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NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council
Subject: Long-term competitiveness : next steps
- *Exchange of views*

Delegations will find attached a Presidency background note on “Long-term competitiveness: next steps” with a view to exchange of views at the Competitiveness Council on 22 May 2023.

On 16 March 2023, the Commission presented the communication *Long-term competitiveness of the EU: looking beyond 2030* together with the *Communication on the Single Market at 30*. In the communication on long-term competitiveness, the Commission identifies nine mutually reinforcing drivers: 1) Functioning Single Market; 2) Access to private capital; 3) Public investment & infrastructure; 4) Research & innovation; 5) Energy; 6) Circularity; 7) Digitalisation; 8) Education and skills; and 9) Trade and open Strategic Autonomy. As a second leg of action in the work model, the Commission proposes to work on ‘a growth enhancing regulatory framework’.

The nine drivers will be monitored by several key performance indicators (KPIs) that are listed in the communication (annex). In addition to the proposed KPIs, the Commission highlights the need to take account of sectoral policies and existing tools, as well as complementing this monitoring by other existing KPIs in order to adequately monitor progress in some areas. A key aspect of the communication is the proposed follow-up where the Commission commits to:

...present the update on an annual basis in the Single Market and Competitiveness Scoreboard. They can thus provide a combined measure of the state of EU competitiveness for the March European Council as well as to the European Parliament, in order to inform and prompt discussion on any necessary policy measures.

This means that the Single Market Scoreboard will be expanded to include the competitiveness drivers, thus becoming a key tool to monitor EU’s and its Member States’ competitiveness.

The communication was also discussed at the European Council on 23 March 2023. The conclusions from the meeting refer to the follow-up:

The European Council invites the Council and the Commission to take work forward on all these aspects, and to report on progress ahead of its June 2023 meeting. Moreover, the Council is invited to assess progress annually based on Commission input, including key performance indicators.

Together with the Communication on the Single Market at 30, the Commission provides a comprehensive framework designed to move the EU forward to enlarge its economic base and strengthen its resilience. Some proposals may need to be further developed, but they do provide the EU with an opportunity to deal with competitiveness in a structured and well-defined manner, and they also provide the relevant data to do this efficiently.

We cannot afford to waste this opportunity. In order to make full use of the instruments now being put in place, a work model for an annual structure is needed. The added value of KPIs comes from analysing them over a longer period of time, and per Member State, otherwise they cannot provide the basis for vital policy decisions. By creating a process which is predictable, cumulative and transparent, the Competitiveness Council can provide relevant input on competitiveness, the Single Market and industrial policy for discussions at Leaders' level.

The existing annual structure to provide such input on economic issues to the Spring European Council meetings could easily be built upon and expanded to include the following components:

- In January, the Commission publishes the Annual Single Market Report (ASMR) and the expanded Single Market and Competitiveness Scoreboard as a package. The Chief Economists' Network with Member States could discuss the economic underpinning for the competitiveness indicators to prepare the Scoreboard revision.
- The package is discussed and prepared at working party level and by the High-Level Group on Competitiveness and Growth.
- This package could be reviewed at the first Competitiveness Council each year as part of the Council's contribution to the European Council.

The outcome of the discussions could provide impulse and avenues for policy action for discussion at the Spring European Council where appropriate. Since the expanded Single Market and Competitiveness Scoreboard will generate a wide range of data, it provides an opportunity to highlight various aspects of competitiveness. In addition, many Member States have requested that the Single Market Enforcement Taskforce (SMET) be a standing item on the agenda of the first Competitiveness Council each year.

This means that there will be ample room for spring Presidencies to pick specific focus areas while maintaining a structure that guarantees consistency. Furthermore, and perhaps most importantly, it should put the Commission and the Council in a better position to ensure that legislation and policy initiatives as well as country specific recommendations concerning competitiveness, industrial policy and the Single Market are fit for purpose and mutually supportive.

The conclusions from the European Council in March task the Council and the Commission to take work forward on the competitiveness aspects and to report on progress ahead of the European Council in June 2023. Such reporting could include a commitment from the Competitiveness Council to put in place a structure along the lines outlined above, based on reporting in the Annual Single Market Report and the Single Market and Competitiveness Scoreboard, to make sure that the spring European Councils are well-prepared on issues related to competitiveness, industrial policy, and the deepening of the Single Market.

Ministers are invited to comment on the following question:

- Do Member States agree with the process outlined in this background paper?

