



INVESTMENT REPORT
2019/2020



KEY FINDINGS

accelerating europe's transformation



EIB Investment Report 2019/2020: accelerating Europe's transformation - Key findings

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The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The Department, a team of 40 economists, is headed by Debora Revoltella, Director of Economics.

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Key Findings

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EUROPEAN INVESTMENT BANK INVESTMENT REPORT
2019/2020

KEY FINDINGS

ACCELERATING
EUROPE'S TRANSFORMATION

Introduction

The Investment Report, published 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 of and barriers to investment activity. The report draws from a unique set of data, including the European Investment Bank Investment Survey (EIBIS), an annual survey of 12 500 firms in Europe. The survey focuses on firms' assessment of investment and investment finance conditions, and can be analysed in conjunction with firm balance sheet information. The report provides critical policy information on the need for public action on investment, and on the types of intervention that can have the greatest impact.

With the world economy entering a widespread slowdown and monetary policy already nearing its limits, calls are increasing for Europe to gear-up investment to address pressing structural needs. Now is the time to invest: the long-term future prosperity and well-being of European countries depends on revitalising the global competitiveness of the European economy, on ending its dependence on fossil fuels, and on ensuring that the European Union really works for all Europeans. Addressing these challenges, through reform and investment, has become a matter of urgency.

This is why the 2019/2020 Investment Report focuses broadly not just on Europe's structural transformation, but also on how to speed up this process. Over nine chapters, it covers:

- Investment, growth and social cohesion in the European Union.
- Infrastructure investment in the European Union.
- Intangible investment, innovation and digitalisation.
- The energy transition: investment challenges, options and policy priorities.
- The financial system and its capacity to finance corporate investment.
- Corporate investment finance.
- Start-ups, scale-ups and business dynamics in the European Union and United States.
- Reaching the European productivity frontier.
- Investment in skills for competitiveness and inclusion.

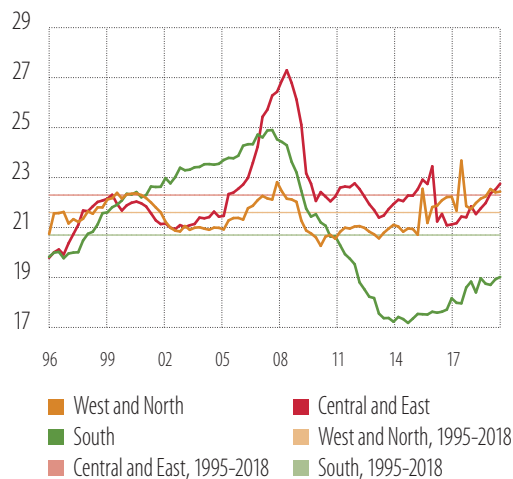
Europe may be on the cusp of a cyclical downturn...

Investment activity in the European Union has recovered from the last recession. Since 2013, investment growth has outpaced growth in gross domestic product (GDP). Investment has risen to nearly 21.5% of EU GDP, 0.5 percentage points above the long-term average, although in Southern Europe investment is still lagging behind.

Yet the economic climate is worsening. Real GDP growth has slowed over the last year in line with falling export demand and weakening manufacturing production. Trade disputes and Brexit are contributing to rising uncertainty and deteriorating expectations regarding the economic environment and the investment outlook.

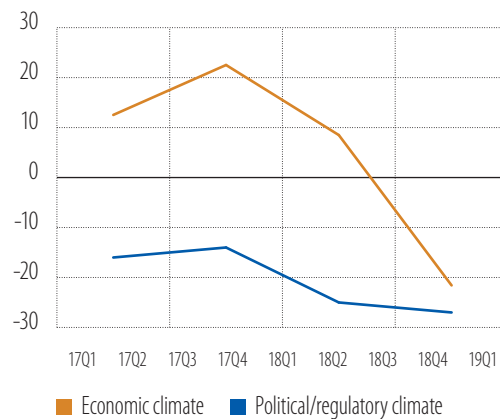
Investment is likely to join the slowdown in the coming year. So far, the impact of slowing GDP growth on investment has been limited, but this is likely to change as the slowdown spreads to the service sector. EIBIS 2019 data show that EU firms have become more pessimistic about the political and regulatory environment and now expect the macroeconomic climate to worsen and weigh negatively on investment. The number of EU manufacturing firms planning to decrease investment in the current year has risen for the first time in four years, to 27%.

Gross fixed capital formation in the EU (% of GDP)



Source: Eurostat and EIB calculations.
 Note: West and North = AT, BE, DE, DK, FI, FR, IE, LU, NL, SE;
 Central and East = BG, CZ, EE, HR, HU, PL, LT, LV, RO, SI, SK;
 South = CY, ES, IT, GR, MT, PT.

Firms' perception of the political and economic climate (% of firms expecting improvement minus % expecting deterioration)



Source: EIBIS.

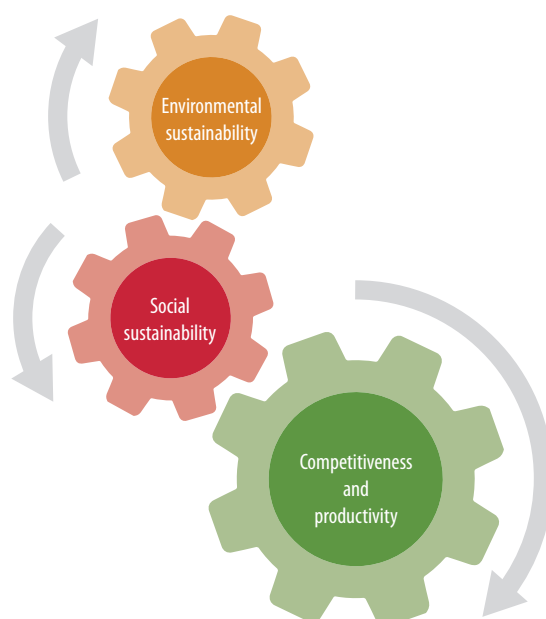
... just as it needs to speed up investment as a response to historic challenges

Europe cannot afford to wait out another cyclical downturn. After a lost decade of weak investment and policy focused on short-term crisis management, urgent action must be taken on a number of structural fronts. These include:

- **Keeping pace with the digital revolution** – enhanced innovation and adoption of digital technologies are needed to maintain Europe’s competitiveness within the global economy.
- **Climate change and the zero-carbon transition** – delays mean that a tremendous acceleration of efforts is required, both globally and across Europe.
- **Rebuilding Europe’s social cohesion** – comprehensive measures are needed to strengthen the social and economic inclusion of Europeans, not least across geographical and generational divides.

