

Capital Markets Union

Key Performance Indicators – Seventh Edition

Unlocking Capital Markets for a Competitive Europe

November 2024



In conjunction with:



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Foreword

It is with a renewed pleasure that I introduce the seventh edition of AFME's annual Capital Markets Union: Key Performance Indicators report.

This year's report comes at a time when the EU is articulating its agenda for the next five years. Several major initiatives and reports have already stressed the need to urgently amplify efforts to grow EU capital markets in order to boost the competitiveness of the EU economy. EU Commission President Von der Leyen has recognised the enormous funding potential of completing the Capital Markets Union and has committed to developing a 'European Savings and Investment Union' in her 2024-2029 political guidelines. This will aim to channel private savings into investment in innovation and the clean and digital transitions.

The findings of this year's CMU KPI report show that it is time to act if the EU economy is to reap the benefits of a scaled up, integrated and liquid capital market and avoid falling further behind in the global capital markets landscape. Indeed, this report shows that market-based finance remains underdeveloped in the EU and that there is an ongoing decline in the EU's share of global market capitalisation. It also reveals that the EU lags behind global peers in areas such as fintech ecosystems and market liquidity, resulting in a competitiveness gap, and that intra-EU integration has not improved either. One indicator the EU continues to lead on globally is sustainable finance. However, even in this area, market depth appears to be stalling, with a recent plateau in sustainable bond issuance seemingly having been reached.

While we welcome the recognition at political level that the EU needs a deeper and more vibrant capital market, tangible actions supported by strong leadership at the level of Member States will be needed to make this objective a reality. Efforts will need to focus on promoting the attractiveness of our markets and growing the EU's internal capacity in support of our economic and strategic priorities. AFME and our partners in this report stand ready to assist in this endeavour.

I would like to extend my sincere thanks to all of the associations who contributed to the report and whose insights continue to shape the future of Europe's capital markets: the Alternative Credit Council, Business Angels Europe, Climate Bonds Initiative, EBAN, EuropeanIssuers, EUROCROWD, EFAMA, European Investors, FESE, InvestEurope and PensionsEurope.

Together, we remain committed to advancing this important agenda and supporting the EU's path to a more integrated, competitive, and sustainable economic future.



Adam Farkas
Chief Executive

Association for Financial Markets in Europe

“The EU needs a deeper and more vibrant capital market, tangible actions supported by strong leadership at the level of Member States will be needed to make this objective a reality”



Executive summary

This report is the seventh edition of AFME's annual Capital Markets Union: Key Performance Indicators report, which tracks the development of the European capital markets ecosystem.

The purpose of the report is to assess the EU's progress in improving and expanding its capital markets against the most important indicators of progress. The report compares evolution against other jurisdictions and evaluates progress at the EU Member State level.

All the indicators in the report are calculated with data as of the first half of 2024, to present a timely update of the latest evolution of EU and global markets.

We group our nine indicators into four areas which seek to measure the various features needed to develop an efficient, deep, and interconnected capital market, namely:

- 1. Access to capital;**
- 2. Availability of pools of capital for investment;**
- 3. Transition to sustainable finance and digitalisation; and**
- 4. Efficiency of capital markets ecosystem and integration.**

Key findings

Some progress across this year's indicators but large gap remains between the EU and global competitors.

Compared to 2019, it is notable that some progress has been made in the first half of 2024 across most of the indicators in this year's report. However, a large and in some cases growing gap remains between the EU and global competitors.

There has been improvements in the ability of companies to access finance, with the level of venture capital investment in the EU and the capacity for companies to raise debt finance (bonds) on public markets improving in 2024H1 compared to 2019. But in both instances recent progress appears to be cyclical, with activity recovering from steep falls last year. The transition to sustainable finance has advanced significantly since 2019 but in digitalisation and the development of EU fintech ecosystems progress has been more discreet. In availability of pools of capital for investment and the efficiency of capital markets ecosystems and integration the indicators paint a mixed picture.

Notwithstanding the cyclical progress seen in some of the indicators in 2024, EU capital markets are consistently lagging behind their global competitors in nearly every key area. This includes access to finance for corporates and small and medium enterprises (SMEs), FinTech ecosystems, market liquidity, global interconnectedness, retail investment, and securitisation.

Over the past decade, the EU has experienced a rise in the use of risk capital for SMEs (Venture Capital, Private Equity, Business Angels, Equity Crowdfunding), but a significant funding gap persists compared to other global economies. The annual volume of EU risk capital is only 15% of that in the US and also lags behind the UK and China. This shortfall, along with the more developed and liquid US IPO market, has driven more than 100 EU companies to list abroad, resulting in €1 trillion in market capitalisation being accumulated by EU firms on foreign exchanges. A deeper EU capital market could have encouraged these companies to list in the EU and contribute to further develop the EU's competitiveness.

The EU's securitisation market continues to lag behind those of the US, UK, and Australia. Currently, only 1.9% of outstanding EU loans are transformed into securitised vehicles or loan sales, compared to 7% in the US, 2.8% in Australia, and 2.2% in the UK. Issuers from only 9 of the 27 EU member states utilised securitisation as a source of funding in the first half of 2024.

EU FinTech companies also receive less private investment compared to their US and UK counterparts, limiting progress of the EU's digital ecosystem. The EU ranks third globally in FinTech Unicorns, behind the US and UK. However, one area of potential growth is the issuance of tokenised bonds, which have accumulated globally €3.5 billion in issuance over the past four years. EU issuers account for 20% of this market, positioning the EU as a leader in this emerging trend.

One notable exception where the EU maintains a global leadership role is in ESG and sustainability-labelled bonds. However, even in this area, our indicators show that market depth has recently plateaued, suggesting that progress may be stalling. ESG bonds account for 13% of total bond issuance in the EU, down from a peak of 15% in 2021, but still ahead of the US (2%), UK (6%), China (2%), Japan (2%), and Australia (9%).



A major concern is the recent deterioration in intra-EU integration, highlighted by both our indicators and the latest ECB financial integration report. This trend has critical macroeconomic implications, affecting broader EU financial stability. Strengthening integration is essential for the EU to remain competitive globally and build a resilient financial ecosystem. Recent data from our indicator suggests the decline in 2024 has been driven by a drop in both cross-border M&A and public equity issuance by a European (non-domestic) firm on local exchanges.

Our findings also show a wide market depth disparity within the EU. Northern European countries, Luxembourg and the Netherlands, have deeper pools of capital, better access to finance, and greater presence in the ESG bond market. In contrast, the Baltics, Visegrad 4, and other EU Eastern European countries tend to lag behind their peers across our indicators.

The challenge for the EU is to offset lost ground in critical areas

The EU has a substantial need for financing to support economic growth, innovation, defence, and the green and digital transitions, and deepening capital markets is crucial for funding these initiatives and to enhance the EU's overall economic competitiveness.

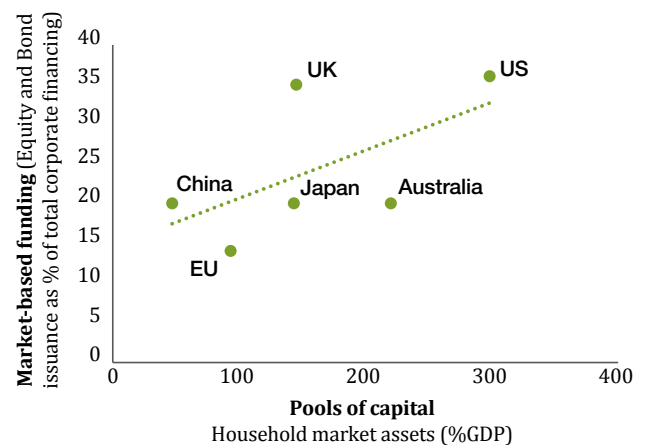
The EU faces an annual funding gap of €800 billion, as outlined by the European Central Bank (ECB) and the 2024 Mario Draghi report published in September. This funding is required for key areas such as digitalisation (€150bn), sustainability (€450bn), defence (€50bn), and other productivity-enhancing investments (€150bn). Unlocking the potential of capital markets is vital to fund these initiatives.

Unlocking funding for competitiveness lies in better mobilising household savings. EU households hold €11 trillion in cash and bank deposits, but these savings need to be channelled into more productive market investment instruments like listed equity shares, private pension savings or investment funds. Currently, EU retail savings in market instruments represent only 93% of GDP, far behind the US (298%), UK (145%), Japan (143%), and Australia (220%).

The savings gap also impacts wealth accumulation. The average EU adult holds €42,000 in market-based instruments, significantly less than their American (€190,000), British (€80,000), or Japanese (€50,000) counterparts, even after adjusting for differences in the cost of living.

Deeper pools of capital also contribute to funding company growth, reducing the EU's overreliance on bank lending, and unlocking much needed private-sector funding (see chart right). However, our indicators show that the proportion of market based finance raised by corporates has not visibly changed over the last five years, standing at 14% in 2024, below that of the US (36%), UK (35%), and China, Japan and Australia (each at 20%).

Deep pools of capital unlock access to market-based funding



“A major concern is the recent deterioration in intra-EU integration, highlighted by both our indicators and the latest ECB financial integration report”



Executive summary

If the EU aspires to compete at a global level, bold and ambitious structural reforms of its capital market are not only necessary but imperative

Without structural changes, the EU risks falling further behind its global competitors. Since 2000, the market capitalisation of listed shares in the EU has dropped from 18% to 14% of the global total, a decline that far outpaces the reduction in its share of global GDP. If this trend continues, the EU's share of market capitalisation will shortly fall below that of China, which has grown from 0.3% in 2000 to 10% in 2024.

The United States benefits from greater scale and leads in nearly all market activities according to our indicators. China has rapidly increased its market presence, and the United Kingdom remains Europe's most globally interconnected and deepest capital market, despite facing similar challenges to EU countries from a fragmented European market.

The EU has the economic scale, institutional resilience, and productivity to avoid falling further behind its global competitors. However, to unlock this potential, the EU must urgently address its deeply fragmented capital markets and create a more unified and efficient funding system. Only then can it become more than the sum of its parts and realise its full potential to fund its critical competitiveness initiatives.

“The EU has the economic scale, institutional resilience, and productivity to avoid falling further behind its global competitors”



Overview of indicators

A summary of each indicator and what it measures is shown in the box below:

1. Access to capital

a. Market Finance Indicator: measures how easy it is for companies in the EU to enter and raise capital on public markets (initial public offerings, bonds, secondary equity offerings)

b. Pre-IPO Risk Capital Indicator: assesses how well start-ups, SMEs and non-listed companies can access risk capital finance;

2. Pools of investment capital

a. Household Market Investment Indicator: measures the amount of savings from retail investors deployed in capital market products and instruments like bonds, equity shares, investment funds and pension funds

b. ELTIF Indicator: measures the availability of European Long-Term Investment Fund (ELTIF) products financing long-term projects and SMEs

3. Transition to sustainable finance and digitalisation

a. ESG Finance Indicator: quantifies the labelling of new ESG bond issuance

b. FinTech Indicator: assesses to what extent national countries are able to host an adequate FinTech ecosystem

4. Efficiency of capital markets ecosystem and integration




a. Loan Transfer Indicator: measures the capacity to transform loans into capital markets instruments such as securitisations and loan portfolio transactions;

b. Cross-border Finance Indicator: measures capital markets integration within Europe and with the rest of the world


c. Market competitiveness: measures capital markets competitiveness from a holistic perspective, recognising the multiple factors behind deep, liquid and efficient capital markets and comparing the EU with the United States and the United Kingdom.



Table 1: Progress of EU capital markets against key performance indicators¹

	Indicator	What this indicator measures	2019	2024 H1	3Y avg	National findings
Access to capital 	Market Finance Non-financial corporates (NFC) equity and bond issuance as % of total NFC annual financing	Capacity for companies to raise finance on public markets	11.5%	14.1%	10.5%	Corporates located in Luxembourg, Ireland and the Nordic countries consistently lead in the use of market-based finance.
	Pre-IPO Risk Capital Equity crowdfunding, business angel, private equity growth investment and venture capital investment	How well start-ups and non-listed companies are able to access finance for innovation	2.5%	3.7%	3.6%	Netherlands stands out with 17% of total SME funding derived from risk capital, surpassing the UK Italy and Spain see risk capital making up only about 1% of total SME funding,
Pools of investment capital 	Household Market Investment Household financial assets saved in financial instruments (excluding cash, deposits and unlisted equity) as % GDP	Availability of savings from retail investors to support capital market financing	105%	93%	93%	Denmark (198% of GDP), Sweden (179%), and the Netherlands (173%) have the highest levels of retail financial assets
	ELTIF Products Number of European Long-Term Investment Fund (ELTIF) products marketed in the EU	Availability of ELTIF fund products financing long-term projects and SMEs	16	118	85	Italy leads by number of ELTIF funds marketed locally followed by France and Austria
Transition to sustainable finance and digitalisation 	ESG Finance ESG and sustainability-linked bond issuance as % of total bond issuance	Capacity to transition towards a sustainable net-zero economy	5.8%	13.5%	13.4%	German issuers originated the largest volume of green bonds in the EU for 5 th year in a row Malta and Bulgaria remain the last two EU Member States from where issuers have not yet originated bonds with ESG-labelling as of 2024.
	FinTech Composite indicator of funding for FinTech companies, talent pool, regulatory environment, and innovation. Range 0-1	Capacity to enable an adequate FinTech ecosystem	0.2	0.2	0.2	Germany, Luxembourg, France and Slovenia have led in EU issuance of DLT bonds Estonia launched a FinTech regulatory sandbox in 2023.

¹ For the purpose of estimating trends, this table compares the respective indicators for the period 2019 (as the baseline for a 5-year evaluation) against the most recent performance in 2024 and a three-year average 2022-24. Figures in red indicate negative change since 2019.

	Indicator	What this indicator measures	2019	2024 H1	3Y avg	National findings
Efficiency of capital markets ecosystem and integration 	Loan Transfer Securitisation issuance and loan portfolio transactions as % of outstanding bank loans	Capacity to transform bank loans into capital markets instruments (securitisation and loan transactions)	2.1%	1.9%	1.7%	Ireland leads European countries. in the transfer of loans Only 9 of the 27 Member States have utilised securitisation in 2024.
	Cross-border Finance Composite indicator of cross-border M&A transactions, equity & bond issuance, private equity, and portfolio holdings. Range 0-1	Capital markets integration within the EU	0.152	0.150	0.154	Luxembourg leads in intra-EU integration as the EU's hub for the cross-border distribution of investment vehicles .
		Capital markets integration with the rest of the world	0.3	0.3	0.3	Luxembourg is the most globally interconnected EU country driven by the large portion of global equity and fund shares registered .
	Market Competitiveness Composite indicator of access to capital, market liquidity, pools of capital, transition to a sustainable and digital market	Measures attractiveness of European capital markets	0.2	0.2	0.2	Netherlands, Denmark, Sweden, and France are the EU's most competitive capital markets.

