

Banking, Finance and Insurance

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BANKING IN SHORT

In Banking news this morning, Finance Minister Pravin Gordhan on Friday reiterated that South Africans should shake off their scepticism about SA; while the chief economist at Econometrix, Azar Jammine, said that Gordhan's announcement of R6.5 billion in relief to individual taxpayers is largely an illusion. Looking at business, which focused on growth in Africa, Absa has reached a non-binding agreement to pursue the acquisition of a controlling interest in Namibia's Capricorn Investment Holdings for an undisclosed sum; Blue Financial Services would soon be taking deposits in several African countries; and US financial services group BNY Mellon, operating in South Africa for seven years, hopes to grow earnings from southern Africa in the "higher teens".

NEWS REVIEWS

2010 BUDGET SPEECH

Trade unions not happy with latest budget

After days of mounting criticism from labour movements about the national budget, Finance Minister Pravin Gordhan has finally hit back, firmly believing that he is setting South Africa back to the road of economic recovery. He is being accused of adopting too much of a business like approach and not doing enough to address the needs of the poor. Gordhan says much needed job creation was the main thrust of his Budget speech. Trade unions slammed the latest national budget, calling it an extension of previous administration pro-business approach. Allowing the Reserve Bank to prioritise inflation targeting over job creation has in particular angered the trade unions. A very diplomatic Gordhan, however, says he acknowledges the concern of trade unions but stresses that at this current juncture, stability is needed to pull SA out of this current slump and get growth back on track.

ENEWS PRIME @ 19:00

Gordhan: Tax hikes in next budget

Hardly a day after Finance Minister Pravin Gordhan announced R6.5 billion in tax relief, he warned that personal tax rates could rise in his next Budget. This would be necessary if the country failed to produce additional tax revenue from more sources by October this year, he told a breakfast session in Cape Town. He asked taxpayers to stop begging for tax relief every time there was a problem, and to please leave some money for government. Government promised to manage it better in future. Gordhan emphasised that this was no time for massive tax relief. In the 2009/10 fiscal year government had collected almost R70 billion less than budgeted for, owing to the recession, and it had needed to borrow more than R177.7 billion to fund its various programmes.

FIN24.CO.ZA - FINWEEK

Tax relief is sleight of hand, says economist

Tax relief in last week's budget was largely an illusion, Azar Jammine, the chief economist at Econometrix said. Pravin Gordhan announced R6.5 billion in relief to individual taxpayers in the 2010/2011 tax year. However, according to Jammine, inflation will lift the combined tax bill of individuals by R22.6 billion, "so basically he will be returning only about a quarter". Jammine gave the budget an overall thumbs up on Friday and said the market responded favourably to the minister's proposals, however, he pointed out that the budget did not adequately adjust tax brackets to take account of inflation.

BUSINESS REPORT (Star)

NATIONAL ECONOMY

Rand and dollar report

The rand was firm in the afternoon session on Friday as the dollar came off its earlier highs. At 15:40 the rand was bid at R7.674 to the dollar from R7.658. It was bid at R10.381 to the euro from its previous close of R10.329 and was at R11.822 against the sterling from R11.825. The euro was bid at \$1.350 from \$1.346.

BUSINESS DAY (National), Companies & Markets

Nersa's decision to impact on inflation, interest rates

Economists who spent last week crunching budget numbers will have a new slew of data to analyse over the next few days. In addition, the National Energy Regulator of SA (Nersa) will announce on Wednesday whether it will grant a request from Eskom for tariff hikes of 35% in each of the next three years. Both the data and Nersa's decision will have implications for inflation, growth and interest rates. The Reserve Bank will publish figures today on its composite lead indicator, which last year rose from 104.5 in March to 119.8 in December. The indicator, which signals growth six to 12 months ahead, accurately predicted the turn in the economy in the third quarter. A number of hazards lie ahead, the most serious being the extent of power tariff hikes. The Reserve Bank's inflation forecast is based on an increase of only 25%. If Eskom's hike is in line with the bank's expectations and if the January figure does not surprise on the upside, the Reserve Bank's monetary policy committee could make a further cut in interest rates when it meets in a month's time.

