

EIB Investment Report 2023/2024

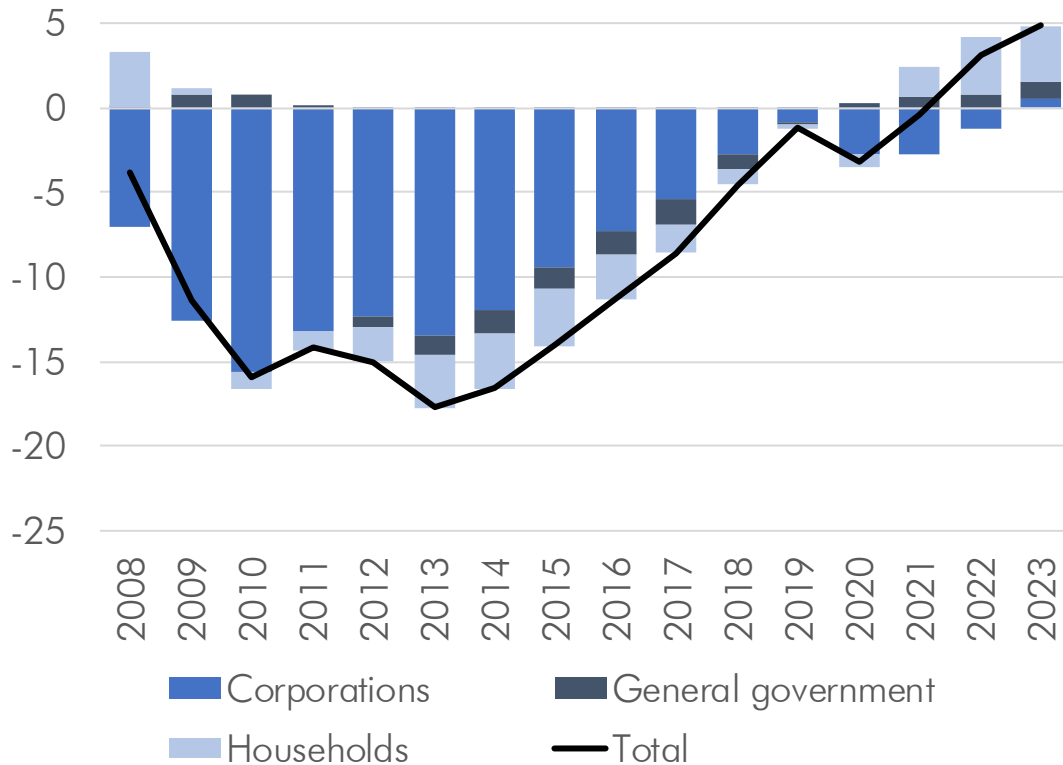
Transforming for competitiveness

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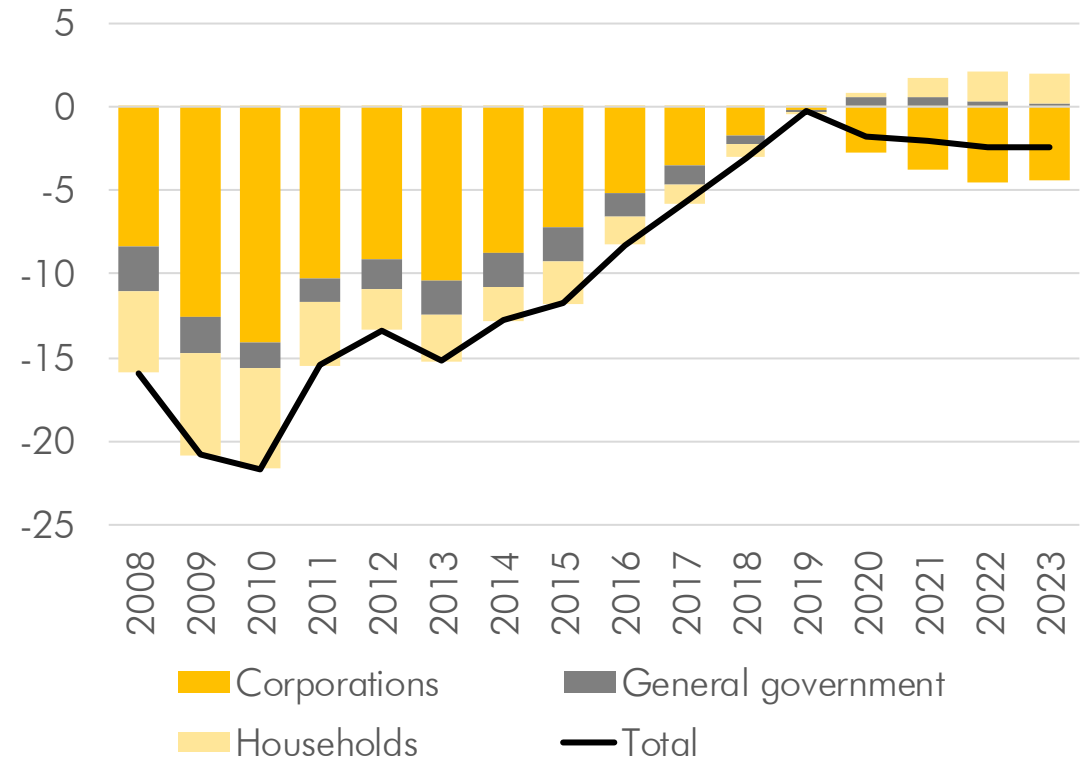
DIW / EIB conference – March 4, 2024

At the EU level – this time around is different. EU investment recovered relatively fast from the pandemic and energy shock. Not so in Germany

