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# Market Capitalisation of Listed Companies\*

Data for Thirteen Western European Countries,  
U.S. and Canada 1975–1987

*Håkan Lobell*

## Introduction

The ratio between a country's total market capitalisation of its listed companies and GDP is often used as a proxy variable for the degree of development of its financial system. The World Bank's World Development Indicators (WDI) data on market capitalisation is the most commonly used source. However, the data set stretches only from 1988 onwards.<sup>1</sup> The aim of this study is to construct series to supplement the World Bank data between 1975 and 1987 and to present augmented series of market capitalisation in percent of GDP covering the period 1975–2007 for 13 European countries, U.S. and Canada.<sup>2</sup>

## Data and Sources

The data for the new series for the period 1975–1987 is collected from tables originally from annual reports of the World Federation of Exchanges (WFE). The data refers to end-of-year observations of the market value of all listed companies. The figures in domestic currency units have been converted into US\$ through end-of-year exchange rates.

The data sources for the period refers to different organisational and geographic entities (see Table 1). The data comes from the one and (and probably often only) major stock exchange in the case of Austria, Belgium, Denmark, Luxembourg, Finland, France, Netherlands, Norway, Sweden and the U.K.

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\* The author wants to thank Francine Gallet at the World Federation of Exchanges for kindly making data available for this study.

<sup>1</sup> World Development Indicators online 2009.

<sup>2</sup> The new series is available at the Lund University Macroeconomic and Demographic Database (LU-MADD) <http://www.ehl.lu.se/database/LU-MADD/>

**Table 1. Data Definitions**

Country	Data availability and geographic source reference information		
Austria	1975–2007 Vienna		
Belgium	1975–2007 Brussels		
Canada		1978–1989 Montreal and Toronto	1990–2007 Montreal, Toronto and Vancouver
Denmark	1975–2007 Copenhagen		
Spain		1978–1991 Barcelona and Madrid Stock Exchanges	1992–2007 Spain
Finland			1982–2007 Helsinki
France	1975–2007 Paris		
Germany	1975–2007 German Federation of Exchanges		
Italy	1975–1983 Milan Stock Exchange		1984–2007 Italy
Luxembourg	1975–2007 Luxembourg		
Netherlands	1975–2007 Amsterdam		
Norway		1980–2007 Oslo	
Sweden	1975–2007 Stockholm		
U.K.	1975–2007 London		
U.S.	1975–1992 NYSE and AMEX		1993–2007 NYSE, AMEX and Chicago

It should be noted that it cannot be excluded that there were companies listed on less important stock ex-changes in these countries, and thus the data in these cases may under-state the actual market capitalisation. The German data is reported from the German Federation of Exchanges. The Italian data refers to Milan between 1975 and 1983, and “Italy” between 1984 and 2007.

The data for Spain between 1975 and 1991 is based on figures from both Madrid and Barcelona. In this case the data foundations may instead be a source of double counting, since companies might have been listed at both stock exchanges at the same time. The WDI data for the period 1988–2007 refers only to “Spain”. As the available data series overlap, in the present case between 1988 and 1991, it is possible to calculate a ratio to transform the Madrid and Barcelona data into data for Spain that is more or less consistent with the WDI data. The average ratio between the sum of market values in Barcelona and Madrid, divided by GDP in current US\$, and the corresponding WDI data for “Spain” during the period is used as conversion factor for the proceeding period 1975–1987.<sup>3</sup> The data for Canada between 1975 and

<sup>3</sup> The calculated conversion factor for Spain is 0.641.

