WHAT DO EU CAPITAL MARKETS LOOK LIKE POST-BREXIT?
A SNAPSHOT OF THE SIZE, DEPTH & GROWTH OF CAPITAL MARKETS IN THE EU 27

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by William Wright and Laurence Bax

> Capital markets in the rest of the EU are roughly half as developed as in the UK. This presents big challenges but also a huge opportunity to unlock as much as €2 trillion in long-term capital and more than €50bn a year in funding for companies.
2) INTRODUCTION & METHODOLOGY

What do capital markets look like in the EU post-Brexit?

This report analyses the impact of the UK’s decision to leave the European Union on capital markets in the rest of the EU. It measures the size, depth and growth of capital markets in the EU excluding the UK (which we refer to in this report as the EU27) and shows that they are on average significantly smaller and less developed than in the EU as a whole. The report also highlights the wide range in depth in capital markets between different countries in the EU27.

The report puts some hard numbers on the potential opportunity from developing capital markets in the EU27 countries, and underlines how the EU’s capital markets union initiative is even more important than before in reducing the economy’s reliance on bank lending and diversifying sources of financing.

Methodology:
The report analyses the depth of capital markets across the following 24 different metrics in all 28 EU member states:

- **Pools of capital**: pensions assets, insurance assets, household financial assets (excluding pensions, insurance and cash deposits)
- **Market value**: stockmarket, bond market, corporate bond market, securitisation market
- **Assets under management**: investment funds by domicile, assets under management by country
- **Debt issuance**: bank lending relative to corporate bonds, corporate bonds, investment grade bonds, high-yield bonds, syndicated loans, leveraged loans, securitisation
- **Equity issuance**: all equity issues, initial public offerings, secondary equity issues
- **Corporate activity**: all mergers and acquisitions, domestic M&A, private equity activity, venture capital activity
- **Trading**: equity trading volumes

This year we have improved and simplified our methodology. In each category we measured the value of activity as a percentage of GDP in each country on a three-year rolling basis from 2004 to 2015 to iron out the annual volatility in capital markets. To enable a comparison in depth between sectors we rebased these percentages to the EU average, with 100 representing the average depth across the EU in the three years to the end of 2014. The overall ranking is the average of these scores across all 24 metrics.

For example, the value of EU stockmarkets in the three years to 2014 was 65% of combined EU GDP. We rebased this 65% to 100, meaning that in any given period a country with a score of 50 has a stockmarket that is half as deep relative to GDP as the EU average in the three years to 2014, and one with a score of 200 is twice as deep.

Acknowledgements:
I would like to thank Dealogic and Preqin for their valuable help with some of the data; Laurence Bax for his diligent analysis; and our members for their financial support for our work. This report is a work in progress and I would welcome any feedback on the results. Any errors are entirely my own.
Unlocking capital markets in the EU27

The EU27 economy needs bigger and better capital markets even more than ever to help break its reliance on bank lending and to diversify sources of funding. Capital markets in the EU27 without the UK are significantly smaller and less developed than across the EU as a whole. This presents a huge opportunity, as well as significant challenges.

1. In absolute terms, the value of capital markets activity in the EU excluding the UK (EU27) is around one quarter smaller than in the EU as a whole. This gap is most pronounced in equity markets and pensions.

2. Less than half of all capital markets activity in the EU actually takes place in EU27 countries. In some sectors, such as trading and hedge funds, more than three quarters of all EU activity is conducted in the UK.

3. Capital markets in the EU27 are significantly less developed relative to GDP than in the EU as a whole and only half as developed as in the UK. In every sector in our sample except one (investment funds by domicile) UK capital markets are deeper than in the EU as a whole.

4. The value of bank lending to companies in the EU27 has fallen sharply since the financial crisis. The stock of outstanding bank lending has dropped by 10% in the EU27 since 2008 and the flow of new bank lending in the eurozone has decreased by nearly 40%. Companies in the EU27 are more dependent on bank lending than in the EU as a whole, and much more so than in the UK or US.

5. The range in the depth and development of capital markets between different countries in the EU27 is far wider than the gap with the UK or US. There are three clear groups of countries in terms of the depth of their capital markets.

