Zuma Says South African Mine Strikes Have Significant Impact

By Franz Wild and Mike Cohen - Oct 11, 2012

South African President Jacob Zuma said mining strikes are having a “significant” impact on an economy already struggling to cope with Europe’s debt crisis.

The National Treasury estimates that 4.5 billion rand ($518 million) of platinum and gold mining production was lost as at the middle of September, and 118 million rand of coal, Zuma said in a speech to black businessmen in Johannesburg today.

The strikes began at Lonmin Plc (LMI)’s platinum mine in August and spread to operations owned by Anglo American Platinum Ltd. (AMS) The country’s gold mines, including those of AngloGold Ashanti Ltd. (ANG), Gold Fields and Harmony Gold Mining Co., have also been affected. A strike by more than 20,000 truck drivers is now in its third week, resulting in food and fuel shortages in some parts of the country.

“The ongoing strikes in the mining sector have had a significant effect on the economy,” Zuma said. “Our economic data does not indicate a significant drop in business confidence yet, but our responsibility is that we do not reach a crisis point.”

Reserve Bank Governor Gill Marcus said yesterday the economy’s outlook is “deteriorating rapidly” and strikes will result in job losses. Recent capital outflows are an “indicator of a loss of confidence,” she said.

Rand Weakens

The rand has slumped 5.1 percent against the dollar in the past three months, the most of 16 major currencies tracked by Bloomberg. It was trading at 8.7118 per dollar as of 2:50 p.m. in Johannesburg.

“A dip in investor confidence will result in lower investment and job creation,” Zuma said. “Lower foreign investment can raise the cost of government borrowing since foreigners hold about 37 percent of all rand-denominated debt.”

Moody’s Investors Service on Sept. 27 cut the nation’s credit rating to Baa1 from A3, with a negative outlook, citing the government’s inability to deal with economic and political challenges. The ratings company estimated the economy will expand 2.5 percent this year, the slowest pace since a 2009 recession, and 3.3 percent in 2013.

Moody’s downgrade is based on reasons that “are not new to government,” Zuma said. South Africa is investing in rail and power infrastructure, reducing its budget deficit, and stabilizing its debt to address concerns raised by the ratings companies, he said.

Government Concerns

The Cabinet reiterated Zuma’s comments in a statement today after a scheduled meeting.

“Cabinet remains committed to taking the necessary measures to lift the growth potential and competitiveness of the South African economy,” Richard Baloyi, minister of cooperative governance and traditional affairs, told reporters in Pretoria. The government will ensure that the “impact of the downgrade is constrained and does not encroach on already constrained resources for service delivery programs.”

Visiting U.K. Business Secretary Vince Cable said “serious” investors were not unduly concerned about the labor unrest.

Their “assessment is South Africa is an open economy and it approaches foreign investments in a positive and welcoming way,” he told reporters in Cape Town. “There will always be individual instances where companies have difficulties for one reason or another, but the regime is a good one. I would certainly try to reassure any British investors that was indeed the case.”

Zuma and the government condemned the violence associated with the strikes in recent months. About 46 people died in
violence during Lonmin's six-week strike, with 34 of them killed by police. Striking transport workers have stoned and set 
alight trucks, killing at least one person.

“The culture of violence in strikes and demonstrations does not tally with our principles of democracy,” Zuma said. “The 
destruction of property, the beating up of other people and killing them is not acceptable.”

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