FNB Media Release

Keep the wheels turning

23 July 2020, Johannesburg: Following the South African Reserve Bank’s (SARB) decision to cut its lending rate by 0.25%, FNB will be reducing its prime lending rate to 7% from 7.25% with effect from Friday 24 July.

FNB CEO Jacques Celliers says that, “The recent FNB/BER Consumer Confidence Index revealed an alarming but understandable slump in confidence, which has not been seen since 1985. Post the Covid-19 crisis, we hope for a robust recovery in confidence relative to present levels. At this time, savings become an extremely important safety net for both households and businesses. With careful budgeting and prioritising of cash reserves, this can be achieved.”

“While today’s rate cut reflects the Reserve Bank’s ongoing efforts to support the economy, businesses both small and large who have operated under immense difficulty since March are critically important. Too little is said in gratitude of their struggle to keep the lights on. They are the life-blood of our economy and every effort must be made to support them during this difficult time,” says Mr Celliers.

Mamello Matokinca-Ngwenya, FNB Chief Economist explains that, “High frequency data continues to show the large economic impact of the pandemic and signals a sharp contraction in output this year. Unfortunately, this will mean income losses for households and businesses alike. The ensuing demand shocks suggest that inflation will likely remain low throughout the forecast horizon. We expect inflation to test the lower bound of the target band and average around 3% this year.”

“We however do not rule out the possibility of inflation breaching the 3% target if, for example, pressure in the housing market intensifies by more than what we currently pencil in (i.e. if rental inflation dips below our current assumption of 0%). While the local currency remains relatively weak, the exchange rate pass-through to inflation, on the other hand, remains subdued. This is mainly due to the very low levels of demand, and in turn, suggests a low exchange rate-induced inflation risk. These factors (deeper-than-expected GDP contraction and benign inflation outlook), combined with easier global monetary policy conditions, have created further space for policy easing by the SARB,” concludes Matokinca-Ngwenya.