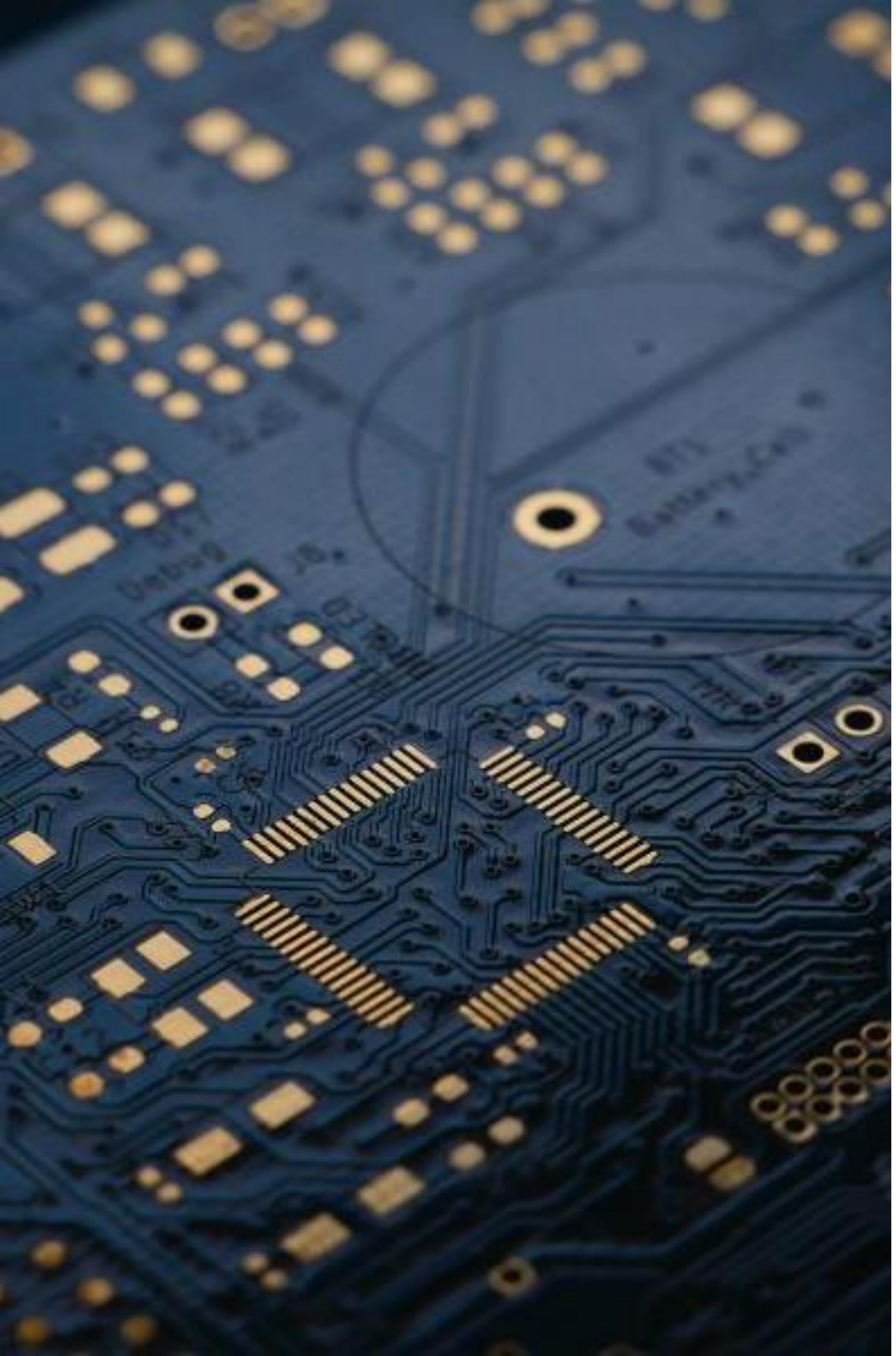

Capitalising on Europe’s strengths at times of geopolitical shocks and digital transformation – a view on CESEE

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Capitalising on Europe’s strengths

- Investment has been **resilient**, but **needs to accelerate**
- Investment growth will depend on a **decisive push for private investment**, driven by new business opportunities and by realising the untapped potential of EU integration
- Future policy support will need to focus even more on **impact and private capital mobilisation**
- Leveraging on **EU strengths**: EU single market, resilient supply chains, stable and trusted global partner, renewable deployment and greentech

