

# LIFE AFTER COVID-19

مؤسسة دبي للمستقبل  
DUBAI FUTURE FOUNDATION



FUTURE TRENDS

# FINANCIAL TECHNOLOGIES



# CURRENT SITUATION

The global COVID-19 outbreak is having a serious impact on the corporate world by driving down demand and disrupting supply chains. Some sectors, such as tourism, aviation and retail, are seeing harsh profit warnings as analysts forecast a sharp decline in earnings over the next two quarters. The airline industry, one of those worst hit, could alone suffer a loss of \$250 billion as a result of the outbreak, according to the International Air Transport Association.<sup>1</sup> The 'bricks and mortar' retail sector - comprised of physical stores rather than online sellers - is similarly expected to see revenues decline, with losses of \$430 billion estimated for the US alone.<sup>2</sup> Overall, according to Goldman Sachs, the world economy is expected to contract by approximately 1% this year, a figure much greater than previously expected.<sup>3</sup>

Nevertheless, some sectors seem to be inherently well positioned to buck this trend. In particular, the financial technologies industry - fintech - not only appears to be resilient to the risks of the pandemic but is widely expected to emerge stronger as people turn to digital-only services.

<sup>1</sup> <http://www.rfi.fr/en/business/20200327-covid-19-could-cost-world-airlines-250-billion-iata-lockdown-flights-grounded-coronavirus>

<sup>2</sup> <https://www.ft.com/content/9ea5cbfd-57e3-44b2-abd0-5f4f33606bd2>

<sup>3</sup> <https://www.reuters.com/article/us-health-coronavirus-global-economy/coronavirus-pandemic-battering-global-economy-surveys-idUSKBN21B0GO>

Finance apps have seen downloads shoot up since the start of coronavirus lockdowns. According to data from financial advisory firm deVere, fintech apps saw a 72% spike in usage in the final week of March<sup>4</sup> and average weekly app downloads for finance apps increased 20% between the fourth quarter of 2019 and the end of the first quarter of 2020.<sup>5</sup> Over this period fintech platforms that saw the most user growth included large players, such as PayPal, the UK neo-bank Monzo, and the Barclays mobile app, which all expanded their market share, while stock-trading apps, such as Robinhood and Acorns, grew their user base.<sup>6</sup>

In addition to the growing use of fintech services by consumers, the impetus for governments to use financial technologies may also be gaining momentum due to the COVID-19 crisis. During discussions in March on how the US government could deliver coronavirus relief payments directly to Americans, proposals were put forward for the development of digital dollar wallets managed by the Federal Reserve Bank to facilitate cash distribution to citizens and businesses.

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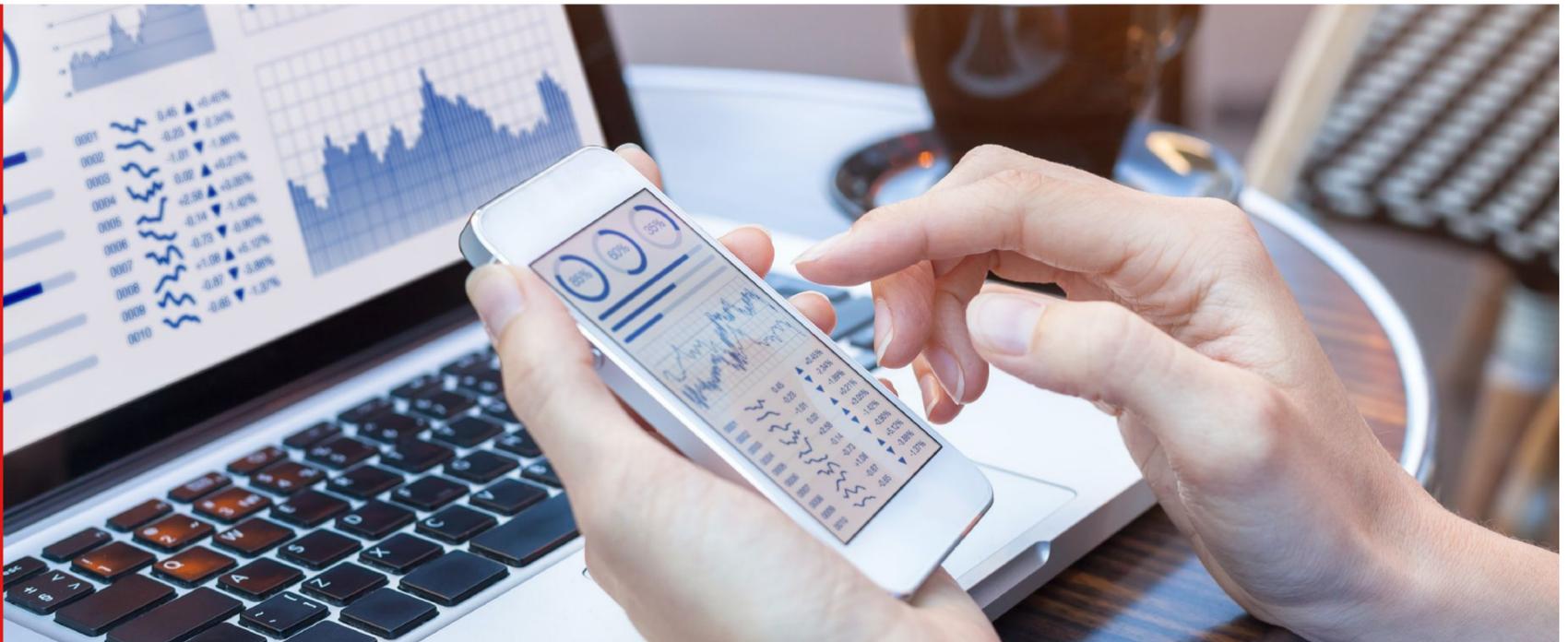


