

Corporate Use

Capitalising on Europe's strengths at times of geopolitical shocks and digital transformation – a view on Croatia

Debora Revoltella

Chief Economist European
Investment Bank

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Capitalising on Europe's strengths

- › Investment has been **resilient**, but **needs to accelerate**
- › Investment growth will depend on a **decisive push for private investment**, driven by new business opportunities and by realising the untapped potential of EU integration
- › Future policy support will need to focus even more on **impact and private capital mobilisation**
- › The EIB Group experience shows the effectiveness of **pan-European and targeted instruments**

Europe keeps focus on investment and transformation

Resilient supply chains

Renewables deployment

$\frac{2}{3}$ of power capacity

$\frac{1}{2}$ of electricity generation

High demand for EU assets

41% (36%)

of EU (HR) firms see energy costs as a major barrier in 2025, down from ~60% (68%) in 2022

Europe a stable and trusted global partner

Forging new cooperation agreements, like the **Mercosur** and **India** deal

Defence and security

Towards a 5% of GDP long term target

Competitive in key technologies:

Health-tech, autonomous systems, clean energy tech., bioeconomy and specialised equipment, etc.

Europe as Ukraine's main financial supporter

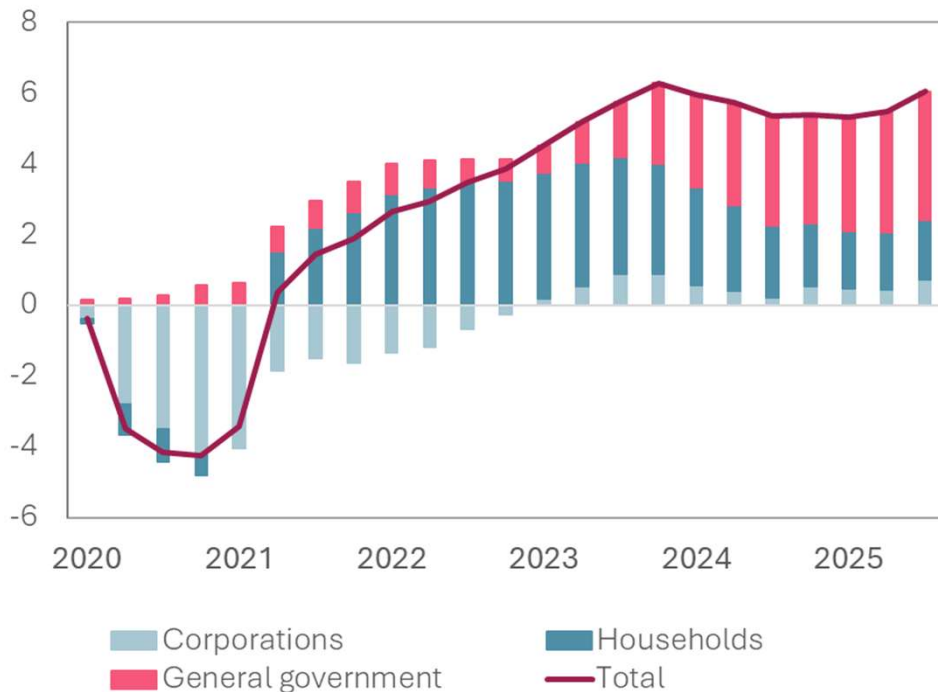
Successful integration

Croatia an example of very successful EU and Euro integration

In Europe, investment resilience has relied largely on strong public investment and support, with a focus on structural transformation

Investment holds, supported by the public sector

Real investment (cumulative growth relative to 2019Q4, %)

