6th Siena Conference on the Future of Europe

The 450bn bet: how to use Europe private savings to reboot Europe?

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The seeds of debate

1	Is CMU a precondition for the development of European capital markets?
2	Lack of capital, or lack of investment opportunities?
3	Can we strengthen the European environment for private capital quickly?

The Capital Markets Union as an enabling factor

- EU companies rely on banks for **70% of their financing**, vs 30% in the US. Bank-dominated systems are more vulnerable in crises.
- EU **venture capital investments are just 0.1% of GDP**, vs 0.5% in the US. EU Startups lack funding to scale.
- **Fragmented capital markets** hinder cross-border investments and risk sharing.
- Private pensions and equity investments are underdeveloped: **only 17% of household assets in equity (EU average).**
- Estimated €620 billion/year needed for green transition; public funds are insufficient without private capital.

A Unified Capital Market would reduce the cost of capital and increase Europe's global competitiveness.

Hence, we need to move fast towards the Capital Markets Union.

The risks in setting CMU as a precondition

Uncertain political support

"*In several cases, the Commission had to significantly* ***scale back*** *its initial ambitions in order to reach an agreement among the co-legislators, as for instance in the case of the review of the ESAs, or leave out of the CMU politically controversial issues such as the European safe asset*" – European Court of Auditors.

