

# Banking, Finance and Insurance

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## BANKING IN SHORT

In Banking news this morning, looking at tax, the South African Revenue Services (SARS) is to toughen up enforcement measures in the wake of a deterioration of tax compliance levels largely blamed on the economic downturn; and Finance Minister Pravin Gordhan announced new measures on Wednesday to clamp down on sophisticated tax-planning transactions aimed at avoiding tax. In addition, the government can wait a year or two before it has to decide whether it will need to raise taxes, the head of the Treasury's budget office, Kuben Naidoo, told Parliament yesterday. In business, Standard Bank yesterday fell for the first time in four days, sliding R1, or 0.9% to R108, before closing at R108.55. It expects headline earnings per share diluted and basic earnings per share on a normalised basis for the year to December to be 20% lower than a year earlier.

NEWS REVIEWS

## 2010 BUDGET SPEECH

### Tough action against avoidance schemes

Finance Minister Pravin Gordhan announced new measures on Wednesday to clamp down on sophisticated tax-planning transactions aimed at avoiding tax. Tax analysts said the transactions in the budget review were seen as an area of concern to the fiscus and that they had been identified for closure in the future. The South African Revenue Service (SARS) is set to take tough action against schemes such as transfer pricing and cross-border mismatches, as well as cash-based businesses that do not pay value-added tax (VAT) and firms that do not deduct pay-as-you-earn tax (PAYE) and other taxes. Other schemes identified for closure included interest allocation for finance operations, "protected cell" companies, cross border insurance payments, participation preference and guaranteed shares, and cross-border interest exemption.

BUSINESS DAY (National)

### SARS to boost enforcement measures

The South African Revenue Services (SARS) is to toughen up enforcement measures in the wake of a deterioration of tax compliance levels largely blamed on the economic downturn. SARS would refocus its enforcement and audit capacity, including modernising its systems, said the Budget review on Wednesday. SARS commissioner Oupa Magashula said recently that vigorous enforcement had reaped significant benefits and he expected this to intensify through greater international collaboration. Last year, SARS announced plans to hire about 1 000 new auditors with expertise to help unravel complicated tax structures. "Our enforcement levels will be toughened up in a crisis, even more so as individuals take chances," said Magashula.

BUSINESS DAY (National)

### Sin tax should have been more

Did you know that a packet of cigarettes cost R93 in Ireland? So South African should actually say with relief that they will only be paying an extra R1.40 more for a pack of 20. The National Council against Smoking still feels that the tax hike is not enough. It labelled the increase as another opportunity to promote public health and raise government revenues squandered. According to the council tax on tobacco products in South Africa is amongst the lowest in the world. The council recommends that the government, in the future, should double the price consumers pay for cigarettes to make it less affordable.

eNEWS DAY @ 13:00

### ICT low on Gordhan's radar

Finance Minister Pravin Gordhan made no mention of how government will cut the cost of communication, or how it will use ICT to aid South Africa's development, during his maiden budget speech this afternoon. Gordhan's focus on education, employment, health and housing will come as no surprise to analysts who had already predicted that the speech would not centre on ICT. Gordhan did not provide any clarity as to how government will cut the cost of communication, and improve the speed and accessibility of the internet, despite President Jacob Zuma's statement in his State of the Nation address last week that this would happen. Zuma's statement was met with scepticism from various analysts, who said they had heard government's promise to cut the cost of communication for the past five years.

ITWEB.CO.ZA

### Timely help for textile, automotive sectors

State support of R1.8 billion over three years for each of two critical job-creating sectors, clothing and textiles and automotive, was welcomed on Wednesday. Deloitte Director Duane Newman said the amounts were reasonably significant. There had been a debate about whether the government should select winners through industrial policy, but the debate had moved forward. Government assistance would help these industries survive. The automotive industry, which received support in almost every country in the world, attracted significant investment into the wider economy, Newman said. and the government received "bang for its buck" in the spin-offs for investor confidence.

