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OESTERREICHISCHE NATIONALBANK  
EUROSYSTEM

# The role of finance in corporate investment in Austria

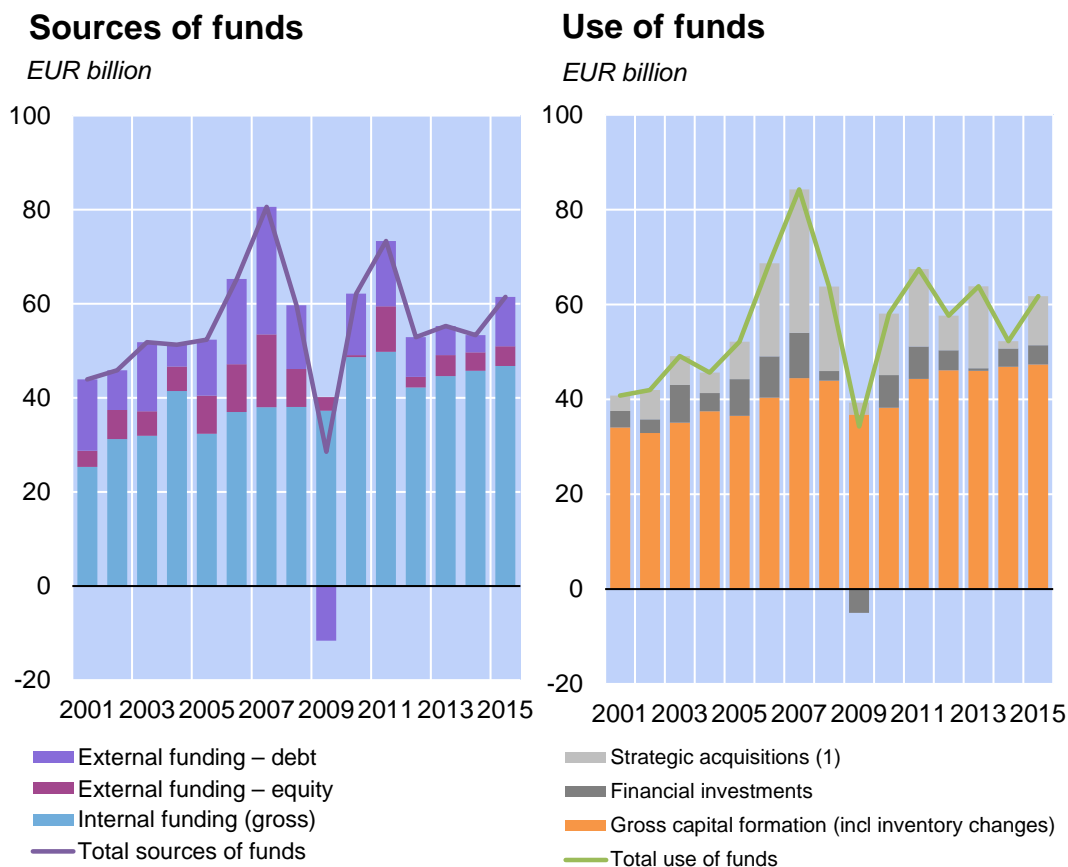
**EIB/OeNB Workshop**

„Investment and Investment Finance: The Austrian case“  
20 March 2017

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Oesterreichische Nationalbank



# Internal financing is the most important and most stable source of funds for Austrian nonfinancial corporations



Source: OeNB (Financial accounts), Statistics Austria.

