

PRICES - GENERAL

1989

JULY - DEC.

244 1/7/84

Calculate your own inflation

THE argument currently raging concerning the magnitude of the inflation rate is quite surprisingly capable of extremely simple resolution. This is merely for each family to calculate its own inflation rate figure. This is the prime aim of this article. There are two further aims, the first of which is to indicate to the reader that we do not need any recourse to the erudite and debatable concept of the Consumer Price Index (CPI) to be in a position to calculate the inflation rate. More on this possibly surprising statement later.

The second is to commence thought on the aspect that the householder does not in point of fact need a knowledge of the inflation rate (if such a figure is conceptually valid). He wants to know his own figure in order to make his own characteristic decisions regarding investment policies and savings techniques.

Calculation

There is one crucial characteristic to these calculations, best illustrated as follows. Imagine yourself on a train journey. You can sit either facing the engine, or alternatively with your back to it. Inflation rate calculations are equivalent to sitting with your back to the engine. Thus in undertaking the required investigations we are concerned primarily with the path we have travelled, and not that which is still to face us.

This for example our first concern in this matter is the percentage increase which has taken place in each of the quoted items of expenditure over the past year. Please note the absolutely vital mode of expression here. It is for each item of expenditure listed in the table which follows.

Should for example this item of expenditure comprise a multitude of individual components, such as the overall monthly food expenditure, we must be extremely careful not to fall into an apparently common mathematical pitfall. Those families relying on a total payment to a supermarket, for example, will be using the correct figure. Those who rely on the apparently more erudite technique of the "trolley of foodsuffs" are in error, as has been discussed in a previous article.

In order to explain the method to be used yet again, I have been asked by a telephone caller to consider his real-life situation. As I have to take a mathematical model here in any case, I kill two birds with one stone by complying with his request.

He is in top management, with one of his two offspring at university. The other is in matric at a public school, which still involves him in a "voluntary" levy of R1200 a year for computer after-school teaching facilities. He is only too happy to comply with this "request" since his son obviously benefits greatly by the facility. However, as opposed to my model 2 of my Sunday May 7 article wherein the family analysed had completely liquidated its home bond, he upon his relatively recent promotion had moved house into a higher, "far higher" to quote his actual words, bracket and is now paying a monthly bond figure of R1500.

The rest of his figures, as actually quoted by him, as shown in the table.

Since the prime aim of this article is to enable each family to calculate its own inflation rate, I now go over each step in the compilation of this table in some detail.

Step 1

The very first step is to compile columns 1 & 2 of the table, namely to detail in sequence each item of expenditure incurred, averaged over the period of one month. Some explanation may be necessary here. Take the item of car repairs. This should not occur each month, but conventionally twice a year for each car run.

The family being analysed has three cars. The new one replaces the old banger, which the university-going daughter now drives. Total repairs for the past year amount to R2400, which averaged out per month yields the fixture of R200 shown.

Step 2

Determine the weighting factor for each item of expenditure.

Having itemised the expenditures in column 2 of our table, obtain the total. For our family shown this is R6780. Now divide the expenditure for each item by this total to obtain what is esoterically termed the "weighting factor". Taking the R1500 bond payment as an example, the weighting factor

KARL POSEL PhD (Wits) DSc (Eng) (Natal)

here is obtained by dividing this 1500 by the total of 6780, to result in 1500/6780 or 22,1 percent.

Repeat this procedure for each item of expenditure. The total of the weighting factors must obviously be 100 percent.

Step 3

Note the increases which have taken place over the past year in each item of expenditure. Since we are travelling with our backs to the train engine, we need events precisely one year in the past as our reference level. I have given in the table those annual increases which are in conformity with conventional occurrences. This means that these increases have actually been witnessed by real persons in real situations, and not hypothetically deduced by thousands of questionnaires averaged out to lead finally to figures which bear no resemblance whatever to reality.

Step 4

Obtain the contribution of each item toward the inflation rate.

For each item of expenditure shown, now multiply the weighting factor shown in the third column by the annual increase shown in the fourth column. For example, taking once again the bond-repayment expenditure, we have a weighting factor of 22,1 percent to be multiplied by an annual increase of 45 percent, or 0,45, we thus obtain 0,45 x 22,1% or 9,95 percentage points towards our final figure of the inflation rate for the family being analysed.

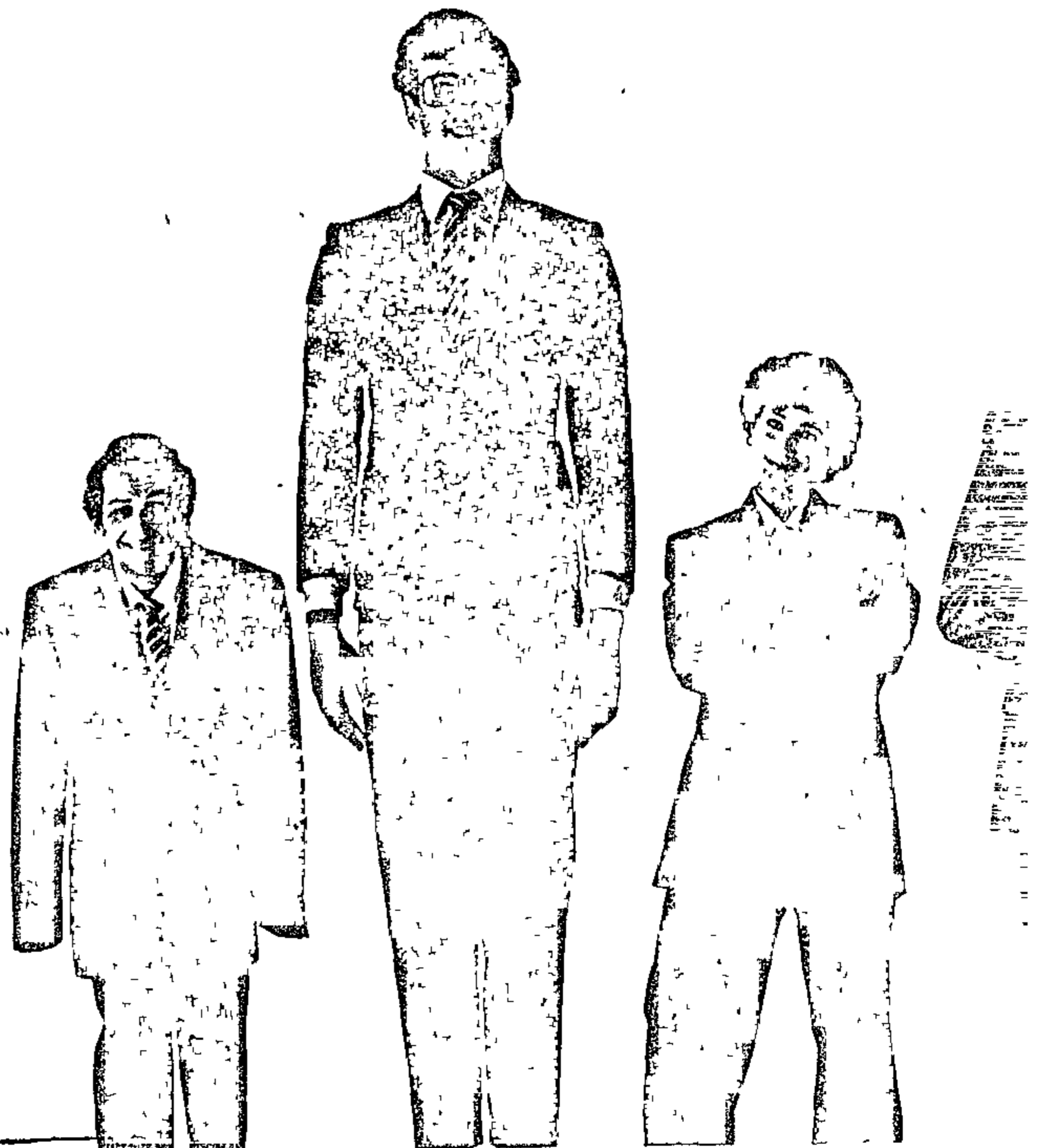
Item	Amount spent per month	Weighting factors
Food and household	R1 200	17,7
Do, ex house	150	2,2
	200	2,95
Entertainment	350	5,15
Bond repayment	1 500	22,1
Domestic servants	450	6,64
Car repayment	500	7,37
Telephone TV	350	5,1
Petrol	350	5,1
Car repairs	200	2,9
Education, fees	450	6,6
books	200	2,9
Personal care	350	5,1
Electricity, water	180	2,6
Clothes, footwear	350	5,1
Total monthly ex	R6 780	100,0

Repeat this for each item of expenditure, then total up the figures emerging. For the family shown, the final inflation rate emerges as 34,645%.

Comments

I have not mentioned the phrase Consumer Price Index once throughout the whole procedure involved.

SYMPHONY WEALTH



PERSONAL FINANCE

OUR OWN inflation rate

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Item	Amount spent per month	Weighting factors %	Annual % increase	Contribution to inflation rate points
Food and household	R1 200	17,7	40%	0,4 × 17,7 = 7,08
Do, ex house	150	2,2	60%	0,6 × 2,2 = 1,32
	200	2,95	60%	0,6 × 2,95 = 1,77
Entertainment	350	5,16	40%	0,4 × 5,16 = 2,06
Bond repayment	1 500	22,1	45%	0,45 × 22,1 = 9,95
Domestic servants	450	6,64	20%	0,2 × 6,64 = 1,33
Car repayment	500	7,37	22%	0,22 × 7,37 = 1,62
Telephone TV	350	5,16	15%	0,15 × 5,16 = 0,77
Petrol	350	5,16	25%	0,25 × 5,16 = 1,29
Car repairs	200	2,95	40%	0,4 × 2,95 = 1,18
Education: fees	450	6,64	25%	0,25 × 6,64 = 1,66
books	200	2,95	60%	0,6 × 2,95 = 1,77
Personal care	350	5,16	20%	0,2 × 5,16 = 1,03
Electricity, water	180	2,65	10%	0,1 × 2,65 = 0,265
Clothes, footwear	350	5,16	30%	0,3 × 5,16 = 1,55
Total monthly ex	R6 780	100,0%		34,645%

CPI diversion as follows
Let us assume you wish to find the difference in heights between your two sons. One method is to measure the height of each separately, and then to subtract these figures. Another, and more accurate procedure, is to place your sons back to back and to obtain the difference in height directly from the top of the one head to the top of the other. For esoteric measurement reasons this direct-difference method is the more accurate in actual practice.

This is precisely what I have done in obtaining the inflation rate figure. This inflation rate is mathematically defined to be the difference in the CPIs one year apart. Instead of then calculating these individual CPI figures and then only subjecting these values to the procedure of subtraction, I have proceeded to the subtraction directly by using the figures for the annual increases experienced in each item of expenditure directly.

Conclusions

I request that each family which has calculated its own inflation rate please to send the final outcome to the Saturday Star. Only mathematical details of total monthly expenditure and weighting factors need be included.

This will then provide a vital service to those, such as myself, who are committed to disprove the ruling Central Statistical Services figure of some 14 percent.

Of particular interest are the inflation rate figures of groups other than the white families I have analysed to date. I have adopted the latter approach merely because of a lack of experimental data for the remaining groups. I hope this article will enable me to cure this lack.

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Repeat this for each item of expenditure, then total up the figures emerging. For the family shown, the final inflation rate emerges as 34,645%.

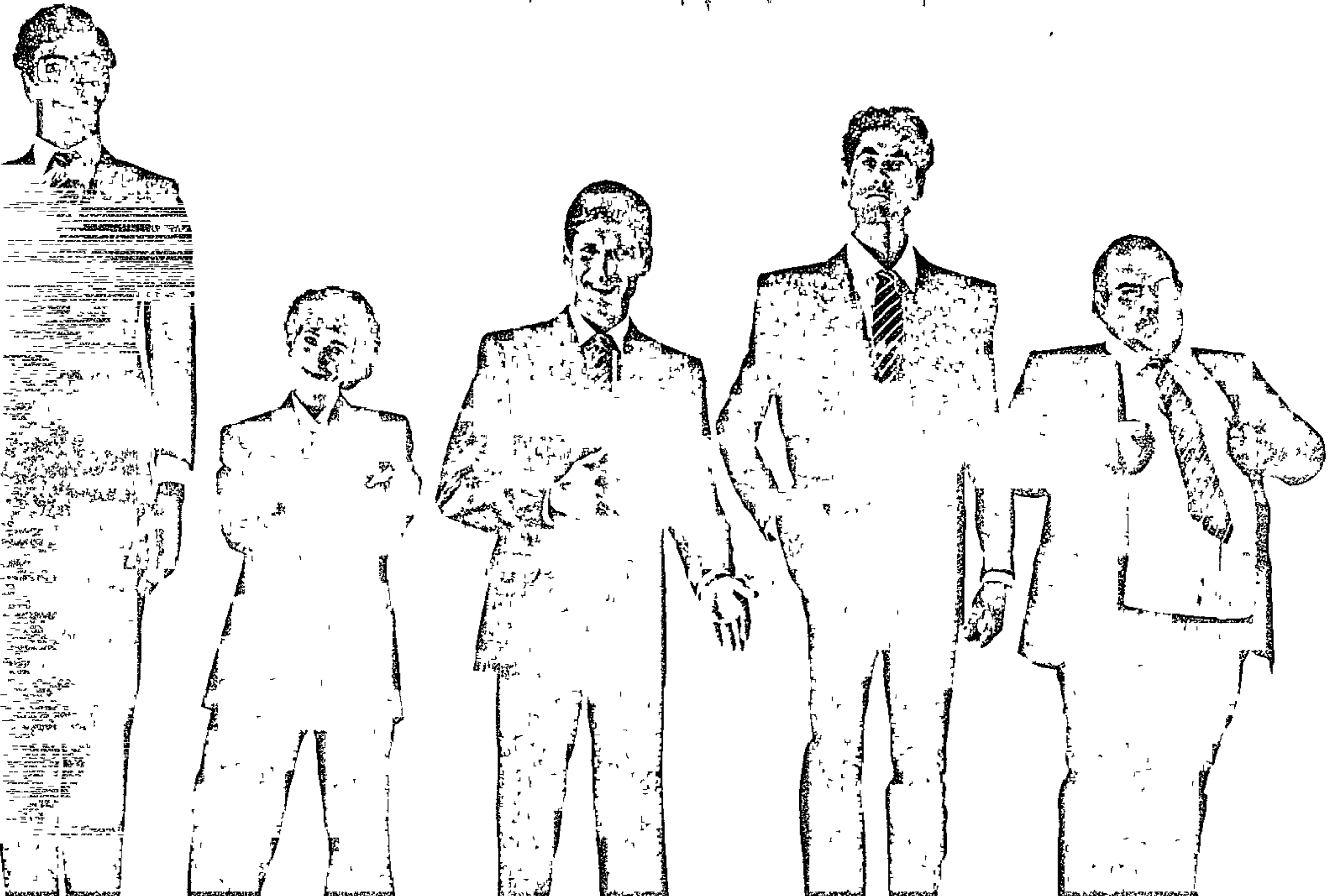
in arriving at the inflation rate of 34,645 percent for our family shown. Conventionally this calculation makes mention and use of nothing but this CPI concept. How have I then achieved my aim in the method shown?

Comments

I have not mentioned the phrase Consumer Price Index once throughout the whole procedure involved.

Let me hasten to assure the reader that what I have done is completely correct mathematically. I have eliminated the unnecessary and complicated

IS WEALTH CREATOR PLAN



By Daw 317184

Warning to keep (244) down egg supply as prices fall

CHARLOTTE MATHEWS

SURPLUS egg production is causing stiff competition among producers and drastic cuts in the consumer price of eggs, Egg Board GM Dawie Gouws said last week.

Two weeks ago Checkers sold eggs at R1,35 a dozen against the usual R2,16, but the supermarket chain said this was a promotion unrelated to excess supply.

OK Bazaars ran a one-day special price on eggs at R1,34 a dozen on June 26 against the usual R2,20 a dozen, but again said this was not caused by an over-supply.

The latest issue of Egg Stats, published by the Egg Board, said egg producers' output was becoming less market related.

"It is therefore necessary that all producers irrespective of size curtail unnecessary increases in layer numbers and plan egg production closer to market requirements," the Egg Board said.

The board found the demand for eggs was weakening, as expected in the medium term, and the present level of egg consumption growth was falling behind increases in production.

Permits

The Egg Board projects the demand for eggs 18 months ahead and builds in a 3,5% surplus to ensure appropriate supply. It allocates a sum to buy the surplus eggs, which are then made into egg products and sold locally or exported.

To prevent surplus production, the Egg Board issues permits that limit the number of layers a farmer may stock.

The Egg Board said production allocations had been over-utilised in most of the country, leading to very low surplus purchase prices.

However, Gouws said the board planned to eliminate the quota system.

"We would like to replace quotas with a sound market information system, which has already been instituted.

"This would assist the producer to make his own decisions on the basis of market information and statistics"

In the first five months of the year, egg producers have been squeezed by various factors.

Input costs have risen. Fishmeal prices increased by 45% earlier this year and the costs of transport, electricity and packaging have also risen.

Storm of protest over Putco's fare increase

6104 417789
THEO RAWANA

THE latest Putco bus fare increase has triggered a storm of protest from black business and consumer organisations.

In announcing the increase, effective this week, the company would not give a percentage, but said the rise would be "in line with the 20% and 22% fare increases effected by the Johannesburg and Pretoria city councils' transport departments".

Consumer Research and Promotion Association executive director Eldridge Mathebula said yesterday commuters should resist the increase. "We find it ridiculous for a company like Putco to raise fares by so much.

"We find it appalling that at a time when inflation is running at 18% and unemployment is so high, Putco should show no sensitivity for commuters."

"Bombarded as they are by price increases from many angles, consumers cannot afford the latest increase and should resist it," Mathebula said.

Nafcoc public affairs manager Gab Mokgoko said: "We said in April the recent and impending petrol price increases would have a ripple effect on prices in general, meaning that the country as a whole, particularly blacks, were facing the 1990s with the burden of high prices.

"This is all because of government's inability to face political realities and their effect on the economy."

Black Consumer Union spokesman N Rampomane said Putco had no reason to be raising fares when it was subsidised by government. "We too are faced with increases in basic foods. About 75% of our pay packets goes to transport costs because of the distance we have to travel to work.

"It is also unfair to load commuters with increases, when Putco buses are not even comfortable and not keeping to schedule," she said.

Putco could not be reached for comment.

Sluggish factory growth points to overkill in economic curbs

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STAY 5/17/89

By Derek Tomney

The manufacturing sector ran into heavy seas in the first four months of the year.

Figures issued by Central Statistical Services (CSS) show that although industrial production sputtered by 5.5 percent in April — probably as a result of increased export sales — total output for the first four months rose only 1.7 percent (6.1 percent in the same four months last year).

Thus follows on a year when the net profit of manufacturing firms in 1988 increased by 45.4 percent compared with the previous year, according to the CSS. The production figures suggest that after being hit by successive increases in interest rates and taxes, the economy is running out of steam.

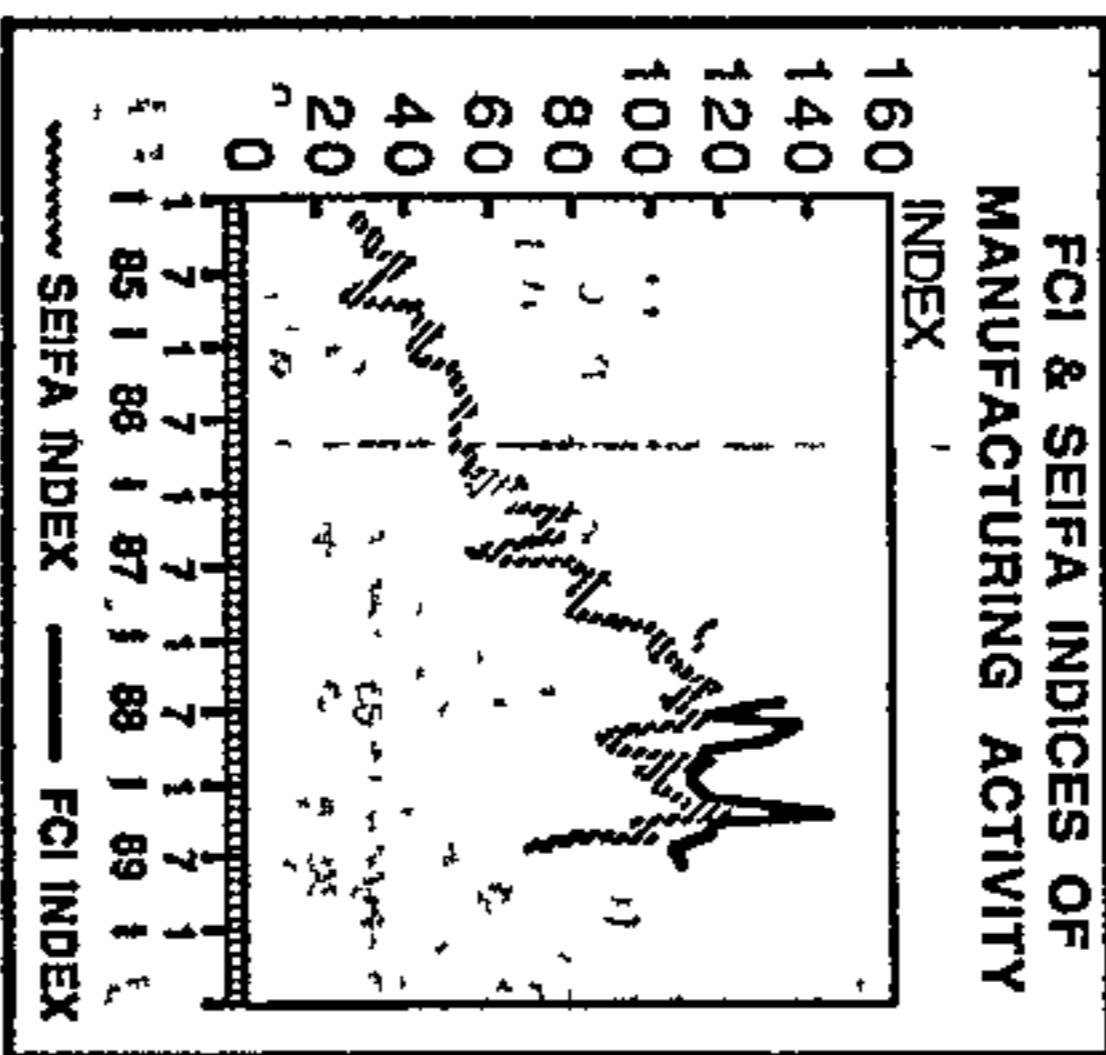
In therefore seems possible that the May 5 austerity package, which included the 10 percent loan levy and pushed prime interest rates up to 20 percent, might contain an element of overkill.

CSS figures show that the iron and steel industry had the biggest increase in output in April with a gain of 22.6 percent on a year ago.

Thus probably reflected the restoration of full production at Iscor and its huge export sales.

Associated with this, output of metal products rose 11.9 percent.

The next biggest gain was shown by



rubber products where output rose 20 percent. The tobacco sector increased output by 10.5 percent and the beverages sector by 9.3 percent.

Against this, production of glass and glass products fell 24.2 percent, while output of transport equipment fell 11.4 percent. The figures tend to highlight the divergent trend in the economy, with export and import-replacement industries and their suppliers enjoying a high level of activity.

On the other hand, the increase in taxes and interest rates is taking a big

chunk out of while consumer buying power and reducing demand for the more sophisticated products.

However, it is conventional economic policy to curb consumer spending after a major devaluation such as South Africa experienced last year in order to hold down wage demands and inflation and retain the benefits of devaluation for as long as possible.

But there now seems some doubt about whether the May measures were really needed. This will be known only later this year.

It means the authorities will have to keep a close watch in order to introduce restorative measures as soon as there are signs of the economy going into a real depression.

The sharp downward trend in the volume of new orders for manufacturing was halted last month — still marginally above the critical line that marks the division between optimism and pessimism about the short-to-medium-term outlook.

The Federated Chamber of Industries said last night that its index of economic activity, which was topped from a high of 140 points at the start of the year to 106 in May, had steadied and remained unchanged in a June survey, writes Michael Chester.

Executive director Ron Haywood said an especially encouraging feature about

the longer-term outlook was evidence of a continued surge in new fixed investment in the industrial sector.

Total new investment was now running at no less than 18 percent in real terms, compared with a year ago.

The robust level of investment and the check to the downward spiral in key indicators appeared to confirm earlier suspicions of overkill in recent measures to cool the economy.

In fact, he said, there had been a marginal improvement in optimism among manufacturers about current production levels, where indices had lifted from 112 to 114 points.

The index relating to the business outlook over the next 12 months, however, had slipped from 122 to 116 between May and June, marking the fifth monthly decline on the run for forecasts of actual sales in the year ahead.

"Still, it is gratifying to note that all of our key indicators, despite their retreats under various economic squeezes, remain inside the optimist zone of the optimism/pessimism border," said Mr Haywood.

He believed much of the renewed relative stability of indices was due to growing enthusiasm among manufacturers about planning new export initiatives and seizing new opportunities for import-replacement schemes.

2 petrol price rises ²⁴⁴ expected this year ^{Star 10/7/87}

Two fuel price rises, totalling close to 20c, by the end of the year, with the first (9c) due this month — that is the prospect confronting the hard-pressed South African economy.

The increases can only be avoided if there is a dramatic improvement in the gold price, or if Government redesigns the formula for calculating the cost of fuel.

Since more than 50 percent of the price is made up of taxes and levies, which bear no relation to the landed cost of the fuel, this is a viable proposition.

It is one that has been put to Government by the Public Carriers' Association.

● See the first edition of Star Transport on Page 14.

New vehicle sales rise marginally 244

PRETORIA — New vehicle sales for the first six months of the year, 175 912 units, were only marginally (0,8%) greater than January-June figures last year, according to Naamsa *Blom 11/7/89*

In all categories, however, June sales figures increased compared with May — new cars by 7,3% to 19 973 units, light commercial vehicles by 12,4% to 10 563 and heavy trucks and buses by 9,2% to 916

New cars sales in June increased by 17,6% over the 16 981 sold in the same month last year

Naamsa's director Nico Vermeulen, however, cautioned against reading too much into the higher than expected June sales figures.

The introduction of the new local con-

GERALD REILLY

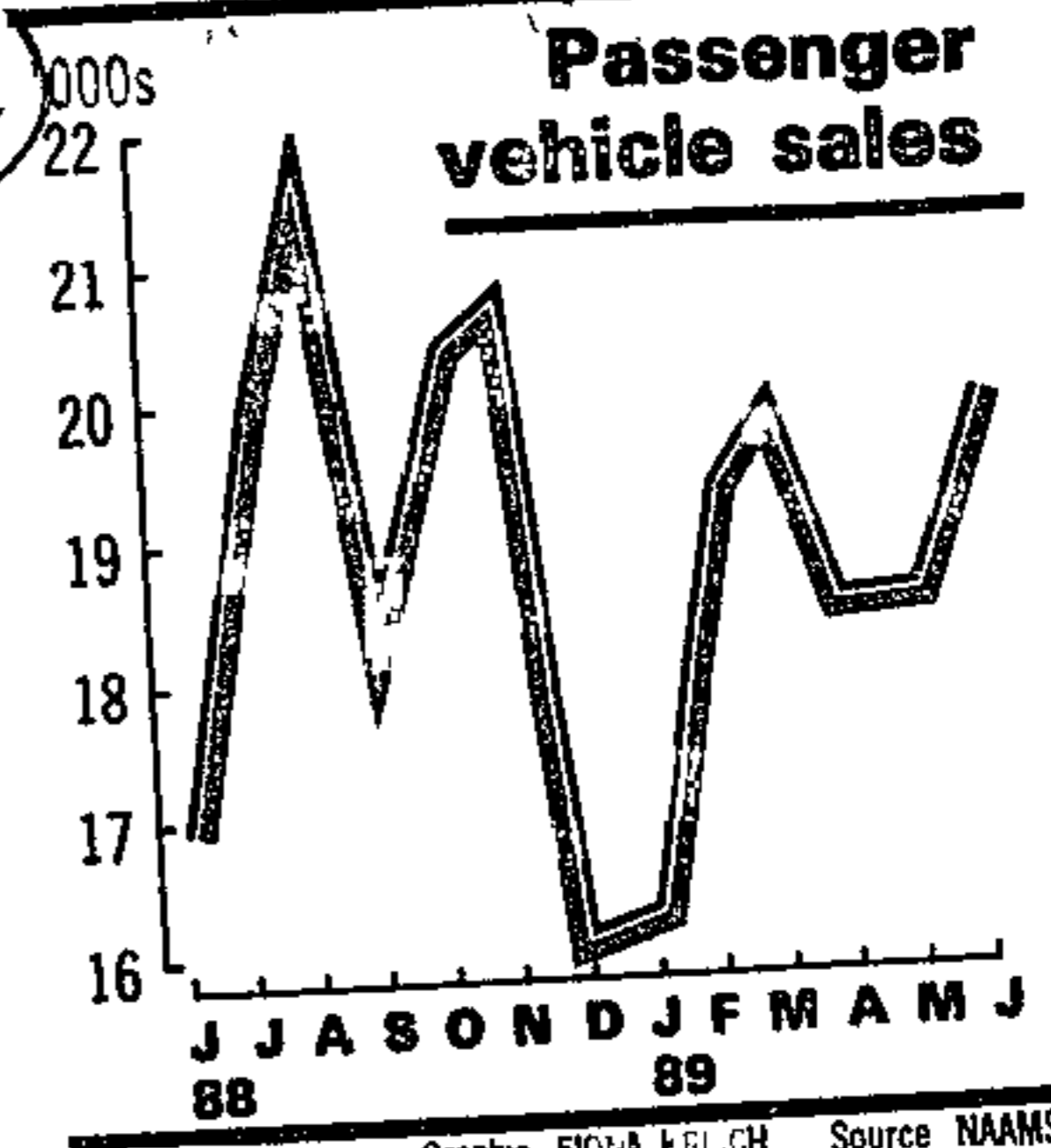
tent programme from June contributed to higher sales

A large proportion of new car, light commercial vehicle and heavy truck sales was due, Vermeulen said, to manufacturers holding back units, particularly those with a high local content value during the latter half of May

This brought them into account for local content and excise purposes after June 1

The increase in supply during early June, therefore, contributed significantly to the higher monthly totals

Another reason was the pre-emptive buying ahead of the expected July round of new vehicle prices



Graphic: FIONA KILGUS Source: NAAMSA

PPI rises by 1,5% in May

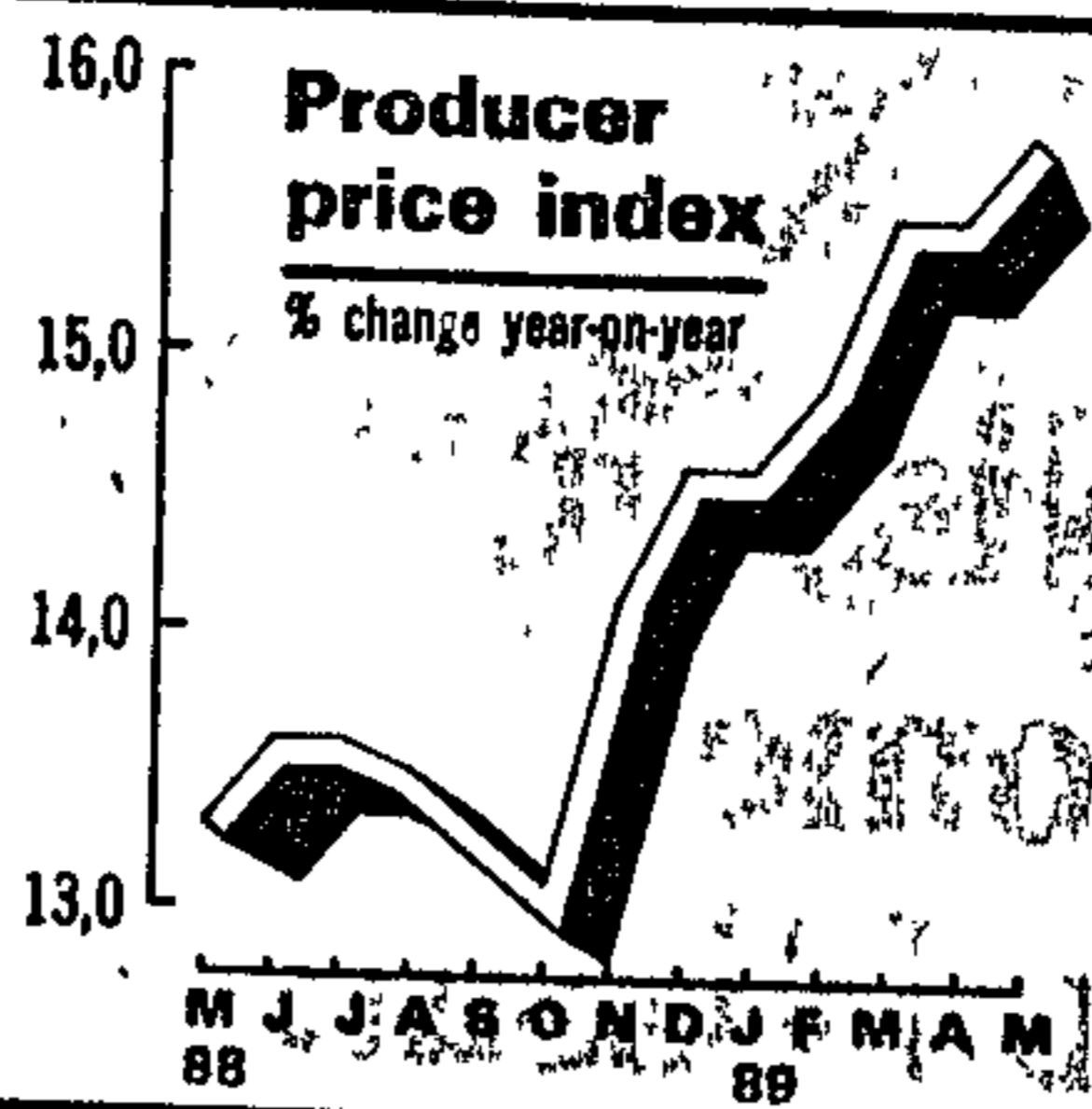
Stev 11/21/87
Finance Staff

The producer price index (PPI) continued to surge ahead in May, rising by 1,5 percent on its April figure

The yearly increase in the PPI was 15,8 percent, compared with 15,5 percent in May, as producer prices for petroleum products soared by 31 percent. Coal and petroleum products registered a monthly rise of 6,5 percent, but strong monthly rises were also seen in meat (5,4 percent) and metal products (4,7 percent). (244)

The monthly increase for imported commodities was 1,1 percent, following on the further decline of the rand, while locally produced goods cost 1,6 percent more than in May

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Graphic: FIONA KRISCH Source: CSS

Levy on petrol pushes up PPI

KAY TURVEY

A WEAKER rand and increased tax on petrol pushed the producer price index up by 1.5% in May from April.

Central Statistical Service figures released yesterday show the Production Price Index (PPI) rose to 15.8%, reaching 319.6 points for May from 276.1 a year ago. This is 0.3 percentage points up from the 15.5% recorded in April.

The PPI last reached 15.8% in March 1987 before it moved downward to reach a low of 11.4% in December of that year.

The rise in the index reflects the petrol price rise in April with a relatively large monthly increase for petroleum and coal products at 6.5%. The year-on-year increase to May for petroleum products is 31%, reflecting not only a weaker currency but the surge in the tax component of fuel.

Strong rises were also shown in fresh meat (up 5.4%) and metal products (4.7%) on the back of strong commodity prices.

For the first time since January the monthly increase for imported commodities at 1.1% was below the 1.6% for locally produced goods. However, many categories are not measured for May.

Economists believe the PPI will continue to move up in the next few months because of the rand's weakness.

Trust Bank economist Ulrich Joubert said although economic policy had focused on the BoP, the sharp rise in inflation showed that it could not be ignored.

The monthly increase in the PPI has been more than 1% this year. Last year it was below 1% for most months.

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Petrol price rise: decision ^{Steyn 12/7/59} 'in day or 2'⁽¹⁸⁾

By Norman Chandler ²⁴⁴
Pretoria Bureau

South African motorists could know by Friday whether or not the price of petrol is to go up.

A spokesman for the National Energy Board (NEB) was today unable to confirm the possibility of a rise, but said the country was unable to carry the burden of increased oil prices.

Last month, the NEB disclosed in its monthly statistics that there had been an "under recovery" of costs on petrol, and until the latest monthly figures were available — they are due "in a day or two" — no decisions could be taken.

The spokesman said: "It is very difficult to say what the situation may be."

A spokesman for the office of the Minister of Mineral and Energy Affairs, Mr Danie Steyn, declined to comment on speculation about a possible increase.

Mr Steyn was reported today to have "confirmed" that petrol would rise in price but that it would not be as high as 20c, as had been speculated. The Star reported on Monday that two petrol price increases might take place — one of 9c now and another of 11c later in the year.

'Critical strain' on equalisation fund

GERALD REILLY

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PRETORIA — The strain on the fuel equalisation fund has reached such critical levels that a petrol price rise is imminent, sources here say.

In Parliament earlier this year Economic Affairs and Technology Minister Danie Steyn said the fund at the end of April had a cash balance of R159,531m.

The equalisation fund is fed by a 7c/l levy on petrol and diesel. During May the drain on the fund continued with an average underrecovery of 12,8c/l for 93 octane on the Rand.

And when the figures for June are released by the National Energy Council at the weekend or early next week, the underrecovery figure is certain to be higher, informed sources here believe.

Meanwhile, motor industry sources said it was extremely unlikely government could "sweat it out" and hold prices at current levels until after the election.

A two-phase increase of 9c or 10c a litre was likely before the month end and another similar increase in the last quarter.

Sources said there was virtually no hope of a dramatic increase in the value of the rand or a spectacular fall in the price of crude oil.

Car price rise on the cards

Star 12/7/87
DURBAN — The motor industry is gearing up for a further price increase which is expected to add about R1 000 to the cost of the lowest priced runabout.

This means that the most humble new car will cost close to R25 000 with GST and insurance. (244)

And pressure on the Deutschmark could force German manufacturers to increase prices at a higher rate than Japanese-sourced suppliers. (20)

The increase is blamed on rising local costs caused by inflation and the weakening rand. (R2)

The National Automobile Manufacturers' Association states that higher sales in the past month could be construed as pre-emptive buying in advance of the July price reviews — Own Correspondent.

Fuel rise expected tomorrow

Monday 13/7/89

GERALD REILLY

PRETORIA — The petrol price increase expected to be announced tomorrow will add further strength to already substantial inflationary pressures in the economy, warn economists

And, if there is another rise in the second half of the year, as is strongly speculated, the inflation rate could reach 18% by year end

Government sources here said the Cabinet had been compelled to authorise a price rise in the face of a draining fuel equalisation fund and in spite of the possible adverse impact on government support in the September elections.

Throughout May the average under-recovery exceeded 12c/l on 93 octane on the Rand. The June figures and the fund's seriously depleted level will be released tomorrow

Mineral and Energy Affairs Minister Danie Steyn said this week a price hike was imminent

National Energy Council data shows that at least 12c/l extra will be needed to

offset government subsidies from the equalisation fund, as the cost of petrol continues to be inflated by the drop in the rand's value

SA has absorbed three price increases in the past nine months

Stellenbosch economic bureau chief Ockie Stuart said a 10% increase, taking into account the multiplier effect, would add more than 0,6% to the inflation rate

However, economists said a substantial price hike was unavoidable. The rand was unlikely to make the kind of recovery in the short term that could affect the extent of the coming increases

Also, crude prices were not likely to sink to a point where they could lead to an easing of the price.

Our Cape Town correspondent reports that Professor Brian Kantor, of UCT's school of economics suggested government cut its revenue takings from petrol to lessen the impact of the weaker rand

Petrol goes up on Saturday

The petrol price will be increased on Saturday, and an announcement was expected tomorrow, a Government source indicated yesterday. (244) (S)

Speculation was that the increase could be in the region of 12c a litre, which at present is the under-recovery on the fuel price with the further drop of the exchange rate of the rand against the dollar.

The National Energy Council last month said the under-recovery was 12,57c a litre. 8/13/71 89.

The Minister of Mineral and Energy Affairs, Mr Danie Steyn, was quoted yesterday as saying that there could be an increase in the price of fuel soon but that it would not be as high as a speculated 20c a litre. — Political Reporter.

Sowetan 13/7/89

Cost of cars, petrol go up

THE cost of motoring is set to soar with another hike in the petrol price now virtually certain and the motor industry gearing up for a further increase in the price of vehicles.

But a decision has not yet been taken either on the extent of the petrol price rise or car price increase or the effective date of the hikes.

However, a decision on the petrol price will only be taken after the National Energy Council has submitted its latest report on petrol sales, the under recovery on the petrol price and other data pertaining to the petrol price to Minister Of Economic Affairs and Technology, Mr Danie Steyn.

Report

A National Energy Council spokesman confirmed yesterday they hoped to finalise the report this week

The spokesman said the monthly report they released to keep the public informed about the petrol price structure and the monthly shortfall or overpayment on the petrol price would be published by the end of this week or early next week.

However, the spokesman said and under recovery on the monthly petrol price in May of 7 cents a litre had increased to 12,157 cents a litre in May

Petrol

"We are currently awaiting the final figures for June but it appears that the under recovery will be approximately the same as that for May," the spokesman said

There has been speculation that the petrol price could increase by as much as 20 cents a litre but informed sources have indicated that this was highly unlikely.

Increase in new car prices are widely expected to add about R1 000 to the cost of the lowest priced runabout, which will mean the cheapest new car will cost close to R25 000 with GST and insurance.

In addition, pressure on the Deutsche Mark could mean German manufacturers could be forced to increase prices at a higher rate than Japanese-sourced suppliers.

The increase is blamed on rising local costs caused by inflation and the weakening rand, which has pushed up the prices of imported components

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Economists warn on further rise in price of petrol

By MALCOLM FRIED

ECONOMISTS and industrialists have warned that the pending petrol price rise will drive up the inflation rate, boost prices across the board and further weaken the economy

The Minister of Mineral and Energy Affairs, Mr Danie Steyn, said this week that a price hike was imminent

National Energy Council data show that at least 12c a litre extra will be needed to offset government subsidies from the equalisation fund, as the cost of petrol continues to be inflated by the drop in the rand's value.

South Africa has absorbed three price increases in the past nine months, the last in April

A litre of petrol now costs up to R1,12 and a 10% price increase will mean a 0,6% rise in the inflation figure — running at more than 15% — according to economists

"As the new price works its way through the economy, so every sector will be hit," said Dr Oekie Stuart of

the Stellenbosch Bureau for Economic Research yesterday

Professor Brian Kantor, of UCT's school of economics, agreed with the estimated effect on inflation

"Another point is that petrol actually costs far less than we pay — there is tax, the equalisation fund and other hidden costs"

He suggested the government cut its revenue taken from petrol to lessen the impact of the weaker rand

The director of the Cape Chamber of Industries, Mr Colin McCarthy, was "deeply disappointed" with the announcement of a pending price rise

"This is going to have a major impact on the cost of living index and will cascade over into every facet of the economy."

Retailers believed distributors would have to raise their prices through higher transport costs and these higher prices would eventually be passed on to consumers

The managing director of OK Bazaars, Mr Gordon Hood, said an exacerbating factor was that such costs were passed on without adding value to services

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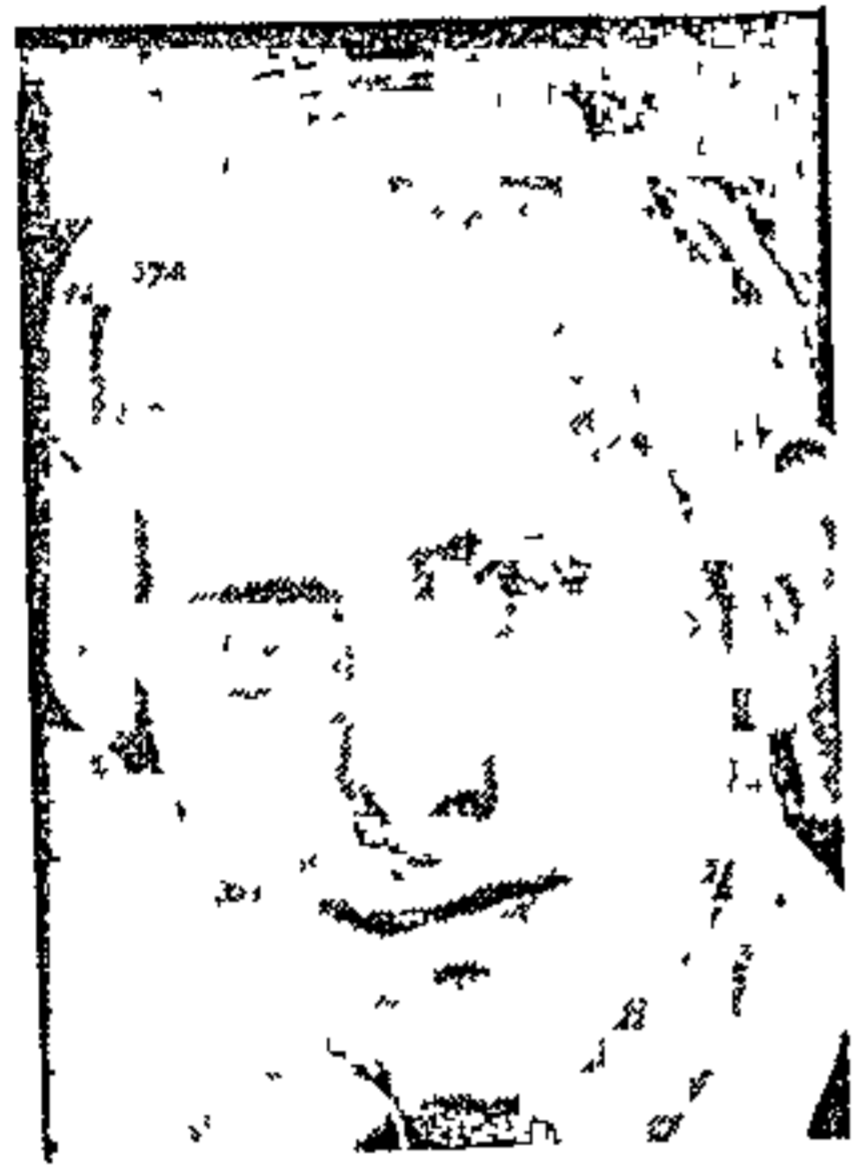
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Rise 'will push inflation up to 18 percent'

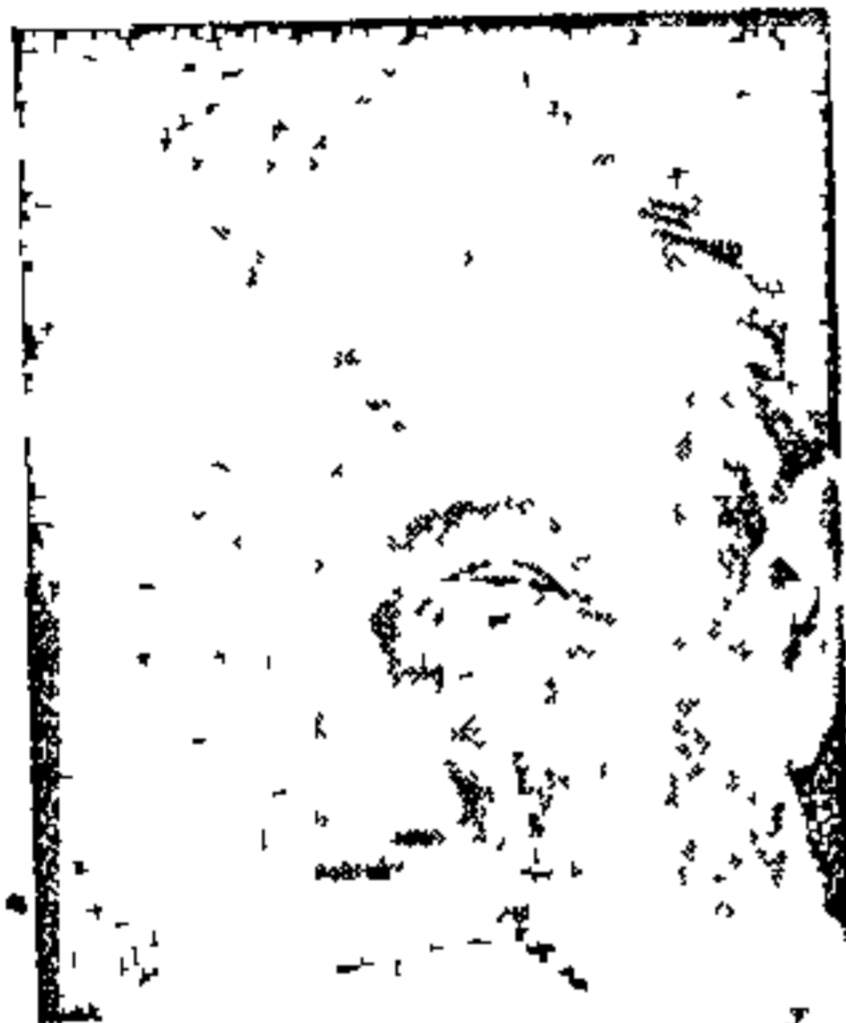
Fuel's upward spiral condemned

Stw 14/11/87

By Sue Valentine



Gross mismanagement to blame . . Mr Ken Andrew.



Cost always passed on to consumer . . Mr Gordon Hood.

Consumer organisations have slammed the petrol price increase announced on Wednesday by the National Energy Council, which will raise the cost by 6c a litre

The increase is the third this year

In the PWV area 87 octane petrol will cost R1,15 a litre, while 93 octane will cost R1,18

At the coast, 93 octane will cost R1,09, and 97 octane R1,12 Diesel at the coast will be R1,04, and R1,11 in the PWV. Agricultural diesel at the coast will be 75,6c, and 82,8c in the PWV

Preliminary calculations by the Federated Chamber of Industries and the Steel and Engineering Industries Federation of South Africa suggested the increase would raise the Consumer Price Index by 0,4 percent, but the indirect impact would make itself felt only in coming months

NEC chief executive Mr Lourens van den Berg said the average exchange rate of the rand to the US dollar in June this year was R2,79 to one dollar, making the deficit on petrol more than 12c a litre

Democratic Party

Democratic Party MP for Gardens Mr Ken Andrew said the present and recent increases were a direct result of the collapsing value of the rand, rampant inflation and excessive taxation on petrol

"The tragedy is that most of these price increases would not be necessary if it were not for the gross mismanagement of our economy by Government"

Conservative Party spokesman on economic affairs and technology Mr Clive Derby-Lewis said the 44 percent increase in the petrol price in less than a year was an admission of defeat by the National Party — the type of gross inefficiency which would bring a government down in any civilised country.

Automobile Association managing director Mr Peter Elliott said the under-recovery on the fuel price arising from the deteriorating exchange rate was a factor no one had control over and the organisation supported the decision to impose smaller price increases when necessary.

Inflation rate

Checkers group managing director Mr Sergio Martinengo said the price rise would push the inflation rate up to about 18 percent

OK Bazaars managing director Mr Gordon Hood said fuel price increases always had an inflationary effect as the costs had to be passed on to the consumer.

Dawn Barkhuizen reports that the Housewives League of South Africa slammed the latest petrol price rise, saying it was "disgraceful" that South Africans had to suffer increases while people in Europe enjoyed reduced fuel prices due to lower crude oil prices

The Federated Chamber of Industries and the Steel and Engineering Industries Federation of South Africa said they were encouraged by the fact that the increase had been kept to 6c a litre

They said the price of crude oil on international markets had increased since the beginning of September 1988 by approximately 30 percent

Over the same period, the price of 93 octane petrol on the Witwatersrand had increased by over 24 percent, if tonight's increase was included

Rhodes gets a woman professor

Religion Reporter

Dr Felicity Edwards, a senior lecturer in the faculty of divinity at Rhodes University, Grahamstown, has been promoted to associate professor, becoming the first woman professor in divinity in South Africa

The faculty of divinity at Rhodes is the only official university training centre in South Africa for the ministry in the Anglican, Methodist, Presbyterian and Congregational churches

Dr Edwards' appointment is therefore a major development in South African theology

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● 93 = R1,06 ● 97 = R1,12

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*Capit Times
14/7/89
244*

By MALCOLM FRIED

A WAVE of price increases is feared following the six-cent rise in the petrol price announced by the National Energy Council yesterday.

The new prices will be in effect from tomorrow. The price of diesel has also been raised, by two cents.

This means that at the coast, the price of 97-octane will rise from R1,06 a litre to R1,12, while 93-octane will now cost R1,06 a litre instead of R1,03.

While there was a sigh of relief that the increase was not as high as the 12c or 20c rumoured before yesterday's announcement, warnings in some quarters have been sounded that the increase could have a dramatic impact on the inflation rate, pushing it up to about 18%.

This is according to Mr Sergio Martinengo, group deputy managing director of Checkers.

Further pressure

"It comes as a bitter blow to the already hard-hit South African consumer and indications of another price increase within the next few months paint an even gloomier picture," he said.

The increase will put further pressure on consumers who are already very hard-pressed, according to the Housewives League of South Africa.

While consumers in the United Kingdom and Europe are enjoying reduced fuel prices resulting from lower crude prices, "here in South Africa our pathetically low exchange rate puts us in the unacceptable position of a price increase", Mrs Lynn Morris, president of the league, said.

"The Minister of Finance and his cabinet colleagues must address this exchange-rate problem and ensure

To page 2

You'll pay more after midnight as the petrol price goes up

By Norman Chandler,
Pretoria Bureau

Petrol and diesel will cost more from midnight tonight in the second major increase in fuel prices in four months.

Petrol jumps by 6c a litre in the PWV area to R1,18 and by similar amounts in other areas, and diesel goes up 2c a litre throughout the country. The price of illuminating paraffin is unchanged.

Described as a "partial price rise", the door has been left open for another increase, depending on the rand/dollar exchange rate and crude oil prices,

before the end of the year.

The Government's energy experts explained last night that the increase was unavoidable because of dwindling resources in the Equalisation Fund which the State used to keep down the price.

The last price increase was in April.

The National Energy Council (NEC) said at a press conference in Pretoria yesterday there was no alternative but to increase the price of fuel.

"We made certain recommendations to the Cabinet and those were approved," said Group Energy Administration and Management Services Manager of the NEC, Mr Laurens P van den Berg.

The NEC said that during June the under-recovery on all petrol and on diesel as a result of fluctuating dollar prices resulted in a deficit and the fuel profit/loss account (known as the "slate") had therefore to be propped up by the Equalisation Fund.

A total of R200 million had been used since April to keep the fuel price at an artificially low level.

"The Equalisation Fund can, however, no longer bear these losses in full and it has become necessary to increase the price of fuel," he said.

The increases represent a rise of 5,8 percent at the coast and 5,3 percent in the PWV area for 93 octane petrol.

Ouch! That petrol price rise will hurt

stew 15/7/87.

244

DEREK TOMMEY

FOR MANY South Africans 1989 is turning into the year of the big squeeze. Big increases in taxes, mortgage payments, petrol prices and almost everything else is drastically reducing the average South African's living standards.

Many families, after meeting their essential payments, are finding that they have anything up to 10 percent less cash to spend in real terms than at this time last year.

And as the year wears on and prices continue rising following the latest petrol price increase, their spending power is likely to diminish even further.

The hardships many South Africans are facing can be illustrated by the case of someone we will call John Smith.

This time last year he was earning R4000 a month and had just bought a R76 000 house with a 100 percent bond at 15 percent — the maximum he could afford.

As he had not performed any exceptional business feats during the year and was not considered for promotion his pay rise at Christmas was the average 15 percent pushing his monthly income up to R4600 a month, which at the time he thought adequate although not particularly generous.

However, this turns out to be the only bright spot in 12 months of successively increasing demands on his paypacket as a result of inflation, increases in income tax and more recently the rise in the petrol price.

Comparing his financial situation with that of a year ago demonstrates why this is so.

- His income tax (married rate) is up 20,4 percent from R1131 to R1362
- Monthly net income after tax is up only 12,9 percent from R2869 to R3238
- Mortgage repayments shoot up 27,4 percent from R1000 to R1274 a month
- Assuming he buys 80 litres of petrol a month his bill rises 10,2 percent from R65,60 to R92,00
- Money left for other household ex-

penses — R1872 against R1804, a meagre 3,7 percent increase compared with the 15 percent he started off with.

But in the past 12 months most prices have risen by at least 15 percent. Therefore to buy the same amount of goods as he did a year ago he needs R1804 plus 15 percent. This is R2074,60. But he has only R1872. This is a shortfall of more than R200 or roughly 10 percent. This means he will have to cut his purchases by 10 percent compared with last year or go into debt or use up his savings.

Not all families will be affected to this extent. Families where the wife works are benefiting from the introduction of SITE. Many other families will have more behind them or are not living on such tight margins so that the effects of the squeeze will be much less than in the example quoted.

None the less, it is evident that a

great many South African families will have less to spend this year than they did last year.

So far, however, retailers report that the downturn in sales has not been particularly noticeable.

Although sales of television sets and similar "brown goods" are reported to have slumped in the past few weeks (which explains the sharp increase in TV and radio advertising) sales of white goods (refrigerators, stoves) are holding up.

Mr Chris de Bruin, managing director of Sharp Electronics, said that business conditions had become harder but sales were being maintained.

Buyers were far more price conscious, which was a great pity. They were buying "expensively" as it was difficult to get spare parts for many of the cheaper items they were buying, and after-sales service was also lacking.

One way people have been maintaining their living standards has been to in-

crease the size of their mortgage bond where this has been possible.

A consultant for one of the major banks said she had been extremely busy arranging larger bonds for clients.

People with houses worth, say, R100 000 and with a bond for only R50 000 were borrowing an additional R10 000 or R20 000 against their house.

This was enabling them to pay off their debts and still afford their foreign holiday.

One of the strange aspects of the present squeeze is that it is taking place immediately before a general election. Usually ruling political parties try to arrange for economics to be in an expansionary stage before going to the electorate.

The question is: Does this reflect great confidence on the part of the Government in their policies, or is it because the economy is in such a mess they could not avoid putting the squeeze on the electorate?

Petrol up — but rand firm and crude oil down

STimes 16/7/87

THE fuel price increase — 6c a litre for 93 octane on the Reef and 2c on diesel — has been attacked by Assocom, the SA Agricultural Union, the Houswives League and the FCI.

They say two of the main factors influencing the fuel price — the cost of crude oil and the value of the rand against the dollar — have moved in SA's favour recently.

Other factors must have come into play in the latest price increases, they say. They are calling for an investigation into the structure of the fuel price.

Twice

The pump price of fuel is based on the landed cost of petrol or diesel at SA ports. But crude oil is actually imported and refined in SA.

Industry sources believe that the price structure is being incorrectly applied because the price of petrol landed in SA takes into account the cost of refining. But the crude landed in SA still has to be refined. It is believed that, in terms of the present structure, SA motorists are paying twice for the cost of refining.

In addition, insurance on a fictional cargo of petrol is higher than that on a crude

By Don Robertson

oil shipment.

The landed cost of fuel is based on the price of a petrol shipment from four refineries — three in Singapore and one in Bahrain.

Fuel tax is also challenged. The price of petrol has risen by 44% in the past six months, and diesel by 65% in a year.

At present rates of under-recovery, the equalisation fund is being depleted by about R90-million a month. Although figures are no longer given, it is believed that the fund had a deficit of more than R100-million in April.

The National Energy Council (NEC) concedes that the 6c/l rise is insufficient to meet the underrecovery on petrol, which amounted to more than 12c/l in May and June.

Levy

This suggests that yet another increase can be expected before the end of the year, although the NEC says that "should the rate of exchange not weaken again after the latest partial increases and if the price of crude oil does not increase, the equalisation fund will be able to finance the remaining deficits up to the end of 1989".

It has been suggested that an additional levy might

have to be introduced to pay for the R5-billion Mossgas project.

Economic information group Econometrix has questioned the underrecovery in the fuel price. It says that when the petrol price was raised in April, the landed cost of crude oil was more than R50 a barrel. However, in May and June, in spite of a sharp fall in the value of the rand, the price of crude fell to R48 a barrel.

"In the light of these facts, it is unlikely that the rand price of crude can be a root cause of any pump-price increase."

Econometrix suggests that the increase could be due to other factors.

Flexible

It says that in April, the price of crude oil was R49,86 a barrel. It fell to R49,37 in May and by the middle of June had declined to R45,29. In international terms, the price of light crude fell from \$19,45 a barrel in April to \$16,12 in mid-June.

The rand-dollar rate averaged R2,5637 in April, R2,6780 in May and R2,7913 in mid-June.

Assocom says that the only way to counter a further price rise is for the Government to reduce taxes and levies on petrol.

"A more flexible approach

● To Page 2

P.T.O.

Fuel price rise 'aiding govt policies'

Political Correspondent
The latest 6c fuel price increase was really an extra tax to help finance the Government's "integrationist" policies, the Conservative Party has charged.

Mr Clive Derby-Lewis, the CP spokesman on economic affairs and technology, said last night that there was an unexplained "extra 10 percent floating

around somewhere" in the latest increase. He was speaking at a house meeting as the CP's election candidate in Krugersdorp.

Mr Derby-Lewis referred to his "unanswered question" of how much petrol was manufactured locally and how much was imported.

"I have asked this question in

Parliament and was told that it was not in the national interest to release such figures."

But the real reason was that it would show "the South African motorist is being taken for a ride through additional taxation to help finance the NP government's increasingly unworkable integrationist policies".

B1 Day 19/7/89.

Suspicion growing over price structure of fuel

JOHN STEWART

CONSUMER resentment at last week's fuel price increases has been heightened by incomprehension and suspicion, according to oil industry executives

On the one hand, there is the mystery of the workings of the oil industry "slate", which is no more than a kind of profit and loss account which smoothes the extent to which oil companies recover their entitlement in terms of their (fixed) price agreement with the government

At times they get more, at others they get less than the agreed price, but over a period, during which in-bond landed costs of crude fluctuate due to exchange rate movements, or changes in posted prices charged by producing nations, they will receive their due share

On the other hand, there are the shadowy workings of the taxes and levies imposed by government, which now amount to nearly 40c on a litre of 93 octane petrol (31,9 fuel tax plus 7c for the equalisation fund) Since no real dedicated application is assigned to such money there is deep suspicion that the funds are unwisely spent. Assocom and the Transport Consultative Committee have demanded an inquiry into the high fuel tax

Another feature which offends the sensibilities of consumers is the "failure" of Sasol to live up to chauvinistic

claims made by government at the time additional production facilities were initiated at Secunda. It was claimed that, not only would the additional Sasols protect the country from embargoes, but from steeply rising posted crude oil prices as well

From this has sprung the belief that Sasol's synfuel production — which allegedly accounts for about half the country's automotive fuel requirement — should cushion the impact of a deteriorating exchange rate or rising Opec prices, or both.

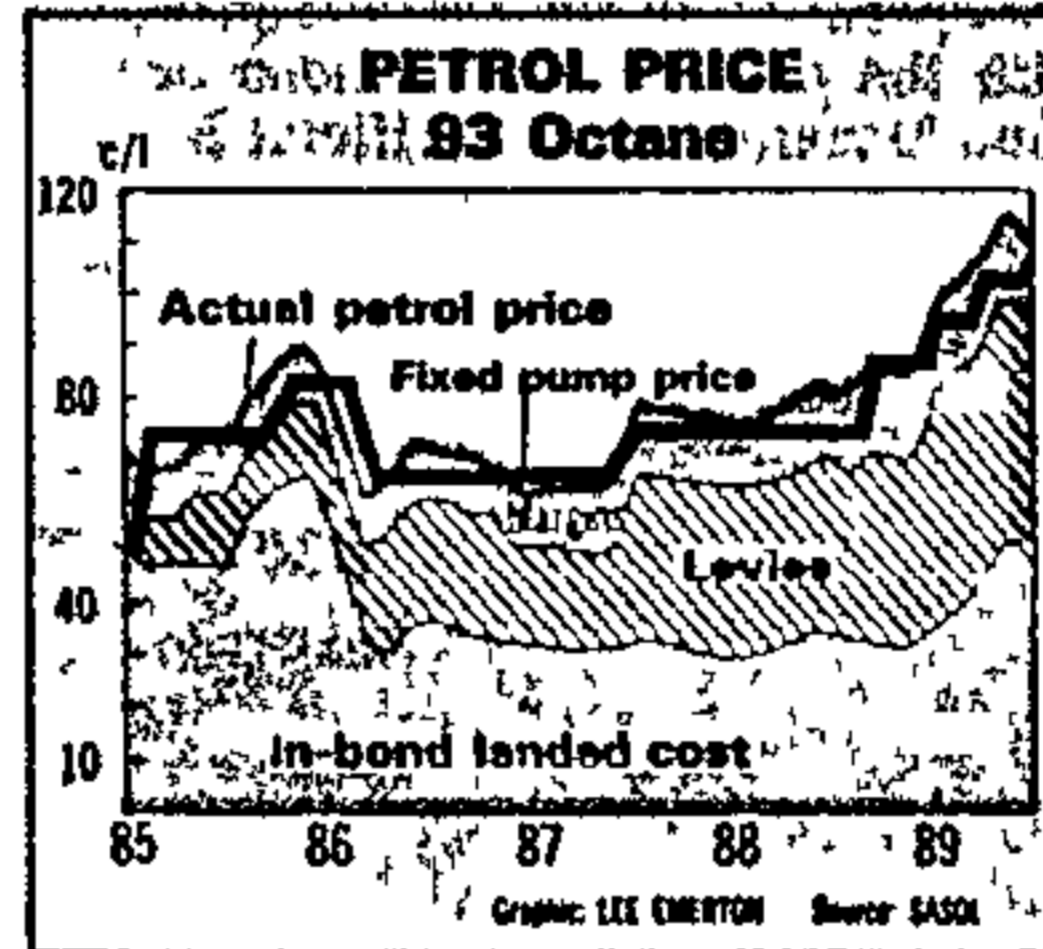
If this were so, domestic synfuel production would have to be subsidised heavily and there would be any

number of investors lining up to establish oil-from-coal facilities (It has been estimated that to replicate Secunda at current prices would require about R30bn, which makes it unlikely that the company will invest in additional synfuel plant this century)

For synfuel plants to be competitive their products have to be sold at a price equal to, not more than, that of an effective alternative

The basis of the local price structure is the "import parity" of 93 octane petrol. To arrive at an in-bond landed cost the following price components are taken into account: the job value, comprising a four-companies' average of producing a litre of petrol, based on the average costs of Shell, BP and Mobil in Singapore, and that of Caltex in Bahrain; the weighted average of ocean freight to SA ports from Singapore and Bahrain; marine and war risk insurance; ocean loss; and landing charges levied by Sats

To this notional price are added taxes, levies and the government-approved wholesale profit margin for oil companies. The only segment of the market where oil companies are in open competition is at the service station pump, where they fight for the 8,7c/litre retail margin



● Comment Page 10

Sugar, dairy products to cost more

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Staff Reporter

The price of sugar is to rise by 4 percent from August 1.

The increase, which is expected to cause a ripple effect on all sugar-based products, was one of two increases announced in the Government Gazette in December last year. The first, a 7 percent increase, came into effect in February this year.

Mr Sergio Martinengo, deputy managing director of Checkers, said his group would continue to sell at the old price "for as long as our old stocks last".

He added, however, that increases in the prices of sugar-based products, such as sweets and cold drinks, could be expected.

Dairy products price increases are also expected soon.

Dr M N Herman, a spokesman for the NCD group, said increases in the costs of plastic and other packaging materials had forced increases in the price of most dairy products.

"Farmers also need the increase, especially when we consider how much feeding and transport costs have risen."

Dr Herman said the increases — which vary between seven and 10 percent, will affect dairy products in general.

Retailers to defer sugar price hike

RETAILERS hoped to defer the 4% sugar price rise scheduled for August 1 as long as existing stocks lasted, spokesmen from three of the major chains said yesterday.

"Checkers will hold the price of sugar on the two major lines (the 2.5kg and the 12.5kg bags) for as long as possible," group deputy MD Sergio Martinengo said.

"Although 4% might seem minimal, consumers will feel the pinch as they tighten their belts yet again to accommodate the probability of an increase in the prices of confectionary and other sugar-based products."

A Checkers spokesman added that manufacturers of sugar-based products had mostly included this rise in their price calculations, but that the price of cordials would increase at the end of July.

8/Day 20/7/84

CHARLOTTE MATHEWS

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"We will not increase our sugar price until we buy sugar at the new price," a spokesman from OK Bazaars said. "We are trying to fill our stores so as to hold the lower price for as long as possible."

He said the OK would try to absorb some of the price rise, and its sugar price would only rise about 3.4%.

Pick 'n Pay Supermarkets Food GM Alan Baxter said they would also hold the price down as long as stocks lasted. That would depend on the demand for sugar.

"Our price will go up 4%," he said. "We sell sugar at just above cost as it is."

Bl Day 21/7/89

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June wholesale sales highest since January

REAL wholesale trade sales picked up sharply in June after a slow-down for most of this year, to reach the second highest level in 1989, according to Central Statistical Service (CSS) figures released yesterday.

The CSS figures show real sales for June are expected to register an increase of 1,9% over May after seasonal adjustment.

June sales are expected to total R2,82bn after dipping to R2,77bn the previous month. Sales in January topped R2,86bn before decreasing steadily.

However, economists do not believe that the sharp increase points to a renewed upswing in the economy.

SYLVIA DU PLESSIS

Rand Merchant Bank economist Rudolf Gouws described the statistics as "fairly volatile" and said they did not indicate the start of a new trend.

"The economy is certainly in a slowdown and I wouldn't attribute too much to this upturn," Gouws said.

Momentum

Old Mutual economist Riaan le Roux said such a "rebound" indicated that demand remained "pretty strong", although the momentum had slowed down somewhat.

"The figures indicate that up to the second quarter the economy still had

strong momentum, but I don't expect real wholesale trade sales to grow very strongly now.

"One would expect sales to slow down, given high interest rates and tightened fiscal policy," Roux said.

He added that it was important to bear in mind that there was no "hard evidence" yet of the increases.

The figures were those of expected sales, which often differed substantially from the final figures.

Expected real wholesale trade sales show a 6,9% increase compared with June last year.

Real retail trade sales figures at constant prices for July, released this week, show an increase of 1,5% compared with July last year and a slight decrease of 0,8% compared with June after seasonal adjustment.

~~21 Dec 1959~~
21/12/59
Milk price goes up again

DAIRIES on the Witwatersrand have increased their milk prices by about 15%, taking the cost of a litre to R1,40.

The rise is ascribed to higher petrol prices and increased packaging costs.

Nels Dairies, which increased their prices by 5c a litre last month, said there would be no more price adjustments for some time. — Sapa. 244

Why petrol prices go up (and will go up again)

Weekly Mail Reporter

LAST week's 6c per litre fuel price rise, the fourth increase in 10 months, may be followed by yet another increase later this year if the rand's value continues to fall or international fuel prices rise.

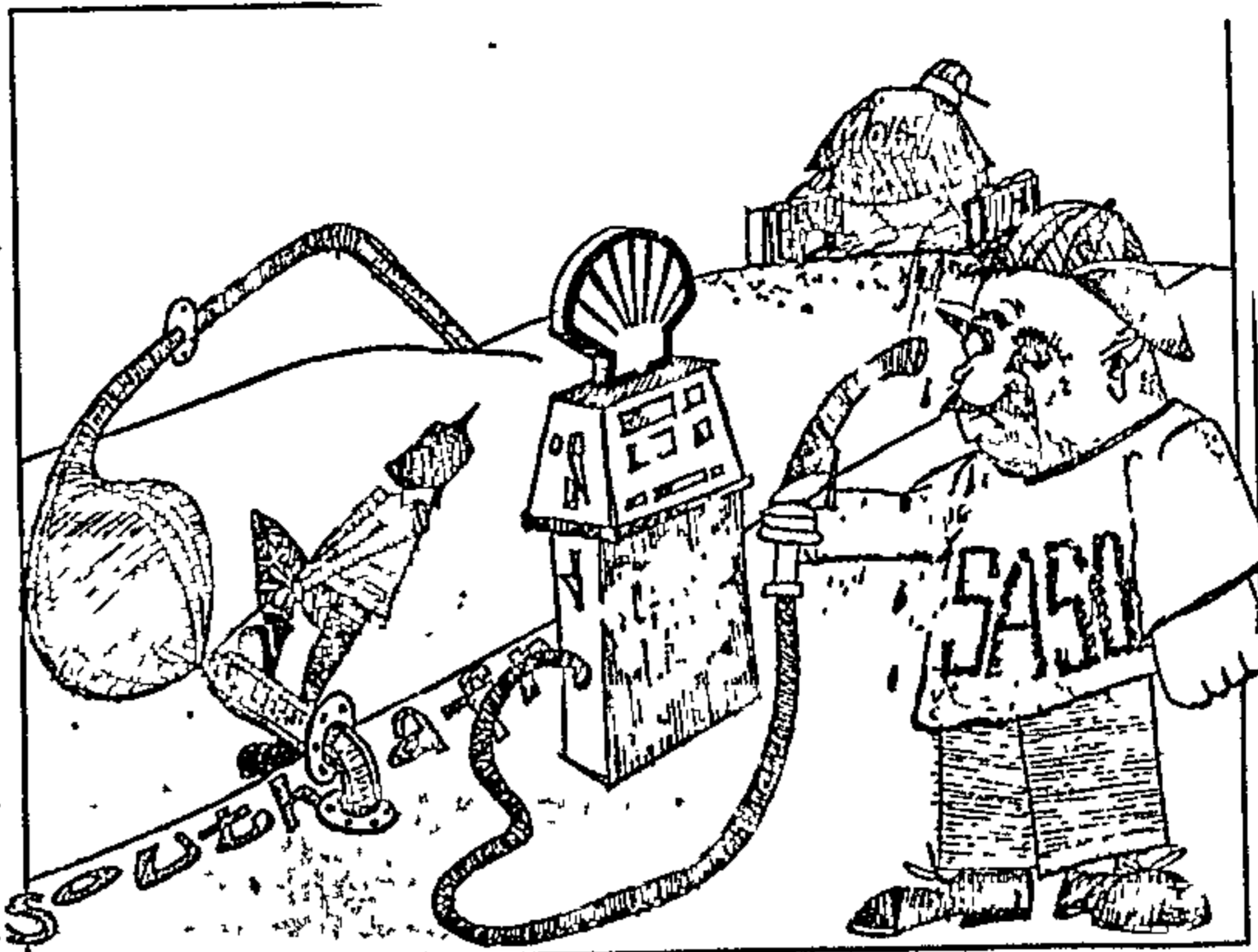
The most recent increase was a cost increase, necessitated by the shortfall on the fuel "slate" of some 12c a litre in May and June. Over half of South Africa's fuel is imported and therefore hard-hit by falling exchange rates. The rest, synthetic fuel manufactured by Sasol, is expensive and tends to be profitable only if its price is equivalent to the imported price.

The fuel price is controlled and the "slate" absorbs the difference between the costs and retail prices of petrol and diesel. Sometimes the slate is in surplus, at other times in deficit, and the equalisation fund administered by the government is used to balance it.

In May and June it was running up deficits of some R90-million a month, and last week's increase may not be enough to balance it this year.

The increase followed cost-motivated fuel price increases in September last year and April this year. However, January's increase was a government revenue-raising measure and the diesel price rise in April was partly revenue-raising.

The measures have brought the tax



Fuel prices are increased for the fourth time in 10 months

and levy component of a litre of 93 octane petrol to around 40 percent. The government has pointed out this compares favourably with industrial countries such as France, where tax makes up over 70 percent, and Britain (over 60 percent).

But Assocom transport secretary Peggy Drodsky has argued South Africa should be compared with developing countries with similar per capita incomes, rather than with industrialised countries. Assocom has called for multi-sectoral enquiry into the structure of the fuel price.

One issue of concern is that the government has changed the fuel price structure so that there are no longer funds earmarked for roads, as they were prior to 1988 when the revenue raised from the fuel levy was allocated to dedicated funds.

While this doesn't necessarily mean the government won't finance roads, Drodsky notes that it could mean funds are not guaranteed and road

maintenance projects could be shelved in years in which the government has other priorities. New roads are large capital projects which require long-term commitment of funds, she says.

Earlier this year the SA Bitumen and Tar Association, which represents the R250-million asphalt industry, called for funds to be earmarked for roads. Speaking after the April fuel price rise, the association's executive director, Piet Myburgh, came out against the government's decision to increase levies for heavy vehicles without directing any of these funds for road building and maintenance.

Myburgh said by allowing roads to deteriorate — as the government was doing by cutting road expenditure — the cost of repairs was being made to increase fivefold.

Research had proved that travel on poor or unsurfaced roads pushed up vehicle operating costs by as much as 45 percent, he said.

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Car prices set to rise in August

SITUNG 23/7/89

THE increase of about 8% in car prices so far this year does not spell the end of the motorist's problems for 1989.

Additional price rises of about 10% can be expected by the end of the year, manufacturers of German-sourced vehicles facing the biggest pressure to charge more.

The next round of price increases is expected by August 1, according to industry sources. Manufacturers are watching the continuing weakness of the rand and the effects of the Phase Six local content programme which came into effect on June 1. Increases of this order will lift the price of the cheapest cars to more than R20 000. Price increases of between 15% and 17% are likely by December.

Timing

Toyota, which leads the field in price moves, is watching the position carefully, but has not yet decided on the timing or extent of the car-price increase.

Toyota lifted prices by between 3% and 4% last December and by 4% in April.

Another 10% rise could lift the price of Toyota's cheapest models, the Conquest

By Don Robertson

1,3S and the Corolla 1,3 to R23 824 from R21 675 by the end of the year. The smallest Cressida could rise to R34 310.

Volkswagen expects an increase in prices soon. A 10% increase would take the price of the cheapest car on the market, the Citi Golf 1,3, from R18 940 to R20 835. The Fox would cost R21 180, and the Audi 400 R53 610 — from R47 830.

Nissan raised the prices of its cars and light commercials by 3,8% in February and by 3,6% in April.

Samcor raised prices of all its models by 4,6% in January and by 4,2% in April. In June, the Sierra and the Sapphire — launched in April — cost 4,2% more. The next increase could be about 4% says Samcor. For the year, price rises could be 18,5%.

A 10% increase for the rest of the year will mean that a Ford Laser 1,4L will cost R21 970 and a Mazda 1,3L R21 510.

BMW, which is usually a month behind other manufacturers, increased prices by 3,7% in March and 3,9% in June. It does not expect its cars to cost more until September. Mercedes-Benz will raise price in August.

Petrol-price increase looks fishy

S/ Times 23/1/84

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THE 6c-a-litre petrol price increase is out of sync with a strengthening rand and lower crude oil prices.

In the past, petrol prices rose when the cost of crude increased and/or the rand fell. The latest rise is not supported by an increase in visible input costs.

"There is more to the rise than meets the eye," say some economists, who suspect a tax in disguise.

Inquiry

Although details of petrol sales are secret, the Association of Chambers of Commerce (Assocom), the SA Federated Chamber of Commerce and Industry (FCI) and some politicians believe that fuel receipts are being used for purposes other than matching the cost of crude-oil imports and the pump price.

An investigation into the structure of the fuel price has been called for. It is feared that there will be more price rises.

In the past six months, the price of petrol has risen by 44%. Diesel costs 65% more than a year ago. But the value of the rand has improved from a low of R2,85 to the dollar earlier this year to R2,70. The price of crude has fallen in the past month from R49,50 a barrel to R48,60.

Conservative Party spokesman on financial affairs Clive Derby-Lewis says the 5% decline in the rand in June would have translated into a 3c/l increase in the petrol price. He queries why 3c has been added to the price. Mr Derby-Lewis plans to investigate.

Protection

One reason given for the price rise is the 6c/l given to protect Sasol against imports of fuel. The Government's protection for Sasol petrol was raised from 3,6c/l to 6c/l last December, but was retrospective to January 1988. Probably more than R100-million was paid to Sasol from the equalisation fund.

The other oil companies — Caltex, Shell, BP, Total, Trek, Mobil and Exxon — pay 7c/l to the fuel equalisation fund, which props up the difference between production costs and the pump price. Sasol pays only 1c/l to the fund.

Had Sasol been paying the full rate, the equalisation fund would be bursting at the seams with cash.

Sasol says the protection does affect the equalisation fund, but because there has been no increase it is not re-

By Don Robertson

sponsible for the price rise.

Sasol was unhappy about the protection when it was introduced, saying it did not meet the synthetic fuel industry's needs.

The Government agreed to reconsider the matter and talks took place this year.

A condition of Sasol's listing on the JSE in 1979 was that it be granted protection on the theoretical landed cost of fuel. In 1979, it was granted protection of 3,6c/l.

Soaring profits in 1985 allowed the protection to be dropped. But changes in crude-oil prices and currency-exchange rates forced the reintroduction of the 3,6c/l in 1986.

Exports

Sasol exports petrol to countries in Africa, including Swaziland, Botswana, Zaire and Mozambique. But economists say that, for instance, petrol costs 19c/l less in Swaziland than in SA.

It is a moot point whether Sasol deserves protection. Whereas some industries need protection against cheap imports or dumping, it affects only consumers buy-

ing these products. But petrol prices affect the entire nation.

A National Energy Council (NEC) spokesman concedes that if Sasol had paid the full 7c/l, the equalisation fund would have been in a better position to meet underrecoveries.

He says, however, that the equalisation fund is capable of maintaining the fuel price at present levels until at least the end of the year.

Monitored

The pump price is based on a theoretical purchase of petrol from three refineries in Singapore and one in Bahrain. Some economists, however, challenge this calculation, saying that the price includes the cost of refining, whereas imported crude oil still has to be refined.

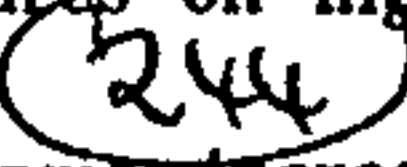
The NEC says SA refining costs are much the same as those in other countries and are constantly monitored.

Underrecoveries in May and June were more than 12c/l after having gone into deficit in January.

Dearer fuel will affect the consumer price index in August. CPI figures will be reported two weeks after the September 6 general election.

No let up in high inflation rate

Star
25/1/84 Finance Staff 

The annual inflation rate, which rose in June to 15,7 percent from 14,9 percent in May, is likely to rise further in the months ahead, with no sign that pressures on higher prices are easing. 

The recent petrol price increases have yet to take effect on producer and consumer prices while the weakening rand exchange rate is expected to push up the cost of imported commodities dramatically in the next few months.

A third major impetus on consumer prices is coming from the rising money supply which the Government is allowing to persist

Figures released by the Reserve Bank yesterday showed that the broad money supply measure, M3, was rising at 24,56 percent in June, substantially above the targets set by the bank earlier in the year

Money supply has been running high for more than 18 months and many economists ascribe the present rising inflation rate to the Government's loose monetary policy.

The persistent surge in the money supply is expected to exert upward pressure on consumer prices for some time to come.

The money supply targets are used by the Reserve Bank as its major monetary policy instrument

● See Page 12.

Higher petrol price still to have an effect

CPI. Tend 25/7/82 (244)
**CPI rises by 15,7%
to 18-month high**

By AUDREY D'ANGELO
Financial Editor

THE consumer price index (CPI) rose by 15,7% in the year to June 30 — the highest level for 18 months — after a jump to 14,9% in the year to May. The month on month increase was 1,4%.

The rise did not surprise economists, who say they expect it to accelerate in the last half of the year, to pass 17%.

They pointed out last night that this month's rise in the petrol price, and the weaker rand,

still had to affect the CPI.

Figures released by the Central Statistical Services (CSS) yesterday showed that the food only index rose to 188,1% from 186,5% in May and 169,2% in June. This means that the month-on-month rise in the food only index is 2%.

The CSS says 80% of the increase in the CPI was due to rises in the price of vegetables and fruit, housing (increases in bond rates), furniture and equipment, household running costs, medical care and health services and personal care.

Ockie Stuart, director of the Stellenbosch Bureau for Economic Research, said the rise in the CPI was "a little bit higher than I expected."

He thought the CPI would "possibly be above 17% by year end. And next year will be a very difficult year."

Attie de Vries, professor of economics at Stellenbosch Graduate School of Business, said he thought the CPI would reach 17,5% by the end of this year "and it

will probably remain high for two or three months."

He pointed out "Given the depreciation of the rand, and the fact that higher food prices are beginning to come through, this type of acceleration in the cost of living is to be expected."

"It is likely to accelerate further in the months ahead and my feeling is that it will do so sharply."

Volkscas Bank economist Adam Jacob said he expected the CPI to be "between 17% and 18% by year end."

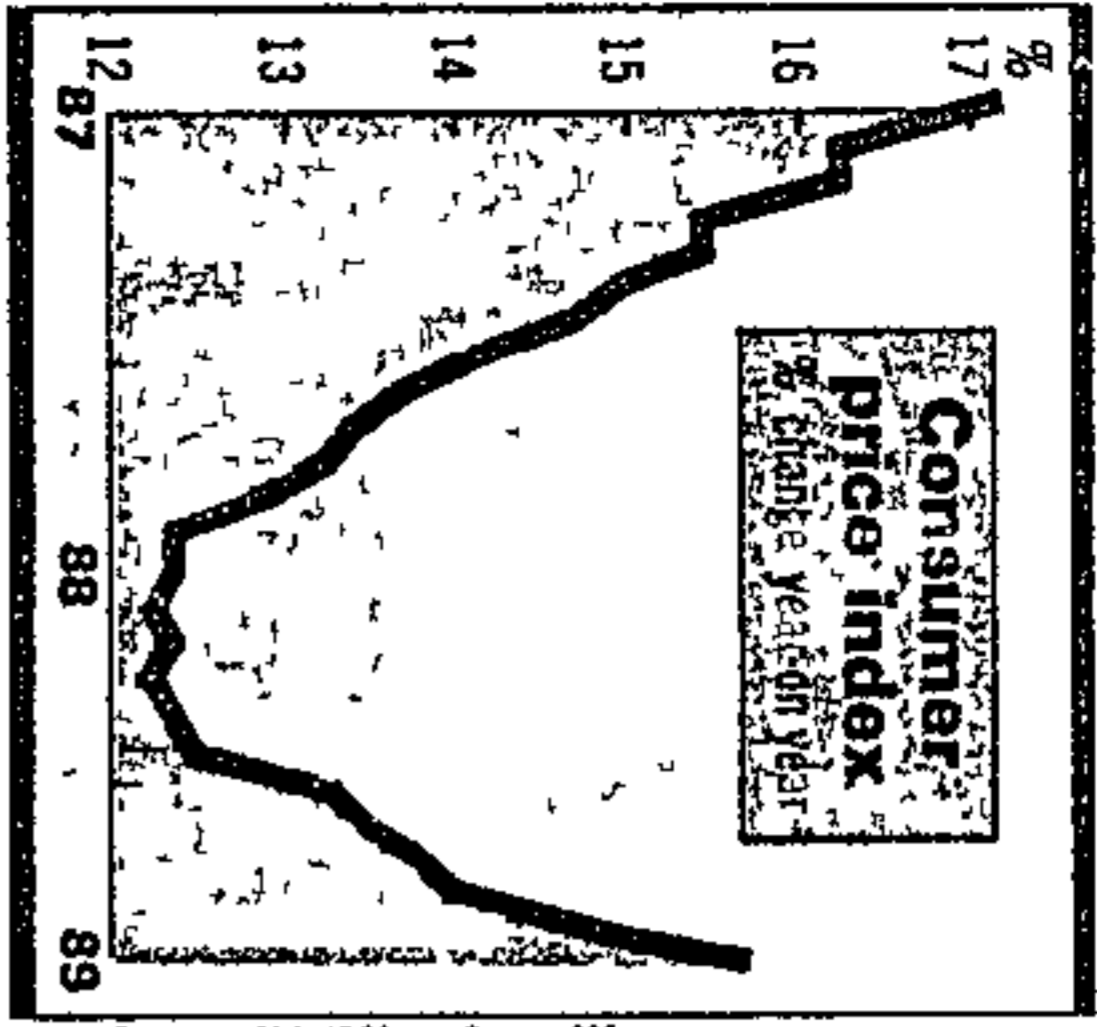
He added "It should come down slightly next year. But we can't expect single digit inflation for the next two or three years."

"That means it will remain high relative to the inflation rates of our major trading partners. The rand exchange rate will remain under pressure, feeding inflation."

"It will be hard for SA to bring down its inflation rate, just as it is hard for an individual with financial troubles to get out of them."

GRETA STEVY

INFLATION and money supply growth figures released yesterday are evidence of the SA economy's ill health. Inflation continues to climb steeply



CPI, money growth reveal economic woes

while the money supply has again jumped out of the target range for growth of 14% to 16% set by the Reserve Bank

Inflation — as measured by the percentage increase in the Consumer Price Index (CPI) from the same month last year — accelerated to 15.7% in June from 14.9% in May. Economists predicted yesterday that the rate could reach 17% by year-end.

The CPI reflects the cost of a basket of goods and services purchased by the average household. According to CSS statistics, the CPI advanced to 1777 in June from 153.6 the same month in 1988 — an increase of 15.7%. On a month-on-month basis, the increase in the CPI between May and June this year was nearly one percentage point.

The trend on food prices kept the overall rate of inflation from rising faster. Excluding food, more than a fifth of the basket, the rest of the goods and services cost 17.2% more than in June last year.

The rate of increase in food prices, compared with last year, has generally been slower than that of other important categories — although this positive trend is now showing signs of turning around.

The food price index rose by 11.2% in the year to June 1989 — compared with 24.1% for transport and 15.4% for housing.

Old Mutual economist David Mohr described the latest figures as "just another step in the current upward phase". Among factors underpinning the uptrend he noted the high petrol price, inflated by the additional tax on fuel introduced last year.

Econometric economist Azar Jarmine said "The uptrend in the inflation rate should come as no surprise. It was preceded by rapid growth in the money supply. If the rate at which you print money is faster than the growth in Gross Domestic Product, one must expect this to translate into a higher price level."

Yesterday's money supply growth figures showed the rate of increase in M-3 had slowed to 24.56% in June (preliminary) from 24.66% in May and 25.28% in April.

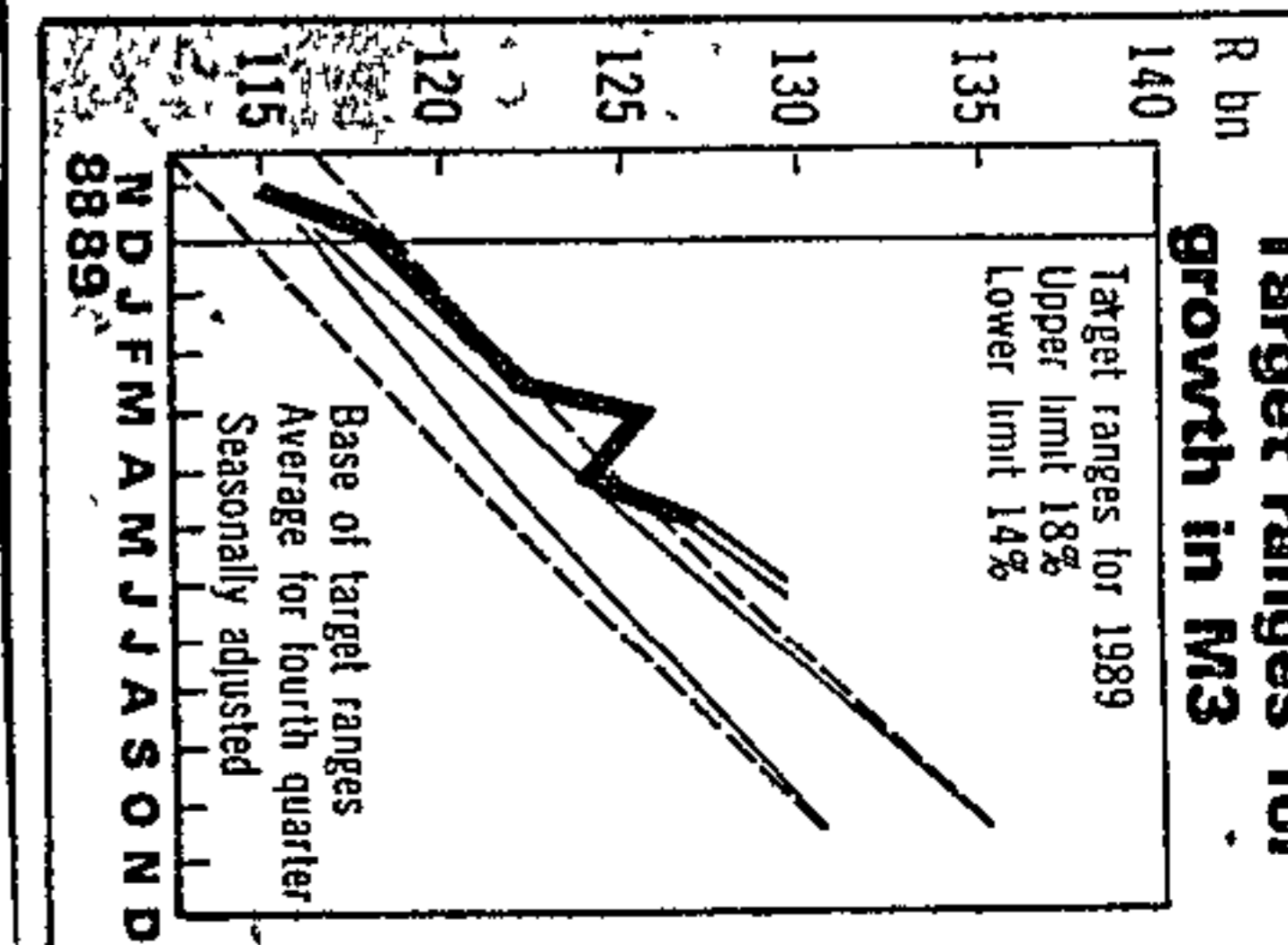
May's preliminary data was revised upwards, out of the tunnel M-3 measures all deposits with banks, building societies and the Post Office, ranging from current accounts to long-term deposits. It is used as an indicator of spending.

Economists said the figures showed a renewed pick-up in credit spending. Between May and June, M-3 (seasonally adjusted) rose by R2.8bn to R129.5bn, R1.7bn more than the upper tunnel limit of the target range. Annualised, growth between April and June is almost 27%.

Rand Merchant Bank economist Rudolf Gouws, while not calling for an increase in interest rates, warned that monetary policy could not be relaxed.

Comment: Page 6

Target ranges for growth in M3



Inflation, high costs blamed

Car prices increase by average 5%

244
CMA Frits 26/7/89

Own Correspondent

PORT ELIZABETH — The price of new cars is set to rise again — probably in August

Based on figures provided by the two motor manufacturers in the Port Elizabeth-Uitenhage area, the rise will average about 5%

Reasons given for the increase are higher costs, inflation and the impact of the exchange rate

Mr Ronnie Kruger, public affairs manager for Uitenhage-based Volkswagen, said yesterday that traditionally the motor industry reviewed prices every quarter.

Since the beginning of the year, he said, VW had increased prices in two steps by a total of 6,5% — 2,5% in February and 4% in May.

He said there would probably be two more increases during the rest of the year, the first occurring "probably in August"

They would "bring prices in line with higher costs, inflation and ex-

change rates"

He said that over the second half of the year, the increase would be a further 7% or 8%. The exact increase in August would depend on the movement of the rand and the German mark.

Mr Bame van der Merwe, media relations manager for Delta Motor Corporation in Port Elizabeth, said yesterday that by August 1, virtually all manufacturers would have increased their car prices

"We are also going to increase prices — by mid-August"

He said Delta's increase would be between 3% and 6%, depending on the model

So far this year, the average price increase for DMC's cars had been 8%, he said

"For the industry as a whole, the price increases for the year will be about 20%"

He said all companies had the same cost pressures, including wage increases which were currently being negotiated, and factors like the exchange rate

Don't be silly, Dilley, say Weil and Ackerman

Cape Times 27/7/89

(24/8)

Staff Reporter

LEADING retailers this week rebutted claims by Nationalist candidate for Simon's Town Mr Harry Dilley that supermarket "monopolies" were responsible for profiteering at the expense of consumers

Mr Dilley, the NP MP for Simon's Town, said earlier this week at a meeting in Kommetjie that petrol price rises did not push up the price of food. He added "Ask Mr Raymond Ackerman who is a super-retailer"

Consumers were being hammered because of the monopoly among food suppliers and the big companies were making astronomical profits — but the government was being blamed, he said

"That is nonsense because the government has not got a lot to do with the price of food," Mr Dilley said

Approached for comment, Pick 'n Pay chairman Mr Raymond Ackerman said he agreed with Mr Dilley that the price of food was rising. A recent survey found staple food prices had risen 12%-13% from last year

"But examples of where the government is at fault include the allocation of licences to sell wine, bake bread and sell petrol," he said

Illustrating this, he said Pick 'n Pay had only 36 wine licences for its 108 stores, would "love to bake bread"

and could "immediately" sell petrol between four and five cents cheaper than the fixed price

"I urge the government to take the lead in implementing privatisation and deregulation, and to be much stricter towards monopolies," he said

And chairman of the Checkers chainstore group Mr Clive Weil said yesterday while it "did not help to point fingers at any one person" the government could not claim to be blameless in its contribution to inflation, price rises and concentration of economic activity

"We are all responsible for inflation, but it's not fair to say supermarkets are making excessive profits. Checkers, for example, is making slightly less than 1% on pre-tax turnover. It does not help to be simplistic," he said

Inflation was a reflection of the country's poor political image which, in turn, influenced the value of the rand and the gold price

Likewise, low productivity was a function of inferior education

Referring to Mr Dilley's remarks about the influence that petrol price increases had on the cost of food, Mr Ackerman said

"The man in the street is being hammered by the petrol price, which does marginally bring up the price of food"

(Report by C de Villiers, 122 St George's Street, Cape Town)

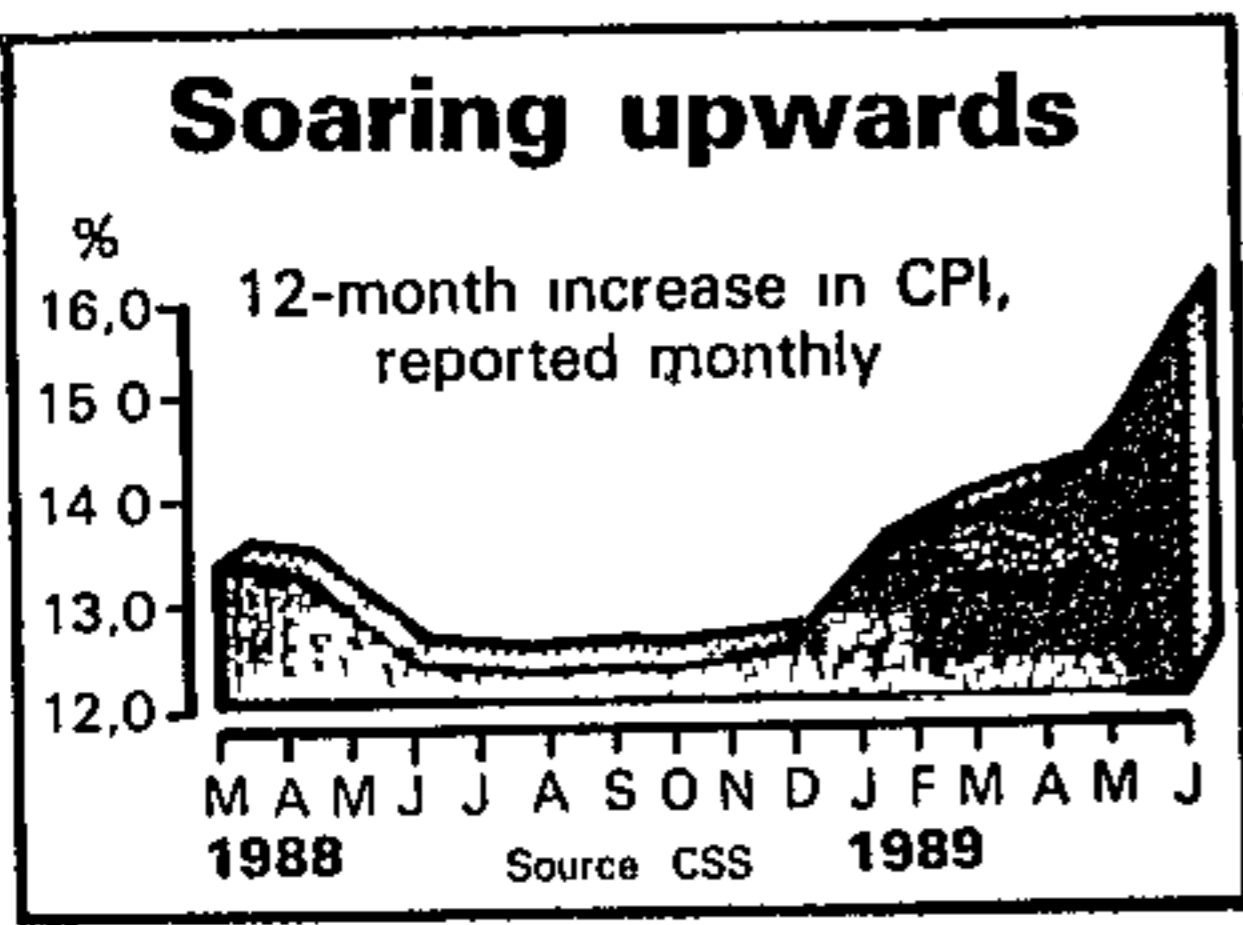
CPI ~~144~~ mail

Overdrive

Driving inflation to heights last seen in August 1987 is the cost of transport, which rose 24,1% in June compared to the same month a year ago. Transport costs were revved upwards by exorbitant rises in prices of vehicles (29,2%) and running costs (28,3%) However, these excessive rises were neutralised somewhat by the relatively slower rise in the cost of public and hired transport (9,1%).

FINANCIAL MAIL JULY 28 1989

mail 28/7/89.



June's inflation rate, as measured by the year-on-year increase in the consumer price index (CPI), rose from 14,9% in May to 15,7%. Further annual upticks may be less sharp for technical reasons. Month-on-month increases in the second half of last year were higher, averaging about 1,2% compared to a May-June increase of only 0,4%. This means year-on-year figures in the second half of 1989 will be off a higher base.

However, the annualised rate of increase for the past three months is around 16,9%.

The CPI rose to 177,7 (1985=100), a seasonally adjusted increase of 1,4% compared to May — slightly lower than May's 2% rise on the previous month.

But where to from here? Will we see inflation galloping on uncontrollably or can the reins be pulled in in time?

Trust Bank economist Nick Barnardt believes the rand's recent relative stability against non-dollar currencies in the first half of this year will keep SA's inflation rate from reaching the 20,6% peak of January 1986. Sharp decreases in the value of the rand against all major currencies last year helped push the inflation rate upwards in 1989 but recent relative stability is expected to keep

inflation close to 16% until February next year, he says. But only if VAT isn't introduced at a high rate to accommodate excessive government spending.

"The exchange rate is the best indicator of where inflation is going because it's the fundamental barometer of domestic spending and tells us if this exceeds the country's financial resources," says Barnardt.

However Econometrix economist Azar Jammine isn't as optimistic. He believes damage already done by a sustained period of excessive credit growth from 1987 to the present, coupled with ongoing higher levels of government spending, has condemned SA to an increasing inflation rate for longer than is generally anticipated. "It could possibly hit 20%," Jammine says. "The effects of money supply growth take two years to filter out of the inflation rate."

Other components contributing to upward inflation in June were the cost of education (20,2% up) and reading matter (20,7%) And having a roof over one's head was 15,4% more expensive — the results of steep bond rate increases in the past 12 months.

Food costs rose a more moderate 11,2%, pushed up by a 23% rise in fruit and nuts. Alcoholic drinks rose 22%, cigarettes, cigars and tobacco 21,4% and coffee, tea and cocoa 22,5%.

The last time annual inflation was over 15% was in November 1987 on its downward path from the January 1986 high of 20,6%. And once again transport costs made the major contribution — soaring by 37,3%, while housing rose 13,5% and food 18%.

Low transport costs helped produce the lowest inflation rate (10,1%) in recent years

in February 1984. They rose only 5,4% while housing rose 17,4% and food 9%

Inflation last dropped to single digits for four months in 1978. But to experience what most Western and other developed nations have mastered — average annual single-digit inflation — one would have to go back to 1973 when it stood at 9,6%.

Housing costs to come down probe

Journal 4/17/87

SOUTH African middle class house prices were levelling off and could even be heading for a slight decline toward the end of the year, according to the latest analysis of nationwide building trends by the Bureau for Economic Research (BER) at Stellenbosch University.

The BER's study showed that these house prices have been levelling off since around June last year.

This meant that the Rode house price index - the National Monitor of House Prices - was kept aloft during the last six months of 1988 as a result of growth in the price of

houses in upper income and lower income suburbs.

A BER building research analyst, Mrs Ursula Segalla, said that the bureau's analysis of house price data as at the end of last year showed that by December 1988, the growth in the price of upper and lower housing had brought the average growth in house prices to an average annualised rate of about 15 percent.

"It is interesting to compare this with the peak growth attained in September 1987, when average house prices briefly grew at a rate exceeding 20 percent," Mrs Segalla said. - Sapa.

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R470 and that fees for third year courses would go up from R600 to R840

for future teachers who had to be sports - orientated

fulfilling their educational role meaningfully. The students also complained

nothing
" We will boycott classes until our demands are met"

Source: 28/7/89

Bus fares will not increase

(300) (244)

PUTCO has assured commuters in Mamelodi that fares will not be increased because of the recent hike in the price of fuel, according to Mamelodi's mayor, Zikhali Ndlazi.

The mayor made this announcement during the Mamelodi City Council's monthly meeting when reporting on a meeting held between the council and Pico officials on July 6.

In a letter addressed to Ndlazi, Putco's public relations officer in Pretoria, Mr. Bruno Mautla, stated that his company was aware of the financial problems the community was facing

Basic foods set to rocket — chain chief

244
Star 29/7/84

OWN CORRESPONDENT

DURBAN — Basic food prices, which rose an average of 12 percent in the past six months, are set to rocket further with major increases in the pipeline, Spar marketing director Mr Mike Forsyth said yesterday.

These included rice, which had already gone up 18 percent this year and was set to rise further, cooking oil, which threatened to break the R2 a bottle barrier after being R1,49 in January, margarine (7 percent), pet food (15 percent) and toilet paper (12 percent).

"Items like candles have been hard hit with a pack, which sold for 89c last year, now going up to R1,29 wholesale," said Mr Forsyth.

"While the sugar price increases has been held below inflation, biscuits rose 15 percent while general cleaning materials went up 12,5 percent this year."

Mr Forsyth said other products due to increase were cheddar and gouda cheese by between 10 and 11 percent after going up 4 percent in March, and frozen vegetables which went up 6 percent in April and another hike was expected soon.

Christmas

While chicken prices were stable and well priced at the moment, they were susceptible to supply and demand and could be expected to go up sharply at the end of the year over Christmas.

"In the first six months of the year, the average cost of basic items went up 12 percent and we expect it to be between 18 and 20 percent by the end of the year," he said.



DP HAS A PLAN:
Mr Harry Schwarz.

Up 12 pc in six months and 20 pc likely by year-end

"By buying forward and using warehousing we try to act as a buffer between price increases and the consumer but with tight money and high interest rates, it is increasingly difficult."

The Democratic Party has announced that it stands for the greater mobilisation of consumer power, for more effective legislation and for a Ministry of Consumer Affairs, reports Sapa.

This was said by Mr Harry Schwarz, DP finance spokesman, in Pretoria yesterday.

Addressing a meeting

of the SA Consumer Council, Mr Schwarz said his party was committed to free enterprise and the free market mechanism, "but it is opposed to exploitation, and sharp practices".

He said "The DP's economic policy is designed to combat inflation and to this end has committed itself to reducing government expenditure."

The party would

- Reassess priorities of State expenditure
- Eliminate unnecessary Government departments dealing with unacceptable ideological activities

- Ensure that the public service is efficient, better paid, but leaner

- Give incentives to productivity

- Eliminate duplication

- Ensure the money supply is under control

The party would also improve economic growth by restoring confidence, giving incentives to save and so encourage investment and implementing its policy of creating work to improve the quality of life.

A Minister of Consumer Affairs would be appointed whereas at present consumer affairs are part of the Ministry of Trade and Industry.

The Minister, with his varied responsibilities, has conflicting interests to care for and consumer affairs play a very small part in his portfolio.

Lack of will

There is no one in the Cabinet who speaks specifically and solely for consumers.

He said legislative protection of consumers in South Africa was "totally inadequate" and where such legislation exists due to staff shortages and sometimes a lack of will, the laws are inadequately administered.

"Though we have laws intended to prevent price fixing and ensure competition, all these conditions still exist in many spheres to a greater or lesser extent."

"A Minister of Consumer Affairs would devote himself not only to a review of these laws, but ensure their application."

He said consumer protection was needed for another reason "Exploitation and its impact on living standards can affect race relations."

"This is another ground for the greater mobilisation of consumer power and for a Ministry of Consumer Affairs."

Follow-my-leader likely on milk increase

Staff Reporter

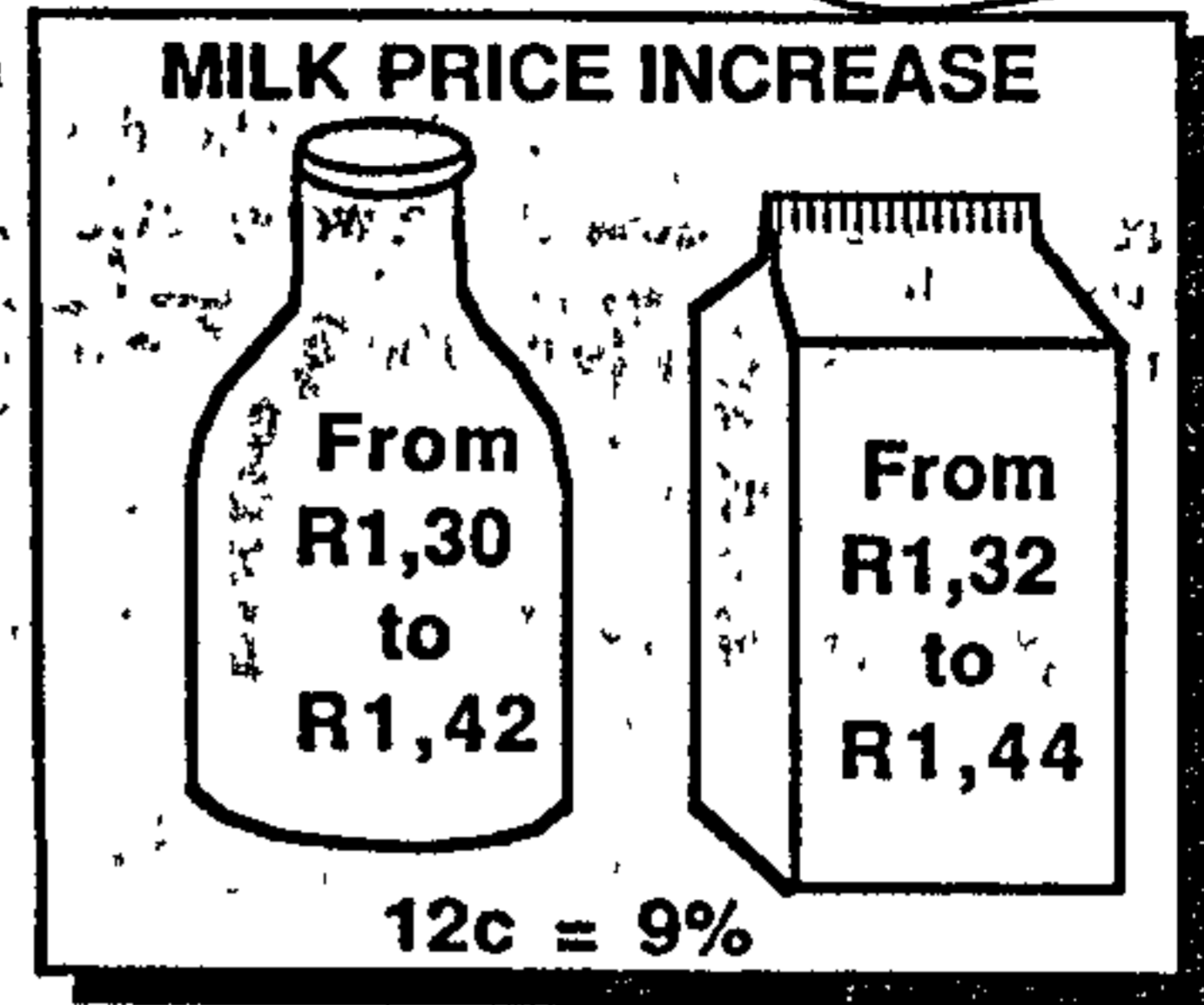
9/18/59 ~~Staff~~ & Milk

244

At least one major dairy has increased the price of milk by 12 cents a litre — about nine percent — from Monday, and others are expected to follow.

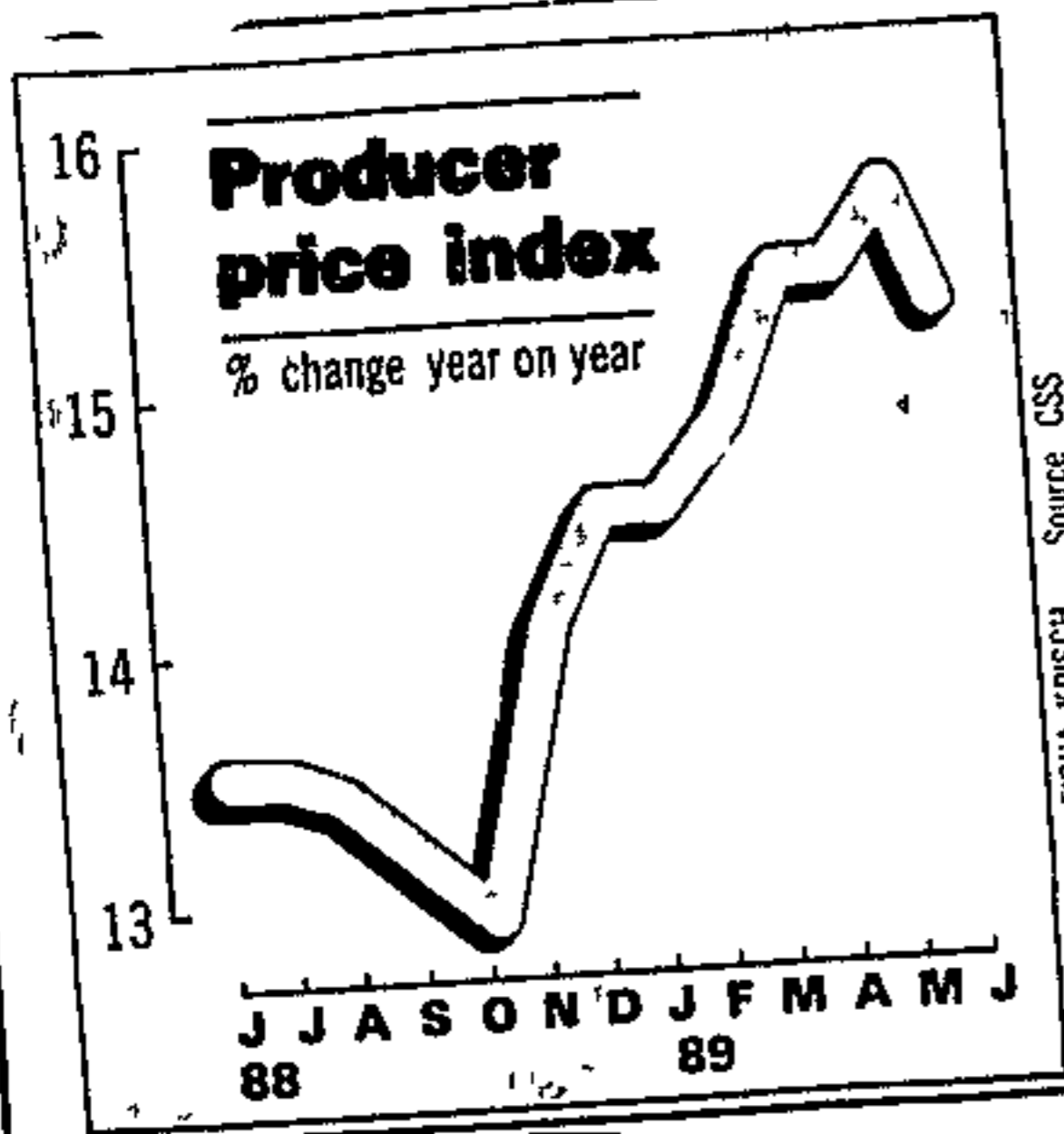
This is the second increase by major dairies in three months. An increase of 15 percent was imposed only a month ago.

Dairybelle increased its prices as a result of increases by dairy farmers as well as higher packaging and distribution costs, said managing director Mr Roy Smither. The Consumer Council said yesterday it was "lamentable" consumers always had to face the bill.



PPI rate of increase drops

244 *Final 9/8/89*
NEIL YORKE SMITH



THE annual rate of increase of the production price index (PPI) fell 0,5 percentage points in June to 15,3% from May's 15,8%. Central Statistical Service said

Producer price increases for imported commodities surged, but this was offset by a slowdown in the rate of increase for local commodities

The rate of increase for locally produced commodities was 14,2% for June 1989 — 1,2 percentage points lower than the corresponding figures for May (15,4%)

By contrast, imported commodities reflected an increase of 19,3% over June 1988 This was 2,4 percentage points up on

the corresponding rate for May 1989, and represented the largest increase since October 1986

Econometrix economist Tony Twine said the leap in the imported component resulted from a very weak rand in June this year

"Early in June the rand traded at its weakest against the rampant dollar, and subsequently weakened against other major currencies This obviously had seri-

□ To Page 2

PPI

See Bday

ous implications for imported materials."

He added the drop in the overall rate of increase was "a statistical illusion" and did not indicate a change in trend

"It should be seen against the jump between May and June," he said

The month-on-month figures for June showed an increase of only 0,4% over May this year, down from a very high 1,5%

increase recorded for May over April Twine said the increase in the index between June and April this year — almost 2% over two months — indicated the inflation rate momentum was being maintained

The CSS figures showed the PPI for June was 320,9, which means that one now needed R320,90 to buy the producer goods one could buy with R100 in 1980

□ From Page 1

Milk goes up

^{Sowetan 10/8/87}
AT LEAST one major dairy has increased the price of milk by 12 cents a litre - about nine percent - from Monday, and others are expected to follow. (244) ~~244~~

This is the second increase by major dairies in three months. An increase of 15 percent was imposed only a month ago.

Star 11/8/89

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Gloomy figures on SA price rises

Special Correspondent

South Africa has the dubious distinction of occupying a top slot among Western nations for price rises, according to a major transport company executive

Figures from the International Monetary Fund show that from 1983 to 1988 prices here have risen by 100 percent compared with 48 percent in New Zealand, 27 percent in Britain, 6 percent in Germany and 5 percent in Japan.

When it comes to economic growth, South Africa lags behind most other countries. Between 1980 and 1986 it recorded 0,8 percent growth compared with Japan's 3,7 percent, New Zealand's 2,6 percent, Britain's 2,4 percent and Germany's 1,8 percent.

These gloomy statistics were revealed at yesterday's conference of the Southern African Bus Operators' Association (Safboa) in Johannesburg by the

managing director of Group Co, Mr Norman Blem

Speaking on "The marketing process in passenger transport", Mr Blem told delegates that bus companies would have to work harder to survive in future.

He likened the country's bus industry to the bicycle industry, which almost disappeared before re-emerging as a powerful market-oriented business.

OPPORTUNITIES

"That is the way your industry should be coming back, because the opportunities are undoubtedly there."

He said a truly marketing-guided strategy was the only answer for the industry's individual operators, who had to learn to understand the real needs of their customers and fulfill them. They also had to learn to listen to their passengers, and talk to them in their own language.

"In South Africa, the majority of the population has an IQ that

is average or below average. Only 30 percent are above average. Many have problems reading official forms or newspapers or even street signs, apart from the fact that the average adult's reading abilities start declining the moment he leaves school.

"This means you can't just produce a glossy brochure or a newsletter and give it out to your passengers and say you're communicating with them. You're not.

"You have to get out there and talk to them, and keep talking to them."

Size was no guarantee of future survival.

"Of the top 100 companies selected by Fortune magazine in 1974, only 14 are around today — 15 years later. The others have gone bankrupt or been bought or merged," Mr Blem said.

"The only guarantee of survival is to use the marketing concept to ensure your business's continued relevance."

Brown bread incident: Schwarz lambasts Babb

By Esmaré van der Merwe

Mr Harry Schwarz, the Democratic Party's spokesman on finance and consumer affairs, yesterday accused National Party candidate Mr Glenn Babb of pulling a "stunt" by asking his Randburg opponent, DP co-leader Mr Wynand Malan, on television what the price of brown bread was.

NP-supporting newspapers this week reported that many voters, who had telephoned them after the televised debate, were shocked that Mr Malan did not know the answer.

Mr Schwarz said the NP and its press were playing a "foolish game" instead of solving the problem of soaring inflation.

He added that it was extremely difficult to purchase food at the prices on which the Consumer Price Index was based.

CHALLENGE MADE

"In fact, one has to shop around substantially, except for controlled items such as brown bread and petrol, in order to find shops at which one can purchase at the prices on which the Consumer Price Index is based.

"The challenge is therefore made to the NP Minister responsible for consumer affairs to accompany me on a shopping expedition in order to see where one can buy at the prices in the index."

In a statement, Mr Babb said he had asked the question to see whether "the DP knows anything about the plight of the ordinary man".

Said Mr Babb "It is now clear that they don't. They have both feet planted firmly in the air, preferring to catch flies off the NP, rather than earnestly getting in touch with ordinary people."

The DP could not attempt to speak for the ordinary man while at the same time pleading ignorance about the cost of a staple food, he said.

(Report by E van der Merwe, 47 Sauer Street, Johannesburg.)

Markets in a tizzy/ Over-anthics of dollar

12/12/89
Stor

NEWS that the United States producer price index had unexpectedly fallen by 0.4 percent in July threw the world's financial markets into chaos for a few hours yesterday.

The Johannesburg Stock Exchange was caught up in the tizzy. The dollar sank and then rose, the gold price tumbled but later recovered and the rand weakened. All this activity was the result of dealers in the major financial centres in Europe and North America trying to reduce their losses and/or make money from the PPI report.

According to the US Labour Department, the 0.4 percent decline in the PPI — the biggest in three years — was the result of lower car and energy prices. The news took the market by surprise as economists had been predicting no change in the PPI for July, reports Sapa-Reuter.

Dealers took the view that the lower PPI index would lead to lower US interest rates and less foreign investment in the US. This in turn would lead to a weaker dollar, and initially the dollar weakened on the news. But within minutes a big demand for the dollar developed causing it to soar against all other currencies. It jumped from Dm1.095 to Dm 1.9270, and from R2,6735 to R2,7170.

The gold price, which had closed at \$367.88 in New York last night, dropped to \$361.50 before recovering to \$362.20. Local dealers had no ready explanation for the sudden strong buying of the dollar. Some attributed it to bear-covering but this does not seem particularly credible. A more plausible reason is that the demand for the dollar is connected with the sharp rise in share prices on the New York Stock Exchange in the past few days and also the reported rise in retail sales.

US share prices reached new high on Thursday and yesterday. It seems possible that this might be encouraging foreign investors to join in the fun, and this has led to the heavy demand for the US currency.

DEREK TOMMEY 24X

Local dealers reported that the dollar started to ease before trading stopped and the rand and gold price staged small recoveries.

What is interesting is that they expect this firmer trend for the rand and gold to continue as prospects of lower interest rates in the United States lead to a weaker dollar.

A great many South Africans will hope these dealers are proved right.

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Threats of murder

MDM official gets 12 calls

MASS Democratic Movement spokesman Dr Farouk Meer of Durban received 12 death threats over the weekend from a man claiming to be a member of the right-wing terror group, the Wit Wolwe.

Meer said yesterday he had received two calls on Friday night and 10 on Saturday from a man who claimed to be a member of the Wit Wolwe, to the effect

that Meer would be shot and if this failed, his home would be blown up

“The caller also threatened to harm my children,” said Meer who said he was taking the threats seriously

A report has been made to a top security police officer in Durban and a telex message was sent to the Minister of

Law and Order, Mr Adriaan Vlok

Meer said the caller had demanded that Saturday’s defiance campaign meeting at the Justice Hall in Durban be cancelled.

But the meeting went ahead and according to Meer, close to 1000 people attended.

He said the rally was a peaceful, non-violent protest meeting and that it went ahead even though there was a strong police presence outside the Ecumenical Centre, St Andrews Street, where supporters gathered to hear a number of speakers

The rally was part of a countrywide campaign to ignore restrictions imposed on a number of United Democratic Front leaders since the imposing of the state of emergency.

Fuel prices: Shock report

W/ ARGUS 2/9/89

(24)

Political Staff

A BOMBHELL report of a government-appointed committee, opposing petrol price increases, has been deliberately suppressed by the government while it pushed ahead with three increases — including one to pay for rises for civil servants

The commit warned nine months ago that consequences of a rise could include an increase in unrest and that the inflation rate would be pushed up 30 percent for a 10 percent increase in the fuel price, which could disrupt the entire economy

The results of the investigation have been leaked to Mr Roger Hulley, Democratic Party energy spokesman

The top-level committee was headed by Professor G L de Wet, professor of economics at the University of Pretoria and a number of government departments and institutions were also involved Professor De Wet was not available for comment last night because he was on a return flight from Paris

However, he said today the report in the early edition of the Weekend Argus was a "total distortion" and he regarded the matter "in a very serious light"

He said his department had

been involved in an investigation for the National Energy Board, but the investigation, which had been publicly announced, had not been completed and had "nothing whatsoever" to do with politics or the election He denied there was a committee involved headed by him

Mr Hulley said that in the light of the findings of the committee that the last three price increases could only be described as "reckless"

Bad state

The fact that the government had pushed ahead with the increases in spite of the dire warnings of the committee indicated that the economy must be in an even worse state than the DP had been warning

The committee advised

● For blacks, expenditure on fuel and fuel-driven transport was becoming more important and could become a reason for discontent

● An increase of 10 percent in the fuel price could "give rise to up to 30 percent inflation over a period of two to three years," which could "ultimately disrupt the whole economy An increase in the price of petrol is a typical shock which gives momentum to the wage spiral and keeps it going"

(Report by B Cameron, 85 Field Street, Durban and F S Esterhuyse, 122 St George's Street, Cape Town)

DP discloses fuel price 'bombshell' report

CAPE TOWN — A 10% increase in the petrol price could give rise to up to 30% inflation over two or three years, placing considerable pressure on anti-inflationary policy and disrupting the entire economy

This was the view of top-level experts in a report commissioned by the National Energy Council last year and leaked to DP energy spokesman Roger Hulley

The NEC denied Hulley's claims this week that government had deliberately suppressed the report on investigations into the effect of fuel price increases on

B/Day 7/9/84
LESLEY LAMBERT

the economy because its findings warned against further increases, three of which were implemented after its completion

The investigating committee which was chaired by Professor G L de Wet of Pretoria University said that price increases did, in the long run, cause serious inflation. They provided momentum for the wage spiral and kept it going.

Another controversial assertion by the committee was that the use of levies on the petrol price was an "extremely dangerous approach" which concealed

the underlying problem of state over-expenditure.

"The state must, in the interest of general economic prosperity, control its overspending and not look for and exploit additional sources of income to finance the over-expenditure," the report said.

"In the face of such findings one can only describe the government's last three price increases as reckless and irresponsible. They collectively represent an inflationary time bomb which will choke our economy in 1990/91," said Hulley.

Checkers cheapest, survey shows

5/20/87
8/19/87
Staff Reporter

A price survey conducted by the SA Co-ordinating Consumer Council has revealed that Checkers supermarkets offered South African consumers the cheapest prices on an average trolley of goods bought during August.

Conducted at the month-end, and favouring those stores with month-end promotions, the survey's national averages showed that Checkers Warehouses were the cheapest among hyperstores with a national average of R440,60 and Checkers supermarkets were the cheapest in that category at R440,08.

Pick 'n Pay Hypermarkets were the next cheapest in the hyper category with a national average of R445,42 and the OK's Hyperama group followed with a national average of R448,62

In the supermarkets, Pick 'n Pay followed Checkers with a national average of R446,35 and the OK came next with a national average of R450,55.

The Consumer Council said the survey had found the national average trolley of goods to be R437,60 in July. This increased to R445,30 in August.

Broken down, the increase showed that Checkers increased its national average trolley of goods by 1,84 percent in August, Pick 'n Pay by 1,01 percent, and the OK by 0,94 percent.

The survey, which included 112 supermarkets and hyperstores, was conducted at stores in the Transvaal (Pretoria, West and East Rand, and Johannesburg); the Free State (Bloemfontein and Welkom) and the Cape Province (Port Elizabeth, East London, the Cape Peninsula, and the south-eastern Cape).

Last week to take sweets and potato crisps to the children of farm workers.

Medicines obtainable at hospitals are cheaper

Private patients pay more

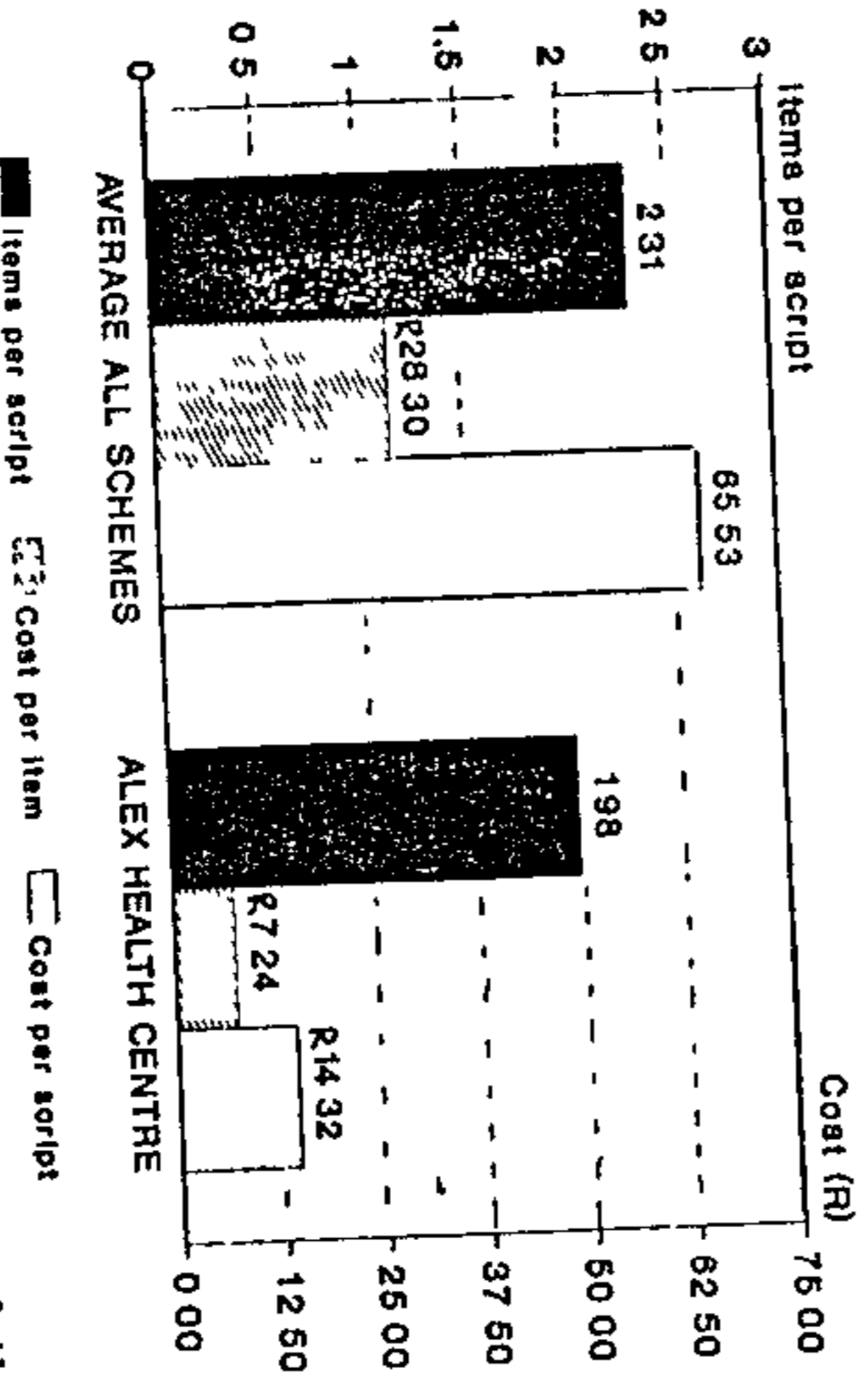
By Toni Younghusband, Medical Reporter

Private patients covered by medical aid pay four times more for medicine than patients who obtain their prescriptions from a hospital, a recent study conducted by the Centre for the Study of Health Policy at the University of the Witwatersrand has shown

Dr Max Price, who compared a sample of prescriptions issued at the Alexandra Health Centre with those issued by fee-for-service doctors in the private sector, revealed at a conference in Johannesburg this week that fee-for-service patients received on average 17 percent more items on each script than clinic patients and the cost per script was 4,6 times higher.

"In the private fee-for-service medical aid sector there are no incentives or pressures on doc-

PRESCRIBING PATTERNS AND COSTS. MEDICAL AID CLAIMS VS. ALEX. HEALTH CENTRE, 1988



tors to prescribe cost-effective-ly," said Dr Price. "The doctor does not have to bear any of the drug costs himself and believes that the patient who is a medical aid member will not have to foot the bill either.

"Doctors frequently do not even know the prices of the medicines they prescribe and are also unaware of the routine pack sizes in which drugs are sold. This often results in extra costs being charged when the pharmacist has to break a pack of which only part is used."

Dr Price said the absence of incentives and knowledge to prescribe cost-effectively was compounded by the enormous pressures on doctors from drug companies in the form of advertising, personal lobbying by drug representatives, and bribes, to prescribe particular brand-name drugs.

Few doctors prescribed the cheaper generic brands and pharmacists were not allowed to substitute the generic drug for the prescribed one.

At the Alexandra Clinic, clinicians prescribed medicines in pre-packed quantities, so no "broken bulk" costs were charged and cheaper generic substitutes were prescribed where possible.

He said the possibility of achieving reductions of 75 per cent in the primary care drug bill if these policies were implemented in other sectors justified urgent, more detailed research.

Star 14/9/89

City bus fares up 14%

Staff Reporter

CITY bus fares will increase by as much as 28c a trip from Sunday, September 24 — the third increase in fares in the past 12 months

City Tramways announced the price increase yesterday and a company spokesman said the new fares were on average about 14% higher

The last Tramways' price increase was an 8% hike in April this year. This increase was, according to Tramways, to cover a 55% rise in the price of diesel fuel

"The last adjustment to fares was on 30 April, 1989, and covered only the January and April increases in the price of diesel fuel," a spokesman said yesterday. "Since

then, normal wage increases, the continued weakness of the rand — which has ensured that the cost of spare parts continues to soar — as well as other general cost increases, have made it imperative that we increase our fares."

Subsidised 10-ride clipcard holders would face, on average, increases of more than 12,26%. But the 80% of Tramways commuter passengers travelling no more than 20km per journey would pay an average of about 10c more, the spokesman added.

Subsidised clipcard holders journeying between 20km and 50km will pay a maximum of 20c more per trip. And thereafter, fares will cost around 28c more.

For cash-paying passengers, the major-

ity of tickets will cost between 2c and 15c more, depending on the distances involved. Sixty-six percent of these passengers will pay no more than 5c extra per trip and another 24% will face increases of between 7c and 15c.

Students under 13 will now pay R5 for a 10-ride ticket and students under 17 will pay R7,50. Clipcards bought before September 24 will be valid for the normal two-week period.

The special 12-ride pensioners' clipcard will now cost R3 and remains valid in pensioners' week for people between 60 and 65. The special concession available to senior citizens over 65 still applies during the off-peak period on Mondays to Fridays and on Saturdays after 2pm.

CMT T... 16/9/89

244

15/9/89

Foreign relief

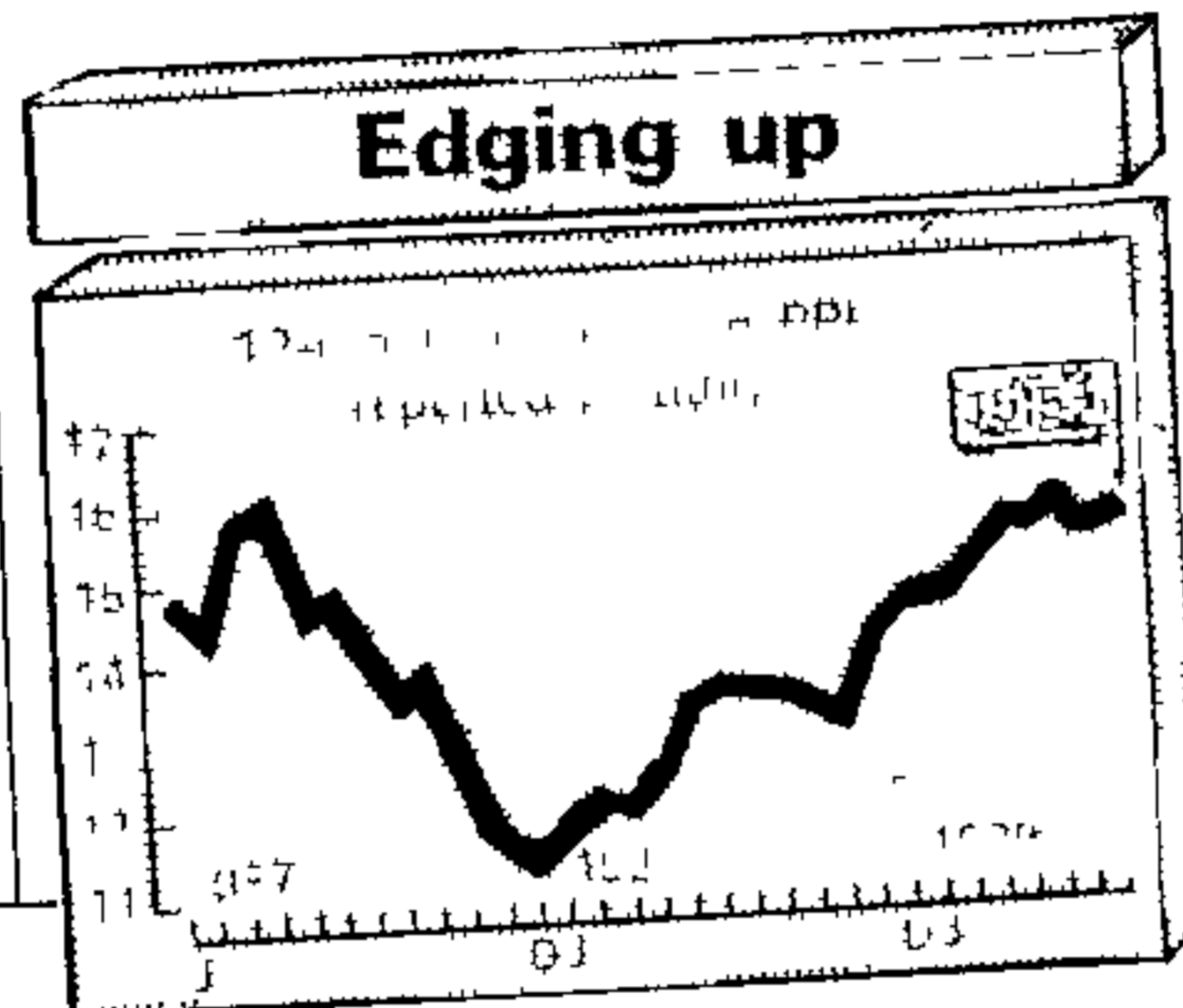
Thanks to lower international petroleum and rubber prices, July saw a 0,1% month-on-month decline in the imported component of PPI — the first since January 1987, when it fell 0,8%. Since then it has increased in all but two months — October and June 1987 — when it was static, owing largely to the depreciation of the rand.

Prices of locally produced commodities rose by 1,3% in the month, for an overall rise in the index of 1% in the month, according to Central Statistical Service

The July-to-July increase was 15,5% overall with a 14,6% and 18,7% rise in local and imported commodities respectively. This compares with June-to-June figures of 15,3% overall and 14,2% and 19,3% in local and imported input

The overall index showed large monthly increases in:

- Wood products, 4,6%,
- Footwear, 4,2%,
- Tobacco products, 4,3%,
- Paper, paper products and printing, 3,7%,



- Furniture, 3,4%, and
- Fresh meat, 3%

There were falls in the prices of

- "Other" agricultural products, 8%, and
- Mining and quarrying products, 1%

"Imported commodities are affected by various factors, apart from international commodity prices," says UAL economist Dennis Dykes. "The rand may also have played a part. It has stabilised in recent months, particularly against the crosses. In July, it improved against the dollar, from R2,8/\$ in June to R2,7/\$.

