

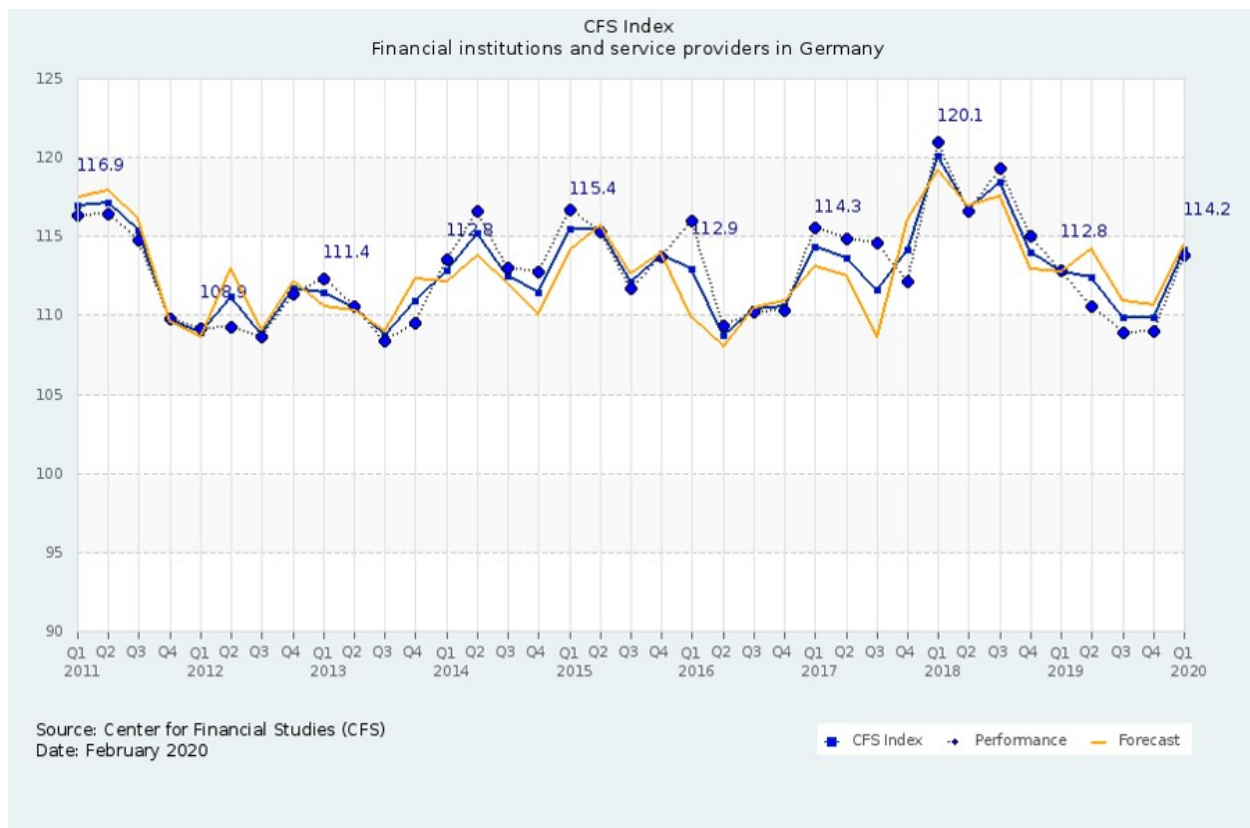
Press Release

CFS Index on the rise

Financial industry reports: Strong growth in revenue and earnings / Fewer jobs cut at financial institutions

FRANKFURT, 10 February 2020. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, rises by 4.3 points to 114.2 points. This positive development can primarily be attributed to high revenue and earnings growth in the financial industry in the fourth quarter of 2019. The investment volume among the financial institutions has also risen, while job cuts are lower than in the previous quarter. This positive news is offset by slightly slower growth in the investment volume and employee numbers among the service providers.

“Despite all gloomy prophecies the quarterly financial results of sector firms, both banks and financial service firms, are pointing northwards. This is even more true for numbers expected in the subsequent quarter” Professor Jan Pieter Krahen, Director of the Center for Financial Studies, interprets the results.



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The **future international importance of the Financial Centre Germany** continues to consolidate, as in previous quarters. With a change of -1.7 points, this indicator is now at a moderate level of 117.0 points. The financial institutions and service providers are unanimous in this assessment.

Dr. Lutz Raettig, President of Frankfurt Main Finance e.V., explains: “The Financial Centre Frankfurt will gain in importance due to the Brexit. This development is not self-fulfilling, but rather requires the continuous effort of all parties involved. The further consolidation of the index should be a clear signal and incentive for all responsible persons to continue and intensify their commitment to the financial centre.”

Financial industry revenues and earnings rise

The surveyed financial institutions and service providers surpassed their expected growth in **revenues**/business volume in the final quarter of 2019. The corresponding sub-index for the financial institutions rises by 5.9 points to 120.6 points, which is 7.9 points higher than one year ago. For the service providers, the sub-index climbs as much as 9.7 points. It is now 1.5 points higher than one year ago, at 122.4 points. The financial institutions are anticipating a decline in the current quarter, whereas the service providers expect to see a slight further increase.

The **earnings** of both groups also developed very positively in the fourth quarter of 2019. The corresponding sub-index for the financial institutions gains 7.9 points to reach a level of 111.4 points. The huge growth recorded by the service providers substantially exceeds even their positive outlook from the prior quarter. The sub-index for this group rises by 14.4 points to 122.8 points. The financial institutions and service providers are expecting the growth to weaken again in the current quarter.

Growth in investment volume is positive among financial institutions / Slight decline among service providers

The growth in **investment volume** in product and process innovations among the financial institutions climbs 2.9 points to 108.6 points in the fourth quarter of 2019, yet still remains 3.4 points below the level of one year ago. By contrast, the sub-index for the service providers sees a slight decline of -1.5 points to 112.6 points, which is the same level as one year ago. The financial industry has an optimistic outlook for investment in the first quarter of 2020.

Fewer job cuts at financial institutions

Job cuts at the financial institutions, which have been ongoing for some time, were less severe than expected in the prior quarter. The **employee numbers** sub-index rises accordingly by 4.1 points to 94.5 points, which is 6 points higher than one year ago. The financial institutions expect to further curtail their job cuts in the current quarter. The service providers are hiring fewer new employees than in the previous quarters, though the numbers remain positive. The corresponding sub-index falls by -2.6 points to 106.1 points. Compared to last year, this is 5.4 points lower, meaning fewer people are being hired. The service providers are anticipating a clearly more positive development in the current quarter.

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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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