FirstRand bank warns of local issues, govt's Russia ties

By Promit Mukherjee

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Africa's biggest bank by market capitalisation FirstRand Ltd said on Thursday, 2 March that local issues such as frequent blackouts, clogged ports and South Africa's close ties with Russia could hurt local lenders.

Source: Reuters.

South African banks, some of the biggest on the continent, had a good run last year on the back of increasing interest rates.

But with the country in the throes of a power supply crisis, other factors such as inefficient rail and port infrastructure and high unemployment could hurt local lenders, FirstRand chief executive Alan Pullinger said.

"Demand is not the thing that worries us in South Africa, it's the supply. We are producing less and less electricity, we are getting less and less containers on the rail network ... we're getting less through the ports."

Struggling state utility Eskom has been implementing rolling blackouts of up to 10 hours a day hurting businesses and households alike.

State-owned company Transnet, a monopoly, has been unable to meet demand for freight trains to transport iron ore and coal shaving off a big chunk of profits of mining companies.

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Pullinger also noted the government's close ties with Russia, saying it could be "catastrophic" for the banks if the country is sanctioned.

South Africa says it maintains a neutral stance and has refrained from denouncing Russia's invasion of Ukraine. South Africa also recently hosted Russia and China for a military drill off its east coast.

"Our country benefits far more from trade with and investment from the bloc comprising US, UK and Europe," Pullinger said.

"FirstRand does not share our government's enthusiasm for Russia."

For the six months ended 31 December, the company posted a 15% rise in its headline earnings per share, a profit measure, to 322.7 South African cents.

FirstRand declared a dividend of 189 cents per share and posted a return on equity, a key measure of bank profitability, of 21.8%.