Capital Markets in the UK

Key Performance Indicators

April 2024

Association for Financial Markets in Europe

www.afme.eu

Disclaimer

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Executive summary

Welcome to AFME's inaugural Capital Markets in the UK: Key Performance Indicators report. An extension of the sixth edition of AFME's flagship Capital Markets Union: Key Performance Indicators report, which tracks the development of the European capital markets ecosystem, this report and focuses exclusively on UK Capital Markets and is the first in what will be an annual series.

The purpose of this report is to assess the UK's progress in enhancing and expanding its capital markets against a set of benchmark indicators.

We group our eight 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
4. Efficiency of capital markets ecosystem and integration

We compare the evolution of the UK's capital market, according to our indicators, with other global regional peers such as the United States (US), China, the European Union (EU), and some selected EU Member States.

Key findings

Capital markets largely contribute to corporate and SME funding of UK enterprises. UK corporates consistently use capital markets to fulfil a significant proportion of their funding needs, with approximately a quarter of total funding raised via capital markets; this figure places the UK just behind the United States (26%) and ahead of the EU (10%).

The UK's capital market continues to stand as a regional and global hub for corporate funding and risk management. The UK is the global hub for FX and interest rates derivatives, intermediating 38% the world's total FX products and 45% of the world's interest rate derivatives. The UK's FinTech sector is particularly strong, with the UK being a global leader in FinTech production, innovation, and funding, which places it ahead of the US, China, and the EU, according to our indicators.

Despite its strengths, there are areas of concern for the UK's capital markets as a global hub. The decline in new equity listings via Initial Public Offerings (IPOs) is striking, with a near inactive IPO market in 2023, raising only a small fraction of the proceeds of previous years. Additionally, the number of domestic and foreign-listed companies continues to decline, reflecting a trend of delisting and a reduction in the number of new IPOs on the London Stock Exchange (LSE). The number of foreign listed companies on the LSE almost halved over the last decade, from 600 foreign listed companies in 2011 to 309 in 2023. In comparison, the number of foreign listed companies on US exchanges almost doubled over the same period. The number of UK domestic listed companies has also declined just over the last two years, from 1,646 in 2021 to 1,575 in 2023.

The reduction in listed companies has caused a marked decline in the UK's share of global equity market capitalisation. The UK represented only 3.5% of the world's market capitalisation in 2023, a decline from 10% in 2000, a larger decline than observed in the EU from 18% in 2000 to 13% in 2023. China, in contrast, has rapidly grown from 0.3% in 2000 to 13% in 2023.

There are underlying fundamentals in the UK that could drive growth in its capital markets. There are a number of key underlying fundamentals that indicate future growth in the UK is possible. The UK has a large pool of underutilised capital, driven by the sizeable portion of household savings held in the form of cash and deposits (30% of the total). Moreover, the vibrant ecosystem of tech start-ups and unicorns suggests the potential for future growth in the capital markets, particularly in the FinTech sector, is significant.

There is also significant room for growth in the ESG sector, as indicated by the rapid increase in UK green bond issuance — an area, however, where the UK still lags behind the EU but ahead of China and the US. Additionally, the underdeveloped UK securitisation market presents an opportunity to unlock capital and facilitate additional lending to the real economy. Focusing on these two areas over the coming years has the potential to support the growth of UK capital markets.

Overview of indicators and ranking of the United Kingdom

Table 1: Comparison of United Kingdom Capital Markets Against Key Performance Indicators[1]

	Indicator	UK	US	China	EU	DE	FR	NL
Access to capital	**Market Finance** NFC Equity and Bond issuance as % of total NFC annual financing	25.8%	26.2%	N/A	10.3%	8.7%	18.5%	16.1%
	Pre-IPO Risk Capital Equity crowdfunding, Business Angel Growth Private Equity investment, and venture capital investment as % of GDP	0.5%	0.7%	0.3%	0.2%	0.24%	0.35%	0.34%
Pools of investment capital	**Household Market Investment** Household financial assets saved in financial instruments (excluding cash, deposits, and unlisted equity) as % GDP*	182%	311%	51%	90%	96%	100%	174%
Transition to sustainable finance and digitalisation	**ESG Finance** ESG bond issuance as % of total bond issuance	7.0%	1.0%	2.3%	12.7%	11.9%	12.0%	20.5%
	FinTech Composite indicator of funding for FinTech companies, talent pool, regulatory environment, and innovation. Range 0-1	0.52	0.35	0.16	0.16	0.32	0.29	0.42
Efficiency of capital markets ecosystem, integration and competitiveness	**Loan Transfer** Securitisation issuance and loan portfolio transactions as % of outstanding bank loans	1.7%	6.1%	N/A	1.8%	0.8%	2.7%	2.3%
	Global cross-border Finance Composite indicator of cross-border M&A transactions, equity & bond issuance, Private Equity, and portfolio holdings, FX trading. Range 0-1	0.64	N/A	N/A	0.14	0.22	0.16	0.22
	Global equity footprint Market capitalisation as a % of world's total	3.5%	51%	13%	13%	2.4%	3.5%	1%

*Data as of 2023H1 except for the Household Market Investment Indicator which is based on Q1 2023 data.

[1] For the purpose of ranking the respective indicators for each country, colour codes indicate higher ranking (green), average ranking (amber) and lower ranking (red) for the most recent performance in 2023H1.

ACCESS TO CAPITAL

1. Market Finance Indicator

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

The indicator achieves 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.

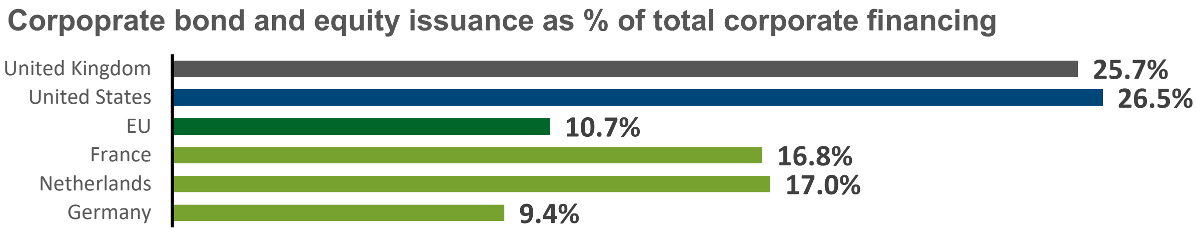
UK corporates derive a quarter of total funding from capital markets

The UK capital market is both a regional and global hub for capital markets funding.

Over the last 3 years on average, UK corporates have raised approximately a quarter of their total new funding via public markets, which is a similar percentage to the United States. The remaining three quarters are typically funded via traditional bank lending.

