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NOTE

From:	Commission services
To:	Working Party on Competitiveness and Growth (High Level)
Subject:	Obstacles to Economic Activity in the EU - a survey-based analysis

Delegations will find in Annex a note from the Commission services on “Obstacles to Economic Activity in the EU - a survey-based analysis”, in view of the discussion at the Working Party on Competitiveness and Growth (High Level) on 13 February 2025.

Obstacles to Economic Activity in the EU - a survey-based analysis

DG GROW – Chief Economist Team ^{1 2}

Working Party on Competitiveness and Growth (High Level) 13
February 2025

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² The issue addressed in this note was discussed by DG GROW's Expert Group "*Chief Economists Network with the Member States*" at its seminar dedicated to 'Economic barriers to industrial activity' on 5 December 2024. This note factors in the outcomes of the discussions held with the Network members.

Introduction

There is a wide-spread awareness of a lack of economic dynamism in the EU. As the [Draghi-report](#) puts it *“Europe has been worrying about slowing growth since the start of this century [and while] various strategies to raise growth rates have come and gone, ... the trend has remained unchanged”*.

An important element to fight economic inertia is to minimise obvious obstacles to economic activity. The number of such possible barriers is extensive, including regulatory burden, market fragmentation, scarcity of inputs such as labour, inadequate infrastructure and many more. In the context of the ongoing decarbonisation of the EU economy, a number of obstacles have gained increased relevance such as permitting procedures, access to energy and energy infrastructure, funding and markets.

While policies aimed at removing obstacles to unlock growth and help companies achieve their decarbonisation targets are widely accepted, it is inherently intricate to quantify the exact significance of the various hurdles and, by extension, their relative importance. This note harnesses three high-quality business surveys that inquire managers about the economic obstacles faced by their companies, shedding light on their significance from the perspective of the economic agents concerned.

The first survey considered in this note is the ‘[Joint Harmonised EU Programme of Business and Consumer Surveys](#)’ (EU BCS), which interrogates every month some 120,000 company managers from all across the EU about various aspects of their business (trend in production, employment, etc.), including the factors limiting their production/business. Established in the 1960s, the programme tracks managers’ answers over several decades. The EU BCS is complemented in this note with data from the [European Investment Bank Investment Survey](#) (EIBIS), which targets every year 12,000 EU and 800 US enterprises, inquiring them about various aspects related to their investment activities (trend, investment areas, etc.) and, importantly, the main obstacles they face. Finally, the note also makes use of the special module of the EIBIS dedicated to Supply CHains (SUCH), which was initiated in 2023.³ It surveys around 2,000 enterprises across the EU about the supply-chain disruptions encountered and the mitigating strategies taken by firms.

³ A second survey-wave was conducted in 2024 and will be followed by a third one in 2025. The presentation of the 2024-results is expected in Summer 2025.

Results

Main obstacles to economic activity according to EU BCS

The EU BCS programme asks managers to choose the factors limiting their production / business from the following list: “none”, “insufficient demand”, “shortage of labour force”, “shortage of material and/or equipment (for manufacturing companies) / shortage of space and/or equipment (for services companies)”, “financial constraints” and “other factors”. Figures 1 and 2 report the four factors most often mentioned, separately for the manufacturing and services sector.

It clearly emerges that today EU firms are facing a set of obstacles. At present, only 36% of manufacturing and 41% of services companies report to be unconstrained by obstacles. When abstaining from the pandemic-induced turmoil in 2020-22, the current score is exceptionally low compared to the last twenty years and its descent seems to have started in 2017 already.

Zooming into the different obstacles, the following observations emerge: (i) Shortages of material/equipment were the dominating concern of manufacturing companies during the pandemic, but they seem to have significantly decreased and/or effective coping strategies been adopted (also see next section on ‘economic security’). In services, shortages of equipment and space were never as prevalent; (ii) A lack of demand is the most frequent obstacle to economic activity at the current juncture; (iii) In both manufacturing and services, **shortages of labour are on a persistent upward-trend since 2014 and close to historical highs**. Noting the positive correlation between demand and the need for labour, the recent decline of labour shortages in manufacturing can be mostly traced to weak demand and is unlikely to constitute a genuine break of the prevailing upward trend.

