

Banking in 2035: a fragmented world

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Scenario 3

Economist Impact, sponsored by SAS, conducted a foresight research programme under which we developed three scenarios in 2035. These revolve around digitalisation (scenario 1), climate action (scenario 2) and geopolitical fragmentation (scenario 3). These possible futures illuminate how banks can evolve their mission and business models to deliver value to customers, shareholders, communities and the natural environment. The third of these scenarios is presented here.

The 2035 scenario

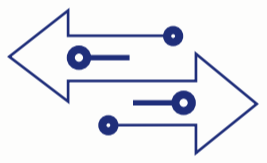
The period of globalisation that steadily integrated markets around the world after the cold war is over.

The liberal economic order has faded, fragmented by a deeply multipolar geopolitical landscape.

Bilateral and regional trade agreements now dominate rather than the World Trade Organization, once the key forum for trade negotiations and disputes.

US hegemony of the global financial system has been fractured by rivals' alternative payment systems as well as the rise of digital currencies.

Key factors driving the path to 2035



Geopolitical competition: the EU, the US and China turned inwards to protect divergent interests rather than co-operate via multilateral trade.



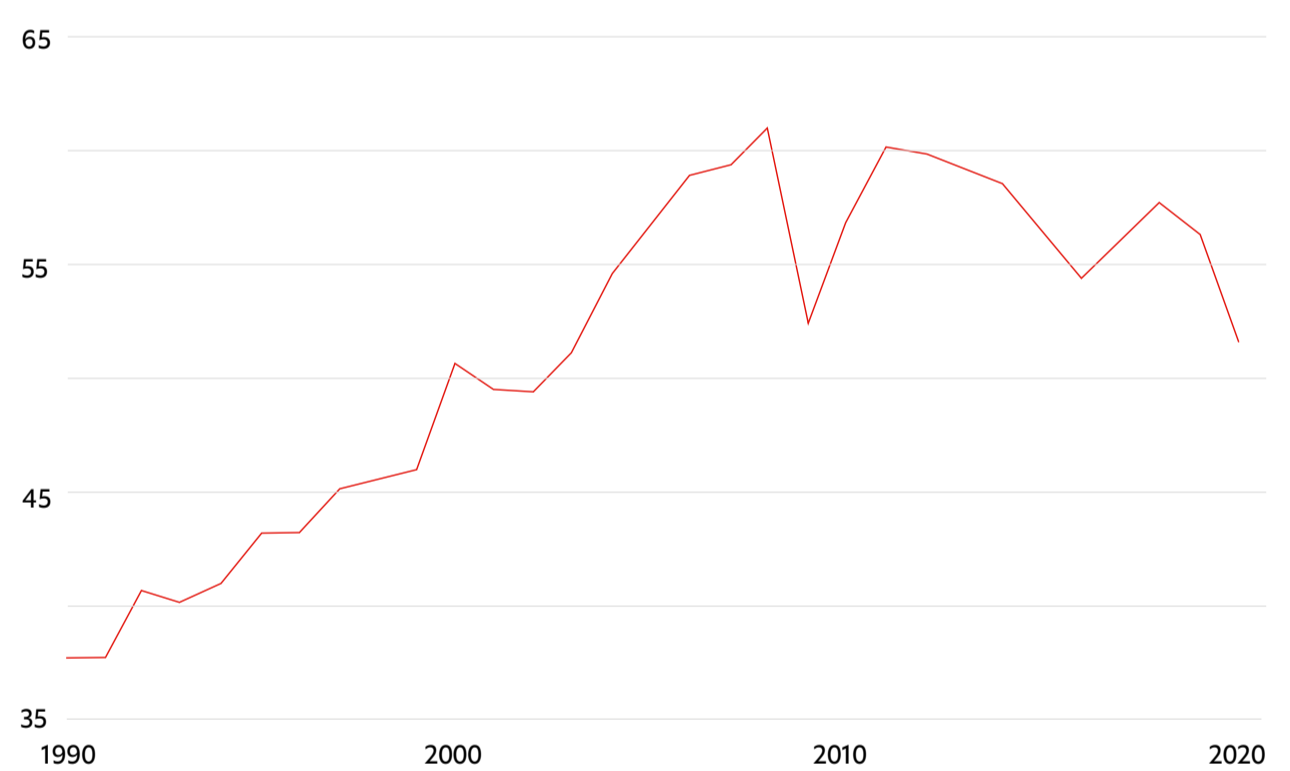
Backlash against globalisation: in advanced economies, fears of widening inequalities and job displacement due to digital transformation accelerated the backlash against globalisation.



Shift in economic power: emerging markets rose in economic and political power, reducing the reliance of the global economy on the US dollar.

After two decades of growth, trade in goods and services have stagnated since the 2008-09 global financial crisis, hovering at about 57% of global GDP.¹

Global trade of goods and services as a share of GDP, 1990-2020



The new multipolar order

Challenges

- **Intermediation costs** increase thanks to a fragmented financial system and increased uncertainty.
- **Reputational and cybersecurity risks** grow for Western-based banks.

Opportunities

- **Maturation of digital currencies** allows banks to offer cheaper and faster financial services.
- **New regional market opportunities** emerge as trade flows shift in Africa and Asia.

Conclusion

While it is entirely possible that there could be variations on this scenario by 2035, it sheds light on the ways that banks can evolve their mission to contribute to a sustainable future for both people and the planet.

Read the **Banking in 2035: three possible futures** briefing paper to find out more

¹ Source: The World Bank, World Development Indicators, Trade (% of GDP), accessed on April 22nd 2022, <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS>