

# Recession Guide:

## Responding to Crisis in the Financial Sector

by

**Luxoft**  
A DXC Technology Company

### Major economies are facing a downturn this year, possibly entering recession.

#### Global economic loss

- ▼ **-6.7%** due to COVID-19
- ▼ **-0.17%** due to Russia's invasion of Ukraine

#### Inflation remains unexpectedly high

- ▲ **6.5%** inflation rate in the US in 2022
- ▲ **9.2%** inflation rate in the Euro area in 2022

#### Global GDP growth rate is declining

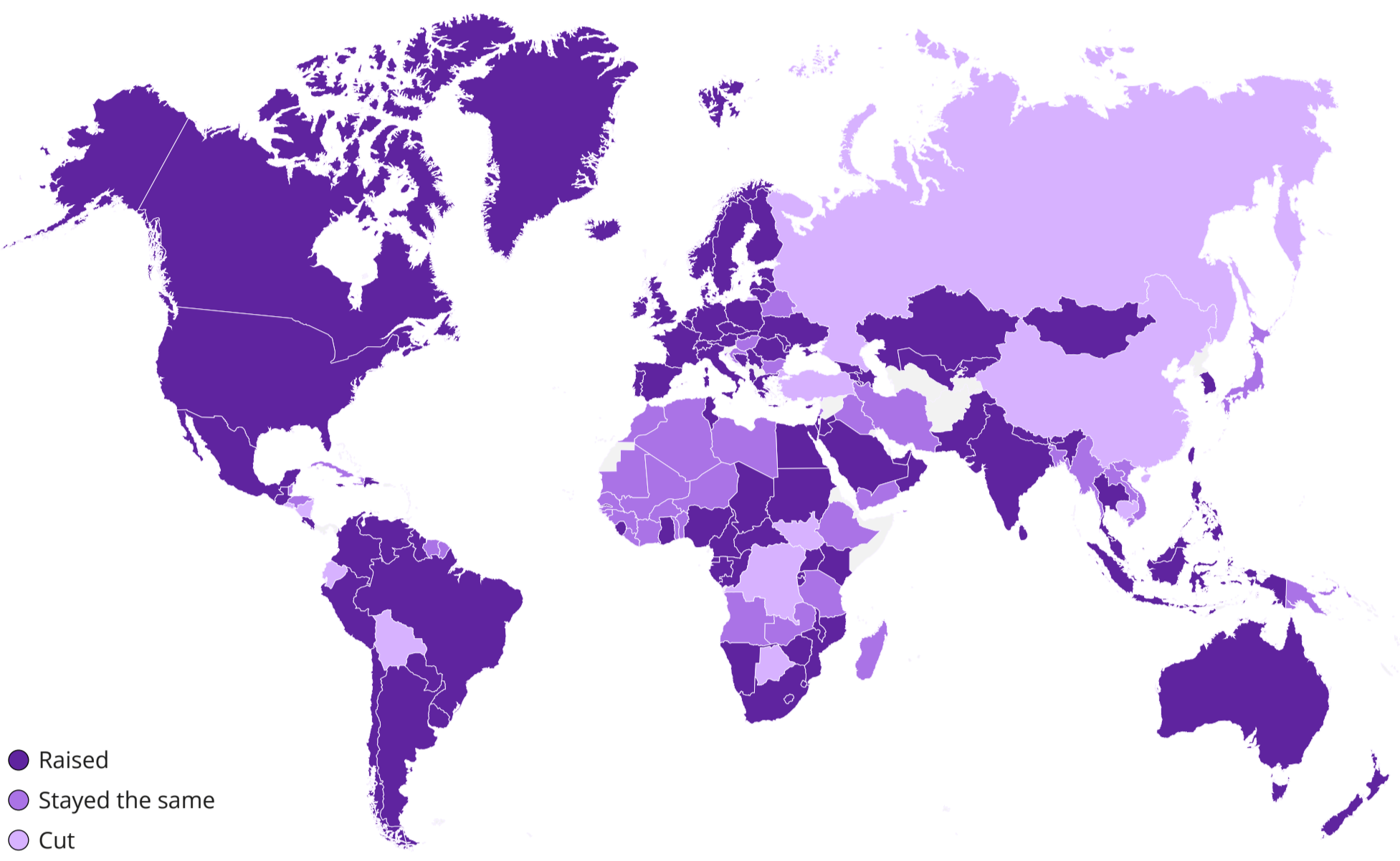
- ▼ **3.2%** expected growth rate in 2022
- ▼ **2.9%** forecast for 2023

## This Recession is Different from Previous Ones

Decision-makers have to tackle multiple disruptions that did not occur simultaneously in previous recessions.

