

Banking, Finance and Insurance

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BANKING IN SHORT

In Banking news this morning, a report on managing the impact of the recession on the South African economy has produced a brutal picture of the government's failure to substantially roll back poverty; President Jacob Zuma will indicate a change in industrial policy in his State of the Nation address, but leave an announcement on monetary policy to the National Treasury; and the South African stock market has nothing to be concerned about at a time that other debt markets are struggling to attract money. Last week foreigners made net purchases of R1.97 billion worth of bonds. Finally, more than half of respondents polled by South Africa's online guide to money, Justmoney.co.za, have never switched banks. Those who have done so did, did so mainly because they were unhappy with the service.

NEWS REVIEWS

NATIONAL ECONOMY

Rand and dollar report

The rand was in a tight range of R7.68 -R7.72 against the greenback yesterday afternoon amid uncertainty and confusion in Europe. At 15:46 the rand was bid at R7.696 to the dollar from R7.66. It was bid at R10.582 to the euro from R10.576 and at R12.005 against the sterling from R12.040. The euro was bid at \$1.374 from \$1.378.

BUSINESS DAY (National), Companies & Markets

Tax relief only for low incomes

Government, pressured by falling revenues and exploding expenditure, would still be forced by politics to make a token gesture towards individuals with a tiny amount of relief for fiscal drag in next week's budget, economists said. Fiscal drag is the effect of inflation pushing incomes into higher tax brackets, thus eroding real disposable income. Efficient Group economist Dawie Roodt predicted Finance Minister Pravin Gordhan would provide the paltry sum of R3 billion for personal income tax relief in next week's budget. This compares with a much larger sum of R13.6 billion provided for in the 2009/10 budget. Roodt said the R3 billion would be concentrated on relief "right at the bottom end" and that there would be "virtually no relief, if [any] at all" at the top end of the income spectrum.

FIN24.CO.ZA - FINWEEK

'Time to look offshore'

Over the last few years, betting against the rand has proven to be unprofitable for investors who sought hard currency exposure. However, it may be the right time now to revisit this part of your portfolio. "It is natural diversification," Peter Bourne, MD of asset management firm Ashburton said. Recent statistics from the Association for Savings and Investment (Asisa) showed South African investors did not take a keen interest in offshore opportunities in 2009. As at 31 December 2009, total assets under management in locally registered foreign funds stood at R108 billion, down from the R114 billion reported at the end of 2008. In comparison, investment in local unit trusts and investment schemes came in at R786 billion by the end of 2009.

FIN24.CO.ZA - FINWEEK

SA still living with legacy of poverty

A report on managing the impact of the recession on the South African economy has produced a brutal picture of the government's failure to substantially roll back poverty. The report, titled 'Recession and recovery', was produced by the Institute of Justice and Reconciliation (IJR) in its annual 2009 Transformation Audit. It came with a frank admission by presidential economist Vusi Gumede that poverty levels remained persistently high. The government appears to be battling to come to terms with poverty, with Gumede suggesting that the government and its social partners - business and labour - should be "sharpening" the anti-poverty implementation plan. The report notes that the rapid expansion of social assistance grants over the past 15-years :has made a significant contribution to reducing poverty but has done little to reduce inequality.

BUSINESS REPORT (Star)

Zuma to announce policy change

President Jacob Zuma will indicate a change in industrial policy in his State of the Nation address, but leave an announcement on monetary policy to the National Treasury, Minister in the Presidency Collins Chabane said yesterday. Chabane said that Finance Minister Pravin Gordhan was best-placed to deal with the issue of the Reserve Bank's mandate when he tabled his Budget next Wednesday. Chabane ruled out pronouncements on nationalisation or electricity.

BUSINESS REPORT (Star)

Budget likely to bring little relief - Nedbank

There would be little tax relief in this year's budget, Nedbank Group economists said yesterday. "Personal income tax relief will be limited with individuals being at least partially compensated for bracket creep or the effects of inflation," Nedbank said. The circumstances could hardly be tougher with government finances under significant pressure following the rapid deterioration in the global and local economic climate in 2008 and last year. Nedbank said that inflation had moderated over the past year and this meant tax relief for individual taxpayers was likely to be much less than the R13.6 billion granted last year. However, low- and middle-income taxpayers were likely to get more relief than high-income earners.