Businesses in the UK consistently utilise capital markets for a significantly greater share of their funding needs than regional counterparts, with the 3Y average Market Finance Indicator in France and the Netherlands around a third lower than the UK and Germany two-thirds lower.

1.1 2020-2023H1 3Y average Market Finance indicator by country

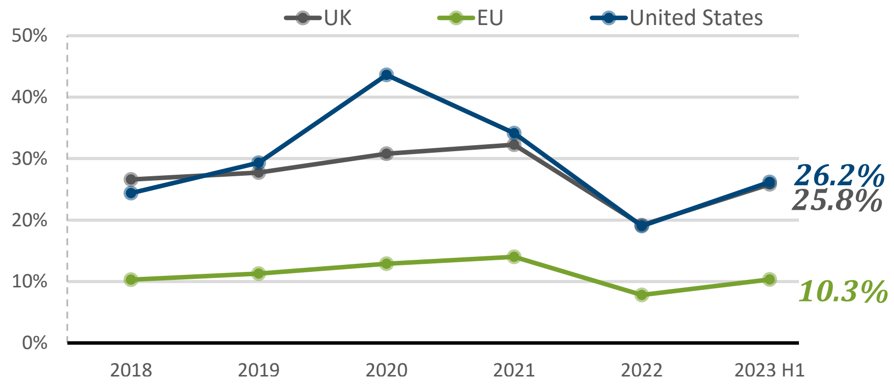


***Source**: Dealogic, US FED, ECB, BoE, and other European central banks*

Market-based funding is crucial for UK corporates, notwithstanding cyclical fluctuations

Following a challenging 2022 for market-based funding, capital market issuance accelerated for UK non-financial corporates during in 2023, with the percentage of total corporate funding derived from market-based finance increasing to 25.8% (19.2% in 2022FY and 32.3% in 2021FY). This compares with 10.3% in the EU and 26.2% in the United States in the same period.

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



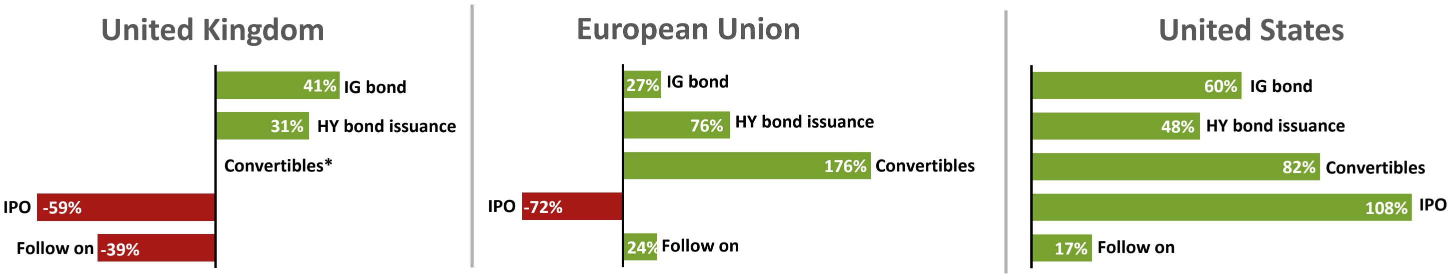
Source: *Dealogic, US FED, ECB, BoE, and other European central banks*

UK IPOs subdued during 2023 as proceeds fall to record low

New equity listings via Initial Public Offerings (IPOs) by NFCs have continued to contract. Equity issuance on UK exchanges decreased 40% YoY in the first half of 2023 driven by a slowdown in IPO and secondary issuances.

Over the past year, IPO markets were virtually inactive in the UK, with only GBP 0.1 bn raised in IPO proceeds by NFCs - the lowest annual volume on record (AFME records began in 2000). This is down from GBP 0.4bn raised in 2022 and GBP 13.5bn in 2021.

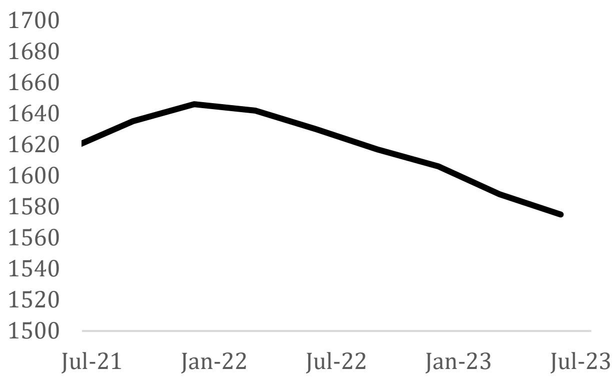
1.3 Breakdown of UK, EU, and US market finance by category (H1'23, YoY % change)



Source: *Dealogic*

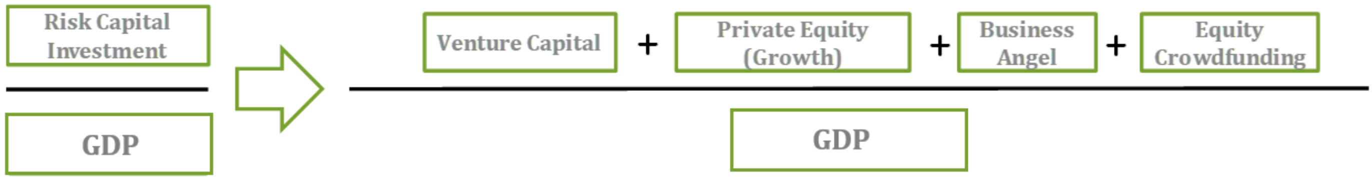
In addition to the recent trend in IPO volumes, the number of domestic listed companies has continued to decline, with the number of listings falling from 1,646 in 2021 to 1,575 in 2023. as the number of new listings has not kept pace with the number of delistings as some companies have preferred to go private (e.g. Cambridge-based chip designer Arm Holdings) or preferred to consolidate their listings in other jurisdictions (CRH plc on the NYSE, African Rainbow Minerals Limited on the JSE, or TUI AG on the Frankfurt Stock Exchange, to name a few).

1.4 Number of domestic companies listed in the UK



2. Pre-IPO Risk Capital indicator

The pre-IPO risk capital indicator measures the capacity of small and medium enterprises (SMEs) to raise equity risk capital from private markets. The indicator is measured as a ratio of the flow of equity risk capital investment relative to GDP.



