

Gabriel Makhoul: One single market - goods, services and capital

Speech by Mr Gabriel Makhoul, Governor of the Central Bank of Ireland, at the AFME European Financial Integration Conference, Frankfurt am Main, 19 May 2026.

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Thank you for the invitation to speak this afternoon.

I want to talk about the Single Market, which is one of Europe's greatest political and economic achievements. Over more than three decades, it has been an engine of European growth and resilience, delivering scale, opportunity, and tangible benefits for citizens and businesses across the Union. As [António Costa](#) has pointed out, it connects 450 million consumers and 32 million companies, supporting around 56 million jobs through trade within the EU.

But we have taken too narrow a view of what the Single Market should be at a cost of missing out on greater growth, greater resilience and greater opportunities for the citizens of Europe. What follows is an argument for more ambition for Europe's Single Market, building on what already exists in order to continue to grow the income per capita of our citizens, and at the same time build resilience to the new geoeconomic context we are facing.

The title of my speech, "One Single Market: Goods, Services and Capital", captures the point I want to emphasise. A well-designed Savings and Investments Union (SIU) is important, and I have spoken about it before, including at Eurofi in March. But the SIU alone will not deliver the productivity boost Europe requires if the Single Market it sits within is not working as it should.

So my question for today is this: what would Europe actually look like if it were operating as a genuine Single Market in goods, services and capital simultaneously, and what will it take to get there?

Single Market ambitions

The [European Commission estimates](#) that the Single Market has already raised EU GDP by 3-4%. Completing it – that is, removing outdated rules, standards and inconsistent national regulations that hamper trade in goods and services within the bloc – could double these gains.

The biggest upside is in services, which account for around 75% of EU GDP and the largest share of European jobs, yet intra-EU trade in services stands at just 7.6% of EU GDP. Notably, this figure is no higher than Europe's services trade with countries outside the bloc. Many of the barriers that produce this outcome are long-standing, well-known, and persistent.

The European Commission's recent [Single Market Strategy](#) identified the ten most harmful barriers holding back intra-EU trade and investment. They include restrictive national regulations on services that prevent companies from operating across borders, lack of common standards, and complicated business establishment rules.

The Commission also identified a lack of single market ownership by national governments as contributing to an inconsistent implementation of already agreed rules. In other words, the rules exist, the political commitment was made, but the implementation has lagged. This is not a problem that more EU legislation will solve on its own. It requires national governments to take active ownership of the Single Market agenda.

I was very pleased to see that last week the Irish Government acted on this ownership challenge and launched a comprehensive [new national framework for Single Market implementation](#). This includes a new dedicated Single Market Office, an Advisory Panel from the private and public sector, and a senior official appointed as Ireland's Single Market 'Sherpa' to translate political direction into practical action. This positive development reflects something important: that a key step in truly completing the Single Market will be Member States taking responsibility to deliver it at home.

Why does all of this matter for a room of financial services professionals? Because financial services are a services sector. The barriers that limit a law firm or an accounting practice from operating seamlessly across EU borders are close relation of the barriers that fragment European capital markets, raise the cost of cross-border investment, and keep European savings trapped in national systems (or outside of the EU) rather than flowing to their most productive use within Europe. The single market for capital cannot be separated from the single market for services. The cost of this unfinished project falls on every business, every household, and every citizen in Europe.

Capital markets diagnosis

The EU banking sector has assets of around [€33 trillion](#). Debt securities add a further [€24 trillion](#), with the bulk of this public or banking sector debt. Europe has a substantial financial system, yet when it comes to debt or equity-financing for non-financial firms – the part of the financial system most directly associated with risk capital, innovation, and growth – the picture changes. We see this in EU stock market capitalisation, which at [73% of GDP in 2024](#) is around a quarter of the size of the US equivalent. This is a structural feature of how Europe's financial system is built, and it has consequences.