* Data as of 2024 H1 except for the Household Market Investment Indicator which is based on Q1 2024 data.



Overview of indicators

Table 2: European country rankings by indicator

The table below shows country rankings for EU member states and the United Kingdom (where the data is available) across the indicators included in this report.

	Access to Capital		Pools of Investment Capital		Transition to Sustainable Finance and Digitalisation		Efficiency of Capital Markets Ecosystem and Integration			Competitiveness ranking	
	Market Finance Indicator	Risk Capital Indicator	Household Market Investment Indicator	ELTIF Indicator	ESG Finance Indicator	FinTech Indicator	Loan Transfer Indicator	Intra-EU Integration Indicator	Global Integration Indicator	2024	2019
Austria	20	11	10	3	4	8	12	7	3	12	15
Belgium	17	21	5	6	10	18	28	6	11	8	7
Bulgaria	28	18	26	28	24	28	28	26	16	28	28
Croatia	28	27	16	28	5	19	28	28	6	19	19
Cyprus	28	6	17	15	3	17	3	11	19	14	20
Czech Republic	3	17	19	17	19	24	28	10	21	16	16
Denmark	8	5	1	10	6	9	28	5	17	3	3
Estonia	28	4	24	28	21	7	28	12	8	18	18
Finland	10	9	13	8	11	11	9	15	18	11	10
France	6	10	7	2	8	12	7	13	10	6	5
Germany	15	12	8	4	12	10	10	19	7	7	6
Greece	13	15	23	14	24	14	2	24	13	20	12
Hungary	4	19	15	19	9	27	28	18	23	15	21
Ireland	1	1	11	12	7	3	1	14	5	4	8
Italy	16	26	6	1	17	25	5	21	15	10	9
Latvia	14	8	22	28	24	21	28	9	26	23	23
Lithuania	28	14	27	28	24	5	28	25	27	21	25
Luxembourg	5	7	14	6	13	1	28	1	2	9	13
Malta	24	28	12	18	24	15	28	22	22	22	17
Netherlands	11	2	3	11	2	13	8	8	4	5	2
Poland	22	25	25	15	22	23	28	17	20	27	22
Portugal	12	23	18	13	15	20	11	3	14	17	14
Romania	28	24	28	28	14	26	28	23	24	25	24
Slovakia	28	16	20	28	20	22	28	27	28	26	27
Slovenia	28	20	21	28	23	6	28	4	25	24	26
Spain	18	22	9	5	16	16	4	20	9	13	11
Sweden	7	13	2	9	1	4	28	16	12	2	4
UK	2	3	4	NA	18	2	6	2	1	1	1

Ranked 1

Ranked 28

Higher rankings ←

→ Lower rankings

NA: data not available to produce the indicator.

Countries with no capital markets activity in a given indicator are ranked 28th.

Access to capital



1. Market Finance Indicator

1. Market Finance Indicator

Decline of 3-year average vs 2019



The Market Finance Indicator measures the capacity for companies to raise finance on public markets.

The indicator does this by quantifying the proportion of total finance for Non-Financial Corporates (NFCs), which is provided by capital markets instruments (equity and bonds). The indicator is calculated as annual gross NFC equity and bond issuance as a percentage of the sum of annual gross lending (new loans) to NFCs and equity and bond issuance.



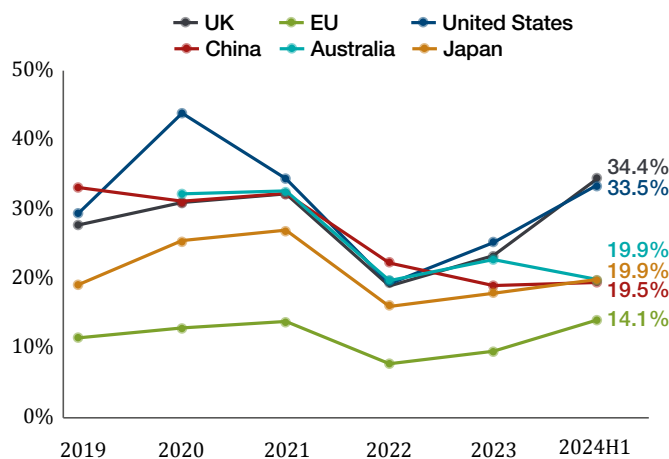
Cyclical recovery in market-based finance but a large gap with global competitors continues

The EU continues to face significant challenges in the use of market-based finance for NFCs. The continued funding gap against global competitors, ongoing reliance on loans and bond issuance, and the slow recovery of equity capital raising, highlight the need for structural changes to strengthen the use of EU market-based finance.

According to our indicators, in the first half of 2024, 14.1% of EU corporate funding was derived from capital market sources, up from 9.6% in 2023 and 7.8% in 2022. The increase, however, was of a cyclical nature, after EU capital markets continued to recover from record-low volumes issued in 2022.

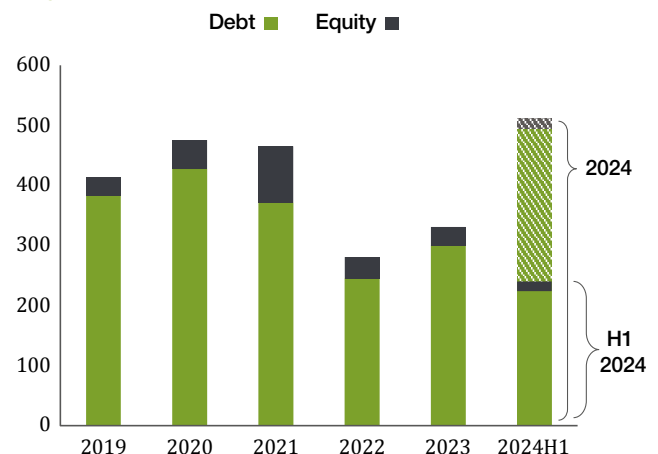
The cyclical increase was predominantly driven by record levels of bond issuance as yields lowered and funding conditions have recently eased for fixed income instruments. Equity issuance stood only marginally above last year, with total IPO issuance remaining low by historical standards, with 28 IPOs the first half of the year but only one deal with value above €1bn. Meanwhile, secondary equity offering are at the lowest level in 2024 since 2019. See chart 1.2.

1.1: Market Finance Indicator (NFC equity and bond issuance as a % of total NFC annual financing)



Source: Dealogic, US Fed, ECB, BoE and other European central banks. Indicator for Australia begins in 2020 due to data availability.

1.2: More debt, less equity: Breakdown of EU market finance by category (EUR bn)



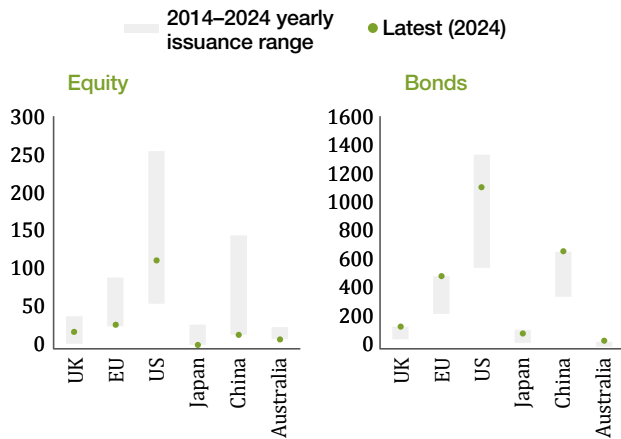
Source: Dealogic, US FED, ECB, BoE and other European central banks

The elevated levels of corporate bond issuance and the cyclically low equity capital raising in the EU were consistent with what was observed globally for the first half of 2024. See chart 1.3.

Despite the recent growth in EU market finance issuance, a large, and growing, gap remains between the EU and the UK, with the latter being the deepest European capital market. Furthermore, the use of market-based finance in the EU is lower than in global competitors like Japan, Australia, and China. See chart 1.1. We have also observed that the depth of EU bond issuers has narrowed over the last decade, from 225 new corporate bond issuers entering the market in 2013 to 87 new bond issuers in 2023.

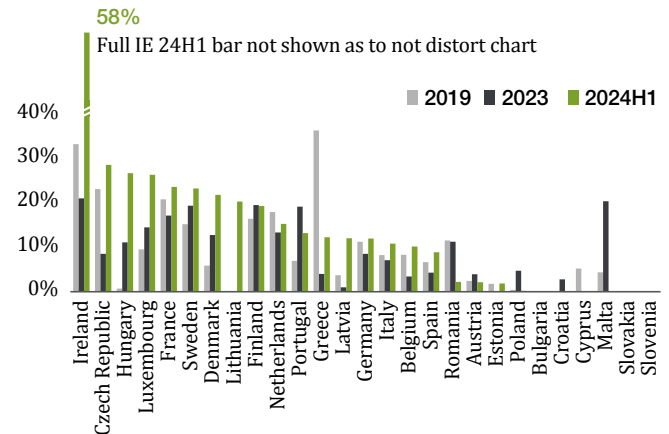
1. Market Finance Indicator

1.3: Equity and bond issuance by region (2014-24) EURbn



Source: Dealogic, US Fed, ECB, BoE and other European central banks

1.4: Market Finance indicator by country: corporate bond and equity issuance as % of total financing



Source: Dealogic, US FED, ECB, BoE and other European central banks

A wide fragmentation in the use of market-based finance in the EU

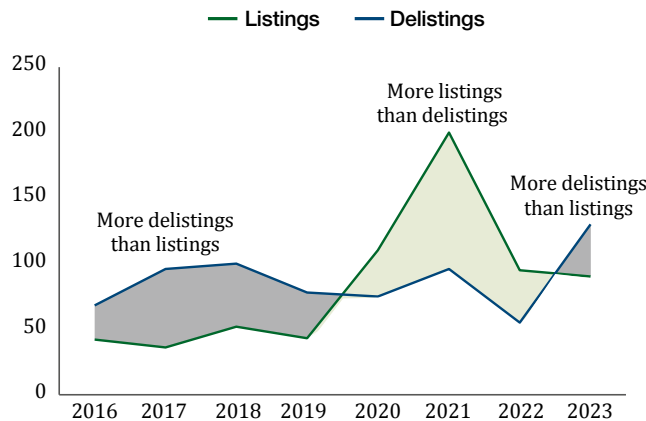
There is a large degree of heterogeneity in the use of market-based finance within the EU. Corporates located in the Nordic countries, Luxembourg, and Ireland consistently lead in the use of market-based finance. Some countries in Central and Eastern Europe typically use less market-based finance relying on bank lending to a much greater extent (see chart 1.4)

The wide fragmentation highlights the importance of promoting the use of market funding across the EU.

Foreign listings of EU companies and delistings continue to impact the depth of EU equity markets

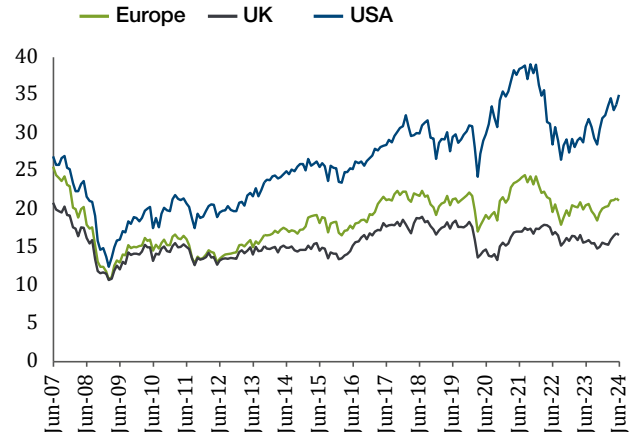
De-listings at EURONEXT alone have represented a €2.3tn loss in market capitalisation since 2015, or about 17% of the EU's market capitalisation of domestic listed shares. While the period immediately during and after the pandemic in 2020-22 temporarily saw more listings than de-listings, the trend has reversed more recently. See chart 1.5.

1.5: Number of listings and delistings on EURONEXT



Source: EURONEXT

1.6: Cyclically-adjusted PE ratio: UK, US, Europe



Source: Barclays

Additionally, €1 trillion in market capitalisation for just over 100 EU companies is listed internationally, the equivalent of 8% of the market capitalisation of EU companies traded on EU exchanges.

Companies opting to list outside of the EU are typically looking for pools of capital and more liquid markets that offer higher company valuations than those that can be obtained in the EU. Market data suggests that the cyclically-adjusted price-to-earnings ratio (CAPE) in the EU has diverged since the global financial crisis, and is significantly higher in the US at 30X compared to 20X in Europe (see chart 1.6).

EU companies that list abroad tend to be newer, on average established in 2014, vs 2005 on average for EU companies listed on EU exchanges. Concerningly, over half of EU companies listed abroad are in the technology, pharmaceutical and biotechnology sectors, compared to about 27% of domestically-listed EU companies belonging to these sectors. These sectors are noted for high productivity and human capital and have been identified as key to the EU's competitiveness by the Mario Draghi report published in September 2024.

2. Pre-IPO Risk Capital Indicator

2. Pre-IPO Risk Capital Indicator

Increase of 3-year
average vs 2019



The Pre-IPO Risk Capital Indicator evaluates the ability of small and medium-sized enterprises (SMEs) to secure equity risk capital from private markets. This type of capital includes equity investments from venture capital funds, private equity growth funds, business angels, and equity crowdfunding. The indicator is calculated as the ratio of equity risk capital investment to the overall flow of new funding for SMEs, which also includes bank lending.

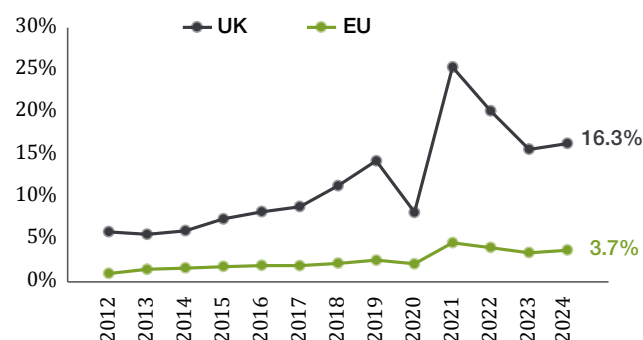


Access to risk capital is vital for the growth of unlisted SMEs that lack access to public equity markets. Unlike short- and medium-term bank loans, risk capital provides stable, long-term financing with investors willing to wait for returns, allowing companies to focus on growth without the pressure of bank loan repayments.