BUSINESS DAY (National)

### Opposition parties give speech the thumbs up

Opposition parties broadly welcomed Wednesday's Budget speech by Finance Minister Pravin Gordhan, praising his efforts to manage the state's purse more prudently. The Democratic Alliance singled out the proposed wage subsidy for youngsters entering the economy, saying it had long been a policy position of the party. The Congress of the People (COPE) said Gordhan's ability to "galvanise" the nation must be welcomed but it raised concerns about the growing deficit. The United Democratic Movement shared COPE's concern about projected public debt rising to 40% of gross domestic product by 2013. The African Christian Democratic Party slammed the fuel hike saying, "We regret the increased tax on fuel by 25.5c/l".

BUSINESS DAY (National)

### Business lauds minister for passing the test

Finance Minister Pravin Gordhan had "pulled off an incredible challenge" in his debut budget, South African Chamber of Commerce and Industry CEO Neren Rau said on Wednesday. Business leaders had been "concerned about how he would balance" the various economic and political factors at play. However, Rau was reassured by Gordhan's call for greater co-operation between business, the government and organised labour. He voiced concern about Gordhan's 25.5c/l increase on fuel tax, saying the hike would "introduce a burden for businesses along the entire value chain". Rau supported Gordhan's assertion that tackling "collusion" in the private sector, as well as corruption among state employees, was necessary to eliminate abuse of tender processes.

BUSINESS DAY (National)

### Beleaguered defence ministry secures R30.7 billion

The Defence Ministry was granted R30.7 billion on Wednesday in response to its request for more resources to recruit more youth to rejuvenate the ageing South African National Defence Force (SANDF). This is an addition of R390 million to last year's budget. Defence Minister Lindiwe Sisulu warned Parliament last year about the "dire consequences" of a continued declining spend on defence by the state. She said that the decline was not taking into consideration the SANDF's domestic obligations as defined by the constitution, as well as the country's foreign policy of peacekeeping, which was a growing international responsibility. The budget is also expected to alleviate the SANDF's burden of deteriorating infrastructure, following the minister's request to let it take over maintaining its own properties.

BUSINESS DAY (National)

### Courts, police and correctional services get 19%

The three departments of the criminal justice system - justice, police and correctional services - will keep inflation at bay with increased allocations of almost 19% for the sector. Of the three, the poor cousin is justice, which gets an increase of about R600 million. The police will get almost R5 billion more and correctional services R1.3 billion. The budget review notes that "recent trends indicate house and business robberies have increased and the additional funds are provided to bring down crime levels, clear court backlogs, reduce parole violations and integrate processes in the criminal justice system". In the recent State of the Nation Address Debate, President Jacob Zuma was sharply criticised for failing to proceed with the review of the criminal justice system. He insisted work was progressing.

BUSINESS DAY (National)

## Consumers feel the price of vice

Finance Minister Pravin Gordhan on Wednesday in his 2010 Budget Speech said that the entire regime of gambling taxation, at provincial and national level, would be reviewed. "Gambling is subject to various forms of taxation at both the national and provincial level. These arrangements will be reviewed... In addition, winnings in the hands of gamblers are tax-exempt, a practice that will also be reviewed," the Treasury said. Budget documents also say "measures will be considered to limit opportunities for money laundering, unlicensed online gambling and other abuses". The industry was, unsurprisingly, cool on the plans. "The proposals to tax winning are particularly difficult, because how do you determine winnings?" asked Derek Auret, CEO of the Casino Association of SA.

