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PRESS RELEASE

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Results of the autumn 2023 investment survey

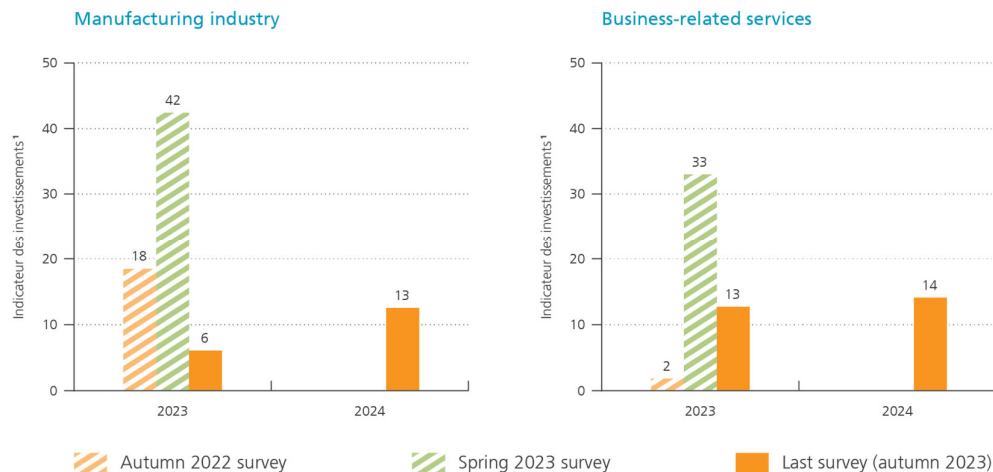
- In the manufacturing industry, the investment indicator for 2023 has been sharply revised downwards compared with the spring. However, investment dynamics in the sector are set to strengthen in 2024, according to our latest survey.
- Investment in the business-related services sector has also been revised downwards for 2023 compared with the intentions expressed by business leaders in the spring. In 2024, investment activity in the sector is expected to be fairly comparable to that seen this year.

INVESTMENT INDICATOR

The National Bank conducts a biannual investment survey in the spring and autumn of each year. The autumn survey, carried out from the beginning of October to mid-November, asks business leaders about the trajectory of their investments over the past year (increasing, steady or decreasing) and about their investment intentions for the coming year. A synthetic indicator is then constructed by calculating the net balance of positive responses (increases) and negative responses (decreases), weighted by the size of each company in terms of the number of employees. The indicator, which is expressed in points, should therefore not be understood as representing the percentage change in investment volume for the year in question.

In the **manufacturing industry**, the investment indicator currently stands at six points for 2023, down sharply from the (weighted) net balance of 42 points resulting from the spring survey. Businesses thus greatly reined in their investment plans this year, compared with the intentions they expressed six months ago.

INVESTMENT INDICATOR¹



¹ The investment indicator corresponds to the difference between the percentage of firms reporting an increase in investment and the percentage reporting a decrease. The results are derived taking into account the respective size of the firms that participated in the survey and the relative weight of their sector in the overall economy.
Source: NBB.

For 2024, the investment intentions of business leaders in industry are expected to firm up somewhat, as the indicator points to 13 points.

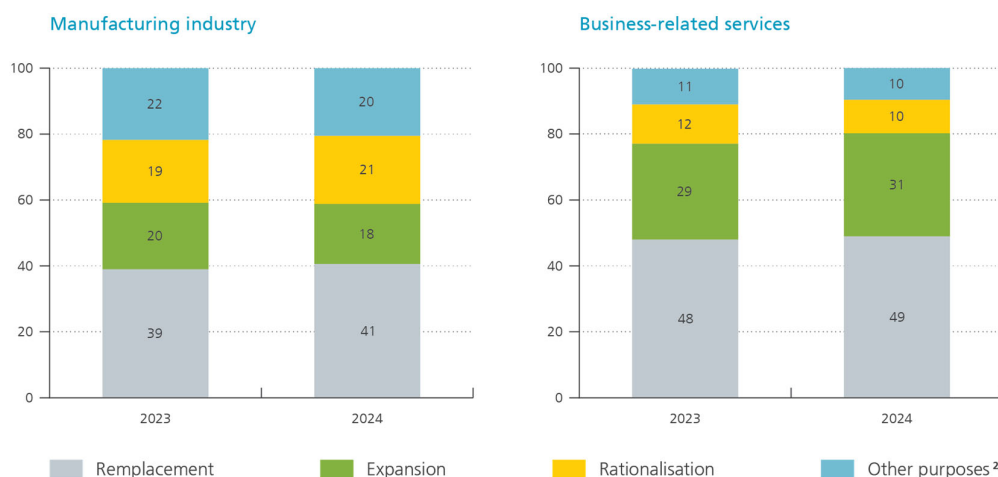
In the **business-related services** sector, the indicator stands at 13 points for 2023 and is thus more favourable than in the manufacturing sector. Nonetheless, it deteriorated compared to the results of the spring survey, at which time it stood at 33 points. As for the outlook for 2024, the indicator remains fairly stable, at 14 points.

ECONOMIC PURPOSE OF INVESTMENTS

The survey conducted from October to mid-November also asked businesses about the underlying reasons for their investments. The results did not reveal any major differences between 2023 and 2024. In the **manufacturing industry**, around 40% of investment decisions were aimed at replacing outdated plant or equipment. The other reasons for investment decisions were fairly evenly split between the goals of expanding production capacity, rationalising manufacturing processes and meeting other objectives such as pollution control, safety, etc. (around 20% each).

In the **business-related services** sector, the main driver of investment was the need to replace outdated plant or equipment (in almost 50% of cases). Next was the expansion of production capacity (accounting for around 30% of investment decisions). Only 10% of decisions were aimed at rationalisation.