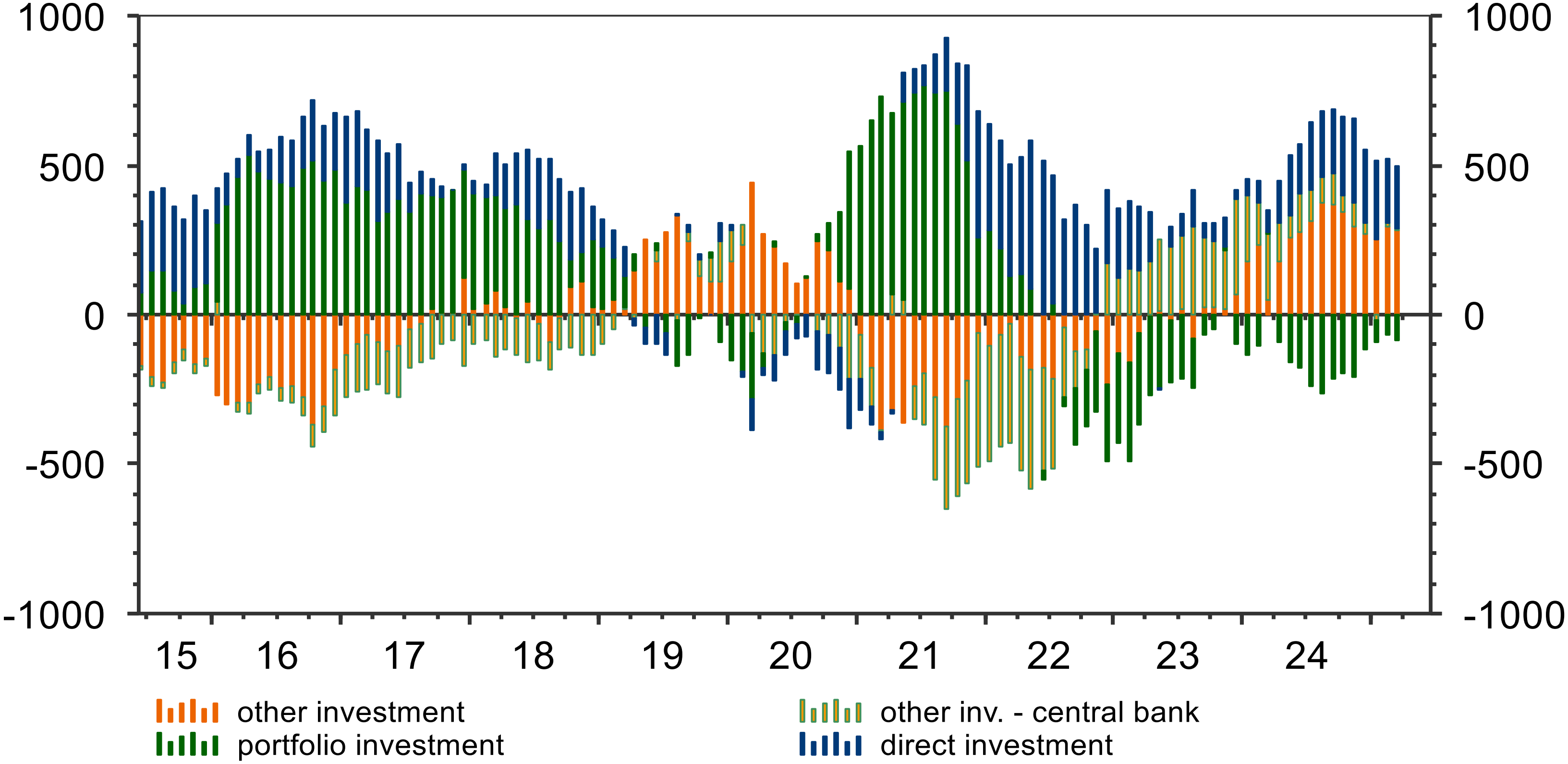
Long implementation time

Two action plans have been already launched (in 2015 and 2020), with over 60 legislative and regulatory measures. However, the plan itself acknowledges: "*The CMU is a long-term project… it will take time to tackle* ***deep-rooted structural barriers***." – European Commission.

Effects will not be seen immediately

Time may be needed for institutions, agents and markets to take full advantage of the CMU. Enough scale will have to be reached.

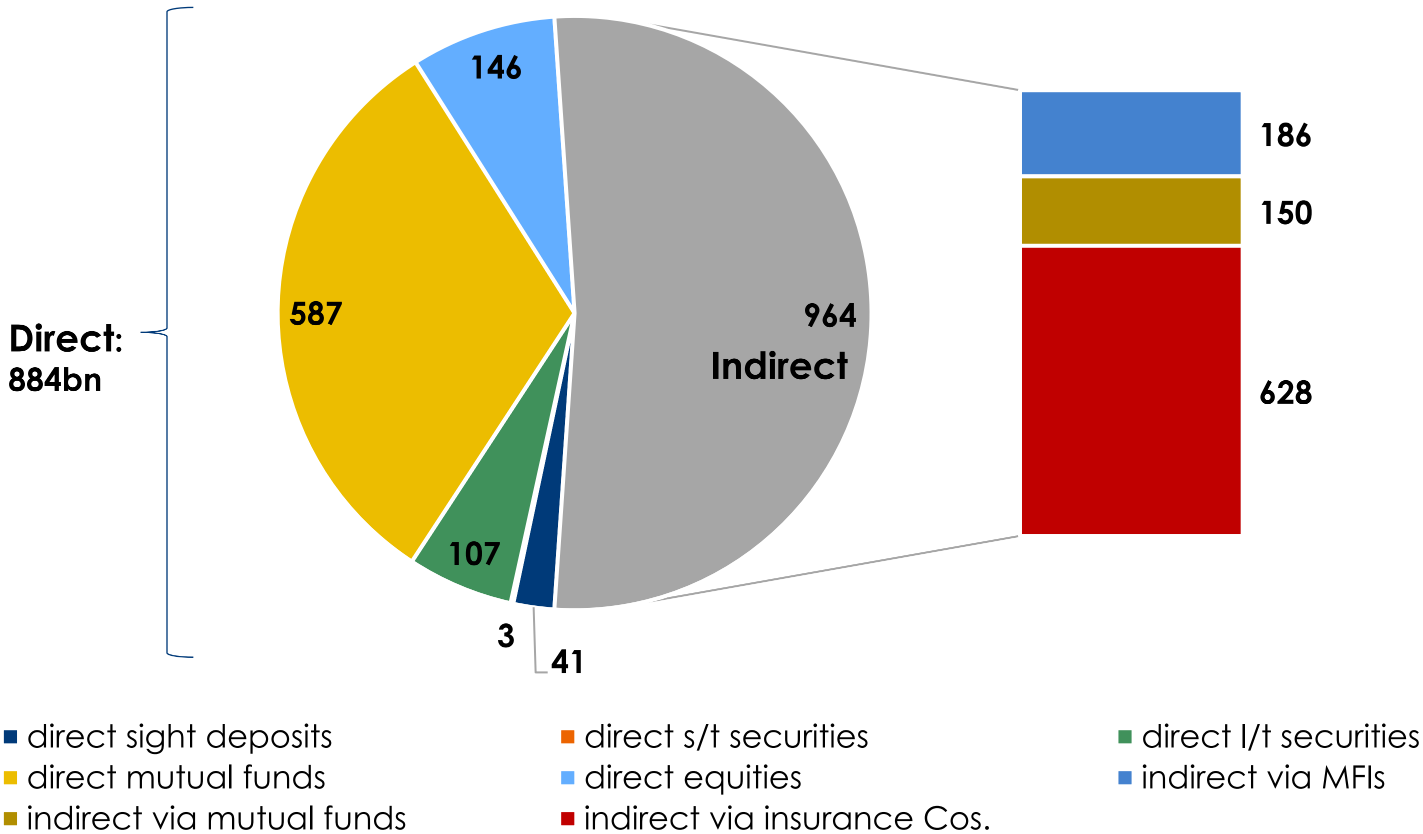
A problem of expected returns?
(1) Outward FDIs prevails over inward FDIs



