Distinct signs of economic revival but full recovery will take some time, says FNB

17 September 2020, Johannesburg: Following the South African Reserve Bank’s decision earlier today to keep interest rates at their previous level, FNB confirms that it will maintain its prime lending rate at 7% and will review its position following the next SARB MPC meeting.

Says FNB CEO Jacques Celliers, “We are seeing a steady recovery in economic activity as restrictions are slowly being lifted. However, this is relative to the extremely constrained conditions that consumers and businesses experienced earlier in the lockdown period. Income recovery among some of our individual customers has rebounded to pre-lockdown levels while merchant transactions in businesses have recovered to above 90% compared to February this year. This is exciting news for the economy but there is plenty of hard work required to revive real economic growth.”

“While the path back to growth may be longer than expected, we have also found that the new normal has accelerated the shift towards digital adoption. This positive development will allow greater efficiencies for consumers and businesses under the most difficult of conditions. We are pleased to be ahead of the curve in our commitment to provide a trusted digital financial services platform that customers can rely on in challenging and prosperous times,” says Mr Celliers.

FNB Chief Economist, Mamello Matikinca-Ngwenya says that, “While in line with our expectations the decision to keep rates on hold was indeed a close call. The magnitude of rates cuts since January (300 basis points) have been notable and have offered relief to consumers. We have seen an improvement in credit extension and a notable rebound in retail sales to date. We, nonetheless, continue to believe that there is scope for another 25 basis points of cuts before year-end.

This view hinges on the inflation outcome, if inflation surprises materially to the downside monetary policy could be eased further, but at the same time the risk of there being no further cuts should also not be completely ignored given the scale of the easing to date. The growth outlook will be another important consideration, the first quarter growth outlook was disappointing, while there are signs of a notable rebound in the quarter persistent load-shedding may have dampened the improvement,” concludes Matikinca-Ngwenya.
FNB Media Release

ENDS

Note to editors

FNB remains committed to supporting customers to minimise the financial impact of COVID-19. Individual and Business customers who are in financial difficulty are assisted on individual merits. Furthermore, applications for the Government Guarantee COVID-19 Loan Scheme remain open for businesses to apply for relief.

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