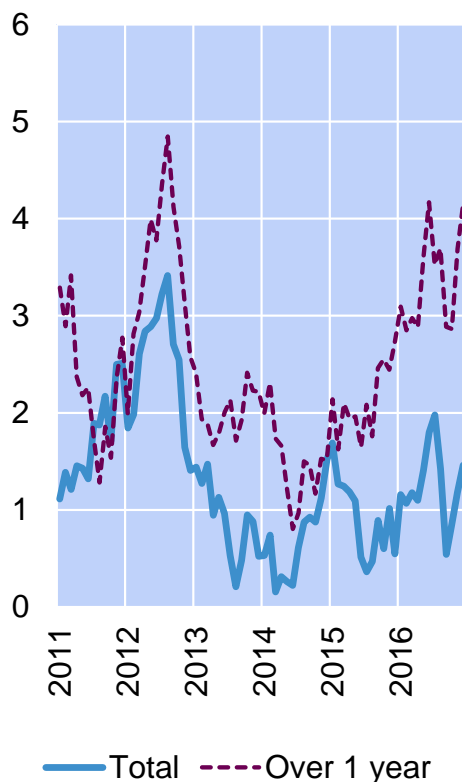
(1) Equity and loans

- Both (internal and external) financing of NFCs has been muted since 2012, slight upturn in 2015
- Share of internal finance in total financing higher than before the crisis (81% between 2012 and 2015 against 59% 2006-2008)
- External funding was dominated by equity (13% of total financing between 2012 and 2015)
- No evidence of gross capital formation being displaced by financial investments of NFCs
- Volume of internal financing similar to gross capital formation volumes between 2012 and 2015
- NFC sector has become a net lender since the start of the crisis

# Longer-term loans increase while short-term financing by banks loses importance

## MFI loans to NFCs

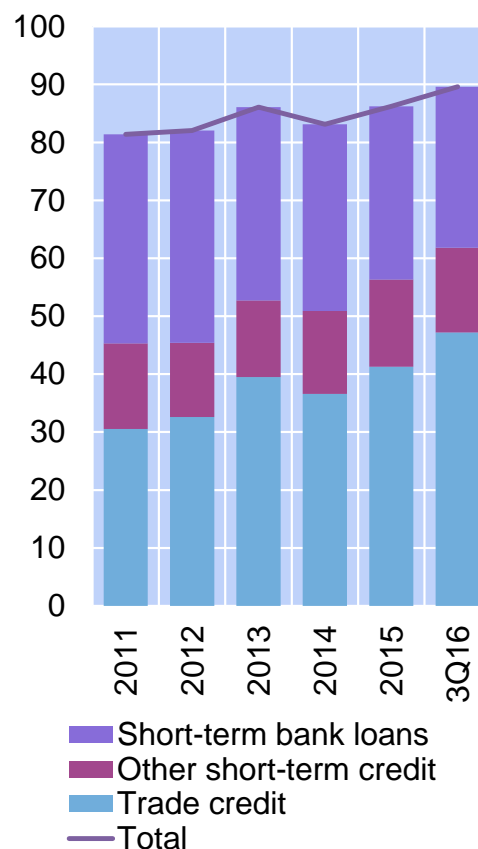
Annual change in %



Source: OeNB.

