

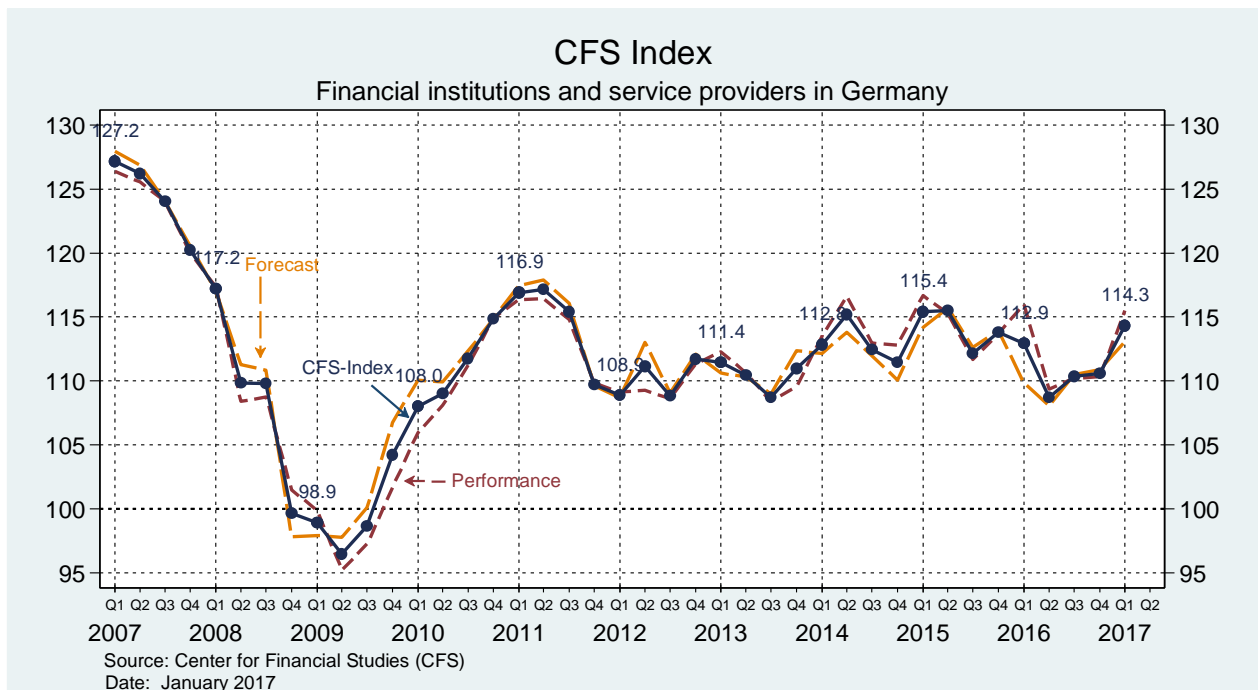
Press Release

CFS Index rises significantly

Revenues and earnings of services providers increase substantially / Investments by financial institutions reach a historic high since the survey began in 2007

FRANKFURT, 23 January 2017. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, rises significantly in the final quarter of 2016. It climbs 3.7 points to 114.3 points, reaching its highest level for almost two years. The rise can primarily be attributed to a very positive trend in the revenues and earnings of the service providers in the Financial Centre Germany. The only time these levels have been surpassed is when the surveys were first conducted in 2007. The financial institutions are also reporting a solid rise in revenues alongside steady earnings. Investments by the financial industry are noticeably higher too, reaching exceptionally high levels rarely seen in past surveys. Despite this positive development, the financial institutions are sticking to their plans to cut jobs, though these have been moderated slightly. The service providers, on the other hand, continue to increase their employee numbers, again at a slightly slower rate.

“Numerous banks currently find themselves in a phase of transformation, which is leading to considerable investment requirements, especially in the area of IT. The service providers, in particular, are benefitting from this development,” Professor Jan Pieter Krahenen, Director of the Center for Financial Studies, interprets the results.



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Financial industry rates the future international importance of the Financial Centre Germany extremely positively

Following the Brexit vote last year, the rating of the **future international importance of the Financial Centre Germany** reached a historic high of 136.8 points, then declined slightly in the third quarter, and now rises again by 2.7 points to 131.0 points.

Dr. Lutz Raettig, President of Frankfurt Main Finance e.V. emphasized, “The efforts for the Frankfurt financial center are bearing fruit. Especially the positive results with regard to the international importance of the financial center show that Frankfurt is well positioned and has all the opportunities to gain further importance in this field as well.”

Financial industry revenues, earnings and investments are on the rise

The surveyed financial institutions and service providers rapidly increase their **revenues**/business volume in the final quarter of 2016. The corresponding sub-index for the financial institutions rises by 3.4 points to 113.0 points. However, the service providers record the sharpest increase of 11.3 points to 130.6 points. The only time this level has been exceeded was when the CFS Index surveys were first conducted in 2007. Expectations for the current quarter are positive among both groups, though slightly more modest than the current levels.

Earnings among the service providers develop particularly positively in the fourth quarter of 2016 and clearly surpass expectations from the previous quarter. The corresponding sub-index for the service providers climbs 8.1 points to reach 123.4 points. By contrast, the financial institutions record a small increase of 0.5 points to remain at the low level of 104.5 points, with no change anticipated in the current quarter. The service providers expect their hugely positive earnings trend from the end of 2016 to level off slightly in the current quarter.

The sub-index for **investment volume** in product and process innovations rises considerably for both groups, contrary to their expectations in the previous quarter. For the financial institutions this sub-index rises by 6.0 points to 116.1 points, thus reaching a historic high since the surveys began in 2007. For the service providers this value climbs 5.8 points to 117.9 points. Similarly, this level has only been exceeded in the years 2007 and 2014. Both groups are expecting the growth rate to level off just slightly in the current quarter.

Fewer job cuts at financial institutions – Slightly slower job growth among service providers

The huge job cuts recorded by the financial institutions in the third quarter have levelled off somewhat, though **employee numbers** continue to fall in the fourth quarter. The corresponding sub-index for the financial institutions rises by 4.4 points to 90.4 points. The financial institutions are expecting to make further job cuts in the current quarter. By contrast, the jobs situation among the service providers remains positive, though the rate of job creation is slightly lower. The corresponding sub-index edges down 3.3 points to 113.6 points. The service providers are even more optimistic for the current 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 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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