

Banking, Finance and Insurance

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BANKING IN SHORT

In Banking news this morning, South Africa's trade surplus balance swung unexpectedly back into the black with a surplus of R3.7 billion last months, and imports plunged; there is a move towards greater pricing realism in the residential property market despite more sellers having to drop their asking price to conclude a sale, according to FNB; demand for credit by South Africa's private sector fell by 0.76% year-on-year in December after a contraction of 1.59% in November, central bank data showed on Friday; and data on the South African government's revenue and expenditure, released by the National Treasury on Friday, suggest VAT collections in the fiscal year, which ends next month, are "likely to surpass the October estimate of R138 billion by R8 billion to R10 billion".

NEWS REVIEWS

NATIONAL ECONOMY

Rand and dollar report

The rand firmed a fraction in the afternoon session on Friday amid a US gross domestic (GDP) figure that was well above market expectations. At 15:39 the rand was bid at R7.549 to the dollar from R7.600. It was bid at R10.546 to the euro from R10.604 and was at R12.122 against the sterling from R12.251. The euro was bid at \$1.394 from \$1.396.

BUSINESS DAY (National), Companies & Markets

'Strong SA showing at Davos'

South Africa has exceptionally strong representation at this year's World Economic Forum in Davos, Switzerland. The contingent is marketing South Africa not only for the World Cup Soccer tournament, but also for the good opportunities for investment growth in Africa, says Geoffrey Qhena, Chief Executive of the Industrial Development Corporation (IDC). From Davos he told Sake24.com that Africa currently offers better growth opportunities than do China and India. Qhena, who on Thursday attended a panel discussion on international energy prospects, said South Africa will have to invest more in clean and renewable energy in the light of diminishing oil reserves.

FIN24.CO.ZA - FINWEEK

SA still in anti-credit mode

Demand for credit by South Africa's private sector fell by 0.76% year-on-year in December after a contraction of 1.59% in November, Central Bank data showed on Friday. During the same period, growth in the broadly defined M3 measure of money supply quickened to 1.62% compared with 0.58% year-on-year growth in November. A Reuters poll forecast that private sector credit demand would decrease by 0.51% year-on-year, while annual M3 growth was seen at 1.31%.

FIN24.CO.ZA - FINWEEK

How to avoid medical aid woes

The news that South Africa's second-largest open medical scheme has been placed under curatorship has been a rude wake-up call for many. The Council for Medical Schemes (CMS) said alleged mismanagement and "corporate governance issues" persuaded it to push for putting the 27-year old Bonitas Medical Fund scheme under curatorship. Last year, the CMS published a damning report on corporate governance at Bonitas, citing unauthorised overseas trips, as well as alleged improper relationships with suppliers and subsidiaries. The CMS now wants the board to be replaced. The curatorship apparently has nothing to do with the financial soundness of the scheme.

FIN24.CO.ZA - FINWEEK

US economic growth of 5.7% boosts stocks

The US economy roared back to life with a growth pace of 5.7% in the fourth quarter of last year, sending the JSE on an upward spike in late trade on Friday. The performance was led by brisk business spending to restock inventories and buy new equipment and software. Dawie Roodt, the chief economist at Efficient Group, said that this meant South Africa's economy could well be on the way to recovery. "These figures were better than expected and that economy is benefiting from a huge stimulus package". The US Commerce Department report showed the strongest growth in domestic product in six years.

BUSINESS REPORT (Star)

Tax take is on track, data shows

Collections of VAT made a strong comeback in December, according to Leon Myburgh, Citi's sub-Saharan Africa specialist. Data on the government's revenue and expenditure, released by the National Treasury on Friday, suggest VAT collections in the fiscal year, which ends next month, are "likely to surpass the October estimate of R138 billion by R8 billion to R10 billion," according to Myburgh. The figures relate to the period April to December. The improvement in VAT is a "lead indicator of what to expect in corporate taxes." He added that corporate taxes fell in the period by 18.2%, compared with the same period of 2008.

BUSINESS REPORT (Star)

Households lead corporates in return to banks

As the local economy fights free of recession, corporate rates are more reluctant to borrow than the household sector. Reserve Bank figures on credit extension show credit to corporates continued to fall sharply last year, while households showed tentative signs of borrowing more freely. Stanlib economist Kevin Lings said that there were very few private sector investment projects that needed finance. "Many businesses have spare capacity and are not expanding." Credit to the private sector fell for the third month in a row in December, by 0.76% year-on-year, slightly better than the annual shrinkage of 1.59% the month before.

