

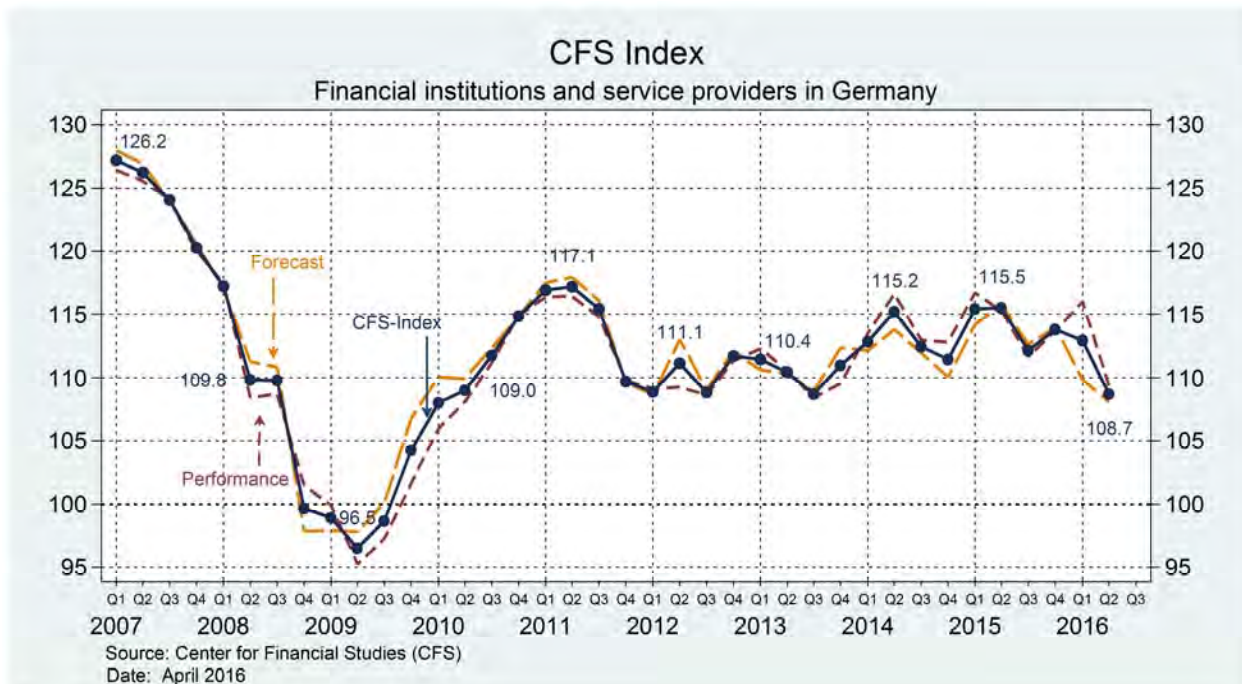
Press Release

CFS Index falls significantly – sentiment of financial institutions has reached a low point

Financial industry posts sharp decline in revenue and earnings growth

FRANKFURT, 26 April 2016. The CFS Index, which measures the business climate of the German financial industry on a quarterly basis, falls significantly by 4.2 points to 108.7 points in the first quarter of 2016. The decline is largely attributable to the weak development of revenues and business volume and the reduced earnings power of financial institutions and service providers. This development therefore confirms the expectations of the companies, which had already forecast declining growth in the previous quarter. In particular, the sentiment of the financial institutions has now reached a low point at 97.9 points, although they are expecting earnings to take an upturn in the current quarter. The investment volume of the financial institutions increased in the first quarter, while the number of employees remains stable at a low level.

“The expectations of the financial institutions regarding future earnings performance this year remain modest and illustrate the level of uncertainty on the capital market,” Professor Jan Pieter Krahenen, Director of the Center for Financial Studies, interprets the results. Dr. Lutz Raettig, Chairman of the Executive Committee of Frankfurt Main Finance e.V. adds, „Growing investment volumes and stable employment levels in financial institutions are a positive signal for the Financial Centre Frankfurt.”



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In line with the financial industry's expectations in the previous quarter, **revenues**/business volume took a downturn in the first quarter. The corresponding sub-index for the financial industry falls by 11.4 points to 110.5 points. The revenues of the financial institutions, at 104.5 points, are significantly lower than in the first quarter (-12.9 points). Service provider revenues, at 116.5 points, are down 9.9 points on the previous quarter, and a sustained decline in growth is expected in the current quarter. The financial institutions, on the other hand, are anticipating a slight upturn.

Earnings growth also declined in the first quarter, as forecast by the survey participants. In particular, the earnings sentiment of the financial institutions has hit a low point. The corresponding sub-index falls by 10.3 points to 97.9 points, although they are anticipating an upturn in the current quarter. The sub-index for service providers stands at 112.8 points, down 8.5 points from the first quarter. A slight downward trend is expected to persist in the current quarter.

Financial institutions increase investment volume and keep employee numbers stable at a low level

The financial institutions raised their **investment volume** in product and process innovations in the first quarter of 2016 and they plan to continue this positive trend in the current quarter. The corresponding sub-index rises by 3.9 points to 112.5 points. The service providers, on the other hand, show a small decline in investment growth of 1.6 points to 113.6 points. This slight downturn is expected to become more pronounced.

The financial institutions kept their **employee numbers** almost unchanged at a low level. The sub-index for this group falls by just 1.0 points to 99.0 points. The service providers hired fewer new employees in the first quarter of 2016 than in the previous quarter. The corresponding sub-index falls by 4.2 points to 111 points. While the financial institutions' outlook for the current quarter remains virtually unchanged, the service providers are anticipating a stronger decline in recruitment in the second quarter of 2016.

The **international importance of Germany as a financial centre** is seen to be on the decline. The corresponding value falls by 3.8 points to 116.1 points. This decrease stems from the opinion of the financial institutions. The corresponding sub-index for this group stands at 113.5 points, down 7.2 points from the last quarter. The service providers' assessment remains almost unchanged, down just 0.4 points to 113.5 points.

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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 signals 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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