Press release

Europe's Capital Markets Boost Financing of Defence and AI, but Global Investment Gap Remains

AFME's 2026 CMU Report finds stronger market-based finance activities, increasing availability of risk capital and deepening capital market integration across the EU, while highlighting the need to unlock more savings and enhance the role of securitisation to boost the EU's competitiveness

- **EU capital markets indicators improve across most areas, albeit from a low base, with stronger equity financing for strategic sectors including defence, artificial intelligence, technology and decarbonisation.**
- **Intra-EU capital market integration deepens further, but Europe continues to trail leading global markets in scale and competitiveness.**
- **AFME calls for policymakers to double down on reforms that will further strengthen the EU's capital markets, mobilise more household savings into investment and improve the EU's global positioning.**

The Association for Financial Markets in Europe (AFME), in collaboration with eleven European and international organisations, today published the ninth edition of its **Capital Markets Union: Key Performance Indicators** report, which assesses the EU's progress in developing a deeper, more integrated and competitive capital market.

The study tracks the EU's progress in growing and integrating its capital markets across nine indicators grouped under four core themes: access to capital, availability of investment pools, sustainable and digital finance, and market efficiency and integration.

The 2026 indicators show broadly positive momentum across the EU, albeit from a relatively low base. Access to market-based finance for EU corporates improved, SME pre-IPO risk capital grew, sustainable finance remained a relative European strength, and intra-EU capital market integration reached a record high.

> **Adam Farkas, Chief Executive of AFME, said:** *"Europe's markets are already helping to finance its strategic priorities, from defence and artificial intelligence to technology and the sustainable transition. The positive momentum we are seeing across market-based finance, pre-IPO risk capital and market integration demonstrates the value of deep and efficient capital markets.*
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> *"However, the EU still has significant ground to make up. Businesses in the EU have access to smaller pools of capital than many global competitors, while too much of Europe's savings remain untapped. Work to mobilise those savings needs to continue as a matter of priority, together with efforts to support the EU in financing its growth and strategic investment needs at scale so that it can compete globally."*

Among the report's key findings:

- **EU companies are making greater use of capital markets:** Market-based finance continued to grow in 2026, with 13.7% of EU non-financial corporate funding coming from capital markets, up from 12.2% in 2025. This growth was driven by bond issuances, with equity issuances also increasing and EU IPOs reaching their highest level since 2022. However, the share of IPOs taking place on EU exchanges represented only 3.6% of global IPOs.

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- **Equity finance is helping to support the EU's strategic priorities:** Risk capital rose to 5.1% of SME funding, up from 3% in 2025. While loans remain by far the largest source of SME finance, the latest rise in pre-IPO equity-based funding represents an encouraging step. Major investments have been directed towards equity financing of European scale-ups in technology, defence, artificial intelligence, and decarbonisation.

- **EU capital markets become more integrated:** Intra-EU capital market integration deepened further, supported by stronger cross-border M&A, private equity investment, portfolio holdings and equity issuance.

- **The EU maintains its global leadership in sustainable finance:** ESG-labelled bonds represented 12.3% of EU bond issuance, reinforcing the EU's position as the leading market for sustainable finance among major global jurisdictions.

- **The EU still faces a competitiveness challenge in mobilising capital at scale:** While EU capital markets are making progress, US companies raised more than EUR 1 trillion in public equity and debt funding in the first half of 2026, compared with EUR 290 billion in the EU.

- **The EU's investment gap continues to constrain growth:** EU adults held an average of approximately EUR 48,000 in market-based savings, broadly unchanged in real terms over the past decade and well below levels in the US, Australia and the UK.

- **Unlocking securitisation remains a key opportunity for growth:** The EU Loan Transfer Indicator declined in 2026, highlighting the need to unlock the market's capacity to support lending and strategic investment.

The report concludes that while the EU's capital markets are increasingly helping to finance the continent's strategic priorities, more needs to be done to compete with global peers. Unlocking household savings, strengthening securitisation and deepening capital markets through the Savings and Investments Union will be critical to mobilising the scale of investment needed to support the EU's future growth, innovation and global competitiveness.

The report was authored by AFME with eleven European and international trade associations representing business angels, fund and asset management, crowdfunding, retail and institutional investors, publicly quoted companies, stock exchanges, venture capital and private equity, private credit and direct lending, pension funds as well as the support of the Climate Bonds Initiative.

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Notes:

1. The Association for Financial Markets in Europe (AFME) is the voice of the leading banks in Europe's financial markets, providing expertise across a broad range of regulatory and capital markets issues. We represent over 150 leading global and European banks and other significant market players. Our members play a vital role in Europe's financial ecosystem, underwriting around 90% of European corporate and sovereign debt, and 85% of European listed equity capital issuances. Importantly, AFME members are market makers, providing liquidity, which is essential for ensuring financial markets can function efficiently. We also represent law firms and other associate members which advise market participants and support AFME's legal and regulatory initiatives. For more information please visit the AFME website: www.afme.eu

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