BUSINESS REPORT (Star)

Surprise as SA notches up surplus

The trade surplus balance swung unexpectedly back into the black with a surplus of R3.7 billion last months, and imports plunged. Markets had predicted a deficit of R800 million after a shortfall of R2.5 billion in November, but the figures are notoriously volatile. Over the whole of last year, the trade deficit shrank 64% to R25.84 billion from a shortfall of R71.63 billion the previous year. Analysts said the improvement reflected the poor state of domestic demand as the economy pulled out of its first recession in 17 years".

BUSINESS DAY (National)

SA's trade balance swings back into black

South Africa's trade balance swung unexpectedly back into the black with a surplus of R3.7 billion last month as imports plunged, official data showed on Friday. Markets had predicted a deficit of R800 million after a shortfall of R2.5 billion in November, but the figures are notoriously volatile, reflecting the timing of shipments. Over the whole of last year, the trade deficit shrank 64% to R25.84 billion from a shortfall of R71.63 billion the previous year, Analysts said that the improvement mainly reflected the poor state if domestic demand as SA's economy pulls out of its first recession in 17 years.

BUSINESS DAY (National)

Treasury bill yields at a low

South African 264-day Treasury Bill yields fell to their lowest this year and received bids for more than nine times the amount sold by the government at an auction on Friday, as bets on a rate cut intensified. Investors bid for R3.24 billion of the 7.5% securities at the fourth weekly auction this year, of which R350 million was available, the Reserve Bank said. Bids for 273-day bills yielding 7.53% reached R4.82 billion, more than six times the R750 million on offer.

BUSINESS DAY (National)

NATIONAL BUSINESS

Investec lifts profit slightly

South African investment bank and asset manager Investec reported a 1% rise in nine-month net operating income on Friday and said it remained uncertain about the pace of an economic recovery. The country's fifth-biggest bank by assets said core loans and advances climbed 7% to R17.4 billion for the nine months to end-December, while defaults and impairments increased in line with expectations. Like its peers, Investec has been hit by rising bad debts as customers struggle to pay back loans in difficult economic conditions. Investec, which is also listed in London, posted lower first-half profit in November, but said impairments at its units had probably peaked.

Business Day, Companies and Markets, covered a similar story which stated that Investec said earnings were flat in the nine months to December last year and it remained uncertain about the pace of economic recovery.

FIN24.CO.ZA - FINWEEK ; BUSINESS DAY (National), Companies & Markets

GENERAL NEWS

Durban to establish committee

Durban is in the process of forming a public accounts committee to monitor finances. The move is in response to the auditor-general's opinion of the City's annual report of the finances and achievements for the past financial year. Mahendra Harkhu, a representative from Auditor-General South Africa, said that a number of issues such as water and electricity losses and irregularities in supply chain management had to be addressed within the municipality.

DAILY NEWS (Deadline)

Reach Out Foundation works with France

The Reach Out Foundation has been working with France, a community on the outskirts of Pietermaritzburg, that is faced with several challenges such as poverty and unemployment, as well as many Aids-orphaned children who are forced to fend for themselves. Liberty Properties recently announced a donation of R2.4 million towards the development of a state-of-the-art community drop-in centre. Grinaker-LTA, Quad Africa, Bentels Associates International, Crane Registered Quantity Surveyors, RDP Consulting Engineers, AKI Consulting, Building Code Consultants and Southern Sun are some of the sponsors of the France drop-in centre.

WITNESS (Pietermaritzburg)

Schism in ANC on Reserve Bank

Apparently contradictory statements indicating deep differences in the ruling African National Congress (ANC) alliance over the nationalisation of the SA Reserve Bank were made at the weekend by two top government figures. Speaking from Davos, in an interview with Business Times, Finance Minister Pravin Gordhan called for an end to speculation about the role and independence of the institution. The Times quoted Gordhan as saying that there was no room for discussion "outside the context of the constitution". Gordhan appeared to warn those questioning the independence of the bank to step-off. He added, "This scepticism about either the independence of our bank or the importance of its role must be dismissed completely".

CITIZEN (Second Edition)

PROPERTY AND HOUSING

Pricing in house market 'more realistic'

There is a move towards greater pricing realism in the residential property market despite more sellers having to drop their asking price to conclude a sale, according to FNB. In the fourth quarter of last year, 89% of sellers had to settle for less than they requested, compared with 83% in the third quarter. John Loos, a property strategist at FNB Home Loans, said last week that this increase was surprising, but he suspected the average drop in the asking price had probably diminished and was not as big as a year ago. Loos said that the average time a house stayed on the market before it was sold declined significantly for the second consecutive quarter to 13 weeks and two days from 16 weeks and four days in the third quarter.

