International investors set another record for stock ownership with 50.3%

BME REPORT ON OWNERSHIP OF LISTED SPANISH STOCK

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The capitalisation of the Spanish stock market is declining relative to GDP due to the lack of listed companies, but foreign investors continue to show signs of valuing their positions in listed companies. They have once again set a new record by reaching 50.3% of the shares of companies listed in Spain. The ownership structure of the stock listed on the Spanish stock exchange at the end of 2022 remained largely unchanged, with domestic investment being made to a greater extent through non-financial companies (21.3%) and individual investors (16.2%). The latter are still relevant in the Spanish stock market, with one in eight families holding shares. However, the upturn in their position that occurred in the first and second year of the pandemic is fading.

DISTRIBUTION OF STOCK OWNERSHIP IN SPANISH LISTED COMPANIES

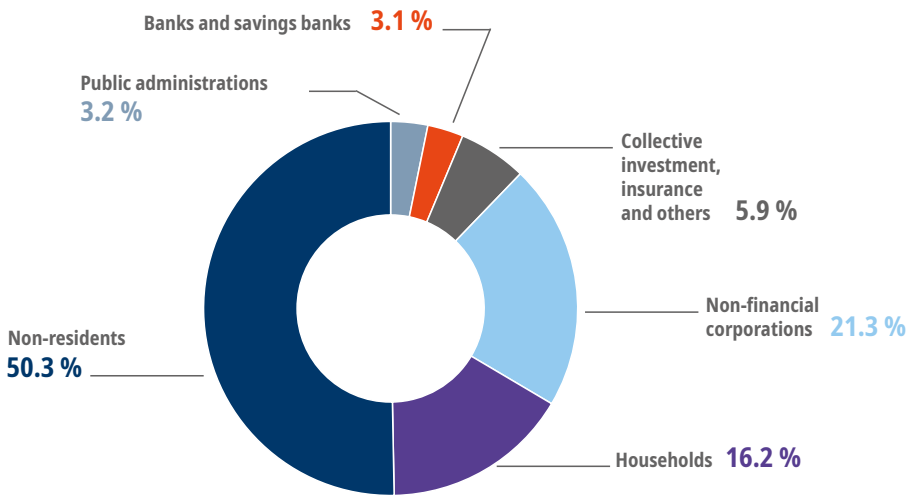
(Figures as a percentage of the total market value at year-end of all Spanish listed companies)

Source: BME Market Research

	1992	93	94	95	96	97	98	99	2000	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22
Banks and savings banks	15.6	13.4	15.1	15.1	14.1	12.9	11.7	12.8	7.3	7.9	7.1	7.7	8.7	8.6	9.3	9.4	7.6	5.0	4.6	7.5	5.2	5.1	4.3	3.6	3.0	3.1	3.0	2.8	2.7	3.5	3.1
Collective investment, insurance and others	5.0	4.2	5.7	7.0	7.2	10.2	10.2	8.8	7.1	7.2	7.4	7.9	8.6	8.6	9.6	8.1	7.4	7.6	7.6	8.8	8.4	7.4	7.8	7.9	7.4	8.0	7.9	7.3	6.4	7.0	5.9
Public adm.	16.6	16.4	13.8	12.2	10.9	5.6	0.6	0.3	0.2	0.2	0.4	0.3	0..3	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.5	2.3	1.9	2.9	3.1	3.1	2.9	2.8	2.9	2.7	3.2
Non-financial corporations	7.7	6.9	6.8	6.7	6.9	5.9	5.5	10.1	20.3	21.7	22.0	23.0	23.1	24.7	24.4	25.4	26.0	25.9	26.1	22.1	21.7	19.0	17.1	18.9	20.1	20.1	20.8	20.8	21.0	20.9	21.3
Households	24.4	24.8	22.8	22.2	23.6	30.0	35.1	33.6	30.5	28.0	28.3	26.0	24.1	23.6	23.8	20.1	20.2	21.1	22.2	21.2	25.1	26.1	26.2	24.4	23.4	19.7	17.2	16.1	17.1	17.1	16.2
Non-residents	30.6	34.4	35.9	36.7	37.4	35.6	36.9	34.3	34.7	35.0	34.8	35.1	35.2	34.2	32.6	36.8	38.5	40.1	39.2	40.0	39.2	40.1	43.0	42.3	43.1	46.0	48.1	50.2	49.9	48.8	50.3

Graph 1 - OWNERSHIP OF SPANISH LISTED STOCK (2022)

Total capitalisation at year-end 2021 (%)

