

# Banking, Finance and Insurance

Thursday, 04 Feb 2010

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## BANKING IN SHORT

In Banking news this morning, investor confidence jumped in South Africa during the financial quarter of last year, buoyed mainly by improved global risk appetite and a pick-up in offshore economies, a survey showed yesterday; and an innocuous press release from Standard Bank Securities may be the start of truly visible competition in the South African banking sector. There was a focus on property and housing showing that as consumers struggle to shrug off the effects of the recession, latest property price figures show households need an income of more than R25 000 per month to afford the average South African home; and the South African listed property sector is facing an even tougher year than last year because it will not expand as fast as the general economy's growth.

NEWS REVIEWS

## NATIONAL ECONOMY

### Rand and dollar report

The rand was quiet in the afternoon session, losing only a fraction against the dollar with the local currency set to track US equity markets for further impetus. At 15:45 the rand was bid at R7.458 to the dollar from R7.448. It was bid at R10.424 to the euro from R10.433 and at R11.896 against the sterling from R11.919. The euro was bid at \$1.395 from \$1.397.

BUSINESS DAY (National), Companies & Markets

### SA economy 'bouncing back'

There is a definite possibility that South Africa's growth rate could be close to 5% this year and even improve to 6% in 2011, according to Dr Roelof Botha, economic adviser at PricewaterhouseCoopers (PwC). Botha said that economic recovery would gain momentum in the second half of this year, and it would be V-shaped. The country has grown at a rate of 5% and more for four years, he explained. The growth phase had then been interrupted by the global economic crisis and consequent recession. However, the recession was not South Africa's fault and the country was now back on the road to growth much more quickly than many people realise. He pointed out that government was doing its part with capital expenditure on infrastructure projects, and the private sector was increasing its production capacity.

FIN24.CO.ZA - FINWEEK

### Focus of Gordhan's budget speech

KwaZulu-Natal-based tax expert Dilip Garach, said that the focus of Finance Minister Pravin Gordhan's maiden national budget speech should be on responsible and prudent expenditure. Garach said that the budget should address issues such as the allocation of money, wasteful expenditure and holding accountable office bearers who fail to deliver adequate results. Garach said that he believes that Gordhan will be cautious when making great changes because he and the Treasury have to adhere to the macroeconomic policy of the African National Congress (ANC).

WITNESS (Pietmaritzburg)

### New RAF a step closer

The long-awaited draft policy on restructuring of the Road Accident Fund (RAF) on a no-fault basis will be published by the Department of Transport next Friday, writes Linda Ensor. The draft policy - which has large implications for the legal and health professions - was tabled in Parliament yesterday. The new Road Accident Benefit Scheme will have defined benefits and rules that will apply universally to all road accident victims, regardless of fault.

BUSINESS DAY (National)

### Eastern Cape sets up R50 million fund

The Eastern Cape Economic Development Department said yesterday that it had established a R50 million fund, the Imvaba Eastern Cape Provincial Co-operative Development Fund, for the development of co-operatives in the province. MEC Mcebisi Jonas had identified enterprise and rural development as one of seven areas on which his department would focus.

BUSINESS DAY (National)

### Recovery will falter without new jobs, Ramos warns

The global economy was in for a "very difficult time", and while the US and European Union (EU) were showing signs of recovery, there were questions about the sustainability of growth over the longer terms, Absa Group CEO Maria Ramos said yesterday. In a speech at Absa's offices in Johannesburg, Ramos said that unless economic recovery created jobs, "I just can't see how you can create sustainability". Unemployment would create "massive problems down the line from a global point of view" and some at the World Economic Forum (WEF) in Davos last week had referred to it as the biggest risk facing the world. Joblessness in South Africa, though the country came out of recession late last year, a little after many developed countries started recovering from the global crisis. And unemployment is on the rise globally as well.

BUSINESS DAY (National), Companies & Markets

### Investor confidence is on the rise in SA

Investor confidence jumped in South Africa during the financial quarter of last year, buoyed mainly by improved global risk appetite and a pick-up in offshore economies, a survey showed yesterday. The investor confidence index (ICI), produced by research house ETM and retirement fund Maxim, rocketed by 32.3 points to 94.6 - a rise of 52% compared with the same quarter of 2008. That was the highest level for the ICI since the third quarter of 2007, before the global financial crisis struck.

