

Battered brand SA leaves investors wary



Mar 24 2013 09:37

Johannesburg - In the decade bookmarking **Nelson Mandela's** release from prison South Africa transmogrified from racist pariah to beacon of hope, but a series of tragedies threaten to reverse that gain and spook investors.

The bad news just doesn't stop coming for Africa's largest economy.

In the last year police shot 34 striking miners at Marikana, **Oscar Pistorius** was arrested for murder, a 17-year-old girl was gang raped and disemboweled and the police were filmed dragging a Mozambican taxi driver to his death.

Stories of rape, gun crime, police brutality and obscene levels of violence flashed across the globe, overshadowing the country's breathtaking landscapes, stunning wildlife and the joy of the 2010 football world cup.

"South Africa's seemingly untouchable reputation started to wane," said **Dion Chang**, founder of Flux Trends analysts.

"The death of a Mozambican taxi driver at the hands of the police invoked apartheid style brutality, and **Oscar Pistorius** brought South Africa the harshest form of unwanted publicity."

Even the authorities concede the lustre of the rainbow nation has dimmed.

"In the immediate term, undoubtedly yes," said Nomsa Mazibuko, communication director for state marketing agency Brand South Africa.

"The sheer volume of coverage paints a disturbing picture. Yet this can also seem overblown and at times a little out of context," she warns.

Still, Brand South Africa points to gains since the end of apartheid 19 years ago, when over 27 000 people were killed.

Gun-related crimes have also dropped 21.2% since 2005.

Progress is happening, Mazibuko insists, though "results will not be delivered overnight."

Unfortunately for South Africa the string of tragic events has coincided with deep investor unease.

Concern about corruption, government mismanagement, labour unrest, a shocking education system and unsustainable levels of inequality is widespread.

All three major ratings agencies have downgraded the country in the last year.

"Most investors are happy to stay at the party, but dancing close to the door," said Mohammed Nalla, head of strategic research at Nedbank Capital.

So far the malaise has not been reflected in South African bond or equity prices, but the rand has been pummelled, sending shock waves through the import-dependent economy.

The currency has lost around 20% of its value against the dollar, inflating the price of everything from food to cars.

"The rand is the litmus test used by investors to reflect views on South Africa," said Nalla.

On Wednesday the head of South Africa's central bank said the rand's weakness was "overdone" but warned the weakness was fuelling high inflation.

With price increases expected to exceed the bank's 6% limit, policy makers have little room to stimulate the economy even as inflation taxes the poor.

That has raised the spectre of a dangerous mix of slow growth and rising prices.

"Growth remains poor with upside inflation risks, pointing ever more to a stagflationary scenario," said Nalla.

There are more ominous signs investors may be mingling near the exit.

The price of insurance against South African bonds - so-called credit default swaps (CDS) - have surged.

In the US, European and other financial crises rising CDS prices were often harbingers of doom.

Many hopes are being pinned on one still contested document which has yet to be implemented, but which would remake South Africa's economy.

"The government's adoption of the National Development Plan as central economic policy, did much to encourage positive brand sentiment," said Chang.

The vast plan aims to improve housing, water, electricity and sanitation, reform the education and public transport system and boost job creation.

But as well as implementing that plan, the country needs to be seen to improve, Chang cautions.

"At this stage we need much more visible counteractions - trust in the police, swift and effective justice for violent crimes... and an aggressive campaign to highlight the positive aspects of South Africa."

"In this day and age 'soft power' is what builds brands and their reputations."



Jo Ape - March 24, 2013 at 09:50

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How is the NDP different from any of the other socialist economic plans the cANcer has made. And what makes this one any more likely to succeed? The cANcer can either treat business as a engine of growth or a cash cow to be heavily taxed, not both.

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Timothy Whyte - March 24, 2013 at 10:34

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They also can see the genocide of the hands that feed us,they forgot to mention this

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Gavin Venter - March 24, 2013 at 10:46

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this is what happens when you put the village idiot in charge of the money.

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Hoenderma Neek - March 24, 2013 at 09:52

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A rainbow is just an illusion for the deluded..

