

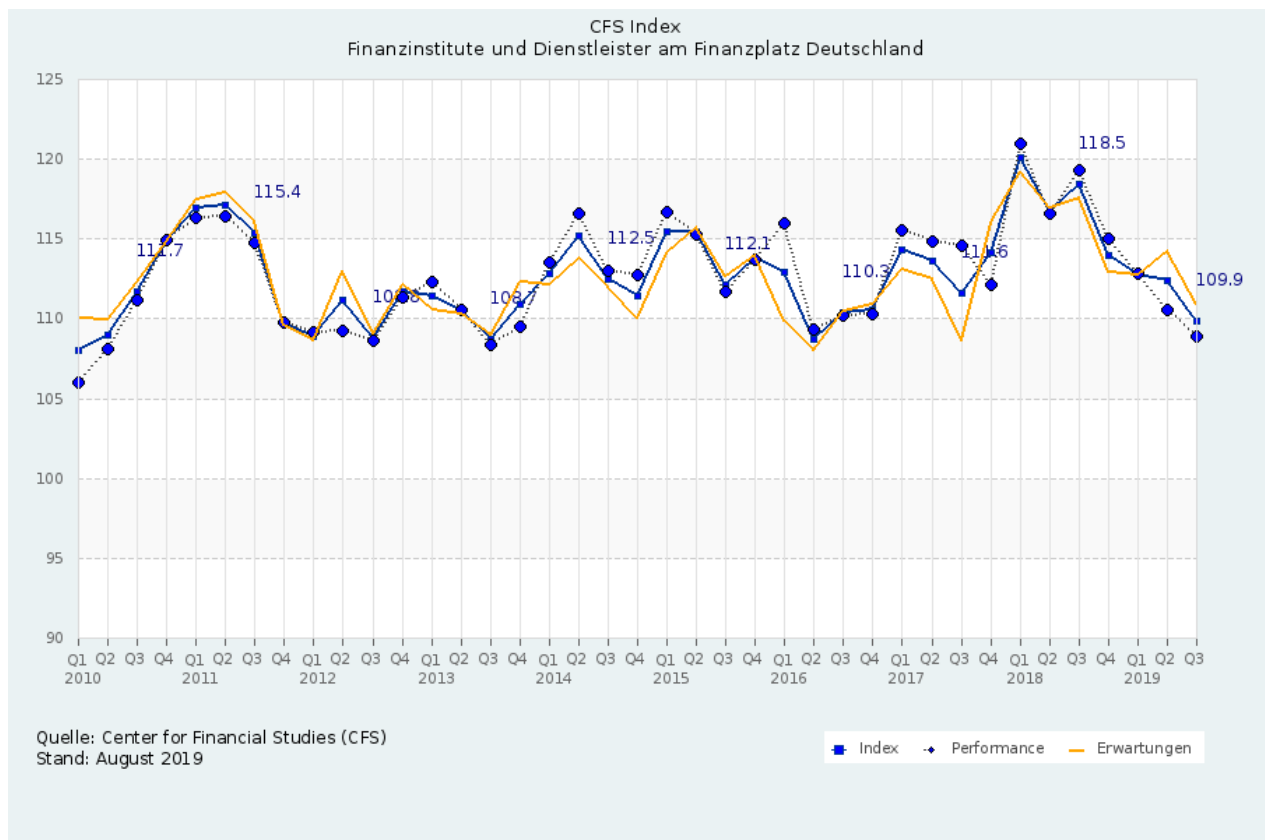
Press Release

CFS Index remains on downward trend

Financial industry records significant decline in investment volume growth / Financial institutions report rising earnings growth accompanied by weaker revenue growth and fewer job cuts

FRANKFURT, 12 August 2019. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, falls by 2.5 points to 109.9 points. The index thus remains on a downward trend that began a year ago. The current decline can be attributed in particular to significantly lower growth in the investment volume of the financial industry. In addition, the financial institutions report lower revenue growth, though this is offset by higher earnings growth and fewer job cuts. The service providers also indicate a low level of revenue growth. This is coupled with a decline in earnings growth, which is at a very low level compared to the previous year. The service providers are optimistic about the current quarter.

“The declines in the core indicators of revenue, earnings and investment, with overall employment remaining unchanged, underscore the difficult situation faced by the sector, where the deteriorated outlook is now affecting the service providers as well as the banks,” 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** continues to consolidate, repeating its decline of 3.6 points from the previous quarter, yet remains at a positive level of 119.7 points. The latest decrease reflects the assessment of the service providers. Their index value falls by 11.8 points to 121.8 points. After dropping sharply in the first quarter, the assessment of the financial institutions has been revised upwards again. Their sub-index rises by 4.4 points to 117.6 points. This means the assessments of the financial institutions and the service providers have largely converged.

Dr. Lutz Raettig, President of Frankfurt Main Finance e.V., emphasises: “The differing trends of financial institutions and service providers appear to reflect a wait-and-see attitude. We will probably not know which direction we are heading until after 31 October – the next possible Brexit day.”

Revenue growth of financial institutions declines

The growth of **revenues**/business volume among the financial institutions declined in the second quarter. The corresponding sub-index falls by 3.0 points to 112.0 points. A further slight decline is expected in the current quarter. The revenues of the service providers, at 110.9 points, remain almost unchanged at the low level of the previous quarter (-0.3 points), though they remain optimistic regarding the current quarter.

Considerable earnings growth among financial institutions / Falling earnings growth among service providers accompanied by positive outlook for the current quarter

Earnings growth among the financial institutions was positive in the second quarter, as anticipated. The sub-index rises by 3.4 points to 104.4 points. By contrast, the sub-index for the service providers falls by 3.7 points to 103.5 points, which is very low compared to one year ago (-24.2 points). As with their revenues, the service providers remain optimistic about their earnings growth in the current quarter. The financial institutions are anticipating a decline in earnings growth.

Financial industry investment volume is down

The financial industry reports lower growth in **investment volume** in product and process innovations in the second quarter. The corresponding sub-index for the financial institutions falls by 5.8 points to 106.1 points. The service providers register a decline of 4.9 points to 109.9 points. For the current quarter the financial institutions are expecting another slight decline; the service providers are more optimistic.

Fewer job cuts at financial institutions / Employee growth among service providers remains constant

Job cuts at the financial institutions have eased slightly. The **employee numbers** sub-index therefore rises by 2.5 points to 98.7 points. An almost unchanged level of job cuts is expected in the current quarter. The service providers report stable employee growth, with the corresponding sub-index remaining unchanged from the previous quarter at 112.4 points. Employee numbers among the service providers are expected to increase slightly in the current quarter.

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>