

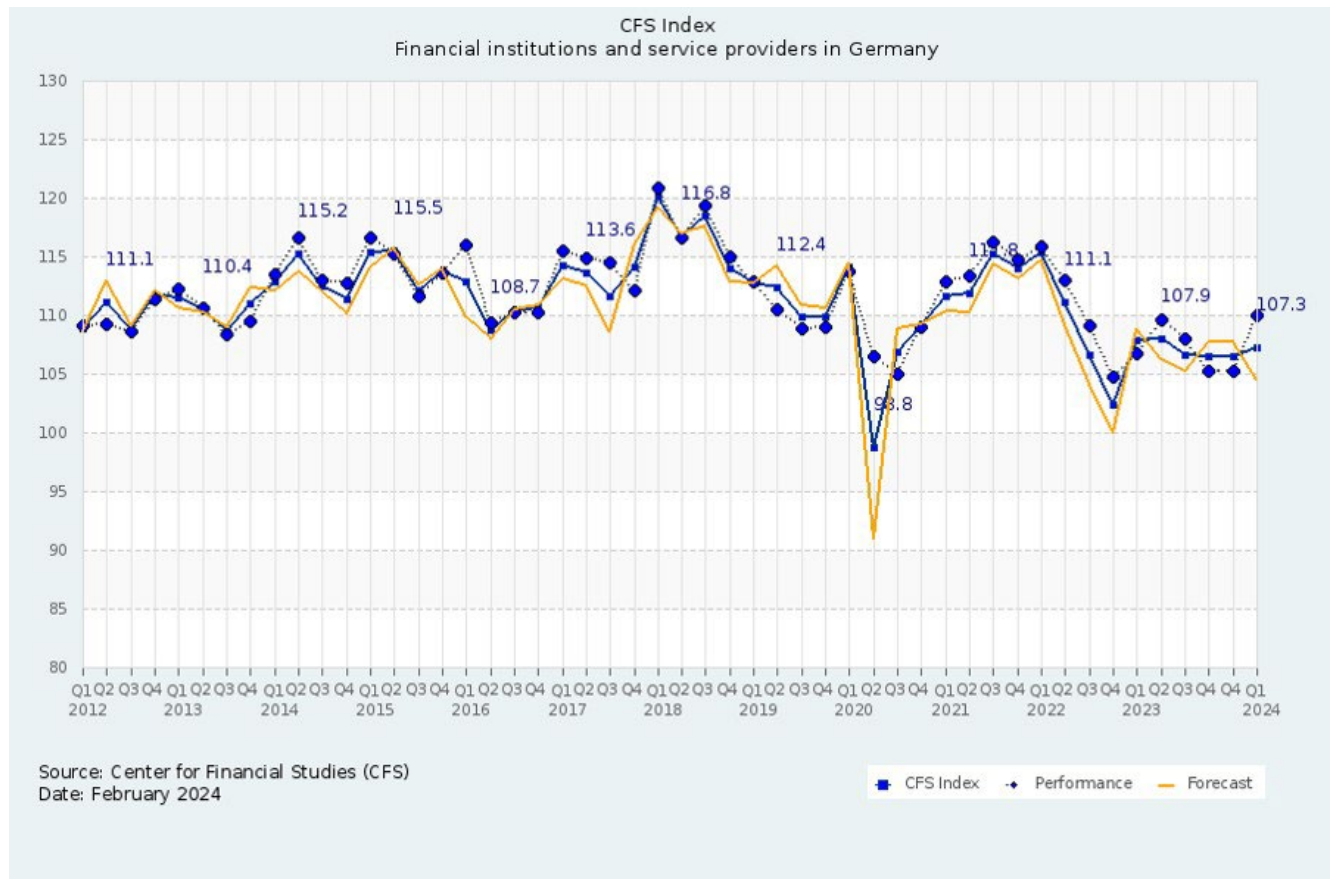
Press Release

CFS Index remains stable thanks to good results in the last quarter

(Survey conducted 12-19 February 2024 for the results of the fourth quarter 2023)

FRANKFURT, 29 February 2024. The CFS Index, which tracks the sentiment of the German financial sector on a quarterly basis, remains almost unchanged – as in the last quarters – at 107.3 points (+0.8 points). The financial sector as a whole reports good results for the fourth quarter in terms of revenue, earnings and employee growth. Only the growth in investment volume takes a slight downturn. However, both groups, and especially the service providers, are far more pessimistic in their expectations for the current first quarter of 2024.

“The slump in expectations is a clear warning sign that the weakness of the economy is also spilling over into the financial sector,” 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**, having been on a downward trajectory for some time, took an upturn in the fourth quarter of 2023. With an increase of +1.4 points, the index currently stands at 91.6 points, but is still well below the neutral level of 100 points. The positive sentiment stems from the financial institutions. By contrast, the service providers rate the situation negatively.

"The situation is better than the mood. In my view, there is no reason for the financial centre to be infected by the overall economic downturn. The opportunities for Frankfurt obviously outweigh the worries, for example in the upcoming financing of the transformation of the European economy. The EU's decision to locate the new anti-money laundering and terrorist financing authority, the AMLA, in Frankfurt is also a significant boost to the international importance of Frankfurt as a financial centre. Now is the time to invest confidently in the future and demonstrate the financial centre's performance. The role of the financial centre in the sustainable transformation cannot be overstated. This also applies to the fight against money laundering," explains Gerhard Wiesheu, President of Frankfurt Main Finance.

Revenue and earnings growth increased in the fourth quarter / Pessimistic outlook for the current quarter

Revenue growth among the financial institutions rose by +10.5 points to 119.4 points in the fourth quarter of 2023 and is now +7.6 points above the previous year's level. The service providers also report an increase of +3.7 points to 108.2 points, which means their sub-index is +4.5 points above the level of a year ago. The expectations of the financial sector as a whole are very pessimistic for the first quarter of 2024.

The surveyed financial institutions and service providers also report positive data on **earnings** growth for the final quarter of 2023. The corresponding sub-index for the financial institutions rises by +4.6 points to 121.4 points and is now +11.4 points higher than one year ago. The sub-index for the service providers climbs +6.0 points to 109.5 points, which is now significantly above the previous year's level (+17 points). For the current quarter, both groups are anticipating a significant decline in earnings growth.

Growth in the investment volume of the service providers falls below neutral level of 100 points in the fourth quarter

Growth of the **investment volume** in product and process innovations among the financial institutions declines just slightly by -0.4 points to 109.6 points, and is +0.6 points above the previous year's level. The service providers also report a decrease of -3.9 points to 98.1 points, which means their sub-index is -5.2 points lower than a year ago. The financial sector as a whole is expecting a further slight decline in the current quarter.

As with revenue and earnings growth, the financial institutions report higher growth in **employee numbers**. The sub-index rises by +4.2 points to 110.3 points and is marginally above the previous year's level (+0.3 points). The service providers also register a significant increase of +6.9 points to 101.9 points, which indicates that they are hiring again. However, the sub-index is still slightly below the previous year's level (-0.5 points). Looking ahead to the current quarter, the financial institutions plan to hire even more staff than in the previous quarter. The service providers expect to maintain the same level of 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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