

PRICES — GENERAL

1991

JANUARY — JUNE

Last-minute spree brings retail cheer

3/11/91

MARCIA KLEIN

RETAIL trading picked up just days before Christmas and most retailers reported real growth in sales over the festive season after "a nail-biting finish"

Clicks had "a superb Christmas", with year-on-year sales increases for December in excess of 40%, said financial director Peter Green, and Clicks had seen the benefit of opening new stores during the year

Pick 'n Pay was "fairly cheerful" about sales growth over the Christmas period, which should be about 18% up on last year, financial director Chris Hurst said

This compared to a 16% growth in sales over the Christmas period in 1989

Edgars MD George Beeton was "very satisfied" with Christmas trading and he estimated sales for December to show a real growth of around 8% over the same period last year with the help of heavy advertising and extended shopping hours

Rusfurn chairman Geoff Austin said sales over December were 20% up on last year, and in general the group met its budgets

CNA CE Doug Band said Christmas sales were up to expectations, and he was happy with the outcome, "although it was a nail-biting finish"

Checkers, however, did not have a good Christmas, MD Sergio Martenengo said, and he estimated an 11% to 12% growth in sales over the period, which compared with a 21% increase in 1989

Prices slashed in milk war

ANDREW GILL

PRIVATE distributors are taking on the might of the 15 000-member National Co-operative Dairies (NCD) in a milk war that has seen prices slashed by more than 40% in some areas of Natal

NCD has come under fire for selectively cutting prices in areas supplied by the private distributors In Howick, where William Hyslop's Laggan Dairies is operating, NCD cut prices from R1,74c/l to 99c/l, just 1c lower than Laggan's R1/l

The areas involved are Maritzburg, Howick and the outskirts of Durban NCD's prices are mainly being cut in those areas where the independents are in direct competition with NCD

The list price of milk is R1,74c/l and some retailers are not given the discounts offered by NCD, which represents about 30% of nationwide market share The brand name for its fresh milk products is Clover

Hyslop says he will survive the competi-

tion as he has done previously He has experienced tremendous loyalty from his customers who, he says, realise that NCD is likely to hike prices again once he is out of the way

The private distributors sell milk unpackaged to customers who bring their own containers

NCD's Natal GM Eric Hornby says his organisation has to react to a degree to the price cuts

There has been a larger surplus than normal over the holiday season as a result of bad weather, a poor holiday season and township unrest and there has been "a fair amount of discounting" over the period

The volumes distributed by the independents are minimal, he says, constituting of about 4 000l to 5 000l a day

The three main independents are Laggan, Stonelees and Benrose Dairies

Retrenchment payouts upset Comro staff

ROBERT LAING

MORE scientists and engineers working for the Chamber of Mines Research Organisation (Comro) face retrenchment in April and, while no one knows who is to be axed, dissatisfaction is brewing over the proposed retrenchment package

The retrenchments result from the Chamber of Mines' November announcement that R50m is to be cut from Comro's research funding over the next two years Because of the large number affected,

meagre retrenchment packages are being offered, a staff member says

Chamber of Mines external relations senior GM Johan Liebenberg says "There is no final figure yet for how many people will lose their jobs The amount of contract work coming in and the number of employees leaving voluntarily must still be estab-

Millionaire Holmes à Court died intestate

Own Correspondent

SYDNEY — Robert Holmes à Court, the SA-trained international businessman, left no will for his multimillion-dollar empire when he died of a heart attack last September, the family solicitor said yesterday

Reports claim he carried a draft of a will in his briefcase for 18 months before his death

son dies without a will his estate is divided between the spouse and any surviving children Perth probate solicitors said that by law an estate must be divided

R1,2bn while Heytesbury had estimated cash reserves of more than R400m

Family solicitor Peter Patrikeos said extensive searches since Holmes à Court's death had failed to uncover

Year-old power station has been warned not to wear it too often uranium glass bauble - which the maker for fashioner 1920s

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Lower trend in meat prices set to continue, says board

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By [unclear] 4/1/91.
THE decline in real terms in meat prices which is now into its third year, is expected to continue in 1991

This trend was likely to affect red meat producers and retailers negatively, industry spokesmen said yesterday

Meat Board deputy chairman Frans Pieterse announced on Wednesday that meat prices should begin to drop from their Christmas peak by today, but this year's opening prices were unlikely to be lower than last year's

However, the auction price of meat would fall further and prices in 1991 would not show an increase over last year's levels, Meat Board spokesman Peter Kempen said yesterday

Last year the beef auction price was about R5/kg, while the price for mutton was about R6,50/kg

Kempen said while demand had exceeded supply in the past few weeks this situation would be reversed and the price would come down to last year's levels

He said this meant the producer was "once again getting behind the inflation

MARCIA KLEIN

rate

Red Meat Producers' Organisation national chairman Jan Lombard agreed that prices would be of the same order as last year

He said this would be the third year of declining real prices which followed a sharp increase in 1986-87

While reserves had enabled the producer to survive in the past, inflation lessened the producer's ability to survive, Lombard said

This might have the effect of a stagnation in production growth or a reduction in the breeding herd, and he suggested a relative shortage might be in the offing

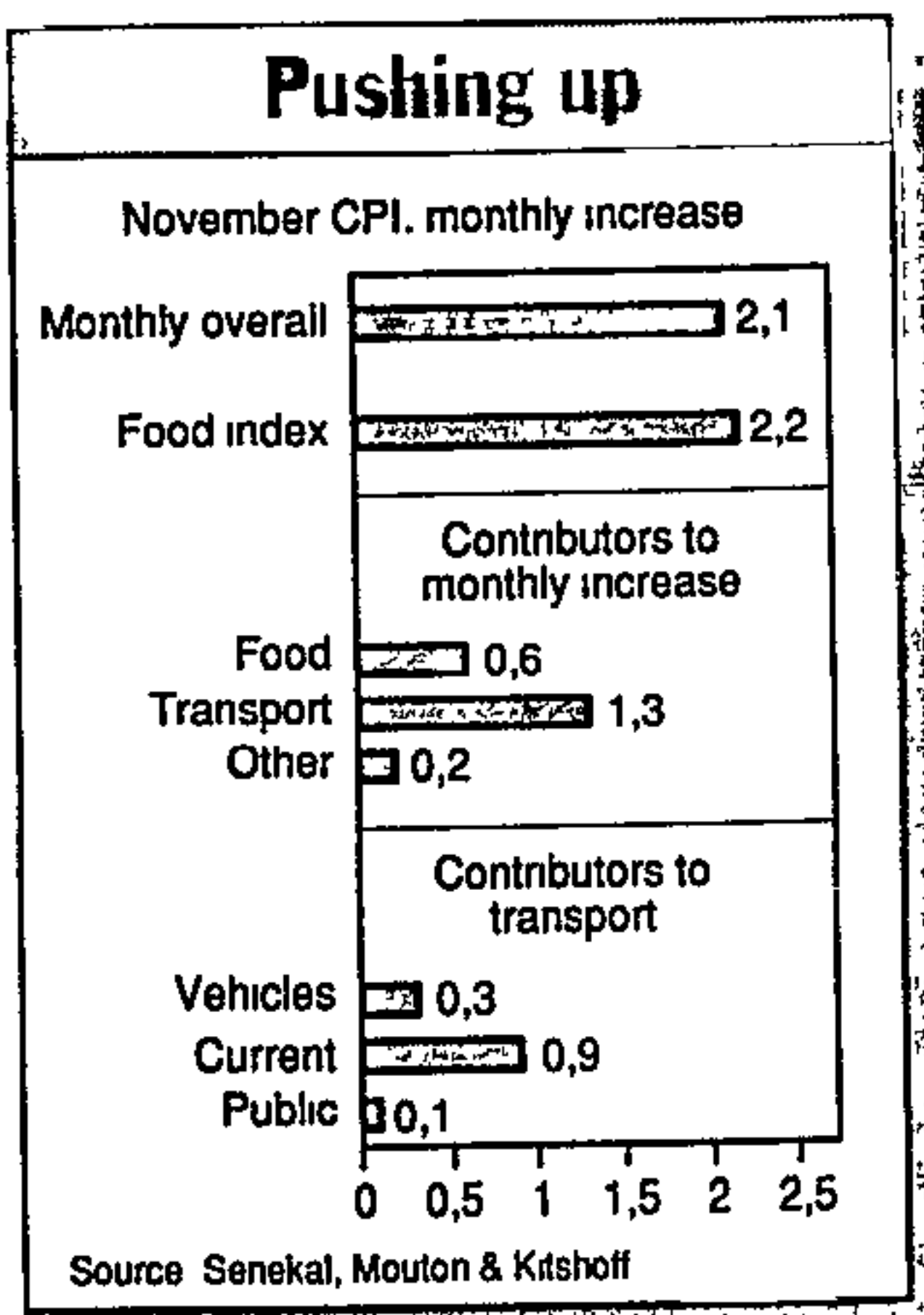
Meat retailers — who are dependent on prices rising in line with inflation — would also be affected indirectly as they worked on a fixed percentage

However Lombard said as the movement in meat prices was cyclical, he expected an upward trend at the end of next year

UPWARD IMPETUS

Even more disturbing than the resurgence in inflation is that it relates not only to the increase in fuel prices. Other, possibly more permanent factors are at work.

The 15,3% rise in consumer prices in the 12 months to November was up on 14% in the 12 months to October and the highest year-on-year increase since 15,3% in December 1989. The monthly increase of 2,1% included the rise in the fuel price in October, but not November's fall. So the influence of



this and of the December fall in the petrol price is still to work its way through.

However, when petrol is removed from the calculation, upward impetus remains.

Says Senekal Mouton & Kitshoff economist Leon Steenkamp: "The 25% petrol price hike in October contributed 0,8 percentage points to the 0,9% increase in current transport costs in November. This implies that 1,3 percentage points of the monthly increase in CPI cannot be related directly to the higher petrol prices."

ECONOMY & FINANCE

An important factor was rising food prices which, Steenkamp calculates, "were responsible for almost half the non-petrol component of the CPI increase. Though food prices, to a large extent, depend on exogenous factors, recent persistently high increases in the cost of food do not bode well."

While prices of all items excluding food rose 15% in the year, food inflation was 16,5%. Housing, on the other hand, had a moderating influence, mainly because interest rates on mortgage loans have been virtually static and increases came only in service costs. Excluding housing, prices rose 17,1%.

A detailed breakdown shows what rose most in the 12 months:

- Milk, cheese and eggs, 26,1% (with a weighting of 2,16),
- Fruit and nuts, 28,7% (1,49),

- Vegetables 22% (2,45);
- Alcoholic beverages 20,9% (1,29), and
- Household consumables 20,3% (1,52) ■

Meat retailers 'made turkeys of public'

CAPT-TINTS

5/11/91

Robert Zky

Municipal Reporter

A CONSUMER organisation has accused meat retailers of exploiting the public once again over the Christmas season.

Meat prices rose as usual during the festive season, and declined again afterwards. The Meat Board said it had "done its best" to keep prices down by bringing in enough supplies.

The South African Co-ordinating Consumer Council issued a hard-hitting press statement yesterday, in which it blamed retail butchers for "exploiting consumers" — a claim that was hotly denied.

Mrs Ina Wilken, the Consumer Council's assistant director of research, said the Meat Board had brought in enough supplies sufficiently early and made this meat available to provide for the expected higher demand.

However, the council had been inundated with calls from furious consumers, who had had to pay "between R7,80 and R9,20 per kg for beef, up to R11,99 for mutton and lamb, and at least R5,38 for pork", she said.

Mr Sakkie de Jager, a Meat Board

official at the city's municipal abattoir, confirmed the board had tried to provide for the increased demand.

However, wholesale prices were set by auctions, he said. The prices had gone up over the Christmas period, despite attempts to keep them down.

For example, prices of super lamb were R8,97 per kg on December 28 and R7,58 yesterday, prime beef R8,65 and then R6,99 yesterday, and top C grades were R8,01 and R6,65 yesterday.

Mr Aubrey Farber, a butcher and member of the Cape Livestock Meat Retailers' Association, said it was "obvious" that the demand was still exceeding the supply.

"They (Meat Board officials) don't want to stockpile choice cuts of meat in their extensive freezer facilities in Paarden Eiland from June, as they should, because it costs money," he said.

"It's not the retailers' fault. We don't produce the meat, and we don't auction it. We have to go to the produce market, and what can we do if lamb goes up to more than R9 a kilogram on the wholesale market?"

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CONSUMER maize prices are likely to rise this year, due to pending maize imports necessitated by an estimated one-million ton local shortage of the product.

The shortage has been caused by widespread droughts, particularly in the western and south-western Transvaal and north-western Free State.

The North-West Co-operative has estimated this year's maize harvest at 700 000 tons, compared to last year's 1,5 million tons and the 2,3 million tons of 1989.

Some maize-producing

Maize prices likely to go up

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CIPREN 6/11/91
areas have recorded their lowest rainfall in 88 years, and the Maize Board has predicted that the cultivation of maize would this year fall to its lowest level in 50 years.

Farmer JJ Theron said maize farmers were in great financial difficulties and would not survive without government aid.

North-West Cooperation spokesman Enos Barnard said the drought would have a ripple effect. This was already evident in towns like Lichtenburg, where several agriculture-related businesses had closed down.

According to the latest estimates only 2,6 million hectares of maize will be planted this year compared to 3,4 million hectares last year. - Sapa

15% hike in doctors' tariffs

PRETORIA. — The Medical Association of South Africa (Masa) yesterday announced an official 15% increase in its doctors' tariffs

And Masa secretary-general Dr Hendrik Hanekom said that although some 80% of doctors still charged according to medical schemes' scales of benefits, the financial situation of doctors was becoming so critical that a breakaway from medical schemes by more doctors seemed inevitable

He also encouraged patients to

ask their doctors for reductions in their tariffs

The chairman of Masa's Private Practice Committee, Dr Johan Kruger, said medical schemes would not adjust their benefits to two-thirds of Masa's recommended fees, and the hike meant the gap between the two scales was now more than 50%

For instance, Masa's recommended maximum fee for a consultation with a GP now is R55,20, while medical schemes' contracted-in tariff has been set

at R24,80.

The Medical Research Council (MRC), meanwhile, has asked the public to assist a newly appointed task group in its investigations into South Africa's health status, health services, research and training.

