

Press Release

CFS survey: Majority of German financial sector expecting “no-deal Brexit” with potential for market turbulence / London placing its position as Europe's leading financial centre at risk

FRANKFURT, 14 February 2019. The United Kingdom's legally binding withdrawal from the EU is due to take place on 29 March 2019. Due to disagreements over the nature of a withdrawal agreement, there is the potential for a disorderly “no-deal” Brexit.

Aside from the potential consequences of a no-deal Brexit, a recent survey by the Center for Financial Studies revealed that the majority of the German financial industry (66% of respondents) feels that the EU should not make any further concessions, even though almost half of respondents (46%) are expecting a no-deal Brexit. 52%, on the other hand, expect the outcome of the dispute to be less severe.

While 51% of respondents do not believe that financial institutions in Germany are prepared for all scenarios, including a no-deal Brexit, 46% consider the German financial industry to be adequately prepared.

“Certain parts of the financial sector have placed too much confidence in an orderly Brexit. This could lead to market turbulence if indeed no deal is reached,” Professor Volker Brühl, Managing Director of the Center for Financial Studies, interprets the survey results.

Since the British rejected the EU's proposal for a withdrawal agreement in January, concerns over the implications of a no-deal Brexit have grown considerably. With the consequences of Brexit being so difficult to predict, the German financial sector is in firm agreement (83%) that the Financial Centre Germany would derive less benefit from a no-deal Brexit than from an orderly Brexit.

“It is not only the financial sector that requires reliable frameworks. A disorderly Brexit will lead to great uncertainty on the markets, hinder investment decisions and cost many jobs,” Professor Brühl adds.

In case of a no-deal Brexit, London will most likely be unable to maintain its position as the most important European financial centre in the medium to long term. 57% of respondents agree on this point.

Hubertus Väth, Managing Director of Frankfurt Main Finance e.V., emphasizes: “The importance of the Financial Centre Frankfurt has increased due to Brexit. The distribution of business units will be realigned throughout Europe’s financial centres, competition will be tough, but without London it will also not work in the future either.”

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The results are based on a quarterly management survey 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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