

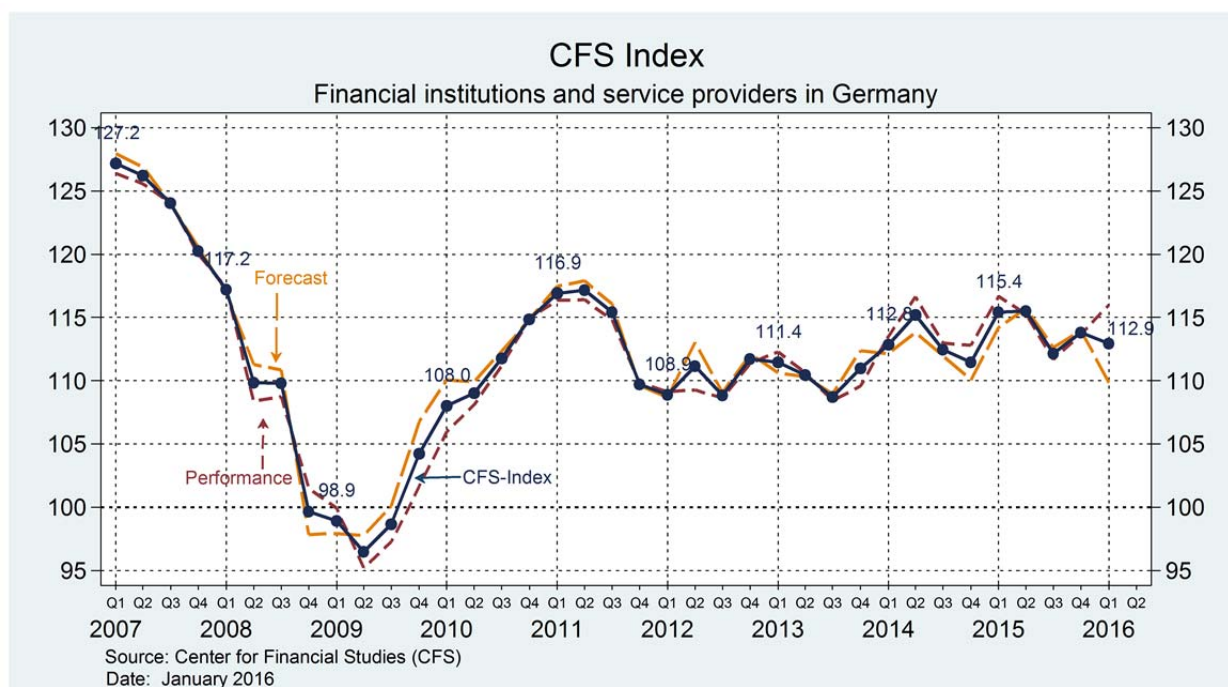
# Press release

## CFS Index edges down

*Financial institutions expecting decline in revenues and earnings, despite positive quarterly result*

FRANKFURT, 25 January 2016. The CFS Index, which measures the business climate of the German financial industry on a quarterly basis, edges down 0.9 points to 112.9 points. The expectations deviate strongly from the current positive situation of the surveyed financial institutions and service providers. The firms' revenues and business volume are significantly increasing. On the other hand, the financial institutions in particular are anticipating a strong decline in the current quarter. However, the investment volume is to remain almost unchanged. Job cuts at the financial institutions are also proving more modest than expected. The score of 100 on the jobs parameter now indicates a neutral sentiment, following significant personnel reductions in 2015.

"The growing uncertainty regarding the economic and political situation in Germany is also taking its toll on the financial sector. Although the financial industry has been performing well in terms of value creation, expectations for the coming quarter have dampened," Professor Jan Pieter Krahen, Director of the Center for Financial Studies and Academic Head of the survey, interprets the results.



The surveyed financial institutions and service providers are managing to considerably increase their **revenues**/business volume, contrary to the weak growth of the previous quarters. The corresponding sub-index rises by 5.1 points to 117.4 points among the financial institutions in the fourth quarter, which puts it at last year's level. The service providers increased their revenues by 3.6 points to 126.4 points, which is slightly above last year's level. Nevertheless, the financial institutions are less optimistic about the current quarter and anticipate considerable declines in growth. The service providers, however, are expecting a less significant decline.

The **earnings** of the financial institutions and service providers also take a more positive turn in the fourth quarter, exceeding expectations from the previous quarter. Among the financial institutions the sub-index climbs 3.2 points to 108.2 points, which still leaves it 8.2 points below last year's level. The service providers also record positive earnings growth, following a decline in the previous quarter. The sub-index for this group rises by 9.2 points to 121.3 points. Despite this positive development, a greater number of both the financial institutions and service providers are expecting growth to decline.

The sub-index **investment** in product and process innovations remains almost unchanged. Among the financial institutions the investment volume is at 108.6 points, just 0.8 points lower than in the previous quarter and 1.8 points under last year's level. The service providers record an investment volume level of 115.2 points, which is 1.5 points up on the previous quarter and equal with last year's level.

### **Neutral sentiment among financial institutions on employee numbers**

Following the major job cuts by the financial institutions in the first quarter of 2015 and the subsequent turnaround to significant job creation in the third quarter, the **employee level** sub-index now shows a slight decline of 1.3 points to 100 points, indicating a neutral sentiment among the financial institutions. This leaves the index value 4.3 points below last year's level. Among the service providers this sub-index also remains almost unchanged at 115.2 points, contrary to an expected decline in employee numbers.

The **international importance of Germany as a financial centre** took a slight downturn in 2015 according to the survey respondents. The corresponding index value is on 119.9 points, 4.9 points below its all-time high one year ago (124.8 points).

### **About the Center for Financial Studies**

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.

### **About the CFS Index**

The CFS Index is compiled from a comprehensive quarterly survey among 400 decision makers in the German financial sector (return about 50% on average). The survey contains four questions about the participant's view on different business parameters (business volume, earnings, employment level and investment volume in product and process innovations). The answers to the questions may be given as "positive", "neutral", or "negative" and a response is requested for the previous and the current quarter. Due to construction, the maximum index value is 150, the minimum index value is 50; a value of 100 signalizes a neutral business sentiment. The survey-panel consists of enterprises and institutions of the financial industry and selected companies that profit from the financial sector.

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