



# The EU's competitiveness and the role of NPBs

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*Productivity dialogue  
Riga, 15 February 2024*

# Competitiveness is a multifaceted concept

## *Definitions*

## *Measure of competitiveness*

1

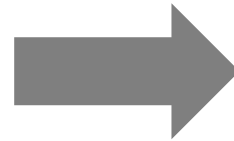
Ability (of a country) to compete in external markets & honour external liabilities



- Current account balance
- Indicators of relative prices and costs

2

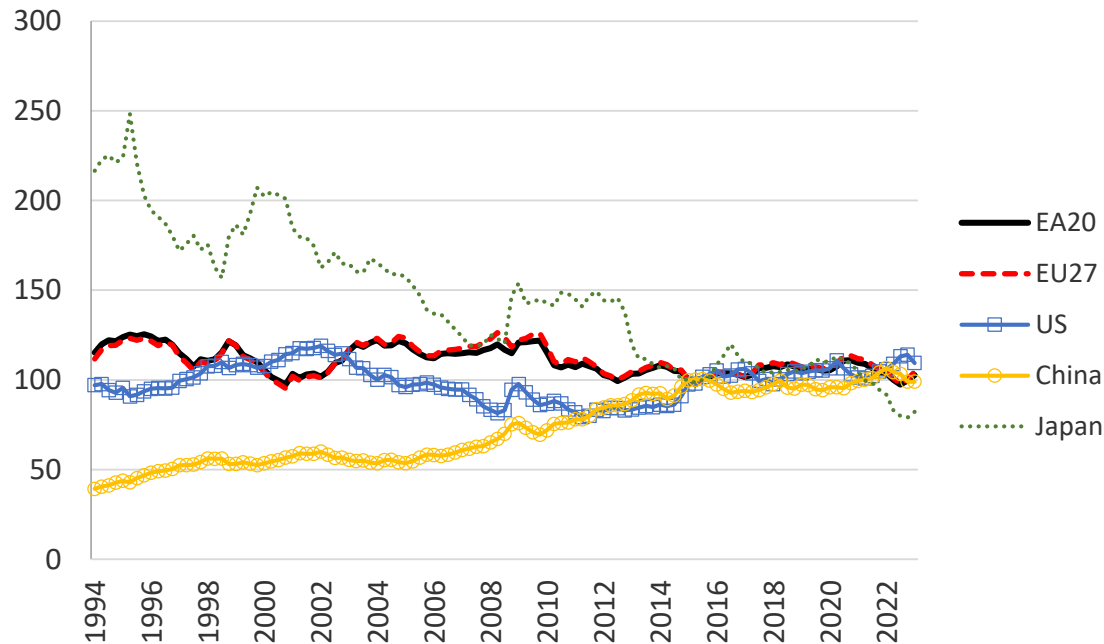
Ability (of a country) to raise living standards sustainably



- Productivity

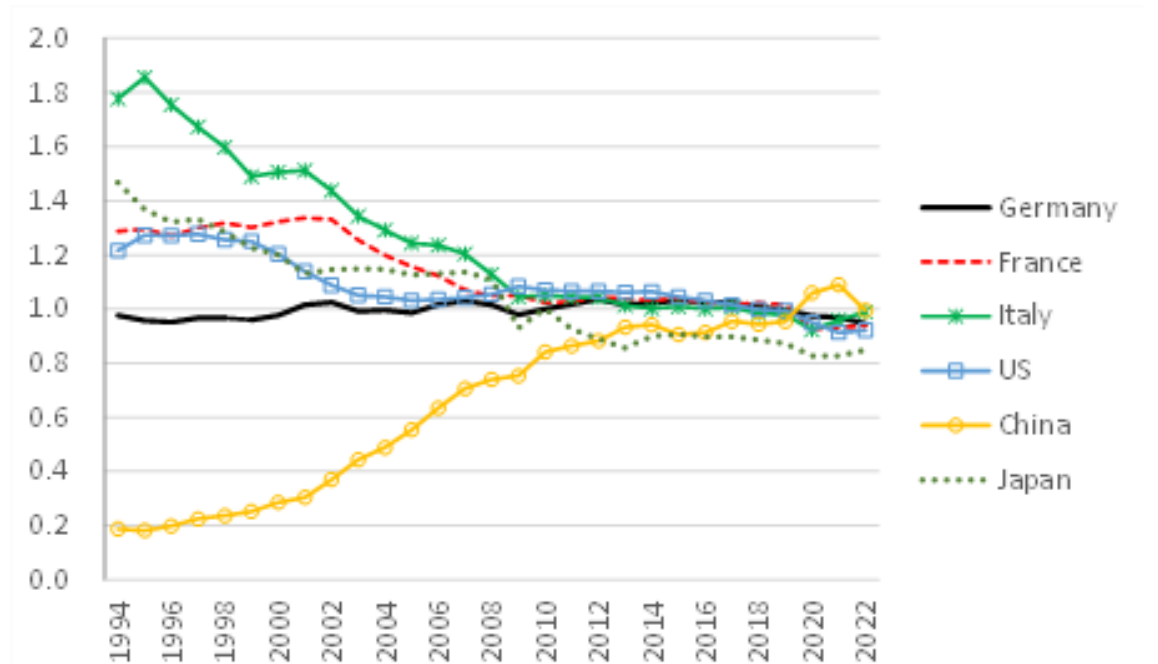
# The EU fares better on price competitiveness than on productivity growth

*Real effective exchange rate (REER)  
1994q1-2023q1, 2015=100*



Note: Based on the consumer price index (CPI) of 42 industrialised and emerging economies. REER increase means appreciation.  
Source: European Commission

