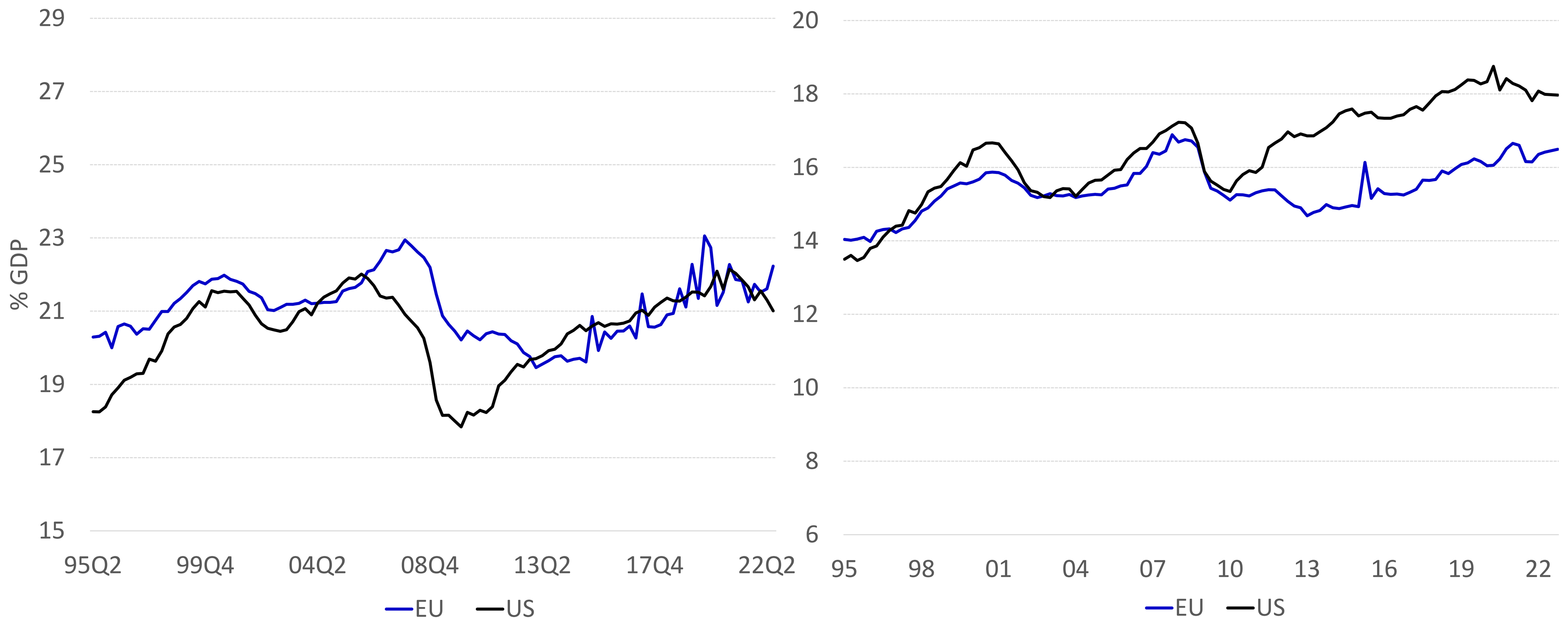
European Investment Bank

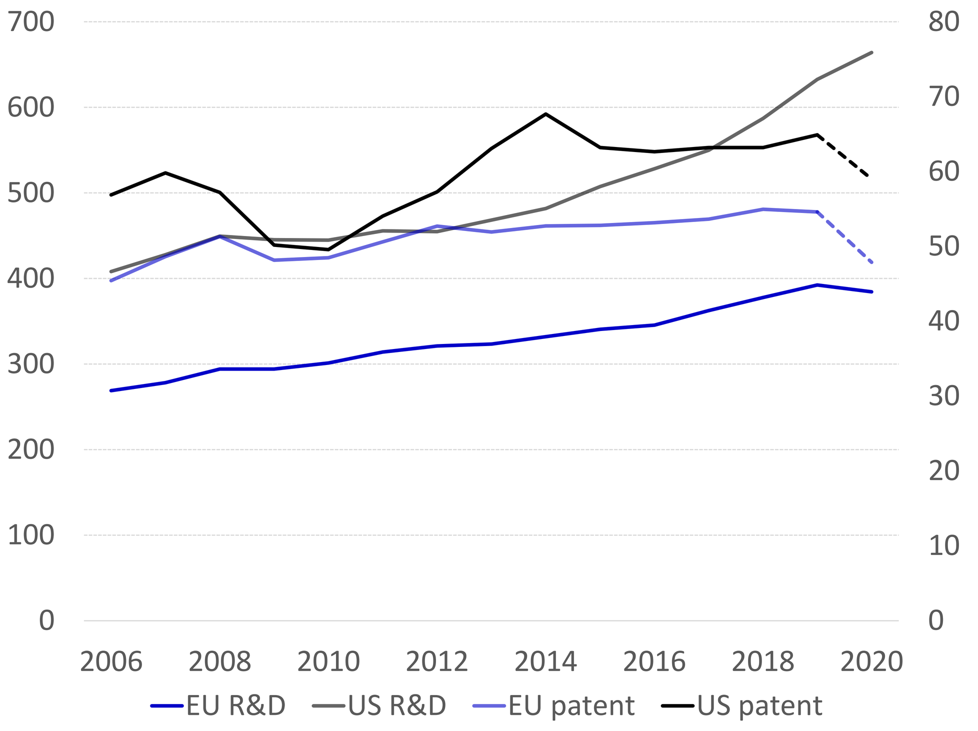
Chapter 2:
Investment in Europe

The European Union trails the United States in productive investment:
Total investment rebounded, driven by investment in buildings and, to a lesser extent, in equipment and