



Press release

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Euro area financial integration improves despite persistent fragmentation, ECB report shows

- Financial integration in the euro area has strengthened since late 2022, supported by lower dispersion in euro area asset prices across markets
- Cross-border activity has increased, supporting risk sharing and resilience, notably in debt markets and interbank lending
- Equity market integration is declining, weighing on investment and competitiveness

Financial integration in the euro area has improved markedly since late 2022, reflecting resilient market functioning and progress across bond, equity and banking markets, according to the European Central Bank (ECB)'s latest report on [Financial integration and structure in the euro area](#), published today.

Price-based and quantity-based indicators of financial integration have risen to levels above their historical averages, underpinned by a sustained decline in redenomination risk premia and supported by EU-level policy initiatives such as the Next Generation EU programme. Cross-border activity has increased across market segments, facilitating greater risk sharing and helping make the euro area financial system more resilient.

Financial integration has strengthened most visibly in debt markets and interbank lending. Cross-border holdings of debt securities, including sovereign bonds, have increased, supported by better fundamentals across countries and the normalisation of the Eurosystem balance sheet. Interbank lending has become more active as excess liquidity has been redistributed, signalling a more integrated and less fragmented money market environment.

The growing role of non-bank financial institutions has further diversified financing channels and increased cross-border risk sharing. Overall, indicators of consumption risk sharing suggest that the

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euro area has become more resilient to economic shocks, supporting smoother adjustment across countries.

At the same time, the report shows that the euro area's financial system continues to fall short of its potential to support long-term growth, innovation and competitiveness. External financing has remained subdued amid high interest rates and weak investment sentiment, while structural fragmentation continues to constrain equity market integration and the efficient allocation of savings across borders.

Equity market integration has declined since 2022. Cross-border equity investment within the euro area is stagnating and intra-euro area foreign direct investment has fallen to historically low levels. Euro area households continue to hold a large share of their savings in low-yielding deposits, while a significant portion of equity investment is channelled outside the EU.

This persistent home bias and fragmentation contribute to a mismatch between the euro area's high level of savings and its investment needs, limiting the availability of risk capital for innovative firms and weighing on long-term competitiveness.

The report underlines that advancing integration, scale and efficiency across the single market is needed to improve the competitiveness of the euro area's financial sector, including its banking sector.

The findings support the objectives of the European Commission's savings and investments union, which aims to channel Europe's abundant savings more effectively into productive investment by creating a more integrated and effective single market for financial services.

The analysis adds to the one presented in the recently published [Eurosysteem response to the EU Commission's targeted consultation on the competitiveness of the EU banking sector](#).

ECB staff will present the report on Financial integration and structure in the euro area at the [high-level conference on European financial integration](#) on 7 May 2026.

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Notes

- The ECB's biennial Financial integration and structure in the euro area report focuses on financial integration and selected policy issues, notably the European banking union and capital markets union. The report contributes to the debate on how to deepen European Economic and Monetary Union.
- Indicators of financial integration in the euro area are available in the [Statistical Annex](#) and the underlying [Financial Integration or Financial Structure indicators](#).

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