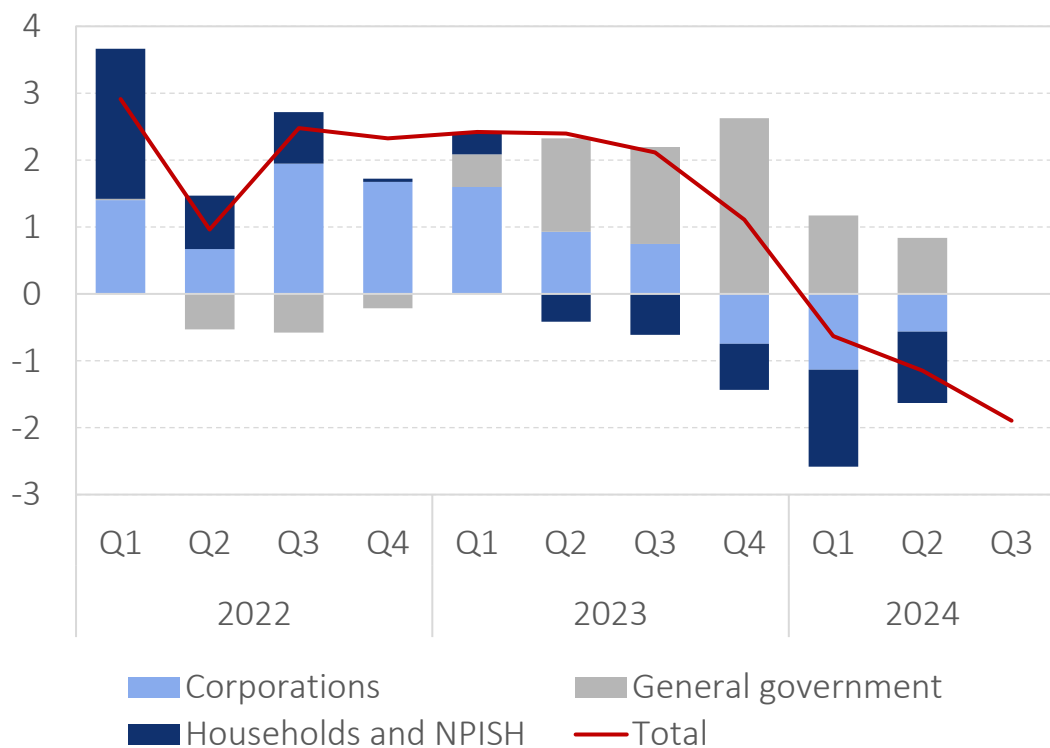


After robust growth, investment is supported by public sector policy support, but stagnating overall

Investment is stagnating, with the public sector positive contributor

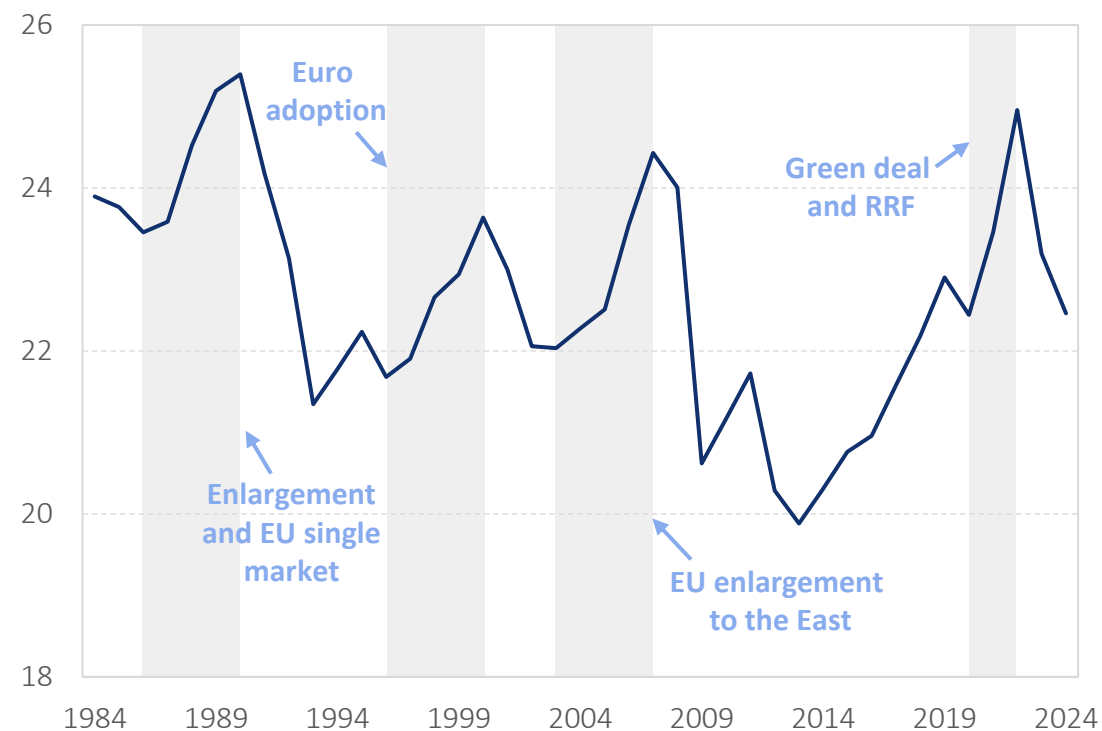
Year-on-year growth in real investment by sector (%)



Source: EIB staff calculations based on Eurostat.
 Note: EU without Ireland. Real gross fixed capital formation by sector, deflated using total investment deflator.

Investment accelerations have been associated to structural shifts, opening business opportunities

Investment intensity (% of GDP)

