



E - NEWS

VOLUME 2, ISSUE 7

OCTOBER 2007

IMPORTANT DATES:

OCT '07: SA DEPT OF ENVIRONMENT IN IRELAND

DEC '07: SA NATIONAL EMPOWERMENT FUND TO VISIT IRELAND

JAN '08: AHERN LEADS TRADE MISSION TO SA

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VODAFONE, VODACOM, MTN TALKS STILL ONGOING

Telkom SA Ltd. (TKG), Africa's largest fixed-line telephone operator, Thursday said discussions with mobile network operators MTN Group Ltd. (MTN.JO) and Vodafone Group PLC (VOD) are ongoing.

The South African company has been conducting a review of its mobile phone business, Vodacom, which it jointly owns with Britain's Vodafone. Analysts have speculated Telkom is considering selling some or all of its share in Vodacom and could enter a partnership with MTN, the largest mobile operator in sub-Saharan Africa.

The companies Sept. 3 confirmed they were in talks, but declined to offer further details. MTN in a

separate statement to the Johannesburg securities exchange confirmed that talks concerning "certain assets" of Telkom were continuing. Telkom offers fixed-line voice and data services in South Africa and has been looking for growth in Internet opportunities on the continent as it has been hit with intensifying competition from mobile operators in its home market.

It was earlier this year blocked by antitrust authorities from buying one of South Africa's largest information technology companies, Business Connexion Group Ltd. (BCX.JO). It also will face fixed-line competition in South Africa when Indian conglomerate Tata's nascent operator Neotel launches

across the country.

At 1151 GMT, shares in Telkom were trading up ZAR4.50, or 2.6%, at ZAR178.50, outpacing an advance in the broader Johannesburg market.

Vodafone Chief Executive Arun Sarin has previously said the world's largest mobile phone firm would be interested in increasing its interest in Vodacom. However, he has been quoted as saying it isn't looking to buy Telkom's full 50% share.

Vodacom, which is the largest mobile company in South Africa and also operates in Tanzania, Lesotho, Mozambique and the Democratic Republic of Congo, had a subscriber base of 32.4 million customers at June 30.

SA PROPERTY INDUSTRY SHOWS OFF

Industry shows off The city of Cape Town hosted The Property Show last week, the first of its kind in the country, writes ANNA-MARIE SMITH THE maiden Property Show was an interesting exhibition platform for a combination of industry gurus who gathered to exhibit their services and products, including some highly specialised ones. Among the 65 exhibitors were three UK property investment companies. The others were national property agents, most of whom have international links; as well as property developers, game, golf and coastal estates, retirement villages, bond originators, legal firms, property magazines and some specialist technology but still industry-related services.

The Cape Town International Convention Centre lends itself to such a one-stop property shopping venue thanks to its ample parking, fine coffee and

dining facilities, and a business centre which includes free internet access roaming, right outside the exhibition halls. It was the interesting mix of mostly national brands the largest stands featured Seeff Properties, Pam Golding, Engel & Volkers and Aquacor that attracted visitors. One could either purchase local property on the spot, invest in a land banking product in the UK, or place a deposit on a retirement village or fractional title development anywhere in SA.

Exhibition organiser Dana Whiting of Impact Exhibition Hosts says that as exhibition experts, his company felt that the property industry could benefit from this exercise in many ways.

Whiting says that not only was the property industry afforded an excellent platform to market their expertise, which justified the size and duration of the

show, but the exhibitors were also offered a most cost-effective marketing opportunity more than 4000 people attended the show by the end of the three days. Whiting says: After completing our market research, we were very satisfied with the mix of exhibitors that this show attracted, and the R50 entrance fee assured exhibitors of quality visitors with a real interest in the industry. He says the centre is a world class venue. Participation by local and overseas companies ensured a quality show that can be repeated next year, and hopefully the space can be doubled.

Whiting says exhibitions of this nature offer participants a double marketing strategy as they are a powerful medium and present the industry with a perfect target market. Taking the show to Gauteng may soon become a reality.

