FNB Media Release

Rate cut to lower debt servicing costs for credit active customers, says FNB

21 May 2020, Johannesburg: Following the South African Reserve Bank’s (SARB) decision earlier today to cut its lending rate by a further 50 basis points, FNB confirms that it will reduce its prime lending rate to 7.25% from 7.75% with effect from 22nd May 2020.

FNB CEO Jacques Celliers says that, “The rate cut is another indication of the SARB’s commitment to protect our economy and help credit active customers to reduce debt servicing costs. As part of industry, we continue to help our customers through cashflow relief measures and since 1 April, we have offered individuals and businesses close to R6 billion worth of relief in nearly 700 000 agreements. As Government moves into a risk-adjusted lockdown, we are also encouraged to see certain sectors beginning to regain some economic activity while more consumers are engaging in e-commerce. These are encouraging trends but there is more to be done to minimise the impact of COVID-19 on our economy and people.”

Mamello Matikinca-Ngwenya, FNB Chief Economist explains that, “The large economic impact of the pandemic and the deep global recession will result in 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 3% this year. We 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%).

“We also note that the local currency has depreciated substantially and will, in our view, remain relatively weak for the remainder of this year. Nevertheless, the exchange rate pass-through to inflation should remain relatively subdued, mainly due to the low demand levels. This means minimal upward pressure on inflation due to currency weakness. These factors (deeper-than-expected GDP contraction and benign inflation outlook), combined with the zero policy rates in
developed markets, have created further space for policy easing by the SARB,” concludes Matikinca-Ngwenya.

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Notes to the editor:

More information on COVID-19 Cashflow relief for FNB customers

FNB customers can apply for the Bank’s COVID-19 Cashflow Relief solutions via the FNB App, FNB.mobias as well as through Cellphone Banking, FNB Contact Centre and operating FNB branches. Cashflow Relief is available to customers who were in good standing as at 29 February 2020 and will be available from 1 April until 30 June 2020.

FNB Cashflow relief measures include:
• Instalment cashflow relief;
• A preferential interest rate on relief granted;
• Assistance with processing credit insurance claims where possible;
• Individualised bridge facilities for those who need it.

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