

## Venture capital

### Key facts

- Venture capital investments slowed sharply at the height of the financial crisis in Europe and the United States, reflecting in part the credit crunch and slowing markets.
- The impact of the crisis has been far more pronounced in Europe than the United States. Despite tentative signs of recovery in 2013, total venture capital investments in Europe remain at around half their pre-crisis peak. In the United States investments surpassed their pre-crisis peak in 2013. The recovery in Europe is progressing but at a slower rate; also, the number of companies backed by venture capital is again at the level of 2007, indicating that the average amount of investments in Europe has lowered.
- In both Europe and the United States, *seed and start-up stage* financing held-up better than *later-stage* financing. In Europe, *seed and start-up stage* financing in 2013 was around 30% below its pre-crisis peak compared to about 70% for *later-stage*, while in the United States, *seed and start-up stage* financing was around 50% higher than its pre-crisis peak.

### Relevance

Venture capital is a particularly important form of equity financing (i.e. equity capital provided to firms not quoted on the stock market) for young companies with innovation and growth potential, replacing and/or complementing traditional bank finance, and is therefore an important determinant of entrepreneurship.

### Definitions

*Venture capital* is a subset of the private equity industry and refers to equity investments made to support the *pre-launch*, *launch* and *early stage* development phases of a business.

In the *OECD Entrepreneurship Financing Database*, venture capital comprises the sum of **early stage** (including *pre-seed*, *seed*, *start-up* and *other early stage*) and **later stage** venture capital. As there are no internationally harmonised definitions of venture capital stages across venture capital associations and other data providers, original data have been re-aggregated to fit the OECD classification of venture capital by stages.

### Comparability

There are no standard international definitions of venture capital nor of the breakdown of venture capital investments by stage of development. In addition, the methodology for data collection differs across countries. Data on venture capital are sourced from national or regional venture capital associations that produce them. Annex B presents correspondence tables between original data received and collected by the OECD and OECD harmonised data.

Some care is needed in interpretation. The statistics presented correspond to the location of the portfolio companies (i.e. the investee companies), regardless of the location of the private equity firms.

### Sources/online databases

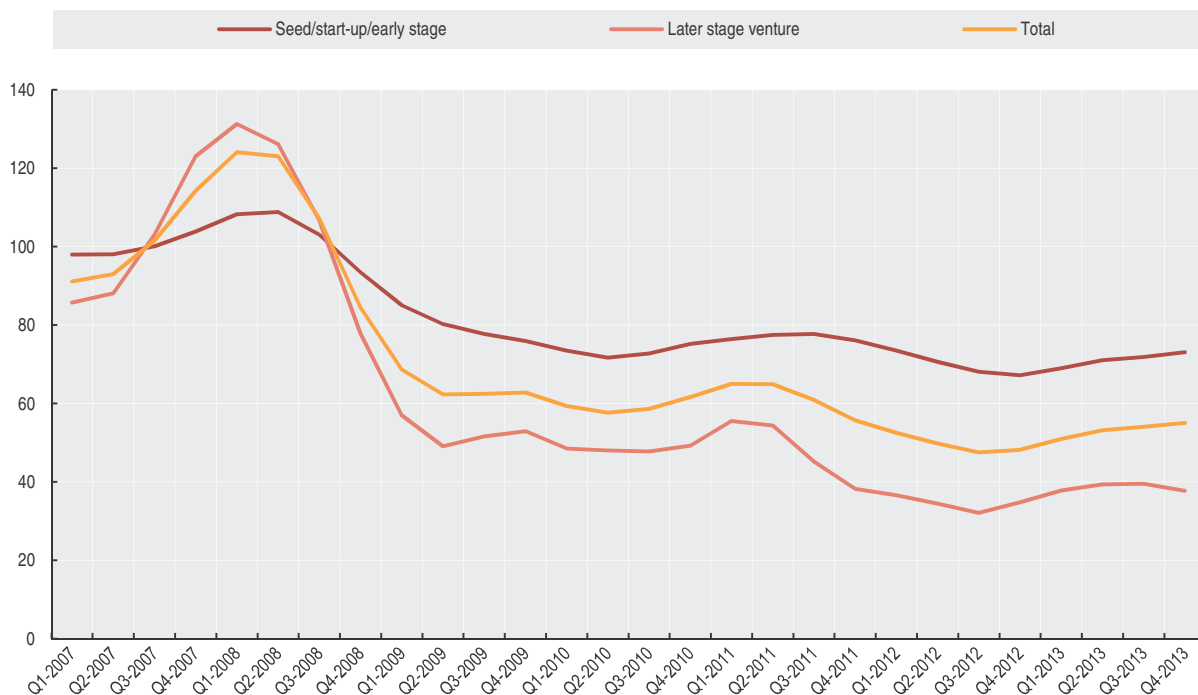
*OECD Entrepreneurship Financing Database*, drawing from:

