

THE FINANCING OF CORPORATE INVESTMENT IN SPAIN ALONG THE CURRENT RECOVERY PHASE

Roberto Blanco

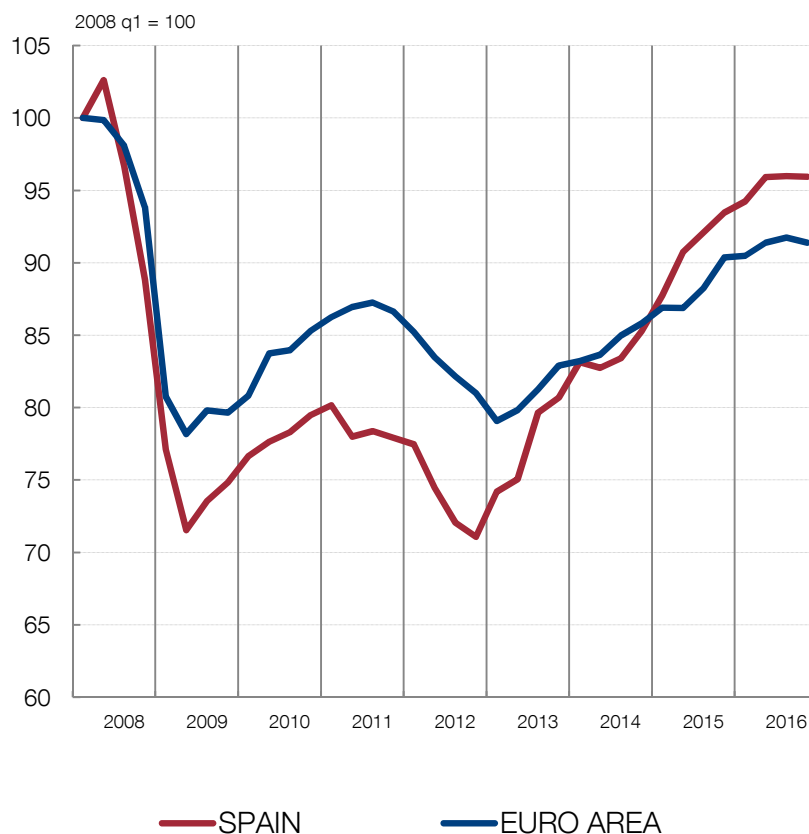
Head of the Financial Analysis Division

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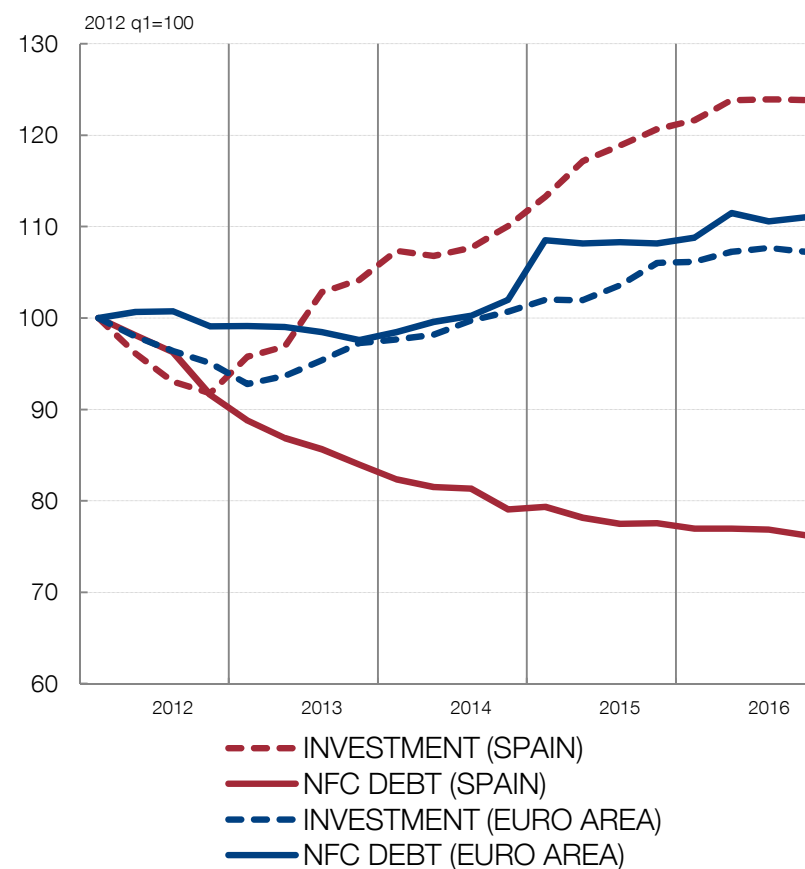
Strong corporate investment recovery in Spain in spite of the intense deleveraging



