

Exchange Rates

JOHANNESBURG - Yesterday's closing exchange rates, as supplied by Standard Bank (R/£, R/¥ and R/US, other rates per rand.) These are the banks selling rates yesterday.

R/£	15.75
R/¥	12.50
R/US\$	8.05
R/AUS\$	7.60
R/CAN\$	7.90
R/NZ\$	6.10

Dispatch Business

R9.6bn Daimler investment

GERMAN auto manufacturer Daimler is to build a factory in Hungary at a cost of about \$800 million to boost production of smaller models, it said.
Daimler planned to build the plant in Kecskemet, 80km southeast of Budapest, "in order to sustainably boost its competitiveness, as well as to access new markets and create additional production capacities". Daimler would also invest \$600m in a German factory which already produces Mercedes class A and B cars, it added. — *DDR*

Construction revs EC growth

Barometer also shows car exports help to keep province on track

By **ROUX VAN ZYL**
Business Editor

ECONOMIC growth in the Eastern Cape is still in the black despite the country's business powerhouses, Gauteng and Western Cape, experiencing negative growth.

But the EC's growth bubble could soon burst as the effect of interest rates and inflationary pressures filter down into the province, said economist Mike Schüssler who launched the first ever Eastern Cape Barometer (ECB) this week.

The ECB is a statistical index, funded by Sake24 and the Eastern Cape Socio Economic Consultative Council (Ecscec), which measures the levels of business activity in the province's private sector.

It is the third provincial barometer launched in the country, after Gauteng and Western Cape.

The ECB shows that the province has experienced an average growth rate of 11.1% since 2003.

In 2004 alone, the province's private sector expanded by a massive 23% — mainly due to capital investment in Coega — but pulled back in 2007 to grow only 2%.

During the first four months of this year the average growth was a mere 2.5%.

"However, the provincial economy is doing better than the economies in Gauteng and the Western Cape," said Schüssler.

"It is also evident that the slowdown in the SA economy has had less of an impact on the Eastern Cape."

He said since January 2006 it had become progressively more difficult to do business in the EC's private sector.

This was reflected in the ECB's Economic Stress Index — which measures inflation, job creation and civil debt judgments — surging 3.4% higher

in April when compared to April 2007. "The worsening economic conditions make it increasingly difficult to do business in the province," he said.

"This is not unique to the Eastern Cape, as all provinces have experienced a similar trend. Although it remains at manageable levels in the Eastern Cape, things will get worse before it gets better."

What will make things worse, continued Schüssler, was the impact of interest rates and inflation that were expected to continue in an upward trend for at least the next two months.

"The growth in employment will also decrease in coming quarters as employment is a lagging factor. I expect that these negative conditions will worsen further until the early part of next year," he added.

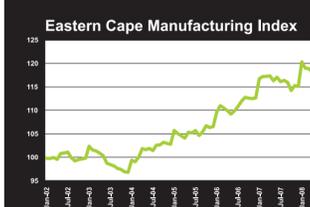
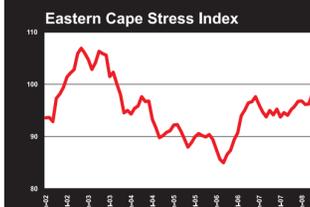
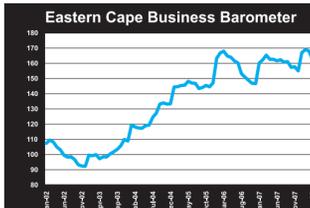
Ecscec chief executive Andrew Murray said the Eastern Cape economy was saved from entering a negative growth phase by its limited economic dependence on retail sales.

"A lot of Eastern Cape sectors, especially the automotive industry, are export focused and the rand devaluation has been in their interest," said Murray. "We are also the only province showing positive growth in construction and cement sales. There is a lot of infrastructure development still taking place."

Border-Kei Chamber of Business executive director Les Holbrook was very encouraged by the barometer.

"In our mind it is a good tool. We get a lot of investors approaching us for economic data and in time this barometer will give a clear indication of where the various sectors are heading."

"As a chamber, we do track some economic indicators like cement sales and electricity but we were still surprised by the barometer's positive growth trend."



GROWING UP: The Eastern Cape's economic growth is outperforming Gauteng and the Western Cape despite the country's general economic decline, a new provincial barometer has shown. Graphic: RUDI LOUW

Key Growth Sectors

- Construction remains the "stalwart" of the province's private sector economy. Since 2002 the sector reported an average annual growth of 10%. In April 2008 activity levels were 22% higher than April 2007.

- Transport grew 11.5% since 2002 and is expected to show even further growth in the short to medium term. In April 2008 activity levels were 10.6% higher than in April 2007.

- Finance, real estate and business services reported average growth of 12.9% since 2002 and in April 2008 were 2.8% higher than April 2007.
- Trade in the province, which includes retail, wholesale and leisure sectors, grew 9.2% since 2002 and remains strong.

