



“From recovery to sustainable growth”

2017-2018 EIB Investment Report

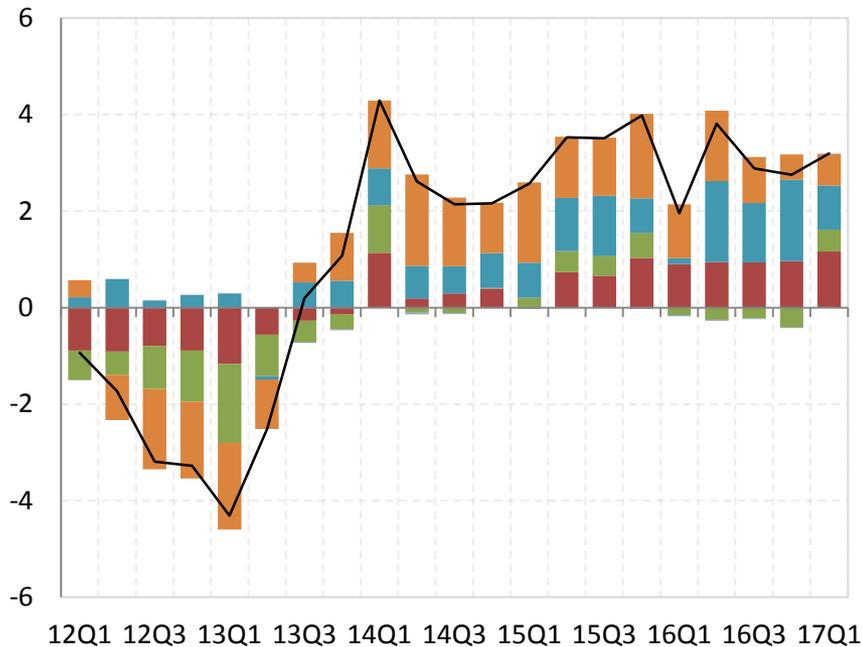
EIB Annual Economics Conference, 23 November 2017

2017-2018 EIB Investment Report: Key messages

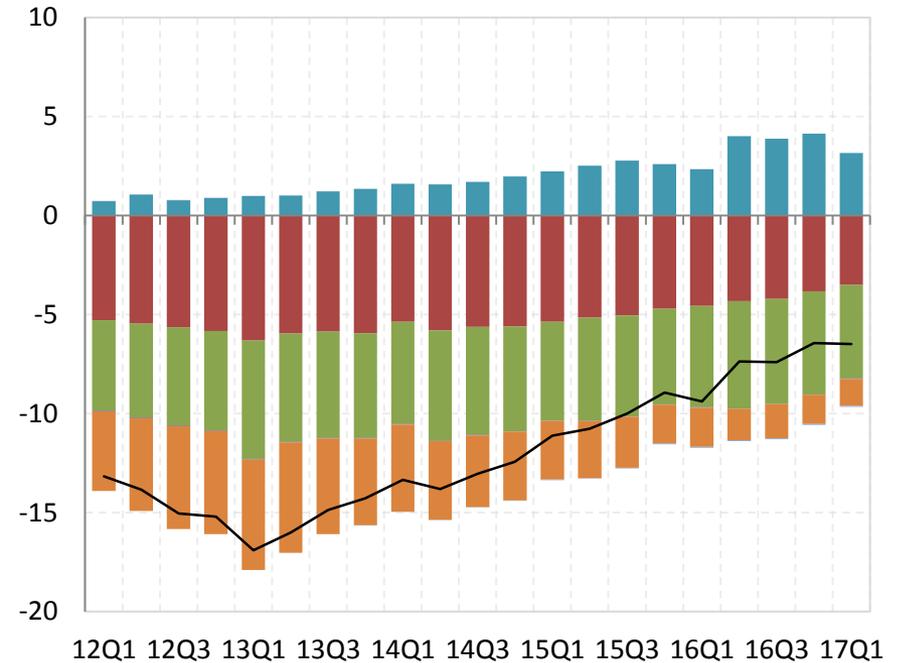
- Investment recovery, but no time for complacency
- Important structural challenges remain:
 1. Infrastructure investment
 2. Business competitiveness
 3. Climate change investment
 4. Access to finance
- Targeted structural policies very much still needed
 - EU, EIB, EFSI, National level

Investment recovery, driven by machinery and intangibles, and widespread throughout Europe

