22 July 2021, Johannesburg: Following the South African Reserve Bank’s (SARB) decision to keep its benchmark rate unchanged, FNB will maintain its prime lending rate at 7% and will review its position after the next SARB MPC meeting in September 2021.

Jacques Celliers, FNB CEO says: “The SARB continues to adopt a prudent approach to balance monetary policy imperatives with support for our fragile economy. We welcome the SARB’s decision to keep rates unchanged as it allows consumers and businesses temporarily relief to assess the impact of recent events on their finances.

In the wake of recent unrests in provincial economic hubs of KwaZulu-Natal and Gauteng, and level 4 lockdown, efforts to restore confidence in our economy have to be multiplied with utmost urgency. As a corporate citizen with 183 years of collaborating within our society, we’re already working with our employees, customers and other stakeholders to rebuild and reinstate our services in the affected areas,” adds Celliers.

Mamello Matikinca-Ngwenya, FNB Chief Economist says, “The MPC’s decision to keep the repo rate steady at 3.50% was in line with our and the market’s expectations. In the previous MPC meeting, the Quarterly Projection Model (QPM) projected a 50bps hike in 2021, which may still happen during the September and November meetings. Our view is that while the MPC has given guidance that interest rates will start rising, it will remain aware of the prevalent cyclical economic weakness and the need to provide as much monetary policy accommodation as possible, for as long as they can.

The pandemic has rattled the economy and the impacts should linger, with GDP only reaching 2019 levels in 2023. In addition, resurgent waves of Covid-19 infections and related lockdown restrictions pose a risk of slowing the recovery. While a cyclical recovery is expected, it will be uneven and industries such as hospitality remain vulnerable and may have experienced permanent business and job losses. The labour market was worse off by 1.4 million jobs at the start of 2021, and the official unemployment rate stood at 32.6%, the highest level since 1994. Incomes are 1.9% below their pre-pandemic levels, which will also affect consumer confidence.”
“Consumer inflation is largely pushed up by base effects from the 2020 low base, as well as rising fuel, food and electricity prices, all of which are considered supply-side inflation that the central bank should look through. Core inflation remains muted, close to the bottom of the SARB’s 3% to 6% inflation target range, supported by weak demand (a negative output gap); weak housing inflation; and slow wage growth given low inflation expectations – current year inflation expectations were 3.9% in the BER’s 1Q21 survey. We expect headline inflation to average 4.2% this year and around 4.5% over the medium-term horizon. As such, slow demand-pull inflation should support a gradual and shallow rate hiking cycle,” concludes Matikinca-Ngwenya.

ENDS

Notes to the editor:
FNB customers have access to nav>> suite of services for support in areas including property, vehicle, money, and other day-to-day matters:

- nav>>Home makes it possible to view properties, get valuations on existing properties and apply for finance, and it connects local small, medium-sized and microenterprises and pre-vetted tradesmen with homeowners for safe, trusted, and seamless service and payments.
- nav>>Car lets users pay traffic fines and renew their vehicle licence discs from within the app.
- nav>>Money lets customers track their spending, compile budgets, and check their credit scores. Over 2 million customers use the nav>>Money functionality.

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