MRC national co-ordinator Dr Derek Yach said the investigations would be used to define the future of health research in SA and to ensure that all research keeps pace with socio-economic and political changes. — Sapa and Staff Reporter

copy Tariffs 10/1/91 (244)

Further delay in interest rate cut?

November PPI Soars to 15,8%

By PIETER COETZEE
Financial Editor

THE sharp year-on-year increase of 15,8% in the producer price index (PPI) in November — up from October's 12,1% — send ripples of concern through the economy yesterday.

According to economists the most worrying aspect is that if the oil price increase and the cost of petrol production are not taken into account the year-on-year increase would, nevertheless, have been 14,3%. This means that the higher oil and petrol prices were responsible for less than half of the rise indicating a strong underlying pressure on the inflation rate. This may rule out the possibility of an interest rate cut for another few months.

Import prices up 8%

According to figures released by the Central Statistical Services yesterday the PPI rose by no less than 4,3% from 206,1 in October 1990 to 214,9 in November.

The seasonally adjusted price index of imported commodities was up by 8% on the October figure at 19,1%. The price index for the total output of SA industry showed an annual rate of change of 14,3% which is 2,5% up on the October figure.

The annual rate of increase on locally produced products came to 15,1% in November compared to the previous month's 12,3% — an increase of 2,8%. Petrol and diesel were the major culprits. Petrol had price increase ranging from 25% at the coast to over 27% inland. Diesel rose by between 22% and 24%.

Among other contributors were the costs of other mining and quarrying products which rose by 14,0%, agricultural products 13,8%, other chemical products 12,9% and other manufactured products 7,9%. However, the prices of electricity and water fell

CPI - Inf
16/11/91
744

by 2,5% and industrial chemicals by 1,3%. Chief economist of Old Mutual, Dave Mohr, said there is still strong upward pressure on the inflation rate.

"Although the inflation rate is just one of several factors to be taken into account when determining monetary policy, upward pressure on the inflation rate could mean that interest rates will have to remain on their high present levels for longer."

John Louw, chief economist of Sanlam, said the sharp rise is very worrying and would exert strong upward pressure on the inflation rate. The latest figures show that there are still strong cost-push factors present in the economy.

Most of the cost-push pressure is from higher wages and salaries but it is not impossible that producers used the increase in oil and petrol prices to widen their margins — although this is very difficult to prove.

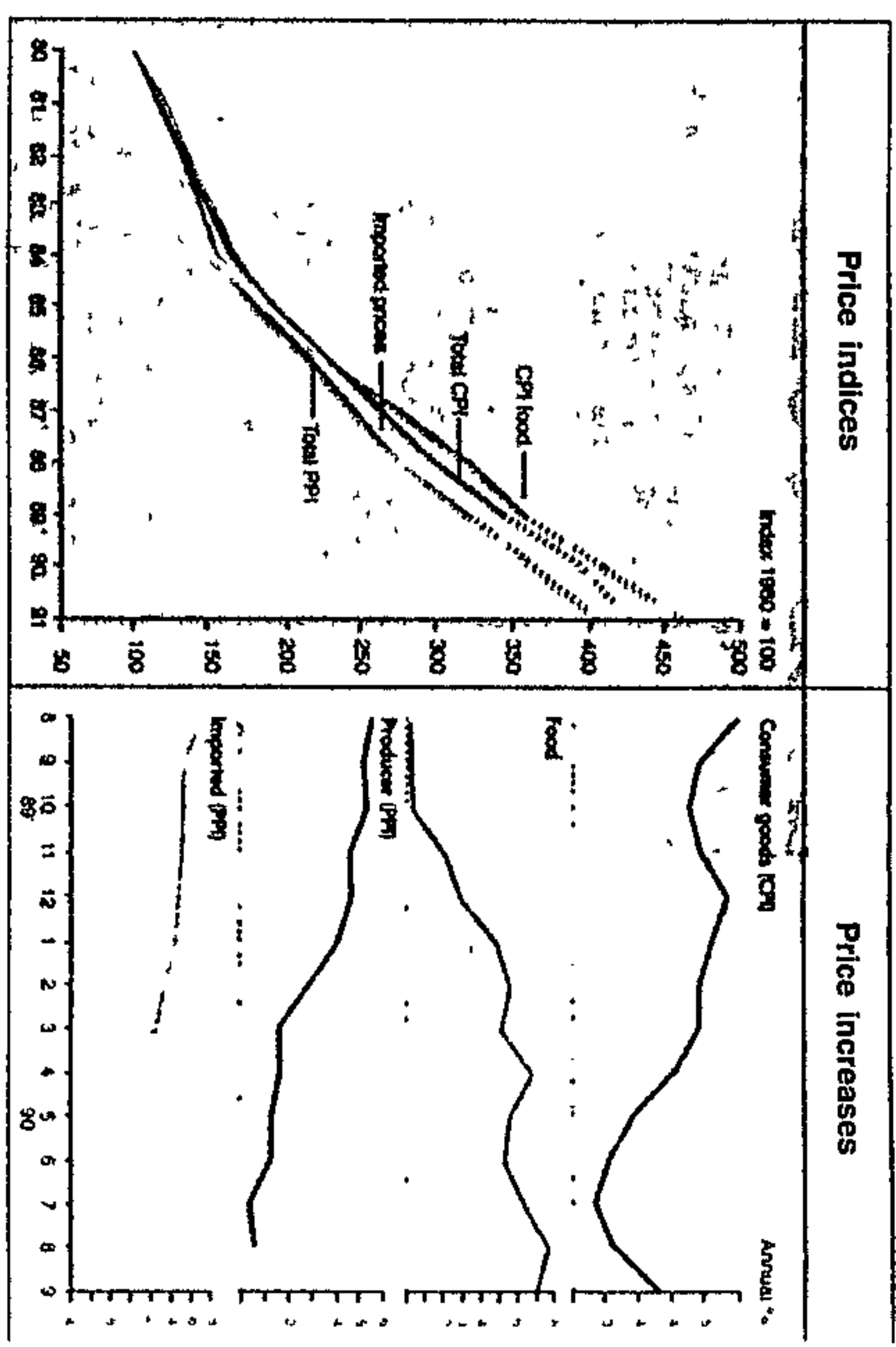
If the looming war and the effect it will have on oil and therefore petrol prices is taken into account, interest rates will have to remain at their present levels for longer.

'PPI could outstrip CPI'

Chief economist of Southern Life, Mike Daly, said the latest figures show that there is still upside in the inflation rate.

It must, however, be taken into account that with petrol price shocks (as was the case between 1973 and 1979) the PPI could outstrip the CPI (inflation rate) by quite a wide margin.

The situation will, nevertheless, remain volatile for some time to come with the decreases in the petrol price to be reflected in the PPI in the next few months, but the possibility of higher petrol prices due to the war could again exert upward pressure on the PPI later in the year.



Sharp rise in PPI shocks economists

Star 16/11/91
By Duma Gqubule

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Producer price inflation rose sharply in November on the back of October's hefty 32c-a-litre petrol price increase.

Figures issued by the Central Statistical Services show the annual rate of increase of the producer price index (PPI) jumped 3,7 percentage points to 15,8 per cent in November from October's 12,1 per cent.

The magnitude of the increase came as a surprise to many economists.

Senekal Mouton & Kitshoff economist Leon Steenkamp says "The figure is shocking. Nevertheless, we should not be too negative."

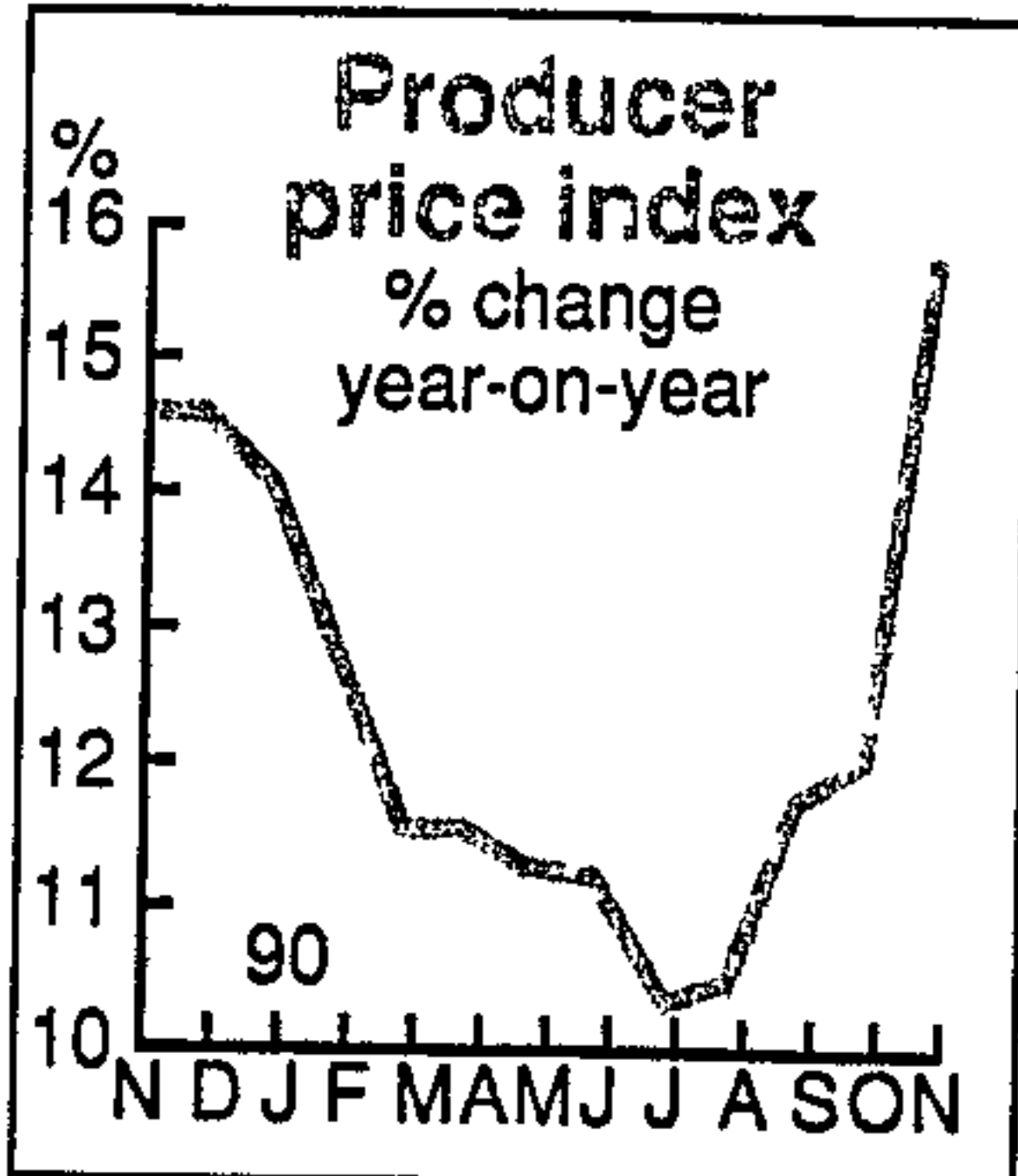
"The petrol price has since come down and should result in a lower PPI figure in December. During the course of this year we can expect to see a declining PPI, depending on the outcome of the situation in the Gulf."

Old Mutual economist David Mohr says. "The figure shows that underlying inflationary pressures on goods in the economy are still high at this late stage of the business cycle."

Imported inflation accelerated sharply in November to a year-on-year 19,1 per cent, from October's 11 per cent.

In September imported inflation was rising at an annual rate of only 4,4 per cent.

The annual rate of increase of locally produced products was 15,1 per cent in November, compared with the previous month's 12,3 per cent.



Graphic: LEE EMERTON Source: CSS

Oil, petrol prices send PPI soaring

ANDREW GILL (24)

HIGHER oil and petrol prices sent the annual rate of increase in the producer price index (PPI) soaring to 15,8% in December, its highest level in over a year.

This compares with October's annual rate of increase of 12,1% and was due largely to sharply higher import inflation which jumped dramatically for the second consecutive month. B100m 16/11/91

The overall index climbed 4,3% in November from October.

The index for imported commodities showed an annual rate of increase of 19,1%, its highest since June 1989's peak of 19,3%. It has jumped from its 4,1% low recorded in August last year, a 15 percentage point climb in just three months.

The increases were largely due to higher imported oil costs and the production cost of petrol and diesel as well as a jump in "other mining and quarrying", up 14% in November from October.

Bankorp chief economist Nic Barnardt said the rise was higher than expected but it should not be interpreted as a renewed upsurge. Consumer and producer statistics should show visible declines towards 13% in the coming months.

Stals cools hopes of interest rate drop

B100m 16/11/91

ALTHOUGH the rate of economic growth will remain relatively low, SA should make it through 1991 with relative ease despite possible inflationary and balance of payments pressures, Reserve Bank Governor Chris Stals said yesterday.

SA should, however, not expect any major relief in the form of interest rate cuts, he said in an interview.

The Bank would continue with its relatively restrictive monetary policy this year and "would not create more money to add support for more loanable funds".

While the "intermediate" variables had generally fallen into place, lower inflation was still the ultimate objective and until that happened monetary policy had not really achieved its objectives, Stals said.

The intermediate variables were lower money supply growth, higher reserves and a slowing in demand for bank credit. These would remain in place until the objective of declining inflation had been attained.

ANDREW GILL

Inflation, which is expected to decline in December and January as a result of petrol price decreases, is now under upward pressure because of Gulf war fears and higher oil prices.

The uncertainty over the Gulf crisis made it difficult to make forecasts with any certainty, he said.

What was needed in the long term was a stable financial system that could realise sustainable economic growth and a drop in interest rates now could contribute to inflation but not to growth, he said.

"If necessary we will pro-actively intervene (in the money markets) to avoid monetary expansion," he said.

On the balance of payments (BoP) he said 1990 was likely to reflect a comfortable R5bn surplus on the current account. However, in 1991 the surplus was likely to

□ To Page 2

JSE threatens UAL over Manserv

ROBERT GENTLE

THE JSE has signalled its intention to institute legal proceedings against UAL Merchant Bank if the Reserve Bank does not unblock R1,5m needed to settle a dispute involving cash shell Manserv.