"Another factor is inflation or deflation in country of origin. If one takes the US as a proxy for price movements internationally, the latest figures are encouraging. In July, PPI dropped by 0,4% after declining 0,1% in June as a result of lower energy and food prices. These prices tend to be volatile, however, and the trend may reverse. Recently, oil prices have been creeping up." So, though helpful, a decline can't be counted on in PPI's imported component. ■

State pays R12, you pay R100 for same multi

By Don Robertson

MUCH of the blame for rocketing medicine costs is laid at the door of pharmaceutical manufacturers

Poor labour productivity and machinery use, the State Tender Board and controls are the main reasons for soaring prices, says a report by the National Productivity Institute (NPI)

Chemists add a 50% mark-up, so medicines are becoming too expensive for the average citizen.

For instance, 250mg of the antibiotic Amoxil, which was sold to the State Tender Board for R12,56 in January 1988 — the latest available figure — is retailed to the public at R100,19

Rheumatism

Zyloprim (300mg), used by gout sufferers, was sold to the board for R1,30, but retails at R45,95

Antibiotic Bactrim 500 is sold to the Government for R32, but to the public at R497,30. Rheumatism sufferers have to pay R40,32 for Brufen (400mg) sold to the board for R15,35

Naprosyn, also used by rheumatics, costs the State R35, but the public has to pay R295,61 for 250mg

The low prices to the Tender Board are related to

quantity and better bargaining, say manufacturers

The NPI says most pharmaceutical products have risen in price by 241% since 1980. This compares with the rise in the production price index of 178% and the consumer price index of 198% in the same time

Most pharmaceutical manufacturers concede that cheap sales through the State tender system force them to make the private buyer pay more

About half of the participants in the survey agree that State tender prices are subsidised by the private market, and 30% will not comment. Another 17% disagree with the suggestion

The NPI says low productivity is an important reason for rising costs. The report says that productivity has shown no increase since 1984 — as evidenced by a 5,4% decline in production volumes, but no decline in the labour complement

It recommends that urgent attention be given to productivity to contain prices.

The NPI's research shows that average labour produc-

● To Page 2

● From Page 1

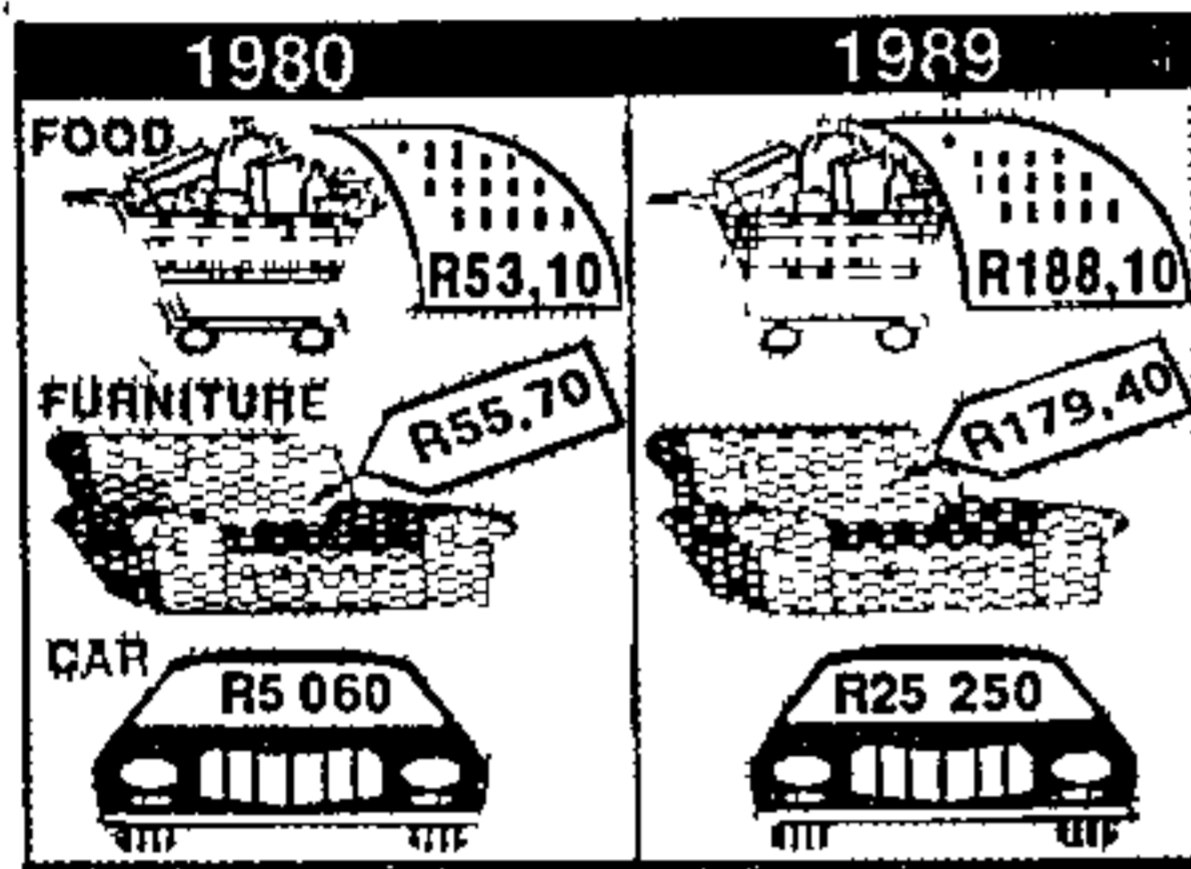
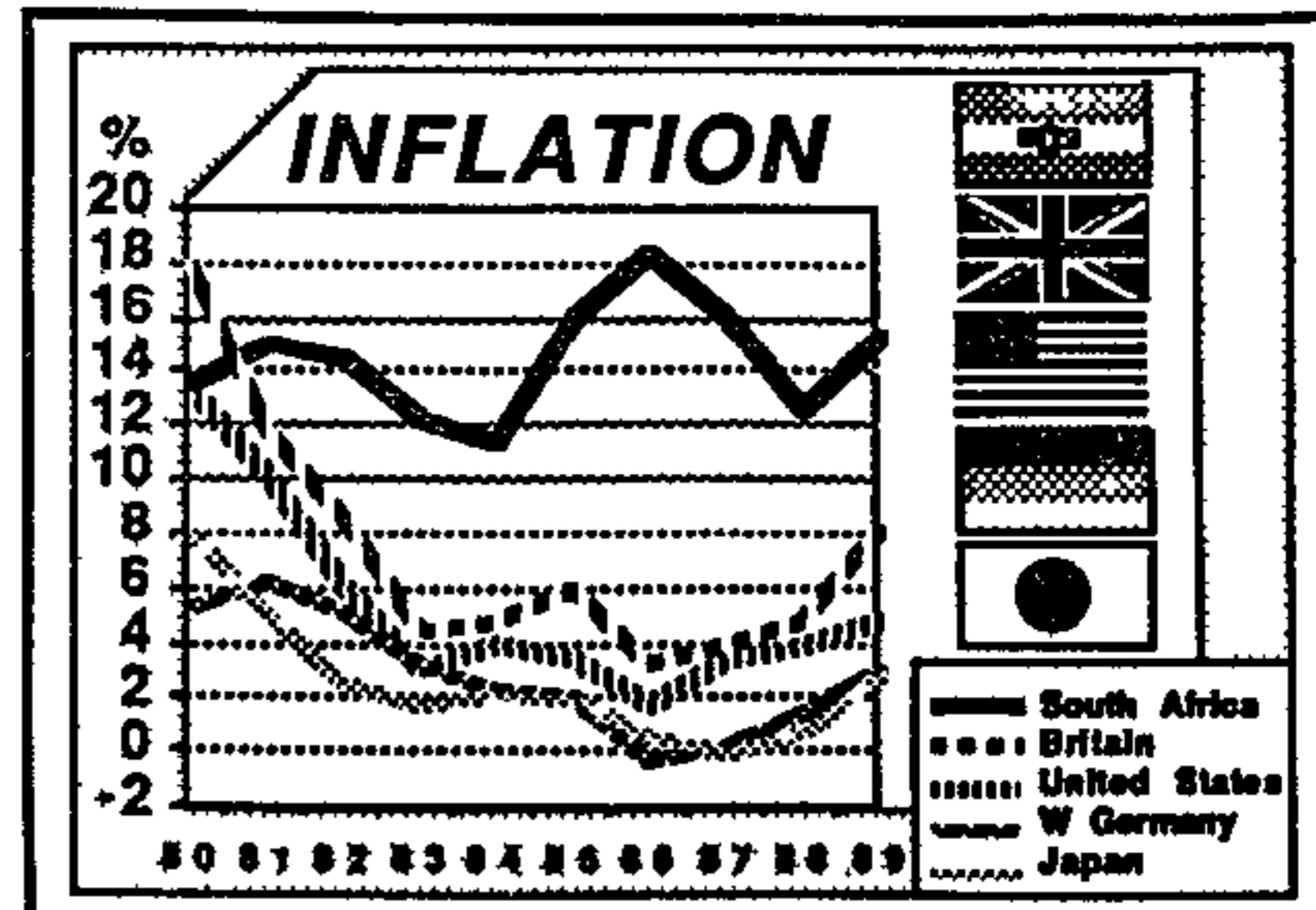
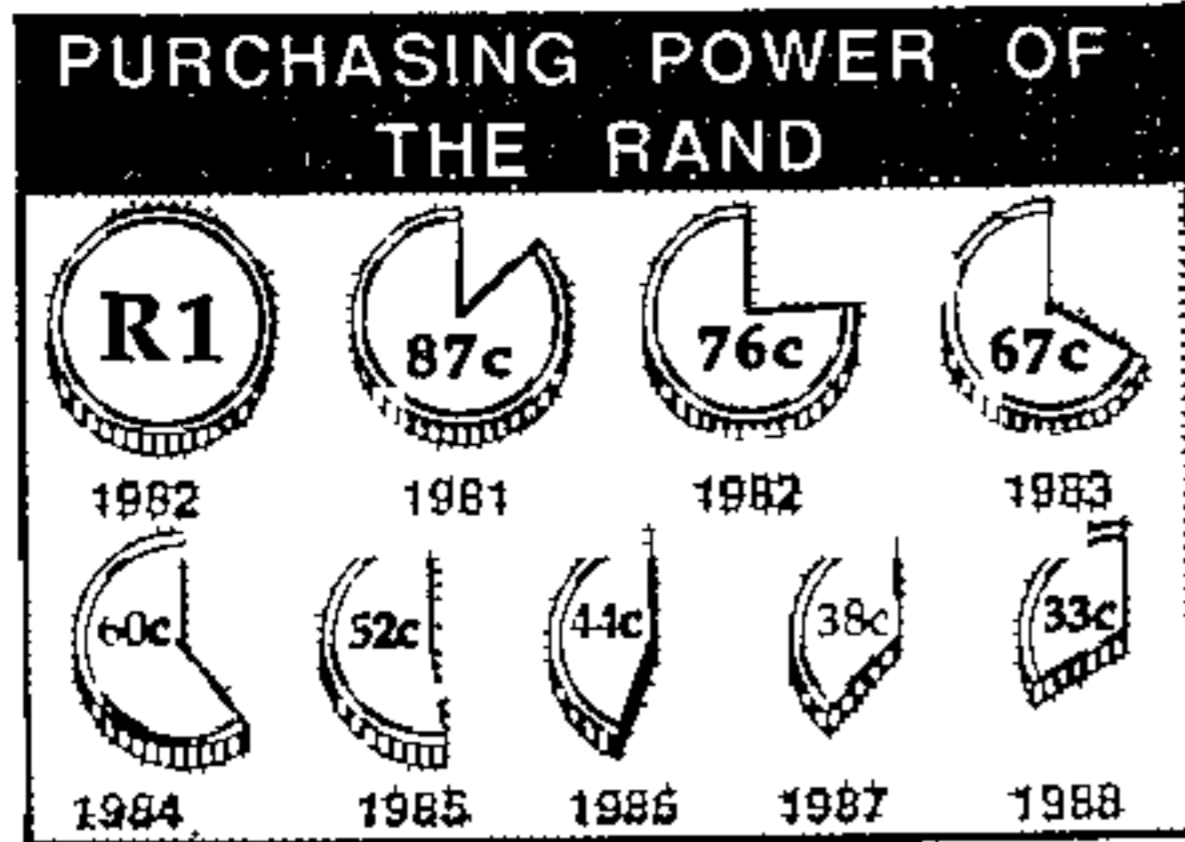
tivity in the industry is 51,7% compared with an acceptable 68%. This suggests that productivity could be increased by 31,5%. At the same time labour use could be increased by 13,6% and efficiency by 17,3% (244)

Average equipment use is only 38,9%, indicating a potential improvement in ma-

Medicines

chine output of 105,7% to a figure of 80% (243) (244)

The industry is currently worth more than R2-billion a year and private dosages of medical and pharmaceutical products represented 1,6% of total private consumption expenditure in 1986



Shopping list shows how prices have risen

Few shoppers have followed the dismal saga of inflation as closely as Mrs Sheila Lord, vice-president of the Housewives' League, who heads a team of sleuths keeping a running record of price movements.

In a recent exercise to tabulate the havoc, she found that the average bill for 26 items at the top of many weekend shopping lists — toothpaste and toilet soap to margarine and cake flour — had more than trebled compared with 10 years ago.

That was the average size of the prices spiral.

A few random items, selected as the cheapest on offer, make the gloom even deeper.

- Super grade fillet beef (1 kg) that it was possible to buy at R4,90 in 1980 now costs between R15,99 and R22,99, depending on the butcher — and luck
- Pork chops (1 kg) to be found at R3 in 1980 are now from R7,49 to R15,69
- Lamb chops, top of the pops at many braais, have rocketed from a low of R3,60 to a high of R16,99/kg
- Frozen chicken (1 kg) has zoomed from about R1,40 to between R3,49 and R4,39
- Fresh milk by the litre has gone up from 40 cents to between R1,19 and R1,25.
- Cheddar cheese (1 kg), rarely as much as R3 back in 1980, can now cost R9,69
- Cornflakes (500 g) have jumped from 44c or so to between R2,15 and R3,25

No further petrol price hike this year, says NEC

810am
25/9/89 ZILLA EFRAT (56) 244

ANOTHER petrol price increase this year was "completely" unlikely, a National Energy Council (NEC) spokesman confirmed at the weekend.

He said at present everything looked prosperous on the fuel pricing front

A petrol price increase was unlikely on the cost factor side, but could become possible if there were dramatic changes in the rand exchange rate or crude oil prices.

He said gloomy predictions in the first half of this year that SA would have another petrol price rise in October or November had not come true.

According to a statement released by the NEC, in August motorists in the PWV area underpaid 0,02c a litre for 93 octane petrol.

The NEC said the weakening in the exchange rate in August increased the rand value of the international list prices of fuels

This resulted in a swing from the over-recovery, of 0,011c a litre for 93 octane experienced in the second half of July, after the 6c a litre price increase on July 15

Motorists underpaid 8,743c a litre in the first half of July and 12,489c a litre in June.

In August, the diesel price remained in an over-recovery situation. Motorists overpaid 0,894c a litre, after paying 1,374c a litre too much in the second half of July.

In the first half of July, before the 2c a litre rise in the diesel price on July 15, motorists had been paying 1,109c a litre too little

Cap. Times 27/7/87
244

Tyre price hike set to puncture pockets

JOHANNESBURG. — Tyre prices were increased across-the-board by between 8% and 11% yesterday, Motor Industries Federation president and Quality Tyres chairman Mr Alex Hawes said last night.

The price increases come into effect today and were mainly caused "by inflation and two price increases this year" from Carbochem, which supplies raw materials to the "fiercely competitive tyre manufacturers".

Mr Hawes said this was the second price hike this year.

However, a tyre dealer said night last tyre prices had increased three times this year. The first time was in February when the cost increased on average 12% and on July 26 there was a further 12% rise.

The dealer said the price of a thin bakkie tyre in July was R139. The same tyre now cost R152.

Tyre prices rocket by up to 11%

EDWARD WEST

TYRE prices were increased across-the-board by 8% to 11% yesterday, the second price hike this year, Motor Industries Federation president and Quality Tyres chairman Alex Hawes said last night.

The price increases come into immediate effect today. They were mainly caused by inflation and two price increases this year from Carbochem, which supplies raw materials to the fiercely competitive tyre manufacturers.

However, a tyre dealer said last night tyre prices had increased three times this

year. The first time was in February when the cost increased on average 12%.

On July 26 average tyre prices increased a further 12% and yesterday the price increased on average a further 10%. The dealer said the price of a thin bakkie tyre in July was R130. The same tyre now cost R152.

610cm 279187
The dealer said at most tyre retailing outlets, the garage or retailer added a further 20% to the tyre cost.

Star 21/9/89

244

Production prices of imports rising

By Tom Hood

CAPE TOWN — For the first time in two years, the increase in production prices of imported goods has exceeded that of the locally manufactured, says the Stellenbosch Bureau for Economic Research

This supports sustained increases in the country's inflation, says the bureau's quarterly publication *Trends for September*

Economists at the bureau calculate that steady inflation has reduced the buying power of R1 in 1980 to only 56c now

The prices of non-food items also rose sharply in the second quarter of 1989, especially the price of vehicles which increased by 29,2 percent on the previous year

The quarterly review also comments on different sectors of the economy

Agriculture is still in an upward trend, although real gross income of production dropped in

the first quarter due to seasonal factors

Manufacturing confidence is still "satisfactory" in spite of constraints such as high prices, skilled labour and sanctions.

The downward trend in the index of new orders placed with manufacturers accelerated after government restrictions on spending.

Gross domestic fixed investment continued its uptrend, with the decline in fixed investment by public corporations levelling off

The bureau's building and construction indices all point to a slackening in building activity. The confidence index of architects and quantity surveyors has also dropped sharply.

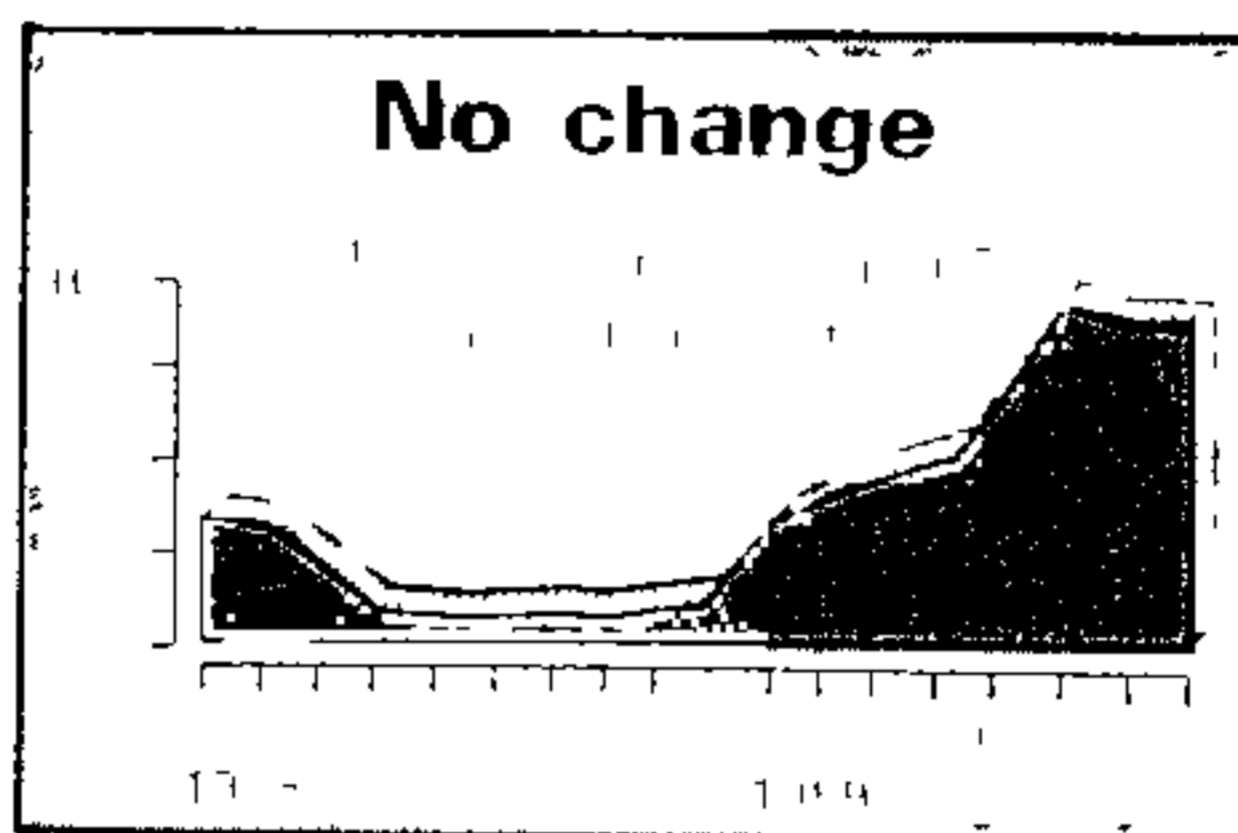
The confidence of white consumers, retailers and motor traders is deteriorating, although not reflected to the same extent by the levelling off in sales volumes

CPI 244 Fruit 29/9/89.

In disguise

Are the facts hiding behind the figures? August's 15,5% year-on-year inflation rate, as measured by the consumer price index (CPI), was unchanged from July. This looks like a stabilisation. But the month-on-month increase is a relatively high 1,4% — giving an annualised rate around 17%.

The year-on-year figure remained the same because the monthly increase last August was also 1,4%



July's petrol price increase, public transport cost increases and vehicle price increases in August pushed up transport costs 3,8% compared to July. If not for the increase in the price of petrol, says Trust Bank economist Nick Barnardt, the year-on-year rate would have been around 15,2%.

He sees year-on-year inflation in September falling towards 15% because

- A monthly rise last September of 1,4% — in reaction to costlier fuel,
- The "stable performance" of the rand against non-dollar currencies over the past six months, and
- Stabilisation of interest rates, "which will prevent inflation going through 16%."

He expects the effects of higher fuel taxes, import surcharges and the GST increase of the past year to work themselves out of the inflation rate in coming months. Barnardt forecasts CPI of about 15,5% next March, thereafter falling to below 14% in December.

Old Mutual economist Rian le Roux says the figures show inflation is decelerating. "It's being kept down by food prices" — which rose only 1,2% compared to the previous month. "They could gain momentum, but will be offset by less expensive imports — because of the stabilising rand — and stable mortgage rates." ■

By Don Robertson

THE pharmaceutical industry has reacted strongly to a report by the National Productivity Institute (NPI), blaming poor productivity for the rising price of medicine

The Pharmaceutical Manufacturers Association (PMA) says the report has done an injustice to the industry

PMA executive director John Toerien says the news release by the NPI was one-sided because it stressed only negative aspects of the industry

He says the synopsis to the report mentioned that companies taking part in the survey were well managed and operated at a high level of efficiency

S/Times 1/10/89

Muti-makers strike back

In the report, the NPI found that poor labour and equipment use and the effects of the State tender system were the main reasons for rising prices of medicine. It was also reported that most manufacturers believe that sales under the State tender system were subsidised by the high price of medicines sold to the individual.

The average price of medicines has risen by 241,5% since 1980 — much higher than the increase in the production price and consumer price indices.

Mr Toerien says the report

claimed that "optimal production productivity in the participating companies is hampered by a number of uncontrollable factors, namely relatively low production volumes, fluctuating demand and rigorous Government control of quality"

"The future of ethical products, the main product range of most of the participating companies, is influenced by the production of generic medicines. The latter is obviously more attractive to customers because of price considerations, but its therapeutic equivalence is

not beyond doubt

"The industry practices sound labour policies financially the companies perform well, which is also in the interest of the SA economy"

Mr Toerien says it is a pity that these aspects were not highlighted because that would have given a far more balanced view of the industry and would have eliminated unnecessary speculation

Clive Stanton, managing director of Lennon, a member of the SA Druggists group, says production at his company is well above the average for the industry and that in some cases two and three shifts are worked

As one of the largest manufacturers of generic drugs in the world, high volumes are essential and in January this year, it was possible to reduce or at least maintain prices of some medicines

Bread price hike is on the cards

3 19am 11/07/89
PRETORIA — The bread price is almost certain to be raised from November 1 — the start of the new wheat season — according to sources here.

The Wheat Board is to meet Agriculture Minister Jacob de Villiers this month to determine producer prices and bakers' and millers' margins.

And unless government agrees to an additional subsidy, the extent of the bread price hike will also have to be fixed.

In his March Budget, Finance Minister Barend du

GERALD REILLY

Plessis set aside R80m to support the bread price.

This was insufficient and a further R35m was granted.

What is left of the R115m subsidy is insufficient to maintain the bread price at current levels until the start of the new financial year next April.

And against a background of government policy to phase out food subsidies, and a lack of state funds, the chances of a bridging subsidy are remote.

244



STAR 5/10/89 (244)

Bread price likely to rise next month

Pretoria Bureau

There is a strong possibility the price of bread would increase next month as a result of the Government decision to phase out subsidies on basic foods, say Pretoria sources

A decision is likely to be taken later this month when the new Minister of Agriculture, Mr Jacob de Villiers, holds his first meeting with the Wheat Board

ANNOUNCEMENT

An announcement of the new price could be expected during the last week of October, sources said. The level of the increase is not yet known

Mrs Lyn Morris, president of the Housewives League, said yesterday that a price hike was unavoidable. The Government would have to inject about R50 million into the subsidy, standing at R115 million for the current financial year, to maintain present prices

She said if the producers' price for wheat increased, which was likely, then the price of bread would have to rise

In March the Minister of Finance, Mr Barend du Plessis, told Parliament R80 million had been set aside for the bread subsidy. A further R35 million was provided later in the year

20% price rise in school uniforms

Cape Times
5/11/1990
244

Staff Reporter

THE price of school uniforms has increased by around 20% this year, meaning that parents could spend as much as R340 kitting out a Sub A pupil for the first time.

This year's increase far exceeds last year's 7%, the previous year's 15% and the 10% increase experienced in 1987, and could result in a petition for the introduction of a cheaper standardised uniform being presented to the State President, Mr F W de Klerk, later this year.

Mr Ian Masterson of Garsfontein, Pretoria, whose petition to the Minister of Education and Culture in the House of Assembly, Mr Piet Clase, for a standardised uniform was rejected early last year, plans to take the matter further.

Mr Masterson confirmed earlier this week that he had asked, via his MP, to meet the State President on this issue.

The president of the South African Teachers' Association (Sata), Mr Des Duxbury, yesterday told the Cape Times that although he was opposed to costly items being included in uniforms, he recognised the need of a school to be distinctive. He said that

in the Cape, parent-elected school committees were responsible for the type of school uniform worn by the pupils.

Mrs Naomi Peagam of the Cape English Speaking Parents' Association said parents called for a certain level of standardisation of uniforms but wished to retain an amount of individuality.

Mrs T K Stoner, principal of Fish Hoek Preparatory School, said that although it was desirable to bring down the cost of uniforms, children should be given the opportunity to be different.

"If we standardise uniforms we will be bringing a rigidity into education which we are trying to move away from. Do we want stereotyped children?" she asked, adding that the community should decide on a school uniform and not "some bureaucracy".

Where uniforms are bought, the quality of the cloth used and where children go to school all drastically affect the cost of the uniform.

Many schools wear standardised grey or khaki shorts, white shirts and grey or navy jerseys which are available for less from large chain stores than from specialised school stockists.

Production prices climb yet again

NEIL YORKE SMITH 244

THE production price index (PPI) rose to 16,1% in August, in spite of a significant drop in the rate of increase of imported commodities.

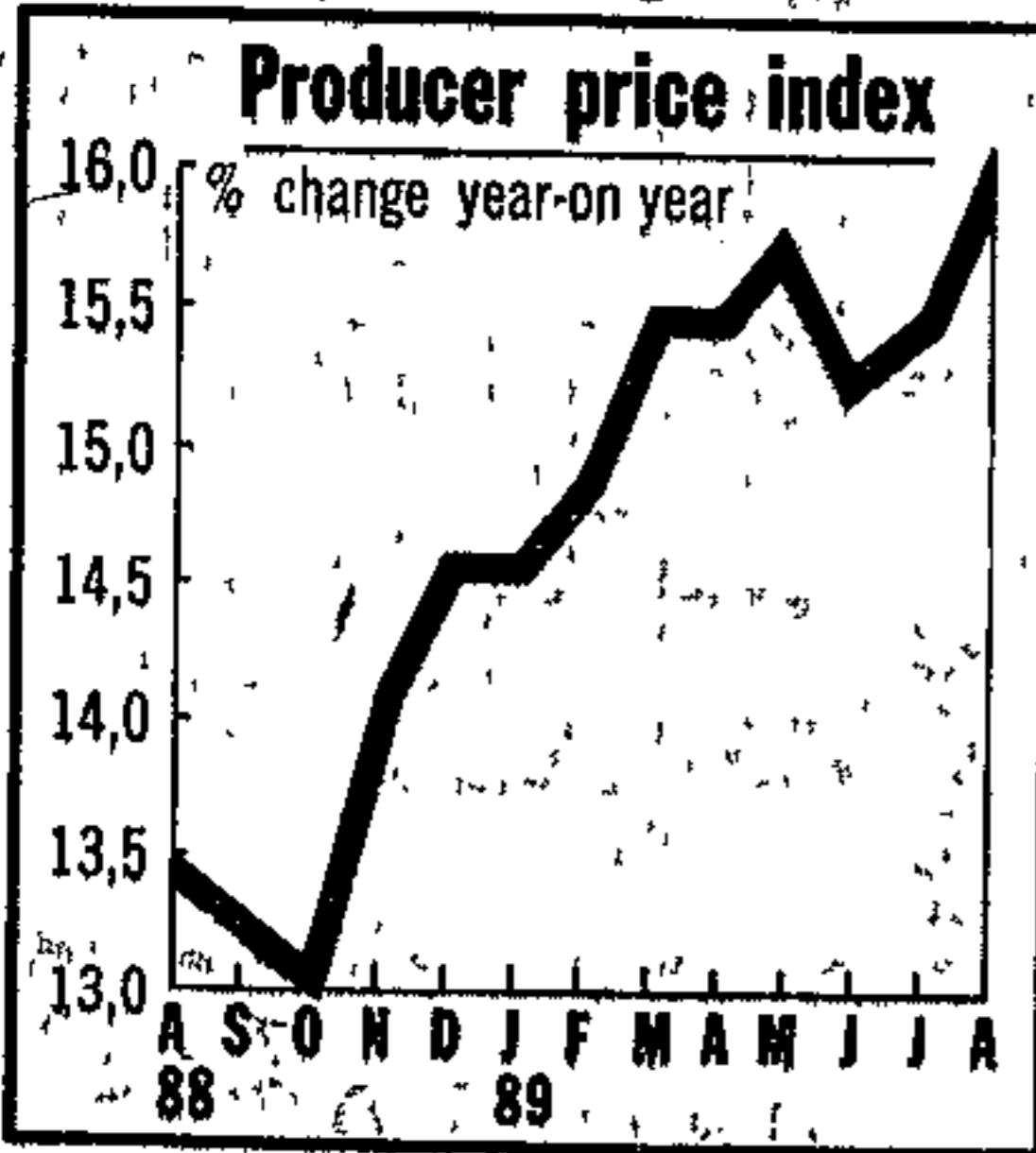
Central Statistical Service (CSS) figures show the August PPI was 0,5 percentage points higher than the corresponding figure for July (15,6%)

Producer price inflation, which usually leads consumer inflation by three to four months, measures the rate of increase in manufacturing input costs.

The year-on-year increase for locally produced commodities for SA consumption was 15,8% This was 1,2 percentage points higher than the corresponding rate for July (14,6%) *8/10/89*

However, the rate of increase for im-

□ To Page 2



Production prices *3/10/89* *6/10/89* 244 From Page 1

ported commodity prices fell 1,8 percentage points to 16,9%, significantly lower than the corresponding July figure of 18,7%

Econometrix economist Azar Jammine said yesterday the reduced increase in import prices should be attributed to the relative strength of the rand during August

"Had this not been the case, production inflation would have been dramatically higher than the already worrying figures,"

he said

Large monthly production price increases were seen in metal products (4,7%), petroleum and coal products (4,3%) and transport equipment (3,3%)

Jammine said the figures showed the SA inflation trend was still undeniably upwards

The PPI figure for July was 329,2 This means it now costs R329,20 to purchase the same bundle of producer goods that cost R100 in 1980

Less for the farmer 'but housewives pay same'

B/DAY 6/10/89

MEAT producers would receive up to R150 less for each beast slaughtered, but it was unlikely the price benefit would be passed on to consumers, Organisation of Livestock Producers (OLP) chairman Sandy Speedy said in a statement yesterday.

This development was the result of a decision by the Meat Board at the end of August, Speedy said.

He said the board recently revised the meat grading system to counter confusion that existed in the market. It also conducted a survey which indicated that consumers preferred lean beef.

These moves led to the board's decision to downgrade "super" carcasses, which have a relatively high fat content, to an "A2" lean meat grading.

The OLP was a voluntary organisation of producers which believed the red meat industry should operate in a free market environment, Speedy said.

"When producers became aware of the Meat Board's decision, we con-

EDYTH BULBRING

veyed our dissatisfaction to the board. We were told that the decision to downgrade "super" carcasses would be reversed for one month and implemented from October 27."

This has led to most feed-lotters and some producers selling off cattle that would fetch a lower price from October 27.

It had become difficult to obtain permits to sell, which meant that the market was now over-supplied and that there would be an unplanned shortage of red meat in the near future, Speedy said.

~~Meat~~ Consumers 244
This would lead to increased consumer prices, most probably over the Christmas period.

Speedy stressed that to the best of the OLP's knowledge, the price benefit was not likely to be passed on to consumers, nor had consumers been informed of the new classification of "super" grade meat.

Clothing prices to soar ^{w/ ARGUS 7/10/89} ~~400~~ 25 ²⁴⁴ pc

By TOM HOOD
Business Editor

CLOTHING prices could rise by at least 25 percent in the next few months after jumping about 30 percent in the shops this year

This trend is indicated by the country's largest garment manufacturer, Seardel Investment Corporation, which employs almost 16 000 people

Higher shop prices could lead to lower sales, fewer factory orders and a threat to jobs, the company believes

Input costs have grown more than 25 percent this year and

the trend is continuing, says group chairman Aaron Searll

Wages and employee benefits increased at a similar rate, creating heavy demands on working capital, he says in his annual report to shareholders

"Although disposable income has grown to a degree, cost/price relationships are approaching a threshold of consumer resistance."

The supply, delivery and costs of locally produced textile fabrics continues to be a major problem area

"This over-protected industry has increased its prices by about 25 percent this year This

is unacceptable to manufacturers and consumers alike"

The Board of Trade and Industries would have to guard against a new protectionism through well-intentioned structural adjustment programmes, said Mr Searll

"On first analysis the historical tendency to increase protection on domestic raw material production is once more appearing as a component of industrial strategy and this obviously militates against international competitiveness

"It also precludes, as it has in the past, the proper development of a domestic market. Overpricing raw materials will ensure that locally manufactured goods are priced beyond the reach of the emerging consumers in South Africa.

"Exports alone cannot provide the growth South Africa requires to extend the benefits of participating in an industrial society to our expanding population."

The clothing industry needed to exercise responsibility and care in future wage settlements.

"We need to be careful of the debilitating effect of excessive increases on the cost of our products and the inevitable decline in volumes under cost pressures. This threatens jobs and the business those jobs support"

Mr Searll is one of the few company chiefs to make specific forecasts of the next year's results

This year group turnover was R741 million — easily beating the forecast a year ago of R670 million to R700 million

Fare increases 'crippling' city's domestic workers

By ANDREA WEISS
Staff Reporter

ARGUS 9/10/89
DOMESTIC workers are being "crippled" by the recent 12,5 percent increase in bus fares, according to the South African Domestic Workers' Union (Sadwu).

With an average wage of around R150 a month or R10 a day (according to Sadwu) and a roundtrip from an area like Mitchell's Plain or Khayelitsha costing up to R7 a day, domestic workers are battling to take home even R5 a day.

Also, many domestic workers are unable to make use of the cheaper clipcard system because they char for different employers and often have to take connecting buses and trains to get to their work place.

Described by Sadwu as "the lowest paid group in South Africa", the union objected to the

increases implemented on September 24.

"Many are not able to meet the cost of supporting even the most basic needs of their families. The result of this is poverty, hunger and related diseases like tuberculosis," it said in a statement.

"We feel a commission of inquiry should have been established before these new fares were implemented to look into the basic expense and income of the domestic workers."

Examples of the new fares are:

- From Khayelitsha to Cape Town, R2,60 single.
- From Khayelitsha to Elsie's River, R2,55 single.
- From Khayelitsha to Wynberg, R2,55 single.
- From Mitchell's Plain to Cape Town, R3,55 single.
- From Nyanga to Bellville, R1,20 single.

STAR (D) 10/15/89

Clothing prices set to soar again

244 By Tom Hood

CAPE TOWN — Clothing prices could rise by at least 25 percent in the next few months after jumping about 30 percent in the shops this year.

This trend is indicated by the country's largest garment manufacturer, Searl Investment Corporation, which employs almost 16 000 people.

Higher shop prices could lead to lower sales, fewer factory orders and a threat to jobs, the company believes.

Input costs have grown more than 25 percent this year and the trend is continuing, says group chairman Aaron Searl. Wages and employee benefits increased at a similar rate, creating heavy demands on working capital.

"Although disposable income has grown to a degree, cost/price relationships are approaching a threshold of consumer resistance.

The supply, delivery and costs of locally produced textile fabrics continues to be a major problem area.

"This over-protected industry has increased its prices by about 25 percent this year. This is unacceptable to manufacturers and consumers alike.

"The clothing industry needed to exercise responsibility and care in future wage settlements.

"We need to be careful of the debilitating effect of excessive increases on the cost of our products and the inevitable decline in volumes under cost pressures. This threatens jobs and the businesses those jobs support."

Entire consumer market will feel a ripple effect

STAR 12/10/89 By Michael Chester

The ripple impact of the increase in Bank Rate on home bonds and hire purchase deals was sending shock waves through the entire consumer market, a major credit-rating network warned last night.

The bills piling up at the average household were likely to increase by at least R120 to R150 a month.

Mr Paul Edwards, chairman of the Information Trust Corporation, said many consumers faced the stark risk of bankruptcy as they were overwhelmed by the debt loads they were carrying.

"Many consumers are already in a precarious financial position," he said. "A new round of interest rate increases, which could see mortgage bond rates rising to 21 percent, will push many hard-pressed consumers into bankruptcy."

"The weak position of the consumer is highlighted by the rising number of sequestrations, the increased value of debt judgments and by the number of homes threatened by sales in execution."

He said the value of judgments handed down by the courts ordering debt repayments had already risen by almost 80 percent compared with a year ago.

Mr Edwards said he appreciated the need to dampen demand for imported goods in order to protect the balance of payments situation. But signals from the consumer sector indicated that consumer spending was already slowing down.

"The consumer has had faith that the Government's new approach to monetary and fiscal management would lead to interest rate stability, albeit at higher levels," he added.

Consumer spending had struck a psychological barrier with interest rates at 20 percent or higher and the repercussions could depress the economy for the next year or perhaps two years.

He believed the housing market would be hit at the lower end, with defaulters running into difficulties in selling their homes in a declining market. Black families might be even less inclined to become involved in home ownership.

● See Pages 2, 17 and 18.

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● See Pages 2, 17 and 18.

Big bread price rise on the cards

PRETORIA — The bread price could rise by between 8c and 12c a loaf from November 1, government sources here said.

Behind the expected increase were wheat farmers' demands for compensation for escalating production costs, bakers' and millers' demands for higher margins, and retailers' demands for an increase in their 3c-a-loaf profit.

A key factor making it virtually certain Cabinet would authorise a big price hike was the fast dwindling R115m bread subsidy, with the remaining amount being far too little to hold bread prices at current levels until the start of the new financial year.

Government has also committed itself to a policy of phasing out the subsidy. Last August the price was increased by 4c a white loaf to 85c and by 6c a brown

5/Day 12/10/89

GERALD REILLY

loaf to 69c.

In April it rose again, white bread by 5c to 90c and brown bread by 7c to 76c.

Housewives League president Lyn Morris said if the whole chain from producer to retailer were to be granted increases, then government had no alternative but to raise the price. (244)

This would obviously impose hardships on lower income groups.

"Some way must be found to lower the prices of basic foods to the lower income groups," she said.

Basic food prices would become a critical issue, she stressed, when VAT was introduced and if, as was feared, government refused exemptions.

CSS figures challenged

PRODUCTION statistics from the Government-managed Central Statistical Service (CSS) have been challenged

Gad Ariovich, chief economist of stockbrokers Ferguson Brothers, Hall and Stewart and industrial consultant to the SA Federated Chamber of Industries (FCI) says that some statistics from the CSS are patently incorrect and could lead to distorted planning by Government.

Dr Ariovich recently spoke to members of the clothing industry in Cape Town and quoted figures from the CSS which showed that production of clothing in the year to July 1989 had declined by 4% compared with the figure for the previous year.

(244)

By Don Robertson

However, the clothing industry insists that production has increased. Dr Ariovich also points to the improved results from groups such as Edgars, Foschini and Woolworths, which indicate that sales and, therefore, production, have increased substantially.

5 Times. 15/10/89.
One reason for the apparent discrepancies between the CSS figures and those of manufacturers is the fear that questionnaires sent out by the CSS could be passed on to the Receiver of Revenue and as a result production figures are often deflated.

Groceries in city 'no longer the cheapest'

Cape Times
17/10/89

244

Staff Reporter

CAPE TOWN is no longer the cheapest city in which to buy groceries, according to the latest SA Co-ordinating Consumer Council survey.

However, Cape Town has fallen only to second place, with an overall average of R440,20 for the 119 items checked at hyperstores and supermarkets in the survey.

Maritzburg was the city with the cheapest trolley last month, with an average of R438,04 for the same grocery list.

Most expensive was Welkom in the Free State, with an average of R462,40. The national average for September was R448,17 for the trolley load, which was 0,64% more than the R445,30 which the same lot of items cost in August.

Annualised, the 0,64% increase comes to a fraction under 8%, which is well below the current rate of inflation. In the previous month, the national average rose 1,76%, from R437,60 to R445,30, which is well over 20% when annualised.

Pick 'n Pay had a good month, with prices actually declining by 0,7%, while at Checkers and OK Bazaars prices rose by 1,45% and 1,2% respectively.

The goods included in the trolley

load are kept secret so that retailers cannot distort the figures by specially discounting the items concerned.

Cape Town is split into four areas for the purposes of the survey.

● Northern Peninsula, comprising Brackenfell, Parow, Bellville and Bothasig, with an average of R439,85.

● South-east Peninsula, which includes Wynberg, Claremont, Rondebosch, Plumstead, Kenilworth and Lansdowne, with an average of R442,75.

● South-west Peninsula, which is Sea Point, at R440,83.

● South-east Cape, comprising Ottery and Mitchells Plain, with an average of R437,65.

The best place to shop in the Peninsula last month, for the items on the survey list, was the Pick 'n Pay Hypermarket in Ottery where the chosen trolley-load would have cost R429,62. The most expensive was an OK in the Sea Point area where the trolley load cost R456,90.

Johannesburg's average price for the trolley-load was R449,70, or R9,50 more than Cape Town's average, according to the survey.

Pretoria's prices, averaging R449,46, were very close to those of Johannesburg.

Durban was the third cheapest city last month, after Maritzburg and Cape Town.

Big protest at cost of medicines

Staff Reporter

MORE THAN 54 000 signatures have been handed to the government in a massive and nationwide show of concern for the spiralling costs of medicines and medical care.

The Housewives' League collected signatures for most of the year and earlier this month handed them to the new Minister of Health and Population Development, Dr Rina Venter, at a special meeting

National president of the league Ms Lyn Morris, who led the deputation, has given a big thumbs-up to Dr Venter, describing her as "concerned and interested" in their cause.

"I believe we are very fortunate in our new minister, who gave the impression of being a very caring person. She was very interested in what we had to tell her

"But I think we need to give her some time to settle into her new portfolio before we expect any major changes," Ms Morris told the Cape Times yesterday.

She said they had achieved their primary objective of making Dr Venter aware of the issues of concern.

The league started collecting signatures in March this year and Ms Morris said they were astounded at the response countrywide.

"We started the petition as a branch thing but were inundated with calls from interested people throughout the country who asked for their own petition forms, and sometimes even called back for extras.

"When we officially closed the petition at the end of July we had 54 500 signatures as well as plenty of letters of support from concerned people," she said.

Bread price

Coffee price plunges, but not in SA

By Jacqueline Myburgh



Star 20/10/89

South African consumers are unlikely to reap the benefits of a dramatic drop in the international coffee price which is threatening to damage the economies and social stability of some African and Central American producers.

Colombia has already appealed to President Bush, saying that it needs an international revival of coffee prices to help combat drug traffic and Uganda's export revenue could slip by \$300 million (about R600 million) if sales do not improve.

Despite the enormous drop in the price of coffee, South Africans could expect a rise in the price of local products, since chicory producers in the eastern Cape have been badly hit by drought, drastically reducing the size of their crops.

Mr Tim Young, chairman of the SA Tea, Coffee and Chicory Association and managing director of Liptons, said South Africa has been forced to import chicory, costing 50 percent more than the local product, to supplement supplies.

ABSORB

He said the collapse of the international coffee price would therefore not be reflected here since increasing production costs would also absorb any marginal drop in price.

"The costs of labour and packaging are increasing at the same rate as that of inflation," he said.

The collapse of an International Coffee Agreement will not affect South Africa since it is not a member of the International Coffee Organisation (ICO) and buys coffee on the non-member market — thus enjoying discounts of up to 60 percent on world prices.

The drop in the coffee price has brought member prices down to the non-member level.

South Africa does produce a small amount of coffee, but most is imported — with an estimated 15 000 tons being shipped in last year.

Bread price could be increased by 10c

The Government is expected to announce an increase of about 10c in the price of bread next week, effective from November

Sources say the Government may phase out the bread subsidy completely and give direct aid to the poor.

Mrs Lyn Morris, president of the Housewives' League of South Africa, said today higher bread prices would be a blow to the poor and to feeding schemes. It was not clear what the Government intended to do about providing direct assistance to the poor

"The Food Strategy Committee is presently studying the issue and a report is expected some time next year," she said — Staff Reporter

(2NH) Staw 19/10/89

CPK-1-18 20/10/89

Bread to go up by 10 to 12c

JOHANNESBURG

The price of bread will increase by between 10 and 12 cents a loaf effective from November 1.

The increase is expected to be announced next Friday along with the wheat price.

The final decision should be taken by the cabinet on Wednesday.

The increase has been prompted by a higher wheat price, more expensive input costs for bakers and millers, a request by retailers for a greater margin of profit, and the gradual phasing out of the government's bread subsidy.

The increase is in step with the government's policy of reducing overheads. The bread subsidy is about R17 million a year. — Sapa

Food bill doubled in four years

By TOM HOOD ^{AR645}
Business Editor ^{24/10/89} (244) to 14,9 percent in September
from 15,5 percent in August

FOOD prices will have more than doubled in four years by the end of this month — and that's official

A basket of food that cost R100 in 1985 cost R193 last month

The figure is expected to rise to R208 by the end of this month as a result of relentless price increases.

This was disclosed by the Central Statistics Office today in giving its latest figures for the consumer price index

Food prices rose last month by 15,6 percent, up from August's 14,4 percent

The president of the Housewives' League, Mrs Lyn Morris, said she was sceptical about the latest inflation figure, which had dropped by 0,6

Food prices were the largest contributor to the latest rise in inflation, she said.

The latest one percent rise in the bond rate had not made an impact yet but next month it would do "horrendous" things to the inflation rate

Economists expect the inflation rate to begin rising towards the end of the year and early next year and to begin declining in the middle of 1990

Volkskas economist Mr Adam Jacobs said inflation would still average about 15 percent this year, up from 12,5 percent last year, but could ease to 14 percent next year.

Inflation at 15 percent means the rand's spending power will be halved in five years

● See page 24

Bread price and monopoly cause anger

The Argus Correspondent 244

PRETORIA — Consumers may soon face a "breadless" day once a week, unless mutinous cafe-owners get a thicker slice from bread sales

At the same time, a major supermarket chain has attacked the government's "bread monopoly"

Mr Frank Swarbreck, executive director of the Catering, Restaurant and Tearoom Association (Catra), said yesterday that South Africa's 35 000 cafe-owners were becoming an endangered species and could no longer afford to sell bread at a loss

LOST HEAVILY

Cafe-owners lost heavily on bread as they received a measly 3c — or 3,5 percent — for every loaf of bread they sold, he said.

"This is nowhere near the break-even point of 30 percent and I wonder how much longer the cafe-keeper will be able to keep on selling standard loaves at that rate," Mr Swarbreck said

"We believe that the bread subsidy and price control on bread should be removed," he said. "In the long run, we might even see a reduction in the price of bread."

Mr Louis van Staden, assistant general manager of the Wheat Board, said the board sympathised with cafe-owners but could not comment at this stage as the Cabinet still had to decide on the issue.

MONOPOLY ATTACKED

Supermarket chain Pick 'n Pay has attacked the government's bread monopoly and announced that it planned to keep bread prices at current levels until "further notice".

It was unfair that only certain bakeries owned by milling companies were permitted to use the government's recipe for standard loaves, said Mr Martin Rosen

Mr Rosen also criticised the latest bread price rise, expected from November 1.

"The majority of our people find it difficult enough already to afford the necessities of life. There is certainly very little money around any more for luxuries. The worst hit will be the poorest section of the community, for whom bread constitutes a staple food"

Bread price hike 'will hit poor'

Sapa and Staff Reporter

244
THE impending bread price hike has drawn wide condemnation from major retailers, consumer groups and opposition politicians, who charged that the poor would be hardest hit by the increase.

Minister of Agriculture Mr Jacob de Villiers announced yesterday that the price of standard white bread was to be increased from November 1 by 10c to R1 a loaf, while a loaf of brown bread will rise by nine cents to 85c a loaf.

Mr De Villiers said the price increase stemmed from a rise in the price of wheat, increases in the millers' and bakers' margins, as well as a rise in the retail margin of bread.

Opposition party spokesmen yesterday lashed out at the increase. Democratic Party spokesman on consumer affairs Mr Harry Schwarz said "It is regrettable that one of the first acts of a new Minister of Agriculture is to impose a burden on those least able to afford it."

Consumer Council director Mr Jan Cronje said relief measures should be considered to help consumers hardest hit by the increase.

Group managing director of Checkers Mr Clive Weil announced a R350 000 subsidy in the brown bread price.

Price of bread up 2/1/4

THE price of white bread will rise by 10c a loaf from November 1 and that of brown bread by 9c, the Minister of Agriculture, Mr J de Villiers, announced at the weekend

The price of a standard white loaf will rise to R1 and that of a brown loaf to 85c

The Minister said the bread price increase stemmed from an increase

in the price of wheat and increases in the millers' and bakers' margins as well as an increase in the retail margin of bread

The basic selling price of wheat has been increased by 12,4 percent, from R400,25 to R450 a ton. This was the first increase in two years

In the case of the retail margin the present margin of 3c was being increased to 4c

*6/8/10/89
Sowetan*

R350 000 brown bread subsidy by retailer

Own Correspondent

JOHANNESBURG. — Checkers has announced a R350 000 subsidy in the price of brown bread following an increase in the price of bread announced by the Minister of Agriculture, Mr Jacob de Villiers, last week.

Checkers managing director Mr Clive Weil said he hoped the subsidy would alleviate the blow faced by consumers, especially the poor.

This would bring the total amount contributed by Checkers to subsidis-

CAIT
7/2/75
3/11/79
ZUC

ing the price of bread this year to R700 000

Mr Weil said Checkers would hold the price of brown bread at the old selling price of 74c for as long as possible, but that this price would not be available to traders or to institutions that bought in bulk.

He said that although he felt uncomfortable with subsidies in general, the bread subsidy needed to be continued on brown bread, which was the more nutritious of the two basic food commodities. "In the current economic

climate the bread price hike will really hit the poor the hardest."

Meanwhile, OK Bazaars' managing director Mr Gordon Hood said that till further notice, his store would increase the price only to cover the cost of bread "to ourselves."

"Any increase in the price of a staple food, such as bread, has a severe impact on the long-suffering consumers. We are among the largest retailers of bread in South Africa and it is unfortunate that this decision will have such a harsh impact on the price

of a commodity which is a basic daily food for so many people," he said.

He said he hoped the government would act swiftly in finding alternative methods by which effective food aid could be rendered to the underprivileged, who for too many years had been suffering from the effects of price increases, and the unacceptably high inflation rate which had eroded their incomes.

● Pick 'n Pay announced last week that it would hold bread prices down even if government withdrew the subsidy.

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244 B. Day 11/11/89

New car prices to rise before the end of this year

EDWARD WEST

THREE of SA's motor manufacturers, Toyota, Volkswagen and Nissan, would increase vehicle prices before the end of the year, company spokesmen said yesterday.

Toyota's vehicle prices will increase from 1,5% to 3% from today bringing the total vehicle price increase for the year to 15%.

Volkswagen public affairs GM Ronnie Kruger said Volkswagen vehicle prices would also increase before the end of the year, probably towards the end of November. The percentage increase had not yet been worked out.

Volkswagen increased prices 2,5% in February, 4% in May and 4% in August. Kruger said as a result of increased

expenditure due to phase six of the local content programme, Volkswagen expected to increase its prices at 2% to 3% above the inflation rate during 1990.

A Nissan spokesman said their vehicle prices would also increase before the year end, but they too had not yet finalised the percentage increase.

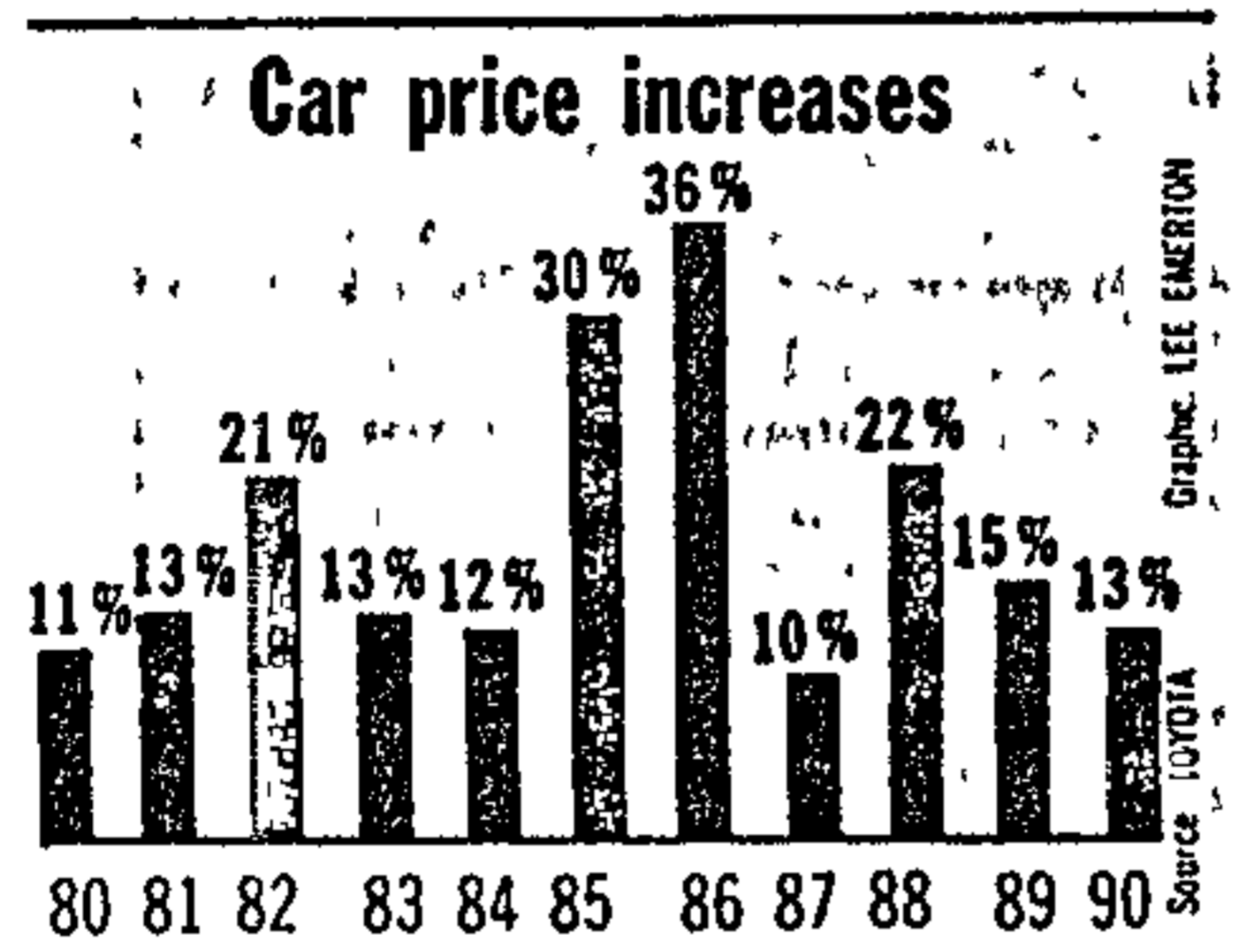
Nissan would attempt to keep the overall price increase for the year below the inflation rate, he said. Nissan raised its prices by 3,8% in February, 3,6% in April and around 3% in August.

Toyota Marketing MD Brand Pretorius said in a statement Toyota increased vehicle prices by 22% in 1988 and they expected to increase vehicle prices by 13% in 1990.

Toyota had succeeded in keeping prices in line with the inflation rate this year because the rand/yen exchange rate remained fairly stable, he said.

The company expected this stability to continue in 1990, Pretorius said.

Purchases of locally made components at prices which competed with imported parts together with maximised volume production and economies of scale were also expected to curb inflationary pressure on prices.



Text urges Africa to improve human rights
... power station had been partially in reserve storage.

High rates 'killing the economy'

Call for a price and wage freeze

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By AUDREY D'ANGELO
Financial Editor

the goose which is laying the golden eggs we should just try to reduce imports directly."

INSTEAD of "killing the economy" with high interest rates, the government should restrict imports and impose a price and wage freeze for at least a year, Jan Sadie, chairman of the management committee of the Stellenbosch Bureau for Economic Research (BER) said yesterday

There had been long decades when the SA economy had performed magnificently, when imports were controlled

Pointing out that the present high interest rates were having a disastrous effect on individuals and businesses, Sadie continued "This kind of impoverishing people is not acceptable

He was the last speaker at a conference on the future of the SA economy, organised by the BER at the Lord Charles Hotel, Somerset West



"If it was a matter of repaying debt for two or three years, and asking people to

Other economists had stressed the need for continuing high interest rates well into the 1990s to maintain a favourable balance of payments (BoP)

pull in their belts (while that was happening) it might be acceptable But that does not seem to be the case It seems to be for several years "

Sadie said that instead of involving themselves in social welfare programmes, businessmen should "stick to their last"

Stressing the need to build up confidence among business people, so that they would invest to provide more jobs, Sadie said that if the economy grew at a rate of only 1% a year there would be no way to stave off a claim that the economic system was not worth preserving

If they could increase the per capita income of the SA population, they would be making a sufficiently important contribution

"The people with socialist or communist ideas will come forward and say 'let's try something else' "

The biggest single constraint on the SA economy was the need to maintain a favourable BoP But reducing demand when the growth rate was already so low was not cooling the economy, it was killing it

Sadie said wage demands were related to the workers' needs, not to their productivity And inflation could not be fought successfully with interest rates as the only weapon High interest rates increased inflation

"We are cutting off its head every time it goes out "

He thought it would be "better to be a little bit pragmatic and approach

"I cannot see any way of fighting inflation except by wage and price

~~the market can be used instead of cutting out of the economy~~

Price of electricity rises

THE price of electricity is to increase by 14 percent from January next year, Eskom announced yesterday.

Eskom chairman Dr John Maree said at a Press conference at the Megawatt Park, the organisation's headquarters in Sandton, that the increase was two percentage points below Eskom's forecast of 16 percent at

the average inflation rate for 1990.

He said Eskom was facing a radically different financial environment

"When you consider the magnitude of the changes facing us, we are pleased that we have managed to hold the increase down to 14 percent."

Eskom was determined to be a leader in the fight against inflation, Maree said.

The price of electricity was one of the few industrial and commercial inputs which was declining in real terms.

"This is only being achieved by transforming Eskom into a high performance organisation" - Sapa.

29/11/89
Sowetan

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Anger over rising mealie meal prices

By JOSHUA RABOROKO

SOWETO shopkeepers have decided to stop buying products from a leading company following unsuccessful attempts to persuade the company to reduce the price of maize meal.

The decision was taken at a meeting of traders held at the Jabulani Standard Bank Hall after a delegation of the Soweto Independent Shopkeepers Association (Soinasa) held talks with the company's representatives.

In a letter to the milling company the Soweto traders said they



Mr Charles Morland.

took the decision because the management autocratically refused that maize products were basic staple food for blacks.

A spokesman for the milling company yesterday said they were aware

of the problems and would call the parties to a meeting this week to resolve the matter amicably

Soinasa's general secretary Mr Thami Skenjana said the business delegation had explained to the management the plight of blacks concerning the ever-rising cost of maize products in the wake of the soaring rate of unemployment in the country.

The managing director of the milling company, Mr Charles Morland, yesterday said he held constructive discussions with the traders and was sympathetic to their problems. He was prepared to look into the problems and had written a letter inviting them to another meeting soon.

Handwritten note: (PH) Soinasa 8/11/89

Freed markets lead to Eskom price rise

GOVERNMENT'S freeing of financial markets means that consumers will now pay more cost-related prices for electricity than before.

This was the bottom line that emerged from a comprehensive presentation given yesterday by Eskom GM (finance) Mick Davis, who said that had it not been for dramatic improvements in Eskom's capital and labour productivity, the 14% electricity increase effective from January 2 would have been higher. He also illustrated how in 1990 Eskom would absorb 70% of the total cash that institutions are likely to invest in capital market paper (gilts).

The lifting of government's prescribed asset requirements on gilts, which had amounted to a subsidy, meant a long-term increase in Eskom charges higher than would otherwise have been the case.

Davis illustrated that Eskom had thrived on the lower rates payable on prescribed assets, for which Eskom gilts qualified. But now Eskom had to face competition from returns on cash and equities, particularly equities.

Though Eskom had by no means been privatised, the outcome of the process — consumers paying economic user charges for a good or service — was the result. Consumers would now pay more market-related prices for electricity.

Davis said that Eskom had only two sources of funding, sales of electricity and capital market borrowings. In 1990, cash from operations would produce an estimated R6,4bn. From this financing charges of R4,1bn were deductible — including R1,1bn costs of forward cover contracts

BARRY SERGEANT

taken out with the Reserve Bank

After capital expenditure of R3,7bn and loan repayments of R2,6bn, this left R4bn that required financing. Maturing forward cover contracts, due to the characteristic decline in the rand's value, gave a credit of R830m in "swop cash flows," rendering R3,1bn gross borrowing requirements.

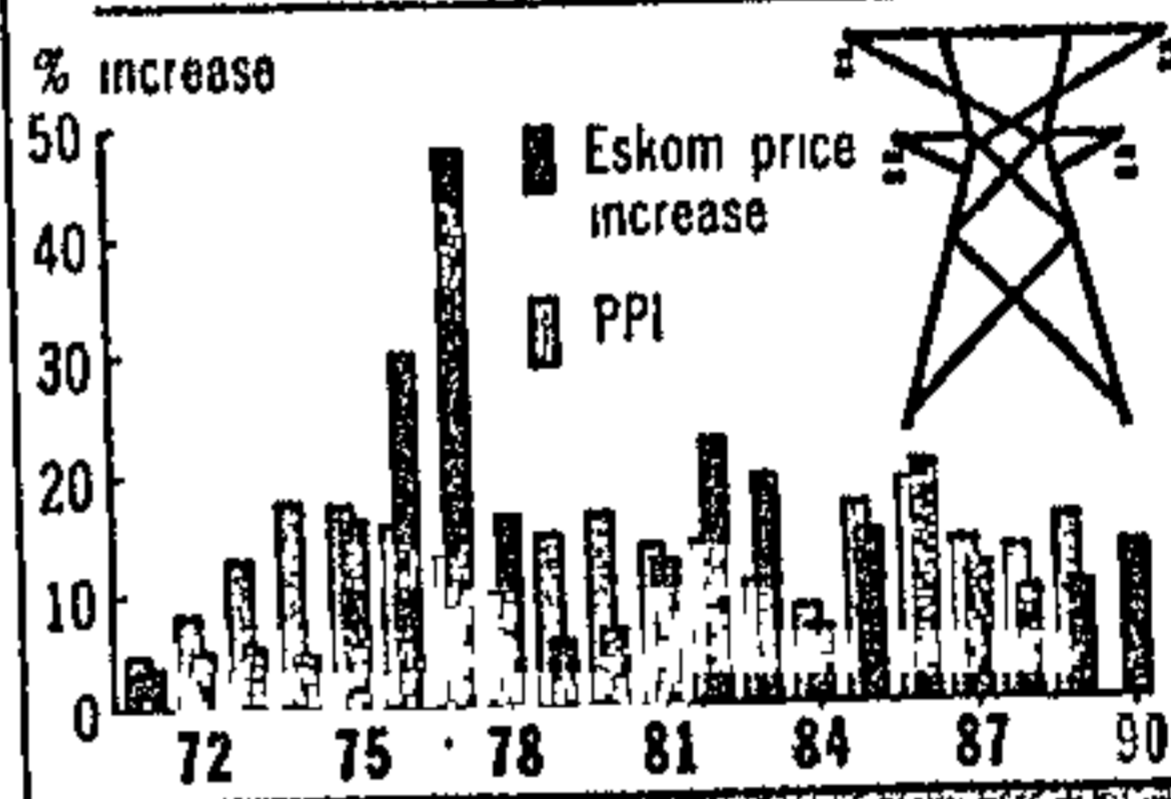
Davis said that extensive discussions with institutions showed that next year's institutional cash flow would be R31bn.

Of this, institutions had indicated that R4,6bn would be invested in gilts. This estimate, which had been confirmed in discussions with the Reserve Bank, meant that Eskom's expected bond issues next year of R3,1bn would absorb 70% of institutional cash flows earmarked for gilts.

This would make Eskom more vulner-

□ To Page 2

Eskom effective price increase Compared with inflation (PPI)



Graphic: FIONA KRISCH Source: ESKOM

Electricity

able than it preferred. It would act to strengthen its balance sheet, particularly its interest cover, per income statement. Pension funds were previously required to invest 53% and life offices 33% of new cash flow in prescribed assets. With the backing of law, issuers of prescribed assets such as Eskom traditionally issued paper at sub-market rates. The new rules, said Davis, meant that pension funds and life offices would each invest only 10% of new

□ From Page 1

cash flow in the capital market. Davis said evidence indicated that institutions now preferred to invest in equities. Funds would be scarcer and more expensive, and would be lent out for shorter periods.

But most significantly, Eskom had to come to terms with the reality that financial markets will be "more competitive and volatile"

● See Page 3

That cooling effect

(244)

■ With global economic prospects constrained, virtually all prices are falling

With few exceptions, world commodities show little sign of pulling out of the post-boom slide which set in after the resurgent dollar forced up interest rates in the first half of 1989 — and confirmed prospects of a slowing in the global economy

Base metal prices, which led the way by more than doubling in 18 months, continue to fall. Apart from sugar, foods are slack with the collapse of coffee and cocoa compounding the recovery of US grain production from the drought of 1988. And cotton stands alone among non-food agricultural products, depressed by weakness in rubber, timber, wool and soya beans — the last suffering for the same reason as wheat and maize.

In most commodities, but not oil, the demise of demand-led drive and the capping of the dollar has produced a sharp turn in the trend of import prices in Japan and Germany (with similar movement in other members of the European Monetary System). Japanese import costs, which were showing a year-on-year decline of 9% in the fourth quarter of 1988, shot up with the dollar, metals and crude, to register a gain of 11% in April-May. For Germany, the same period saw a 1% increase rise to 7%.

By September, the oil-dollar combination remained the main bugbear, providing an uptick from the mid-year. Even so, Japan's figure was down to little over 8% (year on year) and Germany's to near 4%.

The picture of weakening inflationary pressures in the main industrial countries is reflected in *The Economist's* indicators of

price indices in terms of Special Drawing Rights (see graph). Oil is not included and the weightings are based on the value of OECD imports, excluding EEC trade in commodities where prices are fixed by the Common Agricultural Policy — hence the impact of coffee, cocoa and the soya group of animal feeds.

Against a drop of 13% in all items (49,8% foods and 50,2% industrials), metals have averaged a loss of 16,7% from the May high while non-food industrials are little changed and foods are down 15%.

Oil, however, is the biggest business — and inflator. At current prices, world output is worth US\$410bn a year and every \$1 a barrel move equates to nearly \$23bn annualised — roughly the same as the value of trade in aluminium or copper. With northern hemisphere winter stockbuilding proceeding at a daily rate of 1,5m barrels a day, prices are holding steady, despite Opec output of 22,9m barrels (3,3m more than the cartel's quota ceiling allows).

Crude prices are slightly off their 1989 peaks but still well up on 12 months previously by 44% to \$20,20 a barrel for US West Texas Intermediate and 54% to \$20 for North Sea Brent blend (cif), while the benchmark Opec crude, Arab Light, is 59% higher at \$17,50 (fob). Volatility is expected with the upcoming Opec meeting on November 25. Another failure to agree on how the quota cake is shared will hit prices as the market heads into seasonal weakness in the first quarter of next year when stocks are drawn down.

Base metals are beginning to look bombed out after October's further retreat from the universal expectation that all are moving into surplus as production grows and offtake slows. According to David Williamson of Shearson Lehman Hutton in London, metals demand correlates to within 95% of industrial production growth — which averaged 6,2% for the five biggest Western economies over the 1987-1988 period.

That is not expected during the coming three years. Yet the overall picture is not as gloomy as the mid-Eighties, when metal prices were crushed by an overhang of inventories accumulated in the recession which followed the second oil price explosion of 1979-1980.

Producers and consumers are tending to run lower levels of stocks. For example, aluminium from 14 weeks' demand to five weeks' and recently to about five-and-a-half weeks'. In its last assessment of the next five years, Metals and Minerals Research (MMR) of London said a crucial level for industry stock cover had appeared when it was between seven and eight weeks' demand — the average figure for base metals in December 1986 which marked the end of the depression.

MMR concluded that, even though "production is likely to grow more quickly — in the next two to three years — than consumption, stocks are not expected to rise above this critical level" in the next five.

Markets may thus be vulnerable to supply disruptions — as was the case with copper bucking the trend in the last three months.

10/11/89

244 *Freil*

because of strikes in Canada and Mexico and separatist guerrilla activity on Bougainville in Papua, New Guinea Settlement of the strikes has now knocked copper back 16% from the £1 871/t high of the year, though it remained 13% above the bottom

Aluminium has suffered one of the biggest crashes Having dethroned copper by rising to \$3 200 last year, it is down 49% even after a minor rally — bearing out its reputation for being the most sensitive of metals to consumer spending constraints, especially in the US where housing starts have fallen

Tin — aluminium's competitor in the can market — went along with the rest, preceding its return to trading on the London Metal Exchange with a 47% run-up towards \$11 000/t — though still a long way off the old support level of \$15 000 — helped by supply tightness Last week it was back, below where it started the year, to \$7 175/t

Nickel (which has enjoyed two roller-coaster rides since 1987), may not be so close to its nadir Down 48% from this year's top at \$10 100/t, it reflected growing evidence of the end of three years' powerful growth in the stainless steel industry Third-quarter US production was 26% down on 1988 levels, yet nickel output goes on — with costs of \$4 400/t for the big North American and Australian mines, the price drop is not yet a constraint

Lead and zinc, associated in production and in usage in the car industry (batteries and galvanised bodies), have enjoyed differing fortunes A string of smelter problems has kept lead on a rising line, up 38% this year at \$735/t, even after partly sharing in October's slippage

The "softs" markets are still under the influence of supply-side factors which have largely dominated price movements

In the US, a normal growing season after last year's drought has produced a massive recovery in grains (maize up 49% to 200 Mt) and soya beans (up 23%) According to the International Wheat Council, the global wheat crop for 1989-1990 will be 530 Mt against 503 Mt, while coarse grains will increase by 11% to 812 Mt

Prices have oscillated on the Chicago futures markets, chiefly responding to reports of Soviet import needs and to the administration's commitment to provide food aid for Poland (which, along with the MacDonald's hamburger chain's plan to launch a new line, McRib, produced a 16% rally in pork bellies) Soviet imports will be lower than originally forecast with its own crop projected at 205 Mt (195 Mt), the USSR will need 34 Mt of wheat, 5.5 Mt less than expected

But combined with news that Australia's heavy rains will wipe 1.6 Mt off its export, this has still helped wheat hold up, with prices 8% off their life of contract highs but also 16% above the 12-month lows Maize (corn), however, has dropped 19% under the weight of a carryover surplus of 49 Mt, while soya beans are 28% down from their best

The major disaster areas are coffee and cocoa, both resulting from the breakdown of their respective international marketing agreements Coffee's outlook is grim Efforts to revive the consumer-producer agreement on quotas and prices have so far proved fruitless, and the market has imploded

At the end of the 1988-1989 season, coffee stocks stood at 46m bags (60 kg each), equivalent to more than six months' demand after a production surplus of 12.5m bags This year could be worse Brazilian produc-

swept across the south-eastern states have proved unfounded, American pickings will fall short of last year at 19.4m bales (21.2m)

This has been accompanied by lower output in the USSR of 11.3m bales (12.7m) and China of 17.7m (18.6m) In all, according to the US Department of Agriculture, it adds up to a world total of 81m bales (against 84m) and a shortfall of 5m bales to be met out of stocks of 30m The International Cotton Advisory Committee estimates an even lower crop of 79.5m bales for 1989-1990

The prospects for export markets have raised New York price levels by 44% (to 76c/lb for the prompt month) between March and July, since when they have consolidated in a narrow range with no sign yet of a significant retreat

Sugar had been similarly awaiting fresh news to bolster the known fundamentals and it came last week in reports of a Brazilian ban on exports for the next two years — in order to sustain production of the petrol substitute, ethanol The amount involved in the 1989-1990 year was only 645 000 t against 1.5 Mt previously), reflecting an expected 1.2 Mt fall in production to 6.9 Mt

That was enough, however, to send the London daily price to a 15-month best of \$364.80/t, up 55% from the end-May level "Political" buying by India and Pakistan, as well as the Soviet Union's bid to fill its own shelves, have been the chief forces sustaining sugar since mid-June

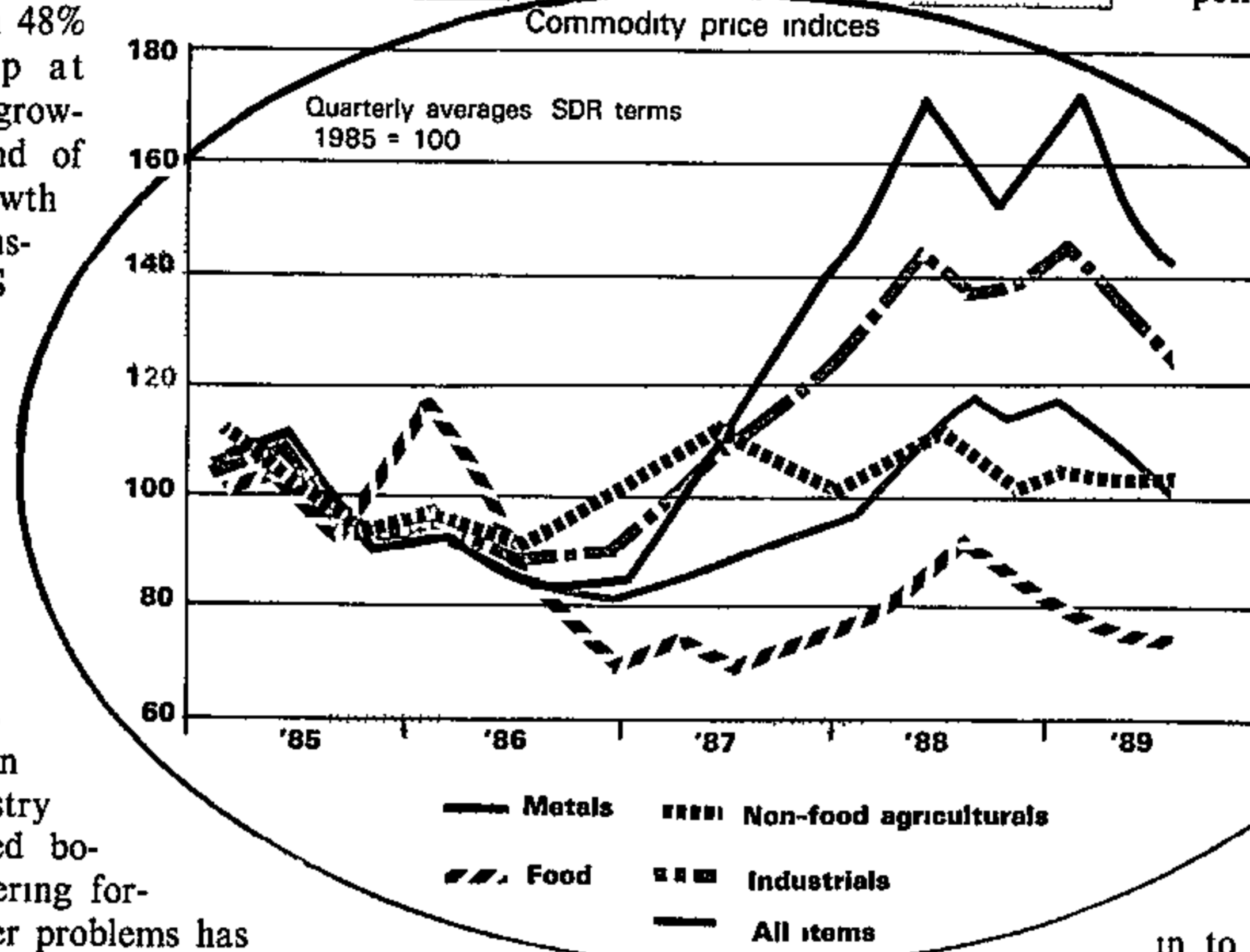
After the USSR raided the market for 400 000 t, India came in to take 250 000 t of white sugar in September and another 72 000 t early last month — in what traders described as a panic to replenish supplies depleted by the Deepavali festival month With elections looming (now fixed for November 22), the embattled government of Rajiv Gandhi was being accused of allowing sugar middlemen to drive up prices by 50% above normal

Where does all this leave gold as it tries to jump chart points in the absence of its former partners in the inflationary spiral, crude oil and other commodities, or international political tensions and mayhem in exchange rates? Bullion's progress to \$380/oz has kept it above the long-term line, attracting the interest of commodity funds and the old insurance against uncertainty argument

Yet its rally from September's bear market low of \$356.50 is being seen as largely technical and faces the liquidation of 67 847 December contracts (100 oz each) on the New York Commodity Exchange Belief that gold may have touched the bottom is being cautioned with advice to wait until after December is sorted out

■

After the ball



tion alone is projected at 41m bags (after the drought affected 25m bags), and coffee prices have been in free-fall since May the mild coffees' contract traded in New York has dropped 44% to \$1 543/t, the lowest in 14 years and analysts are talking it down to \$1 200 once the winter demand peak is over

Cocoa is in an equally parlous state The International Cocoa Agreement buffer stock ran out of money after buying in 250 000 t and Ivory Coast's attempt to teach the "speculators" a lesson by withholding 400 000 t left enormous losses on borrowed money Stocks are already up to 52% of demand and on trade expectations of 2.3 Mt in the current crop year — in part because of the switch from rubber in Malaysia and Indonesia — another surplus of up to 280 000 t looms ahead Prices have wilted by 44% to \$978/t in New York and markets are still groping for the bottom

The exceptions are cotton and sugar While initial concerns of disastrous damage to the US crop by Hurricane Hugo as it

Gold joined by platinum in price rise

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Finance Staff

Gold continued its advance on international metal markets today, but has now been joined by platinum which also rose strongly.

Gold rose \$6 yesterday to close at \$391.25 in London after heavy trading. It fell back slightly in Hong Kong today, where it opened \$4.75 higher at \$390.70.

This is the highest gold has been since March 28 this year. Since gold reached a low of \$355.75 in September, it has risen more than \$36. Platinum, which spurted \$3.75 an ounce in late trading on Friday, advanced a further \$6 yesterday in London to close at \$506.75, its highest price since early July.

Gold shares were generally firmer on the Johannesburg Stock Exchange yesterday, with some of the marginal mines, which stand to gain the most from the higher gold price, making the biggest advances.

● See Page 20.

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Clothing prices 'set to climb with costs'

CONTINUING inflation, higher interest rates, rising labour costs and further price increases of textiles are all expected to contribute to significant rises in clothing prices throughout the industry, says Pals chairman Selwyn Kagan.

Writing in the DCM-listed menswear manufacturer's latest annual report, Kagan says that although the awaited downturn in the economy has been slower to materialise than originally expected, the indications are that it is now close at hand.

"A drop in consumers' disposable income coupled with higher clothing prices will obviously put great pressure on the market," he says.

"However, we remain confident of continued growth and our order books for the first few months of the current year have already been filled."

Kagan says a significant area of devel-

opment during the financial year under review was the establishment of a mass-volume production unit in the Transvaal.

SYLVIA DU PLESSIS

This operation, which produces trousers only, caters to the price-sensitive chain stores operating predominantly in the Transvaal.

Surged

In addition, the group is "actively breaking new ground" in its export markets and is currently broadening the range of sportswear to further tap the potential of this lucrative market.

Pals declared earnings of 9,2c a share in the year to June — 13% higher than the previous 8,1c — after attributable income surged 23% to R918 000 (R748 000). A final dividend of 2c lifted total distribution for the year to 3,4c (1,4c) a share.

Clothing industry urged to cut prices to maintain sales

By Tom Hood

CAPE TOWN — Clothing manufacturers and suppliers have been told to cut prices in an effort to maintain sales in a market that is expected to plunge next year

Simon Jocum, chairman of the Cape Clothing Manufacturers' Association, said at the association's annual meeting yesterday: "There are opportunities on the horizon from the rapid urbanisation of the Third World and its thirst for fashionable, quality clothing at affordable prices.

"If all the parties in the textile pipeline, from fibres to spinners to weavers to dyers to clothing manufacturers, trimmed their prices, I believe the growth would be there.

"But all parties must get together and make a commitment to go for volumes at reduced prices."

Mr Jocum said he wanted the Government to remove the import surcharge on textiles and capital equipment as quickly as possible. It was simply adding to costs and destroying jobs.

stan 16/11/89
The high input costs of raw materials, interest rates and import surcharges were also having an effect on the industry's ability to be internationally competitive

"South African consumers are buying less clothing than their overseas counterparts. The reduced volumes of clothing only add to costs and smaller runs do not help contain the costs of exports.

Mr Jocum said the past year had been traumatic for the clothing industry.

Employment had risen by a mere two percent over 1988, labour unrest had added to costs and a 21 percent wage increase had just been concluded with the trade union.

Input costs of fabric bought locally had increased to unacceptably high levels

"Imports are unaffordable because of increased duties plus a 10 percent import surcharge, compounded by the weak rand

"All this makes imports pro-

hibitive and thus the variety the industry needs to generate extra business is unavailable."

Practically all overseas competition had been eliminated in the local textile industry. Higher interest rates and import surcharges on textiles and capital equipment added to costs with the result that clothing was becoming unaffordable.

"Consumer boycotts have not helped and all this can only result in a decrease in employment opportunities and even more unemployment."

Labour unrest resulted in late deliveries and a loss in sales by retailers, many of whom were now returning goods which were delivered slightly late.

Mr Jocum claimed no clothing industry in the world was placed under such severe pressure, constraints and limitations in the number of suppliers, on the one hand, and the buying pressure of the chains, on the other

Enail

Enail 17/11/89

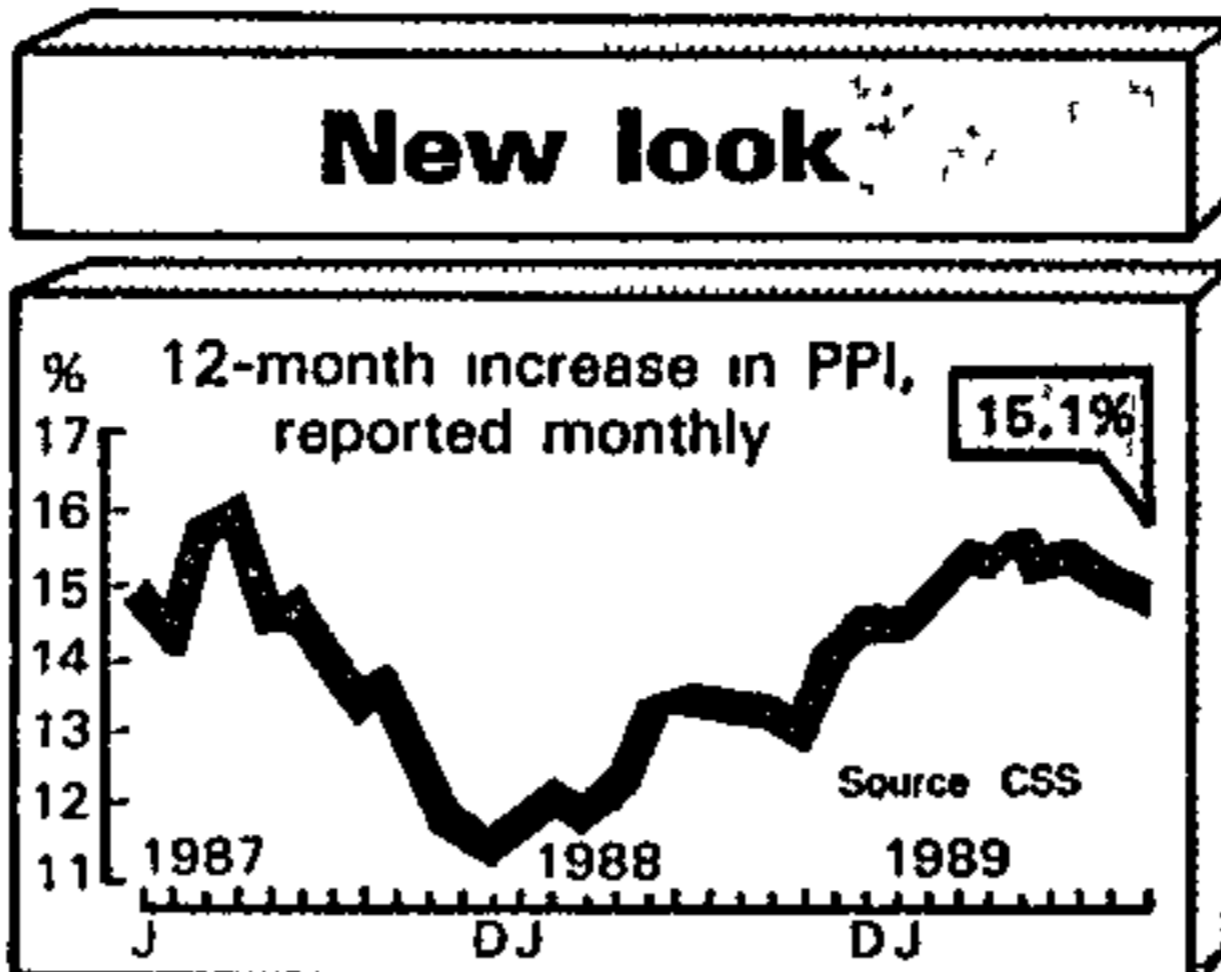
PPI

~~244~~ 244

August revision

To err is human so it is not surprising that, from time to time, mistakes are discovered in official data. However, it is disconcerting when Policy decisions are made on the basis of information collected, collated and interpreted by official sources. When these prove wrong the consequences are incalculable (As Foreign Minister Pik Botha knows only too well after the interception of fake Untag messages this month)

A less dramatic but, in the circumstances, crucial mistake was made in May over mon-



ey supply figures — when growth later proved to have been seriously underestimated. The blame here lay with incorrect entries by a major bank in returns to the Registrar of Banks and Building Societies.

Now Central Statistical Service (CSS) has published revised PPI figures for August. This was the result of a mistake by

Eskom which prematurely included the recently announced increase in electricity tariffs. So the 13% increase in electricity, gas and water, previously announced for August, falls to 0,2%. The effect will still be felt when the increase in the producer price of electricity is implemented in January.

Revised figures show monthly PPI increases of:

□ 0,5% in September, compared with 0,7% in August (revised from 1,6%) in all commodities,

□ 0,5%, 1,1% (1,9%) in locally produced commodities; and

□ 0,7%, 0,7% (unrevised) in imported commodities.

Year-on-year increases in the same periods and categories are:

□ 15,1%, 15,4% (16,1%),

□ 14,9%, 15% (15,8%); and

□ 15,3%, 16,9%.

Increases in prices of imported commodi-

~~244~~ 244

ties peaked in June, with a monthly rise of 2,3%. An absolute decline of 0,1% in July has been followed by increases below 1%. The year-on-year rate of increase peaked at 19,3% in June and has declined consistently.

Inflation in September was driven chiefly by large monthly increases in:

□ Textiles and made-up goods (3,9%);

□ Clothing (3,6%);

□ "Other" mining and quarrying products (3,9%),

□ Fishing (1,9%),

□ Agriculture (1,3%);

□ Anodised aluminium (12%),

□ Ballbearings (3,5%);

□ Transformer oil (6,8%);

□ Petro-chemical building materials (1,6%), and

□ Resilient floor coverings (1,2%).

There were falls in the price of:

□ Fresh meat (0,8%); and

□ Other agricultural products (1,6%). ■

Enail 17/11/89

Sowetan 17/11/89

Call for support to keep maize price down



THE Consumer Institute for Research and Promotion has appealed to Soweto residents to support the Soweto Independent Shopkeepers Association in its demand to the Delmas Milling Company that a five percent increase in the price of maize meal be absorbed by the company.

The CIRP said it supported the stand taken by Soinsa

"Other companies have agreed to consider the request from the traders to absorb the increase. Maize meal is our staple food and we can no longer afford to pay the ever-escalating prices demanded by some milling companies," the organisation said in a statement

Concern

The Greater Soweto Chamber of Commerce and Industries has also backed Soinsa

The chamber's secretary, Mr Sydney Mahlangu, said their members were concerned about the dispute and wanted first-hand information from Soinsa before tackling the matter

Soinsa claims that Delmas Milling was refusing to consider proposals from the shopkeepers on the pricing of maize meal

The company has denied allegations that it was arrogant and has asked for a meeting with the traders

Price of cotton clothing to soar

W/G ARKAS 18/11/89

(Cotton) (244)

By TREVOR WALKER
Business Staff

PRICES of cotton garments are set to rocket in 1990 as a result of world cotton prices rising more than 40 percent

South Africa's prices are based on the Liverpool cotton market which has been booming in recent months

South African spinners who are forced to buy from the farmers are horrified at the soaring rise in Liverpool and this has placed the South African Cotton Marketing Agreement under severe strain

Local farmers meet 95 percent of this country's cotton requirement and want to share in the Liverpool bonanza

The South African price based on Liverpool was

355c/kg last year but this year farmers are looking for 500c/kg

Cotton manufacturers and the farmers via the Cotton Board annually fix the price of the commodity for the year

This stability in price structure has enabled farmers to plan plantings and spinners to plan market offtake

In the past Liverpool might have been below or above the local price, but the industry generally accepted this as in its best interest

But farmers argue that they have fallen behind in recent years and now under the existing marketing agreement they want their quid pro quo

While the country's best cotton is grown in the Upington region, the bulk of the crop comes from the Western Transvaal

The region is now demanding substantially higher cotton prices while farmers convert to mechanical pickers because of the high costs of local labour

Mechanisation has led to a deterioration in quality due to leaves and dirt getting into bags and spinners complain that streaky colours in fabrics are now almost an accepted fact

The South African Cotton Marketing agreement is to be suspended next year and the maximum and minimum price parameters that have curtailed the industry in the past will fall away

This means that the local Liverpool-based price of cotton, which is computed on an average price for the months of August and March, will not be used and the price in Liver-

pool next March will be used to set the local South African price

The country is self-sufficient in most grades of cotton, but quality remains a contentious issue in the trade.

One executive said "We are in the top end of the market and quality is paramount, yet today we can never be sure of our cloth Spots and streaky colouring are unfortunately too common

"We could satisfy our European partners in the past, but today every discussion ends up with the likely quality of our local cloth"

A store owner said "It is such a pity that a natural fibre such as cotton has become so expensive It used to be a cheap and very useable commodity, but today it has become a luxury"

Gold price will hit \$405 at year-end ~~economists~~ ^{analysts}

CAPE TOWN — As the gold price surged to \$393,85 an ounce in London on Friday — its highest level for eight months — Trust Bank economists Nick Barnardt and Jacques du Tolt forecast it would reach “\$405 at year-end, rising to about \$425 in mid-1990”.

Glenn Moore of Personal Trust, who until now has been cautious in his view on gold, said: “A lot of factors are looking positive for gold. Its price may have bottomed out and it may be that we are at the beginning of a bull trend”.

Moore said buying in the Far East was a good sign for gold, and foreign buyers of shares in marginal SA gold mines were clearly “betting on a substantially stronger price”.

But he added. “I won’t be absolutely convinced that the turning point for gold has been reached until I see long-term bond rates in the US going up.”

Barnardt and Du Tolt said in their weekly market commentary “The fact that gold has survived profit taking and producer selling at the higher levels with ease indicates how positive short-term investor sentiment has turned.”

But they warned: “Renewed dollar strength and some weakness in oil could push gold back to about \$400 by the end of 1990”.

Own Correspondent

“Overall growth in GDP could be more than 2% for 1989 but will be closer to 1% in 1990-91”

They expected a more visible downturn in the New Year, particularly in durable consumer items.

They felt there was “a more-than-even chance of a 1% bank rate rise in February in response to low foreign reserves and higher German rates. SA rates will remain high until at least mid-1990, and prime will probably be close to 20% by next year-end.”

“The Reserve Bank will keep the money market tight until at least June next year to force banks into the discount window and thereby give teeth to the high penalty accommodation rate.”

“Consequently, 1991 will be the year in which the BoP performance turns highly positive — with interest rates declining more visibly”

Pointing out that long rates had shown very little movement, they said: “The potentially favourable effect of the strong gold price with continued foreign buying of SA gilts is neutralised by the difficult money market conditions and the expectation of a bank rate rise early next year.”

20/11/89
Biday

Freeing a staple industry

FM
24/10/89

■ Elimination of subsidies will hike prices — making deregulation essential

Bread was in the news again this month. On November 1, government raised the price of a standard loaf for the third time in 15 months. Consumer groups cried foul and supermarkets scored a PR coup by promising to stick to the old price "as long as possible".

But the controversy surrounding the bread price is certain to be in the news for a while yet. For one thing, steeper and more frequent price increases can be expected in the months ahead as the Department of Agriculture continues to phase out its multimillion rand bread subsidies.

Not before time, there will be a heated debate on how much to deregulate the bread industry. Next week, a government committee reports to Cabinet on what to do when the subsidies end — scheduled for the end of the next Budget year — and the debate will start.

That isn't the only committee looking at the bread issue. One went on a fact-finding trip to nine countries to study how other governments handle bread prices, another is conducting a two-year study to develop a food and nutrition strategy for SA. Its report is due at the end of next year — three months before the bread subsidies are supposed to expire — and its recommendations will influence how government decides to assist the poor, for whom bread is a staple food.

The debate will point up all the complexity and inconsistency of agricultural policy, both in SA and internationally. Already the battle lines are drawn. On one side are ranged the free marketeers who argue that the bread price will fall and quality improve if the industry is deregulated. This will mean shaking up everyone from the wheat farmers, who are protected by price supports and import barriers, to the six corporate groups that hold the contracts to bake all "government bread," the standard decreed loaf.

On the other are those who worry that, without some form of government intervention, wheat farmers will suffer, quality will decline, and the price of a loaf will go up.

The clock started ticking in 1987 when government decided to follow the recommendation of yet another committee, the 1986 Davin Commission, to begin phasing out bread subsidies. Their cost had been large — nearly R270m in the 1983/1984 fiscal year. And there was the political fallout by making the price of bread a government decision, Pretoria got the blame each time it was forced to raise it — not the supermarkets, bakers or wheat farmers.

The plan called for a three-year phase-out. Government has missed that target because it won't stick to its Budget. Last year, it called for a R50m cut in bread subsidies (to R100m), but government ended up spending

an additional R32m. This year, the budget was again cut — to R80m — but then another R35m was added before this year's subsidy ran out.

"What makes the thing a total nonsense is that they keep adding money to it," Housewives League president Lyn Morris observes.

Problem is, government embarked on the phase-out without planning for what ought to happen after the subsidies ended. Without any concurrent deregulation of the bread industry, the price has to go up as subsidies dwindle.

The volatile issue of controlling the price of bread — and of other staple foods, such as maize and rice — has plagued governments for centuries. Frank Vorhies, a business economist at Wits, points out that many countries control the bread price — all the socialist ones, most African countries, France since the Revolution. In the early Eighties, the price of subsidised bread was so low in Egypt — one cent a loaf — that it was fed to goats because it was cheaper than goatfeed, he says. The price was increased to 2c there were riots, and the price went back to 1c.

Controlling the price of bread inevitably forces governments to subsidise bread production. The price is set below the market level — or else there's no point in setting it at all — and that leads more people to demand bread and fewer bakers to produce it. For supply to equal demand, government has to pay producers to bake more bread.

Vorhies notes "The subsidies are connected to the costs, so producers have incentives to raise costs. Taxpayers pay for administration, subsidies and the inefficiencies of producers."

In SA, which began subsidising bread in the Thirties, government not only sets the maximum price but also the size of the loaf and the ingredients that go into it. The subsidies go to the bakers — the six corporate

groups — and the millers, not the farmers.

Vorhies adds that, by eliminating subsidies and allowing anyone to bake the standard loaf, the price would go down because new, efficient producers would undercut the six present ones. Quality would improve, because bakers would compete on the basis of taste as well as price and packaging.

Six years ago, supermarkets were granted permission to bake superbread — but they're prohibited from baking or selling anything that looks like government bread, which dominates the market, and makes it tough for other types to compete. "We're not allowed to copy government bread," says Pick 'n Pay chairman Raymond Ackerman. "Government bread has an amazing appeal. People are indoctrinated."

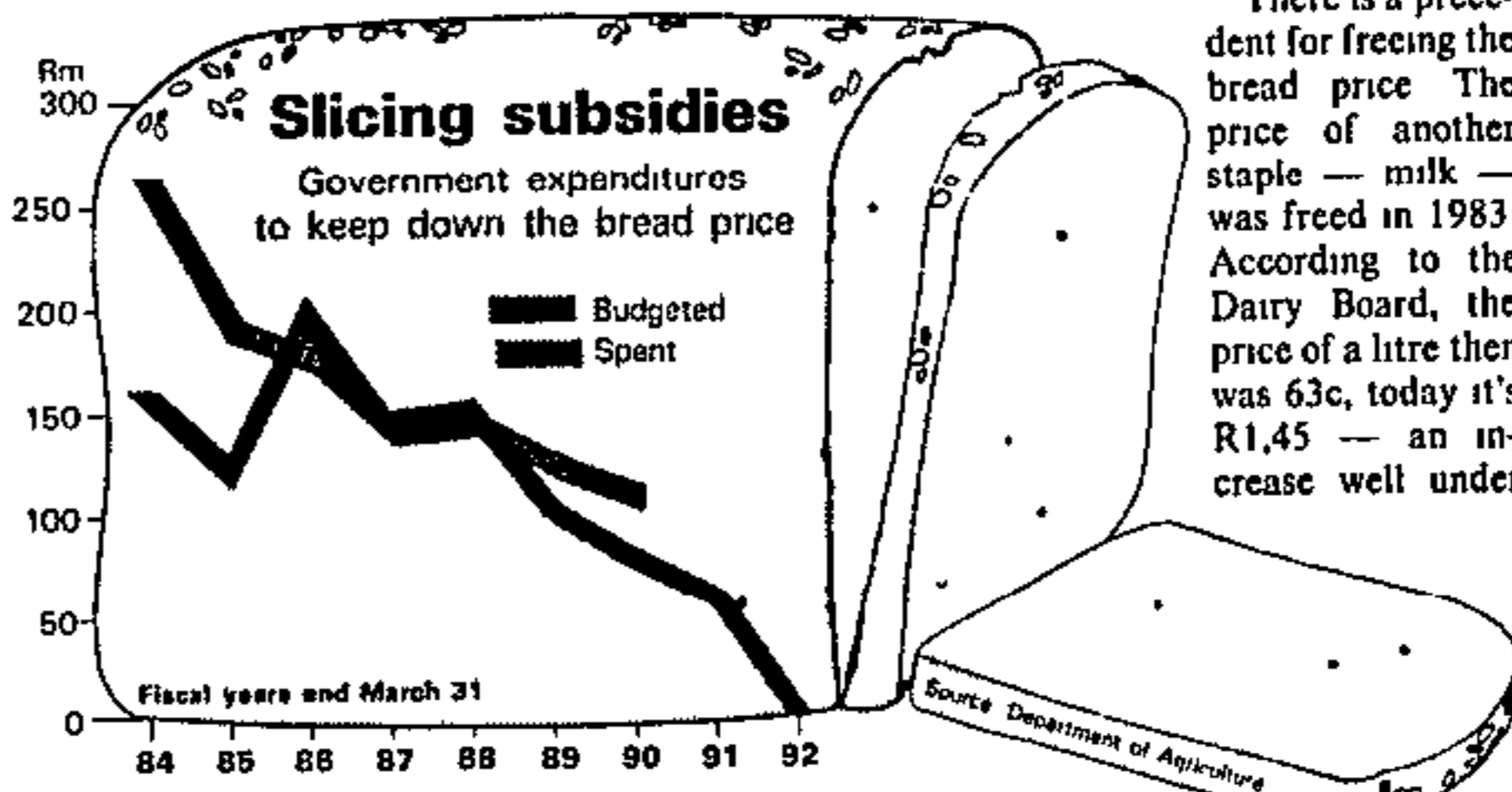
Johan van Zyl, an agricultural economics professor at the University of Pretoria, concurs that deregulation would drive down the price. "With only six bakers, it's a monopolistic situation. In a freer market situation, the price would definitely come down."

But Wheat Board officials strongly disagree. "It's a myth to say that the price of bread will come down because of competition," says Ivan Hemingway, the board's GM. "There's no way producers could sell under the set price. SA has one of the world's lowest bread prices, compared to its wheat price. Without controls, the price would nearly double, to R1,70 or so a loaf."

Hemingway points to the supermarkets. "Some of the in-store bakeries are taking the public for a ride. They say they can produce bread more cheaply — why don't they?"

Ackerman says he must make a larger profit on superbread to make up for the tiny margin on government bread — 4c a loaf. "Open up and deregulate the baking industry and we could make government bread at much lower cost — whatever the (six) bakers submit as their costs, they get in subsidies. They fiercely defend their increases."

There is a precedent for freeing the bread price. The price of another staple — milk — was freed in 1983. According to the Dairy Board, the price of a litre then was 63c, today it's R1,45 — an increase well under



the inflation rate. Furthermore, marketing increased and that triggered a wider range of container sizes and an increase in per capita consumption. The prices of bread and petroleum products are now the only ones controlled by edict.

How far government will go in deregulating the bread industry is not known. Chris Blignaut, deputy director general of the Department of Agriculture and chairman of the 11-member committee that will report to Cabinet next week, declined to discuss what the report might say. However, it's doubtful that it will call for full deregulation. That would mean letting the market determine the price SA's 10 000 wheat farmers get for their wheat, instead of government, and permanently opening the borders to imported wheat.

Van Zyl favours establishing a SA futures market for wheat and other commodities. "The Wheat Board determines the prices and does the distribution based on what it thinks is going on in the market. In a futures market, we'll get real prices and not what some bureaucrat thinks when he looks out his office window. The majority of the board are farmers, they do what's best for the producers, not the consumers." Indeed, the 13-member board has 12 industry representatives, including eight farmers and one consumer advocate.

SA prohibits wheat imports — except when the domestic crop falls short of de-

BREAKING BREAD WITH THE GOVERNMENT

Who gets the money from each loaf

	White	Brown
	Cents	
Farmers (for producing the wheat)	32.7	28.6
Millers (for turning the wheat into flour)	27.8	23.8
Bakers	35.0	35.0
Manufacturing and administration	22.7	22.7
Transport	12.3	12.3
Ingredients	4.1	4.2
Retail margin	4.0	4.0
Total	103.7	95.3
Minus government subsidy	-3.7	-10.3
Selling price of a loaf	100.0	85.0

■ 1.7bn loaves of government bread will be sold this year, about 1% less than last year. White loaves account for 48% of the total brown loaves.
 ■ 52% Two years ago 68% of the bread was brown loaves.
 ■ Six corporate groups bake all the government bread: Premier, Tiger, Oats, Sanko, Bokomo, Fedfood and Maizecor.
 Source: Department of Agriculture

mand, as may happen this year — and this drives up the price of the SA crop.

In turn, "This puts up the cost of the bread subsidies and it puts up the price of rice, maize, the whole market for carbohydrates (substitutes for wheat products)," Van Zyl says.

Right now, SA wheat is expensive but still cheaper than foreign wheat when the transport costs are considered — R450/t versus R520/R560/t. But in some coastal areas, imported wheat is cheaper.

"For the Durban Richards Bay area, far from the wheat producing areas, imported wheat would be cheaper," Van Zyl says. "In the PWV, it would be more expensive. Why not get it more cheaply if it's available? The artificially high price leads to over-produc-

tion that's exported at a huge loss. Real prices would convince some wheat farmers to plant something else.

Lieb Nieuwoudt, an agricultural economics professor at the University of Natal, agrees. "There's no need to be 100% self-sufficient in wheat. We can tolerate 10% or so in imports. Importing some wheat could lower the price."

But Hemingway says that the imported price is artificially low. "The world price is not an economic price, it's a suppressed price, subsidised by foreign governments."

Government supports are certainly the rule in agriculture across the globe and wheat farmers get a large share. Government farm supports cost consumers worldwide more than US\$100bn a year, according to US government figures.

Van Zyl urges that SA's barriers be removed — but the best hope for that is through negotiations under the General Agreement on Trade & Tariffs (GATT). In a plan presented to GATT last month, the US proposed ending most agricultural export subsidies and trade barriers. SA, one of the 124 GATT nations, doesn't object as long as other nations go along.

The outlook for the plan, however, is uncertain.

And whether Pretoria will let go of the wheat price without supporting trade law is very much open to question.

Meat prices likely to stay stable

By John Miller

This December consumers can look forward to more stable meat prices, unlike previous years when prices increased dramatically with the approach of Christmas.

Dr Pieter Coetzee, senior general manager of the Meat Board said the trend with the price of beef, mutton and pork during the past few months was down compared to that of last year.

He said there were two factors that led to an increase in the prices the amount of public holidays in December and consumers waiting until the last minute before buying their meat.

“However following the mid-year dip on supplies, the market is now nearing a full supply situation.”

Mr Kobus Kruger, senior manager of Sam's Butcheries also did not expect prices to increase for Christmas.

He said if consumers shopped around they would save money on individual cuts of meat.

However, Mr Bernie Hefferman from Blue Ribbon expected the price of meat in coastal towns to increase.

July
STON

22/1/89

ing the plight of pa-
attention.

Plessis, who headed an

areas which could take over the primary
health care load which Baragwanath was
currently carrying.

Turkey prices may rise (244)

By John Miller *Star*

The cost of turkeys might in-
crease by more than 50 percent
next year. *29/11/89*

Mr Siggi Bockermann, a
director of Turkey Farming En-
terprises in the Northern Trans-
vaal, which is the biggest local
producer, said the company
would most likely approach the
Government next year and ask
that an import surcharge be im-
posed on turkeys.

"Last year Customs and Ex-

cise approached us and asked if
we wanted any protection, but
at that stage our production was
less than 10 percent of the mar-
ket." He said that at present
they sold 75 000 turkeys annual-
ly but within three-and-a-half
years expected to produce more
than half a million birds.

Mr Bockermann said the
wholesale price of local turkeys
was just above R4 a kilo but this
would have to be increased to at
least R6 a kilo to make it profit-
able for the local producer.

Petrol's margin hike will not result in immediate increase

THE retail margin of the petrol price would rise 1,5c/l in December, but this would not lead to an immediate price increase for consumers, the National Energy Council (NEC) announced yesterday.

A financial cost investigation done on the profitability of service stations found an increase in retail margins was justified and could be not be postponed any longer, the NEC said.

As a result, Cabinet approved a rise in the retail margin to 10,2c/l in SA and TBVC countries from December 1.

This new margin amounted to 9,3% of the purchase cost of service stations for 93 Octane in the PWV area.

However, the NEC said the rise would not lead to an immediate petrol price increase because the equalisation fund had enough funds available to finance it temporarily.

In October, PWV motorists were

ZILLA EFRAT

BIPW 29/11/89
overpaying 1,05c a litre because of an improvement in the exchange rate.

The NEC said real cost factors would determine how long and to what extent a general petrol price increase could be avoided.

And according to present indications, a price increase would not be necessary before 1990, it said.

The NEC said the price of petrol, diesel and illuminating paraffin in Namibia would increase by 5c/l on December 1.

When SA petrol prices increased in July this year, Namibia decided not to effect price adjustments. However, because of normal cost factors Namibia could no longer postpone increases, said the NEC.

The Namibian retail profit margin on petrol had not been adjusted.

Petrol increase in pipeline

By Kaizer Nyatumba

The price of petrol will go up again early next year, according to SA Consumer Council chairman Professor Leon Weyers

This follows an announcement by the National Energy Council (NEC) yesterday that the retail margin on petrol will increase by 1,5c a litre in South Africa and the TBVC countries from tomorrow.

The increase, according to the NEC, will not result in an immediate price increase for consumers since the Equalisation Fund has adequate funds available to finance this increased margin temporarily.

INDICATIONS

The NEC announced that the retail margin was to be increased by 1,5c a litre to 10,2c from December 1, with the Cabinet's approval. Cost factors would determine how long a general increase could be avoided.

"According to present indications, a price increase will not be necessary before 1990," the NEC said

Reacting to the announcement, Professor Weyers said it was inevitable that a petrol price increase was on the cards early next year because the Equalisation Fund would not finance the increased margin indefinitely

"There will definitely be an increase

in the price of petrol early next year. I think it's a foregone conclusion."

Professor Weyers said the problem with increases in the price of petrol was that it tended to push up prices of other goods and commodities

Consumer Council vice-president Mrs Aletta Geldenhuys said statements to the effect that there was not going to be an immediate petrol price increase always indicated that an increase was imminent

"We are very upset by the news of an increase in the retail margin because it is clear that an increase in the price of petrol will follow soon. Such an increase will have a spiralling effect on the inflation rate and the price of other things," Mrs Geldenhuys said

EXCHANGE RATE

● The wholesale price of petrol, diesel and paraffin in Namibia will increase by 5c a litre from tomorrow, Administrator-General Louis Pienaar announced in Windhoek yesterday

The increases were brought about by the long-term trends of the rand exchange rate against the dollar and the depletion of the Equalisation Fund, Mr Pienaar said

The new consumer prices for 93-octane petrol will range from 110c a litre in Swakopmund to 134c in Katima Mulilo.

Petrol to go up

Sowetan 30/11/89

THE price of petrol will definitely go up again early next year, according to the chairman of the South African Consumer Council, Professor Leon Weyers

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Prices of other goods to follow

244

margin on petrol will increase by 1,5 cents per litre in South Africa and the TBVC countries from tomorrow

The increase, according to the NEC, will not

result "in an immediate price increase for consumers since the Equalisation Fund has adequate funds available to finance this increased margin temporarily"

The NEC said the retail margin was to be increased by 1,5 cents per litre to 10,2 cents per litre from December 1 with the approval of the Cabinet. Real cost factors would determine how long a general price increase could be avoided, the announcement said

"According to present indications, a price increase will not be necessary before 1990," said the NEC.

Reacting to the announcement yesterday, Weyers said it was inevitable that an increase in the price of petrol was on the 'cards' early next year because the Equalisation Fund would not finance the increased margin indefinitely

"There will definitely be an increase in the price of petrol early next year. I think it's a foregone conclusion," said Weyers

He said the problem with increases in the price

of petrol was that it tended to push up prices of other goods and commodities thus hitting the consumer's pocket hard

The vice-president of the South African Consumer Council, Mrs Aletta Geldenhuys, said statements to the effect that there was not going to be an immediate petrol price increase always in-

dicated that an increase was imminent

"We are very upset by the news of an increase in the retail margin because it is clear an increase in the price of petrol will only follow soon. Such an increase will have a spiralling effect on the inflation rate and the price of other things," said Geldenhuys

Home prices continuing to hit record highs

FRANK JEANS

NEITHER high bond rate levels nor tight economic conditions have stilted the continuing demand for homes, which has resulted in prices hitting unprecedented heights

The magical upmarket tag of R1 million is now almost a memory as properties in prime locations nudge the R3 million mark

And values won't be stopping there, for potential buyers are convinced that a home bought today is tomorrow's bargain, so that there is consensus in real estate circles that, barring any disturbing factors, the boom will continue unabated in 1990 and be prodded even further with the expectation of a drop in interest rates

A clear indication of the growth in the market is seen in a breakdown of average prices in selected areas, with Alberton (Brackendowns) posting a dramatic surge — R75 000 in January to R107 000 in November, an almost 40-percent increase in only 11 months

Purple patch

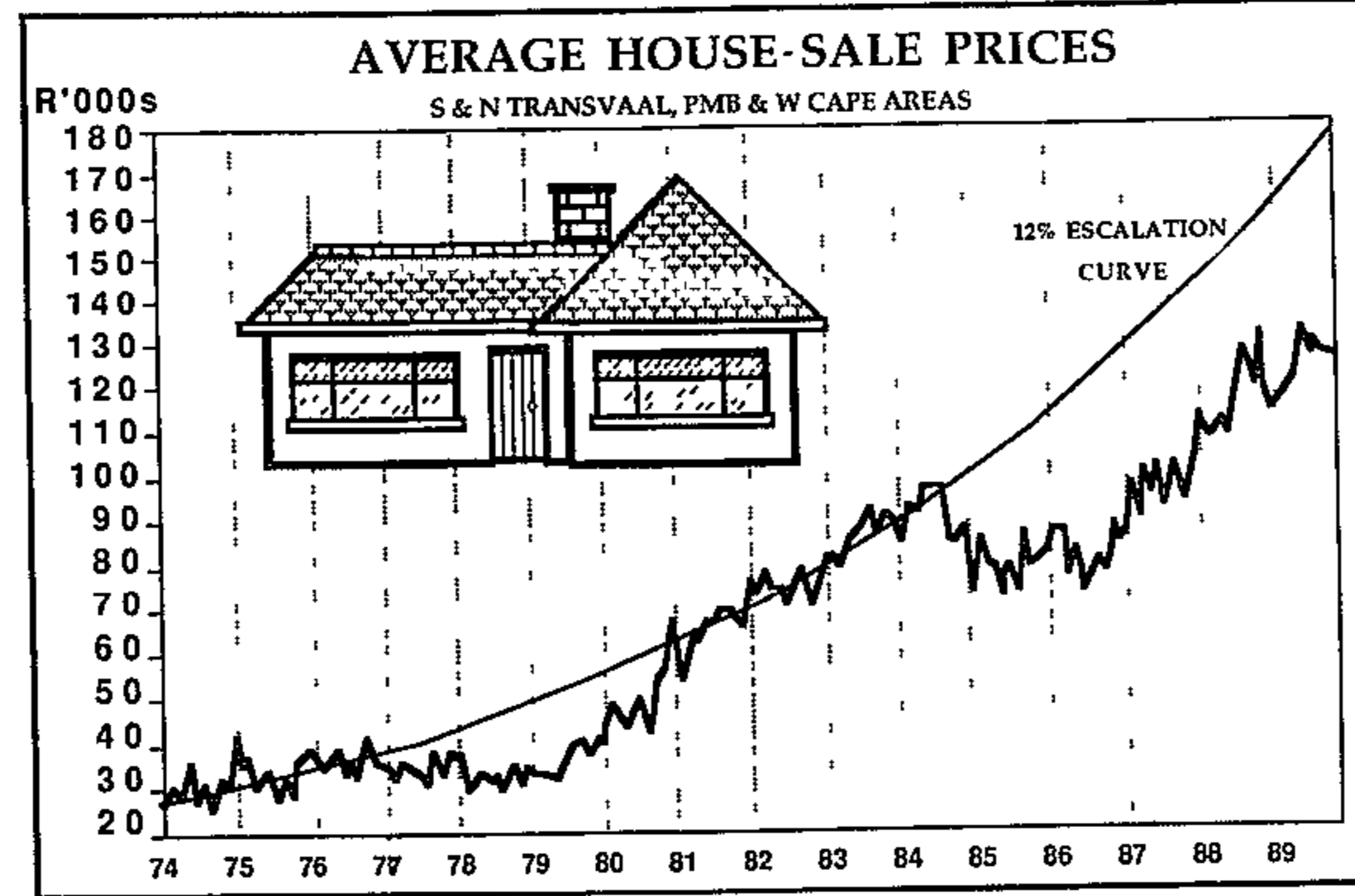
At the other end of the scale, Sandton's overall average was R196 000 at the beginning of the year, whereas the November figure had soared to nearly R230 000

The purple patch of the municipality, Sandhurst-Hyde Park, has seen home values rise from as high as R1 million to almost R3 million

Ms Nina Obel and Ms Michelle Gilbert, of Aida Real Estate, recently sold a top property in the area for the latter amount and another for R2,8 million.

"Stands in Sandhurst-Hyde Park have shot up from R350 000 in January to R550 000, with one site going for R650 000," says Ms Obel

Randburg recorded a R25 000 increase on average sales (R110 000 to



Property's surge in 15 years

THE graph, compiled by Basil Elk Estates, shows the surge in property prices over a 15-year period. The most dramatic rise has been in the past 10 years. In 1979, the average price was in the R35 000 range, while this year the figure is close to R135 000.

The dip registered in 1985-86 was the result of a three percentage point rise in the Bank Rate in August 1984 which seriously affected an already depressed property market

The 12 percent curve represents Elk's projected annual compounded escalation

R135 000) for the year, while Pretoria's figure has risen from R126 000 to more than R137 000

On the other hand, reverberations of Boksburg's recent Conservative Party rule have had a marked effect on the homes business, with prices of the more expensive properties dropping

Mr Andre de Klerk, manager of Basil Elk Estates in Boksburg, says "People were not prepared to risk investing in expensive property in an area plagued by political dissatisfaction

"The Government's announcement that Boksburg is now an open area was tremendous news

"Things will definitely improve in the top end of the market now"

Mr Basil Elk, chairman of the group, is confounded by the strong market conditions on the back of high bond rates and puts this down to the fact that along with demand, there has been a shortage of housing stock

"I am concerned, however, about prices maintaining their level if interest rates are increased further"

He takes a side swipe at the multiple-listing set-up which, he says, has resulted in "hoards of agents descending on the privacy of homeowners," and created a "negative feeling among agents, buyers and sellers alike"

Market buoyancy has spread to all other residential property sectors, including coastal and

country. The former has been particularly vibrant throughout the year, with seaside homes from the Cape to Plettenberg Bay commanding premium prices

"Houses, therefore, are still under priced. The actual average should be at the curve level," says Mr Elk

"Home prices still haven't recovered fully from the 1976-78 periods of unrest but I have no doubt that they will ultimately reach their proper level."

country

The former has been particularly vibrant throughout the year, with seaside homes from the Cape to Plettenberg Bay commanding premium prices

Cape Town's golden stretch, from Sea Point to Bantry Bay, remains South Africa's most expensive property area, but northwards at San Lameer the villas are now at the R325 000 level — a 620 percent increase on the R45 000 when the development came on the market 10 years ago

Mr Allen Usher, director of resorts and developments of Camdon's Nationwide, says "At Anglo American Properties' project, Santorini, north of Durban, the

Greek-theme homes first came on to the market in 1986 at R125 000

"Prices in the current phase of the development are pitched at R375 000"

It's the same story in beachfront land, with Mr Usher recording South Coasterven which a decade ago changed hands for R12 000 now fetching R150 000 to R180 000

In country living, too, the once-forgotten few "in the sticks" are now an elite as their large properties take off in value

A leading country estates agent, Mr Allen Denton-Miller, says "Recently, we sold a small riverside property for R232 500. Exactly three years ago we sold the same home for R140 000 — and at that price it was not an easy sale!"

As the price pressure cooker stays on the front burner, the big question among young prospective buyers must be "Are we now virtually excluded from homeownership?"

Preserve of rich

Indeed, is South Africa approaching the time when property possession is the preserve of the wealthy as it is in many countries abroad?

In the light of present demand and take-up of housing stock, it might well be remembered that 10 years ago, few people believed that homes would reach present levels and still be affordable

Mr Scott McRae, managing director of Camdon's, is highly positive about trading conditions next year

"The rise in the bond rate has not frightened off buyers to the extent that was expected. Prices have already discounted a further bond rate rise and the market is currently taking a breather before another upward cycle after one of the most powerful surges ever, during the past three years"

STW 2/12/89

Cheaper petrol hopes rise

By Don Robertson

THE petrol price could fall early next year.

Romano F Del Mistro, executive director of the AA Foundation, says available information suggests there will be an overrecovery in the fuel price in November. The overrecovery was 1,05c a litre in October

Dr Del Mistro says: "Should this continue into 1990, a related reduction in the fuel price could be expected."

However, the increase in the profit margin for garages on the Reef — to 10,2c/l from 8,7c/l — will have to be financed out of the Government-managed Equalisation Fund.

Any price reduction would be limited by the additional 1,5c/l awarded to garages

Dr Del Mistro is worried about the size of the increased margin. He says it has risen by 30%

in the past 15 months — and by 500% since 1979. The consumer price index has risen by 400% since 1979.

"It will ultimately lead to an additional cost to the motorist, although in the interim the increase has been adsorbed by the Equalisation Fund"

However, industry sources hope that the improvement in the rand exchange rate will continue for some time. The average rate in October was R2,6742 to the dollar, resulting in a landed price of petrol of 44,892c/l. In September the rate was R2,7886 to the dollar, making the landed cost 46,795c/l. The rate has since improved to R2,6010.

3/12/89
Times

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Increases in producer prices levelling out

Star 7/12/89

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By Sven Lünsche

Producer inflation, as measured by annual increases in the Producer Price Index (PPI), stabilised at 15,3 percent during October compared with 15,1 percent in September

The rate has maintained levels of around 15 percent in most months this year and economists predict that consumer price inflation, which lags production prices by about six months, will follow the same path next year

Central Statistical Services figures released yesterday show that on a monthly basis the PPI has risen by 1,2 percent from September to October

The main pressure on producer prices over the last few months has come from imported products, following on the weakness of the rand during the first half of this year.

By the same token, however, the current more stable performance of the exchange rate, particularly against the US dollar, will eventually lower the cost of imported goods towards mid-1990

While the annual price increase of

imported goods in October at 15,2 percent was 0,1 percentage points lower than the previous month's 15,3 percent, the monthly increase was a high 1,2 percent and is a pointer towards further increases in the next few months

The price of locally produced goods is up 15,2 percent in October over the same month in 1988. This is 0,3 percentage points higher on September's 14,9 percent.

The increase in the index of total output of South African industry remained the same as the previous month, at 15,3 percent.

Detailing the various sectors, the Central Statistical Services says the rise in the PPI was due to relatively large increases in paper and paper products, which rose by a monthly 6,3 percent, furniture (4,8 percent), non-ferrous basic metals (3,6 percent) and plastic products (3,9 percent)

The cost of transformer oil rose by 9,4 percent, aluminium sheeting by 13 percent and uncoated sheet metal by 7,1 percent

Prices rose last month, survey shows

Staff Reporter

Trolley for trolley, consumers paid more for household goods last month than they did in October, and the hardest-hit consumers, in East London, paid R32,15 more than consumers in Maritzburg where prices were lowest, an extensive survey has shown

The national average of goods bought from supermarkets increased by R3,75 in November, in comparison with October, according to the price survey of 112 stores countrywide

This is an increase of 0,8 per cent

The survey was commissioned by the South African Coordinating Consumer Council and covered hyperstores and supermarkets in all four provinces

A trolley of goods in the Transvaal and the Free State are on average R11,48 more expensive than the same goods in Natal and the Cape Province

The national average trolley of goods cost R463,39 in November as opposed to R459,64 in October

2/11/89

8/12/89

Star

2/1/89

Sowetan # 8/12/89

Stayaway causes price rise - claim

A TWO-WEEK stayaway action at the Cato Ridge abattoir has caused an increase in the auction price of beef, mutton and pork.

The general manager (marketing and administration) of the Meat Board in Pretoria, Mr Frans Pieterse, said the sudden increases were caused by the unforeseen and continuous disruption of the slaughtering process at the abattoir. "Normal slaughtering could not proceed as a result of action by the personnel. As a result, only some of the stock

arriving at the abattoir could be slaughtered recently," he said.

Although the events at Cato Ridge abattoir are entirely beyond the control of the Abattoir Corporation, alternative arrangements are being made to alleviate the situation.

The Meat Board is monitoring the situation and has arranged to make more meat available wherever possible.

"We hope that once slaughtering at Cato Ridge returns to normal, prices will stabilise," Pieterse said.

THE October inflation rate for South Africa as measured by the Consumer Price Index (CPI) is 14.8 percent.

This is 0.1 percentage point lower than the rate for September.


The CPI for pensioners for October shows an annual percentage change of 12.6 percent.

This is 2.2 percentage points lower than the inflation rate of 14.8 percent for October 1988.

For pensioners, the largest annual price increase of 14.4 percent was recorded in the Durban and Pinetown areas, while the largest monthly

Consumer Corner

By MZIKAYISE EDOM



Tiny drop in inflation

increase of 1.4 percent was also recorded there.

According to the Central Statistical Service there were large monthly

increases in the prices of meat, fish, milk, cheese, eggs, vegetables, fruit and nuts, tea and coffee.

There were also huge increases in the price of

non-alcoholic beverages, alcoholic beverages, clothing and footwear. The increases ranged between 0.7 and 6.2 percent.

Port Elizabeth and Uitenhage experienced the largest annual rate of increase (15.8 percent), while the largest monthly increase of 1.1 percent was recorded in East London and the Witwatersrand.

The annual rates increase in the indices for the middle- and higher-income groups for October are 13.8 and 15.8 percent respectively, as against 13.8 and 16.2 for September.

Staw 13/12/89

Stainless steel prices reduced

The price of all nickel-bearing austenitic stainless steels has been reduced by 13,2 percent, or R1 100 per ton, producers Middelburg Steel and Alloys said yesterday.

"However, it must be stressed that this decrease will be effective for deliveries from March 11990," said Derek Engelbrecht, commercial sales manager, MSandA.

"A pipeline of higher priced material will have to be consumed, as the surcharge reduction will only come into effect in three months' time," he said.

"This early price adjustment was precipitated by the continued softening in the dollar price of nickel, the marginally stronger exchange rate and declining international stainless steel prices

"Further reductions to both nickel and non-nickel bearing steels could be implemented in the new year, depending on further downward movement of the nickel price," he added

The announcement has been welcomed by the stainless steel industry. However, Mr Ian Elsdon-Dew, executive director of the Southern Africa Stainless Steel Development Association (SASSDA) cautioned that the decrease would be felt only in the second quarter of 1990.

"It is clear that the market is now stabilising, following recent upheavals," he said. "We are confident of continued growth in the usage of stainless steel, which is one of the most cost-effective and versatile materials available to specifiers and consumers."

— Sapa

Inflation battle will be won — at a price

PHOTO STAR 16/12/89

FINANCE STAFF

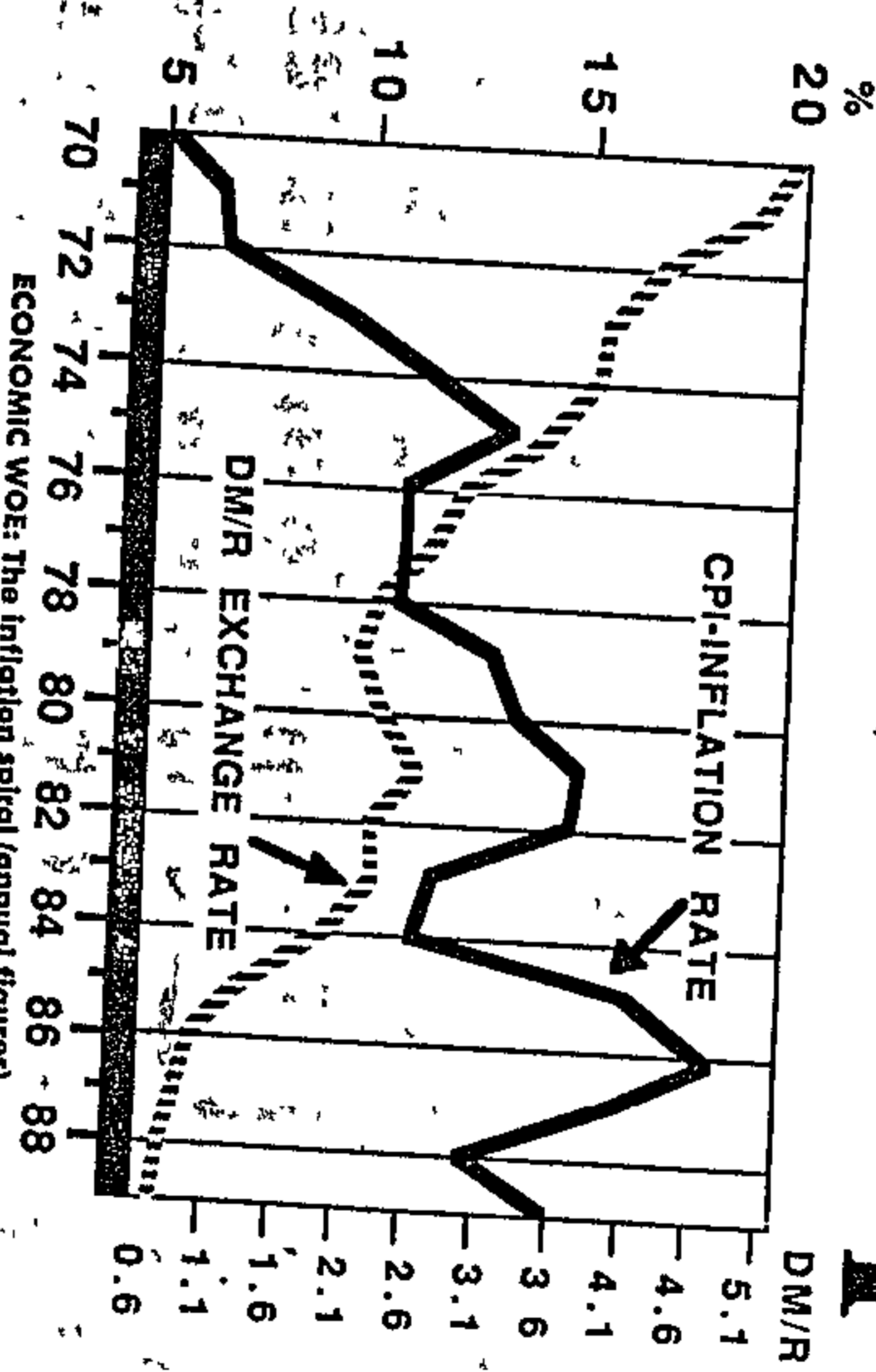
THE new political and monetary leadership in South Africa has laid the groundwork for a reduction in inflation to about five percent by 1995.

However, the likely consequent deterioration in the economy in the next two years will generate more unemployment and, very probably, a renewed cycle of unrest and civil violence, says Trust Bank chief economist Nick Barnard.

Writing in the bank's *Economic* report for November and December, he urges the Government to implement measures, such as job-creation programmes, to limit the adverse socio-political effects of the relatively austere monetary measures it has imposed.

He says too that the business sector would be well advised to limit wage, salary and price rises as far as possible to ease the inevitable pressure on their cash flows while the inflation bogey is being tackled.

Judging by recent pronouncements, it would appear that the authorities thoroughly appreciate



the dangers of loosening monetary policy too soon and realise that interest rates will have to be kept high for a considerable period if a meaningful and lasting

reduction in inflation is to be achieved in the 1990s," says Mr Barnard.

He warns of the "real possibility" of the prime overdraft rate being raised to 22 percent in the new year and staying at that level until mid-year.

Thereafter it would be likely to fall "slowly and moderately" until the latter part of 1991.

The TrustBank economist says lower inflation is a prerequisite for sustained growth in the 1990s and beyond.

Fifteen years of double-digit inflation have undermined the local economy and knocked South Africa's ability to compete as an exporter.

Mr Barnard illustrates the connection between low inflation and high economic growth — and the converse — with gross domestic product averages for the last three decades. Inflation averaged 2.7 percent in the Sixties and GDP grew at a real rate of 5.7 percent.

In the next decade, inflation picked up to 10.7 percent while growth slipped to an average of 3.4 percent a year.

In the decade drawing to a close, the economy grew at an average of only 1.5 percent annually while inflation averaged 14.7 percent.

"The spiral of inflation, inflationary expectations, high wage demands, over-spending, money-creation and currency depreciation must be decisively broken."

"It is indeed promising that the country's new political and monetary leaders have declared the battle against inflation to be a major priority."

Mr Barnard predicts that the harsher fiscal and monetary measures taken this year will reduce inflation to 14.5 percent by the end of next year, with a likely further decline to 11.5 percent in 1991 and to 10 percent the year after that.

The expectation of price increases continuously exceeding the cost of credit and the return on savings is being reversed by the high level of interest rates.

With it has come a firming of the rand, which contains the prospect of prices of cars and other consumer durable items with a fairly high imported content rising no more than 12 percent in 1990.

Mr Barnard cautions that the whole programme could fall down if different sectors do not play their part. Discipline will be required from the Government to keep its own spending in check and to maintain real interest rates.

At the same time, the private sector must resist the temptation to give excessive wage and salary awards.

"The anti-inflation campaign would also require a considerable improvement in foreign and domestic political relations, as well as a reversal of the thinking that accepts double-digit inflation as normal and inevitable."

Portfolio managers hold key to gold price movement

By Jabulani Sikhakhane

The investment attitudes of portfolio managers in Europe and North America will determine gold prices in the coming months, says the *International Gold Mining Newsletter*.

It says the gold market this year has had to contend with a substantial move away from gold, particularly by portfolio managers.

The exposure of European and North American institutional investors to gold is currently at a record low and some Swiss private banks are down to around one to two per cent of gold in their portfolios. However, if the trend is reversed, a lot of buying could be seen, which

could prove bullish for gold.

Japanese insurance companies have started buying and at least one US pension fund has switched buying from gold shares to gold bullion.

Investors in North America are already switching money from equity and bond markets into gold and Deutschemarks because of turmoil in equity markets.

Changes in the gold market have also spurred buying in the Far East, with more investors moving to gold, which appears more promising than stocks and currencies. Reduced forward selling by producers has also led to improved market conditions. Another positive factor is that de-

mand by the jewellery and fabrication sector is expected to outstrip increased sales by Soviet bloc countries and should provide strong fundamental support for the gold price.

Major Western producers are expecting a small drop in output in a year or so and the supply-demand balance should tighten, providing a good foundation for the pricing of gold.

The newsletter quotes Frank Lin, vice-president of Taiwan's largest private gold dealer, China Trust Precious Metals Corp, as saying demand for bullion by Taiwan might have increased by as much as 50 percent in the last two months of the year. Overall gold imports could reach

about 160 tons. Smuggling still flourishes, with estimates of about 80 tons of gold being illegally imported.

Although Taiwan has cut the gold tax by 0.6 percent, smuggling is more lucrative because illegal importers can save up to one percent on freight and operating cost and avoid business income tax.

The recent buying spree, says the newsletter, can be explained by the political turmoil in Eastern Europe and rumours that South Africa has been absent from the market to push up the gold price.

But one analyst argues that events in the Communist bloc could prove bearish because economic troubles imply increased gold sales. There-

fore the trend to a higher net level of communist gold sales is expected to continue next year.

Some analysts view the present rise, which has taken gold in less than seven weeks to over \$400, as leaving gold exposed in the short term. They predict that gold might well remain at around \$405 for some time to allow for consolidation.

As yet there does not appear to be any strong sign that the foundations on which the recent rise is based have weakened.

Prices at this level would give the market time to recover from the shock of recent moves and settle into a steadier rise towards higher levels in 1990 and beyond.

Tariffs Shook

ART TARIFFS
20/12/89
(244)
(244)

SATS increases all transport costs

Own Correspondent

JOHANNESBURG. — SATS is to increase rail, road, pipeline and harbour tariffs from January 1 — the second multiple tariff increase in nine months.

The SATS increases follow a 13% rise in air fares announced by SAA on Friday

Tariff increases on rail goods ranged from 13% to 20%, while there was an across-the-board 13% tariff increase on harbour services

The increases on crude oil transported by pipeline and on commodities by road were unobtainable yesterday

The April 1 SATS increases included a 12% rise in tariffs for the conveyance of crude by pipeline and an 8,6% increase in rail goods

Chief director (marketing) Dr Koos Meyer said yesterday the reasons for the early increases — and not April 1, as expected — were higher costs and inflation

They would not affect existing contracts

Rail passenger services director Dr Gerhard Booysen said rail fares would not rise on January 1

Although fares could be increased before April 1, he said the public would be advised in good time

Outlining the average increases on rail freight, Dr Meyer said tariffs on

low-rated traffic, which included ores and minerals, would increase by 17%

High-rated traffic, which included engines, cars, fridges and stoves, would see a tariff increase of 16%

Rates on all truck-load traffic, which normally transported ores and minerals, would increase by 17,8%

Transport of cement would increase by 16%, container rates by 13,9%, timber by 19% and livestock by 20%

The increase on the transportation tariffs for livestock in April was 13,5%

As a separate commodity, the transport of coal would increase by 17,5% and the hiring of miscellaneous SATS equipment would have an increased rate of 16%

The transport of petrol would rise by 8% and the cost of diesel by 15%, Dr Meyer said

CE (harbours) Mr Duke Davidson said only services that had run at a loss would be affected by the January 1 increases

The across-the-board increase was 13%

Tariffs on marine services, which included port dues, tugs and dry dock usage, would increase by 14%

Deputy director (harbours) Mr Sidney Bird said the increase in harbour service tariffs was an attempt to eliminate cost subsidisation between services

SATS rail services were expected to make a loss of R469m this year, road transport services a loss of R12m, harbours a profit of R575m and pipelines a profit of R319m

Early increase blamed on costs

Sats to raise its tariffs on January 1

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EDYTH BULBRING

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Regarding the handling of cargo, Bird said tariffs on crane usage for general cargo would increase by 15%, containerisation by 13%, break bulk cargo handling by 13%, grain elevators by 15% and bulk appliances by 14%.

However, concessions on wharfage would be introduced in order to do away with the 25-ton requirement on high-value imports.

This would benefit importers and exporters of high-value goods.

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Tariffs SATS increases all transport costs

CAF-16/15

20/12/89

(241)

Own Correspondent

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Chief director (marketing) Dr Koos Meyer said yesterday the reasons for the early increases — and not April 1, as expected — were higher costs and inflation.

They would not affect existing contracts. Deputy director (harbours) Mr Sid-tracks, said the increase in harbour rates was an attempt to eliminate cost subsidisation between services.

Gerhard Booysse said rail fares would not rise on January 1. Although fares could be increased before April 1, he said the public would be advised in good time.

Outlining the average increases on rail freight, Dr Meyer said tariffs on

low-rated traffic, which included ores and minerals, would increase by 17%.

High-rated traffic, which included engines, cars, fridges and knives, would see a tariff increase of 16%.

Rates on all truck-load traffic, which normally transported ores and minerals, would increase by 17.8%.

Transport of cement would increase by 16%, container rates by 13.8%, timber by 19% and livestock by 20%.

The increase on the transportation of livestock in April was 13.5%.

As a separate commodity, the transport of coal would increase by 17.5% and the hiring of miscellaneous SATS equipment would have an increased rate of 16%.

The transport of petrol would rise by 8% and the cost of diesel by 15%. Dr Meyer said.

CE (harbours) Mr Duke Davidson said only services that had run at a loss would be affected by the January increases.

The across-the-board increase was 13%.

