

Investment Survey

October 2017

Business investment expected to increase by 3.7% in nominal terms in 2018

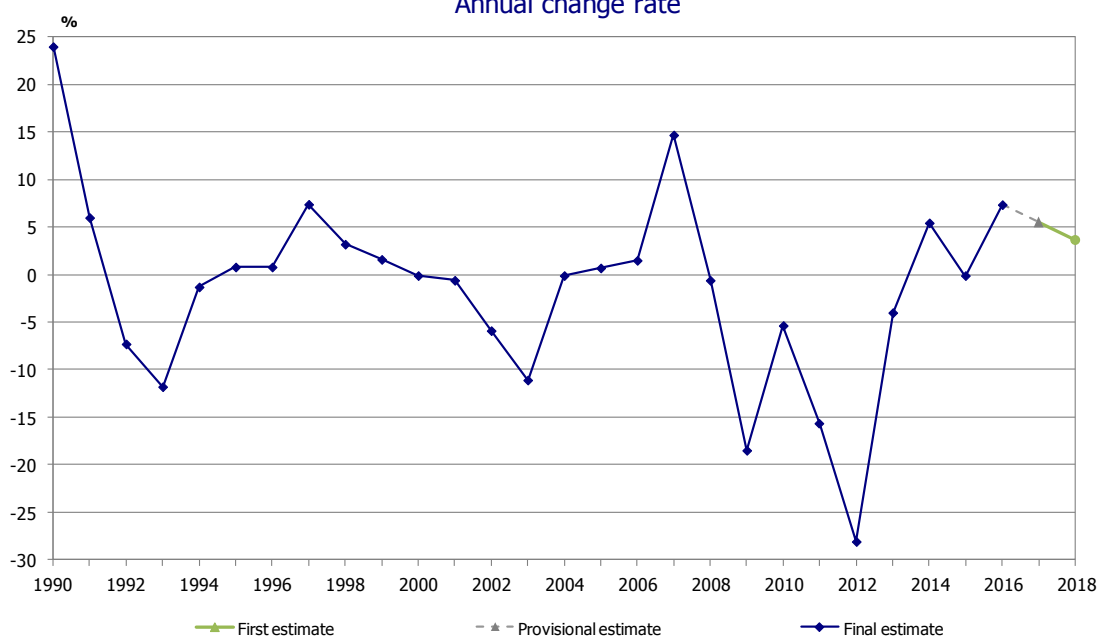
According with the opinions expressed in the October 2017 Investment Survey (with an inquiring period between the 1st October 2017 and the 17th January 2018) the entrepreneurial investment is expected to present a nominal increase of 3.7% in 2018. This survey also points to an increase of 5.5% in 2017, which represents a slight upward revision comparing with the perspectives revealed in the previous survey (change rate of 5.1%) and a more significant revision comparing with the first estimate for 2017 obtained in the October 2016 survey (3.8%).

Among the investment objectives, between 2017 and 2018, the relative weight of the extension of the production capacity investment is expected to increase, while the relative weights of replacement investment and the investment for other purposes are expected to decrease and the streamline production investment relative importance is expected to remain unchanged. The replacement investment will continue to stand as the most mentioned investment objective, despite the decrease of its relative weight between 2017 and 2018.

Regarding the main limitative factor for business investment identified in the survey, the deterioration of the sales perspectives was the most mentioned in both years, followed, in 2017, by the uncertainty about the investment profitability and, in 2018, by the lack of self-funding capacity. Between 2017 and 2018 the relative weight of the lack of self-funding capacity is expected to increase while the relative importance of the difficulty in obtaining bank loans will decrease.

Graph 1¹

Evolution of business GFCF in value
Annual change rate



¹ The percentage corresponds to the last available estimate for each year. For 2018, the change rate corresponds to the entrepreneurial perspectives.

1. Main results

The results from the October 2017 Investment Survey (with an inquiring period between the 1st October 2017 and the 17th January 2018) point to a 5.5% nominal increase of the entrepreneurial Gross Fixed Capital Formation in 2017 (table 1). Comparing with the investment expectations obtained in the April 2017 survey (occurred between the 1st April and the 28th June 2017) there was a slight upward revision of the entrepreneurial investment change rate for 2017 of 0.4 percentage points (p.p.). The revision of the entrepreneurial investment change rate for 2017 was more significant when comparing with the first estimate obtained in the October 2016 survey (3.8%).

Considering the firms size by number of workers, the fourth group (employing 500 or more workers) presented the higher contribution (2.6 p.p.) to the investment change rate in 2017, increasing 6.7%, followed by the firms in the second (employing between 50 and 249 workers) and third groups (employing between 250 and 499 workers), with a contribution of 1.2 p.p. in both cases (and increases of 5.9% and 7.5%, respectively). Finally, the firms of the first group (employing less than 50 workers) registered a smaller positive contribution (0.4 p.p.), due to an increase of 1.8% of the investment.