Capitalising on Europe’s strengths

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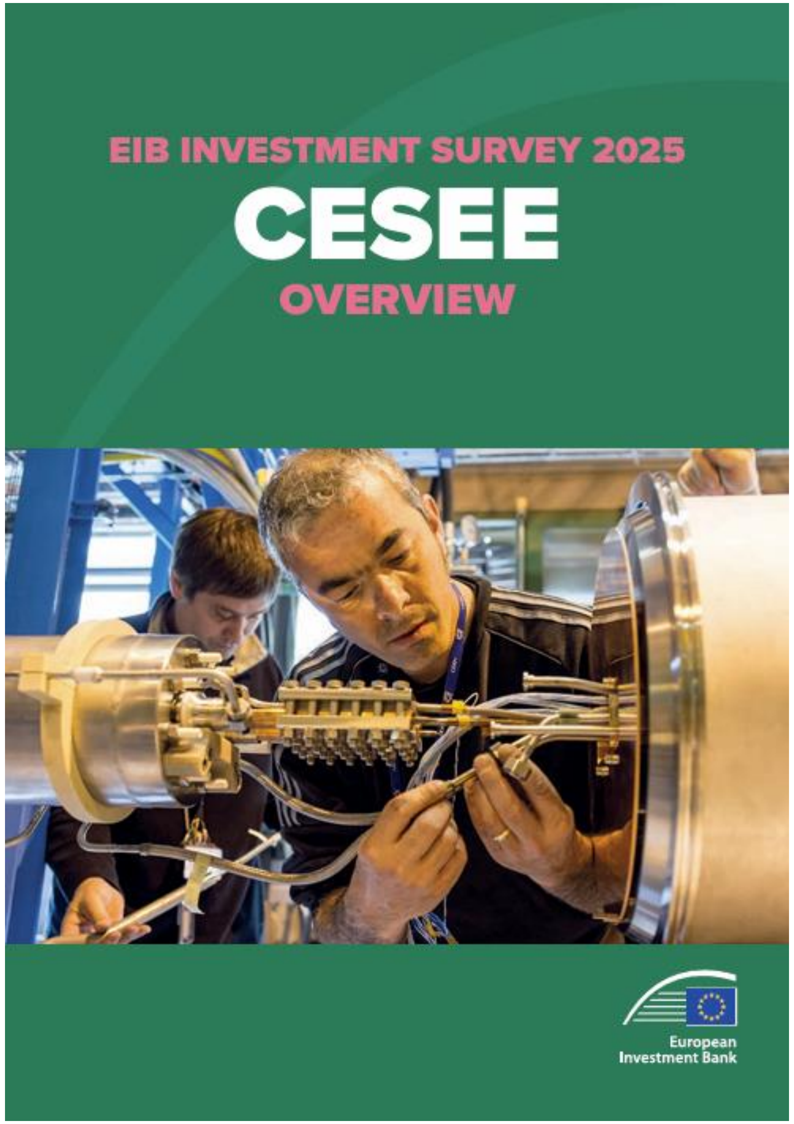
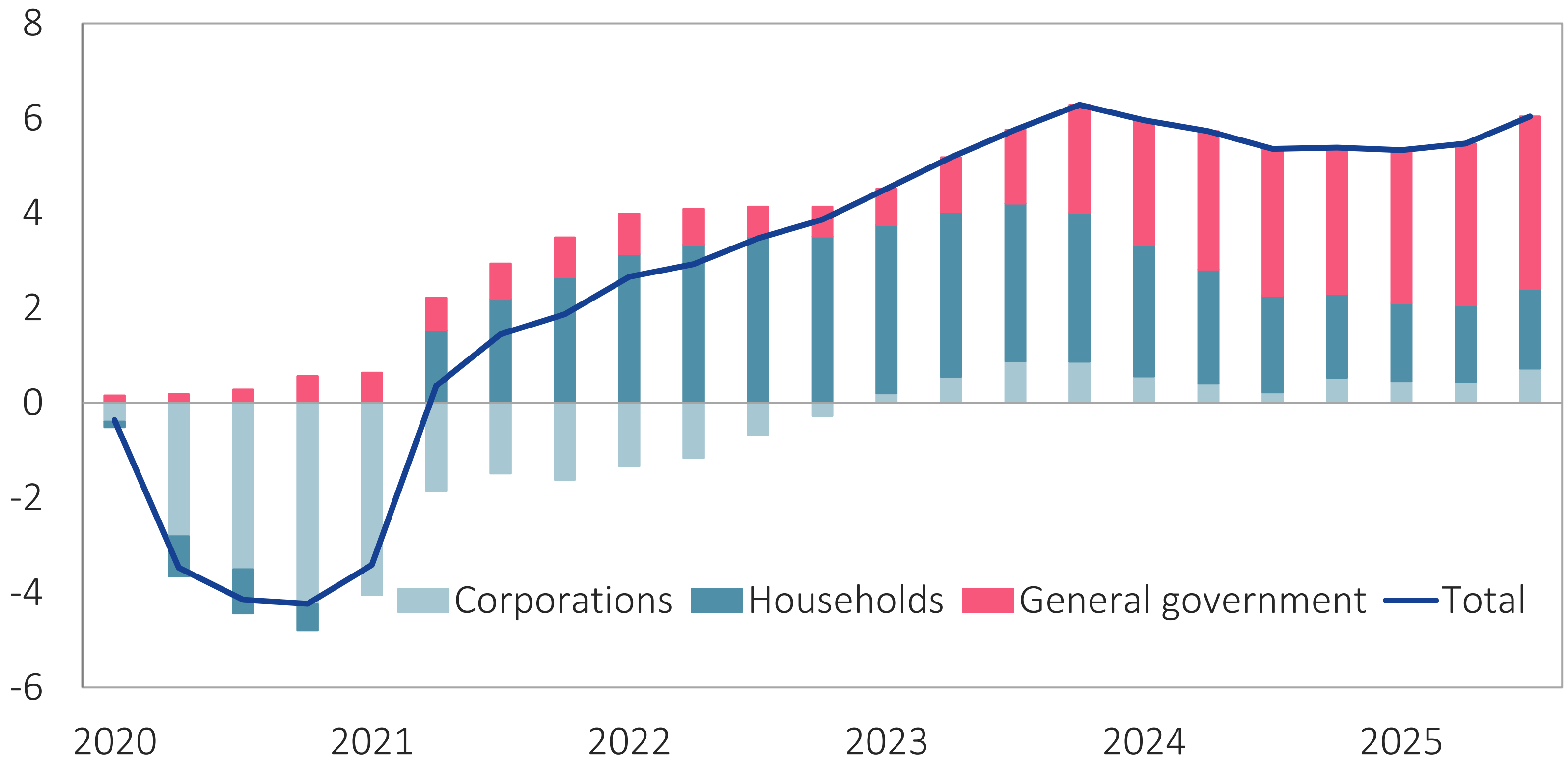
CAPITALISING ON EUROPE’S STRENGTHS



