

PRESS RELEASE

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EIB Report: Uncertainty, not funding shortage deters investment – Debate on challenges and policy options of the EU investment crisis

Vienna – The economic crisis caused a historical decline in investment in Europe. How to reverse this trend, in order to prevent long term economic consequences and achieve a sustainable growth path was the topic of a debate held today in Vienna. On the occasion of the presentation of the new European Investment Bank (EIB) report on Investment and Investment Finance in Europe, the Joint Vienna Institute, the EIB and the Oesterreichische Nationalbank organised an open debate to discuss challenges and policy options.

Nearly six years after the beginning of the financial crisis and the recession, investment levels are about 17 per cent below their peak in 2008, and investment continues to be depressed. The long-term misallocation of investment across sectors and countries is at the heart of the problem. The most important immediate cause of investment decline during the crisis has been uncertainty about the future. The supply of finance remains a serious constraint for some firms, sectors and countries, but has not been a major constraint to investment activities across the board. These are the findings of a recent study by the EIB's Economic Department which were discussed at the conference. EIB's chief economist Debora Revoltella explained that addressing the deep causes behind the drop in investment is key to prevent long lasting consequences for the European economy.

For EIB's Vice President Wilhelm Molterer a clear political commitment and rapid progress on the institutional reform of European banking are needed to resolve the uncertainty, to mitigate financing bottlenecks, and to encourage investment. He cautioned, however, that setting up the institutional structures of a banking union would take time and could not replace urgent measures to restore confidence in the financial system. "To achieve sustainable growth we depend on structural reforms as well as we have to shift resources to more productive sectors. This needs to be accompanied by targeted interventions to ease financing of infrastructure and innovation. Where there is evidence of funding constraints, we also have to enhance bank lending to SMEs."

By providing a record volume of EUR 21.9bn of loans to SMEs in 2013 the EIB group (EIB and European Investment Fund) helped alleviate funding shortages faced by small and medium-sized enterprises, thereby supporting growth and the creation of jobs in Europe.

Norbert Funke, Joint Vienna Institute: “While global activity has picked up, the outlook for growth and jobs remains a major concern. To improve both the near and long-term prospects for sustainable and inclusive growth, appropriate macroeconomic policies need to be complemented by structural policies, including measures to support investment, trade, and competition.”

The EIB Report “Investment and Investment Finance in Europe” is available here:
<http://www.eib.org/infocentre/publications/all/investment-and-investment-finance-in-europe.htm>

About the EIB:

The EIB is the long-term lending institution of the European Union owned by its Member States. It makes long-term finance available for sound investment in order to contribute towards EU policy goals.

Press contact:

EIB:

Eva Henkel, e.henkel@eib.org, T.: +352 4379 82147, Mobile: +352 621 339130

Press office: +352 4379 21000 – press@eib.org