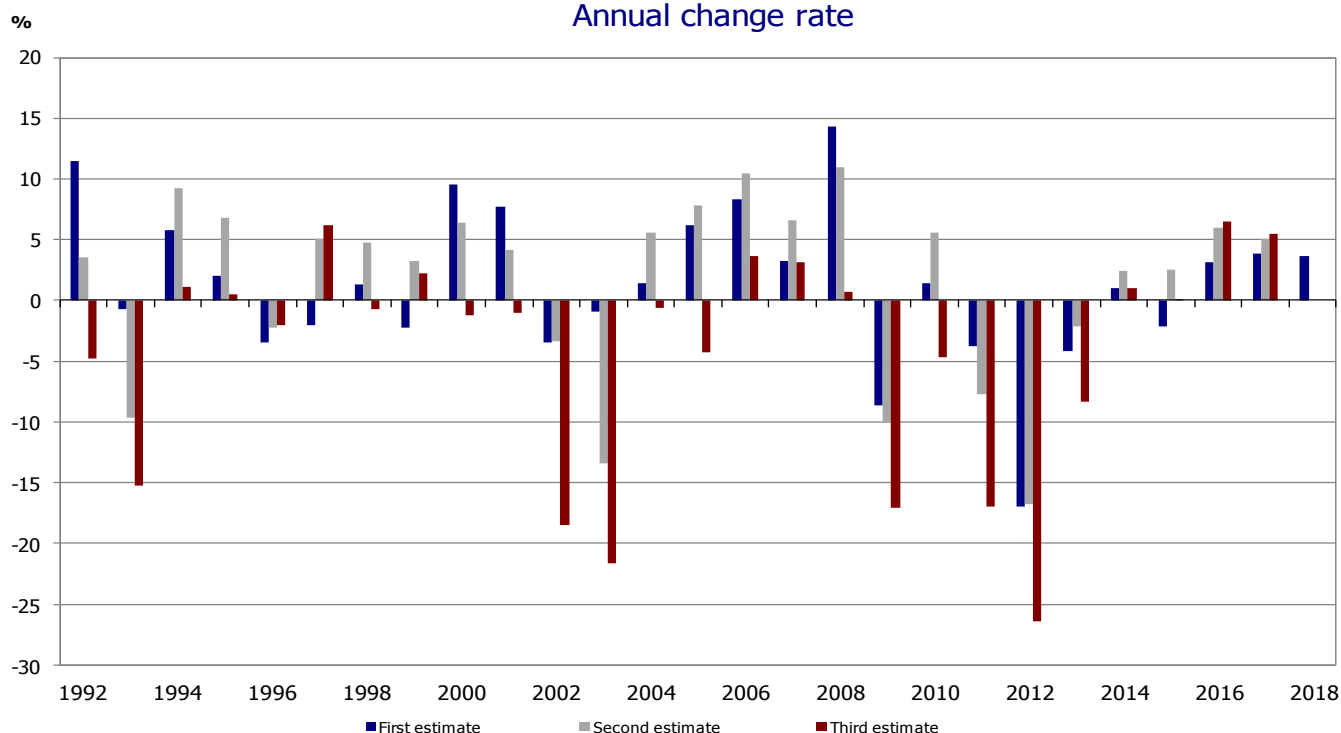
For 2018, the current survey points to a nominal change rate of the enterprises' investment of 3.7%.

The increase of the investment in 2018 reflects the positive contribution of the firms of the fourth group (5.3 p.p.), due to a change rate of 13.4%. The firms from the remaining groups contributed negatively for the investment in 2018.

The deceleration of the business investment between 2017 (5.5%) and 2018 (3.7%) (difference of 1.8 p.p.) reflects especially the contribution of the investment in firms of the third group (from 1.2 p.p. in 2017 to -0.7 p.p. in 2018), which is expected to shift from a change rate of 7.5% in 2017 to -4.5% in 2018.

Graph 2

Evolution of business GFCF in value Annual change rate



The results obtained for the exporting firms from the *Manufacturing* section, point to a 8.8% change rate of the investment in 2017. This increase was more intense than the observed for the section (8.7%) and for all firms (5.5%). For 2018, the exporting firms' investment is expected to present a slight decrease of -0.1%, in contrast with the increases for the *Manufacturing* section (0.2%) and for total firms (3.7%).

In this survey, the diffusion indicator of investment (percentage of firms with investments or intending to invest) maintained the downward evolution in the three years analyzed. This indicator stood at 88.5%, 80.2% and 77.2%, for 2016, 2017 and 2018, respectively.