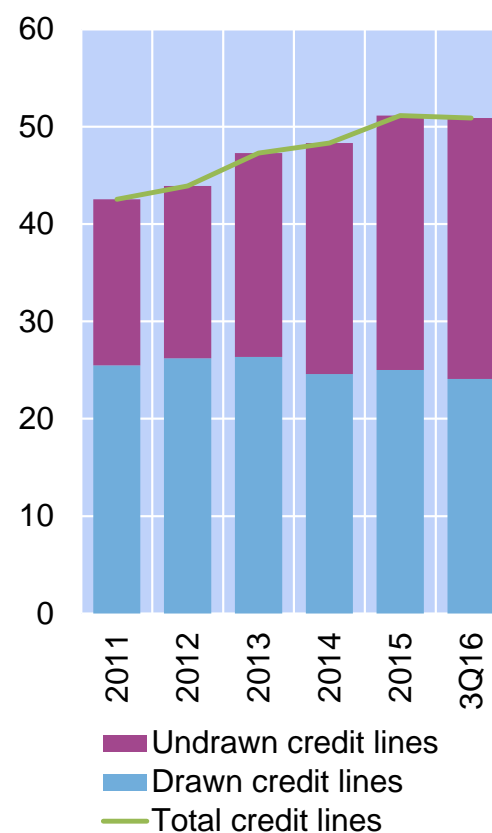
## Short-term finance

EUR billion



## Credit lines

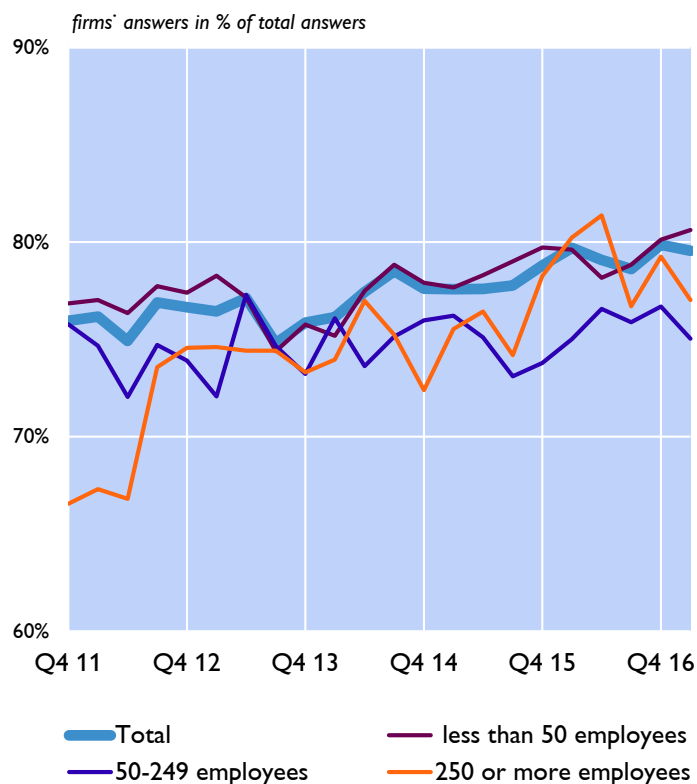
EUR billion



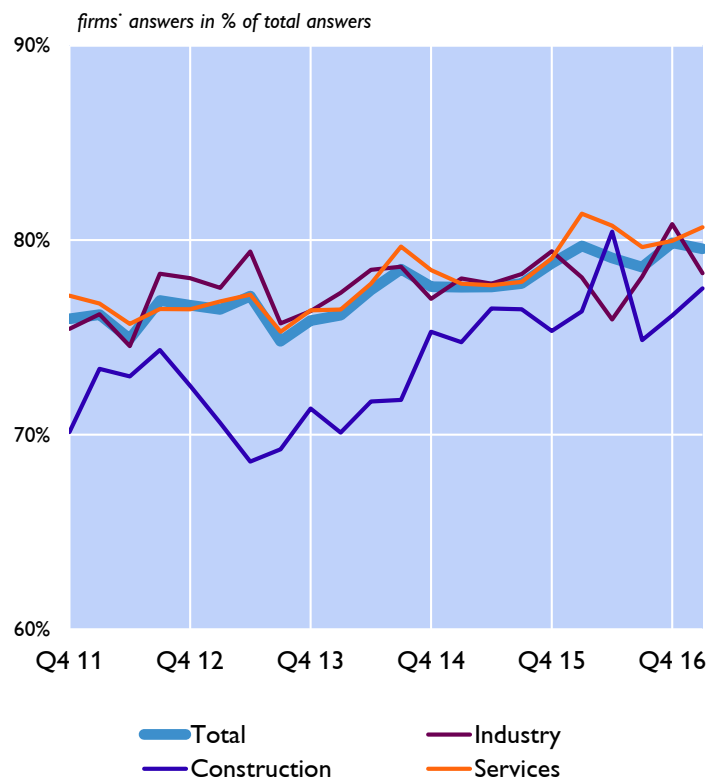
# The share of firms reporting that they have “no need for bank loans” increased slightly

## No need for bank loans

### Answers clustered by firms' size



### Answers clustered by firms' sector



Source: WIFO-KT.

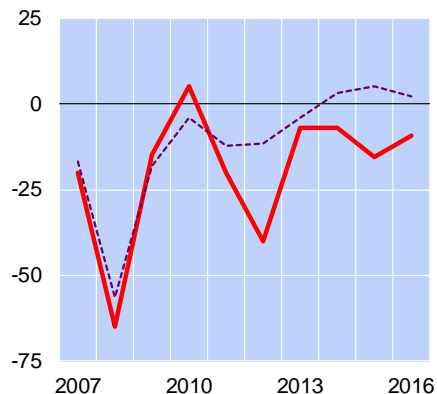
Note: Seasonally adjusted data.

