RESEARCH INSIGHT

Capacity is a signal for growth

What firms, lenders and policymakers can learn from Italian manufacturing

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THE GROWTH WINDOW

High capacity is a fork in the road

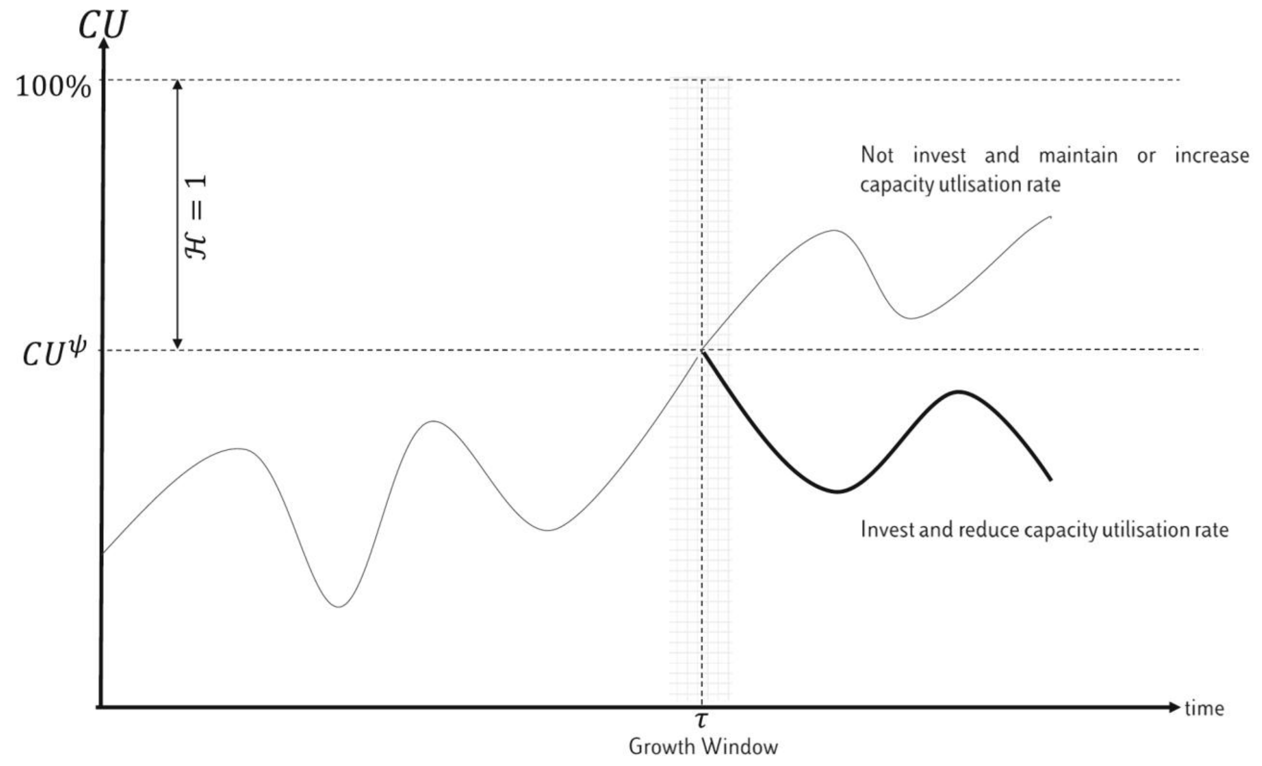
Each sector has a normal capacity target. When a firm reaches or passes it, the pressure to expand becomes real.