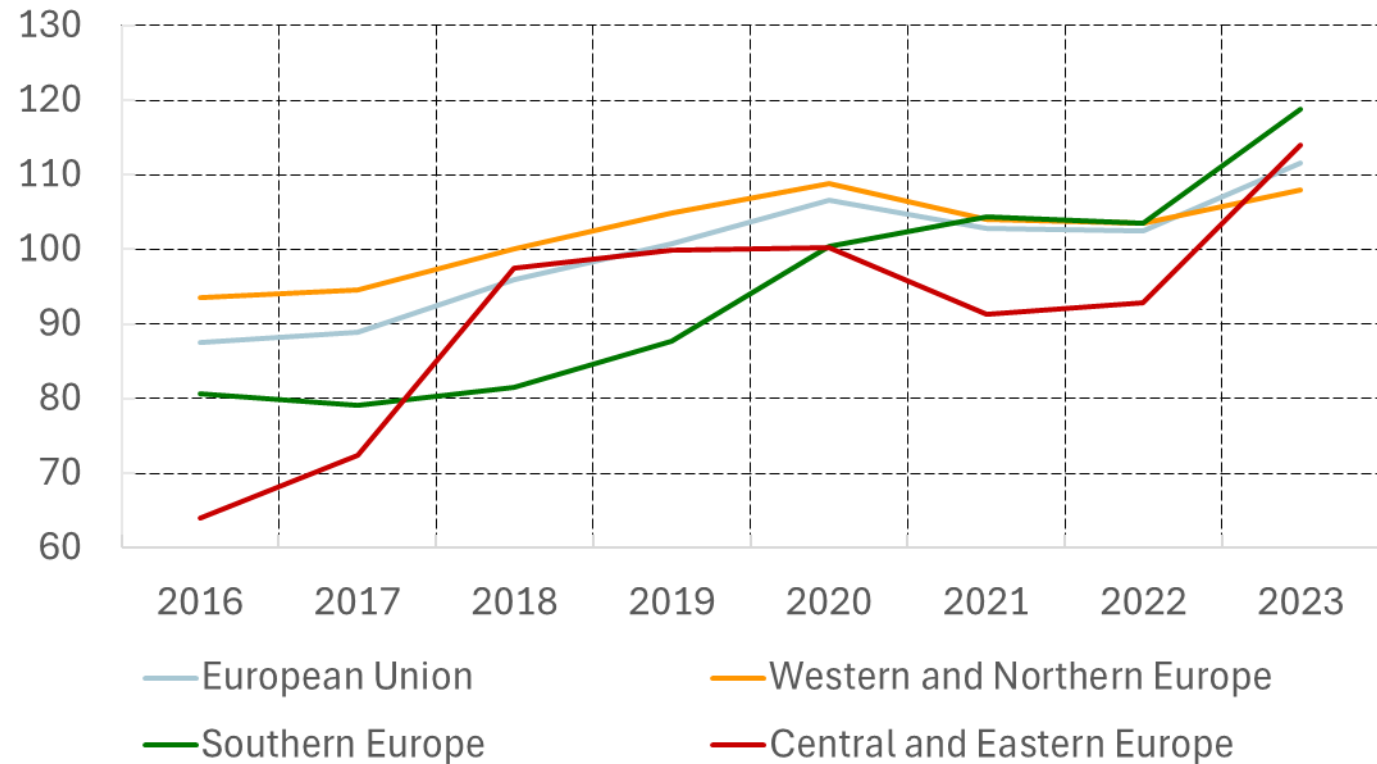


Source: EIB staff calculations based on IMF WEO October 2024.
 Note: The figure shows the current investment intensity (i.e., gross fixed capital formation as a share of GDP)

Recent increase in EU public investment largely due to rise in investment by regional and local governments

Local and regional government's investment (2017–2023), by EU macro region

Gross fixed capital formation over GDP (2017 = 100)



EIBG Survey of Municipalities



Municipalities Survey: background

- EIB Municipalities Survey gathers information from officials at local municipalities on local infrastructure investment activities and needs
- First wave conducted in 2017; Repeated every two years
- Carried out by Ipsos MORI under guidance of EIB's Economics' Department
- Structure: repeated and ad-hoc questions (modules) in past, e.g. during COVID pandemic
- Here we present selected findings of fourth wave of survey

Municipalities Survey: data collection

✓ Data collection:

- ✓ a sample of about 12000 municipalities in all EU-27 Member States
 - Two conditions: at least 2000 inhabitants, no capital cities; representativeness based on population (cohesion/macro region level)
 - Municipalities in towns and suburbs (49%), rural areas (41%), and in cities (10%)
- ✓ Based on telephone interviews with municipalities across EU carried out between June and September 2024

