



# Europe' strategic choices and challenges ahead

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# KEY MESSAGES

The European remains a **beacon trust and stability**, showing **resilience**

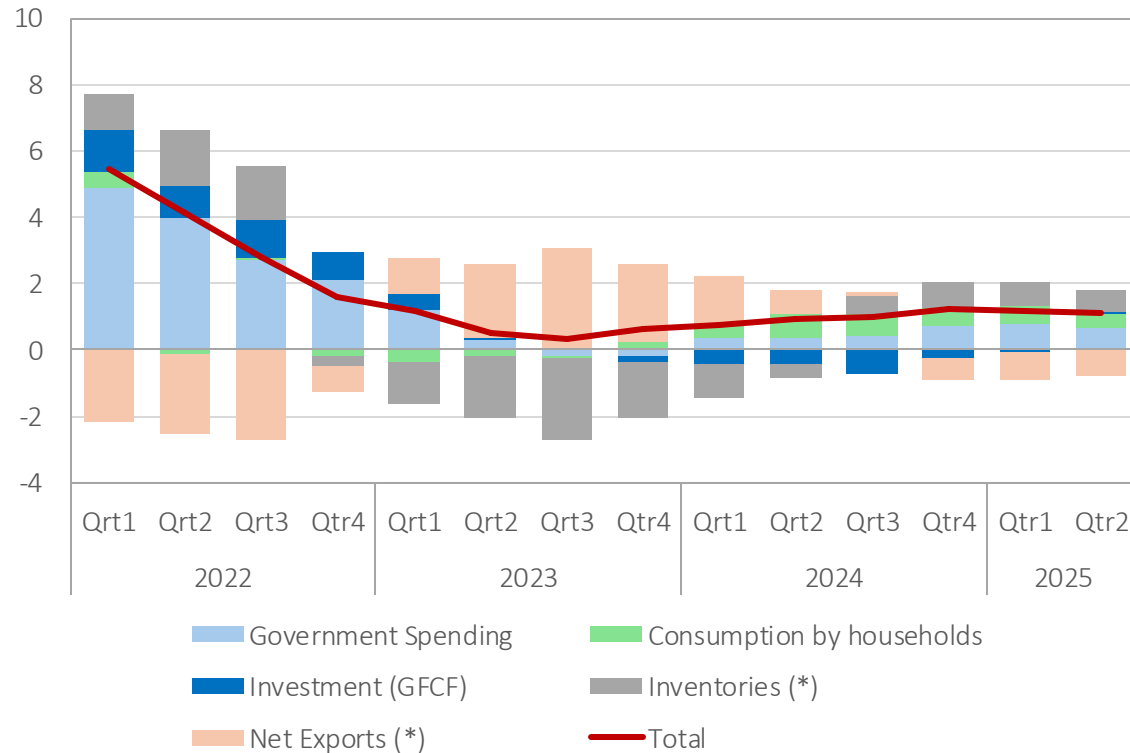
Exploiting opportunities requires progress in the **security, competitiveness and integration agenda**

The EU as a catalyst for integration and growth

# EUROPEAN ECONOMY – RESILIENCE AND COMPETITIVENESS

## Resilience, supported by economic stimulus and consumption

EU27 (excl. Ireland) real GDP y-o-y growth by expenditure (%)

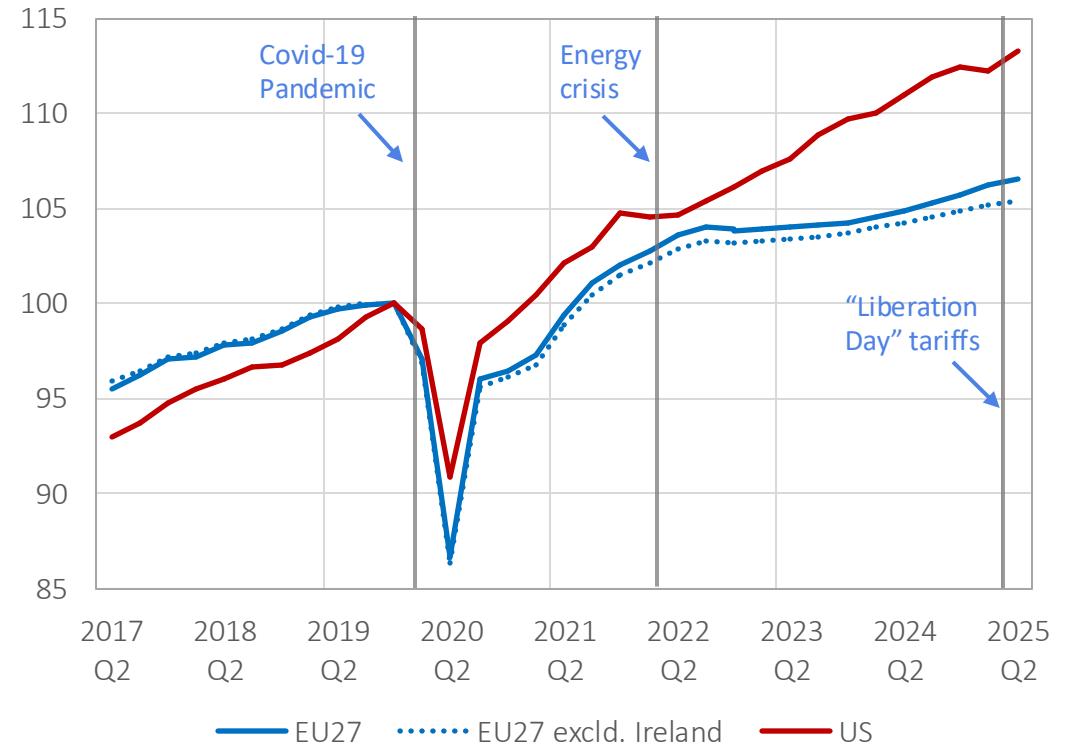


Source: EIB staff calculations based on Eurostat for EU27 excluding Ireland.

Note: (\*) Full categories' names as follows: Changes in inventories and acquisitions less disposals of valuables and Exports less imports of goods and services. Data is seasonally and calendar adjusted.

