

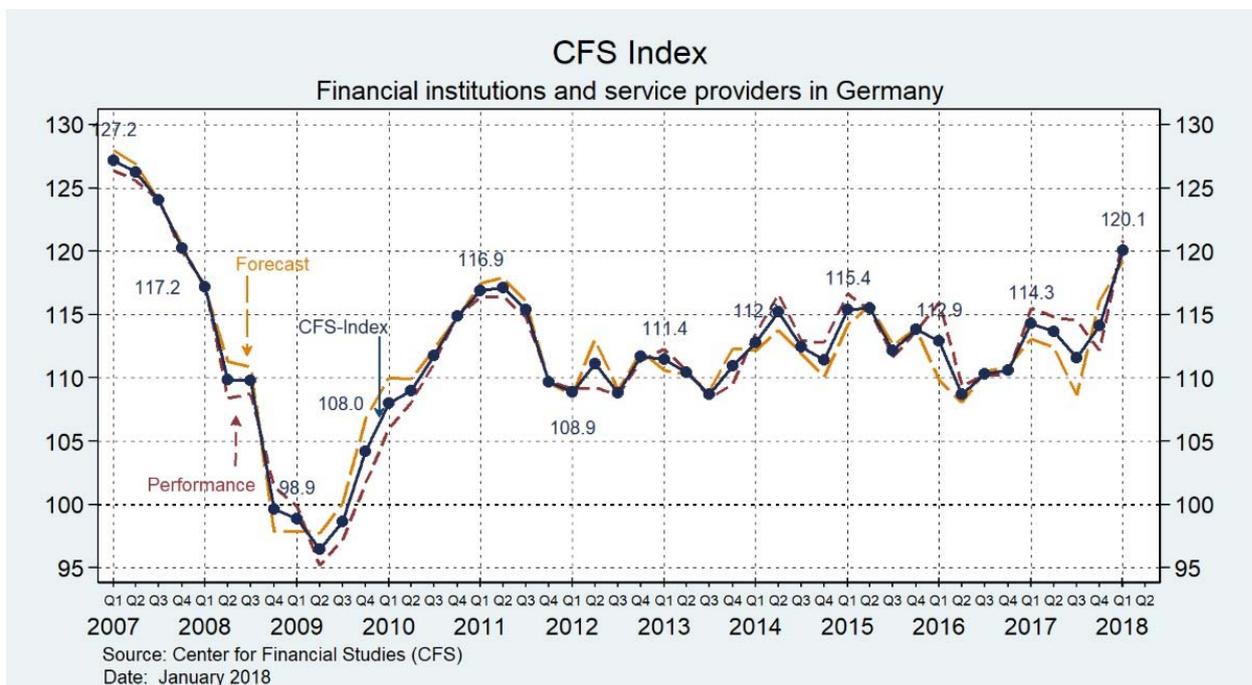
Press Release

CFS Index reaches highest level since the start of the financial crisis in 2007

Financial industry reports: Strong growth in revenues and earnings / Employee numbers on an upward trend / Investment volume declines slightly, but remains at a high level

FRANKFURT, 23 January 2018. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, rises by 5.9 points to 120.1 points. This hugely positive development can primarily be attributed to the high revenues and earnings of the financial industry in the fourth quarter of 2017. Furthermore, the financial institutions are now reducing their job cuts and they expect this trend to become more pronounced in the current quarter. The trend for employee numbers among the service providers is also positive. Their level of recruitment is on the rise. However, the financial industry reports a slight decline in investment volume, even though it remains at a high level.

„The industry’s strong performance in turnover and profit will help banks to address the next big challenge, digital transformation. This is reflected in the very positive outlook of the financial services industry, which includes consulting, auditing and advisory“, Professor Jan Pieter Krahen, Director of the Center for Financial Studies, interprets the results.



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The future international importance of the Financial Centre Germany continues to be rated very positively

With an increase of 0.4 points to 135.9 points, the business location sub-index, which measures the **future international importance of the Financial Centre Germany**, is just slightly below its highest ever level, reached shortly after the Brexit vote in 2017.

„The consistently high level of the index shows that people are placing greater trust in the Financial Center Germany. This should be an incentive for all participants to go about shaping the future of the financial industry in this country with optimism and self-confidence“, Dr. Lutz Raettig, President of Frankfurt Main Finance e.V., interprets the survey results.

Financial industry revenues and earnings are on the rise / Only in 2007, the first year of the survey, have the service providers reported higher figures

Contrary to their rather modest expectations from the previous quarter, the surveyed financial institutions and service providers strongly increased their **revenues**/business volume in the final quarter of 2017. The corresponding sub-index for the financial institutions rises by 11.2 points to 122.7 points; that of the service providers climbs 20.3 points to 137.5 points. As for the current quarter, the financial institutions are expecting just a minimal decline. The service providers are anticipating a decline to the level of the previous quarters.

The **earnings** of both groups also developed especially positively in the fourth quarter of 2017. The corresponding sub-index for the financial institutions climbs 6.5 points to reach a level of 113.9 points. The service providers report huge earnings growth of 26.9 points, clearly exceeding even their own positive expectations from the previous quarter. The earnings sub-index for this group thus rises to 133.6 points.

Investment volume declines slightly, but remains at a high level

Having reached its highest level since the survey began in 2007 six months ago, the **investment volume** sub-index for the service providers has been on a slight downward trend since the last quarter. It falls by 2.8 points in the first quarter of 2017 to 113.9 points, though this is still a high level. Similarly, the sub-index for the financial institutions falls by 5.1 points to 113.8 points. While the financial institutions are anticipating a further decline, the service providers are expecting their investment volume to increase in the current quarter.

Financial sector employee numbers on an upward trend / Job cuts at financial institutions curtailed

After job cuts increased in the previous quarter, they are now being curtailed at the financial institutions. The corresponding **employee numbers** sub-index rises by 3.3 points to 98.6 points. The trend is also positive among the service providers, where the level of recruitment is on the rise. The sub-index rises by 3.5 points to 116.8 points. Both groups expect the upward trend to continue, though the service providers are even more optimistic than the financial institutions.

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The results are based on a quarterly management survey of around 400 companies in the German financial sector.

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.

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