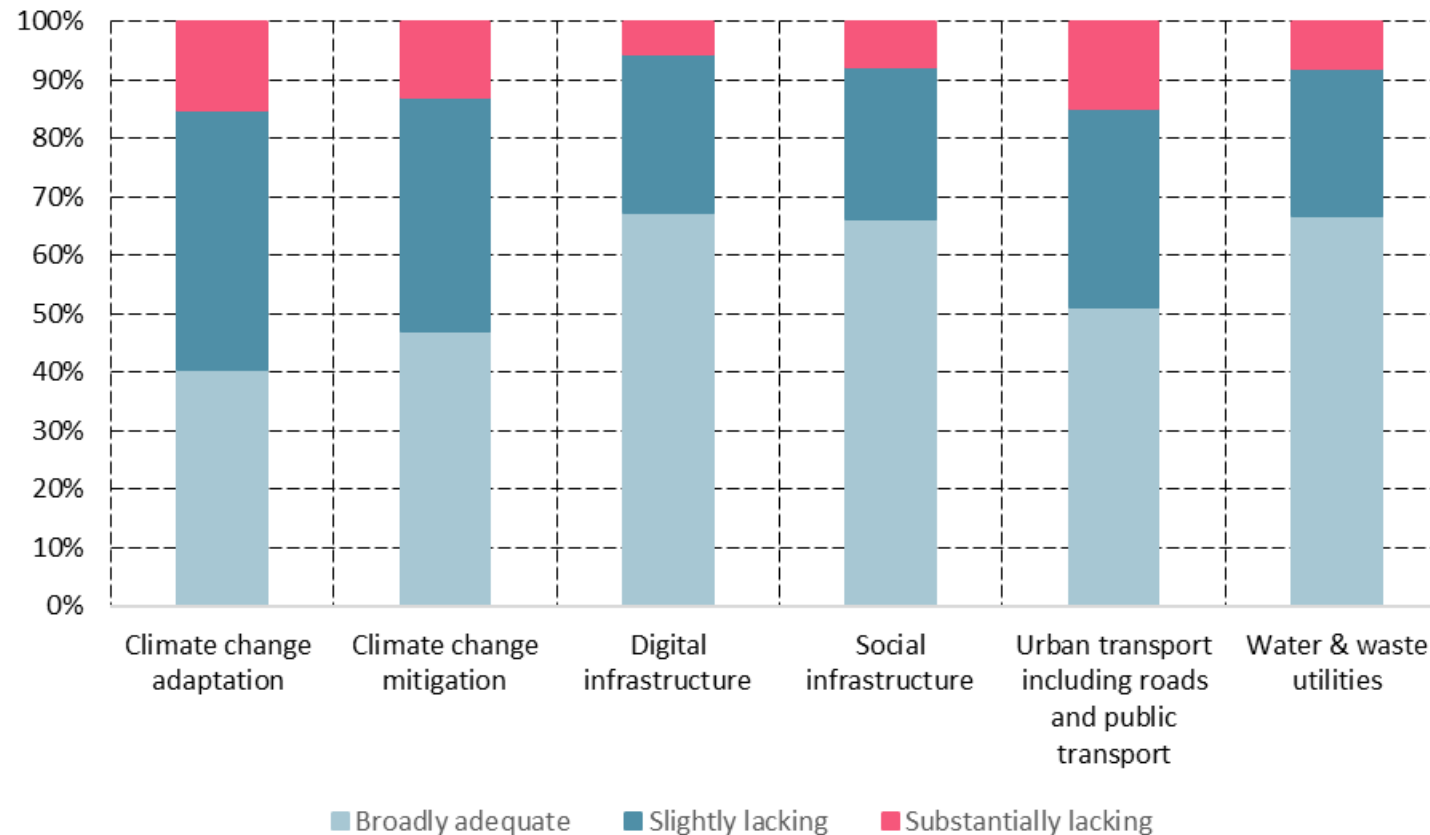
Main investment needs and plans



Climate change-related and transport infrastructure are areas where biggest needs seen

Past infrastructure investment (2021–2023)

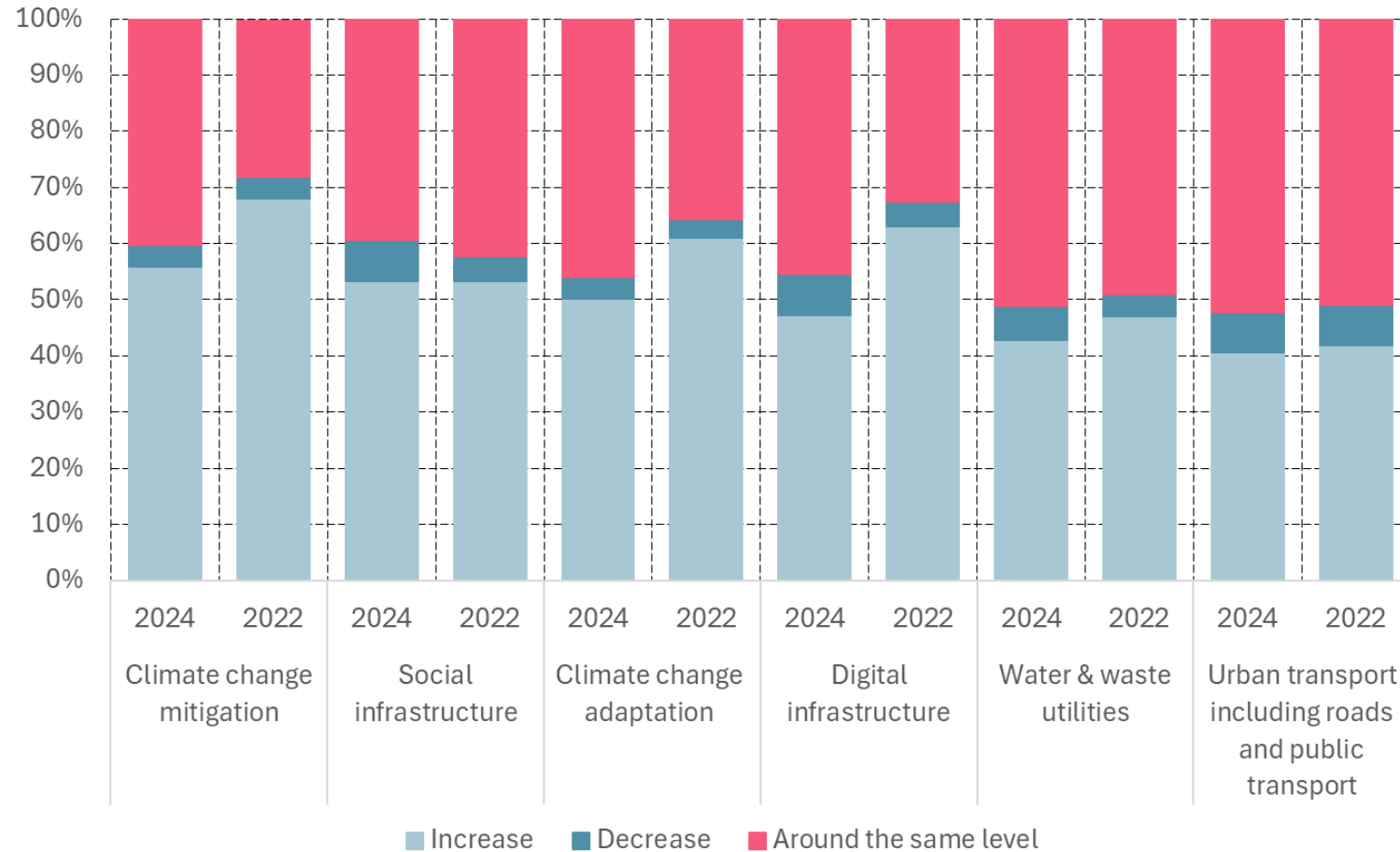
Within your municipality the level of investment in infrastructure projects was broadly adequate, slightly or substantially lacking (% of municipalities)



Climate change and social infrastructure are the largest categories where municipalities plan spending increases