## Competitiveness and low structural growth

Real GDP in chained link volume (index 2019Q4 = 100)



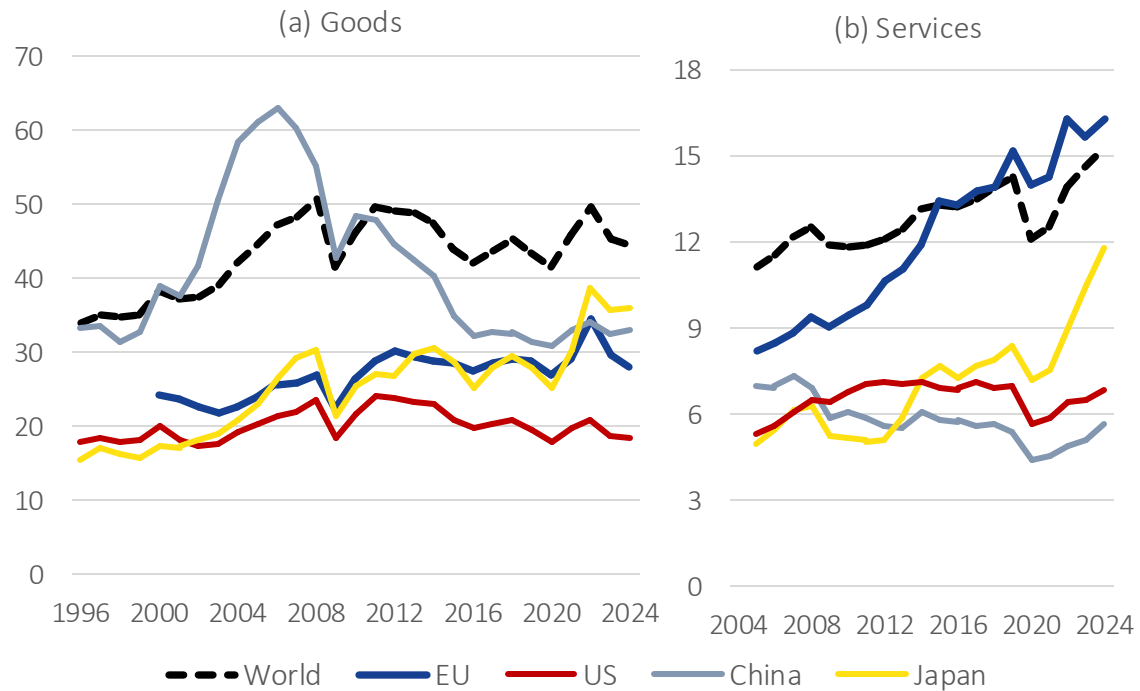
Source: EIB staff calculations based on FRED and Eurostat.

Note: Real gross domestic production in chained link volume, 2015 prices, seasonally adjusted. The data in the fourth quarter of 2019 is indexed to 100.

# EUROPE A BEACON OF TRUST – COMMITTED TO OPEN STRATEGIC AUTONOMY

Europe is an open economy, committed to trade.  
With strong uptake of trade in services.

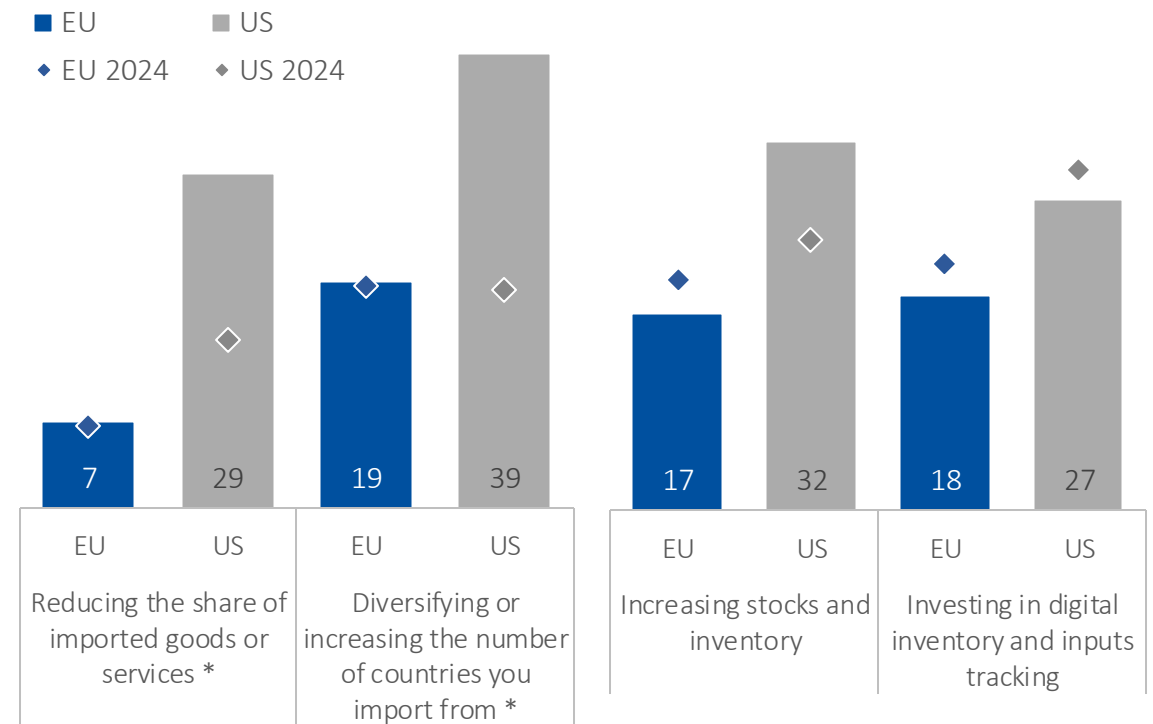
Trade (exports plus imports) (% of GDP)



Source: EIB staff calculations based on WTO and IMF data.  
Note: Latest data point is 2024.

EU value chains balance efficiency and resilience.

Change in sourcing strategies (% of firms)