The gap in equity risk capital in the EU

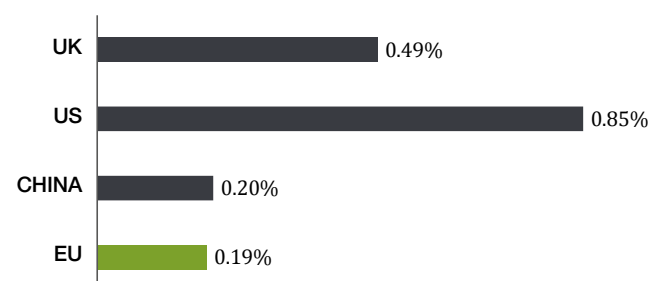
Traditionally, the EU has lagged behind the United States and the United Kingdom in risk capital funding. The latest data from our Pre-IPO Risk Capital Indicator highlights this ongoing gap. On aggregate, only about 4% of annual funding for EU SMEs comes from risk capital, compared to 16.3% for UK SMEs. Although the EU has seen an increase in risk capital use over the past decade, the gap remains substantial. The United States continues to outpace the EU significantly, with roughly €200 billion per year in risk capital (equivalent to 0.85% of GDP), compared to the EU's €30 billion (0.19% of GDP). When adjusted for GDP, the EU's risk capital still falls behind China (0.2% of GDP) and the UK (0.48% of GDP).

2.1: Pre-IPO indicator: investment from VC, Growth PE, Business angel and equity crowdfunding as % of risk capital and bank lending



Source: EBAN, InvestEurope, Dealroom, Eikon

2.2: Risk capital by region (%GDP, 2022-24 annual average)



Source: EBAN, InvestEurope, Dealroom, Eikon

Recent evolution and national variations in risk capital utilisation

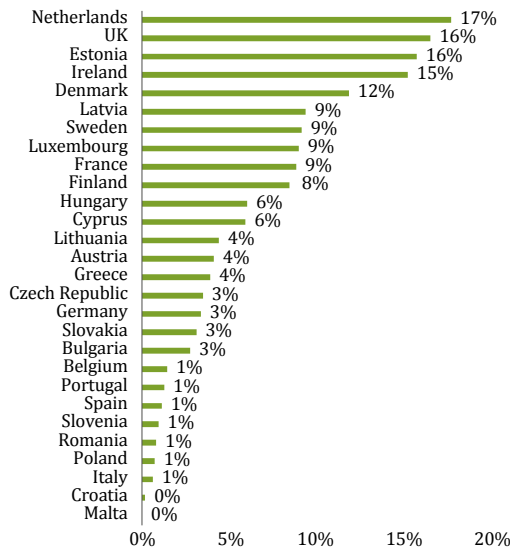
The period of 2021 and 2022 saw a significant rise in risk capital in the EU and globally, driven by extremely favourable market conditions post-COVID-19. However, by 2023, there was a noticeable slowdown in venture capital and business angel investments due to market-wide corrections. Although venture capital showed some recovery in 2024, it has yet to return to the peak levels of 2021.

The largest contributor to EU risk capital are venture capital and private equity growth funds with €10-15bn per year invested. Business angel investment contributes with €4-9bn per year (including visible and invisible segments). Structurally, the median number of investment rounds in EU angel clubs increased to 30 in 2023, up from 16 in 2022 and 19 in 2019 according to Business Angels Europe data. However, both venture capital and the business angel investment sector continue to struggle with a lack of EU harmonisation that impedes cross-border fundraising and provision of finance. Equity crowdfunding has rapidly grown, from €28mn per year in 2014 to €600mn in 2023 in investment, according to EURO CROWD data. The implementation of the European Crowdfunding Service Providers Regulation (ECSPR) has contributed to reduce the cross-border barriers for the provision of direct investment into SMEs and is facilitating consolidation in the sector.

2. Pre-IPO Risk Capital Indicator

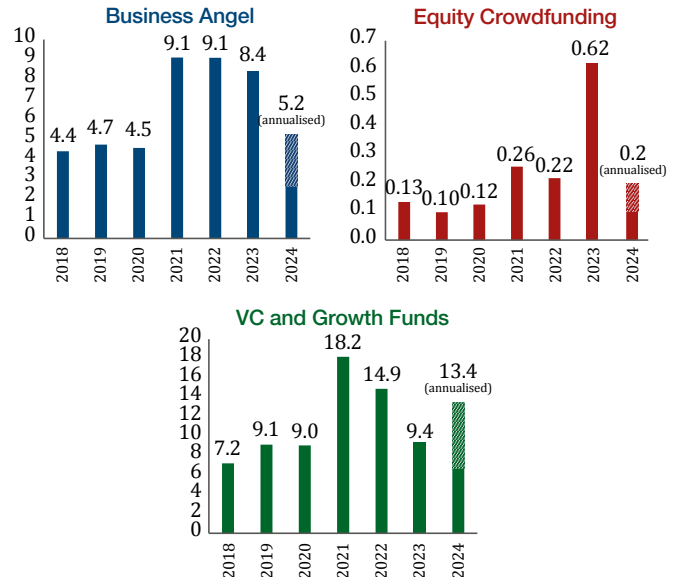
There is significant variability in the use of risk capital across the EU. For example, the Netherlands stands out with 17% of total SME funding derived from risk capital, surpassing even the UK when adjusted for the size of other financing forms. In contrast, Italy and Spain see risk capital comprising only about 1% of total SME funding, as companies in these countries tend to favour traditional bank lending. This reliance on bank loans limits their ability to finance high-growth businesses that may carry higher risks not acceptable to banks.

2.3: Pre-IPO Risk Capital Indicator 2024H1



Source: EBAN, InvestEurope, Dealroom, ECB, BoE, Eikon

2.4: Evolution of EU risk capital investment by sources (EUR bn)



Source: EUROCROWD, TAB, EBAN, InvestEurope, Dealroom, Eikon

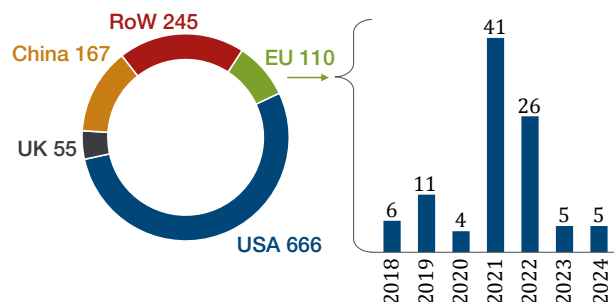
The path beyond risk capital and the decision to list abroad

Successful SMEs that effectively utilise risk capital can achieve "Unicorn" status, reaching valuations of at least \$1 billion. The EU is the third-largest economic bloc by the number of Unicorns, with 110 across 18 of the 27 EU member states, following the US (666) and China (167). The years 2021 and 2022 were particularly prolific with a surge in the number of Unicorns both in the EU and worldwide, as market conditions were favourable to access risk capital funding.

Investors, such as venture capital, private equity, or business angels, who had previously invested in the company during its private phase, will then seek the opportunity to exit and sell some or all of their shares for the purposes of materialising the return on their early investment. IPOs have traditionally been the preferred exit strategy for investors on growth companies, but the slow growth in equity activity (as noted in the Market Finance indicator section) has reduced the attractiveness of this exit vehicle.

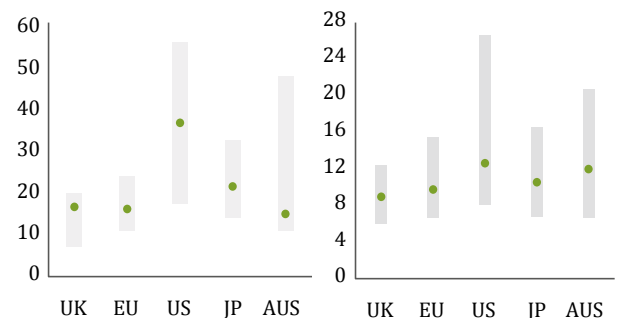
Furthermore, data indicates that EU companies tend to achieve lower valuations when they go public compared to their US counterparts. According to Dealogic data, over the past three years, the median enterprise value to EBITDA ratio for companies that IPO on EU exchanges has been 10x, compared to 13x for those on US exchanges. As a result, some EU growth companies may consider listing abroad to get higher company valuations.

2.5: Geographic distribution of Unicorns (left) and number of EU companies reaching Unicorn status by year (right)



Source: CBinsights

2.6: US companies that go public get higher valuations: price-to-earnings (left) and Enterprise value to EBITDA (right) of recent IPO companies



Source: Eikon, Dealogic. Median and 25th - 75th percentiles in range

Pools of investment capital



3. Household Market Investment Indicator

Decline of 3-year
average vs 2019



The household market investment indicator measures the availability of households to invest in capital markets instruments. This ratio is estimated as household financial assets (excluding cash, deposits and unlisted equity) as a percentage of GDP. The asset classes aggregated as “Household financial assets” in this indicator include listed equity shares², investment fund shares, bonds, life insurance reserves and pension fund holdings.



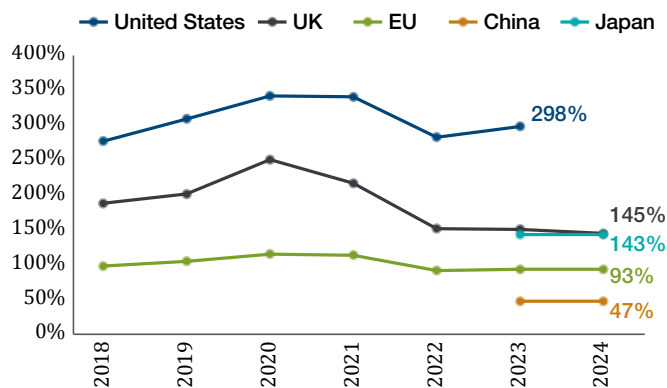
Pools of capital: the US and the rest of the world

The accumulation of household savings help retail investors diversify their long-term investments and constitute the pools of capital required to fund private sector growth.

In 2024, retail savings in market instruments across the EU reached 93% of GDP, a figure nearly unchanged from 2022. This is lower than the peak of 114% seen in 2021 when market valuations were at record highs and below the levels seen before the COVID-19 pandemic.

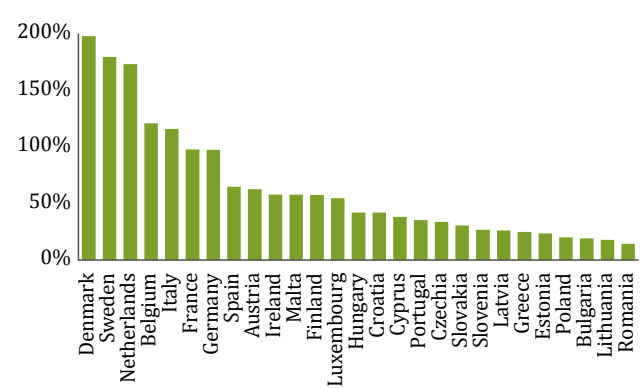
Compared to other countries, the amount of EU household wealth in capital markets instruments is lower than the UK's (145%) and Japan's (143%), but higher than China's (47%) and significantly below the US (300%). Within the EU, Denmark (198% of GDP), Sweden (179%), and The Netherlands (173%) have the highest levels of retail financial assets, although they are still far behind the US (see chart 3.2).

3.1: Household market investment indicator: Household savings in market instruments as % of GDP



Source: Eurostat, US FED, UK ONS, BoJ, BOC. Includes listed shares, bonds, funds, pensions and insurance reserves. The UK's pre-2022 data is not comparable due to ONS methodology changes.

3.2: By EU countries: Household savings in market instruments as % of GDP



Source: Eurostat. Includes listed shares, bonds, funds, pensions and insurance reserves

The gap in pools of capital also translates to a per-person level

Chart 3.3 shows the amount of savings per-person broken down by financial instrument and compared with other regions.

The EU per-person amount (adjusted by cost of living) stands below that observed in the US, UK and Japan. The largest gap against the US is observed in funds and shares, from €13k on average in the EU compared to above €100k on average in the US. There is also an observable difference in the amount of private pensions savings, from an average of €26k in the EU to €76k in the US and €71k in the UK.

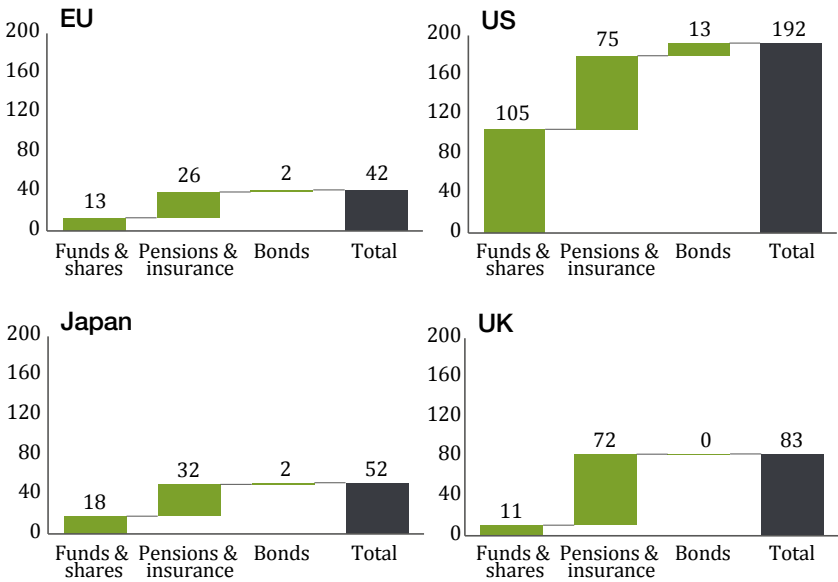
Although evidence suggests a recent increase in EU retail participation, the gap continues in relation to other major countries. In Germany, for example, the number of young equity savers has doubled in the last ten years. However, once compared at

² Unlisted shares, which are not necessarily a capital markets instrument, are not included in the indicator.

3. Household Market Investment Indicator

aggregate European level, participation rates in capital market products remain behind those observed in the US and in the UK. For example, only 28% of euro area households report having a voluntary private pension product, which compares with 54% in both the US and in the UK. Only 11% of euro area households have direct investments in equity shares, compared with 21% in the US. See chart 3.4.