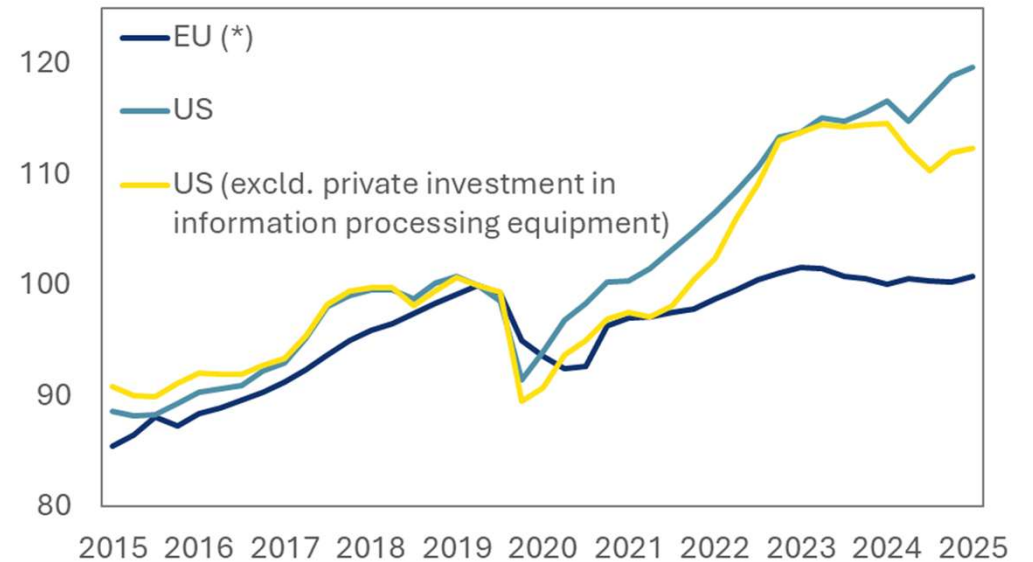


Source: EIB staff calculations based on Eurostat.

Note: EU without Ireland. Real gross fixed capital formation by sector, deflated using total investment deflator. The four-quarter sum of total GFCF in the fourth quarter of 2019 is normalised to 0.

Corporate investment withstands headwinds but stalls

Real corporate investment (index 2019Q4 = 100)



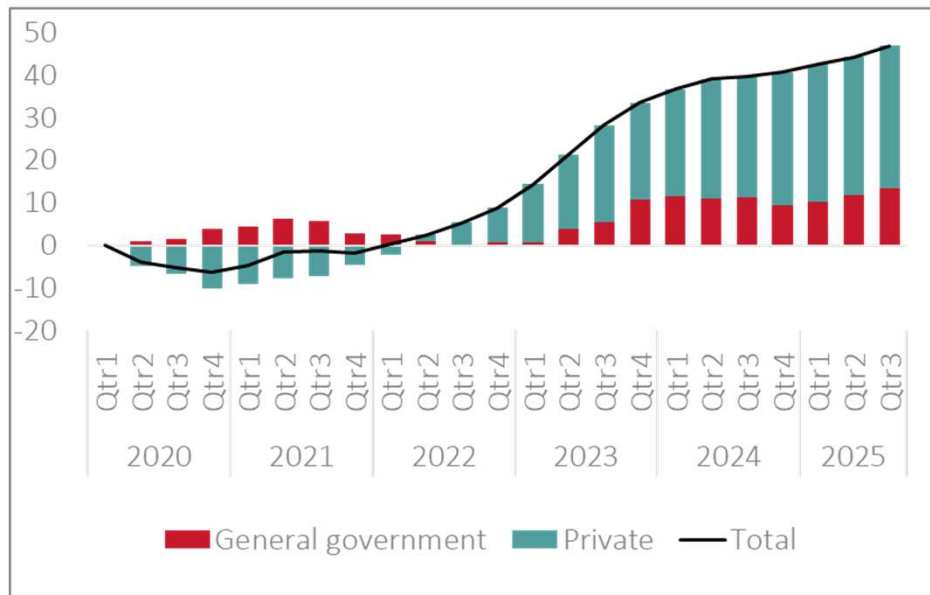
Source: EIB staff calculation based on Eurostat and FRED. Latest data point is 2025 Q3.

Notes: (*) EU data exclude Ireland. All figures were adjusted using the implicit price index for gross fixed capital formation for both the EU and the United States. Private investment in information processing equipment (IPE) was deflated using the specific price index for IPE investment. Quarterly data are presented as four-quarter moving averages.