EU* real investment by institutional sector
Percent deviation from Q4 2019



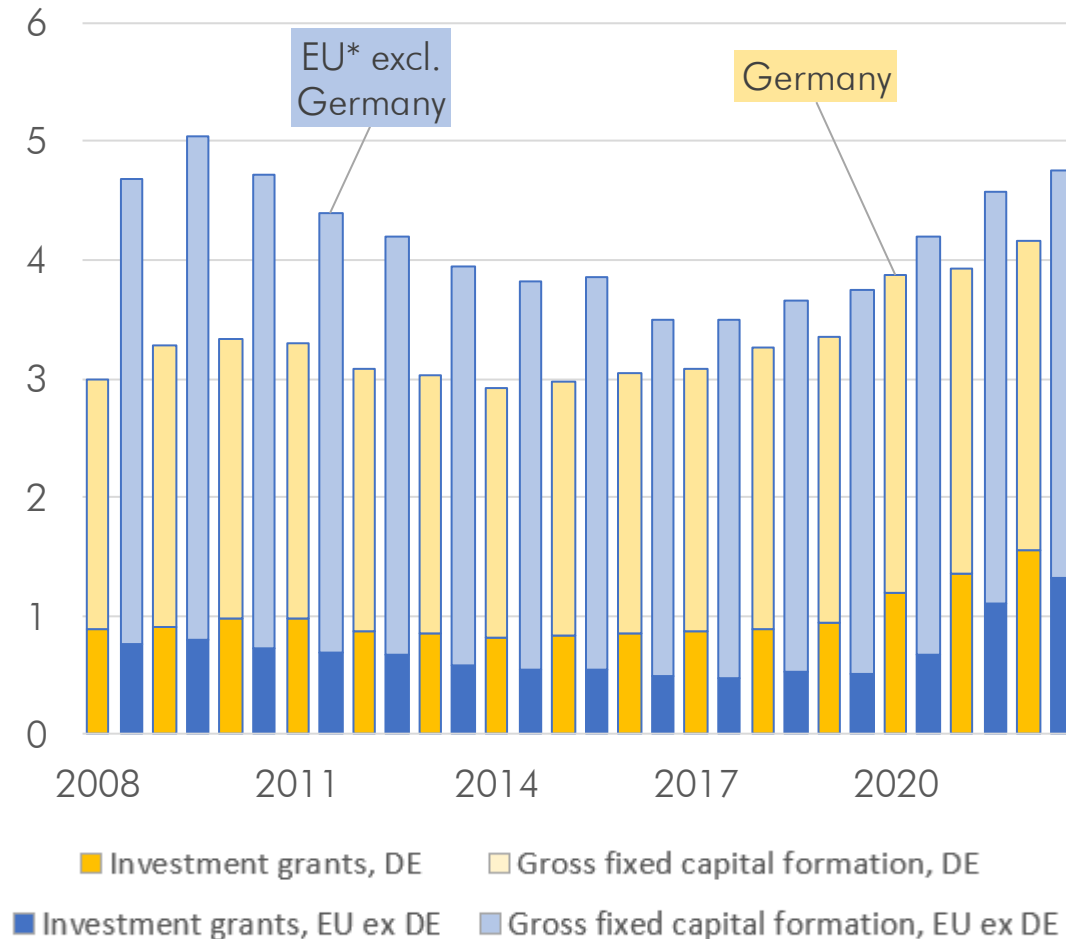
German real investment by institutional sector
Percent deviation from Q4 2019



Source: EIB, based on Eurostat. Last data 2023Q3. * EU excluding Ireland.

Public investment and investment grants play a role, in Europe and Germany

Components of EU* public investment
Fixed investment and investment grants, % of GDP



Public physical investments and grants to households and corporates have increased.

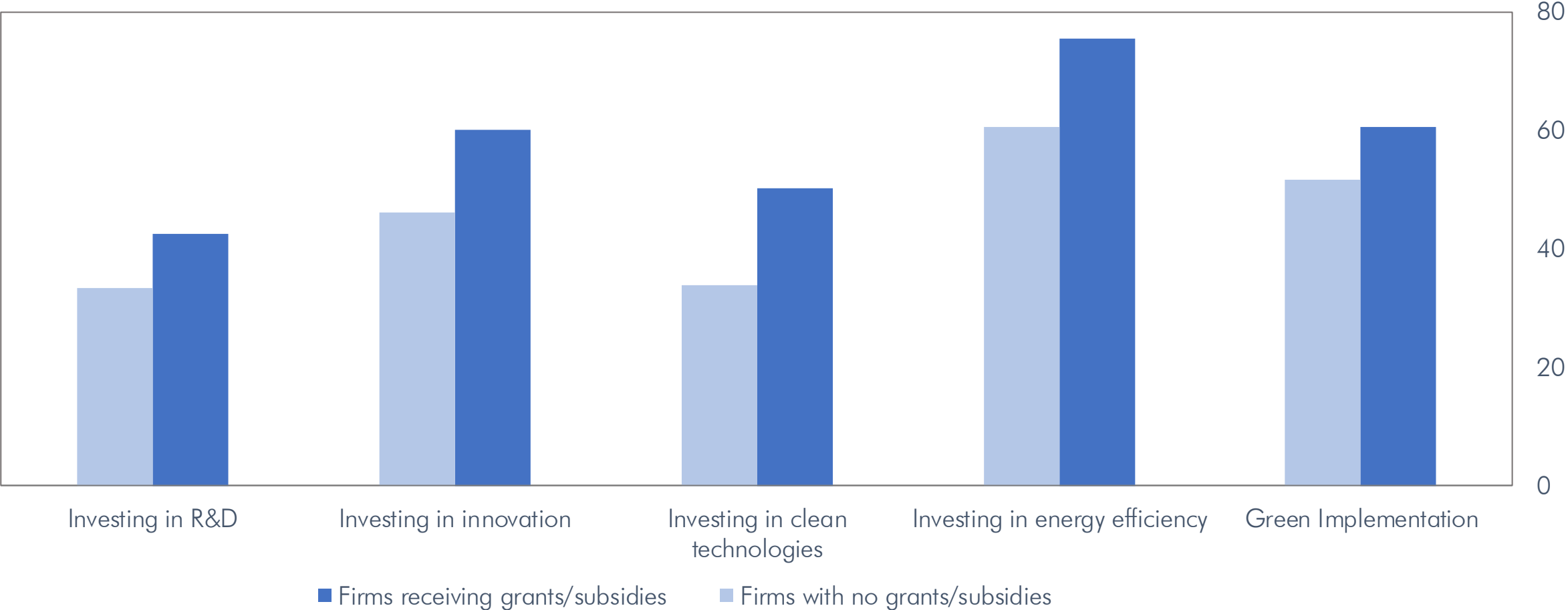
Large investment subsidies in Germany (2023e):

- Energy efficient buildings: 17bn EUR
- Electric vehicles, charging infrastructure: 5bn EUR
- Digital infrastructure: 2.5bn EUR
- Decarbonisation of industry: 3bn EUR

Sources: LHS: EIB, based on Eurostat, * EU excluding Ireland and Bulgaria. RHS: EIB based on estimates for financial aid (excluding tax advantages) by the German federal government provided in the "Report of the Federal Government on the development of federal financial aid and tax concessions for the years 2021 to 2024 ([29th Subsidy Report](#))". "Energy efficient buildings sums" refers to measure 131 in that publication, "Electric vehicles" sums measures 86, 117, 124 and 125, "Digital infrastructure" 87-89, and "Decarbonisation of industry" 31 and 84.