This emerges in a series of letters — sent to Business Day — between the JSE, the Reserve Bank and Trevor Nel, who represents minorities in the cash shell, Management Services (Manserv).

The R1,5m, which is lodged with UAL, is needed so that an offer might be made to minority shareholders in Manserv, control of which was acquired by an Isle of Man-based company, Financial Ltd, early last year. However, the R1,5m is blocked by the Reserve Bank because Financial is being investigated by the Bank in connection

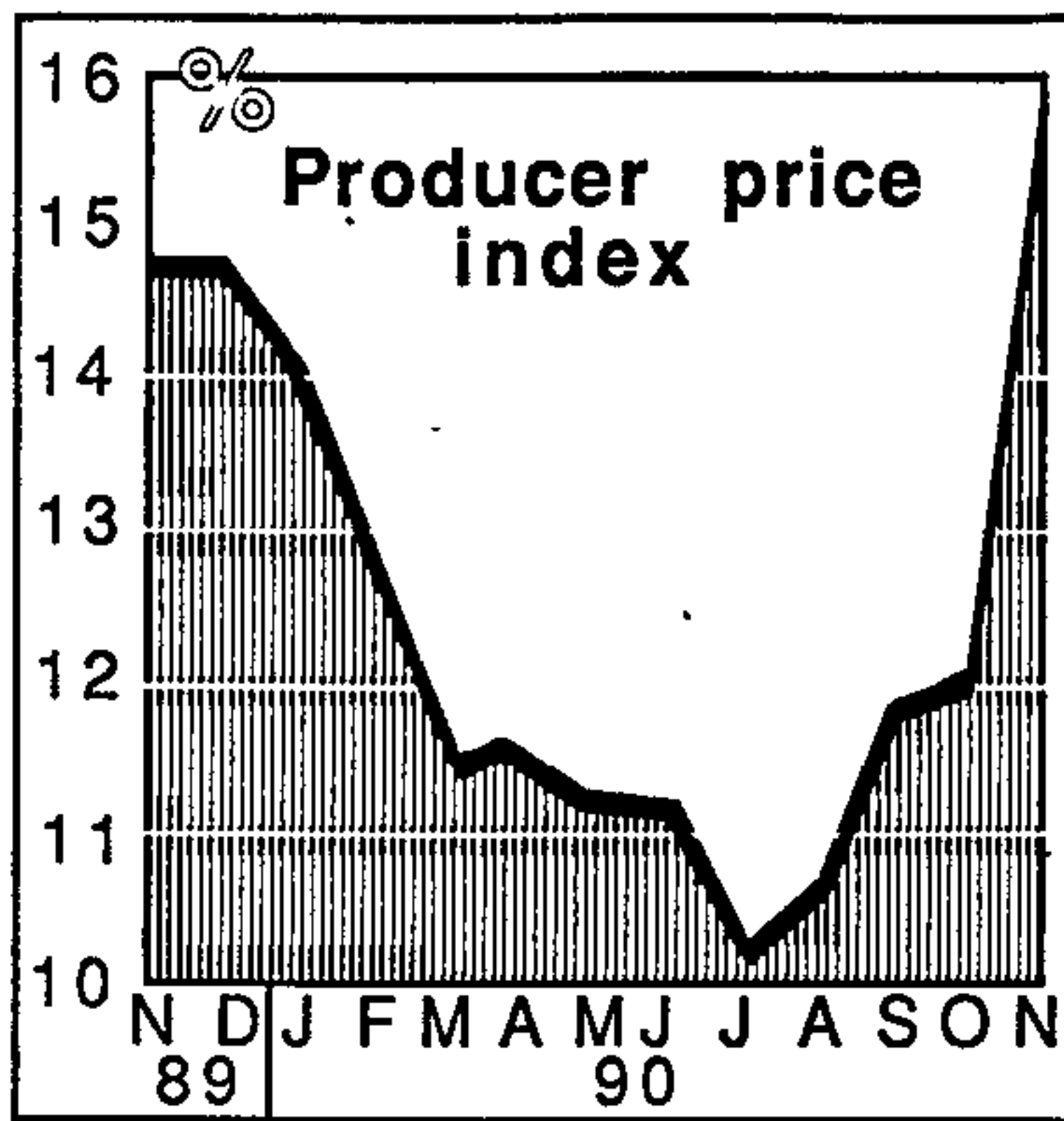
with an alleged forex fraud.

A letter by JSE president Tony Norton addressed to Nel says that if a meeting — scheduled for next Monday with the Bank — does not produce a solution, "we will instruct our attorney to proceed to protect the rights of the minority shareholders in Manserv through the legal process".

In a letter to Norton, Nel confirms the proposed course of action.

UAL executive director Tim Sewell said last night: "The R1,5m is frozen and until it is released we are unable to do anything to improve the situation."

A Reserve Bank spokesman last night confirmed the Monday meeting scheduled with Norton.



'Price rises ⁽²⁴⁴⁾ on the way'

Star 17/11/91.

Consumer Reporter

South Africans should brace themselves for inflation taking an even greater toll on goods, the Housewives' League said yesterday.

League President Lyn Morris was commenting on figures released by the Central Statistical Services (CSS) which showed that the annual rate of increase of the Producer Price Index jumped by 3,7 percentage points to 15,8 percent in November.

Mrs Morris said the biggest contributing factor to the PPI increase was the fuel cost

"When the fuel price goes up everything goes up. When the fuel price comes down nothing comes down," she said.

Mrs Morris said the decrease in the petrol price had not yet taken effect

While she was not surprised at the increased PPI, Mrs Morris said consumers would have to brace themselves for an approximate rise of one percentage point in the Consumer Price Index.

"My big question is whether we will see the benefits of the decrease (in the petrol price). Only time will tell."

"At the moment we are looking at an actual increase of 17c/l for petrol since the start of the Gulf crises."

If the total increase of 42c/l had been built into the price of consumer goods, allowance had to be made for the drop of 25c in the petrol price

"It will be stealing from the consumer if they don't reduce the prices (which were raised as a result of petrol increases)."

Mrs Morris said the decrease in the petrol price should be reflected in this month's figures



Bread price 'up 10c in March'

Own Correspondent

PRETORIA. — The bread price will jump by up to 10c a loaf from March, informed sources predicted yesterday.

The bread subsidy — R65m during the current financial year — will be abolished from the end of February, and price control on bread will end at the same time.

White bread is subsidised by 3,3c a loaf and brown by 7,9c a loaf.

The price is expected to rise by, at least, the amount of the lost subsidy.

However, bakers and millers are expected to recover at least part of their increased production costs by further loading prices. Control over the flour price is also to be abolished.

Wheat Board sources say, however, that increased competition in the baking industry following the scrapping of price control will help minimise price rises.

In November last year the price of bread was increased by 5c a loaf — white to R1,20 and brown to R1,05.

And another bread price adjustment is likely in October with the introduction of VAT. The government has indicated basic foods will not escape the new tax.

Bread price 'will rise again'

PRETORIA — Bread prices were certain to jump by up to 10c a loaf from March, informed sources predicted yesterday.

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GERALD REILLY

and brown to R1,05. ~~244~~ 244

And another bread price adjustment is likely in October with the introduction of VAT. Government has indicated basic foods will not escape the new tax.

Meanwhile, government is expected to make a profit of more than R100 a ton on 700 000 tons of wheat which will have to be imported to supplement the partially failed local crop.

Good quality wheat is plentiful and relatively cheap on international markets and can be landed at SA ports for less than R400 a ton. *B[O]ard 17/1/91*

The board's selling price to millers is R520 a ton.

Trade and others are pressing government to plough the expected profit back into the industry to benefit consumers.

(244)
Star 18/1/91

Govt to relax some control of fuel price

By Peter Fabricius
Political Correspondent

The Government intends to partially relax its control of the price of petrol and other fuels.

New draft legislation published in Parliament would empower the Government to set maximum and/or minimum limits for the price of fuels, rather than fixing a specific price as at present.

This would allow wholesalers and retailers some leeway in setting prices.

A memorandum attached to the Petroleum Products Amendment Bill says the aim of the change would be to promote price competition and to cut the costs of continually setting new prices.

Democratic Party energy spokesman Roger Hulley said last night that the Bill was a partial concession to the demand that free-market forces should determine fuel prices.

The DP believed that the legislation should go further and abolish all price control.

He said that large supermarket chains were urging the Government to allow them to sell fuel at discount while the smaller garages feared this would cut them out of business.

More price hikes on the way, says League

Sowetan 21/1/91

244 (245)

SOUTH Africans should brace themselves for inflation taking an even greater toll on goods, say Housewives' League president Mrs Lynn Morris.

Morris was commenting on statistics released by the Central Statistical Services (CSS) which showed that the annual rate of increase of the Producer Price Index jumped by 3,7 percentage points to 15,8 percent in November.

She said the biggest contributing factor to the PPI increase was the fuel cost.

"When the fuel price goes up, everything goes up.

"When the fuel price comes down, nothing comes down," Morris said.

She said the decrease in the petrol price had not yet taken effect.

While she was not surprised at the increased PPI, Morris said consumers would have to

brace themselves for a rise of about one percentage point in the Consumer Price Index

"My big question is whether we will see the benefits of the decrease (in petrol price). Only time will tell," Morris said.

"At the moment we are looking at an actual increase of 17c/l for petrol since the start of the Gulf crises."

If the total increase of 42c/l had been built into the price of consumer goods, allowance had to be made for the reduction of 25c in the petrol price.

"It would be stealing from the consumer if they don't reduce the prices (which were raised as a result of petrol in-

creases)."

Morris said the decrease in the petrol

price should be reflected in this month's figures -
Sowetan Reporter

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Bread may rise by 10c in March

Star 22/11/91
Consumer Reporter

The price of bread is expected to increase by about 10c when the present bread subsidy and price controls fall away in March.

However, Wheat Board secretary Pieter Nel said plans had been made to limit the increase to the minimum.

The bread subsidy — estimated at R65 million in the present financial year — will be abolished at the end of February. Price control will stop at the same time.

In the first step to a free market system, the minimum price for bread was abolished by the Government in November. Once price control fell away, the price would be determined by the retailer.

The Wheat Board had proposed new standard bread masses including 400 g and 800 g.

"By decreasing the mass we're trying to limit any price increases (in standard loaves)," Mr Nel said.

The last price increase in November was 15c a loaf, raising the price of 850 g standard loaves to R1,05 for brown and R1,20 for white.

● The Housewives' League has said it is foolhardy to withdraw assistance on a basic food in a time of severe economic depression.

VAT, due this year, would probably add another 10 to 15c to the price.

Big liquor rise on way

Own Correspondent

CAPE TOWN — Tipplers face a sobering increase in liquor prices next month *Skp 25/1/91*

According to information given to a major retail group, spirits will cost 10 percent more from February 1, wines 15 percent more and fortified wines about 17 percent more

Group managing director Jonathan Miles said. "This means that whisky would cost up to R30 a bottle and it will be difficult to find a bottle of good red wine for less than R10"

In the light of wine and spirit increases last year, "these latest increases seem pretty high to us"

World commodities' prices expected to keep declining

THE current downward price spiral in world commodities is set to continue in the foreseeable future, says Greenwich Futures's Mark Perkins.

The CRB commodity price index — calculated by the Chicago futures market and based on 21 equally weighted items, including precious and base metals, grains, livestock, and "soft" commodities — has dropped almost 10% since August.

Perkins says the downward trend in base metal prices is expected to be particularly severe because of the slowdown in the world economy.

He says the industrial boom exper-

PETER COUTROMANOS

perienced during the '80s caused an increase in demand for base metals.

In response, major mining companies increased borrowings to increase output and bring new production on stream, but there was still a tightness in supply. Perkins says this resulted in the forward prices for these metals being in what he termed "backwardation". Backwardation occurs when the spot price is higher than the futures price.

Base metal stocks on the London Metal Exchange — apart from zinc

and nickel — have continued to increase dramatically despite falling prices.

Prices of sugar, coffee, cocoa, wheat, maize, lumber, rice and most other commodities have also plummeted over the past year, according to statistics compiled by the Chicago-based Knight Ridder Commodity Perspective.

Precious metals have also been hard hit.

The outlook for oil is increasingly bearish. Perkins expects the price to drop to as low as \$12 a barrel after the conclusion of the Gulf war.

Liquor price hikes likely to dampen spirits

LIQUOR retailers and consumers are likely to be in low spirits when liquor price increases come into effect on Friday.

The price increases (which exclude beer) will range between 8,3% and 16%, says Fedhasa Chamber of Liquor Retailers (Fedcol) chairman Len Polivnick.

He says the price hikes will place pressure on liquor retailers' margins and profitability in 1991.

"Consumer demand is expected to be severely dampened by the increase, and consumers are likely to trade down"

Union Wine national sales manager

MARCIA KLEIN

Schalk Burger says his company is "in the hands of KWV, which controls the price fixing of wine".

He says a good bottle of wine will go up by about 16%, medium price wines by 12% to 16% and lower priced wines by 12%.

Last year wine prices increased by between 12% and 15% and Burger says "there was quite a cutback by consumers on expensive brands" as a result.

He says KWV and the co-operatives stand to gain from the price increases at

the expense of wine retailers. KWV was unavailable for comment.

Sapa reports that the price hike can be attributed to increased production costs

Fedhasa executive director Fred Therman says the increased costs of retailers will be curtailed by tough competition and consumers should shop around.

Producer price increases will have to be passed on directly to the public, he says.

International liquor consultant Michael Fridjhon says the increases are well below the industry's input inflation and inefficient producers will feel the crunch.

Polivnick says

244



CONSUMER PRICE INDEX (244)

FUELLING FOOD PRICES

The biggest components of the consumer price index are food, housing and transport (weighted at 22,72, 21,21 and 17,23 respectively) In the 12 months to December food prices rose 15,3%, housing costs only 6,1% and transport 19,8%

Other important components are clothing (5,98) with a 13,2% price rise, furniture and equipment (4,72) 11,8% and household operations (3,77) 17,7%

An important element of transport is running costs, which rose 22,7% So it seems the biggest stimulus to year-on-year inflation of 14,6% last year came from rises in the fuel price ~~FIM~~ 11/2/91.