6. Capital markets have increased in depth over the past few years in three quarters of the countries in the EU27, but on average capital markets are still the same depth as they were before the financial crisis. Over the past decade, corporate bond markets have effectively doubled in size relative to the GDP in the EU27, but equity markets have shrunk. Pools of capital – the starting point for deep and effective capital markets – have also grown significantly relative to GDP.

7. This change in depth translates into some very big numbers. There are roughly €2 trillion in additional pensions and insurance assets in the EU27 today than there would have been if they had remained at the same level relative to GDP as in 2006, and there are nearly €150bn a year in extra corporate bond issues.

8. Brexit could lead to a more balanced and even development of capital markets across the EU27. No single country dominates capital markets in the EU27 in the same way that the UK dominates activity in the EU as a whole.

9. There is a huge opportunity for the EU27 to develop its capital markets. If markets in the EU27 were as deep as in the EU as a whole relative to GDP, it could unlock roughly €2 trillion in pensions and insurance assets to invest in the EU27 economy, and could lead to more than €50bn a year in additional financing for companies.

10. The dependence of the EU27 economy on bank lending is mirrored by individual savers. One third of all household financial assets in the EU27 are held in cash and bank deposits, compared with just 24% in the UK and 11% in the US.

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The shrinking effect

The most immediate impact of Brexit is that capital markets in the EU27 are much smaller in absolute terms as a result of the departure of the UK than EU28 capital markets were before (see Fig. 2).

On average, the value of capital markets activity in the EU27 is around one quarter smaller than activity in the EU. Given that the UK accounts for only 16% of EU GDP, this highlights how much deeper UK capital markets are than in the rest of the EU.

This gap is less pronounced in bond and loan markets, where the combined value of EU27 activity is around 80% the level of the EU as a whole.

For example, the combined value of bond markets (including government bonds) and the value of investment grade bond issuance by companies in the EU27 is 79% of the EU total.

A widening gap

However, in equity markets this gap is much wider. For example, the value of stockmarkets and equity issuance in the EU27 is just 73% of the EU as a whole.

And IPO and venture capital activity in EU27 countries - two sectors most associated with growth companies - is just two thirds of the level of the EU as a whole.

The biggest impact of Brexit on the size of EU capital markets is in pensions assets, where the value of pensions assets in the EU27 is just 57% of the EU. If you combine pensions and insurance assets, then the pool of long-term capital in the EU27 is 30% smaller than in the EU.

Sources: all data from Dealogic except 1) EFAMA 2) Eurostat / ECB 3) AFME 4) ECB 5) Insurance Europe 6) WFE / local exchanges 7) Preqin 8) Fidessa 9) OECD / ECB
The proportion of capital markets activity in the EU conducted in EU27 countries %

Fig.3 The size of EU27 capital markets by location of activity

The network effect

The value of activity in EU27 capital markets disguises a far bigger decline in the location of this activity once you take out the UK.

This is because of the UK’s dominance as a financial centre in Europe over the past few decades, which is in large part the result of the single market and the ability of market participants to concentrate their activities in one country and access the rest of the EU through passporting.

On average, only one third of all capital markets activity in the EU is conducted in EU27 countries (see Fig.3). At its most extreme, just 13% of the total EU workforce at the big five US investment banks are based in the EU27 countries, with 87% of them based in the UK.

Concentration

This high level of concentration is reflected in the amount of EU capital markets activity that is conducted in the UK. For example, around three quarters of all investment banking, trading and capital markets activity in the EU is conducted in the UK, and two thirds of business in EU27 countries is also conducted from the UK. Three quarters of all firms in the EU that use cross-border passporting under MiFid are based in the UK.

This effect is less pronounced in asset management; ‘only’ 41% of all assets under management in the EU are managed out of the UK, and the UK accounts for roughly half of all private equity funds raised in the EU.

