

Banking, Finance and Insurance

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isabeldn@bankseta.org.za

Compiled by Susan McFadzean

BANKING IN SHORT

In Banking news this morning, factory activity surged to its highest level in nearly three years last month, pointing to a possible revival in consumer demand, South Africa's main growth engine; however, food inflation which, according to Statistics South Africa's latest announcement, stood at 2.4% in January, is still higher than that in developed countries. In business news, the government has named lead managing banks for a ten-year dollar-denominated benchmark bond likely to be launched today, a source at one of the banks said yesterday; and Capitec Bank will continue its new financial year, which started yesterday, by adding 50 branches over the next 12 months to the 400 that it already operates.

NEWS REVIEWS

NATIONAL ECONOMY

Rand and dollar report

The rand remained steady in the afternoon session yesterday, as the euro came off against a firmer dollar amid continued uncertainty of a bail-out plan for Greece. At 16:00 the rand was bid at R7.6797 to the dollar from R7.6860 at its previous close. It was bid at R10.3735 to the euro from its previous close of R10.4859. The rand was at R11.4314 against the sterling from R11.600. The euro was bid at \$1.3522, from \$1.3638 previously.

BUSINESS DAY (National), Companies & Markets

Pleasant surprise as factory activity hits a high

Factory activity surged to its highest level in nearly three years last month, pointing to a possible revival in consumer demand, South Africa's main growth engine. The Kagiso purchasing manager's index (PMI), a reliable health gauge for manufacturing output, climbed to 60.4 last month from 53.6 in January - well above expectations and its highest since March 2007. That signals economic growth may have accelerated beyond its already robust pace late last year, and puts the rebound in SA's second-biggest sector in step with its main trading partners. "We were surprised - we thought it would go up, but not to the extent that it has," said Andre Coetzee, head of fixed income and currency futures at Kagiso.

BUSINESS DAY (National); TIMES Business Times; CITIZEN, Citi Business

Foreign investors say labour laws hold back inflows

International investors had criticised South Africa's labour laws as the single biggest hindrance restricting investment growth, Laura Peinke, an analyst at Frost & Sullivan said yesterday. The growth partnership company established this while developing a strategy for advanced manufacturing for the Department of Trade and Industry. Peinke said that the government was aware of these issues but not much was being done to sort them out. "There are no specific labour laws that are a hindrance. A lot of the Indian and Chinese companies like to use their own technicians and staff from their own countries. They are happy to transfer skills to local employees but they don't, for example, like to be told that it should be within a certain timeframe," said Peinke.

BUSINESS REPORT (Star)

Food inflation still a concern

Food inflation which, according to Statistics South Africa's latest announcement, stood at 2.4% in January, is still higher than that in developed countries. The Reserve Bank's target band for inflation is as 3% to 6%. The most recent report from the National Agricultural Marketing Council (NAMC) says that high inflation is something of the past in most countries - except in Turkey and Tanzania, where it is still 9.4% and 11.3% respectively. In South Africa prices of agricultural commodities have fallen considerably in the past year, but in rural areas prices of grain products have not, but have instead risen. The prices of wheat between January 2009 and January 2010 fell 24.58%, maize 22.57% and sunflower seeds 18.49%.

FIN24.CO.ZA - FINWEEK

NATIONAL BUSINESS

Banks named for bond launch

The government has named lead managing banks for a ten-year dollar-denominated benchmark bond likely to be launched today, a source at one of the banks said yesterday. The joint-lead managers are Deutsche Bank and Standard Bank, with Nedcapital as co-lead. The lead managing banks will discuss pricing and other issues related to the launch.

BUSINESS DAY (National)

Harmony raised to 'buy'

Harmony Gold Mining was yesterday raised to "buy" from "neutral" at Bank of America Merrill Lynch, which cited the company's increased capacity. "Much of the cost associated with planned growth is now sunk and investors should begin to benefit from new production ounces," analysts Bruce Alway and Lazar Naiker wrote in a note. They also saw the "electricity tariff overhang as resolved". The analysts recommend that investors move out of Gold Fields, Africa's second-largest gold producer, into Harmony, South Africa's third-largest producer of the yellow metal.

