

Business investment as a catalyst for growth

Europe vs US

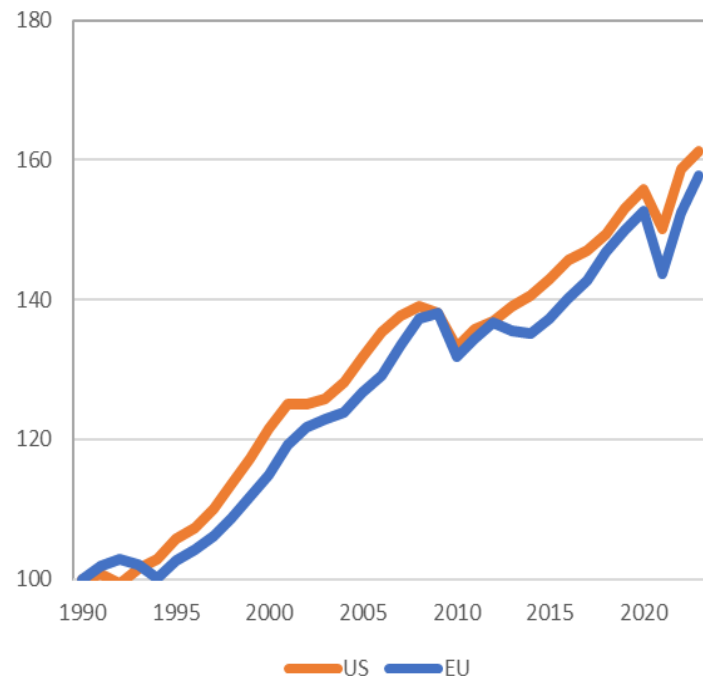
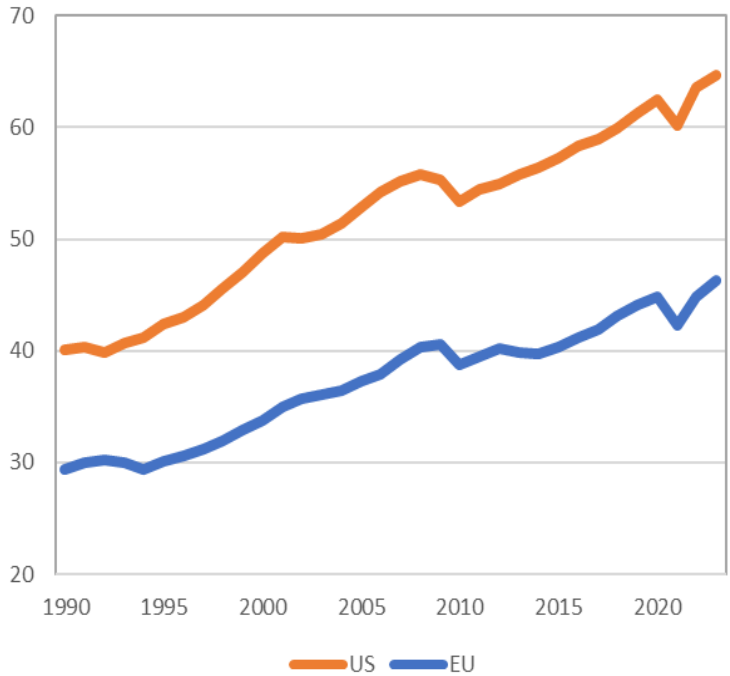
Debora Revoltella
Chief Economist, European Investment Bank