Tariffs on marine services, which included port dues, tugs and dry dock passage, would increase by 14%.

Deputy director (harbours) Mr Sid-tracks, said the increase in harbour rates was an attempt to eliminate cost subsidisation between services.

SATS rail services were expected to make a loss of R46m this year, road transport services a loss of R21m, harbour services a loss of R575m and pipelines a profit of R319m.

Sats price increase

2/12/82 Sowetan 244

INCREASES in the prices of a wide range of commodities - possibly including food, petrol and diesel - are expected as a result of a 16 percent average increase in rail, road, pipeline and harbour tariffs announced by South African Transport Services (Sats) on Monday.

It is the second time in less than a year that the tariffs are being raised to meet rising costs. In April, rail goods tariffs went up by 8.6 percent and pipeline costs by 12 percent.

The new tariffs do not include hikes in the price

of passenger road transport services. These, however, may go up in mid-year, according to Sats officials.

A spokesman for SATS also put the blame for the hike - which comes into effect on January 1 - on "increased costs".

Rail goods will go up between 13 percent and 20 percent, and harbours by 13 percent.

For the man-in-the-street, this could mean an increase in fuel costs, as well as in the cost of engines, cars, refrigerators and stoves because these are rated as "high-rated traffic".

Appeal for help

THE Katlehong Town Council and school authorities have appealed to local residents to help with donations towards the burial of three youths who drowned while on an outing in Transkei at the weekend.

The funeral arrangements are being organised by a committee consisting of school representatives, local residents, a councillor and families of the deceased.

Mandla "Mkhulu" Nhlapo, Siphon Mtambo and his younger brother Bafana, all from Katlehong, will be buried on Sunday at the local cemetery at 2pm. A funeral service starting at 10am will be held at the D H Williams Hall.

Donations can be forwarded directly to the families at 666 Ramokonopi Section in Katlehong and A9 Mazibuko Street in Tokoza, Alberton.

'Consumers will have to tighten belts'

Food prices are set to increase sharply

2HH Staw 21/12/89

Staff Reporters

Food prices are expected to rise dramatically as a result of an increase in transport tariffs announced by South African Transport Services this week

Increased costs of transporting coal are expected to push up the price of electricity, and Sats' tariffs for transporting petrol are to increase by 8 percent and 15 percent respectively, suggesting that a new year rise in the fuel price is on the cards

Other tariff increases could mean higher prices for "high-rated traffic" goods, including engines, cars, refrigerators and stoves

Consumer bodies took Sats to task yesterday for the price increase — the second this year — saying the consumers would have to tighten their belts as the most marked increases likely to result would be in the food department

On Monday Sats announced an average 16 percent increase in rail and harbour costs

FAR HIGHER

Coupled to increases in April, the total increase for 1989 was 28 percent, far higher than the average inflation rate of 14,59 percent, said the SA Co-ordinating Consumer Council.

Although passenger fares were not increased this week, concern has been expressed about the increases that are likely to face commuters in the new year

Not all services to cost more

The SA Transport Services tariff increases apply only to rail freight services, some road transport feeder services and harbour services that are currently running at a loss, Sats' deputy director of Public Relations, Mr Vic Vries, said yesterday

Rail and road commuter services and pipeline tariffs were not affected by the January 1 increases, Mr Vries said

He said higher operating costs had made the increases necessary. They were not related to the Sats strike

Rail freight tariffs are affected the most, with the transport of bulk goods to the coast at a rate of 20 percent

Most increases in rail goods transport range between 15 and 20 percent with the transport of petrol the lowest at 8 percent

There would be no general increase in tariffs for goods transported by road, but tariffs for goods transported on rail-link or feeder services would be increased by an average of 17 percent

A spokesman for SA Harbours said tariffs for marine cargo handling would be increased by an average of 13 percent from the beginning of next year

This is the second time Sats tariff increases have been announced in the past year, the last being an across-the-board of eight percent in April — Sapa

Reacting to the Sats hike, the executive director of the Grocery Manufacturers' Association of SA, Mr Jeremy Hele, said "Most groceries are railed at least once during production. The tentacles of the latest increase reach into just about everything"

Consumers were likely to feel the bite within the next three months, said Mrs Lynne Morris of the Housewives' League of South Africa, at more or less the same time that the 1990 increases were likely to be announced

A League survey has revealed that consumers have had to weather an average increase of more than 12 percent for food items in 1989

Handwritten notes and scribbles at the bottom of the page, including "Health + 5" and "L + 5".

Prices set to rise across the board after Sats tariff hikes

BlDaw 21/12/84
244

THE prices of most commodities would be forced up by Sats's tariff increases, customers said yesterday.

On Tuesday Sats announced a 13%-20% increase in rail freight and a 13% increase in harbour services tariffs from January 1.

SA Lumber Millers Association (Salma) executive director Andries Swart said the 19% timber increase was "bad news for the industry".

"What has happened about President F W de Klerk's call for cutting inflation? It's crazy," he said.

He said the 114 Salma members exported timber to the value of R120m a year by sea, and a greater amount by rail. SA wanted to increase its exports, but the Sats increase was making it impossible, he said.

The forestry branch of the Environment Department was attempting to persuade Salma to raise log prices by 30% and general timber prices would have to be raised from January 1 to absorb transport costs, said Swart.

Furniture prices, housing costs, crating and packaging would be affected.

EDYTH BULBRING

A Sats spokesman said the tariff increases affected only rail goods, some road transport feeder services and the harbour services running at a loss.

Rail commuter and pipeline tariffs would not be affected by the increase.

Sats Roads Transport director (goods-general) Charl Moller said there would be no general increase in tariffs for goods transported by road.

However, an average 17% increase in tariffs on goods transported on rail-link services, excluding tariffs for the transport of fuel on a rail-link service, would come into effect on January 1.

The tariffs for all other goods services were special market-related tariffs, negotiated on a continuous basis with clients. These would not be influenced by the tariff increase, he said.

DP spokesman for consumer affairs Harry Schwarz slammed the increases, saying they would add "fuel to the fire of inflation". He said they were inconsistent with the government and Reserve Bank's commitment to combat

"this scourge". Schwarz said the rail tariff increases will have a "ripple effect" throughout the economy.

"One must therefore not be surprised when the cost of other goods go up and when workers ask for salary increases to meet rising living expenses."

Assocom said it noted the increases with "grave concern". The inflationary effect would be felt throughout the economy, a spokesman said.

The increases exceeded the consumer price index and raised the question of Sats's ability to operate within its budget, the Assocom spokesman said.

Sugar Association national marketing director Frans Oosthuizen said at the end of the day, all commodities made with sugar would be affected.

He said the increases were "sad and unexpected".

He expected the price of sugar to stay the same in Durban, but that it would increase further away from Durban as consumers picked up the travel costs.

The Sugar Association would absorb the cost of the rail to road transport between the mills and the terminals.

● Comment: Page 4

Money supply growth bodes ill for inflation

By Sven Lünsche

In a dramatic reversal of recent trends, money supply, as measured by growth in the broad measure, M3, surged by an annual 24,5 percent in the year to November

The soaring figures could seriously thwart the intensified efforts by the financial authorities to bring inflation under control in the years ahead

Reserve Bank figures released yesterday show that M3 rose by a provisionally estimated 24,55 percent to R143,68 billion

This follows on increases of 24,7 percent in October, 22,87 percent in September and 25,55 percent in August

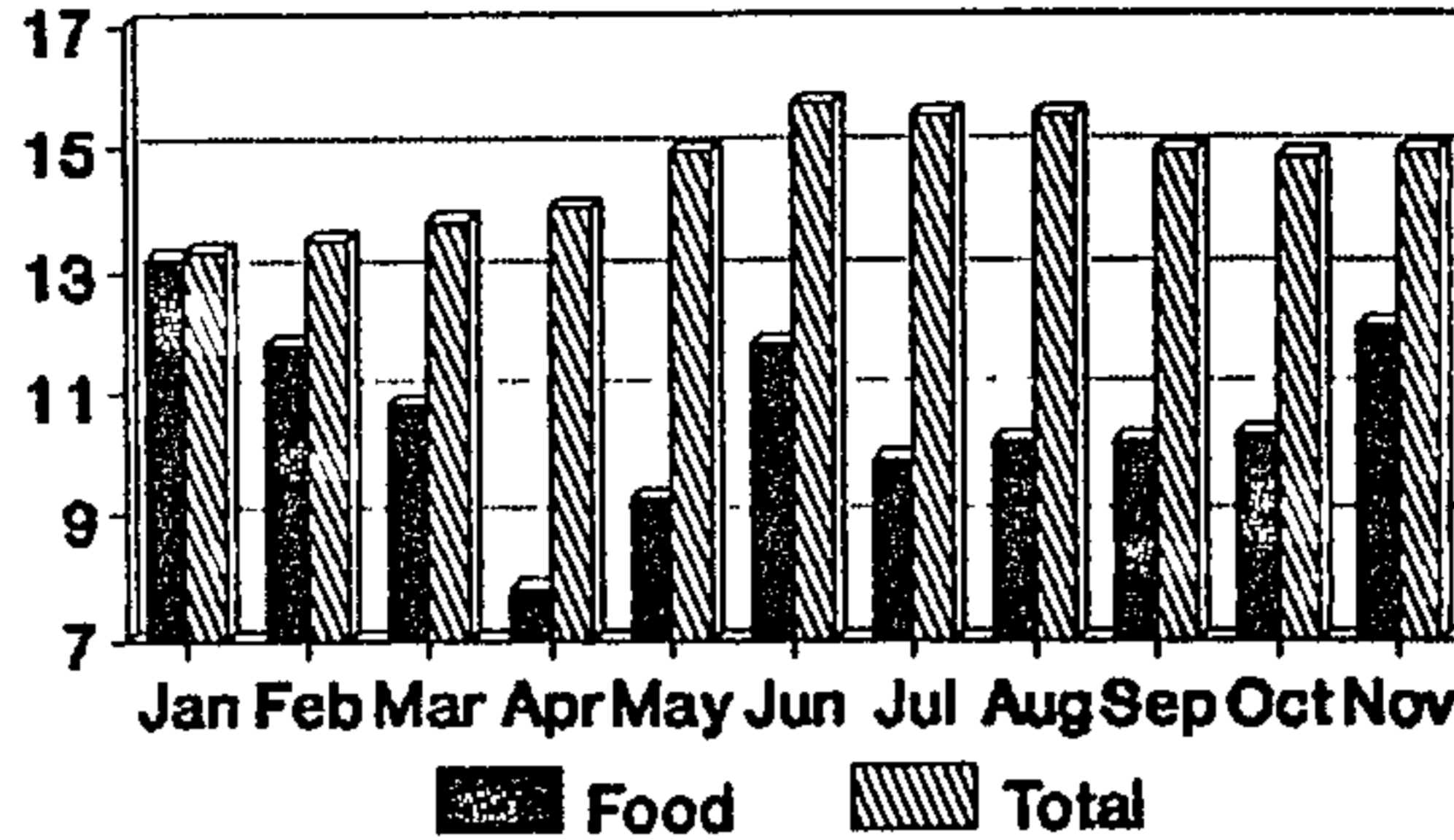
Significantly, the October M3 figure was revised from the initial estimate of R138 billion to R142,07 billion — further evidence that credit extension by financial institutions is still proceeding at a high rate

Further setback

In what could prove a further setback to the anti-inflation campaign, consumer price index (CPI) figures released yesterday indicate that food prices are once again escalating

However, the lagged effect in the high growth rate of money supply is generally regarded as the most serious impediment to a lower inflation rate

The extent to which money supply is running out of control is seen by the fact that the November M3 figure is 5,5 percent higher than the target set by the



Annual percentage rises in the overall CPI and the CPI for food.

Reserve Bank for the month

It already exceeds the December 1989 R137,7 billion value of the upper boundary of the target range

The main factor underpinning the rise is credit spending

Reserve Bank figures show total domestic credit extension rose from R137,19 billion in September to R140,1 billion in October, with both HP and leasing finance increasing moderately

Other loans and advances by banks rose from R73,97 billion to R77 billion in October.

Latest BA9 returns by commercial banks show that credit extension on their balance sheets rose by nine percent from March to September, with Standard and Bankorp showing credit growth of over 15 percent

While economists doubt that the continued surge in money supply will lead to a tighter monetary policy in the form of higher interest rates, they say it

could rule out any easing of monetary measures in the months ahead.

The Reserve Bank also announced that M2 money supply in October increased 30,56 percent to R114,215 billion, while the narrowly defined M1 increased 18,15 percent to R47,24 billion. These compared with revised increases for September of 27,44 percent in M2 and 12,84 percent in M1

A further, albeit less significant trend, which could undermine efforts to bring inflation under control has been the recent rise in food prices

Central Statistical Services figures released yesterday show that inflation in November was running at 14,9 percent, slightly up on October's 14,8 percent

But food prices once again increased at a steeper rate than in previous months

After rising by an annual level of around 10 percent in each of the previous six months,

the year-on-year increase in the CPI for food climbed to 12,1 percent in November

On a monthly basis, food prices increased by 1,7 percent from October to November, contributing 40 percent to the overall one percent monthly rise of the CPI

Over the four-month period from August to November, food prices rose by an annualised 17,5 percent — well ahead of increases in other sectors

Food prices rose over a wide spectrum, led by the price of grain products, which soared by 5,6 percent in the month

Meat prices rose by one percent, but indications are that they will not increase sharply over the festive season

While food prices could slow down the intensified efforts by the authorities to curb inflation, economists are still optimistic that price increases will be lower next year.

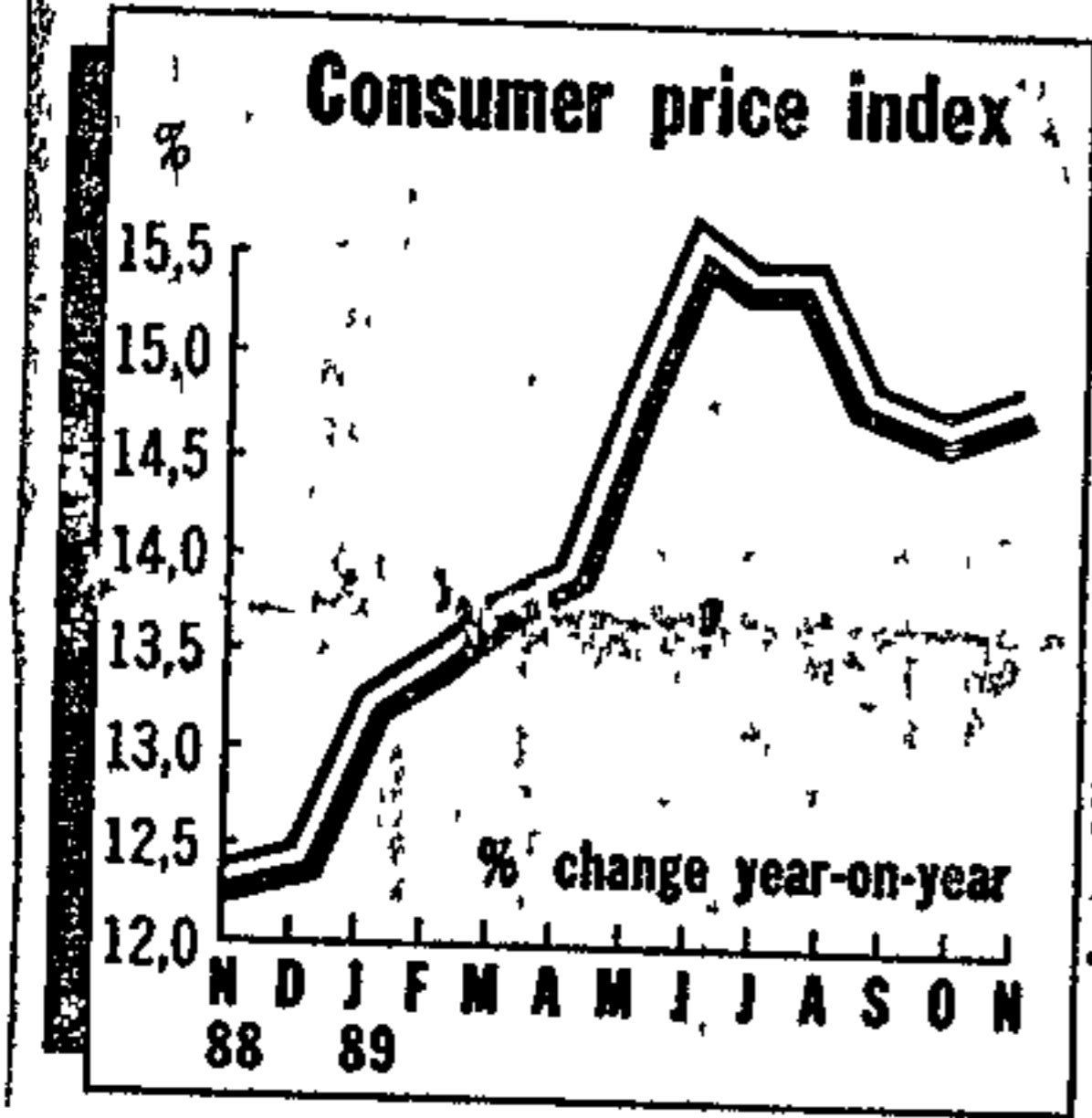
Stricter policies

Against the background of a declining growth rate and stricter fiscal policies, Volkskas' Adam Jacobs expects inflation could decline from 15 percent in early 1990 to about 13,5 percent by the end of the year

Sanlam's Johan Louw concurs with this forecast, arguing that the recent strengthening of the rand will eventually lower producer price inflation for imported goods, which hit a peak of about 20 percent in June, but has tended appreciably lower since then

ment in October He indicated that most

deposit are held inside or outside the banking system.



Graphic: FOM KRISS Source: CSS

Inflation shows slight increase

NEIL YORKE SMITH

THE annual rate of increase in inflation, as measured by the consumer price index (CPI), was 14,9% in November, 0,1 percentage points higher than October's 14,8%.

Figures released by Central Statistical Services (CSS) yesterday showed the index rose 1% from 184,9 points in October to 186,9 points in November.

The annual rate of increase in the indices for low, middle and high income groups for November, as compared with November 1988, were 14,1%, 14,3% and 15,5% respectively.

The food sector made the largest contribution to the monthly increase, with significant increases recorded by grain products (5,6%), fruit and nuts (6,1%), fats and oils (2,5%) and fish and other sea food (2,1%).

Prices of milk, cheese and eggs recorded a decrease of 0,2%.

Other large price increases included non-alcoholic beverages (1,8%) and cigarettes, cigars and tobacco (4,1%).

The Durban Pinetown area recorded both the largest annual increase (16,5%) and the largest monthly increase (2,2%).

The lowest monthly increase was recorded by the Pretoria, Verwoedburg, Akasia area

Lumber millers dismayed at govt's decision to up log prices

15/04/89 22/12/89
244

GOVERNMENT's decision to increase log prices by an average of 29,6% in the new year was greeted with dismay by the SA Lumber Millers' Association (Salma).

The millers are also faced with a 19% hike in transport costs announced this week by Sats.

Salma executive director Andries Swart said yesterday "We as sawmillers do not see our way clear to paying these new prices"

He believed the price increase could do the industry "more harm than good" by endangering SA's exports while encouraging imports.

Also affected was the building industry, which had been damaged by substantial bond increases during the year.

"Sawn timber is a non-replaceable building material, along with bricks and mortar. The building industry is already in a down-phase and cannot afford this added burden," he said.

Association of Wood Merchants Director Bill Smith feared "contractors might turn away from wood and opt for steel".

The forestry branch of the Environmen-

FIONA FOURIE

tal Affairs Department was supposed to serve 120 days' notice to sawmillers before any price increase was implemented, according to a contract between the two

This contract was currently under revision and the notice had never been served, Swart said.

Government was trying to impose the increase by slotting it into the new contract, he said.

Government's justification of its price increase was "three-pronged", said forest products director in the ministry John Harris.

Harris said: "In the first place, the price of prime logs is now being included in the log mix with other grades of wood. Also, our proposed increase is in line with only 90% of the anticipated CPI, and we are attempting to recover the backlog we have lost since 1980 in subsidising the industry".

The state was asking sawmillers only to return 50% of the subsidisation, he said.

Negotiations between government and sawmillers are under way.

Petrol price to rise, but not in city

PRETORIA. — Petrol and diesel prices are to increase between one and three cents a litre on January 1 — but the increases will not affect areas served by pipelines, the National Energy Council announced here.

The increases, said the council, are a result of tariff increases announced by the South African Transport Services.

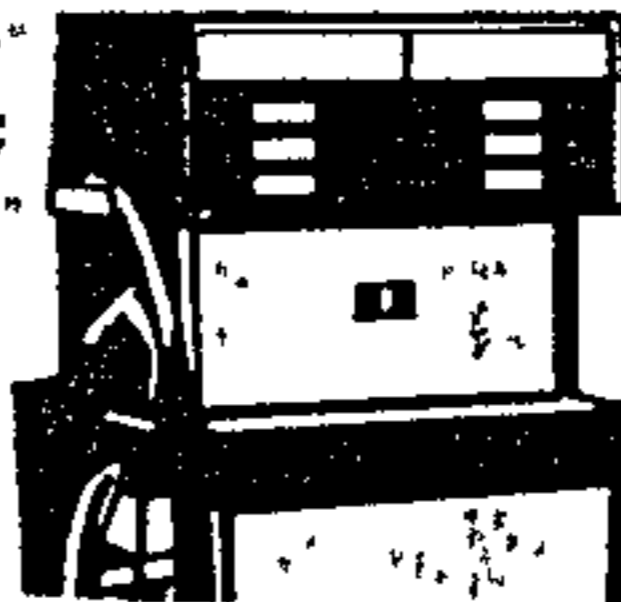
In addition, the price of illuminating paraffin will increase up to two cents a litre "due to higher transport tariffs in respect of illuminating paraffin transported and distributed in drums, cans and tins".

Areas such as the PWV, are exempt. For example, there will be no petrol

AK643

22/12/89

244



price increase in Cape Town, Durban, East London, Port Elizabeth, Johannesburg or Pretoria — but petrol will go up two cents a litre in Bloemfontein and one cent a litre in Beaufort West.

Upington motorists will also have to pay an extra one cent, according to figures supplied by the council. — Sapa.

STRA 22/12/89 (244)
**Petrol, diesel prices
to rise in some areas**

The prices of petrol and diesel are to increase between one and three cents a litre on January 1 — but the increases will not affect areas served by pipelines.

The increases, the National Energy Council said yesterday, were a result of recent tariff rises announced by the South African Transport Services.

For example, there will be no petrol price increase in Cape Town, Durban, East London, Port Elizabeth, Johannesburg, the Reef or Pretoria.

However, petrol will go up 2c a litre in Bloemfontein and 1c a litre in Beaufort West and Upington. Sapa

PWV not hit by 3% rise in fuel cost

BJ Day 22/12/59

244

PETROL and diesel prices are set to rise by 3% from January 1, the National Energy Council (NEC) said yesterday. The price increases will not apply to the PWV area

The move follows this week's announcement by Sats that it is to raise tariffs on fuels transported by road and rail.

The price of illuminating paraffin distributed in drums and tins will increase by up to 2c/l at wholesale

In a statement released yesterday the NEC said the Sats increases would affect only those areas served by road or rail.

The prices of petrol and diesel in areas served by pipelines, including the PWV, would not be increased.

Business Day Reporter

Price increases in those areas not served by pipeline would be between 1c/l and 3c/l. In Bloemfontein petrol would cost 2c/l a litre more, Beaufort West 1c/l and Upington 1c/l.

A government notice will be published next Friday.

Sapa reports the pump price of fuel in Namibia would also be increased on January 1, Administrator-General Louis Pienaar announced in Windhoek yesterday.

Pienaar said the decision to up prices followed an announcement by Trans Namib Transport Corporation on December 18 that fuel tariffs would be increased by between 8%

and 15% from January 1.

"The Equalisation Fund, from which the fuel prices have been subsidised for some time, has become totally depleted, and with no other form of subsidy available, the Department of Economic Affairs has had no choice but to increase the price to the consumer."

New petrol prices per litre will range from R1,09 in Walvis Bay and R1,10 across the border in Swakopmund through R1,16 in Windhoek to as much as R1,37 at Katima Mulilo in the Caprivi.

Next year a litre of diesel will cost from R1,07 in Walvis Bay and R1,08 in Swakopmund to R1,13 in Windhoek and R1,33 at Katima Mulilo.

December 1989.

Lifestyle models for 1989
suburbs were developed and

sharp — and use them.”
sharper tools.

Pine-price increase after privatisation

TIMBER merchants fear that the price of pine may be increased by as much as 35% in the new year and that a shortage of building material could develop.

The Department of Environmental Affairs plans to lift log prices by between 26,8% and 31,5% soon. Prices have risen by more than 46% in the past three years.

The latest price increase will be caused by the decision to privatise forests and establish a State forestry corporation. Approval in principle of the privatisation of State forests was given in the middle of December, but interested parties have until January 31 to make comments or representations, to the Government.

Ominous

The State controls about 29% of the forests in SA, but 75% of its timber is produced in sawlogs which are used in the construction industry.

The main protagonist in the price issue is the SA Lumber Miller's Association (Salma) which has asked for urgent discussions with the Government. It hopes that the "staggering" price increases averaging 29,5% will not be implemented.

Salma executive director Andries Swart says there are ominous signs that timber growers are switching to supplying the pulp and paper industry.

It takes only 15 to 18 years to grow trees for pulp pro-

duction, but 30 to 35 years for pine of a suitable size and quality for the building industry.

Danie Jacobs, director of wood production at the Department of Environmental Affairs, says it is necessary to increase the price of SA pine if the future of producers is to be secure.

Inflation

Mr Swart believes that the increases now envisaged will be even higher because lumber mills will lift their prices to keep abreast of inflation. He fears that rises could reach the "mid thirties".

Although he agrees that timber growers should be encouraged, he says drastic price increases over the short term could do the industry more harm than good.

Bill Smith, director of the Association of Wood Merchants, is shocked at the price increases planned by

the State. He believes they will cause building prices to rocket and builders of low-cost housing might be forced to switch to steel.

The increases could also hamper the export of pine products, estimated to be worth R80-million a year.

The Timber Products Export Manufacturers Association believes that higher log prices will force furniture makers out of the export market. It fears that increases of this proportion will not be accepted in Western Europe and that orders will be switched to Eastern bloc countries which are able to profit from barter deals.

Cas Pretorius, secretary of the BC Furniture & Wood Products Association, which is involved in the export of pine products, has asked the Government to establish a committee to investigate the industry's problems.

He says that in the past year the price of timber has been increased by 27%, forcing about 10 factories in SA and Swaziland to close at a cost of thousands of jobs.

Cool for Kendal

COOLING specialist DB Thermal will soon complete its 2 000th heat exchanger for the world's largest dry-cooling power station, Kendal.

The 2 000 heat exchangers have used 8 000km of elliptical tube and 380 000km of fin strip, sufficient to circle the equator 9,5 times or reach the moon.

In all, 3 000 heat exchang-

ers will be built and will be arranged in six draught cooling towers. When completed, they will provide a heat exchange surface of 11km².

The exchangers are assembled at a rate of about 12 a week at DB's Nigel workshops which contain the finishing, assembly and specialised galvanising plant necessary for the 15m long elliptical tubes.

Petrol
Capit 7 cent
price 23/12/89
244
increase
delayed

PRETORIA — The government has delayed the petrol-price increase until some time in 1990, saving holiday-makers an unexpected spending increase

The National Energy Council (NEC) said yesterday the government had asked it to postpone the increase because of the holiday season.

The increase was announced this week for some areas not directly served by a pipeline. The price was to increase between one and three cents a litre from January 1.

The NEC's original increase followed tariff increases by SATS which were announced earlier this week.

cific Highway this year before Friday's crash.

terday morning — and there is no indication that it will decrease soon.

Fuel price rise to be held back

HOLIDAYMAKERS will be happy to learn that an increase in the price of fuel has been held back — until an unspecified time in the New Year.

The National Energy Council (NEC) said in Pretoria yesterday that in view of the holiday season, the Government had asked the council to withhold the increase until the New Year, after which the matter would be reconsidered.

Pump prices in selected areas not directly served by a pipeline were to have increased between one and

three cents a litre from January 1.

The NEC said that because the effect of the road and rail tariff increases varied from place to place, depending on the distance over which fuel was transported, it was customary to pass on the increase which flowed from any road and rail tariff adjustments.

The NEC had consequently taken the necessary steps to give effect to this. However, the Government had asked the NEC to provisionally withhold the increase. — Sapa.

1960	-	R1
1961	1,6	98 R1
1962	1,5	97 98 R1
1963	1,5	96 97 99 R1
1964	3,0	93 94 96 97 R1
1965	3,5	90 91 92 94 97 R1
1966	4,5	88 87 88 90 92 96 R1
1967	1,7	84 86 87 88 91 94 98 R1
1968	2,7	82 83 85 86 88 92 96 97 R1
1969	3,5	79 81 82 83 85 88 92 94 97 R1
1970	5,2	75 77 78 79 81 84 88 89 92 95 R1
1971	6,8	70 71 73 74 76 79 82 84 86 89 94 R1
1972	7,0	66 67 68 69 71 74 77 78 80 83 88 93 R1
1973	10,2	60 61 62 63 65 67 70 71 73 76 79 85 91 R1
1974	13,6	53 54 54 55 57 59 62 63 64 67 70 75 80 88 R1
1975	12,3	47 48 49 49 51 52 55 56 57 59 62 67 71 78 89 R1
1976	10,4	43 43 44 45 46 47 50 50 52 54 56 60 64 71 81 90 R1
1977	11,3	38 38 39 40 41 43 45 45 47 48 51 54 58 64 73 81 89 R1
1978	11,5	34 35 35 36 37 38 40 41 42 43 45 50 52 57 65 73 80 90 R1
1979	14,2	30 30 31 31 32 33 35 36 37 38 40 42 45 50 57 64 70 78 89 R1
1980	14,9	26 27 27 27 28 29 30 30 31 33 35 37 40 44 49 56 61 68 76 87 R1
1981	14,4	23 23 23 24 24 25 26 27 27 28 30 32 34 38 43 48 53 59 66 75 86 R1
1982	14,3	20 20 20 21 21 22 23 23 24 25 26 28 30 33 37 42 46 52 58 68 75 87 R1
1983	10,5	17 18 18 18 19 19 20 20 21 22 23 24 26 29 33 37 41 45 50 58 66 77 87 R1
1984	13,3	15 16 16 16 18 17 18 18 19 19 20 22 23 25 29 32 36 40 45 51 58 68 77 88 R1
1985	16,9	13 13 13 14 14 15 15 16 16 17 18 20 22 25 28 31 34 38 43 50 58 66 76 86 R1
1986	19,2	11 11 11 11 12 12 13 13 13 14 14 15 17 18 21 23 26 29 32 37 42 49 55 63 72 84 R1
1987	15,0	10 10 10 10 10 11 11 11 12 12 13 13 14 16 18 20 22 25 28 32 36 42 48 55 62 73 87 R1
1988	13,2	08 09 09 09 09 10 10 10 11 11 12 13 14 16 18 20 22 25 28 32 37 43 49 55 64 77 88 R1
1989	14,9	07 07 08 08 08 09 09 09 10 10 11 12 14 16 17 19 21 24 28 32 37 42 48 56 67 77 87

244

How your rand has shrunk

star 30/12/89



DAVID CANNING

IF you were prudent enough to have invested a "nest egg" of R100 in 1960 (which then was enough to buy a new double bedroom suite of furniture), you would have to stretch your inflation-eroded capital to buy just the bed linen today.

As the accompanying table illustrates, R100 in 1960 will buy only R7 worth of goods today.

A June 1960 newspaper shows several bedroom suites advertised for less than R100, or R50, a man's shirt for R1,99 and a pair of shorts for R1.

This reflects the inroads which inflation has made on living standards — fuelling wage demands and devastating the wealth of those who have had to live off dividends from capital in fixed interest investments.

The greatest impact has been felt since 1973 when South Africa reached double-digit inflation — a situation which has prevailed ever since. The 1973 rand is today "worth" a mere 12c.

The table shows, in cents, the degree to which the buying power of the rand was reduced by inflation each year since 1960.

Each vertical column traces the reduced buying power of R1 in subsequent years. For example, the buying power of the 1960 rand can be read off from the bottom of the first column — its buying power was just 7c in 1989.

Consumer price indices (all groups) for November were used in the calculations. Inflation was 14,9 percent in the 12 months to November 1989.

Trolley for trolley, Cape Town is the cheapest city

Star 14/6/81

Own Correspondent (244)

CAPE TOWN — Trolley for trolley, Cape Town consumers still pay the lowest prices for groceries, according to statistics derived from a price survey conducted by the Consumer Council throughout South Africa.

Of the 57 stores, hypermarkets and supermarkets tested in Cape Town, Durban, Bloemfontein, Pretoria and Johannesburg in May, Cape Town consumers paid the least money for a trolley of goods.

The prices of a trolley of 98 products comprising food, cleaning agents and toiletries were tested, and the national average price increased by 1,6 percent from R283,47 in April to R288,01 in May, according to the survey.

Checkers Warehouse in Parow — at R277,94 a trolley — was the cheapest in the country and Pick 'n Pay Supermarket in Bellville was cheaper than Pick 'n Pay Hypermarket in Brackenfell.

Other stores tested in the Peninsula charged the following for a trolley of goods: Pick 'n Pay Supermarket, Bell-

ville (R281,50); OK Bazaars Supermarket, Bellville (R281,65), Pick 'n Pay Hypermarket, Brackenfell (R281,84); Checkers Supermarket, Durbanville (R284,97); Hyperama, Parow (R289,19).

The most expensive trolley, at R300,03, was found at the Pretoria OK.

On average, the price of food at tested Pick 'n Pay Hypermarkets was the cheapest, but the price increase of 1,4 percent from R167,87 to R170,16 (per trolley, food items only) was higher than that of tested Checkers Warehouse branches, where the price of food items per trolley increased by only 0,7 percent from R169,18 to R170,32.

Checkers Supermarkets tested showed the lowest increase in food — only 0,3 percent — but, at R173,93 a trolley, food at Checkers Warehouse is still cheaper.

According to the Council, the price survey "is useful in reflecting price tendencies over a period of time".

The survey's limitations are that only 98 products are priced.

Doing business without advertising is like winking at someone in the dark; you know what you're doing, but nobody else does

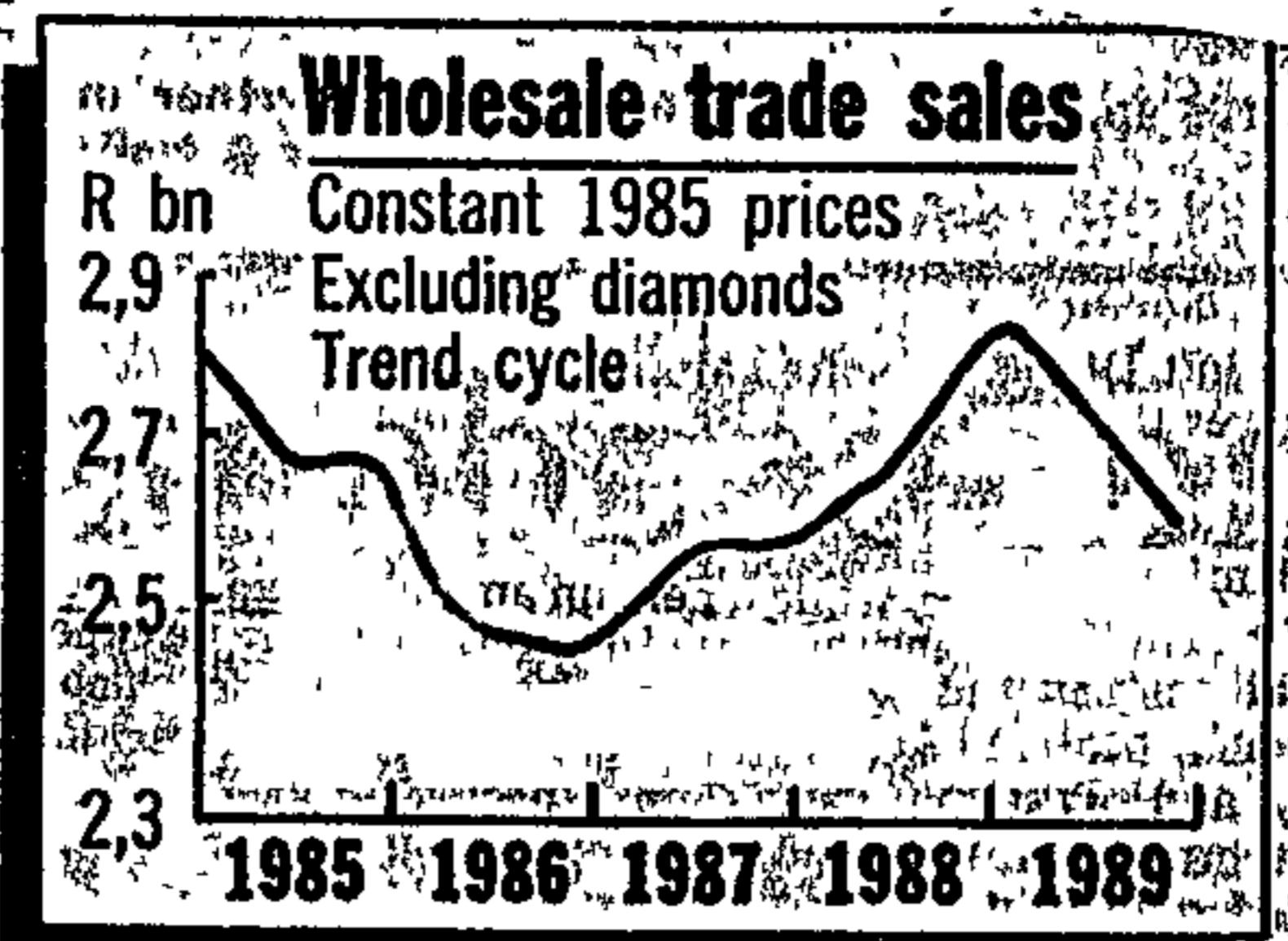
PRICES — 1990

JANUARY — ~~1990~~ MAY

~~1990~~

~~1990~~

~~1990~~



Graphic: FIONA KRISCH Source: CSS (30) (244)

Wholesale trade sales, expected to reach R9,2bn, in November, will show a 6,9% fall in real terms, on last November, in the face of economic slowdown and inventory depletion. *11 Nov 90*

According to the Central Statistical Service, wholesalers expect trade sales, at current prices and with diamonds excluded, to be R8,1bn, up 9,6% on last November's R8bn.

Seasonally adjusted November sales, excluding diamonds, show no growth in real terms on October, but are 0,8% higher at current prices. Statistics show that real sales for the three months to October fell 1,7% from the previous three months.

SATS

FIM 5/1/90



244

Were the tariff hikes needed?

SA Transport Services' Christmas present to the nation — an average 13% increase in its rail freight and harbour tariffs effective from January 1 — has been thoroughly condemned by commerce and industry

It may yet prove to have been an ill-advised decision

It could well give private hauliers a competitive edge and reverse the success Sats has enjoyed in its 10-year battle to win back market share in road transport

Sats should be containing its charges to protect its growing share of the haulage market (see graph) The amount of traffic available is not unlimited

In fact it's likely to decrease because of the cooling economy With permits much easier to get now (*Business* December 15), private sector hauliers are in a better position than they've ever been to mount a determined challenge for whatever freight is available

The move does nothing to inspire confidence in Sats as an operator in the private sector and even less for its image — coming exactly three months before its debut as a public company.

In reality, Sats does not need an increase It turned a projected loss of R114m for 1989 into a R148m profit Rail traffic contributed 85% of this performance

The hackneyed reason it advances, that the increases are needed to counter rising costs, doesn't wash

Sats' tariff hike breaks a promise it made to commerce and industry last year that it would give 30 days' notice before implementing any increases Moreover, this is its second increase in less than a year With its 8% increase on April 1 it has effectively raised tariffs by around 22% in nine months

However, Sats MD Anton Moolman claims the 8% tariff increase in April was below the estimated 10,5% increase in consumer prices since then Further, he argues this week's 13% increase is below the expected inflation rate for the coming year

"This will have to sustain us for at least a year Bear in mind harbour increases amount to very little and we didn't increase pipeline charges — all of which is a definite move towards the reduction of cross-subsidisation" FIM 5/1/90 (244)

The increase would have been extremely good news for hauliers before road freight transport was deregulated on September 6 Those with permits to transport the commodities Sats is now charging more to convey would have been able to increase their prices by a similar percentage and still remain competitive while enjoying increased cashflows and margins

They would, for example, have been able

to match the Sats increases and take an additional 16% on high-tariff goods such as clothing and white goods, 17% on low-tariff goods such as farm produce, 17,8% on truck-loads, 16% on cement, 19% on wood, 8% on petrol and 15% on diesel fuel conveyed in drums or tankers (there was no increase in pipeline tariffs), 13,9% on containers and 17,5% on coal

Phil Erasmus, chairman of the Road Freight Association (the former Public Carriers' Association) says: "Sats' increases are very necessary and they make us more competitive" FIM 5/1/90 (244)

That may be so but any corresponding increase from hauliers will have to be tempered with the reality of increased competition in the private sector.

Deregulation blurred the division between a public carrier conveying the goods of others by road for gain and a private carrier, such as a retailer, conveying only its own goods

The permit system also protected public carriers against competition by giving those who had permits the sole right to transport specific categories of goods between specific points

That is no longer the case Permits are freely available and there is nothing to stop private carriers, whose trucks have valid certificates of fitness and are driven by qualified drivers, from applying for and getting permits for goods, all classes, countrywide, and touting for business, particularly when faced with the prospect of costly empty return legs

Another danger hauliers must face is that their increased cashflows and profitability, handed to them on a plate by Sats, may be the preamble to another round of government-inspired cost increases designed to swing the pendulum back in rail's favour For example, there is already talk of yet another fuel price increase

Transport Minister George Bartlett has yet to demonstrate his impartiality When he was Deputy Minister of Economic Affairs and Technology he claimed the increases inflicted on hauliers by government in 1988 and 1989 were needed to boost rail traffic Now he is even better positioned to help boost rail traffic at the expense of hauliers

The 13% increase in the rail tariff of containers is good news for hauliers

Competition between the two modes for container traffic, mainly between Johannesburg and Durban, has been fierce since 1980 when a monumental snarl-up of containers at City Deep handed much of the business to hauliers

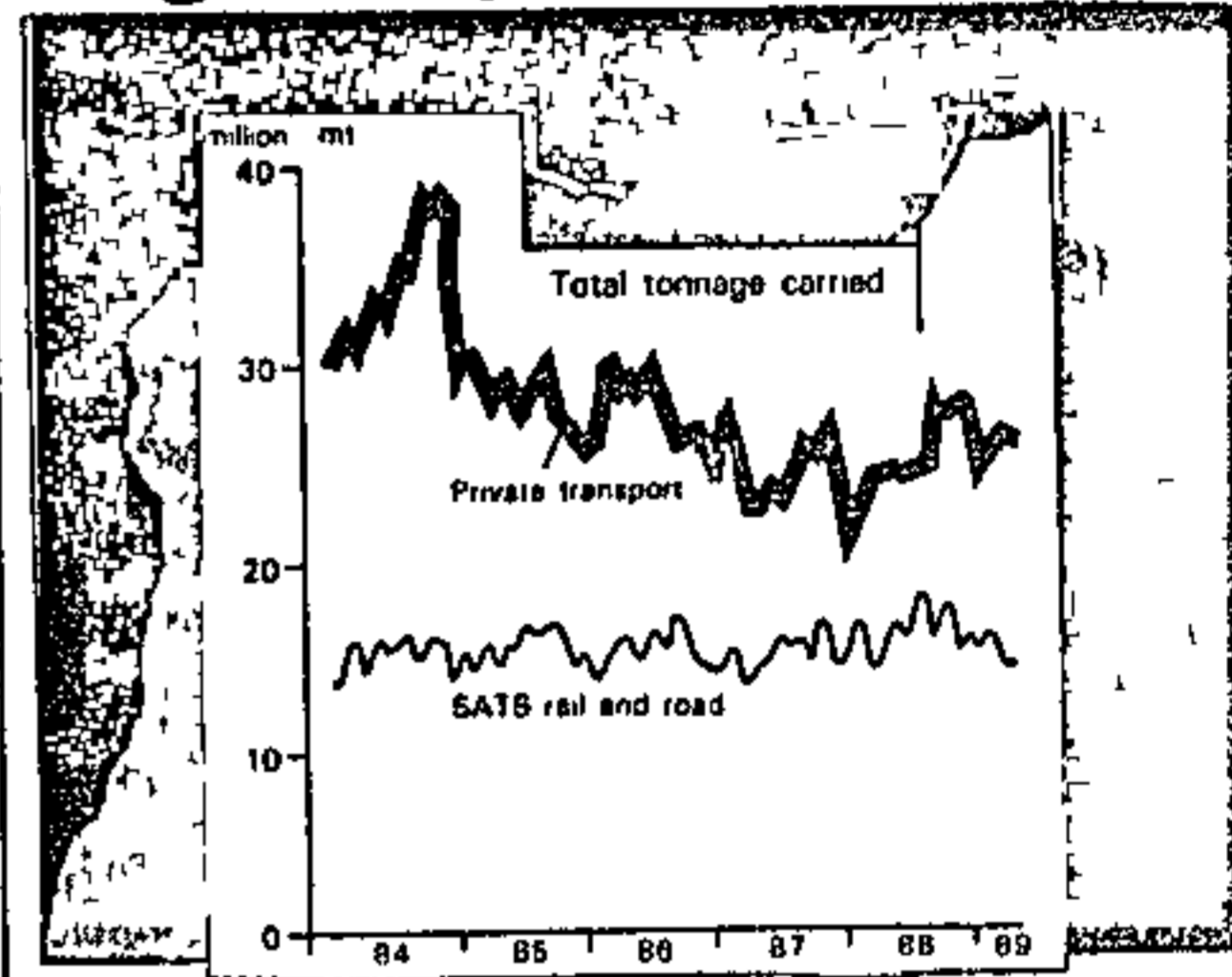
By then hauliers were already eroding Sats' market share by quoting marginally below its rates, which, considering the value

of the rand then, were astonishingly high.

Understandably, Sats was piqued, having invested billions of rands in rolling stock and infrastructure It countered by virtually pegging its rates They rose by only 17% between Bayhead in Durban and City Deep in Johannesburg between 1982 and 1989

This angered hauliers who had to increase their tariffs because of cost increases they

FIM 5/1/90 (244)
Regaining market share



could not control, such as the price of fuel, which climbed from 60,9c/l on the Reef in March 1982 to more than R1/l now

There were also dramatic increases in the cost of licensing their vehicles and an almost out-of-control escalation in the cost of vehicles Erasmus notes that truck tractor prices have been increasing by 27% a year, compounded, for the past three years

SAA FIM 5/1/90

Fighting US flights

In May former Transport Affairs Minister Eli Louw, speaking on the deregulation of civil aviation, announced that private airlines could apply for routes to compete against SAA (*Business* May 12)

More recently, SAA CE Gert van der Veer reaffirmed his belief in competition by saying the public should have an alternative to the national carrier (*Sats Survey* November 17)

But SAA doesn't really believe in competition. Competition on domestic routes is stifled and foreign competitors are not allowed to charge less than SAA Several weeks ago it prevented a London-Cape Town charter operation from selling tickets in SA (*Business* December 26)

Now it's opposing an application by a small company backed by black shareholders to offer direct, scheduled flights between Johannesburg and New York, Miami and

CPI EDGES UP

F/M 5/1/90

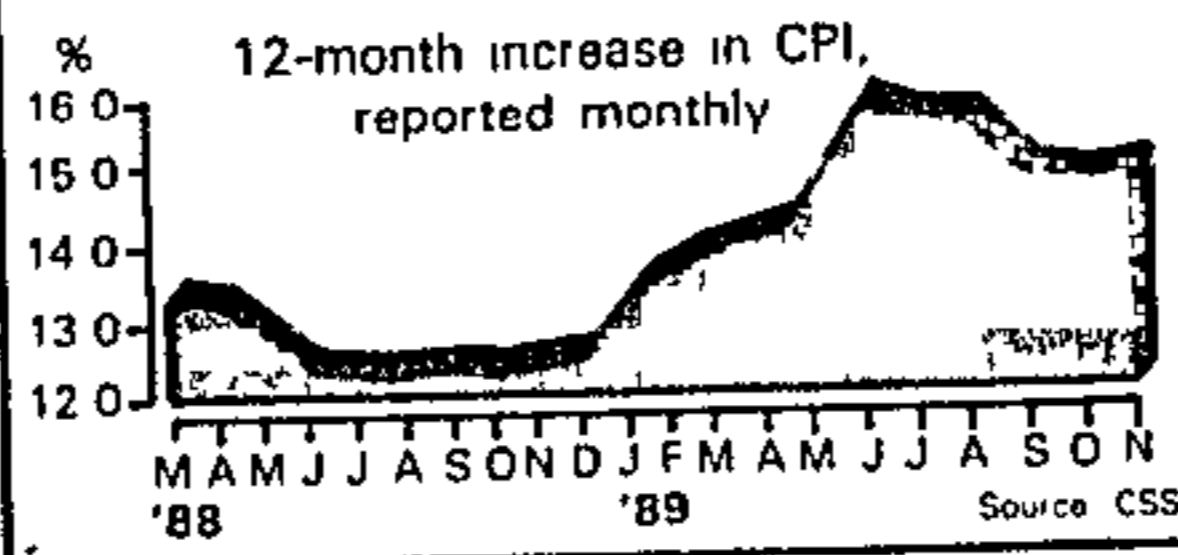
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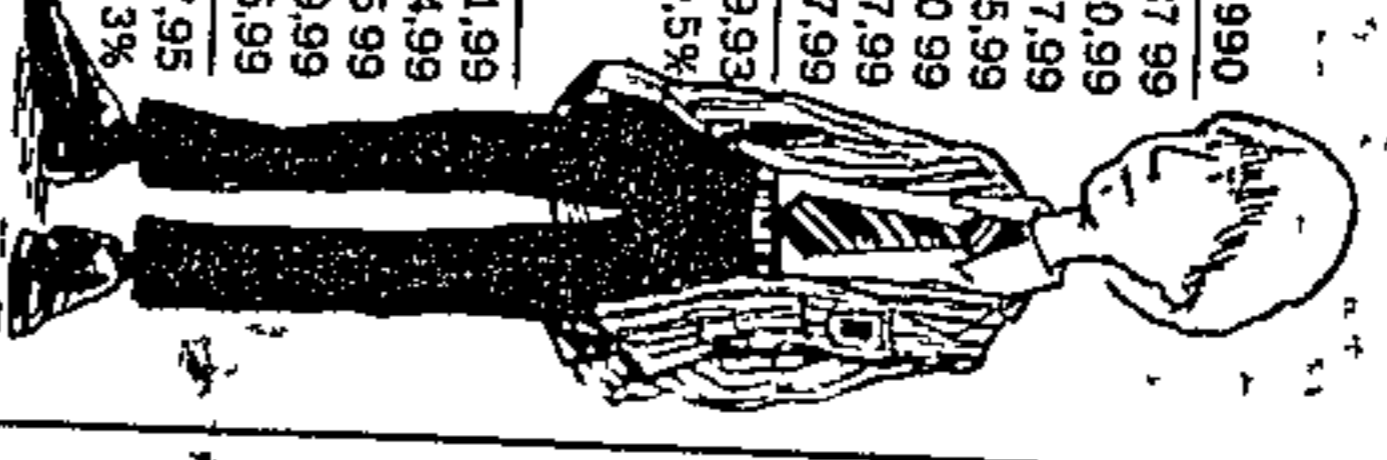
In November, food again made a major contribution to the increase in year-on-year CPI to 14,9% (October 14,8%)

The increase over the month was 1%, or 1,1% seasonally adjusted. Food made the largest contribution to the unadjusted figure. Grain prices rose 5,6%, fish and other seafood 2,1%, fats and oils 2,5%, and fruit and nuts 6,1%. Milk, cheese and eggs, however, fell by 0,2%.

Relatively large monthly increases also came in non-alcoholic beverages (1,8%), cigarettes, cigars and tobacco (4,1%), household operations (1,5%) and transport (1,3%).

Little change





	1982	1984	1986	1988	1990
STD 6 BOY					
BLAZER	R35.00	R43.00	R59.00	R68.98	R87.99
TROUSERS	R20.00	R23.95	R23.63	R41.99	R50.99
SHOES	R19.95	R21.50	R22.00	R39.99	R57.99
JERSEY	R18.00	R18.20	R18.15	R29.99	R35.99
SHIRT	R7.50	R8.00	R8.76	R15.50	R20.99
SOCKS	R1.75	R2.75	R2.95	R4.99	R7.99
TIE	R2.99	R3.25	R3.75	R6.99	R7.99
TOTAL	R105.19	R120.75	R138.24	R208.43	R269.93
% increase		up 13.7%	14.4%	50.7%	29.5%
GRADE 1 GIRL					
BLAZER	R30.00	R35.00	R44.00	R56.99	R81.99
DRESS	R13.50	R18.00	R20.00	R31.99	R54.99
SHOES	R16.95	R20.00	R21.00	R35.99	R45.99
JERSEY	R14.45	R17.00	R15.00	R17.99	R29.99
SOCKS	R1.60	R1.80	R2.35	R2.99	R5.99
TOTAL	R76.50	R91.80	R102.32	R145.95	R217.95
% increase		up 20%	-10.2%	42.6%	49.3%

Uniformity

School uniforms have increased in price by an average of more than 20 percent a year over the last eight years, an investigation by The Star has found.

This is more than five percent above the average official inflation rate for this period, as supplied by the Government Central Statistical Services in Pretoria.

And to equip a six-year-old girl for tomorrow's first day at school has cost parents a whopping R412.31 including GST, according to the prices given by a leading supplier.

This included a blazer (R81.99), two dresses (R109.98), three pairs of school pants (R17.97), shoes (R45.99), three pairs of socks (R17.97), a jersey (R28.99) and a tracksuit (R61.99).

Even more costly is the first day at high school. To fit out a Std 6 boy from the same supplier comes to R511.74 with GST. This is for a blazer (R87.99), two pairs of trousers (R101.98), shoes (R57.99), a jersey (R35.99), three shirts (R62.97) three pairs of socks

at a fast-rising price

Getting their children fitted out for the first day of a new school is a costly affair for parents — and the cost of those smart new uniforms is rising faster than the official inflation rate, reports KAREN STANDER

(R23.97), a tie (R7.99) and a tracksuit (R69.99)

An investigation into the increase in the cost of school uniforms showed that the price of five basic items for a Grade 1 girl in 1982 (a blazer, one dress, jersey, shoes and one pair of socks) was R76.50. Today these same items, which would barely be sufficient to clothe a pupil, come to R217.95, excluding GST — an increase of 185 percent or 23 percent a year.

For a Std 6 boy the seven basic items compared were a blazer, one pair of trousers, one shirt, a jersey, shoes, one pair of socks and a tie. In 1982 this uniform cost R105.73, while today it was priced at

R269.93, excluding GST — an increase of 157 percent or about 20 percent a year.

The official inflation rate has varied between 11.7 percent and 18.6 percent a year since 1982. The average rate of inflation for this period was 14.6 percent.

Mr David Walker, director of McCullagh and Bothwell in Hyde Park, said the cost of uniforms had increased by about 15 percent this year.

However, another supplier, who asked not to be named, said the increase was between 20 and 25 percent.

Mr Walker said school clothing was a competitive area and the increase in prices had remained consistently below the inflation rate over a 20-year period.

The reason why the cost came as a shock to parents was because it came shortly after Christmas, when everyone was broke.

"Those clothes should last on average for two to four years. When this is taken into account it is not very expensive," Mr Walker said.

FW orders council into action

Public asked to help curb hike in prices

CAPE TOWN — The State President, Mr F W de Klerk, has asked the President's Council to find ways to get active co-operation from the consumer public to curb price exploitation and contain inflation.

He has also asked the council to investigate and make recommendations on systems to help the furtherance of consensus.

In a statement from the council's secretariat yesterday, the Committee for Economic Affairs said it has been asked to investigate and make recommendations on "a suitable strategy, goals and policy ... to obtain active co-operation from the consumer public to curb price exploitation and contain

inflation as it is reflected in the sharp increase in the price of goods and services".

The Committee for Constitutional Affairs will investigate and make recommendations on "decision-making and conflict resolution mechanisms and techniques in constitutional systems, including mechanisms and techniques for the furtherance of consensus and the resolution of disputes".

Those wishing to submit memoranda should do so before February 28 to P O Box 3601, Cape Town, 8000. Information from Mr J P Rossouw for the consumer inquiry, and Mr J F Marx for the constitutional inquiry, can be obtained by dialling (021)45-5541

De Klerk orders probe into prices, inflation

CAPE TOWN — President F W de Klerk has asked the President's Council to find ways to ensure active co-operation from the consumer to curb price exploitation and contain inflation (244) (103)

He has also asked the council to make recommendations on systems to promote consensus and resolve disputes

Bina 9/1/90

In a statement from the council secretariat yesterday, the committee for economic affairs said it had been asked to investigate ways to address sharp increases in the price of goods and services

The committee for constitutional affairs will investigate and make recommendations on "decision-making and conflict resolution mechanisms" — Sapa

New Year price leaps wipe out pay rises

ARGUS
10/11/90

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By ANTHONY DOMAN, Staff Reporter
CONSUMERS are about to be sent reeling by a wave of New Year price increases that will wipe out hard-won pay increases even as they are being implemented

Major manufacturers of food and consumer goods are demanding an average of 15 percent more this year and market prices for fresh produce have already soared.

Some manufacturers even tried to issue new price lists in December to ensure that consumers would be paying more from January, while most are blaming higher wages and transport charges for the need to issue new price lists for 1990, the Argus Correspondent in Durban reported

ELECTRICITY UP

Prices up this week include paper products, canned fruit and vegetables, biscuits, tomato sauce, tea, coffee, juices and cleaning products

Householders also face higher electricity charges from this month following a 14 percent Eskom increase, while some school fees have rocketed

Vegetables are much more expensive than last month, it is reported

Epping market spokesman Mr Philip van der Berg said potatoes would go up from last month's price of between 40c and 53c a kilogram to between 67c and 80c

Tomatoes are up to between R1,20 and R2,48 a kilogram after going for as little as 40c in December. The explanation for this is floods at Pongola in Natal, leading to a relative shortage and higher prices. Cabbage prices have doubled, also as a result of better quality and short supply

After another round of increases on December 1, car prices differ markedly from mid-1989 levels. Only four passenger cars — the Volkswagen 1300 Citigolf and Fox, Opel Kadett 1,3 Cub and Ford Laser 1,4 — sell for under R20 000, and then only just

15 PERCENT

"In the first two months of each year nearly every supplier tries to increase the wholesale price of every single item," said Mr Chris Murch, Pick'n Pay Durban North Hypermarket manager

"We carry 35 000 different lines of which 12 000 are food, and indications are that most manufacturers will be putting up their prices by around 15 percent

"They mostly blame higher wages and costs like the increased Sats



charges, but I'm not sure to what extent higher rail fees contribute

"Some manufacturers even wanted to start issuing new price lists in December, but we said 'Whoa, we're not even in 1990 yet! Let's wait until we get there, then we can start negotiating on prices'

"What you can be quite sure of though, is that nearly every price will have increased by Easter. Some manufacturers can even then be expected to demand further increases later in the year"

Housewives' League spokesman Mrs Margaret Cooke said until consumers combined to give a united front in the fight against price increases, manufacturers would continue to increase the cost of products as they pleased.

Spar marketing director Mr Brian Beavon said he had already been notified of several price increases covering a wide range of household goods.

DELAYED

These included paper products, up an average of 15 percent, canned fruit and vegetables, about 15 percent, biscuits from six to seven percent, tomato sauce 12 percent, teas and coffees between 12 and 15 percent, pure fruit juices 11 percent, and household cleaning materials between 13 and 15 percent

Proposed price increases at Checkers over the past few months had been delayed as long as possible, according to Checkers marketing division merchandiser Mr John Williams

Packaging, high interest rates and transport tariffs all added to impending increases consumer goods.

However, prices at Checkers would not increase automatically by an average of 15 percent, but in stages of five percent

Pick'n Pay supermarkets food-general manager Mr Alan Baxter said January price increases were "a hiccup in the consumer graph"

"Over the past four to five months our figures have reflected inflation of 14,5 percent on food and the next period will not be very different"

He attributed the price rises to wage increases, packaging cost increases and the exchange rate

not
the

Bl Day 11/11/90 (244)

Top property prices up by 50% in Cape

LESLEY LAMBERT

CAPE TOWN — Prices in some of the most sought-after residential areas in Cape Town have soared by as much as 50% because of scarcity and increasing foreign interest

Surveys conducted last year reported that Western Cape residential property prices increased at a rate of between 25% and 30% last year

However, property agents who were active in areas like Bantry Bay, Clifton and Constantia said they had seen selling prices increase by up to 50% over the same period.

Agents said up to 90% of purchases in this market were by domestic buyers.

Strong international marketing drives by Cape companies like Pam Golding Properties and the Seeff Property Organisation — both of which have offices in London — has ensured continuing foreign interest, in spite of the recent banning of financial residential property deals.

A spokesman for Pam Golding said yesterday that interest had been renewed by an article in the English Observer magazine which described the pleasures of using pounds to buy some of SA's finest coastal properties for the price of a modest flat in London.

However, while some of the middle range SA homes were at least three times lower in price than their equivalents in other countries, prices for the country's more exclusive residences were as much as six times lower, the spokesman said

Builders hit by rising costs

CMT 4-15 11/1/90 244

Financial Staff

BUILDERS are finding it almost impossible to keep the cost of a house and plot down to R65 000, to qualify for the first time home buyers' subsidy, says Theo Stergianos, executive chairman of Disa Development Corporation

He said after the general meeting of the Bellville-based company yesterday that he expected results in the current year to be "fair" in spite of pressure on margins caused by rising costs

Wages in the building trades had just risen by between 15% and 20%. Materials had risen by 19,47% in the year to September and he expected a similar rise in the current year

About 80% of Disa developments are

for coloured, black and Asian first time home buyers. Stergianos said costs were being kept down by reducing the size of the house, designing it to save as much space as possible

"But the main expense of building a house is the plumbing and electrical wiring. This costs just as much whatever the size of the structure. And we cannot go on reducing the size of houses indefinitely

"I think the maximum price of a house qualifying for the first time home buyers subsidy should rise every year, in tandem with the inflation rate, and should now be R75 000"

"In the mid-1970s we considered houses with 100 m² of floor space to be small. House design has changed completely since then"

Food prices shoot up by 12 percent at chain stores

THE SA Housewives' League says food prices increased by an average of 12,1 percent in a 12-month period from December 1988.

The league said they discovered this in a survey conducted at three giant supermarkets in Roodepoort to compare prices between last year's festive season and December 1988.

Survey

The survey was conducted at Pick 'n Pay, OK and Checkers supermarkets.

The total cost of 107 items from the list of branded goods and 28 items from the shopping basket (including eggs, cheese, milk and bread) together with the price a

kilogram of seven cuts of beef and two of pork, totalled:

* Pick 'n Pay - R596,04 in December 1989 compared with R522,42 in December 1988. This was a price increase of 14,1 percent.

* OK - R598,57 in 1989 compared to R536,89 in 1988. This was a price increase of 11,5 percent

* Checkers - R593,59 in 1989 compared to R537,10 in 1988, an increase of 10,5 percent.

The league discovered that, of the goods surveyed, Pick 'n Pay was the most expensive supermarket while Checkers was the cheapest.

"The price taken was for the cheapest brand available when the survey was conducted. The list of

branded goods was very comprehensive and included frozen vegetables, tinned foods, baby products, cleaning items and personal care goods, such as toothpaste and shampoo.

Difficult

"Regrettably the league did not survey fruit and vegetables as we found that a true comparison was difficult due to availability, grades, quality and sizes."

The league said the meat prices used, were the price a kilogram of cuts found in the stores from fillet steak to brisket as well as chops and legs of lamb and pork.

More prefer white to brown bread

244

Sowetan 12/11/90

WHEN everybody expects the consumer to complain about the constantly increasing price of white and brown bread - the man in the street has swung away from the cheaper bread to the more expensive super and special breads, claims the SA Housewives' League

Not so long ago, the price of white and brown bread was increased by 10

cents to R1 and 9 cents to 85 cents a loaf respectively

These increases were caused by a 12,4 percent increase in the basic selling price of wheat, increases in the margins of the milling and baking industries and a one cent a loaf increase to four cents for the retail trade

The league says these high increases on basic

foods will affect many people who are battling to feed themselves and their families

"However, one or two facts must be noted.

"A few years ago, standard bread consumption was of the order of 70 percent brown and 30 percent white bread

"The gap between the two narrowed and early last year, it was 50/50

percent.

"As the new increased prices were announced, the consumption figures were 48 percent brown and 52 percent white bread

"This represents a very considerable swing away from the cheaper bread"

The organisation said that coupled to this, was the fact that super and

special breads are increasing in sales and here prices are high.

"Before the latest increase, brown bread was within a range of R1,12 to R1,80 and white bread R1,23 to R1,86 a loaf

Prices include general sales tax and were taken from stores in Pretoria and Johannesburg

These facts make you wonder, don't they?

AS South African consumers are being dumped under by a new wave of price increases, the government's advice to them is simply: "Resist buying at excessively high prices."

The director-general of finance, Mr Gerhard Croeser, said this week that in addition to measures taken by the State against inflation, the public, too, had an important contribution to make. Consumers should refuse to buy at excessively high prices and should buy selectively.

QUOTE
It does not matter whether it is a cool drink or a motor car. It is not necessary always to have the shiniest car or the best of everything

"It does not matter whether it is a cool drink or a motor car. It is not necessary always to have the shiniest car or the best of everything"

Consumers were still not sufficiently cautious in spending their money, he said. The result was that the "vicious circle" of inflation continued.

There should be more resistance to higher prices. If this could result in smaller turnovers, manufacturers would be encouraged to look again at their prices.

Support for Mr Croeser's resistance call came from the director of the National Consumer Council, Mr Jan Cronje, who had this message for consumers: "You won't die if you were to abstain for a week from eating butter, margarine or meat that is priced too high. Yet if enough people take such action it can bring prices down."

Inflation has conditioned people to anticipating and accepting price increases, no matter how high these were. The only way of breaking out of this psychosis was to refuse to buy goods if prices were excessive or quality poor, he said.

Their advice has stirred a hornets' nest, drawing accusations from some consumer bodies, politicians and also economists that the government was trying to pass the buck after failing to curb inflation.

Sharp criticism

The sharpest criticism came from Mrs Lyn Morris, president of the Housewives League, who said Mr Croeser's don't-buy proposal was impossible.

"I wonder if he has ever taken a shopping list into a supermarket. Does he really know what it means to the housewife who finds prices all round are too high? How can he expect consumers not to buy when basic foods like bread, mealie meal, sugar, coffee, tea and essential protein foods like cheese are too high?"

"Many consumers do shop selectively and compare prices of different brands, but they have very little choice in a lot of things. The key to the whole problem is that the government must bring down inflation. It must bring down its own spending, and yet every year it increases its spending."

Every time the government increased fuel prices and transport costs this inevitably resulted in higher costs for farmers and a spate of price increases for foodstuffs and other commodities.

Amazed at call

The Democratic Party's finance spokesman, Mr Harry Schwarz, agreed with Mr Croeser that there should be consumer resistance to excessively high prices but expressed amazement that such a call should come from a government spokesman.

He did not want to attack Mr Croeser because he liked him and thought him able. But he should "keep out of politics and leave it to his minister to make provocative political statements."

He would rather want the minister, Mr Barend du Plessis, to tell him how he wanted consumers to resist prices which have increased due to government action.

"Here we have a government which is a party to price increases, yet it is telling consumers to resist high prices. Should there be consumer resistance to increased rail and air tariffs and to higher prices resulting from the government's privatisation activities?"

"The government has failed over the years to curb inflation and has engaged in activities that caused prices to go up. It increased the money sup-

Turn to page 3

P.T.O.

Resist high prices

GOVERNMENT STIRS A HORNETS' NEST WITH CALL:

By FRANS ESTERHUYSE
Weekend Argus Political Correspondent

13/11/90
240
M&S
12/11

High prices

■ From page 1

ply, its privatisation is leading to increases and its fiscal policy has been inflationary

"Money supply figures don't indicate to me that enough is being done to fight inflation. The real test will be when the budget is presented. We need to deal with major cut-backs in state expenditure, and these need to be applied according to the correct priorities.

"We can do away with the whole machinery of the Group Areas Act and with duplication in separate 'own affairs' administrations, for example."

Appeals useless

Professor Brian Kantor of the school of economics at the University of Cape Town said appeals to consumers not to spend were useless. Consumers were hard-pressed and did not easily waste their money.

One of the key steps Mr Croeser himself could take was to encourage the government to take a tough stand against public sector salary increases. This would provide an opportunity for direct income tax relief on a significant scale. Salary increases should be limited to 10 percent, combined with income tax relief at five percent all the way through the scale.

Stellenbosch economist Professor Sampie Terreblanche said people accepted price increases too readily, but campaigns for consumer resistance could only bring down the inflation rate by a fraction.

"It could have some merit but would be really just another makeshift measure against inflation. The only way of turning about the economy is by means of drastic political and constitutional reforms."

Latest figures

Inflation — according to the latest figures available from the Central Statistical Services in Pretoria — was running at 14.9 percent in November last year but it was alleged last year that the CSS figures were grossly inaccurate and that the real inflation rate could be 30 percent.

And it was disclosed this week that major manufacturers of food and consumer goods were demanding an average of 15 percent more for their products while householders face increased electricity charges following a 14 percent Eskom increase and parents will have to pay 20 percent more for their childrens' school uniforms.

This year there will be another petrol price increase which will affect a wide range of commodities and travel.

At the end of last year, SAA increased domestic air fares by 13 percent.

Food prices have soared to double their 1985 levels, outstripping the consumer price index by 13 points, according to the CSS.

Some were too scared to go for treatment, fearing arrest. Witnesses said they saw police taking injured people away in a police vehicle.

A shaken Lindy Jack (19) explained how she had been sitting inside her house, when struck by bird-shot. She had gaping wounds on her arm and shoulder.

Two others were badly injured when trampled on by the fleeing

Fight high prices - Govt

AS South African consumers are being snowed under by a new wave of price increases, the Government's advice to them is simply resist buying at excessively high prices

Sowetan 15/11/90
The director-general of finance, Mr Gerhard Croeser, said that in addition to measures taken by the State against inflation, the public too had an important contribution to make.

(244)
Consumers should refuse to buy at excessively high prices and buy selectively

Price hikes will eat up wage rises

PRETORIA — Wage rises will be neutralised by escalating living costs, with Pick 'n Pay expecting costs to increase by at least 15%.

Pick 'n Pay's Peter Dodson said "We'll be fortunate if the price hikes are kept as low as 15%, taking into account the big increases in related costs"

The Stellenbosch Bureau of Economic Research expects pay rises inside and outside the public service — with the possible exception of teachers, police and nurses — to sag below the inflation rate

Dodson said there were about 400 companies producing food in SA and all had to contend with rising costs

Price negotiations with suppliers started towards the end of last year

"In the negotiations we fight tooth and nail to keep suppliers prices as low as possible"

GERALD REILLY

"The coming increases would apply to virtually all supermarket goods, including toiletries," Dobson said

Checkers MD Segio Martinengo said he did not expect price hikes, to be introduced early in February, to rise above 12%.

Grocery Manufacturers Association of SA CE Jeremy Hele said manufacturers, like all other enterprises, had to contend with a barrage of cost rises

These had to be recovered in the prices negotiated with the big retailers

□ According to sources, further bread price increases are virtually certain from April

The 1989-90 R115m bread subsidy would run out at the close of the financial year and even if government decided not to phase out the subsidy, inflation would necessitate another price adjustment

Consumers 'paying for Govt's folly'

Star 16/2/90

As South African consumers are being swamped by a new wave of price increases, the Government's advice to them is simply Resist buying at excessively high prices.

The director-general of finance, Mr Gerhard Croeser, said last week that in addition to measures taken by the State against inflation, the public, too, had an important contribution to make. Consumers should refuse to buy at excessively high prices and buy selectively.

"It does not matter whether it is a cool-drink or a motor-car. It is not necessary always to have the shiniest car or the best of everything."

Consumers were still not sufficiently cautious in spending their money. The result was that the "vicious circle" of inflation continued. There should be more resistance to higher prices. If this could result in smaller turnovers, manufacturers would be encouraged to look again at their prices.

30 percent

Inflation — according to the latest figures available from the Central Statistical Services in Pretoria — was running at 14.9 percent in November, but it was alleged last year that the CSS figures were grossly inaccurate and that the real inflation rate could be 30 percent.

And it was disclosed this week that major manufacturers of food and consumer goods were demanding an average of 15 percent more for their products while householders face increased electricity charges following a 14 percent Eskom hike and parents will have to pay 20 percent more for their children's school uniforms.

The Government has been accused of trying to pass the buck after calling on hard-pressed consumers to fight rocketing prices and inflation with selective spending, reports political reporter FRANS ESTERHUYSE.

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Some time this year there will be another petrol price increase which will affect a wide range of commodities, and travel. At the end of last year, SAA increased domestic air fares by 13 percent.

Food prices have soared to double their 1985 levels, outstripping the consumer price index by 13 points, according to the CSS.

Support for Mr Croeser's resistance call came from the director of the National Consumer Council, Mr Jan Cronje, who had this message for consumers: "You won't die if you were to abstain for a week from eating butter, margarine or meat that is priced too high. Yet if enough people take such action it can bring prices down."

Inflation had conditioned people into anticipating and accepting price increases, no matter how high these were. The only way of breaking out of this psychosis was to refuse to buy goods if prices were excessive or quality poor, he said.

Their advice has stirred a hornets' nest, drawing accusations from some consumer bodies, politicians and also economists that the Government was trying to pass the buck after failing to curb inflation. The sharpest criticism came from Mrs Lyn Morris, president of the Housewives League, who said Mr Croeser's "don't-buy" proposal was impossible. "I wonder if he has ever taken a shopping

list into a supermarket. Does he really know what it means to the housewife who finds prices all round are too high? How can he expect consumers not to buy when basic foods like bread, mealie meal, sugar, coffee, tea and essential protein foods like cheese are too high?"

"Many consumers do shore up prices of different brands, but they have very little choice in a lot of things. The key to the whole problem is that the Government must bring down inflation. It must bring down its own spending, and yet every year it increases its spending."

Every time the Government increased fuel prices and transport costs this inevitably resulted in higher costs for farmers and a spate of price hikes for foodstuffs and other commodities.

The Democratic Party's finance spokesman, Mr Harry Schwarz, agreed with Mr Croeser that there should be consumer resistance to excessively high prices, but expressed amazement that such a call should come from a Government spokesman.

He did not want to attack Mr Croeser because he liked him and thought him able. But he should "keep out of politics and leave it to his Minister to make provocative political statements."

"Here we have a Government which is a

party to price increases, yet it is telling consumers to resist high prices. Should there be consumer resistance to increased rail and air tariffs and to higher prices resulting from the Government's privatisation activities?"

"Money supply figures don't indicate to me that enough is being done to fight inflation. The real test will be when the budget is presented. We need to deal with major cut-backs in state expenditure, and these need to be applied according to the correct priorities," he said.

"We can do away with the whole machinery of the Group Areas Act and with duplication in separate 'own affairs' administrations, for example."

Public sector

Professor Brian Kantor of the school of economics at the University of Cape Town said appeals to consumers were hard-pressed and did not easily waste their money.

One of the key steps Mr Croeser himself could take was to encourage the Government to take a tough stand against public sector salary increases. This would provide an opportunity for direct income tax relief on a significant scale. Salary increases should be limited to 10 percent, combined with income tax relief at 5 percent all the way through the scale.

Stellenbosch economist Professor Sammie Terreblanche said only drastic political and constitutional reforms would improve the economy. These actions would create confidence, attract foreign capital, create growth, and bring down inflation.

Outlook bleak for durable goods

By Sven Lunsche

Sales of durable goods could slump dramatically this year as the financial situation of consumers worsens in the wake of an expected decline in disposable income

Sales have already tapered off over the last few months, with most retailers reporting lower Christmas sales than in 1988

Figures provided last month by Central Statistical Services showed that retail sales for November and December at 1985 prices were expected to fall 1,5 percent, compared with the same period in 1988

On this basis, sales for the year as a whole would still be up 2,4 percent, compared with the previous year, but in a declining trend

A report released today by the Bureau for Economic Research at Stellenbosch University (BER) shows that total private consumption expenditure

	1988	1989	1990
Total Rm	74 180	75 609	75 970
% change	4,8	1,9	0,5
Durables	7 115	7 057	6 222
% change	12,0	-0,8	11,8
Semi-durables	11 455	11 867	11 682
% change	7,0	3,6	1,6
Non durables	33 846	34 546	35 220
% change	2,5	2,1	2,0
Services	21 764	22 138	22 845
% change	5,0	1,7	3,2

(PCE) will rise by only 0,5 percent this year, after increases of 1,9 percent in 1989 and 4,8 percent in 1988

The BER forecasts total PCE at 1985 prices of just under R76 billion this year

Particularly hard hit will be spending on durable goods. After rising by 12 percent in 1988, spending on these goods fell 0,8 percent last year and is expected to slump 11,8 percent to R6,22 billion this year

The BER expects spending on semi durables to slide 1,6 percent to R11,68 billion this year, while non-durable goods expenditure should continue to grow by about two percent to

R35,22 billion (see chart)

The share of durable goods spending to total PCE has slipped consistently since spending on durable goods peaked in 1980, when it was 13,7 percent of PCE, and the BER expects this figure to drop to 8,2 percent this year — 1,4 percentage points below the 1988 figure

Some fundamental structural changes took place in the durable goods sector in the Eighties, with consumers spending more on furniture and household appliances at the expense of cars

The higher demand for furniture and household appliances was partly the result of the mass housing schemes in black townships, but can largely be ascribed to the continuing impoverishment of consumers, as cars are certainly more of a luxury than furniture and appliances, says the BER

This impoverishment was in evidence throughout the 1980s. Real taxed income in the first half of the decade fell 0,5 per-

cent a year. From 1984 to 1988 it accelerated to 2,5 percent, the bureau says

The BER says that remuneration is expected to increase 14,5 percent in 1990, after a rather hefty increase of about 17 percent in 1989

"We expect that tax relief will be announced in the March Budget, but this will probably be restricted to provisions for bracket creeping

As a result, disposable income is expected to increase 13,5 percent in 1990, compared with slightly more than 15 percent in 1989"

The BER economists add, however, that the rate of inflation could be close to 15 percent on average, "which implies that disposable income is likely to decrease by about one percent in real terms"

This will obviously put a damper on the consumer spending rate, with demand for durable goods in particular expected to be negatively affected over the year

B/day 16/1/90

Hefty hikes in SA wine prices expected in 1990

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CAPE TOWN — Fairly hefty increases in South African wine prices are expected this year as major wholesalers respond to higher-than-normal increases in statutory producer prices announced at the weekend.

Wholesale prices for standard wines will probably increase by up to 16% and the cost of higher quality wines is expected to increase by a larger percentage, according to industry spokesmen.

Wholesalers

KWV announced that producers would receive 12% more for standard and distilled wines and 15% more for the higher quality wines.

The major wholesalers — Stellenbosch Farmers Winery (SFW), Distillers, Gilbeys and Uniewyn — are expected to announce their new prices early in February.

Many wholesalers are likely to want to push up their prices immediately to

LESLEY LAMBERT

offset the increasing cost of raw materials passed on by their suppliers

Costs for some materials like bottles, corks and labels are reported to have grown by about 16,5% over the past year

While wholesale prices are determined largely by the statutory minimum wine prices, which are altered each year by KWV, and by other cost increases, competition also plays an important role in a market whose sales have shown no growth since about 1986.

Wholesalers and retailers are likely to consider with great caution the effect of a major price increase on a market they have been trying to nurture since the stagnancy set in

Many are likely to avoid the shock to consumers of one major price increase in favour of two smaller ones during the course

And, except for the higher quality wines, they are also unlikely to expect too much of a profit margin

Scaling down of subsidies . . .

Economists ^{CAR} ^{Tip} ^{16/1/90} see sharp ²⁴⁴ rise in food prices

By AUDREY D'ANGELO
Financial Editor

AN expected scaling down of subsidies in the March Budget is likely to "accelerate" a rise in food prices, United Building Society (UBS) economist Hans Falkena warns in his Economic Monitor.

Volkskas economist Adam Jacob also warned yesterday that drought in the Transvaal and Free State was likely to push up food prices.

But Boland Bank economist Louis Fourie, pointing out that there was "a surplus of maize and wheat" and that it was still early in the season, said that at this stage he saw no reason for food prices to escalate "except that they are rising from a very low base"

The Old Mutual Economic Monitor was the first to warn, last week, that the rise in food prices might accelerate in the first half of 1990, reversing the downward trend in the inflation rate

Old Mutual chief economist David Mohr said the rate of food-price inflation had reached a level of 18,3% on an annualised basis in the four months to November

Now Falkena says: "The high money supply growth rate, currently exceeding 24% per annum, is likely to remain the main source of inflationary pressure."

"However, the current policy of positive real interest rates will be beneficial in two respects — it will check the free fall in the rand and encourage savings rather than expenditure

"As long as SA's real interest rate is roughly in line with that of our trading partners, inflationary pressures will decline in the foreseeable future. In addition the cooling in economic activity should also help to reduce the inflation rate

"Unfortunately," he continues, "food price increases are expected to start accelerating again as subsidies will probably be scaled down in the March Budget — although this trend may be tempered somewhat by good crops

"A moderate 1% to 1,5% point fall in inflation to some 13,5% on average is foreseen in 1990"

Jacob said yesterday that Volkskas expected food prices to increase at a faster rate, because supplies were lower than they had been.

In the past two years food-price increases had been less than the inflation rate as measured by the consumer price index (CPI)

"Many people have left agriculture because they were losing money. And I have just come back from visiting farming areas in the Transvaal and Free State where people were very concerned by the lack of rain — although it is still early in the season"

Fourie said any rise in food prices would certainly influence the inflation rate

Southern Life economist Mike Daly said the strengthening of the rand was a strong anti-inflationary factor. But food prices must be watched

Train fares go up

Lowetam 16/11/90

SA Transport Services go up by an average of 10 percent.

announced mainline fares are to be increased by an average of 13,2 percent from February 1, SABC radio news reported yesterday

~~(244)~~ (244)

Children under seven may travel free under the supervision of adults, and senior citizens will pay 40 percent less for first and second class tickets

Suburban fees are to be throughout the year.

Govt inflation advice 'stupid' — economist

CAPL 7915 16/1/90 (ZCC)

Labour Reporter

IT was stupid of a senior government official to advise consumers to avoid buying highly-priced goods, because people were doing this "in any case", Cosatu economist Mr Alec Erwin said yesterday.

Mr Erwin was asked to comment on remarks by director-general of Finance Mr Gerhard Croeser that consumers should help combat inflation by avoiding highly-priced goods and buying selectively

"If that is the advice from the

government on how to deal with inflation ... we need a new government. It is quite stupid advice."

Inflation, estimated at 14,9% in November last year by the Central Statistical Services (CSS), stood at 12,4% the previous year, 14,2% in 1979 and 3,6% in 1969, according to CSS figures.

Cash-strapped consumers are set to reel under a renewed barrage of New Year price increases, ranging from a proposed 15% hike in food and consumer good prices to a 14% lurch in Eskom power

costs and a threatened petrol price rise.

Problems faced by the government included capital-outflow, the high cost of establishing industry and the "paradox" of the high costs of production against "very low" wage levels

This was fuelling inflation by selling highly-priced products to a small market

"Voters overseas would change the government, but the majority of South Africans cannot vote against central government's economic policies," Mr Erwin said

Train fares up by 13,2%

JOHANNESBURG. — SA Transport Services announced mainline fares are to be increased by an average of 13,2% from February 1.

Suburban fees are to go up by an average of 10%. Children under seven may travel free under the supervision of adults, and senior citizens will pay 40% less for first and second-class tickets throughout the year.

Third-class mainline fares are being increased by 15%.

A SATS spokesman said this was because considerable losses had been incurred running this service.

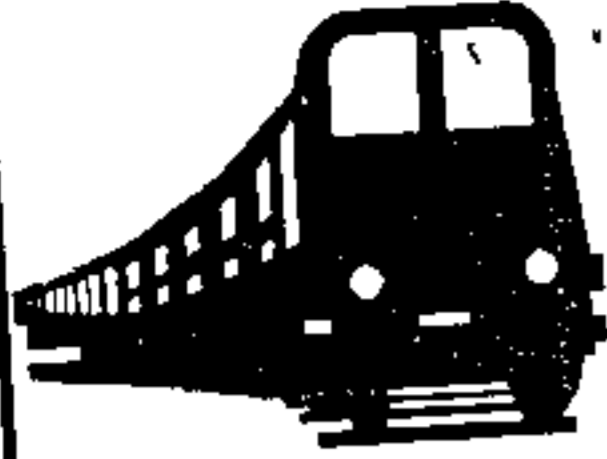
The system of mainline season tickets and off-peak fares has been abolished.

Fees for hiring compartments or coupes go up, but this service will be available over any distance in future.

More detailed information will be available from ticket offices from Tuesday. — Sapa

INCREASE IN TRAIN FARES

SUBURBAN UP BY 10% - 3RD CLASS MAINLINE UP BY 15% - AVERAGE INCREASE 13.2%



Johannesburg to:

Soweto
Pretoria
Witbank
Durban
East London
Port Elizabeth
Cape Town

	1st class		2nd class		3rd class	
	OLD FARE	NEW FARE	OLD FARE	NEW FARE	OLD FARE	NEW FARE
Soweto	R4,20	R4,62	-	-	R2,00	R2,20
Pretoria	R6,20	R6,80	R6,82	R6,20	R2,70	R3,00
Witbank	R33,00	R33,00	R25,85	R25,85	R12,00	R13,58
Durban	R128,00	R128,00	R90,00	R90,00	R45,50	R53,00
East London	R178,00	R178,00	R126,00	R126,00	R64,00	R74,00
Port Elizabeth	R191,00	R191,00	R135,00	R135,00	R68,00	R78,00
Cape Town	R253,00	R253,00	R179,00	R179,00	R91,00	R104,00

AIR FARE COMPARISON



Johannesburg to:

Durban
East London
Port Elizabeth
Cape Town

	Business class	Economy class
Durban	R199,00	R166,00
East London	R277,00	R231,00
Port Elizabeth	R312,00	R260,00
Cape Town	R366,00	R305,00

The increase in rail fares announced this week by the South African Transport Services (Sats) will not include basic first and second class mainline fares. First and third class fares in commuter areas will go up by 10 percent, while third class mainline fares will rise by 15 percent. The increases become effective on February 1.

Star 13/1/90

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Train fares to go up

10% to 13.2% rises

By MZIKAYISE EDOM

THE SA Transport Services is to increase fares on its commuter and mainline passenger services by between 10 and 13.2 percent respectively from February 1.

SATS said in a statement that the new fares were introduced because of rising costs and inflation.

Good news for the commuters is that children between two and seven years of age who, in the past, paid half the adult fare, will travel free of charge when in the care of an adult as from the beginning of next month.

SATS said mainline fares have been increased moderately over the past few years.

"Between 1987 and 1990 mainline fares increased by 46 percent whereas the consumer price index increased by 73 percent," the statement said

Commuter services, SATS said, were highly subsidised and commuters are subsidised by about 70 percent.

New fares (for commuter services) are as follows with old fare in the brackets. The fares are for first and third class weekly tickets respectively:

- * Naledi to Johannesburg - R23 (R21). R6 50 (R5.90).
- * Krugersdorp to Johannesburg - R25 50 (R23) R6.90 (R6.30)

- * Kempton Park to Johannesburg - R23 (R21) R6 50 (R5 90)
- * Pretoria to Johannesburg - R41 50 (R38) R9 30 (R8 50)
- * Atteridgeville to Pretoria - R14 (12.50) R4 50 (R4 10)

- For first class monthly tickets
- * Naledi to Johannesburg - R86 (R78) R25 50 (R23)
- * Krugersdorp to Johannesburg - R27 (R24.50) R27 (R24 50)

- * Kempton Park to Johannesburg - R86 (R79) R25 50 (R23)
- * Pretoria to Johannesburg - R154 (R140) R36 50 (R33)
- * Atteridgeville to Pretoria R51 (R46 50) R17.50 (R16).

- For single first and third class single trips respectively:
- * Naledi to Johannesburg - R3.10 (R2.80). R1 30 (R1 20)
- * Krugersdorp to Johannesburg - R3 40 (R3 10) R1 50 (R1.40).
- * Kempton Park to Johannesburg - R3 10 (R2 80) R1 30 (R1 20).
- * Pretoria to Johannesburg - R6 80 (R6 20). R3 (R2 70).
- * Atteridgeville to Pretoria - R1.70 (R1 50) 70 cents (70 cents)

Landed cost of diesel increases

Finance Staff
 The landed price of diesel rose by 2.3c a litre from November to December, almost trebling the shortfall on retail prices.

The National Energy Council (NEC) says the landed cost of diesel rose from 45.63c a litre in November to 47.95c last month. ~~51.11c~~ ^{51.11c}
 The under-recovery, funded by the fuel equalisation account (the state), rose from November's

1.18c a litre to 3.5c in December
 The shortfall for diesel has increased consistently since September, when it was 0.37c a litre

However, the level for December was the first time in several months that the shortfall exceeded the excess paid into the state from petrol sales.
 The over-recovery on sales of 93 octane petrol last month on the Reef was 0.89c a litre.

Naamsa adjusts figures

Finance Staff
 The slump in new car sales in December was worse than originally anticipated

The National Association of Automobile Manufacturers (Naamsa) yesterday corrected its earlier sales figures — new car sales in December fell to 13 875 units compared with 19 540 in November, a massive decline of 28 percent. The original statement had over-reported this figure by 1 009 units. ~~14 884~~ ^{13 875}

The figure is the lowest in almost three years and is 14.4 percent down on December 1988 sales. The correction implies that new car sales totalled 221 342 last year
 Naamsa also corrected the sales of new heavy truck sales for December to 660 units and those of medium commercial vehicles to 283 units.
 Naamsa says the adjustment was made as a result of a reporting error on the part of one manufacturer

SHINING MINDS WATER VOIL ANNIVERSARY PRINTING & DESIGN

CSS changes base for PPI calculation

The annual rate of increase for the production price index for November 1989 was 15 percent on the 1975 base.

However, Central Statistical Service is to change to a 1985 base and on this basis, the annualised rate of increase for November was 13,2 percent.

The difference of 1,8 percent will phased out over the next 12 months, with 0,4 percent effective in the November calculations.

The monthly increase for November on this basis was 14,6 percent compared with 15,3 percent in October. *Nov 19/11/90*

The annual rate of increase in the index for locally produced commodities declined by 0,9 percent to 14,3 percent while the index for imported commodities decreased by 0,1 percent to 15,1 percent.

The index for total output of South African industry was 1,1 percentage points lower than that of October with an annual rate of increase of 14,2 percent.—Sapa.

Saving State's bacon

SA Transport Services' 10% commuter fare hike on February 1 will reduce the drain on the central government's funds more than it will benefit Sats.

While it will certainly increase Sats' revenue from this source, the intention is to enable it to continue subsidising rail commuter traffic for longer than is envisaged in the Legal Succession to SA Transport Services Act. In terms of the Act, central government is obliged to pick up all rail commuter losses incurred after April 1 when Sats becomes a State-owned public company. At the same time, the recently formed SA Rail Commuter Corp will take over the management of Sats' rail commuter services.

However, government is strapped for cash and will not be able to pick up the estimated R870m shortfall on commuter services this year. Consequently Sats will, as in the past, have to pick up the tab for half the losses. This means it will have to continue with its policy of cross-subsidisation — charging more than it should for the conveyance of high-tariff goods to offset the losses on its commuter service.

Wim de Villiers, who conducted an investigation into Sats' finances, and is masterminding its eventual privatisation, foresaw the State's difficulties and recommended a phasing out period before government takes full responsibility for commuter losses.

Sats will transfer its commuter assets to the corporation before April 1 but operate the service under contract, says Bart Grové, a former Sats GM appointed chairman of the commuter corporation.

It's not surprising the commuter services runs at a loss. It's not properly marketed and is thus not patronised nearly as well as it should be. Its peak-hour trains operate at full capacity but there are valley periods in between.

continue p 80.

FIM 19/11/90
Grové says he plans a marketing campaign to decrease losses by increasing off-peak usage, "but that will take time. I am virtually alone here. I need staff to do the necessary market research before I can start with a marketing programme."
Sounds familiar, doesn't it?
(244)

PPI down at 14,6% for November

THE production price index (PPI) for November 1989 was 14,6% — 0,7 percentage points lower than the corresponding figure for October (15,3%), Central Statistical Service (CSS) figures showed yesterday

However, 1985 has been adopted as the new base year. The base year had been 1980 since January 1985

The November figure was based on the index value for November 1988. This was calculated using the 1975 weights and the

NEIL YORKE SMITH

index value for November 1989 calculated using the 1985 weights

Had only the old (1975) weights been used, the increase for November would have been 15% *19/11/90*

Had only the 1985 weights been used it would have been 13,2%.

Producer goods which cost R100 in 1985 now cost R185,6.

Econometrix economist Michiel Bester said yesterday the figures did not reflect any material change

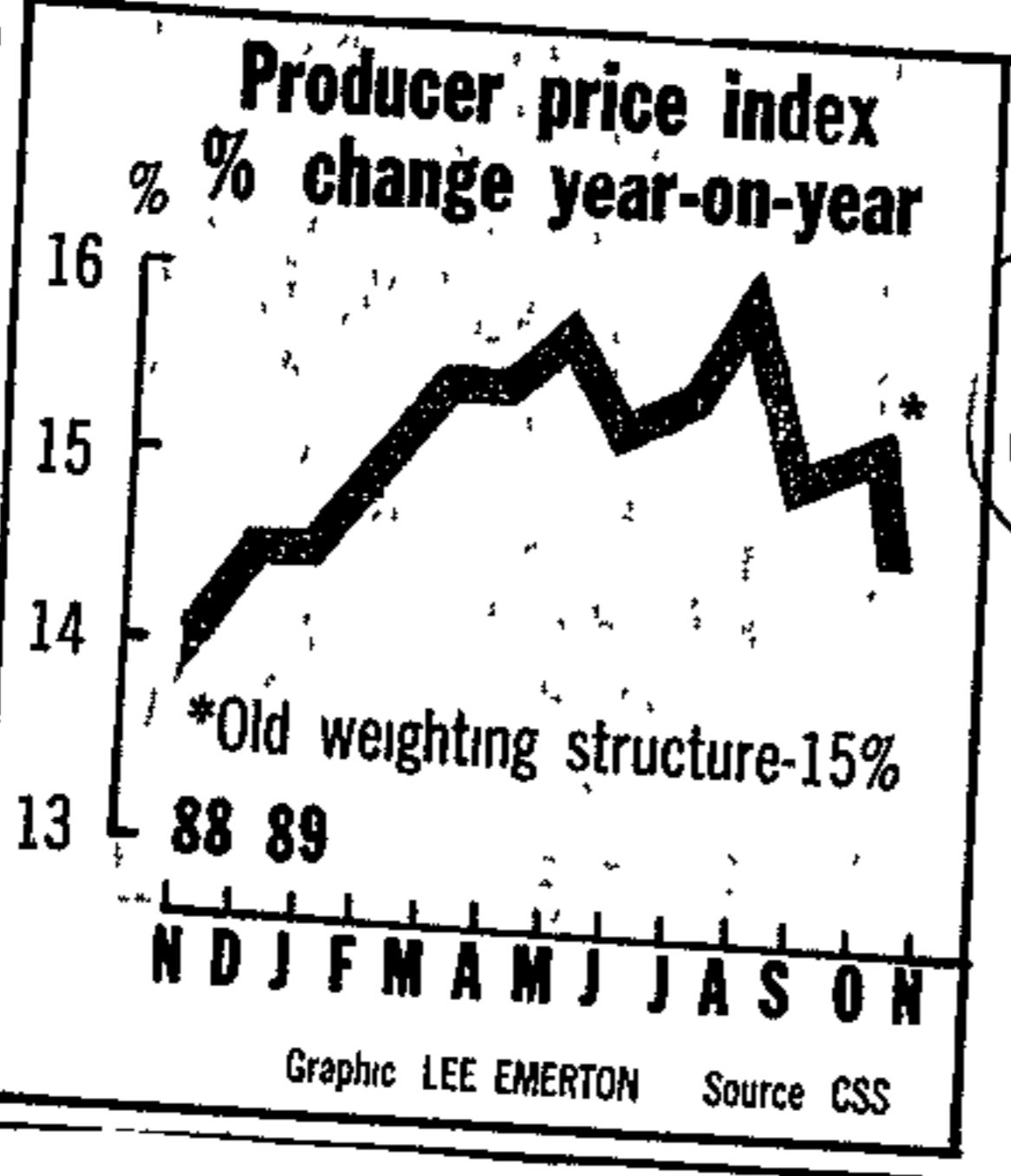
"No strong conclusions about the cooling of the economy should be drawn from the figures," he said

The annual rate of increase in locally produced commodities was 14,3% — 0,9 percentage points lower than the corresponding rate for October (15,2%)

The annual rate of increase in imported commodities was 15,1% — 0,1 percentage points lower than for October (15,2%)

Significant monthly increases were recorded for tobacco products (4,7%), agricultural products (2,1%) and coal (2,6%)

More specifically, large monthly increases were recorded for face bricks (4,2%), crushed stone (3,4%), cut and sawn natural stone (7,9%) and clear float glass (8,1%)



KWV AND THE WINE PRICE RITUAL

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~~Vik~~ ~~the~~ ~~ritual~~
A familiar, yet strange, ritual was played out again this week in Paarl. The KWV wisemen got together to declare new minimum wine prices to be paid to producers. FIM 19/1/90

Since 1985 sales of drinking wine have been dropping steadily (from 279,7 M/ to 273,4 M/ in 1988. Industry consensus is that the market is unlikely to have shown any growth in 1989).

Over the same period the total wine crop has grown by around 15%. Normally, that combination of factors would cause prices to fall. Yet the effect of KWV's announcement is that the price of quality wines will increase by 15% while standard and distilling wine prices will go up by 12%.

For this state of affairs we are supposed to be thankful. KWV chairman Pietman Hugo states that it was only by dint of a "considerable sacrifice" on the part of wine farmers that it had once again been possible to keep minimum price increases under the inflation rate. This, of course, has everything to do with self-interest and nothing to do with altruism. Wine farmers are getting poorer because they can't get their market to grow, not be-

cause of any noble policy of self-denial. The KWV notes that 74% of the crop will be disposed of locally (43% as wine and 31% as spirits).

The balance (historically referred to as the surplus) will be sold abroad. The KWV says markets for this portion of the crop have already been found so the total crop will be sold. This is some, but not much, consolation.

That portion of the crop (57%) not sold locally as wine is sold at a considerable discount. Some will be disposed of for as much as R40/hl, but much of it will sell for under R28/hl — compared with the minimum good wine price in 1990 of R88,48/hl (*Business* December 1 1989). The industry would be in a much healthier position if local wine sales rose so that the portion of surplus to local requirements fell.

Despite increasing rumblings in the industry that the minimum price mechanism should be altered (*Business* November 10 1989), the KWV saw fit not to alter the status quo.

An announcement at the KWV annual meeting in April is possible. We remain optimistic.

Car maskers to drop gear on price rises

Apr 20/1990

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JABULANI SIKHAKHANE

Motor manufacturers are optimistic about keeping average vehicle price increases below the inflation rate this year after increases totalling about 456 percent over the past decade.

Provided the rand holds stable against major currencies, particularly the Japanese yen and the German mark, the National Automobile Association of South Africa (Naamsa) is forecasting an average price increase of 12 to 14 percent this year against an expected inflation rate of 15 percent.

However, Tony Twine, an industry analyst at Econometrix says an average increase of 18 percent is more likely as he expects the rand to decline again in 1990.

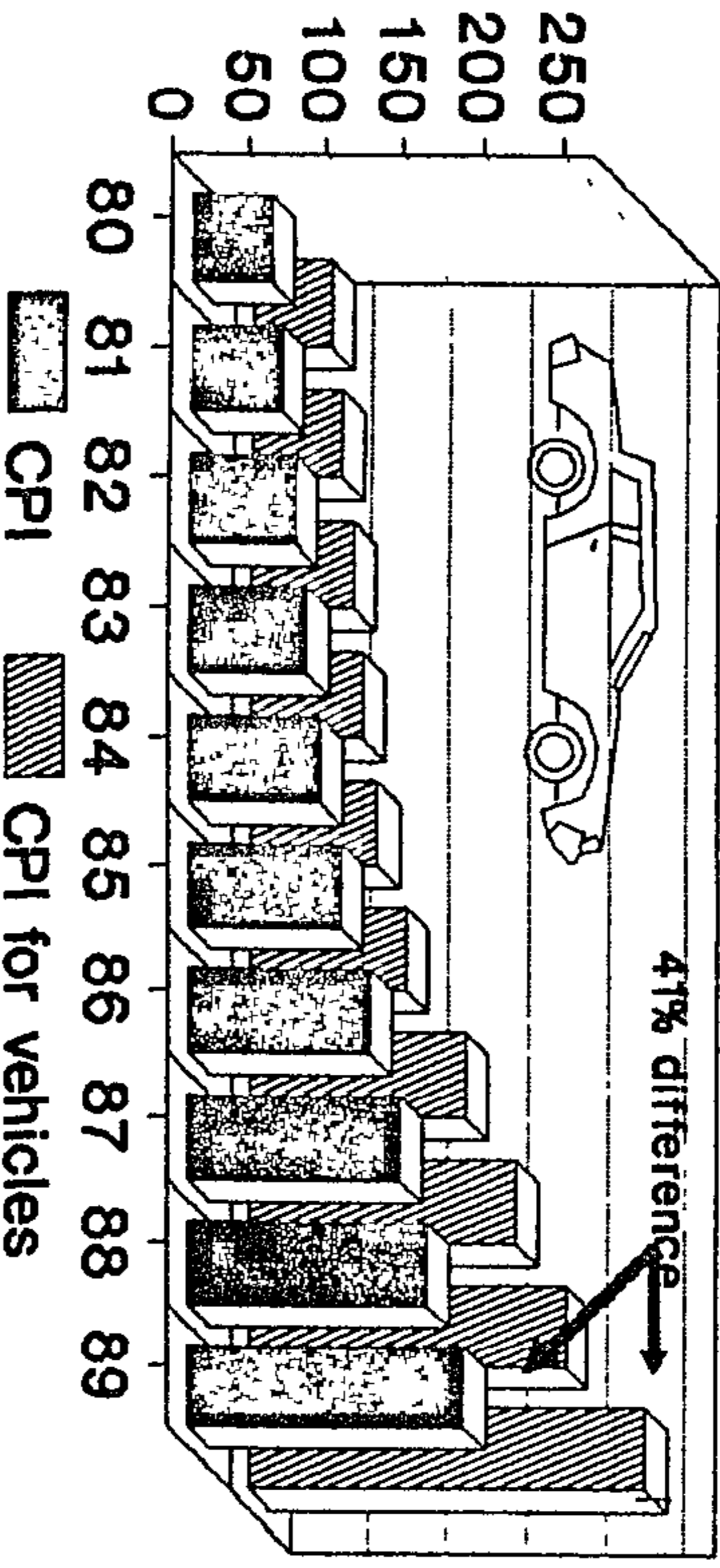
The local unit has shown strength, particularly against the Japanese yen, appreciating by an estimated 7 to 10 percent over the past six months.

Sales levels

Mr Twine says it is mostly Japanese sourcing manufacturers that are optimistic about keeping car price increases below the inflation.

German sourcing manufacturers are, however, less optimistic. A spokesman for Mercedes-Benz said the company was under pressure from the strength of the Deutschemark. "But with the relative stability

Percentage Increase



BUMPER RISE: Percentage increase in car prices compared with the CPI

of the rand against the yen we will be able to keep price increases down on the Honda Balade range.

"It is hoped however, that to ensure reasonable sales levels, prices will not increase beyond the inflation rate."

A Toyota official confirms that increases could be limited this year.

However he forecasts that for 1991 increases will average 15 percent because of local inflation and expectations that the rand will depreciate against the major currencies.

He says in 1992 vehicle price increases should average 5 per-

cent above the inflation rate, mainly due to the higher costs for manufacturers in meeting Phase 6 of the local content programme. This should continue up to 1998, he said.

Naamsa executive director, Nico Vermeulen, says manufacturers had been able, at least up until 1984, to keep price increases below the inflation rate. But when the rand depreciated sharply, particularly in the years 1985, 1986 and 1988, it rapidly pushed up the cost of imported motor components.

Vehicle price increases began outstripping the consumer price index in 1986, after having in-

creased at about the same level between 1980 and 1985.

He says the average price increase in the 1980s was 11,7 percent against the CPI of 13,8 percent.

Last year the average increase was 15 percent, which equalled the increase in the CPI.

The Toyota official says between 1980 and 1989 the average price of a car increased from 65 percent to 93 percent of the annual income of the average household. However he expects this figure will drop slightly this year to just below 90 percent.

The increase has virtually squeezed the average consumer

out of the market and until wage increases substantially exceed vehicle price rises, he is unlikely to return as a buyer.

Mr Twine says the other factor has been the declining market for passenger cars from 277 000 in 1980 to around to 222 351 last year, which has increased the manufacturers unit cost.

Faced with declining sales manufacturers now have fewer units over which to amortise their overhead costs and the only alternative is to increase prices.

The introduction of Phase 5 of the local content programme in the 1980's saw the injection of a one-off price increase and the second injection came with the introduction of Phase 6.

Wage rates in the motor industry have also been escalating in excess of the consumer price index, he said.

Meanwhile, the cost of motor- ing, based on the CPI for motor running costs, has gone up at a far slower rate than inflation and vehicle price increases.

Except in the years 1980, 81 and 82 when the cost of motor- ing moved ahead of the Consumer price index, it has since tended to below the CPI.

The main reason, says Mr Twine, is that petrol forms a major component of the CPI for motor running costs (about 67 percent). Fuel is cheaper at current constant prices than it was in the early 1980s.

Star 23/1/90

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Builders and suppliers clash over spiralling costs and monopolies

By Frank Jeans

The building-cost spiral goes on and this year the industry can expect a 18 percent jump in material prices, further aggravating the affordability factor in housing

Commenting on the price escalation and criticising the "mini and maxi monopolies" among materials producers, a leading builder, Robert Giuricich, predicts that costs will double in five years — possibly sooner.

Writing in the latest issue of *SA Builder*, official journal of the Building Industries Federation (Bifa), Mr Giuricich hits out at the protectionist policies which have created an industry where a few major companies have a "free hand in fixing prices or becoming price leaders and controllers"

"Major companies in the brick industry say there are no monopolistic conditions," says Mr Giuricich

"The cement industry also does not admit to this them But what do we have in the brick industry?"

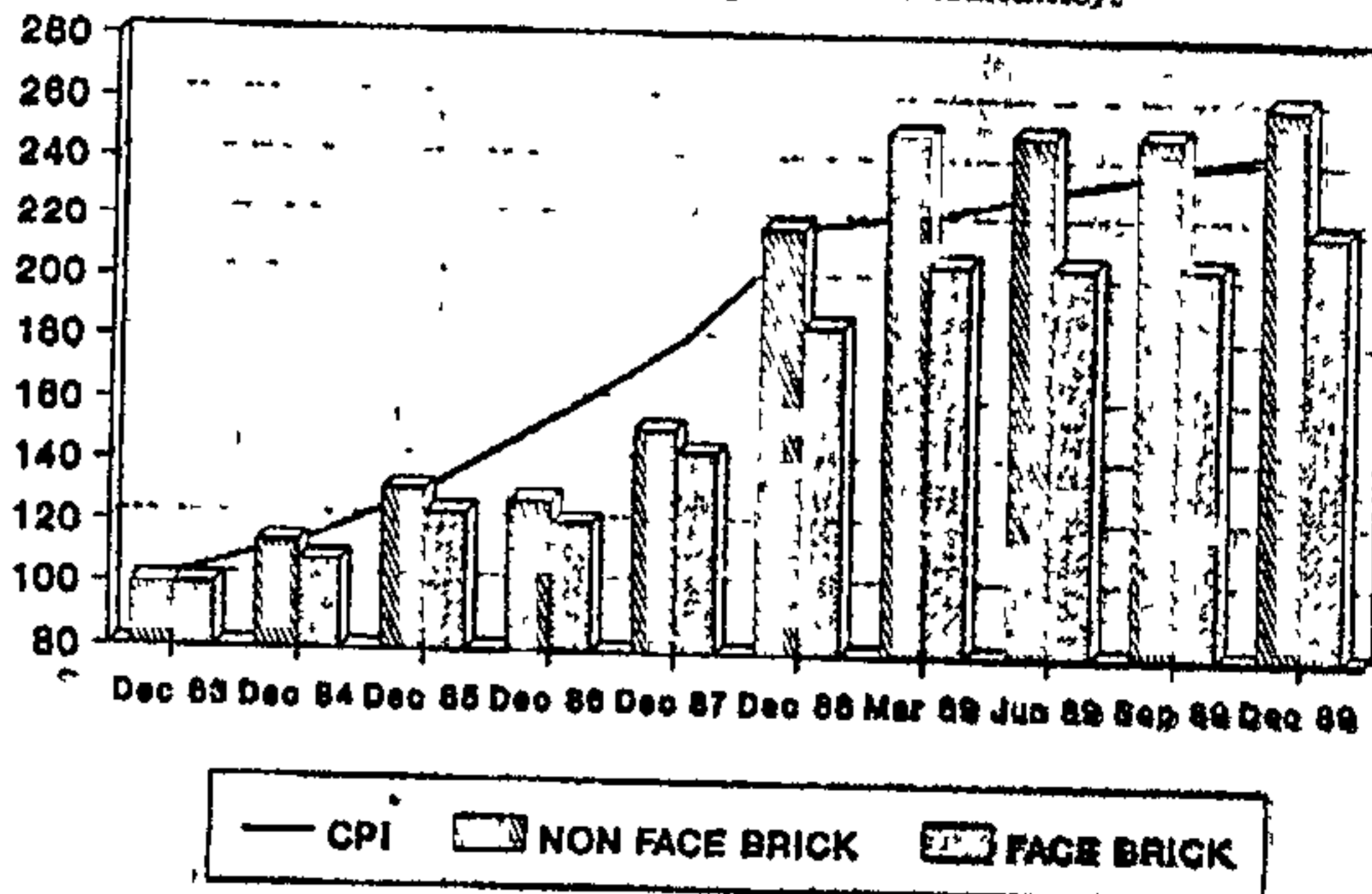
"A handful of smaller companies who rub their hands in glee when the major producers increase their prices so that they may follow suit and keep theirs marginally below those of the majors, thus reaping the benefits of quasi-monopolistic situations"

Cement producers

A past president of the Master Builders Association (Witwatersrand), Mr Giuricich, criticises the cement producers who are allowed to retain their cartel arrangements, thus "fuelling inflation and playing havoc through hefty, regular and truly unjustifiable annual price rises"

"Phenomenal profits are unashamedly blazed across annual re-

Brick price index compared with CPI.
(Source LHA Management Consultants).



ports which will probably be bound in leather in years to come, as they have to do something with the money and profits they make," he says

Peter Kett, commercial director of Blue Circle Cement, says the cement industry had been thoroughly investigated by the Competition Board, which concluded that trading arrangements were not in conflict with the national interest

"For several years our prices have been below the inflation rate," he says

"I don't understand the basis on which Mr Giuricich talks about unjustifiable annual price rises."

Brick prices

Keith Nurcombe, national marketing director of the leading brick producer, Corobrik, says: "Pricing in the brick industry is absolutely non-collusive and there is strong competition within the clay brick industry.

"Indeed, the industry can show, and has already indicated, that pricing in many instances has been in line with inflation and usually slightly less.

From Corobrik's point of view, we have generated articles for the Press based on statistical research sourced from an independent Pretoria organisation and covering price increases and the cost components rises of building materials for housing

"These figures tell us that the clay brick as a cost input to a house has not been untoward in price rises. In fact, it is on the side of conservative pricing"

Mr Nurcombe says that in a business where the industry has, over the past two years, been averaging 65 to 70 percent of its productive capacity, the costs have obviously been high, both in terms of fuel and labour inputs.

"Factories, therefore, can hardly be considered to be running at fat profits when they are so severely under-utilised."

Food prices feed inflation

Cape Times 23/11/90 244

SOARING food prices have pushed up the inflation rate for the year to December, as measured by the consumer price index, to 15,3% — the highest level since May. This compares with 14,9% for the year to November.

After the seasonally adjusted CPI for food increased by 2,0% in November, it again increased sharply by 2,6% in December. From December 1988 to December 1989, food prices increased by 14,7%. This is the highest annual increase in this index since the 15,0% increase in September 1988.

Relatively large monthly increases occurred in the prices of vegetables (8,2%), fruit and nuts (4,8%), coffee and cocoa (3,6%), fats and oils (2,0%), meat (1,7%) and grain products (1,6%).

There were also relatively large monthly increases in the prices of per-

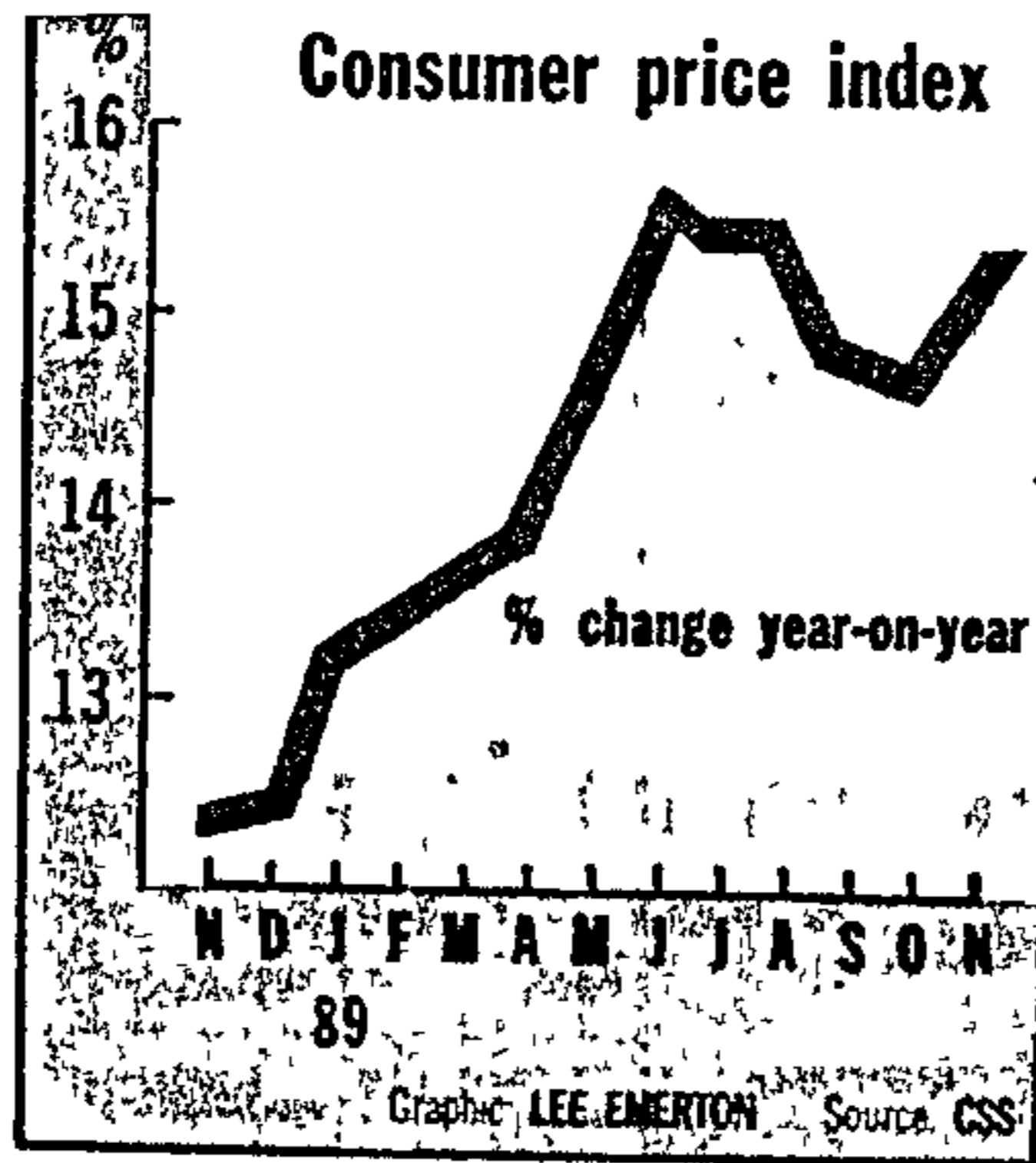
sonal care, (2,2%), furniture and equipment (2,0%), housing (1,5%) and clothing and footwear (1,4%)

Of the various urban areas the Durban/Pinetown areas experienced the largest annual increase in the prices of consumer goods and services (17,2%), while the Maritzburg area experienced the largest monthly increase (1,7%). The lowest annual increase (14,0%) was experienced by both the Peninsula and Bloemfontein areas, while the latter area also experienced the lowest monthly increase (1,0%)

The CPI for pensioners recorded a year-on-year percentage change of 13,3%.

The average inflation rate for 1989 was 14,7% compared with 12,9% for 1988, 16,1% for 1987 and 18,6% for 1986.

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Rate of inflation boosted by food

31 p.m.
23/1/90 **NEIL YORKE SMITH** *(244)*

THE annual rate of inflation, as measured by the consumer price index (CPI), was 15,3% for December, 0,4 percentage points higher than November's 14,9%.

Central Statistical Service (CSS) figures released yesterday show the seasonally adjusted monthly rate of increase was 1,9%.

The annual rates of increase for the lower, middle and higher income groups were 15,0%, 14,9% and 15,7% respectively.

A significant contribution to the increase was made by food.

The seasonally adjusted CPI for food rose 2,6% in December, maintaining November's sharp 2% increase

□ To Page 2 *(244)*

Inflation

ADW
23/1/90

Large monthly increases occurred in the prices of vegetables (8,2%), fruit and nuts (4,8%), and coffee and cocoa (3,6%)

Other relatively large increases were recorded in the cost of personal care, (2,2%), furniture and equipment (2,0%), housing (1,5%) and clothing and footwear (1,4%)

At 17,2%, the Durban/Pinetown area re-

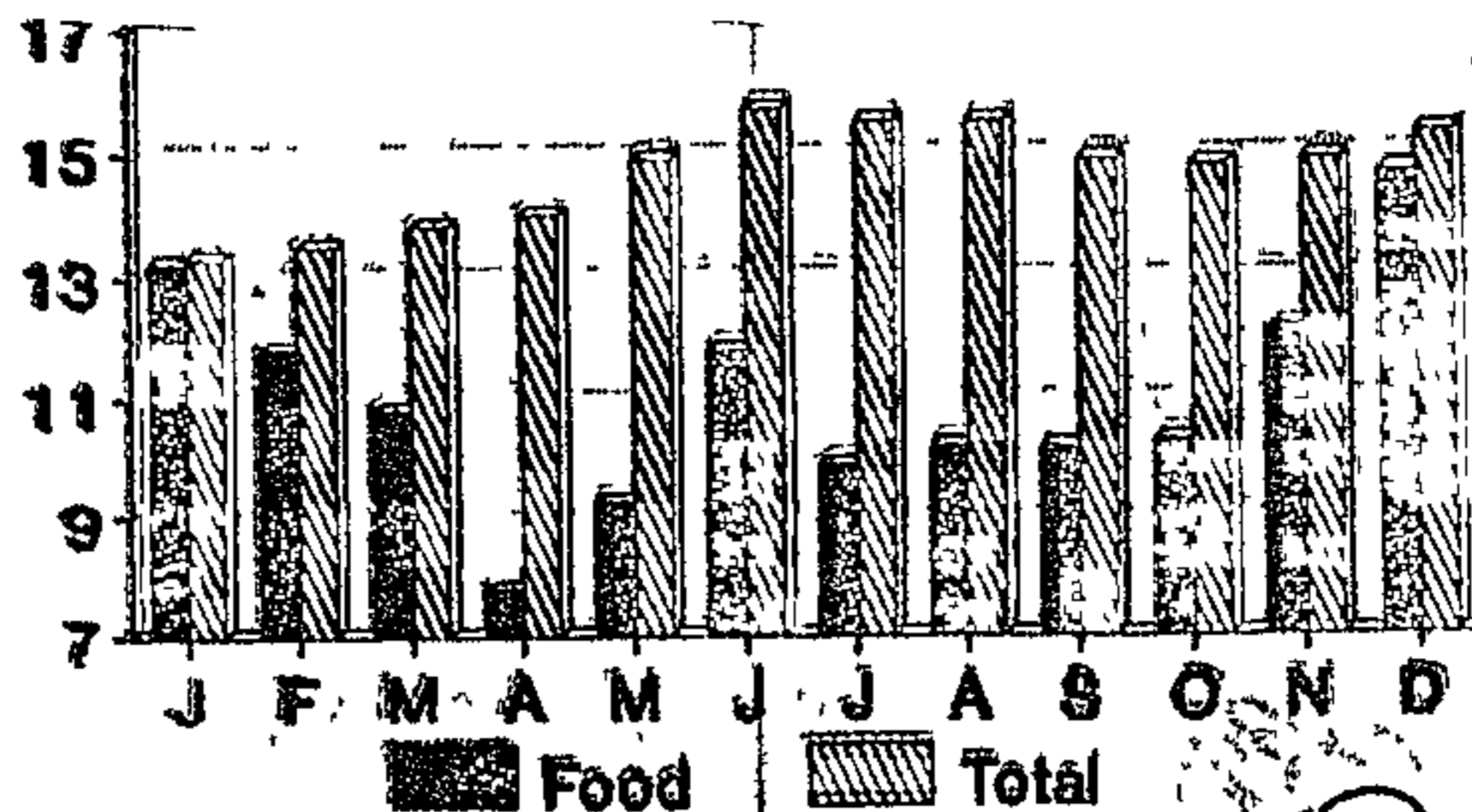
(244)

corded the largest annual increase. The lowest annual increase (14,0%) was experienced by the Cape Peninsula and Bloemfontein areas.

The CPI for pensioners recorded a year-on-year percentage change of 13,3%

The average inflation rate for 1989 was 14,7% compared with 12,9% for 1988, 16,1% for 1987 and 18,6% for 1986.

□ From Page 1



Annual percentage rises in overall CPI and food price CPI

Food prices weigh heavy on pocket

Jan 23/11/90

By Sven Lünsche
Inflation is likely to drop to the 14 percent level this year, despite surging food prices.

Figures released by the Central Statistical Services (CSS) yesterday show that the Consumer Price Index (CPI) for food products rose by an annual rate of 14.7 percent in December (12.1 percent in November).

It contributed to an 0.4 percentage point rise in the overall CPI from a year-on-year level of 14.9 percent in November to 15.3 percent in December.

However, economists said yesterday that while the soaring cost of food would make it more difficult to lower inflation, the rate was likely to decline to an average of 14 percent this year.

According to CSS, inflation last year averaged 14.7 percent (12.9 percent in 1988 and 16.1 percent in 1987).

Rand Merchant Bank economist Rudolf Gouws forecasts a decline this year as economic growth declines and the firmer rand exchange rate reduces the cost of imports.

The stronger rand has already contributed to a lower Producer Price Index (PPI), with imported price increases falling from a high of 19 percent last June to below 15 percent at year-end.

Slower growth is beginning to impact on the money supply figures, which were released yesterday.

Reserve Bank statistics show that the rate of increase in the broadly defined M3 money supply in December 1989 rose by 21.84 percent to R144.30 billion,

compared with December 1988. This was well below the rise recorded in November, when M3 surged by 23.35 percent to R142.30 billion.

M2 money supply in November reflected a year-on-year increase of 29.42 percent, while the narrowly defined M1 rose by 18.03 percent to R47.09 billion.

The drop in M3 in December shows that the rate of increase is moving towards the targeted 14 to 18 percent level for the year.

UBS economists comment on this trend in the group's latest *Economic Monitor*: "Money supply growth rates exceeding 20 percent are likely to remain the major source of inflationary pressure."

"However, the current policy of positive real interest rates will be beneficial in two respects — it will check the 'free fall' in the rand and encourage savings rather than expenditure."

"As long as South Africa's real interest rate is roughly in line with that of our trading partners, inflationary pressures will decline in the foreseeable future," the UBS says.

However, the brighter outlook holds little comfort for consumers, whose expenditure on food products makes up a large portion of overall outlays.

According to CSS figures, food prices between November and December rose 2.6 percent after a two percent rise from October to November.

Vegetables rose by a monthly 3.2 percent, fruit and nuts 4.8 percent, meat 1.7 percent and grain products 1.6 percent.

Feeding the surge

December's unseasonal weather sent food prices soaring. And that meant a large jump in the CPI, which rose from 14,9% in November to 15,3% last month.

Food contributed nearly 50% to a 1,3% month-on-month increase. From November to December, vegetable prices rose 8,2%, fruit and nuts rose 4,8%, coffee and cocoa 3,6%, fats and oils 2%, meat 1,7%, and grain products 1,6%. For the full year, vegetable prices leaped by 34,2%, followed by fruit and nuts, which increased by 22,9%.

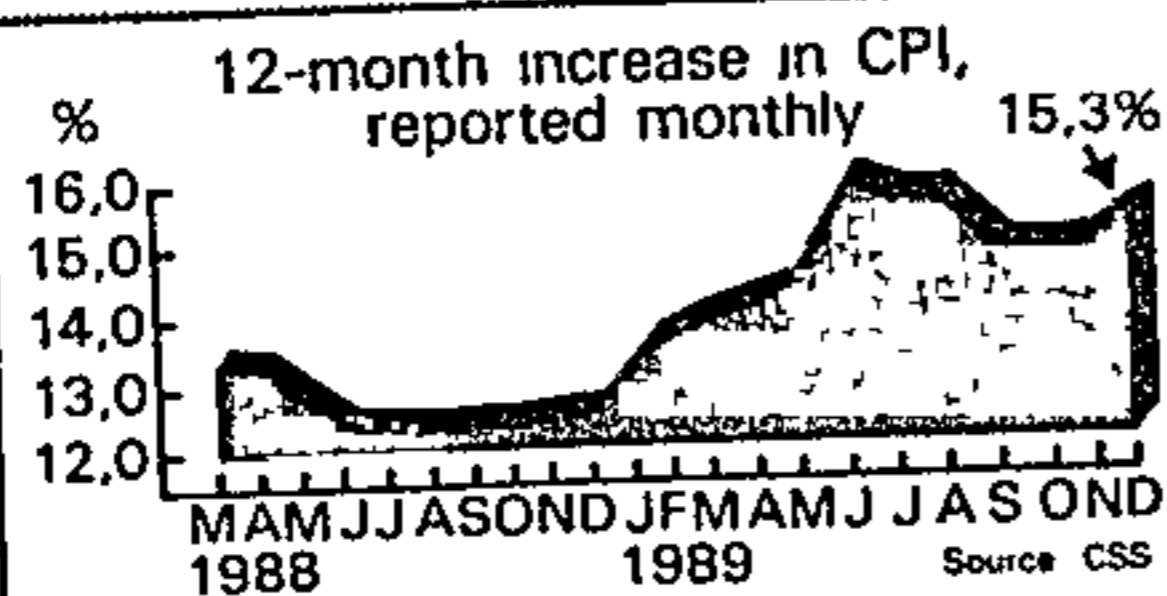
Old Mutual economist Rian le Roux says that during the first seven months of last year, food prices rose at an annualised 9,3%, but by 21,1% over the last five months.

The increased price of vegetables resulted from unseasonal weather in the Transvaal and OFS, say produce market observers. This reduced the supply of some vegetables and raised prices. FIM 26/1/90

Provisional Department of Agriculture figures suggest that food prices may be rising faster than the index shows. Last month, the average price for vegetables at SA's 14 markets was R571,04/t, compared with December 1988's R370,23. Fruit was R908,29/t, against R690,79 a year earlier.

Nevertheless, the outlook for lower inflation may be brighter. "After a 14,7% average in 1989, inflation should follow a slow, jagged, downward trend. I expect an average of 13,5% for 1990," says Rand Merchant

Nudged up by food



Bank economist Rudolf Gouws "Interest rates will remain high for the rest of the year, so consumer demand will weaken, the rate of increase of wages and salaries will slow. The expected stability of the rand will help to slow the rate of increase in the prices of imported goods even further."

Adds Le Roux "The underlying rate of

inflation (excluding food prices) has come off, probably reflecting some strength in the rand. As the economy slows one would expect underlying inflation to slow, but now food prices could rise further."

Le Roux expects average inflation for this year as a whole to be between 14%-14,5%.

Econometrix economist Tony Twine says "The food index was held down by cheaper red meat. We believe this was caused by oversupply as farmers reduced herds because of rising interest rates and retail prices dropped. When no longer cushioned by low red-meat prices, the food index jumped."

He adds "We believe the inflation rate will rise again in the short term and think the 16,1% expected by a recent survey of top 100 companies' views is reasonable."

The PPI for November, announced last

week, benefited from the firmer rand. It was 14,6%, down from October's 15,3%. The November index used a new base year, 1985.

Sugar price set to hit a 10-year peak

ALL the fundamentals are in place for the sugar price to rise to its highest in the past 10 years.

However, it is uncertain how the price will perform this year, says Lindsay Williams, chief trader at Holcom Futures.

Mr Williams says stocks are in a critical position.

Peak

As a percentage of consumption, stocks were between 28% and 29% at the beginning of last year and have probably declined to about 27%.

It is much the same as in 1981-82 when the sugar price rose to a peak of US45c a pound. The highest price was US65c/lb in 1970.

Mr Williams says "But prices remain up to three times lower than then. In spite of the critical shortages last year, the price peaked at US15,38c/lb and by December had dropped to US12,78c/lb. The price has continued its marked up-and-down fluctuations.

S/imes 28/1190

By Don Robertson

"All that is needed to send the market flying is one very large purchase. This was evidenced early last year when Mexico made a 350 000-ton purchase and the price rose US1,2c/lb in a day."

Mr Williams says the inability of Third World or lesser-developed countries to pay for sugar is keeping the price down. Every time the price moves above a certain level, demand dries up.

"The question is whether this will happen again this year."

These subjects will be dealt with by Helmut Ahlfeld, chief executive of international sugar statistician FO Licht, when he visits SA next month as the guest of Holcom.

The SA Sugar Journal, quoting the Czarnikow Sugar Review, says that although the sugar crop in 1989-90 is

expected to increase to 107-million tons from 105,9-million in the previous season, consumption is expected to reach 109,5-million tons in 1990.

As a result, there is every prospect of a further draw-down this year.

"By the end of last August, carryover levels as a percentage of consumption had returned to those of 1980-81."

It is predicted that tight world sugar supplies could occur in the third quarter of 1990.

Weather

Russia imported about 2-million tons of sugar last year, and is expected to be a major buyer this year. Imports by China are also expected to increase this year, and India should require large tonnages.

Brazil, usually a large exporter, is likely to reduce its

sales on the free market because of bad weather and the need for sugar to convert into ethanol to power cars.

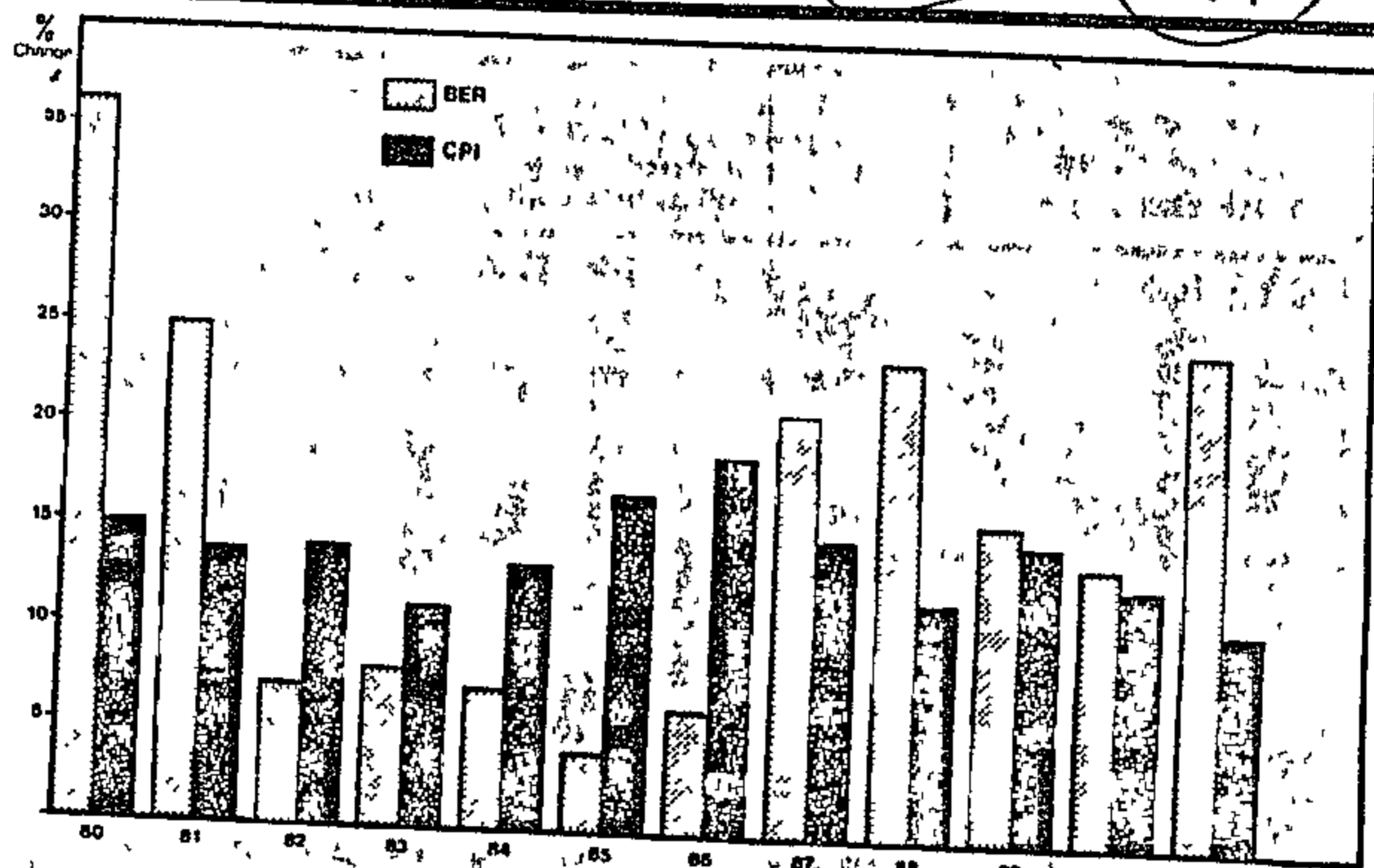
Poor weather conditions have also affected American and Mexican crops.

An editorial in the SA Sugar Journal says export prices have risen sharply from those ruling in the mid-1980s and earnings are expected to remain strong for some time. There is also the possibility that domestic demand will increase.

"The possibility of deregulation and of expansion linked to the industry's proposals regarding ethanol production suggest an exciting prospect for a dynamic new era in the '90s."

The prospects for a bumper season in SA are good. Rainfall in the five main growing areas in the second half of last year was well above the same time in the previous year.

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Building cost increases and inflation rate (1991 projected)

Building costs to go up 54 pc in three years, property seminar told

By Frank Jeans

House prices will continue to rise, probably above the Eighties' average of 16,6 percent a year and building costs are expected to rocket by 54 percent over the next three years. Office rents will bound ahead accordingly.

These were aspects of the frightening impact of inflation and the cost spiral which came through clearly at the annual seminar held by The Property Economist Organisation in Sandton yesterday.

Mr Neville Berkowitz, chairman, presented a scenario for the future, with some alarming socio-economic facts, to 400 top property people and delegates who were left in no doubt about the challenge of urbanisation ahead.

He said: "It is estimated that 10 years from now the total black urban population will be 17,3 million — an urbanisation rate of 68 percent.

"This implies that while there were seven million blacks in the cities in 1985, the figure will swell by a further 10 million by the year 2 000."

Looking at the cost spiral and its effect on property, Mr Berkowitz said with the limited supply of new houses being built, especially for whites, the price of existing homes would continue to rise "probably above the eighties' average of 16,6 percent a year compounded"

Estimating the prime rate at an average of 18,5 percent over the next three years, Mr Berkowitz said there could be a softening of rates in the second half of this year by about two to three percent.

"However, bond repossession could maintain their present trend as the economy slows and monthly repayments are missed by certain hard-pressed homeowners."

Looking at the office rental market and the effect of soaring building costs, Mr Berkowitz forecast that rents would rise by 11 percent this year, 13 percent in 1991, six percent the following year and 17 percent in 1993.

He said it was unlikely that the new house construction market would be competitive to the existing home market as the current gap making new houses 35 percent more expensive would widen to 45 percent this year and probably hover around the 30 to 40 percent in 1991-93.

"While we face a slowing economy over the next 12 to 18 months, this is counterbalanced by improving political perceptions.

"Usually in a downswing we have worsening economic and political perceptions, as in 1976-78 and 1984-86.

"The counterbalancing should prevent any dip in prices in the next 12 to 18 months and will kick-start an upswing in prices in 1991-93."

Petrol price rise put off temporarily

THE 3% rise in the petrol price for areas served by road and rail had been postponed "presumably for the best part of the first quarter of this year", a National Energy Council (NEC) spokesman said yesterday.

The rise, ranging between 1c/l and 3c/l depending on the area served, was announced in December following Sats's increase of its tariffs on fuels transported by road and rail.

ZILLA EFRAT

The increase, which did not affect the PWV area or areas served by pipelines, was effective from January 1. It was, however, held back because of the holiday season.

The spokesman said it had been postponed to allow motorists to combat inflation for as long as possible.

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Food gobbles up SA blacks' household budget

Argus 1/2/70 244

The Argus Correspondent

PRETORIA — Blacks in South Africa allocate a third or more of their household budget on food

Whites by comparison spend just 13 percent on food — one of the lowest percentages in the world — yet they eat more and often better quality food

This is according to a Unisa Bureau of Market Research report compiled by Professor Johan Martins

The report found that in real terms the average spending on food in South Africa's metropolitan areas had dropped by 11.7 percent between 1975 and 1985 — the period under review

Meat products

But for urban blacks spending on food represented more than 30 percent of their total budget and for those in the rural areas 40 percent and more

The average spending on food by whites in the metropolitan areas was twice that of blacks in the same areas, and nearly 80 percent higher than that by blacks in the national states and TBVC countries

Residents of the metropolitan areas were responsible for 80.3 percent of the total expenditure on meat and meat products with whites spending nearly double what blacks spent on meat and meat products

White spending on meat was decreasing in favour of fish and poultry, but was still considered high by world standards. The Pretoria/Witwatersrand area came second only to the Free State for the high percentage of meat in its diet

More than one third of the total money spent by whites and coloureds on meat went on beef, but Indians favoured lamb. However, the importance of chicken as part of the food budget for all population groups was increasing, the research found

Blacks in the national states were responsible for more than half the spending on unidentified meat and poultry but bought almost no biltong, bacon or ham, meat spreads, boerewors or viennas

Pork and processed meats were bought almost exclusively by whites and interestingly the survey noted, it was the average price of bacon followed by polony which had increased the most in the 10 year period to 1985

Substitution

Professor Martins said disproportionate increases in food prices could lead to substitution — when the price of beef increased in the 1960s, lamb became more popular, but this pattern was reversed in the early 1970s

Similarly a relative drop in the price of chicken led to a big increase in its popularity. Spending on grain and grain products represented 18 percent of the money spent on food in 1985



CLOWNING AROUND An experienced theatrical makeup artist will paint beautiful clown faces like these on children at this year's two-day Constantia Country Fair which opens tomorrow. Proceeds from the Constantia Fair at Alphen Park go to child welfare organisations and this year's target is R100 000

Mum-to-be Dusi 'wonder woman' leads a full life

DURBAN — Life is so full for Westville wonder woman Fiona Dawson — who feels "absolutely fine" after completing this year's Dusi canoe marathon — that she barely has time to dwell on the fact she is five months pregnant

Fiona, 31, not only keeps herself super fit by running, canoeing and swimming, but she also teaches art — the love of her life — at the new Northlands Beachwood High School in Durban North

PHILOSOPHY

In addition to successfully completing this year's Dusi with few side-effects, she has completed the Iron Man contest four times, the Comrades Marathon eight times — and the Dusi a further eight times

Her last competitive sports function before she has her baby will be the Midmar Mile on February 11 — and she continues to run about 10km a day

Interviewed in her classroom at the school, attractive Fiona spoke about her philosophy on life — to make the most of her potential and to

take all opportunities available to her

"I believe strongly that one should never let people dictate to you on how to live your life," said the mum-to-be whose family and friends thought she was crazy to do the Dusi while pregnant

"Everyone is an individual — and I believe that individuality should be fully developed. That's why I love teaching art, because it allows for personal development

"I know my family thought I was crazy to do the Dusi, especially my mother, but they know I'm headstrong and I'd have done it no matter what they said. They just reserved judgment"

Fiona, a vegetarian who is very health conscious said "I also believe we are here on this earth to improve ourselves and to reach an understanding of ourselves

"By participating in endurance sports as I do, I think you come to terms with your potential. My sport has taught me the importance of perseverance and of believing I can succeed in all things"

Doctor comments on good treatment

LIFESAVING — Eddy Cassar

THE beautiful weather last Sunday attracted thousands of sun worshippers to the Peninsula's beaches in what must have been one of the best days of the season

Lifesavers reported no incidents of note, except for one on Muizenberg beach

While patrolling the beach False Bay Surf lifesavers were asked to help a woman who was apparently having a heart attack

They attended to her and the John Rolfe rescue helicopter was called. A local cardiologist on the beach helped as well and went with the woman in the helicopter to hospital

PASS EXAM

The doctor later commented on the professional attention the woman was given on the beach. All lifesavers serving the public have to pass the stringent Surf Proficiency Award, an examination they retake annually

Competition forms an integral part of lifesaving. The events all test lifesaving skills, fitness and technique. Many events are simulated rescues, where everything is executed at speed with high regard for detail

Western Province competition officer and Springbok lifesaver Steve Harris believes that the traditional lifesaving competition needs a touch of excitement

"We lose the guys to triathlons, swimming, road running and other sports because lifesaving carnivals have become a bit too long and boring," he explains

Events over the next few weeks are

Durban mayor's trip called off

The Argus Correspondent

DURBAN — Durban's mayor Mr Derrick Watterson will no longer attend the Taiwan Area Games later this year, following a decision taken by the city council's management committee

The committee yesterday reversed its earlier decision that the mayor should attend the games, to be held in Durban's twin city, Kaohsiung

The reversal came at a time when a row was brewing over the high cost of first class air tickets for the mayor and mayoress

But the row was not the reason for the change of heart. "We felt that as our sportsmen would no longer be able to go, there would be no point in the mayor attending," said committee chairman, Mr Jan Venter

Higher liquor prices announced (244)

LESLEY LAMBERT

CAPE TOWN — Liquor price increases which become effective today are not as high as anticipated, but wholesalers have made it clear any unexpected growth in their costs will result in further price increases during the year.

