

## Press Release

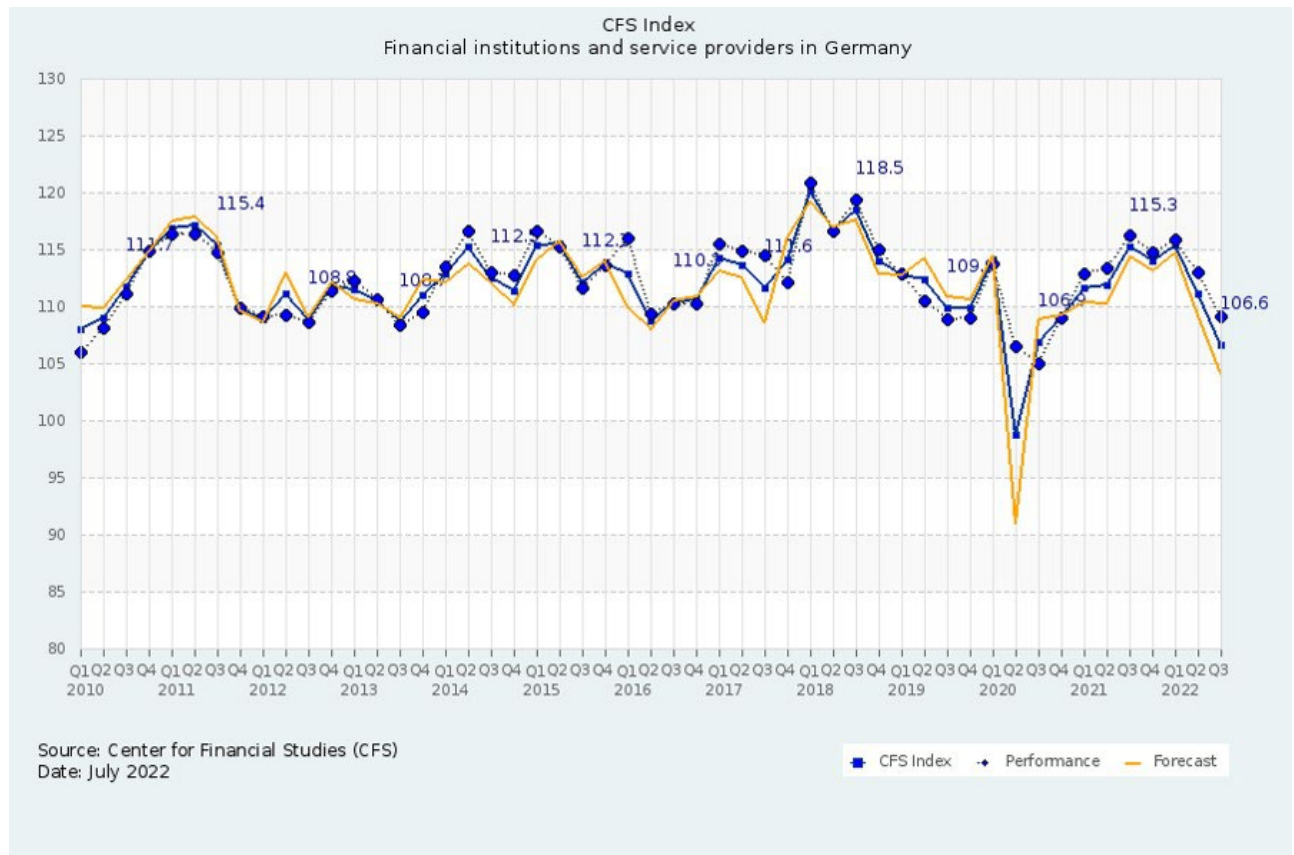
### CFS Index falls significantly once more

(Survey conducted 4 July – 11 July 2022 for the results of the second quarter 2022)

FRANKFURT, 26 July 2022. Sentiment in the financial sector has deteriorated further. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, falls by -4.5 points to 106.6 points in the second quarter of 2022. Compared to the previous year, the value has declined by -8.6 points. Nevertheless, the index is now at its level of two years ago, when the financial sector began to recover from the pandemic outbreak.

The downward trend in the second quarter of 2022 is essentially driven by lower growth in revenue, earnings and employee numbers among the financial service providers and declining growth in the investment volume of the financial institutions. For the current quarter, the expectations of the entire financial industry remain pessimistic with regard to growth in revenue, earnings and the investment volume. Encouraging news comes from a significant increase in the earnings growth of the financial institutions in the second quarter. Furthermore, the service providers report increased growth in investment volume and both groups anticipate a slight upturn in job creation.

“The dampened expectations of the financial sector reflect the high level of uncertainty in the economy as a whole. In the years since the financial crisis, the only time the financial industry has been more pessimistic than today was at the onset of the pandemic,” comments Professor Andreas Hackethal, Director of the Center for Financial Studies.



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The rating of the **future international importance of the Financial Centre Germany** fell significantly in the second quarter. With a decline of -4.8 points, the current index value is 101.9 points. Service providers are especially pessimistic about this situation.

“The financial sector cannot escape the generally gloomy economic environment in Germany. This currently also affects the expectations regarding the importance of Germany's largest financial centre. However, I am convinced that the financial industry will not only maintain its important economic role of supplying the economy with liquidity, but will even expand it again in the medium term. The financial centre Frankfurt will make a decisive contribution to this for Germany and for the European Union and will increase in importance”, says Gerhard Wiesheu, President of Frankfurt Main Finance.

### **Revenue growth of the financial sector significantly below last year's level / Positive earnings growth of financial institutions in the second quarter / Expectations of the financial sector pessimistic**

Growth in financial industry **revenues**/business volume declined in the second quarter of 2022. The financial institutions only report a decline of -1.8 points to 110.6 points. However, their value is now -12.5 points below the previous year's level. The sub-index for the service providers falls significantly by -6.9 points to 111.8 points and is -11.6 points below the level of a year ago. For the third quarter of 2022, the expectations of the financial sector are even more pessimistic, especially among the service providers.

Contrary to expectations, **earnings** growth among the surveyed financial institutions rose significantly by +6.3 points to 112.6 points. The service providers, on the other hand, report declining figures. The corresponding sub-index drops by -5.4 points to 110.1 points and is -10.2 points below the level of one year ago. Regarding the current quarter, both groups expect a sharper decline in their earnings growth.

### **Service providers report rising growth in investment volume / Lower expectations in the financial sector as a whole**

The growth of the **investment volume** in product and process innovations among the financial institutions falls by -6.4 points to 108.5 points and is slightly below the previous year's level (-1.3 points). The service providers report a rise of +2.3 points to 107.5 points, yet this indicator remains -5.6 points below the level of a year ago. As for the current quarter, both groups are anticipating a decline.

### **Job creation in the financial sector at the previous year's level / Expectations mildly positive**

As previously expected, the financial institutions report lower growth in **employee numbers** for the second quarter. The sub-index falls by -2.6 points to 102.5 points, which puts it at last year's level. The service providers report an accelerated decline in job creation. Their sub-index drops by -8.6 points to 108.0 points and is now precisely at the previous year's level. Looking at the current quarter, both groups expect to see a slight upturn in employee numbers.

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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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**In case of further questions, please contact:**

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