ECONOMY - GENERAL

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Upswing in economy predicted

D.D 27/12/77

JOHANNESBURG — Following three years of depressed growth, cyclical factors are now beginning to operate in the South African economy to bring about an upswing in economic activity.

This is the cheering message from Dr Johan Cloete, chief economist of Barclays National Bank, writing in the bank's monthly Business Brief.

"Consumption expenditure in real terms has not kept pace with the growth in population during the past two years. Personal savings have, on the other hand, increased substantially over the past year, so that it can be expected that consumers will soon now start to spend more, particularly on durable and semi-durable goods, purchases of which they have been postponing over the past year or so," writes Dr Cloete.

"Following two years of heavy de-stocking, inventories are probably also now at levels where some improvement in consumer demand should soon spark off a new re-stocking cycle."

Given a reasonable improvement in the "fragile" state of consumer confidence, he believes a cyclical upturn early in 1978 appears a reasonable probability.

The modest stimulatory measures already announced by the Minister of Finance are likely to be supplemented by a more expansionary Budget and a monetary policy, adding to consumer incomes and creating more employment.

But certain constraints on economic growth are likely to remain, however, Dr Cloete believes.

Given a likely continuation of political uncertainties in the year ahead, coupled with the continuation of inflation as well as unemployment at relatively high levels, consumer confidence is unlikely to be really robust. Thus, other than a moderate increase in consumer expenditure and thus also in stock-building cannot probably be expected, he says.

Dr Cloete lists three factors for the Government's that it can accelerate once again is still too great.

Although there should be another substantial surplus in the balance of payments next year, the current account of much of this is likely to be needed to meet the outflow on capital account and repayments of short- and long-term foreign debt.

Expenditure on defence, low-cost housing, black education and the development of blacks generally will place Government finances under pressure.

Dr Cloete feels that these factors need not be as aggravating as at first appears and he suggests that there is a chance of pushing up economic growth by 4 per cent next year, compared with an estimated 1,6 per cent in 1977 and 1,4 per cent in 1975.

"It must probably be accepted, however, that the South African authorities will hold a conservative view about the scope for stimulating and for raising the economic growth rate next year and that their main concern will continue to be the fear that other than a moderate improvement in economic growth in 1978 would merely aggravate these constraints and so endanger sustained moderate growth in the medium term," Dr Cloete concludes.

"The performance of the gold price in the year ahead will obviously also be of crucial importance not only in determining the scope for economic growth next next year but also the degree of expansion which the authorities will allow with regard to fiscal and monetary policy." — DDC.

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STEPHEN MULHOLLAND

A MUDDLED approach to economic issues by some well-meaning people is damaging the cause of those, the poor, whom liberals profess to champion.

It is a hard fact that in recent years investment in South African industry has become capital rather than labour intensive. Under pressure of demands to meet such minimums as the so-called Poverty Datum Line, managers have calculated that they would better serve their own employers, the shareholders, if they invested in machines rather than people.

Thus by dissuading business men from allowing the market to set the price of labour, some commentators have contributed to unemployment and hardship. The results of their actions have been to encourage capital intensity in a labour-intensive society.

Again, we find some people urging the Government to subsidise rail links serving black townships. The argument is that a Government which forces blacks to live in places such as Soweto, should pay for increased transport costs.

Should the Government agree, what will happen is that we, the taxpayers, will be subsidising and reinforcing the evil system of apartheid. The answer is not to make it easy for unhealthy government policy to function, and to be perpetuated, but to fight for the removal of restrictions on where people may live, whom they may marry and what jobs they may do. Let the market in people, affections and preferences determine such matters through free individual decisions.

Too many people are today propagating a sort of corporate socialism for South Africa. Company profits are looked at simplistically without regard to such basics as return on assets invested, the risks inherent in, for example, a commodity-based industry and the fact that taxes are paid by companies and further by individuals receiving dividends from profits.

Is it the role in a free society for people who invest in the shares of a sugar company to also bear the burden of education for the children of employees? There are other avenues for such worthy causes — but, to my mind, they don't belong on the stock exchange.

The problem lies in ignorance of and prejudice against free enterprise capitalism which some folk view not as a source of jobs, wealth and progress for society, but rather as the tool of profit-hungry exploiters of labour. Such prejudice often causes them to accuse others of imagined crimes — the use of child labour — of which they themselves are blatantly guilty.

To "protect" a labourer some people would make it impossible for a manufacturer to employ him because of some minimum wage laid down by a civil servant. Such a manufacturer would invest in machines rather than labour.

Is it really true that some believe that it is better that the labourer be unemployed and supported on welfare payments financed by those whose superior skills protect them from unemployment created by minimum wages? He is thus denied the dignity of work while the concept of a free ride at society's expense is inculcated in him.

Further, in the miraculous, but highly desirable, event that racial barriers were eliminated, the liberals would insist on even greater subsidies — which are paid for by increasing taxes, thereby reducing freedom and strengthening Government — on the grounds that the underprivileged must now be compensated for generations of maltreatment.

Freedom to compete, to live where one chooses, to associate with whom one will — these are more precious than any Government hand-outs. The millions upon millions of destitute immigrants who left Europe for the United States worked their way up to middle class security not through Government handouts but through initiative, hard work, determination and the willingness, exemplified in their very migration, to assume risk.

One wonders which poses the greater threat to our future: Nationalist policy or liberal economics.

DD. 20/12/77

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Bank chief: change or economy will suffer

JOHANNESBURG — The chairman of Barclays National Bank, Mr James Barry, warned yesterday that South Africa's economy could be permanently damaged unless the authorities actively promoted evolutionary socio-political change.

In his chairman's statement for the year ended September 30, Mr Barry said that although 1978 should from an economic point of view prove to be a slightly better year then 1977 "this prediction must be subject to developments outside South Africa where there is likely to be a continuance of the strong and adverse reaction to the Government's political philosophies and restrictive actions.

"The lack of overseas confidence in the future of our country is hampering the flow of investment funds to the Republic, and this will lower our growth rate at a time when economic growth is already being adversely affected by inflation which is continuing at a high level."

Mr Barry said that with its mineral wealth and other natural resources, South Africa was, subject to its social and political problems and its ability to attract fresh capital from overseas, well placed to benefit from any improvement in world trading conditions.

"The attraction of fresh capital from overseas to alleviate the Republic's capital account is dependent on overseas investors being satisfied that evolutionary change as distinct from revolutionary change will take place at a reasonable pace," he said.

Changes were taking place and the bank, together with the business community, was playing its part, particularly in seeking to remove discriminatory practices and to improve the living conditions of urban blacks.

"The effect of such changes has been diminished on the one hand because they are contrasted with developments in South West Africa where some of the discriminatory legislation has been set aside, and on the other hand because of widespread condemnation of security measures recently taken in the Republic."

The group's attributable earnings in the 1977 year were R33,7 million, an increase of R5 million after charging to profits a provision for doubtful debts R11 million greater than in 1976. Distribution was increased by 4c to 23c.

Mr Barry — the man in the middle of last week's controversy over the bank's decision to sell its R10 million defence bonds — said it was only by careful management of the bank's funds and its investments and by placing more emphasis on somewhat longer average terms for its loans and advances that it had been able to maintain an acceptable interest turn.

Welcoming the appointment of the commission of inquiry into the monetary system and monetary policy, he said the banking sector had felt for some time that the mechanism of bank credit and interest rate control should be reviewed.

"Variable liquid asset reserve requirements, which are an important part of the credit controls at present being applied, do not seem to operate effectively enough as a method of credit control," he said. — SAPA.

Fin Mail 9/12/77 49

Strategic stocks: a helping hand

Never in the 10 years since Pretoria started building up a nest egg of strategic goods has the country been as threatened by isolation from its trading partners as it is now.

It's not surprising therefore that moves are afoot to keep the business community better informed on government's strategic stockpile objectives — employer bodies have already been asked to nominate representatives for a consultative committee.

Nor should businessmen not previously involved wonder why several of them are receiving letters from Pretoria advising them to enlarge their holdings of certain materials, and outlining what government will do to help. "If any businessman reckons he handles a strategic product, it's worth his while to contact us," says a senior Department of Industries man.

According to budget estimates, the Department has set aside R10m in the current financial year (R6,4m in 1975/76 and R22m last year) for financial assistance under the National Supplies Procurement Act, which includes provisions for strategic stockpiling. Said the Minister of Finance's special adviser Dr Gerhard de Kock last week: "We may have to spend more on ... strategic stockpiling."

The Department of Industries stresses each case is dealt with on its merits and there is no fixed formula for assistance. "We try to come to an arrangement which suits both the businessman and the government," says the official.

Financial statements are examined, but there is no guarantee that the government will give any help at all, even if the firm itself is convinced the country can't survive without its products. One resins manufacturer, for instance, says Pretoria turned down his application without giving any reasons.

Besides oil, the products being stored with financial backing from government include chemicals, machine parts, aircraft spares and special steels.

Among the incentives offered to stockpilers:

- Low interest loans;
- Subsidy of interest on bank loans; and
- Exclusion of foreign-controlled companies' borrowings used to finance strategic stocks from the borrowing base determined by the Reserve Bank.

Government is obviously reluctant to give full details of its stockpiling programme, but it's clear Pretoria is taking no chances in ensuring that commerce and industry will have enough of the essentials to tide them over a sudden boycott until alternative supply sources can be found.

It's estimated that stashed away oil supplies alone are enough to provide for about 30 months consumption. And there is evidence that new oil storage facilities are being constructed.

Wage, price, import controls urged

RDM 8/12/77

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By CHRIS CAIRNCROSS

PHYSICAL controls on wages, prices and imports should be introduced for 12 to 18 months, says Professor J L Sadie, director of the Bureau for Economic Research of the University of Stellenbosch, in the bureau's economics report.

Professor Sadie says this suggestion does not reflect a lack of confidence in the traditional instruments to curb inflation or correct the balance of payments deficit.

However, in a qualification of this, he says: "If an authority is prepared to reduce money supply sufficiently he will succeed. But it will undoubtedly be a Pyrrhic victory."

Professor Sadie says one would not want to use means that would turn a lean economy into an emaciated, if not expiring, economy.

He favours the use of physical controls on wages, prices and imports for a while.

To achieve and maintain a desirable growth rate in South Africa a measure of import control, in whatever form or by whatever name, is necessary, even if it only enforces the observance of the competitive principle.

Another constraint on growth is the continuing price inflation which adds force to this constraint.

"Since prices rise, employers are raising wages and salaries, with or without pressure from trade unions, and since higher wages mean higher costs, prices have to be increased."

Every price increase becomes the cause of the next price rise, demand playing no place in the self-perpetuating spiral.

Professor Sadie says one way of dealing with the problem would be to outlaw the system of automatic escalation of wages in accordance with the change in the consumer price index.

But a general freezing of wages is not feasible unless it is accompanied by a restraint on prices.

"Restrained prices and wages being thus ensured, and with a brake on imports in operation, the Government can mount a fairly ambitious programme of stimulation, which should add handsomely to the gross domestic product in real terms and to the numbers in employment.

"It can include greatly increased expenditure on housing over and above the somewhat meagre R250-million, spread over two years or more, already announced, and expanded by any amount that can be pruned from the defence budget — in observance of the principle that the fifth column is always more dangerous than the enemy at the gates."

The future of SA's finances

FIN MAIL
9/12/77

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Joep de Loor took office as SA's new Secretary for Finance last week, only three weeks after returning from a two-year stint as the country's ambassador to the IMF.

He faces a tough job, as he acknowledged in a discussion with the *FM* this week.

FM: **In looking at the future state of SA's finances, perhaps the most important point is the possibility of foreign finance no longer being available in the same quantities as previously.**

De Loor: This has been thrashed out by people around here, but from my vantage point in Washington it became quite obvious that the banks are regarding SA as a higher risk than in the past. For economic as well as political reasons, they are getting close to their ceilings as far as lending to Southern Africa is concerned.

It suits them at present because they have other opportunities which seem less risky.

But financially speaking, you will find that one banker after another will tell you that SA is one of the most profitable investment areas. They make a lot of money here, and I am very sorry that for one reason or another they have decided to become more cautious in their attitude towards SA.

So would you attribute the recent West German decision to limit export credit guarantees to SA to the fact that SA is now considered to be a greater risk — in other words that there are no political motivations?

I wouldn't say that there are *no* political motivations. It's how they look at Southern Africa in toto. The Germans have probably taken the view that economically speaking — and economically you look at the political risk too — they wish to keep a tighter rein on export credits in SA.

How will a lack of foreign funds affect SA's finances?

The present situation differs from previous downturns. Previously, we have enjoyed capital account inflows and increasing reserves during slow phases of growth, and this has provided a basis for economic recovery. We now have capital outflows instead. This means that we will have to watch our balance of payments very closely over the next year or so.

How do you see the prospects for the balance of trade over the next 12 to 18 months?

As the economy pulls out of the recession, the rate of increase in exports will tend to slow down while imports will tend to increase. Imports have probably reached a low, and with economic recovery and the building up of inventories, we can expect imports to increase over the next year. In the past we have been able to finance a substantial deficit on the current account as the economy revives, but if present capital account trends continue this may not be possible.

Is government planning to introduce further measures to stimulate exports?

We have been looking into this for some time. We particularly want to provide incentives to those firms that would not otherwise export — we don't want to offer incentives to firms that would be exporting in any case. I think a new and improved basis for incentives will result from a investigation into the whole incentive scheme which has just been completed.

You have also expressed the desire to adhere to the spirit of Gatt. But might it not be necessary at some stage to apply import controls?

We have always supported the spirit of Gatt, and I hope we will be able to do so in the future. But even the US has had to implement 'voluntary controls' on imports.

You've been quoted as saying that exchange control is to be tightened up. How?

We are not planning to introduce any new regulations. We intend to apply the existing regulations more carefully.

One of the chief ways of taking money out of the country illegally is via invoicing. Are there any plans to tighten up on this practice?

It's very difficult to monitor this type of transaction, and it is definitely an important loophole. The relevant authorities have been investigating ways of checking up on these, and other undesirable practices, and we hope to be able to tackle this problem — and related problems — more effectively early in the new year.

It has been recently suggested that the economy could be stimulated by removing the restrictions on the ability of foreign firms to borrow locally. What is your view?

Foreign-owned firms are in a favourable position already. Not only can they tap foreign markets — they can also borrow in SA markets. This gives them an advantage over local firms which do not have such ready access to both foreign and local finance. In any case, it does not seem likely that this would stimulate the economy. If firms want to expand in SA it will be the prospect of higher profits, not the availability of finance, that will determine their choice.

What is the outlook for gold?

I'm optimistic in the medium- to long-term. I think that it's most probable that there will be an increase in the price, if you look at the tremendous burden of dollars and other funds in the hands of the Opec countries, and the limited number of relatively safe investment opportunities. They have bought real estate in Europe and the US, they've bought banks, they've invested in stocks and bonds, and they are earning a tremendous surplus on their balances of payments of the order of \$35 000m to \$40 000m a year. What will they do with these funds? Obviously they will try to invest them in the most 'risk-spreading' way possible. And one of the items that will be considered is gold. From an international point of view I have no doubt that gold will increase in price. Of course, every dollar that gold gains in price gives us about \$20m in foreign exchange on an annual basis. So we are fortunate in that we are exporting a product which we believe will do just as well, if not better, than most other commodities.

Does the US see SA's other strategic exports as being necessary to it, or can it find alternative suppliers?

The Americans have a very peculiar reasoning in that regard. They don't see the supplies as really strategic. They feel that even if the supply line is temporarily interrupted it will not be the end of the world. They believe they will be able to get what they need in the end. So they are not very worried. They are now playing down this strategic importance and I think they are making a very big mistake. By the time they find it out it will be too late.

Do you believe that the market mechanism should be used as fully as possible?

I have always been a proponent of the market mechanism because I think it is the only mechanism that really gives you the best allocation of your resources.

At the same time I think I should immediately qualify this by saying that the conditions for a full free enterprise system do not exist in SA. Not only do we still have a dual type of economy, but we are relatively small with a limited market domestically and for a country such as SA to really go to a fully free enterprise, free market economy could cause much more harm than good because of the possibility of monopolistic juggling of your markets.

Therefore you have to impose certain limitations on a free market to ensure that whatever remains of the free market mechanism operates as effectively as possible. Superimposed on that you have certain other limitations imposed by the government of the day which also have to be reckoned with.

But if you look at measures like price control, I think the government itself would like to get rid of this system if possible. The problem is to get rid of it in a way that will do the least harm to the economy. Now if you are on a footing such as we are today, where a very large percentage of our budget is devoted to defence expenditure, obviously you have less leeway to allow the private sector to really run freely.

I think all these examples of interference and government control are measures which at that time have been necessary, but perhaps we should look at them one after the other to see whether they are still serving the purpose for which they were introduced.

Does this mean that we might expect to find more commissions of inquiry similar to the De Kock Commission?

I wouldn't say necessarily that you need a full commission to look into all these aspects, but I think we should, in taking our decisions from day to day, keep this very much in mind. For example, if a proposal for a new control measure is made, we should carefully consider if it fits in with the free market mechanism, and if not, whether it is really necessary to make another exception. By setting up a whole new control mechanism to try to eliminate a small deviation you are really running the risk of throwing out the baby with the bath water. This is basically my philosophy. The question is, how to apply this philosophy in terms of the practical realities. I think it has been the philosophy of my predecessor as much as it is mine.

Ekonomie

Ons sê . . .

ONS is nie baie bekommerd oor die effense moegheid wat daar nou weer in die ekonomie is nie. Dalk was die optimisme van 'n maand of twee gelede in elk geval 'n bietjie oordrewe.

Daar is nog steeds buitelandse druk op ons, en noudat dit nie meer so goed gaan met die vraag na sommige van ons uitvoergoedere nie, kan 'n te vinnige herstel in die binnelandse ekonomie ook daardie mooi wins wat óns nou in ons handel met die res van die wêreld toon, te vinnig opvreet.

Laat ons wat dit aanbetref, maar liewer veilig speel. Dit sal darem lekker wees as ons weer eendag in 'n posisie is soos dié van Japan en Duitsland, wat nou verskeie maatreëls moet tref om invoer aan te moedig en uitvoer te ontmoedig.

Oor die moontlikheid van 'n swak Kersseisoen en veral die invloed op handelaars, voel ons jammer. Winkeliers kry swaar en hulle kan doen met 'n bietjie beweegruimte.

Maar aan die ander kant sal 'n verstandige Kersseisoen 'n duidelike bewys wees dat die publiek van Suid-Afrika die erns van die land se ekonomiese probleme besef, en dit sal getuig van 'n verantwoordelikheid wat vir elke land 'n groot bate is.

Sake-Rapport 4/12/79

Optimisme verdwyn

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Deur VIC DE KLERK

DIE besonder lae en trae omset die laaste maande op die Johannesburgse Effektebeurs bevestig Standard Bank se mening dat daar weer 'n gevoel van moegheid in die ekonomie ingesluip het ná die skielike optimisme in September en Oktober.

Dit kan ook voorspel dat die Kerstyd vanjaar net soos verlede jaar maar taamlik stil gaan wees. Dit kan veral handelaars en selfs die groter kettingswinkels, wat al juis nie 'n te lekker jaar gehad het nie, se winste verder onder druk plaas.

Standard Bank sê dat daar in die middel van die jaar 'n merkbare verbetering in sentiment was, veral in die verbruikerssektor. Dit het verwagtinge geskep van 'n betekenisvolle verbetering in die ekonomie.

Dit is verder aangehelp deur die verbetering in die goudprys en die baie goeie vertoning van die primêre sektor (sien berig hieronder) en die styging in voorraadvlakke.

Nou lyk dit nie meer so goed nie en tesame met die verswakking in die vooruitsigte vir die primêre sektor, is die vervaardigingsproduksie volgens die bank nou weer besig om in 'n vinniger tempo te daal.

Optimisme

Hierdie skielike verswakking in ekonomiese vooruitsigte, of, anders gestel, die verdwyning van die optimisme, kan ook in die omset op die Beurs gesien word.

Volgens die Beurs se kwartaallikse statistiese nuusbrief het sy indeks vir omset in September vanjaar gestyg tot 220 — die hoogste maandelikse vlak die afgelope 26 maande. In die begin van Oktober was die omset nog taamlik, maar dit het die laaste paar weke van November tot 'n vlak van minder as R3 miljoen per dag gedaal.

In terme van omset sal November vanjaar seker een van die swakste Novembermaande in baie jare wees omdat die beurs dié tyd van die jaar altyd geneig is om taamlik goed te vertoon.

Onrusbarend

Dit is onrusbarend dat hierdie lae omset saamgeval het met sulke gunstige faktore soos 'n baie bevredigende goudprys van ongeveer 160 dollar per ons, *volop beleggingsgeld en 'n* daling in veral langtermynrentékoerse, plus voorspellings dat die laagtepunt in die ekonomie reeds verby is, en 'n matige stimuleerbeleid deur die owerheid.

Daar bestaan geen wetenskaplike rede waarom die Beursomset enige uitwerking op die gewone klein handelsomset moet hê nie, maar dit is nou maar net so dat 'n goeie vertoning van die Beurs in November en Desember in die verlede ook saamgeval het met 'n goeie Kerstydafset deur die kleinhandel.

As die Kerstyd nie aan die verwagtinge voldoen nie, kan daar vroeg aanstaande jaar weer 'n afbouing van voorrade wees. Dit kan die huidige moegheid in die ekonomie verder aanhelp.

Dit is duidelik dat die wegspring van ons ekonomie nog baie swaar sal moet steun op die goudprys, wie se vertoning weer baie nou gekoppel is aan dié van die dollar.

Die vooruitsigte vir 'n swak dollar en daarom 'n beter goudprys, bly egter goed. Maar dit kan op sy beurt weer aanleiding gee tot 'n verhoging in die prys van olie. Die totale negatiewe uitwerking hiervan kan die voordeel van *hoër goudprys uitwis.*

Primêre sektor se blus uit

Dake-Rapport 4/12/77 (49)

DIE primêre sektor van die Suid-Afrikaanse ekonomie, die landbou en die mynbou, het vir die twaalf maande tot 30 Junie vanjaar die belangrikste bydrae gelewer tot die totale reële ekonomiese groei van net meer as 1 persent wat die land gehad het.

Hierdie twee bedrywe is egter nou besig om onder kwaai druk te kom en dit is selfs twyfelagtig of hulle aanstaande jaar dieselfde bydrae tot die ekonomie sal kan lewer as die afgelope jaar. Dit voorspel dus dat die belangrikste groeifaktor in die ekonomie van die afgelope jaar nie aanstaande jaar weer aanwesig sal wees nie.

Hoe belangrik hierdie twee bedrywe vir ekonomiese groei was, blyk uit die September-kwartaalblad van die Reserwebank. Saam met landbou was die reële ekonomiese groei in die tweede kwartaal vanjaar meer as 12 persent.

Sonder die landbou, maar met die mynbou nog ingesluit, was die groei ongeveer 2,5 persent. Met uitsluiting van albei hierdie bedrywe, het die land 'n negatiewe reële ekonomiese groeikoers gehad.

Volgens die jongste jaarverslae van mynmaatskappye, goud uitgesluit, is die vooruitsigte vir dié sektor nog steeds besig om te verswak. Die uitwerking daarvan op die ekonomie kan veral tweërlei wees.

Die kapitaaluitbreidings wat by hierdie myne gedoen word, behoort te begin daal nadat dit in 1975, 1976 en die eerste helfte van 1977 besonder hoog was. Die totale kapitaalinvestering van die mynbou was byvoorbeeld R872 miljoen in 1976 teenoor R684 miljoen in 1975. Maar dit het reeds van die tweede kwartaal vanjaar af begin afplat.

Sement

Hierdie daling beteken dat daar nog minder werk is vir die konstruksiesektor en voorsieners van konstruksie materiaal. In hierdie verband is dit interessant om te let op die sementvervaardigers se verklaring dat die binnelandse verbruik van sement vir die twaalf maande tot 30 Junie met 10 persent gedaal het en dat hulle 'n soortgelyke daling vir die volgende twaalf maande voorspel.

Behalwe die regstreekse uitwerking van laer investering deur die mynboubedryf, is daar ook nog die uitwerking van 'n terugsny in produksie. Die laer verwagte produksie van platina en moontlik ook koper, lewer 'n regstreekse bydrae tot 'n laer ekonomiese groeikoers.

Ook die steenkoolmyne voel nie meer te gelukkig oor wat om hulle aangaan nie. Volgens die jongste voorsittersverslae van T. C. Lands en Welgedacht, om maar net twee te noem, was die binnelandse verbruik van steenkool die afgelope winter aan die lae kant, terwyl daar nou ook druk op die uitvoer is.

Uitstel

Dit is veral die staal- en aluminiumsmelters wat op die oomblik met so 'n swak vraag na hul produkte sit dat die verwagting is dat steenkooluitvoer deur Richardsbaai dalk oor die volgende twaalf maande 'n

● Vervolg op bl. 3 kol. 9

Primêre

● Vervolg van bl. 1

klein daling kan toon.

Die steenkoolmyne wys verder daarop dat die beloofde binnelandse prysverhoging van Junie vanjaar eers uitgestel is tot September en daarna Januarie aanstaande jaar. Enige verdere vertragings in hierdie prysverhoging of verswakking in die uitvoermark kan 'n uitstel van die baie groot beplande uitbreidings van meer as R1 500 miljoen in hierdie sektor veroorsaak.

In die Oktober-uitgawe van Citibank se ekonomiese nuusbrief word daarop gewys dat rekord-oeste in die wêreld en 'n trae nywerheidsvraag, die pryse van basiese kommoditeite skerp afgedruk het en dit laag kan bly totdat oorskotvoorrade afgewerk is.

Om hierdie rede is Citibank maar taamlik negatief oor prysvooruitsigte vir landbougoedere.

Hy wys daarop dat die wêreld se koringvoorraad op 1 Julie vanjaar ongeveer 100 miljoen ton was. Dit is 50 persent meer as 'n jaar gelede.

Die huidige skatting van die wêreldproduksie vir koring vir 1977 is 1 087 miljoen ton — slegs 1,5 persent laer as verlede jaar se rekord-oes. Hierdie klein daling is nie voldoende om die bestaande voorrade te verminder nie. Daar kan selfs nog meer toegevoeg word.

Die vooruitsigte vir 'n verbetering in die prys van graanprodukte is dus skraal en in Suid-Afrika kan nou al reeds aanvaar word dat vanjaar se graanoes kwalik beter kan wees as die baie goeie oes wat vir die afgelope seisoen behaal is.

(49)

Economist warns of devaluation danger

PRETORIA — South Africa could not afford a further weakening of the rand's buying power. If the underpinning of the dollar by the US did not have the desired effects, a devaluation could follow which would force a similar devaluation of the rand on to South Africa, according to economist, Dr M. D. Marais.

The efforts of the US Treasury and Federal Reserve Board to stem the slide of the dollar could well have the opposite effect. Instead of fostering confidence in the currency it could increase distrust and the flight away from the dollar.

It was obvious that the position of the dollar in international currency markets had reached a turning point. A further slide would certainly mean a devaluation.

The mere fact that the US has decided to try and stem the slide of the dollar reflected the serious imbalance in the country's economic situation, its imports and balance of payments position, Dr Marais said.

To underpin an international currency like the dollar could easily have the opposite effect if the basic problems which caused the slide were not solved. The underpinning only underlined the extent of the problems but did nothing to solve it.

The US standard of living, its wage and cost structure were too high and weakened its international competitive powers. The country should drastically cut its imports — particularly oil — if it were to solve its balance of payments problem and strengthen the dollar.

A devaluation of the dollar would have a bad effect on Europe and Japan. In Europe the growth rate would not be much higher than 2,5 per cent this year — indicating another downswing in the economy — unemployment was increasing and investment stagnating.

The position of the dollar was increasingly becoming a worry to South Africa. If the underpinning did not stem the slide and the dollar had to devalue, South Africa's monetary authorities would have to act fast and drastically: either also devalue or sever the rand's bonds with the dollar, Dr Marais said. — SAPA

(49) Sake-Rapport 29/1/78

MIN. HORWOOD SE TAMELETJIE

SEN. OWEN HORWOOD, Minister van Finansies, sit in die Parlementsitting wat Vrydag begin het, tot groot hoogte met dieselfde Begrotingsprobleem as verlede jaar. Weer eens is dit broodnodig dat die ekonomie ten minste matig gestimuleer word om veral die werkloosheidsprobleem te verlig. Maar aan die ander kant is nog te veel faktore wat sodanige stimulering beperk.

Ekonome is dit eens dat daar vanjaar geen verdere verhogings in persoonlike en maatskappybelasting sal wees nie, aangesien dit net 'n opswaai in die ekonomie sal kortwiek. Na verwagting sal staatsbesteding vanjaar met ongeveer 10 tot 12 persent verhoog word, afhangende van die inflasiekoers.

Dit behoort 'n matige stimulering van die ekonomie in die hand te werk. Die verhoogde inkomste om vir hierdie uitgawes te vergoed, sal moontlik van die omsetbelasting wat later vanjaar ingestel word, afkomstig wees.

Die adjunk-direkteur van die Buro vir Ekonomiese Ondersoek van die Universiteit van Stellenbosch, mnr. A. J. M. de Vries, sê die ekonomie toon nou reeds vir die afgelope drie en half jaar 'n daling. En weens die werkloosheidsprobleem sal min. Horwood verplig wees om vir 'n geringe stimulasie van die ekonomie te begroot.

Handelsbalans

Een van die grootste beperkende faktore bly steeds ons betalingsbalans. Mnr. De Vries sê die kapitaalrekening is steeds besig om te verswak, wat gevolglik die onus op die lopende rekening plaas om die betalingsbalans in orde te hou.

Hy is van mening dat Suid-Afrika vanjaar 'n afplatting in sy uitvoer (uitgesonderd goud) sal toon, terwyl invoer nie veel sal verander nie. Gevolglik kan daar geen verbetering in die handelsbalans van goedere en dienste verwag word nie.

Mnr. De Vries wys ook daarop dat uitvoer normaalweg jou invoer verbreed. 'n Afplatting in die groeikoers van uitvoer kan ook tot laer invoer lei, maar 'n stimulasie van die ekonomie kan moontlik weer tot groter invoer lei.

Mnr. De Vries is ook van mening dat verdedigingsuitgawes ondanks die wapenboikotte teen Suid-Afrika vanjaar verder sal toeneem.

Stimuleer

Hy verwag dat die tekort tussen die staat se inkomste en besteding vanjaar verder sal styg. Dit sal egter nie vir die Regering moeilik wees om die tekort van die kapitaalmark te verkry nie, aangesien die vraag na kapitaal van die private sektor vanjaar nog relatief laag sal bly.

Dr. Johan Cloete, hoofekonoom van Barclays Bank, sê hy verwag dat verdedigingsuitgawes en die owerheid se besteding as 'n geheel vanjaar sal styg as 'n maatreël om die ekonomie matig te stimuleer. Na verwagting sal die bykomstige inkomste om hierdie styging in besteding te finansier, van die voorgestelde omsetbelasting later vanjaar afkomstig wees.

Hy is ook van mening dat indien die huidige rentekoerse gehandhaaf word, die staat nie baie probleme sal hê om geld op die kapitaalmark te verkry nie.

Hy voel ook dat die groeikoers vir uitvoer vanjaar gaan afplat. Hy meen egter nie dat 'n matige stimulering enige invloed op invoer sal hê nie. Hy wys daarop dat fabrieke op die oomblik met nog aansienlike ledige produksievermoeë opgeskeep sit.

Aangesien kapitaalgoedere die grootste gedeelte van ons invoer uitmaak, sal die binnelandse ekonomie aansienlik moet verbeter voordat invoer skerp sal styg.

Hy sê indien ons met invoervervanging wil voortgaan, sal die Regering noodwendig mense moet dwing om minder in te voer.

Volkskas se ekonoom, mnr. At Engelbrecht, sê die komende Begroting sal beslis nie uitbreidend van aard wees nie, aangesien ons betalingsbalans ons eenvoudig nie toelaat om die ekonomie te veel te stimuleer nie.

Om die werkloosheidsprobleem die hoof te bied, sal daar egter 'n mate van stimulasie moet plaasvind.

Mnr. Engelbrecht verwag ook dat belasting nie vanjaar verder verhoog sal word nie, aangesien dit net uitbreiding in die wiele kan ry. Maar hy verwag ook geen belastingtoegewings nie.

RAPPORT, 29 Januarie 1978

'n nóú r

49

Later kan té laat wees

Deur DAVID MEADES

DIE Regering moet nou dringend aandag skenk aan die volgende fase van die land se nywerheidsontwikkeling. In hierdie stadium dui die ekonomiese aanwysers op 'n baie moeilike jaar en sake kan aanstaande jaar verder verswak.

Dit sal te laat wees om aan die einde van hierdie jaar skielik te wil begin rondskarrel en planne maak, sê dr. Piet Kieser, hoofbestuurder van Safto.

Dit lyk nou ook of die buiteland weer op 'n resessie afstuur — een wat hierdie keer dalk dieper kan wees. Daar is reeds aanduidinge dat Suid-Afrika vanjaar nie weer so goed met sy primêre uitvoerprodukte as verlede jaar sal kan doen nie.

In hierdie siening staan dr. Kieser nie alleen nie. Daar is al hoe meer ekonome wat begin kommer uitspreek oor die verloop van die ekonomie vanjaar.

Die goudprys is op die oomblik sterk aan die styg. As die huidige prys oor die res van die jaar gehandhaaf word, sal dit klaar vir die land 'n ekstra R400 miljoen beteken, wat ons verdienste uit goud tot meer as R3 200 miljoen sal opstoot.

Al hoe meer internasionale kenners begin die mening uitspreek dat die goudprys vanjaar baie sterk sal wees en daar word gesê dat 200 dollar per ons vanjaar bereik sal word.

Uitvoer

Dit sal sake vir die land baie makliker maak. Maar die groot probleem is dat goud so spekulatief geword het dat daar vir beleidsdoeleindes nie te veel peil daarop getrek kan word nie, sê 'n man soos mnr. Attie de Vries, hoofekonoom van die Buro vir Ekonomiese Ondersoek van die Universiteit van Stellenbosch.

Die land gaan, wat sy uitvoer van primêre produkte betref, vanjaar nie naastenby so 'n goeie jaar soos verlede jaar hê nie.

In waarde het ons uitvoer hier van 1975 tot 1977 met meer as 69 persent gegroei. Die pryseffek van 1976 weens die devaluasie van die rand het baie daartoe bygedra, terwyl ons groot uitvoerhawens, Saldanha en Richardsbaai, op dreef gekom het.

Die land kan verwag dat hierdie uitvoer vanjaar weer sal toeneem, maar die groeikoers sal nie naastenby so sterk as verlede jaar wees nie. Ons handelsuitvoer kan vanjaar 'n daling toon, terwyl dit ook reeds duidelik begin word dat die landbou nie vanjaar weer dieselfde uitvoerpoging as verlede jaar sal kan herhaal nie.

Die druk op die betalingsbalans sal dus baie sterk word, en dit sal ongetwyfeld implikasies vir ons beleid oor invoer hê.

Daar is ook sprake dat daar op baie hoë vlak besluit is dat daar tot elke prys daarteen gewaak sal word dat die land veral met die oog op sy huidige posisie in 'n vyandiggesinde wêreld nie weer in sulke groot betalingsbalansprobleme beland nie.

Dit sal tot gevolg hê dat daar vir ekonomiese beleiddoeleindes 'n baie konserwatiewe siening oor die potensiale verdienste van goud ingeneem sal word, wat dan 'n streng monetêre en fiskale beleid veronderstel.

Alles sal in die stryd gewerp word om weer 'n oorskot op die lopende rekening te hê om die tekortkening op die kapitaalrekening mee te voed.

Baie gaan ook van die welslae van die huidige invoervervangingsplan van die private sektor afhang, terwyl die wapenboikot teen die land aan die ander kant die nuwe effek kan hê dat 'n baie groter deel van die uitgawes op verdediging in die land bestee sal word.

Mnr. George Huysamer, bekende makelaar in Johannesburg, meen ook dat sake vanjaar nie so rooskleurig lyk nie. Hy verwag 'n geringe verbetering, maar meen dat die algemene verwagtinge van 'n groeikoers van 3 persent vanjaar baie optimisties is.

Hy grond hierdie mening op die feit dat ons uitvoer van staal en ystererts nie vanjaar in dieselfde tempo as verlede jaar sal kan toeneem nie. En wat die invoer betref, sal 'n verdere afbou van voorraad nie vanjaar baie kan help nie. Hy meen tewens dat ons invoer reeds sy laag tepunt bereik het.

• Lees ook op bl. 3 oor ons vooruitsigte vir minerale.

29/1/78 (49) S. Trib. Bus.

The calm before the storm

PRICE increases in respect of many basic commodities are now coming through the pipeline. Seen in this light, the recently announced mild increase in the consumer price index for December can be regarded as the calm before the storm.

The last month of 1977 produced the smallest monthly increase since November of 1976 — a mere 5,4 percent at an annual rate. This represented a drop of 0,6 percent compared with the increase for November, 1977. This is unusual since a small acceleration in the rate of inflation is normal in December — coinciding with the holiday period.

However the food — only index did reflect this anticipated seasonality. The inflation in the index rose from a 7,9 percent increase in November to a 9 percent increase in December — again expressed at annual rates.

This was not, however, enough to achieve an increase in the all-items inflation rate, which would ordinarily be taken as a positive sign that the December figures represent an easing of inflationary pressure. The fact that this is a further extension of a declining trend that dates back to August would seem to reinforce this view.

But the consuming public must not count on this healthy trend continuing. The inflation rate always declines in the summer months.

Already this month the hard-pressed shopper has been hit by bread, sugar and softdrink price increases. Most users of public transport will have experienced recent fare increases and motor-car prices are also set to go up.

But becuase these price increases have, in the main, only become operative in the new year, they have not yet been reflected in the consumer price index. In many localities the householder also faces substantial increases in electricity tariffs and some of the consequences of the poor start to the agricultural season are reflected in increased meat and poultry prices.

In the longer term the recent hikes in steel and fertiliser prices will have an impact on the prices of day-to-day purchases. Those are basic inputs of almost all food processing industries and the steel price rise will raise the cost of a whole range of household goods.

Sugar, the price of which has recently been raised by 34 percent is also a basic ingredient of many processed foods and drinks. The impact of the sugar price increase will not be limited to the basic product itself. During the next few months the price of confectionery, cakes, canned fruit and sweetened dairy products must rise.

Looking a little further ahead, price rises are anticipated in respect of milk and coal — both basic commodities for many low income urban families. The coal price will also filter through to Escom, and, despite the declaration that there will be no further electricity tariff increases this year, it is questionable whether the public corporation will be able to stave off a further increase for a full 12 months.

This tendency might be reinforced if a fall in demand due to the recent tariff hikes leads to reduced revenues.

Price increases hit he man in the street hard and no-one is more hard hit than individuals who are living on fixed incomes. But inflation also harbours problems for the general well-being of the economy.

The linking of the rand to the rapidly depreciating dollar has, admittedly, helped to off-set the widening differential between domestic and world inflation. But the squeeze is a real one

EXPRESSCOPE ● CUT-PRICE CLOTHES

(49)

All dressed up — the bill for your suits

By DESMOND BLOW
Chief Reporter

CLOTHING stores in Johannesburg are making 200% and more profit on the goods they sell — and, as a result, a ordinary men's suit for which they pay R45 costs YOU R139,99.

This staggering profit margin was revealed to the Sunday Express this week by Mr Hilton Kupritz, general manager and buyer of a clothing-discount store, Round About Town.

Mr Hilton played to the Sunday Express tapes of conversations he had had with suppliers.

They reveal the obstacles that some suppliers put in the way of businessmen who want to sell clothes at discount prices — like R59,99 for a suit instead of R139,99.

The transcripts, Mr Kupritz says, show how difficult it is for him to obtain supplies.

Manufacturers, he says, are simply refusing to supply price-cut outlets — and they offer many excuses.

Mr Kupritz says manufacturers are breaking the Retail Price Maintenance ban by refusing to supply discount stores with labelled goods, issuing instead unlabelled merchandise.

"Those who supply us with labelled goods are refusing to allow us to advertise them at our prices."

Mr Kupritz has consulted his attorneys and is considering lodging a complaint with the Price Controller.

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Retaliatory action has been taken against some suppliers by manufacturers.

Alexander Clothing, for example, has been stripped of its South African franchise for Christian Dior suits — for supplying discount stores selling them below the recommended selling price.

A spokesman for Alexander Clothing, Mr Myron Katz, said rival manufacturers had lodged a complaint in France.

A letter cancelling his franchise included photostat copies of discount store advertisements.

Mr Katz said claims by manufacturers that their orders were fully booked and could therefore not supply Mr Kupritz, were untrue.

Meanwhile, Alexander Clothing has accepted a R46 000 order for Chritian Dior suits, and if the order is not honoured, the company intended taking legal action.

He said many manufacturers and retail shops gave the impression that certain suits were imported and as a result sold at extremely high price

Mr Kupritz said he his company did a turnover of about R200 000 a month.

"We work on a fair profit margin and are still making between R20 000 and R40 000 a month.

"Our prices would even be lower, but we are often forced to buy through other retailers as many manufacturers will not supply us with labelled goods.

"Four well-known retailers place large orders on my behalf without the knowledge of the manufacturer. I pay them 10% more than the cost, and I pay them cash, whereas they get at least 90 days credit from the manufacturers.

"This of course puts up our prices, but we still sell by as much as 50% and more below the normal selling prices."

Mr Kupritz claims that efforts to discount clothing for Africans has also met with resistance.

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"Manufacturers claim that Round About Town's image is bad for their clothing, but what about the African trade?" Certain lines are popular with Africans. They buy by the label, not because of a shop's image. They would seize the chance to pay nearly 50% less for clothing from us than from a fancy shop elsewhere in town." Manufacturers were prepared to give him stocks for the African trade, but [illegible] labels it. Let me come in, let me discount a bit. What other labels have you got?"

Manager "We've got . . . as well."

Mr Kupritz: "If I use my own label, Can you supply?"

Manager: "Your own label? Pleasure."

Mr Kupritz: "And price? The same?"

Manager: "We will fix it up for you. There I can do you a deal."

The manager said he was only the sales manager when I asked him for his comment, and that he had nothing to say, adding: "We choose our customers, but we don't demand that they sell at our suggested prices."

In a telephone call to a director of the company, Mr Kupritz said he intended to open up a "normal" shop to sell at normal prices, and wanted to know if he could be supplied with goods.

The director told him he was fully committed to June.

Mr Kupritz: "I'm only [illegible] the point of selling to you without a label?"

My merchandise is in a price field from R8 to R12-R14. I'm not your kind of merchandise."

Mr Kupritz: "I'm buying that. I'm prepared to pay R8 but if I pay R8 I want to sell the shirt at R12,99. What do the rest of town sell a shirt like that for?"

" On my stuff today they take 100%."

Mr Kupritz: "I want to work on 50%."

Director "And some of them take more. I have a suggested selling price and places sell what they want to. Some places take 150% markup. If they can get it, that's their pleasure."

Mr Kupritz: "All I'm trying to do is get the same merchandise, but I can't get the merchandise."

Director: "If you ask me what's wrong with your shop for my goods, I will tell you: your image is wrong 'cause you're a discount house."

Mr Kupritz: "Can you give me some shirts with the labels and some with my own labels and I will discount the ones with my own labels?"

Director: "I will have to come past and speak to you."

The director told me:"We did not refuse to supply Mr Kupritz. We are not prejudiced against discount houses.

"I think Mr Kupritz was trying to set me up. He hadn't ever seen my merchandise.

□ □ □

"We supply certain people. We are not compelled to supply new customers. I told him I would see him.

"We observe the price laws. Sure some shops mark up as high as 400%, but what about s cost?" sales, when shops often sell below This time Mr Kupritz speaks to the director of a clothing manufacture)

Mr Kupritz: "I need ... "

Director: "Hil[illegible]

● Mr Hilton Kupritz . . . "manufacturers are refusing to give me supplies".

ANOTHER EXPRESS EXCLUSIVE

Telephone calls taped in war of men's shops

"But although the clothing is the same as the labelled goods, Africans will not buy them," he said.

Last week Mr Kupritz taped telephone conversations he had with manufacturers, which he claimed proved they would not supply his company under normal conditions.

Some of the transcripts:

Mr Kupritz: "I want to go into the discounting of the African now, I am discounting European lines at the moment.

Manager: "Well with . . . I could never do anything like that."

Mr Kupritz: "Why not?"

Manager: "No, no."

Mr Kupritz: "That's the biggest drawcard I've got."

Manager: "(Laugh), I would never do it. No ways."

Mr Kupritz: "Why what does a . . . slack cost?"

Manager: "They cost around about R15."

Mr Kupritz: "I want to sell them at R19,99. Good enough?"

Manager: "(Laugh), I don't know, it's very difficult."

Mr Kupritz: "But why is that?"

Manager: "Well you know, I have never put it into any shop that is doing anything like that. The boys are all sitting at 100% markups and all this type of nonsense."

Mr Kupritz: "Well this is got nothing, I am absolutely out."

Mr Kupritz: "To book, not for now."

Director: "I haven't got production until about June/July."

Mr Kupritz: "That's when I need it for June/July."

Director: "Hilton, you know I'm going to have a lot of trouble with Durban if I've... The only way I can do it is like last time ... ex-depot."

Mr Katz: "Let me see what I can do, and I will come back to you." Mr Kupritz: "I am opening up another shop in town, which is not a discount house. I am not going to feed Round About Town, I'm going to use it for the other shop.

Director: "Well look the point is this, first of all you've got to give us credibility, you've got to tell us how you're going to pay us.

Mr Kupritz: "Everything cash."

Director: "Everything cash? What are you going to call yourself."

The director wanted to know where he was going to open.

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When Mr Kupritz told him, the director replied: "But only discount will get you going there."

Mr Kupritz: I'll do normal trade there."

Director: "But how can you do normal trade there Hilton? Come on man, Hilton."

Mr Kupritz: "I'll give you an undertaking, I'm not going to discount the line."

Director: "How are you going to break yourself into two legs? You are operating your other business discount."

Mr Kupritz: "I'm putting Harold into the one shop and I will run the discount house and I will not transfer goods from the one shop to the other . . .

"If I buy your shirt with my own label?"

Director: "Either I sell it to you with a label or what is

1977

Course of Study : B.A.

Year of Study : 2

Candidate		
Roux, R. Miss	76	SAI(2-);ArchI(2-);EI(3nx);PolSc...
Rudolph,M.	76	
Russell, M.Y. Miss	76	
Russell, P. Miss	76	
Russwurm,M.H. Miss	76	
Ruth, D.W.	76	
Sakinofsky, Z.M. Miss	76	
Sarembock, M.A. Mrs.	74	
Saunders, B.W.	76	
Sawkins, L.M. Miss	76	
Scallan, J.A. Miss	77	
Schmaman, B.N. Miss	76	
Scholtz, W.M.	74	
Schomer, H.H.	77	
Schreiner, J.A. Miss	77	
Schrire, C.L. Mrs.	77	EI(...);[illegible];LLI(2+*)
Schroeter, V.E. Miss	76	GI(EX)II(2-);PsI(2-);G&RLP(2-);A&NI(1*);GIII(2-*);PsIIA(2-*)

A ROUGH RIDE AHEAD

1978 may be even tougher than last year, warn economists

S. Tribunes Bus. 30/1/78 (49)

Special Survey by ESMOND FRANK

HOPES FOR the long-awaited economic revival this year rapidly faded this week in the face of a new round of hefty price increases which will probably further stiffen consumer resistance.

Business conditions this year, warn economists, may even be tougher than they were in 1977 since plummeting demand for products and services will, if not arrested, lead to more corporate casualties and longer unemployment queues.

This situation is also likely to be aggravated by the inflation spiral, which stubbornly persists in defying gravity, and further evaporation of the inflow of foreign capital as political screws overseas are tightened.

Although most sectors of commerce and industry will continue to squirm under the pinch, the building, construction, property, motor, domestic appliance, food, confectionery and clothing industries appear to be in for a particularly rough ride despite optimistic noises from manufacturers which have been discounted by some economists as nothing more than wishful thinking.

On the building, construction and property fronts, the Bureau for Economic Research at the University of Stellenbosch reports: "There is little doubt that most categories of buildings are at present in over-supply.

The bureau says in its latest building survey that vacant office, shopping and factory space is estimated to be as much as 600 000 square metres.

And it adds that there is no doubt that the supply of housing, both for sale and for rent, exceeds the demand.

"Unusual as it is in the South African market to have large numbers of dwellings advertised for rent, the bureau observers, "some owners of rent-controlled blocks of flats are being forced into the unheard of practice of advertising their vacant apartments"

The bureau nevertheless, predicts a 3,4 percent real-term growth rate in total building expenditure this year. Public residential building will account for the lion's share (20 percent of this growth).

The survey forecasts that expenditure this year on public non-residential building will grow by 10 percent, while expenditure on private residential building will ixncrease by a mere two percent.

It expects expenditure on private non-residential building to decline by a significant 17 percent.

Motor car sales, which fell by a depressing 9,92 percent, from 185 132 units in 1976 to 166 766 units in 1977, are likely to slump still further this year if, as most manufactureres believe, prices are increased by 14 percent.

Consumers are also likely to delay replacement purchases of domestic electrical appliances, many of which have escalated in price by between 10 and 15 percent since the recent Iscor steel price rise.

This is borne out by the fact that electrical repair operations in Johannesburg report a high level of workshop activity as consumers strive to maintain old appliances.

Retail outlets on the Reef also report a noticeable fall off in demand for foodstuffs, particularly canned and luxury items, soft drinks, confectionery and clothing.

High-class men's outfitting stores and boutiques are especially worried by the almost total absence of custom.

See Money — Page 3

FM 3/2/78

49

BUSINESS CONFIDENCE

Stellenbosch reports

The light at the end of the recessionary tunnel is growing a little brighter. So businessmen are beginning to think, according to January's *Option Survey Report*, released this week by Stellenbosch's Bureau for Economic Research (BER).

Basically, the improvement in business confidence amounts to little more than the maintenance of a trend towards "marginally lower levels of pessimism." The majority of the BER's respondents don't expect any upswing during the present quarter.

A net 27% of respondents in the manufacturing sector expect conditions to worsen during the first quarter. This is a marginal improvement on the net 37% who expected conditions to worsen during the last quarter of 1977.

While inadequate demand remains the most serious bottleneck facing manufacturers, the number of respondents reporting demand bottlenecks has fallen from 93% in the previous survey to 86%.

Less happily, 72% of the manufacturers believe that their present raw material inventories are sufficient in relation to anticipated production, while 25% think raw material stocks are still too high. And the majority of respondents report a 4% drop on average in manufacturing employment.

The outlook for wholesalers seems to be more gloomy. At the end of the September quarter, a net 10% reported worse business conditions than those experienced in the corresponding quarter of 1976. By the end of the December quarter, the percentage had increased to 40%.

During the same period there was a significant increase — from 61% to 75% — in the number of wholesalers reporting "unsatisfactory" business conditions.

Expectations for the first quarter of 1978 have also become more pessimistic.

A net majority of wholesalers report increased sales volumes during the fourth quarter, compared with the same quarter of 1976, and are "relatively optimistic" in their future sales volume expectations. They expect the rate of increase to level off, however.

Retailers, to judge by the BER report, are among the hardest hit and the most pessimistic. 97% of respondents believe present business conditions to be "unsatisfactory," and 20% expect conditions to worsen during the present quarter.

A net 67% in this sector report lower sales volumes compared with the same quarter of the previous year, and the majority report a drop in the value of orders placed.

In the motor trade, the "slight diminution in pessimism" reported in the BER's previous survey has suffered a reverse. In that survey a net 43% thought business conditions were poorer than during the same quarter of the previous year. In the present survey, the figure has risen to 70% — and 88% of respondents find business conditions unsatisfactory.

Respondents are more pessimistic about expected sales than they were at the time of the last survey, and expectations for the present quarter are "considerably less bright" than they were for the fourth quarter of last year.

The bureau's commentary gives little cause for cheer. While acknowledging the "great improvement" in the balance of payments during 1977 (see page 300), the BER points out that many problems remain far from solved.

In its opinion, the balance of payments remains a major policy constraint, despite last year's improvements. "It is difficult," the report states, "to foresee comparable improvements during 1978."

In addition, political considerations affecting foreign capital inflows and skilled immigration can retard economic recovery.

Furthermore, "foreign political pressure creates domestic uncertainty which, quite apart from the above-mentioned real constraints to economic development, is not conducive to increased investment, especially not in the face of large unutilised production capacity."

The bureau also fears that recent administered price increases may adversely affect business and consumer confidence. These price hikes threaten to accelerate the pace of inflation, with the result that real expenditure may fall. In addition they may lead to pressure for salary and wage increases.

If real expenditure does fall, the BER argues that economic activity will slow down even further unless the retarding effect is neutralised by further economic stimulation. But further stimulation can also lead to unwarranted wage demands, which, if granted, can further spur inflation and exacerbate balance of payments problems by increasing domestic demand.

Nonetheless, the BER does expect some improvement in the economic climate during 1978, but "in spite of the natural forces working for an improve-

... programme of selective stimulation, the bureau believes, will have "little more than a marginally positive effect on growth prospects."

Sake-Rapport 5/2/78 (49)

Vat vas en vat raak, sê dr. Cloete

rooms, size of each if

WAT Suid-Afrika op die oomblik nodig het om sy ekonomiese probleme die hoof te bied, is 'n gesonde groei. Dit kan net gedoen word deur pryse, ook dié buite die landbousektor, vas te pen en ons betalingsbalansprobleme op te los deur minder in te voer.

Dit help nie om die ekonomie magtig te stimuleer nie, want dit wek net valse hoop het dr. Johan Cloete, hoofekonoom van Barclays Bank, onlangs aan Boerennus, die amptelike lyfblad van die Transvaalse Landbou-Unie, gesê.

Dr. Cloete wys daarop dat Suid-Afrika nou al langer as drie jaar met 'n resessie te doen het. Net soos voorspoed, voed 'n resessie homself, lei afwaarts en dit vereis 'n sterk beleid om weer uit die put te klim.

Hy wys verder daarop dat daar veral twee faktore is wat sterk ekonomiese groei in Suid-Afrika aan bande lê. Dit is die probleme wat ons met ons betalingsbalans ondervind en inflasie.

Die groot bedreiging is egter dat ons nie hierdie twee faktore moet oorskat en maar toelaat dat ons in groter stagnasie en werkloosheid verval nie. Hy sê diegene wat hoop dat die ekonomie soos 'n tafeltennis-balletjie weer vanself sal opspring, lewe in 'n illusie.

Reaso

Die enigste uitweg is om van hierdie twee struikelblokke ontslae te raak. „Ons moet vat en raakvat". Die betalingsbalans moet deur regstreekse optrede beskerm word en ons moet inflasie op 'n praktiese manier vashou en dan weer die ekonomie refleer.

Daar moet egter seker gemaak word dat die méér geld wat in die ekonomie gestoot word om dit te refleer, nie gebruik word om meer goedere in te voer of om prys-en- loonsverhogings mee te finansier nie. Dit moet gebruik word om die effektiewe vraag na landbouprodukte en fabrieksgoedere op te stoot tot 'n punt waar 'n momentum van groei gevestig raak, dus waar die groei homself voed en ons weer op die regte pad plaas.

Dr. Cloete is van mening dat die betalingsbalansprobleme die hoof gebied kan word deur eenvoudig minder in te voer. As ons die invoer beter kan beheer, sal ons ook makliker van 'n half-ontwikkelde na 'n volontwikkelde land kan groei. Laer invoer sal ook onnodige kapitaaluitgawes die hoof bied.

Die ander ding wat vasgevat moet word, is inflasie.

Dr. Cloete sê ondanks die poging om die inflasiekoers die hoof te bied, is dit nog gans te hoog. Een van die redes is dat ons te veel gekonsentreer het op die landbou en te veel druk op landboupryse alleen uitgeoefen het, en gehoop het dat ander pryse deur mededinging in 'n krimpende mark reggeruk sou word.

Wat ons egter vergeet het, is dat fabriekskoste byvoorbeeld in 'n krimpende mark by dalende produksie styg omdat die eenheidskoste toeneem. Depressie en koste-inflasie is dus gedeeltelik verwante verskynsels.

Dr. Cloete sê daar bestaan natuurlik geskikte administratiewe metodes om pryse vas te pen, maar hy sal verkies dat dit deur oorreding en openbare druk gedoen word. Aangesien die een man se pryse die ander se koste is, kan ons die boer se produksiekoste baie beter beheer deur ook pryse buite die landbou vas te pen.

Hy sê dat skaarsgeld vandag nie meer alléén genoeg is om inflasie te keer nie. Dit skep net stagnasie. En dit is presies wat ons vandag belewe. Dit sal egter onmoontlik wees om die geld in omloop meer te maak voordat aan invoerbeheer, pryse, lone en ander koste aandag geskenk is.

Dr. Cloete is ook van mening dat daar beter kommunikasie moet wees tussen hulle wat oor plaasproduktepryse, ondernemings se uitbreidings, vakbonde se looneise en die owerheid se geld-en kapitaalbeleid moet besluit. Die landbou is die oomblik die sektor wat die meeste onder so 'n gaping lei aangesien die pryse van hulle produkte vasgehou word terwyl die pryse van ander goedere toegelaat word om te styg.

, live in house?

od Type of work Weekly wage

ECONOMIC OUTLOOK WORSENS

22/1/78 Sunday Tribune

Finance Reporter

THE ECONOMIC outlook for 1978 is now worse than it was only a few months ago, according to Andre Hamersma, chief economist at the Standard Bank.

He says the latest data confirms that signs of a recovery last year did not survive through the last quarter of 1977.

Indications that the upturn would fail to consolidate began to emerge in the third quarter of last year when the effects of an earlier rapid money supply increase and good agricultural crops were dissipated and the effects of slower growth in the mining sector began to be felt.

Consumer demand, adds Hamersma, dropped sharply toward the end of the year because real incomes failed to increase and expectations took a turn for the worse in the face of adverse political factors.

He says there was also bad news on the inflation front.

While he notes that the underlying forces at work in the economy point to a recovery this year, he believes that specific areas are far from healthy.

"A particularly soft spot towards the end of last year, was the retail sector where many shops reported a poor Christmas season," he says.

The temporary trend towards positive growth in real retail sales, after adjustment for inflation, in the first six months of last year, he observes, was sharply reversed towards the year-end by declining consumer confidence and real purchasing power.

Retail sales, he adds, fell throughout 1977 and were overall about nine percent below 1976. Turnovers of food, alcohol, books, department stores and general dealers declined relentlessly throughout last year.

Car, clothing and shoe sales improved significantly.

Turnover by furniture dealers and chemists also rose temporarily.

And he predicts that sales are likely to improve this year, particularly if the increases in public service salaries are matched by other sectors and government spending becomes more openhanded.

He warns, however, that any revival in consumer demand may be dampened by the imposition later this year of a general turnover tax, which will absorb purchasing power and affect the distribution of spending since many items will be taxed for the first time.

Hamersma says that apart from the problems caused by the high level of unemployment and the delicate position of the capital account of the balance of payments, the main area of concern will remain inflation.

Currently running at around 11,3 percent, the inflation level reflects the failure of the official price control and subsidisation policy which has distorted the cost structure of the economy for many years.

"Changes in these policies," he says, "add to inflationary pressures at a time when the economy is struggling to recover.

"In addition to large-scale increases in controlled prices, inflation is likely to be pushed up further when the effects of last year's substantial external depreciation of the rand are felt."

But, Hamersma warns, the greatest inflationary factor this year is likely to be the introduction of the flat rate turnover tax, which will substantially increase the cost of those staple items which are currently tax free.

HANSARD No. 2 COL. 81 10/2/78

(49)

Financial troubles of quoted South African companies

*20. Mr. J. W. E. WILEY asked the Minister of Finance.

(1) Whether his attention has been drawn to a report on alleged financial troubles of quoted South African companies which was published in the business section of an English language Sunday newspaper on 5 February 1978;

(2) whether he will make a statement on the matter.

The MINISTER OF LABOUR (for the Minister of Finance):

(1) Yes.

(2) I take a very serious view of this matter and am already attending to it.

For written reply:

Gearing problems may face firms

• From Page 3

overdraft remains a millstone.

Long-term loans increased last year from R1,4-million to R2,6-million while revolving credit facilities remain high at R5,1-million.

Asmar — The last time shareholders saw a dividend was eight years ago. It seemed last year that steps were being taken to put the company's finances and business base on more certain foundations but the September interim confounded the optimists.

The group has the backing of Federale Volks, the holding company, and a tie—up with Phil Morkel from whom it bought CB Industries to introduce an element of diversification into furniture and away from TV and hi-fi cabinets for which demand was shrinking.

Earnings

The addition to earnings was expected to be R100 000 but the interim statement had to admit to a loss of R125 000 — and this was after another acquisition. The only explanation was "the extremely difficult business climate," together with the expectation of an improvement in the second half.

The balance sheet was propped up as at December 31 1976 by a R200 000 loan from Fed Volks, an unsecured loan of R208 000 which has to be repaid by April next year and short—term loans and overdrafts of R632 000. But once again in a loss making situation and, with a takeover to be financed, the ratios could have worsened since.

Bester Investments: Fortunately, the company is not entirely in property and it was the construction division in the first six months of the current year which powered profits to a 72 per cent increase to R2,6-million.

The property division turned in a huge R1,5-million loss. At year end borrowings cost R3,9-million to service. Non-recurring provisions accounted for R1,8-million.

The year ends on 28 February and the financial statements will be awaited with more interest than usual because of the good interim figures and of the possibility of a repetition of last year's qualification of the accounts by auditors. In question was the value of properties at R28,6-million in view of the present climate, and also a deferred tax write-back which boosted profits.

Bonuskor — Shareholders in Bonuskor were caught between two of the financial giants of South Africa, Sanlam and Volkskas, with the latter making an offer to buy Sanlam's stock to give it 51 per cent control.

After a profit of R8,0-million in 1976 Bonuskor managed to turn in a loss of R7,6-million last year, helped by the fact that some of the proceeds of SA Druggists found their way into a sick property market, while Bonuskor's property subsidiary, Vesting, went into liquidation.

In the same period, trading and manufacturing turned from profits of R3,9-million to a loss of R121 000 while agriculture and timber made losses of R341 000 compared with profits of R2,2-million.

By the June year—end the spotlight was on long—term loans of R11,0-million and short—term loans and overdrafts of R39,2-million. Current liabilities exceeded current assets by R5,0-million, almost a reversal of one year earlier. Provisions and write-offs against investments totalled R8,3-million.

The directors then admitted that the financial structure was "obviously unfavourable."

Brickpot — The company was tarred with the same brush as Glen Anil, its erstwhile parent, until Finansbank became the new major shareholder and under new management the complications are being straightened out.

The tie with Edglen has been cut but the cost was heavy — a taxed loss of R1,7-million. A difficult situation was averted by the sale of a site at Roodepoort for R2,5-million assisting, among other things, the repayment of a R1,8 million foreign loan incurring a currency loss of R88 500.

Expansionary

While the company has expansionary ideas it is loaded with a debt burden which is going to take a long time to ease: long—term liabilities in the last accounts total R4,8-million, deferred liabilities R1,1-million and current liabilities R5,4-million.

Hofman — This company caught the full blast of the hurricane that hit the property sector last year and had to take a R1,16-million loss in the second half together with losses totalling R3,7-million on the forced sale of five properties. The annual after—tax loss of R1,22-million to end June represented a turnaround of R3,4-million within the year.

Hofman restructured the capital by issuing R6,5-million of preference shares and raising a R1,25-million loan on an hotel being built in Durban. Property sales raised a further R4,08-million to give a total of R11,8-million which in the words of the directors "should ensure that Hofman does not again encounter liquidity problems."

The company did not, however, clear the air completely since the underwriter of the pref shares and the buyer of the properties were never officially revealed. Market rumour suggests they were both Nedbank. Moreover, the auditors were "unable to satisfy ourselves that there has been no permanent decline in the value of fixed assets at R50,5-million."

Katz and Lurie — As a jeweller Katz and Lurie enjoys a high reputation; as a property developer its expertise is not quite as sparkling.

There is, in fact, a good chance that K & L will extricate itself from its predicament.

Redeveloping its freehold premises on Diamond Corner has so far nearly bled the company white, but 1977 brought a slight improvement in pre-tax profits at the same time as interest charges on the building ceased to be capitalised. Still, total loans last year of R5,8-million required interest payments of R530 000 which ate into operating profits of R837 000.

At the last count, Diamond Corner was 87 per cent let with leases in the pipeline expected to bring the figure up to 93 per cent by the end of the financial year. Be that as it may, it is going to take some years to recoup the capital costs and overtake interest payable.

Mondorp — Township development and poor house sales led Mondorp into a net loss of R1,8-million during the year to September. This was more than R900 000 higher than in the previous year and is an indication of the continuing serious situation in the industry.

To improve liquidity a rights issue was made to raise R3-million which parent Monkor and powerful shareholder Santam took up — the latter holds about 30 per cent of the equity which other shareholders will find a great comfort.

Released

The figures in the table relate to the year ending 30 September 1976. Up to date accounts just released are qualified by the auditors who are unable to express an opinion regarding the value at which land purchased for township development is stated.

Monkor Trust — As an investment company Monkor controls Mondorp and as such is suffering from the latter's malaise.

An indication of the group's progress came with preliminary results last September indicating a taxed trading loss of R1,8-million, some R1,0-million higher than previously. Only a capital profit on the sale of a 50 per cent stake in Momentum Life Assurance at a capital profit of R1,4-million allowed a net income of R355 000 to be shown and preference dividends to be paid.

The increase in losses was attributed to the large scale auctioning of stands at prices below cost in order to reduce stocks.

• The figures in the table relate to the year ending 30 September 1976. Up to date accounts just released ae qualified by the auditors who are unable to express an opinion regarding the value at which land purchased for township development is stated.

Morlite Holdings — During the year to June Morlite suffered a massive profit drop from R638 000 into a loss of R621 000 forcing the sale of subsidiary, Internal Walling, which was responsible for about half the loss.

At the same time bad debts were on the increase and profit margins were narrowing in the face of competition. The balance sheet showed long—term liabilities up from R1,7-million to R2,4-million and net current assets down from R3,6-million to R3,4-million. At least it was still possible to keep the rise in the overdraft down to less than R200 000, at R1,9-million, while registered notes to a value of R100 000 were repaid.

National Veneer Holdings — While the last published balance sheet to December 1976 painted a gloomy picture with heavy long-term loans of R3,1-million (R1,5-million) and growing overdrafts and credits of R2,5-million (R2,3-million), the trading period for the first six months of the current year looked a little more cheering, with pre-tax losses of R16 000 against losses of R631 000 six months earlier.

Two companies were acquired during 1976, and these should be sweetening earnings by now, both on the saving of overheads and on concentrated marketing effort. Long-term loans were provided by Volkskas and the Bantu Investment Corporation and they clearly have a vested interest in seeing that the company keeps itself in order. By the same token, interest charges in 1976 were running at the rate of 765 000 (R429 000), with little early hope of diminution.

Piccardi Canners — The shares are low rated on account of the dismal profit history over the past three years and the weak state of the balance sheet.

Losses were reduced dramatically from R1,8-million in 1976 to R112 000 last year, but the trading position still has to contend with unavoidable increases in outside costs.

Increases

So, the group last year was faced with increases of 23 per cent, 72 per cent and 57 per cent in the prices of cans and bottles, sugar and coal respectively.

Probably an even bigger imposition however, was the mounting burden of debt — up 18 per cent last year to R25,3-million, on which interest payable was no less than R2,3-million. There seems little hope of a reduction in the near future.

Premier Industries — A subsidiary of Wilf Robin's Amalgamated Industrial Investment Corporation, the company was hit badly in its last year to February by a combination of depressed trading conditions and escalating interest payments.

In the paper and stationery products market, prices were depressed by overproduction and falling demand; factory output was reduced to cut stocks and, hopefully, improve cash flow. At the same time, interest on borrowed money climbed from R1,1 to R1,3, increasing the operating loss from R393 000 to R853 000.

While subsequent trading has been running at higher levels, interest payments are also still rising and it is going to take more than stock reductions to get them down. Until borrowings are cut back, the emphasis should remain on conserving cash so shareholders can expect little sympathy with dividends.

Schus Holdings — Schus suffered all the troubles of the motor trade during 1977 when pre-tax profits dropped from R405 000 to a loss of R116 000, and the dividend had to be passed.

One of the main problems is the difficulty in reducing the overdraft, which, at the year end, stood at R2,2-million against R2,17-million. While other borrowings were reduced, interest

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Here is their situation at a glance

	Share-holders' interest	Return on capital	Total loans	Cash flow to total borrowings	Profit and loss gearing	Current ratio
	%	%	%		%	
Amal Industries	16,1	4,4	60,7	—	—	0,99
Asmar	33,9	7,9	42,8	0,09	20,7	1,04
Bester	17,4	9,7	59,3	0,04	29,9	0,47
Bonuskor	33,5	7,5	45,2	0,05	7,9	0,92
Brick & Pot	12,9	—	62,5	0,00	—	—
Hofman	38,5	8,7	51,9	0,00	11,0	0,50
Katz & Lurie	20,2	8,9	70,2	0,02	20,8	0,94
Mondorp	30,1	—	54,5	—	—	1,43
Montrust	30,5	—	54,2	—	—	1,41
Morlite	29,5	—	39,7	—	—	1,67
Nat Veneer	29,1	5,4	45,1	—	—	1,39
Piccardi Can	21,9	7,8	68,8	0,01	—	0,96
Prem Indust	15,9	3,8	60,9	—	—	1,70
Schus	13,0	10,8	60,8	—	—	1,07
Triomf Fert	28,3	10,3	59,3	0,04	46,5	1,13
Wolf Stern	22,8	—	8,4	—	—	—

SUN. TIMES BUS. 12/2/78 (49)

16 firms may face gearing problems

IN AN analysis of 211 quoted companies, stockbrokers Ivor Jones, Roy and Company have highlighted 21 of them as facing problems because of their financial gearing.

Of these, five have already been suspended for a variety of reasons. The remainder are: Amal Ind, Asmar, Bester, Bonuskor, Brick & Pot, Hofman, Katz & Lurie, Mondorp, Montrust, Morlite, Natven, Pican, Prem Ind, Schus, Triomf and Woolf Stern.

Most of these 16 companies have been shored up with outside aid — either from associated groups or bankers — but on the brokers' financial analysis they are still facing severe troubles.

Collectively, these 16 represent about one third of the more than 50 companies which the brokers believe are, on the basis of published accounts, very highly geared.

The brokers say that they "do not point fingers at likely candidates for the liquidator . . . the numbers tell their own story."

They point out, moreover, that with the general deterioration of financial ratings, even if there is an economic upturn, certain of the companies surveyed are so far down the road that recovery presents a serious problem indeed.

The essence of this analysis is an attempt to assess the financial gearing of industrial companies. Companies with low ratings are not necessarily candidates for liquidation.

For example, Unidev has [illegible] its rating over the [illegible] years, though it is still highly geared in terms of the parameters set in this analysis.

General Tire a few years ago had a poor rating and today is one of the more soundly based industrial companies.

The analysis is based on six crucial ratios which are, in order of importance: shareholders interest (per cent); return on capital (per cent); total loans (per cent); cash flow to total borrowings; profit and loss gearing (per cent); current ratio. These ratios as they apply to each of the 16 companies are set out in the table on page 3.

By JOHN GILMORE

Explanation

The brokers' explanation of their figures is as follows:

• Shareholders' interest: "This is the all-important debt/equity ratio which is accorded the highest weighting in our financial rating. It is calculated by showing total equity inclusive of preference and minority interests, but excluding intangibles as a percentage of total liabilities.

"Generally speaking, the higher the figure for shareholders' interest the lower the risk factor."

• Return on capital employed: "In our survey this is calculated as the percentage of pre-interest profits to capital employed. Our definition of capital employed includes equity and reserves net of intangibles, preference, minority interests, convertible loans, and deferred liabilities and borrowings, both long and short.

"With the exception of deferred liabilities, all the items included in capital employed require to be serviced either by way of interest or a participation in profits.

"By calculating the interest return on capital employed we achieve a further measure of a company's ability to borrow money and can also assess the effectiveness with which it is using its funds."

• Total borrowings as a percentage of total liabilities: "This ratio is long-term borrowings plus short borrowings and overdrafts expressed as a percentage of total liabilities. To a lesser extent it is another way of looking at the debt/equity ratio."

• Cash flow to borrowings: "This ratio is a measure of a company's ability to repay its debt assuming no dividends are paid. It is defined as profits earned for ordinary shares plus depreciation, and we include the minority shareholders of profits as it does form part of cash flow and also some of the debt may be attributable to minorities. Cash flow is then divided by total borrowings."

• Profit and loss gearing: "This is the percentage of trading profits that reaches the pre-tax level; that is trading profits less depreciation, less interest paid and plus dividend and other income received. The greater the percentage of trading profit reaching the pre-tax level the better."

• Current ratio: "This is the ratio of current assets to current liabilities and is an indicator of group liquidity."

The weights attached to each ratio in order to calculate the 'financial ratings are:

Shareholders' interest — 25 points; return on capital employed — 20; total borrowings as a percentage of total liabilities — 15; cash flow to total borrowings — 15; profit and loss gearing — 15; current ratio — 10. A total of 100.

The sixteen companies described as "inordinately high risk" all have a financial rating of 10 and below.

Certain companies have not been included in the survey at all:

• Pyramid companies;
• Investment trust-type companies;
• Companies where the accounts are meaningless;
• Banking, insurance and investment trust sectors, as the method of analysis is not appropriate.

Ivor Jones' method is, of course, arbitrary, depending as it does upon what the brokers themselves consider to be the important ratios and how much weight should be given to each.

Analysts

Other analysts might consider:

• That the ratio of cash flow to borrowings is meaningless unless the repayment period of loans is known;
• That the debt/equity ratio can be misleading unless a company's debt capacity is known. The higher the earning power, the greater the capacity for carrying a debt.

Nevertheless the survey is of value: its method is consistent, its definitions clear and many of its shortcomings and omissions are pointed out.

Comment is made on certain anomalous situations, (such as the quality of earnings per share), the basis of stock valuations and the financial tables also give information on dividends and yields, asset values and tax rates.

Business Times considers that the six crucial ratios give a quick and strong indication of the financial health of companies to which they are applied.

As financial ratios are sometimes obscure to the less numerate, the following are summaries of the financial position and backing of the 16 companies, which highlights individual problems. They were compiled from published accounts and our own files.

Amalgamated Industries — While the group's balance sheets are not robust, it is significantly backed by Tozer, Kemsley Millbourne, an insurance and finance group that also owns 20 per cent of group subsidiary Robcon, and is committed to guaranteeing group overdrafts, loans and credits.

Trading was showing signs of revival at the beginning of the second half of the company's financial year, which ends in February. But a R2,9-million

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S.A. economy: boost expected

CAPE TOWN — The Minister of Finance, Senator Owen Horwood, said here yesterday that in spite of a decline in the current account of the balance of payments during the third quarter of last year, South Africa could expect a satisfactory 1977 current account surplus.

Introducing the Part Appropriation Bill, he said the reduction during the third quarter was from a total of R1 277 million to only R22 million on a seasonably-adjusted basis, but preliminary indications were that this was only a temporary decline and that for the fourth quarter South Africa had reached a much higher total which could result in an annual surplus of the order of R700 to R800 million.

Results for the fourth quarter were, however, not yet available.

"In fact, if one analyses the details of merchandise imports during the third quarter, it soon becomes evident that extraordinary factors contributed to the increase in imports for that period. The most important of these were a concentration of mineral imports and the acquisition of container ships," he said.

Sen. Horwood said that these special factors had not repeated themselves during the fourth quarter. He expected a satisfactory 1977 current account surplus.

The current account performance during the first quarter of 1978 should again be quite satisfactory.

"I believe this is an achievement to be proud of and proves once again that the South African economy and people are willing to make sacrifices in order to take the right medicine in the right doses at the right time," he said.

Opposition parties yesterday protested at having to debate the Part Appropriation Bill without having time to study Senator Horwood's second-reading speech.

The chief Opposition Whip, Mr. Brian Bamford (PFP Groote Schuur), said "It is in the interests of this House and the country that we have time to consider these very important matters, and I move the adjournment."

The motion was defeated by 110 votes to 29, all three opposition parties voting against an immediate resumption of the debate. — (Sapa.)

The recession drags on

Monday's get-together of the Economic Advisory Council is a crucial one. The intelligence it sends to Cape Town will be the last full-scale review of business before the March 29 budget.

In essence, what Finance Minister Horwood needs to know is this: what happens to the economy if he leaves broad fiscal policy unchanged? In other words, what happens if he neither raises nor lowers taxes, and if he only lets government spending rise at last year's modest rate? Unless he is properly briefed on that, he cannot make intelligent policy choices.

Horwood himself is not overly optimistic, judging by the talk he gave to Parliament earlier this week. He did not even venture a guess on whether the business cycle had finally turned up — and that after real income per head has been falling steeply for two years. In fact, the key statistic he gave Parliament was a gloomy one: growth in 1977 did "not exceed" 1%. That means last year's *drop* in real *per capita* income must have been about 2%.

Standard Bank says "latest data clearly confirm that last year's stirrings of recovery did not last out the fourth quarter of 1977." And 83% of respondents to the Stellenbosch Bureau's January opinion survey (as against 80% last October) complain that business is unsatisfactory." A mere 14% expect business to improve over the next three months.

Most executives quizzed by the *FM* confirm that, at best, there's been no upswing. At worst, they say, the recession has still to touch bottom.

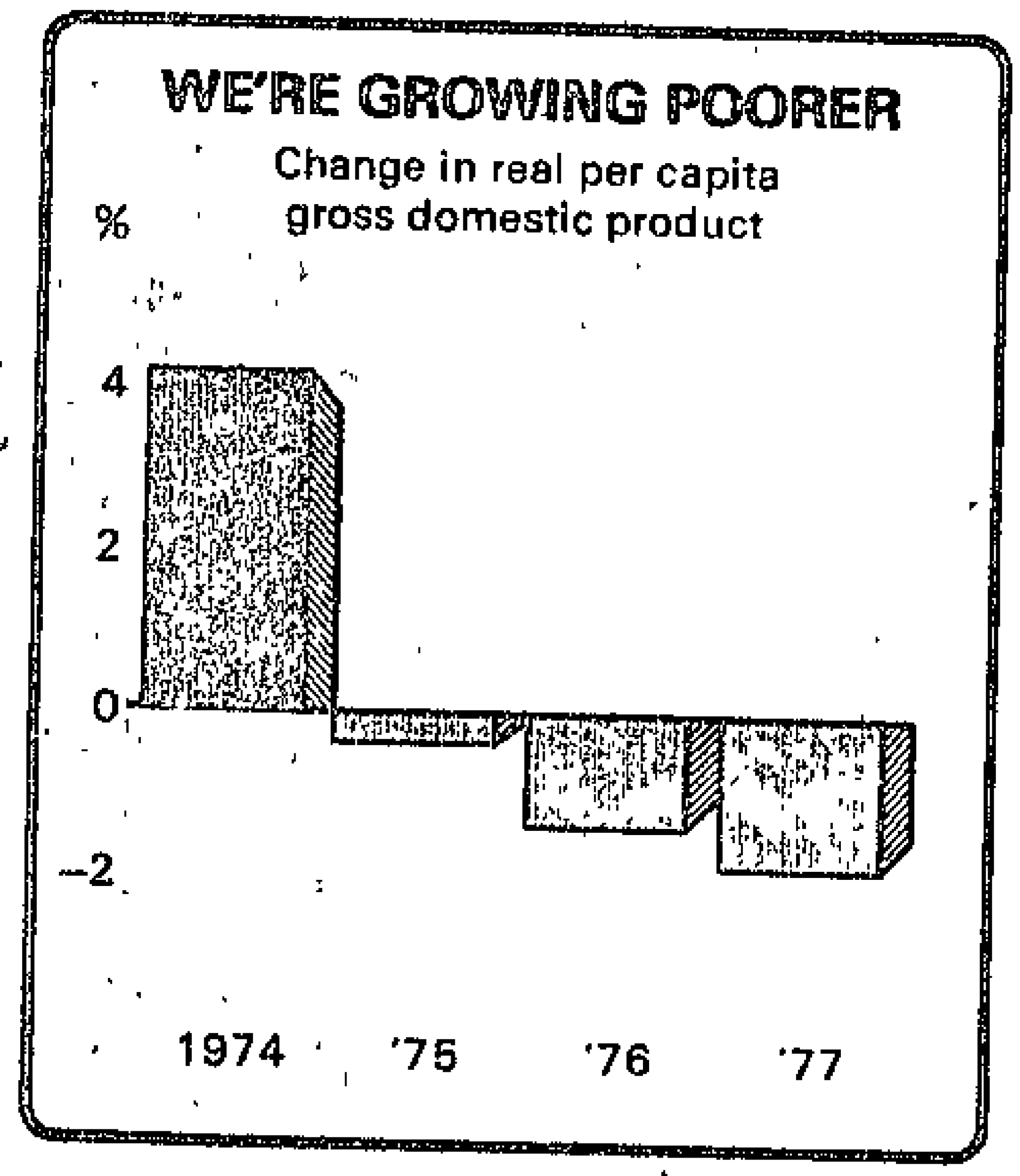
"What's happened in January and February has taken all the joy out of Christmas," moans Rebel liquor stores MD Sammy Linz. Adds National Clothing Federation director Frank Whittaker: "We were hoping 1978 would be better than 1977. Now it looks as if it's not going to be. The clothing business is completely dead."

Cloudy skies and television

Wilfred Stoloff, director of Marathon Building Materials, reckons January was "one of the worst months ever." Roodepoort Brick's MD, Gus Perlman, reports that, for the first time, his yard closed down for Christmas. And despite rainy weather and the recent introduction of portables, the number of TV licences issued in January was almost 6 000 below the 19 800 sold in January 1977. In December, passenger-kilometres travelled on domestic SA Airways flights were 5% down on a year earlier.

The majority of businessmen are not quite so glum, but they agree there has been almost no rise in demand over the past six months. The steel and engineering industries, according to Seifsa's director, Errol Drummond, are "tottering along", with foundries, heavy engineering and construction outfits, shipbuilders and electric cablemakers having the greatest problems. On the other hand, telecommunications and electronics industries have seen some upturn in orders.

A leading Pretoria architect says there has been little change in his firm's workload in recent months. But thanks to a trickle of tenders for shopping centres, small suburban office blocks and factories (including some for strategic industries), "we are not as worried as we were a year ago."



Greatermans' vice-president (marketing), Doug Dawson, notes that business is "bouncing along the bottom. January was a little better than we had expected, but February has been a little worse." Similarly, Cons Glass's MD Jan Robbertze — whose factory is at only three-quarters of capacity — has noticed neither an improvement nor a further deterioration.

Of course, there are some lucky ones. OK Bazaars' MD Meyer Kahn says "my gut feeling tells me there is an upturn. We were pleasantly surprised by December sales, and January has accelerated the trend."

Orders to the textile industry are rising slowly, but Textile Federaton director Stan Shlagman concedes that one reason is probably the import replacement effect of stiffer customs tariffs. In terms of the General Agreement on Tariffs and Trade, SA must soon scrap the 15% import surcharge.

Sunny skies and motor cars

Car and truck sales last month (see *Business brief*) have given motor manufacturers hope that their sky at least may be clearing.

But businessmen agree Horwood's much-hailed "shift of emphasis" late last year has done nothing to perk up orders. Building Industries Federation president Dave Allen says his members have not yet benefited from the R250m housing scheme. The public service pay hike last month also hasn't managed to turn businessmen's frowns into smiles. And it will be some time before Pretoria's new export incentives are finalised (*FM* last week).

So what is there to look forward to? Not much, it seems. In fact there are a number of signs which point to many more months of tough trading:

- A drop in building society cash intake. It totalled only R133m in October-December 1977, against R140m a year earlier. The societies lent an average of R74m a month during the last nine months of 1977, a fall of R12m on 1976.
- Murky export prospects. Slow growth in our major trading partners this year will test exporters' wits and curb many of their profit margins.
- A relatively lean farm season. This, combined with meagre producer price hikes, will put less money in farmers' pockets.
- The uncertain political future in Rhodesia, in SWA and at home.

There is also a real danger — if we grow accustomed to minimal economic growth — that SA may lose its well-won reputation as an exellent place to make money in. If that happens, the current period of stagnation could last longer than many businessmen anticipate.

uleer-

Sake-Rapport 19/2/78

RINGKOPPE SAL HELP SÊ

49

Deur DAVID MEADES

Ná môre sal die land 'n baie goeie aanduiding hê van hoe die ekonomiese wind verder vanjaar in Suid-Afrika sal waai. Teen die agtergrond van lae groeikoerse in die laaste paar jaar en een van toenemende werkloosheid en stygende pryse kom die Ekonomiese Adviesraad van die Eerste Minister more byeen.

Stimulering of nie — of dan miskien eerder in hoe 'n mate gestimuleer moet word — is deesdae op elke ekonomiese lip. En dit sal die afskopplek van die Adviesraad wees. Maar hy sal nie sonder ammunisie wees in hul besluite nie.

Hy sal as 'n soort handleiding waarskynlik die volle teks van sen. Owen Horwood se toespraak vandeesweek in die Klein Begroting se Tweedelesingsdebat byderhand hê.

Hieruit het dit geblyk dat dit, onder die omstandighede, heel goed op die oomblik gaan. Die groei in die geldvoorraad het dramaties gedaal. Dit was net 7 persent in 1977 teenoor byna 23 persent in 1973/74.

Die owerheid het daarin geslaag om sy besteding te beteuel en ons betaal nou ons buitelandse lenings uit ons lopenede rekening terug. Dit verteenwoordig dissipline in die ekonomie wat in Westerse standaarde baie moeilik geëewenaar sal word.

Dit was ook duidelik dat die Regering meen dat daar nou ver genoeg gegaan is en dat dit nie meer in die belang van die land is om die ekonomie verder af te druk nie.

Met die vorige Begroting het sen. Horwood die probleme van die ekonomie baie duidelik uitgespel en die streng beleid wat daardeur in werking gestel is, was al alternatief wat daar was.

Wat met hierdie Begroting bereik wou word, is bereik. En daar kan volgens ekonome aangeneem word dat daar vanjaar van Dié grondslag verder beweeg sal word.

Verder stimuleringsmaatreëls gaan ongetwyfeld deur sen. Horwood (of dalk 'n dag voor die Begroting deur die Reserwebank) aangekondig word. Die algemene gevoel is egter dat dit matig sal wees.

Hoewel die Begroting 'n besliste klemverskuiwing teenoor verlede jaar sal aandui, sal versigtigheid die wagwoord wees. Die ekonomie moet nou weer draai, maar daar sal geen sprake van 'n weghardlopery wees nie.

THURSDAY, FEBRUARY 23, 1978

23/02/78 BD (49)

Economy trapped in vicious circle — prof

JOHANNESBURG — The South African economy at present found itself trapped in a vicious circle: black unemployment and the level of black unrest were high. Overseas confidence thus remained low. Foreign capital did not enter the country which led to an unsatisfactory economic growth.

This statement was made here yesterday by Prof Arnt Spandau, head of the Department of Business Economics at the University of the Witwatersrand, when addressing an investment conference arranged by a firm of brokers.

Technically the South African economy appeared to be ready for a mild upswing, but it was the investment confidence that at present determined the country's future.

But, he said, "the political confidence is the most important causal factor of the country's future development, the economic confidence is its derivative."

As far as investors were concerned the current level of economic growth was largely determined by the value of capital inflows. "In other words, by the commitment of multinational corporations to the South African economy."

Speaking at the same conference, Mr Randle Carter, general manager of the Standard Bank, said history had not in practice provided many parallels to the present economic and political situation in South Africa, but "I am not totally pessimistic about the outcome of our political and economic problems."

"At the end of each day each of us must examine the facts and take action on our own reading of the situation and our degree of risk aversion." He recommended:

Put away emotions;

Buy some A grade debentures;

Keep watching the charts;

Do not diversify too much;

Rectify wrong decisions quickly;

Carefully select the growth companies;

Do not keep these for ever;

Keep some cash;

And above all, hold thumbs.

"We have a fascinating and challenging period ahead of us, and that's an investment truism about which there is no uncertainty at all," Mr Carter said. — SAPA.

Incendiary device found in charcoal

DURBAN — An incendiary device, which went off but caused no explosion or damage, was discovered in a stack of braai charcoal in a crowded discount store here.

Police were called and the device removed. — SAPA.

P 1X3

(49)

STAATSKOERANT
VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA
GOVERNMENT GAZETTE

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Vol. 152] PRETORIA, 24 FEBRUARIE 24 FEBRUARY 1978 [No. 5893

ALGEMENE KENNISGEWING

KENNISGEWING 168 VAN 1978

DEPARTEMENT VAN HANDEL

WET OP DIE HANDHAWING EN DIE BEVORDERING VAN MEDEDINGING, 1978

Die volgende konsepwetsontwerp om voorsiening te maak vir die daarstelling van 'n Mededingingsraad asook 'n Amalgamasietribunaal; vir die handhawing en bevordering van mededinging in die Volkshuishouding; vir die voorkoming en beheer van beperkende praktyke; vir die verbieding of regulering van die verkryging deur die houer van 'n beherende belang in 'n besigheid of onderneming van sodanige belang in 'n ander besigheid of onderneming; om die Wet op Reëling van Monopolistiese Toestande, 1955, te herroep en vir aanverwante aangeleenthede, word hierby ter algemene inligting en vir kommentaar gepubliseer.

Kommentaar moet voor 17 Maart 1978 aan die Sekretaris van Handel, Privaatsak X84, Pretoria, 0001, gestuur word.

WETSONTWERP

Om voorsiening te maak vir die daarstelling van 'n Mededingingsraad asook 'n Amalgamasietribunaal; vir die handhawing en bevordering van mededinging in die Volkshuishouding; vir die voorkoming en beheer van beperkende praktyke; vir die verbieding of regulering van die verkryging deur die houer van 'n beherende belang in 'n besigheid of onderneming van sodanige belang in 'n ander besigheid of onderneming; om die Wet op Reëling van Monopolistiese Toestande, 1955, te herroep en vir aanverwante aangeleenthede.

Ingedien te word deur die Minister van Ekonomiese Sake

Daar word bepaal deur die Staatspresident, die Senaat en die Volksraad van die Republiek van Suid-Afrika soos volg:

Woordomskrywings

1. In hierdie Wet, tensy uit die samehang anders blyk beteken—

(i) "beherende belang" met verwysing na enige besigheid of onderneming, enige belang van watter aard ookal wat die houer daarvan in staat stel om regstreeks of onregstreeks enige beheer uit te oefen oor die optrede of die sake van 'n besigheid of onderneming;

GENERAL NOTICE

NOTICE 168 OF 1978

DEPARTMENT OF COMMERCE

MAINTENANCE AND PROMOTION OF COMPETITION ACT, 1978

The following Draft Bill to provide for the establishment of a Competition Board and Merger Tribunal; for the maintenance and promotion of competition in the national economy; for the prevention or control of restrictive practices; for the prohibition or regulation of the acquisition by the holder of a controlling interest in a business or undertaking of such an interest in another business or undertaking; to repeal the Regulation of Monopolistic Conditions Act, 1955, and for incidental matters, is hereby published for general information and comment.

Any comment should be forwarded to the Secretary for Commerce, Private Bag X84, Pretoria, 0001, before 17 March 1978.

BILL

To provide for the establishment of a Competition Board and Merger Tribunal, for the maintenance and promotion of competition in the national economy; for the prevention or control of restrictive practices; for the prohibition or regulation of the acquisition by the holder of a controlling interest in a business or undertaking of such an interest in another business or undertaking; to repeal the Regulation of Monopolistic Conditions Act, 1955, and for incidental matters.

To be introduced by the Minister of Economic Affairs

Be it enacted by the State President, the Senate and the House of Assembly of the Republic of South Africa, as follows:

Definitions

1. In this Act, unless the context otherwise indicates—

(i) "acquisition" means the acquisition by the holder of a controlling interest in a business or undertaking involved in the production, manufacture, supply or distribution of any commodity of such an interest in another business or undertaking so involved and "acquire" has a corresponding meaning;

FM 24/2/78

49

Devalue and float!

Another surge in the gold price has brought some hope for the economy. Finance Minister Horwood should now take more vigorous action to stimulate demand and stop the rot of unemployment and stagnation. That may lead to a further drain on the foreign reserves — but a small enough one to be reversed by devaluing and then floating the rand

A dangerous mood has settled over the business community. Resignation. A belief that the country's economic problems will not and cannot be resolved until its political problems are sorted out — which may not be for years.

As a result, very little new investment is taking place, even though the business cycle is due for an upturn; economic growth is still slipping; and more and more men are being thrown out of work. It is no exaggeration to say SA faces stagnation.

The mood is understandable. Cabinet ministers repeatedly claim the West is against SA, even bent on its destruction. Foreign capital has all but dried up because of growing political risks, and because of increasing moral pressure from groups opposed to white minority rule and apartheid. Exchange control leakages are considered to be so important that a commission of enquiry has to be set up to find ways to plug them. Gold, platinum and uranium look increasingly good, but clouds are building up over other export prospects as the world economic recovery shows every sign of petering out.

Therefore, batten down the hatches, consolidate, curb inflation, save, retrench and prepare for the storm. That, it is widely felt, is the correct reaction. But is it?

The *FM* believes not. For two reasons. On the one hand, there is a grave danger, not fully realised in government circles, that resignation breeds on itself; and the more people there are who resign themselves to the present state of affairs, the harder it is going to be to rebuild business confidence when the time comes.

On the other, while there are indeed considerable risks in adopting more expansionary fiscal policies and encouraging households to splash out a bit, these are almost certainly overstated. 1978 is not 1974. Our national problem is no longer overspending. It is underutilisation of capacity.

The graph (also depicted on the cover) shows how, since the end of 1974, unemployment has been rising steadily while no less steadily the foreign reserves have been slipping. The reserves are shown net of official short-term borrowings, which are merely window dressing.

It would be a different matter if unemployment and the reserves were both falling. Then the correct diagnosis would be overspending and the correct medicine a stiff dose of higher taxes, higher interest rates and lower growth in government spending. In short, precisely the policies Horwood so wisely pursued in 1975 and 1976.

But now we have falling reserves *despite* declining growth and burgeoning unemployment. A classic case of fundamental disequilibrium.

Horwood's lieutenant, Secretary for Finance Joep de Loor, told financial executives in Johannesburg last week that factory output had slumped to where it was five years ago; one in five machines were standing idle; in the motor industry, only 60% of plant was being used; and economic growth had slipped to less than 1% — which means that, on average, every South African is growing 2% poorer a year.

There is no doubt that depressed economic conditions are themselves exacting a toll on the foreign reserves. True, lower levels of demand mean fewer imports and that helps the current account of the balance of payments. But, on the other hand, a depressed economy also means a smaller net inflow of foreign capital. Fewer imports: fewer trade credits. Less fixed investment: less ploughback of foreign-owned profits. Less profit: all the more reason for foreign-controlled firms to pull out of SA. Less of the good life: less immigration, more emigration. A smaller return on funds: more the temptation for the rich to break the law and spread their risks abroad.

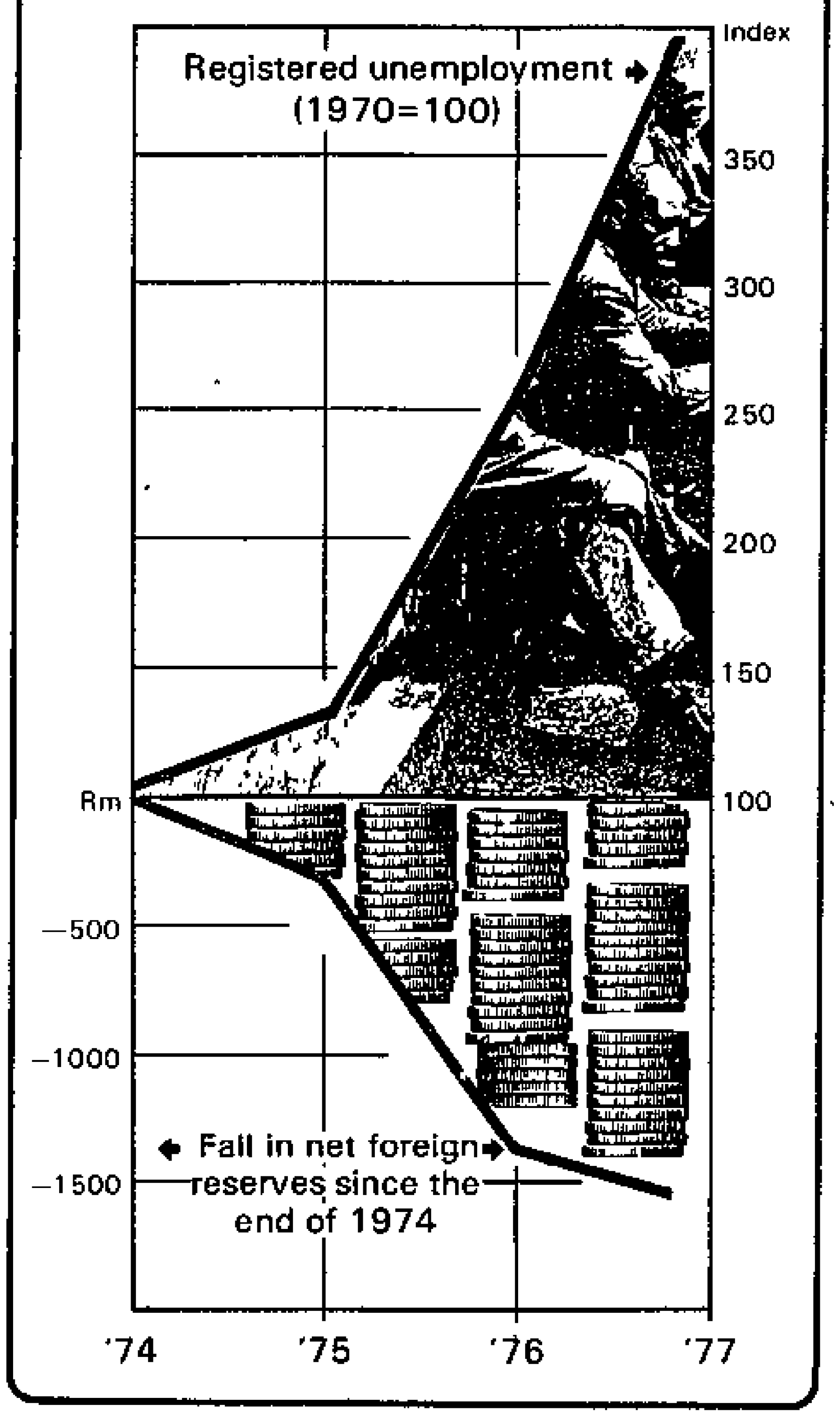
Conversely, putting a bit of zap into the economy would help to rebuild business confidence, encourage fixed investment and *strengthen* the capital account.

Yes, there are risks. If Pretoria were to inject a lot more spending power into the economy, short-term interest rates would soften. That would cause short-term funds to leave the country and short-term foreign credits to shrink, which would be an additional drain on the foreign reserves.

That is a problem that can be dealt with by lowering the exchange rate. Nobody knows how many hundreds of millions of foreign exchange are waiting in the wings in anticipation of precisely that cue. It could be quite a few — especially if it was made known that the rand would be allowed to float after tak-

GRAPH 1

FEWER JOBS, SMALLER RESERVES



ing its initial knock. The trouble with a fixed exchange rate is that it is too easy for the whole herd to speculate against it. With a floating rate, you have to be better than the herd.

South Africans and the world are aware that we have given Gatt an undertaking that we will abolish our trade-restricting 15% import surcharge. This, as De Loor admitted last week, has provided industry with welcome protection and stimulated import replacement. Are we now going to scrap the surcharge without granting industry some other form of comprehensive protection against imports?

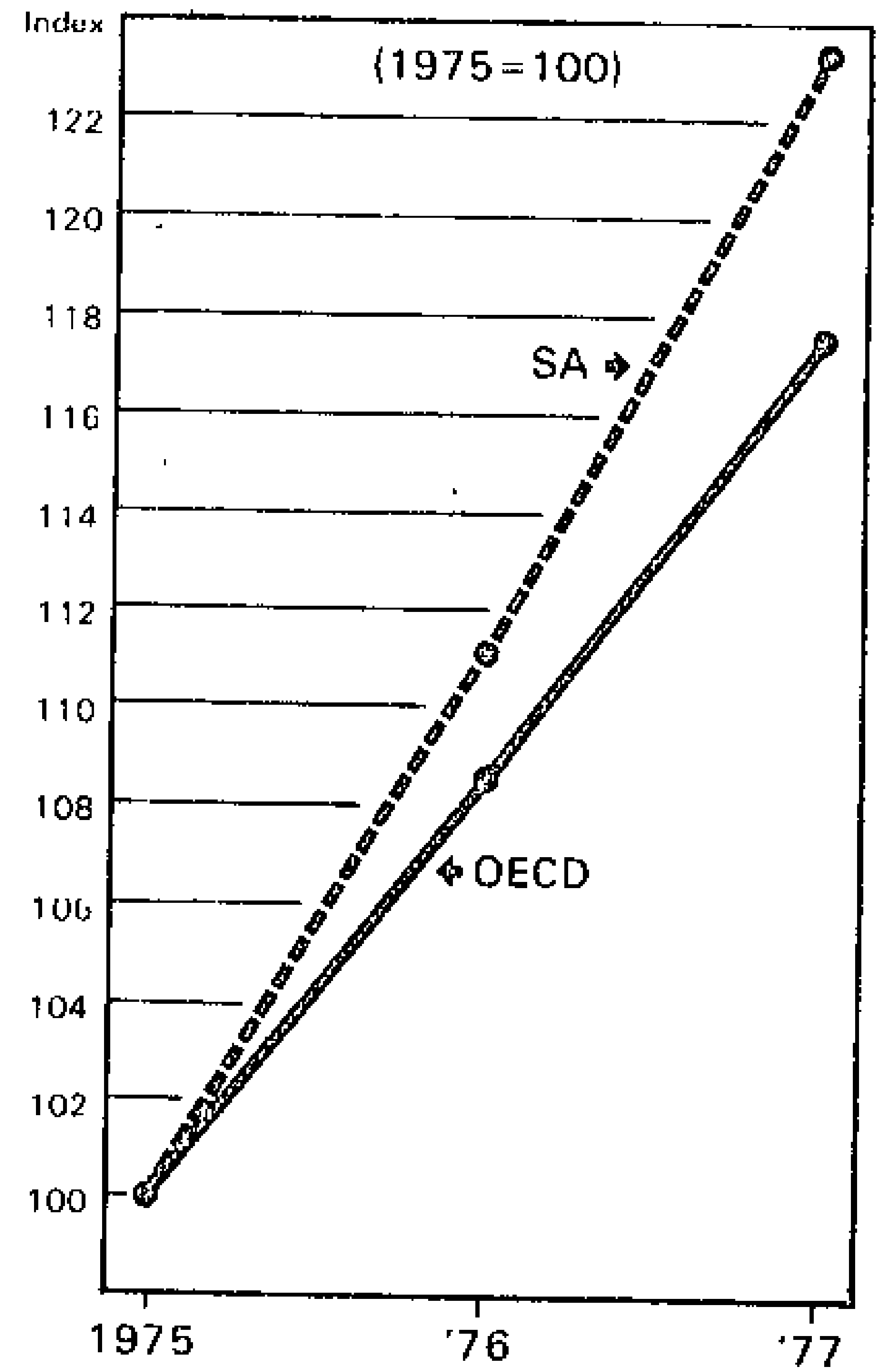
Another point. Since we last devalued two-and-a-half years ago, the trade-weighted value of the rand has not moved. It rose for a while, then fell back again, so that today it is almost exactly where it was immediately after the devaluation of September 1975. Yet since 1975 SA's rate of inflation has exceeded the average rate of inflation experienced by its trading partners (graph). That has shaved away some competitive advantages — and not only for import-replacement industries.

With such a cloudy world outlook for many commodity prices, export profit margins are once again coming under scrutiny. For some industries, a devaluation now could be the difference between losing a contract and keeping it.

Of course devaluation is painful. It means higher inflation. But in a slumpy economy the amount of extra inflation caused by devaluation can never be so great as to swamp the competitive advantages that accrue to exporters and import replacers. For that to happen wages have to shoot up straight away to levels that fully protect the real earnings of those employed. With so much unemployment around, our trade unions are hardly in a position to achieve that much.

GRAPH 2

CONSUMER PRICES



Which brings us to the heart of the matter. Carrying on as we are, allowing the recession to drag on indefinitely in the hope that one day a political miracle will happen to make investment in SA kosher again, or that there will be an economic windfall, like the price of gold going to $300, may be bearable for those who have jobs. At best they only have to give up golf, at worst one meal a week.

But what of the scores of thousands, perhaps hundreds of thousands, who every year join the queues of jobless? There is no doubt that they would prefer a higher rate of inflation if it meant creating more employment.

Indeed, negative per capita growth and rising unemployment are now the chief problems facing economic policy-makers in SA. There was nothing they could do about them while investment exceeded savings, as in 1974-76. Now that savings exceed investment, some good old-fashioned Keynesian stimulation (more spending) is what is needed.

Provided the rand is kept cheap, which it will be if it is devalued and allowed to float, there need be no balance of payments problems. Only an inflation problem — and that is a price we should now be prepared to pay.

KORT VERT[illegible]

RAPPORT 26/2/78

(49)

Horwood sal moet help

MNR. ROB ABRAHAMSEN . . . sê min. Horwood moet in sy Begroting poog om vertroue in die landsekonomie herstel.

Deur **DAVID MEADES**

ONS landsekonomie se grootste probleem is op die oomblik 'n gebrek aan vertroue. Die herstel daarvan behoort sen. Owen Horwood, Minister van Finansies, se hoofdoelwit te wees wanneer hy sy Begroting teen die einde van aanstaande maand lewer.

Die eerste grondslag hiervoor kan met fiskale maatreëls gelê word, het mnr. Rob Abrahamsen, senior hoofbestuurder van Nedbank, in 'n spesiale onderhoud aan Sake-Rapport gesê.

Dit was nadat hy vroeër vandeesweek die bank se tak op Germiston toegespreek het en onder meer gesê het dat hy verwag dat die land se inflasiekoers vanjaar verder sal daal tot minder as 10 persent.

Hy sê dat alles daarop dui dat dit vanjaar beter sal gaan as verlede jaar. Maar hy verwag geen wonderwerke nie. Die herstel sal stadig en slegs matig wees.

Mnr. Abrahamsen het aan Sake-Rapport gesê dat die Regering gerus behoort te kyk na een of ander vorm van belastingverligting. Ons belasting is gans te hoog in Suid-Afrika en verligting sal daardie grondslag vorm waarvandaan weer gegroei kan word.

Ons het in Suid-Afrika met 'n politieke sowel as 'n ekonomiese probleem te doen. Een van die twee, en liefs albei, moet opgelos word om weer vertroue in die ekonomie te herstel.

En hier is dit baie belangrik om ons vriende in die buiteland net 'n klein bietjie hulp te gee sodat hulle ons vriende kan bly.

Ons sal dan, soos pres. Franklin Roosevelt gesê het, niks te vrees het behalwe vrees self nie, het mnr. Abrahamsen gesê. Daar moet positief gedink word.

Winste

Hy voel ook dat sodra vertroue in die ekonomie herstel is en sake weer op dreef kom, hernieude buitelandse beleggings na die land sal vloei.

Mnr. Abrahamsen het ook net lof vir die manier waarop sen. Horwood die land se finansiële sake oor die afgelope twee jaar gehanteer het. Hy meen dat die regte pad gevolg is en dat daar nou hiervandaan verder uitgebou moet word.

Daar sal egter nou in groter mate na fiskale maatreëls gekyk moet word nadat ons te lank op monetêre beleid staatgemaak het. Dit moet vir die private sektor die moeite werd gemaak word om 'n wins te maak, wat ook sy newe-uitwerking op die staat se finansies in die vorm van meer belasting sal hê.

Die man op straat moet insgelyks aangemoedig word om harder te werk, maar dan moet die staat nie maar weer alles terugvat in die vorm van belasting nie.

Hier kan die staat die voorbeeld stel en 'n aanduiding gee met ekonomiese stimulering.

Die belangrikste bly egter vertroue en dit moet so gou moontlik herstel word, het mnr. Abrahamsen gesê.

(49) 27/2/78

How economy is blocked — Cloete

EAST LONDON — Political uncertainty (and the lack of confidence this has engendered), inflation and an inappropriate policy on the expansion of the domestic money supply, have all combined to negate the favourable impact on the economy of the dramatic turnaround on current account of South Africa's balance of payments.

This is the view of Dr Johan Cloete, chief economist of Barclays National Bank, writing in the latest issue of Barclays Business Brief.

"Moreover" says Dr Cloete, "these factors continue to stand in the way of a general economic recovery at the present time.

"Until their negative effect on incomes, and on total effective demand, is significantly reduced, it might not be possible to produce the long-awaited upturn in the economy.

"This is so especially in view of the fact that the exceptional export performance is unlikely to be reproduced in the period ahead in the face of a significant measure of economic and exchange rate uncertainty in the major countries overseas, on whose markets we are so dependent for our exports."

Dr Cloete concedes that, perhaps, little can probably be done in the short term about the political situation, and the adverse effects which this has on the capital account of the balance of payments, and on confidence — not only of prospective overseas investors in South Africa, but also on that of domestic consumers, businessmen and investors.

"At the same time, there is little doubt that overseas, as well as domestic investors will be influenced favourably if we can achieve even only a modest economic upswing in the months ahead" he adds.

"The best way of restoring confidence in the South African economy is to demonstrate that it is, in fact, capable of growing at a more rapid rate than that achieved over the past two years, in spite of political uncertainties surrounding it."

To achieve this, Dr Cloete believes, it will be necessary to push real money growth at a faster rate.

Given a continuation of inflation at a rate at or above ten per cent in 1978, he suggests the nominal money supply might well have to be increased by at least 13 per cent to produce an increase in effective demand and in real GDP of three per cent.

Such an increase in the money supply, and the need to expand bank credit at a faster rate, would probably also require at least a moderate creation of additional cash through Government deficit-financing, to provide the banking system with the necessary liquidity to support a more rapid expansion of bank credit.

Dr Cloete does not believe an increase in money supply will accelerate imports and negate the improvement on the current account of the balance of payments.

"A moderate economic upswing is unlikely to lead to any substantial immediate increase in imports, since purchases of capital goods (which make up the major portion of total imports) from abroad on any scale would not be necessary for some time — at least not until a significant part of the idle production capacity in the economy has been absorbed again", he suggests.

"In any event, it would be more appropriate at this point to control imports more directly rather than through an imposition of continued recession on the economy.

"While the recession and restrictive monetary policies have contributed (although not as much as exports) towards the turn around on current account, we must not lose sight of the fact that we have paid a very considerable price in order to achieve this in terms of unemployment, insolvencies, loss of profits and output, and damage to the capital base of the economy.

"Moreover, we have paid this price to control imports without accomplishing much to reduce the inflation rate which, of course, remains the main problem facing the economy."

Turning to inflation, Dr Cloete says one thing is certain: a continuation of the policy of trying to pull down the inflation rate by keeping the rate of increase in the money supply below the inflation rate, is going to continue to affect real economic activity more than inflation, and will continue to keep the economy in a generally depressed state.

Dr Cloete concludes it is unlikely a moderate increase in the real money supply would, at this stage of the business cycle, lead to an acceleration of inflation.

"Why should price makers want to increase their prices when they find they are actually selling more units, and that this is helping their profits?" he asks.

"On the contrary, the additional output which can be produced as a result of an increase in the real money supply should, through its favourable effect on profits, help to counteract the constant upward adjustments in administered prices, which is one of the main generators of inflation at the present time."

— BUSINESS EDITOR

Professor Jan joins welfare statism attack

Sun Times 5/3/78 (K9)

By IVOR WILKINS

ANOTHER leading Afrikaner academic has made a slashing attack on the Nationalist Government's welfare-statism.

He is Professor Jan Lombard, and in a new book, "Freedom, Welfare and Order", he says:

"The centrally-controlled welfare sub-state for non-whites on which probably one-third to 40 per cent of the national income is being spent has developed into a malignant growth on a healthy body of a free-market economy."

In an attack reminiscent of that by controversial Afrikaner economist Dr A. Wassenaar, he says:

"An unacceptable pattern of racial discrimination in economic affairs has developed in South Africa.

"Millions of people with different national connections seek their material welfare without any rights of participating in the process of social choice, which puts them politically in the same position as children.

"From the point of view of economic freedom and welfare the trend of greater State interference has for years been in the wrong direction.... towards a socialist state with a haphazard technique of central economic control."

A socialist state in South Africa could not be both democratic and economically strong, warns Prof Lombard.

He says: "It will lead either to a redistribution of wealth which will result in a lower level of production and a disastrous fall in income, or to a dictatorship."

Prof Lombard, head of the University of Pretoria's economics department, says blacks will have to be included in constitutional proposals for coloured people and Indians.

The exclusion of urban blacks, he adds, would be the plan's greatest drawback in the eyes of many coloured people, Indians and even some members of the National Party itself.

(49) 5/3/78 Sunday Tribune

Bank forecasts economic gearing will stay in neutral after Budget

Special Finance Correspondent

MARCH . . . and minds are turning to an annual event of great significance. More than any other single event, the Budget sets the tone for economic activity in the year ahead. The financing and regulation of State expenditure can shape the economic fortunes of every one of us.

A consideration of what the budget holds in store is therefore of interest to all.

The latest issue of Senbank Economic Opinion draws some conclusions on the likely form of the next Budget. The economy is badly in need of stimulation to engender more rapid economic growth. But the authorities are restrained from providing the necessary impetus to growth by the need to protect the balance of payments and contain inflation.

Senbank sees the Minister of Finance as having basically four options open in the design of the new Budget: Another restrictive budget similar to that of the previous fiscal year would protect the balance of payments and would certainly lead to a further fall in the rate of inflation.

The cost would be that the recession would be prolonged for a further year.

A diametrically opposing option would be to design an expansionary budget in the hopes of inducing a return to rapid economic growth. The danger with this option is that the effect is likely to be short-lived because the balance of payments would rapidly come under pressure again. Steps would have to be taken to protect the foreign exchange reserves.

A third option open to the Minister of Finance would be to prescribe a more or less neutral Budget which would enable economic policy-makers to bide their time until more claritly is achieved in respect of the balance of payments position.

Senbank identify a last option. It would be possible to adopt a stimulating budget if stringent measures such as import quotas, import deposits, tariffs and devaluation were imposed to protect the balance of payments.

The bank goes on to point out that this last unorthodox approach, while attractive, is unlikely to be adopted since the sort of measure that would have to be taken to protect the balance of payments falls within the terms of reference of the De Kock Commission into monetary policy. The authorities will be reluctant to pre-empt the findings of the commission by taking decisive new action to protect the balance of payments.

Senbank rules out the possibility of an expansionary Budget because of the Government's obvious concern with the country's net reserves position. Similarly, a repeat of the restrictive measures which accompanied last year's Budget can also be ruled out in view of the authorities' obvious concern with stimulation.

Evidence of readiness to encourage a restimulation of economic activity is to be found in the programme of selective stimulation which has already been announced.

Senbank therefore anticipates a fairly neutral Budget with a continuation of official action to encourage a selective stimulation of the economy.

To this end the bank anticipates Government expenditure increasing by approximately 10 percent during the new fiscal year. Although this implies a higher rate of increase than that applicable during the 1977/1978 fiscal year, the rate of increase will remain lower than the rate of inflation and, as such, will not represent a real increase in expenditure.

To finance this increased expenditure, Senbank forsees a new sales tax, which on a tax base of R25 000 million would, at say 40 percent raise new revenue of some R750 million. The current sales duty is not, however, expected to be abolished until after the new sales duty has been imposed.

Senbank expects higher or new excise duty on certain durable goods in order to maintain progressiveness in indirect taxation. The bank does not expect major changes in income or direct taxation. The import surcharge is expected to be lifted, although the importance of the measure as a revenue raising device will probably delay its removal until after the new sales tax is introduced.

On the basis of these assumptions, and assuming a further net redemption of foreign debt in the 1978-79 fiscal year, Senbank predicts a shortfall in revenue of about R1 850 million.

This would be financed in the following way: R900 million will be available from new Government stock issues. R100 million will accrue from the sales of new Defence Bonus Bonds; Loan levy receipts will be in the region of receipts for the current year — about R462 million.

This leaves a shortfall of about R400 million which will have to be financed by increasing the Government's net indebtedness to the banking secor.

This could be done in two ways. The cash balance which it is expected will have been built up during the current fiscal year could be utilised, and drawings could also be made from the stabilisation account. This action would provide the Budget with a midly stimulatory bias.

WARNING ON BIG WAGE DEMANDS

(49)

NM 7/3/78

Mercury Correspondent

PRETORIA — Excessive wage demands from organised labour could be the last straw for South Africa's ailing economy, the head of the Stellenbosch Economic Bureau, Professor J. L. Sadie, warned yesterday.

He was commenting on demands of up to 42 percent on basic minimum wages which are to be made by trade unions in the metal industry, and on a statement by the president of the Trade Union Council of South Africa, Mr. Ronnie Webb, that demands for 25 percent increases — and more — could be expected from unions.

Professor Sadie said unless unions exercised responsibility and restraint they could drag the economy even deeper into recession and send the inflation rate into orbit.

He stressed that the latest wage demands strengthened his appeal for a wage and price freeze until the inflation rate was brought under reasonable control and the economy brought on to a more even keel.

The Government, he added, had set a strong enough example to the private sector on the issue of wage and salary restraint.

"If we are to get anywhere close to economic stability again then it is now more necessary than ever that prices and wages should be restrained by the authorities."

Werkerbesonderhede (2)

(b) melk: hoeveelheid

grys (as nie gratis verskaf word nie)

waarde aan boer

waarde aan werker

(c) ander kos

(d) Weiplek toegelaat

Aantal van: skape toegelaat gehou

bokke " "

beeste " "

ander

Waarde aan boer

(e) Grond

Oppervlakte verskaf

Waarde aan boer:

Water (jaarlikse koste aan b

Koste van ander dienste b.v.

(f) Klere: artikels verskaf deu

Koste aan boer:

(g) Bonus (jaarliks)

(h) Geskenke (jaarliks: artikel

Koste a

(i) Ontspanningsgeriewe verskaf:

Koste aan boer (jaarliks):

(j) Gesondheidsdienste:

Jaarlikse koste aan boer van

(j) Totale mediese koste

(k) Pensioenbydrae deur boer (jaa

(l) Versekeringsbydrae deur boer

(jaarliks)

Prikkel nou, sê AHI

Sake-Rapport 12/3/78

49

DIE hoofbestuur van die Afrikaanse Handelsinstituut (AHI) meen dat daar nou 'n prikkeling van die ekonomie moet plaasvind. Daar sal egter aanvaar moet word dat beweegruimte vir stimulering beperk is, sê die AHI in 'n verklaring aan Sake-Rapport.

Die AHI meen nietemin dat 'n verligting ten opsigte van die hoë koerse van regstreekse persoonlike belasting nodig blyk te wees ten einde verbruikersvertroue te help herstel.

Daar is kennis geneem dat hoewel die afgelope jaar 'n welkome toename in die uitvoer en 'n afname in die invoer gebring het en dat die dollarprys van goud die laaste paar maande aansienlik gestyg het, daar geensins aanvaar moet word dat die betalingsbalansknelpunt nou uit die weg geruim is nie.

Trouens, die grootste versigtigheid word ten opsigte van die betalingsbalans vereis — veral omdat daar nie gereken sal kan word op enige beduidende invloei van langtermynkapitaal nie.

Die AHI, wat hierdie verklaring ná 'n hoofbestuursvergadering in Kaapstad gedoen het waarop die huidige en verwagte ekonomiese posisie indringend bespreek is, sê dat die goudprys hierbenewens skerp kan skommel.

Kostestygings in die primêre en sekondêre sektore is tesame net institusionele prysstygings van sodanige omvang dat die land se internasionale medingingsposisie nadelig geraak word.

Daar is aan die ander kant ook kennis geneem van die lae groeikoers van die ekonomie en die agteruitgang van 'n hele aantal sektore. Daar is aansienlike oorskotvermoë in feitlik al die sektore, wat bydra tot die styging in eenheidskoste.

Die swak vraag na goedere en dienste, rekoppel aan die druk op winsgewendheid, lei wel tot verdere rasionalisasie en innovasie, maar ongelukkig tot groter werkloosheid, sê die AHI.

Taking the pulse

There are faint glimmerings that the economy, desperately ill for three-and-a-half years, is past the worst. Whether the patient will manage to get back on to his feet this year no doubt depends on what the doctor prescribes on March 29. A strong tonic in the form of tax cuts and/or government expenditure increases, and if necessary a further

Minister Horwood . . . now for a tonic

depreciation of the rand, is what is needed.

