TRAILBLAZERS

BY THABO OWEN MOKWENA

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State of the economy: Intrinsic merits of the necessary illusion

By Thabo Owen Mokwena

Thabo Owen Mokwena Director at the Center for Public Enterprise .Image courtesy of Wits

The Reserve Bank has recently warned against inviting a recession upon ourselves. The bank's annual report for 2013/14 states that the economy grew by 1,9 per cent in 2013 and contracted by 0,6 per cent in the first quarter of 2014. South Africa's economic landscape has been dominated by a fraught labour-relations environment that has seen a number of protracted and damaging strikes, mainly in the mining sector and the motor-vehicle subsectors. The bank also lowered its growth forecast for 2014 to 2,1 per cent, and reported that the level of unemployment is expected to persist. The contraction of the economy in the first quarter is sending worrying signs of recession, however, thebank strongly advises against this speculation. It is within the bank's mandate to consistently create confidence around our economy, but equally so, it must send the necessary signals and warnings in the case of slipping into a recession. The Governor of the bank was quoted saying "it behoves us all – government, business and labour – to rebuild the confidence and trust that is an imperative to change the negative trajectory that the economy is presently on". Creating a necessary illusion about our macroeconomic state might be the correct strategy to boost confidence; however, this will be detrimental to identifying the necessary panacea to our economic ills. The biggest challenge bedevilling our economy is that more than fifteen million people today live below the absolute poverty line of two dollars per day. Secondly, and equally important, is the high unemployment rate of around seven million South African being unemployed. Read More

Tougher year ahead for South African economy

South African Reserve Bank Governor Gill Marcus says emerging markets in general are likely to face a difficult year, characterised by depreciating currencies, volatile capital flows, rising inflation and slowing growth.

By SA Commercial Prop News

South African Reserve Bank Governor Gill Marcus says emerging markets will be faced with a difficult year ahead due to global economic contractions. South Africa falls under emerging economies and has, due to domestic issues related to labour unrests, seen its growth slow down to 0.6% in the first quarter of 2014.

South African Reserve Bank Governor Gill Marcus

Releasing the Reserve Bank's annual report for 2013/ 14 on Wednesday, Marcus said in her foreword that while the bank did not have the mandate or policy levers to address some of the issues, it will continue to play its part in supporting the economy. "Emerging markets in general are likely to face a difficult year, characterised by depreciating currencies, volatile capital flows, rising inflation and slowing growth, as some of the advanced economies normalise their monetary policies. "However, the Bank will continue to play its part in supporting the economy through these difficult times by maintaining its focus on price and financial stability in support of sustainable economic growth," she said. As a result of these difficult times, some of which include damaging strikes in the mining sector and motor-vehicle subsectors, the economy slumped and household consumption expenditure and investment growth are expected to slow amid a weak business confidence. Read more

'Worker revolt' aggravating most difficult economic time since 2009

By Ntsakisi Maswanganyi

HARD TIMES: Azar Jammine says there seems to be a 'deliberate attempt' by unions to 'bring the economy to its knees'. Picture: FINANCIALMAIL/ROBERT

SOUTH Africa is facing one of its most difficult times economically since the 2009 recession, which is made worse by the current wave of "worker revolt" driven by frustration over what employees perceive to be a slow pace of economic transformation. his is according to economists at a Gordon Institute of Business Science (GIBS) seminar on Wednesday night.

South Africa's growth has been very poor due to local and international factors. Strikes and power supply constraints are among the factors limiting production locally, and slow growth and demand globally.

A five-month long strike that recently ended at platinum mines, and low output in manufacturing, saw the economy contract by 0.6% in the first quarter. Another wage strike by more than 200,000 National Union of Metalworkers of South Africa (Numsa) members in the steel manufacturing and engineering industry began this week. Econometrix chief economist Azar Jammine said there seemed to be a "deliberate attempt" by unions to "bring the economy to its knees", and business had not yet "really woken up to" this.

Numsa's demands were an example of revolt against the existing "capitalist order of business", which was still seen as "primarily exploitative" of workers, and derived from apartheid legacies. Read more

Various institutions have been revising downwards South Africa's economic growth forecasts for this year. The millions of jobs envisaged by the government over the next few years are based on assumptions the economy will grow more than 5% a year

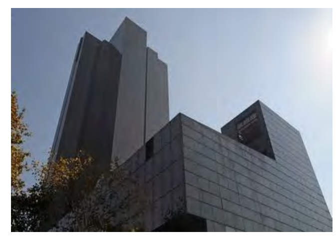
Little light for SA's economy in next few months

By Ntsakisi Maswanganyi

SOUTH Africa's economy is unlikely to turn the corner during the next few months despite the recent wage settlement at platinum mines, an indicator released by the Reserve Bank on Tuesday suggested.

The Bank's latest leading indicator — which provides a guideline for economic activity and growth for at least six months ahead — rose 0.1 of a percentage point to 99.6 points in May from 99.5 in April.