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<sup>4</sup> <https://www.forbes.com/sites/simonchandler/2020/03/30/coronavirus-drives-72-rise-in-use-of-fintech-apps/#ae24acc66ed2>; <https://www.devere-group.com/news/Coronavirus-lockdown-Massive-surge-in-the-use-of-fintech-apps.aspx>

<sup>5</sup> [https://www.altfi.com/article/6386\\_finance-apps-see-20-coronavirus-surge-with-paypal-monzo-and-barclays-taking-the-lead](https://www.altfi.com/article/6386_finance-apps-see-20-coronavirus-surge-with-paypal-monzo-and-barclays-taking-the-lead)

<sup>6</sup> <https://www.businessinsider.com/fintech-startups-set-for-covid-19-boom-as-lockdown-forces-finances-online-2020-4>



Although the use of digital currencies by governments to tackle economic crises is still under discussion, the advantages they could offer over traditional currencies are becoming more apparent. As noted by the UK's Bank of England (BOE) in March 2020, digital currencies would “theoretically widen the policy options available”<sup>7</sup> by allowing central banks to implement negative interest rates, thereby encouraging banks to lend more freely, without leading to cash hoarding behavior. More critically, however, the speed at which digital currencies can be transferred, through digital ledger technology, would enable governments to provide liquidity to vulnerable groups much faster than using traditional forms of money. Recent economic aid provided by some governments to households affected by the coronavirus have been issued through mailed paper checks which could take weeks to reach individuals. Additionally, traditional money largely requires the use of intermediaries such as banks to transmit payments, thus preventing the ‘unbanked’ from accessing financial services or, during times of economic crises, financial aid. Financial technologies such as crypto-assets and digital ledger technologies provide people with alternative ways of making transactions that are faster and cheaper than traditional money and, in some cases, more inclusive.

<sup>7</sup> <https://www.forbes.com/sites/lawrencewintermeyer/2020/03/30/covid-19-economic-stimulus-get-money-to-people-faster-with-digital-dollars/#186c431431fc>, <https://ftalphaville.ft.com/2020/03/12/1584053069000/Digital-stimulus/>

# OPPORTUNITY

This is an important opportunity for private sector entities to accelerate the digitization of financial services and for public sector entities to explore the use of digital currencies. The central banks of the UAE and Saudi Arabia already have a pilot program to develop a shared digital currency for cross-border bank transactions, launched in 2019. The aim is to drive the transformation of the remittance industry and build investor trust in cryptocurrencies. The proposed currency will rely on the use of a blockchain database between the two central banks - the Saudi Monetary Authority and the UAE Central Bank - and participating retail banks. It will aim to “safeguard customer interests, set technology standards and assess cybersecurity risks” as well as to “determine the impact of a central currency on monetary policies”.<sup>8</sup> Other forward-looking governments that have trialed central bank digital currencies include Sweden, Singapore and Canada.

<sup>8</sup> Emirates News Agency Press Release 19 January 2019 Saudi-Emirati powerhouse announces 7 joint initiatives in vital sectors <http://wam.ae/en/details/1395302733616>

# LOOKING AHEAD

## Short term insights ●----- (during the COVID-19 outbreak)

Given that people cannot physically visit banks due to the precautionary measures taken to tackle COVID-19, easing their access to digital services will be critical. Banks and other financial intermediaries should be incentivized to augment their digital platforms and reduce the costs associated with online banking for consumers. Such costs should be streamlined, or entirely removed where possible, to allow the advantages of financial technology - increased speed, reduced cost - to start to translate into market-wide efficiencies and ease financial stress.

