

gross domestic product during the past year, which by historical standards is relatively low for the business cycle phases through which the economy has passed during this period. Moreover, despite the unfavourable turn in the "leads and lags" since March 1975, the capital account as a whole has remained sufficiently strong to offset the current deficit, so that the gold and other foreign reserves have held up well.

It is expected that the modified exchange rate arrangements now being introduced will assist materially in reversing the unfavourable leads and lags and improving the net inflow of foreign capital as a whole. South Africa should therefore be in a position to combine a satisfactory economic growth rate with overall balance of payments equilibrium and a strong rand in the period ahead.

Statement regarding exchange control relaxations

*Issued by the Honourable Sen. O. P. F. Horwood,
Minister of Finance*

11 August 1975

Last week, in replying to questions put to me by Reuters on South Africa's new exchange rate policy, I reaffirmed that the practice of making small and frequent adjustments to the rand-U.S.-dollar rate had been abandoned and ruled out any possibility of a devaluation of the rand in terms of the dollar in the foreseeable future. I also stated that further steps would be taken to correct the unfavourable "leads and lags" situation which had arisen in South Africa's balance of payments and to encourage the inflow of capital in general. I now announce that these steps will be the following:

(1) Monetary policy

Appropriate adjustments to monetary policy will be announced by the Reserve Bank today.

(2) Exchange control

(a) Sympathetic consideration will be given to applications by local entrepreneurs to borrow funds abroad for periods of not less than six months, provided that such funds are not destined for property development, speculation or consumer credit. This represents a relaxation of the existing control over incoming funds, as foreign loans were previously only approved for "manufacturing and other productive" purposes. The relaxation will extend to foreign borrowings by South African exporters in anticipation of receivable payments.

(b) Sympathetic consideration will also be given to applications by authorised dealers in foreign exchange to raise funds abroad in their own name for the financing of South African foreign trade and for other approved purposes.

(c) It has been decided in principle that blocked rand will be made directly transferable between non-residents. However, in view of the need to hold further discussions in this regard with authorised dealers in foreign exchange and other interested parties, the details of this new arrangement and the date from

which it will take effect will be announced at a later stage.

(d) Control in terms of Exchange Control Regulation 3(1)(f) over local borrowing by "foreign controlled" South African firms will be extended by the inclusion under local borrowing of—

- (i) certain defined leasing arrangements,
- (ii) factoring (with recourse), and
- (iii) certain defined "lease backs".

Particulars as to how this measure will be applied in practice will be furnished by the Exchange Control authorities to authorised dealers.

In respect of *existing* arrangements under these headings, firms affected by this regulation will be afforded a reasonable transition period within which to move to a position of full compliance with the new requirements.

(e) In addition to the new exchange control measures listed above, a circular has been sent to authorised dealers instructing them to ensure full compliance with the *existing* regulations in regard to import payments and export receipts. Authorised dealers are specifically required to ensure, firstly, that importers do not transfer funds abroad in payment of imports *prior* to the date of shipment or despatch of the relative goods to South Africa, and secondly, that export proceeds are remitted to South Africa within 30 days after the receipt of payment. The authorities view these malpractices in a very serious light and will not hesitate to deal severely with those who contravene the Regulations.

(3) Forward exchange cover

(a) The normal maximum period for which the Reserve Bank will grant forward exchange cover in respect of *imports* will be extended from six to twelve months.

(b) The charge in respect of such cover will remain 1 per cent per year.

(c) The Reserve Bank will also consider granting

forward exchange cover on application for periods longer than twelve months if required for the importation of capital goods with long delivery periods and/or under extended credit arrangements.

(d) Applications for forward exchange cover by authorised dealers in respect of foreign loans raised in their own names and approved by Exchange Control

will be favourably considered.

(e) The present requirement that forward exchange cover must be arranged within seven days after the foreign transaction is concluded, is abolished. Importers and exporters will in future have the option of covering forward at any time within the relevant liability period.