Major wholesalers Stellenbosch Farmers Winery (SFW) and Gilbeys confirmed yesterday that their liquor prices would increase across the board today after KWV's disclosure last month of minimum wine price increases for producers.

SFW announced the following average wholesale price increases in the Western Cape yesterday: 9,8% for brandy; 8,4% for

gin, 9% for vodka; 11,9% for liqueurs, 9,5% for Cape spirits; 10,1% for South African whisky; 8,6% for imported whisky; 16,6% for sparkling wines, 17% for higher-priced wines; 15,5% for medium-priced wines, 12% for flavoured wines; 14,7% for standard-priced wines, and 16% for fruit juices.

A spokesman for Gilbey's head office in Stellenbosch said its average wholesale price of brown spirits would increase 9,2%, white spirits by 8%, most brands of whisky

□ To Page 2

Liquor prices

by 10%, sparkling wines by 16,5%, other wines by 13% and cellar casks by 14%. Liqueur prices would increase by about 11% and sheries by about 15% said.

The percentage price increases were one or two percentage points lower in some categories than had been expected after KWV announced that producers would receive 12% more for standard wines and 15% more for the higher-quality wines this year.

The wholesalers were expected to increase their prices with immediate effect to offset the increasing cost of raw materials passed on by their suppliers. Costs for some materials like bottles, corks and labels are understood to have risen by about 16,5% over the past year.

But this did not necessarily mean the wholesalers would be satisfied with one round of increases.

While wholesale prices are determined largely by the statutory minimum wine prices, which are altered each year by KWV, and by other cost increases, competition also plays an important role in a market which has shown no sales growth since about 1986.

Wholesalers and retailers are likely to have considered with great caution the effect of a major price increase on a market they have been trying to nurture since the stagnancy set in. Other than for the higher-quality wines, they are unlikely to have expected too much of a profit margin this year.

□ From Page 1

B/12/90 11/2/90

B/12/90 11/2/90

Inflation is 'major culprit' in increases

Liquor prices up eight to 16 percent

By Shehnaaz Bulbulia

Major liquor outlets and others affected said yesterday they accepted the liquor price increases in the light of spiralling inflation

Liquor prices increased from between eight and 16 percent countrywide today

Both Stellenbosch Farmers' Winery and Gilbeys — major liquor distributors — have announced across-the-board price rises

Inflation was the major culprit in the liquor price increases, said Mr Fred Therman, chairman of the Federated Hotel, Liquor and Catering Association of South Africa (Fedhasa)

He added that price increases of any product would not go down well with the public.

"Any increase is undesirable. We have to take the brunt of the public's complaints, but we have to cope and the public should understand that price increases are a result of inflation," he said

There were a number of liquor price increases annually and Fedhasa had no option but to cope with them, he said

Some companies split increases twice a year and this varies from product to product. The decision lies entirely with the particular producer concerned. In addition, there are price increases on imported spirits. We have no option but to cope with the situation," he said

A spokesman for the Liquor Cellar Group said "Like everything else that goes up in the country, we have accepted and expected liquor prices to go up. For the past couple of years we have had to cope with liquor price increases twice a year, one in August and the other in February"

Price rises affected the group, but only for a short while, he added

"The public complains, but after a while they accept the increases, too. It's the same with cigarette price increases — people complain for a day or two and they continue buying cigarettes," he said

Cashing in

A spokesman for a major bottle store in Johannesburg said the public always tried to cash in before price hikes, but after the increase in liquor prices the company had not witnessed a drop in sales.

"We were very busy yesterday with consumers buying liquor at old prices. It's always like this before the liquor price goes up. After the increases the public may be unhappy for a while, but we have not experienced a drop in profits after the increases," he said

A spokesman for Cellar Master said: "Nobody likes to see prices going up, but the cost of everything else has gone up. That's the situation."

Building costs to rise

By Charmain Naidoo

BUILDING costs are expected to rise by more than 50% in the next three years, says property economist Neville Berkowitz. *Times 4/2/90*

Mr Berkowitz thinks the increase will lift commercial and residential rents

His forecast is that building costs could increase by 54% from 1990 to 1992 and by about 75% from 1990 to 1993

He expects rents to rise by between 40% and 50% where there is an acute shortage of space

"Certain office and industrial markets fall into this category as do some residen-

tial rental markets in high-demand areas"

Overall, rentals will rise by about 11% this year, 13% in 1991, 19% in 1992 and 17% in 1993 (2.44) (5)

"These projections put rentals at 80% of building cost increases over the next three to four years, mainly as a result of a low-growth economy of 2.1% a year"

Strong demand and limited supply will mean higher rents for flats, houses, townhouses and cluster homes

Construction of white housing is on a downtrend — 28 000 homes were built in 1974 and 16 000 in 1989

Heavy festive bill of fare

- Pretoria Bureau

It cost more to eat in December than ever before, statistics released by the Central Statistical Service (CSS) indicated yesterday.

Just about every commodity went up from jams to bananas, chops to cereals

The average retail prices of grain products compared with November's prices showed a 10,7 percent rise in cake flour and a whopping 14,6 percent jump in the cost of breakfast cereals

December was also an expensive month for meat lovers

Rump steak went up 2,1 percent, boned topside 2,7 percent, chuck 1,7 percent, a leg of lamb 2,7 percent, shoulder of lamb 3,7 percent and half a lamb 7 percent.

Bacon went up 8,6 percent in December and margarine (2,2 percent) and eggs (2,3 percent) also contributed to the price rises

In November and December there were "relatively large increases" in the prices of vegetables, the CSS said.

Lettuce cost 50 percent more than in October and green beans were up 5 percent, tomatoes 18,4 percent, carrots 10,9 percent and pumpkin 7,9 percent.

The retail prices of fruit and fruit products showed relatively large increases — apples (8,3 percent), oranges (11,8 percent), bananas (28,9 percent) and guavas (7,7 percent)

Press 11/2/90 (244)
Beer to cost more from tomorrow

THE price of beer is to increase 9,3 percent on average tomorrow SAB beer division managing director Graham Mackay said the increase was well below the rate of inflation The hike would vary on different packs and in different areas, depending on transport charges, he added

Business Day SURVEY

For the first time since 1987, car price increases are in line with inflation. If the rand continues to strengthen against the yen, prices could soften further. Against this background LYNN CARLISLE looks at the market and discusses new ranges, replacement models and refinements.



Cressida 3.0 GLS ... its six-cylinder, 24-valve engi

Price hikes likely to be lower than in previous years

CAR price increases below what people have become used to are predicted for the foreseeable future by SA motor industry sources.

Price rises should be lower for those cars whose manufacturers source component requirements from Japan, compared to those sourcing from Germany, as the rand has strengthened against the yen by 7,5% in the past 12 months, but weakened 11,1% against the mark.

Car price increase estimates vary from those closely linked to SA's inflation rate to exchange-rate costs, the latter in pattern with recent years.

Increases, which will continue to be introduced quarterly, have already started to ease, with certain hikes more or less in line with inflation.

In 1988, overall rises peaked at 23%, easing to 15% last year. But the pattern has been one of volatility (see graph) and thus folly is often made of long-range forecasts by variables.

Hinges

Still, much hinges on the rand's performance against major currencies, and how costly motor components turn out once the new phase six local content programme is fully established.

Phase six requires manufacturers to raise local content by value from 60% at present to 75% by 1997. Opinions differ on whether lower price increases should continue only until phase six of the programme gets going.

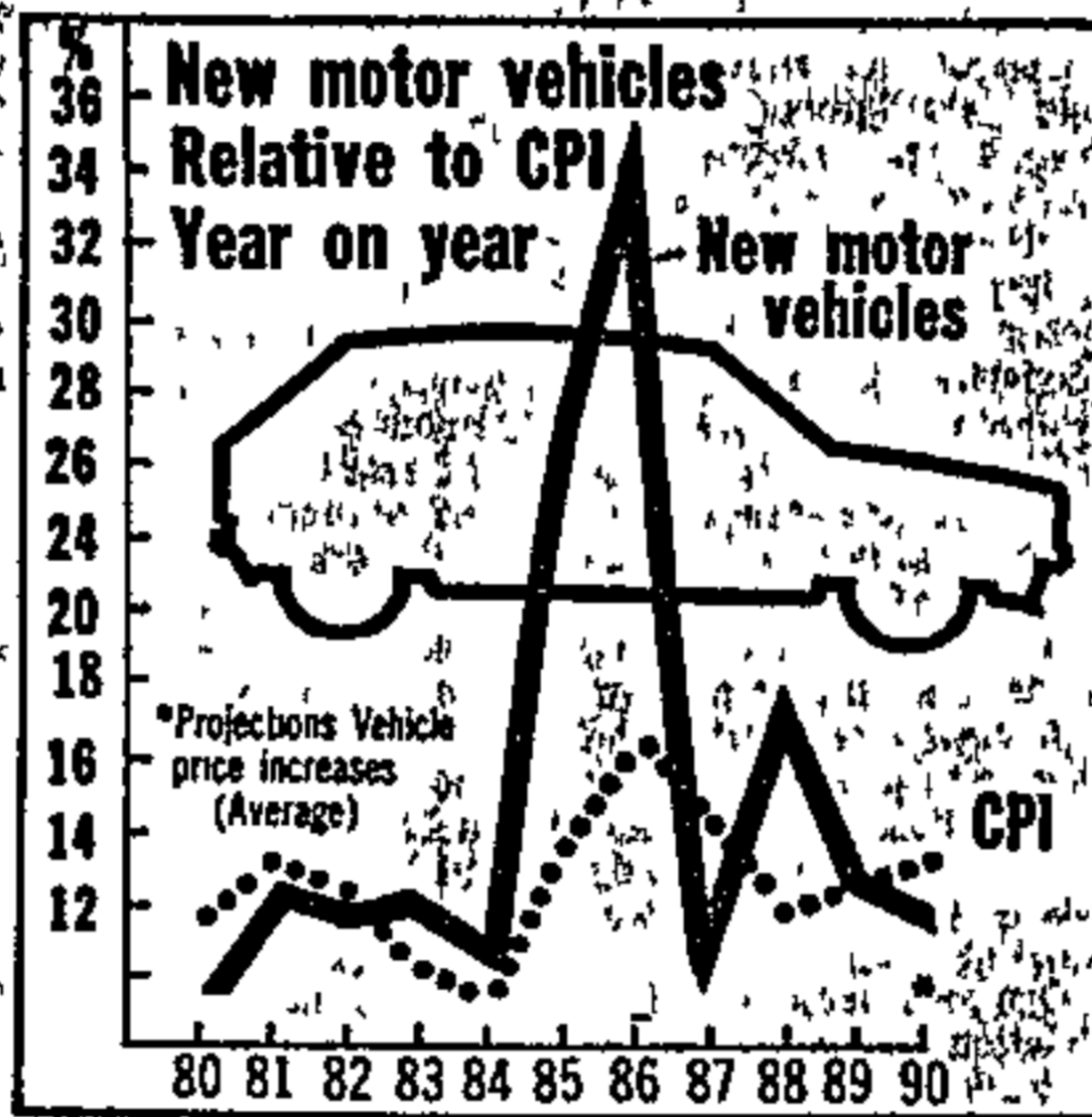
There is disagreement whether additional locally made components will initially be more expensive, and if these will accelerate car price increases.

Nissan chairman Peter Whitfield, who forecasts Nissan price rises of 12% this year, believes phase six will mean lower component costs and a gradual improvement in profits.

The programme gives some incentive to the more popular smaller vehicles to lessen import component costs," he says.

Volkswagen sales planning manager Neal Brutton says that for price increases to line up with inflation, the overrider will be the fluctuating value of the rand.

Naamsa executive director Nic Vermeulen believes the recent strengthening of the rand, particularly against the yen, augurs well for future price increases.



However, one needs to distinguish between local motor manufacturers sourcing their requirements from Japan and West Germany.

"Given reasonable stability in the rand, I expect the industry average price rise of new vehicles could be 12%-15%, compared to a projected inflation rate of 15% for the year as a whole," says Vermeulen.

"If so, this would be the first year since 1987, and only the second since 1982, that the car industry would have kept prices below the inflation rate.

"This, in turn, should assist car sales by removing the huge accumulated gap between personal disposable incomes and new vehicle prices," he says.

Having recently anticipated a further cut-back on vehicle prices this year, market leader Toyota may be a good pointer.

Toyota Marketing MD Brand Pretorius says prices are expected to escalate only 13%. "With the rand strengthening against the yen, we are in a better

position than the German car manufacturers to contain price rises," he says.

BMW SA communications manager Michael Brandt, who reports record sales for BMW last year, says as all CKD (complete knockdown kits) imports come from Germany and Japan, countries whose currencies have strengthened continuously against the rand in recent years, and any further significant strengthening of the mark or yen against the rand could hike car prices.

It becomes clear why local cars faced massive price increases, especially from 1984 to 1988, as all SA manufacturers source major and expensive components, such as engines and gearboxes, from Japan and Germany.

Those countries' currencies are strengthening internationally all the time while the rand does the reverse.

Further perspective is provided by Pretorius, who says the SA car sales leader's imported components constitute about half the total cost of its cars.

Politics more than any other single determinant was behind the automobile industry's price increases of the '80s, says Brandt.

"Government spending, high interest rates, the sudden and drastic jump in GST in mid-1984, high inflation and the world's high expectations dashed by the 1985 Rubicon speech, caused the massive and long-sustained decrease in the value of the rand."

Still, price hikes should pan out around 16% for most cars this year, says National Automobile Dealers Association chairman Errol Richardson.

Nada's earlier forecasts were increases of about 20% in 1991, but these could be lower. However, both forecasts suggest an improvement on 1988's 23%.

Samcor MD and Naamsa president Spencer Sterling, who attributes the "considerable" price increases since 1985 primarily to a weakening rand relative to SA's trading partners, says many motor component suppliers have been subjected to these same pressures and their price increases have outstripped the inflation rate.

Hands full

"With local wage increases higher than the inflation rate last year, the motor industry has had its hands full to contain price rises as well as meet orders in reasonable time."

Sterling believes making a prognosis on future new car price increases is difficult. "So much depends on guessing what will happen to the rand exchange rate and the inflation rate.

"But, generally, we believe the rand will stabilise in 1990 and the inflation rate will remain high in the first half of the year and then show a modest decline in the second half. So we are planning accordingly."

He says it is hard to see any significant reduction in inflation in the next 12 months, despite Reserve Bank governor Chris Stals having expressed his determination to lower it, because of natural lag in the economic system.

"However, should government succeed in controlling its expenditure and the money supply we should see a significant reduction in the inflation rate in 1991 and beyond.

"I hope car price increases will be contained to below 14% this year. However, as I said, so much depends on outside factors over which the motor industry has little or no control."



NIC VERMEULEN

South 15/2 - 21/2/90

Bread price hikes loom

244

THE government is determined to phase out the bread subsidy — which means the bread price may be increased twice in the next financial year.

That was the message from the Minister of Agriculture, Kobie De Villiers, to a Cosatu delegation which met him last Friday.

A spokesperson for the National Unemployed Workers' Co-ordinating Committee (NUWCC) said the delegation had asked the minister to reduce the price of basic foods.

The government instead had told the delegation it was determined to phase out the bread subsidy and that this meant further price hikes were likely.

The spokesperson reported the delegation was also told the government did not have any plan of action to tackle poverty.

The spokesperson said the content of the meeting was being discussed within the MDM. A campaign to coincide with the budget speech of the Minister of Finance, Barend Du Plessis, was being considered.

The delegation included representatives from NUWCC, the Unemployed Workers' Movement, the Food and Allied Workers' Union and the Federation of South African Women.

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B1 Day 16/2/90

Rising prices have not led to decline

A POOR exchange rate and spiralling air ticket prices have not had too dramatic an impact on South Africans travelling overseas. (244)

This is according to sources as varied as travel agents, SAA, Diners Club, Safto and the SA Tours and Safaris Organisation.

In 1985, the first serious impact of the weakening rand hit home by making overseas travel almost prohibitive to South Africans — not in fare terms, but in the high cost of living arrangements.

But travellers "bounced back with resilience", says one agent

SAA's outbound international flight statistics show small but steady increases from 1986.

Outbound passengers numbered 478 354 for April 1 to March 31 1987

The figure climbed 4,4% to 499 447 to March 1988 and a further 0,5% to 502 389 to March 1989.

SAA expects to achieve its target 5% increase to March 1990, which will bring the number of passengers carried to about 527 400.

But Luxavia GM and chairman of the SA Tours & Safari Organisation (Satso) Reinhart Mecklenberg says these figures do not differentiate between outbound South Africans and departing foreign travellers.

Diners Club, which claims a significant share of air tickets sold on credit cards, reports that its airline ticket sales are 35,8% up on last year.

Managing director Hugh Peatling says there are also growing sales of foreign note and travellers cheques through Diners Club and Rennie's Travel.

Safto chief executive Wim Holtes says the dip in overseas travel has been less severe than would have been expected

"Safto's services have become more in demand and the benefits of an organised business tour more evident.

"This in turn has become a source of renewed overseas travel activity, even though the leisure market had taken a dip."

The lessons of deregulation

FIM 16/2/90
244

The price of milk has skyrocketed in the past 14 months. Mervyn Kraitzick, OK Bazaars' food marketing director, says the price has jumped by some 40%. The Dairy Board, which deregulated the milk price nearly seven years ago, puts the price escalation lower, at 29%.

Does this mean that deregulation is failing? Of course not, say the board, the supermarkets, the dairies and other segments of the industry. They say deregulation encouraged a rash of new competitors and that kept prices down. Now, as the industry undergoes a shakeout, prices are starting to recover, a typical pattern after any deregulation.

But the board's experience with milk still holds valuable lessons for the deregulation of other products and services — such as bread, meat and even airline tickets — that are under consideration.

Despite the recent surge, milk remains cheaper today — in real terms — than when the price was deregulated in July 1983. The milk price has risen from 63c/l at the time of deregulation, to R1,41 last month — a 123,8% increase, compared with a 145,3% increase for the CPI. And since October, the price has dropped by 4c a litre.

Coupled with this, deregulation has spurred an increase in per capita milk consumption — 3,9% after the first five years. The board attributes this to the greater competition leading to more advertising and a larger variety of sizes and packaging for milk containers. The increased buying power of blacks, it says, is also partly responsible. Pick 'n Pay food director Sean Summers adds that the high cost of red meat and other products containing protein has made milk an attractive option.

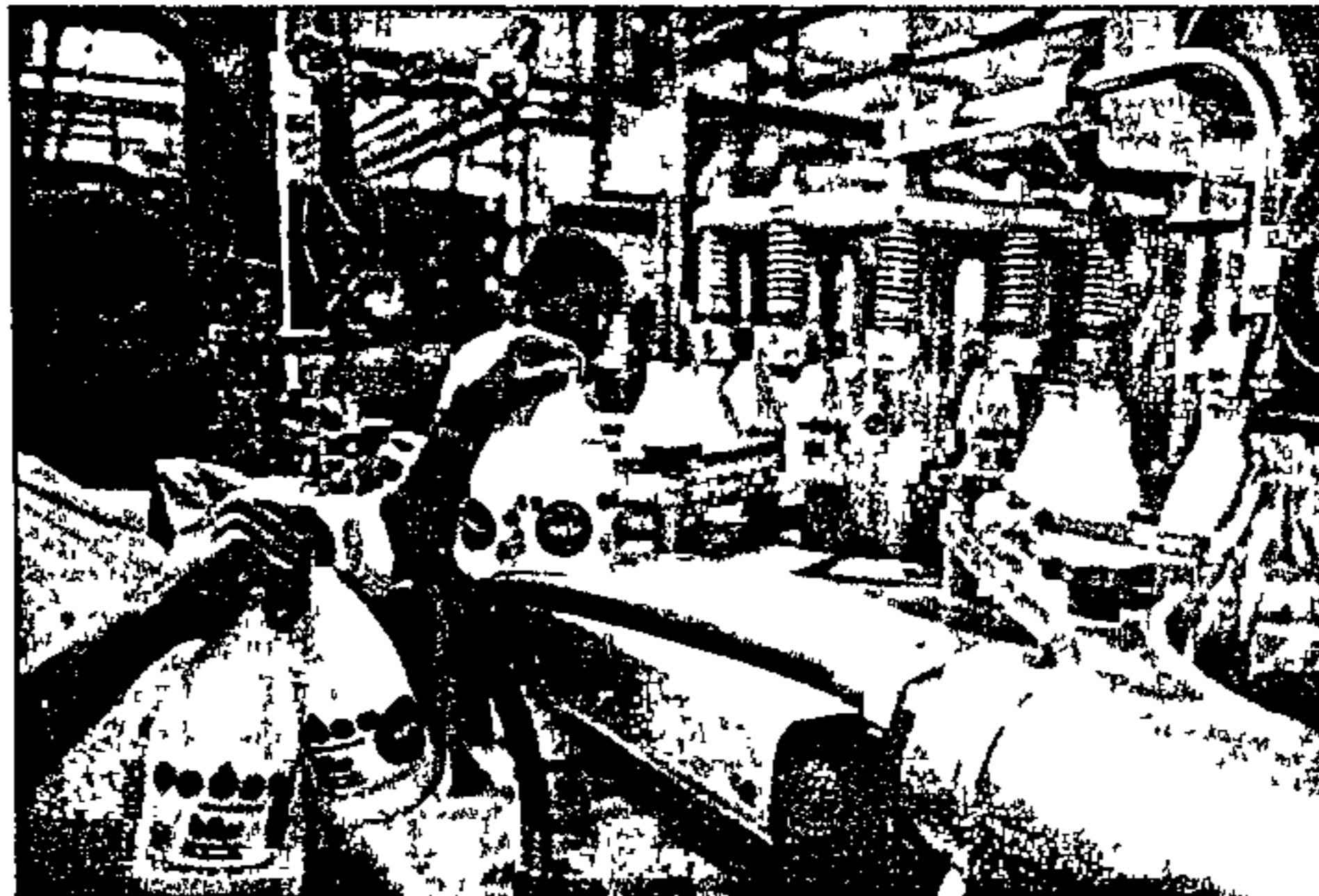
Nels Bliss Dairies MD Martin Loubser says milk products have indeed diversified. He cites the introduction of slimmers' dairy products, different milk grades and new containers such as 2 l bottles and plastic bags as producers vie for customers.

The new competition is played out in ways consumers may never notice. Kraitzick says before deregulation, the dairies had a "you do your own thing" attitude towards retailers. Now dairies have to worry about service, so deliveries are timeous and regular and dairy reps call on the stores to check that their products are being stacked and priced correctly.

Loubser says dairies now are more choosy about where they buy their milk and how much they pay now that the board is no longer involved in setting the price.

To be sure, many regulations still govern the industry and remain the source of many of its problems. In any deregulation, most of the problems result from not going far enough.

The board still sets a floor on the price dairies must pay for milk — a safety net for farmers in the event of a milk glut that sends prices plunging. All distributors and manufacturers must still register with the board. Imports must still be approved by the board.



Milk decontrol . . . charging what the market will bear

and the minister of agriculture

Department of Health regulations are particularly controversial. They govern all aspects of the dairy process, from the milking sheds to bacteria counts. Summers says that while the health regulations protect the consumer, "perhaps they should be relaxed a bit." He says the stringent health laws prevent small dairies from competing with the large ones and a relaxation could help prevent dairy monopolies.

Not surprisingly, the large dairies do not want health regulations eased. "If you got rot stuff from time to time, it could downgrade the whole industry," Loubser says.

But Graham Donald, national marketing manager of National Co-operative Dairies, complains that the enforcement of the health regulations favours the smaller dairies. He says there is a tendency for the authorities to focus on the big operators and ignore the little ones.

The board also opposes relaxing the regu-

lations. GM Edu Roux says he doesn't believe the regulations are excessive, or that they preclude anyone from entering the industry.

An even more contentious issue is the levy system. The dairies must pay the board 3c for every litre of milk they sell, with the money used to finance the board's administration costs (R6m), promotion (R8m) and the stabilisation fund, which subsidises dairies manufacturing butter (R46m). Dairies that do not get the subsidy resent paying the levy because they see it as supporting their competitors. The board counters by saying the levies are used to benefit the dairy industry as a whole.

The price of butter is also deregulated but the board awards massive subsidies to butter to keep the price competitive with margarine. So consumers who try to save a few cents by buying margarine are spending 3c on butter every time they buy a litre of milk. And, despite the board's best efforts, SA was hit with a severe butter shortage last year that forced consumers to buy margarine anyway.

With milk, butter and cheese prices deregulated, why does SA still have a dairy board, especially one that spends R60m or more each year?

Loubser, for one, sees no need for the board and wants it scrapped.

He argues that its function — to promote the sale of dairy products — is not being carried out effectively. He maintains that because dairies deal with farmers directly, there is no need for the board.

Kraitzick says he understands the board's desire to safeguard producers and oversee exports, but he adds: "Sometimes I wonder whether they work in the interests of the consumer."

However, abolishing the board seems unlikely.

Roux points out that under the Marketing Act, only the farmers can decide on whether it is needed. Since it exists for the protection of farmers, don't expect them to call for its termination.

Roux acknowledges that the existing structure "makes life difficult for the dairies." However, he claims the board benefits consumers because "in the long term, what's in the interests of farmers is in the interests of consumers."

Transvaal milk price goes up on Monday

DAIRY Belle in the Transvaal is increasing its milk price by 13 cents a litre on Monday

The 9,7 percent increase is less than the inflation rate, the general manager of a Transvaal region of Dairy Belle, Mr D Dockel, told Saturday Star last night. He said all price increases since 1984 have been lower than the inflation rate.

Price increases in other areas in the country are expected to be imminent but all areas operate autonomously.

Mr Jan Kotze, general manager of Dairy Belle in the Western Cape, said it had not made a decision when and by how much their milk prices would be increased.

Mr Dockel said the increase was due to in-

(244) STAFF REPORTER

Star 17/2/90
creases in the costs of packaging, labour, the basic product, distribution and machinery.

In a press release, the South African Co-ordinating Consumer Council said "The time has come for consumers to take a stand against these continuous price increases"

The statement said the previous increase in 1989 had not yet been absorbed by the consumer.

According to a Dairy Board spokesman, the board had "nothing to do with price controls, and since 1983 the distributors can increase prices as they like"

(Bills) (244)

Times, Tuesday, February 20, 1995

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Milk price to increase in W Cape

Staff Reporter

MILK price increases of anything up to 13c per litre can be expected in the Western Cape soon, Dairybelle's regional general manager Mr Jan Kotzé confirmed yesterday.

He said he was meeting with the Farmer's Committee later on this month and that an announcement regarding the price increase would probably be made toward the middle of next month.

This follows an announcement by Dairybelle in the Transvaal that milk was to increase by 13c per litre from yesterday.

Managing director of Homestead Independent Dairy, Mr John Jacobs, said they were "frantically" working out their budget for the new year and that no firm decision regarding a

price increase had been made.

"We watch costs closely and tighten our belts as much as we can, but when faced with unrestrained increases all around we have no choice but to increase the price of milk," he said, adding that packaging was a major expense in the production of milk.

He said the Western Cape was subjected to about half the number of milk price increases than the rest of the country, due to the strong competition which existed in the industry here.

"What disturbs me is the South African Co-ordinated Consumer Council's reported appeal to consumers to use alternative products. It's sad to think of a generation of children growing up on colouring and fattening agents," he said.

● Dairy Board loses on exports — Page 5

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Price of milk up

ONE OF South Africa's biggest distributors of dairy products, Dairy Belle, increased its milk price by 13 cents a litre yesterday. SABC radio news reports.

This is the second increase in less than four months and is expected to lead to higher prices for all dairy products.

The price of milk was increased three times last year. (246)

The Consumer Council conducted a comprehensive investigation into milk price trends and has urged consumers to give serious consideration to alternative products such as powdered milk.

It has also advised consumers to support cheaper suppliers. Sowetan 20/2/90

The assistant director of the council, Mrs Ina Wilken, said unjustified increases in the price of basic products could no longer be tolerated. - Sapa.

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Buy cheaper milk, *Star 20/2/90 (244)* consumers are urged

Staff Reporter

The Consumer Council has urged consumers to buy cheaper milk products after Dairy Belle increased their price of milk by 13c a litre yesterday

Mr Daan Dockel, managing director of Dairy Belle, told The Star milk prices have gone up by 9,7 per cent because of increased costs of packaging, labour, transport and raw materials. The present dairy retail price of milk is R1,40 a litre

Nels Dairies will increase their price by a similar amount on March 1

The council urged consumers "take a stand against these continued price increases" and says the consumer has not yet absorbed last year's price hike

It suggested that consumers look for cheaper supplies and consider buying tinned or powdered milk

Professor Leon Weyers, chairman of the council, said in Pretoria yesterday that consumers were getting tired of the argument that increased costs are the cause of price increases

Dr M N Heiman, managing director of Clover Dairies, said from Heilbron yesterday that the price of his group's milk would go up, "but not on one specific day"

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Total cost of
1991 census
about R55m

GERALD REILLY

PRETORIA — More than 40 000 enu-
merators and other workers will be
involved in next year's census — and
the overall cost will stretch to about
R55m.

CSS director Treurnicht du Toit said
yesterday the census should have
been held this year, but for economic
reasons had been postponed until
1991.

Questionnaires would go out to more
than 31-million people — and their
printing was a major factor in the
total costs of the operation.
Preparations for the huge survey — the
biggest held so far — started last
year with 250 officials involved in
preliminary planning.

Du Toit said 44 000 enumerators would
go into the field a few days before
March 7 — census day — to assist
respondents with problems associat-
ed with the questionnaire.

They would also be responsible for col-
lecting the comprehensive questions.
The questionnaire would include an
optional religious question but no
questions on political affiliations
would be included.

A pilot study would be launched next
month to test the preliminary ar-
rangements and the effectiveness of
the questionnaire and whether the
questions were set out in an easily
understood form.
He added that in terms of the legisla-
tion it was a punishable offence to
neglect to complete and return a
questionnaire.

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20% fare increase on way

SAA's domestic fares, among the lowest in the world, will have to be increased this year — probably by as much as 20%, writes **ROGER MAKINGS**

One reason is that SAA will be commercialised this year and will have to show reasonable profits.

The other is that private airlines wishing to compete against SAA after deregulation say they cannot match the national carrier's fares — which means competition will bring higher, not lower, fares.

When SAA announced a 13% rise in domestic fares last December, the Sunday Times published comparative prices for similar distances charged by US, French and British airlines. The

survey showed that SAA fares were markedly lower

However, passengers said the airline could not compare dollars to rands because of the rand's low exchange rate.

SAA director of public relations Leon Els says: "But passengers forget that SAA pays dollars for its aircraft, spares, fuel and foreign landing fees — almost all our expenses are in dollars with the exception of salaries."

Mr Els says SAA pays more for its fuel and spares than foreign airlines do because of international oil embargoes and the greater distance spares have to be carried.

Jackie Walters, of the Department of Transport Economics at Rand Afrikaans University, says that after dere-

gulation in the US, prices dropped, "but after the market shake-out and the elimination of the small fry, prices began to rise and are back to where they were — if not higher".

Before the rand's collapse in 1985, the domestic fleet was the money-spinner which subsidised foreign flights. For some years now the tables have been turned and SAA as a company will look to making domestic flights profitable — which means an increase in fares.

Last year SAA lost R15-million on its domestic operations because of Government controls on fares.

SAA chief executive Gert van der Veer says fares will have to go up this year, but he will not say by how much.

Sunday Times 25/2/90

244

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blankets and food stuffs to busi-
make life a bit easier for them



Rise in milk price slammed on all fronts

By LULAMA LUTI

(244) ~~25/2/90~~

THE price of milk went up this week by 13 cents a litre - putting it almost out of reach for many an ordinary worker

And following the increase, announced earlier this week by the Dairy Board, the National Black Consumer Union (NBCU) has called on all consumers to protest against the rise by using substitute products

In a statement, NBCU demanded justification from the Board and said the increases could not have come at a worse time, when consumers were still recovering from increases late last year

NBCU president Nonia Ramphomane said milk was one of the basic foodstuffs for many township families and without it they would find it difficult to survive

Trade union organisations expressed outrage, saying more people were going to suffer

South African Domestic Workers' Union (Sadwu) spokesman Margaret Nhlapho said domestic workers earned a meagre wage and would be hardest hit

Many mothers depended on milk products to feed their children and now would have to dig even deeper into their pockets

Nactu spokesman Cunningham Ngcukana said the increase in the prices of basic foodstuffs would necessitate increases in wage claims

He dismissed Reserve Bank Governor Dr Chris Stals' call for consumers to tighten their belts while the government paid its foreign debts

"He is actually telling our people to starve while his salary is a huge one. Those in the low-income group will definitely suffer as the increase is going to affect all milk products"

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SAA MAY HIKE FARES BY UP TO 20%

By ROGER MAKINGS

HIGH-FLYING South Africans will come to earth with a bump as air fares rocket by up to 20 percent this year.

The planned deregulation of domestic routes — as well as the rusty rand — can be blamed for the looming price hikes.

Last year, SAA's domestic operation lost R15-million — mainly because the Government prevented his airline from putting up prices in line with international market-related fares.

When SAA increased its fares by 13 percent in December last year there was a public outcry.

Letters to the editor pooched, figures published in the Sunday Times showing that SAA was cheaper than many major overseas airlines. Most readers insisted that rands could not be compared with dollars because of exchange rates.

But ignored was the fact that SAA pays in dollars for its aircraft, spares and fuel.

The chief executive of SAA, Mr Gert van der Veer, is on record as saying that fares will have to increase this year, but declined to say by how much.

Speculation, however, puts the hike, which will be staggered, at 20 percent, providing the Government doesn't interfere and insist that increases remain below the rate of

inflation — about 16 percent. Mr Van der Veer said this week "It has always been SAA's aim to keep its fare structures as low as possible, something that has been done successfully."

Passengers will not get advance warning of increases.

Last December, SAA did not give prior warning of a hike in fares, saying this was in line with private company practice.

See Page 4 Business Times

By PETER FABRICIUS, Political Staff

POST and telephone rental increases are likely to be announced today when the Post Office budget is presented to parliament by the Minister of Mineral and Energy Affairs and Public Enterprises, Dr Dawie de Villiers

He is expected to announce that post on standard letters will rise from 18 cents to 20 cents or more and telephone rent will increase from R18 to just over R20

However, the increases are likely to remain under the inflation rate of 15 to 16 percent

No increases are expected in telephone call tariffs, it is understood

Record budget

The Post Office budget is expected to be a record R8 billion-plus. Dr De Villiers is likely to argue that the main reason for the increase is to finance the 10 percent pay increase for public servants announced on Friday

He is also expected to provide information about the progress which has been made to privatise the Posts and Telecommunications Department.

• The Argus Correspondent reports from Pretoria that the second new coin in South Africa's redesigned coinage made its appearance in banks and shops across the country today.

The copper-coloured 5c piece — which follows on last year's appearance of a R2 coin — will soon be accompanied by 1c, 10c, 20c, 50c and R1 coins.

The 1c coin is due to make its appearance in July, the 10c coin in September and the 50c and R1 coins in June next year followed by a 20c coin

Blue crane

The South African Mint in Pretoria said today that 20 million new 5c pieces — emblazoned with the national bird, the blue crane, on one side and the South African coat-of-arms on the other — were already in circulation and that nearly 500 million would be manufactured this year

It is expected that the phasing-out of the existing silver 5c piece will take some years to complete. In the meantime, many of the existing coins are being melted down to form the basis for the controversial new R2 coin

The new 5c coin weighs 4,5g and is round with a diameter of 21mm. It is slightly smaller than the R2 piece

Postage, phone rents likely to rise

~~20c~~
20c
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An increase in price of oil is on the cards

AN INCREASE in the price of crude oil is likely during the course of the next 12 months, and this could force up the cost of petrol.

The price increase will be in response to hardening international demand for crude, coupled with a decline in oil production in the Eastern Bloc.

Central Energy Fund (Cef) GM Kobus van Zyl says oil demand in non-socialist economies is expected to reach 53,6-million barrels a day this year — representing an increase of 1,3m b/d, or 2,5%.

Demand

Last year saw demand in these countries increase by 2,8%.

At the same time, commercial on-land stocks in the Organisation for Economic Co-operation & Development (OECD) is at a 15-year low of 320Mt — sufficient for 65 days forward consumption.

Emergency stocks in the OECD are at 28 days forward consumption, amounting to 137Mt.

"These levels are consid-

ered dangerously low and a stock build of 500 000 b/d is expected in 1990," Van Zyl says.

The past five years have seen demand in the Western World rise from 48,8-million b/d in 1985 to a projected 53,6-million b/d in 1990.

Supply from non-Opec sources holds firm at 28,8-million b/d — an overall increase of only 0,3 b/d during that period. This supply is expected to remain stable at around 29-million b/d for the next two to three years, but will fall off by 1995.

On the other hand, the Opec supply has increased steadily from 17,5-million b/d in 1985 to a projected 25,3-million b/d this year.

Soviet oil production in 1988 was 12,6-million b/d, but it declined in 1989 and is expected to drop further this year.

Production in Eastern Europe has also declined significantly, from 400 000 b/d in 1984 to 352 000 b/d last year.

As a result, exports from the USSR have declined

from the fourth quarter of 1989 to the first quarter of this year. Exports to the OECD dropped from 1,85-million b/d to 1,60m b/d, while those to Eastern Europe fell by more than a third from 1,54-million b/d to 1,00-million b/d.

To counteract this trend, Opec exports to Eastern Europe rose from 375 000 b/d in 1987 to 750 000m b/d last year, and they are expected to reach 1 990m b/d this year.

Forecast

Demand by Opec countries is forecast to reach 23,4-million b/d this year.

"Opec will supply an annual increase in world oil demand of 1,0 to 1,5-million b/d. Its supply will increase to 25-million b/d in 1992," says Van Zyl.

"In response to the rising demand for oil, Opec will raise its \$18 price objective to \$20 within the next 12 months — but in the meantime there is some doubt as to whether Opec has the ability to finance the required expansion in capacity."

An increase in price of oil is on the cards

AN INCREASE in the price of crude oil is likely during the course of the next 12 months, and this could force up the cost of petrol.

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Production in Eastern Europe has also declined significantly, from 400 000 b/d in 1984 to 352 000 b/d last year.

As a result, exports from the USSR have declined

from the fourth quarter of 1989 to the first quarter of this year. Exports to the OECD dropped from 1,85-million b/d to 1,60m b/d, while those to Eastern Europe fell by more than a third from 1,54-million b/d to 1,00-million b/d.

To counteract this trend, Opec exports to Eastern Europe rose from 375 000 b/d in 1987 to 750 000m b/d last year, and they are expected to reach 1 990m b/d this year.

Forecast

Demand by Opec countries is forecast to reach 23,4-million b/d this year

"Opec will supply an annual increase in world oil demand of 1,0 to 1,5-million b/d. Its supply will increase to 25-million b/d in 1992," says Van Zyl.

"In response to the rising demand for oil, Opec will raise its \$18 price objective to \$20 within the next 12 months — but in the meantime there is some doubt as to whether Opec has the ability to finance the required expansion in capacity."

Electricity costs more in Durban

INDUSTRIAL and commercial electricity users in Durban have experienced the biggest jump in electricity costs since Eskom's price increase in January.

The other major centres all managed to keep their increases below the 14% set by Eskom, with Johannesburg's electricity price increasing by only 7%.

In Port Elizabeth an increase of 8% was levied and in Pretoria it was 13%, while Cape Town suffered an 11,5% increase in October last year.

According to National Utility Services (NUS), an international organisation which provides an energy cost analysis service, figures indicate that commercial and industrial companies almost invariably failed to use the most beneficial rate available to them.

NUS MD Peter Cornelius says:

"We estimate over 80% of local industry and commerce is paying more for its purchased energy than it should."

"Scores of different tariffs, variants and rebates — many of them confidential — are used in this country, and published tariffs are subject to interpretation by the staff of the suppliers."

B/day 26/1/90

Increases will put SA consumers among highest of payers

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THE local cost of electrical power is among the lowest in the Western world, but inflation is eroding this advantage and at the present rate of increases SA will shortly begin overtaking other nations

Marketing director of National Utility Services (NUS) Peter Cornelius says local price increases far exceed average world rates of increase

"Unless we bring costs under control we will eventually rank among the countries with the most expensive electricity in the world," he says

"The net power cost in SA as at the first billing of 1990 is 9,13c/kWh, based on a 1 000kVA, 450 000kWh customer-owned transformer. It shows that SA is still the cheapest generator of power among 14 countries we survey

"But if increases hold at above 10% to 12% a year for the next five years, SA power costs will at least double, which would put it

in the middle of the power cost league as it stands at present

"Within a decade, local power costs could compound to close to 30c/kWh"

The cost of power from Eskom has increased by at least 10% annually for the past five years

In 1987 it increased by 20%, in December 1988 price hikes amounted to 12,5%, and in January this year it went up a further 14%

Comparison

By comparison, during 1988, the UK and Australia recorded increases of 6,83% and 5,98% respectively, and the 11 other countries recorded showed even more conservative increases, while the Netherlands experienced a decrease

NUS specialises in the use of tariff analysis to enable its clients in commerce and industry to maximise their energy savings. It operates in 80 countries, servicing 750 000 business

establishments worldwide

The company conducts an annual international survey of electricity prices based on prices paid by its clients.

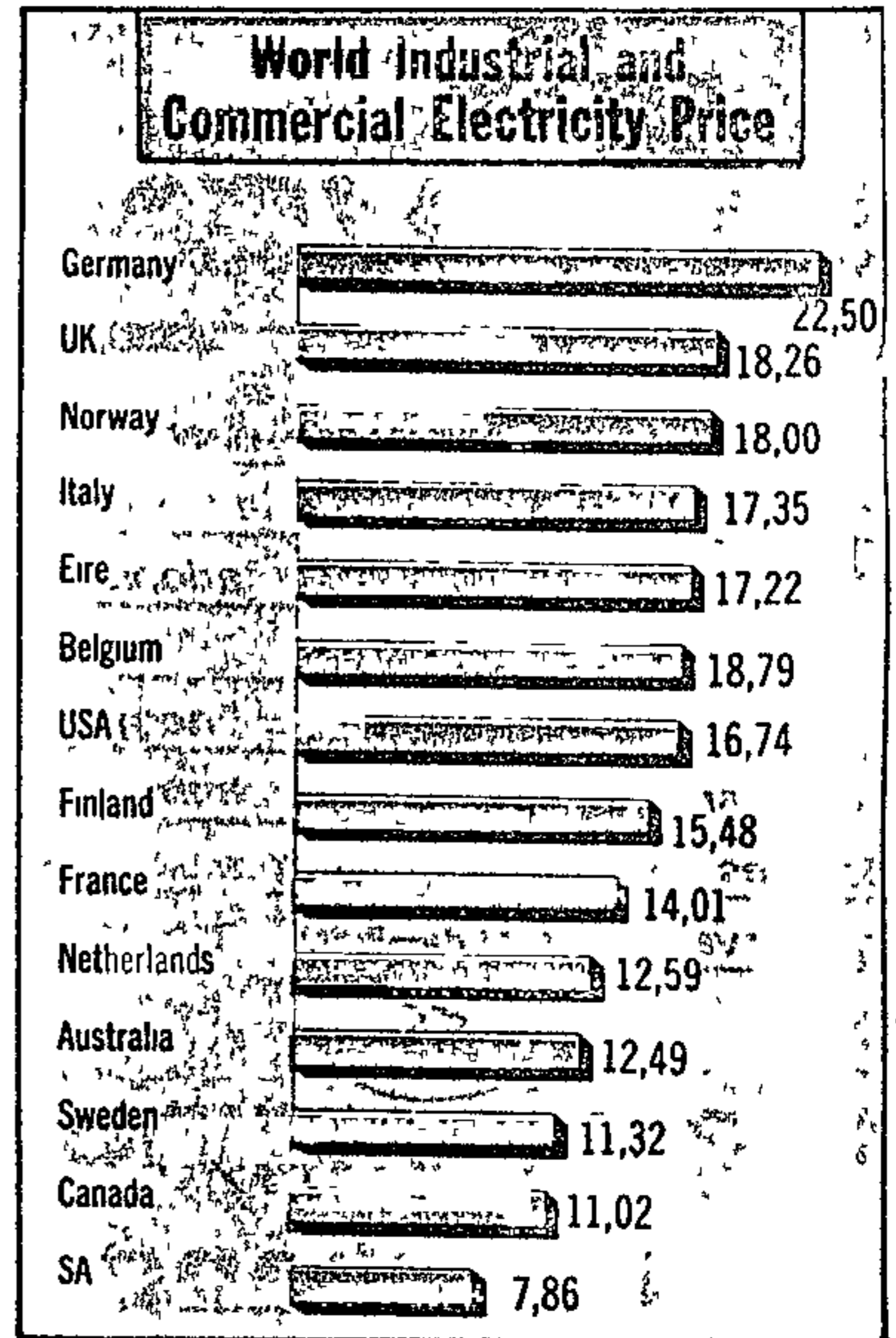
1989 was the second consecutive year that the cost of power in major South African centres formed part of the NUS study, which is published locally in July and is recognised internationally as the authoritative reference work on power cost trends.

Cornelius says SA must completely rethink its attitudes towards power consumption.

"South Africans tend to be profligate with their power consumption."

"This will change drastically, spurring heavy demand for methods and equipment which reduce consumption of electricity, or research into the viability of alternative energy sources."

In the meantime, he says, SA's electricity costs are acting as a hidden trade



barrier, putting it at a competitive disadvantage in world markets.

He criticises Eskom for having estimated power consumption "off-take," which has forced it to put a significant proportion of its

power station construction programme in mothballs

Resurrecting the programme would ultimately be more costly, he says, while in the meantime unproductive assets are lying idle

Value of building plans passed increases by 18%

GERALD REILLY

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PRETORIA — The value of building plans passed last year increased by 18,6% from 1988 to R9,150bn, Central Statistical Service (CSS) said yesterday.

Plans for houses and flats decreased by 4,5% to R3,806bn.

But there was a huge increase in the value of non-residential building plans — by 74% to R2,834bn.

Additions and alteration plans were valued at R2,510bn, an increase of 19,5%.

And buildings completed were up by 27,1% to R5,237bn.

In this category residential buildings valued at R2,314bn — an increase of 13,2% — were completed.

And in another release CSS found in October last year unemployment measured by the "expanded definition" reached 859 000 — a rate of 12,5%.

And by end-October the black population had risen to 21,3-million with 6,7-million being economically active.

In the PWV area where 23% of blacks live, the unemployed rate decreased from 13,6% in September to 12,8% in October.

International air fares rise by up to 6%

SAA's international fares are to increase on April 1 by between 5% and 6%, SAA spokesman Francois Louw said yesterday.

SAA will also introduce a new three-tier system on April 1 to determine international promotion package fares — the existing low and high seasons and a new "shoulder" season.

Louw said there would have to be increases in domestic fares this year but details had not yet been determined. Further international fare increases could also not be ruled out.

Louw said the decisions were taken at

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ANDREW GILL

an International Air Transport Authority (IATA) conference in October.

Normal fares will rise by 5%. The high season fare will go up by 6% while the low season fare will not change.

The basic economy class fare from Johannesburg to London will rise from R5 694 return to R5 979, for example.

Louw said the length of the high season could decrease from its present eight months to about five or six months.

13/04/90 27/2/90

Post Office rates go up

THE Minister of Mineral and Energy Affairs and Public Enterprises, Dr Dawie de Villiers, yesterday announced a wide range of Post Office tariff increases.

De Villiers announced the following changes:

* Monthly telephone rentals up by R3 to R21 for automatic exchanges and R22 for party lines;

* Handling cost of telegrams from R3,50 to R4, the word rate from 13 to 15 c for ordinary and from 26 to 30c for urgent telegrams;

* Inland standardised mail, surface and air, from 18c to 21c;

* Inland non-standardised letters (to 100g) from 30c to 35c

SAPA

(surface) and 40c to 45c (air); (244)

* Parcels (up to 100g) similarly increase from R1,30 and R1,35 to R1,45 and R1,50;

* Rebates on bulk posting reduced from 20 percent for 10 000 to 20 percent for 5 000 pre-sorted dispatches;

* Registration of postal articles from R1 to R1,20 with compulsory

● To page 2

Tariffs up

● From page 1

registration increased from R2 to R2,40 and

* Private post bag rentals go up from R24 a year to R28.

The monthly rentals of a single telephone service to social pensioners and pensioners whose income did not exceed a social pension, would remain unchanged.

The reduced installation and transfer charges applicable to social pensioners would now also apply to any pensioners whose income did not exceed that of a social pensioner.

These announcements were made in the Minister's record R8 088,5 million budget for the 1990/91 financial year.

Hikes in post and telephone tariffs

CAPE TOWN — Tariff hikes of 16,7% for posting letters and for telephone rentals were the main features of the R8bn Post Office budget tabled by Public Enterprises Minister Dawie de Villiers in Parliament yesterday

De Villiers said he expected the Post Office to record an operating profit of R280m in the coming financial year.

The Post Office will be looking to raise R1,2bn on capital markets to finance capital projects and to pay back an expected R500m in savings withdrawals after the phasing out of tax-free benefits

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MIKE ROBERTSON

After tariff hikes which come into effect from April 1 — including the raising of telephone rentals by R3 to R21 and the cost of posting a standard letter by 3c to 21c — the Post Office is expecting a gross operating surplus of R512,5m.

Provision for loan redemptions (R155m), an increase in standard stock capital (R63m) and costs of developing satellite systems (R14,8m), will reduce this to R280m.

De Villiers said the Post Office had

8104 27/2/90
made good progress in reducing its ratio of debt to capital employed from 121,45 in 1987/88 to 104,04 in 1988/89 and 0,96 in the current financial year

A senior Post Office official said the ratio should come down to 0,90 at the end of the 1990/91 financial year

He said the total Post Office debt had increased from R6,4bn in 1988/89 to an expected R6,6bn at the end of this financial year

Actual debt, after deducting savings bank funds invested, was R5,5bn at the end

□ To Page 2

PO tariff hikes

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of 1988/89 It was expected to be R5,9bn at the end of this financial year

Capital employed, which stood at R5,3bn at the end of 1988/89, was expected to rise to R6,2bn at the end of the current financial year 8104 27/2/90.

The spokesman said the Post Office expected to finance 71% of its expected R1,634bn capital expenditure in the coming year from internal sources

In his budget speech, De Villiers said telephone call charges were to remain the same. But, the new system which measured the duration of local calls, already implemented in the PWV area and Natal, would be in operation countrywide by the end of 1991

Other increases announced by De Villiers included a 50c hike to R4 in the hand-

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□ From Page 1
ling cost for telegrams and a 2c increase to 15c per word for telegrams

Postage on a 1kg parcel, posted surface mail, would be increased to R2,10. The cost of posting the same-sized parcel air mail would be increased by 25c to R2,75

For pensioners, he said, telephone rental charges would remain the same.

□ EDWARD WEST reports the overall approach to the running of postal and telecommunication affairs was welcomed by the National Consultative Committee of Post Office Affairs (NCCPA)

In a statement yesterday, it said the phasing out of cross-subsidisation and the adoption of a cost related tariff structure was a pragmatic step in that direction.

● See Page 6

More PO price rises on the way

CMT limit 77/2/90

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Political Staff

THE Minister of Public Enterprises, Dr Dawie de Villiers, presented the Post Office budget yesterday, with a wide range of tariff increases — and more are in the pipeline.

He was presenting a record R8-billion budget. Increases generally range between 14,3% and 16,7%, with the postage on a standard letter rising from 18c to 21c and telephone rentals from R18 to R21 a month. Telegram and parcel tariffs will also increase from April 1.

The sole good news is that no increase in the metered call rate is planned because of the switch to the new system in terms of which the duration of calls will be measured.

There is some good news for pensioners who receive a maximum of R267 a month, as their telephone rentals will remain R18 a month. In addition their installation and transfer fees of R25 will be extended to other pensioners.

Dr De Villiers stressed that the tariff adjustments had been limited to the "absolute minimum" and would apply only to unprofitable services.

The effect of the adjustments on the inflation rate would be 0,07%. Dr De Villiers singled out 'postal operations as the area in which more tariff increases could be expected, although a task force was now undertaking an extensive strategy study of

PO increases

- Telephone rentals up from R18 to R21 a month.
- Handling charges per telegram up from R3,50 to R4.
- Inland telegrams: Tariff for first 10 words increased from R1,30 to R1,50 and from 13c to 15c for each additional word.
- Standard letter postage increased from 18c to 21c.
- Non-standard letters. A range of hikes from 5c to 80c per item.
- Parcels: Increases varying from 15c to R1,45.
- Registered post from R1 to R1,20.
- Express delivery from R2,50 to R3.
- Priority mail from R2,25 to R2,75.
- Private post rental from R24 to R28

these operations. He said two factors contributed to postal losses.

- Many tariffs were insufficient to compensate for the expenditure incurred.
- The services rendered were labour-intensive.

Dr De Villiers said efforts were being made to increase revenue through aggressive marketing.

Presenting a budget making provision for expenditure of R7,2bn and an operating surplus of R387m, Dr De Villiers said the proposals in the budget were based on expected continued growth.

He said the political reforms in progress created a "spirit of optimism here and abroad" which could lead to a new era for South Africa.

This would definitely result in the strengthening of the country's trade relations abroad and undoubtedly stimulate the economy, he said.

Experience had taught that an upswing in the economy had a "multiplier effect" on the demand for especially telecommunications services.

Dr De Villiers said operating expenditure was estimated at R8,008,5bn, 12% more than the current financial year, while tariff revenue was estimated at R6,3bn53,2 million, about 6,3% more than the current financial year.

● More reports — Page 5

Local air fares could jump 20%

ANDREW GILL

DOMESTIC air fares are expected to increase by 20% this year, travel industry members said yesterday. This is in addition to increases of 26% last year.

Williamsworld Travel MD Bob Williams said rumours were rife that a hefty 20% hike could be expected over the year.

SAA spokesman Robert Quail said increases could be expected some time this year, but no specific information was available at this stage.

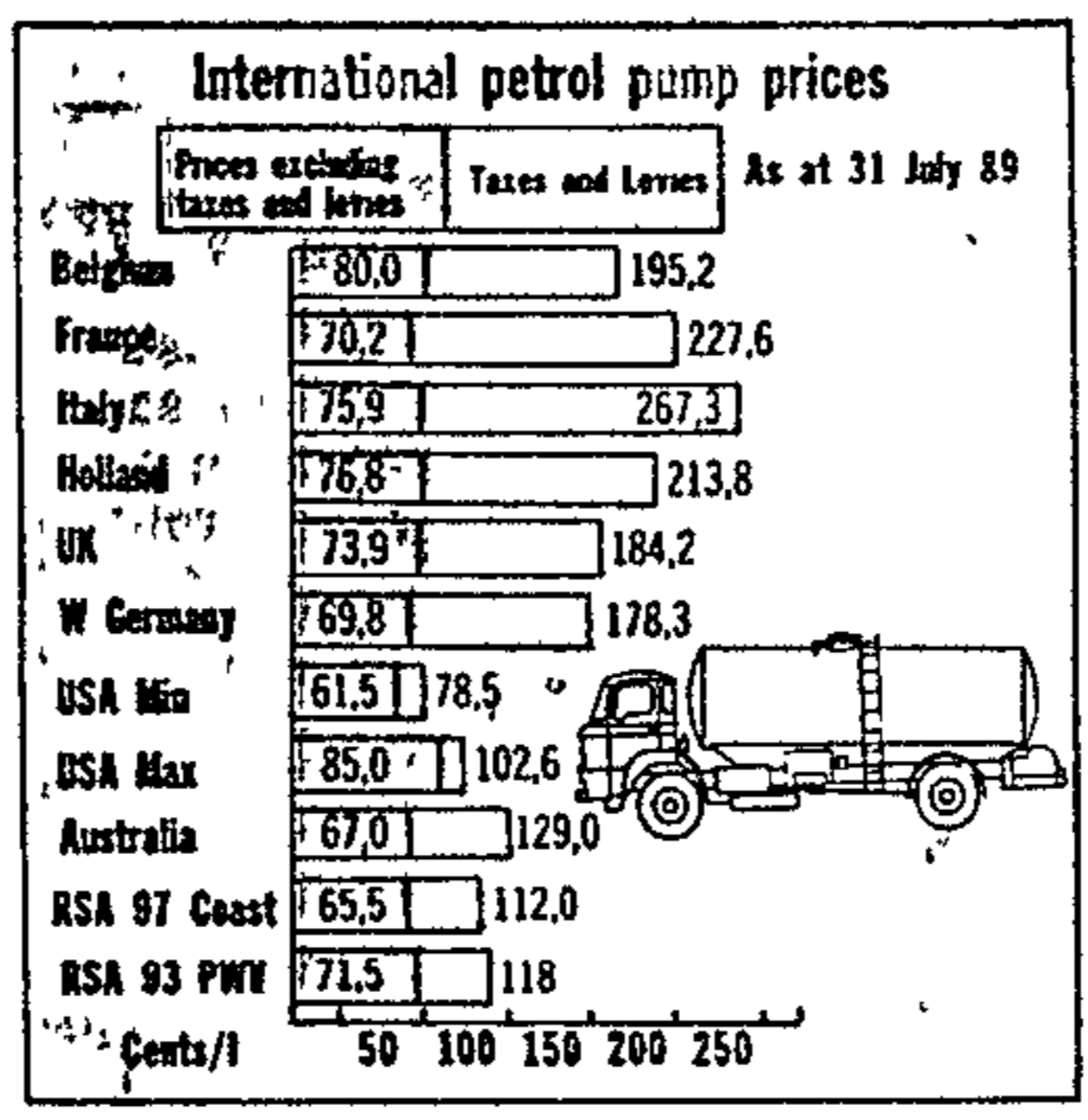
In February last year increases of be-

tween 8% and 13% were announced, followed by a 13% rise in December

If the 20% rise is implemented, the present R610 economy class return fare from Johannesburg to Cape Town will rise to R732. (244) (260)

Williams said SAA's domestic service was due to be privatised soon and this could be a factor in fare increases.

06/12/81
10/12/81
11/12/81



More protection for synfuels industry

ZILLA EFRAT (244)

GOVERNMENT has implemented a new framework for the protection of the local synfuels industry which will provide it with greater stability. *B/Dom 28/2/90*

According to Sasol, a new protection tariff will limit the influence of some uncertainties experienced in the volatile international crude oil market in which the SA industry competes on a price basis with imported refined products.

At February's ruling prices, the new protection amounted to 7,8c/l — a protection rate of about 17,5% — compared to the 6c/l which had applied since January 1988

After considering several approaches, government decided on the floor price framework which had been successfully applied in other import replacement indus-

□ To Page 2

Synfuels *B/Dom 28/2/90*

tries
Sasol says a crude oil floor price of \$23 a barrel has been set which compares favourably with the current crude oil price around \$22 a barrel. Based on a formula, the protection level per litre will be adjusted regularly with this floor price as a reference

An account will also be kept of the cumulative difference between ruling crude oil prices and the floor price. When prices

(244) □ From Page 1

exceed \$28,7 a barrel, 25% of the additional income above this price will be used to redeem the accumulated protection.

As a result, when the oil prices rise above \$28,7 a barrel, the effective marginal tax rate of the on synfuels will rise to 62,5% until the accumulated protection has been redeemed.

Sasol says the new framework is fair to the industry and the consumer.

Hot potatoes

The positive effect of the stronger rand on inflation has again been offset by higher food prices. In January, most impetus came from vegetables, which increased a massive 12,8% in the month (47,8% in the past year). Food, on average, rose by 1,8% in the month (14,9%), while the increase in total CPI was 1,4% (15,1%). Annualised, the monthly figures represent increases of 153,6%, 21,6% and 16,8% respectively.

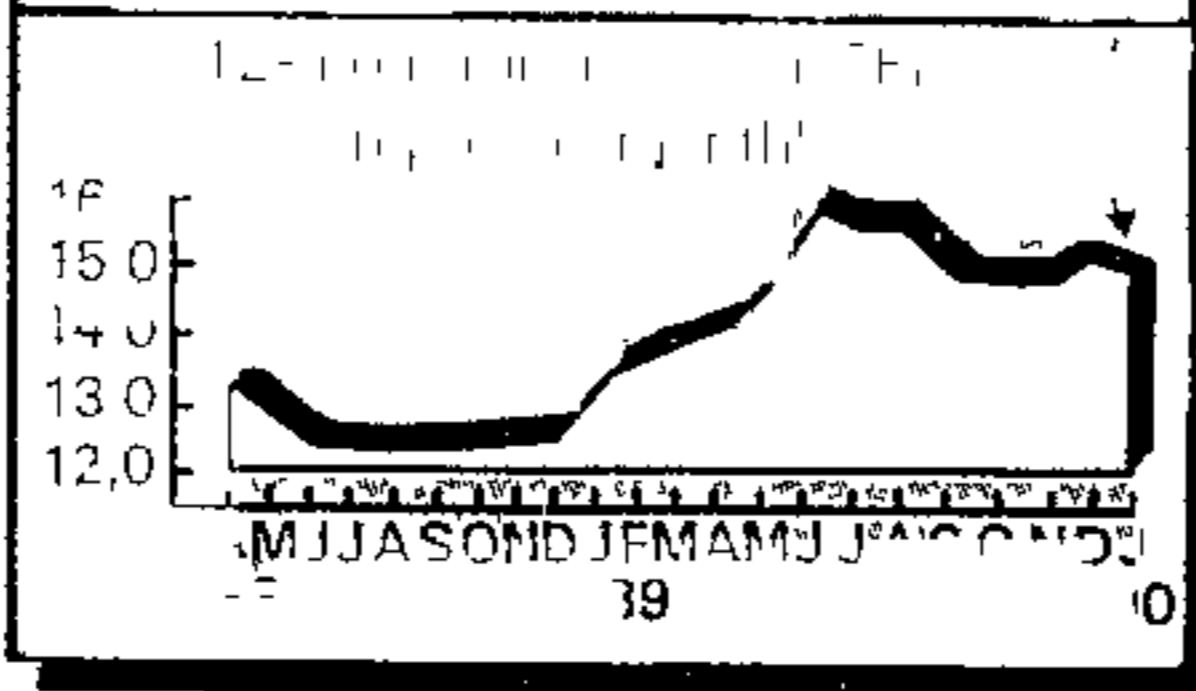
A Department of Agriculture spokesman blames high vegetable prices on rain and hail damage to crops in the Lowveld — the main vegetable growing area.

Old Mutual's Ursula Maritz says there has been a distinct trend toward higher food prices — in the past seven months these increased at an annualised 21,4%, while the previous six months saw a rise of only 7,6%.

Econometrix economist Tony Twine expects food to continue to put upward pressure on CPI after the bad summer.

Some food prices fell. Fruits and nuts slid 4,1% in the month (though still up 28,1% from a year ago). Seafood, fish, eggs and

Edging down



dairy product prices also fell slightly with some other categories showing lower than average increases.

Department of Agriculture provisional figures show the average price of vegetables at all markets in January was R609,63/t, compared with December's R571,04/t. Fruit averaged R853/t (December R908,29/t).

Red meat, which has the heaviest weighting of any product category, moderated the upward trend in overall food prices with a modest increase of 5,9% over the past 12 months. January prices, however, were up 1,4% from December, which translates to an annualised rise of almost 17%.

Nevertheless, Standard Bank chief economist Nico Czipionka believes red meat prices are unlikely to jump as they did last year. Competition from white meat and con-

tinuing downward pressure on red meat's market share should keep prices in check.

Czipionka maintains that, despite the recent acceleration in food prices, overall inflation should slow down gradually from the second half of the year. He estimates the average 1990 inflation rate will be 14%.

He is not surprised that inflation has not slowed yet. "The economy is cooling down only slowly. In any case, inflation tends to recede only some time after the business cycle peaks."

The strengthening rand has partially offset rising food prices, and kept CPI fairly stable, but the three income categories have been affected differently. Moderate price increases of imported durables have been a bonus to the upper-income group.

The lower-income group (where food has a weight of 35,27%, compared to 26,87% and 16,26% for the middle- and higher-income groups) has borne the brunt of food price increases. This group saw food prices increase by 16,2%, compared to 14,4% and 14,2% for the other two groups.

After food, the biggest increase was in medical care and health expenses, which rose 10,6% in the month — and 21,4% since January 1989. Other large increases were fuel and power (7,2%), household services (2,5%), personal care products (2,1%) and footwear (1,6%).

□ In December, annual inflation was 15,3% and monthly 1,3% ■

**Bread price
rise mooted**

244 GERALD REILL

PRETORIA — At least R300m will have to be set aside in next week's Budget if Cabinet has decided to maintain this year's bread price in the new financial year, according to sources here.

However, government is committed to phasing out food subsidies and the bread price is likely to be raised from April, or at the latest mid-year.

Rise in price of butter expected this month

Star 8/3/90 By Monica Nicolson

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Consumers must brace themselves for yet another increase as the butter price goes up between eight and 13 percent later this month

Retailers have blamed the increase on the Dairy Board's abolition of 75 percent of the butter subsidy last year. Shop managers expect the remaining 25 percent subsidy to be dropped in the near future.

Checkers group managing director, Mr Sergio Martinengo, said Checkers would sell butter at the current price — R7,38 kg — as long as current stocks lasted "to alleviate the burden".

NCD spokesman, Mr N Pieterse, refused to comment on whether the co-op had increased the wholesale price. "It's a private matter between the dairy and the retailers. Our prices are confidential."

"What's important is not what we charge, but what the shops sell for," he said.

Consumer bodies reacted with anger at the butter price rise.

"We are appalled at the increase," said Housewives League spokeswoman Ms Sheila Lord.

"If butter is too expensive, leave it on the shelf. It is a luxury, not a necessity. Use margarine, it is an easy substitute," she said.

Mrs Ina Wilken, of the Consumer Council, said the increase in the price of butter was inevitable with the recent "outrageous" milk price increase.

No one from the Dairy Board was available for comment.

Car price rises below inflation forecast

By Michael Chester

Increases in the price tags on new motor vehicles over the next 12 months look likely to be held to an average between 12 and 14 percent, according to forecasts by the National Association of Automobile Manufacturers.

This is a sharp slowdown compared with recent annual trends

On the basis of a 15 percent climb in the overall consumer

price index, it is the first time in years that vehicle price increases promise to stay below the general inflation rate

Much still depends on relatively stable rand exchange rates, whose weakness from the mid-1980s was blamed as the main cause behind big surges in prices because of the impact on the cost of imported components

Naamsa executive director Nico Vermeulen believes motor companies relying on shipments

from Japan should be better placed than manufacturers of German models to hold down price levels as a result of an improved rand exchange rate against the yen

However, the big motor assembly plants have yet again trimmed down their forecasts of sales volumes for new passenger cars over the next three years

First projections of a 1990 sales total of 211 700 — down from 221 342 last year — have

now been sliced to 210 600. Forecasts of sales in 1991 and 1992 have taken even deeper cuts

But predicted sales of light goods vehicles in 1990 — no doubt benefiting from the demand for more and more minibuses used as black taxis — have been lifted from 110 500 to 114 000, going on to 116 500 next year.

Projected sales of medium commercial vehicles have been lifted from 4 800 to 4 900 for 1990, but the total for next year has been whittled down from 5 100 to 5 000.

Measures to cool off the economy, in the form of conservative fiscal and stringent monetary policies, continue to cloud new vehicle sales, particularly new passenger car sales, says Mr Vermeulen

"Business conditions throughout the industry will probably prove difficult during the first half of 1990," he adds

"However, as interest rates decline during the latter part of the year sales of motor vehicles and parts and accessories are expected to improve gradually."

Benefits from Aurochs deal lift Noristan's profits

By Ann Crotty
Pharmaceutical and health care group, Noristan, has reported a 24 percent rise in earnings per share on a 40 percent hike in turnover in the six months to December

Turnover was up to R38,6 million (R27,6 million) and earnings were 6,8c (5,5c) a share on an enlarged share base.

The Aurochs acquisition involved the issue of 10,5 million "A" ordinary shares — previously there had been 42 million ordinary shares in issue.

The earnings improvement was helped by the

acquisition of the 87,3 percent controlling stake in Aurochs, which had been FSI's property company. The deal was effective from July.

The major benefit from Aurochs was the R1,1 million interest income it received in the six months. This set off Noristan's interest payments and left the group with R971 000 in interest income.

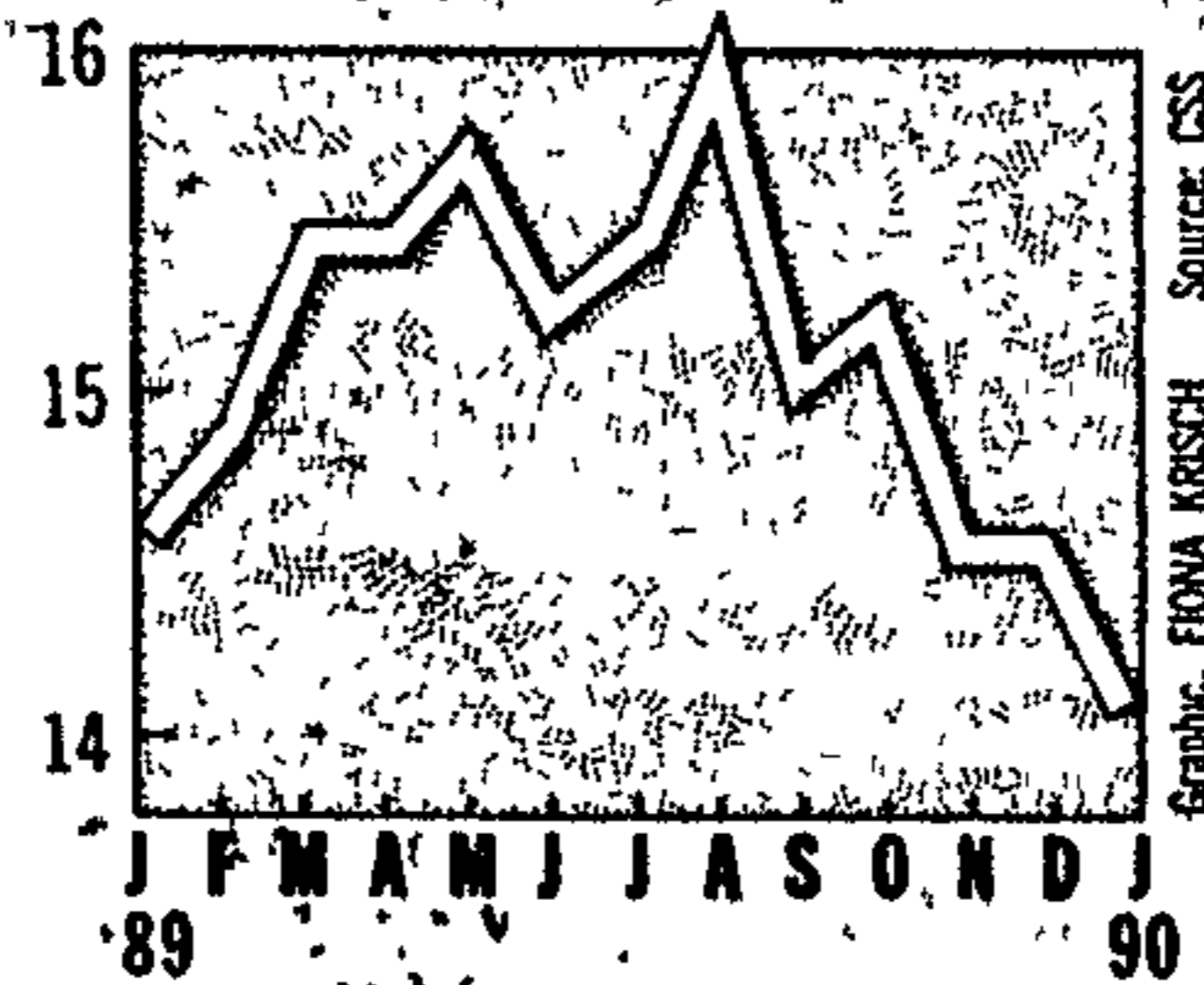
If the R1,1 million is stripped out, earnings per share for Noristan (without Aurochs and on the pre-deal share base of 42 million shares) would have been 6,1c — an increase of 11 percent on the previous year. The deal helped improve gearing down from 11 percent to seven percent. Net asset value rose from 93c to 102c a share.

On the operational front, the interim results show that there has been a significant squeeze on margins — down from 13,36 percent to 10,8 percent.

Noristan MD Dr. Hugo Snyckers says that in view of the investments in people and markets made in the six months, the 13 percent increase in operating profit is considered satisfactory.

Producer price index

% change year-on-year



Caution over better PPI figures

NEIL YORKE SMITH

THE annual rate of increase in the producer price index (PPI) for January was 14,1%, 0,5 percentage points lower than the corresponding rate for December (14,6%).

Central Statistical Service (CSS) figures released yesterday showed PPI for January was 0,9% higher than in December.

The annual rate of increase for locally produced commodities for SA consumption was 14%. This was 0,5 percentage points lower than the rate for December (14,5%).

The annual rate of increase for imported commodities was 14,4%, which is 0,3 percentage points lower than the corresponding rate of 14,7% for the previous month.

TrustBank economist Nick Barnardt said the lower rate of increase confirmed views that inflation was on a downward trend. But this was largely dependent on the maintained strength of the rand.

Econometrix economist Azar Jammine said the lower rate of increase seemed positive. "However, despite good appearances, I remain sceptical about the extent to which improved PPI figures are the forerunner of a dramatic decline in the inflation rate," he said.

This was because growth in money supply in SA was far higher than in the US and major European nations. Thus, the rand would weaken against world currencies.

The index rose to 188,8. This means it now costs R188,80 to purchase the same producer goods purchased for R100 in 1985.

Bread may go up 6c

15/3/90

Political Correspondent

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CAPE TOWN — The bread price is likely to rise by about six cents in April, following a R55 million cut in the subsidy to the wheat industry announced in yesterday's Budget.

Agriculture Minister Mr Jakob de Villiers would not confirm any details today, but said some increase would probably be unavoidable because of the cut in subsidy from R115 million to R60 million.

He said he would be issuing a statement soon on the bread price, relating it to Government investigations into the possibility of a direct bread subsidy to the poor.

The Government has already stated its intention of phasing out the subsidy and replacing it with direct aid to the poor.

Beer, spirits, tobacco all up

Sowetan 15/3/90

BEER, spirits and tobacco products would all be subject to "modest" increases in customs and excise duties, the Minister of Finance, Mr Barend du Plessis, said yesterday in his Budget speech

Beer (excluding sorghum beer) would go up by about one cent a 375 ml bottle, spirits such as whisky, brandy and gin by about one cent a tot or 25,2c a 750 ml bottle, cigarettes by two cents for 10 cigarettes and cigarette tobacco by two cents for 50g

Pipe tobacco and cigars would go up by 20c a kg and fortified and sparkling wines by 1,8c a bottle

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The increased duties would provide an estimated additional revenue of R145 million in 1990/91

~~244~~

He said in his Budget review, an expansion of the speech, that the increase on beer represented less than one percent of the retail price and that

on spirits less than two percent

The retail price of fortified and sparkling wines would be affected minimally - by less than half a percent

The increase for tobacco products would also raise retail prices minimally

For cigarettes the increase represented a rise of 12 percent in the existing excise rate

Du Plessis said the

Margo Commission and the International Monetary Fund had both recommended that specific rates or excise duty should be adjusted regularly to keep track with increasing prices.

The Margo report had pointed out that in contrast to most industrial countries where excise

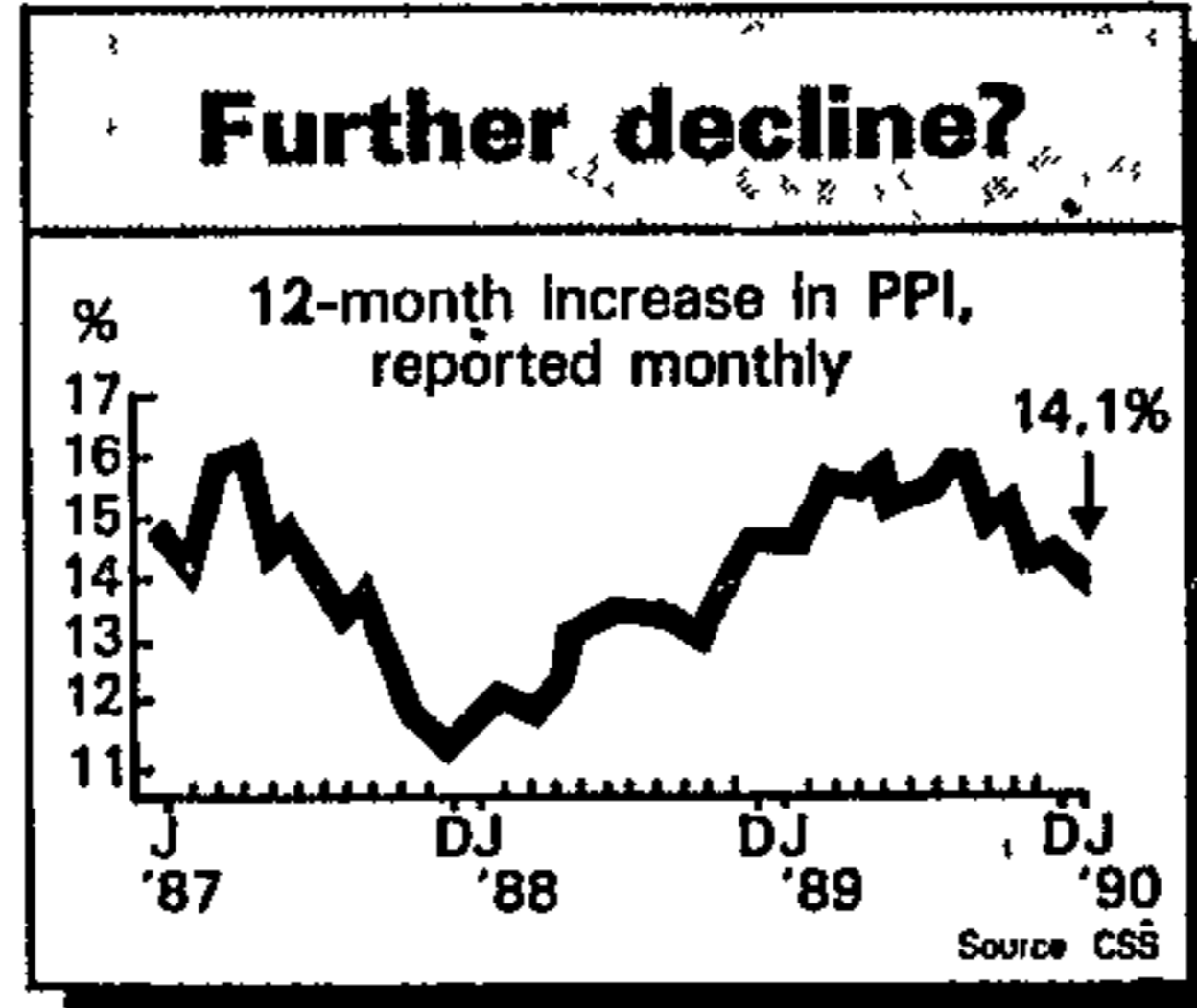
duty was still an important source of revenue, in South Africa's customs union area its contribution to total revenue had shown a downward trend - Sapa

Is it braking? (244)

Economists' views on whether the decline in PPI's annual rate of increase will be sustained depend on how they see the relative importance of growth in money supply. The year-on-year rate for January was down to 14,1% from December's 14,6%. Over the month the index again rose by 0,9% (as in December and November).

The annual rate of increase in import prices was 14,4% (December: 14,7%) and the monthly rate 0,4% (0,3%). The annual increase in local prices was 14% (14,5%) and the monthly rate 1,1% (1%).

Econometrix chief economist Azar Jammine is sceptical about a sustained improve-



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F/M 16/3/90 (244) (244)

<p>ment "PPI is growing more slowly largely because of the rand's recent relative stability. However, with the growth in money supply over the past two years, and large wage increases awarded throughout industry on the basis of this growth, it is likely these increases will be passed on to the consumer."</p> <p>He is also doubtful about the rand's ability to maintain its strength because money supply growth significantly exceeds that of many other countries. "This will eventually be reflected in a depreciating currency," he says.</p> <p>Trust Bank economist Nick Barnardt is more optimistic; he believes money supply growth is a factor but attaches less direct importance to it than other factors.</p> <p>He says import price inflation, which nudged 20% in the first half of last year, has</p>	<p>been declining steadily. "With the recent strength of the rand it could fall during 1990, possibly to 10% in the next six months."</p> <p>The effect of excessive money supply growth on the exchange rate is not always the same. "The exchange rate eased much less during 1988-1989 than in 1984-1985."</p> <p>He points out import surcharges, introduced towards the end of 1988, had an effect in 1989 and contributed to the high PPI early in that year.</p> <p>The declining PPI will benefit CPI, adds Barnardt. "We expect February's to be 15,4%, with a decline to about 13,5% by mid-year and below 13% by year-end, as long as food prices (which are more heavily weighted in the CPI) do not rise sharply."</p> <p>□ Main contributors to January's PPI rise were electricity, gas and water (10,4%), for-</p>	<p>estry products (9,1%), paper, paper products and printing (5,1%), footwear (5%) and wood products (4,4%).</p> <p>Wood, paper and their products and fuel are included quarterly in January, April, July and October. SA pine (14,8%), crushed stone (14,5%) and clear laminated glass (8,8%) recorded big rises. Petrol prices fell at the coast (1,5%) and on the Reef, (1,4%) as did transformer oil (4,2%), food and other agricultural products, coal and fresh meat. ■</p>
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Milk costs more from Monday

Staff Reporter

CAPE dairies have announced milk price increases of between eight and 10% from Monday.

Dairybelle's general manager for the Western Cape, Mr Jan Kotze, said he expected the increase to average 12c a litre while Cape Co-op Dairies general manager Mr Phil Du Plessis estimated a 9½% increase

CAPE Dairy 17/3/80 200
Homestead Independent Dairies managing director Mr John Jacobs said he would not fix a price until after his meeting with shareholders next Tuesday, but he expected a 10% increase

Consumers should expect to pay R4 more a month if they use a litre of milk a day — for pensioners this will take 16% from the R25 increase granted to them in

2 milk & Dairy
the budget.

In the past 12 months milk has increased four times, each with price hikes of between 9c and 13c a litre

Housewives League vice-chairman Ms Sheila Baillie said the League had appealed to the State President to bring back price control

Appliances to drop in price after tax cuts

CMM- Typ 17/3/90
244

THE retail price on electrical appliances is expected to "decrease slightly" within the next three months, as a result of the 20% drop in the 60% import tax on electrical components

Dion marketing manager Mr Howard Davidson said it was impossible to work on percentage figures because every product would have different duty costs and product cost structures

"This would only apply to imported products. For instance, the televisions we purchase are manufactured locally, so I do not foresee a change in those prices

"Within two to three months we may see a slight price reduction on video cassette recorders and hi-fi's. But we have to take the inflation rate into account. We are not sure what the rand will be worth in two or three months," said Mr Davidson.

Retailers predict that the decrease in prices could range from 8% to 10% within the next two or three months

Mr Raymond Murray, local director for Pick 'n Pay, said the original 20% decrease would be diminished by "one-third of the particular tax" because it was a pre-import duty and tax cost percentage

"The decrease is positive and naturally if we do benefit from some of the lowered taxes or rebates, we will pass it on to the consumer," said Mr Murray.

Ms Anthea Laughlin, a manager at the National Panasonic industrial division, said they were not affected by the import surcharge reduction because all components they used were made locally

Consumers angry at cut in bread subsidy

CONSUMERS will be hard hit by Finance Minister Barend du Plessis's announcement this week that bread subsidies are to be cut by about R55 million.

The price of bread is expected to increase by six cents. Brown bread will then cost 91 cents and white bread R1,06.

The subsidy cut is in line with a 1988 government announcement that bread subsidies would be phased out over three years.

Azapo deputy president (finance) Peter Cyril Jones

said the price increase would hit the poor hardest. "The announcement of this decrease reflects the condition of the government of the day"

A parent and teacher at the Alexandra Art Centre, Matilda Gasela said "If we can't afford to buy a loaf of bread, how can we be expected to survive? A lot of money is spent on defence instead of subsidising basic necessities."

Nkele Ntingane of Soweto said. "The sad part is the man in the street will be hit hardest"

CSO lifts price of diamonds by 5,5pc

Skw
22/3/90

By Sven Lunsche

244

De Beers' Central Selling Organisation (CSO) has announced a 5,5 percent increase in prices for its rough gem diamonds to take advantage of the extraordinarily strong consumer market for the stones

The increase will take effect from the next sight on Monday

According to a statement by the CSO it will be "concentrated in areas of its assortment, where demand and prices for the corresponding polished stones are strong and where premiums on CSO rough prices are high.

"This is reflected in record exports from the manufacturing centres of Israel and India and imports by consuming countries of polished stones of one carat and below," the CSO says

A heftier price increase had generally been expected, but the current strength of the US dollar, the currency in which the goods are sold, was undoubtedly borne in mind when the CSO settled on the rise and is likely to preclude a further hike later this year.

First two sights

At the first two sights this year the level of sales was far higher than expected, rising by an annual 43 percent in January to \$500 million and by 29 percent in February to \$550 million

CSO prices fell behind those which were fetched on open market transactions, comprising about 20 percent of the world market After the March 1989 15,5 percent price increase dealers had forecast that sales would level off.

But continued strong consumer demand from the Far East, notably Japan, is continuing unabated, despite the weakness in the yen

According to Davis Borkum Hare analyst Gillian Findlay, the rough diamond market over the first two months of the year was particularly strong, "particularly in the two-carat and smaller sizes"

"Polished goods were also tight in the market, with strong upward pressure on prices," she says in a recent release

In anticipation of the price increase, Ms Findlay expects CSO sales this year to rise by 22,5 percent to \$5 billion from last year's depressed level of \$4,086 billion

But she adds that the margin is unlikely to improve from the 1989 level of 28 percent and that the diamond account could subsequently rise to R3,7 billion.

James Capel analyst John Taylor is less optimistic

In the London-based stockbroker's latest *International Mining Review*, he predicts CSO sales of \$4,3 billion and a diamond account of R2,94 billion this year

Inflation declines, but food prices rise

B/Dam 23/3/90

NEIL YORKE SMITH

THE inflation rate is declining, but economists are concerned low income groups are bearing the brunt of price increases.

This was disclosed in interviews yesterday, after the February consumer price index (CPI) figures were released.

The annual rate of increase in the CPI was 14,9% for February, 0,2 percentage points lower than January's 15,1%.

Central Statistical Service (CSS) figures showed the monthly non-seasonally adjusted increase was 0,7% (1,4%).

The annual rate of increase in the indices for lower, middle and higher income groups for February were 15,6%, 14,8% and 14,7% respectively, compared with February last year.

"The overall reduction is welcomed but it is worrying that low income groups are bearing the brunt of high price increases, especially for food products," SA Chamber of Business economist Keith Lockwood said yesterday.

The price index for food was 15,7% higher than for the corresponding period last year. This was the index's largest annual increase since August 1988.

TrustBank economist Nick Barnardt said the lower rate of increase confirmed views that inflation would continue to fall.

"We expect the rate of increase in the CPI to be 13,5% by the middle of the year and 12,5% by year-end," he said.

Barnardt attributed the reduced rate of increase to the relative stability of the rand in recent months.

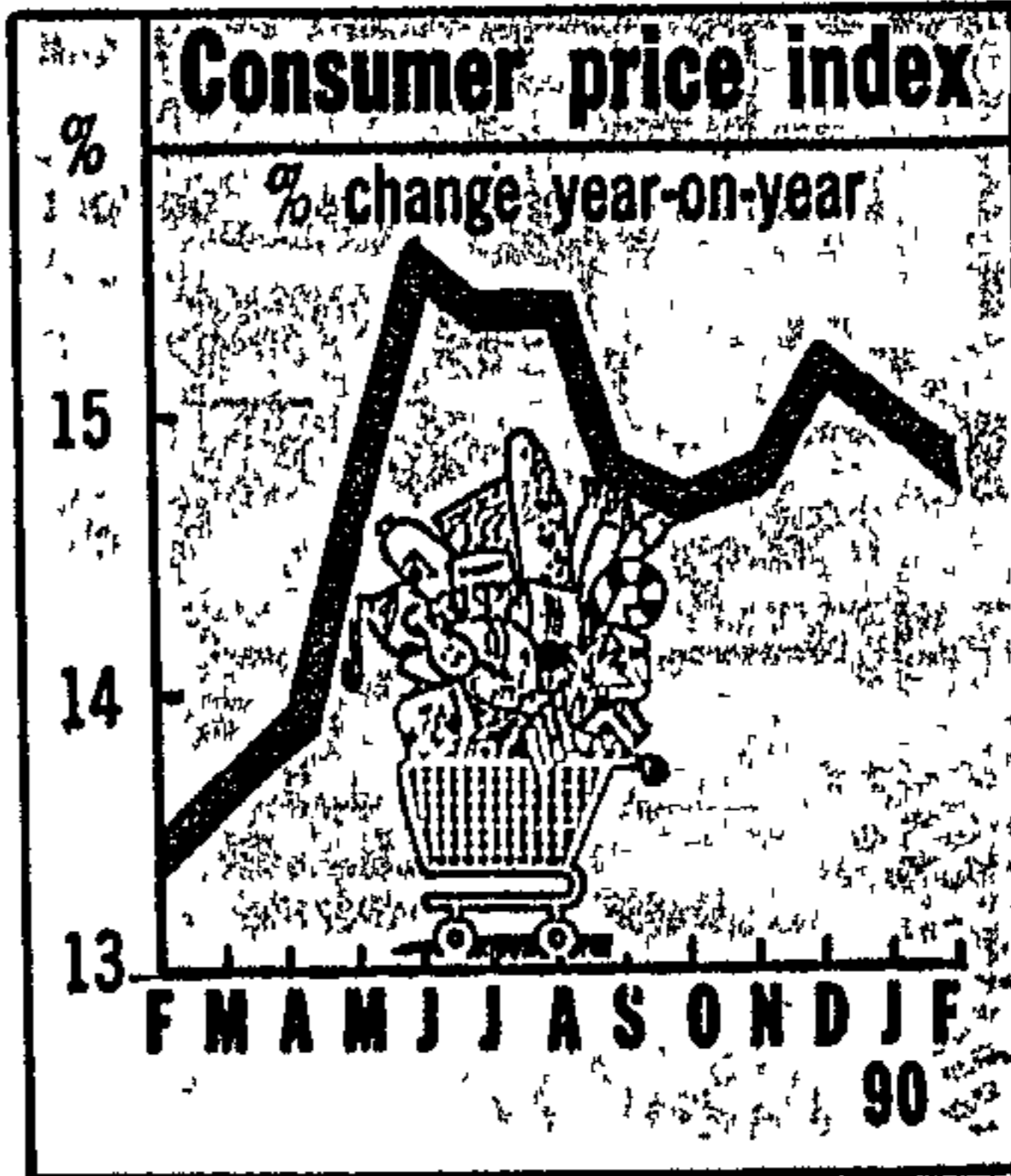
"The rate of increase in the producer price index has been falling recently,

largely because of lower import price inflation," he said.

The largest contribution to the monthly increase came from transport costs. This resulted from higher prices for new vehicles, increased running costs and higher prices for public and hired transport.

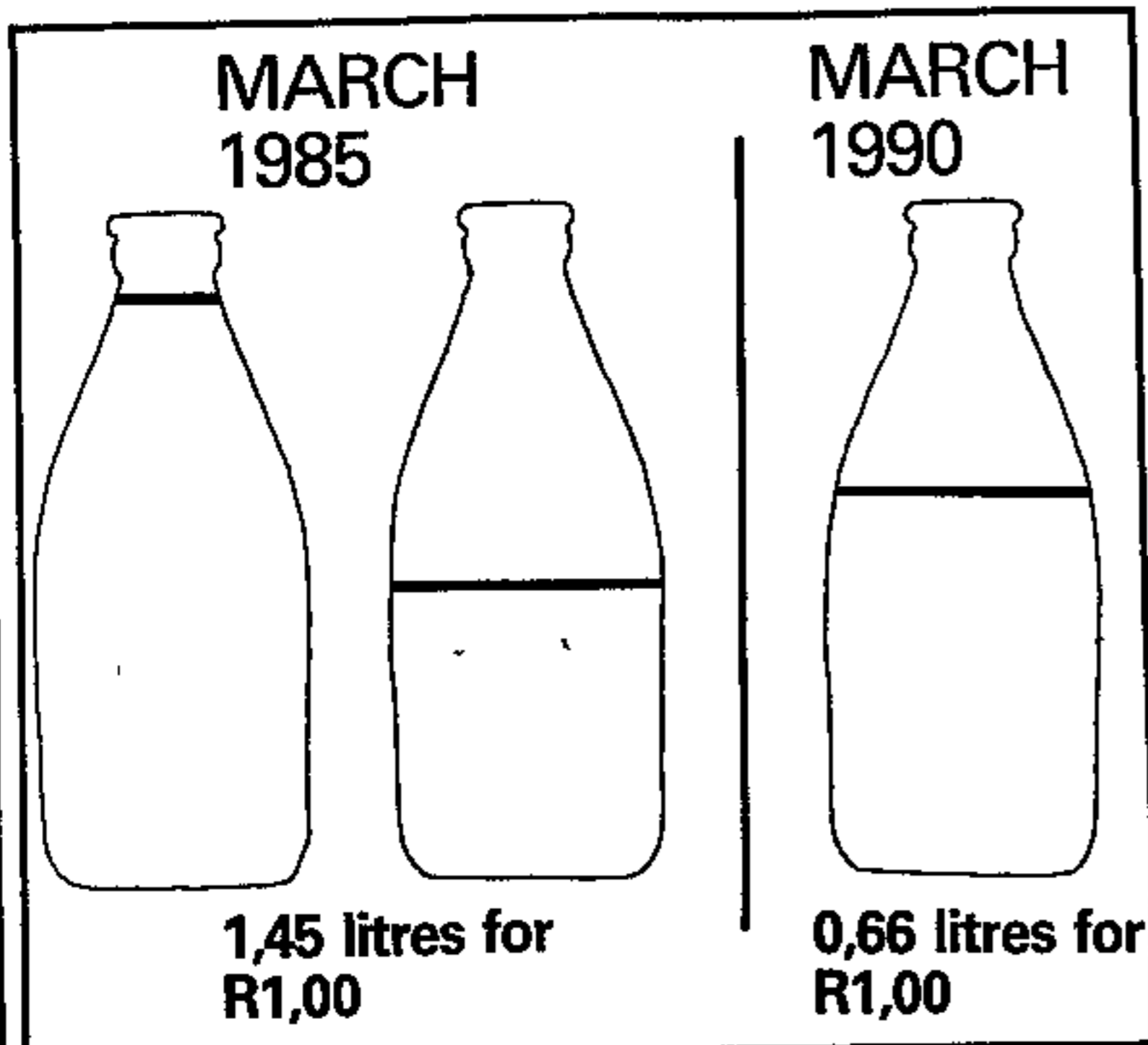
Other large increases were recorded for milk, cheese and eggs (1,7%) and coffee, tea and cocoa (2,2%).

The actual index increased to 193,3, meaning it now costs R193,30 to buy a basket of goods which cost R100 in 1985.



Milk price has doubled in 5 years

Cape Times 24/3/90 (244)
Staff Reporter



DECLINING LEVEL ... The graphic shows how much milk R1 would buy you in 1985 (nearly 1,5ℓ), compared with how much R1 will buy now (a little more than half a litre)

THIS week's 12c a litre increase in the price of milk has made milk more than twice as expensive as it was five years ago

A litre of milk cost 69c in early 1985 but costs R1,48 now — though this varies according to where it is bought

These figures were contested by both a spokesman for the milk industry, who said distributors' milk prices had increased at below the inflation rate, and by Central Statistical Services, which said dairy products had risen 92% in five years

Mrs Sheila Baillie, vice-president of the Housewives' League of SA, said she had recently heard reports of a litre of milk selling for R1,82 in one of Cape Town's townships

She said she believed that when price controls on milk were scrapped in 1983, the price had already been too high

Her organisation had asked the government to re-introduce price control as the price of this basic commod-

ity had risen to beyond the affordability level of many consumers, she said

Mr Jan Kotzé, general manager of Dairybelle in Cape Town, said that before the latest increase milk had been sold at a loss, which had been compensated for by other dairy products

"We regard it as a basic commodity and we don't make a lot of money on it," he said

A dairy industry spokesman in Pretoria said that price controls had forced so many dairy farmers out of business that South Africa had been in danger of becoming a net importer

Mrs Ina Wilken, assistant director of the SA Co-ordinating Consumer Council, said that according to Central Statistical Services dairy produce had increased by 92% in five years, meat 139%, fruit 72% and vegetables 123%

"These increases in the prices of essential foodstuffs are alarming, to say the least," she said "It is sad when consumers have to opt for products of lower nutritional value"

CMT Times (200)

March 28, 1990 3

Bread price to rise 'in two stages'

Own Correspondent

PRETORIA — The first of a two-stage bread price increase this year is expected to be announced by Agriculture Minister Mr Jacob de Villiers before the month end.

The increase is expected to be around six cents a loaf — not enough to avoid a second price hike later in the year, authorities say.

In his budget, Finance Minister Mr Barend du Plessis announced a R55m cut in the bread subsidy to R60m.

In addition the baking and milling industries are to get bigger margins to compensate for increased costs.

Mr De Villiers is expected to announce a scheme to compensate lower-income groups for soaring bread prices.

PO tariffs going up

Tariffs for certain Post Office services will go up from Sunday, the Department of Posts and Telecommunications said in Pretoria yesterday

~~244~~ *Star 29/3/90* **244**
The postage on a standardised letter will rise from 18c to 21c. Postage on a surface mail parcel of 1 kg will rise from R1,90 to R2,10 and on a 1 kg air-mail parcel from R2,50 to R2,75 ~~244~~

The handling fee for a telegram will go up from R3,50 to R4 and the per-word tariff from 13c to 15c. Phone rentals for automatic exchange connections will rise to R21 — Sapa

Higher vehicle licences to net R310m

GERALD REILLY

PRETORIA — The prices of motor vehicle licences are to be raised in the new financial year to generate revenue of at least R310m, it was disclosed here yesterday.

However, a senior Transvaal provincial spokesman said at this stage it was still unclear by how much the fees would be raised or when the new schedule would come into force.

The province has budgeted for an increase of at least R25m over the 1989/90 estimated revenue of R286m.

The increase is expected to be approved at the two-day meeting of the extended committee on provincial affairs next week in Pretoria.

Licence fees were last raised in the Transvaal in 1985. (244)

It is expected fees will also go up in the other provinces.

The province's total budget estimate, also to come before the extended committee meeting, amounts to R4,377bn.

Government's contribution is a huge R3,69bn.

Also provided for in the concept budget is an increase of R30m in totalisstor taxes.

This amounts to a total of R73m.

Bread price set to rise ²⁴⁴

THE Government is expected to announce a bread price increase of about six cents a loaf today, sources have disclosed.

An increase has been imminent ever since Finance Minister Mr Barend du Plessis announced during his Budget speech that the wheat subsidy was to be cut.

The increase is likely to come into effect from Sunday.

There has been some speculation that Agriculture Minister Mr Jakob de Villiers may announce a scheme of direct-aid to the poor to compensate for the withdrawal of the subsidy.

Meanwhile Eskom has announced that it to introduce a new electricity tariff. ²⁴⁴

The Eskom annual report says that the tariff will be graduated with higher rates at peak hours to try to persuade consumers to use more electricity during off-peak periods and thus prevent overloads.

Post, phone rentals ^{ARGUS} 30/3/90 to increase

By SHARON SOROUR
Staff Reporter

IT'S going to cost three cents more to post a letter from Sunday. There will also be an increase in telephone rentals and other postal increases.

Postage on a standard letter will increase from 18c to 21c while telephone rentals for automatic exchange connections will be increased from R18 to R21.

Other increases include postage on surface mail parcels of 1kg which will increase from R1,90 to R2,10 and on airmail parcels which will increase from R2,50 to R2,75.

Registered mail costs will increase from R1 to R1,20.

Telegram fees will increase from R3,50 to R4 and the tariff per word from 13c to 15c.

The monthly rental for partyline telephone services will increase to R22. The call unit charge and telephone installation fee will not increase.

The increases will boost General Post Office income by 4,3 percent.

The increases will allow the GPO to operate with a surplus of R280-million, according to spokesman Mr Ben Rodman.

1/2/90
1/2/90
1/2/90

Bread price goes up

1665
30/3/90
220

By ALAN DUNN
Political Staff

BREAD prices are to rise by five cents a loaf from Monday

The Minister of Agriculture, Mr Jacob de Villiers, said the maximum cost of a white loaf would be R1,05 and brown bread 90 cents

The increases were essential because of a reduction in the bread subsidy from R115 million to R60 million and higher costs in the milling and baking industries

"The government fully realises the phasing out of the bread subsidy will create hardship for some," he said

Mr De Villiers noted that the new prices were maximums "and the suppliers of standard bread may therefore make bread available to the consumer at prices lower than the maximum price"

He said the existing bread subsidy benefited all and not only those for whom it was essential

Phasing out of the subsidy system was considered necessary

Existing government relief programmes had been expanded in the present budget to benefit those who really needed aid

The government was looking at further strategies to develop alternative ways of assistance which would deal more effectively with poverty.

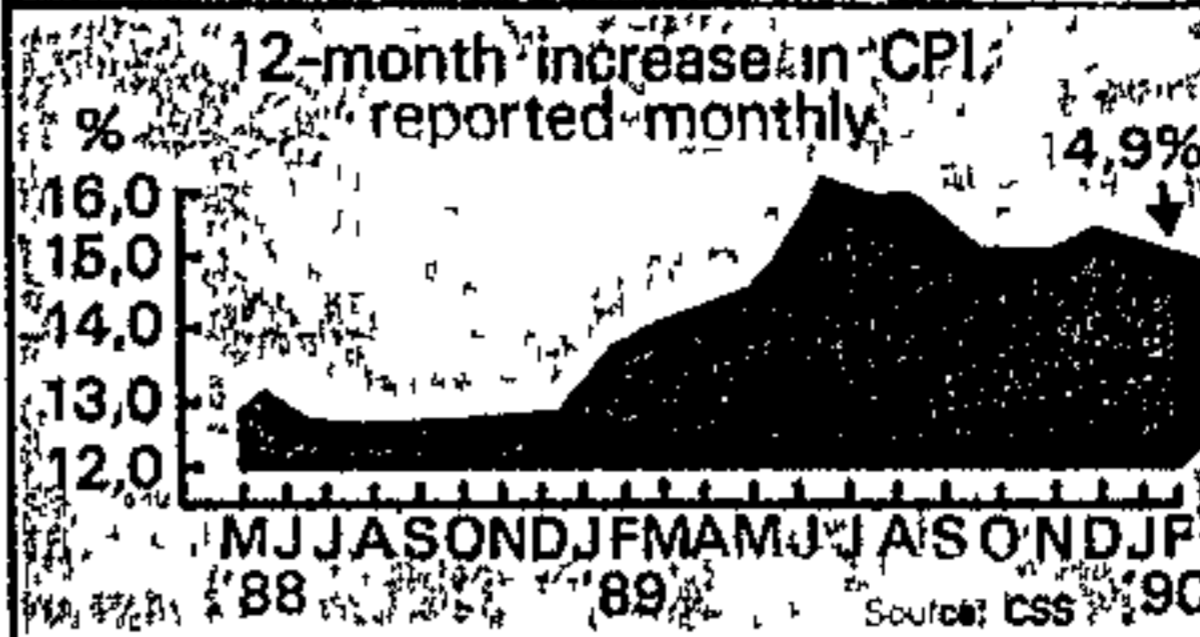
The Democratic Party called the increases "undesirable"

The DP's spokesman on consumer affairs, Mr Harry Schwarz, said it would create hardship for those in the lower-income groups

FIM 30/3/90



Still slowing



244

in February, May, August and November February's figures include an average 13% rise in rail tariffs Vehicle parts went up an average 5%, repair costs and labour 15% Tyres rose 8,5% for passenger vehicles and 10% for commercial. Toyota is the only manufacturer which did not raise new vehicle prices during the period. Average increases include Delta 13%, Nissan 3%, Mercedes-Benz 5%, Honda 4%-4,5% on November 15; in December BMW was up 3,1% and Volkswagen 2,5%.

Year-on-year growth in food CPI is increasing, largely because it is being measured against "a subdued base" in 1989, says Econometrix's Tony Twine In the 12 months to February food climbed 15,7%, January 14,9% and December 14,7% But monthly food price inflation declined from 2,6% in December and 1,8% in January to only 0,2% in February.

Despite this trend, says Twine, longer-term impetus will be up the rate of increase in underlying production costs for agricultural produce in general, and food in particular, have not slowed as much as retail prices, for two reasons:

- Good crop volumes in the 1988-1989 summer; and
- Higher interest rates which made the holding of livestock more expensive and encouraged farmers to destock. The resulting oversupply softened red meat prices

The supply situation has changed and will contribute to a faster rise in the food index Food, at an annual 15,7%, is outstripping overall CPI inflation (see graph)

"As food makes up nearly a quarter of overall CPI, this must cause concern to those who expected inflation to ease markedly in 1990," says Twine. "This confirms our long held view that we have not yet shaken off the root causes of inflation, which are largely tied to monetary growth We still have to see the effects of 1988-1989 feed through to CPI — a lag of nearly two years"

CPI FIM 30/3/90



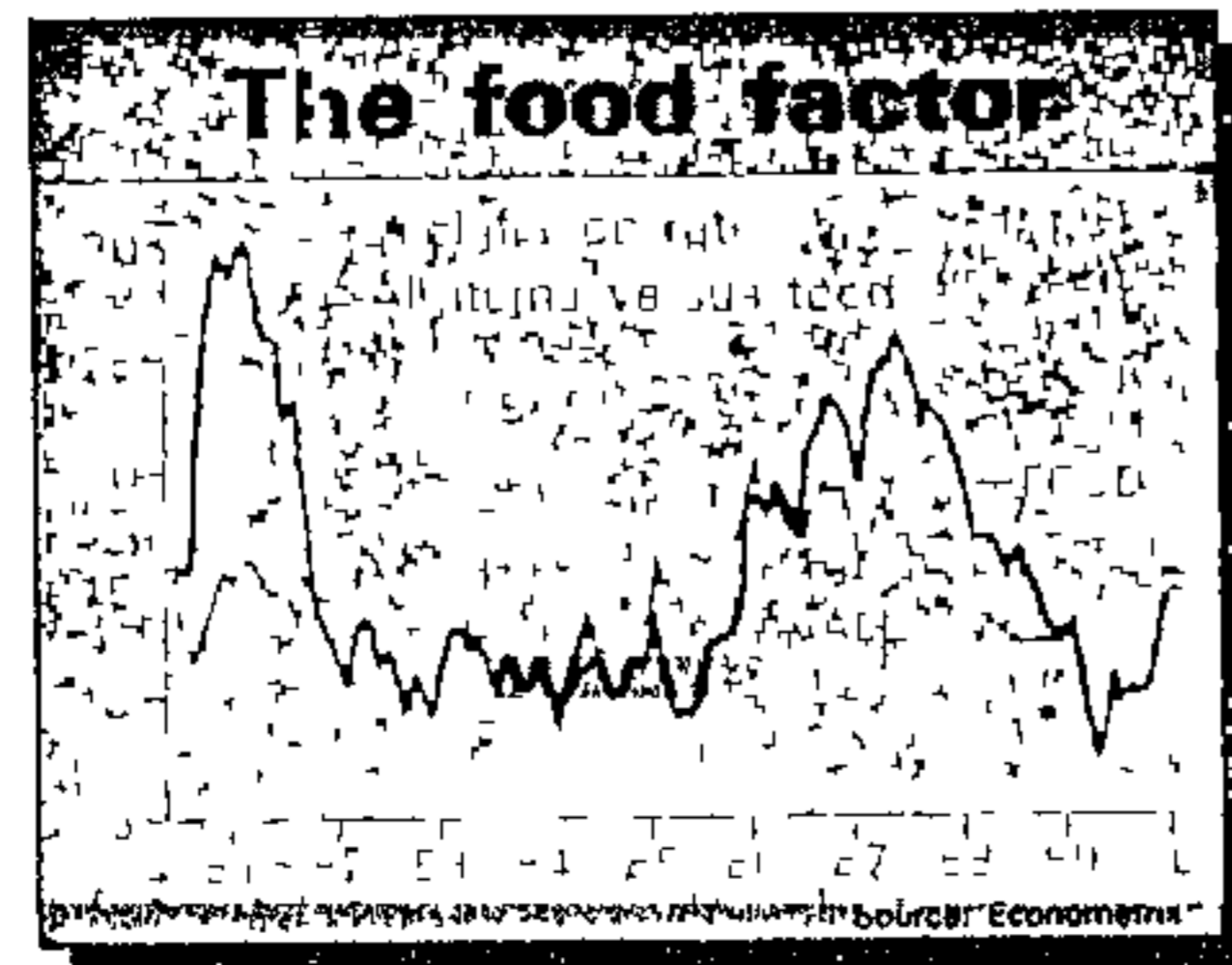
Transport higher

244

February's unadjusted monthly 0,7% rise in CPI was the smallest since June 1988's 0,3% The seasonally adjusted increase is 0,8%; increases over the past four months annualise at 15% seasonally adjusted and 14,1% unadjusted

Year-on-year inflation was 14,9%, down from 15,1% in the 12 months to January.

Transport was, statistically, the largest contributor to the monthly rise. However, it incorporates all increases in the three months to February — new vehicles, running costs and public and hired transport are included



Bread price, postage rates up today

Sowetan 21/4/90
CONSUMERS will from today dig deeper into their pockets following price increases announced by the Wheat Board and the Post Office at the weekend.

The price of white bread has increased from R1 to R1.05, while brown bread goes up from 85c to 90c

The Post Office announced that postage on a standardised letter has been increased from 18c to 21c.

Postage on a surface mail parcel of one kilogram will be increased by 20c to R2,10, and a kilogram of airmail parcel goes up by 25c to R2,75

The registration fee on a mail item will be increased from R1 to R1,20. The handling fee for a telegram will go up from R3,50 to R4

Telephone rentals for automatic exchange connections are to be increased by R3 to R21 a month.

(244)

Petrol may increase by 3c a litre

Cape Times 10/4/90
Own Correspondent

PRETORIA. — A petrol price increase of around three cents a litre is expected to be imposed from May 1, according to motor industry sources.

The cabinet had agreed to postpone the increase, originally expected from April 1, because of Easter school holidays and April's long weekend, the sources said.

The main reasons for the new increase are higher road and rail transport charges, which came into effect from January 1, and the increase of 1,5c a litre in retail margins from December 1 to a total of 10,2c a litre. These hikes have been carried by the Central Energy Fund.

A National Energy Council spokesman yesterday declined to comment, except to say there would be no increase during April.

He said that during December last year oil companies over-recovered to the extent of 0,892c a litre. However, in January this shifted to an under-recovery of 0,221c a litre. Under-recovery increased in February by 1,579c a litre. The March figure was expected to be higher.

Increase in petrol price expected in May

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GERALD REILLY

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... also demanded the immediate resignation of

Doctors yesterday said they were only going to

Coal price goes up

By SY MAKARINGE

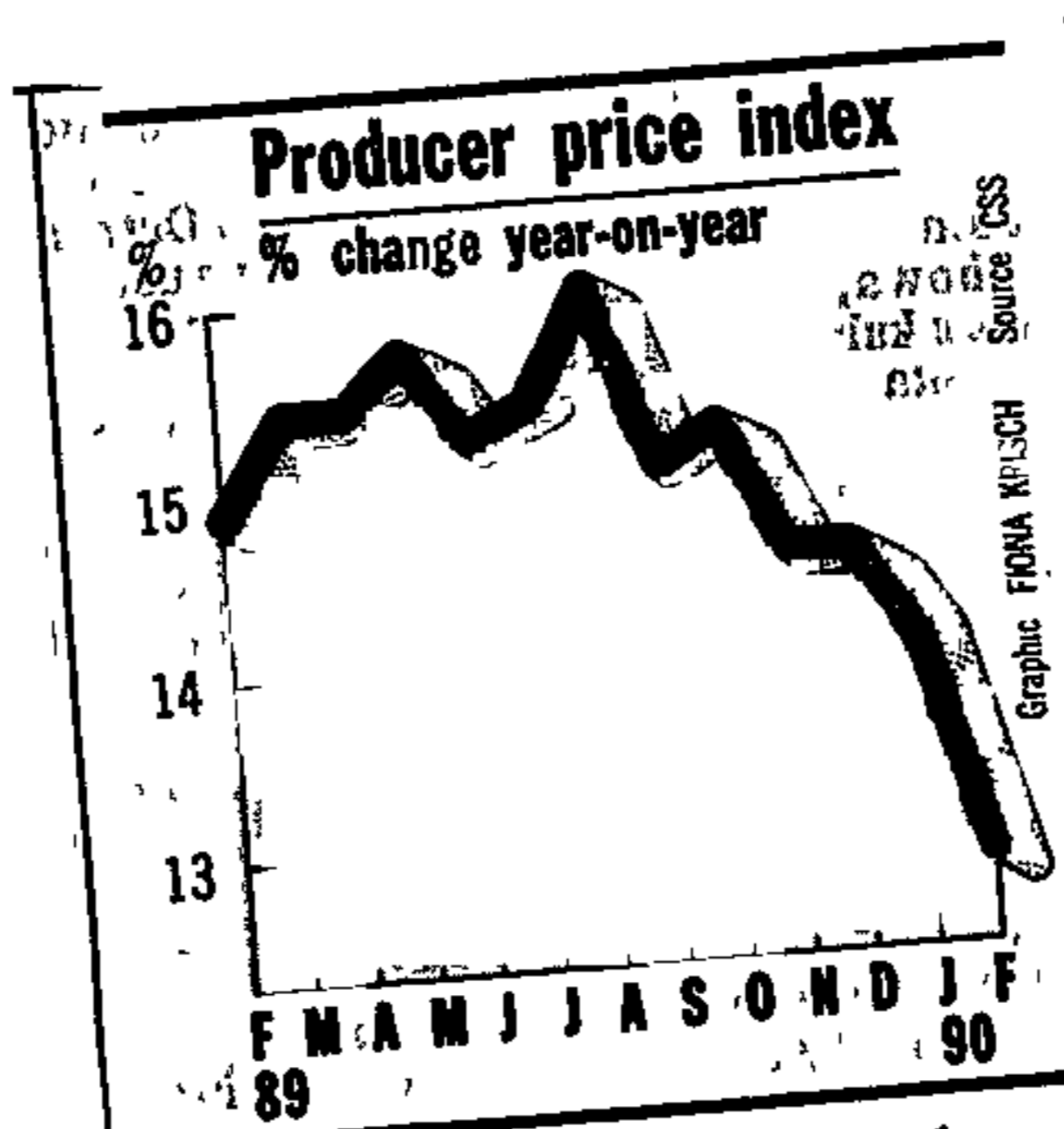
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THE price of coal in the Transvaal has been increased by between 18 and 22 percent as the country braces itself for yet another chilly and wintry season.

A member of the Soweto Coal Merchants association said this week the price was increased from R7 a bag to R9.50 with immediate effect.

Mr N D Kets, managing director of Southern Coal in the Transvaal, said in a letter to all coal merchants in the province that the increase was "in line with inflation pertaining to mining and in particular, to the steep rise in costs of labour, equipment replacement etc." *Sowetan 11/4/90*

The increase affects all black townships in the Transvaal.



PPI increase rate reflects downtrend

810 am
12/4/90 GRETA STEYN (244)

A SHARP drop in the annual rate of increase in the producer price index (PPI) to 12,9% in February from 14,1% in January indicates a downtrend is in place.

The annual rate at which producer prices are rising has registered three declines now after bouncing around above the 15% level. Another sign that upward pressure is subsiding comes from the relatively low month-on-month increases.

For the past four months, the monthly rise in the PPI has been below 1%. The index rose by only 0,8% between January and February (from 188,8 to 190,3). If the index continued to rise at that rate for a full year, the annualised increase would be a relatively low 10%.

The decline in the year-on-year rate in February was partly technical — the low month-on-month increase of 0,8% was

To Page 2

PPI rate

much lower than the corresponding rise between January and February 1989 of 1,8%

Locally produced commodities recorded the lowest monthly increase in five months (0,6%), possibly reflecting the slowdown in the SA economy. Imported commodities saw the highest monthly rise in four months (1,1%).

The continuation of a downtrend in the overall producer inflation rate depends

(244) From Page 1:

largely on the behaviour of the effective exchange rate of the rand. The rate has been stable up to February but weakness because of the lower gold price could restrain the descent of the rate of increase in the PPI.

The encouraging trend on the PPI is already apparent in recent movements in the consumer price index. The rate of change in the CPI has dropped from 15,3% in December to 14,9% in February.

You can't loaf and still eat

WHOEVER thought we would have to pay through our noses for bread - the so-called staff of life?

Well now a loaf of it will set you back half your day's wages if my information is correct

One thing is sure, you will have to keep an eye on the size of your family.

Remember, there are guys with large broods and they have to buy something like two loaves a day to feed the bottomless pits which our kids seem to be.

Then there are the magrizzas who have to buy a basketful of bor-otho to brew what the guys quaintly refer to as Jimmy Smith and the cops arrogantly identify as mbamba

From all this mara-

kalas the only guys who will be laughing all the way to the Land Bank, or wherever farmers hide their maphepha, will be those who have good ploughs, willing labourers, good connections with the Wheat Control Board, the Maize Board, and vote the right way

Indeed, I have yet to see a lean or undernourished farmer

Most of the time you find them with pot bellies, driving brand new bakkies with their hapless employees huddled in the back

Or on Sundays, you can see them when they salve their consciences driving to the kerk in expensive Mercs with their outhouses looking very righteous while the muntus back on the farm wonder where the next plate of mieliepap will come from.



MUSIN'

With Obed Musi

Thinking back to my early days as a young reporter, many was the wealthy farmer I would see and hear howling "Haak Vrystaat" at rugby matches and generally telling the world to go to Hell.

But then they start asking themselves why the Budget speeches from Pretoria seem to

suggest that the country's economy is die moer in, while the darkies whom they tend to abuse don't sing "glory hallelujah" each time they see a mlungu passing by.

The truth of the matter is that not many whites know how blacks live, or if they do they want to believe the nice words they hear on TV or read in some misguided journal.

Let's change the subject a bit and I'll tell you about two men of stature who are as far apart as the good God could make them

First is a very good pal of mine with whom I have spent some hilarious times in the late GR Naidoo's posh home in Sydenham, Durban

He is none other than Ahmed "Kathie" Kathrada who came out with the bo-Madiba, Tata Sisulu and others.

Came the day of that memorable rally at the FNB stadium and he was in full cry.

First he told us that whenever our rulers took something from us they would tag it as a bonsella and blame us for complaining

For example, he said, when they took our homes from us we were told this was in the best interests of all and when they killed our kids in the streets they said they did this in the name of law and order.

So when I saw the other personage in this strange scenario, Gen Herman Stadler of the SAP shedding crocodile tears about the cops weeping about the babies they had to unfortunately kill on their mothers' backs during rallies I could not help remembering Kathie's words

PWV petrol underpriced

1870^{cm}
17/4/90 ZILLA EFRAT

244

53

PWV motorists underpaid for their petrol in March after higher international market prices and a deterioration in the exchange rate increased landed costs, says the National Energy Council.

According to a statement released by the council at the weekend, motorists have been underpaying for their 93-octane petrol since the beginning of the year. They underpaid 3,904c/l in March, 1,579c/l in February and 0,221c/l in January.

However, a council spokesman said yesterday an increase in the petrol price was not expected for at least the next three to four weeks.

The situation would be reviewed once the April figures were known.

Deficits were also recorded in March in the prices of 97- and 87-octane.

However, a lower international market price for diesel cushioned the slight weakening in the rand/dollar exchange rate leading to a lower landed price for diesel.

As a result, motorists underpaid 1,342c/l for diesel in March compared with 2,124c/l in February and 4,570c/l in January.

CMT Text 18/4/90 (244) Ca

GST on medicines not to be scrapped

By BARRY STREEK
Political Staff

THE government was not considering scrapping sales tax on prescribed medicines, the Minister of Finance, Mr Barend du Plessis, said yesterday.

An estimated R120-R135 million was collected in GST last year for the sale of prescribed medicines through pharmacies.

Representations had been made on many occasions for prescribed medicines to be exempted from GST and careful consideration had been given to the matter.

"It is, however, essential, particularly in the case of an indirect tax such as sales tax, for the base to be as wide as possible," he said in reply to questions tabled in the House of Assembly by Mr Mike Ellis (DP, Durban North).

"If an exemption was granted in respect of prescribed medicines, it would not only open the door for exemptions of other equally meritorious cases, but would mean that the loss of tax would have to be recovered by an increase in the rate of tax."

The Pharmaceutical Society of South Africa estimated that the sales of prescribed medicines for last year amounted to R1 040 million — giving a tax of R120-R135 million.

Monday 18/4/90

CPI, office rentals gap 'widening'

THE gap between the consumer price index (CPI) and office rentals which was closing towards the end of last year, now appears to be widening.

Graphs in today's Ampros property exchange show rents have not grown this year at the same rate as in 1989. In fact, they seem to have peaked in the R30/m² to R33/m² gross range.

The cause of this levelling is a fall-off in demand

Confidence

This is due mainly to the fact that government's economic policies are beginning to be effective, with high interest rates for a prolonged period causing a squeeze on business profits.

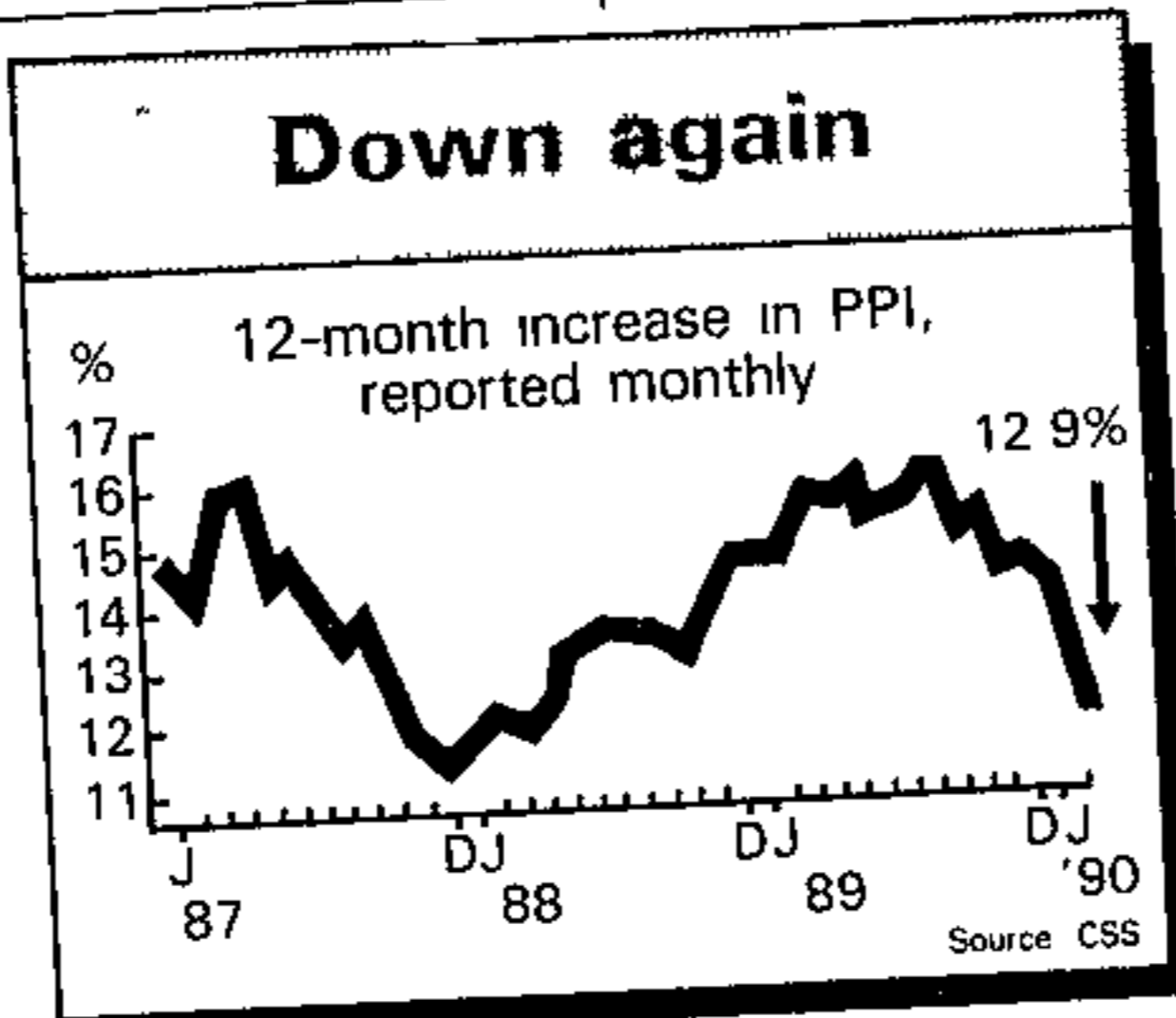
Employment of new white-collar workers has fallen as a consequence. A further cause may be a lack of business confidence, in part resulting from the current political uncertainty and unrest.

Nevertheless, rents have risen ahead of inflation in the past two years, increasing by about 32% in 1988 and about 18% in 1989.

Rental escalations are currently from 12% to 15% a year, compounded.

F/M 20/4/90

244



Calitz agrees "Private and public wages and salaries could rise on average 15% and will place a floor on the inflation rate. Also, interest rates should not drop much." He punts an average 13% CPI this year. But economists expect PPI, which always moves first, to usher in a slower CPI in the coming months before it turns up again.

mist Pieter Calitz "The monthly increase could reflect recent weakness in the rand." Electricity, gas and water, with a 6% weighting, rose 3.4% in the month and transport equipment 2.7%. Bituminous coal decreased 0.9%.

There were relatively large increases in prices of transformer oil (7%), building materials such as sand (8.7%), cement (6.5%) and partitioning materials (7.5%).

Fibrous insulation products rose the most: preformed pipe sections (25.1%), batten board (26.7%), mattress (25.1%) and ceiling insulation (13.4%). According to a glass fibre product manufacturer, there was a general industry increase in price of glass fibre products during January of around 22%, which probably contributed, but with a low weighting this is not significant in the index.

Econometrix economist Tony Twine says domestically produced goods are benefiting now from the stronger rand last year. "However, the weaker rand during March may, in turn, have a lag effect later in the year, influencing imported goods first and filtering through to domestic goods."

"Labour costs seem to be increasing at around 15% rather than 12%. This, combined with increased import prices could drive up PPI again later in the year."

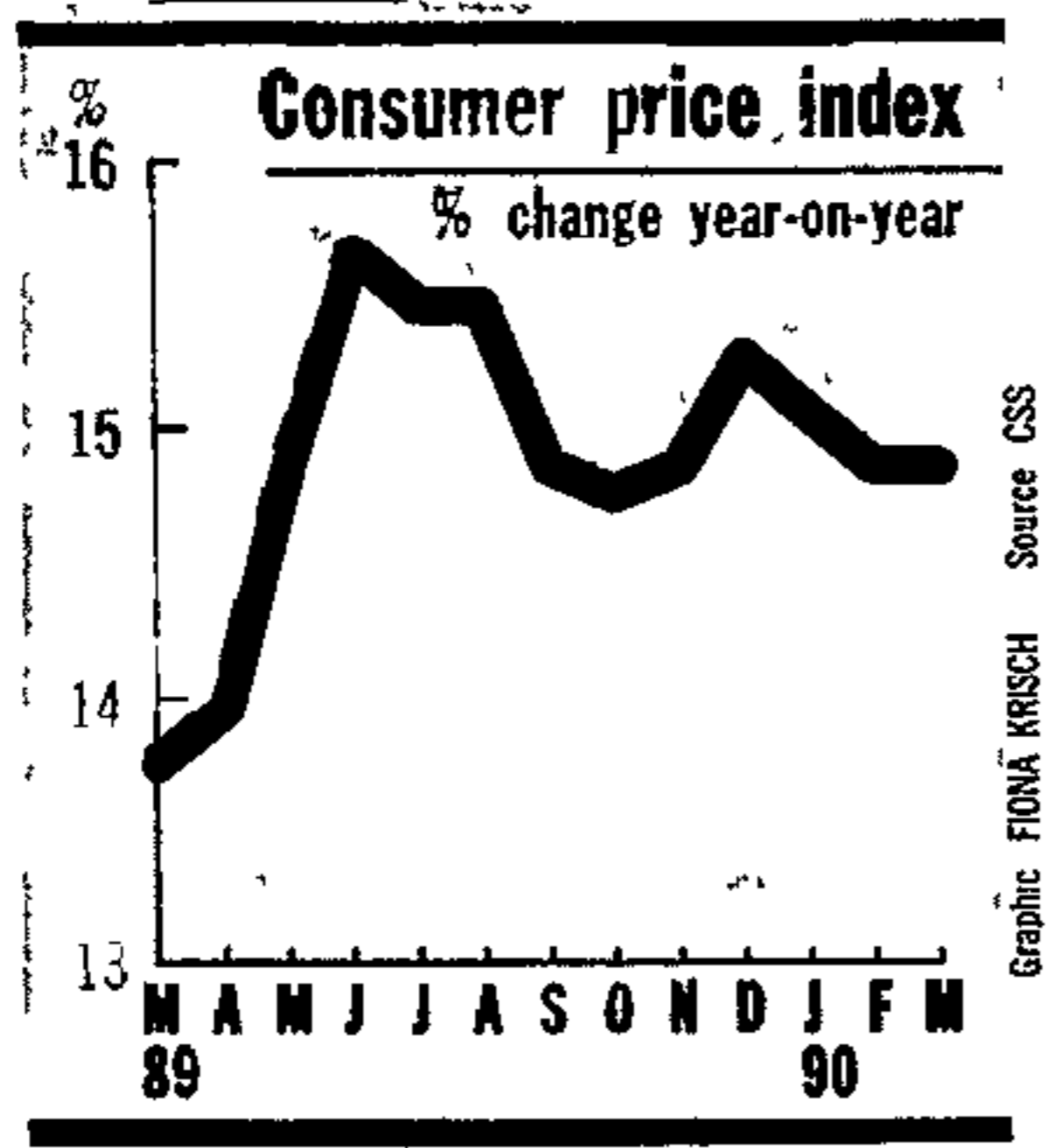
PPI F/M 20/4/90 244

Clearly slowing

The trend of PPI is clearly braking. The year-on-year increase for February fell to 12.9% from January's 14.1%. Over the month, the index rose 0.8%, compared with 0.9% in each of the previous three months.

Standard Bank chief economist Nico Czynionka says the deceleration may be accentuated as companies try to move inventory more quickly — at lower prices.

In February, the annual rate of price increase in imported commodities dropped to 13.3% (January 14.4%) and the monthly rate rose 1.1% (0.4%). Says Sanlam econo-



CPI figures sound a note of caution

8/10/90 NEIL YORKE SMITH *244*

THE seasonally adjusted rate of increase in the consumer price index (CPI) for March was unchanged from the February rate at 14.9%, figures released yesterday by Central Statistical Service (CSS) show.

However, the monthly increase in the CPI was high and injected a note of caution among economists who thought the cycle might have turned.

Contributions to the monthly (non-seasonally adjusted) increase of 1.6%

□ To Page 2

CPI *8/10/90*

(February, 0.7%) came from a wide range of goods and services including furniture and equipment, education and personal care.

Economists were disappointed by the surprisingly high monthly increase, but said the underlying inflation trend remained downwards.

"The monthly rate of increase was higher than expected but we still view the medium term inflation trend as downwards," TrustBank economist Nick Barnardt said.

"Lower rates of increase in the producer price index recently indicate the CPI is likely to continue falling. It should be below 14% by mid-year," he added.

244 □ From Page 1

JCI economist Ronnie Bethlehem said "The high monthly increase is discouraging and out of line with recent figures."

"We will need a much lower monthly increase to see a clear improvement in inflation by the end of year," he said.

The annual rates of increase in the indices for lower, middle and higher income groups for March were 15.9%, 14.9% and 14.6% respectively. The price index for food increased by 15.1% over the corresponding period last year.

Relatively large monthly increases occurred for alcoholic beverages (10.5%), furniture and equipment (7%) and reading matter (4.9%).

(244)
27/11/70
27/11/70

Medicines cost more in SA than in Europe

JOHANNESBURG — Study results released yesterday showed that the price of medicine in South Africa is higher than in most Western European countries

A researcher at the Pretoria College of Pharmacy, Mr David Boyce, said the first phase of the study undertaken in 1988 showed that South African medicine prices were in rand terms 20% higher than in Britain and 70% higher than in Australia, but 41% lower than in America.

Mr Boyce, who was speaking at a pharmaceutical congress here, said that in a comparison with 11 Western European countries and the US, he found that only three of the countries had higher medicine prices than the Republic — Sapa

Maize surplus could earn ^{10cmt} up to R400m

21498 GERALD REILLY

PRETORIA — The maize industry's expected surplus of 1,3-million tons from the current crop could earn the country up to R400m in foreign exchange providing international market conditions remained reasonably stable. ~~10cmt~~

And in a statement here yesterday Maize Board chairman Hennie de Jager said the producer price for the 1989/90 season had been fixed at R265 a ton from May 1 for white and yellow maize — 9,5% higher than the board's delivery price last year (244)

The board's selling price to the trade for white maize would be raised by 5,9% to R393 a ton and yellow by 8,1% to R360 a ton

The actual total crop is estimated at 8,7-million tons and delivery to the board on which prices are based should reach 7,5-million tons. Authorities estimate producers' gross income from deliveries at around R2bn 271490

De Jager said the higher producer price was possible because the export surplus at 1,3-million tons was markedly smaller than last year's 5,5-million tons and the losses and export costs correspondingly lower

Producers would receive smaller supplementary payments B1024

FIM 27/4/90

244

The sharply higher month-on-month rate (seasonally adjusted) also caused some surprise. It was 1,3%, compared with February and January's 0,8%

But Econometrix chief economist Azar Jammine says too much importance should not be attached to monthly changes. A more reliable indicator is the quarterly trend and those looking for good news will find it by comparing the annualised seasonally adjusted 12,8% for the first quarter with 16,9% in the fourth quarter of 1989.

Also a hopeful sign, says Barnardt, "is that PPI is now below 13%, which could give a view of where CPI will be at year-end"

The net effect of these factors, he believes, will be a decline to 12,5% by year-end Rand Merchant Bank's Rudolf Gouws concurs.

Jammine is more pessimistic. He points to rapid wage increases in the public (between 10% and 100%) and private sectors (between

CPI FIM 27/4/90

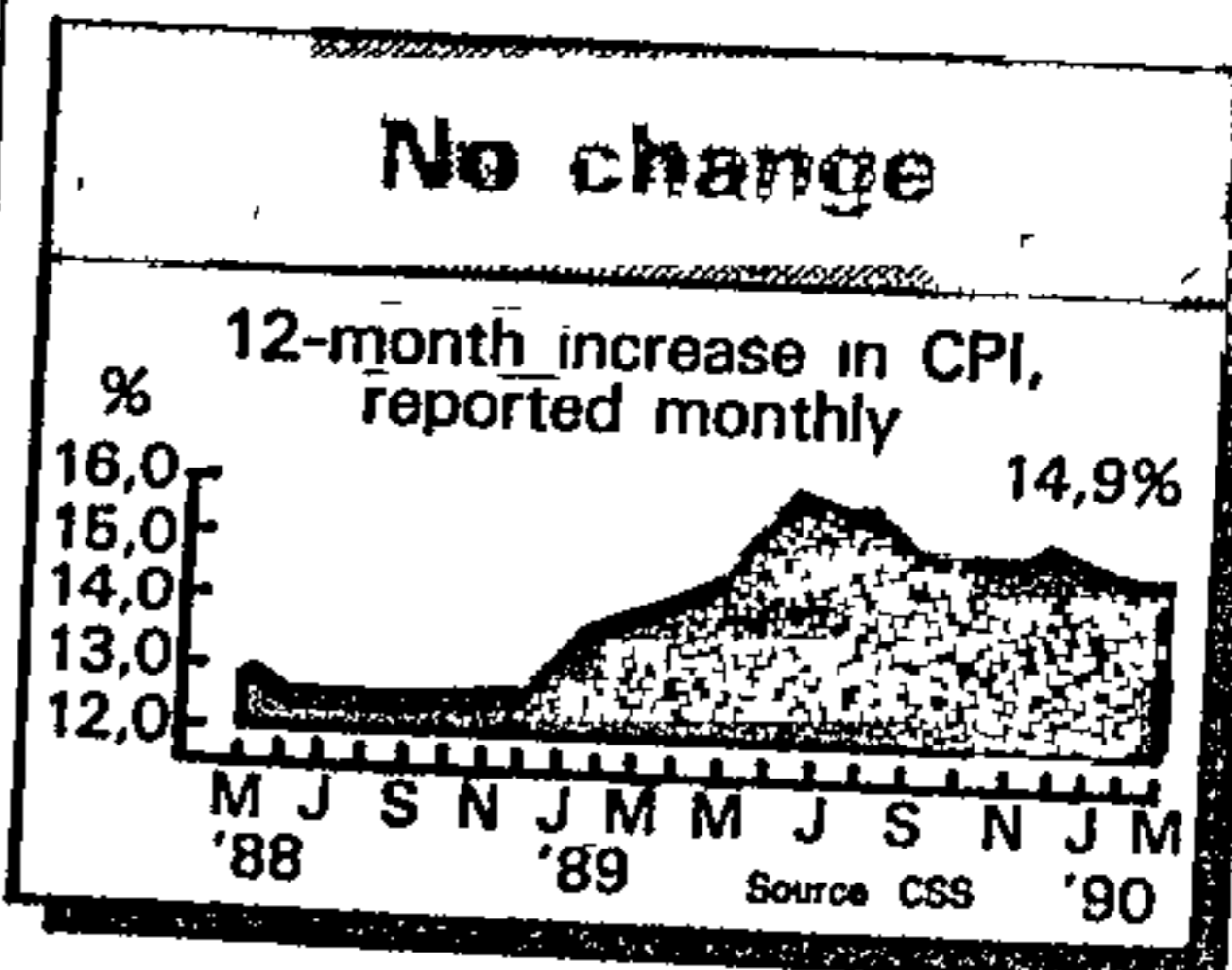
244

Mixed views

The March year-on-year rise in CPI is unchanged from February's 14,9%. This disappointed many who hoped for an improvement. Trust Bank's Nick Barnardt says "With the rand stable in the past few months and a declining PPI, everything was pointing to a lower CPI."