In Croatia, a strong private investment led the post-covid recovery

Investment in Croatia holds, supported by both the private and public sector

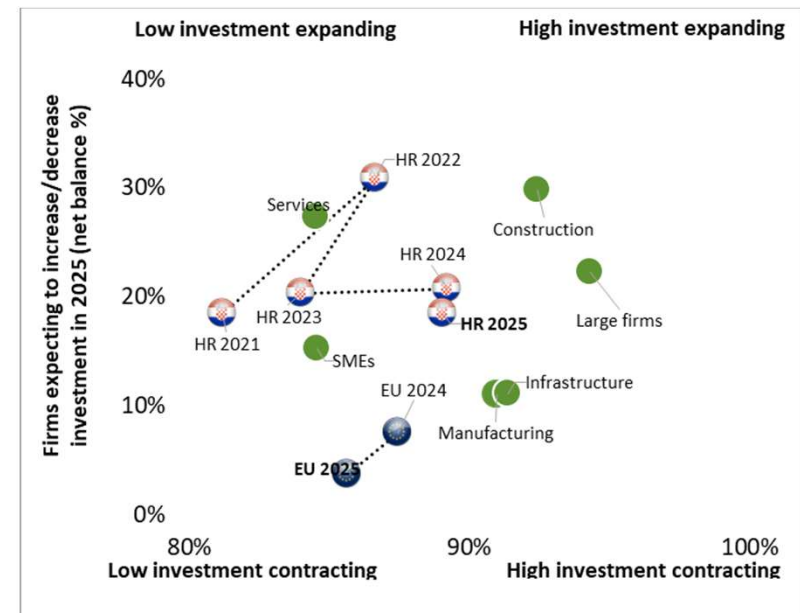
Real investment (cumulative growth relative to 2019Q4, %)



Source: EIB staff calculations based on Eurostat.

Croatian firms investing is above EU average

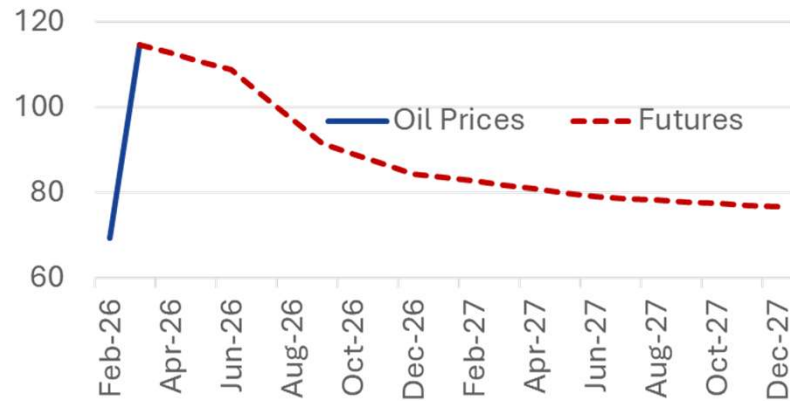
Share of firms (%)



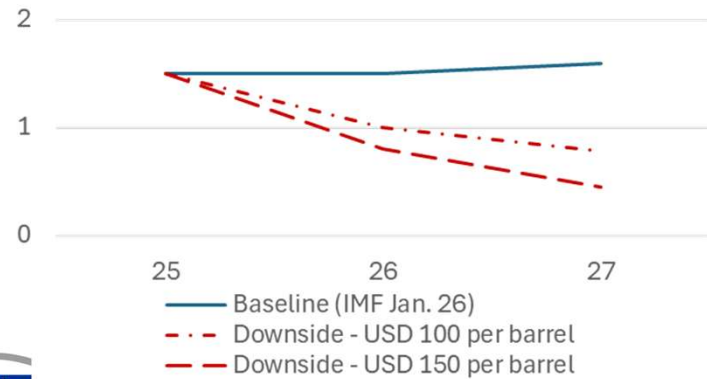
Source: EIB staff calculations based on EIBIS 2019-2025.

