

## Press Release

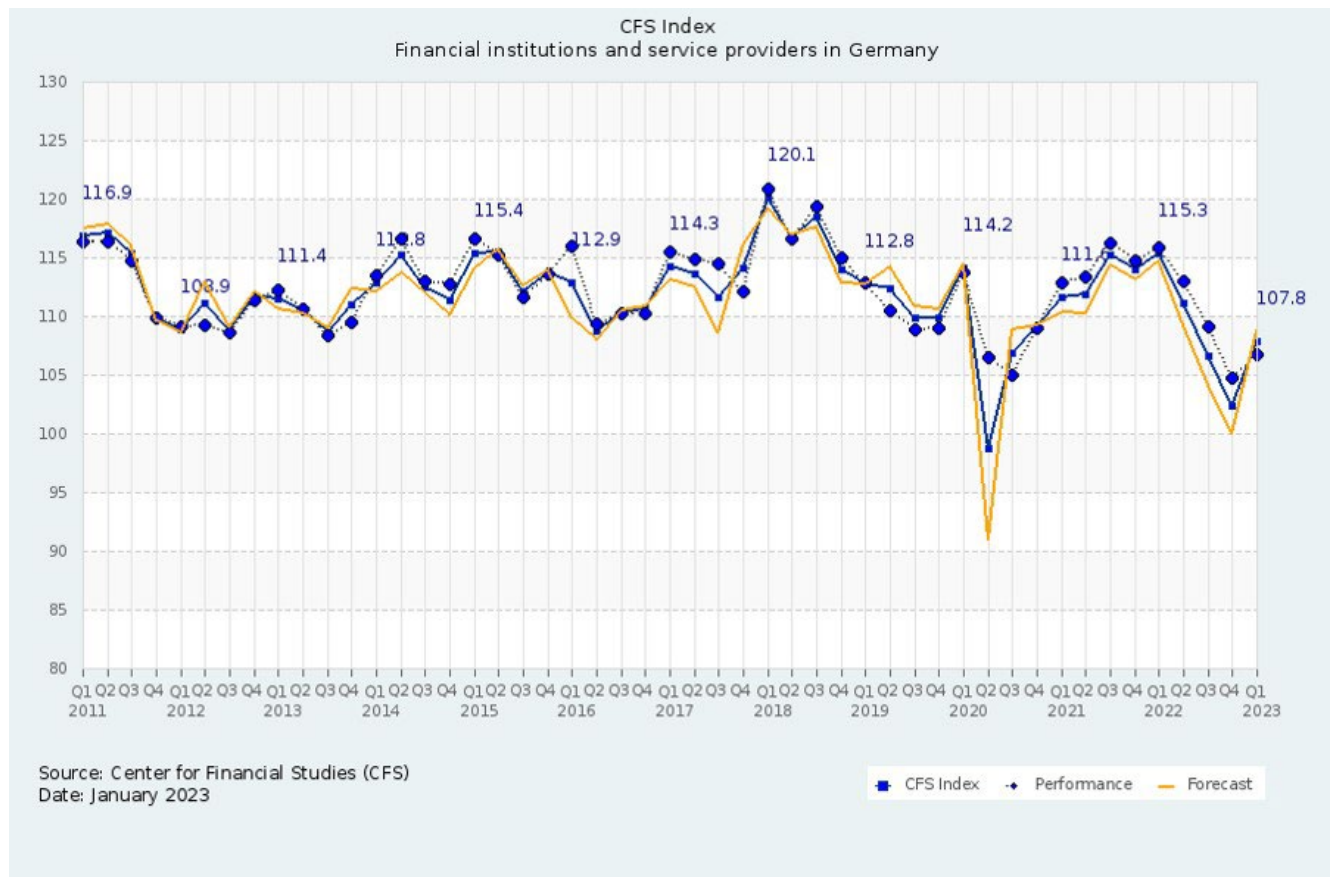
### CFS Index is on the rise again

(Survey conducted 12 January – 30 January 2023 for the results of the fourth quarter 2022)

FRANKFURT, 9 February 2023. Sentiment in the financial sector has bounced back after a long downward trend. The CFS index, which measures the business climate of the German financial sector on a quarterly basis, rises by +5.5 points to 107.8 points in the fourth quarter of 2022. It is now -7.5 points below the previous year's level.

The positive development is primarily based on the financial sector's confident outlook for the current first quarter. Increased revenue and earnings growth is expected, especially among the financial institutions. In addition, the financial institutions anticipate a further increase in employee growth and have posted higher growth in their revenues, earnings and employee numbers for the fourth quarter of 2022. Only the investment growth of the financial institutions remains stagnant at the previous year's level. By contrast, the financial service providers report weaker performance for the fourth quarter of 2022. In particular, revenue growth falls below the neutral level of 100 points and thus to the lowest level since 2009. Only their investment growth shows a modest increase. Nevertheless, the service providers also have a confident outlook for the current quarter.

"The industry's higher expectations in all the dimensions measured point to an overall positive development in 2023," comments Professor Rainer Klump, Director of the Center for Financial Studies.



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The rating of the future international importance of the Financial Centre Germany rose slightly in the fourth quarter of 2022. After gaining +0.4 points, the index now stands at 97.3 points, which is still well below the neutral level of 100 points.

“The mood is adapting to the situation; the crisis has been mastered well. In addition, the number of employees is still increasing. But an index value below neutral cannot and must not satisfy. It is a sign that action must be taken. The task now is to strengthen the attractiveness of the financial center. This is the only way Frankfurt can assert itself in European competition,” explains Gerhard Wiesheu, President of Frankfurt Main Finance.

### **Higher revenue growth among financial institutions / Earnings growth of service providers falls back below neutral level of 100 points to lowest level since 2009 / Financial sector has an optimistic outlook**

The **revenue** growth of the financial institutions increased by +5.3 points to 111.8 points in the fourth quarter of 2022, but is still -9.7 points below the previous year’s level. By contrast, the service providers report a slight decline of -0.8 points to 103.8 points. This sub-index is now a substantial -21.4 points below the level of a year ago. The financial sector as a whole has an optimistic outlook for the first quarter of 2023.

The surveyed financial institutions and service providers also report contrasting data with regard to **earnings** growth. The corresponding sub-index of the financial institutions rises by +4.6 points to 110.0 points, but is still -4.0 points below the level of the previous year. For the service providers, the sub-index falls by -7.5 points to 92.5 points and is now -29.8 points down on the previous year and at its lowest level since 2009. As for the current quarter, both groups expect to record growth in earnings.

### **Both groups report slightly positive growth in investment volume in the fourth quarter**

The growth of the **investment volume** in product and process innovations among the financial institutions rises by +0.8 points to 109.0 points, which is +0.1 points above the previous year’s level. The service providers also report an increase of +1.4 points to 103.3 points. Their sub-index is thus -2.6 points below the level of a year ago. For the current quarter, the financial institutions anticipate lower growth in investment volume, while the service providers expect the level of growth to remain unchanged.

### **Job creation among the financial institutions above the previous year’s level**

Contrary to previous expectations, the financial institutions report stronger growth in **employee numbers** for the fourth quarter. The employee numbers sub-index rises by +6.6 points to 110.0 points and is thus +6.0 points above the level of a year ago. The service providers report slightly lower growth in their number of employees. The corresponding sub-index drops by -0.5 points to 102.4 points and is a clear -8.4 points below the previous year’s level. Regarding the current quarter, the financial institutions expect to hire slightly fewer employees, while the service providers plan to accelerate their recruitment.

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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. 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.

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**In case of further questions, please contact:**

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