

Main results of the EIBIS for Spain and Portugal from an EU perspective

An opportunity for green transition?

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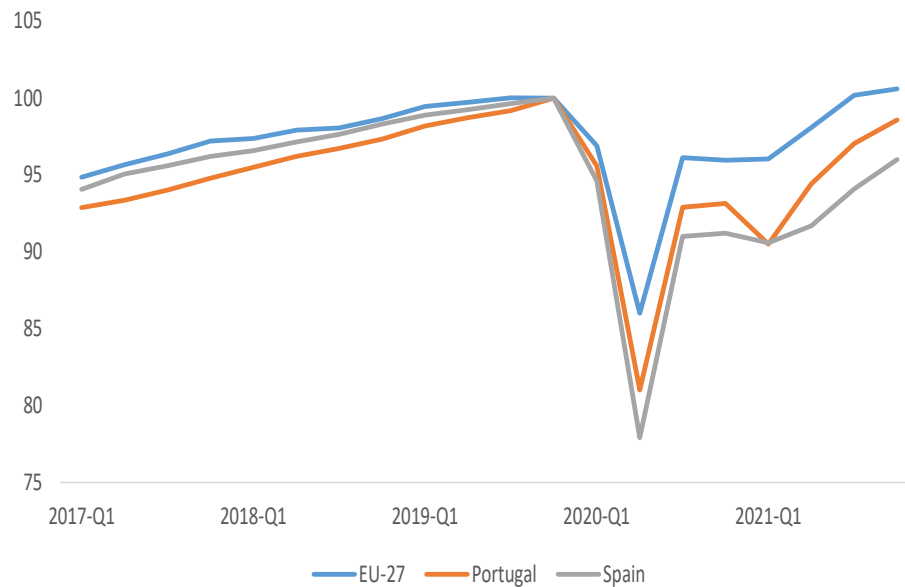
Madrid
April 4, 2022

Key messages

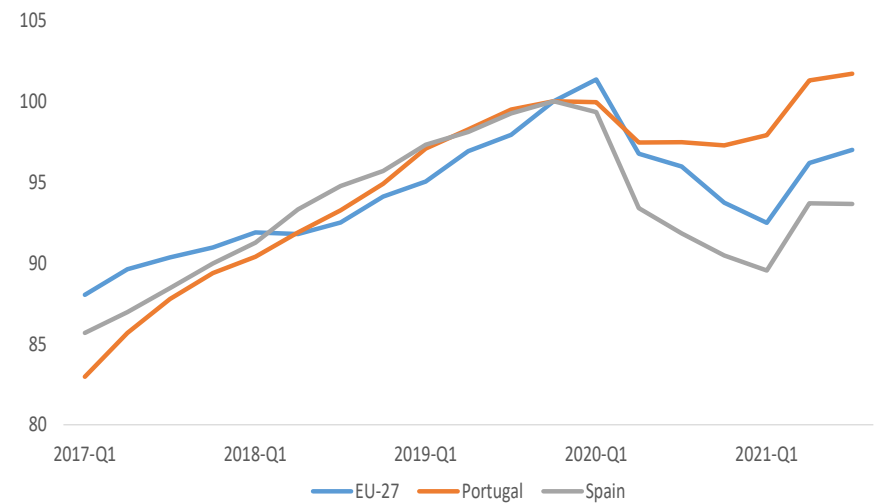
- The economic impact of the pandemic was more significant in Portugal and Spain than in the EU average, but activity and investment are recovering.
- Firms took the opportunity to transform and to adapt digital technologies, but long term bottlenecks remain.
- The current challenge is to navigate this new shock, while supporting the green (and digital) transformation.