Figure 1: Most frequent factors limiting production (EU manufacturing)

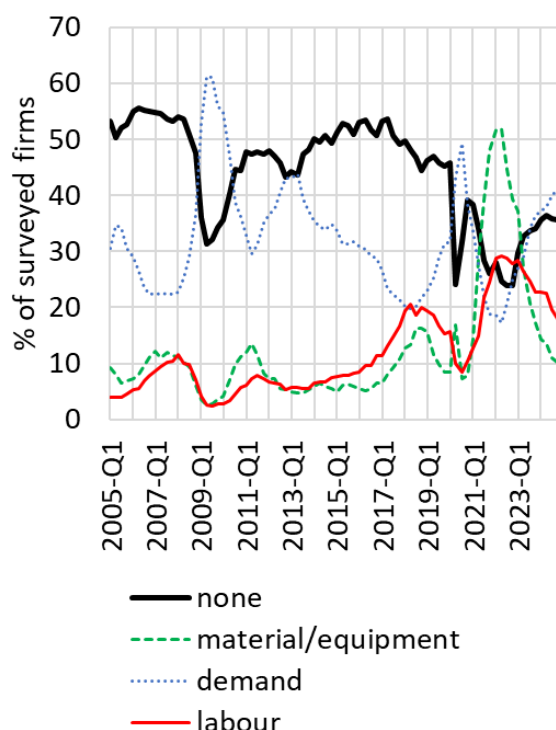
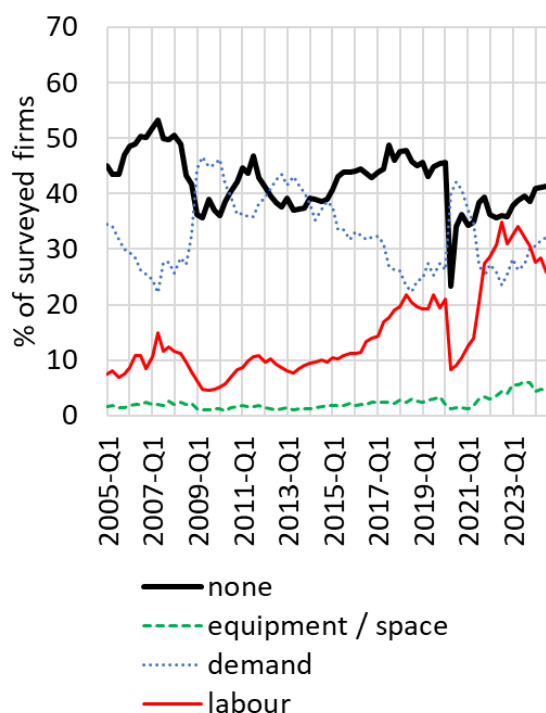


Figure 2: Most frequent factors limiting business (EU services)



Source: Joint Harmonised EU Programme of Business and Consumer Surveys (EU BCS Survey)

Manufacturing Question: “What main factors are currently limiting your production? - none - insufficient demand - shortage of labour force - shortage of material and/or equipment - financial constraints - other factors”

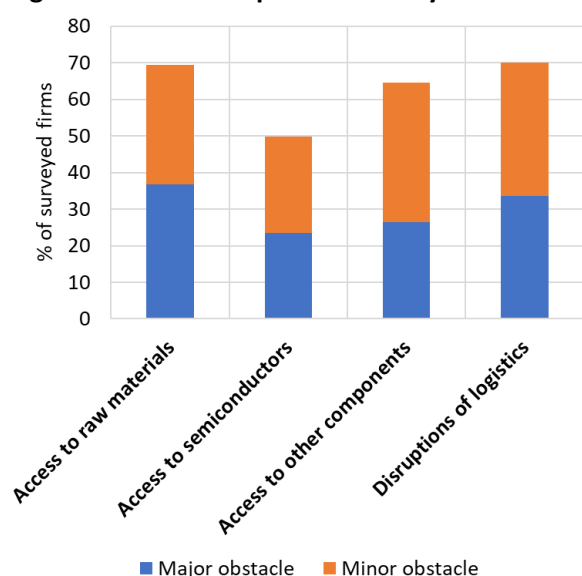
Services Question: “What main factors are currently limiting your business? - none - insufficient demand - shortage of labour force - shortage of space and/or equipment - financial constraints - other factors”

Economic Security

Figure 3 shows the percentage of EU firms⁴ that encountered different types of supply-chain bottlenecks in 2022/23, according to the first wave of the EIB/DG GROW supply chain survey (SUCH). **The bottleneck most often experienced as a major obstacle (37% of all respondents), related to access to commodities and raw materials** (steel, copper, fossil fuels, lithium, etc.), many of which essential for the green and digital transitions. About a third of EU importers (34%) also highlight disruptions of logistics and transport as major obstacles to the functioning of their business activities. Access to semiconductors and microchips (23%), as well as other components, semi-finished products, and equipment (27%) was a less frequent nuisance raised by firms.

