

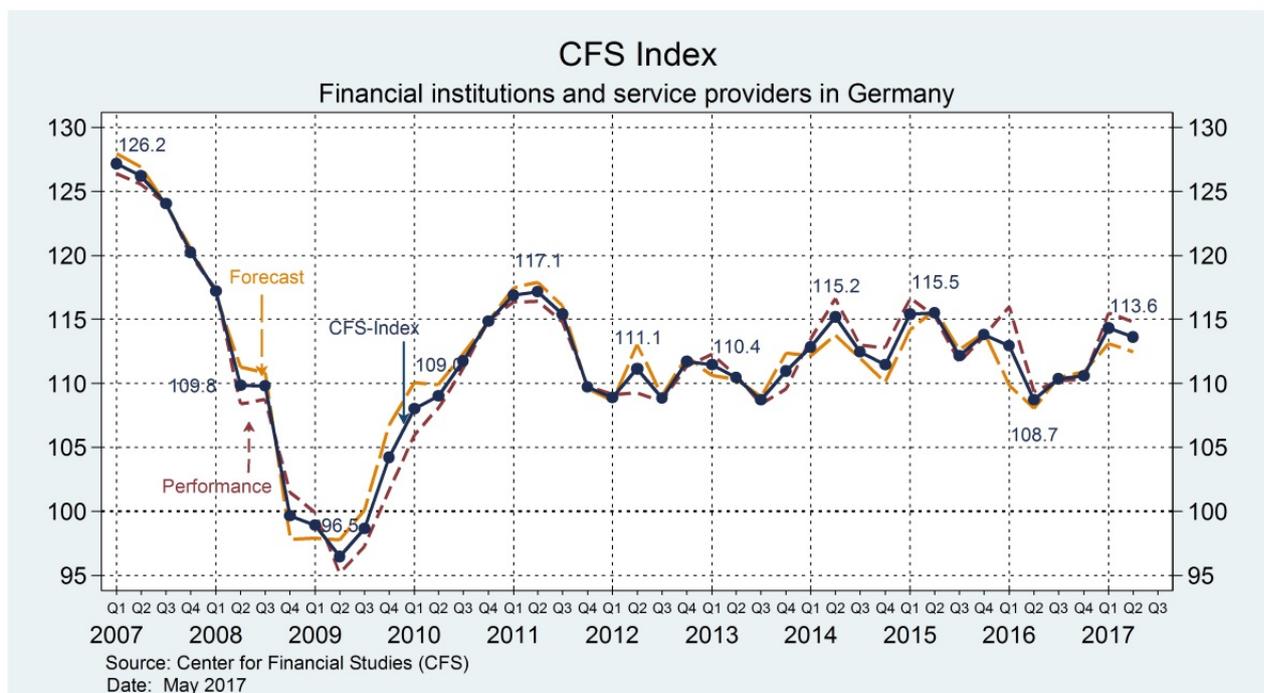
Press Release

CFS Index reveals contrasting tendencies: Financial institutions limit job cuts and increase earnings growth – Service providers report slower growth in revenues, earnings and investments

CFS Index falls just slightly overall

FRANKFURT, 5 May 2017. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, falls by just 0.7 points to 113.6 points. The resulting persistently high level is based on contrasting tendencies. The financial institutions report unexpectedly high earnings growth and make fewer job cuts. The service providers, on the other hand, report a significant decline in revenue and earnings growth, though these levels still remain high. The investment volume of both groups remains positive, though it is not able to maintain previous peak levels.

“The stabilized economic development of the financial institutions is particularly expressed by a gradual rise in earnings expectations, coupled with a strong increase in their earnings generated in the first quarter. This is good news, as it can create the right conditions for urgently needed capital growth among the banks and thus improve financial stability,” Professor Jan Pieter Krahen, Director of the Center for Financial Studies, interprets the results.



Press Release

Rating of the future international importance of the Financial Centre Germany reaches second-highest level of all time

Having already been rated extremely positively since the Brexit vote, in the second quarter of 2017 the **future international importance of the Financial Centre Germany** almost reaches its historic high of 136.8 points from last year. The corresponding value rises by 4.0 points to 135 points.

Dr. Lutz Raettig, President of Frankfurt Main Finance e.V. emphasizes: "The survey clearly shows that the growing trend is intact: the financial sector sees an increasing importance of the Financial Centre Frankfurt. This is a satisfying result and the outcome of increased cooperation between all relevant actors in the financial centre."

Service providers record significant decline in revenue growth, yet maintain a solid, high level

Growth in **revenues**/business volume in the financial industry declines slightly, but remains at a solid, high level. Among the financial institutions this sub-index rises by just 0.9 points to 113.9 points. The service providers record a significant decline of 4.0 points, yet remain at a very good level of 126.6 points. Both groups anticipate a further decline in growth in the current quarter.

Unexpectedly positive earnings performance among financial institutions – By contrast, service providers report a considerable decline

The surveyed financial institutions are able to significantly boost their earnings following the weak performance in the previous quarters. The corresponding sub-index rises unexpectedly by 8.0 points to 112.5 points. A year ago the sub-index was as low as 97.9 points. The service providers, on the other hand, report a decline in earnings growth of 5.5 points, though the sub-index remains at a high level of 117.9 points. Both groups, particularly the financial institutions, anticipate a decline in the current quarter.

Financial institutions clearly curtail job cuts

The trend since the start of the year among financial institutions to limit job cuts remains intact. The corresponding **employee numbers** sub-index shows a significant rise of 7.2 points to 97.6 points, though it still remains under the neutral threshold of 100 points. As for the current quarter, the financial institutions expect job cuts to rise slightly again. The service providers, on the other hand, continue to hire employees at almost the same rate. The corresponding sub-index falls by just 0.1 points to 113.6 points. The service providers are more optimistic regarding the current quarter.

Investment volume remains very positive, but cannot maintain previous highs

Despite a decline in growth, the **investment volume** in product and process innovations among both groups remains at a strong level. The corresponding sub-index for the financial institutions falls by 2.6 points to 113.5 points. The service providers report a more significant decline of 6.1 points to 111.8 points. Both groups anticipate further declines in the current quarter.

Press Release

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.

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
www.ifk-cfs.de/de/media-lounge/ansprechpartner