Recovery slower than in the EU. Investment recovered faster in Portugal

Real GDP
2019 Q4 = 100



Total Investment
cumulative, 2019 Q4 = 100



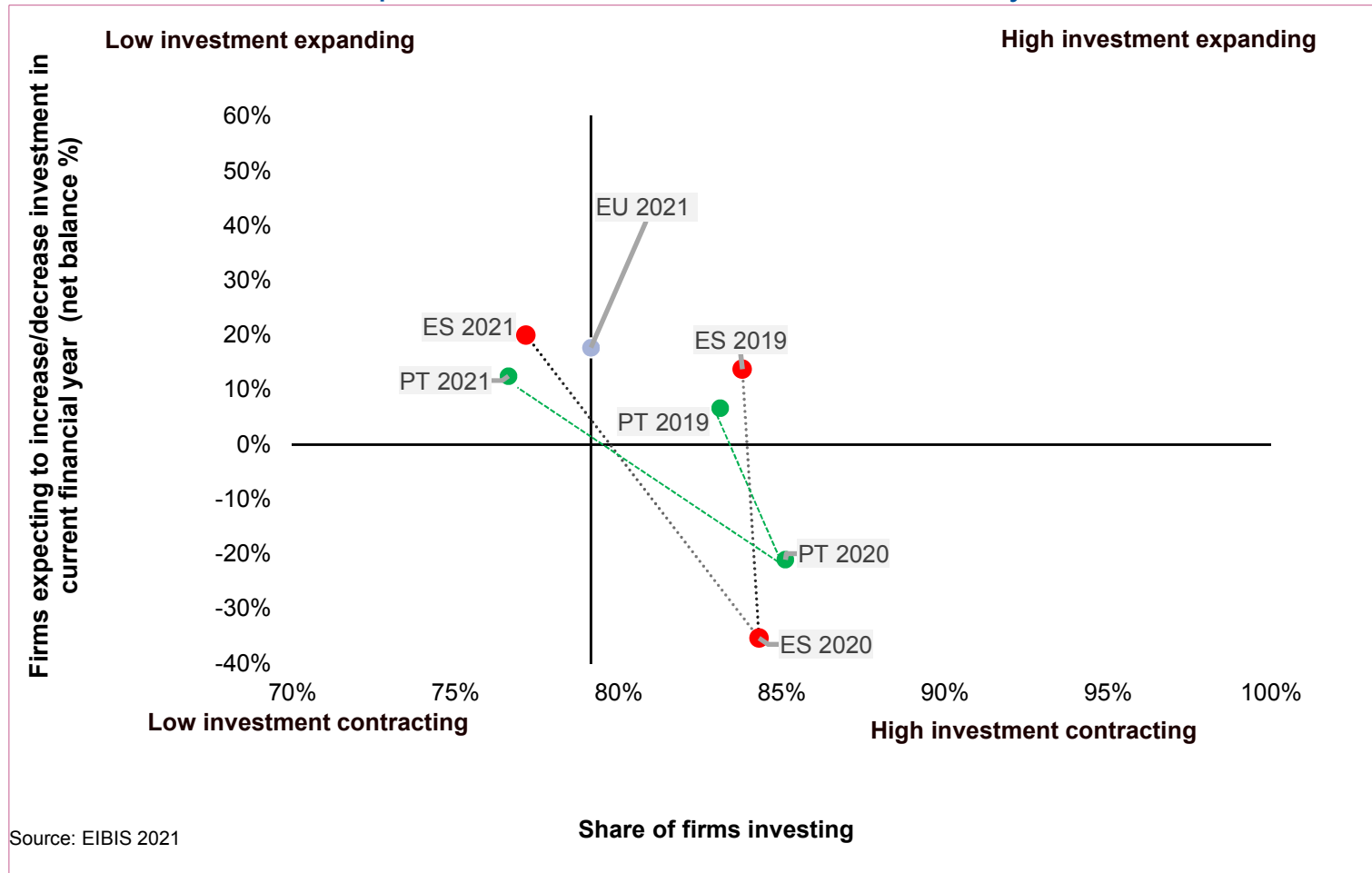
Source: Eurostat.

Note: The graph on the left shows the evolution of quarterly GDP (chain linked volumes, 2010, seasonally and calendar adjusted).

The graph on the right shows the evolution of total Gross Fixed Capital Formation (in real terms. The data are transformed into four-quarter sums, deflated using the implicit deflator for total GFC).