*BUSINESS DAY (National)*

## Gordhan 'demands pound of flesh'

Stable. Predictable. Positive. Good for investor confidence. No surprises. These are the comments of tax experts on Pravin Gordhan's first budget as Minister of Finance. According to PricewaterhouseCoopers Tax Director Charles de Wet, Gordhan managed to avoid drastic tax increases despite the budget deficit. This gives De Wet some cause for concern. How will we fund expenditure, he asks. The deficit cannot, surely, be compensated for by increased efficiency in the public service. BDO tax partner Kemp Munnik says Gordhan may indeed have given individuals R6.5 billion in relief, but at the same time he has taken away almost as much with other taxation. According to Deneys Reitz Tax Director Andrew Wellsted, it is noteworthy how much attention Gordhan gave counter-avoidance measures in the budget. He identified various sophisticated tax loopholes and said these would soon be plugged.

*FIN24.CO.ZA - FINWEEK*

## Young communists laud Gordhan

Finance Minister Pravin Gordhan's budget prioritisation of youth employment and skills development, and the R13.5 billion injection for South Africa's 50 further education and training colleges were exciting developments, the Young Communist League said yesterday. "We welcome the target of integrating 500 000 school leavers into the world of work by 2013," it said.

*BUSINESS DAY (National)*

## Gordhan on back foot as left sees red

Finance Minister Pravin Gordhan was forced on to the back foot yesterday by an angry left-wing response to his Budget this week, arguing that he had made significant changes to the inflation-targeting mandate of the Reserve Bank despite creating the impression in his Budget speech that the Bank's mission had not been altered. Gordhan's stance in interviews after the budget fanned confusion in markets, which had been led to believe this cornerstone of South Africa's economic and monetary policy had not been tweaked - despite heated public debate.

*BUSINESS DAY (National)*

## General strike threat as unions round on Gordhan

With a day to marshal their forces after Wednesday's budget, union leaders yesterday launched a furious assault on Finance Minister Pravin Gordhan and the government for "taking left and walking right". They were also firming plans for a general strike in October as a row mushroomed over Gordhan's decision to hold the Reserve Bank's target inflation band at 3% to 6%. As President Jacob Zuma's brittle coalition begins to unravel, union leaders all but accused Gordhan of deceiving them, saying that the ruling alliance's summit meeting in November had agreed to create a task team to study broadening of the Reserve Bank's mandate. Congress of South African Trade Unions (Cosatu) General Secretary Zwelinzima Vavi said yesterday the task team had not even met.

*BUSINESS DAY (National)*

## Fiscal commission cautions against debt use

A warning about the government's use of debt to fund current expenditure such as wages was sounded by the Financial and Fiscal Commission in its comment on the 2010-2011 budget yesterday. The commission's concern emanated from the increase in debt service costs relative to other items in the budget by Finance Minister Pravin Gordhan on Wednesday, as well as from the rapid increase in the public sector wage bill. It has urged the government to restrict long-term borrowing to the financing of infrastructure investment to secure a better life for future generations. The national government's net loan debt is to rise sharply from R526 billion at end 2008/2009 to R1.3 trillion in 2012-2013.

*BUSINESS DAY (National)*

## NATIONAL ECONOMY

### Rand and dollar report

The rand was little changed in the afternoon session yesterday, tracking the euro, which held up well against the dollar following earlier losses. At 15:34, the rand was bid at R7.630 to the dollar from R7.598 at its previous close. It was bid at R10.366 to the euro from R10.355 and at R11.897 against the sterling from R11.924. The euro was bid at \$1.355 from \$1.360.

*BUSINESS DAY (National), Companies & Markets*

### WC to contribute R5bn to SA's economic growth

The FIFA World Cup is estimated to contribute close to R5 billion to this year's economic growth. Finance Minister Pravin Gordhan says government has so far spent about R33 billion in preparations for the tournament. He says this has created over 130 000 jobs in constructing stadiums alone. South Africa's economy is expected to grow by 2.3% in 2010 after contracting 1.8% last year, but unemployment remains a critical challenge after recession slashed about 900 000 jobs. Gordhan says the country will host a great sporting festival this year, which has been a considerable test of the countries' agility and delivery capacity. He says they have achieved a remarkable goal in completing the 2010 stadiums in good time and as they rightly enjoy and take pride in this achievement, they know that they must extend the same extraordinary efforts to addressing critical social and economic challenges.