innovation. The gap with the US productive investment has persisted for a decade.

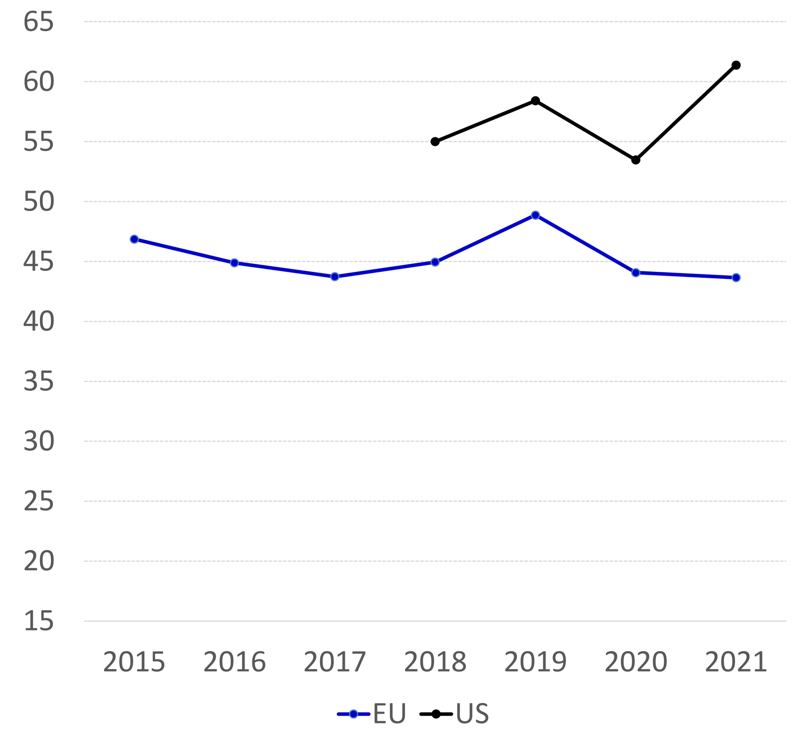


Weaker innovation in the European Union accounts for most of the gap

The European Union trails the United States in research and development (left: USD billion) and patents (right: in thousands).