Instead, Europe must seize a once-in-a-generation opportunity to transform its economy. European policymakers need to tackle the slowdown, taking counter-cyclical measures as part of a long-term strategy to address the root causes of the current malaise and make Europe more sustainable, more competitive and more inclusive. European countries must seize the opportunity of historically low interest rates to support these efforts, and not just for short-term stimulus. Action needs to be threefold:

- **Carrying out public investment to enhance the conditions for sustainable and inclusive growth.**
- **Creating the right environment for private investment to accelerate the transformation.**
- **Promoting efficient financial intermediation across the European Union.**

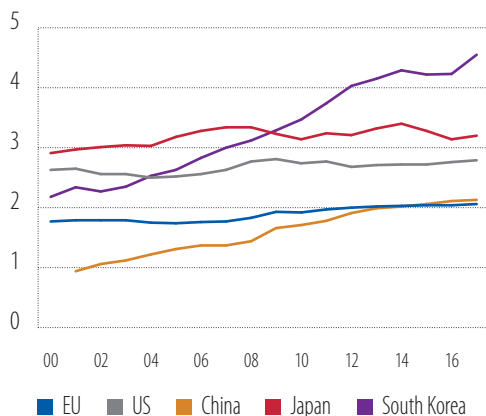


Gaps in innovation, digitalisation and the dynamic process of firm renewal are a drag on Europe's ability to compete

The European Union risks a gradual loss of global competitiveness. Its slow innovation, adoption of digital technologies and productivity growth stand in contrast to rapid technological change worldwide and the emergence of new global players. Structural barriers and rigidities lie behind many of these trends, often preventing the necessary reallocation of resources within the economy.

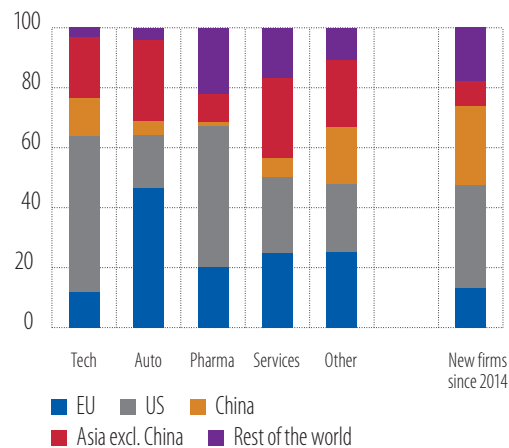
- **Research and development (R&D) expenditure in the European Union lags behind that of peer economies and is over-dependent on traditional business leaders in the automotive sector.** The United States spends almost 1 percentage point of GDP more on R&D than the European Union (a gap principally explained by lower business R&D spending in Europe), and China's R&D investment has also now surged ahead, both as a share of total world R&D and as a percentage of GDP. A small number of companies, sectors and countries account for a large share of business R&D expenditures. Many European companies are major global R&D players, but a large number of these are in the automotive sector (which is facing structural change) and relatively few are in the fast-growing technological and digital sectors. European companies make up only 13% of the companies that have entered the group of top R&D spenders since 2014, compared with 34% for the United States and 26% for China.

R&D investment intensity in 2000 to 2017 (%)



Source: Eurostat.

Geographical distribution of 2018 R&D spending, by sector and among new global leading firms (%)

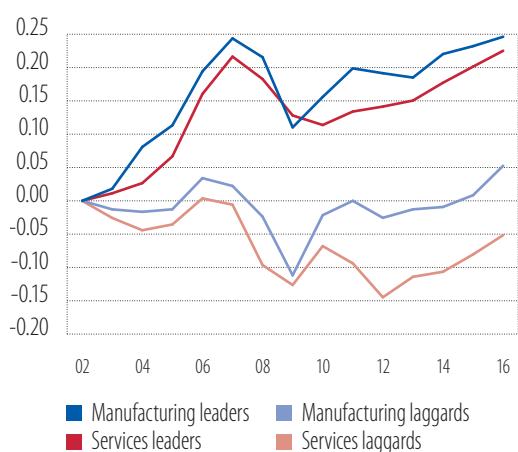


Source: EIB calculations based on EU Industrial R&D Investment Scoreboard.

- **A large and persistent productivity gap has opened between the most productive European firms and the rest.** Less productive firms find it very difficult to move up the productivity ladder (70% of those at the bottom remain there for at least three years). Meanwhile, the most productive firms – which also tend to be large – face little competition from below. Although the diffusion of knowledge (such as patent citations) is still constrained, the flow of knowledge to and from Central and Eastern Europe, in particular, has intensified. A lack of mobility could hamper the diffusion of knowledge and innovation and exacerbate the misallocation of resources. Structural rigidities and weak business dynamics (creation, growth and replacement of firms) reinforce the productivity gap. We estimate that

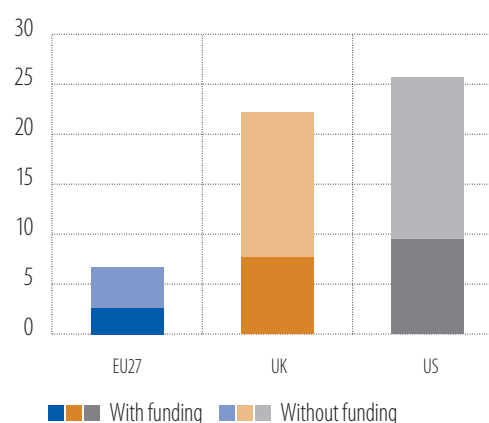
productivity growth would be 40% higher without these frictions. The impact of structural rigidities is most evident in Southern Europe, where productivity growth has stagnated across the productivity distribution.

Total factor productivity growth since 2002, frontier vs laggard firms (%)



Source: EIB calculations based upon Bureau van Dijk's Orbis database.

Number of start-ups and scale-ups in the EU27, US and UK, per 100 000 inhabitants

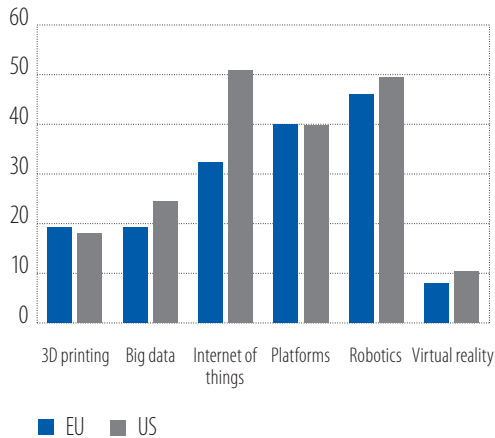


Source: Crunchbase, EIB calculations.

