

## **An Uncertain Future**

### **TRAILER**

*The world sporting arena will be moving to South Africa next year to witness a world sporting spectacle, the 2010 FIFA World Cup being hosted for the first time in an African soil. But before the event, the Rainbow nation has to address many uncertainties ranging from, infrastructure upgrade and the devouring global credit crunch.*

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### **SCRIPT**

### **COMMENTARY**

With presidential elections in 2009 and the football World Cup in 2010, South Africa already has a busy agenda. Internal political strife followed by the worldwide credit crunch has added extra tension. On the 29th of September, rocked by spreading panic on world stock markets, the Johannesburg Stock Exchange suffered its worst losses in a decade.

### **ITV, RUSSEL LOUBSER, JSE President**

*«Certainly, some sectors have taken a bigger hit than others, for instance, commodities, it is no secret that things like platinum have come down substantially from their highs, gold has come down, oil is busy at coming down as well. So, reserves stocks have taken a knock, and our financial in sympathy with the rest of the world»*

### **COMMENTARY**

Fall out from the U.S. sub-prime crisis has left its mark. Certain financial institutions and alternative funds in the country were affected by bankruptcies among U.S. companies at the heart of the bursting real estate bubble. But they are the exceptions.

**ITV, RUSSEL LOUBSER, JSE President**

*«From the banking point of view, in South Africa, we didn't have to resort as a country to have bank bail out package or credit extension package either. That is principally due to the fact that banks are well capitalized and I guess that our exchange control regulations protected us to a large degree from being exposed to those subprime assets which proved to be very problematical»*

**COMMENTARY**

That hasn't stopped the growing uncertainty spreading from financial institutions to the economy at large – from the banks to the small businesses. Consumer spending – one of the pivots of the South African economy – could in turn be affected. A scenario that is a concern for companies consulted by Deloitte auditors.

**ITV, GREG BENJAMIN, Deloitte**

*«73 % of the polled participants expect the economic climate to deteriorate in the next 12 months. I think on the other side of the coin of that, there is definitively some upside in that 60 % of respondents are intending to raise funds in the next 12 months...»*

**COMMENTARY**

The situation was already complicated for South African companies before the credit crunch, with banks now increasingly reluctant to lend it's hard to see where the money will come from. At Credit Guarantee, a company providing insurance for companies, economists are bracing themselves for a wave of bankruptcies.

**ITV, LUKE DOIG, Economist, Credit Guarantee**

*« We haven't detected a very sharp deterioration due specifically to the financial turmoil of late, but with South African interest rates having increased by almost 50 % over the last two years, we felt that pressure*

*increase through the pipeline, so there has been definitively a deterioration in business conditions and business defaults as a consequence of it »*

## **COMMENTARY**

The country also suffers due to its position as a leader on the sub-Saharan continent: when investor confidence is shaken, national currencies are the first to suffer. No exception to the rule, the South African Rand has been severely weakened.

### **ITV, LUKE DOIG, Economist, Credit Guarantee**

*« Obviously, the weak rand at the moment is going to aid those commodities bases, but on the other side of the coin, we are well aware of the slump we had on commodities prices... »*

## **COMMENTARY**

Exporters don't stand to gain from the weakened Rand. The government is pinning its hopes on the stabilizing effect of the country's budgetary reserves. Government intervention has come under fire from the widely supported Cosatu union that is calling for investments in the social domain.

### **ITV, PATRICK CRAVEN, Cosatu Spokesman**

*« We understand that the budget surplus has already been spent, partly on wages of public sector workers...our main demands remain: we want to see policies which will create jobs, reduce unemployment and thereby reduce poverty »*

## **COMMENTARY**

The financial crisis is oil on the political fire. With the forced resignation of President Thabo Mbeki, the ANC split and the creation of a new party there are now divisions over public spending and poverty reduction. Burning issues that will certainly dominate the debate in the electoral campaign.

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