INVESTMENT (MACHINERY AND EQUIPMENT)

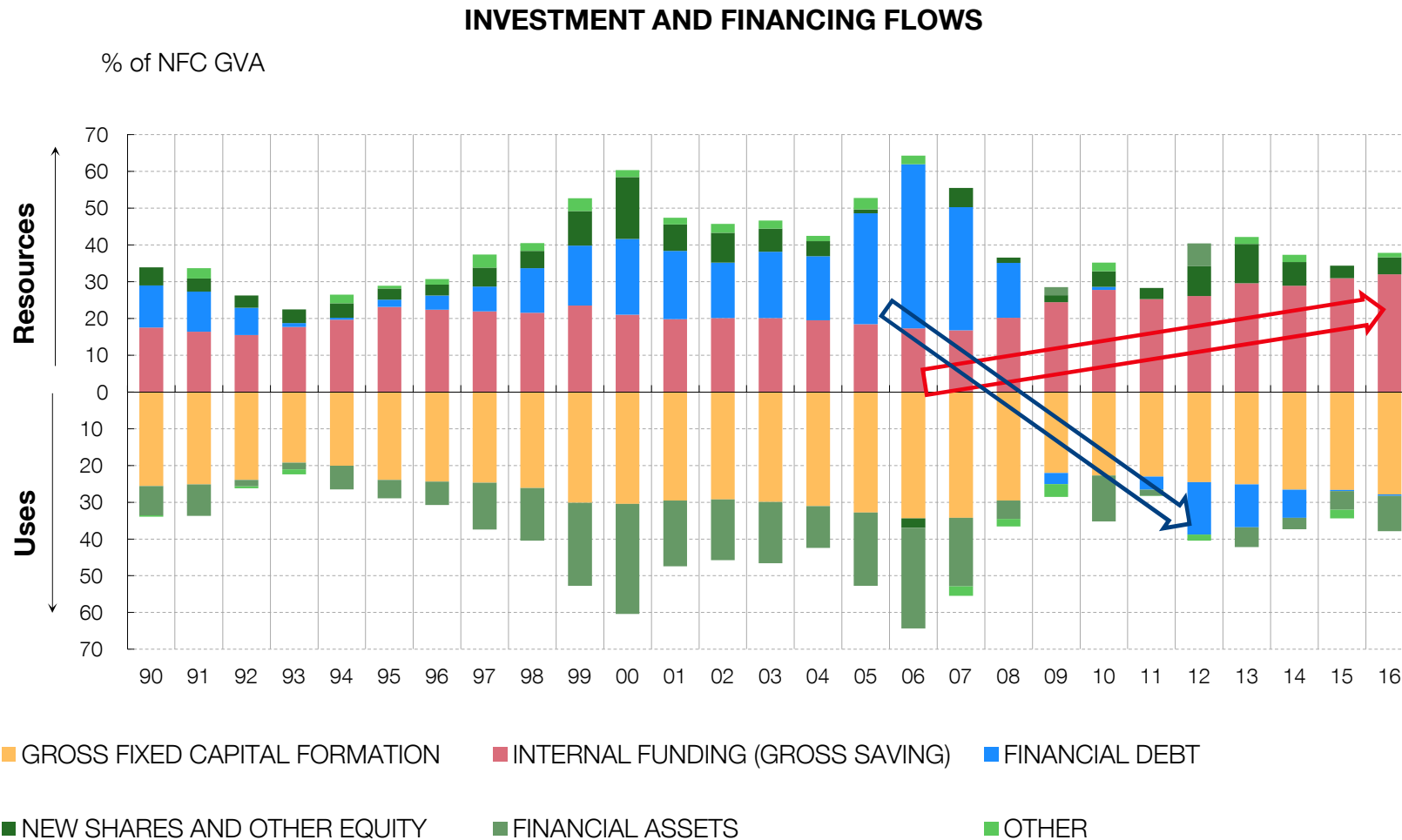


INVESTMENT AND NFC DEBT



Sources: Banco de España, Eurostat

Internal funding has been key during the crisis and the recovery, buffering debt contraction