- Europe has too few start-ups and scale-ups**, with the United States having four times as many per inhabitant as the EU27. European scale-ups tend to grow more slowly and are more likely just to target their local market, rather than a continental or global market. A number of structural factors help to explain this: smaller markets in Europe due to a lack of European economic integration in services; greater difficulty in attracting top talent and a general lack of staff with the right skills; and a relatively underdeveloped venture capital market that suffers from home bias and limited scale. Local start-up success stories spur innovation by attracting willing investors and fuelling exit markets (through stock markets or corporate acquisitions) to make room for the next generation of start-ups. The lack of these dynamics puts the European Union at a disadvantage. US corporations have spent 100 times as much as their European counterparts on the acquisition of young firms since 2012, enhancing incentives for venture capital investment.
- The adoption of digital technologies in Europe is slow, with a growing digital divide among firms.** Firms that adopt digital technologies tend to invest more, innovate more and grow faster, enjoying a first-mover advantage. However, the share of digital firms in the European Union's manufacturing sector is 66%, lower than the level in the United States at 78%. An even larger gap exists in services, with 40% of firms being digital in Europe compared with 61% in the United States. Investment in information technology by service sector companies is 1 percentage point of GDP lower in the European Union than in the United States. Slow digitalisation in the European Union partly reflects a lack of European firms in tech sectors that were "born digital." The digital divide is growing between larger and younger European firms that have already adopted digital technologies and smaller and older firms that have not. Smaller and older firms are more likely to have difficulties finding finance, which potentially exacerbates this divide. The need for better management practices and skills also constrains digitalisation.

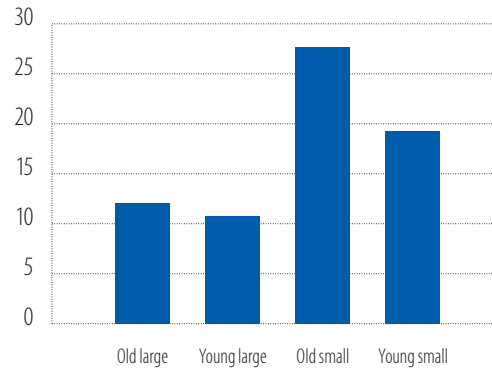
Key findings

Adoption rate of different digital technologies by EU and US firms (%)



Source: EIBIS.
 Note: Sector coverage for each technology: 3D printing (manufacturing, construction and utilities); robotics (manufacturing); platforms (services and utilities); internet of things (all sectors); virtual reality (services and construction); and big data (manufacturing, services and utilities).

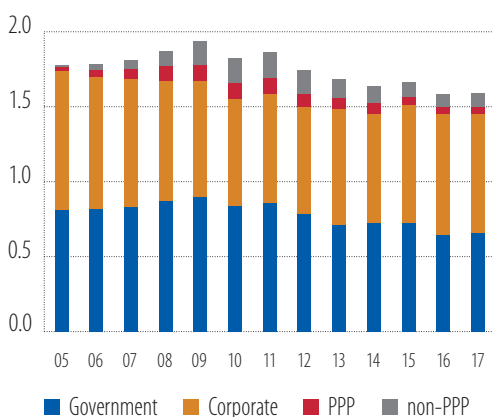
Share of firms that are persistently non-digital, by age and size (%)



Source: EIBIS.
 Note: Young = less than 10 years old; small = fewer than 50 employees. Firms are weighted using employment.

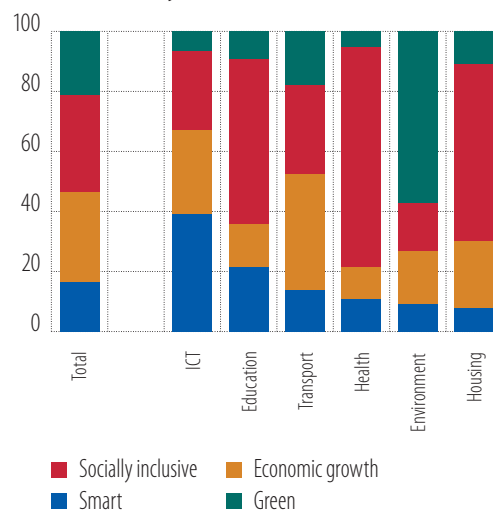
- **The slow adoption of smart infrastructure by the public sector is a lost opportunity to improve services and stimulate private investment.** Infrastructure investment in Europe stands at a 15-year low of 1.6% of GDP, with the greatest declines seen in regions that are already lagging behind in infrastructure. Modernising infrastructure by combining physical assets with digital technologies has the potential to increase efficiency and reduce unwanted results. Synergy effects could also boost private sector investment in new technologies. Yet only 17% of EU regions say they plan to prioritise smart infrastructure in the near future. Current frameworks for regulated sectors like utilities tend to incentivise efficiency gains over the innovative use of digital technologies to diversify the products they offer.

Infrastructure investment in the EU, by sector (% of GDP)



Source: EIB Infrastructure database (IJ Global, European PPP Expertise Centre (EPEC), Eurostat). PPP stands for public-private partnership.

“Smart” as policy priority for investment in infrastructure by municipalities, over the last 5 years (%)



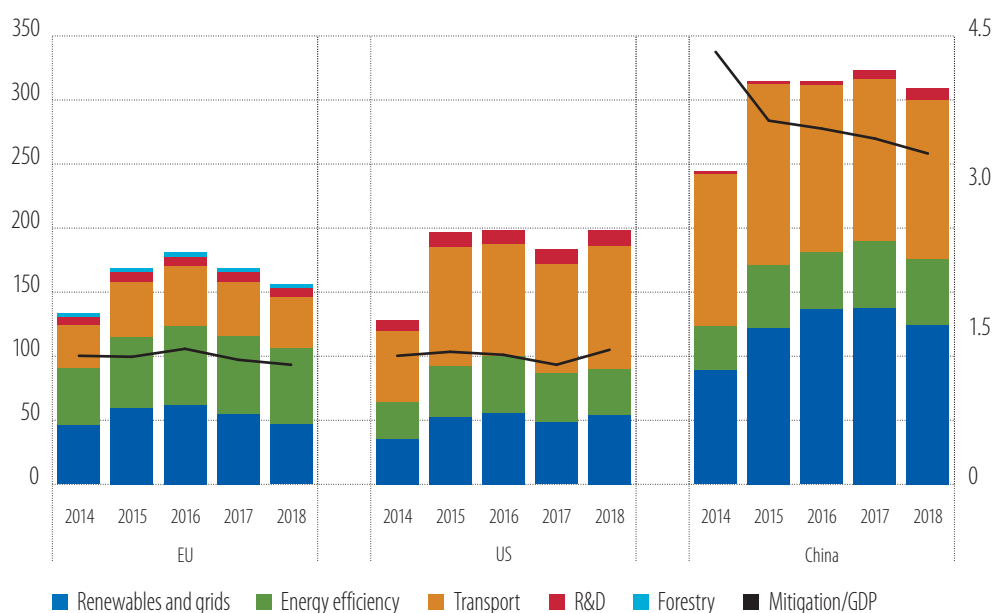
Source: EIB Municipalities Survey 2017.