*SABCNEWS.COM*

### State must hurry to gain from investment programme

The government is in danger of "missing the boat" when it came to using the three-year R846 billion public sector investment programme to build up domestic production capacity, Trade and Industry Minister Rob Davies said when releasing the Cabinet-approved industrial policy action plan yesterday. Structures and processes required by the plan must be put in place quickly to take advantage of the three-year investment programme. Plans to leverage the R846 billion spending have been on the drawing board for several years without much being done. The result is that SA has missed out on significant domestic production opportunities offered by this large investment.

*BUSINESS DAY (National)*

### New Industrial policy plan

Turning the tide on against unemployment; and raving-up our economy. Those are the key task of South African Trade Minister Rob Davies, who believes we can accomplish it through industrial policy action plan. Insiders in the Ministry of Trade and Industry say massive state intervention is not ideal for the South African economy, for fear of scaring off investors. Davies is expected to propose a serious overhaul of government's procurement legislation. This is aimed at achieving greater impetus for local manufacturing and job creation in other words ensuring that government buys locally. With government being the biggest spender, that is a lot of money that could be pumped into the local economy. Davies believes that trade policies could be manoeuvred to support the local economy.

*eNEWS DAY @ 13:00; S Afr NEWS EXTRA @ 19:00*

### No rush to increase tax says Treasury man

The government can wait a year or two before it has to decide whether it will need to raise taxes, the head of the Treasury's budget office, Kuben Naidoo, told Parliament yesterday. This came after Finance Minister Pravin Gordhan warned in his budget speech that the government might have to raise taxes in future to fund its public spending commitments. However, he made it clear that the tax burden would not be raised this year, and said the government would prefer to increase revenue through broadening the tax base and improving tax compliance. Tax revenue is expected to have fallen more than 5% in the current fiscal year as a result of last year's recession and Gordhan said tax revenue growth was likely to lag the economic recovery.

*BUSINESS DAY (National)*

### SA 'giving away' 1% of its GDP

South Africa is giving away more than 1% of its gross domestic product (GDP) - about R28 billion in the 2009/2010 budget - to its poor neighbours, a Johannesburg-based economist revealed yesterday. Mike Shussler, an economist at Economists.co.za, said this money was more than developed countries, such as Norway and Sweden, were giving to their destitute neighbours. Shussler said that giving away so much money was "silly" considering that South Africa was a developing economy. Shussler added that South Africa needs a fairer system that gives more of the customs duties to us and would "help us grow our economy".

*BUSINESS REPORT (Star)*

## NATIONAL BUSINESS

### Standard earnings to take a hit

Standard Bank said yesterday that for the year ended December 2009, its headline earnings per share (HEPS), diluted HEPS and basic earnings per share (EPS) on a normalised basis are likely to be approximately 20% lower than the comparable period in 2008. HEPS, diluted HEPS and basic EPS calculated on an IFRS basis for the year ended December 2009 are likely to be between 20% and 25% lower than the comparable period in 2008. Results are normalised to reflect the legal and economic substance of the group's Black Ownership Initiative and deemed treasury shares held for the benefit of Liberty policyholders and to facilitate client trading activities. Standard Bank Group's results will be released on 4 March 2010.

*FIN24.CO.ZA - FINWEEK ; BUSINESS REPORT (Star)*

### Standard falls for first time in four days

Standard Bank yesterday fell for the first time in four days, sliding R1, or 0.9% to R108, before closing at R108.55. Africa's biggest lender said it expected headline earnings per share diluted and basic earnings per share on a normalised basis for the year to December to be 20% lower than a year earlier. Calculated according to international financial reporting standards, they would be 20% to 25% lower.