Deutsche Bundesbank and NABE, May 24th, 2024

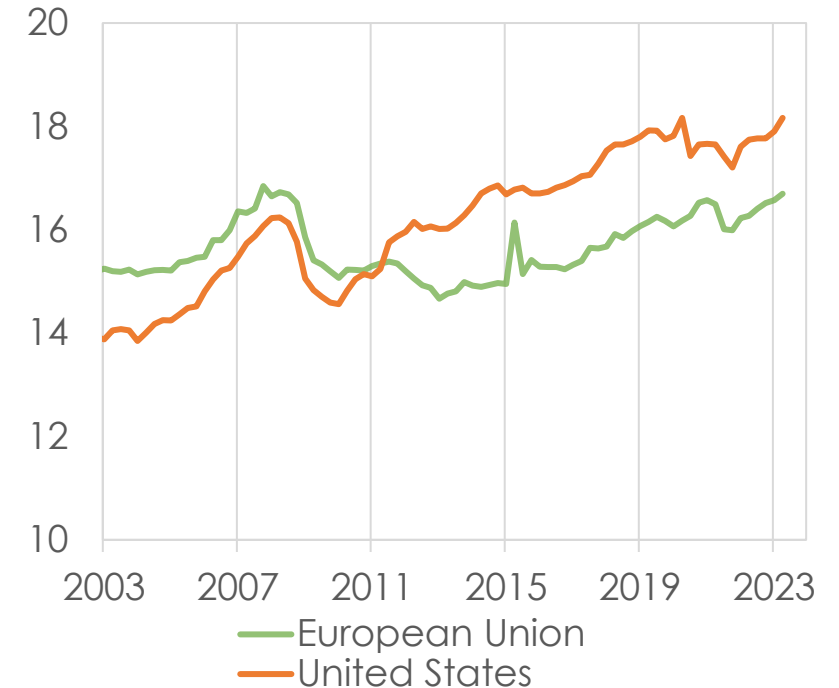
EU vs USA in a long term perspective

Real GDP per capita, USD PPP adjusted

(lhs: thousands USD per year, rhs 100=1990)



Machinery and Eq, Intangibles and Infrastructure Investment (% of real GDP)

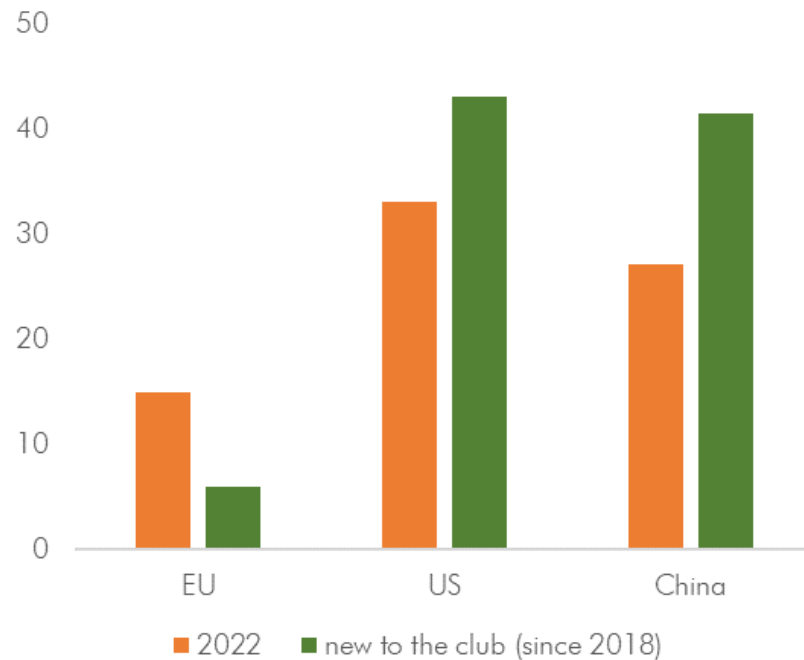


Source: EIB computations based on IMF WEO (April 2024) and EIKON;