# Banks tighten their credit standards to a lesser extent, while loan demand by enterprises remained weak

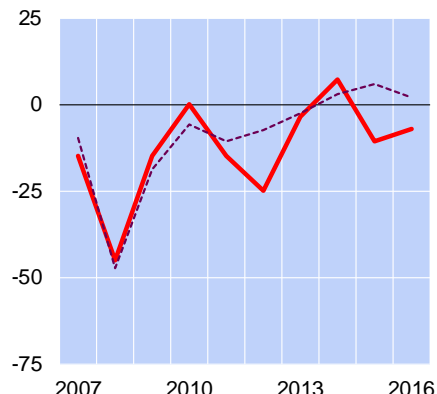
## Credit standards

### Overall

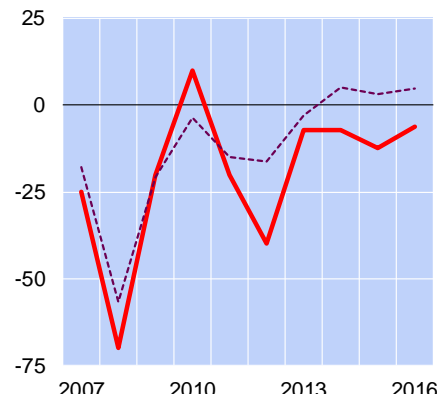
Net percentage of respondents (+=easing, -=tightening), annual averages



### Loans to SMEs



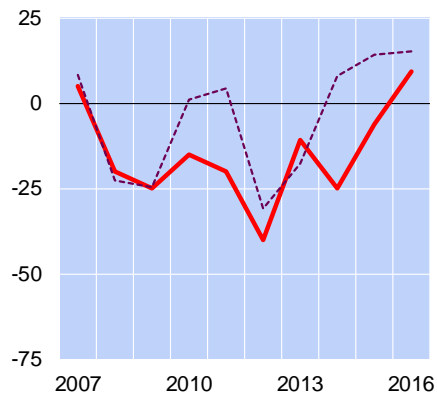
### Loans to large enterprises



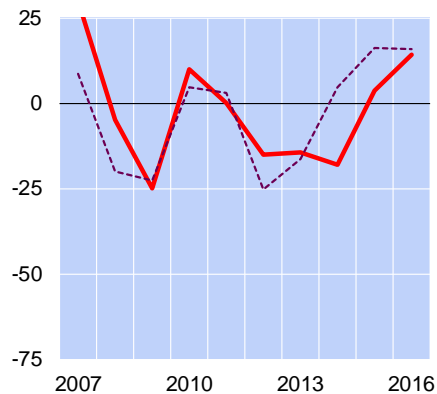
## Loan demand

### Overall

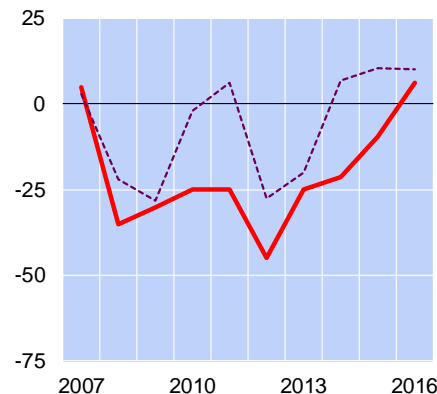
Net percentage of respondents (+=increasing, -=decreasing), annual averages



### Loans to SMEs



### Loans to large enterprises

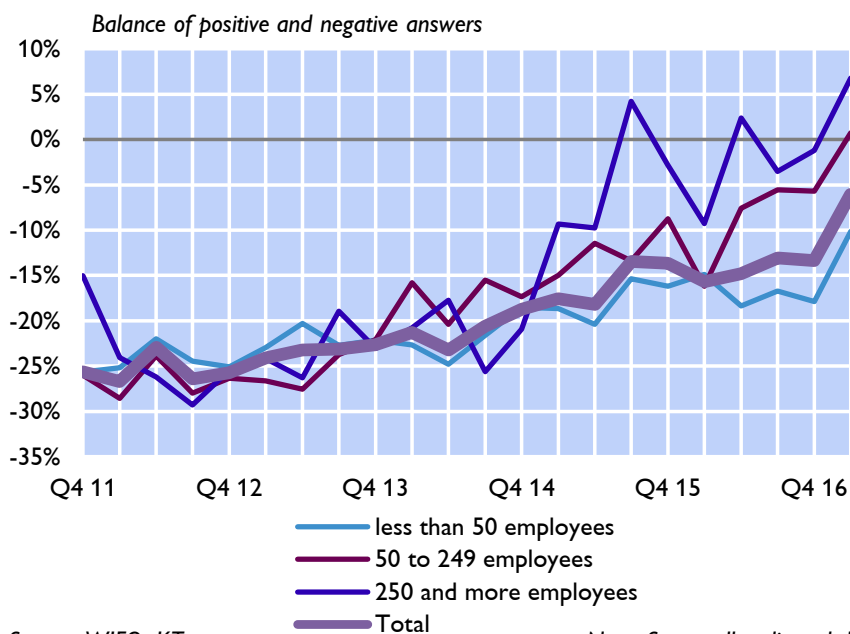


Source: ECB, OeNB.

