

## Press Release

### CFS survey on

### “Growth, inflation, climate and industry policy: outlook for 2022”

FRANKFURT, 3 February 2022

#### Background:

The economic environment is currently marked by high uncertainty about future growth prospects and the development of inflation rates. In addition, far-reaching economic policy decisions are pending on matters such as the recognition of nuclear and gas-fired power plants as climate-friendly bridging technologies at the European level. Furthermore, the Federal Minister for Economic Affairs and Climate Protection, Robert Habeck, has announced that, in light of ongoing supply bottlenecks, he will support the establishment of chip production facilities in Germany, with high subsidies if necessary. Against this background, the CFS has conducted a survey of financial industry professionals and managers about these issues.

#### Survey results:

##### *German government’s growth expectations are overly optimistic*

Germany’s federal government is forecasting an economic growth rate of 4.1% for 2022. The vast majority of respondents (approx. 78%) consider this expectation too optimistic. Only around 19% of the respondents regard the government’s forecast as realistic.

##### *ECB’s inflation forecasts are too low*

The inflation rate in Germany recently hit around 5.3%. The ECB continues to expect to see inflation decline significantly in 2022, though this would still leave a rate of around 3.2%. The inflation rate is expected to return to 1.8% in 2023 and 2024. The ECB recently had to revise its inflation expectations once again.

63% of respondents regard the ECB’s stated inflation forecasts as too low. Only around 33% consider them realistic. **“The figures show that market participants’ confidence in the ECB’s inflation forecasts has fallen significantly,” says Professor Volker Brühl of the Center for Financial Studies. “This is concerning, since market confidence in the central bank is an essential component of successful monetary policy,” Brühl adds.**

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**“Already in the last CFS survey, financial market players were sceptical about the transitory nature of inflation. As we know today, they were right to be sceptical”, adds Hubertus Väth, Managing Director of Frankfurt Main Finance.**

### *Greater chip production in Germany welcomed*

During the pandemic, certain sectors such as automotive manufacturing and mechanical engineering have been hit particularly hard by supply bottlenecks for semiconductors. The new federal government is calling for greater European independence and wants to promote the establishment of new chip factories in Germany with subsidies worth billions. This move by the Federal Minister of Economics is expressly welcomed by approximately 76% of those surveyed. Only around 19% oppose such a subsidy policy.

**"The results show that the idea of bringing the production of chips back to Germany enjoys broad support. However, economic history shows that this will only succeed if production is competitive in the long term after initial support," says Hubertus Väth.**

### *Reduction of greenhouse gas emissions in energy production*

At the European level, the question of whether nuclear and gas-fired power plants fit into the taxonomy of environmentally sustainable activities is hotly debated. Just under 42% of respondents would welcome a classification of nuclear power as climate-friendly, while just under 51% would oppose this. The picture is clearer when it comes to gas-fired power plants. Around 33% would welcome their classification as climate-friendly, while over 55% would oppose it. In both cases, therefore, the majority of respondents are against inclusion in the EU green taxonomy. However, reservations about the environmental impacts of gas-fired power plants are even greater than those of nuclear energy. **“The financial industry supports the transformation of the energy sector in order to achieve greater sustainability,” notes Professor Brühl.**

**"The controversial discussion of the taxonomy is important. However, the pace and measurement of the sustainable transformation of the economy are even more important for success," adds Hubertus Väth.**

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The results are based on a quarterly management survey in the German financial sector.

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

Professor Dr. Volker Brühl  
069/798 30050  
[volker.bruehl@hof.uni-frankfurt.de](mailto:volker.bruehl@hof.uni-frankfurt.de)