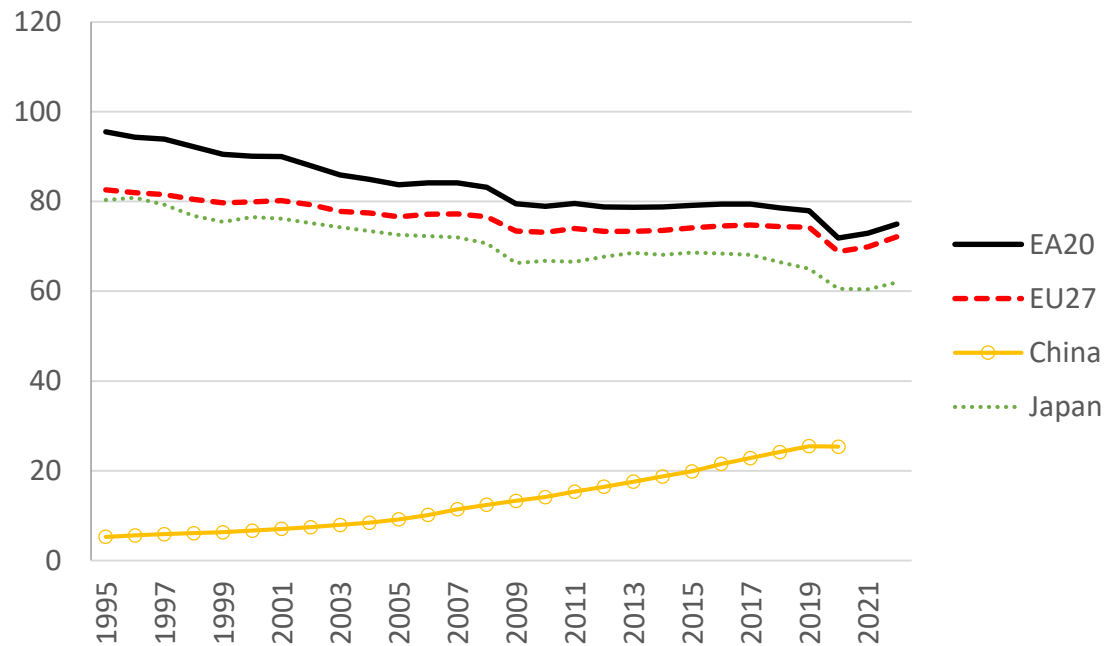
*Export performance (1994-2022)*



Note: This chart measures a country's exports of goods and services (volumes) relative to the export market size (volumes), where the latter reflects the domestic economy's relative exposure to individual trading partners multiplied by their overall import demand.  
Source: OECD Economic Outlook database

# The EU fares better on price competitiveness than on productivity growth and its drivers (cont.)

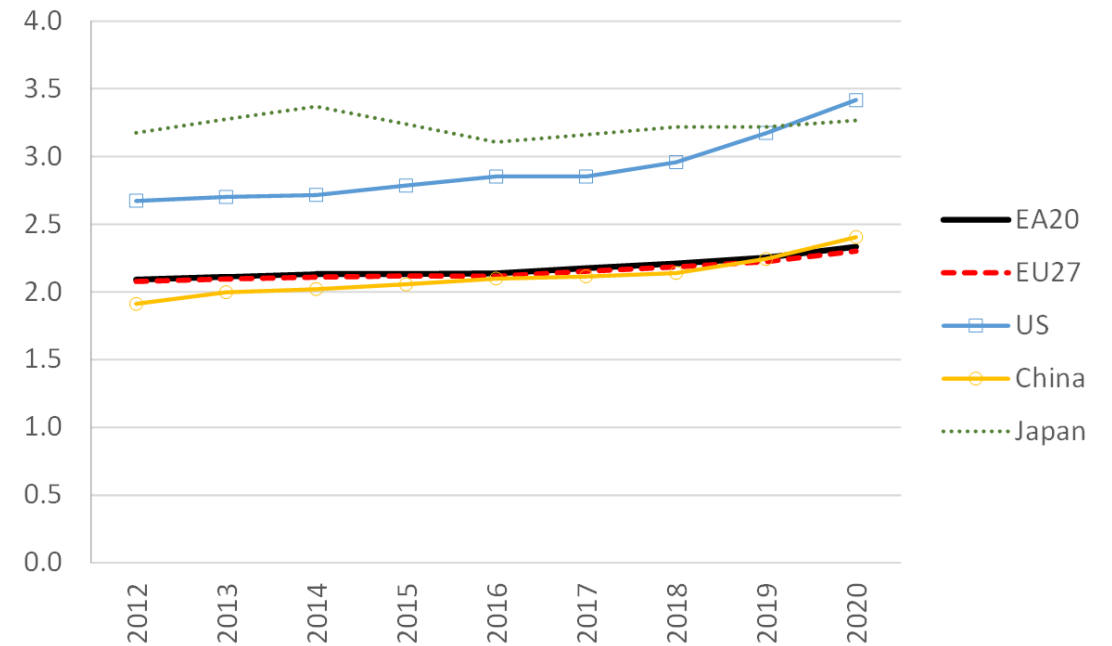
Labour productivity relative to the US (US = 100)



**Note:** Labour productivity is GDP per hour worked (GDP per employee for China), in constant prices and purchasing power standards.

**Source:** AMECO

Total spending on R&D (% of GDP)