*BUSINESS DAY (National), Companies & Markets*

### Bruggemans praises minister

First National Bank (FNB) Chief Economist Cees Bruggemans, in his address at an FNB post-budget presentation in Pietermaritzburg yesterday - held in conjunction with the Pietermaritzburg Chamber of Business (PCB) and The Witness, praised Finance Minister Pravin Gordhan for decisively addressing policy debates around the mandate of the South African Reserve Bank (SARB). However, Bruggemans said that the limited funding on infrastructure will place extra cost pressures on South Africa households, ultimately placing disposable income under strain. Bruggemans lauded the government for reacting to the recession in a modern manner, by supporting the economy through robust expenditure.

*WITNESS*

### Absa appeal judgement reserved

Judgement was reserved in the Supreme Court of Appeal in Bloemfontein yesterday following a hearing in which Absa Bank attempted to overturn a 2008 court ruling that ordered it to pay R187 million plus costs and interest over the past eight years to businessman Rico Bernert. The case revolves around a letter of guarantee issued by the bank which was later arguably wrongly revoked on the grounds that it was fraudulent.

*BUSINESS DAY (National)*

## GENERAL NEWS

### SA could face ratings review

A new look at South Africa's ratings could be imminent, Brait chief economist Colen Garrow said yesterday. Rating agencies generally make pronouncements on fiscal policy in the weeks after the national budgets are released.

*BUSINESS DAY (National)*

### Public enterprises may be 'rationalised'

State-owned enterprises are under review for possible rationalisation, the Treasury's Director-General Lesetja Kganyago confirmed yesterday. The review is being conducted by the Department of Public Enterprises and the Treasury. Although Kganyago was unable to spell out the details of what "rationalisation" meant, the review comes weeks after Mathews Phosa, the African National Congress's (ANC's) Treasurer-General, said that such entities ought to be moved to line function departments and their mandates should be reviewed. The reconsideration also comes amid fierce debate in the ANC, with no agreement on the drastic step of reducing the mandates as that would affect the existence of the Public Enterprises Ministry and Department and kill of a Cabinet post. Kganyago said the president had established a joint ministerial committee driven by Finance Minister Pravin Gordhan and Public Enterprises Minister Barbara Hogan to review State-owned enterprises and get them aligned with the priorities of the government. The committee would look at 15 public enterprises, including Transnet, South African Airways, Eskom; SA Express; PBMR; to name a few.

*BUSINESS DAY (National)*

### Auctions

Business Day contained an Auctions supplement with the following headings: "Purchasing vehicles at an auction 'still the best way to go'"; "Midrand campus comes under Auction Alliance hammer"; "Sekoto a highlight of Bonhams sale"; and "Fifth Avenue will set standard".

*BUSINESS DAY (National)*

## PROPERTY AND HOUSING

### Tsogo Sun, Gold Reef to merge

Global brewing giant SABMiller said on Thursday that it has agreed to merge Tsogo Sun, its South African hotels and gaming associate, with Gold Reef Resorts, the JSE listed business with premier gaming assets in five of South Africa's provinces, through an all-share merger. The transaction will be effected through the acquisition by Gold Reef of the entire issued share capital of Tsogo Sun in exchange for the issue of new shares in Gold Reef. SABMiller will exchange its 49% interest in Tsogo Sun for a 39.7% interest in the enlarged Gold Reef/Tsogo Sun business, which will continue to be listed on the JSE with an expected market capitalisation of approximately R21 billion - or around \$2.7 billion. It is estimated that the enlarged group will be the 36th largest company on the JSE.

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

### City Lodge ramps up for World Cup surge

Despite an economic downturn and a larger number of rooms available, City Lodge achieved average occupancies of 70% in the second half of last year. Its turnover, however, decreased by only 1% to R339 million. During the six months it continued with an expansion programme in readiness for the Soccer World Cup and an increase in tourism and business travel expected to follow it. It currently has 44 hotels with 4 089 rooms, some of which have opened in the current financial year, but it will have 52 hotels offering 6 442 rooms by the end of this year.