Future infrastructure investment plans

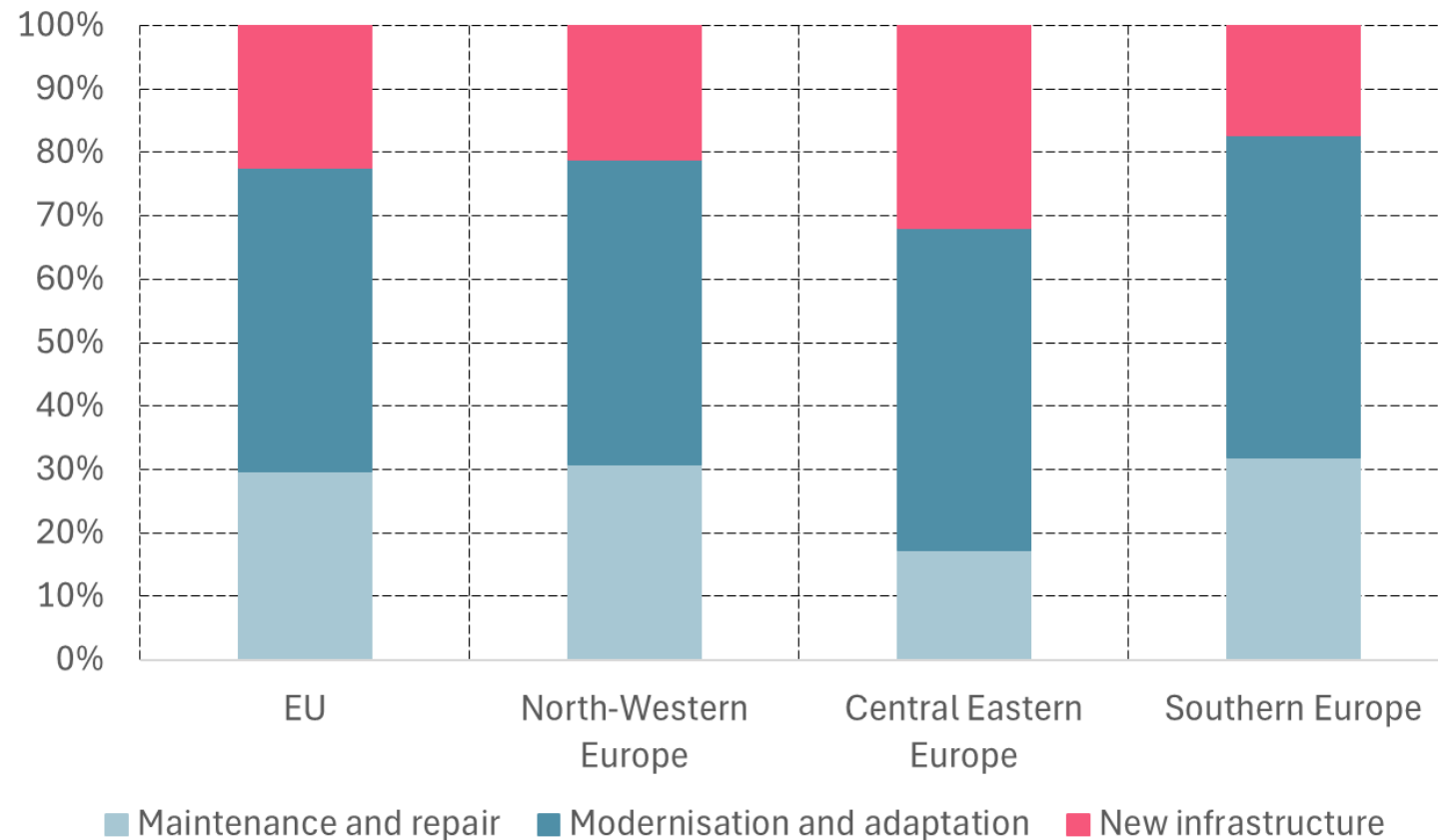
Does your municipality expect to increase, decrease or have around the same level of spending on infrastructure investment? (% of municipalities)



Modernisation and adaptation is the main planned infrastructure expenditure category

Planned infrastructure expenditure category, by EU macro region

Except for routine maintenance, which of the following activities do you expect will have the largest share in terms of your infrastructure investment spend? (%)



Source: EIB Municipalities Survey 2024.

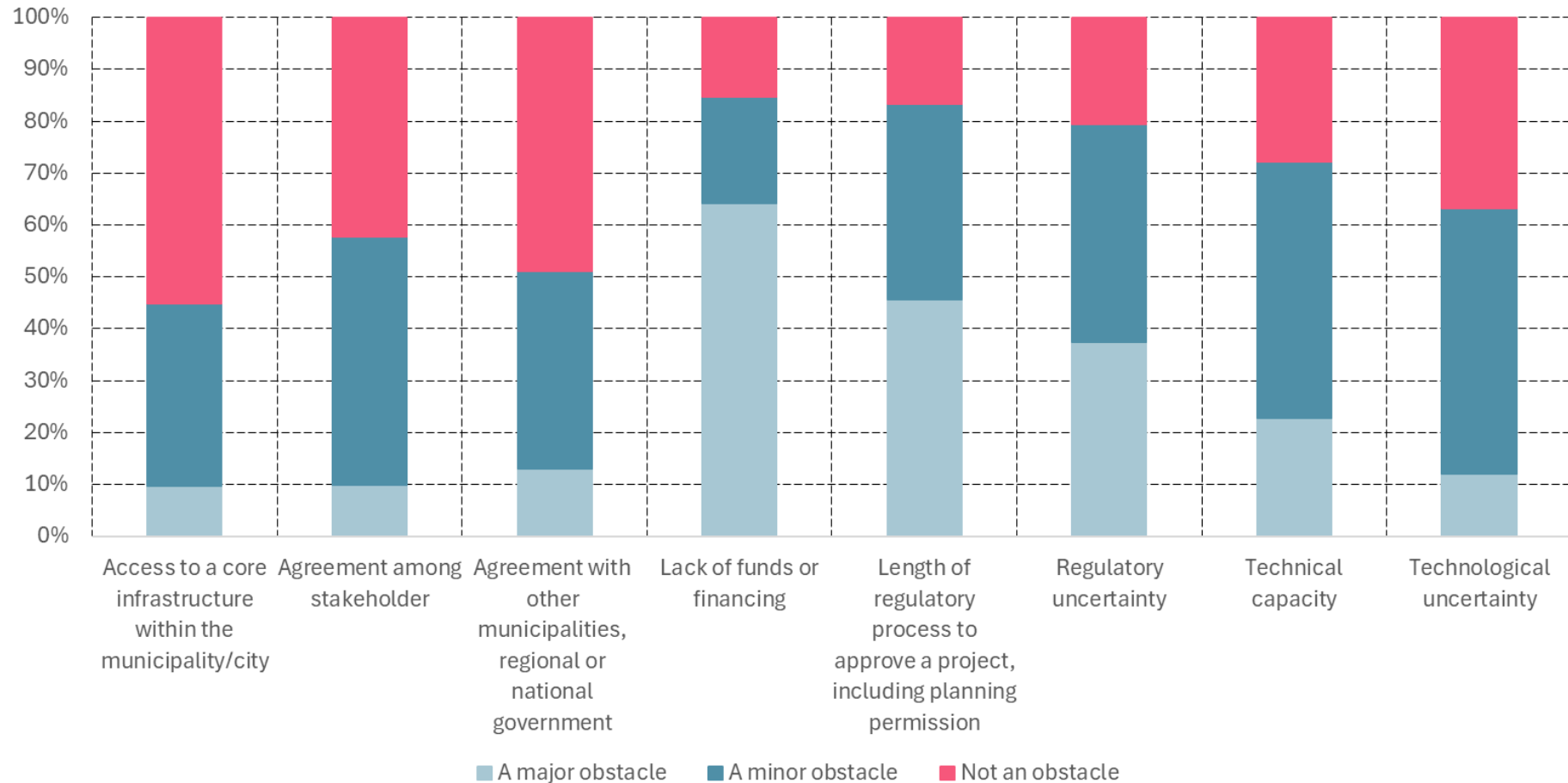
Investment barriers - skills



Lack of funding, red tape and regulatory uncertainty are the main barriers for infrastructure investment