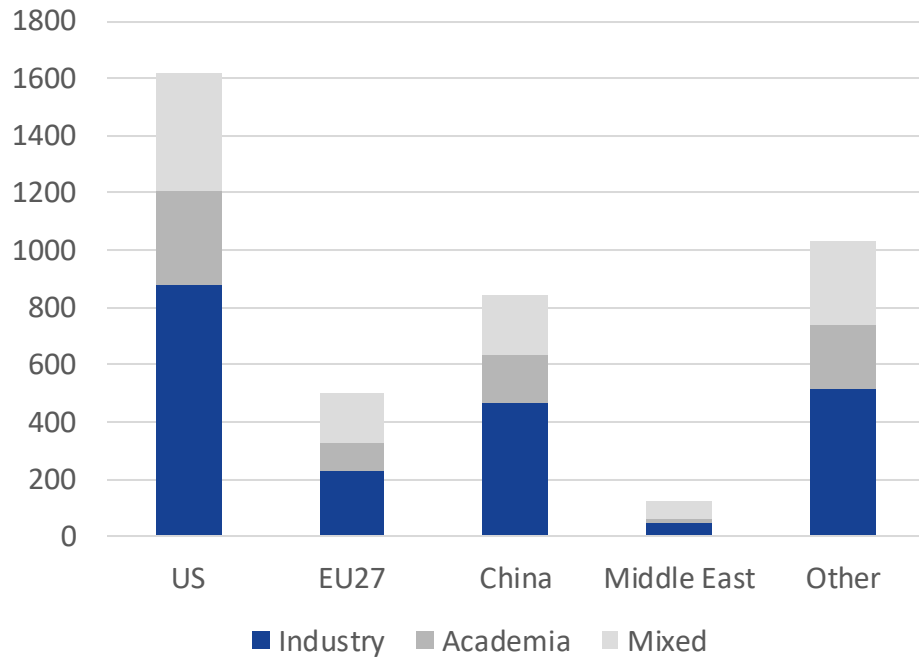
Source: EIB staff calculations based on EIBIS 2024-2025.

Note: All firms (excluding don't know/refused to responses/not applicable responses). (\*) All firms that import (excluding don't know/refused to responses/not applicable responses)

# ARTIFICIAL INTELLIGENCE RACE

## Number of AI models

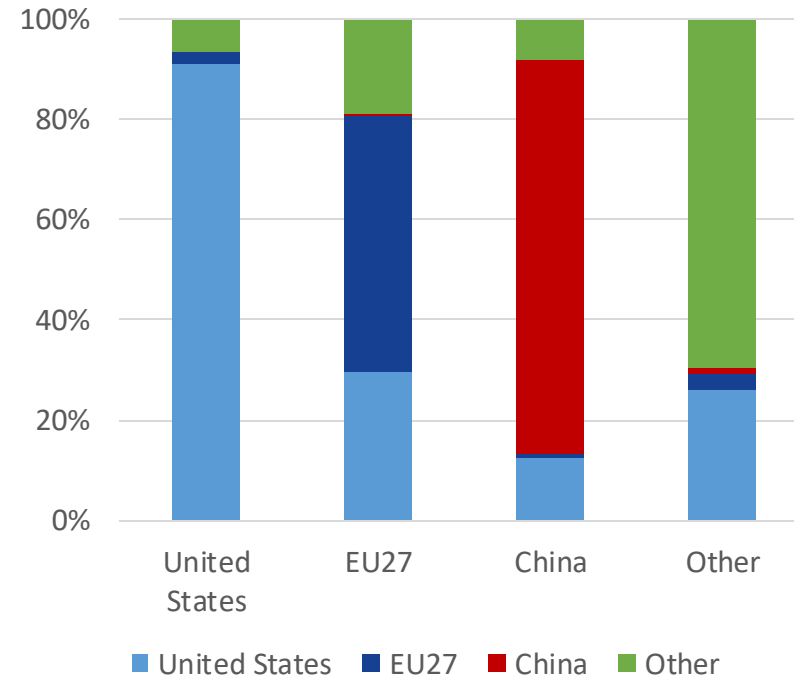
As of Q3 2025



Notes: EU27 includes the EU AI gigafactories. China includes Hong Kong and Macau. Middle East includes Saudi Arabia, United Arab Emirates, Israel, Qatar, Kuwait, Nahrain and Oman. Source: Konstantin Pilz, Robi Rahman, James Sanders, Lennart Heim, 'Data on GPU Clusters'. Published online at epoch.ai.

## Ownership structure of leading tech companies

Top 20 investors, %

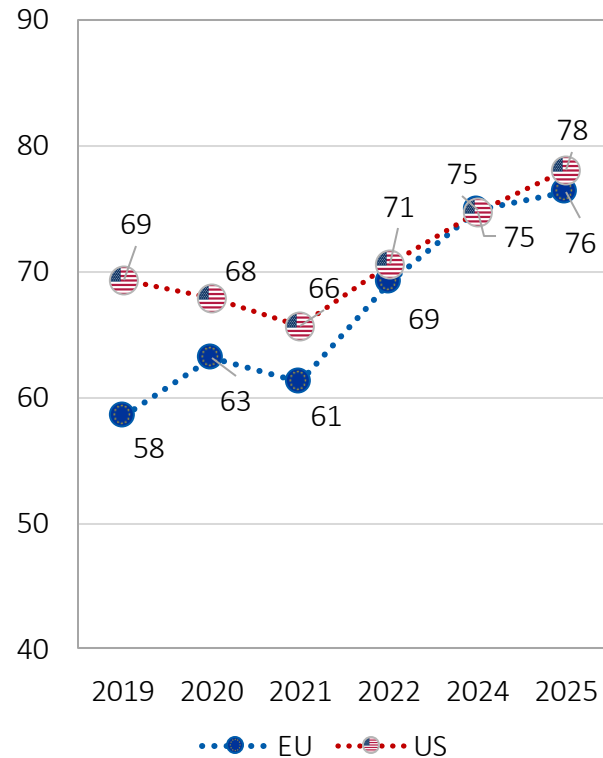


Notes: Sample consists of 1550 public companies, classified as ML or AI topic by the S&P Capital IQ. Regional ownership shares are based on outstanding shares of top 20 direct investors and weighted by total assets. EIB calculations based on S&P capital IQ and LSEG Workspace.

# EUROPE POSITIONED IN INDUSTRIALISATION OF AI. OPPORTUNITIES IN FURTHER EXPANDING UTILISATION IN MULTIPLE FIELDS, WHILE ENABLERS MATTER

## Use of digital technologies

Share of firms (%)

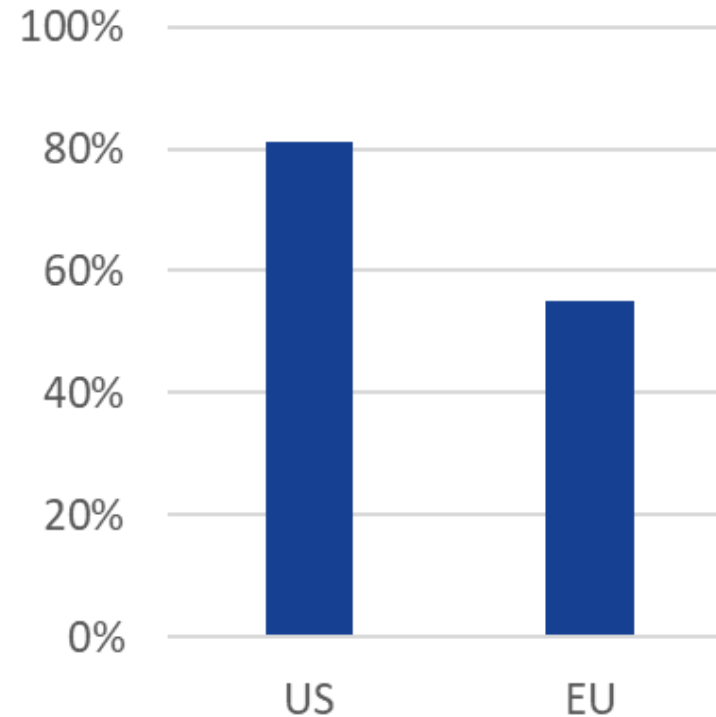


Source: EIB staff calculations based on EIBIS 2019-2025.