BELOW TARGET

**Keep a buffer.
Wait for demand.**

AT OR ABOVE TARGET

**Expand now - or risk
lost sales and bottlenecks.**

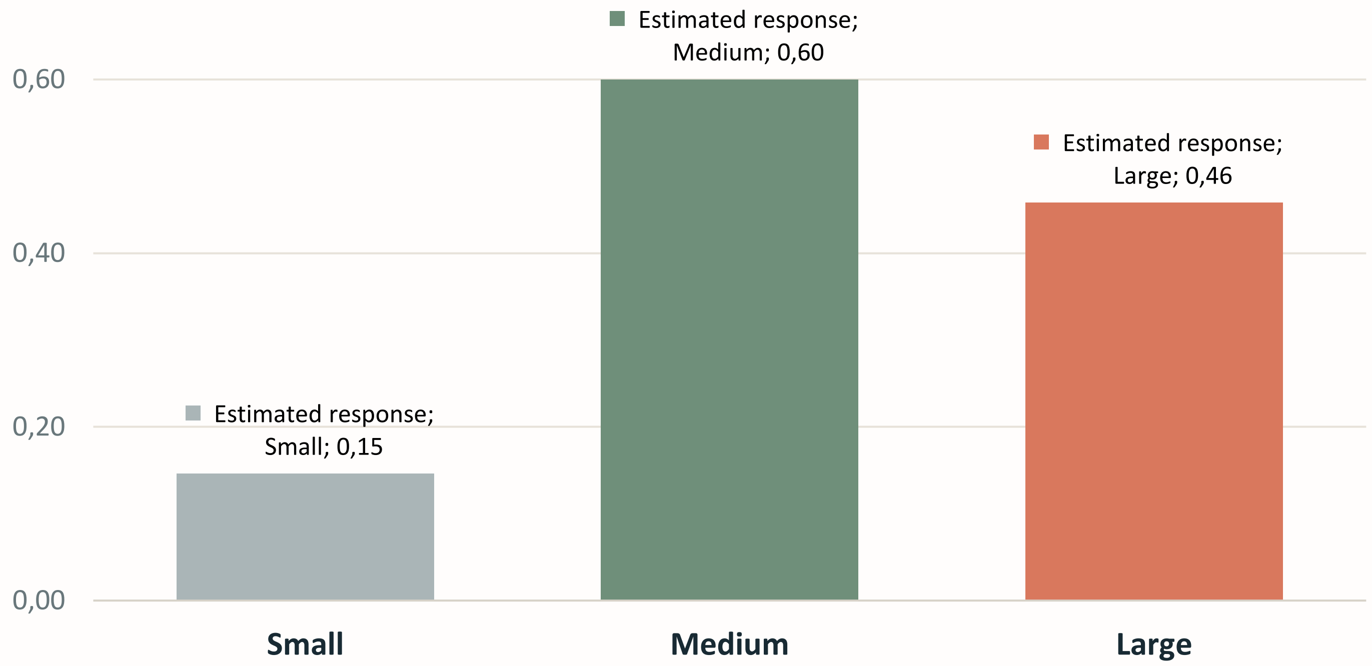


2002-2024 | 3,666 firms | Italian manufacturing

WHO CAN ACT

Medium and large firms respond more clearly

Estimated investment-rate response when a firm reaches the growth window



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Large firms show the clearest rise in major expansion investments.

Small firms can hit the same trigger but still struggle to act.

Their expansion costs are larger relative to the business, and access to finance is often tighter.

Coefficients show associations, not percentage changes. Medium and large investment-rate estimates are statistically significant; the small-firm estimate is not.

WHEN THE SIGNAL IS DISTORTED

Uncertainty can send investment to the wrong firms

The same shock leads to different choices, depending on where a firm sits and whether it can raise funds.

01

Below target

Under uncertainty, investment rises.

02

At the growth window

The extra uncertainty effect fades.

03

Finance constrained

Investment falls across the sample - including at critical growth points.

THE RISK

Money can flow to firms with weaker immediate growth signals, while ready-to-expand firms wait.

FROM EVIDENCE TO ACTION

Use capacity pressure to target the next growth move

A simple screen can improve expansion planning, lending choices and industrial support.

1

Measure

Compare capacity use with a sector and cycle target.

2

Screen

Add firm size, uncertainty and access to finance.

3

Act

Match support to firms that are ready and able to expand.

FOR FIRMS

Plan expansion before bottlenecks bite.

FOR LENDERS AND INVESTORS

Find projects backed by real demand pressure.

FOR POLICY

Target finance and reduce broad uncertainty.

Capacity use turns an operations metric into a practical growth signal.