BUSINESS DAY (National), Companies & Markets

### Local equity funds attract inflows for first time

Domestic equity funds last year attracted net inflows for the first time in five years, the Association for Savings and Investment (Asisa) said yesterday. Because most local investors were not exposed to equities for the greater part of the past five years, they would have missed out on the solid five-year performance of equity funds, with general equity fund returning an average 16.2% for five years to 31 December, while the average five-year return for money market funds was 8.8% a year, said Asisa Deputy-CEO Peter Dempsey. Domestic equity funds attracted R10.8 billion of net inflows last year, while in 2006, 2007 and 2008 they recorded net outflows, with money market funds, asset allocation and fixed interest funds the firm favourites.

BUSINESS DAY (National), Companies & Markets

### Credit growth expected to surge

Credit growth would start improving off a low base this year as consumers responded to lower interest rates and banks gradually eased requirements, an economist said yesterday. However, Dennis Dykes, the chief economist at Nedbank, said demand for company loans would remain relatively weak given the downturn in private sector investment that was to be expected at this stage of the economic cycle. "Private sector credit will probably rise by about 5% over the year," Dykes said. He added, "This will be mainly in consumer credit, and within that, mortgage advances and other asset-backed finance. However, the low base in 2009 will also provide some support".

BUSINESS REPORT (National)

## NATIONAL BUSINESS

### Banking competition heats up

An innocuous press release from Standard Bank Securities may be the start of truly visible competition in the South African banking sector. Last week the retail stockbrokerage advised its clients it was reducing the minimum trading fee to R50, effectively making it the cheapest product on the market. Simon Brown, head of education at Standard Bank Online Share Trading, told Fin24.com the bank intends to be aggressive in 2010 in terms of gaining market share, and price is one of the areas where it intends to compete. "This reduction is the fourth in five years. We believe that anybody with an ambition to save or invest should have direct access to the markets," he said. Make no mistake, the banks remain super profitable.

FIN24.CO.ZA - FINWEEK

### Nedbank says lending to mines may halve

Nedbank said this week that lending to mining firms in South Africa this year may more than halve from a record last year, when mines rushed to sell stakes before the end of a government deadline to increase black ownership. "Last year was quite a good year for us", with transactions worth up to R7 billion, Mark Tyler, co-head of mining and resources at Nedbank Capital investment banking unit, said at the Mining Indaba. "It will be a struggle to get R3 billion" this year. Mining firms operating in SA were compelled to sell stakes of at least 15% to black investors by last year and as much as 26% of their equity by 2014 to keep their licences.

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

### GENERAL NEWS

#### FDI expected to rebound in 2010

Foreign direct investment (FDI) into emerging markets was expected to rebound in 2010, says Edith Quintrell, the Operations Director of Multilateral Investment Guarantee Agency (MIGA), a private sector arm of the World Bank. Quintrell said that the global economic recession had taken a significant toll on investment trends in 2009 and, as a result, the rate of FDI had decreased dramatically. In January, the United Nations Conference on Trade and Development reported that global FDI had dropped by 39% in 2009 from \$1.7 trillion in 2008 to around \$1 trillion last year. According to the UN report, FDI inflows into development countries had fallen by 35%, and in Africa, inflows retreated by 36%. However, Quintrell said that there were signs of economic recovery and a slow increase in FDI had become evident in the fourth quarter of last year.

*ENGINEERINGNEWS.CO.ZA*

#### Top defence team sent packing by irate MPs

A top-level delegation of the Department of Defence was sent packing by Parliament's public accounts committee (Scopa) yesterday when frustrated MPs of all parties finally gave up trying to get proper answers to their questions. Scopa, Parliament's financial watchdog committee, was interrogating acting Secretary for Defence Tsepe Motumi about the department again getting a qualified audit report, particularly on its management of fixed and immovable assets.

*BUSINESS DAY (National)*

#### Govt entities owe municipality millions

It has emerged that government entities owe the eThekweni Municipality more than R800 million from the R5 billion owed to it in outstanding rates and services. According to the municipality's budget and performance assessment report for last year, the consumer debt figure had risen from R3.9 billion in December 2008 to R5 billion last year. The KwaZulu-Natal Housing Department tops the list of debtors with it owing R277 million, followed by the Ingonyama Trust, which owed R225 million, while the Public Works Department owed the municipality R130 million.

*MERCURY (Durban)*

#### Car sales data 'may be misleading'

The first rebound in vehicle sales since 2007 has failed to convince the motor industry executives and watchers that the long-awaited recovery is sustainable. Chris de Kock, Executive head of Sales and Marketing at Wesbank, says the latest sales figures - which saw total new vehicle sales rise 15.5% year-on-year last month, the first increase in 33 months - reflect seasonal changes rather than "real growth" in sales. De Kock says December and January are traditionally volatile months due to carry over of car sales.