Time is running out for the transition to a net zero-carbon economy

Keeping world temperature increases to 2°C – or even 1.5°C – is still economically feasible, but the European Union is not yet doing enough. We must reach net zero emissions by 2050 if we are to have a reasonable chance of keeping global temperature increases well below 2°C, beyond which the world will face unacceptable ecological, economic and societal consequences. To play its part in reaching this goal, the European Union needs to agree and enact a comprehensive climate change strategy, with accelerated investment at its core. Although substantial progress has been made, investment is not yet on track:

- **The European Union invested EUR 158 billion in climate change mitigation in 2018.** At 1.2% of GDP, this is now marginally less than the United States (1.3%) and a little over one-third of China's performance (3.3% of GDP). While investments in renewable energy have fallen partly because of cost reductions, the transport sector remains largely fossil fuel-based. Europe leads in energy efficiency investments, but investment in lower-carbon transport – particularly rail – is much higher in China and the United States. Transport is expected to become the largest source of greenhouse gas emissions beyond 2030.
- **Europe's weak performance in climate-related R&D is a threat to its competitiveness,** given the importance that still-immature technologies will have in the transition. While the United States leads in climate-related R&D spending, China has recently quadrupled its spending, slightly overtaking the European Union.

Climate change mitigation investment per sector (EUR billion (left scale), % of GDP (right scale))



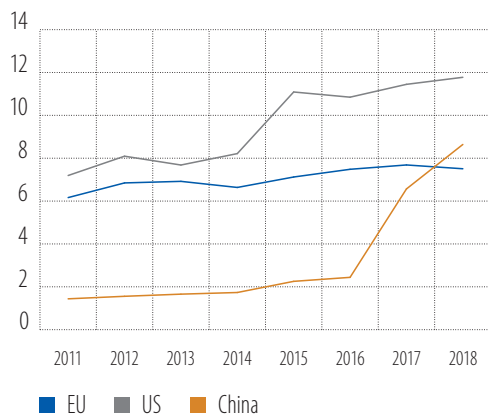
Source: IEA, BNEF (Bloomberg New Energy Finance), Eurostat and EIB estimations.

- **Some Member States risk missing their 2020 targets for the share of renewables in energy consumption.** Approximately half of EU members are considered on track, with six already thought to be unlikely to meet their 2020 targets.

Key findings

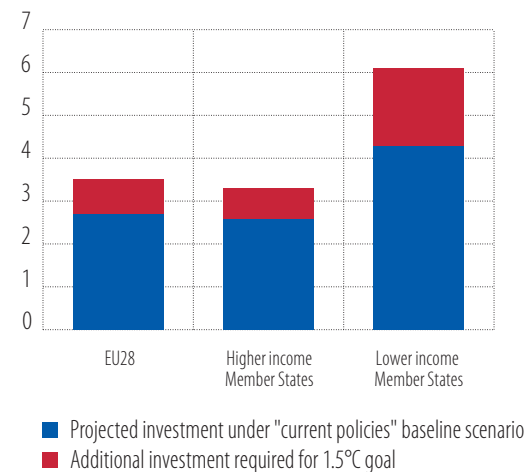
- **To achieve a net zero-carbon economy by 2050, the European Union must raise total investment in its energy system and related infrastructure (not just climate mitigation) from the current level of around 2% to more than 3% of GDP on average, which requires mobilising private investment.** Even more investment is needed when the decarbonisation of transport is taken into account. Some two-thirds of investment will need to come from energy users, including in building rehabilitation, improved industrial processes and new transport technologies.
- **The energy transition has implications for cohesion and social inclusion.** Especially high levels of investment will be required for the Eastern and South-Eastern countries in the European Union, while some regions will be particularly affected by the decline in carbon-intensive industries, creating a need for re-skilling the labour force. Higher energy costs and home renovation may be a challenge for lower-income households. Public policy and investment needs to help catalyse the investment required by households and firms.

Investment in climate-related R&D, 2011-2018 (EUR billion)



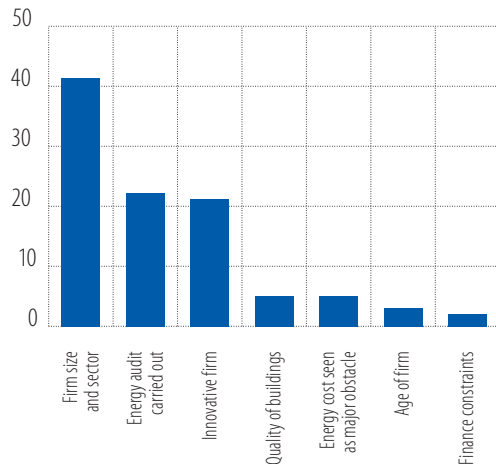
Source: BNEF.

Energy-related investment needed, 2021-2050, for net zero-carbon by 2050 (% of GDP)



Source: European Commission, EIB calculations.
 Note: Additional investment required is estimated as the difference between the scenarios consistent with +1.5°C and a baseline scenario that reflects the current EU decarbonisation trajectory (including 2030 targets).
 Low-income Member States (GDP <60% of the EU average in 2013): BG, CZ, EE, HR, HU, LT, LV, PO, RO, SL.

Relative weight of factors influencing energy efficiency investment decision (%)



Source: BNEF.

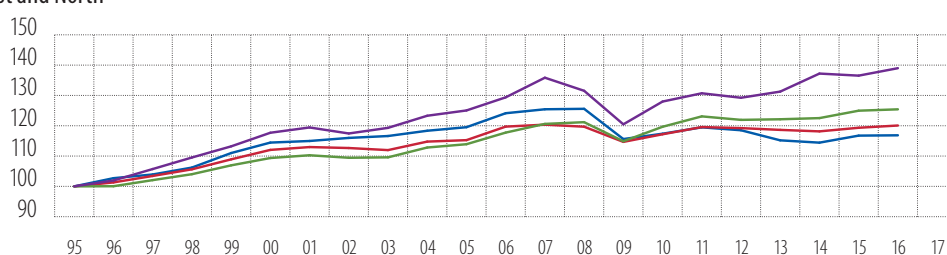
Widening social divides are a threat to Europe's economic future and its capacity to manage change

One of Europe's strengths has been its social model, but this model needs to be renewed and adapted in the face of rising inequality and new strains from technological change. Social cohesion is key to Europe's ability to adapt to a changing world economy and to meet the demands of the zero-carbon transition. Social mobility is essential for getting the most out of Europeans' talents and ambitions, maximising economic performance and prosperity. Yet several trends are a cause for concern:

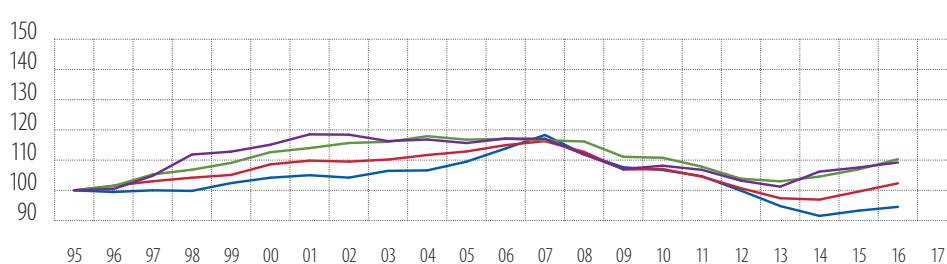
- **Income inequality within EU countries has increased in recent decades, despite the mitigating impact of redistribution policies.** Real EU GDP per capita has grown by 45% since 1995. However, the pre-tax income of the bottom 50% has grown by only 16%, while that of the top 1% has grown by 50%. The global financial crisis triggered a short-lived reduction in pre-tax income inequality, but levels have since risen, with income stagnating or falling (particularly in Southern Europe) for those with the lowest incomes. There is wide variation in the success of different Member States in addressing this inequality via redistribution. Meanwhile, wealth inequality, which is much higher than income inequality, remains a driver of future income inequality through returns on assets such as real estate and equity.

