

South African Reserve Bank
Suid-Afrikaanse Reserwebank

Quarterly Bulletin
Kwartaalblad

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Quarterly economic review

Introduction

Relatively strong rates of increase were shown by real output of the non-primary sectors of the South African economy in the third quarter of 1987, and by most primary and non-primary sectors in the fourth quarter. Broadly similar strength of aggregate real output growth as in the fourth quarter of 1987 could be observed in the first quarter of 1988.

Aggregate real gross domestic product grew at a seasonally adjusted annual rate of nearly 5 per cent in the fourth quarter of 1987, and at a rate of approximately 4 per cent in the first quarter of 1988. As in the final few months of 1987, the growth in real output in the first few months of 1988 was spread widely across most economic activities. With the exception of mining, significant increases in real value added were recorded in all principal sectors of the economy. Above-average rates of production growth were posted by manufacturing, other secondary activities, and the non-primary sectors generally. No adverse impact was experienced as yet from various potential, extraneously imposed, developments – such as an eventual weakening of world commodity prices, or after-effects of the international slump in share prices in October 1987 – that earlier in the present year had appeared to call for some caution in an assessment of growth prospects for the South African economy in 1988.

Substantially faster advances than in real gross domestic product were measured in the first quarter of 1988 in aggregate real gross domestic expenditure. Having increased at an average annualised rate of some 6½ per cent in the second, third and fourth quarters of 1987, total real gross domestic spending rose at a considerably higher rate in the first quarter of 1988. Aggregate real private consumption expenditure continued to move steadily and relatively briskly along the upward path it had established in the preceding seven quarters. It thereby continued to serve as a major driving force of the current upswing in the economy.

Real consumption expenditure by general government rose in the first quarter of 1988 at broadly the same rate as in the fourth quarter of 1987. Despite renewed cutbacks in real fixed capital expenditure by public authorities and public corporations, a mild further increase in total real gross domestic fixed investment was registered in the first quarter of 1988 for the third consecutive quarter. A fourth consecutive quarterly increase was recorded in aggregate real inventories, mainly because of inventory accumulation in manufacturing and in wholesale and retail trade. The volume of this stock building, moreover, was substantially larger in the first quarter of 1988 than in the final three quarters of the preceding year.

Two major concomitant effects attended the further strengthening of domestic monetary demand and real economic activity, and the substantially faster rate of increase in real domestic expenditure than in real domestic production. Firstly, substantially higher levels of the volume and value of merchandise imports, in conjunction with a decline in the volume and value of merchandise exports, caused the large surpluses on the balance of payments on current account that had been maintained throughout the preceding twelve quarters, to be converted into a slight deficit (after seasonal adjustment) in the first quarter of 1988. Partly because of a marked shrinking of the outflow of non-reserve-related capital, however, the gross gold and other foreign reserves still registered a small increase in the first quarter of 1988, while a small rise may also be expected in respect of the first four months of the year. Contraction of the surplus on the balance of foreign trade did, however, contribute significantly to a weakening of the effective exchange rate of the rand from the end of 1987 to the end of May 1988.

Secondly, a marked and relatively abrupt surge in the demand for money and credit caused the rates of increase in bank lending and in the M3 money supply to accelerate sharply further from September 1987. The seasonally adjusted annual rates of increase in monetary institutions' claims on the private sector and in M3 from the end of August 1987 to the end of March 1988 amounted to 24,5 and 30,0 per cent, respectively. M3 as at the end of March 1988 exceeded the upper limit of the target tunnel by approximately R3 billion, or by slightly more than 3 per cent.

Largely because of these developments, a less accommodative posture of monetary policy was adopted by the Reserve Bank from early December 1987 and maintained in a gradually more stringent fashion in the first five months of 1988. A package of demand-restraining fiscal, monetary and credit measures was announced on 4 May 1988. A sharp drop in M3 was indicated, however, by the provisional money supply data for April, while the rate of extension of bank credit also slowed down markedly during that month.

Obliteration of the current account surplus in the first quarter of 1988 focused attention on various "constraints" on the South African economy that, in the currently prevailing conditions, have come to be presented as factors that prevent the economy from realising real growth rates significantly in excess of the rate of population growth for any extensive period. Prime among these impediments to faster growth is the balance of payments constraint which, because of South Africa's foreign debt repayment obligations and its currently limited access to overseas sources of funds, arises from the country's limited capabilities for financing a

current account deficit through inflows of foreign capital. While it is obviously true that South Africa, given its resource endowment and the stage of its economic development, should not be a capital-exporting country, it ought also to be recognised that, even in the most favourable circumstances, a largely consumption-driven economic upswing cannot and should not be financed for any length of time by increasing the country's foreign indebtedness or by drawing down the gold and other foreign reserves. A situation of this nature, as in 1983-84, would eventually call for a re-imposition of more restrictive monetary and fiscal policies. If such action were to be delayed or temporarily rendered ineffective, more drastic measures would be needed at a later stage.

Further declines were recorded in the first quarter of 1988 in the inflation rate as measured by the consumer price index. The twelve-month rate of increase in this index, having declined from 20,6 per cent in January 1986 to 14,2 per cent in January 1988, receded further to 13,3 per cent in April. The twelve-month rate of increase in production prices reached a low point of 11,3 per cent in December 1987 but rose during the ensuing three months to 12,0 per cent in March 1988.

In the money market, upward pressure was experienced on short-term interest rates from late November 1987 through April and the first three weeks of May 1988. Bank rate, having been raised by 1 per cent to 10½ per cent from 9 March 1988 in recognition of the hardening of market rates and as an integral component of the Reserve Bank's less accommodative policy stance, was raised further, to 11½ per cent, as a part of the package of demand-restraining measures of 4 May 1988.

Certain further adjustments in the Bank's accommodation policies and procedures were announced in the Bank's statement on the Bank rate increase of 4 May. Specifically, the Bank made clear that assistance to the money market other than at the discount window would henceforth be limited to the smoothing-out of unduly tight month-end or other seasonal money market situations, and that penalty rates would apply to accommodation that, in exceptional circumstances, would be provided to banks at the discount window against the security of non-liquid instruments.

The capital market in the first quarter of 1988 saw a recovery in trading activity from the relatively low levels that had been recorded in the wake of the stock market slump that commenced on 20 October 1987. Further declines were registered, however, in the turnover and prices of shares on the stock exchange. Long-term yields and interest rates firmed in the first quarter of 1988 in sympathy with the upward movement of short-term rates and because of the disappointing behaviour of the gold price in February in particular, but retreated mildly again in April. A rapid rise in mortgage lending by major banks in the first quarter more than made up for a decline in such lending by the building societies.

The Exchequer deficit before borrowing in the March quarter of fiscal 1987/88 amounted to R3,2 billion, exceeding the deficit in the March quarter of fiscal 1986/87 by as much as R2,1 billion. The deficit in April 1988 was, however, R0,8 billion smaller than in April 1987, representing a decrease of approximately 30 per cent.

Domestic economic developments

Domestic output

Having increased at a seasonally adjusted annual rate of nearly 5 per cent in the fourth quarter of 1987, real gross domestic product in the first quarter of 1988 was provisionally estimated to have continued to rise relatively briskly at an annual rate of approximately 4 per cent. Real gross domestic product in the first quarter of 1988 reached a level that was some 2½ per cent higher than in the first quarter of 1987.

Above-average growth rates were recorded in the secondary sectors (manufacturing; electricity, gas and water; and construction) and in the non-primary sectors generally. The seasonally adjusted and annualised rates of real output growth in these two sets of sectors in the first quarter of 1988 amounted to approximately 8 and 5 per cent.

Sectoral estimates show that increases in real value added were registered in all sectors of the economy with the exception of mining. The more prominent sectoral output increases were displayed by manufacturing; electricity, gas and water; commerce; agriculture; and construction. Real output in mining, having declined in the third quarter of 1987 mainly because of strikes in the gold mining industry, rose substantially in the fourth quarter, but contracted again in the first quarter of 1988 as lower export volumes were recorded by certain sub-sectors of non-gold mining and as the gold mining industry settled at somewhat lower production levels. A continuation was shown in gold mining in the first quarter of 1988 of the trend of the past several years towards a lower average

gold content of ore milled. This could be attributed to the relatively high rand price of gold which, despite the rising cost of mining operations, allowed the re-processing of waste and the mining of lower-grade ore.

The most important quantitative contributions to the firm rate of growth in aggregate real output in the first quarter of 1988 were made by manufacturing and commerce. The total volume of manufacturing production, seasonally adjusted, in the first quarter of 1988 actually exceeded the quarterly average level of manufacturing production in the calendar year 1980 for only the second time since the second quarter of 1984.

Notable output increases in manufacturing in the first quarter of 1988 were registered by the sub-sectors paper and printing, chemicals, and machinery and transport equipment. Appreciable further rises in real output, in continuation of production increases that had been recorded in the third and fourth quarters of 1987, were also shown by the sector commerce, and by the sub-sectors wholesale and motor trade in particular.

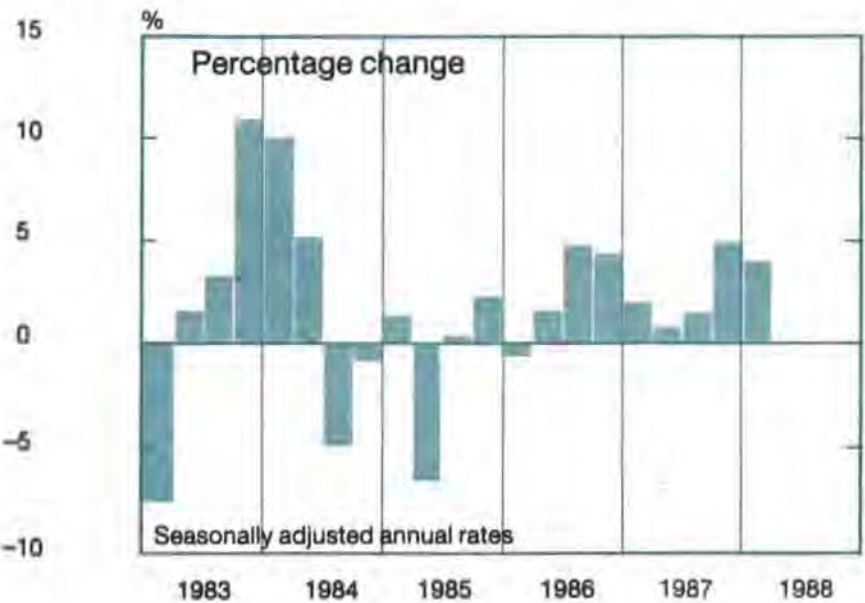
Domestic expenditure

Total real gross domestic expenditure rose at an average annualised rate of 6½ per cent in the second, third and fourth quarters of 1987 but at a considerably higher rate in the first quarter of 1988. Aggregate real gross domestic expenditure in the first quarter of 1988 was more than 10 per cent higher than in the first quarter of 1987.

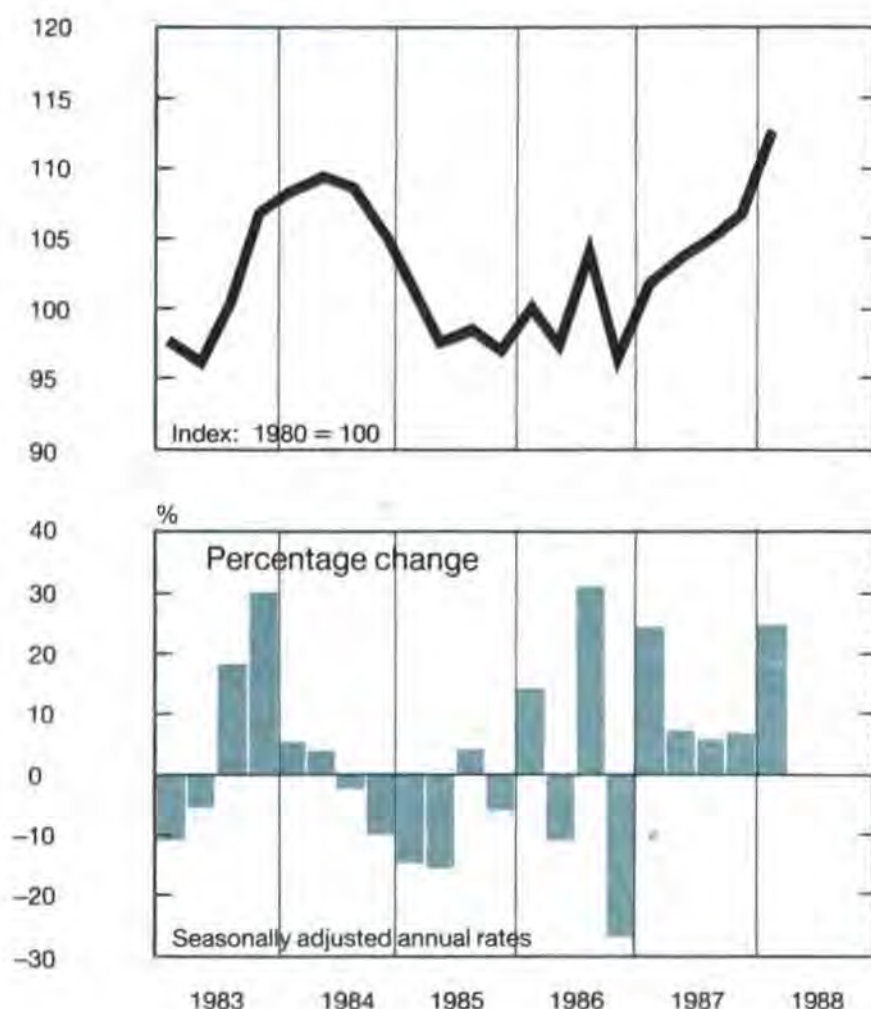
Sustained growth was observed in the first quarter of 1988 in all principal components of gross domestic expenditure. *Real private consumption expenditure* advanced at an annualised rate of 4 per cent, in continuation of a series of broadly similar quarterly increases (at annualised rates ranging from approximately 2¾ to 5¼ per cent) that had commenced in the second quarter of 1986. Rates of increase in real private consumption expenditure in most of 1986, 1987 and early 1988 also compared favourably with the longer-term upward trend in real private consumption in the 1980s. In the seven-year period from 1981 through 1987, the average annual rate of increase in aggregate real private consumption expenditure only amounted to approximately 2 per cent.

The further rise in real private consumption in the first quarter of 1988 was supported by a slight increase in aggregate real personal disposable income. It was also based, however, on a significant acceleration in households' recourse to consumer credit. Increases in real spending on the main components of private consumption expenditure in the first quarter of 1988, at seasonally adjusted and annualised rates, ranged from 2 per cent in the case of non-durable goods to as much as 13 per cent in the case of durables. The increase in spending on consumer durables was mainly accounted for by relatively strong sales of motor

Real gross domestic product



Real gross domestic expenditure



vehicles and household appliances. The marked rise in sales of new motor vehicles during the first quarter of 1988, notably in February and March, partly reflected a working-down of the backlog of orders for new motor cars that had arisen by the third and fourth quarters of the preceding year.

Real private spending on semi-durables and on consumer services rose in the first quarter of 1988 at annual rates of approximately 5½ and 3 per cent, respectively. This followed upon broadly similar rates of increase in the fourth quarter of 1987. Increases in household outlays on these two spending components were spread broadly across most of their principal sub-categories.

Real consumption expenditure by general government, having increased strongly in the first half of 1987 and again in the fourth quarter after a marked decline in the third quarter, continued to rise in the first quarter of 1988 at broadly the same rate as in the fourth quarter of 1987. The level of this expenditure in the first quarter of 1988 was some 5 per cent higher than in the first quarter of 1987. Although real remuneration of government employees showed only a modest increase in the first quarter of 1988, real government expenditure on intermediate goods and services rose substantially.

For the fiscal year 1987/88 in comparison with fiscal 1986/87, the increase in total real government consumption expenditure, real remuneration of government employees, and real government outlays on intermediate goods and services, amounted to 5½ per cent, 3½ per cent and nearly 9 per cent, respectively.

A third consecutive quarterly increase was shown by *aggregate real gross domestic fixed investment* in the first quarter of 1988. The seasonally adjusted and annualised rates of increase in total real gross domestic fixed investment amounted to 1½ per cent in the second half of 1987 and to 2 per cent in the first quarter of 1988. Significant further increases in real fixed capital formation by the private sector more than neutralised renewed reductions of real fixed capital spending by public corporations and public authorities.

Increases in real gross fixed capital formation by the private sector were displayed by the sectors agriculture, mining, manufacturing, commerce and finance. This broadly-based recovery reflected the gradual return of business confidence and the pressures of strengthening domestic demand, as well as various other favourable developments. In agriculture, improved rainfall conditions and prospects of better harvests provided a stimulus for long-delayed replacement of capital equipment for the planting, harvesting, storage and processing of crops. In the mining sector, capital expenditures were incurred in the development of several new ventures in both gold mining and non-gold mining, while an upgrading of existing plant and machinery was undertaken on a number of older mines.

In manufacturing, rising levels of domestic expenditure caused an increasing number of firms to approach the capacity limits of existing production facilities, thereby creating incentives for expansion and for renewal of technically outdated equipment and plant. This was also reflected in real outlays on machinery and transport equipment financed through leasing contracts. In the first quarter of 1988, capital expenditure financed in this way was more than 30 per cent higher than in the first quarter of the preceding year.

An analysis of total real gross private fixed investment in the first quarter of 1988 according to types of assets shows major increases in outlays on non-residential buildings but most importantly in outlays on transport equipment, machinery, and "other" equipment. The rising level of expenditure on these kinds of capital assets in the second half of 1987 and the first quarter of 1988 brought about a decline in the rate of contraction of the physical stocks of these assets but would not appear to have resulted as yet in an actual increase in these stocks.

Renewed *declines* in real gross fixed investment by public authorities and public corporations again were explained by the completion of earlier investment projects and continued attempts at rationalisation. De-

creases in real investment spending by public corporations were recorded in manufacturing as well as in electricity, gas and water. The latter mainly reflected cutbacks in real fixed capital spending by Eskom, which has budgeted for a reduction in such spending in nominal terms during 1988.

Among public authorities, significant declines in real fixed capital outlays were reported by the business enterprises of these authorities as well as by their general services departments. Divergent trends were recorded, however, in the investment activities of the principal contributors to capital formation by these business enterprises. Specifically, significant increases in the first quarter of 1988 in real fixed investment expenditure by the South African Transport Services (mainly on machinery and construction) were more than fully offset by declines in real fixed capital outlays by the Department of Posts and Telecommunications. Aggregate real fixed capital formation by both public authorities and public corporations in the four quarters to the first quarter of 1988 accordingly continued to fall short substantially (i.e., by more than 30 per cent) of the relatively high average levels of total public-sector real fixed capital investment that had been recorded during the years from 1980 to 1985.

A further build-up of aggregate real *inventories* was recorded in the first quarter of 1988 for the fourth

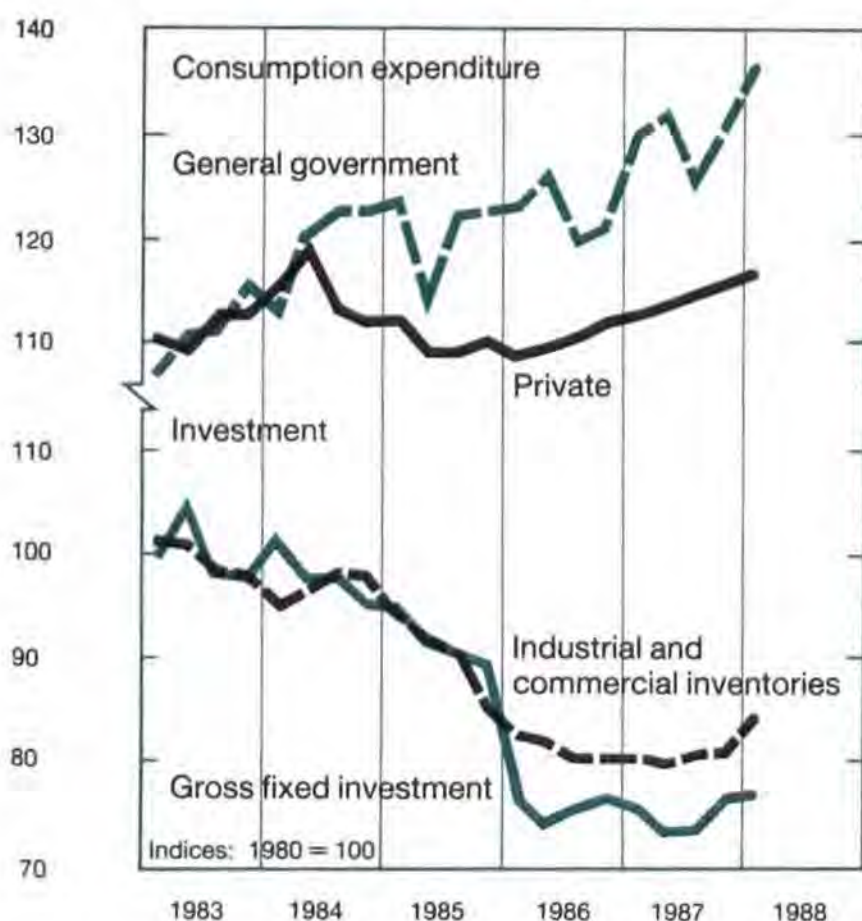
consecutive quarter. The rise in aggregate real inventories in the first quarter of 1988, which was considerably larger than in the preceding three quarters, was accounted for almost entirely by inventory accumulation in manufacturing and in wholesale and retail trade.

Declines actually were recorded in real inventory levels in the motor trade and in stocks-in-trade in the diamond industry. The marked strengthening of the demand for motor vehicles from both the household and the corporate sector, which had commenced in the fourth quarter of 1986, accelerated further during the fourth quarter of 1987 and in the first quarter of 1988. Reduced stock levels accordingly were experienced both in respect of motor vehicle components and in respect of completed vehicles.

The diamond industry did not experience the slump in sales that had been predicted for it in the wake of the stock market crash of October 1987. Active selling of diamonds in the world markets in the first quarter of 1988 led to a shrinking of diamond stocks.

Rising levels of industrial and commercial inventories in the first quarter of 1988 were a reflection of stepped-up domestic production activity, increased volumes of merchandise imports and declines in the volume of certain merchandise exports. The ratio of real industrial and commercial inventories to gross domestic product in the non-agricultural sectors of the economy advanced only slightly from its historically low level of 19 per cent in the third and fourth quarters of 1987 to approximately 19½ per cent in the first quarter of 1988. However, acceleration of the rate of aggregate real inventory accumulation from the fourth quarter of 1987 to the first quarter of 1988 contributed as much as 8 percentage points to the annualised rate of increase in total expenditure on the real gross domestic product in the first quarter of 1988. This may be compared with a negative contribution of 6½ percentage points that resulted from the decline in the rate of real inventory accumulation from the third to the fourth quarter of 1987.

Main components of gross domestic expenditure



Factor income and saving

The annualised rate of increase in aggregate nominal factor incomes declined from 25 per cent in the fourth quarter of 1987 to 18½ per cent in the first quarter of 1988. This slowdown represented the net outcome of a deceleration from 26 to 14 per cent in the annualised rate of increase in total nominal remuneration of employees, and from 22½ to 20½ per cent in the annualised rate of increase in the gross operating surpluses of business enterprises.

The relatively high rate of increase in aggregate nominal factor incomes in the fourth quarter of 1987 had been accounted for by the comparatively rapid strengthening of aggregate domestic economic activity, increased turnovers, and the attendant increase in

profits of business enterprises in most sectors of the economy, as well as by relatively high levels of wage settlements in various industries. Both these factors were somewhat less prominent in the first quarter of 1988. Substantial further increases nevertheless were recorded in the gross operating surpluses of the sectors agriculture, manufacturing, commerce, transport and finance.

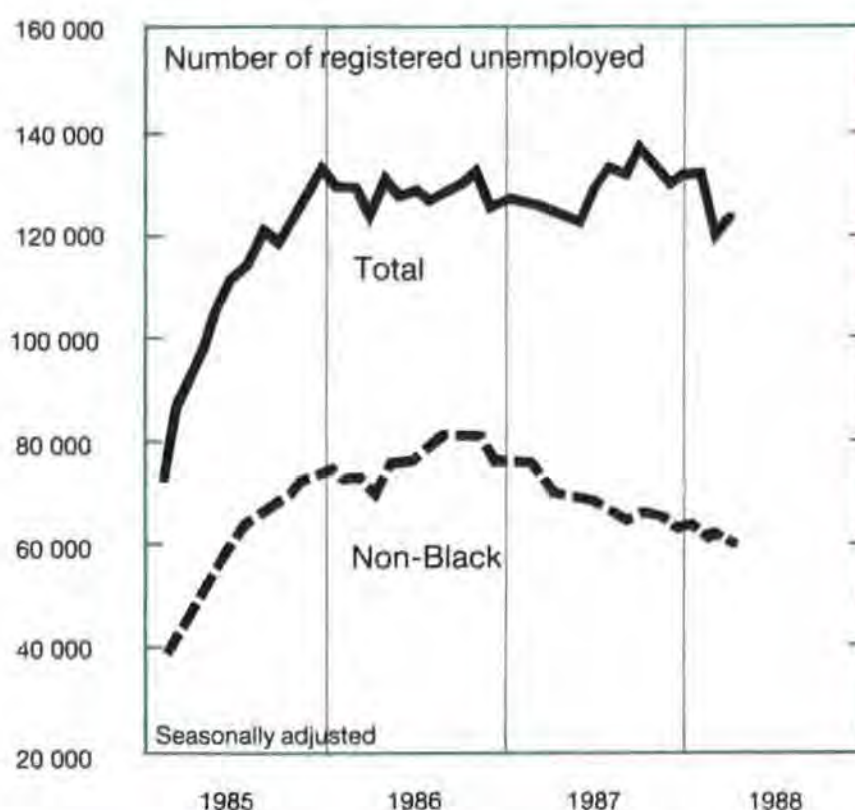
Gross domestic saving relative to gross domestic product declined slightly from 23 per cent in the fourth quarter of 1987 to 21½ per cent in the first quarter of 1988. This was mainly attributable to a further increase in net dissaving by general government and to a further decline in net personal saving (and therefore also in the personal savings ratio). Personal saving in both absolute and relative terms declined further from the relatively high level (approximately 4 per cent of personal disposable income) it had attained in the first quarter of 1987, largely because of earlier reductions in household debt and in households' debt-to-assets ratios; households' increased willingness to borrow, and their large-scale recourse to consumer credit, on the basis of their improved debt-to-assets and debt-to-incomes ratios; the growing pressures of replacement demand for certain consumer durables; and increased spending on consumer durables and semi-durables such as that which tends to accompany an upswing in residential construction and buoyant conditions in the fixed-property market, as have been experienced in the South African economy from approximately the first quarter of 1987 in particular. Further increases in the gross operating surpluses of business enterprises, on the other hand, caused net *corporate* saving, which currently accounts for approximately one-third of total gross domestic saving, to rise substantially in the first quarter of 1988 to a level that was some 34 per cent higher than in the first quarter of the preceding year.

Employment

Total employment in the non-agricultural sectors of the economy rose by a slender 0,3 per cent in 1986 and by 1,5 per cent in 1987. Increases in numbers employed in the private sector and the public sector in 1987 amounted to 0,5 and 3,9 per cent, respectively.

The quarter-to-quarter rates of increase in employment in manufacturing and construction advanced steadily through the four quarters of 1987. Further increases in employment in these two sectors were recorded in the first quarter of 1988. A continued strengthening of the demand for labour was confirmed by changes in the ratio of overtime to ordinary hours worked. This ratio rose from 10,5 per cent in February 1987 to 12,4 per cent in February 1988 in manufacturing, and from 7,4 to 8,9 per cent in construction over the same period.

Unemployment



Little change was shown from 1986 to 1987 in the total number of registered unemployed workers, which fluctuated around an average level of close to 130 000 in both these years. A significant decline in this number was recorded, however, in the first quarter of 1988. It amounted to less than 124 000 in March 1988.

Registered unemployment among non-Black workers contracted significantly, by 11,8 per cent, from 1986 to 1987. This trend was continued into 1988. The number of unemployed non-Black workers in March 1988 was 60 175, compared with a peak figure of nearly 82 500 in August 1986.

Labour costs and productivity

The average amount of nominal salaries and wages per worker in the non-agricultural sectors of the economy rose by 14,2 per cent in 1986 and by 15,7 per cent in 1987. The average *real* wage per worker shrank by 0,4 per cent in 1987, against a decline of as much as 3,8 per cent in the preceding year. The smaller real-wage decline in 1987 was accounted for partly by the somewhat higher level of nominal wage increases in 1987 than in 1986 and partly by the lower level of the rate of inflation as measured by the consumer price index.

Labour productivity (i.e. real gross domestic product per worker in the non-agricultural sectors of the economy) declined by 0,7 per cent in 1986 but rose by a

similar percentage in 1987. The 1987 improvement in labour productivity was attained despite a sharp rise in the number of man-days lost as a result of intensified trade union activity.

The mild rise in labour productivity helped to hold down the effect of the acceleration in nominal wage increases in the second half of 1987 on the rate of increase in unit labour costs. This rate of increase remained unchanged from 1986 to 1987 at a level of 14,9 per cent.

Prices

Significant declines were recorded in the various inflation rates from 1986 to 1987, mainly because of the beneficial effects of exchange rate movements on the prices of imported goods. In addition, increases in administered prices were generally held down below the level of other price increases. Housing costs, as included in the consumer price index, were held down by the relatively low level of interest rates.

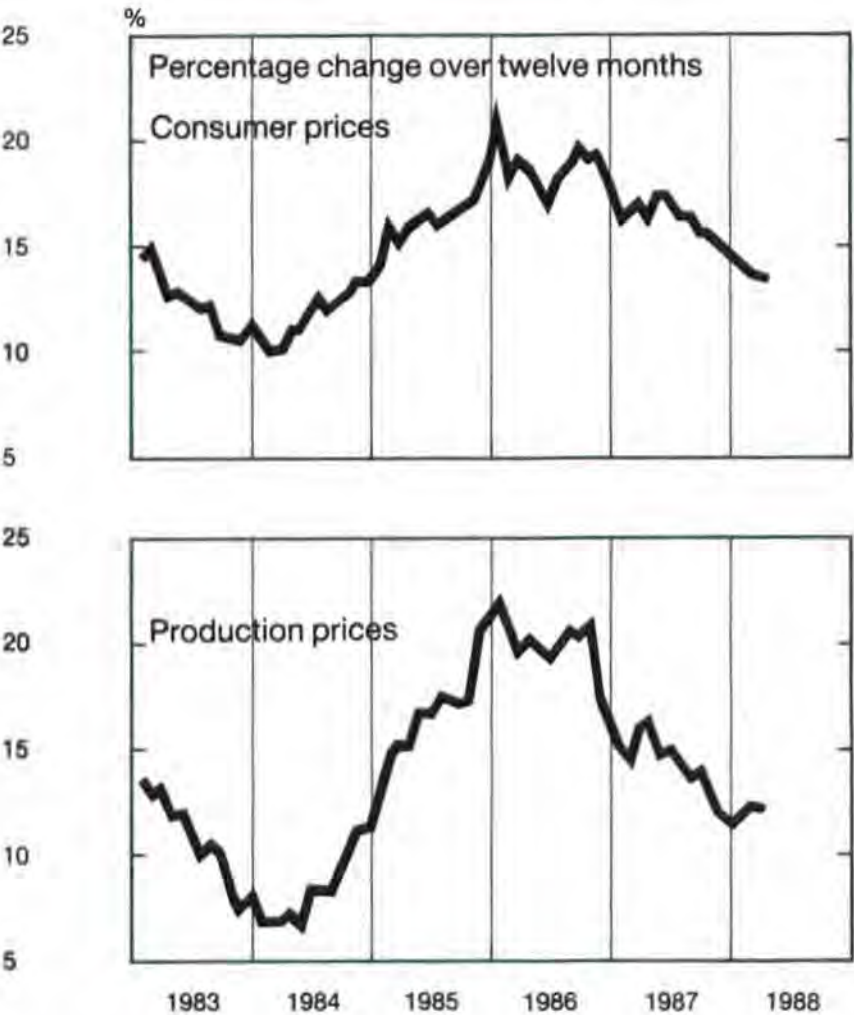
The year-to-year rise in the average level of the consumer price index slowed down from 18,6 per cent in 1986 to 16,1 per cent in 1987. The rate of increase in

the production price index subsided to 13,9 per cent in 1987 from 19,6 per cent in the preceding year.

Further declines in the rate of inflation in consumer prices were recorded in the first quarter of 1988. The quarter-to-quarter change in the consumer price index, at a seasonally adjusted annual rate, decreased from 16,7 and 13,5 per cent in the third and fourth quarters of 1987 to 9,2 per cent in the first quarter of 1988. The twelve-month rate of increase in this index, having declined from its recent peak of 20,6 per cent in January 1986 to 14,2 per cent in January 1988, receded further to 13,7, 13,4 and 13,3 per cent in February, March and April 1988, respectively.

The quarter-to-quarter change in the production price index, at a seasonally adjusted annual rate, fell back from 14,8 per cent in the second quarter of 1987 to only 7,9 per cent in the fourth quarter, but subsequently reaccelerated to 12,5 per cent in the first quarter of 1988. The twelve-month rate of increase in production prices reached a low point of 11,3 per cent in December 1987 but rose during the ensuing three months to 12,0 per cent in March 1988.

Prices



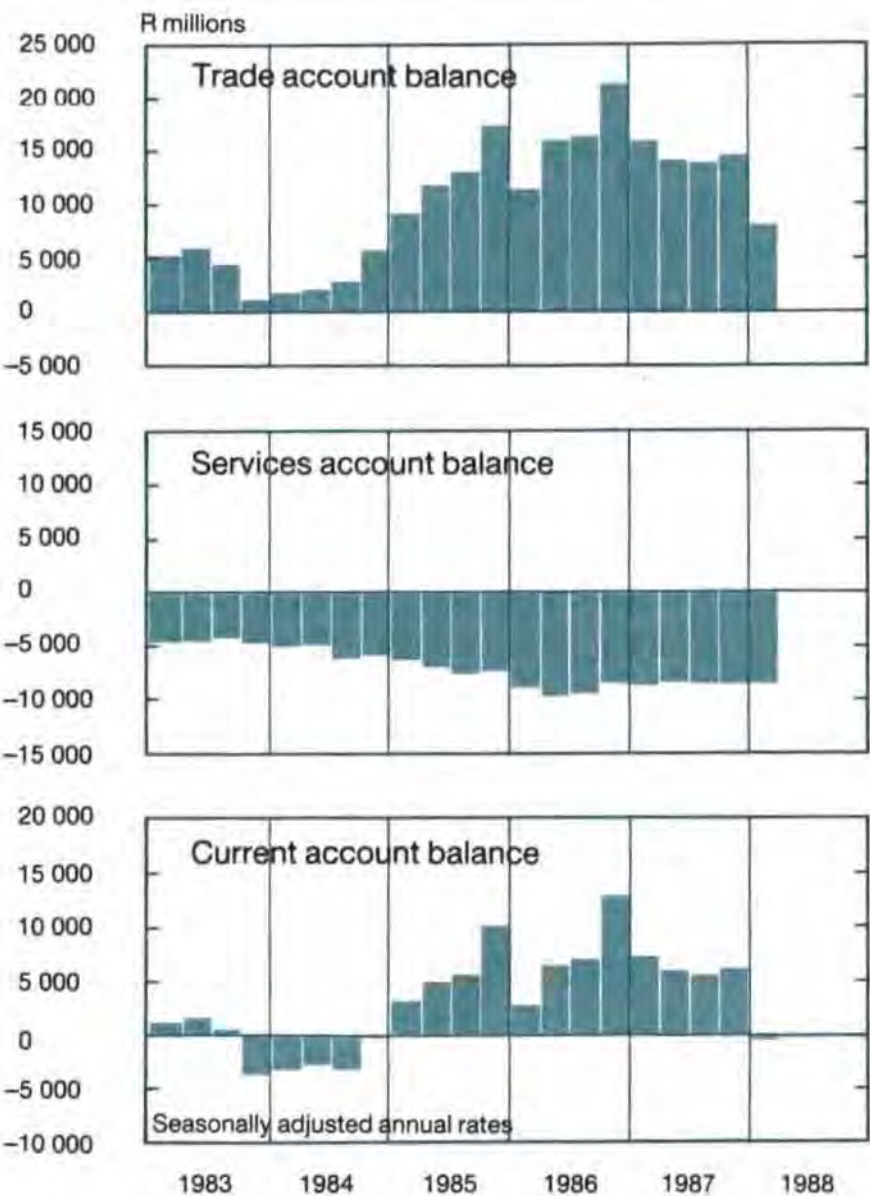
Balance of payments

Current account

Not seasonally adjusted, the surplus on the current account of the balance of payments of R882 million in the fourth quarter of 1987 declined only marginally to R839 million in the first quarter of 1988. After seasonal adjustment and conversion to annual rates, however, this mild contraction amounted to a change from a current account surplus of R6,1 billion in the fourth quarter of 1987 to a deficit of R0,4 billion in the first quarter of 1988. This substantial decline was attributable to the joint effect of a large rise (of approximately 20 per cent) in the value of merchandise imports and a moderate decline (of approximately 4 per cent) in the value of merchandise exports. Net gold exports rose fairly significantly, while a slight decline was recorded in net service and transfer payments to foreigners.

The moderate decline in merchandise export earnings in the first quarter of 1988 was more than fully accounted for by a decrease of some 7 per cent in export *volumes*. Substantial declines in export volumes were recorded in chemicals and agricultural products. The total volume of merchandise exports in the first three months of 1988 also was some 11 per cent lower than the quarterly average of these volumes at their recent peak in the third and fourth quarters of 1986. The average level of export *prices*, however, was about 3 per cent higher in the first quarter of 1988 than in the final quarter of 1987, reflecting a marked further strengthening of international commodity prices and a decline in the average effective exchange rate of the rand. The *value* of merchandise exports in the first quarter of 1988, although lower than in the preceding quarter, was some 4½ per cent higher than its quarterly average in the course of the preceding year.