3.3: Savings per adult in market-based instruments (EUR thousands, PPP adjusted)



Source: Eurostat, US FED, UK ONS, BoJ, BOC. Includes listed shares, bonds, funds, pensions and insurance reserves

3.4: Participation rate of capital markets products (% households)

	US	EZ	UK
Shares	21%	11%	10%
Voluntary private pensions	54%	28%	54%
Funds	12%	13%	11%

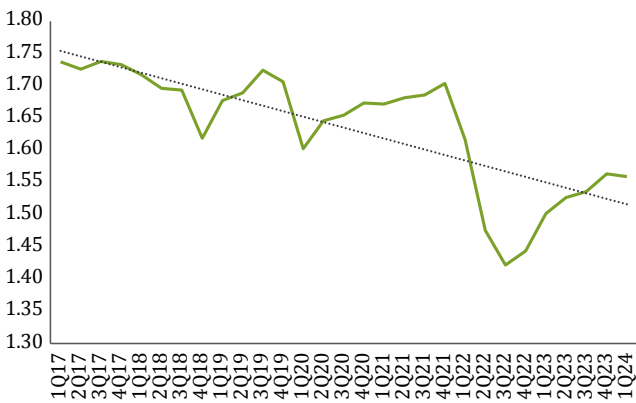
Source: ECB, ONS, FED

Significant EU household bank deposits

It is well known that European households have high savings rates (15% in the euro area vs 3% in the US), but those savings are commonly placed in low-yielding bank deposits. The EFAMA CMI index, which measures the amount of savings in market instruments relative to household deposits, has trended downward over the last seven years. This trend indicates EU households have a preference to boost the already large €11 trillion amount in household holdings of cash and bank deposits.

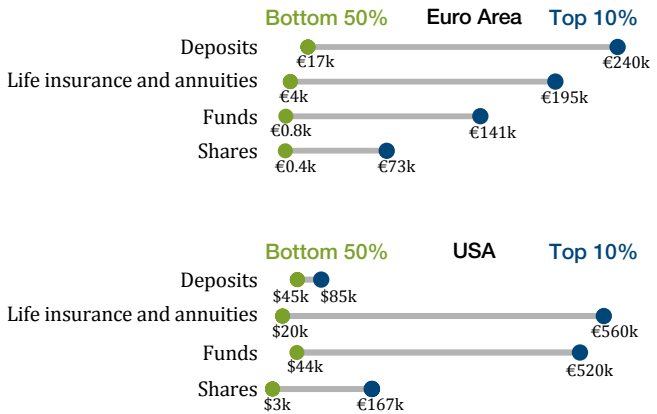
It is striking that the preference for bank deposits is observed across all levels of wealth in the euro area, where both for the top 10% and the bottom 50% by wealth, bank deposits are the main vehicle for storing savings. This contrasts with US households, where the bottom 50% and the top 10% of wealthiest households save a relatively lower portion in deposits. See chart 3.6. Channelling the €11tn in low-yielding EU cash and deposits into more productive vehicles can provide the resources to support access to finance to SMEs and corporates for future growth.

3.5: EFAMA CMI index: EU Households' capital markets investments relative to household deposits



Source: Eurostat

3.6: Median amount saved by household unit in the US and in the euro area, by level of wealth



Source: ECB, US FED

4. European Long-Term Investment Funds (ELTIFs) Indicator

Increase of 3-year
average vs 2019



ELTIFs are EU collective long-term investment vehicles that are intended to channel funds for infrastructure, real estate, transportation, and energy, as well as in smaller and mid-sized businesses.

The ELTIF product framework is intended for both professional and retail investors looking to invest in long-term private markets such as private equity, private credit, or infrastructure funds. They are a useful vehicle for portfolio diversification and improving long-term risk-adjusted returns.

To track the evolution of the ELTIF market, we produce a simple indicator with the number of ELTIF products marketed in EU Member States and in the EU. We abstain from adjusting the indicator to country-specific characteristics (e.g. population size, depth of pension fund industry, or the number of UCITS) due to the small dimension of existing ELTIF funds marketed to investors.

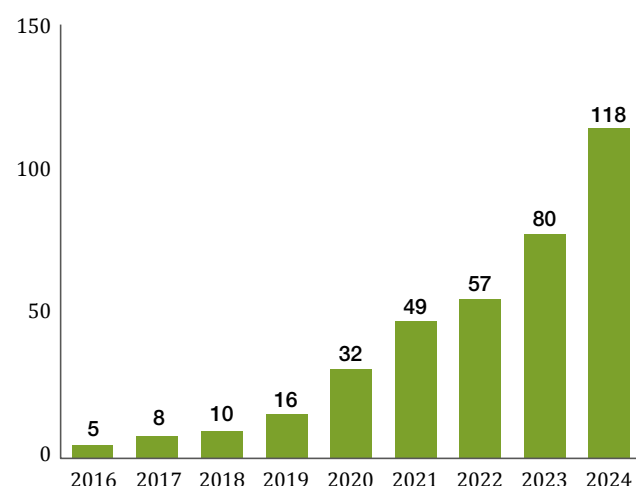
ELTIFs road to unlock growth

As of June 2024, there were 137 ELTIFs registered, of which 118 were marketed and 19 registered but not offered to investors. This represents visible growth in new ELTIF funds marketed in the EU, with 38 additional funds being marketed in 2024, from a total of 80 in June 2023 and only 32 marketed in 2020.

In terms of market volume, Scope Ratings estimate that the ELTIF market size measured in assets under management (AuM) stood at €13.6bn in 2023, a €2.7bn increase (or 24%) from 2022. Data is not currently available for the market size amount for 2024.

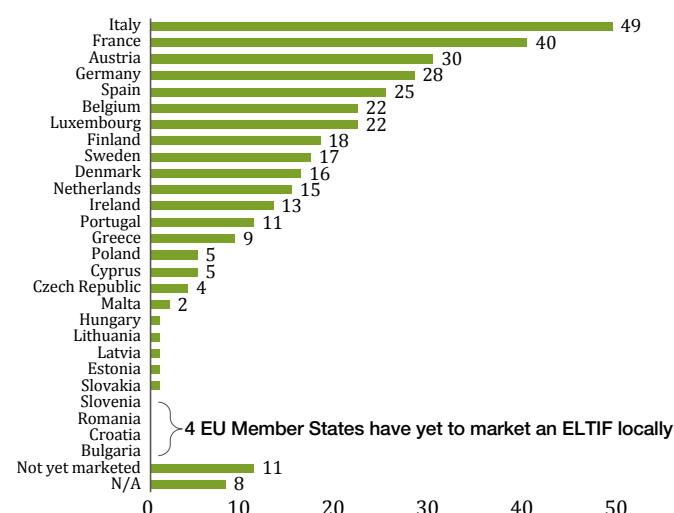
By country, Italy leads by number of funds with 49 ELTIF products marketed locally, followed by France with 40 funds. By total euro amount managed, according to Scope data, France leads accumulating €4.5bn in AuM followed by Italy with €3.3bn.

4.1: ELTIFs evolution (number of funds marketed)



Source: ESMA

4.2: ELTIFs marketed by country (2024)



Source: ESMA

The continued growth of ELTIF product offering shows that this EU-wide vehicle is experiencing market-wide optimism. The new ELTIF 2.0 framework, which entered into force in January 2024, might be among the factors behind the recent encouraging growth.

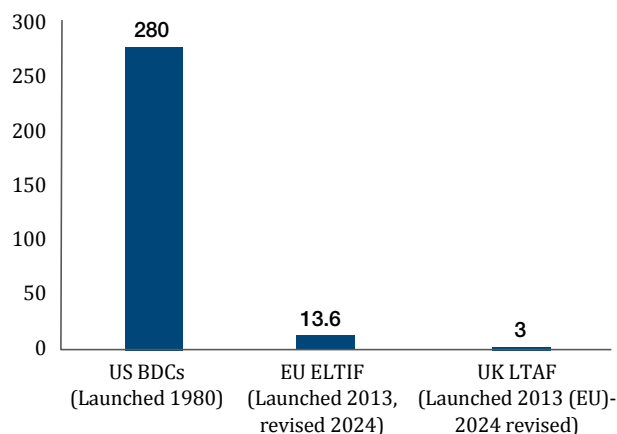
Going forward, the potential of ELTIFs is enormous

The ELTIF product, alongside the UK Long-Term Asset Fund (LTAF), seeks to implement in Europe the successful US Business Development Companies (BDCs) in helping retail clients participate in private markets. BDCs were launched in the United States in 1980 and have reached \$312bn in AuM (€280bn), experiencing accelerated growth over the last five years from \$130bn in 2019. See chart 4.3.



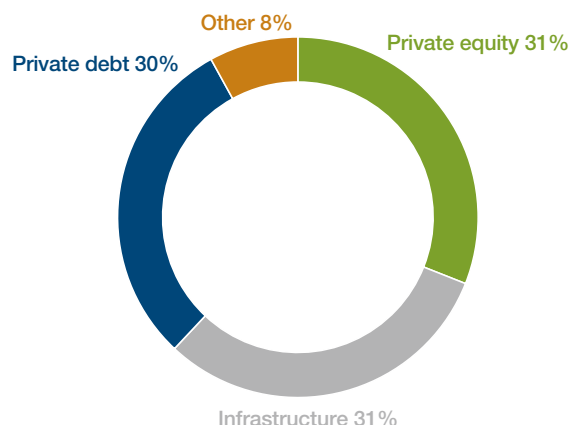
4. European Long-Term Investment Funds (ELTIFs) Indicator

4.3: Long-term private capital financial vehicles available to retail in US, EU and UK (AUM, EURbn)



Source: Scope, LSTA, Ashurst

4.4: ELTIFs volume by asset class



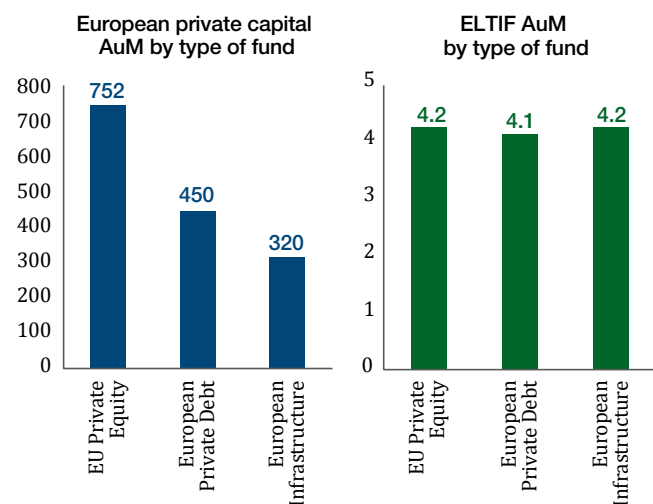
Source: Scope Ratings

ELTIFs contribution to the real economy

The amount of ELTIF AuM is almost equally distributed between private equity, private debt and infrastructure funds with roughly €4bn per asset class, notwithstanding the difference in scale in total AuM of each of these forms of capital. Total EU private equity size of above €750bn is a few times larger than €450bn in European private debt funds AuM and €320 in European infrastructure funds AuM. See chart 4.5

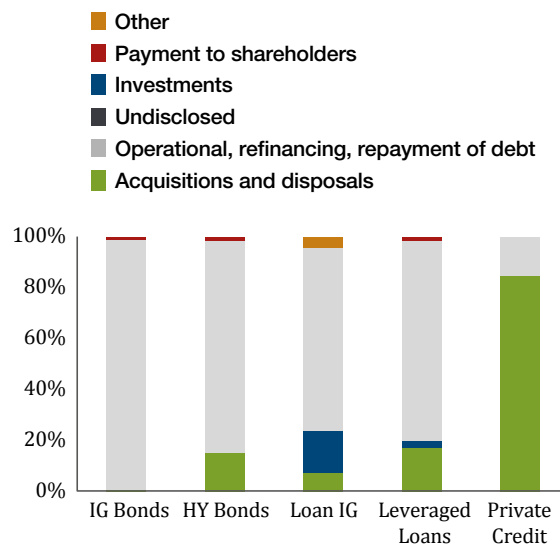
Each form of capital has its own purpose. Private equity intends to provide equity capital for small and medium enterprises and scale-up growth. Infrastructure funds intend to fund transformation of Europe's infrastructure, which is particularly important for the road towards a green net zero economy.

4.5: European private capital assets under management (AuM). Total and ELTIF (EURbn)



Source: ESMA, Scope, Preqin

4.6: EU corporates' market-based debt by purpose



Source: Dealogic, Preqin

Private debt also provides critical sources of funding for enterprises in the form of lending. Eikon data indicates that private debt is particularly useful for funding growth and business expansion of companies through mergers, acquisitions and asset disposals. When comparing with other forms of market-based debt, use of proceeds of private debt funds (ELTIF and non-ELTIF) are predominantly allocated for acquisitions and disposals (see chart 4.6). These are all important forms of funding for companies and help retail investors diversify their portfolios and improve their risk-adjusted returns.

Transition to sustainable finance and digitalisation



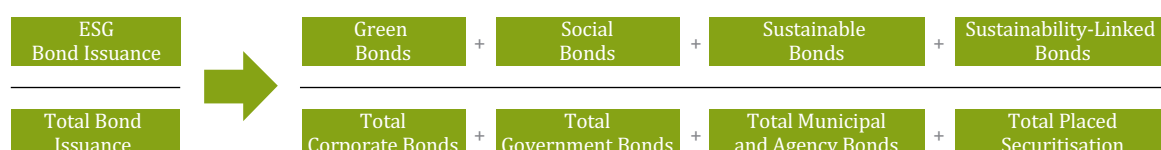
5. ESG Finance Indicator

5. ESG Finance Indicator

Plateaued since 2021



Funding for the sustainable transition is a cornerstone of future EU growth. This indicator seeks to quantify the labelling of ESG bond instruments and is estimated as a simple ratio of ESG bond issuance (green, social, and sustainable) and sustainability-linked bond issuance relative to total bond issuance. The eligibility criteria for the purposes of this indicator is the Climate Bond Initiative (CBI) label. The indicator does not consider sustainable equity issuance due to the difficulty in assessing and classifying entire organisations as sustainable, but could evolve over time reflecting changes in the sustainable finance sector and data availability. It is also influenced by the overall size of the bond market in the relevant jurisdiction.