BUSINESS REPORT (Star) ; BUSINESS DAY (National)

NATIONAL BUSINESS

Foreigners still buying in SA

The South African stock market has nothing to be concerned about at a time that other debt markets are struggling to attract money. Last week foreigners made net purchases of R1.97 billion worth of bonds. Last year they took up almost R24 billion worth. The recent purchases came amid serious concern about the sovereign indebtedness of the so-called PIGS countries (Portugal, Italy, Greece and Spain), which has led to the flight of investments to emerging markets. This is thanks to emerging markets' good balance sheets relative to those of their larger counterparts. In the past the crises involved the developing countries, but this time many of the emerging countries are well positioned to grow, reckons Atlantic Asset Management analyst Albert Botha.

FIN24.CO.ZA - FINWEEK

Capitec earnings may double

Capitec Bank Holdings advised in a trading statement on Tuesday that a reasonable degree of certainty existed that its earnings and headline earnings per share for the year ending on 28 February 2010 would exceed the comparable period by between 30% and 50%. Capitec's financial results for the year ending on 28 February 2010 are expected to be published on about 31 March 2010.

FIN24.CO.ZA - FINWEEK

Vehicle dealers shift up a gear

Confidence levels among vehicle dealers have surged to the highest in two years. The latest Wesbank vehicle sales confidence indicator, released yesterday, showed that confidence levels increased on a 10-point scale to 5.5 last month from 4.7 in October and 4.3 in July. Chris de Kock, the Sales and Marketing Director at Wesbank, said this was only the third consecutive quarter of confidence growth, but also the highest score achieved since the inception of the indicator at the end of 2007.

BUSINESS REPORT (National)

SA bank 'phishing' escalates

The number of schemes to fraudulently obtain confidential information from internet banking users has grown, the South African Banking Risk Information Centre (SABRIC) said on Tuesday. "Banking industry data managed by SABRIC shows that the number of 'phishing' websites targeting local bank clients that have been detected and shut by the banks have more than trebled in the last four months," SABRIC Chief Executive Officer Kalyani Pillay said in a statement. "This is really unprecedented and a clear sign of the extent of the onslaught," Pillay said. As fast as banks shut down 'phishing' websites to prevent more people from falling victim, the fraudsters behind them used the information they had already collected from their victims.

FIN24.CO.ZA - FINWEEK

Abil: Bad debts peaked

South African mass market lender African Bank (Abil) said on Wednesday bad debts peaked in the first-quarter as it steers away from high risk customers, leading to a 12% decline in sales of new loans. Abil said sales of new loans fell to R2.6 billion in the quarter to end December, which was characterised by conservative underwriting appetite and muted trading conditions. Abil, which is divided into lender and furniture store, said non-performing loans increased in line with expectations and its bad loans coverage was steady. "Indications are that market conditions have stabilised... with job losses in particular appearing to have peaked," the company said. South African banks have seen their earnings decline and bad debts rise as the economic downturn in Africa's biggest economy led to job losses and tightened consumer spending.

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

FirstRand merger receives Tribunal's blessing

FirstRand has increased its shareholding in Makalani, the black economic empowerment financing company, to more than 50%, it said yesterday. The Competition Tribunal has unconditionally approved the merger between FirstRand and Makalani. Makalani intends to delist from the JSE and although FirstRand will have an even larger shareholding in the business, Makalani is becoming more independent. It plans to launch a new investment fund within the next 12 months as it seeks to delist after battling low-liquidity levels at its units. It will continue to seek new investment deals and raise capital as its current portfolio was wound down. It hoped to get the new fund up and running in the next six to 12 months. It added that there seemed to be liquidity coming back into the market, making it easier to raise funds.

