

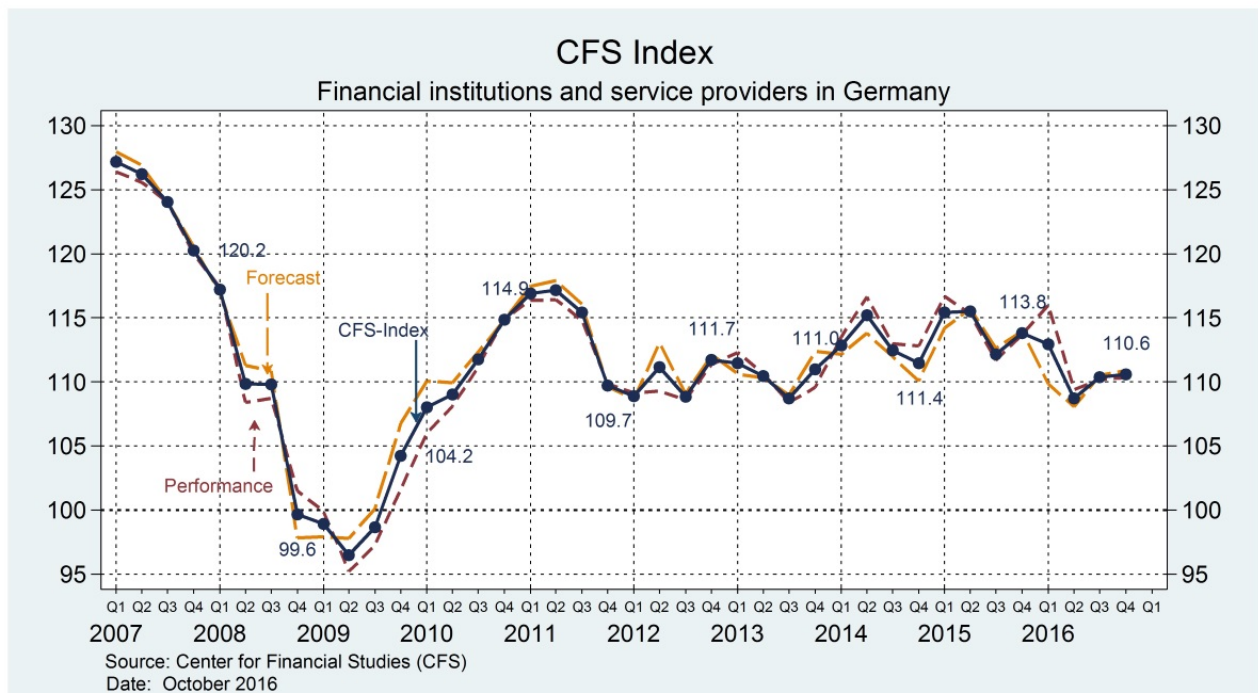
## Press Release

### Significant job cuts at financial institutions – Significant job growth at service providers

*CFS Index remains largely unchanged as a result*

FRANKFURT, 19 October 2016. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, rises by 0.3 points to 110.6 points in the third quarter of 2016. Though the value remains almost unchanged, it comes as a result of sharply contrasting developments of employee numbers at the financial institutions and the service providers. While the measure of employee numbers at the financial institutions is at a historic low since the Index surveys began in 2007, the service providers are stepping up hiring. Aside from this, the financial industry as a whole is recording growth in revenues and earnings. The financial institutions in particular, after considerable declines in earnings in the first half of the year, now report a clear increase that surpasses expectations. The growth in investment volume declines slightly, but remains at a solid level.

“The figures reflect structural changes in the banking industry’s mode of production, particularly with regard to rising capital intensity and falling employee numbers. Conversely, employee numbers at the external service providers are on the rise, partly due to the trend toward digitalization,” Professor Jan Pieter Krahen, Director of the Center for Financial Studies, interprets the results.



## Press Release

### **Financial industry rates the future international importance of the Financial Centre Germany very positively**

Following the Brexit vote, the rating of the **future international importance of the Financial Centre Germany** had reached a historic high of 136.8 points in the second quarter. This value remains at an above-average level of 128.3 points in the third quarter, despite falling by 8.5 points.

Dr. Lutz Raettig, President of Frankfurt Main Finance e.V. emphasized, "The results of the study show that there is still great trust in Frankfurt's capabilities as a leading Financial Centre. Our function as a bridge between London and the EU and our constructive handling of Brexit will strengthen Frankfurt as the most important Financial Centre in the Eurozone."

### **Job cuts hit financial institutions more strongly than expected, and further cutbacks in personnel are anticipated**

The extent of job cuts at the surveyed financial institutions turned out to be even larger than expected in the last quarter. Previously the number of employees had remained stable at a neutral level. Now the **employee numbers** sub-index for the financial institutions falls by -13.7 points to a historic low – since the start of the survey in 2007 – of 86.0 points, and the financial institutions are expecting the situation to degrade further still in the current quarter. By contrast, employee numbers at the service providers are developing even more positively than expected. The corresponding sub-index improves significantly on the previous quarter, rising 11.8 points to 116.9 points. The service providers are even more optimistic regarding the fourth quarter.

### **Revenue growth for the financial institutions**

The growth in **revenues/business volume** among the surveyed financial institutions turns out to be slightly higher in the third quarter of 2016 than was expected in the previous quarter. The corresponding sub-index rises by 2.5 points to 109.6 points. As expected, the service providers also maintain their high level of revenues, slipping just -1.0 points to 119.7 points, and they are anticipating increased revenue growth in the current quarter.

### **Financial institutions stop decline in earnings – Financial industry takes a positive view of the current quarter**

In terms of **earnings**, both groups report growth in the third quarter. The financial institutions in particular, after considerable declines in earnings in the first half of the year, now report a clear increase that surpasses expectations. The corresponding sub-index for the financial institutions rises by 7.0 points to 103.9 points; the service providers' sub-index climbs 2.2 points to 115.3 points. Both groups have a positive outlook for the current quarter.

The growth in **investment volume** in product and process innovations declines slightly, but remains at a solid level. For the financial institutions this sub-index falls by -2.2 points to 110.1 points, contrary to expectations. The service providers' sub-index remains stable, slipping just -0.4 points to 112.2 points. As a result, the two groups are still at an almost equal level, with neither anticipating any major change in the current quarter.

## Press Release

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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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