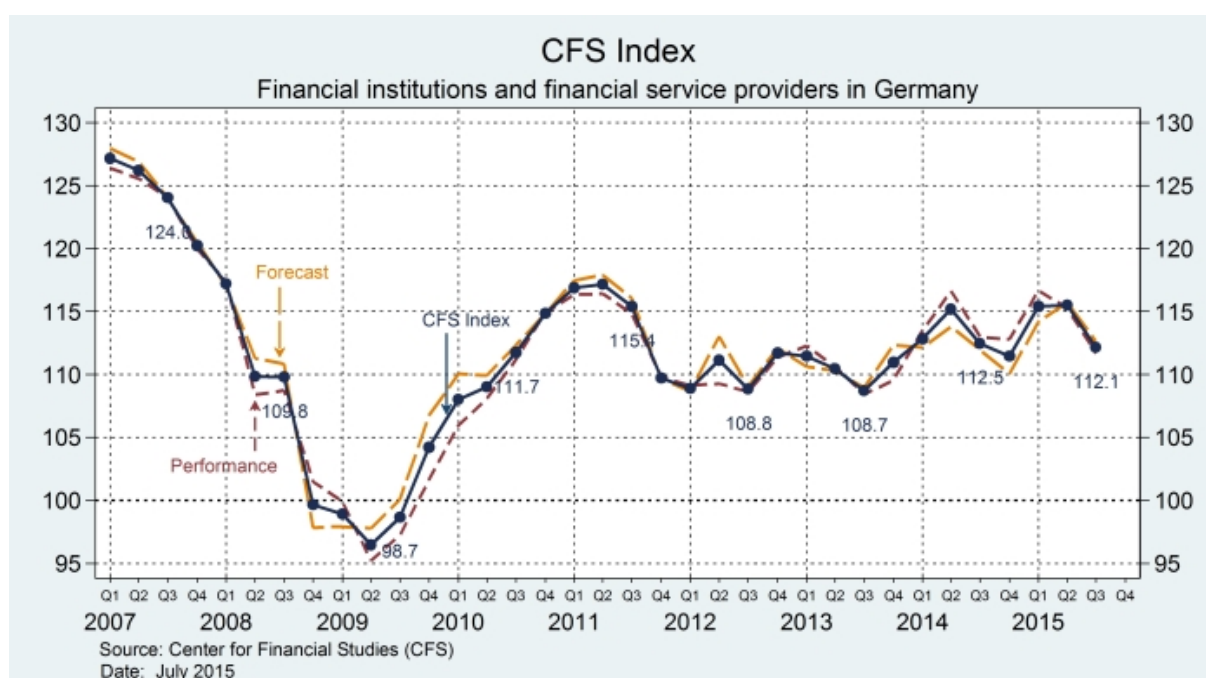


Press release

CFS Index declines significantly

Growth of revenues and earnings weaker than in the previous quarter / Financial institutions cut jobs

FRANKFURT, 20 July 2015. The CFS Index, which measures the prevailing market sentiment of the German financial sector on a quarterly basis, decreases significantly during the second quarter of 2015. Having increased during the two previous quarters, the CFS Index now drops from 115.5 points to 112.1 points. The decline by 3.4 points can mainly be attributed to a weaker growth of revenues and earnings in the financial industry as well as to a lower increase in investments in product and process innovations. Besides, financial institutions have reduced their headcount during the second quarter and expect further downsizing during the current quarter.



According to the assessment of survey participants, the **future international importance of Germany as a financial center** is developing positively during the second quarter of 2015. The corresponding index reaches 125.8 points, the second-highest level since the start of the survey in 2007.

“The increasing confidence of survey participants in the German financial center can be attributed to the fact that additional regulatory authorities have been established in Frankfurt and that financial market activities increasingly concentrate on less financial centers in Europe,” Professor Jan Pieter Krahn, Director of the Center for Financial Studies and Academic Head of the survey, interprets the results.

Weaker business volume

The decline of the CFS Index can partly be attributed to the development of **revenues**/business volume of the surveyed financial institutions and service providers during the second quarter of 2015 which have increased less compared to the previous quarter. The corresponding sub-index drops significantly by 6.6 points among financial institutions and reaches a value of 111.5 points. In comparison, the surveyed service providers report only a slight decrease of their revenue growth by 0.9 points. The sub-index remains with 122 points on a high level. Both groups expect revenues to increase slightly stronger during the third quarter of 2015.

After a decline in the growth rate of **earnings** in the previous quarter, the sub-index earnings drops further during the second quarter of 2015. Among financial institutions the corresponding sub-index falls by 1.7 points to 106.2 points and among service providers by 5 points to 115.5 points.

Lower growth in investments

Both financial institutions and service providers report a lower increase in their **investment** volume as compared to the previous quarter. For financial institutions, the sub-index investments in product and process innovations decreases noticeably by 7.2 points to only 102.6 points. Service providers report a reduction by 2.5 points to 114 points.

Among financial institutions the sub-index **employment level** stays below the neutral benchmark of 100 points, which indicates a reduction in headcount for the second quarter of 2015. The sub-index falls significantly by 6 points to 95 points. Also, financial institutions expect further downsizing for the current quarter. By contrast, service providers have recruited new staff during the second quarter of the year, the corresponding sub-index rises by 1.3 points to 113.8 points as compared to the previous quarter.

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:

Sebastian Frontczak

Center for Financial Studies
House of Finance
Goethe University Frankfurt
email: frontczak@ifk-cfs.de
phone: +49 69 798-30043
www.ifk-cfs.de/cfs-index