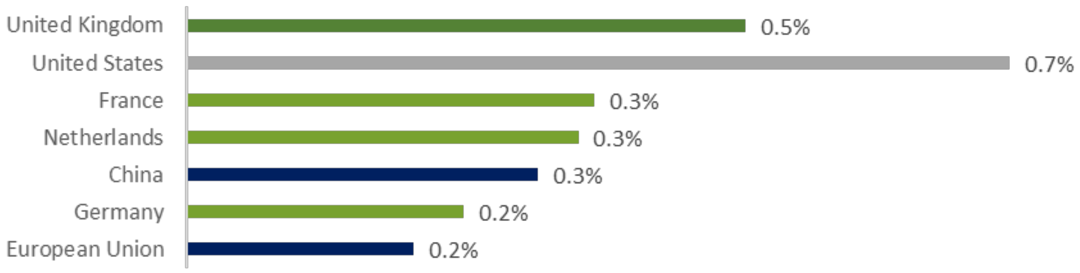
UK risk capital continues to be underdeveloped compared to the US

SME's ability to raise equity risk capital is crucial for business start-ups, helping them to scale up and expand their business, leading to further job creation and economic growth.

In 2023, compared to the US, the UK exhibited a nominal funding gap of 0.2% of GDP, although when comparing the UK to jurisdictions such as China and the other European countries, demonstrates a comparative advantage when comparing the levels of pre-IPO funding.

Sources of pre-IPO funding represented 0.5% of the UK's GDP, which is more than double the availability for the EU when adjusting by the size of the economy (0.2% of the EU's GDP) and above the observed in China (0.3% of China's GDP). However, the US is the world leader for equity risk financing by a significant margin, with a vibrant funding ecosystem that enables considerable scope for SME job creation and growth.

2.1 Pre-IPO Risk Capital Indicator 2023H1 (venture capital, private equity (growth), business angel and equity crowdfunding investment as a proportion of GDP)



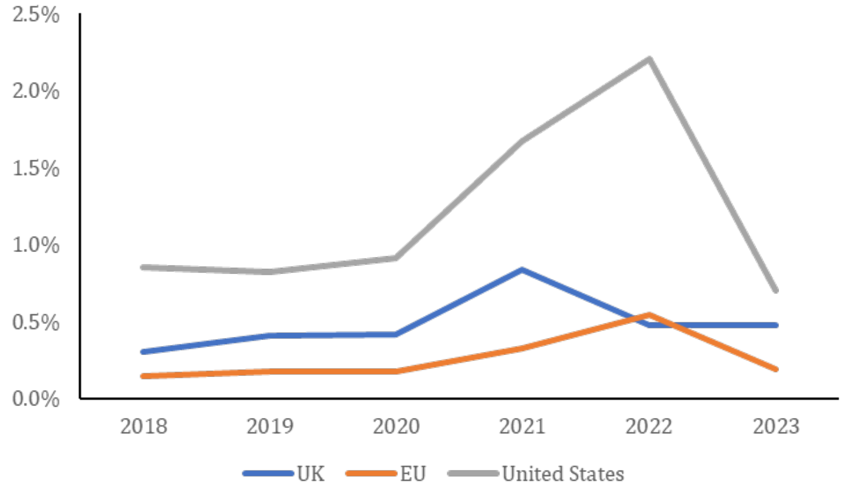
Source: EBAN, Invest Europe, Eikon and Dealroom

Recent cyclical deterioration in equity risk capital

Following a prolonged era of ultra-low interest rates and a wide availability of funding opportunities, monetary policy tightening and higher interest rates has made it more expensive for SMEs to access investment and capital. More broadly, monetary policy tightening has transmitted to the wider economy with higher cost across all forms of finance for SMEs (in both nominal and real terms).

AFME estimates suggest that the cost of equity increased by 200bps (100bps in real terms) over the last two years. The increase in the cost of capital has been reflected in lower company valuations and reduced availability of risk capital, as investors demand a higher rate of return for investing in growth and stat-up companies.

2.2 Evolution of Pre-IPO Risk Capital Indicator (venture capital, private equity (growth), business angel and equity crowdfunding investment as a proportion of GDP)



Source: EBAN, Invest Europe, Eikon and Dealroom

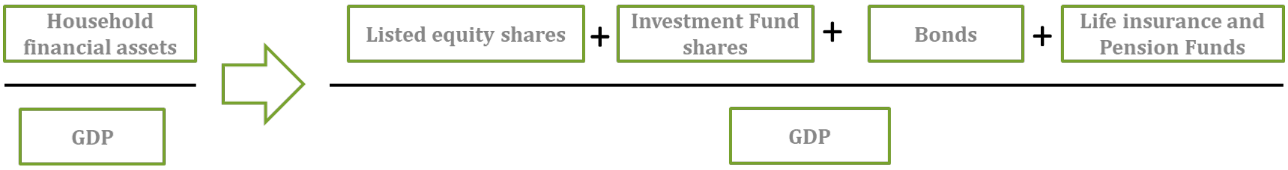
Looking forward, markets will continuously assess the appropriate equilibrium value for the cost of finance (R*, or the real neutral rate of interest). The market will also assess the effect that this has on other forms of finance and whether the changes in monetary policy has any significant impact in the long-run cost of capital.

Regardless of cyclical fluctuations, as shown on chart 2.2., there is an observable structural equity risk capital funding gap compared to the US, although this has significantly narrowed in the last year having expanded significantly and markedly in 2022.

POOLS OF INVESTMENT CAPITAL

2. Household market investment indicator

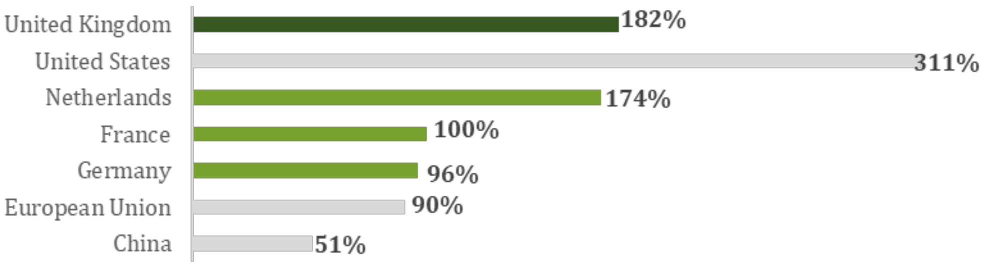
The household market investment indicator measures the availability of savings from retail investors to invest in capital markets instruments. This ratio is estimated as household financial assets (excluding cash, deposits, and unlisted equity) as a percentage of GDP. The asset classes aggregated as "Household financial assets" in this indicator include listed equity shares[2], investment fund shares, bonds, life insurance reserves and pension fund holdings.



The availability of investment opportunities helps transform savings into productive assets, helping to drive returns on capital and economic growth.

