THE BOTTOM LINE COLUMN

Exporters, investors at odds on rand strength

INTERNATIONAL Monetary Fund MD Dominique Strauss-Kahn has cautioned against artificially weakening the rand. His argument is a familiar one: doing so could create a deterrent to capital market inflows, which are critical to finance SA's enormous current account deficit.

This is similar to the line taken by Finance Minister Pravin Gordhan in the recent budget.

Strauss-Kahn's point is undoubtedly valid, but this is a chicken-and-egg sort of problem. The current account deficit has been caused by a host of factors, including an inordinately large import bill arising from increased spending on infrastructure. It is also a consequence of poor manufacturing export numbers.

To reverse the slump in manufacturing exports, the rand needs to weaken or productivity needs to improve. Yet SA's manufacturing profile is strongly, though not exclusively, linked to mature industries, out of which it is hard to envisage strong productivity improvements. Their fate is very much linked to the rand, which has been sailing rather high recently, arguably a little too close to the sun.

Strauss-Kahn is right to emphasise the necessity of maintaining investor interest in SA. But by focusing exclusively on that issue, he risks glossing over a big part of the problem.

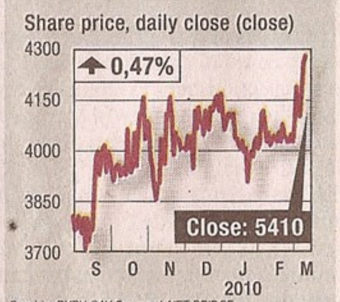
❑❑❑

NOBODY is more aware of the size of the shoes he is having to fill than incoming Pick n Pay chairman Gareth Ackerman. After all, as the older son of the doyen of South African grocers, he has had a close-up view of Raymond Ackerman's shoes since he started crawling.

But Gareth Ackerman is his own man. He famously opted out of an executive role in the family-controlled business when in his early 40s and headed overseas to gain experience in finance and asset management. And he clearly has no intention of attempting the impossible task of trying to fill every nook and cranny vacated by his larger-than-life dad.

Pick n Pay's focus will always be on the customer, he emphasised yesterday. His view is that the best way to do this at present is to keep prices down by improving the efficiency of the "back end" of the business, especially distribution. To this end, Ackerman the younger has already started overseeing a move toward centralised regional warehousing for the Pick n Pay group, along with introducing a sophisticated SAP system aimed at integrating the business from till to purchasing. Together these have demanded the investment of "hundreds of millions of rands".

The flip side of the efficiency coin, Ackerman says, is the continuing effort to ensure Pick n Pay's staff understand the "absolute link between looking after customers and the salary they get at the end of the month".



Graphic: RUBY-GAY Source: I-NET BRIDGE

❑❑❑

SPARK ATM Systems, a provider of cash dispensing machines, has created a novel index to measure the average amount of money South Africans withdraw when they need cash. The index has been in place for three years now, and is consequently starting to offer some historical context.

This month's index was particularly interesting because it showed an 8,26% increase in the average amount of cash withdrawn in February compared to the same month last year — the largest increase over the past three years.

However, month on month the average withdrawal was down to R396 from January's R400.

Spark MD Marc Sternberg says this has emerged as a consistent pattern. So the question is whether the index suggests that the consumer is back, or whether higher inflation has meant that the cost of the average basket of goods has increased. The most likely answer is a bit of both, since the size of the increase in average withdrawals is slightly higher than the inflation rate. It also perhaps shows the effect of lower average interest rates kicking in.

Overall, however, the clearest message from the index is probably that the consumer remains cautious, something that is confirmed by other data.

■ *Dave Marrs edits The Bottom Line. (marrsd@bdfm.co.za)*