BUSINESS REPORT (Star)

Discovery profit forecast cheers shares

Health insurer Discovery Holdings Limited expects to report up to 55% rise in first-half profit, sending its shares nearly 4% higher. The country's largest medical insurance said on Tuesday that it expected headline earnings a share to increase between 45% and 55% in the six months to December. Its shares rose 3.68% to R31.40 yesterday, outperforming its peers, which had been hit by lower consumer demand.

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

AfrAsia Bank plans to expand in SA

AfrAsia Bank has announced that it is expanding its South African base by opening representative offices in Johannesburg and Cape Town. The bank said that this would be the most significant expansion since the bank's launch in 2007 and demonstrated the growing success of its unique banking model. "The timing of AfrAsia Bank's South African expansion programme demonstrates growing faith in the rate of recovery from recession and indicates that SA specialised banks and wealth companies can expect growing competition," the bank said yesterday.

BUSINESS DAY (National), Companies & Markets

GENERAL NEWS

Glenrand M-I-B secures sponsorship

Glenrand M-I-B has stepped on board as the sponsor of the National Press Club's Newsmaker of the Year award for 2009. This prestigious award, synonymous with the 30-year-old National Press Club, acknowledges individuals who have dominated the media environment and been a key figure in terms of their impact, news value and media attention over the past year. 2009's Newsmaker of the Year, President Jacob Zuma was announced at a press conference on 14 January 2010 by National Press Club (NPC) Chairperson, Yusuf Abramjee, saying the decision of the executive committee was unanimous. The Presidency has been officially informed of the decision to name Zuma as the National Press Club-Glenrand MIB Newsmaker of the Year 2009.

NEWS REVIEWS

Sarb loses suit, draws flak

The South African Reserve Bank (Sarb) certainly met its match in the North Gauteng High Court in respect of its handling of a well-known businessman who had received amnesty for a foreign-exchange contravention. The Sarb's Executive General Manager of markets, Daniel Mminele, was sharply criticised by Judge Sulette Potterill. The lawsuit arose when the Johannesburg businessman, Magnus Heystek, a prominent figure in financial circles, returned home from a holiday on 3 January 2005. When he tried to draw money, this was refused. Enquiries revealed that his bank accounts had been frozen on instruction from the Sarb, because the amnesty that he had received from the central bank some time before, for an inadvertent foreign exchange infringement, had been withdrawn.

FIN24.CO.ZA - FINWEEK

SADC to start regional stock trading soon

Investors are months away from being able to trade stocks across 10 securities exchanges in the Southern African Development Community (SADC) through a common technical interconnectivity platform - signalling the first significant step towards the integration of one of Africa's economic regions. The Committee of SADC Stock Exchange (CoSSE), which starts a two-day meeting in Cape Town today, is expected to finalise the agree hub-and-spoke exchange interconnectivity model.

BUSINESS DAY (National), Companies & Markets

Crackdown on debt defaulters

The Msunduzi Municipality has launched a massive crackdown to recoup more than R585 million owed by government, private households and business in the City. By January, government departments owed R90 million of this amount, with R495 million owed by businesses and residents. In mid-January, a task team that is made up of a Municipal Finance Management Act adviser from National Treasury and members of the municipal finance division started an exercise to disconnect the top 10 government debt defaulters and the top 30 private properties.

WITNESS

Auditor-general to help with government debt

The auditor-general is to conduct a special audit to determine how much of the R366 million government debt owing to the City of Cape Town should be paid by the provincial and national governments respectively. This was revealed by Tammy Evans, spokesperson for Finance MEC Alan Winde who said that the auditor general will assist in the matter. The city says that priority debt management actions are now being pursued.

CAPE ARGUS (City Late)

Special Projects: Asset Management Review

Business Report contained a Special Projects supplement on Asset Management with the following headings: "Benefiting from the 'emerging wealth' theme - an international perspective"; "Should SA investors be looking at other 'emerging markets?"; "Fund manager and market performance - quarter 4, 2009"; "Overall investment market performance"; and "Emerging and 'frontier' markets: what's the fuss, and what's the relevance to South African investors?"

