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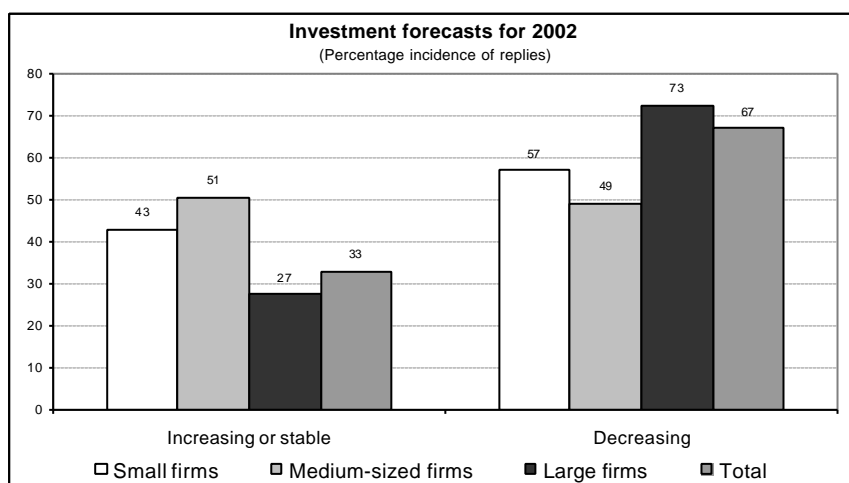
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## PRESS RELEASE

# ISAE INVESTMENT SURVEY ON MANUFACTURING AND EXTRACTIVE FIRMS

Reference month: March 2002

- According to the ISAE Bi-Annual Investment Survey carried out in March 2002, most manufacturing and extractive firms show a pessimistic approach towards the expenditure prospects for investments in the two-year period 2002-2003. The expenditure plan reduction is particularly felt by large firms and - to a lesser extent - by small firms, while medium-sized firms are optimistic
- Perhaps in this phase - though in the presence of a considerable improvement in demand and production prospects - uncertainty on the intensity and length of the present recovery prevails, as does caution on investment programmes. With the consolidation of the international economy expansion in 2002, expected by most forecasts, it is however possible that plans will be gradually increased to adapt to the new productive needs
- With regard to expenditure composition, most investments - according to ISAE respondents - are allocated for obsolete plant renewal and, to a lesser extent, for the enlargement of productive capacity
- Among rationalisation expenditure, the importance of investments for the introduction of new technologies in productive techniques is growing. Indeed, expenditure meant for enlarging plant capacity are made both within the existing productive programmes and for the introduction of new products
- Compared to 2001, the resort to leasing as an investment-financing instrument is increasing, particularly for small and medium-sized firms



The full text of ISAE Surveys (either hardcopy or electronic) is available on sale (for further information see website [www.isae.it](http://www.isae.it))

The next Investment Surveys will be diffused in November.

Next ISAE Surveys are scheduled as follows:

May 17, 2002: ISAE Monthly Consumer Survey

May 23, 2002: ISAE Monthly Business Survey on manufacturing and Extractive Firms

## **General results<sup>1</sup>**

According to the ISAE Bi-Annual Investment Survey carried out in March 2002, most manufacturing and extractive firms show a pessimistic approach towards their expenditure prospects for investments in the two-year period 2002-2003. The expenditure plan reduction is particularly felt by large firms and - to a lesser extent - by small firms, while medium-sized firms are optimistic.

The Survey also shows that most expenditure in 2002 should be allocated for obsolete plant renewal; compared to 2001, the share of investments meant for "other destinations" - among which the safety and control of polluting emissions - is growing.

