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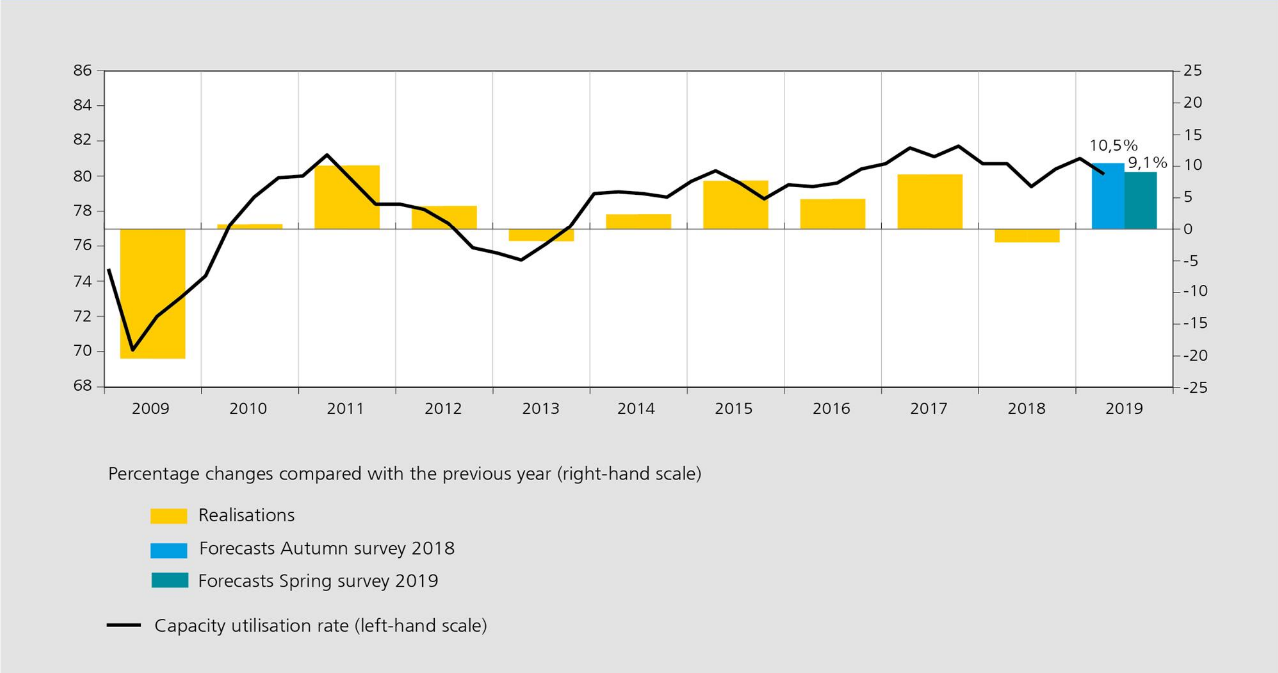
PRESS RELEASE

Results of the survey of investment in the manufacturing industry

Business investment will pick up in 2019

- **Following the decline in 2018, business leaders in manufacturing industry confirmed their forecasts of higher investment in 2019.**
- **Both SMEs and large firms are set to increase their investment.**

CHART 1 **TREND IN INVESTMENT[1] AND PRODUCTION CAPACITY**



[1] According to the NBB's half-yearly survey; percentage change in investment expressed at current prices (excluding leasing).

The National Bank of Belgium carries out a survey of investment by firms in the manufacturing industry twice a year, in the spring and in the autumn.

Lower investment in 2018

According to the results of the 2019 spring survey, investment in fixed capital – at current prices – was down by 2.1% in 2018 compared to 2017. That fall was accompanied by a decline in the capacity utilisation rate during the first half of 2018, followed by a brief revival at the end of the year, and by diminished business confidence in manufacturing industry throughout 2018.

However, the reduction in the amounts invested in 2018 is based on contrasting developments at the level of the industries polled. For instance, a marked rise in investment in a number of sectors – such as the production of building materials, and the chemical and technological industries, did not offset a sharp reduction in investment in the petrochemical and textile industries (excluding clothing and hosiery), the motor vehicle and steel industries, wood processing, the food industry and the manufacture of paper and board.