Annex – KPIs to monitor the competitiveness of EU industry

No	KPI	Source	Description	Target	Latest value	Next update	Council formation
<i>A Functioning Single Market</i>							
1	Integration in the Single Market	Single Market Scoreboard ¹	Trade flow in goods and services within the EU as a share of EU GDP.	Up	23.5% for goods (2021) 21.5% for goods (2020) 6.75% for services (2021) 6.5% for services (2020)	31 January 2024 (next edition of Single Market and Competitiveness Scoreboard)	COMPET
2	Conformity deficit	Single Market Scoreboard ²	It measures the share of directives transposed for which infringement proceedings for incorrect transposition have been launched by the Commission	0.5%	1.3% (2021)	31 January 2024 (next edition of Single Market and Competitiveness Scoreboard)	COMPET
<i>Access to private capital and investment</i>							
3	Net private investment as a share of GDP	Single Market Scoreboard ³	Private investment is directly linked to the ease of access to private capital.	Up	3.2% (2021) 2.6% (2020) 4.4% (2019)	31 January 2024 (next edition of Single Market and	ECOFIN

¹ [Integration of goods and services | Single Market Scoreboard \(europa.eu\)](#)

² [Transposition | Single Market Scoreboard \(europa.eu\)](#)

³ [Economic resilience | Single Market Scoreboard \(europa.eu\)](#)

						Competitiveness Scoreboard)	
4	Venture capital investment	Single Market Scoreboard ⁴	Progress in this field is a good indicator of progress in access to private capital in general. Recent progress, but low in comparison at international level.	Up	0.48% (2021) 0.03% (2018)	31 January 2024 (next edition of Single Market and Competitiveness Scoreboard)	COMPET
Public investment and infrastructure							
5	Public investment as share of GDP	AMECO database ⁵	Public investment plays a key role in developing and maintaining business supporting infrastructures like energy, transport or digital connectivity.	Up	3.2% (2022)	Spring 2023 (next full release of macro-economic forecast)	ECFIN
Research and Innovation							
6	R&D intensity % GDP	Eurostat ⁶	The total R&D expenditure (public and private)	3% by 2030	2.26% (2021) 2.3% (2020) 2.22% (2019)	Annual - November 2023 (preliminary data of 2022)	COMPET
7	Number of patent applications ⁷	Eurostat ⁸	Patents reflect the capacity of an economy to exploit knowledge and indicate the competitiveness edge that can be obtained through innovation.	up	67 713 (2021) 65 925 (2020) 66 510 (2019)	Annual - June 2023 (2022 data)	COMPET

⁴ [Access to finance | Single Market Scoreboard \(europa.eu\)](https://ec.europa.eu/economy_finance/single_market_scoreboard)

⁵ https://ec.europa.eu/economy_finance/ameco_dashboard

⁶ [Database - Science, technology and innovation - Eurostat \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)

⁷ Patent applications to the European Patent Office by applicants' country of residence, default view in the Eurostat dataset

⁸ [Statistics | Eurostat \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1) Online data code: SDG_09_40

<i>Energy</i>							
8	Share of energy from renewable sources	Eurostat ⁹	Renewable energy generation (as proposed for the Renewable Energy Directive)	45% in 2030	21.77% (2021) 22.04% (2020) 19.89% (2019)	Annual – Before 30 January 2024	TTE
9	Electricity prices for non-household consumers ¹⁰	Eurostat ¹¹	electricity price for industrial consumers gives a good indication of energy affordability	Down and then steady	EUR 0.1604 per kWh (Semester 1 2022) EUR 0.0818 (Semester 1 2020)	Bi-annual – 3 months after the reference period – Semester 1 2023 to be released in Q3 2023	TTE
<i>Circularity</i>							
10	Circular material use rate	Eurostat ¹²	The circular material use rate measures the share of material recovered and fed back into the economy in overall material use. Target from the Circular Economy Action Plan: Doubling compared to 2020	23.4% by 2030	11.7%% (2021) 11.7% (2020)	Annual – December 2023 (2022 data)	ENVI
<i>Digitalisation</i>							
11	Digital intensity in SMEs	Eurostat ¹³	Share of EU enterprises with at least a basic level of digital intensity. A basic level entails the use of at	90% by 2030	69% (2022)	December 2023, Eurostat survey publication	TTE

⁹ [Statistics | Eurostat \(europa.eu\)](#) Online data code : NRG_IND_REN

¹⁰ Band IC, consumption between 500 and 2000 MWh, default view in Eurostat dataset

