



Center for Financial Services

2023 banking and capital markets outlook

Retail banking



Envisioning new ways to serve and engage with customers

Factors influencing the retail banking industry

Sources

- ▲ Macroeconomic
- ▨ Technology and talent
- Regulatory
- ▲ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

Key messages



As **macroeconomic uncertainties** intensify, retail banks are contending with deep, fundamental shifts. Consumers are clamoring for **guidance and support** during stressful economic times. This is critical to maintaining trust.



Globally, retail banking business performance should be favorable, but **housing market stress** and **regulatory scrutiny** on fees could prove challenging in some regions.



As customers access services across multiple channels, organizing around **end-to-end customer experiences** instead of narrow product lines should be a priority.



As banks become more forceful in advancing **environmental, social, and governance (ESG)** efforts, retail banks should be bold and inventive in solving pervasive problems, such as housing inequity.



Operational risks and regulatory expectations are evolving rapidly and require banks to adopt new methods of managing risks, such as transitioning from periodic reviews to continuous monitoring, and limiting the use of third-party data.

2023 banking and capital markets outlook

The factors influencing industry segments are based on the [Deloitte Center for Financial Services](#)' analyses and assessment of various macroeconomic, industry, and market sources.

For additional information, please refer to the full report:

www.deloitte.com/bankingoutlook



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2023 banking and capital markets outlook

Consumer payments



Unlocking deeper financial relationships beyond transaction flows

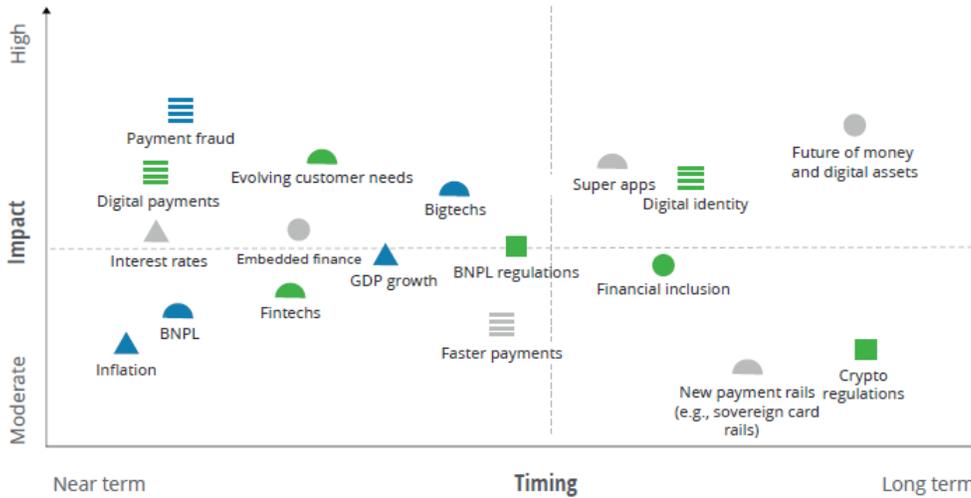
Factors influencing the consumer payments industry

Sources

- ▲ Macroeconomic
- ▨ Technology and talent
- Regulatory
- ◐ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

Key messages

- Higher **interest rates**, **inflation**, and **low GDP growth** portend mixed fortunes for consumer payment firms.
- Despite the uncertainties stemming from the **macroeconomic environment**, there is one inevitability: the onward march of digital payments on multiple fronts.
- Institutions across the value chain should expand roles **beyond transactions** to unlock new value and deepen customer relationships.
- They should realign business models to capture new value from innovations, such as **digital assets** and **faster payments**.
- Payment fintechs could see a wave of **consolidation** and **rightsizing**, with the focus shifting from revenue to profitable growth.
- An active year in **payment regulations** worldwide is expected in the areas of consumer protection and digital assets, with a particular focus on clear and consistent standards to foster innovation.