Obstacles to local government infrastructure investment

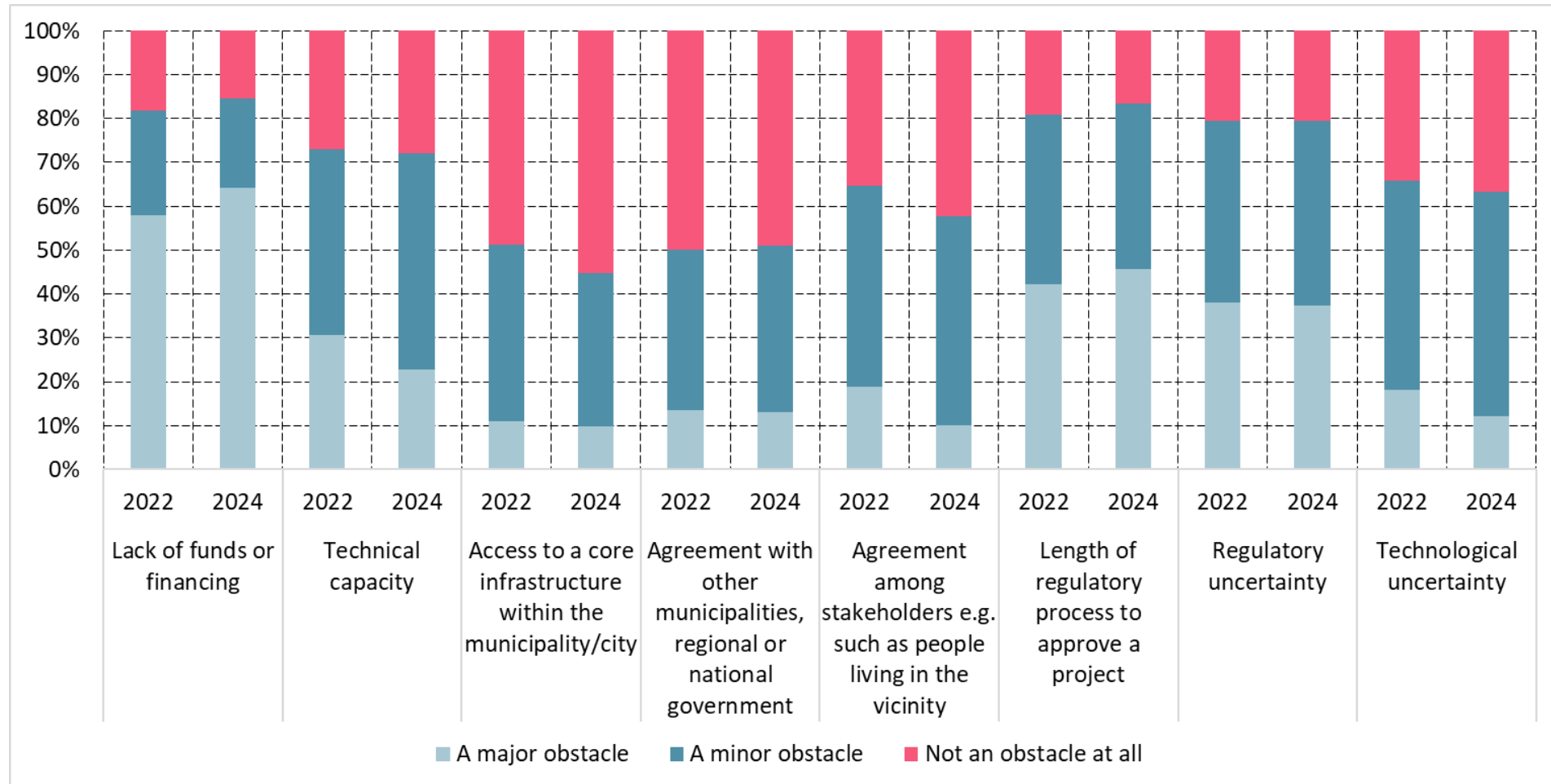
(% of municipalities reporting as an obstacle)



Obstacles persisting in importance over time, with some progress seen on technical capacity as a major obstacle