Balance of payments: Balance on current account



Balance of payments on current account

Seasonally adjusted annual rates
R millions

	1987					1988
	1st qr	2nd qr	3rd qr	4th qr	Year	1st qr
Merchandise exports	23 882	24 468	24 810	27 424	25 146	26 300
Net gold exports	18 390	17 043	17 911	17 824	17 792	18 530
Merchandise imports	-26 409	-27 370	-28 817	-30 684	-28 320	-36 780
Net service and transfer payments	-8 631	-8 305	-8 424	-8 504	-8 466	-8 460
Balance on current account	7 232	5 836	5 480	6 060	6 152	-410

The sharp rise in merchandise imports from the fourth quarter of 1987 to the first quarter of 1988 likewise primarily reflected a change – i.e. an increase – in import volumes, which was obviously related to the marked further strengthening of real domestic expenditure. Aggregate imports in volume terms were some 36 per cent higher in the first quarter of 1988 than their quarterly average at the lower turning point in the importation cycle in the first and second quarters of 1986. The average level of import *prices* advanced only marginally from the fourth quarter of 1987 to the first quarter of 1988, i.e. by somewhat less than 1 per cent. This slow rate of import price increases was attributable to continued relatively low inflation rates in trading partner countries and to a sharp weakening of oil prices in the international markets, which was offset only partly by the first-quarter decline in the exchange rate of the rand.

Increases were recorded in all principal categories of goods imports during the first quarter of 1988. Notably large increases were registered, however, in imports of machinery and electrical equipment, transport equipment and mineral products in particular.

The increase in net gold exports from the fourth quarter of 1987 to the first quarter of 1988 amounted to 4 per cent. This was entirely due to an increase in the

volume of gold exports. The average fixing price of gold slipped from US \$473 (R943) per fine ounce in the fourth quarter of 1987 to US \$454 (R932) in the first quarter of 1988. In April 1988, the average dollar price of gold declined slightly further to \$452 per fine ounce. Because of the depreciation of the rand against the dollar, however, the average rand price of gold rose to R968 per fine ounce during the month. On 17 May the rand price of gold per fine ounce breached the R1 000 mark for the first time since early September 1986.

Net service and transfer payments to foreigners declined marginally by 1/2 per cent from the fourth quarter of 1987 to the first quarter of 1988. This decline resulted from an increase of more than 4 per cent in service receipts from non-residents, which more than offset an increase of 1 1/2 per cent in service payments.

Capital account and foreign debt

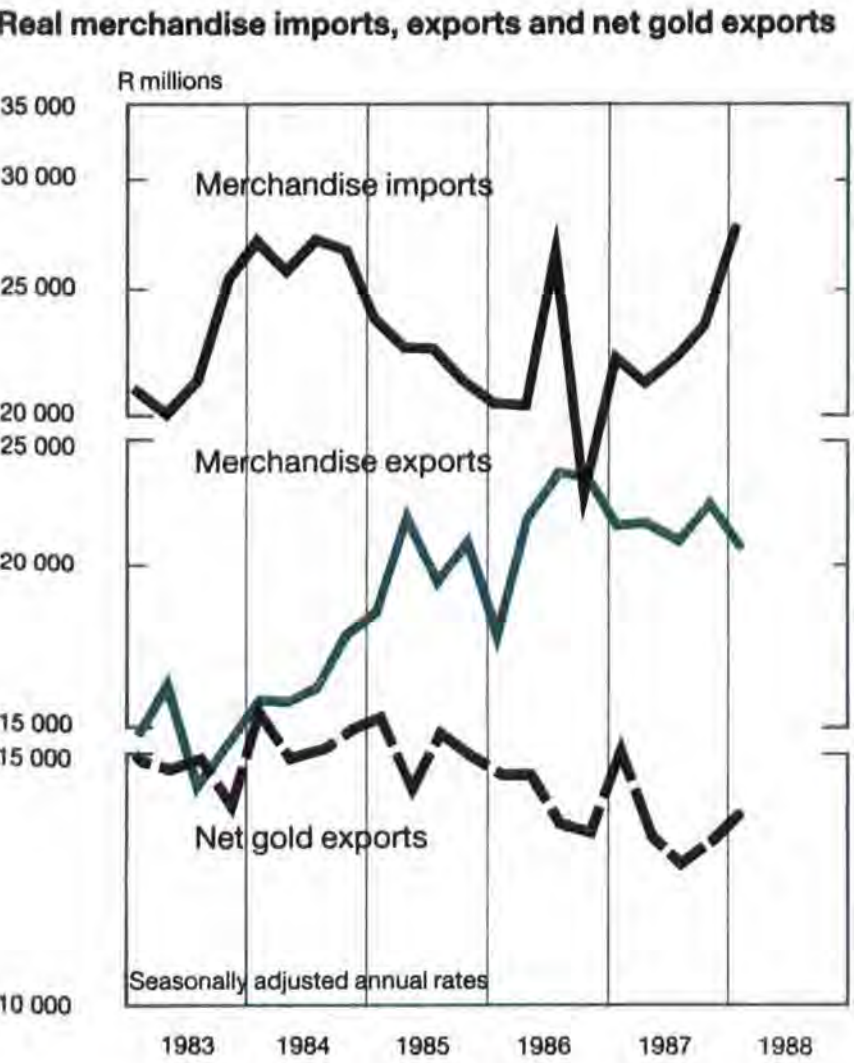
The total outflow of capital not related to reserves shrank from R1,8 billion in the fourth quarter of 1987 to R0,7 billion in the first quarter of 1988. Substantial declines were recorded in the outflow of both long-term and short-term capital. Outflows of long-term capital shrank from R0,7 billion in the fourth quarter of 1987 to R0,3 billion in the first quarter of 1988. The outflow of short-term capital decreased from R1,1 billion to R0,4 billion during this period.

The declines in these outflows of non-reserve-related capital could be attributed partly to the fact that no lump sum repayments were made in the first quarter of 1988 on the total amount of matured outstanding debt inside the "standstill net". Repayments in accordance with the Second Interim Arrangements with foreign creditor banks in the first three months of 1988 therefore were limited to the small repayments that are made on individual debts as they mature. In addition, the diminished outflow of short-term capital indicated a reduction in the extent of switching from foreign to domestic sources of finance.

Public corporations were net importers of capital in all four quarters of 1987 to a total amount of R817 million. They showed a net outflow of capital, however, to an amount of R140 million in the first quarter of 1988. This mainly represented repayments of debt outside the standstill net in the form of bearer bonds and notes.

Net sales by non-residents of securities listed on the Johannesburg Stock Exchange amounted to R35 million in the first quarter of 1988, against net *purchases* of R73 million in the fourth quarter of 1987.

Liabilities related to reserves declined marginally by R13 million in the first quarter of 1988 after an inflow of R248 million had been recorded in the preceding quarter.



Substantial repayments on foreign debt in the course of the calendar year 1987 did not succeed in reducing the total amount of South Africa's foreign debt outstanding *in dollar terms*, which stood at \$22,6 billion at the end of both 1987 and 1986. This was the result of the sharp depreciation of the US dollar against all other major currencies in 1987. Debt repayments and appreciation of the rand against the dollar, however, caused the foreign debt outstanding in terms of rand to contract from as much as R65,8 billion at the end of August 1985 to R49,5 billion at the end of calendar 1986, and to R43,6 billion at the end of calendar 1987. Relative to the total value of exports of goods and services, this decline was from 156 per cent of total export earnings in calendar 1985 to 108 per cent in 1986 and to 93 per cent in 1987.

Foreign reserves

The improved position of the capital account, in conjunction with the virtually unchanged surplus (before seasonal adjustment) on the current account, caused the total gross gold and other foreign reserves to increase by R258 million in the first quarter of 1988 after a decline of R617 million in the fourth quarter of 1987. In April the total reserves of the Reserve Bank decreased by R219 million, but in May they rose again by R314 million. The gold holdings of the Reserve Bank rose marginally from 5,83 million fine ounces at the end of December 1987 to 5,86 million fine ounces at the end of March 1988 before declining to 5,39 million fine ounces at the end of May.

Exchange rates

Having increased by a marginal 0,1 per cent in the fourth quarter of 1987, the effective exchange rate of the rand declined materially by 10,3 per cent from the end of December 1987 to the end of May 1988. Declines were posted against all major currencies but amounted to as much as 12,8 and 13,7 per cent against sterling and the US dollar, respectively. This weakening of the rand was mainly related to the deterioration of the South African merchandise trade balance and the lower gold price.

After the financial rand had appreciated by nearly 50 per cent against the US dollar in 1987, it strengthened

Changes in the exchange rates of the rand

	30 Sept 1987 to 31 Dec 1987	31 Dec 1987 to 31 May 1988
Weighted average	0,1	-10,3
US dollar	7,6	-13,7
British pound	-6,4	-12,8
German mark	-7,3	-6,8
Swiss franc	-9,8	-2,7
Japanese yen	-9,9	-11,9
French franc	-5,8	-7,3
Financial rand	7,1	5,1

Net capital movements

R millions

	1987					1988
	1st qr	2nd qr	3rd qr	4th qr	Year	1st qr
Long-term capital						
Public authorities	-9	-217	-60	-243	-529	-28
Public corporations	347	348	107	15	817	-140
Banking sector	38	-60	94	18	90	19
Private sector:						
Net purchases of listed securities by non-resi-						
dents	-209	-546	-531	73	-1 213	-35
Other capital	18	-278	-19	-584	-863	-107
Total long-term capital	185	-753	-409	-721	-1 698	-291
Short-term capital including unrecorded transactions, but						
excluding reserve-related liabilities	222	-173	-370	-1 050	-1 371	-386
Total capital movements excluding liabilities related to						
reserves	407	-926	-779	-1 771	-3 069	-677
Change in liabilities related to reserves	-627	-362	-426	248	-1 167	-13

Exchange rates of the rand



further by 15½ per cent up to 18 March 1988, thereby reaching its highest level since early March 1986. The dollar value of the financial rand as on 18 March 1988 represented a discount vis-à-vis the commercial rand of 20,2 per cent. News of planned disinvestment by certain overseas companies, however, then contributed to a weakening of the financial rand by 9,0 per cent up to 31 May 1988. During most of the period from the end of 1987 the financial rand discount fluctuated around 25 per cent, compared with average discounts of more than 40 per cent in the course of 1986 and 1987.

Financial markets

Money supply

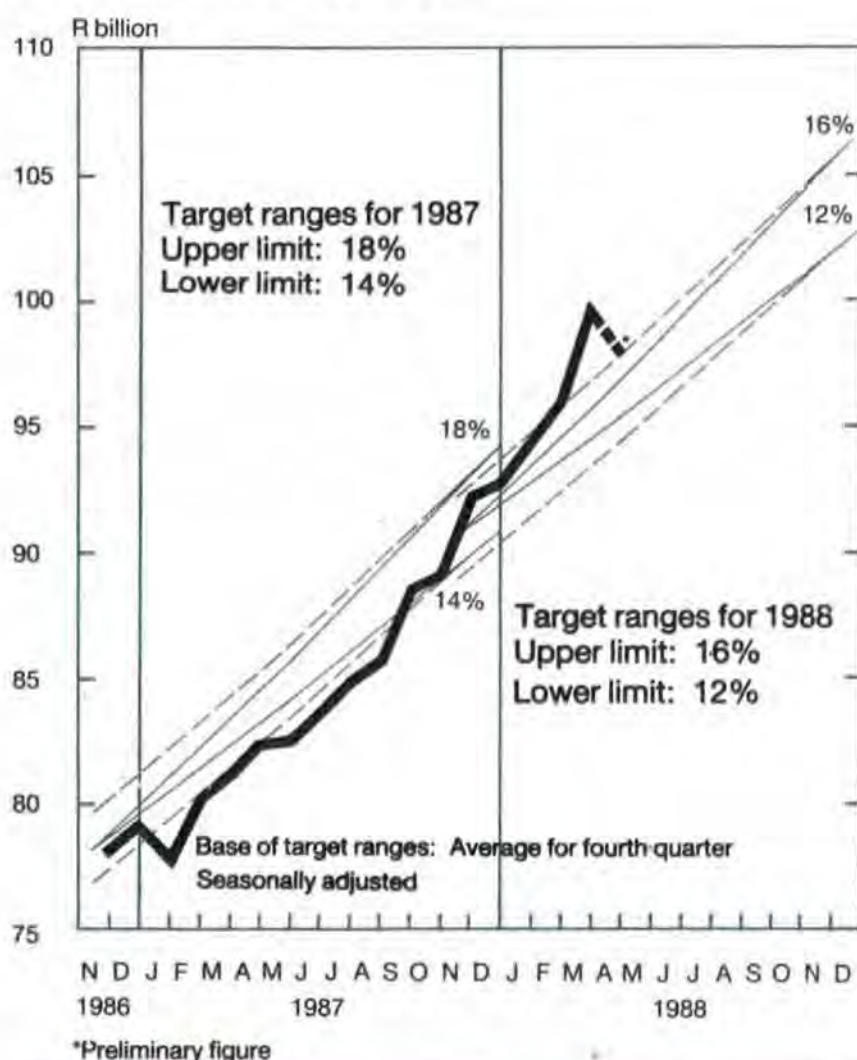
The quarter-to-quarter rate of increase in M3, seasonally adjusted and annualised, advanced from only 5,0 per cent in the first quarter of 1987 to 16,1 and 15,9 per cent in the second and third quarters. It then accelerated sharply further to 26,1 per cent and 23,5 per cent in the fourth quarter of 1987 and the first quarter of 1988, respectively. The seasonally adjusted annual rate of increase in M3 from the beginning of the 1988 targeting year (mid-November 1987) to the end of March 1988 amounted to as much as 29,5 per cent. A marked drop in M3 was indicated, however, by preliminary data for April 1988.

Money supply



M3 as at the end of February 1988 exceeded the upper limit of the target tunnel by R57 million, or by a fractional 0,06 per cent. The M3 figure for March 1988, however, exceeded the upper limit of the target tunnel by as much as R3,0 billion, or by 3,1 per cent. Against this, the provisionally estimated decline in M3 (seasonally adjusted) of approximately R1,7 billion during April 1988 will have reduced the extent to which M3 exceeded the upper boundary of the target tunnel to approximately R250 million, or to 0,3 per cent.

Target ranges for growth in M3



*Preliminary figure

The sharp acceleration in the rate of growth of the M3 money supply from September 1987 through the fourth quarter of 1987 and the first quarter of 1988 was a reflection of rising demand for money and credit which stemmed from the further strengthening of domestic demand and economic activity, in combination with an elimination or reversal of various factors (such as the rising share market and the widening of banks' lending-rate/deposit-rate margins) that had brought about disintermediation in 1986 and early 1987. Fund holders also displayed an increased preference for fixed-value depository investments against uncertain-value investments in market instruments in an environment of increased interest rate uncertainty and a clear tendency towards a hardening of interest rates. Various more transitory factors, however, are also likely to have contributed to the uncommonly sharp rise in M3 during March 1988. These may have included banks' adjustments to certain balance sheet data with a view to their reporting of their financial positions at the quarter-end and financial year-end, and market participants' preparation for payment, in April, for the large amounts of government stock that had been sold by the Reserve Bank in the open securities markets during March.

The high rate of growth in the quarterly average of M3 from the fourth quarter of 1987 to the first quarter of 1988 exceeded the rate of increase in gross domestic product at current prices between these two quarters and was partly a reflection of "reintermediation" phenomena (i.e. of a return to bank-intermediated credit as a substitute for credit that previously had been extended directly by non-bank lenders to non-bank borrowers). The sharp rise in M3 accordingly caused M3's velocity of circulation to decline by 1,0 per cent from the fourth quarter of 1987 to the first quarter of 1988. The velocity of circulation of M3 in the first quarter of 1988, at 1,920, was some 2,1 per cent lower than its recent peak value of 1,961 in the first quarter of 1987.

The twelve-month rate of increase in M3 up to the end of March 1988 amounted to 22,4 per cent. The corresponding twelve-month rates of increase in M1A, M1 and M2 amounted to 25,4 per cent, 36,3 per cent and 31,5 per cent, respectively. Money growth during the first quarter of 1988 was concentrated in the non-M1A components of M1 and M2, i.e. in demand deposits other than cheque and transmission deposits, and in other short- and medium-term deposits with unexpired maturities of up to six months. A relative shift by investors towards the shorter end of the deposit maturity spectrum is a regular feature of periods of rising interest rates and expected further increases in interest rates.

The main statistical counterpart of the increase of nearly R6,4 billion in M3 during the first quarter of 1988 was an increase of R6,9 billion in monetary institutions' domestic credit extension. The net gold and other foreign reserves held by monetary institutions rose by a modest R0,1 billion.

Domestic credit extension

The sharply higher rates of increase in banks' and other monetary institutions' credit to the private sector in the fourth quarter of 1987 were continued in the first quarter of 1988. This was explained by further increases in domestic spending and economic activity; markedly higher levels of merchandise imports and inventory accumulation; "reintermediation" phenomena; and aggressive marketing by monetary institutions of their credit facilities generally and of certain innovations among their credit products.

Not seasonally adjusted, the increase in monetary institutions' claims on the private sector from the end of 1987 to the end of the first quarter of 1988 amounted to more than R5,9 billion. This could be compared with an increase of only R1,4 billion in the first quarter of 1987. Households' increased recourse to bank credit for financing durable goods purchases, and rising levels of fixed investment expenditure by business enterprises, were reflected in an increase of R0,9

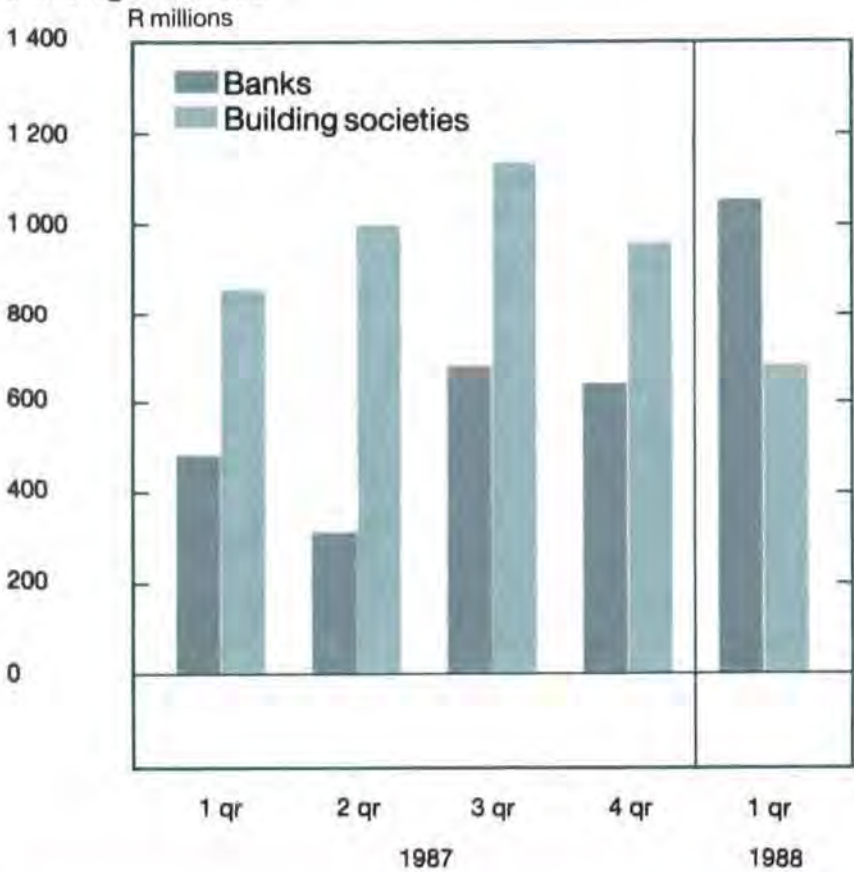
billion in hire-purchase and leasing finance during the first quarter of 1988, against an increase of only R0,3 billion in the first quarter of 1987.

Little change was shown by banks' holdings of bills discounted, deposits and investments in the first quarter of 1988. Against this, banks' "other" loans and advances rose by as much as R4,3 billion during this period. Included in this figure was an increase of R1 046 million, or 11,3 per cent, in mortgage lending by banking institutions. Building societies' mortgage advances, in contrast, rose by a comparatively modest R675 million, or 2,6 per cent, during the three months concerned.

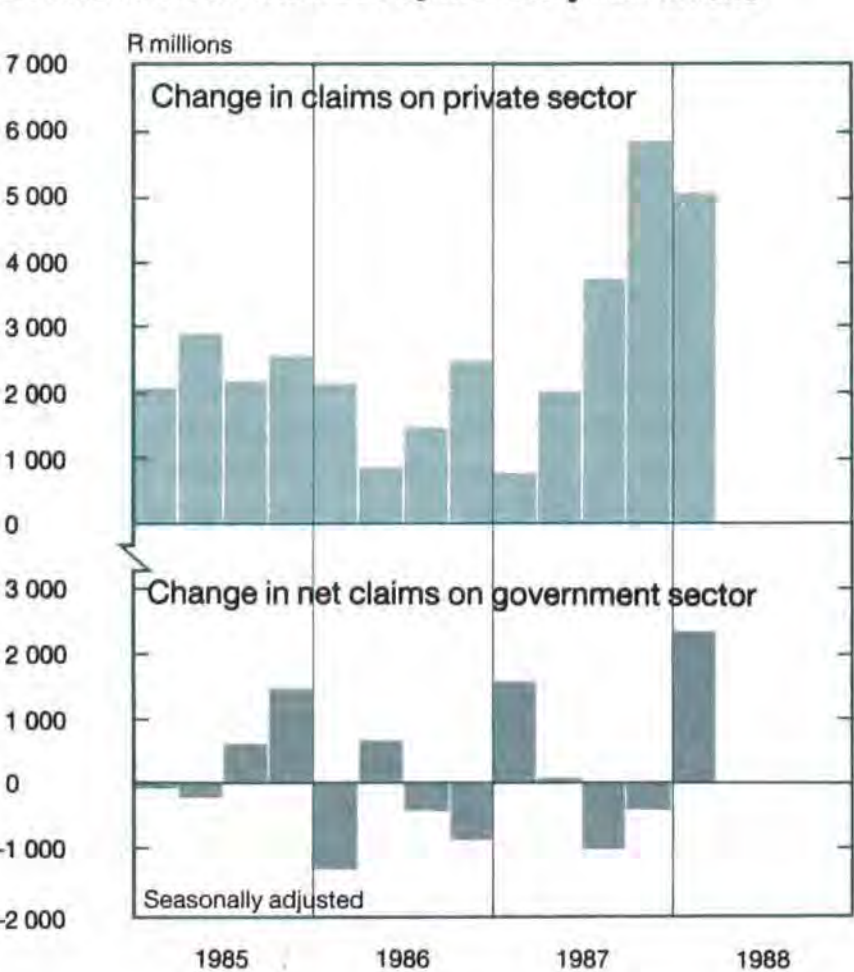
The twelve-month rate of increase in banking institutions' claims on the private sector rose from a lower turning point of only 1,7 per cent in February 1987 to 26,3 per cent in March 1988. The twelve-month rate of increase in all *monetary* institutions' claims on the private sector accelerated from a lower turning point of 5,7 per cent in February 1987 to 20,7 per cent in March 1988.

Substantial month-to-month fluctuations continued to be displayed by monetary institutions' net claims on the government sector. Not seasonally adjusted, the increase in these claims during the first quarter of 1988 amounted to R932 million. The twelve-month rate of increase in these claims as at the end of March 1988 amounted to a fairly substantial 23,0 per cent.

Increase in mortgage advances of banks and building societies



Domestic credit extended by monetary institutions



Changes in claims of monetary institutions on the private sector

Quarter-to-quarter percentage changes in quarterly averages (Seasonally adjusted annual rates)

	Claims against the private sector	
	Banking system %	All monetary institutions %
1987: 1st quarter	13,7	11,7
2nd quarter	2,5	9,3
3rd quarter	13,1	14,6
4th quarter	36,2	22,3
1988: 1st quarter	32,7	26,1

Reserve Bank operations in the money market

The tightening of money market conditions that had started to make itself felt from late November 1987, continued in the first five months of 1988. The average level of accommodation that was provided by the Reserve Bank at the discount window rose from R149 million during the calendar year 1987 to more than

R400 million in the first quarter of 1988. In accordance with the normal seasonal easing of the market in the second quarter of the calendar year, the average amount of discount window accommodation subsequently dropped, however, to R214 million during April. Various reasons then caused it to rebound to R460 million in May.

Special month-end Reserve Bank assistance to the market other than at the discount window consisted of R700 million in repurchase agreements plus R175 million in the form of tender funds from the Corporation for Public Deposits (CPD) at the end of March. *Reverse* buy-back agreements were employed by the Bank in the rapidly easing money market conditions that prevailed during the first half of April. At the end of April, however, accommodation was again being provided by the Bank in the form of R300 million in repurchase agreements and refinancing at the discount window of R614 million.

Bank rate was raised, for the second time in 1988, as part of a package of demand-restraining fiscal, monetary and credit measures that was announced on 4 May 1988. In its statement accompanying this Bank rate increase, the Reserve Bank made clear that it would normally expect the money market shortage to be accommodated at the discount window, thereby to be subjected to the full discipline of the Bank's refinancing policies: assistance to the money market other than at the discount window would henceforth be limited to the smoothing-out of unduly tight month-end or other seasonal money market situations. In addition, penalty rates would apply to accommodation that, in exceptional circumstances, would be provided to banks at the discount window against the security of non-liquid instruments.

In accordance with this stricter approach by the Bank to its accommodation procedures and the less accommodative stance of its monetary policies generally, no assistance in the form of repurchase agreements or CPD tender funds was made available to the money market over the May month-end. Refinancing accommodation at the discount window as on 30 May reached a relatively substantial amount of R739 million.

In its transactions in government stock in the first quarter of 1988, the Bank was, on balance, a small-scale net *buyer* of government securities. In April, however, the Bank's net sales of government securities reached a very high level of R2 363 million. This was followed by further net *sales* to an amount of R1 542 million during May.

Money market interest rates

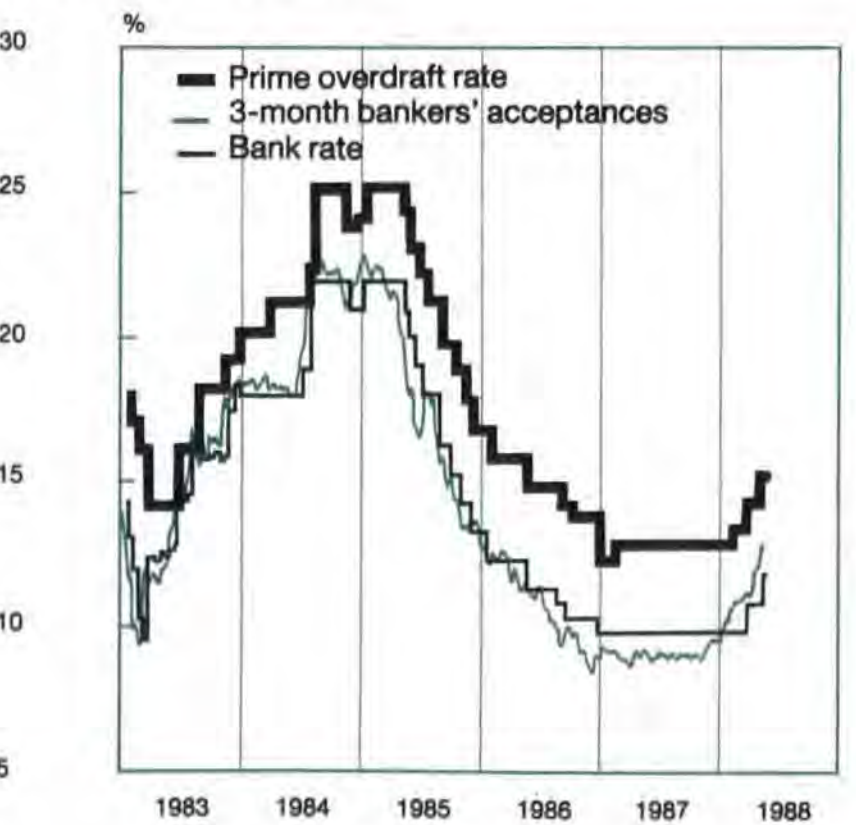
Money market interest rates, which had started to harden from late November 1987, continued to do so throughout most of the first five months of 1988. The

rate on three-month liquid bankers' acceptances rose from 9,00 per cent at the end of November to 10,45 per cent at the end of February, and to around 10,75 per cent during the first week of March. Following the increase in Bank rate from 9½ to 10½ per cent from 9 March, the bankers' acceptance rate rose further to 11,0 per cent at the end of that month.

After a brief period of relative interest rate stability, various factors – including the narrowing of the South African foreign trade surplus, the strength of domestic monetary demand, rapidly rising bank credit, and expectations arising from the above-target rate of growth of the money supply – caused renewed upward pressure to be exerted on the level of market interest rates. With the Reserve Bank's rediscount rate for liquid bankers' acceptances still at 10,8 per cent, the market rate on such acceptances topped 11 per cent in the second half of April and reached 11,85 per cent at the end of the month.

Market rates initially hardened further in the wake of the Bank rate increase (from 10½ to 11½ per cent) of 5 May 1988 and in the light of the Reserve Bank's accompanying statement setting out its approach to its open-market and discount window accommodation policies. The rate on liquid bankers' acceptances reached 12,75 per cent on 19 May. However, a growing impression that the pressures of domestic demand might not be fully as strong as had been suggested by the growth in money and credit in the first quarter of 1988, and other factors, subsequently caused the

Short-term interest rates



liquid acceptance rate to subside mildly again to 12,5 per cent on 27 May and to 12,25 per cent on 8 June.

Following the Bank rate increase of 5 May 1988, the clearing banks raised their prime overdraft rates from 14 to 15 per cent. The market rate on *non-liquid* bankers' acceptances reached 13,70 per cent on 17 May and 13,30 per cent on 8 June. The differentials of this rate vis-à-vis the rate on three-month *liquid* bankers' acceptances amounted to 1,35 per cent and 1,05 per cent on 14 May and 8 June, respectively. The average differential between the rates on non-liquid and liquid bankers' acceptances in the course of 1987 amounted to 0,17 per cent. The widening of this differential in May 1988, in particular, was due to banks' relatively limited holdings of statutory liquid assets, in conjunction with the Reserve Bank's newly spelled-out approach of charging penalty rates to banks that may apply for discount window accommodation against the security of non-liquid instruments. In addition, the general availability of statutory liquid assets may be reduced further when banks' advances to the Land Bank and a part of the Land Bank's bills outstanding will lose their status as liquid assets for purposes of the Banks Act, as is likely to happen later in 1988.

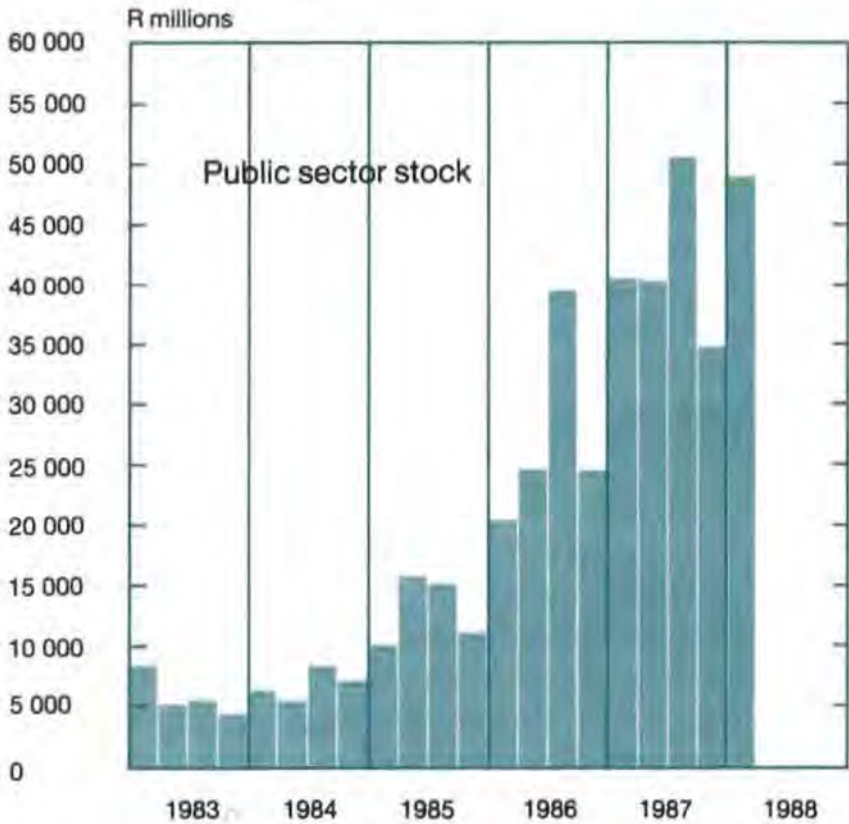
Capital market activity

Trading activity in the capital market recovered somewhat in the first quarter of 1988 after having fallen back sharply in the fourth quarter of 1987. This was reflected in increased turnover in public sector securities listed on the stock exchange and in a further improvement in trading activity in the fixed property market. Further declines were recorded, however, in the turnover and prices of shares listed on the stock exchange.

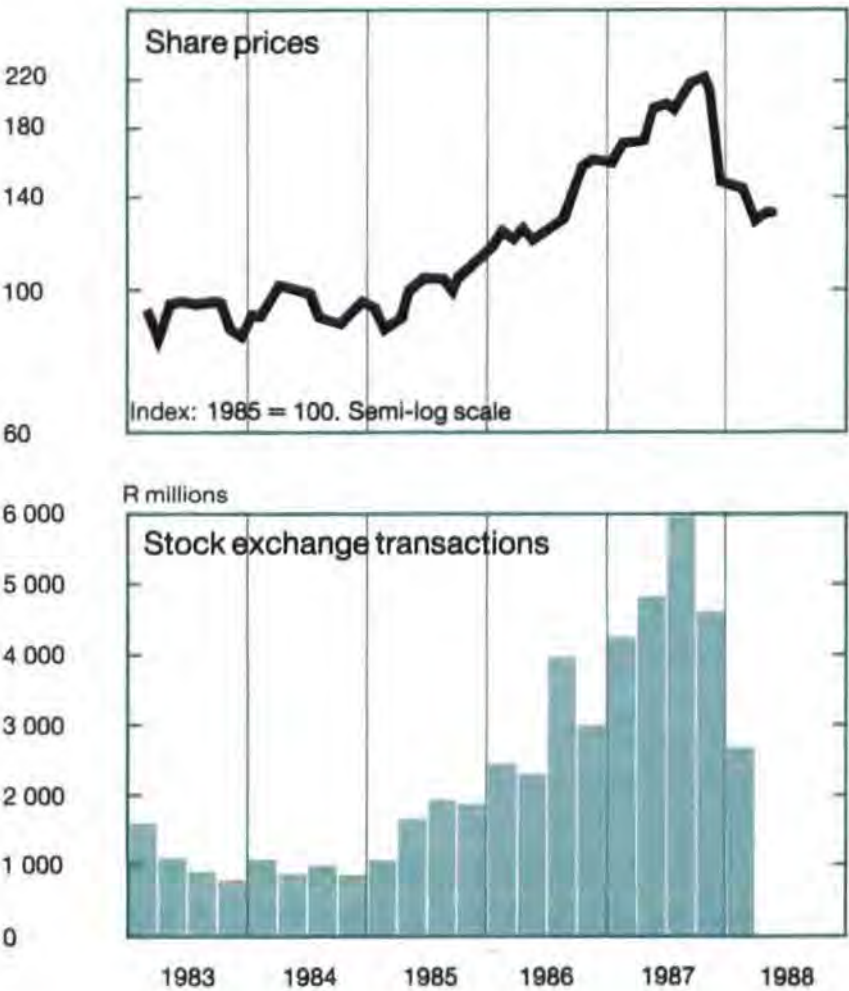
The value of public sector stock traded on the stock exchange rose from R34,5 billion in the fourth quarter of 1987 to R48,6 billion in the first quarter of 1988. The value of real estate transactions rose from R4,4 billion in the fourth quarter of 1987 to R4,8 billion during the first three months of 1988.

The value of shares traded on the stock exchange decreased markedly from the record level of R5,9 billion that had been reached in the third quarter of 1987 to R4,6 billion in the fourth quarter, and to only R2,4 billion in the first quarter of 1988. This contraction in share turnover was accompanied by a further decline in share prices. Following the 33 per cent drop in share prices that had been recorded in the fourth quarter of 1987, the average price level of all classes of shares declined further by 10 per cent in the first quarter of 1988. This was mainly the result of the rising trend in interest rates and of uncertainty concerning future movements in the prices of precious metals and of the exchange rate of the rand. The average price level of mining shares fell back during this quarter by as much as by 23 per cent.

Stock exchange transactions



Share prices and stock exchange transactions



In the primary markets, a net *repayment* was made in the first quarter of 1988 to banks and private non-bank investors of R1 631 million of public sector stock, compared with net issues of such stock of R401 million in the fourth quarter of 1987. Companies listed on the stock exchange raised R155 million through new issues of ordinary shares in the first three months of 1988, compared with R545 million in the fourth quarter of 1987. Fixed interest securities were issued by these companies to an amount of only R60 million in the first quarter of 1988, as against an amount of such issues of R217 million during the preceding three months.

Sustained demand for mortgage finance enabled the building societies to maintain their mortgage lending in the fourth quarter of 1987 at approximately its third-quarter level of R2,3 billion. During the first quarter of 1988, however, mortgage loans paid out by the building societies amounted to only R2,0 billion. In contrast, mortgage financing by the major banks that are active in this field rose sharply during the first quarter of 1988. Banks' total holdings of housing finance mortgages increased by R1,2 billion during this three-month period, compared with an increase of R2,1 billion during the full year 1987. The corresponding amounts for building societies were R0,7 billion and R3,9 billion, respectively.

1987, was maintained at these levels during the ensuing months. In January 1988, however, the banks also raised their twelve-month deposit rate to 10,75 per cent. The building societies subsequently raised their rates on these deposits to a level ranging from 10,75 to 11,25 per cent in February 1988, and further to a level ranging from 11,00 to 11,60 per cent in March. Following the increase in Bank rate of 5 May 1988, both the banks and the building societies raised their predominant twelve-month deposit rates to 11,5 per cent.

Long-term interest rates and yields

Long-term interest rates hardened in the first quarter of 1988 despite the downward drift of the inflation rate in consumer prices and the limited budgetary financing requirements of the Central Government. Upward pressure on long-term rates and yields was exerted by the rising level of short-term rates and by the disappointing performance of the dollar price of gold in February in particular. The average monthly yield on long-term government stock advanced from 15,5 per cent in December 1987 to 16,1 per cent in January 1988, 16,5 per cent in February and 16,6 per cent in March. It then declined slightly, however, to 16,5 per cent in April 1988.