Corporate investment is sensitive to ongoing shocks

Market implied oil prices

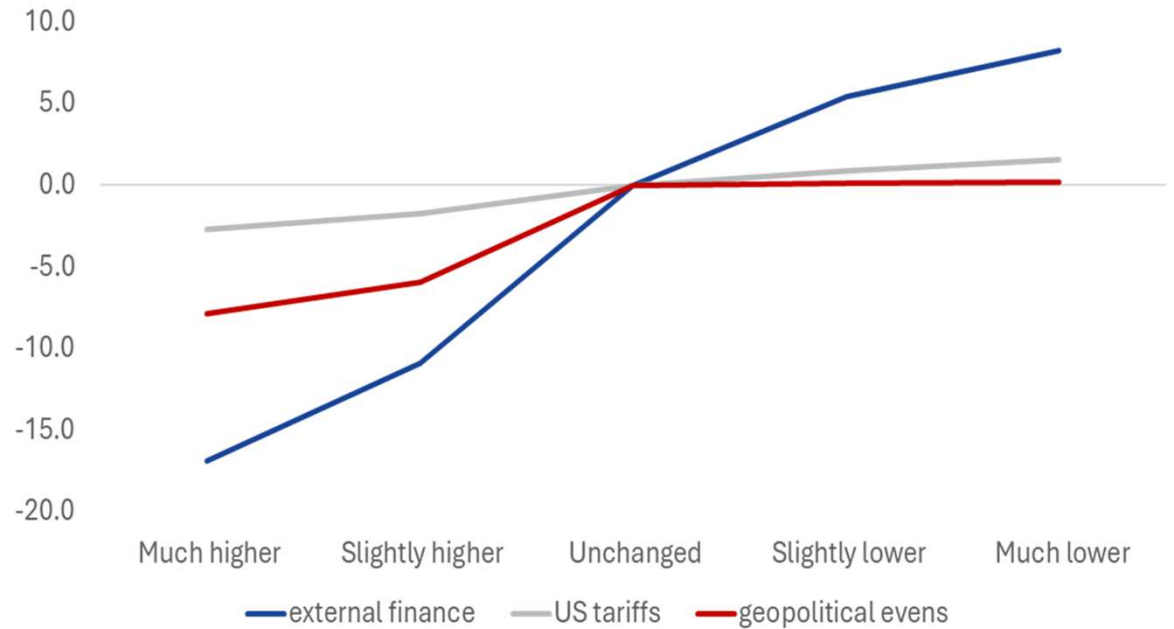


EU GDP growth rates (%) (2025-2027)



Sensitivity of firms' investment to positive – negative shocks

Firms' net investment, as a result of increasing/decreasing external finance shock, US tariffs or geopolitical shocks

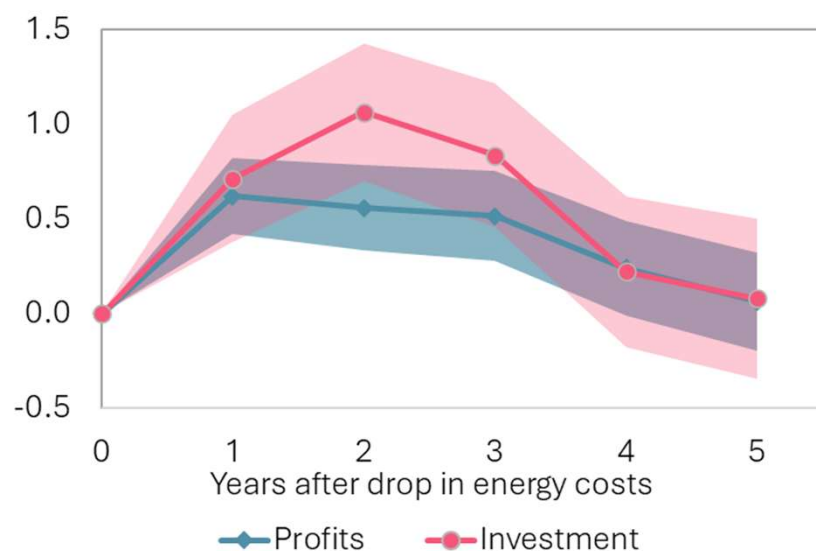


Source: EIB analysis, based on a sensitivity experiment. 710 firms participating within EIBIS. Each firm was assigned 8 scenarios at random, selected from a total pool of 28 possible scenarios.

The energy sector is transforming. Addressing bottlenecks will unlock the benefits of a fully integrated system and reduce energy costs for EU businesses and households

Energy costs matter for competitiveness and stimulate higher firms' investment

Estimated response of firm profits and investment to a 1 percentage point decrease in energy costs (pp)