Investment resilience in EU has relied largely on strong public investment

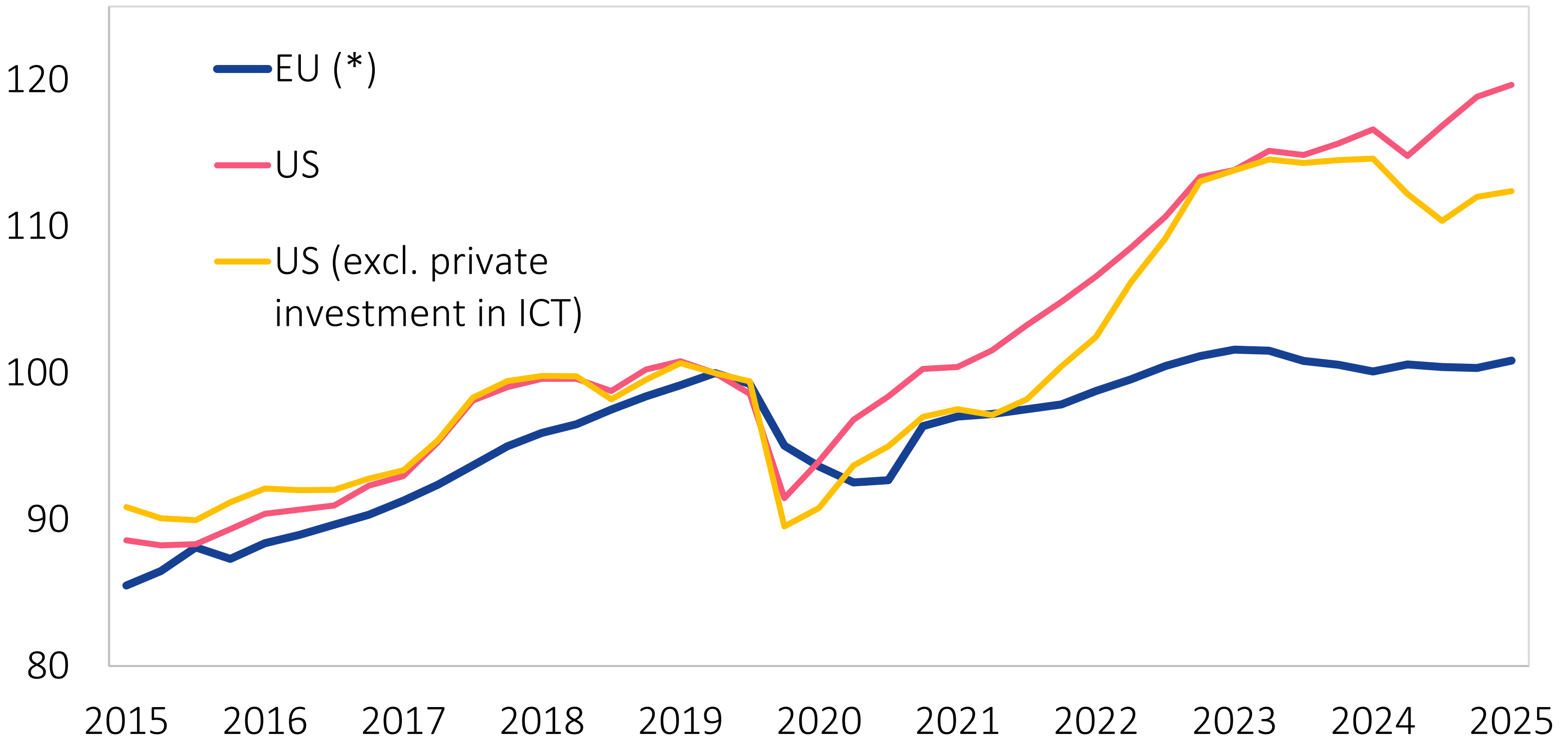
Real investment in EU (cumulative growth relative to 2019Q4, %)



Note: EU without Ireland. Real gross fixed capital formation by sector, deflated using total investment deflator. The four-quarter sum of total GFCF in the fourth quarter of 2019 is normalised to 0. **Source:** EIB staff calculations based on Eurostat.

Corporate investment in Europe withstands headwinds but has stalled

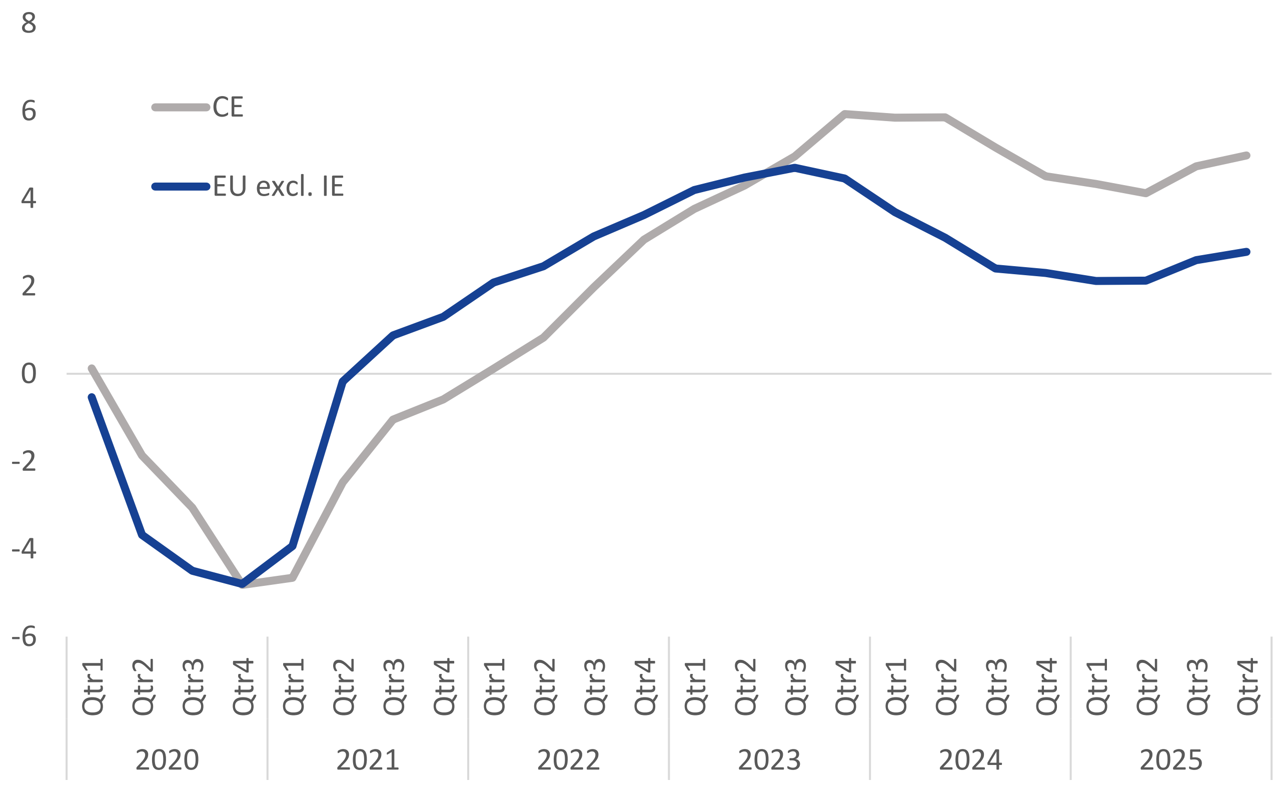
Real corporate investment (index 2019Q4 = 100)



Note: (*) EU data exclude Ireland. All figures were adjusted using the implicit price index for gross fixed capital formation for both the EU and the United States. Private investment in ICT was deflated using the specific price index for ICT investment. Quarterly data are presented as four-quarter moving averages. **Source:** EIB staff calculation based on Eurostat and FRED. Latest data point for the US is 2025 Q2 and for the EU is 2025 Q1.

