

# Statement regarding par value of the rand

*Issued by the Honourable Dr. N. Diederichs, Minister of Finance*

4 June 1973

In my statement of the 18th March, 1973, in which the position of the South African rand in a world of floating exchange rates was reviewed, I announced that it had been decided to maintain the existing par value of the rand in terms of gold, and that the Reserve Bank would continue to quote the same fixed buying and selling rates for U.S.A.-dollars as had been in use since the dollar devaluation of February, 1973. I also pointed out, however, that should the E.E.C. currency units appreciate more as against the U.S.A.-dollar than was generally expected at that time, South Africa would have to reassess its position.

Since then, and especially during the last two weeks, most of the currencies have appreciated against the U.S.A.-dollar to such an extent that the dollar is quoted at present at a level nearly 5 per cent below sterling and between 4 and 6 per cent below most other Western European currency units compared with the position on 19th March, 1973. Should South Africa continue to maintain its *existing* buying and selling rates for the U.S.A.-dollar, it will thus imply that the rand has also since the middle of March, 1973, depreciated to the same extent as the dollar compared with the currencies referred to. Compared with all foreign currency units this will mean an average effective depreciation of the rand of between 2 and 3 per cent since the middle of March.

Such a depreciation of the rand in present-day circumstances is not considered desirable. The balance of payments of the country is still very favourable and the gold and other foreign assets held by the Reserve Bank increased from the 16th March by approximately a further R100 million and have now reached the satisfactory level of about R1 200 million. The *total* official reserves approximate today R1 350 million, which represent a record level. In this respect it is of particular significance that the price of gold on the private market has risen from about 82 dollars per fine ounce toward the middle of March, 1973, to about 120 dollars per fine ounce at present, that is by about 46 per cent.

In this way South Africa's underlying balance of payments position has been appreciably strengthened. From the point of view of the balance of payments, a depreciation of the rand is now thus neither necessary nor welcome.

From the point of view of containing inflation such a depreciation would also have an undesirable effect. It would, in fact, result in imported prices expressed in rand rising, which would tend to accelerate the rate of increase in the consumer price index or counteract a declining tendency therein.

In view of the above it has been decided that the Reserve Bank will, as from tomorrow, Tuesday 5th June, 1973, quote new buying and selling rates for the U.S.A.-dollar which will amount to an appreciation

of the rand against the dollar by about 5 per cent. The gold parity of the rand remains unchanged, however, at R29,75 per fine ounce. The exchange rate adjustment means, therefore, that for the present the rate of exchange of the rand with the U.S.A. dollar will not be maintained within the permissible margins around the gold parity exchange rate. The International Monetary Fund has already been notified accordingly.

As against all foreign currencies, this step will bring about an average effective appreciation of the rand of between 2 and 3 per cent as compared with the position on 19th March. In determining the extent of the appreciation account was taken, not only of the recent movements in the exchange rates of the U.S.A.-dollar as against other currencies, but also of the disinflationary effect which this step should have.

# Verklaring insake pari-waarde van die rand

Uitgereik deur Sy Edele Dr. N. Diederichs, Minister van Finansies

4 Junie 1973

In my verklaring van 18 Maart 1973, waarin die posisie van die Suid-Afrikaanse rand in 'n wêreld van swewende wisselkoerse in oënskou geneem is, het ek aangekondig dat dit besluit is om die bestaande pari-waarde van die rand in terme van goud te behou, en dat die Reserwebank sal voortgaan om dieselfde vaste koop- en verkoopkoerse vir V.S.A.-dollars te noteer as wat sedert die dollardevaluasie van Februarie 1973 in gebruik was. Ek het egter ook aangedui dat indien die swewende E.E.G.-geldeenhede méér ten opsigte van die V.S.A.-dollar sou appresieer as wat toe algemeen verwag is, Suid-Afrika sy posisie in heroorweging sal moet neem.

Sedertdien, en veral gedurende die jongste twee weke, het die meeste geldeenhede sodanig teenoor die V.S.A.-dollar geappresieer dat die dollar tans byna 5 persent swakker teenoor sterling en tussen 4 tot 6 persent swakker teenoor die meeste ander Wes-Europese geldeenhede staan as wat die geval op 19 Maart 1973 was. Indien Suid-Afrika sou voortgaan om sy *bestaande* koop- en verkoopkoerse vir die V.S.A.-dollar te handhaaf, sal dit dus beteken dat die rand ook sedert die middel van Maart 1973 in dieselfde mate as die dollar teenoor genoemde valutas gedepresieer het. Teenoor alle buitelandse geldeenhede sal dit 'n gemiddelde effektiewe depresiasie van die rand sedert die middel van Maart van tussen 2 en 3 persent beteken.

So 'n depresiasie van die rand word in die huidige omstandighede nie as gewens beskou nie. Die land se betalingsbalans is steeds baie gunstig en die goud en ander buitelandse bates gehou deur die Reserwebank het vanaf 16 Maart verder met ongeveer R100 miljoen toegeneem, en staan tans op die bevredigende peil van ongeveer R1 200 miljoen. Die *totale* amptelike reserves is tans in die omgewing van R1 350 miljoen, wat 'n rekordpeil verteenwoordig. In dié verband is dit veral van betekenis dat die goudprys op die private mark vanaf ongeveer 82 dollar per fyn ons teen die middel van Maart 1973 tot ongeveer 120 dollar per fyn ons tans, d.w.s. met ongeveer 46 persent, gestyg het. Hierdeur is Suid-Afrika se onderliggende betalingsbalansposisie aansienlik versterk. Vanuit die oogpunt van die betalingsbalans beskou, is 'n depresiasie van die rand dus tans nie nodig of welkom nie.

Ook vanuit die standpunt van inflasiebekamping sou so 'n depresiasie 'n ongewenste uitwerking hê. Dit sou naamlik ingevoerde pryse uitgedruk in rande laat styg wat óf sou neig om die koers van toename in die verbruikersprysindeks te verhoog óf om 'n dalende tendens daarin teen te gaan.

In die lig van bostaande is besluit dat die Reserwebank vanaf môre, Dinsdag 5 Junie 1973 nuwe aan- en verkoopkoerse vir die V.S.A.-dollar sal noteer wat op 'n appresiasie van die rand teenoor die dollar van ongeveer 5 persent sal neerkom. Die goudpariteit van

die rand bly egter onveranderd op R29,75 per fyn ons. Gemelde wisselkoersaanpassing beteken dus dat vir die huidige die wisselkoers van die rand met die V.S.A.-dollar nie binne die toelaatbare marges rondom die goudpariteitwisselkoers gehandhaaf word nie, en die Internasionale Monetêre Fonds is reeds dienooreenkomstig in kennis gestel.

Teenoor alle buitelandse geldeenhede sal dit 'n gemiddelde effektiewe appresiasie van die rand van tussen 2 en 3 persent vergeleke met die posisie op 19 Maart meebring. By die bepaling van die mate van appresiasie is nie slegs rekening gehou met die onlangse bewegings in die wisselkoerse van die V.S.A.-dollar teenoor ander geldeenhede nie, maar ook met die disinflasionistiese uitwerking wat die stap behoort te hê.