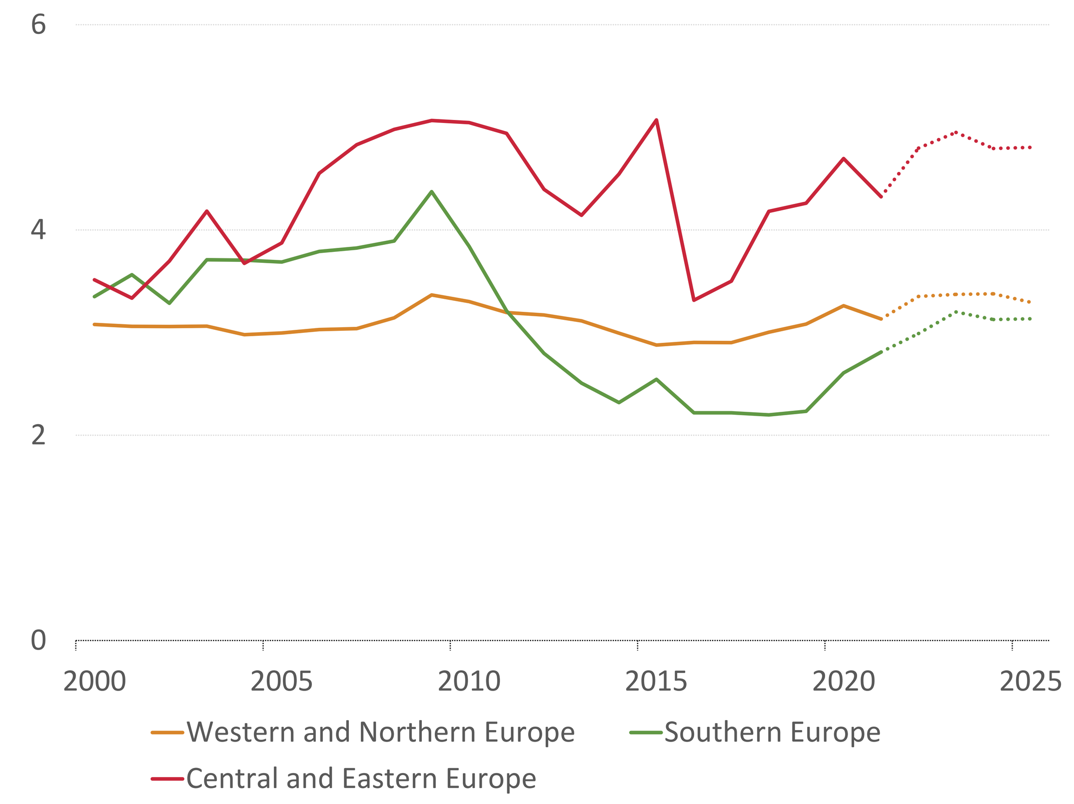


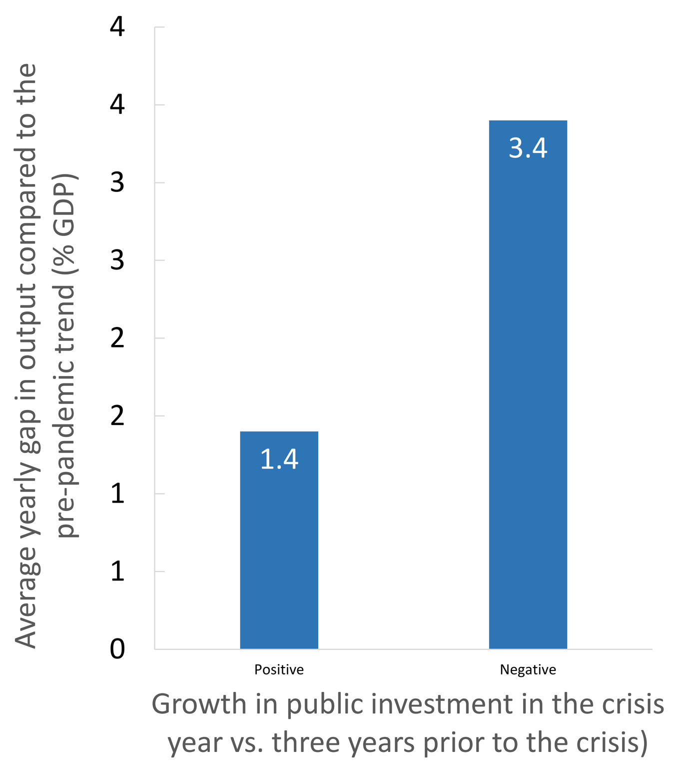
Fewer EU firms invest in innovation (% firms).