Private investments in CESEE has been more dynamic

Real private investment, cumulative growth (2019 Q4 = 0, %)

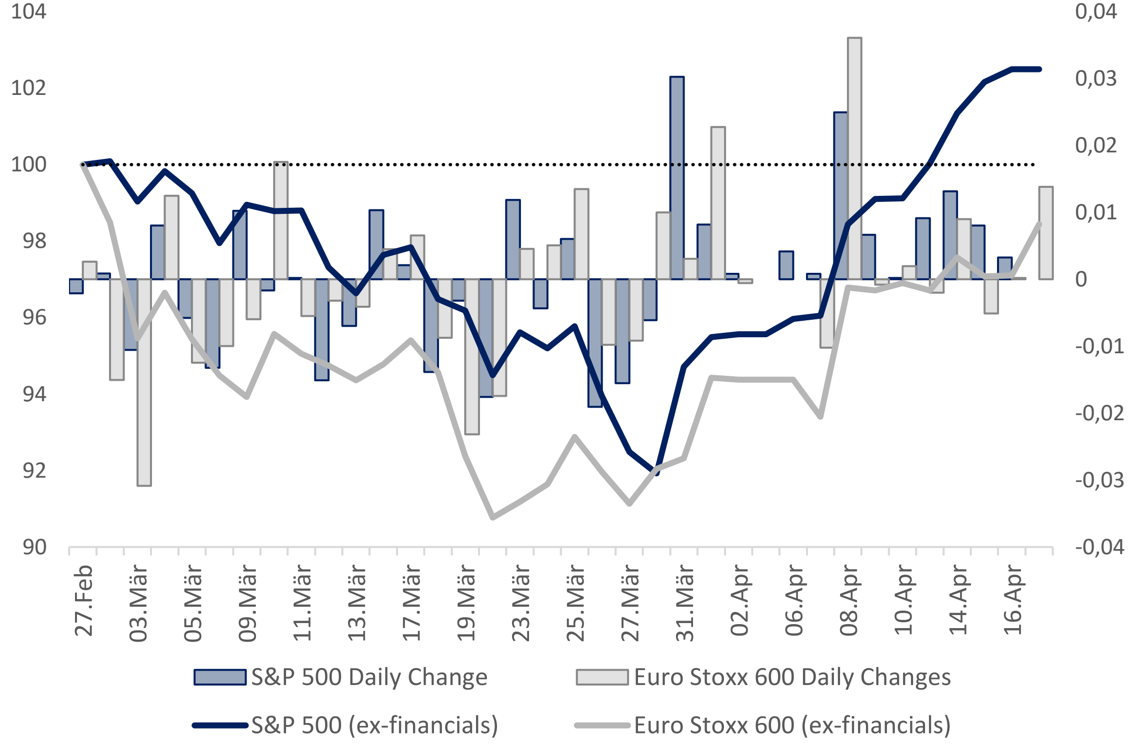


Note: EU avg data exclude Ireland. Source: EIB staff calculation

Are financial markets disjoint from the real economy?

Equity markets appear to respond more to positive than to negative shocks...

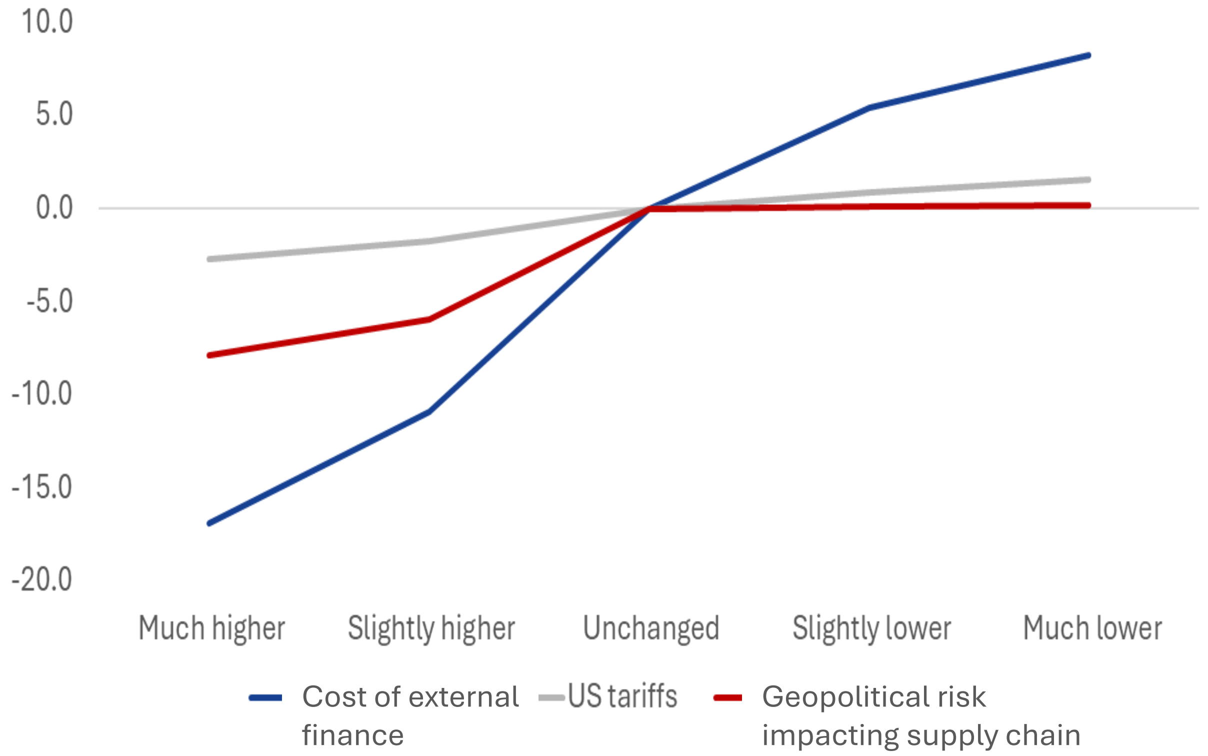
Equity Markets (excluding financial sector) in the US and Europe since the start of the war with Iran.



Source: Bloomberg and EIB calculations.

... while the opposite is true for firms: their investment responds more to negative than to positive shocks

Change in balance of firms intending to increase their investment in response to shocks



Source: EIB analysis derived from an experiment. Note: The experiment presented 710 firms with random combinations of changes in financing costs, tariffs, and geopolitics. The chart shows the marginal impact of each shock on the balance of firms that intend to increase their investment in response to the shock.