*BUSINESS DAY (National), Companies & Markets*

### PROPERTY AND HOUSING

#### Home ownership a pricey dream

As consumers struggle to shrug off the effects of the recession, latest property price figures show households need an income of more than R25 000 per month to afford the average South African home. According to the FNB House Price Index for January, released last week, the present average price of a house dropped slightly to R764 912. A consumer who applies for a 100% home loan will have an instalment of R7 636 per month, at an interest charge of 10.5% over a 20-year period. In line with government regulation, this instalment is not allowed to be over 30% of a household's monthly income, so to afford the average-priced house in South Africa, a household needs an income of R25 455 per month. The median house price is a tad less expensive, according to Standard Bank's property report released on Tuesday. The report showed a 2.9% drop year-on-year to R545 000 for January 2010.

*FINANCIAL TIMES (London)*

#### Listed property facing even tougher year

The South African listed property sector is facing an even tougher year than last year because it will not expand as fast as the general economy's growth, an expert said yesterday. The sector is, however, expected to grow 6% this year, raising a distribution yield of 9.5%. Last year it grew 8%. In its property outlook for this year, securities research group Macquarie First South yesterday upgraded the property sector to overweight. In its property outlook for this year, securities research group Macquarie First South yesterday upgraded the property sector to overweight. Macquarie analyst Leon Allison said the upgrade of the sector was not due to its forecasting exciting returns in the next 12 months.

*BUSINESS DAY (National), Companies & Markets*

#### Residents take legal action

Durban residents have taken legal action in a bid to stop a multibillion-rand plan to build a luxury hotel, shops, offices and yachting marina at the mouth of the Durban harbour. In papers filed in the Durban High Court this week, the Save Vetch's Association said that the proposed small-craft harbour development was "a recipe for disaster that would change a popular family beach and water sports hub into "a sterile and expensive parking lot for big, expensive boats". The Durban Point Development Company had not filed responding papers yet and company spokesperson Neels Brink refused to comment on how the latest court case would affect the controversial and long-stalled project, after an environmental impact assessment (EIA) process which had lasted nearly seven years.

*MERCURY (Durban)*

#### Rentals plunge for posh homes

The top end of the residential letting market, with monthly rentals of R12 000 a month or more, is showing signs of financial distress. Payment trends deteriorated significantly in this rental bracket in the fourth quarter of last year, with the number of tenants who made no payment towards their monthly rental increasing to 21% from 12% in the previous quarter, according to the latest rental payment monitor compiled by TPN Credit Bureau. In addition, the percentage of tenants in good standing in the R12 000 plus rental bracket decreased by 8 percentage points to 64% between the third and fourth quarters.

*BUSINESS REPORT (National)*

#### House prices increasing, analysts split on outlook

House prices are showing early signs of recovery after falling for at least a year and mortgage rates are at or close to their bottom. However, aspiring homeowners, who hope to take advantage of the turn in the property cycle, have a lot of sums to do. The first problem is that economists are divided on the outlook. Standard Bank economist Johan Botha expects house prices to rise between 3% and 5% this year. Absa property analyst Jacques du Toit expects even stronger growth of 6% to 7% and predicts the rate of growth will reach double digits by 2012.

*BUSINESS REPORT (National)*

### RESTRUCTURING AND APPOINTMENTS

#### Stanlib strengthens its team of investment execs

Stanlib, the asset management firm that delivered below-par investment performance last year, has beefed up its management. Yesterday it announced that Stewart Rider had been made chief investment officer, which follows hard on the heels of the appointment of CEO Thabo Dloti Liberty Holdings-owned asset management firm. Dloti was formerly the CEO of Old Mutual Investment Group SA. Stanlib also appointed Patrick Mamathuba as its new chief investment officer of alternative investments, which was a new growth area for asset management, said Liberty CEO Bruce Hemphill.

*BUSINESS DAY (National), Companies & Markets*

### OIL NEWS

#### Oil Report

Brent crude for March delivery rose 45c to \$76.51 a barrel (R3.59 a litre) at 15:00 in London.

US crude added 23c to \$77.46 a barrel.

*BUSINESS REPORT (Star)*

## INTERNATIONAL ECONOMY & BUSINESS

### AIG to pay out \$100 million - reports

American International Group is set to pay out about \$100 million in a fresh round of bonuses to employees of its financial products division, the unit whose risky bets helped sink the company leading to a \$180 billion government bailout, according to reports published on Tuesday. AIG agreed to cut the retention bonuses by \$20 million but will still hand out \$100 million on Wednesday, The New York Times reported, citing people with knowledge of the negotiations. The Washington Post, also citing people familiar with the situation, said the retention payments are for employees at the division who agreed to accept 10% to 20% less than AIG had initially promised them two years ago. In return, they are getting their money more than a month ahead of schedule.

