

500k, The 6 M's and our National Mood

The currency is pummelled, the national mood is sombre and uncertainty hangs over all. This is the result of several forces all playing out at the same time. Let 's call them the 6 Ms.

Mining (and other) strikes

At the end of July about one million man days were lost in strike action. By 30 September that number has grown to 1.6 million man days. That is half the 3.3 million man days lost on average every year for the past 18 years.

October will no doubt add more lost man days as several strikes are still on-going, but that 3.3 million is a useful point of reference. In September 2011 the lost man days stood at 5.4 million. (Andrew Levy & Associates).

Marikana

The Judicial Commission of Inquiry started its work and has 4 months to complete it. So its Report will probably be submitted by Feb 2013. It will then be talked to death during the first half of next year.

In the meantime the Marikana fall out has already ignited a process of "creative destruction".

- NUM has been exposed as the union that lost touch with its members. Whilst Cosatu campaigned about e-tolls and the Mangaung succession, mine workers deserted it.
- The new union AMCU has also been exposed. Once favourably looked upon by some as a real workplace union in touch with workers, it was cast aside by its very own members when they asked Bishop Joe Seoka from the SA Council of Churches to negotiate on their behalf with Lonmin management. AMCU officials were missing when they had to go up the hill to tell Lonmin workers that they were on an illegal strike and could be dismissed. It was left to CCMA officials to do that. Some Idealists saw in AMCU the new vanguard of the left. It is unclear to me how you are the vanguard if you are missing in action.
- The platinum mines have been forced into a process of more bargaining with unions on a wider range of topics than they ever imagined. Rather than less collective bargaining, there is now much more. New world for them.
- The wildcat strikes expose the fallacy that unions can be "smashed" and there will be peace. Or that wages can be suppressed by supply and demand like the prices of other commodities. Wheat, milk or gold cannot cause trouble, people can.
- The practice of dealing only with a majority union (winner-takes-all) will have to be re-visited. It will be hell for management who will have to bargain with 2 or 3 different unions in the same room, each trying to outbid the other. But that is the new world taking shape.
- The notion that management can outsource their social responsibilities, for example by paying a cash housing allowance to workers rather than working to build decent houses, has been thoroughly discredited. There will be more social involvement, not less.
- Local governments who do not provide bulk services where houses can be built and do not facilitate development also stand exposed.

Mangaung

I stick to the view that I have held for some months now – wait for the branch nominations to be in. Then, and only then, will we see which way the wind blows.

In the meantime rumours of “a deal” between Zuma and Motlanthe are circulating in the political market place. Branch nominations will also influence such a deal.

Malema

The SA media’s favourite personality, Julius Malema, grabbed the headlines with his post-Marikana speeches. Since then he had to appear in Court on criminal charges and the taxman got a court order to recover some R15 million from him. Several of his cronies also appeared in Court on various charges related to tenderpreneurism. (The contrast with Greece where nobody has been in Court yet for all the tax shenanigans preceding their financial collapse is striking.)

The one constant about Malema is that the media and chattering classes keep talking his support up. Facts suggest differently.

- Absolutely nothing came of all the predictions that there will be an uprising and violence should Malema be charged. The same predictions were made when he was first charged in the ANC’s internal disciplinary process... .
- Of the 15 000 people expected at the night vigil before his court appearance only 2 000 turned up. This is his home town... .
- At Marikana the strikers listened to him, then sang songs about Bantu Holomisa and asked Bishop Seoka to negotiate on their behalf.
- The Reputation Institute’s surveys found consistently low ratings across all groups and segments of the economically active population for Malema’s leadership.
- TNS found 20% support for the statement “I support what Julius Malema says and does”. That is less than the DA’s support base.
- The Friends of the Youth League has established a fund to settle Malema’s tax bill. It will be interesting to see how much money comes in.

I wish he would go off and form his own political party. With 10% to 20% of the vote that will really get SA’s democracy going!

Moody’s

The Moody’s downgrade brings its rating of SA in line with that of the other two agencies, Fitch and S&P. (Moody’s used to have SA a notch higher.)) SA bonds are still rated above the lowest investment grade, and so qualify for the investment portfolios of most of the world’s pension funds.

With enormous amounts of money being printed by the Fed and the ECB and that money looking for a yield, plus the fact that the whole world is looking bad, could mean that capital inflows into the SA bond market will continue. From Marikana to the end September R4 billion has left SA from the equity market and R9.7 billion came in via the bond market.

The real risk for SA is that these inflows dry up. Then both the currency and interest rates will deteriorate.

Money

The last of the 6 Ms is the money going into Pres Zuma's Nkandla home. It is clearly out of all proportion, even if legal. The Public Protector is investigating. More embarrassment awaits. Not the leadership the country now needs.

However, it was consistent revelations by the media over many months that flushed the Nkandla story out.

Add that to the Constitutional Court's unanimous decision that Mr Simelane's appointment as head of the NPA was invalid and one has a strong testimony to SA's open society institutions (media, Public Protector, Constitutional Court). The pundits who thought Chief Justice Mogoeng Mogoeng would just do Mr Zuma's bidding must feel a bit sheepish.

So What?

We see the impact of the 6Ms in the weaker Rand and to some extent in the bond market. It is a risky time for SA, but the country experienced much worse in 1996 and 2001. The 6Ms, combined with global forces, may still drive us to a repetition of those times, but we are certainly not there yet. The Arab proverb used by Genl Smuts comes to mind: "the dogs bark, the caravan moves on".