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PRIVATE CLIENTS

Question: *The current wave of high-profile strikes leaves the casual observer with an uneasy feeling. How serious is it really and what are the consequences for investors?*

Answer: It looks as if we could lose **1.25 to 1.5 million man-days for 2005**. At the end of March 530 000 man-days were already lost (according to Andrew Levy Employment Publications). Add to that the SAA, Pick & Pay and municipal workers strikes, allow for the pending strike in the gold mining industry, and we could reach 1.25 million.

Question: *How does that compare with the past?*

Answer: In 2004 we lost 1.1 million man-days.

Question: *And the longer term trend?*

Answer: The annual **average for** the **ten years** from 1995 to 2004 (both included) is **1.4 million man-days** lost. The highest was in 1999, when 3.1 million man-days were lost and the lowest in 2000 when only 0.5 million were lost. If we exclude that high year of 1999, the average for the remainder of the period still comes to 1.2 million p.a.

Question: *But it feels more than that?*

Answer: The feeling is right. In the nineties we lost 2.8 million p.a. for the decade and in the 2000s we lost 900 000 p.a. So 1.25 million would be substantially less than the nineties, and substantially more than what we became used to in the 2000s.

Question: *Is this the beginning of a new trend?*

Answer: That we will only know next year. But we tend to get these spikes. In 2001, for example, we also lost 1,25 million man-days.

Question: *So not a train smash for society at large?*

Answer: Certainly not yet.

Question: *Why the increased strike activity?*

Answer: It is all about expectations. In **2002** (the year after the rand collapsed) workers settled for **–1%**: average increases were 1% below inflation of more than 9%. In **2003** they achieved **3% above inflation** and in **2004 5% above**. This year it is likely to be 3% to 4% above. However, workers *feel* that *their* inflation is running more quickly than the official CPI indicates. Solidariteit, for example, has calculated its members' inflation as 5.7%. Considerably more than the official rate. Also, workers *feel entitled* by some management increases and they want to share in companies' increased profits. Employers on the other hand want to contain costs. The scene is set for a struggle.

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Question: _The really important issue is unit labour cost (ULC)?_
Answer: Yes, because that influences interest rates. The SARB watches ULC with a beady eye when setting interest rates.

Question: _And how are matters shaping up there?_
Answer: Last year it was above 7%. Only the second time the last five years. The rest of the time it was at 4% or below. Currently it looks again as if ULC could be hitting 7% or even more. That might convince the governor to leave interest rates well alone. At least until after the wage negotiation season.

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