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

In 2017, the increase of business GFCF (5.5%) was due to the positive contribution of seven of the thirteen surveyed sections of economic activity. *Manufacturing* and *Administrative and support service activities* sections recorded the most significant positive contributions (2.5 p.p. in the former case and 1.9 p.p. in the later), presenting growth rates of 8.7% and 15.1%, respectively. The *Electricity, gas, steam and air-conditioning supply* section registered the most intense negative contribution (-0.8 p.p. due to an 8.8% decrease in 2017).

Table 1

STRUCTURE, CHANGE AND DIFFUSION OF INVESTMENT

NACE-Rev.2	STRUCTURE (a)			CHANGE (b)		DIFFUSION (c)		
	2016	2017	2018	2017	2018	2016	2017	2018
Mining and quarrying (Section B)	1.0	1.4	1.2	48.2	-11.7	91.1	86.7	77.8
Manufacturing (Section C)	28.5	29.3	28.3	8.7	0.2	91.4	85.0	82.5
<i>Of which: exporting firms</i>	-	-	-	8.8	-0.1	96.9	93.0	91.5
Electricity, gas, steam and air-conditioning supply (Section D)	8.7	7.5	6.5	-8.8	-10.5	80.0	86.7	80.0
Water supply; sewerage, waste management and remediation activities (Section E)	1.1	1.5	2.5	50.3	71.3	88.9	81.5	75.9
Construction (Section F)	2.8	2.3	2.4	-10.7	8.4	82.6	77.4	73.7
Wholesale and retail trade; repair of motor vehicles and motorcycles (Section G)	14.2	14.0	13.6	4.2	0.7	90.5	77.8	76.0
Transportation and storage (Section H)	6.4	6.9	7.6	14.7	13.4	87.1	83.7	74.8
Accommodation and food service activities (Section I)	3.9	3.5	2.5	-6.1	-25.0	93.2	83.1	80.8
Information and communication (Section J)	12.1	11.5	12.0	0.4	8.2	92.8	80.4	78.3
Financial and insurance activities (Section K)	6.5	6.0	7.4	-2.3	27.2	87.2	75.4	73.7
Real estate activities (Section L)	0.4	0.5	0.5	24.4	6.0	76.5	62.7	56.0
Professional, scientific and technical activities (Section M)	2.2	2.0	1.8	-3.4	-7.2	84.3	78.0	76.0
Administrative and support service activities (Section N)	12.3	13.4	13.6	15.1	4.8	87.1	76.3	73.4
TOTAL	100	100	100	5.5	3.7	88.5	80.2	77.2

(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 2018 (expected growth rate of 3.7%), the survey results point to positive change rates of the business GFCF in nine of the thirteen sections. The sections with the most relevant positive contributions are *Financial and insurance activities* (1.6 p.p. with a change rate of 27.2%) and *Water supply, sewerage, waste management and remediation activities* (1.1 p.p. with a change rate of 71.3%). On the other hand, the *Accommodation and food service activities* and the *Electricity, gas, steam and air-conditioning supply* sections registered the most significant negative contributions to the change rate of total investment in 2018 (-0.9 p.p. and -0.8 p.p. with reductions of -25.0% and -10.5%, respectively).

The business GFCF deceleration between 2017 (5.5%) and 2018 (3.7%) is determined by the contribution of seven sections, mainly the *Manufacturing* and *Administrative and support service activities*, with contributions of -2.4 p.p., -1.2 p.p., respectively.

3. Results by subsection of the Manufacturing section

For 2017, the results from the current survey point to an increase of 8.7% of the investment in the *Manufacturing* section, with positive change rates in ten of the fourteen subsections (table 2). The *Manufacture of motor vehicles, trailers and semi-trailers and other transport equipment* and the *Manufacture of chemicals and chemical products; Manufacture of basic pharmaceutical products and pharmaceutical preparations* registered the most intense positive contributions to the investment change rate for this section (6.0 p.p. and 1.9 p.p., respectively), increasing by 44.8% and 24.9% in 2017. On the other hand, *Manufacture of paper and paper products; Printing and reproduction of recorded media* recorded the most significant decrease in investment (-28.4%) and the most relevant negative contribution (-1.7 p.p.) to the change rate of this section's investment in 2017 in 2017.

Comparing with the results from the previous survey, the business GFCG growth rate for the *Manufacturing* section was slightly revised downwards by 0.4 p.p. in 2017 (9.1% change rate in the previous survey).