Note: All firms (excluding don't know/refused to responses).

## Firms using AI in at least 2 areas

Share of firms using big data / AI technologies (%)



Source: EIB staff calculations based on EIBIS 2025.

Robust digital infrastructure and industrial capacity matter

Critical enablers:

- Innovation
- Regulation
- Skills
- Financial incentives particularly for financial constrained SMEs
- Digital public services

# EU ENGAGEMENT IS PARTICULARLY STRONG IN THE WESTERN BALKANS

Out 178 countries in the world, the Western Balkans countries are all among the top10 countries in terms of EU engagement\*.

\* EU strategic engagement is measured as an index made of:

(i) Trade and (ii) investment links (FDI); (iii) depth of trade agreements; (iv) relevance for EU energy security and (v) Critical Raw Materials; (vi) political alignment and few other variables (corridors, Global Gateway).

## EU Strategic Engagement index: top20

Rank #	Country	
1	Ukraine	1.0
2	Türkiye	0.9
3	Bosnia-H.	0.8
4	Serbia	0.8
5	Moldova	0.8
6	Albania	0.7
7	Kosovo	0.7
8	Montenegro	0.7
9	North Macedonia	0.7
10	Georgia	0.7
11	Algeria	0.7
12	Egypt	0.6
13	Libya	0.6
14	Israel	0.6
15	Morocco	0.5
16	Azerbaijan	0.5
17	Gabon	0.5
18	Nigeria	0.5
19	Norway	0.5
20	Switzerland	0.5

Source: EIB staff calculations

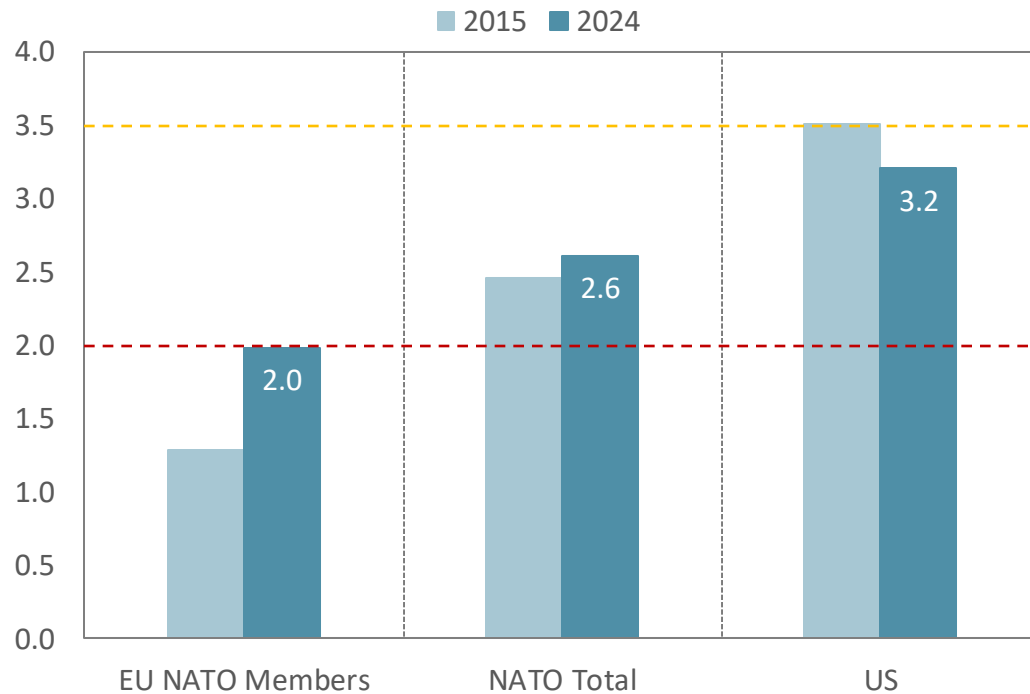
# A catalyst for integration and growth



# DEFENCE – AN OPPORTUNITY FOR MORE CROSS-EUROPEAN INTEGRATION

Defence spending in Europe has risen sharply in response to growing geopolitical tensions

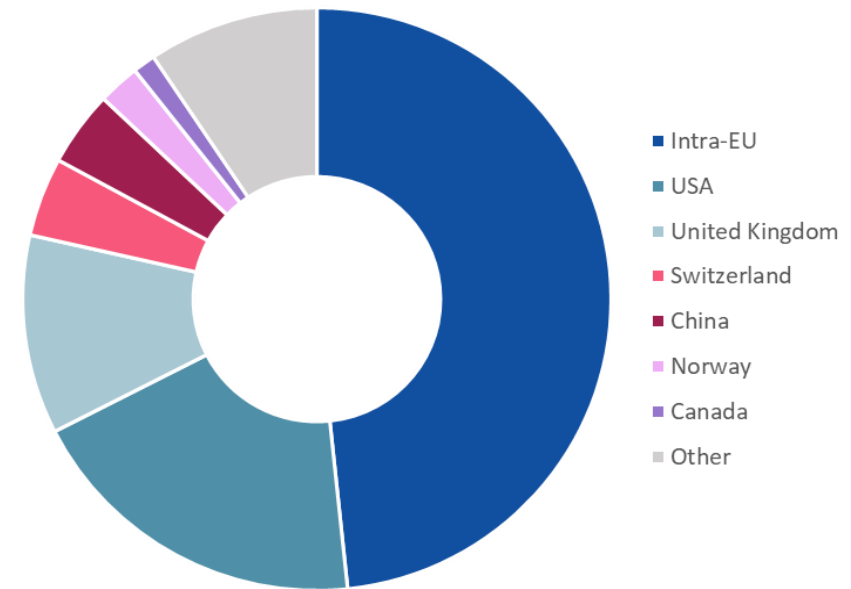
Defence expenditure (% of GDP)



Source: EIB staff calculations based on NATO, as of August 2025. The amounts represent payments by a national government that have been or will be made during the course of the fiscal year to meet the needs of its armed forces, those of Allies or of the Alliance. GDP weighted average for EU Member States which are members of NATO.