Real GFCF, contribution by asset, % yoy

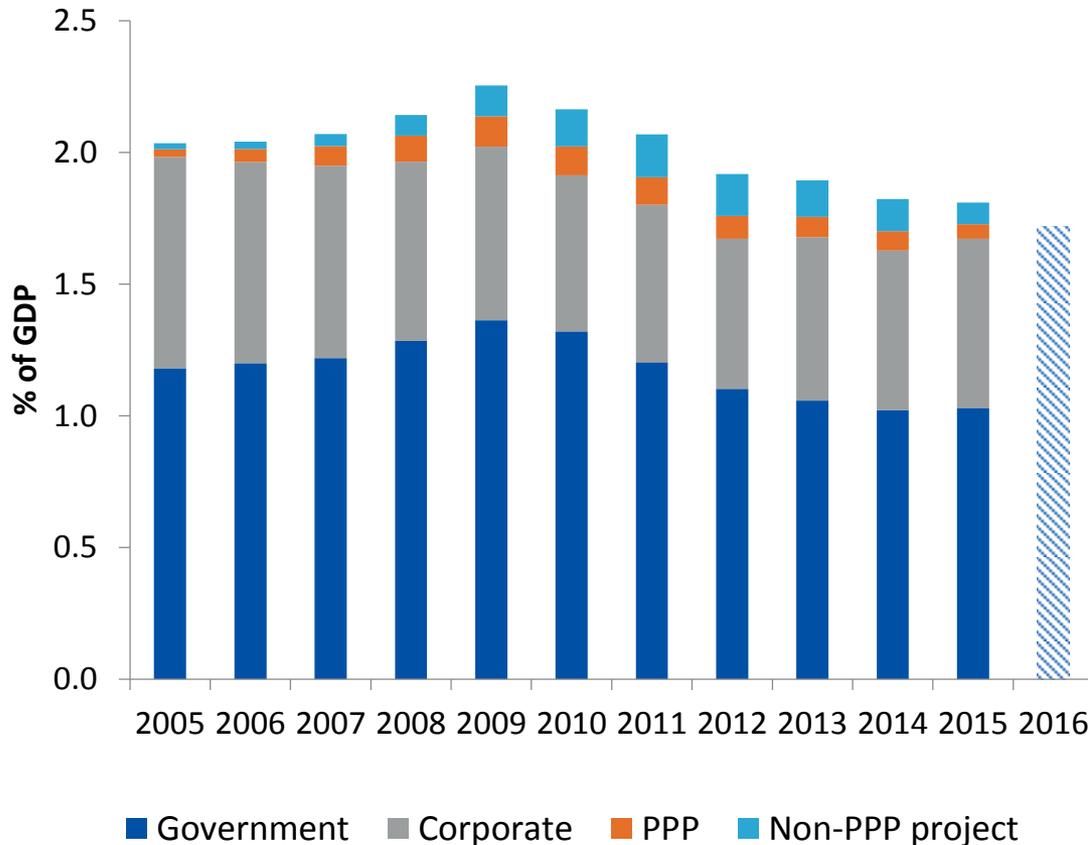


Real GFCF, contribution by asset, % relative to 2008



1. Infrastructure – investment is at low levels

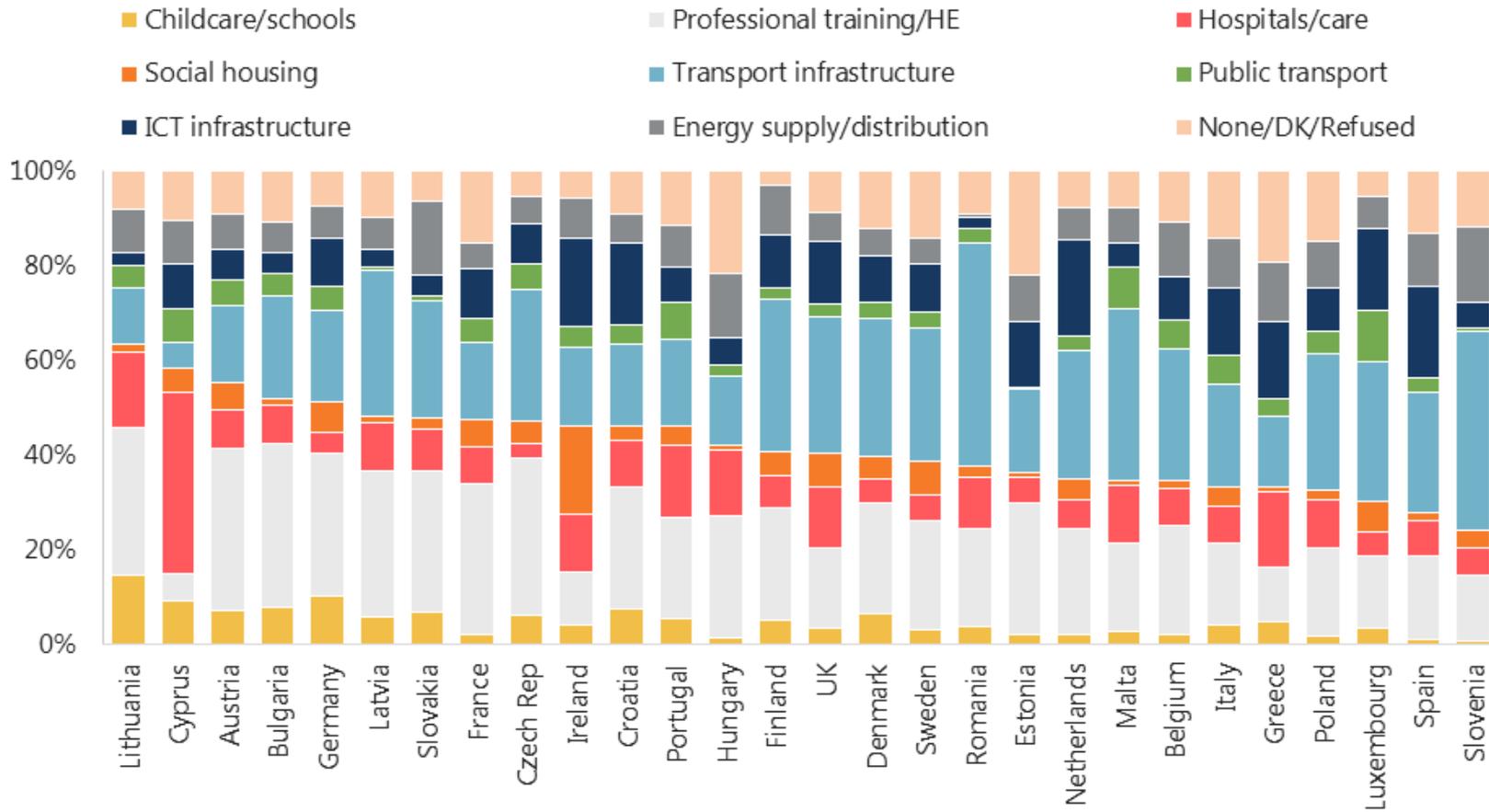
Infrastructure investment over GDP %