This underlines how challenging it will be for market participants and their clients to work out the mechanics of Brexit.
Playing catch-up

The absolute value of capital markets activity is a less important measure than the depth of capital markets relative to GDP. On average, capital markets in the EU27 are 13% less deep than in the EU. This is because as Fig.4 shows — capital markets in the UK are much deeper in most sectors than in the rest of the EU.

The red diamonds show the size of capital markets in the UK relative to GDP in the three years to the end of 2015, where 100 equals the EU average. The blue diamonds show the relative depth of capital markets in the EU27.

In virtually every sector, UK capital markets are significantly deeper than the EU average. This effect is most pronounced with pensions assets (where the UK is more than two and a half times deeper than the EU average but the EU27 is nearly one third smaller), assets under management, and equity markets.

The only main sector in which EU27 capital markets are deeper than the EU average is the domicile of investment funds. This is because Luxembourg and Ireland account for 45% of all investment funds domiciled in the EU (including many funds that are managed in the UK) compared with just 12% for the UK.

Closing the gap between the depth of capital markets in the EU27 and the EU as a whole represents a huge opportunity for the European economy. We estimate that it could help unleash roughly €2 trillion in long-term capital from pensions funds and insurance companies to invest in the EU27, and could provide around €50bn a year in additional funding for companies in the EU27 from equity markets, bond markets and venture capital (see page 16).
7) THE RANGE IN DEPTH IN EU CAPITAL MARKETS

The relative depth of capital markets in different countries across 24 different sectors over the past three years. Rebased to EU = 100 in the three years to 2014.

Fig.5 The range in depth of capital markets in the EU

The relative depth of capital markets in each country in the EU over the three years to the end of 2015, adjusted to GDP and rebased to the EU average of 100 in 2014 (the first year in which we ran this analysis).

US capital markets (280) are more than twice as developed as the EU average and markets in the UK (185) are nearly twice as deep as in the rest of the EU27 (95). The chart also shows that the depth of capital markets has increased in virtually every country in the past three years. For example, the depth across the EU has increased from 100 to 109, and Germany has increased from 71 to 79.

There are three clear groups of countries in terms of the depth of their capital markets. At one end, wealthier countries in the north west of the EU such as the Netherlands and Scandinavian countries have capital markets that are significantly more developed than the EU average (based mainly on their large pools of pensions assets and stockmarkets).

A second group, including big EU economies such as Germany, Italy and Spain, have reasonably well-developed capital markets but lower than the EU average (between 70% and 90% of the EU average). And then there is a long tail of countries with much less developed capital markets (15% to 45% of the EU average). These countries are mainly the most recent members to join the EU from the Baltic and from Central and Eastern Europe. (New Financial will be publishing a report later this year on the potential opportunity for these countries of developing deeper capital markets).
A slow decline

The lower depth of capital markets in the EU27 would not be such a problem if banks were able to step up and fill the gap.

However, banks across the EU have struggled since the financial crisis to perform their basic function of lending to businesses. Fig.6 shows that the value of outstanding bank lending to non-financial corporates—a measure of the total amount of lending being put to work by companies—increased by more than half across the EU in the five years before the financial crisis, but has since fallen by 10%.

That translates into a fall of roughly €600bn. Bank lending has fallen by a third or more in Hungary, Portugal, and Spain since 2008, and by two thirds in Ireland. In contrast, it has increased by half in the US over the same period.

A lack of supply?

The supply of new bank lending has fallen even more sharply (see Fig.7). In the eurozone gross new lending to businesses has dropped by 38% from its peak in 2008 to €2.5 trillion, according to the ECB, and is now lower than it was in 2003 (although it recovered by 10% in 2015). New lending has more than halved since the crisis in Greece, Ireland, Latvia, Spain, and Slovenia from its peak. This translates into a funding shortfall of around €1.5 trillion.

The decline in bank lending is even more pronounced when you compare it with GDP. The stock of bank lending in the EU has fallen from 39% of GDP in 2008 to 32% last year, and the flow of new bank lending in the eurozone has fallen from 42% of GDP to 24% over the same period.
Addicted to bank loans

The collapse in bank lending is compounded by the fact that companies in EU27 are far more dependent on bank lending than in the UK or US (see Fig.8).