Obstacles to local government infrastructure investment, 2022 vs 2024

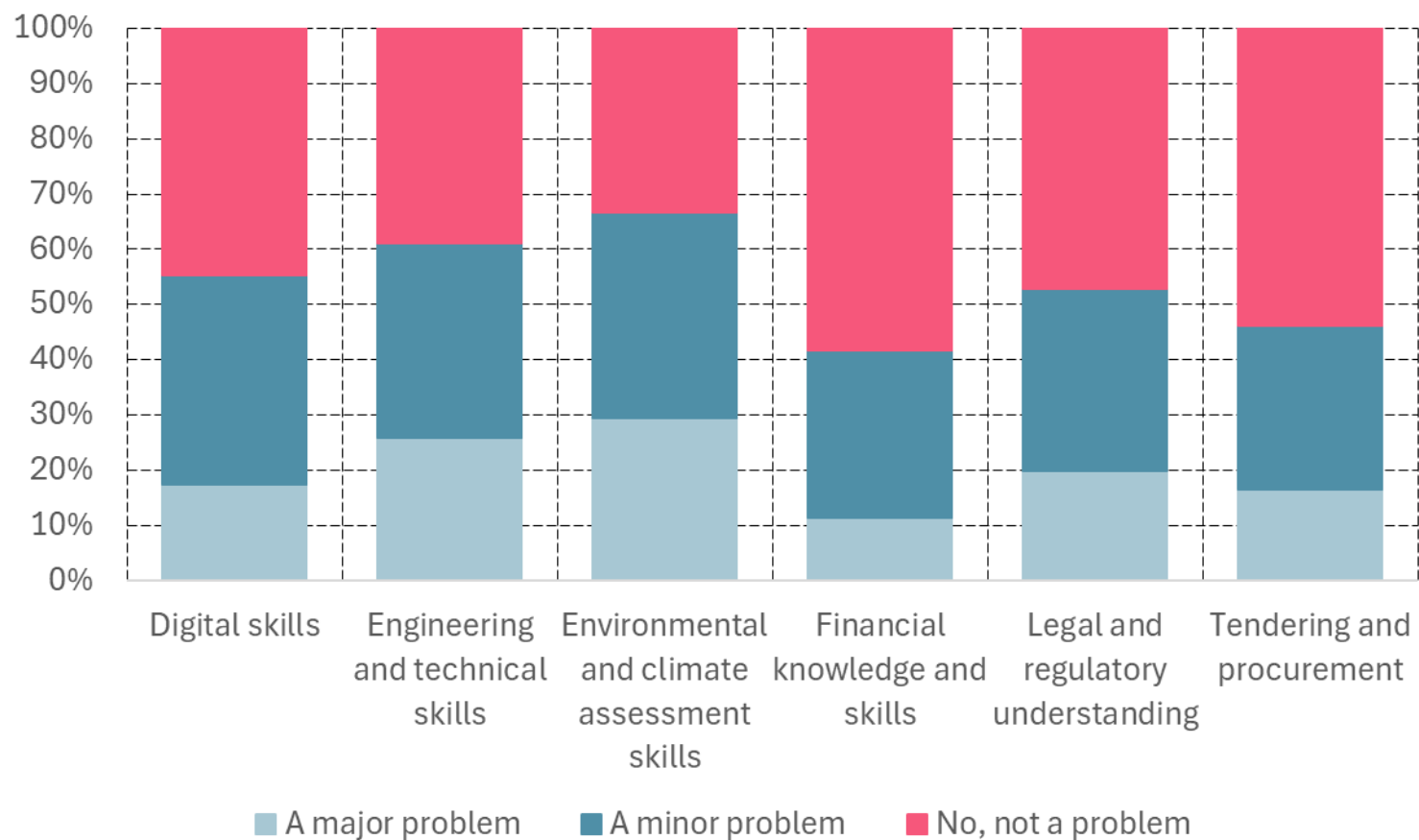
(% of municipalities reporting as an obstacle)



But shortage of experts still seen as a constraint to effective public investment

Skills gaps delaying public investment

(% municipalities reporting gaps in technical capacity)

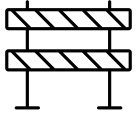


Reducing regulatory burden - an opportunity



Simplification and integration create business opportunities and investment

BARRIERS



Removing one barrier increases sector output by 3.3 pp. over a four-year period. At firm level, the best firms are the most constrained.

COST OF BUREAUCRACY



EU firms spend 1.8% of turnover on staff employed only to deal with regulatory requirements. SMEs 2.5%.

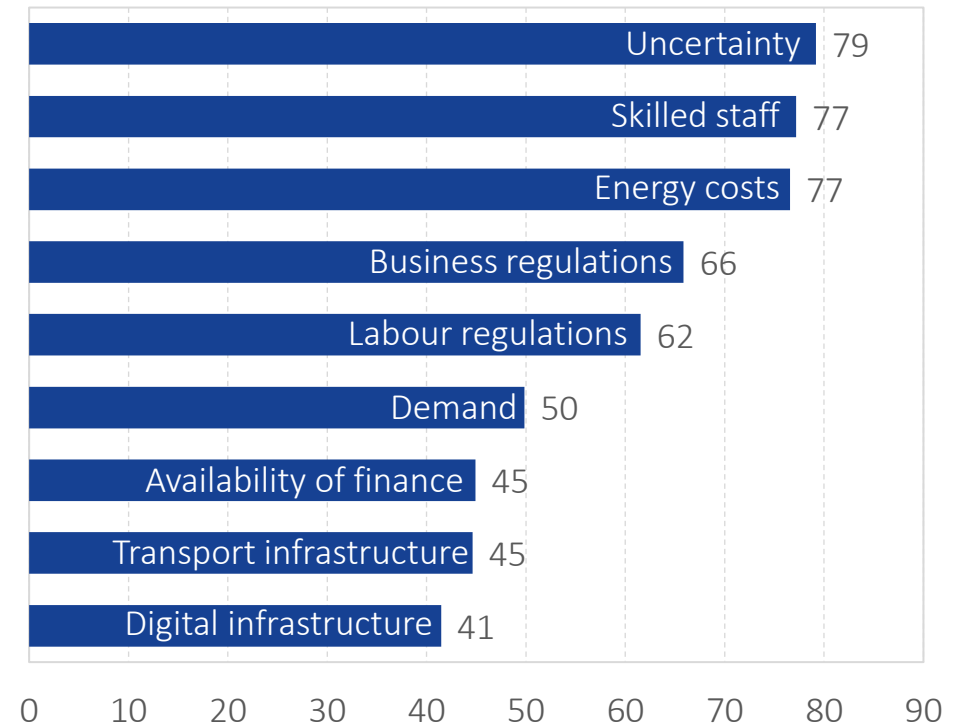
SINGLE MARKET FRICTIONS



60% of EU exporters and 74% of innovators deal with different standards and consumer protection rules

Uncertainty, skills and energy costs remain key barriers to firms' investment

Investment obstacles in the EU (% of firms)



Source: EIBIS 2024.

