

Press release

Financial industry considers Capital Markets Union useful

CFS survey: no particular effects on economic growth in Germany expected

FRANKFURT, 19 October 2015. The German financial industry considers the Capital Markets Union planned by the European Commission as a useful supplement to the European banking union. This was stated by around 60% of participants of a survey conducted by the Center for Financial Studies (CFS) among high-ranking representatives of financial institutions and service providers at the German financial center. However, a majority of respondents does not expect any particular positive effects for the German economy or any additional contributions to economic growth in Europe if capital market regulation will be further harmonized.

“The German financial industry seems not to expect that the Capital Markets Union will enhance equity financing of small and medium-sized enterprises as intended by the European Commission. Accordingly, the positive impact on economic growth in Germany is considered rather small,” Professor Jan Pieter Krahen, Director of the Center for Financial Studies and Academic Head of the survey, comments the results.

The European Commission had issued a Green Paper on building a Capital Markets Union in Europe on 18 February 2015. On 30 September, the European Commission published an “Action Plan on building a Capital Markets Union”. The aim of the Capital Markets Union is to enable businesses across Europe, in particular small and medium-sized enterprises, to use more diversified sources of funding and to decrease their funding costs. Besides, deeper and more integrated capital markets should make the European economy more resilient to shocks and allow for more investments.

Capital Markets Union not yet on the agenda of financial institutions

When asked whether their own company is already dealing with the possible consequence of the planned Capital Markets Union in Europe, almost 60% of respondents from financial institutions answered that this topic is not yet on their agenda. Compared with that, around 60% of the surveyed service providers are already dealing with possible effects of a European Capital Markets Union.

More than half of survey participants (60%) consider a Capital Markets Union as a useful supplement to the European banking union. Especially service providers assess a European Capital Markets Union as a useful supplement (70%), while only slightly more than 50% of financial institutions share this opinion.

At the same time, however, around 50% of respondents do not expect that further harmonization of capital market regulation will contribute to economic growth in Europe. In particular, financial institutions are skeptical: 65% do not expect a positive impact on growth in Europe. In contrast, the majority of service providers (54%) takes the view that the Capital Markets Union could have a positive effect on growth.

The question whether the German economy, which is dominated by small and medium-sized enterprises, will particularly profit from a European Capital Markets Union was answered with “no” by almost 60% of respondents. Only around one third of survey participants expect that the German economy will particularly benefit. Again, financial institutions are more skeptical than service providers: 66% state that the German economy will not particularly benefit from a Capital Markets Union, while only 52% of service providers share this opinion.

Building a Capital Markets Union should enhance capital market-oriented corporate financing. Around 60% of survey participants expect that this will have a strong or medium impact on the market position of banks, whereas one quarter of respondents thinks that it will only have a small effect. Around half of the survey participants from financial institutions expect strong or medium consequences, while one third thinks that the Capital Markets Union will only have a small impact on the market position of banks. 70% of service providers report that they expect strong or medium effects.

The results are based on a quarterly survey, carried out by the Center for Financial Studies, among 400 decision makers in the German financial industry.

The Center for Financial Studies (CFS) conducts independent and internationally-oriented research in important areas of Financial and Monetary Economics, ranging from Monetary Policy and Financial Stability, Household Finance and Retail Banking to Corporate Finance and Financial Markets. CFS is also a contributor to policy debates and policy analyses, building upon relevant findings in its research areas. In providing a platform for research and policy advice, CFS relies on its international network among academics, the financial industry and central banks in Europe and beyond.

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