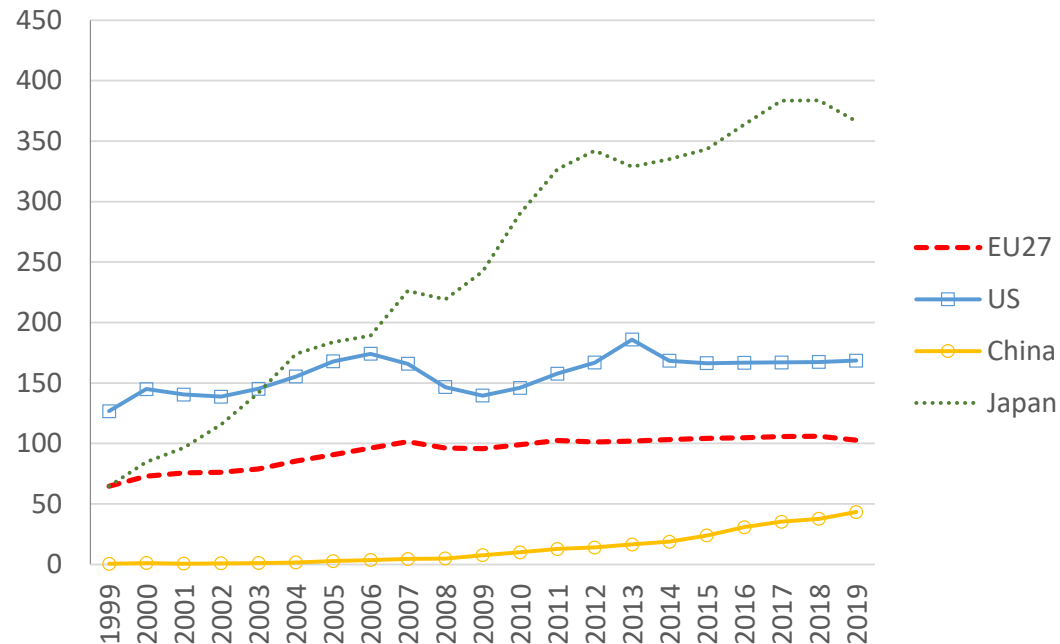


**Note:** Total spending on R&D includes private sector & public R&D expenditure.

**Source:** Eurostat, OECD

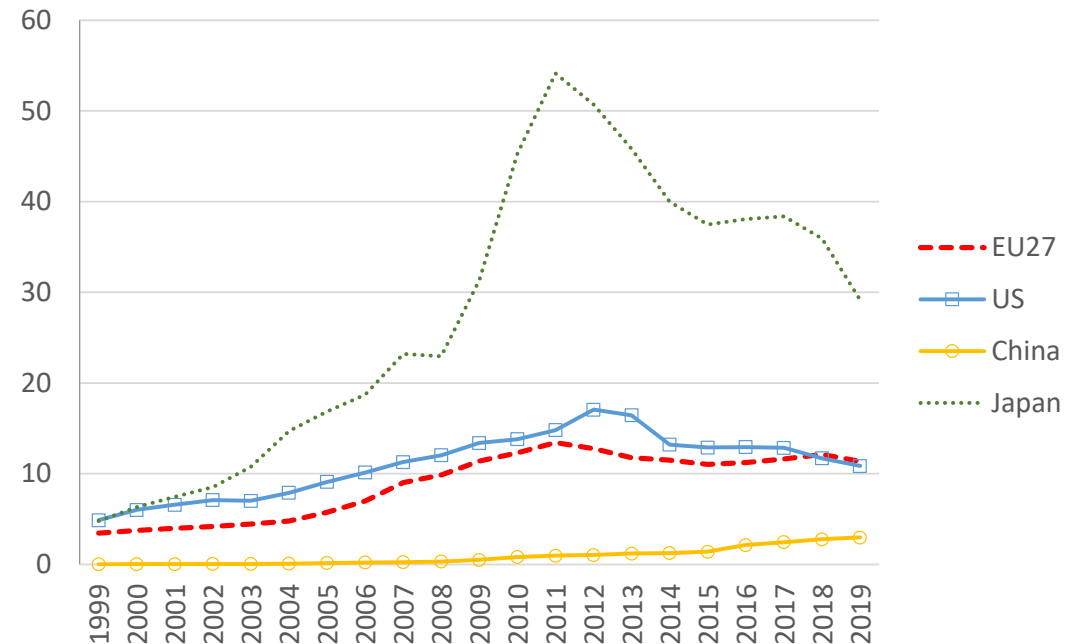
# The EU fares better on price competitiveness than on productivity growth and its drivers (cont.)

Total patents (1999-2018, per million population)



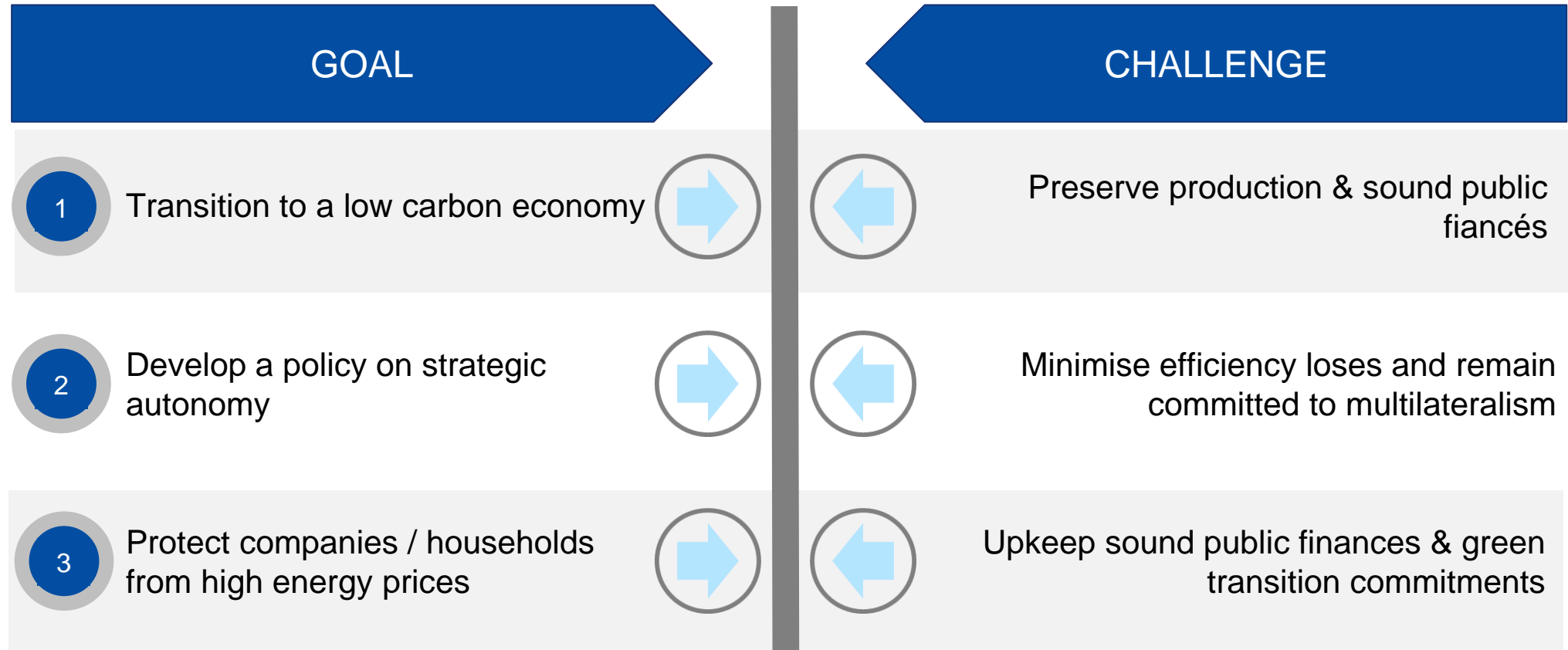
Note: Number of patents refers to patents that have been filed under the Patent Co-operation Treaty (PCT).  
Source: OECD

