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CMU KPI Report

Measuring Progress and Preparing for Success

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Association for Financial Markets in Europe
www.afme.eu

CMU: Measuring progress and planning for success

- Third anniversary of CMU: timely opportunity to review the progress on achieving the CMU's vital aims

- Produced by AFME with the support of nine trade associations and international organisations representing various Global and European capital markets stakeholders

Seven Key Performance Indicators

- Seven KPIs to assess progress at the EU and Member State level across the seven political priorities of the CMU Action Plan

KPI	What it measures
Market Finance	Capacity to raise capital on public markets
Household Market Investment	Availability of pools of capital
Loan Transfer	Capacity to transform bank loans into capital markets instruments (securitisation, covered bonds or loan transactions)
Sustainable Finance	Labelling of sustainable bond markets
Pre-IPO Risk Capital	Availability of risk capital for start-ups and SMEs
Cross-border Finance	Capital markets integration within the EU and the rest of the world
Market Depth	Measuring the capacity of EU capital markets

Key EU findings

- **The availability of pools of capital for investment has shown encouraging improvements.** The amount of EU household savings in capital markets instruments has increased from 114% of GDP in the period 2012-16 to 118.2% of GDP in 2017
- **EU companies continue to over rely on bank lending compared to market-based instruments**. 14% of new external funding by EU NFCs in 2017 was through bonds or public equity, with the remainder funded through bank lending. 13% on average during 2012-16 and 7% in 2007
- **Europe is a global leader in sustainable finance.** Over 2% of the EU's bonds issued in 2017 were labelled sustainable, from 0% 5 years ago and compared with 1% in the US in 2017.
- **The annual amount of pre-IPO risk capital invested into SMEs has more than doubled in the EU** from €10.6bn in 2013 (1.4% of new external SME funding) to €22.7bn (2.5% of new external SME funding) in 2017. Risk capital investments remain low relative to GDP and a significant gap continues vs US (0.8% of GDP in the US vs 0.15% of GDP in EU).
- **EU capital markets have shown an encouraging trend towards greater integration** since the aftermath of the financial crisis, but integration continues below pre-crisis levels. EU capital markets integration with the rest of the world has been more limited.
- **Recent years have shown a decline in the transformation of loans into tradeable securities**. In 2017, 5.2% of the stock of EU bank loans were securitised, sold to investors through loan portfolio transactions or pooled in covered bond instruments. 5.6% on average in the 2012-16 period.
- **Capital markets in CEE are converging with those of the rest of Europe**, but at a slow pace

Key Italy findings

- **Italy**, Spain, Ireland, Greece, and Portugal (countries with high levels of non-performing loans) are in the top seven EU nations in the loan transfer indicator in 2017, suggesting an encouraging trend to use market instruments to dispose of distressed assets.

- **Italy** slightly behind other EU countries in the amount of sustainable bonds issued on markets. 0.9% of total amount of Italian bonds issued in 2017 were labelled sustainable compared with 2.1% in the EU

- **Italy** ranks 28th among the EU28 nations in the availability of risk capital for SMEs. Italian SMEs over rely on bank lending to finance growth. 0.2% of total SME funding in 2017 was in the form of risk capital (VC, PE investments from growth funds, Business Angels, equity crowdfunding) compared with 2.5% in the EU.

Country rankings

- Country rankings to facilitate comparison against peers and recent years

	Market Finance Indicator	Households Market Investment	Loan Transfer Indicator	Sustainable Finance	Risk Capital Indicator	Intra-EU integration (EU)	Integration with the rest of the world	Market depth indicator
Austria	17	11	17	9	13	7	14	11
Belgium	18	5	8	28	23	5	5	6
Bulgaria	28	24	19	28	8	12	21	24
Croatia	20	16	28	28	25	28	27	27
Cyprus	28	18	28	28	17	22	3	28
Czech Republic	12	19	9	28	11	14	24	15
Denmark	13	3	1	10	2	10	8	3
Estonia	22	23	28	28	1	3	26	18
Finland	5	13	14	7	9	6	12	8
France	4	6	10	3	7	19	11	5
Germany	9	8	16	6	14	23	9	10
Greece	3	26	4	28	10	26	15	16
Hungary	21	17	11	28	24	11	17	22
Ireland	2	12	5	28	4	9	10	7
Italy	10	7	7	11	26	15	16	13
Latvia	23	25	28	8	6	4	25	25
Lithuania	16	27	28	1	18	16	22	23
Luxembourg	19	14	20	28	16	1	2	9
Malta	28	9	28	28	na	18	7	17
Netherlands	6	1	12	2	5	8	4	2
Poland	15	21	18	13	na	27	20	21
Portugal	11	15	6	28	21	20	18	14
Romania	8	28	21	28	20	24	23	28
Slovakia	28	20	15	28	19	17	28	26
Slovenia	28	22	28	14	12	25	19	19
Spain	14	10	2	5	22	21	13	12
Sweden	7	4	3	4	15	13	6	4
UK	1	2	13	12	3	2	1	1

Top 5 countries
Ranked 6-19
Ranked 20-28
na data not available to produce the indicator