Certainly the basis for a return to economic health is present. The most encouraging development is the huge R2,6bn swing of the current account of the balance of payments. That has laid the foundation for a recovery of the foreign reserves and for a more generous expansion of the money supply.

Then there is gold. Last year, strongly rising gold (and other mineral exports) probably made the difference between a general slump and what in the event turned out to be a fractional but nonetheless positive rise in national output. This year, another sharp rise in the price of gold could provide the foreign exchange and liquidity needed to help push growth from 1977's estimated 0,6% to perhaps 2%-3%.

Gold sales totalled R2,8bn in 1977, up R400m on the previous year. If the metal price averages out at say $180 in 1978 — as seems likely if the dollar is to stay in the dogbox — this year's sales will total at least R3,5bn, or R700m more than last year's. In itself, that rise would equal 2% of GNP.

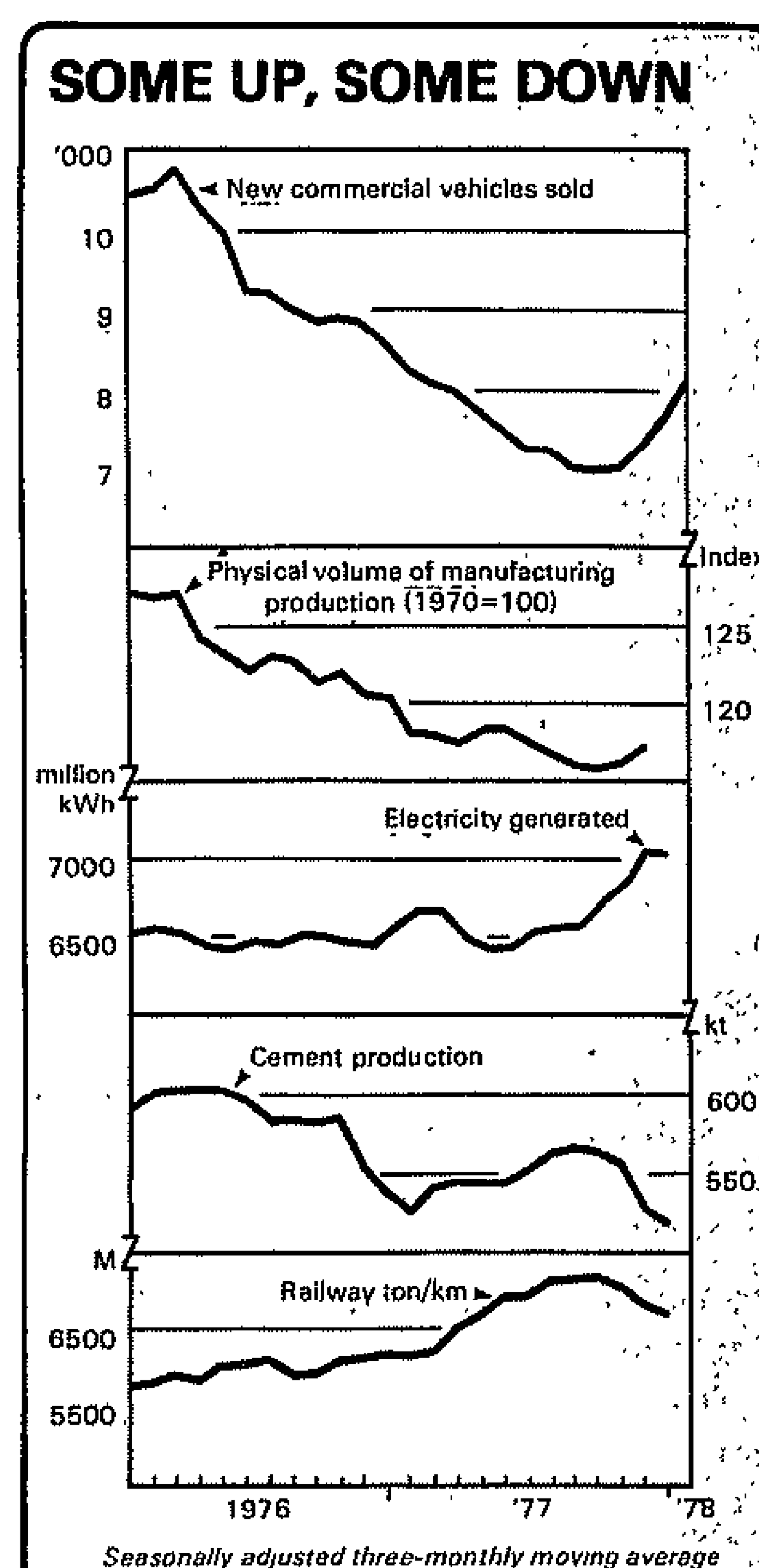
The rising gold price also heralds another substantial current account surplus. True, prospects for coal, manganese and iron ore exports are far from bright; this year's crops seem likely to be lower than last year's; and there are growing worries about international protectionism.

However, platinum, diamonds and uranium look promising enough. And there are signs that the net outflow of short-term capital (perhaps R1bn in 1977) is slowing. So the balance of payments should not present a problem.

But if the foreign side of the national accounts looks better, how fares the domestic side? Not very well. Last year, real gross domestic expenditure slipped by perhaps 4%. While that naturally helped cut imports, and thus boosted the foreign trade balance, it also meant rising unemployment, falling living standards and a stagnating or even shrinking real capital stock. Without a rising capital stock a modern industrial economy cannot grow.

Of total domestic expenditure, by far the largest component is household spending. In real per capita terms it has fallen sharply and shows few signs of recovering. Car sales are rising again but one suspects largely in anticipation of further sharp price increases (see *Business brief*), rather than as a result of improved income expectations. The latest figure for total retail sales of all commodities (January's) is 9% higher than a year ago. But that is with sales valued at current prices. Valuing them in real terms, they are probably down by 2%-3%. Without sharp tax cuts or large wage and salary increases, it is hard to see real household spending rising by very much in 1978. Indeed, in per capita terms, it will probably fall again.

Real government consumption hasn't risen significantly, either. And, of course, fixed investment has been plunging. In-



EXPENDITURE (AT CONSTANT 1970 PRICES)

	1976 Rm	*1977 Rm	Change %	†1978 Rm	Change %
Private consumption	9 550	9 500	—0,5	9 700	+2,0
Government consumption	2 395	2 350	—1,9	2 400	+2,0
Gross fixed investment	4 136	3 700	—14,3	3 550	—4,0
Change in inventories, etc	—599	—550		—250	
Gross domestic expenditure	*15 662*	*15 000*	*—4,2*	*15 400*	*+2,7*
Exports of goods and non-factor services	3 494	3 800	+8,8	3 900	+2,6
Less imports of goods and non-factor services	—3 590	—3 140	—12,5	—3 300	+5,0
Gross domestic product	*15 566*	*15 660*	*+0,6*	*16 000*	*+2,1*

*Estimate. †Guess.

ventories are probably pretty near rock bottom now, but again, unless we have a stimulatory budget, they are not likely to rise in 1978.

What do other indicators show? Manufacturing production, down during the first 11 months of last year, recorded a marginal (0,5%) rise in December compared with a year earlier. Building plans passed, however, showed a year-end plunge of 41%. Cement production is still down on a year ago.

Money and near-money rose by only 7% during the course of 1977, in one of the tightest liquidity squeezes the country has known. One of the reasons was the outflow of capital. Another was the success of government's local borrowing programme. Rising reserves will help ease liquidity in 1978. But government will have to increase the public sector deficit if there is to be any return to bountiful credit and lower short-term interest rates — without which a strong economic recovery is surely out of the question.

The most distressing statistic is for unemployment, which the official count puts at about 650 000. Latest (September) figures point to lay-offs in manufacturing of about 1 000 a month and in construction of about 470 a month. Employers claim these rates have since fallen (*Current affairs*) but unemployment continues to rise because new entrants to the labour market simply cannot find jobs.

Even if economic growth recovers greatly in 1978, there is unlikely to be much rise in employment until 1979. For there are presently hundreds of thousands of workers who, while in employment, are not fully occupied. Employers will want to see them more productively employed before they take on new men.

So, in short, while the economic downswing may have touched bottom, the level of business activity is still extremely low. And there continue to be great worries about the political and economic future — as Hollard Street aptly demonstrates. Pushing activity up again is going to be a long and arduous process, and the sooner Minister Horwood gets on with the job, the better.

(2) 49

Sun Times (Bus Times) 19/3/78

All-out effort to lure foreign cash

BY NEIL BEHRMANN

THE monetary and fiscal authorities will do all they can this year to lure back foreign investors.

These are the indications from interviews with the Secretary for Finance, Dr Joep de Loor, and Dr Gerhard de Kock, the special economic adviser to the Minister of Finance and chairman of the commission of inquiry into the monetary system and policy in South Africa.

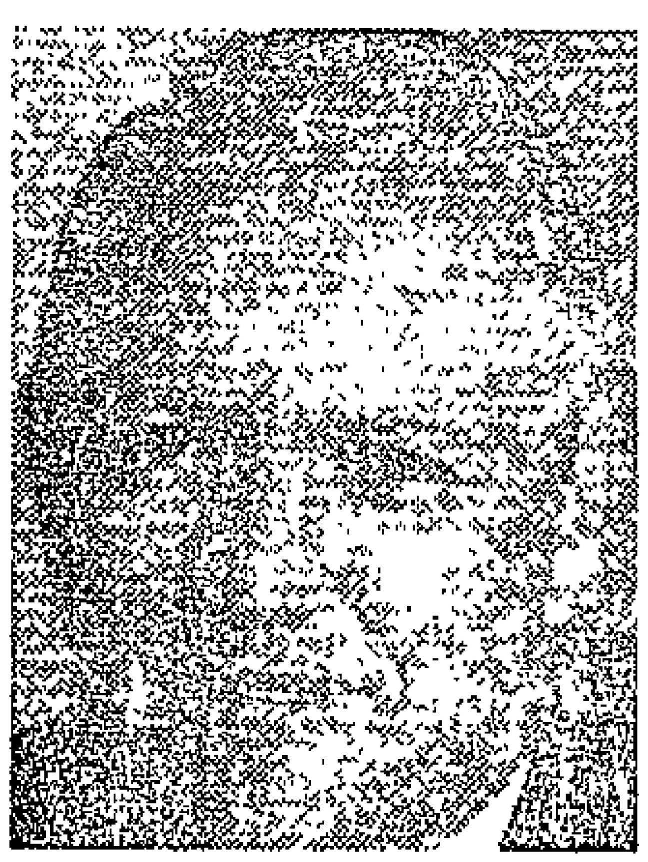
Political events in Southern Africa are beyond the control of Senator Horwood's competent advisers. But they intend to keep the economy healthy and remove disincentives to foreign investments as soon as possible.

From restrictive economic policies, the authorities will go for more growth to bring down unemployment. And once the commission's findings are known, exchange controls on foreign investors could well be relaxed.

Dr De Loor was forthright on the importance of foreign capital for South Africa. He said that over the past two to three decades average capital inflows from abroad represented 3 per cent of the gross domestic product. In good years the proportion was 6 to 7 per cent. The percentages seem small.

But if this capital dries up, the price to South Africa is a 2 to 3 per cent lower growth rate. With a fast-growing population, this can be translated into higher unemployment.

The withdrawal of the Portuguese from the buffer states of Angola and Mozambique, and the increasing uncertainty over Southern Africa has hampered the country's ability to raise capital on foreign markets.



Joep de Loor . . . "capital inflow need."

Biko

The Angola war, Soweto riots, and Biko affair make it all the more difficult. Had these events not occurred, South Africa might even have attracted surplus funds from oil producing nations.

As it happened, foreign capital inflow was a mere trickle last year. Dr De Loor says growth would have been zero last year without it. Instead, South Africa grew by a mere half per cent.

This is much lower than her major trading partners and puts her among the laggards in the world's growth table.

Dr De Loor notes that besides the foreigners' money, South Africa needs their technical know-how, managerial skills, ideas for new markets, and products.

In essence, the quality of foreign investment is essential to finance a higher growth rate without inflation.

To improve the country's balance of payments, the authorities pursued a tight money policy last year. Public authority spending was pruned, too. Helped by a higher gold price and a precious metals and diamonds boom, the balance of payments deficit turned into a comfortable surplus of about R800-million in 1977.

With this turnaround, the authorities had some room to stimulate the economy. But for a scheme to spend R250-million to improve housing in black townships, the authorities decided to play it cool.

They used the inflow of cash from gold, diamonds, coal and other products to redeem short-term foreign loans and repay trade credits. Noting that South Africa's financial position has improved, and aware that the country has the ability to repay its debts, foreign bankers have softened their stance.

Dr De Loor says that public sector borrowers are receiving offers for longer term finance now. Only a little while back the Government, Escom, Iscor and others were struggling for one-year funds.

Crucial

Now South African borrowers are recieving offers for three to five-year money, and in some instances even seven years. It is evident that the commission of inquiry into monetary policy will have a crucial effect on future economic moves by the authorities. With the foreign exchange markets in turmoil, the commission has been instructed to produce an interim report within the next three to five months.

Dr De Kock emphasises that the exchange rate, monetary policy, domestic interest rates and fiscal policy are all interrelated. Tied to the thinking about the future of the exchange rate is the question of exchange control.

Pegged

Dr De Kock said there is no reason to devalue or revalue the rand under present circumstances. Since last September the weighted average depreciation of the rand has been only 5,3 per cent, and the rand is roughly at the same level as it was immediately after the huge 17,9 per cent devaluation in September 1975.

The rand is pegged or linked to the dollar, but it is a "variable" peg. It can be revalued or devalued at any time.

But the authorities intend keeping it at the same level against the dollar. Who knows, in the next few months the dollar could appreciate, and then there would be speculation on a possible rand devaluation, in contrast to today's talk of revaluation?

This would lead to an outflow of funds at a time when South Africa needs an inflow of funds.

Again the commission's findings will be crucial. Especially since the authorities have held discussions with the Israeli Finance Ministry, and have noted the Israeli experience in allowing their pound to float. After this decision last year, capital flowed back into Israel.

South Africa already has a sophisticated money and capital market. The commission will be looking into the possibility of a foreign exchange market. A floating rate will "depoliticise" the rand, as it will float to the level determined by market forces.

To solve the problem of exchange control at a time when the country needs to attract foreign investment capital, the commission will study the possibility of a "financial" rand, or the possibility of a investment rand market.

Franc

This would be similar to the "financial" French franc and Britain's investment dollar premium market.

In other words, the securities rand market could be developed into a broader area. Again, these are questions for the commission, and there will be indications on the future possibilities in the interim report.

Gerhard de Kock . . . "no reason to devalue."

For the moment, Dr De Kock emphasises that there is no question of controls on any current foreign payments, which includes dividends and interest payments.

In any case, he says, this is forbidden under IMF and GATT regulations. In fact, the commission intends looking into ways and means to relax exchange control on foreign investor's capital in South Africa.

Time to boost government spending

Taxation relief should take second place to vitally necessary housing, transport and education services

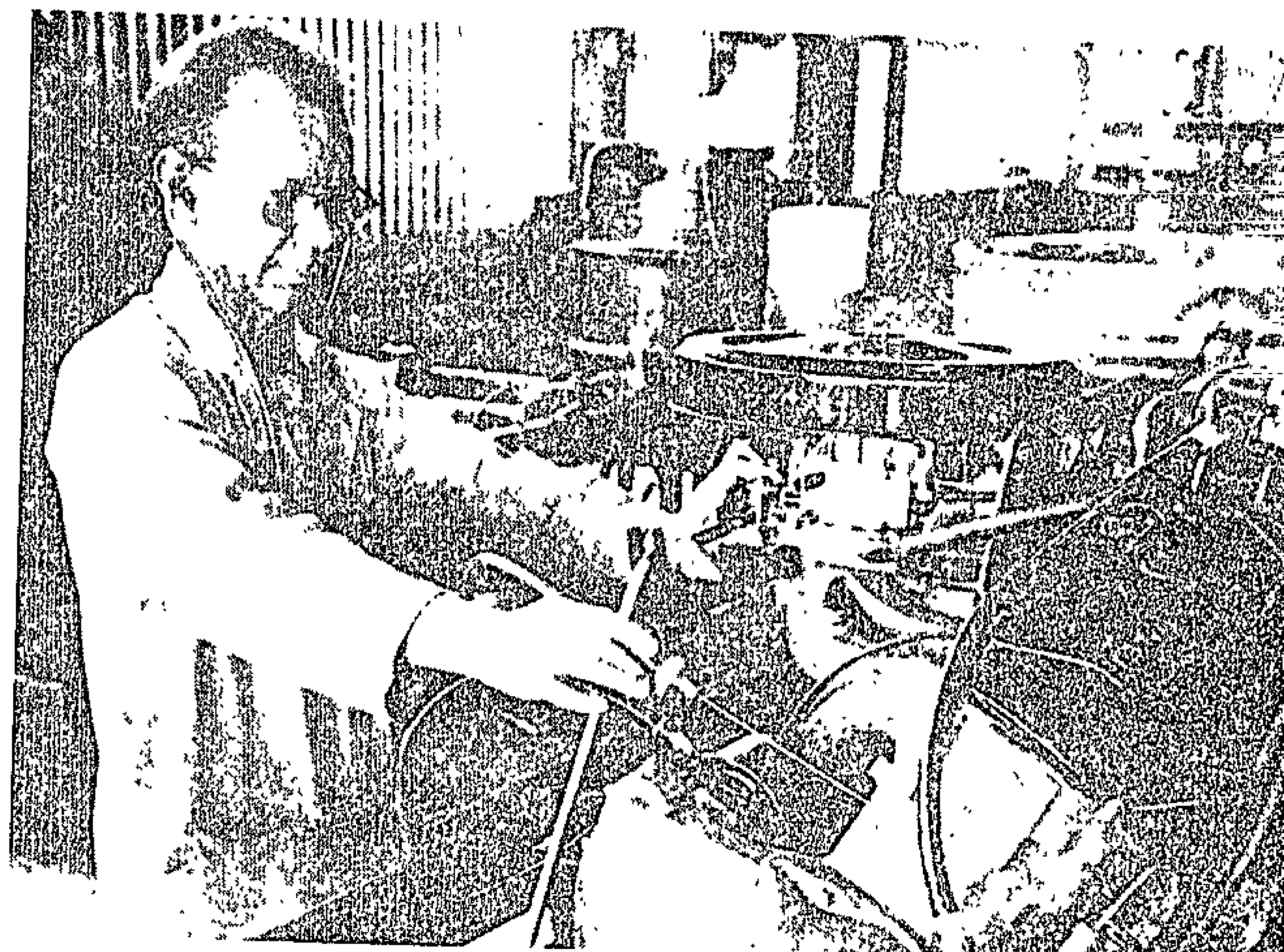
Every budget is a gamble. Next week's is no exception. Finance Minister Horwood will have to steer a hazardous course between more inflation and a potential drain on the foreign reserves on the one hand, and yet another year of recession and still more unemployment on the other.

He should go for growth. If not, the economy could well spiral downwards in a whirlpool of unemployment, which could lead to more social and political turmoil. If Horwood has to err, he should err on the side of too much stimulation, rather than too little.

He will have the advantage of starting the financial year with a liquid exchequer. Far from having had to draw on his existing cash balances during 1977/78, he has actually added to them. True, government revenue was below target at the end of February; but so was government spending. Meanwhile, borrowing from the non-bank private sector has exceeded even the most optimistic forecasts, ending up R800m above budgeted levels.

So it seems likely that Horwood will be able to carry forward a sizeable cash surplus, which he can justifiably spend in the 1978/79 financial year. Against this background the *FM* would suggest:

- A large 1978/79 deficit before borrowing. This means government spending should once again be allowed to exceed government revenue. By how much? It's hard to say, but we would suggest the gap should be nearer R2bn than R1,6bn, the 1977/78 budgeted deficit.
- Government spending should be increased in real terms. With an anticipated inflation rate of over 10% that means that, in terms of rands and cents, spending should rise by, say 13%. The key is to decide on the right priorities.



Operative in a car plant . . . investment incentives should encourage labour-intensive technology

Defence will go up again, naturally. But for the rest Horwood should concentrate on providing crucial social amenities. He could begin by providing enough funds for the electrification of black townships (and not just Soweto). This would lead to a lot more work for SA's hard-pressed building industry, and would give a welcome boost to the demand for consumer durables. Flagging business confidence would get a shot in the arm and the number of jobless would be reduced.

Another area that warrants government's urgent attention — and which would help to stimulate growth — is the provision of housing, especially for Africans. This again would stimulate the

WHAT THE PUNDITS THINK

Nearly everyone in organised business and commerce, as well as the major banks, seems to feel that a budgetary boost is desirable.

- Raymond Parsons, executive director of Assocom, believes "the budget should be set in a positive context and should be stimulatory . . . the bias ought to be towards tax reductions which stimulate consumption."
- Barclays' economist, Johan Cloete, also suggests a reduction in taxation. He argues that economic growth should be made to exceed the 2,6% growth of population. "It seems", he says, "it could reasonably be argued that yet another year of economic growth below that in population is likely not only to give rise to social strains but also to damage the capital base of the economy."
- Senbank expects the government to "lean more towards neutrality than restriction with the emphasis . . . to be a continuation of the official theme of selective stimulation." It advises tax relief in the form of a reduced income tax surcharge or loan levy provided this can be financed from indirect tax. The import surcharge would however need to be retained.
- Arthur Hammond-Tooke, the FCI's economist, is also hoping for more stimulation and a shift of emphasis towards more indirect tax. He believes that surcharges on company tax should be reduced and that the abatement reduction that applies to incomes over R5 000 should be scaled down. His concern, like others, is with the present low level of consumer confidence.
- Errol Drummond of Seifsa wants stimulation provided it is not overly inflationary.
- Adam Jacobs of the Afrikaanse Handelsinstituut would like to see a mild stimulation. The budget, he says, must try to restore confidence "within the restrictions imposed by the balance of payments and inflation."
- Standard Bank economists in their latest review argue that "a moderately stimulatory budget will be crucial in shaping the short-term prospects for the economy." They also believe that an attempt should be made through tax incentives to tackle the high capital and import intensiveness of the economy.

building industry and provide jobs, while easing political pressure. The programme announced towards the end of last year is far too small.

Similarly, the subsidisation of more efficient transport for urban blacks demands close attention. Many black city dwellers spend three to six hours travelling every day. One can hardly expect long-term social stability — or efficiency — from a frustrated workforce.

Finally, with SA's immigration programme on the rocks, urgent consideration should be given to upgrading the labour force. Technical skills are vital but depend on standards of education. To this end, Horwood should provide the financial impetus towards free and compulsory education for all within five years.

Juggling within the system

- Taxation relief should take second place to increases in government expenditure on vitally necessary housing, transport and education services. But there is room for some juggling within the existing structure.

Horwood must be cautious, however, in the way he implements the new sales turnover tax. This was originally suggested as a more efficient way of tax collection than the existing sales duties. The existing sales duties are paid by manufacturers when goods leave the factory. The new tax will be collected at the point of sale.

The new tax must not be used to provide relief for income taxpayers. Such a change would shift the burden of taxation on to the heads of poorer households and would thus be extremely regressive. It is not what the tax was originally intended for. The new sales tax should replace some existing sales duties and the import surcharge. It should not become a substitute for present levels of direct taxation.

Probably the most important feature of the present tax system that should come under Horwood's scrutiny is the system of investment and initial allowances. These serve to make investment — and capital intensive production — more appealing to businessmen. At present firms outside of "growth points," for example, can claim 55% of the cost of machinery used for manufacture as a deduction against tax payments in the first year of purchase. This has led to a situation where the high capital-intensity of the country's productive processes makes a mockery of the available vast pool of low-cost labour.

Rather than continue with this wasteful system, Horwood should change it. Instead of giving simple investment incentives he should grade them according to the labour-intensity of the processes. In this way he could stimulate labour-intensive investment.

- At least R500m of the government deficit should be financed by the banking system. This effectively means an injection of the same amount of cash into the banking system.

Devalue and float

That would affect both the general price level and the level of short-term interest rates. Effects on the price level are likely to be minimal in the present depressed state of the economy. On the interest rate side, however, the market is likely to be fairly responsive to increased levels of liquidity.

One of the dangers is that borrowers will turn away from foreign sources of funds towards local sources as domestic interest rates dip. This, in turn, will have the effect of cutting down net capital inflows. Government can counteract this, however, by devaluing and floating the rand (*FM* February 24) — something it will in any case have to consider when it abolishes the "temporary" (Horwood's word) import surcharge.

It'll be tough Budget test for Senator Horwood

S. Times Bus. 26/3/78 (49)

By NIGEL BRUCE

ON WEDNESDAY, the day of the national Budget, Senator Owen Horwood faces his first really telling test since his elevation to the Ministry of Finance.

Until now, Senator Horwood's budgets have been dictated largely by circumstance. In his first year as Finance Minister he was unavoidably caught up in the inappropriate profligacy inherited from his predecessor.

Thereafter, the need for austerity to correct the balance of payments and help contain inflation was obvious. And if it were not, our creditors in Frankfurt soon made sure that it became so.

In those years, Senator Horwood's achievement had less to do with his economic prescription than with the more difficult task of persuading his Cabinet colleagues to keep their hands out of their pockets.

Of course, that is not an achievement to be underrated. For without it, the trade balance would not have turned so sweet nor inflation moderated, even if the price was serious black unemployment as a result of a stagnating economy.

More than that, he nursed the Exchequer account into better health, although this was done partly by forced lending to Government at the expense of widows and orphans to make up the shortfall in tax receipts, and has repaid some of our pressing foreign indebtedness.

The reduction to a trickle of vital foreign investment, which has caused the deficit in the capital account of the balance of payments, and the shrinking of the reserves (particularly once short-term foreign loans are deducted) were beyond the bounds of practicable parliamentary rectification.

Recession

Apart from that, the Portuguese revolution, the world recession, and the conduct of the Minister of Police were beyond his control.

There is no doubt that Senator Horwood did all he could in his sphere of responsibility to put right serious deficiencies.

Having achieved that, it can be argued that now is the time for him to show his mettle with a creative Budget that will not only ginger up flagging business activity in the short term, thus reducing surplus manufacturing capacity and creating more jobs, but also radically reform outdated policies that are a serious constraint on longer term national prosperity.

Divergent

He has not been short of advice on how to do this. At different times and from different sources he has been advised to follow widely divergent paths, such as to raise taxes to meet the tax receipts shortfall (which would deepen an already serious recession) and to devalue and float the rand (a singular anomaly which is rather like suggesting he sink and swim simultaneously).

Despite all that, there are certainly hopeful signs that so far as the future is concerned, the Minister is on the right track, especially if the introduction of sales tax is a prelude to more taxation reform, which I believe it is.

This implies a more equitable spreading of the tax burden leading to a reduction in the high marginal rate that is stifling enterprise.

Moreover, in the field of monetary policy, a more effective exchange rate policy is being sought, which suggests that antiquated exchange controls will be reconsidered and, at worst, substantially overhauled.

Alas, it is too soon for official policy in these matters to be crystallised in this week's Budget. They must await more thorough investigation and win acceptance from a Cabinet that needs time to absorb their implications. So it is unlikely that Wednesday will see any of the more radical monetary and fiscal changes that are needed.

The Minister's more immediate task then is to ginger up business activity, so that spare manufacturing capacity is used up and investment stimulated.

On the other hand, he has to bear in mind that inflation is still high, although its rate of growth is declining and that this decline will at best be inhibited by the imposition of the new turnover tax and the consequences of the arms embargo.

On balance, however, inflation is probably less of a constraint than it was last ly in the United States, are likely soon to exceed those here.

Yet another consideration is that the currently favourable trade balance is likely to become progressively less so during the course of the forthcoming fiscal year, partly because export returns are declining as world commodity prices ease and partly because the need for imports is growing.

Austerity

This latter growth will arise if for no other reason than the need after two years of austerity for certain vital stocks to be replenished and because of the likelihood of trade sanctions against us.

It is also worth keeping in mind that a rise in business activity here might go a long way to countering the inhibition that lingering political fears are having on prospective foreign investors.

The plain fact is that attractive investment opportunities are scarce throughout the West, hence it is for this very reason that foreign bankers are seeking here, no less than elsewhere, good private sector lending opportunities, despite in our case increasing political pressures in their home countries not to do so. Even Government is able now to borrow slightly more appropriate capital sums abroad.

Undeniably, too, partly as a natural consequence of the past austerity, expansionary forces are already at work. For one, inflationary expectations are less, which should encourage the investment outlook. After severe cutbacks in official outlays over two years, Government spending must now move ahead again, if only so that the natural growth in demand for services can be adequately met.

Moreover, the high level of domestic savings must at some stage soon spill over and boost consumer demand. Apart from that, the gold price is buoyant and if it remains around current levels for a substantial part of the fiscal year this alone could add a few per cent to overall economic growth.

Consequently, a moderate real increase in official spending, funded by the non-inflationary loans with which Government has had so much success, should be sufficient to nudge the economy ahead appropriately without also fanning serious inflationary pressures.

Maybe, too, a little direct monetary stimulus in the form of reduced bank liquidity ratios would not be out of order. But, given the folly of our exchange control and exchange rate policies, this could have more serious side-effects.

For is would reduce short-term interest rates at a time when they are rising abroad and could, therefore, lead to the repaying of foreign trade credits which in turn would prejudice our scarce foreign exchange reserves and negate the few favourable influences already at work on our deplorable capital account deficit.

Injudicious

Tax cuts, other than to mitigate the effective tax increase that the rounding off process in the introduction of the turnover tax will entail, might require, in order to make up the shortfall from lower tax receipts, a degree of inflationary financing that would be injudicious.

In short, until Senator Horwood is ready to make the radical tax and monetary reforms that are necessary to our continued high level of properity, he would best serve the country by giving the economy no more than a modest shot in the arm.

(? word nic)

S. Tims. Bus. 26/3/78 (49)

STEPHEN MULHOLLAND

WASHINGTON. — For several years Business Times has urged the authorities to float the rand and it was, therefore, encouraging to see our colleagues at the Financial Mail advocate this measure (February 24).

However, their stress on devaluation was puzzling. The rand is clearly overvalued. Rand notes are trading in Europe at around 65 American cents each, compared with the official rate of $1,15.

In addition, the securities rand trades at under eighty US cents, while indications from the underworld are that money can be "shipped" for a discount of something like 30 per cent although, no doubt, that margin rises as individuals such as John Wall are charged and arrested.

As the Israelis have efficiently demonstrated, there is no reason to devalue the currency: "Merely set it free and the rate will settle where the market forces determine it should."

In the case of Israel, the pound fell by almost 40 per cent; devaluation is meaningless — it follows automatically when a fixed currency is floated.

In the process, however, it was fascinating to observe in Israel that, in the first week after the floating of the Israeli pound and the implementation of the policy permitting Israeli residents to hold unlimited amounts of foreign currency within Israel in special foreign currency accounts at their banks, the Israeli people as a whole SOLD almost R57-million more in foreign exchange to the banks than they bought from them.

There are, no doubt, as the Financial Mail points out, many hundreds of millions waiting to be converted into rands at the right price, and the right price is well below the artificial one which now prevails.

Exchange control is bad economics. Professor B. J. Cohen, in his authoritative work, "Balance of Payments Problems", pinpoints the position as follows:

"Exchange controls operate by suspending the free market: They do not eliminate the excess demand for foreign exchange, they merely suppress it.

"In the longer run, therefore, so long as the restrictions are less than absolute, outlets will be sought for that excess demand, in much the same manner — to evoke the classic simile — as water seeks its own level.

"Smart operators can be expected sooner or later to devise and attempt new methods of circumventing the Government's authority, and as they do, the effectiveness of existing regulations is bound to decline."

Now, however, I must part ways decisively with the Financial Mail which, inconceivably, calls for some "old-fashioned" Keynesian spending to follow the floating of the currency.

They do not appear to have heard that Keynes is dead. His theories no longer operate in the real world of the late 1900s and this is a notion widely accepted in economic circles.

The fact that America's rate of inflation is higher than that of her trading partners is a major factor in the dollar's weakness.

And, as the monetarists rightly point out here today in the United States, the trade-off between inflation and unemployment is no longer available.

The Phillips curve — which illustrates that inflation reduces unemployment — doesn't work any more.

In a discussion at Princeton this week, Dr Robert Weintraub, of the Domestic Monetary Policy Sub-committee of the House of Representatives, told me emphatically: "I am against inflation because inflation means more unemployment."

The Financial Mail's prescription for increased government spending — and the inflationary aftermath which always follows those binges — is a prescription for disaster.

It would lead to yet

• To Back Page

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Son.	"	"	"

(b) Jaarlikse verlof deur boer betaal
onbetaal

11. Kontantloon (weekliks)

12. Ander betaling (weekliks)

(a) Vleis: hoeveelheid
prys (as nie gratis verskaf word nie)
waarde aan boer
waarde aan werker

Exchange control is bad economics

• From Page 1

more, not less, unemployment, with renewed calls for more spending and so on along that vicious and well-known cycle that practically destroyed the British economy.

According to Keynesian mythology, doses of government spending were most effective when capacity was under-utilised and interest rates low.

Government spending reduced unemployment but raised the interest rate and this was considered a fair trade-off. But this was not good enough.

The central planners not only indulged in government spending to keep workers happy, but they went on a binge which sucked into non-productive government employment a vast proportion of the work force.

So we ended up with high rates of inflation, high rates of unemployment, high rates of interest and low rates of growth. And the Financial Mail says let's have more of the same.

Obviously, a return to political sanity would make a world of difference to our economic circumstances.

The floating of the rand and the partial dismantling of exchange control (one would like to see it totally discarded but one has to be realistic) along the Israeli lines would be a useful start.

Then what we might look at would be a small, tightly controlled increase in the growth of money supply WITHOUT ANY INCREASE IN GOVERNMENT SPENDING.

Finally, we should overhaul our tax system, now one of the most onerous in the world.

● Stephen Mulholland is at present a visiting Fellow at the Woodrow Wilson School of Public and International Affairs at Princeton University.

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Rede waarom werker elke werk verlaat het:

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HORWOOD SE

RAPPORT 26/3/78

Ons sê . .

ONS land het die laaste paar jaar op ekonomiese gebied 'n hele paar stampe en stote weg. Met die begin van die insinking is daar vir ons gesê dat daar 'n verposing voorlê, 'n tussenstadium waarin 'n stewige grondslag gelê sal word vir hernieude sterk groei later.

Hierdie verposing duur nou al baie lank en as 'n mens na ons stygende werkloosheidsyfer kyk, dalk té lank. Ons besef dat dit nie altyd so maklik is nie. Inflasie bly steeds op die agtergrond en niemand sal seker wil sien hoe hierdie monster nog verder op ons koopkrag inteer nie. Verder spook ons reserwes ook nog.

Maar in die proses word vertroue en die land se ekonomie al hoe ernstiger geskaad. Pessimisme wek meer pessimisme en die tyd het nou aangebreek dat stygende verwagtinge weer gewek word.

Daarom glo ons van harte dat sen. Owen Horwood Woensdag in sy Begroting 'n vars boodskap van hoop sal hê. Politieke onsekerheid oor die ontwikkelinge in Suider-Afrika het die ekonomiese swartgalligheid oor die laaste jaar of wat vererger.

Daar heers 'n gees van verwagting oor die Begroting. Ons hoop dat hierdie verwagtinge nie verydel sal word nie.

Begroting kan só lyk

+9

Deur DAVID MEADES

GEE en neem, gaan waarskynlik Woensdag sen. Owen Horwood, Minister van Finansies, se tema in sy Begrotingsrede in Kaapstad wees. Terselfdertyd sal dit ook dan bekend word hoe die Regering van plan is om die ekonomie te stimuleer.

Meer besonderhede oor die verwagte nuwe verkoopbelasting (omsetbelasting) en van wanneer af dit ingestel gaan word — waarskynlik begin September — sal waarskynlik dan bekend gemaak word.

Die algemene verwagting is dat die Begroting die volgende kan lewer:

- Geen regstreekse belastingverligting nie, maar 'n verligting in die leningsheffing wat die totale aftrekking vir belasting sal verminder.
- 'n Moontlike verhoging van die aksyns- of ander onregstreekse belasting — iets wat elke jaar in 'n mindere of meerdere mate gebeur.
- Die behoud van die bobelasting van 15 persent op invoer.
- 'n Matige toename in staatsbesteding.
- 'n Taamlike oorskot uit die afgelope belastingjaar.
- Moontlike toegewings vir maatskaplike pensioentrekkers.

Die instelling van verkoopbelasting, wat die sogenaamde verkoopreg, wat eintlik 'n belasting op duursame goedere is, gedeeltelik gaan vervang, gaan waarskynlik die belangrikste kenmerk van die Begroting wees.

Die algemene verwagting is dat hierdie belasting tussen 3 en 5 persent gaan wees. Oor 'n volle jaar sal dit 'n inkomste lewer wat tussen R800 miljoen en R1 300 miljoen kan beloop.

As dit 4 persent is, sal dit 'n inkomste van sowat R1 000 miljoen per jaar lewer. Die verwagting is dat die nuwe belasting van begin September vanjaar van krag sal word, wat in die lopende belastingjaar 'n inkomste van R500 miljoen sal kan lewer.

Die bestaande verkoopreg op belasting op duursame goedere gaan waarskynlik oor 'n tydperk van drie maande uitgeskakel word. Maar dit beteken nie dat dit geheel en al sal verdwyn nie. Die verwagting is dat dit reeds in 'n mindere mate op sekere duursame goedere van toepassing sal bly.

Die bestaande verkoopreg lewer 'n inkomste van sowat R350 miljoen per jaar en die verwagting is dat dit oor 'n volle jaar met sowat R200 miljoen sal afneem.

Vir die lopende boekjaar sal die verlies aan inkomste uit hierdie bron egter net sowat R100 miljoen wees.

Dit sal beteken dat die staat in die lopende jaar uit die nuwe verkoopbelasting 'n netto styging van miskien tot R400 miljoen sal kan toon.

Die verwagting is dan dat 'n groot deel hiervan aangewend kan word om 'n verligting in die leningsheffing en 'n verhoging in die maatskaplike pensioene te finansier.

Daar word ook gemeen dat die staat die afgelope belastingjaar met 'n stewige oorskot afgesluit het. Daar word gesê dat hierdie oorskot tot so hoog as R500 miljoen kan wees.

Dit sal sen. Horwood in staat stel om vir 'n toename in staatsbesteding te begroot. Hier dink 'n mens heel eerste aan verdediging.

In die afgelope jaar het hierdie syfer R1 650 miljoen beloop en daar is mense wat meen dat dit vanjaar tot R2 000 miljoen kan styg, ofskoon daar ook aan die ander kant weer kenners is wat meen dat dit nie so kwaai verhoog sal word nie.

Uit die bo-belasting van 15 persent op invoer is daar 'n inkomste van sowat R400 miljoen per jaar. Hierdie belasting sal waarskynlik behoue bly.

Kenners meen dat selfs 'n matige stimulering van die ekonomie weer hernieude druk op ons belastingsbalans sal plaas, wat deur 'n afskaffing van die bobelasting kwaai vererger sal word.

Hierdie belasting, tesame met die kwaai daling in die waarde van die dollar (en die rand wat aan die eenheid gekopel is) maak invoer uit Europa en Japan al hoe duurder, met 'n gevolglike sterk dempende uitwerking.

Volgens sommige uitsprake sal 'n netto begrote tekort in die lopende jaar aanvaarbaar wees. Dit kan onder meer gedoen word deur aan die inkomste-kant ooroptimisties te wees.

Ook word daar gevoel dat bankkrediet vanjaar in 'n groter mate deur die Regering gebruik kan word. Dit sal terselfdertyd 'n sterker styging in die geldvoorraad veronderstel.

Dit lyk dus of dit vanjaar sen. Horwood se grootste doelwit gaan wees om binnelandse vertroue in die ekonomie te herstel. Die verbruiker gaan hier 'n baie groot rol speel, soos hiernaas in 'n ander berig deur mnr. Hennie Wiehahn aangedui word.

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NG Church hits at 'liberal' policy

SUN. TIMES 26/3/78

By FLEUR DE VILLIERS

A CHURCH-State row is blowing up in South West Africa as the embattled territory prepares itself for independence.

A minister of the NGK "mother" church in Windhoek, the Rev P. A. du Toit, has launched an astonishing attack on the Administrator-General of South West Africa, Mr Justice M. T. Steyn, and, by extension, on the South African Government.

Since he took over the administration of the territory in August last year, Mr Justice Steyn has abolished the pass laws, the Immorality and Mixed Marriages Acts and has set about dismantling apartheid in many other areas as he prepares the territory for independence.

In his March letter to his congregation, under the heading, "Protect Our Land, Oh Lord", Mr Du Toit says that the Administrator-General had spoken "unambiguously to the Meat Producers Congress of a one-man-one-vote election to a constitution-making body on which matters would be decided by majority vote, without consensus".

"Who," asks the minister, "can predict what this will mean, except endless uncertainties."

South West Africa had been forced by the outside world to walk this road, he says, and warns that it could have "dangerous consequences if one perhaps begins to fight for one's life".

Absurd

Mr Du Toit describes the constitutional amendments that lie ahead on the path to independence as "an absurdity".

Commenting on Mr Du Toit's statement, Mr Justice Steyn said: "Mr du Toit did get in touch with me to say it was not a personal attack, and he has, of course, the right to express his opinions."

The principle of free national elections to the Constituent Assembly on a one-man-one-vote basis in South West Africa was announced by the South African Government more than a year ago.

Nevertheless, there is a persistent reluctance among Nationalists to accept that the Government will live up to its promise.

It is believed to have been this attitude which led the Administrator-General to spell it out again bluntly when he addressed the Meat Producers Congress in February — and thus prompted Mr Du Toit's attack.

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Dink 'n slag aan verbruiker

RAPPORT 26/3/78 (49)

DIE verwagting is dat die Minister van Finansies, sen. Owen Horwood, Woensdag in sy Begroting ook aan die verbruiker sal dink. Die verbruiker het oor die laaste paar jaar gesien hoe die koopkrag van sy verdienste afgetakel word en het die skerp toename in werkloosheid om ons sowel as die politieke onrus waargeneem.

Die gevolg was dat sy vertroue in die ekonomiese toekoms van hierdie land 'n laagtepunt bereik het.

Teen hierdie agtergrond sal 'n verligting van die leningsheffing, wat met die nuwe verkoopbelasting en die handhawing van die bobelasting op invoer gefinansier kan word, baie welkom wees. En dan is 1978 nog boonop die Jaar van die Verbruiker.

Die komende Begroting sal na verwagting reeds die klimaat begin skep vir 'n verbetering in ons ekonomie, met inagneming van die risiko's daaraan verbonde.

Die instelling van verkoopbelasting later vanjaar is op die kaarte. Dit beteken meer geld uit ons sakke en toegewings op ander gebiede sal gemaak moet word ten einde die ekonomie aan die gang te kry.

Daar kan nie by die produksiekant begin word nie. Die besetting van produksievermoë in die nywerheid het oor die afgelope drie jaar van 90 persent tot net meer as 80 persent afgeneem.

Nuwe vermoë sal dus nie geskep word alvorens dit geregverdig kan word nie. Net 'n betekenisvolle verbetering in sakebedrywighede sal weer nuwe investering aanmoedig.

Die vooruitsigte vir uitvoer dui nie op 'n noemenswaardige verbetering op verlede jaar nie.

Hoewel 'n matige verhoging in staatsbesteding, waarvan 'n klein deel selfs met bankkrediet gefinansier kan word, vanjaar verwag word, dink ek nie dat die herlewing in ons ekonomie op 'n versnelde toename in staatsbesteding gegrond kan word nie.

Dit laat die verbruiker oor en daar is goeie redes om hier te begin. Hiervoor is hy ryp. Waar die groeikoers in die reële inkomste per werker in 1974 nog met 2,7 persent gestyg het, was daar in 1977 feitlik geen groei nie.

Dit verklaar ook waarom reële verbruiksbesteding verlede jaar effens gedaal het. Persoonlike besparing het nogtans verlede jaar met ongeveer 35 persent toegeneem.

Maar ondanks die taamlik groot opgehoopte vraag, word aankope weens onsekerheid oor die toekoms teruggehou. Ofskoon nog laag, het die vertroue effens verbeter, wat deur 'n finansiële meevaller verder stukrag sal kry.

Omdat onvoldoende vraag feitlik deurgaans die rede vir onderbesette produksievermoë is, kan 'n oplewing in verbruik sonder verdere investering gehuisves word.

Die gevolglike hoër indiensname sal nie noodwendig 'n nuwe vlaag looneise bring nie.

Inflasie word tans voorgehou as 'n probleem wat deur 'n stimulering van die ekonomie vererger sal word. Ek verskil hiervan. Daar is tans geen sprake van 'n vraaginflasie nie. Ons ondervind 'n kostedruk-inflasie. Dus hou 'n matige ekonomiese oplewing nie 'n gevaar vir inflasie in nie.

Trouens, toenemende sakebedrywighede behoort via laer eenheidskoste en die groter wins per gegewe winsgrens eerder ons stryd teen inflasie te bevorder. En dit geld nie net vir die private sektor nie.

Die snelstygende geadministreerde pryse wat die belangrikste rede vir ons relatief hoë inflasiekoers is, kan getemper word deurdat 'n toename in volume lopende inkome verhoog. Die vermoë bestaan wel.

'n Probleem wat waarskynlik die hoogste prioriteit geniet, is die onbevredigende vlak van ons buitelandse valuta-reserwes. 'n Oplewing in die ekonomie sal invoer stimuleer, wat die oorskot op die lopende rekening van die betalingsbalans sal bedreig; 'n oorskot wat ons nodig het om of die uitvloei van kapitaal te finansier of ons buitelandse reserwes mee op te bou.

Kapitaalgoedere, die grootste item op die invoerrekening, sal nie juis deur 'n verbruikersgeleide oplewing geraak word voor oor sowat 'n jaar of langer nie. Dit is reeds hier. Ons behoort dit beter te gebruik.

'n Toename in verbruik sal 'n goeie motivering vir nyweraars wees om na invoergoedere te diversifiseer, veral as dit gesteun kan word met „suigeling"-nywerheidshulp vir 'n bepaalde tydperk. Hierbenewens kan invoer natuurlik ook nie-amptelik vertraag word.

Verbruiksbesteding kan dus daardie ekstra hupstootjie (en 'n erkenning aan die verbruiker vir sy opofferings) gee wat die ekonomie natuurlik aan die gang kan kry. In die proses kan heelwat probleme opgelos word sonder om ander noodwendig te vererger — en dit alles sonder onwenslike beperkinge soos prys- en loonbeheer.

Deur
HENNIE WIEHAHN, 'n ekonoom van Senbank

Werk

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(g) Watervoorsiening

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S.A. MOES NOU GEBLOEI HET

RAPPORT 26/3/78 (49)

Deur dr. JAN HUPKES VAN FVB

SUID-AFRIKA moes eintlik nou 'n ekonomiese bloeitydperk beleef het. Ons netto buitelandse verdienste op goedere en dienste het verlede jaar 'n gunstige swaai van bykans R2 miljard getoon. Ons het dus 'n uitvoerboom beleef soos waarskynlik nog nooit tevore in ons geskiedenis nie.

Maar die uitvoergeleide opswaai is nie verwesenlik nie, hoofsaaklik omdat dit op kapitaalrekening afgesny is.

Die volgende tabel vertel sy eie storie en skets ook sen. Owen Horwood se probleme:

Rm.	1ste 9 Maande 1976	1ste 9 Maande 1977
Saldo Lopende Rekening	-1 255	+ 617
Langtermynkapitaalinvloei	+ 680	+ 618
Basiese Saldo	- 575	+ 785
Geïndentifiseerde Korttermynkapitaaluitvloei	- 111	- 382
Foute en onaangetekende transaksies	- 229	- 588
Verandering in Netto Reserwes	- 915	- 182

Omdat die dramatiese verbetering op lopende rekening nie deurgewerk het tot binnelandse ekonomiese groei nie, het die Tesourie se lopende inkomste ook tekortgeskiet aan die begrote doelwitte.

Omdat die langtermynkapitaalvloei met meer as R500 miljoen verswak het, moes binnelandse rentekoerse hoog bly, en omdat daar 'n uitvloei van R970 miljoen (R588 miljoen ongeïndentifiseerd!) aan korttermynkapitaal in nege maande was, het ons netto reserwes verder gedaal. Sen. Horwood kan dit dus nie juis bekostig om die ekonomie wesenlik te stimuleer nie.

Die man op straat (wit en swart), die belastingbetaler en die sakeman betaal nou die prys vir hierdie toedrag van sake in die vorm van hoër pryse, stygende werkloosheid en dalende lewenspeile.

Suid-Afrika se ekonomiese ontwikkeling word deur politieke oorweginge gekortwiek. En dit is nie alles toe te skryf aan blote emosionele buitelandse antagonisme wat die slagaar van ons ontwikkeling, naamlik buitelandse kapitaalinvloei, bygekom het nie.

Kan 'n mens dit die buitelandse bankier verkwalik as hy huiwerig is om geld in Suid-Afrika te belê, terwyl hy voortdurend lastig geval word deur persone wat by hom raad vra oor hoe om geld uit Suid-Afrika te kry?

Ons alles oorheersende prioriteit is dus om die aantreklikheid van Suid-Afrika as beleggingsveld vir sowel die plaaslike as die oorsese belegger te herstel. Hierdie uitdaging is inderdaad 'n mondvol.

verseker. Dit is hier waar die Begroting kan, en waarskynlik sal, help.

Maar die probleem bly hoofsaaklik 'n politiek uitdaging. Ons moet die voornemende belegger wat simpatiek staan teenoor Suid-Afrika of oortuig dat die dinge wat volgens hom so blatant verkeerd is in ons samelewing, inderdaad nie verkeerd is nie of ons moet hom oortuig dat dit ons erns is om dit reg te stel.

Op die oomblik jaag ons hom weg omdat hy ten regte of ten onregte glo dat Suid-Afrikaners koud en afsydig staan teenoor hierdie probleem. As ons nie gewillig is om hierdie toestand vierkant in die oë te kyk nie, sal die goeie werk wat ek van die komende Begroting verwag, slegs van korttondige, kosmetiese waarde wees. Dan sal ons weer eens die pot by die volgende opswaai in die wêreldekonomie missit.

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RAPPORT 26/3/78

Groei styg as prioriteit

(49)

DIE verbetering van die betalingsbalansposisie bly nog steeds beleidsdoelwit nommer een vir die Regering. Terselfdertyd word aan die verhoging van ekonomiese groei geleidelik groter prioriteit verleen. Trouens, dit kan selfs wees dat dit op die oomblik as van ewe veel belang beskou word as 'n verbetering van die betalingsbalans.

Sô het dr. Martin van den Berg, besturende direkteur van Interbank en 'n vise-president van die AHI, vandeesweek in Pretoria op die Rapport-sakekursus (aangebied in oorleg met die Afrikaanse Sakekamer van Pretoria) gesê.

Hy het gepraat oor ekonomiese vooruitsigte vir 1978 en gesê die bekamping van inflasie, hoewel dit nog steeds 'n belangrike strewe van die owerheid is, het ietwat op die agtergrond geskuif. Dit is interessant, het hy gesê, om daarop te let dat dit einde 1975 net voor die IMF-vergadering in Washington (kort nadat min. Chris Heunis Suid-Afrika se anti-inflasieprogram aangekondig het) nog prioriteit nommer een onder die Regering se beleidsdoelwitte vir die ekonomie was.

Die belangrike vraag wat ontstaan is nou wat hierdie prioriteite ten opsigte van die drie primêre doelwitte (verbetering van die tempo van ekonomiese groei, bekamping van inflasie en behoud van ewewig op die betalingsbalans) op die huidige tydstip in Suid-Afrika ten opsigte van praktiese beleidsvoering impliseer.

Die antwoord is dat maatreëls om ons tempo van ekonomiese groei te verbeter, waarskynlik getref sal moet word, maar vermoedelik op so 'n wyse dat dit ons betalingsbalansposisie terselfdertyd verbeter of in

DR. MARTIN VAN DEN BERG . . . ons ekonomiese groei en herstel kan nie uit eie krag kom nie.

elk geval so min as moontlik verswak.

'n Mens kan dus aanvaar dat stimuleringsmaatreëls wat wel ernstige implikasies op die betalingsbalans sal hê, waarskynlik voorlopig links gelaat sal word.

Kom 'n man nou by groei of nie groei nie, is daar meningsverskil in Suid-Afrika of ons reeds die onderpunt van die langste sikliese afswaai in ekonomiese toestand sedert die Tweede Wêreldoorlog bereik het en of die afswaai nog steeds voortduur. Die onderste punt van 'n afswaai is altyd die moeilikste punt om te diagnoseer, behalwe natuurlik na die tyd.

Een ding lyk egter duidelik, en dit is dat die ekonomiese opswaai nog nie werklik begin het nie. Einde November verlede jaar het die Buro vir Ekonomiese Ondersoek van Stellenbosch aangedui dat 'n groei van 1,6 persent in die reële BBP vir 1977 waarskynlik plaasgevind het.

Dr. Van den Berg se indruk is dat dit twyfelagtig is of die werklike groei selfs die helfte van hierdie syfer was.

Suid-Afrika het in die afgelope dekade heelwat ekonomiese ontwikkelinge beleef wat in werklikheid struktuurveranderinge verteenwoordig. Tog lyk dit vir hom asof daar 'n versoeking

Vervolg op bl. 3, kol. 7.

Ons kort krag vir opswaai

Vervolg van bl. 1.

bestaan vir beleidsvoerders en selfs ekonome om die oë vir hierdie struktuurveranderinge te sluit en te maak of ons finansiële en ekonomiese probleme geheel en al, of hoofsaaklik, van 'n sikliese aard is.

Die opvallendste van hierdie struktuurveranderinge waarmee ons voortaan eenvoudig sal moet saamleef, is:

- Hoër rentekoerse
- Hoër inflasiekoers
- Minder buitelandse kapitaal
- Hoër brandstof- en energiepryse
- Swewende (onstabiele) wisselkoerse en goudprys
- 'n Vyandige politieke houding deur die res van die wêreld (boikotte, sanksies en voortgesette guerilla-bedrywighede, met moontlik ook 'n mate van stedelike terrorisme)
- Die proses van magskonsentrasie in die ekonomiese en finansiële veld in Suid-Afrika (soos bv. Anglo American en die groot lewensversekeraars).

Die totale effek van bogenoemde struktuurveranderinge is dat enige opswaai in die ekonomie minder sterk en van korter duur sal wees.

Almal hoop vir en praat van 'n ekonomiese opswaai. Maar die feit van die saak is eenvoudig dat ons ekonomie nie uit eie krag sterk genoeg sal wees om ekonomiese groei te bewerkstellig en werkloosheid te keer nie.

As hierdie siening reg is, sal die Regering onder al hoe sterker druk geplaas word om die ekonomie te stimuleer. En wanneer ons dan stimuleer, sal daar sterk druk op die lopende rekening geplaas word.

En dan sal daar noodwendig sterker druk op die rand geplaas word, wat op sy beurt tot gevolg kan hê dat ons opnuut en indringend na die pariteit van die rand sal moet kyk. En in so 'n geval is 'n verdere devaluasie dan die enigste uitweg.

Natal Mercury

'Next S.A. Budget is vital' say experts

Mercury Correspondent

PRETORIA — Economists yesterday described tomorrow's Budget as the most vital since the end of World War II.

The year ahead, they point out, is likely to see increasing economic pressure on South Africa, including sharpened threats of trade and oil boycotts.

Basically the Minister of Finance, Senator Owen Horwood, has two choices — he can relax direct taxation as part of a stimulatory package and accept the risk of higher inflation and foreign exchange drain, or he can turn the screws tighter and expose the country to an even deeper recession and higher unemployment.

Virtually the whole of the private sector — organised commerce and industry and the big trade union organisations — favour the first alternative.

Advised

And, it is understood, the representatives of commerce and industry, labour and banking and financial sectors on the Prime Minister's Economic Advisory Council advised a mildly stimulatory budget at the council's meeting in Pretoria last month.

The minister is, therefore, being pressed in the current anxious and uncertain economic climate, to go for growth. Either way, it was pointed out, there is a grave risk involved, but the lesser of the two risks is stimulation.

Assocom's executive director, Mr Raymond Parsons, says the bias should be towards tax reductions which stimulate consumption. The Federated Chamber of Industries top economist, Mr. Hammond Tooke, also favours stimulation and greater emphasis on indirect taxation.

Supports

Barclays Bank chief economist, Dr. Johan Cloete, supports a tax reduction with a higher growth rate as a target. The Afrikaanse Handelsinstituut economist, Mr. A. Jacobs, supports stimulation. And both Senbank and the Standard Bank favour a moderate economic push.

So the chances are that Senator Horwood and his advisers have plumped for a controlled stimulation, with a gentle relaxation of South Africa's high income tax rate, especially at the higher levels.

The minister will also have a flexible and powerful new revenue-raising machine to lean on — the at-point-of-sale or turnover tax.

Warned

Economists warned yesterday that if with the introduction of the turnover tax — which will send up the price of virtually every commodity and service sold in South Africa — there is no tax relief, South Africans will be grossly overtaxed.

This would be especially so for Blacks who, in addition to an already discriminatory tax system — they start paying tax at a lower income than Whites — will now have to pay three or four percent more for everything they buy because of the new tax.

Another compelling reason for stimulation is the simmering unrest in Black townships.

Informed sources in Pretoria said yesterday there was little likelihood of tax relief but a strong possibility that the savings levy will be reduced.

The minister is also expected to squeeze more from excise duties.

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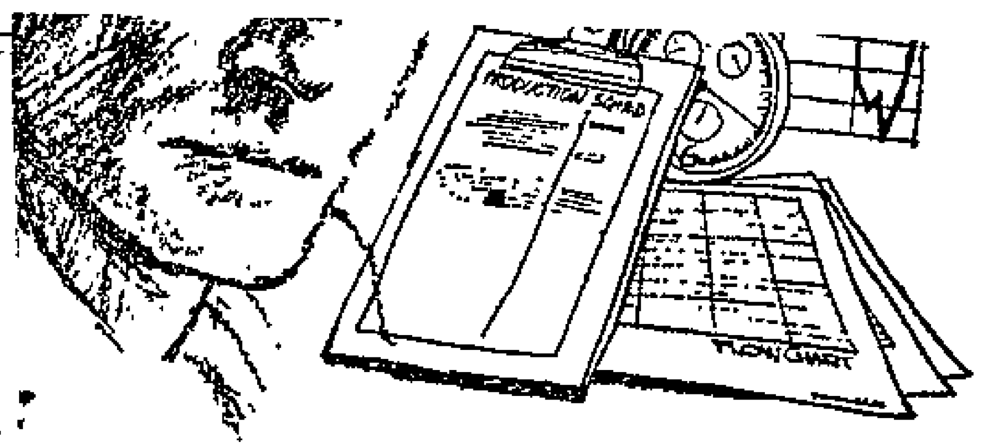

on Planning and Control.

l Control (Justification for new or replacement

Star 2

Target is jobs, wages, prices

49

John Patten, Political Correspondent

The Assembly

The Government is to give priority to increasing the rate of real economic growth during the coming year, the Minister of Finance, Senator Horwood, announced in his Budget speech this afternoon.

"We are now adopting a more expansionary stance and a policy which can perhaps best be described as one of growth with financial discipline," Senator Horwood said.

He was speaking to the rapt attention of MPs packing both the Government and Opposition benches of the Assembly.

The Minister said the situation called for a further shift of emphasis in short-term economic policy in the direction of encouraging sound economic growth over and above the steps he had announced last August and November.

Mr Horwood made it clear that no further relaxations would be made at ment's credit policy.

On alert

He raised hopes by adding: "But, the Reserve Bank is keeping the monetary and banking situation under close surveillance and stands ready at short notice to make any adjustments to its policy which might become necessary as the year progresses."

He advised that export promotion and import replacement would continue to play a prominent role in policy. Such a method had limitations and could be inflationary if carried too far and harm growth and the balance of payments, he said, but the policy could be justified short-term in recessionary conditions.

The Minister again made it clear he saw no reason either to revalue or devalue the rand at this stage or change the practice of pegging the rand to the dollar.

Gale-force

At the start of his eagerly awaited speech, Senator Horwood said there had seldom been a peacetime year in South Africa's history when it had been more difficult to formulate a sound and meaningful budget. The country had been buffeted internationally by gale-force winds by political foes and the faltering economic health of trading partners.

Stressing that Government policy remained one of financial discipline, he said he would have favoured continuing with a restrictive monetary and fiscal policy if a further cooling down of the economy would have improved the overall balance of payments or reduced inflation.

In his judgment, how-

Turn to Page 12, Col 6

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E

Target is growth with discipline

▶▶ From page 1

ever, a continued deflationary policy would be counter-productive. It would in all probability undermine growth and increase unemployment without improving the overall balance of payments or reducing the inflation rate.

The Government was shifting from Phase 1 to Phase 2 of its expansionary programme not because it was complacent about balance of payments, gold or other foreign reserves, but because it believed the shift would assist in coping with the problems facing the country.

The shift of emphasis would in any case be unlikely to produce an inordinately strong expansionary effect in the short term because of the normal lags between decision to expand and actual expenditure on plant, equipment and construction.

The country, he said, would have to move, "in a co-ordinated manner on a broad front."

The Minister said South Africa would have to move within certain constraints.

"There can be no question of adopting a general policy of spending for prosperity," he said.

Nevertheless, he made it clear the Government felt that a rising real gross domestic product was essential to obtain the domestic savings and tax revenue required for the period ahead.

Summing up policy for the year ahead, he said it must aim for the economy to embark on the next cyclical upswing, and that it made good use of both the existing surplus capacity in industry and the enlarged infrastructure.

The economy had to generate adequate employment opportunities, increased profits, increased real wages and salaries, increased Government revenue, and a growing supply of loanable funds on the capital market for both private and public sectors.

Star 29/3/78

Stage is set for business upswing

(49)

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6

Political Staff

THE ASSEMBLY — The stage was now set for a new upswing in the South African business cycle and important expansionary influences were already at work, the Minister of Finance, Senator Horwood, said today.

Introducing his 1978-79 Budget, Senator Horwood listed these expansionary influences as being:

- The exceptional increase in the value of exports and the gold output during the past year.

This increase, which had already helped to arrest the downward cyclical movement in the domestic economy, had almost certainly not yet exerted its full expansionary effects on domestic consumption and investment. These secondary influences would therefore probably still contribute to a new cyclical upswing in the economy in 1978.

- The continuing process of import replacement.

This had been encouraged by official policy measures such as the September 1975 devaluation and the revenue duty on imports introduced last year, as well as recent efforts of the private sector to "buy South African" with special reference to capital goods and intermediate goods.

Tariff protection was also still provided to deserving manufacturing enterprises.

- The increase in capital outlays on special projects such as Sasol 2 and the Koeberg nuclear power installation.

There was also the scheme to spend an additional R250-million on low-cost housing in non-white residential areas.

CONSUMPTION

Senator Horwood said he expected real private consumption to show a moderate increase in 1978 over 1977.

At the same time the downward tendency in real fixed investment should be arrested and inventories should cease to fall in real terms.

After declining by more than five percent in 1977, real domestic expenditure should show a moderate but significant increase over 1977.

If these expectations were fulfilled there should be a meaningful acceleration of the rate of real economic growth in 1978.

The precise extent of this would depend on many unpredictable factors, such as world economic developments, movements in the price of gold and the value of agricultural production.

Imports would eventually rise, but the Minister said he did not think this increase would be inordinate in 1978.

He expected the current account of the balance of payments to show a reasonable surplus in 1978.

The Minister of Finance, Senator Horwood, in his Cape Town office, puts the finishing touches to the Budget.

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Star 29/3/78

(49)

White pay 'doesn't keep pace

Political Correspondent

CAPE TOWN — Salaries and wages for whites did not keep pace with price increases during the last three-quarters of last year, but real wages for other groups showed a modest increase, Senator Horwood, said this afternoon.

Reviewing the wage situation in his Budget speech to the Assembly, he said real salaries and wages per worker in the non-agricultural sectors of the economy declined by 3,4 percent for whites, compared with the same period in 1976.

As far as cyclical developments were concerned, real economic activity continued to decline during the first half of 1977, but then tended to level out during the second half of the year.

The volume of manufacturing production remained more or less constant during the last three quarters of 1977.

The rate of decline of wholesale and retail sales also became progressively smaller in real terms as the year advanced, while the number of motor vehicles sales increased markedly towards the end of last year.

Only in the construction sector did real activity maintain its downward course. But on the positive side, real economic activity continued to increase in the primary sectors during last year.

Senator Horwood said that, despite a substantial decline in real domestic expenditure, the rate of inflation remained at an unacceptably high level throughout 1977, partly as a result of increased administered prices.

The average monthly consumer price index rose by 11,3 percent in 1977, compared with 11,1 percent in 1976 and 13,5 percent in 1975.

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(j) Totale mediese koste

(k) Pensioenbydrae deur boer (jaarliks)

(l) Versekeringsbydrae deur boer (jaarliks)

Domestic saving may be key

49

Star 29/3/78

Political Staff

THE ASSEMBLY — For the financing of growth on a short-run view, South Africa may have to rely relatively more on domestic saving and less on foreign capital, the Minister of Finance, Senator Owen Horwood, said when he introduced his Budget in Parliament today.

But he believed that "if we manage our affairs judiciously, not only will we be able to afford to do so, but we shall derive advantages of their own kind in the process."

In the meantime, the surpluses on the current account and basic balance have enabled both the public and the private sector to repay substantial amounts of foreign debt.

"This has not only strengthened our external economic position but has also demonstrated to friend and foe alike that, far from being overborrowed, the South African economy must be rated among the most creditworthy in the world."

While there was important economic reasons for the net outflow of capital during the past year, it should clearly also be attributed in part to the political uncertainties relative to southern Africa — real and supposed — including the arms boycott and the threat of sanctions, and particularly to the biased and exaggerated reports of these difficulties in overseas news media.

REMARKABLE

Senator Horwood said the outstanding economic development in South Africa during the past year had been the remarkable improvement in the current account and in the basic balance of the balance of payments — the current account plus long-term capital movements.

This was partly a reflection of the continued recessionary tendency in the domestic economy and the moderate economic upswing in the major industrial countries, the former contributing to a decline in imports and the latter to an increase in exports.

The devaluation of September 1975 exerted a favourable effect. But to a major extent the improvement was the direct result of conservative fiscal and monetary policies, which attained their objectives of reducing the rate of increase of the supply of money and near-money and of bringing about an actual decline in all the main components of real gross domestic expenditure.

Taken at a seasonally adjusted annual rate, the balance on current account changed from a deficit of R2 416-million in the first quarter of 1976 to a surplus R2 192-million in the fourth quarter of 1977 — a turnaround which exceeded the most optimistic expectations and which again demonstrated the underlying strength and resilience of South Africa's balance of payments.

The substantial improvement in the basic balance of payments, from a deficit of R641-million in 1976 to a surplus R962-million during 1977, was the net result of the improvement in the current account and a decline in the net inflow of long-term capital, from R989-million in 1976 to R211-million in 1977.

The decline was mainly due to large net loan repayments by the Government and the banking sector and by a substantial decline in net foreign borrowings by public corporations and local authorities.

STABLE

The net long-term inflow to the private sector remained relatively stable, amounting to R223-million last year compared with R235-million in 1976.

Despite the fundamental improvement in the underlying balance of payments position, the gross and the net gold and other foreign reserves showed a decline last year, because the surplus on the basic balance of the external accounts was more than offset by a net outflow of so-called short-term capital not related to reserves of R1 086-million last year compared with R415-million the previous year.

Reports by the Star's Political Staff: John Patten, Tim Patten, Tos Wentzel, Frans Esterhuizen, G Linscott, J Battersby and L Marshall, all of 122 St George's Street, Cape Town; and by Sapa: M P Acott, D Pote, A Braid, C le Roux, J Roelofse, B Stephenson, J de Wet, F Neuhoff, all of 77 Burg Street, Cape Town.

Reilly welcomes welfare increases

Staff Reporter

THE president of the Cape Town Chamber of Commerce, Mr Storm Reilly, said yesterday the Budget was well conceived, imaginative and suited to the country's requirements.

Mr Reilly said in a statement that the Chamber welcomed the various proposals in the Budget aimed at stimulating the economy and building up confidence internally.

"The Minister is to be commended for the manner in which he endeavoured to mitigate the adverse effects which the shift in the relative tax burden might have on certain income groups by increasing pensions and welfare payments, the setting aside of additional funds to stabilize food prices and the abolition of the fixed per capita tax," Mr Reilly said.

Mr Reilly welcomed the decision to increase the provision for housing and in particular education and the increase by R26,5 million to R143,9 million on the Education and Training vote.

"If he is to be criticized it is on the grounds of his decision to retain the import surcharge. The surcharge should be phased out with the introduction of the new sales tax"

Opposition to new sales tax

THE new sales tax introduced in yesterday's Budget has drawn sharp criticism from Opposition financial spokesmen for increasing the inflationary burden on lower income groups.

And, while the reduction in personal and company tax has been welcomed, Senator Horwood was taken to task for not going far enough to stimulate the economy and create jobs for the unemployed.

The Progressive Federal Party's financial expert, Mr Harry Schwarz, said in a statement that the Budget did not give the needed impetus to the social priorities required to solve the country's political problems.

Limitations, he said, were imposed on the Minister of Finance by "the straitjacket the government has placed upon itself by ideological considerations and past mismanagement".

Inadequate

Mr Schwarz said the tax and other concessions were inadequate to offset the impact of the general sales tax on the consumer.

This was particularly so since the new tax followed recent rail and electricity tariff and other government-administered price increases.

"The timing of this tax

Political Correspondent

shows a disregard for the social consequences that will flow," he said. "The poor will bear the heaviest burden of this Budget."

Mr Schwarz said, too, that the continuation of the present sales tax, even at a slightly reduced rate, ignored the fact that retailers were fully stocked with goods on which taxes had been paid.

"A run-off period far beyond July 1 would be required to avoid double taxation," he warned, adding that the door "has been opened to exploitation."

New goods

New goods would pay the reduced rate of sales duty and the consumer would not know whether what he bought had been subjected to the higher or lower rate of sales duty.

The PFP, he said, regretted that the minister had not seen his way clear to give a tax holiday — a period during which neither sales duty nor the new general sales tax would be payable.

Mr Schwarz said the personal and company tax concessions were moves in the right direction. "We believe, however, that the minister has not gone far enough . . ."

The additional amounts allocated to education were appreciated. But the "much-publicized" R250 million for housing, in fact, only involved spending R80 million this year on housing for blacks.

In addition, the food subsidies were inadequate and only a partial restoration of last year's cuts.

Pensions

However, the increases in pensions were welcomed. "In particular, the move to close the gap between races, as demonstrated by the increase of 37,5 percent for black military pensioners, is a move to implement our policies."

Mr Bill Sutton, of the New Republic Party, said the Budget did nothing to reduce the inflation rate.

In fact, he said, it took too much out of the pockets of the public, thereby reducing funds available for spending and which were essential for renewed growth.

The new tax "will hit consumers very heavily, and suggested remedies such as the R20m for food subsidies are totally inadequate".

Mr Sutton said the NRP also welcomed the reductions in personal and company tax.

But it questioned whether the Budget would achieve its object of stimulating the economy.

"It will, therefore, fail to create the job opportunities for hundreds of thousands of workers, black and white, that they so bitterly need," said Mr Sutton.

Essential Budget figures

THIS table gives (in millions of rands) the main figures of Senator Horwood's Budget:

COMPARATIVE SUMMARY OF THE STATE REVENUE ACCOUNT

		Revised figure 177-'78 Rm	Budget figure 1978-'79 Rm	Percentage change %
EXPENDITURE				
Printed Estimate (R.P.2-1978; First print)			9 621	
Plus:				
Budget proposals in respect of:	Rm			
Sasol II	100			
Pensions	56			
Consolidation of land	5			
Animal protection and welfare	0,1			
Food price stabilization	20			
Bantu tax	9			
	190,1		190	
Total expenditure		8 990	9 811	9,1
REVENUE				
Inland Revenue at existing rates (excluding loan levies)			5 813	
Less:				
Budget proposals in respect of:	Rm			
Stamp duty on leasing contracts	4,5			
Initial and investment allowances	0,5			
Exporters' allowances	0,1			
Losses/profits on foreign financing	1,0			
Funding of pensions	2,0			
Transfer duties	3,0			
Donations tax	0,2			
Estate duty	1,0			
Income tax on companies	48,0			
Income tax on individuals	132,0			
	192,3		192	
		5 374	5 621	4,6
Customs and Excise at existing rates			1 657	
Less: Budget proposals in respect of unfortified wines (rounded)			5	
		1 675	1 625	−1,4
General sales tax (including scaling down of sales duties and import surcharge)			395	
Total revenue		7 049	7 668	8,8
DEFICIT (before borrowing)		1 941	2 143	10,4
LOAN REDEMPTIONS				
Domestic Loans		957	1 380	
Foreign loans		197	232	
Loan levies		95	142	
		1 249	1 754	
FINANCING REQUIREMENT		3 190	3 897	
FINANCING				
Domestic loans				
Public Debt Commissioners		761	650	
Reinvestment of maturing stock			1 230	
New stock issues			750	
Non-marketable dept:			315	
	Rm			
Securities Rand Bonds	34			
National Defence Bonds	100			
Bonus Bonds	40			
Other	141			
	315			
Foreign loans		56	75	
Loan levies		464	480	
Transfer from Stablization Account	1 968	—	355	
Transfer of cash balance from previous year		71	42	
		3 320	3 897	
BALANCE				
Disposal of 1977-'78 balance:		130	—	
Transfer to South West Africa Account in respect of:	Rm			
Deficit for 1977-'78	53			
Deficit for 1978-'79	30			
Transfer to Economic Co-operation Promotion Loan Fund	5	88		
Transfer to 1978-'79 financial year		42		

Confidence will be restored, says consumer chief

SOUTH AFRICAN consumer movement leader, Mrs Margaret Lessing, described the Budget as one of the most encouraging in years.

Speaking from Auckland Park shortly before appearing in the Budget discussion on the TV programme Mid Week, Mrs Lessing said Senator Horwood had gone a long way towards restoring confidence.

"It is now up to us to take up the challenge and to improve productivity and economic growth."

The four percent general sales tax would increase inflation but the R20-million subsidy should help to bring down the price of staple foods.

Old sales tax

"The prices of many itmes should come down with the abolition of sales tax at source. And the minister warned in his speech that there would be serious consequences if prices did not come down in relation to the old sales tax.

"If I have any criticism it is that the minister was too timid on this issue. We would like to know what he intends doing if manufacturers simply maintain the old prices and pocket the difference.

"I hope also that the minister will insist on retailers adding on the four percent tax and not building it into prices.

"This is what consumers have been asking for years. In the past we didn't know how much we were paying for the article and how much was tax. We want to see this for ourselves when we buy.

"He seems to have left it open for the seller to decide whether to reveal the price and sales tax separately. But I hope he insists on retailers doing this."

She said the abolition of the 10 percent surcharge on individual income tax was a welcome relief especially in the case of working married women.

But she warned the minister that it did not solve married women's tax problems and it would not stop them pressing for separate taxation.

Chamber doubtful over sales duty

CAPE Chamber of Industries president, Mr S R Back, said the chamber's view of the Budget was one of basic commendation — but it was disappointed by the unexpected continuation of the bulk of sales duty.

He said it was difficult to assess whether the limited reduction in sales duty, without actually eliminating from this duty most of the products covered, would compensate the average man in the street for what he would have to pay in new general sales tax.

"It must therefore be assumed that from that date, liquor, cigarettes and particularly motor fuel, will attract an increased tax burden.

"The fuel price increase, if this is indeed so, will be a charge not only on the general motorist, but more importantly, on the transport cost structure of the country."

Increased exporter allowances, continued investment allowances for manufacturing industry and the inclusion of an initial allowance on second-hand machinery was most welcome and in line with the minister's intentions of stimulating sound economic growth, Mr Back.

This is how the govt will spend SA's money

Political Staff

THIS is how the government will spend the country's money — including your taxes — during the 1978-1979 financial year.

The State President's department — R403 460 — up R38 460.
Parliament — R6 218 000 — up R357 000.
The Prime Minister — R857 000 — down R11 960 000.
Defence — R1 554 375 000 — down R99 625 000.
Transport — R152 032 000 — up R1 807 000.
Labour — R22 549 000 — up R1 046 000.
Mines — R191 998 000 — up R23 997 000.
Plural relations and development — R555 258 000 — down R64 145 000.
Information — R15 812 000 — up R442 000.
Social welfare and pensions — R419 364 000 — up R39 409 000.
National education — R326 354 000 — up R22 420 000.
Sport and recreation — R2 624 000 — down R81 000.
Agricultural credit and land tenure — R49 534 000 — down R726 000.
Agricultural economics and marketing R158 119 000 — down R17 289 000.
Agricultural technical services — R70 221 000 — up R4 221 000.
Health — R148 679 000 — up R11 696 000.
Planning and the environment — R52 579 000 — down R2 807 000.
Statistics — R6 575 000 — up R1 065 000.
Treasury — R3 579 159 000 — up R459 423 000.
South African Mint — R1 754 000 — up R160 000.
Inland Revenue — R24 000 000 — up R5 500 000.
Customs and Excise — R9 546 000 — up R627 000.
Audit — R4 910 000 — up R210 000.
Commerce — R102 325 000 — up R50 164 000.
Industries — R228 340 000 — down R25 346 000.
Justice — R49 934 000 — up R5 234 000.
Police — R220 450 000 — up R16 450 000.
Prisons — R92 184 000 — up R11 434 000.
Indian Affairs — R96 735 000 — up R11 425 000.
Community Development — R318 535 000 — up R50 762 000.
Tourism R6 858 000 — up R308 000.
Interior — R9 340 000 — up R240 000.
Public Service Commission — R11 869 000 — up R1 539 000.
Government Printing Works — R13 290 000 — down R60 000.
Public Works — R300 815 000 — up R36 163 000.
Immigration — R6 825 000 — down R4 699 000.
Water Affairs — R169 639 000 — up R9 239 000.
Forestry — R41 728 000 — up R2 789 000.
Coloured, Rehoboth and Nama Relations — R274 933 000 — up R34 918 000.
Foreign Affairs — R180 796 000 — up R33 352 000.
Education and Training — R143 858 000 — up R26 439 000.

Welfare: Pleased but wary

SPOKESMEN for welfare organizations for the aged said they were pleased at attempts to close the gap between white and black pensions but feared that the new general sales tax would "swallow up" the increased pensions.

White, coloured and Indian and black social pensioners will respectively receive an additional R9,00, R5,25 and R3,25 a month with effect from October 1.

Mrs Z Droskie director of the SA Council for the Aged, said she was pleased but anxious that the increases would be consumed by the new general sales tax.

"I don't know to what extent this increase will help our pensioners but it's more than we expected and we are grateful," she said.

"I am pleased to see the attempt to narrow the gap between black and white pensions."

Mr Derry Fitnum, warden of Cafda, said he did not think the increase would make it much easier for pensioners to live.

"They are going to have to pay the general sales tax the same as everyone else. The increase will be nullified right there," he said.

"The 12,5 percent increase for whites, 25 percent for coloureds and Indians, and 37,5 percent for blacks is very pleasing," he said.

Pensioners welcome increases

Staff Reporter

SOCIAL pensioners were elated yesterday when told that their pensions had been increased.

The Minister of Finance, Senator Horwood, announced yesterday that social pensions for whites had been increased by R9.

The Cape Times spoke to a group of pensioners who will be affected by this change. When asked how they felt about the increase, they all said they were very satisfied and "terribly excited".

They waved their arms in the air and shouted, "Hooray — that's beautiful".

But above all their excitement, there was one point they strongly wanted to express. That is, their gratitude for the extra money.

"With the high prices nowadays, many of us are battling to come out on our money and this extra R9 will be of great help," said one pensioner.

"I am also pleased about any extra money that comes my way," said another pensioner.

"I was wishing that we would be given a good increase and after this announcement I'm very satisfied and absolutely thrilled.

"As far as my shopping is concerned, the money will be a terrific help."

Workerbesonderhede (2)

(b) melk: hoeveelheid

grys (as nie gratis verskaf word nie)

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(j)

(k) Pensioenbydrae deur boer (jaarliks)

(l) Versekeringsbydrae deur boer (jaarliks)

BUDGET '78

Big concessions make it a bonus Budget

Star 30/3/78 (49)

Political Staff

CAPE TOWN — Sweeping concessions to stimulate the South African economy have been announced by the Minister of Finance, Senator Horwood, in a Budget he described as "encouraging growth within the framework of financial discipline."

The Minister's record Budget of R9 811-million provides for tax cuts totalling more than R200-million across a wide range of items, but the consumer public faces the imposition of a general sales tax at the point of sale from July 1 that will produce income of R395-million for the Government.

The Budget provides for a deficit of R397-million, which will be met from the R42-million surplus on the present year and the remainder from the Government's stabilisation account.

● Major tax reductions have been made in the form of:

● Abolishing the 10 percent surcharge on personal tax, thus reducing the marginal rate of taxation to 60 percent and reducing complaints on the joint taxation of husbands and wives.

● Reducing the surcharge on company tax by 2,5 percent to 5 percent (except in the case of gold and diamond mining companies where it is 7,5 percent).

WINE DUTY

● A wide range of tax cuts on such items as excise duty on wine, abolition of stamp duty on leasing contracts, applying a 25 percent allowance on used machinery, export packaging concessions extended, currency exchange losses being attributed to credit costs, exemptions from transfer duty, increases in donations tax exemptions and increased deductions on estate duty.

Senator Horwood on the new point of sales tax: "The art of taxation consists of so plucking the goose as to get the most feathers with the least hissing."

Concessions were announced for social, military and civil pensioners as well as a closing of the gap between pensions for whites and other groups.

Senator Horwood announced that the general sales tax at the point of sale would be introduced on July 1 and would carry a rate of 4 percent.

This tax would produce revenue for the Government of R650-million for the remainder of the financial year and a total of R1 000-million in a full tax year.

With immediate effect, however, he announced a 5 percent cut across the board in the selective sales duties that have been applied to numerous consumer goods.

The overall gain from the change-over from one sales tax system to the other would be R395-million to the Government in the financial year.

A feature of the Minister's Budget — his fourth — was the emphasis on Government expenditure on major problems areas in South African politics.

For instance, he announced a 16 percent increase in the Government's allocation for housing purposes to a total of R177-million a figure 166 percent higher than three years ago.

EDUCATION

He also announced the allocation to the education and training vote for purposes of black education would go up 22 percent to R143,9-million, and an increase to help the ailing building industry.

For the first time in several years, there was no rise in defence expenditure. In fact there was a drop of R100-million in the Government's defence cash requirements, but the Minister stressed that military preparedness remained the country's first priority.

The decrease in the defence vote this year should be seen against the background of the rapidly escalating amounts voted in the past four years, when the defence vote rose from R493-million to R1 654-million.

In the coming year, the estimates provided only R30-million for further homeland consolidation, but a further R5-million would be added from a R10-million grant made to assist farmers in their problems.

While announcing the introduction of the new general sales tax at the point of sale, Senator Horwood rejected suggestions for a tax holiday, but compensated for this by his immediate reduction in existing sales duties and also by announcing that R20-million would be made available for stabilising food prices

The Minister announced that loan levies for companies and individual tax payers which would have been refunded in February next year will now be refunded on July 15 this year.

15.

The Star Thursday March 30 1978 31

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Wives and wine stand to gain

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Political Staff

THE ASSEMBLY — Reductions in the high marginal rates of income tax, the sales duty, excise duty on unfortified wine, the surcharge on imports and the companies tax were announced in the Budget speech yesterday by the Minister of Finance, Senator Horwood.

A 10 percent loan levy is again being imposed. And he announced the abolition of the Bantu general tax and concessions with regard to transfer duties, estate duty and the surcharge on imports.

Senator Horwood also announced that R20-million would be set aside to help stabilise the price of one or two basic foodstuffs.

While he announced these concessions, the Minister also gave more details of the wide-ranging new general sales or turnover tax system which will come into effect on July 1.

This tax is expected to yield R1 000-million in a full year and about R650-million in 1978-79.

Meanwhile the existing sales tax will be reduced by five percent across the board.

While the 10 percent loan levy is again being imposed another levy due to have been repaid next year will now be repaid in July this year.

Senator Horwood said high marginal rates of income tax had influenced productivity and growth.

The full 10 percent surcharge on normal tax on individuals would now be abolished.

The abolition of the surcharge would benefit all individuals whose tax, before addition of the surcharge and loan levy amounted to R150 a year or more.

CONCESSION

The crux of the problem concerning the taxation of married women was to be found in the high marginal rates on individuals.

The Minister said the present proposal was an important step in this direction as the addition of a wife's income to that of her husband would in future attract lower rates of tax.

The concession would cost R206-million in a full year and R132-million in 1978-79.

In the case of companies, except gold and diamond mining companies, the 7,5 percent tax surcharge is being reduced to five percent.

The R2,50 a year Bantu tax is being abolished from the end of February 1978 because blacks would be making their contribution in the general sales tax and because the tax was an anomaly.

The excise duty on unfortified wine will go down by three to four cents a litre with effect from today. The reduction will cost the Exchequer R4 500 000.

A duty of approximately 4c a litre on alcoholic apple, pear and orange beverages is being imposed.

The surcharge on imports will be reduced from 15 percent to 12,5 percent.

In the case of building stands costing not more than R8 000 and dwellings of up to R20 000 transfer fees are being abolished completely.

Estate duty rebates are being increased from R25 000 to R30 000.

Star 30/3/78

(49)

Budget's main features

Political Staff

CAPE TOWN — Main features of yesterday's Budget were:

- No increase in personal income tax.
- The reimposition of a 10 percent loan levy.
- Details of a general sales tax of four percent starting on July 1.
- A five percent across-the-board decrease in the present sales tax.
- Substantial increases in pensions and other social benefits.
- A decrease in the excise duties on unfortified wine.
- A reduction in the high marginal rates of income tax.
- A 2,5 percent decrease in the companies tax surcharge.
- Sweeping concessions to stimulate the economy.
- Abolition of stamp duty on leasing contracts, exemptions on transfer duties for lower-priced building stands and dwellings.
- Increases in donations tax exemptions and increased estate duty deductions.
- Increases in the expenditure on black education.

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(i) Ontspanningsgeriewe verskaf:

Koste aan boer (jaarliks):

(j) Gesondheidsdienste:

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(j) Totale mediese koste

(k) Pensioenbydrae deur boer (jaarliks)

(l) Versekeringsbydrae deur boer (jaarliks)

Financial Mail

FM 31/3/78

(49)

Rich man, poor man

Finance Minister Owen Horwood has certainly taken no chances with the balance of payments. What he *has* taken a chance with is the rate of growth, which last year was a mere 0,5%. This year's budget is hardly less restrictive than last year's. What Horwood's giving with one hand he is more than taking away with the other.

That doesn't mean it's not a clever budget. Horwood built up suspense about his company and income tax concessions until the last moment; then, like a magician, pulled them out of the hat to great effect.

But a more careful analysis of the figures shows that neither the real deficit before borrowing, nor real government expenditure, have increased from last year's conservative levels. Rather than being a policy of "growth with financial discipline," as Horwood described his new stance, it has turned out to be financial discipline with little, if any, growth.

Basically, Horwood has given a stimulatory impression by marginally shifting the financing burden from direct taxation to indirect taxation. Direct taxes in the form of company and personal tax surcharges have been reduced: the former from 7,5% to 5%, while the personal tax surcharge of 10% has been removed entirely.

In place of these reductions (R48m for companies; R132m for individuals) — and reductions of sales duties and the import surcharge totalling R255m — Horwood has imposed a 4% general sales tax, which will bring in a massive R650m in 1978-79. Despite increased bread subsidies and the removal of the R2,50 poll tax, this means that low-income earners are being called upon to subsidise part of the tax concessions granted to high- and middle-income earners. Not only is this morally questionable in times of extreme unemployment, it is also of dubious economic sense.

For it is widely recognised that low income earners have a higher capacity to spend at the margin than their more affluent counterparts. And spending is what is needed now rather than saving. Redistributing income away from spenders to savers, even if it is only marginal, is scarcely what SA needs at present.

On the one hand, it means that consumer demand is once again likely to fall in volume and be shifted marginally from staples to luxury goods. On the other, it

But where's the punch?

THE STATE REVENUE ACCOUNT

	Revised figure 1977-'78 Rm	Budget figure 1978-'79 Rm	% change
EXPENDITURE			
Printed estimates		9 621	
Plus: Budget proposals		190	
Total expenditure	8 990	9 811	9,1
REVENUE			
Inland Revenue at existing rates (excluding loan levies)		5 813	
Less: Budget proposals		—192	
Customs and excise at existing rates		1 657	
Less: Budget proposals in respect of unfortified wines (rounded)		—5	
General sales tax (including scaling down of sales duties and import surcharge)		395	
Total revenue	7 049	7 668	8,8
DEFICIT (before borrowing)	1 941	2 143	10,4
LOAN REDEMPTIONS			
Domestic loans	957	1 380	
Foreign loans	197	232	
Loan levies	95	142	
FINANCING REQUIREMENT	3 190	3 897	22,2
FINANCING			
Domestic loans			
Public Debt Commissioners	761	650	
Reinvestment of maturing stock	} 1 968	1 230	
New stock issues		750	
Non-marketable debt		315	
Foreign loans	56	75	
Loan levies	464	480	
Transfer from Stabilisation Account	—	355	
Transfer of cash balance from previous year	71	42	
	3 320	3 897	
BALANCE	130	—	

could mean increases in households' idle cash balances. These are scarcely needed at a time when demand is so low.

A better way to have ensured spending rather than saving would have been to increase real government expenditure. Horwood has budgeted for an increase in total government spending of 9% in money terms. If, as anticipated, prices rise at least by 10% over the year, this will mean a fall in real expenditure of 1%. To give a realistic boost to the economy, we should have had a real growth in government spending of at least 5%. In this way Horwood could have ensured that the money was spent, since it would be under his control.

As the *FM* pointed out last week, there are enough projects yielding social and economic benefits which could have benefited from still larger government outlays. Electrification is one.

Of course, much depends on the way Horwood has arranged to finance his deficit. As the table on page 985 shows, he had to find R3 897m. If a sizeable portion of this were to be funded by the printing press, we would be faced with a very stimulatory budget indeed.

In fact, Horwood hopes to drain R3 425m from non-banking sources and R75m from abroad. This leaves roughly R400m to be financed from cash reserves left over from last year and from the Stabilisation Account. A cash injection of this magnitude (4% of the present stock of money and near-money) is certainly not going to give the money supply a meaningful boost.

The lack of growth in money supply has assumed alarming proportions. Last year M2 (money and near-money) rose by only 7% while domestic credit expansion (bank credit to the private and public sectors) amounted to less than 1% in the second half of 1977. There is now a possibility that government may once again raise more than it has budgeted for from the non-bank private sector. That could squeeze the money supply still further. There should certainly be no difficulty in raising the R750m from new domestic stock issues — if interest rates remain at their present high levels. Will they?

No changes in monetary policy were announced, although Horwood did say he was watching matters closely. From a growth point of view, interest rates are clearly much too high and finding ways to reduce them should be a top priority.

BUDGET IN A NUTSHELL

The budget makes a number of concessions aimed at stimulating the economy and cushioning the effect of the new sales tax. The main points:

"General sales tax", an "add-in" tax set at 4% will be introduced on July 1; few exemptions are likely to be granted.

Sales duty: Cut by 5% across the board. Duty on certain goods will be converted to *ad valorem* excise duties later.

Company tax: Surcharge cut by 2,5% for 1978 and 1979 tax years.

Loan levy reimposed, but the next levy repayment will be on July 15 instead of next February.

Personal tax: 10% surcharge abolished; loan levy situation as for companies; no change in taxation of married couples.

Donations tax: Limit on exemptions for donation to own children up from R10 000 to R15 000.

Black taxation: The R2.50 "bantu general tax" or poll tax for adult males is scrapped.

Import surcharge stays, but is down from 15% to 12,5%.

Securities rand bonds: Proceeds from redemption of government or semi-government stock bought in future will no longer be transferable abroad. However, new 6% SR Bonds with a maturity of seven years will be introduced "not later than June."

Foreign loans: Only R75m is expected in 1978/79. Repayment commitments amount to R232m.

Sasol 2: Gets R100m, the first of three parliamentary appropriations.

Food: Subsidies slashed by R28m, but R20m set aside to help stabilise the price of one or more staples, especially bread.

Agriculture: R5m goes to farmers in the form of loans for equipment, debt consolidation and housing for

STATE OF THE ECONOMY

Internationally, SA had been "buffeted by gale-force winds," said Minister Horwood. On the one hand by "our political foes"; on the other, by the faltering economies of our trading partners.

Nevertheless, SA had succeeded in building a firm economic base during the past two years. "Taking everything into consideration," he went on, "it would seem fair to say that not only is the stage now set for a new upswing in the SA business cycle, but that important expansionary influences are already at work."

Balance of payments: 1976's R1 630m current account deficit was transformed into a surplus of R751m during 1977. But net inflow of long-term capital fell from R989m to R211m in 1977, largely due to net loan repayments by government and the banking sector. Net long-term inflow to the private sector remained steady at R223m (R235m). The basic balance showed a surplus of R962m (—R641m).

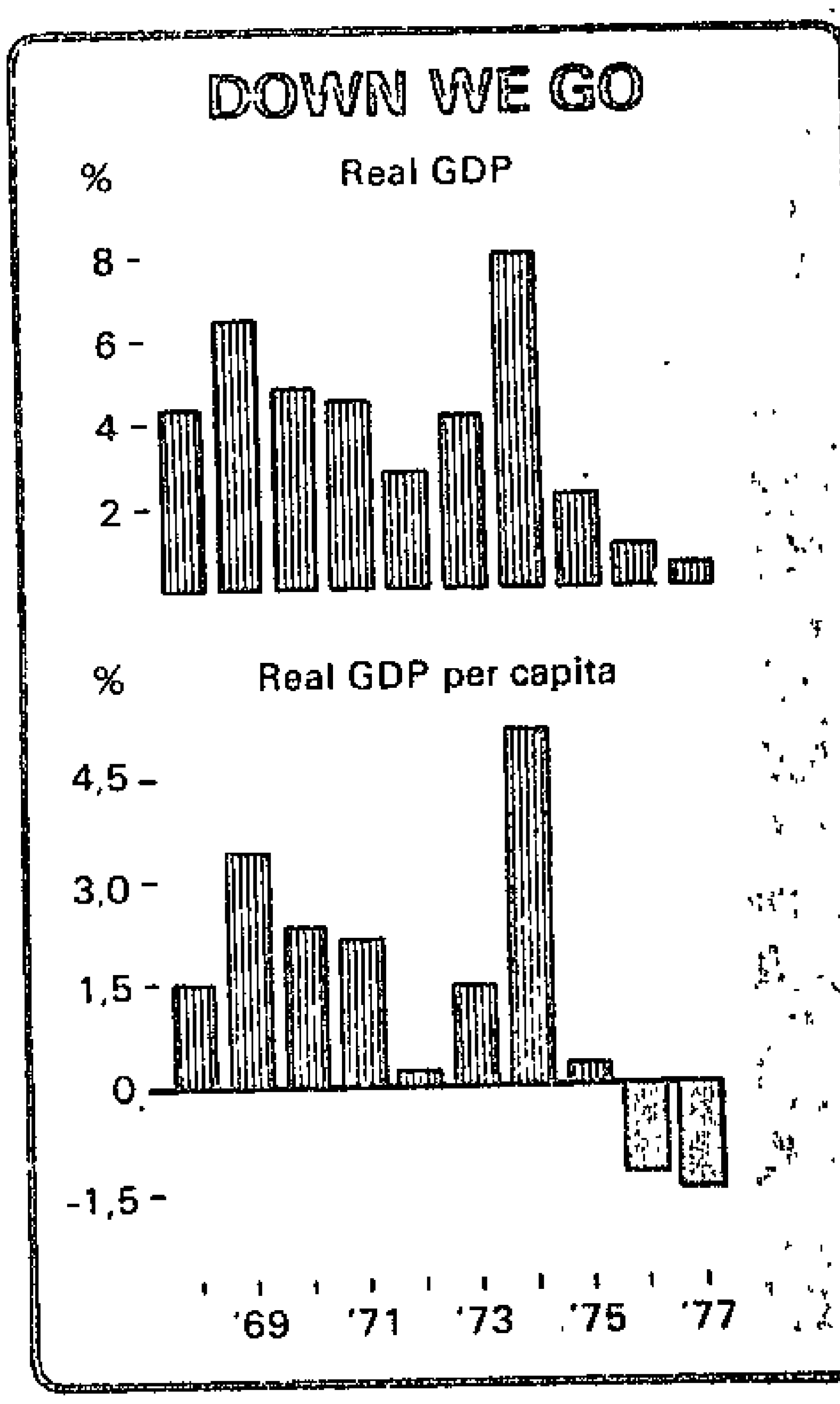
Inflation: Inflation remained at an "unacceptably high level", partly as a result of increases in administered prices. Compared with an increase of 11,1% in 1976, the average monthly CPI rose by 11,3%. The seasonally adjusted quarterly increase in the CPI, however, slowed from an annual rate of 13,3% in the first quarter to 9,1% in the fourth.

Wages and salaries: During the first three quarters of 1977, average real salaries and wages of whites in the non-agricultural sectors fell by 3,4% compared with the corresponding period of 1976. The real wages of blacks showed a "modest" increase.

Money and credit: After rising by 23%, 22%, 17% and 9% in the previous four years, the supply of money and near money increased by 7% last year a significant decline in real terms.

Bank credit to the private sector rose by 6% (7% during 1976), while total domestic credit expansion (including credit to government) slowed from 12% during the first six months to 1% during the second half.

Other sectors: The real income of commerce and industry declined by



labourers.
Bantustan consolidation: R5m is added to the R30m already provided.
Defence: Cash requirements are down by nearly R100m, but credits in favour of the Special Defence Account, amounting to R128m, will be available due to cancellation of some foreign contracts.
Pensions: Up R10m over and above the announced increases to compensate for ST. Pensions for all race groups are up R9, civil pensions rise by a minimum of R15 and military pensions increase by 12,5% for whites, 25% for coloured people and Asians and 37,5% for Africans from April 1.
National housing: Up 16% from R153m last year to R177m.
Education: Black education gets R143,9m — 22% more than last year. Education for other race groups is up R22,4m.
Wines: Excise duty on natural wines is cut from 7c to 4c per litre.
Alcoholic fruit drinks: An excise duty of 4,24c per litre will be levied on unfortified apple, pear and orange alcoholic drinks; 23,72c on fortified and 40,74c on sparkling.
Property buying: Transfer duty on stands costing less than R8 000 and houses costing less than R20 000 are scrapped from April 1.
Estate duty: Rebates for surviving children and spouse, together with primary rebate, are up from R25 000 to R30 000 each.
Export allowances: The increased packaging cost concession, withdrawn last year, is reinstated for one year.
Foreign credits: Losses on foreign financing for which no forward cover is available will be tax deductible if the credits are used for "domestic productive purposes."
Investment allowances: Won't be granted to lessors unless the lessee is a taxpayer.

The basic initial allowance of 25% will be granted to factories which buy *used* machinery and put it into operation after April 1 because this machinery "could utilise more labour per unit."
Stamp duty on all leasing contracts is abolished as they will be subject to sales tax.
Fringe benefits: The Standing Committee on Tax Policy is considering taxing "excessive" fringe benefits.
One-man companies: Individuals registering their business or professional practice as a company will no longer receive tax concessions.
Partners' pensions: Pensions of former partners will be tax-deductible. Employees who become partners will be allowed to stay in pension funds "subject to certain conditions."
Animals: Voluntary animal protection and welfare societies get R100 000.

But there's the rub. If interest rates fall, what happens to the capital account of the balance of payment? Lower short-term rates would lead to South Africans' switching their borrowings from what were cheaper foreign sources to newly-cheaper local markets. That would result in a still larger net outflow of short-term capital (last year's drain was R1 086m) and so threaten the foreign reserves, already seriously depleted.

There is a solution and that is to change our exchange rate policy. If the capital account of the balance of payments is a problem, the way to tackle it is to float the rand — or at least to introduce a floating rate of exchange for all capital transactions.

In a summary, then, while the budget has introduced some welcome tax concessions, it has almost certainly failed to give growth a boost. As Barclays' Johan Cloete puts it: "Overall, I don't see how it can be a reflationary budget." To which Stellenbosch's Attie de Vries adds: "Horwood hasn't done much in real terms."

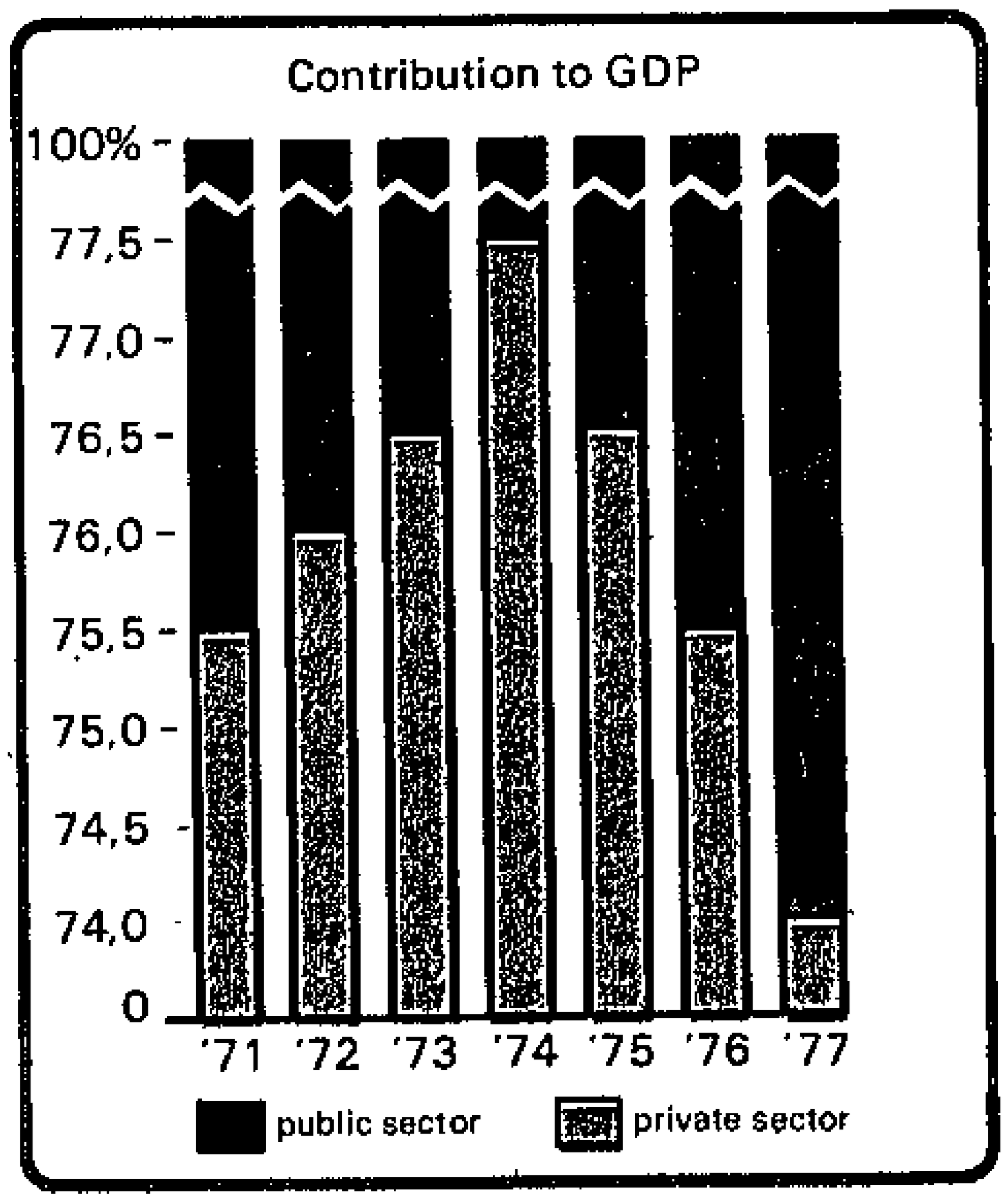
Does it matter? Horwood talked hopefully of higher export earnings filtering through into higher investment and consumption spending. Certainly, if the price of gold continues to rise sharply, a stimulatory fiscal policy will not be needed. However, while gold looks good, the faltering world economy and growing political uncertainty in the sub-continent, hardly inspire confidence in the future.

In the face of these negative factors, a more stimulatory fiscal policy could well have spelt the difference (for many people) between having a job and being unemployed.

about 5,5%, offset by a substantial increase in the real income of the primary and service sectors. The contribution of non-gold mining increased by 15%.

Overseas, "all is not well in world economy," said Horwood.
Net gold and other foreign reserves fell by R124m (R1 056m in 1976). Gross reserves (excluding valuation adjustments) fell by R345m.

The decline in the net reserves was arrested during the second and third quarters of the year, and there was an increase of R59m in the fourth. This "upward tendency" continued into the first quarter of 1978.
Imports fell 7,4% from R7 443m in 1976 to R6 893m last year. Volumes were 17% down. As a percentage of real GDP, import volumes represented about 15%, the lowest such ratio since 1962.
Exports: Merchandise exports rose 30% from R4 889m to R6 332m. By the fourth quarter, merchandise exports reached a record seasonally adjusted annual rate of R7 034m.



Gold production fell between the two years, but the value of net gold output rose by over 19% — from R2 346m to R2 795m.
Growth: The rate of increase in real GDP fell from 1,5% in 1976 to about 0,5%. Real private consumption expenditure showed an annual decline for the first time since the Second World War. Real government consumption expenditure fell by around 1% (increase of 5,5%). Gross domestic fixed investment declined (by about 10%), as did real inventory investment.
Unemployment continued to increase. The seasonally adjusted number of registered white, coloured and Asian unemployed rose from 21 084 in December 1976 to 34 641 by December last year, but declined to 30 207 in January. The Department of Statistics estimates that 634 000 Africans — or about 12,4% of the economically active African population — were unemployed in October last year.

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5. Gebruik hulle meganiese of handskere?
6. Hoeveel a) skeerders

   b) dagmanne is daar in die [illegible]

7. Hoe lank werk hulle op u plaas elke j[illegible]
8. Waarvandaan kom hulle?
9. Hoe werf u hulle?
10. Hoeveel keer het die span reeds op u [illegible]
11. Hoeveel skape skeer hulle weekliks?
12. Betaling

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    Dagmanne: kontant ander: ho[illegible]

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13. Hoe word die betalings bepaal?

The Natal Mercury, Friday, March 31, 1978 17

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Budget 'likely to hit Blacks hardest'

Mercury Reporter

A MERCURY survey has shown that the country's Blacks will be hardest hit by the Budget — described by Mr. Eugene Roelofse, consumer watchdog of the South African Council of Churches as "the Black man's burden".

Although Blacks will no longer have to pay the controversial poll tax, they will be hardest hit by the 4 percent sales tax which comes into effect on July 1.

The present sales duty does not apply to basic foodstuffs and the average Black family in the Durban area, which spends more than half its income on food, will not benefit by the 5 percent reduction in the sales duty announced by the Minister of Finance, Senator Owen Horwood.

Basics

But the crunch will come on July 1 when the 4 percent sales tax is added to the average Black family's overburdened household budget.

While an amount of R20 million has been set aside in the Budget to stabilise the price of basic foodstuffs, Mr. Roelofse has dismissed this as an insignificant amount. And there is uncertainty about how the R20 million is to be applied to stabilise prices.

Chief information officer for the Consumer Council in Pretoria, Mr. Mike Hawkins, admitted the council was still in the dark over the issue. He said it appeared that Blacks would be severely hit by the new sales tax.

Harder

Mrs. Loraine Gordon, research officer for the South African Institute of Race Relations said: "Unless basic foodstuffs are exempted from this tax, life will undoubtedly be harder for the lower income earners — the Blacks," she said.

Mrs. Witness Khumalo, a mother of four who lives in Umlazi, spends an average of R60 on basic foodstuffs each month — excluding bread and milk, which she buys daily.

Each month she buys bulk supplies of mealie meal.

~~TO BE RELEASED ON FRIDAY 31st MARCH 1978 AT 00h01~~ E

STATEMENT BY THE HONOURABLE THE PRIME MINISTER, ADV. B.J. VORSTER, IN CONNECTION WITH THE FORTY-EIGHTH MEETING OF THE ECONOMIC ADVISORY COUNCIL IN PRETORIA ON 20 AND 21 FEBRUARY 1978

At its latest meeting the Economic Advisory Council focused its attention mainly on an analysis of the present position of the economy and on possible developments in the short term, with a view to formulating a suitable policy strategy which the Government could consider in the application of monetary and fiscal policy, more specifically as this policy would be embodied in the Budget to be presented on the 29th of March. This statement was therefore held back until after the Budget Speech, in which the Honourable the Minister of Finance gave a detailed exposition of the state of the economy. To avoid duplication, therefore, this statement will only deal in broad outline with these aspects in so far as they are relevant as a background to the recommendations of the Council.

THE PRESENT ECONOMIC SITUATION

Whereas national accounts figures for only the first three quarters of 1977 were available to the Council at its meeting in November 1977, the Council was in a position to review the calendar year 1977 as a whole at its latest meeting. As regards the balance of payments, the Council was once again impressed with the improvement in the current account, which had picked up from a deficit of no less than R1 630 million in 1976 to a surplus of about R751 million in 1977. This exceptional about-turn was due not only to the strong revival in exports, but also to the market declines in the volume of goods imported and in net payments for services to foreign countries. As is known, the volume of imports has been declining in absolute terms for the past three years and in 1977, as a percentage of the real GDP, it dropped to about 14,8 per cent, the lowest figure since 1962.

This big improvement in the current account was reflected in the fact that, for the first time in nine years, the gross domestic expenditure at current prices in 1977 was smaller than the gross national product. The fact that all components of the real gross domestic expenditure in 1977 were lower than their corresponding levels in 1976 also confirmed once again the Council's view that the Government's restrictive monetary and fiscal policy has so far been most successful.

The Council was nevertheless concerned about the fact that this policy, together with the natural recessionary tendencies in the economy, had given rise to certain negative developments in the economy. In particular it was noted that owing to the quite drastic decline in the real domestic demand the real GDP in 1977 was only 0,5 per cent higher than in 1976, the growth rate in 1976 and 1975 already having been only 1,5 and 2,5 per cent, respectively. In addition, it appeared that only the growth performances of the agricultural and mining industries (excluding gold), as well as, to a lesser extent, the service industries, were responsible for the small positive growth in the real GDP in 1977. It is therefore clear that the forces of growth that were at work in the economy were to a large extent associated with developments in the export markets and with good agricultural conditions, but to a lesser extent with inherent forces in the rest of the economy. The more favourable development in the primary sectors was also not sufficient to counter the negative influence exercised on employment, utilization of production capacity, income growth, etc., by the continually shrinking volume of economic activity, especially in the manufacturing and construction sectors.

In view of the foregoing, the Council again expressed its concern about the unemployment situation, especially as regards the Blacks. Although there may still be differences of opinion about the actual level of unemployment in the various population groups, there is no doubt that unemployment has increased at a rapid rate during the past year. With the necessary adjustment for seasonal fluctuations, statistics of the Department of Labour show, for example, that the number of registered unemployed Whites, Coloureds and Asians rose from 21 084 in December 1976 to 36 641 in December 1977, an increase of almost 64 per cent. The average monthly unemployment figure for Blacks which is kept by the Department of Plural Relations and Development and is based on the number of job seekers that register with the Ad= ministration Boards in White areas also shows a rise of nearly 27 per cent for the year 1977, as compared with 1976.

Cognisance was also taken of the survey of employment opportu= nities by the Department of Statistics, which shows that the total number of employment opportunities outside the agricultural sector was 0,2 per cent lower during the first nine months of 1977 than during the corresponding part of 1976. If mining is also excluded, it appears that employment opportunities in the remaining sectors decreased by 3,1 per cent over the same period. Clearly, therefore, employment opportunities have not remotely kept pace with the normal growth of the labour force, which is running at 2,7 per cent per annum for all the population groups together. Furthermore, cognisance was taken of the results of the first comprehensive survey of unemployment among the Blacks, which were recently made available by the Department of Statistics and which show that 634 000 members of this population group, or 12,4 per cent of the economically active Blacks, were already unemployed in October 1977. The Council is aware of the fact that this figure, which it has accepted as a reasonably accurate reflection of the actual position, is for various reasons not directly comparable with the figure of the Department of Labour for Whites, Coloureds and Asians and that of the Department of Plural Relations and Development for Blacks in the White areas. The last-mentioned two figures relate only to persons who report as job seekers at the bureaux concerned and are therefore less comprehensive than the figure arrived at by the Department of Statistics. The Council is also fully aware of the fact that there are still labour shortages in certain job categories and that even the unemployment rate of 12,4 per cent for Blacks is still relatively low in relation to the unemployment rates in the rest of Africa and in other developing countries. It was felt, however, that these figures were high in terms of our own experience in the past and that everything pointed to the fact that unemployment among all the population groups in South Africa was now assuming proportions of which account would have to be taken in the formulation of the economic policy in the immediate future.

Another aspect of the economy that is causing concern is the con= tinuing high rate of inflation. The average monthly consumer price index rose by 11,3 per cent in 1977, compared with 11,1 per cent in 1976. The seasonally adjusted quarterly increases in the consumer price index nevertheless showed a steady decline in 1977 from 13,3 per cent in the first quarter to 9,1 per cent in the fourth quarter. However, the Council is aware of the fact that although the consumer price index behaved in this way in previous years as well, it shot up again during the first quarter of the following year, mainly as a result of adjustments to State-administered prices. Indeed, it is expected that a similar pattern will manifest itself during the first months of 1978. Nevertheless the Council still holds the view that a further dampening of the economy would not have a significant downward impact on the inflation rate and that an increase in the expen= diture on the GDP would not exert an upward pressure on the in= flation rate soon, since it can now be accepted without any doubt that excessive demand is not at present responsible for the high rate of inflation. In fact, as a result of production capacity being unutilized to such a high degree, an acceleration in the growth rate may lead to lower unit costs and therefore a slower increase in the inflation rate.

As regards the capital account of the balance of payments, the Council found that no basic change in direction had occurred since its previous meeting in November 1977, when figures for only the first nine months of 1977 were available. Preliminary estimates by the Reserve Bank for 1977 as a whole indicate a net outflow of about R1 096 million, as against a net inflow of R1 110 million in 1976. Basically four factors were responsible for this: the political uncertainties with regard to Southern Africa, the very low level of domestic fixed investment, decreasing im= ports, and the large-scale repayment of foreign loans by both the public and the private sector. The considerable decrease in the net inflow of long-term capital was attributable mainly to the repayment of loans by the Central Government and the public cor= porations and local authorities, while the private sector, on the other hand, was able to obtain reasonable amounts of long-term foreign capital relating to specific projects, especially export projects.

The Council expressed its satisfaction at the fact that the Central Government had made good progress during 1977 in the repayment of debt related to the reserves. So far as the move= ment of capital not related to reserves is concerned, cognisance was taken of the fact that an outflow amounting to about R1 086 million took place in 1977, as against only about R415 million in 1976. Apart from some positive developments, therefore, the Council remains of the opinion that the capital account of the balance of payments is still the most important bottle-neck in the economy, of which due account will have to be taken in the formulation of policy for the foreseeable future.

THE COUNCIL'S RECOMMENDATIONS ON FISCAL AND MONETARY POLICY

At its previous meeting in November 1977 the Council held the view that no further stimulation measures, apart from those that it had recommended to the Government at the August meeting of the same year, should be considered until such time as they would be justified by circumstances particularly in the capital account of the balance of payments. On the basis of the information at its disposal, the Council was at that stage not prepared to re= commend a general stimulation of the economy, but adopted a wait-and-see attitude. The Council also made it clear that the selective stimulation measures that it had recommended at that stage should not be expected to lead to a complete about-turn in the downward phase of the business cycle, or even stop the outflow of capital to foreign countries, but that those measures were aimed mainly at alleviating the serious recessionary condi=

tions in certain sectors in the economy and combating unemploy= ment.

The picture that now emerges from the available economic indica= tors is a somewhat mixed one. In some cases decreases are still in evidence; in others there is a tendency towards a levelling-off in the downward trends; and in yet other cases there are even marked upswings. The activity in the building industry, for example, is still decreasing, while a levelling-off in the downward trend in the real economic activity in commerce and industry could be detected during the second half of 1977 and motor vehicle sales also began to pick up significantly towards the end of 1977, these trends continuing during the first two months of 1978. This situation is, however, characteristic of an economy that has reached the lowest turning-point of the re= cession and has not yet moved into a definite upward phase of the business cycle.

So far as possible developments in the economic field in 1978 are concerned, it has now become clear from both the Council's discussion and other information available to it, especially with regard to the poorer growth prospects for South Africa's trade partners, that without any further stimulation measures in addition to those already in operation (including the salary in= creases in the public sector), the economy can reach a growth rate in the real GDP of between 1 and 2 per cent during this year. Althought this will be an improvement on 1977, it will inevitably mean a further deterioration in the already serious unemployment situation. It has therefore now become clear that further moderate stimulation is needed, and the Council felt that the time had now come for the relative emphasis in economic policy to be shifted towards growth and the creation of employ= ment opportunities, but that due account should still be taken of the balance of payments and the inflation problem. In fact, there are indications that, with moderate further stimulation at this stage, a growth rate of between 2 and 3 per cent may still be attained in 1978, whereas the current account of the balance of payments may still show a considerable surplus and the inflation

7/...

rate should not be adversely affected, but may even be favourably influenced by a decrease in unit costs through existing production capacity being more fully utilized. Under these circumstances, the gross foreign reserves may be expected to decrease further as a result of the sustained net outflow of short-term capital and a smaller net inflow of long-term capital, but the net reserves may even show a rise owing to a concomitant decrease in the level of foreign short-term liabilities. Since neither private con= sumption expenditure nor fixed or inventory investment shows signs of a strong revival, it need not be feared that a moderate further stimulation will give rise to a revival that may get out of hand. It has now, however, become urgently important to strengthen the economy by bringing the real GDP to a higher level and stimulating the provision of employment opportunities. In this way both domestic saving and the Government's revenue from tax should increase, domestic and foreign business confidence be strengthened and, in due course, even more foreign capital be attracted. In fact, representatives of the private sector have put particular emphasis on the present need for business con= fidence to be restored.

As regards the nature of the stimulation measures, it was gene= rally clear that by and large the private sector would rather see these measures take the form of a relief on the tax side than an increase in Government expenditure. The Council has again, as on various occasions in the past, emphasized that consideration should also be given to bringing relief in the marginal scales of the personal income tax with a view to the encouragement of saving. Even if, in the present circumstances, this could not be carried through as part of a package of additional fiscal stimulation measures, the possibility should be considered of offsetting partly, or in full, the loss of revenue from tax that would re= sult from such a measure by imposing the proposed turnover tax at a high enough level.

To sum up, the Council has therefore found that, on the basis of the present and expected economic conditions, there should be further moderate stimulation of the economy. This stimulation

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should preferably be of a more general character than the measures that have thus far been implemented. The Council did not, however, express itself specifically as to precisely what form the measures should take. At the same time, however, it did come out strongly against abandoning the spending discipline and relinguishing the control over the amount of money in circulation that had been achieved over the past few years, no matter what approach was followed. As for monetary policy, the Council feels that it goes without saying that the monetary implications of its recommendations in connection with stimulation will be duly taken into consideration and that they will fit in with the existing broader monetary objectives of the Government. Finally, the Council was fully aware of the fact that the demands on the budget and the restrictions on the State's sources of revenue left the fiscal authorities little room for manoeuvre and that it would probably not be possible for the guide-lines that the Council has laid down to be followed in every respect.

Budget boost — but are companies ready?

(49)

SUN. TRIB. 2/4/78

IN HIS budget speech this week the Minister of Finance set the stage for economic recovery. Tax cuts to companies and higher income earners should boost confidence and stimulate investment. But unless the private sector responds as planned hopes of a recovery are doomed.

A fundamental consideration, therefore, is whether companies have resources at the ready to embark upon an expansionary course.

In the latest Barclays Bank Business Brief the liquidity of South African companies is placed under the spotlight. As a basis for the analysis Barclays Economic Department use the financial statistics of a sample of 781 manufacturing companies, 1 900 retail traders, and 92 mining companies. The figures are published by the Department of Statstics in Pretoria.

The manufacturing figures cover 63 percent of total net manufacturing output in the country. To date, figures cover only the first nine months of 1977. Cash flows of manufacturers improved markedly during this period — a trend which is likely to be displayed for the rest of 1977 and into 1978 figures.

The negative gap between new financial commitments entered into in respect of fixed capital expenditure and stocks on the one hand and total cash accruals on the other dropped from R606 million for the first three quarters of 1976 to R222 million for the corresponding period of 1977.

However, commitments for the purchase of fixed assets and stocks fell sharply — by 37 percent and 36 percent respectively.

