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# Monthly Economic and Policy Report

April 2010

## ECONOMY

### Growth, output and employment

Country	2008 GDP (US\$ '000 000)	GDP growth rate <sup>1</sup> (%)			Industrial production (%)	Unemployment rate (%)
		Latest quarter figures	2010	2011		
RSA	489,700	-1.4 (Q4)	2.8	3.7	3.7 (Jan)	24.3 (Dec)
Egypt	442,600	4.9 (Q3)	5.5	5.6	6.7 (Q3)	9.4 (Q4)
Brazil	1,990,000	4.3 (Q4)	5.0	4.5	18.4 (Feb)	7.4 (Feb)
China	7,800,000	10.7 (Q4)	9.7	8.2	12.8 (Feb)	9.6 (2009)
India	3,267,000	6.4 (Q4)	7.7	8.0	16.7 (Jan)	10.7 (2009)
Mexico	1,559,000	-2.3 (Q4)	4.3	2.7	3.6 (Jan)	5.4 (Feb)
Russia	2,225,000	-3.8 (Q4)	3.5	4.3	1.9 (Feb)	8.6 (Feb)
USA	14,290,000	0.1 (Q4)	3.1	2.9	1.7 (Feb)	9.7 (Mar)
UK	2,231,000	-3.1 (Q4)	1.3	2.1	-0.1 (Feb)	7.8 (Jan)
Euro area	14,820,000	-2.2 (Q4)	1.2	1.4	1.4 (Jan)	10.0 (Feb)
Japan	4,348,000	-1.0 (Q4)	1.9	1.6	31.3 (Feb)	4.9 (Feb)

<sup>1</sup> Data for certain figures are estimates

According to the International Monetary Fund (IMF), the economic slowdown in sub-Saharan Africa looks set to be mercifully brief. Recovery is now under way across the region. The region's relative resilience during this global recession, compared with previous global downturns, owes much to the health of its economies and the strengthening of policy frameworks in the run-up to the crisis. Countercyclical macroeconomic policies played an important role, with nearly two-thirds of those sub-Saharan Africa countries that experienced a slowdown in 2009 increasing government spending to buttress economic activity. Looking ahead, fiscal policies in sub-Saharan Africa generally need to be refocused toward medium-term objectives, macroeconomic policy buffers rebuilt, and financial systems strengthened<sup>1</sup>.

### Trade, interest rates, inflation

Country	Latest trade balance (US\$ billion)	Current account		Inflation	
		Latest balance (US\$ billion)	Expressed as a percentage of GDP (2009)	Latest CPI	April 2009
RSA	-1.2 (Feb)	-11.4 (Q4)	-5.4	5.1 (Mar)	8.6
Egypt	-25.4 (Q3)	-3.2 (Q4)	-0.8	12.8 (Feb)	13.5
Brazil	23.3 (Mar)	-28.1 (Feb)	-2.8	4.8 (Feb)	5.9
China	175.8 (Feb)	284.4 (Q4)	5.2	2.7 (Feb)	-1.6
India	-90.5 (Feb)	-31.5 (Q4)	-1.0	14.8 (Feb)	9.7
Mexico	-2.7 (Feb)	-5.2 (Q4)	-1.7	4.8 (Feb)	6.2
Russia	120.8 (Jan)	47.5 (Q4)	4.2	6.4 (Mar)	14.0

<sup>1</sup> IMF. 2010. Regional Economic Outlook: sub-Saharan Africa, April.

USA	-518.8 (Jan)	-419.9 (Q4)	-3.2	2.1 (Feb)	0.2
UK	-129.9 (Jan)	-28.8 (Q4)	-1.1	3.0 (Feb)	3.2
Euro area	35.5 (Jan)	-67.6 (Jan)	-0.2	1.5 (Mar)	0.6
Japan	61.3 (Feb)	157.1 (Feb)	3.4	-1.1 (Feb)	-0.1

The headline CPI (for all urban areas) annual inflation rate in March 2010 was 5,1 per cent<sup>2</sup>. This rate was 0,6 of a percentage point lower than the corresponding annual rate of 5,7 per cent in February 2010. On average, prices increased by 0,8 per cent between February 2010 and March 2010. The food and non-alcoholic beverages index decreased by 0,1 per cent, the housing and utilities index increased by 0,6 per cent, the transport annual rate decreased to 4,2 per cent, the recreation and culture annual rate decreased to 2,3 per cent, the alcoholic beverages and tobacco index increased by 5,7 per cent, and the education index increased by 9,2 per cent.

