

# Firms' investment in times of repeated shocks: a Dutch perspective

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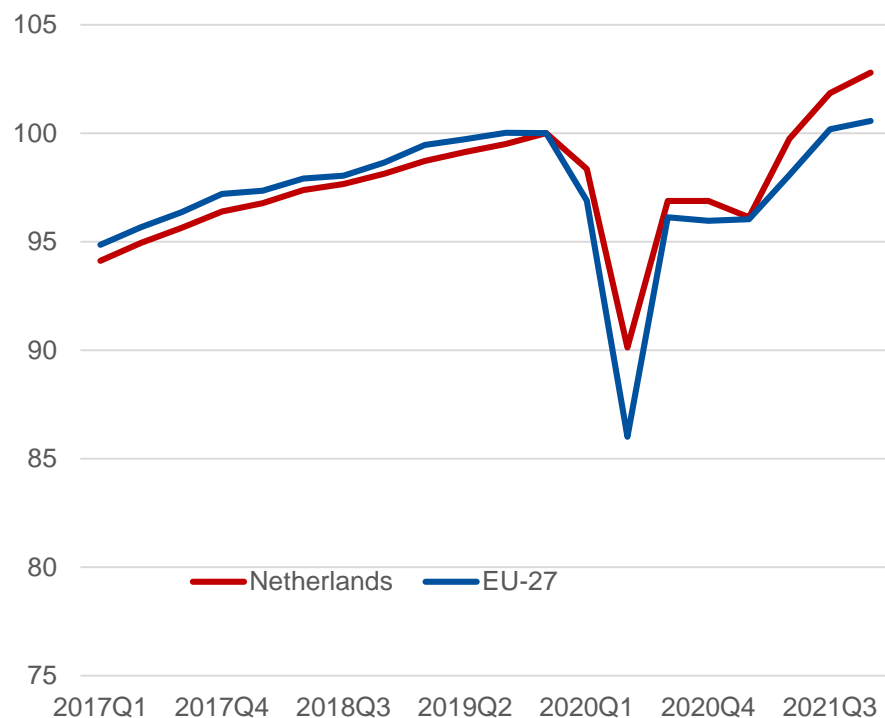
Amsterdam  
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# Key messages

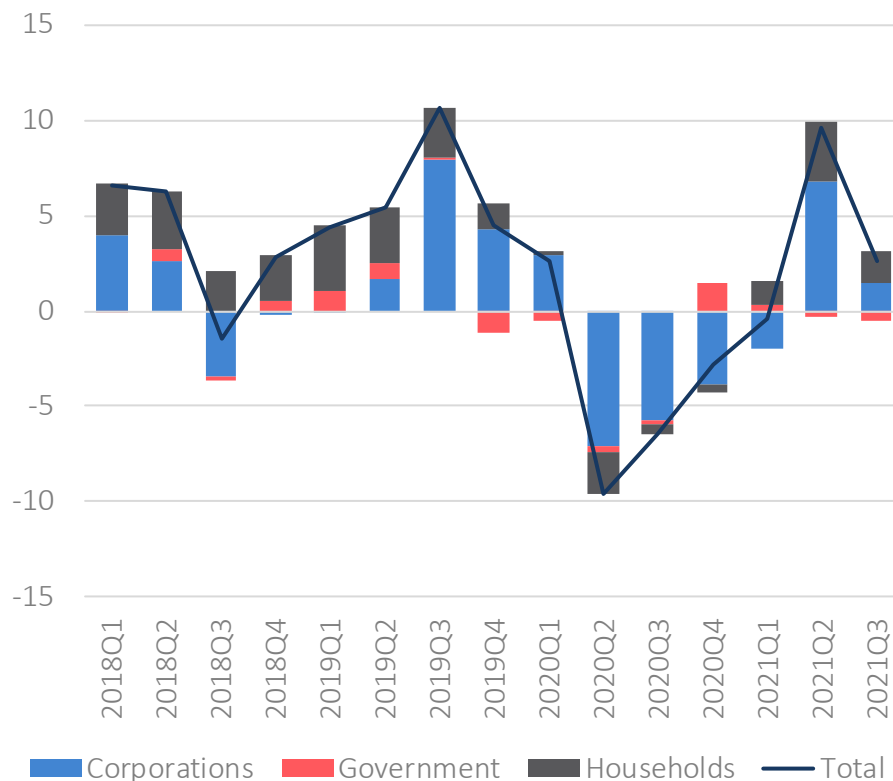
- Dutch economy went through the pandemic avoiding major disruptions and scars
- Policy support was successful in helping the corporate sector that, on its own, is well positioned in terms of digital adoption and also on climate related investment
- Dutch firms perceive less obstacles to investment than their EU peers, but apparently feel less pressures to change
- Today – the challenge is to the navigate the new shock, while not forgetting to support the green and digital transformation