UK households have a deep pool of savings invested in capital markets instruments with the equivalent of 182% of GDP invested in listed equity, bonds, investment funds, or insurance and pension products. This is significantly above the EU average investment rate of 90.4% and similar to the amount of savings invested by Danish households (187% GDP) and Dutch households (174% of GDP).

3.1 Household Market Investment Indicator: household market financial assets (excluding cash, deposits and unlisted equity as a % of GDP



Source: *Eurostat, US FED, and OECD*

Households could unlock investments for the real sector

Even though the UK has a significant advantage compared to other regional economies when comparing the proportion of savings invested in capital market instruments, the potential to unlock further growth is sizeable and should not be ignored.

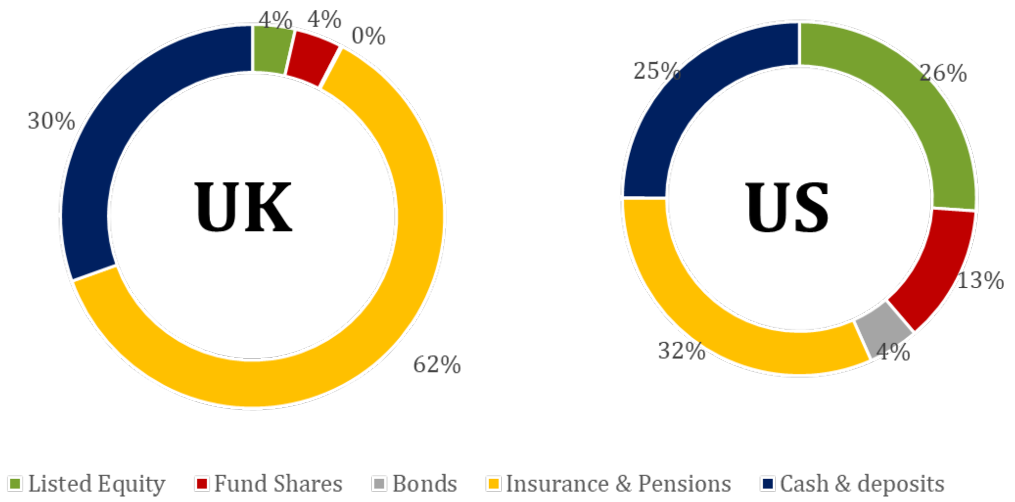
The UK's household savings rate is relatively high (c10%) compared to other developed markets but a large portion of those savings are invested in cash and deposits instead of capital markets instruments or long-term savings products.

This contrasts with the US where households and retail investors play a more prominent role in domestic capital markets.

In the UK, 30% of household financial assets are stored in the form of cash and deposits, while only 4% are invested in direct holdings of listed equity. This is in contrast with the US, where there is a balanced distribution with 25% of assets saved in the form of cash and deposits and 26% invested in listed equities.

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

3.2 Distribution of household financial assets (% total)



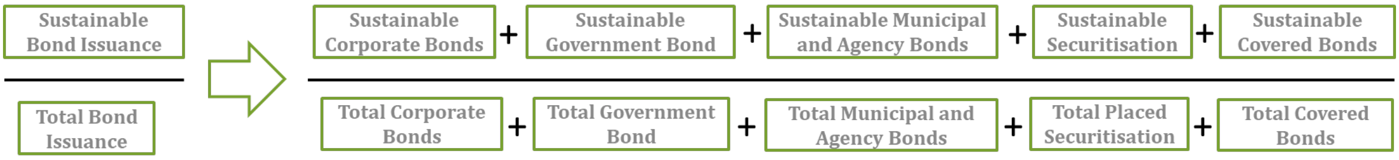
Source: *ONS, US FED. Excludes unlisted equity*

Given the differences between the UK and the US (noting the gap in the proportion of household assets invested in listed equities), unlocking retail investment, either through direct investment in listed equities or indirectly through pension funds or passive retail funds, has the potential to strengthen UK capital markets and help drive economic growth.

TRANSITION TO SUSTAINABLE FINANCE AND DIGITALISATION

5. ESG finance indicator

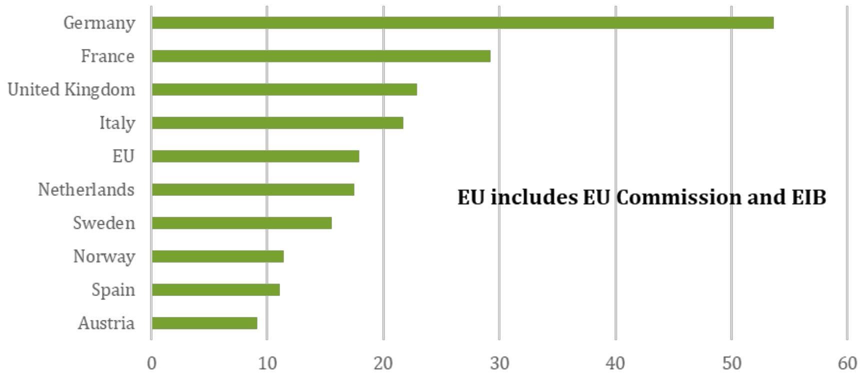
Funding a sustainable transition to net-zero is a cornerstone of future growth. This indicator seeks to quantify the labelling of ESG bond instruments and is estimated as a ratio of issuance of ESG bond instruments (corporate, government, municipal, agency, securitisation, and covered bonds) relative to total bond issuances. The definition of ESG is based on the Climate Bond's Initiative proceeds-based criteria (green, social, and sustainable).



The UK's underutilised potential to lead the net zero transition

UK issuers stand as the third-largest originators of green bonds of any European country (after Germany and France). Our latest data for the full year 2023 indicates that UK issuers originated GBP 23bn in green bonds in 2023 which represented 9% of the total European green bond market. This follows UK issuers originating the fourth-largest green bond volume of any European country in 2022 (GBP 15bn), and third-largest in 2021 (GBP 25bn).