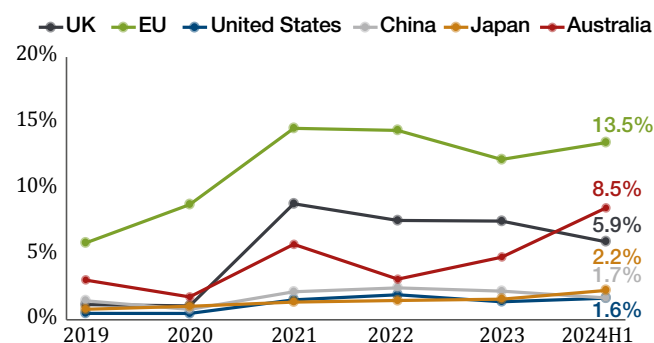
The EU is a global leader in sustainable finance, but its use has plateaued

Access to sustainable finance is an area where the EU has significantly advanced over the last decade.

Since 2021, EU issuers have consistently originated an average of €360bn in ESG bonds, with €237bn issued in the first half of 2024 alone, making up 13.5% of total EU bond issuance. Market data suggests that EU ESG bond issuance is expected to reach a record high in 2024FY. The EU continues to be a global leader in ESG bond origination, with issuers from other regions currently issuing between 2% - 9% of total bond volumes. No major growth in the ESG bond market has been recorded in China, Japan or the US compared to 5 years ago. The Australian market has rapidly gained momentum in the first half of 2024 as green bond issuance increased 135%, driven largely by the inaugural Australian green government bond.

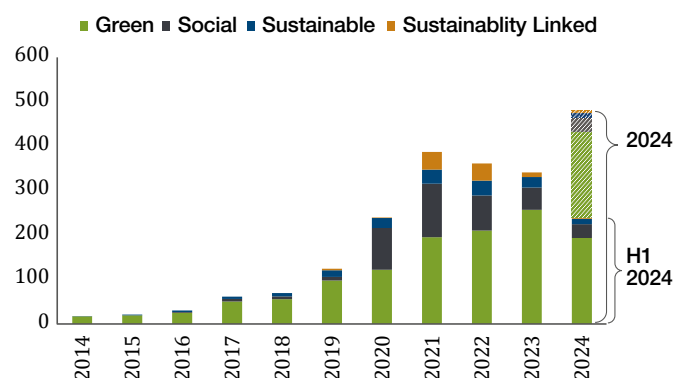
There are, however, signs that the use of ESG bond markets in the EU has plateaued since 2021. Although EU ESG bond issuance increased 51% in the first half of 2024, the proportion of ESG bonds (as measured by our indicator) declined to 13.5% in 2023 from just below 15% in 2021 and 2022.

5.1: ESG Finance Indicator (ESG bond issuance as % of total bond issuance)



Source: CBI, Dealogic, ECB, SIFMA, ECBC and AFME

5.2: EU Green, Social, Dual-Purpose and Sustainability Linked bond issuance, EUR bn, 2014–24 (annualised)



Source: CBI and Dealogic

Green issuance continues to outsize other ESG bond types in terms of volumes, making up 81% of total ESG issuance originated in 2024H1, which represents the highest proportion since 2017. There has been a recovery in the social bond market with issuance increasing 24% during 2024H1 following two consecutive years of negative growth.

Wide gap in the use of market-based ESG finance in the EU

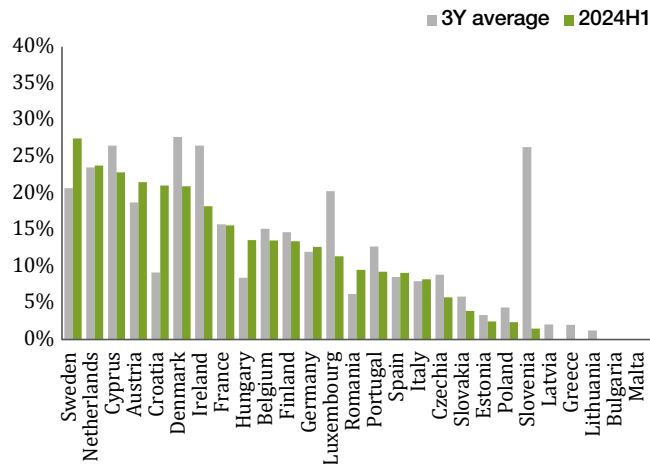
French issuers continue to originate the largest nominal volume of ESG bonds overall for any EU country for the eighth year in a row. The market in France was supported by significant volumes of bonds issued with social and sustainable (dual-purpose) labelling, with the French market accounting for just under half of total EU issuance of social bonds and just under a third of total sustainable bond issuance (vs 20% of the total green market) during 2024H1.

In Germany, issuers have maintained the highest nominal volume of green bond issuance among all EU countries, for the fifth consecutive year. The German government has been a relevant promoter of the market, originating 40% of the national volume (€13bn of the €44bn issued in Germany in the first half of 2024 alone).

Once adjusting by total volume of bonds issued, in 2024 Sweden leads EU countries with 27.5% of total bond issuance having ESG labelling, with Swedish ESG issuance in 2024H1 (€ 13.2 bn) putting 2024 on track to have the highest full-year issuance in Sweden to date.

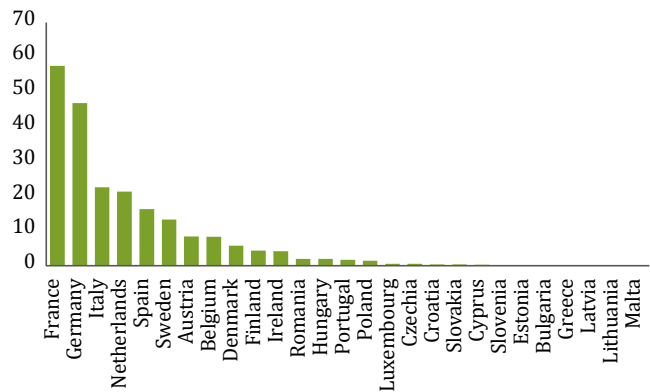
As shown on chart 5.3, participation in ESG bond markets varies significantly between countries. From a group of countries where c20% of total bond issuance is ESG-labelled, to predominantly eastern European countries where the proportion is consistently lower than 5%. Malta and Bulgaria remain the last two EU Member States from which issuers have not yet originated ESG bonds as of 2024.

5.3: ESG finance Indicator by EU Member State (2024H1 vs 3Y average)



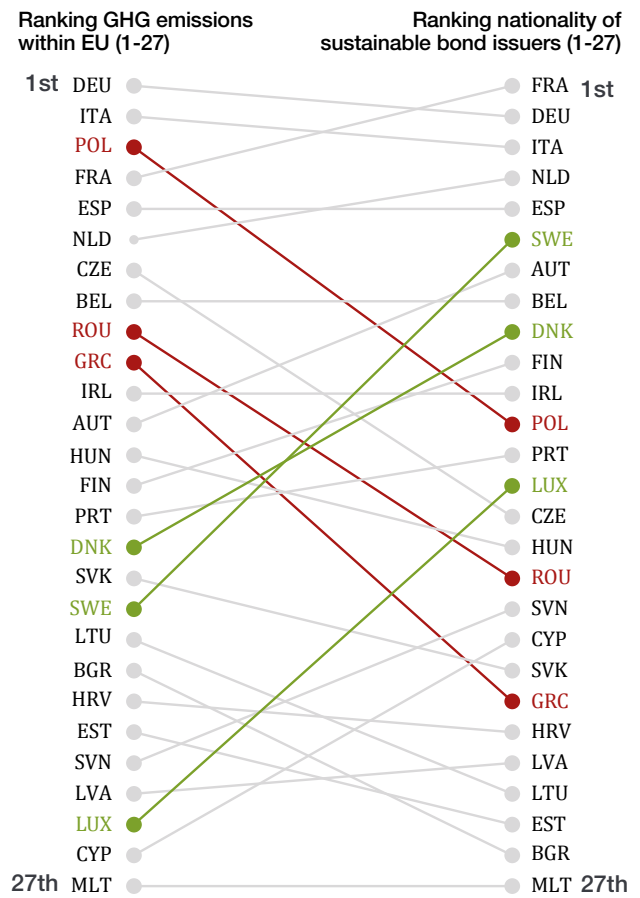
Source: CBI, Dealogic, ECB, SIFMA, ECBC and AFME

5.5: ESG bond issuance by country (EUR bn, 2024H1)



Source: CBI, Dealogic, ECB

5.4: Greenhouse gas emissions within the EU and nationality of ESG bond issuers



Source: Climate watch (GHG emissions) Eurostat. Excludes social issuance for purposes of this chart.

The central role of capital markets to fund the green transition

As can be seen from Chart 5.4, there exists a disconnect between greenhouse gas emissions and nominal issuance of ESG bonds. Countries with deep capital markets, such as Sweden, Denmark and Luxembourg, continue to have the capacity to issue ESG-labelled debt to fund the green transition, outsize their pollution footprint once compared with other EU countries. This contrasts with Poland, Romania and Greece, which have large greenhouse gas emissions but low ESG bond issuance.

This highlights the critical role of deep and well-functioning capital markets to enable EU countries to transition towards a net zero economy and unlock that source of private capital.



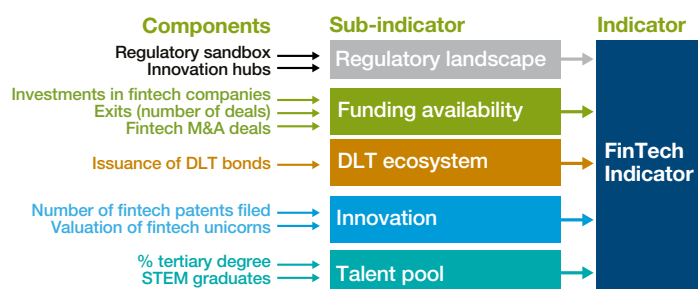
6. FinTech Indicator

6. FinTech Indicator

Increase of 3-year
average vs 2019



The FinTech composite indicator seeks to rank countries by their capacity to host a FinTech ecosystem. The indicator is constructed based on four sub-indicators: (i) regulatory landscape; (ii) availability of finance for companies; (iii) issuance of tokenised securities; (iv) degree of innovation; and (v) talent pool. Each of the five sub-indicators is composed by individual metrics as illustrated in the figure below:



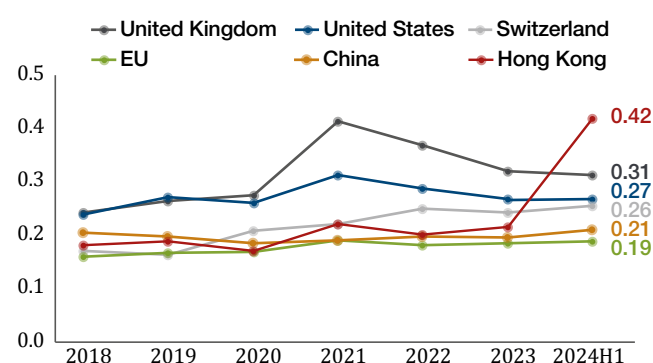
In this latest edition of our report, we have expanded our analysis of the Global FinTech ecosystem by including new countries: Switzerland, Japan, Australia, and Hong Kong, alongside the regions we previously covered: the EU and its member states, the UK, China, and the US.

Recent trends in a competitive global context

According to the most recent developments of the FinTech ecosystem, the EU lags behind overall, albeit we have seen positive developments with the adoption of Distributed Ledger Technology (DLT) technology in capital markets. Funding for EU Fintech companies continues to lag behind in a global context, with \$30bn raised over the last three years compared with \$35bn in the UK and \$142bn in the US.

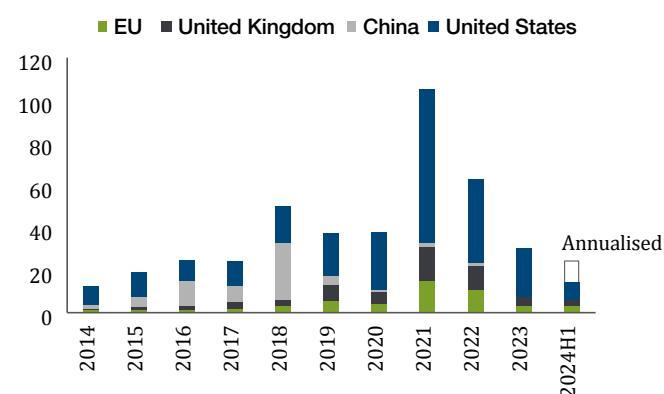
Hong Kong has now overtaken the UK as the leading global FinTech hub, thanks to its significant role in issuing a tokenised SSA bonds accumulating €700mm in 2024 (0.2% of HK's GDP).

6.1: FinTech Indicator evolution [0: Min, 1:Max]



Source: AFME

6.2: Global FinTech funding (\$bn)



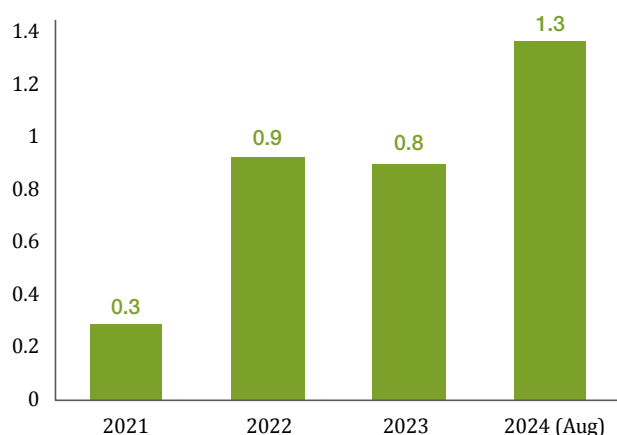
Source: Dealroom

DLT bonds take a central role in FinTech

The use of DLT for bond issuance represents tangible progress in the use of technology in capital markets.

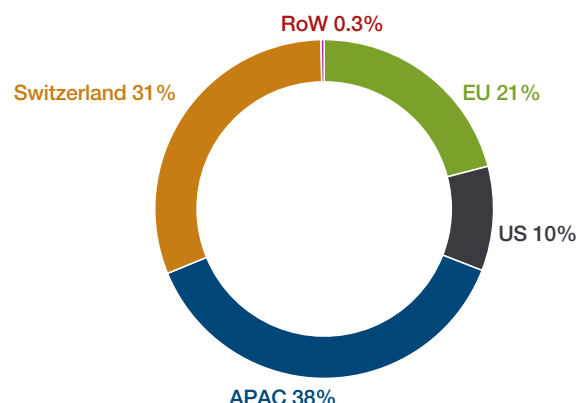
Globally, there has been a rapid increase in the issuance of assets using DLT, accumulating c €3.5bn over the last four years. The EU has taken part in this trend, with notable activity in Germany (KfW, Siemens), Luxembourg (EIB), and France (Société Generale), as well as the Republic of Slovenia's inaugural government DLT bond issued in 2024 for €30mn. Hong Kong and Switzerland have led the market in tokenised bonds with issuance of €800mm and €1bn, respectively over the last three years. The UK has not yet seen significant activity in this space, with only one such instrument issued (Luxedeco, with an undisclosed amount), which does not include the European Union's EIB GBP-denominated bond for £50mm issued on HSBC's Orion platform.