*BUSINESS REPORT (Star)*

### Fall in occupancy weighs on City Lodge's earnings

A sharp fall in occupancy rates saw City Lodge Hotels yesterday post a 14% year-on-year fall in headline earnings per share to 246.1c for the six months to December, on a normalised basis. CEO Clifford Ross said that a fall in occupancy from 81% to 70% was largely due to lower disposable household income in South Africa. "There are still good occupancy rates in our core market, which is for business travellers between Monday and Thursday, but we're feeling it at the weekends". City Lodge's occupancy rate was well above the major hotel group average of about 60%.

*BUSINESS DAY (National), Companies & Markets*

### Department gives ground in homeland law battle

Rural development and Land Reform Minister Gugile Nkwinti has thrown in the towel in his department's three-year legal battle in support of a deeply flawed land law that sought to reform property rights in former homelands. In a responding affidavit filed yesterday, Nkwinti said he would not oppose an application brought by public interest law firm the Legal Resources Centre, to have the Communal Land Rights Act declared entirely unconstitutional. The move could mark the beginning of a radical rethink on how best to achieve security of tenure for millions of South Africans living in former homelands.

*BUSINESS DAY (National)*

## RESTRUCTURING AND APPOINTMENTS

### Dockrat to take over DSA

Ismail Dockrat, previously chief executive of Denel Aviation and Western Cape trade and investment promotion agency Wesgro, has been appointed as the new Chief Executive of Denel Saab Aerostructures (DSA). His appointment is effective from the beginning of next month and follows the resignation last month of previous DSA chief executive Lana Kinley and chief financial officer Sasa Methola for as yet unexplained reasons.

*BUSINESS REPORT (National)*

## OIL NEWS

### Oil Report

Brent crude for delivery in April rose 67c to \$76.95 a barrel (R3.68 a litre) in London.

Sweet light US crude traded 77c stronger at \$78.10 in New York.

*BUSINESS REPORT (Star)*

## INTERNATIONAL ECONOMY & BUSINESS

### Harare tries to calm sceptical foreign investors

Zimbabwe's ambitious drive to lure back tourists has been met by scepticism from international investors unsettled by a new empowerment law. The Southern African country, struggling to emerge from a decade-old recession that resulted in the collapse of all sectors of the economy, is hosting a high-level African investors Pan African Investment Summit. Zimbabwe is trying to explain its case to more than 300 heads of international companies and African ministers that it remains of one of the continent's safest investment and tourist destinations.

*ALLAFRICA.COM - ALL AFRICA MEDIA*

### Banks struggle with Barclays' bonus precedent

Barclays' top two directors have thrown the compensation plans of rival bank bosses into disarray by choosing to forfeit their bonuses for a second consecutive year. Britain's major banks are being forced to decide whether to follow the example set by John Varley, Barclays' Chief Executive, and Bob Diamond, its President. They declined multi-million pound bonuses after the bank posted record profits in an attempt to defuse public anger over bankers' pay, though Diamond had already made \$26 million (£16.5 million) from the sale of a Barclays subsidiary last year. The pressure is now on the part-nationalised lenders, Royal Bank of Scotland and Lloyds Banking Group, to follow suit. Neither is expected to make a profit this year.

TELEGRAPH.CO.UK

### Abu Dhabi increases stake in Barclays

Abu Dhabi has raised its stake in Barclays to 5.2pc by paying £1.2 billion to exercise warrants it took as part of a controversial fund-raising by the bank two years ago. Wednesday's purchase by the emirate increases Barclays' core tier 1 capital to 10.4pc from 10pc. Barclays said Abu Dhabi, which made the investment through a vehicle of the emirate's royal family, had exercised 626.8m of its warrants at the agreed price of 197¾p per share. It still holds 131.6m warrants, which could lift its shareholding by a further 1.1pc. Abu Dhabi committed to pump up to £4.75 billion into the bank two years ago to boost its capital and help avoid taking cash from the UK government. Last June, the emirate sold instruments equivalent to an 11pc stake in the bank, making \$2.5 billion.