On average, bank lending represents nearly 80% of corporate debt for companies in the EU27, slightly higher than the 75% average for the whole of the EU. In the UK, bank lending represents just over half of corporate debt, and in the US just one quarter. If EU27 companies were able to close half the gap with the UK (so that the split was two thirds bank lending and one third corporate bonds) it would reduce the reliance on bank lending by a fifth and increase the value of the corporate bond market by around €800bn.

Another way of looking at the dependence on bank lending is by comparing bank lending, corporate bonds and stockmarkets (excluding financial companies) to GDP (see Fig.9). In the EU27, bank lending represents 39% of GDP, nearly double the level in the UK and four times the US. Corporate bonds represent just 10% of GDP in the EU27, compared with 18% in the UK and 31% in the US. And the combined value of listed non-financial companies in the EU27 is equivalent to just half of GDP – around one third less than in the UK and less than half the depth of the US market.

Of course, bond and equity markets are not going to replace all bank lending, particularly for smaller companies. But a shift towards corporate bonds and equity financing for medium-sized and larger companies could reduce the burden on banks and enable them to focus more on lending to smaller companies.
Banking on bank deposits

The dependence of the EU27 economy on bank lending is mirrored by the reliance of individuals in the EU27 on cash and deposits.

Fig.10 shows how households in the EU and US invest their assets. One third of all household financial assets in the EU27 are held in cash and deposits, slightly higher than the EU average and nearly three times the level in the US.

If savers in the EU27 were to reduce their preference for cash to the same level as in the UK (in other words, to invest around one quarter of their assets in cash) it could release more than €2 trillion to invest across the EU27.

Households in the EU27 hold just under half of their assets in pensions, insurance, investment funds and direct holdings of stocks and bonds, compared with 75% for the US and 67% in the UK. This implies significant growth potential for the pensions and asset management sectors in the EU27.

A deeper pool

Fig.11 shows the total size of household financial assets relative to GDP and in absolute terms. Overall, private financial assets represent just over 200% of GDP in the EU27, compared with 400% in the US. (In other words, households in the EU27 have half as much financial wealth as in the US). Closing half of that gap would add more than €1.3 trillion to the financial wealth of households across the EU27.

In absolute terms, household financial assets in the US add up to more than €72 trillion, nearly three times the €28 trillion in the EU27.
A short-term bounce

The good news is that capital markets across the EU have been growing relative to GDP in the past few years. Overall, capital markets in the EU27 are 10% deeper in the three years to the end of 2015 than they were in the three years to the end of 2014 (see the red diamonds on Fig.12).

This is mainly due to a 70% increase in IPO activity in EU27 countries over the most recent three-year period and a 30% increase in venture capital activity, which more than offset a small decrease in corporate bond issuance and securitisation activity. The depth of capital markets in the three years to 2015 increased in three quarters of countries in the EU, with only a handful showing a significant decline in depth (Portugal, Cyprus and Croatia).

A long and slow recovery

The bad news is that capital markets in the EU are no deeper today relative to GDP than they were before the financial crisis (see the grey bars in Fig.12). In the three years to 2015, capital markets in the EU27 were 1% smaller relative to GDP than they were in the three years to 2006. However, the depth of capital markets in the EU27 has increased by more than 20% from its post-crisis lows in 2012.

Capital markets have shrunk relative to GDP in half of the countries in the EU over the past 10 years with just Lithuania, Ireland and the Czech Republic demonstrating significant growth. At the other end of the scale, the depth of capital markets in some smaller states such as Bulgaria, Estonia and Slovenia, have more than halved.