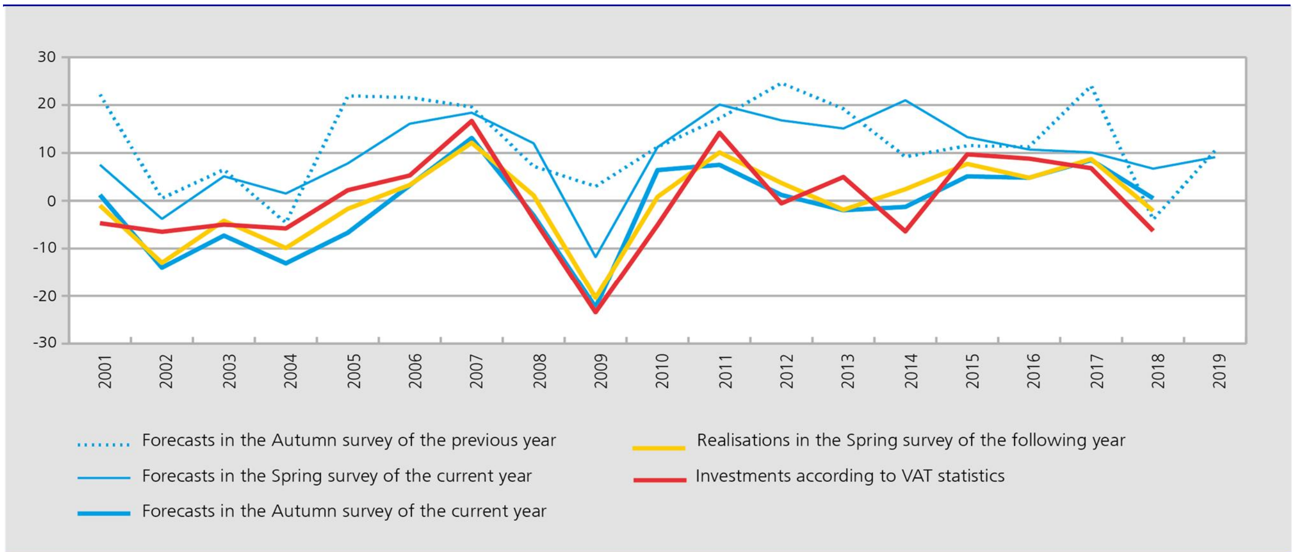
This decline in investment occurred in almost all sizes of business with the exception of large firms (with 250 to 499 workers), where investment seems to have continued to rebound slightly in 2018. Also, apart from a clear acceleration in investment in firms with an export ratio of between 61% and 80%, the fall in investment appeared to be widespread.

Investment expected to rise in 2019

In 2019, firms confirm that they expect to step up their investment by around 9.1%, though that is slightly lower than the figure recorded in last autumn's survey, in which business leaders were reckoning on a 10.5% increase. Investment is set to rise strongly in the non-ferrous metals industry, in the manufacture of paper and board, concrete and cement, textiles (excluding clothing and hosiery), chemicals and plastics, food, and – to a more modest degree – petrochemicals.

Here, the higher investment in 2019 will concern all firm size categories, and no longer just very large firms (over 500 workers) as had been reported in the autumn survey. Having regard to the export ratio, investment should increase in all categories of firms except for those least focused on foreign markets (with an export ratio of less than 20 %).

CHART 2 **INVESTMENT BY FIRMS IN THE MANUFACTURING INDUSTRY: FORECASTS FROM THE HALF-YEARLY SURVEY AND ACTUAL FIGURES**



[1] Sources: NBB - half-yearly survey; percentage change in investment expressed at current prices (excluding leasing), Statbel.

Note: the definition of investment is more restrictive for the Bank's survey than for the VAT statistics since intangible assets and leasing are not taken into account. On average, however, the investment survey is representative of about 50 % of the amount invested by the manufacturing industry as reported from the VAT figures.

While the investment forecasts reported by firms in the Bank's survey are a good indicator of general investment trends (slowdown, acceleration), specifically quantified trends must nevertheless be interpreted with caution, as the difference between predicted figures and the amounts ultimately invested is often substantial. In general, firms systematically tend to overestimate their investment forecasts for the coming year at the time of the preceding year's autumn survey, and then moderate their forecasts in the current year's spring survey, ultimately – in the current year's autumn survey - arriving at an estimate very close to the actual figure eventually recorded.

One of the potential explanations for this systematic upward bias in the survey data is that business leaders tend to state how much they hope to invest, but they are ultimately constrained by external factors over which they have less control, or which it is harder for them to anticipate. The usual caution is therefore particularly necessary for 2019 given the slowdown in world growth and the still considerable uncertainty, notably as regards international trading relations.