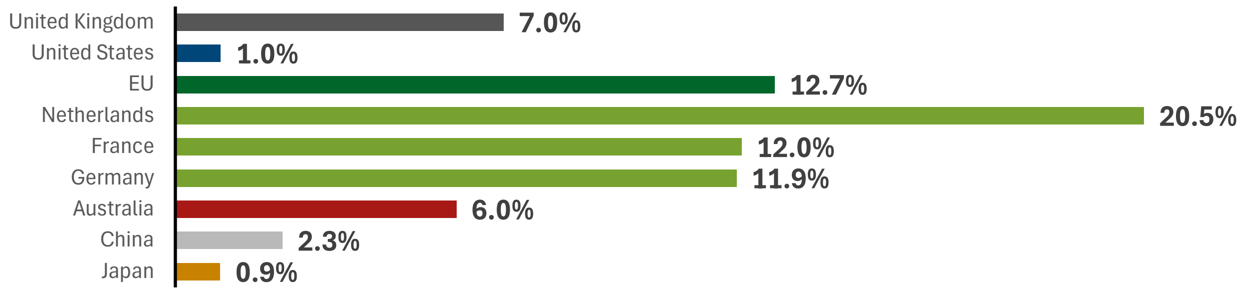
5.1 European green bond issuance by country of issuer (top 10): 2023FY, GBPbn



Source: *CBI, Dealogic*

However, when adjusting by the domestic size of total bond issuance (as our indicator measures), it is evident that the UK could further improve its participation in the ESG market. Historically, the UK has performed consistently worse than other regional peers such as the Netherlands, France, and Germany across the ESG Finance Indicator. In 2023 H1, 7% of total UK bond issued was classified as ESG compared with 12.7% in the EU, 20.5% in the Netherlands, and 12% in France and Germany.

5.2 ESG bond issuance as % of total bond issuance (2023H1)



Source: *CBI, Dealogic, ECB, SIFMA, ECBC and AFME. EU includes EU Member States, European Commission and EIF*

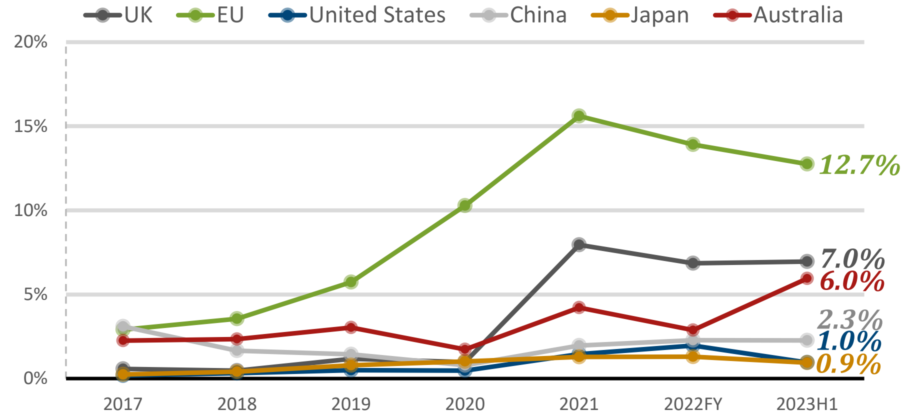
Whilst there has been recent positive developments in ESG activity across the UK domestic market, the large gap that still exists when comparing the UK to other major European markets suggests there are further opportunities to expand the ESG bond market which will be necessary to finance the green transition and the UK government's ambitions to combat climate change.

Nominal UK ESG bond issuance surges driven by increase in green volumes

There was an increase in ESG activity in the UK during the first six months of 2023, driven by an increase in green bonds issuance, and to a lesser extent increased social and sustainable bond issuance (although nominal activity in this area increased over the period).

It should be noted that due to a significant increase in non-ESG bond issuances (which constitutes the denominator of the index), the ESG Finance Indicator for the UK in 2023H1 remained comparable to last year, with 7.0% of total bond issuance having an ESG label.

5.3 ESG bond issuance as % of total bond issuance



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

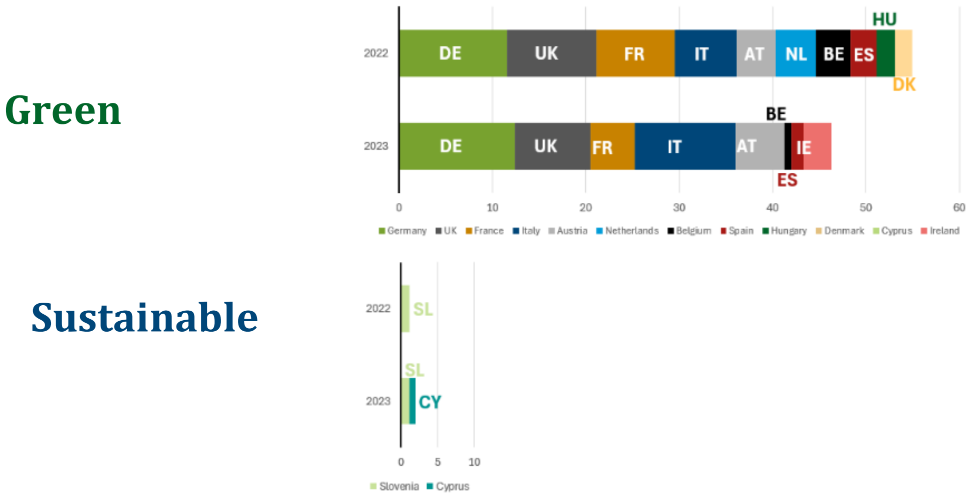
In terms of volume, green bonds continued to significantly outsize other ESG bonds, comprising 77% of total ESG bond issuance in the UK during 2023H1, up 5% from 72% in 2022.

Continued momentum in the UK sovereign green sector through 2023

The UK government was the largest issuer of green bonds in the UK during 2023 (GBP 13 bn raised) followed by non-financial corporates (GBP 6.7bn). Sovereign green issuance has been driven by the UK Debt Management Office's (DMO) green GILT programme, with consistent engagement in tap issuance via the re-opening of the UK 10Y and 30Y green government bonds (both originally issued in 2021), adding additional sovereign volumes to existing bond references. In 2023, the 10Y and 30Y green government bond references were both tapped four times.

Among European sovereign issuers, the UK DMO has issued the second-largest volume of green bonds in both 2023 (GBP 13 bn raised) and in 2022 (GBP 9.5 bn) after the German government. In 2023, the UK DMO accounted for 19% of total European sovereign green issuance, up from 17.4% in 2022. Other large green bond issuers in the UK comprise of utilities companies, including Thames Water Utilities Finance plc, Anglian Water Services Financing plc, Cadent Finance plc, National Grid plc and ENW Finance plc.

