

Higher interest rates a drag on Old Mutual

Old Mutual Ltd said on Wednesday, 27 September, that benefits from higher interest rates were somewhat offset by their impact on customers, and it expects persistent pressure from tightening monetary policy to only stabilise in 2024.



Source: Reuters.

The country's largest life insurer was able to achieve a better return on shareholder capital as a result of higher interest rates, Old Mutual chief executive officer Iain Williamson said in an interview, but economic policy pressures weighed on consumers.

"That's largely a function of the economy, inflation rates, etc., and that has had a really significant negative impact, so it's hard to categorically say whether one outweighs the other but my intuition is that it's a net negative," he added.

Like other South African insurers in the biggest and the most advanced insurance market on the continent, Old Mutual typically benefits from a higher interest rate environment as it leads to better returns on investment of premiums collected from clients.

The company also saw increased disinvestments on savings and investments as customers opted to fund their liquidity needs, Williamson said in a statement earlier in the day.

The South African Reserve Bank left the country's main interest rate unchanged for a second straight time at its policy

meeting in September after 10 consecutive hikes in an effort to tame the country's soaring inflation.

"While we're through really tough [times]... it's only going to get easier probably into next year," Williamson said.

On Wednesday, Old Mutual posted an 8% fall in half-year profit and declared an interim dividend of 32 cents per share, up from 25 cents one year earlier.

Its shares were last down about 0.9%.

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