BUSINESSEUROPE

COMMENTS

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BUSINESSEUROPE COMMENTS ON POSSIBLE INDICATORS TO MONITOR THE IMPLEMENTATION OF AN INDUSTRIAL POLICY STRATEGY

In response to the call for comments from the chairperson of the High-Level Group on Competitiveness and Growth on possible indicators to monitor the implementation of an EU industrial policy strategy, BusinessEurope is pleased to provide hereby its views on this important matter.

As expressed in the 2017 BusinessEurope publication "Building a strong and modern European industry – Views on a renewed EU industrial strategy", the definition of a strategic target for industry to be achieved by 2030 and beyond as well as a dashboard of meaningful indicators is central to help building-up a shared vision for industry and linked services for 2030. BusinessEurope is therefore grateful for the efforts of the High-Level Group on Competitiveness and Growth to advance with discussions on indicators and long-term industry targets, ensuring it remains focused on political goals that want to be achieved.

A few guiding principles

In order to make the set of indicators meaningful, it is very important to build it upon a number of guiding principles:

- Be direct, measurable, easy to read, and strategic – aligned with Europe's long-term vision for the future of the EU;
- Focus on comparing the EU with the rest of the World rather than on intra-EU comparisons, that should only be made as form of complementary information;
- Be restricted in number, focusing on key issues, and therefore avoiding to disperse attention across too many areas or issues;
- Avoid selecting indicators that only point to a positive situation in Europe, but rather focus on areas where the EU must improve its performance in order to be able to face global competition;
- While it could be complemented by a qualitative analysis, these strategic indicators should remain quantitative.

A dashboard of meaningful indicators

Overall, the list of possible indicators included in the note from the chairperson of the High-Level Group on Competitiveness and Growth is a very good basis. It mirrors a number of proposals put forward by BusinessEurope last year, in particular:

- **Industrial output**
- **Industrial employment**
- **Investments of the manufacturing sector**

It is also very positive to see that the High-Level Group has already investigated available data in Eurostat.
Concerning the three other indicators included in the note from the High-Level Group, BusinessEurope has the following comments:

- **Manufacturing share**: the aspirational 20% of GDP manufacturing target by 2020 has proven its relevance in political terms, helping to maintain a strong level of attention on the impact of EU initiatives on industry at large. However, reaching the 20% target will remain challenging and only possible if global and European growth continue to strengthen, European industrial competitiveness on both the cost and innovation fronts keeps improving and the international division of labour keeps providing new opportunities for reshoring industrial activities in the EU. Therefore, while the idea of an "industrial policy" 2030 headline target remains valid, further reflexion is needed on which one would be best suited and how it should articulate with the broader set of indicators.

- **Share of services**: as the relationship between industry and services is becoming more and more intertwined, the attention to industry-related services is welcomed. However, a share of services indicator which goes beyond industry-related services should not be used as an indicator to monitor the implementation of an industrial policy strategy. Rather than the services' share of GVA, an indicator that highlights the interdependencies between services and industry would be more appropriate to properly highlighting the role that industry plays in driving growth in the overall economy. We suggest monitoring the size of the combined manufacturing and services sector through so-called "**Joint Production**" indicator.

- **Industrial productivity**: this indicator is interesting as it shows how efficient industrial production is, for instance in comparison with other major global players. However, the interpretation of the indicator, particularly in the short-term has limits given that productivity can occur both for positive reasons and negative reasons. On the positive side productivity may rise due to companies investing and increase efficiency, but may also increase for negative reasons, such as during recessions the least productive companies may go out of business or cut employment, thereby increasing productivity at a time when output and employment may be falling. BusinessEurope therefore suggests to anyway make sure that this indicator delivers added-value to what the 'industrial output' indicator brings already.

Beyond this focused list of overarching indicators, a range of more targeted-indicators are also of relevance for monitoring the ability of EU industry to perform in today's global competitive environment. It covers for instance the field of skills, digitalisation, innovation, sustainability or energy costs.

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