

Due to technical (or software) difficulties the distribution of this newsletter was delayed. We apologise for the lateness.

Four days in December

What an extraordinary four days.

Between Thursday evening when Minister Nene was fired and Sunday evening when his successor was replaced and Minister Pravin Gordhan was brought back as Finance Minister the country was on an extraordinary rollercoaster. It was in short a journey to hell and back. Two responses were noteworthy.

The first was the virtually almost universal condemnation of Mr Nene's removal – from COSATU and the SACP to the ANC's decidedly cool "noting" of developments. Minister in the Presidency Jeff Radebe spoke out and said cabinet was "not consulted", which of course it did not need to be; but it was an indication of an unhappy inner circle. Old ANC stalwarts spoke up. The Treasury suddenly found itself in the enviable position that some of its biggest critics (Cosatu and Zwelinzima Vavi) defended it! Who would have predicted that last Monday. All the more so after the clash between Cosatu and Treasury in Parliament on legislation to preserve pensions, against which Cosatu fought tooth and nail.

The second response came from the 800 kg gorilla – the bond market. It was ferocious. On Friday the bond rate closed some 1.6% higher than it was on Monday morning, adding about R2.6 billion extra in interest that the public sector will have to borrow over the next year. That is about R307 000 per hour extra interest 24 x 7.

Comparatively speaking, however, the R2.6 bil extra interest is small fry. Billions were wiped off the JSE with the banking sector down 20% and property 11% - both sectors very sensitive to the long bond rate. Many more billions of Rands left the country as we could see in the deterioration of the Rand. It was a rush for the exits, the likes of which we last saw in 2001 during the previous Rand currency crisis.

All in all not a good week.

On Sunday evening Mr Gordhan, previous SARS commissioner and finance minister, was appointed as Minister of Finance. One could hear the collective sigh of relief over the country.

So What?

- We saw a remarkable display of "open society and open economy" forces at work. The result was a dramatic reversal of the decision. The contrast with Zimbabwe, and indeed the old SA, could not be bigger.
- Treasury emerged as one of the big winners of the last four days. To have your worst critics coming to your defence is a remarkable development and indicate to what extent the Treasury has become institutionalised. The strength of that institution has now been proven.
- For the rest of this government's time in office the Minister of Finance is untouchable. He is in a very strong political position.
- The spectre of ratings downgrades during 2016 still hangs over us, specifically if we are seen as incapable of lifting growth higher than 1.5% in 2017.

- On speculation that Mr Zuma is now terminally wounded, it would be prudent to remember Mark Twain's words: reports of my death have been greatly exaggerated. Let's first see what happens in the local government elections.

It is with huge relief that I wish you a happy festive season. (Three comment papers in 7 days are enough!!)