Fuel costs may also have contributed indirectly to the extent of the food price increase Unprocessed food (an 11,75 weighting in the total index) rose 13,7%, while processed food (10,97) rose 17% Additional costs may have come when primary commodities were transported during processing

□ Average inflation for 1990 was 14,4% after 14,7% in 1989, 12,9% in 1988 and 16% in 1987 ■

Wholesale beer prices rise 9,7%

MATTHEW CURTIN

WHOLESALE beer prices go up by an average of 9,7% today in the wake of SA Brewery's announcement of the price hike at the weekend *Monday 11/2/71*

An SAB spokesman said the price increase would vary according to packaging and geographical areas, depending on transport charges.

SAB brewery division MD Graham Mackay said the rise was below the rate of inflation for the 14th successive year.

SAB had made sure quarts and pints would be affected by the lowest increases of about 9%. Quarts and pints make up about 75% of the beer market in SA.

Mackay said the "small increase" demonstrated SAB's contribution towards the fight against inflation.

He said SAB had no control over retail prices as bottle store and bar owners set their own prices.

Leap in PPI rate should unwind

B (Day 11/2/91)

NOVEMBER's big jump in SA's rate of producer price inflation should partially unwind when the December producer price index (PPI) is published, probably on Thursday PPI inflation leapt to 15,8% in the year to last November from 12,1% posted in the year to October

Most of the pressure in this unusually large increase came from the imports component of the index. Oil was probably the principal villain of the piece: oil prices soared to 10-year highs of around \$41 a barrel in late September and mid-October following Iraqi threats to attack Saudi Arabia's oilfields. These oil price peaks would have entered importing countries' PPIs in time for the November outturn.

The start of the Gulf war has shown that Iraqi capacity to hit oilfields outside the combat zone is very limited, and oil prices have fallen by half from last year's peaks to levels around \$20. These fourth quarter moves should begin to show up in the PPI through the import component from the December figure onwards.

It is unlikely that imported producer price inflation could have entered the PPI from any source other than oil: the trade-weighted value of the rand (the rand's value against a basket of trading partners' currencies) has been fairly stable at just above 30 on its effective index (January 1979 = 100) for about six months.

Internationally, after a week without significant economic data from the US, the markets will be keenly awaiting several statistics on the American economy in the latter half of the week. These figures, in turn, could influence the

US authorities' credit stance and, therefore, the level of support for the embattled US dollar.

On Wednesday, January's US retail sales data are published and are likely to show continued lacklustre high street activity and consumer spending. Retail sales in December were up only 3,6% on a year earlier, which is a fall of around 1,5% after inflation is taken into account. Retail sales represent a sizeable share of the economy — about half of total consumption and a third of GNP — so continued weak-

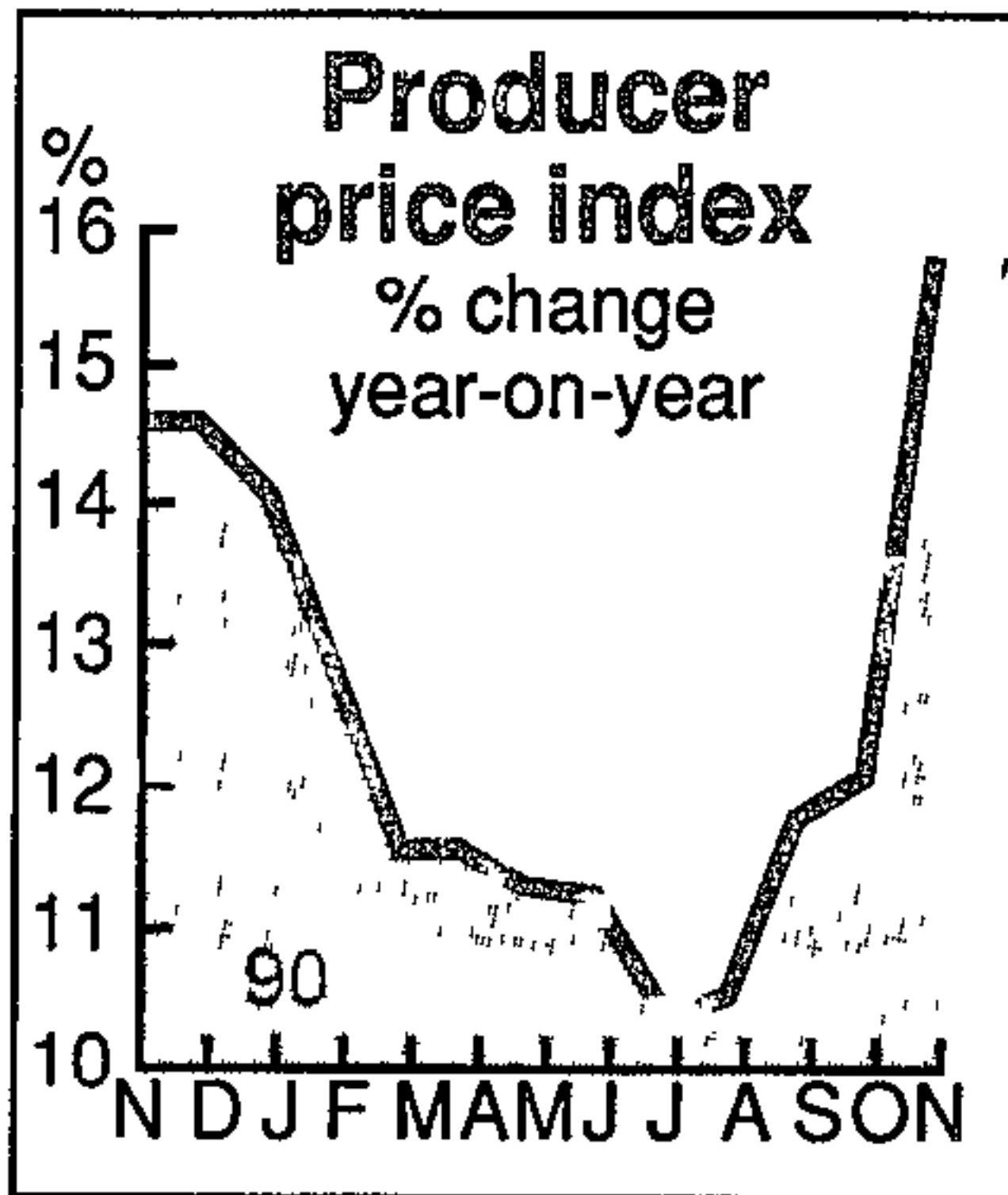
ness could be instrumental in bringing US interest rates down further.

US money supply figures are released on Thursday and will also have a close bearing on when the US central bank, the Federal Reserve, next cuts interest rates. It is only recently that money supply figures have become as important in the US as they already are in, for example, the UK and SA. During the financial deregulation in America over the past decade, money supply statistics were thought to be distorted by many new sources of credit.

Now, however, the falling rate of monetary expansion is believed to have a lot to do with the deepening recession in the US, as it is a sign that American banks are curbing their lending. Annual growth rate in M2, the intermediate money measure targeted by the Federal Reserve, has slowed to such a degree that it is bumping along at the bottom of the authorities' 3-7% target range. Another cut in US rates is more likely if M2 growth slows further.

Friday sees the publication of the UK inflation rate, falling from its 10,9% peak late last year and at 9,3% in the year to December. A continued slowdown should boost sterling to higher levels and enable the Bank of England to cut base rate from its present 14%.

A snapshot of US industry also emerges on Friday, and is likely to show another negative reading of industrial production in January and another fall in capacity utilisation — that is, the operating rate of factory plant. In sum, more persuasive indications that another cut in US interest rates is on the way.



Graphic LEE EMERTON Source CSS

Beer price rise shocks Fedhasa

MATTHEW CURTIN

FEDHASA was shocked by SA Breweries' announcement at the weekend of a 9,7% average wholesale price increase for beer, Fedhasa executive director Fred Thermann said yesterday.

Thermann said the price hike was "very upsetting in principle".

"We would like to have had a bit more breathing space after the wine and spirit price rises," he added.

Fedhasa members would have to contend with disgruntled customers as they passed on this increase and their other cost rises to the public.

Thermann noted the increase was below the inflation rate, a reflection of the large volume of beer SAB sold nationwide, but he questioned whether any increase at all was justified.

He called on SAB to give greater warning of beer price increases as a time-lag

would cushion "the immediate impact on the public".

Fierce competition between retailers was likely to keep the retail price increase as low as possible, although it would vary from area to area. Thermann would not comment on what the likely retail increase would be. He said Fedhasa would welcome more independent beer brewers in SA, to give the public and retailer greater choice.

SAB brewery division spokesman Adrian Botha confirmed yesterday that while the average price increase was 9,7% for the wholesaler, it reflected a greater percentage profit margin for SAB.

Botha pointed out the wholesale price included an unchanged average 21% excise duty.

Crime in city centres takes a knock

GERALD REILLY

PRETORIA — Muggings and incidents of street crime had dropped markedly in the CBDs of Johannesburg, Cape Town and Durban following the creation of special tourist assistance groups, the SA Tourism Board said yesterday.

A board spokesman said the units, which make recommendations on anti-crime measures, were formed after discussions between the board, the travel industry and Law and Order Minister Adriaan Vlok.

Tourism Board director Spencer Thomas recently claimed muggings and street crime had become a more important fac-

tor in dissuading foreign tourism than township unrest and violence.

Vlok agreed to set up a strategically situated charge office in Johannesburg.

The spokesman said travel industry representatives had recently reported the number of muggings and related street crimes had fallen off sharply in Johannesburg.

Regional security working groups were to be formed in Johannesburg, Durban and Cape Town to monitor CBD crime on a monthly basis.

Beer price (244)
rise a shock,
say hoteliers
Staff Reporter 12/2/91

The increase in the wholesale price of beer was a "shock", coming so soon after increases in wine and spirit prices, the Federated Hotel and Liquor Association of SA (Fedhasa) said

South African Breweries (SAB) announced at the weekend that the increase would be an average of 9,7 percent

Fedhasa executive director Fred Thermann said the retail industry would have liked to have more breathing space

Mr Thermann said the increase was below the inflation rate but beer sales were considerably up on last year and it was questionable whether any increase was justified

Retailers, he said, would have no choice but to pass the cost on

Working group set up to probe community courts

WILSON ZWANE

JUSTICE Department officials and members of the Alexandra Civic Association (ACO) have agreed to set up a joint working group to investigate the possible creation of community courts in the township.

Justice Ministry spokesman Maj Elsa Jones said it had been decided to establish the working group at a meeting between Justice Minister Kobbie Coetsee and delegates from ACO and the Resource Group, an organisation of legal experts, in Cape Town this week.

"Proposals emanating from the group's discussions will be considered by the minister in due course," Jones said.

ACO official Richard Mlakane said the group would get going "soon after all the parties concerned have chosen their delegates".

Jones said the proposals put forward by ACO president Moses Mayekiso had much in common with government initiatives aimed at making "the administration of justice accessible to people of all levels".

Mayekiso recently said the proposed community courts would involve trained people who would resolve community disputes through mediation, arbitration and negotiation.

They would not be like the discredited kangaroo courts which were often constituted at the whim of an individual, Mayekiso said. And residents would not be coerced into using these courts.

The Resource Group, which was formed by the Witwatersrand Centre for Applied Legal Studies and the National Association of Democratic Lawyers (Nadel), would train people involved in the courts in the mechanisms of mediation, arbitration and negotiation.

Fare rise to aid rail revamp

LINDEN BIRNS

SUBURBAN rail fares will increase by 10% on April 1 in order to help finance a major multimillion-rand overhaul of rail-

way security and facilities. Transport, Public Works and Land Affairs Minister George Barlett announced the increase in Parliament yesterday.

Spoornet marketing GM Koos Meyer said the increased revenue would be used for a general upgrading of passenger safety and services at all Metro (suburban line) stations over a five-year period.

Stations in the PWV area, Durban, Cape Town, Port Elizabeth and East London would benefit.

"The major improvements we are looking at are in passenger safety and general security. We have an agreement with the SAP whereby we provide the infrastructure — items like secure fencing and charge-office installation — which they

will then man," he said.

Other items to be repaired, upgraded or installed include platform lighting, benches, abutment facilities and roofing.

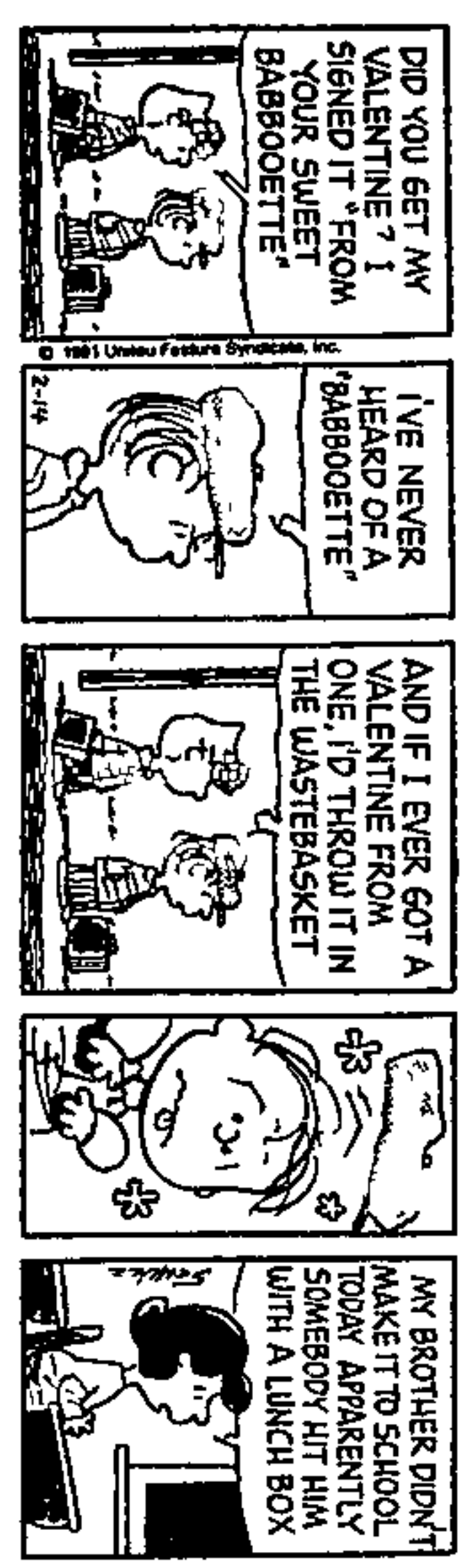
The programme would cost "many millions" over the next five years, he said.