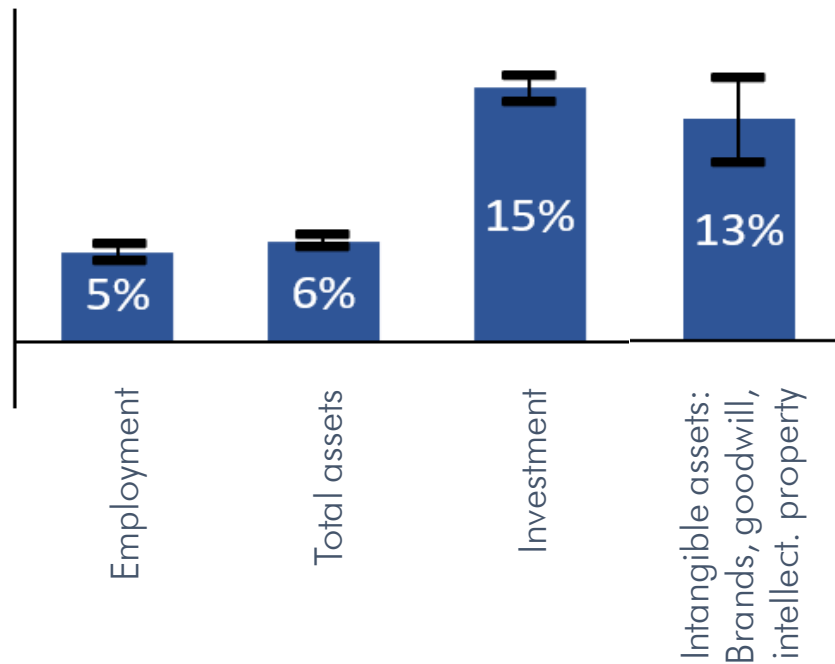
Grants and subsidies stimulated firms' investment

Investment of EU firms, conditional on support received
% of firms undertaking the investment



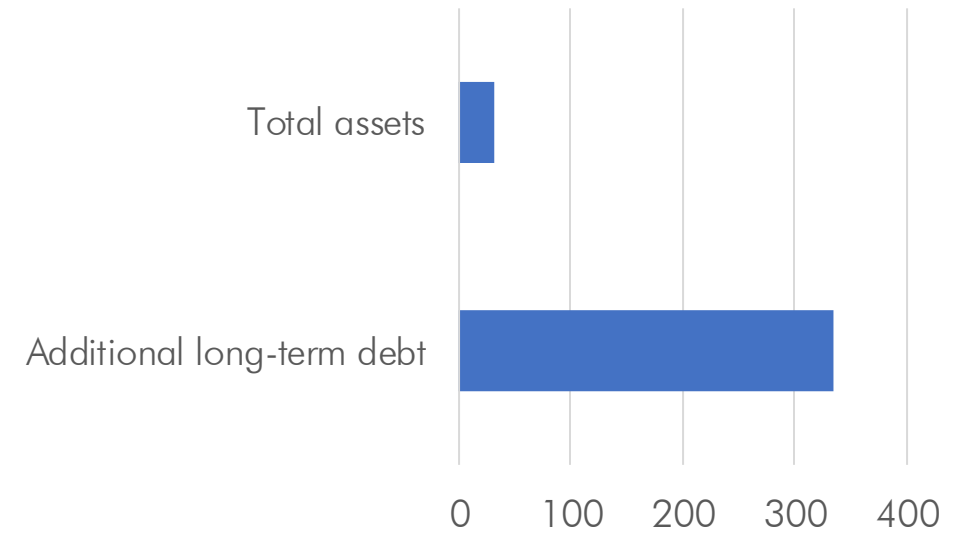
Loans by the EIB supported investment and growth of finance-constrained firms

Impact on EU SMEs of receiving loans funded by the EIB
(% growth relative to peer group without EIB financing)



Note: Estimated effects for recipients of EIB intermediated loans relative to a control group of firms that did not receive EIB loans, three years after the firm received the loan. Whiskers represent 95% confidence intervals. For more information see Sinnott et al (2023), "Impact assessment of the EIB's intermediated lending to businesses".

Impact on small EU firms of receiving EIB venture debt
(% growth relative to peer group without EIB financing)