Mirroring the sharp decline in share prices, the average monthly dividend yield on all classes of shares rose from 3,6 per cent in September 1987 and 5,1 per cent in December to 5,7 per cent in both March and April 1988.

Following the increase in Bank rate of 9 March 1988, the predominant home mortgage rate of the building societies was raised from 12,5 per cent in December 1987 to 14,0 per cent. This rate subsequently was raised further, to 15,0 per cent, after the Bank rate increase of 5 May.

The predominant rate on twelve-month deposits, which had been raised to 10,75 per cent by the building societies and to 10,5 per cent by the banks in July

Government finance

General government income, expenditure and saving

The rate of increase in total current income of general government accelerated mildly from 15,6 per cent in the fiscal year 1986/87 to 16,4 per cent in the fiscal year 1987/88. The rate of increase in total current government expenditure declined significantly from 19,3 per cent in fiscal 1986/87 to 15,6 per cent in fiscal 1987/88. Net dissaving by general government nevertheless was larger in fiscal 1987/88 than in the preceding year. Gross saving by general government, however – i.e. the excess (or shortfall) of current income vis-à-vis current expenditure before provision for depreciation at replacement value of the fixed capital stock of government enterprises – increased markedly in fiscal 1987/88 after a substantial decrease had been recorded in fiscal 1986/87.

The increase in current expenditure by general government in fiscal 1987/88 was mainly accounted for by an increase of 21,2 per cent in consumption expenditure. Relative to the corresponding quarters of fiscal 1986/87, the increases in government consumption expenditure in fiscal 1987/88 amounted to 18,7 per cent, 19,1 per cent, 25,5 per cent and 21,8 per cent in the four consecutive quarters of the fiscal year, respectively.

The increase in total current income of general government in the final quarter of fiscal 1987/88, when compared with the final quarter of fiscal 1986/87, amounted to 21,8 per cent. The principal factor contributing to this increase was a rise of 23,4 per cent in indirect taxes, which was a reflection of rising levels of domestic monetary demand. Relative to the corresponding quarters of 1986/87, the increases in total current income in the first, second and third quarters of fiscal 1987/88 amounted to 8,3, 25,2 and 7,8 per cent.

Total expenditure by general government on final goods and services (comprising both consumption and investment expenditure) was 21,5 per cent higher in fiscal 1987/88 than in the preceding fiscal year. Relative to gross domestic product, however, this expenditure showed only a minor increase from 21,6 per cent in fiscal 1986/87 to 22,4 per cent in fiscal 1987/88.

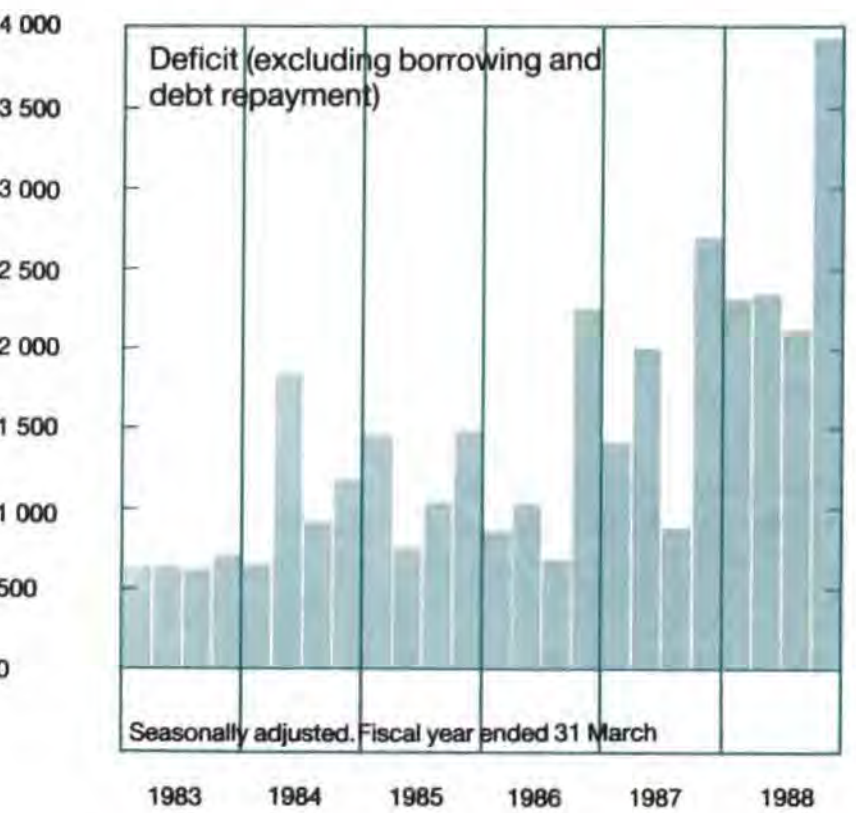
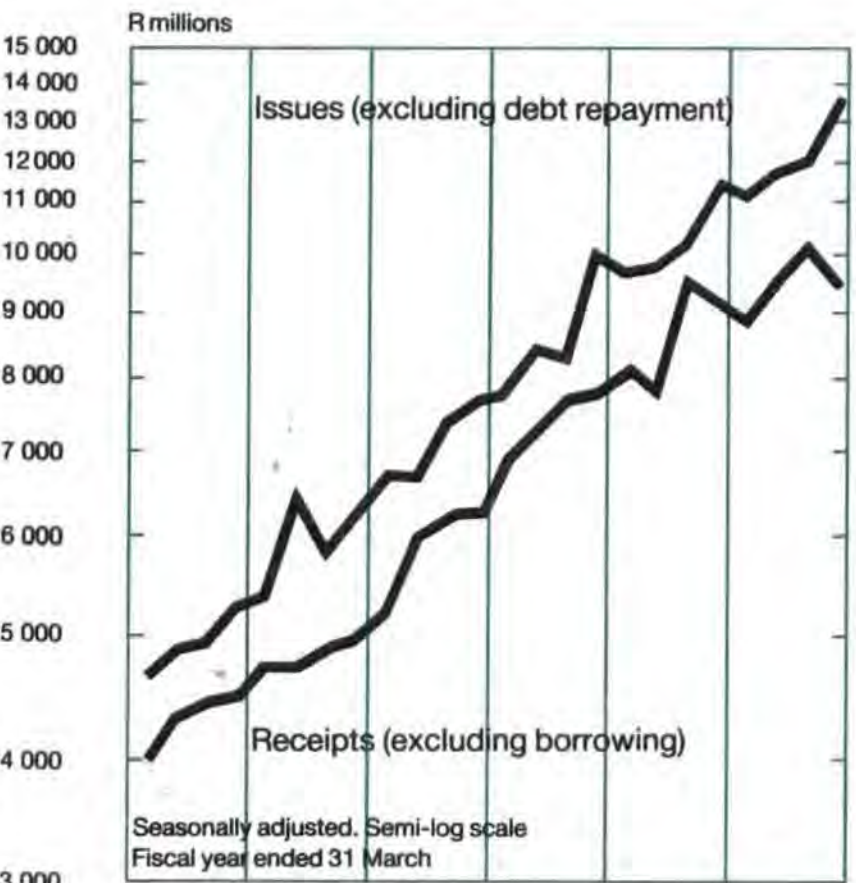
Exchequer issues

Exchequer issues to government departments (after the usual adjustment for changes in the balance on the Paymaster-General Account), compared with the corresponding quarters of the preceding year, decelerated markedly from 22,4 per cent in the December quarter

of 1987 to 14,8 per cent in the March quarter of 1988.

On a basis of comparability with the June 1987 Budget estimate of an increase in government expenditure in fiscal 1987/88 of 16,2 per cent, the actual increase in Exchequer issues in fiscal 1987/88 amounted to 18,7 per cent. This represented an increase in real terms of approximately 4,6 per cent.

Exchequer account



In April 1988, i.e. in the first month of fiscal 1988/89, Exchequer issues (after the usual adjustment for changes in the balance on the Paymaster-General Account), were, in fact, 1,6 per cent lower than in April 1987. This may be compared with a budgeted increase in such issues of 12,6 per cent for the fiscal year as a whole.

Exchequer receipts

Compared with the corresponding quarter of fiscal 1986/87, Exchequer receipts in the March quarter of 1988 increased by only 6,0 per cent. The small extent of this increase was mainly due to a decrease of 22,5 per cent in total receipts from the gold mining industry and to a substantial reduction in the transfer of funds from the Central Energy Fund to the Exchequer Account. When transfers of funds from the Central Energy Fund are excluded, Exchequer receipts in the March quarter of 1988, compared with the March quarter of 1987, actually increased by 15,2 per cent.

On a basis of comparability with the June 1987 Budget estimate of an increase in revenue in fiscal 1987/88 of 12,6 per cent, total actual Exchequer receipts in fiscal 1987/88 exceeded actual receipts in the preceding fiscal year by only 11,1 per cent.

In April 1988, Exchequer receipts exceeded their one-year-earlier level by 31,8 per cent. This was well in excess of the budgeted rate of increase of 16,3 per cent for the fiscal year as a whole.

Deficit before borrowing

The deficit before borrowing and debt repayment in the March quarter of fiscal 1987/88 amounted to R3 168 million or R2 073 million more than in the corresponding quarter of the preceding fiscal year. As a result, the deficit before borrowing and debt repayment in fiscal 1987/88 as a whole (excluding the discount on new government stock of R887 million) amounted to R9 668 million. This was R3 366 million more than the deficit in fiscal 1986/87. The deficit for fiscal 1987/88 was financed from the following sources:

	<u>R millions</u>
Public Investment Commissioners	
Government stock	5 336
Treasury bills	-1 628
Non-bank private sector	3 638
Banking sector	
Corporation for Public Deposits	4 029
Other banks	-728
Foreign sector	-92
	<u>10 555</u>
Minus: discount on government stock	887
Total financing	<u>9 668</u>

In April 1988 the deficit before borrowing and debt repayment amounted to R1 814 million, against a budgeted deficit of R10 014 million for fiscal 1988/89 as a whole. Although higher than the average monthly figure as budgeted for, the recorded deficit in April 1988 was R764 million lower than in April 1987, representing a year-on-year decrease of 30 per cent.

Inflation under scrutiny

By Dr Gerhard de Kock, Governor of the South African Reserve Bank

Progress in the inflation debate

In South Africa the inflation debate remains alive and well. In recent years good progress has been made in this debate. There are two matters in particular over which greater clarity and a reasonable degree of consensus have been reached:

Inflation is an evil that must be curbed

The first is the realisation that inflation is an evil and that the curbing of inflation deserves a high priority in official economic policy. This view has not always been so generally accepted as it is today. There was a time when many economists, businessmen and politicians took the stance that moderate inflation was conducive to economic growth, and should never be dampened if, even temporarily, this would mean a lower growth rate. The argument put forward was: "rather inflation with growth than price stability without growth".

In those days the Minister of Finance and the Reserve Bank had difficulty in convincing people that inflation was harmful for the economy and that it undermines economic growth over the long term. It was often argued: "What does it matter if the price level increases by nil or 5 or 10 or 20 or 30 per cent per year, so long as my salary or wage or other income increases by the same or a larger percentage?" It is, however, generally accepted today that inflation is harmful for real economic growth over the longer term, *inter alia* because it leads to malinvestment and the inefficient allocation of scarce labour and other resources, discourages saving and promotes speculation. It is also now better recognised that inflation can bring about pressure on exchange rates and/or the gold and foreign exchange reserves *via* the balance of payments, and leads to an inequitable distribution of income and severely harms certain groups such as pensioners.

Greater consensus regarding the causes of inflation

The second matter over which greater clarity and consensus exist in South Africa today, is the *causes* of inflation. At one stage there appeared to be much disagreement among economists and others on this subject. In particular, the debate centred on whether inflation was caused by excessive money creation and spending ("demand-pull") or by so-called "structural"

and/or "cost-push" factors.

Although agreement has not yet been reached on this matter, a reasonable measure of consensus prevails today that inflation is normally caused by the *interaction* between excess demand and "structural" and/or cost-push factors. The latter "structural" and cost-push influences include *autonomous* rises in salaries and wages (i.e. rises that are *not* caused by increases in either monetary demand or prices but by factors such as pressure by trade unions, socio-political considerations, etc), inadequate competition, inflationary expectations and the tendency for "indexing" of wages to the consumer price index. These factors lend an inflationary bias to the economy which at times exerts strong pressure on the monetary authorities to "accommodate" or to "validate" price increases through large increases in Reserve Bank credit and in the money supply.

Inflation is not a synonym for impoverishment or a collective noun for all economic problems

This progress in the debate on inflation must be welcomed. It is good that there now exists a larger degree of consensus on the disadvantages and causes of inflation. But because it has important policy implications I would like to caution against a new fallacy that has arisen in some quarters. That is the tendency to use the word "inflation" as a synonym for "impoverishment" and/or as a collective noun for all economic problems.

"Inflation" is not the same as "impoverishment". Inflation impoverishes only those whose nominal incomes do not keep pace with the increase in the price level. Other people and sectors can actually benefit from inflation. Indeed, as in other countries, South Africa has quite often experienced periods of (for us) relatively high inflation *that have been characterised by great prosperity and a substantial increase in the average real gross national product per head of the population*. Two examples of such periods were 1971 to 1974 and 1978 to 1980. It is therefore understandable that on occasion inflation has been defined as "prosperity with high blood pressure".

There were indeed times when inflation was accompanied by a decline in the average real standard of living. It happened, for example, in 1985 and 1986, when the real gross domestic product per head of the population declined on average by 2,4 per cent per year. And most probably it is this fairly recent experience which explains why many people at present see "inflation" as the main reason for their "bread-and-butter" problems, and why the inflation problem receives so much attention in politics and in the media.

*Address delivered at the Annual Dinner of the Kaapstadse Afrikaanse Sakekamer on 22 April 1988.

But "inflation" and "impoverishment" remain two separate things. Inflation need not bring about impoverishment, and impoverishment can occur with or without inflation. Indeed, the great depression and unemployment of 1930-32, which at the time placed the "poor white problem" in South Africa in the limelight was accompanied by the very opposite of inflation, namely deflation, i.e. a *decline* in the price level.

"Inflation" should also not be used as a collective noun for everything that is bad in the economy. Inflation is an evil that must be curbed. But it is only *one* of many economic problems and then not always the most important one.

The curbing of inflation is also not the *only* objective of economic policy. There are also other important objectives such as optimal and stable real economic growth and employment; equilibrium in the balance of payments, accompanied by the maintenance of an appropriate exchange rate and a reasonable level of gold and foreign exchange reserves; and coping with sanctions and disinvestment. And in the short run there might at times be a conflict between these objectives. The Government's policy against inflation must therefore be dovetailed with its total economic strategy.

The State President's new economic initiatives

Against this background I now turn to the State President's historic opening address before Parliament on 5 February 1988. The importance of that address cannot easily be overemphasised. The new principles enunciated by the State President on that occasion represent a watershed in the history of economic policy in South Africa. They deserve the full support of the private sector and of all citizens in the country. What must particularly be welcomed, are the decisions to curb the expansion of Government expenditure more effectively, to lower the share of the public sector in the economy, to reduce the deficit before borrowing in the Budget as a percentage of gross domestic product, to proceed with privatisation and deregulation, and to implement certain important tax reforms proposed by the Margo Commission.

It must be emphasised that these measures are much more than just part of an anti-inflationary policy. Most of these initiatives would have been extremely desirable and important even if there had been no inflation in South Africa. The implementation of the State President's new approach will therefore do much more than merely contribute to the fight against inflation. It will improve the productivity and the welfare of the country's citizens. It will contribute to a higher growth rate and a higher standard of living. And it will make the South African economy stronger and sounder.

The abnormal nature of inflation in South Africa from 1985 to 1987

All of this brings me to an aspect of the inflation problem which deserves further emphasis. It is the fact that the inflation which was experienced in South Africa during 1985 to 1987 was of a highly abnormal nature and cannot be explained in conventional terms.

No demand inflation during 1985-87

The increase in the price level during 1985-87 was definitely *not* the normal kind of demand inflation. In 1983-84 South Africa did experience demand inflation and because fiscal policy was *too expansionary* in 1983 and in 1984, the authorities had to apply a restrictive monetary policy. But this policy soon succeeded in eliminating excess demand, and the political and economic situation subsequently evolved in such a way that total monetary demand increased too slowly rather than too rapidly. The period 1985-87 was therefore characterised by surplus production capacity, unemployment and a low rate of increase in real gross domestic product – minus 1 per cent in 1985, plus 1 per cent in 1986 and plus 2½ per cent in 1987.

The broad money supply (M3) also did not increase too rapidly during this period. On the contrary, throughout those two years the rate of increase remained below or within the target range set for M3 of 16 to 20 per cent in 1986 and 14 to 18 per cent in 1987. The *effective* broad money supply or MV, i.e. M3 *adjusted for changes in its velocity of circulation*, also did not increase excessively. Between the fourth quarter of 1985 and the fourth quarter of 1986 it increased by 18,4 per cent, and between the latter quarter and the fourth quarter of 1987 by 16,1 per cent. These rates of increase fell within the target range set for M3.

It is clear that total monetary demand (consumption plus investment) did not exert excessive pressure on resources during 1985-87. During this period there was never any question of "too much money chasing too few goods".

No wage-push inflation during 1985-87

Inflation during 1985-87 was also not of the conventional *wage-push* kind. Of course, as part of the inflationary spiral, wages and salaries naturally increased by more than productivity. But they increased by *less than* the rate of inflation. *Real* wages and salaries consequently declined noticeably. Indeed, in the third quarter of 1987 real remuneration per worker was 9,03 per cent *lower* than in the first quarter of 1984.

The main reason: exchange rate depreciation resulting from a capital outflow

If the inflation from 1985 to 1987 was neither demand inflation nor wage-push inflation, what kind of inflation was it then? More specifically, what brought about the marked temporary acceleration in the rate of inflation from about the middle of 1985?

The main reason was clearly the depreciation of the rand from its relatively stable level of about 50 US cents between January and late July 1985 to between 36 and 38 US cents during the ensuing months. Although the rand strengthened to over 50 US cents early in 1986, it again depreciated to about 37 US cents in the middle of June during the run-up to Soweto day on 16 June 1986, before it once again moved upwards to a peak of about 52 US cents late in December 1987.

But was this depreciation of the rand not, in fact, the consequence of excessive money creation and spending? This is a good question because exchange rate depreciation is normally the *result* of excessive monetary demand. However, this was clearly not the case in 1985-87. The depreciation of the rand during those years had a totally different origin, namely an outflow of capital mainly caused by a deterioration in overseas perceptions of the country's domestic political and economic prospects. This deterioration resulted in a withdrawal by foreign banks of credits to South African banks and other enterprises and a net outflow of capital in other forms, including leads and lags in current payments and receipts. This outflow of capital did *not* occur because South Africa was suffering from demand inflation, or because the money supply was rising too rapidly, or because interest rates were too low, or because the Budget deficit was too large. It was the direct result of political strains.

This analysis is supported by the fact that the quarter-to-quarter percentage changes in the consumer price index, at seasonally adjusted annual rates, increased from 14,5 per cent during the third quarter of 1985 to 24,9 per cent in the first quarter of 1986. Subsequently it declined sharply to 13,5 per cent during the second quarter of 1986, as the influence of the earlier depreciation of the exchange rate subsided. During the third quarter of 1986 this figure again increased sharply to 20,3 per cent – mainly because of the further delayed effects of the exchange rate depreciation of 1985, and the temporary new depreciation during the second quarter of 1986.

Balance of payments adjustment through exchange rate depreciation and "inflation"

The key point is that the exchange rate depreciation and the accompanying increase in the domestic price level after the middle of 1985, formed part of the unavoidable adjustment process which the South African

economy had to experience during this period. The economy had to adjust to (a) the lower dollar price of gold, weak commodity markets and the drought, and (b) the large outflow of capital. In order to make these adjustments the average real standard of living of South Africans inevitably had to decline. Belts simply had to be tightened.

These unavoidable adjustments were effected via exchange rate depreciation and price inflation. The toll exacted by these adjustments was substantial. In 1985 and 1986 real gross national product per head of the population declined by an average of about 2,4 per cent per year, real personal disposable (after tax) income per head by an average of 5,2 per cent per year, and real private consumption per head by an average of 4,4 per cent per year.

The fact remains, however, that the South African economy successfully effected the adjustment that had been forced upon it. The current account of the balance of payments showed huge surpluses of between 3,7 and 5,2 per cent of gross domestic product during 1985, 1986 and 1987. About US\$5 billion of foreign debt was repaid during that period. The gold and foreign exchange reserves increased substantially after June 1986. The depreciation of the rand was transformed into an appreciation during the course of 1986. The real growth rate increased substantially and the quarter-to-quarter increase in the consumer price index, at seasonally adjusted annual rates, declined from 24,9 per cent in the first quarter of 1986 to 13,5 per cent in the fourth quarter of 1987.

The temporary acceleration in the rate of inflation after the middle of 1985 and the accompanying decline in the real income per head of the population should therefore be viewed as part of the mechanism of balance of payments adjustment and not as conventional demand-pull or wage-push inflation. To effect this adjustment South Africa had to export more and import less, and this in turn necessitated a depreciation of the rand and changes in *relative* prices.

Would deflation not have been a better adjustment method?

The question might well be asked if South Africa could not have adjusted to the unfavourable economic and political developments with *lower price increases*?

In theory the answer is yes. But it would have required draconian *deflationary* fiscal and monetary measures which, among other things, would have meant decreases or very limited increases in *nominal* wages and salaries. In other words, the required decline in *real* income could have been attained by means of a restrictive monetary policy with very high interest rates, higher taxes and lower government expenditure, which would have led to declines or only small increases in *nominal* wages and salaries. But

such a deflationary policy would have exacerbated unemployment and further undermined business confidence. Under the old gold standard the adjustment process would indeed have taken place along these lines. The disastrous depression in South Africa during 1931-32 serves as a good case in point. But in the prevailing abnormal socio-political circumstances, such an adjustment *via deflation* would not have been in the country's interest.

The authorities opted in 1985-87 in favour of exchange rate depreciation and a fairly expansionary monetary and fiscal policy instead of a policy of deflation with high interest rates, high taxes, etc. This was the correct choice. In the circumstances that prevailed in 1985-87, inflation was *not* South Africa's main economic problem. It would have been wrong to have made the curbing of inflation the highest objective of economic policy at that stage. Priority was rightly given in the short term to strengthening the balance of payments and counteracting unemployment and recession.

The fact that the rate of inflation was not reduced to a low single digit during 1985-87 therefore does not mean that monetary and fiscal policy "did not work". It simply was not the purpose of monetary and fiscal policy at that time to lower the rate of inflation *at all costs* to a very low figure. The main objectives were to survive the onslaught against South Africa by securing a large surplus on the current account of the balance of payments in order to finance the repayment of debt and the outflow of capital, to preserve the gold and exchange reserves, and thus to create a new and sound basis for more rapid economic growth. Today it is common knowledge that these objectives of monetary and fiscal policy were, in fact, achieved.

The return to more normal circumstances in 1987/88:

The implications for anti-inflationary policy

What about the curbing of inflation in 1988 and beyond?

Danger of new demand inflation

The abnormal circumstances that prevailed in 1985 and 1986 are now something of the past. The South African economy is currently doing better than it has done for years. The latest statistics confirm that the economic upswing has recently gained substantial further momentum, and the indications are that private and government consumption, fixed and inventory investment, production, employment, trade and general economic activity will all continue to rise strongly throughout 1988. The upswing in the economy is un-

doubtedly more vigorous than was previously thought.

As the upswing gained momentum during recent months, the demand for bank credit and other loanable funds increased substantially. This, in turn, led to increased pressure on the Reserve Bank to supply the banks with additional cash reserves to enable them to keep on expanding their own credit. Under the influence of supply and demand most interest rates increased in these circumstances from the abnormally low levels (negative in real terms) that had prevailed during most of 1986-87. To moderate this upward pressure on interest rates the Reserve Bank created substantial amounts of cash reserves for the banks by increasing its credit extension to them. The Bank realised, however, that in the changed circumstances it could not carry this expansionary policy too far because of the danger that it might lead to an excessive increase in the money supply and new demand inflation. This, in turn, would before long transform the surplus on the current account of the balance of payments into a deficit.

If South Africa had enjoyed reasonably normal political relationships with the rest of the world, such a current account deficit would have been a logical and desirable consequence of the cyclical upswing, and would automatically have been financed to a considerable extent by a normal inflow of foreign capital. But because of our unique political position in the world, we cannot depend on such a capital inflow. We must therefore keep the current account of the balance of payments in surplus or at least in reasonable equilibrium, or else excessive downward pressure might be brought to bear on the exchange rate of the rand and/or the gold and foreign exchange reserves.

Anti-inflationary monetary and fiscal policy

The Government and the Reserve Bank have for some time now recognised the possibility that the present gratifying economic upswing might precipitate new demand inflation. They also know from experience that if "too little too late" is done to curb monetary expansion, drastic measures of one kind or another to curb spending will most probably have to be applied later on, which then may have disruptive results. Realising that prevention is better than cure, the authorities have already taken various steps in recent months to make monetary and fiscal policy less accommodative.

Thus, the Reserve Bank has, with the concurrence of the Minister of Finance, lowered its target range for the rate of increase in the broad money supply, M3, from 14 to 18 per cent for 1987 to 12 to 16 per cent for 1988. If the curbing of inflation had been the only objective of short-term economic policy an even lower target range would have been set. But since it remains an important policy objective to promote real economic growth and employment, it was deemed advis-

able to provide the necessary monetary scope for a further increase of between 2½ and 3½ per cent in real gross domestic product in 1988. It is believed that the new target range for M3 in 1988 will prove to be consistent with both an acceleration in the economic growth rate and a further gradual decline in the rate of inflation.

Furthermore, on 9 March 1988 the Reserve Bank gave a clear indication of its determination to curb its own rate of credit creation by increasing its Bank rate from 9,5 to 10,5 per cent – the rate at which it rediscounts Treasury bills for discount houses. This increase was partly a technical adjustment to increases in interest rates which had already taken place in the money market. But it was also a consequence as well as an integral part of the Bank's less accommodative monetary strategy.

The determination of the Government to prevent the present phase of strong growth from generating new demand inflation is also evident from the Minister of Finance's Budget Speech of 16 March 1988. The Budget provides for an increase in expenditure of only 12,6 per cent in the 1988/89 fiscal year. Furthermore, it is estimated that government revenue will increase by 16,3 per cent. The estimated "deficit before borrowing" then comes to R9 860 million which will amount to 4,9 per cent of the expected gross domestic product, compared with 5,8 per cent in the previous year.

In accordance with the State President's new economic initiatives we therefore now have a better "mix" of monetary and fiscal policies than for many years. This policy stance also dovetails well with the recent recommendations of the Economic Advisory Council of the State President to curb inflation, which provide for a further lowering of the average annual rate of inflation from 16,1 per cent in 1987 to about 9 per cent in 1990, i.e. by about 2½ percentage points per year.

If unforeseen unfavourable political or other developments are left out of account, present indications are that this intended gradual lowering of the inflation rate is well within South Africa's grasp. One precondition for such a reduction obviously is that the Government and the Reserve Bank should implement their announced fiscal and monetary policies. Specifically, increases in the broad money supply must be kept within the target range of 12 to 16 per cent and government expenditure and the deficit before borrowing should not greatly exceed the Budget estimates.

If these intermediary objectives of monetary and fiscal policies are attained, the inflation rate will probably show a further gradual decline, and more direct controls over prices and wages, or any other form of "incomes policy", will be unnecessary. And if the announced monetary and fiscal policies are *not* effectively applied, more direct controls over prices and wages would not be the answer. In fact, such direct controls would then create more problems than they would solve.

The stronger economic upswing and the higher growth rate represent good news. This is exactly what we wanted. But now we must not back away from the implications of the success of our own growth policy. The return of confidence and prosperity creates its own new challenges that call for adjustments in monetary and fiscal policy. More specifically, full account must now be taken of the danger of excessive money creation and new demand inflation. Already there are indications that the rate of increase of the money supply is overshooting the target range by a considerable margin. If this tendency continues, monetary policy will have to be made still less accommodative.

Discounts and advances of commercial banks, merchant banks and other monetary banking institutions, 1970–1986

By Money and Banking Division, Economics Department

Introduction

Credit plays an almost indispensable role in any modern economy. It serves as a "lubricant" to help the economy run smoothly. One of the most important types of credit extended is bank lending, which is widely used by borrowers in many different sectors of the economy.

Although statistics regarding bank credit extended to the public and private sectors are published regularly in the *Quarterly Bulletin* of the South African Reserve Bank, a breakdown by industrial sector has been provided only infrequently. Such information has been collected, however, on a continuous basis up to December 1986 from the commercial banks, merchant banks and "other" monetary banking institutions.² The classification of these banks' debtor accounts in terms of industrial sectors is available only in respect of their discounts and advances. This article will, therefore, concentrate mainly on an analysis of this discounts and advances aggregate.

The total of the commercial banks', merchant banks' and "other" monetary banks' discounts and advances differs from these banks' total credit extension in that certain items on their Quarterly Statements of assets

and liabilities form part of total credit extended but are not regarded as part of discounts and advances.³ The discounts and advances of these banks on average amount to about 84 per cent of their total credit extension, and to about 90 per cent of the discounts and advances of all private banks.

This article firstly provides an overview of the behaviour of the banks' credit extension in the form of discounts and advances. Secondly, the different types of loans and advances are reviewed. Thirdly, broad types of borrowers are identified. Finally, the industrial classification of the different borrowers is analysed. Data on the sectoral breakdown of bank lending were last published in the December 1968 issue of the *Quarterly Bulletin*.

Behaviour of total discounts and advances, 1970–1986

Total discounts and advances by the banks increased from R2 677 million at the end of 1970 to R45 967 million at the end of 1986, i.e. at an average annual growth rate of 19,4 per cent. This rate of increase was substantially higher than the average annual rate of increase of 12,1 per cent in the consumer price index or the 16,3 per cent rate of growth in nominal gross domestic product between these two dates.

The commercial banks remained the major source by far of bank credit during this period. Their share in the total never fell below 70 per cent. This may be attributed mainly to their extended branch system, as well as to the wide range of services offered by them.

The annual changes in the banks' discounts and advances showed wide fluctuations over the years, varying from less than 4 per cent in 1971 to as much as

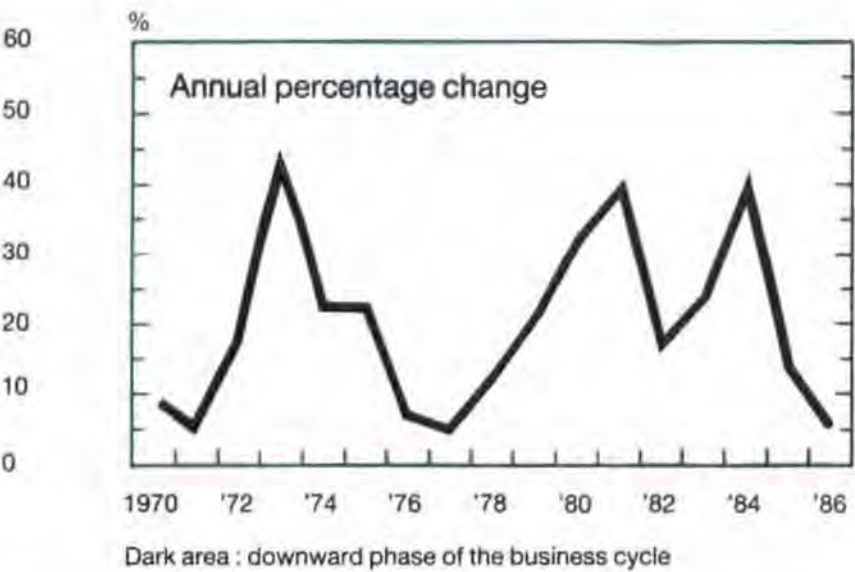
¹ The concept of "monetary" banking institutions was abandoned with the introduction of the new monetary aggregates in March 1986. Up to that date the so-called monetary banks made up the monetary banking sector. Monetary banking institutions included the South African Reserve Bank, the former National Finance Corporation, the Corporation for Public Deposits, discount houses, the short-term business of the Land Bank, commercial banks, merchant banks, and "other" banking institutions of which the monthly average amount of demand deposit liabilities during the preceding calendar year amounted to at least R5 000 000 (up to the end of 1970: R1 000 000 and from 1971 to the end of 1974: R3 000 000) and of which the monthly average amount of short- and medium-term deposit liabilities during the preceding calendar year collectively amounted to at least one-third of the total deposit liabilities of such an institution or at least R30 000 000. "Banks" as referred to in this paper include only the commercial banks, merchant banks and "other" monetary banking institutions.

² This survey was terminated as from 1987 to lessen the banks' statistical burden.

³ Discounts and advances consist of the following items shown on the banks' Quarterly Statement of assets and liabilities (BA Form 9, before its amendment as from December 1986), viz.: Bills discounted or purchased (item 10); Loans and advances to banking institutions (item 6); Bills of and advances to the Land Bank (item 7); Hire-purchase discounts and advances (item 11); Deeds of sale discounted (item 12); Loans and advances to Governments (item 13); Other loans and advances (item 14); and, Merchandise leases (item 15). Total bank credit extended also includes Deposits (item 4); Treasury bills (item 8); and, Investments (item 9). The latter three items are not included in this analysis because the classification of accounts in terms of industrial sectors is available only in respect of discounts and advances and not for total bank credit extended.

*Afskrifte van hierdie artikel in Afrikaans is verkrygbaar van die adres op bladsy 2 van hierdie *Kwartaalblad*.

Graph 1: Bank lending



almost 44 per cent in 1973. As indicated in Graph 1, the rate of increase in bank lending tended to move broadly in accordance with the business cycle. Growth in the banks' discounts and advances tended to accelerate at the start of cyclical upswings in economic activity and to slow down at the onset of downturns. The rate of increase in the banks' total discounts and advances declined, for example, from 40,8 per cent in 1984 to 14,3 per cent in 1985 and to 5,6 per cent in 1986 mainly as a result of the sharp decline in economic activity during 1985 and 1986, the concomitant deterioration in the economic outlook of borrowers, and already

Table 1: Discounts and advances by commercial banks, merchant banks and other monetary banking institutions as percentage of gross domestic product at market prices

Year	Discounts and advances	Gross domestic product at market prices (GDP)	Discounts and advances as percentage of GDP
	R millions	R millions	Percentage
1970	2 677	12 908	20,7
1972	3 243	16 104	20,1
1974	5 660	24 472	23,1
1976	7 311	30 800	23,7
1978	8 506	39 297	21,7
1980	13 508	62 007	21,8
1982	21 939	79 978	27,4
1984	38 083	105 584	36,1
1986	45 967	140 556	32,7
Average annual growth rate			
1970-1986	19,4%	16,1%	

high levels of borrowers' indebtedness. The relatively low rate of increase during 1986 in particular was also influenced by "disintermediation" phenomena, i.e. by the substitution of direct lending and borrowing between non-bank parties for deposit-holding with and borrowing from banks.

Several reasons from the supply as well as the demand side of the process of credit creation can be offered for the cyclical variations in the rate of growth of bank lending. Banks' liquidity, which tends to be relatively high at the start of an economic upswing, usually diminishes as the upswing gains momentum, thereby affecting not only the availability but also the cost of bank credit. On the demand side, factors such as the cost of credit, income expectations, and the existing debt burden of borrowers, also tend to favour an increase in the use of credit during the early stages of upswings and to inhibit the use of more credit during the later stages of upswings and the earlier stages of downswings.

Total discounts and advances by the banks as a percentage of gross domestic product at market prices fluctuated in a relatively narrow band from 1970 to 1980, rising only moderately during the period 1973 to 1975 when the credit ceilings were lifted temporarily (see Table 1). Credit ceilings were imposed formally from 30 September 1967 and were maintained up to the end of October 1972. Ceilings were in use again from 17 February 1976 up to their final withdrawal on 26 August 1980. They resulted in substantial disintermediation, which had a dampening effect on the growth in bank lending during this period.

Abolition of the credit ceilings, and the change-over to more market-related monetary policies during the early 1980s, brought about substantial reintermediation. This resulted in major increases in the measured amount of credit supplied by the banks between 1981 and 1985. This increase in discounts and advances occurred in all types of credit supplied by the banks. The ratio of discounts and advances to gross domestic product consequently rose from levels of between 20 to 24 per cent during the period 1970 to 1980 to about 36 per cent during 1984 and 1985, but then declined somewhat to about 33 per cent in 1986. The reappearance of disintermediation contributed to the decline in this ratio during 1986.

Types of loans and advances to the private sector

By far the larger part of the banks' discounts and advances consists of credit extended to the non-bank private sector, which amounted, on average, to about 90 per cent of the total during the period 1970 to 1986. Loans and advances to other banking institutions, including call money with discount houses, remained a fairly small proportion of the banks' total discounts and

advances throughout this period. As the major part of banks' claims against the government sector is in the form of Treasury bills and government stock (which are included in the banks' investments), discounts of and advances to the government sector formed only a very small proportion of the banks' total discounts and advances during the years concerned.

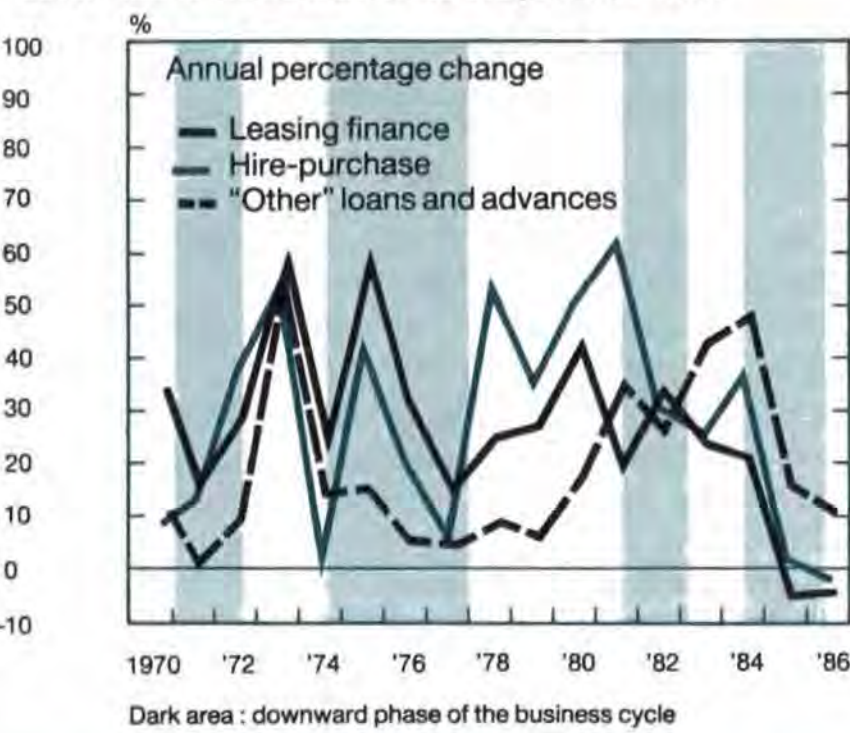
Credit extension by the banks in the form of bills discounted or purchased amounted to a fairly insubstantial part of total discounts and advances to the private sector throughout the period, varying from a high of 11,9 per cent of the total in 1974 to a low of only 2,1 per cent in 1984. The main proportion of bank credit to the private sector accordingly consisted of loans and advances.