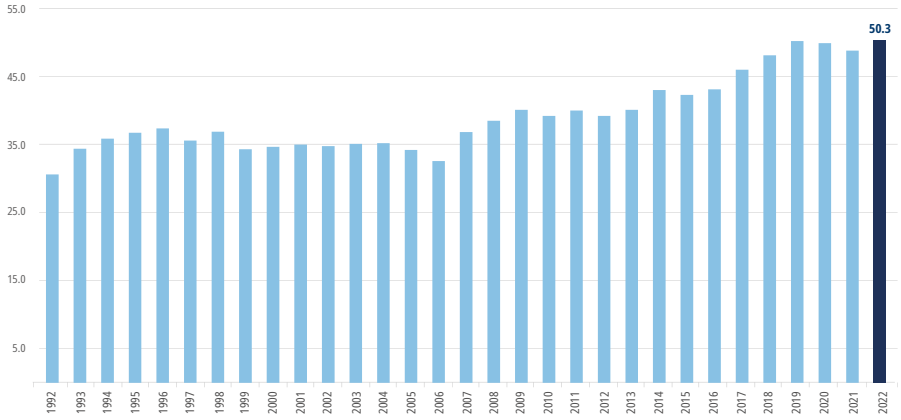


Source: BME Market Research. June 2020

The presence of international investors in the Spanish stock market reached 50.3% at the end of 2022, again above 50%, a figure that was exceeded for the first time in 2019. The increase compared to 2021 amounts to 1.5 percentage points. In the first 24 years of the 21st century, foreign investors have increased their participation in the Spanish stock market by 16 points, from 34.3% in 1999 to 50.3% in 2022. If we take 2007 as a reference point – before the onset of the global financial crisis that led to the Great Recession – foreigners have increased their participation by 13.5 percentage points over the course of nearly 15 years marked by various kinds of major emergencies: the financial crisis, the sovereign debt crisis in the eurozone, and the global pandemic caused by COVID-19, which has given rise to a global energy crisis accompanied by elevated inflation.

The internationalisation of the activity of a significant number of Spanish companies has been a constant since the 1990s. At the same time, the financing of these companies has also been diversified by foreign investors and a Spanish stock market that has amply satisfied the requirements of the most demanding investors in terms of technology and transparency.

Graph 2 - FOREIGN INVESTORS (%)
Ownership of stock listed on the Spanish Stock Exchange (1992 - 2022)

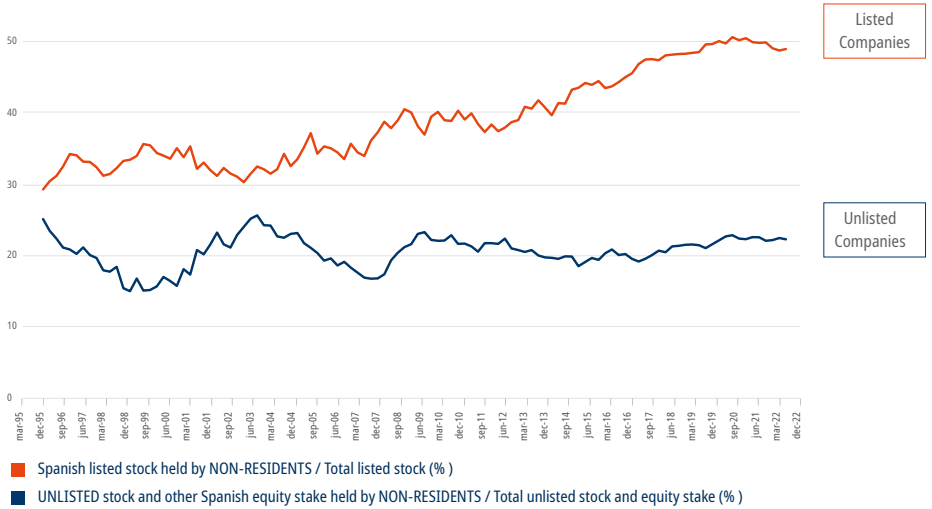


Source: BME Market Research

Going public attracts more foreign investment

The listing of a company's shares is a very powerful factor in attracting foreign capital, as the comparison with unlisted companies shows. In the latter, the share of foreign capital is less than 25% compared to twice as much, 50%, in the case of listed companies. According to data from the Financial Accounts at the end of 2022 published by the Bank of Spain, in the last two decades the percentage of foreign ownership of listed companies has not ceased to grow (+20 percentage points), compared to the stagnation of foreign ownership of unlisted companies (23.6%).

Graph 3 - PARTICIPATION (%) OF FOREIGNERS IN THE CAPITAL OF SPANISH COMPANIES (1995-2022)
Quarterly data Mar 1995 to Dec 2021 compiled using the methodology of the Financial Accounts of the Spanish Economy



Source: Banco de España. July 2022

The main non-resident investors are the so-called institutional investors – in other words, investment and pension fund managers, sovereign wealth funds, insurance companies, venture capital or private equity funds and even investment banks and intermediaries holding stock portfolios. Among the world's largest asset managers at the end of 2022 were BlackRock (USD 10.01 trillion in assets), Vanguard Group (USD 8.46 trillion), Fidelity (USD 4.23 trillion), State Street Global (USD 4.14 trillion), JP Morgan Chase (USD 3.11 trillion), Alliance Group (USD 2.95 trillion) and Capital Group (USD 2.71 trillion). They invest primarily through vehicles such as traditional investment funds, but also through venture capital or private equity funds, or exchange-traded funds (ETFs), vehicles that passively track listed share indices of the world's major stock markets.

For example, BlackRock is currently the largest private investor in the world and the largest shareholder in many important Spanish companies such as BBVA (5.91%), ACS (5.83%), Enagás (5.56%), Repsol (5.47%), Santander (5.42%), Iberdrola (5.39%), Amadeus (5.24%), Cellnex (5.19%), CaixaBank (5.01%) and up to a dozen others in which it controls between 3% and 5%.

