

## Revision of the weights used in the calculation of the effective exchange rate of the rand

With the introduction of the euro in January 1999, the South African Reserve Bank revised the weighting structure of the nominal and real effective exchange rates of the rand. In accordance with international practice the weights were based on trade in and consumption of manufactured goods, and were calculated with reference to a basket of the currencies of the country's fourteen most important trading partners.

Owing to the wide margins between the official and parallel market exchange rates of the Zimbabwe dollar and difficulties encountered in obtaining a representative exchange rate for this currency, the Zimbabwe dollar was excluded from the basket of currencies with effect from 1 January 2003. A note in this regard has been available on the Bank's internet website since 31 December 2002.

The process of establishing the revised weighting structure was similar to that described in the article "An indicator of South Africa's external competitiveness" in the September 1999 edition of the *Quarterly Bulletin*, except for the exclusion of the Zimbabwe dollar. The weights are indicated in the table below.

Currencies	Weights prior to January 2003	Weights from January 2003
Euro .....	35,70	36,38
US dollar .....	15,15	15,47
British pound .....	14,91	15,37
Japanese yen.....	10,26	10,43
Swiss franc .....	5,28	5,54
China yuan.....	3,11	3,14
Hong Kong dollar.....	2,62	2,70
Korean won .....	2,57	2,64
Zimbabwe dollar .....	2,27	-
Canadian dollar .....	1,93	1,96
Swedish krona .....	1,79	1,81
Australian dollar.....	1,62	1,68
Singapore dollar .....	1,62	1,66
Israel shekel .....	1,17	1,22
<b>Total.....</b>	<b>100,00</b>	<b>100,00</b>