The Barclays economists suggest that the fall off in fixed investment was due partly to the completion of projects started in the boom of 1974/75 and partly to the current high level of productive capacity.

Significantly, during the first nine months of 1977, the gap between total new financial commitments and total cash accruals narrowed to approximately the level that existed in 1972 — the year in which the previous general business upsurge began.

But the bank points out further that two aspects of the financial position of companies in 1977 differ from those of 1972. Total cash accruals were rising in 1972, whereas in 1977 these were still falling and, undermining confidence even further, is the fact that after-tax profits dropped from R850 million during the first three quarters of 1972 to R785 million during the first three quarters of 1977.

The bank feels that these factors might well delay the start of the next economic upswing.

The cash flow figures for the retail trade also show a considerable improvement. The figures, which cover about 35 percent of the total sales of retail firms seem to indicate that the retail trade is at about the same position as it was in 1972.

The negative gap between total financial commitments and cash accruals dropped from about R135 million for the first nine months of 1976 to only R6 million for the same period of 1977.

This virtual closing of the financial gap was due primarily to reductions in additions to stocks — down from R142 million to only R10 million. However, as was the case with manufacturing industry, profits plunged.

The figures for the mining industry cover some 84 percent of total mineral sales. This industry experienced the most dramatic improvement in cash flows. Barclays point out that this was predictable — a direct result of increased mining production and the rising gold price.

The negative cash accrual - expenditure gap of R106 million for the first nine months of 1976 was transformed into a surplus of R238 million in 1977. Cash accruals doubled to R532 million during this period while total new financial commitments fell from R325 million to R295 million. As a result, after-tax profits rose by 31,7 percent.

The bank concludes that cash flows have improved significantly over the past year, and that company finances are at least in sounder position than was the case a year ago. Hopefully this is sufficient to permit a healthy and enthusiastic response to planned recovery.

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6

THE BUDGET...

Business tone moves up an octave

SUN. TRIB. 2/4/78 49

By ROLAND FREAKES, Executive Director, Natal Chamber of Industries

MANUFACTURING industry has been in the doldrums for some time. During the past 12 months, the physical volume of production has fallen by 4,4 percent. Under optimum conditions, it should have risen by over 8 percent.

The case for a shot-in-the-arm is clearly strong, but to what extent will the 1978 budget proposals provide it?

The Minister has spread his budget hand-outs over a wide area but, taking a narrow perspective through the proposals, the following can be identified as being of direct benefit and interest to industry.

The formal announcement of the introduction of a general sales tax is welcome news, in that it should herald the disappearance of sales duty.

The change-over will relieve industry of an administrative burden, and will virtually eliminate the inflationary escalation factor which is an inherent weakness in a sales duty applied at manufacturing level.

The general sales tax is not being structured quite as we envisaged, and a serious criticism which industry must now level at it is that it will encompass capital goods (machinery) which is wholly out of keeping with a retail type tax.

This places a part of the tax at manufacturing level once again, with the inevitable process of escalatory price increases. Fuel used for production was originally to have been included, but as a result of strenuous representations from organised industry it is now in the list of exempted items.

The immediate five percentage point across-the-board reduction in existing sales duty rates will act as a short term stimulus to demand which will be overtaken by the application of the general sales tax with effect from July 1.

Sales duty yields R350 million a year, the general sales tax will yield R1 000 million a year, so that, overall, prices must rise — even allowing for further reductions in the import surcharge.

The reduction in the import surcharge is, for industry, a mixed blessing. The import surcharge provides important additional protection for some manufacturers in respect of their finished goods.

For others, obliged to import their raw materials, it represents an additional cost burden.

The reduction in company tax is a move in the right direction which would have been more meaningful had the reduction been trebled by total removal of the 7½ percent surcharge. Under the recessionary conditions of the past three years, corporate profits have been seriously eroded and a pay-over of 49 cents in the rand to the fiscus has proved excessive.

The investment allowance on used machinery is a concession for which industry has pressed for many years and the offset of exchange losses on foreign credit will also be helpful to industrialists.

On the export incentives there has been the reinstatement of the special packaging allowance. In a rash moment, the allowance available to exporters was withdrawn — apparently because of abuse.

The movement away from direct taxation of companies and people to a form of indirect, and the other taxation moves, may bring new stirrings in consumer demand which, in the final analysis, is the life blood of industry.

Certainly early reaction suggests that the Budget is tickling consumer confidence and that the tone of business has moved up an octave.

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Sg. Trib. 2/4/78

Budget slows a slide in industry shares

(49)

SENATOR Horwood's Budget gave the industrial market a gentle nudge this week which helped to arrest the recent slide in share prices. But apart from bolstering confidence in this sector of the market, the 1978 budget had little impact in Hollard Street.

Turnover was at a low ebb throughout the four days that the Stock Exchange was open, with little scrip on offer. The average volume was just over a million shares a day, but a good deal of that missed the market floor.

The industrial index gained 10 percentage points on the week to 518,5 points. Although many of the shares were simply marked up and little stock was traded, the market welcomed this halt to the recent erosion of the industrial board's prices.

Following the announcement of Tongaat's formal offer for Primrose, the latter dropped from their recent 150c levels to stabilise around 131c in line with the 130c bid Tongaat gained 15c on the week to 235c.

Talk of the need to increase the local manufacure of arms led to a rise in the prices of Barlows and Dorbyl stocks. Overseas arms suppliers have cancelled some of their contracts and the market is looking at these two companies as major potential suppliers.

Among metals and minerals, the market saw some healthy price gains the asbestos counters Gefco and Msauli moved ahead following their chairman's report. His forecast for the future was optimistic — anticipating an increase in demand in the long term. And with no new asbestos deposits discovered as yet, this could lead to a shortage of fibre in future years.

Gefco moved up from 250c to 270c and Msauli followed close behind with a 15c gain to 135c.

The platinum counters were out of favour when Rusplat again passed its dividend But towards the end of the week, renewed buying at the lower levels recouped part of the earlier losses.

Brokers attribute the appreciation in copper shares to news of Zambia's troubles and the declaration of force majeure. Palamin in particular was in demand.

Gold shares followed the erratic performance of the bullion price. Some renewal of American interest helped to bolster this sector of the market towards the end of the week. But overall, the Tribune's gold index dropped five percentage points to 308.

The American interest was centred mainly on the heavyweights. Randfontein was the favourite, and this counter moved up 115c to 5850c on Friday alone.

London, however, has remained wary of Johannesburg equities and brokers expect the situation to remain unchanged until the SWA situation becomes clearer.

Close	Golds	Metals	Indus	All Market	Volume 000's
Mar 31	311,5	860.3	525.1	81.7	1463
Mar 30	305.8	851.6	518.1	80.4	1326
Mar 29	310,0	834,9	509,8	80,1	1165
Mar 28	312.7	837.7	508.0	80.3	763
Mar 23	309.1	840.6	508.1	79.9	1509
Mar 22	306.4	829.5	507.1	79.4	1408
Month Ago	313,9	856,1	518.8	81.4	1045
Year Ago	292,1	1198,6	505.1	80.2	1088
YEAR'S HIGH	356,0	1198.6	572.7	91.9	2993
	17/10	31/3	18/10	17/10	4/10
YEAR'S LOW	242.4	821.3	501.8	74.6	690
	4/7	20/3	27/4	4/7	12/4
Earnings Yield	14.2	25.1	20.6	18.2	—
Dividends Yield	7,2	11.0	9.3	8.6	—

Base: Golds, Metals and Industrials — 1960 = 100, All Market: 1975 = 100.

Vrrelys aan plaaswerkers (2)

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STAATSKUSSING LÊ REG

Mattent 2/4/78

(49)

Deur DAVID MEADES

DIE Begroting het die weg aangedui en dit gaan nou van die reaksie van die private sektor afhang of die land se ekonomiese groei weer begin versnel. Die staat het terselfdertyd ook voorsiening gemaak vir 'n „kussing," wat ruimte laat vir verdere stimulering as die ekonomie te swaar sukkel om op dreef te kom.

Dit is hoe vandeesweek se Begroting van die Minister van Finansies, sen. Owen Horwood, opgesom kan word — 'n begroting wat die eerste keer in 'n baie lang tyd deur feitlik almal net lof toegeswaai word.

MIN. OWEN HORWOOD . . . op breë front tevrede gestel

Dit was baie duidelik dat sen. Horwood uiters versigtig te werk gegaan het om die ekonomie 'n verdere inspuiting te gee sonder om weer sterk druk op die betalingsbalans en inflasie te plaas.

Die indruk word gewek dat die klem op matige stimulering geplaas is. Maar dan is daar heelwat kenners wat meen dat die grondslag nou daar is tot versnelde groei en dat die ekonomie reeds teen vroeg aanstaande jaar weer teen 'n jaarkoers van 3 persent kan groei.

En dat die Regering ook op ten minste so 'n verbetering hoop teenoor verlede jaar se groeikoers van net 0,5 persent, het duidelik geblyk uit 'n bespreking van die Begroting Vrydag in Johannesburg waaraan die nuwe Sekretaris van Finansies, dr. Joop de Loor, deelgeneem het.

Alternatiewe

Dr. De Loor het 'n byeenkoms van die Johannesburgse Afrikaanse Sakekamer toegespreek en daarna op 'n openhartige manier vrae oor die Begroting beantwoord.

Waarom/Waarom nie

Vr... aan plaaswerke...

Naam (eerste naam al...

Nommer van plaas

1. Hoe het u na die...

2. Het u dit al ooi... stad te gaan werk? Indien wel, waarom gaa...

3. Watter werk wil u ... s moet doen? Waarom?

4. Watter soort werk ... u liewer doen of op 'n plaas of êrens a...

5. As werker nie skool... bekom het u nie skoolgegaan nie?

As werker skoolgega... aargemaak het nie, waarom het u nie op skool...

Probleme.

1. Wat wil u graag hê m... werksomstandighede? (loon, ander soort ... , vakansies)

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3. Watter probleme onderv...

Ter inleiding het dr. De Loor gesê dat die owerheid besef dat daar nie veel aan die inflasiekoers gedoen kan word deur die ekonomie verder te demp nie.

Daar kan nie langer bekostig word om nie te groei nie en deur dat die betalingsbalans wel op die oomblik ruimte tot stimulering bied, is daar op 'n berekende risiko besluit.

Dr. De Loor het gesê dat die betalingsbalans geen onmiddellike risiko inhou nie en dat daar bekostig kan word om skiet te gee.

Op 'n vraag oor waarom daar nie ook skiet gegee is met kredietplafonne nie, het dr. De Loor geantwoord dat die monetêre owerheid meen dat daar nog voldoende ruimte is en dat daar nog geen knelling met kredietverlening ondervind word nie.

En met die oog op die seisoenale skommelinge in die geldvoorraad word daar in elk geval van vandeesmaand af 'n verruiming in die mark verwag. Teen Julie word die leningsheffing van 1972 terugbetaal en behoort dit ook te help dat die verruiming voortduur.

Ofskoon dr. De Loor dit nie so uitgespel het nie, is die indruk gewek dat as dit nodig sou word, die masjinerie daar is om die nodige aanpassings te doen.

Lenings

Dit was ook uit die Begrotingsrede van sen. Horwood duidelik dat groei nou ons grootste prioriteit is. Daar kan dus aangeneem word dat verdere tussentydse stimuleringsmaatreëls ingestel sal word as die huidige pakket nie die gewensde uitwerking het nie. Dit kan op verskillende maniere gedoen word, onder meer, deur byvoorbeeld die vroeëre terugbetaling van nog 'n leningsheffing.

In sy Begrotingsrede het sen. Horwood gesê dat Suid-Afrika nie te duur vir buitelandse geld gaan betaal nie. Hierop het dr. De Loor ook uitgebrei en gesê dat die buiteland nie gedink het dat Suid-Afrika so gou sou kon begin om lenings af te los nie.

Daar word nou ook weer aanbiedinge van oorsese geld ontvang. Dit is nou wel heelwat kleiner as in die verlede, maar is met termyne van drie tot vyf jaar en in sommige gevalle tot sewe jaar. Dit is ook aanbiedinge tot suiwer lenings en nie invoerfinansiering nie.

Vraely

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Waarom/Waarom nie?

Argus 4/4/78

Economics important too—Schwarz

49

The Argus Parliamentary Staff

THE economic system which would accompany political change in South Africa might prove to be an even greater problem than political rights, the official Opposition's spokesman on finance, Mr Harry Schwarz, told the Assembly yesterday.

Speaking in the Budget debate, he said all white political parties in varying degrees paid lip service to capitalism or free enterprise.

Meanwhile, the so-called "liberation struggle" in Africa had as its platform not only human rights, equality and freedom, but every single movement had a new economic system as its objective.

In not one single instance was such a system capitalistic or free enterprise — it was rather a range of concepts from Marxist communism to socialism.

The promises held out to the potential convert were not merely the emotional concepts associated with freedom, but also the materialist advantages to accrue from a change in the structure of economic society.

In white South Africa, this situation was ignored. White South Africa was so concerned with the political aspect that no thought was given to the economic system which would accompany political change.

It was assumed that the system would be capitalism as it was today.

It was interesting, however, that the creation of development corporations in the black homelands, the nature of land tenure and the role of the homeland governments in the economies, tended to move the homelands away from free enterprise to mixed economies with state socialist tendencies.

NM 4/4/78 (49)

No economic revival without political change, says Schwarz

TAX 'WILL NOT SAVE COUNTRY'

ORMANDE POLLOK
Political Correspondent

CAPE TOWN — The Government was living in a fool's paradise if it thought a few tax changes could save South Africa, the chief Opposition finance spokesman, Mr. Harry Schwarz, said yesterday.

Opening the Budget debate, Mr. Schwarz launched an attack on the new sales tax system which, he said, was discriminatory in that it would hit the poorest sections of the population hardest.

Nationalists interjected loudly and the chief Government spokesman, Mr. Hennie van der Walt, MP for Schweizer-Reneke, replied that the time was right for a new tax system.

The country had to remember that there were long-term advantages to the new system even though there might be short-term drawbacks.

Mr. Schwarz said he supported the Government's aim to stimulate economic growth but he questioned the measures announced by Minister of Finance Senator Owen Horwood.

"Will the Government tell us what political action it will take to make an economic revival possible?" asked Mr. Schwarz.

"Without it we may have a mild upswing but in the long term we will become a beleagured, isolated and boycotted country."

While praising the minister for some of the measures in the Budget Mr. Schwarz said his much-vaunted tax concessions were far less than the extra money he was taking away from the taxpayer.

"In spite of tax concessions the minister is budgeting to take R57 million more from individual taxpayers," he said.

The general sales tax would bring in an extra R395 million and an extra R745 million in a full year, while personal tax concessions amounted to only R132 million.

"But there is a more serious aspect," said Mr. Schwarz. "This Budget discriminates against the lower income groups — they are expected to pay sales tax but they receive no concessions."

Among the examples he gave was a married man, with three or four children, earning R4 000 a year or less. He received no concessions.

There were 1 719 038 White, Coloured and Indian

much higher than for Whites.

"The poverty gap — or call it a wealth gap — is of such a nature in our country that it needs to be closed far more before a tax of this kind can be imposed on all items including the essentials of the worker."

Mr. van der Walt, chairman of the NP's parliamentary finance group, said no new tax system could be introduced painlessly.

He denied that it had become Government policy to tax the poor and scoffed at Mr. Schwarz's criticisms that lower income groups were being discriminated against.

Lower income groups were not paying surcharges and therefore there was nothing to give them back.

'Blacks suspicious of capitalism'

4/2/78 (149) Star

Political Staff

THE ASSEMBLY — If the rejection by blacks of capitalism as an economic system in southern Africa gained momentum in South Africa it could become the turning point between peaceful and revolutionary change, Dr F van Zyl Slabbert (PFP, Rondebosch), said yesterday.

Speaking during the Second Reading Debate on the Budget Dr Slabbert said the only and most serious problem facing the Government and all whites in South Africa in the next few years was that blacks would increasingly come to regard capitalism and the free enterprise system as one which favoured the whites' position of power and privilege.

He said that the marxist-socialist alternative was becoming increasingly attractive to blacks because it was so compelling in its simplicity. It explained their present situation in such clear terms and at the same time promised a solution to their problems in such an attractive manner.

Secondly the marxist option was directly related to a fundamental aspect of Government policy — the assumption that there are in principle no black South African citizens.

"To say to a black man that he can never be a citizen in the land where he is born, works and dies is to make him amenable to any kind of utopian ideology which promises the contrary," Dr Slabbert said.

'Hoor, hoor' for Chris

Political Staff

THE ASSEMBLY — National Party members in the Assembly yesterday queued to congratulate Mr Chris Rencken (NP, Benoni) for a speech he made during the Budget debate calling for national self-determination as the only solution to South Africa's problems.

The first to congratulate him was the Deputy Minister of Education and training, Dr Treurnicht. Government members queued at the main exits to the Assembly to congratulate Mr Rencken.

The Prime Minister, Mr Vorster, entered the Assembly shortly before Mr Rencken began his speech and there was an unusually hushed silence on both sides of the house as he delivered his speech covering a wide range of international matters relevant to South Africa.

As he finished his speech there was a loud chorus of "hoor, hoor" from the Government benches.

7/4/78

(49)

disturbing facts which lie behind the flat statement that SA's real GDP rose by only about 0,5% last year.

Along with other statistics just published by the SA Reserve Bank, the fall in consumer spending shows just how badly the country's three-year-old recession has hit both business and the man-in-the-street.

An analysis of expenditure on GDP published in the bank's most recent *Quarterly Bulletin* reveals that of all the components of expenditure, only exports rose in real terms last year.

The accompanying 14,6% drop in real expenditure on *imports* is obviously to be welcomed. But the decreases in private consumption expenditure, gross domestic fixed investment, and inventories — and even in consumption expenditure by general government — are not.

Not, at any rate, when if is by no means certain that last week's budget will prevent SA from spiralling downwards into even deeper recession, with higher unemployment levels and all the accompanying economic, social and political ills. And not when the marginal growth which SA experienced last year was attributable to the country's export successes alone.

The biggest — and most worrying — drop was in gross domestic fixed investment; its 10% decline in real terms last year brought it down to its lowest level since 1974.

In the private sector, real fixed investment fell for the second year running. Mining was down 8%, manufacturing 13%, commerce 14%, and residential construction 19%. Only the private transport sector showed growth (a staggering 92%), owing mainly to the purchase of ships for containerisation and the export of iron-ore.

Investment by public authorities fared no better. The SAR's investment fell by 30%, owing to the fact that the programme of aircraft purchases had come to an end. Real fixed investment by "general departments" fell by 11%.

Investment by the public corporations, on the other hand, rose significantly in manufacturing (51%) and electricity, gas and water (20%), owing to increased outlays on Sasol 2 and on the nuclear power station in the Western Cape.

But the other components of the corporations' fixed capital expenditure fell by 56% — largely as a result of the completion in 1976 of large-scale capital projects like Sishen-Saldanha.

As far as consumer spending — the fuel which fires the country's economic motor — goes, marginal real increases in expenditure on non-durable goods, and on services (both up by 3%) were more than offset last year by substantial decreases in expenditure on both durable and semi-durable goods.

In the former category, expenditure on furniture and household appliances fell by 5%, on personal transport equipment by 10%, and on "other goods" (including television sets) by 34%.

In the "semi-durable" category, spending on clothing and footwear fell by 6%, and on other goods by 3,5%.

These drops in consumer spending are of course the result of a lower rate of increase in real disposable incomes, which in turn is the consequence of higher personal taxes, the absence of significant salary and wage increases, and unemployment. In addition, the prevailing economic and social insecurity has led to higher personal saving.

Tight rein

While government kept its own consumption expenditure on a tight rein during 1977, the bulk of the 6%-odd decline in its real outlays on goods and services is attributable to the (involuntary) reduction in defence spending. Real salaries and wages in the public sector increased by only about 4%, against 5,5% during 1976.

The level of total inventories — at constant 1970 prices — declined by R388m, contributing to a further fall in real aggregate domestic demand (about 5% down on 1976) and to a decline in the volume of merchandise imports. Sharp declines in real industrial and commercial inventories in the private sector were partly offset by increases in the real industrial inventories of the public corporations, agricultural stocks in trade, and livestock inventories.

Of course, none of these downturns in expenditure is surprising given the strict monetary and fiscal discipline imposed on the economy by government in its efforts to restrain inflation and rescue the balance of payments. These efforts have, of course, been largely successful. But SA's moribund economy is now clearly in urgent need of a pick-me-up. Whether Finance Minister Owen Horwood's 1978/79 budget will do the trick remains to be seen (page 24).

49 FM 7/4/78

Budget re-visited

Even though the overall view of the budget has been positive, the question remains — has it really done enough?

Our economy must grow. It must generate adequate employment opportunities, increased profits, increased real wages and salaries, increased government revenue and a growing supply of loanable funds on the capital market for both the private and public sector — Owen Horwood, budget speech, March 29 1978.

For some pundits, last week's budget speech was as important for its psychological impact as for the substance of its proposals. It has been hailed as a "good budget" and "a shot in the arm." But has it done enough in practical terms?

Apparently, Horwood hopes his proposals will gently stimulate household spending and private sector fixed investment. In the words of Gerald Browne, Secretary for Finance until last year: "I think one should see this budget as essentially an attempt to stimulate the economy by stimulating the private sector." He adds that reductions in income tax, early repayment of loan levies, certain forms of government expenditure (especially on housing and export promotion) and the element of deficit financing — to the tune of R400m — will all stimulate the private sector.

Demand is the key

However, growth largely depends on rising real demand. This can take the form of real rises in consumer expenditure, government expenditure, business investment, or exports.

Prospects of another major rise in real exports this year are slim. And there is to be no rise in real government spending, according to the expenditure estimates.

Business investment expenditure depends chiefly on profit expectations, which, for most industries, depend in turn largely on the level of consumer expenditure. There is no point in investing to expand plant capacity while existing facilities are underutilised.

Consequently the real force behind any growth in total demand within the economy will depend on consumer reaction to the budget. Has Horwood done enough to make sure this will be positive?

Many economic oracles are optimistic. They feel that the budget's psychological boost will result in significantly increased consumer expenditure. Indeed, it may well be that the three-month period of tax relief afforded by the 5% cut in sales duties and the 2,5% decrease in the import surcharge — prior to the introduction of the 4% general sales tax (GST) — will result in wholesalers' and retailers' stocking up at reduced prices while consumers go on a spending spree.

But this assumes that the benefit of the reduced duties and surcharge will be passed on to the consumer, which is by no means certain. Firms may instead choose to protect their emaciated profit margins.

Be that as it may, budget bulls are quick to argue that the income tax burden for individuals is now smaller.

However, against this, the *total* tax burden, direct and indirect, has increased because of GST and this will tend to dampen consumer spending.

As veteran Cape Town trade unionist Ray Altman puts it: "For the bulk of the population there will be no tax relief, but instead a universal sales tax of 4% on every conceivable type of good or service, which must inevitably put up their cost of living, because they will score little by the 5% reduction in the present selective sales tax."

Consequently: "For the bulk of the population the budget does not provide any stimulus to consumer demand, which is necessary to revive the economy."

Fortunately, Horwood hasn't used up all the options open to him. He can still increase government expenditure in the supplementary estimates put before Parliament later in the session. He can still adopt a more expansionary monetary policy. And he can scrap the import surcharge and tackle the balance of pay-

WHERE THE MONEY GOES

Department	Total Estimated Exp *1978-79	Final Estimates 1977-78	% change
	R'000		
State President	403	365	+10,4
Parliament	6 218	5 861	+6,1
Prime Minister†	857	12 817	n/a
Defence†	1 554 375	1 654 000	-6 0
Transport	152 032	150 225	+1,2
Labour	22 549	21 503	+4 9
Mines	191 998	168 001	+14,3
Plural Relations & Development†‡	555 258	619 403	—10,4
Information	15 812	15 370	+2,9
Social Welfare & Pensions	419 364	379 955	+10,4
National Education	326 354	303 934	+7,4
Sport & Recreation	2 624	2 705	—3,0
Agricultural Credit & Land Tenure	49 534	50 260	—1,4
Agricultural Economics & Marketing	158 119	175 408	—9,9
Agricultural Technical Services	70 221	66 000	+6,4
Health	148 679	136 983	+8,5
Planning & the Environment	52 579	55 386	—5 1
Statistics	6 575	5 510	+19,3
Treasury†	3 579 159	3 119 736	+14,7
South African Mint	1 754	1 594	+10 0
Inland Revenue	24 000	18 500	+29,7
Customs & Excise	9 546	8 919	+7,0
Audit	4 910	4 700	+4,5
Commerce	102 325	52 161	+96 2
Industries	228 340	253 686	—10,0
Justice	49 934	44 700	+11,7
Police†	220 460	204 000	+8,1
Prisons	92 184	80 750	+14,2
Indian Affairs	96 735	85 310	+13,4
Community Development	318 535	267 773	+19,0
Tourism	6 858	6 550	+4,7
Interior	9 340	9 100	+2,6
Public Service Commission	11 869	10 330	+14,9
Government Printing Works	13 290	13 350	—0,5
Public Works	300 815	264 652	+13,7
Immigration	6 825	11 524	—40,8
Water Affairs	169 639	160 400	+5,8
Forestry	41 728	38 939	+7,2
Coloured, Rehoboth & Nama Relations	274 933	240 015	+14,5
Foreign Affairs†‡	180 796	147 444	+22,6
Education & Training	143 858	117 419	+22,5
Total	**9 624 374**	**8 985 238**	**+7,1**

**Budget proposals include R100m for Sasol II, R56m for pensions for all race groups, R5m for land consolidation, R20m for food price stabilisation, R9m in decreased poll tax and R0,1m for animal protection and welfare*

† Amounts for Secret Services previously provided under Prime Minister, Defence, Police, Foreign Affairs and Plural Relations & Development are now included in the Treasury vote

‡ Amounts payable to BophuthaTswana previously paid by Plural Relations and Development now in Foreign Affairs vote

ments consequences of such a move by adopting a more flexible exchange rate policy.

The June quarter is always a dangerous one for the balance of payments. For seasonal reasons, government spends more than it soaks up in taxes and loans; liquidity eases; and the short-term capital account of the balance of payments comes under great pressure. That may be one reason why Horwood has been overly cautious.

Hopefully, it means that, come July or August, he will see his way clear to announcing more expansionary monetary and exchange rate policies.

IN THE BUDGET SCALES

Total government spending, according to the budget estimates, is scheduled to rise by 9,1%. If one removes defence, total remaining expenditure increases by 12,6%. By far the largest increase goes to the Treasury (R459m). Over half of this (R250m) is accounted for by a 32% increase in interest commitments in respect of state debt. Much of the remainder is accounted for by a 7% increase in transfers to the provinces and other State accounts.

Other major increases go to Industry (R74m, including the vote to Sasol — another R100m was announced for this project last Wednesday), Community Development (R51m) — including R30m for African, coloured and Indian housing and R15m for "official housing," Commerce (R50m, basically for export promotion), Public Works (R36m), Coloured, Rehoboth and Nama Relations (R35m) and Foreign Affairs (R33m, of which R27m goes to now-independent BophuthaTswana.

Business Mail (49)

RDM 8/4/78

SA reserves continue to improve

By HOWARD PREECE
Financial Editor

CONFIRMATION of the improving underlying trend in South Africa's gold and foreign exchange reserves came yesterday with the announcement of a nominal R3 300 000 rise in the gross figures for March.

That follows a drop of R13 400 000 in January and an increase of R8 200 000 in February.

These figures, however, tell only part of the story. The more accurate barometer is that of net reserves — that is, the gross reserves minus short-term foreign liabilities.

In the last quarter of 1977 there was a R133-million in reduction in those liabilities as South Africa continued to make repayments of the massive debts incurred in 1975 and 1976.

That meant that although there was a fall in that quarter of R48-million in the gold and foreign exchange assets of the Reserve Bank there was actually a rise of R85-million in South Africa's net reserve position.

It was also the best quarterly performance in five years.

Although no official comment is available from the Reserve Bank, private banking sources say the debt repayment has been continuing this year.

That means that the notional drop in the gross reserves between January and March of R1 900 000 really indicates a further improvement in the net reserves position.

That does not mean that the reserves position overall is healthy.

Far from it. At the end of last year the short-term foreign liabilities were R1 530-million.

There are plenty of other official overseas debts also.

Against this the gold and foreign exchange assets of the Reserve Bank totalled R634 269 151 at the end of last month.

This includes, however, a gold holding of R285 712 943 on the present official valuation of R29,55 an ounce.

If the gold is valued at a market-related price — say, $160 or R139 an ounce — that would take it to R1 344-million.

That would push up the value of the reserves to about R1 692-million, which does not leave much even after deducting only the disclosed short-term foreign liabilities.

But the trend is perhaps more important in present circumstances than the absolute position of the reserves.

That at least seems in the right direction if not very dramatically.

Foreign bills last month dropped from R115 118 416 to R53 102 236 and foreign investments from R19 987 950, but other foreign assets increased from R210 145 028 to R277 983 602.

Government deposits dropped from R707 500 365 to R454 719 226, but deposits by provincial administrations increased from R104 039 730 to R150 281 695.

Notes in circulation increased from R1 182 620 019 to R1 238 634 860.

The ratio of gold reserve to liabilities to the public less foreign assets stood at 17,4% on March 31, compared with 18,2% on February 28.

INDUSTRY

Going for growth

(49) FM 14/4/78

Bureaucrats and central bankers who attended the economic affairs debate at the FCI's exco meeting in Cape Town this week were heartened by the "positive response" of industrialists to Horwood's budget.

Although some speakers expressed doubts whether there was sufficient stimulation to spark a recovery, majority opinion welcomed Horwood's shift in emphasis towards growth, and the fact that government envisaged economic revival based on increased consumer spending.

Reserve Bank deputy governor Gerhard de Kock said government's "experimental" strategy was to give the private sector the tools to initiate growth. If this failed, it would be necessary to design a growth package based on government spending.

Exco said this would not be necessary provided government remained flexible on the question of adding stimulus to the revival process should this show signs of faltering. Speakers from Natal and the Eastern Cape urged that additional stimulation should be applied on a regional basis where possible to give added boost in industrial areas with severe unemployment problems. One suggestion was that depressed sectors of the economy could be assisted in part by total removal of the sales duty.

Keynotes for reform

Central bankers De Kock and Braam van Staden assured the meeting that monetary conditions would be adequate to accommodate an upswing and to assist manufacturers in financing increased sales. They intimated, however, that, where necessary, measures would be taken to make sure the revival process did not founder on a money shortage.

Natal Chamber president Norman Duncan appealed for the early release of the Wiehahn Commission report, stating that visible progress on the labour front was essential to the recovery of foreign and domestic business confidence.

Other speakers similarly called for the early release of the reports of committees headed by Basjan Kleu (industrial strategy) and Piet Riekert (urban black social and labour reforms).

In a keynote speech, FCI economic affairs chairman Stefaans Smit said adequate growth to expand jobs and incomes could only be achieved by enlarging the country's growth potential.

To this end, the exco outlined a 30-point action plan, the main elements of which are:

- Greater freedom from state intervention in private entrepreneurship;
- Creation of a favourable attitude towards private manufacturing and the profit motive;
- Creation of favourable conditions to attract foreign investment;
- Encouragement of corporate savings and the removal of tax disincentives;
- Encouragement of exports;
- A national progressive manpower policy with economic security and equal opportunity for all industrial workers;
- The elimination of all aspects of discrimination and paternalism in the workplace;
- Recognition of the rights of workers to organise and associate for the purpose of collective negotiation;
- Elimination of discrimination in pay levels and other conditions of employment; and
- Improvement in the geographical mobility of labour.

(49)

Capital market

Star BUSINESS

14/4/78

R2 300m to meet country's needs

The South African capital market will have to find more than R2 300m to meet the country's capital requirements for 1978, according to Mr Chris Steynbergh, manager of UAL's capital market.

And Mr Steynbergh believes that 93 percent of this amount is destined for Government and semi-Gvoernment organisations.

Nearly 69 percent or R1 578m will be needed by the central government, R220m by local government and R350m by public corporations.

Neighbouring states will ask for R30m and the remaining R130m will go to the private sector.

"We reached the era of 'hyper issues' at the end of 1976 according to Mr Steynbergh. Investments in issues of the government — local and central — and public corporations became the "in thing" with their high yields, he says — and points to last year's issues from Johannesburg of R25m, Escom R70m, and Iscor of R60m.

Investors were not interested in public sector loans for such a long time that liquidity started building up, helped by the drop in demand for capital in the private sector.

With this increased liquidity, and short term investments looking less attractive as their rates dropped, "investors were forced to look at long term investments."

And with the demand and supply situation so healthy, long term rates started on the down trend in January 1977, and they are still dropping.

It looks as though investers want to get in before they fall much further.

A grim parallel that SA should heed

SUN TIMES BUS. 16/4/78

(49)

WHAT FOREIGNERS think of us has become vital to the well-being of this country. Hence, to gain a better perspective, we asked European Editor Neil Behrmann to look from abroad at the economic consequences of the politics of the Minister of Justice, Jimmy Kruger, which have been thrown into sharp relief by Senator Horwood's budget.

LONDON. — The slump in foreign investment that was so notably a feature of Senator Horwood's budget will continue to be a constraint for some time on South Africa's economic growth. This is abundantly clear from discussions I have had with bankers in South Africa and abroad.

Last week's annual meeting of Barclays Bank in London emphasises the pressures which foreign bankers are still facing by being openly associated with South Africa.

The situation is really a paradoxical one, having less to do with economics than politics.

Soon after the First World War, famous economist John Maynard Keynes, in his "Economic Consequences of the Peace", damned the political settlement agreed by the Allies. Future historians in South Africa might look back in rather the same way at the economic consequences of Jimmy Kruger.

In the Budget, Senator Horwood reported that the deficit on the current account of the balance of payments of R1 630-million 1976 was transformed into a surplus of R751-million in 1977.

In a world where the economies of many countries are suffering because of huge deficits on their trade accounts, South Africa should be at a clear advantage. Yet countries with manifestly weaker economies, especially Third World nations, are able to find aid and to borrow extensively from foreign bankers. The opposite is the case with South Africa, and despite the huge inflow from exports and lower outflow from reduced imports, South Africa's gold and foreign exchange reserves have declined.

It is not difficult to find the reason. The net inflow of long-term capital fell from R989-million in 1976 to R211-million in 1977. There was also a short-term capital outflow of R1 086-million in 1977.

Senator Horwood said the long-term capital decline was attributable to large net loan repayments by the Government and by a substantial decline in net foreign borrowings by public corporations and local authorities.

As far as short-term capital is concerned, the net outflow represented repayments of trade credits and other short-term loans abroad, a process naturally associated with the sharp decline in imports.

Clearly, from a financial standpoint, South African economic policy was successful last year. The authorities applied the necessary policies to curb imports and dampen inflation although, in this last respect, they were much less successful.

But Senator Horwood's astute advisers, the deputy governor of the Reserve Bank, Dr Gerhard de Kock, and the Secretary for Finance, Dr Joep de Loor, and other officials face an acute problem.

They are like corporate treasurers who have made all the right financial decisions, but have to watch their salesmen lose all the juicy contracts.

In the good old days before Angola, Soweto riots and other unhappy political events, South Africa was one of the fastest growing economies in the West.

In those days, a current account surplus could be used to reflate the economy. As an extra topping, the capital inflow which averaged 3 per cent of gross domestic product in the past three decades would add to the growth rate.

In a recent interview, Dr Joep de Loor said that without foreign capital, the cost to South Africa was a 3 per cent lower growth rate. And in good years, the inflow was as much as 6 to 7 per cent.

Thus political events have their price, and a mightily high one at that. In 1974, South Africa's real growth rate was 7 per cent; in 1975 it was down to 2,5 per cent and by 1976 it had fallen by 1,5 per cent. Last year, South Africa was a laggard in the world's growth table, with only 0,5 per cent growth.

Business men and industrialists see the results in their operations, while official black unemployment is 634 000, or 12,4 per cent of the relative economically active population — one of the highest unemployment rates in the world.

Though only 1,5 per cent, even white, Asian and coloured unemployment has increased substantially in percentage terms.

The deliterious consequences of a foreign capital shortage is by no means confined to the country's overall rate of economic growth. One has only to talk to those monetarists who felt that tight money would kill inflation.

As the money supply grew by only 7 per cent in 1977, and since inflation was 11 per cent, in real terms there was a deflationary decline in the money supply. But overall inflation actually rose from 11,1 per cent in 1976 to 11,3 per cent in 1977.

An important reason for this increase in prices was the shortage of foreign capital. For instance, had Escom, SA Railways and Iscor been able to maintain their borrowing programmes overseas, there would have been less pressure to generate internal revenue by raising their tariffs and prices.

The Allied leaders of 60 years ago had, as a result of the economic consequences of their politics, a lot for which to answer. Economic stagnation in Europe accompanied in parts by high inflation, was a direct cause of the holocaust that followed.

Looking from the outside at the economic consequences of the present politics of South Africa, there appears to be a frightening similarity.

Sales tax hits lower earners

Kevin Stocks

Cost of living will rise nearly 2 percent

The new point-of-sale tax will apply to about 66 percent of all private consumption expenditure and, logically, could increase the cost of living by 2,6 percent.

So says Senbank Economic Opinion, a report prepared by the Economic Services Department of the Central Merchant Bank Limited on the implications of the new tax.

It adds, however, that to anticipate a 2,6 percent tax-related rise in the cost of living would be to ignore other measures taken by the Minister of Finance that ensure the rise will be less.

Senbank estimates that he true rise in the cost of living as a result of the ax will be between one and two percent.

Savings

However, it points out hat if one ignores the ossible offsetting effect f any wage and salary increases that could occur even this small increase ay prove difficult for e lower income groups finance out of savings" (ie out of money previously available for saving after expenses had been met.)

It points out that available figures indicated that in 1975, more than 66 percent of whites earned more than R6 000 while 98 percent of blacks earned less than R6 000.

While no statistics were available on how the different racial groups spent their money, there were figures that broke down the different areas of expenditure on an income basis.

As the lower income groups were predominantly black, it was possible to estimate differences in areas of expenditure between them and the higher (predominantly white) income groups.

This showed for instance, that while the lowest group (those earning less than R2 000 a year) spent 36 percent of their income on food, the corresponding figure for the highest group (above R6 000) was only 20 percent.

Sales tax also fell heavily on those commodities on which the lower paid people spent their money.

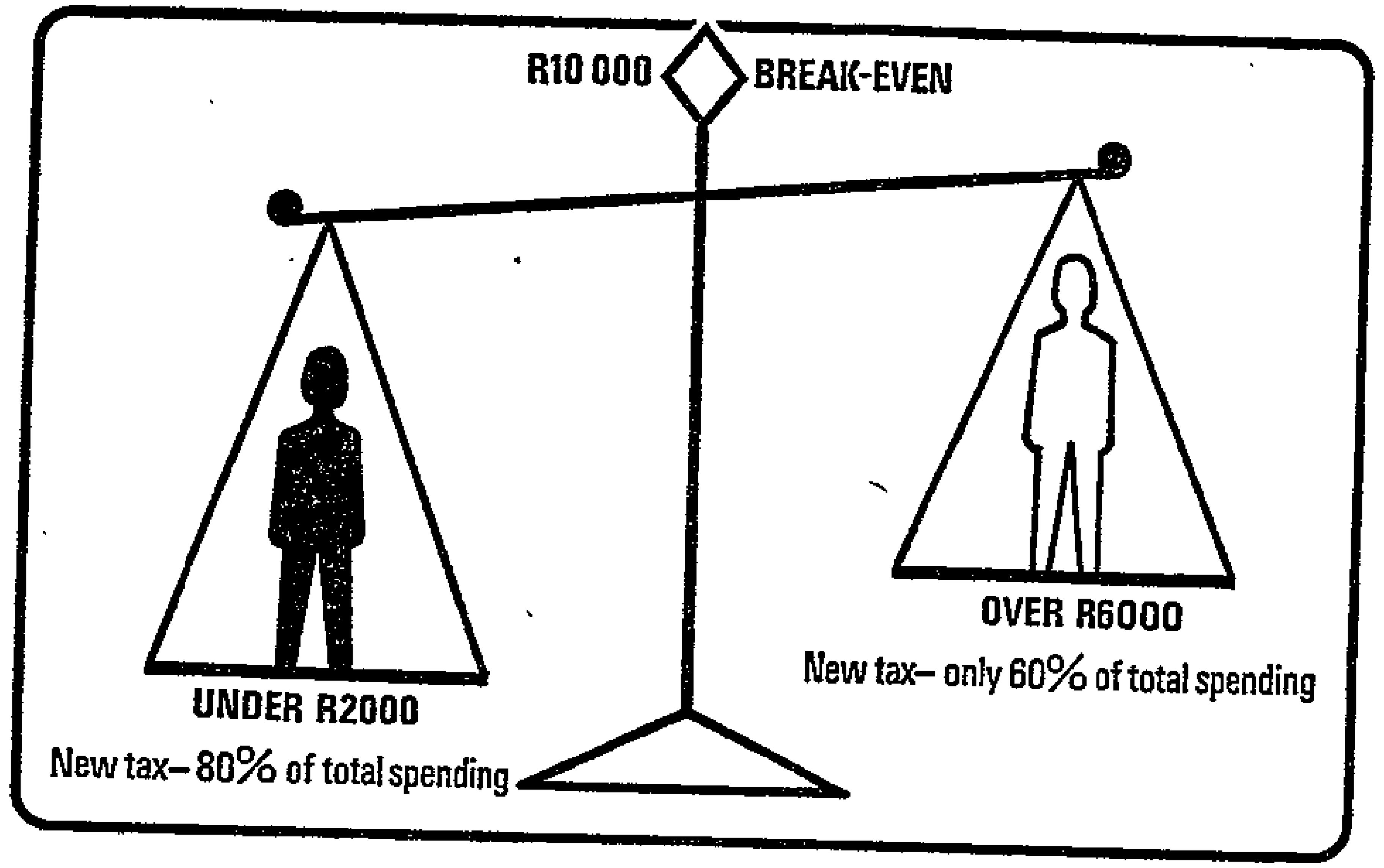
Senbank estimated that people earning less than R2 000 would pay the sales tax on 80 percent of their expenditure, while those earning between R2 000 and R6 000 would pay on 70 percent of their expenditure.

Those who received more than R6 000 would pay the tax on 60 percent of their consumption expenditure.

This came about because the lower income groups had of necessity to spend greater proportions of their money on taxable (but essential) items like food, clothing and fuel.

The higher paid groups could put a greater proportion into non-taxable items like servants, entertainment, education and financial services.

Senbank found that if factors such as salary increases and the abolition of poll tax were ignored, it would be certain that blacks would in future have to put more of their incomes into buying essentials and less into non essential items. The main "basics" were named as food, housing and fuel.



Growth

It found, however, that some growth in income was bound to occur and this would be aided by the stimulatory effects of the budget on the economy.

Where whites were concerned, the picture was different. Senbank estimated that at least in the higher income groups, whites would gain more from the abolition of the surcharge on personal income tax than they would lose through the new sales tax.

While the level at which they would start to gain more than they lost was variable (depending on matters like marital status and number of children), Senbank felt the break-even point to be placed roughly at R10 000 of taxable income.

At this figure, roughly half the number of white households could be expected to benefit.

Another factor that could help alleviate the effect of the tax was the high level of savings among whites during 1977.

More spending

During that year, there was a cut-back in spending on durable and semi-durable goods and total personal savings rose by 35 percent (to 13,7 percent of personal disposable income).

This, combined with the reduction in personal tax and the repayment of the loan levy, could trigger an increase in spending by whites.

Senbank felt black incomes could continue to rise more rapidly than those of whites, but "1978 is not likely to see a substantial change in total real expenditure by blacks or in the composition of black expenditure."

Senbank noted however that although the higher income groups would benefit most from the budget, it implied that this was desirable as "it is typically in these sectors that the large swings occur in consumer spending that herald the start of a general economic upswing."

It also points out that although the various alleviations will "not be sufficient to compensate for the new tax burden imposed on the lower income groups" the matter should be kept in perspective as only a small portion of the revenue from the tax would come from the lowest group.

The disproportionate burden reflected the uneven distribution of income and this could not be remedied by taxation policies alone.

RDM 20/4/78

Budget benefits at R10 000 and more

(49)

Financial Reporter

THE break-even point for gaining or losing from the Budget tax changes is taxable income of R10 000 a year, according to Senbank Economic Opinion.

It also shows that the burden of the new general sales tax will fall proportionately most on those earning less than R6 000 a year.

This burden will be felt by those earning less than R2 000 a year — that is, most blacks.

Senbank says: "It is, of course, unrealistic to look at the sales tax in isolation. In the first place, the sales duty and the import surcharge have been lowered. Two motor-car manufacturers have lowered prices because of this, but the extent to which consumers will benefit generally is not clear.

"In many cases, the lowering of the sales duty has only obviated price increases that have been in the pipeline. Further lowerings of the sales duty should, however, have at least some impact on prices and consequently on spending on those items that had previouly been taxed.

"In the second place, since most whites are in the higher income groups, the abolition of the surcharge on personal income tax will play an important counterbalancing role for this section. Owing to the progression in income tax rates, the high-income goups could benefit more from the abolition of the surcharge than they would lose by the introduction of the sales tax.

"The exact income level above which a net benefit should accrue will depend on the marriage status, the number of children, the expenditure pattern, and the savings ratio of different households. This break-even point may be put at roughly R10 000 taxable income during 1977.

"We have estimated that more or less half of the white households earned more than R10 000 in 1977.

"With the exception of coal (used mainly by the lower income groups), the greater part of the total spending on every item is accounted for by households earning more than R6 000. For example, although those who earn less than R2 000 spent almost twice as much of their income on food as those earning more than R6 000, the actual total amount spent by the people in the R6 000-plus category was about twice as much as that spent by those in the lowest category.

"On average 55% of total consumption expenditure is accounted for by those earning more than R6 000, while those earning less than R2 000 spent only 15%.

"About half of the new tax will consequently be paid by people in the R6 000 plus category, against contributions of 18% and 32% by people in the lower income and middle-income groups respectively.

"The regressive nature of the taxation proposals of the Budget was the result of a necessary and overdue change in the tax structure, which at the same time provided the Minister with some scope for giving the required stimulus to private consumption expenditure.

"Improvements in the standard of living of the poor and the more even distribution of income should be brought about through better and more education and training facilities plus the further removal of impedients to the upward job mobility of blacks. In the long run, all this cannot be achieved by taxation policies alone.

21/4/78

FM 21/4/78

BUSINESS CONFIDENCE

Receding mirage

49

Confidence may be one of the keys to economic growth. But there is very little of it around if Barclays' latest survey into business opinions is anything to go by.

The latest *Business Brief*, edited by Barclays' chief economist Johan Cloete, presents the results of a survey undertaken just before the budget. But the lack of any dramatic stimulatory action by Finance Minister Owen Horwood probably means that business opinion hasn't changed all that much.

After allowing for seasonal factors, Cloete says that "business conditions generally were apparently much the same in the final quarter of 1977." This was generally true for wholesalers, retailers and manufacturers, while the construction industry seemed to be drooping a little. Lack of confidence was considered the greatest obstacle in the way of a general economic upswing, followed by a general lack of demand resulting from scarce money and low incomes.

Slightly more than half of the retail and wholesale respondents expected business conditions to be the same during the next three months as in the first quarter, while a further third were expecting a slight improvement.

Dealers in foodstuffs and non-durable consumer goods were more optimistic than their counterparts in the durables sector, but more manufacturers expected things to remain much the same.

So it is hardly surprising that most of the respondents were not planning any new investment in the next few months, or that nine-tenths of retailers, wholesalers and manufacturers considered that their stocks were at adequate levels. Investment is thus not likely to rise much in the immediate future.

Despite low demand, more than two-thirds of the respondents expected that their costs would rise by more than 10% over the course of 1978 as a whole. On the other hand, more than three-quarters were planning to hold increases in salaries and wages down to 10% or less.

Cloete estimates that there will be "a slow downward movement" in the current inflation rate to 10% or less, "since salaries and wages constitute the principal cost element in the economy."

With unit costs rising and demand stagnant, it's not surprising that 43% of all respondents said that their profit position was more or less the same as at this time last year, while a third said their profits had declined.

SUNDAY TIMES, Business Times, April 23, 1978.

New hope for the manufacturing sector

49

BY TONY KOENDERMAN

THE recovery in manufacturing output has now been sustained for four months, making possible a fairly confident prediction that the 18-month down swing in the sector finally hit the bottom last October.

Since then, the three-month moving average of the manufacturing output index (seasonally adjusted) has risen each month, by five per cent overall. Meanwhile, the gap between it and the comparable year-ago figures was closing until, by February, the 1978 figure was ahead of the 1977 figure.

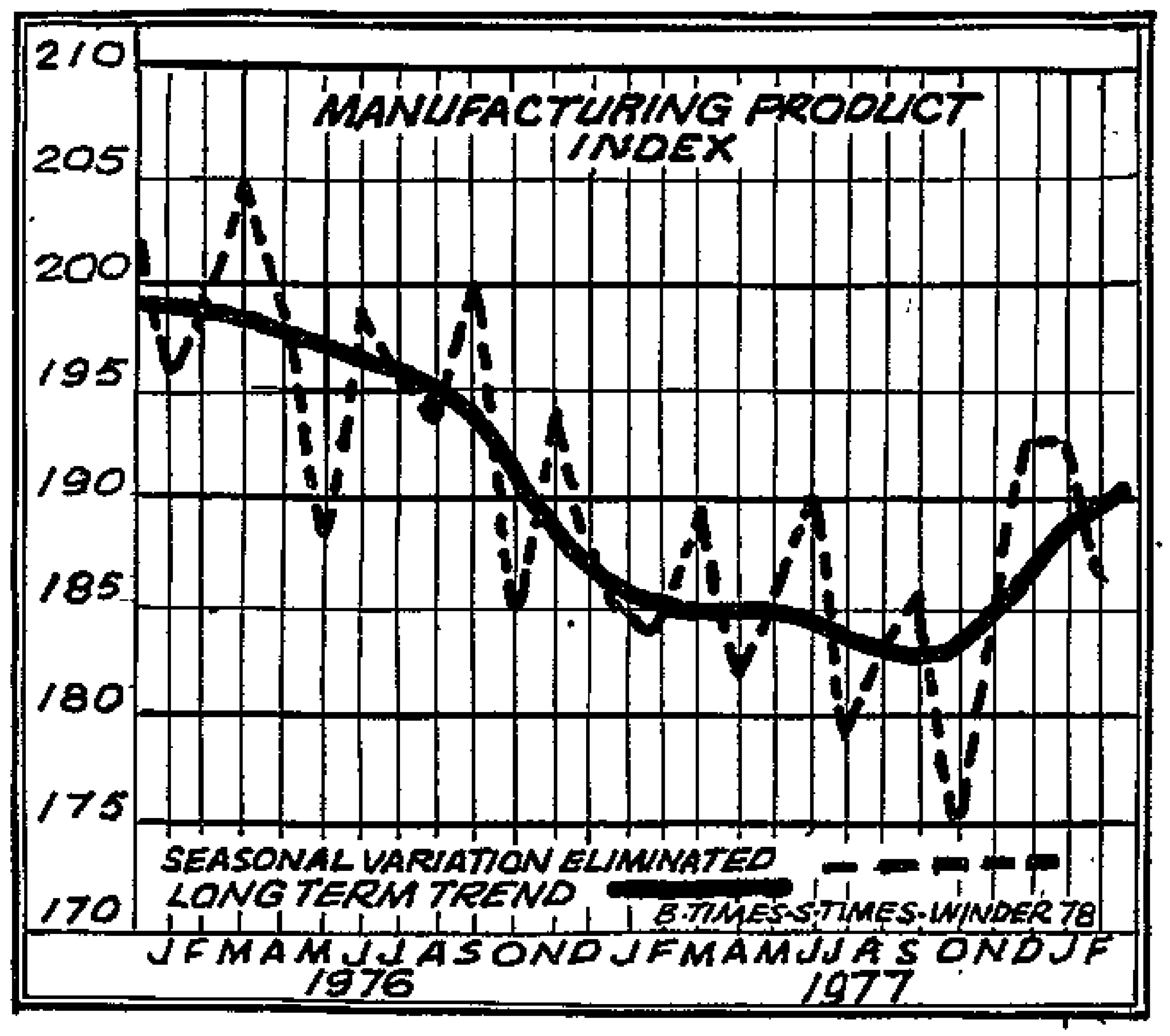
The Federated Chamber of Industries has noted that a favourable budget and the substantial improvement in the balance of payments (the current account surplus which occurred in the second quarter of last year was the first after 16 consecutive quarterly deficits) has led to a return of confidence on the part of both consumers and entrepreneurs.

Some inventory restocking is occurring (for example, in the textile industry's client sectors) and the decline in aggregate demand has been arrested (most obviously in the motor industry.)

However, there are still some serious constraints on the economy, and it would be unwise to anticipate a rapid recovery. As far as the export boom and the reduction in imports is concerned, the economy has probably shot its bolt and a further significant increase in the current account surplus of the balance of payments cannot realistically be expected.

The slow-down in the inflow of risk capital is also having an inhibiting effect on the growth of the capital goods industries.

Last year, the real output of the manufacturing sector as a whole declined by 5,1 per cent compared with 1976. Only five of the 26 manufacturing groups experienced an increase, and in each case the increase was below the Economic Development Programme targets.



The best performance was in the basic iron and steel industry which, thanks to vigorous exploitation of export markets, upped its output by 7,9 per cent.

Close behind it was the industrial chemicals group which can attribute its 7,8 per cent improvement mainly to demand for explosives from the expanding mining sector. The group also includes fertilizers.

Other chemical products (of which paint manufacture accounts for 57 per cent) increased output by three per cent, furniture by 1,4 per cent, and basic non-ferrous metal industries by 1,4 per cent.

Industries which lean on building and construction for most of their demand did extremely badly last year — wood and wood products (down 23,4 per cent), plastics (down 16,3 per cent), non-metallic mineral products, which include building materials (down 17,6 per cent) and glass (down 9,8 per cent).

The decline in consumer demand was most strongly manifested in the motor industry (down 13,1 per cent) and related industries such as rubber (down 11,8 per cent).

The high level of spare capacity throughout the manufacturing sector brought a halt to much capital expansion, hitting industries such as transport equipment (down 18,5 per cent), electrical machinery (down 19,0 per cent), and machinery (down 14,9 per cent).

In the middle was a broad range of consumer goods industries with smallish decreases: Food (down 1,5 per cent), beverages (down 4,9 per cent), tobacco (down 3,4 per cent), textiles (down 7,5 per cent), clothing (down 7,2 per cent), footwear (down 6,8 per cent).

The small leather and leather products industry, which has a weight of only 0,6 per cent of the manufacturing sector, dropped 20,6 per cent. Activities of this industry are mainly tanning and the manufacture of travel goods, handbags and saddlery.

The paper industry lost five per cent, and printing and publishing lost 9,6 per cent.

The complete breakdown by sub-sector of manufacturing output is not yet available for the first months of 1978, but in the last few months of 1977 there were signs of recovery in textiles, clothing, leather, footwear, furniture and motor vehicles, and it is clear that these sectors hold the most hope in the months ahead.

GKN-BLOUDRUK VIR VOORSPOED

RAPPORT 23/4/78 (49)

SUID-AFRIKA se georganiseerde nywerheid het pas 'n uitgebreide veldtog van stapel gestuur met sterk ekonomiese groei en sneller vordering op maatskaplike gebied as grondslag. Hierdie veldtog behels onder meer 'n dertig-punt-plan.

Volgens die voorsitter van die Gefedereerde Kamer van Nywerhede (GKN), mnr. J. P. Cronjé, is dit sy vurige hoop dat die oproep tot samewerking ondersteun sal word en tot geheel en al nuwe pogings onder nyweraars sal lei.

Hy sê dat dit in 1977 duidelik geword het dat Suid-Afrika te doen het met 'n kombinasie van maatskaplike en ekonomiese probleme. Die GKN het gevoel dat deurdat hy die belange van die vervaardigingsektor verteenwoordig, leiding geneem moet word om 'n gekoördineerde strategie tot herstel daar te stel.

Winsmotief

In 1972 het die GKN 'n program opgestel, bekend as die „Program vir Volgehoue Nywerheidsuitbreiding". Hierdie program, wat aan die Regering oorgedra is, het 'n omvattende plan vir die hele nywerheid vir die toekoms as doelwit gehad.

Die jongste plan van optrede is dus 'n logiese verdere uitbreiding van 1972 se program.

Mnr. Cronjé sê dat die GKN se plan van optrede 'n hele aantal sake en probleme behels, waarvan 'n hele paar nou deur die Regering oorweeg word.

Die GKN se plan berus op die handhawing van die stelsel van vrye ondernemerskap. Minder staatsinmeniging in die winsmotief vorm hier die grondslag.

Wat ekonomiese groei betref, word 'n rasionele en omvattende langtermynbeleid bepleit. Daar moet ook gepoog word om te verhinder dat die langtermyngroeipotensiaal deur stabiliseringsmaatreëls op die kort termyn geskaad word.

Ander ekonomiese maatreëls sluit in die skepping van die regte klimaat om buitelandse beleggings te trek, die aanmoediging van korporatiewe besparing, die verwydering van belasting wat nadelig op produktiwiteit is en 'n groter mate van koördinasie tussen fiskale beleid en ontwikkelingstrategie.

Daar moet ook 'n buigsame en gekoördineerde wisselkoers- en rentekoersbeleid wees wat tred hou met 'n oorkoepelende ontwikkelingstrategie.

Nywerhede wat op invoervervanging ingestel is, moet vertroetel word en die ontwikkeling van uitvoernywerhede moet voldoende aangemoedig word.

Die GKN beveel ook aan dat 'n rasionele en geïntegreerde energiebeleid sowel as vervoerbeleid daargestel word.

Op die gebied van arbeid word die toepassing van 'n landwye mannekragontwikkelingsbeleid bepleit, met volgehoue verbetering in sekuriteit en gelyke geleenthede vir almal behels wat sodoende die volle ontwikkeling van die ekonomie sal moontlik maak.

Daar moet ook gestrewe word tot die uitskakeling van alle vorme van diskriminasie en paternalisme in die nywerheid. Die regte van werkers moet erken word vir die doeleindes van kollektiewe onderhandeling tot werktoestande.

En wat hierdie aspek betref, het die GKN ook na elke lid 'n brief gestuur wat as grondslag tot groter rasse-harmonie in die nywerheid moet dien.

Sunday Express 30/4/78

Let free enterprise solve race problems, Govt is urged

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(49)

THE Government should move away from socialism and allow free market forces to provide housing for urban Blacks and equal opportunities for Black workers and businessmen

Mr Justice J H Steyn, executive director of the Urban Foundation, made this call for private enterprise to be allowed to solve the country's race problems in a speech at the graduation ceremony of the University of Fort Hare yesterday.

"I record my belief that the capitalist system in South Africa can and should survive," he said.

"It can only do so if it makes available all the benefits of that system to all sections of South African society," he said.

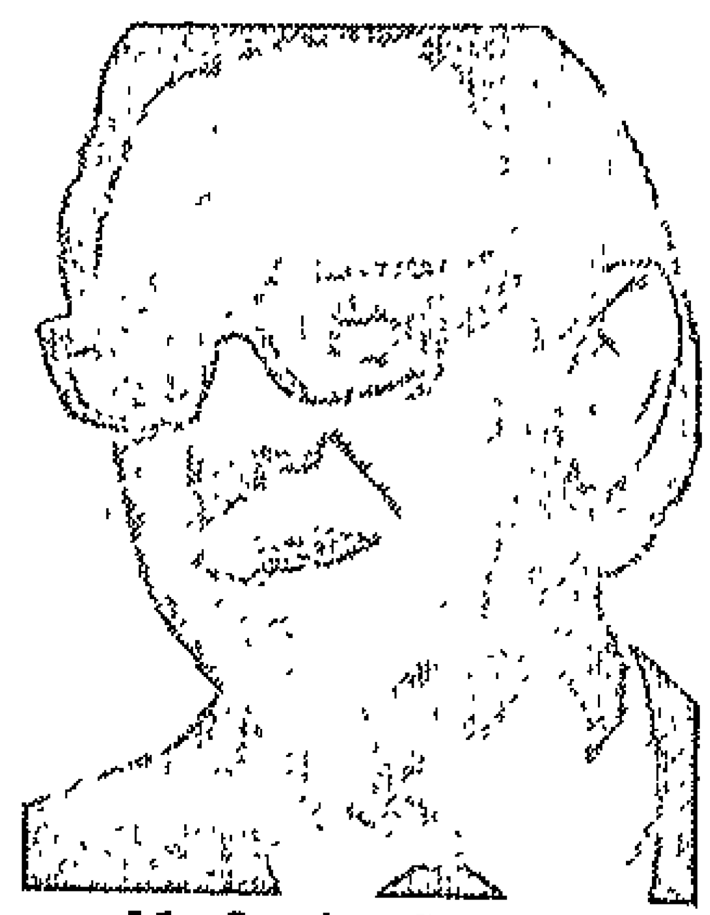
It was imperative for capitalism's survival that the private sector accept its social responsibilities — that government and free enterprise both worked towards achieving equal dignity and opportunity for all.

"Ultimately, the battle in which South Africa is involved will be determined by her ability to win the hearts and minds of all her peoples," said Mr Justice Steyn.

Private enterprise, operating responsibly to stimulate social progress, could best win this battle because — when properly applied — it contained the basic guarantees of individual freedom and self-fulfilment.

Mr Justice Steyn welcomed the Government's pledge of 99-year leasehold for urban Blacks.

The free market forces



Mr Justice Steyn... move away from socialism.

By DEREK TAYLOR

would now operate and private capital would be available to begin reducing the 200 000 backlog of homes required by urban Black families.

In the Vaal triangle alone, 73 600 houses were required.

According to an Urban Foundation estimate 32 500 families in the Vaal Trianglelacked homes.

But, Mr Justice Steyn warned, he did not believe that South Africa as a developing country could possible provide conventional housing to all who required homes.

"We will have to accept informal settlements and attempt to ensure that these are properly regulated and controlled — and that reasonable standards are maintained in their erection and administration," he said.

It was imperative to move away from State control of jobs by race.

The Code of Employment Practise adopted by the Urban Foundation and SACCOLA had the backing of 90% of organised commerce and industry — outside agriculture — to eliminate discrimination in employment.

Barriers to the personal advance of Black businessmen still existed.

The Urban Foundation will still strive to eliminate discrimination which prevents Black entrepreneurs enjoying equal participation in a free market economy.

SUNDAY TIMES, Business Times, May 7, 1978.

49

It's started! Economy is picking up steam

THERE ARE now clear signs of a quickening pace of business activity throughout the land:

- Cash tills are ringing faster in chain stores.
- More cars are being bought.
- Factories are begining to work faster and offer a few more jobs.
- Share prices are beginning to perk up again.
- Prices generally are increasing much slower than last year.

The momentum, of course, is still slow at this early stage in the country's economic revival — as business men begin to shrug off the sloth of the worst recession since the Second World War.

But there is not yet room for complacency. Although powerful regenerative forces are at work in the domestic economy, the road to full recovery is likely to be a long one because of the sluggishness of world business.

Nor are there any clear indications that it will be without pitfalls and hindrances. For a country that trades as openly with the rest of the world as ours is dependant also on the buoyancy of business within the economies of our trading partners, on world commodity prices and, except in the very short-term, on foreigners' willingness to invest here.

Therefore, Finance Minister Owen Horwood, who is very largely responsible for this gingering up of business activity, was right to explain cautiously to Parliament this week that "the economy is in the first phase of an economic upswing."

Nevertheless, his optimism is not out of place nor can it be denied that it is courageous pummelling of the economy over the last few years that got new life running through the arteries of the business sectors.

For one thing, by keeping Government spending on a tight rein — even to the extent of planning to reduce it slightly in real terms this fiscal year — and a firm hold on the money supply (broadly speaking the total of bank credit), he has been the main cause of price rises moderating.

Another reason has been that inflation in the countries that supply our vital imports has been moderating faster than it has here — and, in any event, our imports have declined sharply over the past year.

A third reason is that there is reduced pressure now from administered prices (such as those for electricity) pushing manufacturing and other costs up.

Moreover, as the wholesale price index in the year to March was increasing at only 9,5 per cent and as the consumer price index (at 9,9 per cent for the same period) usually lags behind it, the prices in the shops should rise even slower in the months ahead.

Sales tax

Some economists even go so far as to forecast that not even the inflationary consequences of the new point-of-sale tax will frustrate this trend.

Another consequence of Minister Horwood's spending cuts is that over the past year — for the first time in nine years — the economy produced more than it consumed, and so had a surplus with which to repay pressing foreign debts.

BY NIGEL BRUCE

Apart from that, last year the man-in-the-street cut his spending in real terms for the first time in 30 years and saved for almost all he was worth. Indeed, total domestic savings (which includes personal, company and Government savings) increased by nearly 30 per cent last year.

Having postponed purchases, the need for some of which must now be pressing, the man-in-the-street is bound to be starting to dip into savings and thus fuelling a rising consumer demand that will ultimately use up the current spare industrial capacity and create more jobs.

As Business Times reported two weeks ago, since October the three-month moving average of the manufacturing output index (seasonably adjusted) has risen each month by five per cent overall.

It is hardly surprising, therefore, that Minister Horwood was able to tell Parliament on Wednesday that white, coloured and Asian unemployment, which had risen steadily from 21 084 in December 1976 to 34 661 last December, had subsequently declined to 29 700.

The high level of savings has also brought down dramatically the cost of fixed-interest capital, which will certainly reduce the Exchequer's domestic debt servicing burden, as well as those of Escom, Iscor, the Post Office and railways, and provide cheaper wherewithal for business expansion as the business upturn gets underway.

The Government long-term stock rate which had been hovering around 11 per cent for 12 months until the last quarter of last year, is now 10,625 per cent having been cut on Wednesday from 10,75 per cent.

The past few weeks, too, have seen massive oversubscription to some semi-official loans — for instance, the IDC's R10-million issue at 11,38 by 250 per cent.

This suggests that institutional investors, hungry for capital profits as interest rates decline, are taking the view that although the long slide might be about to end the demand for capital, with excess plant capacity still available, will only be felt at lower rates of interest than those now prevailing.

As robust companies have, over these difficult times, been using their cash flow to repay expensive debt, reduce working capital requirements and cutback on expansion, short-term liquidity has progressively been building up and has been reflected in easier short-term interest rates.

Rates

What is encouraging about that is not so much the reduced cost of trade finance but the fact that Pretoria has not yet taken firm measures — if it has any left — to edge these rates up again.

If it does not do so and interest rates abroad continue to rise, there is a danger that exporters will delay repatriating the proceeds of their sales and importers speed up payments abroad (the former to earn more and the latter to minimise costs). This will inevitably mean a net outflow of scarce foreign liquidity which we cannot afford.

Hopefully, Pretoria's dilatoriness in this respect suggests that it sees a fairly early increase in demand for credit facilities. Giving added force to this is the fact at that at least one large bank is firmly up against its lending ceiling.

The speed at which the current quickening of business activity will be nurtured into a sustained economic recovery is largely dependent now on:

Higher commodity prices, which in turn depend on more vigorous growth in the major industrial nations.

A reversal in the plunge over the past two years in the inflow of long-term capital investment.

There have in recent months been periodic encouraging signs on both fronts. So far, however, material progress has proved to be illusive.

SUNDAY TIMES, Business Times, May 7, 1978.

Abercom won't be easy meat

49

Peter Herbert . . . some tidying up to do.

IN THE two months since the publication of dismal interim profit figures from engineering conglomerate Abercom Investments — attributable profits dropped by 35 per cent to R2,5-million and the dividend was cut 2c to 8c a share — the share price has risen by a third to 197c.

On straight trading considerations, this startling improvement is unjustified.

Another oddity is that on the resignation of chairman David Lurie, one of the architects of Abercom, the shares did not slip back and, in fact, have since moved further ahead. Obviously, since the sister company, Primrose, was taken over by Tongaat, virtually putting an end to Mr Lurie's present business career, the stock market has been preoccupied with the possibility of another merger.

So far, nothing has materialised, nor do I expect it to in the immediate future, having pursued this line of inquiry over the past week. Though as I said about Primrose, in the strange world of finance, funnier things have happened.

The trouble is that Abercom is wide open to a bid, should a predator decide it has sufficient attraction at this unsettled period in its turbulent career.

As with Primrose, the spread of shareholders is wide and no concern has anything like a controlling stake. Sanlam, in its var-

BY JOHN GILMORE

ious guises, including its unit trusts, holds about 11 per cent of the equity of 14-million ordinary shares and is consequently the biggest shareholder; clearly any takeover would require its approval.

The other biggest shareholders are: Southern Life — 490 000; Escom Pension Fund — 372 000; Standard Bk Noms — 349 000; Legal and Gen — 291 000; Homes Trust Life — 241 000; TBA Noms — 216 000; UAL Noms — 213 000; Banner Noms — 207 000; Af Eagle — 151 000; Cons Noms — 143 000. Total — 2 673 000.

In addition Mr Lurie owns 112 000 ordinaries while 1,16-million are controlled through the London register, of which Sun Life owns 125 000. Altogether, these 13 biggest sources control 39 per cent of the Abercom equity, to which must be added that part of total unit trust holdings of 745 000 not belonging to Sanlam.

This is particularly unfortunate for Peter Herbert, Abercom's new chief executive who, more than anything, must need a powerful supporting group of shareholders behind him while he attempts to impose a more conventional command structure on Abercom's 27 operating companies.

These are divided into eight or nine activities, which is far too many for management resources and does not allow specialisation in the more profitable areas of engineering. Mr Herbert, ideally, would like to reduce the number of activities to three or four and, in the process, he would be quite prepared to sell off parts of the whole.

Yet it is this diversity of operating companies that could save Abercom from falling into someone else's clutches, since many managements would be daunted by the amount of reorganisation required to make Abercom a more tightly-knit, specialist group.

As one investment manager put it: the general run-of-the-mill subsidiaries are poor and, standing on their own, would not warrant the rating the group has enjoyed historically. Only certain parts of Abercom, such as Davidson, or those with a defence interest, would appeal to others. A spokesman for Anglo Vaal admitted that sections of Abercom looked interesting, but his management was not looking at it seriously at the present.

Mr Herbert's text book type of company organisation could hardly be further from the former McLean/-Lurie style of personal and entrepreneurial management. While there is no guarantee that it will work any better, Mr Herbert's intention is to try to change Abercom and give it a sense of direction and a focus it lacks currently.

Perhaps when he has [illegible] died up, a suitor will s[illegible] forward and thank him [illegible] his efforts.

[redacted]

Sunday EXPRESS

Business

SUN EXPRESS 7/5/78 (49)

Analysis hints at market revival

INVESTMENT EXPRESS

THE computerised analysis of companies — other than purely mining companies — covered in the April return from the Johannesburg Stock Exchange for Investment Express contains a hint that the revival in market sentiment is well founded.

Although the comparison of share earnings looks dismal — 17 companies out of 30 analysed recorded lower earnings last month than in April 1977 — there is clearly an improvement in financial ratios.

The acid ratio — current assets less stocks divided by current liabilities — of 11 companies improved, 11 were unchanged, and eight deteriorated. Long-term debt-equity ratios showed a similar improvement.

There has been recent evidence that the preachings of market commentators such as Dr Joel Stern, who pay no attention to earnings in share comparisons, is gaining ground in South Africa. The company's ability to generate cash and pay a dividend is increasingly becoming the yardstick to measure the company's worth.

Only seven of the companies covered in the latest analysis are sectoral or market leaders. And as it is generally the weaker companies which have found it more difficult to compete in the difficult economic circumstances of the past year, it is encouraging that so many of this batch were able to clean up their balance sheets.

In fact, AECI and Amic, the two giants of the April batch, were among those whose acid ratios narrowed last year.

But both companies are expected to record strong earnings growth this year as the expansion plans which have inhibited their performances in the past two to three years begin to generate revenue.

They rank with the big industrial conglomerates which have extended production capacity well beyond the market's present level of demand.

It is difficult to pinpoint the reason for the steady, if pedestrian, rise in the industrial index since the Budget, but there is a growing feeling in Hollard Street that industrial shares are still undervalued.

The interest rate argument remains one of the popular reasons given, and with interest rates still on their way down it probably does hold water.

The weight-of-money argument is one that has the market divided. There are many analysts who believe that institutions will soon be forced into equities if only because they allowed their portfolios to build up too high a fixed interest content when interest rates were high. That money, it is argued, will have to come to the market sooner or later.

Other commentators say interest rates are still too high and that it will take a more dramatic fall in interest rates to tempt them into equities.

This should be telling the smaller investor something.

The most telling indicator that industrials are undervalued is probably to be found in the spate of mergers and take-overs this year — often at prices well above those ruling on the market.

GUIDE TO INVESTMENTS

THIS week Investment Express covers 30 of the industrial companies listed on the Johannesburg Stock Exchange. It highlights at a glance companies' performance, both fundamental and technical. On the market side you can determine the shares' latest high and low prices, when these were recorded, and what the average monthly volume has been.

Moreover, the table from the JSE Databank reflects information from the companies' latest balance sheets. It is exclusive to the Sunday Express.

Tear the table out and keep it as a handy guide.

MARKET INFORMATION / EXTRACTS FROM LATEST ACCOUNTS

PRICE 1	HI 2	LOW 3	VOL 4	COMPANY 5	EPS 6	DPS 7	NAV 8	PRETAX 9	TAXED 10	GSF 11	ACID RATIO 12	L/T 13
250	250	180	115	A E C I	39,3	18,00	233	69300	59400	357	1,3	56,5
	APR	MAY			36,0	18,00	225	59124	39390	317	1,7	60,2
900	930	715	34	AMIC	151,1	70,00	1156	66445	42054	301	5,6	33,5
	OCT	MAY			162,0	65,00	1050	66106	43848	279	6,1	39,2
3	17	3	4	ASMAR			28	47-	47-	,9	0,3	38,5
	SEP	APR			3,3		32	91	91	,9	1,6	48,7
125	150	72	19	CADSWEP	32,2	12,50	230	2257	1633	15	0,5	44,5
	APR	JUN			18,9	11,00	232	1546	910	14	0,6	49,0
230	240	115	69	D & H	47,4	17,00	198	13202	8726	30	0,9	38,2
	APR	JUNE			37,9	15,00	172	12226	8437	27	0,9	44,2
14	20	12	8	ELMAR	2,5	1,00	42	205	113	2	1,0	7,9
	JUL	MAR			3,4	1,00	41	223	161	2	0,9	9,1
105	102	60	3	E P NEWS	27,1	18,00	167	783	444	3	2,8	
	APR	JAN			24,7	18,00	157	707	407	3	2,3	
50	50	25	13	FIELD IND	20,9	6,00	145	1980	1221	6	0,7	4,9
	JAN	JUL			26,5	5,00	110	1883	1062	5	0,8	12,5
220	295	150	37	FEDFOOD	50,2	26,00	298	10706	7526	44	1,0	
	JAN	AUG			61,1	35,00	262	11670	7949	34	1,3	3,6
143	143	108	75	FEDMIS	20,3	16,50	121	12952	8619	51	0,4	62,9
	APR	APR			22,5	16,50	117	15826	8776	49	0,4	66,4
2100	2100	1900	2	FOSCHINI	528,5	216,00	2280	9117	5155	22	1,2	14,1
	DEC	SEP			465,7	192,50	2008	8035	4546	19	1,0	16,2
55	60	48	4	FREBANK	13,7	7,00	149		816	9		
	AUG	MAR			12,8	6,50	143		760	8		
14	20	5	7	GAYDON			42	1169-	1197-	7	0,7	47,2
	JUN	FEB					53	247-	265-	8	1,9	29,8
50	80	37	14	GOUGHCO	7,2	3,00	197	498	303	8	0,6	7,9
	SEP	APR			26,5	13,00	193	1940	1113	8	0,6	14,9
235	230	65	29	ICAL	73,4	18,00	348	2115	1935	9	1,4	3,8
	APR	JUN			23,2	7,00	291	640	608	8	1,1	5,6
225	230	170	14	LEFIC	53,6	21,60	209	1048	1043	8	1,0	
	MAY	MAR			47,2	19,25	197	937	929	8	1,0	
13	26	11	4	METAIR	4,1		126	108	108	2	0,7	
	OCT	JUL					138	219-	195-	2	0,6	
220	270	220	3	NATAL CON	73,1	10,00	2751	2509	1914	30	2,7	
	SEP	APR			114,7	10,00	2533	4042	2799	28	2,3	
50	65	40	4	NINIAN			205	209-	31-	4	0,9	9,5
	JUL	OCT			28,0	7,00	207	677	539	4	0,7	11,3
25	32	14	8	QHSUPER			67	1166-	1186-	5	0,7	47,9
	MAR	FEB					84	271-	268-	6	0,7	30,2
200	210	160	3	SAAN	128,4	33,00	1062	3343	2680	22	1,9	17,8
	OCT	JUN			115,1	33,00	987	3702	2408	20	1,9	16,1
180	190	190	,3	S A BIAS	63,1	15,00	741	855	505	6	1,3	23,1
	APR	APR			68,6	15,00	678	981	549	5	1,3	27,6
187	198	145	98	SAPPI	48,9	20,00	290	22669	15645	80	0,8	33,7
	OCT	MAY			45,0	20,00	255	23802	15595	73	1,1	38,6
72	100	55	35	SHACHAT	16,7	7,50	152	3420	2029	18	1,1	75,5
	DEC	APR			26,9	11,50	142	5556	3221	17	1,2	99,2
110	150	105	35	SCOT CAB	8,5	7,50	90	1900	1019	11	1,4	
	AUG	APR			22,8	15,00	99	4279	2739	11	1,0	
335	350	210	15	STD BRAS	95,6	30,00	393	4354	2647	11	1,6	
	APR	JUL			82,5	28,00	328	3462	2287	9	1,0	
140	205	105	17	TOYOTA	24,8	6,25	1152	890	1091	47	0,3	16,2
	JUN	FEB			55,4	25,00	1133	3552	2444	46	0,3	23,4
85	118	65	75	VOGELS	7,8	7,50	151	1190	1191	12	2,3	
	MAY	MAR			10,1	7,50	160	1546	1549	12	2,2	
85	92	72	20	UNIDEV	11,5	9,60	174	3565	2188	38	0,4	92,7
	NOV	APR			14,2	7,50	154	5232	3155	32	0,4	118,4
19	33	13	23	VEKA			114	296-	111-	5	1,6	0,9
	MAY	MAR			6,9	4,00	119	912	572	5	1,5	0,8

1 PRICE — Last month's closing price.
2 HI — Highest price in last 12 months. Underneath month it was recorded.
3 LO — Lowest price in last 12 months. Underneath month it was recorded.
4 VOL — Monthly average volume traded in the share in thousands.
5 COMPANY — The company name.
6 EPS — Earnings (in cents) per share — this year on top, last year below.
7 DPS — Dividend (in cents) per share — this year on top, last year below.
8 NAV — Net asset value (in cents) per share at market values — this year on top, last year below.
9 PRETAX PROFIT (in R'000s), this year and last.
10 TAXED PROFIT (in R'000s), this year and last.
11 GSF — Group shareholders' funds (in R'000s) — the total of ordinary, minority and preference shareholders' funds adjusted for the market value of investments but excluding intangibles.
12 ACID RATIO — Current assets minus stock divided by current liabilities.
13 L-T EQUITY RATIO — Interest-bearing debt expressed as a percentage of shareholders' funds.

Krugerrand sale record smashed

A NEW record of R8 000 has been established for a proof Krugerrand, beating the previous, set in January, by a third. Both records were set by the rare 1968 frosted bust variety.

The R8 000 coin was bought through the SA Gold Coin Exchange's trading board by a Johannesburg businessman with international mining interests. It is rated at 99 points on the S100 evaluation system for proof Krugerrands.

Eli Levine, chairman of SA Gold Exchange, says only two other 1968 frosted proofs are known to have achieved this degree of excellence. Both are owned by investors who have collections of proof Krugerrands.

The January record of R6 000 was set by a 98 point coin and another 98 pointer changed hands for R5 775 in April. The previous peak price for a proof Krugerrand was R5 500, set in June 1977.

Mr Levine says the fact that proof Krugerrands are still being sought by investors when the gold price is relatively weak underlines the fact that their prices are influenced by rarity rather than by the underlying worth of the ounce of gold each contains.

Ordinary Krugerrands should, however, be priced in relation to the price of bullion on world markets, he says.

Gilt rate

THE money market, which might have been expected to turn buoyant on the heavy oversubscription for the R10-million IDC issue and the cut in the Government rate this week, was curiously hesitant.

MONEY

SUN TRIB. 7/5/78

FIRST QUARTER SALES WORSE REPORTS BANK

49

BUSINESSES will experience an improved cash flow as a result of the measures announced by the Minister of Finance in his March Budget.

The Minister also gave a clear indication in presenting his Budget that a moderate acceleration in the economic growth rate is now considered desirable.

In the latest issue of "Business Brief", Barclays Bank asks whether this additional cash and confidence will induce businesses to invest more in stocks and fixed capital in the year ahead.

This is a crucial question. The Budget is not in itself a stimulatory one. State spending is not budgeted to rise in real terms. The Minister made it clear that he was looking to the private sector to lead the recovery in the pace of economic activity.

To encourage businesses he announced the early repayment of the 1972 loan levy and a 2,5 percent reduction in the surcharge on company tax.

Will these concessions, together with the general mood of confidence created by the Minister be sufficient to induce firms to increase their investment?

Also reported in "Business Brief" are the results of Barclay's first quarterly business opinion survey for 1978.

Most of the respondents completed the questionnaires shortly before the Budget, and whilst a mildly stimulatory Budget was probably generally anticipated, the results of the questionnaire provide an important insight into the business mood.

The majority of wholesale and retail and manufacturing concerns reported that sales during the first quarter of 1978 were worse or no better than those during the previous three-month period.

It is significant that a small majority of respondents were optimistic about the short-term future.

Fifty-five percent said that they were optimistic about the business outlook for the next 3 to 6 months.

Perhaps even more significant is the fact that no less than 48 percent of those responding to the survey listed a general lack of confidence — linked in most instances to unfavourable political developments — as the main obstacle in the way of a general economic upswing.

Of the remainder, 36 percent listed a general lack of demand stemming from a lack of money and of incomes as the main obstacle to economic recovery.

Over half expected business conditions to remain much the same in the second quarter of the year.

In view of these replies, despite the confidence-boosting character of the Budget, it seems unlikely that firms will start laying in new stocks before they see a definite improvement in sales.

Barclays point out that this implies that real consumption expenditure must first improve.

Only then will stocks be increased and new orders placed with manufacturers who will in turn increase production and raise output growth.

Barclays regard this as the main question-mark against the Budget.

"It seems the answer must be that the Budget is unlikely to add enough to raise consumption demand sufficiently to induce business firms to increase their investment in stocks and in fixed assets to any considerable extent, at least during the course of 1978."

RDM 9/5/78

(2/4)

(49)

Barrie tells about Wrab's riot R5m

Political Staff

THE ASSEMBLY. — At least R5-million was appropriated from various accounts by the West Rand Administration Board (Wrab) without ministerial approval to cover losses caused by the 1976 riots in Soweto and on the Reef.

The board, whose chairman is Mr Manie Mulder, the brother of the Minister of Plural Relations, withdrew investments of the Bantu Services Levy Fund as well as the maintenance and renewals funds as temporary advances and internal loans, and R5 055 623 from its Bantu beer accounts.

This was disclosed yesterday by the Auditor-General, Mr Gerald Barrie, in his report on the board's accounts for the 1976/7 financial year.

Mr Barrie said at the time of writing the report, which was signed on March 17 1978: "Ministerial approval for this action by the board could not be furnished."

He said the riots had had "a detrimental effect on the cash flow and consequently the board was compelled to withdraw some of the investments of the Bantu Services Levy Fund and the maintenance and renewals funds, from which expenditure may only be made for specific purposes, and appropriated these as temporary advances and internal loans to the general and capital accounts to meet current expenditure.

"In addition amounts of R2 408 156 and R2 647 467 were appropriated from the Bantu beer account and the two-thirds Bantu beer account, respectively, to make good losses occurring in the general account," Mr Barrie said.

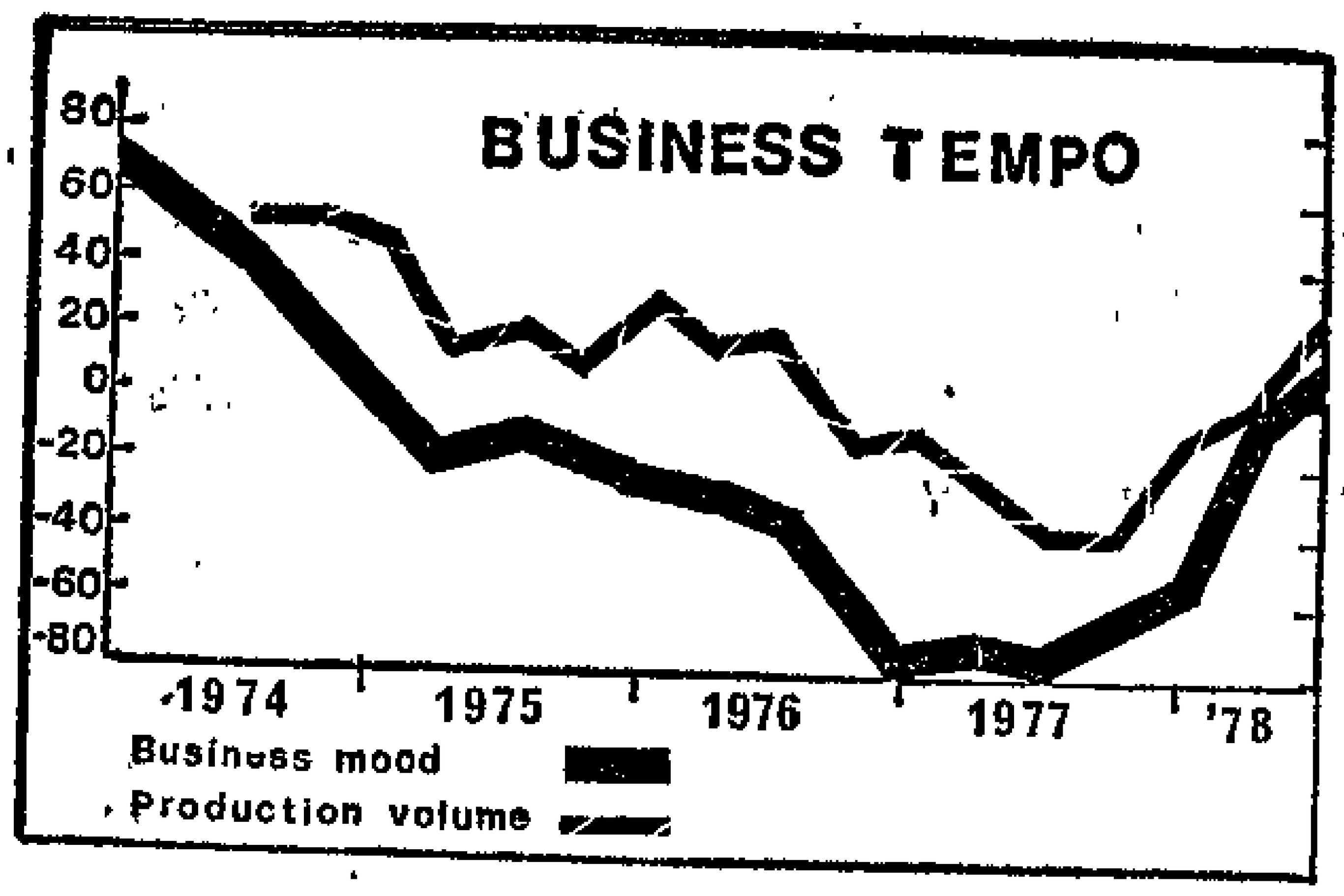
Ministerial approval was granted on November 28, 1977, for debiting R46 763 to the Bantu revenue account in respect of cash losses which had occurred since the inception of the board in August 1975.

The losses included R27 389 in respect of claims rejected by the insurers because certain conditions had not been complied with and "miscellaneous shortages of which the origin was inexplicable," he said.

Meanwhile, in the Assembly yesterday, the Minister of Plural Relations, Dr Connie Mulder, said in reply to a question by Mr Ron Miller (NRP, Durban North) that "no State-owned buildings in Soweto were damaged" during the 1976-77 riots.

11/5/78 (49)

BER sees sharp upturn in business confidence



The graph tracks the pronounced improvement in the net percentage of industrialists reporting on a better business mood and increases in production.

Michael Chester, Financial Editor

A survey released today by the Bureau for Economic Research at Stellenbosch University shows a sharp improvement in the business mood and the pace of industrial production, but adds caution that the economy may not be out of the woods yet.

Like Barclays National Bank in a business brief out yesterday, the BER fears that inflation may put a spanner in the works — with 1978 consumer prices still bounding higher by around 11 percent.

It forecasts that the value of merchandise exports, which spurted forward by 30 percent last year, will advance by only 2 percent in 1978 because of the economic slackness overseas, and a slower expansion of world trade as a whole.

Also predicted is a 12,5 percent increase in the value of total imports, in sharp contrast to the 7,4 percent decline last year, meaning that the current account of the balance of payment may soon be under pressure once more.

SURPLUS

The BER estimate is that the current account surplus will shrink from the R751m last year down to R300m for 1978. What is more what surplus can be expected will be pulled in by mid-year, and an actual deficit may develop as early as the third quarter.

The fall in real fixed investment may not be as sharp — down around 2 percent as compared with the 10,2 percent tumble in 1977.

What will help, the BER believes, is more private investment to work on import substitution along with higher investment by public corpora-

slide last year.

The BER also sees a reversal in the order of generators of increased gross domestic product. The primary sectors, which were responsible for practically all the 1977 growth, look likely to stagnate in real terms, leaving it to the secondary and tertiary sectors to push GDP a little more than 2 percent higher.

What bothers the researchers on the outlook as a whole, is doubt that South African consumers have the means to put the economy into high gear all on their own. They see no chance of a really substantial upswing unless constraints on growth are lifted.

COLD SPONGE

The BER is the last of the reputable economic forecasters to hurl a cold sponge at business confidence. But it is among the first to sound caution about over-optimism.

Its conclusion about the 1978 outlook is worth attention: "In spite of comforting and favourable signs pointing towards an economy already on an upswing path, it would seem as if the recovery will probably not be either very rapid nor necessarily of long duration."

12/5/78 (49)

Report shows economy healthy says Horwood

THE SENATE — South Africa's economy was improving against a background of economic gloom abroad, the Minister of Finance, Sen Horwood, said yesterday.

Replying to the Senate Budget debate, he pointed to recent reports on major countries by the International Monetary Fund and the Organisation for Economic Co-operation and Development.

"Both issued authoritative reports and how they saw economic outlooks, and both made gloomy reading. One report actually said the outlook was gloomy.

They had been concerned about the stubborn problem of unemployment, which was still rising for the fourth year, increased protectionism, inadequate investment and consequent slow growth, and huge balance of payments deficits.

"It is against this background we must see how we stand," Sen Horwood said.

He quoted from a press report based on a secret IMF study of the South African economy. This said there had been a "significant and encouraging turnaround in the South African economy."

The study had already been circulated in top financial circles abroad.

"It gives South Africa a good credit rating," Sen Horwood said. "Some other countries are not so good."

The study concluded that South Africa's policy of wage and price restraints had paid off.

"What they really say is that we are on the right road and our policies have been correct and sound," Sen Horwood said. "This has come about as a result of deliberate government policy and I think we deserve due credit."

South Africa's economy was in the first phase of improvement.

Sen Horwood said the inflation rate of almost 10 per cent was still too high, but the trend was downwards and had been for some time.

Indicators showed a rising trend in manufacturing production, and an upswing in the manufacturing industry would have an enormous effect on the economy.

The high level of fixed interest capital would also have beneficial effects.

He was keeping careful watch on differential interest rates in South Africa and abroad, but did not think this was a problem yet.

Sen Horwood said he did not think it would be of great significance if efforts to prevent the Export-Import Bank of the United States funding exports to South Africa were successful.

Eximbank provides loans or credit guarantees for United States exports. Referring to a move, at present blocked in the United States Senate, to stop it funding trade with South Africa, he said: "I don't think it will be of very great significance at all."

Sen Horwood said for many years South African importers of American goods had been granted only guarantee facilities by Eximbank, and not loans. This had clearly reduced the usefulness of the bank. — SAPA-RNS.

Budget provides for R17m surplus

RDM 12/5/78 (47)

By GERALD REILLY
Pretoria Bureau

THE record "austerity" budget tabled by the Administrator, Mr Sybrand van Niekerk, in the Transvaal Provincial Council yesterday provides for a surplus of R17 397 000 at the close of the new financial year.

Total expenditure for the 1978/79 financial year would amount to R853 827 000 and total income to R871 224 000, Mr Van Niekerk said.

The administrator warned, however, that the expected result could only be achieved by the exercise of strong discipline on provincial spending.

Details of expected income are:

- Horse racing taxation: R23 860 000.
- Motor licence fees: R59 500 000.
- Other licences, fines: R6 870 000.
- Departmental receipts: R57 375 700.
- Government subsidy: R715 076 000.
- Contributions by State departments R2 938 300.
- Estimated surplus at the end of the previous financial year: R5 604 000.

Mr Van Niekerk said expenditure in the new financial year would be R49 688 000 or 6,18% up on last year's revised estimates.

No provincial fees or tariffs have been raised.

The net increase in spending was made up of a R70 987 000 increase, offset by decreases amounting to R21 299 000.

The administrator said provincial spending restraints could not be relaxed because of the still serious economic position of the country.

However, the financial position of the province at the end of the current financial year was expected to be considerably more favourable than for the two preceding years.

It appeared that the worst of the economic downswing was over, and a slow recovery was either under way or about to start.

Encouraging signs included the dramatic and substantial improvement in the balance of payments, the strong rise in the gold price and the improvement in new motor vehicle sales.

There were still serious constraints which militated against a general stimulation such as the outflow of capital, difficulty in obtaining foreign loans and the adverse effect of the recession on Government tax revenue.

Business Mercury

Economy better, says Bureau

12/5/78

NM

49

Financial Editor

THERE are comforting signs that the South African economy is on an upswing path but this recovery may not be rapid, or of long duration.

This is the view of the Bureau of Economic Research at the University of Stellenbosch, which states in its latest survey report, released yesterday, that the revival appears to be consumer-led but, as yet, it is not broadly based.

Prospects for South African exports were not rosy as the volume of world trade was expected to grow at a slower rate during the current year than in 1977.

On the other hand, there could be an improvement in the amount of fixed investment in the home market. Because of the fear of boycotts, manufacturers could bring more machinery into the country. Import substitution was going ahead, there had been increased investment on housing and public corporations were spending money.

Confidence up

Demand was improving and business confidence had improved.

But consumer prices were expected to increase by 11 percent this year and local consumers did not have the means to put the economy in high gear all on their own.

Apart from the effect that higher prices would have on confidence, the country could find itself faced with balance of payments problems.

More Black customers

(49)

Deputy Financial Editor

RDM 17/5/78

IN 12 years' time Black purchasing power will be half the total in South Africa and shopkeepers should adjust to this fast changing pattern of spending, Professor P. A. Nel, director of the Bureau of Marketing at Unisa, told the Afrikaanse Handelsinstituut yesterday.

Since 1972 Black wages have increased sharply. Their share of consumer spending in 1975 was 25 percent. In four years to March 1977 White wages increased by 50 percent while Black wages went up 114 percent.

Major increases were in the mining industry where Black wages rose 229 percent and in the central government by 121 percent.

Professor Nel examined the buying patterns of Black consumers. They tended to buy necessities such as food at shops in their own areas while "speciality goods" were bought from White or Indian shops.

About R2 296 million was spent by Blacks during 1975, with food taking 35 percent of the total. Next important were clothes and shoes.

Maintenance

Maintenance of their children and parents cost R162 million or 7 percent of the total; transport R152 million (6,6 percent) and housing, including electricity, R135 million (5,9 percent).

About R60 million was saved, R84 million was spent on liquor, R156 million on furniture, R28 million on education, R58 million on insurance and R75 million on patent medicines.

Planned taxation proposals for 1980 could have a catastrophic effect on the motor industry, another speaker, Professor Nic Swart of Potchetstroom University, told the Handelsinstituut. He was discussing ways of stimulating the motor industry.

The maximum possible tax would make the price of vehicles unrealistic. The Government should reconsider its plans.

Professor Swart said the Government should consider the impact of changes to the hire-purchase and leasing laws on the motor industry's capacity.

The Government should also consider the discriminatory rules in Phase Five of the local content programme for cars, which will penalise large cars.

Also, the local content programme should, as far as possible be voluntary and flexible so that it does not interfere with the growth of the motor industry.

The programme should not be seen as bringing about rationalisation, nor should it effect petrol-saving measures. It was possible that the new principles for the programme would be in conflict with the existing rules.

Professor Swart said that decisions which led to changes in the motor industry had an automatic chain-reaction to dealers and owners.

Sales of motor cars were worth R1 537 million last year, an increase on 1976 even though the number of units had fallen. This made the motor industry a major sector.

The Natal Mercury, Thursday, May 18, 1978

Curbs on bank lending eased

R250m boost for S.A's economy

(49)

Mercury Correspondent

JOHANNESBURG — A R250 million-plus boost to the economy was given last night by Dr. T. W. de Jongh, Governor of the Reserve Bank, when he announced a major easing in the restrictions on bank lending. The aim is to turn the present marginal economic improvement into a genuine growth upswing.

But Dr. de Jongh warned that there still many difficult problems to be met.

The easing on bank lending — the ceiling on bank credit has been raised from today by 4 percent against the level set at December 31, 1975 — will not mean cheaper overdrafts, but it will allow up to as much as R280-million for potential bank lending.

It will certainly make it easier for good customers to get credit. The extra lending ability will also give a needed boost to consumer spending, which will be hit by the new General Sales Tax from early July.

Revival signs

Dr. de Jongh said in Pretoria last night the latest information indicates that several sectors of the economy are showing signs of a revival. In the light of this, the monetary authorities have decided to ease the control over the banks' credit extension to the private sector in support of the policy of mild stimulation, especially with a view to the financing of production and exports.

Dr. de Jongh's announcement was widely welcomed last night by businessmen and bankers. It will give a good boost to business confidence, said Mr. Bob Aldworth, managing director of Barclays National Bank.

The easing of the ceiling is the first big relaxation in bank lending in more than two years.

In February 1976, it was announced that a ceiling would be imposed limiting bank lending for each bank to 1,5 percent above the level at the end of December 1975, with an increase each month of 0,5 percent. The 1,5 percent was changed to 3,5 percent after representations by the banks.

Now comes the 4 percent easing, with the continuation of the 0,5 percent upward allowance each month.

But there is uncertainty about how effective the impact will be. Mr. Rob Abrahamsen, senior general manager of Nedbank, said the question is how much of the extra lending will be taken up. Most banks are underlent at present.

The banks are anxious to lend to prime customers but they have to be selective.

Liftoff! It's a R250m boost for SA

R.D.M 18/5/78

(49)

By HOWARD PREECE
Financial Editor

THE economy received a R250-million-plus boost last night from the Governor of the Reserve Bank, Dr T W de Jongh.

He announced a major easing in the restrictions on bank lending effective from today.

The aim is to turn the present marginal economic improvement into a genuine growth upswing.

But Dr De Jongh warned that there were still many difficult problems to be met on inflation and the balance of payments.

The relaxation on bank lending — the "ceiling" on bank credit has been raised from today by 4% against the level set at December 31, 1975 — will not mean cheaper overdrafts.

Kolwezi toll is mounting

KINSHASA. — Sporadic fighting continued around the rebel-held mining town of Kolwezi yesterday as the United States, Belgium, France and Britain weighed plans to rescue foreigners trapped in the battle.

All communications with Kolwezi were cut making it impossible to establish the situation among the town's 3 000 foreigners, several of whom were killed.

Diplomats estimated at least 11 people were dead — four Belgian mining company officials, an Italian who was shot while resisting the confiscation of his motor car and six others who were not yet identified.

The Government of Zaire last night claimed rebel invaders in Southern Zaire were holding about 100 foreigners hostage.

Diplomats said US, Belgian, French, British and other nationals would be evacuated from Shaba as soon as the Zambian foreign ministry had granted flying rights.

In Washington, the State Department said almost all Americans trapped by fighting have been evacuated by truck and helicopter, averting the need for evacuation by the 82nd Airborne Division. — UPI, Sapa-Reuter and Agence France-Press.

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The extra lending ability will also give a needed boost to consumer spending, which will be hit by the new general sales tax from early July.

Dr De Jongh said in Pretoria last night: "The latest information indicates that several sectors of the economy are showing signs of a revival.

"In the light of this . . . the monetary authorities have decided to ease the control over the banks' credit extension to the private sector in support of the policy of mild stimulation, especially with a view to the financing of production and exports."

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But there is uncertainty about how effective the impact will be.

Anxious

Mr Rob Abrahamsen, senior general manager of Nedbank, said: "The question is, how much of the extra lending will be taken up. Most banks are underlent at present.

"The banks are anxious to lend to prime customers, but they have to be selective."

The easing of the ceiling is the first big relaxation on bank lending in more than two years.

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The ceiling was changed to 3,5% after representation by the banks.

Now comes the 4% easing, while the 0,5% monthly upward allowance continues.

● See Page 11

DD 18/5/78 (41)

R250m boost for economy

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But Dr De Jongh warned there were still many difficult problems to be met on inflation and the balance of payments.

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The 1,5 per cent was changed to 3,5 per cent after representation by the banks. Now comes the 4 per cent easing with the continuation of the 0,5 per cent upward allowance each month.

But there is uncertainty about how effective the impact will be.

Mr Rob Abrahamsen, senior general manager of Nedbank, said the question was how much of the extra lending would be taken up.

Most banks are underlent at present. They are anxious to lend to prime customers but they have to be selective. — DDC.

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(49) 19/5/78

SINGLE MEN'S FLATS IN LANGA

REDIT CEILINGS (49)

A slight boost FM 19/5/78

The Reserve Bank has raised the ceiling on banks' lending by a flat 4% on their base figures as at December 1975. The existing arrangement in terms of which the ceilings are increased each month by 0,5% of the base figures continues to apply.

This was the gist of Reserve Bank Governor Theunis de Jongh's announcement late on Wednesday. The move was widely welcomed by bankers, but most were surprised by it.

While the flat 4% increase over the base figures doesn't mean much in straight money terms, bankers agree that it is a meaningful confidence booster — particularly, adds Nedbank's Rob Abrahamson, when seen in conjunction with the fiscal measures contained in the Budget.

The increase will make available an additional R250m to R300m for increased bank lending to the private sector. For banks that have recently been straining against their ceilings — which includes most of the big fish — the new move will undoubtedly provide a measure of light relief. But for Barclays, known to have recently exceeded its ceiling, it is simply a matter of legitimising its present excesses. To the extent that banks are above the current ceiling, less new funds will be available.

On the basis that bank lending, under the old ceiling, was allowed to rise by 0,5% per month, or at 6% per year, the extra 4% could mean a 10% total boost this year. Seen in this light, the move could have a relatively big impact. And, adds Standard MD Henri de Villiers: "It won't be long before the Reserve Bank will again have to review the ceilings."

The announcement added that smaller banks' ceilings (ie "credit ceilings which a bank may not exceed before it becomes subject to the ceiling requirements") have been raised from R10m to R15m, and that these ceilings will also be increased monthly "by 0,5% of the relative base figures as at December 1975." This will no doubt give a much needed fillip to confidence in smaller banks.

In no way, however, do the new measures signal a shift to easier money policy. It is unlikely that short-term rates will be allowed to ease much further — given the fact that overseas rates have been firming.

INSIDE ONE FLAT

Call to share economy

9/5/76
(4)

DURBAN — There would never be sound economic progress in South Africa until blacks were fully integrated into the economic life of the country, the president of the National Union of Distributive Workers, Mrs J. Barnard, said here yesterday.

At the annual conference of the union, Mrs Barnard said facilities which should afford the black population job advancement and enhancement did not exist.

Calling for the full and equal integration of all the people of South Africa into the economy, she said: "It is vital that we reaffirm our standpoint and make our voice known."

Mrs Barnard said at the end of last year there were about 30 000 unemployed whites and an estimated 60 000 blacks.

"This is indeed a grave situation," she said.

Since 1970 the consumer price index had risen 106,4 per cent, meaning in effect that without the necessary wages and salaries compensation, the rand was now worth less than 50c in terms of 1970 standards.

The standard of living was going down and the price rises were turning the "year of the consumer" into a year of disaster for the housewife, she said.

Appealing to the Wage Board to "get a move on," Mrs Barnard said: "Inflation increases the cost of living by the month, and we get a determination based on an investigation that may well have taken a year or even more to complete." — SAPA-DDC.

How R-millions leave South Africa

SECRET REPORT GOES TO MINISTER

By KITT KATZIN and JEAN LE MAY

A CONFIDENTIAL report on exchange control evasions has been submitted to the Minister of Finance, Senator Owen Horwood.

The report is about millions of rands shifting out of the country without the consent of the Reserve Bank.

The interim report — one of several that will soon be presented to the Government — was drawn up by Mr Justice Anton Mostert, who is conducting a one-man commission of inquiry into South Africa's exchange control measures.

The judge, who started hearing evidence in February, is also expected to launch certain investigations in Europe soon.

I understand he will have talks with international bankers and financial experts in London next month.

He will be away for about three weeks.

Judge Mostert, who is conducting his inquiry in Pretoria, has heard evidence from several individuals and organisations.

He has also travelled to different parts of the country, including Cape Town and Durban, to investigate foreign exchange matters.

The commission of inquiry was ordered by Senator Horwood and comes at a time when at least 60 people, many of them prominent businessmen, have been involved in the past year in 700 currency contraventions totalling R12-million.

A Sunday Express investigation last year showed that at least 40 different techniques were used by sophisticated swindlers and racketeers to transfer assets and cash worth about R100-million out of South Africa in 18 months.

Judge Mostert was instructed by Senator Horwood to investigate:

- Malpractices involving avoidance and evasion of exchange control regulations;
- Methods to fight these practices.

At the time of Judge Mostert's appointment, Senator Horwood said stricter control on foreign exchange transactions would be exercised administratively.

The commission of inquiry, Senator Horwood said, was of the "utmost importance" and Judge Mostert would submit reports and recommendations to the Government.

We learnt this week, however, that Judge Mostert's findings might not be made public.

According to the terms of reference of the commission, this decision will be made by Senator Horwood.

But it does not seem likely that the contents of the report will be publicly disclosed, or tabled in Parliament.

One of the reasons for this is that in plugging loopholes, the Government would not want to reveal the methods and extent of foreign exchange contraventions.

South Africa's currency exchange regulations are based primarily on the British system, and it is expected that Judge Mostert will have talks with officials at the Bank of England.

He is anxious to make a close study of methods British bankers and the Treasury have developed to combat exchange control contraventions.

Asked to comment this week on the progress of the commission, Judge Mostert said he expected to submit a comprehensive report to the Government within the next three months.

This could be his final report, he said.

- The Reserve Bank, meanwhile, is maintaining an intensified drive against the illegal flight of "funk" money, and a substantial saving in various fields of foreign exchange has already resulted.

Although official figures are not available, millions of rands have been won back through tighter supervision of new control procedures.

A9

SUNDAY EXPRESS, May 21, 1978 5

● Vivacious Penny Bekker, 16-year-old Springs schoolgirl model, is a real swinger who admires the controversial nude modelling of the teenage Bezuidenhout twins. She's really out to make it — "but not in the nude", she insists.

SUNDAY TRIBUNE, MAY 21, 1978

49

49

BUREAU'S GRAPH SHOWS POOR INVESTOR SENTIMENT

Confidence takes a four percent dip

Special Finance Correspondent

DESPITE bullish economic indications, overseas investor sentiment towards South Africa remains poor. Indeed, recent figures published by the Bureau for Economic Research, University of Stellenbosch, show that foreign confidence indicators have deteriorated by some four percent since April, 1977.

This is apparent from a graph reflecting business' mood abroad published in the Bureau's April edition of "Trends." The graph is a composite of two widely accepted measures of foreign confidence — the securities rand exchange rate and the London-Johannesburg Stock Exchange conversion factor.

Securities rands are South African currency made available by non-residents withdrawing investments from South Africa to non-residents making investments in South African financial paper. The exchange rate at which such currency changes hands is a good reflection of foreign investor confidence.

Clearly in times of waning confidence, a majority of investors will be keen to withdraw their funds and will therefore be prepared to sell securities rands for less than the full market value of South African currency.

Substitute investors will only be induced to risk their funds in South Africa if the rands to fund their the ordinary trading rand is pegged to the US currency. The price of the securities rand, in fact, fell as low as 65 US cents after the Soweto riots in 1976.

What is disappointing is that the securities rand, which climbed from an average price of around 71 US cents in December 1977 to a recent high average of around 85 US cents in February 1978 is shown by the Stellenbosch graph to have since fallen back again to an average price of about 78 cents in March.

The London-Johannesburg conversion factor is another good indicator of foreign attitudes towards risk in South Africa. This ratio measures the prices of South African securities quoted on the London Stock Exchange relative to the prices of the same securities in Johannesburg.

Obviously, the greater the confidence abroad, the higher South African shares will rise on the London market and the closer this ratio will move towards parity.

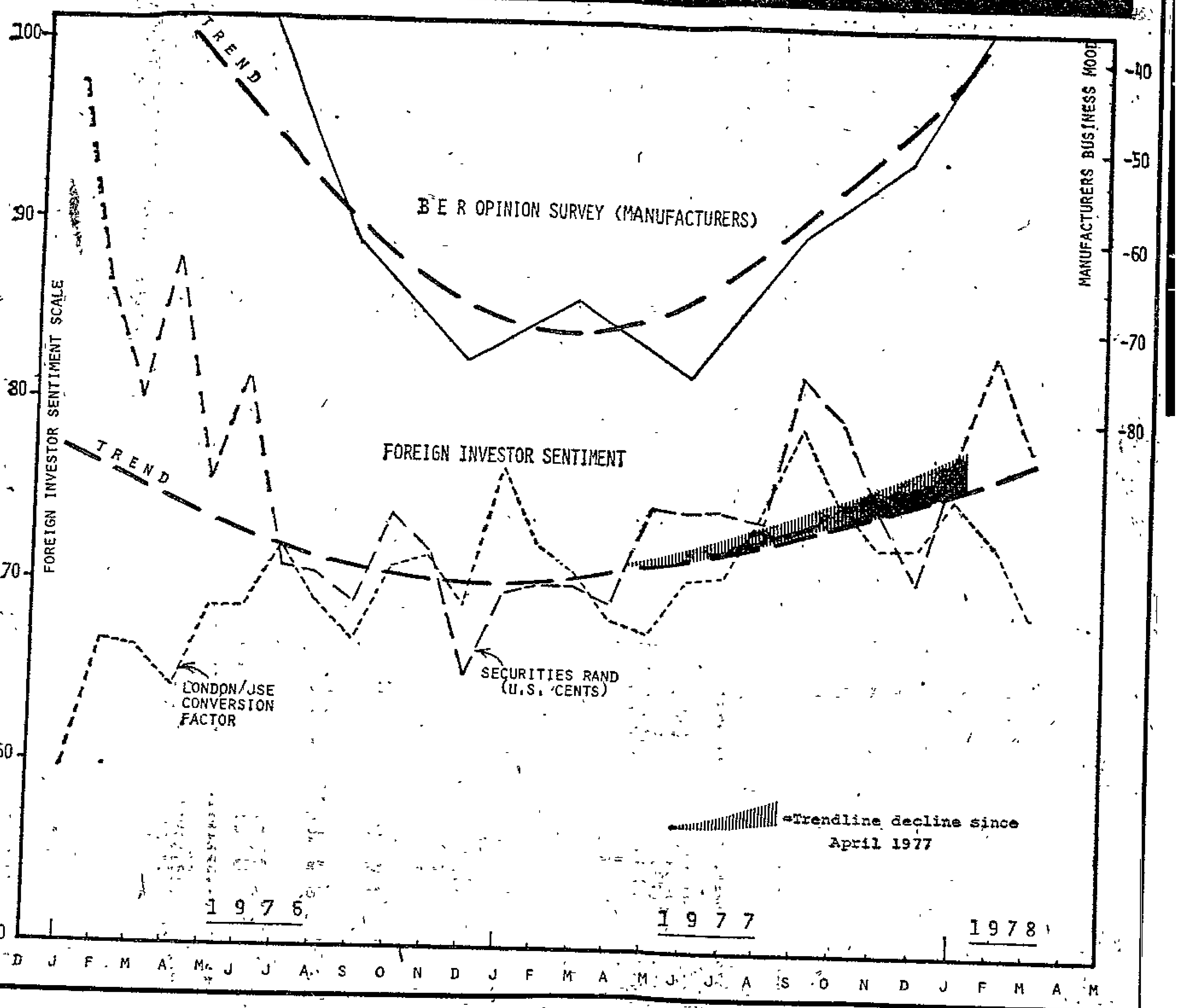
The conversion-factor hit an average low of about 67 percent just after the Soweto disturbances in 1976. After recovering to a recent high of about 78 percent during September 1977, the ratio has slipped back again to about 70 percent during March this year.

The effect of these poor performances on the Bureau's foreign investor sentiment index has been a decline of about four percent in the index since April 1977.

A happy contrast is, however, reported domestically. Trends and leading indicators have shown considerable improvement. The Bureau reports that both the leading and coinciding business cycle indicators suggest that "a definite turning point has been reached in the downward course of economic activity in South Africa.

The leading indicators emerge as by far the strongest, with the coinciding indicators still suggesting some hesitancy.

This leads the Bureau to suggest that "hesitation" remains the best description of the present state of the economy. But this is contrasted with leading indicators which show a considerably faster rate of recovery in prospect.



this week, unless America, in the main, activiates a serious programme to conserve energy.

49

49 26/5/78 FM

CONSUMER SPENDING

Ready to go

Consumer confidence is at its highest since July 1975, says Stellenbosch University's Bureau for Economic Research.

The Stellenbosch research unit warns, however, that "the potential for increased consumer demand remains fairly low" in the long run.

These conclusions are based on the opinions of 2 300 households and 459 businesses surveyed via postal questionnaires during April.

The results show that consumers are quite optimistic about the development of the SA economy over the next 12 months, but the majority are expecting only a *slight* improvement and suggesting a slow recovery.

The question, then, is whether households' financial situations will allow them to increase their spending patterns. In this regard the bureau found that the pessimism surrounding current financial conditions faced by households seems to be easing.

With this obstacle melting away, the most important factor affecting spending is consumers' expectations about prices. As the bureau notes, it is difficult to say what effect expectations of rising prices will have on households' expenditure: some may advance spending but others may postpone it. However, if the finance is available and the desire great, expectations of higher prices will lead to more spending now (eg recently increased new car sales).

The index of consumer confidence gives the overall view. It has now been increasing since the fourth quarter of 1976, apart from a slight setback in January this year, and shows consumer optimism for the first time since the third quarter of 1975.

SA economy on the upturn, says Minister

(49)
21/5/78

CAPE TOWN. — There were increasing indications that the South African economy was on the upturn, the Minister of Economic Affairs, Mr Chris Heunis, said in Cape Town yesterday.

Opening the International Consumer Goods Fair, arranged by the Cape Town Chamber of Commerce, Mr Heunis said manufacturing industry's overall economic performance last year had been the worst for 30 years.

"Fortunately there are at present more and more signs that a turning point had been reached in the economic graph."

The Government was relying mainly on internal factors such as consumer spending to stimulate production.

The turnaround in the graph was already reflected in certain production runs, with the volume of factory-produced goods showing a clear increase in the first quarter of the year compared with the previous quarter, Mr Heunis said.

The slackness in manufacturing activity would have implied a negative overall rate of economic growth in 1977 had it not been for the fortuitous strength of the agricultural and mining sectors, he said.

Mr Heunis was encouraged by the fact that the exhibition was export-orientated.

While South Africa had been enjoying increasing success in marketing a wide range of products abroad, an increase in exports would represent a vital stimulant to future economic growth.

"I want to emphasise the need to apply South Africa's production sources to the best advantage," Mr Heunis said. — Sapa.

DD 26/5/78 (49)

Things are looking up says economic bureau

CAPE TOWN — There is no doubt that the economy, especially in the non-primary sectors, will perform a great deal better this year than last year, the Bureau for Economic Research at the University of Stellenbosch says in its latest consumer survey report.

It added: "Nevertheless, based on the 1960s and early 70s, the expected real domestic product growth rate of between two per cent and 2,5 per cent will still be fairly low."

While consumer sentiment appeared to be at a relatively high level, consumers would not be able to sustain a strong and long recovery in demand.

If it increased relatively slowly during the rest of this year, "there will be a better chance for an upswing of longer duration than in the case of a sharp initial upsurge."

An increase of more than 10 per cent on average was expected in consumer prices.

"This must still be seen as a definitely retarding influence, inhibiting any sharp improvement in general business conditions during this year.

"On the positive side, much more emphasis is being placed on import replacement and displacement."

Official statistics implied that "the value of imports has entered an upward trend while, at the same time, the value of exports (Kruger rands excluded) would appear to be levelling off. This could very well lead to a fairly rapid deterioration in the crude trade gap (Kruger rands excluded).

"The negative effects of world opinion will probably continue to be felt via the capital account, thus increasing the importance of a surplus on the current account.

"This underscores the necessity of continuing a conservative economic and monetary policy if our inference of a deteriorating trade balance during the course of 1978 proves to be correct."

The bureau estimates that real gross domestic investment will drop only two per cent this year, compared with a 10,2 per cent drop last year. Even so, new investment would not be of such a nature that it would lead or support any prolonged economic upswing.

Echoing the bureau's cautious optimism, the Minister of Economic Affairs, Mr Heunis, said in Cape Town yesterday that there were increasing indications the South African economy was on the upturn.

Opening an international consumer goods fair, he said manufacturing industry's overall economic performance last year had been the worst for 30 years.

"Fortunately there are at present more and more signs that a turning point has been reached in the economic graph."

The Government was relying mainly on internal factors, such as consumer spending, to stimulate production.

The turnround in the graph was already reflected in certain production runs with the physical volume of factory-produced goods showing a clear increase in the first quarter of this year compared with the previous quarter.

The slackness in manufacturing activity would have implied a negative overall rate of economic growth in 1977 had it not been for the fortuitous strength of the agricultural and mining sectors, he said.

He was encouraged by the fact that the exhibition was export orientated. While South Africa had been enjoying increasing success in marketing a wide range of products abroad, an increase in exports would represent a vital stimulant to future economic growth.

By taking active and positive steps to find additional export outlets, manufacturers could contribute towards easing the pressure on agriculture and mining.

"I want to emphasise the need to apply South Africa's production resources to the best advantage," he said. — SAPA.

19/5/76 (49)

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TABLE 3.

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INVESTMENT (44)

Roll up, roll up

FM 19/5/76

Finance Minister Owen Horwood's campaign to restore foreign investment confidence in SA opened yesterday with a lunchtime address to the American Club of Brussels. According to the text of his speech, released in Cape Town, he gave his audience (60% US nationals) a number of intriguing points to ponder.

SA, having transformed a R1 630m deficit on the current account of the balance of payments into a surplus of R751m in little more than a year (equal to 7,5% of GDP) is now in the market for long-term investment from abroad to bolster the capital account.

Although there has been a net outflow of capital lately this was due to "very substantial" repayment of short-term foreign debt by the public and banking sectors. Horwood added that capital continued to flow in to both the private and public sectors — "there has been a substantial improvement in the basic balance of payments."

He said there was a misconception that SA was over-borrowed. "On the contrary, at the rate at which both the private and public sectors have been redeeming foreign loans and credits during the past year or two, at a time of rapidly rising exports, we must now be considerably under-borrowed," he said.

Horwood argued that at the end of 1975 the ratio of long-term foreign debt to exports was only 62% (compared with 67% in Australia, 102% for Greece, 81% for Canada). Since 1975 the ratio has been trimmed sharply.

In addition, the ratio of interest payments on foreign loans to total exports amounted to only 6,4% in 1976 and then dropped to 5,5% last year. "What is particularly significant is the fact that, as a percentage of total exports, total interest, dividends and branch profits paid abroad have in recent years on average been no higher than the postwar average, and actually declined from over 11% in 1976 to 9% last year."

"From an economic point of view" he argued "there appears to be general agreement that the requirements for a period of solid economic growth in SA are complied with and that the country must be regarded as an excellent investment risk."

Ah, but what about all those nasty political factors? Well, moving to the political situation and its influence on investor confidence, Horwood outlined distinctly bullish prospects for negotiated settlements in SWA and Rhodesia.

On the SA domestic situation he left his audience with the following snippet to chew on: "It is the declared aim of government policy to avoid friction among the various national groups and to eliminate discrimination based on colour. Such differentiation is an historical fact, but sustained efforts are being made to move away from this situation. Contrary to popular notions, luxury hotels, public parks, restaurants, entertainment centres, sport and various other activities have been opened up to all races."

TABLE 4.

ACCOMMODA ... : SECTION 3.