Green patents (1999-2018, per million population)

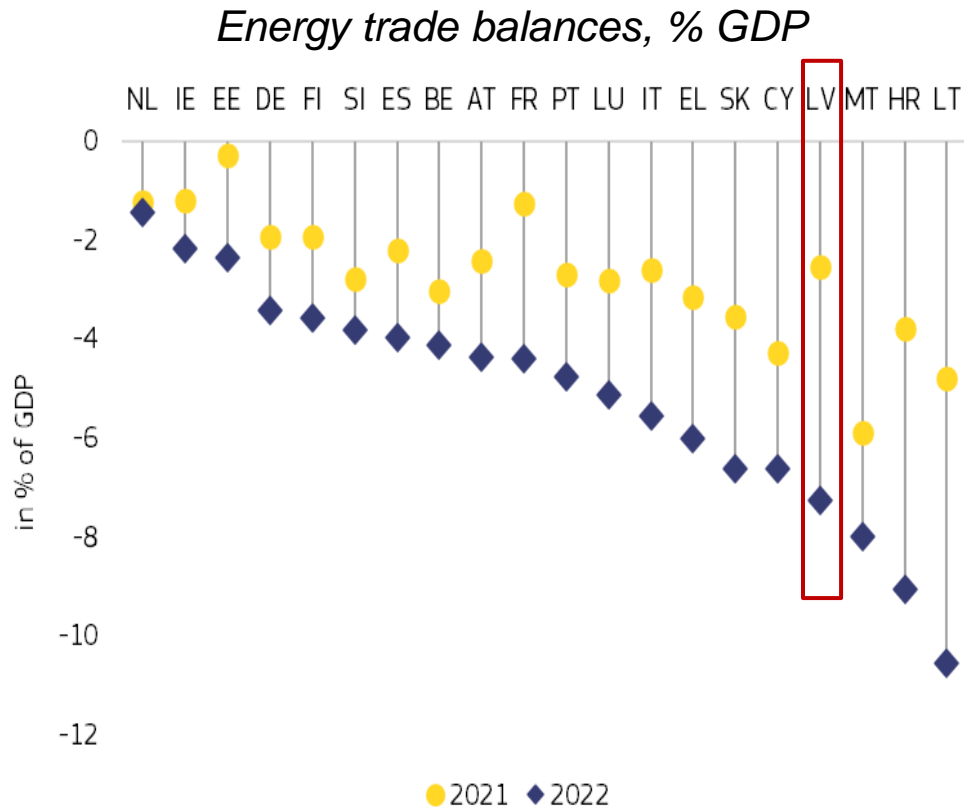


Note: Green patents refer to the patents related to climate change mitigation.  
Source: OECD

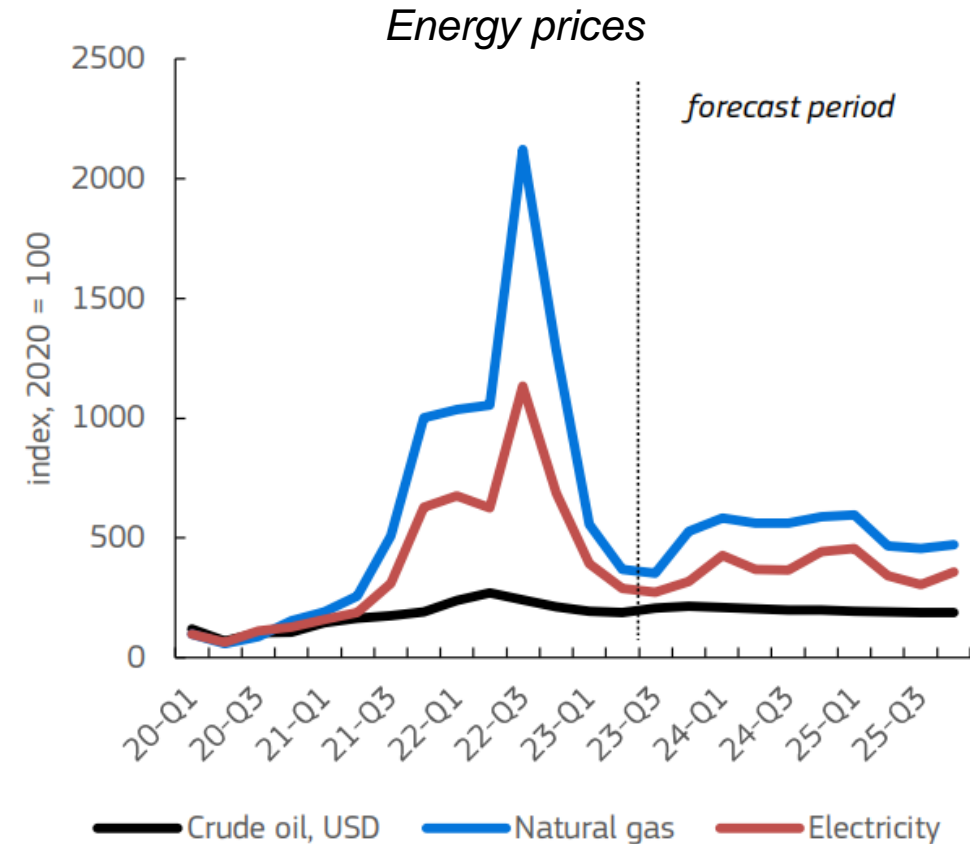
# The EU faces new competitiveness challenges



