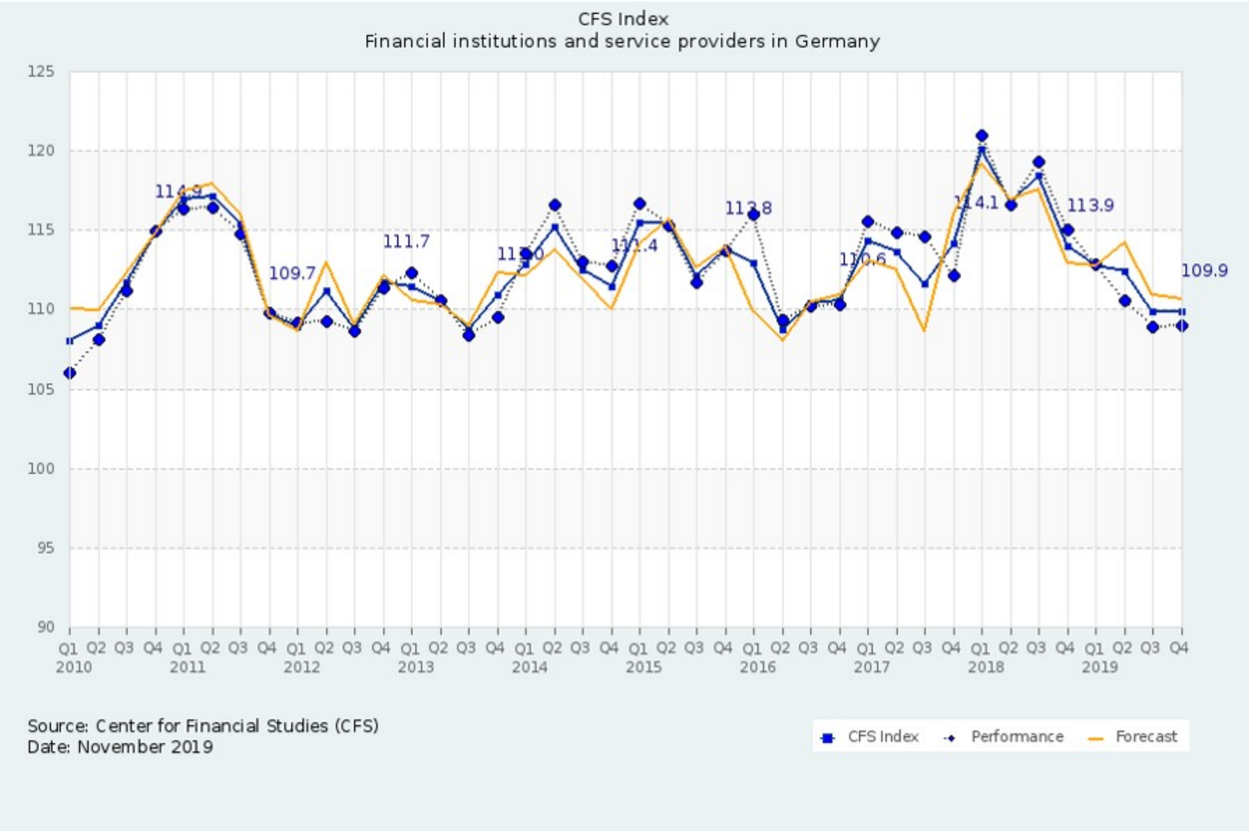
Press Release

CFS Index remains stable

Financial industry reports rising revenue growth and steady to positive growth in earnings and investments / However, financial institutions are making large-scale job cuts

FRANKFURT, 11. November 2019. The CFS Index, which measures the business climate of the German financial sector on a quarterly basis, maintains a stable level of 109.9 points. The overall unchanged level can be attributed to the steady to positive development of revenue, earnings and investment growth in the financial sector. However, these positive reports are offset by more severe job cuts at the financial institutions and slower growth in employee numbers at the service providers.

“Taken together, the sub-indices signal a cautious upward trend in productivity - and thus also in profitability in the longer term if this trend continues,” Professor Jan Pieter Krahnen, Director of the Center for Financial Studies, interprets the results.



In terms of the **future international importance of the Financial Centre Germany**, there is now a wide gap between the assessments of the financial institutions and the service providers, in contrast to their tentative positions in the previous quarter. For the financial institutions, this index value falls by -10 points to 107.6 points. Conversely, the value for the service providers rises by 7.9 points. Overall, the index value remains at a good level, with a slight decline of -1.0 points to 118.7 points.

Hubertus Väth, Managing Director of Frankfurt Main Finance e.V., explains: "So far only the service providers have profited. In 2018, over one billion euros flew into the service sector to prepare banks for Brexit. With regards to the banks, the still little earnings from a relocation of assets do not outweigh the costs of a transfer. Only a third of the expected 750 to 800 billion Euros were transferred. Most Banks are delaying the relocation until there is more clarity. Not least in order to prevent the straining of their equity capital."

Rising revenue growth in the financial industry

The surveyed financial institutions and service providers were able to expand their **revenues/business volume** a little more than in the previous quarter, when growth was weak. The corresponding sub-index for the financial institutions rises by 2.7 points to 114.7 points in the third quarter. The service providers increase their revenue growth by 1.8 points to 112.7 points. Both segments of the financial industry are optimistic that they will continue to build their revenues in the current quarter.

Earnings growth of financial institutions is barely down / Service providers report rising earnings growth / Positive expectations for the current quarter

The **earnings growth** of the financial institutions sees a significantly smaller decline in the third quarter than had been expected. The sub-index falls just slightly, by -0.9 points to 103.5 points. Having reported declining earnings growth in the previous quarters, the service providers now see their positive expectations fulfilled. The corresponding sub-index climbs 4.9 points to 108.3 points. Both groups are anticipating a further increase in the current quarter.

Growth in investment volume is steady to positive

As with earnings, the financial institutions report little change in the growth of their **investment volume** in product and process innovations. The corresponding sub-index for the financial institutions falls just slightly, by -0.4 points to 105.8 points. In line with expectations, the service providers record a significant increase of 4.2 points to 114.1 points. The financial institutions are anticipating a slight upturn in the current quarter, while the service providers are less optimistic.

Large-scale job cuts at financial institutions / Weaker growth in employee numbers at the service providers

Job cuts at the financial institutions are significantly more severe than they predicted in the previous quarter. The **employee numbers** sub-index falls accordingly by -8.2 points to 90.5 points. Only a slight easing of job cuts is expected in the current quarter. The service providers are also hiring fewer employees than in the previous quarters. The corresponding sub-index is down -3.7 points to 108.7 points. This level is expected to be maintained 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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