BUSINESS REPORT (Star)

Inflation debate not over

Trade union Fedusa has warned the Finance Minister that the debate on inflation targets and the Reserve Bank's mandate is far from over. In his first Budget speech on Wednesday Minister of Finance Pravin Gordhan made it clear that the central bank would continue pursuing an inflation target of between 3% and 6%. He also, as expected, stressed the bank's mandate, which includes controlling inflation and protecting the value of the currency. During a breakfast session on Thursday, Fedusa General Secretary Dennis George made it clear to Gordhan that the debates were far from over. He also expressed disappointment that the bank's mandate had not been altered. Gordhan retorted that the mandate had indeed been changed. He quoted from a letter he had sent the Reserve Bank governor, Gill Marcus, in which he had outlined the bank's mandate.

FIN24.CO.ZA - FINWEEK

No need to be so sceptical - Gordhan

Finance Minister Pravin Gordhan on Friday reiterated that South Africans should shake off their scepticism about SA. "Let us talk facts, our debt-gross domestic product ratio is the lowest in the world at 24%. The US sits with 70% to 80% debt and the UK is well over 100%. Yet we continue to believe that we are the worst off". He was speaking at a breakfast on Friday hosted by the Financial Mail at the University of Pretoria's Gordon Institute of Business Science.

BUSINESS DAY (National)

Cost of welfare rising too fast for SA to pay

Economists have warned about the mounting costs of dispensing social welfare grants in South Africa after Treasury Director-General Lesetja Kganyago reported that the costs had risen from just over R4 billion to R5.16 billion in four years. Economists.co.za chief economist, Mark Schussler, noting that R80 billion was dispensed by the SA Social Security Agency (Sassa) in 2009/2010, said this meant the cost of dispensing amounted to 6.37%. "I would have expected the cost to be about 3% to 4%" Schussler added. If the agency had saved half of its administration costs, about R2.5 billion could have been spent on grants - either through providing extra grants or raising existing grants.

BUSINESS REPORT (Star)

NATIONAL BUSINESS

JSE wants new rules on bonds

The JSE plans new rules that will compel traders to use a screen-based trading system for three government bonds rather than setting prices among themselves. The exchange was talking with regulators and the industry on the proposals, Graham Smale, the JSE's Director of Interest Rate Products said on Friday.

BUSINESS DAY (National) ; CITIZEN, Citi Business

Recession takes its toll on small KZN companies

The number of companies and close corporations in KwaZulu-Natal has sky-rocketed from 8 654 in 2002 to 39 364 in 2008, but 8 000, or 20% of these had closed down last year due to the economic downturn, said Clive Coetzee, an independent economist in Pietermaritzburg. The figures were provided by the Companies and Intellectual Property Registration Office, which does not gather information on the sectors. Coetzee said the entities included private companies headquartered in KwaZulu-Natal. The figure excluded national companies with regional branches in KwaZulu-Natal, and sole proprietorships and partnerships.

BUSINESS DAY (National)

Absa moves closer to buying Namibian financial group

Absa has reached a non-binding agreement to pursue the acquisition of a controlling interest in Namibia's Capricorn Investment Holdings for an undisclosed sum. Capricorn is a financial services group whose businesses include the flagship brand Bank Windhoek, a Namibian bank with more than R13 billion in assets. Bank Windhoek offers retail, wholesale and international banking products and services. It has more than 200 000 customers which it serves through 50 outlets and its electric channels and a network of 234 ATM's and Cash Express machines across Namibia.

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

BNY Mellon eyes growth in southern Africa

US financial services group BNY Mellon, operating in South Africa for seven years, hopes to grow earnings from southern Africa in the "higher teens", Vice-Chairperson Steven Elliot said. "The business down here has been very successful." The group does middle- and back-office bank services, issuer and securities processing, and issuance processing for central banks.

