



**Question:** *So did Cosatu strike a blow?*

**Answer:** It does not look like it. At maximum 10% of SA's workers stayed away from work – and not all of them participated in the actual marches. So yes, the TV screens were full and the newspapers had dramatic photographs, but more than 90% of SA's workers went to work.

**Question:** *A lower rand was one of the main aims of the strike?*

**Answer:** Yes, and that strengthened from around R6.70 the last few days to R6.62 in the evening and was trading R6.64 today. More significant than that is the fact that the strike flushed some comments from government on the latter's view of the rand.

**Question:** *Meaning?*

**Answer:** The Minister of Trade & Industry addressed the media on behalf of the economics cluster and made it quite clear that artificial measures will not be used to affect the value of the rand. He specifically stated that the SARB is independent and must use interest rates as it sees fit in terms of its mandate. In essence, the markets will determine the value of the currency. This is in line with President Mbeki's speech in Brussels last year when the rand was approaching R5.60 and the President stated, quite categorically, that the markets would determine the currency's level.

**Question:** *I am confused. I thought the ANC, government and even SARB want a lower currency?*

**Answer:** Yip, but how? A free-floating currency's value cannot be pre-determined. To control it, one has to peg it to some benchmark and then have the reserves to back it up. Lots of reserves. Even the Bank of England could not save the pound from being ejected from the old EMU, the current euro's predecessor. One would need plenty exports and huge current account surpluses if one wanted to protect one's currency. SA simply does not have those. So we can wish and hope, but the markets will determine.

**Question:** *But if the current account balance gets too big or capital inflows get too small, the currency may slip?*

**Answer:** Indeed, and that will be a normal market reaction; co-influenced by the host of factors that determine market decisions; including developments with the dollar, euro, oil prices, SA growth prospects and... and... and...! Do not bank on political control of the value of the currency.

**Question:** *So thoughts of a rand around say R7.50 or R8.00 (or whatever) as fair value are too easy?*

**Answer:** In my opinion, yes. Bigger forces than the wishes of South Africans will determine the value of the currency. Perceived political control will certainly not bring the certainty we want. The myriad of market forces may take it there, but not political control.

**Question:** *OK, that is the currency. But we both know the real aim of the strike was to influence the ANC's General Council Meeting that starts on Thursday in Tshwane?*

**Answer:** Yip and we will know this time next week how it went. But after Mbeki's juggernaut performance over the past two weeks, I think Cosatu will not get very far in Tshwane. Mbeki will get the backing he wants and economic policy will unfold as he plans. The man is now really in power. The strike has not changed that.

**JP Landman**