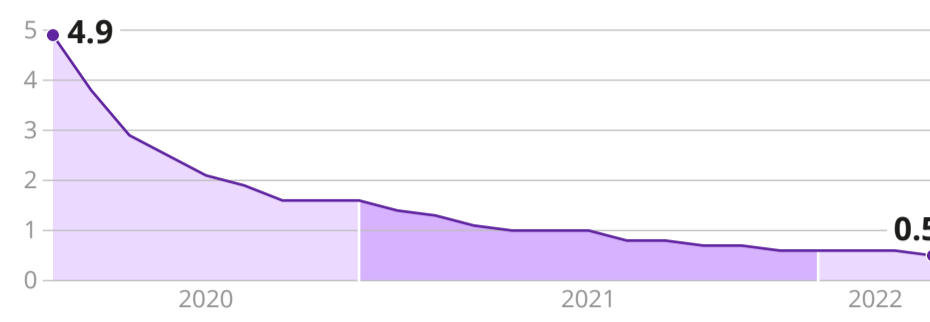
#### Interest rate hikes worldwide since the start of 2022

Change in the interest rate compared to January 1, 2022 (data as of September 8, 2022)

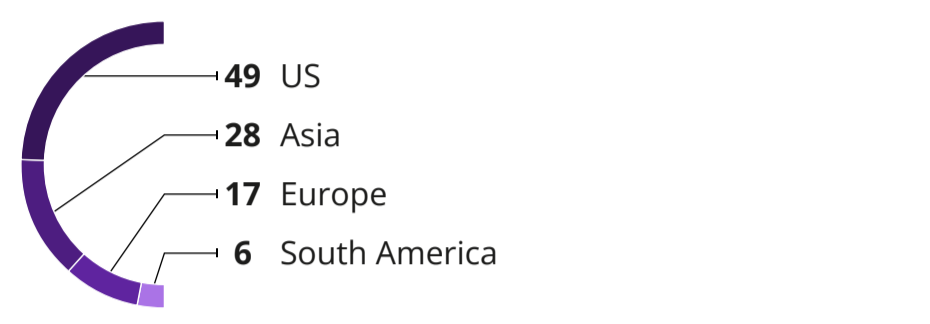


#### The labor market must be balanced

Number of unemployed people per job opening in the US

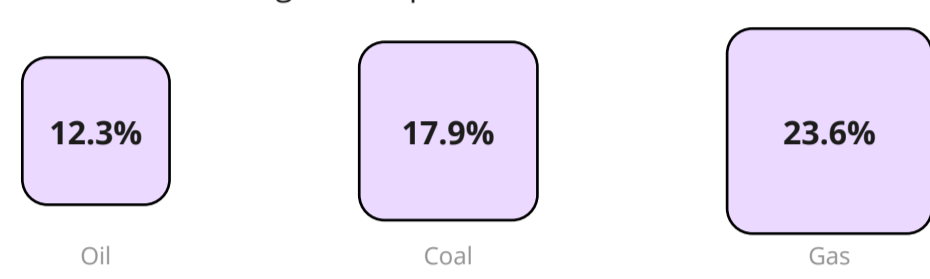


#### 100 firms pull deals worth USD 45 billion since the war in Ukraine



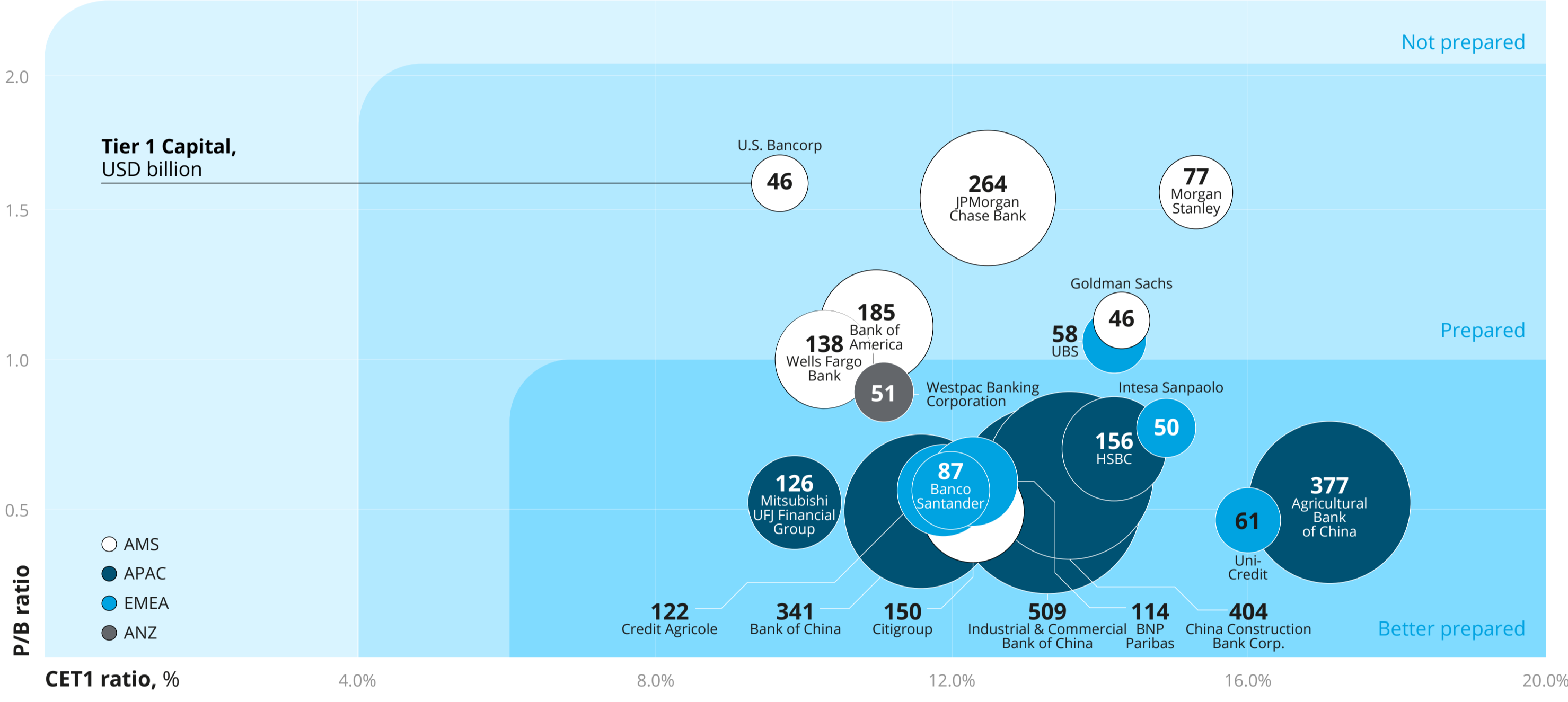
#### Notable exposure to Russia's energy commodities

Russia's share in global exports in 2021



