

Banking Outlook 2024



The year 2023 was a tumultuous one, marked with multiple bank failures, uncertainty due to the wars and overall economic landscape and significant breakthroughs in technology led on by ChatGPT. The banking sector that showcased resilience in the face of tough environments is bracing itself for an economic outlook of moderate inflation, slow economic growth, high interest rates and greater regulatory pressure.

EIU in its [Industry Outlook Report for 2024](#) predicts high interest rates persisting into 2024 in most key global markets, including the US. Banks will continue to benefit from high interest rate and wider net interest margins and revenue flows until margins begin to narrow mildly late in 2024.

However, regulatory pressures, new rules and compliance timelines will persist banks to be on their toes for managing capital adequacy, data privacy and corporate sustainability while technological advances will lure banks to invest and explore for future readiness.

Key Drivers

Economic Outlook

The banking sector faces a complex landscape. While **high interest rates** could **amplify net margins**, potentially boosting profitability, this might be tempered by **limited loan demand due to increased borrowing costs**. Moderate inflation may offer stability, but the **battle for deposits could pressure margins**. Successful adaptation strategies involving innovative products, prudent risk management, and customer-centric approaches will be crucial for banks to thrive amid these challenging dynamics.

Customer Expectations

Meeting the rising customer demands centered around "**Digital Everything** and **Hyper-personalization** in the era of **instant gratification** will be crucial for banking success. Banks must prioritize seamless digital experiences, leveraging advanced technology for real-time services, personalized offerings, and immediate responses. Embracing cutting-edge technology solutions while ensuring data security will be imperative to retain and attract customers in this evolving landscape.

Technology Advancement

With the release of **ChatGPT** later this year, coupled with growing **application of AI**, particularly **Generative AI**, the technological advancement is set to transform customer interactions and operational efficiency. These AI technologies will play a pivotal role in enhancing customer service, enabling personalized assistance, smoother transactions, and quicker issue resolution. Embracing and optimizing AI applications will be a strategic focus for banks seeking to innovate and stay competitive in the evolving financial landscape.

Regulatory Pressures

Regulatory compliance, operational resiliency and keen focus on emerging risks are driving strategies towards safe and secure banking. The year will emphasize improvements towards **capital sufficiency**, **proactive risk management** and **addressing emerging risks** from newer technologies like **AI** and **strengthening cybersecurity** measures amid evolving threats with focus on advanced analytics for **fraud prevention**.

Key Themes for 2024



Given the existing economic, regulatory, customer and technological trends, banks need to be **AGILE, INNOVATIVE and RISK SECURE**

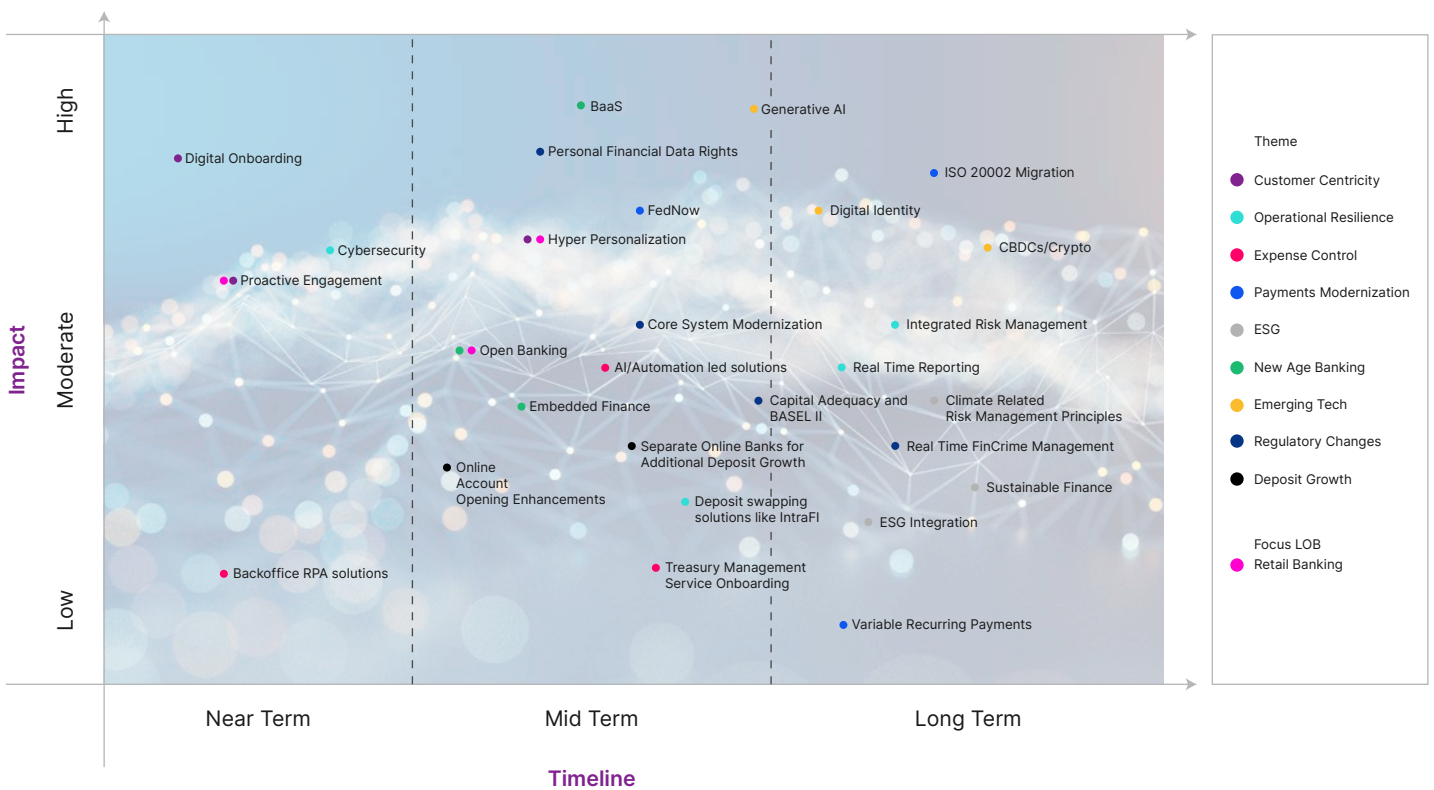
Reflecting On The Year That Was – 2023

Trends That We Predicted in 2022

Key Banking Trends for 2023



US Banking Trends Matrix 2024



Closing Note

We'd be happy to engage further if you'd like to know more about these trends and how they will impact your business.

Season's greetings & a Happy New Year to you and your families!

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