In terms of response strategies that were adopted to deal with supply chain distress, the most popular (see Figure 4) were to increase stocks/inventory (31%), diversify suppliers (24%) and invest in digital tracking (20%). The reduction of imports and import substitution, by contrast, were less frequently applied by 10%/14% of companies respectively. A likely reason is that some products are indispensable for the production process, but, at the same time, simply cannot be sourced from within the EU.

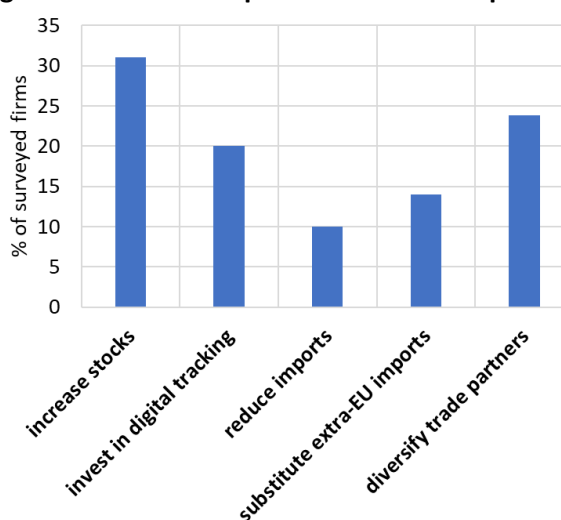
Figure 3: Trade disruptions faced by EU firms



Source: EIBIS

Survey Question: "Since the beginning of 2022, were any of the following an obstacle to your business's activities? Is it a major obstacle, a minor obstacle or not an obstacle at all? A. Access to commodities or raw materials (e.g. steel, copper, fossil fuels, lithium, etc.). B. Access to semiconductors and microchips. C. Access to other components, semi-finished products, services, or equipment. D. Disruptions of logistics and transport. E. Compliance with new regulations, standards, or certifications. F. Recent changes in customs and tariffs."

Figure 4: EU firms' response to trade disruptions



Source: EIBIS

Survey Question: "Since the beginning of 2022, has your company made or are you planning to make any of the following changes to your sourcing strategy? A. Increasing stocks and inventory. B. Investing in digital inventory and inputs tracking that allows you to track goods through the supply chain and delivery to your premises. C. Reducing the share of goods or services imported. D. Reducing imports from outside the EU and substituting with imports from within the EU. E. Diversifying or increasing the number of countries you import from. F. None of the above."

⁴ The percentage refers only to companies relying on imported inputs for their production/services.

Shortages of Labour

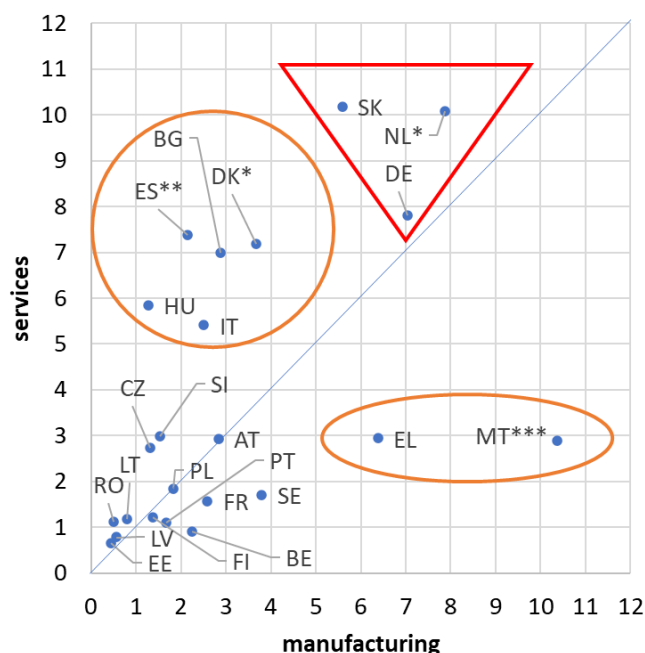
Figure 5 reports, for each Member State, by how much the share of companies suffering from labour shortages multiplied from the period 2005-07 to the period 2022-24⁵. The multiplier is reported separately for manufacturing (horizontal axis) and services companies (vertical axis).

