

Press Release

CFS survey: German financial industry now clearly expecting a “no deal” Brexit / Little desire for further compromise from the EU, even though market distortions are expected

FRANKFURT, 12 August 2019. The new UK government under Prime Minister Boris Johnson is preparing to leave the EU on 31 October, with no agreement in place. Now the majority of the German financial industry is also expecting a “no deal” Brexit. This was shown in a recent survey by the Center for Financial Studies. Of those surveyed, 55% consider a disorderly Brexit to be probable, and 31% even see it as very probable. Only 11% are more optimistic in this regard.

The majority of respondents (63%) believe the German financial sector is sufficiently prepared for a “no deal” Brexit, while 36% see a need for further measures.

“Considering how likely a ‘no deal’ Brexit has become, the survey results are rather worrying, as there is little time left for market participants to make adjustments,” Professor Volker Brühl, Managing Director of the Center for Financial Studies, interprets the survey results.

The EU has ruled out any renegotiation of the Brexit deal and should not offer any further compromises in the hope of avoiding a “no deal” Brexit. This opinion is held by the majority (70%) of the German financial sector. Nonetheless, the respondents also agree (61%) that the financial markets have not yet fully anticipated a “no deal” Brexit scenario and that market distortions may therefore occur.

“The survey indicates that the financial industry is prepared to accept the potential drawbacks of a ‘no deal’ Brexit if it means finally obtaining clarity about future framework conditions,” Professor Brühl adds.

There is also a broad consensus among respondents (88%) that if the UK leaves the EU in a disorderly fashion, more business activities and employees will be relocated to continental Europe.

Hubertus Väth, Managing Director of Frankfurt Main Finance e.V., highlights: “Should there be a Hard Brexit, which the majority of respondents assumes is the most likely scenario, it will be important for the Financial Centres in continental Europe to demonstrate their efficiency. If we succeed in cooperating across borders, Europe could emerge from the crisis even stronger.”

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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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