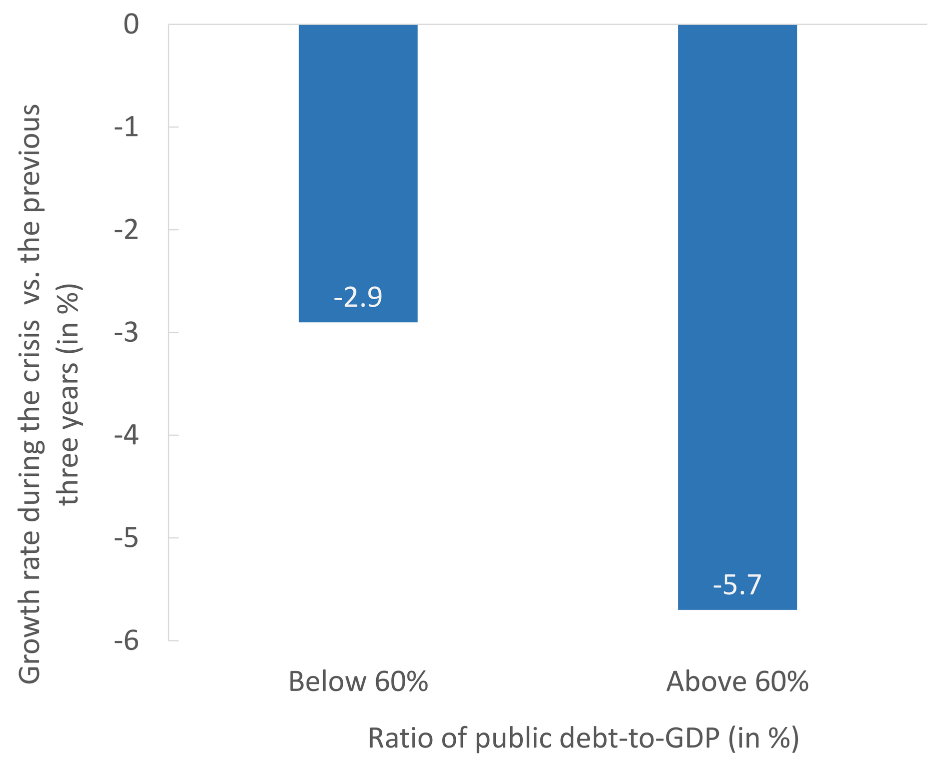
Government investment remained buoyant, supporting private investment and reducing potential economic scarring

The economic expansion (in %) resulting from the suspension of EU budget rules and market support from the European Central Bank





Higher government investment during crises reduces the impact on output in the medium term. But the ability of highly indebted governments to expand investment during crises is constrained.