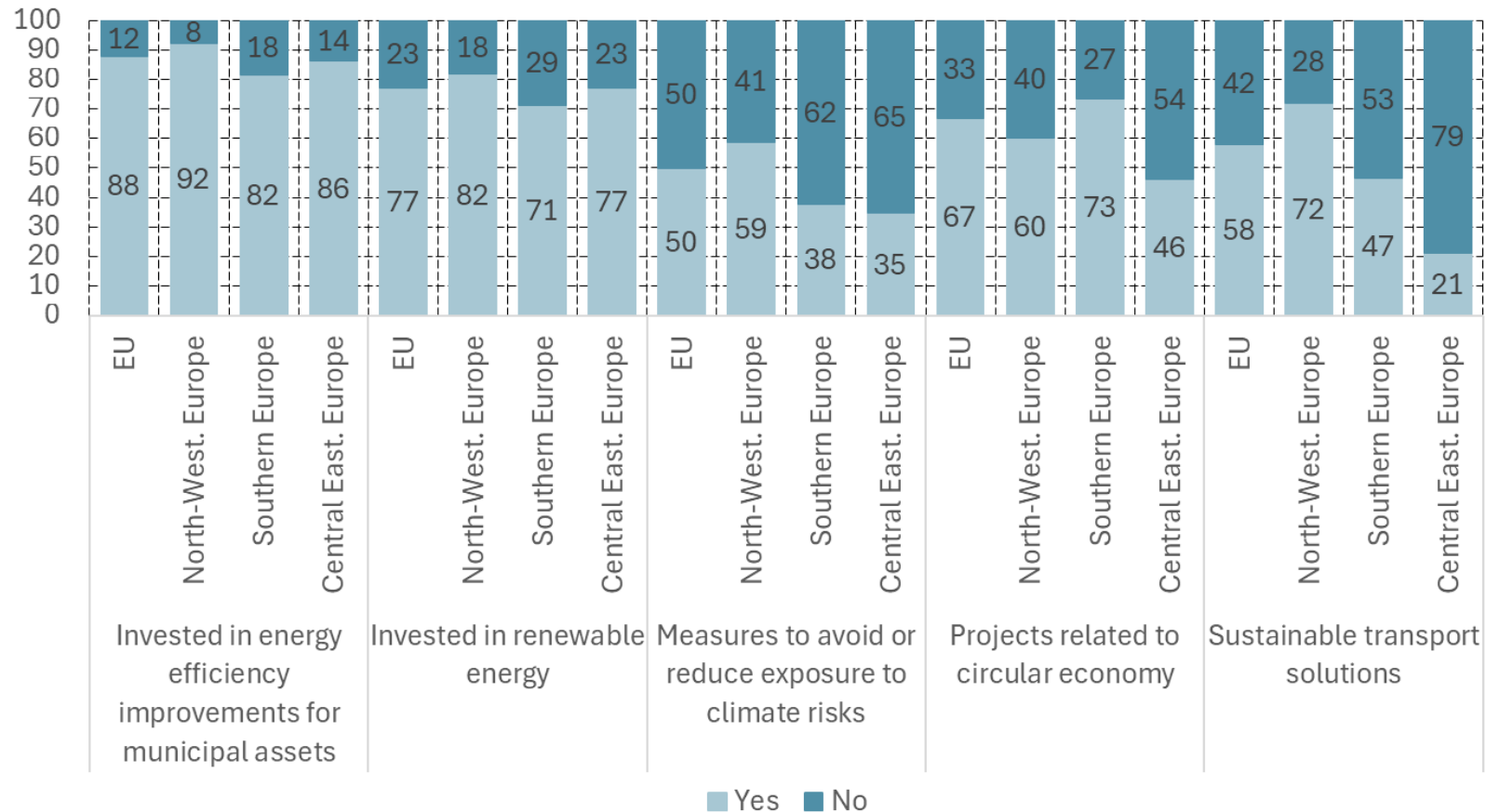
State of green and digital investments



Progress seen by municipalities in energy efficiency and renewables with gaps remain in measures to avoid exposure to climate risks and sustainable transport

Process of implementation of green transition measures, by EU macro region

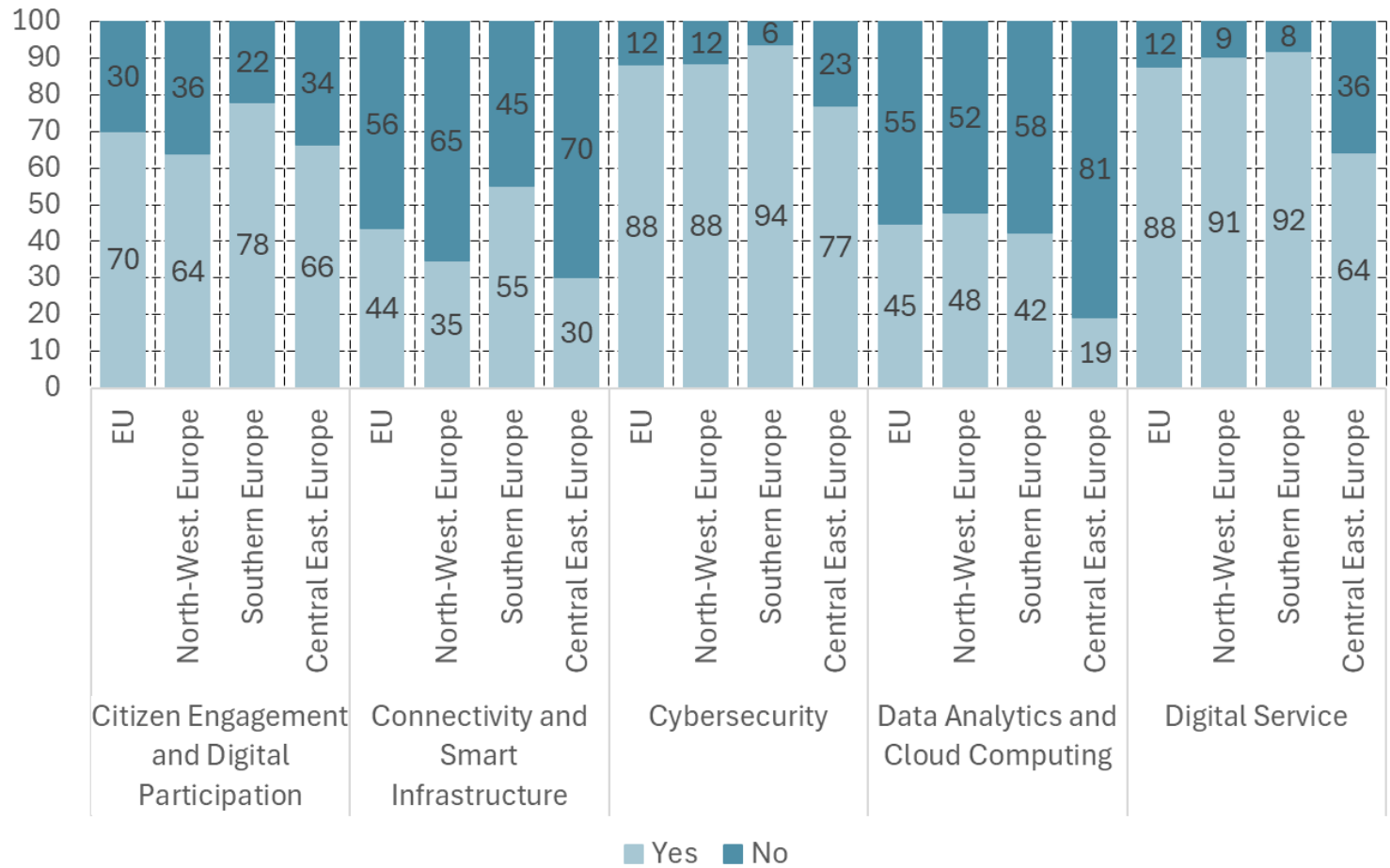
Share of municipalities which reported having already implemented green measures mentioned in the survey, at EU level and across regions (% of municipalities)