Work had already begun at stations in Benoni, Kallahong and Soweto, while 60 to 80 stations on the Reef and in the Cape would receive attention in the new financial year, Meyer said.

Spoornet is also planning to install a new electronic fare collection and ticket dispensing system to replace obsolete electro-mechanical machines currently in use. The fare increase is the second in five months with the most recent increase of 9% occurring in November last year.

PEANUTS

By Charles Schulz



Standard Bank Investment Corporation Limited

(Incorporated in the Republic of South Africa)

(Registered bank controlling company) (Reg No 69/17128/06)



Rise in PPI

falls to 14,7%

few 13/2/91
Lower world oil prices brought the year-on-year increase in the producer price index (PPI) down to 14,7 percent in December from 15,8 percent in November, the Central Statistical Services reports

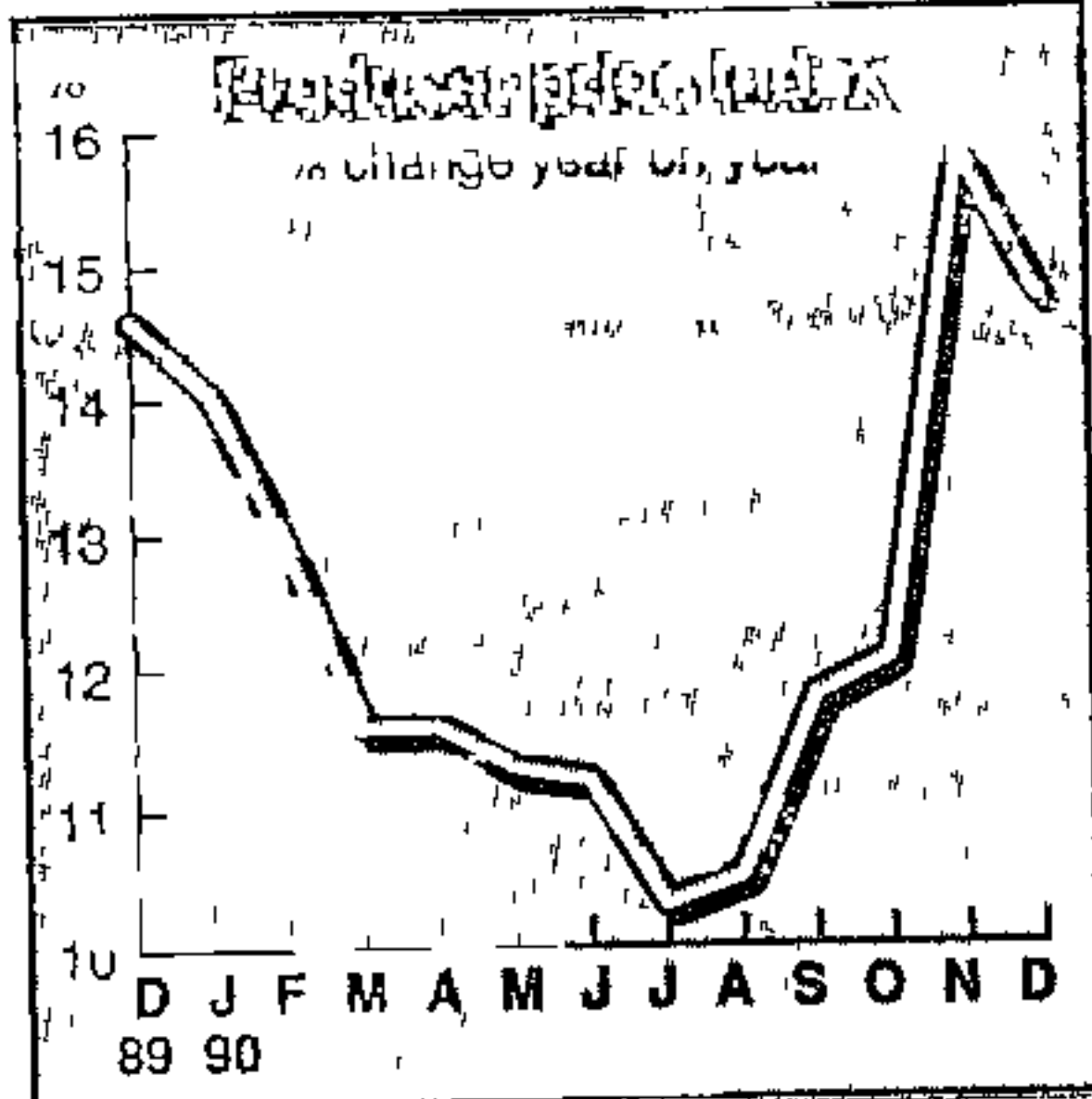
The price rise for imported goods in December was 15,4 percent, 3,7 percentage points down from November's 19,1 percent

The index of local industry showed an annual change of 13,8 percent in December, down from November's 14,3 percent

The rate of increase in SA commodities for local consumption was also down at 14,6 percent (15,1 percent)

The average increase in the PPI last year was 12,3 percent, against 15,2 percent in 1989 and 13,2 percent in 1988

Sapa



Graphic: FIONA KRISCH Source: CSS

Lower oil prices push PPI down

SHARON WOOD

LOWER global oil prices have pushed the producer price index (PPI) down by 0,1% between November and December, Central Statistical Service (CSS) figures released yesterday showed

The annual rate of increase in the PPI dropped to 14,7% from 15,8% in November. Economists predicted the rate would slide to the pre-Gulf crisis 11%

Lower prices for imports pushed down producer prices in December, with the imported component declining by 2,8% on a month-on-month basis. The "other" mining and quarrying component, which directly measures the oil price when it reaches SA, fell by 6,6% between November and

December

244

Domestic price increases inched up by a month-on-month 0,5% (an annual rate of 14,6% from 15,1%)

The capital market had a bullish response to the release of the PPI, with rates on the key Eskom Loan E168 dropping to 15,36% in late trade after climbing to 15,42% prior to the release of the figures

The largest price increases recorded by the CSS in December were in fishing products (up 11,4%), fresh meat (up 7,2%), tobacco products (4,1%), and electricity, gas and water (2,7%)

61004 13/21/91

Petrol price is likely to be cut

TWO cuts in the price of petrol and other petroleum products may take place soon, informed sources indicated in Pretoria yesterday.

The first - possibly by 5c a litre for 93-octane petrol - may be announced by the Government next week after the

Sowetan 13/2/91
National Energy Council this weekend releases its January figures relating to prices of crude oil imports.

This would drop the pump price in the PWV area to R1,30c a litre, with corresponding cuts in other areas.

A second cut, by "a much greater figure" a

source said, would probably take place in mid-March provided the Gulf War situation did not adversely affect ruling international prices for crude.

Crude oil was yesterday being traded at 20,20 US dollars a barrel on the Tokyo Stock Exchange, a price similar to the closing figures in New York

yesterday.

The price has been see-sawing between 19 and 23 dollars for about three weeks after, at an early stage of the Gulf crisis, reaching over 40 dollars a barrel.

Campaign

NEC spokesman Henrie de Villiers said yesterday that he could not confirm a change in the price of fuel. He added, however, that if crude oil prices remained at current levels and the State's over-recovery on the price of petrol continued, "the Government may have to look at it (the price of fuel)."

It is understood that until January 15 there had been a slight under-recovery on the price per litre of petrol, but since then the crude prices had dropped considerably, raising hopes of a reduction in the price of petrol.

Meanwhile, South African motorists achieved a nine percent saving in petrol during November and December, as a result of a fuel saving campaign launched by the NEC and the oil industry. The figures for January are expected next week.

Sowetan Correspondent

244 Star 13/2/91

Two cuts in petrol price likely

By Norman Chandler
Pretoria Bureau

The price of petrol and other petroleum products may be cut twice soon, sources in Pretoria indicated yesterday

The Government could announce a cut of 5c a litre for 93-octane petrol next week after the National Energy Council (NEC) releases its January figures relating to imported crude oil prices

This would bring the pump price in the PWV area to R1,30 a litre.

The sources said there would be a second "much greater" price drop in mid-March, provided the Gulf War did not adversely affect ruling interna-

tional crude prices

Crude oil was yesterday being traded at \$20,20 a barrel on the Tokyo Stock Exchange. The price has been seesawing between \$19 and \$23 for about three weeks. In the early stage of the Gulf crisis, the price shot up to more than \$40

The South African fuel price is based on a barrel price of \$26 and a rand/dollar exchange rate of \$1 to R2,52.

NEC spokesman Hennie de Villiers yesterday could not confirm a change in the price of fuel, but said that if crude oil prices remained at current levels and the State's "over-recovery" on the price of petrol continued, the Government

might re-examine the price

South African motorists achieved a 9 percent saving in petrol during November and December as a result of a fuel campaign launched by the NEC and the oil industry

Free State motorists appear to be the top savers, with a saving of 14 percent during November and 9,9 percent in December

Cape motorists saved 7 percent and 5,5 percent, Transvaalers just on 5 percent and 5,9 percent and in Natal 2,8 percent and 5,5 percent

NEC group executive Dr Robert Scott said in Pretoria that as long as Iraq occupied Kuwait, the threat to oil production remained imminent

Train fares to rise by 10 percent

Staff Reporter

Train fares throughout South Africa will be increased by about 10 percent from April, a total increase of 20 percent in less than six months.

The fares rose last November.

Income from the latest increase would be used to improve security, upgrade passenger facilities, implement a faster

and more sophisticated electronic method of fare collection and reduce the 70 percent State subsidy, said SA Rail Commuter general manager (marketing) Dr Koos Dreyer.

He said that in spite of the high inflation rate, rail commuter fares still compared favourably with other modes of transport.

Dr Dreyer said several

stations were already being upgraded and 361 would be improved in the next four years.

Improved security was being effected by fencing off stations, building charge offices for police, increasing security personnel and repairing vandalised lights and cables. A faster and more sophisticated method of fare collection would be implemented

Another 4c a pack goes up in smoke

Consumer Reporter (244)

Smokers will pay more for cigarettes after the wholesale cost of cigarettes rose by about 2,5 percent yesterday.

The increase will result in an extra 4c for a packet of 20 and 6c for 30. *15/2/91*

Announcing the wholesale increase, Transatlantic Tobacco Company said the wholesale cost of cigarettes would in-

crease by R1,80 a 1 000, effective immediately.

"This will result in an increase of 2c per 10 cigarettes at retail level.

"After allowing for GST, the increase to the consumer on popular brands will be approximately 2,5 percent," a company spokesman said.

The company said the increase was due mainly to rising costs of imported materials.

Local petrol price sky-high - DP

THE petrol price could be immediately cut by 10 cents a litre.

Speaking about the probable drop in price during the debate on the Petroleum Products Amendment Act yesterday, Mr Roger Hulley (DP Constantia) said

on Thursday he believed South Africans were paying too much for petrol.

The DP opposed the Bill because it violated the principle of market-related pricing.

"Government interference and price fixing

of a vital commodity like petrol invariably costs consumers more than pricing resulting from free competition."

On a purely temporary basis, the DP accepted the present need to set a maximum price for petrol, but it could see no justification for any minimum price.

244

Price of food higher than inflation rate

By Paula Fray
Consumer Reporter

Food prices soared above the inflation rate during 1990, with the cost of vegetables alone increasing by a whopping 33,5 percent, statistics compiled by the Consumer Council show.

The cost of general foods rose by 16,1 percent, while the increase in all other items was an average of 14,3 percent during 1990.

Lowest

The price of fruit and nuts increased by an average of 25,7 percent. Meat increases were the lowest, with an average increase of 9,6 percent during 1990. Dairy products — milk, cheese and eggs — increased on average by 20,2 percent at the same time.

According to Dr Azar Jammine, director and chief economist of Econometrix, food prices at consumer level have

risen faster than at producer level.

"What is disconcerting is that at producer level the farmers are not getting the benefit of the increase."

He said many factors contributed to the high consumer price, including monopolies and the poor weather conditions.

In the end the consumer paid. "Unfortunately the situation in South Africa is different from other countries where there is increased competition at producer and distribution levels," he said.

Increased competition would be the answer, he said.

Relief may not be in sight for consumers. Farmers in Natal have recorded high prices for poor quality fresh produce, with one farmer receiving the highest average price for lettuce in the past few years. The lettuce he sold were described as "of the worst quality".

High-quality lettuce was fetching R35 a crate — five times the "normal" price of R7 — in Durban last week.

244
15/12/91
B

Red meat prices set for big drop

Monday 19/2/91
244 MARIETTE DU PLESSIS

RED meat prices were set to drop significantly in the first half of this year as market conditions for producers deteriorated more rapidly, an SA Agricultural Union spokesman said yesterday.

SA's R5,5bn in foreign debt repayments scheduled for 1991, the high rate of inflation, and recessionary conditions in the international economy indicated the local economy would show little growth, affecting agriculture.

While agriculture as a whole would experience a bad year, red meat producers in particular would find themselves in a significantly weaker financial position. However, this would depend on the marketing pressure and lower prices that might occur, he said.

Beef prices in 1990 were lower than those of 1988, despite agricultural inflation since then of around 30%, Agri-Africa director John Harrison said. This, together with the importation of 4 000 tons of beef for processing last year, was affecting market conditions.

Tariff protection was recently introduced by government to protect producers against cheap subsidised meat imports from the TBVC states, Red Meat Producers' Organisation assistant manager Gerhard Schutte said.

However, Harrison was critical of this, saying if meat importers were willing to pay the tariff, they should be allowed to sell the subsidised products.

SA petrol price should drop, says analyst star 19/2/91

By Mark Suzman 244

Although the Government has said there will be no petrol price reductions in the near future, the world oil price has continued to drop, increasing the discrepancy between local and international fuel prices

According to Tony Twine, a director of economics think-tank Econometrix, the present petrol price of R1,35/litre is based on an international oil

price of \$26 a barrel at an exchange rate of R2,52 to a dollar

In the past month the oil price has rarely strayed above \$22 a barrel and in recent days has dropped to \$17.