# Recovery, in just over a year. Dutch economy bounced back fast

**Real GDP**  
cumulative, 2019 Q4 = 100



**Investment Dynamics in Netherlands**  
by institutional sector  
Q4 2019 = 100



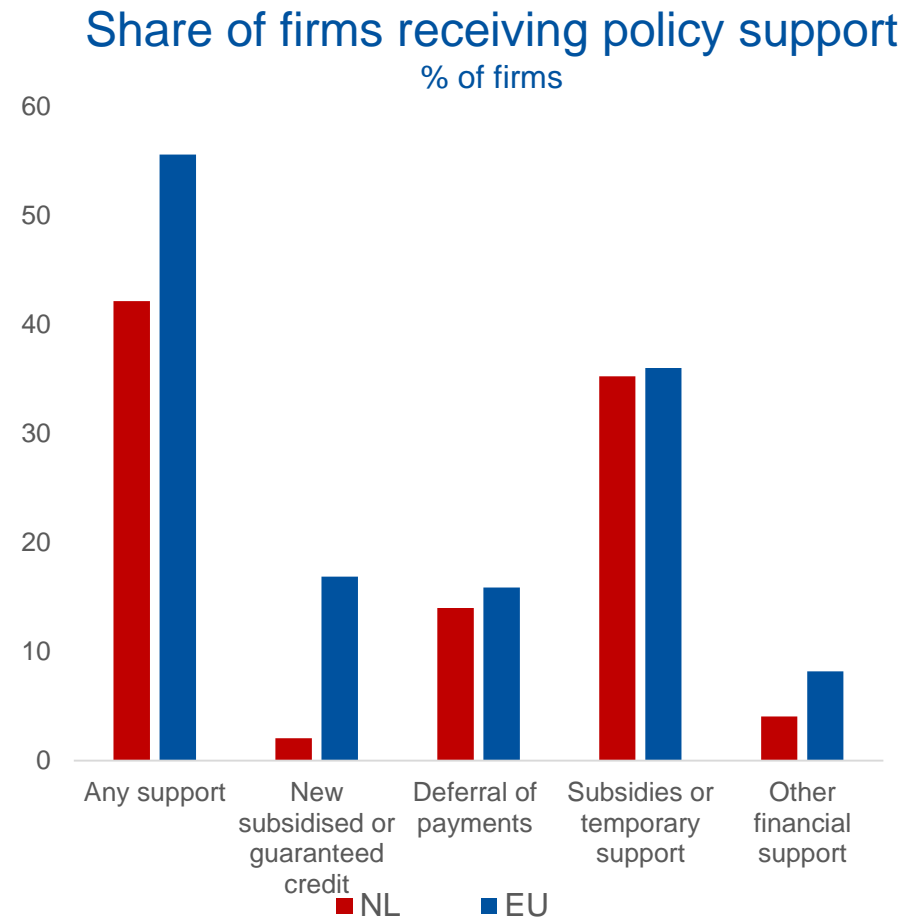
Source: Eurostat.

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); by institutional sector. The data are transformed into four-quarter sums, deflated using the implicit deflator for total GFCF. The four-quarter sum of total GFCF in 2019 is normalized to 0.

# Dutch firms experienced large decline in sales but received policy support

- 48% of Dutch firms reported loss of sales due to Covid (in line with 49% in EU), with no large difference due to size.
- Policy support was widespread, though less than in EU: 42% of firms received some financial support vs 56% in EU.