Advances on cybersecurity, but connectivity/smart infrastructure and data analytics/cloud computing identified as areas for further progress

Process of implementation of digital transition measures, by EU macro region

Share of municipalities which reported having already implemented digital measures mentioned in the survey. at EU level and across regions (% of municipalities)



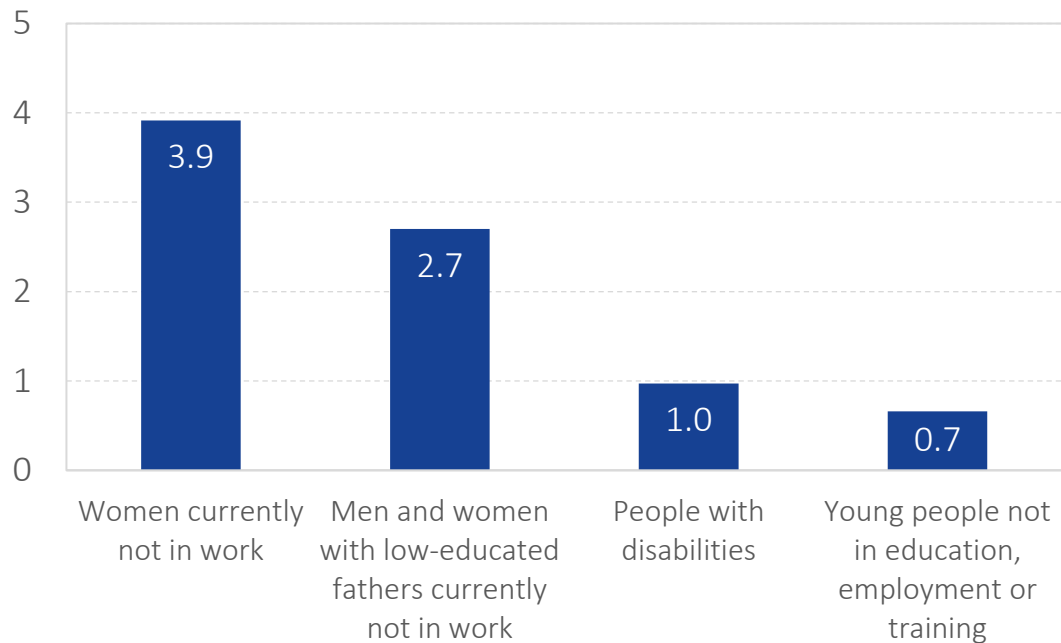
Importance of social investment – housing



Social investment has clear economic returns and there is potential for more

Easing labour participation constraints can raise economic output

Potential EU GDP gain from matching participation rate in top-performing EU country (%)

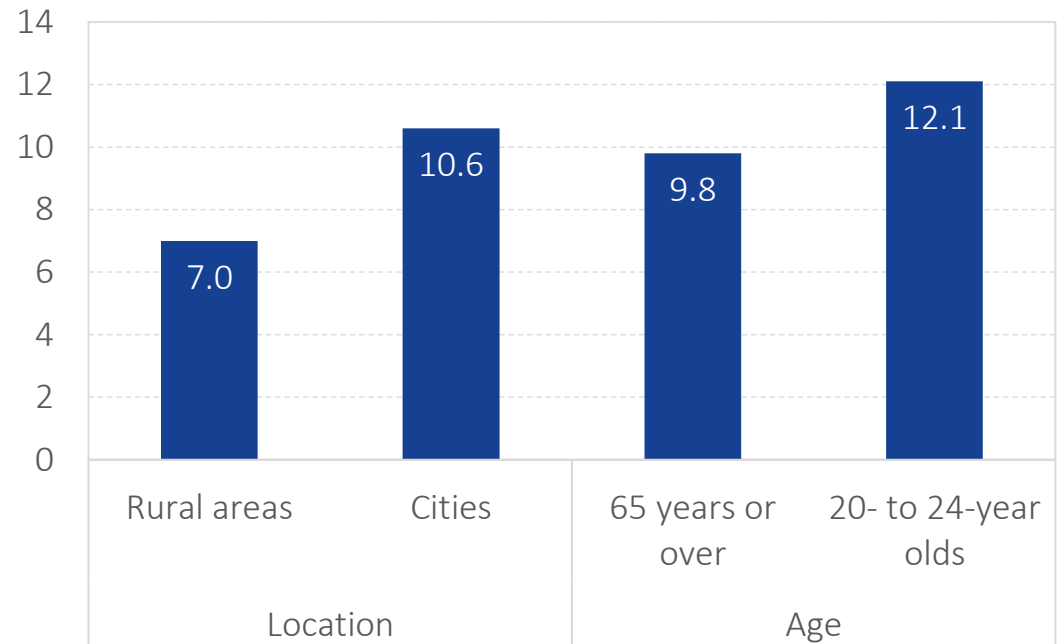


Source: EIB staff estimations based on Eurostat, AMECO and OECD.

Note: The four columns are 2023 estimates based on country-specific population shares and wages shares and assume that the new participants work equally long average hours than the incumbents at the same labour productivity. It is assumed that female labour market participation converges to the benchmark country Lithuania which ranks very high among full-time female participation. The rate of men and women with low-educated fathers would converge to the benchmark of Belgium, while the rate of people with disabilities would converge to the Danish level and that of NEETs to the Netherlands. Note that the estimates are not necessarily additive.

Housing affordability especially affects cities and younger generations, altering labour mobility

Housing cost overburden rate, EU (%)



Source: Eurostat.

Note: The housing cost overburden rate is the percentage of the population living in households where the total housing costs ('net' of housing allowances) represent more than 40% of disposable income ('net' of housing allowances). Housing costs refer to the monthly expenses associated with the right to live in a dwelling.

Key messages

- Large local public investment increases in 2023 and into 2024
 - Matched by advances in investment; digital infrastructure particularly viewed as an opportunity by municipalities
- Opportunity to increase effectiveness of investment
 - Lack of funds despite strong investment still cited as an obstacle, but lengthy regulatory processes remain a substantial obstacles to municipalities' infrastructure investment
 - Shortage of experts in environmental and climate assessment, as well as engineering and technical skills, also poses
- Twin transition:
 - Over half of municipalities intend to increase investment in climate change mitigation, adaptation, and social infrastructure over next three years
 - Significant progress in closing the gap on green transition compared to digital transition

**INVESTMENT
REPORT 2024/25**

**INNOVATION
INTEGRATION
AND SIMPLIFICATION
IN EUROPE**



**UNLEASHING
THE EUROPEAN
ECONOMY**