1987 is based on figures from both Toronto and Montreal. There is thus a risk of double counting also in the case of Canada, since companies might have been listed at both stock exchanges at the same time. The average ratio between the sum of market values in Toronto and Montreal, divided by GDP in current US\$, and the corresponding WDI data from WDI during the period is used as conversion factor for the proceeding period 1975–1987.<sup>4</sup> The data for the U.S. between 1975 and 1987 refers only to the value of companies listed on the New York Stock Exchange (NYSE) and American Stock Exchange (AMEX), thus excluding other less important trading places. Chicago enters in the data in 1993. Data for Luxembourg between 1975 and 1988 is adjusted with the same factor as the WFE for the year 1989 in the annual report for 1990.<sup>5</sup>

Finally, the GDP figures for Germany before 1990 refers to Federal Republic of Germany, or West Germany. From 1991 and on-wards the data refers to the unified Federal Republic of Germany.

## Some Preliminary Observations

The resulting series are presented in Figure 1. There are some striking features in the development of the share of market capitalisation of listed companies to nominal GDP. The level of market capitalisation varied a great deal in the sample. Britain, Canada and the United States had by far the largest share in the 1970s, compared with other western European countries. In Sweden and Luxembourg the share starts to increase already in the 1970s, while in most other countries in the sample, growth starts in the early 1980s.

The share of listed companies increases dramatically after 1980 in many countries, while the increase is less marked in Austria, Germany, Italy and Norway. In Luxembourg, Finland, Netherlands, Spain and Sweden, moreover, shares were reaching about the same levels as in the U.S., U.K. and Canada in the 1990s.

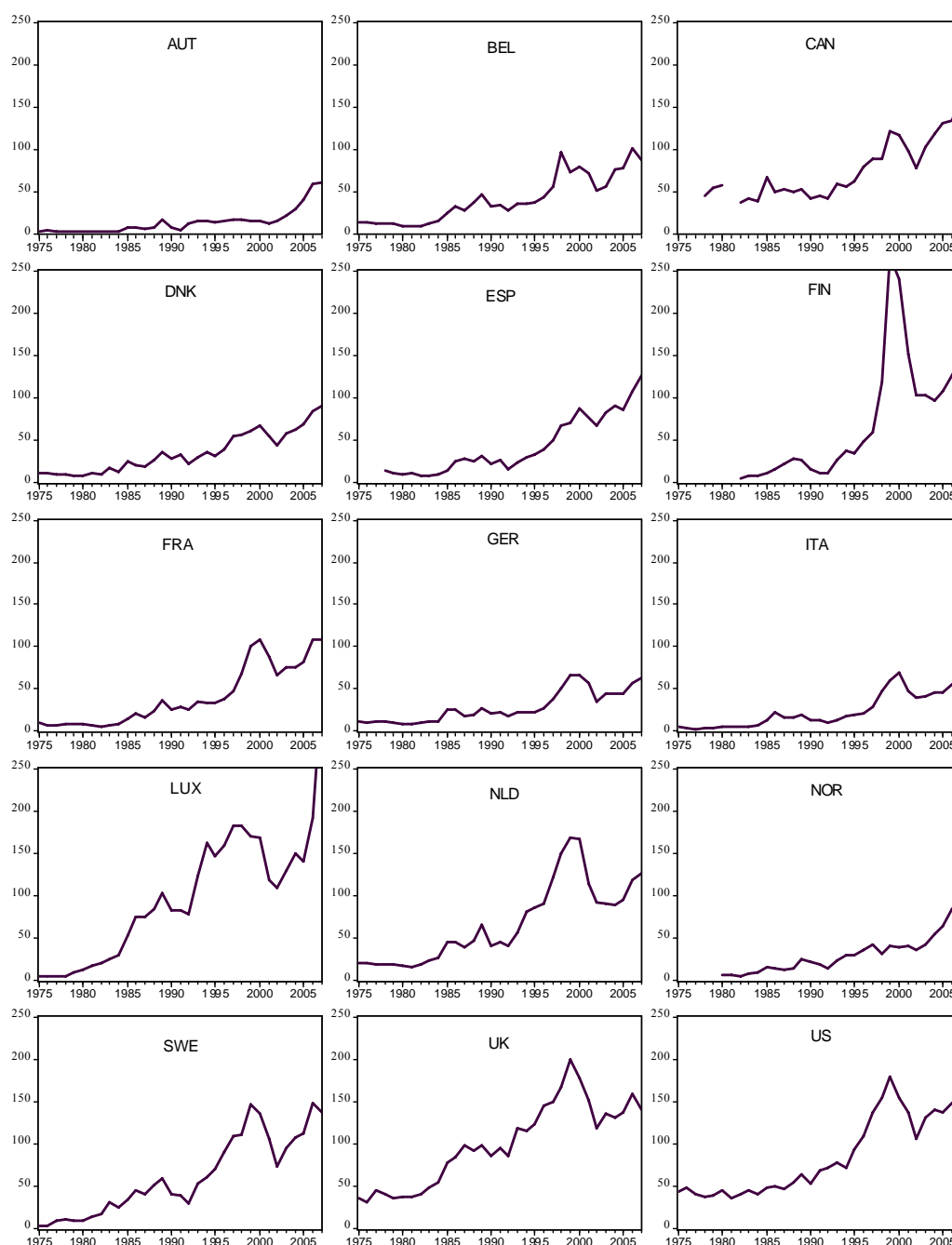
The booms and busts before and after 1990 are clearly visible. The dot-com bubble and its burst after 2000 is also very pronounced. Finland seem to be exceptional in this respect, while it is barely visible in data for Austria and Norway. With this in mind it might be appropriate for further studies to question whether market capitalisation of listed companies is a good indicator of financial development, and in the extension, as numerous studies have suggested, economic growth.