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**Fig.12 The change in depth of EU capital markets by country**

The change in depth of capital markets relative to GDP by country 2006 to 2015 % (Three-year rolling averages)

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<tbody>
<tr>
<td>Lithuania</td>
<td>34%</td>
<td>55%</td>
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<td>Ireland</td>
<td>33%</td>
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<tr>
<td>Czech Rep</td>
<td>15%</td>
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<tr>
<td>Greece</td>
<td>-11%</td>
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<tr>
<td>Spain</td>
<td>10%</td>
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<tr>
<td>Finland</td>
<td>8%</td>
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<tr>
<td>Latvia</td>
<td>7%</td>
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<tr>
<td>Netherlands</td>
<td>6%</td>
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<tr>
<td>Portugal</td>
<td>4%</td>
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<tr>
<td>Sweden</td>
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<tr>
<td>Belgium</td>
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<tr>
<td>Germany</td>
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<td>Slovak Rep</td>
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<tr>
<td>EU27</td>
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<td>US</td>
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<tr>
<td>France</td>
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<tr>
<td>EU28</td>
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<tr>
<td>Italy</td>
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<tr>
<td>UK</td>
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<tr>
<td>Denmark</td>
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<td>Poland</td>
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<td>Hungary</td>
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<td>Romania</td>
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<td>Bulgaria</td>
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The rise of equity

In the past few years, the fastest growth in capital markets across the EU27 has come from equity markets (see the red diamonds on Fig.13). IPO market activity increased by nearly three quarters relative to GDP in the EU27 in the three years to 2015 (compared with the three years to 2014), while venture capital activity and smaller IPOs (of less than $100m in size) increased by more than a third across the EU27. Over the same time period, debt market activity decreased slightly.

While the numbers are relatively small, the increase in equity financing and venture capital over the past three years of more than 20% - equivalent to about €100bn in additional financing - shows how capital markets can rebound more quickly than bank lending. Over the same period, new bank lending in the eurozone fell by €200bn or 1%.

Long-term growth?

However, over a longer timeframe, the biggest growth has come from bond markets. Issuance of corporate bonds across the EU27 has effectively doubled relative to GDP since before the financial crisis and high-yield bond activity has nearly tripled (see the grey bars on Fig.13), while equity market activity has shrunk. The value of IPOs relative to GDP in the EU27 has dropped by a quarter since the crisis, and the value of smaller IPOs has halved.

It is encouraging to see that pools of capital – the starting point for deep and effective capital markets – have increased in size relative to GDP over the past decade: pensions assets in the EU27 have grown by one quarter relative to GDP since 2006, and insurance assets have grown by a fifth.
### 13) The Growth in EU27 Capital Markets - Relative

**Fig. 13a The change in depth in EU27 capital markets**

This chart shows the change in the value of activity in 2015 in actual money as a result of the increase / decrease in the depth of capital markets relative to GDP since 2006.

#### Pools of Capital & Assets

<table>
<thead>
<tr>
<th>Insurance assets</th>
<th>Pensions assets</th>
<th>Investment funds</th>
<th>Stock market capitalisation</th>
<th>Corporate bond market</th>
<th>Securitisation market</th>
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</thead>
<tbody>
<tr>
<td>+22%</td>
<td>+26%</td>
<td>+11%</td>
<td>-10%</td>
<td>+45%</td>
<td>+40%</td>
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<tr>
<td>€1,200bn</td>
<td>€725bn</td>
<td>€900bn</td>
<td>-€800bn</td>
<td>€350bn</td>
<td>€250bn</td>
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#### Issuance & Investment (per year)

<table>
<thead>
<tr>
<th>Corporate bonds</th>
<th>Investment grade bonds</th>
<th>High-yield bonds</th>
<th>Securitisation</th>
<th>Equities</th>
<th>IPOs</th>
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</thead>
<tbody>
<tr>
<td>+93%</td>
<td>+76%</td>
<td>+191%</td>
<td>-41%</td>
<td>-8%</td>
<td>-26%</td>
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<tr>
<td>€140bn</td>
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<td>€40bn</td>
<td>-€100bn</td>
<td>-€12bn</td>
<td>-€10bn</td>
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</table>

#### A big impact

The change in the depth of EU27 capital markets relative to GDP over the past decade may seem theoretical, but it translates into some very big numbers (see Fig. 13a).

For example, in the three years to 2006, insurance assets across the EU27 were the equivalent of 47% of combined GDP. In the three years to 2015, this increased to 57% of GDP. This means that there are €1.2tn in additional insurance assets in the EU27 today than there otherwise would have been if the market had remained at the same level relative to the size of the economy as in 2006.