Although the Cape property market is showing a slow decline in activity, but not in investment values, the UK exhibitors of foreign property investment products view Cape Town as a city with an investment potential similar to that of large foreign capital cities. Two of the UK show exhibitors marketed products falling into the category known as land banking. This involves the purchase of portions of sub-divided, but not yet rezoned agricultural land, as long-term carefree investments. Another UK exhibitor offered investments in student accom-

modation properties, while also acting as rental and management agents for properties situated in the UK's university towns.

Also of interest was the latest in state-of-the-art graphic art technology products available on the market, such as the So Solid machine that can grow a colour architectural model in a matter of hours. This printing solution process involves the conversion of a virtual 3-D CAD model into a multi-layered, solid physical three-dimensional architectural model within hours. Another industry-related product on show, owned by visualisation consultants Dimension Modelling, can produce exceptional quality images and animations in digital publishing formats for architects and builders. The exhibition also saw the launch of several new property magazines, in particular the new glossy title, South African Real Estate Investor Magazine.

It says its mission is to help people build personal wealth through property investment, and to serve as a conduit to pass on the wealth of expertise from experienced individuals and investment groups. The magazine also has a resources guide with a variety of industry-related organisations and institutions. The latest state-of-the art graphic art technology products were also showcased at The Property Show.

Reserve Bank: Statement of the Monetary Policy Committee

Since the previous meeting of the Monetary Policy Committee, the turbulence in the international financial markets has subsided somewhat. South Africa's financial markets have emerged from this episode relatively unscathed. The rand exchange rate has returned to levels that prevailed before the recent turbulence in the financial markets, and the All-share index on the JSE Limited has recovered and has reached new highs.

Inflation has remained above the upper limit of the inflation target range and inflation expectations have risen somewhat in the wake of the higher inflation trend. Risks to the inflation outlook persist although there are some signs that the economy is responding to the tighter monetary policy stance. Inflation reacts with a lag to monetary policy changes, and the challenge for the MPC was to assess whether the observed response will be sustained and sufficient to bring inflation back to within the target.

The most recent central forecast of the Bank indicates a modest deterioration in the inflation outlook, particularly in the short term, when compared to the forecast considered at the previous MPC meeting. CPIX inflation is now expected to remain above the upper level of the inflation target range and to peak in the first quarter of 2008 at an average of 6,8 per cent before declining to the upper end of the inflation target range in the following quarter. Thereafter CPIX is expected to continue its downward path, and reach around 5,2 per cent by the end of 2009. The higher trend results from a higher-than-expected second quarter inflation outcome and revised administered price assumptions.

Inflation expectations increased in the third quarter of 2007. According to the survey conducted by the Bureau for Economic

Research (BER) at the University of Stellenbosch, CPIX inflation is expected to average 5,9 per cent in 2007 and 5,8 per cent and 5,6 per cent in the next two years. These expectations are 0,5 percentage points higher for 2007 and 2008 than those measured in the second quarter, and 0,4 percentage points higher for 2009. Although expectations are generally still within the inflation target range, the upward trend of expectations is of concern given the significant role that these expectations play in wage and price-setting decisions.

Despite the upward drift in expectations, the view is still that inflation will decline over time. This is confirmed in part by the inverted yield curve and also by the medium-term inflation expectations indicated in the break-even inflation rates, as measured by the yield differential between conventional bonds and inflation-linked bonds of similar maturity. This measure has recently declined to just below 5,2 per cent, compared to 5,8 per cent in July.

The higher inflation expectations are also reflected in wage trends. According to Andrew Levy Employment Publications, the average level of wage settlements for the nine months ending 30 September 2007 was 7,2 per cent compared to 6,4 per cent at the end of September 2006. Unit labour cost increases, which adjust for labour productivity changes, measured 5,5 per cent in the second quarter which is consistent with the inflation target range.

The MPC identified a number of risks to the inflation outlook and is of the view that these risks remain on the upside.