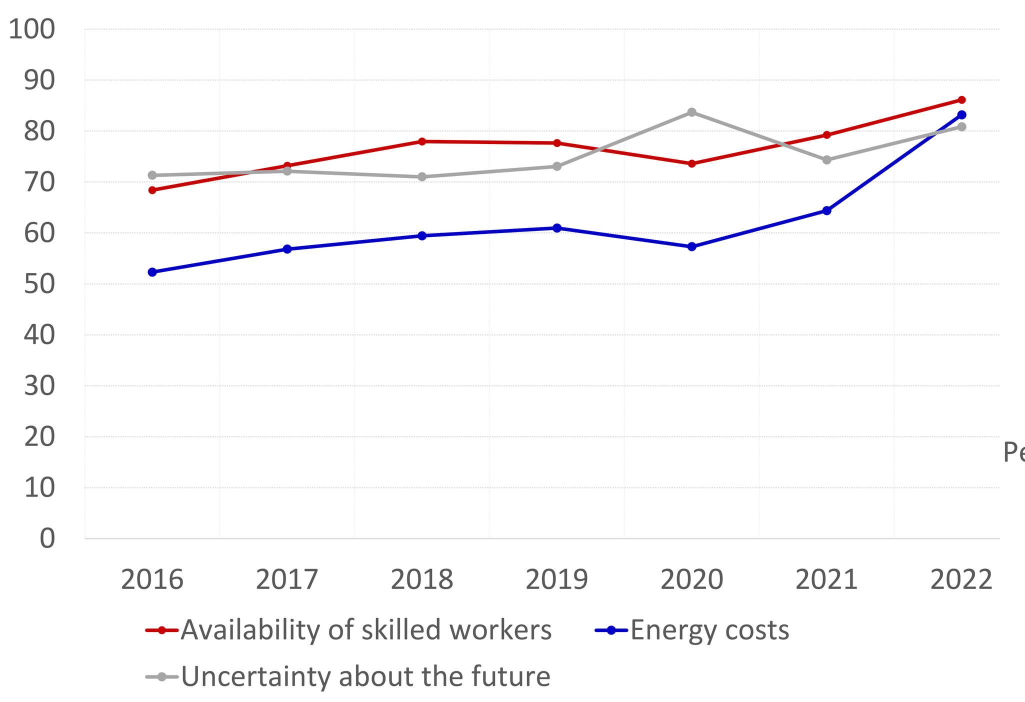


Funds from the Recovery and Resilience Facility, which are available until 2026, represent about 1% of GDP per year.

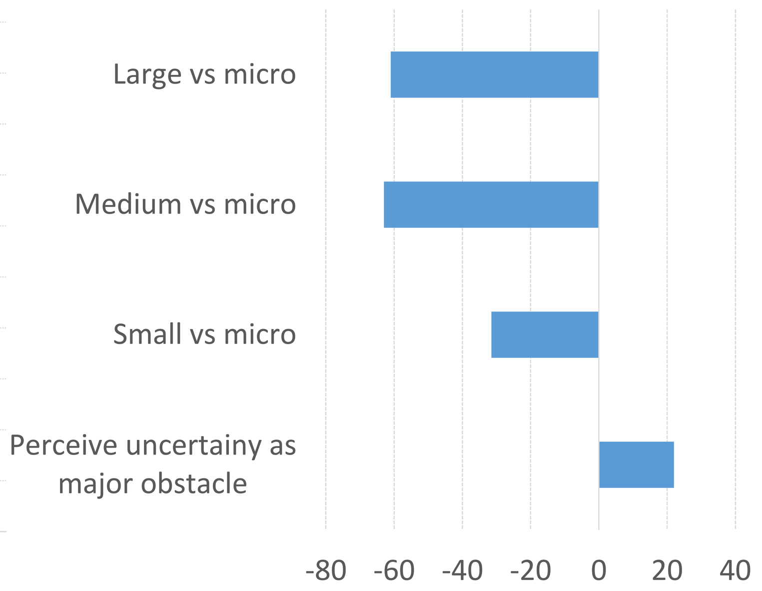
Total annual government investment is about 3% of GDP.

Uncertainty and energy costs are major barriers to investment

Main impediments to investment (% of firms)