Sovereign wealth funds

Among institutional investors, the so-called sovereign wealth funds stand out for their growing global significance, and the leader among them is Norges Bank, the vehicle mandated to invest the money Norway collects from the sale of oil and gas in order to secure the future pensions of its population. As much as EUR 1.3 trillion in assets, its global diversification policy and its clear commitment to equities as the most profitable long-term investment have made it one of the main investors in the Spanish equity market with holdings of between 3% and 3.25% in Repsol, Solaria, Iberdrola, Cellnex and Santander; and between 2.5% and 2.99% in Unicaja, Sabadell, Redeia, Amadeus, Ferrovial, Meliá, BBVA, Sacyr, Telefónica, ACS, Colonial and Acerinox; as well as smaller stakes in many other companies.

Another major investor in the Spanish stock market is Qatar's sovereign wealth fund, which owns 25.14% of IAG, 19.02% of the real estate company Colonial and 8.06% of Iberdrola.

The importance of boosting the IPO and strengthening the competitiveness of the Spanish capital market

The high participation figures of foreign investors in the Spanish stock market further underline the importance of encouraging the listing on the stock exchange of more companies that can benefit from global investment flows that are otherwise difficult to attract. It is undoubtedly one of the most decisive factors in improving the competitiveness and attractiveness of the Spanish capital market in an increasingly complex international environment in which, according to some relevant ratios, Spain has lost ground rapidly in the last decade, its historical backwardness affecting economic indicators as essential as productivity, investment in R&D and the size of our companies.

Going public or being listed on the stock exchange during a company's lifecycle is a crucial, decisive step in the internationalisation of companies, the diversification of shareholders and sources of financing for companies, and therefore in attracting capital and increasing the size of companies. It is one of the handicaps of the Spanish economy compared to its European peers, which penalised it during the COVID-19 crisis due to the greater impact on smaller companies. Listing on the stock exchange and the participation of foreign funds and institutional investors in Spanish companies are determining factors in reaching company sizes that are more in line with current competitive requirements.

The European Capital Markets Union (CMU) Action Plan also includes the promotion of measures and initiatives that encourage company financing through the markets as one of the main measures to strengthen the economic and financial ecosystem in Europe, particularly those targeting SMEs.

In order to promote competitiveness, it is important that the political and economic authorities understand that taxation, above all, is one of the intervention instruments with the greatest impact on the competitiveness of the Spanish capital market and on the benefits it generates in the medium and long term with regard to more balanced and resilient economic growth. The lack of determination on the part of the public authorities to support more consistently an internationally competitive tax map of Spanish financial assets does not fit in strategically with the urgent need of the Spanish economy to maintain a continuous flow of capital, both to refinance the high level of debt and to ensure continuous capital flows to promote productivity improvements.

The strong foreign ownership in the leading Spanish companies and the importance of the stock market in providing an efficient valuation of these holdings and adequate liquidity should be strong arguments against, as a paradigmatic example, the financial transaction tax (FTT) that has been applied to the shares of the

main companies listed on the Spanish stock exchange since January 2021. As it is not an EU-approved tax, the Spanish stock market and therefore the leading Spanish listed companies are being unfairly penalised as an investment alternative when compared to competing companies based in other European or non-European markets. Various analyses carried out by the CNMV, among others, contradict this hypothesis with data, but it seems that the Spanish governments do not consider them sufficiently relevant.

This lack of interest on the part of the governments in making our economy more competitive by taking greater account of the taxation of investment instruments is not only evident in the case of the financial transaction tax, but also in other issues such as the lack of incentives to invest in the shares of SMEs, both directly and through collective investment vehicles; the lack of incentives for greater diversification of household financial savings; the treatment of SICAVs or the inadequate tax treatment of ETFs, investment certificates and innovative listed products such as the so-called ETPs, which have left Spanish investors outside these successful products in developed capital markets.

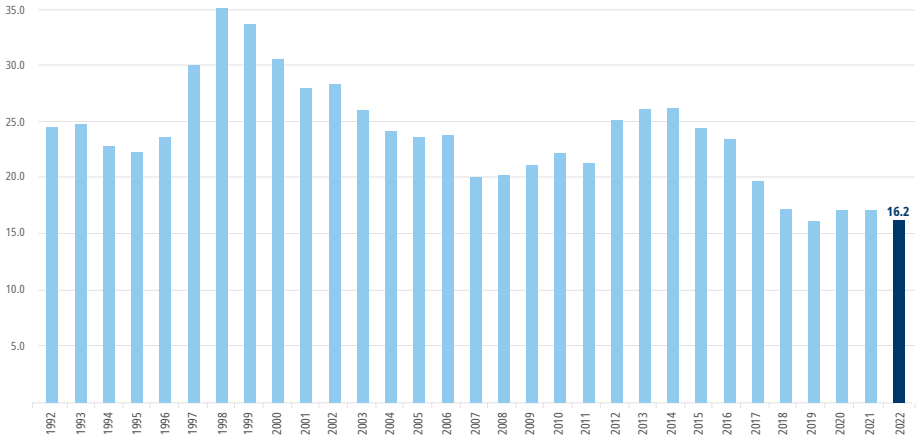
Households

The share of Spanish households owning listed shares in Spanish companies fell by almost one percentage point in a year, to 16.2% at the end of 2022, virtually returning to the historic lows of 2019 before the pandemic. The high presence of individual or family investors has historically been one of the characteristics of the Spanish stock market, reaching a peak of 33.6% in 1999 at the height of the privatisation boom.

