

9,89 per cent during the second quarter, but then declined to 9,81 per cent in August. The yield on long-term loan securities of companies amounted to 11,25 per cent in August, which was still marginally higher than the yield of 11,01 per cent in June.

Net new issues of fixed-interest securities by the public sector, adjusted for changes in the issuers' holdings of their own securities, amounted to R368 million in the second quarter, compared with a net repayment of R132 million in the first quarter. During July the central government repaid maturing stock amounting to R497 million and attracted new funds to the amount of R397 million by means of issues, including a long-term issue at 9,375 per cent.

Stock exchange turnover increased further in the second quarter. The nominal value of gilt-edged and semi-gilt-edged stock traded amounted to R555 million, compared with a quarterly average of R287 million for the preceding three quarters. The value of shares traded on the stock exchange during the second quarter increased more moderately and was 5 per cent higher than in the first quarter. The latter increase was mainly accounted for by a rise in share prices. The comprehensive share price index, covering all classes of shares, rose by 6 per cent during the second quarter. In July the value of shares traded declined slightly, but on average share prices remained unchanged. In August, however, share turnover rose sharply and the comprehensive share

price index increased by 7 per cent. The average dividend yield on all classes of shares increased from 6,3 to 6,4 per cent during the second quarter, but declined to 6,2 per cent in August.

The seasonally adjusted flow of longer-term funds to deposit-receiving and related savings institutions remained at a high level and amounted to R921 million in the second quarter, compared with R967 million in the first quarter. The building societies' share in these funds decreased slightly from 52 per cent of the total in the first quarter to 50 per cent in the second quarter. Gross mortgage loans granted by building societies amounted to R636 million in the second quarter, or 10 per cent more than in the preceding quarter. Notwithstanding this increase, the demand for mortgage loans was inadequate to absorb the societies' inflow of funds and, as a result, the societies had to increase their prescribed investments by R125 million during the second quarter. During July the societies experienced a further net inflow of funds amounting to R144 million, or slightly less than the monthly average of R155 million for the second quarter.

In the real estate market, the value of transactions continued to edge upwards during the second quarter and exceeded the figure for the first quarter by 3 per cent. A more rapid increase in transactions occurred in July.

Statement regarding monetary policy

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

11 August 1979

After the usual consultation with the Treasury, the Reserve Bank has decided to reduce Bank rate by $\frac{1}{2}$ per cent to 7 per cent per annum with effect from 13 August 1979.

This step represents a further relaxation of monetary term interest rates in the market during recent weeks, which has resulted in an excessive gap between these rates and Bank rate.