The following observations stand out: (i) **Labour shortages increased in virtually all Member States** and across both sectors (= values above 1), with the exception of Romania, Estonia, Latvia and Lithuania; (ii) In Italy, Spain, Hungary, Bulgaria and Denmark, labour shortages intensified much more in services than in manufacturing, the opposite holding true for Greece and Malta; (iii) **Germany, the Netherlands and Slovakia experienced the strongest tightening of the labour market both in manufacturing and services.**

As shown in Figure 6, over the period 2022-24, 30% of EU services companies on average reported to be constrained by labour shortages. The headline figure masks a high degree of heterogeneity across services sub-sectors⁶, ranging from 56.3% for companies specialising in employment activities (i.e. listing vacancies and placing) to 6.6% in the field of programming and broadcasting activities.

A closer look at the sub-sectors with the highest scores indicates that **particularly pressing labour shortages are not confined to high-skilled jobs**, such as computer programming (blue areas), **but also to lower-skilled jobs**, e.g. land transport or accommodation (red areas).

Figure 5: How many times higher are labour shortages in 2022-24 than in 2005-07?

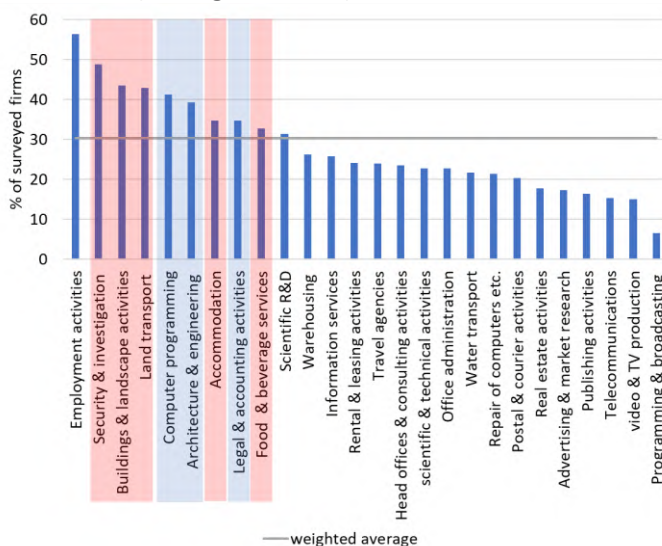


Source: EU BCS Survey

Manufacturing Question: "What main factors are currently limiting your production? ... - shortage of labour force ...". Services Question: "What main factors are currently limiting your business? ... - shortage of labour force ..."

* starting period 2011-13, ** starting period 2014-16, *** extremely volatile data

Figure 6: EU Services: Labour as factor limiting production (average 2022-24)



Source: EU BCS Survey

Survey Question: "What main factors are currently limiting your business? ... - shortage of labour force ..."

⁵ As survey data have a significant degree of volatility from month to month (quarter to quarter), the comparison relies on *averages* over the years 2005-07 and 2022-24.

⁶ For manufacturing, the EU-wide average over the period 2022-24 is of similar magnitude (25.0%), but there is less dispersion across sub-sectors.