The increase in activity and the retail position, observed mainly in the North American markets and also, albeit to a lesser extent, in Europe, following the sharp falls in March 2020 in the midst of the pandemic crisis caused by COVID-19, faded in 2022, partly due to the fall in share prices (the IBEX 35 fell by 5.6%). For example, the loss of shareholders in Spain's six largest listed banks was already more than 200,000 in 2021, and reached almost another 110,000 fewer shareholders in 2022.

A longer-term analysis helps to identify the factors behind the decline in the participation of small shareholders in the ownership of Spanish listed companies. In the medium term, this percentage is rapidly converging with Europe, where the direct participation of individual investors in the stock market has traditionally been lower than in Spain. Successive reforms of the Europe's financial and securities markets, implemented with the stated aim of improving investor protection, have so far failed to deliver the expected results in terms of bringing more investors into the ownership of listed shares, nor have they increased the number of listed companies. Likewise, the IPOs that have taken place in recent years have mostly bypassed the retail tranche that was characteristic of the stock market debuts that took place in large numbers in the last decade of the 20th century.

Graph 4 - HOUSEHOLDS (%)
Ownership of stock listed on the Spanish Stock Exchange (1992 - 2022)



Source: BME Market Research

One of the reasons for this trend towards a reduction in the proportion of individual private investors in the ownership of national shares is the growing importance of investment funds in Spanish portfolios, encouraged by a comparatively favourable tax treatment and the commercial commitment of banks and their networks to this instrument.

Competition is also intensifying with the growth of international investment funds marketed in Spain and accessible to individual investors. According to the CNMV, the total volume of these funds marketed in Spain amounted to EUR 201,059 million at the end of 2022, 27% less than the previous year, which was an all-time record.

The poor performance of the Spanish stock market over the last decade, especially in large sectors such as banking and telecommunications, which attracted large numbers of individual investors, may also be behind this lower participation of Spanish investors in the stock market.

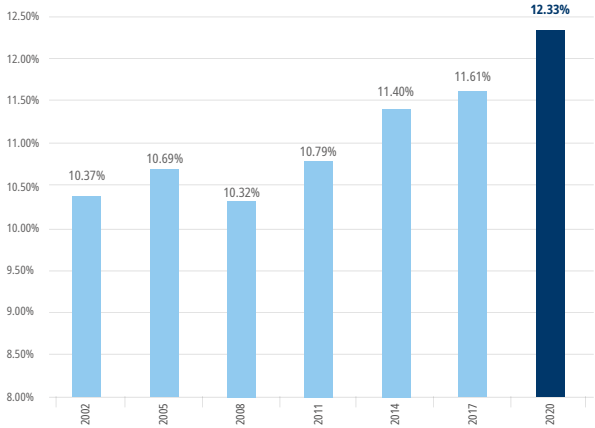
Finally, it is also important not to lose sight of the growing interest in crypto assets from new and younger investors, whose investments have grown globally. In Spain, an estimated 4.4 million people have invested in cryptocurrencies, with nearly 71% of investments exceeding EUR 1,000, according to a 2022 report by consultancy KPMG. Another report from the Bank of Spain pointed out that in terms of the volume of cryptocurrency transactions, Spain's participation in the eurozone is proportional to its GDP.

The high participation figures of foreign investors in the Spanish stock exchange further underline the importance of encouraging the listing on the stock exchange of more companies that can benefit from global investment flows, that are otherwise difficult to attract, to gain in size and competitiveness.

2.3 million households invest in shares according to latest financial survey

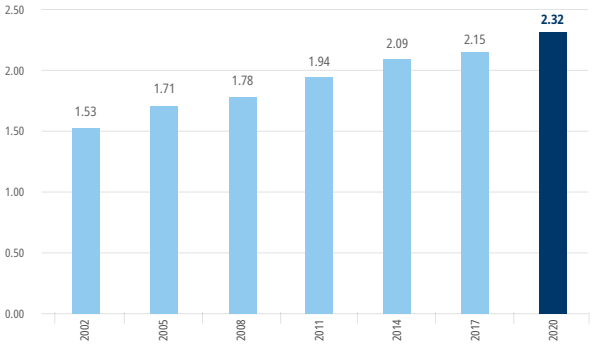
Data from the latest Survey of Household Finances for 2020 published by the Bank of Spain revealed that 12.3% of Spanish households owned listed stock at that time, which represents 2.3 million households if we apply it to the total number of households in Spain and 5.8 million people with exposure to stocks if we use the average number of people per household for the calculation. Both the number of households and the percentage of the total number of households and persons with a household exposure to stocks have increased significantly since the first Survey of Household Finances in 2002.

Graph 5 - SPANISH HOUSEHOLDS HOLDING LISTED STOCK (%) 2002–2020



Source: Survey of Household Finances 2002-2020. Bank of Spain

Graph 6 - SPANISH HOUSEHOLDS HOLDING LISTED STOCK (MILLION) 2002–2020



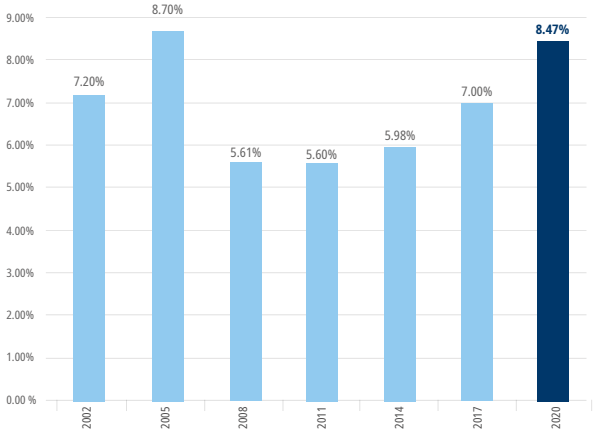
Source: Internal compilation based on the Surveys of Household Finances 2002–2020. Bank of Spain and INE