¹¹ [Statistics | Eurostat \(europa.eu\)](#) Online data code : NRG_PC_205

¹² [Statistics | Eurostat \(europa.eu\)](#)

¹³ [How digitalised are the EU's enterprises? - Products Eurostat News - Eurostat \(europa.eu\)](#)

			least four of twelve selected digital technologies (such as using any AI technology; having e-commerce sales account for at least 1% of total turnover; etc.) as defined in the Digital Decade				
12	Digital technologies adoption by companies	Eurostat ^{14 15 16}	Share of European enterprises that have taken up cloud computing services, big data and Artificial Intelligence . Target set in the Digital Decade.	75% by 2030	Cloud computing services 41% (2021) 23.9% (2018) Big data 14.2% (2020) Artificial Intelligence 7.9% (2021)	December 2023, Eurostat survey publication	TTE
<i>Education and skills</i>							
13	Adult participation in education and training every year (female and male)	Adult Education Survey/Labour Force Survey ¹⁷	An increased participation in training will indicate good progress in the development of skills for sustainable competitiveness (target set in	60% by 2030	37.4% (2016) ¹⁸ Based on the adult education survey, which was carried out	2024 ¹⁹	EYCS

¹⁴ [Statistics | Eurostat \(europa.eu\)](#) Online data code : ISOC_CICCE_USE. Size of the enterprise : 10 persons employed or more

¹⁵ [Statistics | Eurostat \(europa.eu\)](#) Online data code : ISOC_EB_BD. Size of the enterprise : 10 persons employed or more

¹⁶ [Statistics | Eurostat \(europa.eu\)](#) Online data code : ISOC_EB_AI. Size of the enterprise : 10 persons employed or more

¹⁷ This indicator will be implemented from 2022 onwards, with data available every two years

¹⁸ [Circabc \(europa.eu\)](#) DG EMPL data from the Adult Education Survey, excluding ‘guided on the job training’

¹⁹ Indicator implemented from 2022 onwards, with data available every two years.

			Porto Summit Targets, Social Pillar)		in the past once every 6 years.		
14	Adult employment rate	Eurostat ²⁰	An increased participation in the labour market implicates less labour shortages, enhancing sustainable competitiveness (target set in Porto Summit Targets, Social Pillar).	78% by 2030	73% (2021)	Annual – (expected April 2024)	EPSCO
15	ICT specialists (female and male)	Eurostat ^{21 22}	This indicator, one of the targets of the Digital Decade, measures progress towards a well dimensioned workforce specialised in the development and deployment of digital technologies	20 million by 2030	8.5 million ²³ (2021) Percentage of women 19.1% (2021) 17.8% (2019)	Annual – Autumn 2023 (2022 Data)	TTE
<i>Trade and open strategic autonomy</i>							
16	Trade with the rest of the world (as share of GDP)	Annual Single Market Report ²⁴	Trade flow in goods and services with the rest of the world as a share of EU GDP.	Up	21.5% (2021) 20.2% (2020) ²⁵	2024 (next edition of Annual Single Market Report).	FAC

²⁰ [Statistics | Eurostat \(europa.eu\) Employment and activity by sex and age - annual data. Online data code: LFSI_EMP_A.](#)

²¹ [Statistics | Eurostat \(europa.eu\) Employed ICT specialists, percentage of total employment. Online data code: ISOC_SKS_ITSP](#)

²² [Statistics | Eurostat \(europa.eu\) Employed ICT specialists by sex. Online data code: ISOC_SKS_ITSPS](#)

²³ Estimates. Base for calculation: 189,7 M people employed in 2021 [Employment - annual statistics - Statistics Explained \(europa.eu\)](#)

²⁴ [ASMR 2023.pdf \(europa.eu\) Figure 1](#)

²⁵ World trade in goods and services - an overview - Statistics Explained (europa.eu)

						Underlying data from Eurostat published yearly	
Regulatory burden							
17	Ease of regulatory compliance	Single Market Scoreboard ²⁶	Business perception by replying to the question: "In your country, how easy is it for companies to comply with government regulation and administrative requirements (e.g. permits, reporting, legislation)? (1 = Overly-complex; 7 = Extremely easy)" in the survey for the Global Competitiveness Index of the World Economic Forum.	Up	3.64 (2021) 3.33 (2018)	31 January 2024 (next edition of Single Market and Competitiveness Scoreboard)	COMPET

²⁶ [Responsive administration and burden of regulation | Single Market Scoreboard \(europa.eu\)](https://ec.europa.eu/economy_finance/db_indicators)