



- President Zuma will try to convince international investors that SA remains an attractive investment destination at the World Economic Forum (WEF) in Davos, Switzerland, which opened this week. Mr Zuma is leading a government delegation, which includes seven cabinet ministers, to Davos in his first major appearance on a global platform since the currency crash he caused last month. More than 80 SA business, government and nongovernmental leaders are attending the WEF. President Zuma reportedly withdrew from the Africa Panel, although the presidency suggested sufficient notice had been provided for the withdrawal.
- Finance Minister Pravin Gordhan said this week SA must avoid a rating downgrade to junk status and vowed the government would implement an action plan including all stakeholders to restore credibility. The rating agencies' matrices were transparent. Hence, SA needed to improve its numbers and act with urgency and cohesion. Mr Gordhan emphasised that the government would stay on the path of fiscal consolidation.
- Eskom executives faced tough questions from the National Energy Regulator of SA (Nersa) this week, which questioned whether the company had properly considered the effect on the economy of its proposed 16.6% tariff increase for 2016. Eskom applied to claw back unanticipated costs from 2013-2014 using a mechanism called the revenue clearing account, which will allow Eskom to recover these costs by adding them onto the next year's tariffs. This is provided Nersa deems the additional costs valid and prudently incurred. Eskom has applied to claw back R22.8bn, which is an 8.6% increase on top of the 8% already approved.
- United Democratic Movement (UDM) president Bantu Holomisa has filed a complaint with Public Protector Thuli Madonsela asking for an investigation into allegations that money from the Public Investment Corporation (PIC) was channelled to the ANC. The three alleged transactions include a R40m payment from the PIC to the ANC during the second week of last month. A further R2m of PIC funds had allegedly been transferred to private equity company Harith General Partners, also for the benefit of the ruling party, Mr Holomisa said.
- Recent university fees protests have cost universities R150m so far. Higher Education and Training Minister Blade Nzimande disclosed the figure on Wednesday after he met vice-chancellors and representatives of the National Student Financial Aid Scheme (NSFAS). Mr Nzimande urged students to protest peacefully, saying the violence was unacceptable and that universities could not afford any more damage to property. Mr Nzimande said the delegation welcomed the R6.9bn injection the government was putting into universities. He said NSFAS would pilot a new funding model for students who did not meet NSFAS criteria.
- The extreme drought has led to national agricultural production declining by more than 42%, an analysis by the Western Cape provincial government has revealed. Western Cape economic opportunities MEC Alan Winde said an early assessment of the effect of the drought and the drop in production resulted in a 1.1% decrease in the country's gross domestic production, which could cost SA more than R2bn in trade losses.
- The Health Department is planning to allow pharmaceutical companies an extra price increase later this year to cushion them against the sharp slide in the rand, which has made imports more expensive. The department also promised to speed up drug companies' applications to adjust their prices, which currently kick in 30 working days after they submit their paperwork. The rand's 31% depreciation against the dollar since January 2015 has affected importers of finished medicines and domestic manufacturers who import raw ingredients.
- The Treasury has taken steps to ensure that SAA's creditors do not cut credit lines to the struggling airline, which is experiencing a severe cash crunch. In a statement, Finance Minister Gordhan insisted that SAA will remain open for business. The sharp deterioration in the value of the rand relative to the dollar has exacerbated the cash crisis at SAA as the cost of jet fuel among other expenses has soared. The statement said the Treasury had been in contact with several lenders that had provided SAA with unsecured short-term loans.
- Two sets of data out this week suggest the Reserve Bank will raise interest rates to curb inflation. Consumer inflation for last month rose to 5.2% (November: 4.8%) as a result of higher food and household services costs. Although consumer spending and confidence have been slowing, November's higher than expected retail sales show that spending can still support growth. Economists predict interest rates will increase by 50 basis points and forecast three more interest rate hikes of 25 basis points by the second half of the year.
- SA's battered currency is benefiting the tourism industry as it offsets some of the damage done by burdensome new visa laws. Despite warnings from industry groups that visa restrictions would keep holidaymakers away, data collected at border posts and airports show a 7% jump in foreign visitors in the 2016 year-end holiday period. Even though the rand's drop against the dollar makes it cheaper for foreign tourists to holiday in SA, the Southern Africa Tourism Services Association says SA should be getting 27% more tourists. **End**