Graph 7 - PERSONS WITH FAMILY EXPOSURE TO LISTED STOCK IN SPAIN (MILLION) 2002–2020

Source: Internal compilation based on the Survey of Household Finances 2002–2020. Bank of Spain and INE

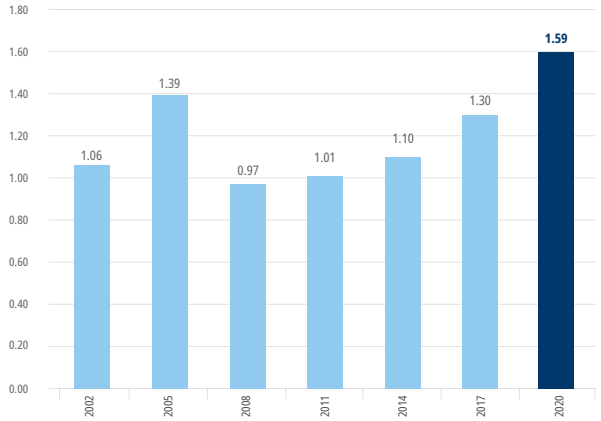
The percentage of Spanish households holding shares in their financial asset portfolio in 2020 (12.3%) is almost four points higher than the percentage of households holding investment funds (8.5%). In absolute numbers, the 2.3 million households that hold listed shares outnumber the 1.59 million households that hold investment fund shares.

Graph 8 - SPANISH HOUSEHOLDS OWNING INVESTMENT FUNDS 2002–2020 (%)



Source: Survey of Household Finances 2002–2020 Bank of Spain

Graph 9 - SPANISH HOUSEHOLDS OWNING INVESTMENT FUNDS (MILLION) 2002–2020



Source: Internal compilation based on the Survey of Household Finances 2002–2020. Bank of Spain and INE

Spanish household assets and indebtedness

Listed shares and investment fund shares are examples of financial assets that form part of the financial portfolio of Spanish households according to the Financial Accounts of the Spanish Economy published by the Bank of Spain. Direct investment in listed shares accounts for 4% of household financial savings by the end of 2022, while domestic and foreign mutual funds account for 14.2%, more than three times as much. Ten years ago, in 2012, the proportion of Spanish listed shares in family portfolios (5.5%) was close to that of shares in funds and SICAVs (6.4%).

Also according to the Financial Accounts data, current accounts and fixed-term deposits continue to dominate the financial asset portfolio of Spanish households, accounting for 37.4% of the total at the end of 2022. Another trend that has accelerated in recent years is the reduction in the amount of cash held by households, from 5.6% of total household wealth at the end of 2008 to 2.1% in 2022, well less than half in 14 years.

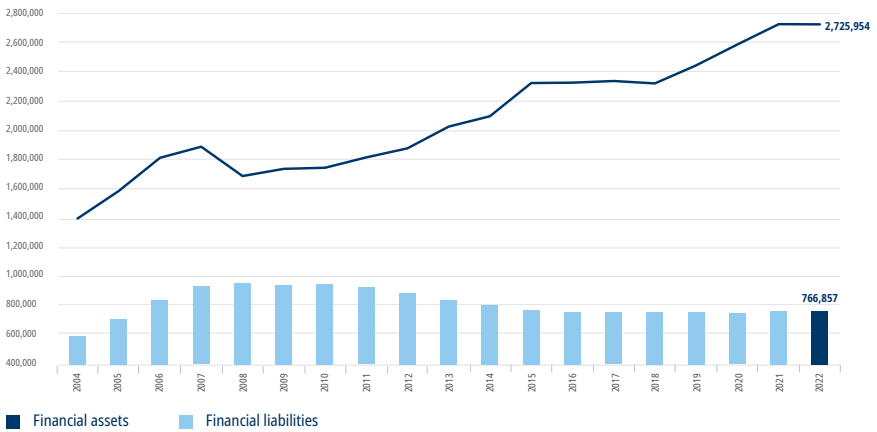
The net financial position of Spanish households remains at record levels

The financial assets of Spanish households stood at EUR 2.73 trillion at the end of 2022, practically the same as a year earlier and 45% more than a decade ago (year-end 2012), according to data from the Financial Accounts published by the Bank of Spain. Compared with the pre-pandemic end of 2019, financial assets increased by 11.5%, reflecting the limited impact on the overall financial wealth of Spanish households thanks to income protection measures and the significant increase in household savings in 2020, which reached record levels.