FIM 27/4/90

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14,5%-16%) which are not matched by increased productivity.

"Companies may absorb part of this, but the rest will contribute towards higher inflation. Looking even further ahead, increased social upliftment for lower income groups like education and health services may still yield significant growth long-term, but will be coupled with very high inflation."

Moreover "there is a 2,5-year lag between monetary growth and inflation. Monetary growth was high for the past three years and CPI must catch up"

Gouws agrees this may be so, but "there are many examples of that relationship not holding so neatly. Moreover, money supply growth and the economy are slowing and the rand should be more stable this year."

□ The steep monthly increase flowed from a wide range of items. But more than a third of the non-adjusted 1,6% came in three categories: education, 18,6% (mainly university fees, added in only once a year), furniture and equipment 7%; and personal care 4,8%.

Sto 27/4/90 (244) (244)

Medicine costs in SA near top

Results of a study released yesterday show that the price of medicine in South Africa is higher than in most Western European countries, SABC radio reports.

A researcher at the Pretoria College of Pharmacy, Mr David Boyce, said the first phase of the study undertaken in 1988 showed that local medicine prices, in rand terms, were 20 percent higher than in Britain, 70 percent higher than in Australia, but 41 percent lower than in the United States.

Mr Boyce said that in a comparison with 11 Western European countries and the US, only three countries had higher prices than South Africa.

Mr Boyce, who was speaking at a pharmaceutical congress in Johannesburg, said it was evident that a way would have to be found to keep prices of medicines in South Africa manageable if no price control system was going to be introduced. — Sapa.

Hold on! — It will be a bumpy landing

Apr 28/4/90

~~244~~ 244

FASTEN your safety belts. All the signals from commerce and industry show that the economy is rapidly sinking into a recession and that the so-called "soft landing" could be a great deal harder than hoped for.

There have been indications for some time that the economy is in trouble, but this week the message of woe coming from commerce and industry was loud and clear.

DEREK TOMMEY

A strong indication that the recession is expected to be of greater severity than first thought came this week from bankers — who of all businessmen probably have their ears closest to the ground.

First National announced that it is to almost double its provision against doubtful debts from R76 million a year ago to R142 million, and Nedcor is to almost treble its bad debt provision from R25,3 million to R73,4 million.

Reserving sums of this size for possible bad debts suggests that the banks are already finding the going tough and are expecting even tougher times ahead.

This is not to say the banks aren't doing nicely, thank you.

Latest reports from leading lending institutions report big profits in spite of having to cater for those bad debts.

These good profits were earned from the upsurge in lending, at ever-increasing interest rates, to consumers at a time when the Reserve Bank, as part of its overall strategy to curb inflation, was trying to reduce the growth of bank credit.

Against this tougher economic scenario, and despite high bond rates, it may appear surprising that the demand for home loans remains strong — which can only please the banks.

However, the squeeze on consumer spending is hitting hardest at grass roots level. Retailers are reeling, unable to move stock, whether it be men's clothing or carpets for the house.

Malbak, a major industrial conglomerate, is forecasting lower profits this year and also textile manufacturer Romatex, which reports a 26 percent drop in earnings in the six months ended March.

Boymans, a major clothing retailer, had to pass its final dividend after paying an interim of 6,5c a share.

The chairman, Mr E. Ellerne, reports that retail sales fell sharply in January and February, the last two months of the company's financial year and resulted in its net profit falling almost 40 percent.

But this slump in sales at the beginning of the year appears to be only the start of the bad times. Retailers around the country report marked drops in sales of consumer goods which has jolted business confidence.

It means that the Government and the Reserve Bank's bid to curb enemy number one, inflation, is slowing the economic pace far too quickly. The surprising aspect of the recession — and that's what it is — is that business failed to see it coming, in spite of warnings and the actions by the authorities.

As can be seen from the accompanying graphs, the bank rate has almost doubled in the past two years increasing to penal rates the cost of borrowing money.

At the same time the Government has been taken increasingly large amounts out of the economy by way of higher taxes. Last year it took R12 billion more from taxpayers than in 1988 — and not all of it went back into circulation.

While this way going on the gold mining industry, the country's most important generator of economic activity and which probably accounts for about 25 percent of South Africa's gross domestic product, ran into serious trouble.

The drop in the gold price put increasing pressure on the industry and its role as a generator of real wealth contracted significantly — which also took some of the stuffing out of the economy.

Yet the business community, possibly not believing that the authorities were really determined in their fight to curb inflation happily continued to expand last year. Bank borrowings rose by some 31 percent from R87,3 billion to R114,8 billion to be spent on new equipment and larger holdings — in spite of the cost of money rising sharply.

With many businesses now heavily over-borrowed at a time when consumer demand is dropping, plus the gold mining industry's problems, that soft landing is not going to happen.

Mandela factor

The Mandela factor has also played its part.

Retailers report that the outbreak of black unrest has had a major impact on sales in the troubled areas. However, the unrest has also resulted in a general decline in consumer spending by blacks.

It is understandable that signs of weakness in the economy together with the political uncertainty should lead to concern about the future and to a reluctance to spend.

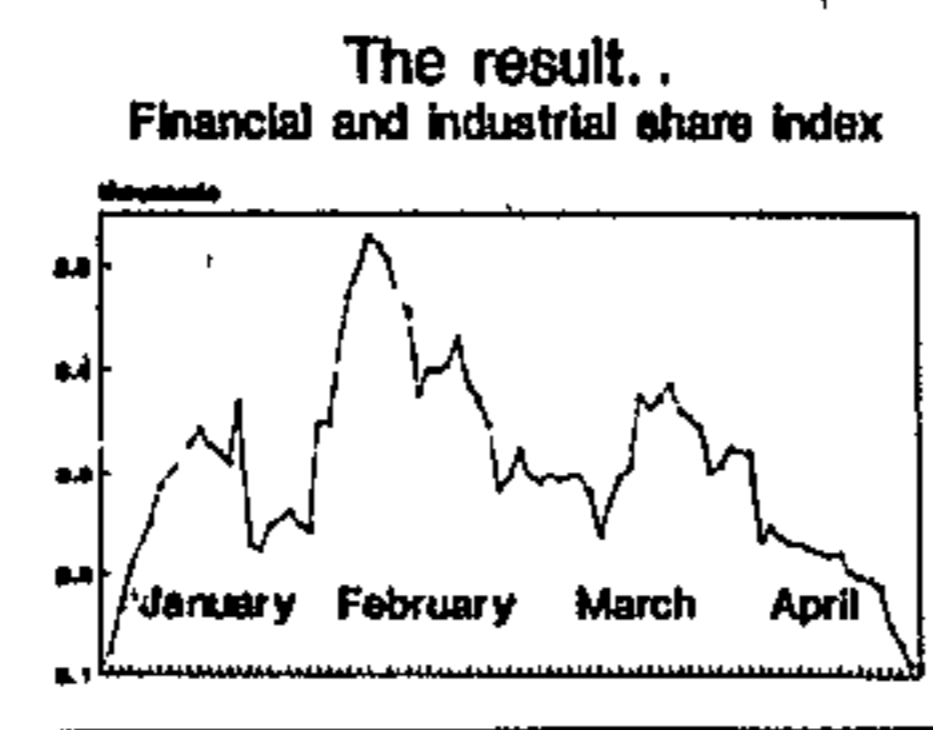
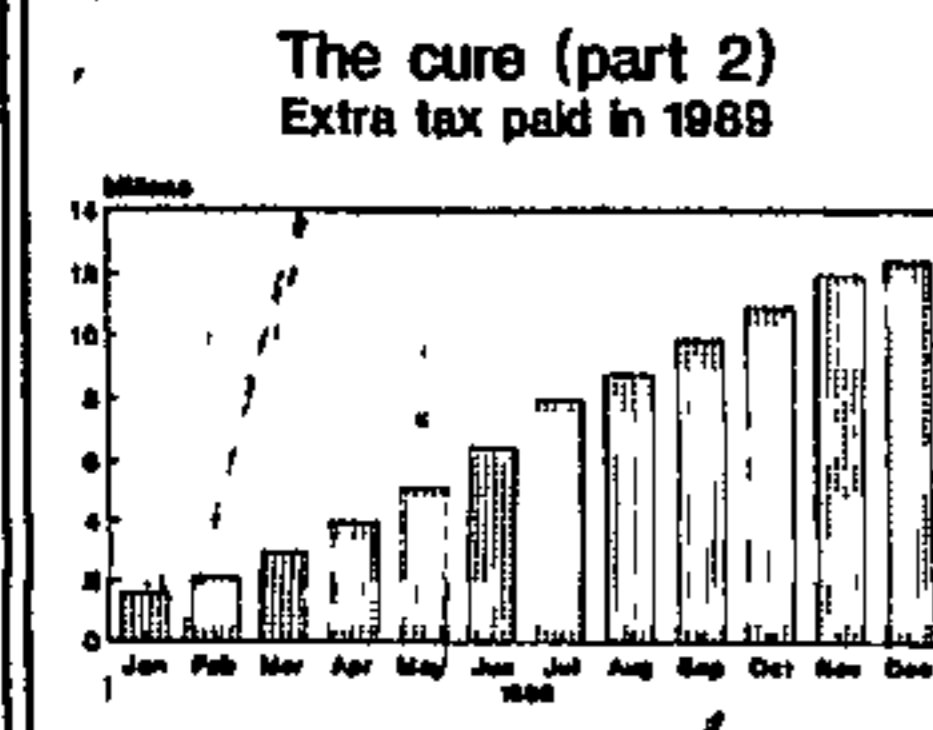
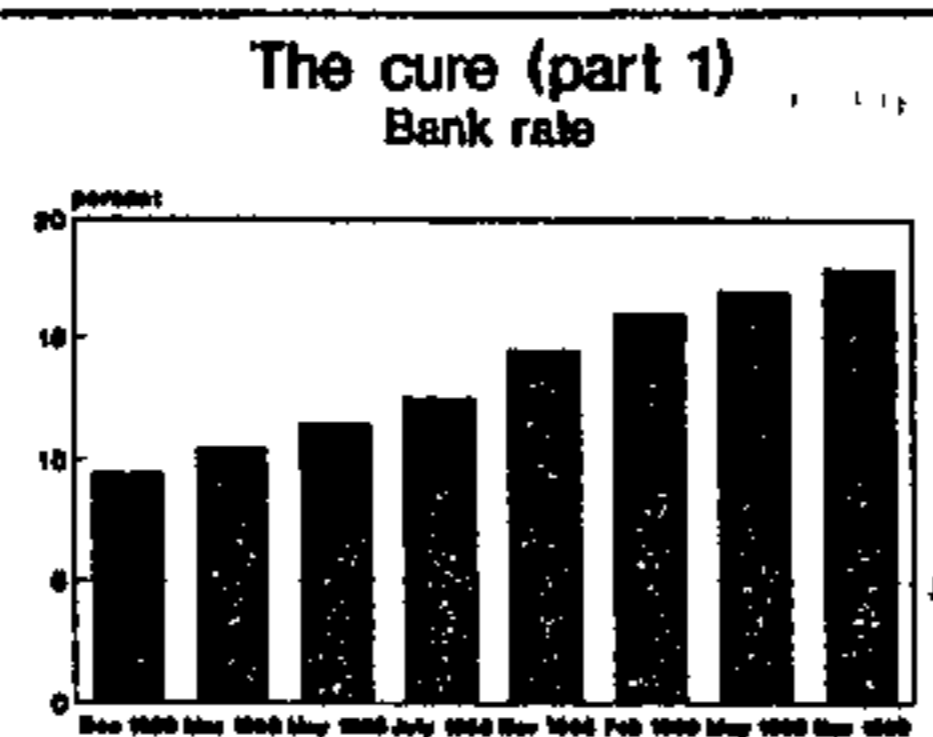
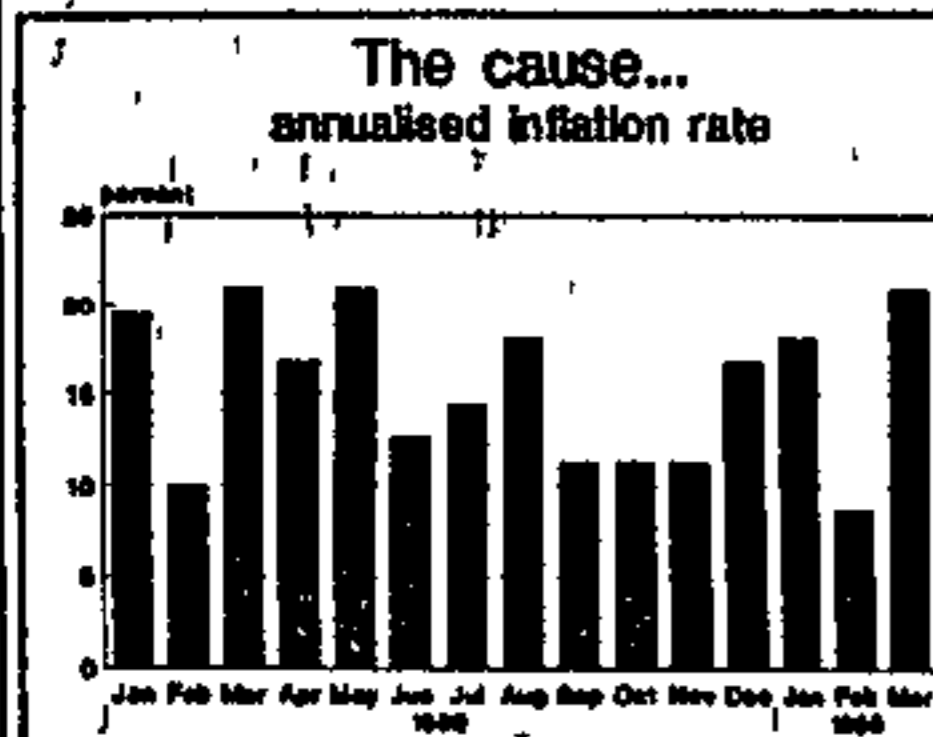
Looking ahead a little, the next few months could be a period of sharply falling retail prices as shop-keepers, realising their profits are likely to shrink, try to convert their stocks into cash in order to reduce their expensive bank overdrafts.

Should the de-stocking be heavy, it could result in reduced production in factories and unfortunately, in some staff retrenchments.

It also means that pay rises this year are likely to be much lower than last year which will leave the consumer with even less money in real terms, to spend.

The idea was to get inflation down. Unfortunately, a lot of businesses will go down with it, along with the consumer spending, before the benefits filter through.

The brighter side is that the Government's policy appears to be working and analysts forecast that interest rates will decline later this year.



queries

on investment matters are gnus Heystek, c/o MONEY 4, JOHANNESBURG, 2000 ed in confidence. However, correspondence can be en- with readers.

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Hoteliers feel the squeeze too

Apr 28/4/90

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WITH disposable incomes of domestic tourists taking a hard knock from the downturn in the economy, the hotel industry is turning to foreign visitors to help off-set the decline in the local market.

This trend has been shown by the poor performance during the traditional boon Christmas and Easter periods. Over Christmas revenue from all grades of hotels declined 11 percent in real terms.

High food prices, combined with the declining disposal incomes of the locals, is also knocking what is usually a profitable part of hotel business.

In 1989 food prices rose 14,9 percent on a year-on-year basis, with vegetable prices up a staggering 47,8 percent.

Fred Thermann, executive director of the Federated Hotel Association of South Africa (Fedhasa) says hotel food and beverage sales (adjusted for inflation) in 1989 did not increase over the 1988 figure. Most affected were country hotels where food and beverage sales declined by three percent in real terms.

JABULANI SIKHAKHANE

He also notes that even though a few new hotels came into the market, room capacity declined by 1,1 percent in 1989 over the 1988.

"The hotel industry is no money spinner. We hope that the growth in the number of foreign visitors will help off-set the declining spending power of the domestic tourists," he said.

Foreign visitors

The number of foreign visitors to SA has shown a steady increase over the last three years. According to the South African Tourism Board, the number of foreign visitors increased 15,9 percent in 1989.

Between January and December 1989, 930,393 foreign visitors arrived, which is 3,8 percent up on the previous record set in 1984.

Their spending has also increased, from R904 million in 1985 to more than R1,9 billion in 1989, excluding air fares and domestic tourism.

Mr Thermann is optimistic that the number of foreign visitors will increase up to 1,2 million this year and is pinning his hopes, among others, on a recent study which showed that SA hotels still offer the cheapest accommodation in the world.

Figures by the CSS show that the total number of bed-nights sold to foreign visitors in January 1990, increased by 10,4 percent to 124,572 from 112,863 in December.

But this was 1,3 percent lower than the number of bed-nights sold to foreign visitors in January 1989.

Hoteliers recognise the growth potential of the black market. Increased urbanisation, fast improving living standards and increased disposable incomes of most black urban families are helping re-shape black holidaying patterns.

Mr Thermann sees quite a big potential in the affluent black urban market and estimates that there could be up to five million blacks ready to make use of holiday resorts and hotels.

Hoteliers feel the squeeze too

Star 28/4/90

244

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...down to age gracefully.

Second-hand car prices ease

By Derek Tommey

The cold wind of recession blowing through South Africa has brought some good news for would-be car buyers

As a result of the down-turn in business the prices of good late model second hand cars are some 20 percent lower than a year ago

This is the experience of Avis Lease which has one of the country's biggest business leasing operations and, has to sell some 130 cars a month coming off lease

Mr Grenville Wilson, managing director of the company, said these were the only cars the ordinary individual could afford and consequently the mar-

ket remained reasonably firm

But the prices of medium-sized cars had fallen significantly and could fall further

Mr Wilson said the increases in new car prices in the past few years had led many people to expect second-hand car prices to firm

Cost factor

But the price of these cars was determined by the ordinary man's disposable income and this had not kept pace with inflation - or with new car prices

The decline in second hand car prices could lead to an increase in leasing costs on new cars

Two or three years ago the cost of leasing a car was based

on it having a residual value at the end of the leasing period of up to 60 percent

The softness of the used car market suggested that in future car leases would have to be based on a residual value of 40 percent.

Mr Wilson said that firms supplying cars on full maintenance leasing, as Avis did, tended to do well during recessions

Firms still had to have cars for their business and Avis, in specialising in leasing and repairs, was able to provide cars at a lesser cost than the firms could do themselves

In times of recession this was a bull point for the car leasing industry.

Cotton price rising 36%

ACHMED KARIEM

THE price of cotton is to increase by 36% to 482c/kg from 355c/kg for 1990/91, Cotton Board chairman Gert Schoonbee said yesterday. (244)

He said growers and ginners could not get the agreement of all the spinners concerning the new price.

"The breakdown in communications has serious financial implications for cotton farmers because they have started harvesting and delivering to ginners," he said.

Schoonbee said the new price was 30c/kg below the world price. (244)

Last September local spinners refused to accept a price range which reflected the high world lint prices then prevailing. Bidan 2151'10

The SA Cotton Textile Manufacturers' Association (Sactma) — in a letter to the National Clothing Federation (NCF) — said the "hard-line stance" of the cotton producers was the reason for the delay in settling the cotton price.

Under the Cotton Marketing Agreement (CMA), farmers, ginners and spinners set the price for each following season during September of the preceding year, based on the average Liverpool Index world price established in August.

Steep rise in flat rentals

THE average monthly rental of unfurnished flats rose more than four times between 1976 and 1989, according to a survey in May 1989, carried out by the Central Statistical Service (CSS).

The CSS annual survey is intended to gather information for the calculation of the flat-rental component of the consumer price index (CPI). *BIDM 215190*

Between May 1988 and May 1989 the average monthly rental of an unfurnished flat rose by between 9% and 13% depending on its size.

"Relatively large increases in the rent of unfurnished flats, compared with 1988, occurred in the Kimberley area (20,7%), Cape Peninsula area (16,8%) and East London area (15,5%)," the CSS said.

In May 1989 the average monthly rental of an unfurnished flat in SA was R221,65 for a one-roomed flat, R295,25 for a two-roomed and R358,04 for a three-roomed flat.

SA's most expensive flats in May 1989 were in the Free State goldfields area where a one-roomed flat cost on average R243,02 a month, a two-roomed cost R297,22 (in this category they were second to the Witwatersrand at R325,38 a month) and a three-roomed flat R409,26.

The room number includes a living room, but excludes the kitchen and bathroom.

Beware of the bread sharks

By John Miller,
Star Line

8/5/90
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The Wheat Board has warned people to make sure they are not overcharged when buying half a loaf of white or brown bread.

From April 2 this year the over-the-counter price of half a loaf of white bread was fixed at 53c and that of brown bread at 45c.

Mr Pieter Nel, secretary of the Wheat Board, said that since January 1989 seven shopkeepers had been found guilty of overcharging. Four shopkeepers paid admission of guilt fines which varied between R50 and R100. Another was convicted in court and fined R100.

Mr Nel said many complaints were invalid as they concerned the price of "superbread" — which has a minimum protein

content, must weigh 450 g or 750 g and must be clearly marked. The price of this product was not controlled.

He said the board's inspectors also did regular checks on bakeries.

They checked financial records and took bread samples for quality analysis.

A government loaf, when taken out of the oven, must weigh between 810 g and 950 g. The normal weight is around 850 g. The same loaf may, 24 hours later, weigh a lot less because of moisture loss.

Anyone who has been overcharged when buying a whole loaf or a half loaf of government-controlled bread can contact the Wheat Board on 012-3251970 or write to P O Box 908 Pretoria, 0001.

Sales of new cars plunge by 24 pc

By Sven Lunsche

New car sales in April plunged by 24 percent from the previous month, reflecting rapidly deteriorating economic conditions

Figures released by the National Association of Automobile Manufacturers (Naamsa) yesterday showed new car sales fell from 19 045 units in March to 14 432 last month. Sales were down 22 percent from April last year. Total new vehicle sales in April, at 23 096 units, declined by 20,2 percent compared with the 28 911 units sold in the same month a year ago.

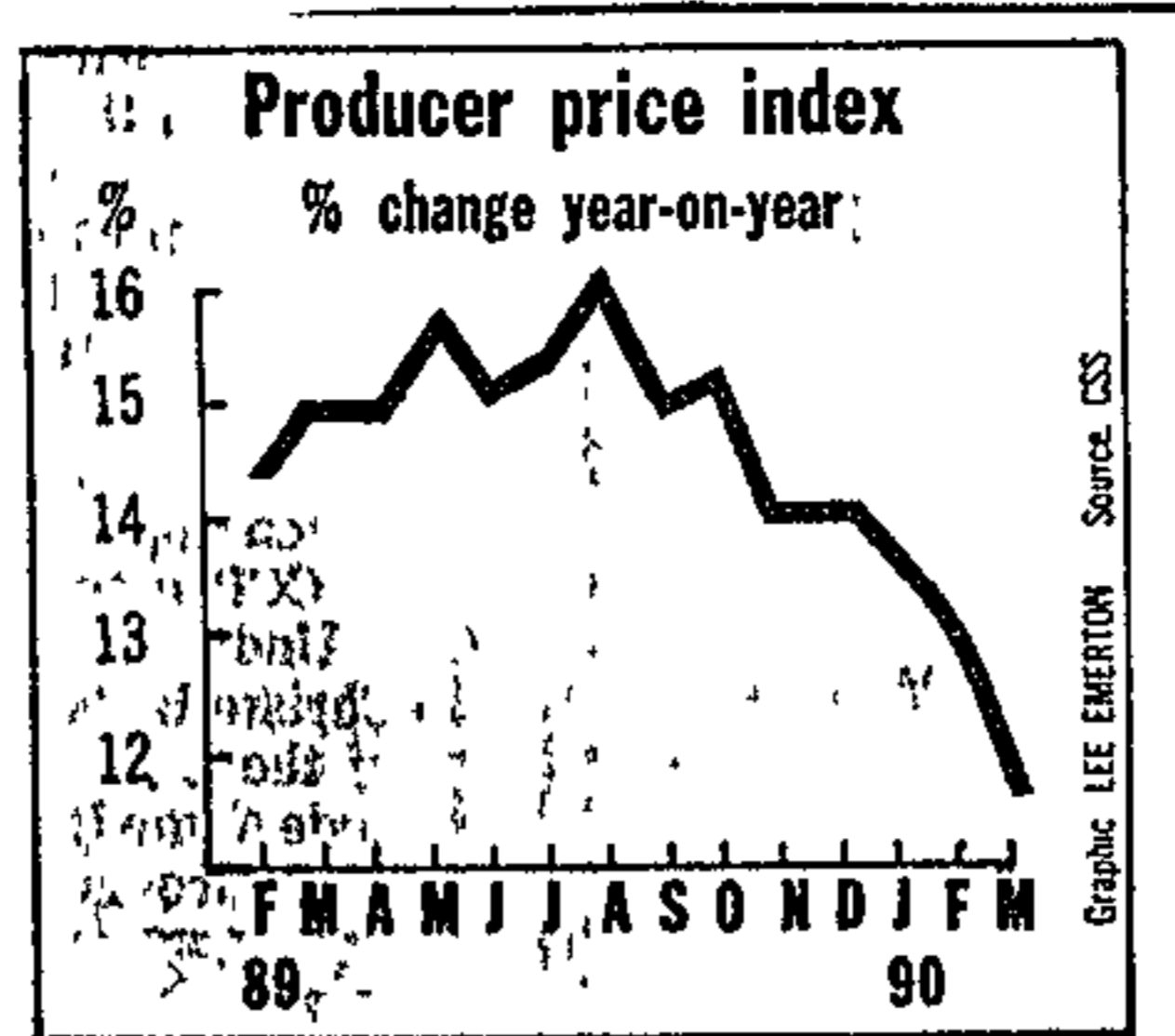
Vehicle sales have been falling steadily over the last year, but April's sharp drop has taken most industry analysts by surprise.

"It certainly reflects the ever-worsening financial conditions the consumer has to face in the wake of higher interest rates and more expensive hire-purchase financing costs," said one.

Naamsa ascribed the plunge to a combination of factors, including the large number of public holidays in March, consumer and business uncertainty and shortages of stock as a result of industrial actions.

"The current stringent monetary and fiscal policy measures also had a bad effect."

Even sales of light commercial vehicles fell to 7 811 units last month, compared with 9 357 units a year ago.



Drop in March PPI boosts optimism

GRETA STEYN

A SURPRISE plunge of 1,3 percentage points in producer inflation in March to 11,6% fuelled bullish sentiment in the markets as optimism grew that rapid progress is being made in the fight against inflation.

This is the second successive monthly tumble in the annual rate of increase in the producer price index (PPI) February saw a 1,2 percentage point nosedive from 14,1%.

Inflation at the producer level has turned around decisively from a peak of close to 16% in mid-1989

The inflation developments fuelled bullish sentiment on the capital market, where the yield on the key Eskom Loan 168 shed 10 points to close at 15,63% yesterday.

However, an economist warned an upward correction was likely

"Not all prices are recorded every month The low rate of increase between February and March (0,3%) is largely the result of no price movements in a range of domestic categories

"Some of these have remained static for two months now and could be due for measurement soon."

But on face value, the figures show optimism on inflation is justified — especially the trend on the margin

March saw the fifth successive month-on-month increase of below 1%.

Domestic prices remained virtually static (up 0,1%) while imported commodities reflected the weak rand with a 1,4% rise

On the domestic side, food prices were down between February and March with

□ To Page 2

PPI drop

the red meat price dropping 4,6%
The developments on food are especially encouraging for the consumer price index, where food has a weighting of 22% in the basket

The rate of increase in the CPI has also turned around from almost 16% in mid-1989

Economists have reduced their inflation estimates substantially since the beginning

of the year, when the consensus view saw the rate of increase in the CPI at 14% by year-end

This forecast has now dropped to 13% with further declines likely next year

Inflation has emerged as the key indicator on interest rates, and Reserve Bank Governor Chris Stals is not expected to cut Bank rate until there is clear evidence of progress on this front

□ From Page 1

Petrol price set to rise

By Don Robertson

A WEAKENING rand and a rising crude-oil price make dearer petrol inevitable

But the National Energy Council (NEC) insists that there will be no increase this month

Price rises have an immediate effect on the inflation rate of as much as 1%

The Government-operated equalisation fund, which is used to keep the petrol price as a low as possible, is rapidly running out of funds

The fund had a surplus of R259-million at the beginning of the year — the money comes from a levy of 7c a litre on petrol and diesel sales

Expensive

Last year, the equalisation fund spent a record R483-million to prevent the fuel price from rising

The international oil price dropped to \$17 a barrel two weeks ago, but recovered to \$19 after an agreement by the Organisation of Petroleum Exporting Countries (Opec) to cut production by a million barrels a day

Aggravating the problem

is the decline in the rand in the past two months. It fell against the dollar by about 4% in this period, making oil imports more expensive

The result is that petrol and diesel are being sold below cost.

In April the underrecovery was 4,8c/l for petrol on the Reef and 0,3c/l for diesel fuel. These figures are subject to final audit

There was an underrecovery of 0,221c/l in January, 1,579c/l in February and 3,904c/l in March

Also draining the equalisation fund is the additional 1,5c retail margin given to garage owners in December. Retailers now get 10,2c a litre compared with 8,7c previously

The additional cost of transporting fuel by road and rail to out-of-the-way areas is also straining the fund. A price increase in these areas was to have been introduced in December, but was postponed

Pieter Jacobs, manager of energy administration at the Department of Mineral and Energy Affairs, says the position is monitored daily, but fuel prices are not expected to rise in the next few weeks

13/5/90

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PPI FIM 18/5/90 (244)

Sharp fall

Each month since October, when it reached 15,3%, the year-on-year rate of increase in the producer price index has fallen. In March, at 11,6%, it was 1,3 percentage points lower than in February. The trend is best illustrated by comparing the annualised seasonally adjusted increase in the three months to March of 9,6% (according to Sanlam economist Pieter Calitz) with the previous quarter's 10,4%.

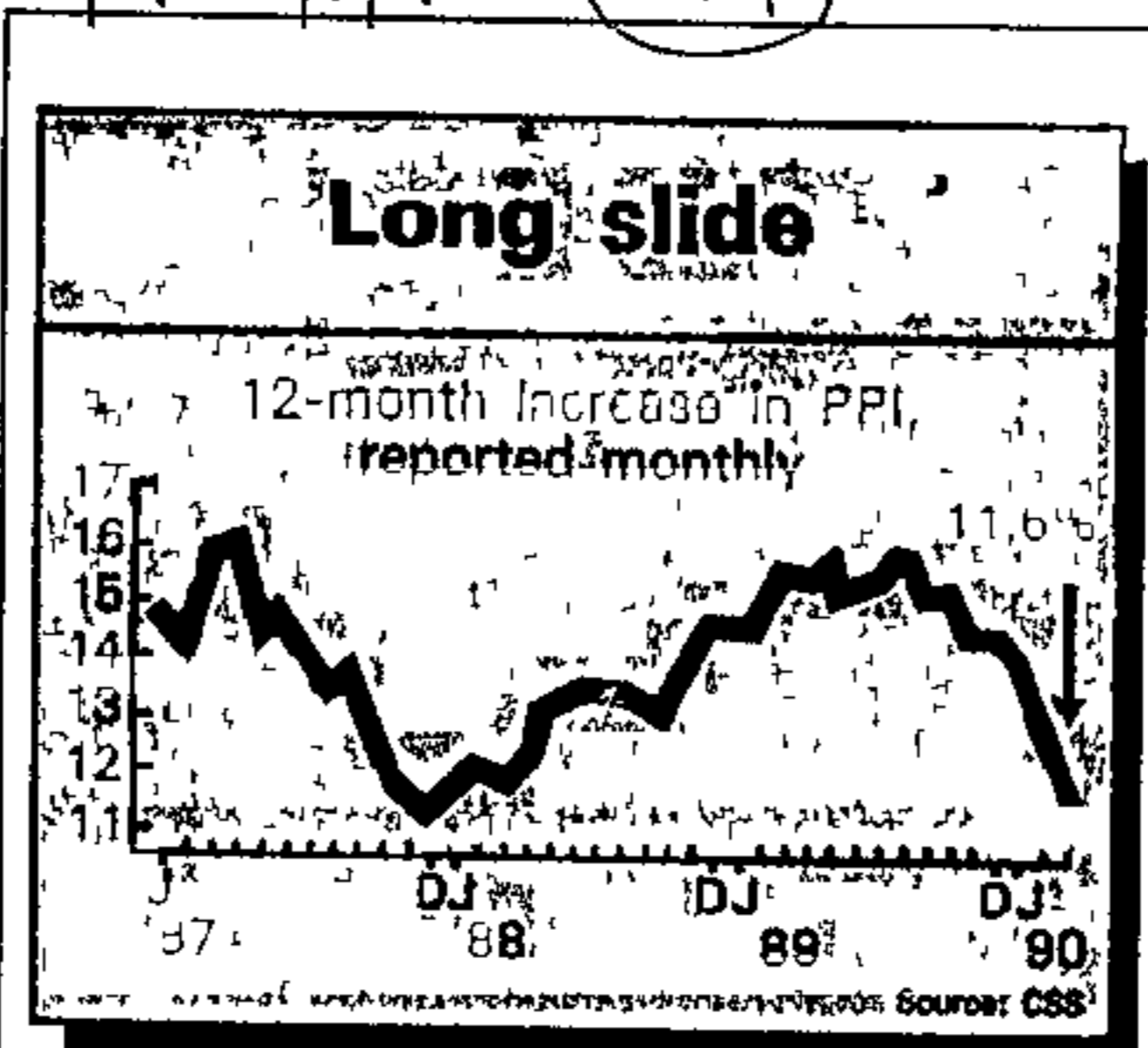
Some of the decline has been as a result of the rand's strength between August and February, says Southern Life chief economist Mike Daly. This brought about a consistent decline in the imported component of PPI from a year-on-year rise of 19,3% in June to 12,5% in March. But the effects of the recent deterioration in the rand are evident in the moderately high monthly increase of 1,4%.

Most of the deceleration in overall PPI growth is the result of a sharp downturn in the economy which kept down the price of locally produced commodities, says Calitz.

Unfortunately, the effect of this is likely to be neutralised by the lower rand exchange rate "and a shrinkage in output combined with salary and wage increases above the CPI rate," according to Daly. For this rea-

41

FIM 18/5/90 (244)



son, he says, the deceleration in PPI growth could be near to bottoming out.

Calitz is more optimistic and believes PPI could touch 10% around mid-year, though the year-on-year rate may rise later as it is measured against the comparatively low base in the second half of 1989.

He believes wage increases may stay between 13,5% to 15% and adds that unions' demands are possibly more reasonable — perhaps presaging the start of a trend.

Relatively large monthly increases occurred in clothing (6,8%), textiles and made-up goods (3,5%) — both of which are added quarterly. Agricultural products were up (4,1%); and so were mining products (3,4%) and fishery products (2,9%). Decreases occurred in electricity, gas and water (1,8%) and fresh meat (4,6%).

For the second month, large monthly increases occurred in transformer oil (2,3%), which rose 7% in February. Wool increased 2,9%, ironmongery 3,4%, ball and roller bearings 1,3% and galvanised sheet 1,1%. ■

Sec 19/57/90 244

Alarming rise in township COL - survey

AN ANNUAL cost-of-living survey of 36 major South African townships has revealed an "alarming" change in township circumstances

"As a result of inflation, the average household is having to spend 23 percent more on food, forcing a reduction in expenditure on clothing and discretionary income, which includes savings, insurance and entertainment," says Stewart Pennington, editor of the SA Township Annual

SATURDAY STAR REPORTER

ple) to sustain a "modestly low" standard of living.

Mr Pennington says the average national monthly budget of a five-person family shows that R276,07 was spent on groceries in 1989 and R342,25 this year, while discretionary income fell from R127,73 to R119,48. (See table below)

"Urbanisation continues at an unabated rate and union demands regarding housing are second only to wages on the bargaining agenda," Mr Pennington said.

"Business also has to focus on the quality of their pension and provident fund benefits and the

AVERAGE NATIONAL MONTHLY BUDGET OF FIVE-PERSON FAMILY		
	1989	1990
Groceries	R276,07	R342,25
Cleaning materials	R19,51	R27,10
Personal hygiene	R19,05	R21,99
Fuel	R18,50	R27,85
Medical expenses	R30,00	R45,00
Clothing	R124,00	R123,64
Rent/school	R110,00	R145,00
Transport	R53,63	R60,95
Appliance hire purchase	R90,00	R120,00
Discretionary income	R127,73	R119,48
TOTAL	R870,56	R1 033,26

type of educational assistance provided"

The SA Township Annual, launched in 1988, was designed to close the information gap,

which exists between management and labour

It includes an industrial relations review section featuring reports by industrial relations

specialists (aimed at helping corporate industrial relations planners in strategic management and wage bargaining) and a township profile section which details the infrastructures, population figures, housing statistics and general amenities available in the 36 townships surveyed

Purchases

Also included is a cost of living survey based on the actual purchases required to sustain a modestly low level standard of living.

The 1990 edition of the SA Township Annual is available from IR Information Surveys Phone Mr Pennington at (011) 803-3537 for details.

Modest

The survey of 1 800 households concludes that a monthly income of R1 033,25 is required by an average household (5,3 peo-

What price a hamburger?

SOUTH AFRICA has one of the most undervalued currencies in the world — if the hamburger exchange standard is anything to go by.

What's the hamburger exchange standard, you may ask?

It's exactly what it says — a comparison of the purchasing power of the currencies of different countries based on the cost of hamburgers in those countries.

DEREK TOMMEY

Every year the British journal *The Economist* uses the price of hamburgers as the basis for working out the purchasing power parity of various currencies.

It is not just any hamburger that is used in the survey. It's the price of a McDonald's Big Mac.

The Big Mac is not available in South Africa, but after consultation with Americans living in this country who are familiar with the Big Mac, it was determined that the South African equivalent would be about R3.

With this valuable statistic and *The Economist's* findings, it was possible to draw a few conclusions.

The most obvious was that at current exchange rates South African hamburgers are among the cheapest in the world.

In dollar terms the cost of the South African equivalent of a Big Mac is \$1.13. Only in Hong Kong, where a Big Mac sells for \$1.10, can you buy it cheaper.

Yugoslavia is the next cheapest, followed by Singapore and then Australia.

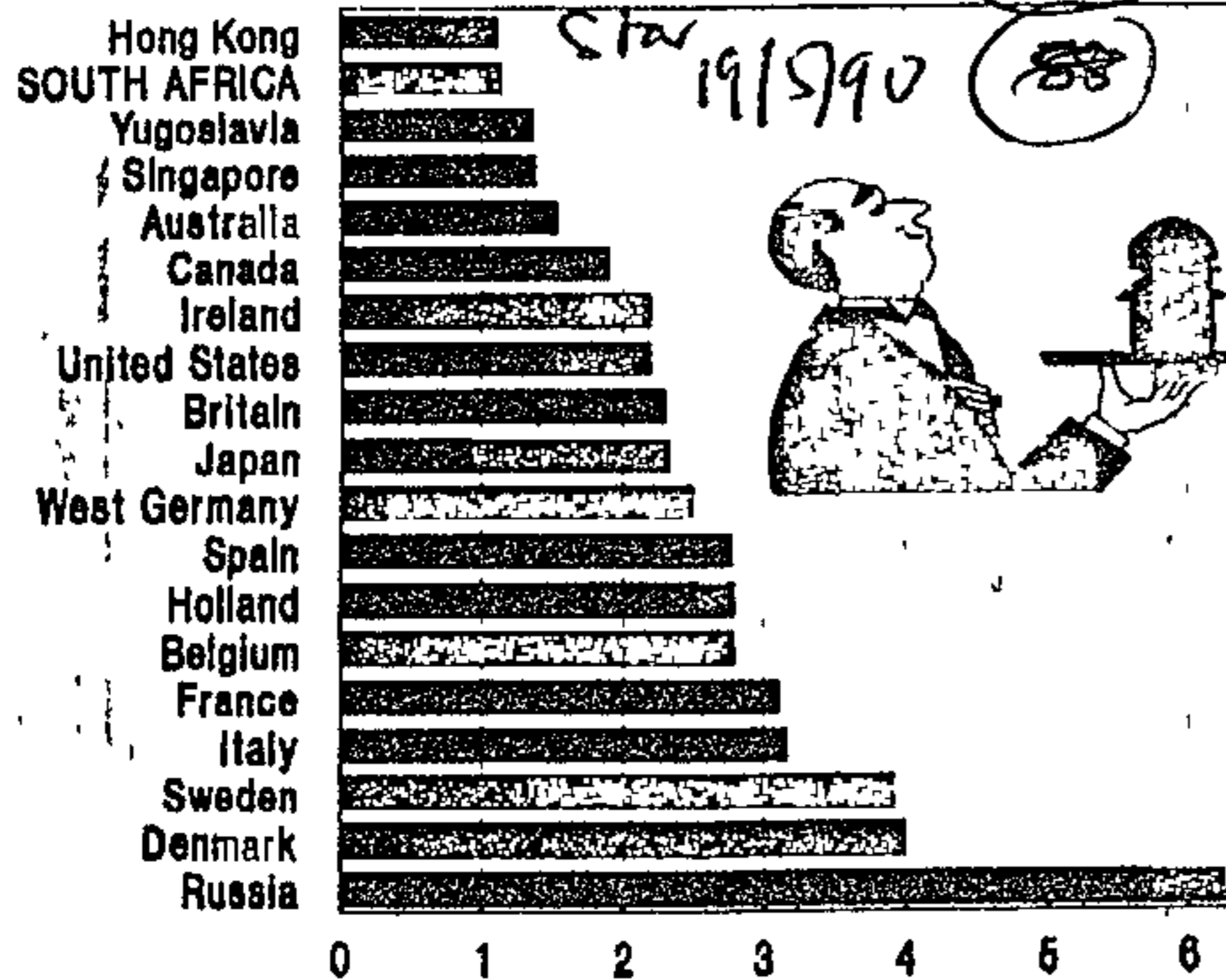
gapore and then Australia

But if you are ever in Moscow and want a hamburger you had better brace yourself for a shock. At the current rouble-dollar exchange rate Muscovites are paying the equivalent of \$5.25.

Economists read more into these figures than just noting which country offers the cheapest Big Mac. They also get a good idea which currencies are over-valued and which are under-valued.

Basing what could be a highly significant statistic on the price of a hamburger might seem a little reckless. But economists such as Professor Ronald McKinnon of Stanford University have found a fairly high level of correlation between the hamburger standard and more sophisticated ways of determining purchasing parity.

From this conclusion one can argue that the hamburger standard indicates that in a universal currency many commodities in South Africa are much cheaper than they are in most other parts of the world.



World hamburger prices in dollars

claims or agreements
"The subject is emotionally so sensi-

rights.
The ideal of a new nation had only
been born recently, he said.

R100m wheat imports to SA expected

SA WILL spend more than R100m on wheat imports this year to supplement local supplies.

It is understood the Wheat Board has accepted tenders for the import of 200 000 tons. (S. J. J. J.)

At current international market prices, the landed cost a ton in SA is estimated to be about R500. This is approximate to the price millers pay the board for local wheat.

And although the price of imports is not expected to affect costs, another increase in the bread price from the start of the wheat season in November is certain, according to board sources. 610am 22/5/90

GERALD RIELLY

The sources said this was mainly because of the big cut in the bread subsidy in this year's budget from R115m to R65m, in line with government policy to phase out the bread subsidy completely. (244)

By November the R65m is expected to be all but used up.

Other factors making a bread price rise certain are the likelihood that producer prices will be raised from November, and the inflated costs of millers and bakers since the last bread price rise earlier this year when it went up 5c a loaf.

Levies on Reef to increase by 10pc

By Shirley Woodgate

Turnover and payroll levies in the 14 municipalities within the Central Witwatersrand Regional Services Council are to be increased by 10 percent from July, chairman John Griffiths announced in his budget speech yesterday.

The rise to 1,11 percent on turnover and 0,275 percent on payroll levies is aimed at pushing up levy income by R20 million to R170 million in a total budget of R1 07 million.

An amount of R703 million represents revenue from the sale of electricity and water to CWRSC municipalities and the balance will be derived from investment interest and the surplus brought forward from the past year.

Presenting the CWRSC's fourth budget, Mr Griffiths said provision had been made for expenditure of about R327 million mainly for improving the infrastructure in underdeveloped areas in the region. R7 million or 3,27 percent will be taken up in operating costs.

Most of the funds (36 percent) have been allocated to projects in Soweto (R117 million), followed by 20 percent or R63 million for regional undertakings, 11 percent for Diepmeadow

(R34 million), 7 percent for Alexandra, 5 percent for Dobsonville and Johannesburg and nearly 3 percent for Ennerdale and Roodepoort.

The remainder will be divided between Randburg and Sandton, the South Western management committee, Lenasia and Lenasia South East, all receiving below two percent, and Davidsonville and Marlboro Gardens at the tail end below one percent.

Mr Griffiths said in most cases the CWRSC was the sole provider for capital programmes of black local authorities in the region.

On land use and transport planning, he said the council had asked the Administrator to entrust this function to the CWRSC as an additional regional task which would further broaden democracy. "Not only income but future development will eventually be shared by all groups within the region."

He estimated that unless increased applications were received from member councils, services could be upgraded to an acceptable level within the next two years. The CWRSC had embarked on long-term planning involving multimillion rand water and sewer schemes for the region.

Food holds back inflation decline

By Sven Lunsche

The inflation rate is finally responding to the slowdown in the economy, but rapidly escalating food prices are holding back the rate of decline

Latest Central Statistical Services (CSS) figures, released yesterday, show that while inflation fell to 14,6 percent in April, compared with 14,9 percent in March, food prices soared by a year-on-year 16,8 percent last month — the highest level in almost two years

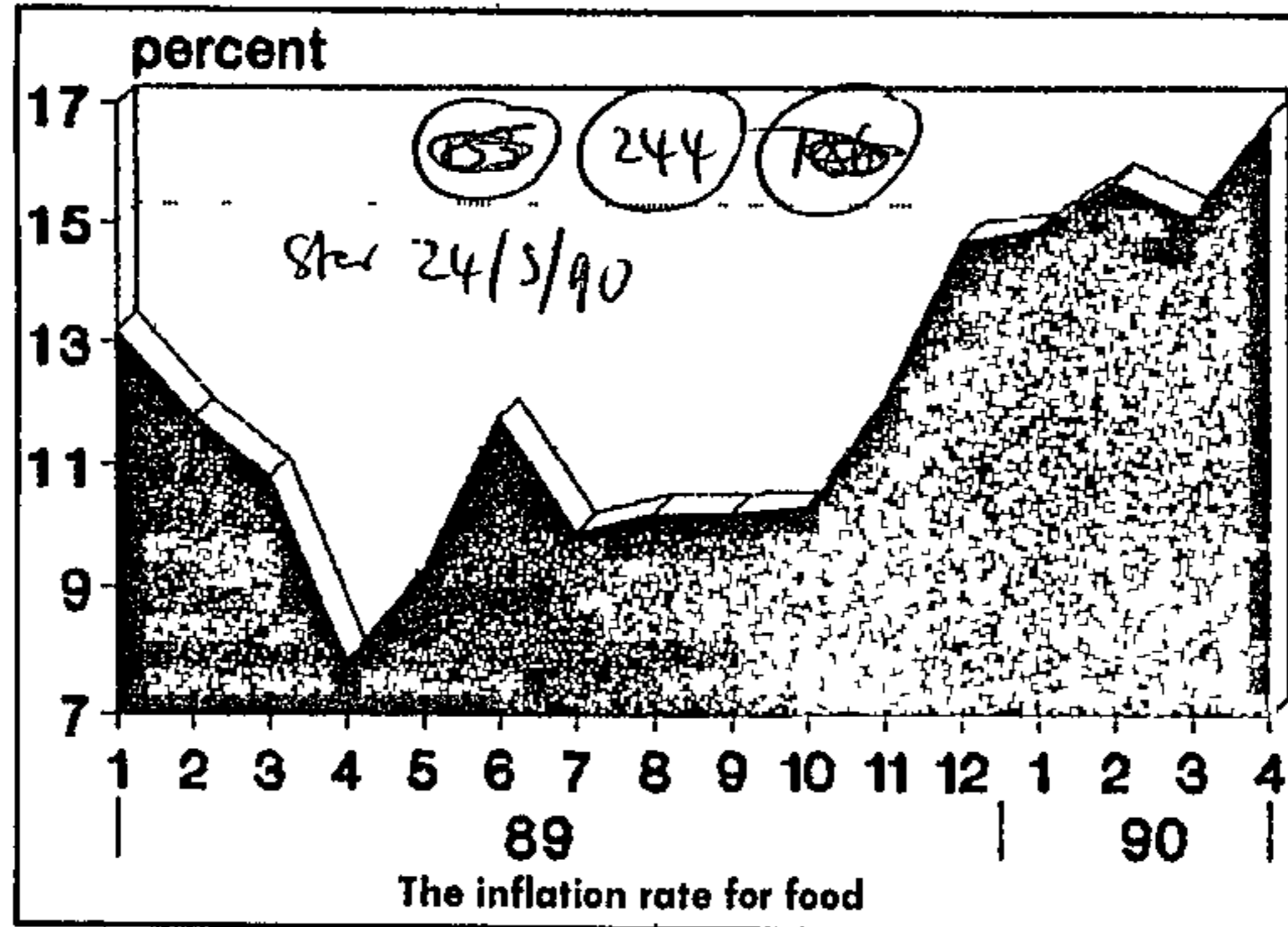
For most of last year food price increases were lower than the overall rate of consumer price rises.

But prices of these goods have been escalating rapidly over the last few months.

In January the consumer price index (CPI) for food rose by an annual 10,3 percent. In February it surged by 15,7 percent and in March by 15,1 percent before the higher rate of increase was repeated in April.

On a monthly basis, the food CPI was up by 1,6 percent last month.

Food prices were responsible for about 40 percent of the overall monthly CPI increase of one



percent.

A detailed analysis of these increases makes worrying reading.

The CSS says vegetable prices alone rose by 44 percent over the year, with fruit and nuts not far behind at 29 percent

Econometrix economist Tony Twine says a particularly dry season in the vegetable- and fruit-growing areas of the Eastern Cape was largely responsible for this, with the few quality goods that hit the market being

sold at a premium.

On a monthly basis, relatively large increases occurred in the prices of grain products (1,7 percent), dairy products (7,1 percent), sugar (2 percent) and, once again, fruit and nuts (5,3 percent)

What effect will these increases have on consumer price inflation rate?

The weighting of food at 23 percent of the overall CPI is significant. Since many economists expect at most a slightly

lower rate of increase for food over the next few months, they are revising their estimates for average inflation this year

Sanlam, in its Economic Survey, forecasts a rate of about 14 percent for 1990, compared with an average of 14,7 percent last year, "which is slightly higher than previously expected".

Syfrets' Elmi de Kock expects inflation to average out at just below 14 percent this year. The Bureau for Economic Research at Stellenbosch predicts a rate of 14,2 percent

However, most longer-term forecasts still sound optimistic and are supported by the recent substantial drop in the rate of increases in producer prices

From a peak of 16 percent in mid-1989, the year-on-year increase in the producer price fell from 14,1 percent in January to 12,9 percent in February and again to 11,6 percent in March

Consumer prices usually lag changes at the producer level by about six months

Even if the weather continues to play havoc with agricultural conditions, these benefits will eventually filter through to the consumer level

AK65 24/5/90 2004

Consumers 'increasingly hard hit by price rises'

By MICHAEL MORRIS
Political Correspondent

PROBLEMS with the quality of new houses and home improvements, faulty household appliances and new and used cars make up nearly half of the thousands of complaints handled monthly by the South African Co-ordinating Consumer Council.

This emerges from its annual report for 1989/90, tabled in parliament yesterday.

In his chairman's report, Professor J L Weyers notes that "consumers found it increasingly difficult to keep their heads above water ... and one gets the impression that the gap between salaries and price increases is becoming too wide and that consumers will find it difficult to absorb any more price shocks".

SMALL BUSINESSES

He believed ignorance, and consumers' poor bargaining positions were the main reasons they were exploited.

The annual report says 49 percent of all complaints are about new houses and home improvements, electrical household appliances and new and used vehicles.

The Small Business Advisory Bureau warned in its annual report, also tabled in parliament yesterday, that more than half the small businesses started in South Africa today will "disappear" in five years.

A 50 percent failure rate for new, small business was experienced elsewhere in the world, said bureau chairman Mr Tjaart van der Walt, but "we have reason to believe it's higher rather than lower" in South Africa.

8/12
24/5/90

(244)

Complaints galore on houses and cars

Political Staff

CAPE TOWN — Problems with the quality of new houses and home improvements, faulty household appliances and new and used cars make up nearly half of the thousands of complaints handled every month by the South African Co-ordinating Consumer Council

This emerges from its annual report for 1989/90, tabled in Parliament yesterday.

And, in his chairman's report, Professor J L Weyers notes that in the past year, consumers found it increasingly difficult to keep their heads above water

"One gets the impression that the gap between salaries and price increases is becoming too wide and that consumers will find it difficult to absorb any more price shocks"

Ignorance

This had led to a rapid waning of consumer confidence

He believed ignorance and consumers' poor bargaining position were the main reasons why they were exploited

The annual report says 49 percent of all complaints are about new houses and home improvements, electrical household appliances and new and used vehicles

In the past year, the council's Bellville office handled more than 6 600 complaints

Disappear

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A 50 percent failure rate for new small business was experienced elsewhere in the world, says bureau chairman Mr Tjaart van der Walt

But he added that the bureau had reason to believe the South African failure rate was higher rather than lower than overseas

Inflation trend widens the gap between the rich and poor

W/Mail 25/51-31/5/90
Weekly Mail Reporter

LOW-INCOME South Africans are suffering higher rates of inflation than higher income people, in contrast to the trend last year, when rising house and car prices were among the factors raising prices faster for the rich than for the poor.

The latest consumer price index figures, released this week, show inflation for the lower income group stood at 15,5 percent in April, for those with higher incomes at 14,2 percent and for the middle income group at 14,6 percent

April's inflation rate was 14,6 percent, down slightly from the 14,9 percent recorded in the previous two months. But food inflation for April was running at 16,8 percent (18 percent for those with low incomes). Since the poor spend a higher proportion of their incomes on food, they have been experiencing inflation higher than the average.

Food price increases made the major contributions to the increase in the price level in April, accounting for half the 0,8 percent monthly rise in the consumer price index (CPI). The largest increases over the month were in the prices of grain products, milk, cheese and eggs, fruit and nuts and sugar, according to the Central Statistics Service.

Other commodities whose prices rose fairly sharply during the month were beverages — alcoholic and non-alcoholic — and cigarettes.

The latest figures suggest inflation is beginning to slow down. The monthly increase in the CPI in April was lower than in the previous couple of months. In the past two months economists have been encouraged by a lower rate of wholesale price increases (measured by the producer price index as opposed to the CPI, which reflects retail prices). Retail prices usually follow wholesale prices with a lag of two to three months.

But despite the government's and the Reserve Bank's efforts to curb it through tight monetary policy (high interest rates) and fiscal policy (limiting the increase of government spending), inflation has stubbornly refused this year to fall. At the beginning of the year some economists were predicting an average inflation rate for this year of as low as 13 percent. Now it seems the average will be closer to 14 percent, much the same as last year's.

Randburg rates up

By Julienne du Toit

Randburg householders face an effective average increase of R12,92 a month in their rates and taxes from July, it was announced by management committee chairman Andre Jacobs during yesterday.

The budget had a remarkably small shortfall of R622 121, he said.

The monthly increases for the average household will be.

- Rates up 15 percent from R46,86 to R53,89.
- Cleansing tariffs up 56 percent from R6,25 to R9,75.
- Sewage tariffs up 13,08 percent from R18,27 to R20,66.

Household electricity was increased

by 11,5 percent from R122,27 to R136,32 in January.

Water tariffs were increased in April by 18,9 percent.

"This is a good news budget," said Mr Jacobs.

"It is balanced and all the community's needs are looked at."

A sum of R500 000 has been made available for a municipal swimming bath in Windsor East as, according to the council, this suburb is the most densely populated.

Facilities at Golden Harvest Park are to be upgraded, but this will happen over a long period because funds cannot be allocated on a large scale all at once.

Home and car insurance costs look set to rocket

By Michael Chester

Homeowners and motorists have been warned to brace themselves for dramatic increases in insurance on houses and vehicles. They could exceed 20 percent in the next 12 months.

The warning comes from the South African Insurance Association (SAIA).

The combined blows look set to add serious fresh burdens to household budgets already under pressure from inflation and high interest rates.

SAIA chief executive Rodney Schneeberger said last night that the scale of increases was inevitable, but imperative

The short-term insurance industry, he said, had been rocked by:

- New estimates that the toll of claims over the tornado which hit Welkom two months ago could soar to more than R300 million.
- New guesstimates that the number of vehicles likely to be stolen by the end of the year could climb to 72 000. To this had to be added the crippling cost of claims from mounting road accidents.

The Automobile Association noted in a recent count that premiums on motor insurance had already jumped in past months, and should be expected to leap between 20 percent and 40 percent by the end of the year.

Now the SAIA has said that premiums on houseowner and householder policies, covering property and all contents, can be expected to increase by 20 percent or more.

Mr Schneeberger said the association had sent letters to top insurance companies warning them to call a halt to a three-year rates war to win new customers

Alarm bells had been rung by figures showing that total income from premiums on houseowner and householder policies dropped by 2 percent last year

Mr Schneeberger said it seemed that several insurance brokers and their clients had been lulled into a false sense of security when the insurance pay-outs on catastrophes dropped to almost zero last year.

for 30/5/90 (24/1/88)

BACKGROUND

There's no stopping a big insurance price rise

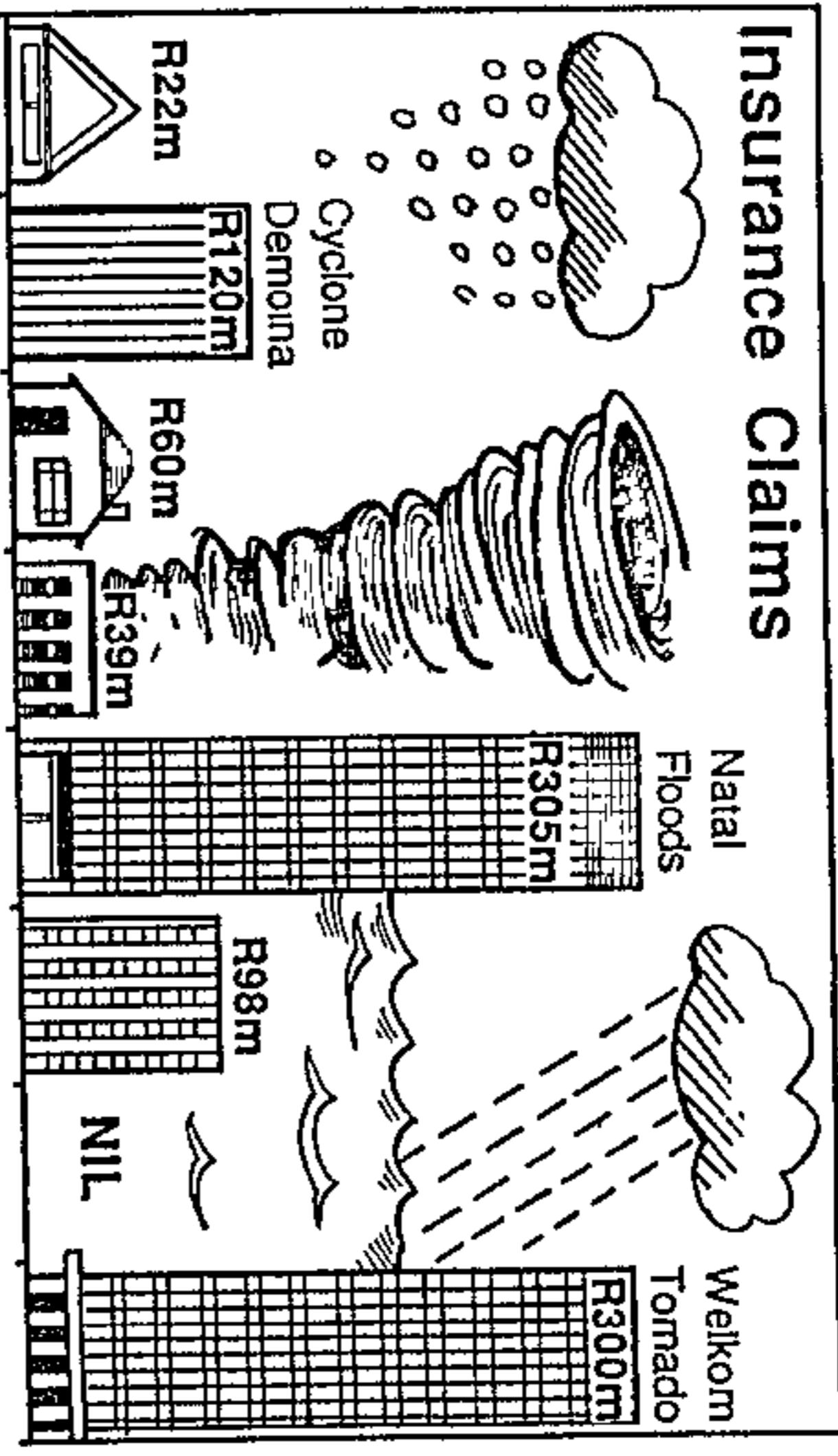
Competition over the past few years has kept insurance premiums relatively low. But, as MICHAEL CHESTER reports, underwriters say they can no longer withstand the pressures of rising car thefts and spiralling repair costs. Motorists and home owners will have to dig deep into their pockets.

There are bad jolts in store for most homeowners and motorists when the time to renew annual insurance premiums on their property and vehicles next comes round.

Over the past three years, the lid has been held on increases in premiums while the insurance companies have slugged it out in a rates-war in competition to lure new business by offers of the cheapest bargains in town.

Now the SA Insurance Association breaks the news that the steam pressure built up by the cost of claims looks set to blow the lid off — and release a burst of increases that may push premiums higher by an average of no less than 20 per cent or worse.

The motorist comes first in the firing line. A recent survey by the Automobile Association found that a number of short-term insurance companies had already broken ranks from the



1983 1984 1985 1986 1987 1988 1989 1990

rates-war with jumps in vehicle premiums varying between 10 and 20 percent.

But that, the AA added, looked like only a start. It noted that experts now predicted increases accelerating to 20/40 percent in the next few months.

SALA chief executive Rodney Schneberger agrees that increases of an average 20 per cent or higher look inevitable. "Holding premiums too low during the rates-war built up

such pressure that the industry was beginning to face a potentially disastrous situation," he said.

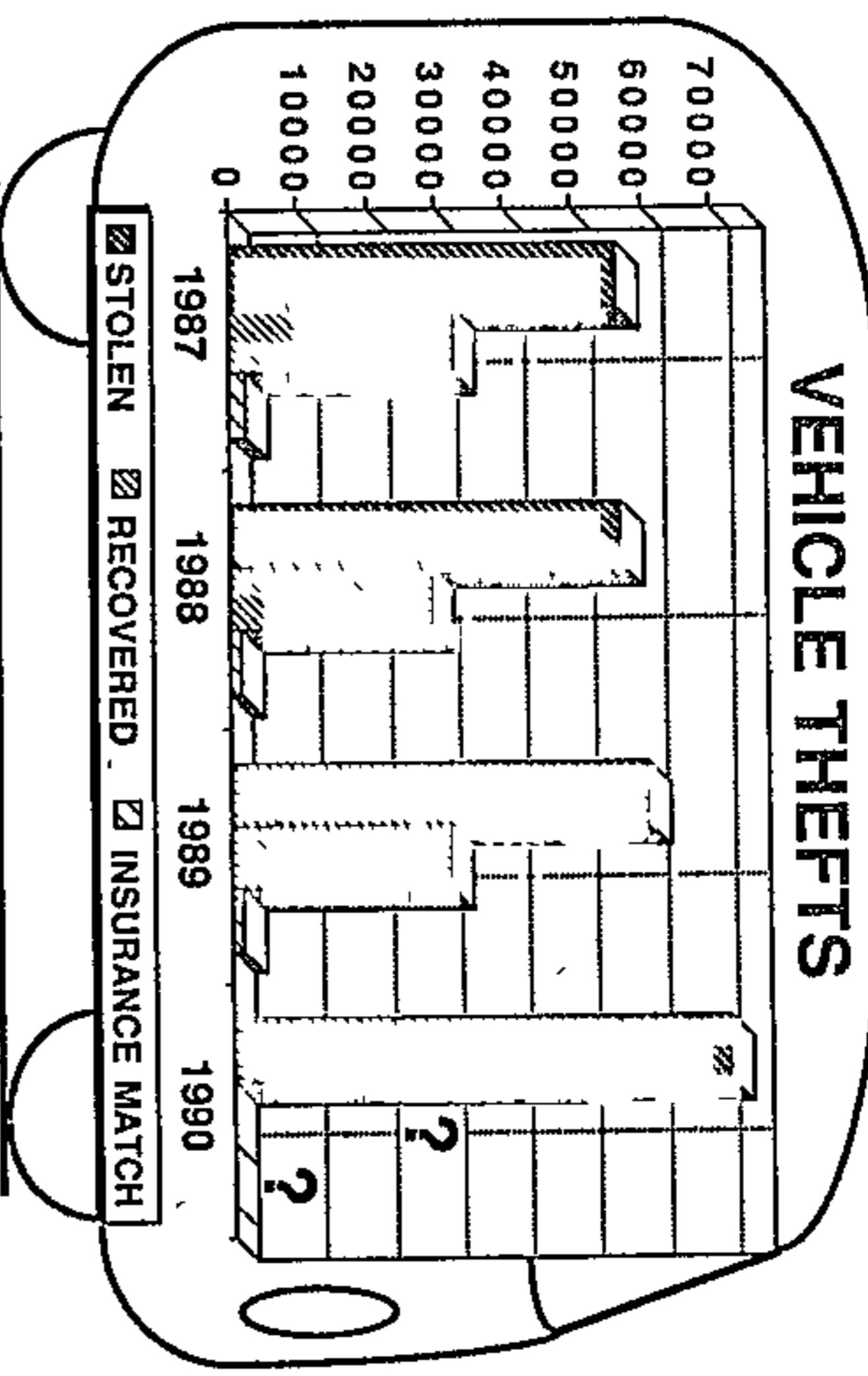
The two main problems

- The unabated rise in the number of vehicle thefts — now threatening to climb from 60 000 last year to a 1990 toll of 72 000
- A remorseless rise in the cost of repairs to vehicles involved in a growing number of road accidents — with the average cost of damage repairs

having jumped from R1 800 only a few years ago to more than R4 000.

Though the SA Police had a sound record of successes with tracking down vehicle theft culprits, insurance companies had growing headaches when it came to matching recovered cars to their real owners.

"Car thieves have learned to make so many changes to stolen vehicles — respraying into new colours, switching engines, fixing false registration plates



and lots more — that it is often impossible to identify the original product," he said.

The complications were illustrated by experience last year. Though the police recovered 31 555 stolen vehicles, the number confirmed as covered by insurance and matched back to the proper owner was whittled down to few more than 1 500.

"The cost of 13 000 vehicles reported to insurance companies as stolen but still mis-

ing had to be carried by the insurers in pay-outs on claims. Headaches were also compounded by the escalation of vehicle repair bills, worsened by spiralling labour costs and the price of replacement parts that had to be imported and were inflated by weak rand exchange rates.

Mr Schneberger said it had become equally imperative to increase the average size of premiums on homeowner and household policies that pro-

vided cover against catastrophes — fire, explosions, storms, floods and such disasters.

"Brokers and policyholders alike may have been lulled into a false sense of security because of a sudden drop in the number of catastrophes last year," he said.

"But the spell has been broken as the claims flow in from the dreadful tornado that hit Welkom a few weeks ago. The scale of the havoc is proving far worse than first reckoned.

The latest estimates put the cost of claims as high as R300 million or more.

"It is the heaviest blow since the R305 million in claims that followed the Natal floods of 1987 — and forces the insurance companies to make a totally new re-assessment of premium levels.

In the end, however, property owners will find increases may be in their own best interests if they have deliberately under-valued their buildings and contents in efforts to keep premiums down.

"Take as an example a homeowner with a house known to be worth R100 000 who puts in an insurance valuation of only R50 000.

If the house is destroyed by fire let's say, it will come as the last straw to discover he or she can claim only a half of the true value of all the losses.

"The errors of under-valuation in the past couple of years have been underscored in new statistics.

"Income from premiums last year tumbled for the first time on record — down two percent when commonsense dictates that an increase of 15/17 per cent was necessary just to cover inflation.

"Now comes the day of reckoning if we are going to ensure the benefits of a stable and secure insurance industry."

gold and diamonds, on army) is likely to begin should recruit and pro-
Pretoria's orders, ex- next year when negotia- mote on merit alone.

Insurance costs look set to rise - warning

Sowetan Correspondent

HOMEOWNERS and motorists have been warned to brace themselves for dramatic increases in insurance on houses and vehicles. They could exceed 20 percent in the next 12 months.

The warning comes from the South African Insurance Association.

The combined blows look set to add serious fresh burdens to household budgets already under pressure from inflation and high interest rates.

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Sowetan 30/5/90

244

Call on KWV to fix wine price

Political Staff

CAPE TIMES 3/15/90
copies.

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KWV should make a total reassessment of its approach to fixing the prices of good wine, the Democratic Party MP for Simon's Town, Mr Jannie Momberg, said yesterday

"In spite of increasing production and surpluses, the KWV is still busy increasing wine prices every year," he said during the debate on the Wine and Spirit Control Amendment Bill

"The consequence is still diminishing consumption and declining in-

"I believe the KWV must seriously considering bringing down the price of wines so that demand can increase.

"I wonder if the time has not come for KWV to seriously consider lowering the minimum price for the large amount of good wine and to fix a quality price for rare sorts

"This will provide a protection and an incentive to those producers who want to plant rare and quality varieties."

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PRICES - GENERAL

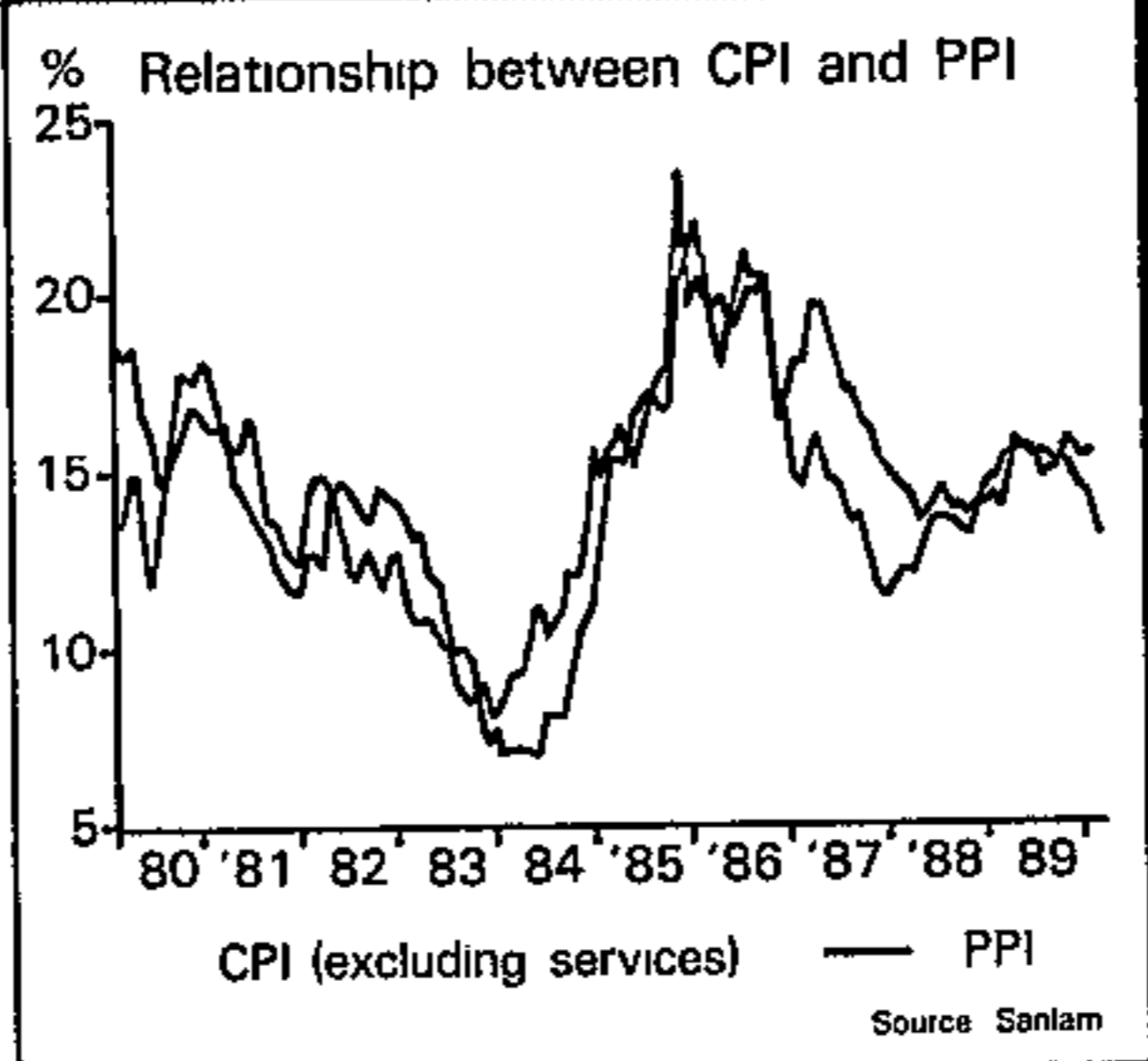
1990

JUNE — DEC.

Closing the gap

Economists see the latest downturn in the consumer price index as an indication that prices are finally responding to significant

Following suit



FINANCIAL MAIL JUNE 1 1990

FIM 1/6/90 (244)

declines in the producer price index While PPI has fallen from a year-on-year 15,3% in October, to 11,6% in March, CPI remained high, hovering at 14,9% during February and March before falling to 14,6% in April (see graph)

Sanlam economist Pieter Calitz says the lag between the two is anywhere between one and nine months, depending on stock levels, relative strength of the rand and external price shocks "The lag is now two to three months We can expect CPI to drop to about 13% by year-end and to 12,5% in the first quarter of 1991 " Thereafter, wage and salary increases — which constitute 50%-60% of production costs — will keep CPI between 12%-15% "in the foreseeable future "

United economist Hans Falkena sees a more gradual — but persistent — CPI fall "Inflation should be down to 14% by year-end with additional annual decreases of around 2% More dramatic decreases would indicate monetary policy is too stringent "

Falkena says the Reserve Bank is on target for this kind of controlled decline and warns against premature relaxation of monetary policy "Interest rates must remain in line with those of our major trading partners, with real Bank rate between 3%-4%, at least until year-end, and prime a real 7%-8% " ■

March against food prices

A MARCH to demand a drop in food prices is scheduled to take place in Cape Town, Mossel Bay, George, Plettenberg Bay, Victoria West, De Aar, Ashton, Robertson and Worcester this weekend. (244)

The march in Cape Town, scheduled to begin at Kaisergracht Street at 9am, will be to the government's HF Verwoerd Building. (244)

The march, organised by the recently-formed Western Cape Unemployed Workers' Union (Wecuwu),

supports of a demand for cheaper bread and milk and the scrapping of GST on basic foodstuffs.

Wecuwu is also demanding work for all and a living unemployment benefit, the lifting of the state of emergency and the dropping of all charges against people who participated in a previous demonstration by unemployed workers. (244)

Wecuwu is presently enlisting the support of community organisations for the campaign.

Car and food price increases slowing down

THE rate of inflation, for more than a decade the major symptom of South Africa's deteriorating economic situation, appears set to decline in two major areas — the price of new motor cars and food.

In the past six months increases in motor car prices have been the lowest for a decade while food prices also appear to be set to increase by less than 15 percent on a year-on-year basis.

All motor companies put up

their prices in November and Toyota, South Africa's largest manufacturer, took six months before increasing prices again by 15 percent while prices of Cressidas and some Hi-Ace and Hilux models have not increased at all.

This means that Toyota and most other manufacturers have kept increases below the inflation rate.

A further factor in keeping prices down has been the introduction of the Fiat Uno, which

244
FINANCE STAFF
9/16/92
slo
sells for about R2 000 below the next lowest priced model. The car has taken the market by storm with manufacturer Nissan unable to meet the demand.

As a result other manufacturers have been reluctant to up the price of their low-priced models.

Toyota marketing director Mr Brand Pretorius, said the Natal plant had been working at maximum capacity of 450 units a day

for several months but had been unable to meet the backlog which stretched to three months on some models.

"We have now employed 120 extra workers at the assembly plant and plan to increase production to an all-time record for the facility of 464 units a day," he said.

On the food front Spar group marketing director Brian Beavon said wholesale prices had gone up about 13 to 14 percent in the first five months of 1990 but

few increases were expected in the second half.

"There is definitely a leveling off in the inflation rate of food which we predict will remain at between 13 and 14 percent for the year.

"Thus relatively low increase can be attributed to lower wage increases, most of which seems to have been settled at between 15 and 16 percent, and a more stable rand, which has helped level out imported raw material prices," he said.

Despite drop in import component

PPI rises by 1,6%

at
1/7/90
20

Com- tents 12/6/90

244

By AUDREY D'ANGELO
Business Editor

A RISE of 1,6% in the producer price index (PPI) between March and April, although the imported component fell, was due mainly to the effect of high pay rises at the beginning of the year, economists said yesterday

The director of Stellenbosch Bureau for Economic Research, Ockie Stuart, said he considered it a sign that inflation would remain high in SA, since pressure for higher pay packets would continue to be strong for years

But both he and Old Mutual chief economist David Mohr said they did not see the sharp rise between March and April as cause for concern in view of the fact that the year-on-year rise of 11,6% was unchanged from March

They pointed out that the rand had held up well in spite of the drop in the gold price, and inflation was no longer being fuelled by higher import prices

Figures released yesterday by the Central Statistical Services showed the annual rate of increase of locally produced commodities for SA consumption in April was 12% This was 0,7% higher than the annual rate of increase for March, which was 11,3%

The PPI of imported commodities for April fell by 0,3% compared with March The annual rate of increase of imported commodities for April was 10,1%, which was 2,4% lower than in the year to March

Mohr said "The monthly figures

tend to be very volatile It is easy to get a small monthly increase followed by a very big one

"In view of the fact that we had small increases in the PPI in the previous three months, I think it safer to rely on the year-on-year rate to see where the inflation rate is going"

The higher domestic producer costs coming through in April were due to the lag in the effect of the domestic consumer boom, and high wage rises at the beginning of the year The labour cost component of the PPI was still rising, with the full effect still to be felt

But the public were feeling the benefit of the stable exchange rate and cooling domestic demand which had limited imports

The lower gold price had "not affected the rand too much That means either that we are rolling over loans or that we are getting cash inflows from somewhere else"

Stuart commented "As far as the local component of the PPI is concerned, I think the monthly rise is due to the high wage and salary rises filtering through So I don't think that is reason to be overly pessimistic

"But it underscores the difficulty we face in trying to bring down the domestic inflation rate There will be upward pressure on wages and salaries for many years

"We must be grateful that the rand is holding up fairly well in spite of the lower gold price."

VAT will hit food giants, may push up prices

By TOM HOOD
Business Editor

CASH flows of supermarket chains will be hard hit, forcing a new round of price increases, when the new value added tax (VAT) replaces general sales tax in October next year.

The government is set to introduce pension parity for all races if proposals to tax food are given the go ahead.

Deputy Finance Minister Dr Org Marais announced yesterday that the government was looking at taxing all food items when the VAT system came into force.

Retail giants will lose millions of rands a year they earn from interest on sales tax collected from their customers.

CASH FLOWS

This tax money can earn the companies between 18 and 20 percent for the first 20 days of the month until it gets paid to the Receiver of Revenue.

"This could have a massive effect on cash flows and profit margins," said Mr David Clegg, chairman of Cape Town Chamber of Commerce's taxation committee.

"Although this income from interest was taxable, it helped retailers to keep prices down and companies now would be sitting on a much smaller pile of cash at the end of the month.

In most cases, their margins won't be able to absorb the shock and retailers will have to raise prices. However, if it amounts to a cent or two an item, it will be hardly noticeable.

This factor reinforces analysts' doubts of government forecasts that price rises will be held to less than 13 percent when VAT is imposed on foods currently exempt from GST.

SOME BENEFITS

Overall, VAT could make a limited impact on inflation, says Mr Clegg.

Its effect will be tempered by some benefits, such as ending double taxing, which could lead to considerable savings on what industry paid in GST and help companies to stave off price increases.

However, the building industry, which paid sales tax only on the materials aspect of a contract, would have to pay VAT on the labour component as well.

Dr Marais said yesterday "If there are no exemptions from the tax there will be no increase in inflation."

"If we can keep the tax rate below 13 percent we may succeed in not having a big jump in inflation."

● The Argus Political Correspondent reports that no VAT will be charged on private second hand car sales or any private sales. At the moment, anyone buying a car in a private deal must pay GST.

Dr Marais said yesterday that when VAT came in later next year, only 'enterprises' would pay sales tax and it would not apply to any private deals.

● See page 13

Car prices set to rise as state alters content target

THE raising of the official motor industry local content target from 60% to 65% may again push car prices up - just when it looked as though car price increases were coming under control.

Nissan Marketing Managing Director Stephanus Loubser confirms that the new local content targets will bring forward price increases of Nissan's cars.

BMW Marketing Director John Jessup agreed the new target could push up car prices. The motor industry was looking at price increases of around 11% to 12%, he said, but it was possible that increases could now move up to match the inflation rate.

He pointed out that raising prices was one means of getting the local content level right. This is because of the way local content is calculated. The foreign content is calculated as a percentage of the wholesale price of a vehicle (in total, the turnover of the motor manufacturer). If a manufacturer cannot raise local content, or increase exports to get offsetting credits for imports, the other way out is to raise wholesale prices.

The motor industry is also unhappy with the change because it has thrown out planning.

The new government local content programme was put into action about 15 months ago.

The original level of local content was 55%, and it was stated that the lev-

Just when it looked as though car price increases were slowing, a change in government local content targets may put them back on the inflation fast track. REG RUMNEY reports.

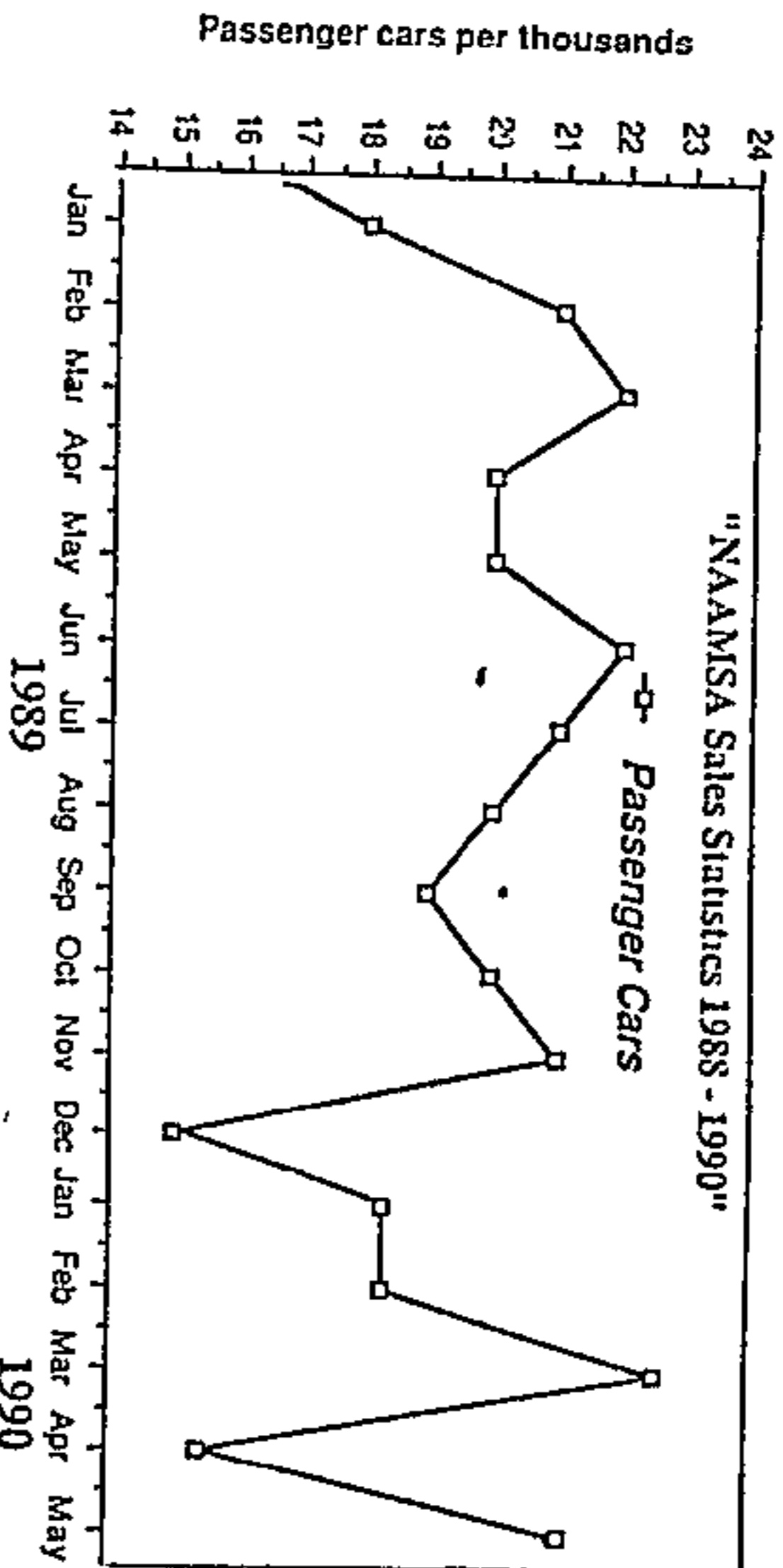
The programme changed the way of calculating local content from mass to value, a change which itself necessitated introduction of complex calculations. More subtle than its abused predecessor, it switched the emphasis from merely making parts in South Africa to saving foreign exchange.

So exports — of motor components and of cars — were for the first time taken into account. A motor manufacturer can offset imports (the foreign content of a car) against exports (which bring in foreign exchange).

The programme was supposed to work thus: if a manufacturer failed to meet the local content requirements he would be penalised by duties on his imports; conversely, if his exports exceeded his imports in value he would be paid out by the government.

But the idea was that the value of exports should more or less cancel out imports.

The sources say motor industry exports have far exceeded imports, and that the government has changed the target to avoid the pay out.



New car sales shot up last month — but the surge was deceptive

Millions have been committed by the motor industry to investment programmes to cater for the increased local content programme. Toyota alone has committed itself to a R1-billion investment programme. Projects planned cannot, say motor industry sources, simply be brought forward.

Moreover, exports cannot simply be boosted to raise local content. "In any case export contracts aren't permanent, and in many instances aren't even profitable — they are subsidised just to get the requisite local content," comments one industry observer.

Raising local content requirement penalises wholly owned South African companies more than motor manufacturers who are subsidiaries of foreign companies. So Nissan, Samcor,

Toyota and probably Delta are harder hit than VW/SA, Mercedes Benz and BMW. The reason is that the subsidiaries can more easily come to a deal on exports of components. The wholly owned South African companies who have licence agreements with companies whose cars they produce are, in theory, in competition with those companies overseas. Therefore, they have to sell their cars and components to third parties.

At the same time, the government has inhibited the motor industry by further taxing the company car perk.

High interest rates are also putting the brakes on the motor industry and yet the industry reported encouragingly high car sales for last month. On the face of it, the motor makers

have cause for optimism.

New car sales in May rose to 18 712, which means 4 281 more cars were sold last month than in April — a healthy 29.7% up.

However, compared to May last year, 65 fewer new cars were sold last month.

There are two reasons for May being a relatively better month for new car sales than April. Neither give motor manufacturers any cause to rejoice.

Firstly, the National Association of Automobile Manufacturers of South Africa (Naamsa) has pointed out, May had more trading days than April.

Secondly, the introduction of the runaway success Uno small car boosted May new car sales.

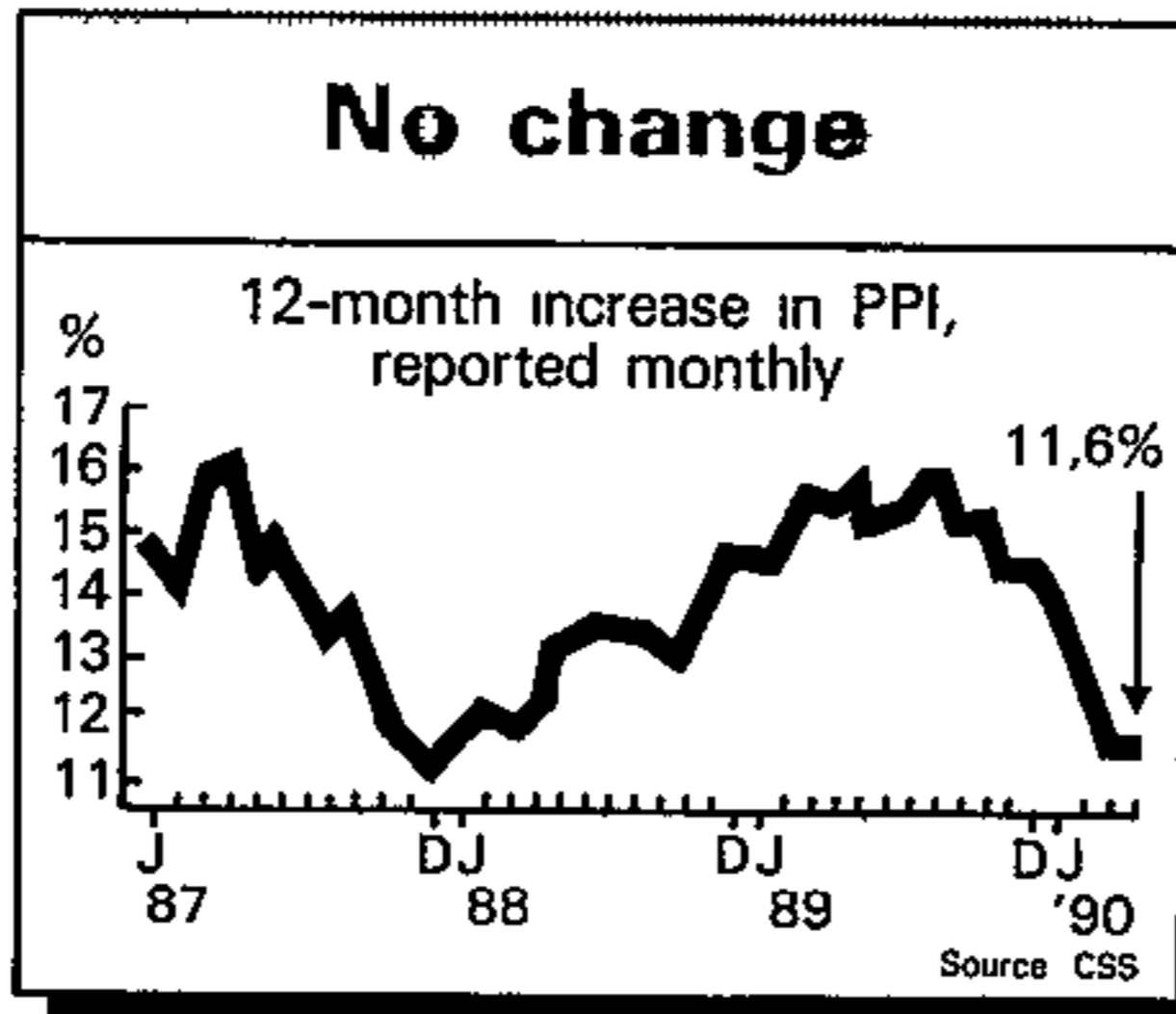
"Right now we are looking at around 205 000 units for the year which will be eight percent down on 1989," said Loubser.

Brand Pretorius of Toyota put the problems facing the motor industry in a broader context.

"Against a background of a slide in the gold price and a lack of resurgence in business confidence I foresee that things will remain tight until at least the end of the year. The macro economy is really making things quite difficult and the consensus is that growth in gross domestic product could be just 0.5% for the year, which is down from the previously forecast of one percent growth.

Handwritten notes: 244, 15/16-21/6/90

F/M 15/6/90 (244)



and higher imported inflation. Together with continued high union wage and salary hikes, this will keep inflation between 14%-16% for at least the rest of this year."

The largest monthly price increase was a 14,3% surge in coal, attributed to a 18% rise in rail tariffs, effective April 1. Higher prices also occurred in alcoholic and non-alcoholic beverages (11,3%), polystyrene foam insulation (10%), tobacco products (9,3%), tar (8,7%), wool (7,8%), kraft paper (6,7%), ferrous basic metals (5,4%), synthetic rubber (5,2%) and wood products (5%). Prices of "other mining" products (1,7%), glycerine (7%), natural rubber (4%) and construction machinery (0,5%) fell.

For the first time, the figures are seasonally adjusted, to give a month-on-month rise in the overall index of 1% (1,6% unadjusted), locally produced commodities 1,6% (2,1%) and imported commodities -0,2% (-0,3%) ■

PPI F/M 15/6/90

Monthly jump (244)

A large increase in the price of locally produced commodities caused the highest producer price index (PPI) increase since last August. The April month-on-month increase was 1,6%, up from only 0,3% in March. Economists hope this is an anomaly rather than a renewed trend toward higher inflation. Year-on-year PPI was steady at 11,6%, the same as in March.

Sanlam economist Pieter Calitz says the monthly jump is probably a statistical blip. "It is better to look at longer-term patterns. The three months to April show a seasonally adjusted annualised increase of only 8,1%, compared to 9,7% in the three months to March, 10,9% to February and 11,3% to January. The same calculation based on the three months to April last year was 18,3%."

While the price of local inputs rose 2,1% in April (March 0,1%), imported commodities fell 0,3% (+1,4%). TrustBank's Nick Barnardt attributes the low figure to the relative stability of the rand, lower oil prices (a big part of total imports) and the reduction of import surcharges in the March Budget.

"The import component of PPI is a good leading indicator of CPI, so we still expect to see inflation below 14% later this year and 13% by year-end. PPI should be about 11,1% in May." Single-digit total credit extension so far this year also bodes well.

Chamber of Mines economist Ivor Leibowitz is less optimistic. "If gold remains depressed, the likely result is a lower rand

Cotton lobbies reach a compromise on price rise

~~1960~~ CHARLOTTE MATHEWS 244

THE DISAGREEMENT between cotton spinners and cotton ginner on the proposed increase in the cotton price to 482c/kg has resulted in the rise being re-negotiated down to a 33% increase, to 472c/kg

This was announced yesterday in a statement by the SA Cotton Textile Manufacturers' Association (Sactma)

Originally the Cotton Board proposed a 38% increase from last year's 355c/kg, while spinners felt 465c/kg, or a 30% increase, would be more reasonable. Friday's settlement pegs the halfway mark between the two.

"Circumstances are such that the international price has increased very sharply to even higher levels while domestically the severe economic downturn makes acceptance of high price increases for a major raw material component extremely difficult," Sactma chairman Roland Hammerle said *p/0am 19/6/90*

"The finally agreed price of 472c/kg therefore amounts to a compromise position with sacrifices being made both by the spinner and the ginner in the overall interests of the SA economy and consumer."

Frame chairman Mervyn King said the input cost of cotton to spinners would still be increasing and there would be an inevitable rise in the price of clothing. However it was impossible to put a figure on this as cotton was used in mixing and finishing items.

"We were trying to keep the price down as much as possible in the interests of the clothing manufacturers and consumer. We had the support of every major distributor in the country."

DP argues for a fair deal on taxation of emigrants

B.D. on 19/6/90

CAPE TOWN — Foreign investors who had bought Eskom stock with SA rands would now have to pay tax on the interest, but it was not fair this should be made retrospective, DP Pinelands MP Jasper Walsh said yesterday.

He said this provision in the Income Tax Bill, which was debated in Parliament yesterday, would largely apply to emigrants who would be greatly disadvantaged.

"There is no strong lobby group for emigrants, many of whom will have left the country when there was little hope of a peaceful political settlement.

"Hopefully some of these

Political Staff

people will now be reconsidering their position"

Walsh said this provision should apply only to those who acquired Eskom stock after a specified date

Walsh also said inestimable millions of rands were not collected in tax because of the lack of suitably qualified staff in the Receiver of Revenue's offices

Walsh said unfilled staff positions existed and continued to remain unfilled due to a lack of supply of suitably qualified staff

"The best financial brains in the country are matched against the Revenue office staff. The former are able to command high fees for their services. The latter are restricted to civil service salaries. And the beneficiaries are professional people and top executives. The shortfall has to be made up somehow.

"The losers are the salary and wage earners. And,

in the case of indirect taxes such as VAT and GST, the public at large"

Walsh said he believed the system of taxation through the appropriate legislation should be scrupulously fair

Sapa reports that CP finance spokesman Casper Uys welcomed government's moves towards separate taxation of married women, but regretted that this could not be fully implemented now

Broader

He said he understood the problem of possible manipulation on women's income, but felt that if there were irregularities they could be dealt with through existing methods.

DP finance spokesman Harry Schwarz said in the debate it would be suicidal to increase the tax rate

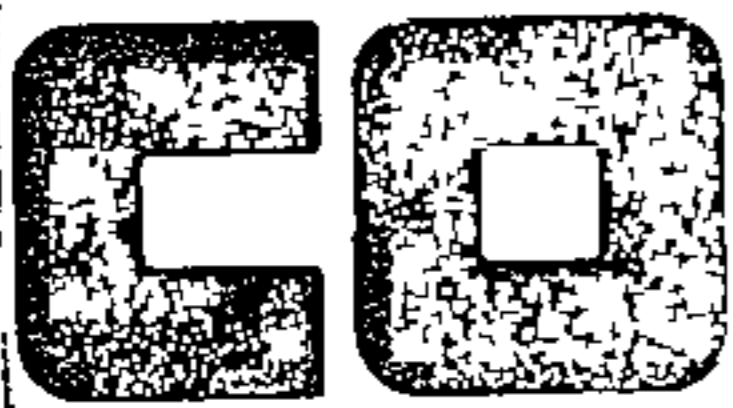
He said what was needed to produce more revenue was a broader tax base

"The more people earn, the more tax can be levied, and the programmes for job creation can thus be seen as producing more revenue for the state, which will assist in the redistributive process"

Tax evasion and, in some cases an inability to collect tax due to social and political disorder, were problems which confronted the Exchequer

Indirect taxation was normally the most acceptable form of taxation when there were not massive income gaps. When there was massive evasion or non-payment of direct taxation, the fiscus turned inevitably to greater indirect taxation and forms of indirect taxation. VAT was such a tax.

The process of taxation had not been equitable until now, as in respect of certain social services there had been colour discrimination. Stopping the discrimination would have a redistributive effect.



Investments

ded

28 February 1990	28 February 1989
R'000	R'000
88 665	53 884
1 848	2 693
1 001	962
847	1 731
208	504
639	1 227
-	1
639	1 226

No, petrol price rise expected during June

NO PETROL price increase was expected for June following the recent downward movement of international product prices, the National Energy Council (NEC) said at the weekend.

In May PWV motorists underpaid 2,776c/l for 93 octane petrol. The amount they had been underpaying had steadily increased from 0,221c/l in January to 4,893c/l in April.

May's figures represented a break in this trend because lower international market prices resulted in the landed cost of 93-

ZILLA EFRAT

Octane falling from 49,035c/l in April to 46,918c/l in May. (244)

For the first time this year, SA motorists overpaid for their diesel in May. During this month, diesel moved into an over-recovery position of 0,763c/l following April's under-recovery position of 0,259c/l.

The landed cost of diesel fell from 44,409c/l in April to 43,387c/l in May due to lower international prices.

DP to debate troika issue today

CAPE TOWN — The intense debate on the future role of the DP and its troika leadership structure will be resumed at a special parliamentary caucus meeting today.

Most caucus members appear to favour dumping the three-person leadership format — an arrangement endorsed by a comfortable majority of rank-and-file party members at the federal congress in Durban about a year ago.

However, any change in the leadership structure will have to be approved by another federal congress.

The timing and venue of such a congress still have to be finalised, but party members are mentioning possible dates ranging from August to October.

Although opposition among MPs to the troika system has been spurred by the DP's

Political Staff

poor showing during the Umlazi by-election, it is by no means a forgone conclusion that this sentiment will be mirrored by the party's grassroots supporters.

Indeed, the DP Cape Western region decided by a substantial margin to reject a return to the one-person leader format on May 31.

Today's caucus meeting will also continue the process of examining the party's future role in view of the Umlazi setback.

While the party does not intend to ignore its role in white electoral politics in coming months, the party leadership has indicated its bridge-building role is in extra-parliamentary politics.

Butchers urged to
pass on discount
on mutton, pork

5/24/90 19/6/90
The Meat Board has made an
urgent appeal to dealers coun-
trywide to pass on a reduction
in red meat prices to consum-
ers.

The general manager, mar-
keting and administration, of
the board, Frans Pieterse, said
in Pretoria yesterday dealers
should use every available
means to allow consumers to
share in a 20 percent reduction
in the producer's price for mut-
ton and pork. — Sapa.

Manufacturers slam rise in cotton price

CMT Texts 19/6/90

244

744

744

By AUDREY D'ANGELO
Business Editor

THE retail price of cotton clothes may be pushed up by as much as 30% as a result of a decision to raise the price of cotton lint by 33% this season, Seardel executive director Mike Getz said yesterday

Critising the Cotton Board for setting it at this level, the chairman of the Cape Garment Manufacturers Association, Simon Jocum said it could lead to retrenchments as a result of falling sales

He urged the Cotton Board to think again about such a high price rise at a time when the economy was in a downturn.

But the chairman of the SA Textile Manufacturers Association, Roland Hammerle, said the price of R4,72 a kg was below the price on international markets. It was a compromise reached after lengthy negotiations between the cotton producers and spinners

Brian Brink, executive director of the SA Textile Manufacturers' Association, said the international price set in England had soared to R5,40 a kg. This is significantly higher than the price we have agreed on, but that is as much as our industry can pay

"The farmers, who were paid R3,55 a kg last season, are getting less than they asked for and we are paying more than we wanted to"

Brink said the spinners felt they should be given some price advantage for a product grown in this country rather than paying the international price. But the international price had been used as a reference for the past 15 years and this had worked reasonably well

Jocum said, "a rise of this magnitude is really bad news. It will cause consumer resistance and business is bad enough as it is"

"I think the Cotton Board is being unreasonable and if it had the power to reduce the price it should do so right away in the interest of the consumer and of saving jobs"

Getz said a 33% rise in the price of lint meant an 18% rise in the price of pure cotton fabrics. This would mean a rise of 8% or 9% in the factory price of a garment.

"The retailers' mark-up averages 80% — the stores giving credit charge more and outlets like Pep Stores less"

"This means the garment will cost 15% more than last year. Add to that the inflation in the pipeline of the textile industry which, historically, has been 15% a year, and you have a 30% rise in the retail price of the garment."

Getz said this would mean a rise in demand for clothing made from synthetic fibres. This would push up their price too.

NEWS

Bread price could soar next year

244

By Shirley Woodgate

The scrapping of the R60 million bread subsidy next year, the possibility of an overall price increase in November, and the introduction of VAT from February 1991 added to the effects of inflation, could set the price of this essential food soaring.

Commenting on yesterday's announcement by Minister of Agriculture Jacob de Villiers that a bread subsidy was unlikely to be included in the March 1991/2 Budget, Housewives' League president Lynn Morris predicted that even ahead of the phasing out of the subsidy, the annual November increase at the start of the new "wheat year" was virtually a foregone conclusion.

Ignoring the effect of inflation on the bread price, the introduction of VAT on foodstuffs from October 1 next year would further push up the cost of bread.

Wheat Board deputy director Andries Liebenberg

White Standard Bread

	PRICE INCREASE	
APR 1989	85c	90c
OCT 1989	90c	R1.00
MAR 1990	R1.00	R1.05
NOV 1990 (est)	R1.05	R1.15
OCT 1991 (est)	R1.15	R1.26

Brown Standard Bread

	PRICE INCREASE	
APR 1989	69c	76c
OCT 1989	76c	85c
MAR 1990	85c	90c
NOV 1990 (est)	90c	99c
OCT 1991 (est)	99c	R1.09

said there was no fixed pattern for the November increase, which would have a direct bearing on the price of wheat, as well as inflation and the cost of milling and baking in determining what was needed to accommodate the remaining amount of the subsidy.

Theoretically, the removal of the subsidy would decrease the price of white bread by 0,7 percent from R1 05 to 94c and brown bread by 7,4 percent from 97c to 90c, but he doubted this would be so.

"One factor which will influence the situation is that millers' and bakers' present fixed return on capital is set at 15 percent before tax and about 7 percent nett, which is not regarded as a attractive margin in normal business practice.

"Although it is impossible to predict, after price control is lifted on bread the milling industry may reconsider its entire strategy in a completely new situation."

Predicting bread price increases of between 12 to 18 percent when VAT was introduced on all foodstuffs, Checkers managing director Sergio Martinen-go stressed that price increases over the last few years had made provision for the anticipated reduction in the subsidy.

"Deputy Minister of Finance Org Marais has made it clear he anticipates some form of assistance for the needy, but it will certainly hit the pocket of the man-in-the-street," he said.

W/M and 22/6/90

Bread increase means less food for the indigent

By PAT SIDLEY

244

WITH BREAD prices set to rise steeply, the poor will eat less. Figures released by the Wheat Board illustrate that when the price of bread increases and the subsidy is decreased, less bread is bought.

And when the poor cannot afford bread, they switch to mealie meal -- which will have the new Value Added Tax (VAT) added to it when it is introduced. VAT will replace the GST.

In the near future, bread subsidy on bread is to run out, VAT will be placed on all foods, including bread and price control on bread is likely to end.

According to government sources it is likely that plan to feed the poor is likely to be a system of giving subsidies to existing charities and feeding schemes.

There will be no vouchers or food stamps as the system is too complicated and expensive to introduce and monitor.

All this bodes ill for the poor who already have no price control or subsidies on other basic foods such as mealie meal, milk, cheese, meat or eggs.

It is the government's oft-stated policy to do away with subsidies and to deregulate various industries -- and now it has stated that it is to introduce VAT on all goods.

According to the Wheat Board, when the subsidy on brown bread has dropped and the retail price has consequently risen, the consumption drops. For instance in 1989, when a loaf of brown bread cost 69c the subsidy was dropped from 13c to 6c causing a rise in the price to 76c.

Despite higher food prices . . .

CPI drops to 13,9%

CPI
1991
22/6/90

By ARI
JACOBSON
MONETARY
policies
adopted to
stabilise the
economy
have started
to register
significant
gains on the
authority's
prime target,
inflation, as
measured by
the con-
sumer price
index (CPI)

Inflation
figures for
May slowed
to a 13,9%
year-on-year
increase
against
April's annu-
al rise of
14,6%

Econo-
mists wel-
comed the
success of
the stringent
measures
"as an on-go-

ing process of progress" against a backdrop of declining money supply growth in a shrinking economy and aligned with a stable exchange rate.

At this pace said Trust Bank economist Nick Barnadt, the inflation rate should drop below 13% by the year-end.

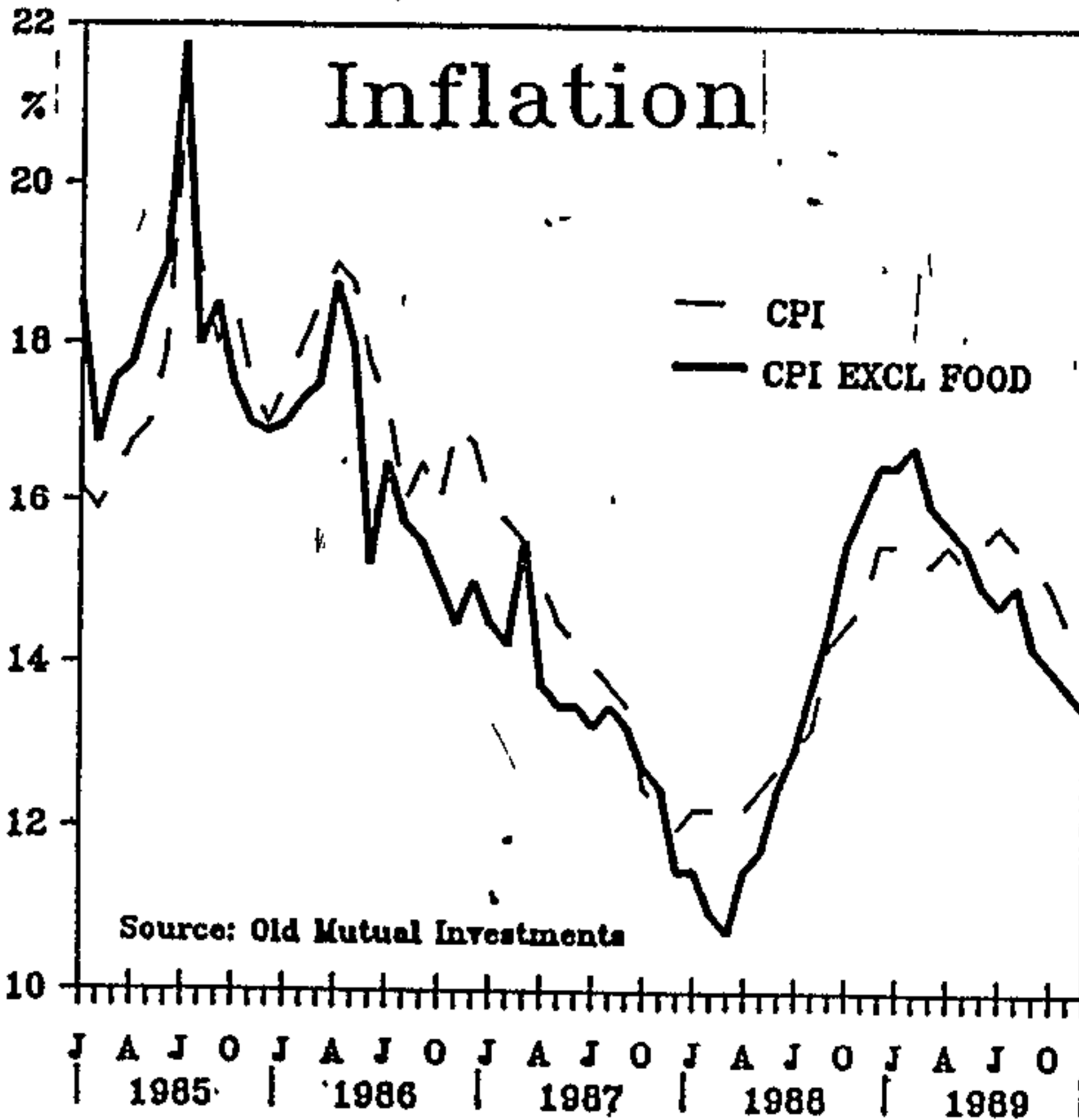
Southern Life's economist Mike Daly said the declining trend in inflationary growth was motivated by the fall in producer price index (PPI) increases — a leading indicator of the future CPI path.

"However, May is a low inflation month, with the small 1,1% month-on-month rise between April and May — maintained over the last five years"

Daly pointed out that the food component of the CPI had prevented a sharper decline in the growth of the consumer-related index

"Another negative factor halting progress, in the fight against inflation, was the low gold price which would force the rand to devalue moderately over the next few weeks"

But a slight weakening in its value



Food price rises added 0,5% to the consumer price index's (CPI) 13,9% year-on-year gain in May — a major obstacle in the monetary regime's fight against inflation.

would be insufficient to impact on local prices, although halting an accelerating drop in the growth rate, he said

Old Mutual's economist Ursula Maritz said food inflation has rocketed from a 7,7% year-on-year increase in April 1989 to an annual rise of 15,6% in May this year.

But the underlying momentum in food price rises had slowed, pointing to the average 1% monthly gains over the last three months — well down on the 1,6% average in the previous quarter.

"If food had been excluded from this month's CPI, the index would have dropped to 13,4% — a clear indication of the rapidity with which inflation can come-off with the slowdown in food price rises."

Nick Barnadt enhancing on the optimism surrounding the latest CPI figures said a continued decline in the growth of this index would help interest rates off its peak before the year-end

MANDANSE 4043 5889 5889 0 0 0 7.6 7.1 3.6

Bread in line for double price rise

B1pam 25/6/90
PRETORIA — Consumers could be paying 20c a loaf more for white and brown bread by the start of the 1991/92 financial year, when the bread subsidy is to be totally abolished.

Government's firm intention to scrap all food subsidies was confirmed last week by Agriculture Minister Jacob de Villiers.

He indicated the bread subsidy would fall away from April next year.

But before the expected April price adjustment, another price hike is cer-

244
GERALD REILLY

tain from November this year.

The subsidy was progressively cut from R150m in 1987/88 to R115m last year and to R60m this financial year.

Wheat Board sources said the R60m would be inadequate to hold prices at current levels until the start of the 1991/92 financial year.

In fact, by November it will have been used up. *B1pam 25/6/90*

Also to be taken into account in the price calculation are inflated costs in the baking and milling industries, which will have to be compensated

Setback
for by margin adjustments and other costs.

Also, the producer price could be raised at the start of the new wheat season in November.

The price will depend on the 1990/91 crop estimate — the smaller the crop the bigger the price.

The price rise in November therefore could be as much as 10c a loaf, authorities claim.

The standard white loaf was increased by five cents to R1,05c and brown by the same margin to 90c from April this year.

Petrol price in ²⁴⁴

SA could drop ^{28/6/90}

Oil prices are falling overseas, raising the prospect of a lower petrol price in South Africa.

A senior Government official said last night the decline in overseas oil prices was good news and he was holding thumbs it might drop further.

However, it would be necessary to work out the finances of the oil equalisation fund before he could make any further statement about the future of the local petrol price.

Oil prices overseas have dropped by a third this year. But the recent falls had been in the spot price and South Africa normally bought oil on a term basis, the official pointed out. — Finance Staff.

● See Page 24.

Falling crude prices keep petrol price hike at bay

GERALD REILLY

PRETORIA — Tumbling crude oil prices are expected to eliminate the possibility of a petrol price rise in the short term, Central Energy Council sources said

This is in spite of the fact that the slate fund has taken a battering over the past five months with an under-recovery situation since January.

For the first time this year, this month is expected to show an over-recovery.

Yesterday's Dubai price dropped to \$13,40 a barrel compared with a May average of nearly \$15, the OPEC basket price was \$14,22 a barrel on Monday and in May it was \$15,5 and the Brent (North Sea) oil was \$15,65 compared with \$17 in May.

Inroads

It has been reported from London that a huge crude surplus has accumulated and the downward trend in prices could continue.

According to the National Energy Commission the under-recovery in petrol in January amounted to 0,221c/l, in February 1,579c/l, in March 3,904c/l, and in April 4,893c/l

This, motor industry sources said made big inroads into the slate stabilisation fund.

Motor Industries Federation director Jannie van Huyssteen agreed that as long as conditions prevailed on world crude markets there would be no need for a petrol price hike *By Day 27/6/90*

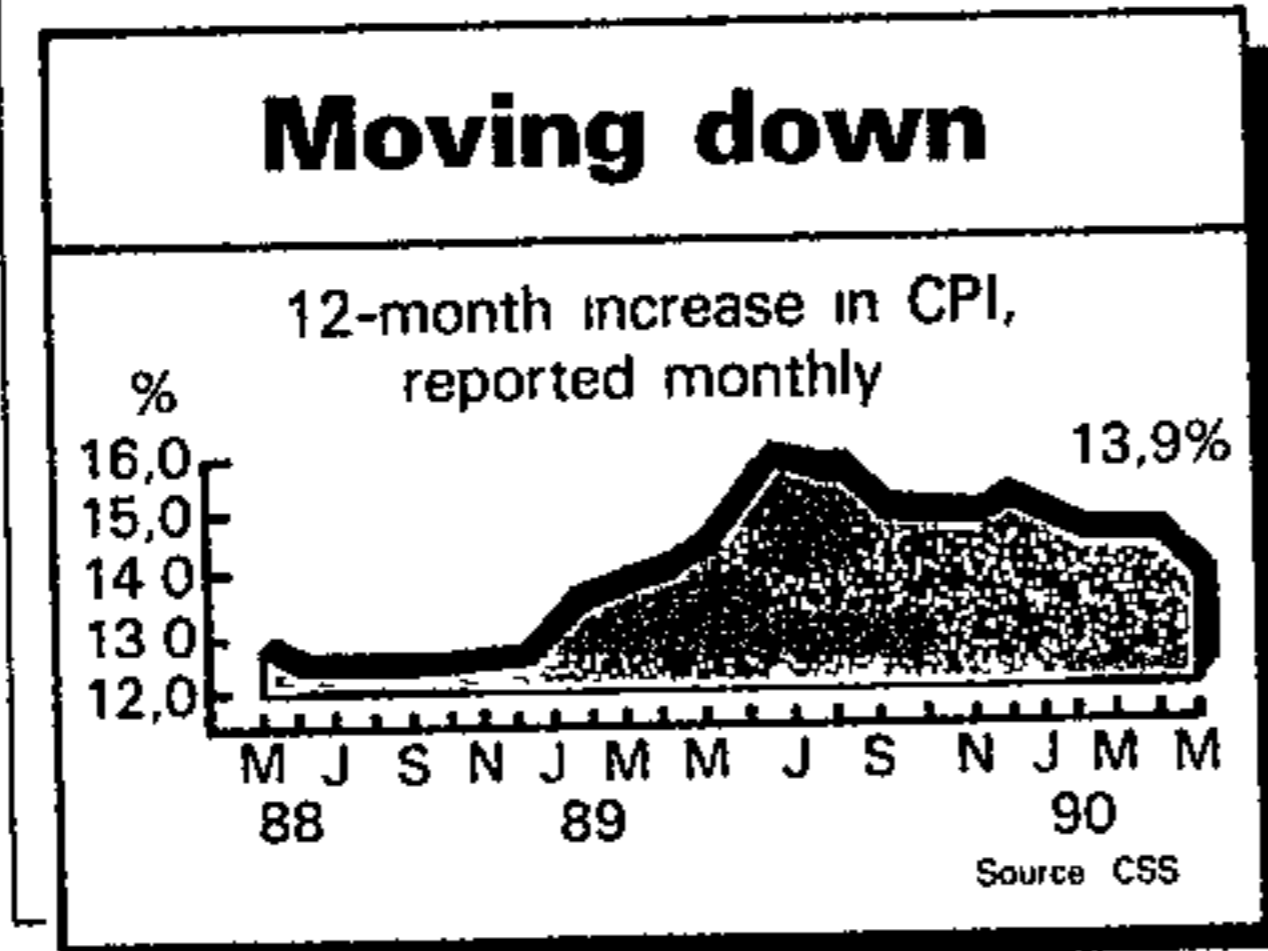
"They've had a windfall and in spite of the strain on the slate the price in the view of the trade can be held where it is for at least the whole of July"

Mixed signals

The rise in the consumer price index fell to a year-on-year 13,9% in May, down from April's 14,6% and the lowest since March 1989. However, the month-on-month increase was 1,1%, up from April's 1%.

The annual deceleration could be due largely to statistical factors because May 1989 saw a high 1,6% monthly increase.

A major factor this May was the continuing surge by food (with a 23% weighting), up 0,9% in May and 15,6% in the 12 months.



The low income group was hardest hit, with a 1,1% jump for the month and a year-on-year 16,4%. The middle-income group paid 0,9% more (15,9%) and the highest income group only 0,8% (15%)

Big annual increases occurred in vegetables 37% (0,6% in the month), fruit and nuts 27% (8,4%), fish and seafood 21% (4,8%), milk, cheese and eggs 19% (0,2%), and grain products 17% (1,1%)

Volkscas chief economist Adam Jacobs attributes rising vegetable and fruit prices to uneven rainfall and high temperatures in the main growing areas. He hopes prices will stabilise in the next few months. "Supply of fruits and vegetables should improve, with a good winter crop in the Lowveld"

Jacobs points out meat price increases grew less than the CPI up only 8% in the 12 months and down 0,1% in the month. This was a result of overproduction as many farmers switched from maize to cattle in response to high beef prices in the past.

Transport costs (weighted at 17%) collated quarterly show a 3% monthly increase, including a 5,4% rise in vehicle prices. The year-on-year increase was only 11,6%, well below the overall CPI

Clothing and footwear (weighted 6%) increased sharply, up 2,3% in May and 14,5% in the year. Household operation costs (4%) fell 0,6% in the month but were up 16,4% over the last 12 months

Southern Life chief economist Mike Daly finds the downturn encouraging and hopes the CPI will hit 13,5% by the third quarter. "After that it will level off. Inflation seems to be structural and we are unlikely to reach the levels of our major trading partners"

No early fall in fuel price

Oil prices overseas have fallen 30 percent this year and this should in time lead to some reduction in local petrol prices.

However, economists close to the Government warn that an immediate reduction should not be expected.

South Africans underpaid for their petrol early this year and the deficit was borne by the equalisation fund which was set up to iron out changes in the oil price.

This underpayment has depleted the fund and it will be necessary to rebuild it before the Government agrees to a cut in the petrol price. The Government would also like to see whether the lower oil price will be long-lasting before it makes its price decision.

This means that South Africans might have to wait a few months before they see a cheaper price. Only if the overseas oil price were to slump further would there be a possibility of a petrol price cut in the short-term. Should the current low price not be maintained, the chances of a cut would be minimal. — Finance Staff.

Sugar price rise to cost soft drink firms R21m

ACHMED KARIEM

THE 13% increase in the price of sugar would cost the soft drinks industry an estimated R21,5m, SA Federation of Soft Drinks Manufacturers president Henne Viljoen said on Friday. However, prices were likely to be unchanged at least until August.

Viljoen was responding to the SA Sugar Association's (SASA) announcement that the selling price of white sugar would rise by R142 to R1 236 a ton from R1 094 a ton on August 1. Brown sugar would rise by R129 to R1 122 from R993 a ton.

He said the soft drinks industry, which bought about 150 000 tons of sugar annually, was the largest industrial buyer of sugar on the domestic market. It consumed 13% of the total domestic annual usage of 1,3-million tons.

Bottlers customarily adjusted their prices once a year and would take the increase into account. There were 41 soft drinks manufacturing plants in SA.

"Although sugar forms a major part of the industry's cost structure, bottlers will absorb the price increases over a period of time," said Viljoen.

SASA announced a new pricing structure in December 1988.

"Whereas the previous situation was unstable, SASA said then that the price would increase by 7% on February 1 1989, with an additional increase of 4% in August, leading to a total of 11%," he said. The price would remain static until August 1990.

The SA Co-ordinating Consumer Council (SACCC) expects numerous price increases of sweetened goods, and encouraged consumers to purchase as much sugar as possible before August 1.

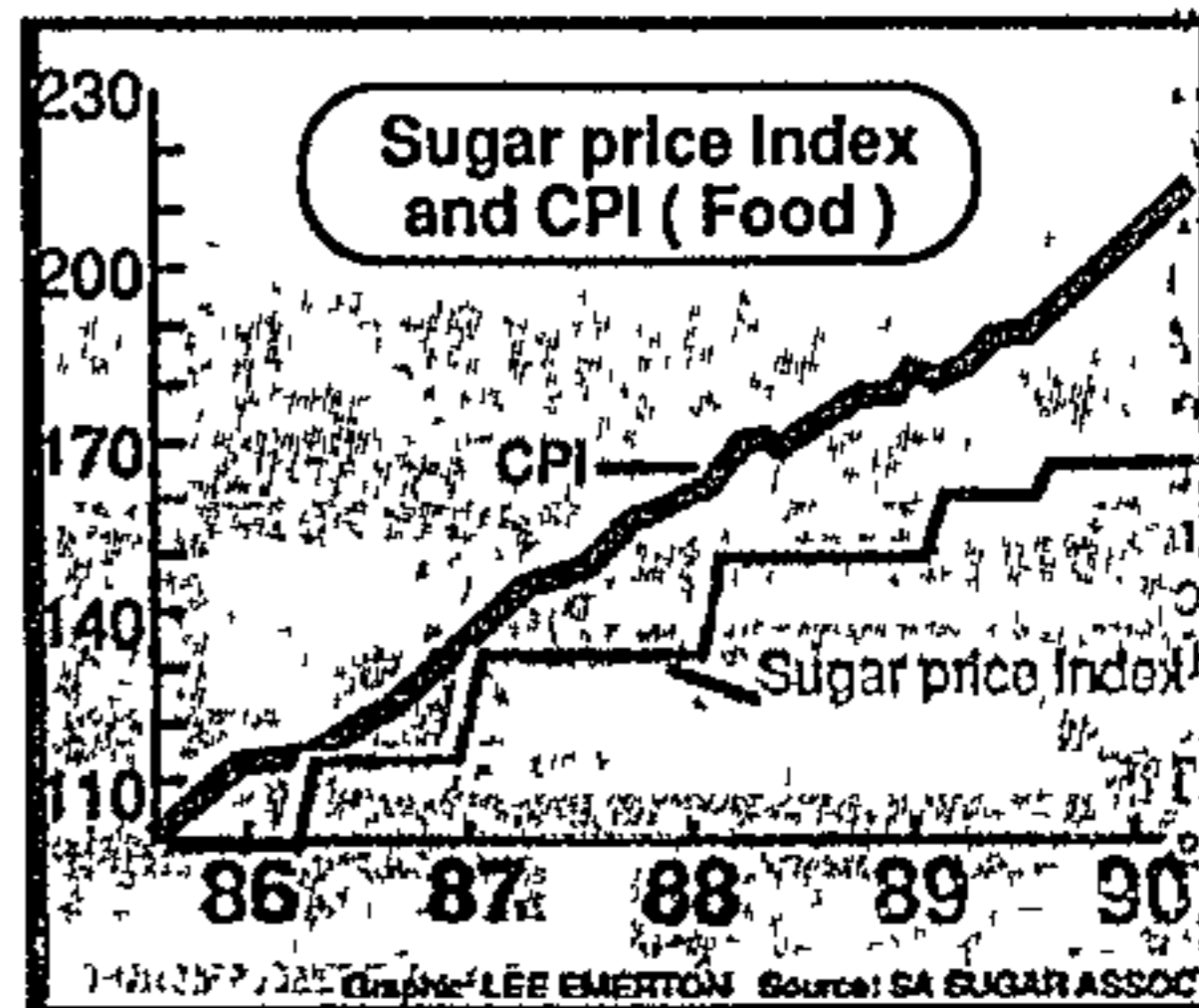
SACCC director Jan Cronje said sweetened goods prices could only increase after that date and urged consumers to inform the council of any price increases of these goods before August 1.

"The prices of sweetened consumer goods should never escalate with the full price increase of sugar, because sugar is only an ingredient of these goods," said Cronje.

SASA chairman Glyn Taylor said the sugar industry had tried to keep increases as low as possible.

"However, the industry has escalating production costs and increasing salary and wage costs that cannot be totally absorbed by improved productivity," he said.

He estimated that consumer prices would increase by about 17c/kg for white sugar.



the poor
sta c/rens 5/8/90
hit bleak
(244)
times as
hospital
fees soar

By SOPHIE TEMA

PENSIONERS and the poor will be hard-hit by this week's increase in hospital fees.

This is the fifth increase since 1985.

Black pensioners receiving R201 a month who paid R5 for a visit to a hospital or clinic will now pay R8 during the week and R10 at weekends.

The South African Health Workers' Congress (Sahwco) said: "In real terms, the increases are 100 per cent and are totally unacceptable."

Amelia Setlhotlhello, 87, said: "They are trying to get rid of old people. Rather than spend my money on hospital fees, I will go to our black inyangas."

Teacher and Martha Tsotetsi, who get a joint pension of R402 a month, say they live without any luxuries and Wednesday's increase will make their lives a misery.

MEC for health services SES Ferreira said health services had been highly subsidised in the past and the increases were an economic necessity.

Sahwco replied: "The reasons given by Ferreira smack of indulgent arrogance and even cynicism, with people impoverished and made ill by dismal socio-economic conditions caused entirely by the State."

It was dismayed at the new scale of tariffs which would seriously affect pensioners, the unemployed, the lowly paid, the disabled and students.

FIM 6/7/90
ers' president Henrie Viljoen, whose organisation represents 41 main plants, says a sugar price increase lower than the inflation rate is acceptable

"But any increase in the price of sugar has a material effect on our industry — sugar is our main raw ingredient. The industry uses 150 000 t a year." He says the R142/t increase in the price of white sugar — to R1 236/t — will cost the soft drinks industry an additional R21,3m this year

Costlier soft drinks

However, Viljoen says the increase will be absorbed for "as long as possible." When the price of soft drink does go up again, he says the industry will also try to hold the increase to under the inflation rate. In addition, the full 13% increase in the sugar price will not be passed on to consumers

The last price increase in soft drinks — about 13% — was announced in March

"Apart from sugar, we have various other increases — containers are going up by about 15%, negotiations with trade unions seem to be heading for an increase of about 17% in wages, and because of the vast transport fleet we run, fuel costs are always a factor," Viljoen says

In the past, the soft drinks industry has investigated using alternatives to domestic sugar, like its counterparts in the US. But the high fructose corn syrup option didn't work out after the Tongaat-Hulett Group cornered that market. Furthermore, importing sugar from countries such as Swaziland, where Viljoen claims he could buy sugar for about R350/t cheaper, is precluded by industry agreements in each country

Meanwhile, the sugar industry, which has been through two lean years in the domestic market, is cautiously looking forward to a better season. Sales for April stood at 108 000 t, 13 000 t above the estimate

SUGAR FIM 6/7/90

Dearer prices

While any increase in the price of sugar has a notorious ripple effect on the cost of most foods and beverages, the SA Sugar Association's 13% increase announced last week is generally being greeted as reasonable

More important, the deregulation away from government-approved prices and the association's new policy of announcing price increases well before they go into effect is welcomed as striking a more businesslike relationship between the sugar industry and its major customers. The price won't rise until August 1, giving manufacturers time to stockpile at the current price

SA Federation of Soft Drink Manufactur-

May's producer price index drops to 11,3%

CNA 7.45 11/7/90 2.42
Own Correspondent

THE annual rate of increase in the Producer Price Index (PPI) fell to 11,3% in May, from 11,6% for the previous month, according to Central Statistical Service (CSS) figures released yesterday

The monthly rate of increase was 1,2%. Economists said they had expected a more dramatic slowdown but were pleased the downward trend had been maintained

"We are confident the authorities are succeeding in their fight against inflation," said Bankorp chief economist Nick Barnardt

But Econometrix economist Azar Jamine expressed concern that the overall reduction had been so small, especially considering the substantial reduction in price increases of imported goods.

The annual rate of increase for locally produced commodities was 12,2%, higher than the April figure of 12%.

"High local producer inflation reflects continued upward pressure on wage levels, which has a ripple effect on most other prices," he added.

It was only lower price increases for imported commodities (7,2% for May compared with last month's 10,1%) which reduced the overall rate of increase.

But Barnardt said a low import component was encouraging as it usually preceded reduced producer inflation and eventually lower consumer price increases.

Jamine said lower price increases for imported goods resulted from the stronger rand exchange rate and the lower import surcharge

Significant price increases were recorded for non-ferrous basic metals (6%), metal products (6,7%) and "other" mining products (16%). Decreases were recorded for prices of fresh meat (3,4%) and "other" agricultural products (1,4%).

Some prices will fall, says top Vat official

Finance Staff
DURBAN — Prices of many goods should fall with the introduction of value added tax (VAT) next year, according to a senior Inland Revenue official.

The Pretoria official, Clive Prevost, told delegates to an Inland Revenue seminar on VAT in Durban that the new system, which the Government proposes implementing on October 1 next year, was likely to cause a one-off rise in the prices of many goods, particularly those exempt from general sales tax.

But many prices would drop because VAT-payers would make deductions from tax paid on numerous input costs, which would be taken account of in calculating final prices.

With GST, tax was payable only on the final sale price.

He warned that incorrect cost-

ing would result in increased prices, reducing the competitiveness of goods against those correctly costed.

"Remember to exclude the input tax before costing your supplies as the input tax that is paid to the supplier of goods or services is recovered when you render your return," he said.

The formula

"The formula is Output tax minus input tax equals the tax to be paid to the Receiver of Revenue."

Trevor van Heerden, chief director of tax policy development in the Revenue Department, said VAT was not designed to raise more tax than GST and therefore should not be inflationary.

What might cause prices to rise

was uncertainty among traders of the consequences of a new tax system. They might put their prices up as a hedge against the unknown.

It was to counter this sort of development that Inland Revenue had allocated a large sum to educate and advise business.

Other points made by Mr van Heerden were:

- Retail prices would have VAT "added in", although vendors would be permitted to provide a break up of price and tax.

- GST paid on input costs would be allowed as an input tax credit after the introduction of VAT for an unspecified phasing in period.

- It was political irony that a person would pay tax on basic foods but not on medical services when he was taken to hospital starving to death.

Direct feeding schemes offer better deal for needy

By Sven Lunsche

Direct feeding schemes are a far more effective way of assisting the poor than indirect food subsidies such as the exemption of food from GST.

This is the key finding of a study by Unisa's Bureau of Market Research (BMR), which supports the decision by the Government not to exempt food from Value-added-Tax (VAT), when the system is introduced next year.

The biggest drawback of general indirect food subsidies is that they benefit all consumers irrespective of their need for aid, says the BMR in its report.

Total consumption of those items exempt from GST is estimated by the BMR at about R18,8 billion last year.

At the present GST rate of 13 percent the state's loss of revenue on these items amounted to R2,44 billion, with the biggest share of the subsidy going to meat (R1,04 billion) and vegetables (R406,5 million) followed only then by the two staple foods, bread (R216,7 million) and mealie-meal (R204,5 million) (see chart).

However, as is illustrated by the fact that fully 42 percent of this money goes towards subsidising the price of meat, "this system is not only the most untargeted of aid systems for the poor, but is also the most costly for the state budget," the BMR argues.

Exempt items

It estimates that 11,8 million, or 40,1 percent of the population, are found to be poor by definition and that this group is responsible for only 17,6 percent of the spending on the exempt food items.

"Fully 82 percent of the indirect food subsidy, therefore, finds its way to the well-to-do," the bureau says.

"Even worse, the number of people in urgent need of nutrition in 1989 is estimated at 1,7 million and the percentage of the indirect food subsidy which benefited them was a paltry 2,2 percent."

A further consideration is that this programme benefits persons in the middle- and lower income groups the most and perpetuates rather than corrects the unequal distribution of income.

"It is poorly utilised by persons in the poorest rural areas, who do not participate fully in the market economy and so buy fewer of the

	Consumption	GST lost
	R-million	R-million
Bread, flour	1 666.6	216.7
Butter, margarine	617.6	80.3
Raw eggs	376.3	48.9
Raw fish	536.6	69.8
Milk, milk powder	1 278.6	188.2
Mealie-meal	1 572.9	204.5
Fruit	1 212.5	157.6
Raw meat	7 999.7	1 040.0
Rice	389.5	50.6
Vegetables	3 126.5	406.5
TOTAL	18 776.8	2 441.1

The table shows the estimated amounts lost annually to the Government's revenue on food items not subject to GST.

exempt food items," the BMR says.

It recommends that the Government shift attention to direct feeding programmes, a proposal which has in principle already been accepted by the authorities.

Using surveys by the World Bank, the BMR suggests that these programmes should be targeted at the most vulnerable people — those exposed to malnutrition.

"Providing only the most vulnerable with nutrition assures the highest benefit-cost ratio and achieves maximum cost effectiveness."

The BMR is very selective about the target groups and suggests that the nutritional programme should initially be extended only to children under three, and to pregnant and nurs-

ing women, who would represent at most two percent of government spending.

The Government has, however, already indicated that the programmes would be extended to supply food directly to the poorer communities, in particular to schools in those areas.

Direct feeding programmes should be further underpinned by an extensive nutrition education programme, the BMR argues.

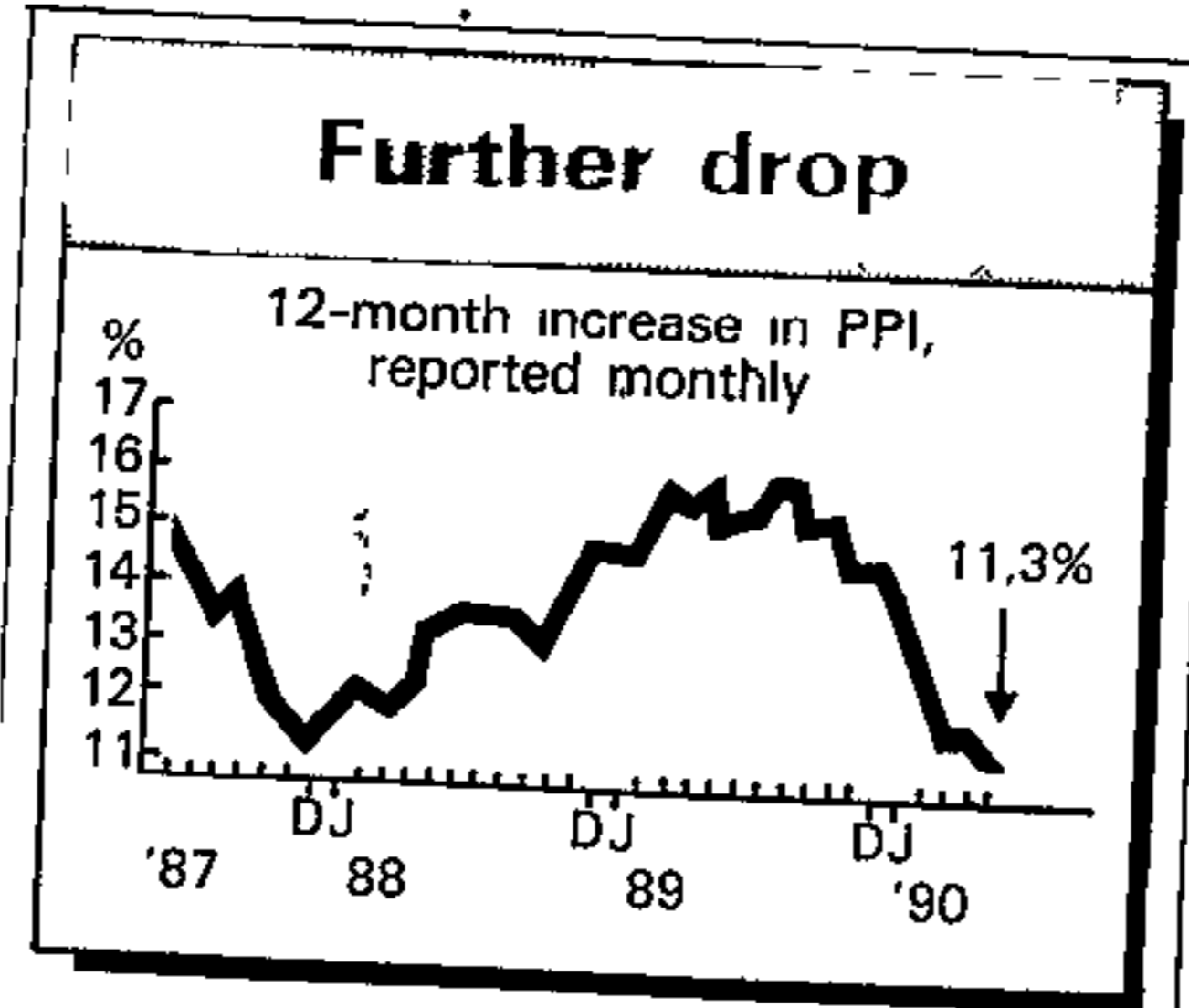
In the light of these findings the bureau recommends that all food items should be subjected to VAT.

"If all food items are subjected to VAT the 1,2 million beneficiaries of state aid such as old age and disability pensioners should be compensated in some way or another for their loss of income caused by the increased cost of food," the bureau says.

PPI FIM 13/7/90

Pressure down 244

Declining prices of imported commodities have kept the rate of increase in the producer price index (PPI) on its downward course. The year-on-year increase in PPI in May



was only 11,3% (11,6 % in April). The unadjusted monthly increase was 1,1% (1,6%)

Prices of imported commodities dropped 1,5% in the month (-0,3%) and rose only 7,2% in the 12 months (10,1%) 244

This reflects the sharp drop in price of imported *other mining products* — presumably crude oil — which carries a high weighting FIM 13/7/90

“We are also benefiting from continued relatively low inflation abroad,” says Rand Merchant Bank economist Rudolf Gouws

He points out the peak in year-on-year growth in imported prices was 19,3% in June 1989. He expects these to fall substantially further next month, for technical reasons — “Last June’s monthly increase was 2,3%”

The annual rate of increase in locally produced commodities was 12,2% (12%). The monthly increase was 1,8% (2,1%) ■

Rand's value cut in half

ONT 7/15 17/7/85 Political Staff

RS 204

THE rand has halved in value in less than five years. According to the Government Gazette, R1 in 1985 officially became worth R2 in May this year. The calculation was based on the latest consumer price index.