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Rebel Roots - March 24, 2013 at 09:53

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Tell us something we don't know

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Starlight3 - March 24, 2013 at 10:00

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When will the ANC learn that the ONLY way to pull the people out of poverty is to attract investment? You CANNOT make poor people rich by making rich people poor!

42

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Torstein Riiber - March 24, 2013 at 10:02

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"The sheer volume of coverage paints a disturbing picture. Yet this can also seem overblown and at times a little out of context," she warns.

Unfortunlatly, this covers only top of the iceberg. Reality sucks.

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BANDIT - March 24, 2013 at 10:02

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This is the proof in the pudding that affirmative action does not work!!!

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Klemptner Alan - March 24, 2013 at 10:18

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when the anc took the majority rule ,i was overly optermistic that ,under the guidance of Mandela,this country would flourish.i hoped they would run a country like a business.Sadly i was wrong,they ran it like a hobby,milked it dry,ruined and broke down a working system.bugger .i was

such a fool to believe in Mandela and his promises.de klerck also gave us the shaft.Z man,well heck i wont even go there

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Mabeshankone ZoSuthu - March 24, 2013 at 10:45

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On the contrary, overseas publications say affirmative active is not working quickly enough. Just yesterday I read a US piece saying inequality as behind South Africa's strikes.

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BANDIT - March 24, 2013 at 10:05

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Appoint competent people in posts and tackle the poor education system! People can't even calculate 14% VAT!

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Andrew Sneddon - March 24, 2013 at 10:06

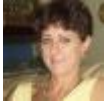
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What does dion Chang know about economics? He's a fashion designer???????

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Cheryl Duckham Cox - March 24, 2013 at 10:38

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So if you a fashion designer you can't know about economics???

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Leon Toerien - March 24, 2013 at 10:12

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And corruption?

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Jeremy Forbes - March 24, 2013 at 10:14

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It is not just investors 'dancing at the door' the majority of middle class SA's of all colours, are too.

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Klemptner Alan - March 24, 2013 at 10:32

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joshua u half wit,look at the education these days,bwahaha,schools dont get books,class rooms are in a terrible condition.the level of education offered in schools is poor.yup i like the old days,hospitals worked,public transport worked.the police worked,,,,and the government depts and pfficial aslo worked and didnt sit in parliament picking their noses and falling asleep.

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Joshua Sematla - March 24, 2013 at 10:45

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How can black middle class 'dance at the door' while they had no /class/..not so long ago?

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stewart.croucamp.9 - March 24, 2013 at 10:15

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The world is seeing the reality of South African life. It is not a pretty picture. Under the ANC government things are going to get worse. We are becoming a typical African country. The new South African expats are doing well internationally and are having a good life.

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Nick Athinodorou - March 24, 2013 at 10:25

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The grass is greener on the other side.

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Joshua Sematla - March 24, 2013 at 10:26

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Ofcourse under apartheid things were rose, everybody was happy, there was no violence, we all had jobs and black kids got the best education in africa right?

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Richard Scully - March 24, 2013 at 10:16

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How can they sAy gun crime is down when we all know and it's admitted that most crime goes unreported and we suspect that crime stats are politically engineered

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Natalie Soine - March 24, 2013 at 10:18

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How much would you be willing to invest in SA?

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Klemptner Alan - March 24, 2013 at 10:27

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i would invest,.....,Natalie ,sorry maybe a 1 way ticket out of here.But my age,my raceSo i am stuck here.

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David De Bruin - March 24, 2013 at 10:45

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Excellent question Natalie. Being a local South African, I of course support local and encourage investment where ever I can. But for foreign investors, Botswana, Zambia, Namibia and even Angola are looking like far better options than South Africa...

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Steven Melville Armour - March 24, 2013 at 10:21

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Welcome to South Africa,the new banana republic.

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Klempner Alan - March 24, 2013 at 10:25

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we arent even a 3rd world country,as for my banana,the fruit flies got it.its all rotten and squishy.

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Mabeshankone ZoSuthu - March 24, 2013 at 10:44

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We've been hearing that prediction since '94. We're still waiting.

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Shamila Alawie - March 24, 2013 at 10:23

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Scary stuff...people need to start using their brains to cast their votes!

