firms represent 95.4% of the sample.

For the selection of the exporting firms, the following criteria were applied to the frame and sample of the Investment Survey:

1. Based on the information provided by the Simplified Corporate Information, it was considered the firms that comply, from 2015 to 2017, the following conditions:

- a. At least 50% of the total volume of export from business, or;
- b. More than 10% of turnover from exports and with an amount of exports of more than €150,000.

(Note: firms with no information for 2017, it was considered information for 2016)

2. Firms that comply in 2016 and 2017 at least one of the above criteria and with a growing export profile.

3. Firms without information from the Simplified Corporate Information in at least two of the three years analysed and which have a turnover of exports of at least €150,000, considering statistical information from the International Trade Statistics.

Applying these criteria, the frame has 7.083 firms (in total 43.926 firms) and a sample of 889 companies (in a total of 3.731 firms). Taking into account the distribution of firms by the NACE divisions and for the sake of consistency of the results, it was decided to publish results for firms belonging to the section C (Manufacturing). This set represents 3.718 firms for the frame and 569 firms for the sample. The computation of the results is the same as described in the methodological document.

Next report will be released on July 2019.

The methodological document for this survey (code 54) is available at:

<http://smi.ine.pt/?LANG=EN>