As Mario [Draghi's Report](#) makes clear, the capital market gap and the innovation gap are two sides of the same coin. EU venture capital investment in 2025 totalled around [€66 billion](#), or around one-fifth the equivalent figure in the United States, and the gap widens sharply as firms mature: at the scale-up stage, EU venture capital drops below 10% of US levels. As Draghi points out, Europe has no shortage of innovative start-up firms. Rather, what it lacks is a deep capital market to grow them into large ones.

A common response to this diagnosis points to regulatory fragmentation. This matters, of course, but I see it as a symptom as much as a cause. We need to address the underlying constraint, which is that we do not yet have a genuine Single Market,

especially for trade in services. And without one, regulatory harmonisation alone will not close the gap.

The SIU addresses part of the gap. It is welcome, it is necessary, and I support the Commission's work on it. In the next section I mention two conditions that need to be met to deliver SIU. But we also need to remember that SIU operates within the Single Market as it currently exists. If that market remains fragmented then the SIU's ambitions will be constrained by the architecture it sits within.

Single capital market - what would it actually take

I see two primary conditions that need to be met.

The first is completing the regulatory architecture, including harmonised insolvency frameworks, convergent tax treatment of cross-border investment, and deeper and more liquid post-trade settlement infrastructure. The Commission's [Market Integration Package](#), published last December, moves in the right direction, as do the [ongoing SIU initiatives](#).

The second condition is that a genuine single capital market requires a single safe asset – something I and my colleagues on the Governing Council have pointed out before. This is the foundation for the architecture of the SIU. In its absence, pricing and collateral remain fragmented, and the prospect of building a deep European capital market at scale is hampered from the outset.

The NextGenerationEU (NGEU) programme demonstrated that Europe could issue common bonds at scale, backed collectively by member states, and that when it does, markets respond. Outstanding debt now stands at close to €800 billion, carrying a AAA rating, with secondary market liquidity that has deepened over time.

And yet, NGEU bonds do not yet fully behave like safe assets. The spread over German Bunds has averaged around 50 basis points since 2022, although this is not too different from GDP-weighted spread on European Sovereigns. Their one-off and time-limited nature means they are also excluded from the main sovereign bond indices, limiting the investor base. NGEU showed that when there is a will there is a way, but it should not be viewed as the end goal. We need to look further, to create the infrastructure for a genuine common safe asset.

So, what could the end goal look like? One option is a permanent, scaled European safe asset to finance investment in European public goods, as proposed by [Joachim Nagel](#) and, more recently, [Philip Lane](#). Examples include the green transition, digital infrastructure, and security and energy independence. Olivier Blanchard and Ángel Uribe have argued persuasively for the creation of a deep, large and liquid market for Eurobonds in order to deliver the financial strength needed for its strategic autonomy. As the [Draghi Report](#) showed, financing the required level of spend through fragmented national bond markets, each priced differently and held in national portfolios, is both less efficient and less resilient than the alternative. Europe has shown it can do the alternative. The question is whether this can be moved onto a more permanent basis, and not just crisis-linked and time-limited cases.

A safe asset would also support the greater internationalisation of the euro, building on the ECB Governing Council's recent revisions to the ECB's repo facility ([EUREP](#)) to make euro-denominated assets more attractive to global investors.

I acknowledge that this is not all a 'win-win' proposition. If it was, we would not be in a situation where the barriers to completing the Single Market are acting as a structural drag on European competitiveness, as [Enrico Letta](#) puts it, or its productivity as I prefer to put it. There are trade-offs involved, not least that more integration could mean less national flexibility. But the question is not whether there are trade-offs – there always are – but whether the cost of not acting now exceeds the cost of acting. And on that question, I believe the evidence is clear. The productivity gap with other countries such as the US is widening, not narrowing. And the longer we delay, the more expensive the adjustment becomes and the less competitive Europe will be in a world where capital, talent, and innovation remain mobile.

Ireland as illustration: the demand side

Let me bring this closer to home, because the Irish experience illustrates another aspect of the European challenge: the demand side.