Private cross-border investment in the EU

(origin of companies 2016-2025, count of deals)

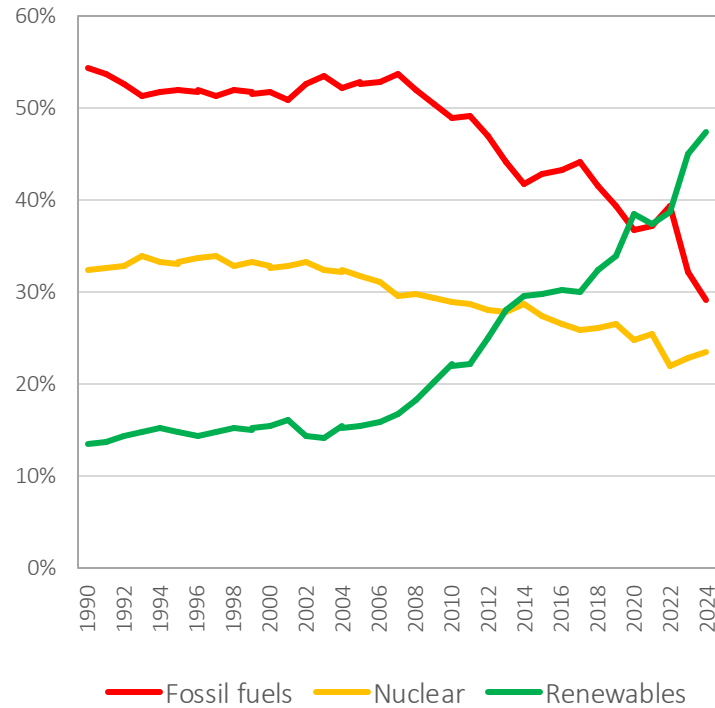


Source: EIB staff calculations based on Moody's Cross Border Investments.

Note: Data cover greenfield foreign direct investment (FDI) and mergers and acquisitions (M&A) into the European Union with a business description featuring keywords in the field of security and defence or with related NACE sector codes (e.g., 304 manufacture of military fighting vehicles, 8422 defence activities).

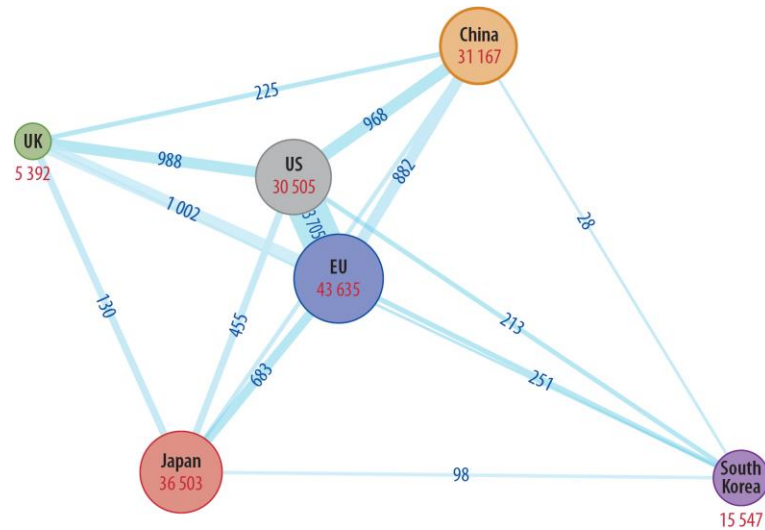
# CLIMATE CHANGE – A TRANSITION CHALLENGE, BUT ALSO CLEAN ENERGY AND CLEANTECH AS OPPORTUNITIES

Electricity production in the EU by source (% of total, 1990-2024)



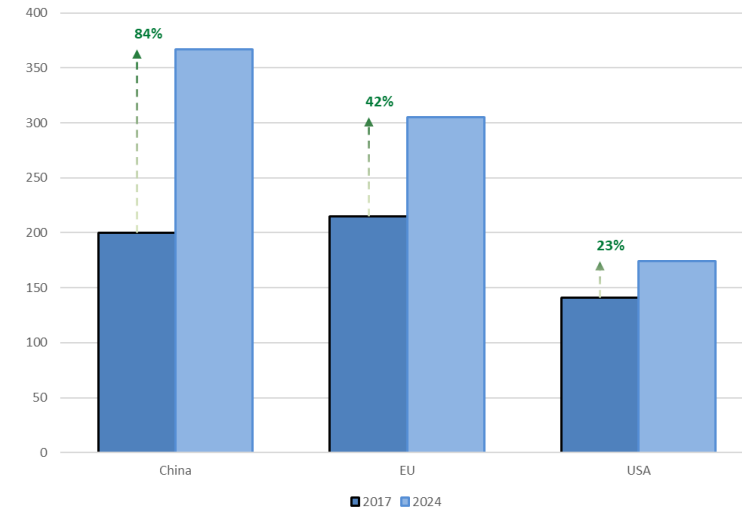
Source: EIB staff calculations based on Eurostat. Volumes of electricity produced in 2024 are preliminary (Data extracted in June 2025).

Number of green tech patents and co-patenting by country/region



Source: PCT patents (PATSTAT), calculated by ECOOM, KU Leuven.  
 Note: Each circle (or node) represents a country / region. The size of the node is proportional to the number of patents for the country / region (red number within the nodes). The lines connecting the nodes ('edges') represent co-patenting links between the countries or regions. The edge labels denote the number of co-patent applications between the connected countries or regions.