Source: Intesa Sanpaolo elaborations on Euro Zone BoP, IMF data

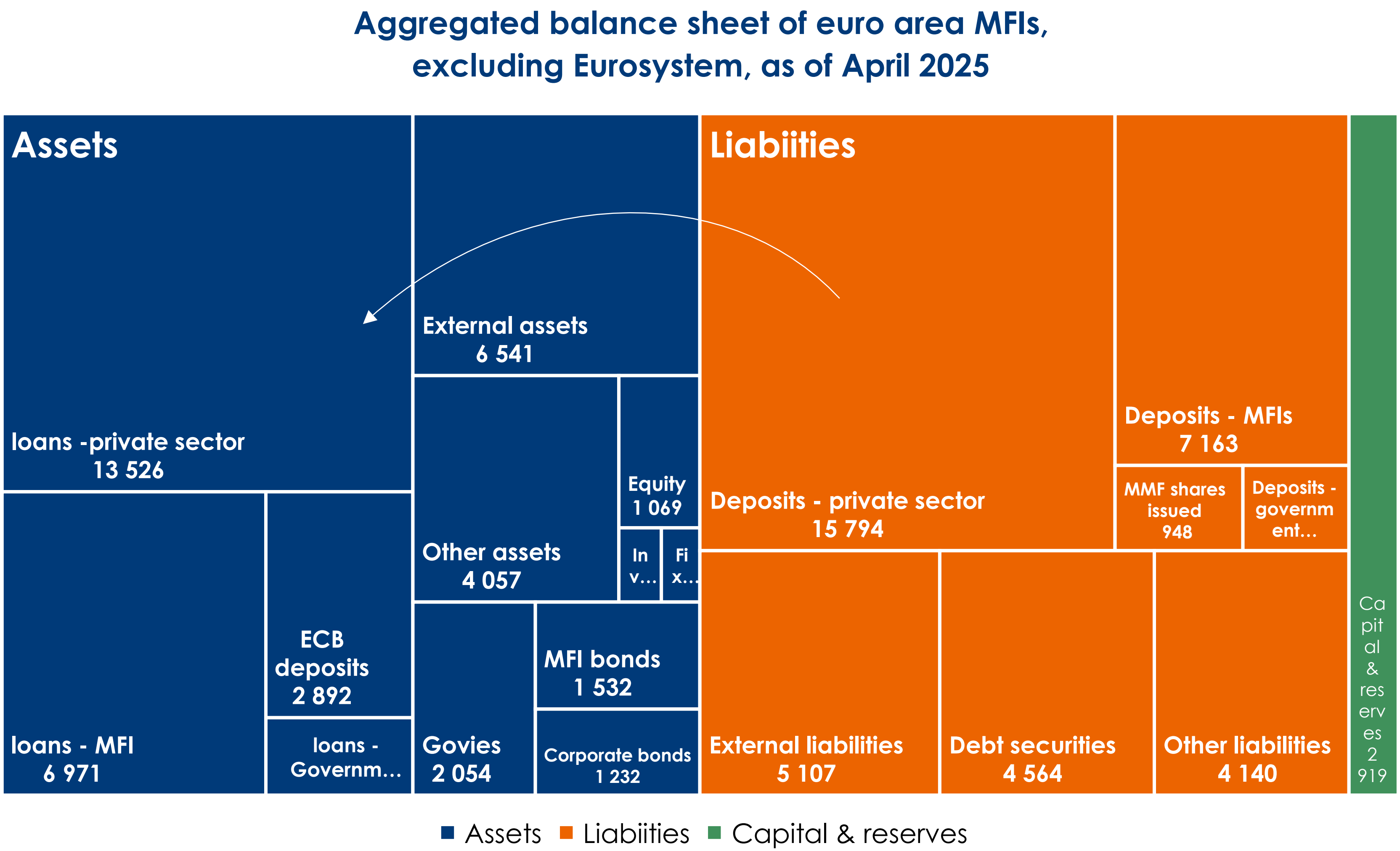
(2) Diversification is good: the case of Italy

