

Business

Gordhan-NPA Saga Forces Investors To Move \$1bn Out Of SA

Post by Chika Udeh October 20, 2016

The ongoing Gordhan-NPA Saga seems to be having the dreaded influence on the economy. Reports say SA has seen a substantial outflow of foreign investor money since the beginning of the whole issue. This is according to the Institute of International Finance (IFF) which reported that about a billion US dollars have been moved out of South Africa by investors who fear the current issues surrounding the finance minister may drown the economy.

Report had it that money was withdrawn from all emerging markets, but Thailand and South Africa accounted for more than half of total outflows from the eight countries that are part of the IFF's daily analysis. Read Also: DA Blocks R8.1 Million Lavishing In Mogale City Also, the net outflows from equity amounted to \$475m and from bonds to \$531m between October 10 to 14. This figure reflect the difference between assets sold and purchased. Court summoned the finance minister appear in court on charges of fraud laid on him by the NPA , this resulted to the rand plummeting for the first time in months after recovery. And like the deputy President, Cyril Ramaphosa earlier warned, SA business moguls and investors are beginning to withdraw their investments fearing that the SA economy is moving closer to junk status.

Scott Farnham, a research analyst at IFF also said the net portfolio outflows totalled \$1bn from equity and bonds. However, Investec Bank economist Annabel Bishop said the rand has recovered this week on positive market sentiment, but Gordhan's case still makes the economy unstable. He said foreigners purchased R1.8bn of South African bonds and equities on a net basis. Farnham also noted that equities had until the end of the third quarter, had a net outflow of \$2.1bn from foreign investors, while there was a net inflow of \$4.79bn into the debt market from foreign investors.

At this stage, 2016 has been the best year for foreign investors in respect of South African bonds since 2012, although it hasn't reached the same levels yet. In 2012, foreigners invested \$12.41bn in South African debt, there was a net inflow of \$1.42bn in 2015, news24 reported. Meanwhile, Simon Quijano-Evans, an emerging-markets strategist at Legal & General in London, said by email that South Africa is right at the bottom of the investment-grade spectrum, thanks to the current Gordhan-NPA Saga. "Anything that can lead to a deterioration of the ratings backdrop will scare investors," he warned.

Buttressing this point, Magnus Heystek, an investment strategist at Brenthurst Wealth said the Gordhan-NPA Saga resulting to Gordhan's charges were the most stupid things SA could have allowed. "Here's a man (Gordhan) who has just returned from New York, where he and a coalition of top business people held an investment conference during which they promoted the country already under great threat of a credit downgrade in December."

Heystek said by all accounts Gordhan did a good job and was well received by the sell-out audience. He is currently under immense pressure to finalize the mediumterm budget policy statement (MTBPS) which has to be delivered on October 26 – just over two weeks away "How serious is this charge, trumped up or not, that it could not wait until after the MTBPS and after the announcement of a downgrade or not by the global credit ratings agencies," Heystek asked.

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