BUSINESS DAY (National), Companies & Markets

Blue to take deposits in more African countries

Blue Financial Services would soon be taking deposits in several African countries, Corporate Affairs Executive Morne Reinders said on Friday. Reinders would not reveal when this process would start, saying that Blue did not want to give its competitors a head up on its plans. "We will be taking deposits particularly in east African countries, where we will partner with local deposit taking institutions. The idea behind this is to provide a full spectrum of financial services products to those (people) excluded by mainstream banks," Reinders said. He said that predicting the timing of regulatory process in Africa was near impossible.

BUSINESS REPORT (Star)

Current board is clean - Bonitas tells court

Bonitas has moved that a court application to place the scheme under curatorship should be dismissed with costs mainly because the board of trustees inherited most of the concerns raised by the Council for Medical Schemes (CMS) and it had begun taking action to rectify these before the council's investigation. According to a replying affidavit from the scheme filed last week in opposition to the CMS's application, board Chairperson Bongani Mpungose also pointed out that Craig Burton-Durham, the acting registrar at the council, had no authority to bring such an application before the court. Mpungose said the concerns raised by the CMS were not material and it was not in the interests of Bonitas beneficiaries for the scheme to be placed under curatorship.

BUSINESS REPORT (Star)

GENERAL NEWS

AfDB to finance energy, transport projects

The African Development Bank (AfDB) estimated that it would finance up to \$10 billion in infrastructure projects in the next three years, with the energy sector central to this, a bank official said yesterday. "We are estimating our pipeline of deals that we could finance within the next three years at 47 billion to \$10 billion, and that's a conservative figure," Bobby Pittman, AfDB Vice-President of Infrastructure and Regional Integration, said on the sidelines of a bank meeting in Cape Town. Most of the funding would be for energy and transport projects. Research by the World Bank-aligned Infrastructure Consortium for Africa last year showed that sub-Saharan Africa needed to double its infrastructure spending to \$93 billion a year to upgrade roads, water and power networks. Poor infrastructure has been a great impediment to economic growth in the world's poorest continent.

BUSINESS DAY (National) ; TIMES Business Times; SAFM NEWS EXTRA @ 06:00

Choice of car model can impact loan approval

The vehicle brand and model a consumer plans to buy influences the interest rate they will pay on any financing agreement - and can even determine if their finance application is successful; or not. This is because vehicle brands and models depreciate at different rates, which means the value of the vehicle - and what it can be sold for - differs over time from model to model. WesBank Sales and Marketing Director Chris de Kock said its finance application score-card had more than 200 different characteristics and every facet of information could affect the application's outcome.

BUSINESS REPORT (National)

Allan Gray pumping for Sasol

Allan Gray believes that Sasol is a safer bet than the large diversified miners that influence the JSE's All Share Index. The popular fund manager is significantly underweight in resources stocks Anglo American and BHP Billiton. Meanwhile, its stake in Sasol has increased to a point where it is the third-largest holding in the Allan Gary Equity Fund and second only to SABMiller and British American Tobacco. Chief Investment Officer Ian Liddle said that it is possible that all commodity prices may fall in dollar terms, but Allan Gary sees less downside risk to oil prices. "Furthermore, energy stocks around the world seem to have fallen out of favour and a company like Sasol is trading on a significantly lower multiple of normal earnings than Anglo American or BHP Billiton (that earn a major portion of their current profits from ferrous and base metals)."

CITIZEN, Citi Business

Africa's GDP growth set to hit 7% in 2011

Africa's real combined gross domestic product (GDP) growth could reach about 7% next year, from a forecast of about 5.5% growth for this year, African Development Bank (AfDB) President Donald Kaberuka said yesterday. "I totally concur with the numbers from the International Monetary Fund ... (of) around 5.5% for real GDP growth and going into 2011, perhaps 1.5 percentage points more," Kaberuka said at the AfDB's Commitment of 10 meeting in Cape Town.