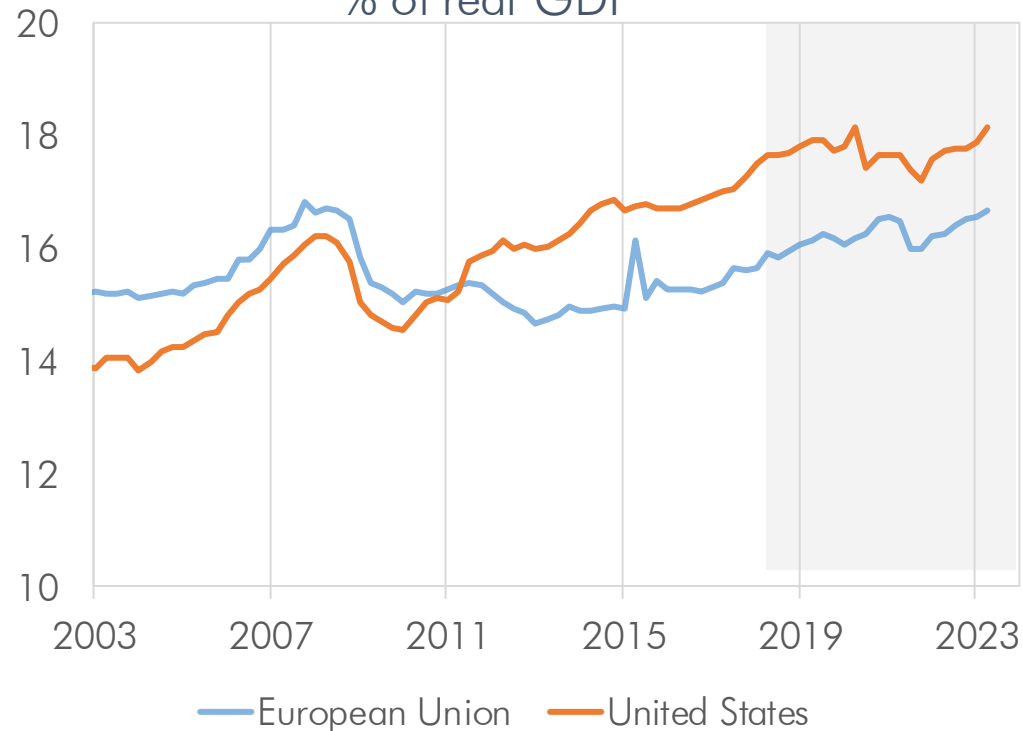


Note: Estimated effects for recipients of EIB venture debt relative to a control group of firms that did not receive EIB venture debt. For more information see Gatti et al (2022), "Impact assessment of EIB venture debt".

At the time of structural transformation, investment needs are sizable

Machinery and Eq, Intangibles and Infrastructure Investment

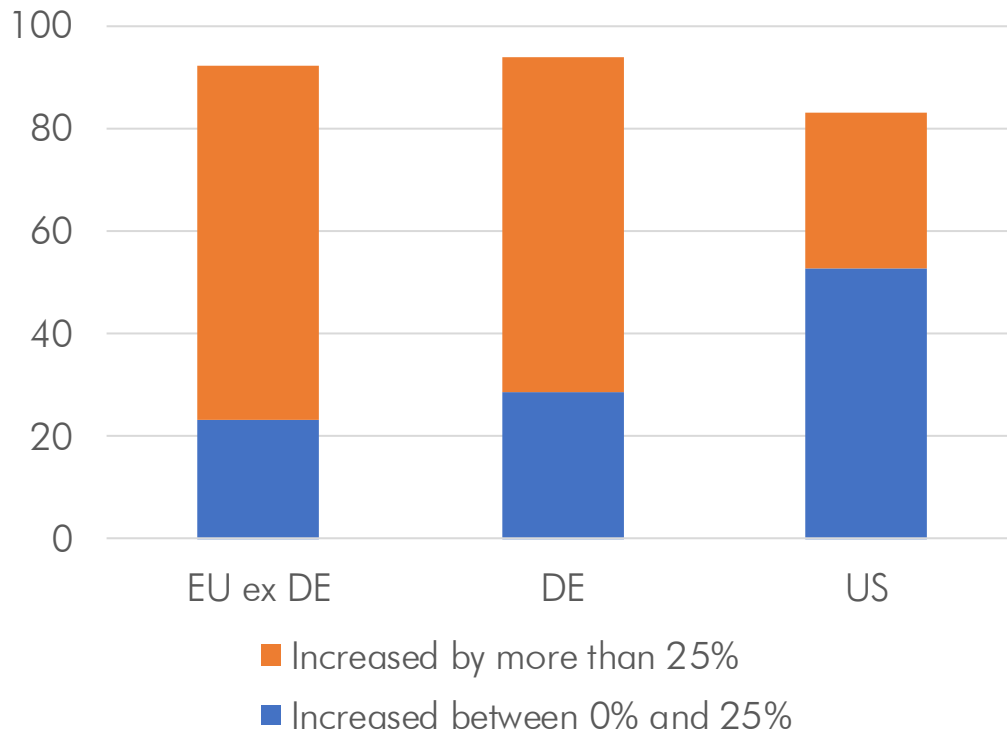
% of real GDP



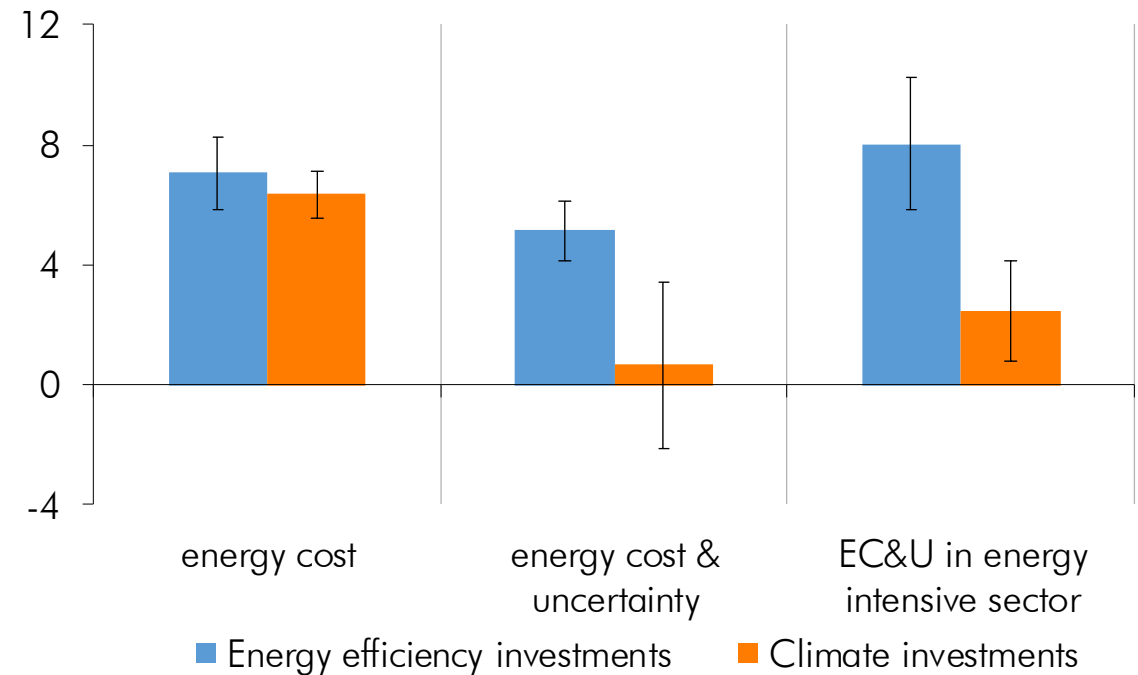
- Accelerating the energy and digital transitions
- Stepping up innovation and the adoption of new technologies
- Building resilience in a deglobalizing world
- **Revamping skills** – Address skills shortages and update those of existing workers for better green/digital jobs
- **Transforming in the context of a changing and ageing society** – Support skills development, social infrastructure and cohesion