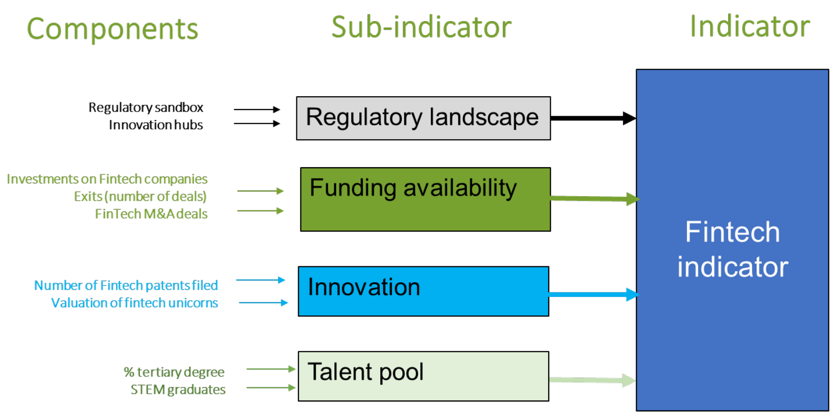
5.4 ESG bond issuance by European sovereign issuer 2022 – 2023 H1 (GBP bn)



Source: *Climate Bond Initiative, Dealogic, AFME Government Bond Data Report Q2 2023.*

6. FinTech Indicator

The FinTech Composite Indicator seeks to evaluate 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) degree of innovation; and (iv) talent pool. Each of the four sub-indicators is composed of individual metrics as illustrated in the figure below:

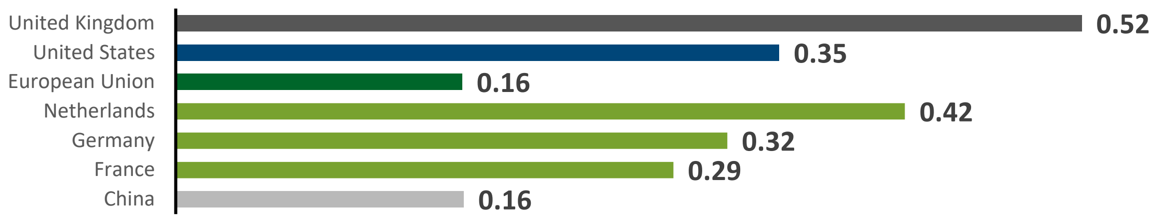


According to the FinTech indicator, the UK is a both a global and regional hub for FinTech companies, ahead of other major economies such as the US, China, and the EU.

This world leading position is driven by multiple factors, including the generation of innovative ideas through company patents, the number of FinTech unicorn companies valued above $1bn, a business-friendly regulatory environment for FinTech, a robust talent pool, and high levels of funding available to the FinTech sector.

6.1 FinTech Indicator (0: Min, 1: Max)

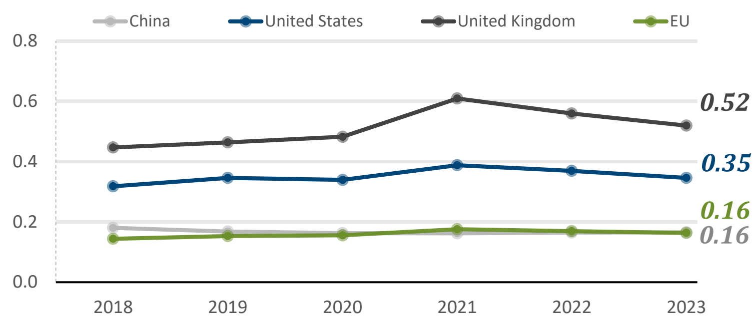
Composite indicator based on regulatory landscape, funding availability, innovation, and talent pool



Source: *AFME*

6.2 Evolution of FinTech indicator [0: Min, 1: Max]

Composite indicator based on regulatory landscape, funding availability, innovation, and talent pool



Source: *AFME*

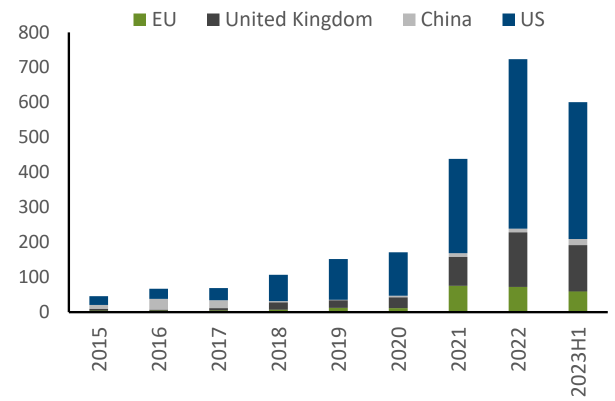
The UK and US are global leaders in FinTech production and high growth of FinTech companies

According to CBinsights, there are currently 20 FinTech unicorns, (i.e. privately held startup company with a value of over USD 1 bn) valued at $116bn, headquartered in the UK, which is comparably high relative to the size of the overall economy (3.8% of GDP).

In the EU, there has been consistent growth of FinTech unicorns over the last 9 years (from 2 in 2015 to 20 in 2023), predominantly in the payments sector but representing only 0.3% of the EU's GDP. US unicorns, although large in numbers with 107 companies, represent 1.6% of the GDP.

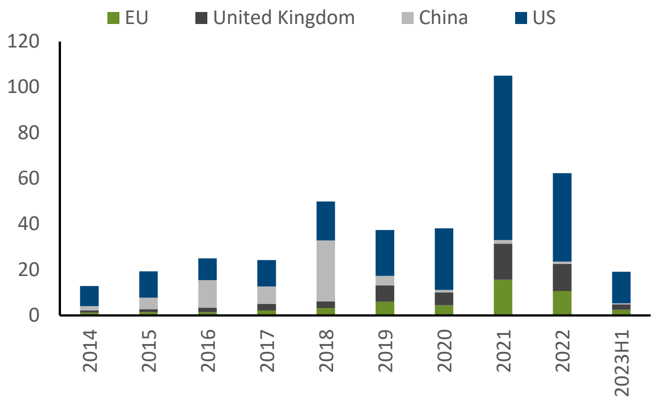
The FinTech ecosystem in Asia is comparatively under- developed compared with the US or the UK, with 1 unicorn in Japan and 9 in China.

6.3 Value of FinTech Unicorns (USD bn)



Source: CBinsights

6.4 Global investment activity in FinTech: amount 2014-2023H1 (USD bn)



Source: Dealroom

A nurturing ecosystem: funding sources, talent pool, ideas generation

Although global funding for the FinTech industry saw a sharp decline in 2023, the UK continued to be the primary destination for investment, with GBP 1.92 bn invested in the UK vs. GBP 1.91 bn for all EU Member States.

Furthermore, according to our indicators, among European countries, the UK stands as the regional centre of Fintech innovation with 1,600 FinTech patents filed in 2022 and c700 in the first half of 2023. The UK also has the most experienced local talent pool, with 47% of the adult population having a tertiary degree (versus 38% in the US, 33% in the EU, 18% in China,) and 27% of the students graduating from STEM programmes (20% in the US, 26% in the EU).

