

## Zim's Proposed Rand Adoption 'A Negative By Association'

Written by Rudi Prinsloo

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The proposed adoption of the rand by Zimbabwe is possibly "a negative by association", RMB currency strategist John Cairns said on Friday.

This followed media reports that Zimbabwean officials were expected to request a USD1 billion rescue package from the South African government and the right to adopt the rand as Zimbabwe's currency.

Whether Zimbabwe would get the rescue package was uncertain, Cairns said.

Western donors had made it clear that they would not help until either Mugabe disappeared or the power-sharing deal was clearly seen to be working, he said.

"So, South Africa would have to go it alone and we are talking real money here.

"If it is agreed, the money would presumably be paid in rand and so not actually imply any foreign exchange transaction and would presumably also open up the way for Zimbabwe to formally adopt the rand."

Both the aid and the ZAR adoption were on their own mostly meaningless for the rand in a real sense, Cairns said.

"Zimbabwe, of course, will never have the ability to print anything but Zimbabwean dollars and so ultimately we should care about what happens there as much as we do about what is happening in Lesotho or Swaziland (who already use the rand), which is to say not at all."

Still, Cairns said, because the move was negative by association, the rand would probably be on the back foot on Friday.

Cairns forecast a range of 10.00 to 10.28 for the rand to the United States dollar for the day, "with risks still strongly to a break on the topside".

He noted that "the fear must be that USD1bn in aid (even if classified as a loan, South Africa was surely unlikely to ever get the money back) would be the first of many calls on our fiscus."

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