- In April 2008 activity levels were 1% higher than April 2007.
- Manufacturing grew steadily at 3.1% per annum over the past five years. Activity levels in April 2008 were 0.6% higher than April 2007.

Fujitsu Siemens in BEE deal

By **ZWELI MOKGATA**

FUJITSU Siemens joins a host of companies looking to gain access to government tenders with the announcement of its black economic empowerment deal yesterday.

The multinational computer company is selling a 25% plus one share stake to a consortium made up of two small IT firms, Thuthukani Information Technology Services and Amava Holdings.

Idris Suleiman, managing director of Fujitsu Siemens Computers, said: "It's more than just an equity transaction, but these are companies that we can help build." The company has been looking to grow its South African operations, however lucrative government tenders stipulate procurement from BEE accredited suppliers.

It has taken Fujitsu Siemens two years to structure the deal. Price-waterhouseCoopers Corporate Finance (PwC) was the lead adviser responsible for identifying appropriate BEE parties.

Thuthukani and Amava were short-listed towards the end of 2007 and joined forces to set up a single consortium that would take control of the investment.

Puven Ramasamy, Group CEO of Amava Holdings said: "With this transaction, we continue to emphasise our focus on the IT sector. We have been very successful in the past in transactions within this sector and Fujitsu Siemens Computers, with their portfolio of hardware and services, will complement several of our investments." Fannie Mahlangu, managing director of Thuthukani, will be appointed to the board of directors of Fujitsu Siemens Computers.

He said: "We were looking to this as more than just a pure investment. We want to get our hands dirty. Fujitsu Siemens has been looking to penetrate the public sector, and we have been involved in a few government projects.

"We are looking to grow our business by 35 to 40% this year."

Back Office



Great marketing potential to be found in Ethiopia

By **LUYTON DRIMAN**
Bradmantan Consulting

THE aptly named Horn of Africa is for me, one of the most unique parts of this continent. I cannot help but to discover a certain amount of mysticism during each visit.

The whole process of conducting business in Ethiopia is so different from most other African capital cities, mainly due to the fact that the Ethiopian economy is quite "closed", in as much as the Ethiopian Government has not allowed any international banks to open in the country. This means all import and export transactions are done via the three largest local banks.

The government also owns and controls all the service providers, like the telecommunication industry (fixed line and cellular), which essentially means in order to do business with these parastatals, you have to be registered as a supplier before you are able to tender for any projects. The local currency, the birr, is practically one-to-one with the rand. This means that the birr to the US dollar exchange rate is similar to that of the rand to the US dollar.

The population of Ethiopia is 76 million, of which 50% is aged 20 and below! Therefore an important growth market exists for cellphones, MP3 players and access to DSTV. The launch of broadband multimedia is imminent, as is the pending introduction of 3G technology. There are two excellent leather factories in Addis Ababa (the capital) and I was very impressed at the quality of the treated leather and the range of products on display.

I also saw opportunities in the service industry, the food and beverage industry, and for light engineering products.

The main mode of transport is via airfreight, while seafreight via Djibouti is also an option. To get a feel for the region, there is an international trade show which takes place on an annual basis. The South African Embassy in Addis Ababa will be able to help you with any information.

— *Luyton@telkomsa.net*

Warnings over SA liquid fuel supplies

A SERIES of dire warnings about the supply of liquid fuels to South Africa, and especially to the industrial and commercial heartland of the country, has been given to MPs by the Department of Minerals and Energy.

Nhlanhla Gumede, the deputy director-general for liquid fuels in the department, told the portfolio committee yesterday that unless something was done soon, "this country will be in serious trouble by 2010". According to his presentation, the indications are not

good. Gumede was presenting phase one of the government's energy security master plan, which calls for a new multi-product pipeline (NMPP) to be completed by 2010 which will carry liquid fuel from Durban to Germiston. He explained that construction of the line was supposed to have started in January of this year, but did not. He urged the National Energy Regulator of South Africa (Nersa) to approve the building of the line as soon as possible.

Some changes were also required to Petronet's design, Gumede said, but suggested that the approval process could not be left to external processes. The master plan also calls for additional storage capacity to be installed by companies such as airlines at their own expense. The airlines currently store only five days' worth of fuel. The plan calls for them to store 30 days. The plan also calls for a rapid increase in the capacity of Transnet to carry fuel from Durban

inland. "Unless inland rail transport is increased, more than 10 road tankers an hour will have to leave Durban for inland in 2010," Gumede explained. "That's one every six minutes. That situation is untenable." The railway system will also be called on to build extra sidings for loading and unloading tankers, and ports will also be expected to play their part in speeding imports through. Gumede pointed out that two years ago, SA for the first time consumed more liquid

fuels than it was able to refine, so the so-called "white products" would have to be imported. By 2025, he said, South Africa would have doubled its demand for liquid fuels and for the first time would be importing more than refined domestically. In order to keep up the level of domestically-produced supply — which has recently fallen from 30% to 26% of the total refined here — a new coal-to-liquid plant will be needed every three to four years. — *I-Net Bridge*



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