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Boosting Competitiveness: 10 Actions for Deeper and Better Capital Markets in EU Member States

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Brussels, 27 January 2026 - Europe's future growth depends on unlocking deeper and more dynamic capital markets.

Europe's economic competitiveness increasingly depends on deeper and more diversified capital markets. Despite high household savings, much of this capital remains in low-yielding deposits or real estate, leaving companies, particularly small and medium-sized enterprises (SMEs), reliant on bank loans. The European Union's launch of the **Savings and Investment Union (SIU)**, which succeeds the Capital Markets Union (CMU), is a good moment for Europe to re-start and re-focus its work to develop capital markets. "**Strong capital markets are essential to fund companies, support high-growth firms, and make the EU economy more resilient**," says Fredrik Erixon, co-author of the new ECIPE Paper.

The report emphasises that national policies, more than EU-level rules, are the main drivers of capital-market performance. Governments that have reformed pensions and improved policies for investment funds and public markets see stronger market outcomes and more thriving businesses. If all Member States could converge towards the standards of top-performing markets, Europe could unlock broader access to capital for firms and strengthen economic resilience.

Past efforts to harmonise EU rules have delivered limited results. The SIU must now prioritise national reforms, tailored to each country's context. "**Key measures include encouraging investment from pension funds, improving niche financing for innovative firms, and fostering environments conducive to public listings**," highlights Andrea Dugo, co-author of the report. "**Domestic reform is critical for**

capital market development and can be tailored to address each Member State's specific needs."

To drive progress, the report proposes **10 targeted actions** and a **SIU Scoreboard** of seven measurable targets, combining outcome-oriented goals with policy reforms. These cover pensions, investment funds, and growth stock exchanges for SMEs. EU institutions can support these reforms by integrating capital market reforms into the **European Semester** through annual, country-specific recommendations – ultimately by conditioning access to some EU budget funds to actual capital market reforms.

Europe desperately needs higher economic growth and modernising Europe's capital markets can knock the EU onto the right path. Success will depend on national governments taking the lead, supported by EU institutions providing guidance and incentives. If effectively implemented, these reforms could reduce the European economy's excessive dependence on banks, expand funding options for companies, and strengthen the EU's competitiveness, positioning Europe for long-term economic growth.

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