

Press Release

CFS survey on “Impacts of Covid-19 on the German banking sector”

German financial sector anticipates wave of insolvencies and accelerated branch closures due to pandemic

FRANKFURT, 4 February 2021

The German government has approved state financial aid to combat the economic impacts of the Covid-19 pandemic amounting to more than EUR 750 billion. This is supplemented by substantial liquidity assistance from the development bank KfW, an extension of the special regulation on short-time work and a number of tax breaks. Furthermore, the suspension of the obligation to file for insolvency has been extended until 31 January 2021.

A survey conducted by the CFS among professionals and managers in the German financial industry paints a clear picture. More than 92% of respondents expect a significant increase in corporate insolvencies in 2021 compared to the previous year.

The survey participants are similarly unanimous with regard to the impacts of the pandemic on profitability in the German banking sector. For the 2021 financial year, over 85% of the respondents anticipate a (further) decline in profitability in the German banking sector due to factors such as rising risk and restructuring costs and lower revenues.

“The year 2021 will be a big challenge for the German banking sector. Because the impacts of the pandemic on bank balance sheets will only become apparent in the course of the year,” explains Professor Brühl from the Center for Financial Studies.

As a result, the pressure to consolidate in the German banking industry will continue to mount. Approximately 63% of the respondents are convinced of this, while around 31% disagree.

“The pandemic will also accelerate branch closures due to the increasing acceptance of online/mobile banking,” Professor Brühl adds. This view is shared by 95% of the respondents.

The pandemic has accelerated digital innovations: “If one wants to extract anything positive from the pandemic, then the higher acceptance of digital banking services is part of it. Hence, cooperations with innovative FinTechs have increased significantly. The aim is to be able to offer customers innovative digital products more quickly,” explains Hubertus Väth, Managing Director of Frankfurt Main Finance.

“The German government's recent amendment of the Fund Location Act also facilitates the financing of such innovations,” adds Väth.

Press Release

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. The 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, the 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

www.ifk-cfs.de/cfs-index