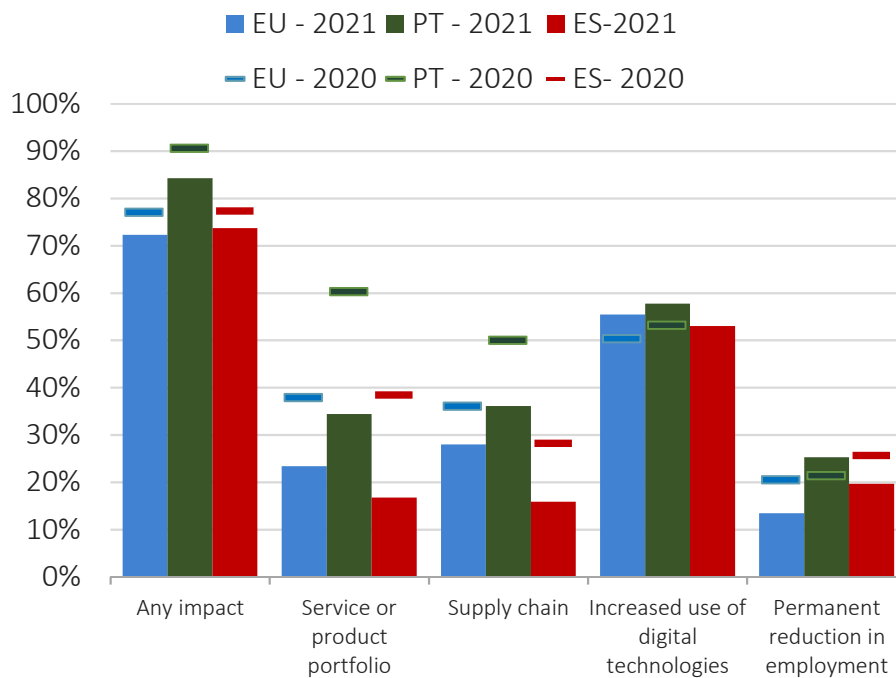
Portuguese and Spanish firms in an earlier phase of the investment cycle