Exports of green goods (bn USD)

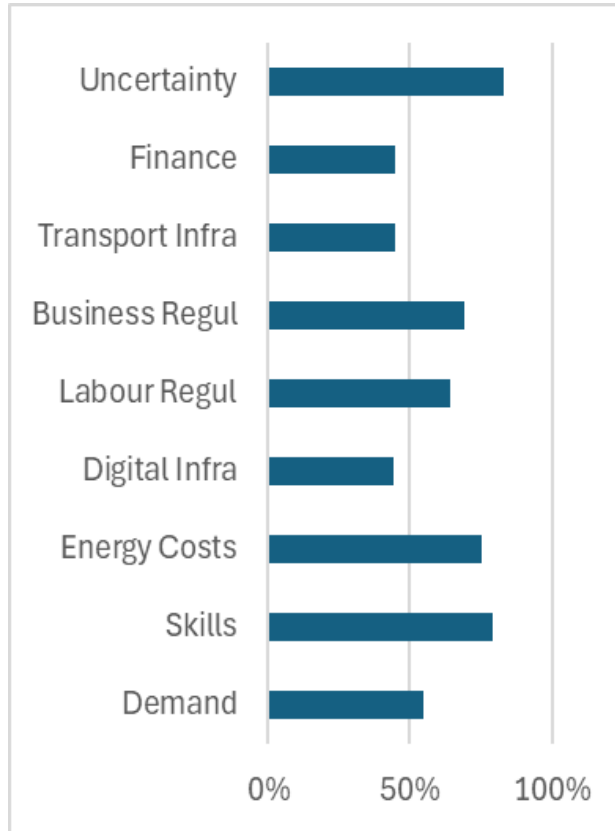


Source: EIB staff calculations based on UN Comtrade data, IMF classification of low carbon technology and environmental goods (HS 6 digits) and Eurostat PRODCOM (2024).

# SIMPLIFICATION AND INTEGRATION AGENDA

## Impediments for firms' investment

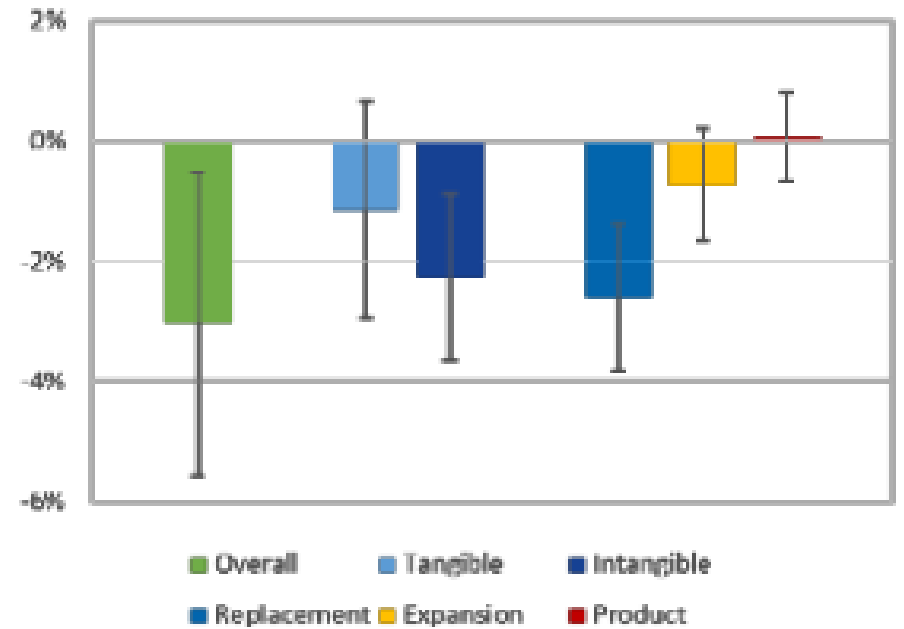
Share of firms (%)



Source: EIB staff calculations based on EIBIS 2024-2025.

62% of EU firms face barriers associated to single markets frictions

## Costs of differentiated regulatory requirements

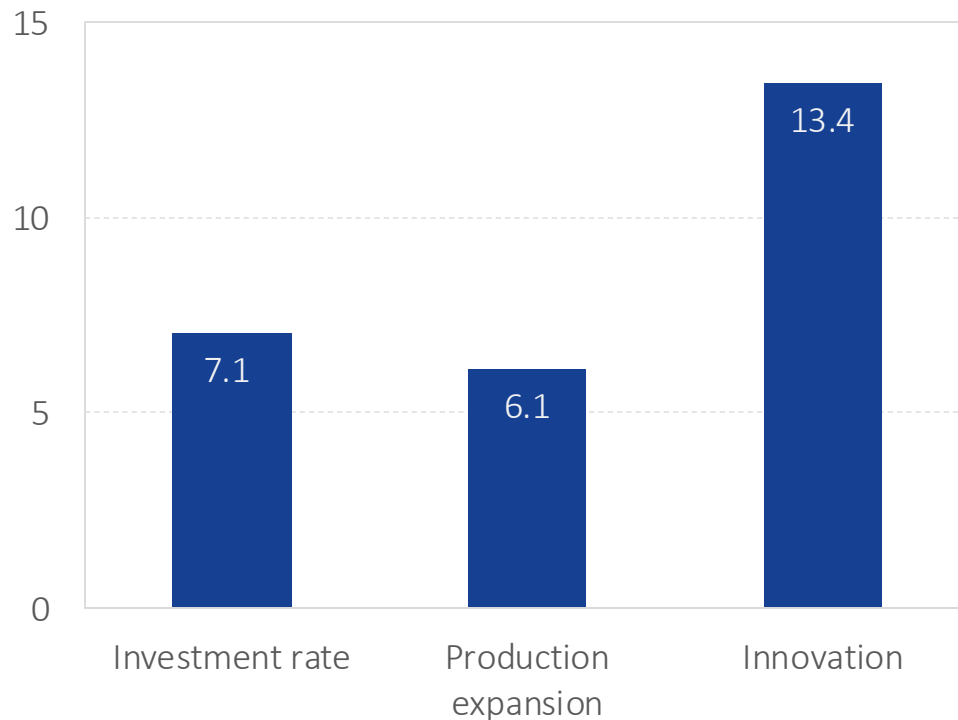


Source: EIB based on EIBIS Survey. Notes: regression of investment-to-asset ratios on fragmentation dummy controlling for the first lag of investment ratios, a cyclical component, a structural financial component, firms' future demand expectations, and uncertainty. Tangible/intangible specified as previously mentioned. Ses clustered at firm level, 90% CI.

