

Business investment is unusually uncertain at the present juncture. The Central Bank's analysis has usually been based on information on investment goods imports and the Capacent Gallup survey among Iceland's 400 largest firms of investments in 2011 and 2012, but it is difficult to draw conclusions about the scope of investment based on these data. As a result, the Bank carried out its own survey among firms whose turnover exceeded 4 b.kr. in 2009. Respondents were asked for information on investment in the past two years and planned investments in 2011. A total of 43 firms were selected, and all of them submitted responses. In addition, over the past several years the Central Bank has compiled detailed information on investments by Iceland's 13 energy producers, utility companies, and companies in energy-intensive industries. This information provides an important indication of developments in investment in 2010 and planned investment for 2011, as the firms participating in the survey, together with energy producers, utility companies, and companies in energy-intensive industries, accounted for about 60% of total business investment in 2009.

Box IV-1

Survey of large corporations' investment

Table 1 Nominal corporate investment 2009-2011

<i>Largest 43 firms (number)</i>				<i>Change between '09-'10, %</i>	<i>Change between '10-'11, %</i>
<i>Amounts in ISK millions</i>	2009	2010	2011		
Fisheries (10)	5,638	6,743	3,820	19.6	-43.3
IT and communications (6)	4,392	4,476	3,683	1.9	-17.7
Wholesale and retail sales (10)	4,222	2,185	2,400	-48.2	9.8
Manufacturing (9)	2,441	3,106	3,312	27.2	6.6
Services, transport, etc. (8)	7,389	8,065	11,170	9.1	38.5
Total (43)	24,082	24,575	24,385	2.0	-0.8

Indications for 2010

Investment by the 43 firms in the survey accounted for about one-fifth of business investment in 2009. The survey shows that these companies' investment rose by about 2% in nominal terms between 2009 and 2010. Twenty-one firms invested more in 2010 than in 2009, whereas 18 invested less. If it is assumed that general investment followed roughly the same pattern between the two years, and if investment in energy-intensive industry, the Harpa concert and conference centre, and ships and aircraft is included as well, total business investment rose by over 8% in real terms in 2010.

Indications for 2011

The results of the survey of the 43 firms' investment plans for 2011 indicate that nominal investment will be nearly 1% less this year than in 2010. A breakdown by sector reveals that fisheries' planned investments for 2011 will be about half of last year's total. A contraction is indicated in the information technology and communications sector as well. On the other hand, the survey suggests a marked increase in investment by companies in transport, retail and wholesale trade, manufacturing, and miscellaneous other operations. According to the findings, 19 firms intend to step up investment, while 11 intend to reduce it. It is also revealed that average growth in investment during the year is considerably below the median, indicating that the average is lower because a small number of firms intend to scale down investment significantly. When the plans of energy producers, utility companies, and companies in energy-intensive industries are added, together with ships, aircraft, and the Harpa concert and conference centre, the survey suggests that business investment will increase by nearly 23% in real terms in 2011.