The mainly negative forecasts for the two-year period 2002-2003 seem to be against the marked increasing confidence climate trend observed over the past few months. Perhaps, in this phase, though in the presence of a considerable improvement in demand and production prospects, firms are still uncertain on the intensity and length of the present expansion and are thus still cautious in defining their investment plans. That is also confirmed by the January Survey carried out by INSEE in France, whereby French manufacturing firms' investments in 2002 should decrease by 3% (in terms of values). With the consolidation of the international economic recovery in 2002, indicated in all major forecasts, investment plans are likely to be gradually increased, as already happened in the past, to adapt to the new productive needs.

### **Expectations for the two-year period 2002-2003**

ISAE respondents' forecasts on their investment expenditure evolution in the two-year period 2002-2003 are mainly negative. For 2002, 67% of respondents expect an investment fall as against the previous year, while 33% expect a rise or at least stability. The pessimistic approach of small and large firms (73% and 54% of respondents respectively foresee not to increase their expenditure)

goes alongside with more favourable opinions on the part of firms having between 50 and 499 employees (51% of which expect to raise or at least maintain their investment level).

With regard to 2003, 56% of ISAE respondents expect a substantial stability of their expenditure compared to the present year, while the share of firms expecting an expenditure growth compared to 2002 continues to diminish. However, the share of those forecasting an investment rise in 2003 grows compared to the latest Survey. However, the number of those expecting to increase investments in 2003 rises compared to the latest Survey, passing from 14 to 18%. Small and medium-sized firms are on average more optimistic than those with more than 500 employees.

### **Investment destinations**

According to ISAE respondents, in 2002 investments meant for obsolete plant renewal account for 36% of the overall expenditure (it was 38% last year); the share of expenditure for plant rationalisation and for the enlargement of productive capacity remains stable (25% and 27% respectively). Conversely, expenditure for "other destinations" - among which enhancing plant safety and controlling polluting emissions - increases from 10% to 12%.

Rationalisation plays a leading role in the food industry (31% of total expenditure) and in basic products (28%); plant renewal is particularly important for investments in extractive firms (55% of total expenditure) and food firms (44% of total figure). With regard to expenditure for the enlargement of productive capacity, it is used particularly by iron and steel industries (43% of total expenditure), firms producing basic goods (30% of total figure) and mechanical firms and producers of means of transportation (29%). Finally, "other reasons" take up a particular importance for consumer goods firms (18% of expenditure).

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<sup>1</sup>It is worth recalling that, according to the latest available data referring to 2000, investments in manufacturing and extractive sectors only represent 27% of the overall expenditure for investments: thus it is not possible to compare indications emerging from the ISAE Survey with the trend of gross fixed investments of National Accounts.

In terms of dimensions, investments meant for obsolete plant renewal are particularly relevant for large and small firms (39 and 35% of total expenditure respectively), while for medium-sized firms, most expenditure (32% of total figure) is allocated for the enlargement of productive capacity.

With regard to reasons underlying rationalisation investments for 2002, the need for the automation and mechanisation of the existing process still prevails (82% of firms signal the need to fund rationalisation for this reason, while it was 92% in 2001), but the expenditure meant for the introduction of new productive techniques takes up more importance compared to 2001 (61% of respondents declare they promote this kind of expenditure, as against 52% in 2001). The trend to increase spending propensity for the introduction of new techniques characterises large firms and is concentrated in iron and steel industries, in mechanical and food industries.

With regard to capacity-enlarging expenditure, 82% of respondents report they prefer these forms of investments within the existing productive plans (it was 86% in 2001), while 75% add they also fund the introduction of new products (as in 2001). Product innovation is carried out mainly by large firms (84% of the sample) and by medium-sized firms (63% of respondents) and, to a lesser extent, by small firms (only 38% of respondents declare to favour product innovation).

### Leasing

35% of ISAE respondents report to have resorted to leasing in 2001 (32% in 2000). That instrument enabled them to finance 13.4% of investments (13.2 in 2000). Leasing is adopted particularly by small and medium-sized firms (for which it accounts for 46.3 and 20.3 % of investments respectively), and by firms operating in the extractive sector and in consumer goods processing (39.8 and 26.7% of investments respectively).