The geographical diversification of households' financial assets takes place partly directly, partly indirectly through professional asset managers (stocks, 2024 Q4)



Note: the indirect foreign investment is computed by multiplying the holdings of each sector's liabilities by the share of foreign assets in each sector's balance sheet in 2024Q4. Source: Banca d'Italia, Conti finanziari

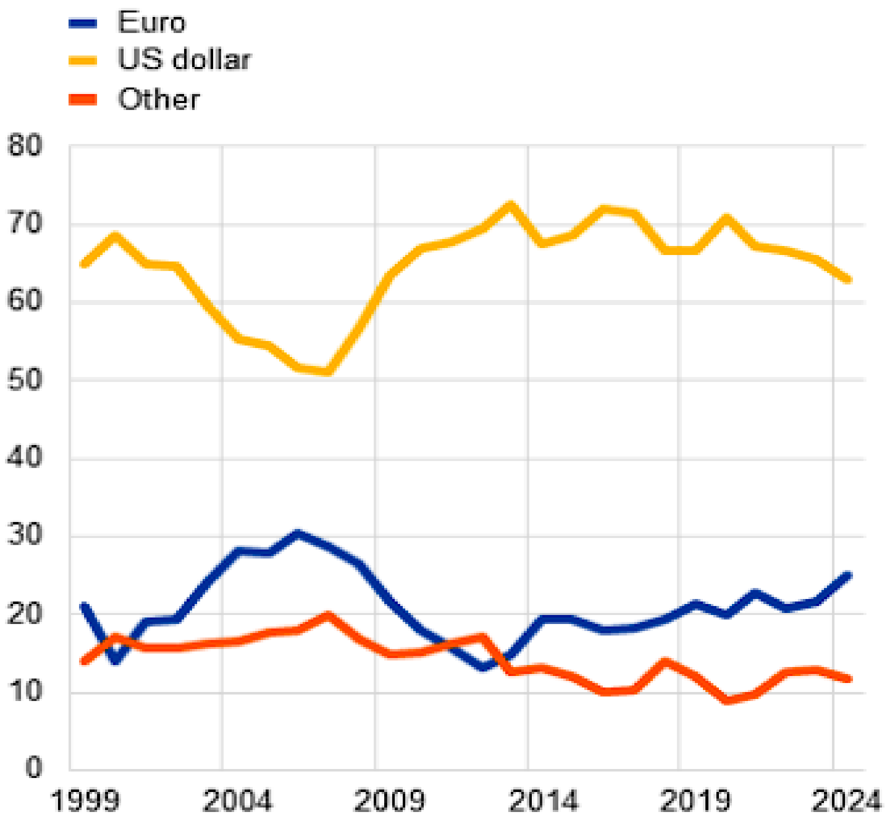
(3) Households deposits are not sitting idle



