

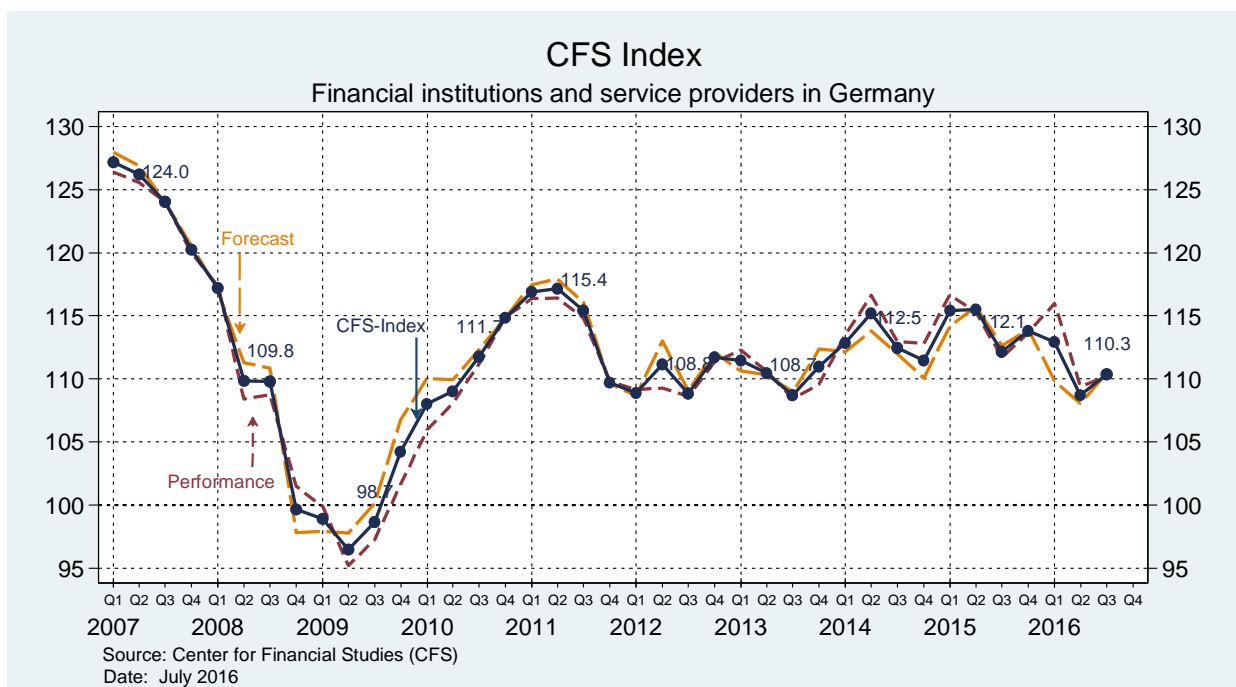
## Pressemitteilung

### CFS Index returns to a slight upward trend

*Financial industry revenues are developing positively*

FRANKFURT, 21 July 2016. The CFS Index, which measures the condition of the German financial sector on a quarterly basis, rises by 1.6 points to 110.3 points in the second quarter of 2016. The increase is based on the strong development on revenues in the financial industry. Contrary to expectations, however, the earnings performance of the financial institutions remains on a downward trend, while the service providers remain on a steadily positive trend. The investment volume of the financial industry is stable and almost unchanged. The financial institutions are anticipating job cuts in the current quarter; up to now the number of employees has remained stable at a neutral level.

“The survey results prove that a number of financial service providers are in a period of reorganisation, because the pressure on earnings in the industry continues to rise,” Professor Jan Pieter Krahen, Director of the Center for Financial Studies, comments the results.



### Financial industry sees the future international importance of the Financial Centre Germany at a historic high

The future international importance of the Financial Centre Germany reaches a historic high of 136.8 points. Owing to Britain’s potential exit from the EU, the corresponding value rises by 20.7 points.

Dr. Lutz Raettig, Executive Chairman of Frankfurt Main Finance e.V., emphasized, “We all deeply regret the results of the referendum, but naturally, we also respect the outcome. As a consequence, financial centres within the EU will now compete with one another to lure individual product areas and activities out of London. Frankfurt Rhine-Main will certainly be at the centre of this competition, but in a constructive and cooperative manner.

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### **Business volume of the financial industry develops positively – contrast between earnings performance of financial institutions and service providers**

The surveyed financial institutions and service providers manage to considerably increase their **revenues**/business volume again following the poor performance in the first quarter. The corresponding sub-index for the financial institutions rises by 2.7 points to 107.2 points in the second quarter. The service providers raise their revenues by 3.8 points to 120.3 points, which is only slightly below the prior-year level. The financial industry expects to maintain these levels in the current quarter.

In terms of **earnings**, the financial institutions record a further decline, contrary to their expectations. The corresponding sub-index falls to 96.9 points. However, the service providers reveal steady earnings growth, in spite of negative prior expectations. The earnings sub-index for this group rises by 0.3 points to 113.1 points. The financial institutions expect the low level to persist; the service providers are more optimistic for the current quarter.

The **investment volume** in product and process innovations of both groups remains at a solid level. The sub-index of the financial institutions falls by 0.2 points to 112.3 points. The service providers' sub-index falls by 0.1 points to 112.6 points. As such, both groups are at the same level and neither is expecting changes in the current quarter.

### **Financial institutions anticipating job cuts in third quarter**

As for **employee numbers**, which the financial institutions have so far kept stable at a neutral level of 99.7 points (+0.7 points), a significant decline is expected in the current quarter. The surveyed service providers are maintaining a higher level, with a value of 105.1 points, though they have hired significantly fewer new employees than in the previous quarter. The corresponding sub-index falls by 5.9 points. The service providers are optimistic that this value will improve in the third quarter.

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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

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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 signalizes 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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**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](mailto:frontczak@ifk-cfs.de)  
Tel.: (069) 798-30043  
[www.ifk-cfs.de/cfs-index](http://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](mailto:kimmel@ifk-cfs.de)  
Tel.: (069) 798-30066  
[www.ifk-cfs.de/de/media-lounge/ansprechpartner](http://www.ifk-cfs.de/de/media-lounge/ansprechpartner)