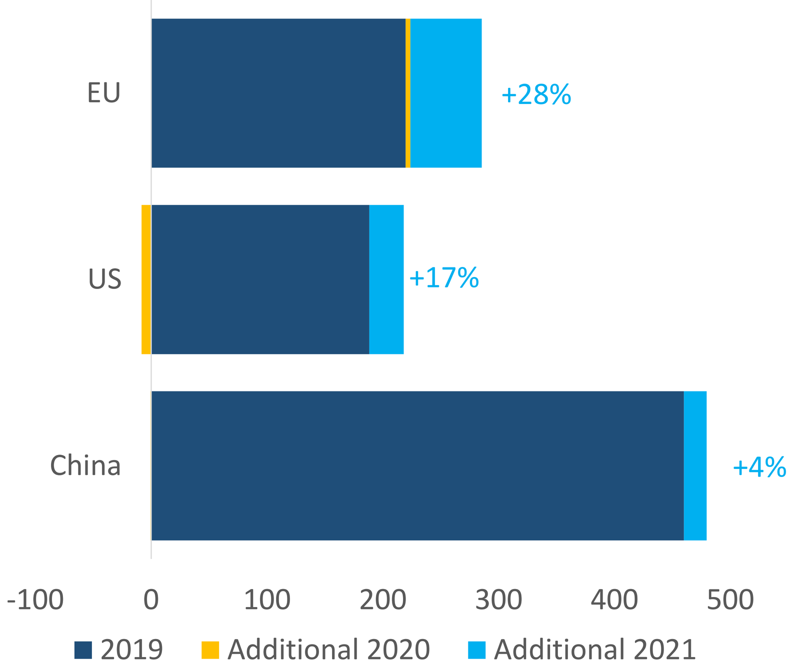


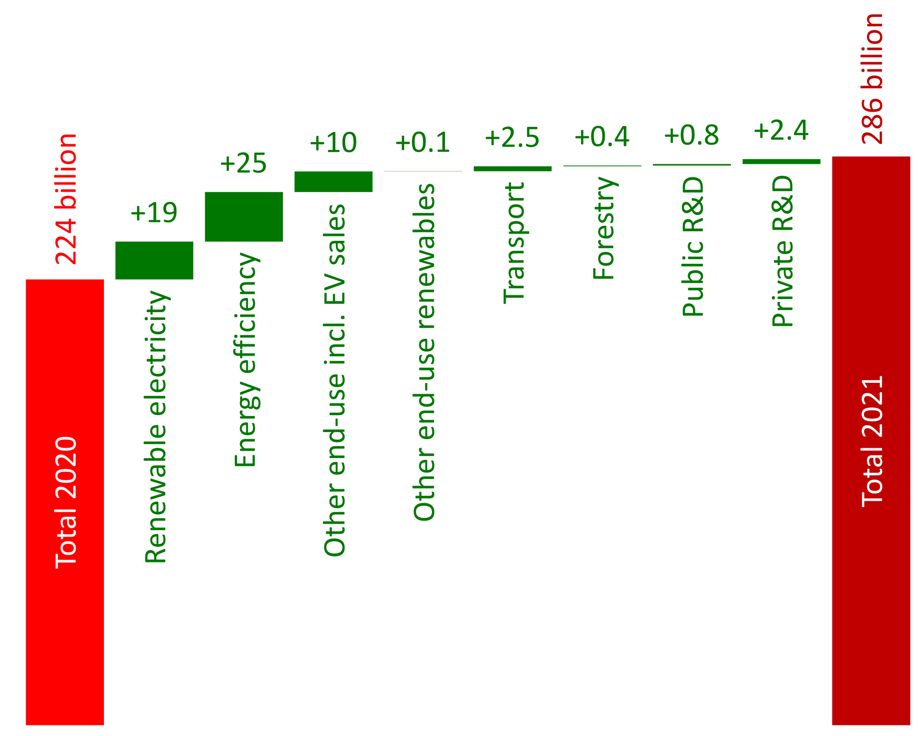
Firm traits influencing the probability of reducing investment (in %)



Investment in climate change mitigation rebounded strongly

EU investment in climate must accelerate substantially to meet targets (EUR billion).





POLICY IMPLICATIONS

→ High uncertainty and deteriorating outlook, along with a rapid increase in energy prices and inflation, require policies that focus on investment, at the national and EU level.

→ Reinstating the EU fiscal rules in 2023 might put pressure on some of the more indebted countries to consolidate government finances. Making full use of available Recovery and Resilience Facility funds will be crucial, but requires honoring commitments on reforms and addressing investment barriers at the national level.

→ Investment in climate change mitigation, while increasing, falls short of what is necessary to meet ambitious targets. Turning Fit-for-55 — the EU proposal to reduce net greenhouse gas emissions at least 55% by 2030 — into legislation is crucial to spur investment. Furthermore, governments can provide investment support and financial instruments that help reduce uncertainty, while also taking action to reduce investment barriers.

→ Ensuring a well-functioning single market and level playing field is crucial for facilitating investment.

The EIB Investment Report, issued annually by the European Investment Bank, provides a comprehensive overview and analysis of investment and the financing of investment in the European Union. It combines the exploration of investment trends with in-depth analysis, focusing especially on the drivers and barriers to investment activity.

The Investment Report 2022/2023 can be downloaded at https://www.eib.org/en/publications/20220211-investment-report-2022