6.3: Global issuance of DLT-based bonds since 2021 (EURbn)



Source: AFME Research

6.4: Global issuance of DLT-based bonds by location of issuer since 2021



Source: AFME Research. US includes World Bank and IADB. The World Bank DLT bonds were issued on EU and Swiss infrastructures.

EU a few steps behind in the FinTech Unicorns league table

The EU has not seen any new additions to FinTech Unicorns over the last year, maintaining a total of 22 unicorns across eight Member States. The total value of EU unicorns saw a slight decrease of 0.4% to a total value of \$64bn, mainly due to an 18% year-on-year drop in the valuation of the Dutch neobank Bunq. The total value of Unicorns currently stands at \$126bn in the UK and \$410 billion in the US, almost 2x and 6x, respectively compared to the EU's, illustrating the gap in market presence of new and innovative financial technology companies. See chart 6.5.

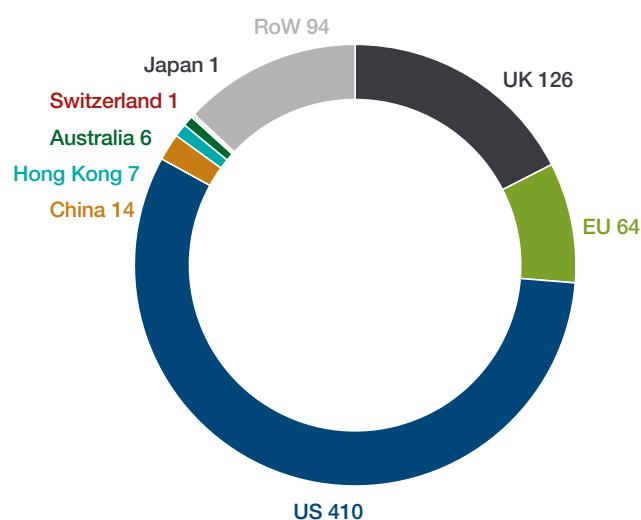
The trend of financial services innovation facilitators has plateaued, but new themes are emerging

The number of countries hosting innovation facilitators has not varied significantly over the last years, with only Estonia launching a regulatory sandbox in 2023. 11 of the 27 EU Member States have now introduced regulatory sandboxes to help FinTech companies adapt their technology to local regulatory requirements.

Efforts have most recently focused on AI, with Denmark's first AI sandbox launched in 2024, alongside the UK and Switzerland which have also opened AI sandboxes. The UK is planning a digital securities sandbox following the European blockchain regulatory sandbox for DLT launched in 2023 in the EU/EEA.

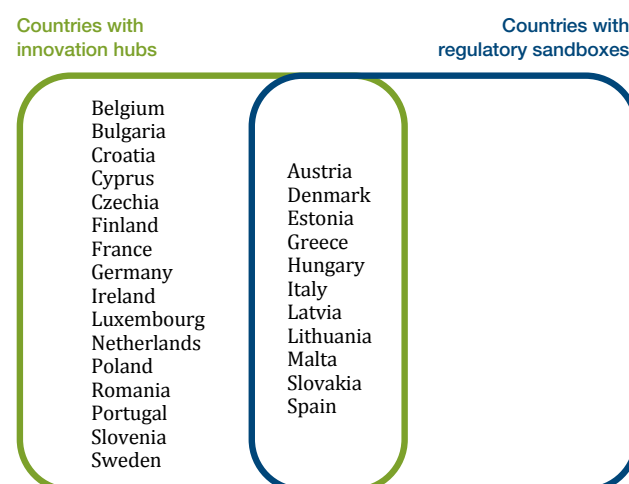
Within the EU, the absence of an EU-wide innovation facilitator for financial services activities has been a disadvantage which we consider in our indicator, notwithstanding the efforts to coordinate EU national innovation facilitators through the European Forum on Innovation Facilitators (EFIF). The benefits of innovation facilitators are significant for the local ecosystem— BIS research indicates that launching a regulatory sandbox is associated with a 75% increase in new funding for the fintech ecosystem.

6.5: Geographical distribution of FinTech Unicorns (\$bn)



Source: CBinsights

6.6: EU Financial services innovation facilitators



Source: EFIF, EIOPA

Integration and efficiency of capital markets ecosystem



7. Loan Transfer Indicator

Decline of 3-year
average vs 2019



The Loan Transfer Indicator measures the capacity to transform bank loans into capital markets vehicles (securitisation and loan portfolio transactions), which is crucial for enabling additional lending to the real economy by freeing up bank balance sheet capacity.

The indicator is estimated as a simple ratio of securitisation issuance (placed and retained) and loan portfolio sales relative to outstanding corporate and household loans.

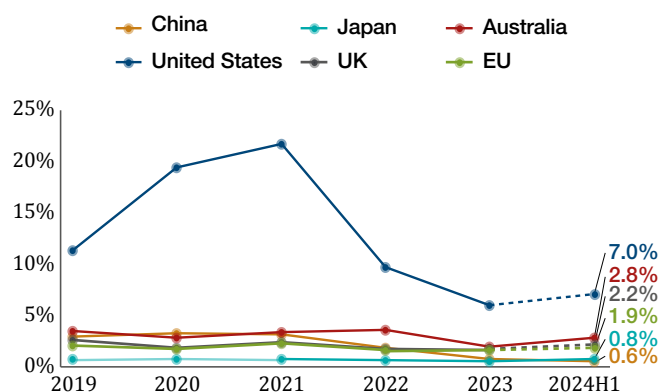


A structural competitive disadvantage: lack of a deeper EU securitisation market

While the EU experienced an increase in securitisation issuance in the first half of 2024, it still lags behind other jurisdictions, such as the US, UK and Australia, where loan-transfer vehicles are more predominantly used.

A total of €129 bn worth of securitised product and loan portfolio sales were issued in the EU during the first half of 2024, representing 1.9% of total outstanding EU loans which compares with 7% in the US, 2.8% in Australia and 2.2% in the UK.

7.1: Loan Transfer Index: securitisation and portfolio sales as % of outstanding loans



Source: AFME, SIFMA, ECBC, FDIC, ECB, US FED, Bank of America, JP Morgan, Debtwire, Deloitte, and React News. Indicator for 2024 annualises H1 volumes.

7.2: EU Loan Transfer Index by components: Securitisation and Loan Portfolio Sales (EURbn)



Source: AFME, SIFMA, ECBC, FDIC, ECB, US FED, Bank of America, JP Morgan, Debtwire, Deloitte, and React News

Securitisation made up 80% of total loan transfer instrument issuance during this period, the largest proportion since 2011. Securitisation issuance in the EU has been supported by significant volumes of Pan-European CLOs originated in the first half of the year.

Loan portfolio sales, which comprised the remaining 20% of loan transfer instrument issuance in 2024H1, were comparable to last year with issued volumes decreasing a marginal 2% YoY (annualised). The level of outstanding EU bank loans in 2024H1 remained stable, increasing by 0.2% YoY.

EU securitisation behind global competitors

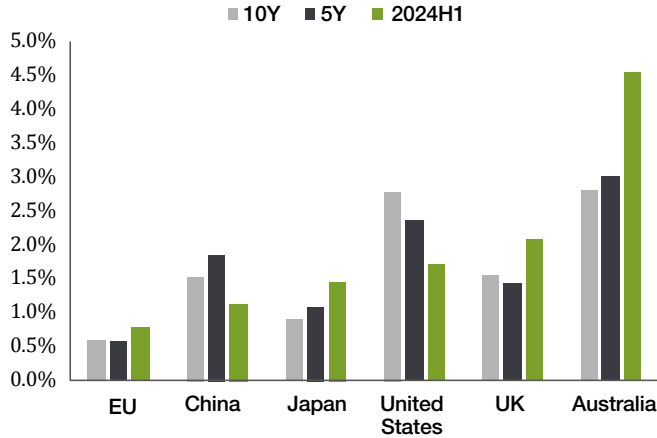
The recent increase in EU securitisation issuance was consistent with a global surge in securitised volumes more generally. Australia, Japan and the United States all recorded growth in primary market issuance in the first 6 months of 2024 compared to 2023.



7. Loan Transfer Indicator

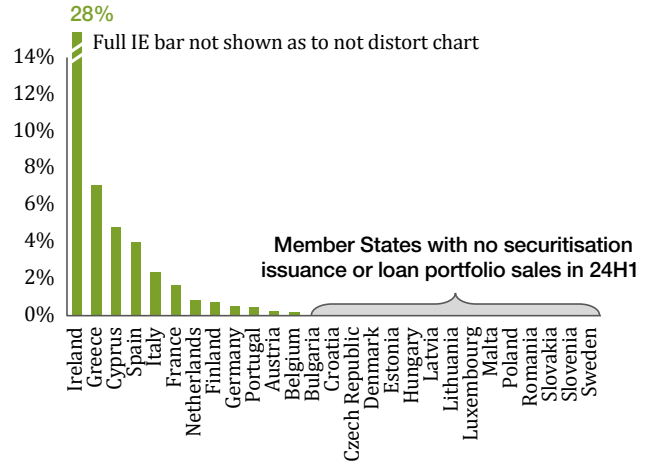
Notwithstanding this most recent improvement, the EU continues to be structurally behind other global regions with securitisation issuance, whether adjusted by loan size (as the Loan Transfer Indicator shows) or by GDP (see Chart 7.3), the EU securitisation market lags behind other jurisdictions.

7.3: International securitisation issuance as a proportion of GDP (2024H1 vs 5Y and 10Y average, %)



Source: AFME, SIFMA, Bank of America, JP Morgan, NAB (National Australian Bank), Macquarie, S&P, World Bank, IMF. US and Australian volumes include ABS, RMBS, CMBS and CDO.

7.4: Loan Transfer Indicator 2024H1 (securitisation and portfolio sales as % of outstanding loans) by EU Member State



Source: AFME, SIFMA, ECB, FDIC, ECB, US FED, Bank of America, JP Morgan, Debtwire, Deloitte, and React News

Narrow country base for Securitisation

Less than half of EU Member States used a form of loan transfer vehicle in 2024H1, with issuers in 9 Member States utilising securitisation and only 6 Member States recording any loan portfolio sales.

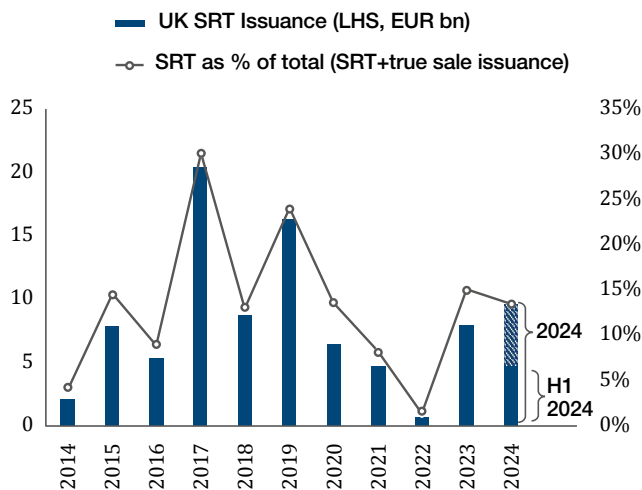
The narrow issuer base, with relatively few countries observing loan transfer instrument issuance, poses challenges for investors seeking to diversify country risk and amplification of the liquidity pool for the product.

Ireland leads European countries in the transfer of loans into marketable securities during 2024H1, with securitisation issuance equal to 11% of outstanding Irish bank loans.

Growing presence of SRT

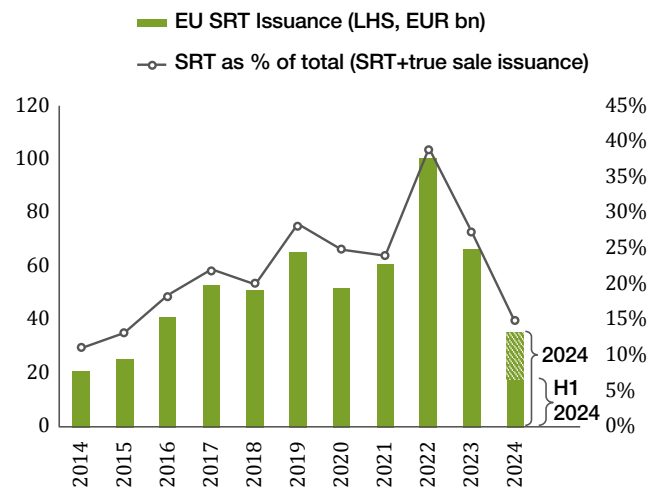
European securitisation markets are also supported by Significant Risk Transfer (SRT) which in 2024H1 made up around 15% of total (SRT and true sale) issuance in the EU and the UK. While most recently the portfolio volumes associated with issued EU SRT deals in 2024H1 has decreased (see Chart 7.6), this comes off the back of significant growth in the market over the last 10 years as European banks have sought to optimise their capital allocation with SRT.

7.5: Annual UK SRT Issuance



Source: SCI.

