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Cash pile that burns holes in bank vaults

INVESTEC has released some broad, quarterly figures in terms of its UK listing requirements which demonstrate precisely what you would expect. Generally, business is sluggish. Operating profit for the quarter ending June 30 was about the same as last year. Third-party assets under management are flat. Customer accounts are, on a constant currency basis — you guessed it — flat.

Currency movements are playing an odd role for the group, particularly since it has one foot in London and the other in SA. South African operations have performed well, but this performance is cancelled out, if you were looking at the group from a UK point of view, by the 17% depreciation of the rand compared to the pound.

What's interesting about the statement is how much cash or near-cash the group is now holding. This is not that different, or even particularly unique, since capital adequacy is obviously a big concern for regulators.

But still, it is worth noting that the bank has about £9bn in cash available, compared to core loans and advances of £18,2bn. Not all of this cash counts for capital adequacy purposes, although that too is high at about 16%.

But you do have to ask — not only of Investec as it happens — whether it is effective banking to have so much cash in hand. Is this regulatory overreach or simply prudence?

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ARCELORMITTAL SA is a metaphor for the ideological chasm that separates the government and big business. Luxembourg-based ArcelorMittal was invited by the Department of Trade and Industry under then minister Alec Erwin to privatise, modernise and grow SA's state-monopolised and subsidised steel industry.

Graphic: DOROTHY TSHWAEDI Source: I-NET BRIDGE

ArcelorMittal paid a reported R2,5bn for a 21,4% stake in Kumba Iron Ore's Sishen mine when in 2001 the state-run steel maker Iscor was unbundled into separate iron-ore and steel assets. This gave ArcelorMittal SA 6,25-million tons of ore a year at cost plus 3% for 25 years. But it never translated into the cheap steel prices the department sought.

ArcelorMittal SA and Kumba are now at loggerheads over this right, after the departments of mineral resources and economic development, and trade and industry, contrived amid allegations of fraud to give it to Imperial Crown Trading, a politically connected black economic empowerment vehicle. Kumba then suspended the Sishen cheap ore agreement with ArcelorMittal SA, which has struggled to make consistent profit in the poor global environment. It is now being viewed by trade and industry as an evil monopoly capitalist which refuses to give SA a "developmental" steel price.

Ross Heyns, an analyst at Kagiso Asset Management, says ArcelorMittal SA, which announced uninspiring interims this week, "continues to face a very tough market". It has been made much tougher by the government's misguided fiats.

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