Table 2

STRUCTURE AND CHANGE IN MANUFACTURING

NACE-Rev.2	STRUCTURE (a)			CHANGE (b)	
	2016	2017	2018	2017	2018
Manufacture of food products, beverages and tobacco products (10 11 12)	15.2	14.7	12.8	5.1	-12.5
Manufactures of textiles, wearing apparel and leather and related products (13 14 15)	11.0	10.7	9.4	5.5	-11.8
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials (16)	2.4	2.5	2.7	12.0	7.6
Manufacture of paper and paper products; Printing and reproduction of recorded media (17 18)	6.1	4.0	4.0	-28.4	1.2
Manufacture of coke and refined petroleum products (19)	3.8	4.0	10.1	14.5	155.1
Manufacture of chemicals and chemical products; Manufacture of basic pharmaceutical products and pharmaceutical preparations (20 21)	7.6	8.7	8.2	24.9	-5.9
Manufacture of rubber and plastic products (22)	6.4	5.9	6.5	0.7	10.6
Manufacture of other non-metallic mineral products (23)	5.3	5.4	3.3	11.9	-38.1
Manufacture of basic metals; Manufacture of fabricated metal products, except machinery and equipment (24 25)	12.1	11.2	11.7	0.3	4.5
Manufacture of computer, electronic and optical products (26)	4.7	4.0	4.8	-6.6	20.4
Manufacture of electrical equipment (27)	3.0	2.7	2.2	-3.2	-17.0
Manufacture of machinery and equipment n.e.c. (28)	4.2	4.7	7.3	21.5	57.7
Manufacture of motor vehicles, trailers and semi-trailers and other transport equipment (29 30)	13.4	17.9	13.8	44.8	-22.7
Other manufacturing (31 32 33)	4.9	3.7	3.0	-18.3	-17.8
MANUFACTURING (SECTION C)	100	100	100	8.7	0.2
<i>Of which: exporting firms</i>				<i>8.8</i>	<i>-0.1</i>

(a) Percentual investment distribution by subsections of Manufacturing

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

For 2018, the estimated growth rate for the GFCF in the *Manufacturing* section is 0.2%, pointing to an increase in investment in seven of the fourteen subsections. The most relevant contribution to this result is observed in the *Manufacture of coke and refined petroleum products* (6.2 p.p.), reflecting a growth rate of 155.1% in 2018.

Between 2017 and 2018, the results point to a pronounced deceleration in the *Manufacturing* section investment (-8.5 p.p.), which is mostly due to the *Manufacture of motor vehicles, trailers and semi-trailers and other transport equipment* (-10.1 p.p.).

The results obtained for the exporting firms of the *Manufacturing* section point to a slightly more intense increase in 2017 than for the total section (8.8% compared to 8.7%) and the total of inquired sections (5.5%). For 2018, the

survey points to a slight decrease of 0.1% of the business investment for the exporting firms, in contrast with the increases for the *Manufacturing* section (0.2%) and for total firms (3.7%).

4. Size of firms by number of workers

Considering all the inquired sections and the firms' size by number of workers, the companies of all groups contributed positively to the increase of investment in 2017 (5.5%), notably the fourth group with an increase of 6.7% (contribution of 2.6 p.p.).

Table 3

STRUCTURE AND CHANGE BY SIZE OF FIRMS					
SIZE OF FIRMS (number of workers)	STRUCTURE (a)			CHANGE (b)	
	2016	2017	2018	2017	2018
MANUFACTURING					
1 st (≤49)	20.3	18.9	18.7	1.7	-1.3
2 nd (50-249)	30.0	25.9	23.2	-6.2	-10.3
3 rd (250-499)	18.7	19.8	20.5	15.5	3.8
4 th (≥500)	31.1	35.3	37.6	23.5	6.7
TOTAL	100	100	100	8.7	0.2
TOTAL ACTIVITIES					
1 st (≤49)	23.9	23.1	22.1	1.8	-0.8
2 nd (50-249)	20.4	20.5	19.1	5.9	-3.5
3 rd (250-499)	16.2	16.6	15.3	7.5	-4.5
4 th (≥500)	39.5	39.9	43.6	6.7	13.4
TOTAL	100	100	100	5.5	3.7

(a) Percentual investment distribution by firms size

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

For 2018 the results point to an increase in investment only in the firms of the fourth group, with a change rate of 13.4% and a contribution to the change rate of total investment of 5.3 p.p.. On the contrary, the firms from the third, second and the first groups recorded negative contributions to the change rate of total investment of 0.7 p.p. in the first two cases and 0.2 p.p. in the latter (due to change rates of -4.5%, -3.5% e -0.8%, respectively).