Source: ECB, BSI dataset

(4) The Euro is attractive, Europe less so

The euro share of foreign currency-denominated bond and loan issuance has recovered from the shock of the debt crisis



Source: ECB, The International role of the euro, chart 8a

- International use of the euro stable at 19% in 2024. The share of debt and loan issuance is back at pre-GFC levels.
- 2025: euro bond issues by non-euro companies over €100 MLD so far.
- Instead, the euro area is not that attractive for international capital.
- Euro-area households hold 9.8% of their financial assets in "rest-of-world" assets via investment funds—a sharp rise from only 2.8% when counting direct holdings only.

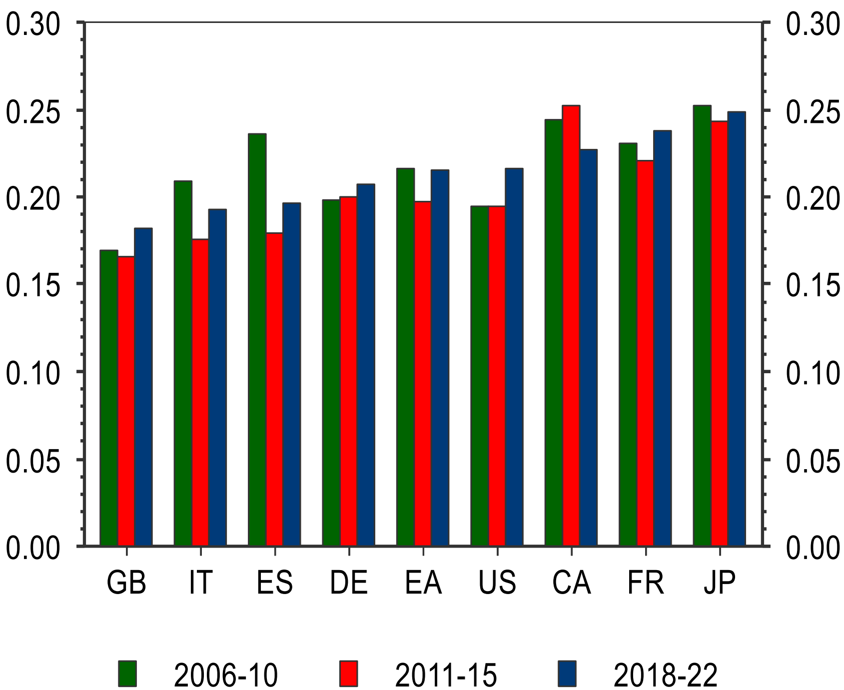
The International role of the Euro from different perspectives

Indicator	Share of the euro (percentages at constant exchange rates, unless otherwise indicated)			Total outstanding amounts (at current exchange rates)			
	Latest	Comparison period	Difference (p.p.)	Latest	Comparison period	Unit	Difference (%)
Stock of global foreign exchange reserves with known currency composition	19.8 (Q4 2024)	19.2 (Q4 2023)	0.6	12,364 (Q4 2024)	12,343 (Q4 2023)	USD billions	0.2
Outstanding international debt securities: narrow measure, i.e. excluding home currency issuance	22.5 (Q4 2024)	22.2 (Q4 2023)	0.3	19,269 (Q4 2024)	18,450 (Q4 2023)	USD billions	4.4
Outstanding international loans: by banks outside the euro area to borrowers outside the euro area	19.5 (Q4 2024)	17.3 (Q4 2023)	2.2	2,893 (Q4 2024)	2,795 (Q4 2023)	USD billions	3.5
Outstanding international deposits: with banks outside the euro area from creditors outside the euro area	15.2 (Q4 2024)	14.1 (Q4 2023)	1.1	3,241 (Q4 2024)	3,160 (Q4 2023)	USD billions	2.6
Foreign currency-denominated bond issuance, at current exchange rates	25.6 (2024)	22.6 (2023)	3.0	2,209 (2024)	1,784 (2023)	USD billions	23.8
Euro nominal effective exchange rate (broad measure against 41 trading partners)	122.6 (31 Dec. 2024)	123.9 (29 Dec. 2023)	-1.3				
Daily foreign exchange trading (settled by CLS), as a percentage of foreign exchange settlement	33.6 (Q4 2024)	33.7 (Q4 2023)	-0.1				
Invoicing of goods exported from the euro area to non-euro area countries, at current exchange rates	59.0 (2024)	59.4 (2023)	-0.4				
Invoicing of goods imported into the euro area from non-euro area countries, at current exchange rates	51.8 (2024)	51.8 (2023)	0.0				
Cumulative net shipments of euro banknotes to destinations outside the euro area (seasonally adjusted)				80.0 (Dec. 2024)	105.7 (Dec. 2023)	EUR billions	-25.3