The base for the CPI was 100 in 1985, but in May this year it became 200,4.

'Labour costs limit fall in inflation'

CML - Tink 20/7/90



By AUDREY D'ANGELO
Business Editor

INFLATION should continue to fall in the second half of the year, Old Mutual chief economist David Mohr says in his Economic Monitor. But the extent to which it comes down will be limited by rising unit labour costs.

He thinks there is little chance of the problem improving significantly.

"Unit labour costs have increased strongly since the end of 1988 and are currently running at a year on year rate of just under 20%", he explains

"Given still high wage pressures in a slowing economy, this upward trend may persist for some time.

"As a result of these cost pressures we still think it unlikely that the consumer price index (CPI) inflation rate will decline to below the 10% level (if that) over the duration of the present economic downswing"

Forecasting that inflation will rise again in the longer term, Mohr continues "The rising demands — particularly from the public sector — on an economy faced with constraints such as a low rate of expansion of the production capacity, shortages of skilled labour and an ongoing requirement to transfer real resources abroad through debt repayment, do not favour meaningful declines in inflation in the longer term"

But, he thinks, positive real interest rates combined with fiscal discipline should keep inflation in the historical range of between 10% and 15%

Discussing interest rates Mohr, like most other economists, now thinks short term rates will not come down before the end of this year or possibly until 1991 unless there is a serious rise in unemployment

"Although it is a prerequisite, the slowdown in economic activity is not necessarily a sufficient condition for a fall in short term interest rates

"In the final analysis, the timing of a decline in money market rates is a monetary policy decision and the major considerations in this regard are the replenishment of the foreign exchange reserves and the curbing of inflationary pressures

"It is unlikely that the short-term state of the real economy will play a major role in this decision unless the unemployment situation shows a marked deterioration"

Mohr thinks longterm rates could resume their

downward trend later this year. But, he warns: "Foreign participants could again play a decisive role in determining the direction of capital market rates

"Should foreign perceptions regarding the domestic political and economic climate become more negative, foreigners might become large net sellers of domestic capital market assets, thereby retarding any possible fall in longterm rates"

He is concerned about the effect of lower commodity prices including gold, and deteriorating terms of trade for SA

He points out that SA's terms of trade (export prices divided by import prices) have been deteriorating since the end of 1988

"SA's exports are highly concentrated in commodities such as gold, coal, platinum and agricultural products. A fall in the prices of these commodities therefore implies a decline in exporters' income, which accounts for more than a quarter of domestic economic activity

"If, at the same time, importers are paying more for goods (particularly investment-related goods such as machinery and equipment, the demand for which is relatively insensitive to price changes) business conditions in a large segment of the economy may deteriorate to such an extent that the country as a whole experiences a relative decline in welfare.

"This effect on the corporate sector is presently compounded by the fact that businesses are being squeezed by continued high wage demands and other labour problems

"In addition taxes paid by this sector, excluding mining, virtually doubled over the past two fiscal years"

Mohr says that international commodity prices are expected to weaken further this year, as economies continue to slow down. This means that a further weakening of the terms of trade is likely this year.

"Unless this trend is offset by a meaningful rise in export volumes — which is unlikely in view of the slowdown of world economic growth — or a marked depreciation of the rand, which the authorities are reluctant to permit, this means that monetary policy will have to remain tight in order to curb import growth and ensure that the current account position remains manageable

"This, in turn, will delay the onset of the next cyclical upswing in economic activity"

Milk price up again

MILK prices have been increased by an average of eight percent with immediate effect - the second price rise this year *Sowetan 25/7/70 (244)*

The price of a litre of full cream milk has risen by 13 cents, meaning that consumers can expect to pay more than R1,90 a carton at a corner cafe. The cost to the retailer will be R1,73 cents a carton.

In addition, Central Statistical Service figures show that milk, cheese and egg prices for June were already 20 percent higher than a year ago - *Sapa*

Cost of watching TV soars by 50%

CPT-714K 26/7/90

240 244

Staff Reporter

TELEVISION licence fees are to rise by 50% to R120, the SABC said in a shock announcement yesterday

The news was made public during the main 8pm newscast last night by the chairman of the SABC, Professor Christo Viljoen, and the director-general, Mr Wynand Harmse.

Prof Viljoen said that the cabinet had approved the increase, which represents a huge jump from the present R80 a year, with effect from October 1

As a concession to hard-pressed consumers, fees can in future also be paid in monthly instalments

In the case of instalments the fee will be R11 a month, or R132 a year.

'Urgent increase'

Concessionary licence fees will amount to R36 a year for lump-sum payments, and R4 a month or R48 a year for monthly instalments

The SABC had applied to the government for an "urgent" fee increase last month, which was approved by the cabinet. The corporation had also applied for an increase last year, which was refused

Explaining the increase, Prof Viljoen said the corporation was reaching the stage when it had to replace ageing equipment.

A transmitter which cost R400 000 at the introduction of the service in 1976, now came to R2,6 million

The cabinet approved the increase subject to conditions that the multi-lingualism of South Africa be reflected in the English, Afrikaans and black language programmes, and that local content be increased.

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Milk price to increase by 8 pc

By Helen Grange

Food retailers countrywide are expecting another 8 per cent increase in the price of milk, following an increase implemented by a major dairy in Natal

According to OK Bazaars' food marketing director Mervyn Kraitzick, other dairies are expected to do the same and a rise in the milk price should be implemented between August and September

This will be the second milk price increase in a year

244
Stc 27/7/90
Mr Kraitzick said milk producers were finding it difficult to cover costs

"Of course, the retailers try to negotiate the lowest price possible, because we work on a very thin margin when it comes to basic foodstuffs. Milk is the loss leader in supermarkets," he said

In Natal, milk is now selling at more than R1,90 a carton at some corner cafes after the price of a litre of full cream milk was increased by 13c. The cost to the retailer is

R1,73 a carton

Mr Kraitzick said the milk price had increased by 20 per cent in the last year

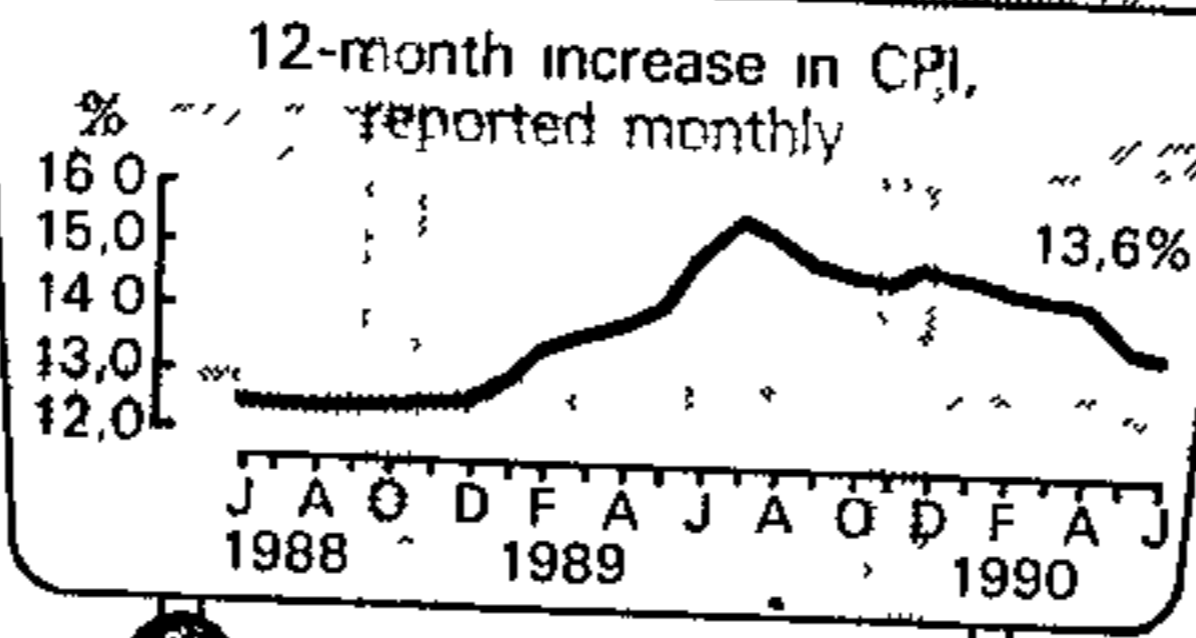
Since the dairy industry was decontrolled, increases have been frequent but regular.

The present milk price ranges from R1,49 to R1,67

"We have always tried to stagger milk price increases in order to ease the burden, but it makes no difference looking at the price adjustment over a year," he said

FIM 27/7/90 (244) (244)

Right direction



Medical care and health expenses jumped a monthly 3,6% (up 17,5%), household consumable goods 2,6% (20%), and public and hired transport 1% (14,8%)

CONSUMER PRICES FIM 27/7/90

Import connection

Consumer inflation continued to follow producer price inflation down in June. The increase in the consumer price index (CPI) fell 0,3% to a year-on-year 13,6%, the lowest since January. With producer prices up only 11,3% in May, the trend should continue though more slowly (244) (244)

Southern Life economist Mike Daly says lower producer prices are largely a result of a reduced import price component, with the relative rand stability, falling oil prices and the recent 33% cut in import surcharges.

The lower-income group still suffers the worst inflation, with prices rising 14,4% in the past year, compared to 13,6% for the middle-income group and 13,2% for those with higher incomes.

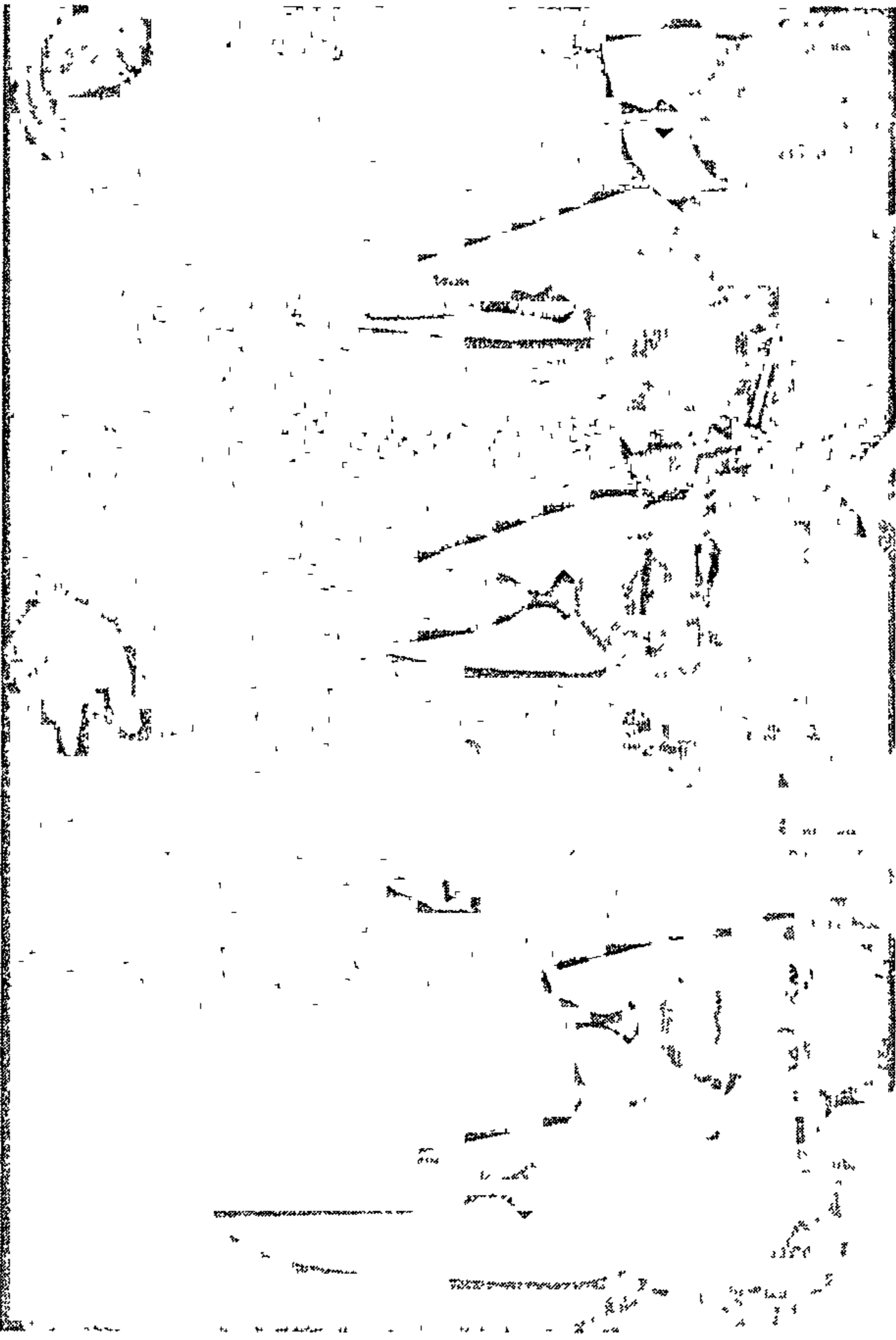
This is because prices of basic goods are rising faster than overall inflation. Food, weighted at 35% for the lower-income group (compared to 16% for the higher-income group), increased by a year-on-year 15,3%.

Vegetables rose 3,2% in June (up 31% in the past 12 months); milk, cheese and eggs increased 2,1% (up 20%). The latter category will be even higher this month as an average 8% increase in milk prices was announced on Monday. Elsewhere, things are looking a little better, with fruits and nuts down 8,3% (up 17% for the year), fish and other seafood falling 0,5% (up 18%) and grain products decreasing 0,1% (up 15%).

W/M 2717 - 2917190

Rising rand prevents petrol price hike

244



Indonesian Energy and Mines Minister Girandjar Kartasasmita (left) confers with Saudi Oil Minister Hisham Mohiddin Nazar (centre) and Iraqi Oil Minister Issam Abdul Raheem al Chalbi (right) in Geneva yesterday at the start of the Opec ministerial conference. The run-up to the talks was marked by the massing of Iraqi troops on the border with Kuwait, but they were withdrawn yesterday

Picture AFP

Weekly Mail Reporter

DESPITE rising international crude oil prices the firming of South Africa's exchange rate against the dollar had provided a short-term cushion against any domestic petrol price rise a spokesman for the National Energy Council (NEC) said yesterday.

The exchange rate and the In Bond Landed Cost (IBLC) of oil are the major determinants of the fuel price

The Organisation of Petroleum Exporting Countries (Opec) started a ministerial meeting in Geneva yesterday to discuss setting new production quota limits and raising oil prices

Iraq's recent massing of troops on the border with Kuwait, a chronic over-producer, is seen by oil analysts as only the latest, most hostile attempt by Iraqi President Saddam Hussein to press the point that Opec must enforce quota limits. In response, the oil market has sent prices up sharply, largely on faith that Iraq's growing role in Opec marks a change away from the cartel's lax enforcement of quotas

On Wednesday, September West Texas Intermediate, the benchmark US grade of crude oil, dropped slightly to \$20.38 a barrel in New York trading. That was still well above this year's low of \$15.06 a barrel in June

The domestic fuel price is based on the monthly average of the exchange rate in relation to the IBLC. If all other factors are unchanged if the price moves out of certain confidential boundaries, the NEC proposes a price adjustment

Some hospital fees doubled

2/8/90

Pretoria Bureau

Some patients will have to pay double for treatment at Transvaal provincial hospitals after yesterday's increase in fees

Transvaal MEC for Health Services Fanie Ferreira said "patients in Government hospitals should make a bigger contribution to the cost of health services".

The new tariffs are:

- H2 patients — with a family income up to R16 200 and depending on the size of the family — R10 for admission to community hospitals and R15 for admission to regional or academic hospitals.
- H3 patients — with a family income up to R19 200 and depending on the size of the family — R10 a day in community hospitals and R15 a day in regional or academic hospitals
- H4 patients — earning from R9 000 to R22 000 — R40 a day for community hospitals and R60 a day for regional or academic hospitals.

Meat prices
Biday 3/18/90
take a dive

ACHMED KARIEM

REAL prices of all live-stock products decreased during 1989 — beef and mutton by 14% and 9,2% respectively — despite high inflation, according to the latest issue of Standard Bank's AgriReview.

"Farmers have built up their herd numbers again and an increase in supply has brought the price down. Mutton has experienced a similar trend in increased slaughterings in 1990 as farmers are not holding back stock... due to lower projections of wool prices," said the review.

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Star 4/8/90
244

Fees to go up 8 percent at private clinics

Medical Reporter

Private hospital fees will go up by an average of eight percent from August 15, the Representative Association of Medical Schemes (Rams) announced at the weekend.

The increase, applicable to all wards, high-cost care and intensive care, will range from R7,50 more per day in approved day clinics to R38 more per day for specialised intensive care in a major hospital, said Rams executive director Rob Speedie.

Mr Speedie said the increase was agreed to in order to enable private clinics to raise the salaries of their nursing staff in line with the recent increases at the provincial hospitals, which had left private nursing staff at a "salary disadvantage".

Increase

Mr Speedie said normally Rams adjusted all scales of benefit once a year, but since the pay hike at provincial hospitals had forced private hospitals to increase salaries to retain staff, the interim increase was agreed to.

He added that the effects of the interim increase would be reviewed by Rams and would be taken into account when the time comes to determine the 1991 scales of benefits.

Local air traveller 'milked' by SAA, says DP

Political Correspondent

The Democratic Party yesterday criticised the 12% increase in economy class domestic air fares, which will take effect on Wednesday, and accused SA Airways of "milking" battered air travellers.

"Price increases in domestic air travel over recent years are far in excess of the inflation rate," the DP's spokesman on transport, Mr Robin Carlisle, said yesterday.

"The application of VAT to air travel will mean that the battered air traveller can expect a further increase of up to 10% next year," he said.

Mr Carlisle said SAA international air fares had not risen at the same rate as domestic air fares, even though they were subject to the same cost pressures.

The reason was that SAA had to compete internationally and so had to pare its fares to match the other major carriers.

"Internally, it has a captive market, which it milks at will."

Mr Carlisle said that deregulation would lead to competition on domestic routes in the next few months.

"The current price hike has been squeezed in ahead of deregulation, therefore the announcement that competition on domestic routes will not lead to lower air fares is both alarming and illogical."

There was possibly "some comfortable arrangement" between SAA and its future competitors to lift prices now and then maintain a price-fixing cartel in future, said Mr Carlisle.

Star 9/8/90

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World airlines consider raising tariffs

By John Miller

Airlines around the world, including South African Airways, are extremely concerned about the near doubling of the oil price as a result of the Middle East crisis

Director of Tariff Co-Ordination for (IATA) International Air Transport Association, Rick Bauer said he heard through the industry grapevine yesterday that a leading airline was about to file with the American government to implement a 10 percent tariff increase worldwide following the dramatic rise in the price of crude oil.

"Various airlines are monitoring the situation very closely, even though the general sentiment is that it is too early to take any type of action

"We have calculated about roughly 15 percent of an average airline operating costs are due to fuel expenses" he said.

"Most airlines generally contract for prices over long periods of time

"Clearly if SAA's contract happened to be up, you can believe the fuel supplier will be trying to put the new price in the contract."

He said another concern was the

long time the government usually took to implement new price structures

Members of IATA around the world will be asked within a week whether they think a conference is necessary and if this is so, and depending on the duration of the oil hike, association officials could meet within the next two weeks

SAA waits

Media Manager for South African Airways Zeida Roux said the airline was adopting a wait and see attitude, but at the same time along with the

other independent carriers was extremely concerned about the present oil price

SAA's concern was also because of the most recently announced fare increases, which come into effect today, as well as a loss of about R25 million on domestic routes.

Miss Roux said officials would meet on Friday to re-evaluate the position.

"We are in a slightly different position than most other countries as the rand is a lot weaker than many other currencies and we too have to pay for our fuel in dollars."

Positive signs in recent weeks

Barend sees likely fall in interest rates

244 (18)

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14/8/90

(18)

FINANCE Minister Barend du Plessis said yesterday he believed it would be possible to lower interest rates before the year end.

In an interview, Du Plessis ruled out any immediate relaxation in monetary policy, but said that "a lot could happen within three months".

"We will be in a much better position to read the situation within three months I still believe that something will be possible before the end of the year."

Du Plessis said he had pointed out before that when the inflation rate began to come down it would pull down interest rates.

If this did not happen real interest rates would be punitive to a degree that was not appropriate.

The Finance Minister said that in recent weeks there had been very positive signs that the consumer price index (CPI) and money supply were going in the right direction.

There were also positive signs from



● DU PLESSIS

MIKE ROBERTSON

the producer price index (PPI), although this was an unreliable indicator

Du Plessis said any decrease in interest rates later this year would be very small

"Our firm belief is that we have achieved so much and the present situation holds out so much promise for real progress in our fight against inflation that we must go about policy application with utmost circumspection"

He said that after studying the latest graphic representations of economic variables it seemed to him that the economy had managed the downswing on a much more acceptable level than expected.

However, he conceded that this was a general assessment, and that some sectors were "really battling" While the overall picture was in line with his prediction earlier this year of a soft landing, "some people really came down very hard".

Asked about progress in the budget cuts initiated to partially fund police pay increases, Du Plessis said the process was continuing and entailed a full review of spending priorities

It was difficult, "and perhaps not even prudent", to make known now what had already been achieved.

The process, he said, involved the appointment of financial managers to run

□ To Page 2

Barend

B/Dam 14/8/90

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□ From Page 1

departments on a more professional basis than before, using procedures like cost flow management

"In this respect Wim de Villiers (Administration and Economic Co-ordination Minister) and a number of advisers appointed to assist him play a decisive and welcome role."

Du Plessis said SA had achieved a reasonable degree of success in rolling over foreign loans, but the situation was far from normal.

There had been sufficient improvement in exports to enable SA to meet its balance of payments commitments for the year.

He said there were a lot of "promising noises" coming from a number of international financial institutions about resum-

ing longer-term business with SA

However, because SA was still within the confines of a standstill, international banks were, in many instances, required to make additional deposits with their central banks if they lent to the country.

The result was that "the cost of transactions with SA is too high to really provide the volume of finance that we are capable of handling".

Du Plessis said the partial success in rolling over loans was directly linked to developments since February 2.

However, in recent months government had received increasing inquiries from overseas about prospects for a cessation of labour unrest, stayaways, strikes and excessive wage demands

Positive signs in recent weeks

Barend sees likely fall in interest rates

FINANCE Minister Barend du Plessis said yesterday he believed it would be possible to lower interest rates before the year end.

In an interview, Du Plessis ruled out any immediate relaxation in monetary policy, but said that "a lot could happen within three months".

"We will be in a much better position to read the situation within three months. I still believe that something will be possible before the end of the year."

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□ From Page 1

Large rise in bread price 'likely next year'

PRETORIA — The price of bread could rise to R1,50 a loaf from the start of the 1991/92 financial year when the bread subsidy was totally phased out, sources warned yesterday

But a large rise is also likely from the start of the new wheat season on November 1

A Wheat Board source said that after February 28 next year, control over the price would be lifted and millers, bakers and retailers would set their own levels.

B/D am 15/8/90
GERALD REILLY

The November increase is likely because of a probable adjustment in the producer price of wheat and adjusted margins for bakers and millers

However, relief for the low income consumer is being considered and government's food strategy committee is due to report before the year's end

It is expected to recommend a system to cheapen basic foods for the poor.

Each growth figure has a different story to tell

THE real economic growth figures released by Central Statistical Service (CSS) this week can tell different stories about the economy, depending on which figures one chooses and how one interprets them.

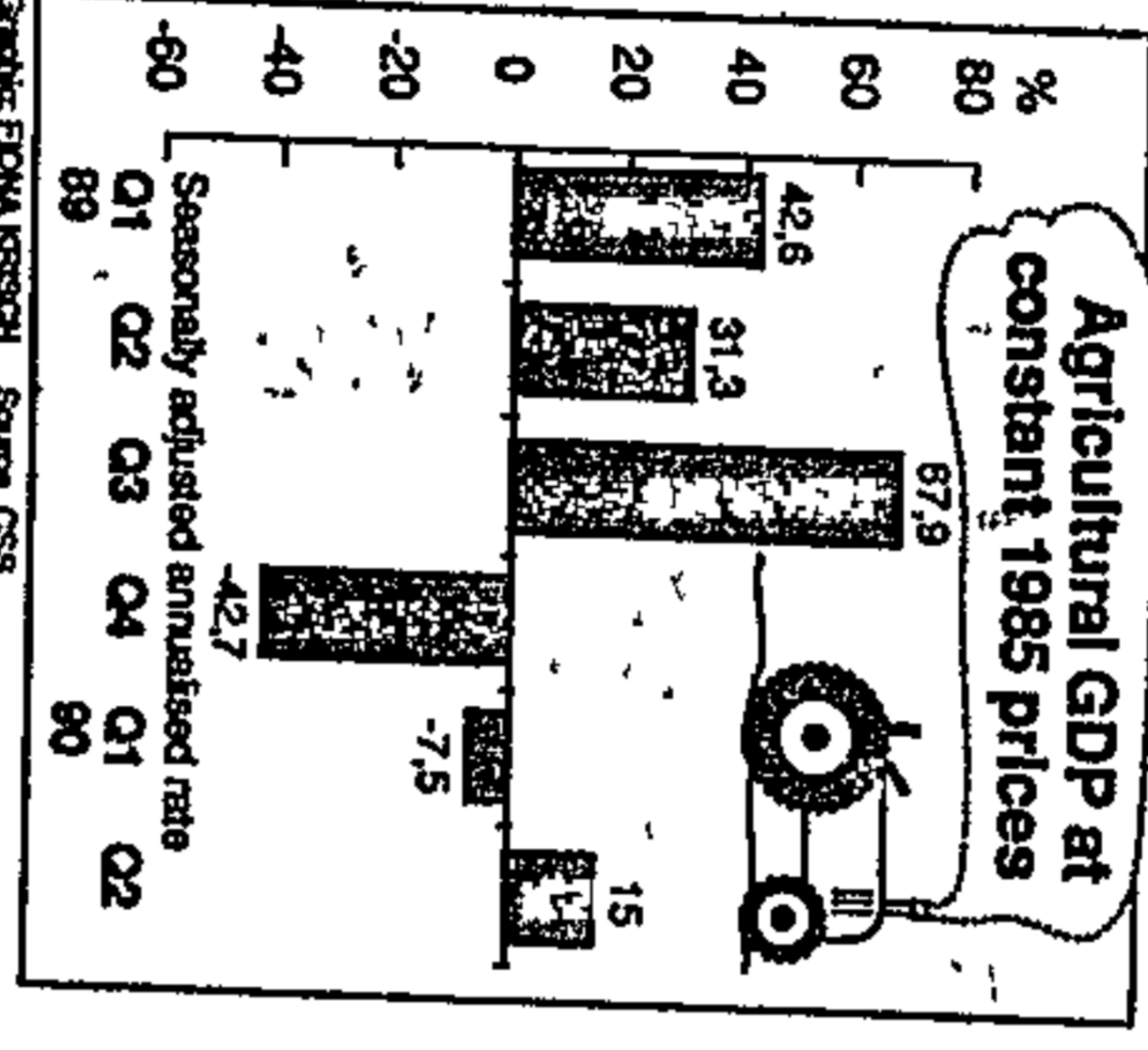
The rate at which GDP is falling slowed to 0.8% in the second quarter from 1.3% in the first quarter. Does this mean we are slowly moving out of the recession, or getting deeper into it?

In attempting to answer the question, it cannot be emphasised often enough that CSS and the Reserve Bank quote "quarter-on-quarter changes, seasonally adjusted and annualised".

A different picture emerges when one takes year-on-year figures. Between the first quarter of this year and the same period in 1989, small real growth was recorded, according to CSS. This was followed by a year-on-year drop of more than 1% in the second quarter. From that it would seem the recession deepened in the

second quarter. *b104 16/8/90*

Which figures tell the "real" story? The Reserve Bank emphasises percentage changes between quarters — annualised — as they show the latest developments. By annualising the change, an indication is



GRETA STEYN

given of what would happen if the trend in the latest quarter continued for a year.

The Reserve Bank annualises quarterly changes in the Consumer Price Index to analyse inflation trends, and follows this practice with a range of indicators, including credit extended and spending. Annualised quarterly changes give an indication of momentum.

Only a few economists have questioned the Bank's focus on these annualised figures. One question does spring to mind, however — what does a comparison between different annualised rates really tell us?

All too often the annualised figures are quoted and interpreted as if they are year-on-year rates when the latter are actually telling a different story.

While the annualised figures give an indication of momentum, the year-on-year figures provide an indication of what will happen to growth for the year as a whole. The year-on-year drop of 0.2% in the first six months of this year signals that negative or very little real growth is on the cards for 1990.

244

Perhaps the Reserve Bank could spare a paragraph or two in its next Quarterly Bulletin to explain why it places so much emphasis on annualised quarterly changes.

Also throwing a spanner in the works when interpreting the CSS figures for GDP is the inclusion of agricultural statistics in the figures. Apart from difficulties in measuring quarterly agricultural production, these figures distort analysis of the business cycle in terms of the performance of GDP.

Agricultural output surged by an annualised 15% in real terms between the first and second quarters of this year (seasonally adjusted)

This followed declines in the previous two quarters and a surge of 67.9% in real terms in the third quarter of 1989 — an erratic performance.

Without agriculture, the annualised drop in GDP is almost 2%. In the first quarter, an exclusion of agriculture yielded a decline of about 0.7% (instead of 1.3%).

The recession in the non-agricultural economy deepened in the second quarter on any basis of analysis. It is further illustrated by the negative growth experienced by all sectors except general government, community services and "other" producers. More specifically, GDP in the secondary sectors of the economy slumped by 2.7%.

The figures released this week might be used to tell different stories, but the basic message is one of economic hardship, albeit not as bad as in 1985.

The figures cannot provide policymakers with evidence of the soft landing they wanted.

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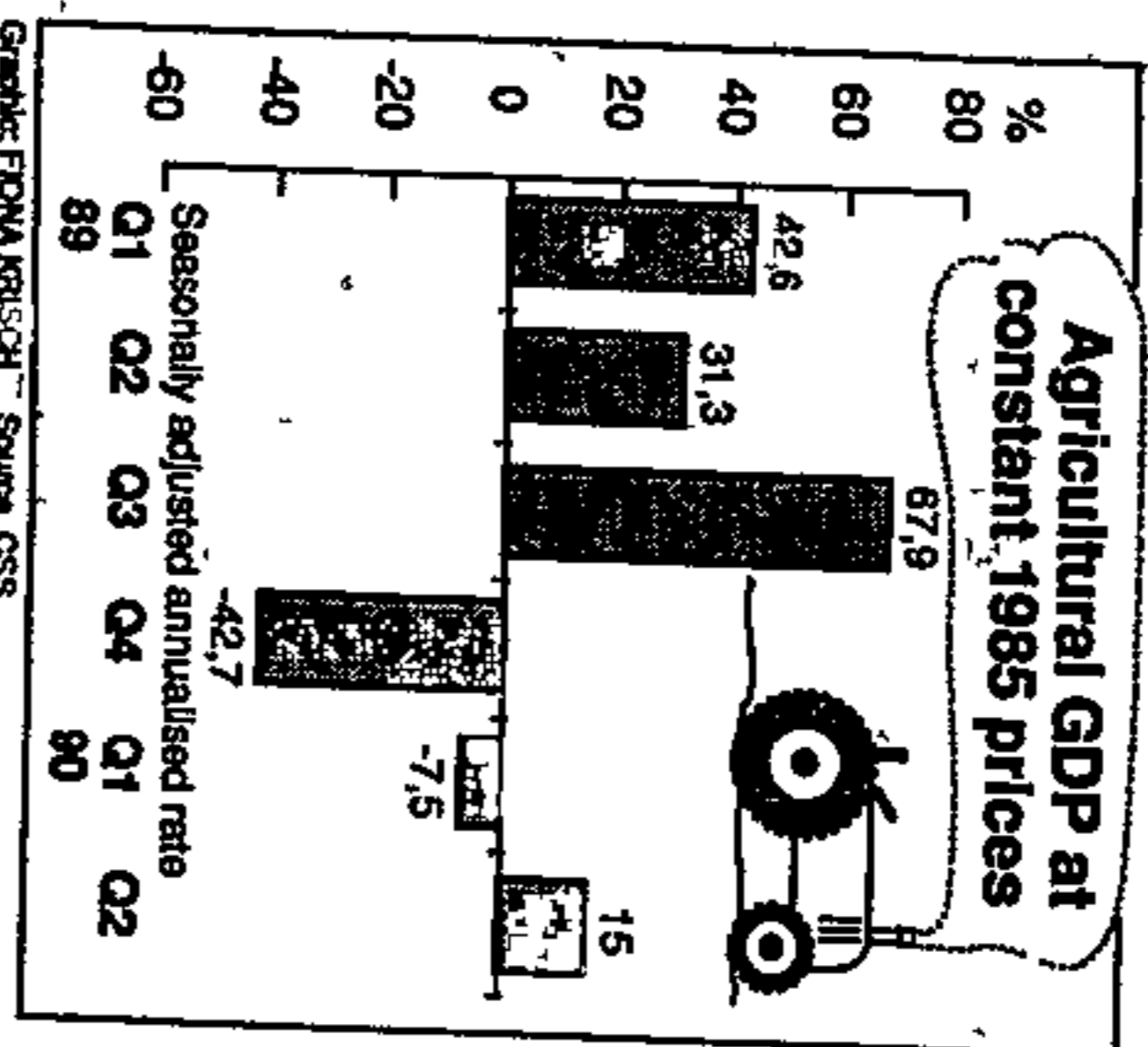
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SAFEX QUARTER FOR FUTURE-SETTLING

From DAVID CUMMING

HANNESBURG. — "The controversial price-setting actions of South Africa's agricultural control boards will soon be scrapped if moves to set up commodities futures markets are successful.

The ubiquitous control boards are responsible for the bulk of the products which make up the industry's R11 billion contribution to the country's gross domestic product.

And Safex chief Stuart Rees says the futures exchange is being geared up for such a move, which could be put into practice virtually overnight.

As a result, food (and other agricultural) prices would be determined solely by market

forces, rather than by arbitrary industry consensus

A possible outcome is that food prices would come down in the long term. And producers would get better prices during periods of shortage.

The new move follows an initiative in which at least one control board is understood to have called in consultants in the field with a view to making recommendations to the Minister of Agriculture.

If a commodities futures market was established, it would obviate the need for control boards to fulfil their criticised price-setting functions, leaving them free to pay full attention to the sole function of marketing their products.

Farmers who wished to

guarantee themselves a given price on harvest or sending their produce to market would do so simply by entering a futures contract at the desired price.

Alternatively, they could elect to spurn such "cover" and take their chances in a free market.

Futures markets experts said this week the move would involve a campaign to educate the country's farmers on the workings of such a scheme, which would allow them not only to cover themselves but to become active players in a sophisticated financial market, enlarging South Africa's investment community significantly in the process.

Mr Rees said the establishment of such a market was en-

visaged in the documents Safex had to submit when it was granted its licence.

"We submitted a three-year plan at the time and I am confident we will see such a market operating within three years.

"We could set it up in a very short space of time. We have all the structures and computer systems in place and would probably opt immediately for a screen trading system rather than open outcry."

He said the commodities market would function independently of the financial futures market with different members occupying different seats.

There would probably be a problem in educating the potential participants but that

they could rely on the advice of brokers in the initial stages.

"This move would remove the need for control boards to set prices and put the business decisions back where they should be. The boards could then concentrate solely on their marketing function."

Holcom Futures' Rod Holness confirmed this week that a number of control boards and other agricultural organisations had shown an interest in a commodities futures market and the suitability of otherwise of their products being quoted on such a market.

"The bottom line in any futures market is that there are big players who wish to offset their risk."

He pointed out that commodities futures trading was not

alien to the entire agricultural industry. Sugar producers and the Maize Board were already active in such markets overseas.

However, Mr Holness felt about 80 percent of South Africa's farmers were not likely to be sophisticated enough to participate immediately and would require education in the workings of futures markets.

"But there is no doubt some of them will do very well in such a market."

Progressive Systems College's Nic Oldert, whose organisation runs courses on financial futures, pointed out that the futures market in the United States got under way as a mechanism to control price risk in agricultural commodities.

See page 5.

Teargas incident

Star 21/8/90
justified - CP 214

Political Reporter 214

The Conservative Party yesterday justified the right-wing teargas incident at President de Klerk's Vryheid public meeting last week, saying the Government's political actions were evoking that sort of reaction from the Right

Several CP leaders reacted to the arrest on Sunday of Ben Snyders, a CP member from Memel, Free State, in connection with the incident. Mr Snyders was later released on R500 bail and will appear on public violence charges next month.

In a statement yesterday, CP Free State leader Cehill Pienaar said the party firmly supported its members, and noted with concern that Mr Snyders had been arrested on his way to church.

SA fuel price rise inevitable — NEC

W/M aul 24/8 - 26/8/90
By REG RUMNEY

IF world oil prices stay above \$28 a barrel an increase in the price of fuel is inevitable, according to the National Energy Council

World oil prices surged above \$30 a barrel yesterday

The latest increase in world oil prices could eventually add 5c to 7c to the cost of a litre of petrol. A 6c rise in the petrol price would increase the inflation rate, as measured by the Consumer Price Index, by 0,5 percentage points.

The NEC has pointed out in the past that fuel demand is relatively inelastic

It is difficult to predict when the NEC will raise prices. However, the NEC will say the recent "overpaying" by motorists for their fuel was reversed dramatically this month

Increases in world oil prices are not reflected immediately in petrol and diesel prices because the South African fuel industry operates a buffer fund called the "slate"

The slate can go into the red (when motorists underpay) as well as being in surplus from time to time

Eventually, the local fuel price must mirror the price of oil on world markets

Even Sasol, though it produces fuel domestically from coal, is paid according to world fuel prices

South African fuel prices are determined according to a complex formula that takes into account a world price of refined petrol and diesel in dollars

The exchange rate of the rand against the dollar also affects the calculation of the price of petrol

If the rand appreciates against the dollar, any rise in oil prices may be cancelled out. The rand has stayed firm, but oil prices have shot up.

Santam economist Roy Justus yesterday predicted that the oil price rise could be cancelled out for South Africa to some extent by a rise in the gold price

Gold closed in London at \$412,75 an ounce yesterday

"If the crisis in the Middle East deteriorates," he said, "it would benefit the gold price and that

would offset the crunch to some extent, but the benefits of a higher gold price would take a fairly long time to work through into general economy

"What will emerge from the Middle East crisis (assuming there is no outright war) is that the average price of oil will finally stabilise at a considerably higher level in the future

Whereas a short while back oil was around \$15-\$16 a barrel and \$19-\$20 immediately before Iraq's invasion of Kuwait, I cannot see it settling down at much below \$24-\$25 a barrel in the future," said Justus

This would upset profit prospects and economic growth throughout the world, and bring renewed inflationary pressures world-wide. South Africa would not be able to escape an increase in the local petrol price

While it is believed that most governments have contingency plans to contend with disrupted oil supplies and a rising oil price, Justus did not expect the South African government to fall back automatically on its strategic oil reserves to feed the market's demands

"I wouldn't be surprised to find that the money tied up in South Africa's strategic oil reserves could eventually make a contribution to social spending. Many millions of rands are involved in the hoard of oil, and it would come in very useful to meet future needs

"Taking a long-term view, with sanctions lifted and free trade again possible (including the importing of oil), this massive hoard of oil would not be as necessary and could well be reduced thus releasing some of its hidden wealth"

Sapa-Reuter reports that world oil prices topped \$31 a barrel yesterday, their highest since December 1982, and analysts believe they will rapidly spiral higher if fighting breaks out in the Gulf

Oil prices have now climbed more than \$10 since Iraq invaded Kuwait on August 2, and market analysts say that if the war of words in the Gulf turns into fighting, there is only one direction they can go — up

By DON ROBERTSON

TOUGH conditions in the steel industry have forced Iscor to postpone planned price increases

Iscor usually reviews price increases every six months. But because the domestic market has become extremely competitive, the October price rise for some products will be delayed until January 1991.

The January price rise will, however, take into account the delay and will be marginally higher than would have been the case.

For instance, it is expected that the price increase of cold rolled, galvanised and colour-coated sheet will be increased by 16,7% in January.

Industry sources say that because of declining demand, competition among steel-makers has increased. Some indicate that price discounts are being offered, although this is largely related to high-volume purchases.

SITIMES 26/8/90

Iscor puts off price rises in grim trade

A spokesman for Highveld Steel says that when demand drops, as it has done for most products in the SA market, prices come under pressure.

"It is difficult to put through price increases in a falling market. SA steel is still among the lowest priced in the world."

There are also indications that supply problems are being experienced.

The latest quarterly report from the National Association of Automobile Manufacturers of SA (Naamsa) says "One major manufacturer reported

availability problems in the case of steel supplied by Iscor."

Iscor public affairs head Piet du Plessis says the corporation is unaware of supply problems, but concedes there may be logistical problems in dispatching steel to coastal areas.

Mr Du Plessis says its prices have been reviewed every six months since deregulation in 1985. Trading conditions, however, change rapidly and cognizance must be taken of the domestic and foreign markets. Iscor tries to keep price rises below the producer price index (PPI) over a given time.

Stals warns

industries

CMK 71mp. 29/8/90



Financial Editor

THE structural problem of deeply embedded inflationary expectations among decision makers will have to be addressed before meaningful progress can be made in the fight against inflation, said Reserve Bank governor Chris Stals yesterday

In his annual address to shareholders he warned industry and trade unions they risked losing work and jobs unless they took seriously the authorities' twin goal of curbing inflation and protecting the rand's value

He also cautioned "Ultimate success in the fight against inflation will not come easily or quickly"

He said modest gains had been made in that campaign, but added that 16 years of double-digit inflation — averaging 13,7% — had produced a structural problem of deeply embedded inflationary expectations among decision makers

An almost invariable principle adopted by industry and business in setting prices, which was carried over into wage negotiations, investment and many other economic decisions, was to use as a point of departure an assumed rate of inflation at least equal to the indifferent record of the recent past, he said

Trade unions who act likewise will price their members out of employment," he added

Political reforms

Sweeping political reforms since February, designed to dismantle apartheid, have generated high expectations among the mainly disadvantaged black majority for a rapid improvement in living standards, and fuelled union militancy

Unofficial figures show the number of man-days lost through industrial action totalled 1,2m in the first half of 1990 — nearly triple the number for the same period last year

He said modest achievements so far in reducing inflation have resulted mainly from a dramatic decline in the rate of increases in the prices of imported goods

In the year to June 1990 the price index for imported goods rose 6%, less than half the 12,5% rise in the index for locally produced goods

"If this trend in prices continues, SA producers will find it progressively more difficult to compete with imported goods, and also to retain their competitiveness in the export markets," he said

"The authorities are determined to persist with the necessary restraints until inflation, and also the perception of future inflation in the minds of the beholders, have declined to the desired level — a rate more in line with the average rate of inflation of our trading partners," he said

.....

Stals warns producers against too-high prices

SA PRODUCERS will price themselves out of their markets or see their operating surpluses evaporate if domestic producer inflation continues at its present high rate of increase, Reserve Bank Governor Chris Stals warned yesterday.

Speaking at the Bank's AGM in Pretoria, Stals said it was not the time for seeking to strengthen profits

ANDREW GILL

through price increases because local producers would find it progressively more difficult to compete with imported goods and would slow the return to more rapid economic growth

The price index for imported goods increased at an annual rate of just 6% in June, while the price index for domestically produced goods increased by 12,5%.

The achievements recorded so far, he said, had come mainly from the dramatic decline in the rate of increase in the price index of imported goods, which had come off its seasonally adjusted and annualised high of 26,8% in the second quarter of 1989 to 2,9% in the second quarter of 1990

He said fiscal and monetary restraints had now succeeded in moderating gross domestic expenditure to the extent that demand no longer exerted upward pressure on prices

The problem, however, was a persistent cost-push process deeply embedded in inflationary expectations among decision-makers arising from 16 years of double-digit inflation.

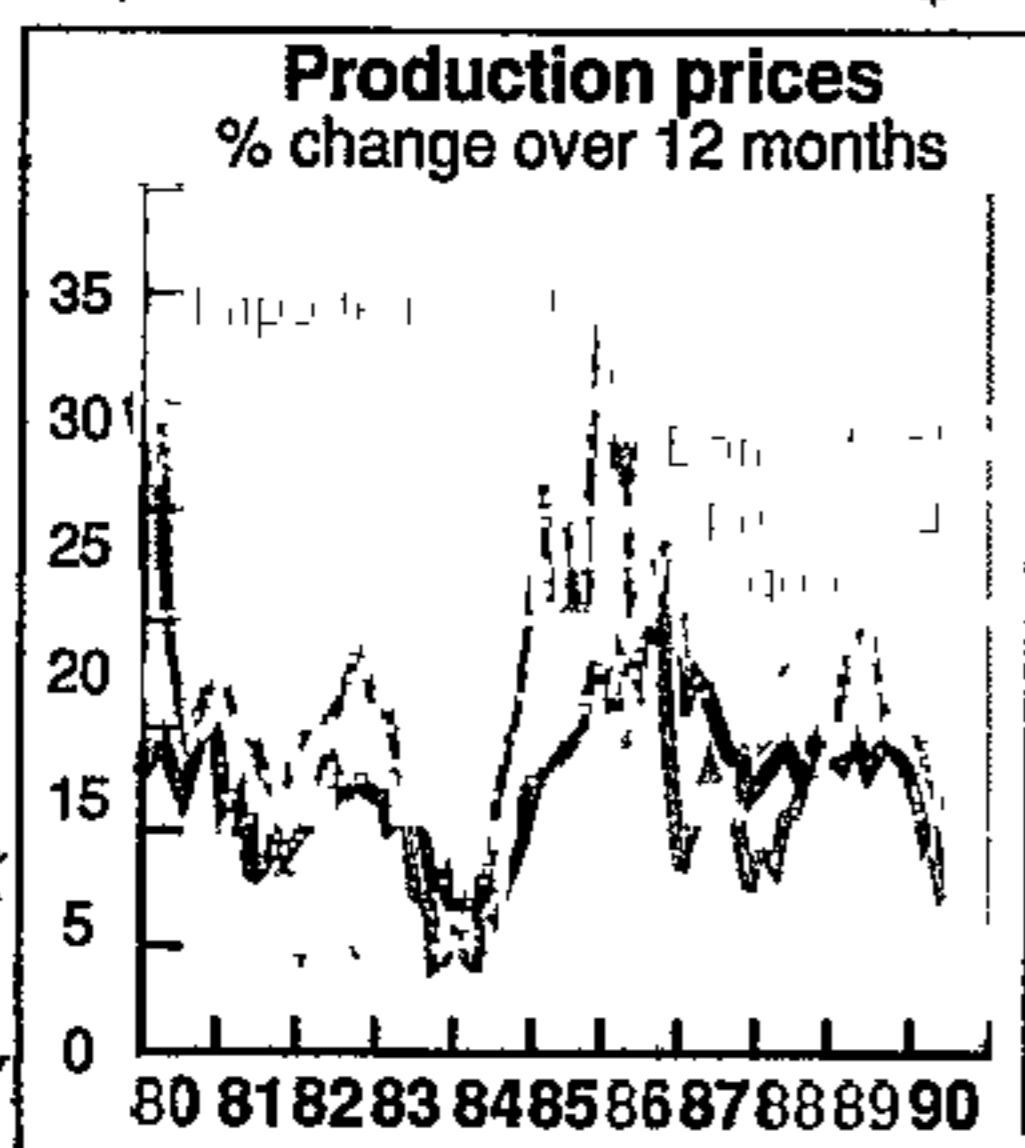
"The almost invariable principle adopted by price-makers and carried over into wage negotiations, investments and many other economic decisions is to take as a point of departure an assumed rate of inflation at least equal to the indifferent record of the recent past," he said

"This principle of price and wage determination will, if pursued into 1991, come into direct conflict with the resolve of the authorities to persist with their quest for stability in the rand"

Producers who cynically underplayed the Reserve Bank's resolve to control the expansion of money supply would either price themselves out of their markets or see their operating surpluses evaporate, he said

"Trade unions who act likewise will price their members out of employment"

In a tougher than expected address, Stals said the authorities would persist with the "necessary" restraints until inflation, and perceptions of future inflation, had declined to a rate more in line with the average rates of SA's trading partners



Graphic LEE EMERTON Source RESERVE BANK

Power costs are cheapest but rising, survey shows

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8/Day 30/8/90

ACHMED KARIEM

SA ELECTRICITY costs are the cheapest among 14 industrialised nations but are rising fastest, says a survey by the National Utility Services (NUS).

The research indicates that SA's electricity costs only 9,13c per KWH, while the most expensive is Germany's at 26,8c.

However, the year-on-year increase in the costs of local power for 1989/90 is among the highest at 16% and is contributing significantly to inflation.

NUS, an international organisation which has been providing a utility costs analysis service for the last five decades, says Eskom's policy of maintaining power cost increases below the inflation rate may have to be altered. This view is based on recent Eskom statements.

NUS SA marketing director Peter Cornelius says Eskom increased its 1989/90 price by 14% which is below the official inflation rate for the 12 months to end-February.

"However, Eskom in effect acts as a wholesaler of power and the respective municipal authorities then add their increases to the price. All the centres are dependent to varying degrees on Eskom with Durban being totally dependent as it does not generate power of its own."

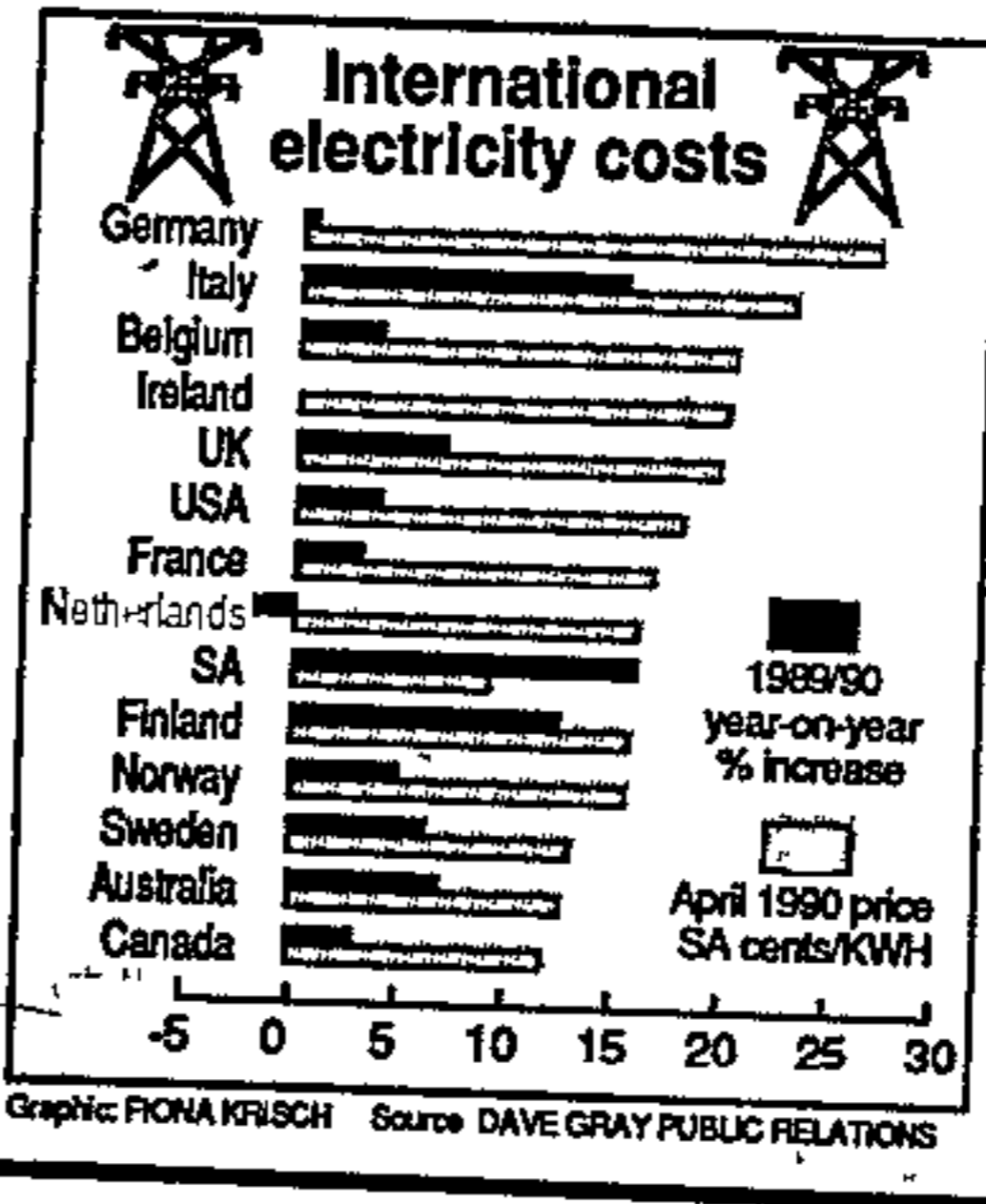
Eskom pricing policy manager Dave Krumm said yesterday its electricity price — taking 1985 as a base year — had decreased in real terms by 5,6% over the past five years.

Cornelius says a relationship exists between the low electricity price increases of various countries and their inflation rates.

"The conclusion may be drawn therefore that inflation feeds upon itself in the sense that Eskom does not escape its effects, but is also a contributor toward the inflation equation," he said.

Cornelius adds that although Johannesburg generates 50% of its own power, its cost rises for the period surveyed and from tariff measurement perspectives do not compare favourably with those of the Durban Corporation.

Johannesburg's rates are the second highest at 9,95c per KWH.



Stop 31/8/90

244

Oil, bullion chaos 'an unkind cut'

By Peter Fabricius,
Political Correspondent

DURBAN — The oil price rise and gold price fall had come as an "unkind cut" just as the Government was getting its economic policy right, Finance Minister Barend du Plessis said here.

Speaking at the Natal National Party congress, he said the Government had a comprehensive economic strategy in place for the first time in years.

But, as so often happened, some outside event had intervened in the form of the increase in oil prices and the drop in the gold price.

'Stop-go'

These had caused a "momentary hesitation" in the economy, which was now "a bit tight" and in a downswing.

Ever since 1985, when SA suddenly lost its international banking facility, extraneous factors had intervened to produce a "stop-go" economy rather than smooth transitions.

He said SA had one of the most "skew" economies in the world with its great gap between haves and have-nots.

But this could not be overcome with "quick fix" solutions such as nationalisation.

The economy had certain

structural features which would have to be addressed, no matter what economic system was implemented.

One of these was the need to stimulate growth without also stimulating imports.

Neither a purist capitalist nor a purist socialist approach would succeed in SA.

But a market-orientated economy was the only way to create jobs and growth.

Blacks would have to be persuaded that apartheid and capitalism were not synonymous, as many thought.

Mr du Plessis said nationalisation and redistribution of land could not promote growth and create wealth or jobs.

There were different ways of implementing this policy, but none would work.

If the land and businesses were simply confiscated, foreign investors would be scared off. If compensation was paid through higher taxation, savings and therefore growth would suffer.

If money was borrowed to pay compensation, interest rates would rocket and stifle the economy and no new jobs would be created.

He added the Government would soon be implementing a new policy to promote industrial growth to the year 2000.

More reports — Page 7.

Petrol prices

'must go up'

ZILLA EFRAT 204

NO DECISION had been made on a petrol price increase yet, but the situation was being monitored, the National Energy Council (NEC) said yesterday. *8/10/90*

NEC energy administration group executive Lourens van den Berg warned that a hike in the local fuel price was necessary.

World oil prices have been volatile since Iraq invaded Kuwait. Last week, they topped \$31 a barrel, an eight-year high, as fears of a Gulf war escalated.

However, Wednesday's decision by Opec to raise oil output to offset shortages created by the Gulf crisis knocked crude oil prices down to under \$26 a barrel.

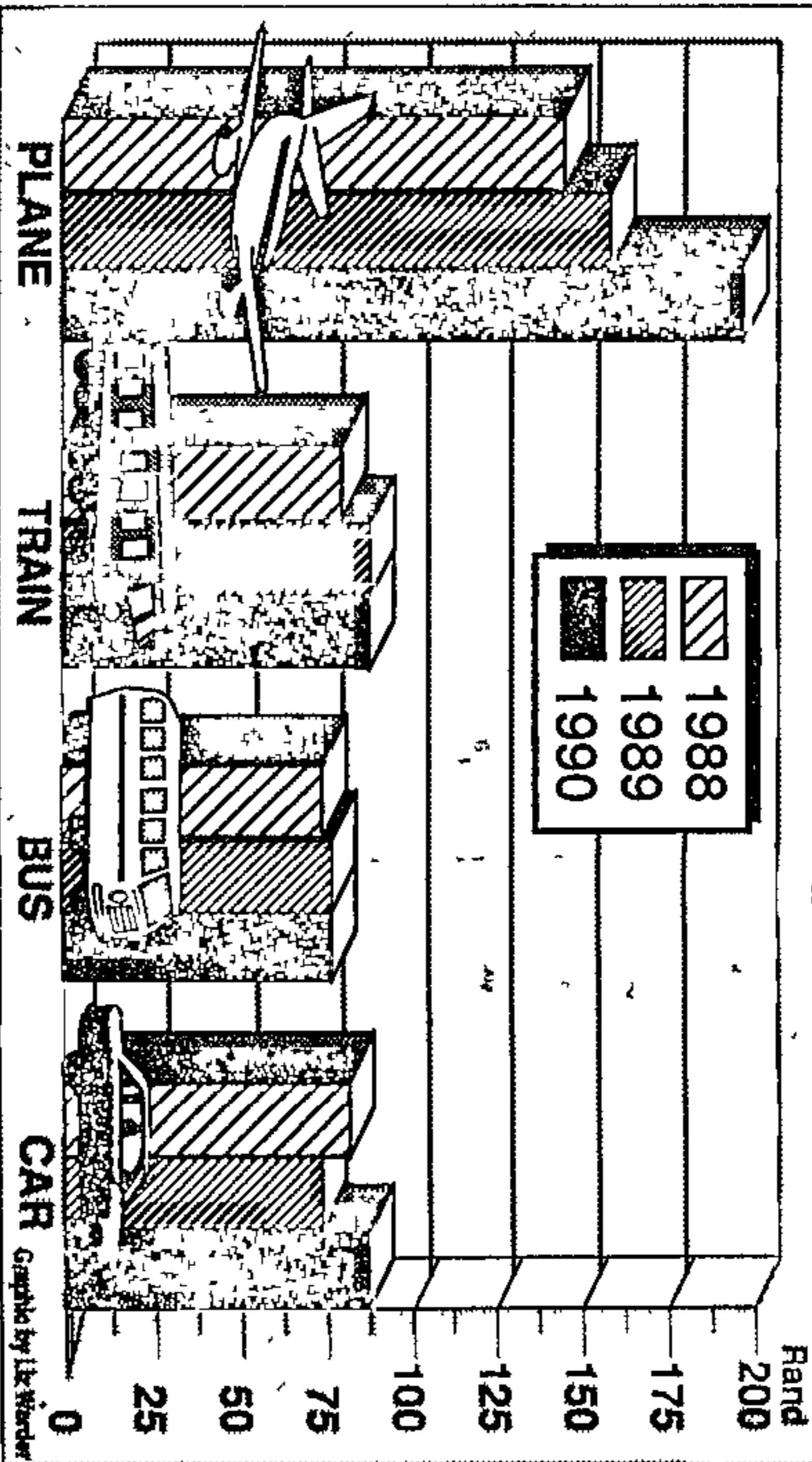
But Van den Berg said, even at this level, world oil prices were higher than local pricing levels. Present world oil prices were affecting SA's landed costs.

While fuel prices fluctuated, it was difficult to assess SA's position with certainty. A price rise was necessary, but it was not known when this would take place.

July 1988

NEWS

Cost from Johannesburg to Durban



Travellers save as competition rules the roads

CHRIS MOERDYK

SOUTH African travellers are beginning to reap the benefits of public transport deregulation and free-market competition. A survey conducted by Saturday Star recently showed that competition among inter-city bus operators has not only resulted in fares remaining almost constant over the past three years but seasonal "special offers" have resulted in off-peak fares dropping dramatically.

Special

On the Johannesburg/Durban route for example, four bus companies compete for passengers with the result that since 1988 fares have only increased from R76 to R79 for a one-way trip with "special offer" fares as low as R65.

On the other hand, the cost of flying from Johannesburg to Durban (including the cost of bus transport between airports and city centres) has increased from R146 in 1988 to R198 in 1990.

But even for someone travelling alone, it's still cheaper by car — and almost a fast as flying.

The Saturday Star survey found that by using the "alternative" route to Durban and avoiding toll sections a medium sized family car — in this case a Toyota Corolla — is able to make the trip in under six hours and at a cost of only R64 (petrol and pro-rata servicing and tyre costs).

Quicker

By making use of the toll sections this cost rose to R89 but the added cost had the benefit of a quicker trip — a comfortable

five hours which is only an hour longer than getting from city centre to city centre by air. Last year, before the Villiers to Warden toll section was opened the car journey cost R75 but took approximately half an hour longer.

In comparing various modes of transport on the Johannesburg/Durban route (city centre to city centre) the Saturday Star survey found that at present it takes four hours to do the trip by air at a cost of R198 (R108 for the "midnight" and other discount fares); 14 by train at a cost of R90 (second class); 7.5 hours by bus at a cost of R79 (R65 for off-peak periods) and five hours by car at a cost of R89 (R64 on the "alternative" routes). Train fares have also remained constant over the past

two years and have only risen to R90 from R82 three years ago. The opening of the Villiers to Warden toll section has not only speeded up the car journey from Johannesburg to Durban but the survey found that the new toll sections significantly improved fuel consumption. In making the run in exactly five hours the Toyota Corolla used R47.14 in petrol, R24.20 in toll fees and R18.50 in pro-rata service, maintenance and tyre costs.

Miserly

The same car was used in the 1988 and 1989 surveys and although it could be argued that the Corolla's miserly fuel consumption might have given the car an advantage over other forms of transport, it was chosen for the survey because it is one of South Africa's top-selling cars and therefore most likely to be typical of the car used by most motorists on the route.



South Africans still Star 3/9/90 splashing out on 244 264 holidays overseas

By Monica Nicolson

In spite of poor exchange rates and expensive airfares, South Africans are still travelling overseas in their droves, say travel agents

Rupert Lawlor, president of the Association of South African Travel Agents (ASATA), says flights overseas are still full.

However, he adds that further price hikes because of fuel increases may negatively affect the market in a few months' time

"I get surprised at the resilience of holiday-makers — but South Africans just love to travel

"I don't expect businessmen or people with family overseas to stop travelling. But even the leisure market has not been affected," he said.

Although there has been a marked increase in domestic tourism, with far more people travelling locally, Mr Lawlor says it is not at the expense of the overseas market more people are travelling

Discerning

"People have cut down on lavish travelling by staying in cheaper accommodation, not eating at expensive restaurants and generally travelling within a small budget

"The public now looks closely at travel packages and has become far more discerning," he says.

Travellers have also been choosing overseas destinations such as Turkey and Thailand, where the exchange rates are more favourable.

PETROL

PRICE

Sowetan 4/9/90

244

JUMPS BY 10c

Mystery Over Killings on the East Rand

By DON SEOKANE

THE mystery behind the East Rand violence that claimed at least 23 lives deepened yesterday when survivors told of two vans, black gunmen and a white driver of one of the vans and the attackers wearing blue uniforms

Sowetan 4/9/90

Mr Nyamako Misha yesterday said he had been shot at by a group travelling in a van driven by a white man. Misha of Tokoza said he was on his way home when armed black men travelling in a blue Ford van driven by a white man shot at him, severely injuring him in the chest and on the thighs.

Another person lying injured at the Natalispruit Hos-

To Page 2

SA Press Association

THE petrol price increased by an average 10 cents a litre from midnight last night, the National Energy Council said.

The petrol increases are as follows:

- * 97 octane: 11 cents a litre, a 8,9 percent increase at the coast
- * 93 octane: 10 c/l, a 9,1 percent increase at the coast and an 8,5 percent increase in the PWV area; and
- * 87 octane: 10 c/l, an 8,7 percent increase in the PWV area.

The National Energy Council also announced the wholesale prices of diesel would increase by 7 cents a litre, a 7,3 percent increase at the coast and an 8,5 percent increase in the PWV area.

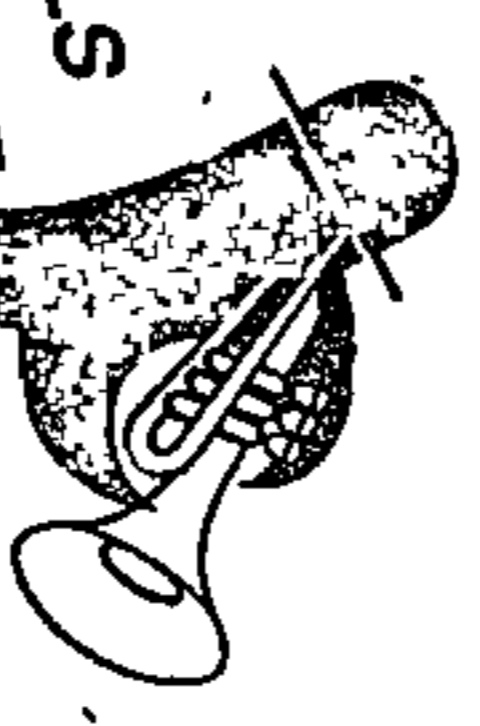
The diesel price for agriculture, forestry and fishing would also increase by seven cents a litre, a 9,2 percent increase at the coast and an 8,5 percent increase in the PWV area.

The wholesale prices for illuminating paraffin would increase by 15 cents a litre, an 18 percent increase at the coast and a 16 percent increase in the PWV area.

To Page 2

ARKERS

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SOFT 'N EASY

WINNING TOUCH Perm. or

P.T.O.

Price of petrol jumps by 10c ⁽²⁴⁴⁾

Sowetan 4/9/90

NEWS

PWV area

The Council said it continuously monitored the fuel price and did everything possible to "avert a general price increase".

However, "the sharp increase in crude oil prices by 86 percent with consequential increases in

the landed cost made fuel price increases unavoidable and must be implemented as soon as possible in order to limit it to the absolute minimum".

Fuel prices in South Africa were based on the landed cost of imported petroleum products, the Council said

The pump price of diesel would, however, be increased by 10 cents a litre, which would bring the total retail increase on diesel to 9,6 percent at the coast and nine percent in the PWV area, the Council said.

"The fuel price increases are exclusively aimed to partially offset

the effect of the increased international prices of crude oil on the landed cost of petroleum products and no increase is included for an increase in the profit margin of the oil companies."

The Council said a further price increase would have to be considered if the Equalisation Fund could no longer finance under-recovery.

While the announced petrol price increase was inevitable it was nevertheless an additional burden on the motorist, faced with ever-increasing costs, the Automobile Association of SA said.

AA assistant general manager Mr Robin Scholtz warned of further fuel price increases.

244

Fuel price increase — we were warned

South African motorists were 17 years ago paying 10,2c a litre for 93 octane petrol... this week they will be paying an unprecedented price for the precious fuel.

And it will not only be the motorist who will be reeling from the latest hike — which takes the price on the highveld to R1,28, in some country areas to more than R1,30 a litre, and in remote districts of Namibia to nearly R1,60

Every household in the southern Africa region will be affected in some way — with the rate of inflation in SA likely to climb because the latest rise will, as in the past, become particularly apparent at supermarket tills as everyone digs deeper into their pockets for everyday commodities

Farmers who run their cars, trucks and tractors on diesel fuel will also feel the pinch because the National Energy Council (NEC) is unable to prevent them from being affected as well, while it could also mean higher bus, train and air fares (world airlines have already announced a five percent rise on international flights, in particular, as a result of the Middle East crisis).

The price increases — which also affect countries such as Botswana, Namibia, Swaziland and Lesotho because of their dependence on fuel supplies from South Africa — have however not been totally unexpected

Presaging yesterday's announcement was one by the NEC in July that a close eye was being kept on the matter as Iraq/Kuwait problems boiled over and oil producing countries jumped up the price of a barrel of the precious liquid

The Council's monthly situa-

South Africans should not have been surprised by yesterday's announcement of an increase in the price of fuel. The National Energy Council warned in July that such a move was likely, reports **NORMAN CHANDLER** of **The Star's Pretoria Bureau.**

tion statement — issued to the media and other interested parties as a matter of course for the last year — put it this way when discussing increases in the price of a barrel of oil and the Gulf situation in general

"Should a price increase be found to be unavoidable, a price adjustment will have to be made as soon as possible to restrict such an increase to the minimum since under-recoveries over a period of time must also be taken into account in a price adjustment"

No surprise

In simple English, that meant we shouldn't have been surprised at yesterday's announcement — and more particularly because South Africa obtains most of its oil from the Middle East.

A key element has been that the country's Equalisation Fund — which had been used to stabilise the fuel price — was last year found to be unable to meet the high cost of oil. For instance, between April and July last year, R200-million was spent on trying to do so while an amount of R400-million has been utilised since July this year to "keep prices stabilised," said Lourens van den Berg, the Council's Group Executive yesterday

At a press briefing, he made

it clear the amount of money in the fund was "classified"

The price of petrol has been ebbing and flowing ever since the great oil crisis of the mid-1970s, when SA motorists were paying a mere 10,2c a litre and the cars they drove were guzzling the precious fuel

The oil crisis brought about the era of the so-called compact cars, which used far less petrol than their bigger, almost exclusively-American predecessors

But despite this improved technology, the oil sheikhs were not impressed

The Organisation of Petroleum Exporting Countries (Opec) increased its prices time and again, until in 1984, South Africans were paying 60,2c a litre, and two years later, in January/February 1986, the petrol price had broken the R1 barrier to reach R1,02

Things seem to improve and a month later, in March 1986, there was a drop to 92c, and the next month to 83c. The following year the price sunk a further cent

That constituted the last decrease at the pumps

Fuel went up 13c in September 1988 and last year saw three increases — to R1,05c in January 1989, R1,12c in April and, finally, R1,18c in July

From today, the price will be R1,28c a litre on the Highveld. Of that amount, 42,2 percent (54,1c) is what is known as "the landed cost" while the next biggest slice of the pie goes on tax — 24,9 percent or 31,9c

Other costs which make up the new price are 7,1 percent on transport, 7,9 percent to the retail trade, 4,3 percent to wholesalers and the remainder to the National Road Safety Council, the Equalisation Fund, customs and excise and delivery costs

Gloom as fuel price shoots up

By Norman Chandler, Pretoria Bureau

The price of petrol, diesel and illuminating paraffin rocketed throughout southern Africa at midnight last night — and the Gulf crisis could mean further increases.

On the Reef, petrol jumped by 10c a litre, bringing the price of 93 octane at the pumps to R1,28 — the highest ever — and 87 octane to R1,25

The coastal price of 97 octane petrol is now 11c more expensive (R1,23) and 93 octane will retail at R1,19.

The change has also meant that tariff protection for Sasol is no longer in operation

The National Energy Council (NEC) warned yesterday that the public could be faced with petrol and traffic-speed restrictions if the crude oil price continues to rise as a result of the Gulf crisis

NEC group executive Lourens van den Berg said a serious appeal was being made to consumers so that crude oil imports could be kept to a minimum

Diesel

Namibian petrol prices went up 10c a litre. In Mozambique, a 65 percent rise was announced

In South Africa, diesel oil is now 10c a litre more expensive for the agriculture, forestry and fishing industries, and paraffin's wholesale price is now 15c a litre more expensive than before.

Mr van den Berg said that since July this year, the Government's Equalisation Fund had been used to pump R400 million into keeping the fuel price stabilised, but this had depleted reserves

A by-product was that the industry could now begin to repay the protection it received, on a proportional basis to profits, because crude oil had now moved from \$23 (about R59,30) to more than \$28,70 (about R74) a barrel

The Consumer Council has urgently requested trade not to increase prices "out of hand" and the Housewives League has appealed to retailers to absorb the increase and not simply pass them on to the consumer

© Fuel price rise — Pages 6, 12



Barend feels Right's wrath

Police and rightwingers were last night involved in several scuffles

Reporter's brother

Centre of the township fighting

Airfares up 'within weeks'

Domestic air fares are expected to rise between 6 and 9 percent within weeks, and international fares by 8 percent.

SAA said a jet fuel price rise made this inevitable. — Staff Reporter

More fuel price rises could invite disaster

Done 4/9/90 (244)

Finance Staff

While yesterday's announcement of a 10c-a-litre increase in the petrol price won't have an immediate effect on inflation and growth prospects, further increases — which are possible if the crisis in the Gulf is not resolved soon — will have disastrous consequences for the economy, say economists

The National Energy Corporation (NEC) warned yesterday that should war break out in the Middle East, it might be necessary to consider fuel conservation, in addition to further price increases

Middle East

Since the start of the crisis in the Middle East at the beginning of last month, crude oil prices have risen by 86 percent on average.

During the same time, according to the NEC, the landed cost of SA's crude oil has risen by 46 percent, which was partially cushioned by the slight recovery in the rand exchange rate against the dollar

Local fuel prices are currently "under-recovered" to the tune of 33c a litre

If oil prices don't drop soon, another and far more harmful

increase in the price of petrol is looming.

Economists describe the latest development as being mildly irritating, but not a major stumbling block in the slow economic recovery

Nick Barnard, chief economist at Bankorp, said yesterday the increase would be the lowest one in three years.

"A rise like this, given the nature and wide use of fuel, has some upward effect on inflation

"While we were predicting an inflation rate of 12,5 percent by the end of the year, we are now looking at 13 percent," he said

This means that for 1991, the average inflation rate will be about 11,9 percent

"With a higher inflation rate, there is bound to be a negative effect on consumer spending and damage to business profits, which are already in a declining trend

The consequent reduction in fixed investments means the economic growth rate will be slightly reduced

"While we could have achieved an economic growth rate of 1,8 to 1,9 percent in 1991, we would now expect a 1,3 to 1,4 percent growth rate," Mr Barnard said

However, there was a good

chance that international oil markets would stabilise and allow the South African economy to achieve a below 10 percent inflation rate by 1992, he said

Rudolph Gouws, economist for Rand Merchant Bank, said

"The increase will make inflation a little higher than it would otherwise have been. But it will not reverse the downward trend of inflation"

The South African Chamber of Business said that while the reasons underlying the decision were understood, it was unfortunate that a fuel-price increase was taking place at a time when SA was committed to reducing inflation

It was also appreciated that the Government had not passed the full extent of the required increase onto the user — which would have been in excess of 30c a litre

Nevertheless, it was apparent that the Government's ability to continue in this way was limited

Unless there was a satisfactory outcome to the Gulf crisis, further fuel price increases would be inevitable

The Afrikaanse Handelsinstituut expressed relief that a dramatic increase had been avoided

for the time being

"However, if crude oil stays at the level of \$25 a barrel, a further increase is unavoidable

"An increase above this level could even give rise to a physical shortage of crude oil, unless savings measures can be instituted," said AHI spokesman Dr Carl Heymann

Transnet public relations manager Victor de Vries said the increase would be assessed before a fare hike was considered

Fare adjustment

Meanwhile, Greyhound Citiliner bus service had accounted for a petrol price increase in its fare hikes scheduled for the beginning of November

Putco bus services would make a decision on fare adjustment today, a spokesman said

Should Transnet review its prices, this would obviously have an effect on food prices, Pick 'n Pay food director Sean Summers said

Petrol costs were not a major component of cost, however, he said

The Automobile Association has appealed to all road users to conserve fuel wherever possible by curtailing unnecessary trips and having their engines properly tuned

Petrol

244 Cape Times 4/9/90

... and price could

Staff Reporters

PETROL will cost 11c a litre more from today — and hard-pressed consumers could face a steep increase in their fuel bills before the end of the year.

According to the National Energy Council (NEC), a war in the Middle East and further oil-price hikes could lead to another round of petrol-price increases — and even fuel conservation measures

“If crude oil prices keep on rising we would have no choice in order to curtail an excessive outflow of foreign currency,” NEC group executive Mr Louw van der Bergh said

According to the new prices announced by the NEC, motorists in Cape Town will from today have to pay

- R1,23 a litre for 97-octane fuel — a 9,8% increase from R1,12

- R1,19 a litre for 93 octane — a 9,1% increase from R1,09

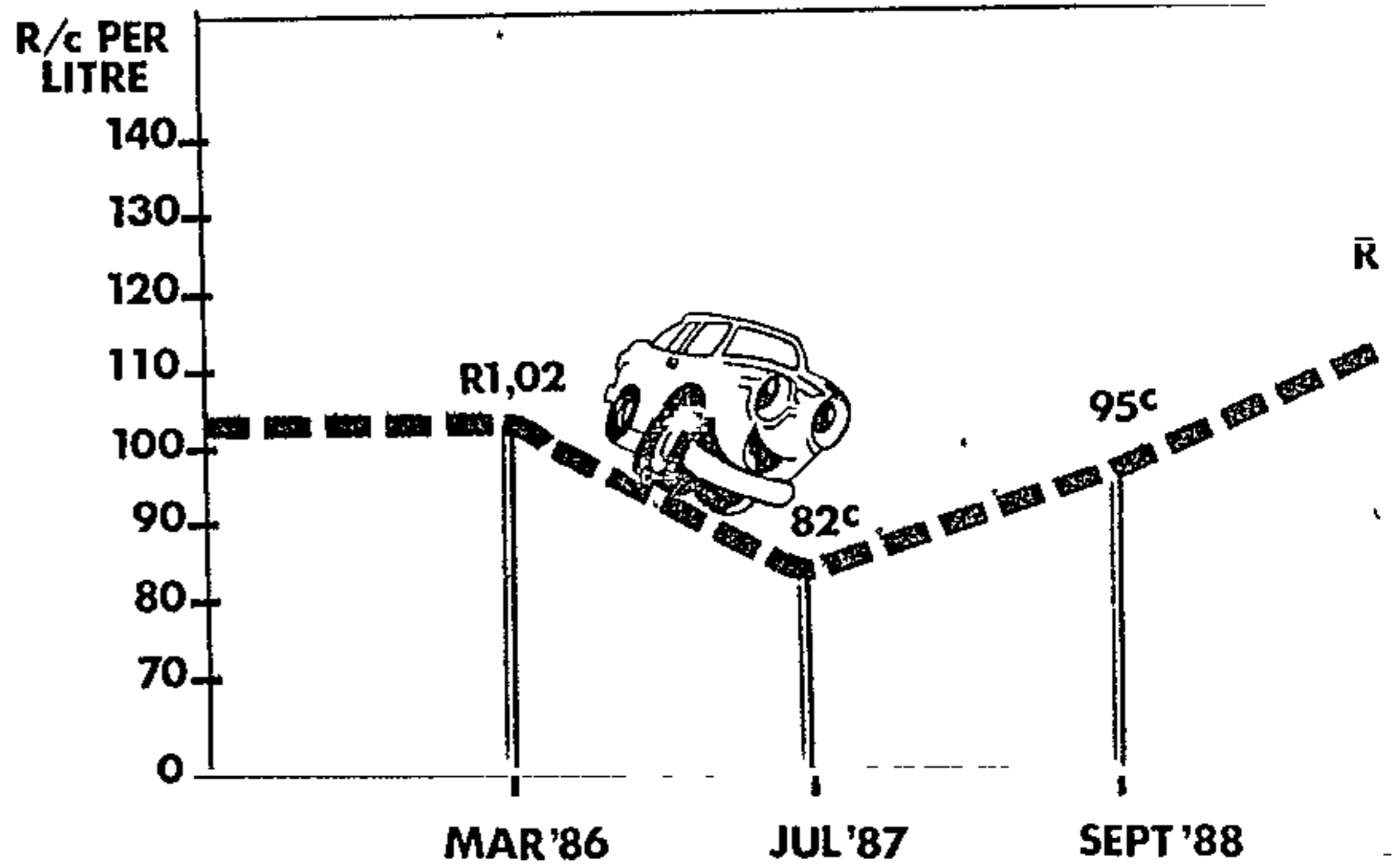
- 10c a litre more for diesel, which rises by 7,3% This will mean an extra R6,05 (97 octane) and R5,50 (93 octane) for the average tankful of 55 litres, according to the Automobile Association (AA)

The NEC said the increase had become necessary because of the higher landed cost of petrol, which had increased since July by 46% to 35c a litre

During August the war crisis in the Middle East pushed up the crude oil price from \$21 (R54,60) per barrel to a present price of between \$28 and \$33 (R72,80 and R85,80) per barrel

Last night Old Mutual economist Mr Andre Roux said the price hike would have an immediate impact

Rise in petrol price



UP AND UP . . . This graph shows how the petrol price has changed since July 1987, but has been rising since . . . The last increase before this . . .

of about 0,5 percentage points on the inflation rate

This could be boosted to an increase of about one percentage point in the long term, which could lead to a delay in bringing down interest rates

City transport operators said last night that commut-

ers could be faced

Mr Bob Krause, Tramways, said the to find out what the a statement later,"



FILLING UP . . . Mr Justice Siceja fills up Mr Brian McEwan's car — at the old price. Picture RICHARD BELL

Further fuel depends on

Financial Editor

A FURTHER increase in the petrol price later this year will depend on how higher oil production by Opec will affect oil prices, industry sources said yesterday

Working on an oil price of \$22 a barrel, there is still an underrecovery of more than 20c a litre in the increased petrol price

Hopes for lower oil prices were kindled last week when Opec decided to increase production in accordance with need from Western countries

After the emergency ministerial talks in Vienna last week, Western oil company executives said they believed this decision might result in extra

Opec production

million barrels a day by the

Oil ministers meeting in Vienna, but freedom to for embargo Kuwait

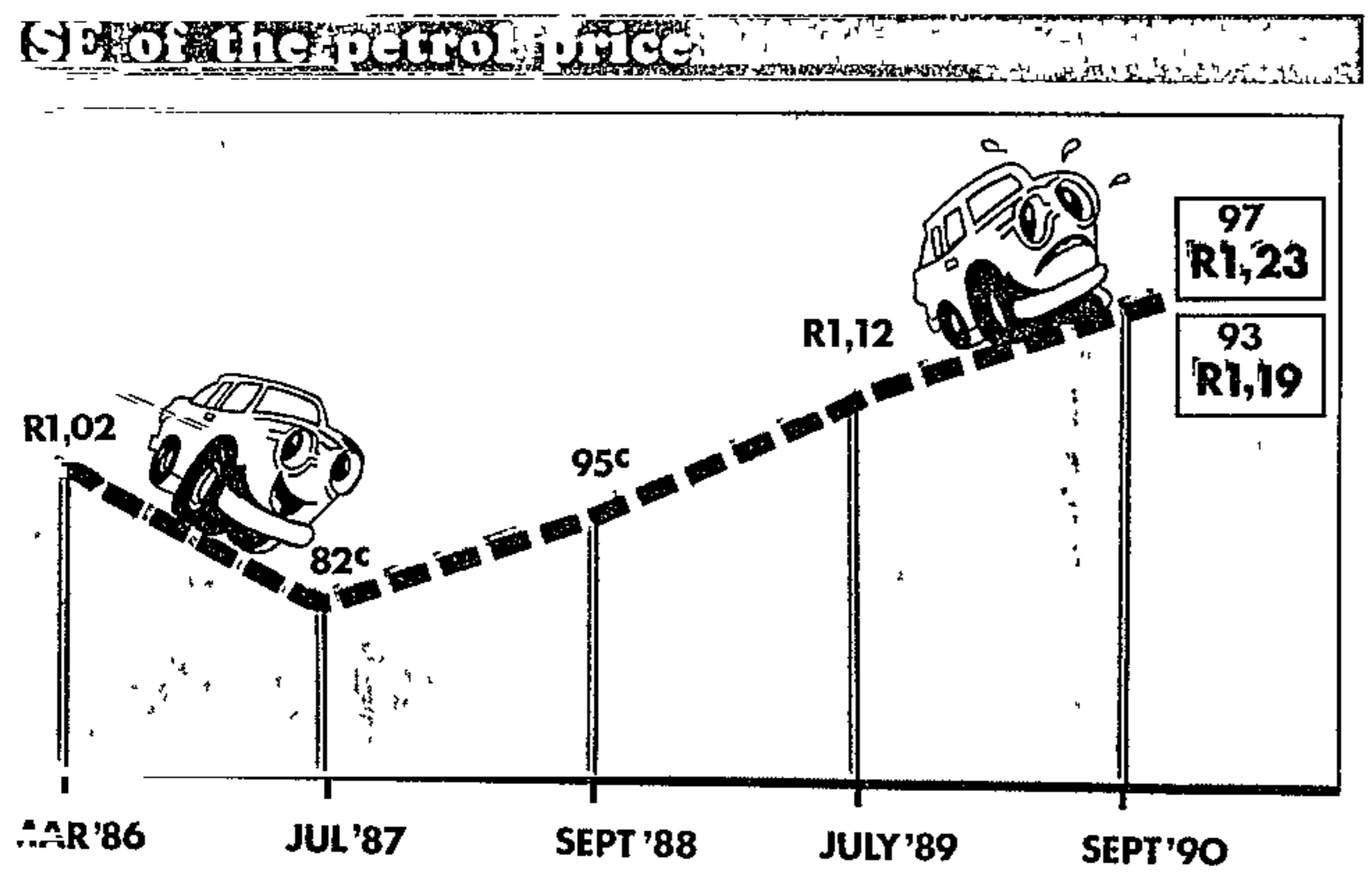
“We will see a week's increase by the end

Some four estimated to the market ports from

Up 11c

CAPE TOWN 4/9/90 (244)

could rise again soon



Graph shows how the petrol price has changed since 1986. The price declined until rising since. The last increase before this one was in mid-July last year.

Concerns on the inflation rate of an increase of about one per cent per term, which could lead to higher interest rates, said last night that commuters could be faced with higher transport fees.

Mr Bob Krause, public relations officer for City Tramways, said the company was "doing calculations to find out what the implications are" "We will make a statement later," he said.

Mr Basil Nagle, provincial chairman of the Western Province branch of the SA Black Taxi Association (Sabta), said the operators of the 3 500 Sabta affiliated taxis in the Peninsula were free to raise their prices from today.

The AA said it appreciated the government's decision not to pass the full extent of the required increase on to the user.

According to an AA spokesman, the full cost to the consumer would have been an increase in excess of 30c a litre.

Unless crude oil prices stabilised around \$22 (R57,20) per barrel, a further increase in fuel prices was in the pipeline, the AA warned.

The Afrikaanse Handelsinstituut (AHI) said the increase was inevitable. It was, however, pleasing that a steep hike was for the time being postponed.

The Democratic Party's energy spokesman, Mr Roger Hulley, said the government should commit itself to removing the latest petrol price increase as soon as there was a settlement in the Gulf.

The DP greatly regretted the necessity for a fuel price increase just when inflation seemed to have been coming down in recent months, he said.

● South Africa is not alone in being hit by a fuel price hike. France and the United States have already increased their prices by more than 11,0c per litre, while in countries like Germany, the Netherlands, Italy and the UK, fuel prices have been raised by more than 20c a litre.

Namibia yesterday also announced an increase of 10c per litre, while the Mozambican government raised petrol prices by 65%.

● Gains in European oil prices — Page 10

Further fuel hike depends on output

Financial Editor

FURTHER increase in the petrol price later this year will depend on higher oil production by Opec will oil prices, industry sources said yesterday.

Working on an oil price of \$22 a barrel, there is still an underrecovery more than 20c a litre in the in-petrol price.

Prices for lower oil prices were kind last week when Opec decided to increase production in accordance with need from Western countries.

After the emergency ministerial talks in Vienna last week, Western oil executives said they believed the decision might result in extra

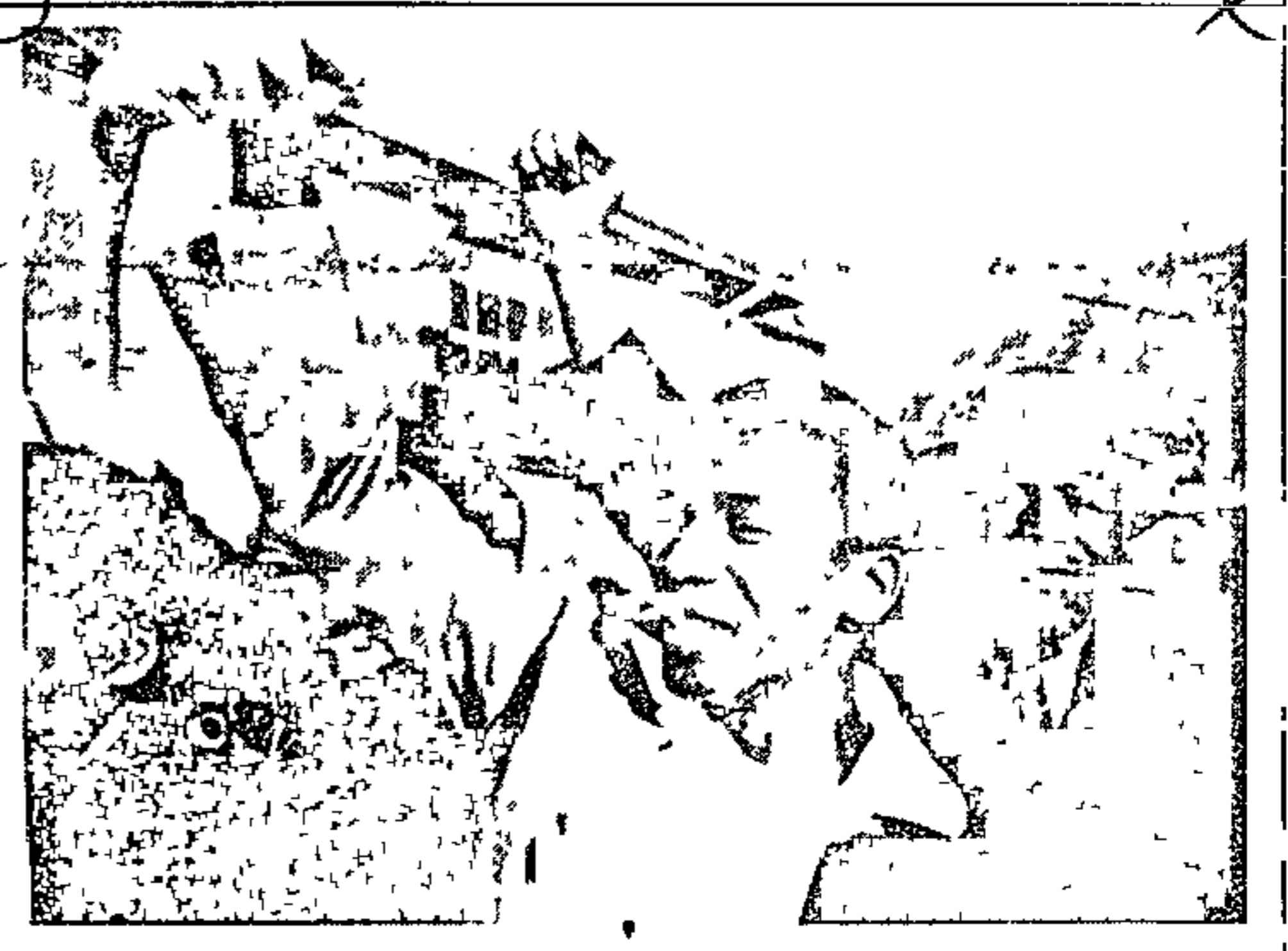
Opec production of 3 million to 3,5 million barrels.

Yesterday Nigeria decided to boost its oil output by around 250 000 barrels a day by the end of September.

Oil minister Mr Jibril Aminu said the increase followed last week's Opec meeting which gave member states the freedom to pump more oil to make up for embargoed crude from Iraq and Kuwait.

"We will start to pump more in about a week's time, building up to capacity by the end of the month," he said.

Some four million barrels of oil are estimated to have been removed from the market by the embargo on oil exports from Iraq and Kuwait.



FREEDOM . . . Mr Michael Matakata after his release from Robben Island yesterday. Behind him is his father. Report — Page 2

CAPE TOWN 4/9/90 (327) REUTER

Further increases possible

Petrol price to go up 10c from today

244 ~~83~~

Business Day 4/9/90

THE price of petrol has been increased by about 9% from today, as a result of higher landed fuel costs due to the Gulf crisis, the National Energy Council announced yesterday.

The price of 93 octane has been increased by 10c/l or 9,1% at the coast and 8,5% in the PWV area. The price of 97 octane has risen 8,9%, or 11c/l in coastal areas, and 87 octane has risen 8,7%, or 10c/l in the PWV area.

In addition, the wholesale price of diesel has increased 7c/l and that of illuminating paraffin by 15c/l.

The landed cost of SA's fuel has been rising steadily since June. Opec's decision

ZILLA EFRAT

to raise the official selling price by \$3 to \$21 a barrel in July was followed by other crude oil producers.

The Gulf crisis sent crude oil prices up to \$28 a barrel — an increase of 86% in four weeks. At times in August crude oil prices topped \$33 a barrel.

The NEC said yesterday SA's landed cost of fuel had increased by 35c/l or 46%, since July. But this was partially cushioned by a slight improvement in the exchange rate in August.

Namibia, Ghana and Mozambique also announced petrol price rises yesterday, while Nigeria said it would boost oil output by 250 000 barrels a day.

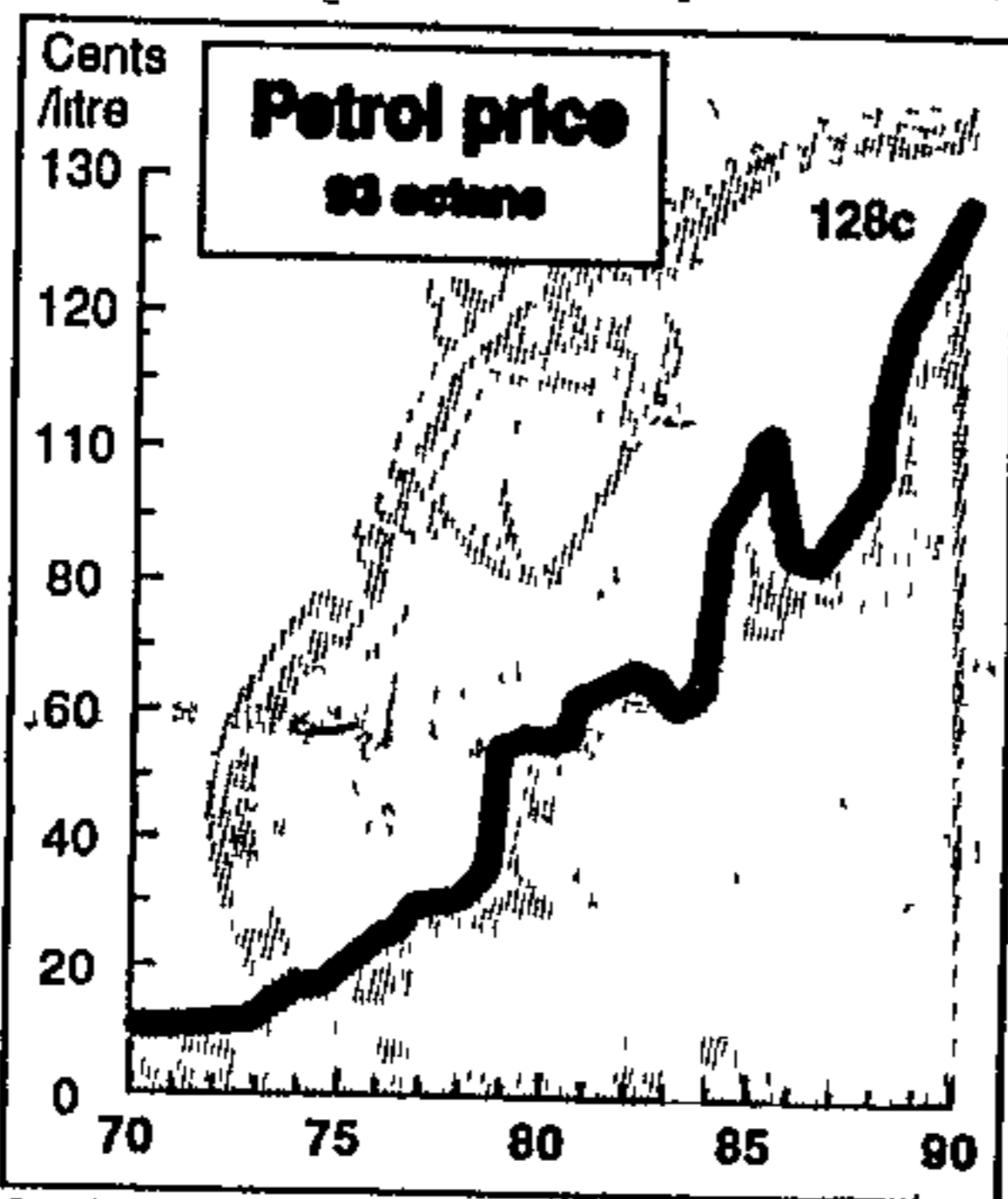
In spite of the price rises, SA motorists are still under paying for petrol. This is because the increases have been based on a crude oil price of about \$22 a barrel, which would apply under normal circumstances.

The Equalisation Fund will have to fund temporarily this under-recovery of 23c/l.

A further price increase would have to be considered if the Equalisation Fund was exhausted by more increases in the landed cost, NEC group executive Lourens van der Bergh said.

Should a Middle-East war erupt and crude oil prices show further sharp increases, it would also become necessary to consider fuel conservation measures, such as reduced speeding limits, he said.

The NEC appealed to consumers to conserve fuel in an effort to restrict imports.



Graphic: FIONA KRISCH

To Page 2

Petrol price

Business Day 4/9/90

244 ~~83~~

From Page 1

and contain the cost of financing the under-recovery by the Equalisation Fund.

"Through conservation and the more effective use of petroleum products, the influence of the higher crude oil prices on our current account and the inflation rate can be softened," Van den Berg said.

While the diesel price rose 7c/l, the Motor Industries' Federation indicated that the retail profit margin on diesel, which is not subject to control, would be increased by 3c/l to bring it almost to the same level as the retail margin on petrol.

As a result, the pump price of diesel would rise 10c/l which would bring the total retail increase on diesel to 9,6% at the coast and 9% in the PWV area.

In addition, the increased rail and road tariffs which became effective on January 1 have not been implemented and have been financed by the Equalisation Fund.

Cabinet has decided these increased transport costs should be included in to-

day's price increase and certain magisterial districts would have further rises between 1c/l and 3c/l.

But fuel prices at the coast and in the PWV area would not be affected by the increased transport costs, the NEC said.

The SA Chamber of Business (Sacob) said the fuel price increase came at a time when the country was committed to reducing inflation.

The Afrikaanse Handelsinstituut called on the authorities to consider lowering the tax on petrol if further petrol price increases became necessary.

The National Association of Automobile Manufacturers of SA (Naamsa) said the petrol price increase, in addition to high interest rates, would have an adverse impact on a current downturn in the motor industry. It would negatively affect new vehicle sales, Naamsa warned.

Comment. Page 10

Battle against double-digit inflation likely to suffer a severe setback

AFTER its recent slide, the inflation rate is set to come under renewed upward pressure as a result of yesterday's 10c (almost 9%) petrol price hike that could see efforts to destroy double digit inflation falter.

A 10% hike in the local petrol price, analysts say, could lead to a 0.5 percentage point hike in the inflation rate excluding the knock-on effects (transport costs), which could push it up by another 0.5 percentage points — a 1% overall hike. Further pressure will be exerted by the effect of world inflation on the price of imports. Thus could set inflation on a gradual as-

cent as the knock-on effects filter into other sectors of the economy. Inflation has declined steadily from its 15.7% peak in June last year to 13.3% in July. Analysts say it could return to about 14% in November as a result of the higher petrol price.

Finance Minister Barand du Plessis said in Natal last week the oil price rise and gold price fall had been an "unkind cut" coming at a time when economic policy seemed to be paying dividends. If the Middle East crisis continues supporting oil prices at their high levels, fur-

ther petrol price hikes can be expected. If petrol were to rise by 20% the direct effect on the inflation rate would be in the region of one percentage point with the knock-on effect contributing a similar rise. Standard Bank's economics team says petrol price increases could halt the downward trend in inflation this year and hamper progress next year. They sketch a scenario of inflation remaining at its current level in 1990 and declining marginally to 12.9% by the end of

6/24/90
4/9/90
ANDREW GILL

next year as a result of petrol price increases. The model assumes interest rates remain unchanged and all other components of the CPI rise by 1% a month. Pressure on the rate of increase in the CPI will be fuelled by the inflationary effects of higher oil prices on SA's trading partners — which translates into imported inflation.

SA's import price inflation, which has been the major factor behind the falling inflation rate, could lose its downward impetus on the local inflation rate.

Inflation 6/24/90 4/9/90

cally produced commodities has not fallen since March this year and is almost the same as February's rate of 12.6% at 12.5%

However, the rate of increase for imported commodities has shown dramatic declines over the past few months. It has more than halved since March (12.5%), falling to 6% in June. This hefty fall could be reversed if SA's

trading partners are unable to absorb the higher oil prices, which economists say is not unlikely. The petrol price increase, consistent price increases from local producers and the inflationary implications of high oil prices on SA's major trading partners could, if they coincide, result in an extremely "unkind cut" for Stals in his war against inflation

From Page 1

Fuel price rise will hit bus and air fares

TRANSPORT prices generally are set to rise on the back of escalating world crude oil prices and yesterday's petrol pump price increase in the wake of the Gulf Crisis

Putco MD Jack Visser said yesterday the 7c a litre rise in the wholesale price of diesel would definitely result in an increase in Putco fares in October.

A price hike of 5c a trip was being considered for the Reef and Pretoria areas, but nothing had been finalised.

However, a price increase for the Johannesburg municipal bus service seemed unlikely at this stage

Sabta representatives could not be contacted for comment yesterday, but it is believed the taxi industry will also be hard hit. The 10c/l increase is spread among a smaller passenger load per trip

Safmarine executive deputy chairman Mike Finlay said higher world oil prices would result in increased shipping costs worldwide, affecting international trade

Shipping lines, which negotiate petrol prices directly with oil companies, had been and would be announcing surcharges to compensate

ZILLA EFRAT

for higher fuel prices, he said

Increased local and international air fares are being considered.

SAA senior manager, public relations, Leon Els said jet fuel prices, which are not related to the pump price, had been affected by the Middle East crisis

Recommended

The effects of higher prices on the domestic fuel bill of the airline were being examined.

Els said there could be an increase in local air fares, but no decision had been made.

After a meeting last week in Geneva, where higher oil prices were discussed, the International Air Transport Association (Iata) recommended that a levy of between 5% and 8% be introduced by airlines

The proposed levy was being evaluated by airlines and it was likely that SAA would follow the trend of airlines serving the same routes, said Els.

● See Page 8

Deregulation plans slammed

8/6-3/9/90

By John Sherrocks

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DURBAN — Up to 40 000 jobs will be lost and the price of petrol is certain to rocket if the Government bulldozes ahead with plans to deregulate the fuel industry

Forecasting havoc within the industry should the proposals get the green light, motor industry executives are contesting the logic of scrapping a "perfectly good" system

Durban-based garage owner Roy Close says "South Africa has the second lowest fuel retail price and the third lowest government taxed fuel in the world

"The system in this country is working well. Some fine tuning is needed, but why radically change something when it is working so well?"

Based on the outcome of a recent meeting, Mr Close says he is concerned that a degree of deregulation will be introduced into the industry shortly.

"Clearly the only parties that will score from deregulation will be the Government (with a new de-politicised and unopposed taxing system), the oil companies (with greater control of the retail fuel industry) and the supermarket chains, who will increase their traffic and profit through their stores by way of discounting on the forecourt"

The abolition of the retail price control will force service stations to switch to self-service, resulting in the mass firing of up to 40 000 service station attendants country-wide

W/ Mail 7/9-13/9/90

CRITICAL CONSUMER

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Half a loaf — and soon no bread

IF YOU give a beggar R2, he will, if he's lucky, be able to buy half a loaf of bread and a half litre of milk.

By March next year, he will be lucky to buy either the bread or the milk — but not both.

On Monday, milk prices in the Transvaal will rise on average 10 percent. And if they haven't risen recently in the rest of the country, they will soon. The increase, according to supermarkets, is an inflationary adjustment.

From Monday it will cost very close to R2 for a litre of milk in many places (unless the consumer uses a supermarket or the dairy; then it will cost slightly less). The price at a Yeoville café, which is representative of most, will be increased to R1,90 a litre, and shops in rural areas will charge whatever they can.

In March next year, the last of the bread subsidy will be removed. But at present, prices are still controlled (price control is likely to be removed as well) and only the Wheat Board can set an increase. A loaf of white bread costs R1,03 at Pick 'n Pay supermarkets and a loaf of brown bread is 88c.

Supermarkets often charge slightly less than the Wheat Board's maximum price. But there are no supermarkets in rural areas.

The price of milk is no longer controlled and so can be increased by shopowners. Consumers will pay about R1,70 for a litre bottle at the dairy (the return of the glass bottle nets 30c). Supermarkets will charge less. Cartons cost slightly less, but there is no refundable deposit.

All this makes the average monthly milk bill for a 20-month-old child, for example, somewhere in the region of R40 to R50.

The Consumer Council is calling for an investigation into milk pricing because, they say, there is a surplus of milk. Producers receive 60 to 70 cents a litre, while consumers

pay between R1,50 and R2.

When bread becomes too expensive, the poor eat mealie meal. But that price is increasing too, later this month, because of an increase in the maize price. The cost of mealie meal will rise to a minimum of R2,99 for a 2,5kg packet. There are no price controls on mealie meal, so in rural areas the ceiling is the limit.

The inflation rate for food has for several months been running higher than the general rate of inflation as measured by the consumer price index.

This is not going to stop. In the immediate future, the prices will all be affected by increases in the fuel price.

It is, in the words of Sean Summers of Pick 'n Pay, "a terrifying spectre". He wonders out loud what poorer people will do if they "strike and riot over taxi or bus fare increases, what will they do about bread next year?"

Value Added Tax will be introduced on all goods, including basic foods, in October next year. (At present there is no sales tax on basic foods like bread or milk.)

Summers has also called for an investigation into the price of milk. He says supermarkets generally charge close to their cost price for milk, as it is a service item. So the difference ends up at the dairy.

The price of a loaf of bread could increase by anything up to 20 percent — perhaps even more. "We'll be getting into the times of Marie Antoinette," he said. He warned that the bread price would cause problems next year.

Wits University's economist Fuad Cassim believes that the price increases "will exacerbate the current tensions that exist in the economic sphere".

The increases would "actually enhance poverty", he said, and this could "create the potential for (a dangerous) situation to arise which would worsen an already tarnished and decaying atmosphere".



PAT SIDLEY

PETROL PRICE FIM 7/9/90

DON'T PANIC

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Government, through the National Energy Council (NEC), has reacted cautiously to the upheavals in the Gulf. The increases in liquid fuel prices now announced (see box) are calculated on an international oil price of \$22/barrel, even though Tuesday's price for Brent crude was \$28,70 and recently even reached \$33 for brief periods. Before the trouble started, Opec's oil price was \$18.

The price of petrol at the pump is calculated from the notional price of refined products at four refineries located around the Indian Ocean, from which the "in-bond landed cost (IBLC)" (as a price in SAc/l) is determined.

To this notional price (notional because crude oil, not petrol, is normally imported) is added taxes, transportation costs and margins for the refiner, wholesaler and retailer, to give the final pump price.

ECONOMY & FINANCE

FIM 7/9/90

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Temporary fluctuations in the IBLC are absorbed by the Equalisation Fund, which keeps a "slate" or ledger of the deviations. Diesel is priced on a comparable, but not identical basis, as its retail profit margin is not controlled, as petrol's is.

Sasol also operates within this pricing mechanism, but with a system of protection involving a floor price, which falls away when the oil price goes over \$23.

This price is defined as the price of a basket of crudes, approximating to the price of Dubai crude, plus \$1,50.

The NEC indicates the IBLC has increased by 35c/l (or 46%) since July, slightly offset by a slight improvement in the exchange rate. But the Equalisation Fund will continue for now to absorb an under-recovery of no less than 23c/l occasioned by the gap between the \$22 basis for the latest fuel price and the actual oil price.

According to NEC group executive Loursens van den Berg, it will be necessary to consider fuel conservation measures such as lower speed limits, as well as further price increases, if the situation in the Gulf deteriorates drastically.

A 9% increase in the petrol price will have inflationary implications, but there is no need for panic.

Van den Berg says the NEC considers the increases in fuel prices (between 8,5% and 9,1%) will raise the inflation rate by about 0,5% over the next six months. This increment could be even less if the production sectors agree to absorb a proportion of the

costs. SA Chamber of Business (Sacob) senior economist Bill Lacey says this estimate "broadly accords with Sacob's interpretation".

In the first place, substantial additional supplies should soon bring the international price down again, especially as stocks were at a record high before the crisis broke. The *FM* (August 24) earlier concluded that fears of a world shortage arising from the interruption to supplies from Iraq and Kuwait — say 4m BPD — could easily be made up by other members of Opec if the will were there.

The cartel has now formally approved a resolution that members may produce in excess of their quotas. Saudi output is already up by around 2m BPD, with at least another 275 000 coming by month-end. Nigeria will pump an extra 250 000 BPD. But this major shift in fundamentals has not yet had its full effect on the oil price.

There are signs that Iraq is drawing back from further military adventures. Saddam Hussein has made a halfhearted offer to withdraw from most of Kuwait — manifestly a sign of weakening nerves on his part in the face of the sternly enforced naval blockade. His regime could collapse entirely, with the unravelling of the entire crisis over oil supply. On the other hand, Hussein's apparent flexibility may not be sincere — he has broken previous similar promises — and at some stage he could reckon that only further aggression will prop up his position at home.

If the conflict drags on — which is also possible — SA could draw on its substantial strategic oil stockpile to buffer the price paid for supplies from abroad, at least for some

ECONOMY & FINANCE

FIM 7/9/90

time. Though we are not allowed to know the size of the stockpile, it has been widely speculated that it might be as much as two years' consumption. It could be argued that it would be prudent to draw from it in current circumstances, as this is the sort of contingency for which it was created. Indeed, this may have been decided on already. ■

price shock fear

Another petrol

Red

244

Fuel rationing also likely to slash demand

STimes 9/9/90

THERE is every likelihood that the price of petrol will have to be lifted again — and fuel conservation measures may be on the way.

The 10c a litre increase for 93 octane petrol on the Reef and 11c for 97 octane at the coast falls well short of the amount required to cover the higher cost of crude oil, boosted sharply by Iraq's invasion of Kuwait. The price of crude for October delivery on the New York Commodities Exchange rose to \$31,20 a barrel this week. North Sea Brent was quoted at \$30,50.

The Reef increase meets a crude oil price of only \$22 a barrel under normal circumstances of supply and demand. There is an under-recovery of 22,8c/l on 93 octane and 22,9c/l on 97.

The National Energy Council (NEC), custodian of the fuel price, says the landed cost equivalent contained in the SA petrol price rises sharply as crude becomes more expensive.

At \$15 a barrel at today's exchange rate, the equivalent landed cost price is 38,4c/l. This rises as the barrel price increases to 65c/l at \$25 and 71,68c/l at \$28.

Cheapest

The NEC says that if a war breaks out in the Middle East and oil prices rise, the equalisation fund could be exhausted and it might be necessary to lift prices again.

SA motorists are fortunate that they still have some of the cheapest petrol in the world. The price in France, for instance, is R2,54/l. R3,44 in Italy, R2,79 in the Netherlands, R2,37 in the UK, and R2,28 in Germany. US motorists have a better deal — they pay 98,3c/l.

Taxes and levies on SA petrol are also among the lowest in the world. They make up only 36,35% of the retail petrol price. In France they account for 65,2% and for 74,4% in Italy, 61,8% in the Netherlands, 60,1% in the UK, 58,8% in Germany, and 17,7% in the US.

The Department of Finance favours a tax on petrol because it is paid by everybody.

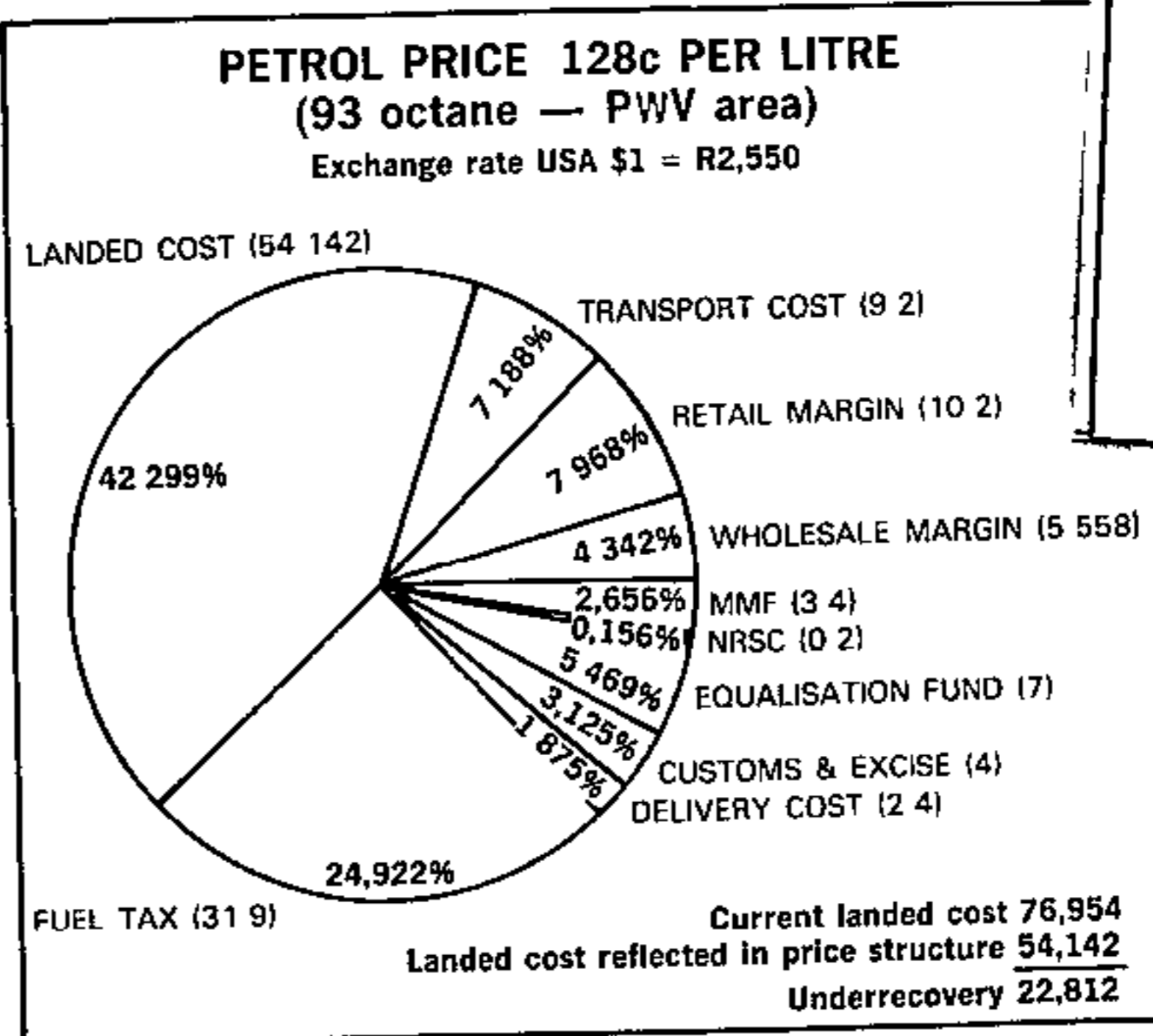
There is, however, unlikely to be an increase in the petrol tax for the "foreseeable future", says Dan Colesky, Commissioner for Customs and Excise. "Assisting the NEC in keeping down the price is the fact

By DON ROBERTSON

that the 10c/l protection paid out of the equalisation fund to Sasol, is no longer applicable. It falls away once the price of crude rises above \$23 a barrel.

At a price above \$28,70, Sasol is required to pay 25% of the difference between the ruling oil price and \$28,70 until the money received from the equalisation fund has been repaid.

The SA Chamber of Business (Sacob) says that al-



business not to increase prices immediately. It believes that only in the longer term will prices be affected.

The NEC urges people to use fuel sparingly to help the equalisation fund, the balance of payments and reduce inflation.

It is expected that the fuel-price rise will not affect the inflation rate by more than 0,5% in the next six months. If manufacturers and distributors find it possible to absorb more of the price increases the indirect impact on the inflation rate could be lower.

though this week's price rise was necessary, the chamber is happy that the full amount has not been imposed. It believes that the price could have been lifted by 30c/l.

It says, however, that the Government's ability to finance the underrecovery is limited and unless there is a solution in the Middle East another price rise is inevitable.

The SA Co-ordinating Consumer Council has urged

Petrol hike will hit hard

C/Press 9/9/90
By DAN DHLAMINI

THIS week's whopping petrol price hike is inflationary and will force the man in the street to dig deeper into his pockets

More than 80 percent of the country's commodities are transported by road and the 10c price increase could force inflation up by at least 0,5 percent from its present 13,3 percent, according to South African Consumer Council communications

division assistant director Daan Kruger.

Blacks families, many already living below the breadline, will be hardest hit by the price hike.

Research by the South African Institute of Race Relations shows 68 percent of black families live on less than R600 a month.

Transport organisations contacted by City Press slammed the government for not discussing the increases with them.

South African Black Taxi Association (Sabta) president James Ngcoya said: "We at Sabta have in the past been engaged in talks with the government and we expected the government to negotiate the price with us."

Ngcoya said Sabta was second only to the government in terms of petrol consumption, but his association's numerous requests for rebates or sub-

sidies similar to those of farmers' had fallen on deaf ears

He could not say when taxi fares would increase and added that individual associations would determine the increase according to circumstances in their areas

Ngcoya appealed to Sabta members to be reasonable when they increase fares, taking into consideration the income of commuters

South African Long Distance Taxi Association public relations officer Robert Chiloane said the price hike "hit our industry below the belt".

"Petrol stations and oil companies did not inform us about the pending price increase. We are concerned because we were not given a chance to inform our commuters to brace themselves for fare increases."

Chiloane said on September 19 a decision

would be taken on fare increases at a meeting of chairmen from all regions.

City Tramways group regional operations manager Johan du Preez said his company intended increasing fares by between 5c and 20c depending on the distance

He said City Tramways had bought the United Bus Company group which services the eastern, western and northern Transvaal, and the group would try to absorb increases in poorer areas

Putco managing director Dr Jack Visser said his company's fare increases would be 5c across-the-board from October 1.

Kruger said the South African Consumer Council had requested trade not to increase prices of goods out of hand because of increased transport costs.

He also advised commuters and motorists to cut out "joy rides" and plan their trips.

Sentiment turns bullish on PPI fall

Blom 12/9/90 244

GRETA STEYN

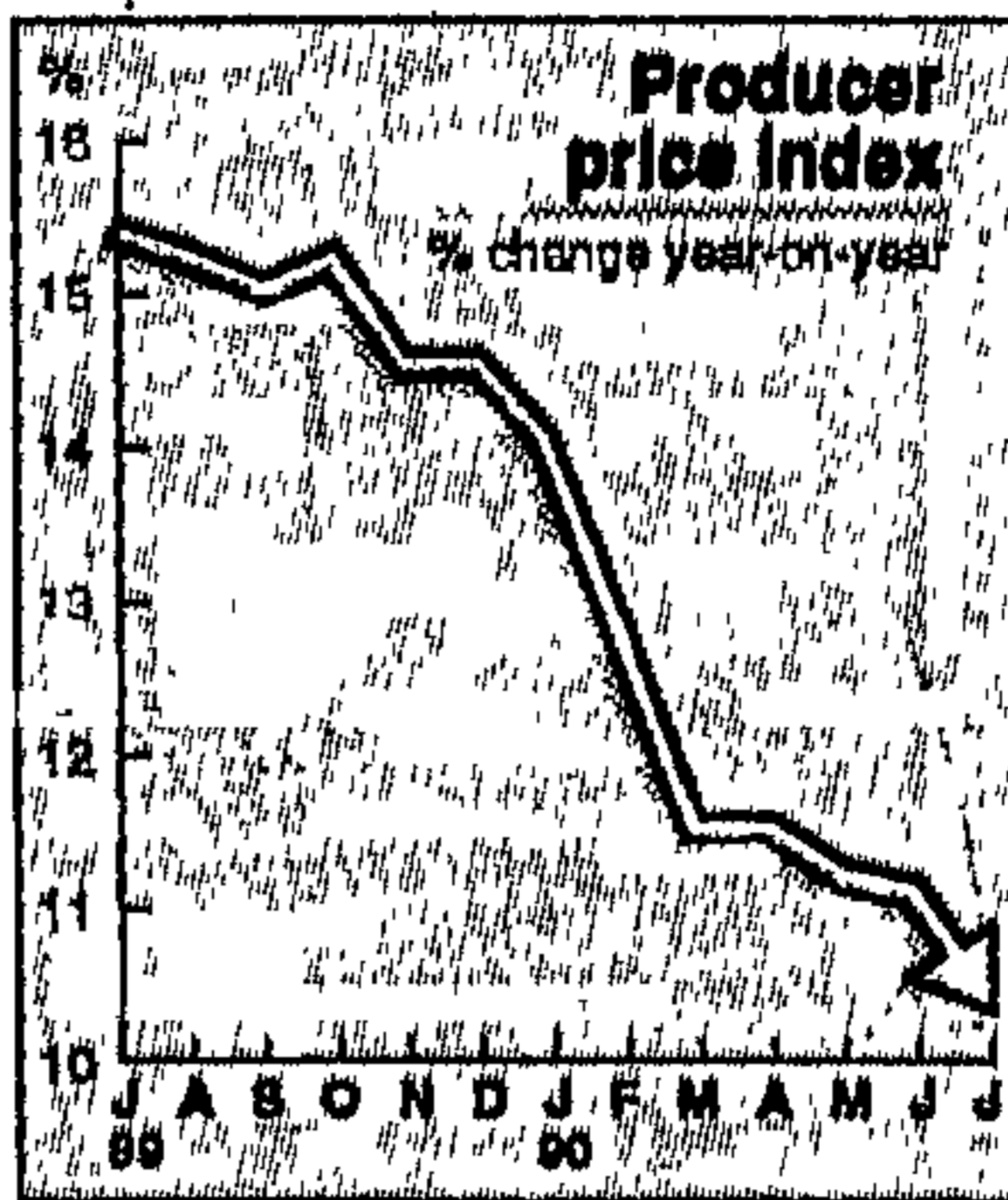
THE surprise fall in inflation at the producer level by almost a full percentage point in July — from 11,2% to 10,3% — is evidence of significant progress in government's battle against inflation

The annual rate of increase in the producer price index (PPI) in July is at the lowest level since October 1984

The figures tempered bearish sentiment in the capital market yesterday and surprised economists. They had not expected such a dramatic fall and said the figures provided encouragement at a time when the oil price rise had created despondency over inflation

If the rate of increase in the PPI continues on the same trend for the rest of the year, SA will end the year with producer inflation in single figures. The positive trend at the producer level will filter through to consumer inflation

Central Statistical Service (CSS) figures released yesterday show the PPI rose by a meagre 0,1% between June and July — the lowest monthly increase this year — from 197 to 197,2. This slight monthly rise in prices at the producer level was the result of a surprising fall in the prices of import-



Graphic: FIONA KRISCH Source: CSS

ed commodities of 1,3%. By contrast, the prices of locally produced goods rose by 0,5% between the two months.

The contrast between local and imported prices in July is a continuation of the trend for the year. On an annual basis, imported inflation rose by only 4,7% —

□ To Page 2

PPI fall

compared with a local rate of increase of 11,6%. These figures show that the main impetus for the progress on producer inflation has come from the imported side

Southern Life economist Mike Daly ascribed the positive trend on imported goods to the Reserve Bank's policy to keep the rand stable against a basket of currencies

"Over a year, there has been hardly any increase in the cost of a basket of currencies of SA's main trading partners," he said

He had not expected to see producer inflation at this level before a few more months. He expected a blip in September's rate but believed the overall trend was still down and that the flow-through to the con-

sumer side would follow soon

Reserve Bank Governor Chris Stals recently voiced concern over the disparate trends between prices of imported and local goods. He said that local producers would price themselves out of the market, as they would find it more difficult to compete with imported goods. He warned local producers against seeking to maintain profit growth through price increases

Economists believe Stals will not see the latest figures as a reason to cut Bank rate

Discount House of SA economist Chris Greyling said although capital market rates had lost about four points on the news, uncertainty over when Stals would act had kept the bulls in the market at bay

□ From Page 1

PRODUCER PRICES

ON TRACK

244

FIM 14/9/90

The producer price index (PPI) rose by 10,3% in the year to July, well down on 11,2% in June and its lowest increase since October 1984. Much of the drop was the result of a falling import component, with prices down a month-on-month 1,3% (up 1,1% in June), trimming the year-on-year rise to only 4,7% (6%)

Sanlam economist Pieter Calitz attributes lower import prices to the strong rand, especially against the US dollar. Lower import surcharges are also having an effect.

But local prices also looked better, up only 0,5% (0,4% in June) in the month, making 11,6% (12,5%) year-on-year. So it seems the slower economy is finally being reflected in lower producer prices.

Calitz is optimistic the downtrend will continue. "Higher petrol prices will push up PPI in September, probably by about 0,5%, but that won't stop the overall decrease. We may even see single digits by year-end."

Large monthly increases occurred in leather products 6,1%, footwear 5,2%, furniture 6,2%, newsprint 5,1%, plastic bottles 7,5% and polystyrene 5,2%. Decreases included transformer oil 14,4%, ball and roller bearings 8,7%, "other" agricultural products 8,5% and mining 3,1% ■

Putco to put up bus fares by 5c

PUTCO is to increase all its fares on the Reef and in Pretoria by five cents a trip across the board from the beginning of October ~~1988~~ 249

Putco MD Jack Visser said in a statement the recent increase in the price of fuel had had a direct impact on running costs and that the increase in fares could not be avoided. C/Press 16/9/90

Putco gets set to increase fares on Reef

By DON SEOKANE

PUTCO commuters on the Reef should brace themselves for a fare increase from October 1.

A Putco spokesman said the hike was unavoidable because of the recent increase in the fuel price. (244) ~~200~~

Mr Michael Oldham said the company had absorbed the immediate costs of the fuel price increase to give commuters a chance to re-adjust their expenses in the face of the impending hike.

He said the fare increase was not related to losses the company had incurred during the violence which has swept Reef townships over the past two months

However, Oldham confirmed that some of Putco's operations were affected during the violence and in other townships services had been withdrawn.

"We were compelled to close down the Edenvale operation and to withdraw services on the East Rand and in Sebokeng where violence was rife.

"Soweto operations were not withdrawn and although the company has incurred damages through buses being stoned and some burnt, the decision to withdraw the services has not yet been made.

"We hope that the situation in Soweto will not degenerate to the extent where the company is compelled to withdraw its services"

Oldham said although Putco incurred substantial losses amounting to a "few million rands" in the recent violence, the situation was better than during the 1986-87 violence when the company's losses were higher

Soweto 20/9/90

Beckoning Durbs:

How best to go?

Greyhound Citiliner marketing manager Gordon Holly said the cost of a return bus trip from the corner of Meyds and Harrison streets near the Rotunda in Johannesburg to the railway station in central Durban is R158. The trip takes seven hours each way.

Transport is in luxury air-conditioned coaches equipped with panoramic windows. Coaches depart three times a day from both ends with a fourth trip included on Fridays and Sundays.

The safety record is supreme, with no fatalities on any route since the launch of the coach service in June 1984, since when more than 500 000 passengers have been transported on all Greyhound routes.

A Spoornet spokesman said a first-class adult return railway ticket costs R256, a second-class fare R180 and third-class travel R106.

It is now almost cheaper and faster to drive to Durban than to fly, claims Tolcon managing director Ron McLennan. Are these claims well founded? SHIRLEY WOODGATE included the safety factor and compared travel by car, plane, train and coach.

Spoornet reports no accidents or fatalities on the Durban/Johannesburg route for the past three years.

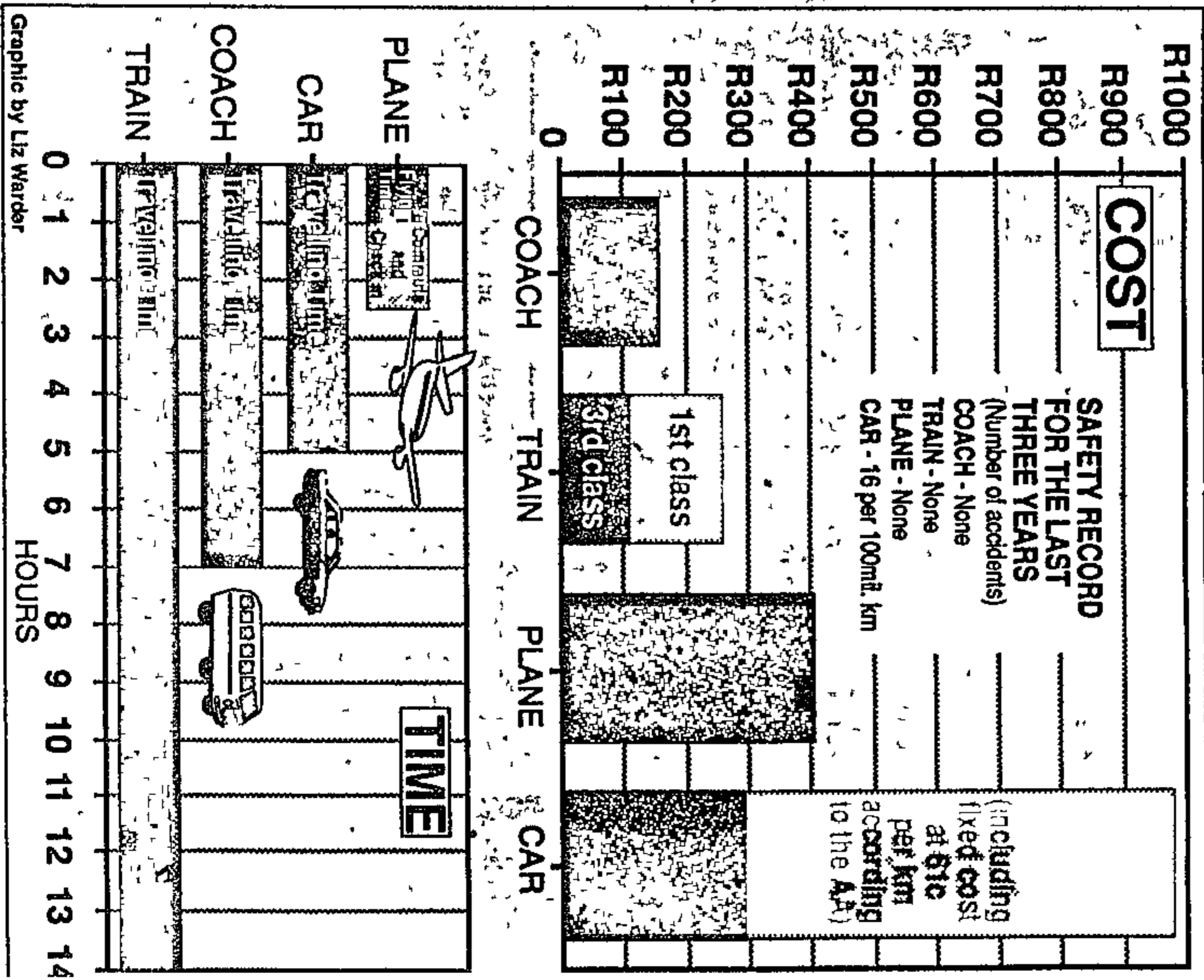
SAA said a return air ticket now costs R402. Children under 10 pay 50 percent and up to age two 10 percent of the full fare.

AA estimate

SAA's safety record on that route is 100 percent. AA spokesman Robin Scholtz said at current rates the 567 km trip for a 1 600cc car costing about R30 000 includes a fixed cost of 61c/km, petrol costs of 13,6c/km and maintenance costs of 7,7c/km.

Tolcon says toll roads have proved to be safer than other roads. In the final analysis determining the preferred mode transport must include comfort and convenience, fatigue, cost, time, safety and whether the trip involves a single businessman who would probably opt for a plane, or an entire family setting off on holiday.

Johannesburg to Durban



Wheat price rise sought

~~GERALD REILLY~~ 244
GERALD REILLY

PRETORIA — The Winter Grain Producers Organisation has asked the Wheat Board for a 20% increase in the domestic selling price of wheat to R540 a ton for the 1990/91 season

The organisation's chairman Japie Neethling warned that wheat producers alone could no longer bear the burden of providing cheap bread for consumers. 6/10/91 25/7/90

He said the increase, other factors remaining constant, meant a 6c a loaf increase for brown bread (6,32%) and a white bread increase of 7c (6,67%)

However, sources say other factors will not remain constant. This year's R65m bread subsidy pool has virtually run out of funds, for example

Another petrol price increase is likely soon

Sowetan 26/9/90

244

THE price of petrol is set to rise for the second time in a month as a result of a dramatic increase in the oil price - and fuel saving measures such as those imposed during the oil crisis of the 1970s could come into effect.

There is a distinct possibility that motorists could be paying up to R1,53 a litre by the end of this week and also be asked to take part in "voluntary" fuel conservation measures.

Industry sources believe that a 20c to 25c a litre increase on the present R1,28 a litre should be expected and that if the Middle East situation worsens further, motorists could be facing a charge of R2 or more a litre by the end of the year.

There has been no confirmation yet from Government sources or the National Energy Commission that a big price hike is on the cards but Minister of Mineral and Energy Affairs Dr Dawie de Villiers is to brief the media tomorrow about the situation.

Saving measures

He is expected to disclose wide-ranging "voluntary" fuel saving measures, which could include speed restrictions, the closing of petrol stations at certain times and a ban on the carrying of petrol in containers by private motorists.

The last occasion on which the pump price of petrol and of diesel went up was on September 3, when it jumped by 10c a litre to bring the current price on the Highveld to R1,28 a litre for 93 octane.

The Equalisation Fund - which is used by the Government to keep petroleum products at realistic price levels - is, it is understood, now unable to cope adequately with the latest high price for a barrel of oil, standing at 40 US dollars.

No petrol price rise for two weeks

Pretoria Bureau

Motorists can rely on paying the present petrol price for at least the next fortnight — and probably for another month — before soaring crude oil prices may affect the pump price

Spokesman for the National Energy Council Hennie de Villiers today discounted speculation of a second price increase this month

He was reacting to reports that industry sources believe a 20c to 25c a litre increase on the present R1,28 a litre should be expected this week.

"There will definitely not be another rise in the price this month. Maybe before the end of the year, though," Mr de Villiers said today

Star 26/9/90 (244)
Tomorrow Minister of Mineral and Energy Affairs Dr Dawie de Villiers and Lourens van den Berg of the National Energy Council are to detail the dire state of the country's fuel situation after weeks of record prices for crude oil

Dr de Villiers is expected to disclose wide-ranging "voluntary" fuel-saving methods which could include speed restrictions, the closing of petrol stations at certain times and a ban on the carrying of petrol in containers by private motorists

The most recent increase in the pump price of petrol and diesel was on September 3, when it jumped by 10c a litre

The Equalisation Fund has in effect subsidised the pump price by

an estimated average 30c a litre this month, Mr de Villiers said

The under-recovery was only 23c a litre when the fuel price was last increased by 10c a litre on September 3

The National Energy Council has warned that the fund would temporarily finance under-recoveries on all petroleum products but that in the event of further rises in the landed cost, price increases would have to be considered

The National Energy Council's fears were realised this week when the oil price rocketed to \$40 a barrel — the highest in 11 years and \$3 higher than at the close of business on Friday. It settled yesterday to R37 55

© Saving fuel — Page 17

Petrol price rise likely next month

PRETORIA — With crude oil prices holding above the \$40 a barrel level, South Africans should expect a fuel price hike in mid-October, motor industry sources said yesterday

Informed speculation in the industry is that the oil company under-recovery of more than 23c a litre will have to be eliminated by a substantial price rise.

The price was raised by 10c a litre on September 4 to a record level of R1,28 on the Rand *Monday 26 1990*

Reacting to newspaper reports of a petrol hike this month, a National Energy Council (NEC) spokesman said last night there would be no second rise in the price

GERALD REILLY

of petrol in September, ZILLA EFRAT reports.

He said the accumulative effects of the higher world oil prices on the Equalisation Fund would only be known at the end of the month.

This data would be presented to government, which would have to take various other factors into account (244)

At a Press conference tomorrow, Mineral and Energy Affairs Minister Dawie de Villiers is to make a strongly worded appeal to industry and the public for voluntary fuel saving measures

Jobless on the march

244

South 2779 - 3/10/90

THE Western Cape Unemployed Workers' Union (Wecuwu) intends holding a legal march in Cape Town this weekend to demand a reduction in the price of basic foods.

The march to the Department of Manpower offices is scheduled to start at 10 in Kaisergracht street, District Six, and is likely to include several Cosatu affiliates.

Wecuwu is planning protest marches in several other towns in the Cape. Other demands include scrapping GST/Vat and an end to unemployment.

Soaring prices of food push up rate of inflation

ANDREW GILL

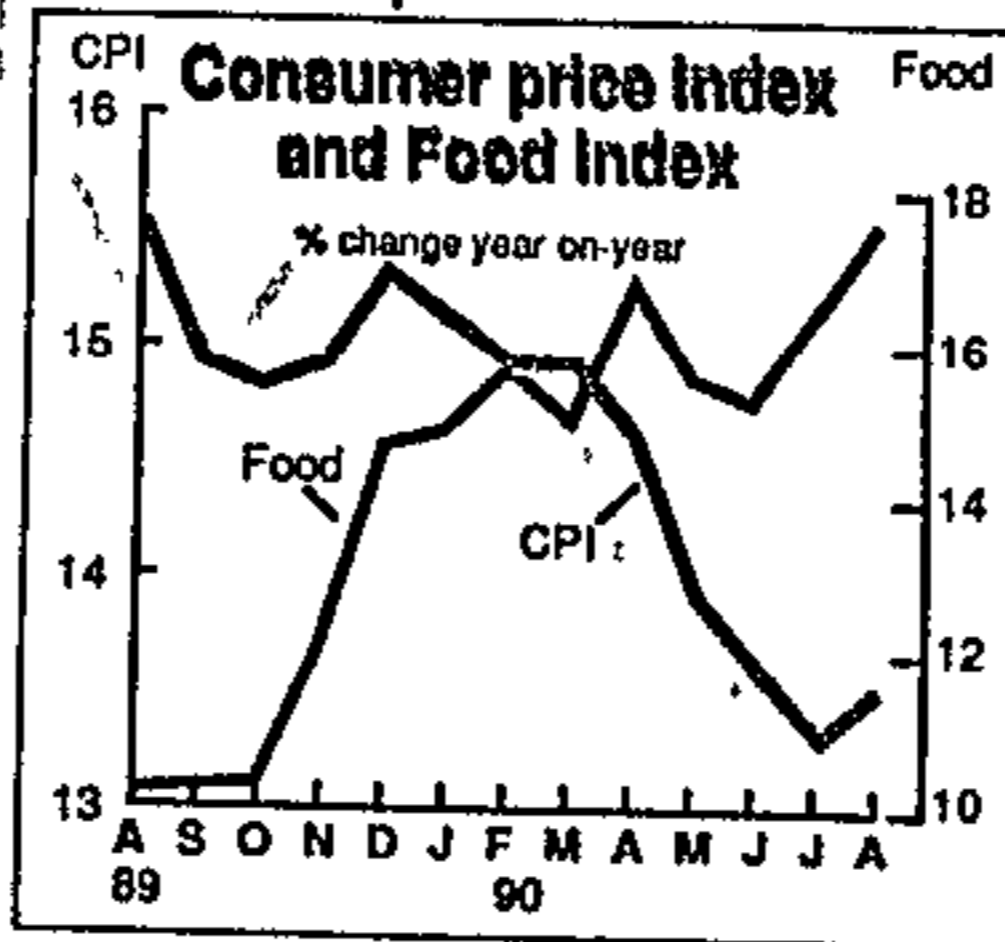
SOARING food prices are a major inhibiting factor in the Reserve Bank's fight to destroy double digit inflation, August's consumer price index shows

Food inflation increased at an annual rate of 17.7%, a 30-month high, helping to push the all-items inflation rate up for the first time this year

Unprocessed food prices are rising at an even faster rate of 18.5%, while processed foods were 16.2% higher in August this year than in August 1989

This is largely because of vegetable and fruit and nut prices. Vegetables cost 41.1% more in August than in the same month last year. Fruit and nuts cost 28% more.

