

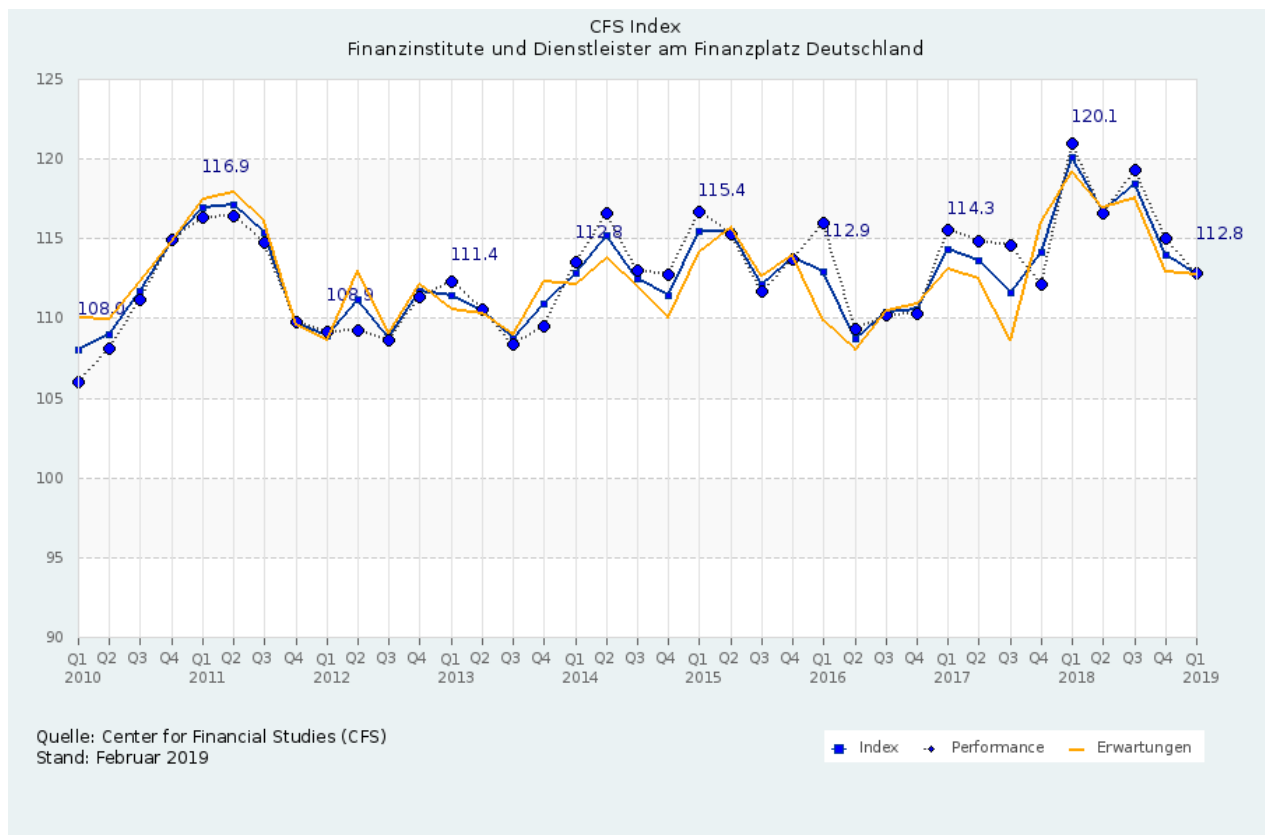
Press Release

CFS Index falls slightly

Financial industry reports weaker growth in earnings along with relatively constant revenue growth / Service providers record declining growth in investments and hire fewer employees / Financial institutions maintain constant employee numbers despite expectation of job cuts

FRANKFURT, 14 February 2019. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, falls by 1.2 points to 112.8 points in the fourth quarter of 2018. The slight downturn can be attributed to weaker growth in earnings along with relatively constant revenue growth in the financial industry as a whole. In addition, the service providers report significantly weaker growth in investment volume, in excess of the decline predicted in the previous quarter, and a lower number of employees are being hired. At the financial institutions, the investment volume rises slightly and, contrary to their expectations, employee numbers remain constant. However, job cuts are still expected in the current quarter.

“Are service providers more adaptable than banks? A year-on-year comparison points to this conclusion. Capital expenditure is rising among service providers and the number of employees is falling, whereas the situation is reversed at the banks: investments are on the decline, while the number of employees is stable. In light of the deteriorating earnings outlook, this raises the urgent question for banks as to how they will manage the necessary adjustment of capacities,” Professor Jan Pieter Krahen, Director of the Center for Financial Studies, interprets the results.



Press Release

The future international importance of the Financial Centre Germany is rated positively

Notwithstanding the uncertainties surrounding the Brexit agreement, the financial industry continues to rate the **future international importance of the Financial Centre Germany** very positively. The corresponding sub-index shows a slight increase of 1.0 points to 127 points.

Dr. Lutz Raettig, President of Frankfurt Main Finance e.V., emphasizes: “For quite some time, the prevailing and well-founded conviction in the finance sector is that the Financial Centre Frankfurt will increase in international importance. The Index’s recent, slight increase most likely reflects the UK’s withdrawal from the EU, which draws nearer and becomes increasingly tangible with each passing day.”

Revenue growth in the financial sector largely unchanged / Earnings growth declines

Growth in **revenues**/business volume among the financial institutions is almost unchanged in the fourth quarter of 2018. The corresponding sub-index rises by 0.1 points to 112.7 points. A slight increase is forecast for the current quarter. The revenues of the service providers, at 120.9 points, are 2.8 points lower than in the previous quarter. The current level is expected to be maintained.

Earnings growth is on the decline among both groups. The sub-index for the financial institutions falls by 3.1 points to 108.5 points, yet still remains at a solid level. As previously anticipated, the service providers record a more significant decline of 4.8 points to 111.5 points. Both groups expect to see a slight increase in the current quarter.

Investment volume of financial institutions remains constant / Sharper decline than expected among service providers

The growth in **investment volume** in product and process innovations at the financial institutions reveals a slight increase of 1.3 points and remains at a moderate level of 112.1 points. No significant change is expected in the first quarter of 2019. By contrast, the service providers report a considerable decline in the fourth quarter, in excess of the decline predicted in the previous quarter. The sub-index falls accordingly by 6.7 points to 112.2 points. The service providers expect to correct this decline again in the current quarter.

Despite expected job cuts, financial institutions keep number of employees constant / Service providers hire fewer employees

The **employee numbers** sub-index for the financial institutions rises by 0.4 points and, as in the prior quarter, signals a neutral sentiment with 100.5 points. As previously expected, the growth in personnel among the service providers continues to slow. Despite falling by 6.4 points, the corresponding sub-index remains at a good level of 111.5 points. For the current quarter, the service providers expect to be able to maintain this level of employee growth. The financial institutions, on the other hand, continue to forecast job cuts.

Press Release

The results are based on a quarterly management survey 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.

We would like to thank Frankfurt Main Finance e.V. for financially supporting the project.

In case of further questions, please contact:

Project Management:

Sebastian Frontczak
Center for Financial Studies
House of Finance
Goethe-Universität Frankfurt
E-Mail: frontczak@ifk-cfs.de
Tel.: (069) 798-30043
www.ifk-cfs.de/cfs-index

Press Contact:

Sabine Kimmel
Center for Financial Studies
House of Finance
Goethe-Universität Frankfurt
E-Mail: kimmel@ifk-cfs.de
Tel.: (069) 798-30066
<https://www.ifk-cfs.de/de/media-lounge/ansprechpartner.html>