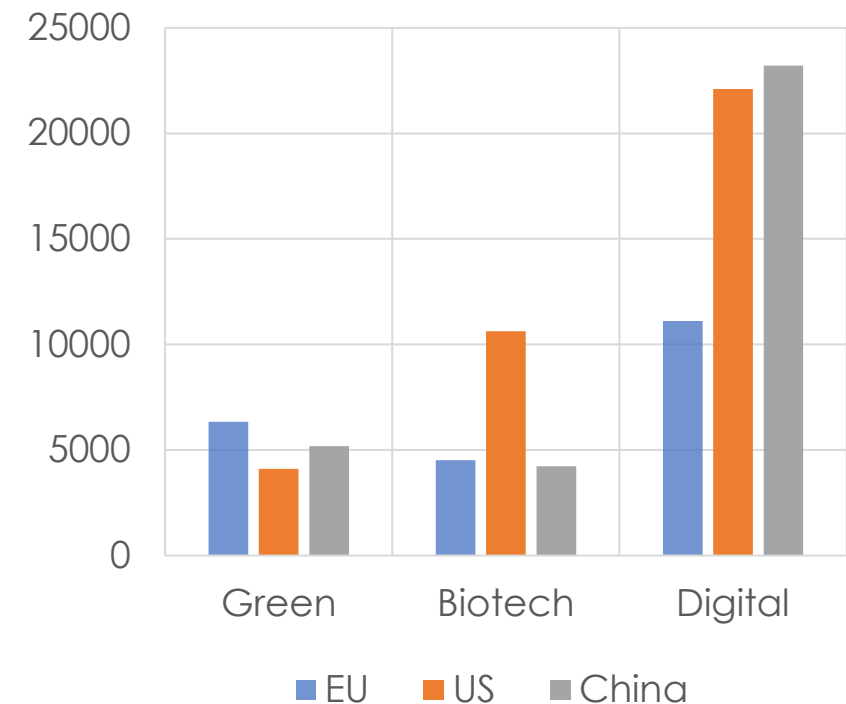
[WORKING PAPERS 2024/01 - Dynamics of productive investment and gaps between the United States and EU countries \(eib.org\);](#)

European innovation gaps

Leading innovators Top 2500 world R&D spenders and new entrants in the group (% of firms)



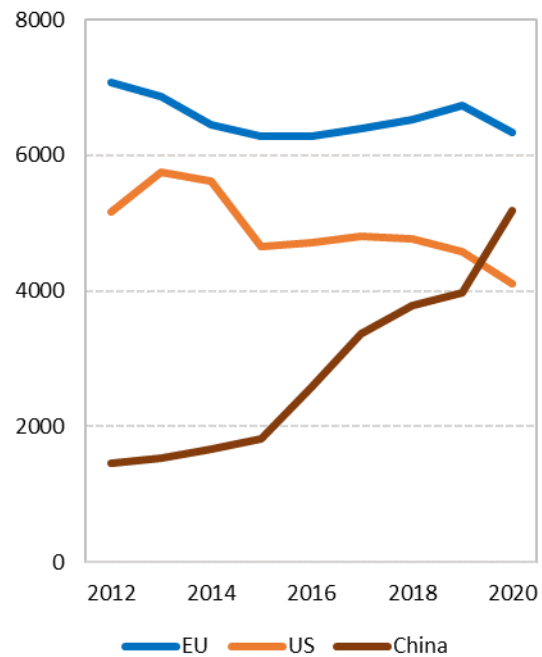
Number of patents issued in 2020 By technology domain



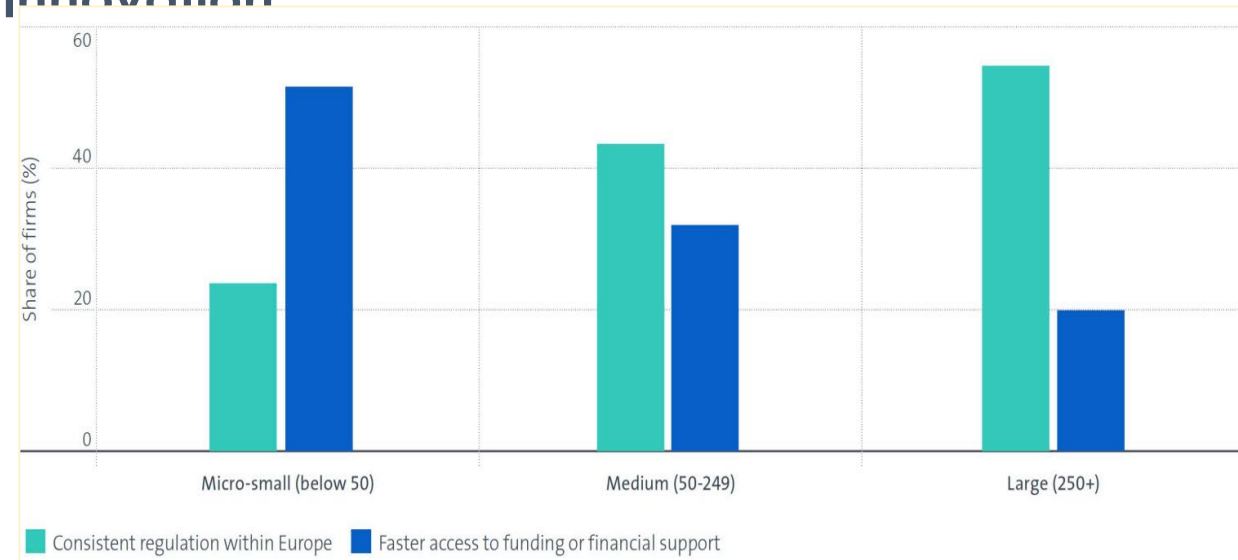
Sources: EU Industrial R&D Investment Scoreboard and Patstat.