Type	No. of Beds
Employer dormitories	846
Family Units	350
Total Single men	1 196
Total Population	16 320

49

The Star

Monday June 5 1978

Education for black adults

EDUCATIONISTS will understand why Mr Willem Cruywagen, the Minister of Education and Training, wants to set an age limit beyond which black pupils would not be able to remain at high schools. High schools are simply not geared to cope with pupils who are 20, 22 or even 25 years old. The discipline imposed in a high school is vastly different from that imposed in a university — and many black high school pupils are the same age as most white post-graduates.

However, the fact that so many black high school pupils are "over-aged", is seldom their own fault. Because of the social and economic conditions in which their parents live, many of them start school late. A significant proportion have to break their schooling in order to work for a year or two to help their families. The black education system itself is seriously handicapped by the shortage of properly qualified teachers and by inadequate facilities. All of which means that black pupils are more likely to fail a class than white pupils with the same degree of intelligence and commitment to school work. Against this background, the fact that blacks are still trying to do matric when some of them are in their 20s is a commendation rather than a condemnation.

Mr Cruywagen had said that "over-aged" black pupils should attend adult education centres. This is good and well—provided there are enough adult education centres to cope with the number of students involved and provided these centres are properly equipped to give the quality of education needed. Under no circumstances must the department do what has been done in South Africa so often already — take the negative step before the positive one.

RAPPORT 11/6/78

49

Jare tagtig vir SA krisisdekade

IE jare tagtig gaan vir die Suid-Afrikaanse volk die isisdekade van die eeu wees. Dit gaan die dekade wees wat palend gaan wees of die aanpassings wat in die jare wentig gemaak is, die toets van die tyd sal deurstaan.

So het mnr. C.du P. Kuun, Hoofbestuurder van Saambou-Nasionale Bouvereniging, Vrydagaand by die jaardinee van Ermelo se Afrikaanse Sakekamer gesê.

Mnr. Kuun het verwys na die aanpassings wat Suid-Afrikaners in die jare sewentig moes maak ten opsigte van hulle persoonlike inkomsteportefeulje, op ekonomiese terrein en op arbeidsterrein ten einde rasseverhoudinge en die beter benutting van arbeidskragte met die uitskakeling van diskriminasie meer harmonieus te kry.

Suid-Afrikaners het die afgelope sewe jaar meer aanpassings gemaak op alle terreine van die volkshuishouding deels omdat ons onseker is oor wat die toekoms vir ons inhou.

„Dat ons ons rentmeesterskap sal kan verdedig en brûe sal oorsteek na 'n blink toekoms, bestaan by my geen twyfel nie," het mnr. Kuun gesê. „As die teendeel wel waar is dat ons nie groot genoeg is om die krisisse van die dekade tagtig by te lê nie, mag ons ons weer bevind waar ons vyftig jaar gelede was, toe rampe en armoede ons voorland was."

Mnr. Kuun meen dat verwag kan word dat tegnologiese vooruitgang, veral op die gebied van die elektronika, die jare tagtig sal oorheers. Verder beweeg ons na 'n kontantlose gemeenskap, wat baie meer van krediet afhanklik sal wees as wat tans die geval is.

Hy meen dat die staat se aandeelhouding in die ekonomie in die volgende dekade eerder sal toeneem as afneem, asook dat internasionale druk, gepaardgaande met 'n uitbreiding in handelsboikotte, in om-

voedsel en vryheid nodig het, en as voedselproduserende land sal ons dié bate moet gebruik.

Ons kulturele maatskaplike en ekonomiese ontwikkeling het ons reeds die leiers op die Vasteland gemaak, en mnr. Kuun het 'n beroep gedoen op die sakemanne om toe te sien dat die leier posisie gehandhaaf word.

Verder moet daar nie net op die staat vertrou word vir ekonomiese vooruitgang nie, maar moet elke individu deur groter produktiwiteit 'n aktiewe bydrae lewer. Die staat se deelname aan die ekonomie in die jare tagtig sal moet gesien word as dié van vennoot en nie as mededinger nie, en daar sal van die sakeman verwag word om effektiewe brûe te bou tussen die sakelewe en die owerheid. 'n Groter deelname deur die staat sal noodsaaklik wees om groter selfversorgendheid aan Suid-Afrika te bring.

„Sakemanne sal hulle nie langer kan uitkoop uit sosiaal ekonomiese probleme nie en sal 'n bydrae moet maak om die algemene welsyn van die gemeenskap te bevorder," het mnr. Kuun gesê. „Instellings soos sakekamers en die AHI sal 'n leidende rol moet speel in die oordra van sosiaal-ekonomiese ontwikkelingsvraagstukke en die verskerping van die maatskaplike gewete van meer sakelui.

Politici moet aanvaar dat dit reg is dat sakelui hulle oor hierdie vraagstukke sal uitspreek en waar moontlik ook die hand aan die ploeg slaan om 'n oplossing te vind.

Die volgende dekade gaan van die sakeman nugtere realisme verg, het mnr. Kuun gesê. Dit is nie nou die tyd om in sak en as te verval nie, en Suid-Afrika is ook nie 'n uitsondering nie. Ekonomiese hoofpyne en probleme word ook elders in die wêreld ondervind. Amerika beleef tans so 'n krisis.

„Dis my oortuiging dat die veerkragtigheid van ons land se ekonomie w[illegible]ra sal aanpas by die verandering wat nou gemaak word, sodat die krisisse van die jare tagtig oortuigend die hoof gebied kan word maar dan moet daar betyds kennis geneem word van die moontlike krisis sodat die nodige voorsorgsmaatreëls getref word."

Ander beperkende faktore wat in die volgende dekade ekonomiese groei aan bande sal lê, is die beskikbaarheid van veral buitelandse kapitaal, bestuurseffektiwiteit, die eksploitasie van veral buitelandse markte en die beskikbaarheid van geskoolde arbeid, die ontwikkeling van binnelandse vervoer en die aanwending van ons beperkte waterbronne.

Suid-Afrika het egter baie in sy guns ondanks die vraagstukke wat ondervind word, en die Suid-Afrikaanse huishouding, gelouter deur rampe en armoede, veral in die eerste drie dekades van Uniewording, is goed toegerus om die krisisse van die jare tagtig die hoof te bied.

Ons as volk kan geen foute bekostig wat voortvloei uit politieke en ekonomiese onvolwassenheid nie. Die sakeman sal die werklikhede van Afrika moet aanvaar en erken. Een van die werklikhede is dat Afrika

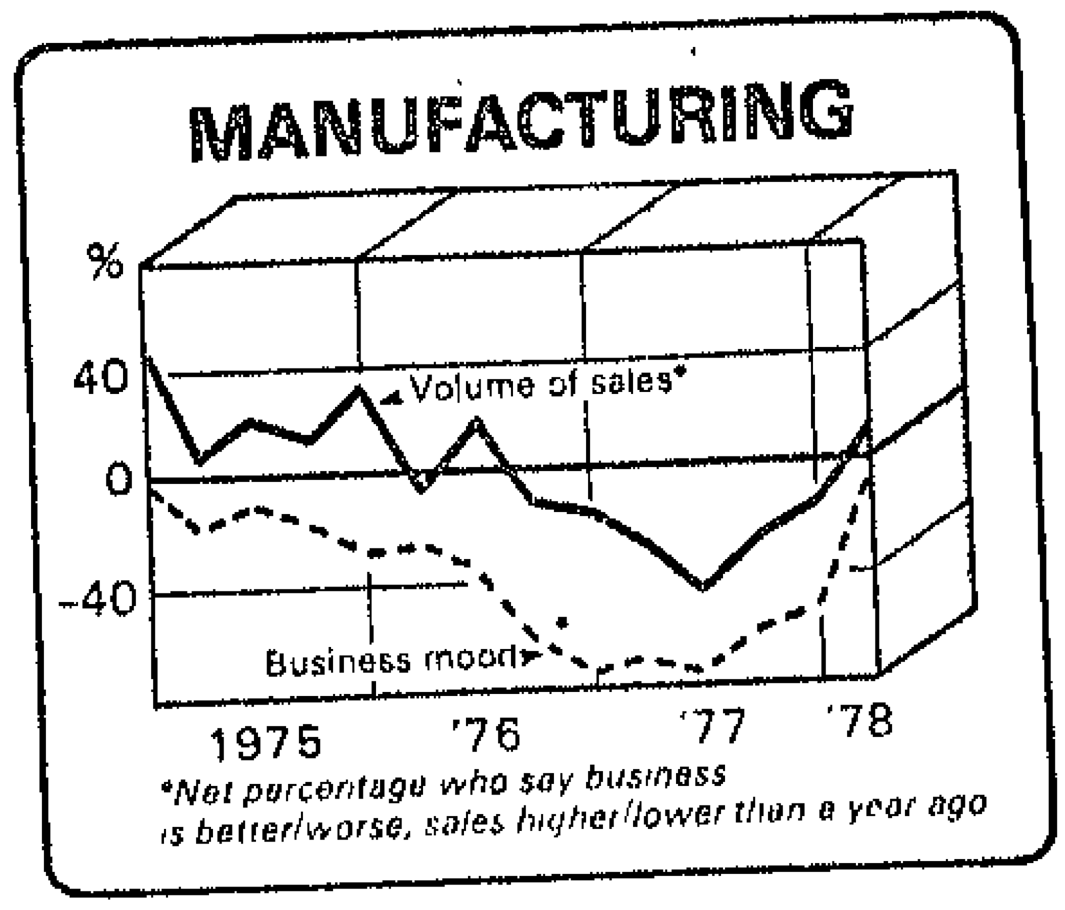
XBUSINESS (49) FM 12/5/78

A breeze is blowing

Business is still in the doldrums. But there are signs that a faint breeze is starting to blow. Stellenbosch's latest *Opinion Survey Report* reveals that:

- Manufacturers are much less pessimistic than at the end of the year and expect improvements to continue into the second quarter. Increases in the volume and value of sales, as well as in the volume of orders received, back these views;
- Wholesalers are also more confident, despite reduced sales volumes. Slightly more than half expect this quarter's sales to be higher than a year ago; and
- Retailers are also much less pessimistic. Again, higher sales volumes have helped generate the turnabout.

Stellenbosch emphasises, however, that the improvements are built on a very



*Net percentage who say business is better/worse, sales higher/lower than a year ago

low base. Thus the *majority* of manufacturers (72%), wholesalers (55%) and retailers (92%) say that business conditions are *unsatisfactory*.

Even so, breezes are also blowing from other directions. Factory output is up (by 3,7%, when the three months to February are compared with the previous three months), and retail sales and wholesale sales appear to have bottomed out. Stellenbosch makes these projections for 1978:

- Exports to increase by 2% (1977: 30%), imports by 12,5% (—7,4%), making a current account surplus of R300m (R751m);
- Real household expenditure to rise by 2% to 2,5% (—0,5%); real gross domestic investment to drop by 2% (—10,2%); and inventories to go up by R150m (—R500m), so that real gross domestic expenditure will grow by 3% (—5,2%);
- Growth of "slightly more than 2%" in real gross domestic product (0,5%); and
- An average inflation rate of about 11% (11,3%).

The most important question is how the recovery is likely to shape. Much depends on the pattern of consumer spending, says Stellenbosch. If spending is crowded into the first half of the year, the recovery will be short-lived. If, however, it is spun out, there will be a slower but more stable increase in gross domestic product.

Consumers do not have the ability to pull the economy into high gear on their own under present conditions, says the research bureau. "So in spite of comforting and favourable signs pointing towards an economy already on an upswing path, it would seem as if the recovery will probably neither be very rapid nor necessarily of a long duration." X

Who'll toll the till?

(49) FM 12/5/78

The consumer, of course. But he'll only spend more if he earns more

The budget can be described as confidence inspiring. But it does not provide any great boost to the economy. The confidence which has been created could be of relatively short duration, since we believe it unlikely that consumers have the means to push the economy into top gear on their own — this week's *Opinion Survey Report* from Stellenbosch.

Stellenbosch has hit the nail on the head. Consumer spending is the chief engine of economic growth. So unless households have the cash to increase their outlays, shopkeepers' tills won't tinkle and their turnovers won't rise.

True, spending has picked up in the past couple of months, as the Stellenbosch report confirms. Car sales in particular are looking good. Forecasts for 1978 have been revised upwards by 8% since December. They vary from Leyland's 163 000 to Datsun's 199 000, but the average guess is 186 000 — an 11,5% increase over 1977 sales.

Soap, paper and appliances

But things aren't so rosy in other sectors. Richard Ferrer, marketing manager of Barlows' appliance division, tells the *FM*: "We expect a substantially similar situation as far as the total market goes. That is, no change at all over 1977 in volume terms."

Martyn Brooks, a Kimberly Clark manager, is only slightly more optimistic about paper products. Says he: "We foresee a small growth in volume terms — between 2% and 3% for the industry as a whole." Similar views are to be heard in the soap, detergent, basic foods, tyre, margarine and toiletries industries.

A rise in overall consumer spending must depend on two things: increased income and/or a rise in the proportion of income spent. As the top graph shows, the proportion of *increased* income spent can swing widely. Indeed, in some years, households have dug into their savings and spent more than the extra they've earned. A large increase in the marginal propensity to consume, as economists call it, can push up consumer spending by as much as R1bn.

But it is hardly likely that that will happen this year. Horwood has marginally shifted the tax burden on to the shoulders of the less well-to-do (who spend a larger proportion of their incomes) and away from the more well-to-do (who spend a smaller proportion). On balance, this will tend to dampen spending.

Early repayment of loan levies will help a bit, but not much. The R70m which households will receive in July represents 4,5% of one month's total consumption expenditure. That will hardly prove much of a boost when prices are being hiked by the 4% general sales tax.

On the other hand, banks are flush with money. If you can afford to borrow at high rates of interest, funds are available. And, with confidence on the mend, it may be that more people will feel the urge to borrow and spend.

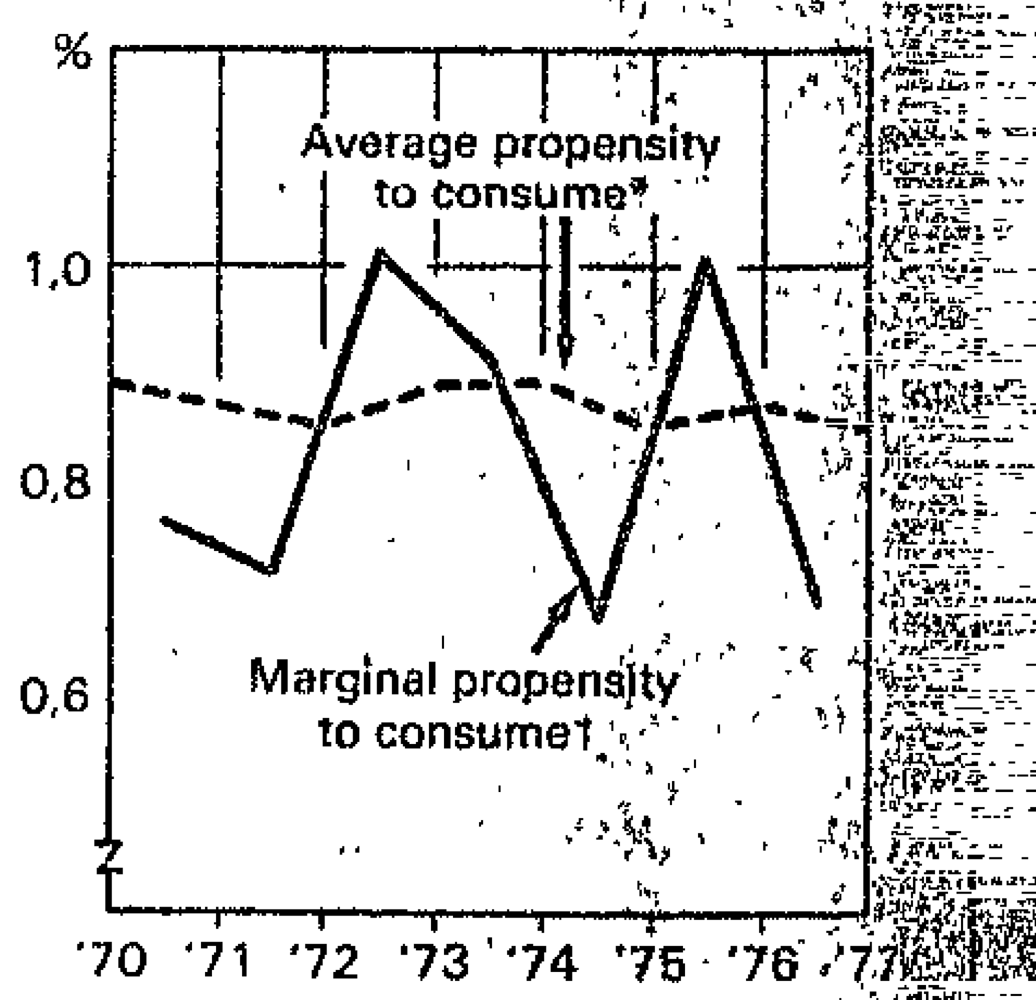
But the major source of any sustained increase in consumer spending must ultimately be increased household incomes. Moreover, roughly three-quarters of current household income (before tax) comes from employee remuneration, so changes in consumer spending in the long run must reflect shifts in salaries and wages (bottom graph).

On that front the omens are not good. Employment is flat, and so is the rate of growth in wage rates and salaries. Estimates from employers indicate that there is unlikely to be much improvement this year.

What about farm income? Shrewd observers point out that a good agricultural season tends to boost consumer spending in the following year — and last year's crops were bountiful.

All in all, however, it is probable that any increase in consumption expenditure this year will be modest. Senbank's economic unit puts it at 2,8%, the Stellenbosch bureau forecasts between 2% and 2,5%, experts in the public sector put it at 2,5% and one private sector economist sees it stumbling along at 1%.

SPENDING SEE-SAW



* Ratio of consumer spending to personal disposable income
† Ratio of change in consumer spending to change in personal disposable income

To ensure a significant increase, sooner or later there will have to be a sharp rise in real salaries and wages. With inflation running at roughly 10%, that means pay increases in money terms of 13% to 15%. Would such rises provide a realistic solution to our present economic plight? Or would they be counter-productive?

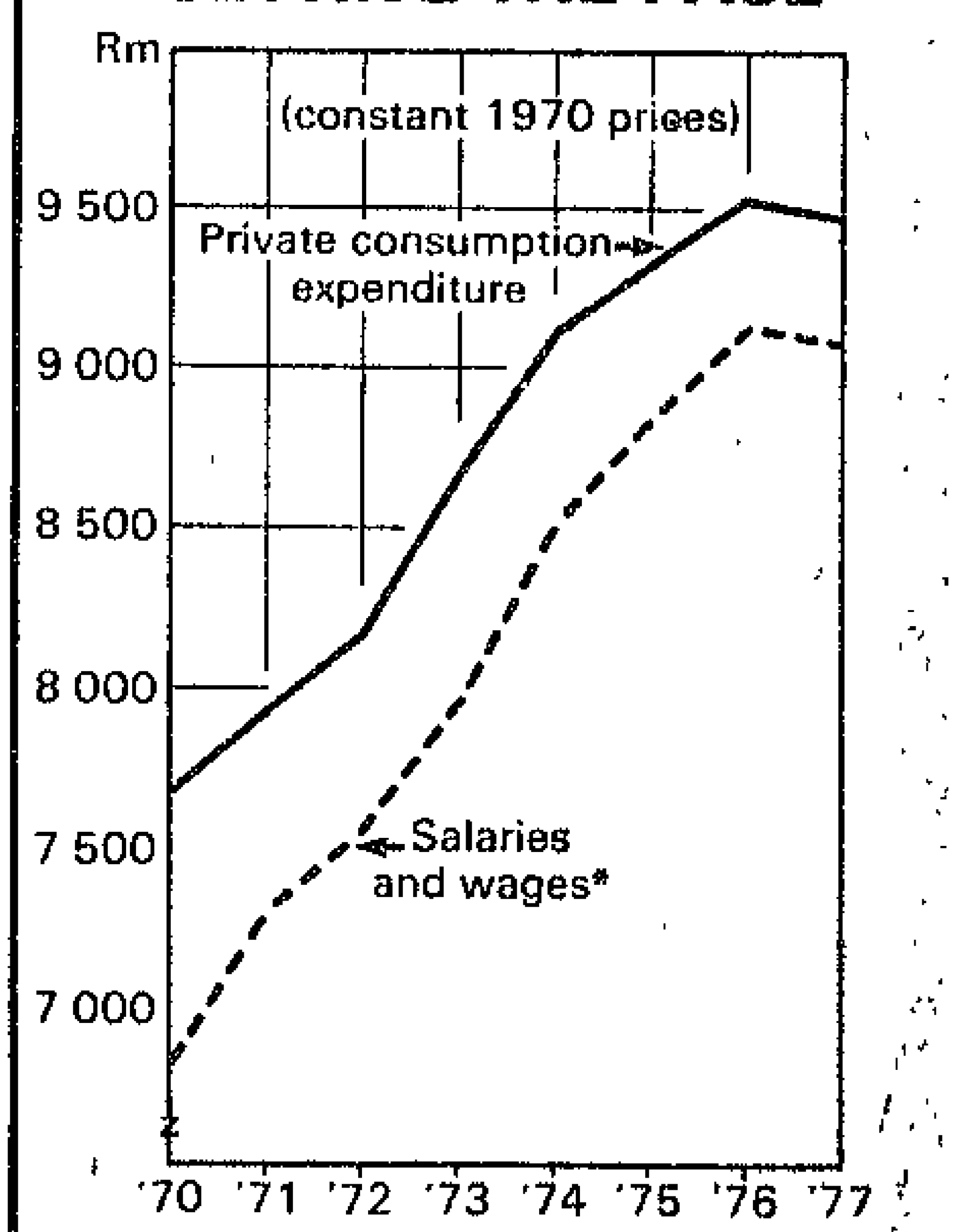
On the plus side there is the obvious boost to business that would result. At the same time, the exchequer would benefit from increased income tax revenue. Since economic recovery ought now to be the major objective of government policy, these are very significant advantages.

On the minus side, it could be argued that the move would boost unemployment in some industries (though not necessarily generally) and lead to higher inflation, thus endangering SA's competitiveness on world markets.

Unemployment caused by higher wages would only become permanent if and where the increase in spending power created by higher wages did not flow back to the industries granting wage increases. Provided an easy credit policy were followed, that would be unlikely to happen in the economy as a whole, although for particular industries it would indeed be a very real possibility.

Inflation would be the real problem stemming from across-the-board pay

SETTING THE PACE

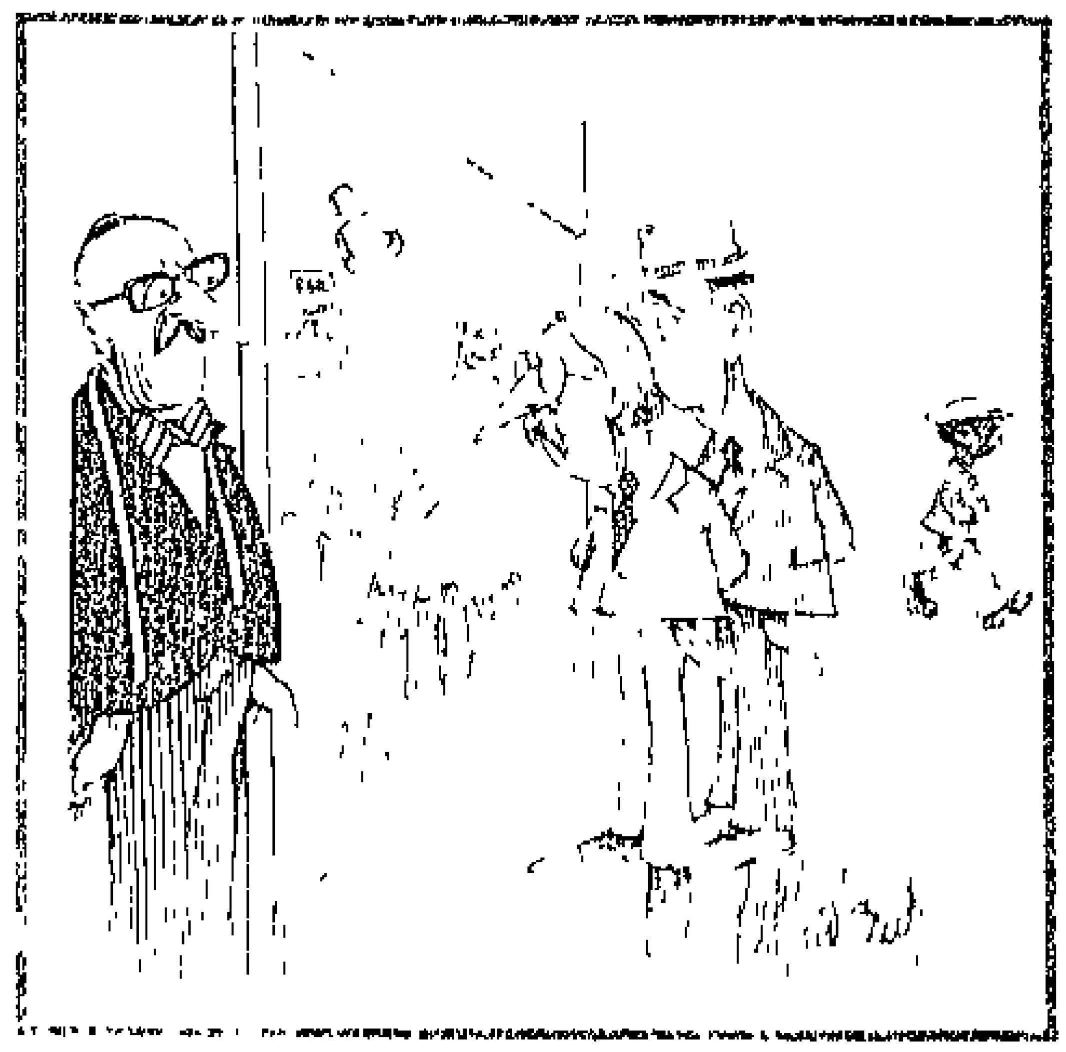


* Including payments in kind and other forms of employee remuneration
Source SA Reserve Bank

increases. Some argue that SA is in the grip of a cost-push spiral. If so, a large pay increase would tend to push up the inflation rate.

On the other hand, it is undoubtedly true that short production runs are contributing significantly to cost-push pressures. So the increase in incomes, demand, and, therefore, production runs that would follow a general wage increase would tend to reduce the pressures.

Of course, it is much like the chicken and the egg. One camp insists, with justification, that higher salaries and wages cannot be paid unless economic growth is resumed. The other points out, with equal justification, that economic growth cannot be resumed unless salaries and wages are increased.



Obviously, there is truth on either side. Policymakers will have to weigh up the pros and cons *as they apply to SA in 1978*. Our own view is that growth this year is unlikely to come from exports, from government spending or from fixed investment. Thus we shall have to rely almost exclusively on consumer spending.

While there are very real dangers in following an extravagant wage policy, right now these are not as great as the dangers that could arise from an over-restrictive wage policy.

Whether or not the migrant labour system lies at the heart of the problem of contract labour housing, is a highly relevant political question. It is

49 FM 16.6.78

Interest rate impasse

It is time the banks cut their overdraft rates. At 12,5% to 14%, they are simply too high to permit the sustained economic recovery SA so desperately needs.

Interest rates on bank loans, it is true, are only one of many costs businessmen weigh when deciding whether to expand. Nevertheless, with some projects, 1% off the cost of bank finance could be enough to tip the scales.

The problem, of course, is the bank credit ceiling. The banks are scarcely likely to reduce borrowing costs significantly to drum up new business while the amount they are able to lend is strictly limited.

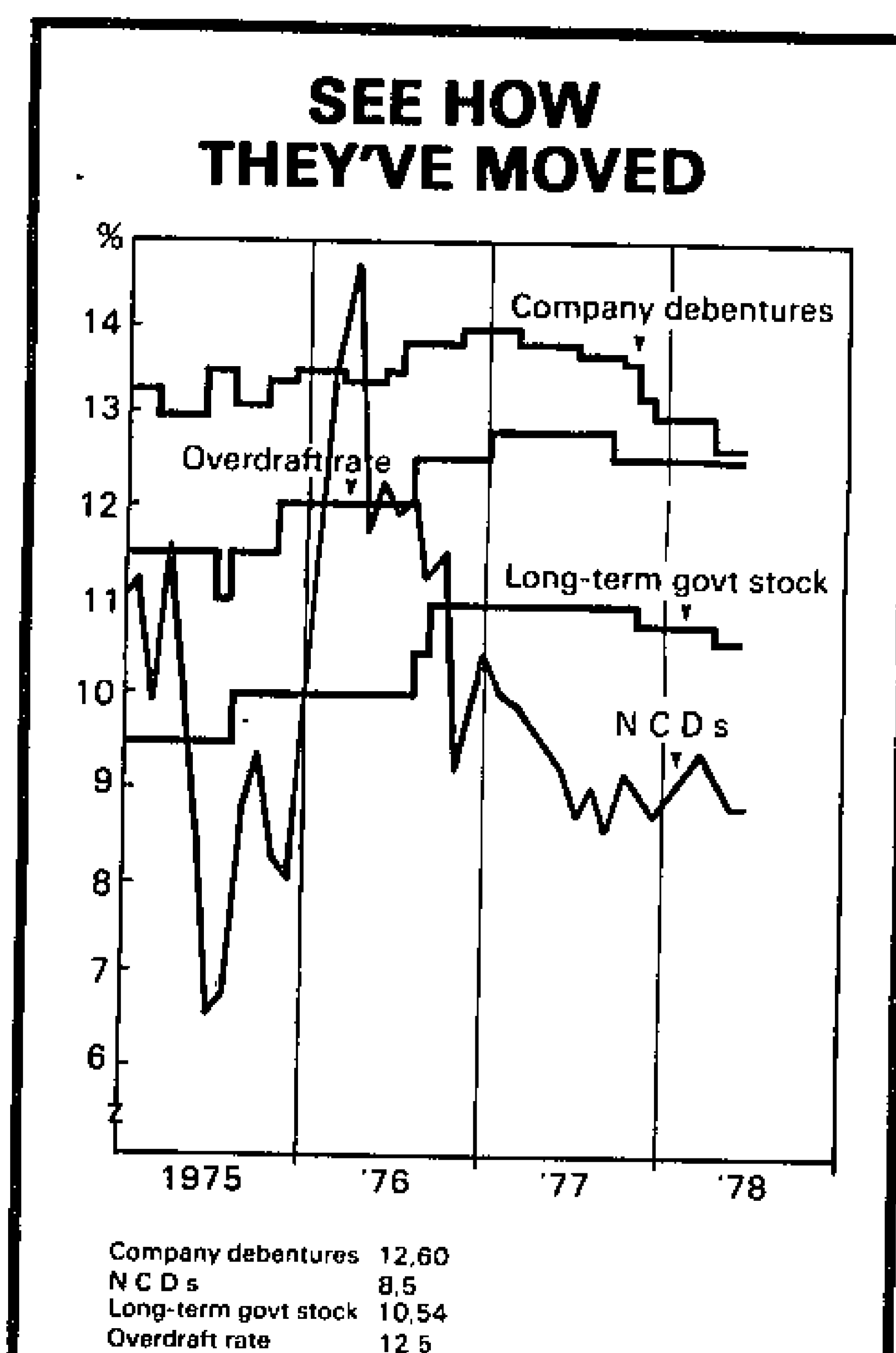
Apparently, Finance Minister Owen Horwood and his officials are reasonably happy with the continuing fall in rates on long-term securities. Horwood last week reduced by 2% institutions' prescribed investment requirements in gilt-edged stocks, thus making an additional R250m available for discretionary investment. And he has reduced the rate on new issues of long-term government stock from 10,625% to 10,5%.

A *token* drop of, say, 0,25% in the overdraft rate would probably fail to ignite demand for credit. Business confidence is still too low. Barclays' managing director, Bob Aldworth, insists prime overdraft rate needs to come off 1% to get things moving.

From bank profit statements, it is clear that the banks could easily afford a drop in their lending rates. Rates on fixed and time deposits have remained firm but call rates, depending on amounts (less than R250 000), have fallen to between 5% and 7%, compared with 6% to 9% at the beginning of 1976. Clearly, overdraft rates (and Bank rate) are out of line.

So what is holding Church Square back? Why does it not scrap the credit ceilings and reduce Bank rate? Answer: the balance of payments. Virtually all imports are presently being financed by foreign banks. If domestic bank finance becomes cheaper, there could be a wholesale switching of financing away from foreign-to local sources. Also, exporters would find it more profitable to delay repatriation of earnings. And that would cause the foreign reserves to fall.

With the recent rise in American short-term rates, the all-in cost of certain popular types of trade credit (bankers' acceptances) is already as high in New York as in SA. And last week rates in London were given another sharp upward push by Chancellor Denis Healey. So a local overdraft rate fall of 1% could indeed make local financing cheaper than off-shore financing.



But would the amount of switching be all that great? Perhaps not. For a start, many foreign-controlled companies are severely limited by exchange control regulations in their ability to borrow locally. And, as Aldworth points out, borrowers with established lines of overseas credit won't easily switch, particularly if they take the view that in time political problems could lead to a renewed tightening up of credit to SA.

In any event, the reserves are not that low. With gold revalued at a market-related price, they are worth R1,8bn. A drop of some hundreds of millions would not in itself present a problem. Surely, our reserves are not that illiquid. What would be dangerous, however, would be to countenance the drop without taking any counter-measures; for then massive speculation against the rand would commence. Factors other than interest rate differentials would come into play as well. Traders, investors, borrowers, lenders — indeed every Tom, Dick and Harry — would begin to believe that devaluation was imminent and (within or without the rules laid down by exchange control) would start to speed up outward remittances and delay inward ones. That would really hammer the reserves.

Fortunately, to that problem there is a solution. Horwood could promptly devalue. Provided the cut in the rand's value was large enough, the possibility of speculative profits would be removed at a stroke. Alternatively, he could float the rand and allow it to find its own level — which would almost certainly be far below the current rate of $1,15. It would probably fall to around the current securities rand rate of $0,73.

The price would be a much higher general price level as import costs rose to reflect the new exchange rate. Some would argue, however, that it was a price worth paying if the result were cheaper domestic finance and a more rapid rate of economic growth.

Alternatively, the balance of payments could be protected by other measures such as import controls, further exchange controls, or (as some banks are suggesting) tax incentives aimed at keeping foreign borrowing more attractive than local borrowing, despite the interest rate differential. Such measures would of course extract their own price in the form of foreign retaliation, distortion of the market mechanism, and so forth. Indeed, the price would almost certainly be higher than the price extracted by a devaluation.

EKONOMIE VERBY SY DRAAIPUNT

RAPPORT 25/6/78

49

DAAR bestaan nou geen twyfel meer dat die SA ekonomie by sy draaipunt verby is nie. Dit is waarskynlik die belangrikste boodskap van die SA Reserwebank se verslag vir die kwartaal tot einde Maart wat vandeesweek beskikbaar geword het.

Onder ekonome is daar nie veel kommer oor die feit dat daar in hierdie kwartaal ook 'n groot korttermyn-kapitaaluitvloei was nie — R342 miljoen teenoor die gemiddelde kwartaallikse uitvloei van R270 miljoen verlede jaar.

Daar kan eerder groter betekenis geheg word aan die feit dat die land in die eerste kwartaal vanjaar voortgegaan het om op groot skaal oorsese skuld terug te betaal.

In hierdie kwartaal kon 'n netto R92 miljoen terugbetaal word en die Reserwebank se buitelandse verpligtinge staan nou op net R340 miljoen, teenoor R700 miljoen in Maart verlede jaar.

Inflasiekoers

Terselfdertyd was daar in die eerste kwartaal weer 'n toename van sowat R50 miljoen in ons netto reserwe. Dit was die tweede agtereenvolgende kwartaal dat daar hier 'n toename getoon is. Die Maart-kwartaal het ook 'n oorskot op die lopende rekening van die betalingsbalans gebring — die vierde agtereenvolgende kwartaal.

Selfs die manne by die Reserwebank moet verbaas wees oor die feit dat die styging in die inflasiekoers in die eerste kwartaal sterk in bedwang gehou is.

Hierdie gunstige tekens het vandeesweek ook verdere steun gekry met 'n vooruitskatting oor die verloop van die ekonomie vir die volgende agttien maande deur prof. Geert de Wet van die Randse Afrikaanse Universiteit.

Prof. De Wet was die man wat begin verlede jaar met sy ekonometriese makromodel en 'n inset-afset-tabel van die SA ekonomie voorspel het dat die ekonomie teen die derde kwartaal van verlede jaar sy laagtepunt sou bereik.

Die ekonomiese aanwysers toon nou dat hy reg was, wat groter stewigheid verleen aan sy nuwe reeks syfers.

Prof. De Wet is taamlik optimisties oor die herstel in die ekonomie en meen dat die huidige oplewing lank gaan duur. Dit is in teenstelling met 'n hele paar ander ekonomiese uitsprake wat meen dat die huidige herstel van korte duur gaan wees.

Daar is ook 'n besliste verband tussen die land se ekonomiese groei en sy vermoë om buitelandse kapitaal te trek, sê prof. De Wet. Ons trek nie buitelandse kapitaal nie omdat ons nie ekonomiese groei het nie, sê hy.

Geldvoorraad

Sodra die groei daar is, sal die oorsese kapitaal kom. En ofskoon prof. De Wet meen dat die huidige herstelfase lank gaan duur, sal dit stadig en soms stamperig wees.

Hy voorspel 'n groeikoers van 2,6 persent vanjaar en 'n inflasiekoers van 9,3 persent. Hierdie vooruitskatting is onder meer gegrond op 'n gemiddelde goudprys van 168 dollar per ons vanjaar.

Die vooruitskatting van prof. De Wet het as basis 'n toename van 14 persent in die geldvoorraad. Hy voel baie sterk dat die land 'n kritieke punt op hierdie gebied het en dat die owerheid moet losmaak. Daar is natuurlik ook ander faktore, soos 'n sterk styging in die goudprys, wat die geldvoorraad ook vinniger kan laat toeneem.

Goud help

En wat goud betref, het ontwikkelinge vandeesweek op hierdie front verdere rede tot groter optimisme gegee. Op die tweede maandelikse veiling van 300 000 ons goud uit sy reserwe het Amerika 'n prys van meer as 187 dollar per ons gekry en was daar aansoeke om meer as 1 miljoen ons goud.

Op die vrye markte het die goudprys stewig op sy vlakke hoër as 185 dollar gebly. Hierdie sterk vlak word ondanks die verkope uit amptelike reserwes gehandhaaf.

Verlede jaar is altesame 1 607 ton goud verkoop, waarvan 1 387 ton deur die nywerheid gebruik is. Netto amptelike verkope deur sentrale banke en die IMF het 241 ton beloop, teenoor net 70 ton in 1976.

In die begin van die jaar het mnr. Attie de Vries van die Buro vir Ekonomiese Ondersoek van Stellenbosch gesê dat ons vanjaar „verskriklik" baie van goud afhanklik gaan wees. Soos sake nou staan, lyk dit of goud die land vanjaar baie gaan help.

49 26/5/78 FM

Feeling the bottom

Private fixed investment has plummeted. The only growth prospects are in the public sector

An unhappy feature of the recession has been the plunge in fixed investment. Spending on roads, dams, factories, machinery and so on sagged by 3% in real terms in 1976, and tumbled a further 10% last year. In depreciating money terms, investment last year was more than a fifth down on 1976.

With Senator Horwood now gingerly gingering up the economy and consumer spending beginning to move ahead, will manufacturers soon feel an urge to install new capacity? The short answer is no. But prospects for the public sector are more bullish.

Most economists expect total real investment to drop by between 2% and 6% this year. The downtrend should hopefully bottom out towards the end of the year, and a small increase is possible in 1979.

The outlook for the private sector is gloomy. Stellenbosch's Bureau for Economic Research argues, in its latest consumer survey, that "the recovery in demand will have to pick up considerable momentum before entrepreneurs will be

Financial Mail May 26 1978

this is not strictly accurate. The Langa accommodation [illegible] 3-storey compounds and single storey wooden buildings which Railway officials refer to as 'Bungalows'.

TABLE 5.

ACCOMMODATION FOR SINGLE MEN OUTSIDE THE TOWNSHIPS.

i)	SAR & H - Docks Compound	1 719
	SAR & H - Langa Compound	2 315
	SAR & H - Langa 'Bungalows'	2 000
	SAR & H Total	6 034
ii)	Other Licensed premises excluding women (City Council)	2 672
	Other Licensed premises excluding women (Divisional Council)	3 804
	Total	6 476
	Total Single men on Licensed premises	12 510

TABLE 6. POPULATION IN CAPE PENINSULA - AGE AND SEX

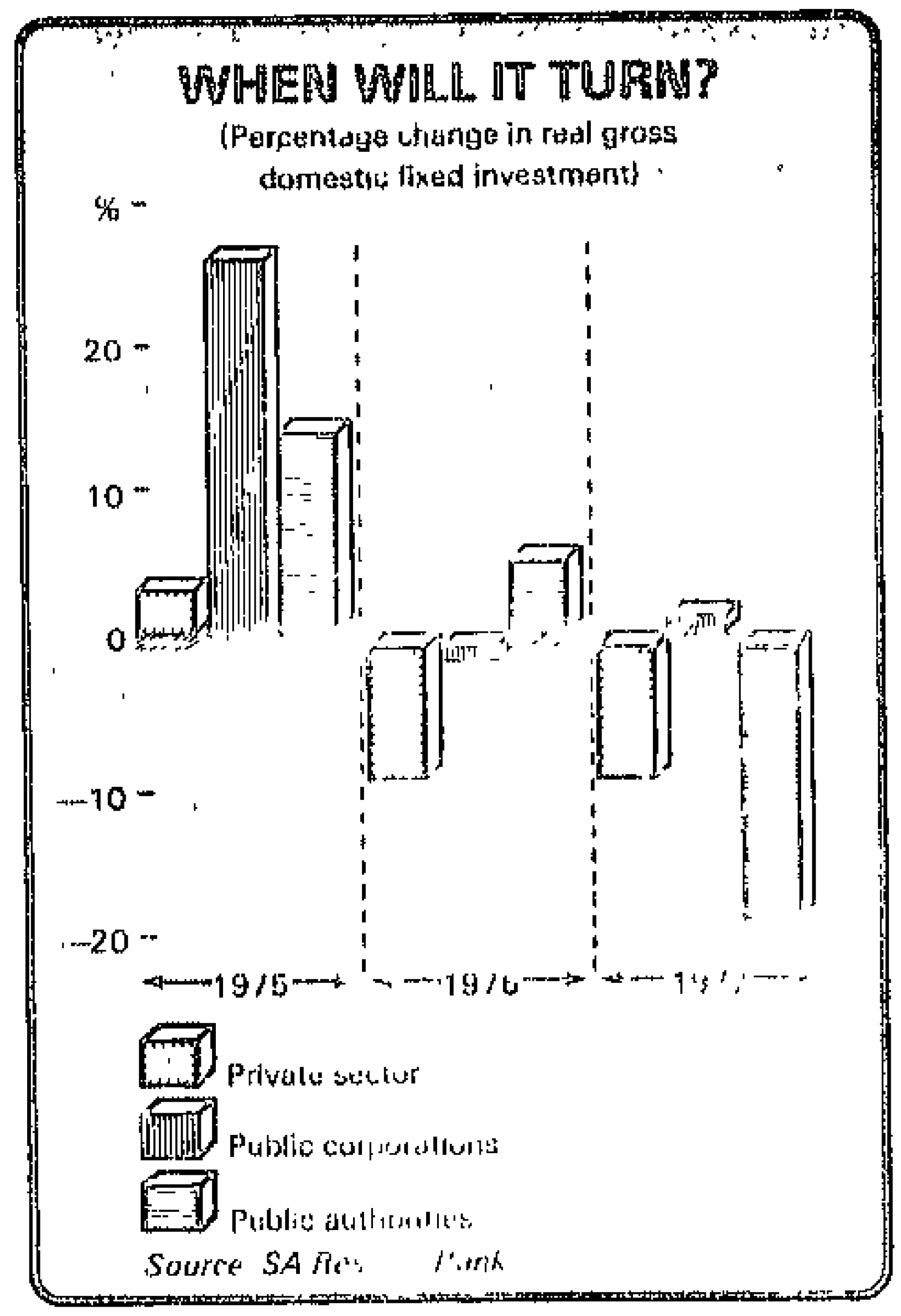
Townships	Men No.	Men %	Women No.	Women %	Total No.	Total %
All ages	69 372	65,6	36 526	34,4	106 258	100
Over 16	52 879	73,3	19 234	26,7	72 113	100
In and outside townships						
All ages	83 956	68,2	39 113	31,8	123 069	100
Over 16	66 178	72,7	24 821	27,3	90 997	100

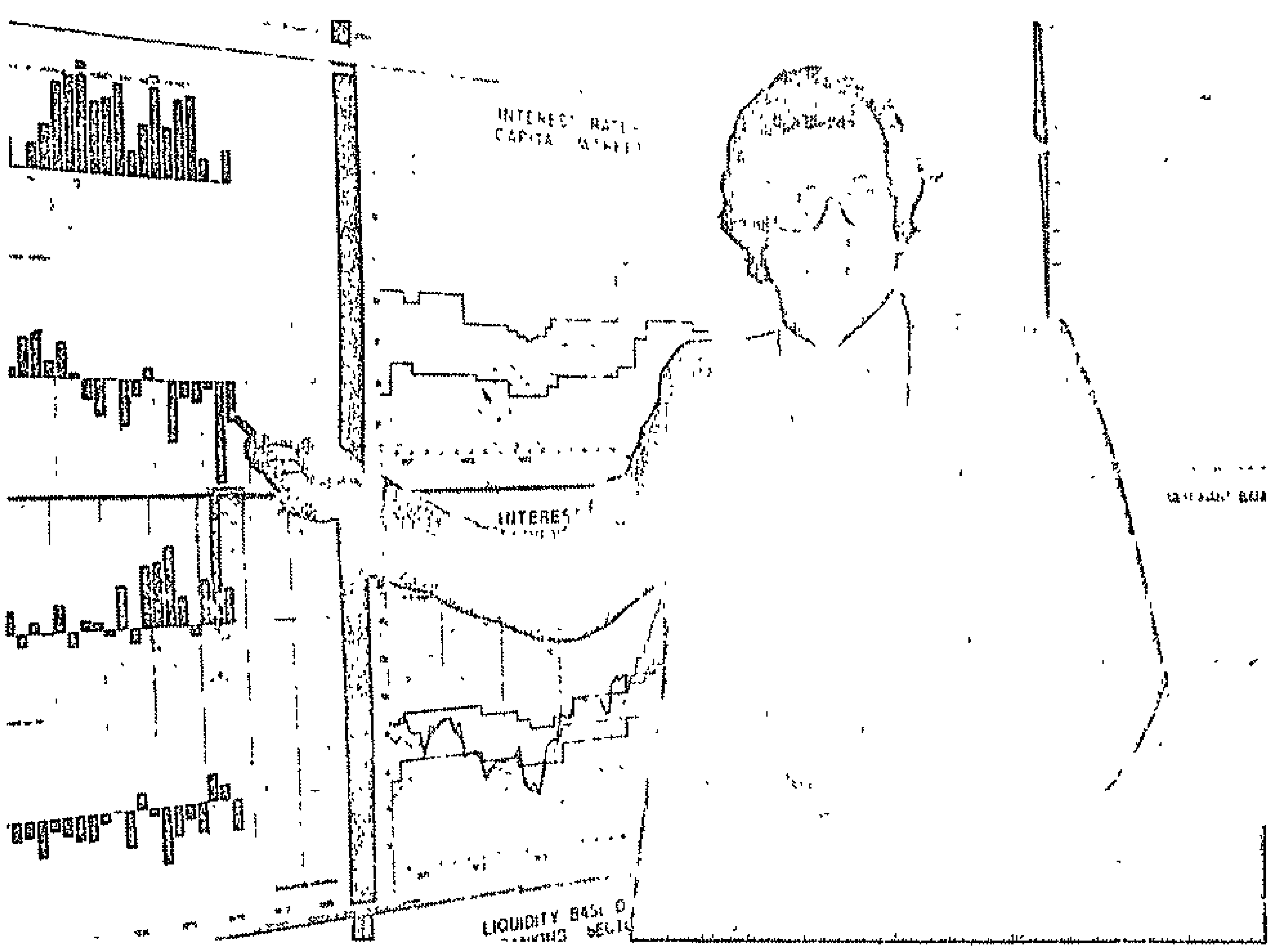
drawn into a new inventory and fixed investment cycle." Adds Seifsa director Errol Drummond: "My gut feeling is there will be no substantial new investment this year in the metal and engineering industries."

Why not? The strongest rein on business spending on new fixed assets is the present low level of capacity utilisation, and businessmen's belief that order books will fill up only slowly for the foreseeable future. Some respondents to the BER's last opinion survey are able to raise output by over 50% without increasing capacity.

Overall, the Bureau reports that some four-fifths of manufacturers are able to boost production without spending a cent on plant or equipment.

Should consumer spending continue to rise, which is by no means certain, chances are that consumer-oriented industries will be the first to bump up against production ceilings. But even that will take time. Says Senbank economist Rudolf Gouws: "Our guess is that capacity utilisation levels in consumer goods industries will only start to rise appreciably late this year. Manufacturers will then start thinking of expanding, and we'll see the implementation of decisions in the course of 1979."





Import substitution, replacement of old plant and speeded-up imports of machinery by industrialists fearing sanctions will all contribute to higher investment outlays in coming months. But the overall effect will not be significant.

Though many firms are flush with funds, high borrowing costs are bound to delay big projects. Even after nearly four years of recession, local interest rates are still high, and long-term foreign funds are hard to come by. As one bank economist puts it: "If your effective borrowing rate is 12%-plus, you need a hell of a return to make an investment worthwhile."

The spur for new investment in the next 18 months is thus likely to come from the public sector. Public corporation and government outlays are slated to rise slightly in real terms this year, and by up to 5% in 1979.

Sasol and Escom will continue to spend large sums on capital works. And transport Minister Louwrens Muller warned in his Railways budget speech that "in order to cope with increasing traffic, considerable additional capital will have to be found to provide adequate facilities."

Gouws and others argue, however, that the emphasis in the public sector's capital spending programmes will shift to the provision of "social" infrastructure. Not only would this conform with historical trends, but political pressures and the huge investment in the Seventies in "economic" infrastructure dictate a swing of the pendulum.

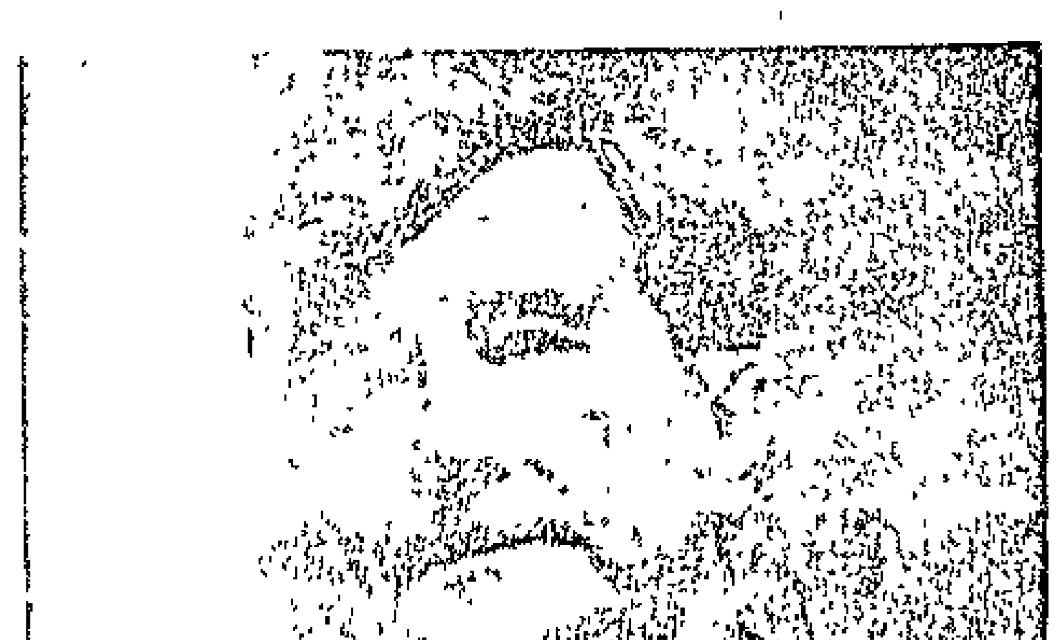
Trust Bank senior GM Chris van Wyk was more specific in a recent speech. "New investment," he said, "is likely to focus on energy resources development, mining and beneficiation and service industries such as contracting for electrification and low-cost housing and constructing sports, cultural and recreational amenities in the black townships." He also mentioned public transport.

The shift away from dams and bridges is confirmed by the Department of Statistics' survey of public sector capital spending intentions. Central government outlays on roads, for instance, are to drop from R130m this year to R123m in 1979 and R110m in 1980; and on harbour works, from R11m to R8m and R5m respectively.

On the other hand, spending by Bantu Administration boards on housing will jump from R15m in 1978 to over R50m next year. And universities and technical colleges report a sharp increase in capital work plans.

Overall, the prospects on the capital spending front are unexciting. For the economy really to start pulling out of recession, Horwood may have to pull out another stop or two.

Senbank's Gouws (left) doesn't see private sector growth before 1979. So Minister Horwood may have to do more



SA economy set for upswing — Horwood

(149) 30/1/78

PRETORIA — The stage was clearly set for a vigorous new upswing in South Africa's domestic economy and the general business mood had improved noticeably, the Minister of Finance, Sen Horwood, said in Zurich yesterday.

Addressing the Swiss-South African Association, Sen Horwood said the latest indications were that the business cycle in South Africa had reached a lower turning point in the fourth quarter of 1977 and that the economy was now in a new upward phase.

"This is confirmed by such indicators as the volume of manufacturing production, sales of motor vehicles and registered unemployment," he said.

"So far the domestic economic recovery has been modest and had not yet gained much momentum. But the stage is clearly set for a vigorous new upswing and the general business mood has improved noticeably.

"For the rest of this year I expect the domestic recovery to continue and the balance of payments on current account to show a sustained surplus," Sen Horwood said.

He said the declining tendency in the rate of inflation might be temporarily arrested by the introduction of the general sales tax, but should be resumed again later in the year.

Sen Horwood also called for a responsible reappraisal of the monetary role of gold in the world's economic set-up and urged major industrial countries to bury the gold hatchet.

"The world's present economic problems are serious enough — they should not be aggravated by misunderstandings and bickering about the functions of gold in the system. Gold is not the cause of our present difficulties. On the contrary, it can form part of the remedy.

"This is no time to experiment with intricate and artificial arrangements designed to achieve certain distant philosophical aims such as gold demonetisation."

Whatever further evolutionary changes might occur in the international monetary system in the long run, the world was not ready at this stage to dispense with the main monetary functions of gold, Sen Horwood said.

"It is a fact that gold still constitutes, at the old official valuation, about 14 per cent of the official reserves of all non-communist countries. If i[t] is valued at its presen[t] price in the privat[e] market, gold's proportio[n] is above 40 per cent.

"Moreover, in the case of several important individual countries, this ratio is considerably higher. The more usable these gold reserves can be made to finance balance of payments deficits, the better."

Sen Horwood said the recent decision by the United States to sell 300 000 ounces of gold every six months would almost inevitably strengthen the position of gold and weaken the position of the dollar. — SAPA.

4

Horwood predicts economic upswing

49

30/6/78 RDM

AN upswing in South Africa's economy has been predicted by the Minister of Finance, Senator Owen Horwood.

Addressing the Swiss-South African Association in Zurich, Senator Horwood said the latest indications were that the business cycle in South Africa had reached a low turning point in the fourth quarter of 1977 and that the economy was now in a new upward phase.

"This is confirmed by such indicators as the volume of manufacturing production, sales of motor vehicles and registered unemployment," he said.

"So far the domestic economic recovery has been modest and had not yet gained much momentum, but the stage is set for a vigorous new upswing and the general business mood has improved noticeably. This is also confirmed by the behaviour of the Johannesburg Stock Exchange in recent months.

"For the rest of this year I expect the domestic recovery to continue and the balance of payments on current account to show a sustained surplus," Senator Horwood said.

"In view of the continuing loan repayments by both the private and public sectors, I do not expect the gross gold and other foreign reserves to rise substantially, but the net reserves should continue their upward movement of the past three quarters.

"The declining tendency in the rate of inflation might be temporarily arrested by the introduction of a General Sales Tax in July but should be resumed again later in the year," he added.

"I am naturally very pleased at the success attained by our policies of fiscal and monetary discipline. The word 'discipline' is not always popular in the world today, but I am sure that disciplinary financial policies of the kind that we have been applying in South Africa over the past two to three years, are well understood and appreciated in Switzerland."

And the Bureau for Economic Research at the University of Stellenbosch agrees.

It says there are clear indications that the economy started on a new upswing phase at the end of last year. — Sapa.

ECONOMY – GENERAL

4 JULY '78 – 31 DEC '78

GST pill gets a sugar coat

RDM 4/7/78

(49)

Pretoria Bureau

THE country's sluggish economy will get another mild injection of spending power — about R180-million — from July 15 when the Government repays the 1972 savings levy.

The payment of the levy six months before the due date was part of the sugar on the General Sales Tax pill announced by the Minister of Finance, Senator Horwood, in his Budget speech in March.

Another part of it was the abolition of the 10% income tax surcharge.

The 1972 levy payout means that 666 636 individual taxpayers will share R68 598 076 plus R23 462 055 in interest — a total of R92 060 131.

The payout is tax free.

But, according to the chief economist of Barclays Bank, Dr Johan Cloete, consumers could still be on the losing side when the levy pay-back, the reduced PAYE deductions, and the abolition of the sales duty, are weighed against the effects of the General Sales Tax.

Economists warn of long low-growth

RDM 5/7/78

(49)

Financial Reporter

TWO leading economists warned yesterday that South Africa faced the danger of a further long period of low economic growth.

Mr Arthur Hammond-Tooke, economist of the Federated Chamber of Industries, said: "It appears clear that South Africa has entered into a period in which the progress of growth will be more difficult to ensure. It appears also that the world at large is entering a period of slower, more inflationary growth, in which structural unemployment will become the norm rather than the exception.

"If South Africa is to avoid a growing frustration of social asperations and unrest; and if the fabric of the free private enterprise economy is to survive we need an intelligent and co-ordinated strategy for growth particularly for the industrial sector."

Dr Johan Cloete, economist of Barclays National Bank, said: "It would be very surprising if the unstable and depressed demand conditions over the past three years and the sharp reduction in the productivity of capital do not in the years immediately ahead produce a significant slowdown in the rate of capital formation, with adverse consequences, in turn, for economic growth in the years immediately ahead."

Mr Hammond-Tooke and Dr Cloete were speaking in Johannesburg at the congress of the International Association of Commerce and Economics Students.

Dr Cloete said: "If we are to restore economic stability and a favourable investment climate, then the sooner we improve our present management of economic stabilisation policy the better.

"It will be necessary in particular to give up the present simple monetarist notions that an economy can be properly managed merely by keeping the rate of increase in the money supply equal to the potential economic growth rate.

"In the first place, it is not possible to control the money supply to this extent without applying a whole range of properly integrated fiscal, monetary, exchange rate and prices and incomes policies.

"In the second place, in the modern industrialised economy where some positive inflation rate is inevitable, such a policy would place the economy in a monetary strait-jacket and must inevitably result in an insufficient money supply in real terms and hence in depressed economic growth and employment, i.e in a continuation of unstable economic conditions.

"As we have to pursue several economic objectives simultaneously in order to achieve economic stability, we probably have little option but to use a mix of economic policy measures, properly integrated and applied.

"And it seems the best way of applying such a policy mix is to set targets in advance each year (or for a medium-term period) for such important economic variables as the real economic growth rate, wage increases generally and increases in administered prices, to communicate such targets clearly and effectively to the economic actors both in the public and private sectors of the economy, and then to use fiscal, credit, interest rate and other measures to keep the rate of increase in the money supply at a level that is neither overly excessive nor overly restrictive in relation to the growth target."

Mr Hammond-Tooke said: "The question is whether the manufacturing sector needs a growth strategy. The answer to this is definitely yes. Without such a strategy, the climate for economic growth will not become more favourable, and we will not return to the growth performance of the sixties (which is itself an essential prerequisite for total economic growth and social stability in our country).

"Furthermore, industrial strategy is needed as an economic management tool to monitor performance and also to curb the intervention by Government.

"There are nevertheless important limitations on what such a strategy should do. Certain criteria must be named, these include:

- The ability of the martket mechanism to direct resources must remain the primary vehicle for economic regulation.
- Private entrepreneurship and the decision making processes of business and consumers must not be impaired.
- The strategy must be based on consultation and mutual trust between the private and public sectors;
- The co-ordination of policies within both public and private sector must be achieved within it.

"With these safeguards the inherent danger of introducing economic distortions and a socialist bias should be minimised. Psychologically also the adoption of a positive growth strategy can be very important. Industry hasd taken a beating over the last few years in the recession.

"Business confidence has also been damaged by internal political disturbances and external pressures. It is probable that industry needs more today than benign neglect.

"It must not be forgotten that the industrialist has a long

Economy in need of money supply tonic — Standard

(49)

By Colin Campbell

The economy is in need of a tonic, Standard Bank says in its latest Review. And the tonic should be a firm and steady growth in the money supply coupled with a dose of lower interest rates.

The Bank warns that though some progress has been noted the upturn is still very frail and prone to setbacks, and that what is needed now is bold action through imaginative economic and financial management.

Standard notes that there are strong pressures for positive action to reinforce growth from all sides — from the political arena, from commerce, industry and labour.

In spelling out the options the Review says these include:

- Subsidisation of foreign import finance;
- Measures to force importers to finance abroad;
- A sizeable rand devaluation — principally to encourage direct capital flows;
- A third gold swop.

DRAWBACKS

However Standard conceeds that some of these have serious drawbacks — notably devaluation. The 1975 devaluation for instance was accompanied by tight monetary policies and higher interest rates, and was followed by a sharp decline in economic activity.

Forcing importers to finance abroad would damage foreign confidence and strain local bank's ability to arrange trade finance, and would also penalise companies which are able to finance trade out of cash flows.

However it is possible that one, or a combination, of the options will be chosen in the near future."

Although interest rates have dipped from the high levels ruling in 1976, the bank says that rates are still far above a level considered desirable to encourage demand for domestic credit.

"This is the result of a monetary policy which is still primarily geared to protect the balance of payments by keeping domestic liquidity relatively tight and interest rates relatively higher than those abroad."

Standard says that it will be difficult to reconcile the demands for faster growth, balance of payments stability and lower inflation, but suggests that attention and policy will be focused on the first two objectives at the expense of inflation.

In its section on platinum, the bank says that though the current high platinum price is extremely favourable for an industry which has been under severe cost pressure, it is doubtful if the present rate of price rises will continue.

The sharpness of the recent price increase makes the market very vulnerable to any sudden re-entry of Russian supplies or to any fall off in industrial demand.

But it believes that the relatively strong demand for the metal by the US petroleum and glass fibre industries should continue, in addition trade reports indicate some increase in platinum imports in the first quarter of 1978.

Blacks need better deal, says magnate

NM 6/7/78 (49

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African Affairs Reporter

BLACKS were being called on, together with Whites to defend private enterprise against a communist assault but the masses of Blacks had ben excluded from the benefits of free enterprise, Mr. H. Oppenheimer, chairman of the Anglo American Corporation said yesterday.

He blamed the innumerable restrictions and regulations imposed by law which impeded the progress of the Black trader and the circumstances which made it difficult for Blacks to acquire financial, technical and administrative skills.

Opening the 14th annual conference of the National African Federated Chamber of Commerce in Durban, Mr. Oppenheimer said the dangers which faced South Africa today resulted largely from the fact that Africans had been excluded from the benefits of free enterprise.

"It is necessary for reasons of security, as well as morality, that Black South Africans should be encouraged and put in a position to make their full contribution to building a strong national economy."

Foster growth

To think of Black business separately from White business and to take special measures to foster its growth, should be thought of as a temporary measure only.

He said it was important to stimulate Black business to be strong enough to compete with and to co-operate with White business on equal terms in the development of an integrated South African economy.

Commenting on White businesses in Black areas, Mr. Oppenheimer said that the complete exclusion of White trading businesses in Black urban areas would be to the disadvantage of Black people.

He said means must be found to give a proper measure of protection to the Black traders against competition.

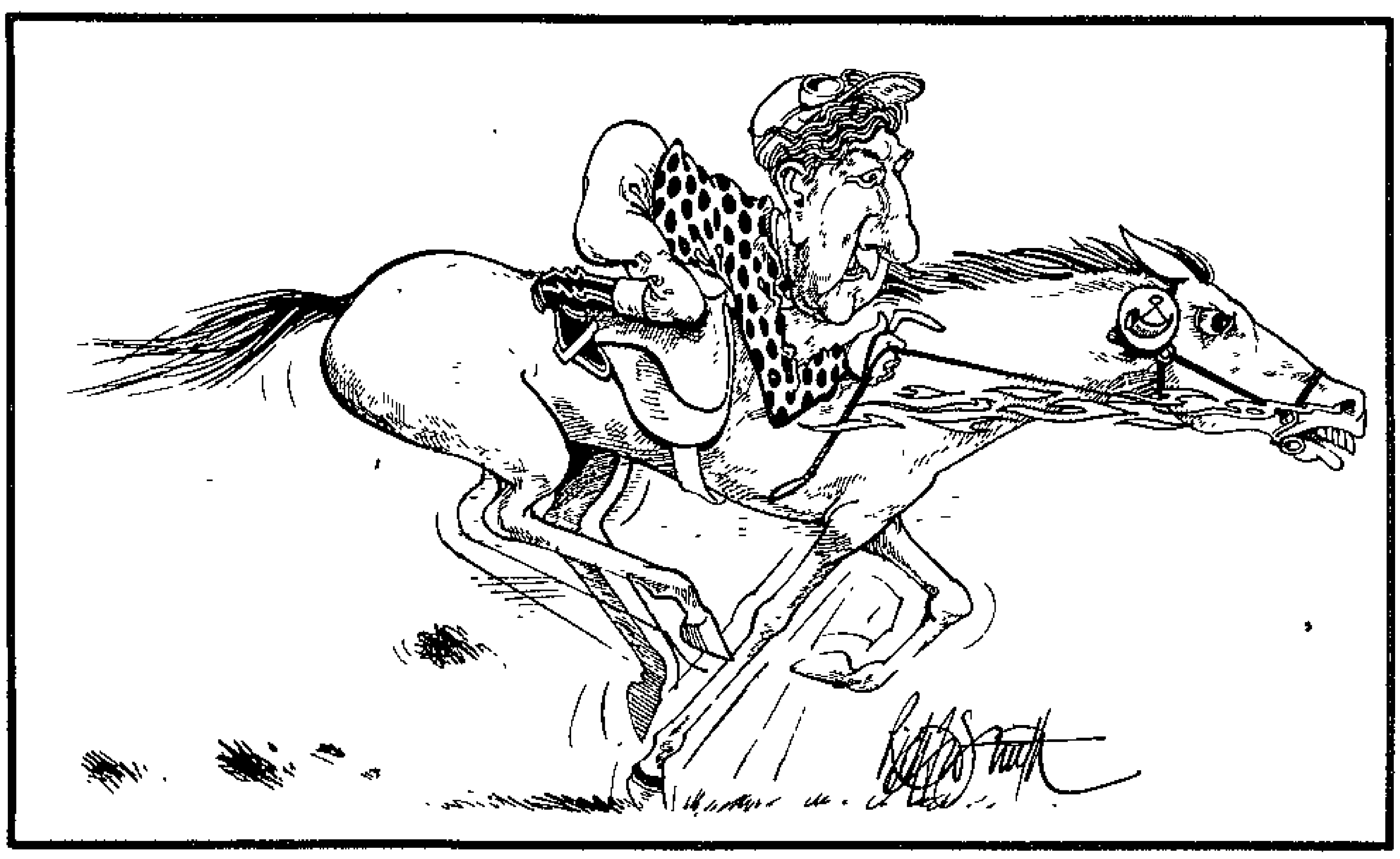
All these matters should never lose sight of the ultimate objective of an integrated national economy in which businessmen are able to operate freely on equal terms, without distinction of race or colour.

Another prod FM 7/7/78 49

Politician won the Durban July on Saturday because he is a great horse. He won it too because his jockey, Bertie Hayden, knows a thing or two about timing. Instead of trying to push to the front at the start, Hayden was content to reserve Politician's winning burst for the final straight. Finance Minister Owen Horwood, one suspects, knows a thing or two about timing, too.

From this month, sales tax will be sucking up R80m a month, mostly from consumers' pockets. To prevent that from slowing the pace of business, Horwood clearly needed to dig in his spurs. That he has now done.

In addition to the R20m-a-month income tax concession starting at the end of this month, and the once-and-for-all R142m early loan levy repayment, also due in July, he has announced cuts in sales duties (now called *ad valorem* excise duties) worth more than R20m a month.



Horwood hinted on budget day that he was holding something in reserve when he said: "If no concessions are made in the form of reductions in other indirect taxes when the proposed general sales tax is imposed, there can be no doubt that it will have a detrimental price-raising effect ..." Plainly, that "If" was not hypothetical.

The concessions have been widely welcomed, although some have argued that they should have taken another form: instead of sales duty concessions, Horwood should have increased food subsidies. These would have been of greater benefit to poorer households. That is a powerful objection.

Another question-mark hangs over the size of the concessions. Will they prove to be large enough to spur the economy into a winning gallop? This is hard to say.

Undoubtedly, there are encouraging signs. Horwood's economic adviser, Gerhard de Kock, claimed in America last week that he had "no doubt that the economy is now poised for a strong upswing."

He cited the ready availability of surplus capacity in industry, the country's now-adequate labour supply and greatly expanded infrastructure, the as-yet unspent earnings from last year's sharp increase in mineral earnings, and the continuing high gold prices.

He also mentioned the improved business mood and the stock exchange's better performance.

"Looking ahead", he went on, "I would expect to see a continuation of the present cyclical upswing. At first this upswing will probably remain moderate, but in due course it should develop increasing momentum."

The key indicators

He said he anticipated that, within the economy, real spending would stop falling and show a "significant" increase in 1978. (Last year real gross domestic expenditure slipped by 5% and in the March quarter of this year was still down by 2% on a year earlier.) Exports, including gold, meanwhile, would continue to rise, he said. (If the price of gold averages $180 for the year, SA should earn at least R700m more in 1978 from the yellow metal than in 1977.)

"As a result of these developments, the rate of real economic growth should increase noticeably, slowly at first, but probably with continuing acceleration," De Kock concluded.

The optimism is supported by some key economic indicators. The volume of manufacturing production and new car sales are both rising strongly, as is the value of building plans passed. The volume of wholesale and retail trade, however, remains depressed.

The pre-gst consumption rush will almost certainly stimulate inventory investment. Many firms will have dipped into their stocks, which in total have been falling since 1975.

Most important, Horwood probably still has a few tricks up his sleeve. Making his announcement on Saturday, he said that for the past eight months government had been pursuing a policy of "gradual and selective stimulation." Presumably that policy still holds; in which case we can expect the process of stimulation gradually to continue.

A further reduction, or indeed, abolition of the import surcharge remains a

possibility. When the surcharge was introduced in 1977, SA told its trading partners it would be "temporary".

Since the surcharge gives industry considerable protection from imported competition, its abolition would need to be accompanied or preceded, by an exchange rate depreciation. Such a move is unlikely, however before the De Kock commission completes its work on the exchange rate. Many are betting that the commission will have to recommend depreciation.

The report is due sometime in the next few months.

'Economic unity' vital for Blacks

7/7/78 WM

49

African Affairs Reporter

BLACKS should never allow themselves to be led to believe they can set up their own viable independent economies outside the mainstream of the South African economy, Mr. S. M. Motsuenyane, president of National African Federated Chamber of Commerce, said yesterday.

He said the danger was that too many Blacks tended to believe in the fallacy that the South African economy could be fragmented into ethnic or racial components.

Delivering his address at the 14th annual conference of Nafcoc in Durban, Mr. Motsuenyane said Blacks would overcome economic domination in southern Africa only through co-operation, certainly not by fragmentation.

"What we should strive to achieve is a fair share and full participation in South Africa's economy. This cannot be achieved if we allow ourselves to be divided into mini-nations and mini-economies."

A realistic development policy for southern Africa demanded that economic as well as political bridges be built to keep the people together to engender progress and lessen possible friction.

Enhanced

This objective would, however, only be achieved or enhanced by the establishment of organisations such as Nafcoc which cut across political and ethnic boundaries.

Commenting on White businesses in Black areas, he said Nafcoc supported partnership between Black and White traders "but we believe there is no need for Government development corporations to enter as share-holders in the joint companies or partnerships created.

"Nafcoc takes the view that until Blacks are allowed to trade freely in South Africa and all existing barriers impeding their full participation in the country's economy are removed, it is morally unsound for White traders to be allowed wholesale and unconditional entry into the Black areas."

7/7/78
RDM

Economy can't be split on ethnic lines, blacks told

(49)

Own Correspondent

DURBAN. — Blacks should not believe that they could set up viable independent economies of their own, outside the mainstream of the South African economy, Mr S M Motsuenyane, president of the National African Federated Chamber of Commerce (Nafcoc), said yesterday.

He said the danger was that too many blacks tended to believe in the fallacy that the South African economy could be fragmented into ethnic or racial components.

Delivering his presidential address at the 14th annual conference of Nafcoc in Durban, Mr Motsuenyane said blacks would overcome economic domination in Southern Africa only through cooperation and by working together, certainly not by fragmentation.

"What we ought to strive to achieve is to secure for ourselves a fair share and full participation in South Africa's economy. This cannot be achieved if we allow ourselves to be divided into mini-nations and mini-economies."

Mr Motsuenyane said a realistic development policy for Southern Africa demanded that economic as well as political bridges be built to keep the people together to engender progress and lessen possible friction.

This objective would only be achieved or enhanced by the establishment of organisations like Nafcoc, which cut across political and ethnic boundaries.

Nafcoc supported partnership between black and white traders. "But we believe there is no need for government development corporations to enter as shareholders into the joint companies or partnerships.

"The role of government agencies should be purely that of financing and advising the joint ventures. We maintain that with partnership created in the black areas, blacks should hold the dominant shareholding right," he said.

TREND CONFIRMED

Economy has shifted into faster gear

AT MID-YEAR there was agreement among economists that economic activity had shifted into a faster gear, according to the Standard Bank Review, and this assessment has now been backed up by the South African Reserve Bank.

The Reserve Bank has confirmed what statistics have been indicating for some time, namely that the country's largest and deepest post-war recession ended in the fourth quarter of 1977.

It must be accepted, though, that until now the expansion does not add up to much. Evidence of a slowing in the pace of advancement towards a broadly-based expansion early in the second quarter underlines the fact that the upturn is still very frail and prone to occasional setbacks.

At this stage the economy is clearly very much in need of affirmative action through imaginative economic and financial management since weaknesses are still prevalent in nearly all sectors.

SPENDING

A leading force in setting a faster pace of business activity has been consumer spending. The volume of retail sales began to recover from recession lows during the second half of last year. Initially spending was concentrated in the area of durable goods, particularly cars and furniture, but also on clothing and shoes.

A significant development occurred during the first

ment in the building and property sectors. There, rising building society liquidity in particular has led to an increase in residential building plans passed.

Building activity appears to be rising, even though this is not yet reflected in the value of buildings completed. Nevertheless, the difficulties of the building industry are far from over. A weakness in flat construction and a recent decline in the value of non-residential building plans passed have produced renewed falling off in overall building intentions.

For reasons unrelated to developments in the domestic economy, the volume of non-gold mining output has fallen since the third quarter of last year. In value terms mining output has performed somewhat better and there are indications that the sector is about to benefit from some firming of international demand for metals and minerals. Nevertheless, the sector's recent weakness has had a major impact on the domestic economy.

INADEQUATE

The major reason why the recovery has not broadened and accelerated at a desirable speed lies in the inadequate support provided

settle down to very low levels. This led to individual and company liquidity (represented by money and near money deposits, in real terms) failing to follow up signs of an improvement in the course of last year.

Such a build-up of liquidity has always preceeded past business cycle recoveries.

WATERSHED

Financial policies are now approaching a watershed for two reasons. Strong pressures for positive action to reinforce growth have emerged from the political arena, as well as from commerce, industry and labour. Simultaneously, rising U.S. interest rates in response to accelerating inflation, and burgeoning credit demand, and new downward pressures on domestic interest rates emerging from liquidity increases due to the financing of this year's large maize crop are threatening to eliminate the cost advantages of foreign import finance over local finance.

Given South Africa's relatively slender currency reserves, a significant switching of trade finance from foreign to local sources would strain gold and foreign exchange reserves seriously leaving only liquor sales and turnovers of bookstores in the doldrums. Nevertheless, the consumer revival was not entirely soundly based and lately only stepped up buying ahead of the introduction of the general sales tax has disguised an emerging weakness of final sales. Even so, latest seasonally adjusted estimates for June sales volumes were down on May figures.

These trends have also been reflected in wholesale sales volumes, which have fallen back during the past few months, and in the behaviour of industrial production, where the rate of improvement has slowed. Consumer related sectors are still firm, with the exception of beverage and tobacco production and also the food processing industry, where latest data do not yet reflect the increase in consumer sales of foodstuffs.

BUILDING

Significantly, some investment goods sectors and industries related to building show tentative signs of revival. The former development partly reflects emerging investment trends related to mining, infrastructure development, farming, and import replacement, and the latter confirms an improvement in the building sector. A pre-requisite for strong recovery trends is a firm and steady growth in the money supply, accompanied by a decline in interest rates to levels which make business expansion and investment attractive. None of this has happened so far.

Although the pattern of both long term and short term interest rates has come off the high levels of 1976, particularly during last year, rates are still far above a level considered desirable to encourage demand for domestic credit. This is the result of a monetary policy, which is still primarily geared to protect the balance of payments by keeping domestic liquidity relatively tight and interest rates relatively higher than those abroad (see graphs).

Basically inadequate external liquidity (represented by gold and foreign exchange reserves) led to an attempt to encourage the recovery of consumption and production without providing for a corresponding move in the economy's financial sector.

For instance, after an initial acceleration early last year due to the inflationary financing of a large maize crop, the rate of increase in the supply of money and near money was allowed to recovery.

Short-term foreign trade finance was encouraged in 1975 to plug the gap left by the huge current account deficit run up in that year. This was achieved by deliberately raising the cost of domestic trade finance above foreign levels. The gap has remained positive until recently, when in some cases local finance has become more attractive.

Total short term trade finance arranged by South African banks abroad is estimated at between R800 to R1 000 million. Of this approximately R300 million is finance for small importers who cannot command prime lending rates. In this area local borrowings are still more costly.

ERODED

Of more immediate concern is the R400 million in import finance by way of overseas bankers acceptances outstanding, where the cost advantage has been eroded and where limited switching to local sources has already occurred.

The restricted ability of some multi-nationals to switch to local funding due to exchange controls and the fact that foreign acceptance finance for exports still enjoys a considerable cost advantage limited the potential capital outflows relating to foreign acceptance finance. U.S. prime rates are still on a rising trend and steps by the South African monetary authorities will be required soon if serious capital outflows are to be avoided.

An artificial raising of the domestic interest rate level in response to the threat posed by the eroding interest rates differential would not only run counter to demands for growth policies, however, but also to recent downward trends in the money and capital markets.

Given the domestic economy's needs and the negative social effect of a relapse into recession, some of the more direct options available in the financial sphere could include:

- the subsidisation of foreign import finance, e.g. through the provision of free forward cover for foreign trade finance to retain its cost advantage;
- measures to force importers to finance abroad, e.g. through requiring them to hold interest free balances if local finance is chosen in preference to foreign credit;
- a sizeable rand devaluation, principally to encourage direct capital flows.
- A third gold swap.

SCRUBBING out made easy. This is the latest electrically operated "mop" which has been developed by a British firm. In fact, it does not have a scrubbing action. Its gentle motion will clean a hard or smooth surface.

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SUNDAY TIMES, Business Times, July 16, 1978.

(49)

Pensioners may be a key in labour crisis

By MARTIN CREAMER

SOUTH African firms may have to consider postponing the retirement of top managerial, professional and technical staff to prevent a manpower shortage sabotaging the country's looming economic recovery.

The exodus of skilled people, sparked by the June 16 Soweto riots, has left the country with a thin manpower base on which to take full advantage of an economic upswing.

Top men in commerce and industry this week predicted that, as a result, enforced retirement based solely on the grounds of age may have to disappear.

"South Africa can ill afford to put useful manpower on the shelf at a time like this," said Tiger Oats chairman Rudi Frankel, who at 69 runs a group which last year had a turnover of R551-million.

The US recently made it illegal for private employers to force an employee to retire below the age of 70 and a move to do away with mandatory retirement altogether is now predicted.

Common retirement ages in South Africa are 60, 63 and 65, differing from company to company.

Although some experts believe that the rapid population growth in South Africa militates against raising retirement ages — South Africa has a population growth rate of 3 per cent compared to the low rate of 0,8 per cent in the United States — all agreed that in the face of greater demand for skilled manpower, a new degree of flexibility should be applied before decisions were taken to rigidly pension off capable men into the retirement wilderness.

As few people go on pension nowadays without experiencing drops in living standards, allowing ageing employees to work beyond scheduled retirement dates could be mutually rewarding to both company and worker.

"As soon as there is an economic upturn in South Africa, we are going to be short of top management. Early retirement is a luxury South Africa can't afford today," said Fred Beard, who at 71 heads the R167-million-a year Protea Holdings group and intends to stay on until he is 75.

Premier Milling's Tony Bloom said that although his company had enforced retirement at 65, he personally believed rigid mandatory retirement was wrong.

"Many people still have a wealth of skill and experience to offer at that age," he said, though one of the problems in keeping on older workers was that promotional routes became clogged and young men could become demotivated.

"But I am in favour of flexibility on this issue," he said.

Nedbank chairman Dr Frans Cronje believes that people engaged in creative work should retire before they are too old, with those in advisory posts staying on longer. Banks generally retired executives at 60 and directors at between 70 and 72, he said.

SA Breweries' benefit fund general manager, Jack McCallum, said the mechanism for postponing retirement if the need arose was built into most employment contracts.

"I don't think a company will retire a worker if it needs him. Even if it means paying him more, it will find some way of keeping him," he said.

A Retirement Association spokesman estimated that there were about 600 000 retired people in South Africa. The association, she said, was against skilled workers being discriminated against on the grounds of age.

It had 150 retired managerial, professional and technical applicants on its books looking for work.

Mutual funds: unhappy memories linger on

HOLLARD STREET

By DON WILKINSON

THE Association of Unit Trusts — currently controlling about R350-million of funds and representing 11 trusts and seven management companies — meets this week, and on its agenda is the perennial question of yet another marketing effort aimed at jogging the public mind about the long-term investment merits of mutual fund units.

The last concerted effort of the AUT was launched back in August, 1974 with a rather lavish brochure entitled "For a Better Tomorrow" and subtitled "Expand Your Rand with Mutual Funds".

It was scarcely an unqualified success and more than one fund executive has since told me that: "We'd have been better doing our own thing with our own resources — and saved ourselves money".

Opinion about another joint effort, I find, is mixed. It used to be said that brighter equities brought increased interest in mutual funds.

That hardly seems to be present experience following the boom of the last couple of months or so on the JSE which has pushed the RDM 100 into its highest levels for four years.

True, the latest quarterly figures from the funds show the overall outflow at a mere R200 000, the lowest level for a long time, but seven of the 11 did record outflows and inquiries among the funds themselves suggested the small man was still not in any great buying mood

Nor, it seems, have the increased dividends coming from the funds offered any attraction.

It seems to me, in fact, that memories of the 1969 excesses perpetrated by the movement and the losses then sustained by the investor not merely linger on, but have been passed on, as it were, to the current "generation" of potential investors to whom the movement has to appeal.

If that is the case, I question the value to the movement of a concerted propaganda effort, and more than one fund executive feels the same way.

What has to be remembered here, perhaps, is the fact that all the funds have godfathers.

Sage has Sage Holdings with its Financial Planning Services subsidiary: Guardian has Donny Gordon's Guardian-Liberty Life: Standard has Stanbic: UAL and Syfrets have Nedbank: Old Mutual its namesake and behind Sanlamtrust, NGF, Sats, Trust and Santamgro lies Sanlam.

So your friendly financial adviser, bank manager, life assurance agent/broker becomes a mutual fund marketeer. It's behind these men, and the funds' own advisory services, that the real selling effort lies.

Louis Shill, Sage Holdings' managing director, feels that a modest joint effort would not be without some benefit. But, as he said earlier this year in the group's annual review, Sage was pursuing a more active marketing programme of its own in the belief that "a more buoyant economy and rising equity market, when they came, would reverse the flow of investment back into the unit trust industry and into Sage Fund".

Whether that reversal occurs or not matters little to Sage Holdings, or indeed to any of the other godfathers.

The management company of Sage Fund last year made R54 000 after tax out of a group total of R5,1-million, roughly the same as in the previous year when taxed profits, however, were R5,8-milllion.

The main reason for the setback in 1977 was the group's 51,8 per cent subsidiary, housebuilders Schachat Holdings, which had its worst-ever year, cut its dividend, and saw its contribution to group profits drop to only 27,2 per cent from 41.

And though, thanks to a 0,5c rise in the interim Sage actually paid 14c against 13,5c for the year, the memory of the Schachat setback has lingered in investors' minds. The result is that Sage's share price performance this year has been pedestrian, and has moved narrowly in a band between 130c and 150c, showing no breakout signs, and where the historic yield fluctuates around the 10 per cent mark.

But the economy now seems on the move and Schachat should benefit. Not only from the increased official spending on black housing — a market which it is attacking — but also from an upturn in the white market as well.

Schachat has been quick to produce far less elaborate, and therefore less expensive, designs which appeal not only to less affluent whites, but to the growing numbers of more affluent blacks.

There are also signs now that the stock of unsold houses in the country is dwindling despite the discouraging immigration figures. But because of the delays endemic to the house transfer system — from bond approvals through to the legal formalities — such an upturn as there is takes months to filter through to the Schachat profit and loss account.

But though Sage's half-year just ended will reflect the earlier sad state of the housebuilding industry, the group's strength in other spheres will provide the offset.

In a finance-orientated group like Sage, nothing provides more adrenalin for management than burgeoning economic confidence, particularly a management which has been honed by adversity and tight operating circumstances.

In a way, it's not unlike what happens when the spare capacity of a well-equipped industrial company comes into use following an improvement in turnover — the profits that capacity generates are disproportionately higher than those earned at the margin.

Sage has two expanding centres of profit in Ned-Equity and FPS, the former writing and broking life assurance, the latter also operating as a financial broker.

Premium growth and average premium policy at the former have been the industry's highest for some years. FPS, which took West City into its fold at the start of this year, is the country's largest life assurance and financial brokerage, with a new life business on a par with some of the insurance majors.

Sage's most recent expansionary step involves its 82,7 per cent controlled Leo Computer Bureau. The group has never revealed the extent of its contribution to profits, but each year's review has painted its success in glowing terms.

The bureau claims to have about 10 per cent of the country's turnover of R50-million in this field, and is, I am told, aiming to boost this to 20 per cent over the next five, by which time that R50-million will be significantly higher.

In its last annual statement, Sage expected at least to maintain the 14c dividend out of earnings which were not expected to be materially lower.

It's a forecast Louis Shill was still adhering to when I talked to him the other day, although I detected considerable enthusiasm in his view of the upturn in the economy and what it could do for the group in the longer term.

For those willing to wait out the rest of 1978 and receive around 10 per cent while doing so, 1980 could be a rewarding year.

1. INTRODUCTION

Segmented or dual labour market theories (1) have strongly challen… orthodox view of the classical and neoclassical economists (referr… forthwith as orthodox economists). The segmented labour market ec… (referred to forthwith as SLM economists) are deeply concerned wit… justice and feel that traditional theories fail to explain adequat… events in the labour market. Thus their work may be viewed as bei… strongly motivated by ideology.

They have pointed out various instances of social inequality resul… from the operation of the labour market. For instance, SLM econom… issue with the view that poverty is an individual failure that can… corrected by individual adaptation. The SLM approach is very much… with the specific policy problems of poverty and unemployment.

Orthodox labour economics consists of the marginal productivity th… demand, based on the profit maximising behaviour of employers, and… theory of utility maximisation by workers. Employers are predicte… hiring decisions on the basis of whether new employees are likely… worth as much as they cost, whilst workers supply labour in prefe… more leisure in proportion to the real wage.

When considering the analysis presented below, it is felt that the… position of Black workers and White employers and "privileged" wo… lends itself particularly well as a reference point. The applica… the South African model is self-evident in most of the theories d… and hence specific reference to the Black-White situation in South… ~~is not considered necessary.~~

2. KEY ISSUES RAISED BY SLM ECONOMISTS

The most important social problem motivating the SLM economists is… persistence of poverty, which they feel is best understood in term… a dual labour market. The poor are confined to a secondary labour… and eliminating poverty requires that they gain access to primary… employment (2).

SLM economists have criticised human capital theory on two grounds… Firstly education and training programmes are accused of having f… to improve wages. Both educational resources and educational achi… ~~are asserted to have been ineffective in realising income and occu…~~ attainment. Secondly, the orthodox theory that education and earn… related to productivity has been rejected by SLM economists. They… that education reflects only a screening device for employers.

Discrimination in labour markets is viewed as evidence of the fail… of the orthodox theory of competition. SLM economists assert that… competitive assumptions predict that any discriminatory wage diffe… tend to disappear, but this has not been supported by observed lab… ~~market behaviour. Similarly SLM economists feel that the level of~~ structure of unemployment cannot be explained by orthodox theory.

(1) The theories, though not entirely uniform, of a group of labour economists in the U.S.A., which deal with segmented labour markets. Amongst the noted SLM economists are P.B. Doeringer, M.J. Piore, L.C. Thurow, R.E.B. Lucase and B. Bluestone.

(2) See M.J. Piore - "Jobs and Training" in the State and the Poor edited by S.H. Beer and R.E. Barringer (Winthrop Press, Cam., Mass., 1970)

(5) Neo institutionalist economists included J.T. Dunlop, C. Kerr, N.W. Chamberlain, R. Marshall and C.A. Myers.

(6) G.G. Cain - page 1227.

(7) Structuralists included C.C. Killingsworth and G. Myrdal.

(8) J. Maree - Page 1.

SUPREME GRAND CHAPTER OF THE HOLY ROYAL ARCH…

SCHEDULE OF

ITEM	NO. HELD
GRAND CHAPTER REGULATIONS	151
RITUALS	
R.A. (English)	11
R.A. (Afrikaans)	200
M.M.M.	
Apron Badges	8
Certificates & Diplomas	
Employment (2)	29
Affiliation	255
First Principals	232
REGALIA	
R.A. Collarettes	7
Principals Collarettes	
Principals Chains	

NOTE: All other Grand Chapter Regalia on Hi… Accounting Purposes.

… Officers has been written off for

4 RAND DAILY MAIL, Wednesday, July 19, 1978.

49

SA economy on the mend — De Vries

By GERALD REILLY
Pretoria Bureau

SOUTH Africa's economy has started to struggle free from 3½ years of deep recession and escalating unemployment, according to the deputy director of the Economic Research Bureau at the University of Stellenbosch, Mr A J M de Vries.

Although still balanced on a razor edge, the indications of economic recovery are unmistakable, Mr De Vries said in an interview yesterday.

In its latest survey, the bureau's optimistic assessment is based on increased manufacturing volumes, rising retail sales, and increasing car and vehicle sales.

Another indicator, Mr De Vries said, was the small, but significant, decrease in white, coloured and Asian unemployment.

However, he agreed that black unemployment was probably still rising steadily, and that the economy would have to pick up at a far greater pace if the increase in black workless was to be slowed down.

Other economists said the economic problem caused by black unemployment was serious enough, but the social and political consequences could be far more serious unless purposeful efforts were made to create more work opportunities.

They say that at least 150 000 new workers come onto the labour market every year.

Mr De Vries pointed out that the momentum of the recovery process would be stimulated by three important factors:

- The repayment of the R180-million 1972 savings levy to taxpayers this month.
- The abolition of sales duty on a large range of goods and its reduction on others.
- The reduced PAYE deductions following the abolition of the 10% surcharge on income tax.

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Anglo calls for further Govt boost to economy

RDM 26/7/78 49

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p27)
(p31)

By DON ROBERTSON
Mining Editor

ONLY a marginal improvement in commercial and industrial activity can be expected unless there are further Government measures to boost the economy. These measures will depend, however, on the balance of payments position, according to the directors of Anglo American.

In the report for the 15 months to March, the directors say that in spite of slack demand and a slower rate of increase in average wages, cost pressures were little reduced, mainly because of the continued increase in administered prices.

This resulted in lower profit levels and a growing unemployment rate. There is now an urgent need for economic growth to combat this problem. This has resulted in a gradual but moderate change in labour policy.

Reading the 104-page report is like reading a treatise on the South African economy. And this informative 1978 report gives the impression that Anglo is at least guarded about prospects.

The report reveals the true extent of the might of the company since the get-together with Rand Selections. The value of direct interest of the group and its associated finance companies is about R3 600-million. The aggregate value of the group's administered and non-administered companies is R5 600-million.

Attributable profits for the 15 months amounted to R195-million.

Points from the report:

GOLD: Current industrial demand for gold can no longer be met out of Western production and a substantial portion of official and Russian sales are being used by industry.

Sales by the American Treasury and the Reserve Bank of India have increased the supply of gold, but the International Monetary Fund has announced that its monthly sales will be reduced.

Provided the strong industrial demand experienced in the first quarter of the current year continues, the market should have little difficulty in absorbing the new supply.

The Joint Metallurgical Scheme in the Free State should reach full potential by the end of this year if the improvements in the metallurgical performance continues.

Inflation has boosted the cost of the Free State Saaiplaas No 3 shaft from an original estimate of R81-million to R120-million and it will be necessary, probably during 1979, to raise further finance to complete the project.

URANIUM: A decision to go ahead with the Afrikander Lease uranium mine has been delayed and sales negotiations have been temporarily suspended until talks with the Government on various aspects of the project are concluded and the feasibility study has been reviewed.

DIAMONDS: By the end of 1977 an unprecedented demand for all qualities of diamonds had developed, and in spite of price increases, more carats were sold to the cutting centres. The outlook for industrial diamond sales in the current year remains favourable.

COAL: The world market for steam coal continues to show signs of underlying firmness, but there is a weakening in overseas demand for metallurgical coal, and in the South African market for bitumenous coal.

The Richards Bay terminal is expected to operate at full capacity this year and consideration is being given to phase three of the export programme which would push up annual sales to 40-million tons. This could boost foreign earnings to R1 000-million a year by the mid-1980s.

The group has 6 000-million tons of run-of-mine coal and plans to acquire a further 3 000-million tons over the next four years.

COPPER: The main difficulties surrounding the group's Zambian activities remain unchanged. Nchanga and Roan Consolidated are incurring severe losses and operations have been hindered by shortages of skilled staff and equipment.

Liquidity is a serious problem and the companies are receiving substantial temporary help from the Bank of Zambia.

INDUSTRY AND COMMERCE: Manufacturing output reflected the largest decline in more than 30 years. Investment activity declined drastically because industrialists in virtually all areas found themselves with growing excess capacity, while public sector spending was reduced sharply.

Some relief to this generally adverse situation was provided by an exceptional agricultural season, reasonably favourable results in the mining sector and, to a lesser extent, continued spending on some public sector projects.

IRON, STEEL AND ENGINEERING: Strong protectionist lobbies in Europe and America restricted South Africa's exports to European Economic Countries and Canada.

Moves in America over trigger prices will affect South African exports in the year ahead.

The steel price increase effective from the beginning of the year will help to meet increased costs in the industry, but will be insufficient to restore profit margins.

Demand for vanadium weakened, and the world ferro-alloy industry is suffering from overcapacity.

Highveld Steel, however, expects to maintain profit margins in the second half of the year.

MOTOR: Sigma hopes to improve its market share. This forecast does not include the new Sigma which incorporates Pacsa and Leyland.

PROPERTY: In the short term, property groups will not reflect substantial increases in profits as long as interest rates remain high, rentals and land selling prices continue to be eroded, surplus space is available in all areas of the market, and costs continue to rise.

The directors have reviewed the group's prospects and those of the economy as a whole and while being largely enthusiastic and expressing a divergence of views on Anglo's future, it will be up to chairman Mr Harry Oppenheimer ~~to~~ put the final touches to this overall prognostication when his annual address is published soon.

U-research progress

RESEARCH at Anglo American Corporation's laboratories on uranium extraction from non-Witwatersrand series ores has shown the amenability of these ores in all cases to one or more of the wide range of extraction processes developed over the years.

This is stated in the Anglo American Corporation's annual report, which adds that in the past 15 months attention was paid to the large-scale plant testing of the use of activated carbon in gold and uranium circuits with considerable success, particularly for gold recovery.

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12. T. F
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Business mood brightens, says Stellenbosch

Financial Reporter

THE business mood is clearly improving, according to the Bureau for Economic Research of Stellenbosch University

It says in a business opinion survey today: "A net 16% of industrialists find business to be an improvement on last year. This is a substantial improvement on mood since our previous survey of this sector when a net 4% reported conditions to be worse than the corresponding period of the previous year.

"Business during the second quarter of this year in effect surpassed first quarter expectations. It is important to note that a net 21% of respondents expected business conditions to be better during the third quarter of this year than during the comparable period last year.

"It is thus reasonably clear that industrialists have already noticed an improvement in their activities and that they expect this improvement to accelerate.

"A large percentage (71%) of respondents were, however, of the opinion that business was unsatisfactory, reflecting the low level from which manufacturers' real activities are recovering.

"The single most important bottleneck in the manufacturing sector is reported to be inadequate demand, but the second quarter saw an improvement over the first quarter in this respect. During the first quarter of 1978, 34% of respondents reported inadequate demand to be the most serious impediment to activity while 47% considered it a slight problem.

"The corresponding percentages for the second quarter were 23 and 59.

"By contrast, the cost of working capital enjoyed greater emphasis in this respect during the second quarter — 9% of manufacturers considered it a bottleneck during the first quarter while the figure for the second quarter increased to 17%.

"In our previous survey a net 33% of respondents in the wholesale sector reported a worsening of business conditions (relative to the corresponding period of the previous year) while the present survey finds a net 19% of the opinion that business was better during the second quarter this year than in the second quarter of 1977.

"Furthermore, 80% of respondents now find business conditions satisfactory as against 45% during the first quarter.

"A net 28% expect business conditions to improve further during the third quarter in contrast to the small net majority reporting during the first quarter that they expected business to deteriorate during the second quarter.

"Business mood in this sector has thus experienced a sharp turnaround during recent months.

"It is somewhat disturbing to note that the business mood in the retail sector has deteriorated since our previous survey and that a net 49% of respondents are of the opinion that business will be worse during the third quarter relative to last year's corresponding period.

"This worsening of mood is substantiated by relatively unfavourable reports on sales and orders placed for the second and third quarters respectively (relative to the corresponding quarters last year). A net 46% were of the opinion that the value of sales increased during the second quarter, but a net 33% felt that there would be a drop during the third quarter.

"As for sales volumes the corresponding figures are 13% lower and 60% lower.

"It would seem as if retailers on the whole did not expect sales to reach the levels they did at the end of June (the majority of questionnaires had already been returned to us by this time). We should remember also that the lifting of sales duty was ... after the

Blocks in slow road to recovery

RDM 27/7/78 (49)

Financial Editor

THE economy is continuing along a "slow route to recovery", but there are many factors potentially impending it, according to the Bureau for Economic Research of Stellenbosch University.

It says: "It is relatively certain that the country's economic recovery can no longer be supported by increased export proceeds.

"We now have additional confirmation of the view that the South African economy resumed a recovery phase at the beginning of this year.

"It would appear that the consumer is still functioning prominently in this upswing, but that the recovery is now somewhat more broadly based than it was a few months ago.

"The manufacturing sector is also showing clear signs of recovery while the prospects for the building sector have also improved.

"The drop in merchandise exports, along with the corresponding increase in merchandise imports, is a cause for concern while unemployment and price level increases are still at unacceptably high levels."

Stellenbosch says: "Although the indicators portend an acceleration of economic activity in South Africa, the position on the balance of payments, inflation and employment fronts remains problematical. The current account of the balance of payments is admittedly healthy, but unfortunately the same cannot be said of the capital account.

"It would appear that the outflow of capital cannot be turned around quickly — especially in view of the prevailing political situation and the amount of unutilised production capacity, which is limiting domestic investment opportunities.

"A discussion of the current account naturally leads to considerations of the country's imports and exports. The latter is exhibiting clear signs of levelling out. Indeed, the May, 1978, value of exports was 3% down on the same month last year, while exports for the January-May period this year are but 9,7% higher than during the corresponding period last year.

"To place these data in perspective, we may mention that May, 1977, saw exports 62% higher than those of May, 1976, while the figure for the January-May, 1977, period was approximately 30% higher than the corresponding period of the previous year.

"Export performance is thus clearly in the process of levelling off, it not of declining, if judged on an annual basis.

"Imports, on the other hand, are exhibiting large increases. The May figure this year was 28% up on that of last year, while the imports for the January-May periods of 1978 and 1977 respectively deviated plus 16,2% and minus 17,7% from the corresponding periods of the previous year.

"The worsening of the crude trade position is thus considerable, which further underlines the country's current dependence on the value of gold exports.

"Until relatively recently South African short-term rates of interest were considerably higher than overseas rates. This meant that trade, especially imports, was financed by way of foreign credit, thus obviating a capital outflow.

"At present, however, foreign borrowing is becoming more expensive while domestic rates are falling, causing a shift towards domestic sources of finance. This means that the outflow of capital may be accelerated.

"Given the level of South African gold and foreign exchange reserves, it is consequently essential to maintain the short-term interest rates at artificially high levels, thereby keeping up the cost of working capital. This inhibits expansion of activity and particularly of inventories.

"Although long-term rates of interest are on a downtrend, the relatively high level of short-term rates could limit the downslide potential. This means that the present recovery, already suffering many a stricture, is now encountering a few more impediments to progress.

"It would thus appear as though there are many factors potentially inhibiting the continuation of the moderate recovery of the past semester or so.

"It is perhaps important to mention that the Opinion Survey finds retailers and motor traders to be expecting a drop in sales during the third quarter this year.

"The survey results do not at all reflect the expected effect of the lifting of sales duty, and reflect only in a limited degree the large increases in sales registered during the last week or two of June. Accordingly, the expectations for the third quarter are probably too pessimistic.

"Taking into account factors which came to light after the survey had been completed, we must conclude that although private consumption expenditure may flag somewhat, recovery will follow relatively soon thereafter. It would thus appear that the economy will continue along its slow route to recovery."

Bureau sees slow route to upturn

49

NM 27/7/78

Deputy Financial Editor

SOUTH Africa's economy is likely to continue along the slow route to recovery, the Bureau for Economic Research at Stellenbosch University reports today.

Its canvass of retailers presents a pessimistic picture, but this was done before the lifting of sales duty and before the effects of the pre-GST spending spree were analysed.

The Bureau considers that the effects of the Government's moves in repaying loan levies and abolishing the income tax surcharge are "equivalent in effect to wage and salary increases for the South African public at large."

It does not expect the consumer price index for July to be more than 10 percent above the level last July and points out that the level of wages and salaries has increased "substantially" more than 10 percent in the past year.

Spending power

The effect is a "fairly substantial increase in domestic spending power."

Two areas may inhibit growth. They are the domestic rates of interest and the balance of payments accounts, both capital and current.

Foreign borrowing is becoming more expensive, which may encourage an outflow of capital. The BOP, in spite of the large surplus on current account, is still a problem. Exports have levelled off and the Bureau does not expect them to assist this year in the recovery of the economy.

Motor sales are expected to remain good because many buyers have delayed scrapping or replacing their vehicles and it is possible, the Bureau says, that they will "now resume the replacement process."

If private consumption continues to rise it will mean that wholesalers will have to start building up their inventories. There are signs that this will put pressure on suppliers and take up unused capacity.

In the building sector it appears that a modest improvement has started. Building plan levels for May period have reversed the downtrend and are 22,5 percent higher than in May 1977. The period January to May is, however, 6,7 percent lower than for the same period in 1977.

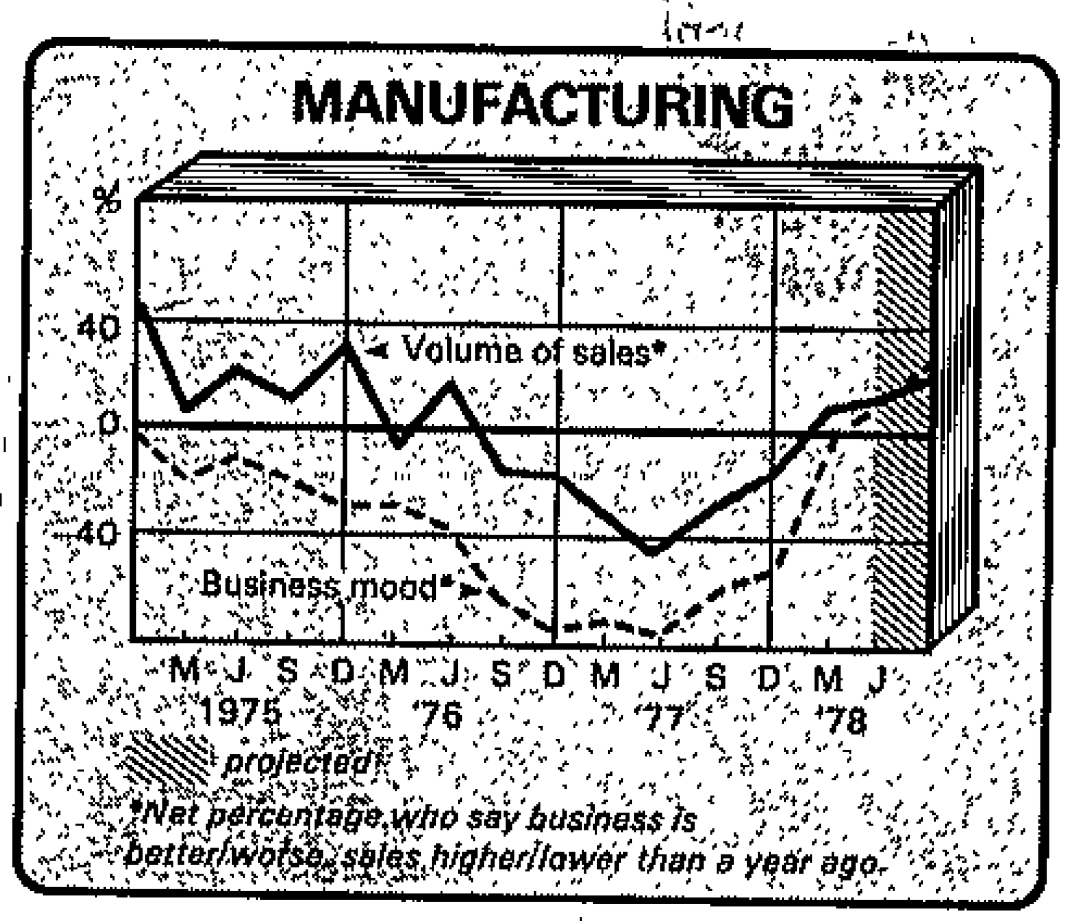
THE ECONOMY

Broking for go

(49) FM 28/7/77

Despite the higher gold price there is still doubt about the strength of the economic recovery. Standard Bank, Anglo American Corporation (AAC), Assocom, and Stellenbosch's Bureau for Economic Research (BER) have all indicated the potential need for further government action to stimulate the economy.

The latest call for stimulation comes from AAC. In its annual report, released this week, it argues that in the absence of further stimulation "only a marginal improvement in industrial and commercial activity can be expected."



Anglo's directors are not alone. As far back as July 6 the Standard Bank *Review* told its readers that "the economy is very much in need of affirmative economic and financial management since weaknesses are still prevalent in virtually all sectors." It was probably written before Finance Minister Owen Horwood announced and put into affect the reduction of sales duties. But this has been seen by many as a stop gap rather than a tonic.

It certainly hasn't made much difference to the BER's Willem Roets. In the latest issue of the BER's *Trends* he argues that government will have to take the initiative in "providing a greater primer for the present recovery to gain momentum." What's more, he says this will have to take the form of "physical implementation and expansion of development schemes." Not tax cuts.

The bureau's Ockie Stuart is less outspoken in the latest *Opinion Survey Report*, also a BER publication. Stuart concludes his overall discussion of economic prospects by predicting continued, but slow, growth.

Mood

Other points made by Stuart are that:

- It will be largely up to domestic activity to sustain the recovery;
- Consumer spending can be expected to dip and then recover;
- Inventories are probably very low now and will have to be replenished soon; and
- Public investment must rise. "It is to be expected that fixed investment by the public sector will accelerate, especially that of public corporations."

Artificially high domestic interest rates and a weak balance of payments could seriously inhibit recovery or even turn it around altogether.

But the *Survey* opinions showed that manufacturers and wholesalers were optimistic about the future although retailers were worried about the third quarter. (A worry that seems to have eased, however, see below.) Stuart notes that a net 16% of manufacturers found business to be up on last year (graph on previous page). "This is a substantial improvement since our previous survey."

Raymond Parsons, executive director of Assocom, goes so far as to say that the business mood has probably improved ahead of the real improvement in the economy. He also expects continued, yet slow recovery. But, "Further reflationary steps may be required from the authorities; and government should be ready to implement these at short notice."

Both Roets and Stuart — who may be in the know — are bullish about government spending. If they are right we can expect a small spending nudge soon.

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(51)

4. What factors prevent you from employing more Africans as technicians than you indicated in the previous question?
Is it because of any of the following? Indicate the 3 factors ... see as being the most important.

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49

NM 28/3/78

Kruger rand aids economy

PRETORIA — The Kruger Rand had become a substantial earner of foreign exchange for South Africa and made an important contribution to the economy, the president of the Chamber of Mines, Mr. P. A. von Wielligh, said here yesterday.

Mr. Von Wielligh, who struck the 20 millionth Kruger rand at the S.A. Mint, said the Kruger rand had "year by year absorbed an appreciable amount of total South African gold production and by reducing the metal available in bullion form has played a significant role in support of the world gold price.

"Around 15 percent of gold production went into the making of Kruger rands last year and this proportion rose as high as 30 percent in the first quarter of the year," he said.

Strong demand

In all, sales of Kruger rands since November, 1970, "have earned South Africa an estimated R2,3 billion," he said.

"Undoubtedly, the strong demand for Kruger rands is an element in the present buoyant gold price.

"The main factor is, of course, investment and speculation arising from the weakness of the dollar and as such, the price must be regarded as vulnerable to fluctuation.

"A cautious approach is necessary, therefore, in estimating the future movement of the price but the psychological impact of the prevailing high price at this time, ahead of the usual strong seasonal demand from industry, is likely to be material and augurs well for a continued high level of Kruger rand sales." — (Sapa.)

SCHOOL OF ECONOMICS 1978

ECONOMICS II D.J. Rees

ESSAY NO. 2

Discuss the importance of the concept of "property rights" in explaining economic behaviour and performance.

References:

Furubotn, E. and Pejovich: "Property rights and economic theory: A survey of recent literature" Journal of Economic Literature (December 1972) 1137-1162

Furubotn, E. and Pejovich: "The ... Property Rights ... 1974)

Cheung, S.: ... bees: an economic ... d Economics ... 4

Coase, R.: ... n economics" ... d Economics ... 376

Demsetz, H.: ... f property rights" ... Review (May 1967)

Essays are to be handed in ... rst week of the second qua...

29.3.78

SUNDAY TIMES, Business Times, July 30, 1978.

Confusion, gloom as US faces up to inflation

49

By JIM SRODES

WASHINGTON. — Top economic advisers to the US Government disagreed this week on whether inflation pressures were easing or accelerating. The squabble, which jarred the dollar in world money markets, came as the government reported the smallest monthly trade deficit in more than a year, for June.

Trade analysts had not expected the $1,600-million deficit for June, because earlier forecasts had ranged from a trade loss of $2,000-million to $2,400-million. The deficit had been shaved mainly by an unusually large rise in American exports.

Yet, even as the dollar was reacting positively in European exchange markets on the news, a hearing before a key economic committee of the US Congress was given conflicting predictions over whether the current double-digit inflation rate would be curbed in the economic slowdown expected for the last half of this year, and the early months of 1979.

Much of the doubt and confusion was caused by a report issued by the congressional budget office which said that not only was inflation accelerating, but that when coupled with the certainty of an economic slowdown, there were were threats that traditional economic remedies might be unable to cure.

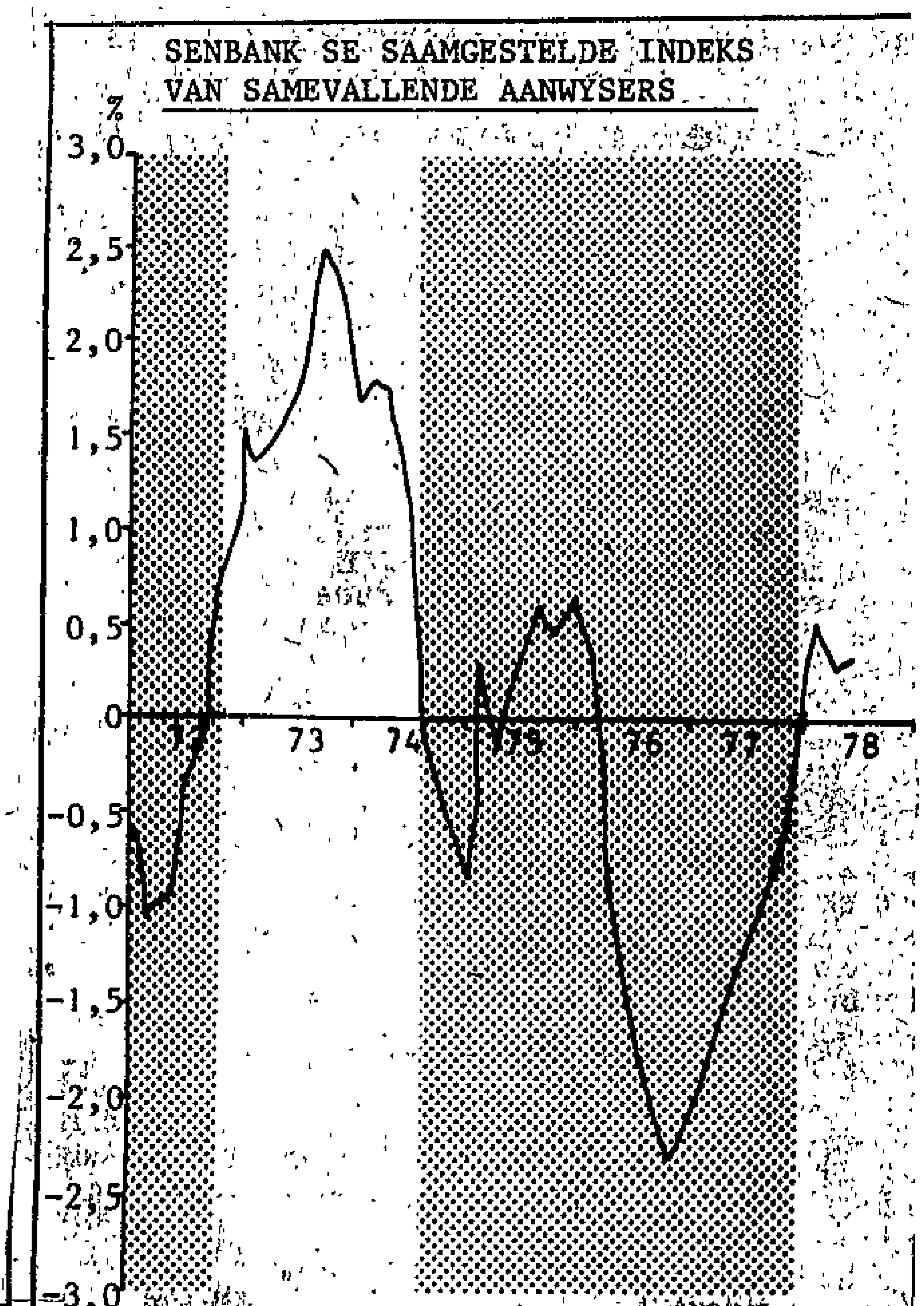
Specifically, the report predicted real economic growth of as low as 3,5 per cent this year, with expansion slowing to a possible 2,7 per cent rate in 1979. The congressional economists saw no improvement in the chronically high unemployment rate and predicted a retail goods inflation rate of as much as 7,8 per cent this year.

The chief economist of the budget office, Alice Rivlin, and Charles Schultze, the top economic adviser to President Carter, both agreed that the inflation figure represented a decline in the nominal growth rate of inflationary price increases in the months to come. But there was disagreement over whether those pressures would be revived in the early months of next year.

Whatever else was being debated, there was agreement that the narrowed trade gap for June was encouraging inasmuch as the surprisingly low figure helped prop up the dollar at an especially bad time.

Americans exported a record $12,13-million in goods, mainly goal, machinery and transportation equipment and farm products. Imports dropped for the second straight month to $13,720-million with most of the decline in imports of petroleum products.

The reduction in oil imports cut the burden on American accounts from $3,32-million a month in purchases to $3,29-million. Nevertheless, the June loss is now the 25th straight deficit for the US economy and if it continues at current levels, the 1978 deficit could exceed 1977's record $26,9-million loss by another $6-billion dollars or more.



OPSWAAI NOU BEVESTIG

49

RAPPORT 30/7/78

DIE vermoede oor die opswaai in die Suid-Afrikaanse ekonomie is nou vir die eerste keer amptelik bevestig deur syfers wat tot einde Junie bekend gemaak is. Hoewel daar konsensus by ekonome oor hierdie opswaai bestaan, is hulle egter van mening dat daar nog baie struikelblokke in die pad van 'n volgehoue opswaai is.

Oor die algemeen word verwag dat vanjaar se opswaai ook baie beskeie gaan wees. Die beste verwagting is dat die ekonomie vanjaar in reële terme met nie meer as 3 persent sal groei nie.

Dit is ook duidelik dat die opswaai hoofsaaklik te danke is aan die mooi toename in private verbruiksbesteding en dat 'n verdere toename in hierdie pos in die res van die jaar ook 'n belangrike rol sal speel.

Daar bestaan egter 'n mate van kommer oor die negatiewe uitwerking wat die betalingsbalans, kapitaalinvloei en inflasie op 'n volgehoue groei kan hê.

Die Buro vir Ekonomiese Ondersoek van Stellenbosch wys in sy jongste opinie-opnameverslag daarop dat die jongste statistiek aantoon dat daar 'n mooi verbetering ingetree het in private verbruiksbesteding. Dit is hoofsaaklik te danke aan die hoër besteding in die eerste semester in afwagting van die instel van die verkoopbelasting.

steun gaan word deur verhoogde uitvoer nie. Suid-Afrika sal in groot mate op sy binnelandse bedrywighede moet steun vir 'n voortsetting van die oplewing.

'n Volgehoue verbetering in die verbruiksbesteding sal egter in 'n groot mate afhang van die mate waarin voorrade opgebou word.

As gevolg van die relatiewe hoë rentekoerse in Suid-Afrika teenoor die res van die wêreld, word baie van die land se invoer op die oomblik deur buitelandse lenings gefinansier. Die Suid-Afrikaanse rentekoerse is egter besig om te daal terwyl die in die res van die wêreld besig is om toe te neem, wat plaaslike finansiering meer aantreklik maak. Dit kan natuurlik daartoe lei dat die uitvloei van kapitaal verder kan versnel.

Die uitvoerende direkteur van Assocom, mnr. Raymond Parsons, het vandeesweek op 'n streekkongres in Port Elizabeth gesê die ekonomie is tans in 'n baie gesonder toestand as 'n jaar gelede, en dat 'n vooruitgang in die ekonomie is steeds beskeie; die stemming is steeds onseker, en die grondslag vir herstel is lou.

Die ekonomie is egter likwied en namate ons uitvoerverdienste verbeter, is daar alle rede om te verwag dat die oplewing stadig momentum sal verkry.

Die bank is egter ook bekommerd oor die dempende uitwerking wat die kapitaalrekening van die betalingsbalans op toekomstige groei kan hê.

UIT Senbank se indeks van samevallende aanwysers blyk dat 'n opswaaifase van die Suid-Afrikaanse ekonomie in Desember 1977 begin het. As die onlangse verloop van die indeks egter vergelyk word met byvoorbeeld die vroeë stadium van die opswaai wat laat in 1972 begin het, is dit duidelik dat die opswaai nog nie veel momentum opgebou het nie. Die indeks is 'n maatstaf van veranderinge in ekonomiese aktiwiteit en is gegrond op 'n tegniek wat deur die VSA se NBER (National Bureau of Economic Research) gebruik word om die indekse van Amerikaanse leidende en samevallende aanwysers saam te stel. Die resultaat van hierdie indeks kan met 'n redelike graad van vertroue aanvaar word, sê Senbank.

