27 January 2022 - Following the South African Reserve Bank’s (SARB’s) decision to raise its repo rate by 0.25%, FNB will lift its prime lending rate by 0.25% with effect from Friday 28 January 2022.

FNB CEO Jacques Celliers says, "The SARB's decision to adjust rates is a sign of recovery in the underlying economic activity. The mitigation of inflationary pressure by normalising interest rates provides South Africa with a path to transition from the emergency measures implemented over the last two years. Furthermore, normal operating conditions will be conducive to broad-based economic recovery that will also benefit sectors that are disproportionately impacted by the pandemic. Our country needs to take deliberate steps towards full recovery after two years of remarkable resilience. We're certainly encouraged by the enthusiasm of our retail and commercial clients to unlock growth opportunities."

FNB Chief Economist, Mamello Matikinca-Ngwenya says, "The decision by the Reserve Bank to increase the repo rate by 25bps was in line with our and consensus expectations. Certainly, recent inflation outcomes and inflationary risks on the horizon justify a gradual hiking cycle that should ensure persistently anchored inflation expectations around the Bank's preferred 4.5% midpoint while concurrently not choking the ongoing fragile cyclical economic recovery. With the economy generally expected to revert to the pre-pandemic 4Q19 level in the near-term and expectations of modest global monetary policy tightening, the SARB could adjust interest rates faster to prevent the de-anchorment of inflation expectations, which would be costly to the economy over time.

Nevertheless, in this hiking cycle, we expect the Reserve Bank to proceed with caution amid the significant slack in the labour market. We are pencilling in two more 25bps hikes in the 1H22, which would put the repo rate at 4.50% by the end of 2022. The risks are biased towards more hikes than we currently expect amid several inflationary risk factors that could keep inflation uncomfortably close to the 6% upper band of the 3-6% inflation target range," 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, renew their vehicle licence discs and offers a new peer-to-peer marketplace to list a vehicle in minutes and get an instant value estimate via the FNB App.

- **nav>>Money** lets customers track their spending, compile budgets, and check their credit scores and net worth.

For more information contact: fnbmedia@fnb.co.za