Inadequate digital and transport infrastructure

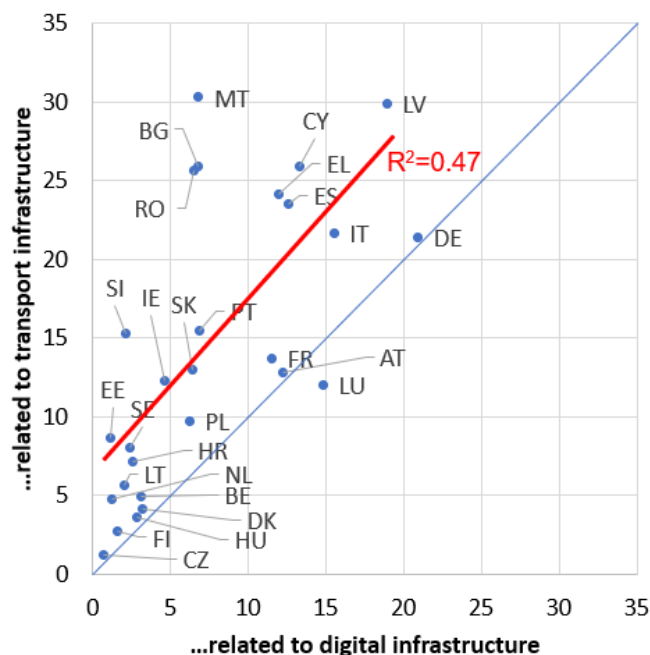
The EIBIS survey asks firms to indicate, for several items, whether these constitute a major, minor or no obstacle at all to their investment activities. Figure 7 reports, per Member State, the percentage of companies considering “access to digital infrastructure” (horizontal axis) and/or “adequate transport infrastructure” (vertical axis) as a major investment impediment.

Inadequate transport infrastructure seems a more pressing issue for EU companies than access to digital infrastructure, as evidenced by the majority of countries settling clearly above the 45-degree line. In nine Member States, more than 20% of companies report their investment activities to be seriously constrained by inadequate transport infrastructure.

At the same time, there seems to be a high correlation between the ability of Member States to provide digital and transport infrastructure (red line), suggesting that some overarching features of the countries drive the results (e.g. budgetary resources).

Germany, Italy, and Latvia stand out with a comparatively high share of companies complaining about both the state of the digital and transport infrastructure. By contrast, Finland, Denmark, the Netherlands, Belgium, Czechia, and Hungary seem to perform well in both dimensions.

Figure 7: Share of firms reporting major long-term investment impediments...



Source: European Investment Bank Investment Survey (EIBIS)
Survey Question: “Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all? - access to digital infrastructure - adequate transport infrastructure ...”

As shown in Figures 8 and 9, there seems to be a strong continuity over time in Member States’ provision of infrastructure: Countries which scored badly in 2016 continue doing so in 2023 and vice-versa. Still, there are some notable exceptions: ***Italy and Spain managed to improve both in terms of digital and transport infrastructure***, while Ireland and Cyprus only in the digital and Poland in the transport sphere. ***Germany, by contrast, declined in both metrics***, whereas Luxembourg only in terms of its digital and Latvia/Malta in terms of their transport infrastructure.

Figure 8: Share of firms reporting major long-term investment impediments related to digital infrastructure

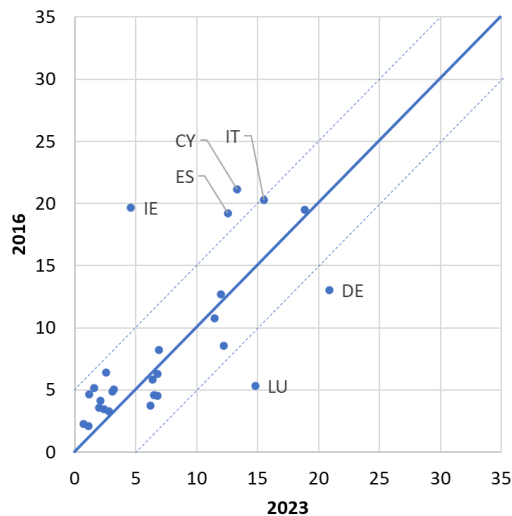
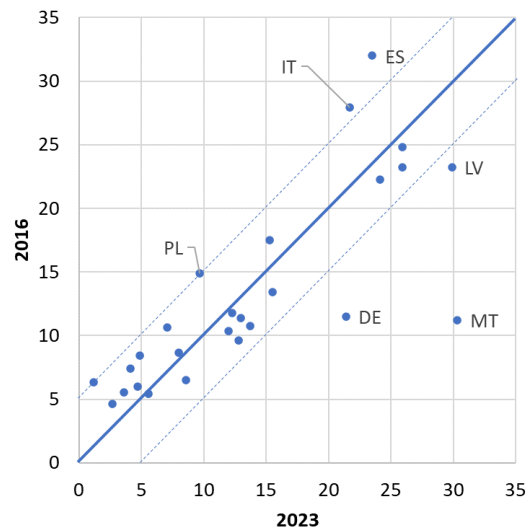


Figure 9: Share of firms reporting major long-term investment impediments related to transport infrastructure



Source: European Investment Bank Investment Survey (EIBIS)