On the same basis, while pensions assets only account for 25% of GDP in the EU27, that adds up to an additional €725bn in pensions assets than there would have been if pensions assets had remained at the same level of GDP as in 2006 of 19%. There are also €900bn in additional investment funds domiciled in the EU27. However, the decline in stockmarket capitalisation in the EU27 as a percentage of GDP from 66% to 59% means that stockmarkets are €800bn smaller today than if they had maintained the same level.

The same effect is clear in capital markets activity. The doubling of corporate bond issuance relative to GDP translates into nearly €150bn in additional corporate bonds issued in the EU27 a year and an extra €40bn of high-yield bonds a year. However, the decline in the securitisation market means that companies in the EU27 are issuing roughly €100bn less per year than if activity had remained at the same relative levels as in 2006, and the IPO market is €10bn a year smaller.
A rollercoaster ride

While capital markets across the EU have been growing over the past few years relative to GDP, they still have some way to go before they recover to the levels of activity from before the financial crisis.

Fig.14 shows the annual change in depth in capital markets in the EU, EU27, UK and US. The data is rebased to the 100 as the average depth of EU capital markets in the three years to 2014. In the few years before the crisis the depth of capital markets in the EU increased by 40% to their peak in 2007, before a sharp drop in 2008. They bottomed out in 2011 and have increased in depth each year since then.

The chart also shows how US capital markets have been consistently around three times deeper than in the EU, and that UK markets are around twice as deep.

Gradual growth

A better measure is a three-year rolling average, to smooth out the inherent annual volatility of capital markets activity. Fig.15 shows the change in depth in capital markets on a rolling three year basis, again rebased to the EU average of 100 in the three years to 2014.

It shows that while US markets have been recovering since 2010, in the UK and EU the recovery in activity only kicked in from 2013, and capital markets in the EU and EU27 are still something like 20% below their peak relative to GDP in 2007. However, they have increased in depth by about one fifth from their post-crisis lows.
A shift in balance?

The departure of the UK from the EU could lead to a more balanced and even development of capital markets across the EU27.

The UK has the largest and deepest capital markets in the EU by a wide margin: on average, its markets are twice as deep relative to GDP as the rest of the EU, and though it has only the third largest economy, it is the largest market in more than two thirds of the sectors in the capital markets that we included in our analysis (see Fig.16). The few areas where the UK is less developed are investment grade bond issuance (where it ranks 3rd), the value of corporate bonds and insurance assets (2nd), and investment funds by domicile (5th).

The UK’s dominance is most pronounced in pensions assets (where the UK accounts for 43% of all assets in the EU) and in assets under management (41%). In 10 different sectors (including pensions, venture capital, private equity, M&A and IPOs) the UK’s market share is more than the combined share of the next two largest markets in the EU.

The overall concentration of capital markets in the EU is not hugely affected by Brexit: the average share across all sectors of the top three countries in the EU is 60% of activity, compared with 58% for the EU27. However, the distribution of activity across the EU27 is more balanced, with France and Germany representing the largest market in the EU27 in 10 sectors each.

This shift in balance could affect the direction of policy and regulation in EU27 capital markets in the coming years.
Full steam ahead?

Brexit presents many challenges for capital markets in the EU, but it also represents a huge opportunity.

One way of measuring this opportunity is to analyse what would happen to levels of activity if capital markets in the EU27 were to close the gap in depth with the EU as a whole (given that in virtually every sector, EU-wide capital markets are deeper than EU27 markets).

Fig. 17 shows the percentage increase in different sectors if EU27 markets were as deep as they are in the EU28, and what that translates into in terms of actual money.

For example, if pensions assets in the EU27 were as big relative to GDP as they are across the EU28, it would mean growth of 47% - equivalent to an additional €1.4 trillion in long-term capital that could be put to work in the EU27 economy. The potential increase in pensions and insurance assets combined would add up to about €2 trillion. The EU27 stockmarket would be more than €1tn bigger and asset managers in the EU27 would be looking after roughly €4tn more in assets than they are today.