The banks' loans and advances to the private sector consist of leasing finance, hire-purchase credit, and "other" loans and advances, mainly in the form of overdrafts. The total of such loans and advances increased from R2 152 million at the end of 1970 to R40 858 million at the end of 1986, or at an average annual rate of 20,2 per cent.

As in the case of the banks' total discounts and advances, the rates of change in the various types of loans and advances distinguished here also tended to fluctuate broadly procyclically, as can be seen from Graph 2. The composition of loans and advances to the private sector, however, tends to vary over time as different forces affect the rates of change in the various types of bank loans. Leasing finance, for example, tends to be influenced relatively strongly by fixed capital formation. Hire-purchase credit is associated more closely with household expenditure on consumer durables.

Leasing finance increased from R118 million in 1970 to R4 243 million in 1984 but then declined to R3 794

Graph 2: Leasing finance, hire-purchase credit and "other" loans and advances to the private sector



million in 1986. The annual growth rate in this kind of finance amounted to 24,2 per cent from 1970 to 1986 – substantially higher than the 20,2 per cent annual increase in total loans and advances to the private sector by the banks concerned over this period. Leasing finance as a percentage of the total of leasing finance, hire-purchase credit and "other" loans and advances to the private sector increased from 5,5 per cent in 1970 to 17,0 per cent in 1980 but then started to decline again to only 9,3 per cent of the total in 1986. The announcement by the Minister of Finance in his 1984

Table 2: Loans and advances to the private sector by type of loan

End of	Leasing finance		Hire-purchase finance		"Other" loans and advances		Total
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	
	R millions	%	R millions	%	R millions	%	R millions
1970	118	5,5	184	8,5	1 850	86,0	2 152
1972	174	6,9	283	11,3	2 051	81,8	2 508
1974	339	7,7	429	9,7	3 632	82,6	4 400
1976	709	12,2	736	12,6	4 380	75,2	5 825
1978	1 007	14,1	1 207	16,8	4 959	69,1	7 173
1980	1 672	17,0	2 154	21,8	6 035	61,2	9 861
1982	2 847	15,5	5 244	28,6	10 261	55,9	18 352
1984	4 243	12,1	8 951	25,5	21 863	62,4	35 057
1986	3 794	9,3	8 925	21,8	28 139	68,9	40 858
Average annual growth rate 1970 – 1986	24,2%		27,5%		18,5%		20,2%

Budget proposals that losses in terms of agreements of lease of capital equipment could no longer be offset against income other than that derived from the leasing of movables, contributed to the downturn of leasing finance.

Hire-purchase finance grew at an average annual rate of no less than 27,5 per cent between 1970 and 1986 – the highest growth rate of the three types of loans analysed here. The actual amount of hire-purchase finance outstanding increased from R184 million in 1970 to a peak of R9 098 million in 1985 before declining marginally to R8 925 million in 1986. Hire-purchase finance as a percentage of the banks' total loans and advances to the private sector rose from 8,5 per cent in 1970 to 12,7 per cent in 1977 and then advanced further to a peak of as much as 28,6 per cent in 1982 before declining again to 21,8 per cent at the end of 1986. The decline in this ratio during the more recent years mainly reflected the sluggish behaviour of private consumer spending on durable goods in the years immediately following the "mini-boom" of 1983-84.

"Other" loans and advances to the private sector, consisting mainly of overdrafts, remained the most important vehicle of bank lending during the period 1970 to 1986. The annual growth rate of this type of lending, however, was substantially lower than that of the other two types of bank loans, amounting to only 18,5 per cent over the period 1970 to 1986. Consequently "other" loans and advances as a percentage of the total of loans and advances to the private sector fluctuated downwards from 86,0 per cent in 1970 to as little as 55,9 per cent in 1982, before increasing again to 68,9 per cent at the end of 1986.

Banks usually lend against capital value or against income. Lending against collateral is the safest form of

lending and is fundamental to the whole operation of banking. Consequently, although banks lend primarily on their assessment of the credit-worthiness of their borrowing clients, they usually prefer to have some form of security as well. In the case of leasing finance and hire-purchase credit the asset concerned serves as security for the loan. In the case of "other" loans and advances there normally exists no underlying asset as such. Under such circumstances another form of security may be asked for by the bank. In the latter case factors such as the deposit-relationship with the borrower, the purpose for which the loan is needed, the type and marketability of the collateral if the loan is secured, the liquidity of the loan itself, other services to the customer, as well as interbank competition for profitable customers and the existence or prospect of a long-term customer relationship with the borrower, play an important role. As banks' capacity to lend depends on various key balance sheet relationships such as the ratio of loans to gross deposits, the customer relationship with the borrower often plays the major role in deciding on the most acceptable type of borrower.

Types of borrowers

The composition of the banks' loan portfolios is flexible and is adjusted on a continuous basis to suit changing conditions. It may also vary from bank to bank. It is determined mainly by demand factors rather than by banks' deliberate diversification of their portfolios with a view to risk reduction or similar considerations. A bank may, however, have some clear preferences regarding the composition of its portfolio.

The need for collateral means that it is much easier for a substantial borrower to raise money than for a

Table 3: Discounts and advances to corporate and non-corporate borrowers
R millions

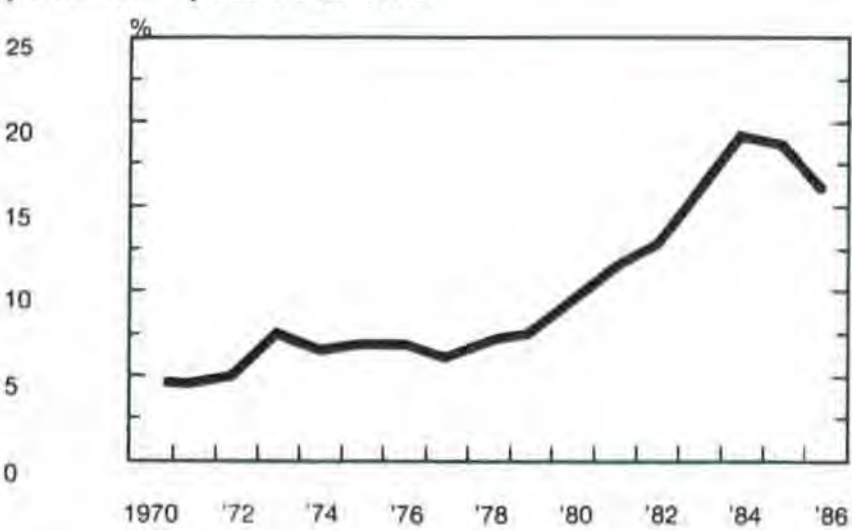
End of	Corporate borrowers			Non-corporate borrowers				Total
	Companies	Public corporations	Total	Non-corporate businesses	Individuals	Others	Total	
1970	1 604	138	1 742	424	448	59	935	2 677
1972	1 953	127	2 080	476	613	74	1 163	3 243
1974	3 748	184	3 932	641	1 007	80	1 728	5 660
1976	4 559	325	4 884	932	1 371	124	2 427	7 311
1978	4 720	569	5 289	1 224	1 761	232	3 217	8 506
1980	6 510	1 189	7 699	1 686	3 454	669	5 809	13 508
1982	10 455	1 695	12 150	3 238	5 973	578	9 789	21 939
1984	18 358	1 406	19 548	5 969	11 863	703	18 535	38 083
1986	22 483	1 747	24 230	7 388	12 869	1 480	21 737	45 967
Average annual growth rate 1970–1986	17,9%	17,2%	17,9%	19,6%	23,4%	21,9%	21,7%	19,4%

borrower of more limited means. In this respect, the commercial banks are in a particularly favourable position because their extensive branch system enables them to obtain accurate information about their borrowing clients that is drawn from first-hand observation.

Traditionally, the proper accommodation of corporate borrowers is regarded as essential for banks in order to maintain their lending base in the form of deposits. If corporate customers do not receive loans when needed, they may well take both their deposit and their loan business elsewhere. This possibility provides an incentive for banks to favour the borrowing needs of their larger deposit customers. The banks, however, have broadened their lending activities over time to meet competition from other institutions and to adapt to the changing economic environment. In recent times multiple banking by larger corporations also has become more common. Consequently consumer and personal loans, which are not primarily made for the deposit relationships involved but rather for the attractive return that can be earned on such loans even after allowance for risk, have increased sharply.

Bank lending to the *corporate* sector in the form of discounts and advances increased from R1 742 million at the end of 1970 to R24 230 million at the end of 1986, i.e. at an average annual rate of 17,9 per cent. Discounts and advances of the banks to *non-corporate* businesses increased from R424 million to R7 388 million over the same period, or at an average annual rate of 19,6 per cent. Borrowings by *individuals* grew at an average annual rate of no less than 23,4 per cent during this period, thereby raising the total amount outstanding from R448 million in 1970 to R12 869 million in 1986. Banks entering the market for home mortgage loans contributed to this sharp increase in loans to individuals during the 1980's.

Graph 3: Bank lending to individuals as percentage of personal disposable income



Lending to individuals as a percentage of total discounts and advances increased from 16,7 per cent in 1970 to a peak of 31,9 per cent in 1983 before declining somewhat again to 28,0 per cent at the end of 1986. Borrowings by the corporate sector as a percentage of total discounts and advances, on the other hand, initially increased from 65,1 per cent in 1970 to 69,5 per cent in 1974 but thereafter fluctuated downwards to 52,7 per cent at the end of 1986. Bank lending to non-corporate businesses as a percentage of the total fluctuated in a much narrower band, varying only between a low point of 11,3 per cent in 1974 and a peak of 16,2 per cent in 1983.

Total discounts and advances to individuals as a percentage of total personal disposable income increased from 5,2 per cent in 1970 to 7,8 per cent in 1979. However, the sharp increase in bank lending to individuals which commenced in 1980 then caused this ratio to spurt ahead to no less than 19,6 per cent in 1984 before it declined again to 16,4 per cent in 1986 (see Graph 3). The relatively high level, in 1984, of bank lending to individuals as a percentage of personal disposable income, together with a less optimistic outlook regarding future income growth, made individuals reluctant further to increase their debt commitments during the ensuing few years. Their attempts to restore more prudent debt-income ratios consequently led to

Table 4: Percentage distribution of discounts and advances to incorporated and other businesses in the different industrial sectors
Percentage

Sector	1970	1974	1978	1982	1986
Agriculture, forestry and fishing					
Incorporated	19,7	25,7	22,6	22,8	24,1
Other	80,3	74,3	77,4	77,2	75,9
Mining and quarrying					
Incorporated	97,9	99,1	98,6	98,7	97,3
Other	2,1	0,9	1,4	1,3	2,7
Manufacturing					
Incorporated	97,4	97,8	96,3	95,2	94,6
Other	2,6	2,2	3,7	4,8	5,4
Building and construction					
Incorporated	87,3	88,1	81,8	77,1	71,8
Other	12,7	11,9	18,2	22,9	28,2
Electricity, gas and water					
Incorporated	93,3	88,2	93,1	95,1	84,9
Other	6,7	11,8	6,9	4,9	15,1
Transport, storage and communication					
Incorporated	87,9	85,8	83,2	78,3	70,0
Other	12,1	14,2	16,8	21,7	30,0
Commerce					
Incorporated	86,9	88,3	85,0	81,4	77,1
Other	13,1	11,7	15,0	18,6	22,9

a decline in the demand for bank credit from individuals in 1985 and 1986. The severity of the recession and the wide swings in interest rates during this period also made borrowing in general less attractive.

From Table 4 it is clear that, with the exception of the sector agriculture, forestry and fishing where loans are largely made to the non-corporate sector, loans to all other industrial sectors distinguished here are made mainly to corporate businesses. Loans to non-corporate borrowers engaged in agriculture, forestry and fishing declined from 80,3 per cent of total bank lending to this sector in 1970 to 75,9 per cent of the total in 1986. In most of the other industrial sectors distinguished here, the share of loans to the non-corporate sector as a percentage of total loans to these various sectors tended to increase somewhat over the period 1970 to 1986. This development is in accordance with the decrease in the share of loans to the corporate sector in total bank lending, to which reference has been made above.

Categories of borrowers by industrial sector

In managing the composition of their loan portfolios banks are not only concerned with the legal form or organisation of their customers. They also regard a broad industrial diversification of their loan portfolio as essential and a geographical spread as desirable.

Table 5 shows that the composition of the banks' discounts and advances in terms of industrial sectors varied significantly and in divergent ways during the period 1970 to 1986. Although the banks' portfolio composition generally stems from the nature of the demand for credit rather than from planned diversification for the reduction of risk, the banks usually try to manage their sectoral exposures, as well as their sec-

toral exposures within specific geographical areas, in a prudent way. Loans to commercial and industrial enterprises are usually given a high priority because of their self-liquidating characteristics and because of the deposit relationships involved. Agricultural loans, on the other hand, usually are more dependent on the underlying value of the security than are most other types of lending. Bank lending to the mining sector remained relatively small because of the important role of the mining finance houses in the South African financial structure.

The importance of the underlying value securing loans in the agricultural sector is also apparent from the relatively high ratio between the banks' discounts and advances to this sector and the contribution made by this sector to gross domestic product: a major part of credit to agriculture is collateralised by mortgages over farm property or by claims on moveable property. The banks' discounts and advances to the agricultural sector as a percentage of their total discounts and advances remained at a level of about 10 per cent during most of the period 1970 to 1986, as can be seen from Table 5. Relative to the agricultural sector's contribution to gross domestic product, however, these discounts and advances showed wide fluctuations, varying from a low of 23,2 per cent in 1974 to a high of 72,2 per cent in 1984 (see Table 6). The fluctuations in this ratio clearly incorporated the effect of substantial year-to-year and other medium-term variations in value added by agriculture to gross domestic product, *inter alia* as a result of changing weather conditions. The ratios of the banks' discounts and advances to other major sectors of the economy compared with these sectors' contributions to the gross domestic product remained substantially lower (except for manufacturing in 1974) than that of the agricultural sector throughout the period concerned.

Table 5: Outstanding discounts and advances to different industrial sectors as percentage of the total outstanding
Percentage

End of	Agri- culture forestry and fishing	Mining and quarry- ing	Manu- factu- ring	Build- ing and con- struc- tion	Com- merce	Ser- vices	Other non- corpo- rate busi- nesses	Finan- cial busi- nesses	Other ¹	Total
1970	13,5	1,7	21,8	3,4	13,5	3,7	2,7	18,3	21,4	100,0
1972	10,6	2,2	19,8	2,4	12,6	4,2	3,3	23,6	21,3	100,0
1974	9,1	1,8	22,0	3,3	12,1	3,6	4,3	24,6	19,2	100,0
1976	10,4	2,6	18,8	2,9	11,6	4,0	4,6	24,7	20,4	100,0
1978	11,5	1,9	17,0	2,5	10,5	5,2	4,3	23,7	23,4	100,0
1980	9,7	2,7	14,9	2,2	9,3	6,5	4,3	21,4	29,0	100,0
1982	9,9	3,2	17,4	2,4	9,4	7,2	3,4	17,3	29,8	100,0
1984	10,0	2,3	17,0	2,7	8,1	8,5	2,9	15,5	33,0	100,0
1986	10,1	1,7	17,8	2,4	8,4	7,4	3,0	18,0	31,2	100,0

¹ Governments, individuals, non-profit institutions and non-residents.

Table 6: Discounts and advances to industrial sectors as percentage of these sectors' value added to gross domestic product

	Agriculture forestry and fishing	Mining and quarrying	Manufacturing	Building and construction	Commerce
1970	37,0	3,8	20,9	17,9	19,8
1972	26,1	4,7	19,6	10,4	19,0
1974	23,2	3,4	25,4	15,1	21,0
1976	33,9	5,5	20,1	14,7	21,0
1978	35,9	3,0	18,3	14,7	19,4
1980	32,6	2,9	16,0	14,0	18,4
1982	47,6	6,8	22,5	17,8	21,9
1984	72,2	6,6	28,5	28,0	26,9
1986	63,7	3,6	29,3	26,2	26,9

The sharp increase in bank credit during the 1980s, together with relatively slow growth in economic activity during this period, resulted in a substantial increase in the banks' discounts and advances to most major sectors relative to these sectors' various contributions to gross domestic product, especially during the period 1982 to 1986. In the case of manufacturing, for example, the ratio of discounts and advances to value added increased from an average of 20,1 per cent during the period 1970 to 1981 to 27,1 per cent during the period 1982 to 1986. In the case of building and construction and of commerce, these ratios increased from averages of 16,1 and 20,0 per cent, respectively, during the period 1970 to 1981 to averages of 25,0 and 25,1 per cent, respectively, during the period 1982 to 1986. The ratio in respect of mining and quarrying remained at a relatively low and stable level, averaging only 3,6 per cent during the period 1970 to 1986, because, in nominal terms, this sector largely escaped the slow-down in economic activity during the period 1982 to 1986.

Bank lending in the form of discounts and advances to some of the main industrial sectors will be discussed briefly below. A detailed analysis of such discounts and advances of the commercial banks, merchant banks and other monetary banking institutions to the various industrial sectors is shown in Table 7.

Agriculture, forestry and fishing

Discounts and advances of the banks to enterprises engaged in agriculture, forestry and fishing remained at a level of about 10 per cent of the banks' loan portfolio during most of the period 1970 – 1986. This sector's contribution to gross domestic product, however, declined from a level of about 8 per cent in the early 1970s to a level of about 5 per cent in the middle of the 1980s. This development indicated an increase in the relative indebtedness of agriculture, forestry and fishing enterprises to the banks during this period. This

sector's borrowings from the banks increased from R360 million in 1970 to R4 657 million in 1986, i.e. at an average annual rate of 17,4 per cent, compared with an average annual rate of increase of 13,3 per cent in the nominal value of this sector's output.

Bank lending to this sector did not show a clear pro-cyclical pattern during the period under review, as can be seen in Graph 4. This was due to the fact that variations in agricultural production are not necessarily in step with movements in the rest of the economy because of the dependence of agriculture on weather conditions and other non-economic factors that affect the size of crops. Furthermore, a large agricultural crop may initially result in an increase in bank credit to this sector because of the time lag between planting and harvesting. A crop failure, on the other hand, may lead to further increases in bank credit to tide farmers over to the next crop. Financial assistance by the government to the farming community also affects this sector's need for bank credit to varying degrees.

Graph 4: Output by and bank lending to the sector agriculture, forestry and fishing

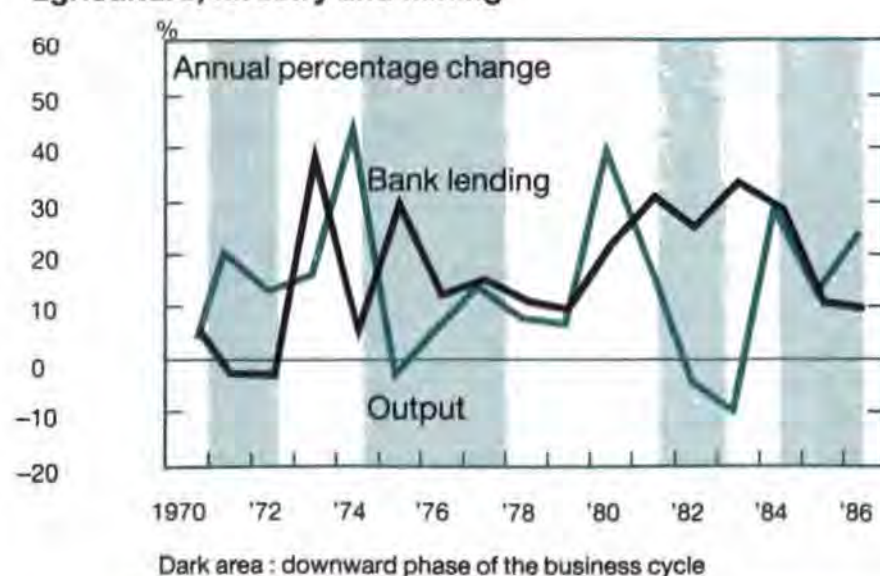


Table 7 Analysis of discounts and advances of commercial banks, merchant banks and "other" monetary banking institutions
R millions

End of	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Financial businesses																	
Banking and kindred institutions	211	229	398	291	604	780	834	747	563	910	821	1 008	649	685	1 285	1 506	2 561
Land Bank	71	61	102	103	100	146	138	293	390	488	952	2 182	1 259	814	1 224	1 725	1 513
Financial, investment and other trust companies	88	111	118	250	301	308	332	359	314	339	431	520	684	745	1 045	1 129	1 151
Hire-purchase finance companies	21	8	38	43	72	69	74	67	49	39	93	120	132	108	110	149	168
Real estate	68	83	90	185	229	358	352	419	581	428	462	575	785	844	1 807	1 764	1 963
Other financial businesses	31	46	18	64	92	100	74	106	118	147	135	182	290	392	423	796	903
Total financial businesses	490	538	764	936	1 398	1 761	1 804	1 991	2 015	2 351	2 894	4 587	3 799	3 588	5 894	7 069	8 259
Non-financial businesses																	
Public corporations	65	42	24	57	89	110	184	114	164	114	295	327	518	532	480	573	617
Agriculture, forestry and fishing	360	353	345	486	513	672	758	876	976	1 073	1 314	1 731	2 180	2 929	3 802	4 232	4 657
Mining and quarrying	46	53	71	77	104	128	190	176	163	415	365	574	710	618	866	570	756
Manufacturing	583	609	642	935	1 243	1 389	1 377	1 353	1 442	1 572	2 013	2 875	3 807	4 613	6 473	7 583	8 181
Food, drink and tobacco	94	103	105	159	227	243	236	216	229	242	286	296	564	731	854	1 310	1 274
Textiles, clothing and footwear	74	79	88	136	154	147	135	130	131	157	205	248	279	285	416	528	611
Wood and furniture	31	34	42	60	73	75	89	89	79	85	105	143	181	192	275	258	315
Paper, printing and publishing	32	32	31	43	66	93	103	100	82	75	122	273	356	583	765	808	1 173
Leather and rubber	14	18	19	26	20	23	21	21	23	32	42	53	68	78	111	191	167
Chemicals and chemical products	37	36	46	78	131	125	143	139	132	138	159	402	566	758	824	916	1 184
Non-metallic mineral products	37	45	53	65	77	114	148	153	168	199	198	264	331	407	1 089	847	943
Metals and engineering	226	221	211	294	408	468	408	411	467	452	632	907	1 132	1 080	1 531	1 897	1 793
Other	38	41	47	74	87	101	94	94	131	192	264	289	330	499	608	828	721
Building and construction	91	86	79	155	186	220	210	210	216	253	292	378	517	799	1 029	1 144	1 111
Commerce	361	368	408	604	683	751	846	814	892	1 056	1 253	1 610	2 056	2 323	3 092	3 542	3 850
Agricultural produce merchants and dealers ¹	50	44	56	82	83	67	92	90	105	155	145	161	174	204	233	305	447
Motor trade	73	81	93	143	160	194	192	186	214	217	248	331	482	558	782	844	851
Other wholesalers	88	96	90	138	172	185	210	159	183	225	290	400	477	476	638	738	898
Other retailers ²	150	147	169	241	268	305	352	379	390	459	570	718	923	1 085	1 439	1 655	1 654
Services (including professions) ..	98	102	137	179	201	272	295	326	445	547	873	1 183	1 586	2 146	3 248	3 543	3 422
Other non-financial businesses ..	72	73	84	117	156	147	152	184	200	221	288	327	218	398	633	735	765
Total non-financial businesses...	1 676	1 686	1 790	2 610	3 175	3 689	4 012	4 053	4 498	5 251	6 693	9 005	11 592	14 358	19 623	21 922	23 359
Other accounts																	
Governments	4	1	7	18	14	29	37	51	115	198	214	242	214	93	102	292	581
Individuals and non-profit institutions	460	510	628	1 020	1 025	1 305	1 389	1 443	1 779	2 274	3 482	4 698	6 019	8 682	11 986	13 289	13 119
Accounts of non-residents	47	46	54	69	48	93	69	86	99	159	225	289	315	322	478	961	649
Total other accounts	511	557	689	1 107	1 087	1 427	1 495	1 580	1 993	2 631	3 921	5 229	6 548	9 097	12 566	14 542	14 349
Total all accounts	2 677	2 781	3 243	4 653	5 660	6 877	7 311	7 624	8 506	10 233	13 508	18 821	21 939	27 043	38 083	43 533	45 967

¹ Including agricultural co-operative societies and companies.

² Including consumers' co-operatives.

Mining sector

The contribution of the sector mining and quarrying to gross domestic product at factor cost amounted on average to about 14 per cent during the period 1970 to 1986. The share of this sector in the banks' total discounts and advances, however, was considerably smaller than its relative contribution to gross domestic product. On average bank lending to this sector amounted to only slightly more than 2 per cent of the banks' total discounts and advances outstanding during this period. The main reason for this is the fact that most mining activities in South Africa are undertaken by financially strong mining houses. The mining sector's need for bank credit is correspondingly limited. Furthermore, most mining operations require prolonged preparatory development and capital investment and therefore are usually financed out of long-term funds rather than by means of bank credit. Banks, on the other hand, prefer their loans to be more liquid (short-term), and because the mining sector has traditionally also been regarded as somewhat risky, banks do not consider lending to this sector to be particularly attractive. Bank lending to mining enterprises nevertheless increased from R46 million in 1970 to R756 million in 1986.

Manufacturing sector

The manufacturing sector's annual contribution to gross domestic product at factor cost remained well above 20 per cent during the period 1970 to 1986, fluctuating between a low of 21,2 per cent in 1974 and a peak of 23,8 per cent in 1981. Given the importance of this sector in the economy, it is not surprising that a large part of the banks' loan portfolios consisted of loans to manufacturing enterprises. Loans to manufacturing concerns as a percentage of total discounts

and advances reached a peak of 22,0 per cent in 1974 and a trough of 14,9 per cent in 1980. At the end of 1986 this percentage amounted to 17,8 per cent.

The rates of increase in bank lending to the various sub-sectors of manufacturing showed divergent behaviour over the period 1970 to 1986. The average annual rate of increase in loans to the sub-sectors paper, printing and publishing and chemicals and chemical products amounted to as much as 24 per cent during this period. The rate of increase in lending to the sub-sector textiles, clothing and footwear, on the other hand, came to only about 14 per cent.

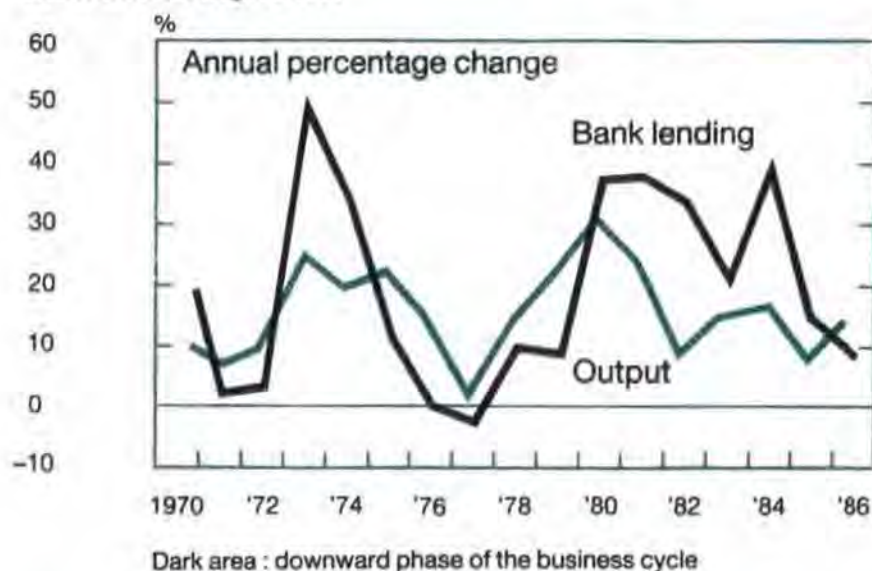
The annual percentage change in bank lending to the manufacturing sector showed a clear procyclical tendency over the period 1970 to 1986 (See Graph 5). This pattern is in accordance with the generally procyclical behaviour of activity in this sector in the course of the business cycle.

Commercial sector

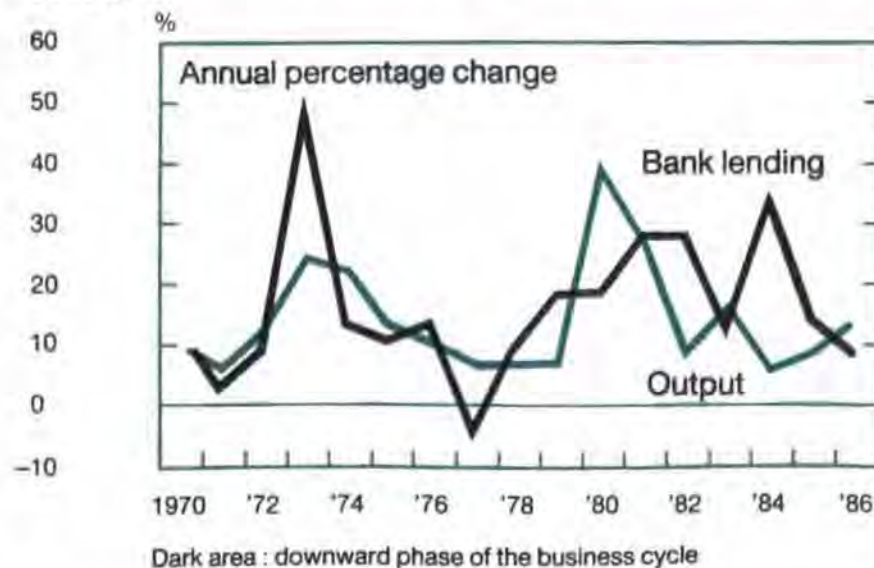
The average annual rate of increase in bank lending to the commercial sector amounted to 16,0 per cent over the period 1970 to 1986, compared with the average annual increase of 19,4 per cent in total bank lending. Discounts and advances to the commercial sector as a percentage of the banks' aggregate loan portfolio consequently declined from 13,5 per cent in 1970 to 8,4 per cent in 1986. This development was broadly in accordance with the decline in the relative contribution of wholesale and retail trade, catering and accommodation to gross domestic product at factor cost, which decreased from 15,1 per cent in 1970 to 11,1 per cent in 1986.

As can be seen from Graph 6, economic activity in the commercial sector as well as bank lending to this sector also fluctuated in a more or less procyclical manner during the years concerned.

Graph 5: Output by and bank lending to the manufacturing sector



Graph 6: Output by and bank lending to the commercial sector



Conclusion

Lending in the form of discounts, loans and advances by the commercial banks, merchant banks and "other" monetary banking institutions plays an important role in the South African economy. During the years from 1970 to 1986, such lending increased at a somewhat faster rate than gross domestic product at market prices, indicating increased recourse to such credit. As a result, the ratio of the volume of bank lending to gross domestic product rose substantially during this period.

Since the need for bank credit tends to rise broadly in line with economic activity at current prices, changes in total bank lending showed broadly procyclical behaviour during the period under review. Year-to-year rates of change in the total volume of bank lending showed wide fluctuations, varying from less than 4 per cent in one year (1971) to well above 40 per cent in others (1973 and 1984).

"Other" loans and advances by the banks concerned, consisting mainly of overdrafts, remained the mainstay of bank lending throughout the review period. Bank lending in the form of leasing finance and hire-purchase credit, however, increased at faster rates than "other" loans and advances. The growing importance of consumer credit from approximately 1978 not only contributed to the rapid rise in hire-purchase and leasing finance but also served to increase the share of borrowings by individuals in the banks' total loan portfolios.

Because of the importance of the deposit relationship between a bank and its borrowing clients, the larger part of a bank's loan portfolio traditionally consists of loans to the corporate sector. However the growing importance of other financial institutions (such as building societies) and the resultant increase in the competition for funds, as well as the introduction of innovations such as budget accounts on credit cards in the banking field, resulted in a sharp increase in bank lending to individuals during the years under consideration. The composition of the loan portfolios of the banks in respect of loans to corporate and non-corporate borrowers consequently showed a substantial shift from the former to the latter category between 1970 and 1986.

The shift between corporate and non-corporate borrowers was also reflected in declines in the shares of most of the major industrial categories in the total loan portfolios of the banks as loans to individuals increased between 1970 and 1986.

The banks, however, succeeded in maintaining a broad industrial diversification of borrowers throughout this period. The importance of the manufacturing sector in the South African economy was also reflected in the size of bank lending to that sector, which constituted a fairly substantial proportion of the banks'

aggregate loan portfolios. In contrast, bank lending to the mining sector, which similarly constitutes an important part of the economy, continued to account for only a fairly small proportion of the banks' loan portfolios, because of this sector's relatively low need for financing from external sources and also because of the kind of financing that is needed by this sector. Discounts, loans and advances to the agricultural sector made up a fairly stable proportion of banks' total discounts, loans and advances throughout the period 1970 to 1986, despite a substantial decline in this sector's relative contribution to gross domestic product. Like total bank lending, bank credit to most of the major industrial sectors, with the notable exception of agriculture, displayed broadly procyclical behaviour during the review period, showing the need for such credit to rise and decline in accordance with cyclical variations in economic activity.

Statement on monetary policy

by Dr Gerhard de Kock, Governor of the South African Reserve Bank

4 May 1988

As an integral part of the package of economic stabilisation measures announced today by the Minister of Finance, the Reserve Bank will take a number of steps to restrict its credit extension to banks and discount houses with a view to curbing the currently excessive rate of increase of the money supply.

This decision follows a marked further improvement in domestic economic conditions and an increase in real gross domestic expenditure during the first quarter of 1988 to a level more than 10 per cent higher than in the first quarter of 1987. While this upsurge in demand imparted further momentum to the upswing in real output and income, it showed signs of exerting undue pressure on both domestic resources and imports, at a time when exports were declining. If not curbed timeously, the rise in spending might therefore result in new demand inflation, balance of payments difficulties and downward pressure on the exchange rate of the rand.

The exceptional rise of total spending was made possible by an increase in the broad money supply, M3, at a seasonally adjusted annual rate of about 24 per cent during the first quarter of 1988. This brought the provisional March figure for M3 to well above the announced target range for 1988 of 12 to 16 per cent.

The main reason for the accelerated rise in M3 was an excessive increase in credit extended by banks and building societies to the private sector, including consumer credit and home mortgage loans. After rising at an annual rate of 22 per cent during the fourth quarter of 1987, the total credit extended by monetary institutions to the private sector increased at an estimated annual rate of 26 per cent during the first quarter of 1988. To support this increase the banks had to obtain additional cash reserves in the market, and their efforts to do so naturally placed upward pressure on short-term interest rates. Although the Reserve Bank responded to the resultant rise in short-term interest rates by raising its Bank rate from 9½ per cent to 10½ per cent on 9 March 1988, it continued to moderate the upward movement in interest rates by providing accommodation to the banking system in a variety of ways. In the circumstances that have now arisen, however, the Reserve Bank deems it imperative to take further steps to restrict its own credit creation.

In adopting this course the Reserve Bank is implementing a policy first outlined in discussions with the banks and building societies in early December 1987. Already at that stage the Reserve Bank indicated that it would not necessarily continue to relieve or prevent shortages in the money market by means of repurchase agreements or the provision of tender funds from the Corporation for Public Deposits (CPD) to the same ex-

tent as before. Instead, the Bank would insist on a larger proportion of such accommodation being provided through its discount window. Pronouncements to this effect were repeated in the Reserve Bank's meetings with banks and building societies in early March 1988 and in the Bank's statement on its Bank rate increase of 9 March 1988.

Following further discussions held with the banks and building societies on 28 April 1988, the Reserve Bank has now decided to introduce the following policy changes:

- (1) To give effect to its intention of meeting a larger proportion of the banks' needs for cash reserves through its discount window, the Reserve Bank will in future provide considerably less accommodation through repurchase agreements, CPD tender funds or other forms of open-market operations than in the past. These methods of granting accommodation will only be used to smooth out unduly large month-end and other seasonal fluctuations in money market conditions.
- (2) Accommodation through the discount window will normally be provided only by rediscounting, or extending overnight loans against the security of, *liquid assets* such as Treasury bills, Land Bank bills, liquid bankers' acceptances and short-term government stock. Only in exceptional circumstances will overnight loans be extended against the security of non-liquid assets.
- (3) In recognition of the inevitable upward pressure that these curbs on the Reserve Bank's accommodation will exert on short-term interest rates, the Reserve Bank will raise its Bank rate from 10½ per cent to 11½ per cent with effect from 5 May 1988. Bank rate is the rate at which the Bank rediscounts Treasury bills *for discount houses*. The Bank's rediscount rates for Land Bank bills and liquid bankers' acceptances for the discount houses will similarly be raised by 1 percentage point from 10,65 per cent to 11,65 per cent and from 10,80 per cent to 11,80 per cent, respectively.
- (4) The rediscount rates for Treasury bills, Land Bank bills and liquid bankers' acceptances *for banks* will, as before, be quoted at levels of 0,50 percentage points above the rates that apply to the discount houses for the rediscounting of these various instruments. This means that these rates will also be raised by 1 percentage point from 11,00 per cent, 11,15 per cent and 11,30 per cent to 12,00 per cent, 12,15 per cent and 12,30 per cent, respectively.

- (5) The Reserve Bank's rates on overnight loans *to the discount houses* will be increased by 1 percentage point. This means that this rate is raised from 12,00 per cent to 13,00 per cent for overnight loans that are covered by short-term government stock and Treasury bills; from 12,25 per cent to 13,25 per cent for loans that are covered by liquid Land Bank debentures and bills; and from 12,75 per cent to 13,75 per cent for loans that are covered by liquid bankers' acceptances.
- (6) The Reserve Bank's rates for overnight loans *to banks* will, as before, be quoted at levels of 0,75 percentage points above the rates that apply to overnight loans to discount houses in cases where such loans are covered by short-term government stock and Treasury bills, by liquid Land Bank debentures and bills, and by liquid bankers' acceptances, respectively. This means that these rates will also be raised by 1 percentage point from 12,75 per cent, 13,00 per cent and 13,50 per cent to 13,75 per cent, 14,00 per cent and 14,50 per cent, respectively.
- (7) Overnight loans extended to banks *in exceptional circumstances* against the security of non-liquid assets will be granted at 16 per cent for the first day, and this rate might be increased progressively for any bank that is deemed to be making excessive use of the facility.

