

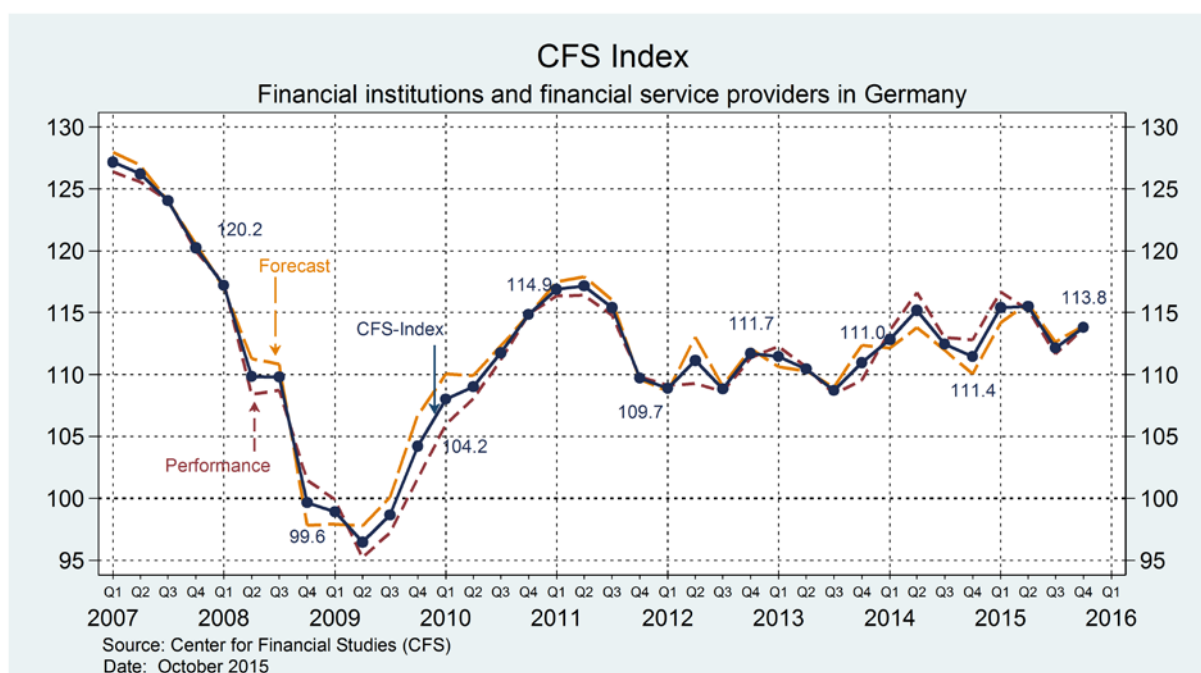
Press release

CFS Index increases slightly

Financial industry is investing more / Growth rate of earnings lower than in the previous quarter

FRANKFURT, 19 October 2015. The situation in the German banking sector improved during the third quarter of 2015. The CFS Index, which measures the condition of the German financial sector on a quarterly basis, rose slightly by 1.7 points to 113.8 points. The rise can mainly be attributed to a strong increase in investments in product and process innovations among the surveyed financial institutions. Besides, financial institutions stopped downsizing and began to hire new staff. However, in the third quarter of 2015, the growth rate of earnings in the German financial industry was lower than in the previous quarter.

“The rise in investment volume and the recruitment of new employees by financial institutions is likely due to the increasing digitalization of the banking business which requires higher investments in IT and human resources,” Professor Jan Pieter Krahn, Director of the Center for Financial Studies and Academic Head of the survey, comments the results.



In the third quarter of 2015, the growth of **revenues**/business volume among the surveyed financial institutions and service providers remained almost unchanged as compared to the previous quarter. The corresponding sub-index increased among financial institutions by 0.9 points to 112.3 points and among service providers by 0.8 points to 112.8 points.

Both groups report a lower growth rate of **earnings** during the third quarter as compared to the previous quarter. For financial institutions the sub-index earnings decreased slightly by 1.2 points to 105 points and for service providers sharply by 3.4 to 112.1 points. Both groups are optimistic about the development of earnings in the current quarter.

In the third quarter, surveyed financial institutions sharply increased their **investment volume** in product and process innovations after a decline during the second quarter. The corresponding sub-index rose by 6.7 points to 109.3 points. For service providers the sub-index reached a value of 113.7 points and stayed almost on the same level as in the previous quarter.

Financial institutions stopped downsizing

After financial institutions had reported reductions in their headcount during the second quarter of 2015, they hired new staff during the third quarter. The corresponding sub-index **employment level** increased by 6.3 points but remained with 101.3 points close to the neutral benchmark of 100 points. The surveyed service providers also recruited more new staff in the third quarter of 2015 as compared to the previous quarter, with the corresponding sub-index being at 113.7 points.

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. 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.

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