BUSINESS REPORT (Star)

South African loyal to banks

More than half of respondents polled by South Africa's online guide to money, Justmoney.co.za, have never switched banks. Those who have done so did, did so mainly because they were unhappy with the service. Two-thirds of those who switched banks cited poor service. Other reasons for switching were greater convenience and lower bank charges.

BUSINESS DAY (National)

PROPERTY AND HOUSING

Municipal Property Rates Act to be amended

The Municipal Property Rates Act is to be amended by the Department of Co-operative Governance and Traditional Affairs to provide for more active intervention by MECs and the minister where municipalities fail to implement the act properly. Yunus Carrim, the Deputy Minister, said in Pietermaritzburg yesterday that the move had been sparked by several complaints countrywide about the implementation of the act. The most recent complaint, from the Msunduzi Ratepayer Forum, was that the municipality's valuation roll was flawed, with properties overvalued, undervalued or not valued at all.

MERCURY

OIL NEWS

Oil Report

Brent crude for March delivery fell by 27c in London to \$71.86 a barrel (R3.48 a litre).

US sweet light crude fell 10c to \$73.65.

The Organisation of Petroleum Exporting Countries (Opec) said that the slow pace of global economic recovery would put pressure on oil consumption.

BUSINESS REPORT (Star)

Global oil demand to grow - Opec

The slow pace of world economic recovery would put pressure on oil consumption this year, the Organisation of Petroleum Exporting Countries (Opec) said in a report yesterday that trimmed its global demand growth forecast for this year. Opec said in its monthly report that global oil demand would grow by 810 000 barrels a day this year, down 10 000 barrels a day from its previous forecast. Opec's report, the first of three closely watched outlooks due this week, adds to signs that the volatile economic recovery path is raising uncertainty over oil demand. Oil use in the US was the key risk to estimates this year.

BUSINESS DAY (National)

INTERNATIONAL ECONOMY & BUSINESS

Lloyd's unveils London 2012 business support

The Lloyd's Banking Group has unveiled its commitment to business banking in the build-up to the 2012 Olympics. With the London sporting spectacle just over two years away, the financial services provider reveals that it is to make some £1 billion in funding available to help UK firms make the most of the opportunities created by the event. Such lending is available to those companies which win contracts with the Olympic Development Authority and the London Organising Committee of the Olympic Games and Paralympic Games, as well as any suppliers to firms which already have deals in place.

WHICH4U.CO.UK

RBS, Lloyds stakes may be sold by UK in 5 Years

British taxpayers may be able to sell their stakes in Royal Bank of Scotland Plc and Lloyds Banking Group Plc in five years, with RBS exiting the government's asset-insurance programme in "two to three years," a panel of lawmakers reported, citing testimony by Treasury officials. The report published yesterday by Parliament's cross-party Public Accounts Committee also cited Treasury officials saying they believe they will make a profit when the government's stakes in the two banks are sold. It said the measure of "true success" for the privatisation will be whether competition in the banking sector is maintained. Prime Minister Gordon Brown hasn't disclosed a plan for the sale of the stakes, which were taken in the wake of the bankruptcy of the 2008 Lehman Brothers Holdings Inc.

BLOOMBERG.COM

African Bank ease its lending criteria

African Bank (Abil) yesterday said bad debts had peaked in its financial first quarter and it was starting to relax credit under-writing criteria once more. The mass market lender said in a trading update for the first quarter to December that a continuing cautious approach to credit under-writing in the recent past resulted in new loan sales falling 12% to R2.6 billion compared with the first quarter a year previously.

BUSINESS DAY (National), Companies & Markets

London bank opens in Angola

Asian-focused Standard Chartered Bank opened a branch in Angola yesterday as it sought to further broaden its footprint in Africa. An official for the London-based bank confirmed that it had obtained a licence to operate in Angola last year. "It's just as representative office," the executive who declined to be named said. Standard Chartered already operates in 13 African countries.

