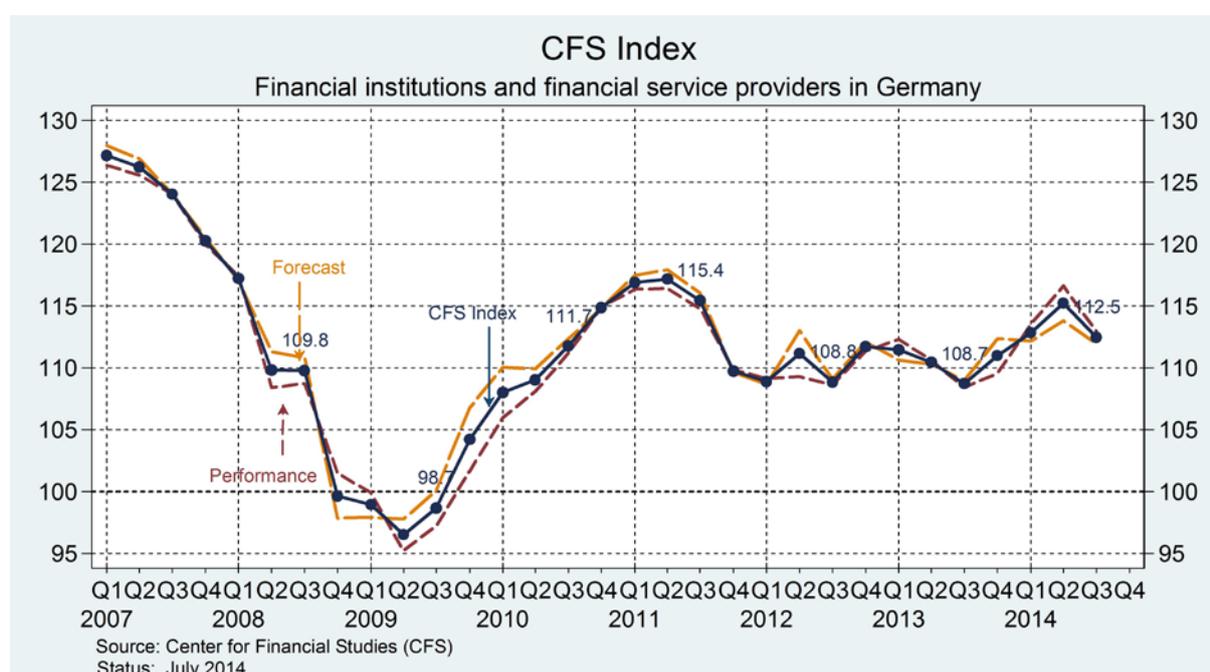


## Press release

### CFS Index stops upward trend

*Business volume and earnings weaker in the 2nd quarter 2014 / New round of downsizing expected*

FRANKFURT, 21 July 2014. In the second quarter of 2014, German financial institutions and service providers were not able to capitalize on their positive outcomes from the beginning of the year. The CFS Index, which measures the prevailing market sentiment of the German financial sector on a quarterly basis, decreased by 2.7 points to 112.5 during the second quarter. The decline can mainly be attributed to a weaker development of the business volume of financial institutions and service providers, as well as to a drop in earnings of financial institutions. Moreover, financial institutions have ended the wave of new hires that they had started at the beginning of the year, and instead expect to be conducting a slight downsizing starting in Q3 2014. This development does not come as a surprise. The decrease in the indexes reflecting business volume, earnings and employment level are in line with the expectations that the panelists expressed at the beginning of the second quarter.



## **Financial sector: Weaker business volume and earnings**

The growth in **revenues** and business volumes of German financial institutions and service providers slowed during the second quarter 2014, as compared to the previous quarter. Among financial institutions, the corresponding sub-index decreased by 6.7 to 112.8 points. For service providers, it declined by 4.5 to 121.2 points. While service providers expect revenues to stay unchanged during the third quarter 2014, financial institutions foresee a slight growth in their revenues.

**Earnings** of financial institutions and service providers developed in opposite directions during the second quarter 2014. Among financial institutions, the corresponding sub-index declined by 4.9 to 108.1 points, which indicates a reduced increase in earnings. This development is in line with the restrained expectations that had been mentioned in the previous quarter. Service providers, meanwhile, reported a slight increase in earnings, resulting in a rise of the sub-index by 1.6 to 121.2 points. Expectations for the current quarter are conservative among both groups.

The sub-index measuring **investment volume** remained almost stable compared to the first quarter of 2014. Among financial institutions, the sub-index decreased by 0.2 to 108.3 points; among service providers there was a small increase by 0.7 to 112.5 points. Financial institutions do not expect any changes in investment volumes for the third quarter, while service providers anticipate a slight increase.

Among financial institutions, the sub-index measuring **employment level** dropped just below the neutral benchmark of 100 points, which marks the threshold between net employment increase (values above 100) and decrease (values below 100) respectively. Compared to the previous quarter, the index declined by 5.3 to 99.7 points. For the third quarter, financial institutions expect a slight reduction in jobs. In contrast, service providers created new jobs during the second quarter. Their reports result in a sub-index of 113.6 points, which is just 1.1 points lower than in the previous quarter.

## **Germany's importance as a financial center increases**

At the end of the second quarter 2014, German financial institutions as well as service providers express the opinion that Germany is becoming internationally more important as a financial center. This view does not come as a surprise to Professor Jan Pieter Krahen, Director of the Center for Financial Studies and academic head of the survey. "For the seventh time in a row, the index measuring the international importance of Germany's financial center has risen. Our survey results are an indication that Frankfurt's international importance has increased significantly, given its position as headquarters for the main regulatory agencies of the European banking union," he noted.

**About the Center for Financial Studies**

The Center for Financial Studies (CFS) conducts independent and internationally-oriented research in important areas of Financial and Monetary Economics, ranging from Monetary Policy and Financial Stability, Household Finance and Retail Banking to Corporate Finance and Financial Markets. CFS is also a contributor to policy debates and policy analyses, building upon relevant findings in its research areas. In providing a platform for research and policy advice, CFS relies on its international network among academics, the financial industry and central banks in Europe and beyond.

**About the CFS Index**

The CFS Index is compiled from a comprehensive quarterly survey among 400 decision makers in the German financial sector (return about 50% on average). The survey contains four questions about the participant's view on different business parameters (business volume, earnings, employment level and investment volume in product and process innovations). The answers to the questions may be given as "positive", "neutral", or "negative" and a response is requested for the previous and the current quarter. Due to construction, the maximum index value is 150, the minimum index value is 50; a value of 100 signalizes a neutral business sentiment. The survey-panel consists of enterprises and institutions of the financial industry and selected companies that profit from the financial sector.

**We express our thanks for financial support of the project to the Helaba Landesbank Hessen Thüringen.**

**For further information, please contact:**

Marcus Fleig  
Center for Financial Studies  
House of Finance  
Goethe University Frankfurt  
email: [fleig@ifk-cfs.de](mailto:fleig@ifk-cfs.de)  
phone: +49 69 798 30061  
[www.ifk-cfs.de/cfsindex](http://www.ifk-cfs.de/cfsindex)