It is anticipated that this tightening of the Reserve Bank's accommodation procedures and the accompanying increase of its refinancing rates will be followed by an increase in the banks' prime overdraft rates from 14 to 15 per cent. This will bring these rates into alignment with the prevailing interest rates on bankers' acceptances, short-term government stock and other similar money market assets, which have to a large extent already discounted the Bank rate increase and may therefore not show any marked further changes in the period immediately ahead. On the other hand, the prevailing tendency for the demand for home loans to outstrip the supply might well result in further upward adjustments in the home mortgage rates of banks as well as building societies.

In addition to their expected effects on the domestic economy, the higher interest rates and the Reserve Bank's new accommodation restrictions should encourage South African importers and exporters to make relatively more use of foreign trade-related credits and relatively less of domestic credit. This would help to arrest or reverse the tendency that has prevailed for some time now for importers and exporters to switch from relatively expensive foreign sources of finance to relatively cheap domestic sources. Such a development would strengthen the capital account of the balance of payments and support the gold and foreign exchange reserves.

In addition to the measures set out above, the Reserve Bank requests all banks and building societies to slow down the rate at which they are expanding their credit to the private sector and, in particular, to practise restraint in extending consumer credit and mortgage loans for the financing of luxurious private homes. Among other things, care should be taken not to encourage the financing of consumption spending by means of home mortgage loans.

The Bank would also like to repeat its appeal to the banks to continue to provide financial accommodation to farmers who have suffered from droughts and floods, and to do so on terms that will assist these farmers in re-establishing a sound financial footing.

Like the other measures announced today, the adjustments to monetary policy are essentially designed to correct and forestall excesses in credit extension, money creation and domestic spending that would eventually create a need for more severe corrective measures. The main effects of the steps being taken now to bring the M3 growth rate closer to its target range will only become evident in several months' time. That is why timeous action in this field is so important. But monetary policy as a whole remains conducive to the attainment of a growth rate of real gross domestic product of between 2 and 3 per cent in 1988.

Kwartaallikse ekonomiese oorsig

Inleiding

Betreklik sterk koerse van toename in reële produksie is in die derde kwartaal van 1987 deur die nie-primêre sektore en in die vierde kwartaal deur die meeste primêre en nie-primêre sektore van die Suid-Afrikaanse ekonomie aangeteken. 'n Breedweg soortgelyke sterkte van die totale produksiegroei as in die vierde kwartaal van 1987 kon ook in die eerste kwartaal van 1988 waargeneem word.

Die totale reële bruto binnelandse produk het in die vierde kwartaal van 1987 teen 'n seisoensaangesuiwerde jaarkoers van bykans 5 persent en in die eerste kwartaal van 1988 teen 'n jaarkoers van ongeveer 4 persent toegeneem. Net soos in die laaste paar maande van 1987, het die groei in die reële produksie in die eerste paar maande van 1988 wydverspreid oor die meeste ekonomiese bedrywighede voorgekom. Met uitsondering van die mynbou, is betekenisvolle toenames in die reële toegevoegde waarde in al die hoofsektore van die ekonomie aangeteken. Bo-gemiddelde koerse van produksiegroei is aangeteken deur die fabriekswese, ander sekondêre bedrywighede en die nie-primêre sektore in die algemeen. Geen nadelige uitwerking is tot dusver ondervind van potensiele ontwikkelings van buite die stelsel nie – soos 'n uiteindelijke verswakking van kommoditeitspryse in die wêreldmarkte, of nagevolge van die internasionale ineenstorting van aandelepryse in Oktober 1987 – wat vroeër vandeessjaar gelyk het asof dit 'n mate van versigtigheid sou kon vereis met betrekking tot 'n beoordeling van die groeivoorsigte vir die Suid-Afrikaanse ekonomie in 1988.

Aansienlik vinniger groeikoerse as dié in die reële bruto binnelandse produk is in die eerste kwartaal van 1988 in die totale reële bruto binnelandse besteding aangeteken. Nadat dit in die tweede, derde en vierde kwartale van 1987 teen 'n gemiddelde jaarkoers van sowat 6½ persent toegeneem het, het die totale reële bruto binnelandse besteding in die eerste kwartaal van 1988 teen 'n aansienlik hoër koers gestyg. Die totale reële private verbruiksbesteding het voortgegaan om bestendig en teen 'n betreklik stewige pas opwaarts te beweeg langs die pad wat dit in die voorafgaande sewe kwartale ingeslaan het. As gevolg hiervan het dit ook voortgegaan om diens te doen as 'n belangrike aandrywer van die huidige opswaai in die ekonomie.

Die reële verbruiksbesteding van die algemene owerheid het in die eerste kwartaal van 1988 teen ongeveer dieselfde koers as gedurende die vierde kwartaal van 1987 toegeneem. Ten spyte van hernieude besnoeiings van die reële vaste kapitaaluitgawes deur openbare owerhede en openbare korporasies, is daar in die eerste kwartaal van 1988 vir die derde opeenvolgende kwartaal 'n matige verdere toename in die

totale reële vaste investering aangeteken. 'n Vierde opeenvolgende kwartaallikse toename is aangeteken in die totale reële voorrade, hoofsaaklik as gevolg van voorraadopbouing in die fabriekswese en in die groot- en kleinhandel. Daarenbove was die volume van hierdie voorraadvorming in die eerste kwartaal van 1988 aansienlik groter as in die laaste drie kwartale van die voorafgaande jaar.

Twee belangrike begeleidende invloede het met die verdere verstewiging van die binnelandse monetêre vraag en die reële ekonomiese bedrywigheid, en met die aansienlik vinniger koers van toename in die reële binnelandse besteding as in die reële binnelandse produksie, gepaard gegaan. In die eerste plek het die aansienlik hoër vlakke van die volume en die waarde van die goedere-invoer, tesame met 'n daling in die volume en die waarde van die goedere-uitvoer, meegebring dat die groot oorskotte op die lopende rekening van die betalingsbalans wat regdeur die vorige twaalf kwartale gehandhaaf is, in die eerste kwartaal van 1988 (ná uitskakeling van die seisoensinvloed) na 'n klein tekort omgeswaai het. Deels as gevolg van 'n opmerklieke inkrimping van die uitvloeiing van nie-reserwe-verwante kapitaal, het die bruto goud- en ander buitelandse reserves in die eerste kwartaal van 1988 egter 'n klein toename getoon, terwyl ten opsigte van die eerste vier maande van 1988 ook 'n klein styging verwag kan word. Die inkrimping van die oorskot op die buitelandse handelsrekening het egter in aanmerklike mate bygedra tot 'n verswakking van die effektiewe wisselkoers van die rand vanaf die einde van 1987 tot aan die einde van Mei 1988.

In die tweede plek het 'n opmerklieke en betreklik skielike styging in die vraag na geld en krediet meegebring dat die koerse van toename in bankkrediet en in die M3-geldvoorraad vanaf September 1987 'n verdere skerp versnelling getoon het. Die seisoensaangesuiwerde jaarkoers van toename in die eise van monetêre instellings teen die private sektor en in M3 het vanaf die einde van Augustus 1987 tot aan die einde van Maart 1988 onderskeidelik 24,5 en 30,0 persent bedra. Aan die einde van Maart 1988 het M3 die boonste grens van die mikpunttonnel met ongeveer R3 miljard of met effens meer as 3 persent oorskry.

Hoofsaaklik op grond van hierdie ontwikkelings is 'n minder akkommoderende ingesteldheid van die monetêre beleid vanaf vroeg in Desember 1987 deur die Reserwebank aanvaar en gedurende die eerste vyf maande van 1988 op geleidelik strenger wordende wyse gehandhaaf. 'n "Pakket" fiskale, monetêre en kredietmaatreëls wat op beperking van die vraag gemik was, is op 4 Mei 1988 aangekondig. Die voorlopige geldvoorraadgegewens vir April het egter daarop gedui dat M3 skerp gedaal het, terwyl die koers van toename in bankkrediet gedurende daardie

maand eweneens aanmerklik verlangsaam het.

Die uitwissing van die oorskot op die lopende rekening in die eerste kwartaal van 1988 het die aandag gevestig op verskeie prestasiebeperkings op die Suid-Afrikaanse ekonomie wat in die tans bestaande omstandighede aangebied word as faktore wat verhinder dat die ekonomie oor enigsins langer periodes reële groeikoerse kan behaal wat beduidend hoër is as die koers van die bevolkingsaanwas. Die belangrikste van hierdie stremmende faktore op die pad na vinniger groei is die betalingsbalansstruikelblok wat, vanweë Suid-Afrika se buitelandse-skuldterugbetalingsverpligtings en sy huidige beperkte toegang tot buitelandse bronne van finansiering, voortspruit uit die land se beperkte vermoë om 'n tekort op lopende rekening deur middel van invloeiings van buitelandse kapitaal te finansier. Terwyl dit vanselfsprekend waar is dat Suid-Afrika, gegewe sy besondere bedeeldheid met natuurlike hulpbronne en die stadium van ekonomiese ontwikkeling waarin dit verkeer, nie 'n kapitaal-uitvoerland behoort te wees nie, behoort ook onder die oë gesien te word dat 'n ekonomiese oplewing wat grotendeels deur verbruiksbesteding aangedryf word, selfs onder die gunstigste omstandighede nie enigsins langdurig gefinansier kan en behoort te word deur die land se buitelandse-skuldverpligtings te vermeerder of deur in te teer op die goud- en ander buitelandse reserwes nie. So 'n verloop van sake sou, soos in 1983-84, 'n uiteindelijke herinstelling van meer beperkende monetêre en fiskale beleidsmaatreëls noodsaaklik maak. Indien sodanige optrede uitgestel sou word of tydelik oneffektief sou raak, sou meer drastiese maatreëls op 'n later tydstip onvermydelik word.

Verdere dalings is in die eerste kwartaal van 1988 aangeteken in die inflasiekoers soos gemeet deur die verbruikersprysindeks. Nadat die koers van verandering oor twaalf maande in hierdie indeks van 20,6 persent in Januarie 1986 tot 14,2 persent in Januarie 1988 afgeneem het, het dit verder verlangsaam tot 13,3 persent in April. Die koers van toename oor twaalf maande in produksiepryse het in Desember 1987 'n laagtepunt van 11,3 persent bereik, maar gedurende die daaropvolgende drie maande tot 12,0 persent in Maart 1988 gestyg.

In die geldmark is vanaf laat in November 1987 tot en met April en die eerste drie weke van Mei 1988 opwaartse druk op korttermynrentekoerse ondervind. Die Bankkoers, wat met ingang van 9 Maart 1988 as erkenning van die styging in die markkoerse en as 'n integrale bestanddeel van die Reserwebank se minder akkommoderende beleidsingesteldheid met 1 persent tot 10½ persent verhoog is, is verder verhoog, tot 11½ persent, as deel van die pakket vraagbeperkende maatreëls wat op 4 Mei 1988 bekend gemaak is.

Sekere verdere aanpassings in die Bank se akkommodasiebeleid en -prosedures is aangekondig in die Bank se verklaring van 4 Mei oor die verhoging van die Bankkoers. In die besonder het die Bank dit duidelik

gestel dat bystand aan die geldmark op ander maniere as by die diskontovenster voortaan tot die uitstryking van oormatige stram geldmarktoestande oor maandeindes of in ander seisoensituasies beperk sou word, en dat strafkoerse sou geld ten opsigte van akkommodasie wat, in uitsonderlike gevalle, teen onderpand van nie-likwiede bates by die diskontovenster aan banke verleen sou word.

Die kapitaalmark het in die eerste kwartaal van 1988 'n herstel van die handelsbedrywigheid beleef vanaf die betreklik lae vlakke wat ná die skerp terugslag op die aandelemark wat op 20 Oktober 1987 begin het, in hierdie bedrywigheid aangeteken is. Verdere dalings is egter aangeteken in die omset en die pryse van aandele op die effektebeurs. Langtermynrente- en opbrengskoerse het in die eerste kwartaal van 1988 verstewig aan die hand van die opwaartse beweging van korttermynrentekoerse en vanweë die teleurstellende verloop van die goudprys in Februarie in die besonder, maar het in April weer effens teruggesak. 'n Vinnige styging in die verbandfinansieringsbedrywigheid van die groter banke in die eerste kwartaal het meer as vergoed vir 'n daling in sodanige uitleenbedrywigheid van die bouverenigings.

Die skatkistekort voor lenings het in die Maart-kwartaal van die fiskale jaar 1987/88 R3,2 miljard bedra, wat die tekort in die Maart-kwartaal van die fiskale jaar 1986/87 met nie minder nie as R2,1 miljard oorskry het. Die tekort in April 1988 was egter R0,8 miljard kleiner as in April 1987, wat 'n daling van ongeveer 30 persent verteenwoordig het.

Binnelandse ekonomiese ontwikkelings

Binnelandse produksie

Nadat dit teen 'n seisoensaangesuiwerde jaarkoers van bykans 5 persent in die vierde kwartaal van 1987 toegeneem het, het die reële bruto binnelandse produk in die eerste kwartaal van 1988 volgens voorlopige ramings voortgegaan om betreklik sterk te styg teen 'n jaarkoers van ongeveer 4 persent. Die reële bruto binnelandse produk het in die eerste kwartaal van 1988 'n vlak van ongeveer 2½ persent hoër as in die eerste kwartaal van 1987 bereik.

Bo-gemiddelde groeikoerse is in die sekondêre sektore (fabriekswese; elektrisiteit, gas en water; en konstruksie) en in die nie-primêre sektore in die algemeen aangeteken. Die seisoensaangesuiwerde groei in reële produksie teen jaarkoerse bereken vir hierdie twee groepe sektore het in die eerste kwartaal van 1988 ongeveer 8 en 5 persent bedra.

Sektorale ramings toon dat toenames in reële toegevoegde waarde in al die sektore van die ekonomie met die uitsondering van die mynbou aangeteken is. Opvallende produksietoenames is deur die sektore fabriekswese; elektrisiteit, gas en water; handel; landbou en konstruksie getoon. Reële produksie in die mynbou wat in die derde kwartaal van 1987 hoofsaaklik as gevolg van stakings in die goudmynboubedryf gedaal het, het in die vierde kwartaal aansienlik gestyg, maar het weer in die eerste kwartaal van 1988 afgeneem as gevolg van laer uitvoervolumes in sekere onderafdelings van die nie-goudmynbou en namate die goudmynbedryf op effens laer produksievlakke bestendig het. In die eerste kwartaal van 1988 is die neiging van

die afgelope aantal jare in die goudmynbou na 'n laer gemiddelde goudinhoud van die erts wat vergruis is, voortgesit. Dit kan toegeskryf word aan die betreklike hoë randprys van goud wat die myne, ten spyte van stygende produksiekoste, in staat gestel het om afvalmateriaal te herverwerk en om armer erts te ontgin.

Die belangrikste bydraes tot die stewige groeikoers in totale reële produksie in die eerste kwartaal van 1988 is deur die fabriekswese en die handel gelewer. Die totale volume van fabrieksproduksie aangesuiwer vir seisoensinvloede, het die kwartaallikse gemiddelde vlak van fabrieksproduksie vir die kalenderjaar 1980 in die eerste kwartaal van 1988 vir slegs die tweede keer sedert die tweede kwartaal van 1984 oorskry.

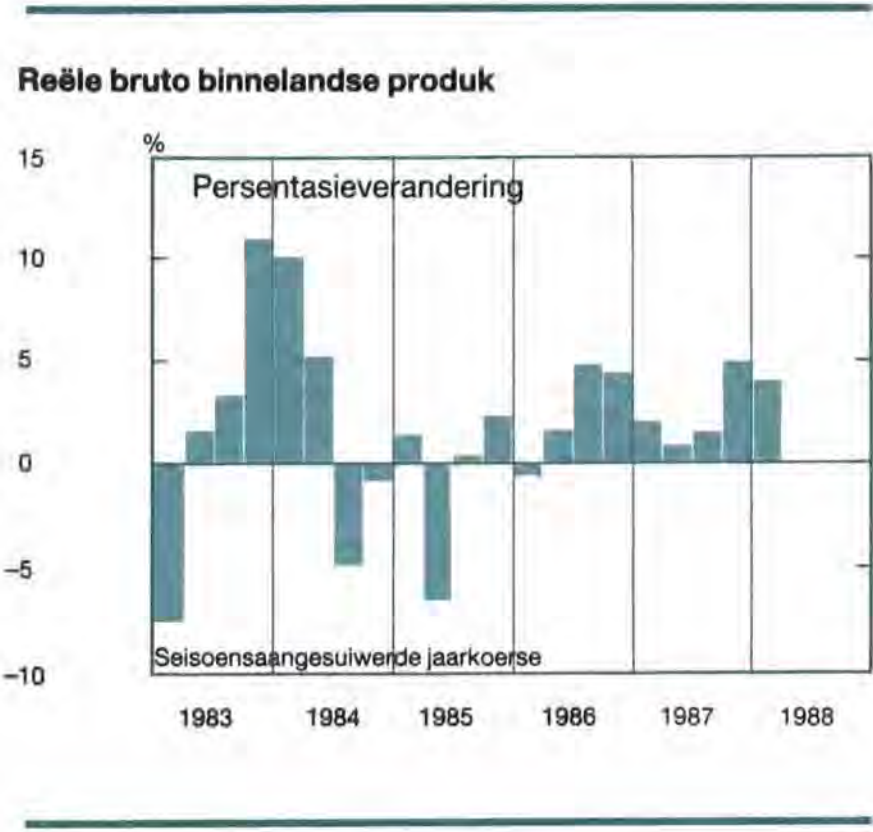
Merkbare produksietoenames in die fabriekswese in die eerste kwartaal van 1988 is deur die onderafdelings papier en drukwerk, chemikalieë en masjinerie en vervoertoerusting aangeteken. Aansienlike verdere stygings in reële produksie, wat 'n voortsetting van produksietoenames in die derde en vierde kwartale van 1987 was, is ook deur die sektor handel, en in die besonder deur die groothandel en motorhandel, getoon.

Binnelandse besteding

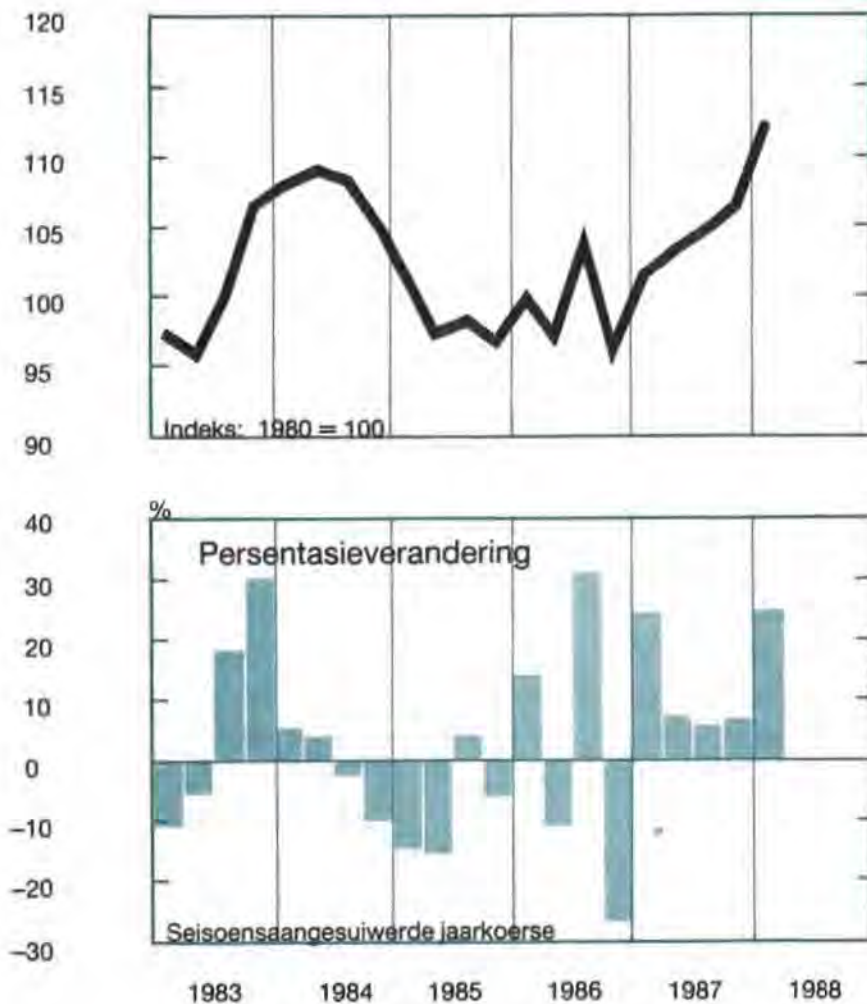
Totale reële bruto binnelandse besteding wat teen 'n gemiddelde jaarkoers van 6½ persent in die tweede, derde en vierde kwartale van 1987 gestyg het, het in die eerste kwartaal van 1988 teen 'n aansienlike hoër koers gestyg. Die totale reële bruto binnelandse besteding in die eerste kwartaal van 1988 was meer as 10 persent hoër as in die eerste kwartaal van 1987.

Volgehoue groei is in die eerste kwartaal van 1988 in al die hoofkomponente van bruto binnelandse besteding waargeneem. *Reële private verbruiksbesteding* het teen 'n jaarkoers van 4 persent toegeneem wat in ooreenstemming is met naastenby soortgelyke kwartaallikse toenames (teen jaarkoerse wat tussen ongeveer 2¾ en 5¼ persent gewissel het) sedert die tweede kwartaal van 1986. Toenamekoerse in reële private verbruiksbesteding in die grootste gedeelte van 1986, 1987 en vroeg in 1988 het ook gunstig met die langtermyn opwaartse neiging in reële private verbruiksbesteding gedurende die tagtigerjare vergelyk. In die sewejaartydperk vanaf 1981 tot en met 1987 het die gemiddelde jaarlikse koers van toename in totale reële private verbruiksbesteding slegs ongeveer 2 persent beloop.

Die verdere toename in reële private verbruiksbesteding in die eerste kwartaal van 1988 is deur 'n effense toename in totale reële persoonlike beskikbare inkomme gerugsteun. Dit was verder ook die gevolg van 'n aansienlike versnelling in huishoudings se gebruikmaking van verbruikerskrediet. Toenames in die reële besteding aan die hoofkomponente van private verbruiksbesteding in die eerste kwartaal van 1988 het



Reële bruto binnelandse besteding



teen seisoensaangesuiwerde jaarkoerse gewissel vanaf 2 persent in die geval van nie-duursame goedere tot soveel as 13 persent in die geval van duursame goedere. Die toename in die besteding aan duursame verbruiksgoedere was hoofsaaklik die gevolg van die relatiewe sterk verkope van motorvoertuie en huishoudelike toestelle. Die merkbare styging in die verkope van nuwe motorvoertuie gedurende die eerste kwartaal van 1988, veral in Februarie en Maart, was gedeeltelik 'n weerspieëling van die vermindering van agterstallige bestellings vir nuwe motorvoertuie wat in die derde en vierde kwartale van die vorige jaar ontstaan het.

Reële private besteding op semi-duursame goedere en op verbruikersdienste het in die eerste kwartaal van 1988 teen jaarkoerse van onderskeidelik ongeveer 5½ en 3 persent toegeneem. Dit het gevolg op naastenby soortgelyke koerse van toename in die vierde kwartaal van 1987. Die toenames in besteding deur huishoudings op hierdie twee bestedingskomponente was wydversprei oor die meeste van hul vernaamste onderafdelings.

Reële verbruiksbesteding deur die algemene owerheid wat sterk toegeneem het in die eerste helfte van 1987 en weer in die vierde kwartaal ná 'n merkbare

afname in die derde kwartaal, het voortgegaan om in die eerste kwartaal van 1988 teen naastenby dieselfde koers as in die vierde kwartaal van 1987 te styg. Die vlak van hierdie besteding in die eerste kwartaal van 1988 was sowat 5 persent hoër as in die eerste kwartaal van 1987. Hoewel reële vergoeding van owerheidswerknemers slegs 'n effense toename in die eerste kwartaal van 1988 getoon het, het reële owerheidsbesteding op intermediêre goedere en dienste aansienlik gestyg. In vergelyking met die fiskale jaar 1986/87 het totale reële owerheidsverbruiksbesteding, reële vergoeding van owerheidswerknemers en reële owerheidsbesteding op intermediêre goedere en dienste met onderskeidelik 5½ persent, 3½ persent en 9 persent in die fiskale jaar 1987/88 toegeneem.

'n Derde agtereenvolgende kwartaallikse toename is deur *totale reële bruto binnelandse vaste investering* in die eerste kwartaal van 1988 getoon. Die seisoensaangesuiwerde jaarkoers van toename in totale reële bruto binnelandse vaste investering het 1½ persent in die tweede helfte van 1987 en 2 persent in die eerste kwartaal van 1988 bedra. Aansienlike verdere toenames in reële vaste kapitaalvorming deur die private sektor het die hernieude afnames in reële vaste kapitaalbesteding deur die openbare korporasies en die openbare owerhede meer as geneutraliseer.

Toenames in reële bruto vaste kapitaalvorming deur die private sektor het in die sektore landbou, mynbou, fabriekswese, handel en finansies voorgekom. Hierdie algemene herstel weerspieël die geleidelike terugkeer van sakevertroue en die invloed van die verstewiging in binnelandse vraag, asook verskeie ander gunstige ontwikkelings. In die landbou het hoër reënval en die vooruitsigte van groter oeste as aansporing gedien vir die lank-uitgestelde vervanging van kapitaaltoerusting vir die plant, oes, opberging en behandeling van gewasse. In die mynbousektor is kapitaaluitgawes aangegaan vir die ontwikkeling van verskeie nuwe ondernemings in sowel goudmynbou as nie-goudmynbou terwyl verbeterings aan bestaande aanlegte en masjinerie by 'n aantal ouer myne aangebring is.

In die fabriekswese het die stygende vlakke van binnelandse besteding veroorsaak dat 'n toenemende aantal ondernemings die kapasiteitsperke van bestaande produksievermoë bereik het en het dit as aansporing gedien vir uitbreiding en die vernuwing van tegnies-verouderde toerusting en aanlegte. Dit is ook weerspieël in die reële besteding op masjinerie en vervoertoerusting wat deur bruikhuurkontrakte gefinansier is. In die eerste kwartaal van 1988 was kapitaaluitgawes deur sulke kontrakte gefinansier meer as 30 persent hoër as in die eerste kwartaal van die voorgaande jaar.

'n Ontleding van die totale reële bruto private vaste investering in die eerste kwartaal van 1988 volgens tipe bate toon belangrike toenames in die besteding aan nie-woongeboue, maar veral in die besteding aan vervoertoerusting, masjinerie en "ander" toerusting.

Die stygende vlak van besteding aan hierdie tipe kapitaalbesteding in die tweede helfte van 1987 en in die eerste kwartaal van 1988 het 'n verlangingsaming in die koers van vermindering in die fisiese voorrade van hierdie bates bewerkstellig, maar dit kon nog nie 'n werklike toename in hierdie voorrade veroorsaak nie.

Hernieude *afnames* in reële bruto vaste investering deur openbare owerhede en openbare korporasies kan aan die afhandeling van investeringsprojekte en die voortdurende pogings tot rasionalisering toegeskryf word. Afnames in reële investeringsbesteding deur openbare korporasies is in fabriekswese sowel as in die sektor elektrisiteit, gas en water aangeteken. Laasgenoemde was hoofsaaklik 'n weerspieëling van afnames in reële vaste kapitaalbesteding deur Eskom, wat vir verminderde nominale kapitaaluitgawes in 1988 begroot het.

Die openbare owerhede het betekenisvolle afnames in reële kapitaalbesteding deur die sake-ondernemings van hierdie owerhede, sowel as hul algemene dienslewingsdepartemente bewerkstellig. Uiteenlopende neigings is egter deur die investeringsbedrywighede van die groter sake-ondernemings getoon. In die besonder is aansienlike toenames in die eerste kwartaal van 1988 in reële vaste investering deur die Suid-Afrikaanse Vervoerdienste (in hoofsaaklik masjinerie en konstruksie) meer as geneutraliseer deur afnames in reële kapitaalbesteding deur die Departement van Pos- en Telekommunikasiewese. Totale

reële vaste kapitaalvorming deur die openbare owerhede sowel as die openbare korporasies het dienooreenkomstig in die vier kwartale tot die eerste kwartaal van 1988 voortgegaan om aansienlik (dit is met meer as 30 persent) laer te wees as die relatief hoë gemiddelde vlakke wat die totale openbare sektor se reële vaste investering gedurende die jare 1980 tot 1985 bereik het.

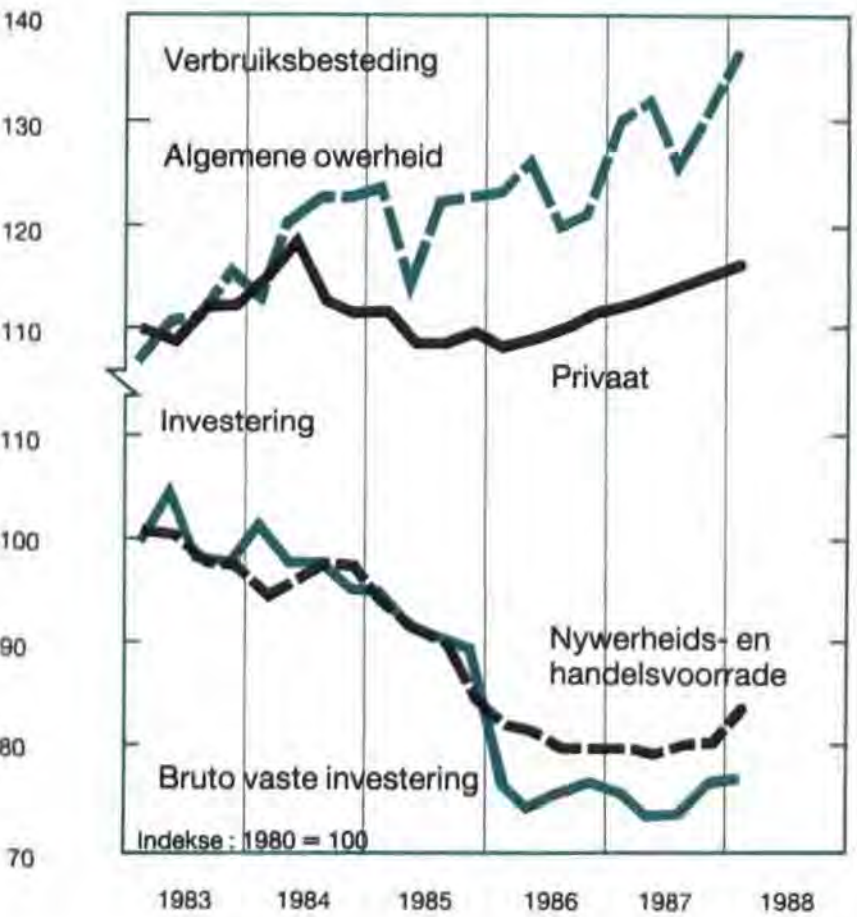
'n Verdere opbou van totale reële *voorrade* is in die eerste kwartaal van 1988 vir die vierde agtereenvolgende kwartaal aangeteken. Die styging in totale reële voorrade in die eerste kwartaal van 1988, wat aansienlik groter was as in die voorafgaande drie kwartale, word bykans uitsluitlik aan die opbou van voorrade in die fabriekswese en in die groot- en kleinhandel toegeskryf.

Afnames is aangeteken in die reële voorraadvlakke van die motorhandel en die handelsvoorraad van die diamantnywerheid. Die merkbare verstewiging in die vraag na motorvoertuie deur huishoudings sowel as die maatskappysektor sedert die vierde kwartaal van 1986, het gedurende die vierde kwartaal van 1987 en in die eerste kwartaal van 1988 verder versnel. Voorraadvlakke is gevolglik ten opsigte van sowel motorvoertuigkomponente as voltooide motorvoertuie verminder.

Die diamantnywerheid het nie die verwagte insinking in verkope ná die ineenstorting van die aandelemark in Oktober 1987 ondervind nie. Lewendige verkope van diamante in wêreldmarkte in die eerste kwartaal van 1988, het tot 'n vermindering in diamantvoorrade aanleiding gegee.

Verhogings in die vlakke van nywerheids- en handelsvoorrade gedurende die eerste kwartaal van 1988 was die gevolg van verhoogde binnelandse produksiebedrywighede, groter volumes van goedere-invoere en 'n afname in die volume van sekere goedere-uitvoere. Die verhouding van reële nywerheids- en handelsvoorrade tot bruto binnelandse produksie in die nie-landbousektore van die ekonomie het slegs matig verbeter vanaf die historiese laagtepunt van 19 persent in die derde en vierde kwartale van 1987 tot ongeveer 19½ persent in die eerste kwartaal van 1988. Die versnelling in die toenamekoers van totale reële voorraadopbouing vanaf die vierde kwartaal van 1987 tot die eerste kwartaal van 1988, het egter soveel as 8 persentasiepunte in die eerste kwartaal van 1988 bygedra tot die jaarkoers van toename in totale besteding aan die reële bruto binnelandse produk. Dit kan vergelyk word met 'n negatiewe bydrae van 6½ persentasiepunte in die voorafgaande kwartaal as gevolg van 'n afname in die koers van reële voorraadopbouing van die derde tot die vierde kwartaal van 1987.

Hoofkomponente van bruto binnelandse besteding



Faktorinkome en besparing

Die jaarkoers van toename in totale nominale faktorinkome het van 25 persent in die vierde kwartaal van

1987 tot 18½ persent in die eerste kwartaal van 1988 afgeneem. Hierdie verlangsaming was die resultaat van 'n afname van 26 tot 14 persent in die jaarkoers van toename in die totale nominale vergoeding van werknemers en van 22½ tot 20½ persent in die jaarkoers van toename in die bruto bedryfsurplusse van sake-ondernemings.

Die relatief hoë koers van toename in die totale nominale faktorinkome in die vierde kwartaal van 1987 kan toegeskryf word aan die vinnige verstewiging van totale binnelandse ekonomiese bedrywighede, verhoogde omsette, en die gevolglike toenames in die winste van sake-ondernemings in die meeste sektore van die ekonomie, asook deur relatief hoë vlakke van loonskikkings in verskeie nywerhede. Hierdie faktore was ietwat minder opvallend in die eerste kwartaal van 1988. Aansienlike verdere toenames was nietemin in die bruto bedryfsurplusse van die sektore landbou, fabriekswese, handel, vervoer en finansies waarneembaar.

Bruto binnelandse besparing het in verhouding tot die bruto binnelandse produk effens afgeneem van 23 persent in die vierde kwartaal van 1987 tot 21½ persent in die eerste kwartaal van 1988. Dit was hoofsaaklik toe te skrywe aan 'n verdere toename in netto ontsparing deur die algemene owerheid en aan 'n verdere afname in netto persoonlike besparing (en daarom ook in die persoonlike besparingsverhouding). Persoonlike besparing in sowel absolute as relatiewe terme het verder afgeneem van die relatief hoë vlak (ongeveer 4 persent van persoonlike beskikbare inkome) wat dit in die vierde kwartaal van 1987 behaal het, grootliks as gevolg van vroeëre verminderings in huishoudelike skuld en in huishoudings se skuld-tot-bateverhouding; huishoudings se bereidwilligheid om te leen en hul grootskaalse gebruikmaking van verbruikerskrediet op grond van hul verbeterde skuld-tot-bate- en skuld-tot-inkomsteverhoudings; die toenemende druk van vervangingsvraag vir sekere duursame verbruiks-goedere; en verhoogde besteding op duursame- en semi-duursame verbruiks-goedere wat neig om saam te val met 'n opswaai in woningbou en lewendige toestande in die vaste eiendomsmark soos in die Suid-Afrikaanse ekonomie vanaf ongeveer die eerste kwartaal van 1987 ondervind is. Verdere toenames in die bruto bedryfsurplusse van sake-ondernemings het daarenteen meegebring dat netto *maatskappybesparing*, wat tans ongeveer 'n derde van die totale bruto binnelandse besparing verteenwoordig, aansienlik toegeneem het in die eerste kwartaal van 1988 tot 'n vlak wat sowat 34 persent hoër was as in die eerste kwartaal van die voorafgaande jaar.

Werkverskaffing

Totale werkverskaffing in die nie-landbousektore van die ekonomie het nà 'n geringe toename van 0,3 per-

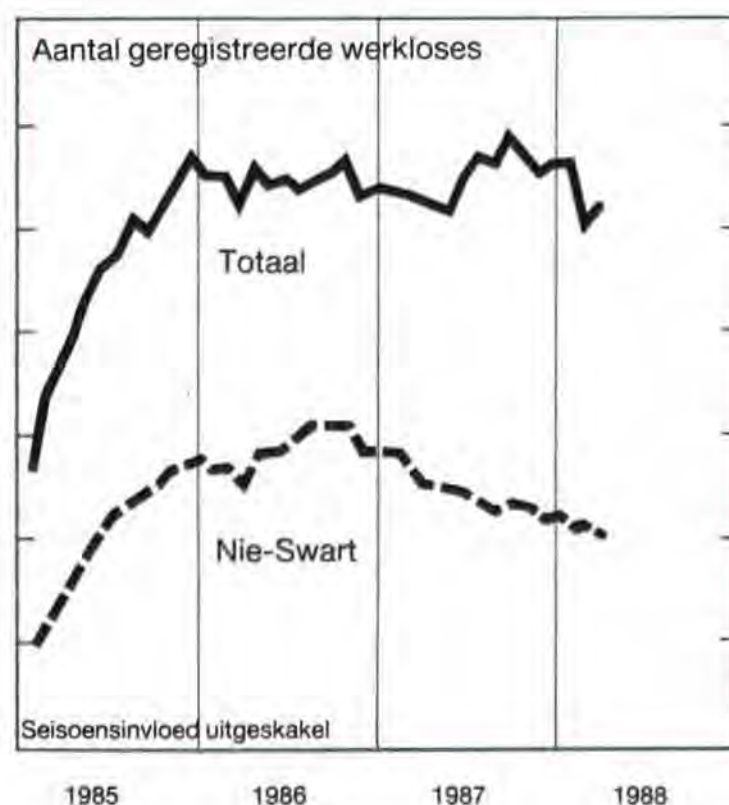
sent in 1986 met 1,5 persent in 1987 toegeneem. Toenames van 0,5 persent en 3,9 persent het in 1987 voorgekom in die aantal persone wat onderskeidelik in die private en openbare sektore in diens geneem is.