Pre-tax income at different percentiles of the income distribution by country group (index 1995=100)

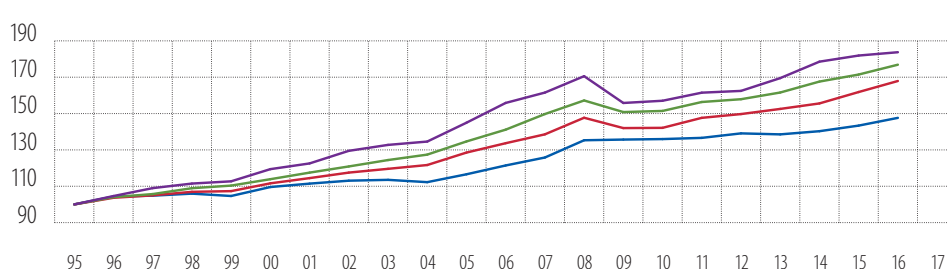
West and North



South



Central and East



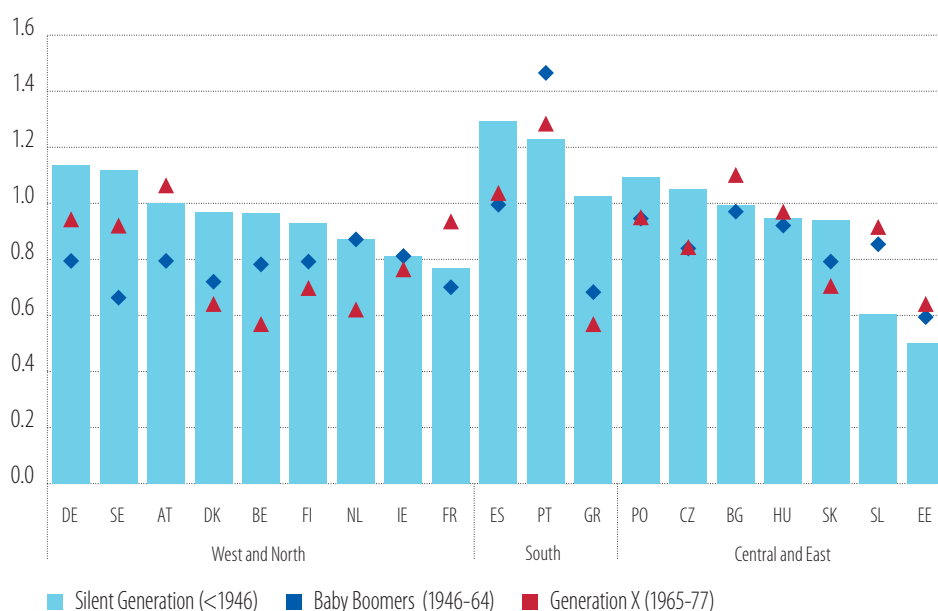
■ P10 ■ P50 ■ P90 ■ P99

Source: World Inequality Database.

Key findings

- **Income inequality between regions and between urban and rural areas has also risen.** Changes in technology and the structure of the economy are concentrating ever more economic activity and high-skilled jobs in metropolitan areas. The economic dynamism of cities may increase overall national prosperity, but growing geographical inequality puts pressure on social cohesion. It is further exacerbated by lower infrastructure investment in less well-off, less dynamic regions, as indicated by their reported infrastructure needs.
- **Progress on social mobility has slowed, or even reversed, with implications for cohesion, growth and competitiveness.** Intergenerational social mobility (in terms of types of occupation, and abstracting from changes in economic structure) improved for the Baby Boomer generation but appears to have weakened for Generation X. This may reflect rising income inequality and has negative implications for the efficient allocation of talents and skills, as well as for the social acceptability of market outcomes.

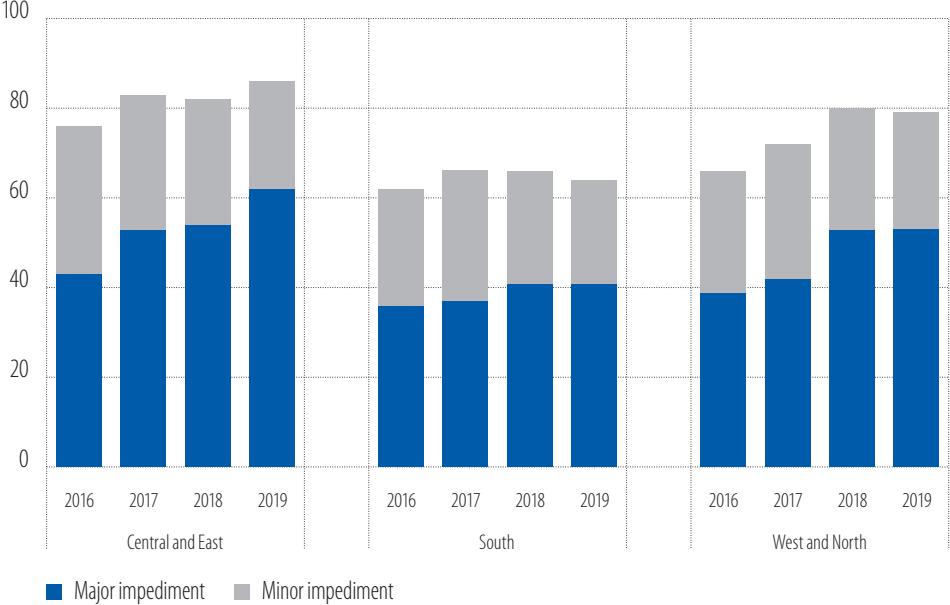
Relative social mobility in the EU measured by relative persistence in occupational class



Source: European Social Survey 2002-2010; Estimation results published in Eurofund (2017); EIB calculations.

- **A lack of staff with appropriate skills remains the most severe obstacle to investment by firms, with automation set to massively increase needs for re-skilling.** A majority, 77%, of firms report that a lack of staff with the right skills impedes investment. Removing this constraint could theoretically raise EU productivity. Meanwhile, 42% to 52% of jobs can be considered at risk of automation, creating an urgent need for re-skilling to maintain competitiveness and seize new economic opportunities. The fact that skill constraints tend to distort firms' investment towards labour-saving improvements, rather than towards the development of new products and services, is a concern in this context.

Share of firms reporting missing skills as investment impediment, by country group (%)



Source: EIBIS 2016-2019.

