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**Press Release**

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## **Post-Covid economy: Macro trends in the financial services industry**

- Accelerated digitisation and real productivity gains required to survive restructuring wave
- COVID-19 triggered initial impacts in the real economy and will increasingly manifest itself in a second stage throughout the financial sector.
- Post-recovery government actions drive Environmental - Social - corporate Governance (ESG) to the mainstream

PwC recently launched its latest report “[\*\*Securing your tomorrow, today – The future of financial services\*\*](#)” highlighting significant macro trends affecting the financial industry as a whole and their impacts on individual segments. This report is PwC’s analysis based on a wealth of data of global financial institutions in the past 3 years.

The report findings indicate that even though the pandemic has heavily disrupted many industries, it had a relatively modest and mixed impact on the financial services industry. Higher trading revenues due to market volatility have boosted capital markets businesses. Insurers have benefitted from consumers staying close to home and the subsequent reduced claims frequency in personal lines. As for banks, central bank incentives and government support of businesses and individuals have so far limited damage to bank balance sheets. In Vietnam, notable incentives have been timely issued by the government and the State Bank of Vietnam, such as deferred tax payment and extension of deadline for land rental payment under Decree 41, and Circular 1 to restructure the repayment periods, waive and reduce the interest and fees to support customers affected by Covid-19. Such relief has prevented the types of contagion we saw during the global financial crisis in 2008.

Analysis, however, presents that the financial services sector will be hardest hit by so-called second-order effects. That is, the deteriorating credit quality of customers, along with the continued low interest rate environment, as the pandemic and its aftereffects will be felt throughout the real economy over the next several years.

Commenting on this, Ms.Dinh Hong Hanh, Leader of Financial Services at PwC Vietnam said:

“Without doubt, the COVID-19 pandemic has tangibly affected the pockets of both retail and corporate consumers of financial services. In Vietnam, with the timely and effective support from the Government, the financial industry is not seeing any significant downside compared to the rest of the economy. However, there remain lurking concerns as to what would happen when these delayed impacts materialise.”

While the impacts on different segments of financial services might vary, in the wake of COVID-19, financial services are not exempted from inevitable shifts and trends of

transformation to ensure business continuity and prioritise productivity. Accelerating trends have already begun, and there emerge new trajectories.

The move to digital has been accelerated during these disruptive times. The report argues that a combination of near zero interest rates and the rise of digital-only players will create tighter margins across product portfolios, thereby emphasising the need to digitise rapidly, gain cost efficiencies and register real gains in productivity. The shift to a more platform- and ecosystem-based industry, including more digitised client interactions, will create a new set of challenges and opportunities for the industry.

“This is a challenging yet exceptional time. Financial institutions need to re-evaluate and lead the use of technology to develop new capabilities – improve customers’ financial health, inclusion, and protection – at the same time have yourself a sound financial well-being strategy in place.” added Hanh.

John Garvey, PwC’s Global Financial Services Leader stated: “While the financial services industry has stood up well in light of the pandemic, it will likely be hit hardest by second-order effects. The challenge for the financial services industry is in how it is able to navigate this difficult environment while balancing cost cutting and investment. Those that execute best will be the ones to succeed.”

#### Macro trends that matter and their impact in a post COVID-19 world

- 1** Low interest rates will continue wreaking havoc on margins and business models.
- 2** The COVID-19 recession and asset impairments will reduce risk-bearing capacity for regulated industries to support the real economy as it enters the recovery stage over the next year.
- 3** Alternative providers of capital are set to become an even more important part of the global financial system.
- 4** COVID-19 will not delay - and may accelerate - the implementation of current and planned regulatory measures in many countries and regions.
- 5** Continued de-globalisation will further align the size of financial institutions to the GDP of their home countries while continued offshoring will increase operational risk across the industry.
- 6** Firms face unrelenting pressure to boost productivity through the digitisation of the business and the workforce.
- 7** The client-driven shift to a platform- and ecosystem-based financial services industry will create a new wave of disruption and disintermediation.

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## Notes to editors

To download the report with the full findings, visit:

<https://www.pwc.com/gx/en/industries/financial-services/publications/future-of-financial-services.html>

Data Sources: Bank for International Settlements, 2018/2019 Preqin Global Private Debt report, CFA Institute, Strategy& analysis

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PwC Vietnam established offices in Hanoi and HCMC in 1994. With strong industry knowledge, our team of more than 1,000 local and expatriate staff offers integrated services, bringing a breadth of skills and depth of resources to our clients wherever they do business, throughout Asia and across the world.

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