Presentation for High Level Group on Competitiveness and Growth

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Brussels, April 11, 2019
A Framework for Analysis

1. Digital Endowments

2. Digital Intensities

3. Digital Restrictions
Digital Endowments

- Europe has strong endowments when measured with other parts of the world (e.g. Internet use, educated labour, digital skills).

- Europe is converging – gradually declining differences between EU countries.
Endowments: Europe is converging
Digital Intensities: A Laggard Europe

- Digital Intensities measure how much value-added is generated by investments in Digital Endowments.
- Strong and positive relation between Digital Endowments and Digital Intensities.
- Surprisingly weak growth in Digital Intensities in the past 10 years.
- Europe’s is trailing comparable economies.
Contribution of ICT services to value-added growth (% points)
Who is lagging – firms or consumers?
Digital Consumer Absorptions Gap

- EU frontier
- OECD frontier
- Gap between leading EU economy and EU frontier
- Gap between EU and OECD

- Retired or other inactive using the internet
- Individuals with a no or low level of educational attainment using the internet
- Unemployed using the internet
- Individuals with a middle level of educational attainment using the internet
- Households internet access at home, rural area
- Households computer access at home, rural area
- Individuals with a high level of educational attainment using the internet
- Employees, Self-employed and family workers using the internet
- Females Students using the internet
Digital Business Absorption Gap

OECD frontier

EU frontier

Gap between leading EU economy and EU frontier

EU and OECD

Leading EU economy

Gap between leading EU economy and EU frontier

Leading EU economy

Businesses purchasing cloud computing services

Businesses with formal policy to manage ICT privacy risks

Businesses with a website allowing for online ordering or reservation

Persons employed using a computer with Internet access

Businesses receiving orders over computer networks

Persons employed regularly using a computer in their work

Businesses with a website or homepage

Businesses using CRM (Customer Relationship Management) software

Businesses with a broadband connection - includes both fixed and mobile
Firm Productivity Gap and Digitalisation

Firm productivity gap and E-business

Shaping Europe's international economic policy
Digital Restrictions

Observation 1: Comparably restrictive environment

Observation 2: Regulatory heterogeneity
Digital Restrictions in EU (DTRI)

DTRI Across EU members

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Heterogeneity in Market Regulation

**HORIZONTAL INDICATORS**
- Explicit barriers to trade and investment: 0.62
- Licence and permits system: 0.47
- Complexity of regulatory procedures: 0.42
- Command & control regulation: 0.35
- Barriers in services sectors: 0.24
- Regulatory protection of incumbents: 0.21
- Barriers to Entrepreneurship: 0.17
- State Control: 0.15
- PMR Aggregate: 0.14

**SECTORAL INDICATORS**
- Professional Services: 0.47
- Retail Services: 0.41
- Legal Services: 0.37
- Road Transport: 0.37
- Postal Services: 0.28
- Accounting Services: 0.28

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Digitalisation and Internal EU Services Restrictions

E-business and EU Services Restrictions

Scale from 0-1

Finance and Insurance
Publ., Audiov. and Broadc.
IT and Information
Distribution
Professional and Business
Postal and Courier
Transport and Storage
Construction

E-business (left) EU STRI (right)

Shaping Europe's international economic policy

ECIPE EUROPEAN CENTRE FOR INTERNATIONAL POLITICAL ECONOMY
Conclusion for Policy

- Services are in need of special attention
- A new agenda for (digital) competitiveness is needed in the EU.
- Focus on SMEs technology absorption and closing the firm productivity gap
- Reduce the level of restrictiveness.
- Reduce heterogeneity in digital and market regulations.
Thank you!

- All charts in this presentation come from:
  ECIPE study, *Europe’s Digital Future: Strengthening Competitiveness and Performance*
  ECIPE study, *Are Services Sick? How Going Digital Can Cure Services Performance*

- For more information, please contact me at Fredrik.Erixon@ecipe.org