

## Who are the owners of the world's listed companies and why should we care?

17/10/2019 – There are approximately 41 000 listed companies in the world with a combined market value of more than USD 80 trillion. This is equivalent to the global GDP. More than half of this amount is held by institutional investors and the public sector, according to a new OECD report.

The report *Owners of the World's Listed Companies* shows that Asia dominates in terms of the number of listed companies. In fact, 57% of the world's listed companies have selected an Asian stock exchange and together they account for 37% of the global market value. While only 10% of the world's listed companies are listed in the United States, it is still the largest single market in terms of value with 36% of the global market value. Despite a marked decline in the number of listed companies during the last two decades, the United States still has the largest listed companies in terms of market capitalisation. Almost half of the largest 100 listed companies are listed in the US market.

**Considering the significance of the world's listed companies, who owns them and how these owners perform their role as shareholders is of economy-wide importance.** It affects not only the amount of risk capital that is made available to independent entrepreneurs who can challenge the status quo by developing new technologies and products. It also affects how the performance of existing corporations is scrutinised and how strategic decisions about their future direction are made.

Against this background, the report cites three key features of today's ownership landscape with potential impact on how our economies function. First, is the effect of an increase in passive indexed investing on shareholder scrutiny and small growth company listings. Today, institutional investors hold 41% of global market capitalisation, much of which is in the form of passive indexing. For these investors, it may be quite rational to give little attention to risks and opportunities in individual companies. And as a consequence, not enough resources may be dedicated to the capital markets' key functions, which are to scrutinise individual corporate performance and provide new promising companies with capital that help them grow.

Second, is the political influence on publicly traded companies that may follow from the significant amount of public sector ownership. Today 14% of global stock market capitalisation is held by the public sector. Either through direct government ownership or through sovereign wealth funds, public pension funds and state-owned enterprises. And in almost 10% of the world's largest listed companies, does the public sector hold more than 50% of the shares. With public sector ownership at these levels, it will be important to consider how political priorities directly and indirectly influence corporate decisions as well as their economic effects on ultimate beneficiaries such as tax-payers and pensioners.

Last but not least, is the widespread concentration of ownership in individual companies. In half of the world's listed companies, the three largest shareholders hold more than 50% of the capital. This may indeed help overcoming the so-called agency problem that shareholders in companies with widely dispersed ownership may face. But it may also increase the scope for abusing the rights of other shareholders and, if not properly regulated, jeopardise market confidence.

The report, which provides a comprehensive global overview, also notes that most advanced markets have seen a significant increase in ownership by foreign investors in recent decades. And today, cross-border investments account for almost one-quarter of the holdings in public equity markets in the world. Almost 75% of the cross-border investments in public equity markets are held by investors domiciled in the United States and Europe. At the same time, these two markets also receive 60% of global cross-border investments in public equity.

[Download the report.](#)

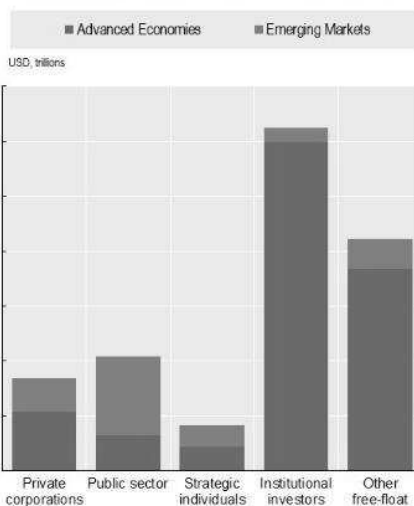
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