In turn, the total debt of Spanish households – their liabilities – reached EUR 766,857 million at the end of 2022, only 0.3% more than the previous year and 1.3% higher than the pre-pandemic level of 2019. The 2022 figure is 20% lower than at the end of 2008, reflecting that Spanish households have deleveraged by more than EUR 190,000 million in 15 years, more than 14 points in terms of GDP in 2022

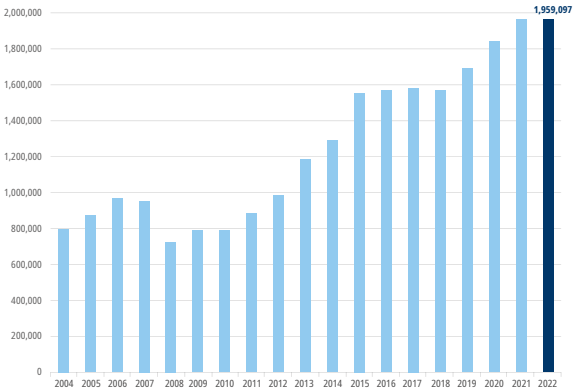
In terms of net financial wealth, the difference between financial assets and liabilities, Spanish households reached EUR 1.96 trillion at the end of 2022, close to the all-time high reached the previous year and 16% higher than at the end of 2019, a few months before the outbreak of the pandemic.

Graph 10 - VALUE OF FINANCIAL ASSETS AND LIABILITIES OF SPANISH HOUSEHOLDS (2004–2022)
EUR million



Source: Financial Accounts. Bank of Spain

Graph 11 - NET FINANCIAL WEALTH OF SPANISH HOUSEHOLDS
Financial assets less financial liabilities (2004–2022). EUR million

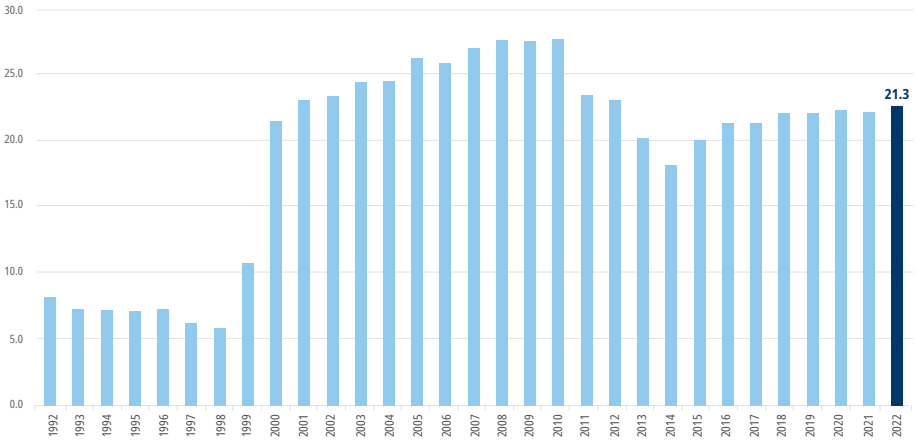


Source: Financial Accounts. Bank of Spain

Non-financial corporations

The share of non-financial companies in the Spanish stock market stood at 21.3% of the total capitalisation of Spanish listed companies at the end of 2022, four tenths more than the previous year and the best figure in the last ten years, but within a narrow range of fluctuation.

Graph 12 - NON-FINANCIAL CORPORATIONS (%)
Ownership of stock listed on the Spanish Stock Exchange (1992–2022)



Source: BME Market Research

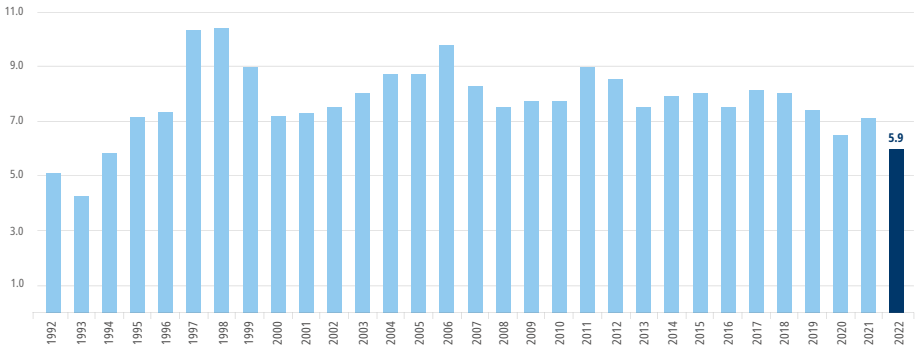
Successive reforms of European financial and securities markets, implemented with the stated aim of improving investor protection, have so far failed to deliver the expected results in terms of bringing more investors into ownership of listed shares, nor have they increased the number of listed companies.

The share of non-financial companies as owners of listed Spanish shares fell substantially after the global financial crisis of the first decade of this century. In the following years, non-financial companies were in many cases forced to make significant divestments to reduce their debt, and their presence in the capital of Spanish listed companies reached a low of 17.1% of the total in 2014. Since then, and by 2022, its stake in the stock exchange had grown to 21.3%.

Collective investment undertakings, insurance and other financial institutions

Collective investment undertakings (CIUs), insurance and other non-banking financial institutions controlled 5.9% of the market capitalisation of Spanish listed companies at the end of 2022, down one percentage point from the previous year, far from its maximum level in the historical series reached in 1997 and 1998, when this group owned 10.2% of the total value of Spanish shares listed on the stock exchange.

