



Ministry of Finance

The Swedish capital market in brief

Integrating and further developing the European capital market is a priority for the European Union and for Sweden, as it could provide households with better returns on their savings and businesses with a more diversified set of sources for funding.

The Swedish capital market is increasingly seen as the most developed in the EU and somewhat of a role model. This memo seeks to summarise its key features.¹ At the end, a simple checklist for evaluating capital markets-enhancing reform proposals is provided building on Sweden's experiences.

Key highlights

- There is a broad participation in capital markets among retail investors. Just over 10 per cent of households' financial assets are held in cash or bank deposits – the lowest share in the EU – with the rest invested in various forms of financial instruments and products. Seventy per cent of all households hold investment funds directly.
- Assets under management in Swedish pension funds amount to EUR 800bn, which is seven times what our share of EU GDP would suggest.
- The Swedish stock market has been one of the best performing in terms of total return globally over the past 25 years, outperforming major indices such as the S&P500 and STOXX600. Being exposed to stock markets in general and the Swedish in particular has been very beneficial for households as well as current and future retirees.

¹ For a more extensive account on the emergence of the Swedish capital market, please refer to: [Sweden's capital markets journey - Government.se](#).

- Sweden has been number one in venture capital investments in the EU over the past five years. The possibility for start-ups to attract this and other forms of funding is a key contributor to Sweden having the highest number of unicorns in Europe per capita and belonging to the top 10 globally.
- With over 500 initial public offerings (IPOs) over the past decade, this is more than the figure for Germany, France, Italy and the Netherlands combined.

1. Funded pension schemes

For pension savings to reap the benefits of capital markets, they need to be at least partially funded, as opposed to being entirely pay-as-you-go (PAYG), and with an emphasis on defined contribution, not defined benefit, so that the asset managers have sufficient scope for market risk.

The funded compartments of the Swedish pension system are the premium pension and the occupational pension. These funds are largely invested in equities and equity funds. A crucial prerequisite for this is the prevalence of defined contributions in these systems. In addition, there is a buffer in the public PAYG pension system, managed by the AP funds, which has significant exposure to listed securities as well as private equity and other unlisted assets.

Total assets in the premium pension and occupational pension as of 2024 amounted to 115 per cent of GDP. The corresponding EU average is 30 per cent of GDP. With two per cent of the EU's population, Sweden provides for 13 per cent of all funded pension assets. With the AP funds included, total assets correspond to 155 per cent of GDP.

2. Broad retail participation

Another Swedish feature is the way in which households manage their financial assets. Financial instruments and products, like shares and investment funds, account for almost 90 per cent. Put differently, Swedes only hold just over 10 per cent of their financial assets in bank deposits or cash. This is the lowest number in the EU. Further, participation in capital markets is broad with close to 25 per cent owning shares outright and 70 per cent holding investments funds directly (i.e. disregarding the exposure they have through the pension schemes; if included, virtually all Swedes hold investment funds).

A long-standing practice of offering tax-incentives and administratively easy ways to invest in financial instruments and products has been important in shaping households' investment preferences. Indeed, Swedish households would typically make no difference between the concepts of “savings” and “investments”. As an example, 40 per cent of all Swedes have an investment savings account (“ISK”) with total savings corresponding to 30 per cent of GDP.

With such a broad retail participation, ensuring long term trust in the market has been a political priority. Political pressure on investment fund fees has been one example which, together with collective bargaining in occupational pensions, has contributed a downward pressure. The average Swedish equity investment fund fee was 0.9 per cent in 2023, compared to the EU average of 1.4 per cent.²

3. A stock market for firms with different needs

Sweden has a large stock market with, according to a recent SNS-study, deep liquidity. Thresholds for companies to go public are comparatively low, not because the regulatory requirements are lax, but because the entire ecosystem is designed to make listing attractive and feasible even for smaller firms. There are multiple trading venues with different profiles and requirements (two regulated markets and three MTFs). This allows companies to choose a platform that matches their size, maturity, and ambitions, and eventually to graduate from SME-oriented venues towards the main regulated market (which is common). Sweden also has a strong network of financial and legal advisors and investor communities specialised in small-cap and growth companies. This reduces complexity and cost for issuers.