- At low levels, with long term social and economic implications
- Infrastructure has been de-prioritized in 21 out of 28 countries – with limited forecasted improvement

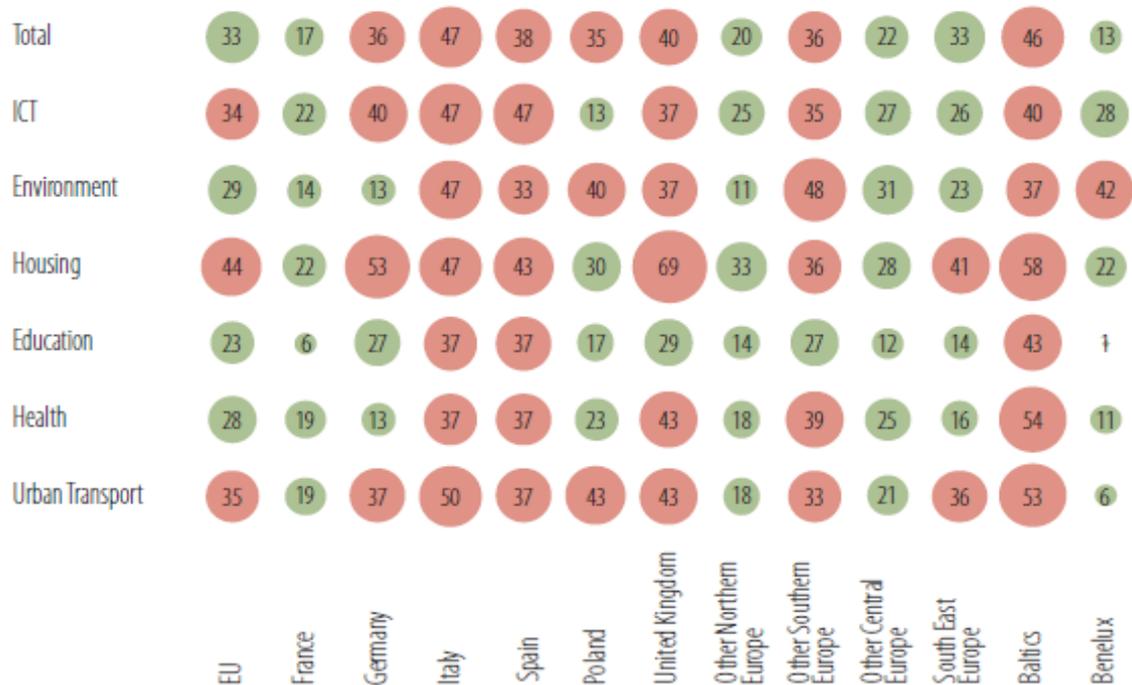
1. Infrastructure – Firms perceive need for public investment