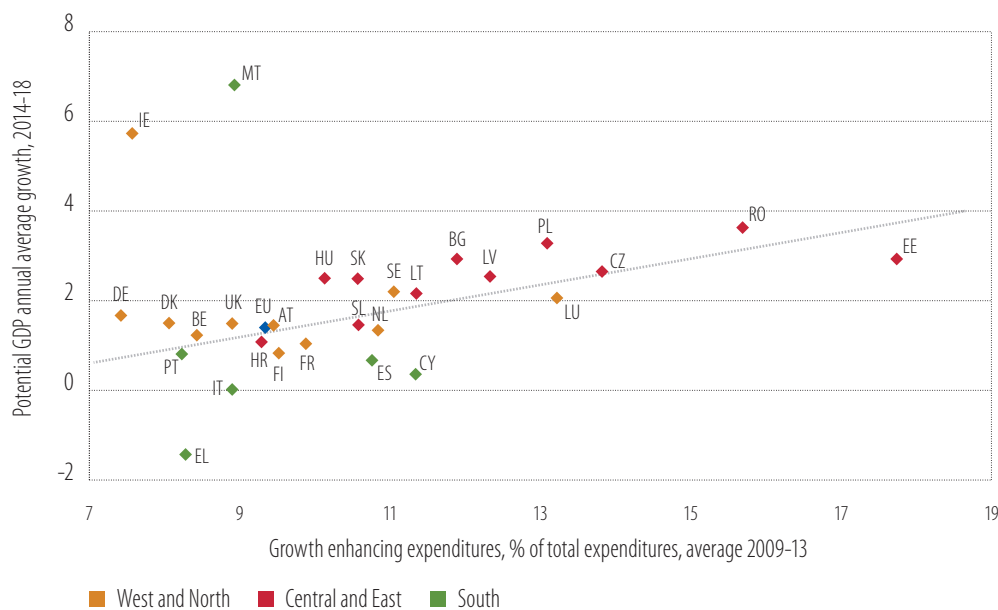
Our recommendations

Invest publicly to enhance the conditions for sustainable and inclusive growth

Against the backdrop of a global slowdown and where fiscal space allows, public investment should be front-loaded, with priority given to growth-enhancing expenditure. The large-scale public investment needed to support infrastructure digitalisation and the zero-carbon transition will require comprehensive and detailed medium-term planning. Given weak growth and very low long-term interest rates, governments with available fiscal space should consider frontloading this investment as much as possible through increased borrowing. More fiscally constrained governments should prioritise expenditure that enhances potential growth and leverages private sector financing:

- **Smart infrastructure can offer a “quick win”,** involving the development and implementation of national medium-term strategies to integrate digital technology into infrastructure. Cross-border cooperation can lead to economies of scale and pan-European synergies.
- **Improving public authorities’ technical capacity** for project planning and implementation, together with greater inter-regional cooperation, is an essential complement to finance for unlocking investment opportunities.
- **Investment in digital technology can enhance public services and regional cohesion,** potentially offering quality and efficiency improvements, as well as new modes of service delivery for more remote and underserved regions.

Growth-enhancing expenditure and annual growth of potential GDP



Source: AMECO, Eurostat

- **Public finance can help catalyse the rollout of green technology** – as in the European Battery Alliance – to complement market-based instruments. For infrastructure, public finance and strategic roadmaps can enable the rollout and integration of renewables and low carbon technologies, such as electric vehicles and smart appliances.
- **Improving the accessibility and quality of education is a “win-win” for inclusion and competitiveness.** It should include retraining and life-long learning tailored to changing market demands for specific skills.

Create the right environment for private investment to support transformation

Public and private investment should be complementary, with well-targeted public investment creating catalytic opportunities for private investment. Moreover, direct public investment must be accompanied by action on the barriers and misaligned incentives that hold back private investment. Swift reforms can help counteract an economic slowdown. More importantly, they can enable the innovation, business investment and dynamism needed to raise productivity and achieve long-term competitiveness and sustainability.

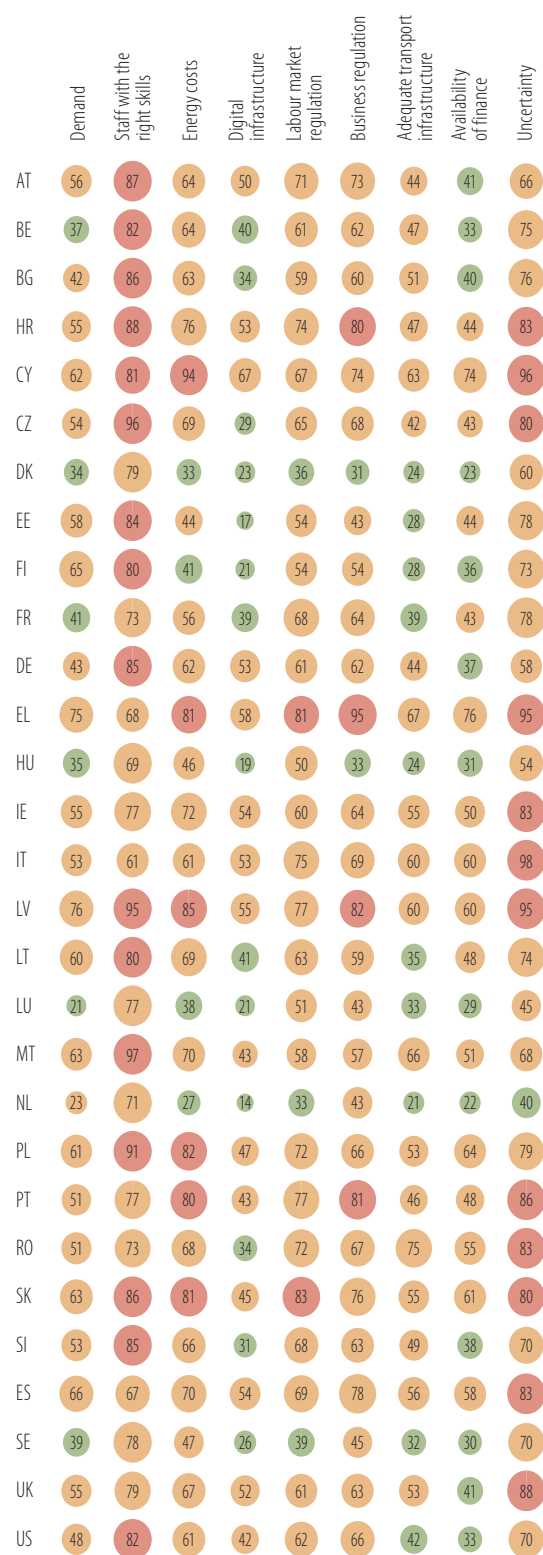
- **Build on public investment in R&D with greater support for innovation diffusion and investment in intangibles**, such as software and databases, employee training, business process improvements and better management practices. Enhanced cooperation between businesses, universities and research centres is also important to spreading new technologies. Front-loaded investment in digital infrastructure, along with building the financial and technical capacities of digitalising firms, could accelerate digitalisation and the diffusion of innovation. An enhanced focus on climate-related R&D is essential for both competitiveness and the zero-carbon transition.
- **Tackle barriers to the entry and growth of young innovative firms, to enhance competition, business dynamics and productivity.** While the role of many leading companies in pushing technological frontiers should be supported, there is also a need to address barriers to firm entry and barriers to growth, such as size-dependent business regulation, network effects and winner-takes-all dynamics. Removing impediments to the exit of under-performing firms is also vital. Such structural rigidities stifle the diffusion of innovation, the efficient allocation of resources across the economy and, ultimately, the productivity and competitiveness of the European economy. Competition policies, product and labour market regulations and the implementation of the digital single market are all important in this regard.
- **Exploit the complementarity of public and private investment and remove regulatory disincentives to investment in smart infrastructure.** In the utilities sector, pricing regulations tend to favour efficiency improvements over product innovation and diversification. A more flexible regulatory approach is needed to enable more disruptive innovation that explores how digital technologies can enhance the quality and diversity of infrastructure services.
- **Clear climate and energy policy signals are needed, with a supportive regulatory framework and better-aligned incentives to enhance private investment and climate-related R&D.** Clear signals will enable firms and investors to roll out strategies and investment plans that are in line with zero-carbon transition goals, accelerating the transition and reducing the risk of stranded assets. Extending and tightening the European Emissions Trading Scheme is one way to better align incentives, as is carbon taxation that could help fund measures to support inclusion, with border tax adjustments to protect the competitiveness of European firms. Incentivising energy audits has also proven a useful tool to raise