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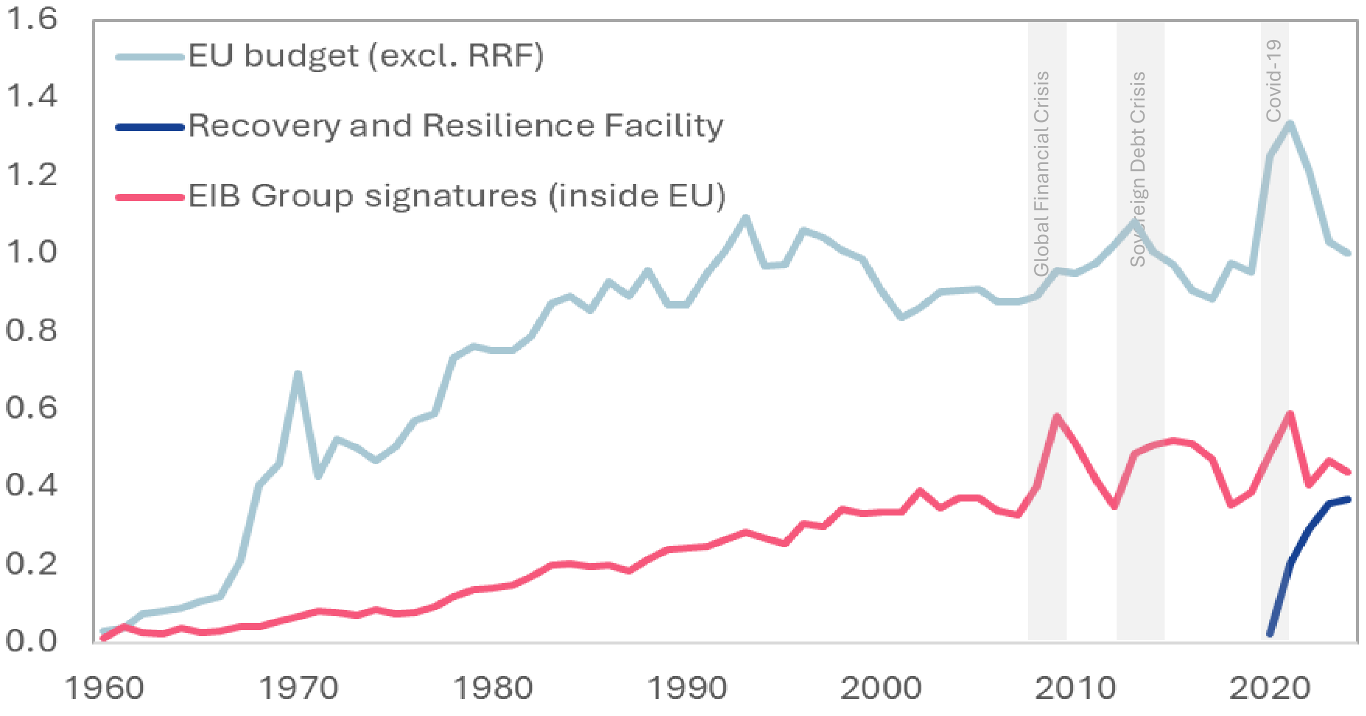
Future policy support will need to focus even more on impact and private capital mobilisation

EU resources for EU policy goals

EU budget, RRF (grants and loans) and EIBG signatures (loans) as % of EU GDP



Note: Data is shown as a % of EU GDP, where the EU is the EU6 to 1973, EU9 to 1981, EU10 to 1986, EU12 to 1995, EU15 to 2004, EU25 to 2007, EU27 to 2013, EU28 to 2020 and then EU27.

Trade disruptions

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EU companies had to adapt to the trade shock, but less than US companies

Source: EIBIS

Source: EIBIS

Innovation, digitalization and AI

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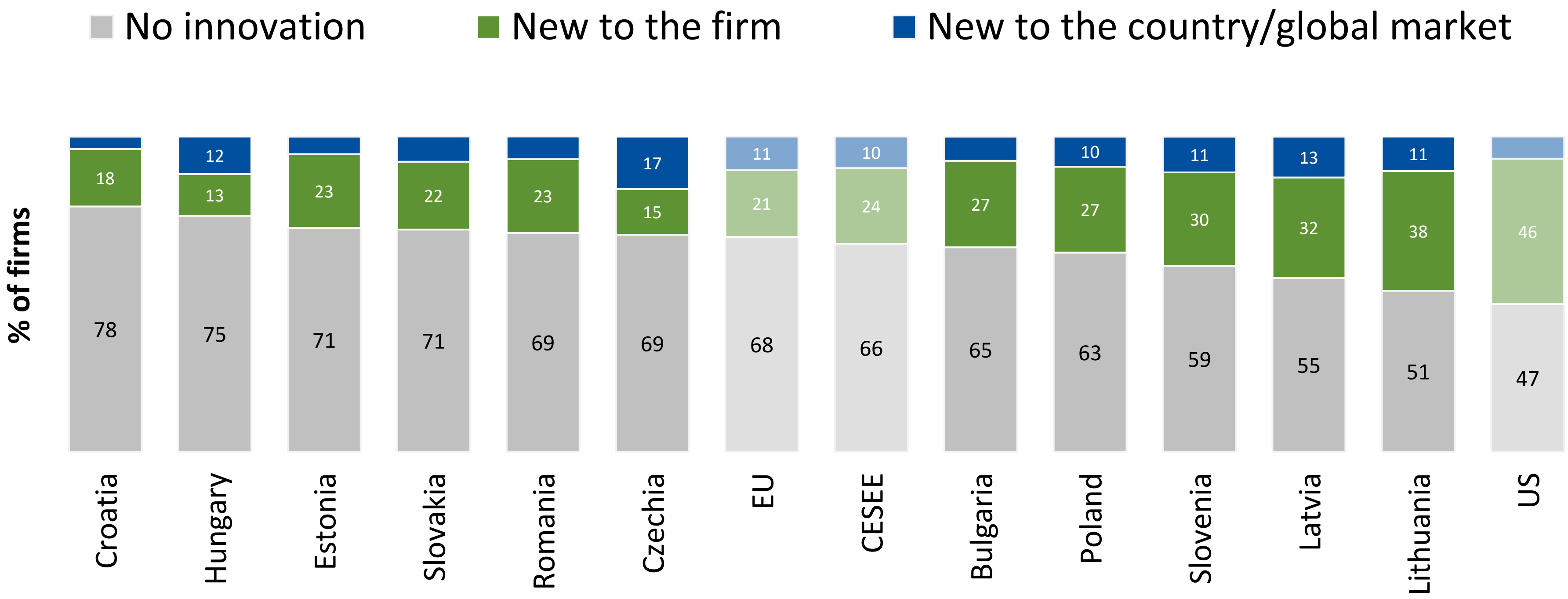
CESEE firms as innovative as rest of EU, but with large differences within the region

Investments in innovation activities, by country

Share of firms (%)