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2023 banking and capital markets outlook

Wealth management



Creating a new recipe for greater success

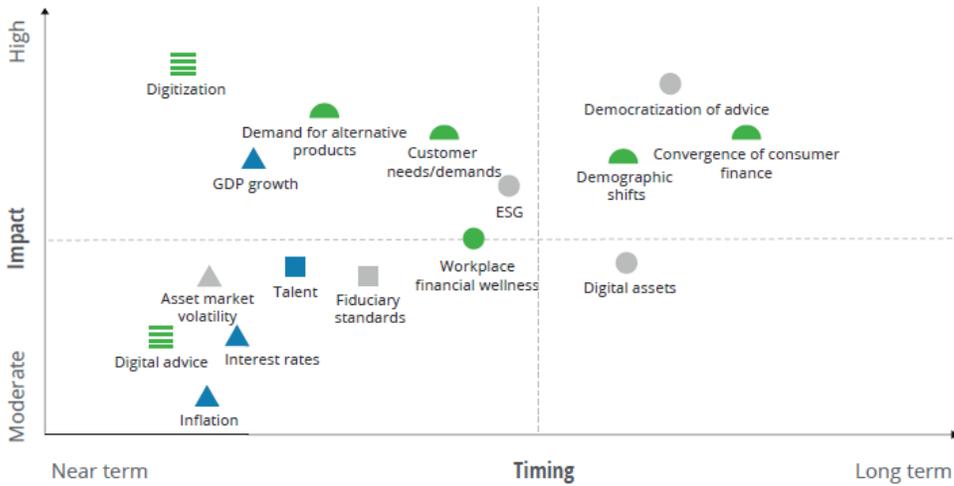
Factors influencing the wealth-management industry

Sources

- ▲ Macroeconomic
- ▨ Technology and talent
- Regulatory
- ▲ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

Key messages



The wealth management industry is at an **inflection point**. The boundaries of investment advice are expanding, prompting a shift from product focus to client-centricity.



A confluence of forces are redefining how **financial advice** is generated, delivered, and consumed.



Democratization of advice and convergence across domains, within and outside consumer finance, should push wealth managers to offer **holistic solutions**.



Front-to-back digitization is paramount to achieve greater efficiency and superior customer experience.



In the US, Reg BI, the DOL's Fiduciary Rule, and a number of regulatory priorities across topics such as **cybersecurity** and **ESG** are driving big shifts across firms, requiring them to revisit products, processes, and workflows.



Wealth managers must be bold in reshaping business models and building a **defensible, scalable, and cost-efficient franchise**.

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2023 banking and capital markets outlook

Commercial banking



Designing a new service model bolstered with insights and digital tools

Factors influencing the commercial banking industry

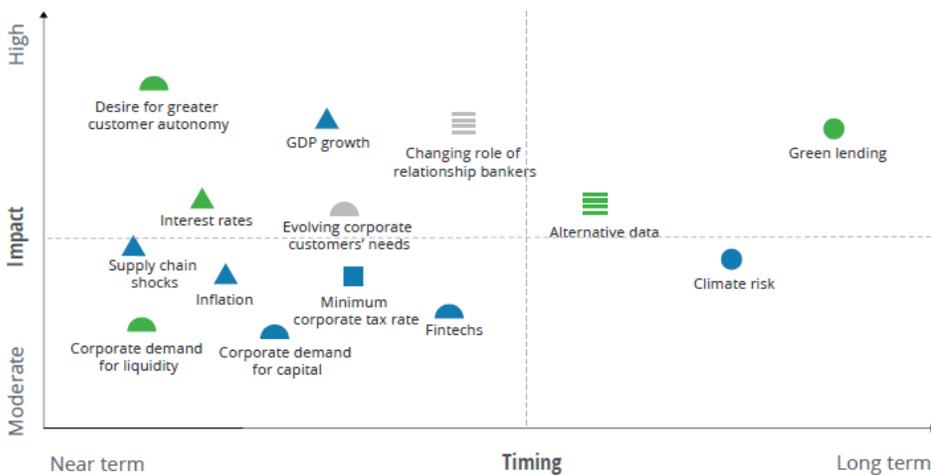
Sources

▲ Macroeconomic ■ Technology and talent ■ Regulatory ▲ Customer and competitive forces

● Disruptive market dynamics

Directionality of impact

■ Positive impact ■ Negative impact ■ Mixed impact



Source: Deloitte Center for Financial Services analysis.