Die kwartaal-tot-kwartaalkoerse van toename in werkverskaffing in fabriekswese en konstruksie het geleidelik oor die vier kwartale van 1987 toegeneem. Verdere toenames in werkverskaffing in hierdie twee sektore is in die eerste kwartaal van 1988 aangeteken. 'n Voortgesette verstewiging in die vraag na arbeid is bevestig deur die veranderinge in die verhouding van oortyd tot gewone ure gewerk. In die geval van fabriekswese het die verhouding toegeneem vanaf 10,5 persent in Februarie 1987 tot 12,4 persent in Februarie 1988 en vanaf 7,4 persent tot 8,9 persent oor dieselfde periode in die geval van konstruksie.

Die totale aantal geregistreerde werklooses het vanaf 1986 tot 1987 weinig verandering getoon. Dit het rondom 'n gemiddelde vlak van ongeveer 130 000 in beide jare geskommel. 'n Beduidende daling in hierdie aantal is egter in die eerste kwartaal van 1988 aangeteken. Dit het minder as 124 000 in Maart 1988 beloop.

Geregistreerde werkloosheid onder die nie-Swart werkers het vanaf 1986 tot 1987 betekenisvol met 11,8 persent verminder. Hierdie neiging is in 1988 voortgesit. Die aantal werklose nie-Swart werkers in Maart 1988 was 60 175 teenoor 'n hoogtepunt van bykans 82 500 in Augustus 1986.

Werkloosheid



Arbeidskoste en produktiwiteit

Die gemiddelde nominale bedrag van salarisse en lone per werker in die nie-landbousektore van die ekonomie het in 1986 met 14,2 persent en in 1987 met 15,7 persent toegeneem. Die gemiddelde reële loon per werker het in 1987 met 0,4 persent afgeneem teenoor 'n afname van soveel as 3,8 persent in die voorafgaande jaar. Die kleiner afname in die reële loon in 1987 kan deels toegeskryf word aan die ietwat hoër vlak van nominale loonstygings en deels aan die laer vlak van die inflasiekoers soos gemeet deur die verbruikersprysindeks.

Arbeidsproduktiwiteit (dit wil sê die reële bruto binnelandse produk per werker in die nie-landbousektore van die ekonomie) het in 1986 met 0,7 persent gedaal, maar in 1987 met dieselfde persentasie gestyg. Die verbetering in 1987 in arbeidsproduktiwiteit het voorgekom nieëntaanstaande 'n skerp toename in die aantal verlore man-dae as gevolg van verskerpte vakbondbedrywighede.

Die matige styging in die arbeidsproduktiwiteit het gedurende die tweede helfte van 1987 bygedra om die uitwerking van die versnelling in nominale loonstygings in arbeidseenheidskoste te demp. Hierdie koers van toename het van 1986 tot 1987 onveranderd op 'n vlak van 14,9 persent gebly.

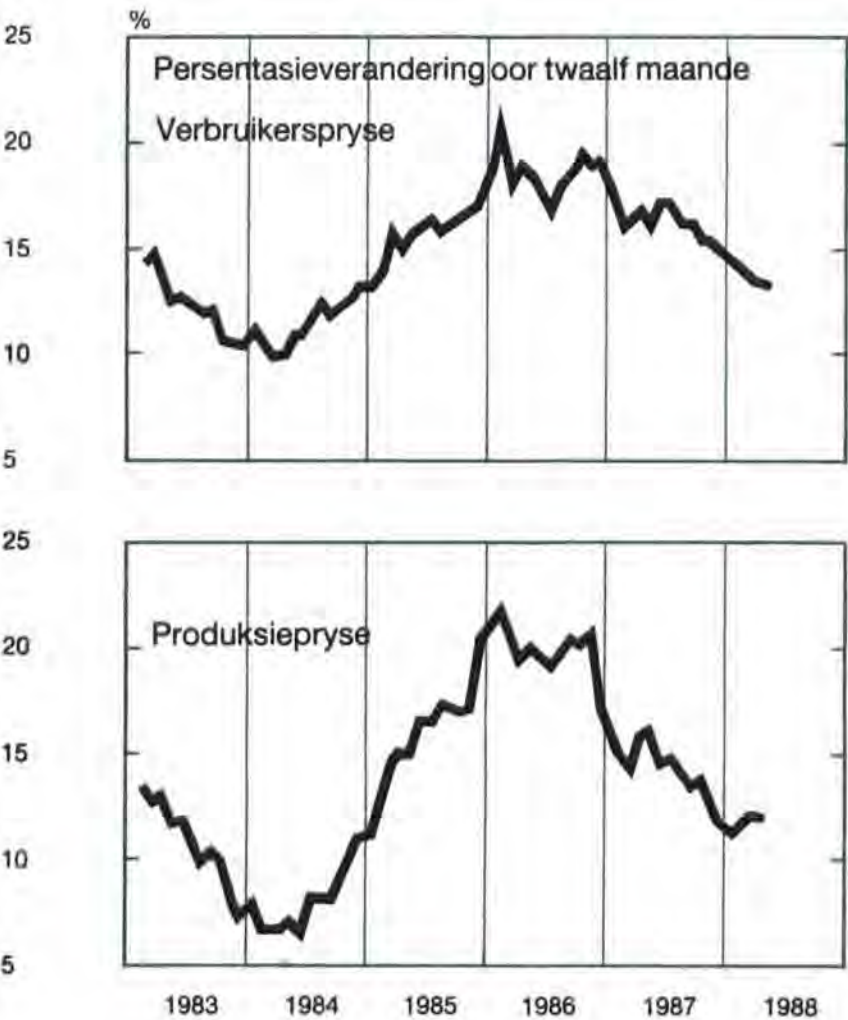
Pryse

Die verskillende inflasiekoerse het betekenisvol van 1986 tot 1987 gedaal, hoofsaaklik as gevolg van die gunstige uitwerking van wisselkoersbewegings op die pryse van ingevoerde goedere. Boonop is die toename in geadministreerde pryse oor die algemeen op 'n laer vlak as dié van ander pryse gehou. Behuisingskoste, soos vervat in die verbruikersprysindeks, is in toom gehou deur die betreklike lae vlak van rentekoerse.

Die jaar-tot-jaarstyging in die algemene vlak van die verbruikersprysindeks het van 18,6 persent in 1986 tot 16,1 persent in 1987 afgeneem. Die koers van toename in die produksieprysindeks het van 19,6 persent in 1986 tot 13,9 persent in 1987 afgeneem.

Die koers van toename in die verbruikersprysindeks het in die eerste kwartaal van 1988 verder afgeneem. Die kwartaal-tot-kwartaalverandering in die verbruikersprysindeks het teen seisoensaangesuiwerde jaarkoerse van 16,7 persent en 13,5 persent in onderskeidelik die derde en vierde kwartaal van 1987, tot 9,2 persent in die eerste kwartaal van 1988 gedaal. Die twaalfmaandekoers van toename in hierdie indeks het van 'n onlangse hoogtepunt van 20,6 persent in Januarie 1986 gedaal tot 14,2 persent in Januarie 1988 waarna dit verder afgeneem het tot 13,7, 13,4 en 13,3 persent in Februarie, Maart en April 1988, onderskeidelik.

Pryse



Die kwartaal-tot-kwartaalverandering in die produksieprysindeks het teen 'n seisoensaangesuiwerde jaarkoers van 14,8 persent in die tweede kwartaal van 1987 tot slegs 7,9 persent in die vierde kwartaal afgeneem. Daarna het dit egter weer tot 12,5 persent in die eerste kwartaal van 1988 versnel. Die twaalfmaandekoers van verandering in die produksieprysindeks het 'n laagtepunt van 11,3 persent in Desember 1987 bereik, maar het gedurende die daaropvolgende drie maande tot 12,0 persent in Maart 1988 toegeneem.

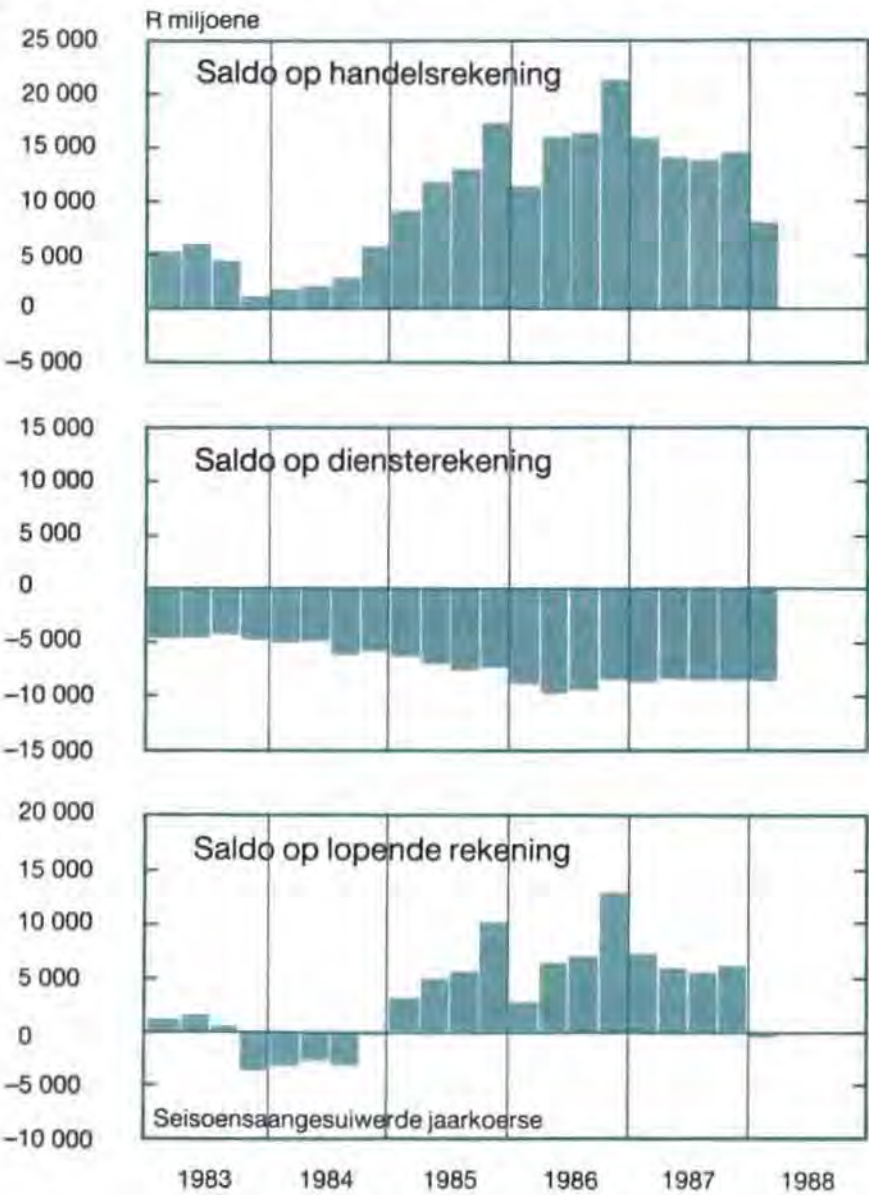
Betalingsbalans

Lopende rekening

Voor seisoensaansuiwering het die oorskot op lopende rekening van die betalingsbalans slegs effens gedaal van R882 miljoen in die vierde kwartaal van 1987 tot R839 miljoen in die eerste kwartaal van 1988. Na seisoensaansuiwering en omskakeling na jaarkoerse, het hierdie matige inkrimping egter van 'n oorskot op die lopende rekening van R6,1 miljard in die vierde kwartaal van 1987 tot 'n tekort van R0,4 miljard in die eerste kwartaal van 1988 verander. Hierdie aansienlike daling was aan die gesamentlike uitwerking van 'n groot styging (van ongeveer 20 persent) in die waarde van die goedere-invoer en 'n matige daling (van ongeveer 4 persent) in die waarde van die goedere-uitvoer toe te skryf. Die netto gouduitvoer het redelik betekenisvol gestyg, terwyl 'n klein daling in netto dienste- en oordragbetalings aan buitelanders aangeteken is.

Die matige daling in die goedere-uitvoerverdienste in die eerste kwartaal van 1988 is meer as ten volle aan 'n afname van omtrent 7 persent in die *volume* van die uitvoer toe te skryf. Aansienlike afnames is in die uitvoervolumes van chemiese en landbouprodukte aange-teken. Die totale volume van die goedere-uitvoer in die eerste drie maande van 1988 was ook ongeveer 11 persent laer as die kwartaallikse gemiddelde van hierdie volumes op hul onlangse hoogtepunt in die derde en vierde kwartaal van 1986. Die gemiddelde vlak van uitvoerpryse was in die eerste kwartaal van 1988 egter ongeveer 3 persent hoër as in die laaste kwartaal van 1987, wat 'n weerspieëling was van 'n opmerkbare verdere verstewiging van internasionale kommoditeitspryse en 'n daling in die gemiddelde effektiewe wisselkoers van die rand. Die *waarde* van die goedere-uitvoer in die eerste kwartaal van 1988, hoewel laer as in die voorafgaande kwartaal, was ongeveer 4½ persent hoër as sy kwartaallikse gemiddelde in die loop van die voorafgaande jaar.

Betalingsbalans: Saldo op lopende rekening



Lopende rekening van die betalingsbalans

Seisoensaangesuiwerde jaarkoerse

R miljoene

	1987					1988
	1e kw	2e kw	3e kw	4e kw	Jaar	1e kw
Goedere-uitvoer	23 882	24 468	24 810	27 424	25 146	26 300
Netto gouduitvoer	18 390	17 043	17 911	17 824	17 792	18 530
Goedere-invoer	-26 409	-27 370	-28 817	-30 684	-28 320	-36 780
Netto dienste- en oordragbetalings	-8 631	-8 305	-8 424	-8 504	-8 466	-8 460
Saldo op lopende rekening	7 232	5 836	5 480	6 060	6 152	-410

Die skerp styging in die goedere-invoer van die vierde kwartaal van 1987 tot die eerste kwartaal van 1988 het eweneens hoofsaaklik 'n verandering – dit wil sê 'n toename – in die invoervolume weerspieël, wat klaarblyklik met die opmerklike verdere verstewiging van reële binnelandse besteding verband gehou het. In die eerste kwartaal van 1988 was die totale invoer volumegegewys omtrent 36 persent hoër as die kwartaal-likse gemiddelde op die laer draaipunt in die invoersiklus in die eerste en tweede kwartaal van 1986. Die gemiddelde vlak van invoerpryse het van die vierde kwartaal van 1987 tot die eerste kwartaal van 1988 slegs marginaal gestyg, dit wil sê, met effens minder as 1 persent. Hierdie stadige koers van toename in invoerpryse was toe te skryf aan die voortgesette relatief lae inflasiekoerse in handelsvennootlande en aan 'n skerp verswakking van oliepryse op die internasionale markte, wat slegs gedeeltelik deur die daling in die wisselkoers van die rand in die eerste kwartaal geneutraliseer is.

Toenames is in die eerste kwartaal van 1988 in al die belangrikste kategorieë van die goedere-invoer aange- teken. Opmerklike groot toenames is egter in die invoer van masjinerie en elektriese toerusting, vervoertoe- rusting en mineraalprodukte in die besonder aange- teken.

Die toename in die netto gouduitvoer van die vierde kwartaal van 1987 tot die eerste kwartaal van 1988 het

4 persent bedra. Dit was geheel en al toe te skryf aan 'n toename in die volume van die gouduitvoer. Die gemid- delde vasstellingsprys van goud het van VSA \$473 (R943) per fyn ons in die vierde kwartaal van 1987 tot VSA \$454 (R932) in die eerste kwartaal van 1988 terug- gesak. In April 1988 het die gemiddelde dollarprys van goud effens verder tot VSA \$452 per fyn ons gedaal. As gevolg van die depresiasie van die rand teenoor die dollar het die gemiddelde randprys van goud egter tot R968 per fyn ons gedurende die maand gestyg. Op 17 Mei het die randprys van goud per fyn ons vir die eerste keer sedert vroeg in September 1986 deur die R1 000- merk gebreek.

Netto dienste- en oordragbetalings aan buitelanders het van die vierde kwartaal van 1987 tot die eerste kwartaal van 1988 met 1/2 persent gedaal. Hierdie daling was die gevolg van 'n toename van meer as 4 persent in dienste-ontvangste van nie-inwoners, wat die toe- name van 1 1/2 persent in dienste-betalings meer as geneutraliseer het.

Kapitaalrekening en buitelandse skuld

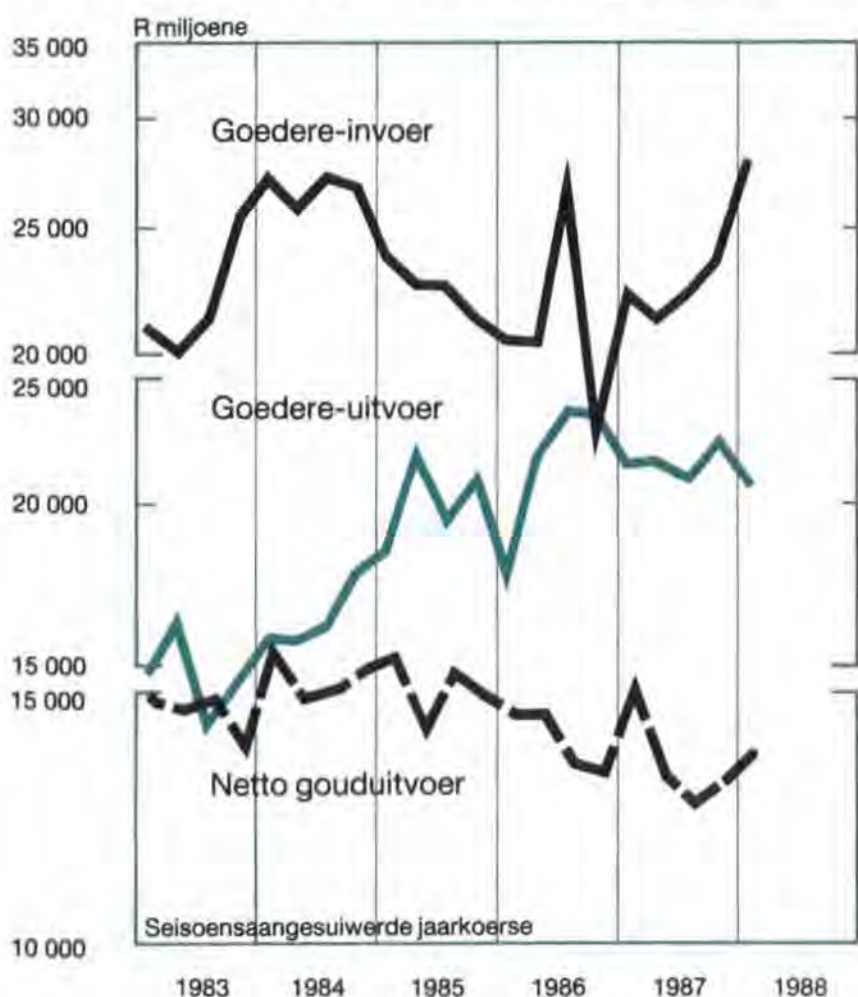
Die totale uitvloeiing van kapitaal nie verwant aan reser- wes nie, het van R1,8 miljard in die vierde kwartaal van 1987 tot R0,7 miljard in die eerste kwartaal van 1988 afgeneem. Aansienlike dalings is in die uitvloeiing van sowel langtermyn- as korttermynkapitaal aangeteken. Uitvloeiings van langtermynkapitaal het van R0,7 mil- jard in die vierde kwartaal van 1987 tot R0,3 miljard in die eerste kwartaal van 1988 afgeneem. Die uitvloeiing van korttermynkapitaal het van R1,1 miljard tot R0,4 miljard gedurende hierdie tydperk gedaal.

Die dalings in hierdie uitvloeiings van kapitaal nie verwant aan reserwes nie kan gedeeltelik toegeskryf word aan die feit dat geen enkelbedragterugbetalings op die totale verstreke uitstaande skuld binne die "stilstandnet" in die eerste kwartaal van 1988 gemaak is nie. Terugbetalings kragtens die Tweede Tussen- tydse Reëlings met buitelandse krediteurbanke in die eerste drie maande van 1988 was dus beperk tot die klein terugbetalings wat op individuele skuld gemaak is soos dit verval het. Hierbenewens was die kleiner uit- vloeiing van korttermynkapitaal 'n aanduiding van 'n vermindering van die mate waarin daar van buitelandse na binnelandse bronne van finansiering omgeskakel is.

Openbare Korporasies was in al vier kwartale van 1987 netto invoerders van kapitaal wat in totaal R817 miljoen bedra het. Gedurende die eerste kwartaal van 1988 het hulle egter 'n netto uitvloeiing van kapitaal van R140 miljoen getoon. Dit het hoofsaaklik uit skuld- vereffenings buite die stilstandnet in die vorm van toon- dereffekte bestaan.

Netto verkope deur nie-inwoners van genoteerde ef- fekte op die Johannesburgse Effektebeurs, het in die eerste kwartaal van 1988 R35 miljoen bedra, teenoor die netto aankope van R73 miljoen in die vierde

Reële goedere-invoer, -uitvoer en netto gouduitvoer



kwartaal van 1987.

Laste verwant aan reserwes het in die eerste kwartaal van 1988 effens met R13 miljoen gedaal, nadat 'n invloed van R248 miljoen in die voorafgaande kwartaal aangeteken is.

Aansienlike terugbetalings op buitelandse skuld in die loop van die kalenderjaar 1987 kon nie daarin slaag om die totale uitstaande bedrag van Suid-Afrika se buitelandse skuld in *dollarterme*, wat aan die einde van sowel 1987 as 1986 \$22,6 miljard bedra het, te verlaag nie. Dit was die resultaat van die skerp depresiasie van die VSA-dollar in 1987 teenoor al die ander belangrike geldeenheide. Skuldterugbetalings en die appresiasie van die rand teenoor die dollar het egter veroorsaak dat die uitstaande buitelandse skuld, in terme van rand, van soveel as R65,8 miljard aan die einde van Augustus 1985 tot R49,5 miljard aan die einde van die kalenderjaar 1986, en tot R43,6 miljard aan die einde van die kalenderjaar 1987 verminder het. In verhouding tot die totale waarde van die uitvoer van goedere en dienste, was hierdie daling van 156 persent van die totale uitvoerverdiens in die kalenderjaar 1985 tot 108 persent in 1986 en tot 93 persent in 1987.

Buitelandse reserwes

Die verbeterde posisie van die kapitaalrekening tesame met die bykans onveranderde oorskot (voor seisoens-aansuiwering) op lopende rekening, het tot gevolg gehad dat die totale bruto goud- en ander buitelandse reserwes met R258 miljoen in die eerste kwartaal van 1988 toegeneem het na 'n daling van R617 miljoen in die vierde kwartaal van 1987. In April het die totale reserwes van die Reserwebank egter met R219 miljoen gedaal, maar in Mei het dit weer met R314 miljoen ge-

styg. Die goudbesit van die Reserwebank het matig van 5,83 miljoen fyn onse aan die einde van Desember 1987 tot 5,86 miljoen fyn onse aan die einde van Maart 1988 gestyg, voordat dit tot 5,39 miljoen fyn onse aan die einde van Mei gedaal het.

Wisselkoerse

Na 'n marginale toename van 0,1 persent in die vierde kwartaal van 1987, het die effektiewe wisselkoers van die rand aansienlik met 10,3 persent van die einde van Desember 1987 tot einde Mei 1988 gedaal. Afnames is teenoor al die vernaamste geldeenheide aangeteken, maar het soveel as 12,8 en 13,7 persent onderskeidelik teenoor sterling en die VSA-dollar bedra. Hierdie verswakking van die rand was hoofsaaklik die gevolg van die agteruitgang van die Suid-Afrikaanse handelsbalans en die laer goudprys.

Verandering in die wisselkoerse van die rand %

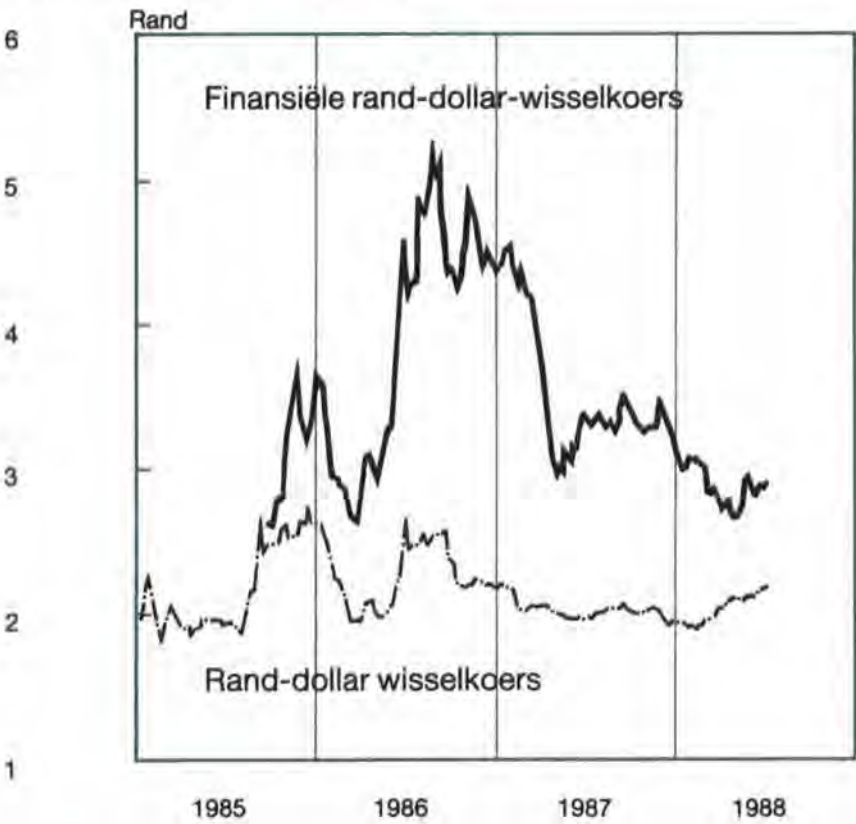
	30 Sept 1987 tot 31 Des 1987	31 Des 1987 tot 31 Mei 1988
Geweegde gemiddelde .	0,1	-10,3
VSA-dollar	7,6	-13,7
Britse pond	-6,4	-12,8
Duitse mark	-7,3	-6,8
Switserse frank	-9,8	-2,7
Japanse jen	-9,9	-11,9
Franse frank	-5,8	-7,3
Finansiële rand	7,1	5,1

Netto kapitaalbewegings

R miljoene

	1987					1988
	1e kw	2e kw	3e kw	4e kw	Jaar	1e kw
Langtermynkapitaal						
Openbare owerhede	-9	-217	-60	-243	-529	-28
Openbare korporasies	347	348	107	15	817	-140
Banksektor	38	-60	94	18	90	19
Private sektor:						
Netto aankope van genoteerde aandele deur nie-inwoners	-209	-546	-531	73	-1 213	-35
Ander kapitaal	18	-278	-19	-584	-863	-107
Totale langtermynkapitaal	185	-753	-409	-721	-1 698	-291
Korttermynkapitaal insluitende onaangetekende transaksies maar uitsluitende laste verwant aan reserwes	222	-173	-370	-1 050	-1 371	-386
Totale kapitaalbewegings uitsluitende laste verwant aan reserwes	407	-926	-779	-1 771	-3 069	-677
Verandering in laste verwant aan reserwes	-627	-362	-426	248	-1 167	-13

Wisselkoerse van die rand



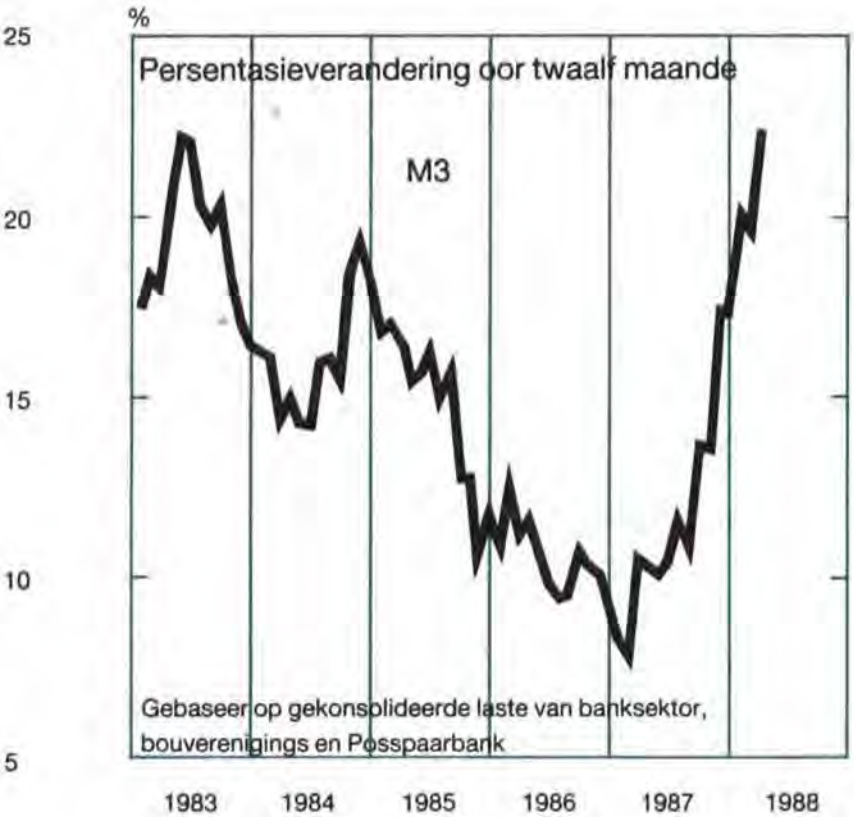
Nadat die finansiële rand met bykans 50 persent teenoor die VSA-dollar in 1987 geappresieer het, het dit met 'n verdere 15½ persent tot 18 Maart 1988 verstewig, om sodoende sy hoogste vlak sedert vroeg in Maart 1986 te bereik. Die dollarwaarde van die finansiële rand het op 18 Maart 1988 'n diskonto van 20,2 persent teenoor die kommersiële rand verteenwoordig. Nuus van voorgenome disinvestering deur buitelandse maatskappye het tot die verswakking van die finansiële rand met 9,0 persent tot 31 Mei 1988 bygedra. Gedurende die grootste deel van die tydperk sedert die einde van 1987 het die finansiële-randdiskonto gewoonlik rondom 25 persent geskommel, vergeleke met gemiddelde diskonto's van meer as 40 persent in die loop van 1986 en 1987.

Finansiële markte

Geldvoorraad

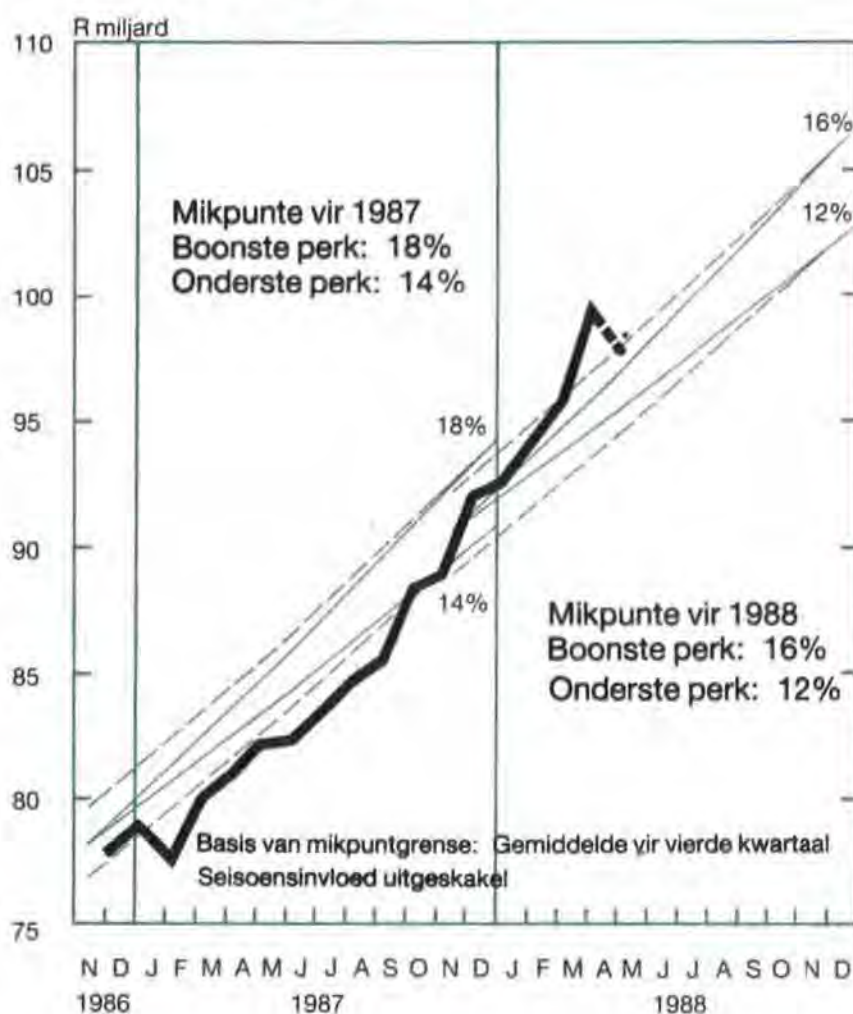
Die kwartaal-tot-kwartaalkoers van toename in M3 teen seisoensaangesuiwerde jaarkoerse het van slegs 5,0 persent in die eerste kwartaal van 1987 tot 16,1 en 15,9 persent in die tweede en derde kwartaal gestyg. Daarna het dit aansienlik verder versnel tot 26,1 persent en 23,5 persent in onderskeidelik die vierde kwartaal van 1987 en die eerste kwartaal van 1988. Die toename in die seisoensaangesuiwerde jaarkoers van M3 van die begin van die 1988-mikpuntjaar (middel November 1987) tot aan die einde van Maart 1988 het soveel as 29,5 persent beloop. Voorlopige gegewens vir April 1988 dui egter op 'n opmerklike afname in M3.

Geldvoorraad



Aan die einde van Februarie 1988 het M3 die boonste grens van die mikpunttonnel met R57 miljoen, of met 'n geringe 0,06 persent, oorskry. Die M3-waarde vir Maart 1988 het egter die boonste grens van die mikpunttonnel met soveel as R3,0 miljard, of 3,1 persent, oorskry. Hierteenoor het die voorlopig-geraamde afname in M3 (seisoensaangesuiwerd) van sowat R1,7 miljard gedurende April 1988 die mate waartoe M3 die boonste grens van die mikpunttonnel oorskry tot ongeveer R250 miljoen, of 0,3 persent, verminder.

Mikpunte vir groei in M3



Die skerp versnelling in die groeikoers van die M3-geldvoorraad vanaf September 1987 regdeur die vierde kwartaal van 1987 en die eerste kwartaal van 1988, was 'n weerspieëling van die stygende vraag na geld en krediet wat uit die verdere versterking in binnelandse vraag en ekonomiese bedrywigheid voortgespruit het, tesame met die uitskakeling van of ommekeer in verskillende faktore (soos die stygende aandelemark en die verbreding in die uitleenkoers-/depositokoersmarge van die banke) wat in 1986 en vroeg in 1987 disintermediasie teweeggebring het. Besitters van fondse het ook 'n groter voorkeur vir depositobeleggings met 'n vaste waarde teenoor beleggings in markinstrumente met 'n onseker waarde getoon in die lig van die verhoogde rentekoersonsekerheid en die duidelike neiging tot hoër rentekoerse. Verskillende faktore van 'n meer tydelike aard het egter waarskynlik ook tot die ongewone skerp styging in M3 gedurende Maart 1988 bygedra. Daaronder tel moontlik die aanpassing van sekere balansstaatgewens deur banke met die oog op verslae van hulle finansiële posisies op die kwartaal- en finansiële-jaareinde, en markdeelnemers se voorbereiding vir die betaling van groot hoeveelhede staats-effekte in April, wat gedurende Maart deur die Reserwebank in die opemark verkoop is.

Die hoë groeikoers in die kwartaallike gemiddelde van M3 van die vierde kwartaal van 1987 tot die eerste kwartaal van 1988 het die koers van toename in die bruto binnelandse produk teen heersende pryse tussen hierdie twee kwartale oorskry en was gedeeltelik 'n weerspieëling van "herintermediasie"-verskynsels (dit wil sê 'n terugkeer tot bank-geïntermedieerde krediet as plaasvervanger vir krediet wat voorheen direk deur nie-bank-uitleeners aan nie-bank-leners verskaf is). Die skerp styging in M3 het gevolglik die omloopsnelheid van M3 met 1,0 persent van die vierde kwartaal van 1987 tot die eerste kwartaal van 1988 laat afneem. M3 se omloopsnelheid in die eerste kwartaal van 1988, teen 1,920, was omtrent 2,1 persent laer as sy onlangse hoogtepunt van 1,961 in die eerste kwartaal van 1987.

Die koers van toename oor twaalf maande van M3 het aan die einde van Maart 1988 22,4 persent beloop. Die ooreenstemmende koerse van toename oor twaalf maande vir M1A, M1 en M2 het onderskeidelik 25,4 persent, 36,3 persent en 31,5 persent beloop. Geldvoorraadgroei gedurende die eerste kwartaal van 1988 was in die nie-M1A-komponente van M1 en M2 gekonsentreer, dit wil sê in onmiddellik opeisbare deposito's, uitgesonderd tjek- en transmissiedeposito's, en in ander kort- en middeltermyn deposito's met onverstreke looptye van hoogstens ses maande. 'n Relatiewe verskuiwing deur beleggers na die korter kant van die depositolooptydspektrum is 'n algemene verskynsel gedurende tydperke van stygende rentekoerse en verwagte verdere rentekoerstoenames.

Die belangrikste statistiese teenhanger van die styging van nagenoeg R6,4 miljard in M3 gedurende die eerste kwartaal van 1988 was 'n toename van R6,9 miljard in binnelandse kredietverlening deur monetêre instellings. Die netto goud- en ander buitelandse reserwebesit van monetêre instellings het met 'n beskeie R0,1 miljard gestyg.

