(BN) Rand Worst Performer for Second Day as Mining Unrest Contin ues

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By Chris Kay

Sept. 13 (Bloomberg) -- South Africa's rand weakened the most out of 16 major currencies for the second day as labor unrest in the nation's mining industry spread, undermining investor confidence in Africa's largest economy.

The rand fell as much as 0.9 percent and traded 0.7 percent weaker at 8.3955 per dollar as of 10:06 a.m. in Johannesburg.

Yields on the nation's 6.75 percent bonds due March 2021 increased a second day, rising seven basis points to 6.74 percent, the highest this month.

Anglo American Platinum Ltd., the largest producer, said yesterday it suspended its Rustenburg operations after unidentified people intimidated workers. The threats follow work stoppages at Lonmin Plc's Marikana mine and Gold Fields Ltd.'s KDC West shaft. About 43,000 people are either on strike at these three companies or staying away from work following conflict at Lonmin's Marikana operation last month in which 44 people died in the worst mining violence since apartheid ended in 1994.

"The strike action activity remains a concerning feature of this sector's landscape at the moment," Johannesburg-based Tradition Analytics said by e-mail today. Losses in the rand are being compounded by current account data released earlier this week that "was nothing short of shocking," Tradition said.

The gap on South Africa's current account, the broadest measure of trade in goods and services, grew to 6.4 percent in the second quarter, the widest since the third quarter of 2008, from 4.9 percent of gross domestic product in the first, the Reserve Bank said Sept. 11.

A debt crisis in Europe has damped demand for exports from a region that buys about a third of shipments from South Africa.

Manufacturing production declined 1 percent in the second quarter, according to Statistics South Africa, and the government and central bank forecast economic expansion will slow to 2.7 percent this year from 3.1 percent in 2011.

"Over the longer-term the factors behind the unrest at the mines will weigh on South African bonds, unless the issue is addressed," Theuns de Wet and Mamello Matikinca, strategists at Rand Merchant Bank in Johannesburg, wrote in a note to clients today. "Subtrend growth, a widening current account deficit, labor market rigidities and increasing debt will be reflected in lower country risk ratings."

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