Some room in green technologies, but finance (for small firms) and market integration (for large firms) essential

Green Tech patents



Consistent regulation within the EU and fast access to funding are considered important for supporting innovation

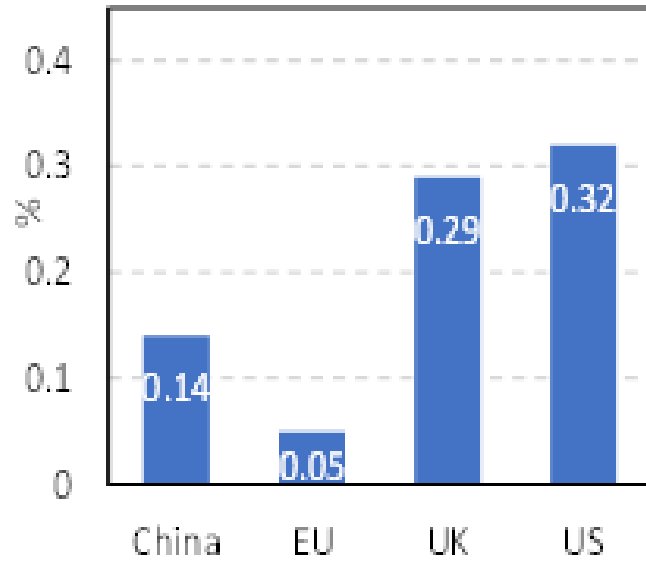


Source: Cleantech Survey

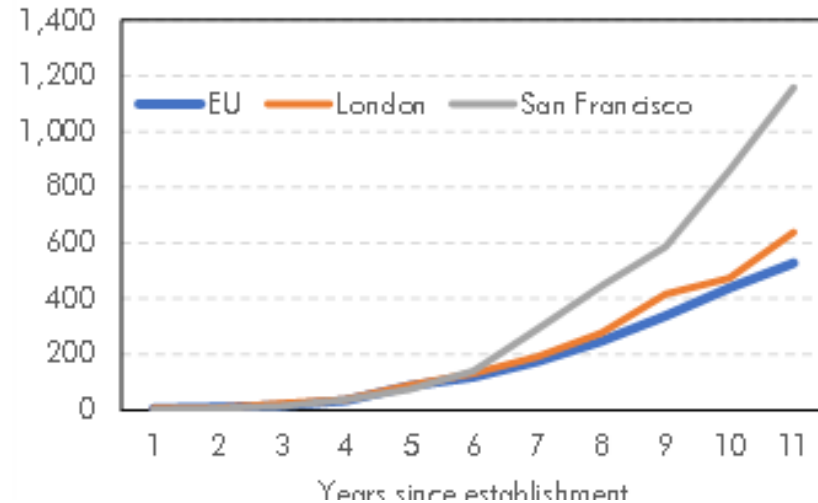
Source: [New EPO-EIB study: EU single market is a key catalyst for scaling clean and sustainable technologies](#)