### Equity markets

Country	Equity market		3-month yield	10-year government bond yield
	Percentage change (in local currency)	Percentage change (in US dollars)		
RSA	5.8	7.3	6.58	8.54
Egypt	15.0	14.4	9.67	1.50
Brazil	3.2	2.0	8.65	6.16
China	-4.0	5.1	1.94	3.38
India	2.9	7.5	3.97	8.16
Mexico	4.7	11.7	4.43	7.35
Russia	8.0	11.7	8.25	6.06
USA	4.5	4.5	0.22	3.86
UK	6.5	0.2	0.67	4.11
Euro area	1.1	-5.9	0.64	3.12
Japan	7.1	6.4	0.29	1.39

Global equity markets were shaken in mid-April by news that the US Securities and Exchange Commission had charged Goldman Sachs with fraud in terms of the structuring and marketing of a debt product tied to subprime mortgages. Throughout the month, global equity markets have also been largely influenced by uncertainties surrounding the fiscal problems of Greece. Towards the end of April, markets were once again rocked by fears of contagion in the Eurozone area, following Standard and Poor's downgrade of sovereign debt in Greece, Portugal and Spain. South Africa was no exception and largely followed the trends of major international equity markets. Talks between the International Monetary Fund (IMF) and Eurozone officials on a possible bail-out package for debt-stricken Greece are currently under way. Markets were also impacted by an Icelandic volcano that erupted during April. The volcano resulted in many European flights being postponed and disrupted, which had severe implications for the airline industry and for business throughout the world.

<sup>2</sup> Data sourced from Statistics South Africa.

## Exchange rates

Exchange rate	December	January	February	March
R/AUS\$	0.154	0.147	0.146	0.147
R/US\$	7.46	7.42	7.63	7.31
R/£	12.04	12.01	11.94	11.20
R/€	10.91	10.61	10.44	10.61
R/CAN\$	0.144	0.140	0.138	0.137

The South African rand was relatively steady during the month of April. Although local developments played a major role in the direction of the rand, the local currency also took direction from international occurrences and largely followed the euro. Some of the major factors influencing the rand during April were the fiscal woes of Greece, the volcanic eruption in Iceland, and the confirmation that MTN is currently in negotiations to purchase all or part of Orascom Telecom Holdings.

## POLICY AND RELATED DEVELOPMENTS

### Crime and security

The South African Police Commissioner has disclosed a national plan to ensure that the 2010 Soccer World Cup (SWC) is a safe event. The plan involves six to eight security experts from Germany, the US and the UK, as well as 44 000 South African police officers. In addition, personal security will be provided for the thirty one teams participating in the SWC, including North Korea which has its base in Zimbabwe, and for the forty three heads of state expected to attend the SWC. All nine international airports will be under the watchful eye of the South African police, and extra security will be provided for games that are regarded as “high risk”. Members of the South African National Defence Force will also be positioned at all border posts throughout the country.

According to the latest report by the FBI Internet Crime Complaint Centre, South Africa is now seventh within the top 10 cyber crime perpetrators list. With just over a month left before kick-off of the SWC, it is predicted that there will be a significant rise in cyber crime in South Africa, with an increasing number of unsuspecting Internet users at risk of falling victim to IT fraud and malicious virus attacks<sup>3</sup>. According to ESET Southern Africa, a leading antivirus software provider, in addition to awareness and education, the best deterrent is to equip your computer with intelligent antivirus software with an easy-to-maintain, self-updating system that proactively detects and destroys malware during outbreaks.

SACCI remains concerned at the cost to the economy of the rising number of attacks and/or murders on farms in South Africa, following further reports of attacks during the month of April. With concerns about food security already prevalent both in South Africa as well as globally, the high-rate of attacks on farms can only serve to exacerbate associated risks.

### ICT

Members of the information security elite will meet at a three-day conference in Gauteng to explore increasing security threats facing South Africa from both a business management, as

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<sup>3</sup> “SA seventh in global cyber crime list”. Times Live online. 28 April 2010.

well as a technical perspective<sup>4</sup>. ESET, the anti-virus software provider, will participate in the 5th Annual ITWeb Security Summit, to be held from 11 May to 13 May 2010.

MTN has confirmed that it is currently in negotiations to purchase all or part of Egyptian company, Orascom Telecom Holdings. Orascom operates in North Korea, Bangladesh, Pakistan, Egypt, Algeria, Tunisia, the Central African Republic, Burundi, Namibia and Zimbabwe.

