

Retail Banking Growth in Emerging Markets Slows According to New Oliver Wyman Report

New York, November 23, 2016—Retail bank growth across 12 emerging markets, referred to as the EM12, will slow according to a new report titled “Playing to Win, Retail Banking Strategies for Emerging Markets” from Oliver Wyman.

“The nature of retail banking growth in EM12 is undergoing a major change,” said Oliver Wyman partner Michael Wagner. “With slower growth rates, banks need long-term, cohesive strategies, which will allow them to grow faster and create clear separation between winners and laggards.”

The EM12 include China, Indonesia, Malaysia, Thailand, India, Saudi Arabia, Turkey, South Africa, Brazil, Mexico, Chile and Colombia. These markets saw rapid growth – an average of 18 percent a year – between 2010 and 2013. Growth was fueled by rises in household income and strong macroeconomic conditions, among other factors. These markets accounted for more than 75 percent of global financial services revenue growth between 2010 and 2013 according to the report.

However, there has been a significant slowdown across a number of major markets over the past two years, due primarily to slowing GDP growth, increasing volatility in currency markets, and changing credit cycles. The report predicts slower growth will continue over the next five years, with overall retail revenue growth in the EM12 falling to nine percent between 2015 and 2020. Declines in growth will be most pronounced in China, Brazil, Mexico, Thailand and Saudi Arabia.

In spite of the relative slowdown, EM12 will continue to be the driver of global growth in retail banking because the top ten developed markets are expected to grow by only 2 percent annually over the next five years. Over this period, the EM12 retail banking revenue will grow by more than US\$450 billion. This will be fuelled by the extension of access to financial services to an additional 250 million households and the increasing need for financial services from another 90 million households as they transition from the mass market to the mass affluent segment.

The report identifies four key opportunities which will define outperformance for EM12 banks:

1. Adoption of digital channels, products and business models
2. Untapped opportunity in small and medium-sized enterprises (SMEs)
3. Sustainable growth in retail credit

4. Development of an affordable banking proposition

“Despite the slower growth across the region, there is still a great opportunity for the EM12 compared to developed markets, since there is more room for expansion and business models remain more profitable,” Wagner added. “Effective response will lead to accelerated growth in performance, enabling market leaders to grow as much as two to four times as fast as lagging institutions.”

About Oliver Wyman

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