Binnelandse kredietverlening

Die aansienlik hoër koerse van toename in banke en ander monetêre instellings se kredietverlening aan die private sektor in die vierde kwartaal van 1987, is in die eerste kwartaal van 1988 voortgesit. Dit kan verklaar word deur die verdere toenames in binnelandse besteding en ekonomiese bedrywigheid; aansienlik hoër vlakke van die goedere-invoer en voorraadopbouing; "herintermediasie"-verskynsels; en monetêre instellings se aggressiewe bemarking van hulle kredietfasiliteite in die algemeen en van sekere innovasies in hulle kredietprodukte.

Die seisoensonaangesuiwerde toename in monetêre instellings se eise teen die private sektor van die einde van 1987 tot aan die einde van die eerste kwartaal van 1988 het meer as R5,9 miljard bedra. Dit kan vergelyk word met 'n toename in die eerste kwartaal

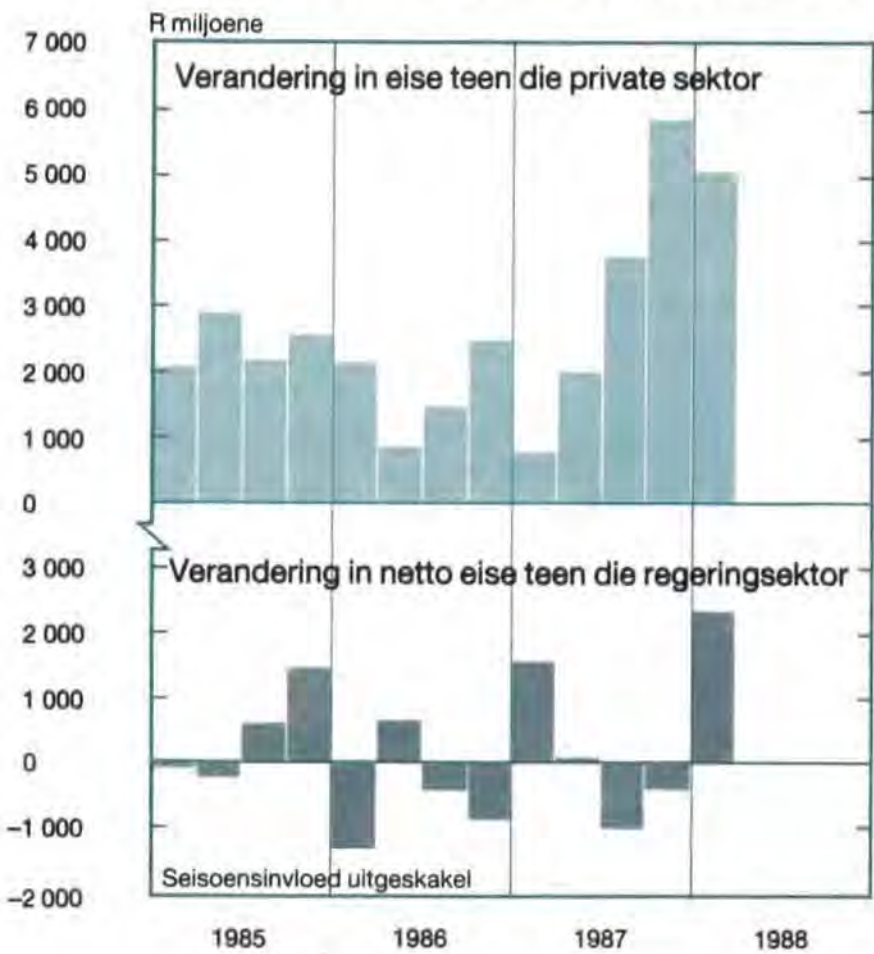
van 1987 van slegs R1,4 miljard. Die toenemende gebruik van bankkrediet deur huishoudings vir die finansiering van die aankoop van duursame goedere en die stygende vaste investeringsbesteding van sake-ondernemings, is gedurende die eerste kwartaal van 1988 weerspieël in 'n toename van R0,9 miljard in huurkoop- en bruikhuurfinansiering teenoor 'n toename van slegs R0,3 miljard in die eerste kwartaal van 1987.

Banke se besit aan verdiskonteerde wissels, deposito's en beleggings het gedurende die eerste kwartaal van 1988 weinig verander. Hierteenoor het banke se "ander" lenings en voorskotte gedurende hierdie tydperk met soveel as R4,3 miljard gestyg. Hierdie syfer sluit 'n toename van R1 046 miljoen, of 11,3 persent, in verbandvoorskotte deur bankinstellings in. In teenstelling hiermee het verbandvoorskotte deur bouverenigings gedurende die betrokke drie maande met 'n relatief beskeie R675 miljoen, of 2,6 persent, toegeneem.

Die koers van toename oor twaalf maande in bankinstellings se eise teen die private sektor het van 'n onderste draaipunt van slegs 1,7 persent in Februarie 1987 tot 26,3 persent in Maart 1988 gestyg. Die koers van toename oor twaalf maande in alle monetêre instellings se eise teen die private sektor het van 'n onderste draaipunt van 5,7 persent in Februarie 1987 tot 20,7 persent in Maart 1988 versnel.

Aansienlike skommelings is steeds van maand tot maand deur monetêre instellings se netto eise teen die overheidsektor getoon. Voor seisoensaansuiwering het die toename in hierdie eise gedurende die eerste kwar-

Binnelandse kredietverlening deur monetêre instellings

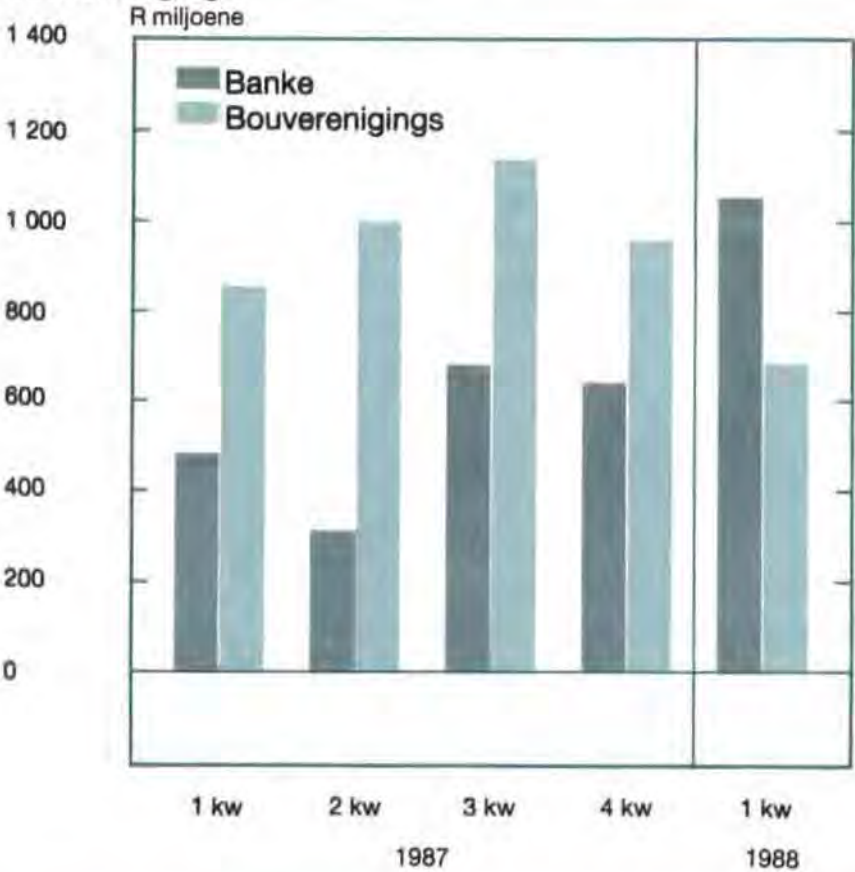


taal van 1988 op R932 miljoen te staan gekom. Die koers van toename oor twaalf maande in hierdie eise het aan die einde van Maart 1988 'n betreklik aansienlike 23,0 persent beloop.

Reserwebankoptrede in die geldmark

Die vernouing van geldmarktoestande wat vanaf laat November 1987 begin intree het, het in die eerste vyf maande van 1988 voortgeduur. Die gemiddelde vlak

Toename in verbandvoorskotte van banke en bouverenigings



Verandering in eise teen die private sektor van monetêre instellings

Kwartaal-tot-kwartaal-persentasieveranderings in kwartaallike gemiddeldes
(Seisoensaangesuiwerde jaarkoerse)

	Eise teen die private sektor	
	Bankstelsel	Alle monetêre instellings
	%	%
1987: 1e kwartaal	13,7	11,7
2e kwartaal	2,5	9,3
3e kwartaal	13,1	14,6
4e kwartaal	36,2	22,3
1988: 1e kwartaal	32,7	26,1

van akkommodasie wat deur die Reserwebank by die diskontovenster verleen is, het van R149 miljoen gedurende die kalenderjaar 1987 tot meer as R400 miljoen in die eerste kwartaal van 1988 gestyg. In ooreenstemming met die normale seisoenale verruiming van die mark in die tweede kwartaal van die kalenderjaar het die gemiddelde bedrag van akkommodasie by die diskontovenster egter gedurende April aansienlik teruggesak tot R214 miljoen. In Mei het dit weens verskeie redes weer tot R460 miljoen gestyg.

Die Reserwebank se spesiale bystand oor die maand-einde aan die mark, anders as by die diskontovenster, het aan die einde van Maart uit terugkoop-ooreenkomste ten bedrae van R700 miljoen plus R175 miljoen in die vorm van tenderfondse van die Korporasie vir Openbare Deposito's (KOD) bestaan. *Omgekeerde* terugkoop-ooreenkomste is deur die Bank gebruik in die snel-verruimende geldmarktoestande wat in die eerste helfte van April voorgekom het. Aan die einde van April is akkommodasie egter weer deur die Bank verleen in die vorm van terugkoop-ooreenkomste ten bedrae van R300 miljoen en herfinansiering by die diskontovenster van R614 miljoen.

Die Bankkoers is vir die tweede keer in 1988 verhoog as deel van 'n vraagbeperkende pakket van fiskale, monetêre en kredietmaatreëls wat op 4 Mei 1988 aangekondig is. In sy verklaring wat die Bankkoersverhoging vergesel het, het die Reserwebank dit duidelik gemaak dat hy normaalweg sal verwag dat die geldmarktekort by die diskontovenster geakkommodeer moet word en dat dit daardeur aan die volle dissipline van die Bank se herfinansieringsbeleid onderworpe sal wees: bystand aan die geldmark anders as by die diskontovenster sal voortaan beperk word tot die uitskakeling van oormatige stram maandeinde- of ander seisoenale geldmarktoestande. Daarbenewens sal strafkoerse van toepassing wees op akkommodasie wat onder uitsonderlike omstandighede aan banke by die diskontovenster teen sekerheid van nie-likwiede instrumente voorsien sal word.

In ooreenstemming met hierdie strenger benadering van die Bank ten opsigte van sy akkommodasieprosedures en die minder akkommoderende stand van sy monetêre beleid in die algemeen, is geen bystand in die vorm van terugkoop-ooreenkomste of tenderfondse van die KOD oor die maandeinde van Mei aan die geldmark beskikbaar gestel nie. Herfinansieringsakkommodasie by die diskontovenster het aan die einde van Mei die betreklik aansienlike bedrag van R739 miljoen bereik.

In sy transaksies in staatseffekte gedurende die eerste kwartaal van 1988, was die Bank per saldo 'n netto *koper* van staatseffekte op klein skaal. Die Bank se netto verkope van staatseffekte het egter in April die baie hoë vlak van R2 363 miljoen bereik. Dit is gevolg deur verdere netto verkope in Mei ten bedrae van R1 542 miljoen.

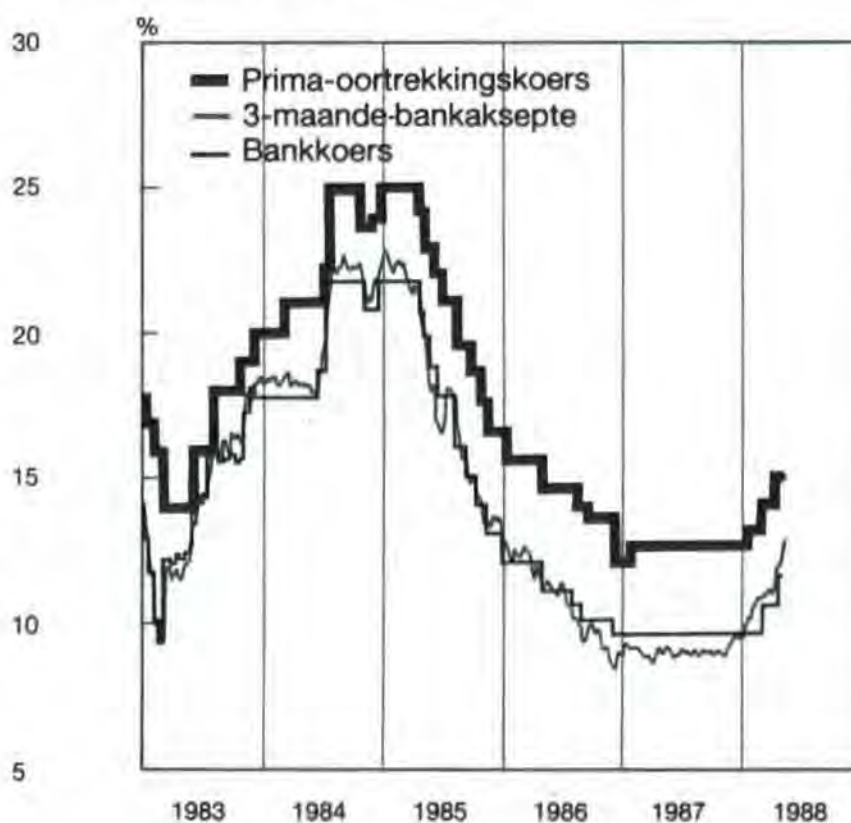
Geldmarkrentekoerse

Geldmarkrentekoerse wat vanaf laat in November 1987 begin verstewig het, het regdeur die grootste gedeelte van die eerste vyf maande van 1988 so voortgegaan. Die koers op likwiede bankaksepte van drie maande het van 9,00 persent aan die einde van November tot 10,45 persent aan die einde van Februarie en tot ongeveer 10,75 persent gedurende die eerste week van Maart gestyg. Na die verhoging in die Bankkoers van $9\frac{1}{2}$ tot $10\frac{1}{2}$ persent vanaf 9 Maart, het die bankaksepkoers verder tot 11,0 persent aan die einde van daardie maand gestyg.

Na 'n kort tydperk van betreklike stabiliteit in rentekoerse, het verskeie faktore – insluitende die vernouing van die Suid-Afrikaanse buitelandse handelsoorskot, die sterkte van binnelandse monetêre vraag, die vinnig stygende bankkrediet en verwagtings wat as gevolg van die hoër-as-die-mikpunt-groeikoers van die geldvoorraad ontstaan het – hernieuwe opwaartse druk op die vlak van markrentekoerse veroorsaak. Met die Reserwebank se herdiskonteringskoers vir likwiede bankaksepte steeds op 10,8 persent, het die markkoers op sodanige aksepte in die tweede helfte van April 11 persent oorskry en aan die einde van die maand 11,85 persent bereik.

Markrentekoerse het aanvanklik kort na die verhoging in die Bankkoers (van $10\frac{1}{2}$ tot $11\frac{1}{2}$ persent) op 5 Mei 1988 verder verstewig in die lig van die Reserwebank se meegaande verklaring wat sy benadering ten opsigte van sy opemarkbeleid en sy beleid ten opsigte van akkommodasie by die diskontovenster uiteengesit het.

Korttermynrentekoerse



Die koers op likwiede bankaksepte het op 19 Mei 12,75 persent bereik. 'n Toenemende gevoel dat die druk van die binnelandse vraag moontlik nie werklik so sterk mag wees as wat deur die toename in geld en krediet gedurende die eerste kwartaal van 1988, sowel as deur ander faktore, te kenne gegee wou word nie, het daarna tot gevolg gehad dat die koers op likwiede bankaksepte weer effens tot 12,5 persent op 27 Mei en tot 12,25 persent op 8 Junie gedaal het.

Na die verhoging in die Bankkoers op 5 Mei 1988, het die verrekeningsbanke hulle prima-uitleenkoers van 14 tot 15 persent verhoog. Die markkoers op *nie-likwiede* bankaksepte het op 17 Mei 13,70 persent en op 8 Junie 13,30 persent bereik. Die marge tussen hierdie koers en die koers op *likwiede* bankaksepte van drie maande het op 14 Mei en 8 Junie onderskeidelik 1,35 persent en 1,05 persent beloop. Die gemiddelde marge tussen die koerse op *nie-likwiede* en *likwiede* bankaksepte het gedurende die loop van 1987 slegs 0,17 persent beloop. Die verbreding in hierdie marge in Mei 1988 in die besonder, was die gevolg van die banke se betreklik beperkte besit aan statutêre likwiede bates in samehang met die Reserwebank se nuut-uiteengesette benadering om strafkoerse te vra aan banke wat om akkommodasie by die diskontovenster teen die sekerheid van *nie-likwiede* instrumente mag aansoek doen. Daarbenewens is dit moontlik dat die algemene beskikbaarheid van statutêre likwiede bates verder verminder mag word as banke se voorskotte aan die Landbank en 'n gedeelte van die uitstaande Landbankwissels hulle status as likwiede bates vir doeleindes van die Bankwet mag verloor soos wat later in 1988 kan plaasvind.

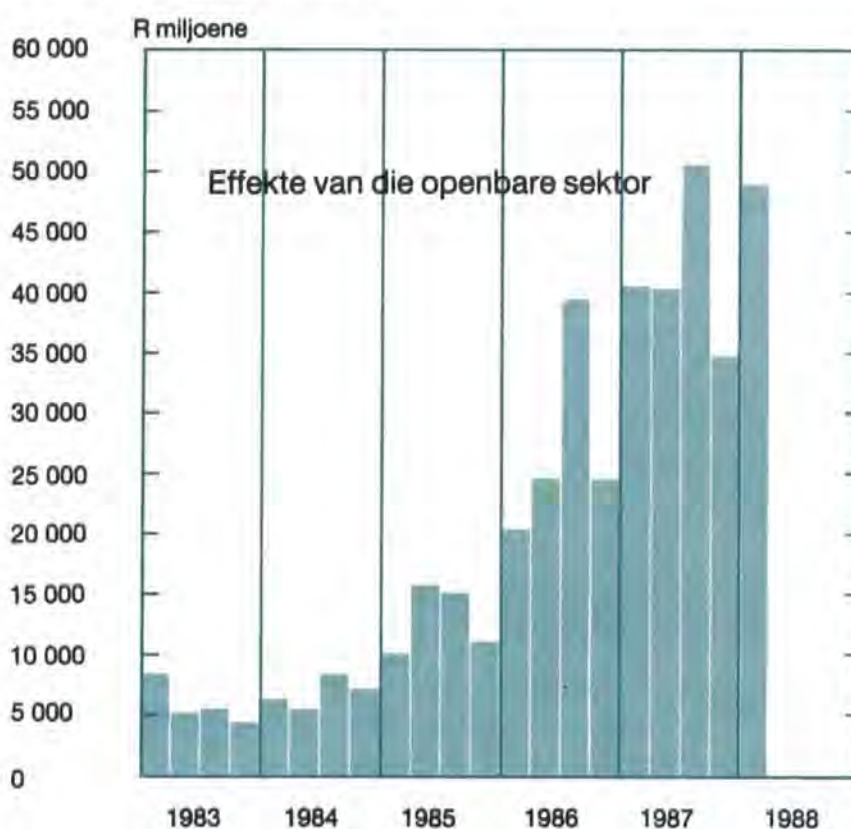
Kapitaalmarkbedrywigheid

Handelsbedrywigheid in die kapitaalmark het effens herstel in die eerste kwartaal van 1988 ná die skerp afname in die vierde kwartaal van 1987. Dit is weerspieël in die verhoogde omset in effekte van die openbare sektor wat op die effektebeurs genoteer is en in 'n verdere verbetering in die handelsbedrywigheid in die vaste-eiendomsmark. Verdere dalings is egter in die omset en pryse van aandele wat op die effektebeurs genoteer is, aangeteken.

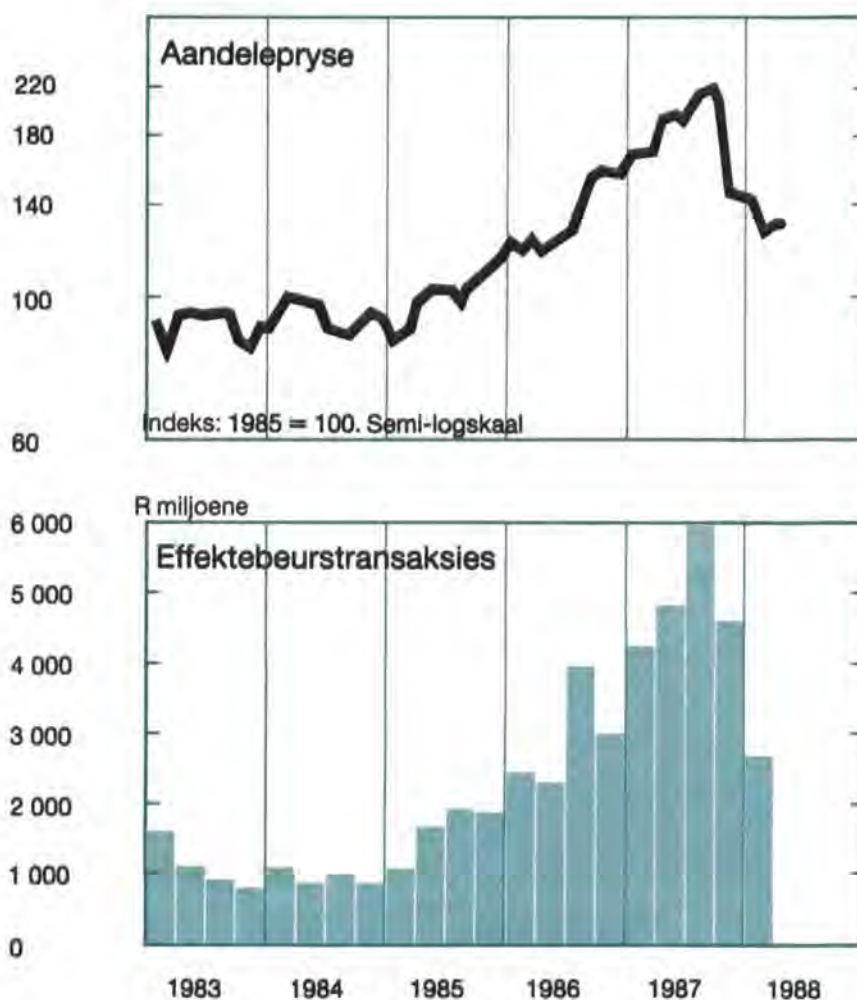
Die waarde van effekte van die openbare sektor wat op die effektebeurs verhandel is, het van R34,5 miljard in die vierde kwartaal van 1987 tot R48,6 miljard in die eerste kwartaal van 1988 gestyg. Die waarde van vaste-eiendomstransaksies het van R4,4 miljard in die vierde kwartaal van 1987 tot R4,8 miljard in die eerste drie maande van 1988 toegeneem.

Die waarde van aandele wat op die effektebeurs verhandel is, het opmerklik van die rekordvlak van R5,9 miljard in die derde kwartaal van 1987 tot R4,6 miljard in die vierde kwartaal afgeneem en verder tot R2,4 miljard in die eerste kwartaal van 1988 gedaal. Hierdie af-

Effektebeurstransaksies



Aandelepryse en effektebeurstransaksies



name in aandeleomset het gepaard gegaan met 'n verdere daling in aandelepryse. Na die daling van 33 persent in aandelepryse wat in die vierde kwartaal van 1987 voorgekom het, het die gemiddelde prysvlak van alle klasse aandele verder afgeneem met 10 persent in die eerste kwartaal van 1988. Dit was hoofsaaklik die gevolg van die stygende neiging in rentekoerse en die onsekerheid aangaande toekomstige bewegings in die pryse van edelmetale en die wisselkoers van die rand. Die gemiddelde prysvlak van mynaandele het gedurende laasgenoemde kwartaal met soveel as 23 persent teruggesak.

In die primêre markte is 'n netto *terugbetaling* van R1 631 miljoen in effekte van die openbare sektor aan banke en private nie-bank beleggers in die eerste kwartaal van 1988 gemaak, vergeleke met 'n netto uitgifte van hierdie effekte ten bedrae van R401 miljoen in die vierde kwartaal van 1987. Maatskappye wat op die effektebeurs genoteer is, het in die eerste kwartaal van 1988 R155 miljoen by wyse van nuwe uitgiftes van gewone aandele verkry, vergeleke met R545 miljoen in die vierde kwartaal van 1987. Hierdie maatskappye het vaste-rentedraende effekte ten bedrae van slegs R60 miljoen in die eerste kwartaal van 1988 uitgereik, teenoor die bedrag van R217 miljoen in die voorafgaande drie maande.

Volgehoue vraag het bouverenigings in staat gestel om hul verbandfinansiering in die vierde kwartaal van 1987 op ongeveer die vlak van die derde kwartaal, naamlik R2,3 miljard, te handhaaf. Gedurende die eerste kwartaal van 1988 het verbandlenings wat deur bouverenigings uitbetaal is, egter slegs R2,0 miljard bedra. In teenstelling hiermee het verbandfinansiering deur die grootste banke wat op hierdie gebied aktief is, in die eerste kwartaal van 1988 skerp toegeneem. Banke se totale besit aan huisverbandlenings het met R1,2 miljard in hierdie driemaandetydperk vermeerder, vergeleke met 'n styging van R2,1 miljard gedurende 1987 in sy geheel. Die ooreenstemmende bedrae vir bouverenigings was R0,7 miljard en R3,9 miljard onderskeidelik.

Langtermynrente- en opbrengskoerse

Langtermynrentekoerse het in die eerste kwartaal van 1988 verstewig ten spyte van 'n afwaartse neiging in die inflasiekoers in terme van verbruikerspryse en die beperkte begrotingsfinansieringsbehoefte van die Sentrale Regering. Opwaartse druk op langtermynrente- en opbrengskoerse is deur stygende korttermynrentekoerse en die teleurstellende vertoning van die dollarprys van goud, veral in Februarie, veroorsaak. Die gemiddelde maandelikse opbrengskoers op langtermynstaatsseffekte het van 15,5 persent in Desember 1987 tot 16,1 persent in Januarie 1988, 16,5 persent in Februarie en 16,6 persent in Maart, gestyg. Daarna het dit egter effens gedaal tot 16,5 persent in April 1988.

As 'n weerspieëling van die skerp daling in aandelepryse het die gemiddelde maandelikse dividendopbrengs van alle klasse aandele van 3,6 persent in September 1987 en 5,1 persent in Desember tot 5,7 persent in Maart en April 1988 gestyg.

In navolging van die styging in die Bankkoers op 9 Maart 1988 het die oorheersende verbandkoers van die bouverenigings van 12,5 persent in Desember 1987 tot 14,0 persent in 1988 gestyg. Na die verdere bankkoersstyging op 5 Mei is hierdie koers tot 15,0 persent verhoog.

Die oorheersende rentekoers op deposito's van twaalf maande wat in Julie 1987 tot 10,75 persent deur bouverenigings en tot 10,5 persent deur banke verhoog is, is op dieselfde vlakke in die daaropvolgende maande gehandhaaf. In Januarie 1988 het banke egter ook hul rentekoers op deposito's van twaalf maande tot 10,75 persent verhoog. Die bouverenigings het vervolgens hul koerse op hierdie deposito's in Februarie 1988 tot 'n vlak van 10,75 tot 11,25 persent en weer in Maart tot 'n vlak van 11,00 tot 11,60 persent, verhoog. In navolging van die styging in die Bankkoers op 5 Mei 1988, het banke sowel as bouverenigings hul oorheersende koers op deposito's van twaalf maande tot 11,5 persent verhoog.

Staatsfinansies

Algemene owerheid se inkomste, besteding en besparing

Die koers van toename in totale lopende inkomste van die algemene owerheid het matig versnel van 15,6 persent in die fiskale jaar 1986/87 tot 16,4 persent in die fiskale jaar 1987/88. Die koers van toename in die totale lopende owerheidsuitgawes het beduidend gedaal van 19,3 persent in die fiskale jaar 1986/87 tot 15,6 persent in die fiskale jaar 1987/88. *Netto ontsparring* deur die algemene owerheid was nietemin groter in die fiskale jaar 1987/88 as in die voorafgaande jaar. *Bruto besparing* deur die algemene owerheid – dit wil sê die oorskot (of tekort) van lopende inkomste teenoor lopende uitgawes voor voorsiening vir waardevermindering teen vervangingswaarde van die vaste kapitaalvoorraad van owerheidsondernemings – het egter merkbaar toegeneem in die fiskale jaar 1987/88, nadat 'n beduidende afname in die fiskale jaar 1986/87 aangeteken is.

Die toename in lopende uitgawes deur die algemene owerheid in die fiskale jaar 1987/88 is hoofsaaklik deur 'n toename van 21,2 persent in verbruiksbesteding veroorsaak. Vergeleke met die ooreenstemmende kwartale van die fiskale jaar 1986/87 het die toenames in owerheidsverbruiksbesteding in die fiskale jaar 1987/88 onderskeidelik 18,7 persent, 19,1 persent, 25,5 persent en 21,8 persent in die vier opeenvolgende kwartale bedra.

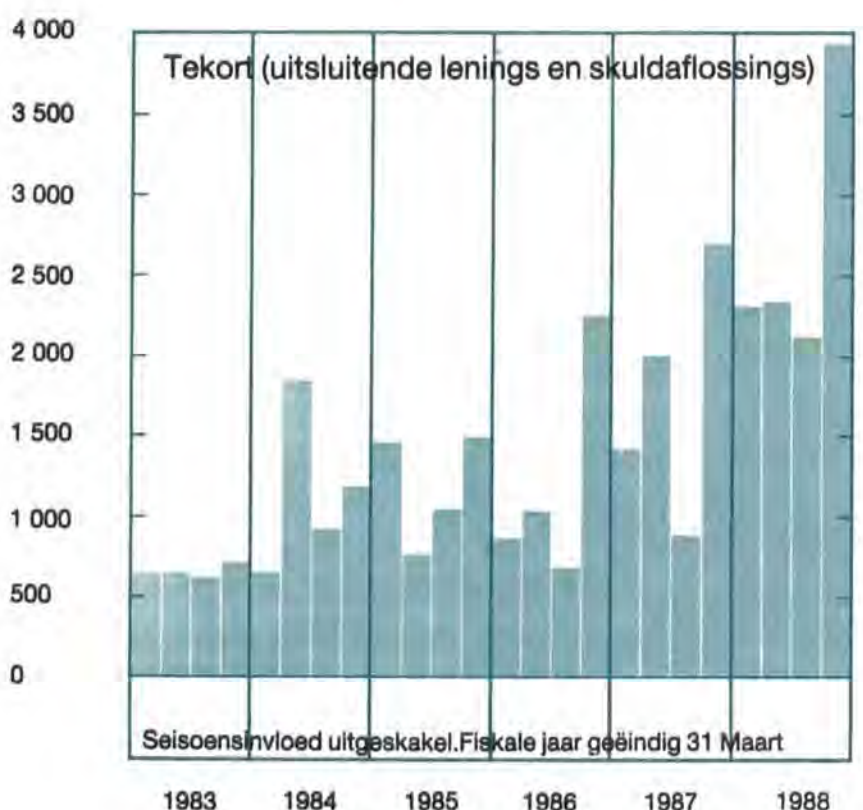
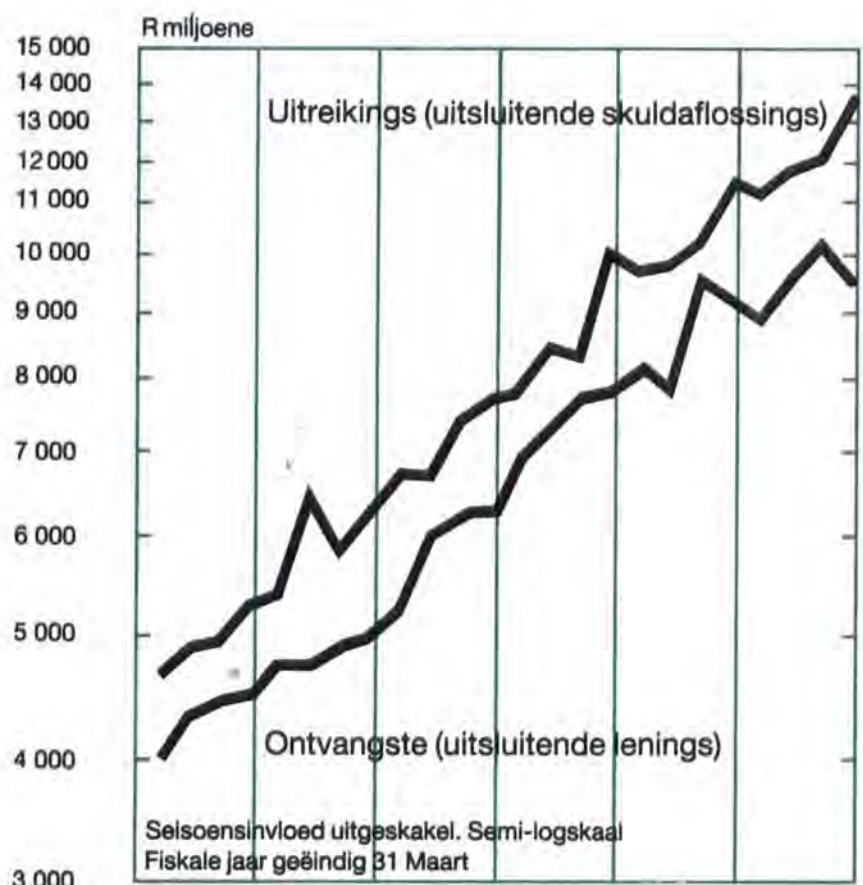
Die totale lopende inkomste van die algemene owerheid het van die finale kwartaal van die fiskale jaar 1986/87 tot die laaste kwartaal van die fiskale jaar 1987/88 met 21,8 persent toegeneem. Die belangrikste faktor wat tot hierdie toename bygedra het, was 'n styging van 23,4 persent in indirekte belastinge, wat 'n weerspieëling van die stygende vlakke van binnelandse monetêre vraag is. In verhouding tot die ooreenstemmende kwartale van 1986/87, het die totale lopende inkomste in die eerste, tweede en derde kwartale van die fiskale jaar 1987/88 met 8,3, 25,2 en 7,8 persent toegeneem.

Die algemene owerheid se totale uitgawes op finale goedere en dienste (bestaande uit verbruiks- sowel as investeringsbesteding) was 21,5 persent hoër in die fiskale jaar 1987/88 as in die voorafgaande fiskale jaar. Uitgawes in verhouding tot die bruto binnelandse produk het egter slegs 'n klein toename van 21,6 persent in die fiskale jaar 1986/87 tot 22,4 persent in die fiskale jaar 1987/88 getoon.

Skatkisuitreikings

Die Skatkisuitreikings aan staatsdepartemente (ná die gebruikelike aansuiwering vir veranderings in die saldo

Skatkisrekening



op die Betaalmeester-generaalrekening) het, vergeleke met die ooreenstemmende kwartale van die voorafgaande jaar, 'n merkbare afname van 22,4 persent gedurende die Desember-kwartaal van 1987 tot 14,8 persent gedurende die Maart-kwartaal van 1988 getoon.

Op 'n vergelykbare basis met die Begrotingsramings van Junie 1987, wat 'n toename van 16,2 persent in staatsbesteding vir die fiskale jaar 1987/88 voorsien het, was die werklike toename in Skatkisuitreikings gedurende die fiskale jaar 1987/88 18,7 persent. Dié toename verteenwoordig 'n reële toename van ongeveer 4,6 persent.

Vir April 1988, dit wil sê die eerste maand van die fiskale jaar 1988/89, het Skatkisuitreikings (ná die gebruikelike aansuiwering vir veranderings in die saldo op die Betaalmeester-generaalrekening) 'n afname van 1,6 persent teenoor April 1987 getoon. Dit kan vergelyk word met 'n begrote toename van 12,6 persent vir die fiskale jaar in sy geheel.

Skatkisontvangste

Skatkisontvangste gedurende die Maart-kwartaal van 1988 het 'n toename van slegs 6,0 persent teenoor die ooreenstemmende kwartaal van 1987 getoon. Die klein omvang van hierdie toename was hoofsaaklik die gevolg van 'n 22,5 persent afname in die totale ontvangste vanaf die goudmynindustrie en van 'n aanmerklike afname in die oordrag van fondse vanaf die Sentrale Energiefonds na die Skatkisrekening. Indien die oordrag van fondse vanaf die Sentrale Energiefonds uitgesluit word, het Skatkisontvangste tussen die Maart-kwartale van 1987 en 1988 met 15,2 persent toeneem.

Op 'n vergelykbare basis met die begrotingsramings van Junie 1987, wat 'n toename van 12,6 persent in ontvangste vir die fiskale jaar 1987/88 voorsien het, het die werklike Skatkisontvangste in 1987/88 die ontvangste van die voorafgaande fiskale jaar met 11,1 persent oorskry.

In April 1988 het die Skatkisontvangste die vlak van 'n jaar tevore met 31,8 persent oorskry. Dit was heelwat meer as die begrote groeikoers van 16,3 persent vir die fiskale jaar in sy geheel.

Tekort voor lenings

Die tekort voor lenings en skuldaflossing in die Maart-kwartaal van die fiskale jaar 1987/88 beloop R3 168 miljoen of R2 073 miljoen meer as in die ooreenstemmende kwartaal van die vorige fiskale jaar. Dit het tot gevolg gehad dat die tekort voor lenings en skuldaflossing in die fiskale jaar 1987/88 in sy geheel (uitsluitende die diskonto op nuwe staatseffekte van R887 miljoen) R9 668 miljoen bedra het. Dit is R3 366 miljoen meer

as die tekort in die fiskale jaar 1986/87. Die tekort van die fiskale jaar 1987/88 is uit die volgende bronne gefinansier:

	R miljoene
Openbare Beleggingskommissarisse	
Staatseffekte	5 336
Skatkisswells	-1 628
Nie-bank private sektor	3 638
Banksektor	
Korporasie vir Openbare Deposito's	4 029
Ander banke	-728
Buitelandse sektor	-92
	10 555
Min: diskonto op staatseffekte	887
Totale finansiering	9 668

In April 1988 het die tekort voor lenings en skuldaflossing R1 814 miljoen bedra, vergeleke met 'n begrote tekort van R10 014 miljoen vir die fiskale jaar 1988/89 in sy geheel. Alhoewel die aangetekende tekort groter was as die begrote gemiddelde maandelikse syfer, was dit R764 miljoen minder as in April 1987, wat 'n afname van 30 persent verteenwoordig.