Impact of Covid-19 on the investment cycle

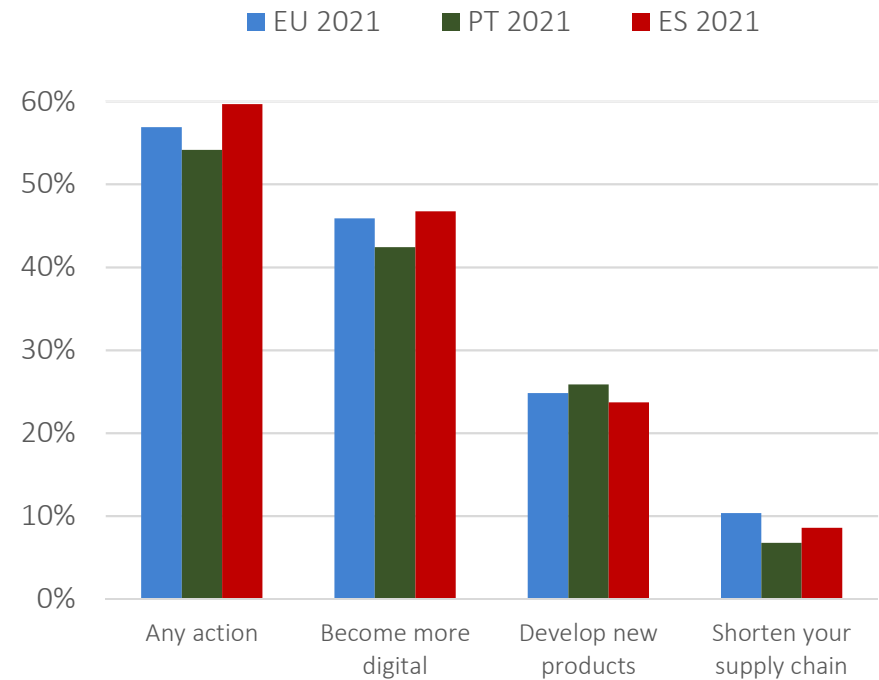


Firms have taken the opportunity to transform

Long term impact of Covid



Short term reaction to the pandemic

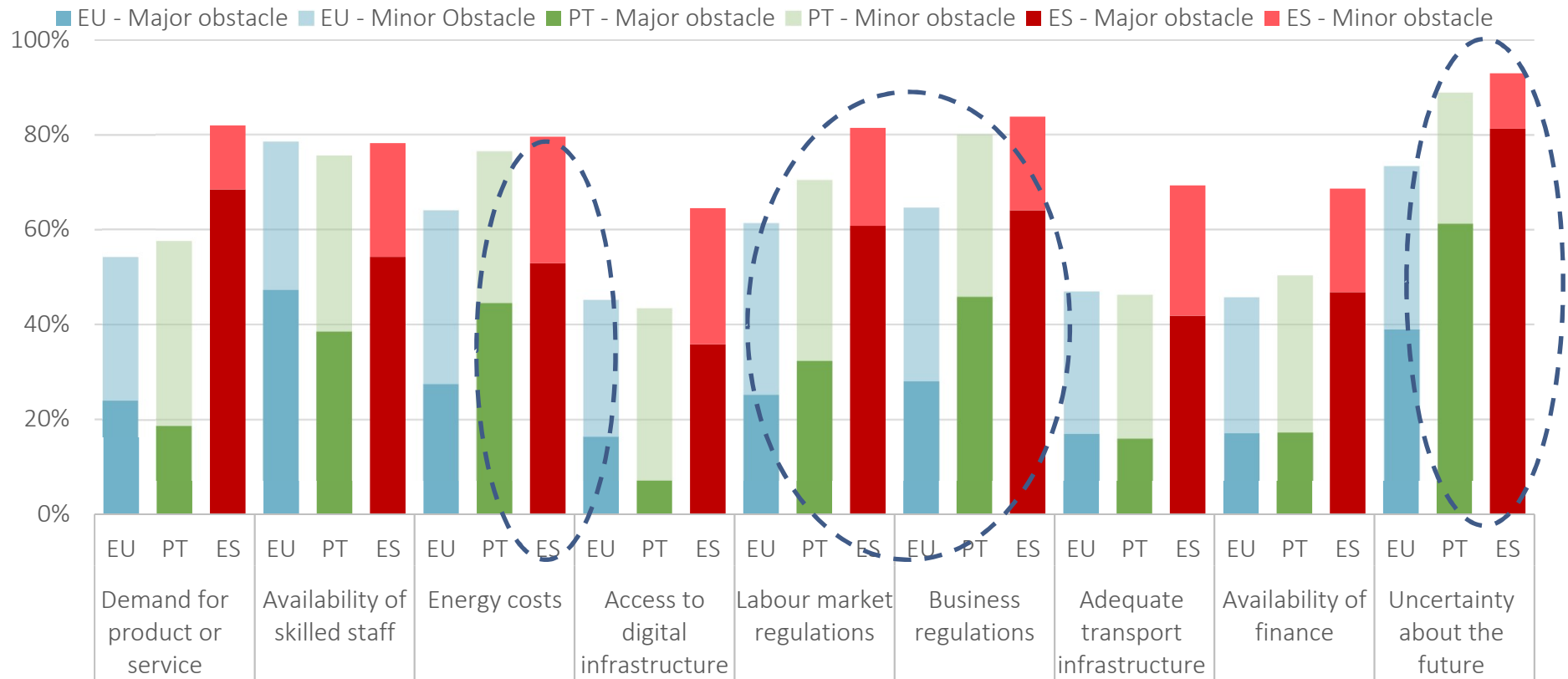


Source: EIBIS 2021

Uncertainty, regulations and energy costs as major barriers in both countries. Demand a greater concern for Spanish companies

Investment barriers

Share of firms %



The war shock adds to pre-existing vulnerabilities

Higher uncertainty, leading possibly to lower private investment.

Higher Inflation via the commodity channel and supply disruptions.

Increased policy uncertainty impacting central bank policy response.

Impact on public finances due to new support measures, increased military spending and potentially higher interest rates.

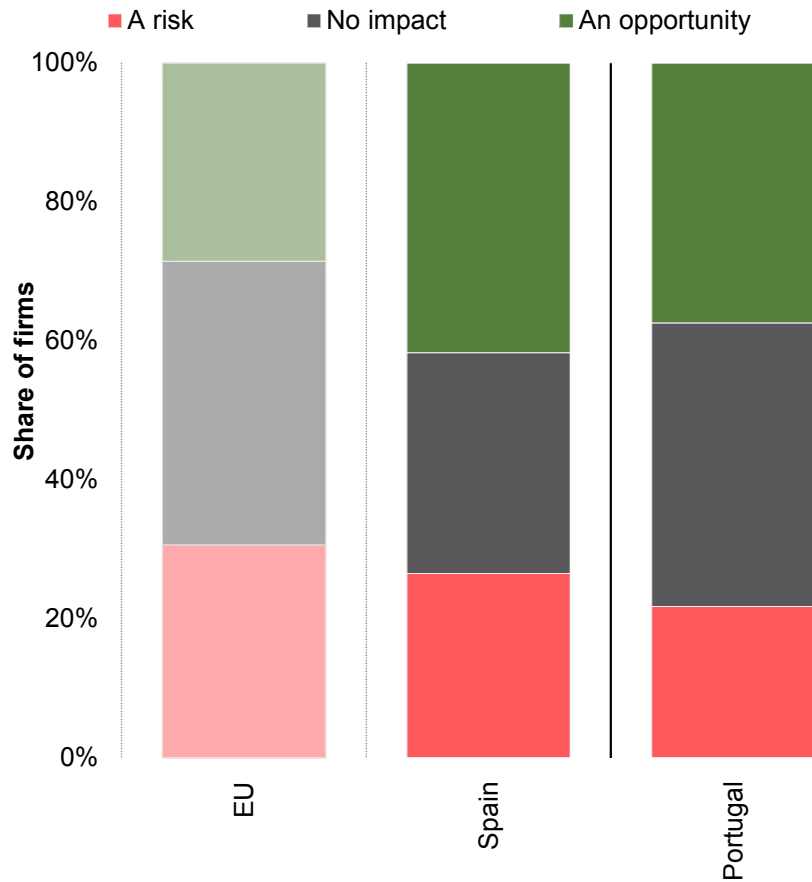
Second round effects on companies – high costs, supply disruptions, loss of business and possibly coinciding with withdrawal of COVID-19 supports.

