Chapter 5
Investing in Europe’s digital transformation

The COVID-19 crisis accelerated the digital transformation, with many firms starting to provide services online

Nearly one in two firms invested to become more digital, and large firms were particularly active (% of firms)

However, the pandemic did not increase the adoption of more advanced technologies, such as 3-D printing or artificial intelligence (% of firms)

Firms tended to invest more in regions with good digital infrastructure

Regions’ digital access measured in latency

The digital divide is growing, which could have negative implications for Europe’s long-term competitiveness

More than one in four EU firms did not invest in digitalisation, despite lockdowns and other restrictions on movement

The crisis widened the gap between digital and non-digital firms

One in three employees in the European Union works for a firm that has neither adopted advanced digital technologies nor invested in digitalisation, compared with one in five in the United States (% of firms investing in digital technologies)

A fairly large group of firms (in %) do not plan to invest to improve their digitalisation or to innovate

While not a digital innovation leader, Europe is ahead on green technologies

But the European Union trails the United States and China in generating digital patents (left axis: % of total patents; right axis: patent count)

The European Union remains at the forefront of digital innovation for the automotive sector and climate change (left axis: % of total patents; right axis: patent count)

Ensuring a sustainable recovery

- Europe should leverage its advantage in digital innovations for green and automotive technologies.
- Further innovation should be encouraged by supporting a spectrum of EU firms and addressing the problems of laggard, non-digital firms.
- Strong infrastructure and targeted incentives, when they are well designed, can help accelerate the digital transformation.
- Significant investment in digital infrastructure and in digital skills are needed across the European Union to support a broad-based economic recovery.
- Non-digital firms say that advice on funding and consistent regulations would encourage them to invest in digital technologies.