Ireland is a major global financial hub, home to both a large funds sector and a growing fintech sector. And yet on the retail or household side participation in capital markets remains among the lowest in Europe (e.g. see recent Central Bank of Ireland research on Irish households' [fund holdings](#) and [savings behaviour](#)). As of March this year, Irish households had €172 billion on deposit with banks, with around 85% of it in overnight accounts earning little interest. Household wealth stands at a new high, averaging around €724,000 per household, with two-thirds concentrated in housing.

Why do we see this gap between what the Irish financial sector is providing at a global level and what households are choosing to participate in? The answers go beyond the supply-side fragmentation I have previously mentioned. One issue is uneven tax treatment, which tends to incentivise deposits or property over other investments. Another is financial literacy, which is a [national priority](#). Cultural norms and attitudes to savings and investment that are focused on real assets – i.e. housing – are also an important factor.

These are not problems that harmonising EU regulations will fix. They also require national action on a range of fronts. Last month the Irish Government brought together industry and regulators to begin addressing these barriers in a structured way. The Government has committed to legislating for a new [Personal Investment Account](#) framework by 2027, alongside a retail investment tax roadmap. Pension auto-enrolment is also now live.

These changes represent significant structural interventions to channel household savings into long-term investment, with auto-enrolment alone bringing many Irish workers into pension saving for the first time, through default funds invested in diversified asset classes.

The point I want to make is this. Even if everything at the European level goes right, the SIU will still fall short of its potential if national barriers like these are not addressed

alongside it. Europe cannot build a single capital market if its citizens are not active participants in it. Progress on the demand side will not be swift – changing cultural attitudes to investment is not something that moves quickly – but it needs to start.

The Central Bank of Ireland: what we're doing

Central banks underpin stable capital markets through delivering monetary and financial stability – an essential pre-requisite for successful capital markets. Regulators also play a key role in ensuring the market is well-functioning and that investors are protected.

I am conscious that arguments for deeper European integration can sometimes sound better from a podium than they look in practice. So let me say something about what the Central Bank of Ireland is doing to advance this agenda, because it matters that words and actions point in the same direction. I'll mention two things.

First, supervisory convergence, and here I want to be precise about what I mean. There is broad agreement that Europe needs more convergent supervision. This means that the same rules should be applied in the same way across Member States, that regulatory arbitrage is avoided, that compliance costs for cross-border groups are minimised, and that supervisory processes are faster and more predictable.

I share those objectives fully, and we prioritise and actively contribute to supervisory convergence at the European Supervisory Agencies, promoting best practices in authorisation, supervision and a common approach to risk identification across the EU, among other things.

But having said that, I would add a note of nuance on the question of how convergence is best achieved. The answer is not necessarily always more centralisation. It can also be achieved through even greater collaboration between national and European authorities, through stronger common standards applied consistently at a national level, and through the kind of mutual trust and shared supervisory culture that takes time to build but, once built, is likely to be more effective and more durable than any institutional restructuring. Convergence in outcomes is what matters.

Second, regulatory simplification. Last December we published our roadmap, [Regulating and Supervising Well \(PDF 440.55KB\)](#), a multi-year programme to make our framework more effective, clearer to navigate, and more proportionate, without compromising resilience. It covers four areas: supervision, regulation, gatekeeping, and data reporting. Specific commitments include retiring domestic AML publications that duplicate the new EU rulebook, streamlining authorisation processes for funds and market participants, and introducing "discipline-by-design" tests for any new reporting requirement, checking necessity, proportionality, and potential for re-use before a request is made. Our guiding principle is implementation before legislation: simplify the application of existing rules before layering on new ones. Simplification is not the enemy of robust regulation. Done properly, it is what makes robust regulation credible and durable.

Conclusion

Europe has the talent and the institutional foundations it needs to grow. But that potential is not self-realising.

We have seen that Europe can, when it chooses to, build common instruments that work. The starting point for doing that well is not to take a narrow view of what the Single Market should be. The Single Market for Capital cannot be separated from the Single Market for Services. If Europe's Single Market continues to remain fragmented then the ambitions we all have for a successful Savings and Investment Union will remain contained. We all know we can do better.

Thank you.