Decarbonisation needs clear policy guidance

The energy shock was particularly acute in Europe
(% firms)



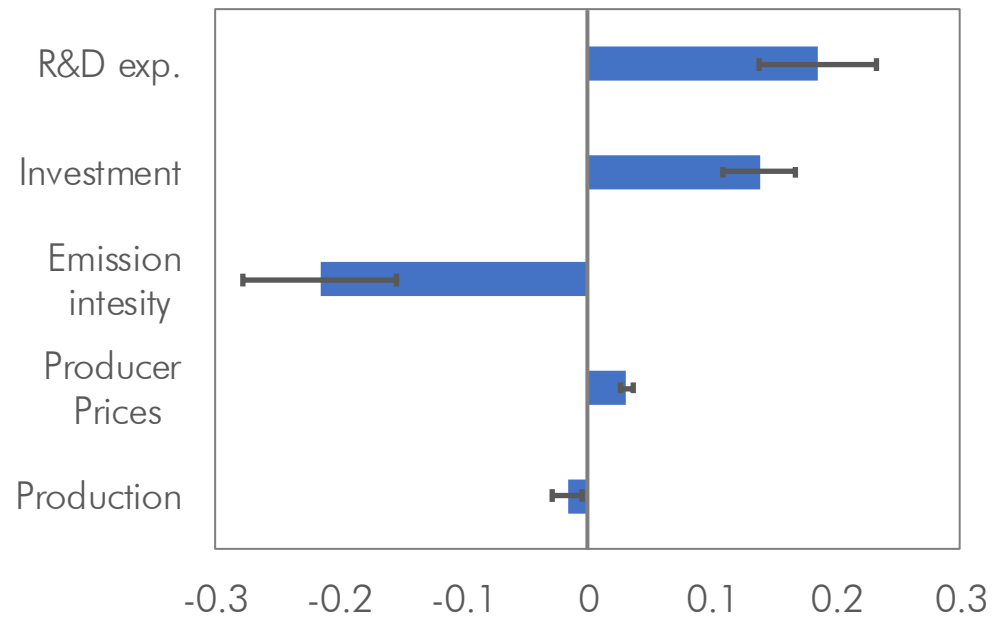
High energy costs encourage green investments
but uncertainty hinders it
(change in probability of investing, pp)



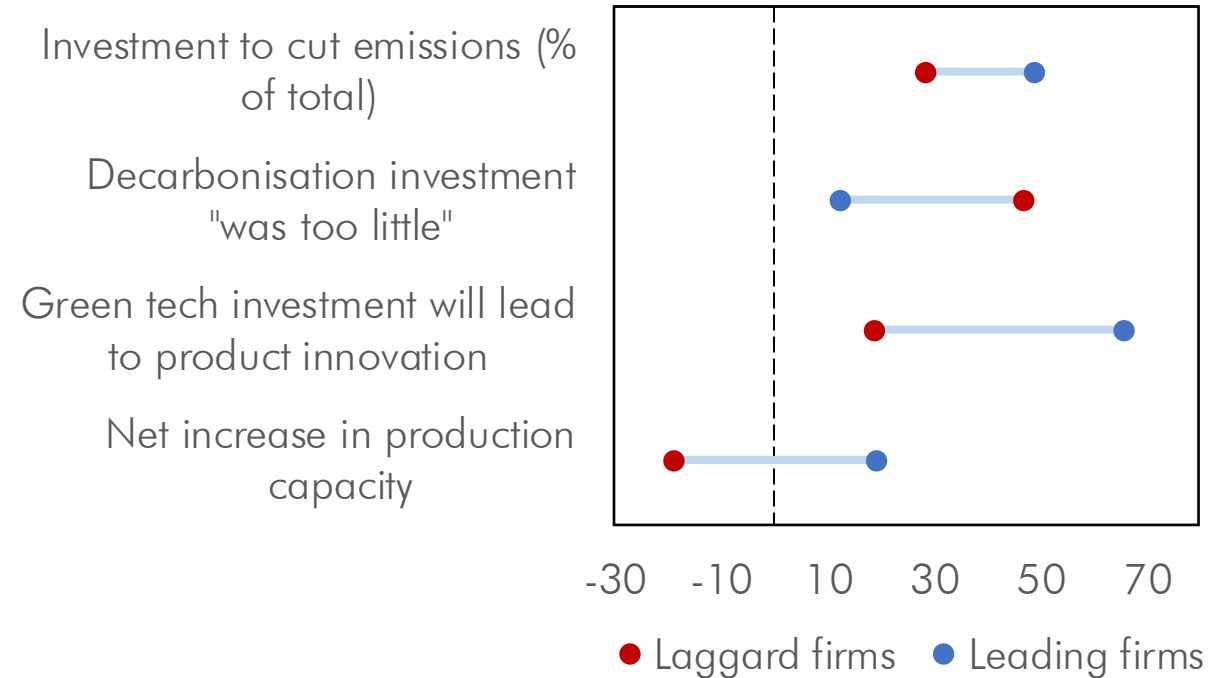
Note: Marginal effects of major concerns regarding energy costs and uncertainty on the probability of investing in energy efficiency or in climate, by energy intensity, after accounting for country, sector and size effects. Whiskers represent 95% confidence intervals. For more information see Kalantzis et al (2023).