BUSINESS REPORT (Star)

RESTRUCTURING AND APPOINTMENTS

Pityana suspended from Development Bank

The Development Bank of Southern Africa last week suspended human capital and technology executive manager Loyiso Pityana-Ndlovu. While the bank would not divulge details on her suspension, officials denied allegations that she was escorted off the premises. "There is going to be an internal process that will be followed, a statement will be sent out once the process has been finalised," Snowy Khoza, group strategy and communications manager, said yesterday.

BUSINESS DAY (National)

Sanlam appoints senior manager

Sanlam Private Investments said on Friday that it has appointed Jean du Plessis as a senior portfolio manager based in Johannesburg. Du Plessis joined the team on 1 January, bringing with him more than 30 years' of experience.

BUSINESS DAY (National), Companies & Markets

INTERNATIONAL ECONOMY & BUSINESS

Consumer confidence rises in January

Consumer confidence in Britain rose in January, driven by improving optimism over the outlook for the economy and personal finances, a survey by GfK NOP for the European Commission showed on Friday. The overall index from the survey, conducted between 8 - 17 January, increased by two points to -17 this month and stands 20 points higher than the same month last year, with three out of five sub-measures higher than December's scores. "Alongside the news that the economy has just crept out of recession, the return of the CCB to upward movement after two months of falling back will be welcome news for the government," said Nick Moon, Managing Director of GfK NOP social research.

UK.REUTERS.COM

India tightens its grip on Africa

India has stepped up its efforts to gain an economic foothold in Africa in a new scramble with China for the continent's resources, signing energy deals with top oil producers Angola and Nigeria. India has lagged behind China's aggressive courting of African nations to secure rights to energy as well as raw materials. Beijing is using its deep pockets to build roads and railways to win favour across Africa, deploying at least half a million Chinese workers to projects around the continent.

BUSINESS REPORT (National)

Nissan Diesel links with Wesbank

Nissan Diesel South Africa has announced that it has formed an alliance with the vehicle financier Wesbank that is aimed at facilitating access to vehicle finance. The alliance almost a year after Nissan Diesel threatened to cancel its financial partnership with Absa on grounds that the bank had tightened its lending rules at the time when the global financial crisis intensified in 2008 last year. Johan Richards, the new CEO of Nissan Diesel South Africa, said the company's alliance with Wesbank was based on a "service level agreement" at this stage. He said Nissan Diesel would share risk in some of the vehicle finance deals. The alliance which starts operating from today, will primarily focus on SA with a view to expanding into other African countries.

BUSINESS DAY (National); BUSINESS DAY (National), Companies & Markets

EU signals last-resort backing for Greece

The European Union (EU) made clear on Thursday that it would not abandon Greece and let Athens' mounting debt crisis jeopardise the eurozone, even as Germany and France played down suggestions they had already formulated an emergency rescue plan. "It's quite clear that economic policies are not just matter of national concern but European concern," Jose Manuel Barroso European Commission President, told reporters in Brussels. According to high-level EU officials, Greece would in the last resort receive emergency support in an operation involving eurozone governments and the Commission but not the International-Monetary Fund.

FINANCIAL TIMES (London)

JPMorgan takes on HSBC and Citi

JPMorgan Chase is launching a global business aimed at selling loans and commercial banking services to multinational corporations, pitting the US bank against Citigroup and HSBC. The creation of a global corporate banking unit, which has not been announced, will see JPMorgan invest significant resources and hire hundreds of bankers in an effort to win a bigger slice of international business. People close to the situation said that the new business, which will sell products ranging from loans and commodities trading to cash management services, would initially focus on fast-growing economies such as China, India and Brazil.

FINANCIAL TIMES (London)

Goldman Sachs playing a key role

A team from Goldman Sachs was in Athens yesterday shepherding representatives of Paulson, the US hedge fund, around meetings with local bankers, economists and analysts. The client visit, the second to Athens this month arranged by the US investment bank, highlights a deepening involvement with Greece's socialist government as it desperately tries to shore up to the public finances and avoid default. Goldman has not been given an official mandate by the government, but it is playing a large role in the rescue effort.