# The euro area's competitiveness is vulnerable to swings in energy prices, which are forecast to remain high



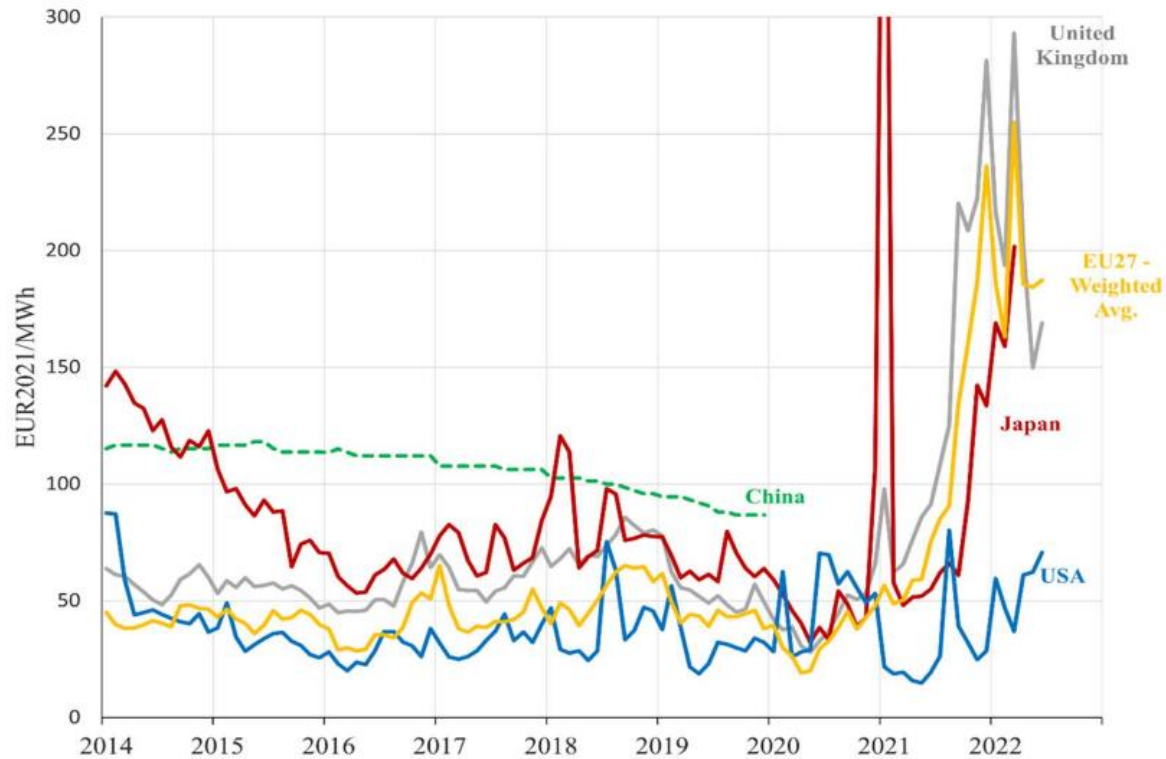
Source: Eurostat



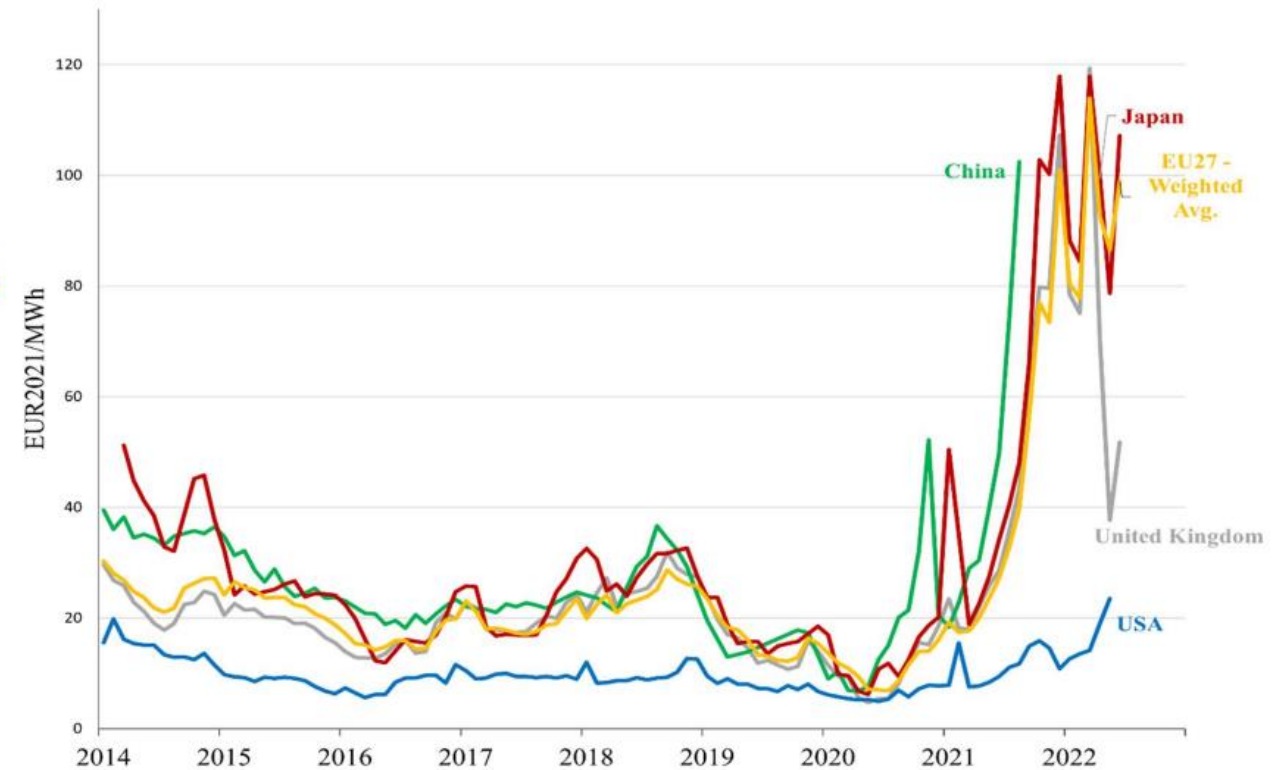
Source: Intercontinental Exchange (ICE)