Graph 13 - COLLECTIVE INVESTMENT UNDERTAKINGS, INSURANCE AND OTHERS (%)
Ownership of stock listed on the Spanish Stock Exchange (1992–2022)



Source: BME Market Research

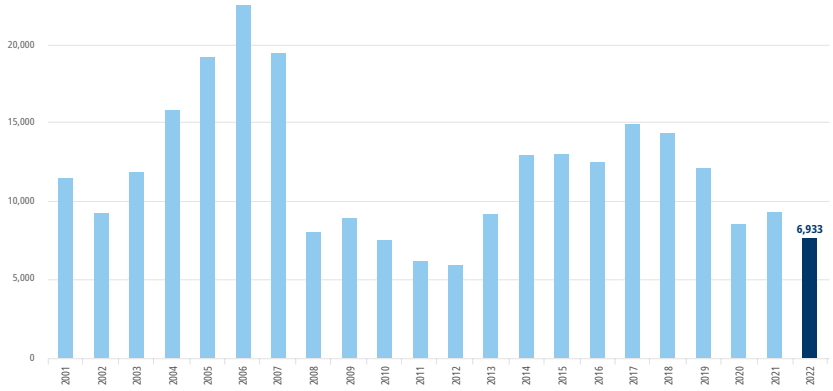
The decline in 2022 was largely due to the dissolution in that year of more than 1,100 SICAVs, part of whose assets were invested in Spanish listed shares. The market value of listed SICAVs was reduced by EUR 11,700 million in 2022.

The combined share of Spanish investment funds and SICAVs in the national stock market fell by 18% to EUR 6,933 million in 2022, the fourth lowest figure since the beginning of the 21st century. In terms of market capitalisation, SICAVs and investment funds controlled only 1.15% of Spanish equity capitalisation at the end of last year, a century low.

The conservative profile of Spanish investors and the increasing geographical diversification of the portfolios of collective investment undertakings (CIUs), often not directly but through the acquisition of shares in other foreign investment funds, largely explain the low domestic institutional participation in the Spanish stock market.

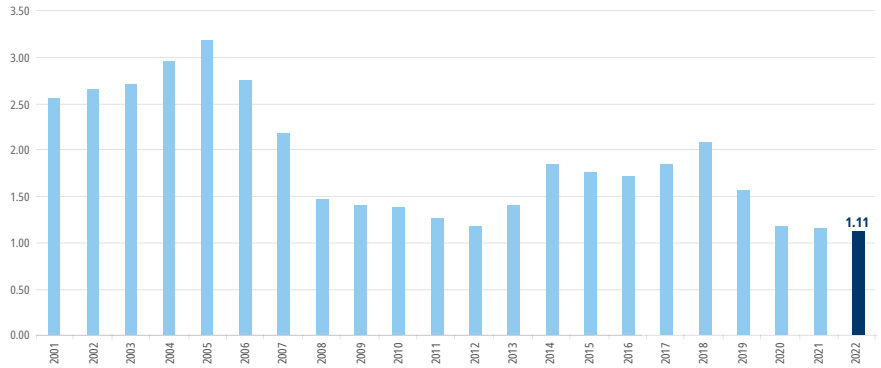
As we have pointed out in previous years when presenting the data in this report, the lack of incentives, especially tax incentives, for national institutional investment to support the Spanish listed companies is above all a handicap for smaller listed companies, precisely those that find it most difficult to attract the attention of foreign investors.

Graph 14 - VALUE OF SPANISH EQUITY PORTFOLIOS OF DOMESTIC FUNDS AND SICAVS (2001–2022)
Figures in EUR million



Source: : CNMV

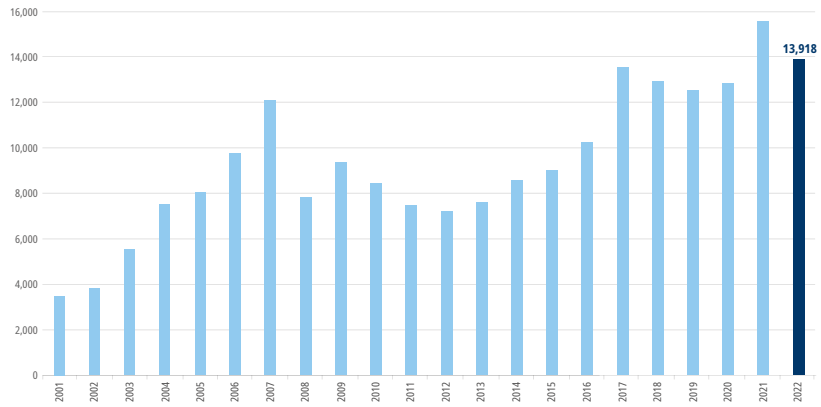
Graph 15 - WEIGHT OF THE SPANISH EQUITY PORTFOLIO OF DOMESTIC FUNDS AND SICAVS (2001–2022)
Data as a percentage (%) of the capitalisation of Spanish listed securities



Source: Internal compilation based on CNMV and BME data

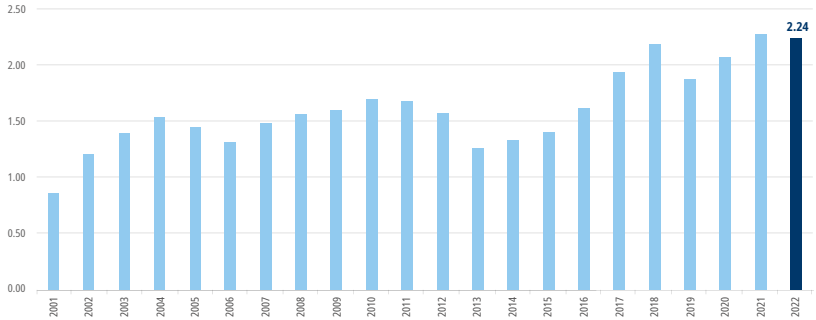
Somewhat more positive, but also objectively poor, are the data on investment in Spanish stock market shares by national pension funds. The value of this type of investment decreased by 10.6% over the year to EUR 13,918 million. In relative terms, its portfolio is equivalent to 2.2% of the capitalisation of listed Spanish companies, a figure which is still very low, especially in comparison with other European countries.