BUSINESS REPORT (Star)

Blue separates roles of CEO and chairperson

Pan-African micro-financier Blue Financial Services has split the role of chairperson and CEO by appointing Siphso Twala as its independent non-executive chairperson from yesterday. Blue was one of 10 Alt-X listed companies in which the role of chairperson and CEO vested in one person. Blue's board now has seven non-executive directors. Twala is also non-executive Chairperson of 1time airline and Dust Aside SA, and an executive director of Safomar Aviation.

BUSINESS DAY (National), Companies & Markets

Capitec plans expansion after sidestepping recession

Capitec Bank will continue its new financial year, which started yesterday, by adding 50 branches over the next 12 months to the 400 that it already operates. The nine-year-old bank, which opened its 400th branch in Bloemfontein on Friday, has more than 2-million clients, which may be small compared with its bigger competitors such as Absa, which has more than 11-million clients, but the smaller bank continued to grow fast and open branches, even through the recession. CEO Riaan Stassen said the driver behind the growth was the bank's low-cost business model, which - through a simplified solution to money management - afforded clients competitive bank fees and savings interest rates in South Africa.

BUSINESS DAY (National), Companies & Markets

GENERAL NEWS

Absa buys 40 000 shirts for staff

Football Friday, a campaign which was introduced as part of the World Cup to urge South Africans to show their support for Bafana Bafana, has taken a new and interesting twist. Absa Bank, which championed this campaign ahead of the 2010 World Cup, announced that it had purchased 39 532 Bafana Bafana replica jerseys. The jerseys will be distributed to all the bank's staff members throughout the country from to wear in support of the campaign. The bank is one of the main sponsors of Bafana. Happy Ntshingila, the bank's Executive Director: Marketing and Communications, said they decided to start the campaign with their staff. "The campaign is also a great platform to send a message to Bafana and the whole of South Africa that we are fully behind them, we are confident that they will make us proud during the World Cup," he said.

SOWETAN (Late Final), Sport, PROJECT2010.CO.ZA

Road fund changes challenged

The Law Society of South Africa's court challenge to the constitutionality of amendments to the Road Accident Fund got under way yesterday in Pretoria's High Court. The Law Society argued that the amendments, which abolish the common law right to sue the wrong doer in an accident and put a R160 000 cap on claims for loss of income, infringed on people's constitutional rights to bodily and psychological integrity and property.

BUSINESS DAY (National)

Treasury might bail Eskom out

A further capital injection from the Treasury is one of the options being considered to bridge Eskom's funding gap following the National Energy Regulator of SA's (Nersa's) electricity price ruling last week, Barbara Hogan, Public Enterprises Minister, said yesterday. She told reported that she was still assessing the implications of Nersa's decision to grant Eskom hikes of roughly 25% in each of the next three years and not the three consecutive 35% hikes the utility had asked for. She conceded that Nersa's decision would require Eskom to rework its funding for the R385 billion cost of construction started in 2008 an running until the end of the current budget cycle in 2013. The current plan includes a R60 billion subordinated loan from the government; guarantees totalling R176 billion to facilitate borrowings of R123 billion over the next three years; and R14 billion from consumers.

BUSINESS TIMES

Busa supports World Bank loan to Eskom

Business Unity SA (Busa) has backed the urgent need for a World Bank loan to Eskom as part of a larger borrowing programme by the utility. In shaping its views on the appropriate funding of Eskom in the recent past, Busa had consistently emphasised the need for a new mix of tariff increases, borrowing and equity financing from the government to ensure future security of electricity supply on an affordable basis, the chamber said yesterday. The proposed \$3.75 billion (R29 billion) loan would further strengthen the power parastatal's financial viability following the R20.7 billion loan granted by the African Development Bank in November.

BUSINESS REPORT (Star)

Gold may fall as dollar strengthens

Gold, little changed in New York yesterday, may fall as the dollar extends gains against the euro, eroding demand for the metal as an alternative investment. Silver climbed to its highest price in close to a month. European Union (EU) Monetary Affairs Commissioner Olli Rehn said that Greece must deepen measures to reduce its budget deficit after meeting with Greek Finance Minister George Papaconstantinou. Concern about Greece's debts boosted the dollar last month. Gold typically moves inversely to the dollar. "We expect the euro and broad risk sentiment to provide further direction for gold," said James Moore of TheBullionDesk.com.