GEWONE VERGADERING

1. Opening

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3.7.3 Ell e wyk is olledige naa... adreslys van lidmate wat 'n verdienste het;

3.7.4 Elke diaken sal verkieslik die laaste week in die maand die dankofferkoevertjies vir die volgende maand aan sy wykslede besorg, waarop die wyk, datum and die naam van die Lid ingevul is;

3.7.5 Wanneer die koevertjie ingelewer is, sal die diaken sy wykslede se dankofferbedrag invul in sy boekie en die Lid se „bydragskaart" tuis ook invul wanneer die nuwe koevert afgegee word;

nuwe grondslag vir groei daar gelê is.

Hy is egter ook van mening dat daar nog 'n hele aantal probleem areas bestaan, veral die kapitaalrekening van die betalingsbalans en inflasie.

Baie broos

Hy sê die huidige beleid van groei met finansiële dissipline is die regte een, maar daar sal veral aandag geskenk moet word aan die land se wisselkoers- en rentekoersbeleid.

Hy is dit ook eens dat die opswaai tot nou in 'n groot mate van die verbetering in verbruiksbesteding te danke is.

Standard Bank sê daar moet aanvaar word dat die uitbreiding in die ekonomie tot dusver nie baie opgelewer het nie. Getuienis van 'n verslapping in die tempo na 'n wydgebaseerde uitbreiding vroeg in die tweede kwartaal beklemtoon die feit dat die opswaai nog baie broos en aan terugslae onderhewig is.

Standard is van mening dat 'n voorvereiste vir 'n sterk hersteltendens 'n stewige en gestadige groei in die geldvoorraad, tesame met 'n daling in rentekoerse tot vlakke waar besigheidsuitbreiding- en belegging aantreklik word, is.

Nedbank sê die koers van

Hierdie oplewing was veral te danke aan die mooi verbetering in die afset van motors en duursame goedere.

Hierdie oplewing in verbruikersvraag het tot gevolg gehad dat voorrade sterk begin daal het en nou op 'n baie lae vlak is.

Intussen speel die goudprys egter mooi saam om hierdie gaping te vul. Die goudprys het vandeesweek geleidelik verbeter en het Vrydagmiddag 'n rekordhoogtepunt van 201,30 dollar per ons bereik.

Wat die vooruitsigte vir die res van die jaar betref, is die Buro van mening dat die Suid-Afrikaanse oplewing geensins verder ge-

Barclays backs Bank Rate cut

RDM 3/8/78 (49)

THE managing director of Barclays National Bank, Mr Bob Aldworth, says the orities should cut the Bank Rate by 1% to 8% in the next step in their efforts to stimulate the economy.

He says the steps taken by the Minister of Finance, Senator Horwood, to stimulate growth have been well thought out.

The signs point to a continuation of the increase in consumer spending which occurred ahead of the introduction of general sales tax, but for an across the board boost, the ideal action would be a Bank Rate cut.

The Governor of the Reserve Bank, Dr Bob de Jongh, presents his traditional review of the economy later this month at the bank's annual meeting.

Mr Aldworth says if the authorities are worried about switching to local financing as a result of a narrowing of interes rate differentials between Europe and South Africa, they might consider reducing to 0,5% from 1% the forward cover charge provided by the Reserve Bank.

Barclays has noted little interest in the possibility of switching as a result of the fall in South African interest rates over the past month.

The authorities could also consider a quarter per cent cut as a first step, and then further quarter percentage cuts if the reaction were not as severe as possibly they fear it might be.

Without a cut in Bank Rate and the resultant fall in rates, the banks will not be able to cut prime rate which is at its ceiling of 3,5% above Bank Rate.

The banks are allowed to move prime within a 2,5% to 3,5% spread above Bank Rate.

It is interesting to note that the build-up of consumer spending appears to be coming out of personal savings. Barclays savings figures for June were the same as in May. The bank has also noted a build-up in hire-purchase.

He says Senator Horwood may consider tax cuts later this year, but a drawback would be the authorities "lack of proper feedback as to what revenue the new general sales tax is bringing in.

In this context, he argues a Bank Rate cut would assist everyone, farmers included, on a much wider basis than tax cuts.

It is too early to estimate what South Africa's growth rate will end the year at, but a 1,5% to 2% seems likely now.

The depressed building sector has shown weak signs of picking up, and a large portion of the R250-million allotted for black housing by the Government has yet to be spent.

For 1979 a growth rate of at least 3% plus is possible, particularly if further tax cuts are made next year.

Mr Aldworth does not see a rand change in the forseeable future when the situation is viewed against current economic and international currency market factors.

Unless the dollar were to show some dramatic change, and the gold price to slump to $150 there is little likelihood of a rand devaluation.

On the other hand, rumours of a possible revaluation do not appear to be in line with the authorities' commitment to growth.

It suits South Africa to continue to have its currency falling with the dollar, with the resultant stimulation of exports and curtailment of imports. — Reuter.

social and economic problems, who were usually far more interested in artisans and craftsmen of the traditional type than in industrial wage-earners. The fact that many of such large-scale industrial enterprises as existed—the Ural ironworks in Russia are a leading example—were geographically remote from any large town also helped urban life to retain its predominantly mercantile and handicraft character almost everywhere to the end of this period.

The still largely traditional and static society described in this chapter was doomed to rapid decay. The new
orders, privileges, peculiarities and exemptions,
posed, could not hope to withstand indefinitely
which were growing stronger throughout this per
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past as much as to the future.

RDM 4/8/78

Quiet recovery here to stay, says Standard

(49)

Financial Reporter

THERE ARE many pointers that the economy's "quiet recovery has come to stay", according to Standard Bank's Economic Review.

It says: All indications point to a further shift away from the present policy of fiscal and monetary conservatism, going beyond tax cuts, to a policy of relatively easy money and broad stimulation of the economy."

The bank says, however, that "there has been no surge of business activity during the second quarter of the year."

"Even without significant help from Government policies, a broadening number of sectors has joined the move away from a recession climate. This assessment is backed up by the firm upward movement of the Standard Bank composite index of leading indicators.

"The past months' improvements in industry's overall performance have held out against some weakness in consumer demand, retail spending has taken off in a pre-tax buying spree in June and most importantly, appears to have held up well afterwards.

"Other good news is that confidence and great activity are returning to the property sector, mining activity and mineral exports are on the rise again, and the direct and indirect effects of this year's good maize crop are being felt.

"Much to the delight of economic policy makers gold's breaking through the $200 an ounce barrier is also freeing the country from some of the balance of payments constraints which could have impeded a continuing recovery.

"Apart from raising the gold price and earnings, the slide of the US dollar brought about a little-noticed effective devaluation of the rand, with all its attendant stimulative effects on the economy.

"One direct effect of this is to strengthen the current account surplus, and there is no indication that Government is about to act to control the inflationary effects of an effective rand depreciation through tightening up the money supply.

"Rather, all indications point to a further shift away from its present policy of fiscal and monetary conservatism, going beyond recent tax cuts, to a policy of relatively easy money and broad stimulation of the economy.

"There is now ample banking sector liquidity and strong downward pressures on interest rates, which the authorities may not resist for much longer by supporting the rate stucture through the treasury bill rate.

"This will be particularly so if windfall gains, such as the gold boom, strengthen the balance of payments to such an extent that capital outflows resulting from lower domestic interest rates than abroad can be digested without major problems.

"With the balance of payments becoming a less inhibiting factor because of a firm gold price, and stronger commodity prices, economic policy is being provided with more room to manoeuvre.

"A shift in the present policy stance is likely during this year, provided favourable balance of payments developments appear to be staying.

"Apart from any official push, existing growth trends will be further enhanced in the course of next year when growing demand requires the filling up of presently low inventories. While economic growth will gain from such developments, inflation will lose.

"Faster money supply growth, a weak rand and the ability of firms to make up for past profit losses through higher prices when demand strengthens further will add to the cost problems created by the applications of the general sales tax at virtually all levels of the economy."

Apartheid hampering SA growth rates — US expert

Sun. Times 6/8/78

(49)

BUSINESS TIMES

INTERNATIONAL SCENE

By JIM SRODES

WASHINGTON. — Despite improvement in South Africa's economy, a return to the long-term growth rates of 5-7 per cent cannot be expected until business and consumer confidence is restored in the Government's capacity and resolve to accommodate rising non-white aspirations.

This is the view of Philip L. Christenson, a United States expert on South Africa trade, in a recent government report.

So far, says Christenson, "the Government's refusal to abandon apartheid in the face of massive foreign and domestic opposition has been a prime factor in the prolongation of South Africa's economic difficulties."

Real gross domestic investment in South Africa fell by 12,5 per cent, which reflects, according to the report, "the lack of business confidence in the Government's ability to deal with the political crisis and the increased rate of savings caused by political uncertainties shared by the public."

Domestic savings exceeded domestic investment for the first time in nine years.

A minimal level of growth was maintained due to increased demand for non-gold mineral and agricultural exports, and due to the dramatic increase in the price received for gold.

The US Government reports latest SA Reserve Bank data that indicates that real output in the industry and commerce sectors rose during first quarter of 1978 by 2,5 and 1 per cent respectively. This is in sharp contrast to the drops of 5,5 And 7,5 per cent during 1977.

For the first four months of 1978, South African imports were up 13 per cent over the same period in 1977, and exports were up 36 per cent.

A continuing deficit in the capital and service accounts, however, has consumed the entire trade surplus and resulted in a decline in South Africa's foreign reserves, according to the US Government report.

Exports from the US have dropped to an annual level of about $840-million, substantially lower than 1976's $1,3-billion. Part of the decline reflects normal cyclical decline in demand for machinery and equipment, and part the completion of South African Airways' fleet modernisation programme.

But there are signs, says Christenson, that "misinterpretation of US trade policy has created a reluctance among South African buyers to purchase from the United States," and that other foreign suppliers have profited from this reluctance.

RDM 9/8/78

(49)

Mr H C Ballingall has been elected president of the Johannesburg Chamber of Commerce. He is a chartered accountant.

Haslett's six ways to boost the economy

Financial Reporter

A SIX-POINT plan to boost the economy, encourage free enterprise and reduce racial discrimination was put forward yesterday by Mr Fred Haslett, president of the Johannesburg Chamber of Commerce.

Mr Haslett said at the JCC annual meeting at the Wanderers Club: "The appeal I make is for Government to allow private initiative and private enterprise to play a greater role in reviving the economy of the country. I believe commerce and industry hold the key to the future prosperity and peaceful co-existence of all races in our country. We can only be successful if Government paves the way and I would submit a plan of campaign which I suggest ought to be implemented without delay:

"•Encourage by all means possible the opening up of the capitalist system to all citizens.

"•Restore overseas confidence by showing that the declared intentions to move away from racial discrimination are genuine - in other words, phase out legalised apartheid - and at the same time ensure that those in authority do not commit acts likely to discredit such moves.

"•Stimulate the economy by increasing consumer spending, which can be helped by further reductions in direct taxation and a reduction in interest rates. Provided there is spare manufacturing capacity and idle labour, which there is at present, such measures need not cause increased inflation. Only when the demand outstrips the supply need there be concern.

"•Selectively increase Government spending on labour-intensive projects which, again, will not cause increased inflation but will help ease unemployment, black housing, electrification of Soweto.

"•Stimulate exports by establishing export processing zones, subsidising rail and electricity tariffs and introducing other practical measures to assist the export industries.

"•Introduce some relaxation of exchange control with special emphasis on removing the problems and penalties which make it difficult for the overseas investor when he wants to invest, or when he wishes to withdraw his investment.

"A start has been made in the implementation of some of these remedies, but more needs to be done."

Change economy or collapse — warning

BM 11/8/78

(49)

JOHANNESBURG — A dramatic change in attitude to the country's free market economy was all that would save it in 10 to 15 years' time from having to pray for a miracle to prevent possible economic collapse, Dr A. D. Wassenaar, chairman of Sanlam, said here yesterday.

Addressing the first annual congress of the Free Market Foundation (Southern Africa) he said denationalisation on a fairly broad front was absolutely essential, with road transportation and the railways and Iscor as starting points.

Dr Wassenaar, author of the recent best-seller, Assault on Private Enterprise, also suggested that with a new constitution being framed, it should include provisions limiting state interference in the operation of the free economy, limiting nationalisation and giving free enterprise the right to compete with the state in every activity.

"If Government co-operation can be found at these starting points, I can see some glimmer of hope for our economic future," Dr Wasse-naar said. "Without a government capable and willing to co-operate in this enormous task, there will be no hope at all."

The various organisations into which free enterprise had clubbed together like the Chambers of Industries, Chambers of Commerce and the Handelsinstituut were so enmeshed in the fight for individual members' interests that their contribution to the preservation of the free economy was of no consequence.

A similar plea was made by the chairman of Oude Meester, Mr D. W. R. Hertzog.

While including education and municipal services among State monopolies which would be better run by competitive private enterprise, Mr Hertzog said he wsa clearly excluding purely administrative control such as the law courts, police and defence of the borders. Even in the latter cases, however, private enterprise could provide supplementary services.

The Prime Minister's economic adviser, Dr S. S. Brand, told the foundation that the Government was committed to an economic system based on free markets.

A significant indication of the Government's approach had been the appointment of the Riekert and Wiehahn Commissions into legislation affecting the use of manpower and labour legislation, Dr Brand said.

Both commissions were dealing with areas of legislation which for many years had had crucial effects on the functioning of market forces in the labour field.

Recent policy decisions in connection with home-ownership and business rights for blacks in the metropolitan areas also represented moves towards a freer play of market forces in regard to the participation of all population groups in the opportunities the South African economy offered.

In a country like South Africa there would always be sound economic reasons for the Government to play a constructive role in economic life.

There had been variuos reasons for encroachment on the private sector's domain. In the case of Iscor there had been the inability or unwillingness of private interests and in the case of the two Sasols strategic considerations outweighed those of private profitability.

"Rather than spend too much energy protesting against this inevitability, much can be gained by attempting to formulate procedures by which the disadvantages of departing from a pure market system can be minimised," Dr Brand said.

Whites blamed for black swing

JOHANNESBURG — Most whites appeared to be unaware that many blacks, especially youths, were turning to communism, the executive director of the Free Market Foundation, Mr Leon Louw, said here yesterday.

Addressing the congress of the Foundation on "Blacks, free enterprise and the future," Mr Louw said most whites appeared unaware of the magnitude and serious implications of this trend.

Blaming white society for the swing to communism, he said: "If we examine black grievances, virtually all refer to areas where there is a curtailment of the free market system.

"We all know that communists and socialists notoriously do not distribute wealth, but poverty. They do not extend liberty but despotism.

"The bitter irony is that the only thing they seem to do better than capitalists is to sell their product."

Mr Louw said there were two possibilities to solve this problem.

"Firstly, to embark upon a programme of proper economic education aimed at the black lay-person. Secondly, to demonstrate sincerity by extending the free enterprise system to blacks with all possible expedition."

Mr Louw said there were 58 Acts aimed at blacks and a number of others incorporating restrictions on blacks. Most embodied some or other economic intervention such as "very stringent limitations on who may trade and how capital may be raised, all of which have little to do with business acumen or desirability."

In transport there was a policy "to prohibit all effective competition." Blacks should be permitted to provide and use transportation of their own choice.

There was an "unholy alliance between the government and private enterprise," in liquor. "The vested liquor retailers do not want to permit outlets in black areas for obvious reasons. Neither do the administration boards who make large profits from their present monopolies," he said — SAPA.

17/8/78 DD

49

Oppenheimer on need for growth

JOHANNESBURG — Mr Harry Oppenheimer, chairman of the Anglo American Corporation, has warned that massive unemployment or under-employment would be unavoidable and social stability threatened unless the economy could resume a rapid growth rate.

But the investment capital necessary for adequate growth could not be found in full from local sources and the country's greatest need was renewed, large-scale investment from overseas.

In his chairman's statement for 1978, Mr Oppenheimer said the effects of a low growth rate over an extended period would be massive under-employment in impoverished rural areas rather than massive unemployment in towns.

With a black population growth of about 2,6 per cent per year, it was plain that if the modern sector of the economy could not absorb new entrants to the labour market, the pressure of a population dependent on a subsistence economy in rural areas would become "very serious indeed."

Economic policy should now be directed not mainly to consolidation and survival but to growth and prosperity.

"An expanding economy would in itself be an encouragement to overseas investors and by reducing unemployment it would lessen the risk of social unrest and allay anxieties about our political situation," he said.

If an economic boycott did in the long run produce change in South Africa it could only be violent change induced by the sufferings it would have inflicted on black people.

But Mr. Oppenheimer said he believed the efforts of those advocating an economic boycott on moral grounds would play only a minor part in reducing overseas investment.

Dealing with industrial relations, Mr Oppenheimer said trade unions were an integral part of the free enterprise system and those committed to the system should see the inclusion of black workers in the trade union movement as a healthy and desirable development.

"As and when black trade unions emerge which are properly conducted and reasonably representative, we should certainly be prepared to recognise and negotiate with them even though they may not as yet be officially recognised in terms of the legislation," he said.

On labour relations within the group, Mr Oppenheimer said further progress had been made to improve earnings, living conditions and productivity of black employees.

"Our aim is the elimination of race as a factor in determining wages and other conditions of employment." — DDC

MONETARY POLICY (49) FM 18/8/78

Take a chance, Mr Governor

As a central banker, the Governor of the Reserve Bank, Bob de Jongh, no doubt sees as his chief duty the protection of the currency. To do that he needs to keep a tight grip on the money supply and on bank credit to keep short-term interest rates high, stamp out inflation and preserve the foreign reserves. But is that what the economy really needs at this stage of the business cycle?

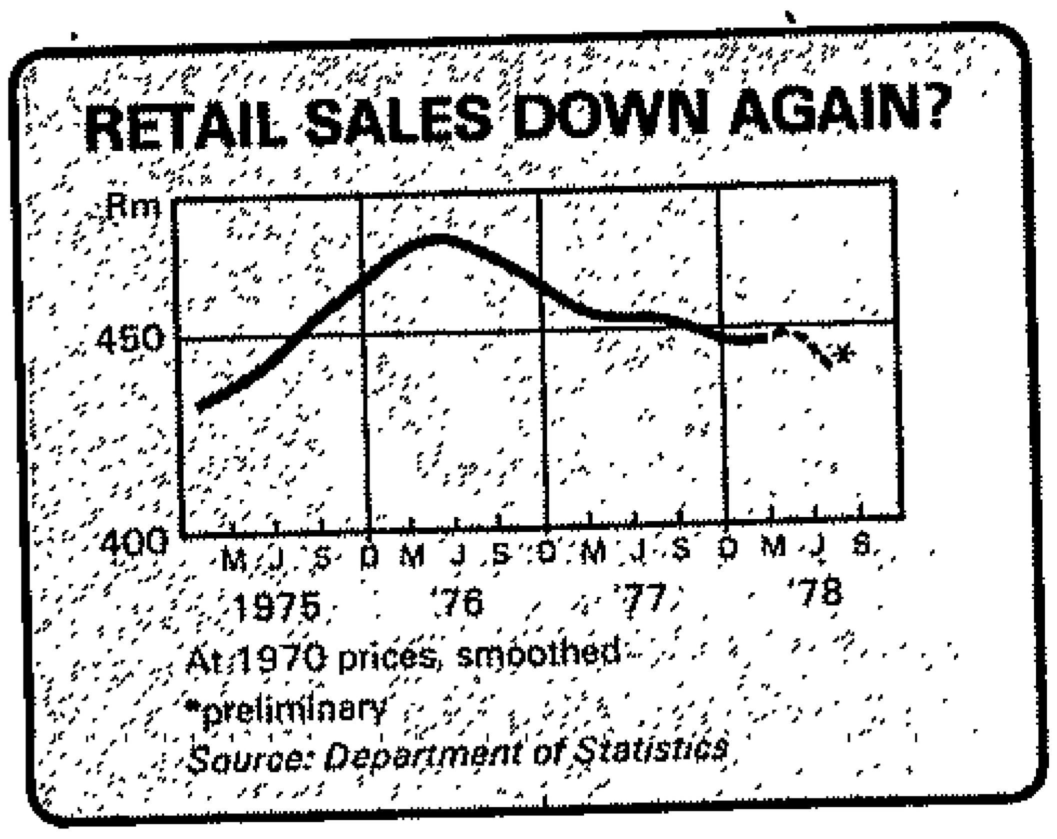
To be sure, the past nine months have seen some recovery from the depths of the 1974-77 downswing. Business confidence has picked up; the shops have been a little busier; factories have been producing a bit more; unemployment, at least among non-Africans, has been shaved.

But the pace of recovery is still desperately slow. Growth of GDP is unlikely to top 2%-3%, barely half what SA needs to provide jobs for all. All over the country plants are under-used, as a result of which fixed investment, without which future growth is impossible, is still plunging. In the steel and engineering industries investment is expected to drop by 40% this year.

Moreover, preliminary July figures for retail sales show a huge drop from the exceptional pre-gst June record level, in fact reversing (as the top graph shows) the previous upward trend.

In short, there is a danger that De Jongh's cautionary policies will in fact become stranglehold policies. And as Harry Oppenheimer said in his chairman's statement to Anglo American shareholders this week, boldness is what is now called for, including boldness by the monetary authorities.

Of course, all this is easier said than done: in fact, De Jongh faces an excruciating dilemma. On the one hand, he needs to relax monetary policies to get the overdraft rate down to ginger up business. On the other, the weakness of the balance of payments, despite a record gold price, restricts his freedom. The continuing heavy flow of capital to foreign places, legal and illegal, means the trading surplus with the rest of the world is virtually wiped out.



The obvious way to stop the outflow of capital (exchange controls having failed) is to allow the price mechanism to work. Float the rand, or at least float those rands used for international capital transactions. At some price, perhaps 70 or 80 US cents (the present price for securities rands) supply and demand will balance and the net outflow of funds will promptly stop.

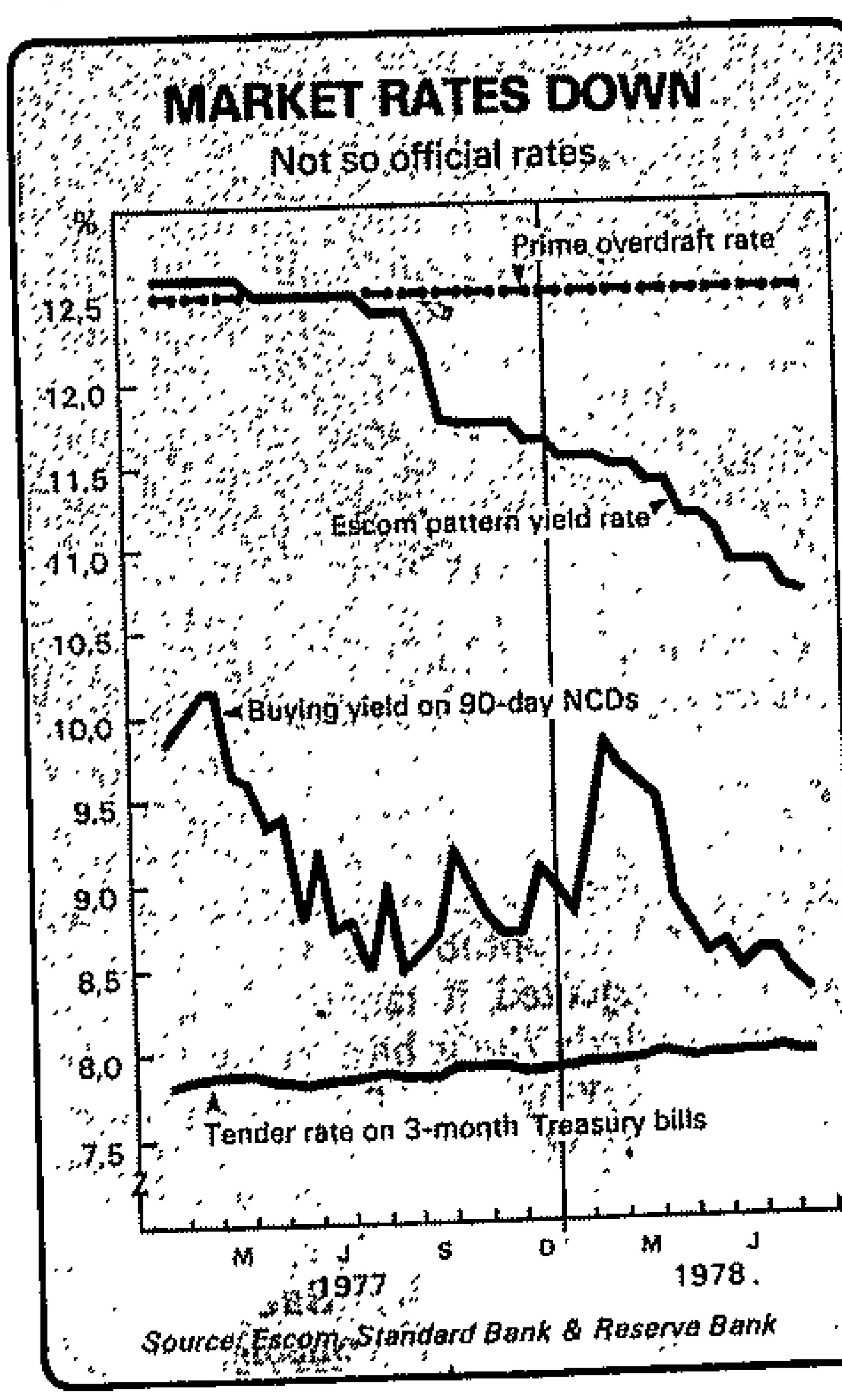
The problem is that the ramifications of a floating "capital" or "financial" rand have not yet been fully investigated by the authorities, and until they are the present fixed exchange rate policy will have to continue. The De Kock Commission is hard at work examining all aspects of exchange rate policy but is not expected to report for some months. In the meantime what should be done?

- Nothing? There is then a danger that the recovery will run out of steam.
- Relax the credit squeeze, let the overdraft rate fall, and hope that any further net capital outflows that would result will be matched by increased foreign exchange earnings from the higher gold price?
- Relax the squeeze and accept that any resulting adverse balance of payments effects are temporary, caused by the present wrong-headed exchange rate policy, and simply borrow the foreign exchange to prop up the reserves in the meantime?

We would recommend the last option. Scrap the credit ceiling and lower Bank rate by at least 1%. That will prompt the banks to lower overdraft rates, which is essential if economic growth is not to fizzle out.

As a result, traders will find it more attractive to finance their business domestically rather than internationally. That will soak away still more foreign exchange; how much is hard to say. If it is less than the extra earned from the higher gold price, all well and good. If it is more, ask the Bank for International Settlements, or some willing foreign central banks, of which there are plenty, to lend us another couple of hundred million dollars until such time as the De Kock Commission comes up with a workable exchange rate system to stamp out the net outflow of capital.

Our balance of payments is only a problem because the rand is wrongly priced. Get the price right and the problem will disappear — to be replaced, to be sure, by other problems, but at least problems (inflation, redistribution of income) that need not have quite such a depressing effect on economic growth.



Growth in 1979's GDP predicted

JOHANNESBURG — The South African economy's recovery, which started hesitantly late last year after some 40 months of contraction, will gather strength in 1978. This will result in a broadening expansion, with growth of nearly four percent in real GDP in 1979.

This is the main conclusion of a combined Standard Bank — Stellenbosch Bureau for Economic Research forecast.

The strong likelihood of continued current account surpluses in 1978 and most of 1979 and expectations of an improved capital account as the economy takes off, will enable policy-makers to take the growth initiative.

The combination of a broadly expansionary economic policy stance incorporating moderate increases in public spending and possible tax cuts, plus easier monetary policies, a continued reasonable export performance and the likelihood of a firm gold price throughout the forecast period imply an acceleration of existing growth trends across a wide front.

Salary rises

Consumer spending will be underpinned by salary increases, a firm improvement in expectations and higher private sector liquidity.

After distortions early in 1978, when purchases were concentrated on cars and other durable goods due to pre-sales tax buying, the growth in final sales will be spread across the board.

Inventories have been run down since 1976 and they are now at extremely low levels. A gradual reversal in the inventory cycle will assist overall growth, particularly in industry, lead to an increase in credit demand, but also place pressure on imports.

Aided by stepped-up Government spending on the social infrastruture, higher expenditure on other infrastructure projects, an improving housing market, and noticeable reduction in spare industrial capacity, domestic fixed investment will begin rising in 1979.

The fundamental trend of inflation continues to be downward, but the introduction of the four percent general sales tax will keep the 1978 average rate high. The rate of price increases will slow down again in 1979, but demand pressures may terminate this downward trend towards year-end. — (Sapa.)

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some of the workers w... were either recruited or went
to the labour bureau ... lso availing themselves of the
call-in card system. ... that a very large majority of
contract labourers mad... card system when intending to
renew their contracts.

2.14 Factors Influenci... ob Finding

Since the labour bureau ... ction as a major source of information to workers, we tr... ich factors influenced the job

46. According to the per... partment of Murray & Stewart, a construction firm ... our interviewees, the call-in card system operates ... ract labourer wishing to return to the company has a ... ied by Schedule 46 of Gazette No. R.74, 1968, (Reg... Bureaux at Bantu Authorities), completed in duplicate before his present contract is terminated. Upon his return to the Transkei, he first goes to Umtata with his card, then to his home region. He must be recruited again at his local labour bureau on a day previously specified. This day must be within 21 days of the expiry date of the former contract if the worker wishes to make use of the call-in card system. It seems as if a recruiter from the company is present at the labour bureau on the day of recruitment.

Dangers to economy's upswing

(49)

RDM 22/8/78

STELLENBOSCH. — The South African economy is still experiencing a gradual upswing, but several factors may inhibit its continuation, says the Bureau for Economic Research of the University of Stellenbosch.

The bureau says in its consumer survey report that the most important factors are the deterioration in the economies of South Africa's trading partners, high interest and inflation rates and the deficit on the capital account.

It seems likely, however, that consumer spending will maintain its uptrend and lead to a reduction of unused capacity.

Imports are likely to increase towards the end of the year. This and the slower rate of export will limit the surplus on the current account for this year.

The adverse effects of this could be diminished by continuing demand for gold, which may be a result of higher than expected foreign inflation rates.

Expectations of consumers with regard to price increases are "slightly more optimistic" when compared with the previous quarter.

The introduction of the general sales tax appears to have decreased optimism about prices less than was expected.

Discretionary consumer expenditure is expected to increase slightly in the present quarter.

Consumer demand for durable goods and housing should improve for the remainder of the year, and demand for non-durable and semi-durable goods is likely to drop slightly.

Clothing and footwear retailers expect further falls in sales in the current quarter, but they expect an increase in orders placed, indicating an uptrend in restocking.

Motor traders apparently do not expect the sharp rise in sales of the past six months to continue much beyond the next quarter.

Retailers in general expecxt a further improvement, or at least a sideways movement, in sales. Manufacturers are confident of an uptrend for the rest of the year. — Reuter.

Enter Afrikanerdom Inc.

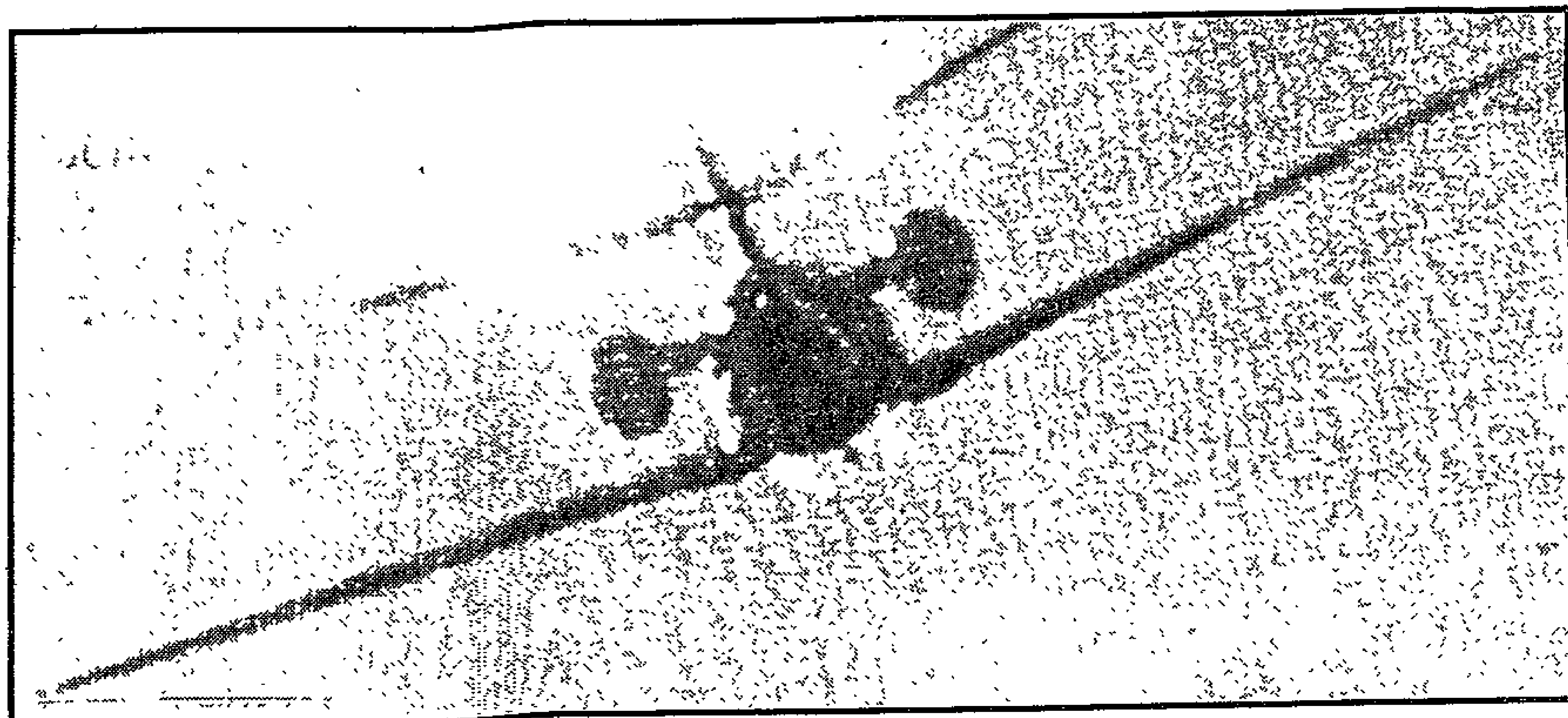
RETAIL GIANT FALLS IN THE GREAT BUSINESS TREK

Dr Albert Wessels Dr Tom Muller Dr Anton Rupert

A NEW CHAPTER in the great rise of Afrikaner power in the South African economy was written this week when the R750-million-a-year Greatermans giant fell to Federale Chemiese Beleggings in a R10,75-million deal.

The deal will for the first time give Afrikaner business a solid stake in the country's mass retail and supermarket sector and comes on the heels of the Afrikaner-controlled Pep Stores takeover of the 140-shop Half Price chain.

With 150 Checkers supermarkets, 10 Greatermans department stores as well as Clicks and Ackermans thrown in, this latest deal will make up many times for the fall to English interests two years ago of the Afrikaans outfitting chain, Uniewinkels.



Rembrandt's jet . . . indicative of the long way Afrikaner business has come.

Martin Creamer

The Greatermans deal highlights the phenomenal growth of the Afrikaans share in the economy since the early Forties.

Professor Jan Sadie, of the Stellenbosch Bureau for Economic Research, puts the Afrikaner share in the private sector of the South African economy in 1948-49 at 9,6 per cent, excluding agriculture. By 1975, he estimates this stake had increased to 19,6 per cent.

And the Iscor chairman, Dr Tom Muller, this week put the present Afrikaner share at something like 25 per cent.

And while the Afrikaner has made giant inroads into the fields of finance, mining, industry, commerce, construction and transport, with household names like Toyota, Honda, Avis Rent-a-Car and Massey-Ferguson, to name a few in the Afrikaner business stable, he has still held firmly on to his 80 per cent share of agriculture.

But a mere 40 years ago, the Afrikaner hardly had any standing in business. Even the platteland trading stores were largely out of his hands.

"Poor white"

An economic bywoner in his own land, he sat on the sidelines of a massive economic expansion spearheaded by English-speaking South Africans.

Then, the deplorable "poor white" period of the post-depression Thirties, coupled with some of the worst droughts in the country's history, gave birth to a new resolve.

At the Ekonomiese Volkskongress in Bloemfontein in 1939, an appeal went out to the volk to assume entrepreneurial roles and to enter the non-agricultural economy.

Besides Dr Tienie Louw, the former Sanlam boss who celebrated his 90th birthday this week, the congress was dominated by non-business types — dominees, teachers and language experts.

foundations of giants like Federale Volksbeleggings, formed a few years later, and has not looked back since.

The momentum into the world of business was boosted, too, by the Reddingsdaadbond, a business rescue operation, and coupled with this was the birth of the Afrikaanse Handelsinstituut in 1942 which today boasts 6 500 employer members and 183 sakekamers.

The Santam-Sanlam group, formed in the Cape in 1918, had by this time grown in strength and the Afrikaners of the north were able to use it as a base on which to establish themselves.

But it later embarked on a policy of bridge-building with English interests. And although this policy drew flak from more conservative elements, against any form of toenadering, it has led to rapid spread of Afrikaner control and influence.

Dr Tom Muller, then managing director of Federale Mynbou, pioneered the cross-pollination process with Mr Harry Oppenheimer's mining interests which led to the Afrikaans group gaining contol of General Mining.

Sanlam also partnered

tion in Satbel and Sanso (when Twentieth Century Fox's South African interests were bought) and struck up relationships with men like Loring Rattray in the Barens Shipbuilding venture.

Dr Anton Rupert's Rembrandt organisation had meanwhile started up independently in tobacco and liquor in Johannesburg, later moving its headquarters to the Cape.

Amazing

This group, in amazing fashion, soon began swallowing up major overseas companies like Rothmans, Ronson and others.

The third important development took place in Pretoria in 1934, when 39 people collected R1 026 to form an all-South African bank.

From that act of faith, Volkskas was born. Today it controls more than R2 900-million and last year formed merchant and industrial banking arms.

"When you have a nation

which is composed of the blood of successful business people like the Dutch, Germans, French and English, individuals with a flair for business are bound to emerge," is how Dr Muller sees the emergence of the Afrikaner entrepreneur.

Hence the emergence of Dr Wim de Villiers, Albert Wessels, Jan Pickard, Jan S. Marais, Louis Luyt, Jan de Necker and so on.

Less conspicuous, but often far more fascinating, has been the smaller business development. From backyard and kitchen operations, highly successful businesses have emerged.

For one such example, one need look no further than the remarkable growth of Simba Chips.

This huge business started in the kitchen of a homestead in the Eastern Cape town of Molteno.

There, Andre Greyvensteyn, with the help of his mother, used the kitchen oven to make the company's first product — boere-beskuit. Later he began selling potato crisps.

Today there is hardly a child in South Africa who hasn't had a taste of Simba chips. Today Simba is also in the hands of the Federale Group.

Not that the going has all been easy. The early Forties saw the ignominious collapse of the Kopersbond, a Spar-type buying organisation, with the disgrace of a few jail sentences thrown in.

Trouble

The mighty Sanlam itself was under attack in 1923, losing 60 per cent of its capital when an associated company, Vrystaatse Eksekuteurskamer, went under. Only timely help from the Standard Bank enabled it to survive the crisis.

More recently, the former Minister of Economic Affairs, Mr Jan Haak, lost his shirt on his Transterra mining business, and Trust Bank and Rand Bank ran into trouble.

But the forward momentum has not been lost and this week's Greatermans deal puts Afrikaner interests in the heart of the modern supermarket arena.

Because of the growing intermix of company shareholdings, the Afrikaner character in many enterprises is being slowly whittled away and replaced by

SUNDAY TRIBUNE, AUGUST 20, 1978

Machine tool barometer is 'rising'

(49)

By MADGE SWINDELLS

LOCAL INDUSTRY is showing heartening signs of a renewal of confidence. The fortunes of the machine tool industry are of particular interest to industrialists as this sector acts as a weathercock predicting economic trends to come.

Spokesman for the industry, Doug Sulin, sales director of Drury Wickman points out that after three years of recession sales are once again picking up.

"It's not exactly taking off like a rocket," he said, "but there's much more interest and we are budgeting on a 7,5 percent growth rate this year, which is not bad bearing in mind the price increases. We're looking forward to a good period of growth ahead."

These views were echoed by John Jennings, spokesman for the chain industry, who points out that there is an improvement in sales and although it's too early to give budget figures, he's looking forward to growth.

He adds that the recession helped the industry by cutting the previous cut-throat competition and making buyers far more discriminating.

"Now they buy rationally and take particular care of quality and service offered.

You usually get what you pay for," he said, "and previously buyers were going to less scrupulous agents who were selling inferior quality goods which broke down soon afterwards. The recession has educated the buyers into better buying habits."

Nedbank economists point out that although the rate of advance is still modest, the recovery is showing clear progress on three fronts: External debts have been reduced substantially, the rate of inflation has been lowered, and the level of employment has increased.

A number of industries, including cables, have gone off short-time, and are filling their order books.

The latest opinion survey report of the Stellenbosch Bureau for Economic Research states much of the recovery is based on private consumption expenditure. There is a sharp increase in new vehicles sales while expenditure on furniture and domestic appliances increased moderately.

The building industry, as reflected by plans passed, indicates a recovery from a low level. The strong demand being felt by retailers is already being reflected in increased manufacturing activity.

While the economic recovery was hampered until recently by the worsening of the crude trade position, this has been largely corrected by the increased gold price.

Best growth since the boom years

RDM 22/8/78

(49)

Financial Editor

THE ECONOMY WAS running at an annual real growth rate of 3,5% seasonally adjusted in the first half of this year — the best performance since the end of the 1973-74 boom.

This is disclosed today in the report of the Reserve Bank for the year to June 30.

The bank says, however, that the economic upturn was particularly influenced by a surge of consumer spending ahead of the introduction of general sales tax.

It comments: "Various economic indicators confirm that a moderate economic recovery occurred during the first half of 1978.

"In addition to the expansionary effect of the increase in exports and the net gold output, economic growth during this period originated in higher consumer spending.

"An increase in consumer spending was encouraged by an upward adjustment of salary and wage scales in the public and private sectors early in 1978 and the reduction of personal income tax announced in the Budget.

"Wholesale and retail sales at constant prices and especially sales of new motor vehicles reflected the increase in consumer spending and this increase in trade was accompanied by a rise in the volume of manufacturing production and in manufacturing sales.

"Towards the end of the year under review, however, increased sales also resulted from heavy consumer spending ahead of the introduction of a general sales tax on July 3.

"The higher level of sales lowered inventory levels and this raises the prospect that replenishment of inventories may contribute to further economic growth."

The Reserve Bank cautions: "Economic expansion continues to be constrained by the need to maintain firstly a surplus on the current account of the balance of payments and secondly a generally high level of interest rates aimed at discouraging an outflow of capital.

"Further limiting factors are still the existing high rate of inflation and its effect on real personal incomes and on the cost of new capital expenditure; the fact that the current utilisation of production capacity does not yet warrant any substantial new investment expenditure; and the slowdown in world trade which is expected to continue for some time."

For the 12 months to June 30 the real domestic product showed a small net decline.

The Reserve Bank says: "A stronger current account made it possible to accommodate a net outflow of capital during 1977-78 and also allowed repayments on foreign loans.

"Because of the improved current account the emphasis in economic policy could be shifted towards mild stimulation of the economy.

"As a result of the net outflow of capital, however, the balance of payments remained an important policy consideration."

THE ECONOMY

How strong the revival?

(49) FM 25/8/78

A substantial net outflow of capital of R1 064m, exceeding the surplus on the current account, was recorded in 1977/78 — Reserve Bank Annual Economic Report

There's the rub. While the economy is indeed moving again, it is still being blown off its course of maximum growth by the icy winds that blew in with the Soweto upheavals. Those winds have helped contribute to a steady and substantial drain of funds out of the country. And with such a drain to contend with, Pretoria has been unable — or unwilling — to do the things that are needed to push business back on to its long-term growth path.

Thus, despite growth of 3,5% in the June half-year, the Reserve Bank's Annual Economic Report notes that the growth rate for the full 12 months ended June 1978 was *minus* 0,25%.

The decline was due to decreases in manufacturing, construction, farming, and trade. Increases chalked up by mining and services were too small to offset these falls.

If one looks at the rate of increase in GDP at current prices, the fall was from 14% in 1976/77 to about 12% in 1977/78. The decrease was *entirely due* to a fall in the rate of increase of employee pay, from 14% in 1976/77 to 9% in 1977/78.

The report shows, however, that there has been some improvement in business conditions in the past six months or so. Declines in manufacturing and trade have been reversed. Unemployment is slowly falling. Consumer spending is rising. So is public sector investment.

Other areas covered by the report include:

- Demand. Growth in real gross domestic expenditure in the first half of 1978 was 4,5% (seasonally adjusted annual rate), compared with *minus* 2,5% in the second half of 1977. Increased private and government consumption spending offset continuing falls in real fixed and inventory investment. Private consumption expenditure increased substantially in durable goods markets — especially car purchases. Semi-durable goods sales fell off as a result, while non-durables held their own.

The biggest falls in fixed investment were in the SAR, private housing, mining, and manufacturing.

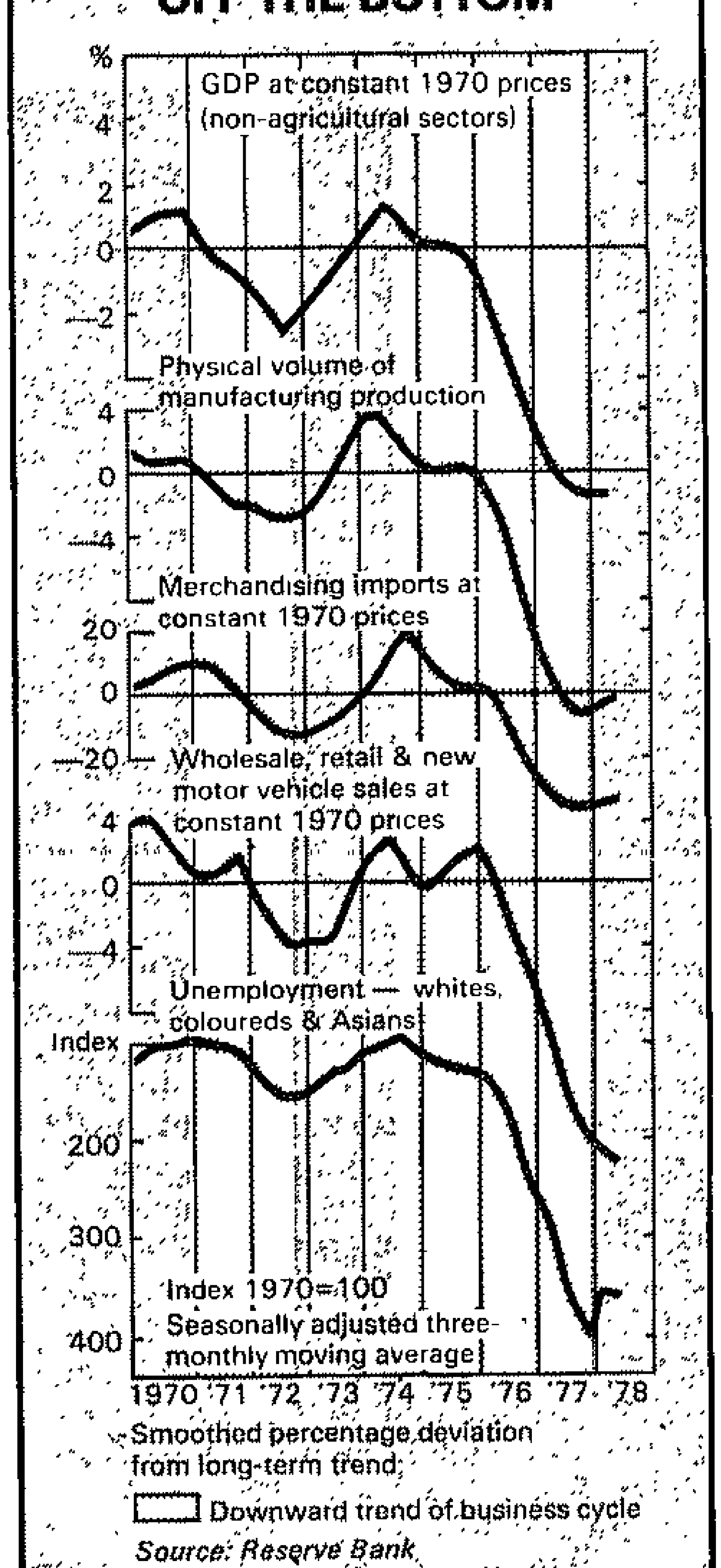
Inventories tumbled again. They have fallen now for 12 consecutive quarters. This means a boost to the upswing based on the replenishment of stocks may take place in the second half of 1978, says Church Square.

- Savings. For the first time in five years savings exceeded investment. Corporate savings and depreciation provisions rose, as did the current surplus of the government. Personal saving, in contrast, declined sharply (a reflection of lower wage increases and higher spending).
- Labour. Hours worked in manufacturing fell by 1,5% in the seven months to January 1978 (latest figures). Real pay per worker in the non-farm sectors fell by 1,5% in the nine months ended March 1978, after rising by 1% in the year to June 1977.

This means that white pay packets have fallen now for three years running. Black incomes increased marginally over the period (see table on next page).

- Prices. Lower labour, machinery, and material input costs resulted in a slightly lower rate of consumer price increase: 11,4% in 1976/77, 10% in 1977/78.

OFF THE BOTTOM



Source: Reserve Bank

There was a notable drop in the rate in the June quarter this year. The report was prepared before the news of the July jump in the consumer price index, which shows a year-on-year increase of 12,5%.

- Current account. This moved from a deficit of R353m in 1976/77 to a surplus of R984m in the year to June 30 1978. Merchandise exports rose 20%, chiefly because of volume increases, especially coal and iron ore. The value of gold exports rose by 31%.

Imports rose by 5,9% after falling by 5,7% in 1976/77. Imports of oil, ships, chemical products, and machinery and electrical machinery increased sharply. Drops were recorded in imports of textiles and defence equipment.

Net invisible payments rose due to higher transfers abroad of emigrants' funds, dividend payments, pay for migrant workers, and freight and insurance outlays.

- Capital account. The long-term capital account has moved into deficit and in the first half of 1978 a net outflow of R161m was recorded. The last time this happened was in 1964. Over the year as a whole the net long-term capital account was in the red to the tune of R2m.

"The inflow of long-term capital may ... continue to decline or even become negative until a new cyclical upswing is well under way," says the Reserve Bank.

The short-term capital account recorded a deficit of R1 062m. Political uncertainties were strongly emphasised by the Bank as a major factor underlying the weakness on capital account. Other normal economic factors — such as the cyclical downswing and the decline in foreign financing of imports — also played important roles.

- Foreign reserves. Revaluation of the gold reserves helped push up the gross gold and foreign exchange to R1 929m at the end of June. But if only balance of payments transactions are taken into account they declined by R80m.

The net reserves increased by R149m, if valuation adjustments and short-term borrowings to bolster the gross reserves are excluded. Over the previous two years there were drops of R514m and R808m respectively in the net reserves.

- Government finance. After a low rate of increase in 1976/77, government expenditure accelerated in 1977/78. Exchequer issues began to increase faster, especially in early 1978, going up by 15% over the year.

Exchequer receipts went up even more to R7 514m — a 16% increase. Gold mine income tax and lease payments gave exchequer receipts a big boost,

*POORER PAYPACKETS

	Year ended 30 June 1974	1975	1976	1977	†1978
Whites					
At current prices	11,6	15,9	9,6	10,6	7,0
At constant prices	1,7	1,6	—1,7	—0,7	—3,2
Non-Whites					
At current prices	18,1	27,7	17,6	14,6	10,8
At constant prices	7,7	11,9	5,5	2,9	0,4
All population groups					
At current prices	11,9	20,0	12,7	12,5	8,8
At constant prices	2,0	5,2	1,1	1,0	—1,5

** Percentage change in salaries and wages per worker in the non-agricultural sectors*
† Figures up to March 31 1978 compared with figures for the corresponding period of the preceding year

going up by 27% over the year after dropping 37% in 1976/77. Large increases in receipts from customs duties (mainly due to the 15% surcharge) and sales duties offset the small increase in excise duty receipts; and altogether these categories went up by 26%.

On the income tax front, detailed figures are not available. Excluding gold mines, receipts were up by 13%, compared with 10% in 1976/77. The available data suggests that company tax accounted for most of the increase.

The exchequer deficit of R2 089m was a record. The importance of the private non-banking sector increased as a source of finance. "No less than 79%, or R1 645m, of the deficit was financed by net borrowing from this sector, compared with 53% in 1976/77." Instead of using bank credit, the net indebtedness to the banking sector fell (by R44m) for the first time since 1972/73.

● Money supply. Money and near-money rose by 7% despite an 18% jump (seasonally adjusted annual rate) in the latest June quarter. In 1976/77 the rise was 6%.

So in real terms the money supply has been shrinking for two years. The question is whether the economic recovery can survive under such conditions.

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30. Do you think Coloured workers would help you to improve your work situation? Yes/No/Don't know

Why? ....

....

....

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31. How much do you think Management cares about you?

(1) Very much
(2) Quite a lot
(3) So-so
(4) Very little
(5) Not at all

What makes you say this? ....

....

....

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32. How well do you get on with your foreman?

(1) Very well
(2) Quite well
(3) So-so
(4) Very badly
(5) Not at all

What makes you say this? ....

....

....

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33. What race is the foreman? ....

SOUTH AFRICAN RESERVE BANK

FM 25/8/78 (49)

CHAIRMAN'S ADDRESS

Address by Dr. T. W. de Jongh, Governor of the South African Reserve Bank, at the Annual General Meeting of stockholders of the Bank on 22 August 1978

Gentlemen,

I have pleasure in formally presenting to you the Final Accounts of the Bank, as well as the Reports of the Board and the Auditors, for the year ended 31 March 1978.

I also submit to you the Bank's **Annual Economic Report**, which should be regarded as furnishing a background to my remarks today.

Survey of Economic Developments

As set out in the **Annual Economic Report**, the national accounts and other economic indicators show that domestic economic activity started to accelerate moderately from about the end of 1977. The downward phase of the business cycle, which lasted more than three years and was the longest in the postwar period, thus came to an end and the South African economy is now in the early stage of an upward phase. As this change took place approximately in the middle of the year under review, statistics relating to the relevant half-years are more meaningful than those for 1977/78 as a whole.

From the second half of 1977 to the first half of 1978 the real domestic product increased at an annual rate of approximately $3\frac{1}{2}$ per cent, in contrast to a decrease of about $\frac{1}{2}$ per cent during the second half of 1977 as compared with the first half of that year. For 1977/78 as a whole the real gross domestic product declined by $\frac{1}{4}$ per cent. The acceleration in economic activity during the first half of 1978 compared with the second half of 1977 may be ascribed especially to an increase at an annual rate of $7\frac{1}{2}$ per cent in the volume of manufacturing production and 2 per cent in wholesale and retail sales, including new motor vehicles sold. These increases may be compared with decreases of 4 and 6 per cent respectively in the preceding half-year. The real value added of the gold mining and services sectors accelerated slightly, while activity in the non-gold mining and construction sectors decreased compared with the preceding half-year.

The revival in economic activity was caused by higher export volumes and a rise in real domestic expenditure. Thus the latter increased from the second half of 1977 to the first half of 1978 at an annual rate of $4\frac{1}{2}$ per cent, compared with a decline of $2\frac{1}{2}$ per cent from the first to the second half of 1977. This change was the result of higher private and government consumption expenditure, whereas fixed and inventory investment showed further declines. The increase in private consumption expenditure accelerated from 2 to 4 per cent during the two half-years, and the increase in consumption expenditure by general government from 5 to 6 per cent. In the case of private consumption expenditure, the increases could be ascribed primarily to higher expenditure on durable goods, especially motor vehicles, but also furniture and household equipment. Although the introduction of the general sales tax on 3 July 1978 led to considerable advance purchases in the second quarter of 1978, a revival in consumer expenditure was already noticeable earlier in the year. The real strength of the upswing in consumer expenditure can, however, only be gauged when statistics for the third quarter of 1978 become available.

The increase in consumer expenditure contributed to a small rise in capacity utilisation in manufacturing, namely from 83,2 per cent in the fourth quarter of 1977 to 84,0 per cent in the first quarter of 1978. Unused capacity remains high, however, and represents an important factor which retards new fixed investment. Higher investment can play an important part in the reduction of the sustained high unemployment. The registered number of unemployed Whites, Coloureds and Asians reached a peak of 34 600 in December 1977 and then decreased slightly to 31 200 in June 1978. Unemployed Blacks numbered 633 000 in October 1977 according to the first survey of the Department of Statistics, and then declined to 569 000 in February 1978.

The rate of increase in the monthly average of the consumer price index declined from 11,4 per cent in 1976/77 to 10,0 per cent in 1977/78, notwithstanding considerable upward adjustments in administered prices. In the course of the past year there was also a slow-down in the rate of increase. Thus the annual rate of increase in the seasonally adjusted consumer price index declined from 10,6 per cent in the second quarter of 1977 to 8,3 per cent in the last quarter of 1977 and, after an increase to 9,1 per cent in the first quarter of 1978,

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decreased further to 5,1 per cent in the second quarter of 1978. The reasons for this slow-down in the increase in consumer prices will be referred to later. Similar tendencies can be observed in wholesale prices, where the rate of increase in the monthly average wholesale price index declined from 14,8 per cent in 1976/77 to 10,5 per cent in 1977/78. The seasonally adjusted annual rate of increase in the third and fourth quarters of 1977 amounted to 6,9 and 6,5 per cent respectively and, after an acceleration to 13,8 per cent in the first quarter of 1978, decreased again to 9,6 per cent in the second quarter of 1978.

Regarding the balance of payments, I pointed out last year already that the current account had improved noticeably during the preceding two years from a large to a relatively small deficit. During 1977/78 the current account improved further and changed into a surplus of R984 million, compared with deficits of R353 million in 1976/77 and R1 996 million in 1975/76. As percentage of the gross domestic product, the current account improved from a deficit of 7,2 per cent in 1975/76 to a surplus of 2,7 per cent in 1977/78. This favourable development was caused by a decline in the volume of imports, an increase in the volume of exports and a slight improvement in the terms of trade. The last-mentioned was caused by a sharp rise in the price of gold and a decline in the rate of increase in import prices. These volume and price changes resulted in considerable increases in the value of exports and net gold output, which together considerably exceeded the slight increase in the value of imports. The value of exports increased in fact by 20 per cent to R6 795 million and that of net gold output by 31 per cent to R31 218 million, whereas the value of merchandise imports rose by only 5,9 per cent to R7 360 million. Net invisible payments to foreign countries showed only a small increase.

Regarding the capital account of the balance of payments, a net inflow of capital of R1 664 million in 1975/76 and R33 million in 1976/77 changed into a net outflow of R1 064 million in 1977/78. The bulk of the capital outflow consisted of short-term capital, of which R229 million represented the repayment of foreign loans which had been negotiated earlier to bolster the foreign exchange reserves. The size of the net capital outflow, which also includes unrecorded transactions, was related to the decrease in foreign financing of imports as well as political developments in Southern Africa. The increase in the value of imports during the second quarter of 1978 coincided with a considerable decline in the outflow of private capital. This decline occurred notwithstanding the possibility of a switch of trade financing from foreign to domestic sources, as the effective cost of financing trade from abroad had become more expensive relatively to domestic financing. Thus the total effective cost of financing by means of bank acceptances, which are mostly used for this type of financing, declined in South Africa from 11,5 per cent in April 1977 to 10,5 per cent in June 1978, whereas the corresponding cost in the U.S.A. increased from 8,4 to 12,6 per cent. In other words, the difference changed from 3,1 percentage points lower in the U.S.A. in April 1977 to 2,1 higher in June 1978. I shall refer to this matter again later.

The net result of the surplus on the current account and the outflow of capital on the gold and other foreign reserves during 1977/78 was a decrease of R80 million, compared with a decline of R320 million in 1976/77. The revaluation of the Reserve Bank's gold holdings at a market related price since April 1978 caused the gross gold and other foreign reserves to increase during 1977/78 by R1 056 million to R1 929 million at the end of June 1978. If all valuation adjustments are excluded and the outstanding amount of short-term loans which were negotiated to bolster the reserves is deducted, the net gold and other foreign reserves increased by R149 million in 1977/78, compared with declines of R514 million in 1976/77 and R808 million in 1975/76.

Regarding money and banking, the restrictive monetary policy caused monetary aggregates such as the quantity of money and bank credit to increase only moderately during 1977/78. The quantity of money and near-money rose by 7 per cent during 1977/78, after it had increased by only 6 per cent during the preceding year. These increases were considerably lower than the average increase of 19 per cent during the three years which preceded the year 1976/77. The main reason for the low increase in the quantity of money and near-money during 1977/78 was the big accretion of R690 million, or 28 per cent, to long-term deposits of the private sector with the banking sector. A decline of R463 million in the net claims of the banking sector on the government also helped to restrain the growth rate of the quantity of money. Bank credit to the private sector increased by R1 108 million, or 12 per cent, and this brought the increase in total domestic credit extension to only 5 per cent.

During the second quarter of 1978 the growth rate of the quantity of money and near-money accelerated, however, to a seasonally adjusted annual rate of 18 per cent. This acceleration was accompanied by an increase in bank credit to the private sector, which was largely related to the higher demand for consumer credit. The sharp increase in bank credit in May and June 1978 may be partly ascribed to excessive credit purchases of goods before the introduction of the general sales tax on 3 July 1978. Preliminary statistics indicate that the discounts, loans and advances of the five big banking groups, excluding credit to the Land Bank, declined during July 1978.

Other features of the monetary situation during 1977/78 were the sustained low levels of surplus liquid assets of the banks and a continuation of the declining trend of short-term interest rates. The Reserve Bank sold government stock during the year under review and thus caused the declining tendency in interest rates to proceed in an orderly fashion.

The capital market was characterised during 1977/78 by an increased supply of funds as a result of higher domestic saving. Although there was a big demand for long-term funds in the public sector, the low level of demand for investment capital by the private sector contributed to a decline in yields on fixed-interest securities. Savings institutions also experienced an increased inflow of funds. Furthermore, turnover and prices rose on the stock exchange, but activity in mortgage and property markets remained at low levels.

Current Economic Conditions and Short-term Prospects

The moderate acceleration in domestic economic activity since the end of 1977, as reflected in the foregoing summary survey, is to be welcomed. This economic revival resulted from a considerable increase in exports, net gold output and private as well as government consumption expenditure. Overseas economic developments will obviously exercise an important influence on the further course of South Africa's exports. The fact that the economic growth rates of South Africa's major trading partners are expected to flatten out during 1978 and 1979, raises the prospect that South Africa's exports will probably not show such a high rate of increase as in the preceding two years. Active efforts will therefore have to be maintained by the authorities as well as the private sector to promote exports and keep them at the highest possible level.

The other factor which is currently

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affecting domestic incomes favourably, namely the increased net gold output as a result of the higher price of gold, can obviously show substantial fluctuations over the short term, but over the medium term the outlook appears promising. It is of the utmost importance, however, that income and balance of payments benefits which derive from the rise in the gold price, should be employed in such a way that inflation is not kindled.

It is difficult to judge the strength of the increased domestic demand caused by the rising private and government consumption expenditure, because appreciable advance purchases of especially consumer durables occurred in the second quarter of 1978 due to the introduction of the general sales tax on 3 July 1978. The decline in inventories to relatively low levels indicates the possibility that stocks could be replenished, whereby higher domestic demand would be created. However, it could not be expected at this stage that domestic demand would be appreciably increased by higher private investment in manufacturing, because a substantial measure of surplus capacity still exists. The policy which has been adopted of mildly stimulating the economy will, however, result in increases in government expenditure on selected projects such as housing for Blacks, Coloureds and Asians.

The increase in real domestic expenditure during the first half of 1978 was reflected, as normally during a revival, in a rise in the volume of imports. The volume of exports and net gold output also increased so that a surplus on the current account of the balance of payments could still be maintained, but the surplus in the second quarter of 1978 was somewhat smaller than in the first quarter. The well-known concurrence in the movement of domestic expenditure and imports indicates that an excessive acceleration in expenditure could cause imports to increase so rapidly that exports and net gold output might not sufficiently compensate therefor with the result that the current account of the balance of payments would unavoidably deteriorate.

The capital account of the balance of payments remains one of the most important bottlenecks in the economy, although the net outflow of capital was smaller in the second quarter of 1978 than in the first quarter. This decline in the net outflow of capital is related to possibly higher foreign trade credits to finance the increases in imports and exports, and also additional suppliers' credits and project financing. As long as the net outflow of capital continues, the authorities will have to ensure that a surplus is maintained on the current account and the difference between the cost of trade financing from foreign and domestic sources will have to be watched not to prompt importers and exporters to pay off their foreign credits or replace them with domestic credit.

The improvement in the balance of payments was also reflected in the rise in the net gold and other foreign reserves from the fourth quarter of 1977. This increase was moderate, however, and if the relatively small cash component of the reserves and the size of the short-term foreign debt is taken into account, it is clear that the net and gross reserves will have to be built up still more. In this regard, it is important to note that, although the gold holding of the Reserve Bank has been increased by a substantial amount in the Bank's books as a result of its revaluation at a market-related price, it did not increase the cash component of the reserves nor facilitate the sale of gold on the market.

Regarding monetary conditions, success has been achieved in keeping the situation under control, and the quantity of money and bank credit increased only moderately during the year. In the second quarter of 1978 the increase in the quantity of money and near-money and in bank credit to the private sector accelerated sharply, largely as a result of credit extended to finance the purchase of goods before the introduction of the general sales tax on 3 July 1978. It can not be expected, however, that this accelerated increase will be maintained.

Interest rates on the money market as well as the capital market showed declining trends during the past year. The open market operations carried out by the Reserve Bank in the recent past by selling government stock in the market, contributed to orderly conditions in the money and capital markets and prevented short-term interest rates from falling too rapidly. The relative stability in the Treasury bill tender rate also helped to retard the decline in short-term interest rates. An orderly decline in short and long-term interest rates, which does not impair the capital account of the balance of payments, is manifestly conducive to economic growth and therefore to a reduction in unemployment, which still remains too high.

Another favourable development was the reduction in the rate of increase in prices. Notwithstanding appreciable increases in a number of administered prices in the first half of 1978, the rate of increase in the consumer price index accelerated only slightly in the first quarter of 1978, and then slowed down considerably in the second quarter. The slower increase during the past year indicates that the underlying causes of inflation are being combated with success. I am thinking especially of the slower rate of increase in the quantity of money during the past two years and the more moderate rise in labour costs per unit of production. There are special reasons for the appreciable decline in the rate of increase in prices during the second quarter, such as the reductions in sales duty and in the import surcharge which were announced in the Budget, and also the sharp competition between merchants to push up their sales prior to the introduction of the general sales tax on 3 July 1978. This tax was partly responsible for the increase in the consumer price index in July. On the whole the rate of inflation remains high, and it should continue to be an objective of policy to bring the rate down further.

Policy Measures

During the year under review, it has been found necessary to adapt the economic policy approach to the changes in economic conditions which are set out above. By applying a restrictive fiscal and monetary policy, considerable progress has been made during the past two years to achieve the more immediate policy objectives, namely the strengthening of the balance of payments and the combating of inflation with the least possible detriment to economic growth. The current account of the balance of payments has improved dramatically, the expansion in the quantity of money and bank credit has been brought under control, government expenditure has been pruned and the Exchequer deficit could be financed in a non-inflationary manner, interest rates have begun to decline, the domestic capital market has eased to such an extent that the large borrowing requirements of the public sector could be satisfied, and the rate of increase in prices has declined although the level still remains high. Thus far the recovery in the domestic economy has been slow to gain momentum, although there is evidence of a mild revival. Unemployment is still at a high level and the capital account of the balance of payments remains a bottleneck. Towards the end of 1977 the authorities felt that a further deflation of the economy would not improve the balance of payments appreciably nor reduce the rate of inflation significantly, but would only undermine economic growth and thus aggravate the already high unemployment.

In August last year the Reserve Bank announced a slight relaxation in the credit ceilings, and in November

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the authorities took further steps to stimulate selectively those sectors which had been most affected by the recessionary conditions. Continued monetary discipline was stressed as a key to the general economic strategy and the following measures for selective stimulation of the economy were announced: Firstly, an additional amount of R250 million was made available for expenditure on low-cost housing for Blacks, Coloureds and Asians during the period November 1977 to March 1980. Secondly, the periods allowed for hire-purchase payments on passenger and commercial vehicles, respectively, were increased from 30 to 36 months and 24 to 30 months. Thirdly, the implementation of the fifth phase of the local content programme for the manufacture of motor vehicles was postponed for one year to 1 January 1980. Lastly, it was decided that export promotion would still be stressed as part of official short-term policy, while the private sector should be encouraged to shift demand from imported to locally produced goods.

A further shift in the emphasis of economic policy was announced by the Minister of Finance in March 1978 in the Budget. An important objective of the Budget was to assign priority to higher economic growth and to stimulate the economy mildly over a broad front while retaining financial discipline. To achieve this general objective, specific government expenditures which should not increase the country's imports to a significant extent, were increased moderately, and domestic demand was further stimulated by a reduction in income-tax on persons and companies, a lowering of sales duty and the import surcharge, and the early repayment of loan levies. Furthermore, the financing of the Exchequer deficit was planned in such a way that it would make a modest increase to the quantity of money. Export promotion again received attention by a further improvement in promotion measures and the provision of more funds for this purpose. The importance of a shift in demand from imported to locally produced goods and services was stressed yet again in the Budget.

In accordance with this mildly expansionist policy approach, monetary policy was also relaxed in May 1978. The ceilings on bank credit to the private sector were raised by 4 per cent of the base figures as at 31 December 1975, and an increase was announced in the circumscribed credit extension to the private sector which a banking institution may not exceed without becoming subject to the ceiling requirements.

The restrictive monetary and fiscal policy, which had been stringently applied since the end of 1975, was therefore replaced during the past year by a policy of moderate stimulation of the domestic economy. The sluggishness in economic conditions in most of the industrialised countries with which South Africa trades, and the weakness of the capital account of the balance of payments, impels us to act cautiously in stimulating the economy. We cannot afford to nullify the great success which has been achieved by our economic policy during the past two years.

As pointed out earlier, the domestic economy already shows clear signs of accelerating. An over-rapid revival would quickly cause balance of payments problems again, and excessive monetary stimulation would undoubtedly kindle inflationary pressures at this stage. It is therefore desirable that the general stimulation of the economy should continue to be of modest proportions and should be circumspectly applied, because the biggest advantage would thus be reaped from the present healthy basis for growth and expansion.

As already mentioned, the ceilings which apply to banking institutions' credit extension to the private sector were raised further in May 1978, and bank credit to the private sector accordingly increased sharply during the recent past. Although it is acknowledged that the introduction of the general sales tax on 3 July 1978 had an important influence on the provision of bank credit, the increase at an annual rate of 21 per cent during the first half of 1978 compared with the second half of 1977 in the extension of bank credit to the private sector, is exceptionally high, even against the background of a general stimulation of the economy. Notwithstanding this increase, the banks taken together still have considerable scope under the ceilings for further credit extension to the private sector. The bank credit outstanding to the agricultural sector should now decline seasonally, and the $\frac{1}{2}$ per cent increase per month in the ceilings provides additional scope for credit expansion. Accordingly, it is not regarded as desirable or necessary to grant any special further increase in the credit ceilings at this stage.

The position will naturally be kept under continuous surveillance, and if justified, credit policy will be adapted to a sound expansion of the domestic economy. In this connection it is of the utmost importance that the authorities must ensure that net bank credit to the government is so regulated that it leaves the necessary room for the expansion of credit to the private sector without causing the quantity of money and near-money to start rising excessively again.

The problems encountered by the banking sector during 1976/77, made heavy demands on especially the smaller banking institutions, but measures taken by the authorities contributed to the successful handling thereof. A considerable number of the smaller institutions have been absorbed by the larger groups during the past year, and the rationalisation in the banking industry has brought more stability. It is felt, however, that the present prescriptions regarding liquid asset ratios are impeding the growth of the smaller banks, and in this connection the existing supplementary requirements that all banking institutions must keep 10 per cent of the increase in their medium-term liabilities since 30 September 1975 in liquid assets, is especially of importance. At the same time, the existing total requirement of 30 per cent in respect of all medium-term liabilities of the commercial banks, and 29 per cent of these liabilities of all other banking institutions, places a relatively heavy burden on the smaller banking institutions which obtain their funds mainly in the form of medium- and long-term deposits. It is accordingly regarded as necessary to effect an adjustment in the liquid asset requirements which would be aimed at extending relief to the smaller banking institutions.

In the existing directives regarding supplementary liquid asset requirements, a distinction is made between commercial banks and other banking institutions. The requirements for commercial banks are slightly higher than those for other banks. Amendments which were introduced to the Banks Act in 1976, enable the Reserve Bank to divide banking institutions, depending on circumstances, into groups on a basis other than that in the Banks Act. Under present conditions it is more meaningful to distinguish between **big** and **smaller** banking institutions for the purposes of liquid asset requirements. With this in view, banking institutions of which the total assets as reported in the latest preceding quarterly statement exceed R800 million, are now classified as **big** banking institutions, and all others as **smaller** banking institutions.

For the big banking institutions the liquid asset requirements against their short-term liabilities remain the same as those which now apply to commercial banks, that is, the big banks will have to keep the basic requirement of 30 per cent plus a supplementary requirement of 25 per cent against their short-term liabilities in the form of liquid assets, and also the further

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supplementary requirement of 20 per cent of the increase in their short-term liabilities since 30 September 1975. In order to enable the big banks to shift more funds to assets yielding a higher return, a small concession is granted to them in respect of medium-term liabilities. These banks will still have to meet the basic requirements of 20 per cent plus the supplementary requirement of 10 per cent against their total medium-term liabilities, but as from the date of certification of their monthly returns for 31 August 1978, the requirement of 10 per cent in respect of the increase in the big banks' medium-term liabilities since 30 September 1975, is reduced to 8 per cent.

For the smaller banks the same requirements regarding short-term liabilities as currently applicable to non-commercial banks, will apply. These banks will therefore have to meet the basic requirement of 30 per cent plus a supplementary requirement of 20 per cent against their short-term liabilities, and also the required 20 per cent of any increase therein since September 1975. For the smaller commercial banks it means that the supplementary requirement against their short-term liabilities is reduced from 25 to 20 per cent from the date of certification of their monthly returns for 31 August 1975. In order to enable the smaller banking institutions to compete more effectively for medium-term deposits, the liquid asset requirements which now apply in respect of medium-term liabilities for non-commercial banks, are eased slightly for the new group of smaller banks. The smaller banks must, as from the date of certification of their monthly returns for 31 August 1978, meet the basic requirement of 20 per cent against their medium-term liabilities plus a supplementary requirement of only 7 per cent against the 10 per cent for commercial banks and the 9 per cent for other banks as currently required. At the same time the required 10 per cent which all banks must keep against the increase in their medium-term liabilities since 30 September 1975, is abolished for the smaller banking institutions.

Regarding interest rates, the dangers have already been pointed out which an excessive decline in local short-term interest rates may imply for the balance of payments in circumstances when comparable interest rates abroad are rising. At the same time it fits into the general policy of stimulating the domestic economy that interest rates should decline locally. While the authorities therefore acquiesce in the declines which have already taken place in short and long-term interest rates, local conditions also require a circumspect approach in this connection, and signs of important shifts of especially short-term trade financing from foreign to domestic sources will have to be monitored carefully. How big the difference should be between foreign and South African interest rates before importers and exporters would switch from foreign to domestic financing, is uncertain, but there are several factors which should discourage such switching in the current set-up, for example: (1) well-established foreign credit lines are not readily relinquished normally as it might not be certain that this credit will again be available in future, especially if viewed in the light of the current political situation in Southern Africa; (2) short-term interest rates fluctuate considerably in any case and it would not be certain whether a switch at present would be profitable in the long run; and (3) South African companies which are controlled from abroad are subject to restrictions regarding the extent to which they may borrow locally.

In the circimstances the Reserve Bank has decided, after the usual consultation with the Treasury, to lower Bank Rate by ½ per cent to 8½ per cent as from today. It is expected of the clearing banks that they will make a downward adjustment in their prime overdraft rate which now stands at 12½ per cent. Consultations will be conducted with them shortly in this connection.

Concluding Remarks

The course of the gold price in the recent past contributes to the view that we should not be too hasty at this stage with excessive additional stimulation of the economy. It was, of course, especially in the immediate past, only the U.S.A. dollar price of gold which mainly increased, while the gold price either remained stable or even declined in some cases in terms of the stronger currencies such as the Swiss franc, the German mark and the Japanese yen. South Africa therefore does not receive the full advantage in the balance of payments of the rise in the dollar price of gold, because a large part of the dollars which accrues from gold sales, has to be converted into other currencies to pay for South Africa's imports from those countries.

As the exchange rate of the rand against the U.S.A. dollar has remained at the same level since September 1975, the rand price of gold has increased with the dollar price. This means, of course, that the revenue of the South African gold mines has also increased, which gives a direct stimulation to the domestic economy.

After the authorities had to deny only a few months ago rumours of a devaluation of the rand, the relatively sharp depreciation of the dollar on the foreign exchanges of the world during the past few weeks has given rise to speculation about a possible revaluation of the rand, or even a severance of the rand from the fixed exchange rate with the dollar. It must be pointed out, however, that it is extremely difficult for a country such as South Africa on its own to bring about stability in the value of its currency against those of other countries in a world of fluctuating exchange rates. The policy of linking to the dollar and maintaining the rand-dollar exchange rate constant for relatively long periods, has meant that the value of the rand has remained constant against the currency of at least one of its most important trading partners, and has provided a remarkable degree of stability to the external value of the rand over the past three years as a whole. Immediately after the devaluation of 17,9 per cent on 22 September 1975, the weighted average value of the rand depreciated slightly further against its most important trading partners, but appreciated gradually, again thereafter until October 1976. At that stage the weighted average value of the rand against the most important other currencies was 7,8 per cent higher than in October 1975. Since then the rand has depreciated again gradually so that it is currently only about 1 per cent lower than the weighted average value in September 1975.

The substitution of the fixed parity system which applied under the Bretton Woods Agreement, with a system of floating exchange rates has not exactly proved to be a success. It has created more uncertainty on the foreign exchange markets and has definitely contributed to the lack of investment which is generally experienced. In addition the uncertainty has been aggravated by the fact that the currencies in question have not been allowed to float freely in most countries, because so-called managed floating, which is sometimes also labelled "dirty" floating, has been applied. South Africa will, of course, welcome a return to more stability in exchange rates. Under the prevailing system of fluctuating exchange rates, particular responsibility rests with the authorities to ensure that an exchange rate policy is followed which is compatible with the present policy of mild stimulation of the domestic economy without aggravating the inflation and balance of payments problems.

SOUTH AFRICAN RESERVE BANK

CHAIRMAN'S ADDRESS

Address by Dr. T. W. de Jongh, Governor of the South African Reserve Bank, at the Annual General Meeting of Stockholders of the Bank on 22nd August, 1978

Gentlemen,

I have pleasure in formally presenting to you the Final Accounts of the Bank, as well as the Reports of the Board and the Auditors, for the year ended 31 March 1978.

I also submit to you the Bank's **Annual Economic Report**, which should be regarded as furnishing a background to my remarks today.

Survey of Economic Developments

As set out in the **Annual Economic Report**, the national accounts and other economic indicators show that domestic economic activity started to accelerate moderately from about the end of 1977. The downward phase of the business cycle, which lasted more than three years and was the longest in the postwar period, thus came to an end and the South African economy is now in the early stage of an upward phase. As this change took place approximately in the middle of the year under review, statistics relating to the relevant half-years are more meaningful than those for 1977/78 as a whole.

From the second half of 1977 to the first half of 1978 the real domestic product increased at an annual rate of approximately 3½ per cent, in contrast to a decrease of about ½ per cent during the second half of 1977 as compared with the first half of that year. For 1977/78 as a whole the real gross domestic product declined by ¼ per cent. The acceleration in economic activity during the first half of 1978 compared with the second half of 1977 may be ascribed especially to an increase at an annual rate of 7½ per cent in the volume of manufacturing production and 2 per cent in wholesale and retail sales, including new motor vehicles sold. These increases may be compared with decreases of 4 and 6 per cent respectively in the preceding half-year. The real value added of the gold mining and services sectors accelerated slightly, while activity in the non-gold mining and construction sectors decreased compared with the [illegible] the price of gold and a decline in the rate of increase in import prices. These volume and price changes resulted in considerable increases in the value of exports and net gold output, which together considerably exceeded the slight increase in the value of imports. The value of exports increased in fact by 20 per cent to R6 795-million and that of net gold output by 31 per cent to R3 218-million, whereas the value of merchandise imports rose by only 5,9 per cent to R7 360-million. Net invisible payments to foreign countries showed only a small increase.

Regarding the capital account of the balance of payments, a net inflow of capital of R1 664-million in 1975/76 and R33-million in 1976/77 changed into a net outflow of R1 064-million in 1977/78. The bulk of the capital outflow consisted of short-term capital, of which R229-million represented the repayment of foreign loans which had been negotiated earlier to bolster the foreign exchange reserves. The size of the net capital outflow, which also includes unrecorded transactions, was related to the decrease in foreign financing of imports as well as political developments in Southern Africa. The increase in the value of imports during the second quarter of 1978 coincided with a considerable decline in the outflow of private capital. This decline occurred notwithstanding the possibility of a switch of trade financing from foreign to domestic sources, as the effective cost of financing trade from abroad had become more expensive relatively to domestic financing. Thus the total effective cost of financing by means of bank acceptances, which are mostly used for this type of financing, declined in South Africa from 11,5 per cent in April 1977 to 10,5 per cent in June 1978, whereas the corresponding cost in the USA increased from 8,4 to 12,6 per cent. In other words, the difference changed from 3,1 percentage points lower in the USA in April 1977 to 2,1 higher in June 1978. I shall refer to this matter again later.

The net result of the surplus on the current account and the outflow of capital on the gold and othe[illegible]

the further course of South Africa's exports. The fact that the economic growth rates of South Africa's major trading partners are expected to flatten out during 1978 and 1979, raises the prospect that South Africa's exports will probably not show such a high rate of increase as in the preceding two years. Active efforts will therefore have to be maintained by the authorities as well as the private sector to promote exports and keep them at the highest possible level.

The other factor which is currently affecting domestic incomes favourably, namely the increased net gold output as a result of the higher price of gold, can obviously show substantial fluctuations over the short term, but over the medium term the outlook appears promising. It is of the utmost importance, however, that income and balance of payments benefits which derive from the rise in the gold price, should be employed in such a way that inflation is not kindled.

It is difficult to judge the strength of the increased domestic demand caused by the rising private and government consumption expenditure, because appreciable advance purchases of especially consumer durables occurred in the second quarter of 1978 due to the introduction of the general sales tax on 3 July 1978. The decline in inventories to relatively low levels indicates the possibility that stocks could be replenished, whereby higher domestic demand would be created. However, it could not be expected at this stage that domestic demand would be appreciably increased by higher private investment in manufacturing, because a substantial measure of surplus capacity still exists. The policy which has been adopted of mildly stimulating the economy will, however, result in increases in government expenditure on selected projects such as housing for Blacks, Coloureds and Asians.

The increase in real domestic expenditure during the first half of 1978 was reflected, as normally during a revival, in a rise in the volume of imports. The volume of exports anc[illegible]

crease in the quantity of money during the past two years and the more moderate rise in labour costs per unit of production. There are special reasons for the appreciable decline in the rate of increase in prices during the second quarter, such as the reductions in sales duty and in the import surcharge which were announced in the Budget, and also the sharp competition between merchants to push up their sales prior to the introduction of the general sales tax on 3 July 1978. This tax was partly responsible for the increase in the consumer price index in July. On the whole the rate of inflation remains high, and it should continue to be an objective of policy to bring the rate down further.

Policy Measures

During the year under review, it has been found necessary to adapt the economic policy approach to the changes in economic conditions which are set out above. By applying a restrictive fiscal and monetary policy, considerable progress has been made during the past two years to achieve the more immediate policy objectives, namely the strengthening of the balance of payments and the combating of inflation with the least possible detriment to economic growth. The current account of the balance of payments has improved dramatically, the expansion in the quantity of money and bank credit has been brought under control, government expenditure has been pruned and the Exchequer deficit could be financed in a non-inflationary manner, interest rates have begun to decline, the domestic capital market has eased to such an extent that the large borrowing requirements of the public sector could be satisfied, and the rate of increase in prices has declined although the level still remains high. Thus far the recovery in the domestic economy has been slow to gain momentum, although there is evidence of a mild revival. Unemployment is still at a high level and the capital account of the balance of payments remains a bottleneck. Towards the end of 1977 the authorities felt that a further defla[illegible]

thus be reaped from the present healthy basis for growth and expansion.

As already mentioned, the ceilings which apply to banking institutions' credit extension to the private sector were raised further in May 1978, and bank credit to the private sector accordingly increased sharply during the recent past. Although it is acknowledged that the introduction of the general sales tax on 3 July 1978 had an important influence on the provision of bank credit, the increase at an annual rate of 21 per cent during the first half of 1978 compared with the second half of 1977 in the extension of bank credit to the private sector, is exceptionally high, even against the background of a general stimulation of the economy. Notwithstanding this increase, the banks taken together still have considerable scope under the ceilings for further credit extension to the private sector. The bank credit outstanding to the agricultural sector should now decline seasonally, and the ½ per cent increase per month in the ceilings provides additional scope for credit expansion. Accordingly, it is not regarded as desirable or necessary to grant any special further increase in the credit ceilings at this stage.

The position will naturally be kept under continuous surveillance and, if justified, credit policy will be adapted to a sound expansion of the domestic economy. In this connection it is of the utmost importance that the authorities must ensure that net bank credit to the government is so regulated that it leaves the necessary room for the expansion of credit to the private sector without causing the quantity of money and near-money to start rising excessively again.

The problems encountered by the banking sector during 1976/77, made heavy demands on especially the smaller banking institutions, but measures taken by the authorities contributed to the successful handling thereof. A considerable number of the smaller institutions have been absorbed by the larger groups during the past year, and the rationalisation in the banking industry

other banks as currently required. At the same time the required 10 per cent which all banks must keep against the increase in their medium-term liabilities since 30 September, 1975, is abolished for the smaller banking institutions.

Regarding interest rates, the dangers have already been pointed out which an excessive decline in local short-term interest rates may imply for the balance of payments in circumstances when comparable interest rates abroad are rising. At the same time it fits into the general policy of stimulating the domestic economy that interest rates should decline locally. While the authorities therefore acquiesce in the declines which have already taken place in short and long-term interest rates, local conditions also require a circumspect approach in this connection, and the signs of important shifts of especially short-term trade financing from foreign to domestic sources will have to be monitored carefully. How big the difference should be between foreign and South African interest rates before importers and exporters would switch from foreign to domestic financing, is uncertain, but there are several factors which should discourage such switching in the current set-up, for example:

(1) well-established foreign credit lines are not readily relinquished normally as it might not be certain that this credit will again be available in future, especially if viewed in the light of the current political situation in Southern Africa;

(2) short-term interest rates fluctuate considerably in any case and it would not be certain whether a switch at present would be profitable in the long run; and

(3) South African companies which are controlled from abroad are subject to restrictions regarding the extent to which they may borrow locally.

In the circumstances the Reserve Bank has decided, after the usual consultation with the Treasury, to lower Bank Rate by ½ per cent to [illegible]

The revival in economic activity was caused by higher export volumes and a rise in real domestic expenditure. Thus the latter increased from the second half of 1977 to the first half of 1978 at an annual rate of 4½ per cent, compared with a decline of 2½ per cent from the first to the second half of 1977. This change was the result of higher private and government consumption expenditure, whereas fixed and inventory investment showed further declines. The increase in private consumption expenditure accelerated from 2 to 4 per cent during the two half-years, and the increase in consumption expenditure by general government from 5 to 6 per cent. In the case of private consumption expenditure, the increases could be ascribed primarily to higher expenditure on durable goods, especially motor vehicles, but also furniture and household equipment. Although the introduction of the general sales tax on 3 July 1978 led to considerable advance purchases in the second quarter of 1978, a revival in consumer expenditure was already noticeable earlier in the year. The real strength of the upswing in consumer expenditure can, however, only be gauged when statistics for the third quarter of 1978 become available.

The increase in consumer expenditure contributed to a small rise in capacity utilisation in manufacturing, namely from 83,2 per cent in the fourth quarter of 1977 to 84,0 per cent in the first quarter of 1978. Unused capacity remains high, however, and represents an important factor which retards new fixed investment. Higher investment can play an important part in the reduction of the sustained high unemployment. The registered number of unemployed Whites, Coloureds and Asians reached a peak of 34 600 in December 1977 and then decreased slightly to 31 200 in June 1978. Unemployed Blacks numbered 633 000 in October 1977 according to the first survey of the Department of Statistics, and then declined to 569 000 in February 1978.

The rate of increase in the monthly average of the consumer price index declined from 11,4 per cent in 1976/77 to 10,0 per cent in 1977/78, notwithstanding considerable upward adjustments in administered prices. In the course of the past year there was also a slowdown in the rate of increase. Thus the annual rate of increase in the seasonally adjusted consumer price index declined from 10,6 per cent in the second quarter of 1977 to 8,3 per cent in the last quarter of 1977 and, after an increase to 9,1 per cent in the first quarter of 1978, decreased further to 5,1 per cent in the second quarter of 1978. The reasons for this slowdown in the increase in consumer prices will be referred to later. Similar tendencies can be observed in wholesale prices, where the rate of increase in the monthly average wholeslae price index declined from 14,8 per cent in 1976/77 to 10,5 per cent in 1977/78. The seasonally adjusted annual rate of increase in the third and fourth quarters of 1977 amounted to 6,9 and 6,5 per cent respectively and, after an acceleration to 13,8 per cent in the first quarter of 1978, decreased again to 9,6 per cent in the second quarter of 1978.

Regarding the balance of payments, I pointed out last year already that the current account had improved noticeably during the preceding two years from a large to a relatively small deficit. During 1977/78 the current account improved further and changed into a surplus of R984-million, compared with deficits of R353-million in 1976/77 and R1 996-million in 1975/76. As percentage of the gross domestic product, the current account improved from a deficit of 7,2 per cent in 1975/76 to a surplus of 2,7 per cent in 1977/78. This favourable development was caused by a decline in the volume of imports, an increase in the volume of exports and a slight improvement in the terms of trade. The last-mentioned was caused by a sharp rise in a decline of R320-million in 1976/77. The revaluation of the Reserve Bank's gold holdings at a market related price since April 1978 caused the gross gold and other foreign reserves to increase during 1977/78 by R1 056-million to R1 929-million at the end of June 1978. If all valuation adjustments are excluded and the outstanding amount of short-term loans which were negotiated to bolster the reserves is deducted, the net gold and other foreign reserves increased by R149-million in 1977/78, compared with declines of R514-million in 1976/77 and R808-million in 1975/76.

Regarding money and banking, the restrictive monetary policy caused monetary aggregates such as the quantity of money and bank credit to increase only moderately during 1977/78. The quantity of money and near-money rose by 7 per cent during 1977/78, after it had increased by only 6 per cent during the preceding year. These increases were considerably lower than the average increase of 19 per cent during the three years which preceded the year 1976/77. The main reason for the low increase in the quantity of money and near-money during 1977/78 was the big accretion of R690-million, or 28 per cent, to long-term deposits of the private sector with the banking sector. A decline of R463-million in the net claims of the banking sector on the government also helped to restrain the growth rate of the quantity of money. Bank credit to the private sector increased by R1 108-million, or 12 per cent, and this brought the increase in total domestic credit extension to only 5 per cent.

During the second quarter of 1978 the growth rate of the quantity of money and near-money accelerated, however, to a seasonally adjusted annual rate of 18 per cent. This acceleration was accompanied by an increase in bank credit to the private sector, which was largely related to the higher demand for consumer credit. The sharp increase in bank credit in May and June 1978 may be partly ascribed to excessive credit purchases of goods before the introduction of the general sales tax on 3 July 1978. Preliminary statistics indicate that the discounts, loans and advances of the five big banking groups, excluding credit to the Land Bank, declined during July 1978.

Other features of the monetary situation during 1977/78 were the sustained low levels of surplus liquid assets of the banks and a continuation of the declining trend of short-term interest rates. The Reserve Bank sold government stock during the year under review and thus caused the declining tendency in interest rates to proceed in an orderly fashion.

The capital market was characterised during 1977/78 by an increased supply of funds as a result of higher domestic saving. Although there was a big demand for long-term funds in the public sector, the low level of demand for investment capital by the private sector contributed to a decline in yields on fixed-interest securities. Savings institutions also experienced an increased inflow of funds. Furthermore, turnover and prices rose on the stock exchange, but activity in the mortgage and property markets remained at low levels.

Current Economic Conditions and Short-term Prospects

The moderate acceleration in domestic economic activity since the end of 1977, as reflected in the foregoing summary survey, is to be welcomed. This economic revival resulted from a considerable increase in exports, net gold output and private as well as government consumption expenditure. Overseas economic developments will obviously exercise an important influence on of payments could still be maintained, but the surplus in the second quarter of 1978 was somewhat smaller than in the first quarter. The well-known concurrence in the movement of domestic expenditure and imports indicates that an excessive acceleration in expenditure could cause imports to increase so rapidly that exports and net gold output might not sufficiently compensate therefor with the result that the current account of the balance of payments would unavoidably deteriorate.

The capital account of the balance of payments remains one of the most important bottlenecks in the economy, although the net outflow of capital was smaller in the second quarter of 1978 than in the first quarter. This decline in the net outflow of capital is related to possibly higher foreign trade credits to finance the increases in imports and exports, and also additional suppliers' credits and project financing. As long as the net outflow of capital continues, the authorities will have to ensure that a surplus is maintained on the current account and the difference between the cost of trade financing from foreign and domestic sources will have to be watched not to prompt importers and exporters to pay off their foreign credits or replace them with domestic credit.

The improvement in the balance of payments was also reflected in the rise in the net gold and other foreign reserves from the fourth quarter of 1977. This increase was moderate, however, and if the relatively small cash component of the reserves and the size of the short-term foreign debt is taken into account, it is clear that the net and gross reserves will have to be built up still more. In this regard, it is important to note that, although the gold holding of the Reserve Bank has been increased by a substantial amount in the Bank's books as a result of its revaluation at a market-related price, it did not increase the cash component of the reserves nor facilitate the sale of gold on the market.

Regarding monetary conditions, success has been achieved in keeping the situation under control, and the quantity of money and bank credit increased only moderately during the year. In the second quarter of 1978 the increase in the quantity of money and near-money and in bank credit to the private sector accelerated sharply, largely as a result of credit extended to finance the purchase of goods before the introduction of the general sales tax on 3 July 1978. It can not be expected, however, that this accelerated increase will be maintained.

Interest rates on the money market as well as the capital market showed declining trends during the past year. The open market operations carried out by the Reserve Bank in the recent past by selling government stock in the market, contributed to orderly conditions in the money and capital markets and prevented short-term interest rates from falling too rapidly. The relative stability in the Treasury bill tender rate also helped to retard the decline in short-term interest rates. An orderly decline in short- and long-term interest rates, which does not impair the capital account of the balance of payments, is manifestly conducive to economic growth and therefore to a reduction in unemployment, which still remains too high.

Another favourable development was the reduction in the rate of increase in prices. Notwithstanding appreciable increases in a number of administered prices in the first half of 1978, the rate of increase in the consumer price index accelerated only slightly in the first quarter of 1978, and then slowed down considerably in the second quarter. The slower increase during the past year indicates that the underlying causes of inflation are being combated with success. I am thinking especially of the slower rate of increase in the rate of inflation significantly but would only undermine economic growth and thus aggravate the already high unemployment.

In August last year the Reserve Bank announced a slight relaxation in the credit ceilings, and in November the authorities took further steps to stimulate selectively those sectors which had been most affected by the recessionary conditions. Continued monetary discipline was stressed as a key to the general economic strategy and the following measures for selective stimulation of the economy were announced: Firstly, an additional amount of R250 million was made available for expenditure on low-cost housing for Blacks, Coloureds and Asians during the period November 1977 to March 1980. Secondly, the periods allowed for hire-purchase payments on passenger and commercial vehicles, respectively, were increased from 30 to 36 months and 24 to 30 months. Thirdly, the implementation of the fifth phase of the local content programme for the manufacture of motor vehicles was postponed for one year to 1 January 1980. Lastly, it was decided that export promotion would still be stressed as part of official short-term policy, while the private sector should be encouraged to shift demand from imported to locally produced goods.

A further shift in the emphasis of economic policy was announced by the Minister of Finance in March 1978 in the Budget. An important objective of the Budget was to assign priority to higher economic growth and to stimulate the economy mildly over a broad front while retaining financial discipline. To achieve this general objective, specific government expenditures which should not increase the country's imports to a significant extent, were increased moderately, and domestic demand was further stimulated by a reduction in income-tax on persons and companies, a lowering of sales duty and the import surcharge, and the early repayment of loan levies. Furthermore, the financing of the Exchequer deficit was planned in such a way that it would make a modest increase to the quantity of money. Export promotion again received attention by a further improvement in promotion measures and the provision of more funds for this purpose. The importance of a shift in demand from imported to locally produced goods and services was stressed yet again in the Budget.

In accordance with this mildly expansionist policy approach, monetary policy was also relaxed in May 1978. The ceilings on bank credit to the private sector were raised by 4 per cent of the base figures as at 31 December 1975, and an increase was announced in the circumscribed credit extension to the private sector which a banking institution may not exceed without becoming subject to the ceiling requirements.

The restrictive monetary and fiscal policy, which had been stringently applied since the end of 1975, was therefore replaced during the past year by a policy of moderate stimulation of the domestic economy. The sluggishness in economic conditions in most of the industrialised countries with which South Africa trades, and the weakness of the capital account of the balance of payments, impel us to act cautiously in stimulating the economy. We cannot afford to nullify the great success which has been achieved by our economic policy during the past two years.

As pointed out earlier, the domestic economy already shows clear signs of accelerating. An over-rapid revival would quickly cause balance of payments problems again, and excessive monetary stimulation would undoubtedly kindle inflationary pressures at this stage. It is therefore desirable that the general stimulation of the economy should continue to be of modest proportions and should be circumspectly applied, because the biggest advantage would however, that the present prescriptions regarding liquid asset ratios are impeding the growth of the smaller banks, and in this connection the existing supplementary requirement that all banking institutions must keep 10 per cent of the increase in their medium-term liabilities since 30 September 1975 in liquid assets, is especially of importance. At the same time, the existing total requirement of 30 per cent in respect of all medium-term liabilities of the commercial banks, and 29 per cent of these liabilities of all other banking institutions, places a relatively heavy burden on the smaller banking institutions which obtain their funds mainly in the form of medium- and long-term deposits. It is accordingly regarded as necessary to effect an adjustment in the liquid asset requirements which would be aimed at extending relief to the smaller banking institutions.

In the existing directives regarding supplementary liquid asset requirements, a distinction is made between commercial banks and other banking institutions. The requirements for commercial banks are slightly higher than those for other banks. Amendments which were introduced to the Banks Act in 1976, enable the Reserve Bank to divide banking institutions, depending on circumstances, into groups on a basis other than that in the Banks Act. Under present conditions it is more meaningful to distinguish between big and smaller banking institutions for the purposes of liquid asset requirements. With this in view, banking institutions of which the total assets as reported in the latest preceding quarterly statement exceed R800-million, are now classified as big banking institutions, and all others as smaller banking institutions.

For the big banking institutions the liquid asset requirements against their short-term liabilities remain the same as those which now apply to commercial banks, that is, the big banks will have to keep the basic requirement of 30 per cent plus a supplementary requirement of 25 per cent against their short-term liabilities in the form of liquid assets, and also the further supplementary requirement of 20 per cent of the increase in their short-term liabilities since 30 September 1975. In order to enable the big banks to shift more funds to assets yielding a higher return, a small concession is granted to them in respect of medium-term liabilities. These banks will still have to meet the basis requirement of 20 per cent plus the supplementary requirement of 10 per cent against their total medium-term liabilities, but as from the date of certification of their monthly returns for 31 August 1978, the requirement of 10 per cent in respect of the increase in the big banks' medium-term liabilities since 30 September 1975, is reduced to 8 per cent.

For the smaller banks the same requirements regarding short-term liabilities as currently applicable to non-commercial banks will apply. These banks will therefore have to meet the basic requirement of 30 per cent plus a supplementary requirement of 20 per cent against their short-term liabilities, and also the required 20 per cent of any increase therein since September 1975. For the smaller commercial banks it means that the supplementary requirement against their short-term liabilities is reduced from 25 to 20 per cent from the date of certification of their monthly returns for 31 August, 1978. In order to enable the smaller banking institutions to compete more effectively for medium-term deposits, the liquid asset requirements which now apply in respect of medium-term liabilities for non-commercial banks, are eased slightly for the new group of smaller banks. The smaller banks must, as from the date of certification of their monthly returns for 31 August, 1978, meet the basic requirement of 20 per cent against their medium-term liabilities plus a supplementary requirement of only 7 per cent against the 10 per cent for commercial banks and the 9 per cent for downward adjustment in their prime overdraft rate which now stands at 12½ per cent. Consultations will be conducted with them shortly in this connection.

Concluding Remarks

The course of the gold price in the recent past contributes to the view that we should not be too hasty at this stage with excessive additional stimulation of the economy. It was, of course, especially in the immediate past, only the U.S.A. dollar price of gold which mainly increased, while the gold price either remained stable or even declined in some cases in terms of the stronger currencies such as the Swiss franc, the German mark and the Japanese yen. South Africa therefore does not receive the full advantage in the balance of payments of the rise in the dollar price of gold, because a large part of the dollars which accrues from gold sales has to be converted into other currencies to pay for South Africa's imports from those countries.

As the exchange rate of the rand against the U.S.A. dollar has remained at the same level since September 1975, the rand price of gold has increased with the dollar price. This means, of course, that the revenue of the South African gold mines has also increased, which gives a direct stimulation to the domestic economy.

After the authorities had to deny only a few months ago rumours of a devaluation of the rand, the relatively sharp depreciation of the dollar on the foreign exchanges of the world during the past few weeks has given rise to speculation about a possible revaluation of the rand, or even a severance of the rand from the fixed exchange rate with the dollar. It must be pointed out, however, that it is extremely difficult for a country such as South Africa on its own to bring about stability in the value of its currency against those of other countries in a world of fluctuating exchange rates. The policy of linking to the dollar and maintaining the rand-dollar exchange rate constant for relatively long periods has meant that the value of the rand has remained constant against the currency of at least one of its most important trading partners, and has provided a remarkable degree of stability to the external value of the rand over the past three years as a whole. Immediately after the devaluation of 17,9 per cent on 22 September, 1975, the weighted average value of the rand depreciated slightly further against its most important trading partners, but appreciated gradually again thereafter until October 1975. At that stage the weighted average value of the rand against the most important other currencies was 7,8 per cent higher than in October 1976. Since then the rand has depreciated again gradually so that it is currently only about 1 per cent lower than the weighted average value in September 1975.

The substitution of the fixed parity system which applied under the Bretton Woods Agreement, with a system of floating exchange rates has not exactly proved to be a success. It has created more uncertainty on the foreign exchange markets and has definitely contributed to the lack of investment which is generally experienced. In addition the uncertainty has been aggravated by the fact that the currencies in question have not been allowed to float freely in most countries, because so-called managed floating, which is sometimes also labelled "dirty" floating, has been applied. South Africa will, of course, welcome a return to more stability in exchange rates. Under the prevailing system of fluctuating exchange rates, particular responsibility rests with the authorities to ensure that an exchange rate policy is followed which is compatible with the present policy of mild stimulation of the domestic economy without aggravating the inflation and balance of payments problems.

Pretoria en grotes red bankwese

RAPPORT 27/8/78 (49)

DIE kwaai resessie wat die land die laaste jaar of wat ervaar het, kon baie ernstige gevolge vir die land se bankstelsel gehad het as dit nie vir tydige optrede deur die Reserwebank en die samewerking van die groot handelsbanke was nie.

Só gesels die besturende direkteur van een van die land se grootste banke in 'n bylae oor die bankwese wat aanstaande Sondag deur Sake-Rapport gepubliseer word.

In die bylae het ons met al die topmanne in die bankwese gaan gesels en insiggewende menings en kommentaar is uitgespreek.

Dit word byvoorbeeld duidelik dat 'n vertrouenskrisis oor die hele bankwese gehad het, maar dat dit betyds afgeweer is. In die proses het die vertroue danksy tydige optrede deur die owerheid tesame met die volle samewerking van die groot banke ongeskaad gebly.

Die totstandkoming van groot groepe het die einde van 'n hele paar kleiner banke beteken en dit is selfs moontlik dat van ons bestaande vyf groot banke vorentoe byeen kan kom om nóg groter groepe te vorm.

In die bylae word dit ook in die vooruitsig gestel dat die groot banke in die toekoms meer dikwels kan saamstaan om konsortiums te vorm om reuse-kapitaalprojekte te finansier.

'n Ander aspek wat behandel word, is die winsgewendheid van die bankwese. In teenstelling met die algemene verwagtinge toon die banke se winsgewendheid die laaste paar jaar 'n volgehoue daling as die inkomste as 'n persentasie van die bates, as maatstaf geneem word.

In die proses is inflasie besig om die risiko's vir banke al hoe groter te maak in die finansiering van bedryfs- en uitbreidingskapitaal vir die private sektor.

Dit sal groot eise oor die volgende dekade aan die land se bankwese stel en veral op die gehalte van die bestuur van banke. Een van die newe-effekte van die rasionalisasie die laaste tyd was gelukkig die verhoging in die gemiddelde gehalte van bestuur ter beskikking van die banke.

'n Ander aspek wat ook aandag in die bylae sal geniet, is die totstandkoming van bankbeheergroepe en die uitwerking van die Bankwet hierop.

SIMON BRAND

Gunning for growth

(49) FM 8/9/78

With business still largely becalmed as capital continues to waft out of the country, the Prime Minister's new Economic Adviser, Simon Brand, has a difficult job. He took over last Friday, and the *FM* interviewed him this week to get his opinions on the present economic situation.

FM: **What is SA's biggest economic problem?**

Brand: Insufficient growth. The unemployment figures are uncomfortably high, and the rate of job creation is insufficient to cope with the growing population.

What are the chief constraints on growth?

Obviously the capital account of the balance of payments is a major one. I would not now regard the threat of increasing inflation as something to hold us back.

The downward trend in the inflation rate will probably resume after we have got over the July hump, caused by the new general sales tax — although, it doesn't seem likely that we will be well below 10% by the end of the year as we had hoped.

There are no serious demand pressures, but there are certain cost effects. With the acceleration in the growth rate one can expect shortages of skilled labour to lead to cost increases. But I don't see an immediate conflict in going for higher growth and reducing the inflation rate.

What growth rate can SA sustain without foreign capital?

Our models suggest 3%. It obviously depends on our export performance. But we can't put too much faith in exports given the current state of the world economy.

We may be a bit below 3% this year but we are fairly confident we can hit about 4% next year. Despite political problems, this will improve profit opportunities and have a positive effect on foreign capital inflows.

Brand . . . eyeing the economy

Is it necessary for interest rates to come down further to ensure continued economic recovery?

No, I wouldn't expect lower interest rates to have a stimulating effect on investment, due to the large amount of surplus capacity.

Is growth then being held back by lack of demand rather than by tight money?

Yes, I think that is true. Foreign capital is the main constraint in the long run. But at the moment the short-term position is that there is a fair abundance of funds around.

Does that mean any further boost to the economy should be fiscal?

That follows logically, yes. Fiscal stimulus could come from either increased expenditure, or from reduced revenue. I think we shall have to be careful not to let go of the discipline we have achieved on the spending side. If further spending is considered it would have to be very selective.

Is there room for further emphasis on "Buy SA" or for another export push?

A report on export incentives is pending. On the imports side, "Buy SA" is aimed at utilising existing capacity and one can support it without qualification. As for the creation of new capacity, that is a totally different matter. We shouldn't go unqualifiably for import substitution at all costs. That could have negative effects on the savings/investment balance and on the balance of payments.

Is decentralisation still a major policy objective?

Yes. There might be some rethinking about the means one can employ, but it still ranks fairly high as a policy objective.

Do you think that the investment and initial allowances, which emphasise mechanisation, should be reviewed in the light of present unemployment?

Yes. One has to look at the whole system of tax incentives with a view to their effect on increasing capital intensity as opposed to job creation. This is one of the things the Kleu committee on industrial strategy has been asked to look into.

Plate Glass for good

By DON WILKINSON

THE Stellenbosch Bureau for Economic Research has predicted that there will be a consumer-led production increase of 3,5 per cent next year. In its "Prospects for 1979", the bureau compares this with the 2 per cent upturn which it expects for this year.

However, that 3.5 per cent conceals wide variations in the various industrial sectors, ranging from the 6,5 per cent for all kinds of chemicals, to the 1,5 per cent of TV-affected printing and publishing, and the 1 per cent of professional and scientific equipment.

For investors, the boom in chemicals has already been pretty widely anticipated by the market, with the shares on an average yield basis of only 6,4 per cent, and the price-earnings ratio of just over nine — the industrial market's highest.

But not far behind the projected chemical industry growth come wood and wood products, with 4,5 per cent, wood and metal furniture at 5 per cent, and glass and glass products of 5,5.

The output of the last-mentioned is shown as having increased by a phenomenal 18,5 per cent in the first four months of this year, compared with the corresponding 1977 period

These projections should interest the management of Plate Glass & Shatterprufe, its shareholders and potential investors. PG, after all, is involved in all three fields.

They would be a welcome sight after the doldrums of last year, when earnings were a mere 23,6c and the dividend 10c, compared with the peak 1975-76 figures of 74c and 30c.

On wood, the bureau says "this industry has, in the past, exhibited a remarkable ability to increase production by 15 to 20 per cent in the recovery phase of the economy."

On furniture, which is also a big PG customer, the rise in consumer demand and easier credit will stimulate growth by some 5 per cent, says the survey. And output of glass and glass products is linked to the motors and building.

This prompts the bureau

late Glass heads
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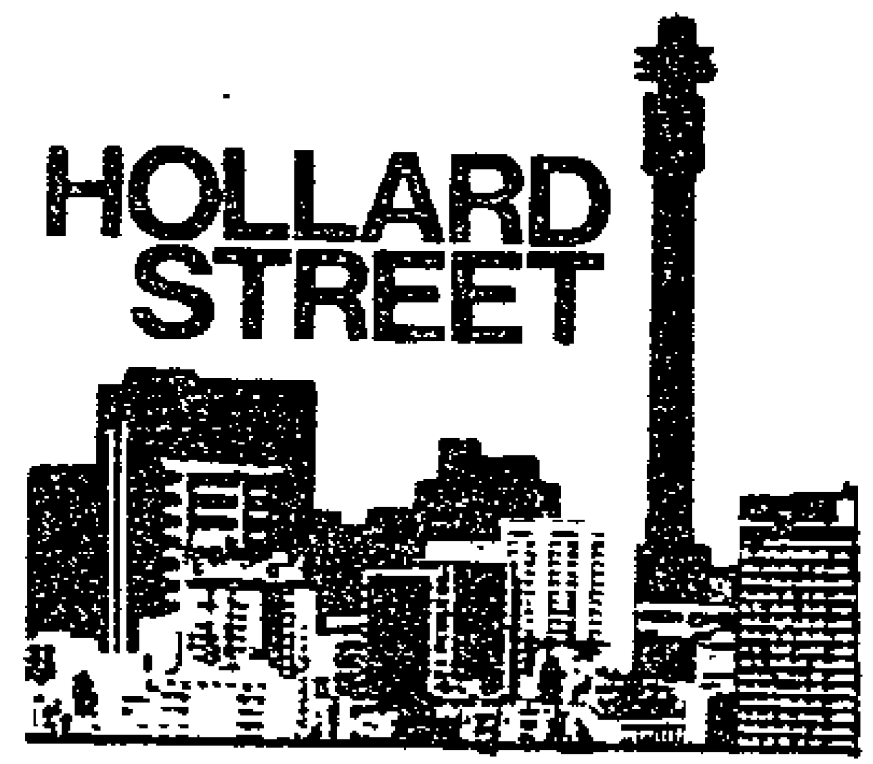

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This prompts the bureau to point out that glass could see growth of about 5 to 6 per cent next year because of increased public body spending on housing, an already improved motor market, and because of substantially increased export earnings.

In his recent annual statement, PG chairman Bertie Lubner, discussing the building industry, said: "Our past strategy has been to maintain a structure capable of coping with previous levels of turnover and our view of the long-term remains essentially positive.

"However, uncertainty as to time scale has now determined a reduction of investment in this area to the most viable alternative. This will be achieved by consolidation and rationalisation, including the closure of loss-making and marginal units. But the ability to grow with any expansion should in no way be inhibited."

In the light of the bureau's remarks on the ability of the industry to jack up output rapidly, Mr Lubner's words have a new significance.

It is these additional volumes, of course, which the bureau is offering as a prospect, and which are the real profit cream.

The interim statement due in November, and covering the half-year to the end of this month, could hold some clue as to how the rationalisation and reorganisation has gone and, more particularly, how the automotive glass side has fared.

The shares, at 163c, are within an ace of their 1978 high to yield an historic 6,1 per cent, a return which suggests that the management shake-up and other measures have already encouraged the market.

This would justify the short-term expectation of a 12,5c dividend, and thus a prospective 7,7 per cent return. And if the bureau forecasts come close to reality — they tend to — then 1979-80 could well see shareholders back at 30c.

For those prepared to wait it out, PG shares seem to me to be a useful addition to a portfolio. And it is always possible that sooner, rather than later, the group might decide to divest itself of one of its divisions, or ally it with one of the battalions, like Afcol or Amic.

There are already market rumours along these lines

nething

on

Scottish cables heading for recovery

OFFERING only 6,3 per cent, 1,1 times covered on the 7,5c paid for 1977 — half of the 1976 dividend — Scottish Cables was obviously regarded by the market as a recovery stock.

And the company, a subsidiary of the giant British BICC electric cablemakers group, seems to be heading that way.

The half-year report shows earnings of 7,5c, or almost twice those of the previous similar period, and the interim has been raised by 60 per cent to 4c from 2,5c.

Taxed profits are already within easy striking distance, at R905 000, of the previous full year's figure of just over Rl-million.

The improvements have come from turnover almost 22 per cent higher on the half-year.

The figure suggests that though inflation must have been a contributory factor, there was actually some improvement in sales volumes despite the fact that the board says that the company is operating "in an industry which still shows no signs of an upturn".

Scottish, however, has been streamlining its operation and working at very much less than capacity for some time now.

Increased efficiency in these circumstances, coupled with even only a small increase in throughput, can do wonders for profits.

As it is, the board expects that the second half of the year will turn out much like the first, which would suggest annual earnings of around 15c a share. On that basis, and since the company is liquid and unlikely to need to increase its productive capacity, there seems good reason to expect that the final dividend will rise by at least as much as the interim.

That indicates a 10,5c total at least and a dividend return of a highly acceptable 8,75 per cent while waiting for the inevitable long-term growth in demand for electricity.

clothing (Veka). Generally we find a solid, but not substantial improvement. Economically there are no problems, just the political overhang. To really get moving we must settle the political problems around our borders."

Echoes Nedbank's Frans Cronje: "If there wasn't the drain caused by the outflow of capital we would be in a boom."

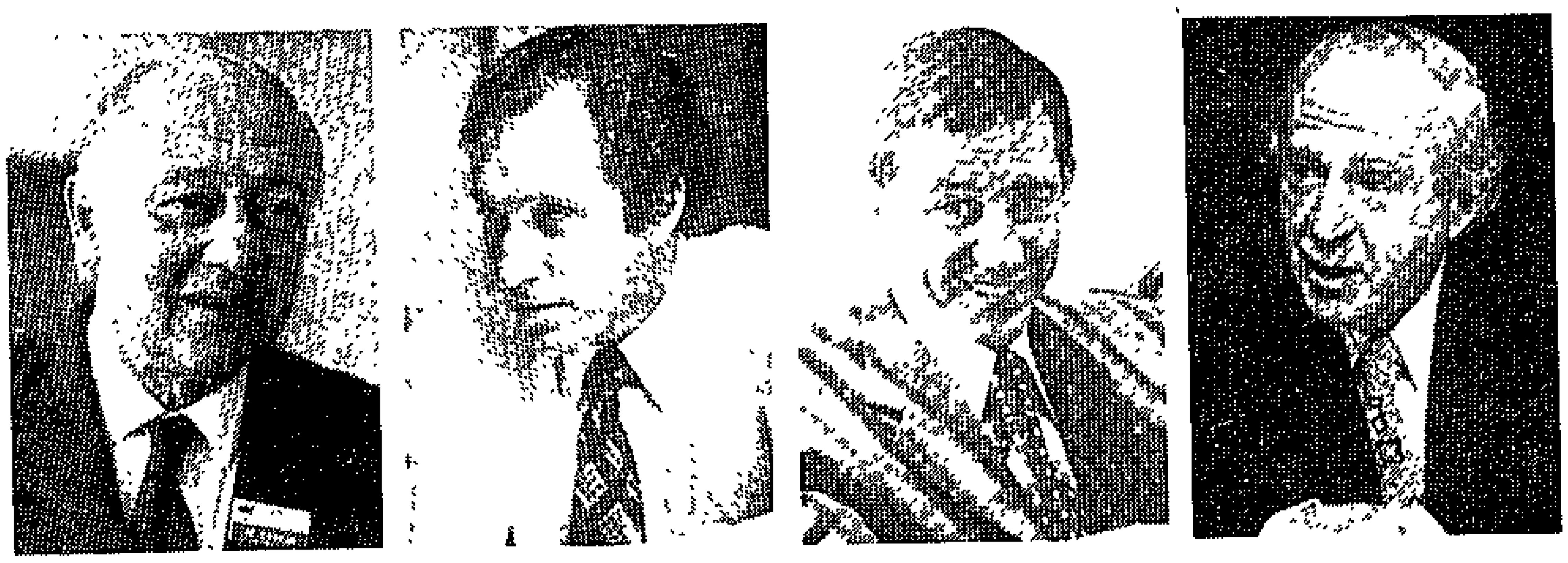
Premier Milling's Tony Bloom is less sanguine. "I'm not convinced there is an upturn, in spite of the external signs. It's a bit like the horizon; the closer you get the further away it seems."

Union Corporation's Basil Landau believes a massive display of confidence is needed. "What is essential is a cooling of political tensions both external and internal. Externally, time will take its course and we must hope that the west will eventually realise the strategic importance of South Africa. Internally, I pray for the day when this country's political parties will work together."

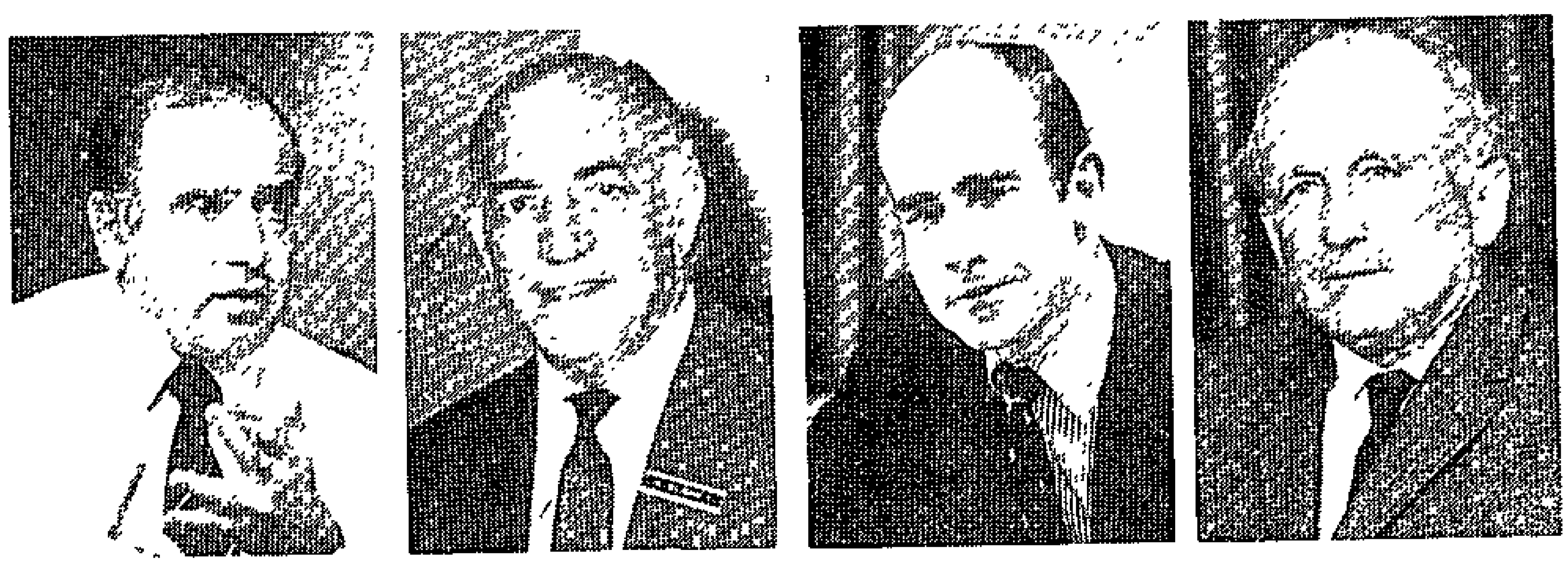
Adds Rembrandt's Hertzog: "If the western powers delay matters they will destroy confidence . . . then the prospects for southern Africa are bleak."

