DEC 08

Jenna McNamee

Major US banks make job cuts in preparation for an economic downturn

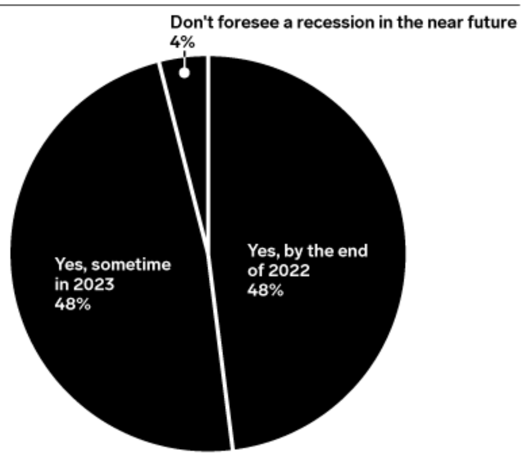
Article

The news: Major US banks are gearing up for a holiday culling as they dampen their outlook for 2023.

Execs see grim start to the year: Bank executives are beginning to unanimously warn of a mild to potentially severe recession in 2023 as inflation continues to weigh on consumers.

- **JPMorgan** CEO Jamie Dimon pointed to slowing consumer spending as a reason for the weakening economy, and said that a pause after hiking interest rates to 5% might not be enough to curb inflation.
- **Bank of America** CEO Brian Moynihan said the bank expects the US economy to contract in H1 2023, albeit just slightly.
- **Goldman Sachs'** David Solomon said the bank's consumers are behaving cautiously as economic growth slows.

Do US Banking Executives Believe There Will Be a Recession?
% of respondents, June 2022



Source: IntraFi, "Bank Executive Business Outlook Survey Q2 2022," July 25, 2022
277212 InsiderIntelligence.com

Changes to the workforce: Goldman's Solomon also made comments regarding the tight job market, but banks seem to be following in the footsteps of the massive tech layoffs over the past few months.

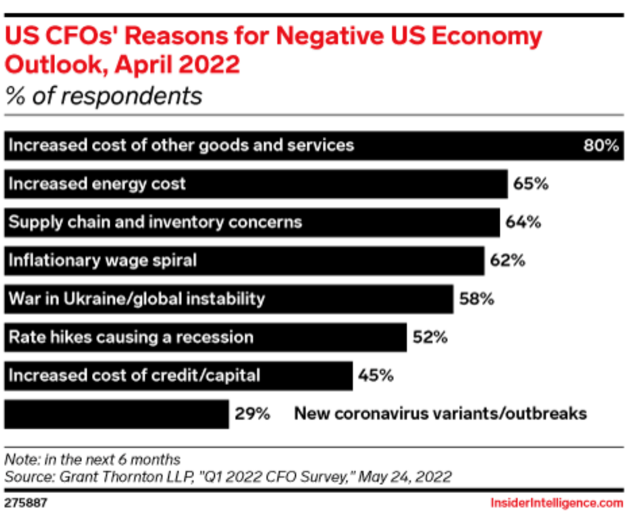
- Despite Solomon's remarks, Goldman hinted at cuts in some business areas in preparation for the potential economic recession. The bank already cut hundreds of jobs in September.
- **Morgan Stanley** just revealed that it cut 2% of its global workforce, or about 1,600 employees.
- **Bank of America** is taking a different approach and will rely on organic turnover. As employees voluntarily leave, the bank will only backfill positions for pressing business needs. eFinancial Careers reports that banks naturally experience about 8% front office turnover annually.

- Asset managers are also feeling the squeeze. **BlackRock** announced that it has implemented a hiring freeze.

Tech and bank jobs intertwine: As large tech companies and major banks reduce their headcounts, there are a few things to keep an eye on in 2023.

- **Banks can take advantage of the tech layoffs:** Solomon's comment on the tight job market could refer to the type of talent that banks are looking to bring on. As banks continue along their digital transformation journeys, they're looking for employees that can enable new kinds of digital growth. Discouraged tech employees could find some stability at banks.
- **Some digital banks could buck the trend:** Digital banks teeter on the line between a tech company and a bank, so they could also tap into talent that's been cut from tech companies. For example, UK digital challenger Zopa said it will continue to hire for the foreseeable future and even vowed to raise its minimum salaries by at least 20%.

The big takeaway: As Q3 ended, banks were beginning to predict an economic downturn in the beginning of 2023, but their outlooks remained relatively positive. Now, banks are firming up their position on a downturn and potential recession and are making more marked preparations. But economic uncertainty will continue. Though inflation is putting pressure on consumers, unemployment levels overall remain low. Tech job cuts indicate that Big Tech doesn't have a limitless supply of funds after all. And bank layoffs might be part of a shift to new talent that will better prepare banks for a digital future.



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