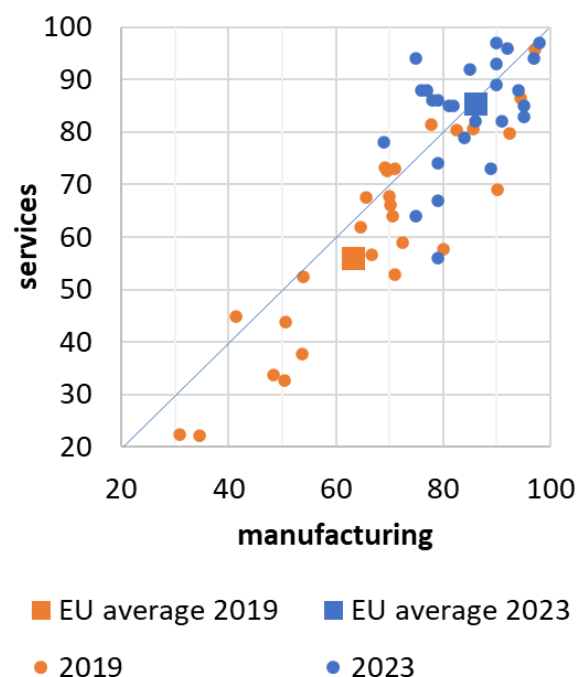
Survey Question: "Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all? - access to digital infrastructure - adequate transport infrastructure ..."

Energy costs

Figure 10 provides a dramatic illustration of the extent to which energy costs are weighing on companies' investment activity: (i) Compared to 2019⁷ (orange rectangle), the **share of EU companies feeling constrained by energy costs in 2023** (blue rectangle) **increased by 22.8 percentage points (pp) in manufacturing and 29.5 pp in services**; (ii) In 2023, the EU-wide share of companies reporting energy costs as an impediment is as high among services as among manufacturing companies (blue rectangle), indicating that **the costs have so much spiralled that even businesses with low energy-intensity start suffering**; (iii) The distribution of country results is much more condensed in 2023 (blue dots) than in 2019 (orange dots), resulting in a situation where, **even in the Member States with the lowest energy prices, more than 60% of companies perceive them as an obstacle**.

The evidence provides strong support to policy actions that ensure access to affordable and abundant decarbonised energy for Europe's energy-intensive industries (EII).

Figure 10: Share of firms reporting energy costs as major or minor investment impediment



Source: European Investment Bank Investment Survey (EIBIS)
Survey Question: "Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all? - energy costs..."

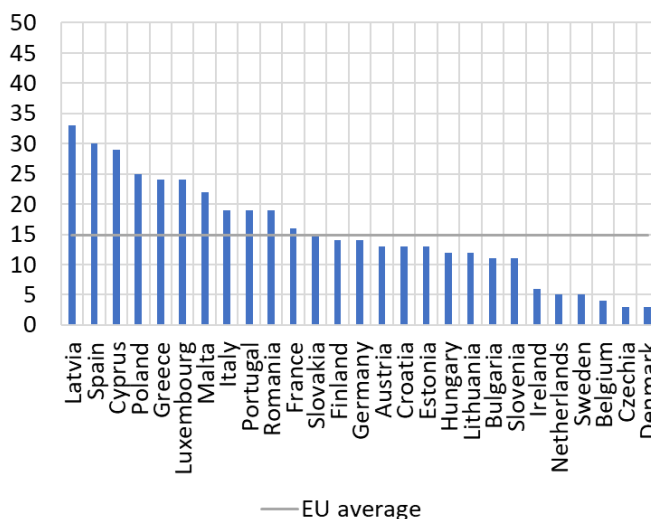
⁷ Gas prices in Europe did not only rise since the Russian war of aggression against Ukraine but saw already sharp increases during the COVID-19 pandemic, making 2019 an appropriate year of reference.

Availability of finance and business regulation

As shown in Figures 11 and 12, **challenges related to the availability of finance, as well as business regulations are taking a toll on companies' investment activities**. Depending on the country, access to finance can be an obstacle for more than a quarter of all companies (Latvia, Spain, Cyprus, Poland), lending support to the need to facilitate and simplify access to funding.