Statement on monetary policy

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

11 August 1975

In addition to the measures announced today by the Minister of Finance to counteract speculation against the rand as reflected mainly in the present unfavourable leads and lags situation in South Africa's balance of payments, and to encourage the inflow of capital in general, the Reserve Bank has decided to make the following adjustments to its monetary policy:

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

(2) From the date of certification of its monthly statement (BA Form No. 7) for the month ended 31 July 1975, each commercial bank shall be required to maintain liquid assets (including reserve balances) amounting to not less than the aggregate of:

(a) 49 per cent of its short-term liabilities to the public;

(b) 28 per cent of its medium-term liabilities to the public;

(c) 5 per cent of its long-term liabilities to the public, and

(d) 10 per cent of its liabilities under acceptances.

Since these ratios were formerly 45, 28, 5 and 10 per cent, respectively, this implies an increase in the commercial banks' minimum liquid asset requirements of 4 per cent of their *short-term* liabilities to the public.

(3) As from the date of certification of its monthly statement for the month ended 31 July 1975, each banking institution other than a commercial bank or a discount house shall be required to maintain liquid assets (including reserve balances) amounting to not less than the aggregate of:

(a) 47 per cent of its short-term liabilities to the public;

(b) 28 per cent of its medium-term liabilities to the public;

(c) 5 per cent of its long-term liabilities to the public, and

(d) 10 per cent of its liabilities under acceptances.

For these banking institutions this implies an increase in their minimum liquid asset requirements of 2 per cent of their *short-term* liabilities to the public.

The required notices to give effect to these changes will in due course appear in the Government Gazette.

(4) The above measures will be accompanied by appropriate adjustments in the Reserve Bank's transactions in government securities and interest rate policy in general.

These steps are designed to reduce excess liquidity in both the banking system and the private sector as a whole and to reinforce the firming tendency recently shown by short-term interest rates, following their sharp decline during the preceding months. The new measures form part of a conservative credit policy which at present has two principal objectives:

The first is to strengthen the balance of payments in general and, in particular, to correct the unfavourable leads and lags situation. In this regard it is of prime importance to curb the marked tendency in recent months for domestic import financing to be substituted for normal foreign trade credits. To this end it is important that domestic credit creation by banks be kept within appropriate limits and that short-term interest rates in South Africa do not at present fall below comparable rates in the main industrial countries.

The second main objective is to reduce the rate of inflation by preventing domestic bank credit and the quantity of money and near-money from rising at an excessive rate. In view of the slowing down in the rate of expansion of economic activity in South Africa since the third quarter of 1974, there is for the time being no evidence of excess demand in the domestic economy. However, even apart from balance of payments considerations, the *potential* inflationary effects of any undue increase in domestic liquidity must be taken into account timeously in framing policy.

In taking these various steps, the monetary authori-

se onderliggende betalingsbalansposisie bevredigend gebly. Die tekort in lopende rekening was gedurende die afgelope jaar gelykstaande aan ongeveer 4 persent van die bruto binnelandse produk wat, gemeet aan historiese standaarde, relatief laag is vir die sikliese fases waardeur die ekonomie gedurende hierdie tydperk beweeg het. Ten spyte van die ongunstige verloop in die „vervroegings en sloerings” sedert Maart 1975, het die kapitaalrekening as geheel boonop sterk genoeg gebly om die lopende tekort te neutraliseer, met die gevolg dat die goud- en ander buite-

landse reserwes goed bly vertoon het.

Dit word verwag dat die gewysigde wisselkoersreëlins wat nou ingestel word aansienlik daartoe sal bydra om die ongunstige vervroegings en sloerings om te keer, asook om ’n verbetering ten opsigte van die netto invloeiing van vreemde kapitaal in die geheel teweeg te bring. Suid-Afrika behoort dus in die tydperk wat voorlê in staat te wees om ’n bevredigende ekonomiese groeikoers met algemene betalingsbalansewewig en ’n sterk rand te kombineer. -

Verklaring insake verslapping van deviesebeheer

*Uitgereik deur Sy Edele sen. O. P. F. Horwood,
Minister van Finansies*

11 Augustus 1975

Verlede week het ek, in antwoord op vrae oor Suid-Afrika se nuwe wisselkoersbeleid wat deur Reuters aan my gestel is, herbevestig dat die gebruik om dikwels klein aanpassings in die rand-VSA-dollar-koers te maak, laat vaar is en enige moontlikheid uitgesluit dat die rand binne afsienbare tyd teenoor die dollar gevalueer sal word. Ek het ook verklaar dat verdere stappe gedoen sou word om die ongunstige toestand van “vervroegings en vertragings” wat in Suid-Afrika se betalingsbalans ontstaan het, reg te stel en die invloeiing van kapitaal oor die algemeen aan te moedig. Ek kondig nou aan dat hierdie stappe die volgende sal wees:

(1) Monetêre beleid

Gepaste aanpassings in monetêre beleid sal vandag deur die Reserwebank aangekondig word.