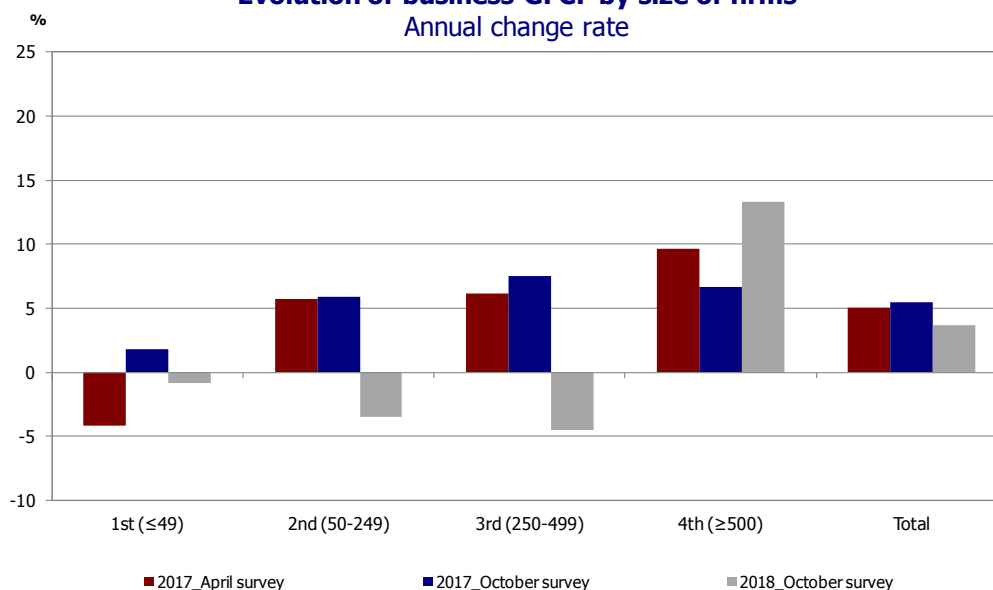
The less intense growth of the business investment between 2017 (5.5%) and 2018 (3.7%) was led by the negative contributions of the companies of the third, second and first groups, since the firms of the fourth group registered a more significant positive contribution.

Concerning the *Manufacturing* section, investment in 2017 increased in three of the four groups. The firms of the fourth group registered the most intense increase (23.5%) and the most significant positive contribution to the investment change rate in this section (7.3 p.p.). The firms of the second group presented the only negative contribution (-1.9 p.p., with a change rate of -6.2%).

According with the results obtained in the current survey, the slight increase in investment in 2018 for the *Manufacturing* section is determined by the firms in the fourth and third groups (change rates of 6.7% and 3.8% with contributions of 2.4 p.p. and 0.8 p.p., respectively). The investment of the firms in the second and first groups presented negative change rates (-10.3% and -1.3%, with contributions of -2.7 p.p. and -0.2 p.p., by the same order).

Between 2017 and 2018, the strong deceleration of investment in the *Manufacturing* section (-8.5 p.p.), was mainly driven by the results of the firms of the fourth group, that shifted from a change rate of 23.5% in 2017 to 6.7% (contribution of -4.9 p.p. to the evolution of the investment between 2017 and 2018), followed by the firms in the third group (with a contribution of -2.2 p.p.).

Graph 3
Evolution of business GFCF by size of firms
Annual change rate



5. Investment destinations

The business GFCF positive change rate (5.5%) obtained for 2017 resulted from the positive contributions of other investments (3.6 p.p.), investment in equipment (3.0 p.p.) and in transport material (0.4 p.p.), while the investment in constructions registered a negative contribution (-1.5 p.p.) (table 4).

For 2018, the investment in equipment registers the most significant positive contribution (2.2 p.p.) to the change rate of total investment (3.7%), followed by other investments and constructions (1.0 p.p. and 0.7 p.p., respectively), while the investment in transport material contributes negatively (-0.1 p.p.).

Table 4

INVESTMENT BY TYPE OF ASSET

YEAR	STRUCTURE (a)				CHANGE (b)			
	CONSTRUCTIONS	EQUIPMENT	TRANSPORT MATERIAL	OTHERS	CONSTRUCTIONS	EQUIPMENT	TRANSPORT MATERIAL	OTHERS
2016	19.2	58.5	12.0	10.3				
2017	16.8	58.3	11.7	13.2	-7.7	5.2	3.0	34.7
2018	16.8	58.3	11.2	13.7	4.0	3.7	-1.1	7.5

(a) Percentual investment distribution by type of assets.

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

6. Investment objectives

In 2017 and 2018, for the total of the inquired sections, the replacement investment objective remained 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 (37.8%) (table 5). The objectives related to other investments and streamline production represented 14.0 % and 9.4% of total investment for the average of the two years, respectively.

Between 2017 and 2018, the relative weight of other investments and replacement investment is expected to diminish (-1.2 p.p. and -0.3 p.p. respectively), while the weight of the streamline production objective will remain unchanged and the relative importance of the extension of production capacity is predicted to increase (1.4 p.p.).

Concerning the *Manufacturing* section, in the average of the two years, 49.2% of investment has the objective of extension of production capacity and 28.2% the replacement. From 2017 to 2018, the importance of the extension of production capacity and replacement objectives will increase (0.6 p.p. and 0.5 p.p. respectively), while the relative weight of other investments and the streamline production objective may diminish (-0.7 p.p. and -0.3 p.p., respectively).