Key messages



Despite a loyal client base, commercial banks will likely face fierce competition to win a greater share of **clients' wallets**.



High inflation, recessionary concerns, supply chain challenges, and the minimum corporate tax rate could decelerate corporate demand for **capital investments**, but demand for **working capital** could remain robust.



Relying solely on interest income may not be enough. Banks should expand their share of wallet with **nonlending, transaction banking** products to deepen relationships.



Corporate clients' demands for bespoke **digital solutions, data-rich solutions, and specialized advice** will likely require banks to excel at a new client service model.



The fight against **climate change** presents a massive opportunity for banks to mobilize finance to aid corporate clients' transition to net-zero carbon emissions.

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2023 banking and capital markets outlook

Transaction banking



Shaping the future of global money flows

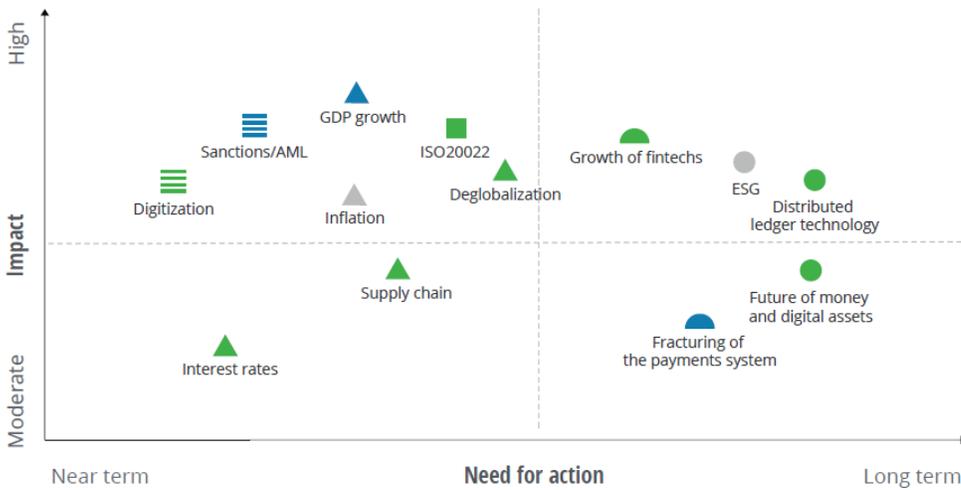
Shifts influencing the transaction banking industry

Sources

- ▲ Macroeconomic
- ▨ Technology and talent
- Regulatory
- ◐ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

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Key messages



While **cash management** and **trade finance** should witness strong demand, the outlook for **treasury** is mixed and somewhat weak for **prime brokerage**. **Custody business** should remain steady.



The focus should be on building a modern, efficient, scalable **technology platform** to provide a holistic, real-time view of client transactions, and enable insights and innovation.



In corporate payments, SWIFT's move to ISO20022 should begin a new wave of payments modernization. However, emerging alternatives to SWIFT could risk fracturing the **international payments system**.



Supply chain transformation should create new opportunities for banks, in the form of greater advisory, analytical, and risk management support, in addition to new ways of financing.



Meanwhile, treasurers will have to juggle **multiple priorities** around risk management, liquidity and funding optimization, cost control, and recruiting and retaining quality talent.



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2023 banking and capital markets outlook

Investment banking



Weathering the storms with patience and ingenuity

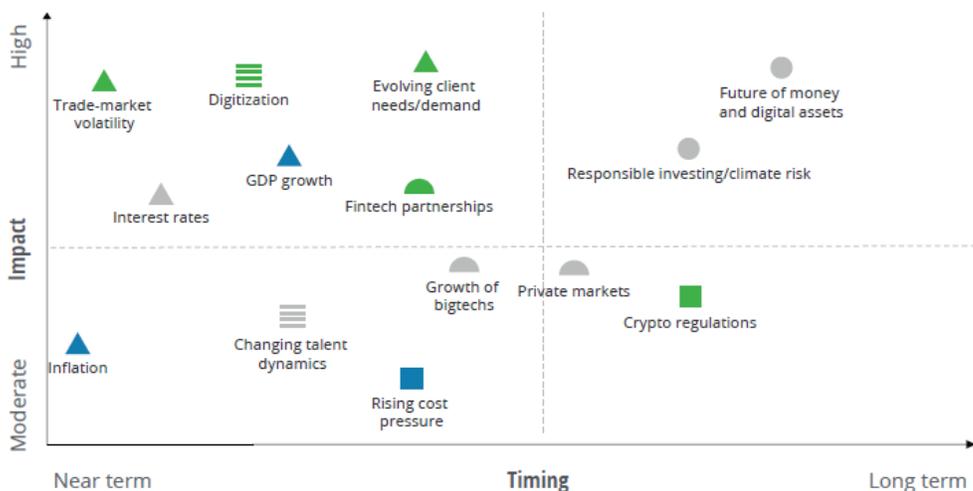
Factors influencing the investment-banking industry