# The US keeps a comparative energy price advantage due to its fossil fuel production capacities

Average day-ahead wholesale electricity prices for EU and major trading partners, EUR 2021/MWh



Average day-ahead wholesale gas prices for EU and major trading partners, EUR 2021/MWh



Source: European Commission, "2023 Report on Energy Prices and Costs in Europe", forthcoming



# The EU has adopted measures to address these challenges

*Policy measures adopted by the EU*



## Twin transition

RRF  
Invest EU



## Address the energy crisis

REPowerEU, EU Energy Platform, solar energy strategy, electricity market design, state aid rules (CEEAG)



## Support to R&D

R&D&I state aid framework, state aid clearance for Important Projects of Common European Interest (IPCEI)



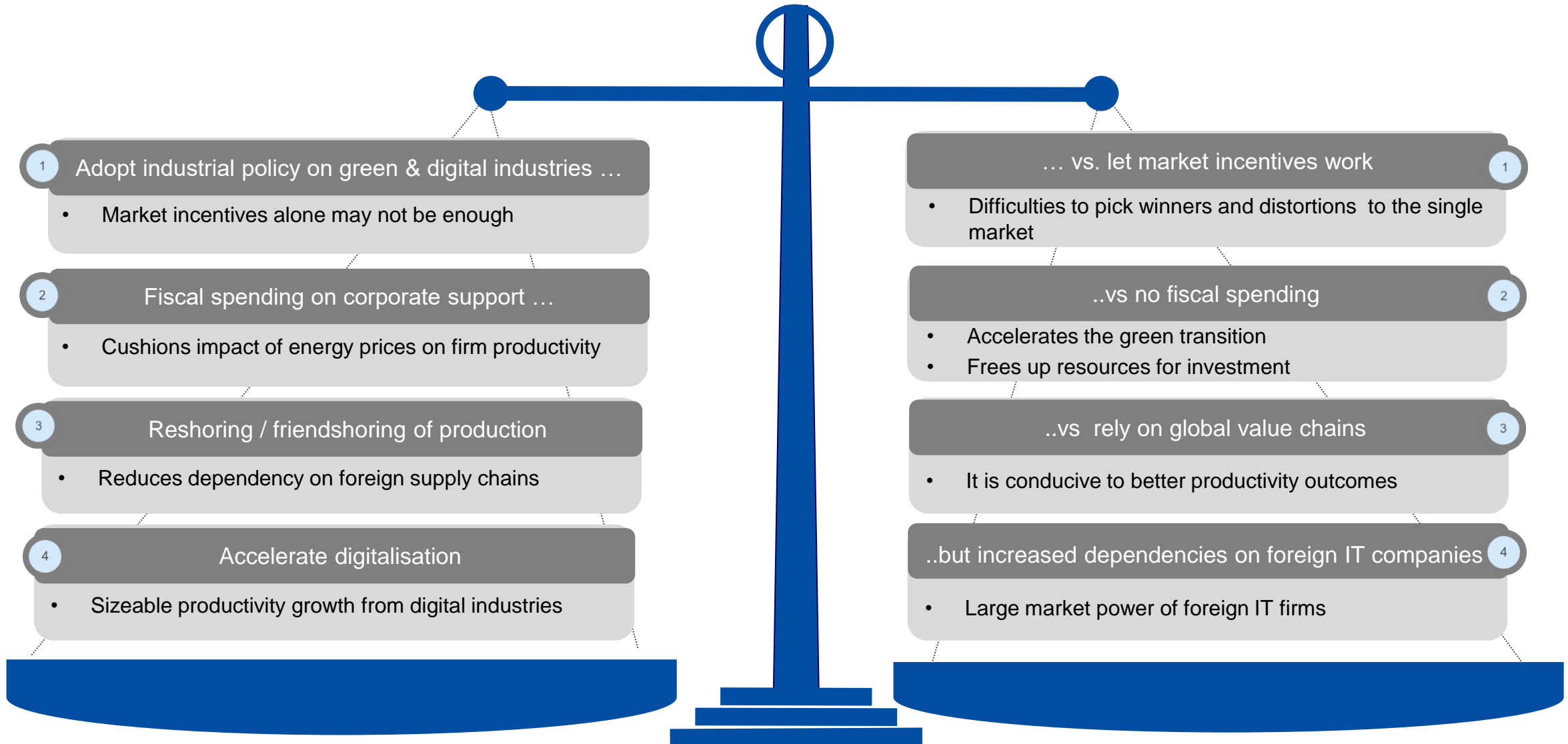
## Support to green industry

Green Deal Industrial Plan

Area

Measures