FINANCIAL TIMES (London)

Bankers warn of more laws in pipeline

Regulators from the world's major developed countries told bankers in Davos at the weekend that greater regulation was on the way, a defensive move aimed at avoiding a repeat of the financial meltdown that dragged most of the world into recession. US legislator Barney Frank said that a bank tax and other tough new measures would be introduced by individual countries, but this would be done in a co-ordinated way to prevent bankers from moving from one place to another to escape regulation. "Lenin might have been able to put socialism in country, but tough bank regulation in one country ain't (sic) going to happen because we will lose people".

BUSINESS REPORT (Star) ; THE TIMES Business Times ; CITIZEN, Citi Business

Bailouts fail to meet key goals

The \$700 billion US government effort to rescue the financial system had failed to meet key goals such as sparking lending and curbing risky activities by banks, a special auditor said yesterday. The special inspector-general for the Troubled Asset Relief Program (Tarp) said in a report to Congress that it was too soon to measure the success of the programme passed at the height of the crisis in October 2008.

BUSINESS REPORT (Star)

Six more US banks seized on Friday

Another six US banks were seized on Friday as regulators continue to close the doors of banks struggling to cope with fallout from the financial crisis. The Federal Deposit Insurance Corp (FDIC) said that First Regional Bank in Los Angeles, Florida Community Bank, First National Bank of Georgia, American Marine Bank in Washington, Marshall Bank in Minnesota and Community Bank and Trust in Georgia, had failed - pushing the total number to 15 banks of banks that have failed this year.

BUSINESS REPORT (Star)

Bankers moot 'super fund' as hedge fund

Some of the world's top bankers attending the World Economic Forum in Davos, Switzerland, have come out in favour of a bank-funded safety net to absorb large failures, help shield markets and rebuild trust in the financial system. The resolution fund, supported publicly by Deutsche Bank CEO Josef Ackermann and Barclays President Bob Diamond, would not be set up by imposing a levy on the global banks.

BUSINESS DAY (National)

Rebound for developing states

Growth in emerging and developing economies is expected to rise to about 6% this year, after a modest 2.1% last year, according to a new World Economic Update released on Friday by the International Monetary Fund. The new projection reflects an upwards revision of 0.9 percentage points.

BUSINESS DAY (National)

Bank-funded safety net needs a balance

A bank-funded safety net to absorb large failures could help shield markets and rebuild trust in the financial system, but regulators backing the idea will need to strike a delicate balance. Finding a solution to the "too big to fail" debate is the main outstanding regulatory headache to be addressed in a bid to overhaul the financial industry after the crisis. However, informal talks in Davos, Switzerland, have showed that while banks and regulators agree on the need to build shock absorbers and toughen capital rules to curb bank risk, finding a consensus on how to limit the potential cost to taxpayers of emergency bail-outs could lead to critical delays.

BUSINESS DAY (National)

'Corporate fear' in Russia may hamper growth

Russian businessmen at the World Economic Forum in Davos struck a gloomy note this week, with many uncertain about the country's direction and others warning a climate of corporate fear could hamper growth. The wealthy businessmen who ran Russia ten years ago under President Boris Yeltsin lost their political influence during Vladimir Putin's presidency. During the global economic crisis, many have gorged on state bailouts.

BUSINESS DAY (National)

IMF works to create climate fund

The International Monetary Fund (IMF) is working to create a \$100 billion Green Fund to help countries mitigate the effects of climate change, the agency said on its website yesterday. IMF MD Dominique Strauss-Kahn told the Davos forum that it was necessary to "think out of the box" on the issue of funding since developing countries do not have the funds to pay for these mitigation measures. Developed countries' ability to pay was also limited as they were now weighed down by state debt since funds have been used to deal with the financial crisis, Strauss-Kahn noted.

BUSINESS DAY (National)

Argentinian bank chief calls it quits

Argentina's Central Bank President Martin Redrado resigned on Friday night after a standoff with the government over its plan to use \$6.6 billion in reserves to pay debt due this year. Harvard University-educated Redrado said that he plans to work as an economist in Argentina and abroad. He said, "I have followed the constitution, the law and the central bank rules. The government tried to destroy the central bank".

BUSINESS DAY (National)

INDICATORS

Rand - Dollar \$	7.5599	(+0.0395)
Rand - Sterling £	12.1291	(+0.1614)
Rand - Euro €	10.5219	(+0.0815)
JSE Allshare	26675.9	(-119.35)
Gold	1078.5	(-9.50)
Platinum	1512.0	(-5.00)
Brent Crude Oil	72.8	(+0.68)

The figures quoted are from the close of business yesterday, along with any movement, either up or down, from the previous day.