A stronger European Industry for Growth and Economic Recovery

Technical Briefing
What has the Commission adopted?

• **Communication on Industrial Policy** with policy proposals to strengthen European industry

• **Report on EU Member States' Competitiveness Performance**

• **European Competitiveness Report** analysing main sectors and trends impacting European industry

• **Technical analysis** underpinning the proposals contained in the Industrial Policy Communication
Impact of the Economic Crisis

- 3 million industrial jobs lost since crisis started
- Industrial production 10% lower than pre-crisis
- Consumer and business confidence very low
- Decline in manufacturing and competitiveness
Listening to industry and stakeholders

- Extensive and detailed **public consultation** lasting from May to August

- **350 responses** received and analysed from across the societal spectrum
Broad consensus about the problems affecting industry

- Lack of investment hampers innovation
- Industry needs **better market opportunities** both in the Internal Market and in global markets
- Credit crunch: need for **better access to finance**
- Concerns about the availability of **skilled human capital in engineering and science**
Summarising the problem

Need to restore business confidence to revitalise investment

- market uncertainty
- low market opportunities
- financing problems
- skills shortages

lack of confidence

lack of investment
The Commission's response: 4 pillars of the reinforced industrial policy

- **Investment in innovation** - providing the right framework conditions with a focus on six priority areas
- **Better market conditions** – improvements in the functioning of the Internal Market and opening up international markets
- **Access to capital** – mobilising public resources and unlocking private funds
- **Human capital and skills** – equipping labour force for industrial transformations
What is new in this approach?

Innovative approach:

• **six priority action lines** to boost productivity, growth and job creation

• **working across all EU policies** to maximise synergies and have best possible impact

• a new way of making industrial policy with an **open partnership** including industry, Member States and the EU
Six priorities **cutting across all industry sectors**:

- Advanced manufacturing technologies
- Key Enabling Technologies
- Bio-based products
- Clean vehicles and vessels
- Sustainable construction and raw materials
- Smart grids
• **Advanced Manufacturing Technologies**
  - Global market to double to over €750 billion by 2020
  - EU world leader: 35% market share; 50% patents

• **Key Enabling Technologies**
  - Expected global market of €1 trillion in 2015 (8% EU GDP)
  - EU world leader: 30% patents but have to improve moving from research to commercialisation

• **Bio-based Economy**
  - EU bio-based chemical products alone expected to grow by over 5% per year to €40 billion in 2020
• **Sustainable Industry and Construction**
  - Energy used in buildings = 40% of EU energy consumption
  - New investments into energy efficiency of buildings to reach €25-35 billion by 2020

• **Clean vehicles**
  - Alternative fuels and powertrains to change mobility: plug-in electric vehicles and hybrids @ 7% market share in 2020

• **Smart Grids**
  - By 2020, the EU will need to invest ca. €60 billion in smart grids rising to €480 billion by 2035
Access to markets

- Eliminate bottlenecks in **internal market** for goods and open up **international markets**:
  - Proposal to improve market surveillance (2012)
  - Reforming internal market for industrial products (from 2013)
  - Improve access to raw materials, their use and recyclability
  - Entrepreneurship 2020 Action Plan
  - Missions for Growth
  - Protection of Intellectual Property Rights
Improving **access to finance** through:

- New cohesion policy instruments 2014-2020 to increase competitiveness through smart specialisation
- COSME and Horizon 2020 for SMEs and innovation
- The EIB to improve the potential of its lending activities and financial instruments (capital increase)
- Public-private partnerships and programmes at national and regional levels;
- Improve non-bank financing (alternative instruments)
- Improving access to venture capital
Skills and human capital

• Key priority: matching skills and jobs

• A number of vacancies available throughout Europe yet youth unemployment at very high levels (25%)  

• Work with MS and industry through the European Sector Skills Council to address this issue 

• Make full use of the European Social Fund and the European Globalisation Adjustment Fund
Goal

• Currently industry accounts for ca. 16% of EU GDP

• Need to reverse the declining trend

• **Main Goal:** Industry approach 20% of GDP 2020

• Also, increase trade in goods in the internal market to 25% of GDP by 2020

• And, 25% of SMEs to engage in markets outside Europe in the medium-term
Governance and achieving our objectives

• **European Semester** to monitor performance and Country-Specific Recommendations

• **Competitiveness Council** to assess progress once a year

• **SME Envoys** to report on national and EU measures
The recovery has stalled

EU27 production trend

- Manufacturing output
- Construction output
Other challenges: stimulating the recovery

- Low investment is hampering the manufacturing's recovery

We must support investment in new equipment and innovation to boost the economic recovery.
Other challenges: boosting competitiveness

- EU productivity growth is lagging behind its main competitors

We need to take the opportunities of the new industrial revolution and increase our competitiveness in the long run.

**Total factor productivity: total economy (2000=100)**
Worsening lending conditions negatively impact availability of funds

Loans to non-financial corporations in the euro area
Manufacturing and construction

As a pct of GDP, 2011

Source: Eurostat; STATEC for LU (LU 2010)
Country groups

- **Consistent performers**
  - AT, BE, DE, DK, FI, FR, IE, NL, SE, UK

- **Uneven performers**
  - CY, EE, EL, ES, IT, LU, MT, PT, SI

- **Catching-up group**
  - BG, CZ, HU, LT, LV, PL, RO, SK

- **Groups based on cluster analysis**
  - Reveals similar behaviour along the indicators
  - Not a ranking
  - Some countries behave in a very similar fashion
  - Others are more idiosyncratic
  - But the three groups demonstrate quite strong similarities.
Labour productivity in manufacturing

Source: Eurostat (except for LU STATEC); expressed as gross value added, in 1 000 PPS/employee, 2011. LU, IE, EU average are for 2010; data for BG, RO and the UK are not available.
Catching up

Change in labour productivity in manufacturing, 2006-2011

2006=100

Catching-up countries are improving (no data for BG and RO)

Productivity lower than 2006

Source: Eurostat; Statec for LU; LU, IE and EU average are from 2010.
Business environment

- Starting a business
- Dealing with construction permits
- Registering property
- Obtaining credit
- Protecting investors
- Enforcing contracts
- Resolving insolvency

Price of electricity

Electricity prices for medium-sized enterprises, 2011

Eurostat, data refer to prices in the second half-year; including tax, except VAT; expressed in euro/KWh. No data for AT.
Index on SMEs' access to bank lending

Considerable deterioration since 2009

Source: ECB/European Commission survey on SME finance; Commission calculations
**Share of EU exports**

*Country share of EU exports of goods, 2006 and 2011*

**EU share of world trade (excluding intra-EU trade)**

2006: 17.3%

2011: 15.5%

*Source: Eurostat*
Thank you for your attention
Germany

- Labour productivity
- Investment in equipment %
- Total exports %
- Energy intensity in industry
- Employees with high education %
- Bank lending for SMEs
- Investment in equipment
- Energy intensity
- Employees w/high education

Bar charts showing investment in equipment, energy intensity, and employees with high education.
Italy

Business environment

Innovation Union

Employees w/high education
United Kingdom

- Total exports
- Bank lending for SMEs
- Investment in equipment
Greece

Innovation Union

Business environment

Bank lending for SMEs
Czech Republic

Employees with high education

Energy intensity

Business environment