

Statement regarding interest rate adjustments

Issued by the Governor of the South African Reserve Bank, Dr T. W. de Jongh.

13 August 1974.

After the usual consultation with the Treasury, the Reserve Bank has decided to make the following interest rate adjustments with effect from 14 August 1974:

(1) The Bank rate is increased from $7\frac{1}{2}$ to 8 per cent.

(2) The pattern of interest rates for the Reserve Bank's transactions in Government securities is adjusted as follows:

The rate for securities with an outstanding maturity of 3 years is increased from $6\frac{1}{2}$ to 7 per cent per annum and the rate for securities with outstanding maturities of 20 years and longer from $9\frac{1}{4}$ to $9\frac{3}{4}$ per cent per annum. The necessary adjustments will be effected to the rates for securities with outstanding maturities of between 3 and 20 years.

(3) The existing control over the interest rates which banks and building societies may pay on deposits is abolished for all individual deposits exceeding R250 000. As far as individual deposits of R250 000 and less and building society shares are concerned, the existing maximum interest rates will continue to apply. However, the existing exemption in respect of inter-bank deposits is now also extended to building societies. In other words, the maximum interest rates will in future not apply to deposits which building societies and registered banking institutions accept from one another. The necessary Government Notice regarding these changes will appear in the Government Gazette.

It has also been decided, with effect from 14 August 1974, to abolish interest rate control in respect of investments exceeding in the aggregate R250 000 in participation bonds and in debentures issued by institutions for the purpose of granting credit to the public. The necessary Government Notice by the Registrar of Financial Institutions regarding these changes will appear in the Government Gazette.

An announcement will also be made by the Minister of Finance in regard to the Act on Limitation and Disclosure of Finance Charges.

The above-mentioned interest rate adjustments reflect recent changes in supply and demand conditions in the relevant financial markets, which, in turn, are related to the present rapid rate of growth of the South African economy and the exceptionally high interest rates abroad. The adjustments form part of a broad monetary policy which is aimed at curbing demand inflation as well as encouraging a net inflow of foreign capital and strengthening the balance of payments as a whole, with the ultimate objective of maintaining a high rate of growth on a sound basis.

Verklaring insake rentekoersaanpassings

Uitgereik deur die President van die Suid-Afrikaanse Reserwebank, dr. T. W. de Jongh

13 Augustus 1974.

Ná die gebruikelike oorlegpleging met die Tesourie het die Reserwebank besluit om met ingang 14 Augustus 1974 die volgende rentekoersaanpassings aan te bring:

(1) Die Bankkoers word vanaf $7\frac{1}{2}$ tot 8 persent verhoog.

(2) Die stel rentekoerse vir die Reserwebank se transaksies in staatseffekte word soos volg aangepas:

Die koers vir effekte met 'n uitstaande looptyd van 3 jaar word vanaf $6\frac{1}{2}$ tot 7 persent per jaar en die koers vir effekte met uitstaande looptye van 20 jaar en langer vanaf $9\frac{1}{4}$ tot $9\frac{3}{4}$ persent per jaar verhoog. Die nodige aanpassings in die koerse van effekte met uitstaande looptye van tussen 3 en 20 jaar word aangebring.

(3) Die bestaande beheer oor die rentekoerse wat banke en bouverenigings op deposito's mag betaal, word opgehef vir alle individuele deposito's bo R250 000. Wat individuele deposito's van R250 000 en minder en bouverenigingsaandele betref, bly die bestaande maksimum rentekoerse van toepassing. Die bestaande vrystelling ten opsigte van interbank-deposito's word egter nou ook tot bouverenigings uitgebrei. Met ander woorde, die maksimum rentekoerse is voortaan nie van toepassing op deposito's wat bouverenigings en geregistreerde bankinstellings van mekaar neem nie. Die nodige Regeringskennisgewing met betrekking tot hierdie veranderings sal in die Staatskoerant verskyn.

Daar is ook besluit om met ingang 14 Augustus 1974 rentekoersbeheer op te hef ten opsigte van beleggings van meer as R250 000 in totaal in deelnemingsverbande en in skuldbriewe uitgereik deur instellings met die doel om krediet aan die publiek te verleen. Die nodige Regeringskennisgewing deur die Registrateur van Finansiële Instellings met betrekking tot hierdie veranderings sal in die Staatskoerant verskyn.

'n Aankondiging sal ook nog deur die Minister van Finansies gedoen word met betrekking tot die Wet op Beperking en Bekendmaking van Finansieringskoste.

Die bogenoemde rentekoersaanpassings weerpieël onlangse veranderings in die vraag- en aanbodtoestande in die betrokke finansiële markte, wat weer op hul beurt met die huidige vinnige groeitempo van die Suid-Afrikaanse ekonomie en die buitengewoon hoë rentekoerse in die buiteland saamhang. Die aanpassings vorm deel van 'n breë monetêre beleid wat daarop gemik is om sowel vraaginflasie te beteuel as om 'n netto invloeiing van buitelandse kapitaal aan te moedig en die betalingsbalans as geheel te versterk, met die einddoel om 'n hoë groeikoers op 'n gesonde grondslag te handhaaf.