Firms declared public investment priorities



1. Infrastructure – Gaps are perceived by municipalities

Municipalities perceived underinvestment – % net respondents



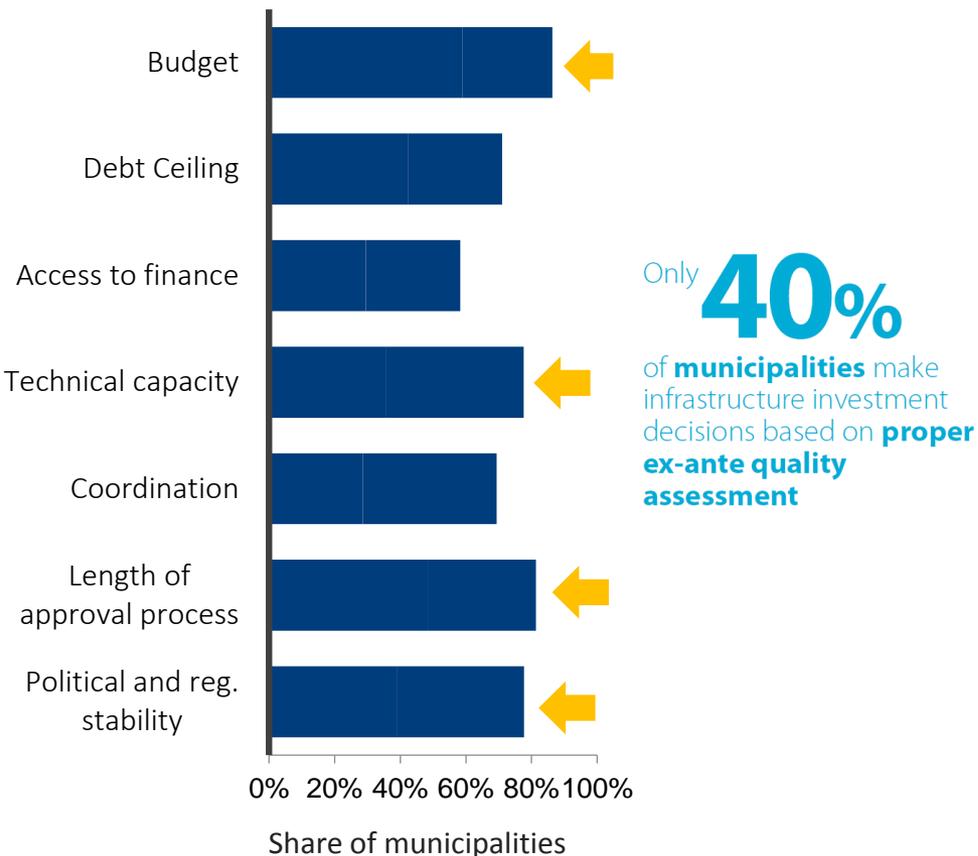
Source: EIB Municipality Survey.

Note: The figure plots the net balance of municipalities that report under-investment by country/region and sector. The number inside each circle states the net balance of municipalities that report under-investment vis-à-vis over-investment for a particular area in a country/region (in %). A red circle indicates a net balance above the median, a green one below the median.

Question: For each of the following, would you say that, overall, past investment in your municipality has ensured the right amount of infrastructure, or led to an under-provision or over-provision of infrastructure capacity?