Exogenous factors, namely oil and food prices, continue to cloud the inflation outlook. International oil prices have increased since the previous MPC meeting when North Sea Brent crude oil was trading at around US\$72 per barrel. After declining to US\$68 per barrel in August, the upward trend was resumed and the price reached levels in excess of US\$80 per barrel in September. At present the price is around US\$78 per barrel. The appreciation of the rand against the dollar in September moderated the impact of the international price on the domestic petrol price. In October, the domestic price of 95 octane petrol increased by 10 cents per litre, following a reduction by the same amount the previous month. While a possible moderation of global growth could take some pressure off the oil prices, at this stage the risks to inflation emanating from this source are still considered to be on the upside.

Food price developments also remain a risk. Domestic food prices have been influenced by adverse domestic supply conditions and by international developments, including the impact of biofuel demand. Over the past two years maize and wheat prices have increased significantly. The longer-term outlook for food prices as reflected in lower futures prices appears more promising. However, as indicated earlier, prices are expected to remain elevated as a result of pressure from production prices.

One of the key inflation risks identified in previous meetings has been the strong growth of household consumption expenditure. More recently there has been evidence of some moderation. After increasing at an annualised rate of 7,4 per cent in the first quarter of 2007, household consumption expenditure increased at a rate of 5,5 per cent in the second quarter. This was the lowest quarterly increase since the second quarter of 2003. The main contributor to this slowdown was an annualised 10 per cent decline in durable goods expenditure.

Retail sales have lost some momentum in recent months, having increased by 0,3 per cent in the three months to July compared to the previous 3 months. On a year-on-year basis, retail sales increased by 4,9 per cent in real terms in July 2007 compared to 7,1 per cent in June. The subdued trend in motor vehicle sales also continued, particularly with respect to passenger car sales. New commercial vehicle sales have also declined recently. The FNB/BER Consumer Confidence Index, which reached an historically high level in the first quarter of 2007, declined in the second and third quarters.

The moderation observed in the growth of household consumption expenditure is not reflected to the same extent in the credit extension data. Nevertheless, tentative signs of restraint are evident. Twelve-month growth in the banks' loans and advances extended to the private sector has continued at a brisk pace. This rate declined from 27,7 per cent in June 2007 to 25,0 per cent in August. This trend is also observed if securitisation transactions are adjusted for, although at a higher level. Twelve-month growth in loans and advances to the household sector has continued its downward trend,

measuring 20,9 per cent in August compared to 21,7 per cent in June. Growth in loans and advances to the corporate sector also showed signs of moderation from high levels when it increased by 30,1 per cent in August compared to 35,4 per cent in July.

There has also been some moderation in output growth, with GDP growing at an annualised rate of 4,5 per cent in the second quarter of 2007. This rate is in line with our estimates of potential output growth. The slowdown was mainly a result of slower growth momentum in the manufacturing sector which grew at an annualised rate of 0,5 per cent. The Investec/BER Purchasing Managers Index, which declined in August and September, indicates that this sector is likely to remain under pressure in the coming months. This overall trend is also confirmed by the RMB/BER Business Confidence Index which, although still high, has declined to its lowest level in three-and-a-half years. Despite evidence of a slowdown, growth is expected to be sustained at levels around potential, underpinned by continued strong investment expenditure.

The exchange rate of the rand has continued to display a degree of resilience. The rand had initially depreciated in the wake of the turbulence in international financial markets. At the previous MPC meeting the rand was at a level of around R7,45 against the US dollar, compared to a level of around R6,80 in July. The depreciation of the US dollar against a number of major currencies, particularly the euro, resulted in the rand exchange rate returning to levels prevailing in July. On a trade-weighted basis, the rand has depreciated by about 2,3 per cent since the beginning of the year, but has appreciated by 6 per cent since the last meeting of the MPC.

Developments in the exchange rate of the rand can be ascribed in part to capital inflows, strong commodity prices and the favourable outlook for the South African economy. During August, at the height of the global financial market turbulence, non-resident net purchases of South African bonds and shares totaled R32 billion, although in September the net purchases were negligible. The deficit on the current account of the balance of payments which had measured 6,5 per cent of GDP in the second quarter of 2007 continued to be financed comfortably. Furthermore, the Bank was able to increase the level of official gross gold and other foreign exchange reserves to US\$30,5 billion at the end of September, while the international liquidity position improved to US\$28,4 billion.