# SAVING AND INVESTMENT UNION AND INNOVATION

Equity issuance is a key enabler of firm investment, growth and innovation

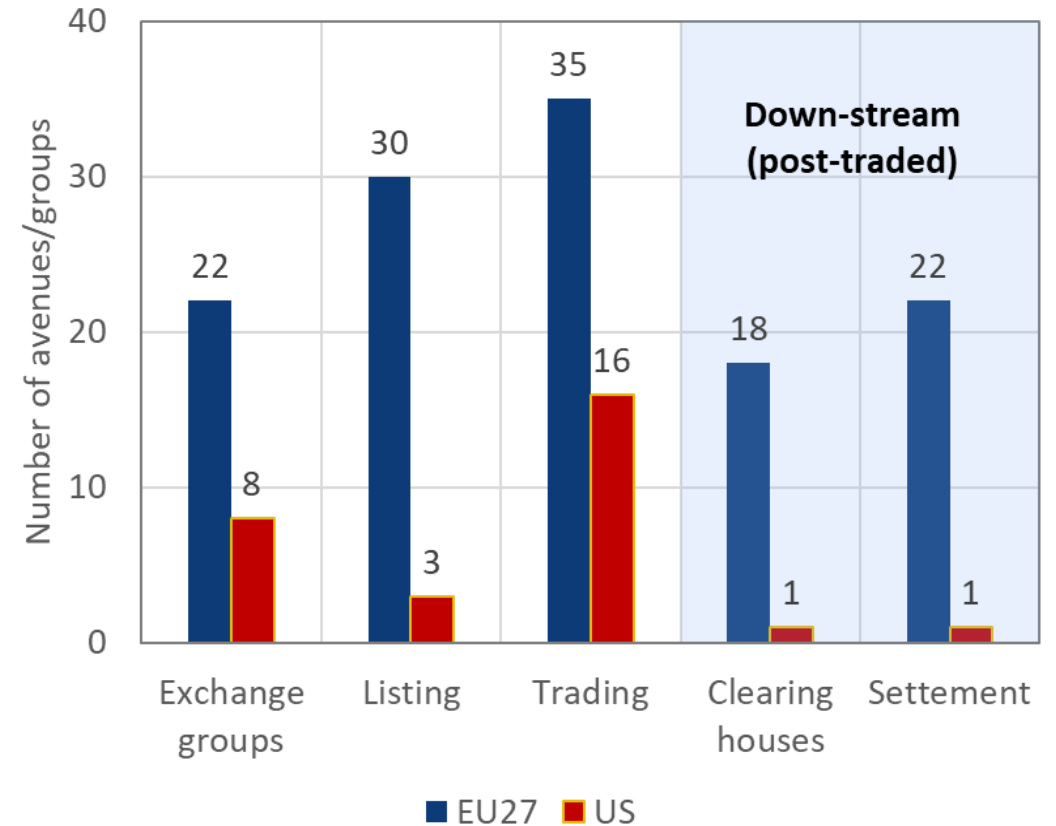
Estimated impact of equity issuance on firm's investment, growth and innovation (pp.)



Source: EIBIS-ORBIS 2016-2023 sample based on (Betz, Pál, Sapir, & Tran, forthcoming).

Note: Investment rate is the average net investment rate in the 3 years ahead. Intangible investment is the rate over total assets.

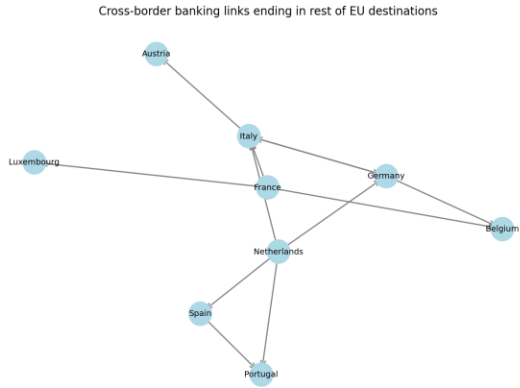
EU financial infrastructure is complex and fragmented



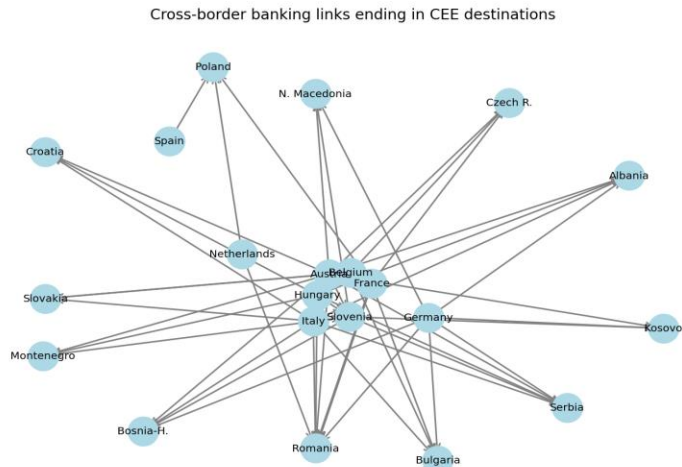
Sources: SG-ECON staffs' calculation based on New Financial (2021) and LESG. Note: Clearing houses include LCH Clearnet (owned by LESG group), which is authorized to continue to provide clearing service to all EU members until 30 June 2025 after Brexit.

