

Deep Risk-Capital Markets Matter: Lessons from the Nordic Capital Markets

Background

Well-functioning capital markets play a central role in financing innovation, industrial transformation and economic growth. A key indicator of a market's ability to allocate capital efficiently is the activity in the primary market — the issuance of new equity and high-yield bonds.

An analysis of issuance activity across selected European countries shows substantial differences in the depth and vibrancy of national risk-capital markets. The study covers approximately 24,000 equity transactions and 3,100 high-yield bond issues across the UK, France, Germany, Switzerland, Belgium, Ireland and the Nordic countries.

The results highlight the importance of strong domestic capital market ecosystems.

Key Findings

The United Kingdom remains the largest capital market in Europe in absolute terms, with more than 400 annual risk-capital transactions when combining equity and high-yield bond issuance.

However, the Nordic markets stand out in a European context. Sweden and Norway each support a level of capital market activity that significantly exceeds most other European countries.

Between 2018 and 2025:

- Sweden averaged roughly 255 risk-capital issues annually
- Norway averaged roughly 245 risk-capital issues annually
- In high-yield bond markets separately, Norway and Sweden again lead Europe with approximately 125 and 85 issues per year, respectively

In comparison, most other European markets typically record between 20 and 80 risk-capital transactions annually.

Measured relative to the size of the economy or population, the Nordic markets therefore appear substantially deeper and more active than most European peers.

Why the Nordic Markets Stand Out

The strength of Nordic capital markets is the result of long-term ecosystem development.

In Norway, the capital markets have evolved around capital-intensive industries such as shipping, energy and offshore services, which historically required large amounts of external financing. This led to the development of specialised financing structures and a broad international investor base.

In Sweden, the development of capital markets has benefited from consistent political support for market-based financing, including tax structures that encourage investment and an active role for pension capital. A strong entrepreneurial environment has also contributed, with successful exits recycling capital back into domestic markets.

These structural factors have helped create deep pools of capital, active investor participation and efficient primary markets.

Policy Implications

The development of vibrant capital markets is the result of long-term policy stability and ecosystem building. International experience suggests that several factors are particularly important:

- Predictable and competitive tax frameworks for both investors and companies
- Strong institutional investor participation, including pension funds
- Efficient listing and issuance frameworks that allow companies to raise capital quickly
- Regulatory stability, which encourages long-term investor participation

Conversely, frequent regulatory changes, unpredictable tax policy, or barriers to capital formation risk undermining local market ecosystems.

Conclusion

Europe continues to seek ways to strengthen its capital markets and reduce dependence on bank financing. **The Nordic experience demonstrates that deep and vibrant risk-capital markets do not emerge by accident. They are the result of sustained national policy choices that support market-based financing and investor participation.**

Maintaining stable and competitive policy frameworks for decades will be critical if Europe is to strengthen its capacity to finance innovation, growth and industrial transformation in the years ahead.