Key findings

investment in energy efficiency. Measures to accelerate the energy transition must be complemented by efforts to ensure that the transition is socially just.

- **Government action to address barriers to long-term investment can raise productivity, support digitalisation and help to maintain and enhance social inclusion.** Lack of staff with the right skills and uncertainty remain the main barriers to investment for the EU corporate sector, as reported by 77% and 73% of firms, respectively. Skill constraints pose particular problems for innovative and digitalising firms, with negative implications for productivity growth. Public authorities also have an important role to play in improving policy predictability, thereby reducing firms' uncertainty about the likely outcomes of prospective investment projects. An experiment using the EIBIS survey of European firms suggests that a one standard deviation negative shock to a firm's profit expectations (an increase in uncertainty) significantly increases the likelihood of an investment project being put on hold (by 9 percentage points) or abandoned (by 4 percentage points).

Barriers to private sector investment, by country (% of firms naming each issue as an obstacle)



Source: EIBIS 2019.

Note: A red circle means that the share of mentions of a particular obstacle is in the top quartile; a green circle means that it is in the bottom quartile; a yellow circle that it is between the two. The size of the circle and the number inside indicate the share of firms mentioning an area (as either a minor or major obstacle).

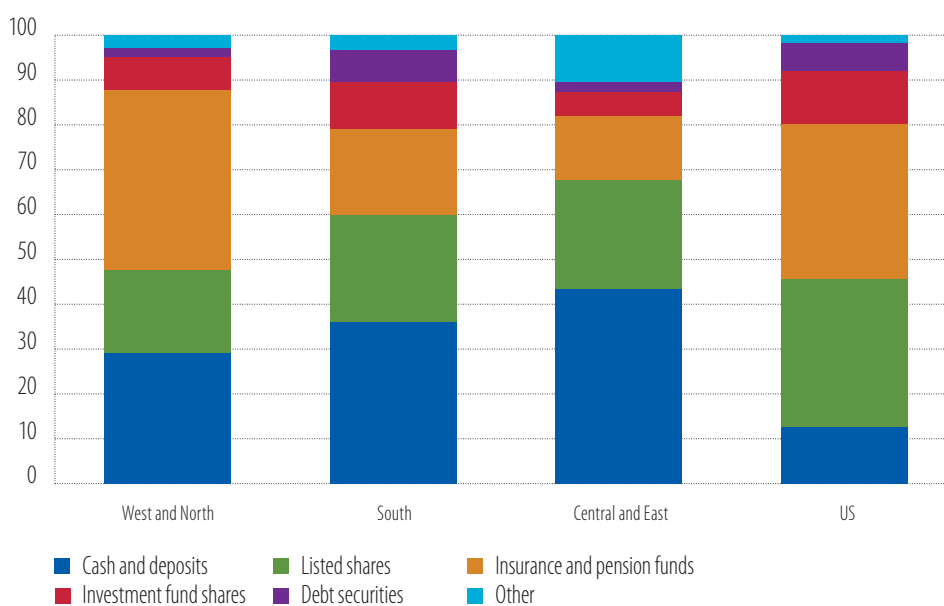
Promote efficient financial intermediation across the European Union

The financial sector in the European Union still needs to do more to support long-term investment and higher-risk investment by young and innovative firms. After years of accommodative monetary policy, liquidity is not in short supply. Yet these financial resources are still not reallocated efficiently. The financial system does not currently facilitate sufficient maturity and risk transformation at a time when long-term investment needs are very high. It exhibits a bias towards financing established but often non-innovative and less efficient firms – even when they have difficulty servicing their debt – rather than taking risks on new entrants and innovative challengers. This reticence undermines business dynamism, allocative efficiency and productivity growth. Financial instruments such as venture debt, venture capital or guarantee products can help to nurture new financial markets and mobilise private investment.

A lack of financial integration across the European Union is a threat to convergence and cohesion. Within the financial sector, there is still significant evidence of home bias, which means that savings are not being reallocated to their most productive use across the Union. Ultimately, this could impede economic convergence and feed a process of polarisation within the European economy.

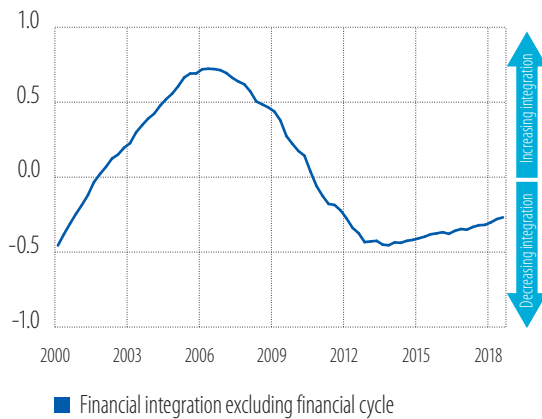
The focus of reforms needs to turn from strengthening resilience to enabling the financial sector to play its role in building a competitive, sustainable and inclusive Europe. The regulatory overhaul in the wake of the global financial crisis succeeded in strengthening the banking system. It has so far failed, however, to reignite financial integration. The Capital Markets Union and other regulatory initiatives need to prioritise overcoming fragmentation, generating the long-term finance needed for the zero-carbon transition, and fostering greater provision of risk-taking finance – particularly equity – to support start-ups, scale-ups and other innovative firms that have the potential to transform the European economy.

