Press Release

CFS survey: “Effects of the corona crisis”

German financial industry expects economic impacts to exceed those of the 2008 financial crisis – Equity capital measures broadly welcomed

FRANKFURT, 30 April 2020

A CFS survey of financial industry executives shows that around 78% of the respondents expect the economic impacts of the corona crisis to be significantly more severe than those of the 2008 financial crisis.

So far the rescue measures adopted by the German government, amounting to around €750 billion, consist largely of special loans and loan guarantees.

Over 60% of the survey participants regard the measures taken by the Federal Government as appropriate, another 24% of those surveyed would like to see even higher levels of support, while just 12% consider the current package excessive. When asked what form the assistance should take, just under 80% of respondents said they would welcome more equity measures, in addition to the loan programmes, to prevent corporate debt levels from rising further. Only 13% of those surveyed are opposed to equity measures.

“The financial industry would surely give a strong boost to the acceptance of government support in the form of equity capital – this could prove crucial to securing and regaining financial stability in Europe,” explains Professor Jan Pieter Krahnen, Director of the Center for Financial Studies.

The respondents are divided on whether financial assistance should be coordinated on a Europe-wide basis, i.e. allocated according to shared standards. This is endorsed by 54% of the financial sector respondents and opposed by 41%.

The assistance programmes in Europe vary greatly in scale – large in Germany, small in Italy. Do these differences pose a threat to the European Monetary Union/eurozone in the medium term? Respondents clearly regard the disparity in the size of assistance packages in northern and southern Europe as the main threat to the eurozone – 85% see dangers looming here.

“Since the disparity in dimensions is far more strongly identified as a problem than a lack of international coordination of support programmes, this could provide an important insight for policy-makers. It is also in the self-interest of the northern countries to counteract the asymmetry of rescue packages at European level – whether the programmes are coordinated or not,” explains Professor Krahnen.

A large majority of financial industry executives (approx. 85%) see a risk of European Monetary Union stability being jeopardized due to the extensive support programmes at EU and individual member state level. Approximately 48% of the participants oppose the introduction of joint EU debt in the form of corona bonds, while around 23% could envisage them. A remarkably high 30% of the survey participants do not hold a firm opinion on this issue.

Hubertus Väth, Managing Director of Frankfurt Main Finance e.V., emphasises, “The current crisis demands and promotes global coordination in the fields of medicine, science and business. Although global interconnectedness eased the rapid spread of the corona pandemic, it also plays a key role in solving the crisis, which will be done much faster through cooperation. This factor still receives too little attention.“

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. 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:

Project management:

Sebastian Frontczak
Center for Financial Studies
House of Finance
Goethe-Universität Frankfurt
E-Mail: frontczak@ifk-cfs.de
Tel.: (069) 798-30043

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