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<sup>4</sup> The calculated conversion factor for Canada is 0.538.

<sup>5</sup> The calculated conversion factor for Luxembourg is 0.190.

**Figure 1. Market Capitalisation Listed Companies to GDP (%)**



There is relatively large variation among the relatively well performing Western European economies. As a matter of fact, the growing levels of market capitalisation essentially coincide with period of relative growth slowdown in Western Europe. It might also be worth considering if not a more appropriate measure would be to combine the capitalisation share with the inverse of long run stock market volatility.



## Sources

World Development Indicators Online, 2008 and 2009. World Bank, Washington DC.

World Federation of Exchanges. Tables from Annual reports. Various years: “Market Capitalization of Listed Domestic Equity Issues.”; “Market Value of Listed Domestic Equity Issues.”; “Market Value of Equity Shares of domestic Companies.”; “Market Value of Shares of Domestic Companies (Main and Parallel Markets).”; “Market Value of Shares Domestic Companies.”

## Tables

**Table A. Market Capitalisation (US\$ billions) 1975–1987**

	Austria	Belgium	Canada*	Denmark	Spain**	Finland	France	Germany
1975	1.3	9.0		4.1			35.3	51.4
1976	1.5	9.4		4.8			27.4	53.4
1977	1.5	10.3		4.8			27.9	65.1
1978	1.7	12.5	179.7	5.1	34.4		45.4	83.7
1979	2.1	13.7	239.0	5.2	34.0		55.3	79.4
1980	2.0	10.0	285.8	5.5	31.9		54.6	71.7
1981	1.6	8.4		6.2	32.0		38.1	62.6
1982	1.5	8.6	207.0	5.6	21.6	2.8	29.7	69.0
1983	1.5	10.8	257.6	10.6	19.9	4.1	38.1	82.9
1984	1.5	12.3	246.7	7.6	24.8	4.2	41.1	78.4
1985	4.6	20.9	436.0	15.1	37.5	5.9	79.1	178.3
1986	6.7	37.3	336.9	17.4	95.2	11.7	153.4	257.7
1987	7.9	41.7	405.6	20.3	137.5	20.0	155.6	218.5

