

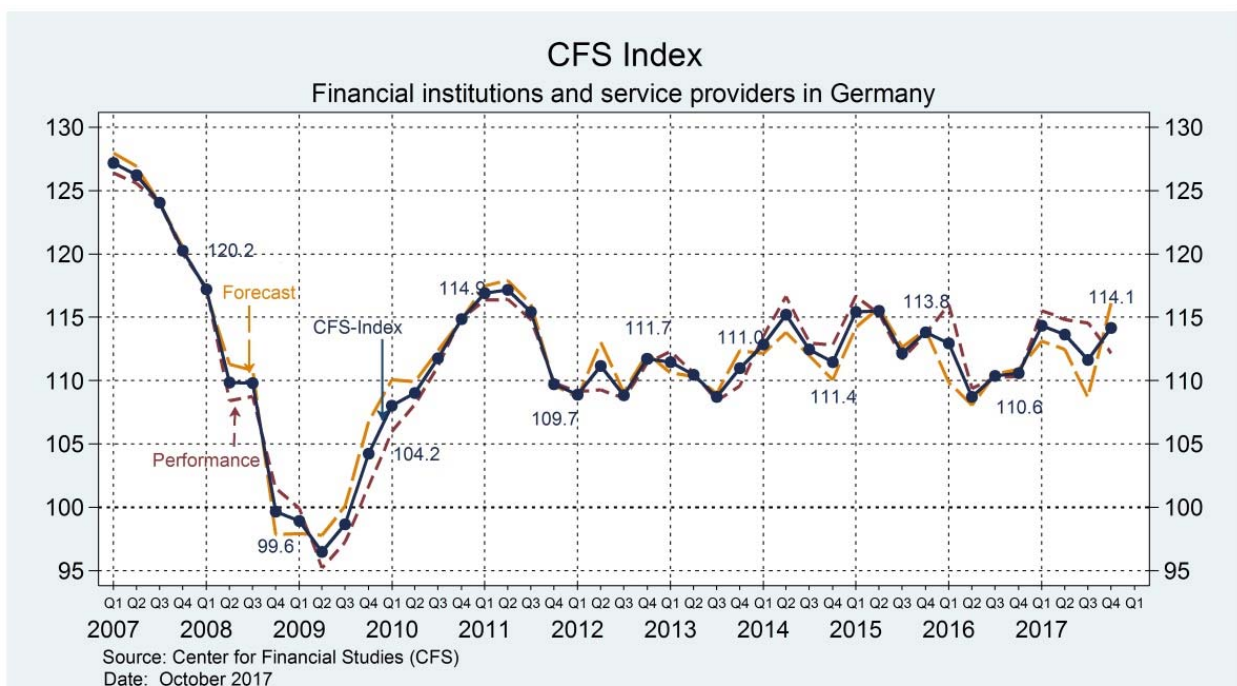
Press Release

Service providers expecting huge revenue growth in fourth quarter, despite a previous sharp decline / Job cuts at financial institutions on the rise again

CFS Index rises by 2.5 points; considerable movement at sub-index level

FRANKFURT, 19 October 2017. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, rises by 2.5 points to 114.1 points. The positive development can be primarily attributed to the unusually high revenue expectations of the service providers for the fourth quarter. In addition, the financial institutions report that their revenues, earnings and investments have developed positively in the third quarter, while the service providers record declining growth in these areas. Employee numbers are also on a downward trend. Following a brief pause in the second quarter, the financial institutions step up their job cuts again and the service providers limit their recruitment.

“For the banks there are recognizable signs of improved productivity; reducing costs is the first priority here, and the service providers are feeling the effects,” 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 immediately after the Brexit vote a year ago

Since the Brexit vote, the **future international importance of the Financial Centre Germany** has been rated very positively. In the fourth quarter of 2017 the corresponding sub-index falls by 3.2 points to 135.5 points, which is just under the historic high reached in the last quarter.

Hubertus V äth, Managing Director of Frankfurt Main Finance e.V., points out: “The results of the survey show very clearly that the increasingly positive expectations for the Financial Centre Frankfurt run counter to the uneasy atmosphere within the German financial industry as a whole. In this respect, there is a rare unanimity among the market participants.”

Revenue and earnings growth positive among the financial institutions and declining among the service providers

There are contrasting developments in the growth in **revenues**/business volume among the surveyed financial institutions and service providers. The financial institutions report a clear increase of 5.1 points to 111.5 points and expect this trend to continue in the current quarter. Meanwhile, the service providers report a strong decline in the growth of their business volume, though not as drastic as they had predicted in the last quarter. The corresponding sub-index falls by 7.3 points to 117.2 points. However, the service providers are anticipating a huge increase in revenues in the current quarter.

The **earnings** figures also reveal contrasting trends. For the financial institutions, this sub-index rises by 2 points to 107.4 points. The service providers, on the other hand, record a sharp decline of 12 points. Their earnings sub-index now stands at 106.7 points, which is its lowest level in five years, though the service providers are significantly more optimistic about the current quarter.

Service providers’ investment volume takes a downturn following previous high

Having reached its highest level since the survey began in 2007 in the last quarter, the **investment volume** sub-index for the service providers now falls by 6.9 points to 116.7 points, thus returning to the level of the previous quarters. By contrast, the corresponding sub-index for the financial institutions gains 2.3 points to reach 118.9 points. Both groups expect to retain this level in the current quarter.

Job cuts at financial institutions on the rise again

After being curtailed in the last two quarters, job cuts at the financial institutions are being stepped up again. The **employee numbers** sub-index falls by 3.7 points to 95.3 points. Even among the service providers, the trend to recruit new employees has diminished. The corresponding sub-index falls by 5.3 points to 113.3 points. Both groups expect this downward trend to persist in the fourth quarter.

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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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