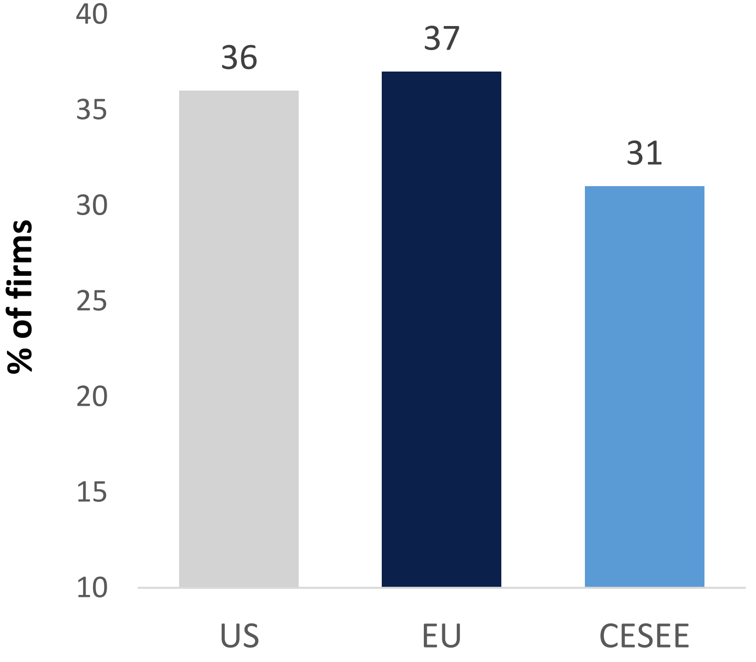


Source: EIB staff calculations based on EIBIS 2025.

Digitalisation and AI adoption in CESEE: lower adoption of advanced digital technologies and fewer firms using multiple digital tools

Firms using Generative AI

Share of firms (%)

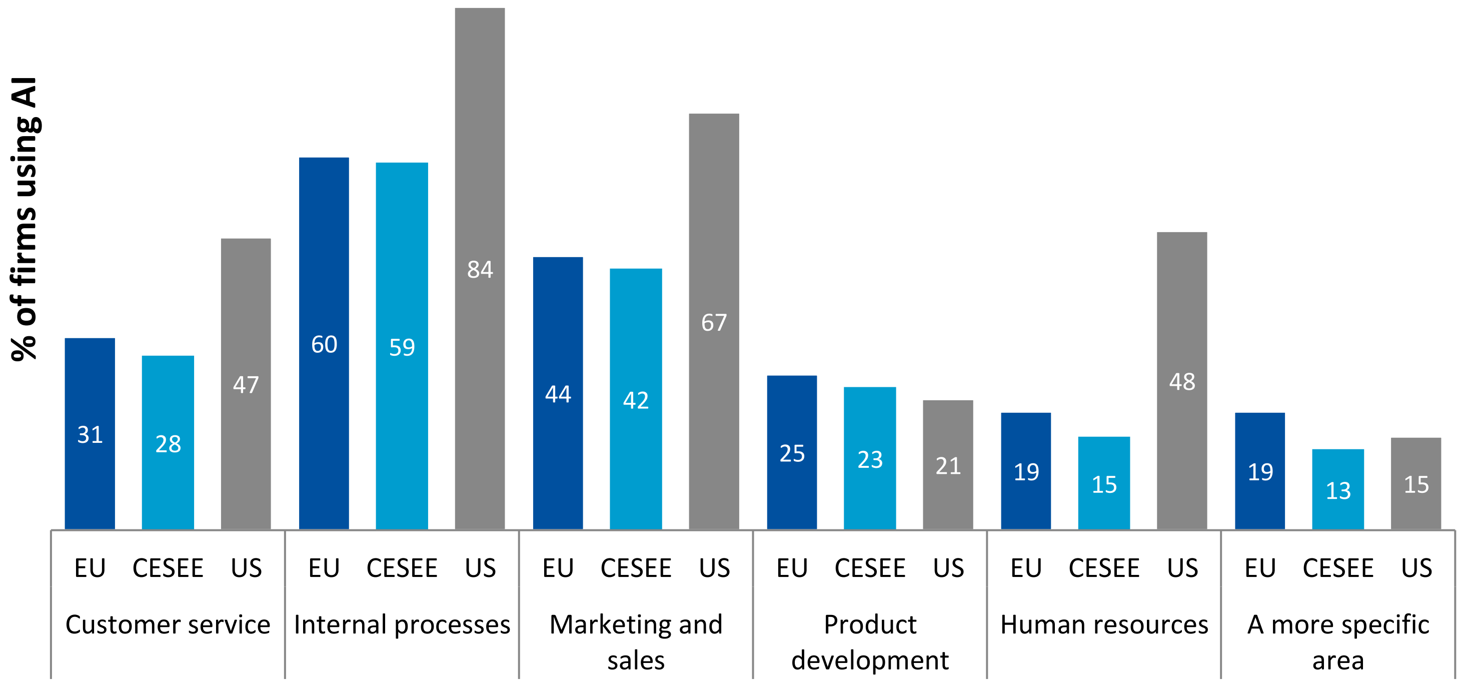


Q. I would like to ask about your company's systematic use of generative AI tools to improve processes. These are tools like ChatGPT, Bard, or Copilot that can create new content, like text, images, or codes. Does your company invest in these kinds of tools in any of the following areas? Base: All firms.

Source: EIB staff calculations based on EIBIS 2025.

Areas in which AI tools are used

Share of firms using AI (%)



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Source: EIB staff calculations based on EIBIS 2025.

With new challenges

Grid constraint severity in selected EU markets:

Ireland: data centers consuming **32%** of national electricity at the end of 2026

