

## The US ETF Market: FAQs

### Frequently Asked Questions About the US ETF Market

How many Americans own ETFs?

How many US ETF providers are there?

How big is the US ETF market?

Where are assets of ETFs concentrated?

What are recent trends in demand for ETFs?

#### How many Americans own ETFs?

An estimated 16.1 million, or about 12 percent, of US households held ETFs in 2022. Of households that owned exchange-traded funds (ETFs), 82 percent also owned mutual funds.

#### How many US ETF providers are there?

As year-end 2022, 198 sponsors provided ETFs as an investment product.

#### How big is the US ETF market?

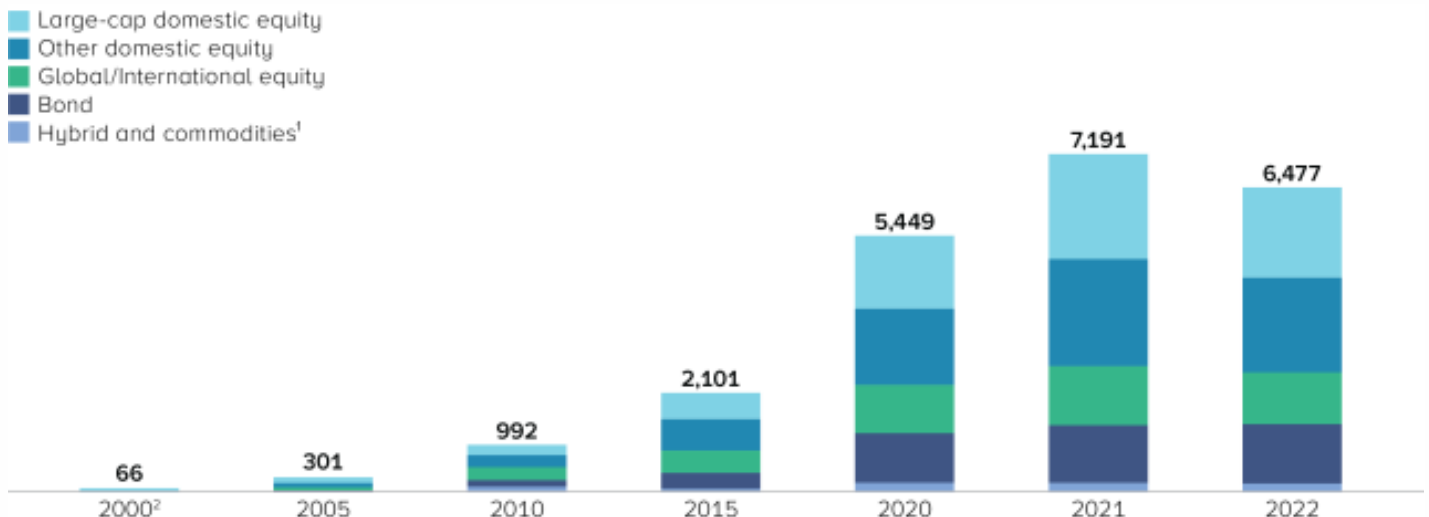
As of December 2022, the total number of index-based and actively managed ETFs, including commodity ETFs, domiciled in the United States stood at 2,844. Total net assets of these ETFs were \$6.5 trillion and accounted for 22 percent of assets managed by investment companies at year-end 2022.

#### Where are assets of ETFs concentrated?

ETFs have been available for nearly 30 years, and in that time, large-cap domestic equity ETFs have accounted for the largest proportion of ETF net assets. At year-end 2022, net assets in large-cap domestic equity ETFs totaled \$1.9 trillion, or 30 percent of ETF net assets. Bond ETFs, which have been fueled by strong investor demand over the past several years, accounted for \$1.3 trillion or 19 percent of net assets.

#### Total Net Assets and Number of ETFs

*Billions of dollars, year-end*



<sup>1</sup> Commodity ETFs include funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.

<sup>2</sup> Data exclude bond, hybrid, and commodity ETFs. The first bond, hybrid, and commodity ETFs were opened in 2002, 2007, and 2004, respectively.

## What are recent trends in demand for ETFs?

One way to track investor demand is to look at net issuance of ETF shares. Net issuance refers to the total dollar amount of shares issued/created by an ETF sponsor, less the total dollar amount of shares redeemed by the ETF sponsor. For more on how ETF shares are created and redeemed, see [“Frequently Asked Questions About ETF Basics and Structure.”](#)

In recent years, demand for ETFs has grown as institutional investors have found ETFs to be a convenient vehicle for participating in, or hedging against, broad movements in the stock market and financial advisors are investing more of their retail clients’ assets in ETFs. Although down from 2021’s record high, net share issuance of ETF shares (including reinvested dividends) in 2022 was a robust \$609 billion even with steep losses in the stock and bond markets.