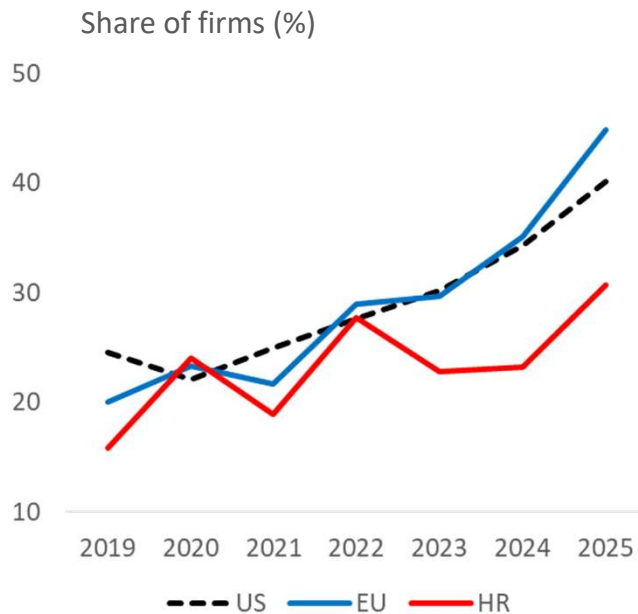


Source: EIB staff calculations based on ORBIS.

- › **Renewables account for $\frac{2}{3}$ of power capacity and $\frac{1}{2}$ of electricity generation**
- › **A comprehensive approach is needed to address bottlenecks** - investment in cross-border interconnectors, in flexibility of the system (combining energy storage with generation), in the electricity grid and in wider electrification

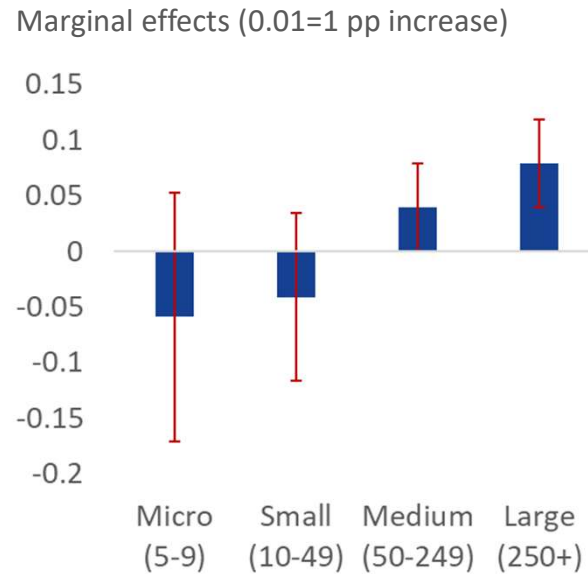
Digitalisation and AI adoption are boosting the productivity of European firms, but they are also creating strategic dependencies in an increasingly polarised world

Use of big data analytics and AI



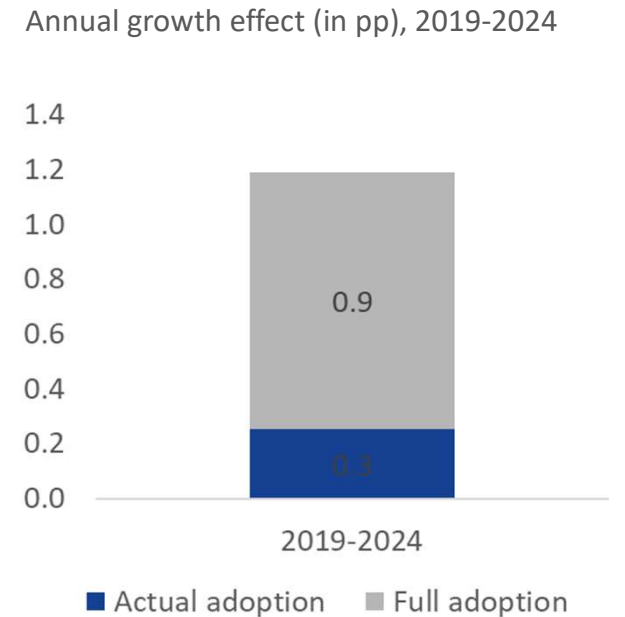
Source: EIB staff calculations based on EIBIS 2019-2025. When investment in generative AI only is considered (data available for 2025), 37% of EU firms invest, versus 36% on the US.

Effects of AI adoption on labour productivity by company size



Source: Note: Figure 6 EIB staff calculations based on EIBIS 2019-2024. **Note:** The red lines represent 90% confidence intervals. The dependent variable is labor productivity. All regressions control for firm investment, profitability, financial leverage, total assets, age, and the interaction of country, sector and year fixed effects.