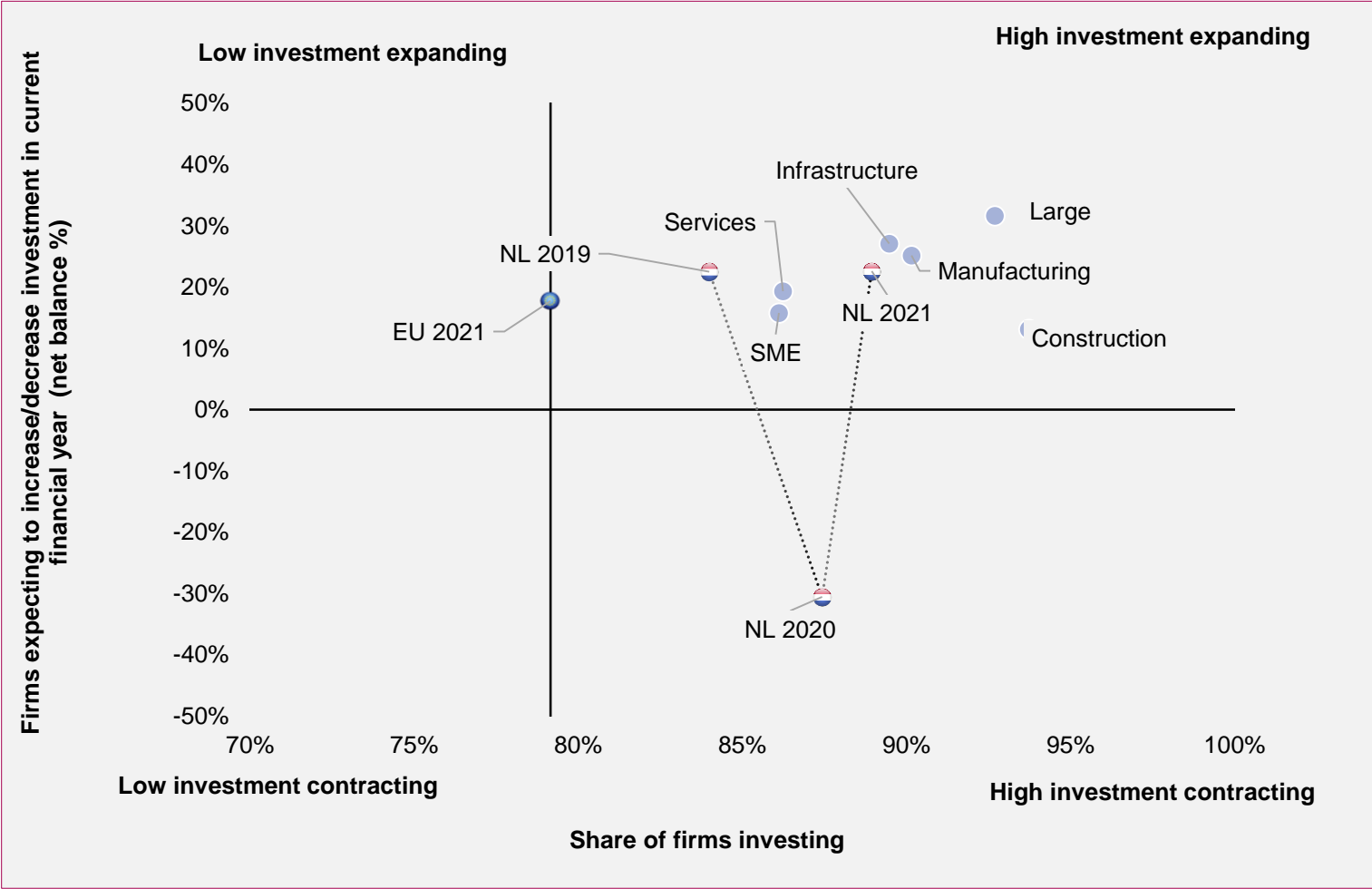


Source: EIBIS 2021

Q. Since the start of the pandemic, have you received any financial support in response to COVID-19? This can include finance from a bank or other finance provider, or government-backed finance