BUSINESS REPORT (National)

Northern Rock to drop 100% savings guarantee

Northern Rock is preparing to remove the blanket guarantee on its deposits in a key move that will help to prepare for the sale of the nationalised bank. An announcement about the lifting of the 100% guarantee - introduced by the Chancellor in an attempt to stop the run on Northern Rock in September 2007 - is expected within the next few weeks. The final decision will be made by the Treasury, Northern Rock's owner. Once announced, Northern Rock will give three months' notice before removing the guarantee. At that point depositors will be in the same position as depositors with other banks - whereby the Financial Services Compensation Scheme will cover £50 000 for each individual, or £100 000 for a joint account.

BUSINESS.TIMESONLINE.COM

Sanctions backed to boost loans

The UK Treasury should impose "effective and enforceable" sanctions to encourage the country's bailed-out lenders to meet loan promises made as a condition of receiving taxpayer support, MPs said in a report. Both part-nationalised Royal Bank of Scotland and rival Lloyds Banking Group, 43% state-owned, have indicated in recent months they have not met lending commitments made to businesses, blaming reduced demand as many small and medium-sized firms repay debt and borrow less. In its report on financial stability in the banking sector published on Tuesday, the influential Parliamentary Committee of Public Accounts said the Treasury had been unable to explain the banks' failure to fulfil promises, and was also largely powerless to force them to increase their lending.

UK.REUTERS.COM

Hector Sants makes elegant exit of FSA

If you have been chief executive of the Financial Services Authority (FSA), the UK's primary financial regulator, why would you want to become second fiddle in the event of a merger with the Bank of England? Chances are you would not, and that's exactly the conclusion that Hector Sants has come to in his decision to stand down this summer from his post leading the FSA. He has neither fallen out with the Tories - including George Osborne specifically - or his FSA Chairperson Lord Turner. He is agnostic about whether in future he returns in a public or private sector role. That leaves the door open to a job as Governor of the Bank of England. Succeeding Mervyn King is an outcome with long odds attached right now for Sants.

TELEGRAPH.CO.UK ; UK.REUTERS.COM

Bank of America Borthwick, Carnoy to run markets

Bank of America Corp. yesterday said that Alastair Borthwick and Lisa Carnoy will be co-heads of global capital markets. Borthwick, 41 and Carnoy, 42, will share responsibility for debt, equity and equity-related business globally, the Charlotte, North Carolina-based company said yesterday. They will report to Tom Montag, President of global banking and markets. Bruce Thompson, former head of the unit, was named chief risk officer last month at Bank of America, which completed its purchase of Merrill Lynch & Co. in January 2009. The combined firm was last year's third-biggest underwriter of US bonds and equity, excluding deals sold for the firm, according to Bloomberg data.

BUSINESSWEEK.COM

BoE cuts growth forecast, predicts inflation

The Bank of England (BoE) cut its forecast for economic growth and said inflation will undershoot its target, suggesting policy makers may need to keep up their £200 billion (\$314 billion) emergency stimulus. Annual gross domestic product growth will reach about 3.2% in the second quarter of 2011, compared with about 4% previously, the central bank's predictions show. Inflation will peak at about 3.3% before slowing as low as 0.9% and staying below the goal of 2%. "The committee judges that while the most likely path for growth is somewhat weaker, some of the downside risks are smaller than in November," the bank said in its quarterly report yesterday in London. "It is more likely than not that inflation will be below the target for much of the forecast period, but the risks are broadly balanced by the end."

BUSINESSWEEK.COM

US ready to reel in stimulus measures soon

The Federal Reserve could begin pulling back its unprecedented stimulus for the US economy by first removing some cash from the financial system and then raising interest rates, Fed Chairperson Ben Bernanke said yesterday. The central bank has pumped more than \$1 trillion into the economy after it slashed benchmark rates to near zero to combat the financial crisis. While the economy has grown for the past two quarters, unemployment is at a lofty 9.7%. Bernanke said that the time for tightening monetary policy was still some way away, even though the Fed's thinking on its exit strategy had advanced. The Fed could begin by testing tools to absorb the reserves it had pumped into the banking system, Bernanke said.