Macro effects from micro regressions

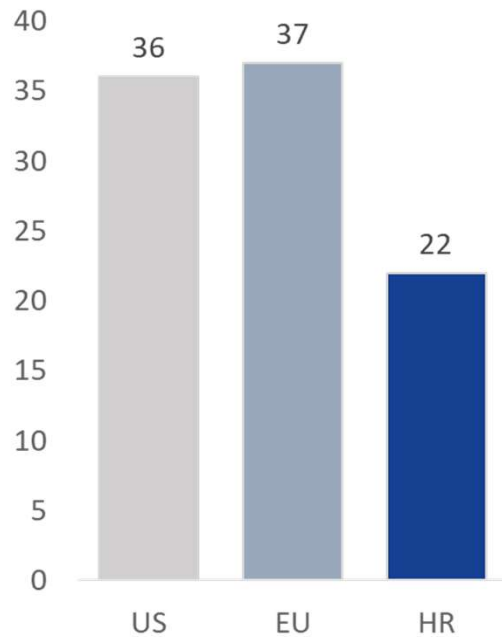


Source: EIB calculations based on model results and EIBIS 2019-2024. **Notes:** Effects on labour productivity expressed as turnover over number of employees.

Digitalisation and AI adoption in Croatia: lower adoption of advanced digital technologies and fewer firms using multiple digital tools

Firms using Generative Artificial Intelligence

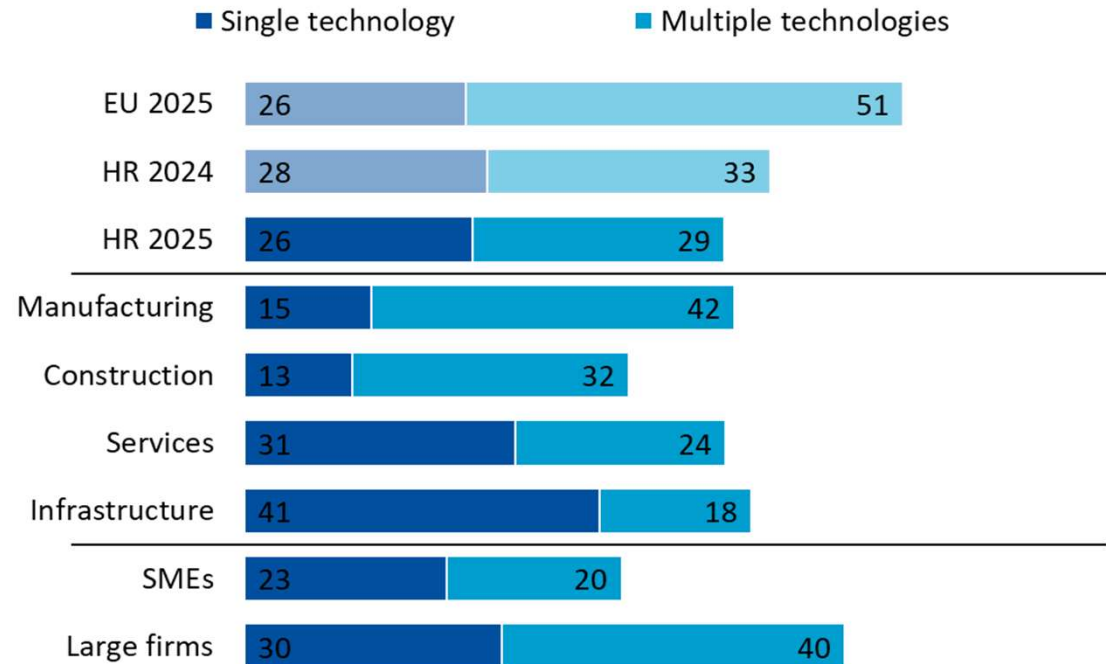
Share of firms (%)



Source: EIB staff calculations based on EIBIS 2025.

