

Intolerance, xenophobia and cross-border supermarket groups' operations in South Africa

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ABSTRACT

We examine whether there is a relationship between xenophobic attacks and the stock market value of supermarket groups in South Africa. We perform an event study analysis on significant incidents of violent attacks targeted at shops owned by foreigners in South Africa for the period 2006–2017. Using an event study approach with an augmented market model, we uncover evidence that the stock market perceives these events as bad news instead of good news for supermarkets having operations in South Africa and other parts of Africa, as they realise a decline in abnormal returns of about 2.57 percent. We interpret our findings as economic costs of xenophobic attacks emanating from the Johannesburg Stock Exchange. Our analysis attempts to shed light on the peace-building challenges and the potentially grim implications of xenophobia on economic activity in South Africa.