On the international front, although uncertainties still remain, financial market turbulence appears to have subsided somewhat. The longer-term impact on the global growth outlook is still unclear, but some slowdown in the United States economy in particular can be expected. Nevertheless continued robust growth in Asia is expected to underpin commodity prices. World inflation is expected to remain under control despite a slight upward adjustment in inflation expectations.

Reserve Bank of South Africa (Pretoria) by TT Mboweni, Governor

SASOL UNVEILS AFFIRMATIVE ACTION PLAN

Sasol, the world's top maker of oil from coal, unveiled the biggest affirmative action deal yet in South Africa as it posted a 10 per cent rise in annual headline earnings per share.

Sasol, which under its previous management attracted sharp criticism from the government for dragging its feet on Black Economic Empowerment (BEE), said on Monday it will sell a stake to black investors, staff and the public.

Sasol said it will sell a 10 per cent stake to blacks for a total of R17.9bn (\$2.5bn) under the BEE programme, which aims to redress the exclusion of blacks from the economy under apartheid. "We want as many black South Africans as ... possible, most of whom have never owned shares before, to become shareholders," said Sasol Chief Executive Pat Davies. Sasol shares rose 2.1 per cent to R291, beating a 0.5 per cent gain in the Top-40 index. "Sasol has cheered up a soggy market," Investec Asset Management's Kevin de Villiers said. "They have posted results at the top end of their guidance, and it's good they have come out with it [BEE], it's a ... cleaning up of the cupboard." Since taking over from Pieter Cox, Davies has steered Sasol into an aggressive BEE path by hiring senior non-white and female managers and selling a stake to blacks for its key fuels unit, changing the image of a company previously a symbol of white male power that took root under decades of apartheid. Under the BEE deal, the black public will be able to buy up to 3 per cent of the issued share capital of Sasol, staff will buy 4 per cent and the rest will go to black groups.

Sasol said whites below managerial level will be given a chance

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Sasol said whites below managerial level will be given a chance to take up a portion of shares under the 4 per cent stake set aside for staff, a decision agreed with unions and in a bid to boost morale on the shop floor, Davies told Reuters. To mitigate potential dilution of interests held by existing shareholders, Sasol said it may consider a share buy-back programme through a scheme of arrangement with its shareholders. South Africa's Sasol said a weaker rand to the dollar and rising oil prices lifted its earnings, but two maintenance shutdowns at its coal-to-liquids plants, output interruptions and lower sales volumes curbed further profits.

Headline EPS rose to R25.37 in the year to end-June, in line with the top end of Sasol's guidance. Headline EPS is the main profit measure in South Africa and strips out capital, non-trading and certain extraordinary items. Davies said technical snags that hindered the smooth operation of its Oryx gas-to-liquids (GTL) plant in Qatar were being resolved and a second production "train" at the plant would start next month, but he could yet give output figures. Oryx -- a joint venture between Sasol, with 49 percent and state-run Qatar Petroleum with 51 percent -- has the capacity to produce 34,000 barrels per day, making it the world's largest commercial project of its kind, but has so far made a marginal cash contribution to the group.

De Villiers said news that Sasol's Oryx plant was expected to improve sooner than expected had also boosted its shares.

Sasol was conducting a pre-feasibility study to build an 80,000 barrels per day inland coal-to-liquids refinery in South Africa, but Davies said the plant was still some years away from becoming a reality even if the project is found to be viable.

UPCOMING EVENTS

Taoiseach Bertie Ahern to lead Trade Mission to South Africa in January 2008

For more information, visit www.enterprise-ireland.com

SA Department of Environmental Affairs & Tourism to visit Ireland in October 2007

For more information, contact Ms Emma Jane Dockery,

The South African Embassy, Dublin.

SA National Empowerment Fund to visit Ireland in December 2007.

For more information contact Elizabeth O'Herlihy, PricewaterhouseCoopers, Dublin