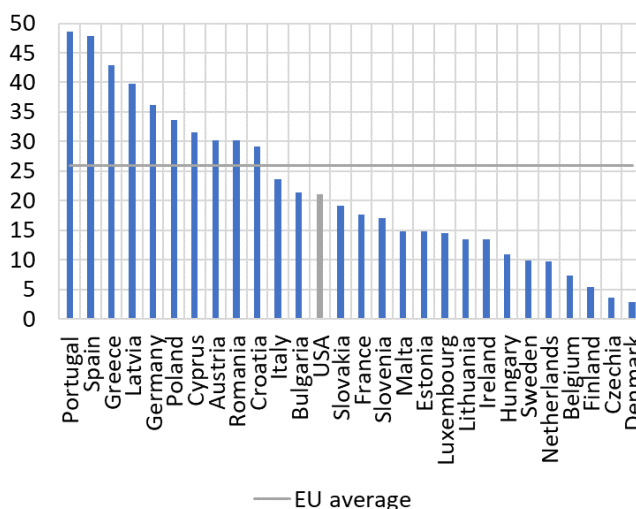
The impact of business regulations seems even more intense, being cited by 26% of all EU companies as a major investment impediment. **The high cross-country dispersion in the share of affected firms** (more than 45% in Spain/Portugal vs. less than 5% in Czechia and Denmark) **highlights the potential role of national, on top of EU regulation, as well as the degree of digitisation of public institutions**.

Figure 11: Share of firms reporting availability of finance as a major investment impediment



Source: European Investment Bank Investment Survey (EIBIS)
Survey Question: "Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all? - availability of finance..."

Figure 12: Share of firms reporting business regulations as a major investment impediment



Source: European Investment Bank Investment Survey (EIBIS)
Survey Question: "Thinking about your investment activities, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all? - business regulations..."

The impact of obstacles on companies' competitive position

The many challenges discussed previously have a potential bearing on the global competitiveness of EU firms.

To assess whether these obstacles have eroded the competitive edge of EU companies, we harness a survey question from the EU BCS programme, which queries manufacturing executives about changes in their firms' competitive position outside the EU over the last three months.

Figures 13 and 14 illustrate the shifts in managerial perceptions, reporting the change in their average assessments from the period 2005-07 to 2022-24.

As highlighted in Figure 13, **companies in eleven Member States highlighted a significant deterioration of their international competitiveness. Germany and Austria stand out with particularly pronounced losses.**

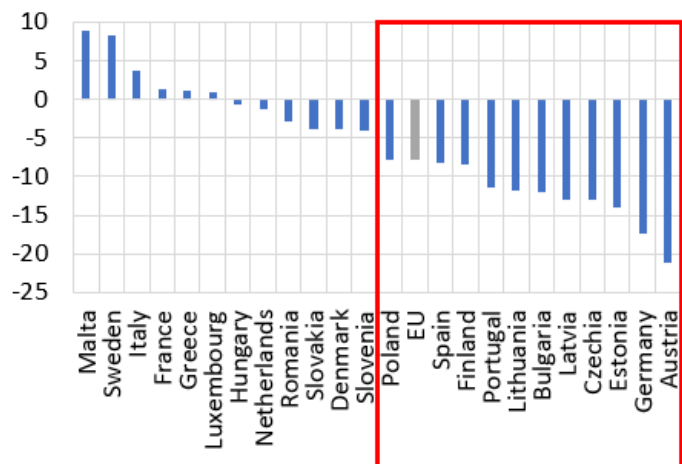
A look at the underlying time-series for the EU aggregate⁸ suggests that about **60% of the competitive erosion occurred as a result of the 2022 energy-shock**, which emphasises the relevance of strengthening EU competitiveness, inter alia via affordable and abundant decarbonised energy.

Zooming in on the manufacturing sub-sectors (see Figure 14), declining competitiveness seems to be a widespread phenomenon. **The four most battered sub-sectors do not only include energy-intensive industries** (basic metals, chemicals), **but also others** (manufacturing of electrical equipment, automotive industry), illustrating that faltering competitiveness appears as a multi-faceted phenomenon which can only be partly attributed to higher energy prices.