At these levels, says Mr Twine, the local price should at least be reduced to its September 1990 level of R1,28/litre, which was based on a \$22 a barrel oil price and could easily be reduced to its pre-war level of R1,18/litre if the price re-

mained at the \$17/barrel level

Despite this, Minister of Mineral and Energy Affairs Dr Dawie de Villiers on Friday denied speculation that there would be any drop in the price of fuel.

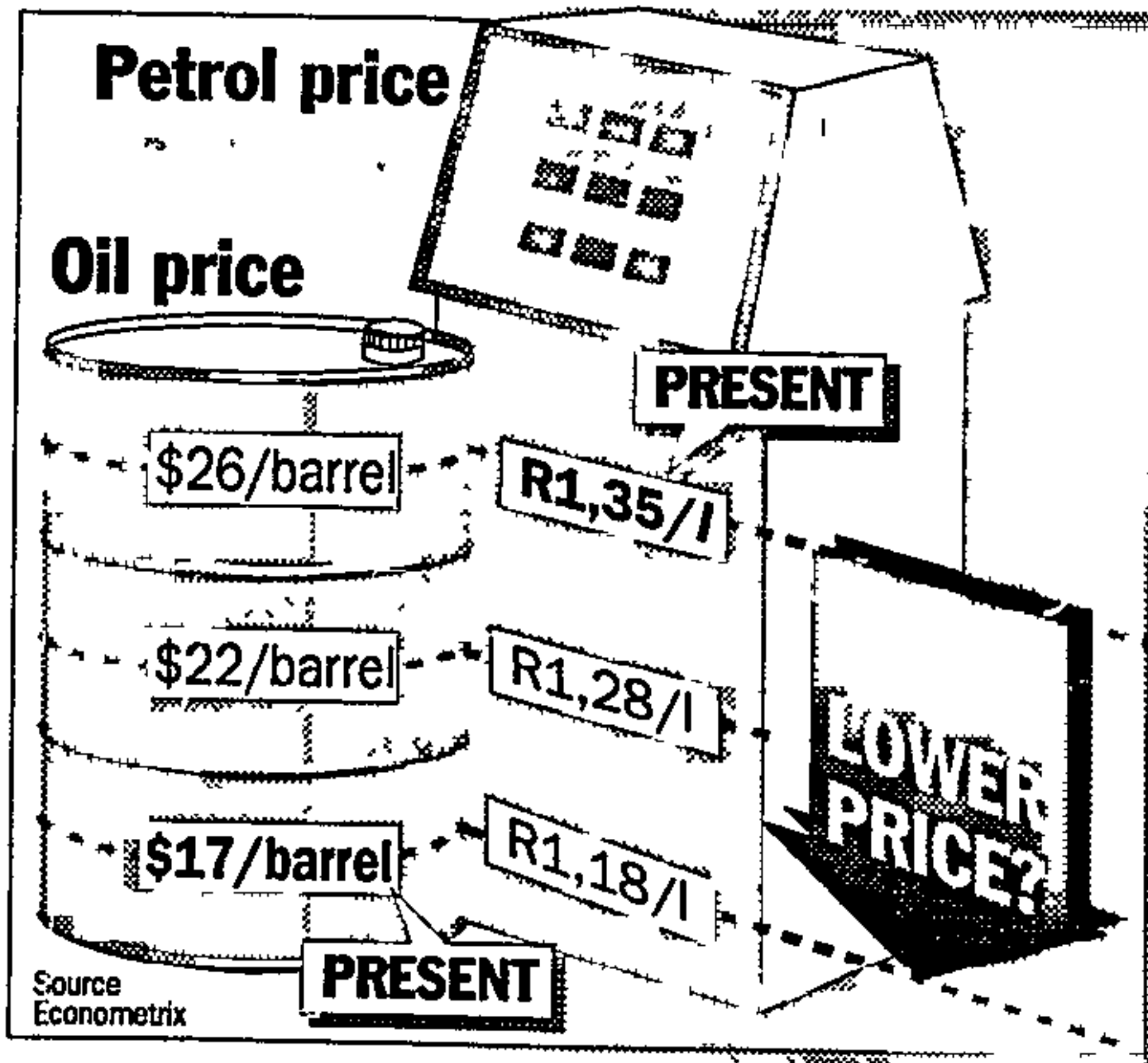
Dr de Villiers pointed out that although crude oil prices had been dropping, the price of refined petrol had in fact increased because of the war, lower exports from the Soviet Union, Europe's cold weather and panic purchases.

In addition, higher marine insurance rates had led to increased shipping costs

According to Dr de Villiers, the combination of these factors had actually led to under-recoveries of fuel prices in South Africa in January, although he said it would not be necessary to raise petrol prices to cover these as the Government's Equalisation Fund would finance the difference

He warned that, given the overall situation, it would "be unwise to implement price adjustments because circumstances could change substantially in the short term"

But according to Mr Twine, while it is true that factors such as those mentioned by Dr de Villiers could affect the petrol price in the short term, lower crude prices should translate into lower prices at the pump



GENERATE MORE PROFIT

C

Fuel price 'dropped 40% in past decade'

ZILLA EFRAT

THE petrol pump price of 93 octane in the PWV area has fallen in real terms by about 40% over the past decade, research by Sasol has found

This fall is attributed to relatively low real increases in levies and taxes and a 37% fall, in real terms, in the international market price at the coast over the period

Sasol says the higher efficiency of modern vehicles, combined with the lower real price of petrol, has resulted in, on average, a smaller percentage of personal disposable income being allocated to petrol purchases

Average annual petrol price rises have been lower than other energy sources over the last 10 years

Sasol says the price of electricity and coal increased on average during

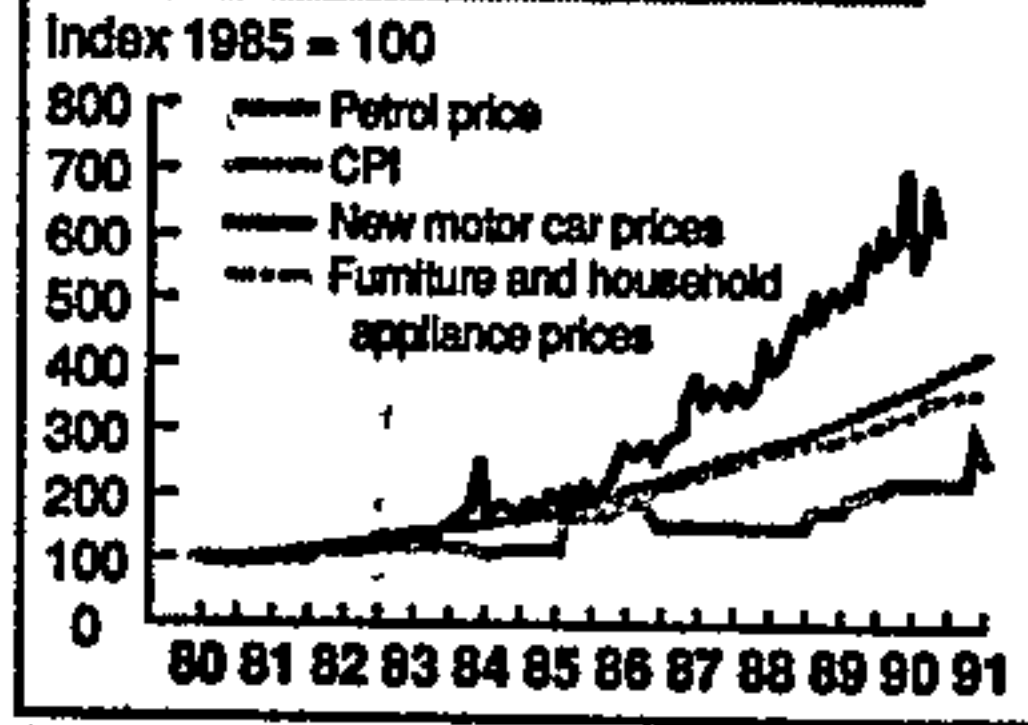
this period by 14,7% and 12,5% a year respectively, while the petrol price rose only 9,6%.

An analysis of the percentage rise in the components of the petrol price over this period shows that levies and taxes showed the greatest drop — 60,9% in real terms from 1980 to 1990.

The international market price fell 36,6% and inland transport costs declined 41,2% in real terms. While the industry margin showed a 24,3% decline, the retail margin rose 2,4%.

In addition, the integrated netback price — which is the international market price plus the wholesale and retail margins — received by the petroleum industry has shown a real fall

Petrol price versus durable goods and CPI



Graphic: FIONA KRISCH Source: SASOL

of 27% since 1980

Sasol says this is because SA's petrol price is derived from international product prices and is not increased with the higher cost of production.

Stamp, telegram and phone-rent rises likely

By ALAN DUNN, ^{NK645} 25/12/19
Political Staff

STANDARD inland stamps are expected to increase in price from 21c to 25c on April 1.

And telephone rents, which rose by R3 a year ago, are likely to go up by R3, bringing the fee to R24

Ordinary letter post, which rose by 3c to 21c last year, is set to increase another 4c.

The Minister of Public Enterprises, Dr Dawie de Villiers, today announces general rises in post and telecommunications tariffs.

In his annual report the Postmaster-General, Mr Johan

de Villiers, hinted at general increases. He said the absorption of price and cost increases could no longer be maintained

Losses on unprofitable services surged by 38,6 percent in 1989/90 to R376-million, he said. This represented 32,1 percent of operating expenditure.

"Although it is still the aim to keep tariff adjustments below the inflation rate, more realistic adjustments will have to be effected in future to gradually phase out cross-subsidisation and demand distortion," he said.

Increases were also needed to to strengthen the balance sheets of the envisaged sepa-

rate telecommunications and postal services enterprises.

Also on the cards is an increase in the cost of telegrams. The present minimum charge is R5,50 (R4 handling fee and R1,50 for the first 10 words, plus 15c a word for longer messages)

The minimum is due to rise to R6,10

It is understood that Dr De Villiers may further, in a R9-billion budget, announce increases in call-unit tariffs — they remained the same last year at 13,5c for five minutes for local calls

He is also likely to announce an increase in telephone instal-

lation fees, which remained static last year

In his speech to parliament Dr De Villiers will apparently address the desirability of splitting Posts and Telecommunications into two public companies. Legislation to that end is being considered by parliament.

He may also speak on a new strategy for mail services, announcing efforts to market them and increase profitability, and favouring road transport for mail in places where it is more viable

Planned improvements to the mail service follow widespread criticism last year of delays in delivery.

PO tariffs to go up from April

244
~~244~~
SD meter 2/6/2/91

POSTAL and telephone service charges will increase from April 1.

Announcing the increases, the Minister of Mineral and Energy Affairs and Public Enterprises, Dr Dawie de Villiers, said his department had experienced great pressures last year.

Labour disputes, stayaways and the high levels of interest rates had forced the department to raise fees.

The increases that will affect the consumer immediately from April 1 are

- * Telephone unit charges increase from 13,5c to 15c;
- * Unit costs from pub-

**By ISMAIL LAGARDIEN
Political Correspondent**

lic telephones increase from 20c to 30c,

* Telephone rental increases from R21 to R24 a month;

* Telephone installations increase from R140 to R155;

* Stamps increase from 21c to 25c;

* Packages which weigh 1kg increase from R2,10 to R2,50;

* International telephone calls increase from 13,5c to 15c a unit for 1,5 seconds,

* Telegrams increase from R4 to R4,40. In the case of ordinary telegrams, the price of R1,50 for the first 10 words increases to R1,70

and each additional word jumps from 15c to 17c.

In the case of an urgent telegram the price for the first 10 words rises from R3 to R3,40 and each additional word from 30c to 34c.

The minimum charge for ordinary telegrams rises from R5,50 to R6,10

* The fee for registered postal items increases from R1,20 to R1,50;

* Certification of a postal article increases from 60c to 75c;

* Priority mail increases from R2,75 to R3,50;

* Express delivery of a postal article increases from R2,75 to R3,50;

* Postal order commission varies between 1c and R2,30 and from April 1 the variation rises to between 2c and R2,70;

* Money orders (inland) handling charges increase from R1,75 a money order plus 1,25 percent to R2 plus 1,5 percent;

* Telegraphic money orders increase from R2,75 and 1,25 percent levy to R3,20 and 1,50 percent plus R1,75 for the advice telegram plus 17c a word



Post Office tariffs up an average 10%

CAPE TOWN — Government has announced average tariff increases of 10,6% for post and telecommunication services.

Proposing a R9,5bn Post Office budget, Public Enterprises Minister Dawie de Villiers told Parliament yesterday standard inland postage rates would increase by 4c to 25c a letter on April 1.

Postage on ordinary parcels of 1kg would increase by 40c to R2,50.

Telephone installations go up by R15 to R155, telephone rentals increase by R3 to R24 a month, call unit costs increase 1,5c to 15c a unit, and com-phone tariffs rise by 10c to 30c. The minimum cost of a telegram goes up from R5,50 to R6,10.

Concessionary rates for pensioners remain unchanged, with a telephone installation fee of R25 and rental of R18 a month for automatic exchanges and R19 for manual exchanges.

Introducing the Post Office Appropriation Bill, De Villiers said this was the sixth consecutive year the Post Office's tariff increases were substantially lower than the inflation rate.

The estimated operating expenditure would be R7,822bn. At present tariffs revenue was estimated at R7,095bn resulting in an operating deficit of R727,1m. The

BILLY PADDOCK

tariff increase was expected to realise an extra R753m, converting the operating shortage into a modest R26m surplus.

Total growth in revenue was estimated at 19% against an increase of 20,2% in operating expenditure.

He said the policy of rationalising the tariff structure was being taken further by the proposed tariff adjustments and implied a gradual phasing-in of more cost-related tariffs and the phasing out of cross-subsidisation.

The proposed new telephone rental tariffs of R24 for automatic exchange connections and R25 for party lines meant rentals were still being subsidised because the cost of providing these services was R43 and R120 respectively.

De Villiers said installations were still operating at an under-recovery rate of R185. An ordinary parcel of 1kg cost R3,33 to handle, representing an 83c under-recovery on the new tariff, while an airmail parcel represented a loss of R1.