Regarding the exporting firms, the extension of the production capacity is also the main objective of investment for 2017 and 2018 (weighting 50.7% in the average of the two years), followed by the replacement investment (28.4%). Comparing to the *Manufacturing* section, the extension of the production capacity investment presents a higher weight among the exporting firms (1.5 p.p.) and the streamline production a lower weight (-1.2 p.p.). Between 2017 and 2018, the weight of the extension of the production capacity investment is expected to register the only growth among the exporting firms (0.8 p.p.) and a higher increase comparing with the total *Manufacturing* section (0.6 p.p.). On the other hand, the weight of the replacement investment is expected to decrease (-0.3 p.p.), which contrasts with a 0.5 p.p. increase 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	2017	38.9	37.1	9.4	14.6	
	2018	38.6	38.5	9.4	13.4	
Manufacturing	2017	28.0	48.9	14.9	8.1	
	2018	28.5	49.5	14.6	7.4	
<i>Of which: exporting firms</i>	2017	28.6	50.3	13.7	7.5	
	2018	28.3	51.1	13.4	7.2	

(a) Percentual investment distribution by investment objectives

7. Investment funding

Self-funding continues to be the main source of funding for the surveyed firms, weighting 66.3% and 65.4% of the total in 2017 and 2018, respectively (table 6). For the average of the two years, this source of funding is particularly relevant in the *Information and communication* (96.4%), the *Professional, scientific and technical activities* (84.9%) and the *Electricity, gas, steam and air conditioning supply* (82.2%) sections. Self-funding is less important in the *Administrative and support service activities* section (22.8%).

When analysing the evolution of the funding structure between 2017 and 2018, the weight of self-funding decreases in five of the thirteen sections, more intensely in the cases of the *Water supply; sewerage, waste management and remediation activities* (-12.0 p.p.), *Manufacturing* (-3.9 p.p.) and *Accommodation and food service activities* (-1.8 p.p.)

sections. On the opposite direction, the sections of *Construction* (5.2 p.p.) and of *Wholesale and retail trade; repair of motor vehicles and motorcycles* (4.8 p.p.) presented the most significant growths of the weight of self-funding between the two years.

The weight of Government loans and EU funds and grants as sources of funding is predicted to increase between 2017 and 2018 (0.6 p.p. and 0.4 p.p., respectively). Nevertheless, bank loans continue to be the second main source of funding (20.2% in the average of the two years). Notice that in the *Construction* and the *Transportation and storage* sections this source represents, on average, 36.8% and 34.7% of the total, respectively. From 2017 to 2018, the importance of this funding source increased in three of the thirteen sections, mainly in the sections of *Manufacturing* (4.6 p.p.) and *Accommodation and food service activities* (4.0 p.p.). The sections of *Mining and quarrying* (-7.4 p.p.), *Construction* (-7.1 p.p.) and *Transportation and storage* (-6.9 p.p.) presented the most pronounced decreases in the weight of this funding source between the two referred years.

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)	2017	77.8	16.5	0.0	0.0	5.4	0.3
	2018	81.5	9.1	0.0	0.0	9.0	0.4
Manufacturing (Section C)	2017	68.8	22.4	0.0	1.3	4.8	2.6
	2018	64.9	27.0	0.0	1.3	4.8	2.0
<i>Of which: exporting firms</i>	2017	70.2	19.1	0.1	1.5	5.7	3.4
	2018	66.0	25.6	0.1	1.3	4.0	3.0
Electricity, gas, steam and air conditioning supply (Section D)	2017	81.6	2.0	0.0	0.0	2.9	13.5
	2018	82.8	2.7	0.0	0.0	5.0	9.6
Water supply; sewerage, waste management and remediation activities (Section E)	2017	71.1	19.1	0.0	0.5	9.2	0.0
	2018	59.1	17.8	0.0	0.0	23.1	0.0
Construction (Section F)	2017	52.0	40.4	0.0	0.2	0.2	7.2
	2018	57.2	33.3	0.1	0.1	0.1	9.2
Wholesale and retail trade; repair of motor vehicles and motorcycles (Section G)	2017	75.5	18.5	0.1	0.0	3.2	2.7
	2018	80.3	17.1	0.1	0.1	1.1	1.5
Transportation and storage (Section H)	2017	50.0	38.2	0.0	1.2	4.2	6.3
	2018	50.3	31.3	0.0	5.4	6.3	6.7
Accommodation and food service activities (Section I)	2017	68.3	29.1	0.0	0.0	1.3	1.3
	2018	66.5	33.1	0.0	0.0	0.3	0.0
Information and communication (Section J)	2017	96.1	3.0	0.0	0.1	0.3	0.5
	2018	96.8	2.1	0.0	0.0	0.7	0.4
Financial and insurance activities (Section K)	2017	65.8	13.6	0.0	0.0	0.3	20.2
	2018	64.6	11.8	0.0	0.0	0.2	23.4
Real estate activities (Section L)	2017	69.0	21.2	0.0	0.0	0.4	9.4
	2018	69.3	17.4	0.0	0.0	2.5	10.8
Professional, scientific and technical activities (Section M)	2017	84.6	11.8	0.2	0.8	1.6	1.0
	2018	85.3	10.5	0.3	1.3	1.9	0.8
Administrative and support service activities (Section N)	2017	23.1	32.9	9.2	0.6	0.2	33.9
	2018	22.6	28.7	8.7	3.0	0.2	36.8
TOTAL	2017	66.3	20.4	1.3	0.6	2.8	8.7
	2018	65.4	20.0	1.2	1.2	3.2	9.0