Note: ECB 11 June 2025, Sources: BIS, CLS Bank International, Dealogic, IMF, national sources and ECB calculations. Notes: An increase in the euro nominal effective exchange rate indicates an appreciation of the euro. For foreign exchange trading, currency shares add up to 200% because transactions always involve two currencies

Is Europe investing too little? No, and yes

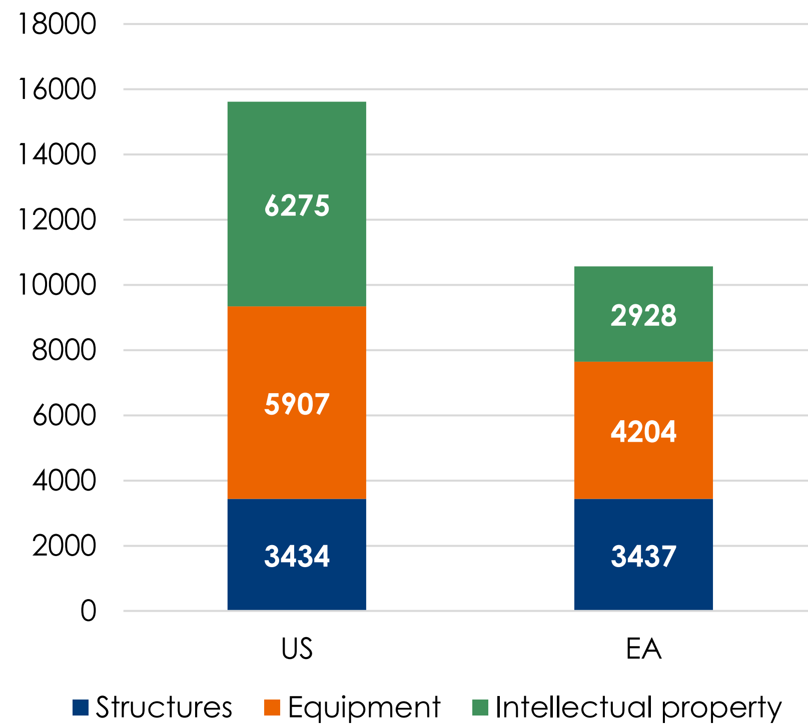
GFCF is about the same share of GDP as in the US



Source: OECD, Main Economic Indicators

Non-residential investment: US vs euro area, 2020-2024 cumulative flow

(billions of euros, current prices)

