

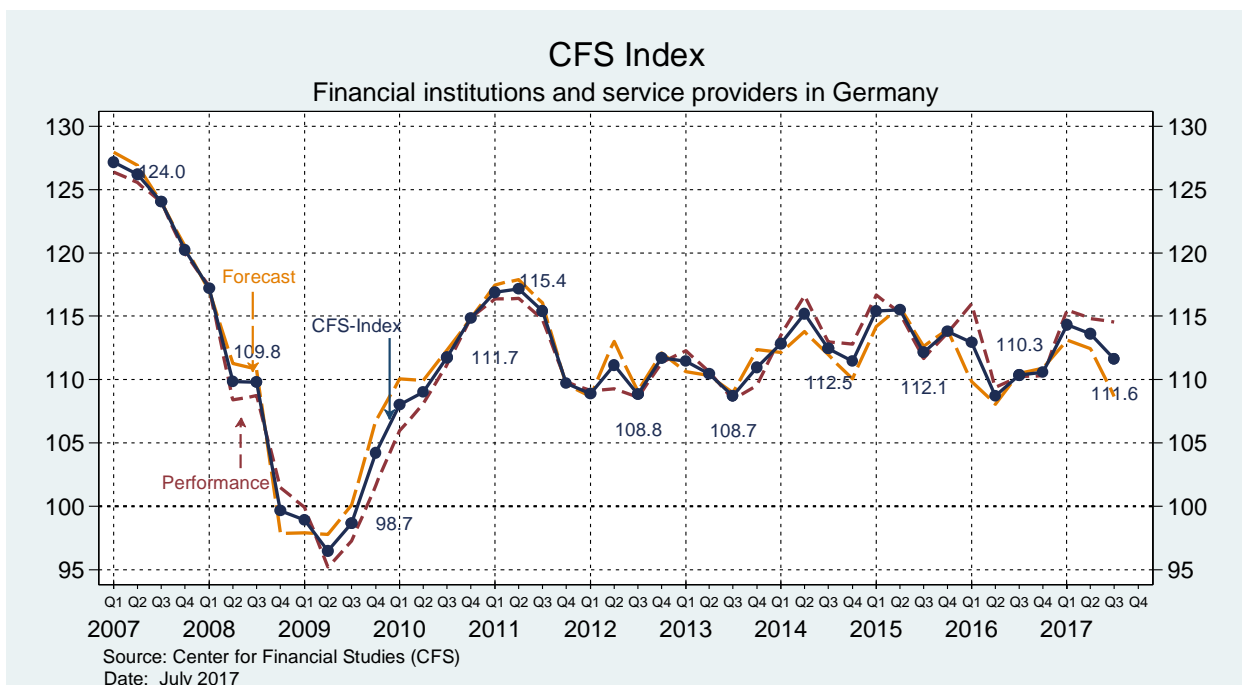
Press Release

Revenue and earnings growth of financial institutions declines – Service providers expect the same for the current quarter / Financial industry continues to increase investment volume

CFS Index falls by 2.0 points

FRANKFURT, 21 July 2017. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, falls by 2.0 points to 111.6 points. The declining rate of growth is primarily a result of smaller increases in revenues and earnings among the financial institutions. The service providers are expecting a similar development in the current quarter. On the contrary, the service providers in particular report positive growth in investment. In addition, the financial institutions are continuing to reduce their job cuts and now, after implementing major personnel measures in the previous quarters, indicate an almost neutral business sentiment of 99 points.

“It is perhaps still too early to speak of a trend, but there is a growing impression that the financial institutions are making a comeback. Over several quarters now we can observe a constant pattern: increasingly positive expectations among the financial institutions coupled with decreasing values among the service providers – and this goes for all four components of the index: revenues, earnings, investment and employees,” Professor Jan Pieter Krahen, Director of the Center for Financial Studies, interprets the results.



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The future international importance of the Financial Centre Germany is rated even more positively than just after the Brexit vote one year ago

The **future international importance of the Financial Centre Germany**, which has been rated very positively since the Brexit vote, rises by another 3.7 points in the third quarter of 2017 and now stands at 138.7 points, exceeding the previous high (136.8 points) reached shortly after the Brexit vote.

Dr. Lutz Raettig, President of Frankfurt Main Finance e.V. emphasizes: “We have already achieved quite a bit through our combined efforts. The Hessian government’s coordinated approach made a significant contribution towards our shared successes.”

Financial institutions record sharper decline in revenue growth, service providers are expecting the same for the current quarter

Growth in **revenues**/business volume in the financial industry is declining, but remains at a positive level. Among the financial institutions, in particular, this sub-index drops by 7.5 points to 106.4 points. The service providers record a smaller decline of 2.1 points and remain at a very good level of 124.5 points. For the current quarter, however, they are anticipating a sharper decline in growth, whereas the financial institutions expect revenue growth to begin to rise again.

Earnings growth of financial institutions falls back to first quarter level

The surveyed financial institutions are not able to maintain their strong earnings performance of the second quarter. The corresponding sub-index falls by 7.1 points to 105.4 points. However, they are expecting a rise in earnings growth in the current quarter. Among the service providers, earnings growth remains almost unchanged. The sub-index rises by 0.7 points to 118.6 points. However, a relatively sharp decline is predicted for the current quarter.

Investment volume among service providers reaches highest level since the survey began in 2007

The growth in **investment volume** in product and process innovations among the service providers rises by 11.7 points to a historic high of 123.5 points, though this is expected to decline significantly in the current quarter. The corresponding sub-index for the financial institutions also rises by 3.1 points to 116.7 points, and another sharper increase is expected for the current quarter. Both groups are therefore maintaining a very good level of investment.

Financial institutions continue to curtail job cuts

As observed since the start of the year, the trend among financial institutions to curtail job cuts continues. The corresponding **employee numbers** sub-index rises by 1.5 points to 99.0 points, which means it has almost reached the neutral level of 100 points. Regarding the current quarter, the financial institutions are expecting job cuts to increase slightly once more. By contrast, the service providers continue with a strong level of recruitment. The corresponding sub-index rises by 5.0 points to 118.6 points. However, the service providers are more pessimistic about the current quarter and expect weaker growth in recruitment.

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The results are based on a quarterly management survey of around 400 companies 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.

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