(a) Percentual investment distribution by investment funding

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 70.2% and 66.0% of the total in 2017 and 2018, respectively. Between the two referred years, the weight of this source diminished in both the exporting firms (-4.2 p.p.) and in the *Manufacturing* section (-3.9 p.p.). Bank loans are the second source of funding among the exporting firms, weighting 22.4% in the average of the two years (comparing with 24.7% for the *Manufacturing* section and 20.2% for the total of the inquired activities).

8. Investment limitations

Between 2017 and 2018, for the total of the inquired activities, the percentage of firms with investment limitations stabilized (35.3% both years), led by two of the thirteen inquired sections (six sections registered an increase and five sections a decrease). Considering the average of the two years, two 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* (66.4%) and *Mining and quarrying* (53.7%) (table 7). The *Electricity, gas, steam and air conditioning supply* section presented the lowest percentage (4.4%).

In the *Manufacturing* section, the percentage of firms with investment limitations shifted from 38.7% in 2017 to 38.3% in 2018, with slightly higher percentages in the case of the exporting firms (39.5% and 42.3% in 2017 and 2018, respectively).

Table 7

INVESTMENT LIMITATIONS (a)		
NACE-Rev.2	2017	2018
Mining and quarrying (Section B)	53.7	53.7
Manufacturing (Section C)	38.7	38.3
<i>Of which: exporting firms</i>	<i>39.5</i>	<i>42.3</i>
Electricity, gas, steam and air conditioning supply (Section D)	4.4	4.4
Water supply; sewerage, waste management and remediation activities (Section E)	68.6	64.1
Construction (Section F)	42.5	40.6
Wholesale and retail trade; repair of motor vehicles and motorcycles (Section G)	32.8	33.4
Transportation and storage (Section H)	38.6	30.3
Accommodation and food service activities (Section I)	23.3	25.3
Information and communication (Section J)	41.7	56.0
Financial and insurance activities (Section K)	28.2	29.3
Real estate activities (Section L)	25.8	24.5
Professional, scientific and technical activities (Section M)	33.1	33.2
Administrative and support service activities (Section N)	32.7	35.1
TOTAL	35.3	35.3

(a) Percentage of enterprises with investment limitations

The deterioration of the sales perspectives remained as the main limiting factor (25.2% and 25.3% in 2017 and 2018, respectively), followed, in 2017, by the uncertainty of investment profitability and, in 2018, by the lack of self-funding capacity (20.2% in both cases) (table 8).

From 2017 to 2018, the increase of the lack of self-funding capacity weight (0.8 p.p.) was partially offset by the decrease in the weight of the difficulty in obtaining bank loans (-0.5 p.p.).

Table 8

MAIN FACTOR LIMITING INVESTMENT IN 2018 (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)	2.1	30.2	0.7	0.0	8.1	22.4	22.1	0.4	14.0
Manufacturing (Section C)	4.4	25.0	6.3	1.4	19.4	23.1	12.9	0.1	7.4
<i>Of which: exporting firms</i>	9.3	32.3	6.4	0.9	18.4	13.3	9.0	0.0	10.4
Electricity, gas, steam and air conditioning supply (Section D)	0.0	0.0	0.0	0.0	16.7	16.7	0.0	0.0	66.7
Water supply; sewerage, waste management and remediation activities (Section E)	0.0	36.2	8.6	2.3	25.7	6.0	8.9	0.0	12.3
Construction (Section F)	3.1	26.7	5.6	6.4	22.8	17.9	12.1	0.0	5.5
Wholesale and retail trade; repair of motor vehicles and motorcycles (Section G)	1.2	25.8	9.8	2.2	17.4	16.8	10.5	2.3	14.0
Transportation and storage (Section H)	1.3	28.6	0.9	0.0	36.5	4.5	0.8	0.0	27.5
Accommodation and food service activities (Section I)	0.4	15.7	0.0	0.5	30.0	35.6	2.8	0.0	15.0
Information and communication (Section J)	9.8	22.6	15.7	0.9	6.0	27.5	3.3	1.7	12.5
Financial and insurance activities (Section K)	0.6	32.4	1.0	3.9	12.1	14.2	5.0	3.0	27.8
Real estate activities (Section L)	0.0	31.3	5.2	0.0	13.1	22.6	5.2	2.6	20.0
Professional, scientific and technical activities (Section M)	0.8	35.0	0.2	0.4	16.3	27.4	6.9	0.0	13.0
Administrative and support service activities (Section N)	1.6	16.6	16.2	3.1	15.7	19.6	17.7	0.2	9.4
TOTAL	2.3	25.3	7.0	2.1	19.9	20.2	10.1	1.0	12.1

