Impact of COVID-19 and Europe Digital Agenda

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December 2020
Outline

1. One possible silver lining of COVID-19 impact: acceleration of digital adoption

2. Flag #1: Asymmetric adoption

3. Flag #2: The threat of uncertainty

4. Flag #3: Investments won’t be enough without incentives
COVID-19 Business Pulse Survey - Analysis

We harmonized and analyzed firm-level data from 50+ countries in all WB regions

- Business Pulse Survey
- World Bank Enterprise Survey follow-ups

Key questions

- Impact on sales and employment
- Financial liquidity and survival
- Response to the shock: Innovation
- Expectation and uncertainty
- Policy: Demand and response

Specific topics

- Policy interventions
- Gender
- Managerial capabilities
- Technology
- Trade
Accelerating digital adoption could be a silver lining
Red flag #1: But smaller firms are significantly lagging behind
And smaller firms were already lagging behind

Adoption of e-business applications in enterprises by size (Source: Eurostat 2019)
And smaller firms were already lagging behind

Enterprises having a website, by functionality and size (Source: Eurostat 2019)
...and smaller firms are hit harder by the crisis
Red flag #2: Firms experiencing larger drop in sales are more uncertain and pessimistic...this may reduce propensity to innovate and invest
But we also find that investing in digital and uncertainty are negative correlated...especially in countries hit harder
Red Flag #3: Investment in IT not be sufficient for growth if returns are low...crucial role of incentives & complementary changes to adopt in an effective manner digital technologies.
Importance of digital adoption (and technology adoption) for both: (1) growth and (2) inequality

Better understand technology adoption “within the firm” in ECA (future work in Poland)
- Technology curve: Technology adoption is not constant across business functions (Cirera, Comin, Cruz and Lee, 2020)

Understand better driver of digital adoption and resilience: focus on management and organizational practices
- Additional pulse survey data collection in ECA
- Effectiveness of public policies
Thank you for your attention and look forward to the discussion

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