Household financial wealth composition in the EU and US, 2013-2018 (%)

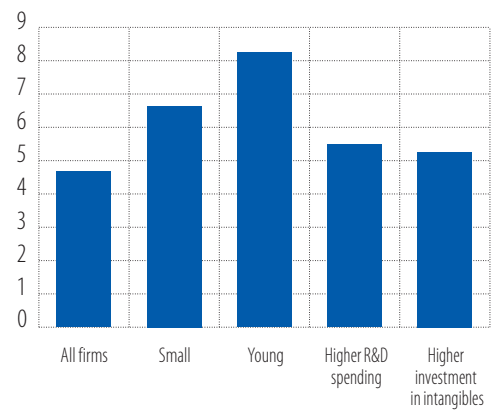


Source: EIB calculations based on Eurostat and Organisation for Economic Co-operation and Development (OECD) data.

EU financial integration index



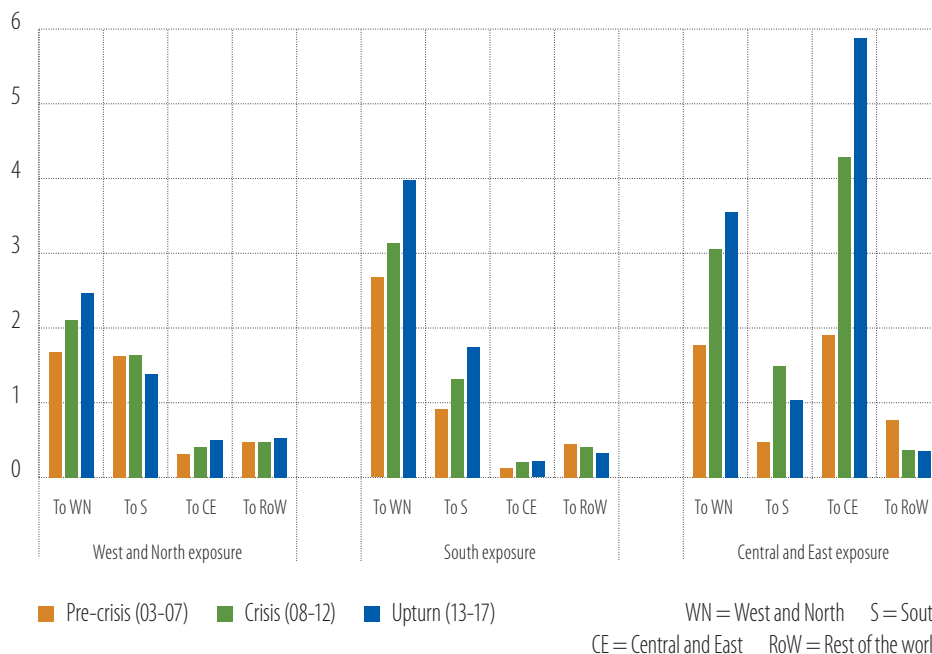
Share of firms that are finance constrained, by firm characteristic (2016-18 average, %)



Note: Index built using a Bayesian Factor Vector Autoregressive model. See Investment Report 2017/2018 and Lake and Maurin 2019, forthcoming.

Source: EIBIS.

Evidence of home bias: Ratio of exposure to different regions, within total regional foreign portfolio holdings, to regional GDP



Source: EIB calculations based on International Monetary Fund (IMF) data.

Note: Regional average ratios above 1 indicate relative over-exposure of the source region to the destination region, and below 1 to relative under-exposure.

About the EIB

The European Investment Bank plays an important catalytic role in promoting sound investment projects in support of EU policy goals in Europe and beyond. In 2018, the EIB provided EUR 56 billion worldwide in long-term finance to support public and private productive investment, with the European Investment Fund (EIF) providing EUR 10 billion. As a first estimate, these funds helped realise investment projects worth roughly EUR 230 billion.

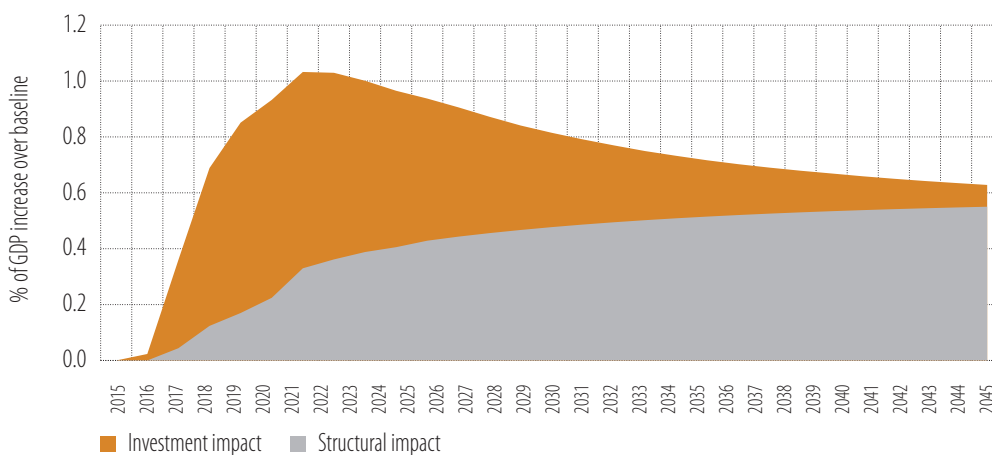
The EIB is both a bank and a public institution. Owned by the Member States of the European Union, the EIB raises money on the international capital markets and lends these funds for investment projects that address systemic market failures, targeting four priority areas to support smart and sustainable growth and job creation: innovation and skills, small and medium-sized businesses (SMEs), climate action and strategic infrastructure.

The EIB is committed to helping deliver on the Paris Agreement. We will make all of our business compliant with this agreement by 2020 and increase climate-related lending to 50% of our activities by 2025. In this way, we aim to support EUR 1 trillion of investments in climate action and environmental sustainability from 2021 to 2030. The Bank's development of innovative financial instruments helps to attract private sector finance, in particular from institutional investors. The EIB also played a critical role as the issuer of the first green bond, and has since issued around EUR 24 billion in green bonds in 11 currencies, helping to create what is now a USD 500 billion market for these instruments.

The EIB uses financial products and technical advice to mobilise private investment, to complement public investment and to address the scale of structural investment needs. Products such as guarantees, venture capital and venture debt can be particularly effective in mobilising resources. EIB technical advice plays an important role, helping to get projects off the ground and maximising value for money. It has a strong role to play in supporting SMEs through digitalisation and the climate transition.

The investments supported by the EIB Group have a lasting impact on the EU economy. Working closely with the European Commission's Joint Research Centre, the Bank's economists have used the well-established RHOMOLO model to estimate the future macroeconomic impact of EIB-supported operations in the European Union. By 2022, investments supported by the EIB Group in 2018 are expected to increase the European Union's GDP by 0.9% over the baseline scenario, adding just over 1 million jobs.

Expected impact on EU GDP from EIB Group-supported investments signed in 2018



INVESTMENT REPORT 2019/2020



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KEY FINDINGS