	Italy***	Luxembourg****	Netherlands	Norway	Sweden	U.K.	U.S.
1975	10.8	0.2	18.3		2.2	85.8	703.8
1976	8.0	0.2	20.2		2.6	69.7	883.1
1977	6.2	0.2	22.5		7.6	115.5	834.2
1978	9.8	0.2	26.6		10.2	129.4	861.9
1979	12.9	0.5	29.2		10.7	148.9	993.6
1980	25.3	0.8	29.4	3.2	12.9	205.2	1237.4
1981	24.0	0.9	23.9	3.3	17.2	189.6	1129.8
1982	19.9	0.9	25.7	2.4	18.6	196.3	1303.7
1983	20.9	1.1	33.7	4.6	30.3	223.8	1579.7
1984	25.7	1.3	35.4	5.8	25.7	236.4	1581.5
1985	58.2	2.4	59.4	10.1	37.3	353.5	2013.5
1986	140.2	5.0	83.7	10.1	63.4	472.9	2197.0
1987	120.4	6.1	87.1	11.9	70.4	679.7	2206.3

*Sources:* Tables in Annual Reports, Various years. *Market Capitalization of Listed Domestic Equity Issues.*, *Market Value of Listed Domestic Equity Issues.*, *Market Value of Equity Shares of domestic Companies.*, *Market Value of Shares of Domestic Companies (Main and Parallel Markets).* *Market Value of Shares of Domestic Companies.* World Federation of Exchanges.

*Notes:* \*Toronto and Montreal Exchanges . \*\* Barcelona and Madrid Exchanges .

\*\*\* Only Milan Stock Exchange. \*\*\*\* The data is adjusted with the ratio of the figures for 1989 in the WFE annual reports for 1989 and 1990.

**Table B. Market Capitalisation (% of GDP) 1975–2007**

	Austria	Belgium	Canada	Denmark	Spain	Finland	France	Germany
1975	3.3	13.9		10.4			9.9	10.8
1976	3.5	13.4		11.0			7.4	10.6
1977	2.9	12.6		9.8			6.9	11.2
1978	2.8	12.5	45.1	8.6	14.2		9.0	11.7
1979	2.8	12.0	53.9	7.5	10.5		9.1	9.3
1980	2.4	8.0	57.2	8.0	9.1		7.9	7.8
1981	2.3	8.1		10.2	10.4		6.3	8.1
1982	2.1	9.4	36.2	9.4	7.3	5.3	5.2	9.2
1983	2.1	12.5	41.6	17.8	7.7	8.2	7.0	11.1
1984	2.2	15.0	38.3	13.1	9.5	8.0	7.9	11.2
1985	6.7	24.5	66.0	24.7	13.7	10.6	14.6	25.1
1986	6.8	31.5	49.2	20.1	25.0	16.1	20.2	25.5
1987	6.5	28.2	51.8	18.9	28.5	22.1	16.9	17.4
1988	6.7	36.8	48.6	26.7	24.9	28.1	24.4	18.6
1989	17.0	46.0	52.4	36.5	30.5	26.1	36.2	27.0
1990	7.0	32.3	41.5	28.8	21.3	16.3	25.2	20.7
1991	4.5	34.3	44.6	32.8	26.4	11.3	28.0	21.7
1992	11.2	27.7	41.9	21.7	16.2	11.1	25.6	16.9
1993	15.0	35.2	57.9	29.7	23.4	27.0	35.3	23.1
1994	14.9	34.8	55.8	35.4	30.1	38.2	33.1	21.9
1995	13.6	36.9	62.0	30.9	33.1	33.8	33.3	22.9
1996	14.4	43.5	79.2	38.9	39.0	49.1	37.6	27.5
1997	17.1	54.9	89.0	55.0	50.7	59.5	47.3	38.2
1998	15.9	96.3	88.1	56.9	66.9	118.6	67.4	50.1
1999	15.5	72.9	121.1	60.5	69.9	267.2	101.2	66.8
2000	15.4	78.7	116.1	67.3	86.8	241.0	108.9	66.8
2001	12.7	71.6	97.9	55.1	76.9	152.2	87.7	56.7
2002	15.3	50.6	78.3	44.2	67.8	102.5	66.4	34.3
2003	21.6	56.0	103.2	57.2	82.2	103.4	75.3	44.2
2004	29.4	76.0	118.7	61.8	90.1	97.2	75.6	43.5
2005	40.8	76.8	130.5	69.0	85.0	107.1	81.9	43.7
2006	59.1	99.7	133.4	83.7	107.5	126.7	107.1	56.2
2007	61.3	85.3	164.4	89.1	125.3	150.9	107.0	63.5