Despite tariff adjustment, the loss on unprofitable services was estimated at R616m for the 1991/92 financial year, of

□ To Page 2

Tariffs

which the loss on the postal service would amount to R268m and on the telex and teletex service R230m.

Notwithstanding a growth of 9% in mail traffic and the increase of tariffs in the past financial year, a loss of R287,7m on postal operations was expected this year. A R15,6m loss on money transfer services would bring the total to R303,3m.

He said several investigations were undertaken during the year to formulate a strategic and business plan to put postal operations on a profitable footing.

The long-term plan devised entailed

- Acceleration in the growth rate of business handled by postal service to 5,2% a year (2% a year higher than historic

From Page 1

growth rate),

- The improvement of efficiency and productivity by about 2% a year;
- The gradual adjustment of tariffs to make them more cost-related.

TANIA LEVY reports the National Consultative Committee on Post Office Affairs — representing the SA Chamber of Business (Sacob), Afrikaanse Handelsinstituut (AHI) and the Steel and Engineering Industries' Federation of SA (Seifsa) — welcomed the fact that telephone increases had been kept below the rate of inflation.

However, it said mail users and particularly mail-orientated businesses would be hard hit by postal rate increases.

● See Page 8

(244)

Inflation rate continues on a downward trend

By Sven Lünsche

December's 10c reduction in the petrol price helped cut inflation to 14,3 percent in January from December's 14,6 percent

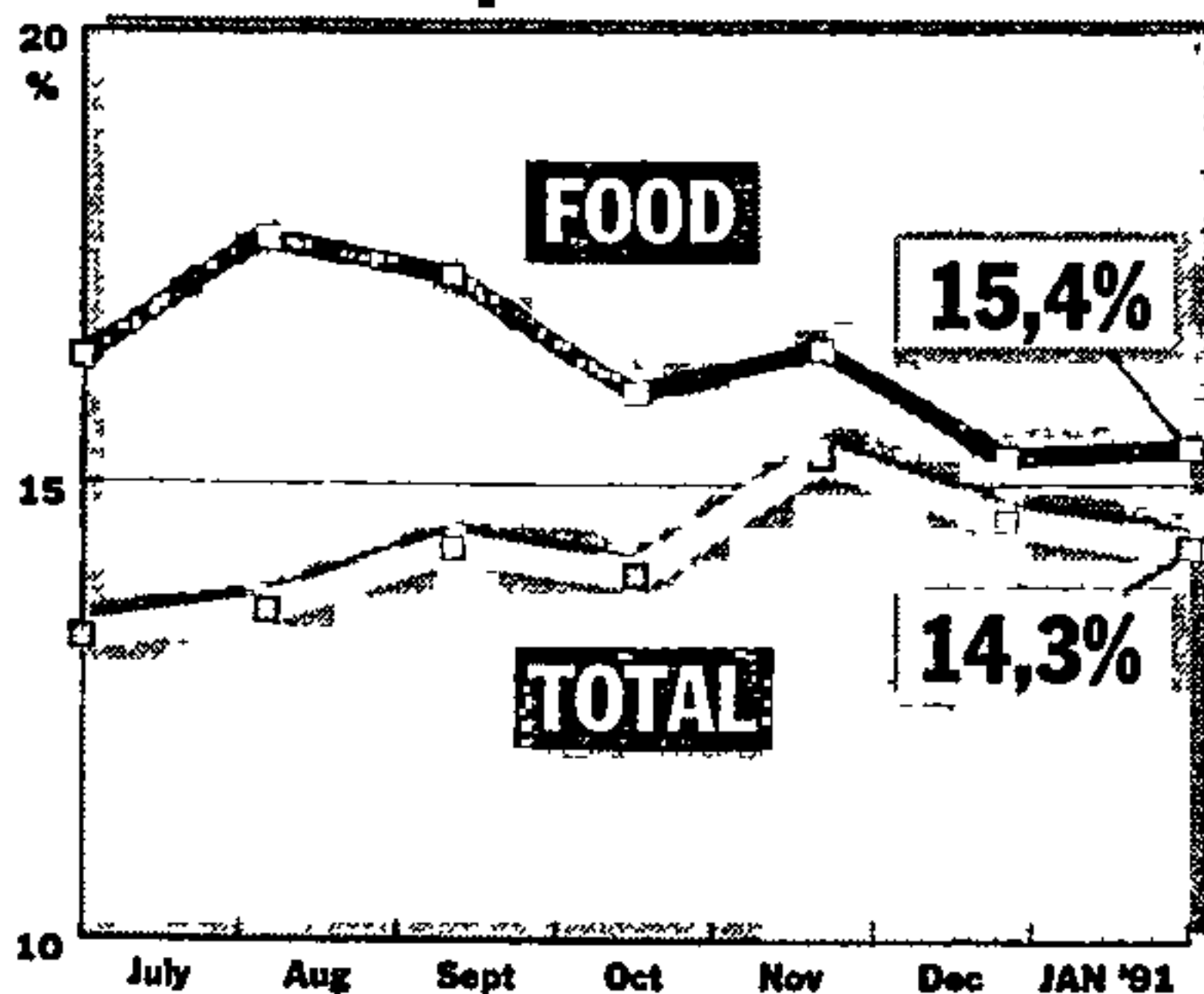
Since last November the consumer price index (CPI) has been shadowing the petrol price, the initial 25 percent increase in October pushed the November inflation rate — the year-on-year increase in the CPI — to 15,3 percent

Subsequent drops in the fuel price — 15c on November 12 and 10c in December — lowered the rate of inflation in December and January

This is also reflected in monthly increases in the CPI. In November the CPI rose 2,1 percent, in December 0,7 percent and in January 1,1 percent

Central Statistical Services says of the January figure that without the previous petrol price fall, the inflation rate in January would have been

Consumer price index



14,5 percent.

Events in the Middle East and their impact on international oil prices will continue to impact strongly on local consumer prices

If, however, as Old Mutual's economist David Mohr says, the influence of this factor is ignored, inflation should trend lower.

His view is based pri-

marily on the recession and the fairly stable exchange rate, but also takes into account the impact of restrained electricity and rail transport tariff increases this year

However, sharp food price increases continue to burden the consumer.

The year-on-year increase in food prices accelerated sharply from less than eight percent in

April 1989 to nearly 18 percent last August.

Since then, food inflation has declined and in January was 15,4 percent — virtually unchanged from December's 15,3 percent.

But underlying trends do not point to a further material slowdown in food price increases over the next few months.

On an annualised basis, the last three monthly CPI food increases — 2,2 percent in November, 1,6 percent in December and 1,9 percent last month — point to an inflation rate for food commodities of well over 20 percent by year-end

Since food has a weighting of about 23 percent in the CPI, this could partially offset gains derived from the recession and leave the average inflation rate for 1991 at about 13 percent — only marginally down from last year's average of 14,3 percent

(1) Whether there has been any meeting between the Government and representatives of the United Nations High Commission for Refugees, if so, (a) when did the meeting take place, (b) by whom was it attended and (c) what was the (i) purpose and (ii) outcome of the meeting.

(2) whether any further meetings are due to take place, if so, what are the relevant details?

B242E

THE MINISTER OF FOREIGN AFFAIRS

(1) Yes

(a) The meeting took place in Cape Town on 12 February 1991

(b) It was attended by a delegation of four UNHCR officials under the leadership of Mr N Bwakira, Director of the UNHCR Regional Bureau for Africa and the Ministers of Foreign Affairs, National Health and Population Development and Home Affairs, the Deputy Minister of Justice and senior South African officials

(c) (i) The purpose of the meeting was to explore with the delegation of the UNHCR the basis on which that organisation might assist in facilitating the return of exiles to South Africa should it be decided to extend an invitation to it to play a role

(ii) The meeting was purely exploratory

(2) None are scheduled as of now

Pretoria Minute, work completed

*21 Mr C W EGLIN asked the Minister of Correctional Services

(1) Whether it is anticipated that the work in connection with the release of prisoners and the granting of amnesty referred to in the Pretoria Minute will be completed by 30 April 1991,

(2) whether he will make a statement on the matter?

B243E

THE MINISTER OF CORRECTIONAL SERVICES

(1) and (2) 26/2/91

The target date as set is attainable provided that the applicants for release and indemnity give their full co-operation

Fuel price: criteria

*22 Adv CH PIENNAAR asked the Minister of Mineral and Energy Affairs and Public Enterprises †

(a) What criteria are applied in fixing the price of fuel on a differentiated basis in the various fuel zones and (b) how many fuel zones are there in the Republic at present?

26/2/91

B252E

THE MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES

(a) Fuel prices differ only in respect of transport costs. The different price zones reflect the costs of transport to a particular area and for this purpose magisterial districts are used. All magisterial districts with the same transport cost element are combined in a price zone. The transport cost also represents the most economic mode of transport which can be used in an area, for example pipeline, rail or road, or a combination of these modes as applicable. The Pretoria-Vereeniging-Witwatersrand is price zone 14C and is based on pipeline tariffs. The increased transport cost that became effective on 1 January 1991 has thus far not been passed on to consumers and is still separately financed by the Equalisation Fund

(b) 60

*23 Dr F HARTZENBERG—Justice † [Withdrawn]

White schools' pupil/teacher ratio

*24 Mr A GERBER asked the Minister of National Education †

(1) Whether his Department is considering adjusting the pupil/teacher ratio in White schools, if so, what ratio is envisaged by his Department in this regard,

(2) whether it is foreseen that some White teachers are going to lose their posts in

White schools as a result of this adjustment, if so, what steps are contemplated in respect of such teachers?

B258E

THE MINISTER OF NATIONAL EDUCATION

(1) Strictly speaking, the issue of the pupil/teacher ratio in schools is not a line function of the Department of National Education and it does not fall within the Department's jurisdiction to determine the day-to-day ratio

The Department is, however, closely concerned with the determination of overall general policy and planning and will probably, as a result of reports related to the Education Renewal Strategy, attend to this matter, and to the implications, if any, that it may have for teaching staff, in consultation with relevant interested parties in the near future

It would not be appropriate to anticipate those representations and consultations at this stage

(2) Lapses

Acacia Park: domestic servants

*25 Mr A GERBER asked the Minister of Public Works and Land Affairs †

Whether his Department places any restriction on domestic servants of colour living in flats and/or houses in Acacia Park, if so, why, if not, why not?

26/2/91

B261E

THE MINISTER OF PUBLIC WORKS AND LAND AFFAIRS

Yes, but in the rules and conditions of occupation, drawn up in consultation with the Acacia Park Control Board, no reference is made to race or colour. The applicable rule only states that servants may not be allowed to stay overnight in houses, flats or store-rooms

In Acacia Park there are various types of dwellings ranging from three-bedroom houses to single flats. To ensure that dwellings are allocated in a fair and just manner, a points system is used. The number of people in the particular household who have to be accommodated is an important element of the points system. Tenants with larger families who have

to be in Cape Town for the duration of the Session of Parliament receive preference in the allocation of the larger homes. There are not enough two- or three-bedroom dwellings available to provide accommodation for servants of tenants as well. Store-rooms at dwellings are also not considered to be suitable accommodation for continuous human occupation. For these reasons specific provision were made for servants' quarters in Acacia Park

P160-1 road (N4)

*26 Dr W J BOTHA asked the Minister of Transport †

(1) Whether the detail planning of the two uncompleted sections of the P160-1 road (the N4) has been completed,

(2) when is it expected that the construction work on these two sections will be (a) commenced and (b) completed?

B272E

THE MINISTER OF TRANSPORT

(1) Yes

(2) (a) and (b) Due to the fact that restricted funds have to be used for other priorities the requested information is not determinable at this stage

P160-2 road

*27 Dr W J BOTHA asked the Minister of Transport †

Whether the construction work on the P160-2 road has been discontinued, if so, (a) when, (b) why, (c) when is it expected that the construction work will be (i) resumed and (ii) completed and (d) what amount had been spent on compacting the shoulders of and other construction work on this road when the construction work on it was discontinued?

B273E

THE MINISTER OF TRANSPORT

Yes

(a) During May 1986,

(b) Due to a lack of funds,

(c) (i) and (ii) The requested information is not determinable at this stage, and

(d) R15,65 million

Consumers could pay 10c more for bread

PRETORIA — The bread price could soar by at least 10 cents a loaf after the planned scrapping of the government subsidy and price control on bread today

Bakers claim they will limit their increase to the retail trade only to ensure the maintenance of existing profit margins

However, the unknown factor in the free-for-all environment is the reaction of cafe owners

Their margins have been restricted to 4c a loaf but now they can charge what they like

The subsidy on brown bread is currently 7,9c a loaf and on white 3,3c

Because of the fierce competition between supermarkets it is unlikely, says a baking industry spokesman, that there will be immediate steep increases in their prices

And in a last-minute bid to get

some relief for the poor, the Housewives League will meet Agriculture Minister Jacob de Villiers tomorrow

Associated Bakeries of SA group marketing manager Graham Simonsen said his organisation — a Premier Milling subsidiary and the largest in the country with a 25% market share nationwide — would increase the price of white bread to the trade from R1,16 to R1,18 a 800g loaf

Price to the trade of brown bread would rise from R1,01 to R1,05.

Simonsen said Associated Bakeries' increases merely covered the removal of the bread subsidy and the 4% increase in the flour price.

Associated Bakeries had recommended to retailers that mark-ups should be kept to a 10c maximum

GERALD REILLY

The current mark-up is 4c a loaf SA Chamber of Baking president S E Ferreira has appealed to bakers, confectioners and cafes to restrain price hikes.

A Shoprite spokesman condemned the coming increases and called for a reinstitution of control

The removal of the bread subsidy was a severe blow to millions of needy people and government support schemes had become urgent and crucially important, Checkers Group Managing Director Sergio Martinengo said.

This view is shared by the Consumer Council and the Housewives' League.

Martinengo said Checkers would discount brown bread countrywide at 99c an 800g loaf and white bread at the old price of R1,18 from March 1.

Bread price to stay the same for a while

THE scrapping of the bread subsidy will not affect prices in the near future as major supermarkets have pledged to try and absorb costs as long as possible, spokesmen said yesterday

Checkers and Pick 'n Pay plan to sell brown bread for 99c from tomorrow - which is 4c below the old price

The new prices will be for the new 800g loaf. The previous loaves were 850g.