Progressive tightening of ETS is effective but a decarbonisation divide emerges between firms

Higher costs of CO₂ emissions
prompt decarbonization and transformation
(impact of a 1% increase in certificate prices, in %)



Decarbonisation leaders invest more, innovate more,
and do not reduce their production capacity
(% of firms)

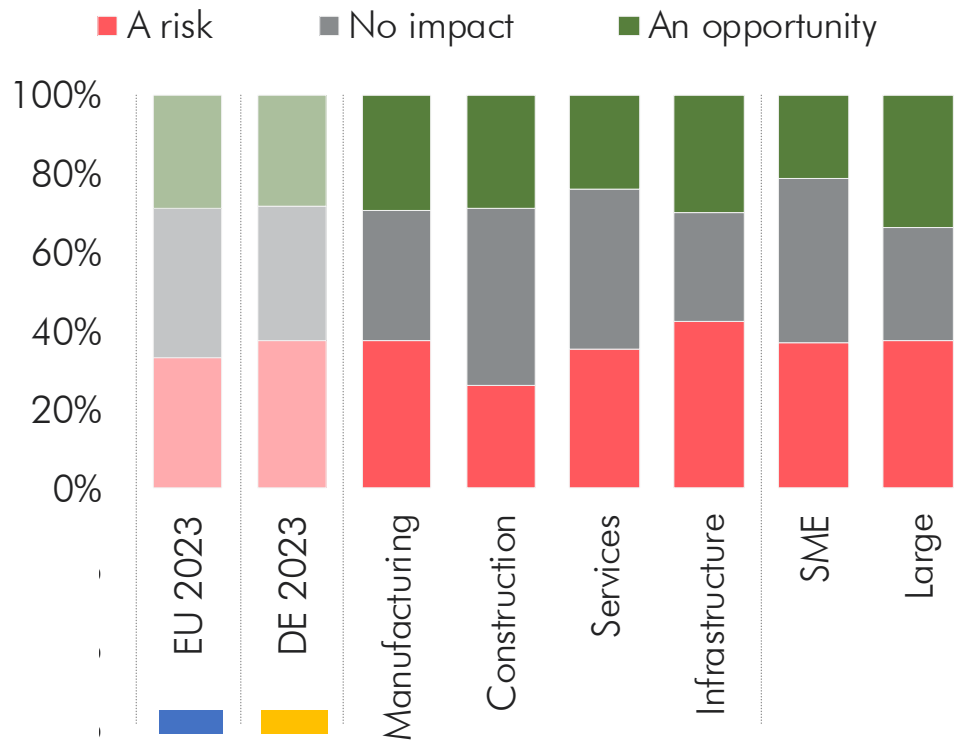


Note: Marginal effects based on panel regressions (2012-2022), taking into account sectorial and country effects, as well as control variables such as value added at factor cost in production value, share of labour and energy prices. See Kalantzis et al (2023).

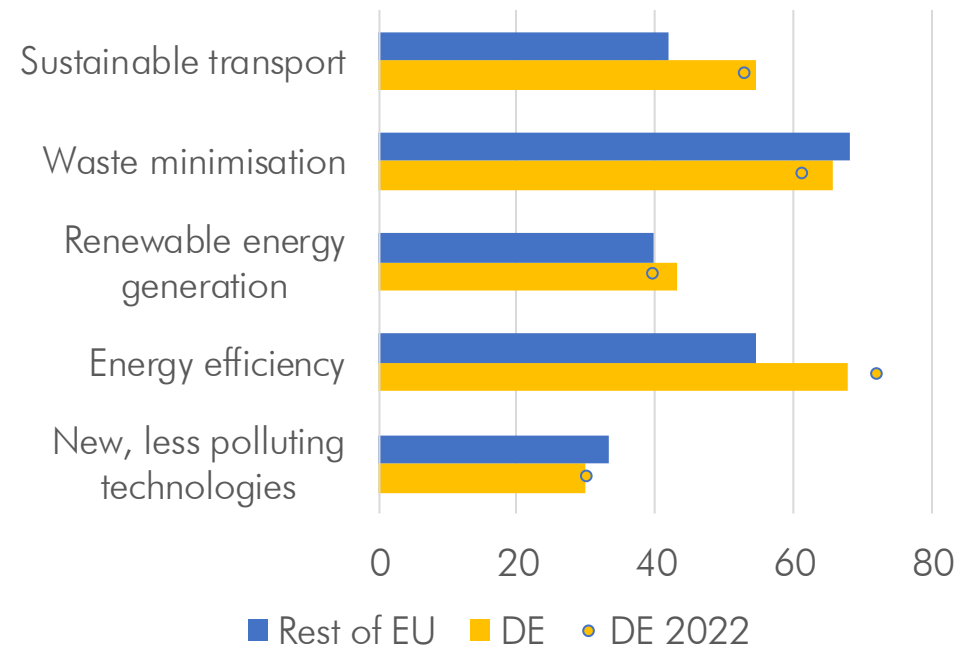
90% of firms see price and regulation uncertainty as the main impediment to invest in green technologies

More German firms see the green transition as a risk rather than an opportunity

Perceived impact of the transition to a net zero economy
% of firms



Investments to slow climate change
Share of firms taking the specified measure (%)