# Dutch firms continued investing through Covid

Impact of Covid-19 on the investment cycle

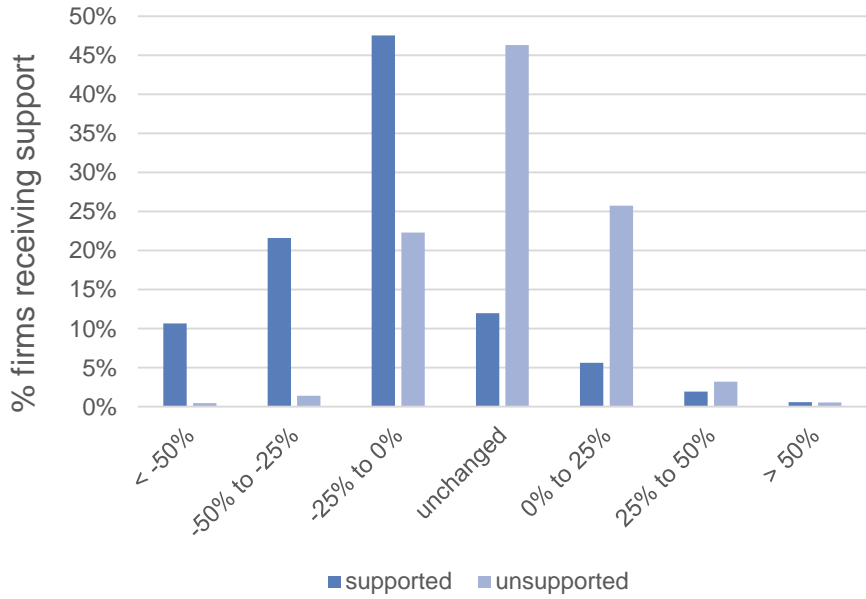


# Policy support allowed business continuity and preserved investment

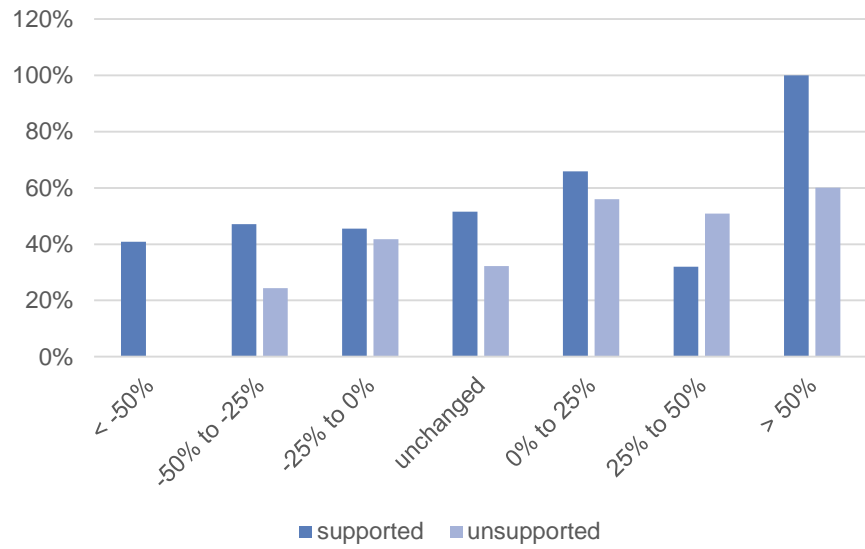
Dutch firms with large declines in sales were more likely to receive financial support...