TELEGRAPH.CO.UK

### HSBC's Irish arm is given time to amend defence

A High Court judge has permitted the Irish arm of European banking giant HSBC to refrain from specifying – at this stage – the capacity in which millions of investment monies were passed on by it to companies controlled by US fraudster Bernard Madoff. Justice Frank Clarke, who is managing 47 actions brought over the payment of huge sums to Madoff companies, accepted arguments by HSBC's Irish arm it is not yet in a position to set out – in its defence to actions by two sub-funds – whether certain monies were passed by it to Madoff companies as sub-custodian, broker/dealer or other. In those circumstances, the judge said he would allow HSBC Institutional Trust Services (Ireland) Ltd (HITS), Grand Canal Square, Dublin, to amend its defence to the two actions.

IRISHTIMES.COM

### Cost of banking in UK set to soar

The cost of banking in Britain is set to soar, analysts have warned, as UK lenders will be hit hardest by new rules to prevent a repeat of the financial crisis. According to research by JP Morgan, Britain's banks must raise \$91 billion (£58 billion) of the \$221 billion the global industry needs to meet proposed regulations for reform. The state-backed lenders are most at risk. Royal Bank of Scotland needs \$35.3 billion and Lloyds Banking Group \$23.4 billion. Only France's BNP Paribas is as exposed, requiring \$24.7 billion. Regulators worldwide are planning a raft of measures designed to de-risk the industry. However, bankers argue that heavy-handed reform will be counter-productive by restricting credit.

TELEGRAPH.CO.UK

### Call for banks to improve services to socially disadvantaged

Banks need to improve their services to offer basic financial products such as bank accounts, loans, overdrafts and credit cards to people on low-incomes, according to a campaign launched yesterday by a coalition of third sector organisations. The Better Banking Campaign, which fights for financial inclusion, says between 5 and 7-million people cannot access mainstream credit and 1.75-million adults don't have access to even a basic bank account. Excluded from high street banking, many borrow money from payday loan companies, some of which charge as much as 2.500% interest, or illegal doorstep loan sharks. One company has even started offering such loans by text message, promising it can get money into people's bank accounts in minutes. The coalition is meeting MPs at Downing Street tomorrow to discuss the issue.

GUARDIAN.CO.UK

### IMF eyes \$6.9 billion from gold sale

The International Monetary Fund said on Wednesday it was ready to sell 191.3 tons of gold on the market in a bid to reduce its dependence on lending revenue. At Wednesday's market price of about \$1 120 an ounce, the gold to be sold would be worth nearly \$6.9 billion. The fund "will shortly initiate the on-market phase of its gold sales program" of a total 403.3 tons approved for sale last September, the Washington-based institution said in a statement. The initial phase was set aside exclusively for off-market sales to public entities, such as central banks, among the IMF's 186 members. A combined 212 tons was sold during that first phase – more than half the approved total – snapped up by the central banks of India, Mauritius and Sri Lanka. India, the first customer, bought 200 tons, followed by Mauritius (two tons) and Sri Lanka (10 tons).

FIN24.CO.ZA - FINWEEK ; BUSINESS DAY (National)

### L&G chief says UK recovery to take a few months

Legal & General Group, the UK's second-biggest insurer by assets, yesterday said it might take several months before the recovery in the UK economy gathers pace. "It's going to take a few more months before there's a breakout into a more stable recovery," CEO Tim Breedon said in London. "In parts of savings and risk, conditions are there for a stronger year in 2010 than in 2009. Don't expect this trend to be spectacular". Legal & General reported fourth-quarter sales 5.4% lower than in 2008, matching the median estimate of five analysts surveyed by Bloomberg.

