

Press Release

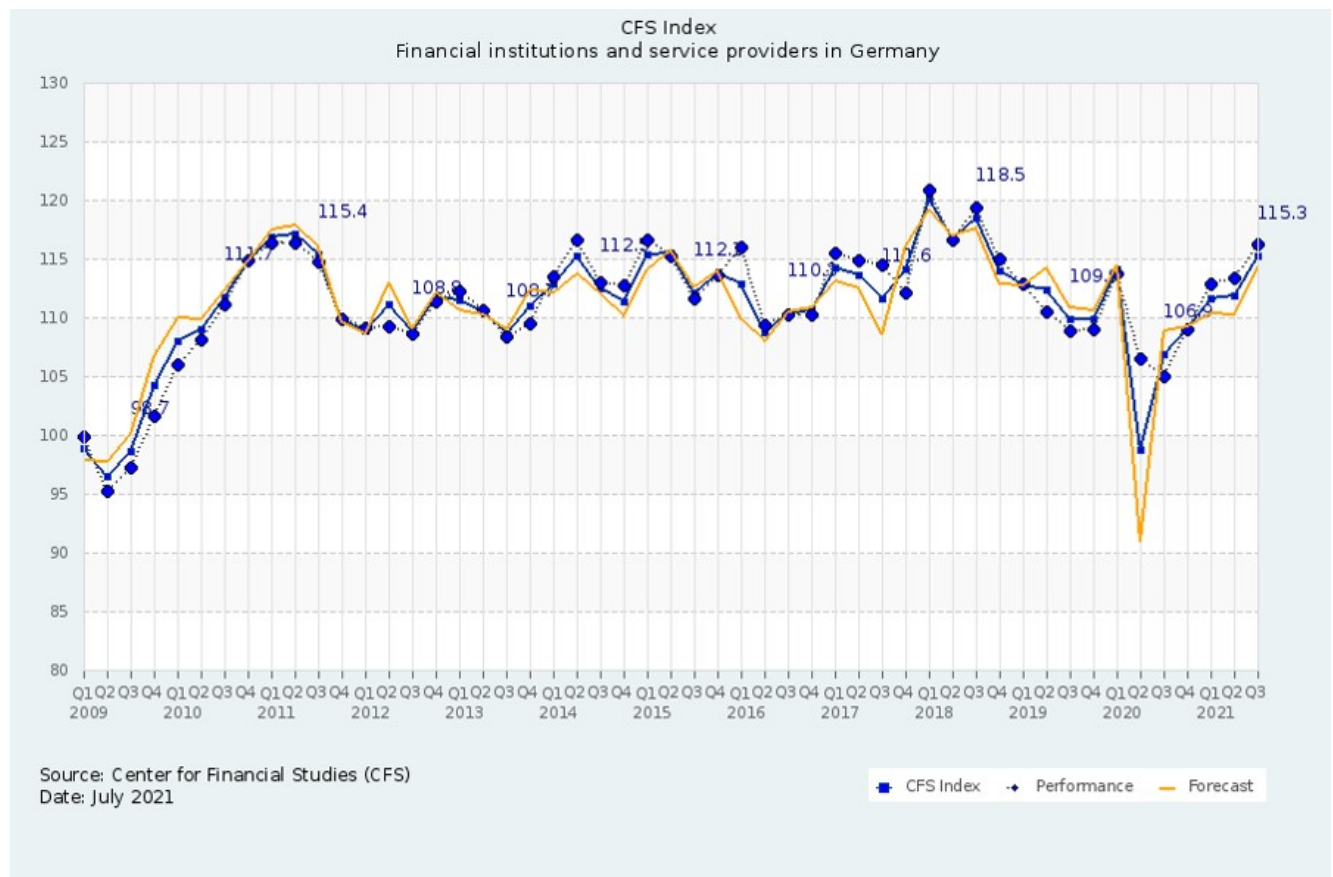
CFS Index rises significantly

(Survey conducted 5 July – 12 July 2021 for the results of the second quarter 2021)

FRANKFURT, 22 July 2021. The positive sentiment of the financial industry has further improved. The CFS index, which measures the business climate of the German financial sector on a quarterly basis, rises by +3.5 points to 115.3 points in the second quarter of 2021. With a gain of +8.4 points, it is clearly above the level of a year ago, when an initial recovery from the pandemic was getting underway.

This encouraging development is based in particular on positive reports from the financial institutions regarding their employee numbers. Job cuts were halted in the second quarter and employees were hired again. The service providers also report increased workforce growth. The financial sector expects this positive trend to continue in the current quarter. Furthermore, the financial institutions report slight revenue growth, albeit accompanied by lower earnings growth. The service providers achieved higher growth in revenues, and even more so in earnings. In this regard, they are well above the level of one year ago. The investment volume of the financial sector is also at a good level, with the financial institutions reporting solid growth and the service providers maintaining their level. Looking ahead to the current quarter, however, the financial sector expects the figures to decline slightly, with the exception of employee numbers.

“As such, the financial sector’s assessments of its own business situation are in line with the business climate in Germany’s real economy, which has brightened significantly in recent months,” comments Professor Andreas Hackethal, Director of the Center for Financial Studies.



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After the **future international importance of the Financial Centre Germany** was assessed very positively with rising values for several consecutive quarters, the index value sees a slight decrease of -1.2 points in the second quarter and now stands at 117.9 points.

“We are confident that Germany's international importance as a financial centre will continue to develop positively. Moreover, the cooperation of all major European financial centres is also very important in this context - it is indispensable for the creation of a uniform capital market as well as a European banking union. In particular, Frankfurt and the financial centre initiative Frankfurt Main Finance play an extremely important role here, which will become even more significant in the future - in view of the Brexit”, comments Gerhard Wiesheu, President of Frankfurt Main Finance.

Financial institutions: slight revenue growth coupled with lower earnings growth / Service providers: revenues and earnings significantly above prior-year level

The surveyed financial institutions and service providers succeed in further expanding their growth in **revenues**/business volume in the second quarter of 2021 and significantly exceed their expectations from the previous quarter. The corresponding sub-index for the financial institutions rises by +0.9 points to 123.1 points and, at +1.2 points, is also above the prior-year level. Among the service providers, the sub-index rises by +3.9 points to 123.4 points and is in fact +22.9 points above the level of a year ago. For the current quarter, the financial institutions expect to maintain the current level, while the service providers anticipate a decline.

The **earnings** growth of the financial institutions decreased by -4.2 points to 116.9 points in the second quarter of 2021, but is 9.1 points above the level of the previous year. By contrast, the service providers report an increase of +5.9 points to 120.3 points. At +22.8 points, they are well above the level of a year ago. The financial sector's expectations for the third quarter of 2021 are somewhat more subdued, particularly among the service providers.

Investment volume at a good level

The growth in **investment volume** in product and process innovations of the financial institutions rises by +4.1 points to 109.8 points and is thus 7.0 points above the prior-year level. The service providers maintain a high level of investment. The corresponding sub-index falls just slightly by -0.7 points to 113.0 points. At +18.6 points, it is significantly above the level of one year ago. For the current quarter, the financial sector as a whole expects a slight decline in investment growth.

Financial institutions are hiring again

Contrary to previous expectations, the financial institutions now report workforce growth for the second quarter. The **employee numbers** sub-index rises by +7.8 points to 103.1 points and is +5.6 points above the level of a year ago. The service providers also report a slight increase in their employee growth. The corresponding sub-index rises by +2.0 points to 108.0 points and, at +9.0 points, is significantly above the prior-year level. For the current quarter, both groups expect a further slight increase in the growth of their workforce.

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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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