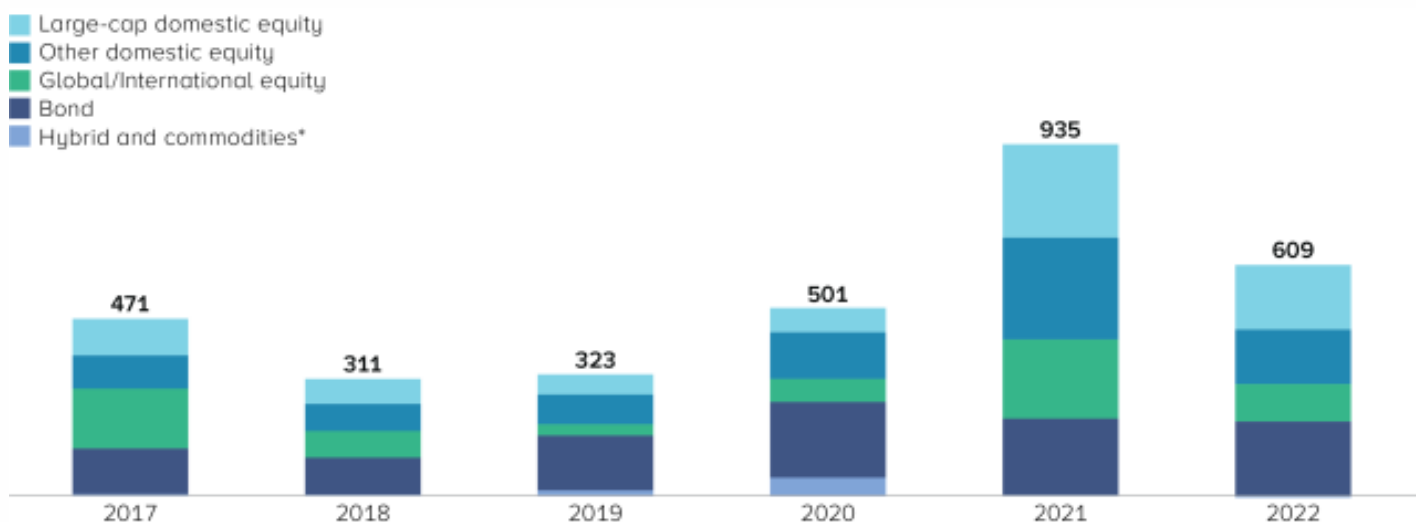
Overall demand for ETFs in 2022 may have been boosted due to tax loss harvesting—a strategy that allows investors to offset capital gains with capital losses to reduce or minimize their tax liability. Because tax loss harvesting involves selling a security at a loss, some investors tend to replace the security that was sold with a similar one to maintain the portfolio’s allocation structure and its associated risk profile. These transactions, however, must comply with the wash-sale rule, which disallows claimed losses on the sale of a security if that same security or a substantially identical one is bought within 30 days. As a result, some investors may have chosen to buy ETFs to replace the securities they sold to avoid violating the wash-sale rule.

In 2022, demand for ETFs—though down from the record pace in 2021—remained strong. Net issuance of broad-based domestic equity ETFs was \$321 billion in 2022, down from \$443 billion in 2021, and net issuance of global/international equity ETFs fell from \$211 billion to \$100 billion. The drop-off in demand for these two categories likely reflected the poor performance of worldwide stock prices—US stocks were down 19 percent and international stocks lost 16 percent. Demand for global/international equity ETFs also likely was tamped down by an appreciation of 5 percent in the value of the US dollar, which generally decreases the attractiveness of international investments to US investors. Despite losses of 13.3 percent (including interest income) on US bonds, demand for bond ETFs remained fairly steady, with net issuance totaling \$197 billion in 2022 versus \$203 billion in 2021. In 2022, net issuance of bond ETFs was more concentrated in low duration funds—an estimated 42 percent of the bond ETF net issuance went to funds with durations of 2 years or less.<sup>[\*]</sup>

[\*] Based on ICI calculations of Morningstar Direct data.

### Net Share Issuance of ETFs Declined in 2022

*Billions of dollars, annual*



\*Commodity ETFs include funds—both registered and not registered under the Investment Company Act of 1940—that invest primarily in commodities, currencies, and futures.

Note: Data for net share issuance include reinvested dividends.

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