

INVESTMENT ACTIVITY IN INDUSTRY

The investment business inquiry¹ of NSI carried out among industrial enterprises² in the second half of October 2009 indicates that the industrial entrepreneurs expect in the current year to make 37.2% less investments than 2008.

About 78% of the planned expenditures for acquiring fixed tangible and intangible assets in 2009 are from private enterprises, as managers expect a decrease of 36.0% in comparison with the previous year. The public sector enterprises expect an even bigger reduction - 40.9% less investments in 2009 as compared to the previous year.

In all of the sectors with the exception of energy and water-related industries is expected a decrease of the investments by at least 40%, as the drop is relatively highest in the production of durable goods - by 53.6%. In the energy and water-related industries is expected a reduction of the investments by 23.6% in comparison with 2008.

According to the direction of investments, those in extension of production capacity have the highest share - 39.4% of the total value of the expected investments in industry in 2009. The second place (with 23.2%) take the investments in replacement of worn-out equipment, and those in mechanization and automatization of existing production processes and in the introduction of new technologies have a share of 22.7%. The remaining 14.7% of the 2009 investments are intended for pollution control, safety measures and others. With regard to the product orientation of production (Aggregations for economic analyses and prognoses A20) the energy and water-related industries form the greatest share of expected investments for 2009 (50.0%), followed by industries producing intermediate goods (25.8%) and industries producing food products and beverages (11.4%) (Figure 1).

According to the data of the inquiry in 2010 is expected a decrease of the investments volume in industry by 11.2% in comparison with 2009. It is expected to have a reduction of 22.7% of the investments in the private sector which constitutes the prevailing share (67.7%) in the total volume of expected investments in industry. In the public sector the prognoses is positive and is expected an increase of the investments by 29.2% but the 2008 level will not be reached. About 42% of the enterprises do not plan any expenditure for acquiring fixed assets.

The highest decrease of investments in industry in 2010 is expected in the production of non-durable goods, of food products and beverages and of capital goods - respectively by 44.1, 32.0 and 29.8%. In the production of durable goods is expected an increase of the investments by 4.1% against an expected decrease of 53.6% in 2009 as compared to 2008 (Figure 2).

With regard to the factors “demand of production”³, “financial resources and expected profits”⁴ and “technical factors”⁵ which influence the decisions for investments in 2010, on average about 30% of the enterprises have refrained from an assessment. Among the remaining who have an opinion the positive assessments prevail despite the expected reduction of investments in industry over the next year. The group “other factors”⁶ has the greatest share of absence of opinions - 54.8%, 16.2% of the enterprises give a positive assessment, and 18.9% state that the factor has no influence.

The main direction of the investment plans for 2010 is investing in mechanization, automatization and introduction of new technologies - 30.1% of the total volume of planned investments, as expenditures on extension of the production capacity and replacement of worn-out equipment are also planned - respectively 26.7 and 24.0%.

Figure 1. Distribution of planned investments in 2009 by product orientation of industrial activities

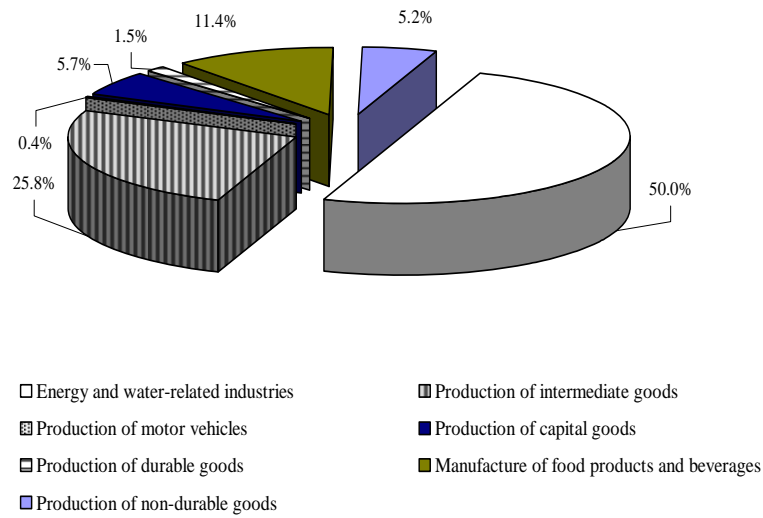
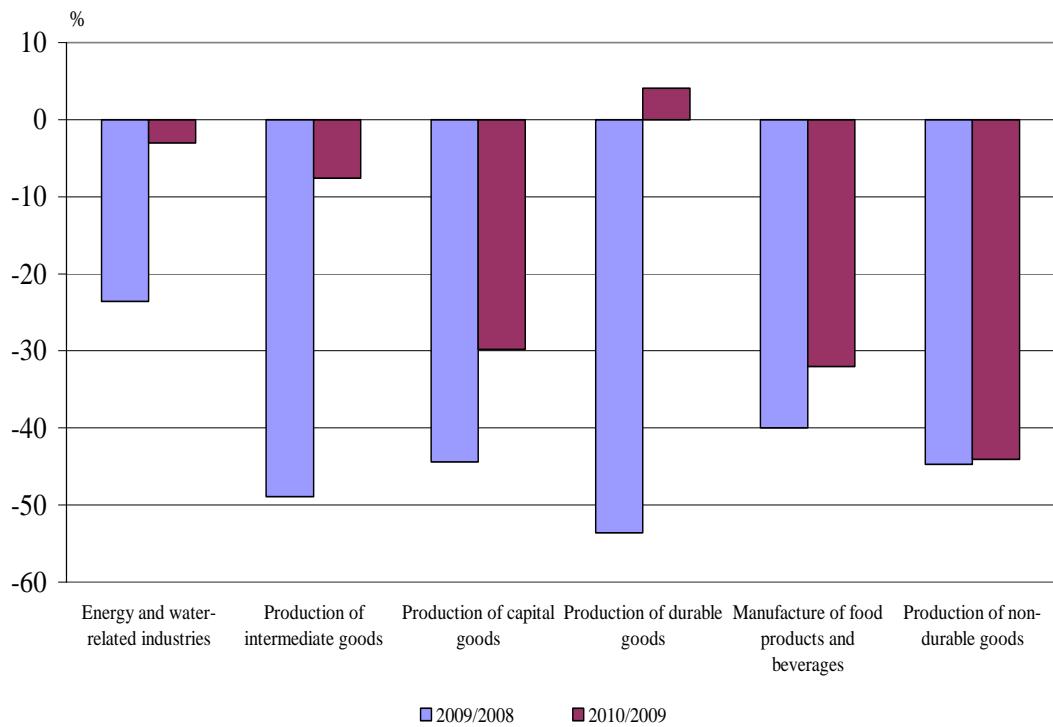


Figure 2. Expected growth rates of investments



¹ Since May 2002 all business surveys are co-financed by the NSI and the European Commission according to the agreement signed between these two institutions. NSI has the engagement to conduct the surveys according to the Harmonized EU Programme. Any notice or publication of NSI reflects the author's view and the Commission is not liable for any use that may be made of the information contained therein.

² The survey is representative for the country. The enterprises observed cover 90% of the annual turnover in industry.

³ Here is considered the capacity utilization rate and the sales prospects.

⁴ Here is considered the availability of resources for investment (and their cost) together with the return on investment and the lack of opportunities for the company to use its resources more profitably than by investment (notably by purely financial operations).

⁵ The main ones are technological developments, the availability of labour and its attitude towards the new technologies, and the technical conditions set by the public authorities before they grant the investment permit.

⁶ This may include the policy of the public authorities, notably with regard to taxation, and whether or not production can be transferred abroad.