## The Largest Banks are Prepared for Crisis

The largest banks are more prepared for a downturn now than they were in 2007. Digital transformation and the implementation of IT solutions have become essential factors in their preparation.



## What is Driving the Downturn?

#### Economic factors

1. Changing global macro trends
2. Increasing interest rates
3. Increasing inflation
4. Same or increasing volatility
5. Deterioration of liquidity conditions
6. Uncertainty regarding GDP growth

#### Geopolitical factors

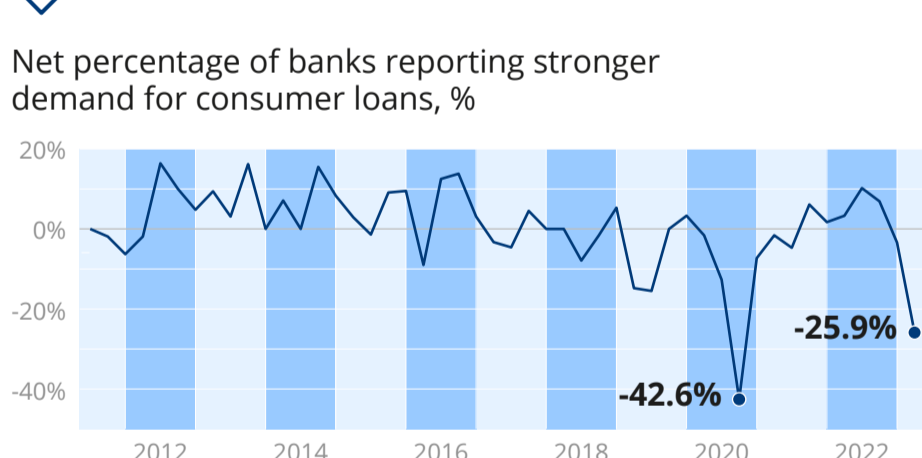
1. Russian invasion of Ukraine
2. Battle against COVID-19
3. Climate-driven conflict
4. Uncertainties around global elections
5. Heightened geopolitical tensions
6. Rising costs of natural resources