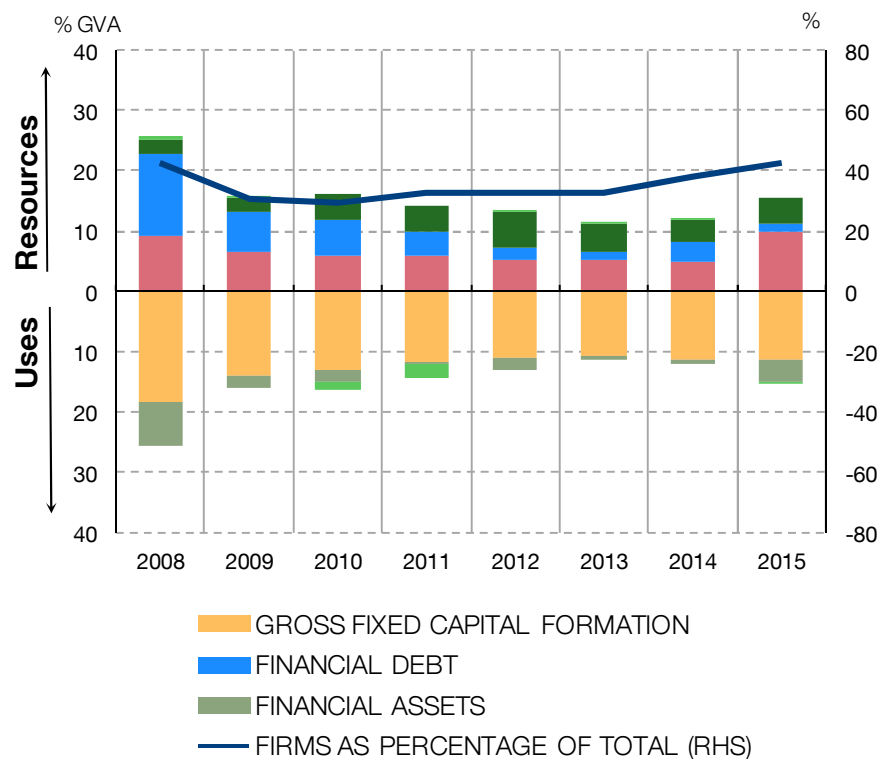


Sources: INE, Banco de España

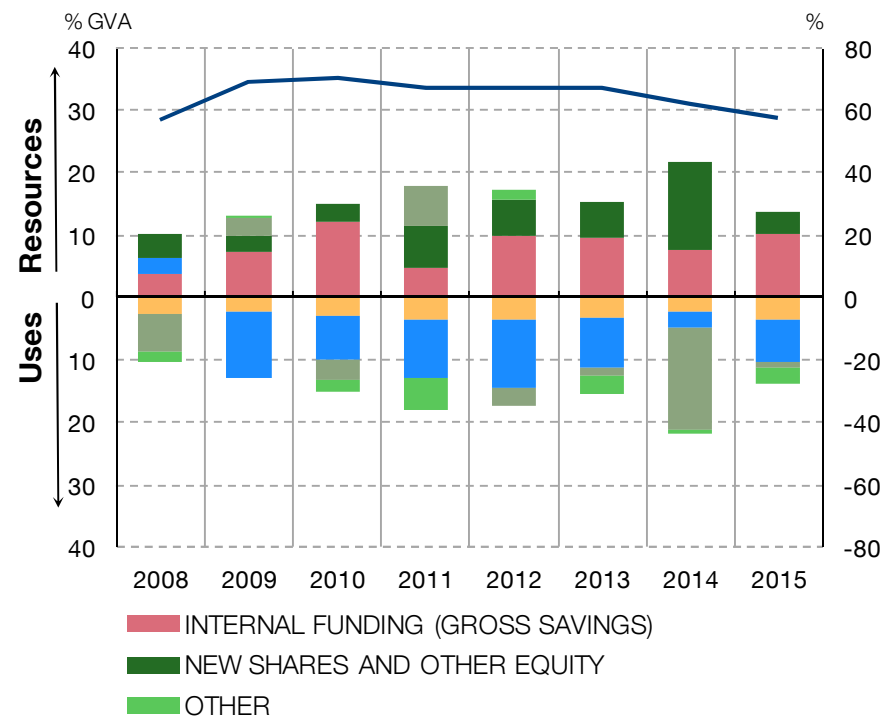
Aggregate deleveraging has been compatible with a significant share of investing firms raising their indebtedness



ASSETS AND LIABILITIES OF NFCs WITH POSITIVE OR ZERO NET INVESTMENT FLOWS



ASSETS AND LIABILITIES OF NFCs WITH NEGATIVE NET INVESTMENT FLOWS



Source: Banco de España

Business investment determinants



Firms with positive net investment are more profitable, more productive and have a stronger financial position than those whose investment does not cover the depreciation of their fixed assets. Following the crisis, firms' investment decisions are more sensitive to their indebtedness.