(2) Deviesebeheer

(a) Simpatieke oorweging sal verleen word aan aansoeke deur plaaslike ondernemers om fondse in die buiteland vir tydperke van nie minder nie as ses maande te leen, mits sodanige fondse nie vir eiendomsontwikkeling, spekulasie of verbruikerskrediet bestem is nie. Dit verteenwoordig ’n verslapping van die bestaande beheer oor inkomende fondse aangesien buitelandse lenings voorheen slegs vir “vervaardiging en ander produktiewe” doeleindes goedgekeur is. Die verslapping sal ook buitelandse lenings deur Suid-Afrikaanse uitvoerders in afwagting van betalingsontvangstes toelaat.

(b) Simpatieke oorweging sal ook verleen word aan aansoeke deur gemagtigde handelaars in vreemde valuta om fondse in die buiteland in hul eie naam op te neem vir die finansiering van Suid-Afrika se buitelandse handel en vir ander goedgekeurde doeleindes.

(c) Daar is in beginsel besluit dat geblokkeerde rand

regstreeks oordragbaar tussen nie-inwoners gemaak sal word. Met die oog op die noodsaaklikheid om verdere samesprekings in hierdie verband met gemagtigde handelaars in vreemde valuta en ander belanghebbende partye te voer, sal die besonderhede van hierdie nuwe reëling en die datum waarop dit in werking sal tree, egter op ’n latere stadium aangekondig word.

(d) Die beheer kragtens Deviesebeheerregulasie 3(1)(f) oor binnelandse lenings deur “buitelands-beheerde” Suid-Afrikaanse ondernemings sal uitgebrei word deur die insluiting onder binnelandse leningsopnames van –

- (i) sekere omskrewe verhuringsooreenkomste,
- (ii) faktorisering (met verhaal), en
- (iii) sekere omskrewe “terugverhurings”.

Besonderhede oor hoe hierdie maatregel in die praktyk toegepas sal word, sal deur die Deviesebeheerowerhede aan gemagtigde handelaars verstrekk word.

Met betrekking tot *bestaande* reëlins onder hierdie hoofde sal ondernemings wat deur hierdie regulasie geraak word ’n redelike oorgangstydperk gegun word om in ’n posisie te kom waarin hulle ten volle aan die nuwe vereistes voldoen.

(e) Bykomend tot die nuwe deviesebeheermaatreëls hierbo uiteengesit, is ’n omsendbrief aan gemagtigde handelaars gestuur waarin aan hulle opdrag gegee is om te verseker dat daar ten volle aan die *bestaande* regulasies met betrekking tot invoerbetalings en uitvoerontvangste voldoen word. Daar word van gemagtigde handelaars uitdruklik vereis om te verseker, eersens, dat invoerders nie fondse na die buiteland oorplaas in betaling vir invoere vóór die datum van verskeping of versending van die betrokke goedere na Suid-Afrika nie, en, tweedens, dat uitvoerverdienste na Suid-Afrika oorgeplaas word binne 30 dae ná die ontvangs van betaling. Die owerhede beskou hierdie

wanpraktyke in 'n baie ernstige lig en sal nie huiwer om sterk teen diegene wat die Regulasies oortree, op te tree nie.

(3) Valutatermyndekking

(a) Die normale maksimum tydperk waarvoor die Reserwebank valutatermyndekking ten opsigte van *invoere* sal toestaan, sal van ses na twaalf maande verleng word.

(b) Die heffing ten opsigte van sodanige dekking sal 1 persent per jaar bly.

(c) Die Reserwebank sal ook op aansoek die verlening van valutatermyndekking vir tydperke van langer

as twaalf maande oorweeg indien dit benodig word vir die invoer van kapitaalgoedere met lang afleweringstydte en/of ingevolge uitgestelde kredietreëlins.