BUSINESS DAY (National), Companies & Markets

### Charges for aid repayment offset ING Groep profit

ING Groep, the biggest Dutch financial-services company, yesterday reported a fourth-quarter loss as the bank and insurer set aside €930 million for extra payments to the Netherlands after receiving state aid. The net loss narrowed to €712 million from €3.71 billion in the year-earlier period Amsterdam-based ING said. That missed analysts' average estimate for a loss of €376 million. The company announced the one-time charge in October. ING received €10 billion from the Dutch government in 2008, of which it repaid half in December, and a guarantee on US mortgage-related assets last year.

BUSINESS DAY (National), Companies & Markets

### Barclays bosses want key roles in reforms

The top two bosses at Barclays Plc said they have decided to forgo their bonuses this year, despite the bank's record profits, to strengthen their credibility in influencing regulatory reform, the FT reported. Chief Executive John Varley and Bob Diamond, head of the investment banking arm of Britain's second-largest bank, sought to appease a recent backlash over banker pay and restore stakeholder trust by declining a bonus for the year. "We want to be part of the debate on the future of global regulation and the economy," Diamond told the FT in an interview published on Wednesday. Earlier on Tuesday, Varley said the uncertain outlook for regulatory reform posed the greatest risk for the bank.

UK.REUTERS.COM

### BoJ resists political pressure

Japan's central bank kept its super-low interest rates unchanged on Thursday and defied political pressure to take new steps to beat stubborn deflation in the world's second-largest economy. The Bank of Japan held its benchmark rate steady at 0.1%, where it has been since December 2008, saying reversing a slump in consumer prices was a critical challenge. "Japan's economy is picking up mainly due to various policy measures taken at home and abroad, although there is not yet sufficient momentum to support a self-sustaining recovery in domestic private demand," it said in a statement. "The Bank recognises that it is a critical challenge for Japan's economy to overcome deflation and return to a sustainable growth path with price stability," the BoJ added.

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

### EU's west beats east in wealth ranks

The European Union's (EU's) richest region, inner London, is more than seven times wealthier than the poorest one, Severozapaden in Bulgaria, according to a study that detailed a deep east-west divide. The report by Eurostat said the EU's 20 poorest regions were in Bulgaria, Romania, Poland and Hungary – all ex-communist countries from central and eastern Europe that joined the EU in 2004 or 2007. Regions in Germany, the Netherlands, Denmark and Britain dominated the list of the bloc's richest areas. Inner London had economic output per capita of €49 100 a year, which was 334% of the EU average.

BUSINESS REPORT (Star)

**Britain borrows money for first time since 1993**

Britain's national and local government had to borrow money last month for the first time since 1993, official statistics showed in another sign of how the recession is hurting government finances. Britain just barely crawled out of recession in the fourth quarter, with a preliminary estimate that gross domestic product (GDP) rose 0.1%. Fears persist that the economy, propped up by massive government intervention, could fall back into recession later in the year.

*BUSINESS DAY (National)*

**SocGen results below estimates**

Stock in Societe Generale, France's second-largest bank by market value, fell as much as 5.1% in Paris yesterday after write-downs tied to risky assets weighed on fourth-quarter profit and the company cut its dividend. The bank fell €1.92 or 4.6%, to €40.08 before midday, bringing the decline this year to 18%. The Paris-based bank cut its dividend to 25c a share for last year from €1.20 a year earlier. "They continue to disappoint with negative charges each quarter," Jonathan Tryce, a London-based analyst at FBR Capital Markets International, said.

*BUSINESS DAY (National), Companies & Markets*

**INDICATORS**

Rand - Dollar \$	7.6178	(-0.0576)
Rand - Sterling £	11.9097	(-0.0145)
Rand - Euro €	10.3709	(-0.0187)
JSE Allshare	27280.6	(+88.00)
Gold	1118.0	(-1.00)
Platinum	1524.0	(-18.00)
Brent Crude Oil	76.9	(+0.67)

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