Press Release

CFS survey: “Outlook for the year 2020”

German financial industry expects more widespread adoption of negative interest rates for savers – Calls for stronger incentives for share ownership

FRANKFURT, 10 February 2020

Low interest rates and share ownership

A CFS survey of financial industry executives shows that over 90% of respondents do not expect the ECB to change its monetary policy this year. Therefore, most financial experts (again over 90%) assume that the trend of banks introducing negative interest rates or deposit fees for savers will continue. Given the profound consequences for private pensions, a clear majority of those surveyed (approx. 87%) advocate stronger incentives for share ownership for the purpose of retirement planning.

“The proportion of people who own stocks or stock funds has increased in recent years. Nevertheless, only around one in six people currently invest in stocks,” says Professor Volker Brühl, Managing Director of the Center for Financial Studies. “The financial transaction tax proposed by Finance Minister Olaf Scholz would therefore be counterproductive.”

The respondents are split on the question of whether the government should adopt measures to protect retail savers against negative interest rates. This course of action is supported by 51% of the financial industry executives.

Hubertus Väth, Managing Director of Frankfurt Main Finance e.V., emphasizes that “the lack of an investment culture in Germany has been criticized for decades. If there is anything positive to be gained from negative interest rates from the investors’ point of view, it is that equity investment must now become the pillar of private pension provisions in order to avoid capital losses.”

Growth prospects and balancing the budget

Furthermore, the CFS survey makes it clear that the majority of the financial industry is not expecting a slump in economic growth this year, despite continuing uncertainties over trade disputes and geopolitical risks. Approximately 51% of those surveyed regard the federal government's forecast of approximately 0.6% GDP growth in Germany as realistic.

The issue of balancing the federal budget is also provoking considerable debate in the financial industry. A majority of 54% are in favour of temporarily running a deficit to boost public investment or provide tax relief. 44% of respondents are opposed to this.

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"The survey results show that there is no clear consensus in the financial sector regarding either the economic outlook or the need to shore up the economy with fiscal policy measures," explains Professor Brühl.

Hubertus Väth, Managing Director of Frankfurt Main Finance e.V., adds that "the opinion reflects the delicate situation of the very open German economy. On one hand, a record foreign trade surplus, on the other a pandemic, whose course endangers value chains, which are already stressed by Brexit and the yet to be completely resolved trade conflict between the United States of America and China."

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.

We would like to thank Frankfurt Main Finance e.V. for financially supporting the project.

In case of further questions, please contact:

Press Contact:

Sabine Kimmel
Center for Financial Studies
House of Finance
Goethe-Universität Frankfurt
E-Mail: kimmel@ifk-cfs.de
Tel.: (069) 798-30066