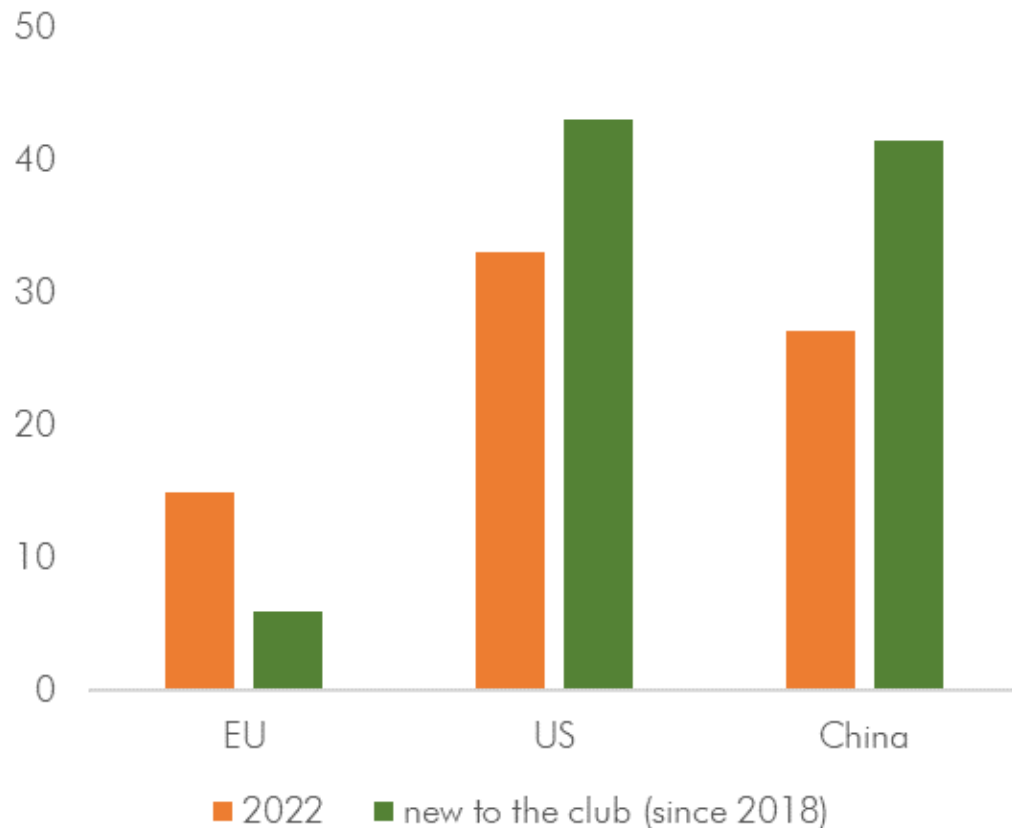


Source: EIBIS 2023.

Support to innovation remains crucial

Leading innovators

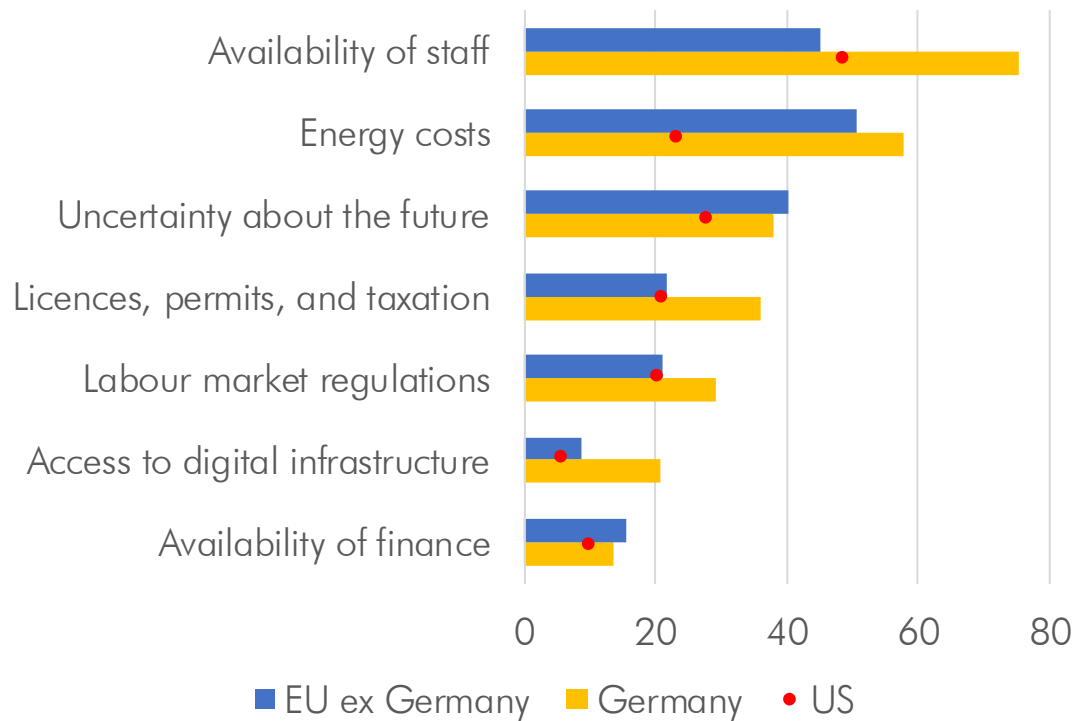
Top 2500 world R&D spenders and new entrants in the group, % of firms



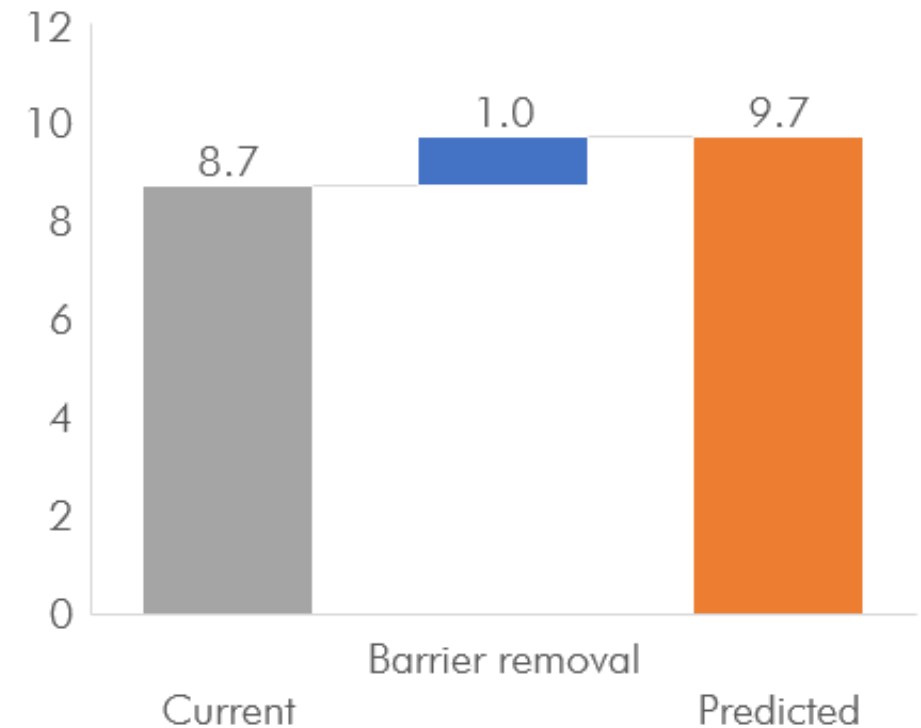
- **Financing gaps** arise at early stage and widen as companies grow
 - Firms have to go through **several rounds of funding** in the growing phases
 - **European funds and capital markets do not have the scale** to support companies' growth
 - **Skill shortage** another key obstacle to grow
- Advancing the **Capital Markets Union** remains a priority