FIN24.CO.ZA - FINWEEK

### Geithner fights budget hawks

Tim Geithner, US Treasury Secretary, on Monday sought to head off fiscal hawks by characterising some of Barack Obama's \$3.8 billion budget as moves to protect America's "eroding" lead in the world economy. "Our deficits, as everyone says, are alarmingly high," he told the Senate finance committee. However, he added it was important to invest in programmes such as a \$30 billion small business lending scheme, launched yesterday, which can stimulate growth in a still weak economy and strike a balance between deficit reduction and investment. "If we fail to do so, we risk driving the economy back into recession, causing immense additional harm to middle-class families and making it even harder to fix our fiscal problems," he said.

FINANCIAL TIMES (London)

### FSA probes more overseas banks

The UK's Financial Services Authority dramatically stepped up investigations of overseas banks and companies last year as the financial crisis brought to light potentially improper behaviour that crossed international lines. The FSA enforcement division investigated 20 overseas companies, a six-fold jump over the five it looked at in 2008, according to information obtained by the Freshfields law firm through a freedom of information request. Overseas companies accounted for 15% of probes, up from 2.4%.

FINANCIAL TIMES (London)

### Volcker stands his ground against opponents

Bank executives have spent the past two weeks - at the Davos World Economic Forum, Switzerland, in Washington and London - looking to clarify, and then water down, Paul Volcker's proposed ban on proprietary trading and size limits. The former Federal Reserve chairperson yesterday used a Senate hearing to defend his hard fought ground. After months in which his ideas were ignored, Volcker had his key proposal adopted by Barack Obama, the US President last month, namely that banks' "casino" and "utility" functions would be forcibly separated.

FINANCIAL TIMES (London)

### Spanish jobless total passes 4-million

The number of people on Spain's unemployment register has topped 4-million for the first time since the current system of records began in 1996. The data adds to the troubles of a government struggling to slash a budget deficit of 11.4 cents of gross domestic product. Almost 125 000 people registered as unemployed last month, pushing the official total to about 4.05-million. Other research indicates that the total could be higher. By any measure, the jobless rate is by far the highest of the main eurozone economies, and about double its average.

FINANCIAL TIMES (London)

### Ireland finds tough measures are paying off

After months of dithering on the economy, Ireland is starting to enjoy a reprieve in the debt markets, winning favour over the other troubled economies of Greece, Portugal and Spain. Like these countries, Ireland is a European Union economy with a large deficit. However, the populist Fianna Fail-led government is widely perceived to be taking tough measures on its public finances, after an unpopular budget in December slashed public sector pay and welfare benefits. Ireland's five-year government bonds are trading below those of both Portugal and Greece, with analysts predicting that Irish bonds could also look a better bet than Spanish ones of the government holds its nerve.

FINANCIAL TIMES (London)

### BoFA push for 2 000 more retail brokers

Bank of America (BoFA) wants to return Merrill Lynch's "Thundering Herd" of retail brokers to full strength by adding as many as 2 000 people to its global wealth management division over the next year, insiders said. People close to the situation said that BoFA's aggressive hiring target would be fulfilled largely by training rookie brokers rather than launching one of the costly price wars for talent that has often hit profits at US wealth management firms. The decision to boost the ranks with younger, less experienced recruits underlines BoFA's desire to keep pay expenses in check, but could also make it more difficult for the company to service wealthy investors.

FINANCIAL TIMES (London)

### Deutsche Bank pumps €300 million into fund

Deutsche Bank is putting €300 million into a fund to provide equity capital to small German companies, countering accusations that the country's banks are not doing enough to help the corporate sector avoid a credit squeeze. Deutsche Bank said that the fund - the first of its kind from a private-sector bank in Germany - would give equity-like hybrid capital to small companies to improve their creditworthiness and ability to get financing. The fund is targeted at companies with a turnover of up to €100 million from the so-called German Mittelstand - the country's mainly privately-owned industrial base.

FINANCIAL TIMES (London)

### Nomura foresees full-year profit

Nomura expects to return to full-year profitability in the year to March for the first time in three years, helped by strong demand for fundraising in Japan. Japan's largest investment bank enjoyed a strong third quarter, reflecting both the recovery in capital markets and the benefits of its acquisition of the Asian and European businesses of Lehman Brothers, which collapsed in 2008. Nomura is also building its presence in the US. It ranks among the leading investment banks for mergers and acquisition advice in the Asia region, but badly lags established global rivals when it comes to advising US companies.