## The Impact of the Downturn across Financial Services

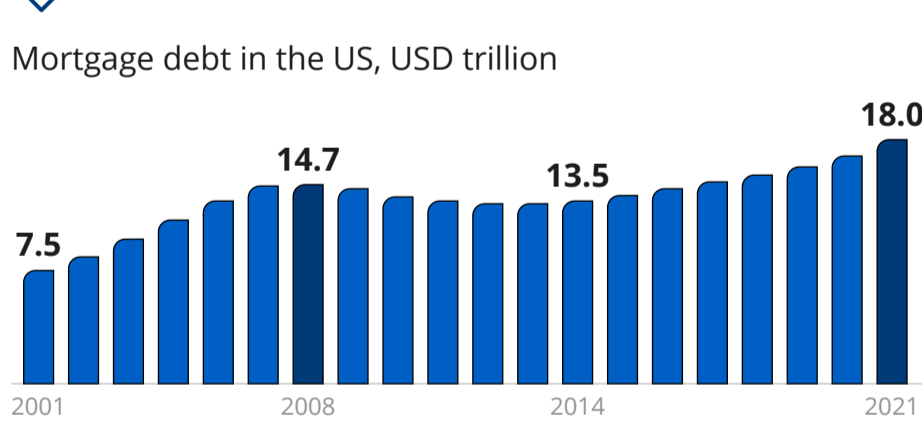
All financial institutions, regardless of specialization, already feel the effects of the economic downturn.

#### Banking

Reduction of lending operations and other banking services due to low demand.



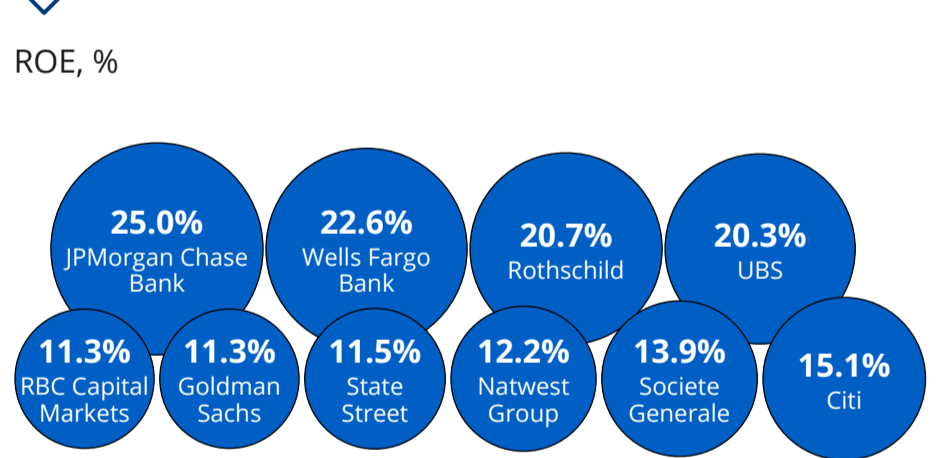
Many homeowners may struggle to make mortgage payments due to the downturn.



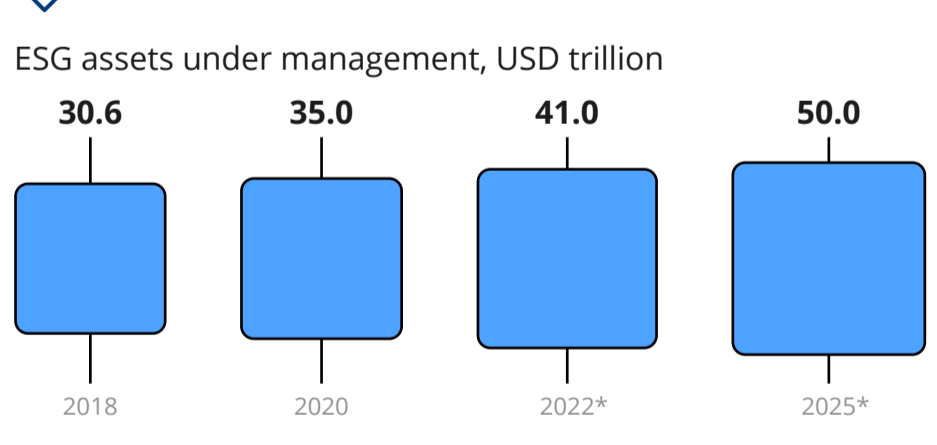
\*forecast

#### Capital Markets

Many investment banks posted impressive returns and boosted ROE due to volatility.