If food inflation is excluded from the calculations, inflation is running at only 12.4% — levels not seen since



1988 when the average for the year was 11.8%

Bearing the brunt of the higher prices are the lower and middle income groups, for whom food price inflation is running at annual rates of 18.5% and 18.1% respectively. In the higher income bracket, it is running at a much lower 16.5%

All-items inflation is 14.6% for the lower income groups, 14.3% for middle income and 13.1% for the higher income group

Since the all-items inflation rate began falling at the end of last year, the lower income group inflation rate has remained consistently above that rate, while high income group inflation has remained below it

One of the major contributors to the downward pressure in the all-items rate is housing, with a 21% weighting in the index, which rose at an annual rate of just 7.6% in August. It has held below 10% since entering single digits in May

Transport costs contributed to August's higher rate, but this was more likely a seasonal hiccup. The annual rate of increase is only 11.1%

Printing more money 'not the answer'

KEVIN DAVIE

WASHINGTON — The Reserve Bank would not print more money to accommodate increasing fuel prices, Governor Chris Stals said yesterday.

"We are going to have to accept a lower standard of living SA will have to export more to be able to import the same amount of oil. This makes the country poorer."

Stals said in an interview that increasing oil prices would also mean a more cautious approach to relaxing interest rates would have to be maintained.

"It's an illusion to think problems can be solved by creating new money."

But the Governor said there were reasons why the impact of rising oil prices would hurt SA less than some other countries. The gold price had increased and was likely to increase further and the country was in a fairly good position regarding the balance of payments. Capital outflows were also decreasing.

Increased petrol prices would force SA to accumulate lower foreign reserves and would have adverse effects in the fight against inflation.

Stals said increasing oil prices had generated a wave of pessimism at the annual meetings of governors of the IMF and World Bank. *5/20/71 9/20*

Growth was expected to be lower than last year, prospects for trade were not that good, inflation was slowly creeping up and monetary policy would remain tight with high interest rates.

"Now on top of all this you get higher oil prices. It is unfortunately coming at a time when Third World countries with debt problems had made some progress."

He said governors were very concerned about the oil crisis.

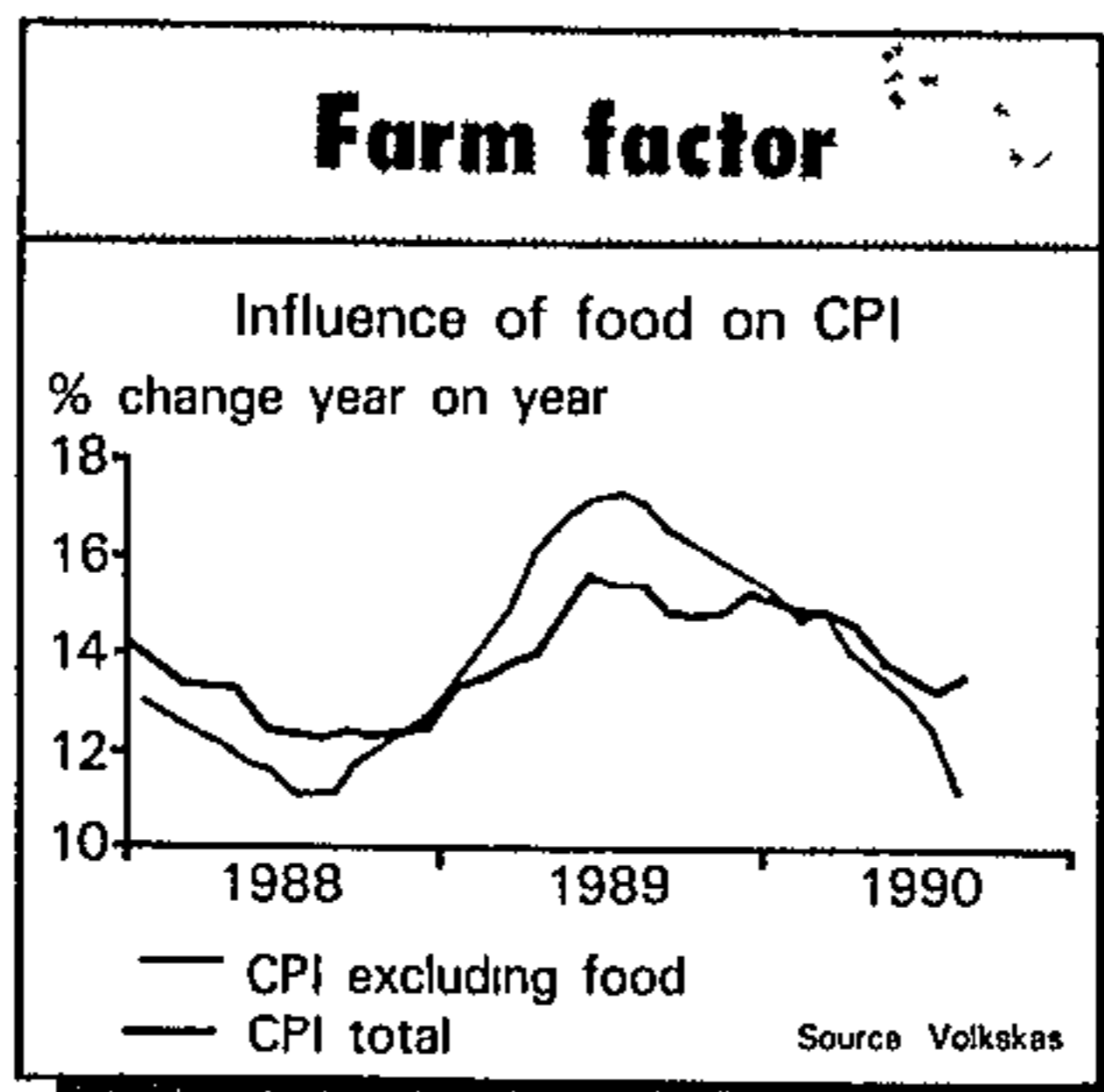
● See Pages 3 and 4

SURPRISE UPTURN

With producer price inflation still slowing down — reaching a six-year low of 10,3% in the year to July — it seemed reasonable that

consumer prices would follow suit, at least until the recent 10c petrol price hike had its effect. But after falling steadily since November the rate of increase in the consumer price index (CPI) accelerated to 13,6% in August from 13,3% in July.

sale prices have fallen in recent months. Whatever the reasons, the less well-off continue to take a beating. Food is weighted at 35% for the lower-income group, driving annual inflation up to 14,6%. In the middle-income group, where food is weighted at 27%, the figure is 14,3%, while in the higher-income group, with food weighted at only 16%, inflation is a much lower 13,1%. Other big monthly rises were clothing and footwear 2,5% (16% annual), fuel and power 1,7% (13%), household operation 2% (16%) and transport 3% (11%).



Inflation now seems unlikely to come down in the short term and may even begin to creep up. Senekal, Mouton & Kitshoff economist Leon Steenkamp says every 10% petrol price hike will translate into an 0,45 percentage point rise in CPI and the effect could double as increases filter through.

The figures should cool any expectations of an imminent cut in interest rates.

As often in the past year, food prices (weighted at 23% and the most important single category) were largely to blame for the August increase, up 2,3% in the month and 17,7% year-on-year.

The main items responsible for the increase were vegetables, recording a monthly increase of 7,8% (41% year-on-year), fruits and nuts 4,3% (28%), sugar 3% (11%), fats and oils 3% (12%), coffee, tea and cocoa 0,9% (16%), fish and other seafood 1,3% (13%), and milk, cheese and eggs 0,8% (23%), and "other" foods 1,5% (20%).

Volkskas senior economist Adam Jacobs expresses disappointment at rising food costs but is unsure of the reasons. "We are between seasons for fruit and vegetables, with the winter crop gone and no summer stock available yet, but that's not the whole story. Farmers say they are not sharing in the increases."

Meat prices registered a monthly 1,6% increase (11% for the year), though whole-

October petrol hike likely

ZILLA EFRAT

244
ANOTHER petrol price hike could be expected from mid-October onwards if world oil prices remained at current levels, Mineral and Energy Affairs Minister Dawie de Villiers warned yesterday.

At a Press conference in Pretoria, he appealed to motorists to save fuel voluntarily, as crude prices have soared 150% in only seven weeks.

World oil prices have jumped from under \$16 a barrel at the beginning of July — before Opec raised its official price to \$21 a barrel and the Gulf Crisis began — to top \$40 a barrel this week, the highest price in a decade. *BWM 28/9/90*

SA's petrol price rise earlier this month was based on world oil prices of \$22 a barrel. At a price of \$40 a barrel, PWV motorists are underpaying 40,5c/l for 93 Octane.

De Villiers said international experts doubted that the price would return to \$21 a barrel even if the Middle East situation was diffused quickly.

International estimates of the price in coming months varied from a low of \$25 to a high of \$35 a barrel.

And the World Bank indicated that prices could reach \$65 a barrel if a Gulf war erupted.

De Villiers said there were signs that a shortage of commercial oil stocks was beginning.

While oil importing countries had considerably increased their strategic stock levels since 1979, oil companies had reduced commercial stocks because of cost considerations.

If international demand did not fall to remain in step with supply, actual shortages could occur and this would influence SA's supply position, he said.

SA's synfuels industry offered a measure of self-sufficiency, but if there were worldwide crude oil shortages, SA would definitely have problems supplying current petrol demand without introducing mandatory measures to conserve fuel.

Government's appeal for voluntary measures to save fuel was widely supported by various organisations, including the SA Chamber of Business and the Automobile Association.

De Villiers warned, however, that if substantial fuel savings were not achieved, government would have no choice but to consider mandatory measures such as

□ To Page 2

Petrol

BWM 28/9/90

lower speed limits

He said surplus capacity existed on SA's rail networks, which were driven by electricity generated by domestic coal, thus placing no extra burden on the balance of payment situation.

He invited different sectors to compete with one another to determine which was the most successful in saving fuel, and thus money.

Motorists must be made aware of the importance of tuning vehicles properly, using fuel with the correct octane rating, planning trips in advance, avoiding peak traffic, cutting down on unnecessary trips and using public transport.

Local authorities should be made aware

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□ From Page 1
of the importance of synchronising traffic lights, eliminating unnecessary stop streets and introducing bus lanes.

The Minister appealed to drivers to adhere to speed limits and asked authorities to apply speed limits strictly.

□ Sapa reports that National Energy Council CE D C Neethling said in the NEC annual report that possible deregulation of the petroleum industry in collaboration with the oil companies, retail distributors and all other "interested parties" was under investigation.

It was expected that this investigation, as well as a similar one into government's involvement in the control of coal exports, would be completed during 1991.

Spec. 1/10/90

(19) (25) (244)

Finance Staff

The 10-year high in the oil price is unlikely to generate the sort of gold price windfall the South African economy enjoyed in the early 1970s and 1980s, Metropolitan Life economist Dr Chris Visser says

He cautions that there are now far more and better alternatives for international investors to safeguard their interests than gold

Real interest rates remain high and worldwide inflation is not as serious as it was with previous oil price shocks. The fundamentals do not indicate, therefore, that there will be a material and sustained improvement in the gold price

He suggests any short-term benefits will be offset by a much higher oil import bill. This will probably be made worse by a slowing in demand for basic raw materials, such as coal and iron ore, provided by this country as the world economy generally slides into recession.

The consequence is that it is

Economist doubts SA will get windfall

inevitable that pressure will be exerted on South Africa's balance of payments, and on its foreign exchange reserves.

"The strategic steps taken years ago to develop alternative fuel sources, such as the Sasols, and to stockpile large quantities of crude, can now be seen to provide a valuable cushion for South Africa to better weather the immediate effects of the much higher energy costs than many other oil importers

"Likewise, the decision to continue with the very expensive Mosgas project does seem to make better sense now, and could prove to be a wise one in retrospect

"It is unlikely that another large petrol price increase can be avoided, although it seems

that we may now be able to delay such further price shocks now, at a time when the country can least afford them.

"The economy is already in a more severe contraction phase than initially anticipated

"The August inflation rate confirms the view that keeping interest rates high at this stage is no longer contributing to the fight against raising costs. Some relaxation would therefore seem to be appropriate

"Fighting inflation by maintaining high interest rates, stimulating the economy by fiscal overspending, and at the same time introducing a fuel price increase cannot be regarded as a coordinated policy mix in the fight against inflation, and at the same time address the need for real domestic growth"

STC 1/18/90

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Retail meat price up

An investigation by Volkskas Bank into the rapid increase in food prices has shown that while the meat price in abattoirs has fallen, at retail levels, the price has risen.

"Auction prices at abattoirs are declining and the prices in July this year were 7,7 percent lower than those the previous year", the bank said.

"Retail meat prices show rises of 9,7 percent and 10,9 percent in July and August respectively, in comparison with those a year before.

"The reason for this is unknown, but bears further investigation."

Volkskas said that the increase in the prices of various foodstuffs, such as potatoes, must be seen in the context of exceptionally low prices for the

same foodstuffs resulting from a surplus in the previous year.

"On the one hand, vegetable prices have increased greatly while on the other hand, an unexpected cold spell in July apparently damaged crops, resulting in market supply being lower.

"Excellent prices are apparently being obtained for fruit on the international markets.

"This could be the reason for the hike in the local prices of these products.

"Coffee, tea and cocoa are largely imported.

"The sideways course of the rand exchange rate over the past few months should result in price rises in respect of these commodities slowing down in the time to come." — Sapa.

Stat 1/10/90 (244)
**Putco fares up
5 percent today**

Staff Reporter

Putco bus fares on the Reef rise by 5 percent today

Putco spokesman Mike Oldham said the increase was unavoidable because of the recent fuel price increase.

Mr Oldham said the company had absorbed the immediate costs of the fuel price increase to give commuters a chance to readjust their expenses.

He said the fare increase was not related to losses the company had incurred during the violence which swept through the Reef townships in the past two months.

However, Mr Oldham confirmed that some of Putco's operations had been affected by the violence and some township services had been withdrawn.

"We were compelled to close down the Edenvale operation and to withdraw services on the East Rand and in Sebokeng where violence was rife."

The Soweto Taxi Association has decided not to increase its fares in spite of the increase

Public urged to force down meat price

8/10/90
 CONSUMERS should use their bargaining power to force down retail meat prices when auction prices fall, says Meat Board senior GM Pieter Coetzee.

He was responding at the weekend to a Volkskas Group investigation which showed that although abattoir auction prices were declining, consumer retail meat prices were rising.

July's auction prices had fallen 7,7% from 1989's, while retail meat prices rose in July and August by 9,7% and 10,9% over the same period last year.

Apart from the floor price, which was a guaranteed minimum price to farmers, meat prices were not controlled.

"At present there is no glut of meat in SA, only a well supplied market which

ACHMED KARIEM

contributed to the decrease in auction prices."

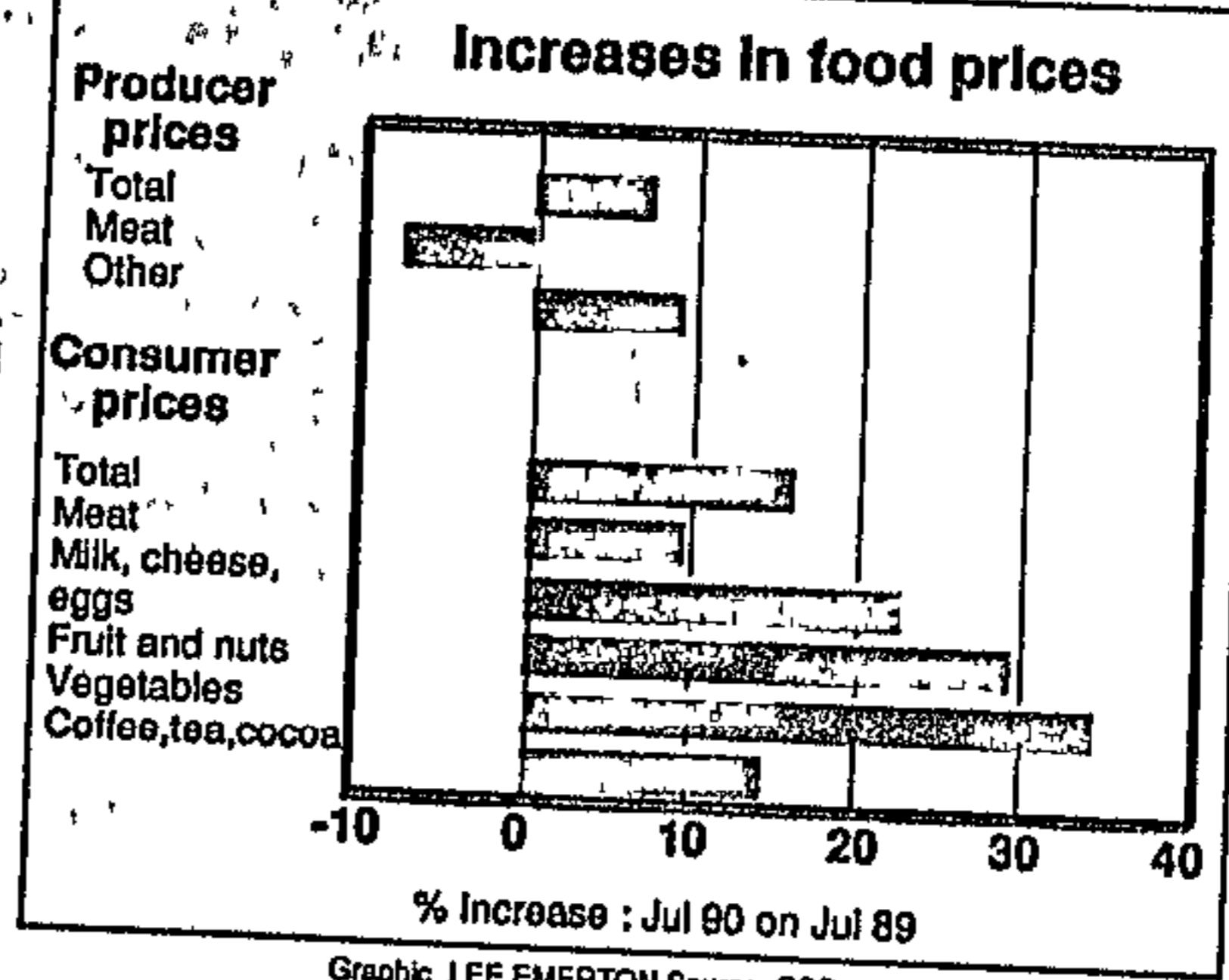
However, an agreement had been reached with the trade to dispose of surpluses should these occur in view of supply running at 20% above last year's.

The floor price was producers' insurance for keeping in business and producing to consumers' requirements. "Who in the end will be the losers, should meat producers, with prices falling below the floor price, stop producing meat in sufficient quantities to meet demand?"

Coetzee said the Organisation of Livestock Producers had tried for years to have the meat scheme abolished. "The overwhelming majority of meat producers

in SA consider the meat scheme as their mainstay to remain in production under the depressed economic situation with an inflation rate running in double figures," he said

During the first seven months of this year there was a large increase in the sale of red meat. beef 14%, mutton and lamb 18,2% and pork 12,7%. Chicken rose only 10%.



Graphic LEE EMERTON Source CSS

International flight prices rise by 8%

8/24 11/0/90
LESLEY LAMBERT

SAA's international airfares increased by 8% today as a direct result of the higher fuel price

The hike follows a 5% increase earlier this year — a routine annual increase agreed to by International Association of Travel Agents (Iata) members. Today's increase pushes the price of an economy return airfare from Johannesburg to London up from R5 979 to R6 458. ~~259~~ 244

Domestic airfares were increased by an 8% fuel levy last month and commuters were warned that further increases would follow if the Gulf crisis continued to boost the world price of aviation fuel

The fuel levy on domestic flights followed a number of fairly hefty increases over the past two years.

September's fuel levy increased the cost of a Johannesburg-Cape Town return from R856 to R926 (business class) and from R684 to R739 (economy class).

SAA withdrew some of its under-used flights in an effort to cut costs.

Sto- 3/10/90

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NEWS

Food prices: unions blamed

By Jacqueline Myburgh

Supermarket chiefs have blamed higher wages, as a result of increased union power, as the chief factor influencing the steep increase in food price inflation over the past 30 months

The food price inflation rate is currently 17,7 percent

The heads of Pick 'n Pay, Checkers and Spar also said food prices were likely to continue rising for the next few years

Pick 'n Pay managing director Raymond Ackerman

said the "new South Africa" would demand spending on social upliftment and housing, which was inflationary

"Once we have a new constitution, and politics have settled down, we can get the inflation rate down with regard to food"

Mr Ackerman said wages had increased by about 20 percent as a result of the powerful role of trade unions, but there had not been increased productivity

Other factors, influencing higher food prices were

● An "enormous amount" of monopoly and not enough

competition where certain manufacturers and Government boards were concerned

● "Imported inflation" as a result of a weak rand

● Increasing rentals and services

Mike Dobson, the Transvaal head of Spar, also blamed "a lack of control" for increasing food prices

"There's no requirement that manufacturers justify price increases," Mr Dobson said

Checkers managing director Sergio Martinengo said agricultural conditions had

also affected the price of fresh produce

"Last year, fresh produce prices were 30 percent down on average because of good rains and good harvests. This has not happened again this year," he said

Mr Dobson said the profit margins of supermarkets had not increased in the past three years

"Costs have gone up in the last couple of years, caused mainly by labour costs

"And it's going to get worse because wages, rentals and services are going up," Mr Dobson said.

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Wage demands blamed for food price rise spiral

The Argus Correspondent

JOHANNESBURG. — Supermarket chiefs have blamed higher wages, as a result of increased union power, as the chief factor influencing the 1,3 percent increase in food price inflation over the past 30 months.

The food price inflation rate is now at 17,7 percent.

The heads of Pick 'n Pay, Checkers and Spar also said food prices were likely to continue rising for the next few years.

Powerful role

Pick 'n Pay managing director Mr Raymond Ackerman said the "new South Africa" would demand spending on social upliftment and housing, which was inflationary.

"Once we have a new constitution and politics have settled down, we can get the inflation rate down with regard to food."

Mr Ackerman said wages had increased by about 20 percent as a result of the powerful role of trade unions, but there had not been increased productivity.

Other factors influencing higher food prices have been:

- An "enormous amount" of monopoly and not enough competition where certain manufacturers and government boards were concerned

- "Imported inflation" as a result of a weak rand.

- Increasing cost of rentals and services

Transvaal head of Spar Mr Mike Dobson also blamed "a lack of control" for increasing food prices.

"There's no requirement that manufacturers justify price increases," Mr Dobson said.

Managing director of Checkers Mr Sergio Martinengo said agricultural conditions had also affected the price of fresh produce.

"Last year, fresh produce prices were 30 percent down on average because of good rains and good harvests. This has not happened again this year," he said.

Mr Dobson said the profit margins of supermarkets had not increased in the past three years.

"Costs have gone up in the past couple of years caused mainly by labour costs."

Fears that bread will go up 10c

blouy GERALD REILLY *4/10/90*

PRETORIA — Bread was expected to cost an average 10c a loaf more from the start of the wheat season on November 1, *sources* said yesterday. *(244)*

The Wheat Board met yesterday and was expected to recommend an increase in the producer price to Agriculture Minister Jacob de Villiers soon. *(244)*

Because of the constantly escalating input costs, an adjustment in the producer price was virtually inevitable, the sources said.

It was expected that the margins of the baking and milling industries would also be raised from November 1.

This year's R65m bread subsidy was insufficient to maintain current bread prices.

The current producer price was about R440 a ton. This could rise to almost R500 a ton.

Another bread price rise in the first quarter of next year was certain to follow the scrapping of the bread subsidy in the 1991/2 financial year, they said.

Price rises jeopardising fight against inflation

THE THREAT of another hike in fuel prices, an imminent increase in the bread price and the cost crunch in the chemical sector have sparked fears of a major setback in the battle against inflation.

The combined effect of the oil crisis and soaring food prices could see SA end the year with an average inflation rate for 1990 at about the same levels as the 14,6% seen last year. Little or no progress would have been made in the fight against inflation, spearheaded by tight monetary policies.

Old Mutual economist Ursula Maritz said a 20c increase in fuel prices would add 0,8 percentage points to the inflation rate.

Assuming that all other goods rose by 0,8%-1% a month, SA would end the year with inflation at 14%-15% — excluding any knock-on effects from higher fuel prices

Blom 5/10/90

GRETA STEYN

This is a far cry from the consensus forecast among economists in August of a decline to slightly below 13% by December, according to a survey by First National Bank.

However, it is not clear whether petrol prices will increase, in spite of crude oil prices having doubled from their levels of \$18 before the Gulf crisis started in August.

The National Energy Council has warned that a further price hike might be necessary if the equalisation fund is exhausted, and fuel conservation measures could be required

Less easy to quantify is the effect on the inflation rate of higher prices for oil-based chemical products such as plastic containers, food wrapping, detergents and other cleaning agents. These could be expected, however, to underpin the oil price-induced

upward bias in inflation.

Maritz said: "Another worrying factor is the high rate of increase in food prices, especially the recent signs of an uptrend in meat price increases."

Apart from meat, indications this week that the bread price would rise by 10c was a negative signal for inflation. Escalating food prices pushed the inflation rate back up to 13,6% in August from 13,3% in July

A huge 1,6% month-on-month increase in the consumer price index (CPI) was accounted for by food price rises — and implied economists' assumption of a 1% monthly rate of increase in the index excluding fuel might be optimistic.

Bread's category — wheat products — makes up 3,3% to the total consumer price index (CPI) basket of goods and one economist predicted the increase could add 0,2 percentage points to inflation in November.

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Domestic air fare increase to pay for double fuel bill

By John Miller

South African Airways' domestic fares could increase by about 10 percent within weeks to cope with the recent doubling of its fuel bill

Chief executive Gert van der Veer said yesterday that the airline was presently paying 100 percent more for its fuel than it had been three months ago.

"Our fuel bill now is costing us R1 million more a day than we were paying in August"

Mr van der Veer said cost-cutting measures SAA was considering included a smaller discount on all midnight flights, reintroducing stopovers on some of its direct flights to Europe, cutting advertising and the laying off of temporary staff

The Government has announced that service fees for

passengers departing on SAA flights will be introduced at airports on Monday. Passengers on internal flights will have to pay R3 and those on external flights R10.

A SAA spokesman said the revenue derived from the departure tax would not go into its coffers, but would be used by the Department of Civil Aviation.

Travel agents have criticised the Government's announcement of a R3 domestic departure tax

Kathy MacWhiter, general manager, marketing, of Rennies Travel, said the industry as a whole was opposed to a domestic departure tax and had made this known to Government

"They have not consulted the industry and have not taken the market into account"

Monday 8/10/90

Economists welcome tariff limits

GILLIAN HAYNE

GOVERNMENT's promise to keep electricity and rail freight tariff increases below the inflation rate was welcomed by economists at the weekend.

They were responding to President's F W de Klerk's speech in Durban last Thursday in which he said tariff increases in the next few years would be below the inflation rate.

The economists said that although the move would not have a tangible effect on lowering the inflation rate, it would play a part in government's overall disciplined monetary policy.

Nedcor economist Edward Osborne said although the announcement was in keeping with government's programme to lower inflation, by itself it would not produce a "magical fix", as increasing fuel prices, water levies and the threatened rise in bread prices would negate its effects.

Detrimental

"However, it is still a welcome move in that it will contribute to the fight against inflation, and will be of advantage to industries that are floundering in the current recession."

However, Osborne said that using Eskom and Transnet as financial instruments to curb inflation could prove detrimental to those companies in the long run, despite assurances that the move would not artificially suppress tariff adjustments.

However, Bankorp economist Nick Bernardt said together with government's other tight monetary policies, it would help to lower inflation.

"It is important to be consistent as every aspect in the policy plays a role in the end. With the suggested reduction of import levies next year and continued strict monetary policy on government spending and the like, we expect inflation to decrease to 11% by the end of 1991, and to single digits by 1992."

A spokesman for the Afrikaanse Handelsinstituut welcomed the announcement, which he said was in keeping with government's tight monetary policies.

● See Page 6

48c petrol price increase?

By Norman Chandler

The Government may decide next week to increase the petrol price.

The deteriorating Middle East crisis has forced crude oil prices to their highest levels and the Equalisation Fund, which offsets oil purchases, is running out of money.

Hennie de Villiers, media spokesman for the National Energy Council (NEC), said yesterday: "The situation looks bad. A further rise before the end of the month appears unavoidable."

In New York yesterday, the oil price breached \$41 a barrel. South Africa's petrol price is calculated

on a barrel costing \$22.

Predictions varied on the extent of the increase, which would include diesel, but the least motorists could expect was 10c a litre more at the pumps. Some sources believed it could be 28c.

An increase would be felt in neighbouring countries.

Minister of Finance Barend du Plessis said this week the strategic oil stockpile would not be used to subsidise motorists.

Increasing the price by 6c a litre would add 0,5 percent to the inflation figure, now standing at 12 percent.

244 Star 11/10/96

Big increase in medical costs ahead

By Carina le Grange,
Medical Reporter

Private patients face staggering increases in medical costs from January 1 with the announcement yesterday by the Representative Association of Medical Schemes (RAMS) that general practitioners' scale-of-benefit consultation fees are to be increased from R21,10 to R24,80.

However, since not all doctors charge scale-of-benefit rates, and the Medical Association of SA guideline fee (from January 1) for a consultation is R55,20, a large number of private patients will pay much more for visits to general practitioners.

Medical aid schemes could raise their subscription fees by between 20 and 25 percent and total health care costs are predicted to soar by R1,5 billion to about R7,5 billion.

RAMS announced that the benefits to doctors would increase by 18 percent. However, executive director Rob Speedie warned that the continuing increase in the use of private health-care services was likely to boost the overall figure to 25 percent.

Fuel fund could run dry 'in weeks'

61024 12/10/90

ANDREW GILL

SA's National Equalisation Fund (NEF) could dry up in less than a month at present rates of under-recovery, leading to a possible 35c rise in the petrol price in the next few weeks

Calculations based on reported figures and an assumption that SA imports 100-million barrels of oil a year show that the fund has no more than four weeks before it runs out of money at the latest available under-recovery rate of about 25c/l

The last figure for the size of the fund was given for December 1989, when it stood at R259m. Sources say since then there have been only two minor over-recoveries (in June and July) and large under-recoveries for the rest of the year.

They say the recent high under-recovery has cut substantially into the fund and as a result the scenario might be even worse

The National Energy Council's latest under-recovery rate is 25c/l which translates into a R40/barrel shortfall

At that rate, the equalisation fund could provide for the purchase of 6,5-million barrels of oil

If SA imports 100-million barrels of oil a year — not unlikely, say analysts — the 6,5-million barrel capacity translates into 24 days of consumption

The fund may have been buoyed by Sasol's recent contributions to it since the oil price went above \$28,70 — the level at which it began repaying its subsidy

Sasol repays 25% of the difference between the higher price and \$28,70.

Dubai crude has remained above \$28,70 a barrel since September 19 and the average price has been \$32,53. Above that, \$1 to \$1,50 is added to reach the landed cost

Economists expect a 30c/l to 35c/l increase in petrol within the next few weeks, which means consumers would be paying R1,58 to R1,63 for a litre of 93 octane petrol on the Witwatersrand

PETROL CRISIS: Can motorists be expected to 'voluntarily' save petrol?
W/Max 12/10 - 12/10/90 244
Motorists, prepare to apply your brakes

By REG RUMNEY

IF the world oil price speeds up, South African motorists had better get ready to slow down.

Economic experts agree that apart from massive rises in the price to discourage consumption, the only quick and easy way to save fuel on a nationwide basis is to lower the national speed limit.

Old Mutual economist Rian le Roux comments that fuel is "price inelastic" but "income elastic." This means that people are relatively immune to price increases, but not to a slump in the economy when it comes to buying fuel.

Research done by the National Energy Council backs up Le Roux's statement.

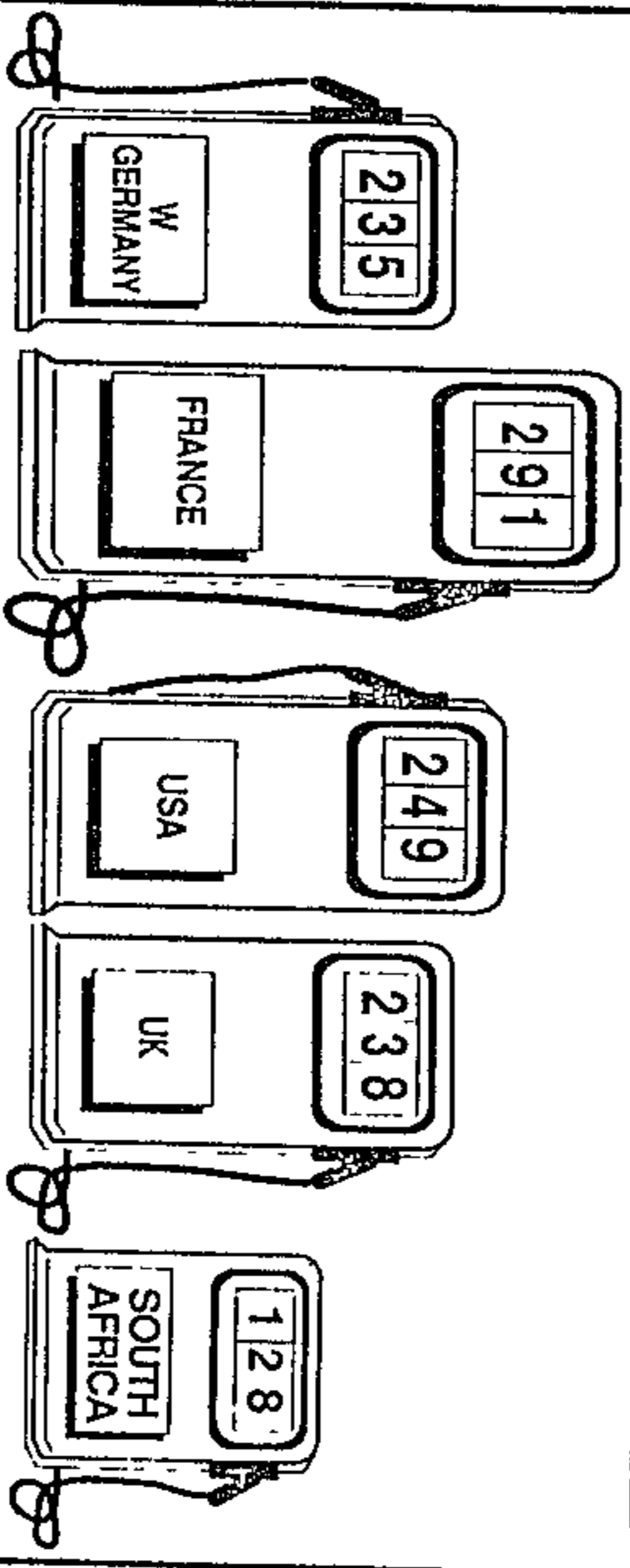
He surmises that fuel prices will increase by large amounts and together with the recession this should cause a slowing in the use of fuel — but not necessarily a decline.

Fuel use has climbed steadily over recent years, particularly petrol, which has outstripped diesel fuel. One reason for the steadily increasing demand is that, compared to other countries, South African fuel is cheap.

Fuel consumption needs to be kept in check because it uses precious foreign exchange.

The rule of thumb produced by Le Roux is that for every \$1 increase in the world oil price, the gold price must rise

**INTERNATIONAL PUMP PRICES SEP 1990:
 Prices in SA cents/litre**



Fuel prices may be rising but South Africa still pays comparatively little

by \$5. Le Roux arrives at this figure by looking at "unclassified" imports (mainly oil), which are about one fifth of the value of gold exports.

Tony Twine of Econometrix, using guessimates of actual fuel imports (which are secret and therefore impossible to know), arrives at a figure of a \$3,77 rise for every \$1 rise in the oil price. But, he says, this doesn't take into account the premium South Africa pays for oil (also unknown).

In the face of a surge in world oil prices, the government has asked motorists to save fuel voluntarily or face statutory measures. Just about the only statutory method of controlling petrol use — other

than draconian steps like fuel rationing — must be lowering the speed limit.

At a press conference recently Mineral and Energy Affairs Minister Dawie de Villiers made the appeal, and announced publication of a booklet on fuel saving.

At the same conference, transport expert Professor Wynand Pretorius of Rand Afrikaans University urged that the lowering of speed limits be considered to save fuel.

It was pointed out that South Africa's maximum national speed limit is out of line with other countries in the developed world. The United States, for example, which like South Africa has big areas for motorists to traverse, has a

speed limit of 55m/h, which translates to 88km/h.

The booklet on fuel saving suggests most modern cars are lightest on fuel around 50km/h to 60km/h. Further increasing speed from 60km/h to 80km/h uses an extra 12 percent of fuel, from 80km/h to 100km/h 30 percent, and from 100km/h to 120km/h another 17 percent.

Pretorius said cutting the maximum speed limit to 100km/h would result in fuel savings of 5,3 percent.

In the eyes of the authorities, therefore, the arguments for lowering the speed limit would seem compelling.

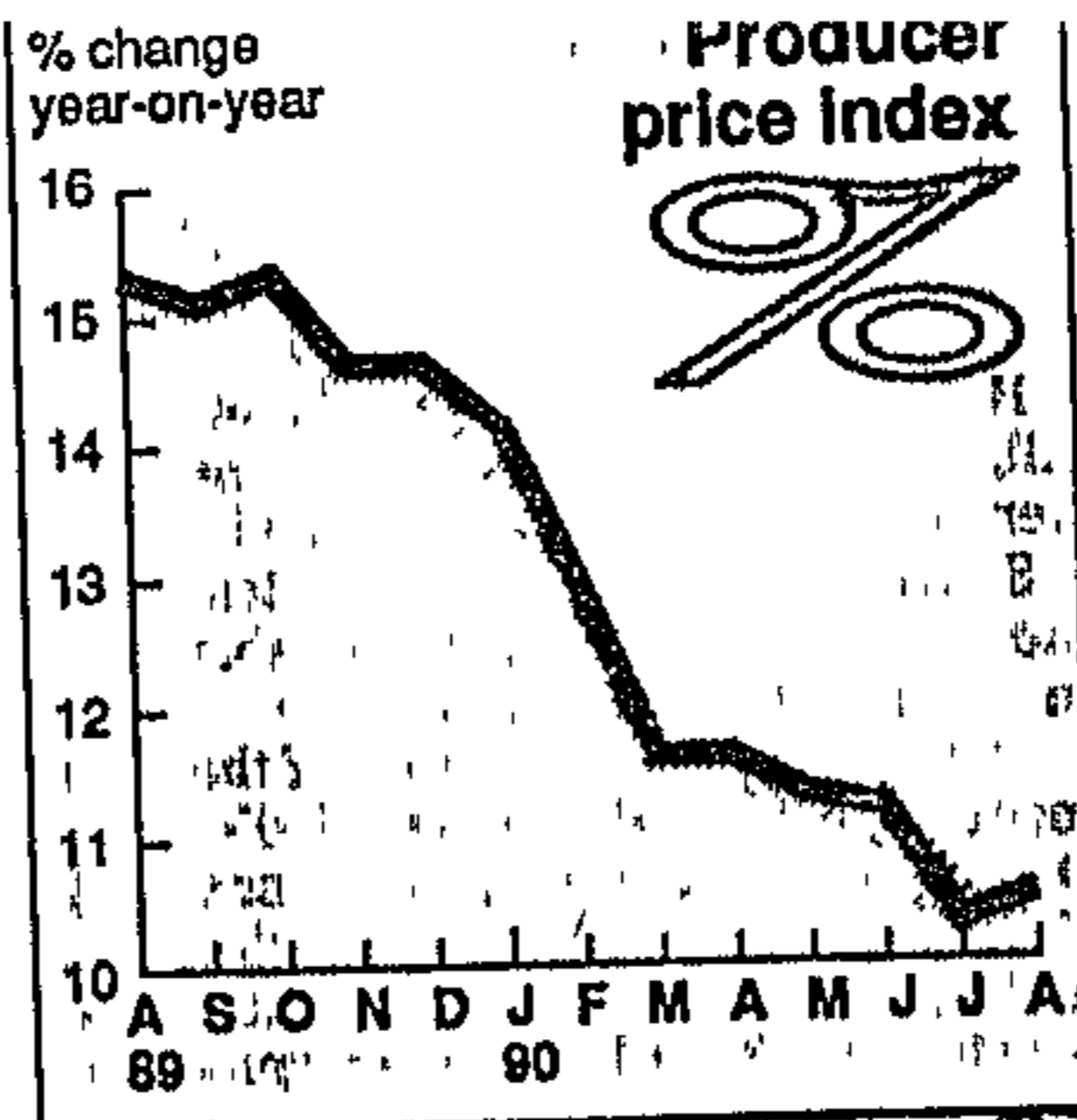
There were also calls at the conference for increased traffic enforcement to prevent speeding.

Sceptics question how motorists will save fuel voluntarily if they need traffic enforcement to obey the law.

One transport expert commented after the conference: "If the authorities lowered the national speed limit to 100km/h, motorists might drive at 130km/h rather than 180km/h as they do now."

"I think the press conference was just public relations to soften the blow when fuel prices rise substantially within the next few months."

Any increase in the fuel price adds to inflation, since all goods have a transport element. The last price increase added about 0,5 percentage points to inflation.



Graphic: FIONA KRISCH Source: CSB

Fight against inflation falters

ANDREW GILL ^{6/10/90} ^{12/10/90}

THE annual rate of increase in the producer price index (PPI) rose for the first time in 11 months in August, providing further evidence that the battle against inflation is likely to be tougher than expected.

In August, the annual rate was up to 10.5%, 0.2 percentage points higher than in July, while the month-on-month increase was 1.3% against 0.1% in July.

Adding to the dismay is the continued high rate of increase in the index for locally produced goods. This rose to an annual rate of 12% compared with July's 11.6%.

The annual increase in the index for imported commodities, however, showed a further decline. It fell to 4.1%, which is 0.6 percentage points lower than July's 4.7%. The monthly increase was a low 0.2%.

Econometrix economist Azar Jammine says this is a worrying factor, giving credence to the idea that inflation's steady declines have been caused largely by low import inflation with insufficient downward pressure from the local sector.

The PPI is generally regarded as a leading indicator of consumer price inflation — with the latest uptick likely to be felt soon by that index. Jammine says this uptick will probably be academic because of the imminent effects of the higher petrol price on inflation.

He says a 35c rise in the petrol price, not unlikely at present underrecovery rates, is likely to have an immediate effect on the index — about 1.2%, assuming 4% of consumer income is spent on petrol.

Bullish predictions of a 10% inflation rate by the end of 1991 made earlier in the year were, therefore, likely to have been overoptimistic, he says.

forced to curb prices

Stills 14/10/90

244

prices

ESKOM has been forced by the Government to hold its price increases well below the inflation rate.

This is the inference being placed on President De Klerk's announcement in Durban last week that the electricity utility will keep its prices down to help in the fight against inflation.

In March, Eskom chairman John Maree was still investigating ways and means to privatise. In June, Eskom chief executive Ian Macrae said it would be difficult to keep tariff increases below the inflation rate.

The new pricing package and the shelving of privatisation is such a departure from Eskom's past projections that Eskom watchers reckon it has been foisted on a reluctant power utility by Administration Minister Wim de Villiers and colleagues.

PACKAGE

● Sources in industry say the new economic package requires Eskom to hold its prices up to eight percentage points below inflation. It can thus contemplate increases of only 6% or, at most, 8%.

● Informed sources in industry say that after this year's increase of 6%-8%, next year's increase will be six percentage points under the inflation rate and in 1993 four percentage points.

● Industrialists who switch from one to two shifts or use unused capacity to increase exports are expected to be offered constant nominal electricity prices until 1993.

By pushing up its prices by at least the inflation rate (14%-15%) Eskom was aiming to get its debt equity ratio down from 2,8:1 to 1:1 by 1994 and its interest cover up from 1,2:1 to 2:1 by 1992 — all preparatory to privatisation.

Eskom chairman John Maree will explain on Thursday how tariffs are to be held down.

Eskom has already mothballed power stations and laid off over 6 000 employees. Its Megawatt Park office block, with its famous "hanging gardens of Babylon", is showing signs of an economy drive.

TARIFF

President De Klerk said the strategy was enabled by over-capacity, which permitted lower rates of depreciation.

Eskom sales last year came to R9,3-billion, mostly to mining, commerce and industry. If the increase is held to 8%, instead of the inflation rate of 14%, the new tariff will save electricity consumers more than R650 million.

That excludes the additional concession to industry using Eskom's surplus capacity. Still, the concession is small beer in an economy with a gross domestic product at current prices of R232-billion.

Concern has been expressed that if Eskom's tariffs are artificially suppressed, SA will fall foul of the regulations of the General Agreement on Trade and Tariffs (GATT). But there is no question that prices will be artificially suppressed.

BUSINESS TIME REPORT

All Eskom is doing is halting its construction programme temporarily and adjusting its depreciation policies.

Power stations last 40 years, not 25, the period over which they are written off under present accounting policy. Eskom's income will still more than cover its outgo for the period.

On similar grounds, the Government hopes to squeeze lower rail tariffs out of Transnet as part of its new economic package.

Hopes are waning that consumers will enjoy protection from higher oil prices. President De Klerk did say last week that SA is better placed to face higher oil prices than most countries because the bulk of its energy consumption is in the form of coal and electricity.

President De Klerk did mention SA's "large stockpile of oil" in his speech, which advocated "using SA's strategic advantages to the fullest extent". These statements prompted speculation that the stockpile, too, would be used to hold down fuel prices.

But the suggestion was denied by Finance Minister Barend du Plessis before he flew off to Taiwan this week.

Top Government spokesmen say off the record that the oil stockpile may well be used as a buffer to protect the balance of payments.

THREATS

Given that high oil prices are the result of war threats in the Gulf and that the conflict is unlikely to last more than a few months, SA has the option to import less crude while drawing down oil stocks.

But the Reserve Bank says there can be no question of price protection for petrol consumers. If world prices go through the roof, motorists and other petroleum users must feel it — to be forced to save fuel.

A R650m saving for consumers

GARTE BLANCHE

BROKERS are croaking on Diagonal Street. Daily turnovers this week were down to R40-million a day. This is not half the R100-million needed daily for all firms to break even.

Already there have been significant retrenchments. More are on the way and some smaller brokers are said to be looking anxiously for bigger brothers.

It is not hard to find reasons for the lack of interest in equities. A shooting war threatens to break out in the Gulf. That could push oil prices into uncharted territory and trigger another round of world stagflation — and further stock exchange set backs. In all the fear and confusion, gold has been disappointingly unresponsive.

Meantime, Eskom stock offers a real return to institutions, so why hurry back into shares even if second-liners look dirt cheap?

Before computers, stockbroking was not capital intensive. That's changed. Most firms have expensive systems of their own. The JSE has a R40-million mainframe, the expense of which is carried by all. Skilled people are expensive, indispensable and irreplaceable. So when times are tough you don't just say farewell.

Most stockbrokers are partnerships. The tendency has been to split the loot at the end of each year and not retain capital. That may have to change.

JSE President Tony Norton is the first to admit that computer and building costs

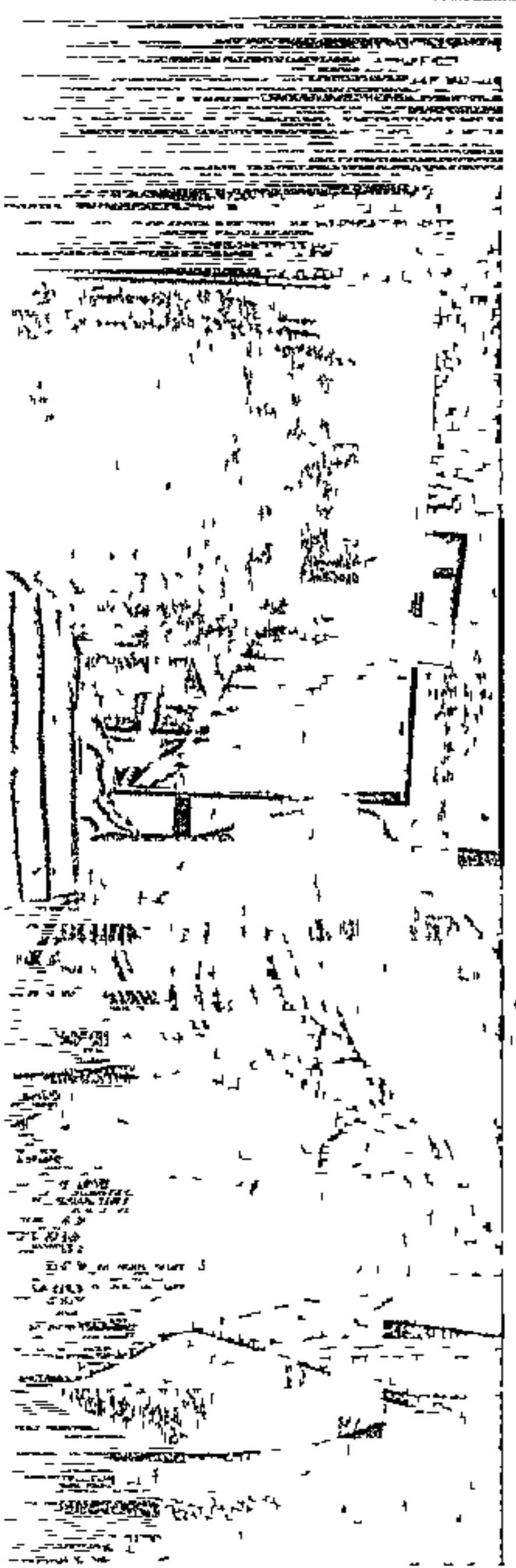
THE CA IS COMI

have caused costs to soar.

"But we would not change any of the decisions we have made. In the crash of October 1987, our system could not cope and we had to close the market. Now we can handle huge volumes as well as waves."

"We have disaster back up. The JSE is financially sound and there's more than R10-million in the guarantee fund to protect the public."

Before we shed tears for club members, relief is at hand. The cavalry is coming.



Pieter-Dirk Uys? See Man with Picture. SUE KRAMER

looks at market

The 50% increase in refining capacity due in December 1992 will come on stream at a time when refineries around the world will be stretched. But Engen hopes to have "quite significant" exports by the end of next year.

Greater efficiency will also produce more petrol and diesel from every barrel of crude — and Engen is looking at other chemical derivatives.

At the same time, the soaring crude oil price has improved the prospects for the Moss gas oil-from-gas project and Soekor's promising oil and gas strikes in the Bredasdorp basin.

He says there is considerable uncertainty about prices in the oil industry but when the price comes off the top it is unlikely to fall to previous low levels. It could settle around the \$20 or \$21 a barrel level.

Engen benefited last year from higher refinery throughput — but this was limited to a 4% increase.

□ Coincidentally, the 14 600-ton jacket for Moss gas' offshore operations left Saldanha Bay on a special barge on Friday. The jacket, completed by Genrec Offshore ahead of time and below budget, will be sunk over the production hole 85km south of Mossel Bay today or tomorrow.

IT'S NO MUMBO JUMBO. IT'S R288*

101

Consumers face steep increases

By Norman Chandler
Pretoria Bureau

The cost of most major products and foodstuffs, as well as some key services, is to increase soon

It will result in a ripple effect which will effectively hit the pockets of everyone — and consumer organisations yesterday urged commerce and industry not to pass on exorbitant increases to the public

Prices expected to go up include air fares and other transport costs, white and brown bread, as well as other wheat-based products including baking flour, oil-based products such as plastics, food wrapping, detergents and other cleaning agents, the transport costs of foodstuffs, particular-

ly tinned goods, which will inevitably be passed on to consumers

Paraffin — often the only source of light in rural black areas — and diesel oil, used extensively by farmers, are among those commodities which may be affected

Oil crisis

New petrol, oil, diesel and paraffin prices — following an average 10c increase which was announced last month — are expected to be disclosed this week after the regular mid-month disclosure by the National Energy Council of the country's fuel situation

SA Airways and other local commuter airlines are likely to announce new domestic fare in-

creases immediately it becomes known what jet fuel prices will be. It could take the form of a 10 percent fuel/airport departure levy

SAA — said by airline officials to be losing R1 million a day as a result of the oil crisis — last increased domestic fares in August (12 percent for economy class) and added an 8 percent fuel levy on September 17

"What frightens the Housewives League of SA is that if prices do go up, will they come down again when petrol prices drop?" president Lynn Morris asked

A spokesman for the SA Co-ordinating Consumer Council said the organisation was "extremely worried about any further increases in the price of petrol"

Petrol set to rise by 15c

CPL
TAP
16/10/70
244
By PIETER COETZEE
Financial Editor

THE expected increase in the petrol price early next month will be about 15c a litre, according to reliable sources. It will be kept down to this level by the government's cutting of the tax component of the petrol price.

Fears were that the petrol price could be increased by as much as 35c a litre early next month the estimated present under-recovery.

According to Mr Lourens van den Bergh of the National Energy Council, the tax component of the present petrol price is 32c a litre.

The landed cost used to calculate the previous increase was 58c, while the actual landed cost then was 81c. This left an under-recovery of 23c which up to now has been carried by the Equalisation Fund.

With the increase last month the petrol price was calculated on a cost of \$22 a barrel. Since then the oil price has risen to \$40 a barrel.

Since the equalisation fund is nearly depleted it would mean that the full under-recovery of 35c a litre would have to be added on to the existing petrol price. Should the government decide to cut the tax component of the petrol price, however, the eventual increase will be much smaller.

Sta 19/10/90 (2544)

SAA fares going up due to fuel price rise

By John Miller

South African Airways will increase domestic fares from November 1 by between 9 and 11 percent.

At the same time, the 50 percent reduction on early morning and late night flights will be cut to 40 percent.

In addition, all local and international advertising and capital projects — such as extensions and upgrading of various SAA buildings — will be suspended.

A further rise in international fares is expected at the end of this year.

SAA media manager Leon Els said the latest increases of 9 percent on short distances, 10 percent on middle distances and 11 percent on longer distances were unavoidable because of the dramatic increase in jet fuel prices.

He said the current fuel price was 128 percent higher than in August.

Eskom 8 pc

19/10/90

rise lowest

in six years

Eskom announced yesterday an eight percent across-the-board increase in the price of electricity from January 1 — the lowest in six years — and a price incentive package to encourage export industries

Eskom chairman John Maree said the low price increase was aimed at combating inflation and promoting exports in a two-pronged initiative in support of President de Klerk's programme to stimulate the economy

Domestic consumers supplied directly by Eskom will pay about 1c more per kilowatt a month.

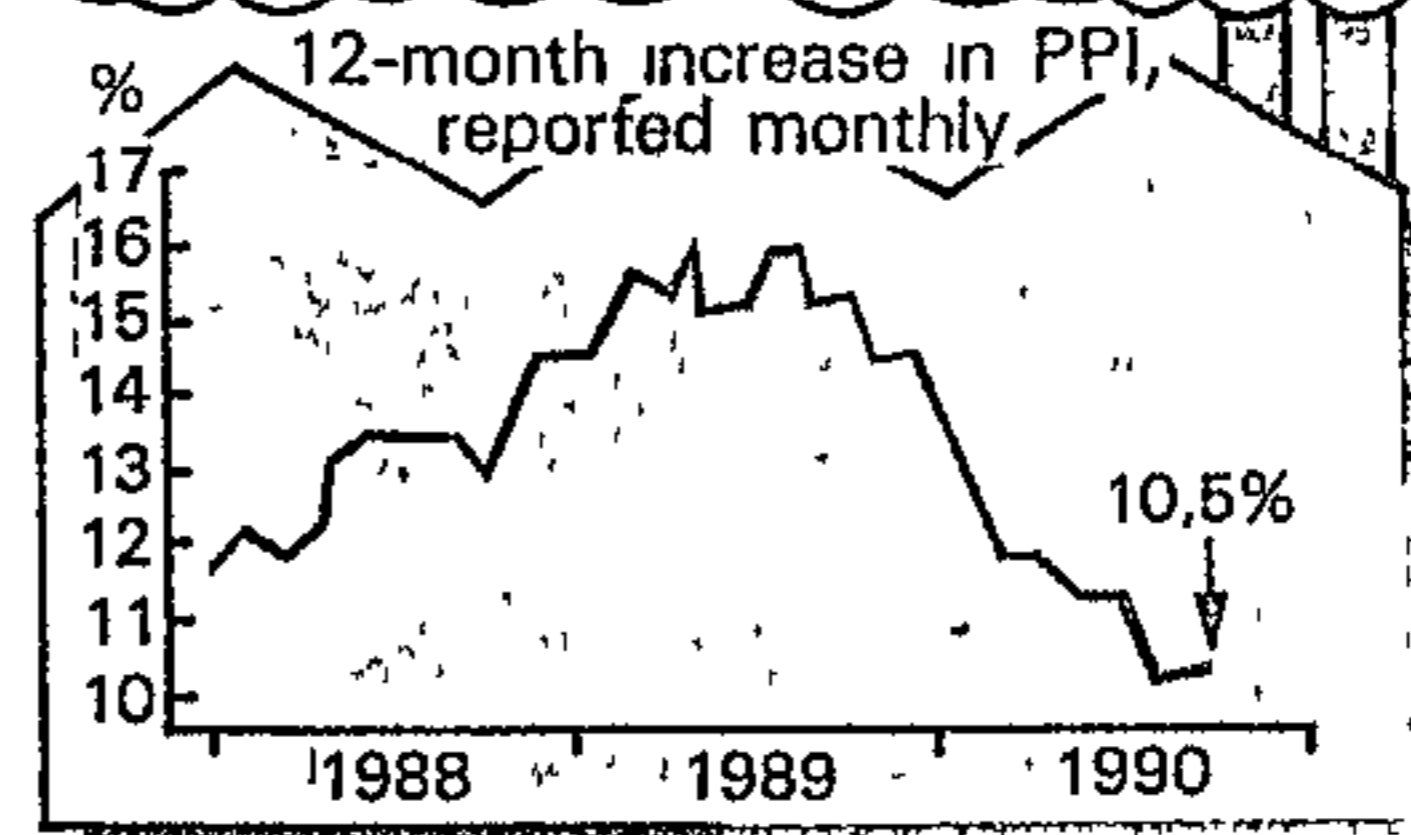
City and town councils that buy electricity from Eskom will probably pass on the increase to the consumer next year

The increase is four percent below the predicted inflation rate for 1991

FIM 19/10/90

244

About turn



celerating trend by rising only 0,2% in the month to make 4,1% for the 12 months to August (July 4,7%) Economists attribute this to the continued stability of the rand, especially against the US dollar

But these figures do not yet reflect higher fuel prices Senekal Mouton & Kitshoff economist Leon Steenkamp says rising crude oil prices (weighted about 2,3% in the overall index) will have a strong direct impact on imported PPI, effectively squashing any hopes of single-digit inflation by year-end

Sanlam economist Pieter Calitz expects imported PPI to average at least 5%-6% by year-end and up to 8% if fuel prices continue to rise

Also cause for concern is the renewed acceleration of the local component of PPI, up 1,5% in the month (18% annualised), and 12% in the year to August (July, 11,6%)

The reluctance of local output prices to ease has been attributed largely to wages and salaries — which make up 50%-60% of production costs — outstripping inflation But it's not that simple According to the latest *Quarterly Bulletin*, employee remuneration in the year to March rose only 14,3%, while inflation (as measured by CPI) was 14,9%.

Steenkamp says that has changed in recent months, with inflation slowing but inflationary expectations remaining high "Wage and salary demands have not been cut, so real increases are now being granted"

In addition, lower economic activity has led to a fall in capacity utilisation and higher unit costs "A large number of strikes and other disruptions in recent months further increased unit costs," says Steenkamp

These factors combined with substantial increases in the price of agricultural products — particularly vegetables and fruits — to keep the pressure on local producer prices

The figures for September will probably be worse as the petrol price hike enters the local price equation And more petrol price increases loom Calitz reckons an increase of at least 25c/l will be needed to cover the higher cost of crude oil

Economists now doubt that a cut in interest rates will be possible by year-end but are cautiously optimistic that the oil crisis is a temporary setback "There will be technical problems but we still expect inflation to come down in the long run," says Calitz

PRODUCER PRICES

AGRI-BOOST

FIM 19/10/90

The producer price index (PPI) picked up steam again in August with a year-on-year rise of 10,5% against 10,3% in July. This is still below June's 11,2% but higher world oil prices will usher in a new round of accelerating producer price inflation

The imported component extended its de-

Electricity rate rise (244)

ELECTRICITY rates go up by eight percent from next year, Eskom announced yesterday.

The chairman of the electricity council, Dr Johan Marce, said the rise was the lowest in six years and was in step with the State President's programme to stimulate the economy.

Marce said the price increase for 1991 was expected to be as much as four percent below inflation - in line with Eskom's policy of keeping increases lower than the rate of inflation.

"We are also sensitive to what is happening in South Africa and the need for a strong economy to build the new South Africa," Marce said.

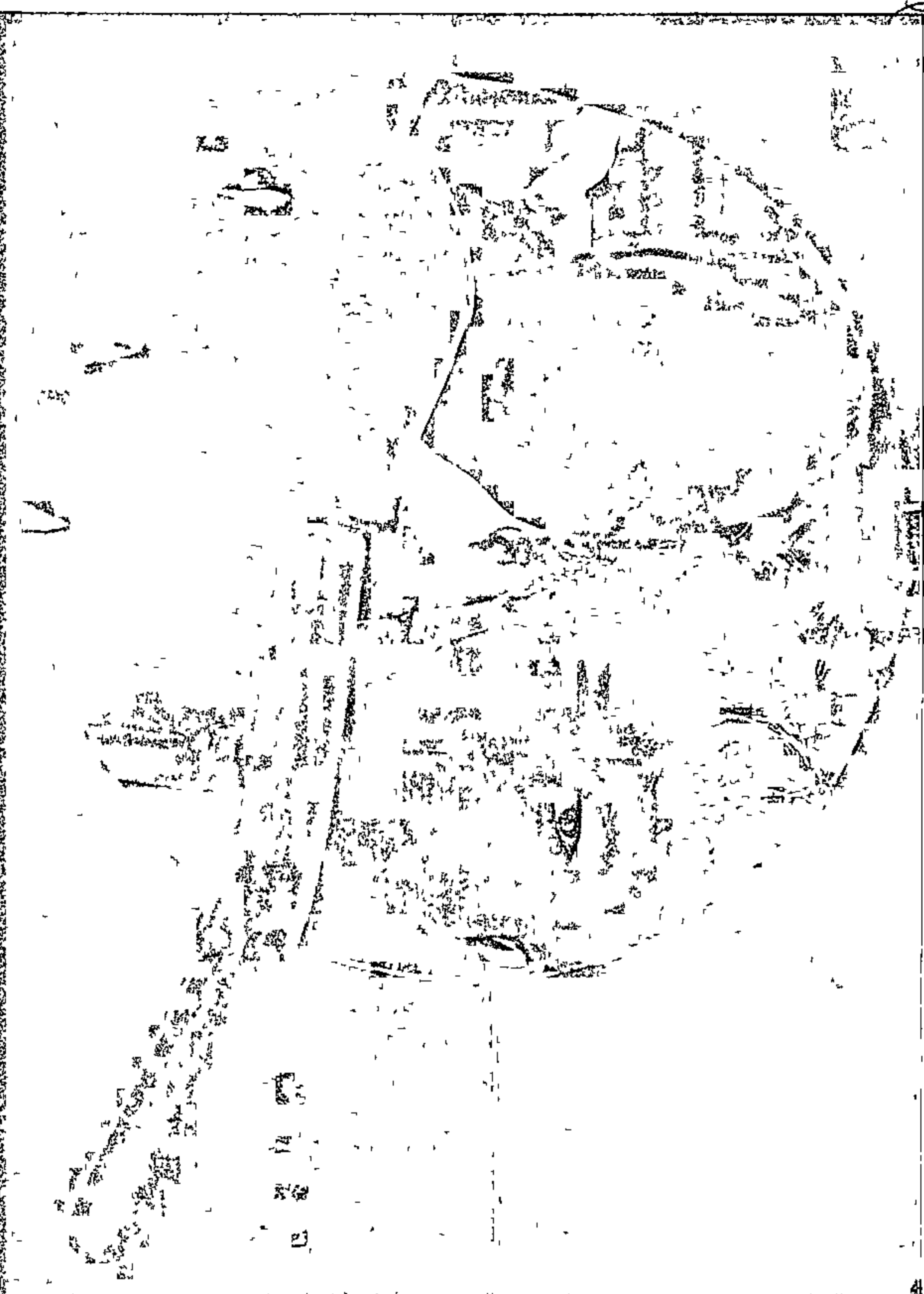
He said the electricity council believed that a low price would benefit all users and encourage the economy to recover more rapidly.

Asked how the rent and electricity boycotts had effected Eskom, Marce said that all the company's debtors had paid their accounts up to the end of August.

Sowetan 19/10/90

Fuel prices may stay up

SAF 20/10/90 (244)



GLOOMY VIEW Helen Armsmeyer of Bedfordview, seen here with pump attendant Sammy Neube, was one of thousands of motorists who queued at filling stations countrywide to fill up her tank before the midnight 32c a litre fuel increase

SAA Boeing in Doctors fear baby deaths cover up

DAWN BARKHUIZEN
STAFF at Jan Smuts Airport were put on full alert last night after an ignition fire forced the pilot of a South African

DOCTORS are becoming increasingly concerned that there is "some sort of cover up regarding the recent spate of infant deaths believed to have been caused by a contaminated medical product.
Mr Peter Solter, the attorney repre-

SUE OLSWANG
"Want this thing exposed"
Mr Solter told a meeting of grief stricken parents this week that he could not understand why the manufac-

STAFF REPORTERS

THE petrol price — which shot up a staggering 32c yesterday — may not come down even if the oil price eventually drops after the Gulf crisis
The Government may decide to maintain the price at its high level and to keep the difference as a fuel levy

This emerged yesterday from remarks made by Finance Minister Barend du Plessis at the Transvaal National Party congress in Pretoria
Jeppe MP Henne Bekker suggested at the congress that if the Gulf crisis ended, the Government should be careful about lowering the petrol price. He said it had been found in the past that when the petrol price was lowered, other prices which had risen because of it did not come down.

Mr Bekker proposed that the Government should keep the price at its current level and increase the fuel levy, which could then be used for the benefit of consumers in other ways.

See Pages 10 and 12

Mr du Plessis said there was "merit" in Mr Bekker's suggestion. However, the Government had made no decision. "We will cross that bridge when we come to it."

This new blow to the cost of living comes hot on the heels of the slump in the gold price, which threatens tens of thousands of jobs
The South African Chamber of Business warned last night that inflation would immediately be pushed up by more than 1 percent and would rise again as the effects of transport costs were felt.

Among the worst hit will be the country's poorest people — the millions of black commuters using the 14 000 minibuses taxis nationwide
The Southern African Bus Operators' Association said in a statement yesterday that the annual 700 million commuter trips by their 14 000 minibuses were transporting commuters who earned an average monthly income of less than R500

Depending on the distance travelled, tariff increases could amount to 20c in the cities, increasing weekly costs by as much as R5. This would place tremendous pressure on commuters and employers

The managing director of OK Bazaars, Gordon Hood, deplored the announcement as "obviously inflationary"
He said OK Bazaars would attempt to minimise the effects on its customers

Oil prices may fall in the future

LONDON — The massive 32c-a-litre rise in the price of petrol in South Africa ironically comes at a time when a fierce price war between petrol companies in Britain is driving the price down to almost pre-Kuwaiti invasion levels
The price here has fallen to R2,20 (44 pence) a litre from a peak of R2,78 a litre (55,6 pence) last month. Before Iraq invaded, some garages were selling petrol at R2 a litre (40 pence)

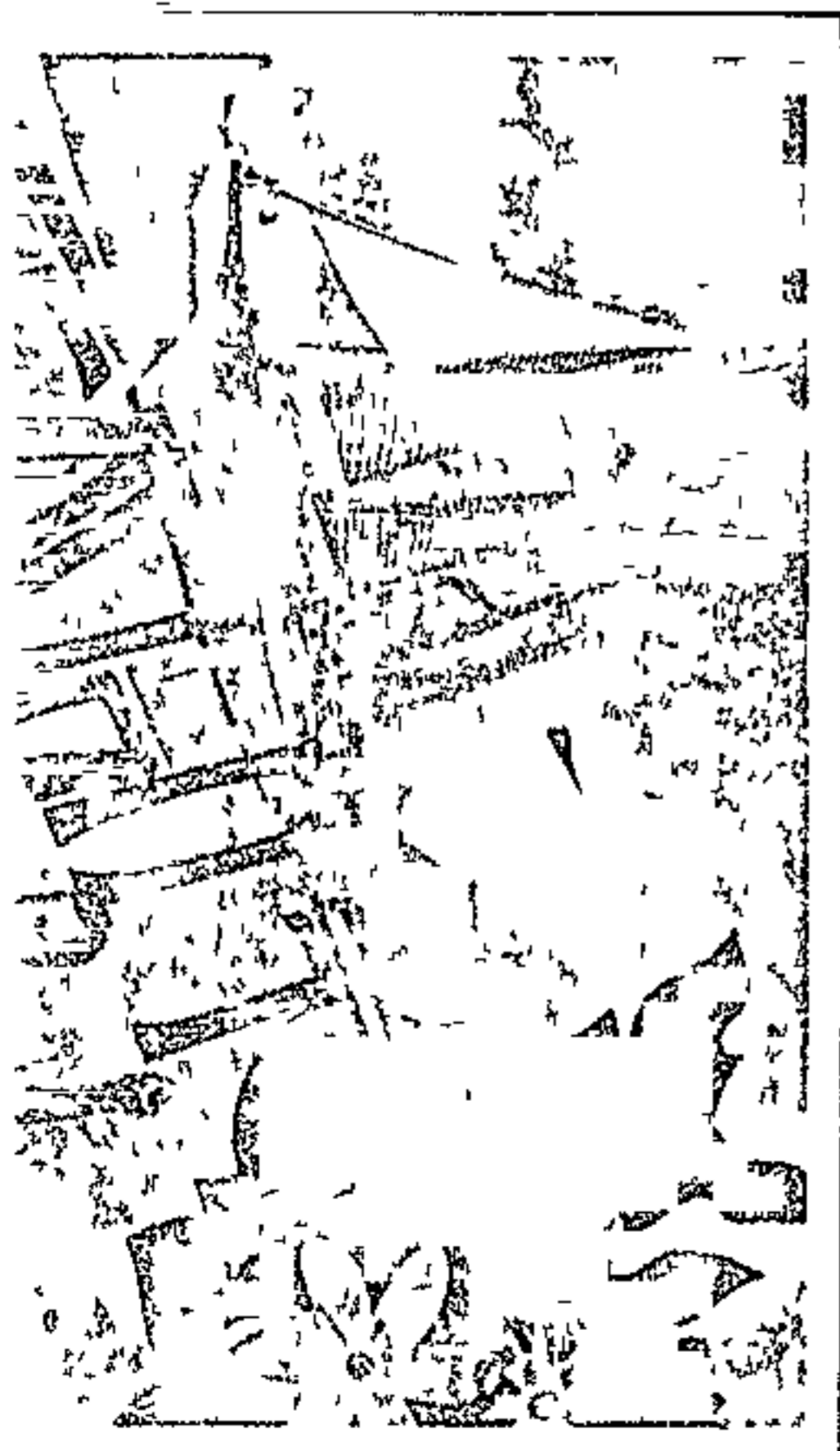
Falling

The big oil companies say the cuts have been made possible by the falling price of crude oil on the Rotterdam spot market. But consumer organisations here say that is only part of the story
They claim that a major factor in the war at the petrol pumps is a concerted campaign by motorists to hit back at what they see as naked exploitation
According to surveys, petrol sales have fallen

ALAN ROBINSON

by 15 percent since prices reached their peak. The Automobile Association confirmed consumer resistance. "People are using their cars less. They are shunning petrol stations where the price is too high."
Labour Party consumer affairs spokesman Nigel Griffiths put it more forcefully. "There is a burning public anger about the wholly unjustified increase in petrol prices"

"That has translated itself into a virtual boycott of filling stations by one in seven motorists."
The bigger oil companies are believed to have lost millions at the pumps, not only because of the boycott by drivers, but also because motorists have been turning increasingly to the smaller independent suppliers who have consistently undercut the giants.
Insiders have been predicting even further cuts next week.



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He said OK Bazaars would attempt to minimise the effects on its customers.

The chairman of Pick'n Pay, Raymond Ackerman, again called on the Government to allow his organisation to discount the price of petrol in the light of the latest fuel price increase.

Appeal

"My appeal is to the Government to discount petrol, which I have been trying for 20 years," Mr Ackerman told Sapa.

This could save consumers about four or five cents on every litre, he said.

The National Association of Automobile Manufacturers of SA (Naamsa) said the extent of the fuel price rise represented a "major blow" not only for the South African motor industry, but for the SA economy as a whole.

The Automobile Association said the Government should once again urgently review the fuel tax element of the pump price and allow for a fixed amount to be allo-

Petrol price

FROM PAGE 1

ated to a dedicated road fund "to address the serious problems that exists in that area", a spokesman said.

"Furthermore, the AA is of the opinion that serious consideration should be given to releasing a portion of the strategic crude oil stocks presently held in order to contain the fuel prices at an acceptable level until such time as the crude oil prices return to previous levels"

The Democratic Party would also support a partial "drawing down" of the reputed fuel stockpile to help ease the high crude oil prices in the short term

Motorists have reacted angrily to the latest fuel price hike, with many claiming that a number of petrol station owners have cashed in on the increase by closing their pumps until the new price came into effect

Approached for comment, the manager of one garage said his power had been cut as a new fuel tank was being installed. The same excuse was given by the manager of another garage

A spokesman for the National Energy Council said the NEC had also received a number of complaints that garage owners yesterday refused to sell petrol at the old price

He advised members of the public to provide the NEC with the names and suppliers of such garages

Petrol's BIGgest Pains

CPI 7 1/2%
20/10/80

More prices set to soar after the 32c shock

Staff Reporters

TODAY'S 32c-a-litre petrol price rise is expected to send waves of distress through the economy, pushing up the cost of transport, food and consumer goods and raising the inflation rate by up to 1.5%.

Both 97- and 98-octane petrol have gone up by 32c a litre rising 26% and 27% to R1,51 and R1,55 a litre respectively.

The increases are the largest ever in terms of cents per litre although increases during the petrol crises of 1979 and 1985 (of 42% and 46%) were even stiffer than today's in percentage terms.

City Tramways announced yesterday that its fares would increase from next Sunday, October 28 as the price of diesel has increased by 27c/l. The bus company's general manager, Mr F. E. Mayors said the amount of the increase would be announced later.

Road fund

A car with a 50-litre tank will cost R16 more to fill up from today. Cars with large tanks of 65 litres or more capacity will now cost over R75 to fill.

Those who commute to the city centre by car from outlying areas such as Mitchells Plain or the False Bay suburbs can expect to spend an extra R40 a month on petrol.

Mr Lourens van den Berg of the National Energy Council said yesterday that the amount that went to the government in tax on every litre of petrol that a motorist bought had remained constant.

The road fund levy and general sales tax on petrol had been combined into a single fuel tax three or four years ago. This tax was now 31.9c a litre, and another 4c/l was charged for customs and excise duties, he said.

A further 7c/l goes to the equalisation fund 3.4c to third party insurance and 0.2c to the National Road Safety Council.

The rest of the price is made up by the actual cost of the processed fuel, the cost of transporting it and the retail margin which increased by 2c/l last night. The National Energy Council (NEC) said yesterday that the price increase was based on a price of \$37.50 a barrel of crude, as opposed to the \$22 a

93	97
R1,51	R1,55
UP	
50 l TANK	
COST YESTERDAY R61,50	UP
COST TODAY R77,50	R16
UP	
100 l TANK	
COST YESTERDAY R123	UP
COST TODAY R155	R32

ROCKETING UPWARDS The price of 97 octane petrol shoots up another 26% today, the second rise in as many months.

barrel upon which the 9.8% increase of September 4 had been based.

Today's fuel prices are expected to hold firm until at least the end of the year, "provided no drastic increase in crude oil price occurs", the NEC said. Mr Kobus Mearns, the Administrator of the Cape said yesterday that he had instructed his provincial traffic force to introduce "extensive speed control measures" to motivate drivers to keep to the speed limits and save fuel.

He warned that unless this worked, lower speed limits might be imposed along with other "complementary" economic measures.

From noon yesterday city garages were engaged in brisk trade. One garage reported selling up to 1 000 litres of petrol every 10 minutes.

Many garage owners said their stocks would not last the night and they would have to shut down early.

The oil crisis and fuel price increases had come at an unfortunate time for the anti-inflation drive the Minister of Administration and Economic Co-ordination, Dr Wim de Villiers, said in Pretoria yesterday.

Dr De Villiers said that if business "applied discipline on wage and price increases inflation could be forced down."

About 70% of inflation was attributable to people who expected and budgeted for inflationary increases he said.

The Minister of Finance, Mr Barend du Plessis, said the increase would increase inflation 1% "or slightly more".

Asked what effect the price hike would have on the government's economic restructuring programme, Mr Du Plessis said "it's very sad. It's a rude interruption to our restructuring programme."

Stockpile

The increase was bigger than expected, said Southern Life economist Mr Mike Daly. He expected the inflation rate to increase sharply and thought it could touch 15% in November and December.

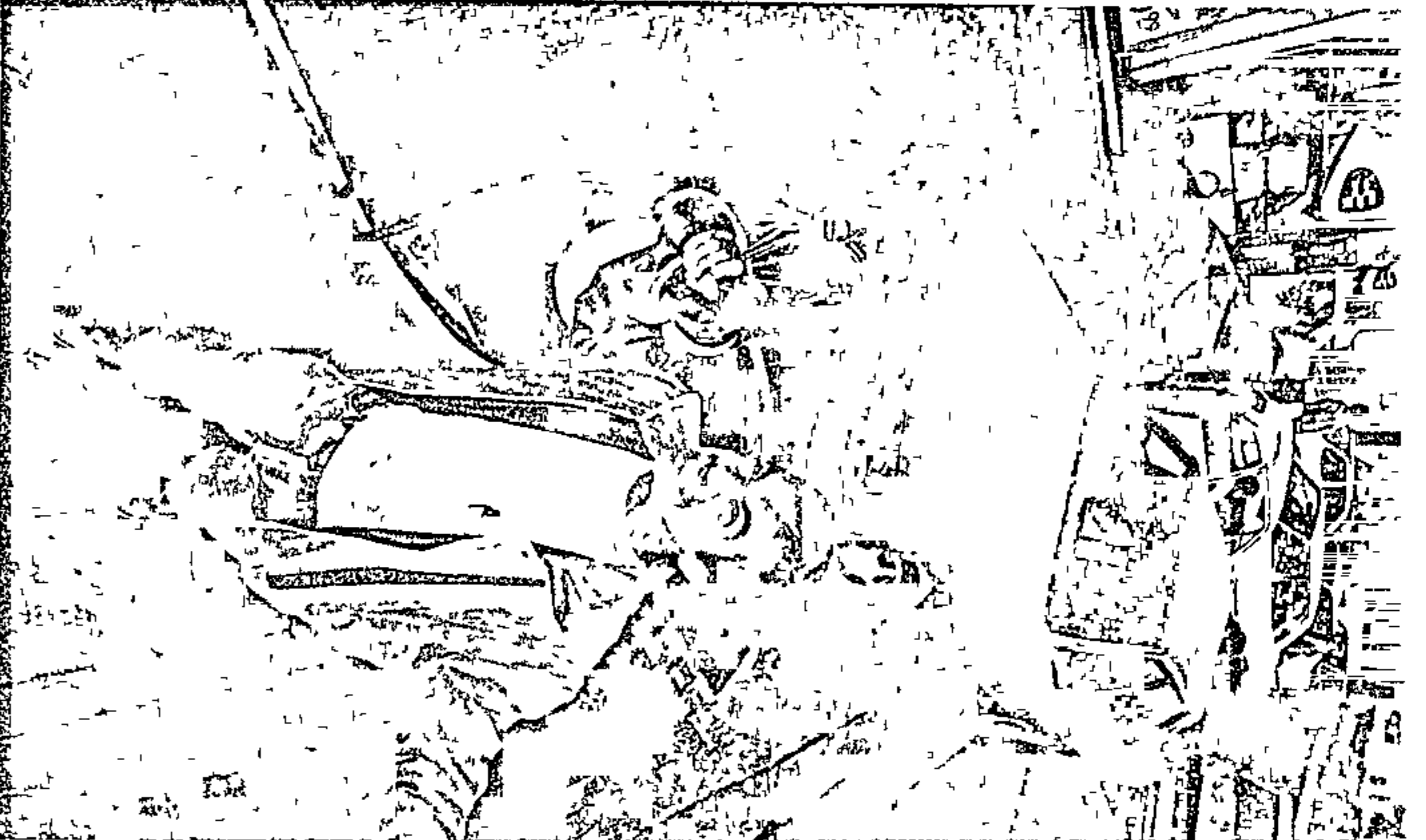
Economist Mr Andre Roux of Old Mutual said the immediate impact would be an increase of 1.3% in the inflation rate. Interest rates would have to remain high for longer. This meant the economy was in for a harder landing than initially expected and the recession would last to at least the end of next year.

Sanlam economist Mr Piet Cahitz said "We can now forget about bringing the inflation rate down to single figures."

The Democratic Party's energy spokesman, Mr Roger Hulle, said his party would support a partial "drawing down" of SA's reputed stockpile of fuel to help ease the present high crude oil prices in the short-term.

The Automobile Association also said the government should consider releasing part of the strategic crude oil stocks until the crude oil prices return to previous levels.

The acting managing director of Checkers, Mr Francois Rossouw, said food prices would go up. Checkers would negotiate to keep prices as low as possible.



PETROL BLUES The pressure of queuing to fill up before the midnight petrol price increase almost proved too much for Mr Rida Jaffer, pictured at a Grassy Park service station. He said he almost pulled the trigger — but didn't want to waste any of the liquid gold.

Picture: BENNY GOOL

Cheaper to drive than fly

Staff Reporter

FROM the beginning of next month it will be R30 cheaper for one person to travel by car from Cape Town to Durban than it will be to travel by plane, a Cape Times survey shows.

The equivalent comparison for the Cape Town-Johannesburg trip is R122 cheaper by car for a single passenger.

This obviously alters dramatically if the car's petrol costs are shared.

The costs were worked out after yesterday's latest SAA domestic fare increase of 10% (from November 1) and today's petrol price hike of 32c a litre (26%)



Crack of dawn

Good grief! The price of ammo has gone up again!

Glowing praise for Eskom's light hike

S/Times 21/10/90 (244)

BULK users of electricity involved in exports believe that Eskom's modest price increase for next year and the special incentives being offered will increase their international competitiveness "tremendously".

It will be particularly beneficial next year, when Eskom's present power rebate scheme is phased out in March.

Hans Smith, managing director of Samancor, says that electricity represents 30% to 40% of total production costs, so any savings will be welcome. He adds, however, that the company is not looking for any Government subsidy.

Unfair

John Gommersall, managing director of Middelburg Steel & Alloys, says the 8% price rise for next year is well below expectations and has come as "pleasant relief".

He says electricity constitutes about 25% of ferrochrome production costs, although it is less important in the production of stainless steel.

"How the plan is imple-

By DON ROBERTSON

mented is important. It must be done on a sector basis rather than on a project basis, which could allow unfair competition."

Eskom plans to use its spare capacity and reduced financial needs to keep next year's electricity price rise at the lowest level for six years.

By selling unused capacity and cutting back its capex it has been able to hold next year's price increase to only 8%.

The increase, which is well below the 14% rise of last year and 10% in the previous two years, will help fight inflation and will also enable Eskom to offer incentives to exporters. The decision stymies any hopes there were for the privatisation of Eskom.

Eskom reckons it has saved industry more than R600-million by holding its prices.

Eskom's Electricity Council chairman John Maree says that the council, in consultation with the Cabinet, decided to keep the increase to single digit figures.

"It was just a case of deciding which figure it would be

We had to ensure that Eskom remained financially sound."

But chief executive Ian McRae says that the decision to keep increases at only 8% will oblige the corporation to increase productivity.

It will be necessary to optimise generating capacity and spare capacity will be used to offer incentives to industry, says Dr McRae.

No new capacity will be needed until the end of the century, and capital requirements will accordingly remain low.

Dr Maree says a 10% decrease in electricity prices has the effect of reducing inflation by 1% and that the 8% rise for next year will reduce inflation by 0,4%.

It is the intention, in future, to keep price rises below inflation.

Boycott

Dr McRae intimated that Eskom could be in a position to offer these incentives for about five years.

"Even if we are able to reduce the lead time for the establishment of a power station from the present 10 years to about six years, we will have to commit new funds from the first half of 1995 to meet requirements in the year 2000, when all spare capacity will be totally committed."

The consumer boycott has affected Eskom only since the end of August. Prior to that, local councils were responsible for meeting tariffs with bridging finance from central government and provincial authorities.

The use of a prepayment card in household meters has been well received, says Dr McRae, although in some areas it is seen as a plan by Eskom to overcome non-payment of monthly accounts.

"They now have total control over how much they spend on electricity and we don't understand why some homeowners are complaining," he says.

Poor will be worst hit by rise in fuel price

THE petrol price increase will adversely affect the country's poorest people - the millions of black commuters who use South Africa's 14 000 buses

The Southern African Bus Operators Association (Saboa) said the annual 700-million commuter trips made by their 14 000 buses transported an average monthly income of less than R500. Many commuters were unemployed job-seekers using the buses to visit urban centres.

The increase meant the industry would have to absorb an additional estimated cost of about R97-million annually - which would have to lead to fare increases, Saboa managing director Prof J Walters said.

Depending on the distance travelled, tariff increases could amount to 20c in the cities, increasing weekly costs by as much as R5, he said.

Taxi fare hikes were inevitable but a decision still had to be taken to discuss suggested price increases on the Johannesburg-Soweto taxi route. Pat Mbatha said a meeting would be held on Thursday where taxi owners would discuss the matter.

Potchefstroom United Taxi Association (Putaxi) president Sam Seekane said his association would meet on October 24 to adjust fares.

"We have no option but to raise the fares because vehicles, spares, tyres and wear and tear have gone up."

He said consideration would be given to consumers who did not earn much money. The association also wanted to improve its service, he said.

OK Bazaars managing director Gordon Hood deplored the announcement of yet another fuel price increase as "obviously inflationary".

"Any increase in the price of fuel has an impact on the distribution costs at a manufacturer-supplier level, and inevitably their price to the retailer is increased."

Motorists will ~~pay~~ ^{Star 22/10/90} pay out an extra R600-m a month

By Derek Tommey

The 35 percent increase in the petrol price in the past six weeks will be expected to cost motorists an extra R600 million a month

This figure is based on current overseas estimates, generally accepted by the South African petroleum industry, that this country consumes about 330 000 barrels of oil a day

However, there is a feeling in the local oil industry that providing war does not break out in the Middle East, the petrol price is not likely to be held at the present level for long.

With the overseas price already falling, expectations in the industry are that the petrol price could be reduced in the new year, and this could be part of a package aimed at restimulating the economy.

It is estimated that at the latest crude oil price of around

\$30 a barrel, the new petrol price includes an over-recovery of about 10c a litre.

Oil industry sources say this is necessary as the petrol equalisation fund was seriously depleted by heavy under-recoveries in recent weeks. But they expect that once the fund has been rebuilt and there is no difficulty in obtaining crude oil at present prices from abroad, the oil price is likely to be reduced

Oil stocks

Suggestions that some of the country's huge oil stocks should be used to ease the oil suggestion were rejected at the weekend by Mr Harry Schwarz, Democratic Party spokesman on economic and financial affairs

He said the problem was that war could break out tomorrow, and the reserves then would be vital for the running of the country

But when the United States

officially lifts sanctions on South Africa — which could happen some time in the New Year — he would favour the use of the oil reserves to help stimulate the economy. However, this would require continued peace in the Middle East

Mr Mike Brown, economist with the stockbroking firm Frankel Kruger Vinderine said the current oil price will lead to some belt-tightening by most South Africans

The Reserve Bank is not expected to ease the money supply to match the increase in the petrol price. This could result in considerable demand being squeezed out of the economy and to continuing high interest rates

But he expected that the New Year would see a drop in petrol prices as overseas prices declined and the equalisation fund was rebuilt. This would probably be accompanied by lower interest rates which could set the economy on a new growth track

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Petrol increase gets criticism

Sowetan 22/10/90
A record increase in petrol prices came into effect on Friday night.

In the PWV area, 93 octane petrol went up by 32 cents to R1,60 a litre, and 87 octane petrol by 33 cents to R1,58 a litre.

At the coast, 97 octane petrol went up by 32 cents to R1,55 a litre, and 93 octane by 32 to R1,51 a litre.

The price of diesel

Sowetan Reporter

rose by 27 cents a litre. At the coast it will now cost R1,41 a litre and in the PWV area R1,48.

Domestic lighting paraffin went up by 25 cents and paraffin for industrial use by 24 cents.

The increase brought criticism from the Conservative Party and the Democratic Party who

suggested that the country's stockpiles of crude oil should be used to relieve the burden. The quantity of the stockpiles is a State secret

Dilemma

Mr Fanyana Shiburi, the Media Manager of the South African Black Taxi Association (Sabta), said the increase placed taxi owners in a dilemma

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"They are caught between the devil and the deep blue sea. The fare increase has a negative and sometimes violent reaction from passengers. If they do not increase fares, they will lose money and risk going under."

"Sabta members would, however, have to seriously consider fare increases."

Petrol price rise throttles budgets

(244) GILLIAN HAYNE

THE second petrol price increase, announced on Friday, has hit already strained vehicle fleet budgets, with companies hurriedly implementing strict cost-saving measures, company spokesmen say.

An Eskom spokesman said the September 4 increase of 10c a litre had increased costs by R4,3m which had prompted the need for an in-house awareness campaign to conserve fuel.

"Greater planning of trips has ensured fewer vehicles being used; posters and stickers are being produced to enhance our awareness campaign and better driver training is going to be implemented," he said.

First National Bank's First Auto Fleet chief manager Rusty Gibb said the average vehicle's monthly fuel bill had risen to about 70% of its variable operating costs.

He said one way of minimising the effect was for companies to install a system whereby they could monitor the individual performance of each vehicle, to ensure it was properly tuned and that there was no driver abuse, among other factors, that could result in fuel wastage.

Economy 22/10/90

"Careful journey planning is essential and drivers should try to use routes where there is good traffic flow. In this regard, more firms should look at introducing flexitime for their staff to ease traffic congestion.

Fuel economy should be a major consideration in purchasing a new vehicle, he said.

Simba-Quix divisional transport manager Scotty Robertson said although his budget was not under pressure yet, steps had been taken to minimise the effect of future increases.

All delivery trucks were installed with a system called Datafos which monitored the driving patterns of the driver, and each month a letter was sent to drivers suggesting methods of improvement. Also greater driver training and route planning had been undertaken.

Times Media Ltd (TML) transport manager Gert Coetzee said his budget was not under pressure.

A combination of having budgeted for the fuel increases and of having filled the company's petrol storage pump before the hikes had kept the pressure off for the time being, he said.

Petrol price hike is 'a major blow'

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BRENT MELVILLE



THE weekend's 26% hike in the price of petrol has elicited a storm of protest from the SA motor vehicle manufacturing industry

National Association of Automobile Manufacturers of SA (Naamsa) said the extent of the latest fuel price rise represented a major blow, not only for the SA motor industry, but for the SA economy

While it fully understood the reasons for the further upward adjustment to the price of fuel, Naamsa said the price rise would reduce disposable incomes, worsen business conditions in an economy already in recession and push up the rate of inflation "fairly dramatically".

"Besides the negative implications of the fuel price adjustment for the domestic economy, the knock-off effect of higher automotive fuel prices throughout the economy comes at a time when the authorities have placed a high premium on the fight against inflation through the application of stringent monetary policy."

810am 22/10/90
Consumption

Naamsa added there was now likely to be a change in industry buying patterns, although the effect would probably be toned down due to the fuel efficiency of modern engines.

"As a result of automotive technological improvements in recent years, the average fuel consumption of a new car today is less than seven litres per 100km, compared to an average of about 10 litres per 100km in 1980".

But in the absence of any short-term relief from the prevailing high interest rates, the downturn in the SA motor industry might be expected to gain further momentum in the months ahead, said Naamsa

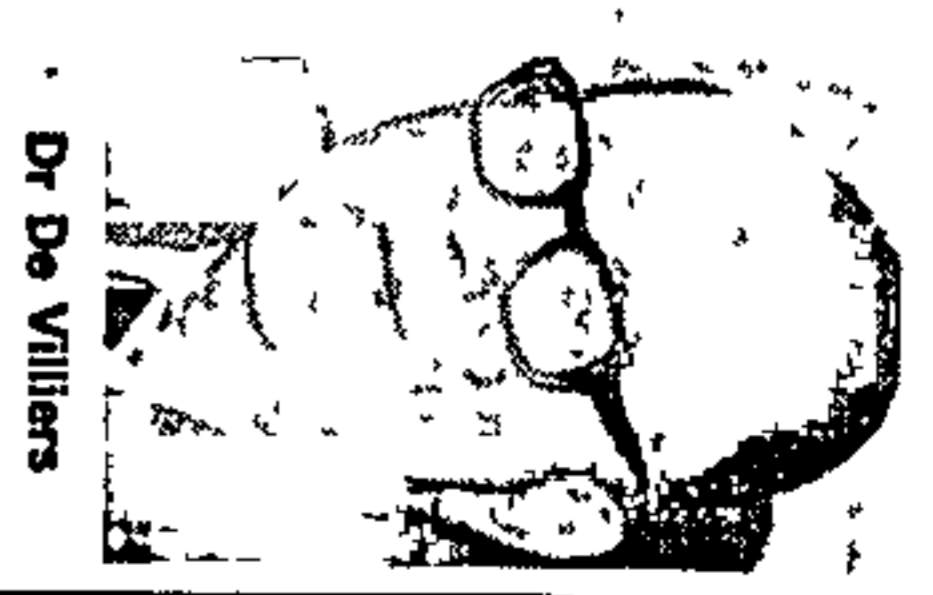
A Samcor spokesman said the price increase would definitely put a damper on sales of Mazda and Ford

● See Page 7

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Govt onslaught on inflation forecasts



Dr De Villiers

Own Correspondent
JOHANNESBURG — The government has launched an onslaught on inflationary expectations in the wake of the petrol price hike, warning against using the increase to push for higher prices and wages

The Minister of Economic Co-ordination, Dr Wim de Villiers, poured cold water over economists' predictions that the direct and indirect cost effects of the 25% hike in petrol prices would add about two percentage points to the inflation rate. Together with the September petrol price increase, some believe the full impact of the Gulf crisis could raise the consumer price index (CPI) by three percentage points.

Dr De Villiers said "Taking South Africa's relatively low dependence on oil as an energy source into account,

an increase in fuel prices need not necessarily affect inflation to the extent that is often forecast."

An upward adjustment in South Africa's inflation rate, and that of the rest of the world, could not be avoided. It was imperative, however, that this price increase should not lead to sustained increases in the general price level.

He called on the private sector to follow Eskom and Transnet in applying wage and price discipline, saying if business followed, there was no reason why the inflation rate could not resume its downward trend. The government would not accommodate a sustained increase in inflation, as it remained unshaken in its resolve to cut inflation.

"Actions based on the assumption that general price increases will be higher than, or the same as, the present inflation rate will inevitably lead to lower economic growth and greater

unemployment, and that should be properly taken account of in determining wages and prices."

The authorities wanted to address the "huge" inflationary role played by indexation — the practice of linking price and wage increases to the prevailing level of inflation. More than 70% of general price increases in one year are automatically carried over to the next year.

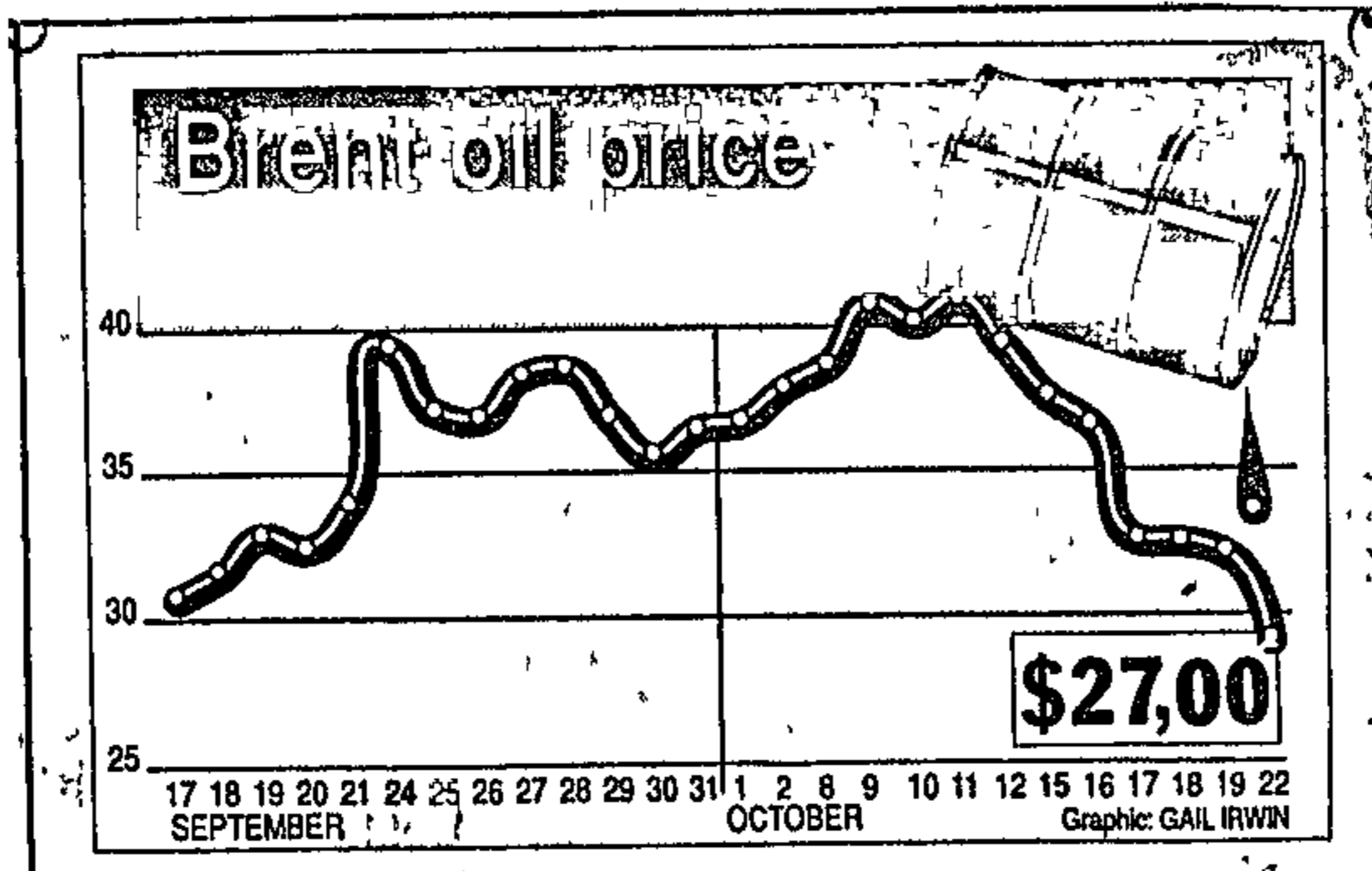
Economists said a relentless interest rate policy was a key factor in breaking inflationary expectations. The Reserve Bank had ignored the market's expectations of a cut in the bank rate for months, and this finally sank in last week. The liquid bankers' acceptance rate turned around to reach its highest level in about two months at 18% and the treasury bill rate jumped to 17,7% from 17,34%.

Inflationary fears have pushed capital market rates more than 10 points higher in a week. The SA Chamber of

Business predicted the direct inflationary impact of the price rise would be "in excess of 1%, to which must be added the indirect effect of higher transport costs on all sectors."

South Africa is set to end the year with inflation at about the same level as it was in December 1989 — 15,3%. The average inflation rate for the year will be at about the same level as last year's 14,7%. Hopes that the country will see single-digit inflation by the end of next year have been dashed and the average in 1991 could be higher than 13%.

Stellenbosch Bureau for Economic Research chief Professor Ockie Stuart said the immediate effect on inflation of the petrol price increase would be at least one percentage point, with the ripple effect adding another one. Volkskas's Mr Adam Jacobs saw at least 1,25% added to the CPI as a result of the latest increase.



Oil futures prices sank to their lowest since the end of August yesterday amid rising market sentiment that a peaceful settlement in the Gulf was possible.

London's International Petroleum Exchange's December futures contract for North Sea Brent crude traded at a low of \$27 a barrel in late business, down \$4.01 from Friday's close.

The last time prices for the IPE's front month traded below \$27 was on August 31.

In New York oil for November delivery fell \$5.41 — the biggest one-day drop in the history of the the New York Mercantile Exchange — to close at \$28.38 a barrel. — Reuter.

STW 23/10/90 (244)

World oil prices tumble

No hope yet of cheaper petrol

By Norman Chandler and Peter Fabricius

There is no prospect of an early cut in the petrol price for South Africans, despite a dramatic drop in world oil prices yesterday.

But if the fall is sustained they could eventually benefit from either cheaper petrol or through a drop in income tax.

Finance Minister Barend du Plessis today declined to comment on the latest dramatic drop in crude oil prices and on how it would affect the petrol pump price in South Africa.

There were suggestions last week, however, that the Government might decide to keep petrol at its present level despite falling oil prices, keeping back the difference as a fuel levy which would help to reduce personal income tax.

The Middle East situation will in any case have to stabilise to a far greater extent before any change may be reflected at the petrol pump.

Louwrens van den Berg, the National Energy Council's group executive respon-

sible for energy, today ruled out immediate change in the South African price for petrol — now standing at R1,60 a litre — even though the closing price for crude oil last night was \$28,38 a barrel, the lowest for several weeks.

He said that when South Africa's latest fuel price increase was decided on by the Cabinet, on recommendations from the National Energy Council, it was based on crude oil being at \$37,50 a barrel, which "is the price based on the landed cost of the imported refined product".

Benefit

The country's earlier petroleum products prices were based on a barrel of oil costing \$22.

Mr van den Berg said: "As soon as the new crude price is reflected on our imports, then the situation may change. Once the price has shown a continued drop, there will be a benefit — provided our under-recovery situation has improved and other decisions taken.

"When there is stability (in the Middle East), we can assess it more accurately."

Last night, oil plunged \$5,41 on the New York Mercantile Exchange — the biggest one-day drop yet reflected for crude oil. In London, North Sea Brent Blend oil fell \$5,65 to close at \$26,75 yesterday.

The drops followed remarks by Saudi Arabia's Defence Minister on Sunday that Arab nations were willing to grant Iraq "all its rights". The market interpreted the remarks as a signal that Saudi Arabia was prepared to agree to territorial concessions on Kuwait.

A United Nations official reported yesterday that the Gulf crisis would mean billions of dollars in higher oil revenues to Opec nations, Britain and the Soviet Union, but Eastern Europe and the Third World would suffer.

The Independent News Service reports from London that oil prices plunged as traders came to the conclusion that war in the Gulf was no longer imminent.

The latest falls were good news for net oil consuming countries faced with escalating import bills.

In New York, light crude for November, on the last day of its contract, fell to \$29. Crude prices have lost

almost \$14 a barrel since peaking at more than \$40 10 days ago.

Fergus McLeod, an analyst with County NatWest, said the market also believed the US military had come to the conclusion that it would not be in a position to wage a war until January.

But the oil currently being traded was for November and December delivery, and therefore the "war premium" had disappeared from the price, he said.

Tighter

Fundamentals would justify prices "from \$25 up to \$35 over the winter as things get tighter", he observed.

"There's no spare capacity — an accident at a refinery or a snap of cold weather could see it tip into shortage very easily," he said.

An immediate settlement and the swift return to production of all lost Iraqi and Kuwaiti oil could push the oil price back — "down to the low teens" — he added.

But that was unlikely since the Iraqis would almost certainly insist that any deal included maintaining a high oil price.

● Graphic — Page 22.

Bread price set to rise next month

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PRETORIA — The bread price is expected to rise between 10c and 15c from November 1, the start of the new wheat season, say informed sources.

A major reason that will be put forward for the rise is the expected increase in the price of wheat.

Earlier in the month the Wheat Board recommended a substantial increase in the producer price, it is understood.

The recommendation is now with Agriculture Minister Jacob de Villiers.

An announcement of the Cabinet decision is expected before the end of the month. *B/Daw 23/10/90*

It was pointed out that in the past season input costs had been boosted by continuing high interest rates, increases in the price of fertilisers and pesticides, and labour costs, among other factors.

Sources said the justification for a solid producer

GERALD REILLY

price hike was strong.

It was noted that the board's recommendations were made before the announcement of the fuel price increases.

Another major factor in determining the new bread price, aside from the fact that the R65m subsidy pool was virtually empty, was the need for margin adjustments for the baking and milling industries.

The new fuel price, it was stressed, would shrink margins significantly.

Another bread price rise was certain in the first quarter of the new year.

The bread subsidy was to be abolished from the end of February and no provision for extending it would be made in the Budget, sources said.

At the same time, control on bread and flour prices would be lifted.

Miner who lost hands after blast claims R1,8m

B/Daw 23/10/90
PRETORIA — A miner, who lost both hands after a methane gas explosion at a Secunda coal mine four years ago, is claiming more than R1,8m in damages. His face was badly burned.

Barend Johannes Nicholaas van Rooyen, 34, of Perina Park, Pletersburg, is claiming R1 895 994 from Secunda Coal Mine and seven of its employees in the Pretoria Supreme Court.

In terms of a draft order, Secunda Coal Mine and the seven employees of Middle Bult mine were ordered to remunerate Van Rooyen through a joint agreement.

The action for the total amount of damages was postponed indefinitely, but according to legal representatives of the parties, the parties are negotiating a settlement.

Van Rooyen's claims follow a methane explosion on April 29 1986 at the Middle Bult coal mine in Secunda.

According to the claim sheet, the accident was caused by the negligence of mine manager Frederick Samuel Mordig Globbelaar and underground manager Petrus Jacob van Zyl.

Van Rooyen, a father of three, sustained severe burns to his face, hands and thigh.

His left hand was amputated above the wrist. His remaining fingers were also amputated.

He underwent 16 operations between April 1986 and January 1987, and requested amputation of his left hand as he felt it was a useless appendage.

According to a medical-legal report, he is unable to care for himself and unable to work. — Sapa.

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Staff Reporters

AK605 24/10/90
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CONSUMERS, already reeling under a record petrol price increase, will have to pay more in the next few weeks for electricity, bread, commuter fares and telephone calls.

The latest rises in the cost of living in the Peninsula are 9 percent on train fares, announced today by Minister of Transport George Bartlett, and 12 percent on electricity by Cape Town City Council.

From the end of the month telephone bills will be higher when the post office introduces local call metering in the Western Cape.

The latest increases do not take into account the 32c a litre petrol price rise which will have a ripple effect throughout the economy and follow a shock reversal of the downward trend of the inflation rate announced yesterday.

Food prices blamed

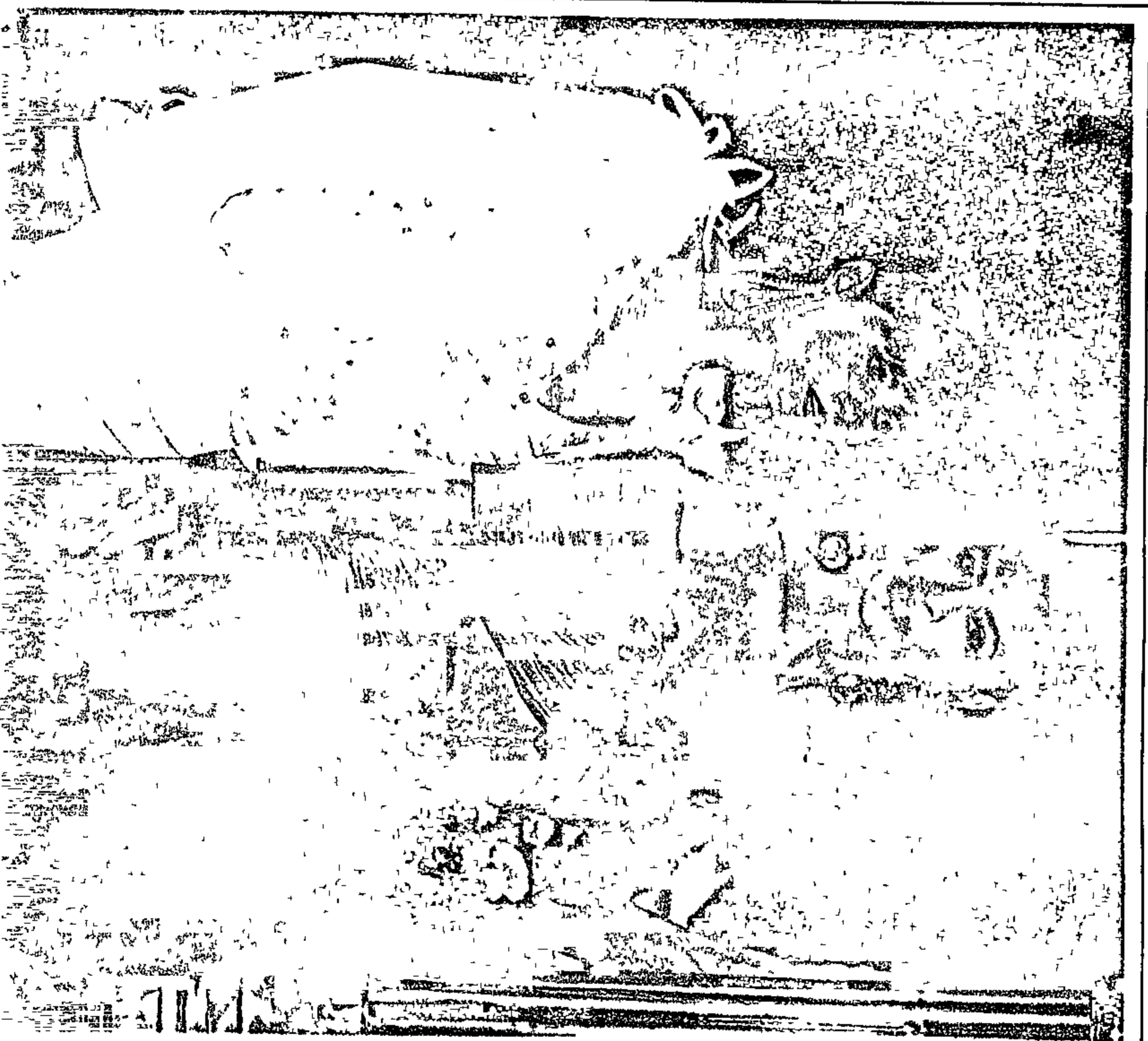
Inflation, measured by the consumer price index, climbed 0,7 percent in September, a year-on-year rate of 14,3 percent compared with 13,6 percent in August.

The Central Statistical Service said one of the biggest contributors again was food which was a huge 17,3 percent more expensive in September this year than in September last year.

Mr Bartlett said commuter train fares would go up an average of 9 percent on November 1. The "low level of cost coverage" — commuter services are subsidised by 70c in the rand — and the inflation rate were mostly responsible for the increase, he said.

Maintained properly

Announcing a 12 percent electricity tariff increase yesterday the Cape Town City



Mother on holiday raped

Crime Reporter

A 71-YEAR-OLD Free State holidaymaker has been raped in her daughter's Gardens flat.

Police spokesman Major Gys Boenzaar said the attacker entered the Annandale Road flat through an unlocked front door about 9am yesterday.

He threatened the woman with a knife, raped her and stole R300 and a firearm.

British tourist Mr Frank Grummit, 78, was robbed of a R7 000 camera and R600 by four men in Longmarket Street at 11 40am yesterday.

R199 750 snatch from security van

Crime Reporter

ALMOST R200 000 has been stolen from a security van parked outside the Ikapa Town Council offices in Guguletu.

The vehicle, driven by Mr Petrus Muller, 52, was parked outside the offices at 7.45am yesterday while empty metal trunks were being delivered.

Police said thieves took another trunk containing R199 750 from the back of the van while Mr Muller and a companion were inside the offices.

Counterfeit money circulated in city

Crime Reporter

member 1 THE ...
— commuter services are subsidised by 70c
in the rand — and the inflation rate were
mostly responsible for the increase, he said

Maintained properly

Announcing a 12 percent electricity tariff increase yesterday, the Cape Town City Council said it was fully aware of the burden of higher costs, adding that it was trying to keep costs as low as possible.

"However, the electricity system must be maintained properly at all times if the council is to avoid huge replacement costs (and therefore tariff increases) in future."

The new tariffs come into effect on November 1.

Bread will go up on November 1 when the new wheat price comes into effect.

A spokesman for the Minister of Agriculture said today he did not know what the price would be "People are speculating at the moment. We'll know when the new price of wheat is known," he said

Survival

Township taxis would have no choice but to increase taxi fares, the chairman of the South African Black Taxi Association in the Western Cape, Mr Basil Nagel, said today.

His committee is to discuss fares at a meeting this afternoon

"It's a matter of survival. There is no choice for us since we are talking about petrol price increases of more than 30 percent in a short space of time"

Mitchell's Plain taxis have already increased their fares by 20 percent

City Tramways is to announce a fare increase before the end of the week — probably about 10 percent.

The city council said it bought electricity from Eskom, but this accounted for only 50 percent of its cost of running the "electricity undertaking"

"In addition, the council has to meet other inflationary costs (such as the recent 15 percent wage bill increase) and the continued need to upgrade and expand its distribution network, a tremendously expensive operation"

Same tariff

Households in "outside" areas, such as Pinelands, Fish Hoek, Milnerton, and RSC areas, use electricity supplied by the council. Previously they paid a 12 percent surcharge which had been reduced at a rate of 3 percent a year for the past four years

The last 3 percent falls away at the beginning of November when all consumers supplied by the council will pay the same tariff

Consumers could save money by using electricity more carefully

Pamphlets containing hints on how to do this will be posted to householders with their electricity accounts.



Coming — a bright paper!

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Jan 24/10/90
Jo'burg bus fares to go up

Johannesburg municipal bus fares will go up by about 10 percent on January 1 — the second rise in six months.

Transport chairman Paul Asherson said the management committee had no choice, as the two recent fuel price increases had pushed the transport department's operating bill up by R2,5 million.

Fares will go up by between 10c and 20c. — Staff Reporter

244

Fuel hike 'major setback' in battle against inflation

GILLIAN HAYNE

THE recent increases in the price of fuel could add two percentage points to the inflation rate, with their full effect on the economy pushing it even higher, Sanlam chief economist Johan Louw said in the company's latest economic survey.

Louw said the increases constituted a major setback in the fight against inflation, although he believed the underlying downward trend would be resumed in the medium term.

"At this stage we forecast an annual increase in the consumer price index of about 14,5% by the end of 1990 — more or less the same as the average rate estimated for the whole year," he said.

Commenting on the current recession, Louw said although he be-

lieved the "cooling phase" would last more than 30 months — much longer than the previous two recessions — it would not have the same intensity. *B/pan 24/10/90*

Retarding

In addition to the rise in international oil prices, the unrest, with its negative impact on production as well as on business and consumer confidence, had also helped to slow the economic growth rate.

Referring to the balance of payments, Louw said the Middle East crisis was having a negative effect on SA's export trade as it was retarding the economic growth of some of SA's leading trading partners.

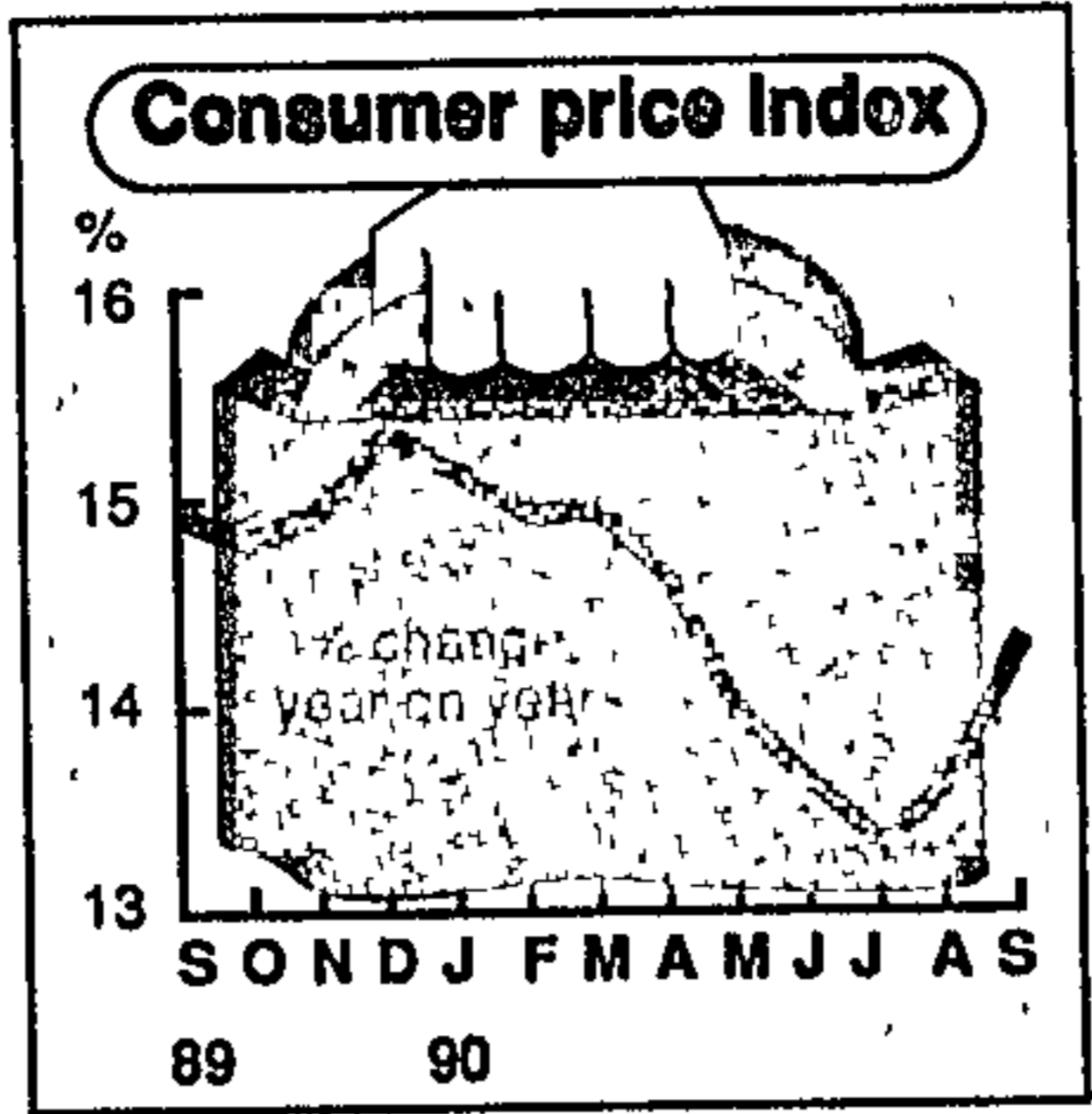
On the import bill he said the current account of the balance of payments was under pressure and the previously expected surplus of R5bn was unlikely to be achieved.

The improvement in the capital account could not stop the falling ratio of reserves to imports.

SA's foreign reserves currently cover less than two months' imports, while an acceptable norm, by international standards, was three months or more.

"This means that we do not have the reserves to accommodate a significant recovery in the economy," Louw added.

The sharp decline in the gold price and the fuel price hikes would make a drop in the Bank rate and an accompanying reduction in the banks' overdraft rate unlikely in the near future, he said.



Graphic LEE EMERTON Source, GSS

Bl Day 24/10/90

New upward trend expected in CPI

~~1533~~ GRETA STEYN ~~244~~

THE September petrol price hike pushed up inflation by 0,4 percentage points in that month to bring the overall level to 14,3% in the second month of what is expected to be a new upward trend.

Inflation, as measured by the year-on-year change in the consumer price index (CPI), bottomed at 13,3% in July from a peak of 15,8% about a year previously. Significant progress in breaking inflation's grip is the major objective of present monetary policy. Inflation has extinguished bullishness in the money and capital markets even though money supply and BoP figures show positive developments

For the second month in succession, the month-on-month increase in the index was high — 1,5% after 1,6% in August. But an encouraging feature in September was the slowdown in the rate of increase in food prices to 1% month-on-month from the previous month's jump of 2,3%. Year-on-year, food prices rose by 17,3% compared with 17,7% in August.

Economists said the direct impact of the next fuel price increase would add at least a further one percentage point to the inflation rate. The knock-on effect of the two fuel price hikes could add another 1,5 to bring the overall impact on the CPI to close to 3%.

Star - 25/10/93

NEWS

The Star Thurs

New Govt drive to protect SA consumers

By Peter Fabricius
Political Correspondent

The Government has announced new measures to protect consumers

Trade and Industry Minister Kent Durr yesterday launched a general investigation into consumer protection laws in the advertising, car and furniture businesses
He also appointed a full-time

member of the Business Practices Committee to draw up codes for the protection of consumers

The moves are the start of a drive by the Government to strengthen and clarify consumer protection laws by introducing a system of codes for their protection

Mr Durr said these would be the first general investigations under the Harmful Business

Practices Act of 1988

The motor and furniture businesses had been chosen because of the high volume and value of consumer transactions

Element

Advertising was being investigated because it was an integral element of all kinds of consumer transactions

The investigations would involve the Advertising Standards

Authority, the Motor Industries Federation, the National Association of Motor Vehicle Manufacturers and the Furniture Traders Association

Mr Durr invited all interested bodies to submit comment — if possible — within 60 days

He also announced that E.P. van Eeden had been appointed a full-time member of the Business Practices Committee.
Dr van Eeden is the director

In the Department of Trade and Industry assigned to implement consumer protection policy

The committee, established under the Harmful Business Practices Act, investigates business practices.

Task

Dr van Eeden's task will be to strengthen the committee's activities and to develop consumer codes of protection under

existing laws

These codes would be formulated with the private sector and increase the ability of consumers and the South African Co-ordinating Consumer Council to effectively act against those who abuse consumers

Dr van Eeden is a full-time member of the Competition Board.

He has researched and published extensively on the regulation of trade.

ECONOMIC INDICATORS

FUEL SHOCK

FIM 26/10/90
3 244

Three crucial indicators were released this week. The bad news is higher inflation: consumer prices increased 14,3% in 12 months to September (after rising 13,6% in August). This reflects the first impact of rising oil prices — with a 10c/l increase in the price of petrol compounded by higher insurance premiums on vehicles. Together these brought about a 5,5% monthly increase in the consumer price index (CPI) transport (running costs) component.

Worse is to come, of course, when the latest 32c/l feeds through in November, probably adding 1,5% to the annual rate of price increases.

FIM 26/10/90

Relatively good news came on foreign trade. The September figures were better than many had expected, with a R668m fall in exports, to R4,9bn, offset by an equal decline in imports, to R3,6bn. That left a solid surplus of just under R1,3bn, roughly the same as in August. (244)

Imports in September were down 3% in nominal terms from that month time last year. Exports fell a nominal 1% but against slower global economic growth still look robust. Senekal Mouton & Kitshoff economist Leon Steenkamp attributes this to a strong gold price but warns an underlying trend toward weaker prices for gold and other commodities such as platinum could weaken exports. "There is no room for complacency on the balance of payments."

Econometrix's Azar Jammie is more optimistic. "Too many people are panicking and calculating the effect on BoP if oil stays at \$40 a barrel and gold at \$360 for a year. That outlook already seems outdated."

So far, the increased oil price does not seem to have affected the trade figures. "Unclassified" imports (mainly oil) were R690m in September, higher than R561m in August but lower than R759m in July.

Jammie adds there is not enough value on positive political developments. "Financial sanctions have partly fallen away and short-term funds have become much more readily available, as seen in the Reserve Bank's ability to manipulate the rand."

Good news is that growth in the broad monetary aggregate, M3, continues to fall. According to provisional estimates it grew

- 13,28% to R155,2bn in the 12 months to September; and
- An annualised 11,21% to a seasonally adjusted R153,9bn from the base of the current guideline year in mid-November 1989.

Revisions for August show 14,13% growth to R154,3bn or 12,72% to an annualised seasonally adjusted R154,2bn.

- In the 12 months to August
- M1A grew 10,35% to R26bn;
- M1 9,82% to R47,5bn, and
- M2 16,79% to R123,9bn

These figures indicate that monetary policy is on course and countering the inflationary impact of the higher fuel price. ■

Train fares go up from November 1



244

Sowetan 26/11/90

RAIL fares throughout the country will be increased by nine percent with effect from November 1, the Minister of Transport, Mr George Bartlett, announced on Wednesday.

"The low level of cost coverage on rail commuter services and an inflation rate of almost 14 percent are mostly responsible for the increase.

However, unstable labour and unrest-related conditions over the last few months resulted in rail commuter assets, mainly passenger coaches

worth millions of rands, being destroyed through burning and unnecessary vandalism," said Bartlett, citing reasons for the increase.

This, he added, had resulted in a severe decline in income

The new weekly fare from Naledi (Soweto) to Johannesburg would be R25 for first class and R7,10 for third class commuters.

The Pretoria to Johannesburg weekly fare would now be R45,50 (first class) and R10 (third class); Cape Town-Mitchell's Plain R26,50 (first class) and R7,30 (third class); PE-Uitenhage R28 (first class) and R7,70 (third class), and from East London to Mdantsane, the fare will increase to R20 (first class) and R6,10 (third class). - Sapa.

Pamphlets woman acquitted

MBABANE - The wife of a man who hit the headlines during a recent Swaziland treason trial has been acquitted of charges of possessing seditious pamphlets

Mrs Sarah Matsebula is the wife of Jabulani "Arafat" Matsebula who was allegedly head of the military wing of an underground political party.

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Cheaper petrol when oil falls 'significantly'

(244) BRENT MELVILLE

GOVERNMENT has committed itself to reducing the price of petrol immediately following any significant reduction in oil prices.

Mineral and Energy Affairs and Public Enterprises Minister Dawie de Villiers said yesterday government's commitment to reducing inflation made it mandatory that any meaningful decrease in oil prices be passed on to the consumer as soon as possible. 5 Day 26/10/90

Speaking at the official opening of Eskom's R4bn Tutuka power station yesterday, De Villiers said it was government's policy to determine fuel prices according to market principles: "If the oil price increases, the increase has to be passed on to the consumer, resulting in distortions in the economy and a misappropriation of resources"

He said the last Friday's price increase represented the latest actual underrecoveries on fuel prices resulting from higher crude oil costs. These underrecoveries reflect an average oil price of \$37,50 a barrel.

It took time for list prices to work through the system and it would thus take time for oil price changes to affect petrol prices. Benchmark West Texas crude oil was at \$33,50 a barrel yesterday.

De Villiers, however, did not exclude the possibility of future adjustments to fuel taxation, saying that fuel tax as a percentage of the total price in SA remained the lowest in the world, constituting about 20% of the price of 93 octane petrol.

"Fuel tax is basically a sound and effective form of indirect taxation which ensured that all consumers made their fair contribution," he said.

In terms of stockpiling of crude oil for strategic purposes, De Villiers said SA was still faced with embargoes and even now continued efforts were being made to disrupt SA's crude oil supplies.

"It would therefore be unwise, if not foolish, under the present circumstances of total uncertainty to utilise this large capital and strategic asset that the motorist assisted in financing for running expenses such as a fuel subsidy," he said.

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Bus fares up, taxis to follow

CMT TRIPS 26/10/90

244

Staff Reporter

CITY TRAMWAYS bus fares are to increase by almost 10% from Sunday, and minibus taxis are to put their prices up soon.

Pupils and pensioners are also affected by the increase, which was widely expected following the recent 27c-a-litre hike in the diesel price

City Tramways managing director Mr B W Gie said that although the company had agreed to carry the increase of 7c a litre that came into effect on September 4, the size of the most recent price rise made it impossible to absorb the additional cost of fuel

Pupils in uniform under 13 will now pay R6 60 for their clipcards and those under 17 R9 90.

Go-as-you-please and homeward-bound term passes are not affected for the remainder of this term but will be adjusted for the first term of 1991

The pensioners' clipcard of 12 rides increases to R5 50. Those issued before October 28 will remain valid until November 10. Commuter clipcards bought up to and including tomorrow will be valid for two weeks from the day of purchase

Mr Gie said City Tramways was "acutely aware of the additional burden this places on regular bus users and deeply regrets the increase".

"It is a great pity that specific recommendations made by the company,

such as bus lanes and priorities at traffic lights and stop streets, have not received the necessary attention"

Meanwhile in Pretoria the Southern Africa Black Taxi Association (Sabta) has warned that fare increases can soon be expected for the millions of commuters using minibus taxis

Sabta media manager Mr Fanyana Shiburi said its executive committee was consulting with all its regional and provincial branches to work out ways and means of phasing in fare increases, which can be expected "soon"

"Without fare increases, thousands of taxi operators throughout Southern Africa would be facing the grim prospect of going under

"It has now become imperative for our members to increase their fares on local and long-distance routes to meet their ever-increasing operating costs

"We want to draw to the attention of the public, especially minibus taxi commuters, that fuel is but a minute expense in the huge running costs of a taxi. Other prohibitive costs include tyres, spares and general wear and tear. The replacement value of a minibus shot up from a R20 000 five years ago to the present, R45 000"

He said taxi operators had for the past 10 years been keeping fares far below the economic operating costs

The fare between Soweto and Johannesburg is still a "give-away" R2 20, he noted

Enough up more for that ride

By SOPHIE TEMA

TAXI, bus and train fares will increase throughout South Africa this week as a result of tension in the Middle East and its effect on the oil price.

Putco says Reef bus fares currently at R2.25 will rise on Thursday by 10c, fares between R2.25 and R4.45 by 15c, up to R7.55 by 20c, up to R10.05 by 25c, up to R12.05 by 35c, up to R15.05 by 45c and fares above R15.55 will rise by R1.

Taxi fares in most areas are expected to rise by 15 percent.

The Soweto region of the Southern African Black Taxi Association (Sabta) says it will increase fares on all routes this Thursday.

■ All fares for taxis operating within Soweto townships will increase by 20c.

■ Fares for routes between Soweto and Johannesburg will be increased by 40c.

■ Fares from Emdeni (the most distant point in the Soweto/Johannesburg run) to Johannesburg will increase by 50c.

■ The National African Federated Transport Organisation (Nafto) — which includes many long-distance and independent taxi organisations — announced a 12 percent hike from Thursday.

■ Bophuthatswana Transport Holdings announced an increase in bus fares of between five and 20 cents a trip, depending on the distance, reports Sapa.

■ Train fares will go up by an average of nine percent on Thursday. Leaflets issued on Metro trains said children less than seven years old will still travel free when accompanied by adults.

Transport Minister George Bartlett gave the reason for the rail hike as the low level of cost coverage on rail commuter services, inflation at 14 percent and the destruction of coaches in recent unrest, which resulted in a "severe decline in income".

■ The new weekly rail fare from Naledi (Soweto) to Johannesburg will be R25 for first class and R7,10 for third class trips.

■ The Pretoria-Johannesburg weekly fare will be R45,50 (first class) and R10 (third class).

■ Cape Town-Mitchell's Plain R26,50 (first class) and R7,30 (third class).

■ PE-Uitenhage R28 (first class) and R7,70 (third class).

■ East London-Mdantsane R20 (first class) and R6,10 (third class).

You pay the increase we pay - Minister

CP Correspondent

28/11/90
THE fuel price increase passed on to consumers was exactly the same increase the government had to pay for oil.

So said the Minister of Mineral and Energy Affairs and Public Enterprises, Dr Dawie de Villiers, this week, following the biggest ever increase in fuel prices.

The price at which the government bought oil had fluctuated continually during the past few months. The average price which the government had been paying for fuel was US \$38, although the price rose to more than US \$40 at times, said De Villiers.

"We paid relatively good prices. The amount passed on to the consumer is the real cost which we had to incur to obtain fuel. It takes some time before the price paid filters through the system. Should we be able to buy oil at lower prices at a later stage, the consumer will receive the benefit."

Price movements were not yet stable and fluctuated continually. Due to the uncertain situation in the Middle East, nobody could predict in which direction the oil price would move, the minister said.

The position was very fluid and the government was compelled to increase the fuel price because the Equalisation Fund had been nearly depleted. There was no money available to subsidise the price.

Asked why the oil stockpile could not be used to support the price, De

Villiers said South Africa was still experiencing an oil boycott and there were several groups, including a United Nations committee, which were actively campaigning for a stricter application of sanctions.

"This especially affects us as far as the shipping of oil is concerned. No ship owner will admit his tankers are being used to ship oil to South Africa. It is being strictly monitored internationally and ship owners are under pressure not to ship oil to South Africa. Therefore, the situation is still very problematic for South Africa."

South Africa had a large oil stockpile, but it could be questioned if this valuable capital asset, built up by motorists, should be used to subsidise a running expenditure like the petrol price.

"In reality, we would only be able to subsidise the price in a limited manner - at most perhaps by 5c to 7c a litre," De Villiers said.

"The question must be put if the motorist should not, in his own interest, apply this capital asset to develop alternative sources like Moss gas, or for any other capital project which would be beneficial in the long term."

The contention of, for example, supermarkets that they could sell petrol at a cheaper price was valid, but this would be detrimental to the provision of fuel to rural areas and to many smaller filling stations.

"One must consider very carefully if such a situation would be in the best interests of the country."

CSS measures growth in profits

PRETORIA — The net profit of 886 companies in the secondary and tertiary industrial sectors was 43,5% higher on average in 1988/89 than in the previous financial-year, the latest Central Statistical Service (CSS) survey shows.

The net profit of financial institutions and insurance companies increased 12,6% and that of producing mining companies rose 15,5%.

The CSS report surveys the accounts of companies in 1988/89 and compares them with 1987/88

The 886 companies include 789 that are listed on the Johannesburg Stock Exchange

GERALD REILLY

Total company assets in the secondary and tertiary industries increased by 23,8% compared with 1987/88. (244)

Total assets of financial institutions and insurance companies and those of mining companies rose 26,4% and 16,7% respectively.

CSS also said yesterday that in 1988 there were 86 private establishments and public corporations involved in township development.

The organisations involved showed net profits totalling R63,6m.

ES/DM 30/10/89

Star 30/10/90

Bread price to rise this week

The price of bread — as well as wheat — will increase this week

Sources speculate that the price of brown and white bread will rise by at least 10c a loaf but have not discounted the possibility of a 15c increase, particularly for white bread. The official price at present is 90c a brown loaf and R1,05 for white — Staff Reporter

... who was appearing on
three charges under the Arms and Ammu-
nition Act, had been remanded until yes-
terday for trial

... consult with the ANC over the
issue of the subpoena
He suggested the application begin on
Friday and continue on November 8 and 9.
Blomkamp had no objection to the appli-
cation being heard on these dates.

Increase in all bus fares on services subsidised by govt

PRETORIA — Bus fares on all services subsidised by government were increased yesterday, SABC radio news reported.

The deputy director of Transport System Planning at the Department of Transport, Danie Ackerman, said about 50 bus companies countrywide, including Putco and BTH, would be affected, reports Sapa. Ackerman said fuel costs amounted to about 15% of a company's expenditure and the increased fares could be linked directly to the latest increase in fuel prices.

Fares would be increased by an average of 5% to 20% a journey.

TANIA LEVY reports that Johannesburg plans to increase bus fares by 10% from January to cover the cost of recent diesel price increases.

At its monthly meeting today, the Johannesburg City Council will be asked to approve the increase, which will add between 7c and 17c to bus tickets, depending on the number of zones travelled.

Council's acting transport director Gert Tighy said the recent fuel price increases

would add an extra R2,5m to the transport department's operating costs.

The 7c a litre diesel price increase announced on September 5 would push up the bus service's operating expenditure by R498 000 over 12 months, while the 27c/l diesel hike of October 19 would add a further R1,97m.

The proposed 10% increase in bus fares would bring in an extra R2m for the remaining six months of the financial year, if introduced in January. If fares were not increased, the burden would fall on the Rates Fund, Tighy said.

In terms of the Road Transportation Act, fares may not be increased by more than 10% in the event of a fuel price rise. Increased bus fares would be negotiated with Randburg Town Council for bus services in its area.

Desegregation of buses was expected to reduce the bus services' losses from R27m at the end of June 1990 to an estimated R25m at the end of next June, Tighy said. Johannesburg gets no government subsidy.

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South 25/10 - 31/10/90

'Make bread an issue'

SOUTH AFRICAN consumers, still reeling from last week's petrol price increase, were dealt another devastating blow on Tuesday when an increase in the bread price was announced.

Yet unlike other countries where governments are toppled by the organised power of consumers, South Africans have few organisations to protect them against price increases and spiralling inflation.

Political organisations all agree that consumers need protection, and that high prices should be on their agendas.

Yet none of them are presently actively campaigning around the issue.

The African National Congress blames the present price increases on the government's mismanagement of the economy.

They believe it is a deliberate strategy on the part of the government to destabilise the economy so that the incumbent rulers (the ANC) will not be able to "deliver the goods" in a new South Africa.

ANC Western Cape spokesperson Mr Trevor Manuel said the government's "high handed attitude" of raising prices showed a lack of regard for people of South Africa.

He said the government would increase the price of bread to keep white farmers on the land at the expense of the subsidy which kept food in peoples' bellies.

"A democratic government would have to deliver the goods by ensuring there are low prices."

The talks being held presently between the ANC and the government about the creation of a climate for negotiations did not affect people in a concrete way.

"Issues reflecting the quality of life of South Africans must be taken up by the ANC," Manuel said.

In Zambia, for instance, an increase in the price of maize unleashed a chain of events which almost toppled the government.

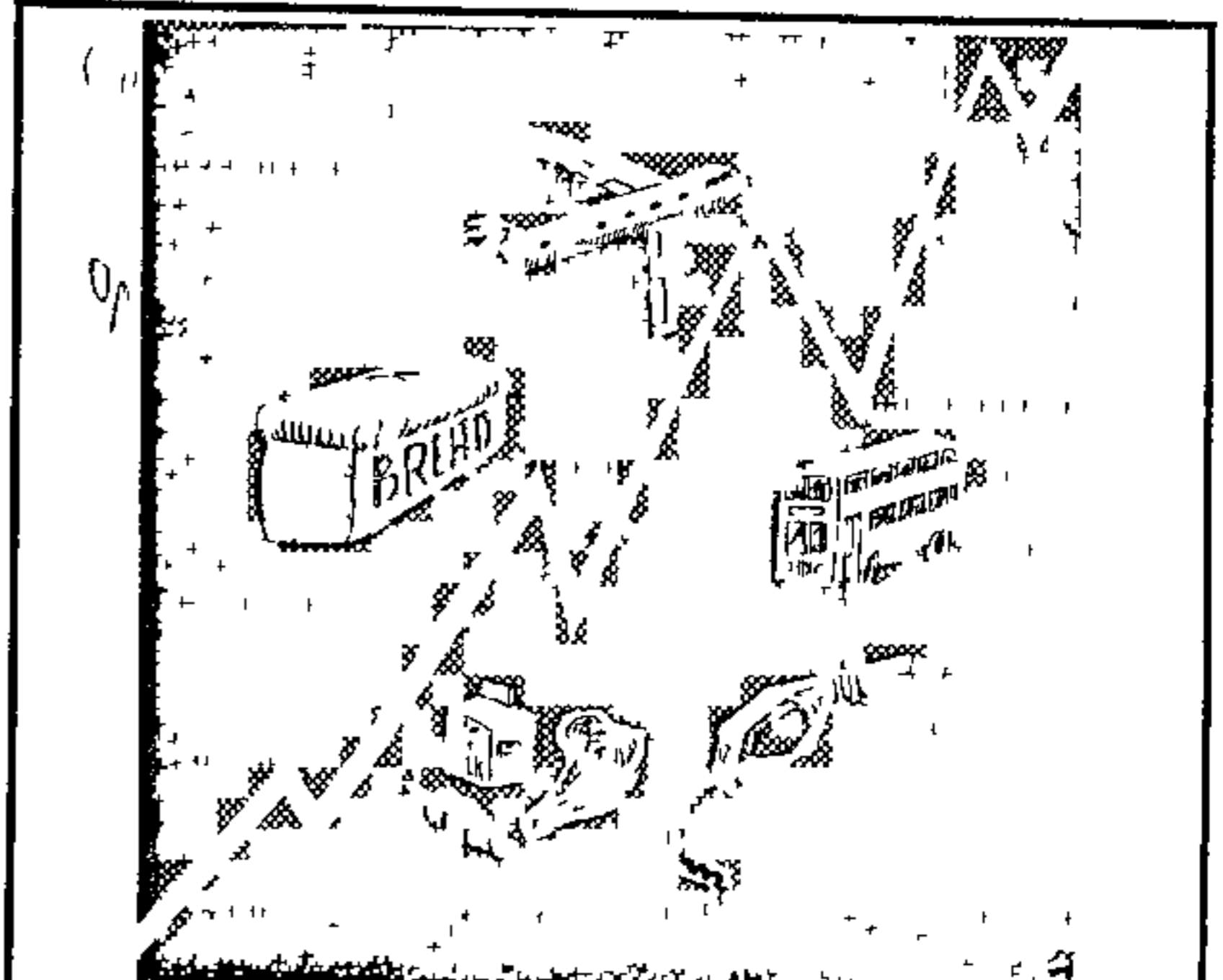
"Many governments are made to feel the power of organised consumers, as they can provide a lever facilitating the transfer of power."