Conclusions

This note harnesses **three high-quality business surveys** to get a sense of the prevalence of the various obstacles to

Figure 13: Manufacturing firms' competitive position outside EU: change from 2005-07 to 2022-24 (by MS)

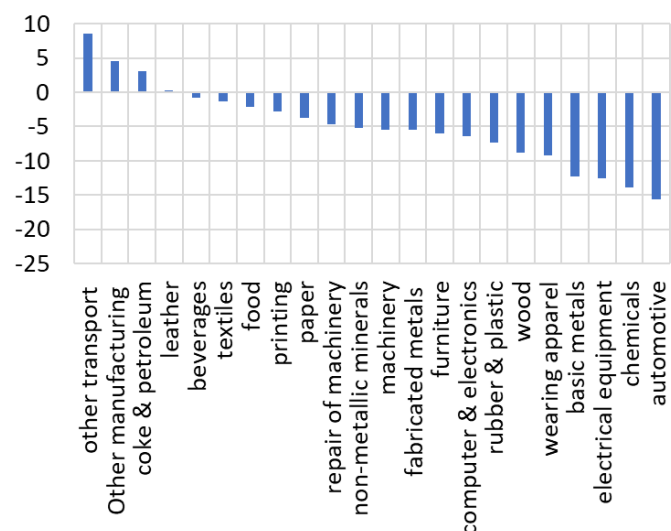


Source: EU BCS Survey

Survey Question: "How has your competitive position on foreign markets outside the EU developed over the past 3 months? It has... - improved - remained unchanged - deteriorated"

Figures report the change between the periods 2005-07 and 2022-24 in respect of the average quarterly balance scores (= % of positive replies minus % of negative replies).

Figure 14: Manufacturing firms' competitive position outside EU: change from 2005-07 to 2022-24 (by sub-sector)



Source: EU BCS Survey

Survey Question: "How has your competitive position on foreign markets outside the EU developed over the past 3 months? It has... - improved - remained unchanged - deteriorated"

Figures report the change between the periods 2005-07 and 2022-24 in respect of the average quarterly balance scores (= % of positive replies minus % of negative replies).

⁸ The graph is not reported due to space constraints.

economic activity and their significance from the perspective of the economic agents concerned. It clearly emerges that EU firms are facing several barriers to their economic activity, with only 36% of manufacturing and 41% of services companies reporting to be unconstrained by obstacles.

Shortages of material/equipment were the dominating concern of manufacturing companies during the pandemic, but they seem to have significantly decreased. The most popular **response strategies of EU firms** were to increase stocks/inventory, diversify suppliers and invest in digital tracking, while reduction of imports and import substitution were less frequent responses.

Labour shortages increased in virtually all Member States. Germany, the Netherlands, and Slovakia experienced the strongest tightening of the labour market both in manufacturing and services. A closer look at developments across services sub-sectors shows that particularly pressing labour shortages are not confined to highly-skilled jobs, such as computer programming, but also to lower-skilled jobs, including land transport or accommodation.

Inadequate **transport infrastructure** seems a more pressing issue for EU companies than access to **digital infrastructure**. Germany, Italy, and Latvia stand out with a comparatively high share of companies complaining about both the state of the digital and transport infrastructure. Compared to 2016, Germany deteriorated in both metrics, while Italy and Spain improved.

From 2019 to 2023, the share of EU companies feeling constrained by **energy costs** increased by 22.8 percentage points (pp) in manufacturing and 29.5 pp in services. These costs have spiralled greatly and thus (i) services companies, which have a comparatively low energy-intensity, are as concerned as manufacturing companies and (ii) even in the Member States with the lowest energy prices, more than 60% of companies report being affected. The evidence provides strong support to the goal to ensure access to affordable and abundant decarbonised energy for Europe's energy-intensive industries (EII).

Depending on the country, **access to finance** can be a relevant obstacle for more than a quarter of all companies, lending support to the need to facilitate and simplify access to funding. The high cross-country dispersion in the share of firms reporting **business regulations** as investment obstacle stresses the potential role of national, on top of EU regulation, as well as the degree of digitisation of public institutions.

There is also some evidence that the various obstacles had a negative impact on EU companies' competitive edge. Manufacturing firms in eleven Member States witnessed a significant deterioration of their **competitiveness** over the last 20 years, with the list being topped by Germany and Austria. At EU-level, 60% of the erosion of competitiveness occurred as a result of the 2022 energy-shock, highlighting the relevance of policy action to strengthen EU competitiveness (inter alia via affordable and abundant decarbonised energy). At the same time, the four most battered sub-sectors include non-energy intensive industries (manufacturing of electrical equipment, automotive industry), illustrating that faltering competitiveness is a multi-faceted phenomenon which cannot solely be attributed to the price of energy.