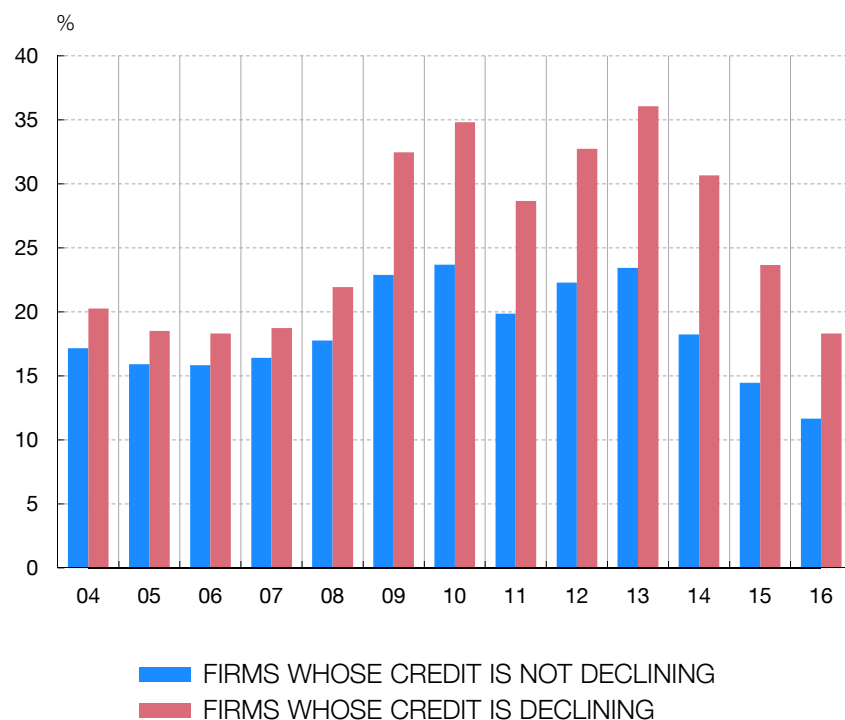
	Impact on the probability of positive net investment		
	Coefficients for 2005-2007	Coefficients for 2008-2013	Coefficients for 2014-2015
Profitability _{it-1}	0.030***	-0.006	0.024***
Debt burden _{it-1}	-0.009***	-0.012***	-0.009***
Indebtedness _{it-1}	-0.038***	-0.065***	-0.058***
Sales growth _{it-1}	0.041***	0.032***	0.032***
Total factor productivity _{it-1}	0.035***	0.010***	0.041***

Source: Banco de España

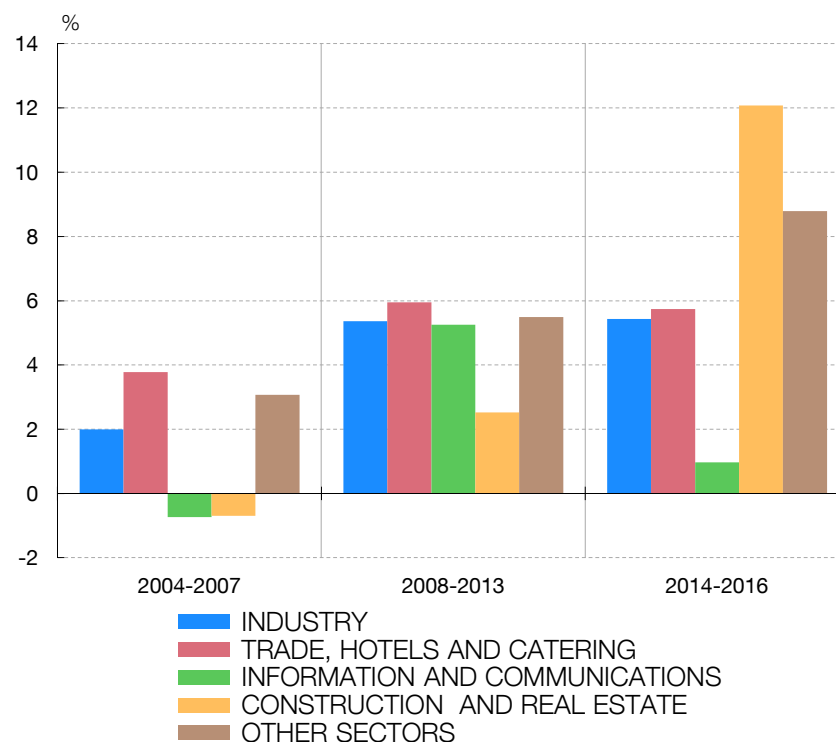
Since the crisis, the efficiency of credit allocation has improved...