# Policy makers will keep facing difficult choices










# NPBs combine the analysis of long-term structural issues with the analysis of current policy challenges (cont.)

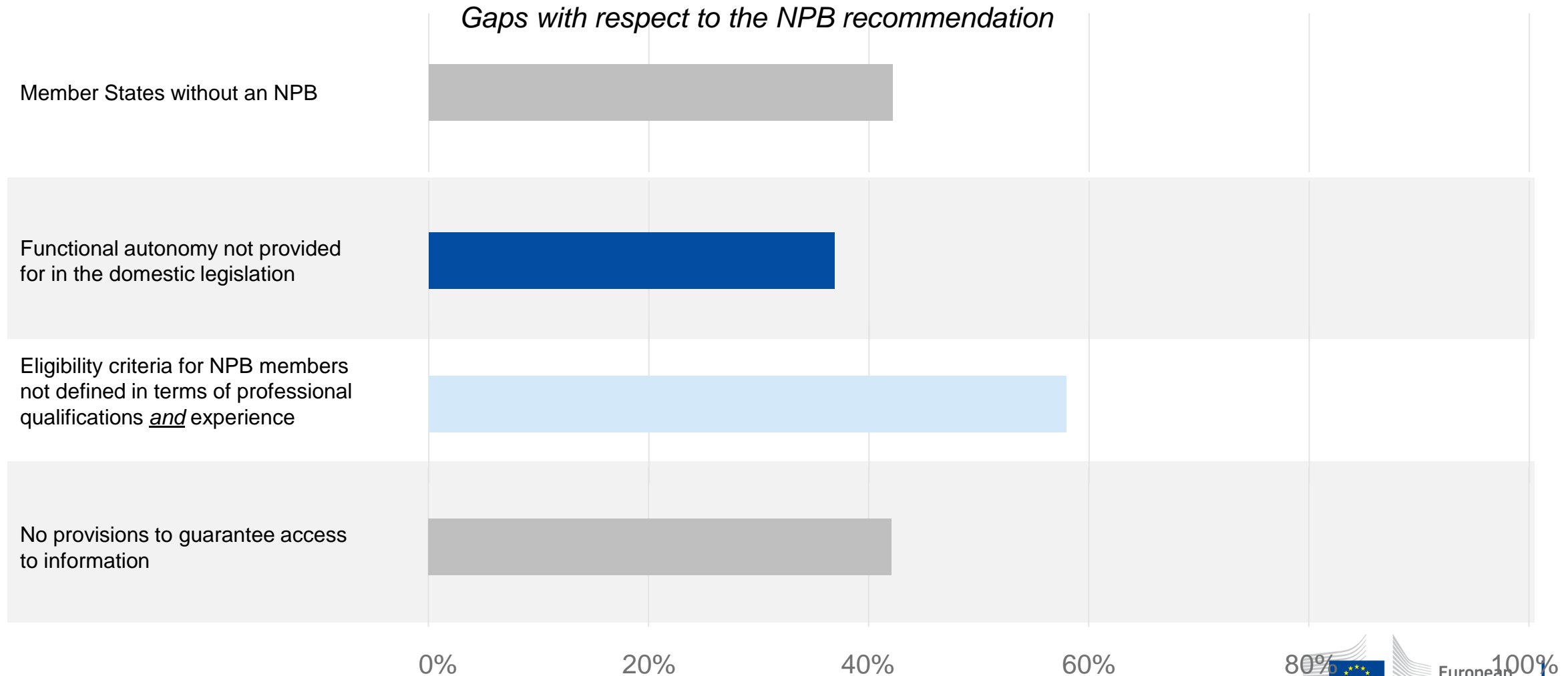
## Analysis of current policy challenges: examples

- 1 Energy**
  -  High energy prices and productivity growth
  -  High energy prices and corporate profits
- 2 Green transition and competitiveness**
  -  Policy mix to meet the climate targets
- 3 Automation, AI**
  -  Automation, productivity and employment
  -  Artificial intelligence adoption in Greece
- 4 Geopolitics / strategic autonomy**
  -  Criteria for new industrial policy

## Analysis of structural topics: examples

- 1 Productivity**
  -  Productivity convergence
- 2 Investment**
  -  Investment dynamics and barriers to investment
  -  Capital for labour substitution
- 3 Education and skills**
  -  Skill shortages, educational attainment
- 4 R&D&i**
  -  State support modalities for R&D
  - SMEs and R&D tax credit