Use of advanced digital technologies

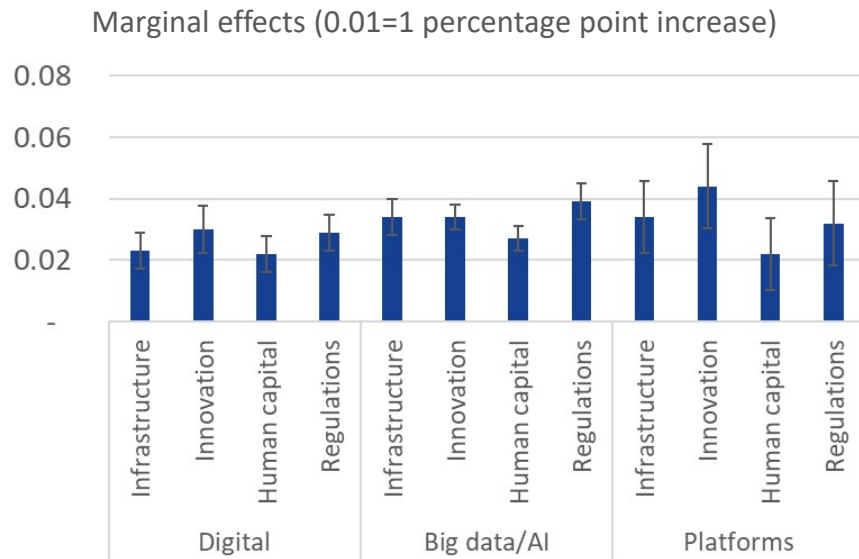
Share of firms (%)



Source: EIB staff calculations based on EIBIS 2025.

AI adoption enablers: supportive innovative environment, adequate regulatory landscape, digital skills and infrastructure are the key enablers. They also increase the productivity impact of AI

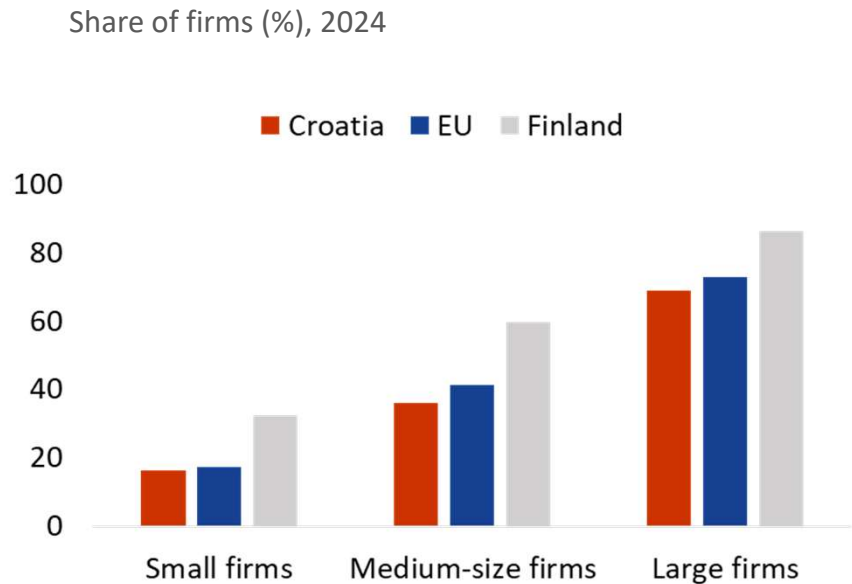
Country AI preparedness factors and digital adoption



Source: EIB staff calculations based on EIBIS 2019-2025 and Cazzaniga et al. (2024).

Note: OLS regression estimates controlling for age, company size and the interaction of country, sector and year fixed effects. The AI preparedness index varies across countries and is standardised to unit variance.

Enterprises that provided training to develop/upgrade ICT skills of their personnel



Source: Eurostat.

- Investment in software and data infrastructure increases AI's productivity effect by 2.4 percentage points
- Training amplifies AI's productivity gains by 5.9 percentage points.

Looking ahead, in a dramatically changing global context, Europe needs to invest more and faster, leveraging a pan-European scale

How to accelerate investment?

- › Unlock new business opportunities
- › With limited available resources, future policy support will need to focus even more on impact and mobilisation of private capital

Looking ahead, in a dramatically changing global context, Croatia and EU needs to invest more and faster, leveraging a pan-European scale

The **Single Market** delivers business opportunities and resilience

- › Generated **25% of investment growth** since 1980
- › **Removing fragmentation** boosts firms' investment rates by **10%**
- › Intra-EU trade delivers resilience, at times of economic security concerns