Graph 16 - VALUE OF SPANISH EQUITY PORTFOLIOS OF DOMESTIC PENSION FUNDS (2001–2022)
Figures in EUR million



Source: CNMV

Graph 17 - WEIGHT OF THE SPANISH EQUITY PORTFOLIO OF DOMESTIC PENSION FUNDS (2001–2022)
Data as a percentage (%) of the capitalisation of Spanish listed securities

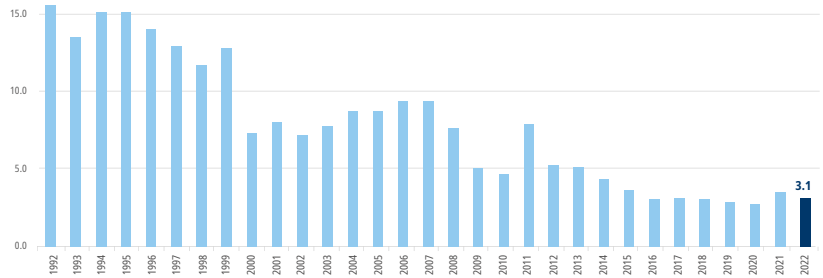


Source: Internal compilation based on CNMV and BME data

Banks' shareholdings return to near-record lows

The share of the banks and savings banks sector in the Spanish stock market is reduced by six tenths [of a percentage point] in 2022 to 3.1%, among the lowest figures in the historical series. The percentage of shares in Spanish listed companies held by banks has followed a steep downward trend, starting from a peak of 15.6% in 1992. Since the last year of the 20th century, the loss has been more than 9.5 percentage points.

Graph 18 - BANKS AND SAVINGS BANKS (%)
Ownership of stock listed on the Spanish Stock Exchange (1992–2022)



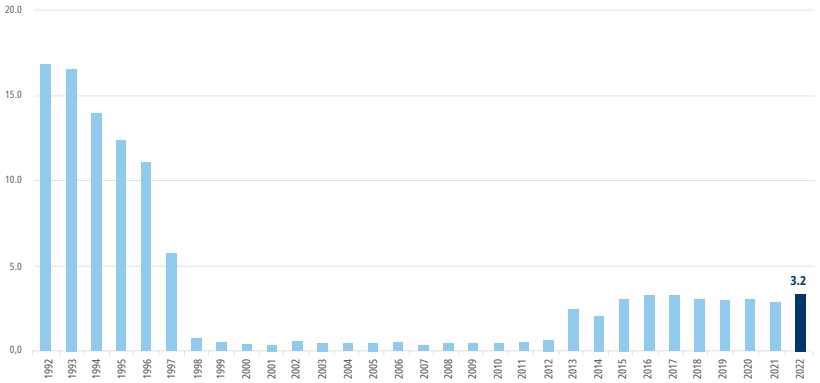
Source: BME Market Research

This trend reflects the profound change in banking activity in recent decades, with a notable emphasis on reducing industrial holdings, divestments necessitated by the financial crisis and the need to strengthen capital. The extensive new regulations that emerged in the wake of the global financial and banking crisis that began in 2008 severely penalise banks' holdings in listed and unlisted companies because they affect the solvency calculations required by regulators.

Public sector participation at 25-year high

Spanish public administration institutions, through various public bodies, entities and companies, controlled 3.2% of the market value of Spanish listed securities at the end of 2022, five tenths of a percentage point more than the previous year and the highest figure in the last 25 years.

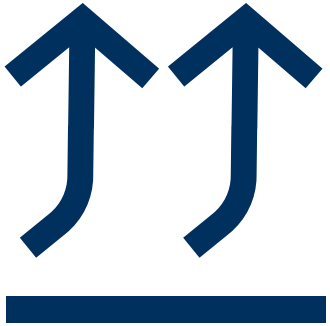
Graph 19 - PUBLIC ADMINISTRATION (%)
Ownership of stock listed on the Spanish Stock Exchange (1992–2022)



Source: BME Market Research

The successive IPOs and privatisations of large public companies at the end of the 1990s led to a sharp reduction in the holdings of public administration institutions in Spanish listed companies. While in 1992 this shareholding was as high as 16.6%, by the end of 1998 it had fallen to 0.6% as a result of the placement of significant shareholdings through the stock market by both individual and institutional, domestic and foreign shareholders.

For more than a decade it remained low, until it rebounded to 2.3% in 2013, due to the public aid received by some banks and in particular the nationalisation of the Bankia bank in the wake of the financial and sovereign debt crisis of the years between 2008 and 2014. This stake in the former Bankia has now been converted into a 16.1% stake in the capital of CaixaBank, following its merger with Bankia. This stake had a value of EUR 4,768 million at the end of 2022.



The lack of incentives, especially tax incentives, for national institutional investment to support the Spanish listed companies is above all a handicap for smaller listed companies, precisely those that find it most difficult to attract the attention of foreign investors.

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