This would also translate into a significant increase in additional potential funding for companies each year. Fig. 18 shows what would happen to the annual flow of funding if EU27 capital markets were as deep as in the EU28. While some of the numbers are small (an extra €2bn a year in venture capital activity or €1bn a year from small IPOs), they mark a significant increase in percentage terms from current levels of activity. Overall we estimate that closing this gap would unlock more than €50bn a year in additional financing for companies in the EU27.
How to unlock the potential of capital markets across the EU27

In the wake of Brexit, we believe that the capital markets union initiative and the need to develop bigger and better capital markets across the rest of the EU is even more important than before. Here are 10 suggestions and questions as to how the industry and policymakers can work together to address the challenges and opportunities that arise from Brexit:

1. While the need for deeper capital markets in the EU27 has increased post-Brexit, the political momentum behind the capital markets union project has arguably been dented. How can the industry and policymakers make a better case for the potential value of bigger and better capital markets?

2. What are the tangible benefits of more developed capital markets to individuals, investors and companies in the EU27? What are the risks? And what is the best way of making that case - particularly for those countries with the least developed capital markets?

3. How can the industry demonstrate that it is focused on the potential benefits of capital markets to its customers and to the underlying economy in the EU27, instead of being focused on its own agenda?

4. The starting point for deeper and more effective capital markets is deeper pools of capital. How can policymakers help individual countries in the EU27 develop bigger pools of long-term capital and encourage a wider shift from savings to investment?

5. There are many reasons for the wide range in depth and development of capital markets in different countries across the EU27. What can the industry and policymakers learn from best practice in different sectors and different countries? How can they apply it while accommodating local needs and priorities?

6. The departure of the UK could lead to a significant shift in the direction of policy and regulation around capital markets in the EU27. How can policymakers retain the potential benefits of capital markets while accommodating different political priorities?

7. The concentration of EU27 capital markets activity in the UK will pose significant challenges to the industry and policymakers alike in terms of redefining the relationship between the UK and EU27. How can disruption in access to capital markets across the EU best be minimised?

8. There is a wide range in the quality and availability of data on capital markets across different sectors and in different countries. What can be done centrally to improve the quality and consistency of information to better inform policy decisions across the EU27?

9. Capital markets are not going to change overnight. While capital markets activity has increased in recent years in the EU27, the overall depth of markets is the same as before the financial crisis. What is the right balance between short-term initiatives and laying the right long-term foundations for growth?

10. Ultimately, bigger and better capital markets in the EU27 will depend on a shift in mindset by individual savers. What measures can the industry and policymakers take to demonstrate to individuals that deeper capital markets are in their long-term interests?

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18) APPENDIX – STOCKMARKETS & POOLS OF CAPITAL

Fig.19 The range in depth of stockmarkets in the EU

The depth of stockmarkets relative to GDP in different countries over the past three years
Rebased to EU = 100 in the three years to 2014

Fig.20 The range in depth of pools of capital in the EU

The depth of pensions and insurance assets relative to GDP in different countries over the past three years
Rebased to EU = 100 in the three years to 2014

Sources: AFME, Euronext, Nasdaq, FESE, WFE & New Financial

Source: InsuranceEurope, EIOPA, OECD, Towers Watson, ICI & New Financial

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Fig. 21 The range in depth of IPO activity in the EU

The depth of IPO activity relative to GDP in different countries over the past three years
Rebased to EU = 100 in the three years to 2014

Fig. 22 The range in depth of smaller company IPOs in the EU

The depth of smaller company IPOs of less than $100m relative to GDP in different countries over the past three years
Rebased to EU = 100 in the three years to 2014

Source: Dealogic, IMF, New Financial

Source: Dealogic
Fig. 23 The range in depth of high-yield bond issues in the EU
The depth of annual high-yield bond issuance relative to GDP in different countries over the past three years
Rebased to EU = 100 in the three years to 2014

Source: Dealogic

Fig. 24 The range in depth of venture capital investment in the EU
The depth of venture capital investment in different countries over the past three years
Rebased to EU = 100 in the three years to 2014

Source: Preqin

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