(d) Aansoeke vir valutatermyndekking deur gemagtigde handelaars ten opsigte van buitelandse lenings verkry in hulle eie naam en wat deur Deviesebeheer goedgekeur is, sal gunstig oorweeg word.

(e) Die huidige vereiste dat valutatermyndekking binne sewe dae nadat die buitelandse transaksie afgehandel is, gereël moet word, word afgeskaf. Invoerders en uitvoerders sal in die toekoms die keuse hê om termyndekking te enige tyd binne die betrokke tydperk van die verpligting aan te gaan.

Verklaring insake monetêre beleid

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

11 Augustus 1975

Bykomend tot die maatreëls wat vandag deur die Minister van Finansies aangekondig is om spekulاسie teen die rand soos hoofsaaklik weerspieël in die huidige ongunstige toestand van vervroegings en verdragings in Suid-Afrika se betalingsbalans, teen te werk, en om die invloeiing van kapitaal in die algemeen aan te moedig, het die Reserwebank besluit om die volgende aanpassings in sy monetêre beleid te maak:

(1) Die Bankkoers word met onmiddellike inwerking-treding vanaf 8 tot 8½ persent per jaar verhoog.

(2) Vanaf die datum van sertifisering van sy maand-opgawe (BW Vorm Nr. 7) vir die maand geëindig 31 Julie 1975, moet elke handelsbank likwiede bates (insluitende reserwesaldo's) hou, wat nie minder bedra nie as die totaal van:

(a) 49 persent van sy korttermynverpligtings teenoor die publiek;

(b) 28 persent van sy middeltermynverpligtings teenoor die publiek;

(c) 5 persent van sy langtermynverpligtings teenoor die publiek, en

(d) 10 persent van sy aksepverpligtings.

Aangesien hierdie verhoudings vantevore 45, 28, 5 en 10 persent onderskeidelik was, beteken dit dat die handelsbanke se minimum likwiede batevereistes met 4 persent van hul *korttermynverpligtings* teenoor die publiek verhoog word.

(3) Vanaf die datum van sertifisering van sy maand-opgawe vir die maand geëindig 31 Julie 1975, moet elke bankinstelling uitgesonderd 'n handelsbank of 'n diskontohuis likwiede bates (insluitende reserwesaldo's) hou wat nie minder bedra nie as die totaal van:

(a) 47 persent van sy korttermynverpligtings teenoor die publiek;

(b) 28 persent van sy middeltermynverpligtings teenoor die publiek;

(c) 5 persent van sy langtermynverpligtings teenoor die publiek, en

(d) 10 persent van sy aksepverpligtings.

Vir hierdie bankinstellings beteken dit dat hul minimum likwiede batevereistes met 2 persent van hul *korttermynverpligtings* teenoor die publiek verhoog word.

Die nodige kennisgewings om aan hierdie veranderings uitvoering te gee, sal binnekort in die Staatskoerant verskyn.

(4) Bogenoemde maatreëls sal vergesêl word deur toepaslike aanpassings in die Reserwebank se transaksies in staatseffekte en sy rentekoersbeleid in die algemeen.

Hierdie stappe is daarop gemik om oorskot-likwiditeit in sowel die bankstelsel as die private sektor in geheel te verminder en om die opwaartse neiging wat onlangs deur korttermynrentekoerse getoon is, en wat gevolg het op hulle skerp daling gedurende die voorafgaande maande, te versterk. Die nuwe maatreëls vorm deel van 'n konserwatiewe kredietbeleid wat tans twee hoofdoelstellings het:

Die eerste is om die betalingsbalans in die algemeen te versterk en, in die besonder, om die ongunstige toestande van vervroegings en verdragings reg te stel. In hierdie opsig is dit van primêre belang om die opmerklike neiging in onlangse maande om normale buitelandse handelskrediete met binnelandse invoerfinansiering te vervang, aan bande te lê. Vir hierdie doel is dit belangrik dat die binnelandse kredietskepping deur banke binne toepaslike perke gehou word en dat korttermynrentekoerse in Suid-Afrika nie tans laer as die ooreenstemmende koerse in die vernaamste nywerheidslande daal nie.

Die tweede doelstelling is om die koers van inflasie te verlaag deur te verhoed dat binnelandse bankkrediet en die hoeveelheid geld en kwasi-geld teen 'n oormatige koers styg. In die lig van die verlangsamings