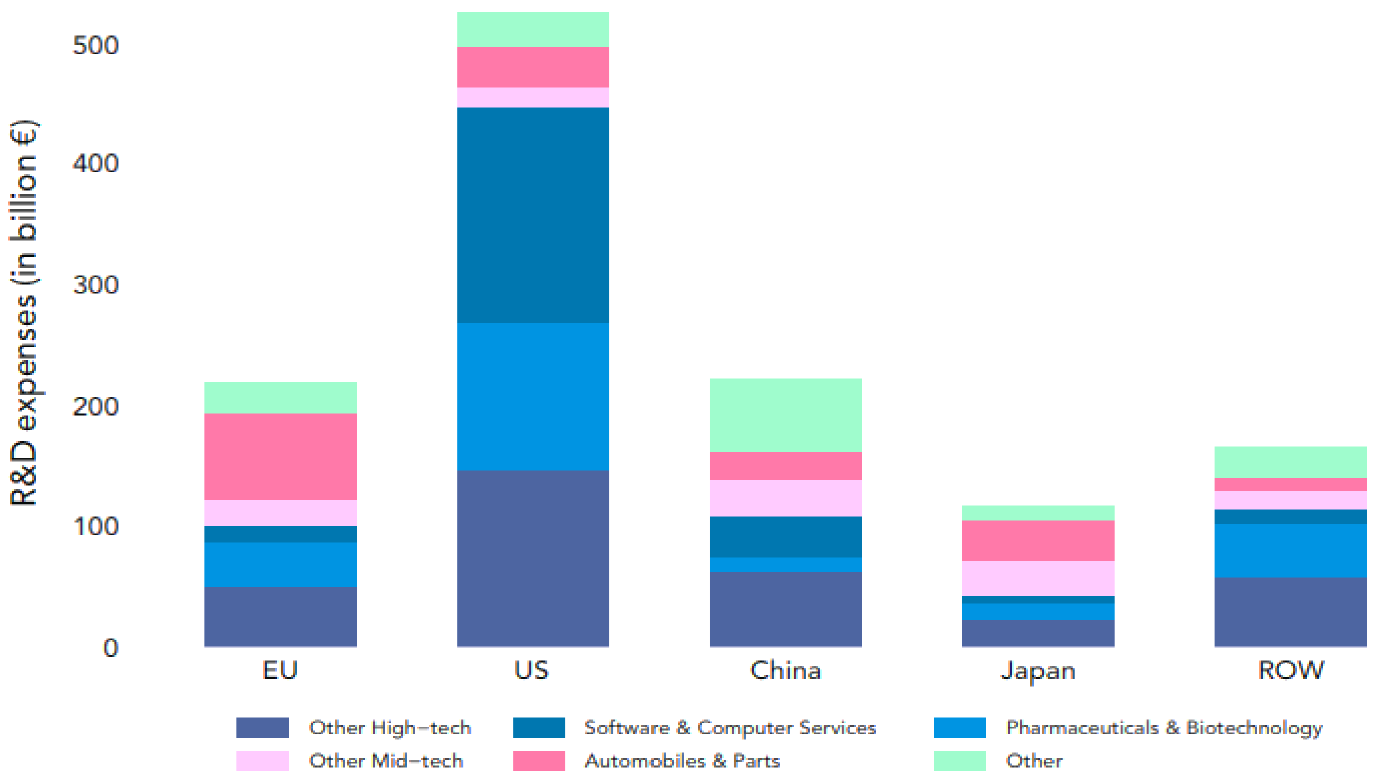


Note: US values converted at average exchange rates. The euro area aggregate is euro 20. Sources: NIPA (Table 5.3.5) and Eurostat (Gross fixed capital formation by main asset type)

Mobilizing investment and innovation

Which sectors are investing in R&D in Europe?