... allowing them to keep investment plans, independent of the sale loss

Netherlands - intensity of policy support to firms by change in sales

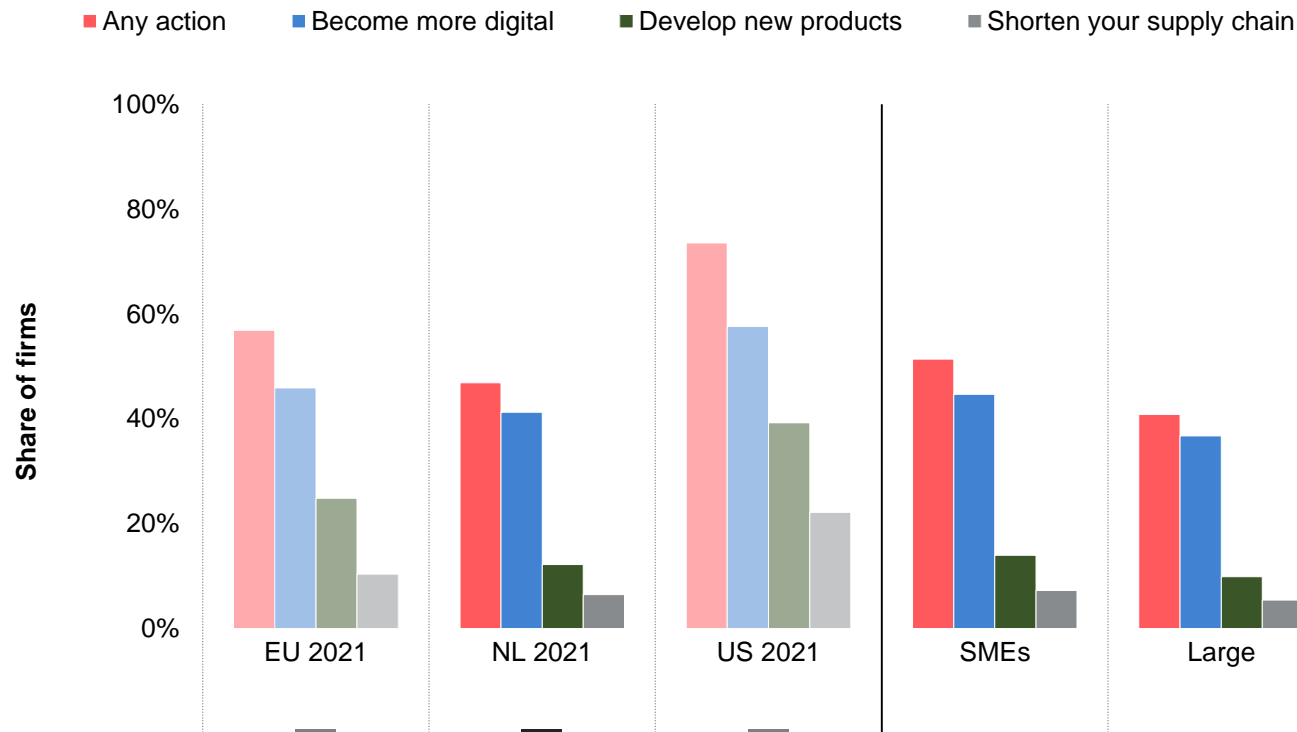


Netherlands - firms increasing investment by change in sales and intensity of policy support



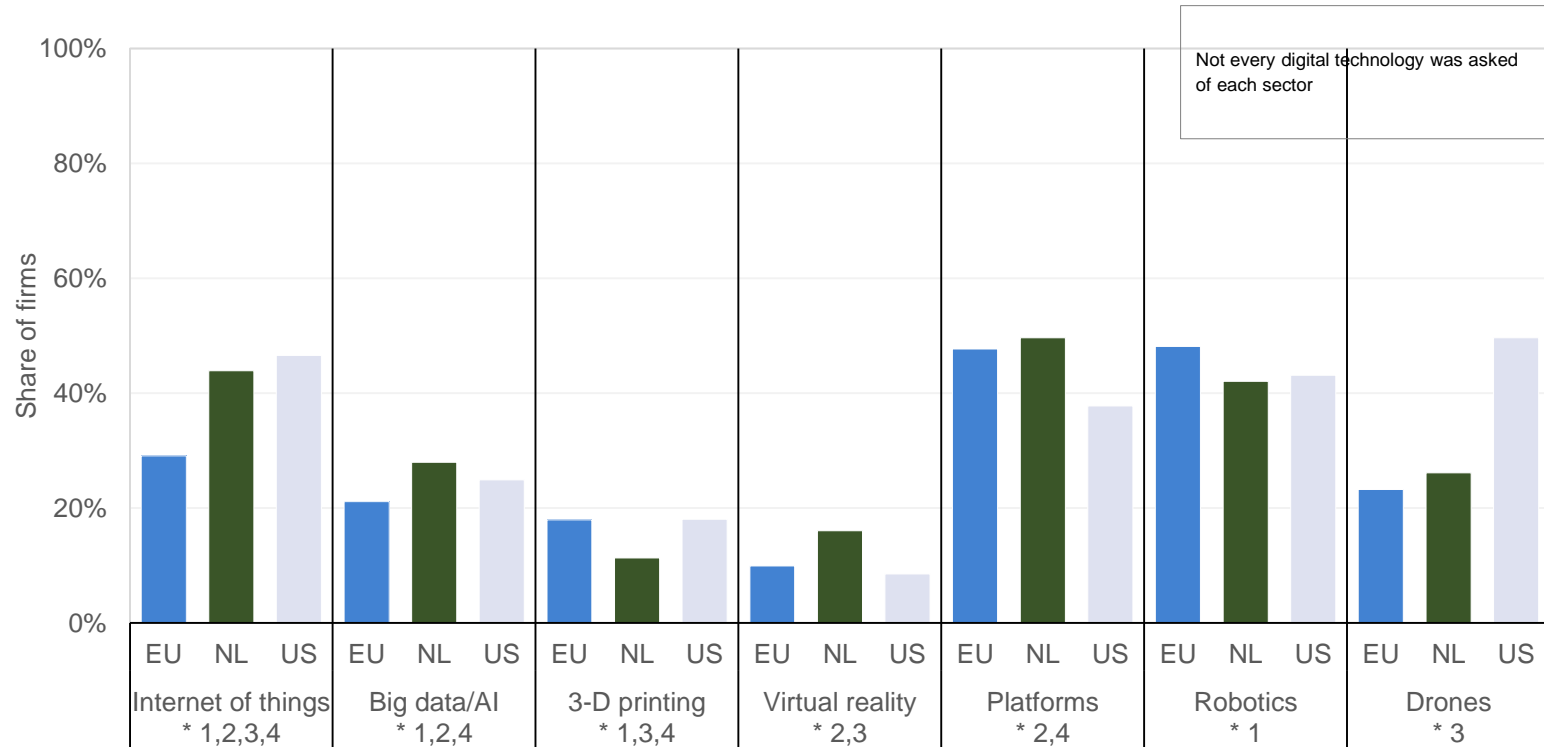
# The pandemic pressured SMEs slightly more than large firms