1. Infrastructure – Policy action calls for re-prioritization, planning & coordination and technical capacity

Municipalities – perceived investment constrains, % respondents

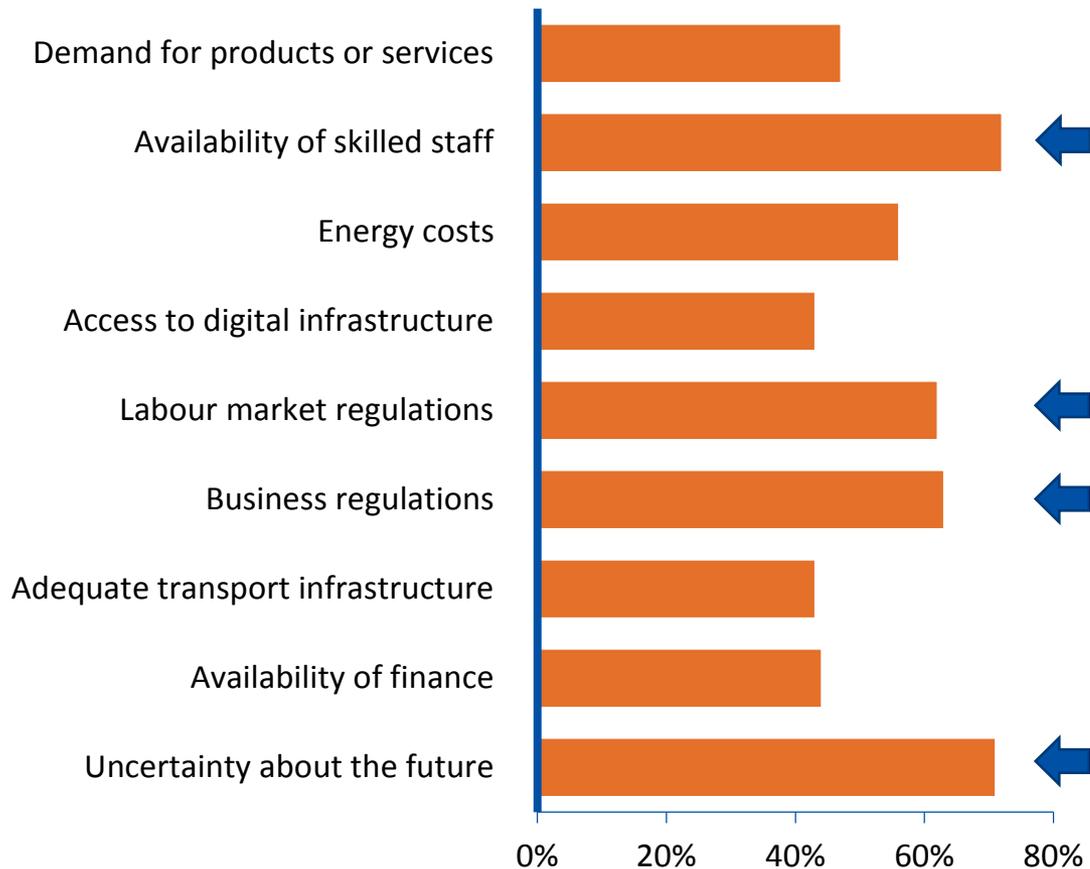


Policy answer

- Re-prioritize – new narrative on relevance of infrastructure
- Planning, coordination and development of technical capacity
 - EU, National and Sub-National level
- Debate on fiscal space to go hand in hand with proper re-prioritization, planning & coordination and improvements in technical capacity

2. Business Competitiveness - Improving the business environment

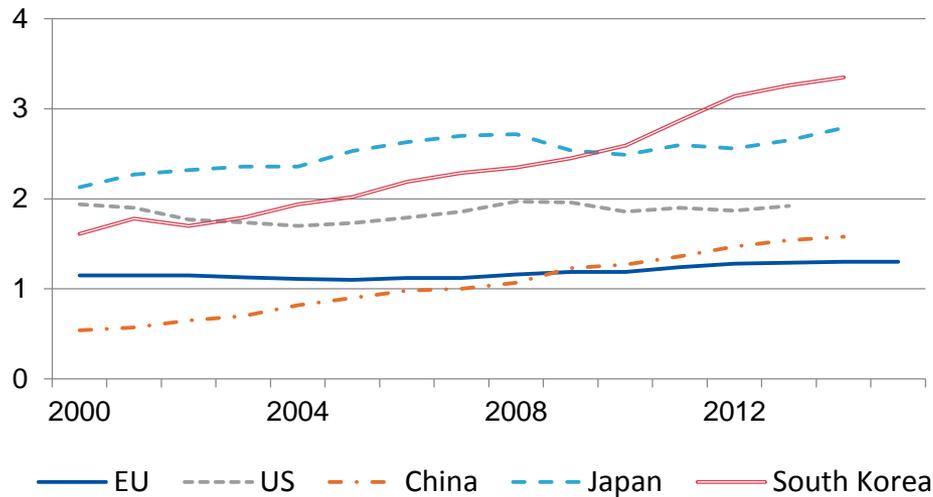
Impediments to investment – % firms



- Differences by country and sector
- Impediments are impacting efficient allocation of resources, firms' capacity to react to uncertainty and innovation