BUSINESS REPORT (Star)

Analysts call for tax ombudsman after bill

Taxpayers need a tax ombudsman to protect their rights and deal with their administrative complaints, say tax analysts. The call comes in the wake of the release of draft tax legislation that has been criticised by tax analysts as being "draconian" in that it is far-reaching and makes inroads on the constitutional rights of taxpayers. Stiaan Klue, CE of the South African Institute of Tax Practitioners, said the South African Revenue Service was seeking special powers under the provisions of the bill. For instance, a SARS official would be able to search and seize documents and assets without first obtaining a warrant from a judge.

BUSINESS DAY (National)

PROPERTY AND HOUSING

Chile quake: Sun Int shuts hotel

JSE-listed hospitality group Sun International said Monday its Chilean resort, Monticello, was damaged in the massive earthquake on Saturday morning. The resort is located approximately 60km south of Santiago. According to Sun International's CEO David Coutts-Trotter five people were injured, one seriously. He said the resort had evacuated over 3 500 people to safety in less than eight minutes. "There has been significant damage to the casino and retail complex including the convention centre and administration areas, some of it due to the quake and aftershocks and some due to the sprinkler system, which was activated during the tremor," Coutts-Trotter said. "As an indication of the severity of the quake, a two-ton safe moved over a metre during the tremor." He said the resort will remain closed for the foreseeable future.

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

House prices to rise 8% after last year's lows

The average price of houses is forecast to grow 8% this year as demand rises from the dismal lows of early last year, but the market is still not out of the woods. The First National Bank (FNB) house price index released yesterday showed a further increase in year-on-year inflation, from a revised 3.6% in January to 5.8% in February. FNB property strategist John Loos said the increase in house inflation was largely the result of last year's big interest rate cuts and some moderate easing of bank lending criteria, although "a gradually improving economic growth rate must be starting to make a positive contribution too".

BUSINESS DAY (National) ; BUSINESS REPORT (Star)

RESTRUCTURING AND APPOINTMENTS

Actuarial society appoints CEO

The Actuarial Society of South Africa has appointed Emil Boeke as its first CEO, effective yesterday. Boeke, a seasoned actuary with international experience, previously held the position of technical director. Society President Peter Doyle said the launch late last year of SA's own professional actuarial qualification had established the society as a full service professional body.

BUSINESS DAY (National)

OIL NEWS

Oil Report

In the afternoon in London, Brent crude was up 31c to \$77.90 a barrel (R3.75 a litre).

In New York, sweet light crude rose 17c to \$79.83 a barrel.

BUSINESS REPORT (Star)

INTERNATIONAL ECONOMY & BUSINESS

Italy's deficit leaps as GDP shrinks 5%

Italy's public deficit nearly doubled to 5.3% of output last year as the economy posted its worst performance since 1971, Italy's statistics agency, Istat, said yesterday. Italy's gross domestic product (GDP) shrank 5% last year, its weakest showing since the agency began collecting data in 1971. In mid-February, Istat had posted preliminary data showing that Italy's GDP had shrunk 4.9% last year, a figure that was seasonally adjusted, unlike yesterday's figure. The government had forecast a GDP contraction of 4.8%. The country's public deficit, which came to 2.7% in 2008, is well above the euro-zone limit of 3%, but its lower than that in other euro-zone countries such as Spain or France.

BUSINESS DAY (National)

Prudential in \$35 billion bid for AIG Asia unit

Britain's Prudential said yesterday that it would buy American International Group's Asian life insurance arm for \$35.5 billion, making it the undisputed foreign leader in one of the world's fastest-growing financial services markets. The acquisition of American International Insurance, will be funded by a rights issue of \$21 billion including costs and fees, the biggest ever acquisition-related cash call, and by a \$5 billion debt issue, Prudential said yesterday. The takeover of AIA will make Prudential Asia's biggest foreign insurer over night, boosting its exposure to soaring demand for financial services across the region as rapid economic growth lifts consumers' spending power, and as growth at home declines.

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

Oryx welcomes occupancy rise

Oryx, the Namibian Stock Exchange-listed property investment company, reported an almost 18% increase in distributions a link unit to 45.50c in the six months to December, it said yesterday. Hein Smit, the Chief Executive, attributed the increase in distribution growth to nearly full occupancy in the property portfolio, maintaining cost to income ratio of 20% and higher turnover rental from the Maerua Mall shopping centre in Windhoek.

