

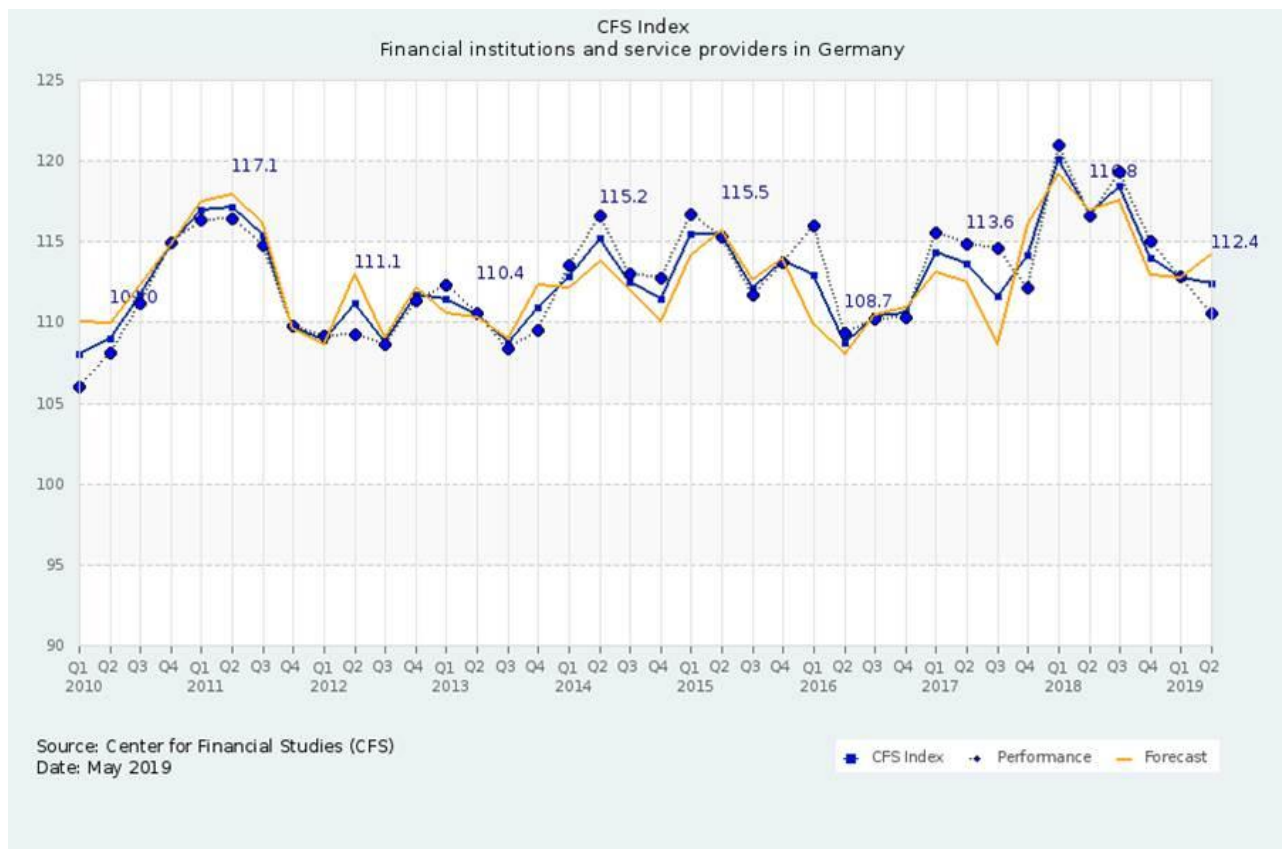
Pressemitteilung

CFS Index shows a slight overall decline

Earnings growth in the financial sector declines, although optimism persists for the current quarter / Service providers report sharp decline in revenue growth accompanied by higher investment volume and employee growth / Increased job cuts at financial institutions

FRANKFURT, 10 May 2019. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, falls by 0.4 points to 112.4 points. This slight overall decline must be examined in its individual components. The revenue growth of financial institutions developed positively in the first quarter. By contrast, the service providers report a sharp decline here, although their expectations for the second quarter remain positive. The earnings growth of the financial sector declined in the first quarter, but here too there is continued optimism for the current quarter. Growth in the investment volume of financial institutions remains constant, with service providers reporting an increase. As expected, the financial institutions cut jobs in the first quarter and expect to make further reductions in the second quarter. The service providers, on the other hand, report a slight increase in employee growth.

“The combination of stable investments and employee numbers with rising revenues and earnings reveals a slight overall positive trend in productivity in the financial sector,” 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** is consolidating at a high level. The corresponding value falls by 3.6 points to 123.4 points. This decline is attributable to the assessment of the financial institutions. The relevant sub-index for this group is 14.8 points down on the previous quarter, at 113.2 points. Conversely, the assessment of the service providers is very positive. Their sub-index value rises by 7.7 points to 133.6 points.

Dr. Lutz Raettig, President of Frankfurt Main Finance e.V. emphasizes: “The prevailing opinion is that the Financial Centre Frankfurt will continue to grow in international importance. The slight decline of the index is just a logical reaction to the delay of Brexit.”

Revenue growth of financial institutions positive / Strong decline in revenue growth of service providers, although expectations remain positive

There are contrasting trends in the growth of **revenues**/business volume between the financial institutions and the service providers in the first quarter. The corresponding sub-index for the financial institutions rises by 2.3 points to 115.0 points, with further moderate growth anticipated. The revenues of the service providers are down 9.7 points on the previous quarter, at 111.2 points, although their expectations for the current quarter remain very positive.

Revenue growth declines, although optimism persists for the current quarter

Contrary to forecasts from the previous quarter, **earnings growth** declined in the first quarter. The financial institutions in particular find themselves in a weaker phase of growth, with the sub-index falling by 7.5 points to 101.0 points, yet they expect the trend to turn positive in the current quarter. At 107.2 points, the sub-index of the service providers is 4.3 points below its level in the first quarter. As with their revenues, the service providers remain optimistic about their earnings performance in the current quarter.

Investment volume of financial institutions stable / Service providers report increase

The growth in **investment volume** in product and process innovations among the financial institutions is almost unchanged in the first quarter, at a moderate level of 112.0 points (-0.1 points). A slight decline in growth is expected in the second quarter. By contrast, the service providers report an increase in their investment volume in the first quarter. The sub-index rises by 2.6 points to 114.8 points. This level is expected to be maintained in the current quarter.

Increased job cuts at financial institutions / Slight upturn in employee growth among service providers

In line with expectations in previous quarters, the financial institutions are now cutting jobs. The **employee numbers** sub-index for the financial institutions fell accordingly by 4.3 points to 96.2 points. Further job cuts are expected in the second quarter. Growth in employee numbers among the service providers improved slightly. The corresponding sub-index rose by 0.9 points and is now at a healthy level of 112.4 points. The service providers anticipate further growth in the current quarter.

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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. 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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