## Short term reaction to the pandemic



# Dutch firms have already adopted key digital technologies

## Implementation Of Advanced Digital Technologies

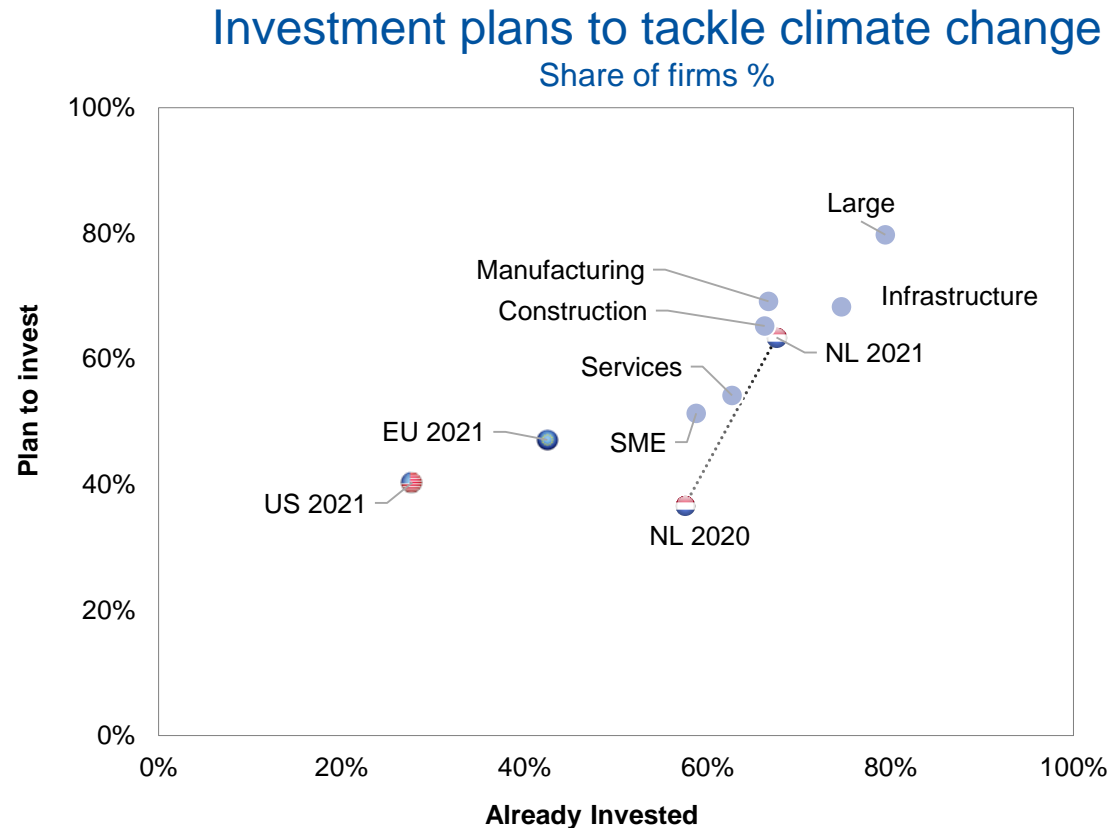


\* Sector: 1 = Asked of Manufacturing firms, 2 = Asked of Services firms, 3 = Asked of Construction firms, 4 = Asked of infrastructure firms

- 73% of Dutch firms has implemented at least one of these advanced digital technologies (vs. 61% in EU)



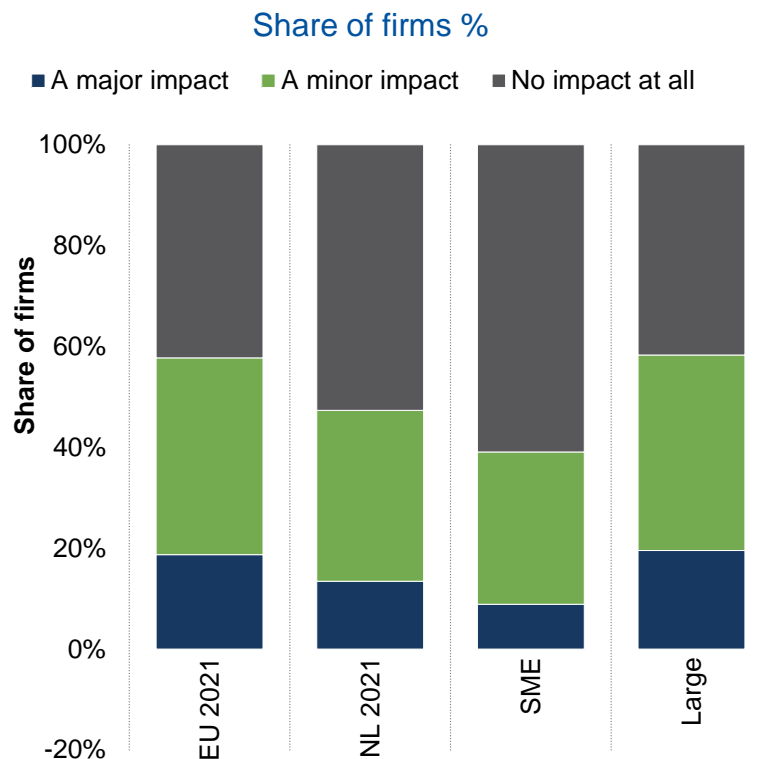
# Firms have increased climate investment and climate investment plans but big differences between large and small firms