— Austria — Euro area

# Firms report that the willingness of banks to grant loans is improving

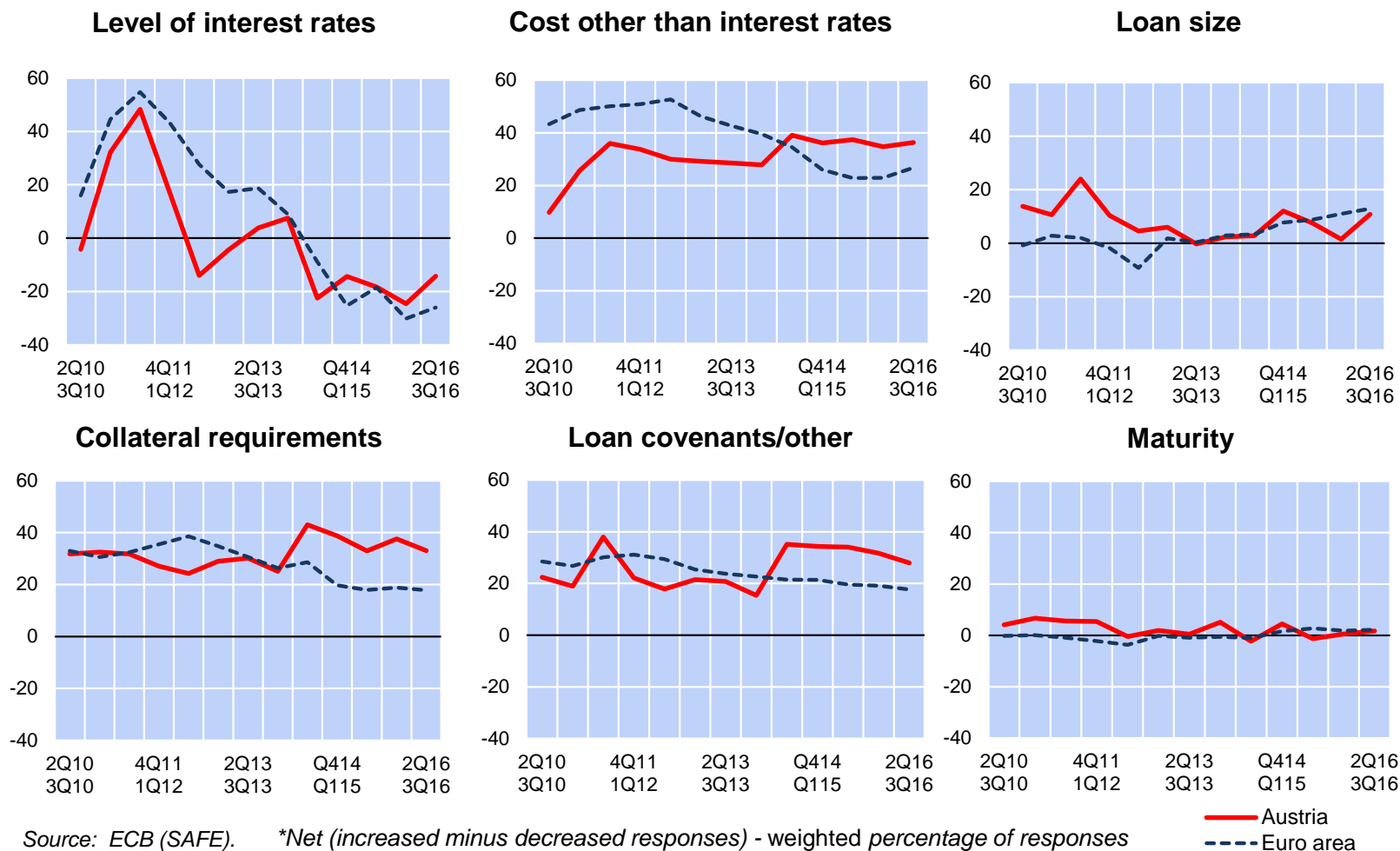
## Willingness of banks to grant a loan



- The relative majority of firms reports that they perceive the willingness of banks to grant loans as still “restrictive”.
- However, this majority is decreasing. More and more firms perceive the willingness of their banks to extend credit as “normal” or “accommodating”.
- All firms – the small ones and the large ones – experience this improvement. However, banks seem to accommodate loan demand of large firms more than of small firms.