2. Business competitiveness - Intangibles, innovation and skills

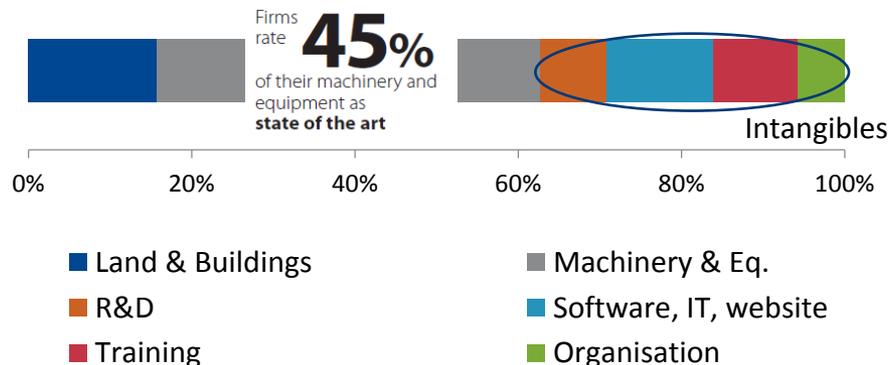
Business R&D Investment over GDP %



Policy answer

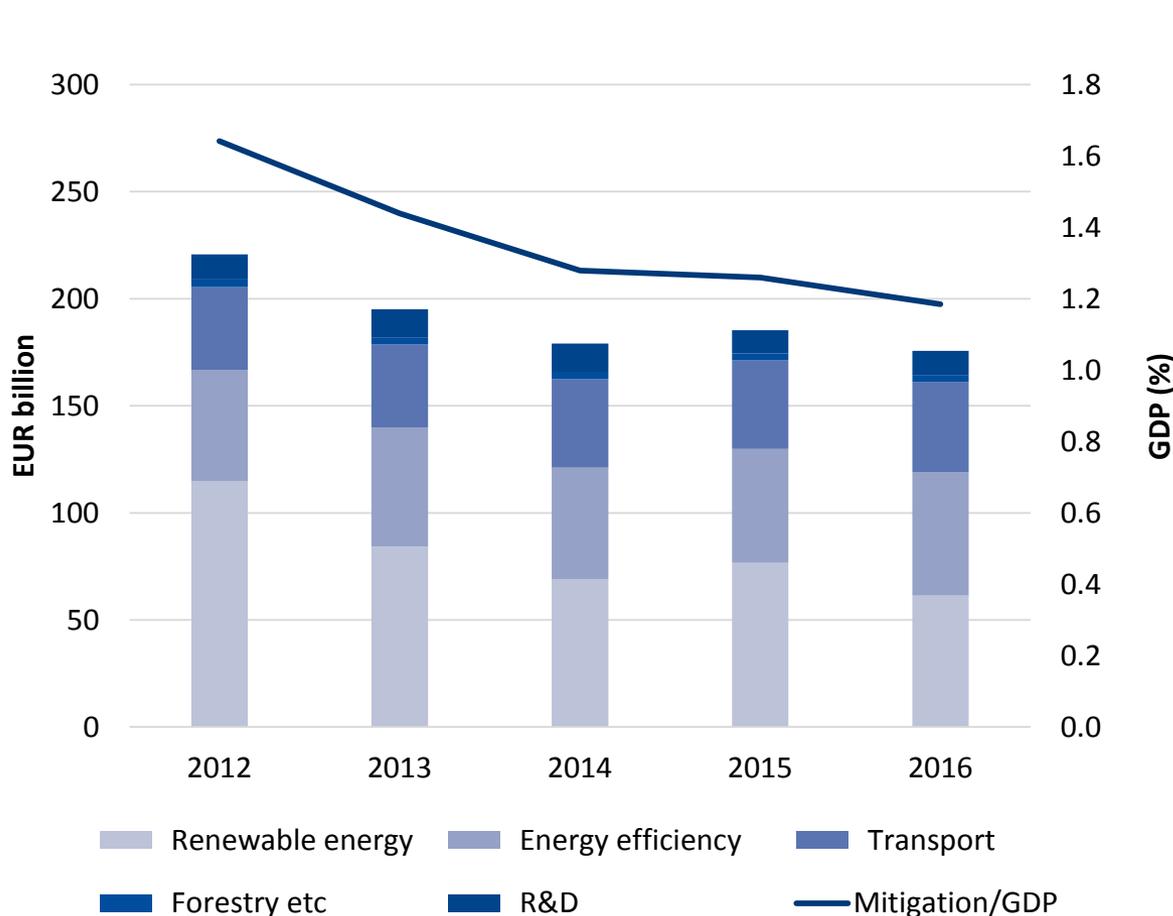
- Business environment improvement remains crucial
- Not only innovation, but also adoption of new technologies
- All intangibles are important, while policy action mostly targets only R&D
- Skills

