

Press Release

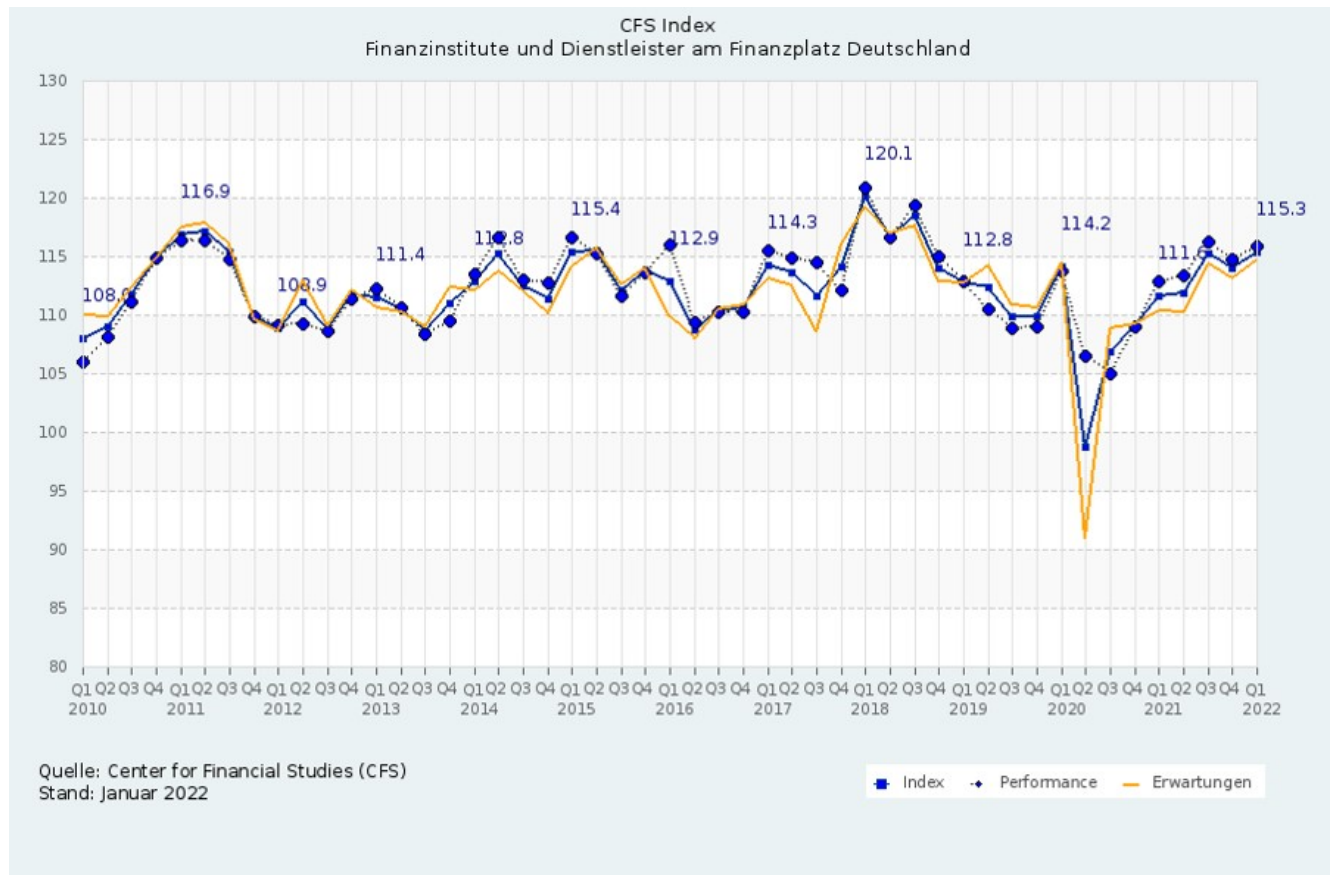
CFS Index rises and is clearly above last year's level

(Survey conducted 11 January – 24 January 2022 for the results of the fourth quarter 2021)

FRANKFURT, 3 February 2022. In spite of a pandemic that has now been ongoing for two years, the mood in the financial sector has developed positively over the past year. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, rises in the fourth quarter of 2021 by +1.4 points to 115.3 points. It is now +3.7 points above its level this time last year and +1.1 points higher than two years ago, shortly before the outbreak of the pandemic.