	Italy	Luxembourg	Netherlands	Norway	Sweden	U.K.	U.S.
1975	4.9	4.9	19.8		2.9	36.6	43.3
1976	3.7	4.5	20.1		3.2	31.0	48.8
1977	2.5	4.5	19.1		8.7	45.5	41.4
1978	3.2	4.1	18.4		10.6	40.2	37.9
1979	3.4	8.7	17.7		9.4	35.6	39.0
1980	5.5	12.7	16.4	5.0	9.9	38.3	44.7
1981	5.8	17.0	16.0	5.3	14.4	37.3	36.4
1982	4.8	19.5	17.7	3.9	17.7	40.5	40.4
1983	4.9	24.5	23.9	7.5	31.2	48.7	45.0
1984	6.1	28.9	27.0	9.5	25.5	54.7	40.5
1985	13.4	53.0	44.8	15.7	35.4	77.5	48.1
1986	22.7	74.9	45.1	13.1	45.4	84.5	49.6
1987	15.5	74.2	38.4	12.9	41.4	99.0	46.9
1988	15.7	83.4	47.0	14.3	51.6	92.1	55.1
1989	18.9	103.5	66.0	25.1	58.2	97.8	64.5
1990	13.1	82.9	40.7	22.2	40.0	85.3	53.2
1991	13.3	82.4	44.8	18.4	39.1	95.0	68.8
1992	10.2	77.3	40.2	13.9	29.3	85.9	71.4
1993	13.3	122.5	55.5	23.2	53.1	119.0	77.8

	Italy	Luxembourg	Netherlands	Norway	Sweden	U.K.	U.S.
1994	17.1	162.4	80.7	29.3	60.2	115.6	72.2
1995	18.6	147.2	85.1	29.9	70.2	123.4	93.4
1996	20.5	158.8	90.6	35.9	89.5	145.1	109.3
1997	28.9	183.0	121.3	42.0	108.1	149.4	137.1
1998	46.8	182.9	149.8	31.1	110.1	165.6	154.7
1999	60.6	169.6	169.0	40.0	145.2	198.8	180.5
2000	70.0	167.8	166.3	38.6	133.7	177.6	154.7
2001	47.2	117.7	114.4	40.4	105.0	149.9	137.5
2002	39.4	109.5	91.7	35.1	72.1	117.8	106.5
2003	40.8	128.6	90.8	42.1	93.2	134.7	130.8
2004	45.7	147.2	88.3	54.7	105.5	129.9	140.3
2005	44.9	137.2	93.7	63.2	110.4	136.1	137.1
2006	55.3	187.2	116.3	83.4	145.9	157.9	147.9
2007	51.0	335.8	124.9	92.0	134.8	139.2	145.1

*Sources:* Market Capitalisation 1975–1987: Market Capitalisation in current US\$: Annual tables, Various years. *Market Capitalization of Listed Domestic Equity Issues.*, *Market Value of Listed Domestic Equity Issues.*, *Market Value of Equity Shares of domestic Companies.*, *Market Value of Shares of Domestic Companies (Main and Parallel Markets).* *Market Value of Shares Domestic Companies.* World Federation of Exchanges., GDP in current prices 1975–1987: GDP (current US\$) World Development Indicators online 2008.; Market Capitalization of Listed Companies (% of GDP) 1988–2007: Market Capitalization of Listed Companies (% of GDP): World Development Indicators online 2009.

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