Sources

- ▲ Macroeconomic
- Technology and talent
- Regulatory
- ▲ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

Key messages



Not every investment bank may have the **scale** and **capacity** to weather the unique and uncertain market dynamics at play.



Market volatility should offset the downward draft in advisory and underwriting businesses, as trading continues to be a reliable source of revenues.



Investment banks should preserve their role as capital market intermediaries in the wake of **deglobalization**, the rush toward a **green economy**, and the rise of **private capital**.



Cost controls could become a higher priority given the macroeconomic environment, tight labor market, and rising talent costs.



Accelerating digitization will remain key to unlocking future sources of value.



Investment banks should selectively seek out **startups/fintechs** that can bolster post-trade operations such as reconciliation and settlement

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2023 banking and capital markets outlook

Market infrastructure



Carving a new identity by creating differentiated sources of value

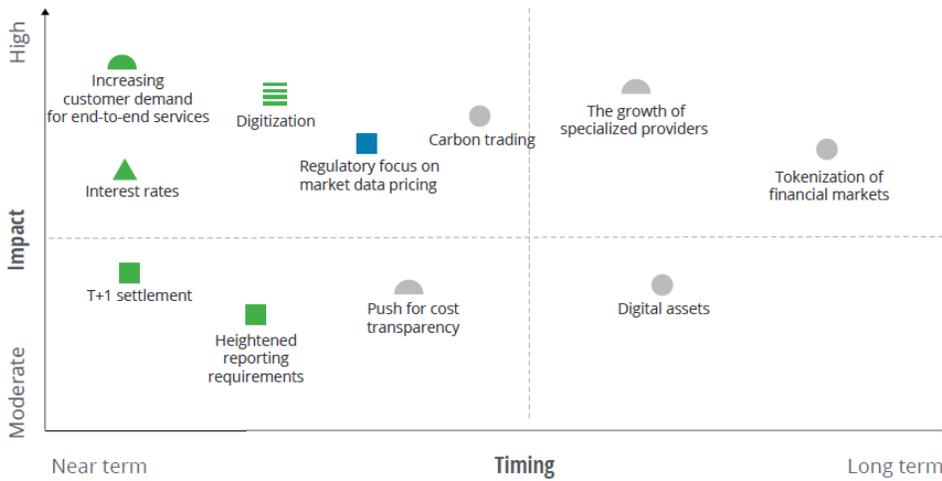
Factors influencing the market infrastructure industry

Sources

- ▲ Macroeconomic
- ▨ Technology and talent
- Regulatory
- ◐ Customer and competitive forces
- Disruptive market dynamics

Directionality of impact

- Positive impact
- Negative impact
- Mixed impact



Source: Deloitte Center for Financial Services analysis.

Key messages



Market infrastructure providers are reimagining the **services they provide** to buy- and sell-side institutions across the value chain.



Significant challenges lie ahead, including increasing **competition** and mounting pressures from **global regulators**.



Massive investments in **tech upgrades** could be necessary to accommodate rising **customer expectations**, including **cloud-enabled microservices**, flexible access and pricing for **real-time data feeds**, and **tools that automate** trading workflows.



The industry should continue to build out infrastructure that can usher in transformative forces, such as the transition to the **Net Zero economy** and **tokenization** of financial assets.



The proliferation of digital assets is leading to new exchanges and business models as operators race to provide clients with a full suite of products in **one frictionless experience**.

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