Growth finance and Capital Market Union gaps are clear

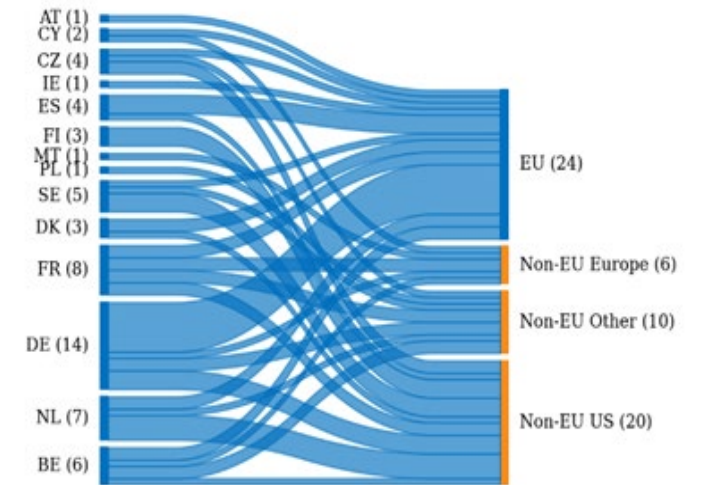
Venture capital invested in scale up % GDP



Cumulative capital raised by scale ups over life (avg USD mn)



Location of EU scale up that underwent M&A 2013-2023 (left), vs location acquirer (right)