BUSINESS REPORT (National)

PROPERTY AND HOUSING

Queensgate troubles are mounting

Queensgate Hotels & Leisure appears to be unravelling quickly after the company announced that two directors were forced to sell 94.8-million shares, or 5% of the issued stock, to cover some of its debt. According to a Sens announcement late last week, CEO Andrew Hubbard said that strategic officer Holger Friedrichson had pledged the stock to the Hospitality Property Fund (HPF) and Exhibition Building Investments as surety, which was now called in. Andrew Rogers, Deputy CEO of HPF, said that the sale of shares related to funds owed on leases at the Inn on the Square and 90 suites in the Radisson Waterfront Hotel in Cape Town, which had been terminated.

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

Distributions fall for Corporate fund

Corporate Real Estate Fund's distributions for last year were 27.69c a unit, 69% less than 2008's 29.75c. "Growth of 6.5% in revenue was offset by an increase of 23.5% in property expenses," it said. The change in municipal valuations had caused rates to rise by 21%.

BUSINESS DAY (National)

City urges property owners not to panic

The City of Cape Town has urged property owners not to panic after owners received letters in the mail stating the value of their property. This fuelled fears of higher rates as some property's market value increased, the highest by 22 percent. Property owners will be able to lodge objections if they feel their properties are over- or under-valued.

CAPE ARGUS (City Late)

INTERNATIONAL ECONOMY & BUSINESS

Barclays and Bank of America see looming oil crunch

Bank of America and Barclays Capital, two leading oil traders, have told clients to brace for crude above \$100 (£64) a barrel by next year, before it pushes relentlessly higher over the decade. This is a stark contrast from recessions in the 1980s/90s, when it took years to work off excess drilling capacity. "Oil has the potential to flirt with \$100 this year. We forecast an average price of \$137 by 2015," said Amrita Sen, an oil expert at BarCap. The price has doubled to \$78 in the last year. "The groundwork for the next sustained step up in oil prices is now almost complete. Global spare capacity is likely to be reduced to low levels within a relatively short time. The global economic crisis has postponed, but not cancelled, a crunch which would otherwise be starting to bite now," said Barclays.

TELEGRAPH.CO.UK

Barclays Bank lobbied over Glasgow job cuts

A UK bank is under political pressure to reverse a move to shed 350 jobs in Glasgow and relocate them to Cardiff. Scotland's Finance Secretary John Swinney has this week lobbied Barclays Chief Executive John Varley, and urged him to reconsider the move. Barclaycard announced proposals at the end of last year to relocate its Barclays Partner Finance operations. A bank spokesperson said a consultation on the move had a month still to run and no final decision had been made. However, it is understood that recruitment has begun for the jobs in Wales. The BBC understands that, during the consultation, staff in Scotland had challenged the case for moving operations to Cardiff, arguing instead that the bank could save money by bringing the Welsh operation to Glasgow.

NEWS.UK.BBC.CO.UK

No more, China tells Zim

Chian has told the Zimbabwean coalition government not to expect more loans from Beijing until it pays existing debts, Deputy Prime Minister Arthur Mutambara was quoted as saying yesterday. Mutambara, who heads a faction of the junior coalition partner, the Movement of Democratic Change, told the Zimbabwean newspaper Chinese President Hu Jintao considers Beijing and Zimbabwe as "business partners" and not "friends".

CITIZEN (Second Edition)

Barclays hits customers with huge overdraft fee increase

Barclays has slapped higher overdraft charges on two million of its current account-holders, just two days after revealing that its investment bankers will take home more than £190 000 each in bonuses this year. The fee increases will affect those customers who pay a monthly fee for such extras as insurance policies alongside their standard current account services. The new charges affect seven account types, five of which are still available to new customers and two which are no longer offered. The biggest increase affects the "Graduate Account", whose overdraft rates are rising from 9.9% annually to 14.9%. The rate on the bank's "First Additions" account will rise from 14.9% to 18.3%.

INDEPENDENT.CO.UK

HSBC launches new Hibor-based mortgage plan

HSBC Holdings PLC said Thursday its Hong Kong unit has started offering mortgages with lending rates based on the ultra-low short-term interbank rate, instead of the prime lending rate. The move, which will effectively lower the mortgage lending rate, highlights the fierce competition in the local mortgage market and the ample liquidity in the banking system. The bank said in a statement the mortgage lending rate could be as low as 65 basis points above the one-month Hong Kong interbank offered rate. Based on the one-month Hibor of 0.26% late Thursday, the mortgage rate could be as low as 0.91%, much lower than the current mortgage rate of around 2.5% offered by HSBC. The offer is open until 30 April, HSBC said.