Says Tedelex's Benny Slome from right in the heart of the consumer durables sector: "Everybody's expecting good business, but you can't escape the political effects on the mood of the people."

Other than mood, however, the signs *are* encouraging. Says Landau: "In January-June this year compared with the same period in 1976 Union Corporation industrial companies (with the exception of Sappi) have shown a 27% improvement after tax."



Cronje, Bloom, Landau, Wessels, Ackerman, Slome, Thomas, Hertzog . . . give us the confidence and we'll give you the action



meter) Landau says orders are high and tending to improve steadily. Consumption in paper is rising and Sappi is looking at not less than 5% production growth next year. The tempo in shipping is, he says, improving nicely.

"There's been a recession for a long time and consumer spending has been pent-up. When this is released it will make a big difference. So generally speaking there's a good base for the next 12 months."

Cronje also notes that consumer spending is picking up again. "Beer consumption is on the increase and retail sales at OK are better. Altogether there's a pick-up."

Bloom observes a slight firmness in some markets, but no take-off. "Turnovers are buoyant but margins are under pressure." A worrying factor in his business is that lower-income groups, particularly blacks, are buying down. "There's a switch from chickens, eggs, even bread to more basic foodstuffs like mealie meal." This is obviously a result of unemployment and the squeeze on wages.

Pick n Pay's Ray Ackerman, on the other hand, says: "We're very happy. Turnovers are above budget. Margins too are on budget, although we've been slightly squeezed on textiles and hardware in our Hypermarkets."

Ackerman adds that it is hard to judge whether the country's out of recession. "But property men are approaching us to expand, which is a bullish sign."

In clothing, Wessels says this year is still not easy but that prospects for next proportion of our capacity has been sold. Generally there's more confidence with the ordinary consumer."

The steady improvement in motor sales has helped the industry's suppliers too, among them paint and plastics. Says AECI's George Thomas: "There's nowhere now that isn't looking better — even paint, which was late in showing an improvement."

Cheaper rand fuelling exports

The growth in mining has been excellent for AECI's chemical and explosives side, adds Thomas, and even textiles are looking good. "There's a lot of potential in clothing exports because of the cheap rand."

On the consumer durables side (furniture, fridges, electrical appliances, etc), Slome says that with Ellerines, which has 142 furniture outlets, there is "nothing to write home about. The increase in spending hasn't affected the black market.

"At Tedelex everyone has been reading about conditions improving but we haven't yet seen any significant increase in business."

Slome, however, believes the next six months should see an improvement as people begin to adopt the philsophy, "Ag, to hell with it. Let's live it up."

Iscor chairman Tommy Muller expects domestic demand for steel to increase by about 8% over the year ahead. This is particularly encouraging since the corporation's mills are presently running at 80% capacity (way above world averages), thanks chiefly to marginally-profitable exports.

Despite this, Seifsa director Errol Drummond reports some sombre news from his fabricators. "Heavy engineering shows no signs of any upward climb out of recession. Prospects for the balance of 1978 are poor." Foundries too show no visible recovery.

Some areas which do show improvement include building industry supplies: "The building industry may be turning into a recovery situation"; general engineering: "a marginal upswing in output and orders"; and plastics: "orders continue to improve."

One encouraging thought is that should the uplift, however slight at the moment, continue, industrial companies are generally in a good position to make money. Those which have survived the recession have got themselves lean and hungry. And most well-managed companies are fairly liquid. We can thus expect marginal profits to increase out of proportion to rises in turnover.

But Landau, for one, has a word of caution: "As the economy moves up companies will need more money for working capital to cope with the upsurge. So businessmen should be cautious how they spend their money."

BUSINESS MOOD

(49) FM 15/9/78

The missing ingredient

For most businessmen things are definitely looking up. Turnover is better, demand is strengthening, spare manufacturing capacity is slowly being utilised — even profits are looking healthier.

There is just one essential ingredient missing in a scenario that should be lifting us right out of recession into a mini-boom. Confidence.

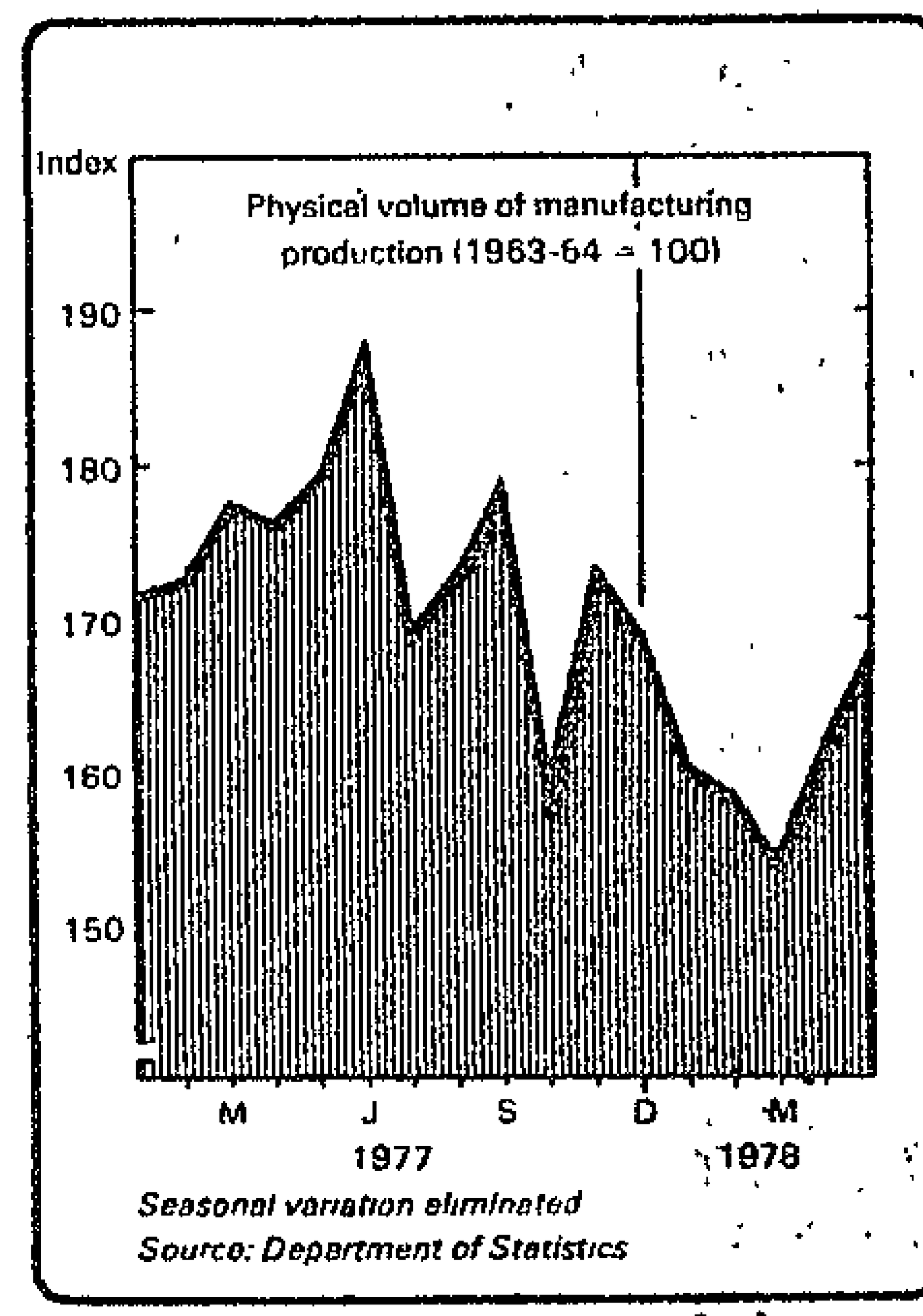
The political clouds, in other words, are obscuring the economic horizon. Despite this, indicators point to a degree of growth. FCI's Hennie Reynders forecasts fairly solid growth next year in a number of key sectors — chemicals 6,5%, basic iron and steel 5%, non-ferrous metals 5,5%, paper 4,5%, motors 4%. He is reasonably optimistic.

Nevertheless, industrialists are hesitant to commit themselves, to take a strong view that we are out of the woods. Their conversations are littered with ifs and buts.

Rembrandt's Dirk Hertzog points out: "The economy is no sealed compartment; it is closely affected by political and sociological conditions."

Stewarts & Lloyds Tom King muses: "It's how people really feel intuitively. If the human computer isn't printing out confidence, you don't get action. With our current political situation people are thinking: 'Is this the time to indulge in new fixed capital schemes?' "

Says Wesco's Albert Wessels, whose main interests are motors (Toyota) and



FISCAL POLICY

Less brake, more throttle, please

(49) FM 22/9/78

I expect fiscal policy to play a key role in bringing about a greater emphasis on economic growth — Finance Minister Owen Horwood, Budget speech, March 29 1978.

If fiscal policy is supposed to be helping growth, why then is government taking more money out of the economy than it is putting back?

In a nutshell, that is the question Pretoria needs to ponder as it prepares its response to the recent get-together of the Prime Minister's Economic Advisory Council (EAC).

Horwood's policy of "growth with financial discipline", it is now clear, has over-emphasised discipline and underplayed growth. On the fiscal front, his loan programme has soaked up more money than he expected; on the monetary front, the Reserve Bank has been busy mopping up funds via open market sales, the cut in Bank rate notwithstanding.

Horwood's budget was designed to pump a net R400m into the economy over the year. So about R165m should have been pumped in already. Instead, in the first five months of the fiscal year (April to August) the Treasury took R274m out of circulation, largely because of the "success" of its loan programme.

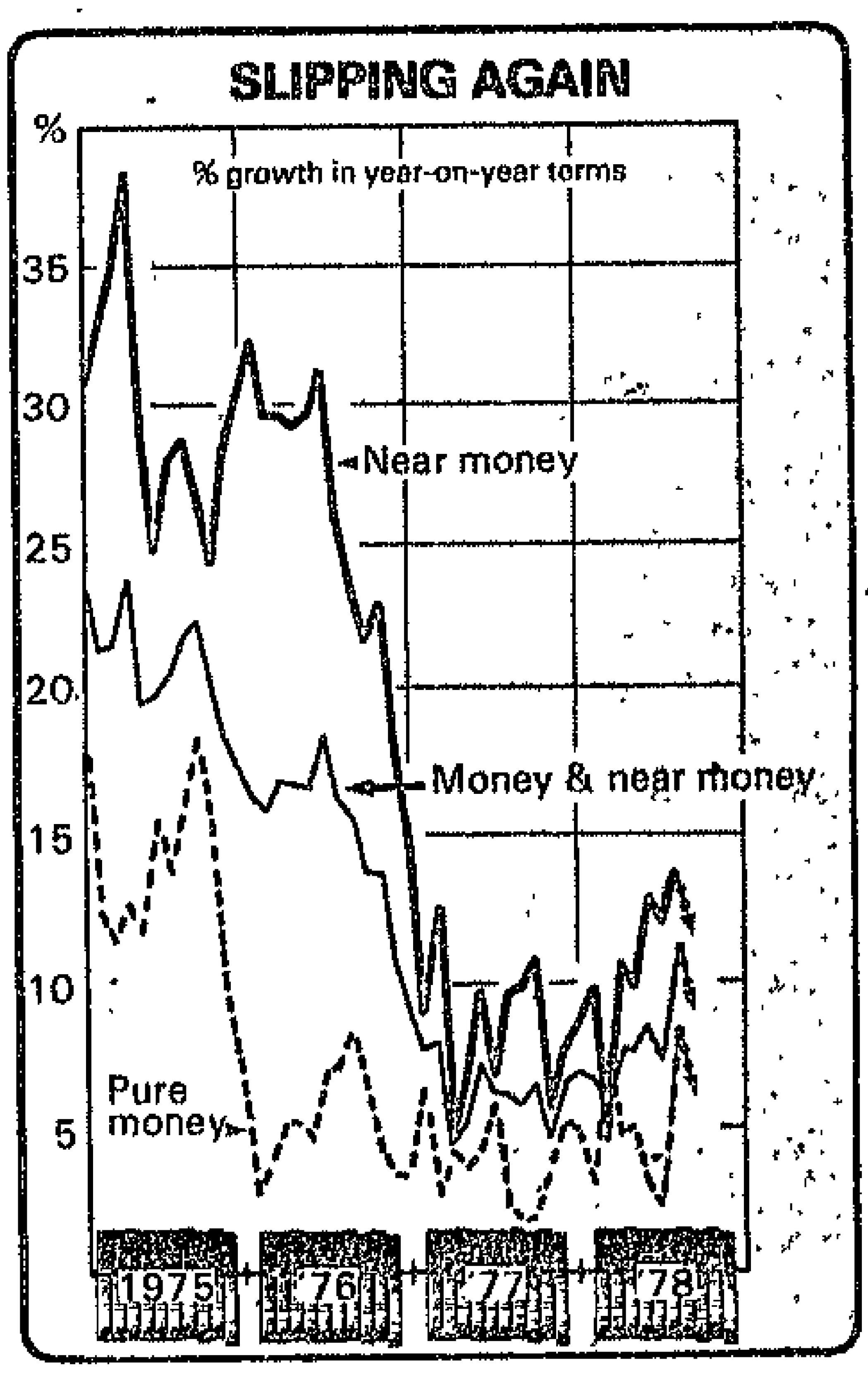
The Treasury budgeted to borrow R1 700m this financial year. After five months, it had already raised R1 200m.

The Reserve Bank, due to its open market sales, now completely dominates the money and capital markets. It can dictate the way rates will move, either by withdrawing support given to the discount houses (moving rates up) or by purchasing stock on the open market (moving rates down). Dealers are uncertain and confused as to what the Bank intends.

Meanwhile, growth in the supply of money and near-money has slowed. This can be seen from the latest analysis of the money market issued by the Reserve Bank. In August the market tightened considerably due to government's sponging up funds.

The tightness of fiscal policy was seen as serious enough to warrant complaint at the recent secret meeting of the EAC. Organised business represented at the meeting was apparently far from happy with the way policy is being implemented. The so-called economic revival was hesitant enough without government soaking up funds, it was said.

Some government spokesmen spread their hands and argue that the funds are not being used by the private sector anyway. But that, surely, is not the point. By taking money out of circulation and not putting it back, government is operating a restrictive fiscal policy when it has promised stimulation. That can only damage confidence.



What can be done about it? The government could spend more, tax less, or cut its borrowing programme. The Reserve Bank could buy stock on the open market.

The Treasury is understandably reluctant to give spending a free rein. It argues that the financial discipline forced on government departments by Horwood has been hard won. To relax it now would make it very difficult to re-impose it later on; and in the long run we cannot afford the type of spending splurges indulged in by government in the early Seventies.

One solution would be to spend more on special projects. Horwood's housing boost last year is an example of what can be done. But government spokesmen point out that such spending takes a long time to bite. Of the R200m for black housing set aside last November for the Department of Community Development to administer, only R20m has been spent so far.

So? Curtail government borrowing? Not so easy. The result could be sharply falling interest rates, which, while good for growth, would be dangerous for the balance of payments. With interest rates still rising in the US, traders might switch from financing trade abroad to financing it locally. Some have already done so.

An alternative way to ease fiscal policy would be to cut taxes. Income tax rates cannot be changed except by Parliament. But loan levies and income tax surcharges can. So can excise taxes, the gst rate, and the import surcharge.

Assocom executive director Raymond Parsons has called for the complete removal of the import surcharge. This would help to control cost pressures, he says, and at the same time improve business confidence.

On the other hand, it would make many imports cheaper and thus weaken the balance of payments — unless the rand is devalued to compensate.

Trust Bank's Chris van Wyk argues strongly for a reduction in company tax. There is insufficient incentive for businessmen to expand production in SA, given the risks, he says. Notably, the IMF says the same is true of most industrialised countries today. What's more, Van Wyk argues, a reduction in company tax would help the balance of payments by making SA more attractive to foreign capital.

Jan de Kock of Senbank would prefer a decrease in individual tax. He argues that businessmen invest to satisfy demand, not because of lower interest or tax rates. So cut personal taxes and thereby raise disposable household incomes, he urges.

If interest rates must be guarded until a more flexible exchange rate system can be introduced, cutting company and individual taxes may be the better path — although, of course, lower taxes would also help to soften interest rates — but perhaps not so dramatically.

Which path — if any — Pretoria will choose remains to be seen. The PM's response to the EAC may give an indication of which way government will turn.

Meanwhile, even if government does try to stimulate with less restrictive policies, it is by no means certain that it will succeed. If the political situation deteriorates in the wake of Wednesday's fateful decision to go it alone in SWA-Namibia, no amount of pump priming will succeed in pushing the economy back on to its potential growth by 1979.

Sun. Trib. 24/9/78

Industry to tackle state on growth

Business (49)

THE government will be urged to adopt a more positive attitude to socio-economic factors in a bid to boost economic growth to at least five percent a year at the Federated Chamber of Industries' two-day executive council meeting in Durban next week.

FCI president John Conje said in Johannesburg this week that the council will probably call on the Government to:

- Take more positive action to reduce unemployment, particularly among blacks.
- Eliminate job discrimination.
- Further stimulate the economy through tax cuts and a more expansionary monetary policy, and
- Introduce additional measures to stimulate both import replacement and export promotion.

The council is also expected to discuss with senior Government officials state intervention, regulation and constraints in the private industrial sector.

FCI economist Arthur Hammond-Tooke, said the council will also go into the question of how to sustain and enlarge the growth potential of the economy in all its aspects.

"Those who argue that we should look at short-term stimulation," he added, "do not realise that we will hit the restraining wall very quickly."

Proponenets of slow economic stimulation, Hammond-Tooke argued, believe that it will take longer to get to the wall of restraint.

The FCI, he said, believed in taking a realistic view of the constraints, moving the wall further out and growing at a faster rate.

The FCI, he said, is also concerned that a lack of co-operation could dissipate the efforts of a multitude of commissions of inquiry appointed to probe everything from monetary affairs to labour relations.

"No nation on earth has ever had so many investigations into so many fundamental issues. We have inquiries going on into almost every aspect imaginable," he said.

BD 28/9/78 (49)

Economic surge will continue says bureau

CAPE TOWN — The Bureau for Economic Research at the University of Stellenbosch says it is reasonably optimistic about the chances of the economic upswing continuing at least till the end of next year.

However, it does not expect the recovery to exhibit strength.

The bureau says in its current building survey report that it expexts the real gross domestic product to increase 2,7 per cent this year and 3,8 per cent in 1979.

It expects the consumer price increase to average 10,5 per cent this year and 9,5 per cent during 1979.

"It would seem that private consumption expenditure is due to play a cardinal role in maintaining the upswing during the next six months.

"We expect consumption expenditure to resume its uptrend after an initial relapse during the third quarter of 1978."

The bureau also expects that the current account will be in deficit in the fourth quarter next year. The position on the capital account would then become of critical importance.

Should the country be unable to raise new capital either in the form of direct investment or new loans, domestic liquidity may suffer, forcing up interest rates and restricting or terminating the current upswing. — SAPA.

Indians

The only institution providing technical training for Indians is the ML Sultan College, which was declared a College for Advanced Technical Education in terms of the Indians' Advanced Technical Education Act (No. 12 of 1968). The College had been established in the 1920's but only from 1946 on fulfilled the functions of a Technical College proper. It now has branches in other towns of Natal. The enrolment of students in the years 1966-1974 is shown in the following table. Since it is more revealing for our purposes, the enrolment in the Division of Technology only at the ML Sultan College, i.e. the number of students enrolled for strictly technical courses (e... included in the table.

Table 5. Enrolment of full - and part-ti... ge, 1966-1974.

Year	Total enrolment	Enrolment i...
1966	6 561	
1967	7 034	
1968	5 665	
1969	5 879	
1970	6 286	
1971	6 705	
1972	6 317	
1973	6 953	
1974	7 578	

Source: Department of Indian Affair...

The following table gives an indication of... technicians.

Table 6. Matriculation and Senior Certific... 974.

Year	Matriculation and Senior Certificate	N.T.C.1.	N.T.C.11	...V
1971	2 215	34	58	
1972	2 231	165	151	
1973	2 886	262	130	
1974	3 587	189	155	

Sources: South African Institute of Rac... Department of Indian Affairs, ...

THE EAC FM 29/9/78

Cut taxes? (49)

Government must stimulate consumer spending soon. That is the message from the Prime Minister's Economic Advisory Council.

A statement covering the EAC's August meeting was released by the Prime Minister this week. It said that "the revival in private consumption expenditure will not sustain itself indefinitely." The EAC argued that any further stimulatory measures "must be largely aimed at boosting the revival in private consumption expenditure."

The statement indicates that tax relief would be the best way to stimulate spending. This, in turn, is expected to improve profit prospects in order to encourage new investment financed both locally and from abroad.

The EAC mildly criticised the Exchequer's expenditure and financing pattern in the first three months of the fiscal year as being too restrictive. It advocated that government alter its fiscal actions to fit in with the stimulatory policy objectives outlined in the budget.

Other points made by the EAC were:

- That GDP could only be expected to grow at 2% this year. This is the lowest estimate coming from an official source. This week it was more optimistically estimated at 2% to 3% by Simon Brand, chairman of the EAC and Economic Advisor to the Prime Minister;
- That the economic revival has had a narrow base, fixing on durable goods manufacturing;
- That it would not be wise to expect "too much" from exports in the immediate future;
- That no real contribution to growth could be expected from inventory and fixed investment;
- That there is no reason to fear that a moderate increase in economic growth will lead to higher inflation.

In its comment attached to the statement, government conceded that its fiscal programme hadn't followed the outlines set out in the budget. But it gave assurance that it "still adheres to the policy objectives that were contained in the budget." So here's hoping.

GROWTH

49 FM 29/9/78

Official optimism on economic prospects is growing, to judge from the remarks of Dr Simon Brand (the new Economic Adviser to the PM) at the FCI meeting in Durban this week.

Brand said that over the next 18 months the growth rate could rise to 4% (see this page) without straining the balance of payments. Such a rise would encourage new foreign investment, he said, but there must be some control over growth to ensure the rate is not raised to a level that could not be sustained in the short term.

There will be little new fixed capital investment by the private sector until well into 1979, he warned, because of excess manufacturing capacity: while the real income of most of the population is not rising, and the increase in consumer spending (principally by whites) is based largely on credit. For this reason, it will be necessary for government to maintain "strict fiscal discipline."

However, only last week Brand told the Tucsa agm in PE that growth of 5%-6% is needed to meet the policy objectives of job creation, growth of earnings, labour mobility and training. And the latest Stellenbosch *Prospects for 1979* expected a growth rate of only 3.8% next year, with a possible slowing down towards year's end.

Brand's prediction could thus be on the hopeful side, and even if it materialises is less than we need. But while most economists, even if they would not accept his precise figure, would agree that the growth rate will improve next year, the real question — on which it is not so easy to be optimistic — is, what will happen in 1980 and beyond?

Table 5. Enrolment of full - and part-time students at ML Sultan College, 1966-1974.

Year	Total enrolment	Enrolment in Division of Technology
1966	6 561	..
1967	7 034	..
1968	5 665	..
1969	5 879	..
1970	6 286	..
1971	6 705	514
1972	6 317	478
1973	6 953	660
1974	7 578	975

Source: Department of Indian Affairs, Annual Reports,

The following table gives an indication of the potential supply of Indian technicians.

Table 6. Matriculation and Senior Certificate, and NTC 1-V passes,1971-1974.

Year	Matriculation and Senior Certificate	N.T.C.1.	N.T.C.11.	N.T.C. 111	N.T.C. 1V.	N.T.C. V
1971	2 215	34	58	1	-	-
1972	2 231	165	151	16	-	2
1973	2 886	262	130	56	-	-
1974	3 587	189	155	63	-	-

Sources: South African Institute of Race Relations, Annual Surveys,
Department of Indian Affairs, Annual Reports.

Up-and-down goes balance of payments

RDM 30/9/78
Bus.
(49)

By HOWARD PREECE
Financial Editor

THE HUGE surplus on the current account of the balance of payments is being eroded — but the equally huge capital outflow is being checked.

This up-and-down picture of South Africa's balance of payments emerges from the quarterly bulletin from the Reserve Bank and the August trade figures from Customs and Excise.

The bank says the current surplus dwindled from R494-million in the first quarter of the year to R201-million in the second quarter.

This was more than cancelled out, however, by a sharp fall in the net capital outflow from R522-million to R149-million.

The capital flow change was mainly because of a drop in the outward net movement of short-term capital not related to the reserves from R345-million to R91-million.

The net result of the current and capital account changes was that the overall balance of payments moved into a surplus of R52-million in the second quarter of 1978 from a deficit of R28-million in the first quarter.

According to the Reserve Bank the increase in imports had the double effect of cutting back the trade surplus on one hand while boosting the capital account on the other through an upturn in trade credits.

In Durban this week, however, Dr A S Jacobs, the general manager of the Reserve Bank, cautioned that special factors such as credits for Sasol 11 and Koeberg had been helping the capital account and it should not be assumed that outflow problems were now fully under control.

Customs and Excise reports that there was a trade surplus on its calculations of R46-million in August compared with R129-million.

In fact the fall in the surplus was technically even greater because exports were given a bigger push by Krugerrands in August than in July.

Customs does not include bullion in its export figures but, unlike the official figures of the Reserve Bank, does include Krugerrands.

According to Customs imports — excluding oil and defence equipment — were R587 500 000 in August against R494-million in July.

Although Customs figures are unreliable the extent of the apparent increase in imports would seem to indicate that as the economy continues its modest pick-up so imports are naturally rising.

Exports, as estimated by Customs, were R634-million in August against R623-million in July.

That increase was solely because of higher Krugerrand sales but, again, unreliable ustoms data make it hazard- to assume yet that exports evelling out.

AA 45 340

'Proof' of economic upturn

(49)

OFFICIAL confirmation of the continuing economic upturn came yesterday from the Reserve Bank — as did official doubt about the strength of the recovery.

The moderate economic expansion during the first half of the year had the effect of slightly reducing unemployment, said the bank in its quarterly bulletin.

The bulletin said that economic developments during the second quarter confirmed earlier evidence of a moderate economic upswing since the end of 1977.

The real gross domestic product of the non-agricultural sectors of the economy, which had begun to rise in the first quarter of 1978, increased considerably further in the second quarter.

But the bulletin said that the strenth of the increase in domestic demand, however, was difficult to judge because of an exceptionally large rise in real outlays on consumer durables during the second quarter partly reflected advance purchases prior to the introduction of the general sales tax on July 3.

In addition, the increase recorded in real gross domestic fixed investment during the second quarter was accounted for by higher outlays on selected projects only, and private fixed investment remained inhibited by the existence of surplus production capacity.

Inventories declined to relatively low levels in the second quarter, and future replenishment of stocks will depend essentially on the underlying strength of the increase in consumption expenditure.

The bulletin said that the moderate economic expansion during the first half of 1978 had the effect of slightly reducing unemployment.

The number of registered unemployed whites, coloureds and Asians decreased significantly during the first quarter and, although it rose again during the second quarter, the level in June was still well below that in December last year.

According to available statistics, the number of unemployed blacks also declined from October 1977 to March this year.

The rate of increase in wholesale and consumer prices decelerated notably during the second quarter.

In July, however, the introduction of the general sales tax, together with deferred price adjustments, had a pronounced escalating effect on consumer prices.

Business Times share guide

Key
EY — Earnings yield.
DY — Dividend yield.
P — Closing price in cents.
Hi — High since Jan 1, 1977.
Lo — Low since Jan 1, 1977.
Ch — Change on week.
V — Week's volume in thousands.

The Johannesburg Stock Exchange **Data Bank**

Systems Designed and Data Processed By The J.S.E. Computer Centre On An **IBM System/370**

MINING COAL

EY	DY		P	Hi	Lo	Ch	V
18,5	5,2	AMCOAL	1220	1340	790	10—	37,7
3,9	7,4	A T COLL	1225	1230	649		1,2
0,0	6,8	AT COL6P	120	175	25		0,0
24,9	3,0	APEX MIN	1650	1650	800	25+	2,6
17,9	4,8	CLYDSDALE	310	320	215	5—	21,2
21,3	8,0	NAT ANTS	590	630	440	15—	5,4
		NAT COAL	SUSP				
19,2	6,5	TAVISTOCK	3100	3100	1850	50+	3,9
11,1	5,5	TRANS NTL	335	355	215	5—	95,8
0,0	9,9	TNTL13,25	550	550	470	10+	41,1
15,3	14,2	VIERFONTN	60	60	45	3+	12,7
25,2	10,5	VRYHEID	190	198	140	13+	1,8
16,8	9,3	WANKIE	88	105	83	4—	2,0
25,8	6,7	WELGDACHT	270	280	160		7,6
23,4	4,9	WIT COLLS	2250	2250	1175	100+	2,6
0,0	7,5	WITC13,5	2600	2600	1803		0,3
18,3	13,0	ZUINGUIN	230	240	150		7,2
15,4	7,7	——AVERAGE					

DIAMONDS

EY	DY		P	Hi	Lo	Ch	V
8,7	8,1	ANAMINT	7800	8550	5600	170—	4,6
25,5	7,1	DE BEERS	775	843	520	8+	133,4
11,3	0,0	DIAS MIN	15	33	15	1—	3,1
16,7	0,0	IND DIAS	12	30	10		0,0
15,5	3,8	——AVERAGE					

GOLD RAND & OTHERS

EY	DY		P	Hi	Lo	Ch	V
0,0	0,0	DBN DEEP	710	820	305	30—	1,9
0,0	9,7	E T CONS	360	470	255	25—	3,3
0,0	0,0	ERGO	665	727	510	20—	12,7
0,0	0,0	E R P M	585	775	410		2,3
0,0	16,0	FALCON	465	500	410		0,0
		GOVT AREA	SUSP				
0,0	15,8	GROOTVLEI	190	290	123	15—	67,7
0,0	37,3	MARIEVALE	150	195	105	5+	16,4
0,0	4,2	PRIM G M	240	245	240		0,0
0,0	5,9	RANDFONTN	6750	7025	5400	200—	1,7
0,0	0,0	SIMMERS	38	40	23		10,3
0,0	0,0	SALLIES	115	144	62	10—	20,6
		STH RODPT	SUSP				
0,0	17,0	VLAKS	88	120	65	2—	48,7
0,0	8,5	W R CONS	205	340	157	15—	4,0
0,0	0,0	WIT NIGEL	95	120	60	5—	87,8
0,0	8,1	——AVERAGE					

EVANDER

EY	DY		P	Hi	Lo	Ch	V
0,0	31,9	BRACKEN	138	183	103	10—	38,5
0,0	8,3	KINROSS	660	790	440	8—	0,6
0,0	20,4	LESLIE	103	128	59	7—	113,5
0,0	10,7	WINKELS	1210	1550	975	74—	6,4
0,0	17,8	——AVERAGE					

KLERKSDORP

EY	DY		P	Hi	Lo	Ch	V
0,0	10,6	BUFFELS	1600	1875	1380	125—	2,0
0,0	10,4	HARTIES	2400	2650	1550	30—	2,0
0,0	2,0	SOUTHVAAL	1070	1100	720	10+	14,1
0,0	4,4	STILFTN	610	610	350	55+	80,2
0,0	5,7	VAAL REEF	2800	2950	1925	100—	2,6
0,0	10,2	ZANDPAN	405	455	290		16,5
0,0	7,2	——AVERAGE					

O.F.S.

EY	DY		P	Hi	Lo	Ch	V
0,0	7,7	FREGULS	3650	3650	2450	150+	1,2
0,0	0,0	FS SAAI	152	242	102	6—	17,5
0,0	9,3	HARMONY	720	775	460	10+	42,7
0,0	7,2	LORAINE	173	253	112	7—	28,7
0,0	6,9	PR BRAND	1800	1925	1405	25—	3,5
0,0	2,2	PR STEYN	1800	1800	1075	65+	4,9
0,0	12,8	ST HELENA	1490	1760	1165	125—	4,1
0,0	0,0	UNISEL	420	440	245		40,9
0,0	8,8	WELKOM	595	625	385	5+	10,7
0,0	8,7	WEST HLDS	3800	4150	2670		0,8
0,0	5,6	——AVERAGE					

WEST WITS

EY	DY		P	Hi	Lo	Ch	V
0,0	10,3	BLYVOOR	610	650	480	20—	20,0
0,0	0,0	DEELKRL	170	195	118	2—	107,7
0,0	8,9	DOORNS	560	660	350	10—	5,6
0,0	[illegible]	AST DRIE	1390	1570	[illegible]	60—	[illegible]

(Mining houses)

EY	DY		P	Hi	Lo	Ch	V
8,8	6,8	NEW WITS	235	255	160	2—	15,8
26,5	3,7	RAND LON	98	110	78	8+	134,9
8,5	6,5	SELEC MIN	260	270	140	10+	5,5
8,6	7,5	SENTRUST	400	410	330	10+	11,8
26,1	9,5	TWEEFONTN	850	910	590	15+	0,0
10,6	8,0	U C I	425	470	335	10—	11,5
8,5	6,5	VOGELS	130	132	65	5+	40,9
5,6	10,3	WIT CONS	720	725	490	5—	0,3
4,2	0,0	WIT DEEP	710	740	420	10—	0,1
12,5	6,1	——AVERAGE					

BANKS & FIN.SERV.

EY	DY		P	Hi	Lo	Ch	V
18,4	7,9	BANKORP	190	220	134	5—	3,7
0,0	9,2	BANKRP11,	125	140	105	5—	0,4
18,2	12,0	BANK OVS	50	55	38	2—	17,8
0,0	13,6	B OVS 12P	88	90	74		0,0
15,1	6,0	BARCLAY	435	440	360		9,9
22,9	8,4	BOLAND	215	220	150	3—	0,7
17,6	9,1	FREBANK	82	85	48		0,5
13,9	10,0	HILLSAM	75	90	55	13—	3,1
19,5	7,3	ICLEF	165	165	110		5,2
14,3	6,9	NEDBANK	270	285	200	5—	113,6
		RAND BNK	SUSP				
15,5	9,5	SAGE LTD	147	155	130	2+	3,3
0,0	9,6	SA RES BK	104	104	90		0,4
13,1	6,2	STANBIC	450	450	310		37,0
0,0	0,0	STANBIC N	83	87	70	2—	9,9
25,1	8,5	TRADE IND	195	195	115	5+	4,7
7,6	0,0	TRUST BNK	41	47	24	1+	88,4
0,0	11,0	TRST11,5P	105	105	89		0,0
23,3	6,6	VOLKSKAS	335	370	275		107,7
13,2	8,2	——AVERAGE					

INSURANCE

EY	DY		P	Hi	Lo	Ch	V
21,9	9,6	ASSURA	52	63	45	1+	24,2
9,4	5,9	GARDIAN	227	243	157	2+	7,7
20,3	11,8	HOSKEN	100	112	77		0,0
23,1	9,3	I G I	75	77	57		0,0
8,5	6,2	LIBERTY	1250	1300	1000	50—	4,4
		MARINE TR	SUSP				
22,5	9,5	M + F	400	460	290	55—	8,3
6,9	6,1	NEDEQTY	90	90	65	8+	1,1
17,3	10,0	PROSURE	100	125	80		9,2
14,8	8,5	S A EAGLE	260	285	225	3+	8,3
26,9	8,2	UNSBIC	196	220	150		0,0
16,3	8,3	——AVERAGE					

INVESTMENT TRUSTS

EY	DY		P	Hi	Lo	Ch	V
10,5	6,8	COM FUND	235	235	180		1,7
7,6	6,3	FUGIT	95	98	75		9,9
12,7	9,6	HESPERUS	130	130	120		1,6
12,5	10,0	IND SELEC	400	435	350		2,6
39,3	14,7	INV CLUB	129	140	110		0,0
36,5	8,7	ISS & INV	1150	1200	715	50—	0,6
11,5	9,6	NAT SELEC	480	510	375		2,6
0,9	0,7	OCEANA	98	99	98		0,0
9,7	8,1	P I T	120	120	80	6+	3,3
7,6	6,7	RANDLES	470	500	300	10—	6,0
10,7	9,0	SANKOR	67	69	55	1—	3,4
10,9	7,3	TOLUX	250	250	210		0,0
9,8	7,4	UN & LOND	310	310	250		0,0
13,8	8,0	——AVERAGE					

PROPERTY

EY	DY		P	Hi	Lo	Ch	V
0,0	0,0	AMAPROP	20	28	13		3,8
0,0	0,0	AMAPRP DF	10	98	10		0,0
0,0	0,0	AMAPRP7CP	18	33	16		0,0
47,3	0,0	BESTER	33	42	26	4—	0,6
0,0	0,0	BRICK POT	20	36	15	5—	0,5
12,9	10,7	BRISTOL I	14	22	9	3—	4,5
0,0	10,6	CRLTN8,1D	77	77	64		0,0
13,8	6,6	CONFED	175	175	157	10+	0,7
4,7	4,0	GF PROPS	125	203	105		16,8
		HOFMAN	SUSP				
		HOFM7,5CP	SUSP				
		K & L TIM	SUSP				
0,0	0,0	MONDORP	15	26	10		0,0
0,0	0,0	MONTRUS	12	21	7		0,0
1,5	0,0	N KLEINS	40	40	12	7+	9,7
10,7	0,0	PICPROP	14	15	7		0,0
12,2	7,2	PIONEER H	202	210	140	2+	10,0
10,3	6,7	R M PROPS	210	257	175	40—	26,5
8,9	8,6	RETCO	35	44	33	6—	21,8
16,7	3,0	SABLE	33	45	25		0,0
		SAND CONS	SUSP				
4,2	0,0	SOREC	85	87	48		47,5
0,0	0,0	SOREC D D	100	100	100		0,0
0,4	0,0	SATMAR	[illegible]	[illegible]	[illegible]		0,0

(Building & construction)

EY	DY		P	Hi	Lo	Ch	V
0,0	0,0	KATZNBOGN	155	155	100		0,0
25,2	9,0	L T A	210	220	160		29,9
0,0	0,0	MASONITE	43	45	25	3+	5,0
20,6	7,5	M & R	340	350	235		19,3
5,9	0,0	NATVEN	37	37	13	2+	2,9
12,0	9,7	OTIS	275	300	190	5—	6,1
31,6	10,9	PANAFIC	55	57	35		0,5
14,2	6,0	PLACOR	60	65	35		16,7
13,3	6,1	PLATE GL	165	175	95	5—	16,3
0,0	11,6	P GL9,5PP	82	82	70	5+	0,9
13,9	11,0	PREM CEMT	199	210	199		0,0
18,6	7,5	P P CEMNT	345	355	275		0,0
7,9	4,8	PRIMROS	115	170	71	2—	10,1
18,7	16,8	RHO CEMT	30	55	30		6,9
27,0	0,0	RHO BRICK	40	40	40		0,0
17,4	8,5	SCHACHAT	65	93	55		5,8
17,4	7,2	——AVERAGE					

CHEMICALS

EY	DY		P	Hi	Lo	Ch	V
11,4	5,7	AECI	335	340	205	5—	15,7
0,0	0,0	AECI OPT	85	85	18		3,5
13,8	7,3	CHEMHOLD	245	245	155		0,0
0,0	12,7	CHEHOL CN	110	115	100		0,0
6,7	6,1	D BEER IN	1275	1275	790	38+	0,7
11,3	8,7	FEDMIS	190	200	127	1—	3,1
0,0	10,2	FEDMIS CD	137	140	100		0,0
0,0	0,0	LANCHEM	70	70	35		0,0
37,9	7,5	NATALCHEM	240	255	180		0,0
14,1	6,7	PLEVANS	165	165	110		2,0
		RAND CARB	SUSP				
10,0	5,5	SENTRCHEM	365	375	220	10—	3,6
23,7	9,8	TREK	97	100	75		2,3
0,0	0,0	TRIOMF	170	180	90	5—	4,4
10,2	6,2	——AVERAGE					

CLOTH., FOOT., TEXT

EY	DY		P	Hi	Lo	Ch	V
4,4	0,0	ADONIS	16	19	13	1+	0,4
17,4	8,8	AF & OVER	240	240	150	5+	2,5
17,4	8,8	AF OVER A	240	240	150	5+	2,2
0,0	15,0	AF OVR6PP	120	135	107		0,0
46,1	6,3	BERKSHIRE	100	100	50		2,1
19,1	10,0	BURLINGTN	75	75	52		0,0
23,9	7,6	CHARMFIT	157	160	60	4+	10,1
27,8	4,5	CONTEX	140	140	90		0,0
13,6	7,6	DELSWA	165	185	130		0,0
31,2	11,9	DUBIN	59	63	42	3—	8,1
0,0	15,6	DUBIN14CP	90	90	80		0,0
0,0	13,7	DUBIN14CD	41	41	35		7,4
0,0	0,0	DUGSON	75	75	70		0,4
0,0	0,0	EDDELS	50	57	20	5—	0,6
7,8	4,3	ELMAR	23	30	12	1—	0,7
12,8	9,8	ENSIGN	170	175	130		0,0
38,7	10,6	GUBINGS	132	132	80		0,3
32,1	11,4	HEBOTEX	105	135	90	2+	10,9
0,0	0,0	I L BACK	38	40	15	1+	5,5
0,0	17,1	IL BCK CD	35	35	26	1+	0,2
14,5	9,2	JADE	38	42	15	2—	3,4
22,0	9,6	MOOIRIVER	135	135	60	53+	1,2
26,0	5,4	N CANVAS	210	210	180		1,1
27,0	3,1	NATAL CON	325	325	220		0,0
36,7	0,0	NINIAN	70	70	42		0,3
7,0	0,0	PROGRES	33	40	22	1—	0,6
21,8	8,2	REX TRUE	340	340	210	5+	1,0
22,8	8,6	REX TRU A	325	335	210		0,2
20,4	7,7	ROMATEX	220	230	135		6,7
31,7	11,9	SAFNIT	134	150	115		0,0
10,4	9,4	SEARLES	170	170	100	5+	1,6
27,2	8,5	SEARDEL	142	175	75	15—	7,2
16,2	7,6	SILV TAN	330	330	330		0,0
34,0	7,3	S A BIAS	205	240	175		0,0
31,2	6,3	S A WOOL	140	140	125		0,0
0,0	0,0	SVENMIL	14	20	8	1—	13,7
8,1	0,0	TEX MILLS	21	30	21		0,0
15,0	0,0	T E J	50	52	18		1,8
0,0	0,0	VEKA	27	29	13	4+	18,9
0,0	0,0	VEKA8,5CP	37	37	29	4+	72,2
16,6	6,6	——AVERAGE					

ELECTRONICS, ETC.

EY	DY		P	Hi	Lo	Ch	V
16,7	7,5	ABERDARE	300	300	237	10+	6,9
14,6	9,3	AF CABLE	515	550	480		0,0
10,0	4,0	ALTECH	500	500	295		3,1
29,6	6,4	ASEA	265	285	190	5—	9,3
15,7	6,3	CHLORIDE	365	365	285		0,0
19,7	5,7	EVEREADY	210	220	160	10—	0,3
17,7	11,1	LH MARTH.	180	220	150	15—	4,4
19,0	11,7	RHO CABLE	220	250	210	1—	0,1
8,1	6,0	SCOT CABL	150	150	105		3,2
16,7	7,5	——AVERAGE					

(Furniture & household)

EY	DY		P	Hi	Lo	Ch	V
37,7	10,6	HART	47	62	35	1—	6,4
47,4	7,4	HU PARKER	34	40	18	1+	3,1
29,7	12,3	MONTAYS	65	69	40	4—	6,7
27,9	11,6	PRESCAT	43	48	28	1+	0,5
30,4	7,4	RUSSELLS	135	145	97	2—	19,9
0,0	0,0	RUSSELL N	1	1	99999		0,0
17,9	12,1	SAMSTEL	29	30	17	3+	10,5
11,5	12,5	STEEL & B	100	105	65	1—	2,5
39,9	11,7	TEDELEX	74	88	60		30,4
0,0	15,6	TDLX12,5P	80	100	77		0,0
28,5	8,7	WORLD	75	75	46		0,9
20,2	8,1	——AVERAGE					

INDUSTRIAL MOTOR

EY	DY		P	Hi	Lo	Ch	V
0,3	0,0	A & F	35	44	18		0,2
23,6	7,5	ASSENG	345	365	281	5—	15,4
23,0	9,4	AUROCHS	80	82	51		0,0
22,3	10,5	AUTOLEC	100	105	60		0,1
10,6	11,7	BUSAF	137	165	100	3—	1,9
		CAPCAR	SUSP				
20,3	10,6	CAPAUTO	62	62	44		0,5
21,1	10,5	CURRIES	380	380	215	5+	1,0
15,0	7,8	DUNLOP	255	275	140	5+	5,3
44,5	5,0	ERIKSEN	150	155	85		0,3
19,0	7,5	EUREKA	320	390	283	60—	2,1
0,0	0,0	GAYDON	25	32	5	1—	6,3
31,9	6,2	GEN TIR A	650	650	405		0,1
31,9	6,2	GEN TIR B	650	650	405		0,0
19,4	7,9	MCCARTHY	95	105	58	5—	17,0
49,1	12,5	N F S MTR	160	175	130		0,0
0,0	0,0	QHSUPER	50	55	14	2+	13,7
21,3	0,0	ROBBS	70	73	35		0,1
17,7	5,7	SAFICON	87	90	35	7+	12,3
19,0	5,5	SAKERS	82	85	30	7+	8,0
0,0	0,0	SCHUS	40	42	12	2—	0,8
25,3	6,8	TOYOTA	195	235	105	5—	0,8
0,0	6,3	WELFIT OD	80	85	60	3+	15,4
0,0	0,0	WESCO	45	52	26	1—	0,3
23,3	8,3	WM HUNT	120	120	70	5+	0,7
17,9	6,3	——AVERAGE					

PAPER & PACKAGING

EY	DY		P	Hi	Lo	Ch	V
20,8	4,2	COPI	450	580	360	20—	12,4
13,8	7,5	CARLCOR	160	165	85		6,2
26,4	9,4	COATES	127	135	105		0,1
23,8	7,5	CON GLASS	360	380	290		0,4
20,4	9,1	EV HADDON	275	275	211	10+	0,5
15,4	5,2	KOHLER	840	850	370	10+	4,8
10,6	8,8	METAL BOX	250	285	190		0,1
0,0	8,9	MBOX10,5P	100	105	96		0,0
0,0	12,1	MBOX 13CD	107	120	98		0,0
22,9	8,1	METAL CLO	210	225	175		0,0
19,8	9,9	PRM PAPER	182	200	80		0,0
26,4	9,5	PRESS SUP	105	110	105		0,0
14,9	6,4	REEDPACK	530	550	275		5,2
0,0	0,0	REEDPAK O	435	435	435		0,0
32,9	9,4	RHOD PULP	34	37	34		0,0
20,3	8,3	SAPPI	240	250	160	5+	39,7
0,0	0,0	TRIO RAND	52	52	25	5+	6,5
15,7	7,3	——AVERAGE					

PHARM. & MEDICAL

EY	DY		P	Hi	Lo	Ch	V
15,5	4,3	ADCOCK	1500	1525	975		7,3
22,3	8,3	ALEX LIP	48	50	38		0,0
20,2	10,0	AMMED	130	140	85	5+	5,3
20,8	12,5	DERMACULT	60	70	40	5—	2,6
24,0	8,6	GEN OPTIC	140	150	95	10—	0,4
14,5	11,1	SHULTON	135	145	71		0,0
17,4	2,2	SKYE	23	26	10		3,1
11,0	5,9	S A DRUG	188	195	115		7,8
26,9	9,4	TWINS	64	72	35	1—	4,9
13,3	9,6	UNI COLD	250	250	220		0,0
18,5	8,1	——AVERAGE					

PRINTING & PUBLISH.

EY	DY		P	Hi	Lo	Ch	V
54,3	10,5	AFR PERS	105	110	60	5—	1,5
24,8	10,0	ARGUS	1250	1250	500		0,0
30,6	8,0	CAXTON	100	100	65		0,0
20,0	12,9	E P NEWS	140	140	80	12+	2,7
18,2	9,1	HGX	110	135	72	5+	16,9
31,5	11,7	MATH ASH	150	150	127	10+	0,2
46,6	10,8	S A A N	305	320	158		0,0
10,[illegible]	10,[illegible]	VADERLAND	32	33	16	2+	[illegible]
[illegible]	[illegible]	——AVERAGE					

In the market

IT'S been a difficult week for share markets, and perhaps no wonder.

The gold price hit its new record price on Tuesday at the London fixing of $218,25, more or less at a time when the IMF meeting was deciding to increase the volume of SDRs as a potential counterweight to the growing importance of bullion in monetary affairs.

Added to that somewhat extraneous influence were the local and overseas doubts and nervousness about investment in South Africa created by the election of a new Prime Minister and President.

So it was perhaps not surprising that shares in virtually all sections of the market had a rather hesitant look about them earlier in the week.

There is, in fact, something of a tug-of-war going on at the moment between the gold bulls and bears, and it's one that appears to have spilt over into industrials.

Thus, while one gold camp maintains that bullion is about to fall back to $200 or below, there's another which sees the metal coming up quite soon to the $240-$250 level.

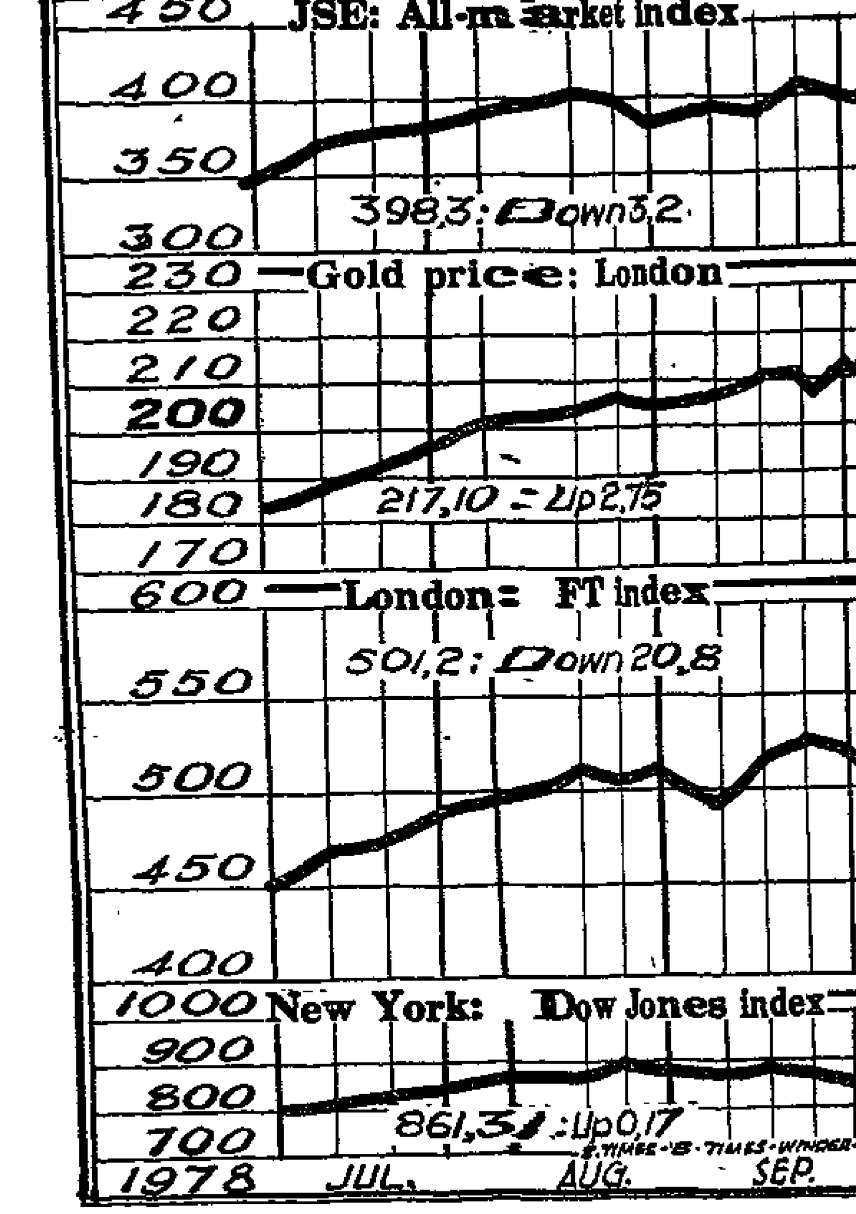
And they add to this argument that the more active market operators have been selling out their industrials modestly in order to invest in top-class gold equities, particularly those with a uranium content.

Industrials to decline last week included domestic and overseas blue chips like Barlows, SAB, Rembrandt and Pick and Pay, now well below its year's high, while some steam still seemed to be left in the secondliners like Curries, Aberdare, Scottish Cables, Grand Bazaars and Edgars.

For all the Impala/Bishopsgate restructuring and the renegotiation of the Rustenburg contract with Ford, it's not been much of a week for platinum shares.

And the same holds pretty good for coal shares, where there is also a massive and longstanding struggle still going on between the bulls and the bears. My betting lies with the bulls.

Three months trend



Dividends

I: Interim F: Final A: Annual

	AMOUNT IN CENTS	LAST DAY TO REGS.	PAYABLE ABOUT	PREVIOUS DIVIDEND
AFGATE	16,00F	27/10/78	04/12/78	15,00F
GYPSUM	20,00F	13/10/78	15/11/78	20,00F
ERIKSEN	5,00I	24/11/78	08/12/78	0,00I
SINCLAR	2,50I	06/10/78	27/10/78	0,00I
PANAFIC	3,00I	13/10/78	10/11/78	3,00I

Market indicators

	29/09 /1978	WEEK AGO	WKS.% CHANGE
COAL	470,4	468,7	0,4+
DIAMONDS	92,0	95,3	3,4-
RAND & OTHERS	1033,4	1078,0	4,0-
EVANDER	504,9	551,1	8,3-
KLERKSDORP	449,6	449,3	0,1+
O.F.S.	326,1	329,7	1,0-
WEST WITS	240,9	246,8	2,3-
ESE ALL GOLD	462,6	474,1	2,3-
ESE COPPER	94,8	95,8	0,9-
ESE MANGANESE	377,9	379,5	0,3-
ESE PLATINUM	73,9	70,6	4,7+
ESE TIN	133,2	136,8	2,5-
ESE OTHER	258,8	267,9	3,3-
ESE ALL METALS & MINERAL	263,6	266,8	1,1-
ESE MINING HOUSES	273,2	272,3	0,3+
ESE MINING HLDG.	130,1	128,5	1,2+
ESE BANKS & FIN.SERV.	161,0	168,2	4,2-
ESE INSURANCE	486,6	503,4	3,2-
ESE INVESTMENT TRUSTS	152,9	153,9	0,5-
ESE PROPERTY	143,8	148,6	3,1-

INDUSTRIAL	29/09 /1978	WEEK AGO	WKS.% CHANGE
BEVERAGES & HOTELS	154,0	154,1	0,0-
BUILDING & CONSTR.	155,8	155,6	0,1+
CHEMICALS	329,3	332,0	0,7-
CLOTH., FOOT., TEXT	99,0	98,1	0,9+
ELECTRONICS, ETC.	125,6	127,1	1,1-
ENGINEERING	194,6	196,3	0,8-
FISHING	52,5	53,9	2,5-
FOOD	330,3	329,6	0,2+
FURN. & HOUSEHOLD	208,4	212,5	1,8-
MOTOR	277,0	274,4	0,9+
PAPER & PACKAGING	286,8	281,1	2,0+
PHARM. & MEDICAL	232,2	231,0	0,5+
PRINTING & PUBLISH.	232,2	230,9	0,6+
STEEL & ALLIED	164,0	165,0	0,5-
STORES	351,3	351,2	0,0
SUGAR	256,6	258,2	0,5-
TOBACCO & MATCH	243,2	244,1	0,3-
ESE 200 INDUSTRIAL	241,3	242,2	0,3-

0,0	[illegible]	LSBURG	190	230	15	10—	101,4
0,0	0,7	KLOOF	1080	1145	690	5—	6,5
0,0	10,2	LIBANON	985	1125	710	15—	14,8
0,0	6,5	VENTERS	385	585	200	20—	32,7
0,0	8,7	WEST DRIE	4450	4825	2850		1,2
0,0	4,9	WES AREAS	305	447	255	20—	31,3
0,0	6,9	WSTN DEEP	1620	1700	1095	5+	7,2
0,0	5,9	——AVERAGE					

CURTAILED OPERATIONS

0,0	0,0	AFR LEASE	400	705	220	95—	2,9
0,0	00,0	E DAGGA	45	70	32	3—	21,5
0,0	0,0	RD LEASE	35	50	18	3—	13,3
0,0	0,0	VILLAGE	28	39	19	1—	50,5
0,0	0,0	WIT G M	120	120	60		0,0
0,0	20,0	——AVERAGE					

METALS & MINERALS
COPPER

0,0	0,0	BOTREST	40	47	18	5+	8,2
17,1	12,0	MTD MGULA	87	126	87		2,1
2,4	7,7	MESSINA	150	180	120	5—	29,3
7,0	5,3	PALAMIN	900	910	620		8,2
8,8	0,0	Z C I	25	27	15		0,0
7,0	5,0	——AVERAGE					

MANGANESE

18,9	3,6	ASS MANG	2950	3250	2900		0,4
12,6	9,0	SAMANCO	665	750	480	5—	4,9
15,7	6,3	——AVERAGE					

PLATINUM

3,7	5,4	BISHPLATS	170	188	110	7+	44,9
1,2	0,9	LYD PLAT	110	130	88		37,0
2,8	0,0	RUSPLAT	168	185	115	8+	119,8
2,5	2,1	——AVERAGE					

TIN

23,5	10,3	ROOIBERG	1650	1725	950	75—	0,9
33,3	18,8	UNION TIN	85	90	61		6,6
10,4	9,1	ZAAIPLAAT	440	460	260		0,4
22,4	12,7	——AVERAGE					

OTHER

		CON AF MN	SUSP				
0,0	2,2	CON MURCH	455	535	355	5—	5,1
23,8	14,9	GEFCO	350	400	210	20—	11,7
18,8	13,5	MSAULI	315	335	105	15—	25,4
13,2	4	——AVERAGE					

FINANCIAL MINING HOUSES

10,8	5,6	ANGLO AM	645	655	465	15+	79,3
26,1	7,3	ANGLOVAAL	1575	1625	1075	50—	0,8
26,1	7,3	ANGVAAL A	1575	1625	1080		0,6
0,0	8,3	ANGVAL PP	810	850	620		0,0
18,7	7,0	A—V HOLD	157	161	115	3—	6,1
9,0	3,3	CHARTER	397	430	275	8—	2,6
13,5	2,8	CON GOLD	470	520	403	5+	0,9
14,7	7,1	FED MYNBO	635	645	465	5—	5,6
15,9	6,7	GEN MIN	3600	3600	2565	105+	7,5
10,9	5,4	GFSA	2510	2750	1770	85+	3,1
22,6	6,3	JOHNNIES	2700	3000	1850		0,9
13,5	3,9	T C LANDS	2575	2600	2000		1,9
12,3	7,2	UN CORP	570	590	429	10+	46,6
14,9	6,0	——AVERAGE					

MINING HLDG.

6,8	5,4	AMGOLD	3400	3475	2530	100+	1,6
19,5	6,5	ASSORE	1375	1650	980		0,0
42,7	3,1	COR SYND	145	190	98	3—	0,6
18,6	9,4	DUIKERS	430	495	310		3,4
3,8	3,7	E R CONS	45	60	38		3,6
7,8	6,0	FREDDEV	200	200	130	15+	20,8
10,4	8,0	METAMIN	187	220	125	6—	4,3
11,1	7,1	MID WITS	350	400	230		12,6
4,3	3,0	MINORCO	350	350	220		2,0
6,2	6,1	NEW CENT	285	295	200		2,1

0,0	11,3	UNIDV9CD	80	80	55	2—	2,4
0,0	1,3	WELLWORTH	154	154	20	14+	19,2
0,0	0,0	WLF STERN	20	30	5		0,0
8,9	3,2	——AVERAGE					

PROPERTY TRUST

10,9	11,0	FEDFUND	110	116	98		29,2
10,6	10,6	SANLAND	53	53	42	1+	25,6
12,3	12,3	VETRUST	35	35	28		13,5
11,2	11,3	——AVERAGE					

INDUSTRIAL IND. HOLDING

6,1	10,5	ADVANCE	38	45	27		0,0
0,0	0,0	AMAL IND	50	55	50		0,0
		AMAL LAUN	SUSP				
16,1	7,1	AMIC	1030	1080	760		10,2
30,8	8,0	A T I	250	250	160		18,5
0,0	5,0	ATI 8BCP	160	160	110	20+	0,5
18,9	6,7	BARLOWS	420	448	315	5+	144,3
8,0	8,1	BAR P ORD	445	470	415	5+	3,0
0,0	0,0	BARLOWS N	26	57	22	11—	668,8
9,8	7,0	BITCON	1000	1000	720		0,2
13,6	8,2	BLUE CIRC	195	210	153	5—	16,1
0,0	0,0	BONUSKOR	35	50	30	3—	11,6
0,0	0,0	BROMAIN	45	50	25	5—	7,6
14,7	10,0	BTR	180	180	115	5+	0,5
22,5	10,3	CALAN	310	375	240	10+	37,4
53,1	20,0	COMAIR	80	120	65	5—	4,2
24,4	9,7	CURFIN	85	95	50	3—	8,2
17,4	6,8	D & H	250	260	180	5—	14,0
26,6	8,6	DIROYAL	35	38	18	1—	6,0
15,0	7,7	FED VOLKS	195	210	130		22,2
		FIN HOLD	SUSP				
32,7	11,3	FRENCOR	150	170	100		1,3
0,0	7,1	FRENCOR L	120	120	77		0,0
26,5	8,6	IND & COM	385	385	210	5+	0,1
24,5	8,6	IND INV	875	915	875		0,0
23,2	9,4	LONRHO	157	202	149		4,0
18,8	7,2	MALBAK	170	180	105		0,0
0,3	0,0	MERTRU	120	121	75		0,0
25,9	12,2	METJE & Z	90	103	60		0,0
26,5	10,1	MICOR	89	95	47	3+	0,9
19,6	10,0	MITCOTT	210	240	158	2—	21,0
		NICTUS	SUSP				
54,0	7,7	PICBEL	52	65	32		1,0
0,0	0,0	PREM IND	50	55	50		0,0
18,9	9,5	PROTEA	148	160	96	3+	268,9
22,9	9,5	RENNIES	105	125	75	5+	58,6
27,8	10,3	RENTBEL	65	70	48		0,0
15,9	2,2	RHO CORP	41	60	36	1+	1,9
		SINCLAIR	SUSP				
18,0	12,3	SMITHS	220	260	185	5+	6,0
		SALECT	SUSP				
26,2	10,0	S ATLANT	160	175	110		2,3
0,0	5,3	S ATBBCP	150	155	100		0,0
25,0	13,6	SUIDERLND	22	25	18	2—	18,6
36,0	7,7	TOLLGATE	230	245	154	10+	32,8
0,0	0,0	TRUMCOR	10	30	15		10,1
16,0	3,1	TURF HLD	65	65	38		3,0
11,2	9,1	UNISEC	116	122	98	1—	63,3
26,7	9,2	W & A	195	215	128	7—	5,2
0,0	12,4	W&A 11PCN	89	95	89		0,0
17,04		——AVERAGE					

INDUSTRIAL BEVERAGES & HOTELS

10,4	0,0	BERTRAMS	23	25	15	1—	3,4
0,0	0,0	GOODTEL	23	23	15	1+	2,5
24,2	6,1	OUDE MEES	57	57	41		50,2
23,8	12,7	PICOTEL	55	58	33		0,0
15,8	7,7	SA BREWS	142	153	105	1—	165,9
0,0	9,0	SABREW 7P	78	78	66		0,0
27,9	10,7	SUNCRUSH	140	150	100	5—	1,0
43,1	11,1	UNIEWYN	45	48	27		3,4
18,1	7,1	——AVERAGE					

BUILDING & CONSTR.

23,0	10,4	BLAJOHN	53	65	41		4,0
24,9	7,1	ANCHUSA	190	190	122		0,0
14,9	10,4	ANG ALPHA	125	140	95		20,7
13,5	9,4	BOUMAT	235	240	165	15+	12,6
8,0	3,8	BUF TIMB	40	42	35		1,9
24,7	10,5	COR BR FS	105	115	67	5—	2,7
15,0	7,9	EVERITE	190	205	145		0,7
32,1	7,9	GENEREC	215	240	160	5—	0,7
29,9	10,0	GOLDEN BR	70	100	45	10—	0,3
34,6	0,0	GD HOPE	67	67	50	2+	0,3
2,7	5,0	GOUGHCO	60	63	34		0,0
20,7	6,7	GRINAKER	495	520	250	20—	9,1
23,0	8,6	GROUP 5	210	220	115	5+	4,4
28,3	9,6	GYPSUM	335	335	275	10+	0,1
18,1	8,6	JOHNSTONE	175	175	160		1,0

ENGINEERING

13,1	8,6	ABERCOM	198	213	143	1+	56,7
25,8	6,0	AFGATE	265	265	250		1,0
14,1	6,3	AFROX	240	250	175		3,3
57,0	3,9	BERZACK	375	375	200	45+	1,2
57,7	4,8	BIVEC	65	65	42	3+	5,2
21,9	10,5	BRICK CLY	100	117	63	5—	4,5
0,0	17,7	B CL12,75	72	72	64		0,0
24,3	7,4	CEMENCO	190	230	150		10,0
17,6	12,0	CHUBB	125	147	100		1,8
40,0	14,3	CLAUDE NE	42	55	28	4—	21,3
0,0	0,0	DEFY	75	85	53		0,4
27,0	8,9	DORBYL	620	740	555	50—	2,6
0,0	10,0	DORBL12CD	120	120	98	5+	5,0
4,8	2,8	DUNDEE	180	180	90	10+	2,5
27,5	11,4	DUROWIN	105	105	75		3,0
30,0	5,7	ED L BATE	460	460	310	50+	2,2
58,3	14,6	FIELDAIR	41	60	40	1—	5,5
15,8	5,0	FINTEC	60	80	50	7+	0,2
18,9	12,1	GLOBE ENG	165	180	105	15+	0,1
11,5	7,7	G.I.C.	65	83	38	2—	2,0
13,5	6,8	HULAMIN	365	365	330		0,4
9,6	0,0	J B HAMER	50	60	23		0,0
0,0	3,3	LHL	60	65	25	2+	35,9
19,6	9,1	MACCABEE	220	230	200		0,2
12,9	9,3	MASSYFERG	270	315	258		0,1
15,2	0,0	METAIR	27	30	12		0,0
25,8	10,0	METKOR	50	50	34		101,4
		MORLITE	SUSP				
27,3	12,0	NATL BOLT	117	127	75	2+	1,0
22,3	8,8	NATL TRDG	160	175	140		8,8
20,6	6,9	NEI AFR	290	320	270	10—	1,8
0,0	8,3	NEI8,75CP	106	110	70	4—	183,1
23,2	7,9	PRIMA IND	380	380	320		0,0
22,5	7,0	REUNERT	405	415	360		0,1
22,5	7,0	REUNERT A	405	415	360		0,2
17,1	8,1	OSBORN	400	415	360	15—	2,9
30,2	15,6	SHIPWRITE	160	185	130		0,0
24,0	8,0	STD BRASS	375	405	260		0,1
0,0	0,0	STLBRITE	53	60	20	3+	10,3
35,6	13,0	STEELMETL	135	185	110	27—	1,2
18,2	9,4	STEW LLYD	180	200	160	10—	8,9
0,0	0,0	WISPECO	31	35	18		21,7
20,2	7,8	——AVERAGE					

FISHING

29,8	20,2	KAAPKUNEN	62	70	50	3—	20,4
25,0	9,6	LAMBERT	260	260	202		3,7
51,9	14,3	OIL	42	50	35	1—	17,0
0,0	15,7	OIL 11CP	70	77	57	1—	2,3
0,0	16,3	OIL8,5PCP	52	56	43	1+	1,3
30,3	17,0	SEASWA	210	230	165	20—	7,1
33,5	18,3	SWA FISH	290	300	220	5—	0,8
31,8	9,2	UNITS	130	130	93		0,0
33,0	9,6	UNITS A	125	130	98		0,8
0,0	12,7	UNITS6PP	110	120	99	4—	0,7
20,5	22,5	WILBARZ	55	60	47		20,6
23,2	15,0	——AVERAGE					

FOOD

9,2	4,5	AF PRODS	990	1030	855	10—	2,9
31,4	10,5	ASOKOR	105	105	64	5+	3,2
14,6	6,1	BAKERS	375	375	275	25+	3,7
20,4	8,6	BECKETTS	175	175	150		0,3
20,2	8,4	CADSWEP	160	170	100		8,9
18,4	9,4	FEDFOOD	255	295	204		1,9
17,5	5,7	I C S	230	255	150	5—	10,2
0,0	11,7	ICS13,5BD	115	115	93		0,7
17,4	8,2	I & J	85	85	40	5+	28,1
13,2	6,4	JABULA	700	750	700	50—	1,7
12,2	5,4	KANHYM	315	315	205		5,0
30,7	12,2	KARGO	60	63	38		7,9
19,3	6,9	LEWIS H	480	480	370	10+	0,2
16,8	6,0	MONIS FAT	210	275	175		0,6
4,0	0,0	PICCAN	60	62	30		0,0
14,1	5,4	PREM MILL	600	635	500	10—	8,2
20,6	4,8	TIGR OATS	1135	1235	835	10+	14,3
0,0	11,2	TIGOAT CP	809	854	809		0,0
15,0	7,2	——AVERAGE					

FURN. & HOUSEHOLD

25,0	8,1	AMREL	155	162	95		0,0
0,0	0,0	ASMAR	14	15	5		0,0
14,9	7,5	AFCOL	120	138	98	15—	12,5
30,7	12,2	B & S	41	47	23	1+	0,1
33,3	7,2	BEARES	153	163	80	5+	6,2
24,5	7,6	BEARES CD	125	130	80		0,0
24,0	9,8	BRADLOWS	139	185	75		0,0
0,0	0,0	COLUMBUS	31	48	25	1—	6,6
0,0	0,0	DUROS	33	40	25	7—	7,0
31,9	8,9	ELLERINE	210	230	155		1,1
14,0	6,7	EMPISAL	67	73	30	2—	38,7
0,2	2,1	GALLO	95	100	45		20,9

STEEL & ALLIED

17,9	6,7	CULLINAN	210	210	110	5+	8,0
30,1	0,0	DUNSWART	90	100	38	5—	5,5
0,0	0,0	DUNSWAT O	36	37	3		0,0
16,4	8,4	HIVELD	190	225	130	15—	6,6
40,5	6,1	UNISTEEL	41	50	22	1+	36,6
18,2	7,5	VERREFRAC	440	440	180	10+	13,0
20,5	4,7	——AVERAGE					

STORES

19,0	8,0	ABC SHOES	100	103	58		0,7
13,6	6,8	BONMORE	265	265	145		0,1
19,7	9,5	C N A	210	210	110	10+	1,3
13,3	6,9	EDCON	275	290	155	5—	4,3
15,2	7,1	EDGARS	3300	3375	2025	65+	1,5
0,0	9,6	EDGARS P	1225	1225	1015		0,0
0,0	12,4	EDG13,6CD	110	110	95		0,0
17,1	7,0	FOSCHINI	3300	3300	2000	100+	0,1
20,6	6,0	FRASERS	300	355	270	5+	3,1
0,0	0,0	FRASR OPT	65	82	40		0,1
0,0	11,9	FRASER CD	115	115	100		0,0
17,1	9,2	GARLICK	250	250	170		0,2
13,8	4,9	GRANDBAZ	265	265	108	5+	7,8
23,9	7,0	GRATERMAN	285	325	160	20+	2,7
23,5	6,9	GRATEMN A	290	320	155	25+	12,8
0,0	10,7	GRATEMNPP	105	107	73		73,1
25,0	9,5	GRESHAM	210	210	112	20+	6,9
6,1	5,9	GRIFFON	85	89	32		1,4
0,0	0,0	HARROWES	35	40	13		0,0
0,0	0,0	HEPWORTH	117	140	100	3—	2,9
		HWL	SUSP				
13,4	9,0	J ORR HLD	145	165	80	17—	19,6
12,9	0,0	KATZ LURI	65	65	28		0,0
17,1	6,9	LEFIC	335	335	170	5+	2,8
8,7	3,9	MET CASH	1450	1650	700	50—	1,2
14,3	7,7	O K	750	795	520	10—	4,2
17,5	8,1	PEP	580	580	390	5+	16,7
12,2	3,9	PIK N PAY	2200	2550	1600	100—	5,3
0,0	6,5	PIKPAY CP	2200	2475	1650		0,2
27,8	12,5	SCOTT STR	280	505	235	45+	14,1
0,0	14,3	SCOT13,6D	95	105	95		0,0
18,6	6,9	SPITZ	145	150	75	5—	1,4
30,2	10,0	STERNS	100	130	98		1,0
7,9	4,5	STUTTAFRD	625	640	220	10+	3,9
16,4	7,8	TRUWORTHS	2550	2550	1525		0,0
11,2	4,6	WOOLWORTH	410	455	292	25—	12,4
11,2	4,6	WOLWRTH A	410	450	292	25—	42,8
12,0	6,7	——AVERAGE					

SUGAR

18,2	10,7	CROOKES	270	310	228		0,0
22,0	14,6	HULETTS	192	227	160	3—	19,2
2,8	1,3	LONSUGR	1905	1929	1905		0,0
25,1	15,3	C G SUGAR	490	700	435	20—	15,8
23,5	9,1	TONGAAT	275	315	210	5+	8,2
18,3	10,2	——AVERAGE					

TOBACCO & MATCH

14,1	7,1	LIONMATCH	245	250	165	15+	5,3
42,4	7,0	REMBR BEH	252	275	205	18—	8,8
42,3	7,0	REMGRO	345	387	295	15—	19,0
46,7	7,2	TEGKOR	210	220	168	2—	4,1
48,5	7,2	TIB	210	225	183	10—	21,0
15,1	0,0	UTICO	135	135	80		9,7
14,2	0,0	UTICO DEF	130	135	83	5—	0,1
31,9	5,0	——AVERAGE					

TRANSPORTATION

36,2	10,5	MOBILE	105	120	95	10—	0,5
33,0	6,2	PUTCO	105	115	63	10—	6,6
28,2	8,9	SAFMARN	190	250	190	10—	7,2
31,8	8,8	TRENCOR	400	400	300		0,0
32,3	8,6	——AVERAGE					

SECONDARY

3,0	0,0	BROADACRE	120	127	12	10+	15,9
3,6	0,0	CARRIGS	11	17	8	1+	6,3
4,5	3,6	FAR WR EX	55	65	28		0,1
0,0	0,0	REEF NIGL	25	27	18		0,1
		SOCROSS	SUSP				
0,0	0,0	THERON	20	22	6		33,4
0,0	0,0	VOLKRUS	10	10	5	3+	11,6
2,0	0,0	WAVERLEY	30	35	15	5—	2,2
14		——AVERAGE					

Mutual funds

	Net asset value (c) Sep 29	Sep 22	Yield %
Old Mutual	167,83	182,44	5,28
NGF	104,91	112,88	5,84
Sage	186,73	202,79	5,27
Safs	76,24	81,87	5,85
Sanlam	175,69	189,58	6,18
UAL	178,88	191,74	5,79
Trust	——	——	——
Santam	——	——	——
Syfrets Gro	53,83	57,61	7,39
Guardbank	151,69	162,15	6,24
Standard	115,75	123,05	6,52

Technical selections

A Sunday Times investment service.

This extract includes only ordinary quoted shares. It is based solely on technical considerations which, although valuable guidelines, should not on their own lead to buy or sell decisions without deeper fundamental and technical analysis.

KEY: Pr — Price in cents, WM — Week's move, WM% — Week's move per cent; YM — Year's move; YM% — Year's move per cent, Vol — Week's volume.

BIGGEST PRICE RISES THIS WEEK

	Pr	WM	WM	Vol
MOOIRIVER	135	53+	64,6+	1200
VOLKRUS	10	3+	42,9+	11599
N KLEINS	40	7+	21,2+	9700
SCOTT STR	280	45+	19,1+	14100
VEKA	27	4+	17,4+	18860

BIGGEST PRICE FALLS THIS WEEK

Not Available

BIGGEST PRICES RISES THIS YEAR

	Pr	YM	YM	Vol
WELLWORTH	154	126+	450,0+	19200
BROADACRE	120	90+	300,0+	15918
N KLEINS	40	25+	166,7+	9700
SCHUS	40	25+	166,7+	800
T E J	50	30+	150,0+	1800

BIGGEST PRICE FALLS THIS YEAR

Not Available

BIGGEST VOLUME THIS WEEK

	Pr	WM	WM	Vol
PROTEA	148	3+	2,1+	268875
SA BREWS	142	1—	0,6—	165871
BARLOWS	420	5+	1,2+	144327
RAND LON	98	8+	8,9+	134889
DE BEERS	775	8+	1,0+	133423

MOST OVER-ACTIVE THIS WEEK

	Pr	WM	WM	Vol
ASSENG	345	5—	1,3—	15442
DUROS	33	7—	17,4—	7000
TURF HLD	65	0	0,0	2960
WELFIT OD	80	3+	3,9+	15400
LHL	60	2+	3,4+	35900

VOL DENSITY LEADERS THIS WEEK

	Pr	WM	WM	Vol
LHL	60	2+	3,4+	35900
WELFIT OD	80	3+	3,9+	15400
RAND LON	98	8+	8,9+	134889
WELLWORTH	154	14+	10,0+	19200
THERON	20	0	0,0	33410

VALUE LEADERS THIS WEEK

	Pr	WM	WM	Vol
DE BEERS	775	8+	1,0+	133423
BARLOWS	420	5+	1,2+	144327
ANGLO AM	645	15+	2,4+	79321
STILFTN	610	55+	9,9+	80153
AMCOAL	1220	10—	0,7—	37671

BEST SECTIONS THIS WEEK

	Av % mv	Av D/Y	Av E/Y
SECONDARY	6,8+	0,5	1,9
PLATINUM	3,1+	2,1	2,6
PRINTING & PUBLISH	2,9+	10,4	29,5
COPPER	2,1+	5,0	7,1
CLOTH, FOOD, TEXT	1,8+	5,8	19,0

STAR RATINGS TO INVESTIGATE

For Buying		For Selling	
RAND LON	— 6 Stars	6 Stars —	GROOTVLEI
WELFIT OD	— 5 Stars	5 Stars —	VENTER
VEKA	— 4 Stars	4 Stars —	WIT NIGEL
TOLLGATE	— 4 Stars	4 Stars —	WINKELS
RUSPLAT	— 3 Stars	4 Stars —	LESLIE

The ratings are based solely on technical considerations. They are not recommendations to buy or sell.

OVERALL MARKET THIS WEEK

	Mining	Non-min	Total
Volume traded	1 801 127	3 862 786	5 663 913
Value traded — R	7 153 207	8 380 656	15 533 863
Up	17	109	126
Down	46	121	167
Unchanged	21	183	204
Number traded	79	343	422
New Highs	6	42	48
New Lows	—	1	1

REL. PRICE LEADERS	OVER BOUGHT	OVER SOLD
LONSUGR	LHL	TRUMCOR
N KLEINS	VOLKRUS	
THERON	N KLEINS	
GRIFFON	THERON	
BRO	MOOIRIVER	
	GRIFFON	

The week ahead

THREE companies are holding ordinary meetings this week. They are Sentrust on Thursday and Village Main and Silverton Tannery on Friday. Volkskas is holding a special meeting, also on Friday.

Shares going ex dividend tomorrow include the following: Kohler (24c), Hortors Graphics (3,5c), Evelyn Haddon (11c), Maccabee (20c), Guardian Assurance (5c), Liberty Life (30c), Sea Products (15c — N/R tax 10,119%), Adcock Ingram (40c), Asea (5c), Group Five (8c), Ellerine (10c), Amic (25c), Schachat (1,5c), Murray & Roberts (19,5c), Falcon (35c Rhod. less tax), Harmony (37c), Federale Mynbou (19c), Federale Volksbeleggings (7c), Anchusa (10,5c), Comair (4c), Mooi River (8c), and Minerals and Resources (8c US).

Kohler shares also go ex capitalisation issue, and Rand London ex rights tomorow.

Brighter 1979 is forecast for UK

Sun Times 1/10/78

49

Healey hopeful at IMF meeting

BUSINESS TIMES

INTERNATIONAL SCENE

LONDON. — Official and private studies indicate that the outlook for the British economy is encouraging over the next 12 months.

By NEIL BEHRMANN

At the annual meeting of the International Monetary Fund, Denis Healey, Chancellor of the Exchequer, was optimistic.

He predicted that inflation would be eight per cent in the next six months and remain in single figures during 1979.

He said that the dramatic improvement in Britain's financial situation was now being reflected in some areas of the British economy. He predicted that manufacturing investment in the private sector would increase by 14 per cent in real terms this year.

Depending on the world economy, Britain could grow at 3,5 per cent in real terms and still have a surplus of 2-billion pounds (R3,5-billion) on the current account of the balance of payments.

On achievements so far, the current account already had a surplus of 250-million pounds in 1977, while in the June to August period this year it continued to run on the surplus side, despite sharp month-to-month fluctuations.

The latest quarterly report of the Bank of England was also mildly optimistic about prospects for the British economy.

The bank stated that throughout the year there had been growing evidence that economic activity was expanding.

After two years of contraction, consumer spending has increased markedly. In the second quarter of 1978 it was five per cent higher, in real terms, than a year earlier.

This has come about because of a rapid increase in real disposable incomes. Earnings rose more than twice as much as prices and were augmented by tax cuts.

For a time the sharp rise in demand was not followed by much increase in output. This was due to stockbuilding and lower export growth. But by the first quarter production was already rising by one per cent.

Within this mood of optimism, however, there is caution over wage inflation.

The government announced a few months back that wage increases be kept within a guideline of five per cent. Since the five per cent guideline will be applied to basic wages, Dr Paul Neild of Phillips and Drew cautioned that average earnings growth could be 10 to 12 per cent.

As an indication of difficulties ahead an unofficial strike by 57 000 Ford workers was made official by the powerful Amalgamated Union of Engineering Workers.

Shop stewards from Ford warned the Prime Minister that the five per cent pay guideline would cut support for the government.

This crisis, which sent sterling sharply lower against the Swiss franc and D-mark, occurred despite Mr Healey's warning that single figure inflation could only be assured if companies and workers observed the government's pay guide.

Echoing these warnings, David Lomax, National Westminster Bank's economic adviser, said that the main uncertainty now related to inflation — which reached a low point this summer — and despite the more optimistic view, the trend was modestly upwards.

Mr Lomax commented that unemployment (currently 6,4 per cent of the labour force) was likely to remain high.

Nevertheless, "the UK outlook for next year appears relatively encouraging. Further North Sea oil revenue will support the balance of payments and, to a lesser extent, budgetary policy, and could, if necessary, cover any deterioration in the performance of the rest of the economy," he said.

• See also Back Page.

UNIVERSITY OF CAPE TOWN

Memorandum

TO

FROM Professor A.H.R.E. Paap, Dean, Faculty of Arts.

8th August, 1978.

SUNDAY TIMES, Business Times, October 1, 1978.

Outlook bright for currency stability

49

By STEPHEN MULHOLLAND

WASHINGTON. — All of South Africa's major trading partners appear to be in healthy shape with prospects good for an expansion of their economies and of their imports. All, that is, barring the United States, which is set to slow down its economy, curb its foreign trade deficit and trim its inflation.

This is the trend that emerges from a study of the statements issued in Washington by Finance Ministers of the major nations at the annual meeting of the International Monetary Fund.

Hans Matthoefer, Germany's Finance Minister, pointed out, for example, that his country's new fiscal programme would provide its economy with an additional boost of over $6-billion" in the year ahead. He added: "Tax reliefs and additional fiscal expenditures amounting to 1 per cent of our gross national product will give sustained encouragement to industrial investment and stimulate consumption by private households."

Nonetheless, there will be stimulus in Germany as there will be in Japan where, as Finance Minister Tatsuo Murayama told delegates, there is a real growth target for fiscal 1978 of 7 per cent, well below the heady days of early Japanese development, but easily the highest expected among the major industrial nations.

South African traders might take note of Mr Murayama's invitation to trading partners to "fully study our market characteristics and distribution system, and adjust their export strategy to suit them."

(In passing, one feels that, given possible political objections to growing South African trade, more attention might be given to joint ventures with accommodating third party countries so that this trade would not be quite so sharply reflected in official statistics of a sensitive nation such as Japan.)

Britain's Denis Healey, suitably smug about his own country's performance, was able to point out that the British inflation rate of 8 per cent was only half of the level of a year ago and proudly told delegates that the balance of payments was in surplus.

He added: "Output is growing well on target for the three per cent increase in gross domestic product which is our aim. Investment in manufacturing industry is rising fast and profitability has risen substantially."

France gave a pointer to the Americans on how to bring its trading account into balance when the Finance Minister, Rene Monory, outlined what he feels is the basis for "sustained and lasting economic growth" in the years ahead.

His country, said Mr Monory, had brought its trading account into balance "by efforts made in the past two years to slow the pace of wage and price increases."

In one of the more significant statements made at these meetings, Mr Monory said that, in addition to fiscal stimulus, France had taken the even more important step of embarking on "structural reforms required to foster greater freedom, responsibility, and competition in our country.

"In this regard," he added, "the year 1978 will be noted above all for the total deregulation of industrial prices that has taken place in recent months. It is aimed at restoring to executives full responsibility for management, thereby improving the efficiency of our enterprises.

"The French government has also adopted key fiscal measures aimed at channelling savings into the purchase of corporate stock."

Regarding the American economy, the senate vote this week ratifying the natural gas bill is expected to result in annual import savings of more than R2-billion while Mr Carter unveiled a long-term plan to encourage American exporters.

Michael Blumenthal, the American Treasury Secretary, underlined the need to dampen down the United States economy with reference to the level of inflation.

Mr Blumenthal focused also on the vast American deficit which was $66-billion in 1976 and $50-billion in the fiscal year now ending. He said that in the year ahead a further cut of $10-billion in the deficit would be sought

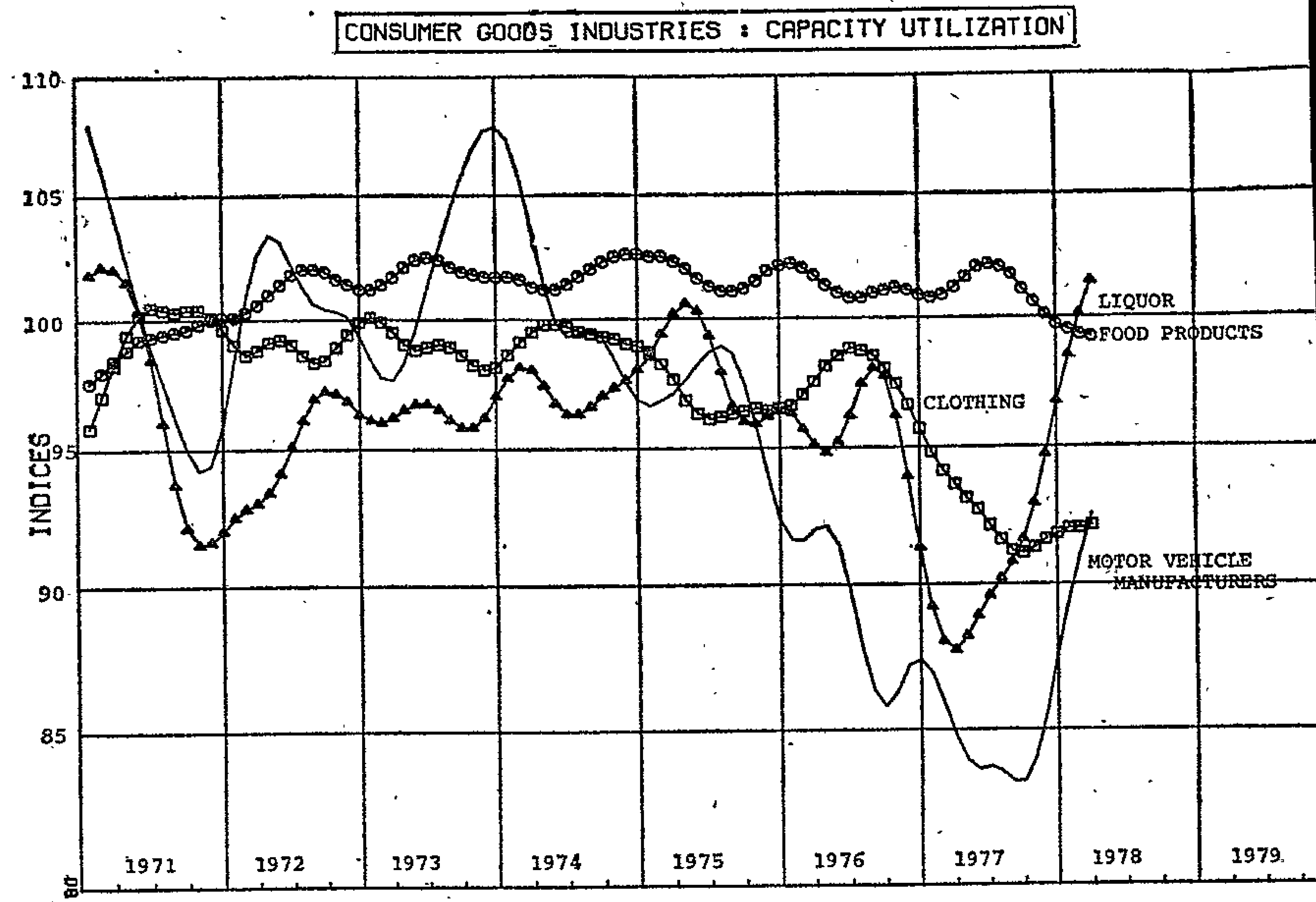
Thus the world economic stage is set, if all goes according to plan, for "convergence" in the year ahead, for a drop in American economic activity, a quickening in other major trading nations, particularly Japan and Germany, and a return to stability in currency markets.

Recovery established but consumers still to feel impact

By TONY HUDSON

Sunday Trib. 1/10/78 (49)

UPTURN ROUND THE CORNER



THE ECONOMIC recovery is well under way and the signs are it will continue well into 1979.

The latest issue of Trends, produced by Stellenbosch University's Bureau for Economic Research shows that the upturn is well established in the primary and intermediate sectors of the economy but still has to make an impact at the consumer level.

The report states: "All sectors, with the sole exception of retailing, are in an upward phase or are tending to turn up. Particularly encouraging are the trends in manufacturing and construction sectors from a domestic point of view."

Trends also notes the better-than-expected export performance and says the climb in volume of wholesale sales could be an indication of expanding inventory needs.

An interesting aspect noted is that in the last 12 months South African drinkers have been climbing out of wine and into spirits. Wine production has dropped off sharply while spirit production has leapt upwards.

The sale of spares for cars has also shown a rapid increase while workshops in garages are reporting an upturn in business. This is mainly as a result of rapidly escalating prices of new vehicles. Despite this, new car sales have continued to climb and are almost back to 1975 levels.

Trends' figures are borne out by the Natal Chamber of Industries which shows the production of motor vehicle parts and accessories in May to be up 13,2 percent on the May 1977 level.

Next on the Chamber's list was glass and glass products, up 10,6 percent on the previous year's figures while beverage production was up by six percent.

And the prognosis for the coming 12 months looks good. The Standard Bank says the recovery, which started late last year after 40 months of stagnation, will continue to gather strength for the rest of this year and will result in a real growth rate of the GDP of nearly four percent next year.

Standard predicts that manufacturing production will increase by 3,5 percent while inflation will drop down to 9,5 percent in 1979.

It says consumer spending will be supported by salary increases and consequent high private sector liquidity. In addition, it expects a noticeable reduction in spare industrial capacity because of increased Government spending on the social infastructure, higher expenditure on other infarastructural projects and an improving home market.

Barclays economist Dr Johan Cloete is not as cheerful and says that if the current economic revival is to continue, three factors are crucially important. They are:

- Continued moderation in wage increases in order to exert a continuous downward pull on the inflation rate. But, he says, moderation of wage demands requires an early and significant moderation of price increases.
- A continuation of bouyant export earnings, which could become increasingly difficult through political factors or a severe depression in the U.S.
- A nurturing of the more confident mood among consumers which has now spread to investors.

Cloete concludes: "Stronger support in the months ahead of total demand price by fiscal and monetary policy than has been forthcoming to date will probably be necessary, particularly as the contribution from exports might well weaken fairly appreciably in the coming period."

Urban blacks 'favour communism'

Cape Times 5/10/78 Staff Reporter (49)

A SURVEY had found that most urban blacks in South Africa favoured communism, the director of the Free Market Foundation, Mr Leon M Louw, yesterday told a meeting in Pretoria. Addressing the Institute of Credit Management, he said virtually all the legitimate black grievances were due to interference with the free market mechanism, but anti-free market sentiment was growing not only amongst blacks but in all people.

The free enterprise system was being threatened everywhere, but South Africa was moving more rapidly towards it than any other country.

Recent examples included the lifting of all remaining restrictions on urban black trading rights, the abolition of rent control and the phasing out of agricultural subsidies.

Time for a booster

(49) FM 6/10/78

Is the economic upswing losing momentum? Not according to the published statistics. But if this week's National Development & Management Foundation Business Outlook conference was anything to go by, the statistics may be out of date.

Thus, although the PM's new economic adviser, Simon Brand, could tell the Federated Chamber of Industries last week that he thought the growth rate could rise to 4% in the next 18 months without straining the balances of payments, Trust Bank's senior general manager, Chris van Wyk, was telling the NDMF this week that only 3% was likely in 1979 (see *Current affairs*).

And the latest *Standard Bank Review*, also out this week, refers to "a growing feeling that demand needs support if the recovery is to continue." Preliminary data for July show a slowdown in the rate of growth of manufacturing industry, especially in sectors dependent on consumer demand for semi-durables, and iron and steel.

Consumer spending is both spotty and erratic; Standard says preliminary returns show only a marginal recovery in August retail sales from the post-gst July fall-off, and a renewed decline in September.

Despite high internal liquidity, consumers simply cannot afford to increase their spending, personal earnings are still (at best) stagnating, and the number of registered unemployed has recently started rising again, as have company liquidations and insolvencies.

The main need is simple: to broaden the stunted revival of consumer spending to permit this to be the spearhead of a deeper and sustainable (yet non-inflationary) economic advance.

The trouble is monetary policy is not going to stimulate consumer spending as much as is needed (welcome though recent relaxations have been). What is required is to get more disposable income into the hands of consumers. If anything can be done about prices, so much the better.

We cannot wait for the 1979 budget.

Finance Minister Horwood, Trust Bank GM Van Wyk . . . don't wait until the next budget

By then the nascent economic recovery could have gone into reverse, and to get it moving again in such conditions would be a Herculean task. So we need fiscal relaxations now, as a matter of urgency. This is what the *FM* recommends:

- Scrap, with effect from November 1, the loan levy on individuals. Loan levies were estimated to raise R480m this fiscal year, of which R206m can be calculated to be due from individuals. By August receipts were R208m, and with September a heavy month for provisional taxpayers it looks as if actual collections could be headed for more than R500m.

November pay cheques

Abolition with effect from November 1 — and there is no reason why appropriate PAYE tax tables cannot be prepared in time for November salary cheques — could thus inject around R100m into funds available for consumer spending between then and the end of March.

Whether company loan levies should also go now is a moot point. In fact, company profits have stood up to the recession remarkably well, and are now moving ahead again. It would be invidious to leave the company loan levy on indefinitely after it had been abolished for individuals, but for revenue reasons it might be advisable to leave its demise for companies until the budget.

- Abolish, or at least cut substantially, the import surcharge (already dropped from 15% to 12,5% in the 1978 budget). At the new rate, this was estimated to bring in about R350m this fiscal year.

This could cut about R150m off the cost of goods in the last five months of the fiscal year, although care would have to be exercised to ensure that this is passed on to consumers by way of price cuts, not treated as a convenient opportunity for silent profit improvements.

Our proposals could, by increasing disposal income and encouraging price reductions, effectively increase potential spending (admittedly, not all for individual consumption, as a lot of imports are not consumer goods) by up to R250m — even more if company levies went too.

Some years ago, great play was made of the need for fiscal instruments that could be adjusted more frequently than just at budget time. Loan levies and the import surcharge are two such.

BUSINESS OUTLOOK (49)

Let's get moving

FM 6/10/78

If Pretoria wants to keep the recovery rolling, it had better do something, and soon.

Speakers at this week's NDMF business outlook conference noted that the nine-month old business upswing is beginning to run out of steam. Said Trust Bank senior GM Chris van Wyk: "Senbank's composite index of coincident economic indicators is still in positive territory, although it also seems to be losing momentum." And André Hamersma, Standard Bank's economist, warned that "the country is experiencing much financial discipline, with insufficient monetary stimulation."

The latest *Standard Bank Review* gives a particularly cautious view, noting that the potential for growth in manufacturing and mining is limited, and that consumer spending — which up to now has been the cornerstone of business's revival — "appears to be one of the weakest elements in the recovery at present."

The problem is that Pretoria's choice of stimulation levers is very limited. Exports, which have been a mainspring of economic growth in previous upswings, show no sign of a new spurt, while imports are on the up. Indeed, Van Wyk pointed out that without the gold price boom between April and July, there would have been no current surplus in the second quarter.

Economic Affairs Minister Chris Heunis also sounded a gentle warning "about the wisdom of following a development strategy which relies heavily on exports, which may be vulnerable to hostile international actions against the SA economy."

The scope for bringing down interest rates still further is also small, largely as a result of pressures on the capital account caused by switching from foreign to local trade finance. Hamersma suggested that prime overdraft rates may be brought down another 0,5% this year, but "because of the limited extent of the adjustment, this move will not significantly endanger external capital flows."

Heunis made it clear, however, that Pretoria still sees consumer spending as the best target for further stimulation. Said the Minister: "The government's present approach of promoting a gradual build-up in the economic growth rate can be expected to continue into 1979, with the emphasis on supporting the revival in private consumption."

Added Van Wyk: "For the next year or so consumer spending will have to lead us further into recovery." Real consumer outlays, he reckoned, will rise by about 2,5% next year, compared with at least 1,8% in 1978.

Van Wyk suggested that the 1979 budget will include small tax cuts for both individuals and companies, civil service wage hikes, and an acceleration in other public spending. Others would argue that at least some of these measures should be introduced much sooner than next March.

October 6, 1978

Inflation hopes re-appraised

NM

49

Mercury Correspondent

CAPE TOWN — Economists are re-appraising widespread expectations earlier this year of a fall in the rate of inflation to below 10 percent for 1978 amid growing evidence that South Africa's infant economic recovery is faltering.

It now appears certain that the increase in the cost of living for the year will be about the same as last year's 11,1 percent.

Underestimation of the effects of the new general sales tax is one cause for the runabout in the inflation trend. Another is the apparent timing of other price increases to coincide with the introduction of the GST in July.

The deputy director of the University of Stellenbosch Bureau for Economic Research, Mr. A. J. M. de Vries, yesterday pointed out that inflation jumped from a June to June rate of 9,2 percent, the lowest in years, to an alarming July to July rate of 12,4 percent on introduction of the tax although its effect on the consumer price index could not have been more than 3 percent.

Price rises

"I have a sneaky feeling that the people used the GST to put up other prices," he said.

Revising an earlier estimate upwards, Mr. de Vries said he believed inflation would average about 10,75 percent this year.

An economic review released yesterday by one of the country's major banks put the rate of price increases "at some 11 percent" and said a note of caution was now creeping into assessments of the economy, based on somewhat less positive movements of many up-to-date statistics.

Particularly noticeable was the spotty behaviour of consumer demand and the potentially strangling effect of inadequate external liquidity.

One of the strongest sectors of the economy in the recovery which got underway late last year is the manufacturing industry, but the bank's review said it did not believe the recent rate of expansion was sustainable.

Govt urged to stimulate the economy

RDM 7/10/78

(49)

By GERALD REILLY
Pretoria Bureau

PRESSURE on the Government to raise consumer spending power is increasing as all the indicators point to a return to the economic stagnation of last year.

The limited recovery momentum apparent earlier this year has begun to run down, and the Minister of Finance, Senator Owen Horwood, may be compelled to take interim steps — before next year's budget — to make more spending money available.

Economists warned yesterday that the red light was flashing and timely action was vital.

Yesterday the Financial Mail stressed the need for "fiscal relaxations now, as a matter of urgency. We cannot wait for the 1979 Budget."

Like other authorities the Financial Mail recommends the scrapping of the loan levy as an immediate move. Other stimulatory action recommended by economists and organised commerce and industry is the abolition of sales duties, as well as a lowering or abolition of the import surcharge.

It is estimated that the immediate scrapping of the 10% loan levy on personal tax would inject another R100-million into the economy.

The costs of commodities, it is estimated, could be reduced by another R150-million by manipulating the import surcharge rate.

In its latest review the Standard Bank says registered unemployment has again started to rise, and there has been an increase in the number of businesses going bankrupt.

The bank says additional steps will have to be taken to encourage the economy. Consumer demand needed support if recovery was to continue.

The Minister of Economic Affairs, Mr Chris Heunis, stresses that consumer spending is the key to further stimulation.

And Trust Bank's General Manager, Dr Chris van Wyk, stated in Johannesburg this week that consumer spending would have to lead the country further into recovery.

Economists believe cuts in individual and company taxation are certain in next year's Budget, and senior public servants in Pretoria claim the Government has no alterative but to raise earnings in the service, by the latest in April next year.

A 10% increase for the 850 000 workers — just under half of them white — in the service of the central and provincial governments and in the Railways would strengthen overall consumer demand by R250-million.

Don't let it falter

NM 9/10/78 (49)

A PRIME reservation about the somewhat fragile upswing in the South African economy has been whether the momentum could be sustained. The first half of the year produced some encouraging signs, but some of the gilt on that euphoria has been rubbed off by current warnings that the recovery might be faltering.

A weak link in the chain seems to be consumer spending, which has fallen off appreciably since the pre-GST splurge. There are indications that not only may the Minister of Finance have underestimated the inflationary impact of GST, but that discreet price rises might have been made to coincide with the introduction of the new levy. The overall effect has been to restrict consumer demand at a time when it is most needed. It is unfortunate that the lowering of building society and bank dividend rates could well accelerate this trend.

One of the danger signals is a significant increase recently in the number of businesses closing down. In the present shaky predicament it might not take much to tip the whole economic package back on to the slope of recession. It is imperative, therefore, that the Minister of Finance should move swiftly to stop the rot.

To do that he must put more money into the consumer's pocket. The simplest way would be to reduce personal and company taxes, but that would involve getting the authority of Parliament which is now in recess. However, there are other areas in which he could take action, such as lowering the savings levy.

Whatever medicine the Minister chooses to prescribe, it is important that it be administered before the sickness takes hold, as in other sectors of the economy the omens remain good. The gold price is reaching new peaks, the building industry is pulling out of its recession and there has been a notable upswing in the property market.

Moreover, Senator Horwood's confident assessment of South Africa's credit rating since his return from the IMF meeting in Washington is an encouraging pointer to the country's improved financial standing, although the real proof of that pudding must wait until the credit is actually sought.

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Buses will depart from outside this building at 2.00 p.m. and return here (and to the Fairmead Hotel) some time after 10.00 p.m.

Please fill in, tear off, and hand in this slip to one of the conference staff at the door as you leave the main lecture theatre (AA) on Monday evening.

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TOUR B ☐

NEITHER ☐

NAME: ....

IMPORTS

Building up troubles for 1979

(49) FM 13/10/7

The course of imports in 1978 has once again underlined the fallibility of economic forecasts.

Only a year ago some of the country's most respected economists were insisting that the next business upswing, unlike those that had gone before, would not be accompanied by a surge of foreign purchases. With one in five machines standing idle, and the Buy South African drive in full swing, they were convinced it would be a long time before higher domestic demand spilled over into increased imports.

The experts were wrong. Import values have bounced up from a seasonally-adjusted annual rate of R6 891m in the December quarter of 1977 to over R7 billion in January March 1978, and to more than R8 billion in the June quarter.

According to (not-very-reliable) Department of Customs figures, non-oil and non military imports reached an *all-time record* of R587,5m in August,

about R130m higher than the August 1977 figure. Volumes, as the graph shows, are also rising.

In its latest Quarterly Bulletin, the Reserve Bank attributes the increase to "the upturn in economic activity." Most private economists disagree, however. They claim strategic stockpilers have provided much of the increased demand, an argument borne out by Church Square's observation that higher oil imports are one of the chief reasons for the import bulge.

Other items mentioned by the Reserve Bank — machinery, electrical equipment, and transport goods (chiefly for containerisation equipment) — are hardly the sort likely to be associated with the start of a consumption led recovery, such as SA is now experiencing.

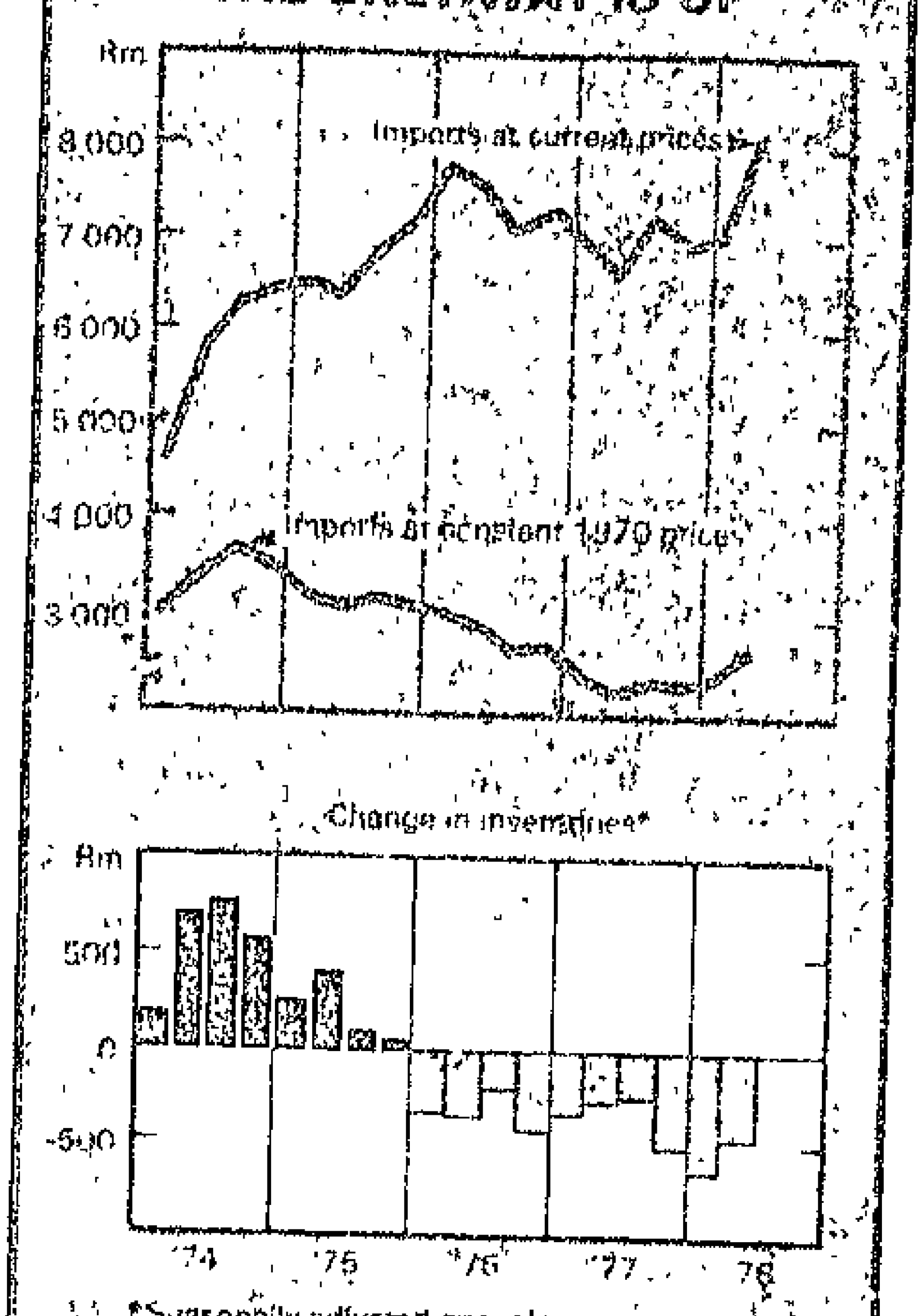
Chances are that Sasol II and Koeberg also accounted for a sizeable chunk of the increase. Nedsual economist Merton Dagut notes that, while fixed investment is generally at a low ebb, the few sectors that are installing new plant also happen to be heavy importers.

What is more, as Standard Bank's economics department points out, several leading industries — like motors and mining — have not managed to raise the local content of their purchases much in the past few years.

The slump in the dollar, and thus in the rand, has of course contributed to higher prices being paid for imports from Europe and Japan. "The degree of price inflation in our imports is much higher than I would have thought," says Dagut.

Strategic stockpiling aside, there is no sign yet that businessmen are importing to replete the inventories they have been running down for the past two-and-a half years. In fact, factory output has risen faster than import volumes this year. "I'm totally amazed, and indeed a bit worried," admits Stellenbosch Bureau for Economic Research deputy director Attie de Vries. "Many people say stocks are still high in relation to expected demand."

THE ONLY WAY IS UP



*Seasonally adjusted annual rate
Source: SA Reserve Bank

Though most businessmen might never build up stocks to 1974 levels again ("The cost of money is high, and of mistakes horrible," notes Dagut), some restocking is inevitable — if the recovery continues. And that means still higher imports.

According to Barclays' latest *Business Brief*, most retailers, and over a third of wholesalers and manufacturers, plan to raise their stocks within the next three months.

Most other economists agree that significant rebuilding of stocks will start early next year. So even if the pace of strategic stockpiling and public sector importing slows, the import bill will probably continue to climb. Says the Stellenbosch Bureau's *Prospects for 1979*: "With rising inflation overseas and the rand effectively depreciating with the US dollar, prices of imported goods in 1979 are likely to increase faster than in the past year."

Stellenbosch puts next year's increase in import values at 18,8%, compared with 14,5% in 1978. That implies a double digit rise in volumes, too. The SA Foreign Trade Organisation puts the increase even higher, at 19%.

So far, the unexpected boom in imports has neither surprised nor worried Pretoria. After all, there has in the past been a close correlation between imports and domestic spending. Though foreign purchases since the end of last year have risen considerably faster than export earnings (at a seasonally adjusted rate), exports have also jumped higher than expected (next story), and the current surplus remains healthy. Most forecast a 1978 surplus of about R1 000m, compared with 1977's R505m.

Next year could be different. With the first signs appearing of a slowdown in export receipts and warnings being sounded that the gold price could soon tumble below \$200 an ounce, a quicker recovery in domestic demand and a spiralling import bill could erode the current surplus faster than the optimists predict.

~~(3) general (74)~~ ~~(210)~~ (49) FM 13/10/78

EXPORTS

The picture brightens

With platinum and tin (let alone gold) both showing off their paces this week, it is natural to ask the question: are fears of a sharp 1979 downturn in our commodity exports justified? On the present evidence, perhaps not.

A mood of cautious optimism seems to be pervading the world's commodity markets, though no one believes a general boom is in the offing and sharp contrasts between some individual performances are likely to continue throughout the next 12 months.

Much will depend on the performance of the US economy, both from the point of view of the massive mineral imports it sucks in, and its inter-relationship with the dollar.

To the extent that the dollar continues weak, it is likely to encourage operators to use the highly liquid commodity futures market in both the US and Britain as a currency hedge. Further, sterling denominated commodities in London tend to appreciate point-for point when the dollar declines, creating an aura of market healthiness.

There seems to be a growing consensus that the US is heading for a period of slower growth, but this begs two essential questions: how slow will this growth be, and to what extent will other leading Western economies offset the decline by reflationary action of their own?

Taking the first point, it is not surprising to note that private economic forecasters are taking a somewhat more sanguine view than the US government. Merrill Lynch, for instance, is currently predicting a 1979 growth of 1,3%, but the administration is still optimistically looking for a rate of around 3,5%. This compares with a rate of about 5% in 1977 and 4% this year.

On the second point, there is some hope that particularly the European economies will help offset this decline, though to what extent, and how precisely this will affect demand for industrial raw materials, is largely a question of guesswork.

The key West German economy is this year expected to grow by 3,5%, according to official estimates, though once again private forecasters are rather more pessimistic, predicting around 3% growth, compared with last year's 2,4%.

On the other hand, private forecasters believe Japanese GDP could grow by more than 5%, though the government is struggling to achieve a level much higher at around 7%. This compares with about 5,5% this year.

Quantifying these in terms of raw material demand is a hazardous undertaking, though looking at the general picture, most experts believe there is possibly more reason to be optimistic than pessimistic. Specifically on the question of the dollar, there seems to be a developing belief among foreign exchange dealers that it is becoming less and less attractive to punt for a further significant drop (but see *Current affairs*).

Turning to the fundamental outlooks for the major non-ferrous metals, **lead** probably looks the most bullish over the next 12 months. Cash prices on the London Metal Exchange this week reached £430 per ton, following a rise of £65 since the middle of last week, primarily in response to fears of a squeeze on nearby delivery to the market.

Apart from this technical tightness, there are signs of an underlying improvement in demand. According to the London-based International Lead and Zinc Study Group, consumption for 1978 is likely to be just below world metal production of 3,8 Mt, though some believe it could more than equal it.

Lead's safe suppliers

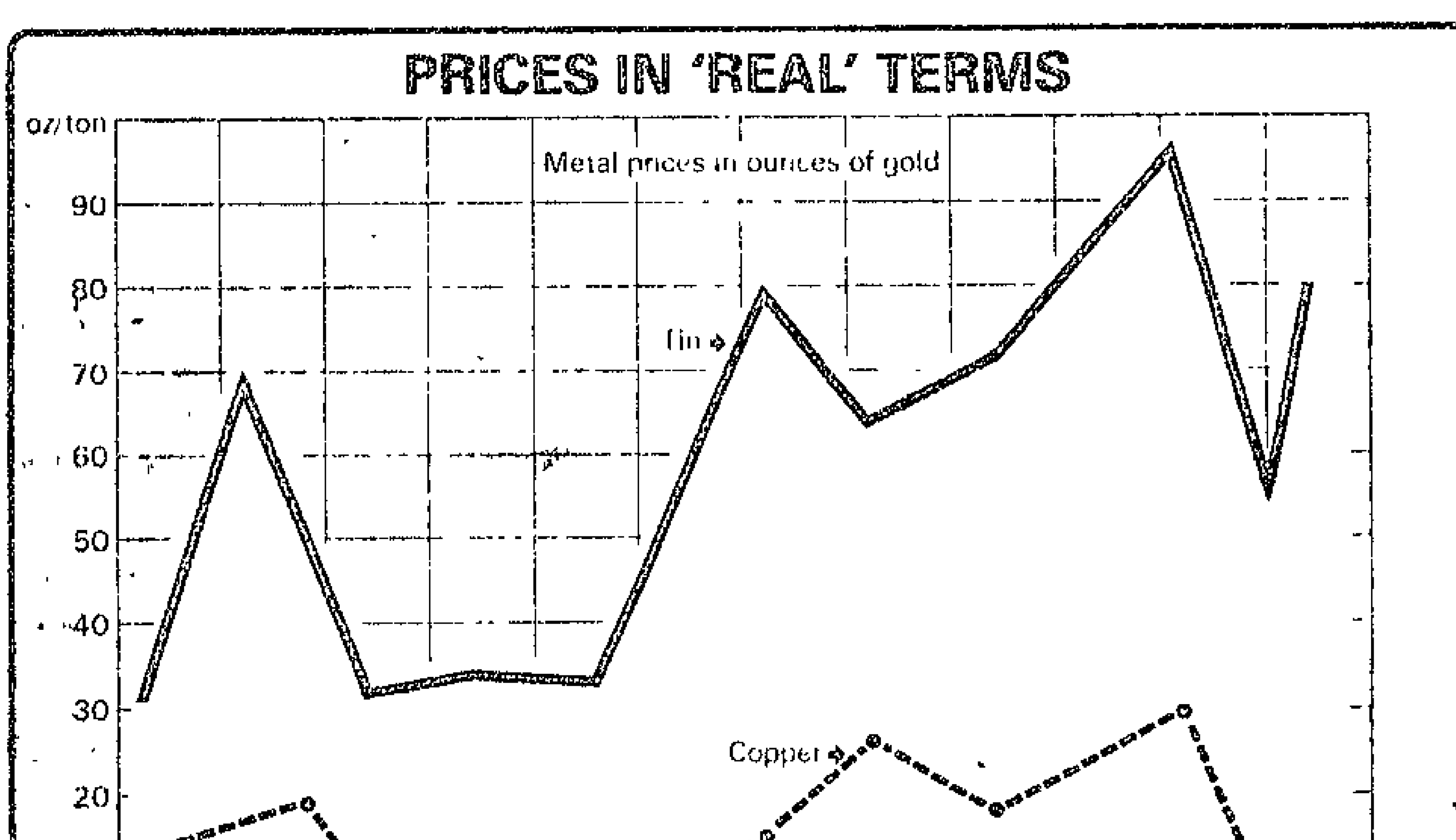
LME warehouse stocks now stand at 40 000 t, compared with 67 000 t at the beginning of the year, and producer stocks, though believed to be roughly stationary to mid-year at around 180 000 t, are now suspected to be falling.

Unlike, say copper, lead is a more demand-orientated metal as most supplies come from countries, such as Australia, Sweden and the US, where political or logistical factors are unlikely to affect deliveries. Additionally, a large proportion of supplies come from recycled scrap, which can be more easily turned on and off than primary mine productions. And on the demand side, the performance of the car market will be critical. Lead's prime use is in the manufacture of batteries and some believe developing demand here will help keep the market on its current bull trend towards the £500 level, though a surprise Opec oil price rise in December might have a steadying effect on car demand.

Battery demands will also be a major determinant of **antimony's** performance, though the lead-calcium cell is continuing its takeover. For the moment, antimony for delivery in the near future, enjoys a $30 per ton premium over later November and December shipments. Heavy eastern European demand is helping to prop up the market.

Lead's twin metal, **zinc**, is unlikely to enjoy such good fortune as it is inextricably linked to the world steel industry, where it is used primarily for galvanising. Although some believe the steel market could soon be witnessing a gentle upturn, this is unlikely to generate any major zinc price increase in the near future. Cash metal this week was trading around £370 a ton.

Copper remains very much a dark horse. There is now a general consensus that declining LME stocks, which are down on last year's records of about 650 000 t to a three year low of 420 000 t, reflect a healthier demand picture. However, the supply side of the equation gives forecasters considerable problems. Present prices undoubtedly reflect Zambia's and Zaire's transport and production problems. However, should Shaba stay peaceful for the next 12 months, should copper be more freely evacuated from central Africa following Zambia's decision to re-open its border with Rhodesia, and should Angola and Zaire come to an agreement on the re-opening of the Benguela railway — prices are likely to rise much more slowly.



If copper is a political market, then **tin** is even more so. Though cash prices at over £7 300 a ton are very firm, ever present in the background is the possibility that the US government may agree to the release of 30 000 t of tin from its stockpile. Meanwhile, the market is still functioning under a variously estimated statistical deficit of between 8 000 t and 24 000 t.

Looking to the exotic front, free-market **platinum** is now trading at new highs of well over $300 an oz, a premium of over $40 to the Rustenburg producer price. The market's performance in the coming year, however, is difficult to predict as much doubt surrounds Soviet intentions. For over a year, prices have been boosted by a cutback in Soviet deliveries, which are now running at an annual rate of around 500 000 oz — between 100 000 oz and 200 000 oz below usual levels. Much will depend on Moscow's sales policy, although the relative cheapness of the metal in terms of Japanese yen must be remembered. The Japanese buy about 100 000 oz a month, about 10% more than last year.

