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## AFME CMU Key Performance Indicators 2023: Italy

9 November 2023

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- **Italian** issuers had the second-largest nominal volume of issued green bonds of any EU country (after Germany) with EUR 20.9 bn issued in H1 2023, which represented 14.0% of the EU total. This follows Italy issuing the fifth-largest volume of any EU country in 2022 (EUR 14.2 bn), in 2021 (EUR 16.5 bn).
- **Italy** overtook the Netherlands and Spain to become the third-largest market of total ESG (green+social+sustainable) bonds in the EU in H1 2023, accounting for 10.9% of total new EU ESG finance.
- **In Italy**, total capital markets issuance (bonds and equity) by non-financial corporations increased 43% (annualised) compared to 2022. This was driven by strong investment grade and high yield bond issuance, with equity volumes falling a result of a collapse in Italian NFC secondary offering issuance. NFC funding in Italy was supported by a rebound in IPO issuance, with Italy having the largest volume of NFC IPO issuance among EU countries in H1 2023, accounting for 70% of total EU IPO issuance.
- **Italy** has the highest number of ELTIF vehicles marketed domestically in the EU for the third consecutive year, and exhibited an encouraging increase in the number of marketed funds with 53 ELTIFs in H1 2023 (38 in 2022).
- **Italy** had the largest decline in the Loan Transfer Indicator value among EU countries, as the proportion of loans transferred into capital markets instruments, including securitisations and loan portfolio sales, decreased to 1.6% relative to outstanding bank loans in H1 2023, down from 4.6% in 2022. The decline was driven by a 51% (annualised) decrease in securitisation issuance and 70% (annualised) decrease in loan portfolio sales, compared to 2022.

KPI	What this index measures	Position of IT within Europe			
		2023H1	2022	2021	2020
Access to capital					
Market Finance	Capacity for companies to raise finance on public markets	12	14	14	15
Pre-IPO Risk Capital	How well start-ups and non-listed companies are able to access finance for innovation	25	27	26	28
Pools of investment capital					
Household Market Investment	Availability of savings from retail investors to support capital market financing	6	6	6	6
ELTIF Products	Availability of ELTIF fund products financing long-term projects and SMEs	1	1	1	-
Transition to sustainable finance and digitalisation					
ESG Finance	Labelling of ESG bond markets	16	21	17	17
FinTech	Capacity to enable an adequate FinTech ecosystem	15	15	27	27
Efficiency of capital markets ecosystem, integration and competitiveness					
Loan Transfer	Capacity to transform bank loans into capital markets instruments (securitisation and loan transactions)	8	4	4	2
Intra-EU Integration	Capital markets integration within the EU	20	20	19	23
Global Integration	Capital markets integration with the rest of the world	16	21	20	18
Market Competitiveness	Measures attractiveness of EU capital markets	10	8	11	9

### Market Finance

- Capital market issuance accelerated in Italy during H1 2023, with the percentage of funding by non-financial corporations derived from market-based finance increasing to 9.5%, (6.6% in 2022FY and 11.5% in 2021FY). This compares with 10.3% in the EU and 26.2% in the United States in H1 2023.
- Total market-based finance for non-financial corporates in Italy increased 43% YoY (annualised) during H1 2023, driven by strong investment grade and high yield bond issuance. NFC equity issuance (IPOs + secondary offerings) decreased 33% YoY (annualised) driven by a collapse in secondary offering issuance.

#### Equity issuance

- Italian IPO markets supported NFC funding during the first half of 2023, with Italy being one of three EU countries (the other being Denmark and Poland) which did not record an

annualised fall in NFC IPO issuance. EUR 1.2 bn of IPO proceeds were issued by Italian NFCs, an increase of 66%, compared to 2022, when EUR 1.4 bn was issued. Notably, Italy had the largest volume of NFC IPO issuance among EU countries in H1 2023, accounting for 70% of total EU IPO issuance in this period.

- However, overall there was a decline in Italian NFC equity issuance driven by a collapse in secondary offering issuance, which decreased an annualised 99% YoY during H1 2023. If current issuance trends persist into the second half of the year, NFC secondary offering issuance in Italy is on track to be the lowest volume on record (AFME records began in 2000).

#### ***Debt issuance***

- During H1 2023, there was EUR 15.3 of investment grade bond issuance, representing an annualised increase of 35% compared to 2022 and proportionate to the record amount issued in 2021. Compared to pre-pandemic levels, IG bond issuance is up 22% (2019) and 95% (2018) on an annualised basis. Italian NFC IG bond issuance is on track to match volumes in 2021, which was itself was a record year for issuance in Italy, with NFC IG volumes the highest on record (AFME records began in 2000)
- High Yield bond issuance increased 106% (annualised) in H1 2023, with volumes rebounding from a record low volume in 2022, which represented the lowest annual HY bond issuance in Italy since 2012.

#### ***Bank Loan issuance***

- New bank loan origination declined slightly in H1 2023, with annualised volumes decreasing 4% compared to 2022, however, volumes remain higher than pre-pandemic levels (up 8% vs 2019 and 12% vs 2018).

