FNB Media Release
Rate cut reflects risks to economy

19 March 2020, Johannesburg: Following the South African Reserve Bank’s (SARB) decision to cut its lending rate by 1%, FNB confirms that it will reduce its prime lending rate to 8.75% with effect from Friday 20 March 2020.

FNB CEO Jacques Celliers says, “As we find ourselves in the midst of world-wide health and financial turmoil, the Reserve Bank has taken a bold step to lower borrowing costs while keeping an eye on risks to our economy. Domestically we are faced with slow growth, faltering business confidence and the possibility of a ratings downgrade. At the same time our economy is swept along by external forces such as the real fear that the COVID-19 concerns are curtailing both domestic and international growth.”

“At times like these it is all too easy to be overwhelmed by the magnitude of these concurrent events or to make rash decisions. As we have seen in past times of turmoil the best course of action is to redouble our attention to the well-being of our families, customers, workforce and business,” adds Mr Celliers.

The Bank says today’s rate cut along with measures introduced in the Budget Speech last month such as reduced transfer duties on home purchases will assist consumers. It continues to urge consumers to avoid taking on debt to cover consumption and recommends that customers maximise eBucks rewards to stretch their budgets.

FNB Chief Economist, Mamello Matikinca-Ngwenya says, “Today’s decision to cut the repo rate is in line with efforts globally to address the negative demand implications of the virus. Risks of an even deeper global recession have risen materially, and the recovery will likely be prolonged as the lagged impact of supply disruptions combined with a contraction in demand for services due to containment measures may persist for several months.”

“Domestically, the economy will likely weaken further. This combined with already weak domestic demand and continued electricity shortages, points to a prolonged recession; there
will possibly be another two consecutive quarters of negative real GDP growth in 1H20. The inflation implications of currency weakness should, however, be outweighed by significantly weak domestic spending conditions that prohibit companies from sharply raising selling prices. While policy easing is not a solution to the effects of the virus, it should help to some degree to boost demand and ensure financial stability,” she concludes.

ENDS

Consumer Information

FNB empowers customers with navMoney, a personalised money management tool that helps customers track their spend, credit status and monitor assets and liabilities. FNB navMoney helps customers navigate their lives to attain financial fitness by making sound financial decisions. Customers can access navMoney on the FNB Banking App or [www.fnb.co.za](http://www.fnb.co.za)

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