Firms investment composition - EIBIS %



3. Climate Change Mitigation – More investment to deal with future targets

European CCM investment, EUR bn and % GDP

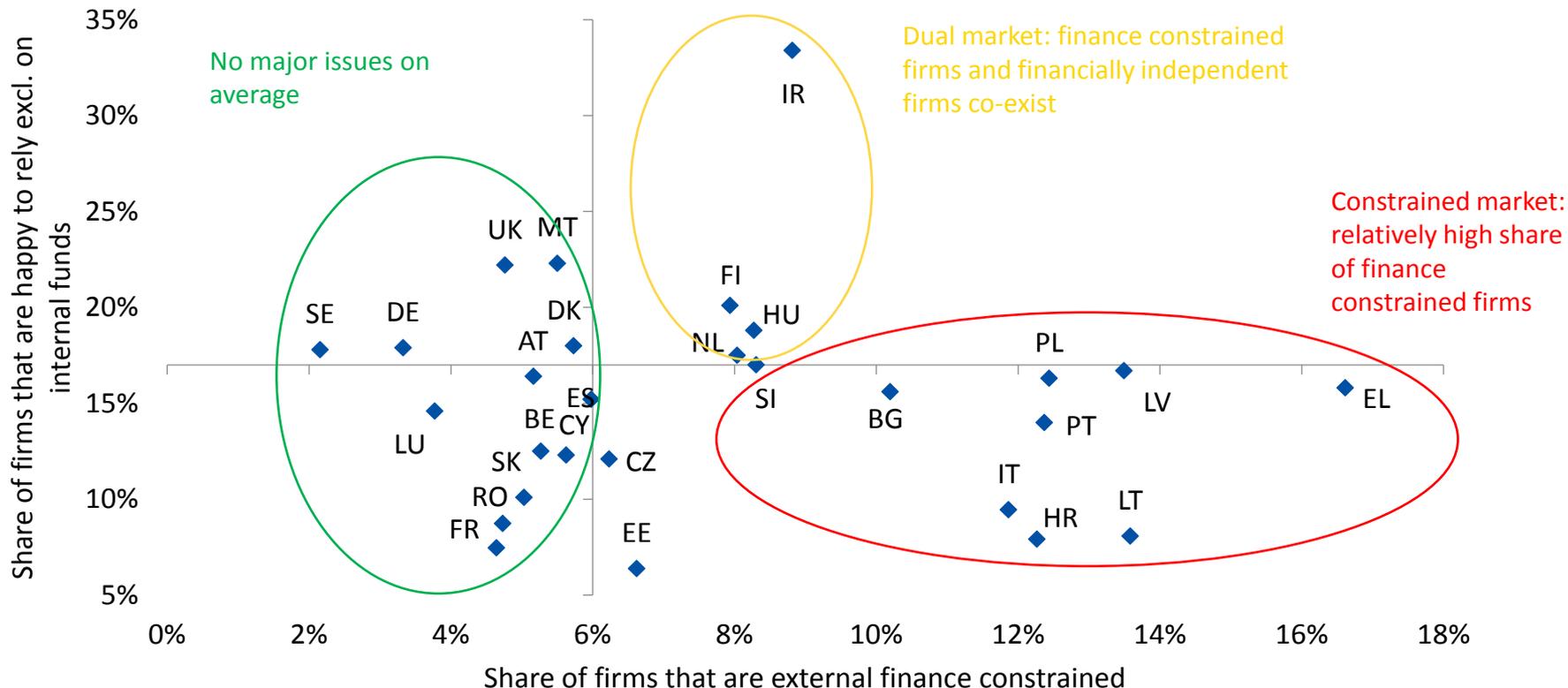


Policy answer

- Ok for 2020 targets
- CCM investment will need to increase to reach the EU's 2030 environmental targets

4. Access to finance – a problem for some

Financing cross – share of firms happy to rely on internal finance and credit constrained firms