EVCA (European Private Equity and Venture Capital Association), *EVCA Yearbook*, [www.evca.eu/knowledgecenter/statisticsdetail.aspx?id=6392](http://www.evca.eu/knowledgecenter/statisticsdetail.aspx?id=6392).

NVCA (National Venture Capital Association, United States), Thomson Reuters data, [www.nvca.org/](http://www.nvca.org/).

Figure 1.4. **Venture capital investments, Europe**

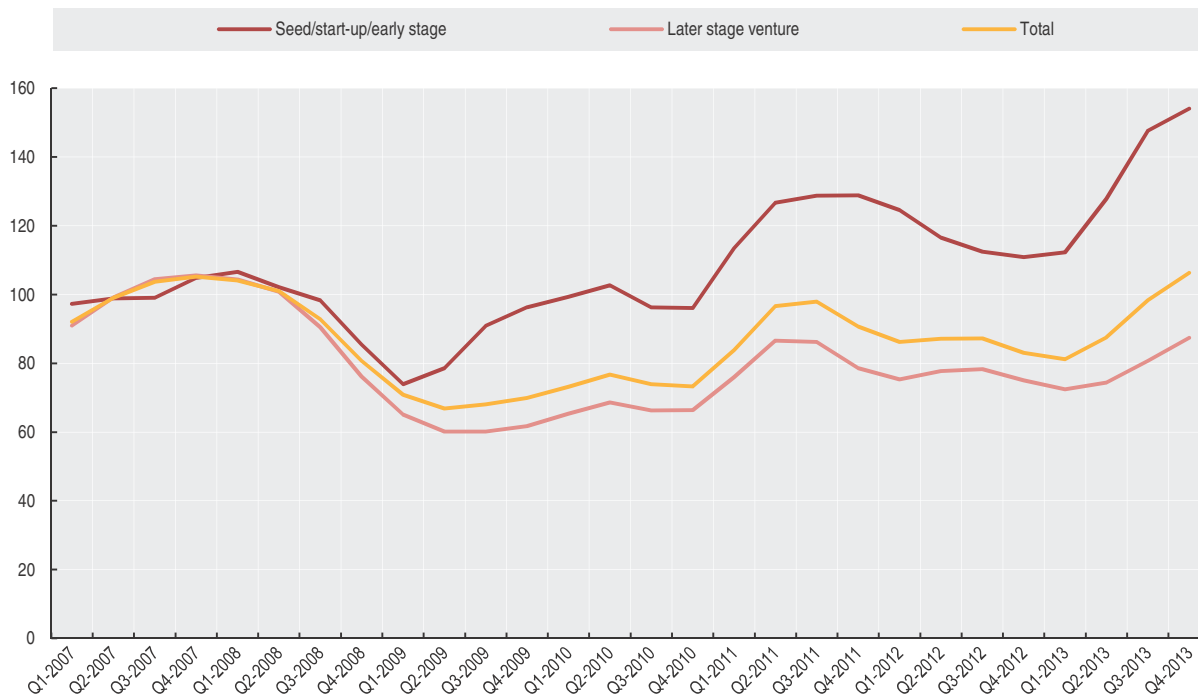
Trend-cycle average 2007 = 100



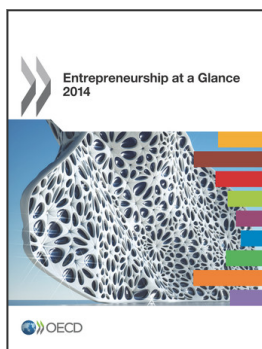
StatLink <http://dx.doi.org/10.1787/888933063233>

Figure 1.5. **Venture capital investments, United States**

Trend-cycle average 2007 = 100



StatLink <http://dx.doi.org/10.1787/888933063252>



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