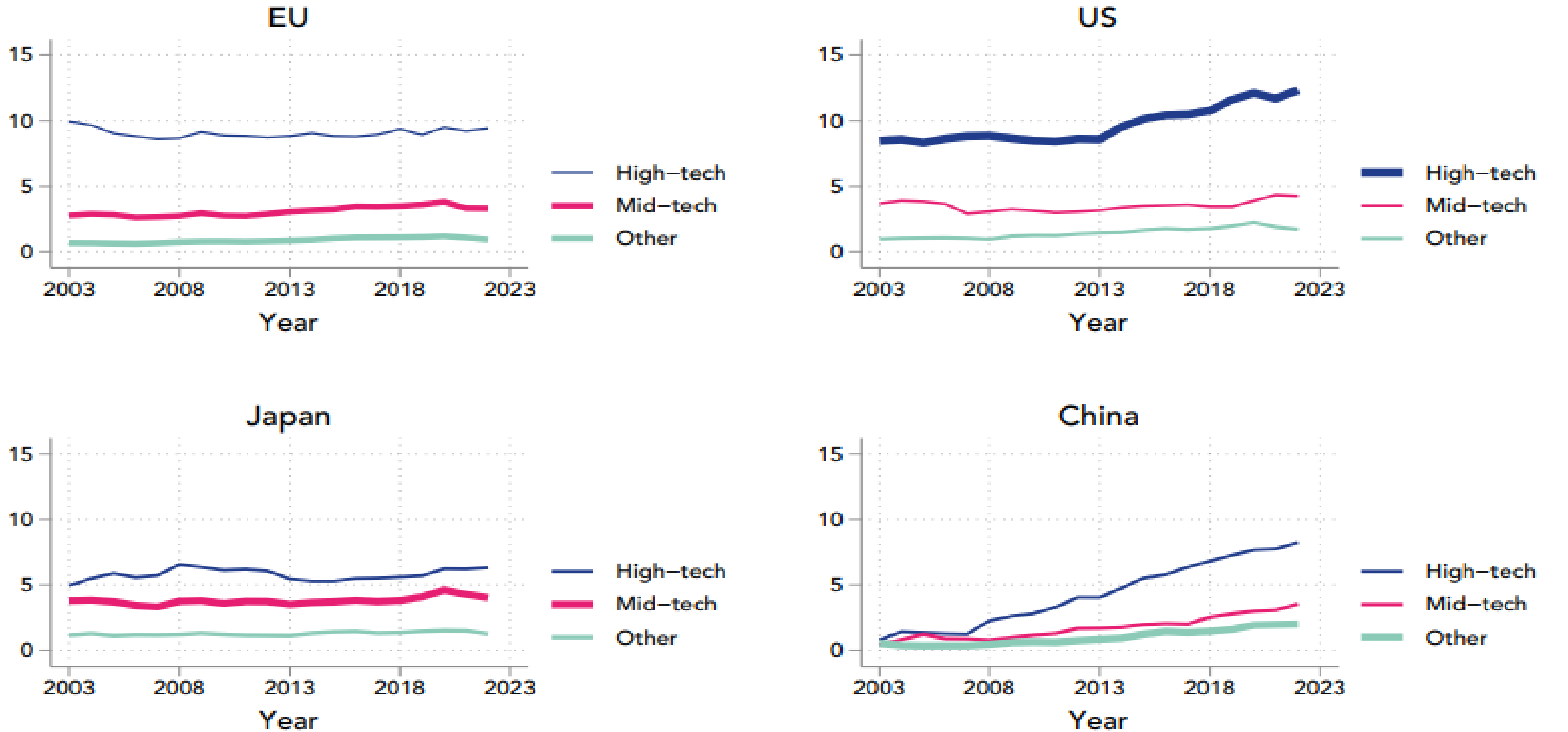
Figure 1.
BERD by technology level 2022 (Top 2,500 companies)



Source: 2024 Report on Innovation policy, Industrial R&D Investment Scoreboard (2023)

Mobilizing investment and innovation

Figure 2.
R&D intensity by technology level (% of sales)



After 2013,, the R&D intensity of US high-tech industries (and of others) began an upward trend. In China, the R&D intensity increased even more: starting from close to zero, it has now reached the EU level.1Source: 2024 Report on Innovation policy, Note: Sector lines weighted by share of total net sales. Sector R&D Intensity is the ratio of R&D expenditures within a sector to the total net sales. Source: Industrial R&D Investment Scoreboard

An inclusive strategy

- **Is the CMU alone enough? No, it is rather an enhancing factor through:**
  - Clear regulation
  - Competitive taxation
  - Political and economic stability

However, its political feasibility in the short and medium term is questionable.

Why not trying more focused steps?

What can we do, apart from CMU?

- Building the CMU is an important goal but making it a precondition for the relaunch of competitiveness risks to create unnecessary **delays**. Do not wait for divisive reforms, strengthen the single market where there is consensus.

- **Private capital must be mobilized** towards innovation and investment by making Europe a place worth investing in.

- More focus on how to remove the **current bottlenecks**, such as the lack of venture capital investors.

- More focus on how to make capital flow to **high-tech** and **breakthrough projects** by acting on the incentive structure, rather than with top-heavy programs.

- Rein-in the propensity to **over-regulate.**

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