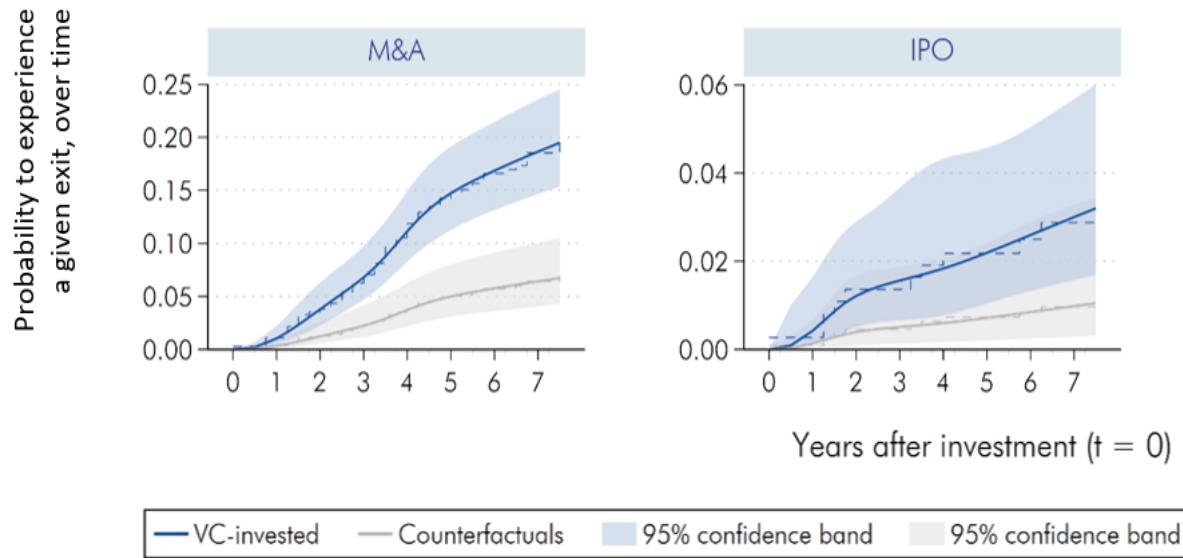


New dependencies emerge – cloud-computing and data storage

Microeconomic impact assessment of EIB Group instruments

Impact of EIF VC investment

In probability

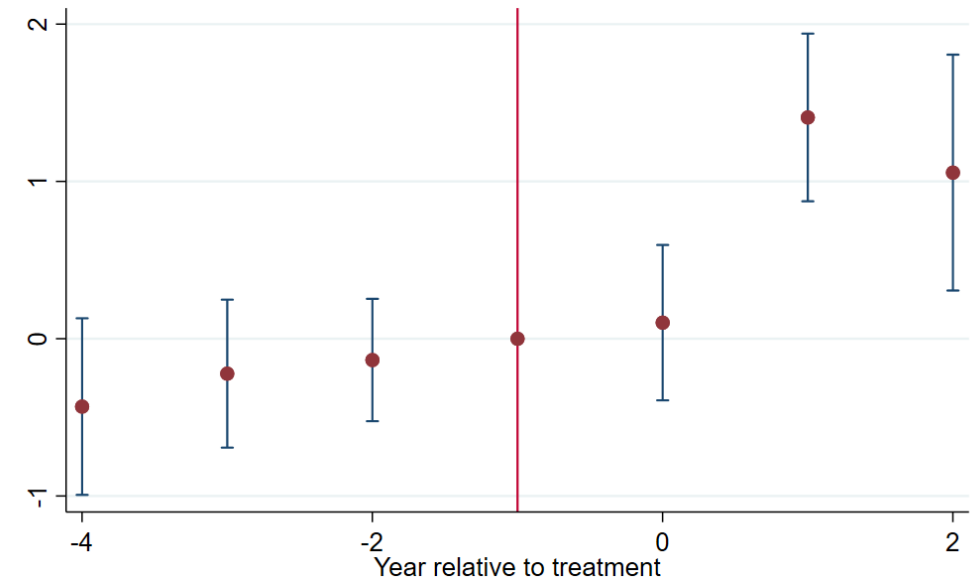


Note: Exit rates of EIF VC beneficiaries ('VC-invested') against the comparison group ('Counterfactuals') in the 7 years after the VC investment, which takes place at year $t = 0$.

- Start-ups backed by EIF VC had a 10.3 percentage points higher chance to be acquired (M&A) and a 1.7 percentage points higher IPO rate after 5 years