INTEGRATION AND EFFICIENCY OF CAPITAL MARKETS ECOSYSTEM

7. Loan Transfer Indicator

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

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

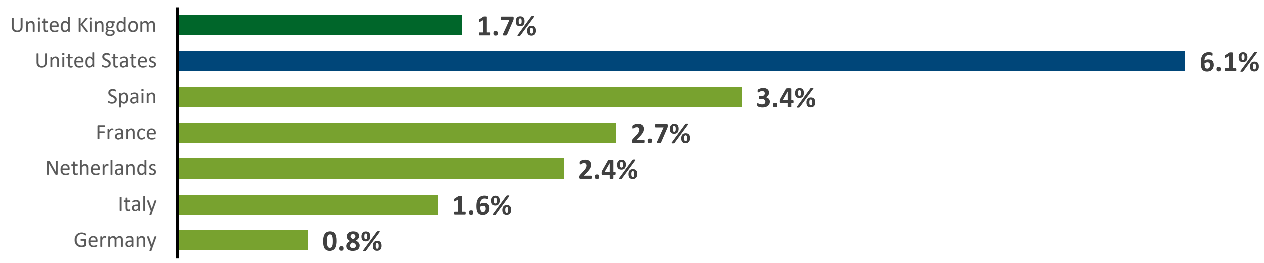
A structural competitive disadvantage: lack of a deeper UK securitisation market

The rate of loan transformation in the UK lags behind other major European markets such as Spain, France and the Netherlands, but stands on par with the EU average.

According to our indicators, only 1.7% of the outstanding UK loans are securitised, compared with 3.4% in Spain, 2.7% in France and 2.4% in the Netherlands.

The US is the world's largest market for the transformation of loan assets into tradeable securities. This, despite a recent decline in the proportion of loans transformed into securitisation (to 6.1% of outstanding US loans) which represents less than a third of the value it was in 2019 (19.7%). The decline has been driven by cyclical factors, predominantly a slowdown in loan origination.

7.1 Securitisation and portfolio sales as % of outstanding loans



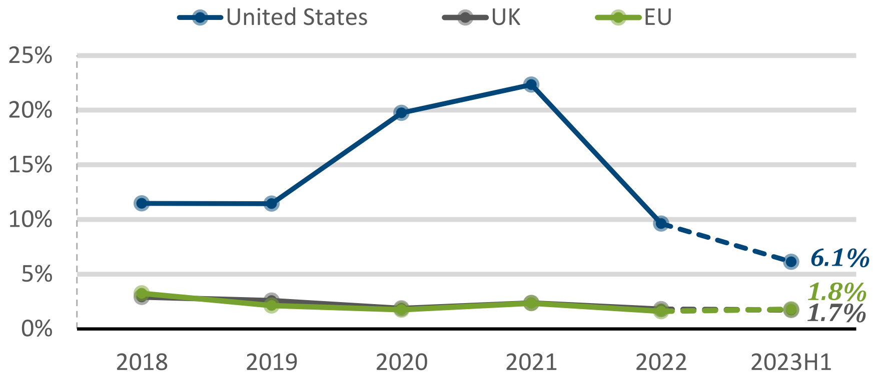
Source: *AFME, SIFMA, ECBC, FDIC, ECB, US Fed, Bank of America, JP Morgan, Debtwire, Deloitte, and React News*

Global cyclical fluctuations but the structural gap remains

In 2023, the proportion of UK loans transferred into capital markets instruments in the form of securitisation and loan portfolio sales transactions decreased to 1.7%, down from 1.8% in 2022FY and 2.4% in 2021FY.

The decline in 2023 was driven by a 14% (annualised) decrease in securitisation issuance, compared to 2022, which was partially offset by a rebound in UK loan portfolio sales, which increased by 167% (annualised).

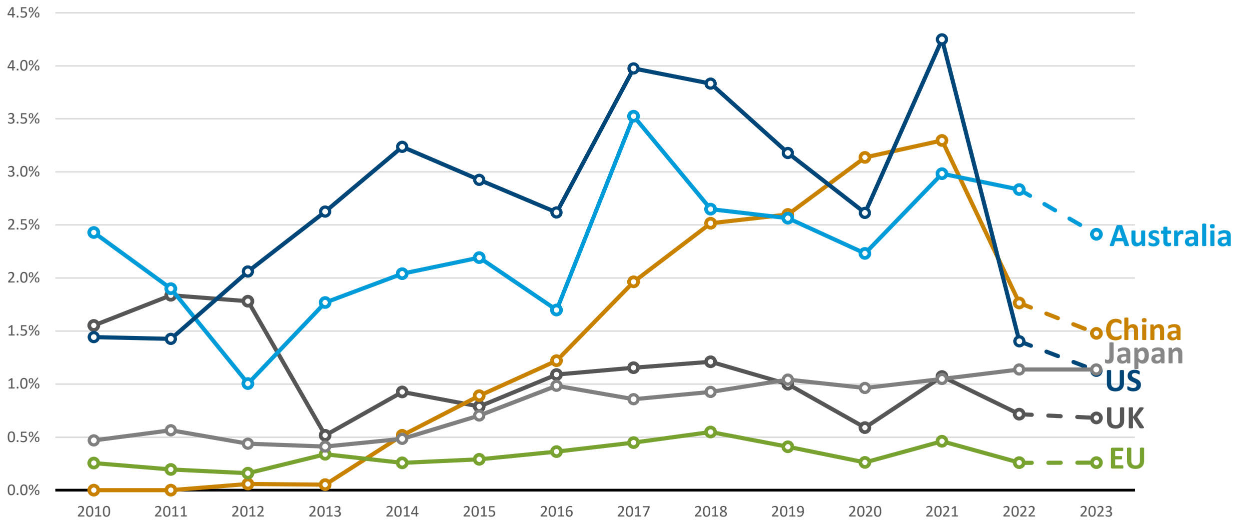
7.2 Securitisation and portfolio sales as % of outstanding loans



Source: *AFME, SIFMA, ECBC, FDIC, ECB, US Fed, Bank of America, JP Morgan, Debtwire, Deloitte, and React News.* ***Indicator for 2022 annualises H1 volumes.***

If securitisation issuance is considered as a proportion of GDP, contrasting trends are highlighted with the rest of the world, demonstrating that the UK and EU lag far behind global competitors in terms of the amount the domestic securitisation markets contribute to the financing of the economy.

7.3 International securitisation issuance (2010-2023H1, % GDP)



Source: *S&P, NAB, Macquarie, JP Morgan*

Over the last 10 years, annual securitisation issuance in the UK and the EU has experienced muted growth. In 2023H1, UK issuance was equal to 0.7% of UK GDP and EU issuance was equal to 0.3% of EU GDP.