(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 indicated was the deterioration of the sales perspectives (27.9% and 32.3%, in 2017 and 2018, respectively), followed by the uncertainty about the investments profitability (23.6% and 18.4%, respectively). For the average of the two years and comparing to the *Manufacturing* section, the deterioration of the sales perspectives, the insufficient production capacity and, mainly, the shortage of qualified labour force are less relevant for the exporting firms, while the opposite is observed on the remaining factors, especially in the case of the self-funding capacity.

Between 2017 and 2018, the weight of other limiting factors increased 7.7 p.p. (1.1 p.p. in the *Manufacturing* section) and the weight of the uncertainty about the investment profitability diminished -5.2 p.p. (-0.1 p.p. 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 analyzed years, the higher balances were observed in the sections of *Wholesale and retail trade; repair of motor vehicles and motorcycles*, of *Information and communication* and of *Mining and quarrying* (table 9). On the contrary, the sections of *Financial and insurance activities* and *Electricity, gas, steam and air conditioning supply* presented the lowest balances.

From 2017 to 2018, this balance should increase for the total of the inquired activities, driven by five of the thirteen sections. The *Construction* section registers the most significant growth, while the *Wholesale and retail trade; repair of motor vehicles and motorcycles* 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, increasing between 2017 and 2018 (which contrasts with the decrease observed in the latter two cases).

Table 9

INVESTMENT AND JOB CREATION (a)					
NACE-Rev.2	YEAR	INCREASE	REMAIN UNCHANGED	DECREASE	BALANCES
Mining and quarrying (Section B)	2017	25.9	70.9	3.1	22.8
	2018	22.0	77.3	0.8	21.2
Manufacturing (Section C)	2017	24.2	72.5	3.3	20.9
	2018	23.5	73.5	3.0	20.4
<i>Of which: exporting firms</i>	2017	29.3	68.2	2.5	26.7
	2018	31.1	66.5	2.4	28.6
Electricity, gas, steam and air conditioning supply (Section D)	2017	0.0	85.7	14.3	-14.3
	2018	0.0	85.7	14.3	-14.3
Water supply; sewerage, waste management and remediation activities (Section E)	2017	19.6	77.9	2.5	17.1
	2018	22.5	76.8	0.7	21.8
Construction (Section F)	2017	9.3	75.4	15.3	-6.0
	2018	12.4	80.3	7.3	5.1
Wholesale and retail trade; repair of motor vehicles and motorcycles (Section G)	2017	32.8	63.6	3.5	29.3
	2018	28.6	67.6	3.9	24.7
Transportation and storage (Section H)	2017	19.3	77.6	3.1	16.2
	2018	18.8	78.5	2.7	16.1
Accommodation and food service activities (Section I)	2017	22.9	75.3	1.8	21.1
	2018	23.3	74.5	2.2	21.2
Information and communication (Section J)	2017	29.1	64.5	6.5	22.6
	2018	28.6	65.9	5.5	23.1
Financial and insurance activities (Section K)	2017	4.3	50.0	45.6	-41.3
	2018	5.0	49.5	45.6	-40.6
Real estate activities (Section L)	2017	6.8	90.4	2.9	3.9
	2018	8.5	88.5	3.0	5.4
Professional, scientific and technical activities (Section M)	2017	11.3	84.9	3.8	7.5
	2018	15.0	82.1	2.9	12.2
Administrative and support service activities (Section N)	2017	18.0	78.3	3.6	14.4
	2018	17.4	76.8	5.8	11.6
TOTAL	2017	22.3	71.5	6.2	16.1
	2018	21.5	72.9	5.7	15.8

(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 3.820 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 200 or more workers were exhaustively surveyed.

The survey was conducted between the 1st October 2017 and the 17th January 2018 and the overall response rate was 90.7%.

Considering the number of workers as the stratification/extrapolation variable, these firms represent 96.5% 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 2014 to 2016, 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 2016, it was considered information for 2015)

2. Firms that comply in 2015 and 2016 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 analyzed 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 7.335 firms (in total 43.926 firms) and a sample of 924 companies (in a total of 3.820 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 3.761 firms for the frame and 577 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 2018.

The methodological document for this survey is available at:

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