Britain's big banks play catch up with fintech with new apps

REUTERS, *London*

BRITISH retail banks are poised to introduce money management apps to compete with those already launched by financial technology start-ups, betting their trusted brands, broad client base and deep pockets will help them make up lost ground.

HSBC, Lloyds Banking Group and the Royal Bank of Scotland are at various stages of producing cutting-edge apps that will allow customers to pull data from different accounts, even those at rival lenders, on their mobile devices and home computers.

They are playing a serious game of catch-up. Numerous fintech firms and digital banks like Monzo and Money Dashboard already offer the kinds of apps the banks are building, winning fans among the young and tech-savvy.

The user base for Monzo's app, which analyses and categorises spending habits, sends budgeting nudges and allows users to freeze and unfreeze cards at the click of a button, soared by 300 percent to 450,000 in nine months last year.

After years spent rebuilding balance sheets and managing regulatory change after the 2008 financial crisis, technology is now at the top of the banks' agenda, said Edward Firth, managing director for UK banks at brokerage Keefe, Bruyette & Woods.

"This is all they're talking about," he said. The drive has been turbo-charged by new "open banking" regulations requiring Britain's nine biggest banks to share data so that customers can access their financial information across providers in an aggregated format and make it easier to compare services as well as change banks.

The rules were supposed to be implemented on Jan. 13 but six of the banks, including Barclays and HSBC, have asked for more time to ensure the data is secure.

The changes will now start for the majority of customers in March, although some banks have been allowed to delay until next year for certain segments of their customer bases.

Jeremy Light, managing director of Accenture Payment Services for Europe, Africa and Latin America, said the changes will spark a competitive technology race in which aggregator apps will be the "bare minimum".

"You will have to have them, because if you don't you're out of the game," Light said. "It's really all of the other services that you then start offering."

Monzo, Starling Bank and Revolut have already opened a "marketplace" within their apps where users can shop around for and sign up to other products and services from fintech firms, banks or even energy and insurance companies.

HSBC is the only major lender to show an interest in this kind of service so far, teaming up with fintech firm Bud to trial a money management and marketplace app with users on its First Direct brand.

Big banks have the advantages of scale, name recognition and funding power, Accenture's Light said.

Lloyds, which had 13.5 million users of its online and mobile offerings in 2017, plans to unveil a new app with "full open banking capability", Chief Executive Antonio Horta-Osorio said at the bank's annual results announcement on Feb. 21.

He did not give a date for the launch, but a source familiar with the matter had previously told Reuters it was expected sometime this year.

Horta-Osorio also unveiled a 3 billion pound investment programme focused mainly on digitisation and staff over three years. HSBC's app, dubbed HSBC Beta in the pilot stage, aggregates data from users' current accounts, loans and savings, calculating their disposable income each month and sending nudges like Monzo's app.

The app will launch to existing clients "imminently", said Raman Bhatia, head of digital at the lender for the UK and Europe, and will eventually be available to other banks' customers too.

HSBC has earmarked $2 billion for investments in and 3,000 people working on digital technology globally, with Britain taking a large share of the funding and around a third of the workforce, he said.

Tom Moore, a 30-year-old graphic designer, is taking part in a trial of the HSBC app and told Reuters via Facebook that although there are some features he would like to change, he would trust such products from HSBC above others.

"The benefit of this being done by HSBC, rather than some mysterious company nobody has ever heard of, is definitely in their (the bank's) favour," he said.

RBS will launch its account aggregator app some time in 2018 but tests with customers have already started, Jane Howard, managing director of personal banking at RBS, told Reuters.

Barclays said it was too soon to talk about its plans. Light said smaller firms tended to be able to deliver slick technology faster and more effectively than big rivals who have to contend with vast user bases and complex legacy technology.

Nikolay Storonsky, founder & CEO at Revolut, which claims more than one million customers across Europe, says he isn't worried, "no matter how much funding the big banks have".