Excluding the most recent international slowdown in securitisation issuance, the product saw significant growth in global regions over the same time period (in 2023H1, US issuance was at 1.1% of GDP, Australia at 2.6% and Japan at 1.4%). While only created in 2012, annual , annual securitisation issuance by 2023H1 in China represented 1.5% of GDP (already exceeding the securitisation issuance of the UK and EU).

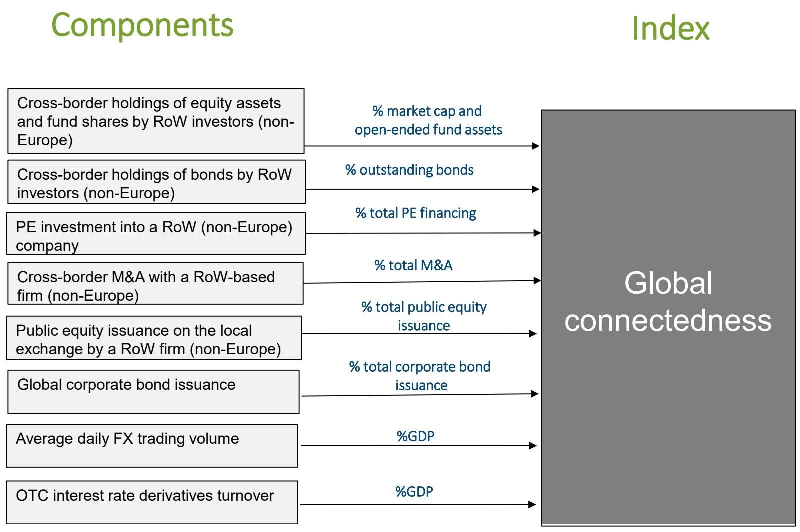
8. Cross-border finance indicator

The cross-border finance indicator seeks to quantify the 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 equity assets and fund shares, (ii) cross-border holdings of debt assets; (iii) cross-border private equity (PE) financing; (iv) cross-border M&A transactions; (v) cross-border public equity raising; (vi) non-domestic corporate bond issuance; and (vi) participation in intermediating foreign exchange and derivatives trading.

Each component is quantified with the appropriate metrics as shown on Charts 8.1:

8.1 Capital markets Global integration index

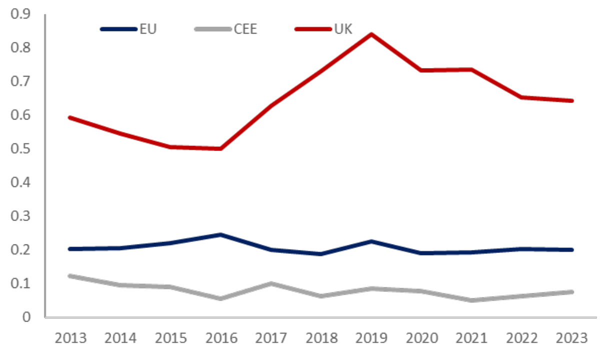


Source: *AFME*

Global interconnectedness in numbers

According to our indicators, the UK is the most globally interconnected European capital market, predominantly driven by its large participation intermediating FX and derivative products with counterparties across the world.

8.2 Global integration index [0: Min, 1: Max]



Source: *AFME from multiple sources*

According to Dealogic, 40% of the UK's debt issued in 2023 was marketed globally. This contrasts with 9% which is marketed globally by EU issuers.

According to the IMF, 25% of the UK's equity and funds shares are held on a cross-border basis, compared to 18% of the EU's fund and equity shares.

From a trading perspective, the UK is the global centre for FX and interest rates derivatives, intermediating 38% of the world's total FX products and 45% of the world's interest rate derivatives.

Companies headquartered outside the UK comprised 18% of the UK equity capital raised on the London Stock Exchange in 2021. This compares with 4% by EU exchanges.

Global corporates reduce presence on UK exchanges

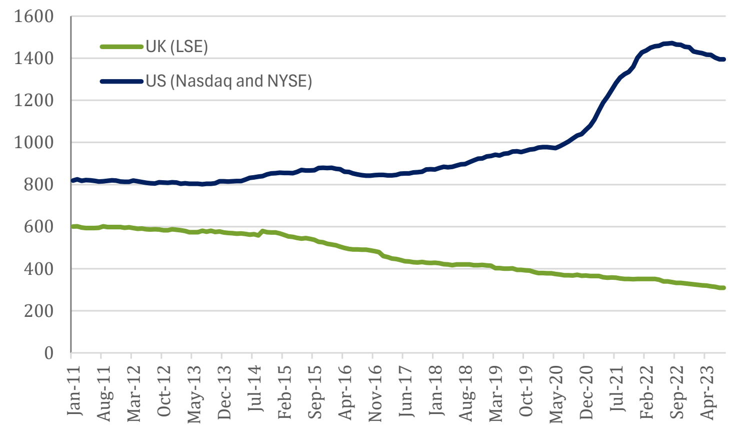
Despite the global prominence of the UK's capital markets, an area of concern is the decline in the number of foreign listed companies on UK exchanges.

According to World Exchanges Federation (WEF) data, the number of foreign listed companies on the London Stock Exchange (LSE) has almost halved over the last decade, from 600 foreign listed companies in 2011 to 309 in 2023.

Over the same period, foreign listings on US exchanges almost doubled from 800 in 2011 to close to 1,500 in 2022 and 1,400 most recently in 2023.

This declining trend is concerning as it contributes further to the narrowing of the equity base, and diminishing market liquidity in the UK.

8.2 Number of foreign listed companies on UK and US exchanges



Source: WFE

9. Global equity footprint

The global equity footprint is a simple ratio of market capitalisation of listed shares relative to the world's total market capitalisation.

The purpose of the indicator is to track and measure? the degree of competitiveness and global relevance of the various primary and secondary equity markets.

A persistent declining trend in UK equity capital markets

The UK equity market has consistently diminishing presence over the last two decades across the world's equity markets. According to Eikon data, the UK represented only 4% of the world's market capitalisation in 2023, a decline from 10% in 2000.

The US is the global leader in terms of market capitalisation, accounting for 50% of the world's equity market capitalisation in mid-2023.

China has demonstrated rapid growth, increasing its share from 0.3% in 2000 to 13% in 2023. Contrasting this, the EU has a decline in its market share, down from 18% in 2000 to 13% in 2023 (10% in mid-2022 when valuations dropped and EUR declined against the USD).

9.1 Market capitalisation of UK listed shares as % of world's total

Source: *Eikon*

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