# Austrian SMEs regard the banks' requirements on collateral and covenants as restrictive

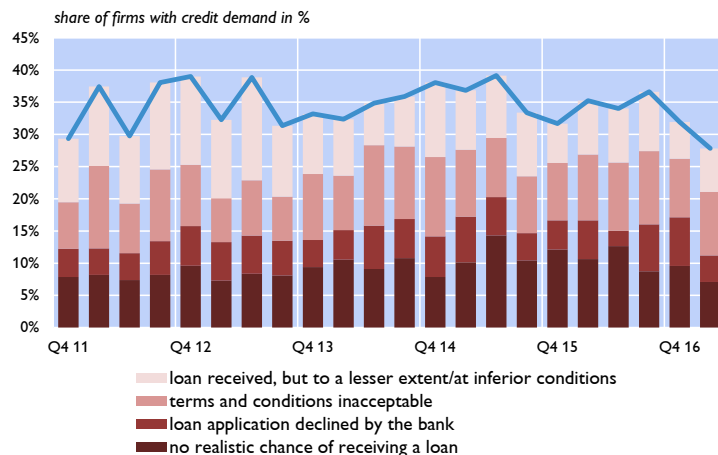
## Change of financial conditions for SMEs over the past six months\*



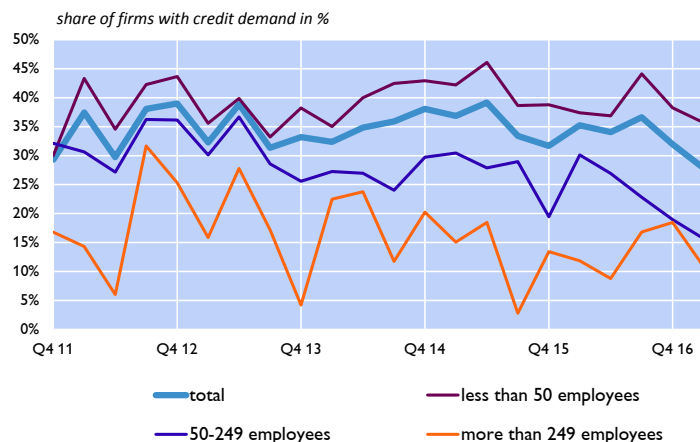
# Financing obstacles back down

## Credit constrained firms

### Four different forms of credit constraints



### Firms' answers clustered by firm size



Source: WIFO-KT. Note: Seasonally adjusted data.

- Since 2011 30–40% of all firms with credit demand have experienced one or the other form of credit constraint.
- Financing obstacles have diminished since they peaked in mid 2015:
  - complete rejections of loan applications by banks have decreased
  - firms feel more encouraged to enter a bank with a loan application
- The share of firms receiving the loan demanded in full extent and at terms and conditions as expected has increased as well (not shown in the graph).
- This improvement is felt by all firms. Although credit constraints are less likely for larger firms than for small and medium sized enterprises.



## Conclusions

We have collected many jigsaw pieces. By putting them together the following picture emerges:

- Since 2012 Austrian firms have adjusted their funding sources: In the most recent years internal funding dominated and equity finance was stronger than debt finance.
- It seems that the capital formation of Austrian firms was mainly financed by internal sources. The need for external credit finance declined slightly.
- The (nominal) volume of Austrian MFI loans increased by about 1% (y-o-y) over the last couple of years.
- A relative majority of firms still perceives the willingness of banks to grant a loan as “restrictive”. Collateral requirements, loan covenants and additional charges (other than interest rates) are still high. Nevertheless, this “restrictive”-overhang diminishes. More and more firms perceive it as “neutral” and “accommodating”.
- Financing obstacles have backed down since they peaked in 2015.

Financial factors do not seem to restrict corporate investment.

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