MEDIAN DEBT BURDEN OF NON-FINANCIAL CORPORATIONS (t-1) (a)



AVERAGE DIFFERENCE IN TOTAL FACTOR PRODUCTIVITY, IN t-1, BETWEEN FIRMS WHOSE CREDIT IS NOT DECLINING AND THOSE WHOSE CREDIT IS DECLINING



a The debt burden is defined as the ratio between interest payments on financing received and gross income (sum of gross operating profit and financial revenue).

Source: Banco de España

... a process that has been accompanied by an improvement in the selection of borrowers by credit institutions

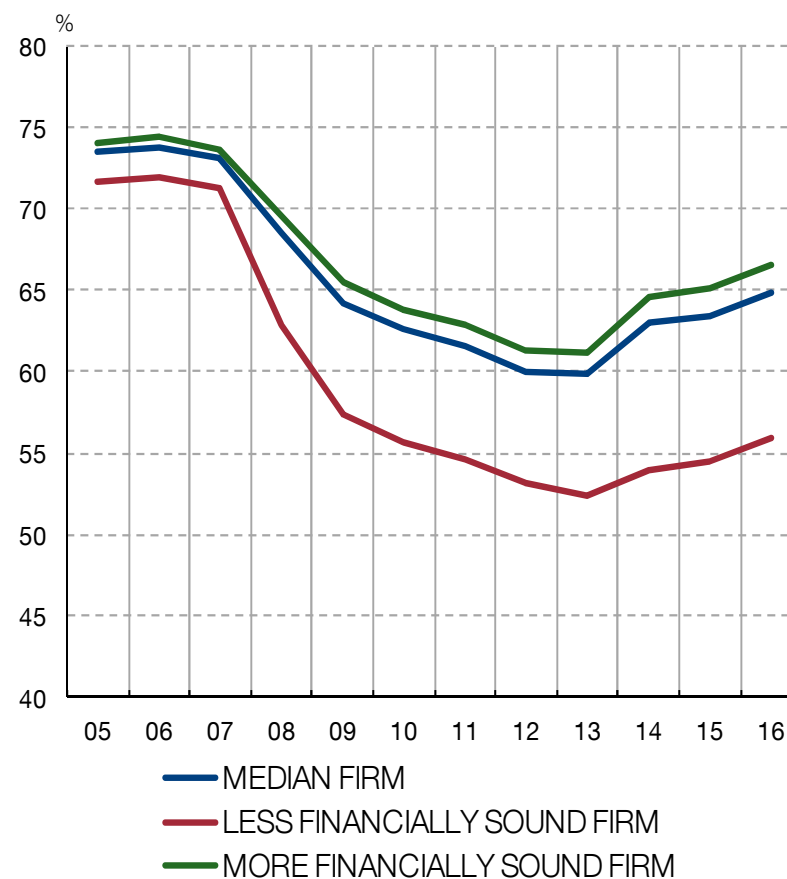


Impact on the probability of a firm obtaining credit from any bank

	Coefficients for 05Q1-08Q1	Coefficients for 08Q2-13Q3	Coefficients for 13Q4-16Q2
Previous NPLs	-0.021	0.003	-0.042***
Indebtedness	-0.036***	-0.078***	-0.102***
Debt burden	0.000	-0.002***	-0.003***
No. of previous relationships with banks	0.006***	0.014***	0.015***
Total assets	-0.001	0.009***	0.005**
Age	0.004	0.018***	0.003

Source: Banco de España

PROBABILITY OF OBTAINING CREDIT



Conclusions



- *How have Spanish firms financed investment along the recovery?*
 - ***Heterogeneity at the firm level is key to account for aggregate dynamics: Some companies invest, others reduce their debts***
 - ***Internal funding has played an important role***
- *Improvement in credit allocation accompanied by changes in the selection of borrowers by banks*