# THE CEE BANKING MARKET IS MUCH MORE INTEGRATED, BUT WITH ROOM FOR MORE IMPACT

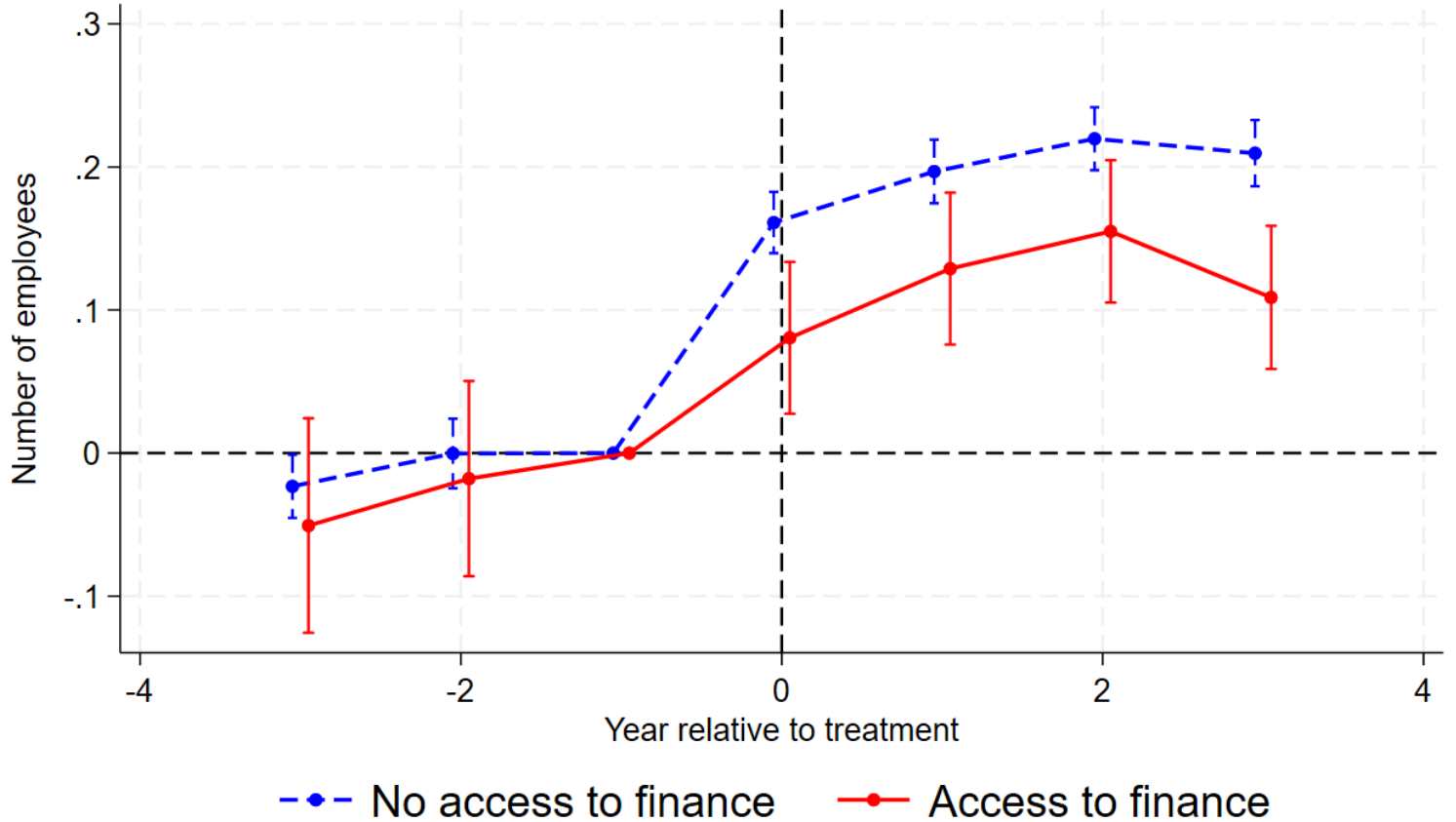
## Top8 EU players



## Top8 CEE players



## Impact of SMEs policy support - on total number of employees



Source: EIB Economics Department estimations based on Bureau van Dijk's Orbis database.  
 Notes: The graph reports the effect of EIB intermediated loans on (log of) number of employees for two subsets of firms. These effects are obtained by interacting a dummy variable indicating firms with and without previous access to bank-lending finance. Coefficients are normalised with respect to the year prior to loan allocation (t=-1) and can be interpreted as the cumulative effect of the loan with respect to this baseline. The bands around the dots show the 95% confidence intervals of the estimates. The graph shows a 15% increase in number of employees on impact. This translates into 15 jobs supported per EUR 1 million allocated.



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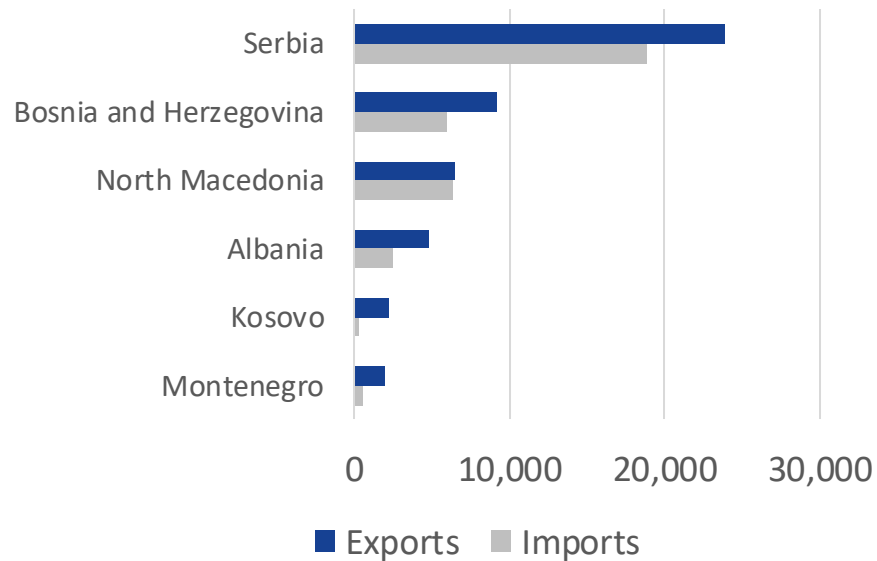
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# TRADE RELATIONS EU-WESTERN BALKANS

Serbia and Bosnia-Herzegovina are the main merchandise trade partners

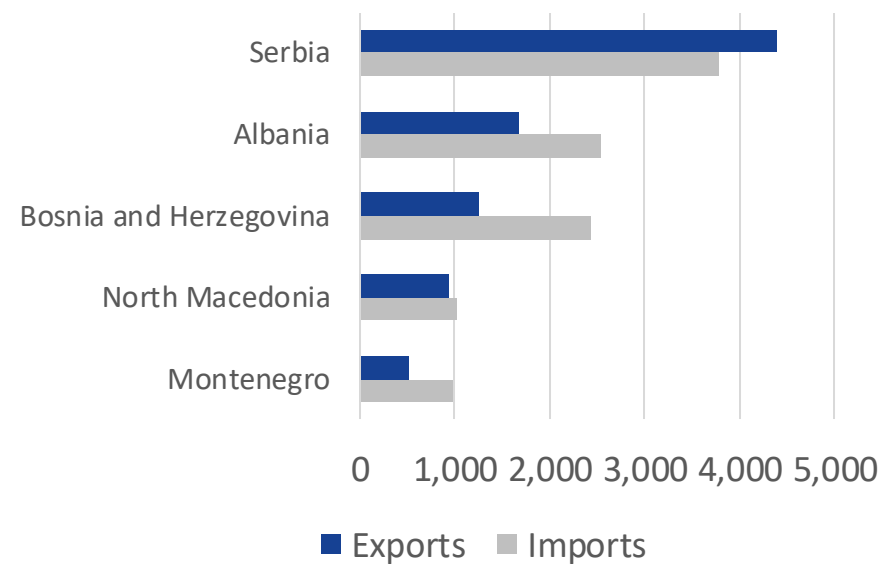
EU merchandise trade with Western Balkans by country, million EUR (2024)



Source: EIB calculations with Eurostat data

Serbia and Albania are the main services trade partners

EU services trade with Western Balkans by country, million EUR (2023)



Source: EIB calculations with WTO data. No data available for Kosovo