### **Pre-IPO risk capital**

- The overall proportion of SME risk capital investment was 0.5% in H1 2023, compared with 1.2% in 2022.
- Among large Member States, Italy (and Spain) continue to over-rely on bank financing for SMEs and therefore have the highest potential to increase the presence of funding from risk capital sources.

### **Loan Transfer**

- Italy had the second-largest decline in the Loan Transfer Indicator value among EU countries (after Cyprus), as the proportion of loans transferred into capital markets instruments, including securitisations and loan portfolio sales, decreased to 1.6% relative to outstanding bank loans in H1 2023, down from 4.6% in 2022. The decline was driven by a 51% (annualised) decrease in total (placed+retained) securitisation issuance and 70% (annualised) decrease in loan portfolio sales, compared to 2022, with both types of issuance at multi-year lows:
  - 2023 Securitisation issuance in Italy is on track to have the lowest annual issuance volume since 2000.
  - 2023 Loan portfolio sales in Italy are on track to have the lowest annual issuance volume on record (AFME records began in 2015)

## ESG Finance

- ESG markets in Italy expanded considerably during H1 2023, with the ESG Finance Indicator for Italy almost doubling in the first six months of 2023, compared to 2022. The increase in ESG activity was driven predominantly by a surge in green bond issuance, which was up 196% (annualised) from 2022. Issued volumes of green bonds in the first half of 2023 already represent the largest volume ever issued in a given year in Italy. Social bond issuance increased 81% (annualised) while sustainable bond issuance decreased 73% (annualised) compared to 2022. Green bonds continued to significantly outsize other ESG labels in terms of volumes, making up 93% of total ESG bond issuance in Italy during H1 2023, up from 83% in 2022.
- As a result of increased issuance of ESG bonds, Italy overtook the Netherlands and Spain to become the third-largest market for total ESG (green+social+sustainable) bonds in the EU in H1 2023, accounting for 10.9% of total new EU ESG finance. Germany had the largest ESG bond issuance in the EU, followed by France.
- Italy had the second-largest nominal volume of issued green bonds of any EU country (after Germany) with EUR 20.9 bn issued in H1 2023, which represented 14.0% of the EU total. This follows Italy issuing the fifth-largest green bond volume of any EU country in 2022 (EUR 14.2 bn), in 2021 (EUR 16.5 bn).
- In terms of issuer types, the sovereign sector issued the largest amount of green bonds in Italy during H1 2023 (EUR 12.3 bn) followed by financial corporates (EUR 6.1 bn).
- In 2023 so far, the Italian government issued its third green bond reference for €10.0 bn, deepening the green government bond market and expanding the green Italian yield curve. This, in addition of tap issues of other references.
- Other large green bond issuers include Intesa Sanpaolo SpA, Ferrovie dello Stato Italiane SpA, Banco BPM SpA, UniCredit Bank Austria AG and Gruppo Acea.

## ELTIFs

- Italy has the highest number of ELTIF vehicles marketed domestically in the EU, for the third consecutive year, and exhibited an encouraging increase in the number of marketed funds with 53 ELTIFs in H1 2023 (38 in 2022).
- Italy had the third-highest number of ELTIF vehicles domiciled locally (after Luxembourg and France)

## Household Market Investments

- Among EU countries, Italian households have the fifth deepest pool of savings invested on capital markets instruments with the equivalent of 108% of GDP invested in listed equity, bonds, investment funds, or insurance and pension products. This is above, but close to, the EU average investment rate and similar to that of Belgium, Germany and France.
- However, there is a large gap between the amount of savings by Italian households and that in other European countries like the Denmark (187% of GDP), the United Kingdom (182% of GDP), and with the Netherlands (174% of GDP)

## **FinTech**

- The FinTech Indicator for Italy declined in H1 2023, driven by challenging funding conditions for Italian fintech companies. There was a marginal improvement in the local talent pool and degree of innovation while the fintech regulatory ecosystem remained comparable to 2022.
- Global funding for the fintech industry saw a sharp decline in 2023, with fintech investment in Italy decreasing by 66% (annualised) compared to 2022. Funding in Italy contracted further than other regional peers, with total EU fintech funding falling by 55% in the first six months of 2023, compared to 2022, (vs a contraction in the UK and US of 59% and 29% respectively).
- Elsewhere in funding, there were zero completed M&A transactions of Italian fintech companies as of June 2023, (vs 89.0% drop in EU total over the same period).
- The valuation of Italian fintech unicorns increased 100% against 2022.
- In terms of the pool of available talent, the percentage of the population with tertiary education or above in Italy increased to 20.3% in H1 2023, up from 20.0% in 2022, having a marginal positive contribution on the indicator.

## **Competitiveness**

- Among EU countries, the Italian capital market ecosystem ranked 9<sup>th</sup> in our competitiveness indicator, which considers the multiple factors behind an efficient and deep capital market: pools of capital, market liquidity, access to capital, digitalisation and sustainability. Denmark, Sweden, Netherlands, France and Ireland, Germany, Finland and Cyprus ranked ahead of Italy within the EU.
- The most significant improvement over the last 5 years in Italy has been in the transition towards a sustainable and digital economy. Progress in the developing the local pools of capital and in building a more liquid market for equities has been discreet.