"They may copy some of our savings products 12 months after we've launched them, but by that time we have three or four other features in this area and we're moving onto the next big thing," he said in an email.

"To keep younger customers excited and loyal, they will need to focus on reducing red tape, attracting top developers and begin innovating, not copying."

REUTERS/FILE

Office blocks of Citi, Barclays and HSBC banks are seen in the Canary Wharf financial district in London.

Oil steady

REUTERS, *London*

Oil steadied around its highest prices in three weeks on Monday, supported by comments from Saudi Arabia that it would continue to curb shipments in line with the Opec-led effort to cut global supplies.

Brent crude was last down 8 cents on the day at $67.23 a barrel at 1005 GMT, after having risen almost 4 percent last week in its largest weekly gain since late October.

US West Texas Intermediate crude for April delivery eased 5 cents to $63.50 a barrel after rising 3 percent last week. Both contracts earlier rose to their highest since Feb. 7.

A cold snap across Europe has encouraged some refiners to delay maintenance, which could support demand and help to put an end to a mild bout of profit-taking, analysts said.

"There is a bit of a bearish twinge to everything ... but we believe in the second half (of the year), you'll see demand pull the market back up again," Natixis oil analyst Joel Hancock said.

"Our view is demand will be strong enough, but we don't see a big breakout. $60 to 70 is the range we're seeing for this year."

Prices did draw some support from Saudi Arabian oil minister Khalid al-Falih, who on Saturday said the country's crude production in January-March would be well below output caps, with exports averaging less than 7 million barrels per day.

Saudi Arabia hopes Opec and its allies will be able to relax production curbs next year and create a permanent framework to stabilize oil markets after the current agreement on supply cuts ends this year, Falih said.

"A study is taking place and once we know exactly what balancing the market will entail, we will announce what is the next step. The next step may be easing of the production constraints," he told reporters in New Delhi.

"My estimation is that it will happen sometime in 2019. But we don't know when and we don't know how".

US energy companies last week added one oil rig, the fifth weekly increase in a row, bringing the total count up to 799, the highest since April 2015, Baker Hughes energy services firm said on Friday.

Hedge funds and money managers upped their bullish wagers on US crude oil for the first time in four weeks, data showed on Friday.

A powerful 7.5-magnitude earthquake struck Papua New Guinea's Southern Highlands province early on Monday, the US Geological Survey (USGS) said, prompting oil and gas companies to immediately suspend operations in the energy-rich interior.

Meanwhile, Libya's National Oil Corp said on Saturday it had declared force majeure on the 70,000 bpd El Feel oilfield after a protest by guards closed the field.

Lagarde urges Indonesia to boost growth rate to absorb workers

REUTERS

IMF Chief Christine Lagarde and Indonesian President Joko Widodo chat during a visit to the Tanah Abang market in Jakarta, Indonesia yesterday.

REUTERS, *Jakarta*

INTERNATIONAL Monetary Fund Managing Director Christine Lagarde on Monday called on Indonesia to boost its potential growth rate and channel revenues to more development spending to help create jobs for its growing labor force.

After meeting with President Joko Widodo at the start of a week-long trip to Indonesia, Lagarde praised the country's economic management and stronger policies.

"Indonesia's economy continues to prove resilient with a sound economic performance and favorable outlook," she said in a statement issued after the meeting.

But in recent years, Indonesia has struggled to get its growth rate to exceed 5 percent, well below the pace of China and India, amid tepid consumer demand and foreign direct investment.

GDP growth failed to meet the government's 5.2 percent budget target last year and the IMF is forecasting that Indonesia, Southeast Asia's largest economy, will grow by 5.3 percent in 2018.

Lagarde said she and Widodo discussed the importance of achieving higher potential growth to help create jobs, adding "This requires mobilizing revenues to finance development spending and support reforms in the product, labor and financial markets."

