




Outlook for Financial Services 2024

Global challenges expected to impact on Financial Services providers in the coming 12 months

Theme	Topic	What's happening this year	What this means for Financial Services firms
Strategy 	Geopolitics	Conflict continues in Ukraine, there is risk the war in Gaza spreads to the wider Middle-East, while tensions remain high across the Taiwan Strait and US-China relations are strained.	Amid volatile and uncertain financial markets and an elevated risk of new sanctions and protectionist trade barriers, firms should focus on agility, self-sufficiency and resilience across the enterprise.
	Domestic elections	Over half the global population is going to the polls this year, in an era of growing populism and nationalism.	Shifts towards populism often signal de-regulation, but in the UK, the regulatory pipeline looks more complex and costly than ever.
	AI	Use of generative AI and quantum computing will continue to accelerate exponentially through 2024, with little chance near-term for global agreement on how to regulate this technology.	FS firms should invest in these technologies to improve client experience and speed, enhance governance to manage systemic risk and ensure cyber controls are robust.
Resilience 	Economic security	Even as inflation continues its return to desired levels, the delayed impact of monetary policy will reduce the financial resilience of millions more consumers this year.	Consumer regulations make clear the need to treat customers fairly – including forbearance for those struggling with day-to-day finances and offering more creative solutions for financial protection.
	Supply chain robustness	Supply chains remain exposed to geopolitical and other systemic risks, with prudential regulators focusing on resilience in the financial system.	Firms must ensure they have built in operational resilience both within the organisation and in their network of material suppliers and critical third-party service providers – particularly cloud, technology & offshore partners.
	Talent & productivity	Economies are expected to continue growing albeit more slowly in 2024, with setbacks likely short-lived. Employers are set to hoard talent to ride out any economic dips.	Sustainable growth will as always depend on productivity gains and retention of key people. Investment in targeted rewards, training and the right tools will be key for FS firms.
	Automation & digitisation	Productivity gains are being seen through automation of steady-state processes and, increasingly, in creative sectors. Balancing cost margins will drive greater productivity needs and optimisation.	Having harvested the low hanging fruit of automating happy-path processes, firms must now apply powerful emerging technology to create the more personalised services customers are demanding.
	Data Security	Cyber-threats will continue to grow from individuals, organised syndicates and state actors, putting pressure on firms to protect customer and business-critical data.	Firms must respond now to the threat of rapidly advancing quantum technology, which we expect bad actors to exploit to break encryption codes using quantum algorithms.
Sustainability 	Decarbonisation	Reaching Net Zero fast is a strategic imperative signed up to by governments worldwide, but will be hindered by self-interested lobby groups and political interests.	Financial Services has a vital role to play in pushing for Net Zero, using its stewardship powers to push investee firms to reduce their carbon footprints and funding their decarbonisation programmes.
	Funding challenges	Together, the energy transition and climate adaptation will need between \$3Tn and \$6Tn of annual investment – 2~4 times today's levels and a challenge with higher interest rates.	Pension funds will be key, with investors funding the energy and climate transition needed to avoid even larger costs of inaction. Extreme weather patterns will demand innovative insurance models. Reinsurance pricing is likely to rise with wholesale re-assessments of risk factors.
	Outside pressures	Polarised views from outside stakeholders such as the media, competitors, lobby groups and shareholders will bring greater pressure on firms to respond in a measured sustainable way.	Firms should focus on sustainable business practices, with decisions based on clear business cases, to defuse stakeholder arguments around polarised topics like Net Zero and diversity.
	Policies	Customers and regulators increasingly demand assurances that firms' ESG promises and products are backed by sustainable practices.	Firms must ensure their products, processes and investment decisions align with their ESG policies. We see a crackdown on "greenwashing" and a move towards "green immersion".