Improving the business environment remains key for German firms

Major long-term barriers to investment
% of firms



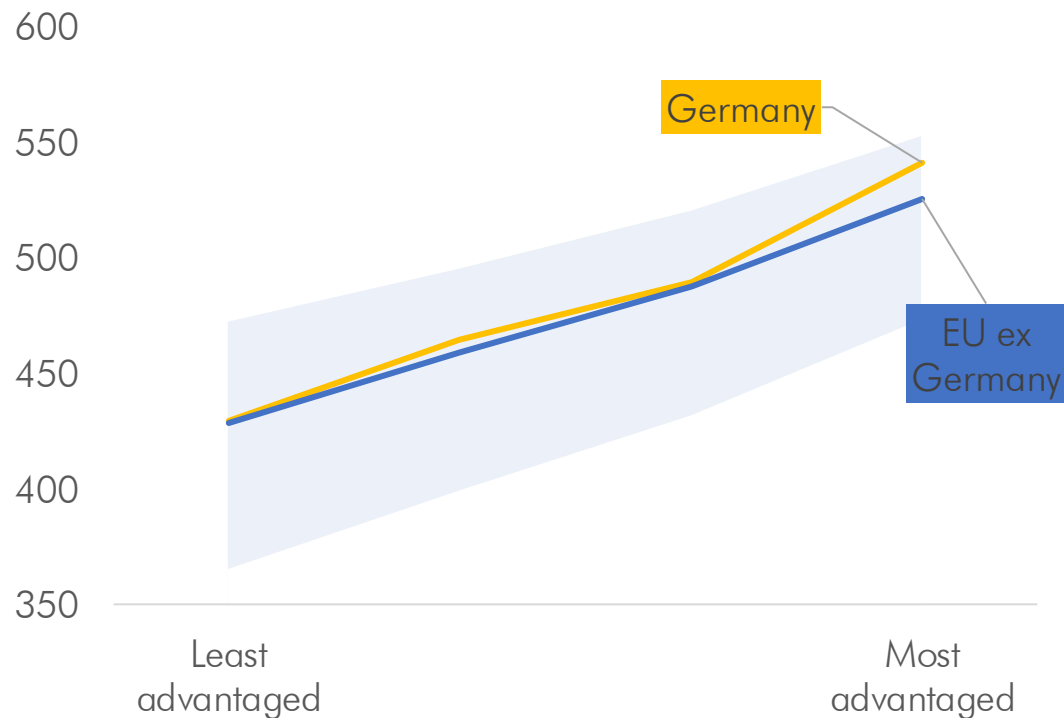
Firms' investment rate and predicted effect of removing major barriers
Average investment intensity pp



Sources: LHS: EIBIS 2023. RHS: EIB Investment Report, based on a regression of the investment rate on the number of investment obstacles that a firm describes as major. The blue bar shows the marginal increase in the investment rate if a firm describes one less investment obstacle as major. For details, see EIB Investment Report 2023/24, chapter 4.

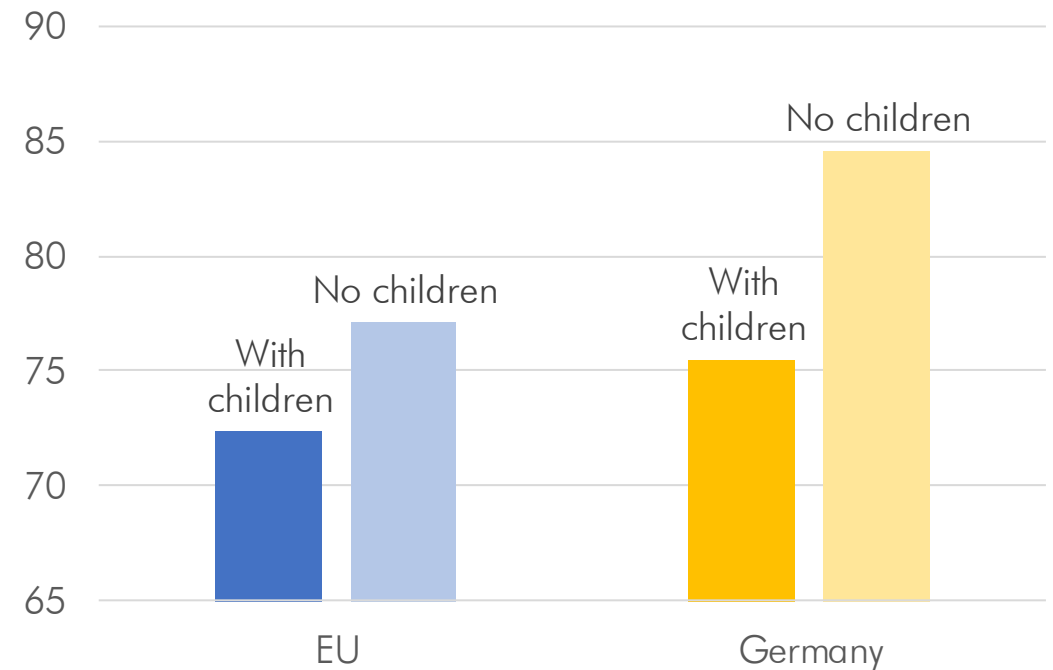
Investments in social infrastructure, such as schooling and child care, could help close the skills gap

PISA mathematics scores of 15-year olds by their families' socio-economic background



Source: EIB based on OECD (2023). Note: The lines show the mean 2022 PISA scores for mathematics for different quartiles of the country-level distribution of the PISA index of economic, social and cultural status (ESCS). The shaded area is bounded by the highest and lowest score across EU countries (excluding Germany) for the respective country-level quartiles.

Share of women employed with and without children (% , aged 25-54)



Source: EU LFS 2022 Add-on. Data for 2021.

Transforming our economies to make them more competitive

- To remain competitive, we need to accelerate transitions
- To succeed we need to:
 - Ensure clear, stable incentives for decarbonisation
 - Deploy catalytic instruments and focus incentives on where they are most effective, such as scale-up finance for innovation
 - Complete the EU single capital market to make it easier for private investors to finance green investments at scale
 - Competitiveness also requires building skills and strengthening social cohesion!