In its recent annual review of Indonesia's policies, the Fund said the government should focus on financing infrastructure with domestic revenue in order to avoid a build-up of external debt.

Lagarde, whose visit comes two decades after a painful IMF bail-out imposed harsh austerity on Indonesia, praised the country's greatly expanded health care system during a hospital visit.

Widodo also took her shopping at a crowded Jakarta textiles market, along with Indonesian Finance Minister Sri Mulyani Indrawati.

The IMF chief on Tuesday will participate in an economic conference , featuring central bankers and other officials from ASEAN countries, focused on new growth models and adjusting to rapidly changing technologies.

She also plans to visit the city of Yogyakarta in Java and the island of Bali, where the IMF will hold its annual meetings in October.

Germany watchful of Chinese investment in Daimler

AFP, *Frankfurt Am Main*

Germany will be "especially watchful" over a new major investor in Mercedes-Benz maker Daimler, a minister said Monday, in the latest sign of European disquiet over Chinese influence over business.

"We must keep an especially watchful eye" on auto billionaire Li Shufu's investment, Economy Minister Brigitte Zypries told the Stuttgarter Zeitung.

Daimler confirmed Friday that Li bought a 9.69-percent stake in the Stuttgart firm worth around 7.2 billion euros ($8.9 billion), making him its weightiest investor.

Industry analysts suggest having a new, more active major investor may irk executives at first, but could ultimately invigorate Daimler's transition towards more battery-electric and hybrid cars and internet-connected driving.

But worker representatives on Daimler's board said they too would scrutinise Li's plans, looking to defend factory sites and jobs in Germany.

"We expect of Li that he should have a long-term interest in Daimler and want to develop our company further, in cooperation with the workers," they said in a statement.

Some politicians see the investment in a broader context of Chinese cash winding around the sinews of the European economy.

The distrust is all the greater as EU nations are more open to investment from abroad than Beijing allows on its territory.

Indian GDP grows fastest in a year in October-December

REUTERS/FILE

Workers make pipes used for drilling, at a factory in an industrial area in Mumbai.

REUTERS, *Bengaluru*

INDIA'S economy likely grew at its fastest pace in a year in the October-December quarter as consumers, businesses and the government stepped up spending, a Reuters poll predicted.

This suggests that disruptions from a shock ban on high-value currency notes in November 2016 and the chaotic launch of a goods and services tax (GST) in July are fading.

Gross domestic product grew 6.9 percent in the October-December quarter from a year earlier, according to the poll of more than 35 economists, taken over the past week. If the data, due at 1200 GMT on Feb. 28, matches the consensus, the quarter will have the best growth rate in 2017.

In July-September, the economy grew 6.3 percent annually, a return to a faster growth trajectory after five consecutive quarters of slowdown.

In the latest quarter, "government spending was stronger and private consumption demand was robust as well, as seen in strong growth in auto sales," said Abhishek Upadhyay, economist at ICICI Securities PD.

"Recent buoyancy in indicators such as cement output also points to recovery in segments such as construction, and real estate that were hit most from demonetization."

Still, growth in the world's seventh largest economy is far from the near-double digits pace recorded during the years before the financial crisis.

What has also weighed on the economy is exports, which took a hit last year from an appreciating rupee, which strengthened 6.5 percent against the dollar in 2017.

While down around 1 percent this year, the rupee is not expected to weaken significantly, according to a separate Reuters poll of foreign exchange strategists.

Economists in the latest poll were also concerned about the increase in non-performing assets of state-run banks, and said if they are not handled effectively it would hurt economic activity.

Adding to those worries, the second biggest state lender, Punjab National Bank this month revealed a loan fraud that's the biggest in India's banking history.

The fraud has cast a shadow over the workings of state-run lenders, already reeling from accumulated bad loans accumulated that are higher than those of banks in most major economies.

While stress on bank balance sheets is a drag and the clean-up exercise "may still take time", it's likely that economic growth should get better, Upadhyay said.