7.6: Annual EU SRT Issuance



Source: SCI

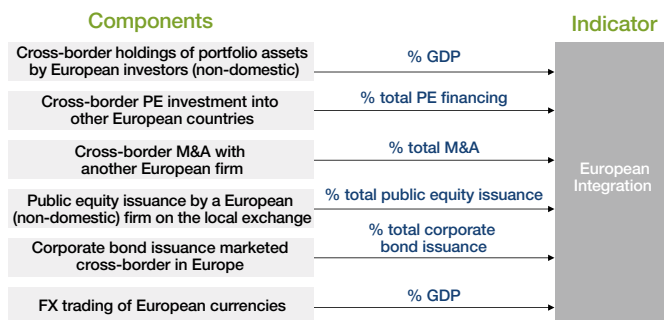
8. Cross-border Finance Indicator

Decline since 2021



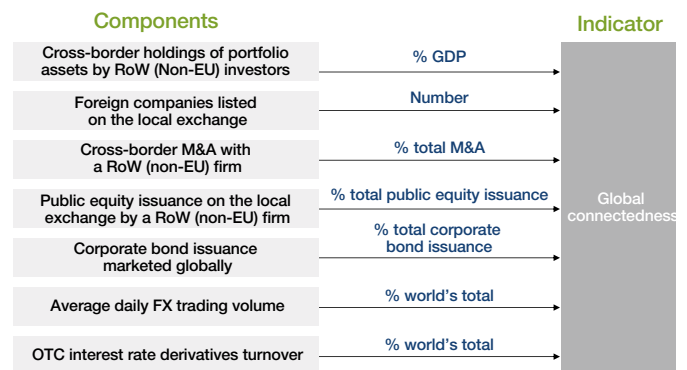
We have produced two indicators to quantify “intra-EU” integration and integration of capital markets activities with the rest of the world (RoW). The indicator considers different aspects of international capital markets by estimating a composite indicator aggregating the following features: (i) cross-border holdings of portfolio assets, (ii) cross-border M&A transactions; (iii) cross-border public equity raising; (iv) corporate bond issuance marketed cross-border; (v) participation in intermediating FX and derivatives trading. Additionally, cross-border private equity (PE) financing is considered only for intra-EU indicator, while a number of foreign companies listed on the local exchanges is considered for the global indicator due to data availability. Each of these subcomponents is adjusted as shown on Charts 8.1 and 8.2:

8.1: Capital Markets Intra-European Integration Indicator



Source: IMF (portfolio assets); PE financing (InvestEurope); M&A (Dealogic); Public equity (Dealogic); Bond issuance (Dealogic)

8.2: Capital Markets Global Integration Indicator

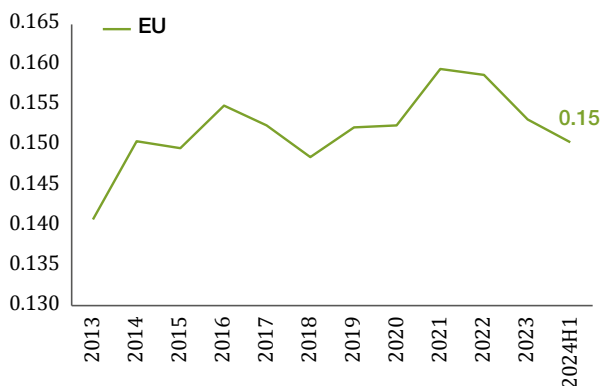


Source: IMF (portfolio assets); PE financing (InvestEurope); M&A (Dealogic); Public equity (Dealogic); Bond issuance (Dealogic)

Integration within the EU has recently deteriorated

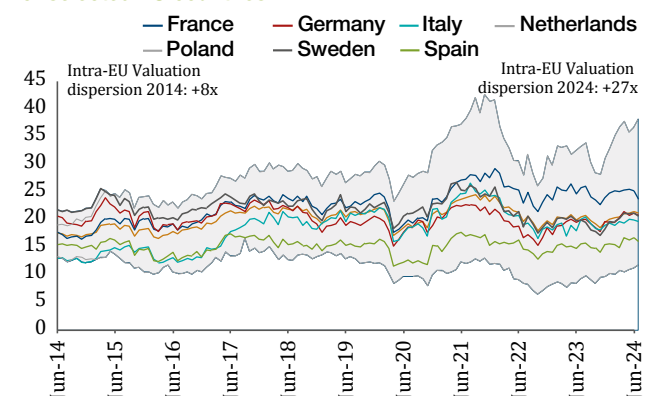
Our indicators exhibited a continued deterioration in intra-EU integration over the last year and constantly every year since 2021. Following a period of intra-EU integration during the covid pandemic when there was an increase in holdings of cross-border assets within the EU, we have observed a reversal in holdings of portfolio assets within the EU, from 87% of the EU's GDP in 2020 to 70% most recently. Other features have also deteriorated such as the amount of cross border issuance of public equity within the EU (from 8% of total issuance in 2021 to 1% in 2024), and intra-EU cross-border M&A from 19% of total in 2020 to 14% in 2024.

8.3: Intra-EU Integration Indicator [0: Min, 1:Max]



Source: AFME from multiple sources

8.4: Widening of EU valuations: Cyclically Adjusted PE ratio (CAPE) for selected EU countries



Source: Barclays

The deterioration in cross-border integration has been mirrored by a greater dispersion in EU asset prices, meaning that investors have widened their market valuations to compensate for country-specific risks. The dispersion in cyclically-adjusted price-to-earnings ratios (CAPE) between EU member states was 8x between the maximum and the minimum CAPE in 2014, which has widened to 27x in 2024 (chart 8.4). In fixed income markets, the dispersion of sovereign credit default swaps (CDS) of EU member states has also recently widened reversing improvements observed in 2014-2020, from 350bps in 2014, to 82bps in 2021, to 130bps in 2024.

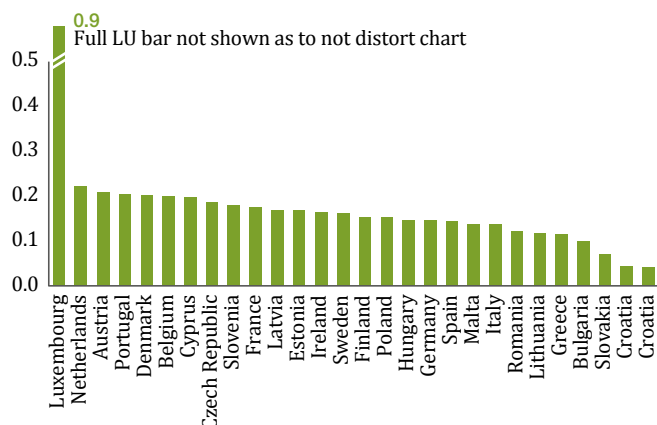
8. Cross-border Finance Indicator

The deterioration in intra-EU integration is consistent with research undertaken by the ECB as presented in the 2024 financial integration report. The ECB notes that despite a lot of legislative effort on EU financial markets over the last decade, euro area financial integration has deteriorated as measured by their own indicators.

The deterioration in EU integration highlights the importance of continuing to pursue ambitious initiatives to help integrate EU financial markets. Continuing a trend of fragmentation can have severe negative consequences on the EU's macroeconomic and financial stability.

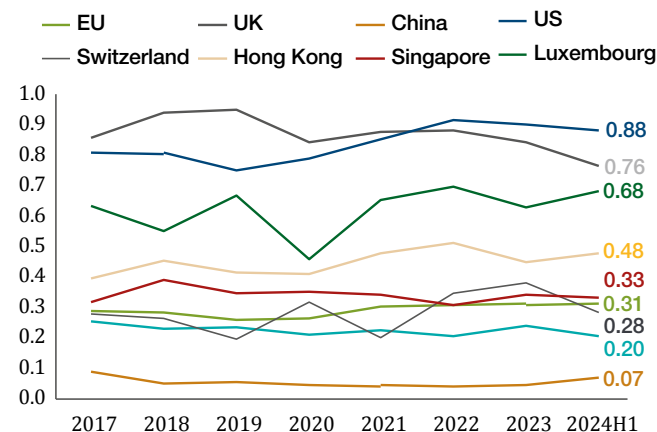
Luxembourg consistently leads in intra-EU integration as the EU's hub for the cross-border distribution of investment vehicles with the largest domicile of UCITS and AIFS in the EU. Bulgaria, Croatia, and Slovakia stand as the least intra-EU integrated markets.

8.5: Intra-EU Capital Markets Integration by EU Member State



Source: AFME from multiple sources

8.6: Global Integration Indicator [0: Min, 1:Max]



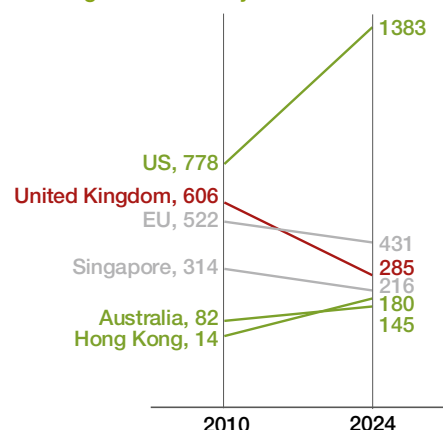
Source: AFME from multiple sources

EU capital markets integration with the rest of the world (RoW)

Capital markets integration with the RoW remained on average unchanged during the last year, although with visible fluctuations of other regions in their international presence. According to our indicators, the UK has lost global presence which has been gained by the US, predominantly in FX intermediation and facilitating access to equity capital to foreign companies. See chart 8.6.

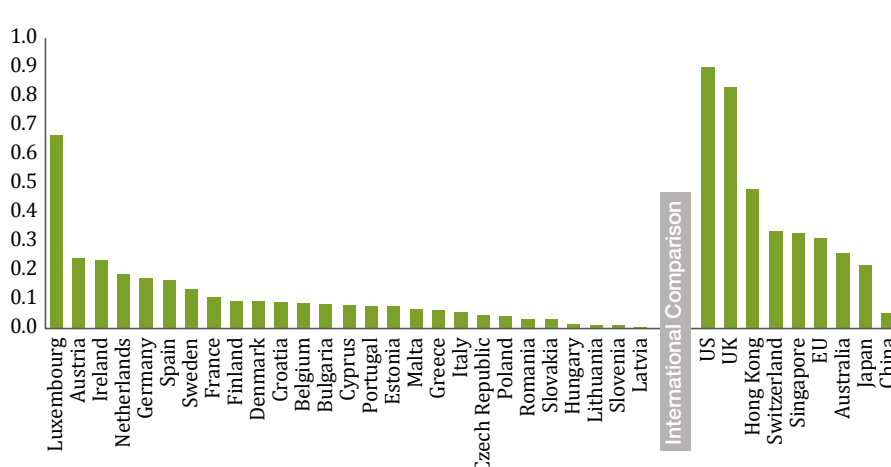
Over the last 14 years, US exchanges have almost doubled the number of foreign companies listed on the local exchanges. The EU, UK, and Singapore have lost global presence in the equity markets with a continues decline over the same period (see chart 8.7).

8.7: Number of foreign listed companies on exchanges of selected jurisdictions



Source: LSE, WFE

8.8: Global Integration Indicator by countries [0: Min, 1:Max]



Source: AFME from multiple sources

The UK stands as the most globally interconnected regional capital market, driven by its large role in intermediating global flows of interest rate derivatives and FX transactions. Within the EU, Luxembourg is the regional leader driven by the large portion of global equity and fund shares registered in Luxembourg.

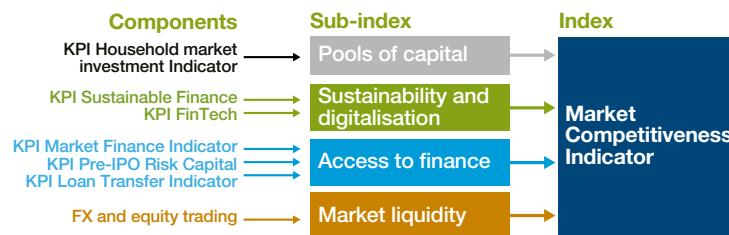
9. Market Competitiveness Indicator

Stable 3-year
average vs 2019



We measure capital markets competitiveness from a holistic perspective.

This indicator is estimated as a composite indicator that considers the following dimensions: (i) availability of pools of capital, (ii) sustainability and digitalisation, (iii) access to finance, and (iv) equity and FX market liquidity³. Each of the four dimensions is composed by individual metrics as illustrated in the Figure below:



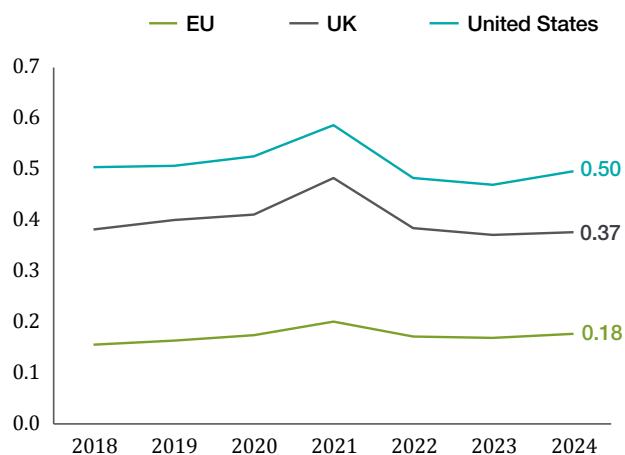
Measured as a composite indicator, it allows us to identify whether EU markets have improved as an ecosystem and how they compare with other third countries such as the UK and the US. It also helps identify the areas where policy intervention can be prioritised, and track progress for the various EU Member States.

Competitiveness: The US and the rest of the world

Chart 9.1 shows the evolution of capital markets competitiveness as measured by the indicator for the EU, the UK and the US.

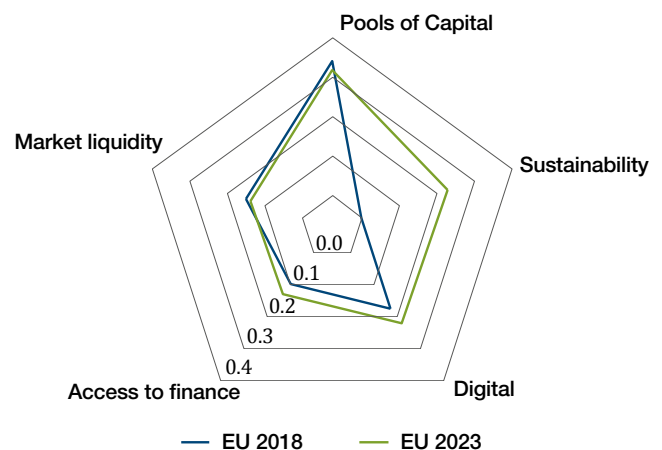
EU capital markets have not seen major progress over the last seven years. Since 2021, with the reversal of the various pandemic-related stimulus measures, market depth has retracted in the EU and globally.

9.1: Global Competitiveness Indicator [0: Min, 1:Max]



Source: AFME from multiple sources

9.2: Global EU Competitiveness Indicator by components [0: Min, 1: Max]



Source: AFME from multiple sources

By components, as seen on chart 9.2, the main area of progress in the EU has been in sustainable finance (also as shown in the ESG KPI section). In the other components like accumulation of pools of capital, access to finance to corporates and SMEs, digital finance, and market liquidity, the EU lags largely behind the UK and the US.

As shown on chart 9.3, the US dominates across virtually all capital markets areas, with the exception of sustainable finance and digital finance. The US is a deeper, more liquid, and globally interconnected market, able to provide more funding, and generally, more competitive than any other regional capital market.