Efficiency and scale are critical, **domestically and globally**

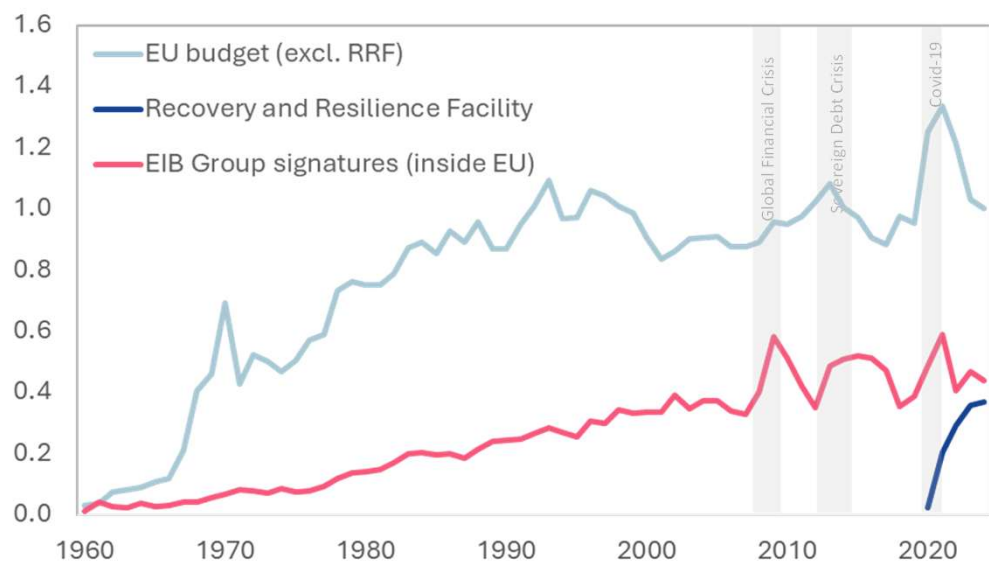
Business environment & co-investment in skills: reducing bureaucracy could save 2% of SMEs revenues and accelerate digitalisation

Pan-European and targeted support: pan-European approach critical also for the Savings and Investments Union for scaling up

Future policy support will need to focus even more on impact and private capital mobilisation

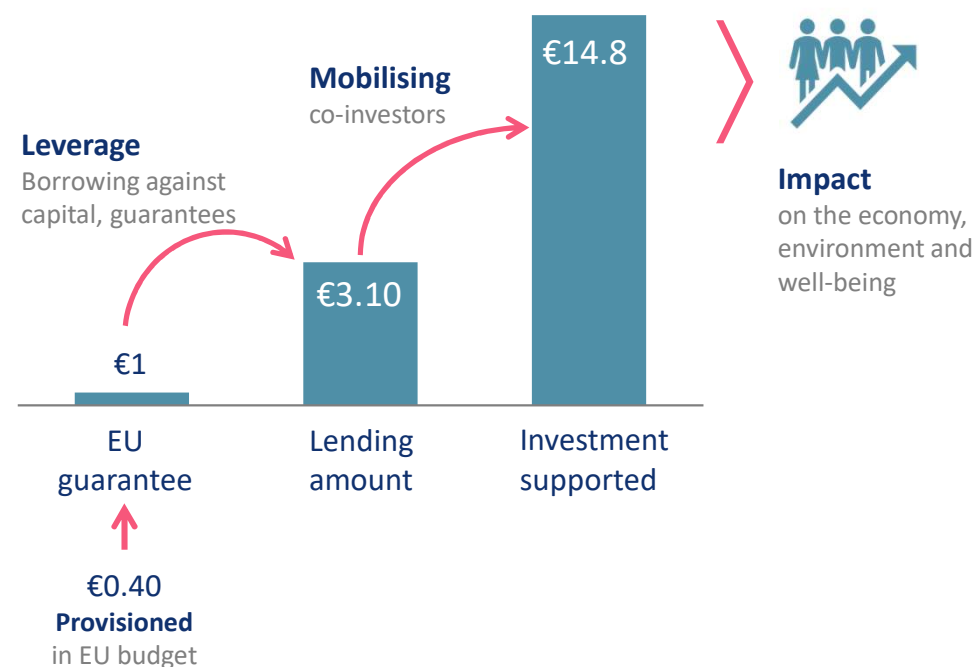
EU resources for EU policy goals

EU budget, RRF (grants and loans) and EIBG signatures (loans) as % of EU GDP



Note: Data is shown as a % of EU GDP, where the EU is the EU6 to 1973, EU9 to 1981, EU10 to 1986, EU12 to 1995, EU15 to 2004, EU25 to 2007, EU27 to 2013, EU28 to 2020 and then EU27.

EIB Group mobilisation under the InvestEU guarantee – €1 of EU guarantee capital supports €15 investment in the real economy



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