



Investment in Europe - a matter of supply and demand

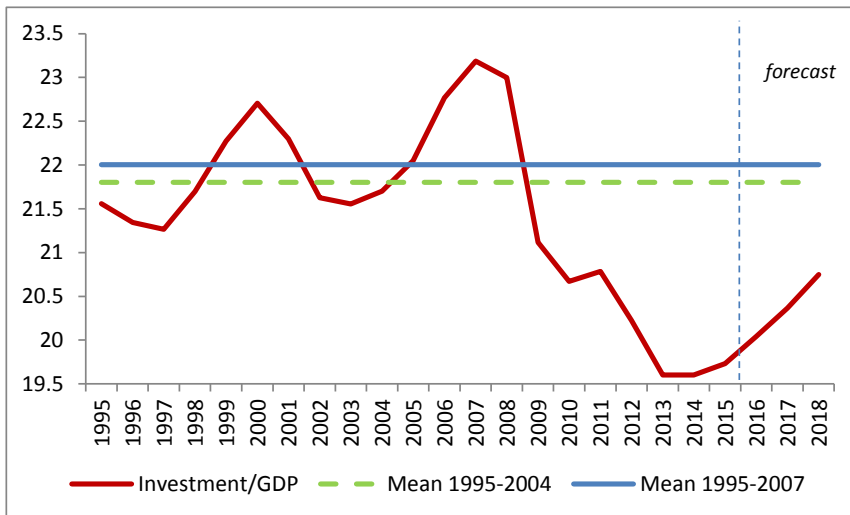
Servaas Deroose

Deputy Director General – DG ECFIN, European Commission

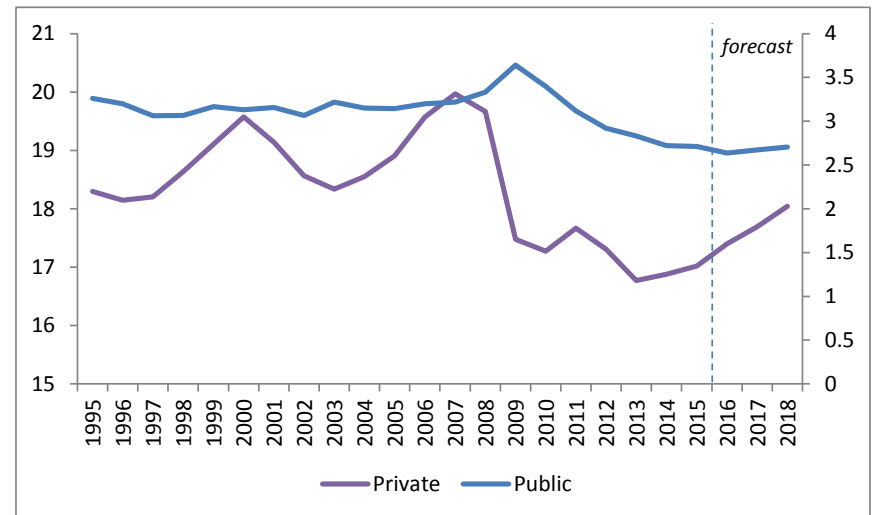
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Is there an "investment gap" in the euro area?

- The investment ratio in the euro area remains substantially below the pre-crisis average
- This is the case both in the private and the public sector



Total investment as a share of GDP in the euro area. Source: AMECO



Private (left axis) and Public (right axis) investment as a share of GDP in the euro area. Source: AMECO

What factors are hampering investment?

Demand	Supply
The accelerator strikes back (past and future)	Bottlenecks to investment
Deleveraging and overcapacity	Structural rigidities
Financial fragmentation	
Decline in public investment	
Uncertainty, including policy uncertainty	



Mostly explain the decline in investment since the crisis



Was already hampering investment before the crisis and is one of the key areas for policy intervention

The Investment Plan for Europe

Three pillars

- mobilise finance,
- make finance reach the real economy: Advisory Hub (EIAH) and Project Portal
- improve the investment environment

Achievements

- Approved projects worth €138.3b in 27 Member States.
- Quick absorption under the SME window.
- Impact on employment

Weaknesses

- Geographic Coverage
- Additionality Issues
- The EIAH is not yet at sufficient capacity to meet the needs

Future

- EFSI-2: extension until 2020 and increased investment targets
- Improving transparency, additionality and coverage

Overview of investment challenges in the euro area

Investment Challenges		CY**	ES	IE	IT	PT	EE	LT	LV	MT	SI	SK	BE	FI	FR	AT	DE	LU	NL
Public administration/ Business environment	Regulatory and administrative burden					N								*	*	N			
	Public administration	N									N			N			N		
	Public procurement / PPPs		N			*													
	Judicial system	N																	
	Insolvency framework	N				N													
	Competition and regulatory framework	N																	
Labour market/ Education	EPL & framework for labour contracts	N																	
	Wages & wage setting																		
	Education		N			N			N										
Fin. / Sect. / Taxation	Taxation					N													
	Access to finance	N				N													
R&D&I	Coop. between academia, research & business		N			N	N	N	N										N
	Financing of R&D&I		N												N				
Sector specific regulation	Business services / Regulated professions					N													*
	Retail		N																
	Construction																	N	N
	Digital Economy / Telecommunications																		
	Energy																	N	
	Transport					N													

Barrier covered by a CSR Barrier not covered by a CSR

** In 2015, there were no CSRs as it was under Economic Surveillance Programme

Note: All the red cells (with and without 'N') correspond to a CSR in 2016. A red cell with the letter "N" is for a new CSR in 2016 (compared to 2015) on an investment challenge (as identified in the November 2015 SWD)

The star (*) is for a new CSR on a new investment challenge (additional to the list of the SWD)

The importance of investment in intangibles

WHAT ARE INTANGIBLES?

Computerized information, innovative property, economic competences

WHY DO THEY MATTER?

- knowledge-based => strong long-term effect on productivity
- More dynamic than tangible investment
- Tend to be less affected by the cycle
- However, the EU is lagging well behind the US

WHAT IS THEIR SIZE?

- Intangibles currently captured in the national accounts are about 1/3 of tangible investments in the EU-15 in 2013.
- Large part of intangibles are not accounted for in traditional national account figures

BARRIERS AND LESSONS

- Some structural bottlenecks seem to affect intangibles more than tangibles
- Scope for market failures larger for intangibles than tangibles
- Policy package approach would be appropriate