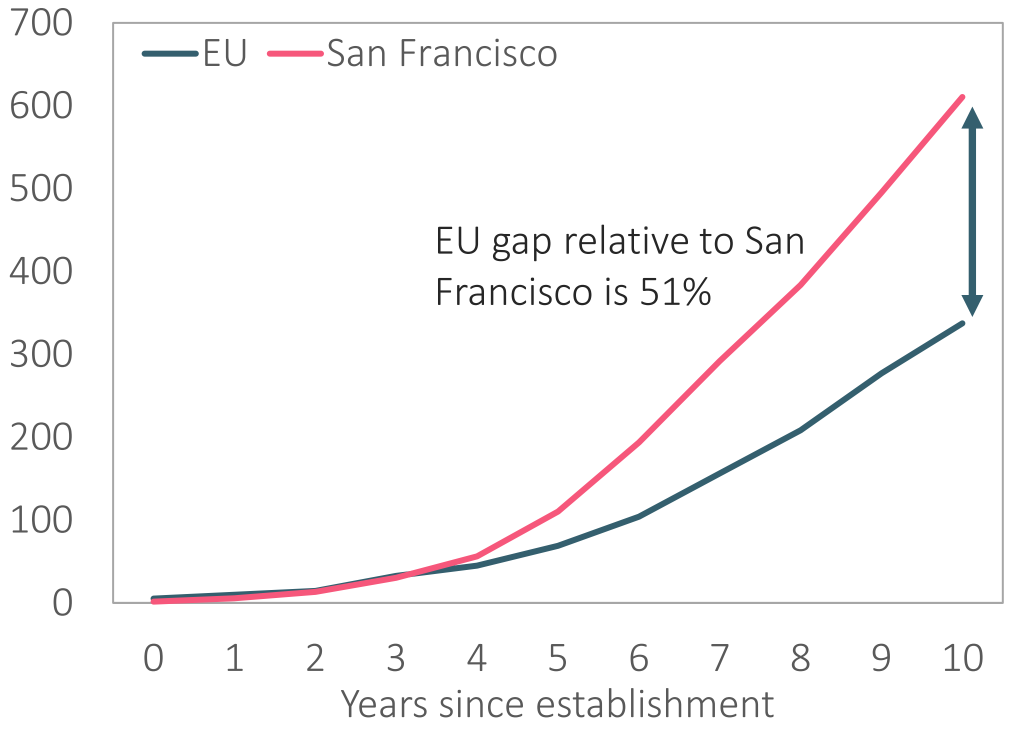
Amsterdam: **4.6%** of national electricity in 2024

Frankfurt: **40%** of regional electricity in 2024

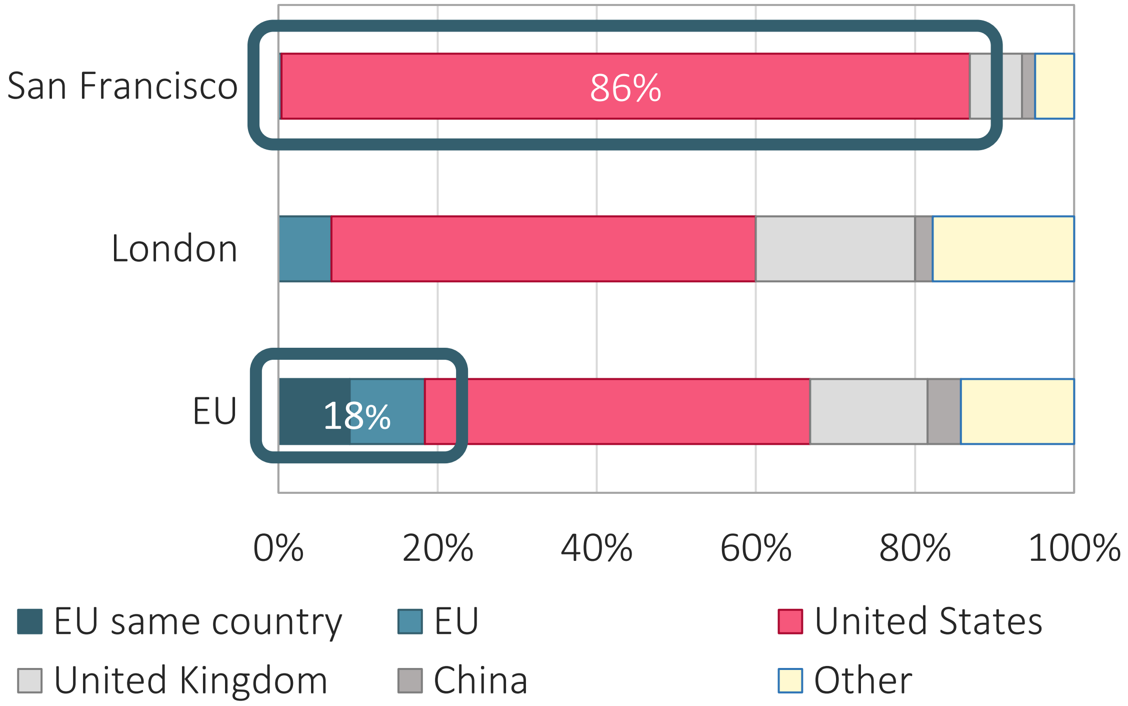
Copenhagen: **15-18%** of national electricity in 2023

Limited availability of innovation finance in EU constrains companies from scaling up

Cumulative capital raised since establishment by scale-ups (average, mn USD)



Nationality of lead/sole investor in scale-up deals (%)



Source: Fratto et al. (2024) based on PitchBook Data, Inc. **Note**: In both charts, the sample consists of companies that between 2013 and 2023 had market valuation between USD 500mn and 10bn.

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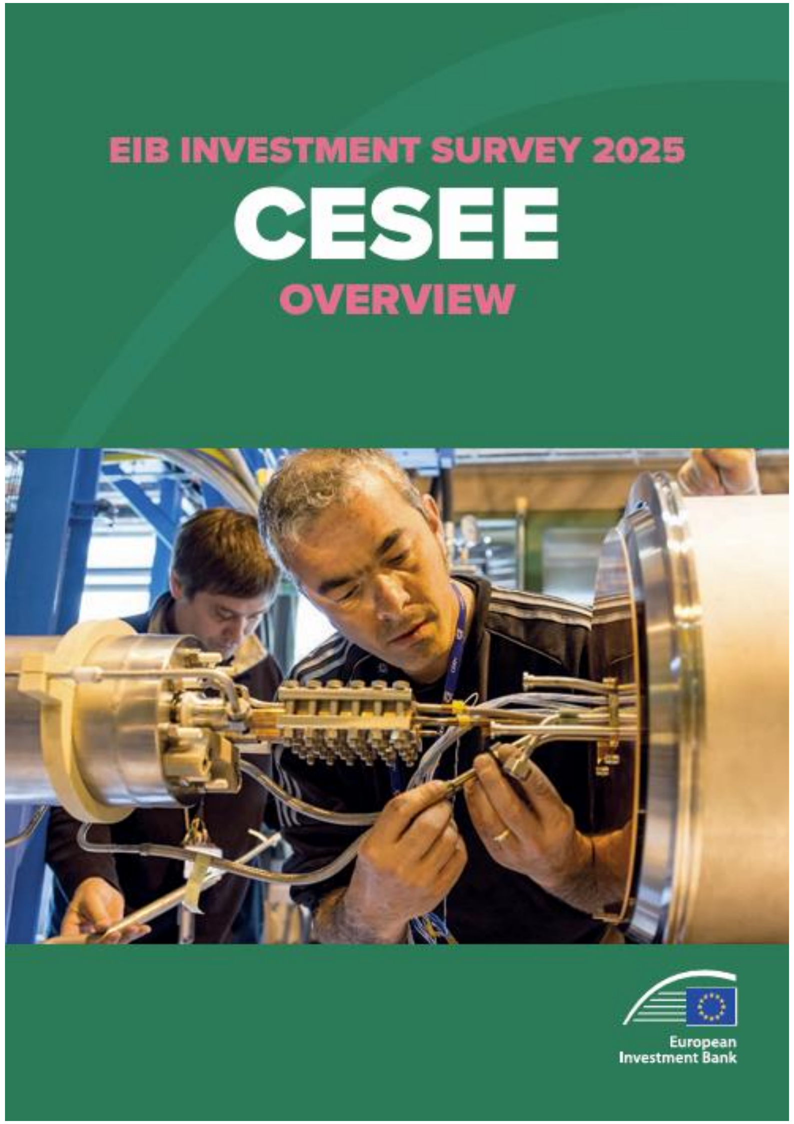