Inflasie onder die loep

Deur dr Gerhard de Kock, President van die Suid-Afrikaanse Reserwebank

Vordering in die debat oor inflasie

Die debat in Suid-Afrika oor inflasie bly aktueel en duur voort. In hierdie debat is daar die afgelope jare goeie vordering gemaak. Daar is veral twee sake waaroor daar groter duidelikheid gekom het en 'n redelike mate van konsensus bereik is:

Inflasie 'n euwel wat bekamp moet word

Die eerste is die besef dat inflasie 'n euwel is en dat inflasiebekamping 'n hoë prioriteit in amptelike ekonomiese beleid verdien. Hierdie siening was nie altyd so algemeen onderskryf soos vandag nie. Daar was 'n tyd toe baie ekonome, sakemanne en politici die standpunt toegedaan was dat matige inflasie bevorderlik is vir ekonomiese groei en nooit gedemp behoort te word indien dit, selfs tydelik, 'n laer groeikoers sou beteken nie. "Liewers inflasie met groei as prysstabiliteit sonder groei", het die argument gelui.

In daardie dae het die Minister van Finansies en die Reserwebank moeite gehad om mense te oortuig dat inflasie nadelig vir die ekonomie is en op die lang termyn ook ekonomiese groei ondermyn. Daar is dikwels geredeneer: "Wat maak dit nou saak of die pryspeil met nul of 5 of 10 of 20 of 30 persent per jaar styg, solank my salaris of loon of ander inkomste met dieselfde of 'n groter persentasie styg?" Vandag word dit egter taamlik algemeen aanvaar dat inflasie op die duur reële ekonomiese groei benadeel, onder andere omdat dit tot waninvestering en die ondoeltreffende toewysing van skaars arbeid en ander hulpbronne lei, besparing ontmoedig en spekulasie aanmoedig. Dit word ook beter verstaan dat inflasie via die betalingsbalans druk op wisselkoerse en/of die goud- en valuta-reserwes kan meebring, en ook tot 'n onregverdigte herverdeling van inkomste lei en veral sekere groepe soos pensioentrekkers ernstig benadeel.

Groter konsensus oor die oorsake van inflasie

Die tweede saak waaroor daar vandag groter duidelikheid en konsensus in Suid-Afrika bestaan, is die *oorsake* van inflasie. In een stadium was dit opvallend hoe ekonome en andere oor hierdie onderwerp bymekaar verby gepraat het. Die debat het veral daaroor gegaan of inflasie veroorsaak word deur oormatige geldskepping en besteding ("vraagtrek") of deur sogenaamde "strukturele" en/of "kostedruk"- faktore.

Alhoewel daar nog nie eenstemmigheid oor hierdie saak bestaan nie, heers daar tog vandag 'n redelike mate van konsensus dat inflasie normaalweg veroorsaak word deur 'n *wisselwerking* tussen oormatige vraag en "strukturele" en/of kostedrukfaktore. Laasgenoemde "strukturele" en kostedrukinvloede sluit in *outonome* stygings in lone en salarisse (dit wil sê stygings wat *nie* deur toenames in óf monetêre vraag óf pryse veroorsaak word nie maar deur ander faktore soos druk deur vakbonde, sosio-politieke oorwegings, ens.), onvoldoende mededinging, inflasieverwagtings en die neiging tot feitlike "indeksering" van lone aan die verbruikersprysindeks. Hierdie faktore verleen 'n inflasionistiese sydigheid aan die ekonomie wat by geleentheid sterk druk op die monetêre owerhede uitoefen om prysverhogings te "akkommodeer" of te "bekragtig" deur middel van groot toenames in Reserwebankkrediet en in die geldvoorraad.

Inflasie nie 'n sinoniem vir verarming of 'n versamelwoord vir alle ekonomiese probleme nie

Hierdie vordering in die debat oor inflasie moet verwelkom word. Dit is goed dat daar nou 'n groter mate van konsensus oor die nadele en oorsake van inflasie bestaan. Maar omdat dit belangrike beleidsimplikasies het, wil ek tog waarsku teen 'n nuwe dwaling of denkfout wat plek-plek sy kop uitsteek. Dit is die neiging om die woord "inflasie" as 'n sinoniem vir "verarming" en/of as 'n versamelwoord vir alle ekonomiese probleme te gebruik.

"Inflasie" is nie dieselfde as "verarming" nie. Inflasie verarm slegs diegene wie se nominale inkomste nie met die styging in die pryspeil tred hou nie. Ander mense en sektore kan deur inflasie bevoordeel word. Soos ander lande het Suid-Afrika dan ook al dikwels tydperke van (vir ons) betreklik hoë inflasie ondervind *wat deur groot voorspoed en 'n aansienlike styging in die gemiddelde reële bruto nasionale produk per hoof van die bevolking gekenmerk is*. Twee sulke tydperke was byvoorbeeld 1971 tot 1974 en 1978 tot 1980. Dit is dus verstaanbaar dat inflasie al gedefinieer is as "voorspoed met hoë bloeddruk".

Daar is wel tye wanneer inflasie gepaard gaan met 'n daling in die gemiddelde reële lewenspeil. Dit het byvoorbeeld in 1985 en 1986 gebeur toe die reële bruto nasionale produk per hoof van die bevolking met gemiddeld 2,4 persent per jaar gedaal het. En dit is dan ook waarskynlik hierdie betreklik onlangse ervaring wat daartoe gelei het dat baie mense tans "inflasie" as die hooforsaak van hulle "brood-en-botter"-probleme sien, en waarom die inflasievraagstuk soveel aandag in die politiek en die media kry. Maar "inflasie" en "verarming" bly twee verskillende dinge. Inflasie

*Rede gelewer tydens die Jaardinee van die Kaapstadse Afrikaanse Sakekamer op 22 April 1988.

hoef nie verarming mee te bring nie, en verarming kan plaasvind of daar nou inflasie is of nie. Trouens, die groot depressie en werkloosheid van 1930-32, wat destyds in Suid-Afrika die armblankevraagstuk in die kalklig geplaas het, het juis gepaard gegaan met die teenoorgestelde van inflasie, naamlik deflasie, dit wil sê 'n *daling* in die pryspeil.

"Inflasie" moet ook nie gebruik word as 'n versamelwoord vir alles wat nie lekker in die ekonomie is nie. Inflasie is 'n euwel en moet bekamp word. Maar dit is maar *een* van baie ekonomiese probleme en nie altyd die belangrikste een nie.

Inflasiebekamping is ook nie die *enigste* doelstelling van ekonomiese beleid nie. Daar is ook ander belangrike doelstellings soos optimale en bestendige reële ekonomiese groei en werkverskaffing; ewewig in die betalingsbalans, gepaard met die handhawing van 'n voordelige wisselkoers en 'n redelike peil van goud- en buitelandse valuta-reserwes; en die hantering van sanksies en disinvestering. En op die kort termyn kan daar soms 'n botsing tussen hierdie doelstellings voorkom. Die Regering se beleid teen inflasie moet dus sinvol by sy totale ekonomiese strategie ingepas word.

Die Staatspresident se nuwe ekonomiese inisiatiewe

Teen hierdie agtergrond wil ek vervolgens verwys na die historiese openingsrede van die Staatspresident voor die Parlement op 5 Februarie 1988. Die belangrikheid van daardie rede kan nie oorbeklemtoon word nie. Die nuwe beginsels wat die Staatspresident by daardie geleentheid uiteengesit het verteenwoordig 'n waterskeiding in die geskiedenis van ekonomiese beleid in Suid-Afrika. Hulle verdien die volle steun van die private sektor en van alle inwoners van die land. Wat veral verwelkom moet word, is die besluite om die uitbreiding van staatsbesteding meer effektief te betoel, om die aandeel van die openbare sektor in die ekonomie te verminder, om die tekort voor lenings in die Begroting as 'n persentasie van die bruto binnelandse produk te verminder, om privatisering en deregulering deur te voer, en om sekere vername belastinghervormings soos voorgestel deur die Margo-kommissie in werking te stel.

Dit moet egter beklemtoon word dat hierdie nuwe ekonomiese inisiatiewe oor veel meer fundamentele sake as die blote bekamping van inflasie gaan. Die meeste van hierdie inisiatiewe sou uiters wenslik en belangrik gewees het selfs as daar geen inflasie in Suid-Afrika was nie. Die implementering van die Staatspresident se nuwe benadering sal dus veel meer doen as om 'n bydrae tot die stryd teen inflasie te lewer. Dit sal die produktiwiteit en die welvaart van die inwoners van die land verbeter. Dit sal lei tot 'n hoër groeiakoers en 'n hoër lewenspeil. En dit sal die Suid-Afrikaanse ekonomie gesonder en sterker maak.

Die abnormale aard van die inflasie in Suid-Afrika vanaf 1985 tot 1987

Dit alles bring my by 'n aspek van die inflasievraagstuk wat met die oog op beleidsformulering tans verdere beklemtoning verdien. Dit is die feit dat die inflasie wat Suid-Afrika gedurende die jare 1985 tot 1987 ondervind het van 'n hoogs abnormale aard was en nie in konvensionele terme verklaar kan word nie.

Nie vraaginflasie gedurende 1985-87 nie

Die styging in die pryspeil gedurende 1985-87 was beslis *nie* die gewone soort vraaginflasie nie. In 1983/84 was daar wel vraaginflasie. En omdat fiskale beleid in 1983 en 1984 *te ekspansionisties* was, moes die owerheid toe 'n streng beperkende monetêre beleid toepas. Maar hierdie beleid het spoedig daarin geslaag om die oorskotvraag uit te skakel, en daarna het die politieke en ekonomiese toestande so ontplooi dat totale monetêre vraag eerder te stadig as te vinnig gestyg het. Die tydperk 1985-87 is gevolglik gekenmerk deur surplusproduksiekapasiteit, werkloosheid en 'n lae koers van toename in die reële bruto binnelandse produk – minus 1 persent in 1985, plus 1 persent in 1986 en plus 2½ persent in 1987.

Die breë geldvoorraad (M3) het ook nie te vinnig gedurende hierdie tydperk gegroei nie. Intendeel, die toenamekoers van M3 het dwarsdeur hierdie twee jaar benede of binne die neergelegde mikpuntgrense van 16 tot 20 persent in 1986 en 14 tot 18 persent in 1987 gebly. Ook die *effektiewe* breë geldvoorraad of MV, dit wil sê M3 *aangepas vir veranderinge in sy omloopsnelheid*, het nie oormatig toegeneem nie. Tussen die vierde kwartaal van 1985 en die vierde kwartaal van 1986 het dit met 18,4 persent gestyg, en tussen laasgenoemde kwartaal en die vierde kwartaal van 1987 met 16,1 persent. Hierdie toenamekoerse het dus ook binne die neergelegde mikpuntgrense vir M3 geval.

Dit is dus duidelik dat die totale monetêre vraag (verbruik plus investering) nie oormatige druk op hulpbronne gedurende 1985-87 uitgeoefen het nie. Gedurende hierdie tydperk was daar geen sprake van "too much money chasing too few goods" nie.

Nie loondrukinflasie gedurende 1985-87 nie

Die inflasie gedurende 1985-87 was ook nie van die konvensionele *loondruk*soort nie. As deel van die inflasiespiraal het lone en salarisse natuurlik met meer as produktiwiteit gestyg. Maar hulle het met *minder as die inflasiekoers* toegeneem. *Reële* lone en salarisse het

dus merkbaar gedaal. Die reële vergoeding per werker in die derde kwartaal van 1987 was inderdaad 9,03 persent *laer* as in die eerste kwartaal van 1984.

Die hooforsaak: wisselkoersdepresiasie weens kapitaaluitvloeiing

As die inflasie van 1985 tot 1987 dan nóg vraaginflasie nóg loondrukinflasie was, watter soort inflasie was dit dan? Meer spesifiek, wat het meegebring dat die inflasiekoers vanaf omtrent die middel van 1985 tydelik merkbaar versnel het?

Die hoofrede was klaarblyklik die depresiasie van die rand vanaf sy relatief stabiele vlak van omtrent 50 VSA sent tussen Januarie en laat Julie 1985 tot tussen 36 en 38 VSA sent gedurende die daaropvolgende maande. Alhoewel die rand vroeg in 1986 verstewig het tot oor 50 VSA sent, het dit later, tydens die aanloop tot Soweto-dag op 16 Junie 1986, weer gedepresieer tot omtrent 37 VSA sent in die middel van Junie, voordat dit opnuut opwaarts beweeg het tot 'n hoogtepunt van omtrent 52 VSA sent laat in Desember 1987.

Maar was hierdie depresiasie van die rand nie juis die gevolg van oormatige geldskepping en besteding nie? Dit is 'n goeie vraag, want wisselkoersdepresiasie is normaalweg die *gevolg* van oormatige monetêre vraag. In 1985-87 was dit egter duidelik nie die geval nie. Die depresiasie van die rand gedurende hierdie jare het 'n totaal ander oorsaak gehad, naamlik 'n uitvloeiing van kapitaal wat hoofsaaklik veroorsaak is deur 'n verswakking in oorsese persepsies van die binnelandse politieke en ekonomiese vooruitsigte. Hierdie verswakking het uitgeloop op 'n onttrekking deur buitelandse banke van krediete aan Suid-Afrikaanse banke en ander ondernemings en 'n netto uitvloeiing van kapitaal in ander vorms, met insluiting van vervroegings en vertragings in lopende betalings en ontvangste. Hierdie kapitaaluitvloeiing het *nie* plaasgevind omdat Suid-Afrika aan vraaginflasie gely het, of omdat die geldvoorraad te vinnig gestyg het, of omdat die rentekoerse te laag was, of omdat die Begrotings-tekort te groot was nie. Dit was die regstreekse gevolg van die politieke spanninge.

Hierdie ontleding word ondersteun deur die feit dat die kwartaal-tot-kwartaal persentasieveranderinge in die verbruikersprysindeks, teen 'n seisoensaangesuiwerde jaarkoers, vanaf 14,5 persent gedurende die derde kwartaal van 1985 tot 24,9 persent in die eerste kwartaal van 1986 gestyg het. Daarna het dit skerp gedaal tot 13,5 persent gedurende die tweede kwartaal van 1986, soos die uitwerking van die vroeëre depresiasie van die wisselkoers begin afneem het. Gedurende die derde kwartaal van 1986 het die syfer

egter weer tot 20,3 persent gestyg – grootliks as die verdere vertraagde gevolg van die 1985 wisselkoersdepresiasie en van die tydelike nuwe depresiasie gedurende die tweede kwartaal van 1986.

Betalingsbalansaanpassing via wisselkoersdepresiasie en "inflasie"

Die essensiële punt is dat die wisselkoersdepresiasie *en die daarmee gepaardgaande styging in die binnelandse pryspeil* nà die middel van 1985 deel uitgemaak het van die onvermydelike aanpassingsproses waardeur die Suid-Afrikaanse ekonomie gedurende hierdie tydperk moes gaan. Die ekonomie moes naamlik aanpas by (a) die laer dollarprys van goud, swak kommoditeitsmarkte en die droogte, en (b) die groot kapitaaluitvloeiing. Om hierdie aanpassings deur te voer, moes die gemiddelde reële lewenspeil van Suid-Afrikaanse inwoners onvermydelik daal. Die gordel moes eenvoudig nouer getrek word.

Hierdie onvermydelike aanpassings is *via* wisselkoersdepresiasie en prysinflasie gedoen. Die tol wat hierdie aanpassings geëis het was wel aansienlik. In 1985 en 1986 het die reële bruto nasionale produk per hoof van die bevolking gedaal met 'n gemiddelde van omtrent 2,4 persent per jaar, die reële persoonlike beskikbare (nà belasting) inkome per hoof met 'n gemiddelde van 5,2 persent per jaar, en reële private verbruik per hoof met 'n gemiddelde van 4,4 persent per jaar.

Die feit bly egter dat die Suid-Afrikaanse ekonomie met groot welslae die aanpassing wat op hom afgedwing is, deurgevoer het. Reuse oorskotte van tussen 3,7 en 5,2 persent van die bruto binnelandse produk is gedurende 1985, 1986 en 1987 op die lopende rekening van die betalingsbalans getoon. Omtrent VSA \$5 miljard is aan buitelandse skuld gedurende hierdie tydperk terugbetaal. Die goud- en buitelandse valuta-reserwes het aanmerklik gestyg sedert Junie 1986. Die depresiasie van die rand is in die loop van 1986 in 'n appresiasie omskep. Die reële groeikoers het aansienlik toegeneem en die kwartaal-tot-kwartaal toename in die verbruikersprysindeks, teen seisoensaangesuiwerde jaarkoerse, het van 24,9 persent in die eerste kwartaal van 1986 tot 13,5 persent in die vierde kwartaal van 1987 gedaal.

Die tydelike versnelling in die inflasiekoers na die middel van 1985 en die daarmee gepaardgaande daling in die reële inkome per hoof van die bevolking moet dus gesien word as deel van die meganisme van betalingsbalansaanpassing en nie as konvensionele vraag- of loondrukinflasie nie. Hierdie aanpassing het vereis dat Suid-Afrika meer moes uitvoer en minder moes invoer, en dit weer het 'n depresiasie van die rand en veranderinge in *relatiewe pryse* genoodsaak.

Sou deflasie nie 'n beter metode van aanpassing gewees het nie?

Die vraag kan wel gevra word of Suid-Afrika nie by die ongunstige ekonomiese en politieke ontwikkelings kon aangepas het *met minder prysstygings* nie?

In teorie is die antwoord ja. Maar dit sou besonder drastiese *deflasionistiese* fiskale en monetêre maat-reëls vereis het, wat onder andere afnames of baie beperkte toenames in *nominale* lone en salarisse sou beteken het. Met ander woorde, die vereiste daling in die *reële* inkome kon verkry gewees het deur middel van 'n streng beperkende monetêre beleid met baie hoë rentekoerse, hoër belastinge en laer staatsuitgawes, wat dan sou gelei het tot dalings of slegs klein stygings in *nominale* lone en salarisse. So 'n beleid van deflasie sou egter die werkloosheid vererger het en sakevertroue verder ondermyn het. Onder die ou goudstandaard het die aanpassingsproses inderdaad langs hierdie weg plaasgevind. Die rampspoedige depressie in Suid-Afrika gedurende 1931-32 dien as 'n goeie voorbeeld hiervan. Maar in die heersende abnormale sosio-politieke toestand sou so 'n aanpassing *via deflasie* nie in landsbelang gewees het nie.

Die owerheid het in 1985-87 wisselkoersdepresiasie en 'n redelik ekspansionistiese monetêre en fiskale beleid verkies bo 'n beleid van streng deflasie met hoë rentekoerse, hoë belastinge, ens. Dit was die regte keuse. In die omstandighede van 1985-87 was inflasie *nie* Suid-Afrika se grootste ekonomiese probleem nie. Dit sou toe 'n fout gewees het om inflasiebekamping tot die hoogste doelstelling van ekonomiese beleid te verhef het. Op die kort termyn is prioriteit tereg verleen aan die verstewiging van die betalingsbalans en die bekamping van werkloosheid en resessie.

Die feit dat die inflasiekoers gedurende 1985/87 nie verminder was tot 'n baie lae enkelsyfer nie, beteken dus nie dat monetêre en fiskale beleid "nie gewerk het nie". Dit was nie die doel van monetêre en fiskale beleid om ten *alle koste* die inflasiekoers tot so 'n baie lae syfer te verminder nie. Die hoofdoelstellings was om die aanslag teen Suid-Afrika te oorleef deur 'n groot lopende oorskot op die betalingsbalans te verkry om die terugbetaling van skuld en die uitvloeiing van kapitaal te finansier, om die goud- en valutareserwes te beskerm, en om sodoende 'n nuwe gesonde fondament vir vinniger ekonomiese groei daar te stel. Vandag is dit algemene kennis dat hierdie doelstellings van monetêre en fiskale beleid ten volle bereik is.

Die terugkeer na meer normale toestande in 1987/88:

Die implikasies vir anti-inflasiebeleid

Wat nou van inflasiebekamping in 1988 en daarna?

Gevaar van nuwe vraaginflasie

Die abnormale toestande wat in 1985 en 1986 geheers het, is nou verby. Dit gaan tans beter met die Suid-Afrikaanse ekonomie as in jare. Die jongste gegewens bevestig dat die ekonomiese opswaai onlangs aansienlike stukrag bygekry het, en die aanduidings is dat private en owerheidsverbruik, vaste en voorraadinvestering, produksie, indiensneming, handel en algemene ekonomiese bedrywigheid sterk sal bly styg dwarsdeur 1988. Die oplewing in die ekonomie is bepaald sterker as wat tot onlangs nog gemeen is.

Soos die opswaai gedurende die afgelope maande sterker geword het, het die vraag na bankkrediet en ander uitleenbare fondse aansienlik toegeneem. Op sy beurt het dit weer gelei tot verhoogde druk op die Reserwebank om bykomende kontantreserwes aan die banke te voorsien om hulle sodoende in staat te stel om aan te hou om hul eie krediet uit te brei. In hierdie omstandighede het die meeste rentekoerse onder die invloed van vraag en aanbod gestyg vanaf die abnormaal lae vlakke (negatief in reële terme) wat gedurende die grootste deel van 1986-87 gegeld het. Om hierdie opwaartse druk op rentekoerse te matig, het die Reserwebank aansienlike bedrae aan kontantreserwes vir die banke geskep deur sy kredietverlening aan hulle uit te brei. Die Bank het egter besef dat in die veranderde omstandighede hy hierdie ekspansionistiese beleid nie te ver kon voer nie, en wel omdat dit sou kon lei tot 'n oormatige styging in die geldvoorraad en nuwe vraaginflasie. Dit sou weer die lopende oorskot op die betalingsbalans eerlank in 'n tekort omskep.

Indien Suid-Afrika redelik normale politieke verhoudinge met die res van die wêreld gehad het, sou so 'n lopende tekort 'n logiese en wenslike uitvloeisel van die opswaifase gewees het, en sou dit feitlik outomaties deur 'n normale invloeiing van buitelandse kapitaal gefinansier gewees het. Maar vanweë ons unieke politieke posisie in die wêreld, kan ons nie op so 'n kapitaalinvloeiing staat maak nie, en moet ons dus die lopende rekening van die betalingsbalans in surplus of minstens in redelike ewewig hou, anders mag oormatige afwaartse druk op die wisselkoers van die rand en/of die goud- en valutareserwes geplaas word.

Anti-inflasionistiese monetêre en fiskale beleid

Die Regering en die Reserwebank is geruime tyd reeds bewus van die moontlikheid dat die huidige welkome

opswaai in die ekonomie in nuwe vraaginflasie mag oorslaan. Hulle weet ook uit ondervinding dat as "te min te laat" gedoen word om monetêre uitbreiding te rem, daar waarskynlik later drastiese maatreëls van een of ander aard toegepas sal moet word om besteding te beteuel, wat dan ontwrigtende gevolge mag hê. In die wete dat voorkoming beter as genesing is, het die owerhede dan ook gedurende die afgelope maande reeds verskeie stappe gedoen om monetêre en fiskale beleid minder toegeeflik of akkommodierend te maak.

So het die Reserwebank, met die instemming van die Minister van Finansies, sy mikpuntgrense vir die koers van toename van die breë geldvoorraad, M3, vanaf 14 tot 18 persent vir 1987 na 12 tot 16 persent vir 1988 verlaag. As die bekamping van inflasie die enigste oogmerk van korttermyn ekonomiese beleid was, sou selfs laer mikpuntgrense gestel gewees het. Aangesien dit egter steeds 'n belangrike beleidsoogmerk is om reële ekonomiese groei en werkskepping te bevorder, is dit raadsaam geag om die nodige monetêre ruimte vir 'n verdere toename van tussen 2½ en 3½ persent in die bruto binnelandse produk in 1988 te voorsien. Daar word geglo dat die nuwe mikpuntgrense vir M3 in 1988 versoenbaar sal blyk te wees met sowel 'n versnelde ekonomiese groeikoers as 'n verdere geleidelike daling in die inflasiekoers.

Voorts het die Reserwebank op 9 Maart 1988 'n aanduiding gegee van sy vasbeslotenheid om sy eie koers van kredietskepping te verlangsaam deur sy Bankkoers – die koers waarteen hy skatkiswissels vir diskontohuise herdiskonteer – van 9,5 na 10,5 persent te verhoog. Hierdie verhoging was deels 'n tegniese aanpassing by rentekoersstygings wat reeds in die geldmark plaasgevind het. Maar dit was ook sowel 'n uitvloeisel as 'n integreerende deel van die Bank se minder akkommoderende monetêre strategie.

Die erns van die Regering om te verhoed dat die huidige fase van sterker groei met nuwe vraaginflasie gepaard gaan, blyk verder duidelik uit die Minister van Finansies se Begrotingsrede van 16 Maart 1988. Die Begroting maak voorsiening vir 'n toename in besteding van slegs 12,6 persent in die fiskale jaar 1988/89. Verder word geraam dat owerheidsinkomste met 16,3 persent sal toeneem. Die beraamde "tekort voor lenings" kom dan op R9 860 miljoen te staan, wat 4,9 persent van die verwagte bruto binnelandse produk sal beloop, vergeleke met 5,8 persent in die vorige jaar.

In ooreenstemming met die Staatspresident se nuwe ekonomiese inisiatiewe het ons dus nou 'n beter "mengsel" van monetêre en fiskale beleid as wat ons in jare gehad het. Hierdie beleidsbenadering pas ook goed in by die jongste aanbevelings oor inflasiebekamping van die Ekonomiese Adviesraad van die Staatspresident wat voorsiening maak vir 'n verdere vermindering in die gemiddelde jaarlikse inflasiekoers vanaf 16,1 persent in 1987 tot omtrent 9,0 persent in

1990, dit wil sê met omtrent 2½ persentasiepunte per jaar.

As mens onvoorsiene ongunstige politieke of ander ontwikkelings buite rekening laat, is die huidige aanduidings dat hierdie beoogde geleidelike vermindering van die inflasiekoers wel binne Suid-Afrika se bereik is. Een voorwaarde vir so 'n vermindering is natuurlik dat die Regering en die Reserwebank by hulle aangekondigde fiskale en monetêre beleid moet bly. Spesifiek moet die toenamekoers van die breë geldvoorraad binne die mikpuntgrense van 12 tot 16 persent gehou word en moet die Regering se uitgawes en sy tekort voor lenings nie die Begrotingsyfers te oorskry nie.

As hierdie intermediêre doelstellings van monetêre en fiskale beleid bereik word, sal die inflasiekoers waarskynlik geleidelik verder afneem en sal groter regstreekse beheer oor pryse en lone, of enige ander vorm van "inkomebeleid", onnodig wees. En indien die aangekondigde monetêre en fiskale beleid *nie* effektief toegepas word nie, sal groter regstreekse beheer oor pryse en lone nie die antwoord bied nie. Inteendeel, sodanige regstreekse beheer sal dan meer probleme skep as wat dit sal oplos.

Die sterker ekonomiese opswaai en die hoër groeikoers is goeie nuus. Dit is mos presies wat ons wou gehad het. Maar nou moet ons nie vir die implikasies van die sukses van ons eie groeibeleid terugdeins nie. Die terugkeer van vertroue en voorspoed skep sy eie nuwe uitdagings wat aanpassings in monetêre en fiskale beleid verg. Spesifiek moet daar nou rekening gehou word met die gevaar van oormatige geldskepping en nuwe vraaginflasie. Daar is reeds aanduidings dat die toenamekoers van die geldvoorraad die mikpuntgrense aansienlik oorskry. Indien hierdie neiging voortduur, sal monetêre beleid beslis nog minder akkommodierend gemaak moet word.

Verklaring oor monetêre beleid

deur dr Gerhard de Kock, President van die Suid-Afrikaanse Reserwebank

4 Mei 1988

As 'n integrerende deel van die pakket ekonomiese stabilisasiemaatreëls wat vandag deur die Minister van Finansies aangekondig is, stel die Reserwebank 'n aantal stappe in werking om sy kredietverlening aan banke en diskontohuise te beperk ten einde die huidige oormatige koers van toename in die geldvoorraad te beteuel.

Hierdie besluit volg op 'n aanmerklike verdere verbetering in die binnelandse ekonomiese toestand en 'n toename in die reële bruto binnelandse besteding gedurende die eerste kwartaal van 1988 tot 'n vlak meer as 10 persent hoër as dié van die eerste kwartaal van 1987. Hoewel hierdie styging in die vraag verdere druk krag aan die opswaai in reële produksie en inkome verleen het, het dit geneig om oormatige druk op sowel binnelandse hulpbronne as invoere te plaas gedurende 'n tydperk toe uitvoere besig was om te daal. Indien dit nie betyds beperk word nie, sou hierdie styging in besteding derhalwe nuwe vraaginflasie, betalingsbalansprobleme en afwaartse druk op die wisselkoers van die rand tot gevolg kon hê.

Die buitengewone toename in die totale besteding is moontlik gemaak deur 'n styging in die breë geldvoorraad, M3, gedurende die eerste kwartaal van 1988 teen 'n seisoensaangesuiwerde jaarkoers van ongeveer 24 persent. Dit het die voorlopige Maart-syfer vir M3 op 'n heelwat hoër vlak te staan gebring as die aangekondigde mikpuntgrense vir 1988 van 12 tot 16 persent.

Die hoofrede vir die versnelde styging in M3 was 'n oormatige toename in kredietverlening deur banke en bouverenigings aan die private sektor, met inbegrip van verbruikerskrediet en huisverbandlenings. Nadat dit gedurende die vierde kwartaal van 1987 teen 'n jaarkoers van 22 persent gestyg het, het die totale kredietverlening deur monetêre instellings aan die private sektor gedurende die eerste kwartaal van 1988 teen 'n geraamde jaarkoers van 26 persent gestyg. Om hierdie toename te onderskraag, moes die banke bykomende kontantreserwes in die mark bekom, en hulpogings om dit te doen het natuurlik opwaartse druk op korttermynrentekoerse uitgeoefen. Ofskoon die Reserwebank op die gevolglike styging in korttermynrentekoerse gereageer het deur sy Bankkoers van 9½ persent tot 10½ persent op 9 Maart 1988 te verhoog, het hy voortgegaan om die opwaartse neiging van rentekoerse te temper deur op 'n verskeidenheid maniere akkommodasie aan die bankstelsel te verleen. In die omstandighede wat nou ontstaan het, beskou die Reserwebank dit egter as noodsaaklik om verdere stappe te doen om sy eie kredietskepping te beperk.

Om uitvoering aan dié benadering te gee, gaan die Reserwebank die beleid in werking stel wat hy reeds vroeg

in Desember 1987 tydens samesprekings met die banke en bouverenigings uiteengesit het. Die Reserwebank het reeds in daardie stadium aangedui dat hy nie noodwendig sou voortgaan om tekorte in die geldmark in dieselfde mate as voorheen te verlig of te voorkom deur terugkoop-ooreenkomste aan te gaan of deur fondse van die Korporasie vir Openbare Deposito's (KOD) per tender beskikbaar te stel nie. In plaas daarvan sou die Bank daarop aandring dat 'n groter deel van sodanige akkommodasie deur sy diskontovenster voorsien word. Mededelings met dié strekking is tydens die Reserwebank se vergaderings met die banke en bouverenigings aan die begin van Maart 1988 en in die Bank se verklaring insake die verhoging van die Bankkoers op 9 Maart 1988 herhaal.

Ná verdere samesprekings wat op 28 April 1988 met die banke en die bouverenigings gevoer is, het die Reserwebank nou besluit om die volgende beleidsveranderinge aan te bring:

- (1) Om uitvoering te gee aan sy voorneme om deur sy diskontovenster 'n groter gedeelte van die banke se behoeftes aan kontantreserwes te voorsien, sal die Reserwebank in die toekoms aansienlik minder akkommodasie as in die verlede deur middel van terugkoop-ooreenkomste, KOD-tenderfondse of ander vorms van opemarktransaksies beskikbaar stel. Hierdie metodes van akkommodasieverlening sal slegs gebruik word om oormatige maandeinde- en ander seisoenskommelings in die geldmarktoestand uit te stryk.
- (2) Akkommodasie deur die diskontovenster sal normaalweg slegs voorsien word deur die herdiskontoring van, of deur die toestaan van oomaglenings teen die onderpand van, *likwiede bates* soos skatkiswissels, Landbankwissels, likwiede bankaksepte en korttermynstaatseffekte. Slegs in uitsonderlike omstandighede sal oomaglenings teen die onderpand van nie-likwiede bates toegestaan word.
- (3) Ter erkenning van die onvermydelike opwaartse druk wat hierdie beteueling van die Reserwebank se akkommodasie op korttermynrentekoerse sal uitoeven, sal die Reserwebank sy Bankkoers met ingang van 5 Mei 1988 van 10½ persent na 11½ persent verhoog. Bankkoers is die koers waarteen die Bank skatkiswissels *vir diskontohuise* verdiskonteer. Die Bank se herdiskonteringskoerse vir Landbankwissels en likwiede bankaksepte vir die diskontohuise sal insgelyks met 1 persentasiepunt van onderskeidelik 10,65 persent na 11,65 persent en van 10,80 persent na 11,80 persent verhoog word.
- (4) *Vir banke* sal die herdiskonteringskoerse vir skatkiswissels, Landbankwissels en likwiede bankak-

septe soos voorheen genoteer word op vlakke wat 0,50 persentasiepunte hoër is as die koerse wat op diskontohuise vir die herdiskontering van hierdie verskillende instrumente van toepassing is. Dit beteken dat hierdie koerse eweneens met 1 persentasiepunt van onderskeidelik 11,00 persent, 11,15 persent en 11,30 persent na 12,00 persent, 12,15 persent en 12,30 persent verhoog word.

- (5) Die Reserwebank se koerse op oornaglenings *aan die diskontohuise* sal met 1 persentasiepunt verhoog word. Dit beteken dat die koers van 12,00 persent na 13,00 persent verhoog word ten opsigte van oornaglenings wat deur korttermynstaats-effekte en skatkiswissels gedek word; van 12,25 persent na 13,25 persent vir lenings wat deur likwiede Landbankobligasies en -wissels gedek word; en van 12,75 persent na 13,75 persent vir lenings wat deur likwiede bankaksepte gedek word.
- (6) Die Reserwebank se koerse vir oornaglenings *aan banke* sal soos voorheen genoteer word op vlakke wat 0,75 persentasiepunte hoër is as die koerse wat van toepassing is op oornaglenings aan diskontohuise in die gevalle waar sulke lenings gedek word deur onderskeidelik korttermynstaatseffekte en skatkiswissels, likwiede Landbankobligasies en -wissels en likwiede bankaksepte. Dit beteken dat hierdie koerse ook met 1 persentasiepunt van onderskeidelik 12,75 persent, 13,00 persent en 13,50 persent na 13,75 persent, 14,00 persent en 14,50 persent verhoog word.
- (7) Oornaglenings wat *in buitengewone omstandighede* teen die onderpand van nie-likwiede bates verstrekk word, sal teen 16 persent vir die eerste dag toegestaan word, en hierdie koers mag progressief verhoog word vir enige bank wat geag word oormatige gebruik van die fasiliteit te maak.

Daar word verwag dat hierdie verskerping van die Reserwebank se akkommodasieprosedures en die gepaardgaande styging in sy herfinansieringskoerse deur 'n styging in die banke se prima-oortrekkingskoerse van 14 na 15 persent gevolg sal word. Dit sal hierdie koerse in lyn bring met die heersende rentekoerse op bankaksepte, korttermynstaatseffekte en ander soortgelyke geldmarkbates, wat in 'n groot mate reeds die styging in die Bankkoers verdiskonteer het en bygevolg nie verdere aanmerklike veranderinge in die onmiddellike toekoms mag toon nie. Aan die ander kant mag die heersende neiging vir die vraag na huislenings om die aanbod daarvan te oorskry, wel verdere opwaartse aanpassings in die huisverbandkoerse van sowel banke as bouverenigings tot gevolg hê.

Bykomend tot hul verwagte uitwerking op die binnelandse ekonomie, behoort die hoër rentekoerse en die Reserwebank se nuwe akkommodasiebeperkings Suid-Afrikaanse invoerders en uitvoerders aan te moedig om relatief meer van buitelandse handelsverwante kre-

diete en relatief minder van binnelandse krediet gebruik te maak. Dit sal help om die neiging wat reeds geruime tyd heers dat invoerders en uitvoerders van relatief duur buitelandse bronne van finansiering na relatief goedkoop binnelandse bronne oorskakel, te stuit of om te keer. 'n Sodanige ontwikkeling sal die kapitaalrekening van die betalingsbalans versterk en die goud- en buitelandse valuta-reserwes rugsteun.

Bykomend tot die maatreëls wat hierbo uiteengesit is, versoek die Reserwebank alle banke en bouverenigings om die koers waarteen hulle krediet aan die private sektor verleen te verlangsaam, en in die besonder die verlening van verbruikerskrediet en verbandlenings vir die finansiering van luukse privaatwoningen te be- teuel. Onder andere moet sorg gedra word om nie die finansiering van verbruiksbesteding deur middel van huisverbandlenings aan te moedig nie.

Die Bank wil ook graag sy beroep op die banke herhaal om voort te gaan om finansiële akkommodasie aan boere te verleen wat onder die droogtes en vloede gely het, en om dit op voorwaardes te doen wat hierdie boere sal help om hulle op 'n gesonde finansiële grondslag te hervestig.

Soos die ander maatreëls wat vandag aangekondig is, is die aanpassings van monetêre beleid hoofsaaklik bedoel om oormatige kredietverlening, geldskepping en binnelandse besteding, wat uiteindelik 'n behoefte aan strenger korrektiewe maatreëls sal skep, reg te stel en te voorkom. Die vernaamste resultate van die stappe wat nou gedoen word om die groeikoers van M3 nader aan sy mikpuntperke te bring, sal slegs na die verloop van etlike maande duidelik word. Dit is waarom tydige optrede op hierdie terrein so belangrik is. Monetêre beleid in sy geheel bly egter bevorderlik vir die behaling van 'n groeikoers van die reële bruto binnelandse produk van tussen 2 en 3 persent in 1988.