Meanwhile, on the soft commodity market, **sugar** has risen roughly 20% in the last two months, with nearby-delivery supplies now quoted around £117/t. Many believe the International Sugar Organisation's export cutbacks are beginning to bite; some forecast that the 1978-79 sugar crop might be around 3 Mt lower. That, coupled with a possible increase in consumption, might even produce a small deficit, which would eat into current high stock levels.

Sentiment could be further strengthened if the US could overcome its domestic sugar price wrangle and ratify the new agreement.

Although the **wool** market is not going to see any startling movement over the next year, there are reports that clothing demand is increasing, particularly in Japan and the US, where order books, according to the International Wool Secretariat, are full up well into 1979. Current prices for merinos have opened this season around 10% up on last year.

Meanwhile, record **maize** crops in expecially the US, where production is expected to reach a record 165 Mt, compared with 162 Mt last year, is likely to limit advances from current SA selling prices for white and yellow maize.

RD 16/10/78

Big tax cuts on way say economists

(49)

PRETORIA — Significant tax cuts in next March's Budget are now considered certain, with a possibility of interim relief before the end of the year, according to financial sources here.

Economists confirmed weekend reports that the government had not been in so strong in financial position for a decade, and that the obvious move now on the part of the Minister of Finance, Sen Horwood, would be to boost the economy with a firm injection of additional spending power.

They agreed too, that the Minister had hopelessly underestimated income from all sources.

In addition the sustained and still climbing level of the gold price was not taken into account when the current year's Budget was drawn up.

This could mean an additional R250 million alone from the gold mining industry.

The hesitant economic recovery of the past eight or nine months, economists say, needs the support of additional consumer spending.

Consumer spending is seen as a cornerstone of any significant increase of the growth rate, but recent surveys have shown that the volume is static.

In a policy of greater growth tax reductions will take priority over higher State spending.

This was made clear at a recent executive meeting of the Federated Chamber of Industries by the Prime Minister's economic adviser, Dr S. Brand, and by a general manager of the South African Reserve Bank, Dr A. S. Jacobs.

Standard Bank Economic Review says that "clearly" the weakest element in the economy is limited domestic spending.

This needed boosting by personal and company tax cuts.

Aside from tax cuts other demands from economists include a scrapping of the 10 per cent income tax loan levy, the abolition of the sales duties, and a lowering of import surcharges.

Some of these, it is suggested, could be introduced before the end of the year.

Another indication of the government's current financial strength is the fact that the Treasury's revenue and expenditure account for August shows a current excess of income over expenditure of R138-million.

So, economists said yesterday, the government has the resources to boost the economy and it would be foolhardy to lose the momentum the current mini recovery by sitting on these resources while a drift back to recession threatens. — DDC.

GENERAL NEWS

Big tax cuts ahead, claim economists

RDM 17/10/78

(49)

By GERALD REILLY
Pretoria Bureau

SIGNIFICANT tax cuts in next March's Budget are now considered certain, with a possibility of interim relief before the end of the year, according to financial sources in Pretoria.

Economists yesterday confirmed weekend reports that the Government had not been in so strong a financial position for a decade and that the obvious move now on the part of the Minister of Finance, Senator Owen Horwood, would be to boost the economy with a firm injection of additional spending power.

They agreed, too, that the Minister had hopelessly underestimated income from all sources.

In addition, the still-climbing level of the gold price was not taken into account when the current year's Budget was drawn up.

This could mean an additional R250-million alone from gold mining taxation.

Barclays Bank's chief economist, Dr Johan Cloete, agreed that the Government had underestimated revenue from taxation. It had also underestimated the success of its loan-raising programme.

The result was bulging treasury coffers and plenty of room and justification for tax relief.

He stressed that because of the 10 %-plus inflation, total buying power was shrinking and if the incipient recovery were to be quickened consumers must be placed in a position to spend more.

The hesitant economic recovery of the past eight or nine months, economic sources said, needed the support of additional consumer spending.

Higher consumer spending is seen as the key to any significant increase in the growth rate, but recent surveys have shown that the volume is static, if not shrinking. The tempo of spending can only be increased by tax concessions and increased earnings.

Aside from tax cuts, other demands from economists include a scrapping of the 10 % income tax loan levy, abolition of the sales duties and a lowering of import surcharges.

Some of these, it is suggested, should be introduced before the end of the year and the Minister of Finance has all the necessary powers to do this.

Another indication of the Government's current financial strength is the fact that the treasury's revenue and expenditure account for August shows an excess of income over expenditure of R138-million.

So, economists said yesterday, the Government has the resources to boost the economy and it would be foolhardy to lose the momentum of the current mini recovery by sitting on these resources.

BUSINESS MAIL

Goss calls for new boosters for economy

RDM 19/10/78 (49)

By HOWARD PREECE
Financial Editor

MARITZBURG. — A warning that the upturn in consumer spending could fizzle out by the middle of next year unless action to boost it was taken now was given yesterday by Mr Dick Goss, managing director of South African Breweries.

He said: "If domestic consumption is to continue to be the engine for growth in this upswing, we need direct measures, implemented without undue delay, which will have an immediate impact.

"These should include reductions in effective personal and corporate tax rates, and higher Government consumption expenditure. If these positive steps are taken in the near future and again in the March Budget, I would expect private consumption to move into a firmer growth phase that would result in sustained overall growth well into 1980."

Mr Goss told the annual congress of the Association of Chambers of Commerce in Maritzburg: "I am thus assuming that there will be no major socio-political upheavals that will disrupt the course of our economic recovery. If this is the case, then the duration of the upswing in our economy will depend almost entirely on Government action.

"If the Government does indeed provide the necessary stimulus to consumption, I anticipate that towards mid-1979 the surplus capacity in the manufacturing sector will have shrunk sufficiently for industrialists to begin turning their attention to investing in new capacity.

"Some indications of an improvement in inventory investment are already beginning to emerge, and the time is rapidly approaching when replacement or maintenance investment can simply no longer be postponed. But, without sufficient capital at the right price, the investment cycle may never get off the ground, and the current upswing in the economy could evaporate at the end of next year or early in 1980.

Here, too, it rests upon Government action if a favourable climate is to be created in which the business sector can carry on the upturn."

Mr Goss forecast for 1979:

- A real growth in gross domestic product and private consumption expenditure of 3% to 4%, with retail sales mirroring this performance.
- An inflation rate, still unacceptably high, persisting at 9% to 10%.
- The current account of the balance of payments remaining in surplus throughout the year, but at nothing like its 1978 level: and with the capital account remaining somewhat of a problem as short-term capital outflows continue.

Mr Goss said: "There are a number of priorities that will require urgent Government attention in the year ahead. It is essential that we have a less restrictive monetary policy, including a re-examination of the interest rate structure, so that the cost of investment will not be prohibitive even before the increase in loan demand impacts upon interest rates.

"By the same token, the entire structure of investment incentives must be scrutinised, especially in view of the high inflation rate, and adjustments must be made to encourage investment.

"The availability of capital could be critical next year, and the preliminary work should be done now to attract foreign investment once more — perhaps by means of a wider securities rand market.

"It is encouraging to learn that Senator Horwood believes that South Africa's ability to attract loan capital has considerably improved, but to support his belief, the Government must take constructive action to encourage the inflow of foreign capital."

RDM 21/10/78

(49)

August could yield R76m to GST coffers

By GERALD REILLY
Pretoria Bureau

REVENUE from General Sales Tax for August, the first full month of operation, was expected to be R76-million, the Secretary for Inland Revenue, Mr W J H van der Walt, said in Pretoria yesterday.

August was a low revenue expectation month and this was an indication that the target figure of R650-million in sales tax for the financial year would be reached, he said.

Sales tax was "just getting into its stride".

With the upward swing in the economy and a likely increase in consumer spending especially during December, the average monthly sales tax takings should stay around R80-million, Mr Van der Walt said.

He discounted reports that the R650-million estimate would be exceeded by several hundred million rand.

But the estimate of R650-million was "made in cold blood, with statistics which were two years out of date", he said.

The tax was introduced in July.

Economists said yesterday the R650-million expectation would greatly strengthen an already strong possibility of direct and indirect tax relief in the 1979/80 budget.

Making relief even more possible is the certain big State tax revenue from the gold mining industry this year.

The gold tax is expected to reach nearly R1 000-million. This is almost double the R580-million provided for in the current year's Budget.

SUNDAY TIMES, Business Times, October 22, 1978. (49)

Now Assocom prods Govt

A CHORUS of demands for bold measures by the Government to break the country out of the present politico-economic impasse flowed from the Association of Chambers of Commerce (Assocom) this week.

This followed the recent convention of the Federated Chamber of Industries, where a similar mood of impatience with official caution was evident.

A clear consensus has emerged in the private sector that action is needed — and fast.

Outgoing Assocom president Koos van Eeden set the tone of the annual congress in Pietermaritzburg by emphasising the organisation's concern for the underprivileged.

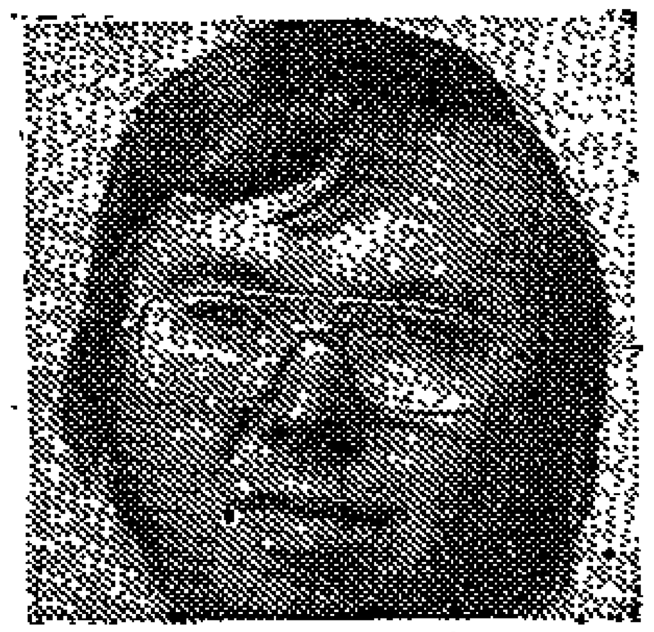
Job creation, he said, must be a prime target of economic policy.

The immensity of the job creation problem was spelled out by Professor Gideon Jacobs, director of Wits University Graduate School of Business Administration, who said 8-million new jobs would have to be created in the next 20 years, yet 57 per cent of the increase in the black labour force between 1970 and 1976 had remained unemployed.

He said "unemployment and underemployment cannot be attributed exclusively to the recent economic recession.

"It has become endemic to South Africa, and the main causes are to be found in the socio-political and economic structure of our society."

He cited capital intensive technology (encouraged by the existing tax structure), the industrial colour bar and the Government's decentralisation policy as causes.



Business Times Industrial Editor, Tony Koenderman, reports from the Assocom annual congress held in Pietermaritzburg this week.

"The purpose of the Environment Planning Act was to reduce the rate of flow of blacks into our larger urban areas, but the effect has been to reduce the employment opportunities for blacks," he said.

"We are indisputably on the wrong road for economic development and fundamental structural changes to the labour system have become essential."

His point was underscored by a background paper prepared by the Johannesburg Chamber of Commerce on non-white unemployment.

This quoted estimates that in urban areas 15 per cent of non-whites are unemployed, and a further 10 per cent underemployed (that is, not in full-time jobs).

Every day, 330 to 400 blacks are entering the labour market, the paper said, and by 1985 the rate will be 700 a day. A new approach to solving the problem seems to be necessary.

It is not realistic in the long term to try to remedy the position by increasing the growth rate of the GDP, desirable though this obviously is, the paper said.

It called for repeal of legislation which impairs the full utilisation and mobility of work seekers, including immediate suspension of the Environment Planning Act in areas where non-white unemployment is high.

It also urged a shift towards labour intensive means of production, more participation in the economy by black business men and a closing of what it called the "opportunity gap".

Another of the main speakers in the economic debate was South African Breweries managing director Dick Goss, who also noted the need for action by the Government.

"The Government is fully aware that the sustainability of the revival is suspect," he said.

"If it is to achieve its stated objective of renewing economic growth and sustaining it, the Government will have to move fairly rapidly in the direction of further stimulation.

"If nothing changes, the revival in private consumption may well fizzle out by the middle of next year."

He warned, too, that "another political shock of fairly major proportions would renew uncertainty and make the consumer again close his purse".

However, he was bullish in this respect. He does not foresee further urban black unrest, an oil embargo or effective trade sanctions occurring during the next year, and believes further negotiations on South West Africa and Rhodesia are more likely than precipitate unilateral action.

Dr Simon Brand, economic adviser to the Prime Minister, saw an all-out export push as the way to achieve the growth rates necessary for the economy in the years ahead.

This, however, depended on there being no economic sanctions. Sanctions, he said, reduce the growth potential.

"If South Africa should be effectively isolated from world markets, the harm to the economy would be very considerable indeed.

"Although the country could survive such a situation, it would not be a pleasant survival," he said.

'Cautious optimism' in building industry

NM 26/10/78 (49)

Mercury Reporter

SCOTTBURGH — Early stimulation of the economy by the Government was necessary to sustain the flickering upturn and help to promote real growth in the future, Mr. Bill Hamilton, Economic Adviser to the Prime Minister and construction company boss said at the Building Industries Federation of S.A.'s Congress in Scottburgh yesterday.

"Our industry is not lacking in courage. If we can get the right incentives and the climate is favourable, we will go forward. The energy is there and its just bursting forth."

Mr. Hamilton said there was now a feeling of cautious optimism throughout the industry and he anticipated a moderate growth rate for the next decade.

"We are moving out of the trough but there are grave international threats such as sanctions which could retard our economy. Also, there are severe internal problems associated with our revolutionary age which must be solved as well.

Various opinions

He said it was encouraging to note that the Government was beginning to stimulate the economy on a broader front but there were differing opinions among the planners and the industry as to the speed and amount of stimulus that was needed.

"We have to get the truck moving again. We want an actively planned and controlled drive; we have to have a measure of growth to sustain ourselves and create jobs for the unemployed."

As short-term measures which the Government could introduce to speed the upturn, Mr. Hamilton suggested:

Bank ceiling

- A reduction in corporate taxation;
- A relaxation of the bank ceiling;
- Removal of price control;
- Repayment of more loan levies;
- A phasing out of the surcharge on imported foreign goods;
- Speeding up the allocation of contracts as part of the R250 million the Government has set aside for low-cost housing for non-Whites.

A total of R20 million has been spent so far and a further R169 million has already been allocated.

JW

PROFITS

Industry's long wait

FM 27|10|78

(49) (32) (180) (30)

A racing gold price and a buoyant stock market have concealed the spotty recovery of profits from industrial companies. By the end of June no major turnaround in annual profits was apparent, although the next six months should see improvements in the figures from certain sectors.

Our table, compiled from 80 industrial companies reporting for the year to end-June, shows aggregate pre-tax profits have fallen marginally. Of the 14 sectors in the sample, only seven lifted annual pre-tax profits by more than the rate of inflation. Six sectors reported profits lower than in the same period last year.

The companies in our sample were reporting on a year that took in the bottoming of the economy late in 1977, and the mild upturn of the first half of 1978. The next batch of annual reports will hopefully reflect the full benefits of 1978's projected 2%-3% real GDP growth, as well as nine months' gain from the March budget concessions. These included reduced tax surcharges for companies (from 7,5% to 5%), permission to deduct losses on foreign currency transactions for tax where forward cover was not available, and early repayment of the loan levy.

Driving ahead

The best performance came from motor companies. Pre-tax earnings rose by 61%, while taxed profits jumped 75%. The high percentage increase stems mostly from the low previous base. The sample includes McCarthy, Capcar and Robbs, which pulled 1978 profits back after dismal performances in the previous year. Indeed, Capcar and Robbs reported losses in 1977.

Food companies drew second place in the increases list, largely because Irvin & Johnson pulled profits back from a very low 1977 total. Otherwise, food sector increases were a modest 2% before tax.

Building companies listed in Hollard Street were also among the top gainers. Pre-tax profits rose 9% on average, about par with the inflation rate. Again, part of the improvement arises from a low 1977 base. This sector includes Grinaker and Murray & Roberts, which benefited by diversifying out of the industry. Market conditions were helped, according to the recent Blaikie-Johnstone annual report, by the disappearance of competition as smaller companies fell by the wayside.

Furniture companies rode the crest of the waves two years ago with the introduction of TV. This year they are at the bottom of the table with pre-tax profits down by 23%. Tedelex chairman Benny Slome explains that saturation point in the local TV market was reached faster than anywhere else in the world, and, coupled with over-production and overstocking, TV sales were often unprofitable. Tedelex was fortunate to acquire a controlling interest in Ellerine, which contributed 61% of taxed earnings in 1978.

Despite the fall in aggregate pre-tax profits, aggregate earnings attributable to shareholders (and not shown in the table) advanced by a modest 3,5%. The reasons were lower tax and minorities payments. The concessions to corporate taxpayers in the March budget applied from April 1, so lower proportionate tax charges resulted.

Surprisingly, dividends to shareholders rose faster than taxed earnings; perhaps a smaller increase in retained profits was needed because surplus capacity obviated the need for additonal investment in stock and equipment. Some companies held dividends despite falling profits. The clothing sector is an example where dividends were mostly unchanged, at R2,9m, despite a 12% dip in earnings.

The outlook for corporate profits looks brighter for the next six to 12 months. The full benefits of the mild economic stimulation should be reaped, although percentage profit advances in sectors like the motor industry may not be as marked since the pre-gst buying of May-June was a once-only phenomenon based on credit finance.

One stockbroker reckons leading companies should see earnings up 14% by June next year, with dividends increasing 12%. The bigger gains will be in geared, low profit base companies, as earnings growth should outstrip sales as capacity slack is taken up.

The recent Barclays Bank opinion survey showed 81% of corporate respondents were optimistic about the next three to six months. They detected enhanced consumer confidence, there was more money around, and demand appeared to be expanding. Facets of the higher demand included increased black spending power, expansion in the mining industry, and government stimulation to industries such as building. Lower interest rates were also a reason for the optimism, which follows a continuation of the second quarter's recovery into the third quarter. In the building and construction sectors, 44% of firms said activity in the third quarter was on a par with the second, while 37% of the sample reported increased work.

Respondents also offered hope for an upturn in fixed private investment in the medium term. About 56% said they would not make any new fixed investment over the next six months, but 44% said they were contemplating investment. This compared with only 16% in the previous survey.

Profit margins were still under pressure, but 57% said the position was better than at the same time last year, so total profits were better. Reasons for this included productivity and efficiency improvements, and higher sales volumes.

On the other hand, a recent Standard Bank bulletin warned that consumer expenditure appears to "be one of the weakest elements in the recovery at present." Since the rush to buy ahead of sales tax, total real retail sales have fallen to levels comparable with the worst period of recession. The bank says consumers cannot afford to buy as real wages are stagnating and unemployment appears to be rising again after a first quarter fall.

INDUSTRIAL PROFITS†

	R000 Previous	R000 Latest
Beverages	3 590	3 914
Building	50 585	55 159
Chemicals	32 591	37 248
Clothing	17 622	13 140
Engineering	36 840	29 858
Food	17 500	21 770
Furniture	14 900	11 582
Motors	6 338	10 202
Paper & packaging	7 793	10 548
Pharmaceuticals	2 531	2 871
Printing	429	427
Steel & allied	36 919	31 886
Stores	32 451	40 452
Transportation	43 017	33 099
	304 082	302 103

† This table has been compiled from pre-tax profits reported in accounts received from 80 quoted companies with June year-ends.

Tax relief in the next few months is possible, though unlikely. In his budget, Senator Horwood estimated total receipts from gold tax and lease agreements at R435m and R145m respectively. Then, the gold price was about \$175; now it is around \$230 and platinum prices have shot through the roof. This could allow for a reduction in personal loan levies, and if the pleas from men like Bankorp chairman Fred du Plessis are heeded, a reduction in company loan levies, too. If company levies are lowered, it would encourage investment and create employment, since at present the return on capital employed is too low in too many sectors.

But few expect any action on this front before the De Kock Commission has reported on exchange rate policy, which is unlikely to happen much before December.

Sickly dollar belies thriving and vigorous US economy

LONDON. — The refusal of the foreign exchange markets until this week to stop the dollar slump has given an impression that the US economy was either already on its knees or wandering aimlessly in some fool's paradise. For a Briton, or an Italian, the familiarity of the President Carter's earlier rhetoric and proposals, plus the inevitability of the market response, recalled the bad old days.

Foreign exchange markets are now reacting differently — for the moment at least — and the dollar is recovering some of its huge losses.

But the difference, of course, is that the US is hardly the sickly patient so typical of Britain and Italy only a couple of years ago.

The US is now well into the fourth year of sustained and vigorous economic expansion: industrial production has been increasing steadily, with only a few signs that capacity ceilings are being reached; more people are in work than ever before and they are affluent and able to afford $65 000 for a typical new house; the declining value of the dollar seems to impinge little on their consciousness and is merely something to be clucked over as they drive to work in one of the family cars.

People frown much more these days about inflation, but their disposable income is stil large enough to give them a sense of freedom and, in any case, credit is freely available.

The country has not endured serious social upheaval for eight years and has not been fighting a war overseas for nearly six years. There are, indeed, ample reasons for a degree of complacency.

And yet, President Carter, who is usually more guilty of understatement than hyperbole, found it necessary to evoke the spirit of Dunkirk and to slap voluntary wage and price guidelines on the economy.

There is general agreement that Mr Carter's sorcery has its roots in the Vietnam war, in so many ways the watershed of modern American history.

All the subsequent failures of economic policy, especially the waverings between emphasis on unemployment and/or inflation, have their beginnings in the paddy fields around Saigon. The 1960s had been, simultaneously, among America's most prosperous and creative times.

They were also non-inflationary until President Johnson overruled his economic advisers and decreed that the US could afford both guns and butter without, until too late, a tax increase.

President Carter, though he inherited an economy which by all international standards was doing rather well, was none the less saddled with the persistent budgetary problem. He, too, was both partly responsible for — and hamstrung by — the prevailing political morality.

All the polls said that unemployment was the nation's No 1 problem; and he had been elected on promises to rectify the situation.

Fiscal conservative though he was supposed to be, he put into effect policies that were not unsuccessful. Since he became president, and in spite of a record increase in the labour force, the jobless rate has fallen to the 6% range, as much, maybe better, than could have been reasonably expected.

But this was at a considerable cost, even if the numbers did not immediately show it. Although the cost of living edged up only a bit in 1977 largely because of food and fuel factors, the underlying rate of inflation was not apparently much changed. Mr Carter made a token gesture in April last year when he introduced a mild deceleration programme, but nobody took it seriously.

What is being taken seriously now, with the benefit of hindsight, are the perceived errors and omissions of the last 18 months. Mr Carter clearly does not deserve all the blame, and responsibility must be shared with Congress, the Federal Reserve, acquisitive special interest groups and, as far as the decline in the dollar is concerned, the eccentric logic of the foreign exchange markets.

The US was also the victim of its own relative success. It emerged from the 1974-75 global recession more quickly than most of its major trading partners.

Thus the $9 000-million trade surplus of 1975 was transformed into a $9 000-million deficit the next year and to $26 000-million in 1977: for the first nine months of this year it has exceeded $22 000-million.

The divergence of international growth rates was clearly a prime cause, as was the inexhaustible US appetite for foreign oil and the appreciation of the dollar in 1975-76. But the deficit served to increase the volume of dollars sloshing round the world. Trends now, it is generally agreed, are moving in the other direction, but not before the damage was done.

The US has hardly been helped by its own decline in productivity.

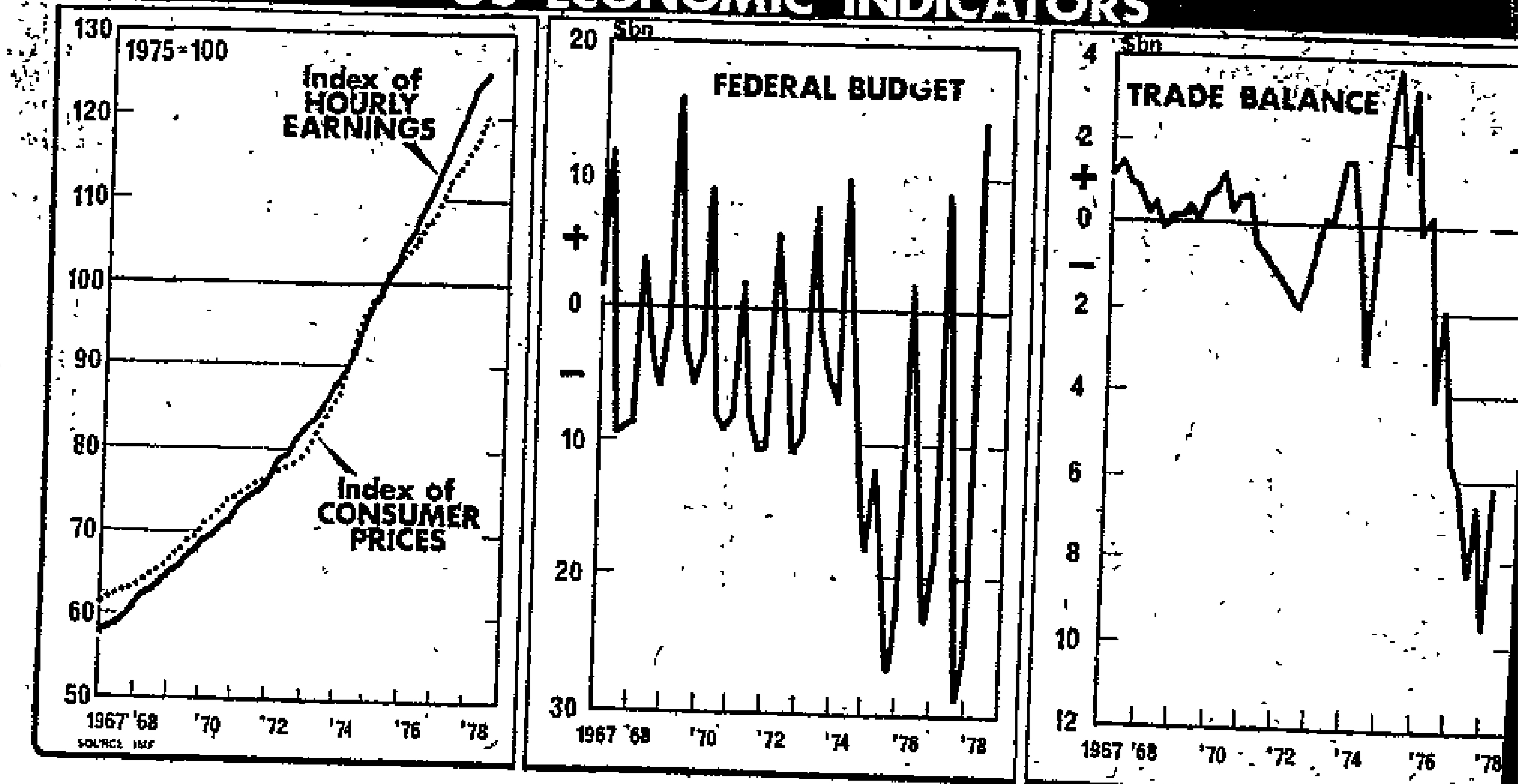
Wage rate increases over the past decade, apart from the bulge in 1974, have been remarkably constant, generally averaging about 7% a year. In the first eight months of this year, however, average hourly earnings have risen at closer to 9%.

The major difference over the period has been the greater prevalence of cost-of-living escalators in major contracts. In 1970, less than a quarter of workers were covered by escalator clauses. Today the figure is 60%, thus tending to increase the speed with which inflation spreads through the economy and perpetuating inflation once it becomes established.

All these — and a few other factors besides — combined to induce President Carter to engage in witchcraft last week. What he did, in effect, was to address the fiscal problem.

But economists, neo-Keynesian and monetarists alike, agree now that the monetary house has to be put in order. And that conclusion has a very familiar ring to it. — Financial T[illegible]

US ECONOMIC INDICATORS



GFSA director

MR R I J Agnew, group chief executive of Consolidated Gold Fields, London, has joined the board of Gold Fields of South Africa. He succeeds Mr G J Mortimer who has resigned.

RDM 3/11/78 (49)

Horwood ponders new stimulus

NEW MEASURES to stimulate the economy are being considered by the authorities, according to Senator Horwood, the Minister of Finance.

He said yesterday the Government was "looking carefully at the economy."

Senator Horwood was interviewed in Pretoria by Reuter.

He said that if the reappraisal indicated that further measures to boost the economy were needed, these would be taken.

But he did not say what measures were under consideration.

He said: "For the first time in three years the economy is undoubtedly in a better phase and we will now be able to put more emphasis on growth."

Even allowing for the need to maintain a sound balance of payments and a further reduction in inflation "we can now certainly look forward to a better growth rate."

Senator Horwood emphasised, however, that the private sector should also play its part in stimulating growth and that more action from this sector was necessary.

He said: "I hope the private sector will take initiatives that it might not have taken a year ago.

"The private sector can be much more relaxed about future prospects than a year ago."

Senator Horwood said he was hopeful of ending with a better position on the State finances than was budgeted for 1979-79.

But speculation of a large surplus was off the mark.

It was true, however, that increased tax contributions from the gold mines would boost State revenue.

But this took time to work through to the Exchequer.

General sales tax and Customs receipts were likely to be close to original estimates.

Prospects for revenue for next year looked good.

Senator Horwood confirmed that South Africa was negotiating a substantial loan on the European capital market.

Reports from Frankfurt say the loan is for \$150-million for five years.

(49) FM 3/11/78

National Finance Corporation of South Africa

Address delivered by the Chairman, Dr. T. W. de Jongh, at the twenty-ninth Annual General Meeting of stockholders of the National Finance Corporation of South Africa, held in Pretoria on 31 October 1978

Gentlemen,

I have pleasure in formally presenting to you the Balance Sheet and Final Accounts of the Corporation for the year ended 30 June 1978, together with the Reports of the Board and the Auditors, which will later be moved for adoption.

The changes during the past financial year in those assets and liabilities which deserve special attention, as well as in the income and expenditure items of the Corporation, are described in the Report of the Board of Directors which you have already received. In addition, a comprehensive survey of general economic developments was provided in the Reserve Bank's *Annual Economic Report*, which was released towards the end of August last.

During the Corporation's past financial year, i.e. the year which ended on 30 June 1978, a number of favourable developments occurred in the economic field. The restrictive fiscal and monetary policy to which I referred in my address last year, achieved so much success during the past year in strengthening the balance of payments and combating the underlying factors which kindle inflation, that the policy approach could be adapted to one of mild stimulation of the economy in order to increase the growth rate and reduce unemployment. The current account of the balance of payments changed dramatically from a large deficit to a substantial surplus during the Corporation's past financial year compared with the preceding year, the expansion in the money supply and bank credit was kept under control, government expenditure was pruned and the Exchequer deficit could be financed in a non-inflationary manner, interest rates moved downwards, the domestic capital market eased to such an extent that the large loan requirements of the public sector could be met, and the rate of increase in prices decreased although it remained at too high a level. The tempo of economic activity started to increase from the end of 1977, but the strength of the acceleration could not be clearly judged. Unemployment remained at a high level, however, although it has decreased, while the capital account of the balance of payments continued to be a bottleneck which limited an over strong stimulation of the economy.

Regarding monetary developments, the money market remained relatively easy during 1977/78 and interest rates moved further downwards. Conditions of seasonal stringency were, however, experienced from time to time, mainly as a result of the shift of taxes and loan funds to and from the government sector, and also the seasonal nature of government expenditure. Periods of seasonal stringency were experienced, for example, over the month ends of July and August 1977, in September 1977, and during the last few days of June 1978.

Although the average daily deposits with the National Finance Corporation showed only a small increase during the past two financial years, namely from R753 million in 1976/77 to R769 million in 1977/78, substantial fluctuations occurred in the course of the past financial year. In general, the deposits with the Corporation were also influenced by the change in money market conditions. The deposits with the Corporation showed a declining trend during the first few months of the financial year, namely from R947 million at the end of June 1977 to a trough of R545 million at the beginning of October 1977. During the subsequent months it moved upwards to an amount of R903 million on 16 June 1978. The sustained high level of deposits in January and February, when money market conditions were stringent, can be explained by the placing of deposits of the Public Debt Commissioners with the Corporation. These deposits amounted to R270 million at the end of January and of February. From 16 June the deposits of the Corporation declined to R711 million at the end of the financial year.

An analysis of the deposits with the Corporation according to depositors indicates a downward trend from the middle of 1976 in the free balances of the banks. These balances were negligible at times because the banks expected the rates on fixed-interest securities to decline and consequently invested more in short-term government and other marketable securities.

Interest rates on money market instruments displayed mild fluctuations during the financial year of the Corporation, but moved downwards from March 1978. The rate on three months bankers' acceptances rose from 8,8 per cent in early July 1977 to a peak of 9,5 per cent in February and early in March 1978, but declined thereafter to 8,5 per cent at the end of June 1978. In contrast to the fluctuations in the interest rates on private sector money market instruments, the Treasury bill tender rate moved upwards during the greater part of 1977/78, namely from 7,88 per cent at the beginning of July 1977 to 8,00 per cent at the end of June 1978.

During the past financial year several steps were taken by the authorities which affected the money market. Firstly, in order to promote interest in investment in Treasury bills by money market institutions, the Reserve Bank increased the difference between the Treasury bill tender rate and the call money rate of the Corporation from 0,15 to 0,25 per cent as from 26 August 1977. Secondly, a new method of accommodating the money market was introduced from 1 January 1978 whereby bankers' acceptances together with Treasury bills could be discounted in a package by the Reserve Bank on condition that bankers' acceptances did not make up more than 30 per cent of the package. This method also enables the Reserve Bank to control better the quality of the bankers' acceptances. Thirdly, the system whereby the Reserve Bank purchased gold from the mines at the official price and sold it at the current market price, was terminated on 11 April 1978 after the abolition of the official gold price on 1 April 1978. The gold is currently purchased from the mines at market price, after deduction of realisation costs, and purchases are settled daily. The "gold premium", which had previously accumulated during each month and was then paid over shortly before the end of the month, thereby counteracting the influence of the regular increases in notes in circulation at month ends, has therefore disappeared and the money market is now fed on a more regular basis by the

(Continued on next page)

(Continued from previous page)

proceeds of the gold sales. Fourthly, the Reserve Bank has been fairly active in conducting open market transactions with a view to promoting orderliness in the money market and to influence short-term interest rates.

During the three to four months following the end of the Corporation's financial year, money market and monetary conditions showed interesting developments. Regarding the money market, three phases may be distinguished. A period of easing after the first week of July 1978 until almost the end of August was followed by a sharp tightening at the end of August, whereafter a period of more or less stringency set in until about the first week of October. Subsequently, the money market eased considerably again. The mild easing of the money market after the first week of July until almost the end of August 1978 was mainly caused by a decline in government deposits, a rise in net gold and other foreign exchange reserves and an increase in the holdings of Land Bank bills by the Reserve Bank and the N.F.C. The stringency over the month-end of August was the result of large tax collections, while the easing effect of credit to the Land Bank disappeared after the beginning of September and then turned into a tightening effect early in September when some of the Land Bank bills were redeemed. The tight conditions were not relieved before the second week of October when the net gold and other foreign reserves increased. Subsequently, government deposits also declined substantially and eased the market further.

By the end of June and beginning July 1978 the deposits with the Corporation moved to lower levels as a result of the tightening of the money market, but then increased again and amounted to R817 million at the end of August. The tightening of the market from the end of August until the first week of October also affected the Corporation's deposits, which declined to R533 million on 6 October 1978. Subsequently the Corporation's deposits increased to R641 million on 27 October 1978 as a result of the easing of the money market.

The changes in money market conditions were reflected in short-term interest rates, although the actions of the authorities also influenced these rates. Money market interest rates, which showed little change from the middle of May until late June 1978, resumed their downward trend during July and the major part of August 1978. The rate of three months bankers' acceptances, which had remained unchanged at 8,5 per cent from the middle of May to the middle of July, declined to 8,3 per cent in the following period immediately before the lowering of the Bank Rate from 9 to 8,5 per cent on 22 August, and then decreased further to 8 per cent where it remained until 15 September. Subsequently, a rise to 8,2 per cent occurred on 22 September, but from 6 October it started to decline again to 7,8 per cent on 27 October. The Treasury bill tender rate, which remained at or near 8 per cent from March until the beginning of August, decreased to 7,95 per cent on 18 August and to 7,65 per cent on 25 August. It remained at or near this level during September and the first part of October, but then declined to 7,49 per cent on 27 October. The relative stability of the Treasury bill tender rate helped to counteract a steeper downward trend in other money market rates.

After the lowering of the Bank Rate the commercial banks reduced their prime lending rate from $12\frac{1}{2}$ to 12 per cent. A further reduction of $\frac{1}{2}$ per cent was announced on 15 September. On the same date it was announced that the deposit rates of banking institutions, with the exception of the rate on ordinary savings deposits, would be reduced by 1 per cent. The building societies, the post office and the Government simultaneously effected downward adjustments to interest rates on some of their investment facilities, which mostly amounted to 1 per cent.

Other actions of the monetary authorities also contributed to the reduction of fluctuations in money market rates. In the period from April to the end of August, when the money market eased, the Reserve Bank sold government stock to an amount of R385 million. From the end of August until middle September the Bank again purchased government stock amounting to R96 million. In addition, two more methods were employed to ease the stringent conditions and to prevent interest rates from rising temporarily. Funds of the Public Debt Commissioners were placed as deposits with the discount houses, reaching a peak of R106 million on 26 September. Furthermore, accommodation of the Reserve Bank to the discount houses, which amounted to R337 million on 7 September, was provided on a more flexible basis than normally. When the market eased excessively in the third week of October and the Treasury bill tender rate declined sharply, the Reserve Bank again began to sell government stock to prevent interest rates from falling too sharply.

Regarding broader monetary conditions, the situation differed appreciably from money market conditions at times. The liquidity of the private non-bank sector, as measured by the quantity of money and near-money in circulation, accelerated from a slow increase in the first quarter of 1978 to a seasonally adjusted annual rate of 17 per cent in the second quarter and then accelerated further to an annual rate of 38 per cent in July and August. This brings the seasonally adjusted annual rate to 16 per cent for the first 8 months of 1978 compared with 7 per cent for the calendar year 1977 Estimates indicate that the increase in the quantity of money and near-money was still high in the third quarter of 1978 during a period when exceedingly stringent conditions obtained at times in the money market. This divergent behaviour of the money market and the liquidity of private persons and businesses may be explained by the fact that there are a number of factors which influence the money supply but not the money market, and *vice versa*, such as the following:

(1) A change in the extension of credit to the private sector by the commercial banks and other monetary banks will change the quantity of money and near-money, but it does not infleunce money market conditions directly;
(2) A change in the net claims against the government of the Reserve Bank and the National Finance Corporation as a result of transactions in government paper with the commercial banks or other monetary banks does influence money market conditions, but not the quantity of money and near-money;
(3) A change in the gold and other foreign reserves of the commercial banks and other monetary banks does not change money market conditions, but affects the quantity of money and near-money,
(4) A shift from long-term to short-term deposits with the commercial banks and other monetary banks, or *vice versa*, does change the quantity of money and near-money, but not money market conditions;
(5) A change in the note holdings and the required cash reserves of the commercial banks and other monetary banks results in a tightening or easing of money market conditions, but not in a change in the quantity of money and near-money.

These differences indicate clearly that, if money market conditions should be stringent at times, it does not necessarily mean that there is a shortage of liquidity with persons and businesses. Bank credit to the private sector increased, for example, at a seasonally adjusted annual rate of as much as 34 per cent during the second quarter of 1978, and 16 per cent in July and August, while at times the money market was tight.

In conclusion, I wish to make some remarks on the latest developments in general economic conditions. On account of the disturbing effect of increased turnovers prior to the introduction of the 4 per cent general sales tax on 3 July 1978, it remains difficult to judge the strength of the economic revival. A number of monthly economic indicators show a retardation during July and August 1978, but it is not clear to what extent this may be a reaction to the abnormal events preceding the introduction of the general sales tax.

Regarding the balance of payments, preliminary estimates indicate that the surplus on current account was larger in the third quarter of 1978 than in the second quarter, mainly as a result of an increase in the net gold output brought about by the higher gold price. The net outflow of capital was, however, also bigger in the third quarter than in the second A large part of the net outflow in the third quarter consisted of the repayment of foreign loans by the Government, the Reserve Bank and the public corporations.

Regarding monetary conditions, bank credit and the quantity of money and near-money again increased more rapidly in the recent past, as mentioned previously, and interest rates tended to move stongly downwards. As far as the last-mentioned is concerned, the increasing gap between the cost of trade financing in South Africa and overseas still has to be taken into account.

Regarding prices, the increase in the consumer price index, after elimination of the influence of the general sales tax, accelerated again in the third quarter of 1978. The problem of inflation thus remains of serious concern and indicates the desirability, for the time being at least, of continuing with the policy of not stimulating the economy too strongly. The substantial increase in bank credit together with the influence of the higher gold price, has already contributed to a sharp rise in private sector liquidity and an increase in financial activity. It is, however, of the utmost importance that there should not only be increased financial activity, but also an increase in real activity in order to counteract the problems of inflation and unemployment.

THE ECONOMY (49) FM 3/11/78

Let there be heat

The problem of inflation remains of serious concern and indicates the desirability, for the time being at least, of continuing with the policy of not stimulating the economy too strongly — Governor Bob de Jongh, talking this week as chairman of the National Finance Corporation.

Just which economy was the Governor alluding to? Surely not South Africa's, where the danger is too little stimulation, not too much — where the thaw has yet to give way to spring, let alone summer.

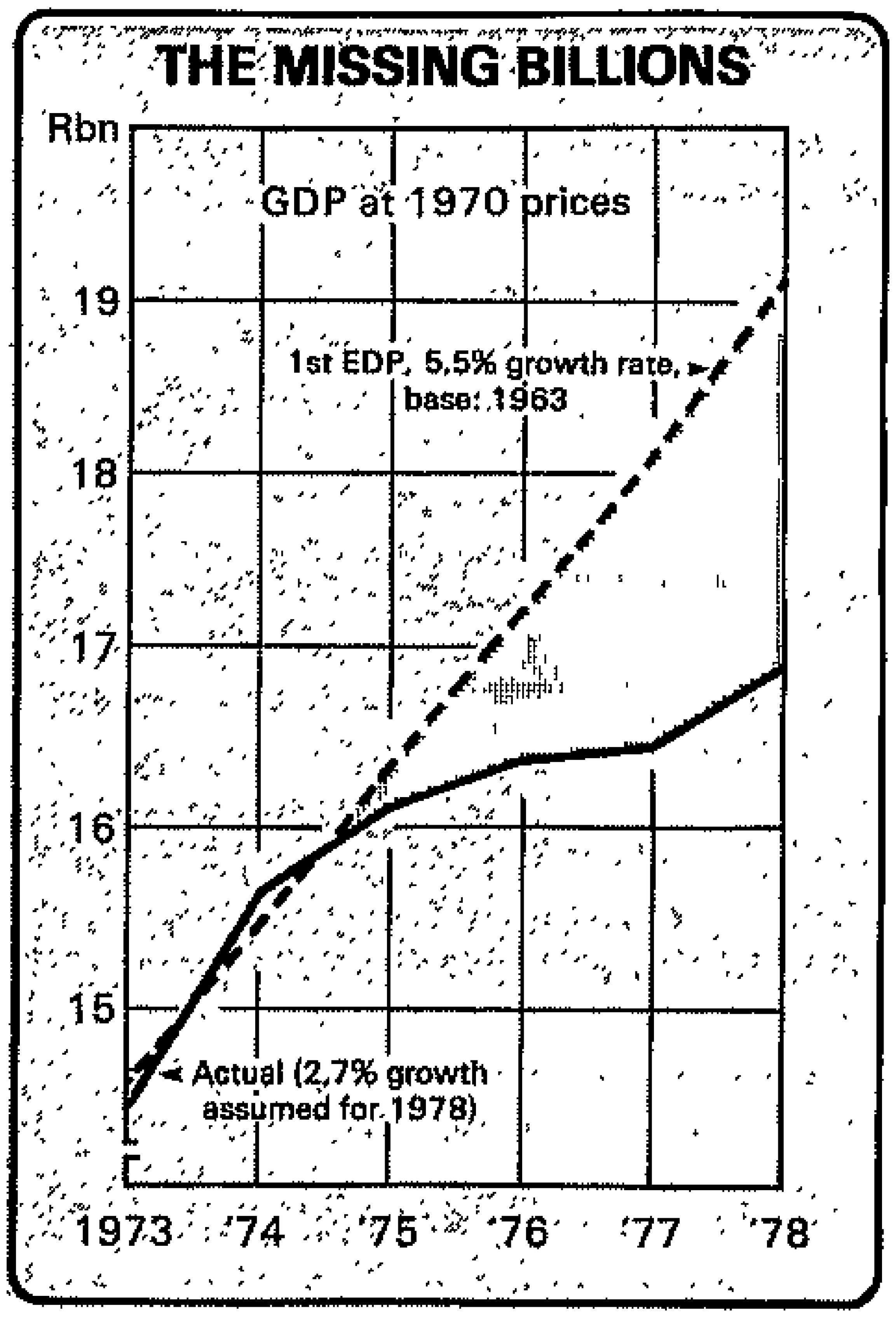
SA is not America where three-and-a-half years of strong expansion are now exacting a heavy inflationary toll (next page). Nor is it prosperous-but-slow-growing Europe, where the unemployment consequences of below-average growth can be cushioned by social security hand-outs, and where the inflationary costs of trying to extract a few more points of growth may indeed outweight the benefits.

Nor is South Africa 1978 South Africa 1974. Then the top priority was to curb overspending and reduce the huge gap between investment and saving. Now it is to boost investment.

True, there has been a modest recovery over the past 12 months. But the September quarter economic indicators show all the signs of falling momentum — which is extremely disturbing, for growth is like riding a bicycle: if you don't keep pedalling you will fall off.

In any event, the growth we have achieved is as nothing compared with what we need to achieve. The graph shows the gap between actual production and potential production. Measured in historical 1970 units, it is running at nearly R2 billion a year. Measured in current units, it is nearer to R5 billion. That's more than the net value of all of SA's mining output in 1977, or about two-thirds of its 1977 manufacturing output.

Of course, as Governor, De Jongh must always make his chief concern the soundness of the currency. The money supply, which is rising fast; inflation, which accelerated in the September quarter; and the balance of payments, which continues to be weakened by large outflows of capital and threatened by internationally-rising interest rates — these are his main worries, and he was right to dwell on them in his annual address to the NFC (see page 390).



But it is not the Governor but the Minister of Finance, Senator Horwood, who must ultimately dictate the direction of policy. The minister's Budget held great promise: growth with financial discipline. We have seen discipline (witness Church Square's vigorous efforts to keep up interest rates). In fact, we've had all the "discipline" and "stability" we can take. But where's the growth?

More to the point, where is the policy to encourage growth? Monetary policy is not really a problem: the level of interest rates and the availability of credit are not now the chief concerns of businessmen. Fiscal policy is where the focus should be. And with general sales tax running on target, and the Treasury borrowing more than it needs, fiscal policy is looking more and more deflation-oriented than growth-oriented.

Why is there this confusion? Undoubtedly, differences over economic theory, which have manifested themselves in differences between Reserve Bank thinking and Treasury thinking, have played a part. The "monetarists," who apparently rule the roost in Pretoria, seem to be saying that *any* attempt to boost growth by raising government spending, or slashing taxes, is bound to fail. By thrusting more cash into consumers' pockets you may give production a temporary boost, they admit, but sooner or later you simply make it possible for producers to boost *prices*. That weakens confidence and thus *harms* growth.

The "Keynesians," for their part, accept that use of the printing press to provide households with extra buying power is *usually* counter-productive. But in abnormal times, like the Thirties, such policies can help to boost output and jobs.

For them, the question is whether SA, as it enters the final year of the Seventies, is an "abnormal" case that indeed does require a good dose of Keynesian stimulation.

In some ways it can be argued that it is not. There has been no massive drop in national output. Inflation is still very much with us. Consumers can scarcely be accused of spending too little of their take-home pay.

But in other ways SA in 1978 *is* abnormal. Confidence in the future, while it may not have cracked, is extremely brittle, largely for political reasons. Real personal disposable incomes are slipping. The nation is saving more than it is investing.

There is much spare plant capacity about, and, despite plenty of brave talk, real demand is *not* recovering sufficiently. We have got ourselves into a vicious circle: no growth — no investment; no investment — no foreign risk capital; no foreign risk capital — no elbow-room in the balance of payments the estate was beautifully illuminated. However, since then we have been disappointed that the situation has gradually deteriorated in some areas. The contractor gave us an excellent guarantee of his work for one year including replacement of the globes which failed during that time, but unfortunately we are having no success in getting him to honour his obligation. Sadly this means that parts of the estate are again very poorly lit. The globes are extremely expensive, and our budget does not allow us to replace the globes (which should last up to 2 years) every few weeks. We are doing our best against the contractor, but it is proving very difficult. We are also looking into the possibilities of getting a maintenance contract for the lights from another contractor.

8. PAINTING THE OUTSIDE OF THE HOUSES

This seems to be progressing very satisfactorily, weather permitting, with an average of 3 - 4 houses per month as an onward going project. If residents are dissatisfied with the work in any way when their houses are painted, please could they report this to Mr. D.S. Roberts (Tel. Office: 432086), as Mr. Roberts has kindly organized the work. The painting of the red chimneys is not included in the current contract, but this will begin as soon as the correct paint can be obtained. In the meantime it has unfortunately not proved pratical to remove splashes of white paint from the chimneys and residents are asked to bear with this situation.

9. FIRE EMERGENCY SERVICE

Should the need arise, our nearest Fire Stations (who will come when called) are:-

Ottery Fire Station, Wetton Road (near Traffic Depot) - Tel. 731892
Hout Bay Fire Station - Tel. 706130/707156

10. FOREST GLADE BOOK CLUB

Are you interested in reading? Do you enjoy a cup of tea (or coffee) and an informal chat? If so, kindly contact any one of the persons listed below for further information:-

Jenny Herbert - Hse. No. 90 (Hamlet 1) Tel. 726498
Kay Bennett - Hse No. 88 (Hamlet 1) Tel. 720027
Hazel Foox - Hse No. 44 (Hamlet 4) Tel. 721718

11. AMENITIES NEARBY

Sports Club - (Membership necessary) - Constantia Sports Complex (near Alphen) - Tennis, Bowls etc.
Walking Permits - Tokai Forest (above Manor) - available from Mr. Bird, Forestry Dept., Tokai Road., or P.O. Box 88, Retreat. Tel. 721331
Library - (small, free, locally situated) - Lismore Avenue Library - off Tokai Road. (larger, but membership fee necessary) - Meadowridge - Tel. 728900

12. IDEAS

Anyone who has any ideas about the improvement of the estate (must be cheap!), the solution of the problems we have discussed in this news letter, or the promotion of good neighbourliness is asked, nay begged, to contract the Directors with his scheme.

If you have managed to get through all this, you have definitely got staying-power. Many thanks for your attention.

CHAIRMAN

to encourage growth.

The gap between what the economic planners say we are capable of producing and what we are producing is huge. (In his preface to the latest Economic Development Programme, the former economic adviser to the PM, Piet Riekert, says our medium-term growth potential is 5%, despite "the possibility that in the years ahead foreign capital may be less readily available than in the past." This year, which must surely rank as a *good* year, with the gold price as high as it is, we are unlikely to achieve 3%.)

But the clash between the monetarists and the Keynesians over theory is only part of the problem. Even if a reflation of demand *could* restore momentum to production, employment, and real investment, what would be the price? Most probably it would be an even higher rate of inflation; almost certainly it would be an even cheaper rand on the international exchanges.

Is such a price worth paying? That presumably depends on whether you are employed or unemployed. To those with jobs the price may well appear too high. To those without jobs (and without social security) it must look cheap.

Certainly, unless growth *can* be pushed to 5% and more, unemployment will continue to soar. That would mean millions of restless job-seekers in the Eighties.

The social and political strains of such a level of unemployment would rapidly become unbearable.

So we have to break the vicious circle, whatever the cost. And we had better break it quickly.

(49)

Sunday Times 5/11/78

Money market finds the Bank does care

BY NIGEL BRUCE

The past 12 months has seen a near revolution in the attitude of the authorities to the money market.

Their consequent actions **resulted in more stability in the cost of short-term trade** finance over that period relative to the size of potential seasonal and technical disruptions than the country has seen in many a year.

Had the market been left to its own devices, as has so often happened in the past, the tender business revival would have been dealt a debilitating body blow.

This stability was achieved despite the fact that the potential for wide fluctuations in the cost of this type of finance was enormous.

For instance, the amounts of money that taxpayments take out of the financial system have never been so large — in some months R1 000-million was temporarily removed in this way.

Of course, the cost of bankers' acceptances (broadly speaking prime trade bills) did fluctuate over the year. But not nearly to the extent that it would have if the authorities had not taken such energetic action.

Nor has it come a moment too soon.

In the months ahead, especially because of the massive tax obligations arising from the higher gold earnings of the mines, the potential for further wide, destabilising swings in money market rates, is once again enormous.

What the authorities did — and hopefully will do again to an even greater degree — was spelled out this week by Reserve Bank Governor Dr Bob de Jongh in his annual address to the National Finance Corporation.

Essentially this amounted to allowing gold earnings to flow into the market daily rather than monthly, substantial open market dealings, the use of surplus PDC cash to assist the market when it was severely short and the use of bankers'acceptances as a means of discount houses obtaining last resort assistance.

Another encouraging sign is that the Governor says the authorities are trying to encourage interest in Treasury bills which theoretically should provide the market with an investment more appropriate to its short-term needs than any other, the Treasury with a more flexible means of funding and the monetary authorities with a more sensitive asset through which to influence market and impose government policy.

Consequently for the first time in many years Treasury bills are becoming attractive investments, ironically at a time when Exchequer coffers are full and overflowing.

This is because, for various reasons but mainly to **prevent interest rates falling below those abroad,** the Treasury bill rate has not been held artificially low and out of line with other rates as it has been in the past.

The Reserve Bank was able to manipulate this rate because it simply invested funds that the banks placed with the NFC, the borrower of last resort when surplus cash overlays the money market, in these bills.

The result has been to stunt the growth of the very bill market needed to replace the last-resort facility provided by the NFC.

The lack of an adequate market in Treasury bills is seen by some bankers as the money market's most serious deficiency and one that materially hampers official open-market operations.

If Dr De Jongh is really serious about rectifying this situation, he clearly must abolish the NFC, have no further new gilt issues this year and use the Treasury bill market by manipulating the price and the quantity of bills offered to absorb surplus cash when the banks are flush and by buying bills from the market to pump out as additional liquidity when it is needed.

For while the NFC exists, it will be too easy for Church Square to duck out of developing and using the Treasury bill market to the necessary extent.

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5/11/78 Sunday Times

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Economy stalls as experts clash

THERE is a sharp conflict over economic policy in top level Government and Reserve Bank circles.

Major disagreements have emerged that have led to a policy decision stalemate that has lasted months.

Yet, while the experts squabble over what to do next — if anything — businessmen are seriously concerned that the current business upturn is losing momentum.

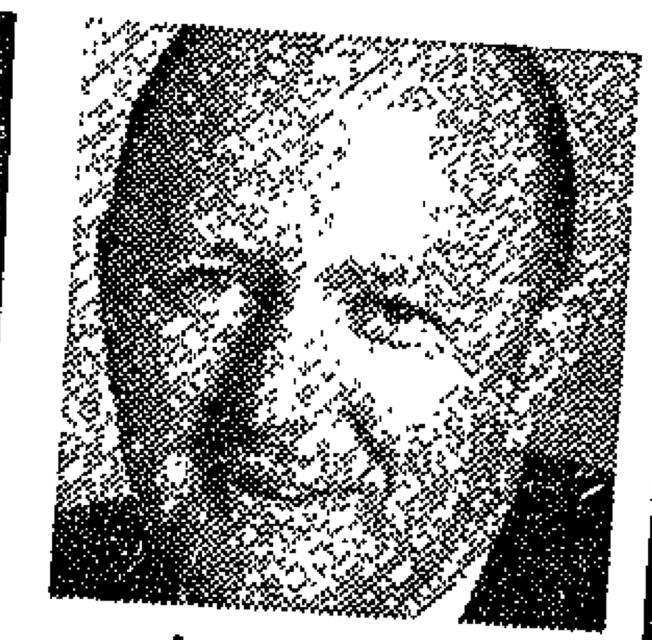
Firmly ranged on the conservative side is Reserve Bank Governor, Dr Bob de Jongh. As the guardian of the country's gold and foreign exchange reserves, he is a man with an unenviable task.

Bob de Jongh

De Jongh versus Young Turks

Simon Brand

Gerhard de Kock



Joep de Loor

NIGEL BRUCE reports

Governor under pressure

He must make certain the country has sufficient cash in the kitty to meet its foreign obligations.

Until very recently this has been a formidable task. It's easier now that the current account is in substantial surplus and inflation appears to be moderating.

But, quite clearly, the Governor believes this situation to be precarious, especially in view of the massive amounts of capital still fleeing the country.

As Dr De Jongh said at the Unisa graduation ceremony on May 17, "...it is a fact that foreign financial institutions scrutinise our balance of payments situation and our inflation rate very carefully, and also our policy in this regard, before they decide to extend loans to South Africa."

An important inflationary factor is the money supply, which, the Governor told the annual meeting of the National Finance Corporation this week, had "accelerated from a slow increase in the first quarter of 1978 to a seasonally adjusted annual rate of 17 per cent in the second quarter and then accelerated further to an annual rate of 38 per cent in July and August."

Moreover, the "increase in the consumer price index, after elimination of the influence of the GST, accelerated again in the third quarter of 1978."

Nor is Dr De Jongh prepared to attempt to encourage investment and prolong the export boom by linking the rand's external value to a more market-related formula.

He told the annual meeting of the Reserve Bank on August 22 that the current exchange rate policy had "provided a remarkable degree of stability to the external value of the rand over the past three years", whereas the "system of floating exchange rates" had created elsewhere uncertainty and "definitely contributed to the lack of investment generally.

In sharp contrast, up on the hill in the Union Buildings, the Treasury men take a profoundly different view.

To Finance Secretary Dr Joep de Loor, to special economic adviser Dr Gerhard de Kock (who is also senior deputy governor of the Reserve Bank and chairman of a commission into monetary policy) and to the new economic adviser to the Prime Minister, Dr Simon Brand, the question of extensive black unemployment is the most urgent problem facing governmmnt.

Asked two months ago what was the country's biggest economic problem, Dr Brand replied: "Insufficient growth. The unemployment figures are uncomfortably high and the rate of job creation is insufficient to cope with the growing population.

"The downward trend in inflation will probably resume after the July hump...I don't see an immediate conflict in going for higher growth and reducing the inflation rate."

Obviously, he and his colleagues believe that inflation is being caused by rising costs rather than excess demand.

More vigorous growth — and a more flexible exchange rate policy — is also seen by the Treasury men as the most likely way of attracting investment to this country and stemming the capital haemorrhage. Business men are hardly likely to move funds out if there is a use for them here.

In, October Dr De Kock told an engineering symposium that it was essential that actual and expected profits in the private sector, including any risk premium which might be necessary, should increase to a level at which they would serve as a strong inducement to both residents and non-residents to expand their investments here.

The Treasury camp has not taken fright at the massive money supply increases in the second quarter and which continued into July and August.

They point out that official money statistics are unreliable at present because of distortions from the effect of the introduction of GST and because they are based on month-end positions whereas there are huge liquidity swings in and out of the monetary banking sector and between public and private sectors during the course of each month.

Declining business activity suggests, they say, that while money quantity statistics are showing an increase, the velocity of circulation has most certainly fallen, which under present circumstances is the more important measure.

The reserves, while still weak, are rising after all, they point out. Nor have the budget stimulants, the manner of financing the government deficit, buoyant export earnings and rising liquidity led to the growth in domestic demand that was expected earlier.

The question remains, however, that even although Governor De Jongh refuses to reduce interest rates further — and the appropriate stimulatory effect as well as the latest oil scare and rise in US rates make this question problematic — why cannot the Treasury men administer further fiscal stimulus?

After all, Exchequer receipts are running at least up to expectations and the Treasury most likely needs to borrow no more new money until next fiscal year.

In fact, Minister Horwood might be in danger of ending the year with a surplus rather than a small deficit, which in view of our attempts to pull out of a recession would be singular indeed

Now is obviously the time to scrap the loan levy and the import surcharge and reduce substantially the amount that financial institutions have to invest in official securities.

The answer must be that Governor De Jongh's influence, which has always been covert, is sufficiently telling to have forced the present hiatus with regard to both monetary AND FISCAL policy.

Caution in these uncertain times is a laudable attribute. But indecision in the face of falling business momentum is the hallmark of disaster.

Minister Horwood must obviously do something — and do it quickly — if the revival is not to peter out. Not even Dr De Jongh, for all that he must look after our pennies, can really want that.

Analysis of the category of engineering technician effectively illus- ... (excluding

(16)

in my opinion

Curb prices and wages — by consent

(19)

By Merton Dagut

FM 10/11/78

Your lead editorial last week was written by an economic analyst (the top priority now "is to boost investment," "real personal disposable incomes are slipping") and by a concerned human being ("the social and political strains . . . would rapidly become unbearable"). Growth — real growth at a very much faster pace than at present — is what we need: without it we shall slip into a downward spiral.

As an analyst, I agree. As a concerned South African I shudder with you at the human misery entailed by a prospect of millions without work or adequate incomes. We differ, though, in that I believe that to achieve what we both want will require "light" as well as "heat."

This stage of SA's economic recovery must be pulled by increasing real consumer spending. The investment spending which will lift the growth rate back to a level which meets the country's need and potential is unlikely to occur if we do not collectively buy more. We would try to buy more if additional "stimulation" gave us the money to do so. In logic you are correct.

Disciplines

But sadly, there is persuasive evidence which suggests that in SA right now it would not work out like that. Unless we can make the people involved in the setting of prices aware of the result of near sighted behaviour, the acceleration in the rate of price inflation which would follow the "stimulation" is likely to be greater than you seem to think — and, indeed is likely to destroy the growth.

Your paper, and others, reported the fact that the official cost of living index in September was 11,7% higher than 12 months before, the same as August's rate. The brief moment of public outrage when this became known was followed by a complacent or resigned silence. Other issues are now dominating the public debate. But the acceleration in the rate of price increases is too important to be put aside in this way.

The rate at which consumer prices have risen since mid-year, and *more important* the reasons which can be attributed logically for the increases, have given early warning of a pattern of behaviour which — if left unchecked — can break SA's economic recovery and can break the society which that economy serves. Major retailers have seen a faltering in the volume of purchases in the third quarter. Trade has lost momentum already as consumers' real incomes have been reduced by the further price rises of the second half of this year.

The goose has been weakened, one is trying now to stop it being cooked. One knows that an intolerably high rate of inflation cannot be "jawboned" down. There is no useful substitute for appropriate monetary and fiscal policies, or for the market disciplines of competition.

But, accepting that jawboning does not work, it should not be too much to hope that members of SA's business community — everybody who is involved in the determination of prices — may perhaps be encouraged to behave differently and with a greater sense of responsibility if they are told the facts.

The inflation rate, as measured by changes in the cost of living index, began to wind down in 1977. The (seasonally adjusted) annual rate during the first three months of last year was 13,3%. By the second quarter of 1978 it had dropped to 5,3%. People at large really had more to spend. That, I think, was the underlying reason why retail sales volume were bigger even than most had expected in the pre-gst months of May and June. At that time one thought that "sellers", seeing the happy result in their profits of bigger volumes and so smaller unit costs, would have seen to it that the inflation rate abated further.

However, it did not happen so. The markets, it must have seemed to many, "could bear" price increases. In July the gst lifted the index by 2,8%. Price rises — especially of foods — put through in the general confusion, lifted the index by another 1,4%. This is a crude annual rate of 16,8%, the inflation level of the initial energy crisis period of 1974.

There was a respite in August. The cpi rose during the month at a crude annual rate of 7,2% which could perhaps be said to have reflected earlier cost increases. However, as the month's food price increases were moderate, the answer to the question of which sector of the business community was catching up must be left open.

The figures for September are frightening. Food prices facing consumers rose at an annual rate of 22,8%. Non-food prices rose at the second quarter rate of 5,2% — in part, I am sure, because consumers could just not afford to spend very much on non-foods. With people re-impoverished, unit costs must have been pushed up again.

The new casualty, I fear, is clear. Prices are being put up by business enterprises when they can be and not when they cannot. This is a vicious circle. If our economy is not now to be made much poorer that must be broken. We can break out without paying the penalty of another steep slowdown only by stopping this particular pricing behaviour. People must be made fully aware of the results of their pricing decisions. They must accept the need to control their prices (and incomes) voluntarily. Within our system, only the people concerned know the difference between what they would like and what they need.

The argument, so far, is that of an analyst. As you did in your editorial I should like to comment as a human being as well. In our society the present very poor circumstances of millions are the result, to some extent, of the often selfish business decisions of not more than a few thousand people. Greedy and unprincipled decisions about prices are likely to impair our chances of economic recovery — and to take us a step closer to the destruction of our society.

ECONOMIC PROSPECTS

Over to you

49 FM 10/11/78

At last year's ***FM*** Investment Conference Finance Minister Owen Horwood fired the starting gun for economic recovery. Unfortunately, at this week's conference he was more subdued.

Though he made it clear that growth is still top priority in the Union Buildings, there was no action to back up his words. Indeed, Horwood indicated that for the time being government is looking to the private sector to fuel the business upswing.

Pointing to the expansionary effects of this year's soaring export earnings, lower interest rates, and higher money creation, Horwood asserted that: "It is now up to the private sector to make increasing use of the scope for expansion afforded them by the combination of favourable natural economic developments and expansionary fiscal and monetary policies. SA entrepreneurs must now show their mettle. The ball is in their court."

His analysis of the state of the economy was not without a touch of humour. "There is one form of private sector activity which has indeed increased noticeably in recent weeks, and that is the activity of giving advice to the

Finance's Horwood . . . always a borrower be

authorities on how to provide additional stimulus to the economy."

Generally, Horwood is considerably more optimistic about the economy than most of his private sector "advisers." He noted that many statistics have been distorted by gst and the loan levy repayment and concluded that "the SA economy is still in the middle of a moderate economic upswing, which has not yet gained full momentum but which shows every sign of continuing in the period ahead."

We hope he is right.

The Minister also confirmed that the Treasury is "in the final stages of negotiations for substantial foreign loans." He hopes to make a further announcement within the next few days.

Horwood was probably referring chiefly to the \$150m credit being arranged by one Swiss and German banks (*FM* last week), although bankers say there may be even more money on its way to the government mainly from Swiss sources.

R1 000m current surplus in nine months

(49) 58 R.D.M. 1/11/78

Financial Editor

SOUTH AFRICA had a surplus of close to R1 000-million on the current account of the balance of payments in the first nine months of this year. But this was mostly — but not entirely — matched by a continuing large net outflow of capital.

These points emerged yesterday from a speech by the Governor of the Reserve Bank, Dr T W de Jongh.

He was giving his annual chairman's address to the National Finance Corporation in Pretoria.

Dr De Jongh said that, because of the "disturbing effect" of increased turnovers before the introduction of the 4% general sales tax on July 3, it remained difficult to judge the strength of the economic revival.

He said a number of monthly economic indicators slowed in July and August, but it was not clear to what extent this might be a reaction to the abnormal events preceding GST.

Regarding the balance of payments, preliminary estimates indicated that the surplus on the current account was larger in the third quarter of 1978 than in the second quarter.

Dr. De Jongh said this was mainly a result of an increase in the net gold output caused by the higher gold price.

According to the Reserve Bank quarterly bulletin, the current account surplus in the second quarter was R201-million.

This followed a record surplus of R503-million in the first quarter.

Dr De Jongh gave no details, but on the basis of the published figures for the first half of the year and the fact that the third quarter level was more than the R201-million in the second quarter, it is clear that the surplus for January to September is close to R1 000-million.

The spectacular gold boom ensures that there will also be a surplus in the last quarter of 1978 in spite of the upturn in imports, boosted by the falling value of the rand.

Dr De Jongh said the net outflow of capital was, however, also bigger in the third quarter than in the second.

But a large part of the net outflow in the third quarter consisted of the repayment of foreign loans by the Government, the Reserve Bank and public corporations.

In the first quarter of this year there was a net capital outflow of R531-million — more than the current account surplus — but this included R78-million specifically designated as repayment of previous borrowings for the reserves.

The second-quarter outflow was down to R153-million, but there was also a net R4-million borrowing for reserves' needs.

From what Dr De Jongh said yesterday it looks as though the capital outflow in the third quarter was about R200-million.

However, as that figure will have been swollen by heavy debt repayments that means that there was a substantial improvement in the underlying balance of payments when the healthy current account surplus is included.

Dr De Jongh said the increase in the consumer price index, after elimination of the influence of the general sales tax, accelerated again in the third quarter of 1978.

Dr De Jongh said: "The problem of inflation thus remains of serious concern and indicates the desirability, for the time being at least, of continuing with the policy of not stimulating the economy too strongly.

"The substantial increase in bank credit, together with the influence of the higher gold price, has already contributed to a sharp rise in private sector liquidity and an increase in financial activity.

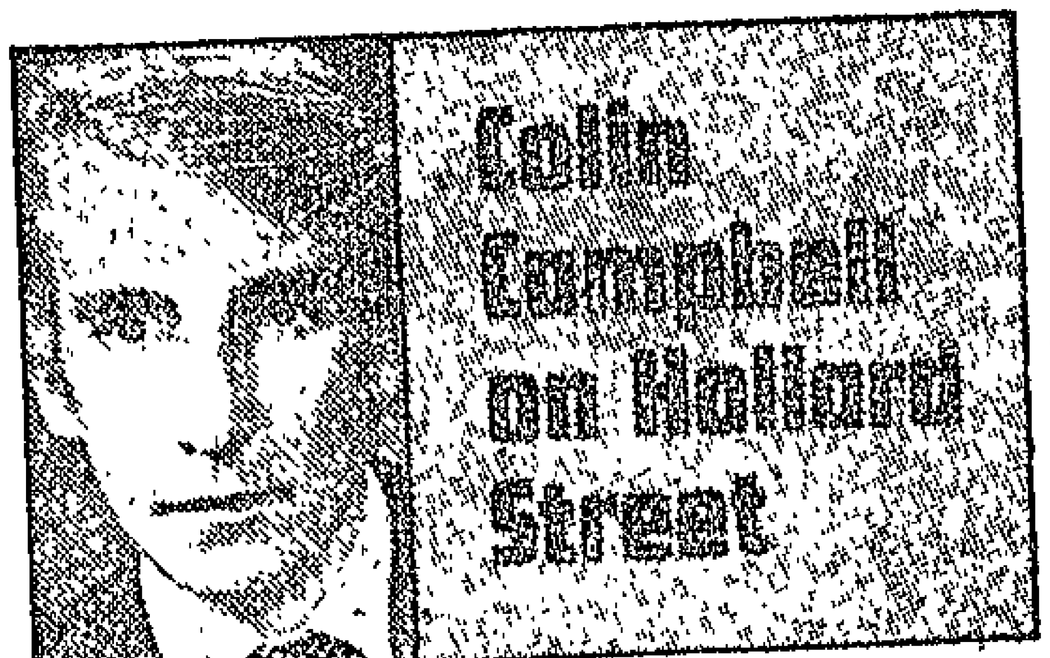
"It is, however, of the utmost importance that there should not only be increased financial activity but also an increase in real activity in order to counteract the problems of inflation and unemployment."

Star 15/11/78

49

CRASH OF '79—COULD IT HAPPEN?

Interest alone on US debt heads for billions



I wasn't actually in New Orleans to hear 2 400 delegates to the conference of the National Committee for Monetary Reform give their view on the US economy and the world outlook, but representatives from London stockbroker James Capel were, and here's what they reported back to their clients.

The record number of delegates reflected a growing concern among individual US investors over the Government's handling of the economy, the dollar, inflation, and above all, their personal investments.

Thirty gave their views, so there was a considerable diversity of opinion as to whether the next few years would bring further inflation, deflation, recession, depression, hyperinflation, and so on.

The timing of the US measures to support the dollar the day before the conference began heightened the interest in gold and the effect the measures might have vis-a-vis the dollar and the gold price.

There was a popular view that inflation would continue to rise indefinitely. There is sufficient in-built inflation in the system, with the easy money policies of the last two years, the fall in the dollar, and increasing labour and raw material costs, for inflation to continue rising for the next couple of years.

Besides, there were too many vested interests, both business and political, which would ensure this upward trend. Any severe reduction would have dire consequences for certain sectors of the economy and the Government, and would be politically unacceptable.

There was a minority view, however, advocating the deflationary scenario, leading to a depression in the early 1980s.

The high level of major bank debt and the astronomical, and growing federal debt were the reasons given for this scenario. Some believe there is a real possibility of collapse in the banking system with Federal debts running at 60 000 m dollars per annum.

Some estimated that the interest alone on the Federal debt would be around 100 000m dollars a year by the early 1980s, or equivalent to the entire new capital generating capacity of the economy. There would thus be virtually nothing for capital and manufacturing re-investment.

Few delegates expected any improvement in the economy in 1979, and there were already indications of a slow-down. Most commentators believed that there would be a mild recession for the first half, and tighter monetary policy, but any further follow-up of the administrations measures might push the US economy into severe recession.

Towards the middle of 1979 the economy would be in delicate balance and it was considered unlikely that any further stringent measures would be taken. If the inflation rate was continuing at current levels, price and wage controls may be introduced, while methods of mild reflation could not be ruled out with the 1980 elections in mind.

The consensus on the dollar was that it had bottomed, and was fundamentally undervalued. However, if there was no follow-up to the recent measures and no market curbs in the money supply, the decline would continue again.

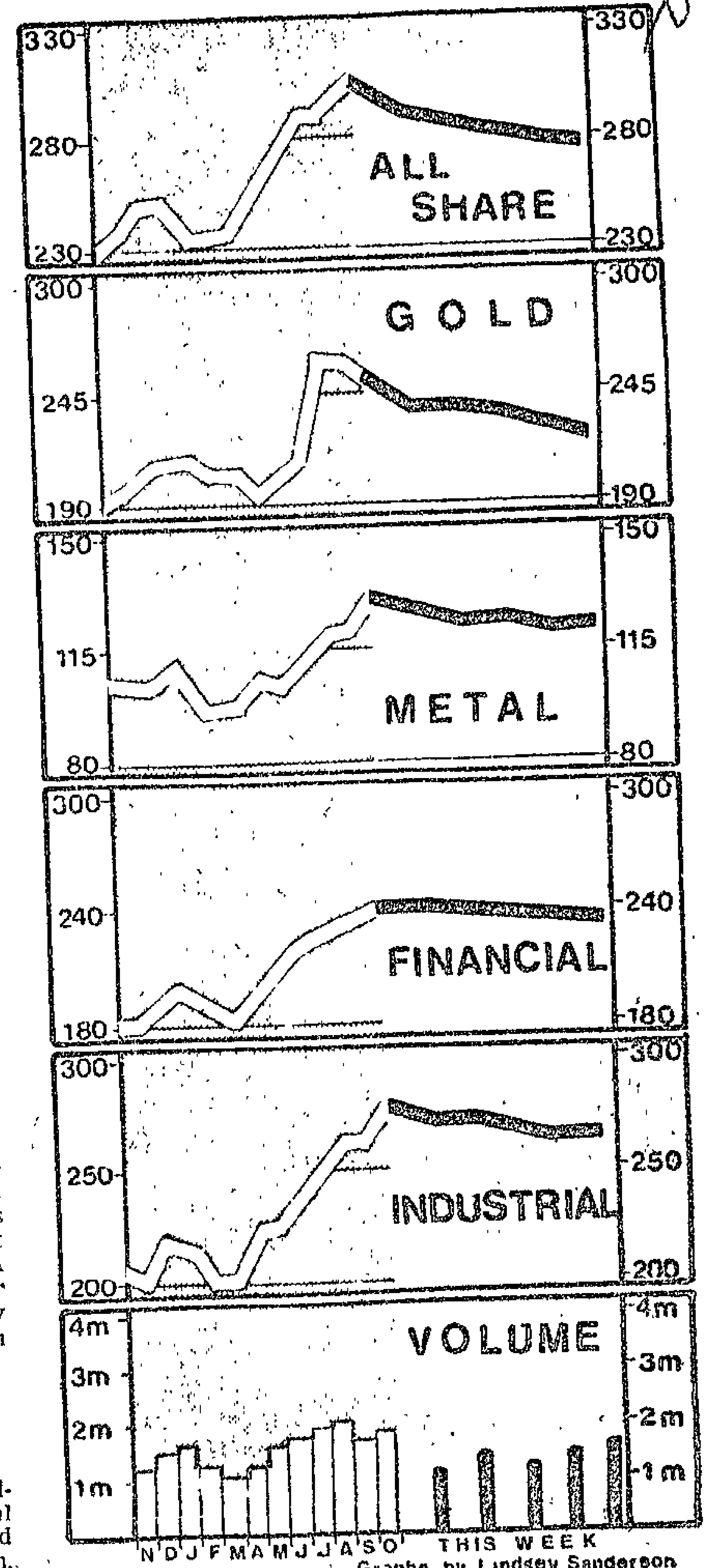
There was little doubt that, domestically, the dollar represented real value, but the Eurodollar market, estimated at 50 percent of money supply was at any time subject to the risk of a selling panic. Any worthwhile rise in the value of the dollar would afford foreign central banks an opportunity to lighten holdings acquired during recent massive foreign exchange market interventions.

The stock market was considered to be vulnerable over the short-term with several commentators expecting the Dow to test the 1978 low of 740. A minority expected a major stock market recovery commencing sometime in the second half of 1979.

Gold price prospects

In contrast to the dollar, there was a general consensus that the gold price had risen too high, largely fuelled by the enormous level of speculative activity in the futures markets. In the wake of the recent measures there is likely to be more weakness in the price, but a major decline is not expected. A price of $180 was estimated by Mr Christopher Glynn of Consolidated Gold Fields as the level at which genuine fabrication demand would absorb all world mine supply.

With some monetary and investment 'premiums' it was generally considered that a level of around $200 might prove to be the extent of the downslide, after the recent reaction. On significant follow-up of the measures next year, the gold price could, at some stage, resume its upward trend [illegible] break the $250 level.



These graphs chart the performance of The Star share indices for major divisions of the Johannesburg Stock Exchange over the past week, together with volumes of trading. The shaded areas of the graph cover the average of the previous 12 months' dealings for comparison.

Economists give the lie to gap between rich and poor nations

NEW YORK. — The gap between the richest countries and the poorest, though still vast, is not as great as was previously supposed, according to three leading American research economists.

The economists — Mr Irving Kravis, Mr Alan Heston and Mr Robert Summers, from the University of Pennsylvania — prepared a survey for the World Bank and United Nations agencies.

It aimed to correct estimates of the national output of goods and services (GDP).

They compared the per capita GDP of the rich industrialised nations with those of all the poorer developing countries and got a ratio of seven to one.

They note that the UN has been using a ratio of 12 to one for the past two years.

In an article in the autumn issue of the university's Wharton magazine, they say their new figures should help policy-makers to see what the economic gap between the have and have-not nations actually is and to make more realistic plans to narrow it.

Giving estimates for 155 countries, they conclude that only Kuwait has a per capita GDP exceeding that of the United States.

But the ratio between the two countries was 1,6 to one in 1974 and not 1,77 to one, as some statisticians have said.

To make their calculations, the economists compared the domestic buying power of the different currencies and local spending patterns to devise a new money measurement called the international dollar.

This international dollar, as affected by the different prices and consumption in all the countries compared, was then used to work out production and consumption equivalents for each country.

The economists' major report was published in Baltimore and London under the title, "International comparisons of real product and purchasing power."

This was based on 16 selected countries, rich and poor, and analysed statistics for 1970 and 1973. The study concluded that the United States retained the highest GDP a head of population of the 16 countries, which included Britain, Japan and West Germany.

Whereas other tables showed all but two of the 16 increasing their per capita GDP relative to the United States, the new study showed seven countries falling behind their 1970 output in 1973.

Of the 16 countries, Britain's per capita GDP decreased the most seriously, dropping to 60,6% of US production in 1973 to 89,4% in 1973. The new method found that in the same two years its per capita GDP declined slightly, relative to that of the United States from 78,2% to 77,4%.

The economists say their survey has two main goals — to work out a system of comparisons until they cover the world.

The countries studied in detail were Belgium, Britain, Colombia, France, Hungary, India, Iran, Italy, Japan, Kenya, Malaysia, the Netherlands, Philippines, South Korea, the United States and West Germany.

The countries chosen differed widely with respect to income levels, systems of economic organisation, economic development, area, climate, mores and degree of dependence on other countries or trading blocs.

Of these, only Kenya and Colombia had a lower GDP in 1973 than in 1970 using the exchange-rate method. The international dollar method, on the other hand, showed Kenya, Colombia, India, Italy, Britain, the Netherlands and West Germany falling back.

Kenya's GDP edged down to 6,12% of America's GDP in 1973 from 6,33% in 1970, India's to 6,37% from 6,92%, the Netherlands to 68,4% from 68,7% and Colombia's to 17,9% from 18,1%.

Malaysia was the only one of the 16 countries to have its comparative GDP remain the same in both years — 19,1%.

The other eight countries all showed a relative increase, with Iran's being the most spectacular, jumping from 20,3% in 1970 to 29,2% in 1973. Second was Japan with an increase to 64% from 59,2%.

Although the study was produced to aid international economic dealings, it also gives some off-beat information.

For instance, it says French people drink 14 times as much wine as Americans, and the average Japanese or Filipino eats about 21 times as much rice as an American.

Hungarians eat much more lard and animal fats than anyone else.

Italians eat 13,6 times more pasta, and the British 3½ times as much pastry as Americans.

The Colombians and Japanese travel by train between 10 and 27 times as much as the Americans do.

Finally, both in India and Kenya, women buy fewer pairs of shoes than men do —and their children also have more shoes than they do. — Sapa Reuter.

(49) FM 24/11/78

STOCK MARKET

More upside potential than down

There is a reasonable possibility that the RDM industrial index will make an assault on the magic 370 figure (its previous 1969 high) before the next FM *Investment Conference in 1979. The answer for 1979 is thrash, not crash* — Rob Conway, general manager of Sage Holdings, at the *FM* Investment Conference on November 9.

Well, that's certainly one view. And at the moment it is the majority view. But it is not, and cannot be, the only view: if it was, the market would currently already be at higher levels, discounting these rosy prospects for 1979.

Conway's arguments are by no means implausible. Briefly, they run along the following lines.

The growth rate of the SA economy must improve next year, and if it will not of its own accord, the authorities must take yet additional stimulatory measures. The balance of payments is (on latest forecasts) expected to show a current account surplus next year of R400m, well down on this year's R1 000m but still healthy. If the gold price performs well (as it should), this could be even higher.

In addition to its impact on the balance of payments, there is also a strong correlation between the gold price, internal liquidity, and share prices. Liquidity is likely to be easier in 1979, interest rates are still falling, continued high inflation should not be a bar to equity price appreciation, and world trade, even if it slows down, should still show some improvement in real terms.

Dividend performance

Moreover, institutions are likely to have at least R100m more to invest in equities than this year, which was already R100m more than in 1977. With company profit and dividend performance remaining surprisingly good, where can share prices go but up?

Sounds convincing; but, as always, there is another side. The performance of the gold price in the past fortnight has not exactly been encouraging. And this week's 750 000 oz US Treasury auction (see *Markets*), while it generated a satisfactory price, attracted total bids of only 911 600 oz — less than two-thirds the 1,5m oz that will be on offer at the next auction, on December 19.

Immediate reaction in London was a mark-down to a morning fix of $197,90, against Tuesday afternoon's $200,20 and the Treasury sale price of $199,05. Wednesday afternoon's fix was $199.

Two hundred dollars is a barrier of psychological more than real importance. Conservative analysts feel the price could fluctuate between $190 $200 in the next few months; some even feel the bottom of the trading range, which could still be contemplated with equanimity, would be $180.

If the price should sag below $180 for any length of time, however we would be in a different ballgame. The possibility of a rand devaluation could then rear its head again; and while that would help the balance of payments, it would also have a substantial inflationary effect.

Another moderately depressing influence has been the performance of this week's new listing, Kimet. Punted by the press at 150c-160c, it did open at 150c but then dipped to 137c before rallying to close in the upper 140c range. After all the publicity attracted by this first pukka new industrial issue for more than three years, this was mildly disappointing.

Then the inflation rate, which according to the latest (October) figures — released since Conway spoke — is remaining obstinately high and may be an adverse factor. After all, if we have an inflation rate of 11,7% when the economy is clawing back from its worst recession in 35 years, what would it be like if economic growth really regains momentum? This could be a major factor inhibiting further economic stimulations by the authorities.

And if the inflation rate remains high, there must be a strong probability that interest rates will turn up again — which can only be bearish for equities.

There is a final potential stumbling block, also raised at the *FM* Investment Conference. Senator Owen Horwood referred to the De Kock Commission, whose first report is expected soon. This is expected to discuss policy regarding the exchange rate of the rand against foreign currencies, notably the maintenance of the rand/dollar peg, and possible adaptations to the securities rand arrangements.

The *FM*, among others, has argued for some time that the scope of the securities rand should be broadened, to permit its use in foreign direct as well as portfolio investment. In the long term, this would surely be beneficial.

Securities rand

But in the short run, it could lead to selling of shares locally and foreign buying, to create additional securities rand. This elimination or, at any rate, reduction of the gap between local and foreign prices of SA stocks would entail a marking up of nominal prices of SA shares abroad, but a marking down at home.

December tends to be a quiet month on Hollard Street, and uncertainty ahead of the December 19 US gold auction is likely to make it even more quiet this year. Markets (*pace* Joel Stern) most of all hate uncertainty; but at least its impact will be tempered in that, as gold shares never responded to the advance in bullion price to $240, there is no necessity for them to react proportionally to the subsequent fall.

Indeed, one respected gold share analyst feels that, if gold holds the $190-$200 mark, better-quality gold shares with lives of 10 years and upwards are on prospective yields of 7%-12% (depending on whether they have reached full output and what funds they need to retain for capital spending). This can hardly be expensive.

With gold so vital to our future, as contributor to the balance of payments, as a source of public sector finance, and as a generator of private sector spending, industrials over the next few months seem likely to move more or less in line with golds.

As so often in SA's economic history the gold price carries the key.

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23. Ibid.

24. Hansard 17 column 8390, 6 June 1973.

25. Some of the comment elicited by these Bills is recorded in: Muriel Horrell and Dudley Horner. A Survey of Race Relations in South Africa, 1973. Johannesburg, S.A.I.R.R., 1974 pp.276-281 and 286-291.

NERO

Tacitus, *Annals* XV

38. Disaster followed. Whether it was accidental or caused by a criminal act on the part of the emperor is uncertain – both versions have supporters. Now started the most terrible and destructive fire which Rome had ever experienced. It began in the Circus, where it adjoins the Palatine and Caelian hills. Breaking out in shops selling inflammable goods, and fanned by the wind, the conflagration instantly grew and swept the whole length of the Circus. There were no walled mansions or temples, or any other obstructions, which could arrest it. First, the fire swept violently over the level spaces. Then it climbed the hills – but returned to ravage the lower ground again. It outstripped every counter-measure. The ancient city's narrow winding streets and irregular blocks encouraged its progress.

Terrified, shrieking women, helpless old and young, people intent on their own safety, people unselfishly supporting invalids or waiting for them, fugitives and lingerers alike – all heightened the confusion. When people looked back, menacing flames sprang up before them or outflanked them. When they escaped to a neighbouring quarter, the fire followed – even districts believed remote proved to be involved. Finally, with no idea where or what to flee, they crowded on to the country roads, or lay in the fields. Some who had lost everything – even their food for the day – could have escaped, but preferred to die. So did others, who had failed to rescue their loved ones. Nobody dared fight the flames. Attempts to do so were prevented by menacing gangs. Torches, too, were openly thrown in, by men crying that they acted under orders. Perhaps they had received orders. Or they may just have wanted to plunder unhampered.

39. Nero was at Antium. He only returned to the city when the fire was approaching the mansion he had built to link the Gardens of Maecenas to the Palatine. The flames could not be prevented from overwhelming the whole of the Palatine, including his palace. Nevertheless, for the relief of the homeless, fugitive masses he threw open the Field of Mars, including Agrippa's public buildings, and even his own Gardens. Nero also constructed emergency accommodation for the destitute multitude. Food was brought from Ostia and neighbouring towns, and the price of corn was cut to less than ¼ sesterce a pound. Yet these measures, for all their popular character, earned no gratitude. For a rumour had spread that, while the city was burning, Nero had gone on his private stage and, comparing modern calamities with ancient, had sung of the destruction of Troy.

40. By the sixth day enormous demolitions had confronted the raging flames with bare ground and open sky, and the fire was finally stamped out at the foot of the Esquiline Hill. But before panic had subsided, or hope revived, flames broke out again in the more open regions of the city. Here there were fewer casualties; but the destruction of temples and pleasure arcades was even worse. This new conflagration caused additional ill-feeling because it started on Tigellinus' estate in the Aemilian district. For people believed that Nero was ambitious to found a new city to be called after himself.

Of Rome's fourteen districts only four remained intact. Three were levelled to the ground. The other seven were reduced to a few scorched and mangled ruins. To count the mansions, blocks, and

41. temples destroyed would be difficult. They included shrines of remote antiquity, ...

42.

RDM 1/12/78

Barlows wants immediate economy boost

49

By ELIZABETH ROUSE

A PLEA for greater economic stimulation immediately, as well as in the next Budget, to improve business confidence is made by Mr C S Barlow, chairman of the Barlow Rand group, in the annual report.

43. He says little progress has been made towards the alleviation of the serious matter of black unemployment and the low level of fixed investment.

He pleads for quick action in the form of tax relief or increased State spending. The programme for building houses for urban blacks, announced a year ago, is only now beginning to get under way; the promised improvements in their land tenure are still not effective; and the Soweto electrification scheme appears to have made little progress.

The time has come for the Government to give further relief to personal taxpayers, particularly those in the higher tax bracket, says Mr Barlow. The people who fall into this category include senior executives who play a major role in the growth of economic activity, in the creation of job opportunities and in the generation of company profits on which the State relies for a considerable part of its revenue.

"The present scale of tax is in danger of robbing the initiative so necessary to promote growth and may even act as a disincentive to overseas industrialists and financiers, who otherwise would contemplate investing in Souht Africa.

"The effect is that new investment is largely left to financial institutions, such as insurance companies and pension funds, who pay little or no tax."

The maximum rate of personal tax, which is much higher than the ordinary rate of company tax, is applied to incomes above R28 000. This has remained unchanged since 1969 and if increases in the cost of living are taken into account, this income level should have been increased to R60 000.

The failure of the tax system to acknowledge increases in living costs has resulted in a substantial reduction in disposable income and this in turn has had an adverse effect on investment growth in private enterprises as well as in consumer spending.

The Government appears to be in a position to alleviate the direct tax burden because of the substantial increase in revenues derived from the goldmining industry and the general sales tax. This would help to provide some stimulus for the

44. instigated. To suppress this rumo
punished with every refinement
(as they were popularly called).
executed in Tiberius' reign by the
But in spite of this temporary
broken out afresh, not only in Ju
but even in Rome. All degraded
flourish in the capital.

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their information, large numbers
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were made farcical. Dressed in wi
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dark as substitutes for daylight.
spectacle, and exhibited displays
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their guilt (as Christians) and the
victims were pitied. For it was fe
one man's brutality rather than to

Anon. *Epitome de Caesaribus*

5.2: (Nero) quinquennio tolerabilis visus. unde quidam Traianum solitum dicere procul distare cunctos principes Neronis quinquennio. cf. Aurelius Victor de Caesaribus 5,2.

a refusal to re-employ an African. In other words, a rather narrow definition. However, where the African workers involved were covered either by an industrial council agreement, or an arbitration award, or a conciliation board agreement which was still in force, the machinery which the Industrial Conciliation Act provided would be preferred to settle a dispute provide Bantu Labour Board had reported on the dispute to the Minister w thereafter to refer it to the Wage Board. In the case of a wag the conciliation machinery applicable to other racial groups wou the determination had been in operation for less than two years.

In 1973 there were 47 labour disputes with no stoppage of work i 3 846 African workers. These were usually settled by Bantu Lab A further 115 disputes, where work stopped, but which could not strikes occurred and these involved 22 744 Africans. There wer st ... hich 67 338 Africans took part.[23]

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of the major employers' organisations, from trade unions, indiv and other bodies".[24] As a result the authorities altered the and later introduced the Bantu Labour Relations Regulation Amen

The new machinery retained the three-tier system, which had ope twenty years, with certain important differences.

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23. Ibid.

24. Hansard 17 column 8390, 6 June 1973.

25. Some of the comment elicited by these Bills is recorded in: and Dudley Horner. A Survey of Race Relations in South Afri Johannesburg, S.A.I.R.R., 1974 pp.276-281 and 286-291.

DEBT JUDGMENTS

Creeping up agian

If judgments for debt are any indication of the stage of the business cycle, SA's economic recovery is very much in neutral. The past few months have actually seen an increase in the number of civil summonses issued, although the number of judgments has remained static.

Judgments relate to default and consent judgments only, but are still a fair reflection of the position. The figures (from the Department of Statistics) cover the 121 most important magistrates' offices, responsible for more than 90% of recorded cases.

Unfortunately, the department only seasonally adjusts its figures for the number of judgments — not their amount. And analysis of the latest figures is complicated by the fact that the total value of judgments for January-August 1978 is the same as for January-July, suggesting that an arithmetical step was omitted somewhere along the line.

However, ignoring these imperfections, the plain facts are that civil judgments for debt in August were R11,2m compared with R10,7m last August, and brought the total for the first eight months of this year to R85,8m (R81,5m). In real as distinct from money terms, this may well represent a decline; but it is still alarmingly high.

So is the total number of judgments so far this year, at 201 000 (1977: 208 000). The average judgment is up from R392 to R427, or 9%.

Financial Mail December 1 1978

(2.9) FM 1/12/78

S HERBERT FRANKEL

The dangers of reflation

Visiting SA this month is Oxford professor emeritus S Herbert Frankel, brother of Tiger Oats's Rudy Frankel. The *FM* met him in Johannesburg to discuss his latest book, *Money — Two Philosophies*, in which he warns that inflation, by causing distrust of free economies, could lead to a lurch towards authoritarianism.

FM: Where is the dividing line between sound and unsound money?

Frankel: It is much clearer than most people think. Money is not credit. More and more governments, economists and politicians think that money and credit are interchangeable; they believe credit can always be renewed. In the last resort the government becomes the issuer of debt to an extent that it can only handle by issuing more debt. But the time comes when people will no longer recognise these debts.

The dividing line between a situation where money holds its value and one where it does not is when governments embark on activities and enterprises that are not self-liquidating.

Has the West crossed this line?

Yes. As I mention in my book, the West is up against a very serious crisis. It's not just a crisis of the dollar. It is a crisis in the money economy itself. There are definite signs that the West has already started down the slippery slope where people distrust money. More and more, they no longer see it as a stable medium of exchange, and their distrust is leading them to put their trust in the power of governments to do the job without monetary guidance.

For example, there's a growing trend towards corporativism — the corporative state, the state in which, to a large extent, the government nationalises industries. In Britain, there's talk of nationalising banks and insurance companies and even parts of the building industry.

This is done at first in the belief that these nationalised industries will be more efficient, but of course they are not. So instead you get a growing public sector with growing debts. Eventually the state takes control over wage levels and over consumption levels and begins to determine the lives of individuals to suit the productive apparatus. The moment that situation arises, the individual's freedom, which is guaranteed by stable money, has in fact been eroded.

Isn't too much emphasis on sound money just as dangerous?

Well, I should make it quite clear that there are exceptional circumstances — say, a great depression or a threatening depression where stimulative action by the authorities should be regarded as desirable and normal.

But one must remember that monetary stimulation by itself cannot do very much if other circumstances are against the expansion of enterprise. The other circumstances may include fear about the politics of a country. Economic growth cannot be assured by turning on the monetary tap, but only by adapting to reality, by breaking into new markets, by grasping new opportunities. You cannot put your trust in reflation as an outward means of adapting yourself to reality.

Would you say the same of exchange rate policies?

Well, once again we come back to the overriding question: To what extent do the exchange rates reflect the real purchasing powers of the currencies in question? People usually think in terms of available goods and services. But immediate trade relations between countries are only part of the problem.

Exchange rates must rest on the markets' assessment of the future of a country's activities as a whole and on the relative trust that people have in the ability of a country to carry out productive activities at a profit. If that trust is in any way interfered with, you will find that there is both an external drain on the country's foreign exchange resources and — much more important — there is an internal drain because the citizens of the country itself run away from the money they are forced to take.

What advice can you give to those who make exchange rate and monetary policy in SA?

SA has a very big problem of unemployment and one might normally suggest that this could be helped by liberal monetary policies aimed at stimulating demand. One could even argue that SA could help itself by floating its exchange rate and letting the rand find its own level.

But in SA there are political circumstances which make one apprehensive. There is in SA a large proleteriat that is not able to exert power to adjust its living standards in inflationary conditions. Any freeing of exchange rates might lead to a rise in the cost-of-living at a rate that would not be compatible with protecting the lower wage earning groups.

10 pc ceiling breached again

Star 7/12/78

Business losing inflation battle

(49)

By Michael Chester, Financial Editor

A new batch of figures released today by the Department of Statistics confirms that business is once again in retreat in its battle with inflation problems.

The warning buzzer was pressed in a survey showing that the annual pace of price increases in the wholesale sector has broken above 10 percent again, meaning more prices pressures are in the pipeline en route to the retail trade.

After being pulled down to a relatively moderate 8,5 percent at mid-year, the wholesale price index in October swung up to 10,5 percent higher than a year ago.

The blame cannot be foisted on the new sales tax, because this does not come into account for producer prices covered by the wholesale index.

Nor can imported inflation be blamed any longer. Price tags on locally produced commodities were 10,7 percent higher than a year ago. Prices on imports were at a lower 9,8 percent level.

What increases concern is that prices rose a full one percent between September and October, putting the annualised rate of inflation at a worrying 12 percent unless it is dampened again.

This is even higher than the current 11,7 percent rise in the consumer price index, which has GST to add to its burdens.

Clearly inflation is now sapping more and more out of the energy — fairly feeble energy at that — behind the economic recovery that is already looking more and more illusory.

No wonder the Johannesburg Chamber of Commerce in a newsletter out today expresses renewed fears that the economic upward trend will flatten out unless the Government steps in soon with a fresh basket of stimulants like early repayment of the loan levy to individuals and companies.

The JCC also voices its growing impatience to see the removal of the remaining 12,5 percent import surcharge.

The newsletter says that Mr Bill Yeowart, the JCC vice-president, has already informed members how the chamber has impressed on the government that the surcharge was regarded as a further aggravating factor in the pace of inflation.

He argues that not only would removal of the surcharge — in one clean cut rather than little by little — reduce the costs of imports but it would also have an important psychological impact.

Market activity

The volume of shares traded on the JSE for the week ended Friday was 6 035 052 shares valued at R14,2m. Securities active were 478.—Sapa.

DRU/SAMST

OF HEALTH CARE IN SOUTHERN AFRICA

EMBER 1978

ON OF THE ERASMUS COMMISSION

OF ENQUIRY INTO INDUSTRIAL HEALTH

BY

DUDLEY HORNER
PIPPA GREEN
ALIDE KOOY
SHIRLEY MILLER

PAPER NUMBER 64

CAPE TIMES 5/12/78.

(49)

Sharp rise in long-term capital outflow

21

THERE was a sharp rise in the long term capital outflow in the third quarter after a considerable drop in the second quarter but the political situation was having a less adverse effect on the judgment of foreign investors, the Prime Minister's Economic Advisory Council says in a statement.

Other main points are:

- **There is concern that the revival is still rather uncertainly based.**
- **There were signs in the third quarter that consumer demand had possibly weakened.**
- **The downward trend in the jobless rate might not continue unless the economic growth rate quickens. In the third quarter the real GDP showed a moderate decline.**
- **The export outlook remains encouraging.**
- **The capital account situation does not rule out further stimulation.**

The statement by the Prime Minister Mr P W Botha said there were indications that the 1978 growth target of between two and three per cent, set by the Economic Advisory Council, would be attained.

Mr Botha, speaking in connection with the 50th meeting of the Economic Advisory Council, said the average level of the real gross domestic product was 2,5 per cent higher during the first nine months of this year than the corresponding period last year.

"During the third quarter of this year, however, the real gross domestic product showed a moderate decline."

But considering the artificially high growth rate in the second quarter, this did not, in the opinion of the council, indicate a resumption of the previous downward trend, Mr Botha said.

There was, nevertheless, concern about the fact that the present revival, which up to now had relied mainly on agriculture and private consumption expenditure, was still rather uncertainly based.

Regarding prospects for exports, there was some optimism in some of the sectoral reports before the council "despite the fact that the volume of exports had shown a decline during the third quarter from the fairly high level attained in the second quarter."

The council agreed there were no indications at present of a further dramatic deterioration in the international economic situation, and it should be possible to maintain the relatively high level of exports.

But it might not be possible to repeat the considerable improvement in the volume of exports — and export prices — achieved during the first three quarters of the year.

The council's view was that economic policy should be based on conservative expectations — even though no dramatic weakening of the gold price was foreseen.

Although the statistical picture of consumer spending remained confusing, the council had concluded that the decline in this area during the third quarter pointed to a possible weakening in the underlying upward trend.

This was so, "despite the fact that the average level of consumer spending was still considerably higher in the second and third quarters than in the first."

As the real buying power of consumers had shown no significant improvement the sharp rise in retail spending before the introduction of the general sales tax in July had been paralleled by a considerable increase in the debt liabilities of consumers.

Their spending "spree" could thus not be expected to continue for an unlimited period.

Regarding unemployment, the latest official information indicated a downward trend in all population groups.

"The council found it difficult, however, to reconcile these trends in unemployment with the relatively slow increases in job opportunities in the non-agricultural sectors of the economy, and there was therefore some doubt whether the downward trend in unemployment statistics would, in fact, be maintined unless the economic growth rate rose further."

The capital account of the balance of payments still remained an important bottleneck in the economy. It was learnt with concern that after a considerable decrease in the second quarter of this year, the net outflow of longer-term capital had agan increased sharply in the third quarter.

There were indications that the political situation was having a less adverse effect on the judgment of foreign investors and the council accepted that certain aspects of exchange-rate policy, to which attention was at present being given by the De Kock commission, which might also have important implications for the capital account of the balance of payments.

"However, the council also felt that the capital account, even under the present exchange rate system, need not be an obstruction to a further stimulation of the economy."

On inflation, the council noted with concern that the seasonally adjusted consumer price index, even after excluding the estimated effect of the general sales tax, had again risen sharply during the third quarter of this year — at an annual rate of 9,9 per cent as against 5,3 per cent in the second quarter.

But the council believed the rate of inflation would drop in due course "especially in the light of the absence of excess demand in the domestic economy, as reflected in the surplus on current account of the balance of payments and the underutilization of available production factors."

The council expressed hope that use would be made of the opportunity provided by the introduction of the general sales tax to bring about structural adjustments in the taxation system with the objective of improving the internal financing capacity of firms, "with a view to stimulating private fixed investment."

Mr Botha said monetary policy would still be geared towards supporting healthy economic growth and ensuring that a lack of liquidity did not form a bottleneck which might hamper the continuation of the revival of the economy.

"However, an excessive expansion in domestic liquidity which could promote an outflow of capital, will be constantly guarded against," he added. — Sapa

[redacted]

MESSINA

FM 8/12/78

The Premier shock

L9

The share shed 7c to 120c after the prelim to end-September revealed a R6,4m net loss and passing of the dividend. It seems destined to slip further.

In a dismal year for copper and Rhodesia, mining profits plummeted 28% from R12m to R8,6m. And this despite a R2m boost to mining profits from a change in accounting for copper concentrate stocks and beneficial currency changes.

While executive chairman Bill Wilson expects the copper price over the current financial year to exceed last year's average of £720 by about 14% or £100 to £110, the London-based Commodities Research Unit said recently there will be no meaningful recovery until 1982. A plus factor would be further problems for the Zambian mines, while a negative one would be severe recession in the West.

Despite a heavy trading loss in Premier Metal, industrial pre-tax profits fell only 10% to R5,8m. This compares with the calamitous 65% drop to R1,5m at the halfway stage. Datsun's "slightly improved" pre-tax profit of R3,7m was one reason and was achieved despite a rising yen and falling rand. Losses by container manufacturer Steelmobile, which were R2m at the interim, have been largely stemmed, and Wilson says he is "quite happy" about the company's prospects this year.

Most of the group's R8,5m of *extraordinary* losses were in Premier Metal, whose entire equity has now been written off. Stocks were marked down by R4,6m and loans to crane-supplier, Leason-Afmec, written off. Messina and its partner in Premier Metal, Clark Equipment of the US, agree that the company can be turned around and are to inject another R7,2m of equity. Prospects for Premier depend on a construction revival and on improving margins, which were slashed to procure greater market penetration.

Currency fluctuations caused unrealised losses of R5,2m but most of this is in respect of the book adjustment to assets caused by the devaluation of the Rhodesian dollar. Earnings before all these extraordinary items were 19c (56c) and the dividend was passed (30c).

It seems that the Premier Metal haemorrhage has been nearly stopped. Better prospects for copper and for Datsun could make the share an interesting speculation at 110c or lower but, if Rhodesia goes the wrong way, so will Messina's mining division.

Recovery in the share price is some way off. Apart from fundamentals, Unisec has been a steady seller for the past five months, putting about 400 000 shares through the market. It still has over 300 000 to sell before its holding is clear, so this potential tap will help keep the share price at around current levels.

David Carte

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Construction		3,0
Commerce	13	4,0
Services	27	8,0
Local authorities	11	3,0
	326	100,0

26. Financial Mail, 22 December 1972 p.1145. Cited in: R. Verster, Liaison Committees in the South African Industry, Bloemfontein, U.O.F.S., 1974, p.9.
27. Hansard 3 columns 160-161, 22 August 1974.
28. Hansard 10 column 691, 15 April 1975.
29. Rand Daily Mail, 22 May 1975. Cited in: Muriel Horrell and Tony Hodgson, A Survey of Race Relations in South Africa, 1975. Johannesburg S.A.I.R.R. 1976, p.212.
30. Op.cit. pp.14-16.
31. Ibid, p.17.

RESTRAINT OF TRADE

Not as black as it's painted

(29) 14/12/78

A great deal of emotive guff has been written in recent weeks on the topic of restraint of trade agreements. The general impression that has been created is that it is wholly wrong, if not immoral, that Norman Herber should be paid R600 000 for undertaking not to compete with Greatermans; that David Lurie should get R250 000 for promising not to bake a brick for five years (to say nothing of that R60 000 from Abercom); and that Hymie Malbin should get R340 000 for keeping out of textiles for the next 10 years.

There is, as in most things, another side to the "money for old rope" approach to restraint agreements. Let's first have a look at Greatermans, where it is not just a case of once-bitten-twice-shy, but of a company that has been very badly bitten, twice.

Not very long ago, a chap named Raymond Ackerman built up and ran a supermarket chain for Greatermans. Checkers was, and still is, a flourishing component of the retail sector, but Ackerman and Herber disagreed on many matters — and Ackerman left. What, one wonders, would it have been worth to Checkers, and hence Greatermans, had he been restrained from competing in the field in which he had built up his own know-how and expertise while working for Greatermans? R1m? R5m? It is impossible to say, but one can imagine the outcry had Ackerman's departure been sweetened by a cheque of such dimensions. Yet it would have been cheap.

There there was the case of the super-discounter, Dion Friedland. After he had built up his Rave discount chain to a pre-eminent position in the discount market, Greatermans bought it from him in 1970; but it did not, seemingly, occur to Herber to restrain Friedland from going back into the business where he had the know-how. As it turned out, Greatermans didn't have the know-how in this field and, while Friedland's new Dion chain flourished, Rave languished. The upshot was that the unrestrained Friedland bought back Rave for peanuts.

Small wonder, perhaps, that the lesson was learned — and Federale made the restraint on Herber a condition of the deal when it bought Greatermans.

There are plenty more examples where restraints would have paid big dividends — and more than justified the payment of huge sums. Perhaps the most striking is that of Mark Weinberg, the South African who revolutionised the UK life assurance industry. He built up Abbey Life from scratch, sold a half share to an American insurance giant, Georgia International, and didn't like the scene when the big conglomerate, IT&T, took control — for something like $64m.

Since IT&T didn't spring another million or two to restrain Weinberg he (metaphorically speaking) walked across the road to London's Hambros Bank and started Hambro Life. This prospered mightily — at least in part at the expense of Abbey Life — and was floated on the London stock market a couple of years ago.

One last example to underline the point that restraints — and possibly for very large sums indeed — can well be justified, especially where specialised know-how is involved: King Cola. In the US, and worldwide, the cola drink industry is big business. In fact, according to an advertisement that appeared in the American press a few weeks ago, it is a $7 billion industry. And it is dominated by two giants, Coca-Cola and Pepsi-Cola.

In the ad, which sought 29 "master licensees," each with $1m to $2m to commit to "a once-in-a-lifetime opportunity to participate in the enormous cola business", some of the former top management of Coca-Cola and Pepsi-Cola announced that they had "joined hands to produce and manage King Cola — the King of the Colas."

Should this bold venture start nibbling away at the markets of Pepsi and Coke, then these two companies will be sorry indeed that they lost — unrestrained — the services of, among others, Walter Mack, a former president of Pepsi-Cola, John Donlevy, former president of all Pepsi-owned domestic bottling plants, and Richard Harvey, marketing director

37.
The plight of Africans had been no better. In 1903 some permanently disabled African miners had been retained as pensioners on the mines purely at the discretion of the company, but the majority had been discharged and had been obliged to return to their homes.(226) By 1911 some of the mining companies had agreed to pay £10 to the dependants of Africans who had died on the mines or had been permanently disabled. (227)

Miners had many grievances concerning the compensation acts for Silicosis, but most of them seem to have been rectified for Whites by 1925. This seems to be borne out by the causes given for the 1922 general strike, during which time silicosis does not seem to have been a subordinate grievance, unlike all previous general miners' strikes of 1907, 1913 and 1914.(228) What is of greater importance is the precedents established in that period regarding compensation awards, have survived until the present day.

These include the function of the Department of Mines to list those mines where workers were, and are, considered to be at risk. By 1925 they were called 'scheduled' mines and today are known as 'controlled' mines. Another precedent was established when the industry, or rather each mine, was obliged to contribute to the compensation fund a sum of money per employee whose employment was considered to be at risk to his health. This has varied on each mine according to the incidence of silicosis obtaining there. Also workers have not been compensated merely because illness has deprived them of working on the mines. The degree of disability has always been of primary importance and compensation awards have always taken this factor into account and varied the awards accordingly. For instance, the distinguishing of silicosis into stages and varying the compensation in accordance with the stages - in 1912 primary and secondary stages of silicosis were distinguished - has over the years been even more flexibly applied and today the application of this principle is by any standards a very flexible one. (138a)

The act of 1914 introduced another precedent when it was found that certain surface workers were also at risk and compensation was awarded to all workers - including Africans- in occupations around or in crushing stations. By 1919 surface jobs considered to be risky, included sampling with attendant crushing, employment in the assay office, the jobs of sanitary and change house cleaners, certain members

38.

Economists see brighter 1979

DD 15/12/78

(49)

JOHANNESBURG — Top South African economists predict 1979 will herald a drop in the inflation rate, more employment opportunities and more money for the consumer.

They said possible personal and company tax reductions in the March Budget and the April pay rise for public servants next year will stimulate the economy, increase consumer confidence and gradually provide steady progress from recession.

Mr A. J. Jacobs, economist at the Afrikaanse Handelsinstituut, said there was a likelihood that personal and company taxes could be reduced. "I believe the man in the street will have a little more money next year. The only bugbear is that inflation may largely cancel out the benefits," he said.

Mr Merton Dagut, economist at Nedbank, believes that inflation may drop by as much as three or four per cent in the middle of next year. He added: "Unemployment will be down and I think we can expect a brighter picture next year."

Dr Chris van Wyk, senior general manager at Trust Bank, believes consumers will have it "marginally easier" next year.

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Whenever a mine medical officer suspects ... compensatable disease, he is obliged to send the case history of the patient and x-rays to the bureau where these records are examined by the Certification Committee.(231)

Once an African has been certified as having a compensatable disease, he is immediately repatriated and is not again allowed to work on a 'controlled' mine. His compensation is paid to him by the relevant 'black' affairs authority from the 'Black Compensation Fund', either in a lump sum or in monthly instalments a decision taken at the discretion of the official. In contrast, White miners who have contracted silicosis in the first degree, may accept compensation until they are certified as having silicosis in the second degree, whereupon they are paid additional compensation, but have their certificates of fitness removed. Similarly a recovered white tuberculotic, after receiving compensation, may return to the mines provided he performs no risk work. This contrasts with the position in the early days. Then, a miner who was told that he had silicosis in the primary stage was permitted to continue working; but if his condition progressed to silicosis in the second stage he only received compensation to which he had been entitled at the primary stage certification. (232) Also in the early days all miners certified as having tuberculosis had to leave the mine immediately. (233)

BASIS

Maar groei kort aandag

Rapport 17/12/78 (49)

Deur VIC DE KLERK

DIE Suid-Afrikaanse ekonomie is besig om 'n pragtige basis te vorm vir volgehoue ekonomiese groei oor die lang termyn. Maar terseldertyd is nuwe groeikragte nodig en die moet kom van die private sektor, met moontlik 'n bietjie hulp van die staat.

Ons eie spaargeneigdheid is besig om te hoog te raak. Ons spandeer nie meer nie en terselfdertyd wil die Regering duidelik nie weer verval in die ou probleem van om maar sy eie bestedings net op te stoot nie.

Maar dit is duidelik dat 'n fyn tussenwerking tussen staat en private sektor nou nodig is om te verseker dat die ekonomiese groeikoers wat so lelik afgeplat het in die derde kwartaal vanjaar, weer aan die gang te kry.

Die jongste Kwartaalblad van die Reserwebank toon 'n lopende rekening van die betalingsbalans wat só sterk is dat die uitvloei van korttermyn-kapitaal, asook die terugbetaal van sekere langtermyn-lenings, met gemak gefinansier kon word.

En dit is nie al probleem wat heeltemal uit die weg geruim is nie. Dit was maar slegs twee begrotings gelede dat die Minister van Finansies, sen. Owen Horwood, noodmaatreëls soos die instel van 'n invoerheffing moes aanwend om die staat se boeke te laat klop.

En nou lyk dit al of die staatskas die belastingjaar op 31 Maart 1979 met 'n oorskot van tussen R600 miljoen en R800 miljoen bo begroting sal afsluit.

Ons netto buitelandse verdienste van R1 357 miljoen vir die eerste nege maande van die jaar is meer as dubbel ons vorige jaarlike oorskot op die lopende rekening van die betalingsbalans.

Negatief

En dit lyk asof dit nie te sleg gaan in die vierde kwartaal van die jaar nie. Ondanks daardie klein tekort op die handelsrekening in Oktober ná die invoer van twee skepe het die geldgedeelte van ons buitelandse reserwes nogtans met byna R200 miljoen gestyg ...

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Maar dit is binne die staat se vermoë om die ou verkoopbelastingtariewe verder te verlaag, die invoerheffing gedeeltelik op te hef en ook om private en maatskappybelastingtariewe te verlaag.

Saam met 'n moontlike verdere verlaging in binnelandse rentekoerse en die salarisverhogings wat nou voor hande is, behoort dit voldoende te wees om die ekonomiese groei weer 'n bietjie aan te blaas en sal dit terselfdertyd inflasie meer draaglik maak.

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	3 596	+ 13,8
Manga...	419	+ 2,2
Coal	105	+ 3,6
Asbes...	161	+ 1,3
Other	442	- 3,4
Gold	085	0
Diamo...	36	- 2,9
Plati...	633	+ 2,8
Total	43 842	+ 0,8

Note:

The relat... of minerals and the Mining Statistics list is as fo... .

52 As shown ... note the guesses in (1) and (2) of the text turned ou... the full year. Average employment in gold-mining wa... 424 992) and total employment in mining did reach 700 ...

53 Republic ... ice of the Economic Adviser to the Prime Minister: ...t Programme for the Republic of South Africa - Summary ar... s, 1976-1981.

32 2 volumes: RP 69/1972.

33 Plewman, p.49.

34 Plewman, p.51.

35 P.A. von Wiell ... ie Survival of Mankind", Journal of the South African ... ind Metallurgy, Vol. 78 No.4. (November 1977); pp. 99-

36 Dennis Etherec ... Mineral Resources: the Next 5 Years", Optima, Vol. 2 ... pp. 170-180.

37 There is a pr ... mond production figures. They are derived from Mining S ... tion index for diamonds from Statistical News Release ... tion does not show a similar decline. (See p.91 of ... te 57 for the probable explanation of the divergence).

38 von Wielligh,

39 Production fi ... ar 1977 have subsequently been made available by the M ... ill be published in Mining Statistics 1977).

	Production 1977	Growth rate p.a. 1970-1977
Copp	205	5,5
Iron	26 481	15,9
Chro	3 319	12,9
Mang	5 290	8,7
Coal	85 411	6,1
Asbe	380	4,8
Gol	700	-4,1
Dia	7 643	-0,3

Units and pr ... ables 29 and 30. The guesses in the text for 1977 (ba ... e first 6 months) are reasonably good. The growth rate ... slowed to 4,8% p.a. rather than rising to "the region ... e surge in diamond production was not noticed.

40 Statistical ... 28/9/77): Mining Production: June 1977, Two producti ... d for 1963-1976.

41 Statistical ... 10/5/78): Mining Production: February 1978.

42 Loc. cit.

43 Loc. cit.

44 Ibid., p.171.

45 Ibid., p.172.

46 Ibid., p.174.

47 See footnote 38.

kan ernstige aandag gegee word aan die twee nuwe ekonomiese probleme wat in die Kwartaalblad behandel word.

Die reële ekonomiese groeikoers het skerp afgeplat in die derde kwartaal en was trouens weer negatief nadat ons in elk van die voorafgaande drie kwartale 'n positiewe groeikoers kon toon.

Goudprys

Die totale reële groeikoers vir die eerste nege maande van die jaar was maar 2,5 persent vergeleke by dieselfde tydperk verlede jaar.

Vroeg vanjaar was ekonome bereid om 'n groeikoers van meer as 3 persent vir die jaar te voorspel. Dit was toe hulle maar net gehoop het dat die gemiddelde goudprys vir die jaar so hoog as 160 dollar per ons sal wees.

As hulle kon werk op die werklike 200 dollar per ons sou die meeste seker gedink het aan 'n groeikoers van gemaklik meer as 4 persent.

Die landbouvooruitsigte vir vanjaar lyk swak, en as die droogtetoestand nie ingrypend verbeter voor die einde van die jaar nie, kan landbou 'n groot negatiewe bydrae tot ekonomiese groei lewer.

Tot sover lyk dit volgens waarnemers nog nie of die feestyd sterk genoeg gaan wees om die ekonomie uit die droogte van die derde kwartaal te trek nie.

Dit wil dus lyk of ons sommer maklik vir die volgende twee of drie kwartale weer 'n treurige groeikoers kan hê.

Terselfdertyd bly inflasie ongemaklik hoog, hoewel die instel van AVB in Julie vanjaar 'n buitengewone uitwerking daarop gehad het.

Owerheid se hande vas

Rapport 7/12/78 (49)

Deur JAN HUPKES

'N UITSTAANDE kenmerk van ekonomiese denke in die laat jare sewentig was die herontdekking van die konjunktuurgolf wêreldwyd. Die voorspoedtydperk van die jare sestig het ons foutief laat glo dat die ekonomiese grafiek altyd glad opwaarts sou beweeg en as daar kortstondige onderbrekings kom, kon daar, so is gemeen, altyd op die owerhede staat gemaak word met „fine tuning" die ekonomiese enjin weer egalig te laat loop.

Die goue rand aan die donker wolke van OPEC se olie-prysverhogings is juis dat dit ons voete weer aarde toe gebring het. Ons moes weer die ABC van die ekonomie leer, naamlik dat in 'n vrye ekonomiese stelsel tydperke van vinnige groei noodwendig gevolg moet word deur tye van verlangsaming. Net soos elke „boom" in homself die kieme van sy eie vernietiging dra, so berei elke resessie die teelaarde voor vir die volgende ekonomiese oplewing.

Daar is natuurlik 'n maklike manier om hierdie skommelinge uit te skakel — ons moet net die vrye ondernemerstelsel afskaf en dit aan die staat oorlaat om die bestuur van die ekonomie oor te neem.

Die debat of die owerheid tans die ekonomie verder moet stimuleer gaan wesenlik oor die vraag: Watter rol ken ons aan die owerheid toe in ons toekomstige ekonomiese ontwikkeling?