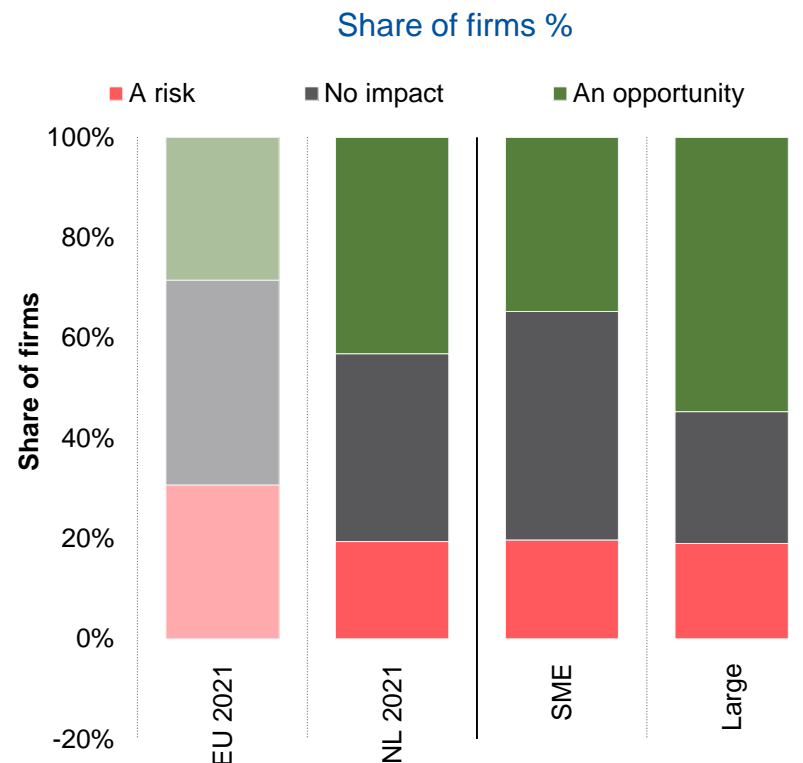
- 68% of Dutch firms has already made investment to tackle climate change and 63% is planning to invest (vs. 43% and 47% in EU average).
- Large firms are more active than SMEs in this field.

# Dutch firms are less worried than EU about physical risk and more likely to see transition as an opportunity (particularly large firms)

## Impact of climate change – Physical risk



## Impact of climate change – Transformation risk



Source: EIBIS 2021.

