

Absa ruckus distracts from real problems

By [Ron Derby](#)^{31 Jan 2017}

One can't help but feel a level of deflection in the sudden awakening of certain political forces in South Africa over the behaviour of the leading banks during apartheid.

There may indeed be much for Barclays Africa, or Absa, to answer for in its deal to acquire the operations of Bankorp in 1992. But I have to ask: why does it matter now, 25 years later?

In resolving this most urgent of matters, does South Africa's economic standing in the league of emerging markets improve any significant way? Are structural fault lines in the economy being dealt with in this, for lack of a better word, witch-hunt?



Mmofa platinum mine. Source: [Sibanye](#)

Perhaps in seeking out the beneficiaries of what was, in truth, a rogue state, the benefits will reveal themselves. I am not convinced of its merits at this time in the increasingly worrying story of South Africa Inc.

Last year was one of near misses when it came to the dreaded slide of credit ratings into "junk" territory. That cloud still hangs over the country. Yet here we are, absorbed by tales of thievery by businessmen who benefited from the largesse of an apartheid state.

It's a focus that does not speak to the underlying crisis that faces a state that has little to no breathing room to invest in the economy and thereby stimulate growth, and a private sector lacking in the confidence to even consider asking shareholders for the keys to the vault.

Let's take the case of the platinum industry

Despite low metals prices and the unprofitability of many leading miners, there is a supply deficit on the horizon.

Many a mining CEO has sold this story to his board in recent years and suggested that they'd better ready themselves for this uptick, but I doubt it's a message that's been seriously communicated to London or New York shareholders.

So what's likely to happen when platinum prices finally react to the changing market fundamentals is that South Africa will, once again, not be able to fully benefit.

Instead, miners, as they often do, will reinvest only in a booming commodity market; when that supply finally comes online their earnings will reflect very little of those high prices.

Sure, stock valuations may very well rise in such a scenario and long-suffering shareholders may cheer, but imagine the revenue opportunity for the state as shafts are still being sunk to increase output.

If business, and especially labour-intensive industries such as mining, had confidence in the lay of the land or in a political principal such as mineral resources minister Mosebenzi Zwane, the smarter houses would in all likelihood be breaking ground in this low commodity-price environment. They'd be investing in preparation for a platinum deficit.

And there's an upside for the country even if their calculations are, in the end, proved wrong - at least towns such as Rustenburg would have been stimulated by increased investment in the surrounding platinum fields.

It's not exactly a win-win situation, as shareholders would be stuck with a debt burden, but you would not be able to reverse any of the infrastructure spending.

But instead, some of our leading political actors are taking on a South African banking system not because of its unwillingness to lend to the majority of the country or for transformation issues, but for choosing not to do business with a few individuals.

I am in no way defending the banks, but in this spat with Barclays Africa, we shouldn't lose track of why we are here.

Source: *Business Times*

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