## **Infrastructure**

A R19 billion transport upgrade has been implemented which sees a new and more efficient bus system, refurbished airports, and a high speed urban train. The widely anticipated Gautrain will begin operation a few days before kick-off between Sandton in Johannesburg and the OR Tambo International Airport. In addition, President Jacob Zuma recently unveiled the newly constructed central terminal building at the OR Tambo International Airport, which will accommodate in excess of sixty flights per day, as well as twenty eight million passengers per annum. SACCI believes that these improvements in infrastructure not only bode well for the SWC itself but also in terms of long-term benefits for South Africa.

The Eastern Cape MEC for Transport announced during the month that Taxi operations in the Nelson Mandela Bay Metro will be phased out as they become part of an integrated public transport system, which will be operated on specific timetables and will make use of a variety of vehicle sizes from articulated buses, standard buses to minibuses. This takes place as part of the ANC led governments efforts to provide a safe, reliable and affordable public transport system.

The South African Defence Minister has said that the redeployment of the SA National Defence Force (SANDF) along the country's borders will be a major programme as the infrastructure is not the best it can be. The Minister added that looking after the country's land border required financial, technological and human resources, and that the government has yet to provide additional funds for the SANDF to patrol the border<sup>5</sup>.

The South African Water Affairs Minister has asked the Treasury for a R23 billion over the next six years to fix waste water treatment works that need "urgent" attention. Sonjica said that the bill for refurbishing the plants could rise even higher, as the figure was an estimate. She said that while there was reason for concern at the parlous state of the country's sewage treatment works, "we have not reached crisis levels"<sup>6</sup>.

The World Bank granted Eskom a US\$3,75 billion loan to finance its capital expenditure programme. SACCI welcomed this decision by the World Bank. Fundamentally, developing countries must be allowed to develop energy security for their own populations in the most effective and sustainable manner to promote economic growth.

## **Labour**

Higher Education and Training Minister has proposed that South Africa's 23 State Information Technology Agencies be reduced to 21. The Minister said that the sector was troubled and that he was confident the proposed new SETA system would produce better results. His proposals will be gazetted and public hearings on the changes will be held in June 2010.

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<sup>4</sup> "ESET joins IT elite at ITWeb's Security Summit". [www.itweb.co.za](http://www.itweb.co.za). 29 April 2010.

<sup>5</sup> "SANDF border posting a challenge: Sisulu". Times Live online. 29 April 2010.

<sup>6</sup> "R23bn needed to fix SA's sewerage works". [www.iol.co.za](http://www.iol.co.za). 30 April 2010.

The findings of the latest Adcorp Employment Index show that employment in South Africa will make a slow but sustained recovery. Adcorp said between February 2010 and March 2010, employment increased by 0,2 per cent on a month-on-month basis, representing an annualised growth rate of 2,3 per cent<sup>7</sup>. Manufacturing employment increased by a substantial 3,3 per cent in March, albeit off a low base, but the demand for plant and machine operators and assemblers increased by 6,1 per cent. There was an 8 per cent decrease in the volatile construction sector where World Cup projects were coming to an end. The index also indicated that permanent employment remained in decline, while contracting continued to grow.

### **Ease of doing business**

According to the Grant Thornton International Business Report, more than half of leaders of privately held businesses in South Africa feel their stress levels have increased over the last year. South African stress levels at 57 per cent are in line with global privately held business responses, with a global average of 56 per cent stating that stress is up. However, while the global average has been fairly static between 2006 and 2010, South Africa's data is eight percent down compared to 2006 (65 per cent), indicating that stress levels are gradually decreasing across the nation<sup>8</sup>.

### **Environment**

The granting of the US\$3,75 billion loan by the World Bank to Eskom provides clear evidence that the World Bank has confidence in the ability of South Africa to meet its Copenhagen commitments, and an acknowledgement that power is needed to increase energy access to South African citizens. The focus on renewables is strongly supported. SACCI believes that the loan will assist in the achievement of a sustainable energy mix for the country and will place South Africa in a position to aggressively pursue environmental conservation initiatives as opposed to continually having to counterbalance environmental and economic growth priorities as it currently has to.

An oil spillage that began in the last week of April in the Gulf Coast of Mexico has sparked global concern around the environmental impact thereof. The oil leakage, which began after a rig owned and operated by Transocean Ltd exploded and sank following work on a well for London-based BP PLC, has yet to be contained, with many US state governors declaring it a state of national emergency<sup>9</sup>. The spillage poses a threat to not only the environment, but also to coastline businesses, coastline communities, the seafood industry, tourism and natural resources, among other factors. It is feared that if not contained, the oil spillage could spread fast, depending on wind strength and on ocean currents.

