

# Banking and capital markets Global Capital Confidence Barometer



**Charlie Alexander**  
EY Global Banking & Capital  
Markets Transactions Leader  
+44 20 7951 4420  
[cpalexander@uk.ey.com](mailto:cpalexander@uk.ey.com)  
Twitter: @CPAlexander\_EY

A note from Charlie Alexander, EY Global Banking & Capital Markets Transactions Leader

## Bankers prioritize technology in their growth and M&A strategies

Banking and capital markets (BCM) executives are feeling bullish about the prospects for global economic growth, with 89% seeing improvements in the global economy. In terms of their own growth, BCM executives are riding a wave of strong earnings, with 73% anticipating revenue growth between 6% and 15% in 2019.

However, it is important to note that our M&A survey was conducted in February and March 2019, when a resolution to both the US-China trade situation and Brexit seemed likely. Since then, tensions relating to both issues have escalated. At the same time, analysts continue to warn of an economic slowdown – something 37% of BCM executives agree is the primary risk to their business.

### Technology emerges as a key challenge to and opportunity for growth

While BCM executives consider slowing economic activity as the greatest external risk to growth, within their organization, technology appears as a pressing theme. One in five cite disruption from more technically advanced competitors as a top challenge to their company's growth. But they also see technology as a top priority for improving front- and back-office processes through automation and AI. To address both their technology challenges and opportunities, all BCM executives surveyed say they will be making significant investment in technology in 2019. We also expect technology to play a role in deal strategy, with 81% of BCM executives indicating that technological innovation will have a fundamental or significant influence on the assets they buy – or sell.

### M&A appetite continues to rise, but deal success relies on sympathetic integration

Overall, M&A appetite among BCM executives remains strong, with 58% suggesting they will pursue acquisitions in the next 12 months, an increase of 13 percentage points from a year ago. Fuller pipelines and an increase in deal closures underpin expectations that conditions for a more active M&A market will continue to rise.

However, for BCM to realize the full value of their acquisitions, they will need to focus on implementing leading-class integration strategies that can both mitigate one of the key risks cited by 29% of BCM executives – namely, the integration of operations and people – and maximize the synergies.

### Activist shareholders push for portfolio reshaping

Activist shareholders are placing increasing pressure on BCM companies to more frequently assess and reshape their portfolios. Three-quarters of BCM executives say shareholders are compelling them to take action to review and reshape their portfolios, with nearly half (48%) pushing for acquisitions.

In response, BCM companies are stepping up the frequency of their portfolio reviews, with more than half (51%) saying they assess their portfolios every quarter or more. While this is an improvement over previous years, we believe this percentage should be higher. A large number of private equity firms often ask us which non-core assets banks still have to sell. BCM companies have an opportunity to release more value by continually assessing their portfolios and taking a harder look at the profitability ratio of their businesses.

### Talent and innovation will be critical for long-term value creation

Although M&A intentions are up, more than three-quarters of BCM executives expect growth to come from within their organizations in the next 12 months. Executives say the impact of digital technology and transformation will continue to dominate the boardroom agenda. As they consider long-term value creation, they expect talent and innovation to be critical. However, they increasingly see society and environmental considerations becoming fundamental to their future.

### Top five investment destinations

-  UK
-  US
-  Germany
-  China
-  Brazil

### Macroeconomic environment and risks to growth

Despite concerns of a slowing economy as a primary threat to growth plans, companies remain optimistic about their own performance and growth potential.

89%

of executives see the global economy as improving.

73%

of companies expect revenue growth of 6%-15% in the next year.

37%

of executives acknowledge a slowing economy as the primary risk to their business.

### Portfolio reshaping and long-term value creation

Companies are building resilience into their operations and are instilling financial discipline while realigning portfolios to future-proof growth.

76%

of executives say they are compelled by activist pressure to continually assess and reshape their portfolios.

51%

of executives expect to review their portfolio at least quarterly.

69%

of executives are focused on reducing costs to free up investment capital.

### M&A outlook and major themes

Executives are more bullish in their outlook and are building resilience into their operations, while at the same time focusing on integration as a key transaction risk.

80%

of companies expect the M&A market to improve in the next 12 months.

58%

of executives expect to actively pursue acquisitions in the next year – a 10-year high.

43%

of executives identify integration and achieving forecasted synergies as key transaction risks.

EY | Assurance | Tax | Transactions | Advisory

#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via [ey.com/privacy](https://ey.com/privacy). For more information about our organization, please visit [ey.com](https://ey.com).

© 2019 EYGM Limited.

All Rights Reserved.

EYG no. 002933-19GbI

1901 3043022

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

[ey.com/ccb](https://ey.com/ccb)