Climate transition & or vs energy security?

Climate change: opportunity or risk?

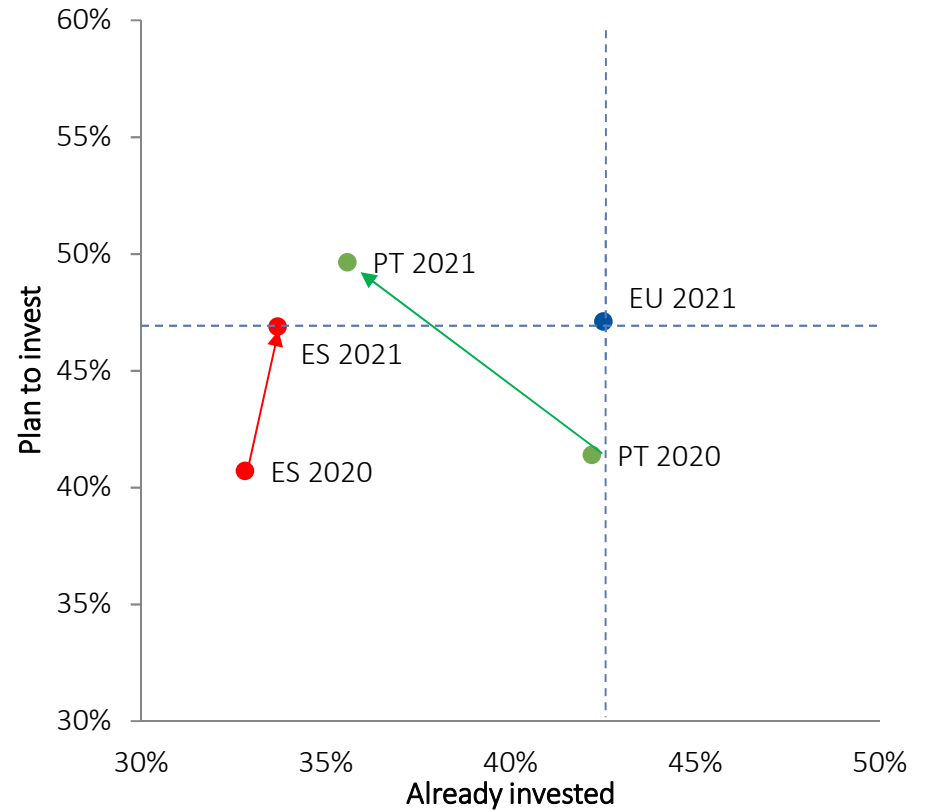
Impact of climate change – Transition risk

Share of firms %



Investment plans to tackle climate change

Share of firms %



Conclusions

- Portugal and Spain are yet to fully recover from the pandemic but the recovery of investment is expected to gain momentum. More firms expect to increase investment rather than decrease: 20% in Spain and 13% in Portugal.
- Firms took the opportunity to transform with more than 50% expecting to permanently increase the use of digital technologies.
- Long term bottlenecks remain. Uncertainty (for more than 80% of the firms), regulations and energy costs (both 80%) remain the major barriers in both countries.
- War in Ukraine poses new risks and challenges, but also more opportunities, particularly for green investment.