Om hierdie stelling beter te illustreer, moet ons kyk na die aard van die ekonomiese groeiproses soos dit in Suid-Afrika in die jongste verlede ontplooi het. Verlede jaar was ekonomiese groei minder as 0,5 persent. Vanjaar word dit op ongeveer 2,5 persent geraam. Aan die einde van 1978 sal ons dus, per kop van die bevolking, gemiddeld minstens 3 persent „armer" wees as aan die einde van 1976. Hierdie teruggang het plaasgevind terwyl ons die beste uitvoerboom in ons geskiedenis ondervind het.

Dit is dus nodig om te let op die redes waarom hierdie mooi uitvoerprestasie nie, soos in die verlede, deurgewerk het tot 'n volskaalse binnelandse opswaai in die ekonomie nie. Uit 'n ontleding van hierdie redes behoort dit duidelik te blyk waarom die owerheid se hande tans gebind is, waarom dit onverantwoordelik sou wees om die ekonomie nou kragtig te stimuleer.

Daar is meer, maar ons bespreek slegs twee redes:

Vir eers het baie van die voordele wat ons met ons uitvoer-boom kon beleef het, by die agterdeur via die kapitaalrekening van die betalingsbalans uitgeglip. Oor 'n periode van agttien maande het ons R1 670 miljoen op 'n netto basis aan kapitaaluitvloei na die buiteland verloor, die streng buitelandse valutabeheermaatreëls ten spyt.

TWEE gasskrywers kyk vir ons vandag na die kwessie van stimulering van die ekonomie — en wie die stimulasie moet doen. Die twee is VIC DE KLERK, wenner van vanjaar se Sanlamprys vir finansiële joernalistiek, en prof. JAN HUPKES van Unisa se Skool vir Bedryfsleiding.

Ons netto buitelandse valuta-reserwe is tans nog op 'n uiters lae vlak en kan nie 'n volskaalse oplewing in die ekonomie bekostig nie — die vraag na nuwe invoergoedere sal dan te groot wees. In die jongste verlede het Suid-Afrika se kredietwaardigheid in die buiteland heelwat verbeter en kon ons groot amptelike lenings aangaan om ons netto reserwe te versterk.

Dit is egter belangrik om daarop te let waarom ons kredietwaardigheid verbeter het. Ek wil my kop uitsteek en sê dat dit met politiek in Suider-Afrika weinig te make gehad het. Veel eerder was dit die verantwoordelike en konserwatiewe ekonomiese en finansiële beleid deur ons owerhede gevolg en die sigbare gunstige resultate wat daarmee bereik is wat ons buitelandse bankiersvriende oortuig het hoe gesond die Suid-Afrikaanse ekonomie is. Dit is die taal wat hulle ken.

Daar bestaan dus die wesenlike gevaar dat as die owerheid nou sou swig voor drukgroepe om die stimulasie-pomp op groot skaal te gebruik, dit ons krediet aansien in die buiteland 'n ernstige knou sal toedien. Die kraan van buitelandse kapitaalvloei wat met groot omsigtigheid vir ons oopgedraai is, kan summier weer toegedraai word.

'n Tweede rede waarom die ekonomie tans traag vertoon, moet ironies genoeg, gesoek word in die feit dat die owerheid, gedeeltelik op sterk aandrang van die private sektor, sedert 1975-'76 begin het om sy eie huis in orde te kry deur te poog om staatsuitgawes met staatsinkomste te laat klop. Nou eers besef die private sektor hoe bederf-afhanklik hy in die verlede geraak het van stygende regeringsuitgawes en die onvermydelike inflasionistiese geldskepping wat daarmee gepaard gegaan het.

Ons ly nou onder die onttrekkingsimptome van die weer houding van hierdie ekonomiese dwelmmiddel — 'n dwelm wat steeds besig is om die lewenskrag van talle Westerse ekonomieë te ondergrawe.

Die relatief ongunstige ekonomiese toestand wat tans heers, is dus gedeeltelik te wyte aan 'n eksogene faktor (kapitaaluitvloei) en gedeeltelik aan 'n gedetermineerde en lofwaardige poging van die owerheid om staatsinmenging in die ekonomie te beperk en die boeke van die belastinggaarder te laat klop.

As hierdie waarhede besef word, is dit ook duidelik hoe min beweegruimte daar bestaan om die

● Vervolg op bl. 3, kol. 9

Hupkes

● Vervolg van bl. 1

ekonomire nou op 'n verantwoordelike wyse te stimuleer. Die klem val hier op die woord verantwoordelik.

Natuurlik is daar metodes om kortstondig die posisie te verlig — en miskien kan ons op beperkte skaal met hierdie oplossings eksperimenteer — byvoorbeeld belastingverligtings. Die ondervinding van die verlede het egter getoon dat hierdie kitsoplossings, indien te ver gevoer, ons sonder uitsondering terugplaas in die dwangbuis van 'n kroniese betalingsbalanstekort, ekskalerende inflasie en die erosie van 'n gesonde ekonomiese grondslag waar vandaan ons nie 'n gebalanseerde ekonomiese groeiprogram kan loods nie.

Dit het reeds al 'n geykte frase geword om te sê dat ons ekonomies-politieke beleid voor 'n kruispad te staan gekom het. Ek dink ook nie dit is vandag maar heeltemal waar nie. Ons het reeds die kruising verbygesteek. In daardie stadium toe dit as amptelike beleid aanvaar is dat die swart man 'n permanente tuiste in blanke stadsgebiede kan vind, het ons die ekonomiese Rubicon oorgesteek. Ek dink dit was so ongeveer twee jaar gelede.

Met hierdie politieke beleidsverandering het belowende nuwe deure op die ekonomiese front oopgegaan. In die verlede het die groei-insette in die ekonomiese struktuur bestaan uit blanke entrepreneurskap, kapitaalvorming (in 'n belangrike mate uit die buiteland gefinansier) en swart arbeidsgetalle. Hierdie tradisionele patroon het ons in 'n doodloopstraat laat beland, veral noudat buitelandse kapitaal nie meer vryelik beskikbaar is nie.

FM 22/12/78

49

UPT

Starting to bite

Three listed companies have run up against undistributed profits tax regulations in the past fortnight. Two of them, Rand London and Satmar, were forced to declare dividends to avoid tax, while Wit Deep had to cough up for the previous two years.

Rand London was liable for UPT of about R100 000, says MD Bernard Holtshousen. As Rand London is a non-mining company receiving dividend income, it must distribute a certain proportion of income otherwise UPT is payable. To avoid the tax a special dividend of 3c a share — at a cost of R285 000 — was declared, while in the year to June 30, a 10c ordinary dividend was declared.

Anglovaal's Satmar, which declared an additional capital repayment of 13c last week leaving a nominal share value of 1c, declared a 0,25c special dividend costing about R7 000 to avoid UPT of R1 000.

For 1976 and 1977 Wit Deep issued bonus shares instead of paying dividends in the belief UPT could be avoided. But this practice has run foul of the Secretary for Inland Revenue who ruled that the bonus shares did not negate the liability for UPT. So Wit Deep had to raise an overdraft of R227 000 to pay the tax. It also hurriedly declared a 21,5c dividend for the year to June 1978 to avoid further UPT.

Wit Deep's Plumbridge . . . bonus backfired

Most companies are liable for UPT. Mining companies are exempt, and usually trading companies are too, because of their high tax rates and levies and the 55% profit ploughback allowed. On the other hand, investment companies are liable if they reinvest more than 35% of their dividend income, which is normally tax-free. But if the Receiver classifies a company as "private" for tax purposes, the 35% allowance falls away. The private classification depends, among other things, on the spread of shareholders.

The Secretary for Inland Revenue's ruling on bonus shares is not new. Evidently Wit Deep was allowed to go ahead with its bonus issues due to an oversight on the part of an assessor, who seems to have missed the rationale that bonus shares are always part of a company, and so cannot be construed as a distribution. And this was to shareholders' detriment since the R227 000 paid in UPT is lost, whereas it might otherwise have been distributed to them.

In one way Wit Deep shareholders will benefit in that they should now receive regular dividends. On the other hand this will inhibit the company's future investment activities. Incidentally, the 21,5c dividend is only the second since 1943 and puts the share on a 3,2% yield.

In 1977 Wesco also ran up against UPT regulations. The company was liable for R89 000 in tax unless a R267 000 dividend was paid. In this instance, though, the company paid the tax, figuring it to be the lesser of two evils.

Des Kilalea

Financial Mail December 22 1978

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The real dilemma lies in deciding what is

- what methods should be use and
- what personnel should be involved.

Rapport 24/12/78 (49)

Olie sal ons nie onderkry

Deur DAVID MEADES

MOENIE skrik vir prysstygings nie! Vir die gewone man wag 'n sommer heelwat beter jaar as die een wat hy agter die rug het. Suid-Afrika se ekonomie is eindelik deur die drif. Vooruitsigte vir 1979 is goed. Werkloosheid sal afneem. En met 1979 se betalingsbalans word nie moeilikheid verwag nie.

Dis die boodskap van sen. Owen Horwood, Minister van Finansies. Met selfvertroue het hy vandeesweek eksklusief aan RAPPORT die ekonomiese vooruitsigte vir die nuwe jaar geskets.

Dit is die eerste keer sedert die begroting in Maart dat die Minister in meer besonderhede sy siening van die stand van Suid-Afrika se ekonomie gee.

SO teken die man wat die hoofargitek was vir Suid-Afrika se merkwaardige ekonomiese herstel die geheelbeeld:

„Ons is nou in 'n matige sikliese oplewing wat al aan die einde van 1977 begin het. Ek verwag hierdie opwaartse beweging sal in 1979 voortduur en ekstra stukrag ontwikkel.

„Produksie, indiensneming en algemene ekonomiese bedrywighede behoort aansienlik te verbeter," sê min. Horwood.

Die Minister is besig met 'n grondige studie van verdere groeibevorderings - maatreëls aan die hand van die bevindings van die De Kock-kommissie.

Alle stappe sal gedoen word om produktiewe investering en gesonde ekonomiese groei in 1979 aan te moedig. „Groei met finansiële dissipline" bly die Regering se beleid vir Suid-Afrika se ekonomie, sê min. Horwood.

Die gunstige vooruitsigte wat die Minister van Finansies vir Suid-Afrika sien, is teen 'n ekonomiese agterdoek wat vir die res van die wêreld maar donker lyk.

Dit word by die dag duideliker dat 1979 vir die wêreldekonomie 'n moeilike jaar gaan wees, sê min. Horwood. In Amerika en ver-

Voorspoed kom vir SA

* VERVOLG VAN BL. EEN *

van goud. Dis vandeesweek weer gewys deur die goeie gemiddelde prys van 214 dollar per ons wat op die groot Amerikaanse goudveiling behaal is.

Winskanse

* Suid-Afrika se ander uitvoere het vanjaar rekordhoogtes bereik.

* Suid-Afrika se kredietwaardigheid in die buiteland staan hoog. Die Regering kon bv. onlangs nuwe buitelandse lenings ten bedrae van 250 miljoen dollar (R217 miljoen) van 'n aantal vooraanstaande buitelandse banke verkry.

Inflasie bly 'n groot kopseer. Die jongste verhoging van die olieprys sal die Suid-Afrikaanse pryspeil wyd en nadelig tref (kyk berig op bl. 9.) Maar Suid-Afrika sal nietemin die inflasiekoers in 1979 verminder kry, glo sen. Horwood.

„Alles in ag genome," sê hy, „is Suid-Afrika oorgehaal om in 1979 in hoër groeikoers as in 1977 of 1978 te bereik.

„Al wat nou nog kortkom, is 'n gesonde toename in private investering.

„Ek wil dus 'n beroep op ondernemings in die private sektor doen om nie nou op hulle te laat wag nie. Hulle moet voortgaan met investering, in die verwagting van 'n groot toename in die vraag na goedere en dienste in die tydperk wat voorlê.

„Die winsgeleenthede sal daar wees. Ons hele fiskale en monetêre beleid is daarop gerig. Ondernemers wat die moed en vertroue aan die dag lê om hierdie geleenthede te benut, sal die vrugte van hul positiewe optrede pluk," sê sen. Horwood.

ACKNOWLEDGEMENTS

Nigel Bloch and Delia He... processed the basic statistics used in ... Hendrie also helped me in a number of ... grateful to both of them. Professo... ly produced the basic projections on whi... vily depends but was also immensely helpf... his time. I would also like to ackn... Minerals Bureau and the Departme...

This paper was commiss... University of Lesotho as part of the ...arch project on labour migrancy in Sou...

groeikoers waarskynlik daal.

...Sommige kenners voorspel selfs 'n wêreldresessie.

...Om sake te vererger, sal die inflasiekoers in baie lande styg, veral noudat die olieprys ook weer verhoog is. Werkloosheid sal eerder meer word as minder en baie lande sal met betalingsbalanstekorte worstel."

Oorskot

In Suid-Afrika het die regering egter beweegruimte om 'n positiewe groeibeleid toe te pas. Dis aanmerklik vergroot deur die rekordoorskot wat die lopende rekening van die betalingsbalans vanjaar sal lewer.

Die finale syfers sal waarskynlik toon dat hierdie oorskot by die R1 500 miljoen kan beloop.

Soos die groeikoers in 1979 versnel, sal die invoer van kapitaalgoedere en grondstowwe uiteraard toeneem. Die lopende oorskot sal waarskynlik kleiner word. Maar dit behoort nie vir Suid-Afrika ernstige probleme op te lewer nie, glo min. Horwood.

Versnelling in die groeikoers behoort gepaard te gaan met 'n verbetering in die kapitaalrekening van die betalingsbalans.

In finansiële kringe in Johannesburg word die siening van die Minister as besonder insiggewend beskou. Daar is nog heeltyd gevrees dat te sterk groei die land eerlank weer in probleme kan dompel.

Daar is drie positiewe faktore waarop min. Horwood vir sy siening steun:

* Die onderliggende krag

* VERVOLG OP BL. 4 *

THE YEAR AHEAD RDM 27/12/78 (49)

Higher growth, more inflation

By HOWARD PREECE
Financial Editor

REAL economic growth next year is expected to be between 3% and 4%. Inflation is likely to be at least 9% and could run as high as 11%.

The current account of the balance of payments will continue in surplus, but nowhere near the R1 000-million or so that is expected for 1978.

The outlook for 1979 overall is that economic prospects look better than the outturn for this year — but that is partly because 1978 has proved less satisfactory than was widely predicted.

These are the conclusions I draw from a sample of opinion forecasts by leading economists, bankers and businessmen.

They also cover some of the wide spread of views that were discussed last week by the Prime Minister's Economic Advisory Council.

• **GROWTH.** — A real growth rate of 3,8% for 1978 was projected by Mr A J M de Vries, deputy director of the Bureau for Economic Research for Stellenbosch University, and Mr Andre Hammersma, chief economist of Standard Bank, in the Stellenbosch economic forecast for 1979.

Among economists who gave a broad approval to that projection were Mr Rudolf Gous, of Senbank; Dr Hennie Reynders, of the Federated Chamber of Industries, and Professor J L Sadie, of Stellenbosch.

It remains a solid working base.

Mr Merton Dagut, economist of Nedsual, says he is confident the economy is "on the recovery path."

He has not quantified his precise growth forecast yet, but suggests it could be running at 4% over the second half of next year without reaching that level for the year as a whole.

But Mr Dagut qualifies his optimism with the comment that "everything hinges on getting a grip on inflation."

Dr Johan Cloete, of Barclays National Bank, cautions however that growth in 1979 might reach only around 3%.

Unlike some other commentators he does not see the latest public sector pay increase announcements as necessarily good for economic growth.

Dr Cloete's fear is that they will fuel inflation more than growth. He would have preferred — as he has often stated — an incomes policy to restrain wages.

• **INFLATION.** — There is no doubt that the depressing effect of the consumer price index being stuck at 11,7% for the past three months and the public sector pay announcement have caused an upward revision in inflation estimates.

Both Mr Hammersma and Mr Gous are now talking in terms of a rise of 9% to 9,5% in the CPI next year.

In the middle of this year it seemed reasonable to be looking at a rate of 8% in 1979 — a rate, in fact, which is about the average that Western industrial countries are already down to.

Mr Dagut is also in the approximate 9,5% forecast area.

On the other hand Dr Cloete — who has proved the most accurate inflation forecaster for 1978 — is talking of a level that could run as high as 11% next year, certainly above 10%.

• **INTEREST RATES.** — The general view is that long-term rates will continue to ease at least in the first half of next year.

There are some capital and stock market experts who think the long-term gilt rate could drop to 9% or less.

But there is some retreat by some forecasters as inflation estimates are revised upwards and it might well be that the rate falls only to 9,5% before beginning to harden again.

• **GOLD.** — No South African economist presumes to forecast the bullion trend for next year.

Almost all, however, are working on assumptions of prices in the $190 to $215 ranges.

Significant and sustained differences either side would, of course, affect the broader economic forecasts.

• **PRIVATE FIXED INVESTMENT.** — There is a wide measure of agreement that inventory rebuilding will take place with gathering momentum next year.

But there is less certainty on fixed investment — the factor which Mr Dick Goss, the managing director of SA Breweries, has said will determine whether economic growth continues to gather speed in the second half of next year or to fizzle out.

Mr Dagut is optimistic that investment will show definite signs of picking up at least by the last quarter of 1979.

Dr Cloete, among others, is less hopeful.

• **THE BUDGET.** — Every economist and leading businessmen expects tax concessions in the Budget expected next March.

Some, however, share the view of Dr Jan Hupkes, economist of the Federale group, that the whole economic position is still delicately poised on the balance of payments side and it would be risky to give much stimulation that would push up imports.

Cuts in the loan levy on personal and company taxes and a reduction of the import surcharge remain the Budget changes most widely predicted.

Dr Cloete favours, but does not expect, a 2% cut in general sales tax as way of stimulating growth while reducing inflation.

will be held in the Recreational Hall, Muden, on Tuesday, 23 January 1979, at 10h00, for the purpose of hearing and determining claims for inclusion in the said schedule or objections to any of the names, properties or areas included therein.

Copies of the schedule of ratable areas, prepared in terms of section 63 (7) of the said Act, are lying for inspection at the following places:

1. The Post Office, Muden.
2. The Post Office, Greytown.
3. The Post Office, Rietvlei.
4. The office of the Water Control Officer, Mnyamvubu Government Water Scheme.

Any person who is unable to attend the meeting may authorise any other person, in writing, to represent him/her at the meeting.

(29 December 1978)

Dinsdag, 23 Januarie 1979, om 10h00 in die Ontspanningsaal op Muden gehou sal word met die doel om aansprake op opneming in genoemde lys of besware teen enigeen van die name, eiendomme of oppervlaktes wat daarin voorkom, aan te hoor en daaroor te beslis.

Afskrifte van die lys van belasbare oppervlaktes wat kragtens artikel 63 (7) van genoemde Wet opgestel is, lê by die volgende plekke ter insae:

1. Poskantoor, Muden.
2. Poskantoor, Greytown.
3. Poskantoor, Rietvlei.
4. Kantoor van die Waterbeheerbeampte, Mnyamvubu-staatswaterskema.

Enigeen wat nie persoonlik op genoemde vergadering teenwoordig kan wees nie, kan enige ander persoon skriftelik magtig om hom/haar op die vergadering te verteenwoordig.

(29 Desember 1978)

49

NOTICE 1019 OF 1978

DEPARTMENT OF COMMERCE

MAINTENANCE AND PROMOTION OF COMPETITION ACT, 1979

The following Draft Bill is hereby published for general information.

BILL

To provide for the maintenance and promotion of competition in the economy, for the prevention or control of restrictive practices and the acquisition of controlling interests in businesses and undertakings, and for matters connected therewith.

Introduced by the Minister of Economic Affairs

Be it enacted by the State President, the Senate and the House of Assembly of the Republic of South Africa, as follows:

Definitions

1. In this Act, unless the context otherwise indicates—

(i) "acquisition" means the acquisition by the holder of a controlling interest in any business or undertaking involved in the production, manufacture, supply or distribution of any commodity, of such an interest in any other business or undertaking so involved, provided such acquisition restricts, or is calculated to restrict, competition, and "acquire" has a corresponding meaning; (x)

(ii) "board" means the Competition Board established by section 3; (ix)

(iii) "committee" means a committee mentioned in section 4; (vi)

(iv) "commodity" includes any make or brand of any commodity, any building or strcuture and any service, whether personal, professional or otherwise, including any storage, transportation, insurance or banking service; (v)

(v) "controlling interest", in relation to any business or undertaking, means any interest of whatever nature enabling the holder thereof to exercise, directly or indirectly, any control whatsoever over the activities or assets of the business or undertaking; (i)

KENNISGEWING 1019 VAN 1978

DEPARTEMENT VAN HANDEL

WET OP DIE HANDHAWING EN DIE BEVORDERING VAN MEDEDINGING, 1979

Die volgende konsepwetsontwerp word hierby ter algemene inligting gepubliseer.

WETSONTWERP

Om voorsiening te maak vir die handhawing en bevordering van ekonomiese mededinging, vir die voorkoming van of beheer oor beperkende praktyke en die verkryging van beherende belange in besighede of ondernemings, en vir aangeleenthede wat daarmee in verband staan.

Ingedien deur die Minister van Ekonomiese Sake

Daar word bepaal deur die Staatspresident, die Senaat en die Volksraad van die Republiek van Suid-Afrika, soos volg:

Woordomskrywing

1. Tensy uit die samehang anders blyk, beteken in hierdie Wet—

(i) "beherende belang", met betrekking tot 'n besigheid of onderneming, enige belang van watter aard ook wat die houer daarvan in staat stel om regstreeks of onregstreeks enige beheer van watter aard ook oor die bedrywighede of bates van die besigheid of onderneming uit te oefen; (v)

(ii) "beperkende praktyk"—

(a) enige ooreenkoms, reëling of verstandhouding, hetsy regtens afdwingbaar of nie, tussen twee of meer persone; of

(b) enige besigheidspraktyk of handelsmetode, met inbegrip van enige metode om pryse vas te stel, hetsy deur die verskaffer van enige handelsartikel of andersins; of

(c) enige handeling of versuim deur enigiemand, hetsy hy onafhanklik of tesame met iemand anders optree; of

(vi) "co-operative society" means a co-operative agricultural society or a co-operative agricultural company or a farmers' special co-operative company or a central co-operative agricultural company or a federal co-operative agricultural company registered or deemed to be registered under the Co-operative Societies Act, 1939 (Act 29 of 1939); (vii)

(vii) "distribution" includes the rendering of a service, irrespective of whether or not the rendering of such service is attended by the supply of a commodity, and storage, transportation, purchase and sale; (iii)

(viii) "financial institution" means—

(a) an insurer registered under the Insurance Act, 1943 (Act 27 of 1943);

(b) a stock exchange licensed under the Stock Exchange Control Act, 1947 (Act 7 of 1947);

(c) a management company registered under the Unit Trusts Control Act, 1947 (Act 18 of 1947);

(d) a pension fund registered or provisionally registered under the Pension Funds Act, 1956 (Act 24 of 1956);

(e) a friendly society registered or provisionally registered under the Friendly Societies Act, 1956 (Act 25 of 1956);

(f) a manager in relation to a scheme as defined in the Participation Bonds Act, 1964 (Act 48 of 1964);

(g) a banking institution registered or provisionally registered under the Banks Act, 1965 (Act 23 of 1965); or

(h) a building society registered or provisionally registered under the Building Societies Act, 1965 (Act 24 of 1965); (iv)

(ix) "Minister" means the Minister of Economic Affairs; (viii)

(x) "restrictive practice" means—

(a) any agreement, arrangement or understanding, whether legally enforceable or not, between two or more persons; or

(b) any business practice or method of trading, including any method of fixing prices, whether by the supplier of any commodity or otherwise; or

(c) any act or omission on the part of any person, whether acting independently or in concert with any other person; or

(d) any situation arising out of the activities of any person or class or group of persons,

which, by directly or indirectly restricting competition, has or is calculated to have the effect of—

(i) restricting the production or distribution of any commodity; or

(ii) limiting the facilities available for the production or distribution of any commodity; or

(iii) enhancing or maintaining the price of any commodity; or

(iv) preventing the production or distribution of any commodity by the most efficient and economical means; or

(v) preventing or retarding the development or introduction of technical improvements or the expansion of existing markets or the opening up of new markets; or

(d) enige toestand wat uit die bedrywighede van enige persoon of klas of groep persone ontstaan,

wat, deurdat dit mededinging regstreeks of onregstreeks beperk, die uitwerking het of bereken is om—

(i) die produksie of distribusie van enige handelsartikel te beperk; of

(ii) die fasiliteite beskikbaar vir die produksie of distribusie van enige handelsartikel in te kort; of

(iii) die prys van enige handelsartikel te verhoog of te handhaaf; of

(iv) die produksie of distribusie van enige handelsartikel op die mees doeltreffende en ekonomiese manier te verhoed; of

(v) die ontwikkeling of invoering van tegniese verbeterings of die uitbreiding van bestaande of skepping van nuwe markte te verhoed of te vertraag; of

(vi) die toetrede van nuwe produsente of distribueerders tot enige tak van die handel of nywerheid te verhoed of te beperk; of

(vii) die aanpassing van enige beroep of tak van die handel of nywerheid by veranderde toestande te verhoed of te vertraag; (x)

(iii) "distribusie" ook die lewering van 'n diens, ongeag of die lewering van die diens gepaard gaan met die verskaffing van 'n handelsartikel of nie, en opberging, vervoer, aankoop en verkoop; (vii)

(iv) "finansiële instelling"—

(a) 'n versekeraar wat kragtens die Versekeringswet, 1943 (Wet 27 van 1943), geregistreer is;

(b) 'n effektebeurs wat kragtens die Wet op Beheer van Effektebeurse, 1947 (Wet 7 van 1947), gelisensieer is;

(c) 'n bestuursmaatskappy wat kragtens die Wet op Beheer van Effekte-trustskemas, 1947 (Wet 18 van 1947), geregistreer is;

(d) 'n pensioenfonds wat kragtens die Wet op Pensioenfondse, 1956 (Wet 24 van 1956), geregistreer of voorlopig geregistreer is;

(e) 'n onderlinge hulpvereniging wat kragtens die Wet op Onderlinge Hulpverenigings, 1956 (Wet 25 van 1956), geregistreer of voorlopig geregistreer is;

(f) 'n bestuurder met betrekking tot 'n skema soos in die Wet op Deelnemingsverbande, 1964 (Wet 48 van 1964), omskryf;

(g) 'n bankinstelling wat kragtens die Bankwet, 1965 (Wet 23 van 1965), geregistreer of voorlopig geregistreer is; of

(h) 'n bouvereniging wat kragtens die Bouverenigingswet, 1965 (Wet 24 van 1965), geregistreer of voorlopig geregistreer is; (viii)

(v) "handelsartikel" ook enige fabrikaat of merk van enige handelsartikel, enige gebou of bouwerk en enige diens, hetsy persoonlik, professioneel of andersins, met inbegrip van enige opbergings-, vervoer-, versekerings- of bankdiens; (iv)

(vi) "komitee" 'n komitee in artikel 4 vermeld; (iii)

(vii) "koöperatiewe vereniging" 'n koöperatiewe landbouvereniging of 'n koöperatiewe landboumaatskappy of 'n spesiale koöperatiewe boeremaatskappy of 'n sentrale koöperatiewe landboumaatskappy of 'n federale koöperatiewe landboumaatskappy wat ingevolge die Wet op Koöperatiewe Verenigings, 1939 (Wet 29 van 1939), geregistreer is of geag word te wees; (vi)

(viii) "Minister" die Minister van Ekonomiese Sake; (ix)

(ix) "raad" die Raad op Mededinging by artikel 3 ingestel; (ii)

(vi) preventing or restricting the entry of new producers or distributors into any branch of trade or industry; or

(vii) preventing or retarding the adjustment of any profession or branch of trade or industry to changing circumstances. (ii)

Application of Act

2. (1) The provisions of this Act shall not be construed so as to—

(a) limit, subject to the provisions of subsection (2), any right acquired under—

(i) the Trade Marks Act, 1963 (Act 62 of 1963);

(ii) the Designs Act, 1967 (Act 57 of 1967);

(iii) the Plant Breeders' Rights Act, 1976 (Act 15 of 1976);

(iv) the Patents Act, 1978 (Act 57 of 1978); or

(v) the Copyright Act, 1978 (Act 98 of 1978);

(b) prevent organizations of employees from protecting the interests of their members by entering into agreements or arrangements with employers or associations of employers in regard to any matter which may form the subject of an agreement under the Industrial Conciliation Act, 1956 (Act 28 of 1956); or

(c) prevent—

(i) any co-operative society or any other body of producers of agricultural products from regulating the production or distribution of agricultural products which have not undergone a process of manufacture; or

(ii) any control board administering a scheme in terms of the Marketing Act, 1968 (Act 59 of 1968), from regulating in accordance with the powers granted to it under that Act, the production or distribution of agricultural products which have not undergone a process of manufacture and to which the scheme relates.

(2) The provisions of paragraph (a) of subsection (1) of this section shall not be construed as if any person thereunder retained or were granted any right of enhancing or maintaining prices in any manner contemplated in the definition of "restrictive practice" in section 1.

(3) Except in so far as criminal liability is concerned, the provisions of this Act shall bind the State in so far as the State is concerned in the manufacture and distribution of commodities.

Establishment of Competition Board

3. (1) There is hereby established a board to be known as the Competition Board.

(2) The board shall consist of the chairman of the Board of Trade and Industries, established in terms of section 2 of the Board of Trade and Industries Act, 1944 (Act 19 of 1944), and the Registrar of Financial Institutions mentioned in section 1 of the Limitation and Disclosure of Finance Charges Act, 1968 (Act 73 of 1968), *ex officio*, and not fewer than two and not more than five other members appointed by the State President on the ground of having special knowledge of and experience in economics, industry, commerce, law or the conduct of public affairs, and of whom one shall be designated as chairman by the Minister.

(x) "verkryging" die verkryging deur die houer van 'n beherende belang in 'n besigheid of onderneming betrokke by die produksie, vervaardiging, verskaffing of distribusie van enige handelsartikel, van sodanige belang in 'n ander besigheid of onderneming aldus betrokke, mits sodanige verkryging mededinging beperk of bereken is om mededinging te beperk, en het "verkry" 'n ooreenstemmende betekenis. (i)

Toepassing van Wet

2. (1) Die bepalings van hierdie Wet word nie so ingestel; (ii)

(a) behoudens die bepalings van subartikel (2), enige reg verkry kragtens—

(i) die Wet op Handelsmerke, 1963 (Wet 62 van 1963);

(ii) die Wet op Modelle, 1967 (Wet 57 van 1967);

(iii) die Wet op Planttelersregte, 1976 (Wet 15 van 1976);

(iv) die Wet op Patente, 1978 (Wet 57 van 1978); of

(v) die Wet op Outeursreg, 1978 (Wet 98 van 1978), inkort;

(b) organisasies van werknemers belet om deur die aangaan van ooreenkomste of reëlings met werkgewers of verenigings van werkgewers met betrekking tot enige aangeleentheid wat die onderwerp van 'n ooreenkoms kragtens die Wet op Nywerheidsversoening, 1956 (Wet 28 van 1956), kan uitmaak, die belange van hul lede te beskerm; of

(c) belet dat—

(i) 'n koöperatiewe vereniging of ander liggaam van produsente van landbouprodukte die produksie of distribusie van landbouprodukte wat nie 'n vervaardigingsproses ondergaan het nie reël; of

(ii) 'n beheerraad wat 'n skema ingevolge die Bemarkingswet, 1968 (Wet 59 van 1968), uitvoer, die produksie of distribusie van landbouprodukte wat nie 'n vervaardigingsproses ondergaan het nie en waarop die skema betrekking het, ooreenkomstig die bevoegdhede kragtens daardie Wet aan hom verleen, reël.

(2) Die bepalings van paragraaf (a) van subartikel (1) van hierdie artikel word nie so uitgelê nie dat enigiemand daarkragtens 'n reg behou of verleen word om op 'n wyse in die omskrywing van "Beperkende praktyk" in artikel 1 bedoel, pryse te verhoog of te handhaaf.

(3) Behalwe vir sover dit strafregtelike aanspreeklikheid betref, bind die bepalings van hierdie Wet die Staat vir sover die Staat by die vervaardiging en distribusie van handelsartikels betrokke is.

Instelling van Raad op Mededinging

3. (1) Daar word hierby 'n raad ingestel wat die Raad op Mededinging heet.

(2) Die raad bestaan uit die voorsitter van die Raad van Handel en Nywerheid, ingestel ingevolge artikel 2 van die Wet op die Raad van Handel en Nywerheid, 1944 (Wet 19 van 1944), en die Registrateur van Finansiële Instellings vermeld in artikel 1 van die Wet op Beperking en Bekendmaking van Finansieringskoste, 1968 (Wet 73 van 1968), ampshalwe, en minstens twee en hoogstens vyf ander lede deur die Staatspresident aangestel op grond van hul besondere kennis van of ondervinding in ekonomie, nywerheid, handel, die regte of die bestuur van openbare sake, en van wie een as voorsitter deur die Minister aangewys word.

(3) The chairman of the board shall be a full-time member, and the Minister shall determine whether the other members appointed by the State President shall be full-time or part-time members.

(4) The Minister may designate a member of the board as acting chairman to exercise and perform the powers and duties of the chairman whenever the chairman is unable to do so or while the office of chairman is vacant.

(5) A member of the board appointed by the State President shall hold office for such period, but not exceeding five years, and on such conditions as the State President may determine at the time of his appointment, but shall vacate his office if he resigns as a member or is removed from office by the Minister if the Minister is of opinion that there are good reasons for doing so.

(6) A member of the board shall on the expiry of his term of office by effluxion of time be eligible for reappointment.

(7) The Minister may, if he sees fit, appoint, on such conditions and for such period as he may determine, a person as an additional member of the board for a particular purpose.

(8) (a) The meetings of the board shall be held at such times and places as the chairman may determine.

(b) The person presiding at a meeting of the board shall determine the procedure at such meeting.

(c) The decision of a majority of the members of the board present at any meeting thereof shall constitute the decision of the board.

(d) No proceedings of the board shall be invalid by reason only of the fact that a vacancy existed in its membership or that any member was not present during such proceedings or any part thereof.

(9) Such officers and employees as are required for the proper performance of the board's functions shall be appointed in terms of the Public Service Act, 1957 (Act 54 of 1957).

Committees of the board

4. (1) The board may with the consent of the Minister establish committees to assist it in the performance of its functions.

(2) Any such committee shall consist of at least two members of the board, designated by the board, and such other persons as the Minister may appoint on the recommendation of the board.

(3) The board shall designate any member of the board, who is a member of any such committee, as chairman of the committee.

(4) The board may, subject to such conditions as it may deem fit, either generally or in relation to any particular matter, assign to any such committee any power conferred or duty imposed upon it in terms of this Act.

(5) No member of any such committee who is not a member of the board shall have access to the records of the board except with the approval of the chairman of the board.

Remuneration of members of board and committees

5. (1) A member of the board who is not in the full-time service of the State shall be appointed at such remuneration as the Minister may determine with the concurrence of the Minister of Finance.

(2) A member of the board appointed under section 3 (7) and a member of any committee of the board shall, if he is not in the full-time service of the State, be paid such allowances as the Minister may determine with the concurrence of the Minister of Finance.

(3) Die voorsitter van die raad is 'n heeltydse lid, en die Minister bepaal of die ander lede wat deur die Staatspresident aangestel is, heeltydse of deeltydse lede moet wees.

(4) Die Minister kan 'n lid van die raad as waarnemende voorsitter aanwys om die bevoegdhede en pligte van die voorsitter uit te oefen en te verrig wanneer die voorsitter nie in staat is om dit te doen nie of terwyl die amp van voorsitter vakant is.

(5) 'n Lid van die raad deur die Staatspresident aangestel, beklee sy amp vir die tydperk, maar hoogstens vyf jaar, en op die voorwaardes wat die Staatspresident ten tyde van sy aanstelling bepaal, maar ontruim sy amp indien hy as lid bedank of deur die Minister van sy amp onthef word indien die Minister van oordeel is dat daar gegronde redes bestaan om dit te doen.

(6) 'n Lid van die raad kan by die verstryking van sy ampstermyn by tydsverloop weer aangestel word.

(7) Die Minister kan, indien hy dit dienstig ag, iemand vir 'n bepaalde doel as bykomende lid van die raad aanstel op die voorwaardes en vir die tydperk wat hy bepaal.

(8) (a) Die vergaderings van die raad word gehou op die tye en plekke wat die voorsitter bepaal.

(b) Die persoon wat op 'n vergadering van die raad voorsit, bepaal die prosedure op so 'n vergadering.

(c) Die beslissing van 'n meerderheid van die lede van die raad wat op 'n vergadering van die raad aanwesig is, maak die besluit van die raad uit.

(d) Die verrigtinge van die raad is nie ongeldig bloot op grond daarvan dat 'n vakature op die raad bestaan het of dat 'n lid nie gedurende die verrigtinge of 'n deel daarvan aanwesig was nie.

(9) Die beamptes en werknemers wat nodig is vir die behoorlike uitvoering van die raad se werksaamhede word aangestel ingevolge die bepalings van die Staatsdienswet, 1957 (Wet 54 van 1957).

Komitees van die raad

4. (1) Die raad kan met die toestemming van die Minister komitees instel om hom by die verrigting van sy werksaamhede by te staan.

(2) So 'n komitee bestaan uit minstens twee lede van die raad deur die raad aangewys, en die ander persone wat die Minister op aanbeveling van die raad aanstel.

(3) Die raad wys 'n lid van die raad wat 'n lid van so 'n komitee is, aan as voorsitter van die komitee.

(4) Die raad kan, behoudens die voorwaardes wat hy goedvind, 'n bevoegdheid of plig ingevolge hierdie Wet aan hom verleen of hom opgelê, aan so 'n komitee in die algemeen of met betrekking tot 'n bepaalde aangeleentheid oordra.

(5) Geen lid van so 'n komitee wat nie 'n lid van die raad is nie het toegang tot die stukke van die raad nie, behalwe met die toestemming van die voorsitter van die raad.

Besoldiging van lede van raad en komitees

5. (1) 'n Lid van die raad wat nie in die heeltydse diens van die Staat is nie, word aangestel teen die besoldiging wat die Minister met die instemming van die Minister van Finansies bepaal.

(2) 'n Lid van die raad kragtens artikel 3 (7) aangestel en 'n lid van 'n komitee van die raad word, indien hy nie in die heeltydse diens van die Staat is nie, die toelaes betaal wat die Minister met die instemming van die Minister van Finansies bepaal.

(3) No full-time member of the board mentioned in section 3 (3) shall, without the consent of the Minister perform work for anybody else for remuneration.

(4) Any person who contravenes the provisions of subsection (3) shall be guilty of an offence.

Functions of board

6. (1) The board shall—

(a) subject to the directions of the Minister, make such investigations as it may consider necessary into, and advise the Minister in regard to—

(i) all aspects of economic competition policy, including the entrepreneurial activities in respect of institutions directly or indirectly controlled by the State;

(ii) the co-ordination of official economic objectives in a manner consistent with official competition policy;

(iii) the implementation and administration of such competition policy;

(iv) new developments and trends in regard to the matters mentioned in subparagraphs (i), (ii) and (iii);

(b) undertake a continuous study of trends towards increased economic concentration, with a view to the investigation of acquisitions where there appear to be circumstances which do not justify such acquisitions in the public interest;

(c) issue information on current policy in regard to acquisitions, to serve as general guidelines for the benefit of persons concerned in proposed acquisitions;

(d) consult at his request with any interested party to a proposed acquisition, with a view to advising him on the likelihood of the existence of circumstances which do not justify such acquisition in the public interest;

(e) receive and dispose of representations relating to any matter with which it may deal in terms of this Act; and

(f) perform any other function assigned to it by this Act.

(2) (a) On the written application of any person who proposes to enter into any transaction which will or is calculated to result in an acquisition, the board may, wits the consent of the Minister and, if any financial institution is a party to such transaction, of the Minister of Finance also, issue, subject to such conditions as the board may deem fit, a ruling to the effect that, on the facts and information included in such appliction or furnished by the applicant at the request of the board, in the opinion of the board no circumstances exist which do not justify such acquisition is the public interest.

(b) Subject to the said conditions, if any, any such ruling shall preclude the Minister from issuing any notice under section 14 (1) (c) in respect of such acquisition on the basis of the said facts and information.

(3) Nothing in this section contained shall be construed as requiring any party to a proposed acquisition to notify the board of, or to consult the board in connection with, the acquisition

(4) The board shall as soon as possible after 31 December in each year furnish the Minister with a report in respect of its work during the year ending on that date.

(3) Geen heeltydse lid van die raad vermeld in artikel 3 (3) mag sonder die toestemming van die Minister diens vir enigiemand anders teen vergoeding verrig nie.

(4) Iemand wat die bepalings van subartikel (3) oortree, is aan 'n misdryf skuldig.

Werksaamhede van raad

6. (1) Die raad moet—

(a) behoudens opdrag van die Minister, die ondersoek instel wat die raad nodig ag na, en die Minister adviseer met betrekking tot—

(i) alle aspekte van ekonomiese mededingingsbeleid, met inbegrip van die entrepreneursbedrywighede ten opsigte van inrigtings wat, regstreeks of onregstreeks deur die Staat beheer word;

(ii) die koördinasie van amptelike ekonomiese doelstellings op 'n wyse wat met die amptelike mededingingsbeleid ooreenstem;

(iii) die uitvoering en toepassing van bedoelde mededingingsbeleid;

(iv) nuwe ontwikkelings en tendense in verband met die aangeleenthede in subparagrawe (i), (ii) en (iii) vermeld;

(b) deurgaans neigings tot verhoogde ekonomiese konsentrasie bestudeer met die oog op die ondersoek van verkrygings waar daar blykbaar omstandighede is wat die verkrygings in die openbare belang nie regverdig nie;

(c) inligting omtrent gangbare beleid met betrekking tot verkrygings versprei, om te dien as algemene leidrade ten bate van persone betrokke by voorgenome verkrygings;

(d) met enige belanghebbende party by 'n voorgenome verkryging op sy versoek oorleg pleeg, met die doel om hom te adviseer aangaande die waarskynlike aanwesigheid van omstandighede wat sodanige verkryging in die openbare belang nie regverdig nie;

(e) vertoë met betrekking tot enige aangeleentheid waarmee dit ingevolge hierdie Wet kan handel, ontvang en afhandel; en

(f) enige ander werksaamheid wat hom by hierdie Wet opgedra is, verrig.

(2) (a) Op die skriftelike versoek van iemand wat voornemens is om 'n transaksie aan te gaan wat sal uitloop of bereken is om uit te loop op 'n verkryging, kan die raad met die toestemming van die Minister en, indien 'n finansiële instelling by sodanige transaksie 'n party is, ook van die Minister van Finansies, en behoudens die voorwaardes wat die raad goedvind, 'n beslissing verstrek ten effekte dat, op die feite en inligting in bedoelde aansoek vervat of op versoek van die raad deur die aansoeker verstrek, volgens die oordeel van die raad daar geen omstandighede aanwesig is nie wat sodanige verkryging in die openbare belang nie regverdig nie.

(b) Behoudens genoemde voorwaardes, as daar is, belet so 'n beslissing dat die Minister 'n kennisgewing kragtens artikel 14 (1) (c) uitreik ten opsigte van sodanige verkryging op die grondslag van genoemde feite en inligting.

(3) Die bepalings van hierdie artikel word nie uitgelê as sou dit van 'n party by 'n voorgenome verkryging vereis dat hy die [illegible] van die verkryging of [illegible] oorleg pleeg nie.

(4) Die raad moet so gou doenlik na 31 Desember in elke jaar [illegible] verstrek ten opsigte van [illegible] jaar wat op daardie datum eindig.

Procedure at investigations

7. (1) For the purposes of any investigation under this Act, the board or a committee may—

(a) summon any person who is believed to be able to furnish any information on the subject of the investigation or to have in his possession or under his control any book, document or other object which has any bearing upon that subject, to appear before the board or committee at a time and place specified in the summons, to be interrogated or to produce such book, document or other object; and

(b) interrogate any such person under oath or affirmation administered by the chairman, and examine or retain for examination any such book, document or other object.

(2) A summons for the attendance of any person before the board or a committee or for the production to the board or a committee of any book, document or other object shall be in the form prescribed by regulation under section 18, shall be signed by the chairman of the board or committee and shall be served in the manner so prescribed.

(3) Any person who has been summoned to attend before, or to produce any book, document or other object to, the board or a committee and who, without sufficient cause (the onus of proof of which shall rest upon him), fails to attend at the time and place specified in the summons or to remain in attendance until he is excused by the chairman from further attendance or, having attended, refuse to take an oath or to make an affirmation after he has been asked by the chairman to do so, or having been sworn or having made affirmation, fails to answer fully and satisfactorily any question lawfully put to him, or fails to produce any book, document or other object in his possession or under his control which he has been summoned to produce, shall be guilty of an offence.

(4) Any person who, after having been sworn or having made affirmation, gives false evidence before the board or a committee on any matter, knowing such evidence to be false or not knowing or not believing it to be true, shall be guilty of an offence.

(5) In relation to any person summoned under this section, the law relating to privilege as applicable to a witness giving evidence before, or summoned to produce a book, document or other object to, a provincial division of the Supreme Court of South Africa shall apply.

(6) In this section "chairman", in relation to the board, includes the member of the board designated under section 3 (4).

Board may require returns

8. (1) (a) To enable the board properly to perform its functions, it may by notice in writing require any person engaged in business or in any industry to furnish the board, within a time specified in the notice, or from time to time at such times or within such periods as may be so specified, with a written return showing in detail such information with respect to the business or undertaking or activities of such person as may be specified in the notice, including information as to any business agreement which such person may at any time have entered into with any other person or in which he may at any time have been concerned, or as to any arrangement or understanding to which such person or any business or undertaking in which he is or was concerned, may be or may at any time have been a party.

Prosedure by ondersoeke

7. (1) Die raad of 'n komitee kan, vir die doeleindes van 'n ondersoek kragtens hierdie Wet—

(a) enigiemand wat vermoed word in staat te wees om inligting aangaande die onderwerp van daardie ondersoek te verstrek of 'n boek, stuk of ander voorwerp wat op daardie onderwerp betrekking het, in sy besit of onder sy beheer te hê, dagvaar om op 'n tyd en plek in die dagvaarding aangegee, voor die raad of komitee te verskyn om ondervra te word of om daardie boek, stuk of ander voorwerp oor te lê; en

(b) so iemand ondervra onder eed of bevestiging opgelê deur die voorsitter, en so 'n boek, stuk of ander voorwerp insien of vir insae hou.

(2) 'n Dagvaarding aan iemand om voor die raad of 'n komitee te verskyn of om aan die raad of 'n komitee 'n boek, stuk of ander voorwerp oor te lê, moet in die vorm wees wat by regulasie kragtens artikel 18 voorgeskryf is, moet deur die voorsitter van die raad of komitee onderteken wees en moet op die wyse aldus voorgeskryf, beteken word.

(3) Iemand wat gedagvaar is om te verskyn voor, of om 'n boek, stuk of ander voorwerp oor te lê aan, die raad of 'n komitee en wat sonder voldoende rede (waarvan die bewyslas op hom rus) versuim om op die tyd en plek in die dagvaarding aangegee, te verskyn, of om aanwesig te bly totdat die voorsitter hom verlof gegee het om weg te bly of wat na verskyning weier om die eed af te lê of 'n bevestiging te doen nadat die voorsitter hom gevra het om dit te doen of wat, na eedaflegging of bevestiging, versuim om 'n wettiglik aan hom gestelde vraag ten volle en op bevredigende wyse te beantwoord, of wat versuim om 'n boek, stuk of ander voorwerp oor te lê wat in sy besit of onder sy beheer is en wat hy volgens voorskrif van sy dagvaarding moet oorlê, is aan 'n misdryf skuldig.

(4) Iemand wat, nadat hy die eed afgelê of 'n bevestiging gedoen het, omtrent enige aangeleentheid valse getuienis voor die raad of 'n komitee aflê in die wete dat daardie getuienis vals is, of terwyl hy nie weet of nie dink dat dit juis is nie, is aan 'n misdryf skuldig.

(5) Met betrekking tot iemand wat kragtens hierdie artikel gedagvaar word, is die reg aangaande privilegie, soos toepaslik op 'n getuie wat voor 'n provinsiale afdeling van die Hooggeregshof van Suid-Afrika getuienis aflê of gedagvaar is om 'n boek, stuk of ander voorwerp daaraan oor te lê, van toepassing.

(6) In hierdie artikel beteken "voorsitter", met betrekking tot die raad, ook die lid van die raad wat kragtens artikel 3 (4) aangewys is.

Raad kan opgawes eis

8. (1) (a) Ten einde die raad in staat te stel om sy werksaamhede behoorlik te verrig, kan hy enigiemand wat sake doen of enige bedryf uitoefen, by skriftelike kennisgewing aansê om binne die tydperk in die kennisgewing vermeld, of van tyd tot tyd op die tye of binne die tydperke aldus vermeld, aan die raad 'n skriftelike opgawe te verstrek waarin in besonderhede die inligting met betrekking tot die besigheid of onderneming of bedrywighede van so iemand aangegee word wat in die kennisgewing vermeld staan, met inbegrip van inligting aangaande enige besigheidsooreenkoms wat so iemand te eniger tyd met enigiemand anders aangegaan het of waarby hy te eniger tyd betrokke was, of aangaande enige reëling of verstandhouding waarby so iemand of enige besigheid of onderneming waarby hy betrokke is of was, 'n party is of te eniger tyd was.

(b) Any notice under paragraph (a) shall, if it relates to any financial institution, be issued only with the consent of the Minister of Finance.

(2) No person shall in any notice under subsection (1) be required to furnish the board with any return specified in that notice within a period of less than 14 days after the date of such notice.

(3) Any person who fails to comply with any notice under subsection (1), or who in response to any such notice knowingly furnishes information which is false in any material particular, shall be guilty of an offence.

Investigating officers

9. (1) For the purposes of the application of this Act, the board may designate a member of the board, or an officer in its service whom it considers suitable, as an investigating officer.

(2) In order to ascertain whether any provision of this Act or any notice issued thereunder is being observed by any person to whom it applies, or to obtain any information required by the board in relation to any investigation by it as to restrictive practices or acquisitions, any such investigating officer may at all reasonable times enter any premises on or in which any commodity, book, statement or other document connected with that observation or information is or is suspected to be, and may—

(a) inspect or search such premises;

(b) demand any information regarding the said commodities from the owner or person in charge of such premises;

(c) examine or make copies of, or take extracts from, any book, statement or other document found in or upon such premises and which refers or is suspected to refer to any agreement, arrangement, understanding, business practice or method of trading which may be relevant at the said investigation by the board;

(d) demand from the owner or any person in charge of such premises or from any person in whose possession or charge such book, statement or other document is, an explanation of any entry therein.

(3) Any such investigating officer shall not act under subsection (2) in relation to any financial institution without the consent of the Minister of Finance.

(4) Any person designated under subsection (1) shall be provided with a letter of authority signed by or on behalf of the chairman of the board and certifying that such person has been designated as an investigating officer in terms of this Act.

(5) If an investigating officer referred to in subsection (1) intends to perform any function under this seciton, he shall first exhibit to any person affected thereby the written authority issued to him in terms of subsection (4).

(6) Any person who—

(a) obstructs or hinders any such investigating officer in the performance of his functions under this section;

(b) when any such investigating officer demands of him an explanation or information relating to a matter within his knowledge, refuses or fails to give such explanation or information or gives and explanation or information which is false or misleading knowing it to be false or misleading; or

(b) 'n Kennisgewing kragtens paragraaf (a) word, indien dit betrekking het op 'n finansiële instelling, slegs met die toestemming van die Minister van Finansies uitgereik.

(2) Niemand mag in 'n kennisgewing kragtens subartikel (1) aangesê word om 'n opgawe in daardie kennisgewing vermeld, binne 'n tydperk van minder as 14 dae na die datum van die kennisgewing aan die raad te verstrek nie.

(3) Iemand wat versuim om aan 'n kennisgewing kragtens subartikel (1) te voldoen, of wat in antwoord op so 'n kennisgewing wetens inligting verstrek wat in 'n wesenlike opsig vals is, is aan 'n misdryf skuldig.

Ondersoek beamptes

9. (1) Die raad kan, vir die doeleindes van die toepassing van hierdie Wet, 'n lid van die raad, of 'n beampte in sy diens wat hy geskik ag, as 'n ondersoekbeampte aanwys.

(2) Ten einde vas te stel of enige bepaling van hierdie Wet of 'n kennisgewing daarkragtens uitgereik, nagekom word deur iemand op wie dit van toepassing is, of ter verkryging van enige inligting deur die raad verlang met betrekking tot 'n ondersoek deur hom aangaande beperkende praktyke of verkrygings, kan so 'n ondersoekbeampte te alle redelike tye 'n perseel betree waarop of waarin daar wel of vermoedelik enige handelsartikel, boek, staat of ander stuk is wat in verband staan met bedoelde nakoming of inligting, en kan—

(a) sodanige perseel inspekteer of deursoek;

(b) inligting aangaande genoemde handelsartikels vereis van die eienaar of persoon in beheer van daardie perseel;

(c) 'n boek, staat of ander stuk wat in of op daardie perseel gevind word en wat wel of vermoedelik betrekking het op enige ooreenkoms, reëling, verstandhouding, besigheidspraktyk of handelsmetode wat by genoemde ondersoek deur die raad ter sake mag wees, ondersoek of afskrifte daarvan of uittreksels daaruit maak;

(d) van die eienaar of iemand in beheer van bedoelde perseel of van iemand in wie se besit of beheer daardie boek, staat of ander stuk is, 'n verklaring van 'n inskrywing daarin vereis.

(3) So 'n ondersoekbeampte tree nie kragtens subartikel (2) met betrekking tot 'n finansiële instelling sonder die toestemming van die Minister van Finansies op nie.

(4) Iemand wat kragtens subartikel (1) aangewys is, moet voorsien word van 'n magtigingsbrief wat deur of namens die voorsitter van die raad onderteken is en waarin verklaar word dat so iemand as 'n ondersoekbeampte ingevolge hierdie Wet aangewys is.

(5) Indien 'n ondersoekbeampte in subartikel (1) bedoel 'n werksaamheid kragtens hierdie artikel wil verrig, moet hy aan iemand wat daardeur geraak sal word, eers die skriftelike magtiging wat ingevolge subartikel (4) aan hom uitgereik is, toon.

(6) Iemand wat—

(a) so 'n ondersoekbeampte by die verrigting van sy werksaamhede kragtens hierdie artikel, belemmer of hinder;

(b) wanneer so 'n ondersoekbeampte van hom 'n verklaring of inligting vereis met betrekking tot 'n aangeleentheid waarvan hy kennis dra, weier of versuim om daardie verklaring of inligting te verstrek of 'n verklaring of inligting verstrek wat vals of misleidend is, terwyl hy weet dat dit vals of misleidend is; of

(c) falsely represents himself to be any such investigating officer,

shall be guilty of an offence.

Investigation by board in respect of restrictive practices and acquisitions

10. (1) Subject to the provisions of subsection (2), the board may on its own initiative and shall, on the directions of the Minister, make such investigations as it may consider necessary—

(a) into any restrictive practice which the board or the Minister, as the case may be, has reason to believe exists or may come into existence;

(b) in order to ascertain—

(i) whether any acquisition has been, is being or is proposed to be made;

(ii) the nature and extent of the controlling interest held and acquired, being acquired or proposed to be acquired;

(c) into any particular type of business agreement, arrangement, understanding, business practice or method of trading in general or in relation to any particular commodity or any class or kind of commodities or any particular business or undertaking or any class or type of business or undertaking or any particular area which in the opinion of the board or the Minister, as the case may be, is commonly adopted for the purpose of or in connection with the creation or maintenance of restrictive practices.

(2) An investigation referred to in subsection (1) (a), (b) or (c) shall not be made or proceeded with by the board—

(a) on its own initiative, if in the opinion of the Minister such investigation is not in the public interest; or

(b) without the consent of the Minister of Finance, if it relates to—

(i) a restrictive practice involving a financial institution;

(ii) an acquisition to which a financial institution is a party, or in respect of which the board is at any time before or during such investigation notified in writing by the Registrar of Financial Institutions mentioned in section 3 (2), that a financial institution has a material interest; or

(iii) any particular type of business agreement, arrangement, understanding, business practice or method of trading involving a financial institution.

(3) Where an investigation is made in terms of subsection (1) (b) of this section, the board shall within three months from the date of the notice mentioned in subsection (4) of this section report to the Minister in terms of section 12 (1) as to the result of the investigation, or as to any arrangement which may have been arrived at under section 11.

(4) The board shall by notice in the *Gazette* make known, and furnish particulars of, any investigation which it proposes to make in terms of subsection (1), and further make known that any person may within 30 days from the date of the notice make such representations regarding such investigation to the board as such person may consider necessary.

(c) hom valslik as so 'n ondersoekbeampte voordoen;

is aan 'n misdryf skuldig.

Ondersoek deur raad ten opsigte van beperkende praktyke en verkrygings

10. (1) Behoudens die bepalings van subartikel (2), kan die raad op eie inisiatief, en moet die raad in opdrag van die Minister, die ondersoek instel wat die raad nodig ag—

(a) na enige beperkende praktyk wat die raad of die Minister, na gelang van die geval, rede het om te vermoed bestaan of mag ontstaan;

(b) ten einde te bepaal—

(i) of 'n verkryging plaasgevind het, aan die plaasvind is of voorgestel word;

(ii) wat die aard en omvang is van die beherende belang wat gehou en verkry is, verkry word of waarvan die verkryging voorgestel word;

(c) na enige besondere tipe besigheidsooreenkoms, reëling, verstandhouding, besigheidspraktyk of handelsmetode, in die algemeen of met betrekking to 'n bepaalde handelsartikel of 'n klas of soort handelsartikels of 'n bepaalde besigheid of onderneming of 'n klas of tipe besigheid of onderneming of 'n bepaalde gebied wat volgens die oordeel van die raad of die Minister, na gelang van die geval, gewoonlik vir die doeleindes van of in verband met die skepping of handhawing van beperkende praktyke aangewend word.

(2) 'n Ondersoek in subartikel (1) (a), (b) of (c) bedoel, word nie deur die raad ingestel of voortgesit nie—

(a) op eie inisiatief, indien volgens die oordeel van die Minister sodanige ondersoek nie in die openbare belang is nie; of

(b) sonder die toestemming van die Minister van Finansies, indien dit betrekking het op—

(i) 'n beperkende praktyk waarby 'n finansiële instelling betrokke is;

(ii) 'n verkryging waarby 'n finansiële instelling 'n party is, of ten opsigte waarvan die raad te eniger tyd voor of gedurende sodanige ondersoek skriftelik deur die Registrateur van Finansiële Instellings in artikel 3 (2) vermeld, in kennis gestel word dat 'n finansiële instelling 'n wesenlike belang het; of

(iii) 'n besondere tipe besigheidsooreenkoms, reëling, verstandhouding, besigheidspraktyk of handelsmetode waarby 'n finansiële instelling betrokke is.

(3) Waar 'n ondersoek ingevolge subartikel (1) (b) van hierdie artikel ingestel word, moet die raad binne drie maande vanaf die datum van die kennisgewing in subartikel (4) van hierdie artikel vermeld aan die Minister ingevolge artikel 12 (1) verslag doen aangaande die uitslag van die ondersoek, of aangaande enige reëling waartoe kragtens artikel 11 geraak is.

(4) Die raad moet by kennisgewing in die *Staatskoerant* kennis gee en besonderhede verstrek van enige ondersoek wat hy voornemens is om ingevolge subartikel (1) in te stel, en voorts kennis gee dat enigiemand binne 30 dae vanaf die datum van die kennisgewing die skriftelike vertoë aangaande sodanige ondersoek wat so iemand nodig ag tot die raad kan rig.

(5) After any such notice relating to any investigation in terms of subsection (1) (b) has been published and before the relevant report is submitted to him, the Minister may, on the recommendation of the board, prescribe by notice in the *Gazette*, for such period as may be specified in the notice, but not exceeding the period of three months referred to in subsection (3), such action as in the opinion of the Minister shall be taken to stay or prevent any acquisition being made or proposed.

(6) Any notice under subsection (5) may upon the recommendation of the board be amended or withdrawn by the Minister at any time, and shall not be subject to review by or appeal to any court of law.

(7) A notice shall not be published under subsection (4) or (5), or amended or withdrawn under subsection (6), without the consent of the Minister of Finance, if it relates to any financial institution.

(8) Any person who contravenes or fails to comply with a notice under subsection (5) shall be guilty of an offence.

Negotiations by board

11. (1) Whenever the board has issued any notice in terms of section 10 (4), it may at any time thereafter negotiate with any person or any body, corporate or unincorporate, with a view to making an arrangement which in the opinion of the board—

(a) will ensure the discontinuance of any restrictive practice which exists or may come into existence and which is the subject of an investigation in terms of section 10 (1) (a);

(b) will do away with, terminate, prevent or alter any acquisition which has been or is being made or is proposed, as the case may be, and which is the subject of an investigation in terms of section 10 (1) (b),

either wholly or to such extent as, in the opinion of the board, it is not justified in the public interest.

(2) An arrangement referred to in subsection (1) of this section shall not be made without the consent of the Minister of Finance, if it relates to—

(a) a restrictive practice involving a financial institution; or

(b) an acquisition to which a financial institution is a party, or in respect of which the board is at any time during the negotiation referred to in subsection (1) of this section notified in writing by the Registrar of Financial Institutions mentioned in section 3 (2), that a financial institution has a material interest.

(3) If the board has made any such arrangement, it shall make a report to the Minister thereon.

Report by board

12. (1) The board shall report to the Minister as to the result of any investigation made by it in terms of section 10 (1).

(2) If after investigation in terms of section 10 (1) (a) or (b) the board—

(a) is of the opinion that a restrictive practice exists or was in existence or may come into existence at any time after the date of the notice in terms of section 10 (4), or that an acquisition has been or is being made or is proposed;

(5) Nadat so 'n kennisgewing wat betrekking het op 'n ondersoek ingevolge subartikel (1) (b) gepubliseer is en voordat die tersaaklike verslag aan hom voorgelê word, kan die Minister, op aanbeveling van die raad, by kennisgewing in die *Staatskoerant* vir 'n tydperk in die kennisgewing vermeld maar hoogstens die tydperk van drie maande in subartikel (3) bedoel, die stappe voorskryf wat volgens die oordeel van die Minister gedoen moet word om enige verkryging wat plaasvind of voorgestel word, op te skort of te voorkom.

(6) 'n Kennisgewing kragtens subartikel (5) kan op aanbeveling van die raad te eniger tyd deur die Minister gewysig of ingetrek word, en is nie aan hersiening deur of appèl na 'n geregshof onderworpe nie.

(7) 'n Kennisgewing word nie sonder die toestemming van die Minister van Finansies kragtens subartikel (4) of (5) gepubliseer of kragtens subartikel (6) gewysig of ingetrek nie, indien dit op 'n finansiële instelling betrekking het.

(8) Iemand wat 'n kennisgewing kragtens subartikel (5) oortree of versuim om daaraan te voldoen, is aan 'n misdryf skuldig.

Onderhandelinge deur raad

11. (1) Wanneer die raad 'n kennisgewing ingevolge artikel 10 (4) uitgereik het, kan hy te eniger tyd daarna met enige persoon of liggaam, met of sonder regspersoonlikheid, onderhandel ten einde 'n reëling te tref wat volgens die oordeel van die raad—

(a) die beëindiging van 'n beperkende praktyk wat bestaan of mag ontstaan en wat die onderwerp van 'n ondersoek ingevolge artikel 10 (1) (a) is, sal verseker;

(b) 'n verkryging wat plaasgevind het, aan die plaasvind is of voorgestel word en wat die onderwerp van 'n ondersoek ingevolge artikel 10 (1) (b) is, sal ophef, beëindig, voorkom of gewysig, na gelang van die geval;

hetsy geheel en al of vir sover dit volgens die oordeel van die raad nie in die openbare belang geregverdig is nie.

(2) 'n Reëling in subartikel (1) van hierdie artikel bedoel, word nie sonder die toestemming van die Minister van Finansies getref nie, indien dit betrekking het op—

(a) 'n beperkende praktyk waarby 'n finansiële instelling betrokke is; of

(b) 'n verkryging waarby 'n finansiële instelling 'n party is, of ten opsigte waarvan die raad te eniger tyd gedurende die onderhandeling in subartikel (1) van hierdie artikel bedoel skriftelik deur die Registrateur van Finansiële Instellings in artikel 3 (2) vermeld, in kennis gestel word dat 'n finansiële instelling 'n wesenlike belang het.

(3) Indien die raad so 'n reëling getref het, doen hy aan die Minister verslag daaroor.

Verslag deur raad

12. (1) Die raad moet aan die Minister verslag doen aangaande die uitslag van enige ondersoek ingevolge artikel 10 (1) deur hom ingestel.

(2) Indien die raad na ondersoek ingevolge artikel 10 (1) (a) of (b)—

(a) van mening is dat 'n beperkende praktyk bestaan of te eniger tyd na die datum van die kennisgewing ingevolge artikel 10 (4) bestaan het of mag ontstaan, of dat 'n verkryging plaasgevind het, aan die plaasvind is of voorgestel word;

(b) is not satisfied that there are circumstances which justify such restrictive practice in the public interest or is satisfied that circumstances exist which do not justify such aquisition in the public interest; and

(c) has not made an arrangement with the parties concerned which has been confirmed by the Minister in terms of section 13 (2) (a),

the board shall recommend to the Minister that such action be taken under section 14 (1) as it may consider necessary in the circumstances.

(3) The board shall not in any report made by it as to any investigation in terms of section 10 (1), mention the name or particulars of the business of any person whose business has been investigated, except where in its opinion such person is concerned in the existence of a restrictive practice which exists or may come into existence or is a party to any acquisition which has been or is being made or is proposed.

(4) Every such report which in the opinion of the Minister may be made known without detriment to the public interest, shall as soon as practicable be laid upon the Table of the Senate and of the House of Assembly.

Procedure after investigation

13. (1) The Minister may after consideration of any recommendation in terms of section 12 (2)—

(a) direct the board to undertake such negotiations as are mentioned in section 11 (1) and, if it has made any relevant arrangement, to report to the Minister thereon; and

(b) if the board advises him that it has found it impracticable to negotiate with any relevant person or body or has not within a period determined by him, and which he may from time to time in his discretion extend, succeeded in making an arrangement with any such person or body, take such steps under section 14 (1) (c) as the board may recommend.

(2) The Minister may after consideration of a report by the board on any arrangement mentioned in section 11 (3) or subsection (1) (a) of this section, if he considers it to be in the public interest—

(a) confirm any such arrangement, either without modification or with such modifications, if any, as may be agreed to by the person concerned, and either unconditionally or subject to such conditions as may be agreed to by such person and as the Minister may on the recommendation of the board deem fit; or

(b) set aside any such arrangement and give such directions or prescribe such requirements under section 14 (1) (c) as he may on the recommendation of the board consider necessary under the circumstances,

and any such arrangement or modified arrangement, together with the conditions, if any, subject to which it has been confirmed, shall be published by the Minister by notice in the *Gazette*, and shall thereupon have the same effect as a notice published under section 14 (1) (c).

(3) Any person who contravenes or fails to comply with any notice under subsection (2) shall be guilty of an offence.

(b) nie oortuig is dat daar omstandighede is wat bedoelde beperkende praktyk in die openbare belang regverdig nie of oortuig is dat daar omstandighede bestaan wat bedoelde verkryging nie in die openbare belang regverdig nie; en

(c) nie met die betrokke partye 'n reëling getref het wat ingevolge artikel 13 (2) (a) deur die Minister bekragtig is nie,

moet die raad by die Minister aanbeveel dat kragtens artikel 14 (1) opgetree word soos die raad onder die omstandighede nodig ag.

(3) Die raad mag nie in 'n verslag deur hom gedoen aangaande 'n ondersoek ingevolge artikel 10 (1), die naam of besonderhede van die besigheid van iemand wie se besigheid ondersoek is, vermeld nie, behalwe waar so iemand volgens die raad se oordeel betrokke is by die bestaan van 'n beperkende praktyk wat bestaan of mag ontstaan of party is by 'n verkryging wat plaasgevind het, aan die plaasvind is of voorgestel word.

(4) Elke sodanige verslag wat volgens die oordeel van die Minister sonder benadeling van die openbare belang bekend gemaak kan word, moet so gou doenlik in die Senaat en in die Volksraad ter Tafel gelê word.

Prosedure na ondersoek

13. (1) Die Minister kan na oorweging van 'n aanbeveling ingevolge artikel 12 (2)—

(a) die raad gelas om onderhandelinge soos dié in artikel 11 (1) genoem, te onderneem, en indien hy 'n tersaaklike reëling getref het, aan die Minister daaroor verslag te doen; en

(b) indien die raad hom in kennis stel dat hy dit onuitvoerbaar gevind het om met 'n tersaaklike persoon of liggaam te onderhandel of nie binne 'n tydperk deur die Minister bepaal, en wat hy na goeddunke van tyd tot tyd kan verleng, daarin geslaag het om met so 'n persoon of liggaam 'n reëling te tref nie, die stappe kragtens artikel 14 (1) (c) doen wat die raad aanbeveel.

(2) Die Minister kan na oorweging van 'n verslag deur die raad oor 'n reëling in artikel 11 (3) of subartikel (1) (a) van hierdie artikel vermeld, indien hy dit in die openbare belang ag—

(a) so 'n reëling bekragtig, hetsy sonder wysigings of met die wysigings, as daar is, waarmee die betrokke persoon instem, en óf onvoorwaardelik óf onderworpe aan die voorwaardes waarmee bedoelde persoon instem en wat die Minister op aanbeveling van die raad goedvind; of

(b) so 'n reëling ter syde stel en kragtens artikel 14 (1) (c) die opdragte gee of vereistes voorskryf wat hy op aanbeveling van die raad onder die omstandighede nodig ag,

en so 'n reëling of gewysigde reëling, tesame met die voorwaardes, as daar is, waarop dit van toepassing is, moet deur die Minister by kennisgewing in die *Staatskoerant* afgekondig word en het daarop dieselfde uitwerking as 'n kennisgewing kragtens artikel 14 (1) (c) afgekondig.

(3) Iemand wat 'n kennisgewing kragtens subartikel (2) oortree of versuim om daaraan te voldoen, is aan 'n misdryf skuldig.

Manner of dealing with restrictive practices and acquisitions

14. (1) Whenever after consideration of a report by the board in terms of section 12 (1) as to the result of any investigation made by it in terms of section 10 (1) (a) or (b), the Minister is of opinion that a restrictive practice exists or may come into existence and that there are no circumstances justifying such restrictive practice in the public interest, or is of opinion that an acquisition has been or is being made or is proposed and that circumstances exist which do not justify such acquisition in the public interest, and has not confirmed any arrangement which may have been made in terms of section 11 (1) or 13 (1) (a) in respect of such restrictive practice or acquisition—

(a) the Minister of Finance may, at the request of the Minister, in terms of the Customs and Excise Act, 1964 (Act 91 of 1964), by notice in the *Gazette* suspend, as from the date of the publication of such notice, any duty to be paid upon imported goods of like nature to any goods affected by the operation of that restrictive practice or acquisition, to the extent and for such period as he may deem fit;

(b) the Price Controller may at the request of the Minister fix, under the Price Control Act, 1964 (Act 25 of 1964), the maximum price at which any commodity, other than any insurance or banking service, affected by the operation of the said restrictive practice or acquisition, may be sold by any person to any other person or at which any person may purchase such commodity from any other person;

(c) the Minister may, subject to the provisions of subsection (3) (a), by notice in the *Gazette*—

(i) declare the said restrictive practice or acquisition to be unlawful, and require any person who in the opinion of the Minister is concerned in the said restrictive practice or who in his opinion is or was a party to the said acquisition, to take such action, including steps for the dissolution of any body, corporate or unincorporate, or the severance of any connection or of any form of association between two or more persons, including any such bodies, as the Minister may consider necessary to ensure the discontinuance or prevention of that restrictive practice or the abolition or prevention of that acquisition or to eliminate any undesirable features thereof;

(ii) require any person who is or was a party to any agreement, arrangement, understanding or omission or applies or has applied any business practice or method of trading or commits or has committed any act or brings or has brought about any situation, which may be specified in the notice, to terminate or to cease to be a party to such agreement, arrangement, understanding or omission or to refrain from applying such business practice or method of trading or to cease to commit that act or to bring about that situation or to refrain from at any time becoming a party to any agreement, arrangement, understanding or omission or applying any business practice or method of trading or committing any act or bringing about any situation of a nature specified in the notice which in the opinion of the Minister is calculated to have the same effect.

Wyse waarop in verband met beperkende praktyke en verkrygings gehandel kan word

14. (1) Wanneer die Minister na oorweging van 'n verslag deur die raad ingevolge artikel 12 (1) aangaande die uitslag van 'n ondersoek deur die raad ingevolge artikel 10 (1) (a) of (b) ingestel, van mening is dat 'n beperkende praktyk bestaan of mag ontstaan en dat daar nie omstandighede bestaan wat die beperkende praktyk in die openbare belang regverdig nie, of van mening is dat 'n verkryging plaasgevind het, aan die plaasvind is of voorgestel word en dat daar omstandighede bestaan wat die verkryging nie in die openbare belang regverdig nie, en nie 'n reëling vermeld in artikel 11 (1) of 13 (1) (a) ten opsigte van bedoelde beperkende praktyk of verkryging getref, bekragtig het nie—

(a) kan die Minister van Finansies op versoek van die Minister, ingevolge die Doeane- en Aksynswet, 1964 (Wet 91 van 1964), by kennisgewing in die *Staatskoerant*, enige reg wat betaal moet word op ingevoerde goedere van soortgelyke aard as enige goedere wat deur die werking van daardie beperkende praktyk of verkryging geraak word, vanaf die datum van publikasie van bedoelde kennisgewing opskort in die mate en vir die tydperk wat hy goedvind;

(b) kan die Pryskontroleur op versoek van die Minister die maksimumprys kragtens die Wet op Prysbeheer, 1964 (Wet 25 van 1964), vasstel waarteen enige handelsartikel, uitgesonderd 'n versekerings- of bankdiens, wat deur die werking van genoemde beperkende praktyk of verkryging geraak word, deur 'n persoon aan 'n ander persoon verkoop mag word of waarteen 'n persoon sodanige handelsartikel van 'n ander persoon mag koop;

(c) kan die Minister, behoudens die bepalings van subartikel (3) (a), by kennisgewing in die *Staatskoerant*—

(i) genoemde beperkende praktyk of verkryging onwettig verklaar en enigiemand wat volgens die Minister se oordeel by genoemde beperkende praktyk betrokke is of wat volgens sy oordeel 'n party by genoemde verkryging is of was, gelas om die stappe te doen, met inbegrip van stappe vir die ontbinding van enige liggaam, met of sonder regspersoonlikheid beklee, of die verbreking van enige verband of vorm van assosiasie tussen twee of meer persone, met inbegrip van enige sodanige liggame, wat die Minister nodig ag om die beëindiging of voorkoming van daardie beperkende praktyk of die opheffing of voorkoming van daardie verkryging te verseker of enige ongewenste kenmerke daarvan uit te skakel;

(ii) iemand wat 'n party by 'n in die kennisgewing vermelde ooreenkoms, reëling, verstandhouding of versuim is of was of 'n aldus vermelde besigheidspraktyk of handelsmetode toepas of toegepas het of 'n aldus vermelde handeling verrig of verrig het of 'n aldus vermelde toestand teweegbring of teweeggebring het, gelas om daardie ooreenkoms, reëling, verstandhouding of versuim te beëindig of om op te hou om 'n party daarby te wees of om van daardie besigheidspraktyk of handelsmetode [illegible] of om op te hou om daardie handeling te [illegible] of daardie toestand te weeg te bring of om nie te eniger tyd 'n party by 'n ooreenkoms, reëling, verstandhouding of versuim te word nie of 'n besigheidspraktyk of handelsmetode toe te pas nie of 'n handeling te verrig nie of 'n toestand te weeg te bring nie, wat van 'n in die kennisgewing vermelde aard is en wat volgens die oordeel van die Minister bereken is om dieselfde uitwerking te hê.

(2) After further investigation by the board and at the request of the Minister—

(a) the Minister of Finance may withdraw any notice under subsection (1) (a) or amend it in such manner as he may deem fit;

(b) the Price Controller may under the price Control Act, 1964, withdraw or amend any maximum price fixed as contemplated in subsection (1) (b).

(3) Any notice under subsection (1) (c)—

(a) shall, if it relates to—

(i) a restrictive practice involving any financial institution; or

(ii) an acquisition to which any financial institution is a party or in respect of which the Minister has prior to the publication of the notice been notified in writing by the Registrar of Financial Institutions mentioned in section 3 (2) that any financial institution has a material interest,

be published only with the concurrence of the Minister of Finance;

(b) shall not be published until after the relevant report of the board has been published by the Minister in the *Gazette*, and for that purpose any such report may be so published before it has been laid upon the Table of either the Senate or the House of Assembly;

(c) shall, subject to the provisions of subsection (4), come into operation upon a date fixed by the Minister and specified in such notice, not being less than six weeks after the date of publication thereof;

(d) may prescribe such requirements as the Minister may consider necessary to achieve the objects of that notice, and specify the persons by whom the terms of such notice or any such requirement shall be complied with, and the periods within which and the conditions subject to which those terms or that requirement shall be complied with by any such person;

(e) may at any time after further investigation by the board be withdrawn by the Minister or be amended by him in such manner as he may deem fit: Provided that a notice published as provided by paragraph (a), shall be so withdrawn or amended only with the concurrence of the Minister of Finance.

(4) (a) If an appeal is lodged with the Minister in terms of section 15 (5) in respect of a notice under subsection (1) (c) of this section, that notice shall, subject to the order of the special court hearing that appeal, come into operation on such date as the Minister may determine and make known by notice in the *Gazette*, but not earlier than six weeks after the date of the notice referred to in section 15 (14).

(b) For the application of paragraph (a), the Minister shall as soon as practicable after the lodging of an appeal with him, give notice of that lodging in the *Gazette*.

(5) Whenever after consideration of a report by the board in terms of section 12 (1) as to the result of any investigation undertaken by it in terms of section 10 (1) (c), the Minister is of opinion that it is in the public interest, he may by notice in the *Gazette* declare any particular type of agreement, arrangement, understanding, business practice or method of trading which

(2) Na verdere ondersoek deur die raad en op versoek van die Minister kan—

(a) die Minister van Finansies 'n kennisgewing kragtens subartikel (1) (a) intrek of wysig op die wyse wat hy goedvind;

(b) die Pryskontroleur 'n maksimumprys soos in subartikel (1) (b) beoog, vasgestel, kragtens die Wet op Prysbeheer, 1964, intrek of wysig.

(3) 'n Kennisgewing kragtens subartikel (1) (c)—

(a) word, indien dit betrekking het op—

(i) 'n beperkende praktyk waarby 'n finansiële instelling betrokke is; of

(ii) 'n verkryging waarby 'n finansiële instelling 'n party is of ten opsigte waarvan die Minister voor die publikasie van die kennisgewing skriftelik deur die Registrateur van Finansiële Instellings in artikel 3 (2) vermeld in kennis gestel is dat 'n finansiële instelling 'n wesenlike belang het;

slegs met die instemming van die Minister van Finansies gepubliseer;

(b) word nie gepubliseer nie totdat die tersaaklike verslag van die raad deur die Minister in die *Staatskoerant* gepubliseer is, en vir dié doel kan so 'n verslag aldus gepubliseer word voordat dit in of die Senaat óf die Volksraad ter tafel gelê is;

(c) tree, behoudens die bepalings van subartikel (4), in werking op 'n datum deur die Minister bepaal en in die kennisgewing vermeld, wat nie minder as ses weke na die datum van publikasie daarvan is nie;

(d) kan die vereistes voorskryf wat die Minister nodig ag om die oogmerke van daardie kennisgewing te verwesenlik en die persone vermeld wat aan die bepalings van daardie kennisgewing of so 'n vereiste moet voldoen, en die tydperke waarin en die voorwaardes waarop enige sodanige persoon aan daardie bepalings of vereiste moet voldoen;

(e) kan te eniger tyd, na verdere ondersoek deur die raad, deur die Minister ingetrek of op die wyse wat hy goedvind, gewysig word: Met dien verstande dat 'n kennisgewing gepubliseer volgens voorskrif van paragraaf (a) slegs met die instemming van die Minister van Finansies aldus ingetrek of gewysig word.

(4) (a) Indien ten opsigte van 'n kennisgewing kragtens subartikel (1) (c) van hierdie artikel 'n appèl ingevolge artikel 15 (5) by die Minister ingedien word, tree daardie kennisgewing, behoudens die bevel van die spesiale hof wat daardie appèl verhoor, in werking op 'n datum wat die Minister bepaal en by kennisgewing in die *Staatskoerant* bekend maak, maar nie vroeër nie as ses weke na die datum van die kennisgewing in artikel 15 (14) bedoel.

(b) Vir die toepassing van paragraaf (a) moet die Minister so gou doenlik na die indiening van 'n appèl by hom, van daardie indiening in die *Staatskoerant* kennis gee.

(5) Wanneer die Minister na oorweging van 'n verslag deur die raad ingevolge artikel 12 (1) aangaande die uitslag van 'n ondersoek deur die raad ingevolge artikel 10 (1) (c) onderneem, van mening is dat dit in die openbare belang is, kan die Minister by kennisgewing in die *Staatskoerant* enige bepaalde tipe ooreenkoms, reëling, verstandhouding, besigheidspraktyk of

was the subject of the investigation to be unlawful, either generally or in respect of any particular area, according as to whether the investigation was of a general nature or was undertaken in relation to a particular area, and prohibit any person from entering into or being or continuing to be a party to any such agreement, arrangement or understanding or from applying any such business practice or method of trading either wholly or to such extent or subject to such exceptions as may be specified in the notice, provided the Minister has not less than one month before the date of publication of the notice published the text of the proposed notice in the *Gazette*, together with a statement of his intention to publish such a notice in the *Gazette*.

(6) A notice under subsection (5) may at any time after further investigation by the board be withdrawn by the Minister or amended in such manner as he may deem fit, provided, in the case of such amendment, he has not less than one month before the date of publication of the notice published the text of the proposed notice in the *Gazette*, together with a statement of his intention to publish such a notice in the *Gazette*.

(7) A notice under subsection (5) or (6) shall, if it relates to any particular type of agreement, arrangement, understanding, business practice or method of trading involving a financial institution, shall be published only with the concurrence of the Minister of Finance.

(8) Any person who contravenes or fails to comply with any notice published under this section, shall be guilty of an offence.

Appeals from Minister's decisions

15. (1) There shall be a right of appeal by any person affected by a notice under section 14 (1) (c), to a special court which shall be constituted as provided in this section.

(2) A special court may be constituted by the State President by proclamation in the *Gazette*, with jurisdiction throughout the Republic or in one or more specified areas, for the hearing of all or any one or more appeals lodged in terms of subsection (5), as the State President may consider necessary.

(3) Any such court shall consist of a judge of the Supreme Court of South Africa, who shall be the president of the court, and two other members, of whom—

(a) one shall be the holder of a university degree in economics, who in the opinion of the State President has a thorough knowledge of economics; and

(b) one shall be a person who in the opinion of the State President has wide experience of industrial, commercial of financial matters or, where the State President in his discretion upon application by an appellant so directs, is a professional engineer as defined in the professional Engineers' Act, 1968 (Act 81 of 1968).

(4) The members of a special court who are not in the full-time service of the State may be paid such remuneration and allowances as may in each case be determined by the Minister with the approval of the Minister of Finance and after consultation with the Minister of Justice.

handelsmetode wat die onderwerp van die ondersoek was, onwettig verklaar, hetsy in die algemeen of ten opsigte van 'n bepaalde gebied, na gelang die ondersoek van algemene aard was of met betrekking tot 'n bepaalde gebied geskied het, en enigiemand verbied om so 'n ooreenkoms, reëling of verstandhouding aan te gaan of 'n party daarby te wees of te bly of om so 'n besigheidspraktyk of handelsmetode toe te pas, hetsy geheel en al of in die mate of onderworpe aan die uitsonderings in die kennisgewing vermeld, mits die Minister minstens een maand voor die datum van publikasie van die kennisgewing, die teks van die voorgenome kennisgewing in die *Staatskoerant* gepubliseer het, tesame met 'n verklaring van sy voorneme om so 'n kennisgewing in die *Staatskoerant* te publiseer.

(6) 'n Kennisgewing kragtens subartikel (5) kan te eniger tyd na verdere ondersoek deur die raad deur die Minister by kennisgewing in die *Staatskoerant* ingetrek of op die wyse wat hy goedvind, gewysig word, mits hy, in die geval van bedoelde wysiging, minstens een maand voor die datum van publikasie van die kennisgewing die teks van die voorgenome kennisgewing in die *Staatskoerant* gepubliseer het tesame met 'n verklaring van sy voorneme om so 'n kennisgewing in die *Staatskoerant* te publiseer.

(7) 'n Kennisgewing kragtens subartikel (5) of (6) word, indien dit betrekking het op 'n besondere tipe ooreenkoms, reëling, verstandhouding, besigheidspraktyk of handelsmetode waarby 'n finansiële instelling betrokke is, slegs met die instemming van die Minister van Finansies gepubliseer.

(8) Iemand wat 'n kennisgewing kragtens hierdie artikel gepubliseer, oortree of versuim om daaraan te voldoen, is aan 'n misdryf skuldig.

Appèlle teen beslissings van Minister

15. (1) Daar is 'n reg van appèl deur enigiemand wat deur 'n kennisgewing kragtens artikel 14 (1) (c) geraak word, na 'n spesiale hof wat volgens voorskrif van hierdie artikel ingestel word.

(2) 'n Spesiale hof kan deur die Staatspresident by proklamasie in die *Staatskoerant* ingestel word met regsbevoegdheid in die hele Republiek of in een of meer vermelde gebiede vir die verhoor van alle of een of meer appèlle ingevolge subartikel (5) ingedien, na gelang die Staatspresident nodig ag.

(3) So 'n hof bestaan uit 'n regter van die Hooggeregshof van Suid-Afrika, wat die president van die hof is, en twee ander lede, van wie—

(a) een iemand moet wees wat 'n universiteitsgraad in die ekonomie besit en volgens die oordeel van die Staatspresident deeglike kennis van ekonomie het; en

(b) een iemand wat volgens die oordeel van die Staatspresident breë ondervinding van nywerheids-, handels- of finansiële aangeleenthede het of, waar die Staatspresident na goeddunke op aansoek deur 'n appellant aldus gelas, 'n professionele ingenieur soos omskryf in die Wet op Professionele Ingenieurs, 1968 (Wet 81 van 1968), moet wees.

(4) Daar kan aan die lede van 'n spesiale hof wat nie in die heeltydse diens van die Staat is nie, die besoldiging en toelaes betaal word wat in elke geval deur die Minister met die goedkeuring van die Minister van Finansies en na oorlegpleging met die Minister van Justisie bepaal word.

(5) An appeal to a special court in terms of this section shall be lodged with the Minister in writing within six weeks after the date of publication of the notice to which the appeal relates, and shall set forth the grounds on which the appeal is based.

(6) The date, time and place for the hearing of any such appeal shall be fixed by the president of the special court concerned and shall be communicated in writing to the appellant through the Minister not less than 30 days before the date so fixed.

(7) The Minister may be represented at the hearing of any such appeal by any person designated by him, and the appellant may appear at such hearing in person or be represented thereat by his advocate, attorney or agent.

(8) Any such hearing may from time to time be adjourned by the president of the special court concerned to such date, time and place as he may deem fit.

(9) The sittings of a special court shall be held in public, but the president of the court may exclude from being present thereat or require to withdraw therefrom any person whose attendance is not necessary.

(10) A special court may after consideration of any appeal, confirm or set aside the notice to which the appeal relates or amend it in such manner as it may deem equitable, and may make such orders as to costs as it may consider just.

(11) The decision of a majority of the members of a special court shall be the decision of the court: Provided that any matter of law arising for decision by that court and any question as to whether a matter for decision is a matter of fact or a matter of law, shall be decided by the president of the court and that no other member shall have any voice in the decision.

(12) An order as to costs made by a special court shall have effect and may be enforced as if it had been given in the course of proceedings before a division of the Supreme court of South Africa having jurisdiction in the place where the sitting at which that order was made took place.

(13) The decision of a special court shall not be subject to appeal to or review by any court of law.

(14) An order of a special court confirming, setting aside or amending the notice to which the order relates, shall be made known by the Minister by notice in the *Gazette*, and any amendment made to a notice by such an order shall have effect as if it were an amendment made under section 14 (3) (e).

(15) The provisions of section 84 and 85 of the Income Tax Act, 1962 (Act No. 58 of 1962), shall *mutatis mutandis* apply with reference to a special court constituted under this section.

Preservation of secrecy

16. (1) No person shall, except for the purposes of the performance of his functions in terms of this Act or for the purposes of legal proceedings under this Act or when required to do so by any court of law or under any law, disclose to any other person any information acquired by him in the performance of his functions in terms of this Act and relating to the business or affairs of any other person.

(2) Any person who contravenes the provisions of subsection (1) shall be guilty of an offence.

(5) 'n Appèl na 'n spesiale hof ingevolge hierdie artikel moet skriftelik by die Minister ingedien word binne ses weke na die datum van publikasie van die kennisgewing waarop die appèl betrekking het, en moet die gronde waarop die appèl berus, uiteensit.

(6) Die datum, tyd en plek van die verhoor van so 'n appèl moet deur die president van die betrokke spesiale hof bepaal word en moet minstens 30 dae voor die datum aldus bepaal skriftelik deur die Minister aan die appellant bekend gemaak word.

(7) Die Minister kan by die verhoor van so 'n appèl verteenwoordig word deur iemand wat hy aanwys, en die appellant kan by daardie verhoor persoonlik verskyn of deur sy advokaat, prokureur of agent verteenwoordig word.

(8) So 'n verhoor kan van tyd tot tyd deur die president van die betrokke spesiale hof verdaag word tot 'n datum, tyd en plek wat hy goedvind.

(9) Die sittings van 'n spesiale hof word in die openbaar gehou, maar die president van die hof kan enigiemand wie se aanwesigheid nie nodig is nie van aanwesigheid aldaar uitsluit of hom gelas om hom daarvan te onttrek.

(10) 'n Spesiale hof kan na oorweging van 'n appèl, die kennisgewing waarop die appèl betrekking het, bekragtig of ter syde stel of wysig op die wyse wat hy billik ag en kan die bevele wat hy regverdig ag met betrekking tot koste verleen.

(11) Die beslissing van 'n meerderheid van die lede van 'n spesiale hof is die beslissing van die hof: Met dien verstande dat enige regspunt wat vir beslissing deur so 'n hof opkom, en enige vraag of 'n punt vir beslissing 'n feitepunt of 'n regspunt is, deur die president van die hof beslis word, en dat geen ander lid by die beslissing seggenskap het nie.

(12) 'n Bevel met betrekking tot koste deur 'n spesiale hof verleen, het die uitwerking en word ten uitvoer gelê asof dit gegee was in die loop van 'n geding voor 'n afdeling van die Hooggeregshof van Suid-Afrika wat regsbevoeg is in die plek waar die sitting waarby daardie bevel verleen was, plaasgevind het.

(13) Die beslissing van 'n spesiale hof is nie aan appèl na of hersiening deur 'n geregshof onderworpe nie.

(14) 'n Bevel van 'n spesiale hof wat die kennisgewing waarop die bevel betrekking het, bekragtig, ter syde stel of wysig, moet deur die Minister by kennisgewing in die *Staatskoerant* bekend gemaak word, en 'n wysiging wat deur so 'n bevel aan 'n kennisgewing aangebring word, geld asof dit 'n wysiging was wat kragtens artikel 14 (3) (e) aangebring is.

(15) Die bepalings van artikels 84 en 85 van die Inkomstebelastingwet, 1962 (Wet 58 van 1962), is *mutatis mutandis* van toepassing met betrekking tot 'n spesiale hof kragtens hierdie artikel ingestel.

Geheimhouding

16. (1) Niemand mag, behalwe vir die doeleindes van die verrigting van sy werksaamhede ingevolge hierdie Wet of vir die doeleindes van geregtelike verrigtinge kragtens hierdie Wet of wanneer dit deur 'n geregshof of kragtens 'n wet van hom vereis word, inligting wat deur hom by die verrigting van sy werksaamhede ingevolge hierdie Wet verkry is en wat op die besigheid of sake van iemand anders betrekking het, aan iemand anders openbaar nie.

(2) Iemand wat die bepalings van subartikel (1) oortree, is aan 'n misdryf skuldig.

Penalties

17. Any person shall be liable on conviction of—

(a) any offence under section 5 (4), 7 (3) or (4 9 (5) or 16 (2), to a fine not exceeding R2 000 or t imprisonment for a period not exceeding 12 month or to both such fine and such imprisonment;

(b) any offence under section 8 (3) or 10 (7), t a fine not exceeding R10 000 or to imprisonment fo a period not exceeding two years or to both suc fine and such imprisonment;

(c) any offence under section 13 (3) or 14 (7), t a fine not exceeding R100 000 or to imprisonment fo a period not exceeding five years or to both suc fine and such imprisonment.

Regulations

18. The Minister may make regulations in regard to any matter which he considers it necessary to prescrib in order to give effect to the objects of this Act, including regulations prescribing the procedure to be observed in the conduct and hearing of appeals unde section 15, and regulations as to any matter which in terms of this Act is required or permitted to be prescribed by regulation.

Repeal of Act 24 *of* 1955, 14 *of* 1958, 48 *of* 1975, 23 *of* 1976 *and* 75 *of* 1978

19. (1) Subject to the provisions of subsection (2), the Regulation of Monopolistic Conditions Act, 1955, the Regulation of Monopolistic Conditions Amendment Act, 1958, the Regulation of Monopolistic Conditions Amendment Act, 1975, the Regulation of Monopolistic Conditions Amendment Act, 1976, and the Regulation of Monopolistic Conditions Amendment Act, 1978, are hereby repealed.

(2) Any notice issued under any provision of any law mentioned in subsection (1), as construed and extended by or under any law, shall be deemed to have been issued under the corresponding provision of this Act.

Short title and commencement

20. This Act shall be called the Maintenance and Promotion of Competition Act, 1979, and shall come into operation on a date fixed by the State President by proclamation in the *Gazette*.

(29 December 1978)

Strawwe

17. Iemand is by skuldigbevinding weens—

(a) 'n misdryf kragtens artikel 5 (4), 7 (3), of (4), 9 (5) of 16 (2), strafbaar met 'n boete van hoogstens R2 000 of met gevangenisstraf vir 'n tydperk van hoogstens 12 maande of met so 'n boete sowel as sodanige gevangenisstraf;

(b) 'n misdryf kragtens artikel 8 (3) of 10 (7), strafbaar met 'n boete van hoogstens R10 000 of met gevangenisstraf vir 'n tydperk van hoogstens twee jaar of met so 'n boete sowel as sodanige gevangenisstraf;

(c) 'n misdryf kragtens artikel 13 (3) of 14 (7), strafbaar met 'n boete van hoogstens R100 000 of met gevangenisstraf vir 'n tydperk van hoogstens vyf jaar of met so 'n boete sowel as sodanige gevangenisstraf.

Regulasies

18. Die Minister kan regulasies uitvaardig met betrekking tot enige aangeleentheid wat hy nodig ag om voor te skryf ten einde aan die oogmerke van hierdie Wet gevolg te gee, met inbegrip van regulasies wat die prosedure voorskryf wat in verband met die behandeling en verhoor van appèlle ingevolge artikel 15 gevolg moet word, en regulasies aangaande enige aangeleentheid wat ingevolge hierdie Wet by regulasie voorgeskryf moet of kan word.

Herroeping van Wet 24 *van* 1955, 14 *van* 1958, 48 *van* 1975, 23 *van* 1976 *en* 75 *van* 1978

19. (1) Behoudens die bepalings van subartikel (2), word die Wet op Reëling van Monopolistiese Toestande, 1955, die Wysigingswet op Reëling van Monopolistiese Toestande, 1958, die Wysigingswet op Reëling van Monopolistiese Toestande, 1975, die Wysigingswet op Reëling van Monopolistiese Toestande, 1976, en die Wysigingswet op Reëling van Monopolistiese Toestande, 1978, hierby herroep.

(2) Enige kennisgewing kragtens 'n bepaling van 'n wet in subartikel (1) genoem, uitgereik en soos by of kragtens enige wet uitgelê en uitgebrei, word geag kragtens die ooreenstemmende bepaling van hierdie W uitgereik te gewees het.

Kort titel en inwerkingstreding

20. Hierdie Wet heet die Wet op die Handhawing en Bevordering van Mededinging, 1979, en tree in werking op 'n datum wat die Staatspresident by proklamasie in die *Staatskoerant* bepaal.

(29 Desember 1978)

Measure up the managers as much as the companies

DIAGONAL STREET

These shares are worth more than a look at for an uncertain 1979, suggests DON WILKINSON

IT'S pick-your-shares time again for brokers, the investing public and financial journalists, a chore which the latter, at least, rarely welcome, bound as they are to an analysis of their efforts a year later.

Much can happen in a 12 months, after all, and since the portfolio once chosen cannot be altered, the cynic's view that a pin would serve just as well when it comes to choosing shares has some point.

This column, however, can be no exception to the seasonal rule.

Shares are bought (and sold) on fundamentals, on charts, on gut-feel, on inside information and even, it seems, on the basis of newspaper reports.

But there's perhaps also something to be said for looking at shares as potential investments from the standpoint of the calibre of the men at the top.

How, for example, have they guided their companies over the past three tough years, when even modest growth or maintained profits were achievements? What plans have they for the future? Are they matured whizz-kids, tried and tested?

The round dozen shares listed below each has whom I consider a notable business personality at its head.

With one exception, an investment in 100 shares of the company does not lay any particular emphasis on a market sector, apart from the fact that non-mining shares figure more prominently than mining.

The attempt at a reasonable spread of interests is deliberate, in that however encouraging about the country's economic prospects have been Finance Minister Horwood, the Handelsinstituut, and other assorted pundits, there's a great deal of economic and political uncertainty floating around investors' heads.

Naming but a few, these include oil and maize, Rhodesia and South West, internal politics, overseas investors' willingness to place their money here and/or expand their investments and, finally, the undoubted fact that the earlier adrenalin from the official stimuli to the economy applied some months ago has run its course and will have to be re-injected.

Industry, according to all the statistics, is still running at well under its existing capacity, and without stimulation of its consumers, may well continue to do so.

The 12 shares I've chosen are listed alphabetically and each has a chief executive whose efforts seem to be worth consideration.


Peter Herbert . . . Abercom's new boy

Abercom's Peter Herbert has acquired a hot seat which, however, I believe he enjoys.

Listed in the engineering sector, this conglomerate has lost a lot of its market glamour — which was probably for the best. But reorganisation of the main management structure under Herbert into specialist groups and the determined effort in export markets, notably North America, have put life back into this conglomerate.

The Flekser offshoot has been sold off for R1,6-million, there's a money-raising operation in the mill, and meanwhile subsidiary Metter is working away on its R22-million turnkey contract for the new Jan Smuts Airport jumbo hangar.

At 205c and on a historic dividend yield of 8,3 per cent on the 17c paid last time, Abercom has been heavily tipped in the recent past. It looks good value for money.


Jan Pickard . . . meaty subjects


Peter Grobbelaar . . . conglomerating

has always been one who cuts his losses when necessary.

In his last annual statement, he was looking for earnings of around 77c. Dividends from Calan have stuck for the last two years at 32c a share, to give a yield of 10,8, covered 2,2 times.

Given fulfilment of the forecast and unchanged cover, Calan could well pay more this time around. In the interval, the income looks worthwhile.

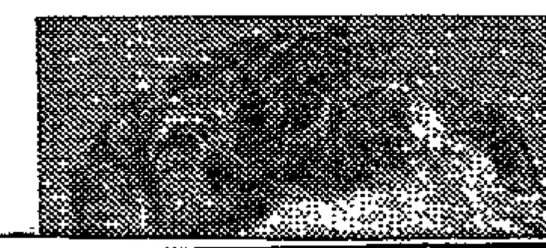

Natie Kirsh . . . after the stags

The Kimet issue has been, without a doubt, a disappointment to the stags, who are getting staler and staler, with the share price stuck around the 138c-140c mark.

But the stags would be well advised to stay with their holdings. Kimet, under the Natie Kirsh umbrella, represents a cheap way into Metro Cash owning, as it does, a half of that group's equity.

And Metro's return on capital employed in the last three years among the larger food-retailing/wholesaling chains, as a recent analysis has shown, is among the highest in the country.

On the forecast 5,5c dividend Kimet shares at 139c return only 4,5c, but it's more than even betting that Kirsh will improve on his forecast.




Charles Fiddian-Green . . . no holiday, but . . .

Charles Fiddian-Green and Rennies have had more than their fair share of adverse publicity in recent months, but the market has been increasingly coming round to the view that the company's profits and shares are worth more than a glance.

Hong Kong major shareholders Jardine, Matheson have given no indication that they're sellers, and meanwhile group results have shown encouraging upward movements, particularly from the Holiday Inns side.

on a spending spree," said a spokesman.

The extra R200-million was recorded in Christmas week, although figures show that South Africa was al-

normal seasonal increase and is the first time there has been a marked increase in spending since the second quarter, prior to the intro-

what the Reserve Bank describes as a bumper Christmas. This is the extent to which demand for bank notes soared.

Some independent retailers reported odd instances of phenomenal business, although the picture has been generally depressed.

While I don't expect that Asokor will ever get on the same generous borrowing terms as the co-ops — a perpetual bleat and bellow from Pickard — I would expect that the expertise of Pickard and his executives will continue to extract a good living for shareholders.

Irvine Brittan . . . building a future

Some of the statistics coming out of the building-/construction industry are encouraging, others are definitely not.

But Irvine Brittan at Boumat has shown in the past that it is quite possible to maintain dividends despite a decline in earnings.

Brittan, however, broke something of a path in his last annual statement by offering projections of his thinking on how the group would go in the next few years.

Among other things this suggested that earnings for 1979 would be enough to provide for a dividend of 23,5c against the 22 paid for the last three years.

But should the building industry turn up rather more quickly than Brittan indicated, the share price could go better all that sooner.

As it is, at 255c, the shares are yielding an historic 8,6 per cent.

Calan is run by Peter Grobbelaar and his team. It's another conglomerate, this time with its principal interests in plastics, lighting, and other electrical equipment.

To some extent, therefore, the group is a hostage to the state of the building industry, but Grobbelaar

compa... that scene were the shares of Dubin Investments, whose Abie Dubin has nevertheless built the group into a force to be reckoned with, at least partly thanks to the acquisition of the SA Clothing minority.

Those who look at charts will notice that the share has a strong resistance point around to 60c-61c level and, to use their jargon, any penetration of that level must be a good thing.

At 60c, however, the return is 11,7 per cent, which is scarcely to be sneezed at, particularly when the recent interim statement noted that the group's factories were working more or less at full stretch.

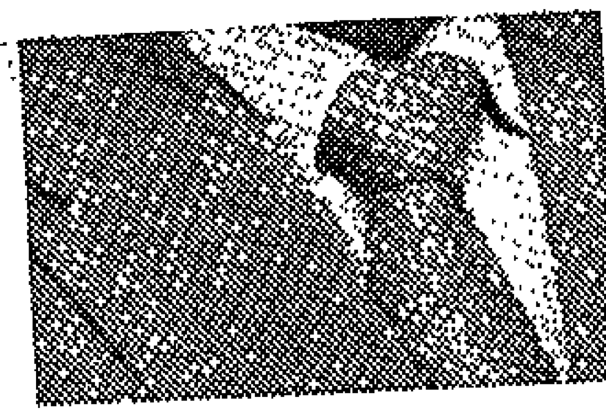
So far, it's been the industrial picture that I've been looking at, and assuming that there will be forthcoming some further stimulation of the economy.

Harry Oppenheimer . . . up in the dumps

But what about gold, whose future, despite the weight of international auctions, looks rosy for 1979, if only because of the international dollar problem ?

The investor ought to have a stake in the metal, and here my choice is the inevitable Harry Oppenheimer's Ergo.

On the forecast 25c a share payment, the return is a mere 3,9 per cent at the current 645c, but the market's feeling is undoubtedly that Ergo will pay a good deal more, if only because the vast bulk of the operation's costs have been made good, future development costs are virtually negligible, and the operation is, after all, a surface and chemical affair.



Graham Beck . . . moving again?

Coal shares have had a first-class run over the past 12 months, and more than one broker and chartist has suggested that the run is over.

Quite possibly, but it's a suggestion that leaves out of account coal expert (and entrepreneur-extraordinary, buyer of Stuttafords) Graham Beck.

If market rumours are in any way correct, Beck is poised for another deal on his home ground and, to that extent, his Natal Coal seems worth a second look, even if the dividend yield on the shares at 67c is only six per cent.

Brian King . . . lifting

Heading this year's Sunday Times Top 100 Companies was Otis, foreign-controlled, heavily involved with the building industry, and looking for an acquisition.

It's found none in the last couple of years, but has compensated shareholders in the form of rising dividends and share splits.

New managing director Brian King is still looking, of course, but there are those around who feel that the search by Otis will be never-ending, and that the generous treatment of shareholders will continue.

property companies — provided that they're not mainly involved with township land development.

This seems to be particularly true of office and other CBD property owners, and though his company is loaded with debt, the improvement could well be good for Jimmy Ward and Retco after the long hard row they have had to hoe in the last couple of years.

At 32c, and yielding an historic 9,4 per cent, Ward's Retco could well be headed for better things, and it's a sure bet that South African Breweries would be only too pleased to see them.

Louis Shill . . . running sagely

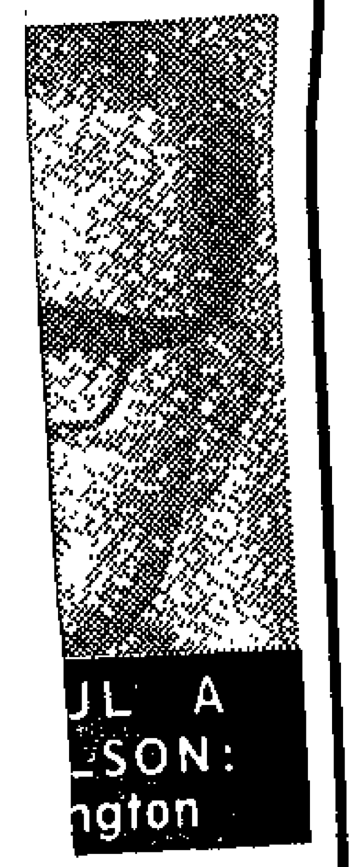
Last but not least in this portfolio comes Louis Shill's Sage Holdings, which has long ago left behind it the tarnished image of the mutal fund and branched out into a wide range of financial servicing coupled with housebuilding.

In a recent, somewhat controversial deal it acquired the minority in the Schachat company which has been something of a drain in the last couple of years or so, but its other interests have been forging ahead, particularly those on the computer (Leo) side.

The shares, at 145c to return around 9,7 per cent, are unlikely to let a buyer down.

So there you have them — a dozen shares yielding on average a shade over 8 per cent on historic/indicated dividends.

Not inflation-rate beating, perhaps, until you take into account their capital profit potential. And the best of luck . . .



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Carter needs an economic triumph soon

Sun. Times 31/12/78

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In terms of real time Jimmy Carter has roughly half his presidency — two years more — ahead of him but by that other clock called political time, the Carter administration has less than one year to turn the American economy around.

Washington correspondent JIM SRODES surveys President Carter's new year prospects.

In the early months of 1980, Mr Carter wants to be able to confidently campaign for re-election as the man who brought peace to the Middle East, a new diplomacy with Peking, a salt treaty with Russia, justice to Southern Africa, human rights to all mankind and a sound dollar and prosperity back to the United States.

Without this latter economic triumph, all the others — assuming success — will be as sounding brass on the ear of the American electorate. Gerald Ford learned that in 1976 and the Carter campaigners never forgot it.

By any objective charting, Mr Carter's economic performance has not been too bad thus far. But if 1979 truly is the year that will make or break his presidency, there are three questions that must be answered.

One, did the new policies announced in late October and on November 1 do enough to keep the dollar propped up while inflation is drained out of the economy next year?

Two, will this programme hold together given all the accidents it has suffered in the weeks just past, and, three, if it must be replaced, will the Carter planners have the wit to recognise it and move on to a newer and tougher set of remedies?

If all of this sounds dismally familiar to South African ears, it should. But one can argue that South Africa is in sounder shape than it was three years ago and the United States has every chance to do the same.

After all, on the first question of the White House's new strategy for the year upcoming, it can be argued that the Carter planners could not very well have come up with a stronger programme under the circumstances.

First off, the economic circle around Mr Carter did not want mandatory wage and price controls — or anything that smacked of them — since they don't work at best and can cause irredeemable mischief to boot.

And the $30 000-million stockpile of ammunition to use in the dollar's interim defence should have been enough to see the Federal Reserve and US Treasury through next year until it became apparent to the most cynical speculator that America had weathered the storm.

However, having said that, one has to be alarmed at what pitfalls Mr Carter and his team have fallen into in recent weeks with much of the trouble due to simple, undeniable blundering and miscalculation by the administration's tacticians and, ultimately, Mr Carter himself.

Consider just a brief list.

The anti-inflation effort assumed a cyclical slowing of economic activity would be the key push behind the Carter plan. But the Carter economists not only missed when the slowdown would occur (they said first and second quarter, it will more likely come in the last six months) but they also misjudged just how strongly inflation is rooted in the American economy and how hard it will be to cool demand pressures

Only this week, for example, was the government's index of leading economic indicators that foretell future trends able to spot a turn down in activity, about three months late.

The biggest blunder of all was the White House's bland assurance that the Opec nations would hold their 1979 oil price increase to no more than quarterly compound rises of 1,5 per cent.

This leaves Mr Carter on New Year's Eve in real trouble. Faced with credit demands for an expansion they did not forsee, the Federal Reserve is being prodded by Carter planners to push interest rates to a 12 per cent prime and beyond if need be.

Wall Street's equities markets add to the confusion by gyrating 25 points in a day on the slightest pretext.

Worse for Mr Carter, Senator Edward Kennedy earlier sounded a challenge for control of the Democratic Party by charging that the president's programme cheated the poor.

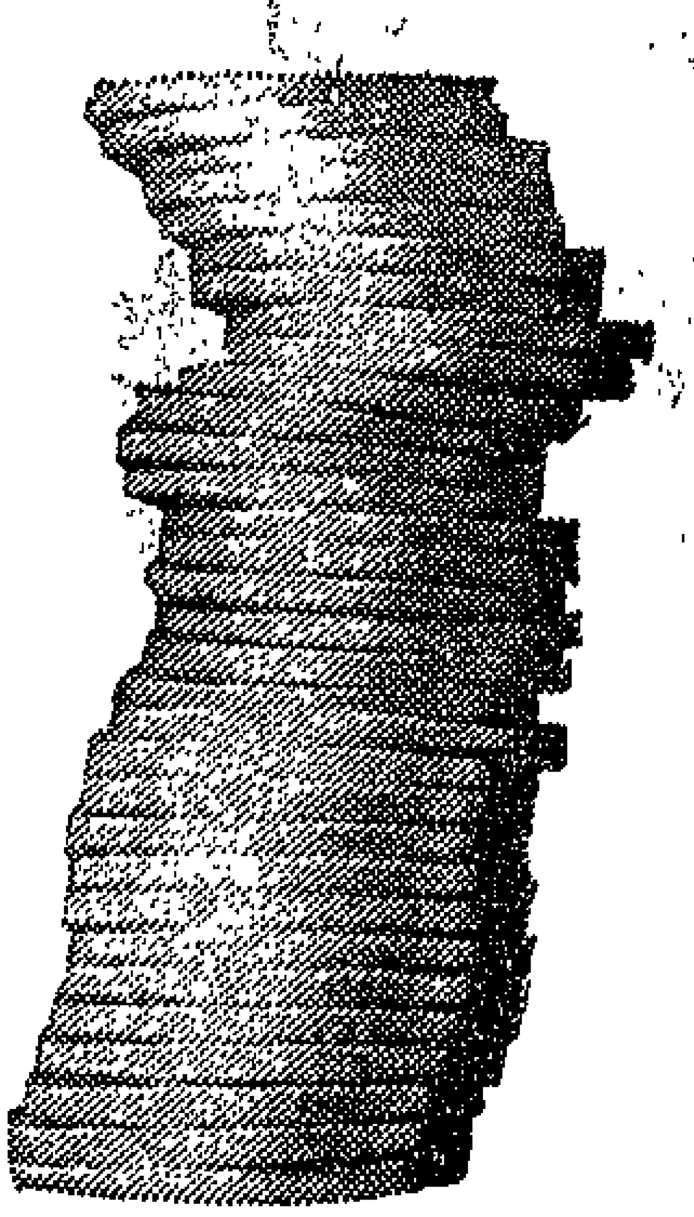
Thus the horn is sounded for a full battle over the $30 000-million budget deficit Mr Carter sets such store by.

③ Key to economic recovery

Public holds key to economic recovery

Sun. Tribune 31/12/78

(49)



By TONY HUDSON

THE key to economic recovery in 1979 lies in the hands of the man in the street. If he spends more, all will be well; if not, we will move back into recession.

The powers that be have no other choice than to turn to you, the consumer, to provide the necessary spending power that will start the wheels of industry turning again and put the country back on the growth track.

The Government has no alternative. All other avenues are closed. Export markets have been extensively exploited in recent years and economies abroad will start to contract following the ripple effect of the 1979 oil price increases. And, in addition, there is growing resistance to South African products in overseas markets.

Government spending is also unlikely to show any marked increase because of the effect this would have on the ultra-sensitive inflation rate, and investment by foreign companies has almost completely dried up.

But if increased consumer spending is to become a reality, the Government will have to bend over backwards to help the consumer restart the faltering economy.

Spending levels at present are far too low to give the required push and steps must be taken as soon as possible to change this situation.

Generous

The authorities have already made the first move by granting generous increases to Government employees which will no doubt have a beneficial effect.

But the really important area is that of tax cuts for it is the quickest way of putting those extra rands into the consumer's pockets and back into the economy.

And, say the economists, the Government can really do something for it is estimated that the Treasury moves into 1979 with a cash surplus of R300 million in its coffers.

If this surplus was divided among the 1,8 million taxpayers in South Africa, it would mean an extra R167 a year or nearly R14 a month more to spend.

However, the Government can go much further than this as the money markets are flush with cash because of the low level of investment in new projects.

Generous public sector bond issues could easily raise a further R400 million which would give each tax payer R360 a year — more than R30 a month.

But these tax concessions must be balanced so as to achieve the maximus positive effect. And possibly the greatest benefit to the economy could be cuts in Sales Tax on essential commodities and a dropping of the tax rate on low income earners.

Reason for this is that those in this bracket and who spend a high proportion of their income on essentials such as food, fuels and cleaning materials have the highest tendency to spend spare cash on locally produced goods.

In addition, the Government must give the highest priority to supporting the "Buy South African" campaign for the concessions will achieve nothing if the surplus cash is spent on imported goods.

Another step that must be taken is the urgent generation of mass employment. Any increase in Government spending must be directed in those areas where jobs can be created locally on a large scale.

Examples would be the extension of housing projects, the building of schools, roads and dams using labour intensive techniques.

There is no doubt that the men in Pretoria who hold the purse strings will be tempted to sort out the income tax scales by making large concessions to middle and upper income brackets.

Part of the motivation here is to provide more incentive to the top earners in the country and to stop the brain drain of professional and skilled people.

In the long term there is no doubt that this has merit but in the short term it is vital that everything be done to increase lower income purchasing power for a very broad base is needed to form the foundations of a sound economy.

If Government does take these much needed steps, the man in the street can look forward in 1979 to:

- Tax cuts and more money in his pocket;
- More employment opportunities and dropping unemployment;
- A higher standard of living; and
- High levels of savings.

5/11/78 Sunday Times

Business

1) 49

2) ~~153~~

3) ~~320~~

Economy stalls as experts clash

THERE is a sharp conflict over economic policy in top level Government and Reserve Bank circles.

Major disagreements have emerged that have led to a policy decision stalemate that has lasted months.

Yet, while the experts squabble over what to do next — if anything — businessmen are seriously concerned that the current business upturn is losing momentum.

Firmly ranged on the conservative side is Reserve Bank Governor, Dr Bob de Jongh. As the guardian of the country's gold and foreign exchange reserves, he is a man with an unenviable task.

Bob de Jongh

De Jongh versus Young Turks

Simon Brand

Gerhard de Kock

Joep de Loor

NIGEL BRUCE reports

Governor under pressure

He must make certain the country has sufficient cash in the kitty to meet its foreign obligations.

Until very recently this has been a formidable task. It's easier now that the current account is in substantial surplus and inflation appears to be moderating.

But, quite clearly, the Governor believes this situation to be precarious, especially in view of the massive amounts of capital still fleeing the country.

As Dr De Jongh said at the Unisa graduation ceremony on May 17, "...it is a fact that foreign financial institutions scrutinise our balance of payments situation and our inflation rate very carefully, and also our policy in this regard, before they decide to extend loans to South Africa."

An important inflationary factor is the money supply, which, the Governor told the annual meeting of the National Finance Corporation this week, had "accelerated from a slow increase in the first quarter of 1978 to a seasonally adjusted annual rate of 17 per cent in the second quarter and then accelerated further to an annual rate of 38 per cent in July and August."

Moreover, the "increase in the consumer price index, after elimination of the influence of the GST, accelerated again in the third quarter of 1978."

Nor is Dr De Jongh prepared to attempt to encourage investment and prolong the export boom by linking the rand's external value to a more market-related formula.

He told the annual meeting of the Reserve Bank on August 22 that the current exchange rate policy had "provided a remarkable degree of stability to the external value of the rand over the past three years", whereas the "system of floating exchange rates" had created elsewhere uncertainty and "definitely contributed to the lack of investment generally.

In sharp contrast, up on the hill in the Union Buildings, the Treasury men take a profoundly different view.

To Finance Secretary Dr Joep de Loor, to special economic adviser Dr Gerhard de Kock (who is also senior deputy governor of the Reserve Bank and chairman of a commission into monetary policy) and to the new economic adviser to the Prime Minister, Dr Simon Brand, the question of extensive black unemployment is the most urgent problem facing governmmnt.

Asked two months ago what was the country's biggest economic problem, Dr Brand replied: "Insufficient growth. The unemployment figures are uncomfortably high and the rate of job creation is insufficient to cope with the growing population.

"The downward trend in inflation will probably resume after the July hump...I don't see an immediate conflict in going for higher growth and reducing the inflation rate."

Obviously, he and his colleagues believe that inflation is being caused by rising costs rather than excess demand.

More vigorous growth — and a more flexible exchange rate policy — is also seen by the Treasury men as the most likely way of attracting investment to this country and stemming the capital haemorrhage. Business men are hardly likely to move funds out if there is a use for them here.

In October Dr De Kock told an engineering symposium that it was essential that actual and expected profits in the private sector, including any risk premium which might be necessary, should increase to a level at which they would serve as a strong inducement to both residents and non-residents to expand their investments here.

The Treasury camp has not taken fright at the massive money supply increases in the second quarter and which continued into July and August.

They point out that official money statistics are unreliable at present because of distortions from the effect of the introduction of GST and because they are based on month-end positions whereas there are huge liquidity swings in and out of the monetary banking sector and between public and private sectors during the course of each month.

Declining business activity suggests, they say, that while money quantity statistics are showing an increase, the velocity of circulation has most certainly fallen, which under present circumstances is the more important measure.

The reserves, while still weak, are rising after all, they point out. Nor have the budget stimulants, the manner of financing the government deficit, buoyant export earnings and rising liquidity led to the growth in domestic demand that was expected earlier.

The question remains, however, that even although Governor De Jongh refuses to reduce interest rates further — and the appropriate stimulatory effect as well as the latest oil scare and rise in US rates make this question problematic — why cannot the Treasury men administer further fiscal stimulus?

After all, Exchequer receipts are running at least up to expectations and the Treasury most likely needs to borrow no more new money until next fiscal year.

In fact, Minister Horwood might be in danger of ending the year with a surplus rather than a small deficit, which in view of our attempts to pull out of a recession would be singular indeed.

Now is obviously the time to scrap the loan levy and the import surcharge and reduce substantially the amount that financial institutions have to invest in official securities.

The answer must be that Governor De Jongh's influence, which has always been covert, is sufficiently telling to have forced the present hiatus with regard to both monetary AND FISCAL policy.

Caution in these uncertain times is a laudable attribute. But indecision in the face of falling business momentum is the hallmark of disaster.

Minister Horwood must obviously do something — and do it quickly — if the revival is not to peter out. Not even Dr De Jongh, for all that he must look after our pennies, can really want that.

Analysis of the category of engineering technician effectively illus-

... (excluding

(16)