### **Legislation and Parliamentary Processes**

- **CRIMINAL LAW (FORENSIC PROCEDURES) AMENDMENT BILL**  
The Portfolio Committee held public hearings on the Bill in October 2009. Various technical amendments have since been made to the Bill. Deliberations are scheduled for 23 and 24 March 2010. The Committee aims to finalise the Bill by 24 March.
- **APPROPRIATION BILL and DIVISION OF REVENUE BILL**  
Referred to Committees. The Standing Committee on Finance and Select Committee on Finance held public hearings on the fiscal framework and revenue proposals on 25

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<sup>7</sup> “Job market slow, steady”. Times Live online. 14 April 2010.

<sup>8</sup> “SA business leaders stressed out”. Times Live online. 19 April 2010.

<sup>9</sup> “Alabama governor to declare oil spill emergency”. [www.marketwatch.com](http://www.marketwatch.com). 01 May 2010.

and 26 February 2010. Hearings on the Division of Revenue Bill took place on 5 March. Hearings on the Appropriations Bill will take place on 4 May 2010.

- **CONSTITUTION 17TH AMENDMENT BILL**  
The Portfolio Committee on Correctional Services is calling for public comment on increased inmate labour, inmate privileges, and the promotion of social integration to ensure a reduction in repeat offenses
- **DRAFT INTELLECTUAL PROPERTY LAWS AMENDMENT BILL, 2010**  
Parliament's Standing Committee on Appropriations is calling for written submissions on the Appropriations Bill. The Bill was tabled with the Budget on 17 February 2010 and provides for the appropriation of money from the National Revenue Fund for the 2010/2011 national budget.
- **PREVENTION AND COMBATING OF TRAFFICKING IN PERSONS BILL**  
Formally tabled in the National Assembly in March 2010. Committee has yet to set dates for hearings and deliberations.
- **PROTECTION OF PERSONAL INFORMATION BILL**  
Public hearings took place in October. The Committee is in the process of deliberating on the Bill.
- **CRIMINAL LAW (FORENSIC PROCEDURES) AMENDMENT BILL**  
The Bill amends sections of the Criminal Procedure Act of 1977 dealing inter alia with the power to ascertain a person's bodily features, e.g. fingerprints, for investigative purposes.
- **PROTECTION FROM HARRASMENT BILL, 2010**  
The Bill supplements domestic violence legislation by providing for individuals to apply to the Court for a protection order against harassment. The Bill grants magistrates the power to subpoena any person as a witness to proceedings. It also provides for protection orders to an order for the removal of weapons from the respondent. All protection orders will include a suspended sentence against the respondent so that in the event of an order being violated, police may arrest the respondent on sight.
- **PROTECTION OF INFORMATION BILL**  
Committee yet to programme.
- **SAFETY AT SPORTS AND RECREATION EVENTS BILL**  
Public hearings were held in Parliament and in provinces from August to October 2009. The National Assembly approved the Bill and referred it to the NCOP for concurrence on 18 February.
- **SOCIAL ASSISTANCE AMENDMENT BILL**  
Committee to programme.
- **SOUTH AFRICAN POSTBANK BILL**  
Public hearings took place on 24 March 2010. Deliberations are set for 18, 19, 25 May and 1 June 2010. The Committee is aiming to finalise the Bill by 1 June 2010.

- **SOUTH AFRICAN POST OFFICE BILL**  
Public hearings took place on 23 March 2010. Deliberations set for 13,20 April and 11 May. The Committee is aiming to finalise the Bill by 11 May. The Committee will hold informal deliberations on 20 April 2010.
- **TRADITIONAL COURTS BILL**  
Committee was briefed by the Department on 1 September 2009. A programme for hearings and deliberations has yet to be set. The Committee aims to finalise the Bill by August 2010.

**\*Disclaimer**

The groupings in the first 2 tables are ordered to reflect the following zones: the first group is for the comparable economies to South Africa within the Africa/Middle-East zone, the second grouping is the BRIC countries (Brazil, Russia, India, and China) and Mexico, and the final grouping is our major trading partners. This structure was employed to facilitate comparison with our neighbours, with comparable emerging markets and against the economies which are most influential in terms of our imports and exports.

Data was sourced from The Economist, The Department of Trade and Industry, The Reserve Bank, Stats SA, ABSA Bank, Standard Bank and commodity exchanges in the USA such as Chicago Board of Trade and New York Mercantile exchange, the International Monetary Fund, the BPO, and the United Nations World Food and Agriculture Organisation, amongst others.