³ FX turnover relative to GDP and equity trading liquidity based on on-exchange bid-ask spreads

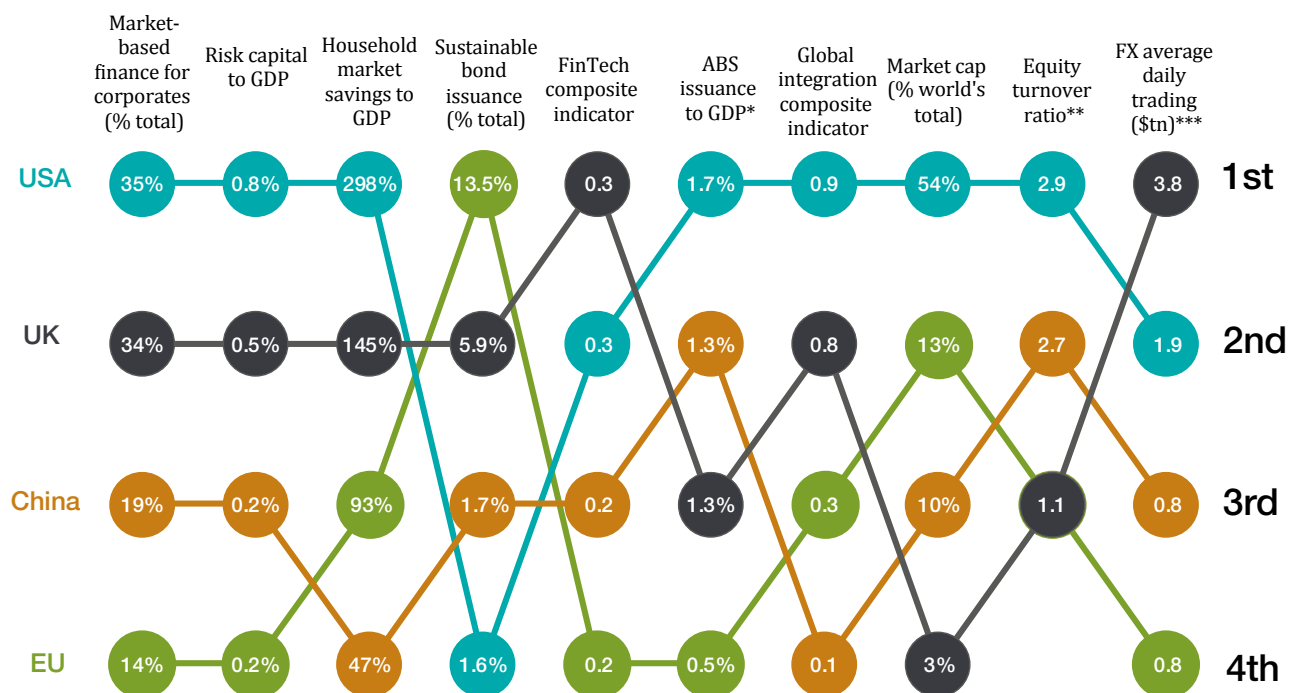


9. Market Competitiveness Indicator

However, alongside China, no other economic bloc has the scale, population size, and economic productivity to compete with the capital market predominance of the US.

The challenge for the EU remains in catching up in critical areas like market liquidity and access to capital for businesses. This is especially relevant considering the multiple funding needs that the EU faces of €800tn of extra resources per year as measured by the ECB and the Mario Draghi report to fund digitalisation (€150bn), defence (€50bn), sustainability (€450bn), and other productivity-enhancing investments (€150bn).

9.3: Comparison of EU Capital Markets competitiveness



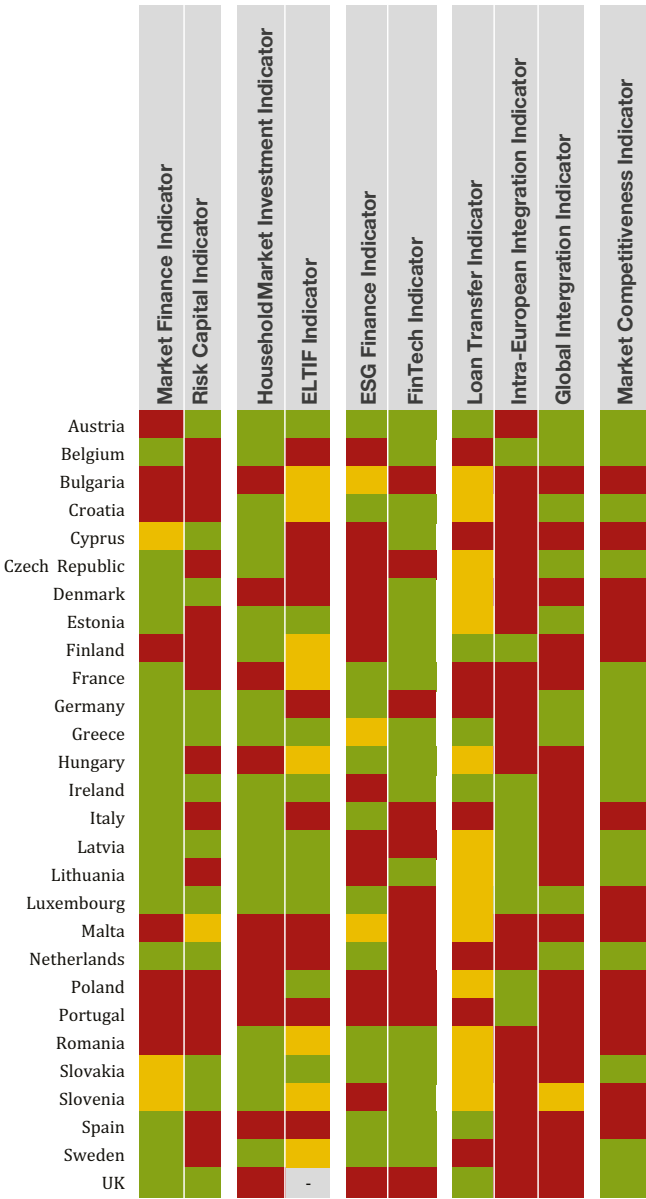
Source: AFME from multiple sources. *Includes ABS, CLO, RMBS. US securitisation issuance excludes agency RMBS. **Includes EEA and UK due to methodological challenges to assess the geographical location of OTC equity trades in Europe. *** China includes Hong Kong.



Appendices



Appendix 1: Key performance indicators by countries and components:
Comparison of progress between 2024 and 2023



Green: increase in 2024 vs 2023

Red: decrease in 2024 vs 2023

Yellow: No variation between 2024 and 2023

We have produced the above scorecard chart which seeks to assist in keeping track of evolution of the key performance indicators at the Member State level. Each cell shows in colour coded form if a country has increased, decreased, or shown no change in the indicator value over the last year.



Appendix 2: Key performance indicators by countries and components: Comparison of progress between 2024 and 2019



Green: increase in 2024 vs 2019

Red: decrease in 2024 vs 2019

Yellow: No variation between 2024 and 2019

We have produced the above scorecard chart which seeks to assist in keeping track of evolution of the key performance indicators at the Member State level. Each cell shows in colour coded form if a country has increased, decreased, or shown no change in the indicator value since 2019.



Appendix 3: Methodology and Data Sources

Scope of data collection

We have constructed nine Key Performance Indicators (KPI) in the form of composite indicators and ratios to assess progress across the seven political priorities of the CMU action plan.

The focus of the study is primarily European, although we have tried to compare EU capital markets with other non-EU jurisdictions on a best efforts basis where data is available.

The data is drawn from a wide range of sources, including contributions from trade associations, data platforms, Central Banks, Eurostat, and other international organisations.

All data is expressed in euros (€) unless otherwise indicated and translated using period-end exchange rates as reported by the ECB.

Data collection and methodology

Market Finance Indicator

Data sources - IPOs, Secondary Offerings, Investment Grade and High Yield Bonds (all Dealogic), NFC loans new issuance (ECB, National Central Banks, Federal Reserve, OECD, Mortgage Bankers Association).

For the EU, NFC loans are estimated using bank loans to NFCs due to the relatively low participation of non-bank lenders. For some EU countries in which data provided by the ECB for bank loans to NFCs is incomplete, issuance is estimated using central bank data or longer-term trends. In the US, there is significant participation of non-banks in the loan market and so lending from non-banks needs to be accounted for in the indicator.

A recent [OECD](#) study published the amount of commercial and industrial (C&I) lending originated by banks in the US, using data originally sourced from the US Federal Reserve. The aggregation does not include loans originated by non-banks such as finance companies and insurers, and doesn't include commercial real estate (CRE) or farm lending. Data from the [Kansas City Fed](#) was used to account for bank lending to farms and the [Mortgage Bankers Association](#) to account for bank and non-bank lending for CRE.

After adding the farm and CRE lending with C&I lending, this provides an estimate total US bank lending to NFCs, however the comparison of lending between EU and the US is not complete as non-bank lending to farms and C&I in the US needed to be accounted for (CRE lending data already included non-banks).

The Federal Reserve website states that bank lending represents c30% total [outstanding](#) lending to NFCs. This proportion is stable over the last 3 years and was used to estimate the total amount of C&I and farm lending originated by banks and non-banks. This gives the following breakdown and comparison:

US Bank lending= €1.1tn

CRE: \$139bn

C&I: ($\$574\text{bn} / 0.3$) / 2 = \$1.1tn

Farm: ($\$76.4\text{bn} / 0.3$) / 2 = \$127bn

US bonds = €512bn

US equity = €58bn

Total financing for US NFCs = €1.7tn

EU bank lending= €1.6tn

EU bonds= €240bn

EU equity = €16bn

Total financing for EU NFCs = €1.8tn

The indicator does not consider NFC finance provided by unlisted equity and trade credit.



Loan Transfer Indicator

Data sources – Securitisation (AFME/SIFMA, JPMorgan and BofA), Portfolio sales (Deloitte, React News, FDIC for the US), outstanding loans (ECB, Federal Reserve).

As was the case with the Market Finance indicator, outstanding loans in Europe are estimated using outstanding bank loans, due to the relatively low participation of non-banks in the lending market in Europe. For the US, both bank and non-bank lending is considered when calculating outstanding loan volumes.

Sustainable Finance Indicator

Data sources – Green, social, sustainable/dual purpose, and sustainability-linked bonds (Climate Bonds Initiative), securitisation (AFME/SIFMA, JPMorgan, BofA), NFC and Financial bonds (Dealogic), government bonds (ECB, SIFMA, national central banks), municipal and agency bonds (Dealogic), covered bonds (ECBC).

Greenhouse gas emissions are production based and sourced from Climate Watch. To the extent possible, the Climate Watch dataset has followed the IPCC Common Reporting Framework used by the UNFCCC. Additional information such as the data sources used, and the preprocessing performed for compiling the data, can be found in their [Climate Watch Methodology](#).

FinTech Indicator

Data sources – Regulatory sandbox and innovation hubs (ESMA, EBA and EIOPA), investments in FinTech companies (Crunchbase); exits (Crunchbase); number of patents filed with the following key terms: “G06Q”, “G07F”, “G07G”, “finance”, “banking”, “fintech”, “crypto”, “insurance”, “asset management” (google patents); valuation of FinTech unicorns (CB insights); M&A activity (Dealogic); percentage of working age population with tertiary degree (US FED, World Bank, Eurostat); STEM graduates (OECD, [UNESCO](#), World Bank and [Accenture](#)).

Household Market Investment Indicator

Data sources – Household financial assets for EU countries (Eurostat and OECD), and household financial assets for the US ([US Federal Reserve](#), Balance Sheet of Households and non-profit organisations) and for non-EU countries (OECD), GDP (Eurostat and World Bank). Cash, deposits and unlisted shares are excluded from the aggregation to include only capital markets instruments. Includes equity shares, mutual fund shares, bonds, life insurance reserves and pension fund holdings.

ELTIF Indicator

Data sources – ESMA ELTIF [register](#).

Pre-IPO Risk Capital Indicator

Data sources – SME loans new issuance (ECB, National Central Banks), Business Angel (EBAN, Crunchbase, and University of New Hampshire), Equity Crowdfunding (Crunchbase), and Private Equity (Invest Europe, Crunchbase and NVCA)

SME loans in this context are loans to NFCs with amount below €1m

Invest Europe private equity (PE) statistics do not include infrastructure funds, real estate funds, distressed debt funds, primary funds-of-funds, secondary funds-of-funds and PE/VC-type activities that are not conducted by PE funds. The aggregation basis for these statistics are the location of the private equity firm where the resources are invested.

Business angel statistics are EBAN estimates which assume that survey results (i.e. “visible market”) represent 10% of the total market. This report includes both visible and non-visible market based on EBAN’s methodology.

Cross-Border Finance Indicator

Data sources – cross-border holdings of equity shares and fund shares issued by European companies ([IMF](#)); cross-border holdings of bond instruments issued by European companies ([IMF](#)); cross-border private equity investment based on the location of the fund (Invest Europe and Eikon); cross-border M&A transactions (Dealogic); issuance of global corporate bonds (Dealogic); issuance of corporate Eurobonds (Dealogic); cross-border issuance of public equity in the national exchange (Dealogic); FX average daily turnover (BIS); average daily interest rate derivatives trading (BIS).

Both the European integration indicator and the global integration indicator are estimated as weighted averages of the standardised value of the different inputs. The results are later normalised into an index that ranges from 0-1 subtracting from each score the minimum score value from the sample divided by the maximum and minimum values: $(X - \min) / (\max - \min)$

The results were validated using principal components analysis, with minor differences in trends and rankings. A sensitivity analysis was also undertaken by removing FX and cross-border equity issuance (using principal components analysis), which resulted in a significantly lower integration level in 2017 compared to that pre-crisis— the country rankings also exhibited variation compared to those presented in the report.



Appendix 3

Market Competitiveness Indicator

Data sources – The “availability of pools of capital” component follows the same methodology as the Household market investment indicator; “sustainability and digitalisation” follow the ESG and FinTech indicators; access to finance follows the market finance indicator and the amount of risk capital adjusted by GDP. For the construction of the liquidity component, FX average daily turnover is sourced from the BIS; equity from FESE and Eikon.

All subcomponents (availability of pools of capital, sustainability and digitalisation, access to finance, and market liquidity) have the same weight for the construction of the indicator. The results are standardised and normalised into an index that ranges from 0-1 subtracting from each score the minimum score value from the sample divided by the maximum and minimum values: $(X - \min) / (\max - \min)$



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