BUSINESS REPORT (National)

HSBC buffs Asian focus after profit disappoints

HSBC, Europe's biggest bank, posted full-year net income that missed analyst estimates after costs for bad loans climbed and profit in Asia fell. Earnings increased to \$5.83 billion from \$5.73 billion a year earlier, the London-based lender said in a statement yesterday. That was less than the \$7.76 billion median estimate of 12 analysts surveyed by Bloomberg. Shares in the bank dropped in London trading. Loan impairment charges and other credit risk provisions rose to \$26.5 billion in 2009 from \$24.9 billion in the previous year, the company said. Pretax profit in Hong Kong declined to \$5.03 billion from \$5.46 billion, and fell 11% in the rest of the Asia Pacific region to \$4.2 billion.

BUSINESS REPORT (Star)

HSBC boss gives bonus to charity

HSBC, Europe's biggest bank, yesterday posted a modest rise in 2009 net profits and said that chief executive Michael Geoghegan would donate his bonus to charity over the next four years. The group added that it was "well positioned" for economic recovery, adding that emerging markets would out-perform those of the developed world, growing three times faster this year. Net earnings rose nearly two percent to \$5.834 billion last year, despite rising bad debts, HSBC revealed in a results statement. HSBC, which received no state bailouts like other rivals, said Geoghegan would donate up to £4 million of his bonus to charity until 2013 amid public outcry over bank pay. The group's 2009 performance meanwhile undershot market expectations for net profit of about \$6.4 billion.

FIN24.CO.ZA - FINWEEK

Factories stoke fires of recovery

Factories around the world enjoyed a bumper February, with business surveys showing the manufacturing sector in major economies continued to lead an economic recovery, despite a slowdown in some growth rates. Factory activity expanded across Asia last month, although powerhouse China showed some signs of weakening, while in Europe growth rates hit 30-month highs, despite contraction in laggards Spain and Greece. US data due late yesterday were expected to show the index there dipped to a still robust 57.5 from January's 58.4.

BUSINESS REPORT (Star)

UK Councils seen to cut 25 000 jobs

About 25 000 council jobs were likely to be cut across England in the next three to five years as central government spending was slashed to reduce the record budget deficit, a BBC survey said yesterday. The survey was based on answers from 49 councils with a combined workforce of 256 000. The Local Government Association said that 75% of funding came from the central government and 25% from council taxes.

BUSINESS REPORT (National), Star

Buyout firms to invest R69 billion in Greece

The European Union (EU) yesterday promised to help Greece overcome a debt crisis that has shaken the euro zone, but urges Athens to table new austerity measures within days to tackle the problem. EU Economic and Monetary Affairs Commissioner Olli Rehn made the call after a first round of talks with Greek officials amid growing market expectations of a trade-off between new deficit cutting steps and practical EU support for Greek borrowing.

BUSINESS REPORT (Star)

Australia property sales hit record

Australian real estate prices are rising strongly and show no signs of abating, analysts said on Monday, after weekly sales in one state hit a record AU\$1.025 billion. The Real Estate Institute of Victoria said last week saw "the largest dollar volume of transactions ever recorded" amid growing confidence in the economy as people took advantage of low interest rates. "We've seen more physical sales in a week period, but never have they passed the billion dollar mark," research manager Robert Larocca said. He added, "So that's partly a sign of how strong the market is and it's also a sign that people are spending more than they have in the past." Larocca said the surge in sales was the result of historically low interest rates following the global financial crisis and the growing population in Melbourne, Australia's second largest city, outstripping available housing.

FIN24.CO.ZA - FINWEEK

Merkel opposes Greek bailout

Germany's chancellor says she is opposed to EU countries bailing out fellow eurozone member Greece. Chancellor Angela Merkel says the best help for Greece now is to make sure the government in Athens does its homework by reducing its spending and deficit. "We have a contract which rules out the possibility of bailing out other nations," Merkel told German broadcaster ARD in an interview on Sunday night. However, she did not explicitly rule out state-owned banks buying bonds issued by Greece, a rescue solution some media report is in the works. Greece is buckling under its debt and financial markets are worried it will not be able to borrow enough to repay its loans.

FIN24.CO.ZA - FINWEEK

INDICATORS

Rand - Dollar \$	7.6579	(+0.0021)
Rand - Sterling £	11.4233	(+0.1923)
Rand - Euro €	10.3313	(+0.0679)
JSE Allshare	27026.0	(+261.41)
Gold	1114.0	(+5.75)
Platinum	1548.0	(+15.00)
Brent Crude Oil	77.9	(+0.31)

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