Over the past ten years, there have been more than 500 initial public offerings on the trading venues operated in Stockholm. According to a Financial Times study, this was more than France, Germany, Italy and the Netherlands combined. Indeed, Sweden has been one of few advanced economies with positive net listings in the past decade.

² In terms of Swedish households' investment allocations, it is noteworthy that among listed equities and equity funds close to 40 per cent is invested in Swedish assets. With share of global market capitalisation of some one per cent, this is a very strong home bias. This is despite there being no restrictions on investing in foreign assets or government nudging to invest in Sweden. Swedish people have chosen to do so anyway.

4. Buy-in from social partners

Support from social partners – trade unions in particular – has been important for the establishment and success of the occupational pension system. Some 90 percent of all employees in the Swedish labour market have an occupational pension scheme based on collective agreements between unions and employers' organisations, and these are typically funded, defined contribution and have significant capital market exposure

Beyond sharing responsibility for upholding the system as such, it has been a common practice for Swedish trade unions to educate their members in matters of financial literacy (especially pension savings).

5. Strong corporate governance

For an equity market to be successful, the corporates whose shares are being traded need to provide steady returns and to be properly governed. With a diverse set of shareholder types – family endowments, active and passive institutional investors, retail investors etc. – there needs to be appropriate provisions in place to align interests and to hold management to account. While the corporate governance framework allows for majority shareholders to steer the direction of the business, there is also an elaborated system for ensuring quality of disclosure and protecting minority shareholders.

To further align interest there needs to be clarity on the corporate purpose, which in the Swedish framework is profit maximisation (within the boundaries of the law). While not unique as such, the clarity with which this is stipulated as the default corporate purpose is somewhat of a Swedish characteristic.

6. A growth and investment-supporting tax regime

Swedish tax policy has undergone substantial change in recent decades, becoming more supportive of entrepreneurship and risk-taking. Special provisions under the tax code allows entrepreneurs to be taxed at a lower tax rate on dividends and capital gains and we have introduced rules to avoid chain taxation in the corporate sector, which allows entrepreneurs not to be taxed on capital gains from selling shares in their business, if the sale of the business is made through a holding company. Inheritance, gift and wealth taxes have all been abolished since close to twenty years.

This has been important from a capital markets perspective as it has allowed entrepreneurs to become successful and to accumulate financial means which put them in a position to act as angel investors and providers of venture capital to new firms.

7. A private equity sector closely connected to public markets

Sweden's private equity (PE) industry is well-developed and internationally connected. Sweden hosts several internationally active PE firms – including the third largest globally – attracting significant amounts of foreign capital, with about 10 per cent of total fundraising in Europe in recent years (triple what GDP would suggest). Two thirds of the funds raised stem from non-European investors and about half of the investments have been directed toward Swedish companies. According to industry data, Swedish PE funds raised over EUR 10bn in 2024 and have cumulatively raised EUR 130bn.

As suggested by a recent OECD study, Sweden is unique in Europe in having initial public offerings as the most common type of divestment for PE-managed firms (29 per cent vs an EU average of 8 per cent). This points to the close connection between private and public markets.

A checklist for evaluating reform proposals

To guide policy and to build support for reforms aimed at developing capital markets, Swedish experience suggests there are four simple yet fundamental questions which can serve as a first basis for evaluation.

Does a proposed reform...

- improve returns to households' long run savings?
- reduce the cost of capital for firms?
- meaningfully increase the pool of risk-willing capital?
- achieve one or more of the above objectives without compromising financial stability?

If answered in the affirmative, the reform proposal in question is likely to set the right course for developing your capital market, and thereby provide households with better returns on their savings and businesses with a more diversified set of sources for funding.