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MrG - March 24, 2013 at 10:27

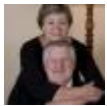
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Brand South Africa = Suid-Afrika 'brand'

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[lisa.evansdominick](#) - March 24, 2013 at 10:28

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Well done Zuma and the ANC, great achievement, you have managed to destroy our country

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[Margie Rensburg](#) - March 24, 2013 at 10:30

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SA is BAD NEWS all over the world and getting worse.

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[Andre de Lange](#) - March 24, 2013 at 10:30

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Eish, blame it on apartheid,the taxi driver and Oscar !

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Joshua Sematla - March 24, 2013 at 10:36

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/Yet this can also seem overblown and at times a little out of context, she warns/, they forgot to mention spiteful, unpatriotic media, and of course white South Africans. When u talk of south africa, u have black south africa and white south africa, they are on separate levels and different understandings and that is a sad fact, we see the same thing differently

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Candy Nobelungu Nhleko - March 24, 2013 at 10:39

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Yes we do have challenges in our country like any other countries, every now and crazy Americans shoots school kids and attack other countries disguise as saviors knowing fully well what are they up to. no investors has threatening to pull out, the problem in this country is those who have dual citizenship and hide behind their skin colour.

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Kamog Kamogelo - March 24, 2013 at 10:39

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What does oscar and macia have to do with investors, that's. A bias analysis, had u told us of looting and burning of firms, you would have a point

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Willem le Roux - March 24, 2013 at 10:47

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It is the straw that broke the camel's back...

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Trudi Roos Potter - March 24, 2013 at 10:40

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Before it will get better, zuma must go. You can not have an uneducated herdboy as president. He is an embarressment.

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David De Bruin - March 24, 2013 at 10:40

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What about all the attacks on and murders of white South African farmers. Why don't you mention anything about that in your article? That's another major contributing factor to 'don't invest in SA', especially when British farmers are being attacked and murdered too. Rotten publicity for SA abroad! And a subject we can no longer ignore by simply sweeping it in underneath the carpet!

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Tumelo Lad - March 24, 2013 at 10:41

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Congrats South Africa on your bright way to hell. Thanks to you ANC nice job. Really nice.

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Mabeshankone ZoSuthu - March 24, 2013 at 10:42

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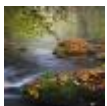
If anything will leave the brand battered, it's the alarmist Dion Chang. He's only looking at branding issues from the eye of a fashion man. Economic and investment issues aren't his forte. The Rand will always be a vulnerable currency. Sure, we could do without Marika-type issues, but Chang needs to tone down the drama.

#ProudlySouthAfrican, baby.

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Willem le Roux - March 24, 2013 at 10:48

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Wonder how much you invested in Zimbabwe lately...

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Bongeka - March 24, 2013 at 10:47

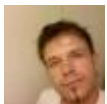
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You know what? History always repeats itself. Even though the ANC is claimed to be running this country like a Tuck Shop and the opposition promises to do the best, I don't believe any of those promises will ever materialise. I think we have somebody running SA or Africa as a whole, but we just don't know that. Almost all African countries were colonized and the economy was booming, investors planting their monies knowing very well that the country was not politically stable. Our grand parents, parents and some of us went through a worse education system you can think of, called (Bantu education) but most of those people still emerged victorious through that hardship. Now all African countries are said to be free, but they're surprisingly all doing bad. Why is that? I know and believe that African leaders can do what their European counterparts can do to lift their economy. Somebody please tell us the agreement you had with our former oppressors because I strongly believe that there is a third force hand running Africa. Until then Africa will see no peace. If the world economic powers are against us and using our leaders to sell us out in order to satisfy whatever the agreement is, then we will never be economically free. Africa will always be the servant of that third force for economical bail out yet Africa has all the natural resources the world needs. South Africans survived more than 300 years of hardship under Nats government while the chosen race was doing very well. We still came out alive. Hhayi kabi (no hard feelings).

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Robert Frankol - March 24, 2013 at 10:49

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Thank the imbecile Zooma and his AidsNCrime...well done you stupid F*CK

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[Willem le Roux](#) - March 24, 2013 at 10:47

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#ProudlySouthAfrican, baby.

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