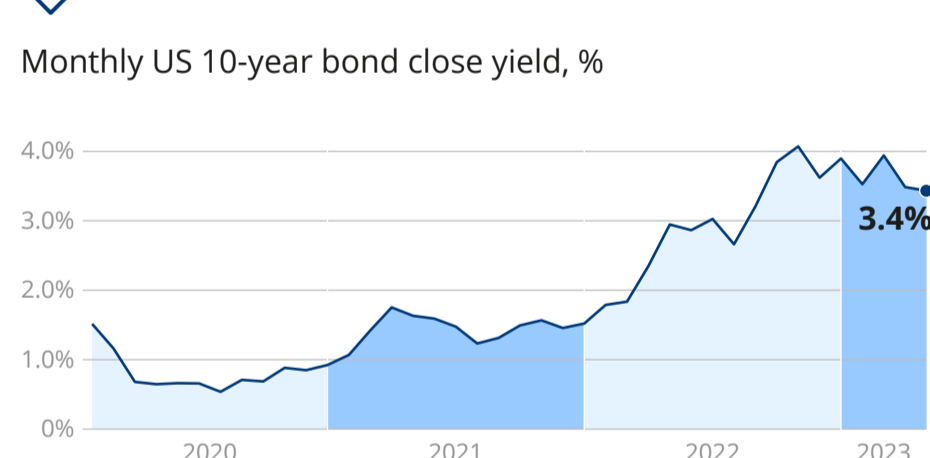


Increase in ESG AUM due to investors' interest in investing where there is value.

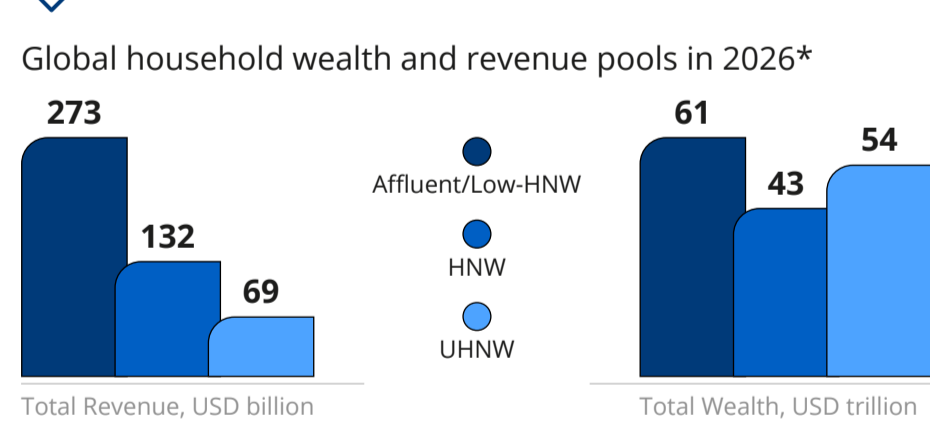


#### Wealth Management

Investment in safer instruments is increasing due to economic uncertainty.



The mass-affluent segment will become more influential.



## How can Banks Mitigate this Impact?

Digital transformation is a strategic imperative across front-, middle-, and back-office processes.

#### Cloud cost control

- Avoidance of overspending and underutilization of resources
- Optimization of current cloud usage

**59%** of organizations choose optimizing usage as a top cloud initiative

#### AI for data

- Cost and efficiency results
- Fraud detection and compliance
- Personalization
- Productivity gains

**60%** of banks have embedded at least one AI capability

#### Process Automation

- Significant cost reduction
- Ensuring consistency and transparency of repetitive manual workflows

**up to 70%** reduction in processing costs due to automation

#### Operational Efficiency

- Automation of most routine tasks
- Minimizing the risk of errors
- Increasing convenience of services

**49%** of banks indicated that they will increase their automation investments

#### Digital Transformation

- Improvement of operational efficiency
- New ways of client engagement
- Modernization of the business model

**53%** of banks reported a positive impact on business metrics

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