Statement on Savings and Investments Union / Capital Markets Union

Adopted at the Executive Committee meeting of 04-05 March 2025

What can the trade unions expect from the Savings and Investments Union (CMU) ?

The debate around CMU stems from the flawed economic governance reform of 2024, which has constrained public investment. ETUC and Draghi have highlighted the vast investments needed, making it clear an EU investment facility financed by common EU debt would be a far more effective solution than pursuing the Savings and Investment Union (CMU). Public investment will be necessary to meet social and environmental objectives and fairer taxation is required.

ETUC acknowledges that the benefits of the CMU are uncertain for the real economy. Capital Markets Union might help to solve specific financing problems in specific sectors of the economy (such as in the fields of start-ups/innovation). However, there is no evidence that financing is a significant barrier to investment. Key barriers to private investment include staff shortages, energy costs and economic uncertainty. While ETUC remains sceptical about the CMU's ability to deliver necessary private investment, it fully acknowledges the key role of long-term productive private investment in industrial transformation and quality job creation. Stronger initiatives are needed to mobilize private investment.

According to a Finance Watch study, even with a fully developed CMU, existing financing channels would only cover about a third of the EU's investment needs. Moreover, the ultimate aim of investment should be to enable working people to access quality affordable EU goods and services produced within the EU in an sustainable economy generating quality jobs and high wages.

In particular, ETUC is concerned that one of the main proposals for the CMU is to revive securitisation as a means to deepen capital markets and reduce dependency on banks. First, securitisation is a financial practice that contributed to the 2008 financial crisis. Secondly, it is not clear that securitisation will "free up" banks' balance sheets or increase the banking sector's capacity to lend to businesses. In 2023, 84% of securitised assets in the EU were held by banks selling securitised assets to other banks. The risks to financial stability are significant while the benefits to the real economy remain limited.

The rate of savings stands at 12.7% of disposable income in the EU and 14.6% in the Eurozone (compared to 3.8% in the US), indicating sufficient investment capacity. However, savings are distributed unevenly, with the majority of workers unable to save 12% of their income. It is vital that savings products are invested in economic activities and infrastructure projects that benefit society as a whole. The perennial question is how to mobilise private savings and through what types of channels and savings products, particularly long-term, and the creation of European savings products.

ETUC takes stock of the fact that the completion of CMU mainly depends on non-financial regulation such as capital taxation, insolvency law, and pensions, which have

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a highly social dimension. CMU must not pressure Member States to enforce higher savings rates through cuts in social security and services of general interest or by integrating capital market instruments into those systems.

The ETUC considers that other instruments for mobilising private capital should be explored: strengthening the firepower of the European Investment Bank by increasing its financial capacity and strategic role in the transitions; as well as socially conditioned public investments, aids and subsidies to companies.

ETUC will deepen its analysis and advocate for a realistic approach to the *Savings and Investments Union / Capital Markets Union*, emphasising the need to build robust safeguards to ensure stability and tangible benefits to the real economy and protect workers from the deleterious effects of financial markets on the real economy.