THANK YOU

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Europe keeps focus on investment and transformation

Resilient supply chains

Renewables deployment

½ of electricity generation

High demand for EU assets

41% (36%)
of EU (HR) firms see energy costs as a major barrier in 2025,
down from ~60% (68%) in 2022

Europe a stable and trusted global partner

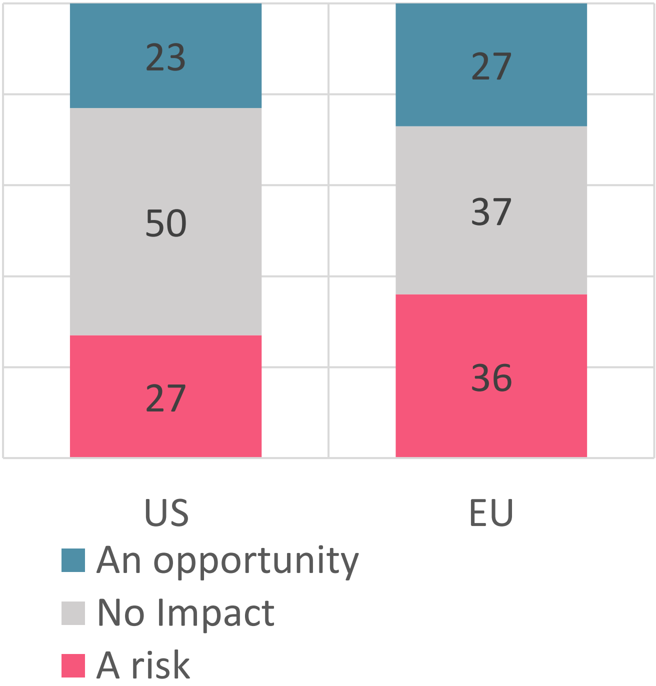
Forging new cooperation agreements, like the **Mercosur** and **India** deal

Competitive in key technologies:

Health-tech, autonomous systems, clean energy tech., bioeconomy and specialised equipment, etc.

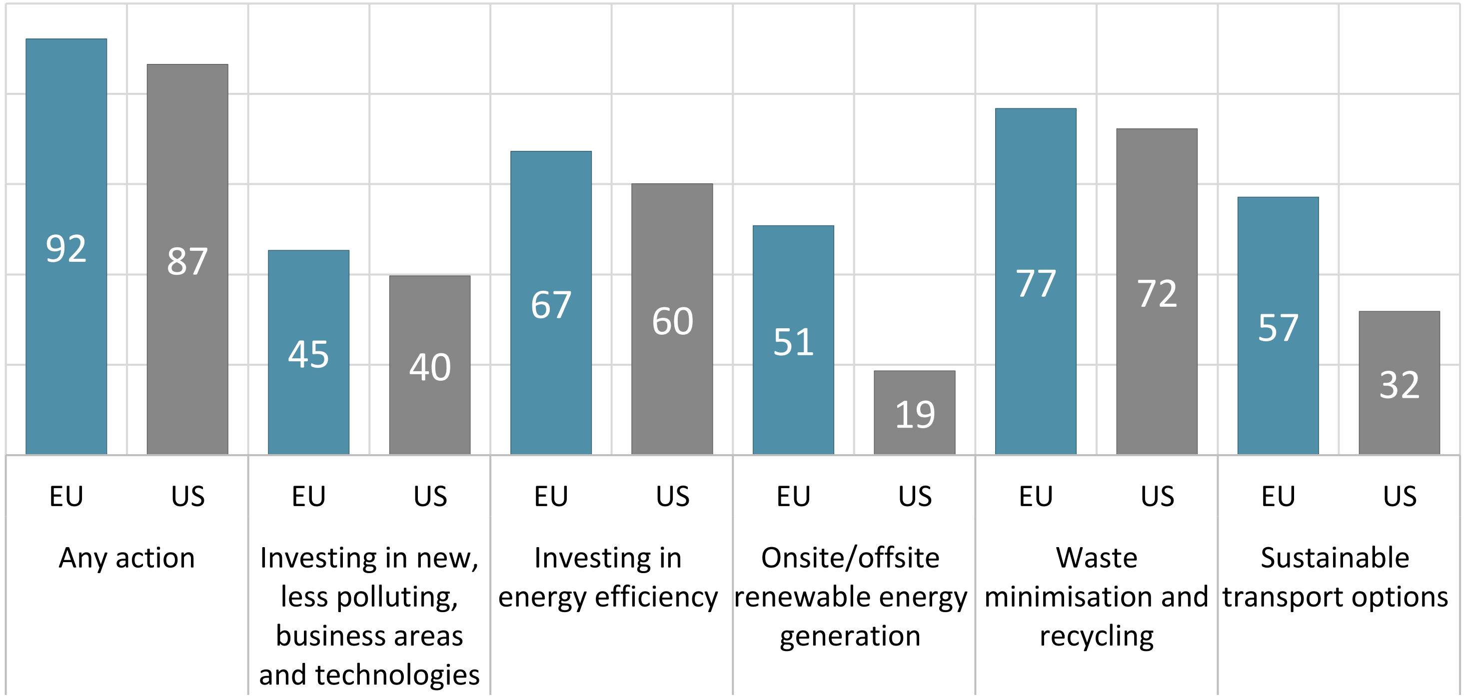
EU firms more aware than US firms of the risks related to climate change and are staying the course with green investments

Risks associated with the transition to net zero (% of firms)



Source: EIBIS. Q. What impact do you expect the transition to stricter climate standards and regulations will have on your company over the next five years?

Measures to reduce greenhouse emission (% of firms)



Source: EIBIS. Q. Has your company invested or implemented the following, to reduce greenhouse gas (GHG) emissions?