Impact of EIB VD on additional credit sources

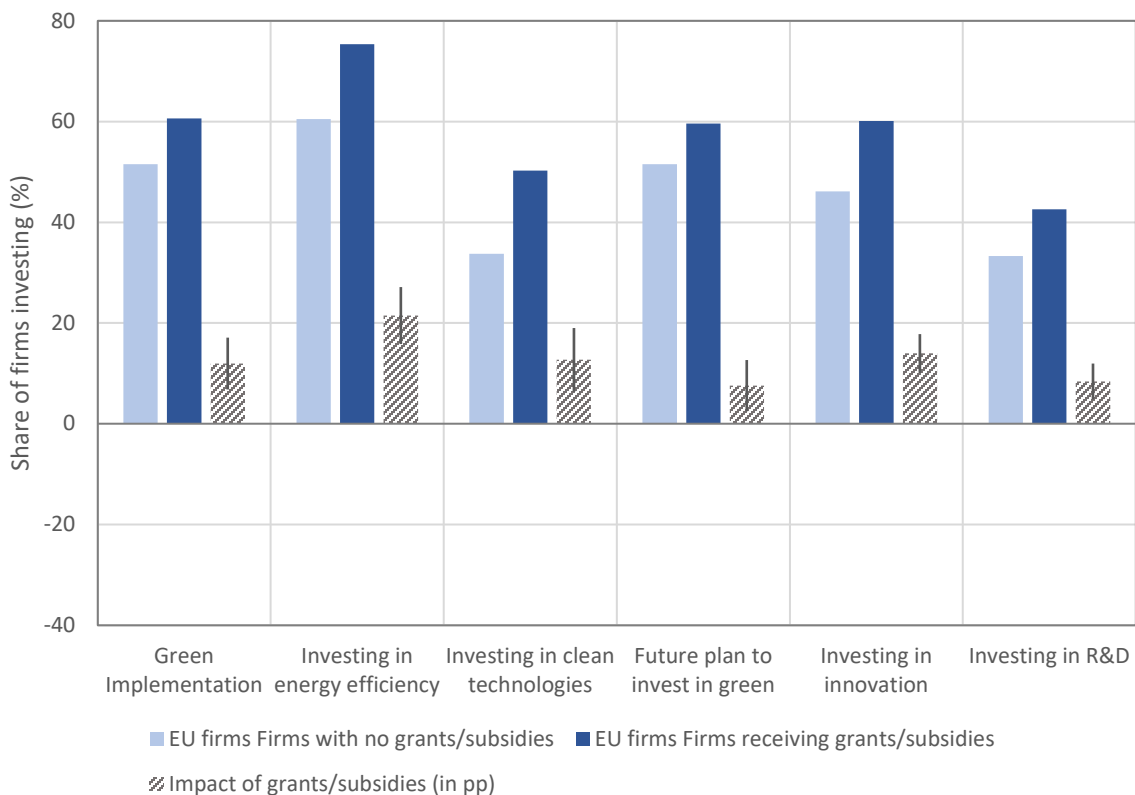
Number of additional credit sources



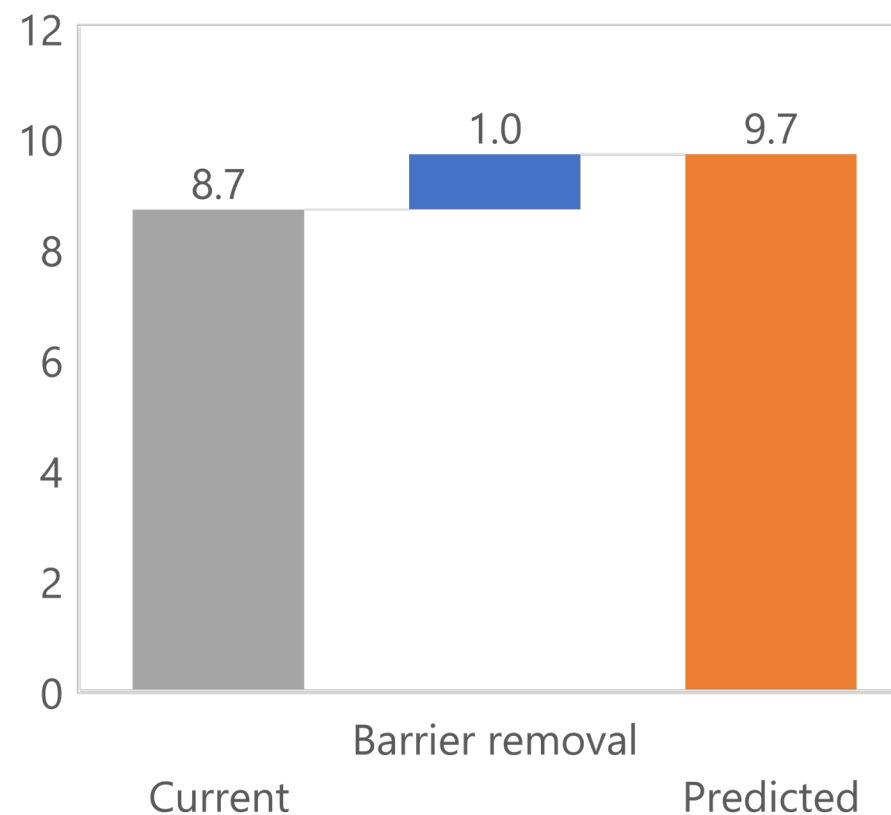
- EIB venture debt crowds in additional credit. The estimated effect suggests more than 1 additional credit source in the years after receiving EIB VD support

Targeted financial support helps but cannot be all

Investment of firms, conditional on support received (% of firms)



Firms investment rate and predicted effect of removing major barriers (Average investment intensity, pp)



Source: EIB staff calculations based on EIBIS.

Note: See 2023/24 EIB investment report, Chapter 3.

Concluding remarks

- EU paying the effect of gaps in capital deepening
- Less present with top innovators, new top innovators and in key technologies
 - Even in green technologies, challenges, with finance and market integration crucial
- Finance for growth the visible concern, but new dependencies emerging
- EIB Group support via venture capital and venture debt has an impact
- Targeted incentives to go hand in hand with improving business environment, while the new geopolitical context might require for more.....