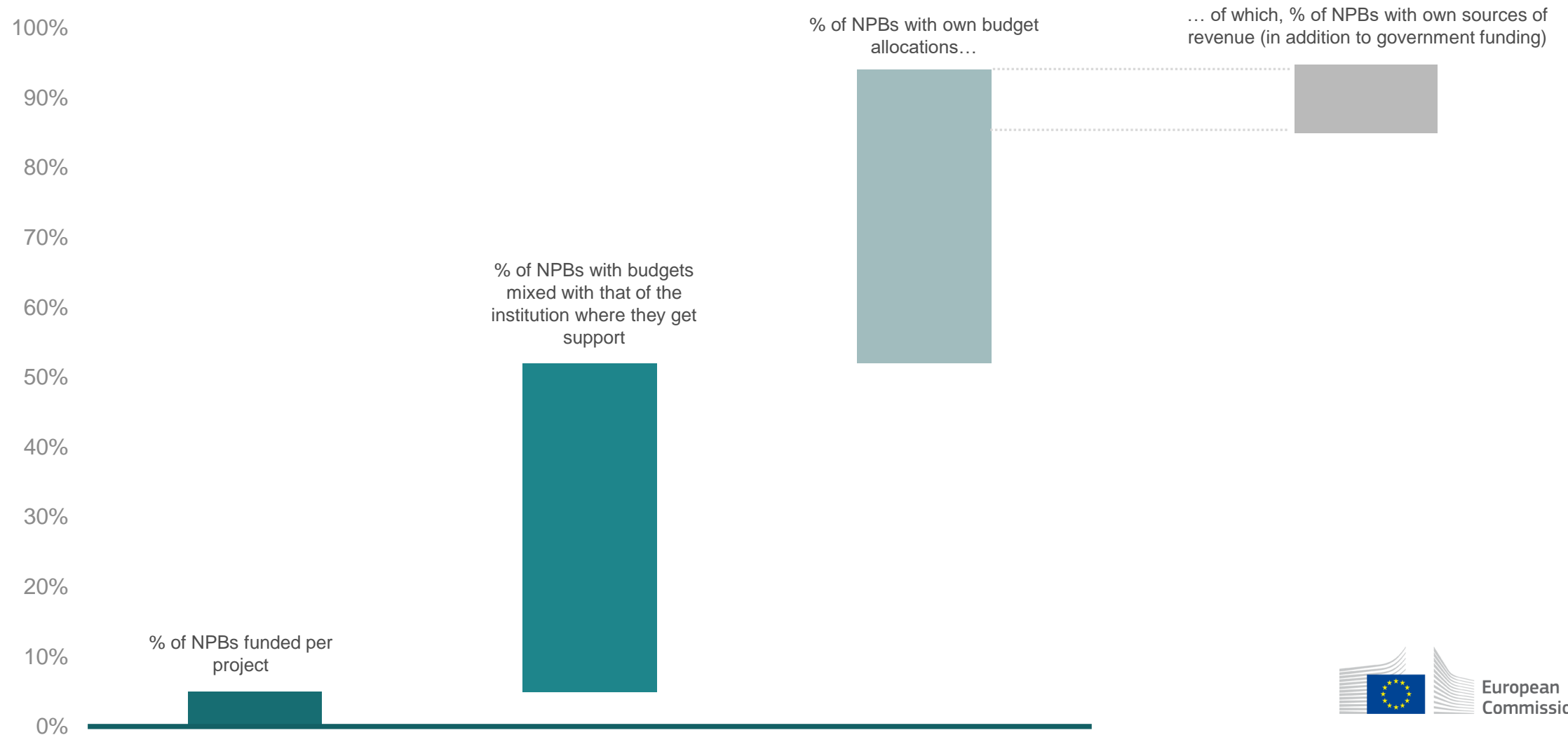
# There is room to strengthen the institutional set up of NPBs



Source: DG ECFIN based on the NPB replies the progress reports' questionnaires

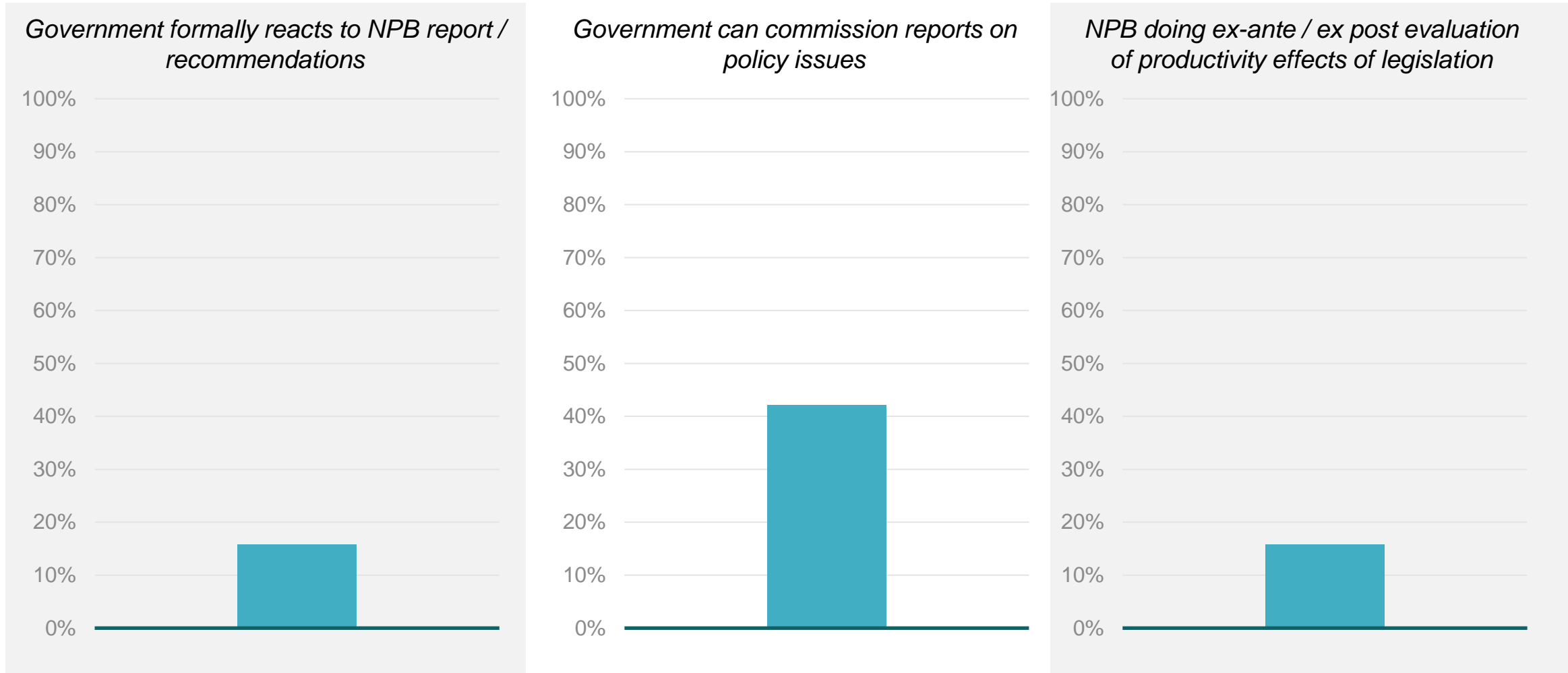
# There is room to strengthen the institutional set up of NPBs (cont.)

*NPBs' funding arrangements*



# There is room to strengthen the institutional set up of NPBs (cont.)

*Ways of being plugged-in to domestic policy making processes*



Source: DG ECFIN based on the NPB replies the progress reports' questionnaires

# Thank you



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