
Press release

Slow Growth in Europe's Capital Markets, Competitiveness Gap Remains

AFME's 2025 CMU KPI Report Highlights Weak IPOs & Continued Market Fragmentation

The Association for Financial Markets in Europe (AFME), in collaboration with eleven European and international organisations, has today published the eighth edition of the **Capital Markets Union – Key Performance Indicators** report.

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

Adam Farkas, Chief Executive of AFME, said: *"This year our report once again finds that the EU has made only limited progress in closing the competitiveness gap with other major capital markets."*

"Europe has the savings and the potential to compete globally. What is needed are decisive reforms under the Savings and Investments Union strategy to channel capital more efficiently and deliver the deeply integrated markets that Europe's companies and citizens need."

"What will also make a difference is ensuring Europe's regulatory framework is clear and streamlined. Reducing unnecessary complexity and related costs can enhance investment and innovation, strengthen competitiveness, and help unlock private capital so the CMU can fully deliver on its objectives."

The 2025 edition comes as EU policy makers advance initiatives under the **Savings and Investments Union (SIU)**, which aims to strengthen the role of capital markets in funding Europe's economy. The report shows that the EU has made only limited progress in closing the competitiveness gap with other major capital markets. Despite record bond issuance and growing pools of private capital, structural weaknesses persist — from subdued IPO activity to continued market fragmentation.

Among the key findings of the 2025 report on European capital markets' performance:

- **Encouraging Retail Investment Is Key to Deeper EU Markets:** The report highlights a clear link between household investment and market liquidity. Capital in the EU remains largely confined within national borders, limiting cross-border liquidity flows. Countries with deeper local savings pools — such as the US, where average savings per person in capital markets instruments are around \$290,000 — enjoy much more efficient trading, with only tiny price differences between buying and selling shares (3–4 bps), compared to markets with lower savings levels, such as Bulgaria (200 bps) where average savings are €3,000 per person. The analysis shows that a **10% increase in retail savings per person can narrow these price gaps by around 6%**, underscoring the importance of increasing household participation in capital markets to boost market liquidity in Europe.
- **Record bond issuance but IPOs remain weak:** EU corporate bond issuance reached record levels in 2025, with market-based finance rising slightly to 13% of total corporate funding. Yet IPO activity fell 23%, in stark contrast to the US, China, Japan, and Australia where IPO activity has increased 20-60% over the year, underscoring a persistent weakness in Europe's equity markets.
- **Private markets gaining ground:** Private sources of funding – including private credit, private equity, and crowdfunding – now account for 20% of EU market-based funding, up from just 8% in 2014. However, overall market-based funding has stalled at just 3% of EU GDP, compared with 8% in the US, showing that Europe's capital markets remain underdeveloped despite the growing role of private finance.
- **Unicorns are not going public anymore:** 90% of 2021 EU unicorns (or companies with a market valuation above \$1bn) have remained private, compared to 18% in 2016, as abundant private funding allows them to stay private longer. These developments point to an evolving landscape in funding sources with increasing

dependence on private markets for long-term financing, as well as a reconsideration of exit strategies in light of the limited depth and activity of the European IPO market.

- **Adoption of fintech in capital markets accelerating:** The EU and Switzerland dominate DLT-based bond issuance, accounting for over 50% of global volumes. However, Europe lags behind the US in the use of tokenised assets, stablecoins, and tokenised private credit.
- **Securitisation activity subdued but SRT issuance strong:** EU loan transfer activity slowed, with securitised product issuance representing just 1.6% of outstanding loans versus 7.5% in the US. However, Europe leads globally in Significant Risk Transfer (SRT) transactions, which now make up nearly half of EU securitisation volumes.
- **Sustainable finance growth moderating:** ESG bond issuance increased 14% year-on-year but accounted for a smaller share of total issuance (10.7%), as non-ESG bond markets expanded more rapidly. Adoption of the EU Green Bond Standard has been modest, with limited evidence of pricing benefits so far.
- **Intra-EU integration improving slightly:** Cross-border portfolio holdings and M&A increased marginally, but only 6% of equity capital raised originated cross-border, down from historical levels of 10–14%.

The report concludes that without renewed structural reforms, Europe risks falling further behind other global financial centres. The EU has the scale and resilience to compete globally but achieving this will require turning long-standing commitments into concrete measures under the Savings and Investments Union framework.

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