The Pan Africanist Congress will raise the issue of high bread prices at its national conference next month.

PAC Western Cape convenor, Mr Barney Desai, said the PAC would need to examine whether the present price hikes were justified.



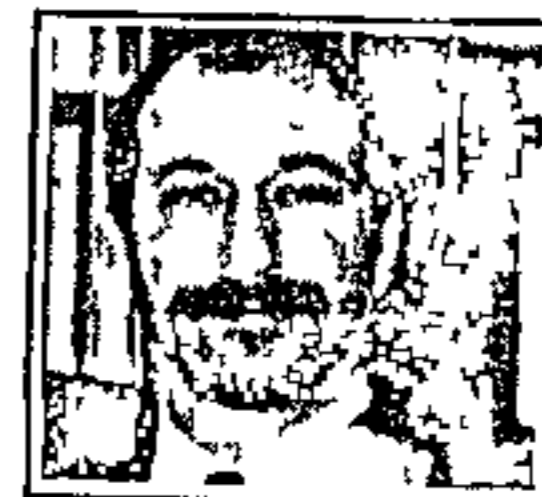
RELYING ON CHARITY: Children from Mosheshe Primary School in Langa with bread donated by the Peninsula School Feeding Association.



While consumers brace themselves for a new wave of price increases following this week's shock petrol hike, political organisations and pressure groups are confronted with a new and far more daunting challenge: How to respond to bread and butter issues. REHANA ROSSOUW reports:



Barney Desai



Trevor Manuel

out a response to the recent price hikes.

So who carries the burden of assisting beleaguered consumers?

It appears there is an increasing reliance of charity to feed starving children, particularly in the Western Cape.

While social workers and community activists say it is too early to detect the results of the latest increases, they say it will undoubtedly lead to more unemployment, crime and wife and child battering.

The chief social worker of Shawco, Dr Margaret Bromberger, said her organisation's relief budget was being stretched to the limit.

Spiral

"Even though we do not like to give handouts to people, we keep a small sum of money available for immediate relief," she said.

"What we are finding now is that people are being hit by inflation and unemployment everywhere."

Bromberger said social workers everywhere were detecting the effects of spiralling inflation.

"They saw an increase in 'everything that is not good'."

"People who rely on alcohol have begun abusing it, child battering and abuse increases as the parents are tense when there is no food and their children are complaining," Bromberger said.

Another tragic effect of spiralling inflation is an increasing reliance on charity to fill hungry children's stomachs.

The Peninsula School Feeding Association, which feeds 140 000 Peninsula children every day, is battling to provide them with adequate nutrition.

AFRICAN NATIONAL CONGRESS: WESTERN CAPE REGION Vacancies

The Western Cape Region of the AFRICAN NATIONAL CONGRESS has vacancies for the following positions in its regional offices in Athlone:

BOOKKEEPER/ACCOUNTANT

The incumbent would be responsible for overseeing the full bookkeeping function within the region including responsibility for the regional books and accounts as well as close liaison with branches to ensure that adequate records are kept and forwarded to the regional office and to ensure that branches are provided with relevant training and guidance in bookkeeping.

Applicants must have an appropriate bookkeeping qualification as well as more than three years relevant experience, preferably within a progressive organisation.

SECRETARY/ADMINISTRATIVE ASSISTANT

The person will be responsible for a wide range of secretarial duties, primarily wordprocessing, control and development of a filing system, and general office administration. It is essential that applicants are competent with and have experience in the area of wordprocessing as well as general office administrative experience. Applicants should have at least five years relevant experience.

The ANC offers reasonable salaries in line with those generally paid in progressive and community organisations as well as certain associated benefits. Due to the nature of the work, applicants should be official members of the ANC as well as being committed to working in a democratic environment. Successful applicants will be expected to commence duties as soon as possible.

Applicants who fulfill the requirements can submit a written application together with a detailed CV and the names and addresses of three contactable referees to the Regional Recruitment Committee, Western Cape Region of the ANC, PO Box 400, Athlone 7760. Closing date for applications is 6 November 1990.



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The **WEEKLY MAIL**

Training project

Traineeships, 1991

Applications are invited for a limited number of traineeships on the Weekly Mail Training Project, starting Friday March 1, 1991. There will be positions for:
● Trainee reporters
● Trainee sub-editors/production assistants

The job provides on-the-job training in all aspects of journalism. Successful candidates will be appointed for six months, renewable for a further 12 months subject to progress. Applicants must be proficient in English and a preference will be given to those who can type, and possess a driver's licence.

Applications should be sent to Don Matterna, Development Officer, Weekly Mail Training Project, PO Box 260425, Excom 2023, before Monday December 10, 1990. Mark your application clearly for the 'reporter' or 'production traineeship'.

Include the following with your applications:

1. A curriculum vitae
2. A short statement about why you want to be a journalist
3. Attend a music gig or sports match and write a 500 word description of the event, or an interesting moment during the event
4. Samples of your writing (Please send copies, we cannot return originals)

Farmers keen to fund beef floor price rise

PRETORIA — Meat farmers are pressing for ministerial approval to use their own funds to raise the floor price of beef to counter the decline in producer prices, says Red Meat Producers' Organisation (RPO) chairman J H Lombard

They were not, he stressed, asking for state aid. ~~State~~ (244)

Lombard said many beef farmers were in financial difficulties because of an income decline of between 9% and 17% this year, while production costs continued to rise at a rate higher than that of inflation.

He said Agriculture Minister Jacob de Villiers was asked at a meeting with the

— GERALD REILLY

organisation urgently to approve the floor price hikes recommended by the Meat Board. The Minister said he hesitated to raise the floor price during surplus periods. There were other methods in which the stabilisation fund could be used to help producers without raising the floor price. B | Day 31/10

Lombard pointed out the fund had been built up to maintain a floor price system.

He added the purpose was not to raise market prices but to prevent a further decline on the producer side and in doing so make it possible for farmers to survive.

Forward sales help cover to sugar's fall

Blom 31/10/90

244

DURBAN — Sugar's world price had fallen from \$250 a ton to just more than \$200 a ton this year, but SA had sold the bulk of its output forward at good prices

The dollar proceeds were covered favourably, SA Sugar Association (Sasa) chairman Glyn Taylor said at a Press briefing yesterday.

Local market sales up to the end of October were 80 000 tons ahead of the previous year's, "well above estimates", he said

The industrial market was per-

Own Correspondent

forming well in all sectors and the industry was confident of a good sales season.

Recent rains were welcome because the cane belt had suffered from a dry winter and spring, and if a typical summer followed, the crop outlook was promising.

Sasa has informed companies with plans to start sugar farming and milling in the eastern Transvaal that they

have until November 13 to lodge their interest in a proposed new sugar mill and until February 11 next year for full applications.

The new mill and refinery, to cost an estimated R300m, will have throughput of about 1,2-million tons of cane a year and output of 130 000 tons of sugar a year, says Sasa.

It is understood there are two contenders for the scheme — the C G Smith Sugar group and the Transvaal Sugar Corporation.

Bread price up 15c?

Own Correspondent

PRETORIA — A bread price increase of 15c a loaf is expected to be announced today by the Minister of Agricultural, Mr Jacob de Villiers.

The increase was apparently approved at yesterday's cabinet meeting and will come into effect later this month.

Two major reasons for the price hike are a likely increase in the producer price of wheat also to be announced today and bigger margins for the baking and milling industries resulting largely from the fuel price hikes.

Meanwhile, drought in the Free State and the Western Cape growing areas is having a devastating effect on this season's wheat crop.

Some sources are speculating that the crop will fall below 2m tons against a domestic need of 2,3m tons.

Last season nearly 500 000 tons had to be imported at a cost of about R240m.

A Wheat Board official said the government has stated its intention to phase out bread subsidies and lift price control altogether in February.

Mrs Mercia Watkins, a senior member of the National Housewives' League, said yesterday that the time had come for housewives to "boycott bread and bake their own".

Bread price set to rise by 15c a loaf today

PRETORIA — A bread price increase of 15c a loaf is expected to be announced later today by Agriculture Minister Jacob de Villiers.

It is understood that the Cabinet approved the hike at its meeting yesterday. Two major reasons for the price hike are a likely increase in the producer price of wheat, which is also likely to be announced today, and bigger margins for the baking and milling industries.

The industries' claims were greatly

GERALD REILLY

strengthened by the fuel price hikes in September and last month. Meanwhile, drought in the Free State and in the western Cape growing areas is having a devastating effect on this season's wheat crop.

The Wheat Board has said the September crop estimate amounted to 2,4-million tons. However, this would have to be drastically amended because of the adverse

weather conditions during October. Some sources are speculating the crop will fall below 2-million tons against a domestic need of 2,3-million tons.

And if this happens, wheat will have to be imported at a high cost for the second season in a row.

Last season nearly 30 000 tons had to be imported at a cost of about R240m to supplement the small local crop and to make provision for contractual supplies to other southern African countries.

B/Dam 1/11/90

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244
1/11/90

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SOWETAN

FRIDAY NOVEMBER 2 1990

MORNING FINAL

All art

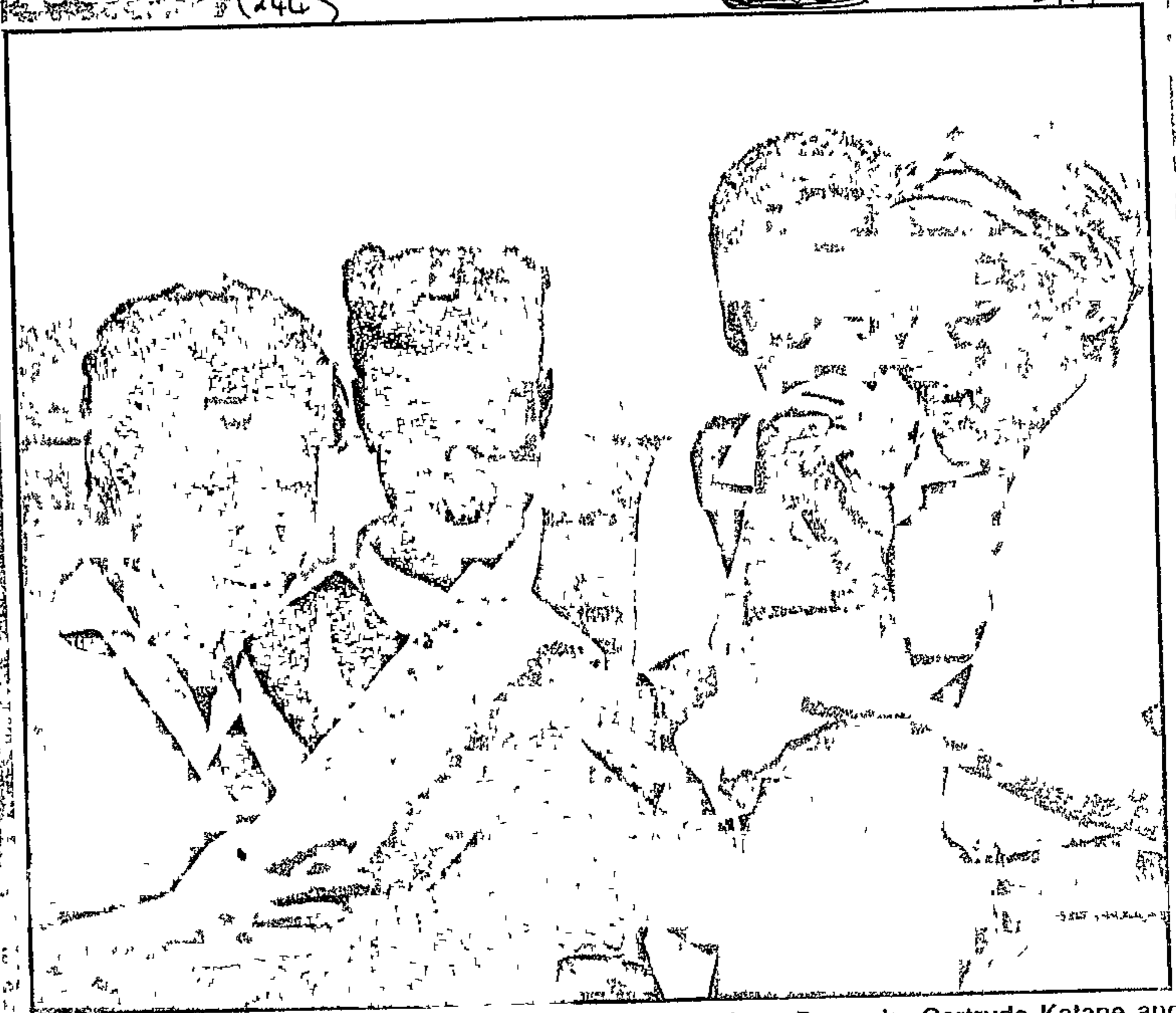
Bread
prices
rockets

THE price of bread has been increased by 15 cents a loaf with effect from today, Minister of Agriculture Mr Jacob De Villiers announced yesterday.

The retail price of white bread has been increased from R1 05 to R1.20 a loaf and that of brown bread from 90

cents to R1 05. The Minister, speaking at a Press conference in Pretoria, also announced that the basic selling price of wheat has been increased from R450 to R520 a ton - an increase of 15,6 per cent. It is believed black consumers will be hardest hit by the price rise.

~~2/11/90~~ Sowetan 2/11/90



Meadowlands schoolchildren Chriselda Mashlane, her sister Degracia, Gertrude Katane and Princess Ntsoseng enjoying their lunch yesterday before the price of bread increased by up to 15 cents a loaf. Pic: MOFFAT ZUNGU

Govt 'forced' to raise bread price

Bldg 2/11/90 ~~244~~ 244

GERALD REILLY

PRETORIA — The prices of brown bread and white have been increased by 15c a loaf from today, Agriculture Minister Jacob de Villiers announced yesterday.

At a Press conference in Pretoria he said this would bring the price of a brown loaf to R1,05 and of a white loaf to R1,20.

And the price of A1 wheat for domestic consumption had also been increased by 15,6% to R520 a ton. The producer's price had been fixed at R515 a ton.

Government, said De Villiers, was distressed it had to raise the prices by so large a margin, but to have maintained current prices for the rest of the financial year would have cost another R80m "and thus we could not afford"

Control

Housewives' League president Lyn Morris asked the Minister whether, if chaos developed in the bread market when controls were lifted next year, he would consider "being some sort of watchdog" for consumers.

If need be, she suggested, he could reintroduce some form of control to prevent bread becoming an unaffordable commodity. De Villiers stressed price control was out. "We are aiming at getting the full market forces to work and to restructure the economy into a more competitive situation"

De Villiers said if requests from millers, bakers and retailers for higher margins had been agreed to, the bread price rise would have been considerably higher than 15c a loaf. The increase had been kept to an

absolute minimum.

On the lifting of controls on bread and flour prices from the end of February next year, De Villiers said sound competition should put a damper on future price increases. He stressed the bread price was a maximum price and appealed to bakers and supermarkets to keep prices as low as possible.

De Villiers said the bread subsidy had failed to benefit fully the people it was intended for.

Government was now investigating how relief from high prices could be given more directly to those who most needed it.

He said a poor wheat crop was expected this year and for the second consecutive year the crop would be too small to provide for local needs.

Imports would therefore be necessary.

This was why the basic selling price of wheat was raised from R450 to R520 a ton.

Wheat Board chairman W E Pienaar said the average annual wheat selling price increase over the past five years had been 9,6%, compared with an average increase in the food and consumer price indices of 14,3% and 16,8% respectively

Consumer Council director Jan Cronje said government must spell out urgently what alternative relief consumers could expect when subsidies were abolished next year. He reacted the higher bread price

It was a major setback for consumers in a situation of increasing unemployment and continual price rises. He feared a further bread price rise when the subsidy disappeared.

Joint Announcement By

NEW WITS LIMITED

BUSINESS

244 (16)

Commuters lose out as fuel hike drives fares up

Soaring fuel prices have caused fare hikes on all forms of public transport. Black commuters will be hit hardest, report

MONDLI MAKHANYA and ROBERT LAING

THE fuel price hikes have hit South Africa's public transport users in the pocket, with all transport modes raising their fares — some for the second or third time this year.

Most bus companies countrywide raised their fares this week, as did Spoornet, the Southern African Black Taxi Association and the National African Transport Organisation and South African Airways. Johannesburg's bus fares will only be going up on January 1 next year.

Spoornet raised fares by nine percent this week in a move which it attributed to increased running costs as well as vandalism on trains.

SAA has already raised its fares twice this year and the latest hike will be accompanied by a 10 percent reduction in the discount rate. There will be a differential increase ranging from 9 percent on the Johannesburg-Durban route to 11 percent on the Johannesburg-Cape Town route.

Putco's fare increase — due on Monday along with all other increases of government-subsidised bus companies — comes at a time when the corporation is engaged in talks with the Transportation Board about Putco's possible withdrawal from some routes in favour of taxis.

The deputy director of Transport System Planning at the Department of Transport, Danie Ackerman, said the increases were linked directly to the latest fuel price increase.

Fares would go up by five to 20 percent depending on the route, he said.

Putco MD Jack Visser said this was due to the government reassessing its spending, including its subsidisation policy. *William 2/11/90 - 8/11/90*

"The government has told us a number of the routes currently operated by buses, especially the short routes, can equally well be operated by taxis. They are now saying they will only subsidise the services which are absolutely essential."



Ever-increasing cost of transport ... bus and taxi passengers have to dig deeper into their pockets to get to work

Picture: AVIGAIL UZI

Another Putco representative told *The Weekly Mail*: "Government is forever threatening to cut our subsidies. We never know what to expect.

"They said they were going to cut subsidies last year. Subsidies ended up being increased from R540-million in 1989 to R626-million this year.

"We are busy negotiating with them for next year's subsidies. They are threatening to cut financial aid again. But our commuters can't afford any further increase."

Bus subsidies are one of the legacies of apartheid. Homeland commuters are forced to spend a huge slice of their income and time crossing the great divide to the cities where they work. The system is also incredibly expensive to the government.

For instance, the state subsidises each Putco passenger riding 320km every working day from kwaNdebele to Pre-

toria and back by R4 160 a year — 80 percent of the each passenger's transport costs.

Both major taxi associations have raised their fares but insisted they had absorbed a significant portion of the costs.

Sabta spokesman Fanyana Shiburi said the organisation would take into consideration the economic conditions in the different regions before implementing increases.

"We are aware that however small the increase it hits black commuters harder than it would commuters in other communities. Our increases in different regions therefore have to correspond with the economic conditions there," Shiburi said.

He said in most areas taxi fares would continue to remain below bus fares.

The National Federated Transport Organisation increases its fares by 12 percent.

Bread price jumps by 15c ⁽²⁴⁴⁾

By PAT SIDLEY

THE bread price rises today by 15c, which means consumers now pay R1,05 for a loaf of brown bread and R1,20 for a white loaf

Price controls and the bread subsidy will no longer apply by the end of the financial year. By this time next year, with price controls gone, the subsidy removed and Value Added Tax on all food, the price of a loaf of bread may well be R2.

The 15c rise was announced yesterday by Agriculture Minister Jacob de Villiers, who blamed current increases on the price of wheat, a failed wheat crop and baking and milling margins

The rise, following recent increases in milk and maize prices, will severely hit millions of South Africans who live on or below the "bread line".

Bread consumption patterns show that when the subsidy reduces the price of brown bread relative to white bread,

consumption goes up. When the bread price is high, people at the lower end of the market switch to mealie meal.

De Villiers said he hoped competition would keep prices down — but this has not happened in the dairy industry.

The minister also said the government would make an announcement into the investigation into poverty and food intervention programmes would soon be made. It is understood the government has considered implementing a system of subsidising charities directly, instituting food kitchens and food stamps.

At least two major supermarket chains will keep down the price of bread for the time being. A Pick 'n Pay representative said yesterday the group would hold its prices for the next two weeks. And a Checkers representative said the store's price of brown bread would be maintained at 90c until the store's personal bread subsidy runs out.

SAA to raise fares again next month

MANDY JEAN WOODS

DOMESTIC airfares had risen by almost 80% since December last year and, with the fuel crisis carrying a large portion of the blame for the increases, SAA said yesterday it was again forced to increase fares.

Domestic fares would have a fuel levy of 8% added from December 10

International fares, which had increased by about 20% since last October, would rise 8% and cargo rates would be upped by 7%.

There have been seven increases in domestic fares since December, and four increases in international fares since last November

SAA spokesman Leon Els said that between August and November this year, SAA's fuel bill had risen by 128% (or R1,5m a day) and its fuel bill as a portion of operating costs had risen from 20% before August to 41%.

The cost-cutting measures imposed last month by SAA would result in more than R70m being saved until its financial year end in March 1991, Els said

But the continuing high price of jet fuel had forced all international airlines, including SAA, to decide this week at a meeting in Geneva to impose a further fuel levy in an effort to recover losses

Els said the airline was adding cost-saving measures "all the time as well as looking at ways of increasing revenue.

"But we will not lower the standards or level of services on flights," he said.

SAA had already cut all advertising.

Petrol price may be cut this month

 ZILLA EFRAT (264)

THE pump price of SA's petrol was likely to be reduced in the middle of November, an informed source said yesterday. *810am 7/11/90*

This was because world oil prices had fallen below the \$37,50 a barrel level on which October 19's price rise was based.

At that time, world oil prices were hovering around \$37 and \$40 a barrel and the National Energy Council gave the assurance that consumers would benefit if crude oil prices decreased in the future.

Since then world prices have been lower, despite a built-in war premium of about \$15 a barrel. While the price briefly touched the \$27-a-barrel level two weeks ago, it has been trading at about \$33 a barrel recently.

Yesterday world oil prices drifted lower in a market that lacked news, Sapa-Reuter quoted traders as saying in London.

Trade was thin with many market players inactive.

North Sea Brent crude for December delivery closed at \$31,85, marginally up on Monday's close.

An NEC spokesman yesterday declined to comment on a possible fall in the pump price of petrol.

But he said the NEC was reviewing the position of the Equalisation Fund as it stood at the end of October

Cheaper petrol as oil price falls?

CAA Tint
7/11/90
244

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Cape could be 'oil centre'

Own Correspondent

JOHANNESBURG. — South Africa has quietly begun to "monetise" its strategic crude oil stockpile, the international newsletter Petroleum Intelligence Weekly reports.

It said reports of actual sales from the stockpile could not be confirmed, but SA's strategic fuel fund had entered into financing arrangements with oil traders and banks designed to give SA some current or near-term return on future stockpile sales

It said that if sanctions were lifted SA could become an oil hub of global importance, with Cape Town becoming a major export-refining centre.

SA's pivotal position on trade routes from the Persian Gulf gave it a vantage point to sell to Africa, South America and southern Asia, the report said.

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But he said the NEC was currently reviewing the position of the Equalisation Fund — which serves to even out the impact of fluctuating world oil prices — as it stood at the end of October.

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Fuel Christmas cheer likely

Sowetan 8/11/90
THE Government hoped to bring the fuel price down before the Christmas holidays if the oil price stayed low, Mineral and Energy Affairs Minister Dawie de Villiers said yesterday.

But he warned that the Gulf crisis could wreck these plans. War looked more likely than peace.

De Villiers said the Government did not want to "play yo-yo" with motorists by continually dropping and raising the price.

But the Government would study

the October recovery figures when they became available, keep an eye on the Gulf situation and try to pass lower oil prices onto the motorist as soon as possible.

"I hope this is before the Christmas holidays."

The present pump price, set on October 19, was based on an oil price of 37,50 US dollars a barrel. Since then the price has dipped to 27 US dollars a barrel and then risen to about 33 US dollars. - *Sowetan Correspondent*

Potatoes: Consumers urged 'shop around'

Sowetan 8/11/90
THE Potato Board has called on consumers to shop around (even buying vegetables directly from fresh produce markets) in reaction to complaints that retailers were excessively marking up potato prices.

The Potato Board was approached about reports that recently introduced 10kg bags of potatoes were being sold at a much higher pro rata price than the 15kg bags. A random survey in Johannesburg recently showed that 15kg bags of medium-sized potatoes were being retailed for R7,99, compared to R8,99 for a 10kg bag - leaving a pro rata disparity of 68 percent.

According to figures supplied by the Potato Board in Pretoria, the disparity at the markets was a mere 13 percent, with 15kg bags going for R7,57 and 10kg bags R5,71.

A Potato Board spokesman said the distortion apparently appeared in the retailing sector because of the "extreme popularity" of the 10kg bags.

"They are easier to handle and for that reason the demand is higher."

The price difference could also be ascribed to the fact that the 15kg bags contained older potatoes from the West Free State while the 10kg bags contained fresh Northern Transvaal tubers.

He said there was no control on the retail or producer price of potatoes, and that prices were wholly determined by market forces.

For this reason, he said, consumers should shop around. He said members of the public were welcome to buy directly from the markets.

Retailers would push their prices to whatever levels the public was prepared to pay. This was a basic tenet of capitalism.

The spokesman said producers still had a big supply of the old 15kg bags in stock, and because of the price equity between the 10kg and 15kg bags at the markets there was no pressure on them to switch to 10kg bags - *Sapa*

People v prices: *Struggling to survive on rural wages*

Fight to stay above the breadline

w/ Mar 9/111 - 15/11/90
**CRITICAL
CONSUMER**

Pat Sidley



I STAYED in a hotel near Rustenburg this week that pays its staff in the region of R150 to R250 a month, depending on the type of job. Some members of staff also get a roof over their heads, and some food.

But the degree of difficulty they must have in supporting their families and contributing to their own quality of life strikes home after a trip to the local café — a typical rural general dealer with all the goods needed to sustain life.

A loaf of brown bread at the new (still controlled) price of R1,05, a litre of milk at the uncontrolled price of R1,90 (higher than at many places in Johannesburg); half a dozen medium eggs at R1,50; mielie meal at R3,50 for 2,5kg and a can of coke for less than the milk at R1,20 are what many people would buy on a regular basis.

For the cleaning woman earning R150 a month, the amount would not sustain life in any meaningful way, nor would it keep her children from malnutrition. The prices simply do not bear any relation to wages — when there are any wages at all.

The food inflation rate has been increasing at a higher rate than the general inflation rate all year. For the year ended in September, the food-only consumer price index rose 17,3 per cent — before the recent spate of petrol price increases, which will add to the prices everywhere and be exaggerated in country areas.

The leading items contributing to the food price increases are fresh fruit and vegetables (which ward off many significant malnutrition-linked diseases), milk, eggs and dairy products. None of these items are governed by price controls.

Agriculture minister Jacob de Villiers says he believes free enterprise will keep the price of bread down when controls go. The evidence shows the contrary: as soon as controls go, prices leap up and keep on moving.

Perhaps the old days of inefficient control boards were not so bad after all — with a few modifications.

It operated in a system including co-operatives, single channel marketing and guaranteed prices to farmers. The system meant farmers were ensured that their costs were covered, whole-

salers could not make a percentage fee — as this was where the co-operatives and control boards operated — and, in many instances, retailers, millers, bakers and other producers were restricted from charging what they liked.

The problem was that the system was open to corruption. It protected a small minority of landowners (white farmers) and saw to it that their interests were paramount.

Now with subsidies all but phased out, price controls about to bite the dust and tax on all foods about to send the rest of the prices through the ceiling, it is time to find a way to get food into mouths.

It is a question the government is giving thought to, and one which many charities, like Operation Hunger have been working with for some years.

And unless private enterprise gives some constructive and unselfish thought to the idea, they may find themselves nationalised by the ANC which is also looking at the problem of how to feed everybody.

The government, according to well-placed sources, has looked at the idea of food stamps and rejected them as being difficult to manage and open to corruption. Apparently, it favours the idea of subsidising charities so that Operation Hunger, say, would get government money to ensure that it fed the many millions who are hungry.

Pick 'n Pay and even some of the control boards favour the reintroduction of subsidies.

The current vogue among white free marketeers, and the minister of agriculture, is to imagine that competition will keep prices low. But in the dairy industry (and a few others) this is thwarted by the licensing system which ensures there is only one dairy per area.

An idea floated by an economist recently suggested that instead of increasing basic food prices, and instead of putting Value Added Tax on to those currently exempt from GST, the government should tax luxury imported goods further.

Whatever measures are resorted to in an attempt to feed the population, they ought to be dealt with urgently — or there is a possibility that instead of the kind of violence South Africa has been hit with at the moment we will have bread riots.

Petrol

AKUS 9/11/90

price

244

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Miss World

LONDON. — Gina Marie Tolleson, a 1,8m, brown-haired American beauty, won the Miss World contest, beating 80 contestants for the title.

A panel of judges last night chose Miss Tolleson, 21, of Spartanburg, South Carolina, as the 40th Miss World

Miss Ireland, 20-year-old air stewardess Slobhan McClafferty, came second and third place went to 19-year-old Miss Venezuela, dance teacher Sharon Raquel Luenso Gonzales. — Sapa-Reuter.

python eats baby

A six-metre python killed an Indian girl this week and on finding her Indian five month-old baby.

Sumatra said the woman was found in a jungle by her husband, crushed to death by the snake, running from ankle to head by was missing.

When their mystic, the villagers hunted for the snake. Tracking one down two days after it disappeared, they cut it open and found the body of the child.

The woman had apparently been deterred from entering the jungle by the large straw basket she had on her back. — Sapa-Reuter.

swallows kittens

Independent

The Fitzsimons Snake Park has a new inhabitant — a black mamba which swallows kittens.

Owner, Mr John Akers, said today he had a house yesterday after a mamba had eaten a kitten.

Staff Reporter

FUEL prices will be cut by 15c a litre on petrol and 9c a litre on diesel from Monday because of lower crude oil prices.

This was announced today by the Minister of Mineral and Energy Affairs and Public Enterprises, Dr Dawie de Villiers.

Wholesale diesel for agriculture, forestry and fishing would come down by 8,3 cents a litre

Paraffin will be 3c a litre cheaper.

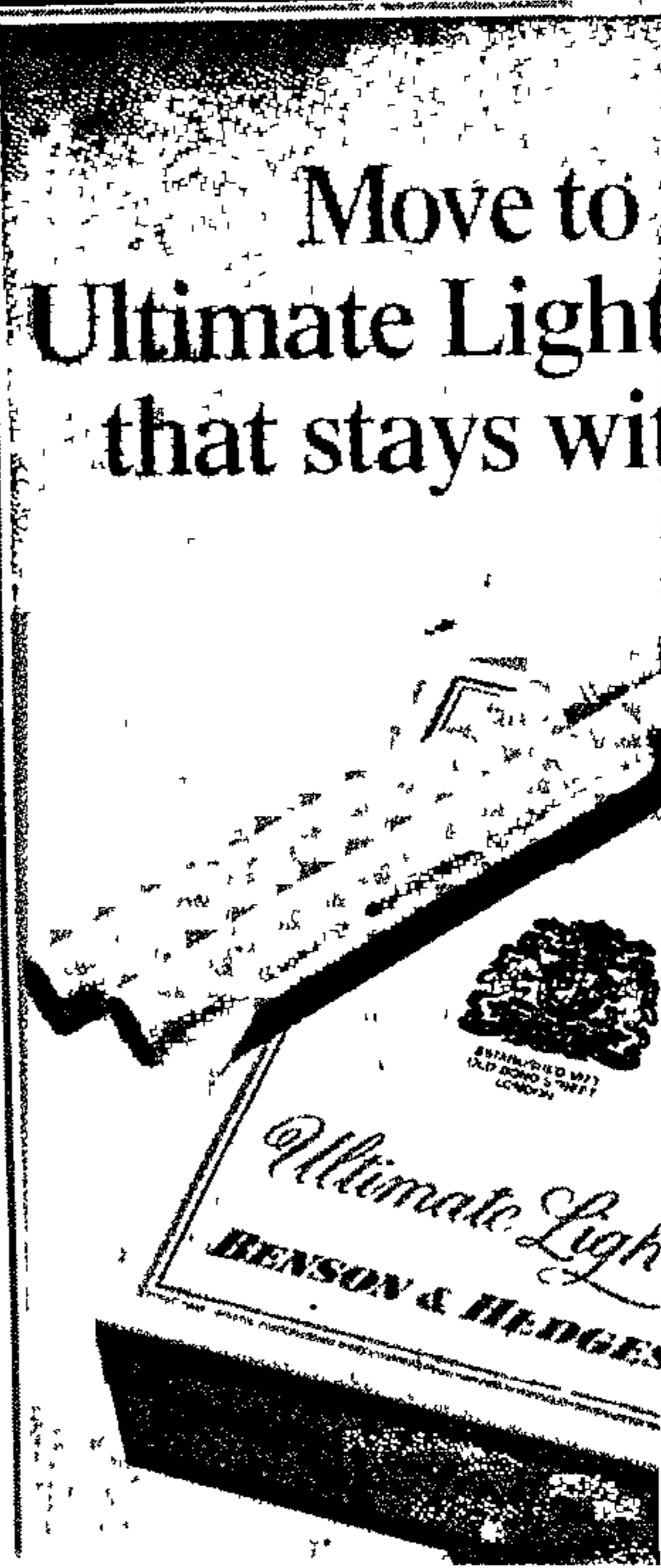
Over-recovery

Lower crude oil prices had resulted in an over-recovery on petrol and diesel, Dr De Villiers said. The government had decided to pass the saving on to consumers.

The new price levels reflect an average crude oil price of about 32 dollars a barrel.

Fuel prices recently went up to their highest levels ever when a record 32c a litre increase took the price for 97 octane to R1,55 and 93 octane to R1,51.

From Monday, at the coast, a litre of 97 octane will cost R1,40 and 93 octane R1,36.



Petrol Cut Reduces Bus Fares

Cape Times
10/11/90
244

Staff Reporter

CITY bus fares are set to drop following yesterday's 15c per litre decrease in the petrol price — but recently-increased air fares, train fares and inter-city bus tariffs will remain unchanged.

City Tramways managing director Mr B W Gie said yesterday the company "supports a decrease in bus fares and will announce the extent and date later".

Companies who had increased their prices because of the petrol hike "should now reduce them to a certain extent", Pick 'n' Pay managing director Mr Hugh Herman said yesterday.

September's record petrol price of R1,55 for 97 octane has decreased to R1,40 and 93 octane from R1,51 to R1,36, with effect from Monday. The diesel price decreases from R1,41 to R1,32.

The reduction in price was announced by Mineral and Energy Affairs Minister Dr Dawie de Villiers yesterday.

Lower crude oil prices had resulted in an over-recovery on petrol and diesel, and the government had decided to pass the lower fuel price on to consumers, he said.

He warned, however, the price decreases could be temporary, as it was not possible to forecast the future price of crude oil due to events in the Persian Gulf.

While bus fares are set to decrease, those using other modes of transport will not enjoy the same reductions.

SAA spokesman Mr Mike Pfeiffer said yes-

To page 2

From page 1

Petrol

terday the price of jet fuel had risen by 128% since August and had not dropped with the petrol price decrease in the same period the airline had only increased air fares by 10 to 14%.

Spoornet have no plans to decrease train tariffs. "We run on electricity and the recent tariff increases have nothing to do with the petrol increases," Spoornet spokeswoman Ms Evette Olwage said yesterday.

Recent inter-city bus fare increases, ranging from 5% to 15%, remain unchanged.

Autonet spokesman Mr Christo Bester said yesterday: "We will not be lowering our fares. However, the fuel price decrease would avoid another price hike in the near future."

The Automobile Association has appealed to commerce and industry to review any recent price increases and to pass on any savings to the consumer.

The Democratic Party also appealed to all producers and distributors to pass any decreases on to consumers.

"Inflation is public enemy number one against economic growth, which will be so necessary in bringing about the new South Africa," the DP's acting energy spokesman, Mr Geoff Engel, said in a statement.

The Cape Times financial staff reports that economists labelled yesterday's announcement very favourably. Most expected the inflation rate to drop by about 0,5% as a result.

Star 10/11/90

Public asked to help with survey

244

A SURVEY to obtain information on spending patterns for the compilation of the consumer price index (CPI) and South Africa's inflation rate has run into an unexpected problem. People do not want to complete the questionnaire.

The survey is being conducted by the Centre for Statistics of the Human Science Research Council (HSRC), which has now appealed for cooperation from the public so reliable information can be obtained and the CPI and inflation rate can be calculated.

"The fact that the general public does not realise the importance of this kind of survey makes people hesitant to provide information," the HSRC says.

"With the questionnaire, it can be determined how much households spend on food, housing, transport, clothes, recreation, etc.

"The extent to which the price of such a 'basket' of goods and services changes is used to determine the inflation rate

ROY COKAYNE

The composition of this 'basket' is regarded as the spending pattern.

"This changes continuously and must be determined every five years."

Information obtained from the questionnaires is also be used to calculate the average cost of food consumed, average housing cost and other economic and social indicators.

The CPI and the inflation rate have an influence on government policy with regard to such things as interest rates and price rises.

The survey is being done in 13 areas — Pretoria, Cape Town, Port Elizabeth and Uitenhage, East London, Kimberley, Durban, Pietermaritzburg, Bloemfontein, Free State goldfields, Klerksdorp, Vaal triangle, Johannesburg and the rest of the Witwatersrand.

The HSRC says revision of the index on which the CPI is based requires scientific calculations based on 16 000 questionnaires.

Mixed reaction to cheaper fuel

By SANDILE MEMELA

MIXED reaction greeted the announcement by Energy Affairs Minister Dawie de Villiers on a 15c petrol price reduction from tomorrow

The informal sector almost dismissed the petrol decrease while retailers welcomed it as a measure that would aid the embattled consumer

De Villiers said lower crude oil prices had resulted in over-recovery on petrol and diesel and government had decided to pass the lower price on to consumers

South Africa Black Taxi Association (Sabta) public relations manager Fanyana Shiburi said the price reduction would not result in lower fares

"The announcement will not bring any serious changes in taxi fares as we have tried to absorb increases so as not to adversely affect commuters," he said.

Shiburi said his organisation was not going to introduce increases in the near future.

African Council for Hawkers and Informal Businesses president Lawrence Mavundla called for a bigger price reduction. "We believe petrol prices should go down further because it is a commodity that cannot be done without. Although the reduction is a good step, the government must still go the whole hog to make life affordable to ordinary people"

He said spaza shops have been without a number of basic foods like bread recently because of the petrol price

But Pick 'n Pay general manager Mike van der Merwe said the price reduction was very welcome

"We hope this will have a considerable impact on the running costs of a number of companies. Hopefully, the decrease will stop manufacturers from asking for further increases from the retail industry," he said

Van der Merwe said the price reduction could make basic commodities more affordable.

"We are relieved that government has heeded calls by the business community and consumers to lower the price as soon as it became possible," said Checkers MD Sergio Martinengo

Only Putco passes on fuel price cut

B1 Day! 12/11/90

Business Day Reporters

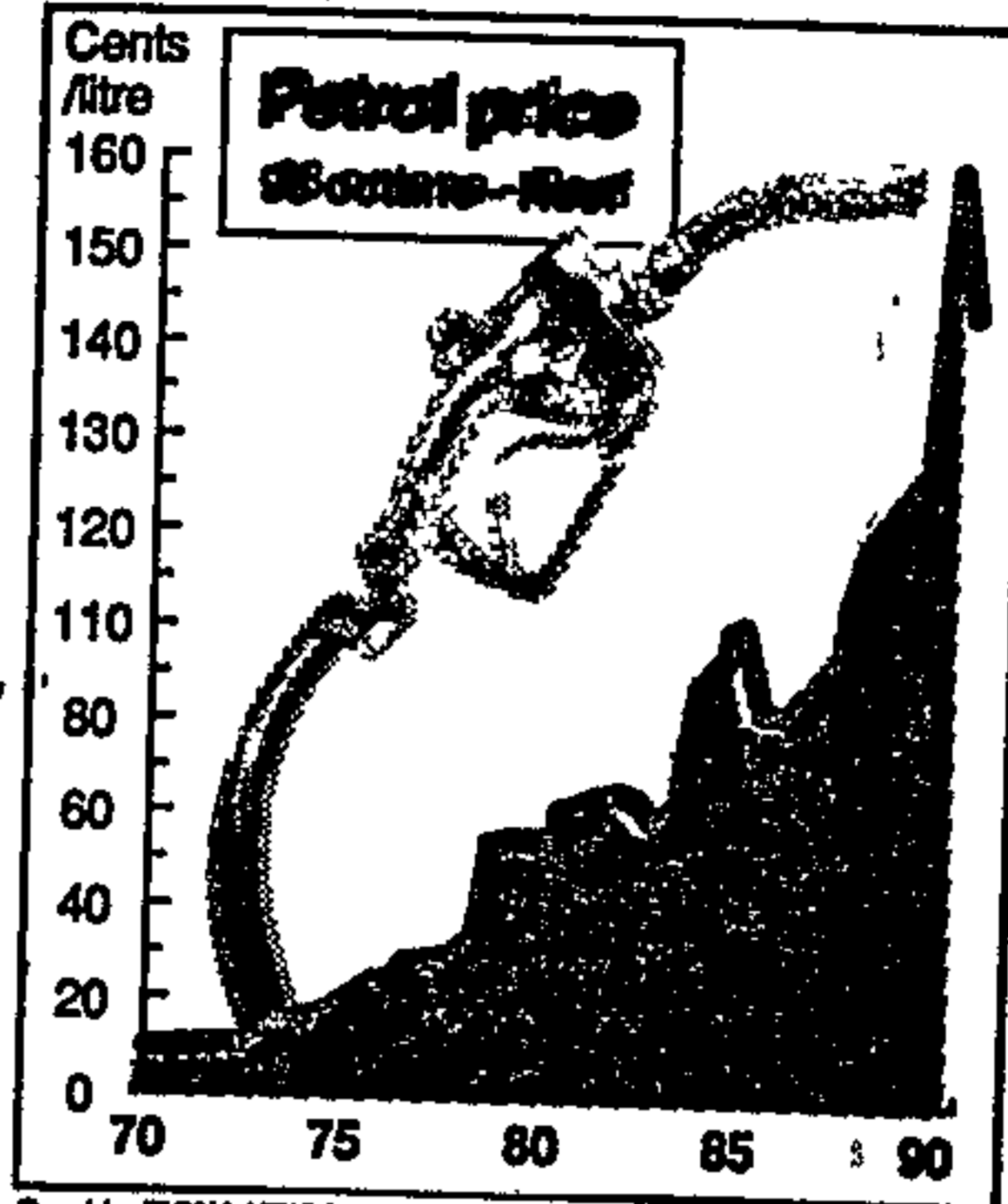
COMMUTERS using Putco buses will benefit from today's drop in the petrol price, but not so taxi or SAA passengers.

Economists and motor industry spokesmen see the drop — 15c/l in petrol and 9c/l in diesel prices — as having a psychological rather than economic effect, although they say it might knock 0,4% off the inflation rate

Sapa reports that Tony Twine of the private economic thinktank, Econometrix, said a fall in the consumer price index would be felt only in December. He said October's 32c/l hike in the petrol price still had to affect inflation. Inflation for November should be around 15,3%, but with the latest petrol price fall the figure for December should sink to about 14,9%.

National Association of Automobile Manufacturers of SA (Naamsa) executive director Nico Vermeulen said the effect of the latest price cut would be more psychological than economic. The fall should be seen against a background of the two previous increases — 10c/l in September and another 32c/l last month.

However, the reduction should give a lift to business morale



Graphic: FIONA KRISCH

Putco's human resources GM Isaac Tait said recently increased bus fares would definitely come down in the light of the decrease in the diesel price. The new fares would be announced in a fortnight after the required recalculations.

However, Sabta projects co-ordinator

□ To Page 2

Fuel price *B1 Day! 12/11/90* □ From Page 1

Tebello Radebe said he doubted taxi fares, which were increased last month, would revert to the previous level. Taxi fare increases were the result of high interest rates and escalating costs of vehicles and spare parts, and not only of petrol increases.

SAA also planned no air fare decrease in line with the petrol price drop, spokesman Mike Pfeiffer said yesterday

He said there was a difference between aviation jet fuel and standard motor vehicle petrol.

"All I can say is that we are waiting to hear whether or not there will be a price drop, but at this stage nothing has been planned," he said

Meanwhile, a government source in Pretoria said government was determined not

to yield to the temptation to use SA's vast reserves of crude oil either to lower or maintain fuel prices.

Until all threats of interrupted supplies of crude from abroad were eliminated — which might be only when sanctions were totally removed — SA fuel users would have to pay market-related prices even if this meant frequent price adjustments.

Mineral and Energy Affairs and Public Enterprises Minister Dawie de Vilhiers warned at the weekend that the fuel price cuts could be temporary

He said it was impossible to forecast future crude oil prices or events in the Middle East, but stressed that any future increase in crude prices would again result in fuel price rises.

● Comment: Page 4

Increase in red meat floor price to 'curb fluctuations'

ACHMED KARIEM

THE floor prices for red meat for 1990/91 would be raised today in order to keep them market-related, Meat Board chairman Fanie van Rensburg said on Friday.

He said although beef and mutton prices were expected to drop at the beginning of 1990 by 4.9% and 6.9% respectively, the actual decrease was 4% and 12%.

Pork prices slumped by 10.4% in the first three quarters of 1990.

"This decrease contributed to a marked decrease in consumer prices of red meat, especially from July," he said.

Van Rensburg said the floor price of beef would increase to 419c/kg from 375c/kg, which was 30c/kg less than the average auction price.

"An expected increase of about 18% in the supply of beef will also serve to curb price fluctuations."

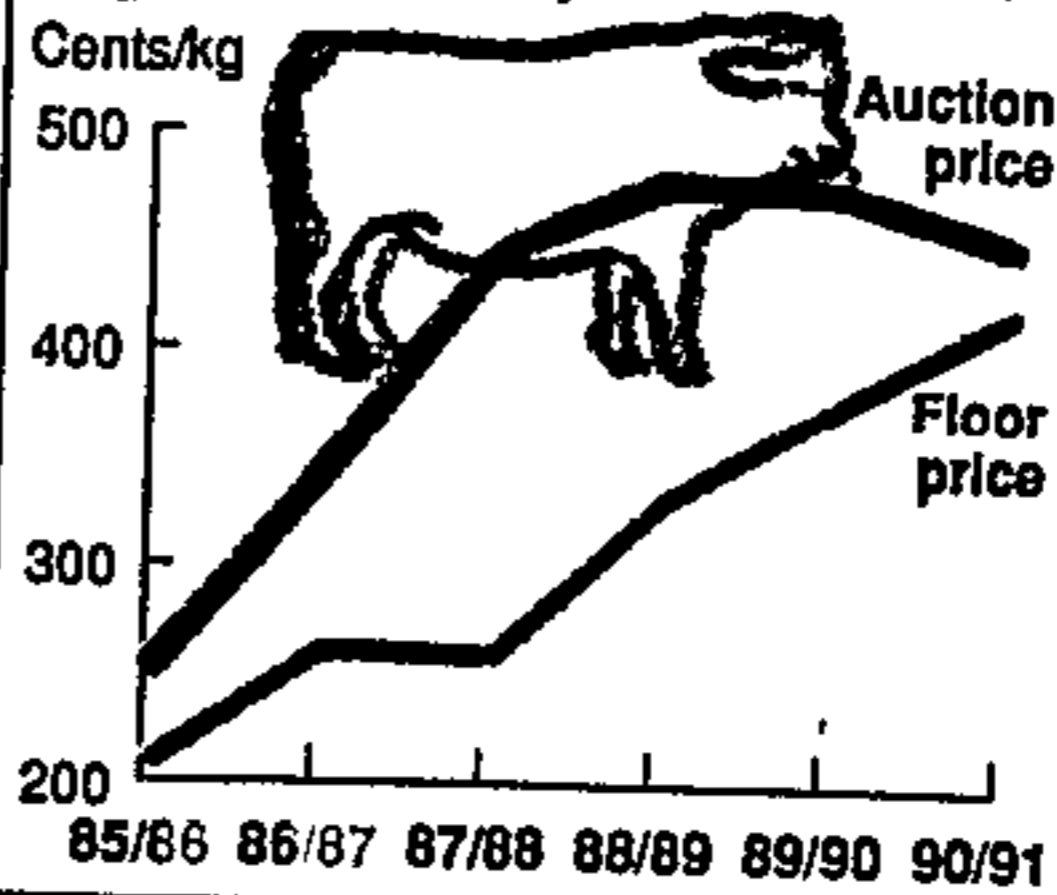
He said the floor price of mutton and lamb would be adjusted to 522c/kg from 488c/kg, which was 12% lower than the auction price.

The new floor price of pork — raised to 314c/kg from 289c/kg — was only 6% lower than the average auction price, he added.

There were already visible signs of farmers quitting the pork industry.

"If this trend should continue, the present good supply of red meat would soon change to a situation of short supply with its characteristic price leaps," Van Rensburg said.

Average auction prices against floor prices of beef



Graphic: FIONA KRISCH Source: MEAT BOARD

Bidan 12/11/90
He said the proposed floor price increase should not have a negative effect on auction prices, but should contribute towards removing price leaps.

Checkers Fresh Meat deputy MD Ernie Smith said his only concern was the trading price which was consistently higher than the floor price.

Smith said farmers "could not lose" because during demand times they withheld meat forcing up prices, and at other times they glutted the market whilst enjoying a higher minimum floor price.

Pick 'n Pay Butcheries MD Guy Hawthorn said the Meat Board's adjustment of floor prices would have no effect on what the food chain would charge consumers.

Star 12/11/90 (244)

Red meat prices dropping, says chairman of board

Pretoria Correspondent

Red meat prices have dropped in the past few months and this trend should continue over the Christmas period, says Meat Board chairman Dr S J J van Rensburg

He told a press conference in Pretoria that there had been a marked decrease in consumer prices of all red meat since about July

This trend was expected to continue and there was no reason for red meat shortages or sudden price increases during the Christmas holidays

However, if prices did rise over Christmas, this could be because of the exploitation of consumers' tendency to spend more freely during the festive season

Dr van Rensburg said the Meat Board did not expect a shortage of meat over Christmas, but if there were shortages, the board would step in to supplement the supply

The announced increases in the floor prices of meat for 1991 would not affect consumer prices. Floor prices were aimed at ensuring long-term stability for producers.

"This trend is most evident among pork producers. If this trend should continue, the present good supply of red meat would soon change to a situation of short supply with its characteristic price leaps."

The floor price of beef will rise from 375c to 419c/kg next year, and the floor price of mutton and lamb will go up from 488c to 522c/kg

CAP Tint 13/11/90

SAA fares to dip with fuel?

Own Correspondent

JOHANNESBURG. — SAA's R5 million daily fuel bill could be reduced — and fares subsequently lowered — when international airline representatives meet in Geneva on Thursday to negotiate with suppliers for a new jet fuel price in December.

SAA chief spokesman Mr Leon Els said yesterday if there was a "dramatic decrease" the airline would evaluate the impact of the new fuel costs on its operating budget and whether any decrease could be passed on to passengers.

But an increase would not necessarily be passed on to passengers, he added.

Thursday's routine monthly meeting of the International Air Transport Association (Iata) will

negotiate an international jet fuel price with suppliers for the forthcoming month

Mr Els said SAA had increased fares by only 10% and not 20%, which would have been in line with increased operating costs when fuel prices rocketed at the time of the Iraqi invasion of Kuwait.

He said the Gulf crisis had boosted SAA's fuel bill to R5m a day, although independent calculations showed the figure to be much higher.

Another SAA spokesman, Mr Mike Pfeiffer, said that in August it cost SAA R33 000 an hour to keep a Boeing 747 flying. The cost was now R75 240, a 128% increase.

An average SAA flight to Europe takes between 12 and 16 hours, depending on the destina-

tion. On an average 14-hour flight SAA is paying just over R2,1m for a round trip

Mr Els yesterday said he could not confirm these estimates

He said SAA flew 22 overseas return flights, 21 regional return flights and 620 domestic flights a week.

Calculations show that on international flights alone SAA's fuel bill comes to R46,332m a week or R6,6m a day

Mr Els said the airline was hoping to make savings of up to R70m by the end of the current financial year as a result of several cost-cutting measures — including the cancellation of a major advertising campaign to promote SAA's two new Boeing 747-400s which will be delivered in 1991

PPI rises 11,8 percent

Star 13/11/90 244
Finance Staff

The year-on-year rise in the producer price index jumped 1,3 percentage points to 11,8 percent in September, largely as a result of the 10 percent fuel price rise

The much larger fuel price rise in October, still has to be reflected.

Prices of locally produced goods rose 13,6 percent on an annual basis, up from 12 percent in August and 11,6 percent in July

Due to a stable exchange rate, the price of imported goods rose at an annualised rate of only 4,4 percent in September, up 0,3 percent on August

Star 13/11/90 ~~Star~~ 244

Red meat shop prices safe from increase

The new floor prices for red meat which came into effect yesterday will not cause consumer prices to rise.

This assurance has been given by Dr Jan Lombard, chairman of the Redmeat Producers' Organisation in the South African Agricultural

Union

Expressing the meat industry's appreciation of the new floor prices, Dr Lombard said the modest extent of the rise would probably be only to the detriment of the sheep farmer, who would not benefit from the increased floor price.

Higher PPI aggravates inflation

By Duma Gqubule

The rate of increase in the producer price index (PPI), which jumped 1,3 percentage points to 11,8 percent in September, has provided another setback in the battle against inflation

With October's 26 percent fuel price rise to be reflected in November's PPI figure, economists say the increase in the PPI could rise to 14 percent by year-end

But the average increase in the PPI for the year — likely to be around 12 percent — will be well below last year's average of 15,2 percent

Central Statistical Services figures show the month-on-month rise in the PPI was 1,7 percent (2,1 percent seasonally adjusted)

Higher prices for coal and petroleum products contributed 0,8 percent to the month-on-month increase

Other categories showing large increases were clothing (three percent), other food products (3,1 percent) and electricity, gas and water (4,3 percent)

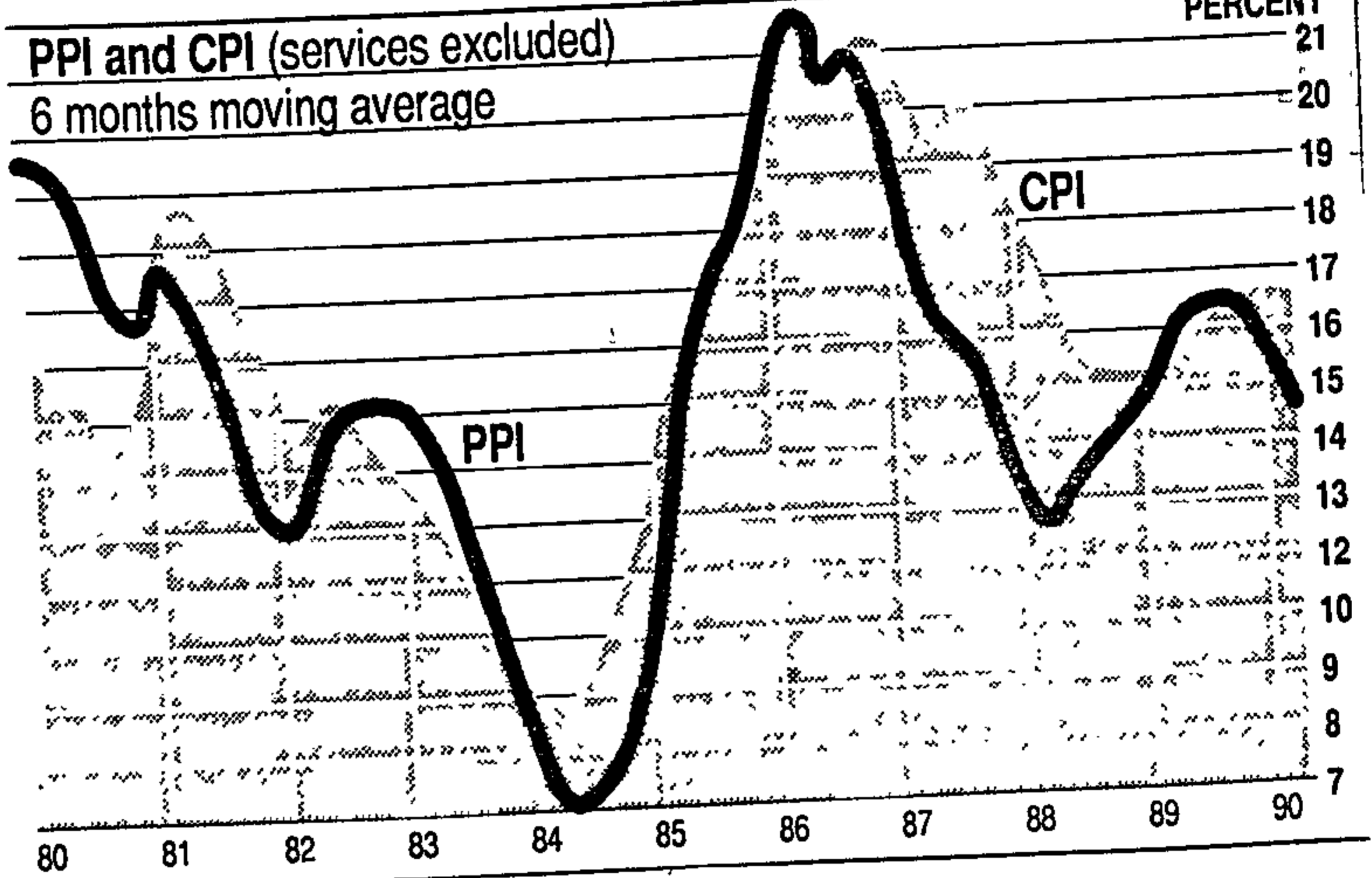
Prices of locally produced goods rose 13,6 percent (12 percent in August) on an annual basis and prices of imported goods rose at an annual rate of 4,4 percent (4,1 percent in August)

Although the basket of commodities used to calculate the PPI is different from that used for the consumer price index (CPI), price movements of the CPI and the PPI are closely correlated.

The CPI has a 40 percent services component, while the PPI includes only commodities

The CPI also includes GST of 13 percent, while the PPI, which measures prices at the wholesale level, does not

Economists say the CPI follows the PPI by two to eight months, depending on inventory levels



Red meat prices have dropped (244)

THE price of red meat has gone down more than it was speculated for 1990.

At the beginning of the year beef and mutton prices were expected to decrease by 4,9 percent and 6,9 percent respectively.

Sowetan 14/11/90
The actual decrease was four and 12 percent. Pork prices decreased by 10,4 percent during the first three quarters of 1990. The decrease contributed to a marked decline in consumer prices of red meat, especially from July.

The auction prices of meat are determined by factors such as demand for and supply of the product, in which connection the price against the available funds of the consumer is decisive.

As from 1988/89 the policy has been to prevent excessive price rises and fluctuations by keeping floor-price adjustments market-related with a view to long-term stability for the producer and constant availability of red meat for the consumer. - *Sowetan Reporter*



President F W de Klerk speaks at the induction ceremony in Pretoria yesterday where former Namibian administrator-general Louis Pienaar, centre, was sworn in as a cabinet minister and Vryburg MP Johan Scheepers was sworn in as Deputy Minister of Law and Order.

Picture: ROBERT BOTHA

● See Page 6

VAT 'may push up fuel price'

8/5a 15/11/90
THE petrol price could be pushed up again when the Value Added Tax (VAT) system was introduced, Econometrics analyst Tony Twine said yesterday

Twine said GST was not levied on petrol as it was part of the consolidated fuel levy included in the pump price, and consequently the addition of VAT could increase the fuel price.

Naamsa director Nico Vermeulen said although he believed VAT's effect on the fuel price had not been determined yet, Naamsa had sent a submission to government suggesting the GST portion of the levy be removed before VAT was introduced. Vermeulen said if government

MARC HASENFUSS

failed to revise the consolidated fuel levy by removing GST, the subsequent addition of VAT would distort the fuel price by a double taxation.

Motor Industries Federation (MIF) executive director Vic Fourie said an MIF representation to government argued for the inclusion of VAT within the pump price, once the 8,4c a litre GST in the fuel levy was removed.

Tax experts were unsure of the effect VAT would have on the petrol price. Analysts believed that VAT, likely to be introduced at an initial rate of 12%, would not be added to the fuel price on top of GST.

One expert said. "If VAT is added

government will surely have to revise the consolidated fuel levy."

This goes unspecified into state coffers, and is used mainly for the building and upgrading of roads.

An oil company spokesman said it appeared that oil companies, fuel distributors and related industries had last week submitted possible scenarios on how VAT should be incorporated in the fuel price for consideration by Vatcom, the government-appointed committee investigating the introduction of VAT

It would make the final decision, a National Energy Council spokesman said. Vatcom chairman Org Marais could not be reached for comment.

Council in 1986

Cigarettes are to go up in price

(244)

THE price of cigarettes is to go up

The price of a packet of 10 cigarettes will go up by 3c, a packet of 20 by 6c and a packet of 30 by 9c, an industry source said yesterday

This will bring the price of 20 cigarttes to R1,70 plus General Sales Tax.

Cigarette suppliers and cafe owners were not sure when the price increase would come into effect, some saying from today, while others said it would be phased in

United Tobacco Company confirmed the increase but would not give any further comment

Donovan 16/11/90

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SAA may reduce its fares

By ROGER MAKINGS

SAA is expected to announce a decrease in the price of domestic air fares this week

Fuel prices quoted for December have dropped markedly and the airline hopes to pass this on to consumers.

It could not however say by how much fares would decrease. *S/Times 18/11/90*

Since August this year, it has hiked fares by a whopping 30 percent in a desper-

ate bid to remain viable in the face of rocketing jet fuel prices.

International fares are however unlikely to be affected.

The airline recently applied for an eight percent increase to international fares which is likely to be granted by the government.

Sources said that two different prices are quoted for domestic and international fuel and that the decrease in the latter was marginal.

Eskom launches new tariffs

ESKOM has introduced a tariff system which is likely to save commerce and industry R200m a year.

The utility said yesterday the savings would be passed on to consumers and would translate into a 2% reduction in electricity bills for various sectors.

In addition, night-only users would get a 50% reduction on their electricity bills in the long term, Eskom communications manager Johan du Plessis told a news conference in Johannesburg

He said the new tariffs would offer customers the opportunity of shifting their electricity usage from peak periods to off-peak periods, thereby ensuring a more even demand over 24 hours.

The resultant shift in demand from high to low-cost periods, and growth in night demand, would lead to improvement in operating efficiency and capital savings, which would in turn reduce the average price of electricity in real terms, he said.

"An improvement in operating efficiency resulting from a 5% reduction in the

THEO RAWANA

maximum-demand for electricity is estimated to save R200m per year in generation and transmission costs. This is expected to take five to 10 years to achieve," Du Plessis said.

"The demand for electricity varies considerably during the day and year, with high demand at peak hours (early morning and evening) and very low demands in the middle of the night.

"Because the cost of providing electricity varies from hour to hour, from day to day and from winter to summer, Eskom and its customers have recognised that hourly, daily and seasonal variations in electricity rates are necessary to reflect these changing costs."

Du Plessis said the new "time-of-use" tariff structure should create opportunities for new applications for electricity.

"Practical possibilities included night irrigation of crops, night-time heating of

□ To Page 2

Eskom

green-houses, off-peak foundry work and night storage heating."

AHI executive director Martin van den Berg said the new tariff system was welcome "provided it does not mean that ordinary (day) users will pay more".

The lowered costs would enable local

business to compete better on the export market, he said.

While introducing new shifts would be inconvenient for workers, they would be paid more.

"It would also mean the creation of more jobs," Van den Berg said.

□ From Page 1



SAA fares expected to drop 10%

244
BY DANIEL SIMON

DOMESTIC air fares are expected to drop by about 10% from December 1, providing a saving of about R108 for passengers travelling between Cape Town and Johannesburg in the holiday season

At present, passengers travelling between Cape Town and Johannesburg pay R1 088 for a return ticket. When implemented, a return flight will cost about R980

SAA corporate affairs spokesman Mr Leon Els said the carrier was expected to announce the decrease later today.

"We have received the fuel prices

for December. The price has dropped and we are evaluating, on our operating budget, what decrease to implement," Mr Els said.

He added that SAA's first flight to Kenya in over two decades was still scheduled to depart from Jan Smuts Airport for Nairobi on December 1, despite an announcement by Kenyan President Daniel arap Moi that the agreement had been scrapped

"To date SAA has received no official statement to withdraw the service," Mr Els said

He added that the flight was fully booked, as was a Kenya Airways flight expected to land in South Africa on December 9.

CMT TMTS 21/11/90

Bus fares to drop

244

Staff Reporter

CM-TWIS 23/11/90

CITY bus fares will drop this weekend to reflect the recent 15c-a-litre decrease in the petrol price.

Fares will decrease by up to R1 for a commuter clip-ride and cash fares have been reduced by up to 10 cents a ride from November 25

City Tramways managing director Mr B W Gie said that further decreases would depend on the diesel and fuel price

"The reductions are being made despite the fact that the diesel price was reduced only marginally when the price of petrol was reduced by 15 cents a litre," he said

Scholar clipcards for ten rides will be reduced by 10 cents to R6 50 for children under 13 years and by 20 cents to R9 70 for those between 13 and 17 years Pensioner clipcards have dropped by 10 cents to R5 40

Mr Gie said the government had failed to use the fuel price to promote the use of public passenger transport and called this move "short-sighted"

"It is especially difficult to understand when the vast majority of the population are simply unable to afford their own vehicles Had the diesel price been reduced significantly, the company would have been able to pass on even more substantial savings to bus passengers," he said

23/11/90

244

ES

BUSINESS

Lower rise in food prices keeps inflation in check

By Duma Gqubule

After the setbacks provided by recent fuel price increases, the Reserve Bank's resolve to reduce inflation has received a much needed boost.

In October, the inflation rate, as measured by the year-on-year rate of increase in the Consumer Price Index (CPI), declined by 0,3 percent to 14 percent.

The decline, which was somewhat against market expectations, was largely due to a lower rate of increase in food prices, which in recent months have been holding back the rate of decline.

Food prices in October rose by a month-on-month rate of 0,6 percent and 16 percent on an annualised basis, compared with September when they rose at an annualised rate of 17,3 percent.

Large monthly increases were recorded in the prices of grain products (1,8 percent), "other" (1,8 percent), sugar (1,1 percent), meat (one percent) and fruit and nuts (one percent)

Economists expect inflation to

increase to 15 percent in November because of the 32c/litre fuel price rise in October.

But, they say, inflation will fall back to around 14,5 in December, thanks to the subsequent 15c/litre decline in fuel prices.

Next year inflation is expected to resume its downward trend — provided there are no further increases in oil prices — and sharp declines are forecast for the second half.

Bankorp economist Johan Els forecasts inflation of around 11 percent at the end of next year.

Although the Reserve Bank is pleased with the performance of other monetary indicators — money supply, bank credit and foreign exchange reserves — it seems that meaningful reductions in inflation will be the key to a drop in interest rates

Mr Els says it will probably not be possible to reduce bank and prime lending rates before the beginning of the second quarter of 1991.

"I think the Reserve Bank will

want to be sure the trend in inflation is definitely downwards before it considers reducing interest rates," he says.

Figures released on Wednesday show that the rate of money supply growth had fallen to 10 percent, compared with a nominal rate of growth in the economy of 12 percent, prompting some economists to warn that the tight monetary policies could lead to an overkill situation.

But Simpson McKie economist Graham Boyd says he is not too worried about the possibility of there being too little money chasing too many goods. "The accumulated stock of money in the economy is still high. In the past, the money supply grew much faster than was necessary to finance economic activity. This is why the Reserve Bank has not yet moved to reduce interest rates," he says

Volkscas economist Adam Jacobs says it is quite normal to have low money supply growth rates at this stage of the business cycle.

Aluminium, sugar let Tongaat down

S/Times 25/11/90

A FALL in world aluminium and sugar prices has caused Tongaat-Hulett Group to forecast a 25% decline in attributable profits for the year to next March.

Profits fell by 29% in the first six months to September on a 3% rise in turnover.

Aluminium prices dropped dramatically in the past six months, resulting in a sharp decline in the division's contribution to profits. The plant is operating at capacity. But because about 36% of production is exported, profits were severely dented.

World sugar prices are now showing signs of recovery. The crop was also affected by a long winter drought. In the previous year, these two divisions contributed about 40% each to turnover and profits.

Borrowings

Turnover in the first six months rose to R1,9-billion from R1,8-billion in the first half of the previous year, but operating profits fell by 24% to R146,1-million from R191,6-million.

The interest bill increased to R49,3-million from R44,6-million after a rise in borrowings to R628-million from R580-million. But because of the seasonal nature of farming, it is expected that borrowings will be reduced to about R350-million by the year-end.

This left attributable profit at R61,5-million, down from R86,2-million, equivalent to earnings of 82,3c a share (115,7c). The interim dividend has been trimmed to 23c (26c), cover being a reduced 3,5 times. The last interim was covered 4,45 times.

Aluminium and sugar were not the only divisions to be affected. The building materials division was hit by efforts to slow the economy, political uncertainty and township unrest as well as high interest rates.

The textile division suffered from a reduced demand for fabrics as well as large imports of fabric and yarn, the rise in cotton prices and labour unrest.

This was particularly

By DON ROBERTSON

true at the Hebox plant, SA's largest denim manufacturer. Unrest at Mpu-malanga, where most of the employees live, caused production stoppages.

The food and starch and sweetener divisions increased their contribution to profit. However, it was insufficient to counter

losses in other divisions.

SA is facing an uncertain socio-political future and a depressed economy as well as a worsening international situation, making it difficult to forecast earnings, say the directors.

But trading is usually favourable in the second half and they expect a modest improvement, resulting in a decline in earnings of about 25% for the year.

WEEK IN BRIEF

A SUMMARY of the week's corporate announcements.

MONDAY: Interboard tells members it has recovered assets held abroad, including 120,35-million shares. Buldcor to raise R15,7-million 27 for 100 at 100c each. Interboard renounces its rights 32 for 100. Dicor offer to minorities opens 19/11, closes 7/12.

Drop Inn's sale of property to Berk family approved by general meeting. Greenfield Property suspended. Grovewalk says agreement has been reached to dispose of a material asset.

TUESDAY: SA Brews and Nedcor form Advantage Investment Corporation to serve clients.

WEDNESDAY: Safegro International Fund Management buys 49% of Mercantile Bank. Sub Nigel shares relisted, members warned. Interboard members approve changes.

THURSDAY: Woodrow, which bought the assets of Meter Systems including the rights to use the name, tells shareholders it is not connected with the listed cash shell Meter Systems.

Maxmech's controlling shareholders sell their stakes to Quad Industries at 10c a share, totalling R283 960. They will buy the assets for R500 000. Maxmech will buy Inom Industries from Quad for R3,96-million to be settled in shares and R500 000 cash.

Masterbore to raise R3-million through an issue of convertible debentures to reduce debt. Clegg warns.

FRIDAY: LDR for Focus dividend or bonus share offer is 7/12. LDR for Audiobuild, Abacus rights offers is 30/11. Audiobuild transmuted listing statement appears.

Romens to raise R3-million through 13% convertible prefs 64 for 100 at 35c.

Fintech will acquire 80,1% of a joint venture with Alcatel worth R22,5-million by the injection of STC Business Communications Systems. Alcatel will put in R7,4-million cash.

DON'T CALL US

AFTER WE ARE SOLD OUT!



Lesia: I got poison from cops

By DESMOND BLOW

EVIDENCE of alleged "hit squad" murders which the Harms Commission refused to hear because they occurred outside the borders of South Africa, this week became public at General Lothar Neethling's R1,5-million defamation suit against Vrye Weekblad and *The Weekly Mail*.

The SAP forensic head is suing the newspapers over reports that he had supplied "hit squads" with poison to kill enemies of the government. Neethling has denied all the allegations.

Vrye Weekblad produced a surprise witness in Lesley Johannes Lesia,

who gave evidence that he had worked for Military Intelligence (MI) outside the country and alleged his task was to poison and booby-trap ANC officials.

Judge Johan Krieger must now decide whether Neethling had in fact supplied poison for murders. In a cross-examination Lesia was strongly challenged on his evidence relating to Neethling, but not on his evidence that he had worked externally for MI.

Lesia implied in evidence that he was bitter against MI because they had forgotten him during his three-year detention in Zimbabwe for the murder of Jisri Chliza, the wife of an ANC official who was killed by a booby-trapped television set he had supplied.

Allegations of external murders by the CCB were raised before the Harms Commission, but Justice Harris said he was only empowered to hear allegations of murder within South Africa's borders.

Now Lesia, produced as a surprise witness, has uncovered some of these allegations, although he told the court he never knew whether he was part of the CCB.

Lesia, 54, said he was recruited by two men from MI posing as US

diplomats in 1986

He described how ANC official Gibson Ncube, who worked for Radio Maputo, died from poisoned beer he had delivered to the ANC in Mozambique on the instructions of his "superiors". He said the beer could not be told from normal beer by smell or taste.

Lesia had seen Ncube drinking a can of this beer and Ncube had died about a week later. At the time, Ncube's death seemed to have been caused by a heart attack or paralysis. Lesia also delivered a case of poisoned liquor to the Russian Embassy in Gaborone.

A gold-coloured poison ring with a hidden compartment was handed in as evidence by the defence, who said the ring and other evidence had been released to them by the Zimbabwean Civil Investigation Organisation (CIO), which had found it in a secret compartment in Lesia's car at the time of his arrest.

Lesia told the court the ring was intended to contain poison which could be spilled into drinks to eliminate ANC members.

Lesia said his handler, Bekker, had pointed General Neethling out to him at the Jan Smuts Airport Holiday Inn early in

1987. Bekker had told him: "That's the big boss from the police who is helping us with the stuff (poison)".

He also said he had been taken by Bekker and others to the police forensic laboratory in Pretoria where Bekker had taken delivery of three cases of poisoned beer, and a case each of poisoned brandy and poisoned vodka from a man in a white coat addressed as "Jakes".

Lesia described the laboratory and agreed in cross-examination, when shown recent pictures of the interior of the building, that they differed from his description, but he maintained his description was correct.

Willie Oshry, QC for Neethling, said evidence would be led stating that no Jakes had ever worked at the laboratory. He suggested Lesia had never been to the building.

Lesia insisted he had. Later another defence witness, Ryan Harris, 30, said he had worked at the police laboratory as a national serviceman for two years until 1985, and the name Jakes had come up at the time.

He returned for a "camp" in 1986 and had been introduced to a man called Jakes who was visiting the laboratory.

The case is proceeding

Johannes Lesia... testified he killed the ANC's Gibson Ncube with beer poisoned in police labs.

Christmas jewellery prices cut

JEWELLERY prices this Christmas will be cheaper than they have been for 20 years — discounting inflation — following the abolition of the 20% ad valorem tax in March, Arthur Kaplan Holdings chairman Arthur Kaplan said at the weekend.

Some of these items could be 35% cheaper as the tax was effective at source and not on the end-product, he said. Jewellery in SA was not viewed as a luxury, but as a "sociological necessity," and did not reflect economic downswings. While buyers included black and white consumers, black consumers were generally better off than middle-class whites in terms of buying power and constituted a large section of the buying force.

"Christmas is an emotional highpoint for most people, and jewellery is seen as an emotive present." The industry was also spending a vast amount of money on advertising to create an awareness among consumers of jewellery as a viable gift.

The fall in the price of silver over the past few months would have no impact on

PETER GALLI

gold jewellery sales as silver was a "fashion trend" metal. But the gold price had also fallen from its highs over the past few months. The price of gold and silver jewellery products could not be linked to the price of these metals other factors such as labour and other costs had an effect on the final product price, Kaplan said.

Sterns MD Maurice Hartshorne said Sterns had been building up stocks and were stocking a larger range of silver products (244)

Sterns had reduced the price of all stock by 20% since the abolition of the ad valorem tax and offered quality goods at a lower price this Christmas.

Jewellery Council of SA executive director Mike Goch said the outlook for the jewellery industry for the next year was "most promising" In 1989 two tons of gold was processed into jewellery, while up to October this year more than four tons had been processed

B 1 Day 26/11/90

Transnet keeps increases in transport tariffs below inflation rate

TRANSNET is raising transport tariffs for 1991 by an average of 9%. Harbour tariffs will increase by an average of 10%, rail freight by about 9%, and passenger tariffs by 10%. Crude oil and diesel tariffs will go up by 15%, but petrol tariffs will not rise.

Transnet chairman Marius de Waal announced the new tariffs, effective from January 1, in Johannesburg yesterday. He cited Spoornet's spare capacity as a major factor allowing tariff increases below the inflation rate despite the recessionary economic climate.

Transnet MD Anton Moolman said the hike in diesel rates was high because they were currently relatively low compared with petrol. The ending of the 8% air fuel levy from December 1 would stabilise SAA fares, as long as there was no drastic change in the Gulf situation. Transnet's operations, other than SAA, were insulated from the massive rise in fuel costs. Power for the railways was 85% derived from electricity. He said Transnet had a permanent commitment to keep tariff levels, which rose

by 10% to 12% this year, below the annual inflation rate. Spoornet's concern to remain competitive in a "fiercely competitive" market was the main motive for the low increase, Moolman said. He was confident Spoornet would regain market share from road hauliers and was optimistic it could exploit the potential of the export market. Spoornet's spare capacity enabled it to offer large tariff incentives for exporters. Discounts of 40% on a contract basis were

available for large-scale exporters. Transnet had detected that there was spare industrial capacity in the economy. If this was directed to the export market Spoornet and Portnet would enjoy the benefits of a growth in export traffic, given southern Africa's established rail network. Afrikaanse Handelsinstituut (AHI) executive director Martin van den Berg said yesterday the increases were "as low as could have been hoped for". The AHI was concerned a low tariff policy could damp up the transport group's costs, forcing large tariff rises in the

future, although this seemed not to be the case at the moment. SA Chamber of Business (Sacob) director-general Raymond Parsons said the tariff increases were in line with government's declared aim of keeping them below the inflation rate. The new tariffs were relatively low, given cost pressures from fuel increases. "It is encouraging. Transnet sees increased productivity and better capacity use as the cornerstones supporting the lower tariff increases."

27/11/90

2 Cape Times, Tue:

Fares to go up by 9% average —

Transnet

JOHANNESBURG —
Transnet group tariffs
will be increased by an
average of 9% from Janu-
ary 1, says Transnet
chairman Dr Marius de
Waal.

Dr De Waal said here
yesterday that the in-
crease was lower than
the rate of inflation, be-
cause the state of the
economy had led to a
drop in the demand for
transport. This had
placed a damper on tar-
iff levels

He said Spoornet, in
particular, was not oper-
ating at its full capacity
A strategy of lower tar-
iffs was being pursued to
encourage higher vol-
umes

Dr De Waal said sav-
ings capacity made it
possible to offer mean-
ingful incentives for ad-
ditional export traffic

He announced that
Spoornet passenger
fares would go up by 10%
and the transporting of
diesel and crude oil by
15%

Dr De Waal said he did
not foresee an increase
in the tariffs of South
African Airways in the
short term — Sapa

244

Transnet fares up

STC 27/10/90

Transnet tariffs would increase by an average of nine percent from January 1, Transnet chairman Dr Marius de Waal said yesterday.

The increase was lower than the rate of inflation because of the drop in the demand for transport, Dr de Waal explained.

Lower tariffs would hopefully encourage higher volumes, he said. Spoornet passenger fares would go up by 10 percent. — Sapa.

CPI FIM 30/11/90

UNDER DRIVE 244

The 32c/l increase in the petrol price on October 20 came too late to affect that month's CPI. Calculated on October 7, it showed a year-on-year increase of 14% (September 14,3%). Southern Life economist Mike Daly says the higher petrol price should push inflation to 15% in November. December will show a fall thanks to the November 12 petrol price cut of 15c/l.

One of the highest rates is for alcoholic beverages at 20,9%. Cigarettes, cigars and tobacco also climbed steeply to 19,1%. Fortunately, these contributed little to overall inflation as their weightings are only 1,3% for alcohol and 1% for smokers. Medical care and health expenses, which rose 18,2%, made a bigger contribution with a weighting of 2,56%. Household operations (weighted 3,77%) climbed 18,1%.

Major impact came from a food price rise at 16% and with a weighting of 22,72%.

Transport (weighted at 17,3%) remains unchanged from September's 13,3% — substantially lower than January's 16,8% and August 1989's peak of 25,2%. Deceleration is the result of the appreciation of the rand against the yen. In August 1989, when transport inflation was 25,2%, the exchange rate was R/Y52.

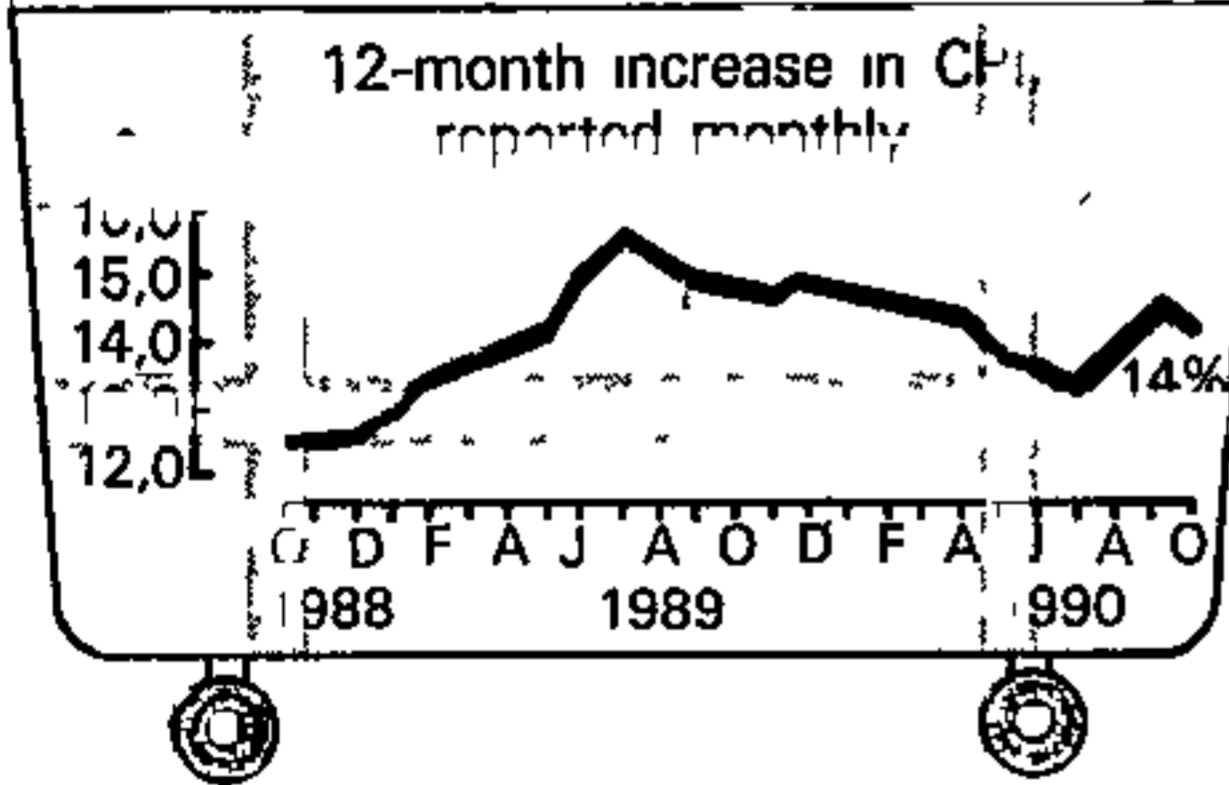
By August 1990, when transport inflation

ECONOMY & FINANCE

FIM 30/11/90

244

New turn



hit a low of 11,1%, the rate was R/Y57.

This kept down the price of Japanese cars and components, says Econometrix's Tony Twine, who estimates that 55% of the car market (which constitutes 62% of new vehicle sales) is held by the Japanese.

However, with the yen strengthening to R/Y51, transport inflation has again climbed.

EASTERN EUROPE

SLOW GOING

Several funds have been created in the past year for investment in eastern Europe. One was launched by press baron Robert Max-

well, the most illustrious of east Europe's business emigrés. His interest in doing business in east Europe pre-dates the current liberalisation. Maxwell's US\$250m investment fund was launched with Merrill Lynch, in September, to take direct stakes in joint-ventures.

Private placement

The First Hungary Fund, launched by Bear Stearns and the Hungarian National Bank last year, through a private placement has so far invested only about \$500 000 in Hungary — most of it in Iboz, the travel company which, as yet, is the only stock listed on Budapest's embryonic stock exchange.

The Hungarian Investment Company, a \$100m open-ended vehicle listed in London, launched by London stockbrokers John Gove, plans to invest 80% of its capital in Hungarian private companies but has yet to make any progress.

Three or four other funds — including a Salomon Brothers \$200m fund for eastern Europe and a \$50m Austro-Hungarian Fund launched by Lloyds Investment Management and the Austrian bank, Creditanstalt, have had similar experiences.

Initial euphoria over investment opportunities, which followed last year's liberalisation of eastern European economies, is fading.

Investment efforts have been bedevilled by the failure of any east European government to make real progress in modernising legal frameworks and Western investors increasingly see returns as long term.

Investment is likely to be regarded as venture capital. Most of the funds sit in Euro-currency deposit accounts, instead of in currently depressed equity markets. While Hungary's government intends to privatise 30 companies by the end of next year, and so boost the equity market, some other funds are looking more actively at direct investment prospects.

Car price rises set to exceed inflation

B/way 10/11/90

(122) (244)

MARC HASENFUSS

NEW vehicle prices are certain to increase above the inflation rate next year, with manufacturers and industry analysts predicting an increase of between 14%-19%.

The National Automobile Manufacturers' Association (Naamsa) expects new car prices to increase by 14,5% as domestic inflationary pressures will continue to hinder manufacturers well into next year.

The primary economic factor affecting new vehicle prices is the fluctuating value of the rand against the yen and Deutsche Mark (Dm).

Strengthened

Toyota SA, the largest manufacturer in SA, forecasts a possible 19% increase in prices during 1991 as the rand is expected to continue depreciating against the yen by approximately 12%.

This equals the inflation rate differential between the two countries.

This year the rand strengthened against the yen, allowing Toyota to contain price increases to 7,8% across the range.

Volkswagen SA predicts it could keep its price increases next year below inflation if it continues to benefit from the favourable rand-Dm exchange rate.

Delta, which sources its models from

Japan and Germany, and prominent industry analysts say price increases will be at around 15%.

Manufacturers are concerned over the Department of Trade and Industry's attempt to recover imbalances in its financial situation by a possible increase in the local content programme.

With the introduction of an additional 2% duty tariff on imported parts, this could lead to a further vehicle-price hike.

Industry sources believe the tariff charge is designed to refill the depleted government fund used for rebate repayments to strong performing manufacturers who have exceeded the 65% local content requirements.

Naamsa director Nico Vermuelen says the duty tariff will be operational for one quarter (December to February) only, and will not have an adverse effect on vehicle prices.

Analysts say the "buy down" trend could intensify if price increases are not kept at a reasonable level.

Almost 70% of new passenger vehicle sales are in the small or light-car sector.

'Foolish' to cut petrol price now

PRETORIA — Another decrease in fuel prices before the end of the year could be ruled out, a National Energy Council source said yesterday

He was responding to speculation that because of the comparatively low crude price, another 10c/l to 15c/l decrease had become possible within the next two weeks

The price of crude has dropped \$5 to \$27 a barrel since a 15c/l decrease in the petrol price was announced on November 12

At current fuel and crude prices, oil companies are overrecovering and the equalisation fund is strength-

ening, the source said
However, taking into account the volatile and potentially explosive situation in the Gulf, it would be unwise at this stage to look at another price reduction.

The source pointed out if a shooting war started, experts had forecast crude price would rocket to between \$60 and \$80 a barrel.

Against that background it would be extremely foolish to announce a further decrease in fuel prices, he said

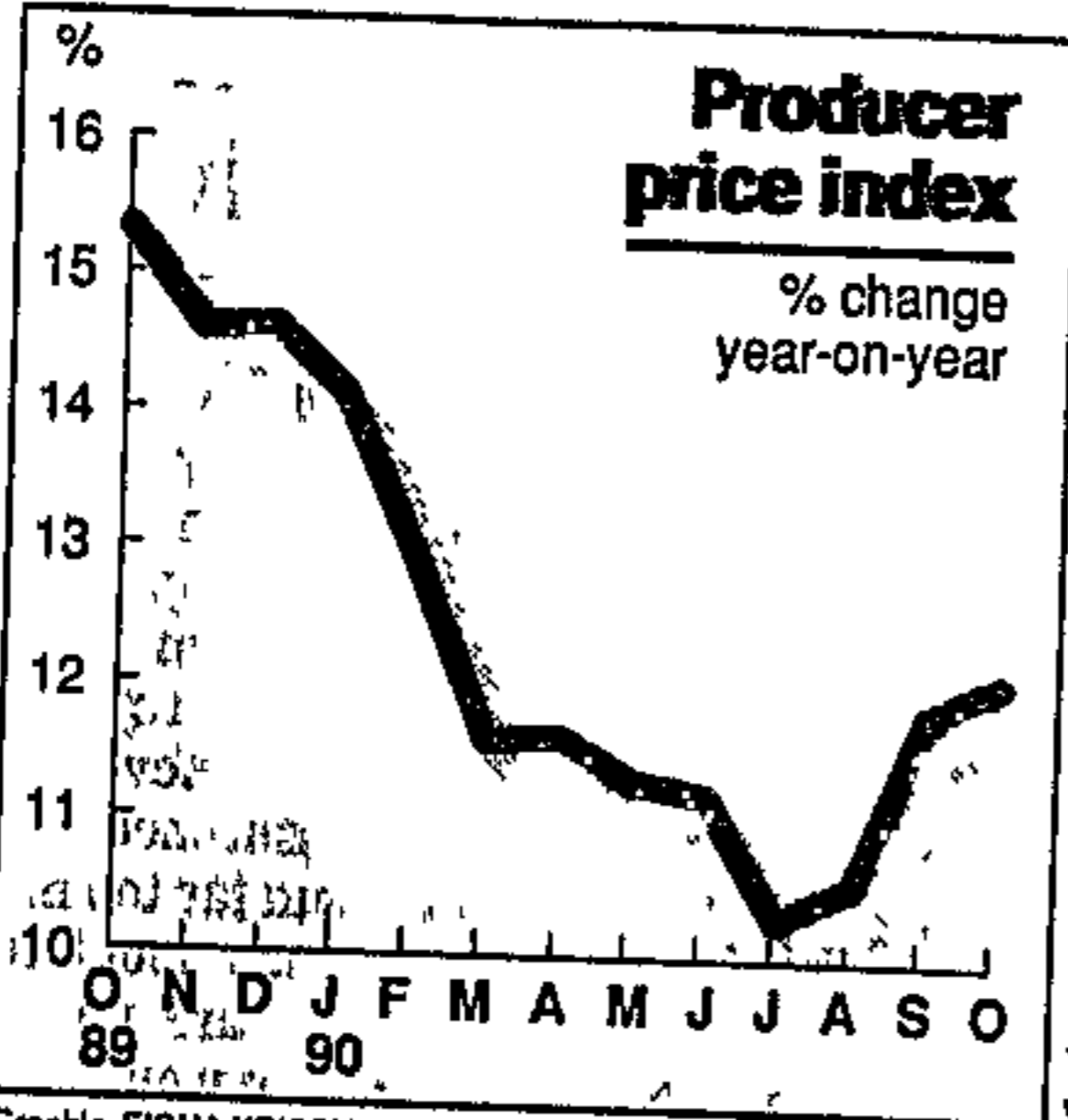
GERALD REILLY

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PPI hit by surging oil prices

SURGING oil prices pushed the annual rate of increase in the producer price index (PPI) 0,3 percentage points higher to 12,1% in October, Central Statistical Service

GRETA STEYN



Graphic: FIONA KRISCH Source: CSS

(CSS) figures showed yesterday.

Producer inflation, as measured by the annual rate of change in the PPI, bottomed at 10,3% in July this year. It peaked at 15,8% about a year earlier.

The CSS figures show a dramatic jump in the rate of increase of imported prices, mainly reflecting the surge in crude oil prices because of the Gulf crisis.

Until October, the remarkably slow rate of increase in imported prices had been the main factor restraining inflation at producer level.

The increase in the imported component of the PPI in October from September was more than 7% — a dramatic change from September's rise of only 1% from August.

The average month-on-month rate of increase in imported producer inputs until September was only 0,2%, reflecting mild inflation abroad and the Reserve Bank's

□ To Page 2

PPI *B/D day 11/12/90*

policy of keeping the rand stable

Old Mutual's Ursula Maritz ascribed the huge month-on-month increase in the imported component to the lagged effects of the high crude oil price, which is measured only when the oil arrives in SA. August and September's figures had not yet reflected the effects of the Gulf crisis.

The local component of the PPI also bucked the trend — it registered no increase between September and October after rising at a relatively rapid rate. The previous two months saw month-on-month

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increases well in excess of 1%.

Sacob economist Keith Lockwood said this was encouraging but not necessarily indicative of a new trend, especially as the indirect effects of the fuel price rise would be seen in months to come.

Consumer price figures due this month are also expected to reflect the negative effects of the high fuel price.

Maritz expected the rate of increase in the consumer price index to peak at about 15% in November, possibly followed by a slight decline in January.

Producer price index inflation edges up

By Duma Gqubule *Star 11/14/90*

Producer price index (PPI) inflation, which has been rising since August, rose yet again in October, with the annual rate of change in the index jumping to 12,1 percent from 11,8 percent in September.

The increase, which was somewhat less than some economists had feared, was mainly due to the 10c-a-litre rise in fuel prices (the largest component of the PPI) in September

Dearer fuel led to a sharp in-

crease in the index for imported commodities

Imported producer price inflation rose by a year-on-year 11 percent in October, compared with an increase of only 4,4 percent in September.

But it appears domestic inflationary pressures are beginning to decrease.

The annual rate of change in the prices of local commodities for domestic consumption fell to 12,3 percent in October, which is 1,3 percentage points lower than the corresponding annual rate for September of

13,6 per cent

The annual rate of change in the price index of the total output of the SA industrial groups fell to 11,8 per cent in October from 13 percent in September

Bankorp economist Johan Els says producer price inflation could rise to 13 percent when October's fuel price increase comes into the index

"Thereafter producer price inflation should start coming down again," he says

Mr Els, who does not expect any early reduction in interest rates, says the Reserve Bank

will be looking more at the consumer price inflation rate, money supply growth and especially the extension of credit to the private sector before making a decision on interest rates.

"The Reserve Bank will want to see the rate of increase in bank credit (now at 15 percent) declining to below the inflation rate and staying there before reducing interest rates

"I would think the first drop in interest rates will come in March or April next year," he says

FUELLING INFLATION

October saw massive swings in producer prices. Crude oil boosted *other* mining and quarrying, to a monthly rise of 18,1%. (This is the biggest contributor to mining and quarrying, weighted at 7,55 of a total 9,72.)

However, the large increase in the oil price was countered somewhat by a 23% monthly decline in the wool price. *FIM 14/12/90*

Imported commodities rose a monthly 7,4%. The annual increase was 11% — 6,6 percentage points higher than in September (4,4%). The index of locally produced commodities was unchanged while the annual rate of increase was 12,3% (1,3 percentage points lower than September's 13,6%).

The overall index for October rose 1,3% to push the year-on-year rate to 12,1% (against 1,7% to an annual 11,8% in September).

Some economists reckon more bad news is on its way. Senekal Mouton & Kitshoff economist Leon Steenkamp says 14% PPI in November is not out of the question as the international oil price rise filters through. Also, he expects the 25% increase in the local pump price to boost the rate of inflation (as reflected in the CPI) in November.

Sanlam economist Pieter Calitz agrees. However, he sees a substantial drop in inflation next year when the oil price increases will have worked their way through. "No further increases are on the horizon now — the spot oil price, having hit US\$35/barrel in mid-October, is around \$23."

There is concern over possible double counting — for example, crude oil as well as the subsequent petrol price rise. A CSS spokesman says this is eliminated by the weighting. ■

No indications petrol price will drop ⁽⁸⁵⁾ ₍₂₄₄₎

By Paula Fray ^{St. 14/12/90}

There are no indications that the price of petrol will be decreased, in spite of a substantial drop in the cost of crude oil over the past week.

A National Energy Council spokesman said crude oil was being sold at R57.50 to R65 a barrel.

However, it took between seven and 21 days for the drop

in the crude oil price to filter through to the price of the refined product.

"At this stage there are no indications the price of petrol will drop," the spokesman said.

The oil price started dropping only last Thursday, so it was too soon to indicate any drop in the petrol price.

Oil prices fell below R65 a barrel on Wednesday, the lowest level since August 3 —

the day after Iraq invaded Kuwait. The crude oil price is now at least R15 less than when petrol was reduced last month.

The petrol price had increased by 32c in October and by 10c in September. Crude oil was priced at R55 a barrel when the September increase was announced.

Since the start of the Gulf crisis, the price of crude oil has fluctuated daily.

Price of meat soars despite big surplus

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Star 14/12/90

By Paula Fray

Turkey may be on the Christmas menu but it is the price of meat which is on the minds of most consumers.

A recent Consumer Council survey found that some cuts of red meat had become considerably more expensive in supermarkets while they were still being offered at cheaper prices in butcheries.

The price survey showed that a leg of lamb became 21,7 percent more expensive in supermarkets between November 21 and December 4. The price of rump steak rose by 9,5 percent during the same period.

The Red Meat Producers' Association has expressed concern that while consumers are obliged to pay ever-higher prices for meat, farmers are receiving lower prices for slaughter

stock because of surpluses.

Vice-chairman Theuns Botha said that while retail prices had increased, they were experiencing a drop of about 20 percent in the controlled markets. In country markets this was up to 40 percent.

Mr Botha said the drought meant there was a surplus.

He also criticised the Meat Board decision to import meat.

However, the Meat Board's General Manager Production, Dr Pieter Kempen, said yesterday the meat being imported was the specific type for canning factories.

"As from the second half of December this meat will be made available exclusively to these few canning factories under very strict control," he said.

Housewives League vice-president Sheila Lord said that during November they had not seen the promised drop in meat prices.

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Property prices defy recession

Step 15/12/90

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MAGNUS HEYSTEK
Finance Editor

RESIDENTIAL property prices are bucking the downward trend in the economy and surging ahead — much to the amazement of property economists

According to the latest property survey by Cape-based Real Estate Surveys, residential property prices rose on average by 19,7 percent in the 12 months to end-October, with prices in upmarket areas rising much faster — by 29,1 percent on average

Even more astounding was the upsurge in property prices in the Western Cape which rose on average by a whopping 32,4 percent while upmarket prices rose on average by more than 50 percent

Erwin Rode, property economist at Real Estate Surveys, says "I am at a loss to explain this acceleration in prices during a recession

"House prices staged a surprise recovery in the last quarter of last year and the first quarter of this year, and have continued ever since"

What's more, he expects the upsurge in prices, particularly in upmarket areas, to continue despite the general slowdown in general economic activity

Mr Rode says he foresees no sudden deceleration on property prices and expects prices to average an annualised increase of 20 percent this year — the best years since the property boom of 1983-84

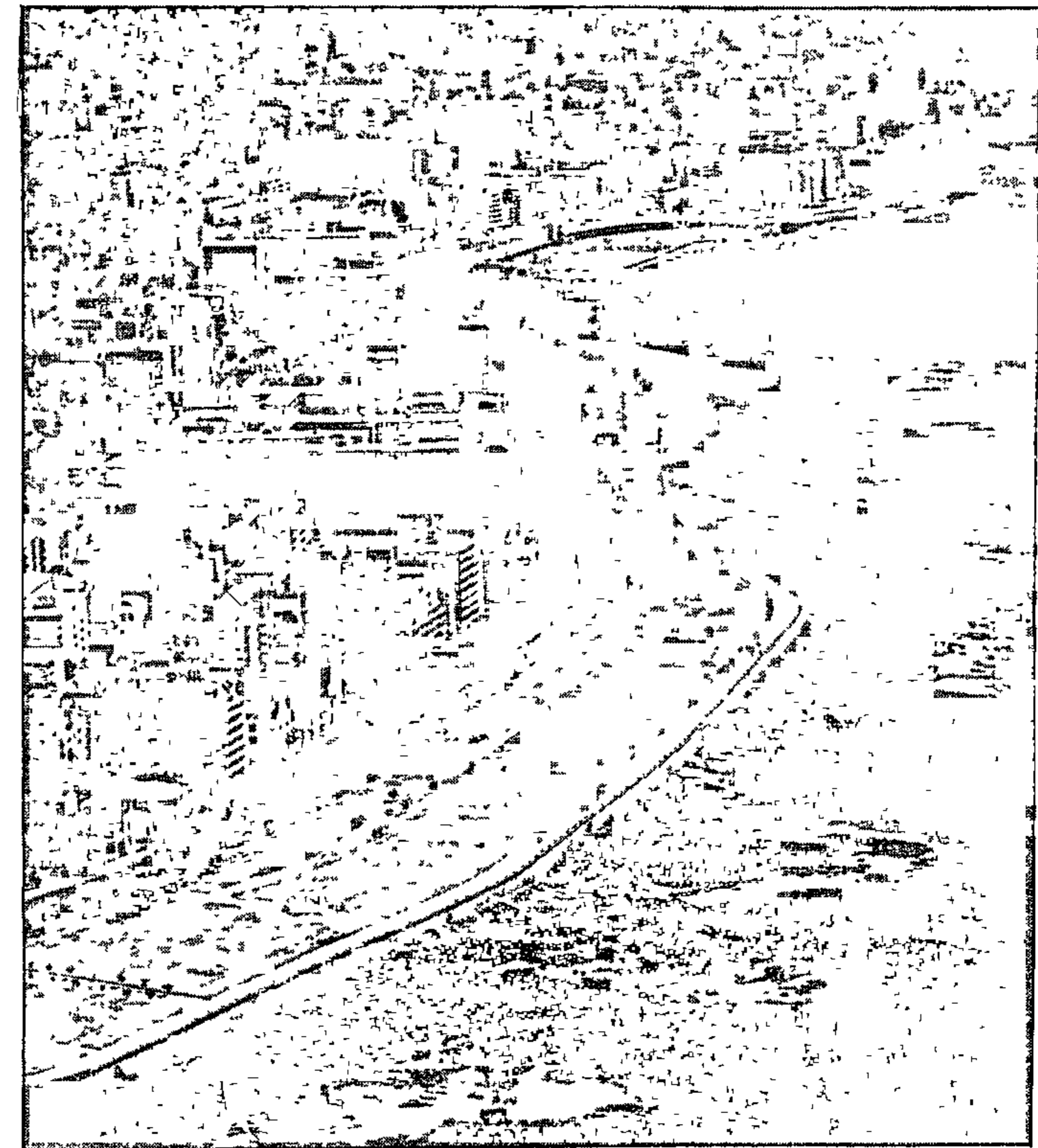
"It seems to me as if the traditional correlation between the business cycle and residential property prices have been broken, albeit temporarily perhaps

"While the business cycle started turning down in 1989, property prices have gone the other way"

While admitting that he finds this unexpected performance somewhat perplexing, he says that several factors could have contributed and partly explain the regional differences

While prices have benefited countrywide from an increase in immigration and tourism, the upsurge in Cape Town prices was astounding

According to Mr Rode, prices,



LIFESTYLE . . . House and flat prices are shooting ahead but the Cape can claim to be leading the field, particularly if there is a sea view, as here at Sea Point

especially in the upmarket Atlantic-seaboard areas, were influenced by foreign as well as up-country buyers

"The Western Cape is seen as politically more stable than the Transvaal and Natal. It should also be noted that the Western Cape economy is less reliant on the gold mining industry

"Western Cape farmers have been experiencing record harvests and booming export markets, which have all added to the boom in residential property prices"

An interesting aspect to emerge from the Rode report is that prices in so-called lower income areas have lagged the

surge in prices in upmarket areas

Nationally the increase was only 10,3 percent on average, while prices in Johannesburg rose even slower at 7,7 percent from October 1989 to October this year

Once again Mr Rode is at a loss to explain this, surmising that the possible abolishment of the Group Areas Act, coupled with the conservative political leanings of people living in these areas, have kept a lid on prices

This is contrary to what most property experts have been predicting

Prices in Johannesburg and Sandton's more affluent areas have been boosted by an in-

crease in people demanding more security

This is particularly true in the case of townhouse and cluster-type living that has greater security than free-standing plots

Property experts expect this trend to continue in the light of the rapidly deteriorating security situation

Estate agents confirm that while the property market has tightened, prices are holding up remarkably well

Lew Geffen of Lew Geffen Estates, who says he has had a record year thus far, adds "While it takes longer to sell properties nowadays, nobody is dropping prices"

Price inflation, high costs hit mineral exports

RISING costs and price inflation had weakened the international competitiveness of SA's mineral exporting industry in 1990 compared with 1989, the latest Mineral Bureau (MB) Bulletin says.

During 1990 the SA mining industry's Producer Price Index (PPI) increased by 12,5% against 7,2% in Australia, 5,4% in Canada and 4,5% in the US. SA's Wholesaler Price In-

31 Day 17/12/90
MARC HASENFUSS

dex (WPI) for the year was projected at 13,7%, compared with 7,1% for Australia, 3,9% and 1,9% for the US and Canada.

The MB reports the negative impact of the PPI and WPI rise on the mineral industry's competitiveness was only fractionally softened by a 1% decline in the effective rand exchange rate in 1990.

The rand exchange rate dropped by an average 12,4% over the last five years, against an average fall of 3,5% for Australia and an annual strengthening of the Canadian dollar (0,28%) and US dollar (0,06%). 244

The MB said it was imperative that costs and price inflation be contained so that the mineral industry remain competitive on international markets.

Formula for CPI covers 600 items

15/10/90 GERALD REILLY (24)

PRETORIA — When the Central Statistical Service (CSS) measures the inflation rate based on the monthly consumer price index, it even takes into account the price of toothbrushes.

In a booklet setting out mechanics of assessing the index level, CSS says the prices of about 600 types of goods and services are taken into account.

Besides the price level of foods, the 600 items include the cost of hiring a dress, house rentals, rate and tax levels, house insurance, entertainment costs, air and bus fares and matches — and even the costs of parking a car.

The prices of food are divided into 11 main groups. The price of almost every conceivable item a consumer can buy is drawn into the calculation.

There are 3 500 price collection points countrywide. They vary from small stores to supermarkets and include garages and cinemas.

CSS says the CPI reflects all the changes in the average level of all prices encountered by the average consumer accurately and reliably.

The formula is used worldwide.

Some had doubts about the accuracy of the index. They said it was simply not what they experienced.

An individual's experience, however, is limited and relates only to a few of the 600 prices and only a few points of sale, the CSS states.

CSS acts to clear up inflation rate doubts

By Roy Cokayne **244**

The Central Statistical Services (CSS) has taken active steps to alleviate doubts about the credibility of its inflation rate figures.

In the past two years in particular, the CSS has faced a string of claims — some by economic experts — that South Africa's inflation rate is much higher than that determined by the CSS.

Now, in a brochure written by Professor Geert de Wet of the University of Pretoria, it aims to improve the credibility of its figures on inflation and to explain this economic evil.

Dr Treurnicht du Toit, head of the CSS, says the inflation rate figure, published monthly, is often subject to criticism because the general public does not understand how it is calculated and what it indicates.

"The brochure explains in ordinary language how the CSS goes about the calculation of the consumer price index (CPI), from which the inflation rate is derived," Dr du Toit says.

Its publication ties in with the strict monetary policy that has been enforced by the Reserve Bank over the past two years in its stated aim of reducing South Africa's inflation rate.

The topic that receives the most attention is the reliability of the index.

Professor de Wet says the index is "undoubtedly" reliable.

"The formula used has been thoroughly tried and

tested in mathematical terms and is used world-wide.

"The information on prices paid by the consumer gives very representative coverage not only of all products bought by the consumer, at all the points of sale throughout the country where consumers buy, but also of all consumers."

The inflation rate also ties in with other, independently calculated economic indicators, such as changes in average wages, in the money supply and in government expenditure, as it does with other price indices compiled according to other methods.

The changes in the various economic variables fit together like pieces in a jigsaw puzzle and a wrong calculation in any of them will stick out like a sore thumb.

"The CPI is not meant to tell an individual how the prices of his purchases are changing. It is meant to give a picture of what is happening, on average, to all consumers country-wide," he said.

It measures the average change in prices over a period for a multitude of products sold at a great number of places throughout the country and tells people what is happening, on average, throughout the country for all consumer items.

Entitled "Inflation — How the consumer price index is calculated and what it means to you," the brochure is available free in English and Afrikaans from the CSS, Private Bag X44, Pretoria, 0002.

Steps 20/11/90

Call on Govt to look at bread price again

By Paula Fray
Consumer Reporter

The Housewives League has called on the Cabinet to re-evaluate the bread price control and subsidies and has launched a campaign to spearhead their protest against the dropping of the subsidy next year.

A petition campaign is being led by the League's Port Elizabeth branch.

In its December issue of "Rands and Sense" the league said that after the November 1 increase white bread stood at R1,20 and brown bread at R1,05.

"This year — 1990/91 — is the last for which the Government will provide a subsidy to keep

the price down. At present it is 3c for white and 8c for brown but this is slightly higher than it has been for the past years

"Before November the subsidy on white was non-existent and the subsidy on brown was 5,6c," the league said.

It pointed out that there were other changes planned for March 1.

"The most important is the intention to deregulate bread production. Price control will fall away and there will be no regulation recipe for a standard loaf."

Previously the subsidy was crucial to maintaining the quality of the standard loaf as, if sub-standard bread was baked, the Wheat Board could withhold it. However, for years there has been no staff and no time

for the board to prosecute offenders in court.

The league said it would be foolhardy to withdraw assistance on a basic food in a time of economic depression, social unrest and agricultural hardship.

Furthermore, the introduction of VAT towards the end of the year would probably add another 10c to 15c to the price of a loaf, it said.

"In rural areas especially there will be very little competition to keep prices realistic," said the league. "A subsidy of R75 million would provide a reduction of approximately 5c on brown loaves and exert the necessary degree of control over quality."

● For more information about the Housewives League write to Box 52572, Saxonwold, Johannesburg; 2132.

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20/12/90

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Good news: petrol price to drop 10c

Star 20/12/90

The petrol price will drop by 10c a litre at one minute past midnight

A statement from Mineral and Energy Affairs Minister Dr Dawie de Villiers said the price drop was due to the international downward trend in the oil price.

The cost of diesel fuel will drop by 4c a litre.

This means that on the Reef 87 octane will cost R1,33c a litre, while 93 octane will cost R1,35c a litre. On the coast, 93 octane will cost R1,26c a litre and 97 octane will cost R1,30c a litre. Diesel at the Reef will be R1,35c a litre and on the coast it will be R1,28c a litre.

However, Dr de Villiers warned that the price of petrol might increase in January 1991, due to international seasonal demand. Events in the Middle East could also force the Government to review the price.

Lower local fuel prices track oil's downward trend on world market

MINERAL and Energy Affairs Minister Dawie de Villiers said yesterday petrol and diesel prices had been lowered because of the international downward trend in the price of oil

South Africans, hard hit by economic conditions, have been given a small Christmas present — a price drop of 10c/l for petrol and 4c/l for diesel effective today

Today's fall in prices follows a drop of 15c/l for petrol and 9c/l in the diesel price in mid-November. It is based on an average crude oil price of about \$26 a barrel

De Villiers said fuel prices were not expected to be revised before the middle of January, but this could change depending on events in the Gulf. However, the cost of transporting petrol would rise on January 1 and this would be financed by the equalisation fund for as long as possible

While motorists were slightly overpaying for their petrol, this could cushion them from a rise in the petrol price because of international seasonal demand in January

De Villiers said a greater decline in the diesel price was not possible because the price of diesel had not fallen at the same

ZILLA EFRAT

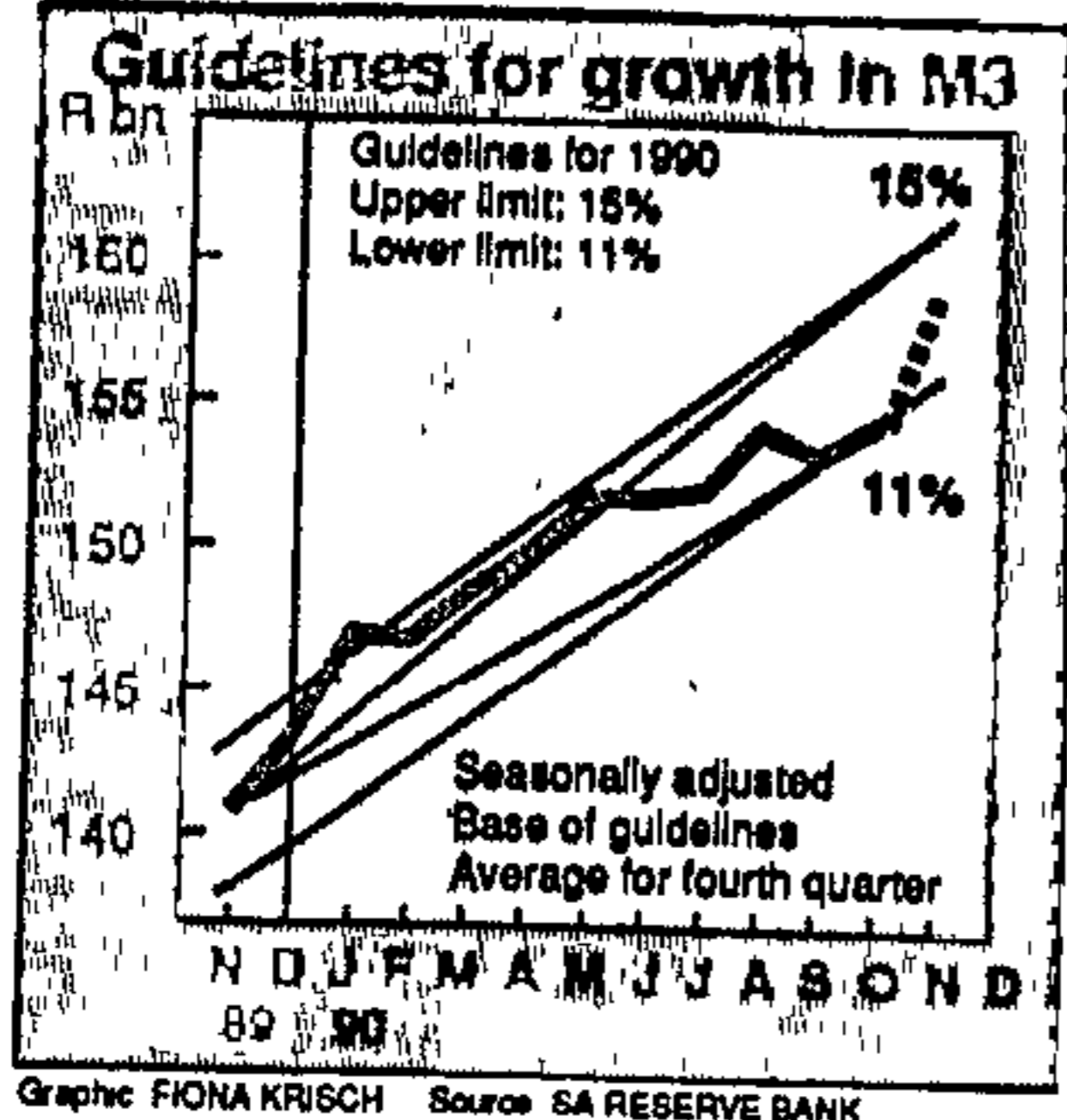
rate as petrol since October. As a result, the diesel price was still being financed by the equalisation fund De Villiers added government was confident the international attitude on sanctions would improve and in time the oil embargo against SA would be lifted. *B1 Day 21/12/90*

"If this becomes a reality it will enable the government to consider revealing information regarding petroleum products which is still classified at present."

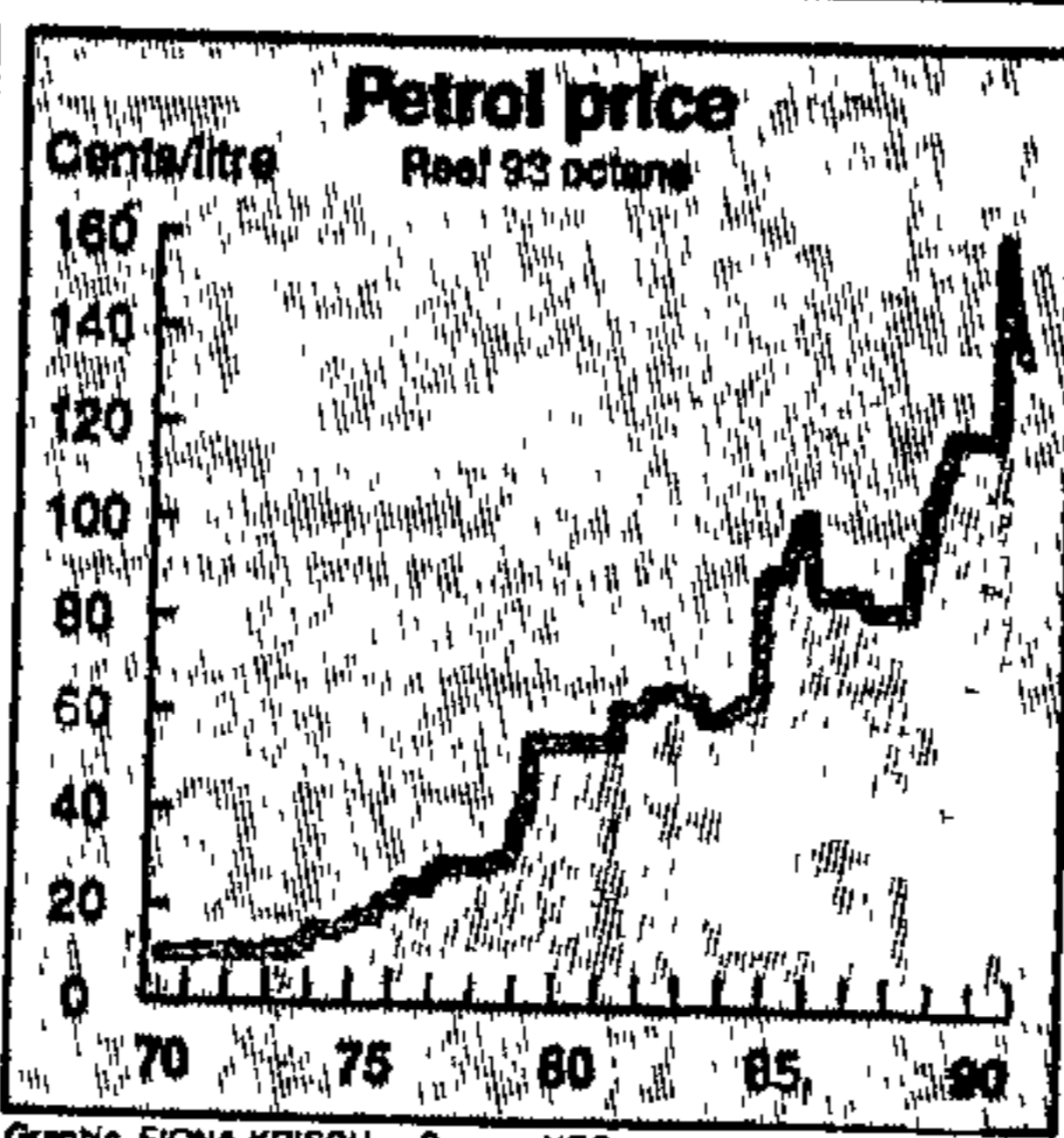
National Energy Council group executive Robert Scott said yesterday the reduction in the fuel price did not signal a more relaxed attitude towards fuel saving

"On the contrary, we are observing developments in the Gulf with concern. War would almost certainly mean a disruption in world oil supplies"

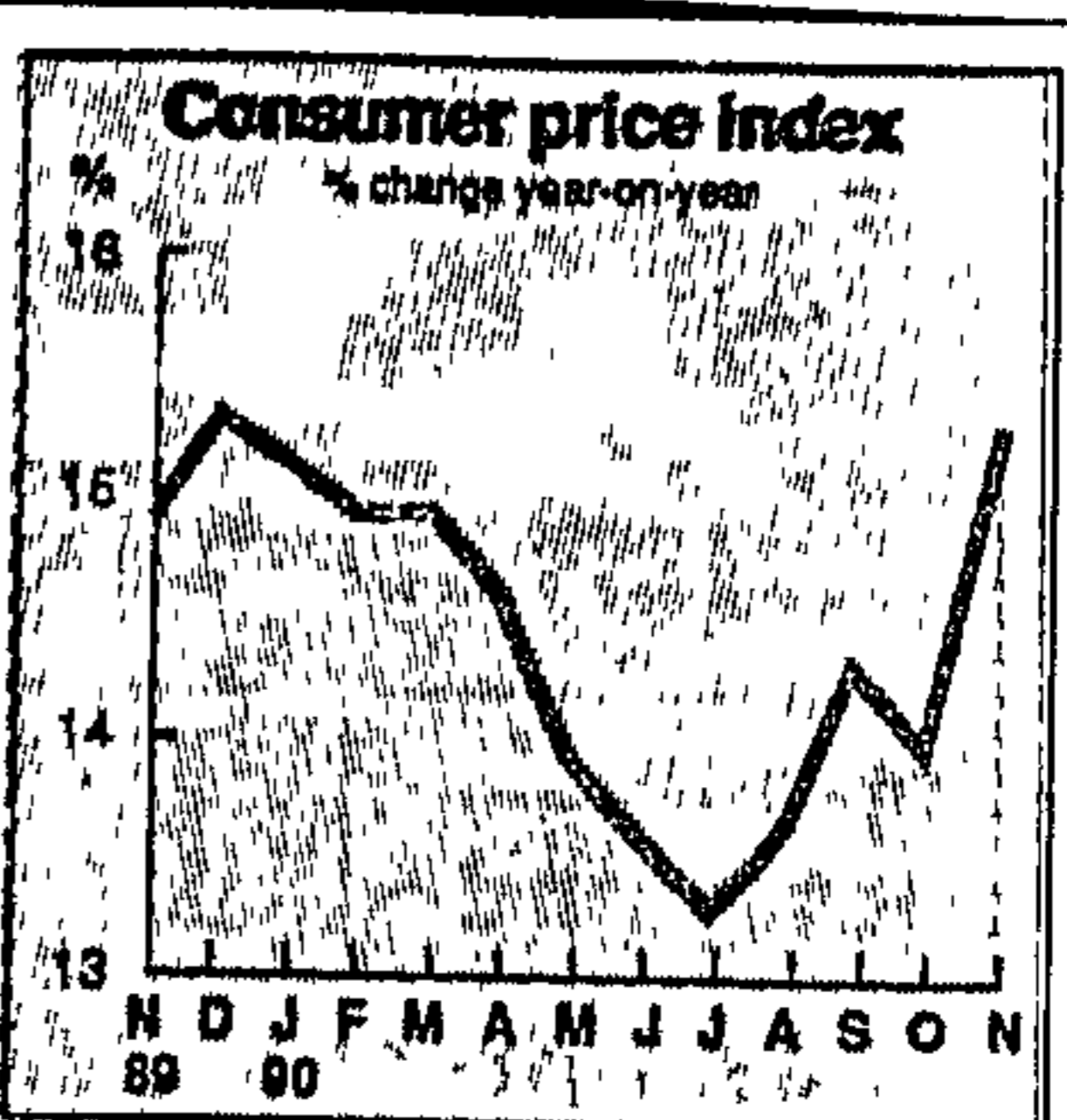
He said a major fuel saving effort by motorists and fleet owners would alleviate the effects of an oil crisis and could postpone the introduction of mandatory fuel savings measures in such an event



Graphic: FIONA KRISCH Source: SA RESERVE BANK



Graphic: FIONA KRISCH Source: NEC



Graphic: LEE EMERTON Source: CSS

Bearish November CPI and M3 figures

Fuel price cut set to bring inflation relief

blouay 21/12/90

(M3) (CPI) (2.44)

TODAY'S 10c cut in the petrol price should mark the end of the upward trend in the inflation rate caused by the Gulf crisis, economists said yesterday.

They said bearish inflation and money supply figures released yesterday were likely to be short-lived as downward trends were firmly entrenched.

Latest Central Statistical Service figures showed a 15,3% annual increase in November's consumer price index (CPI), its highest this year.

Economists said the rise, compared to 14% in October, was likely to be the peak in the rate with November's 15c petrol price cut and yesterday's 10c cut still to enter the statistics.

Also announced yesterday were November's preliminary money supply figures which bounced off October's 10,3% low to a 12,67% annualised increase in broadly defined money supply — M3.

The uptick may have been a result of increasing credit demand over Christmas, an analyst said. October's 10,3% increase was dramatically low, he said.

M3 growth from the fourth quarter of 1989 entered the Reserve Bank's 11% to 15% guideline range at 12,68% after two months of growth below 11%.

The CPI increased at a monthly rate of 2,1% due largely to a 1,3% rise in transport

ANDREW GILL, ZILLA EFRAT and MARC HASENFUSS

costs, comprising petrol (0,9%), vehicles (0,3%) and transport (0,1%).

The 32c rise in the the petrol price in October was included in November's figures because the monthly statistics are based only on information available up to the first week of each month.

Still worrying was the 0,6% monthly increase in food prices which pushed the annual rate of increase for food to 16,5% from October's 16%.

First National Bank group economist Cees Bruggemans said the inflation figure was expected and it should start falling with the release of December's statistics.

He predicted a 14,4% annual rate of increase in December, a decline to 13% by August and possibly a below-12% figure for end-1991.

There may be short-term fluctuations early next year because of the Gulf crisis but the rate was set to resume its downward trend, he said.

The unexpected increase in money supply should not be cause for concern, Bruggemans said, as the trend was firmly in place and pointed deep into single digits.

This morning the pump price of petrol fell 10c a litre, while that of diesel dropped

□ To Page 2

P.T.O.

Fuel price

by 4c a litre

BIP 21/12/90.

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□ From Page 1.

Econometrix economist Tony Twine said the decrease would bring down the January inflation rate by almost 0,3%

He said it was ironic that despite two recent reductions in the petrol price, the November CPI would still show the negative effects of the original increase.

The fall in fuel prices has been generally welcomed and is seen as important step in the fight against inflation.

In a statement the SA Chamber of Commerce (Sacob) said the price reduction should boost the morale of all South Africans, particularly in this holiday period.

It would also bring some relief to businesses experiencing major cost-related pressures, transport being a major one

Sacob said the price drop would have a ripple effect on the economy and may even reduce unemployment and inflation. However, because of the unresolved crisis in the Gulf the decrease could be temporary and fuel users should continue to save fuel.

Other organisations, including the Con-

sumer Council, Motor Industries Federation and businessmen yesterday appealed to consumers to still use petrol sparingly and to business to pass on the decrease.

However, Putco said the fall in the diesel price was not substantial enough to warrant a reduction in bus fares.

The Automobile Association said it was heartening to note the benefit of the decline in international crude oil prices had been passed on to the motorist at the earliest opportunity.

Checkers group MD Sergio Martinengo said the decrease was very well timed

"The food industry, which is very sensitive to the fuel price, will start to renegotiate the bulk of food merchandise prices for 1991 within weeks."

A National Energy Council spokesman said service stations would face a temporary capital loss depending on their tank capacity and yesterday's turnover. However, he said they usually scored when the price of petrol increased.

● See Page 3

Petrol cut welcomed but 'need to save'

ARGUS
21/12/90

By ESANN van RENSBURG
Staff Reporter and Sapa

REACTION and praise from various quarters for the petrol price cut has been tempered by a National Energy Council (NEC) warning that the risk of war in the Gulf is increasing daily — with the probability of a major fuel shortage.

National Energy Council group executive Dr Robert Scott said although the fuel price reduction would be welcomed by motorists and the transport industry, it did not signal a relaxed attitude towards the need for fuel saving.

"We are observing developments in the Gulf with concern. War would almost certainly mean a disruption in world oil supplies. A very likely scenario is that a country like South Africa, to which an international oil embargo still applies, would be affected by such a crisis."

He said a major fuel-saving effort by motorists and fleet owners would ease the effects of an oil crisis and could postpone the introduction of mandatory fuel savings.

But for this warning, reaction to the petrol price reduction has been positive.

Checkers group managing director Mr Serio Martinengo said it was well-timed.

"The food industry, which is very sensitive to the fuel price, will start to renegotiate the bulk of food merchandise prices for 1991 within weeks."

"The price increase of September/October 1990 would not have been brought into account in these negotiations, the reason being that Checkers did not accept any petrol price related increases over the past three months."

"Consumers will therefore most definitely benefit from this," he said.

Consumer Council director Mr Jan Cronje said the decrease in the petrol price was a welcome Christmas gift to consumers but appealed to consumers to use fuel sparingly.

Mr Cronje also appealed to businesses to use the reduction to stabilise prices.

The South African Chamber of Business, in welcoming the move, said the decision was in line with its previously stated view that the fuel price should be lowered when circumstances permitted.

South African Airways has said it would not review its prices until the middle of Janu-

ary as the price of jet fuel was fixed on the 15th of each month.

A spokesman said they were not in a position to alter it until the January price was known.

The petrol price reduction was welcomed by the managing director of the OK Bazaars, Mr Gordon Hood, who appealed to all suppliers to help pass savings to the consumer.

The reduction should boost morale and would bring some relief to businesses that were experiencing high transport costs, he said.

The SA Chamber of Commerce said in a statement that the price drop would have a ripple effect on the economy and might even reduce unemployment and inflation. However, because of the unresolved crisis in the Gulf the decrease could be only temporary and all fuel-users should continue to save fuel.

New IRA victim?

LONDON — Gunmen shot dead a police reservist in Northern Ireland early today as he was driving home in his car. The 46-year-old reserve constable in the Royal Ulster Constabulary was shot several times — Sapa-Reuter

CAP TINTS (244)
21/12/90

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Petrol

Economists said the rise, compared to 14% in October, was likely to be the peak in the rate, since November's 15c petrol price cut and yesterday's 10c cut are still to enter the statistics

The CPI increased at a monthly rate of 2,1% due largely to a 1,3% rise in transport costs, comprising petrol (0,9%), vehicles (0,3%) and transport (0,1%)

But still worrying was the 0,6% monthly increase in food prices which pushed the annual rate of increase for food to 16,5% from October's 16%.

The SA Chamber of Commerce said the price reduction should boost the morale of all South Africans, particularly in this holiday period

It would also bring some relief to businesses experiencing major cost-related pressures, transport being a major one.

Mr Colin McCarthy, executive director of the Cape Chamber of Industry, said it was a "marvellous Christmas present" which would be a "shot in the arm" for the man in the street. It would reduce input costs in industry while the "power of competition" would automatically reduce prices

The managing director of OK Bazaars, Mr Gordon Hood, appealed to all suppliers to assist in passing on any savings to the consumer.

The Consumer Council also welcomed the move but appealed to consumers to use fuel sparingly

The Group Executive of the National Energy Council, Dr Robert Scott, warned that the fuel price drop did not signal a more relaxed attitude towards fuel saving. — Staff Reporter and Own Correspondents

I QUIT . . . Soviet Foreign Minister Eduard Shevardnadze makes his shock resignation speech to the Congress of People's Deputies in the Kremlin yesterday.

Picture REUTERS

Optimism at fuel price cut

CAP TINTS 21/12/90

TODAY'S 10c cut in the petrol price should mark the end of the upward trend in the inflation rate caused by the Gulf crisis, economists said yesterday.

They said worrying inflation figures released yesterday were likely to be short-lived as downward trends were firmly entrenched

It is the second drop in the petrol price in as many months and brings prices back to just seven cents more than on September 4 this year

Diesel fuel prices will drop by 4c/l. All octanes of petrol are affected by the 10c plunge

The Minister of Mineral and Energy Affairs, Dr Dawie de Villiers, said the price was being dropped because of the international downward trend in the price of oil

Dr De Villiers said the fuel price reduction would enhance cost savings and have a positive effect on the inflation rate

However, he warned that the price

of petrol may increase in January 1991 because of international seasonal demand. Events in the Middle East could also force the government to review the petrol price

The executive director of Cape Town Chamber of Commerce, Mr Alan Lighton, described the drop as a "marvellous psychological boost" at a time when the economy was in the grip of a recession

The recession was also sharpening up the "competitive edge" in business and the petrol price drop would reinforce this which would translate into lower prices for goods and services for the man in the street

Latest Central Statistical Service figures showed a 15,3% annual increase in November's consumer price index (CPI), its highest this year

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● Inflation rate up again — Page 8

Petrol price goes down

Southen 21/12/90

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THE price of petrol and diesel has been slashed by 10c and 4c a litre respectively with effect from last night.

The cuts were announced by Minister of Mineral and Energy Affairs Dr Dawie de Villiers in a statement released in Pretoria yesterday.

He warned, however, that the petrol price may increase from January because of the international seasonal demand.

"The deductions should not create the im-

By MONK NKOMO, MOKGADI PELA and Sapa

pression that there will be no further problems as far as the international supply situation is concerned," he said.

The last decrease in the price of petrol was on November 12 this year when high octane petrol dropped from R1,60 to R1,45 a litre.

De Villiers said yesterday's price reduction

should be generally welcomed "because it enhances cost savings and will also have a positive effect on the inflation rate."

He added that after the latest reduction, the price of petrol was now only 17c a litre higher than that which applied from July 15 1989 until September 4 this year. The net increase in the price of diesel over the same period was about 20c a litre.

De Villiers said the

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Money, money, money Mr Steven Thejani, a petrol attendant at Crowliss Garage, rejoices over the best Christmas present motorist can receive - a decrease in the petrol price.

Petrol price is slashed

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● From Page 1

Government was confident the international attitude on sanctions would improve and that in times the embargo on crude oil imports against South Africa would be lifted.

"If this becomes a reality it will enable the Government to consider revealing information regarding petroleum products which is still classified at present," he said.

He also warned that if crude oil prices increased due to circumstances in the Middle East, the present fuel price structures would have to be recognised.

06/12/12 motorist



Inflation rate puts on a sudden spurt

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8/21/90

By Derek Tommey

The rate of inflation accelerated sharply last month in the wake of October's huge 32c a litre petrol price increase.

Consumer prices rose by 2,1 percent, their biggest monthly increase for more than four years, reports Central Statistical Services.

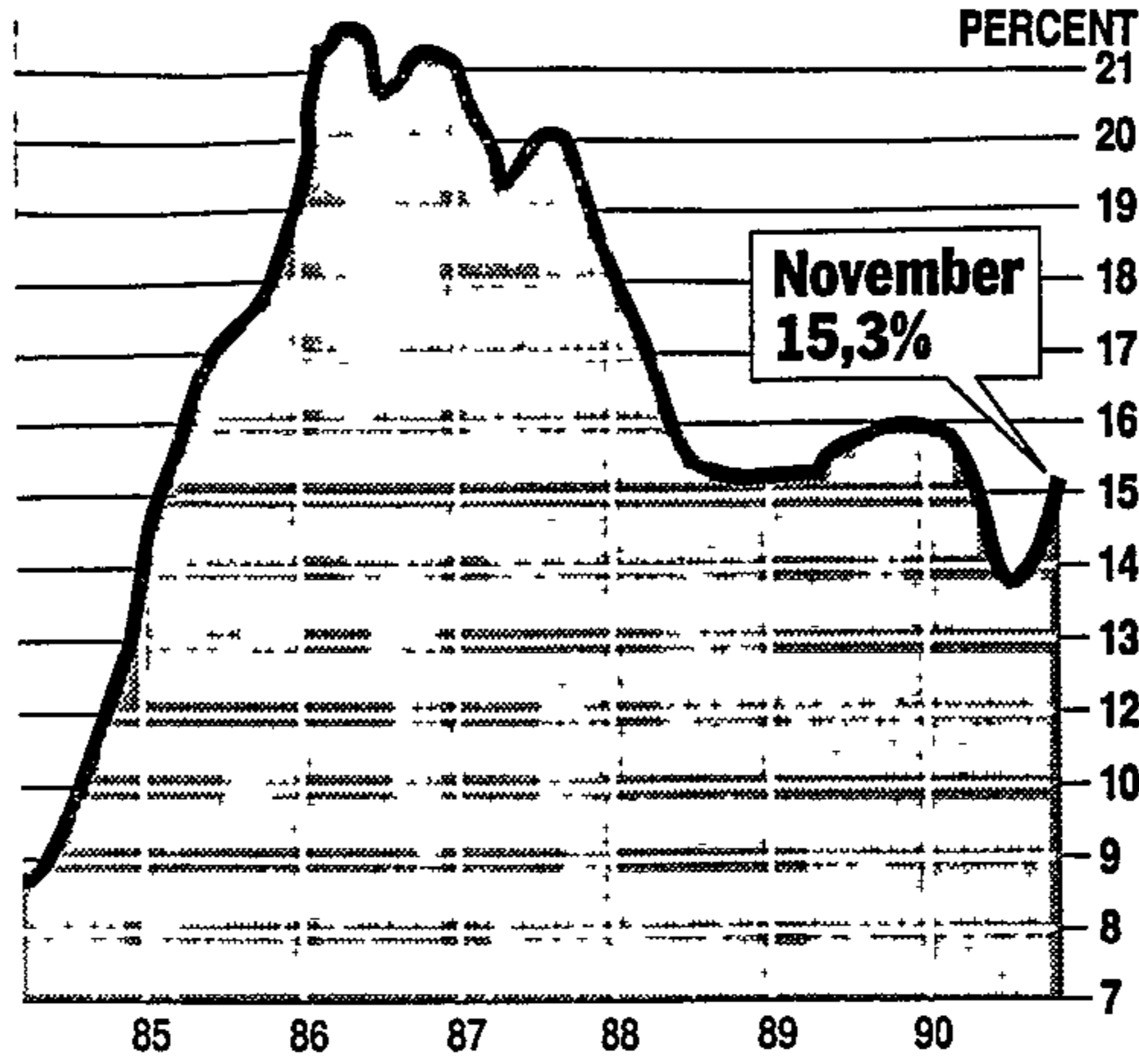
Without the petrol price increase, prices in October would have risen a more reasonable 1,2 percent

However, no one is likely to be too concerned about the 2,1 percent increase because the petrol price has fallen 25c a litre since October's shock rise

This should exert strong deflationary pressures on the economy and reverse some of the November price increases

This could result in the consumer price index this month showing only a small rise — leading to a marked levelling of in the rate of inflation.

Year-on-year, the inflation rate for November was 15,3 percent — up from 14 percent in October, and the highest annual increase since December



Movements of the consumer price index

1989

But if the petrol price increase is excluded, the year-on-year rise in the index would have been 14,3 percent

The annual rate of price increases for the lower-, middle- and higher-income groups was

15 percent, 15,5 percent and 15,6 percent respectively

The consumer price index rose from 211,1 to 215,6 in November.

The higher petrol price contributed 0,9 percent of the 2,1 percent increase

A rise in car prices added another 0,3 percent and a rise in public transport fares 0,1 percent.

Dearer food pushed the index up a further 0,6 percent, while increases in the price of everything else added 0,2 percent — making the total of 2,1 percent

The increase in food prices in November was 2,2 percent, bringing the increase for the full year to 16,5 percent.

The price of fruit and nuts jumped 12,2 percent, while the price of grain products rose 5,1 percent

However, decreases were recorded in the prices of fish and other seafood (2,2 percent) and meat (0,4 percent)

On an annual basis, the Cape Peninsula showed the biggest increase, rising 16,4 percent

The smallest increase was in Bloemfontein (11,6 percent)

Living costs for pensioners in the 12 months to November rose 14,6 percent

Pensioners in the Pretoria-Verwoerdburg area were the hardest hit, with a 15,5 increase in prices

The smallest increase for pensioners in the 12 months was 12,4 percent in Bloemfontein.

CME Brief
27/12/90

Bus fares will not drop, says Tramways

Staff Reporter

CITY TRAMWAYS has announced that there will be no reduction in bus fares resulting from the recent 4c-a-litre decrease in the price of diesel.

In addition, the Local Road Transport Board had approved an application by Boland Passenger Transport Ltd to increase fares by an average of 14% from this Sunday, City Tramways general manager Mr F E Mayoss said.

He said the main reason for the decision not to reduce fares was the "uncertainty" of the market and "distinct possibility" that fuel prices would be increased again soon.

Likely causes would be the international seasonal demand for fuel, and the "increasing likelihood of armed conflict in the Persian Gulf".

"City Tramways believes that it is in everybody's interests to keep bus fares stable for as long as possible, and that no useful purpose will be served by making repeated short-term adjustments," Mr Mayoss said.

A spokesman for Boland Passenger Transport Ltd said fares were last increased a year ago and the cost of spares, licences, electricity, water and wages had increased since then.