FINANCIAL TIMES (London)

### UK consumer confidence spikes

Consumer confidence rose in January in the United Kingdom although households' inclination to spend fell somewhat, a bank survey said yesterday. The Nationwide Building Society said its confidence index was up three points to 73, nearly double the level a year ago, when Britain was sliding deeper into recession. January's figure reversed a decline in confidence in December. The index measuring confidence in spending fell from 108 in December to 96 in January. As a measure of the depth of British gloom, the bank's finding that 69% of respondents thought the economy was in bad shape represented an improvement over recent months. Britain's recession officially ended in the fourth quarter when the economy grew by just 0.1%.

FIN24.CO.ZA - FINWEEK

### Obama's proposals for bankers rattle Senate

The Obama administration's stepped-up demand for tougher restrictions and new taxes on big banks is complicating Senate efforts to write a bipartisan financial regulation overhaul, even drawing a sharp rebuke from a top presidential ally in the senate. In an annual reprimand, Democratic Senate banking committee Chairperson Christopher Dodd chided administration representatives at the end of a hearing late on Tuesday for injecting ideas late in his negotiations for a sweeping bill. Dodd complained the timing of President Barack Obama's proposal "seemed to many to be transparently political. It's added to the problems of trying to get a bill done".

BUSINESS DAY (National)

### Swiss clients told to come clean

German Finance Minister Wolfgang Schaeuble urged taxpayers with money in secret Swiss bank accounts to declare themselves voluntarily to tax authorities, the Augsburg Allgemeine reported. Schaeuble made the appeal as he said Germany had already made the decision "in principle" to purchase stolen information on Swiss bank accounts. A decision to buy the information risks further souring ties between Germany and Switzerland already damaged last year in a spat over tax evasion.

BUSINESS DAY (National)

### Romanian interest rates cut

Romania's central bank cut its benchmark rate by 50 basis points to 7%, as expected, to aid the recession-hit economy, but earned that enforcing tough measures agreed with the International Monetary Fund (IMF) was essential for recovery. The move comes after a surprise half-point cut last month following the creation of a shaky centre-right majority cabinet that ended a long political crisis and helped unfreeze a €20 billion IMF-led aid deal.

BUSINESS DAY (National)

### Barclays, RBS up on 'buy' rating

Barclays and Royal Bank of Scotland (RBS) Group gained in London trading after they were rated "buy" in resumed coverage by analysts at Bank of America Merrill Lynch Global Research. Barclays gained 2.9% to 298p, RBS rose 1.5% to 36.69p and Lloyds Banking Group increased 3.6% to 57.07p. Barclays investment banking division had been a "platform for growth at the bank", wrote analysts led by London-based Michael Helsby. "The bank is likely to have sufficiently strong cash flow to start paying meaningful dividends".

*BUSINESS DAY (National), Companies & Markets*

### New AIG bonus spree 'enrages' Geithner

US Treasury Secretary Tim Geithner said yesterday Congress could recoup "outrageous" bonuses for American International Group (AIG) employees through a new bank fee in President Barack Obama's proposed budget. AIG is set to pay out \$100 million in a fresh round of bonuses to employees. Geithner called the bonuses, which were negotiated years ago, an "outrageous failure of policy". Geithner yesterday asked the House ways and means committee to support the new fee as a way of getting the money back. The fee which would be assessed on certain liabilities of the largest firms in the financial sector, would raise about \$90 billion over the next decade.

*BUSINESS DAY (National), Companies & Markets*

### AIG executives get \$100 million of bonuses

Executives in the financial products unit at American International Group (AIG) are getting \$100 million richer, and White House pay czar Kenneth Feinberg calls the bonuses "outrageous". However, Feinberg said that payments were contractual obligations, adding that AIG executives had pledged to repay \$39 million out of \$45 million in previous bonuses to the US Treasury.

*BUSINESS REPORT (National)*

### Jobs tide is turning as losses dwindle

US companies cut an estimated 22 000 jobs in January, in line with forecasts, data from a private report showed yesterday. The drop was the smallest in two years and followed a 61 000 decrease in December, according to data from ADP Employer Services. The fastest pace of growth in six years last quarter means the US may be poised to add jobs.

*BUSINESS REPORT (National)*

### INDICATORS

Rand - Dollar \$	7.4720	(-0.0220)
Rand - Sterling £	11.9283	(-0.0284)
Rand - Euro €	10.4205	(-0.0270)
JSE Allshare	26926.5	(+114.21)
Gold	1115.3	(+4.25)
Platinum	1578.0	(+23.00)
Brent Crude Oil	76.5	(+0.45)

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