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## Press release

### Key industry report tracks European capital markets' performance in 2024

#### Unlocking Capital Markets for a Competitive Europe

19 November 2024

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The Association for Financial Markets in Europe (AFME), in collaboration with eleven other European and international organisations, has today published the seventh edition of the **"Capital Markets Union – Key Performance Indicators"** report, tracking the progress of Europe's capital markets against nine key performance indicators and analysing the progress over the past seven years.

**Adam Farkas, Chief Executive of AFME**, said: *"Our latest CMU KPIs report demonstrates that EU capital markets continue to face major structural challenges. We are lagging behind other regions across most key areas, including access to finance for corporates and SMEs, FinTech ecosystems, and market liquidity."*

*"To ensure the EU remains competitive globally, we need bold reforms to better mobilise capital and unlock private sector funding. An integrated and more efficient capital market can fund the initiatives critical to Europe's economic competitiveness."*

#### Among the key findings of the 2024 report on European capital markets' performance:

- **EU Capital Markets Falling Behind:** Despite some cyclical gains, the EU lags behind the US, UK, and China in most key indicators, such as access to capital, global interconnectedness, and market liquidity. The EU's capital markets remain fragmented, undermining economic competitiveness on a global scale.
- **ESG Leadership, but Growth Slowing:** The EU continues to lead in sustainable finance, with ESG bonds accounting for 13% of total bond issuance in 2024, ahead of the US and UK. However, growth in EU ESG issuance has not kept pace with growth in non-ESG issuance, with the overall share of ESG issuance down from 15% in 2021, signalling a potential plateau.
- **Deteriorating Intra-EU Integration:** The report highlights a worrying decline in financial integration within the EU, a trend also noted by the European Central Bank. This fragmentation threatens the EU's overall financial stability and its ability to compete globally.
- **EU Securitisation Market Remains Underdeveloped:** The EU securitisation market continues to trail 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.
- **Widening Market Disparities:** Northern European nations, such as Luxembourg and the Netherlands, boast deeper capital markets and greater access to finance, while countries in Eastern Europe lag behind. This disparity poses a significant challenge to the EU's ambition for an integrated capital market.

- **EU FinTech Ecosystem Stalling:** Private investment in EU FinTech remains lower than in the US and UK, limiting the region's progress in digital finance. However, the EU has taken a leadership position in the issuance of tokenised bonds, accounting for 20% of the global market in this emerging area.

### **Addressing the Competitiveness Gap**

One of the most pressing concerns highlighted in the report is the EU's annual funding gap of €800 billion. The funding is required for key areas like digitalisation, infrastructure and sustainability all of which are essential for boosting the EU's long-term competitiveness. Unlocking the potential of capital markets will be key to addressing this shortfall.

The report stresses the importance of mobilising household savings, with €11 trillion currently held in low-yielding EU cash and bank deposits. Shifting some of these funds into productive investment vehicles will be essential to strengthening the EU's capital market ecosystem.

Without ambitious structural reforms, the EU risks further market fragmentation and a decline in global market capitalisation. The report warns that while the EU has the scale and resilience to compete with the US and China, significant reforms are needed to overcome internal market fragmentation and to unlock Europe's full potential.

The report was authored by AFME with the support of the Climate Bonds Initiative (CBI), as well as European trade associations representing: business angels (BAE, EBAN), fund and asset management (EFAMA), crowdfunding (EUROCROWD), retail and institutional investors (European Investors), publicly quoted companies (EuropeanIssuers), stock exchanges (FESE), venture capital and private equity (InvestEurope), private credit and direct lending (ACC) and pension funds (PensionsEurope).

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### **Notes:**

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website: [www.afme.eu](http://www.afme.eu)
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