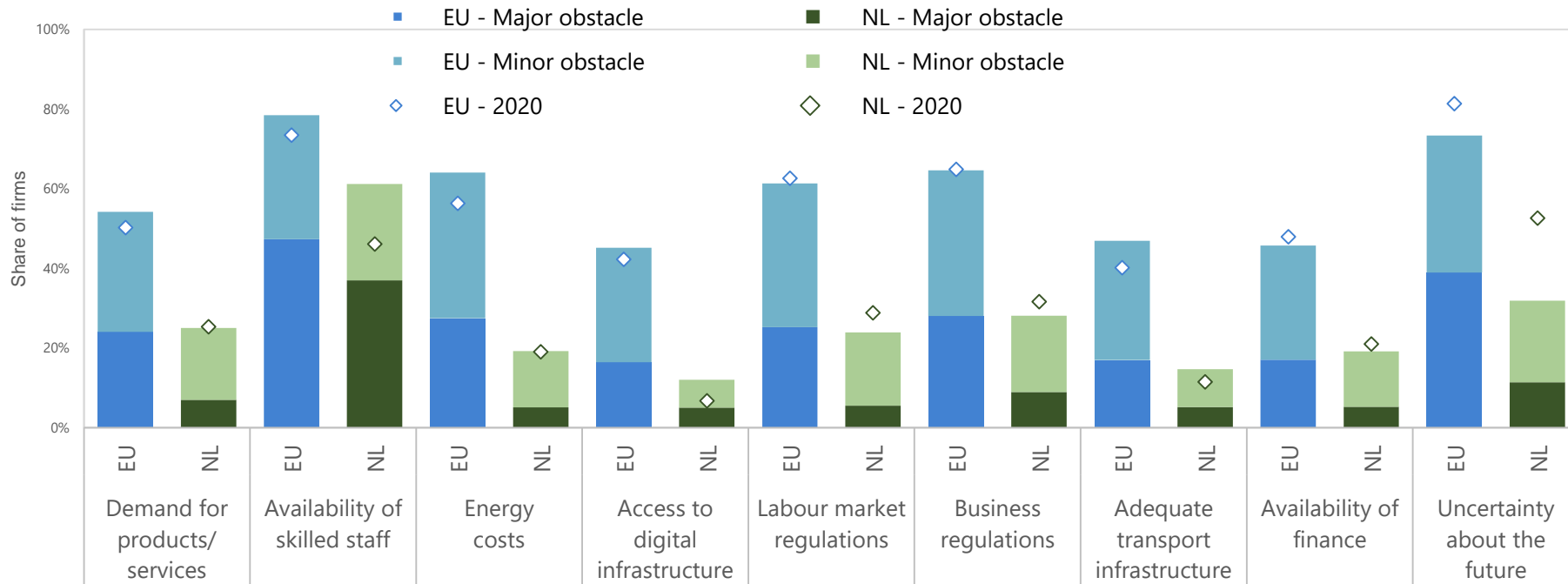
Q. Thinking about climate change and the related changes in weather patterns, would you say these weather events currently have a major impact, a minor impact or no impact at all on your business?

Q. Thinking about your company, what impact do you expect this transition to stricter climate standards and regulations will have on your company over the next five years?

Availability of skills is by far the major perceived barrier. In general, Dutch firms are less likely to signal long term obstacles to investment

## Investment barriers

Share of firms %



# The war in Ukraine as a large geopolitical (not localised) shock

## ✓ **Ukraine:**

- ✓ War scenario – major disruptions
- ✓ Migration crisis

## ✓ **Russia (and Belarus):**

- ✓ Sanctions unfolding – SWIFT, central bank reserves, and impact on international financial markets
- ✓ Disruptions on energy supply and trade still uncertain

## ✓ **Wider transmission of shock:**

- ✓ impact differs depending on (1) energy and commodity shock (with a price and quantity shock), (2) trade links, (3) financial sector exposure, (4) refugee crisis
  - ✓ New shock adds to pre-existing vulnerabilities in EU and the Neighborhood, adversely affecting the resilience of the recovery
- ✓ Impact likely to be felt broadly, beyond Ukraine, requiring specific policies for Europe and the wider region

# The war shock adds to pre-existing vulnerabilities

**Higher market uncertainty**, impacting on valuations and possibly lower private investment

**Higher Inflation** via commodity channel and supply disruptions

**Increased policy uncertainty vs inflation** impacting central bank policy response

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

**Impact on public finances** due to new support measures and increased military spending

**Climate transition & or vs energy security?**

# Conclusions

- Netherlands recovered fast from the pandemic, with little scars
- Policy helped a lot and firms took the opportunity to transform
- War in Ukraine poses new risks and challenges – resilience to be tested



# EIB surveys: EIBIS

## About the EIB Investment Survey (EIBIS)

- A unique, annual survey of 12,000 firms in the EU.
- Collects data on firm characteristics, investment activities and plans, financing issues and other challenges.
- Stratified sampling methodology: representative across all Member States, firm size classes and four main sectors.
- Representative comparator samples of 800 firms in the USA
- Designed to build a panel of observations to support time series analysis.
- Observations can be linked to firm balance sheet and profit and loss data.
- The EIBIS 2021 add-on module covered SMEs in manufacturing and services to gain further insights into the COVID-19 impact, digitalisation and climate-related investment.



# EIB surveys: Municipalities survey

## About the EIB Municipalities Survey

- It is a telephone-run survey similar to EIBIS. It started in 2017 covering 555 municipalities across Member States, asking about infrastructure investment activities, needs and barriers as well as financing.

A second wave was run in 2020 (685) with focus on green and digital transition challenges, including capacity challenges.

In May-June 2022 a new iteration will get underway, targeting 750 municipalities. It retains focus on digital and green transition, but digs deeper into capacity needs and financial support.

Motivation: informing policy. For instance, results were presented at G20 events on local government investment or EU CoR. The survey also contribute to the articulation of EIB cohesion orientation.