ONLINE.WSJ.COM

Banking sector condemned over drop in loans

Lending by banks to companies fell last year for the first time since records began in the latest illustration of the banking industry's reluctance to provide finance to businesses and another sign of the fragile state of the economy. The Treasury is now reviewing lending targets for state-supported Lloyds Banking Group and Royal Bank of Scotland after an 8.1% fall in the stock of loans to businesses year-on-year provided fresh evidence that the banks will not grant the required £27 billion of business loans by March. RBS must lend £16 billion to businesses and Lloyds £11 billion in return for taxpayer support for their bad loans. The commitments for RBS to lend £9 billion in mortgages and Lloyds £3 billion are more likely to have been met.

GUARDIAN.CO.UK

Fears of mass UK banking exodus prove unfounded

Fears of a mass exodus by London's financiers to the more favourable tax climate of Switzerland appear to have been exaggerated: fewer Britons applied for permits to work in the Swiss financial services sector last year than in 2008. Research by Channel 4 News shows that, despite warnings by Boris Johnson, the mayor of London, that 9 000 high-flying City workers would decamp to escape the windfall levy on bonuses and the 50p income tax rate, just 1 079 British citizens joined the financial sector in the Alpine state last year – and about two-thirds of those were applying for IT or other back-office jobs. That represented a 7% decline on the number of Brits applying for a carte de séjour – work permit – in the financial services sector in 2008.

GUARDIAN.CO.UK

Fed hikes bank loan rate

The US Federal Reserve is raising the interest rate on emergency loans to banks, in a surprise move seen as the start of an exit strategy for radical measures to jolt the economy from recession. After two consecutive quarters of positive US economic growth, the Federal Reserve Board said on Thursday it was hiking the discount rate, or the primary credit rate, to 0.75% from 0.5%. Primary credit is provided by the central bank as a backup source of funds to banks. In a statement, the Fed said its action was part of changes to terms of its so-called discount window lending programmes "in light of continued improvement in financial market conditions." With immediate effect, the maximum maturity period for primary credit loans was also shortened from 90 days to overnight.

FIN24.CO.ZA - FINWEEK

Chinese banks told to reduce loan risk

China had ordered institutions to tighten controls on risk and carefully scrutinise borrowers' ability to pay their debts in a new step to rein in lending, banking regulators said at the weekend. Chinese leaders worry that a stimulus-driven torrent of lending is fuelling a dangerous bubble in stock and property prices.

BUSINESS REPORT (Star)

Germany's plan to help Greece mooted

Germany's Finance Ministry has sketched out a plan in which countries using the euro currency will provide aid worth between €20 billion and €25 billion for Greece. Der Spiegel said that the share price of financial aid for Greece would be calculated according to the proportion of capital each country held in the European Central Bank.

BUSINESS REPORT (Star)

Botswana's rating cut as deficit bulges

Botswana for years was hailed as an economic success story, but the collapse in demand for diamonds has hit revenues hard and raised questions about an ambitious spending scheme. Botswana produces 22% of the world's diamonds, making it the top producer and accounting for half of government revenue. The country prides itself as a model of a successful African democracy. However, last year Botswana's mines halved output and suspended much of their diamond activities as the global economic crisis hit. High-end tourism, Botswana's other economic mainstay, also took a hit as arrivals fell sharply.

BUSINESS REPORT (Star)

INDICATORS

Rand - Dollar \$	7.7013	(-0.0835)
Rand - Sterling £	11.8531	(+0.0566)
Rand - Euro €	10.3898	(-0.0189)
JSE Allshare	27069.1	(-211.45)
Gold	1112.7	(-5.75)
Platinum	1513.0	(-11.00)
Brent Crude Oil	77.5	(-0.19)

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