This time last year, it was at 101.3 points, and at 129.1 in May 2012, showing worsening economic conditions in the past few years. The slight increase was driven by an improvement in the 12 - month percentage change in job adverts, approved building plans, shares traded on the JSE, and money supply.The improvement in the number of jobs advertised reflected a "normalisation" following two months of very low levels of advertised



The Reserve Bank in Pretoria. Picture: FINANCIAL

positions, rather than an upward trend in employment, according to the Bank Various institutions have been revising downwards South Africa's economic growth forecasts for this year. Read More

South Africa's latest mass strike could dismay investors and prolong the country's sub-par economic growth, the credit ratings agency Moody's warned Thursday. Image courtesy of stock exchange.

Moody's says South African strike could spook investors

By Sapa

Moody's said the strike by more than 200,000 engineering and metal workers would damage the country's "already deteriorating reputation among investors". Members of the NUMSA union downed tools on Tuesday to press demands for a double-digit pay raise.

Further negotiations between the union and employers are expected to take place at 16:00 GMT on Thursday, according to the steel and engineering industry federation, SEIFSA.But Moody's said the strike "risks paralyzing nearly one third of the manufacturing sector" and would mean South Africa would be unable to take advantage of a more favourable global economic outlook.

The strike — South Africa's biggest ever — comes days after the resolution of a five-month long platinum strike that pushed the economy to the brink of recession. "The NUMSA strike threatens to bring this year's number of lost workdays close to the 20.7 million record set in 2010."

"South Africa's reputation among investors is being increasingly damaged by the strike-prone nature of its economy. Carmakers BMW and Nissan recently decided against expanding their production… citing the costs posed by the month-long strike in two sub-sectors of the industry." Read more

JSE set to rise despite weak economy

By Adriaan Kruger

The new JSE logo. Image courtesy of JSE

Johannesburg - Strong global markets and increasing commodity prices pushed the JSE to its highest ever close on Friday, with indications that the market will continue to rise – in spite of shares already standing on demanding ratings amid the reality of SA's worsening economic outlook. The JSE All-share index has increased by close to 35% during the past year. According to recent estimates, a full-blown strike by the more than 200 000 workers in the metal industry can affect up to 30% of the country's manufacturing sector and a prolonged strike has the potential to push the fragile economy into a recession.

Workers in the metal industry can affect up to 30% of the country's manufacturing sector and a prolonged strike has the potential to push the fragile economy into a recession. Public statements by officials and members .of the National Union of Metalworkers of SA (Numsa) indicate that workers are full of bravado after the long strike in the platinum mining industry seemingly secured large

Rating agencies have already warned of further deterioration of SA's debt ratings, most of which just inched in above the do-not-invest-here mark. Rating agencies have also flagged their recent ratings with warnings that they are keeping a close watch on SA But the market steamed ahead last week, driven to new highs on the smallest morsel of good news. Among these snippets of good news were the small increase in the demand for credit from the private sector and a smaller than expected trade deficit. The announcement that South Africans were buying fewer cars again during June – after a hefty drop in new cars sales in May – and a downward revision of the economic growth rate for 2014 by the finance ministry did little to stifle optimism.

A quick scroll through the weekly market figures shows that it was mostly mining shares which pushed the market higher. Anglo American [JSE:AGL] increased by nearly 8.4%, partly driven by an announcement that the mining group had taken the official decision to sell some of its platinum mines. Investors are obviously expecting that somebody will be willing to pay premium prices to get hold of some operational mines that produce such strategic metals.

BHP Billiton [JSE:BIL] rose by just less than 7% during the week after good economic news from the rest of the world pushed up the prices of most base metals. The other big push to the market was the increase in Naspers' [JSE: NPN] share price, which closed the week 7% higher. Stocks in other sectors could only achieve small increases, which were just about overshadowed by slightly larger drops in share prices. Read more

Moody's cautions of potentially negative credit outcome for SA

By Sapa

Image courtesy stock.xchange

RATINGS agency Moody's, which has SA on a negative outlook, cautioned on Thursday of a potential "credit negative" for the country after the latest round of labour action. It said in the same release it would be closely monitoring the performance of Anglo American's platinum division after a recent wage agreement in that sector, as higher wages and slow economic conditions could affect profits. It is concerned that renewed strike activity leaves SA unable to take advantage of the recent pickup in growth among its major trading partners. Senior vice-president at Moody's Kristin Lindow said the new National Union of Metalworkers of SA labour action — the scale of participation means that it will be the largest single strike in the country's history — risked paralysing nearly one third of the manufacturing sector and wreaking further damage on both SA's economy and its "already deteriorating reputation among investors".Continued weak investment, exports and overall growth will pose serious challenges to the government's efforts to rein in its budget deficit and stabilise its debt metrics, a credit negative for the economically troubled country," she said. Read more

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