

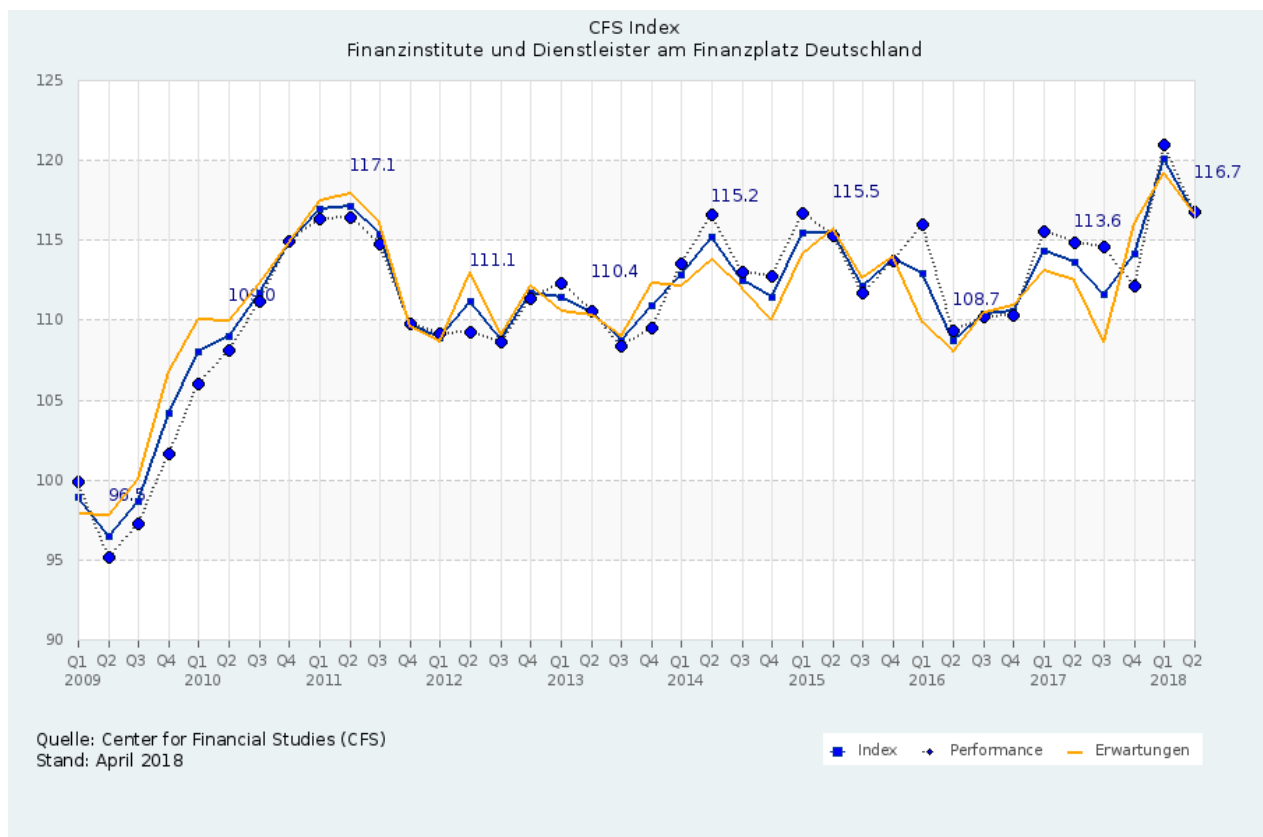
Press Release

CFS Index unable to maintain record level from the previous quarter

Growth in revenues and earnings falls, though levels remain high / Financial institutions hiring again after sustained period of job cuts / Investment volume stable

FRANKFURT, 19 April 2018. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, falls by 3.4 points in the first quarter of 2018, though it remains at a healthy level of 116.7 points. The decline can be attributed to weaker performance in revenues/business volume and to lower profitability, among the service providers more than the financial institutions. This development therefore confirms the service providers' expectation from the previous quarter that the record growth from the fourth quarter of 2017 could not be maintained. On the other hand, employee numbers in the financial industry are on an upward trend. The financial institutions are hiring again for the first time after a prolonged period of job cuts. The investment volume of the financial industry remains stable at a high level.

"The overall index is closely mirroring the downward macroeconomic trend in Germany. The employee numbers reveal a contrasting positive trend. For the first time in a considerable period the optimists are in the majority at the banks. This has already been the case among the service providers for some time. Taken together, the survey participants indicate positive long-term expectations for the financial industry," 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 be rated very positively, though no longer at its peak level.

With a decline of 4.1 points to 131.8 points, the business location sub-index, which measures the **future international importance of the Financial Centre Germany**, is now just under the extremely high level of previous quarters.

“The importance of the financial centre will grow, which is understood by market players, albeit to a lesser extent. The competition has intensified after the Brexit referendum. Defending our leading position requires greater efforts,” Hubertus Väth, Managing Director of Frankfurt Main Finance e.V., interprets the survey results.

After an extremely strong previous quarter, revenues and earnings take a downturn, yet remain at a high level

Following a particularly strong fourth quarter of 2017, the surveyed financial institutions and service providers are unable to maintain their huge growth in **revenues**/business volume. The corresponding sub-index for the financial institutions falls by 4.1 points to 118.6 points; the service providers show a larger decline of 16.2 points to 121.3 points. As for the current quarter, the financial institutions are expecting another slight decrease, while the service providers are anticipating a small rise in revenue growth.

The **earnings growth** of both groups is declining, yet it also remains at a high level. The corresponding sub-index for the financial institutions falls by 2.8 points to 111.1 points, though an increase is forecast for the current quarter. The service providers record a stronger decline of 11.4 points to 122.2 points, and they are expecting the downward trend to continue in the current quarter.

Investment volume remains almost unchanged at a high level

The growth in **investment volume** in product and process innovations among the financial institutions shows a slight rise of 1.0 points to 114.8 points, and a further increase is expected this quarter. The corresponding sub-index for the service providers takes a slight downturn of 1.3 points to 112.6 points. However, the service providers are anticipating a slight increase in the current quarter.

Employee numbers on the rise in the financial sector / Financial institutions hiring again after a sustained period of job cuts

After the prolonged period of job cuts in recent quarters, the financial institutes report that employee numbers are now rising again for the first time. The **employee numbers** sub-index climbs by 4.0 points to 102.6 points. However, the expectation is that this level will not quite be maintained in the current quarter. The trend is also positive among the service providers, where more new employees are being hired. The sub-index rises by 6.2 points to 123.0 points. Slightly weaker growth in employee numbers is forecast for this quarter.

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The results are based on a quarterly management survey of around 400 companies 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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