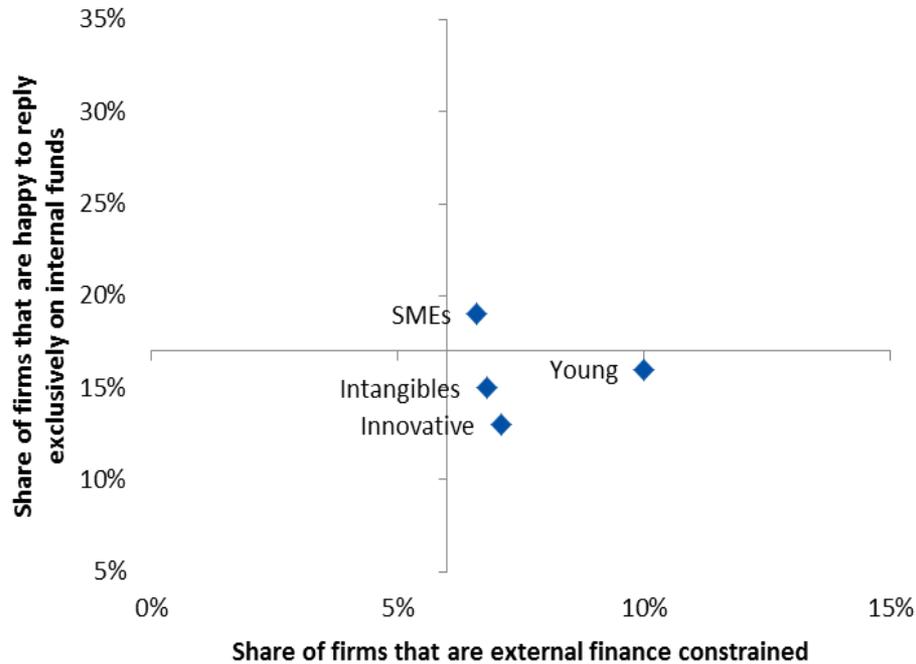
Base: All firms

Question: Data derived from the financial constraint indicator and firms indicating main reason for not applying for external finance was 'happy to use internal finance/didn't need finance'.

Financial Constraint indicator include: firms dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged) Source: EIB Investment Survey

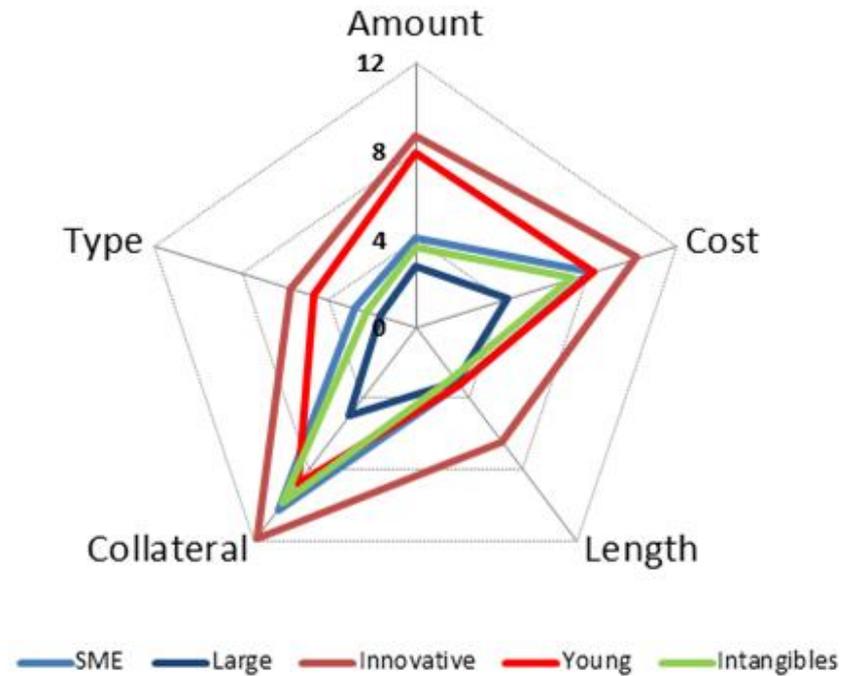
4. Access to finance – dissatisfied firms

Financing cross – firms happy to rely on internal finance and firms credit constrained



Base: All firms who invested in the last financial year (excluding don't know/refused responses)
 Source: EIB Investment Survey

Dissatisfaction with access to finance



Base: All firms who used external finance in the last financial year (excluding don't know/refused responses).

Q. How satisfied or dissatisfied are you with?

*INNOVATIVE: firms that allocated more than one third of their investment spent to the development and introduction of new products; processes and services; YOUNG: firms that are younger than 5 years; INTANGIBLES: firms that allocated a relatively large share (+50%) of their investment spent to intangibles.

Source: EIB Investment Survey

4. Access to finance - Targeted policies remain key

Innovative firms and young SMEs are

50%

more likely than other firms to be **credit constrained**

Firms with access to diversified forms of finance can invest more in intangibles

Large firms

2x

more likely **to be innovators** than SMEs

Less than **1%** of firms would prefer **more equity finance**

Policy answer

- Address finance constraints, where they are widespread
- Generally, targeted policies for growth and innovation
- More diversification of financing means
- To have more equity finance (good for the system), incentives have to change to increase demand

Source: Key results of various analytical papers – EIB Investment Report and EIB Investment Survey

Conclusions

- Investment recovery, but no time for complacency
 1. Infrastructure investment
 2. Business competitiveness
 3. Climate change mitigation* investment
 4. Access to finance and finance diversification
- Structural policies needed: EIB, EFSI, National Focus
 - Properly re-prioritize
 - Adequate financing to be accompanied by planning & coordination and technical capacity
 - Business environment and reallocation of resources key
 - All intangibles, not only R&D, crucial
 - Skills, adoption of new technologies and innovation
 - More investment to reach the 2030 targets
- Policies for growth and innovation
 - Diversification of financing means
 - Work on incentives to increase demand for equity

This is the EIB!

