Chapter 5: Progress on digital transformation

The European Union is closing the digital adoption gap with the United States, but is not well positioned on digital innovation

More than half of firms invested in digitalisation in response to the COVID-19 crisis.

EU firms are accelerating the adoption of new, advanced digital technologies after putting plans on hold the first year of the pandemic.

Europe trails in digital innovation, and it is less specialised in hardware and software services than the United States and China.

Returns from digitalisation are greater for firms in regions with better infrastructure

For firms that invested in digitalisation during COVID-19, better digital infrastructure leads to productivity gains.

Firms operating in digitally innovative environments are more likely to invest in digitalisation as a response to COVID-19 and tend to use more digital technologies.

Digitalisation drives firms’ resilience to trade disruptions and climate change

Firms that use advanced digital technologies are more likely to take action to respond to trade disruptions.

Digitally advanced firms have invested more in improving buildings’ resilience to the physical risks of climate change and tend to invest more frequently in tackling climate change.

POLICY IMPLICATIONS

→ Successfully managing the digital transition and taking advantage of its long-term benefits goes beyond technology. The digital transformation is a societal change. Striking the right technological balance is a complex process for the European Union.

→ To make the most of the digital transformation, the European Union will need to position itself well in the global environment, creating better internal conditions for innovation in technologies that are crucial to European interests and taking full advantage of the benefits of digitalisation, while staying within the boundaries of the European economic model.

→ European policymakers need to foster innovation while also reinforcing a system of lifelong learning for employees. Policy measures also need to address the lack of digital skills in small businesses. More than ever, accomplishing those diverse aims will require finding synergies between private and public 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.