BUSINESS REPORT (Star)

Rising debt within EU worries investors

Confidence in the world economy dropped this month on concern that worsening government finances in some European nations will derail the global recovery, according to a Bloomberg survey. The Bloomberg professional global confidence index dropped to 54.9 from 66.6 last month, when the reading was at the highest level since the series began two years ago. The index exceeded 50 for a seventh month, which means there were more optimists than pessimists. The survey was conducted last week, before Germany and other EU nations said they might help support Greek government finances.

BUSINESS REPORT (Star)

Senior bankers to feel pinch after UBS loss

UBS's loss last year will trigger the bank's bonus clawback mechanism for the first time, depriving senior bankers of \$300 million of deferred pay they were due to receive this year. The Swiss bank introduced a plan last year that would pay \$900 million to managing directors and directors in equal parts this year, next year and 2012. The lender yesterday posted a \$2.74 billion loss for last year, compared with a loss of \$21.3 billion for the previous year, "The critical condition, a net profit for 2009 according to International Financial reporting Standards, was not met," Chief Executive Oswald Gruebel said.

BUSINESS DAY (National)

Central bank sees low UK growth, inflation

The Bank of England cut its forecast for economic growth yesterday, and said inflation would undershoot its target, suggesting policy makers may need to keep up their £200 billion emergency stimulus. Annual gross domestic product (GDP) growth will reach about 3.2% in the second quarter of next year, against about 4% previously, the central bank's predictions show. Inflation will peak at about 3.3% before slowing to as low as 0.9% and staying below the goal of 2%. Policy makers are weighing the threat of rising inflation against the risk of a relapse in growth after the economy barely expanded in the fourth quarter.

BUSINESS DAY (National)

Europe lends to Nigerian banks

The European Investment Bank (EIB) signed a framework agreement yesterday to provide loans of up to €240 million to three Nigerian banks. The EIB said the funding for First Bank, Guaranty Trust Bank and Stanbic IBTC would be used to contribute to infrastructure development. IEB Vice-President Plutarchos Sakellaris said, "The three banks should be commended for their leadership and governance, transparency and risk management".

BUSINESS DAY (National)

German bankruptcy slows

The number of German companies filing for bankruptcy rose 6.9% on the year in November, to 2 539, a smaller increase than in preceding months, government data showed yesterday. That compared with rises of 15.9% in October and 17.4% in September.

BUSINESS DAY (National)

Canadian trade deficit widens

Canada's trade deficit widened in December to C\$246 million from C\$201 million the previous month, a government agency reported yesterday. The figure surpassed economists' forecast of C\$200 million deficit in December. Statistics Canada said that exports rose 1.7%, while imports increased 1.8% - both led by automotive products.

BUSINESS DAY (National)

New finance minister in Chile

Felipe Larrain takes over as Chile's finance minister next month, charged with creating 1-million jobs and speeding up the country's recovery from the deepest slump in a decade. He replaces Andres Velasco on 11 March when the new government takes office, President-elect Sebastian Pinera announced on Tuesday.

BUSINESS DAY (National)

Former Renaissance chief in JPMorgan post

JPMorgan Chase has hired Gordon McCulloch, former deputy CE of Renaissance Capital, to head its equity business in Russia, SA and the Middle East, according to sources. McCulloch joined JPMorgan in London last month as head of its equity business in Central and Eastern Europe, Middle East and Africa.

BUSINESS DAY (National), Companies & Markets

New Europe signs deal in Romania

New Europe Property Investments has signed a sale and purchase agreement for retail assets in Romania, and is still negotiating to but other assets. In a shareholder update it said the agreement was still subject to conditions and advised caution while dealing in its shares.

BUSINESS DAY (National), Companies & Markets

INDICATORS

Rand - Dollar \$	7.7210	(-0.0383)
Rand - Sterling £	12.0316	(-0.0097)
Rand - Euro €	10.5654	(+0.0075)
JSE Allshare	26359.2	(-95.93)
Gold	1069.5	(-1.75)
Platinum	1511.0	(+15.00)
Brent Crude Oil	71.9	(-0.27)

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