ECONOMIC PURPOSE OF INVESTMENTS¹



¹ Breakdown, in percentage terms, of the types of investments made by firms. The results are derived taking into account the respective size of the firms that participated in the survey and the relative size of their sector in the overall economy.

² For example, this could be investments made in order to comply with certain regulatory obligations, such as those relating to pollution control or safety. It is possible that firms choose the "other purposes" category when they have not yet determined the specific investments they intend to make in the coming year.

Source: NBB.

FACTORS STIMULATING INVESTMENT

In the autumn survey, business leaders were also asked to identify the main factors driving their investment decisions. Multiple answers were possible. The survey revealed that in the **manufacturing industry**:

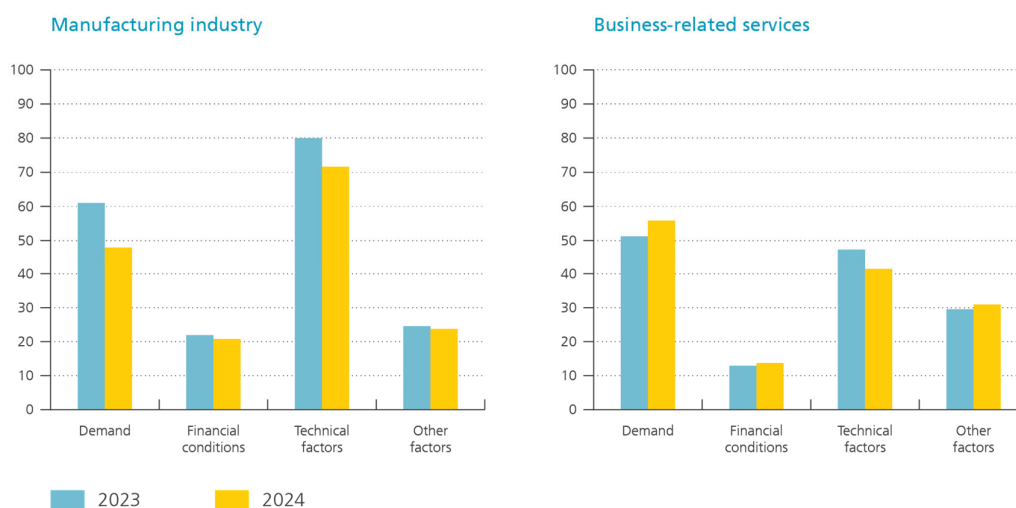
- technical factors were the main driver of investment decisions, with eight out of 10 managers referring to such factors for investments made in 2023 and seven out of 10 for investments planned for 2024;
- six out of 10 respondents considered demand to be a stimulus in 2023, with this figure falling to just under five out of 10 for 2024;

- financial conditions were mentioned much less often as a driver of investment decisions for both 2023 and 2024; in fact this factor has diminished somewhat in importance compared with the autumn 2022 survey, probably due to rising interest rates in the banking and bond markets.

In the **business-related services** sector:

- demand was the main reason for investment, cited by around half of business leaders for decisions pertaining to 2023, with a slight uptick for 2024;
- technical factors were the second most important reason for investment for more than 40% of business leaders;
- as was the case in the manufacturing industry, fewer respondents in this sector pointed to financial conditions as a driver of investment in 2023. This factor was also down compared with the autumn 2022 results, unlike technical factors, which were cited more often in the latest survey.

FACTORS STIMULATING INVESTMENT¹



¹ Percentage of firms surveyed that mentioned the factor in question as an investment stimulus. Multiple answers were possible. The results are derived taking into account the respective size of the firms that participated in the survey and the relative size of their sector in the overall economy.

Source: NBB.

Biannual investment survey¹

The National Bank of Belgium organises a biannual investment survey in the spring and autumn of each year. The survey, previously conducted only in the manufacturing industry, was revised in the autumn of 2021 and extended to the business-related services sector.

The survey used to be based on quantitative data: manufacturing firms were asked to indicate their investment levels, which made it possible to deduce the percentage change from one year to the next. The new survey is strictly **qualitative**, like all other business surveys carried out by the National Bank. Business leaders are now asked about how they expect their investment levels to **evolve** (increase, remain stable or decrease), without having to quantify the amounts concerned or the extent of change. The survey covers investment in both tangible and intangible assets.

The spring survey covers the current year and the preceding year, while the autumn survey relates to the current year and the coming one. A given year thus forms the object of four successive biannual surveys, the results of which fluctuate over time depending on the degree of certainty of investment decisions, which can also be adapted to the economic situation.

In addition, the following parts are added to the survey in either spring or autumn, as the case may be:

- In the spring, firms are asked to indicate how they expect their level of investment to evolve per type of asset (machinery and equipment, land and buildings and other infrastructure, intangibles such as R&D).
- In the autumn, firms are asked to indicate the type(s) of investments they have made or intend to make, based on the purpose of the investment (replacement of old plant or equipment, expansion of production capacity, rationalisation of production or other purposes) and identify the factor(s) driving their investment decisions (demand, financial conditions, technical factors or other factors).

The results of the survey are processed based on a double-weighted method in order to reflect the aggregate reality of the Belgian economy as closely as possible. On the one hand, individual responses are weighted based on the relative size of a company in terms of the number of employees. On the other hand, when aggregating the responses, the relative size of the industry sectors in the Belgian economy is also taken into account. This weighting is based on investment information obtained from VAT returns; it is calculated at the level of three-digit NACE codes for the manufacturing industry and two-digit codes for the business-related services sector.

¹ This survey forms part of a harmonised European programme, coordinated by DG ECFIN.