This pleasing development in the fourth quarter of 2021 is primarily based on positive reports from the service providers. They are experiencing higher growth in revenues, earnings and employee numbers. Investment growth is the only sub-index to have fallen slightly among the service providers, though it is still at the same level as one year ago. In contrast, the financial institutions report weaker development of all sub-indices for the fourth quarter of 2021, yet these remain at a healthy level and above prior-year values. Regarding the current quarter, both groups are rather cautious about their expected growth in revenues and earnings, and the financial institutions also expect a slight decline in investment growth. The financial sector as a whole is optimistic about workforce growth and the service providers also expect investment growth to rise again.

“The CFS Index reflects the cautiously optimistic business climate in the wider economy – despite the current uncertainties in the political and economic environment,” comments Professor Andreas Hackethal, Director of the Center for Financial Studies.



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The value measuring how the financial industry rates the **future international importance of the Financial Centre Germany** declines in the fourth quarter of 2021. Falling by -5.3 points, the current sub-index value is 105.5 points. This is attributed to the special economic situation resulting from the pandemic coming to an end, increasing concerns over digital competition, the viability of business models being put to the test in the low interest rate environment, and risks related to a reversal of interest rate policy playing on the minds of market players.

“The prospects are definitely better than the current mood. The latest CityUK study shows that Frankfurt is the leading financial centre in the EU, ahead of Paris. Moreover, the ISSB has the potential to bring Frankfurt forward as a sustainable financial centre,” explains Gerhard Wiesheu, President of Frankfurt Main Finance.

Revenue and earnings growth in the financial sector above last year’s level / Weaker development among financial institutions in the fourth quarter and higher growth among service providers

Growth in the **revenues**/business volume of the financial institutions fell by -1.4 points to 121.6 points in the fourth quarter of 2021, but is still +1.3 points above the level of a year ago. In contrast, the service providers report a significant increase of +7.1 points to 125.2 points. This means the sub-index is +6.1 points higher than one year ago. Regarding the first quarter of 2022, the financial sector as a whole has more restrained expectations.

The surveyed financial institutions and service providers also report contrasting data with respect to **earnings** growth. The corresponding sub-index of the financial institutions falls by -9.8 points to 113.9 points, but is still +1.4 points above the level of the previous year. For the service providers, the sub-index rises by +9.8 points to 122.2 points and has gained +4.8 points compared to a year ago. For the current quarter, both groups expect earnings growth to decelerate.

Growth in investment volume takes a slight downturn in the fourth quarter for both groups, but does not fall below the previous year’s level

Growth of the **investment volume** in product and process innovations among the financial institutions falls by -1.4 points to 109.0 points, but is still +2.2 points above the previous year’s level. The service providers also report a decline, in this case of -2.3 points to 105.9 points. This places the sub-index at precisely the same level as one year ago. Regarding the current quarter, the financial institutions expect a further decline, while the service providers anticipate higher growth in investment.

Job creation above prior-year level

Contrary to previous expectations, the financial institutions report slightly lower growth in **employee numbers** for the fourth quarter. The corresponding sub-index falls by -1.2 points to 104.1 points and is thus still +2.7 points above the level of a year ago. The service providers indicate more rapid workforce growth. The corresponding sub-index rises by +2.6 points to 110.8 points and is also up on the previous year with a gain of +4.0 points. For the current quarter, both groups expect to step up their rate of recruitment.

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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. The 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, the CFS relies on its international network among academics, the financial industry and central banks in Europe and beyond.

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