Checkers will sell a white loaf for R1,10 and Pick 'n Pay customers will pay R1,14, however the weights of the respective loaves in both stores will be reduced by 50g

Checkers group managing director Mr Sergio Martinengo, said: "Market forces are now dictating to

us and discounting on this important commodity is at last a reality for consumers.

"The removal of the subsidy in a depressed economy is a severe blow to millions of needy people. Government support schemes as a substitute for the abolished subsidy are of crucial importance."

OK Bazaars yesterday indicated it would continue with its programme of selling bread at old prices. A spokesman said their bread prices were R1,50 for a white loaf and R1,05 for a brown one.

She was unable to confirm a reduction or increase if the current prices would be maintained.

A Spar spokesman from Durban said yesterday his group would try to be as competitive as possible with other supermarkets - *Sowetan Correspondent*.

SOWETAN

rising fuel costs since the Iraqi invasion of Kuwait

The official inflation rate fell consistently from a December 1989 peak of 15,3% to a low of 13,3% in July 1990

It then re-accelerated and the increase in the consumer price index in the six months since July amounts to an annualised rate of nearly 16%. (244)

The reversal of the trend started in August, before any fuel price increase had worked its way into the system. Later, when fuel prices were seen to be largely responsible for the rising rate of inflation, other price increases remained an important factor. This was established by removing the effect of the fuel price from the calculation

The various influences combined to push up prices across a broad range of goods.

Senekal Mouton & Kitshoff economist Leon Steenkamp says "Food has for some time been showing above-average increases." In January food prices contributed 0,4 of a percentage point towards the monthly unadjusted increase of 1,1%. "And," says Steenkamp, "it needs to be noted that non-food items were responsible for 0,7 percentage points That represents 64% of the actual monthly increase in overall CPI "

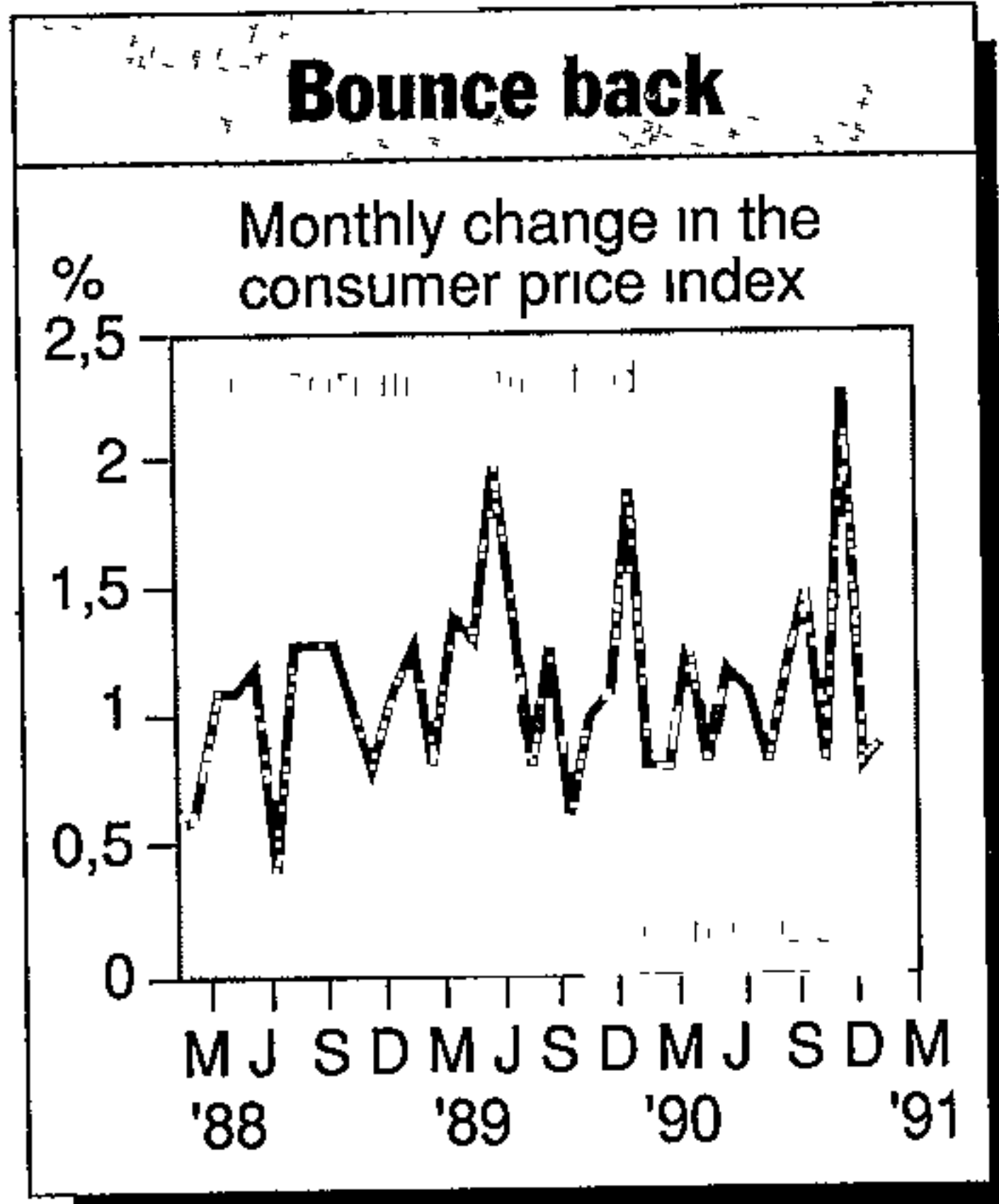
It is difficult to identify the underlying causes, he says "It would seem that cost push is an important factor, but it demonstrates that demand is still strong enough for

CPI FIM 1/3/91
PUSH AND PULL

(244)

For more than six months it has been clear that the inflationary forces at work in the economy are deep-seated They have been compounded — though not created — by

(244)



crease was 0,9% Food inflation was 15,4% with large monthly increases in prices of fruits and nuts (5,3%), vegetables (5%) and fish and seafood (4,3%) A monthly increase in the price index of medical care and health expenses amounted to 9,6%, as doctors' fees payable by medical aid schemes were increased

this to be passed on to the consumer "

The trend is ominous at this point in the economic cycle. "If inflationary forces are this strong now, what can we expect in an economic upturn?"

□ In the 12 months to January there was a 14,3% increase in the CPI (14,6% in December) In the month, the unadjusted increase was 1,1% and the seasonally adjusted in-

Another cut in the petrol price justified

8/23/71 244
DAVID CANNING

ANOTHER cut in local petrol prices could be one of the most positive effects to flow from this week's ceasefire in the Gulf

While gold markets responded to the peace news by pushing the metal higher towards the weekend, Econometrix economist Tony Twine cautioned the effect on the metal could be limited as speculators, caught on the wrong foot by an early end to the war, had simply been covering short positions

However, he said, there now were good prospects for lower petrol prices and slightly improved chances of a lowering of local interest rates

Mr Twine said that current crude oil prices of around \$17 suggest that the correct level for 93-octane on the reef should be R1,18 per litre — substantially lower than the current R1,35 which was pitched at a crude oil price of \$26.

Mr Twine said one obstacle could be the fact the National Energy Council bases its fuel price-setting calculations on world prices for refined oil — and not crude oil. These refined costs have been boosted by high insurance and other charges

Small retailers seen as wild card in the price of bread

BREAD wholesalers have expressed concern over mark-ups by small supermarkets and corner cafes after the removal of government's bread subsidy and price control on bread last week.

They fear that smaller retailers in areas with little competition might substantially increase their prices, thereby reducing the demand for bread.

Fedfood senior GM Johan Brand said the group was concerned that there were no regulations as far as general trade was concerned. 6/24/79

Following government's moves, the wholesale price for bread would generally go up from 116c to 118c for white bread and from 101c to 105c for brown bread.

However, Fedfood had found that some retailers were selling brown bread for 130c a loaf and white bread for 140c a loaf since the removal of the subsidy.

If there was consumer resistance to such increases, there would be a dramatic drop in sales which would affect the wholesaler's volumes, as the wholesalers' levels of profitability were volume and not price driven, Brand said.

However, consumer resistance might force retailers to drop prices.

Although the major supermarkets had dropped their prices, Brand said this could only be a temporary measure.

When government agreed that the bread mass could be decreased, it was thought

the price could remain at its existing level. However, factors such as the increase in the fuel price made this impossible, and wholesalers increased their price to recover for the loss of subsidy and to adjust for price escalations, he said.

Premier Food Industries MD Willem de Kok said that to minimise the price impact on the consumer, the reduction in the weight of a bread loaf from 850g to 800g would give the same number of slices and a better quality loaf.

However, the unknown factor was the retailers, who were previously restricted to a margin of 4c a loaf. Now that this had fallen away, they would be entitled to take whatever mark-up they wished, he said.

De Kok said the wholesale price for brown bread would be increased by 6c a loaf, which was lower than the 7.9c subsidy which was removed, and while Premier's profit margins had not been increased, there were interim cost increases for fuel and wages.

Tiger Oats public affairs manager Patrick McLaughlin said the removal of the subsidy would result in increased competition due to overcapacity in the industry, particularly in major metropolitan areas.

"Tiger welcomed the return to a free market system," he said.

MARCIA KLEIN

CONSUMER NOTEBOOK

Edited by
Caroline Hurry



Scrapping of bread subsidy leaves us all three slices short

Star 5/3/91
Consumers, particularly those living below the breadline, are getting crumbed off with the scrapping of the bread subsidy last Friday

Last year, white bread was subsidised by 3c a loaf and brown bread by 8c, but consumers were warned months ago that the Government could no longer afford to subsidise bread from 1991

During the last three years, a Government committee has been investigating alternative aid to the poor. However, no report has yet been published on their recommendations

From March 1, loaves of bread must weigh either 20 g, 400 g, 800 g, 1 200 g or 1 600 g

This means a standard 850 g loaf is now an 800 g loaf. Consumers have lost three slices per loaf as a result

Bakers are saving money with the smaller new loaves, but as they no longer receive the subsidy, their income per loaf is reduced

Originally bakers claimed they would limit their increase to the retail trade to en-

sure the maintenance of existing profit margins

But, it was announced that the bread price could soar by at least 10c a loaf

This steep increase is unlikely to occur immediately, due to the fierce competition between supermarkets rather than philanthropy.

Undoubtedly, in certain supermarkets, the price of other food items will increase to make up for profit loss

However, café owners and grocers whose margins were previously restricted to 4c a loaf, can now charge what they like.

The Housewives League met Agriculture Minister Jacob de Villiers last Thursday to try to get some relief for the poor

Said president Lyn Morris "Everybody who bought bread was buying a subsidised product. However roughly 72 percent of our bread is purchased and consumed by the black community who needed the subsidy most. I don't know how they are going to cope"

LANA JACOBSON

244

Snags in Census '91 confidentiality

244

Sowetan 5/3/91

CENSUS '91 has barely got off the ground and already there are complaints about the confidentiality of the replies

According to a Johannesburg woman, residents in her block of flats were handed a slip of paper with their questionnaires telling them to give their completed forms to the caretaker

"The information supplied is supposed to be a secret. It is mockery that one can hand a confidential document to a layman," said the woman who asked not to be named.

"Lots of people would not want their income to be known. It's not only the caretaker who can look at the information but also the people who come into his office," she added.

She complained to the Central

Statistical Services and was told that she could post the reply

The CSS confirmed that all replies were confidential and that completed forms should be handed back to the appointed enumerator. These enumerators had to drop off and collect forms from the houses and flats set out for them.

Rectify

"To pass the job onto the caretaker is not the way to do it," a spokesman said.

The CSS would be looking into the matter to rectify it.

Census '91 gets underway on Thursday when an estimated 48 000 census officers countrywide will visit people's homes to solicit information - *Sowetan Correspondent*

Water price in PWV to increase by 11,5%

THE cost of water in the PWV area will increase by 11,5% on April 1, the Rand Water Board announced yesterday.

Rand Water Board CE Vincent Bath said the tariff for industries, mines and municipalities would rise by 6,41c a kilolitre from 55,75c/kil to 62,16c/kil. Water for households outside municipal areas would increase by 10,82c/kil from 94,07c/kil to 104,89c/kil.

Bath said the board was able to limit its tariff increases to well below the inflation rate because of the relatively small in-

244 THEO-RAWANA

creases in electricity tariffs announced early this year

Planned capital expenditure levels, which gave rise to a relatively small increase in loan costs, also helped, he said.

A Sacob spokesman said the rise would have an effect on production costs of large users.

The total cost of raw water the Rand Water Board bought from the Department

of Water Affairs from April 1 would be 21,20c/kil. "Included in this amount is a levy of 7c/kil to provide finance for the construction of the portion of the Lesotho Highlands Water Project for which SA is responsible," Bath said.

No provision had been made in the latest tariff to absorb the increase in the levy which becomes effective on October 1.

Bath said the increase was expected to be 3c/kil and the Rand Water Board would adjust its water tariffs at that time.

Star 6/3/91.
**11,5 pc increase
in water tariff
for Reef users**

Municipal Reporter

Rand Water Board yesterday announced an increase of 11,5 percent for purified water supplied to municipalities, the mines and other direct consumers

The tariff for major consumers will rise by 6,41c/kilolitre from April 1. The tariff for small consumers supplied directly by the board outside municipal areas will increase by 10,82c/kilolitre

The cost for ratepayers will depend on tariffs charged by individual municipalities. There will be no immediate increase for the ordinary ratepayer as most municipalities budget for the yearly increase

The board said in a statement to clarify the increase that a householder consuming on average 30 kl a month would pay an additional R2.

Board chief executive Vincent Bath said that although there had been considerable increases in the costs of chemicals, coal, transport, materials and raw water, the board was pleased it was able to contain its tariff increase to 11,5 percent

244

Bread price is set to rocket

244
THE Chamber of Baking has expressed concern at the deregulation of the bread industry and has established a help-line for consumers.

The chamber said bakers and consumers in the country areas would be hard-hit because they would have to bear the full cost of the transportation of raw materials, which were previously partly subsidised by consumers in urban areas.

This could result in bread becoming beyond the reach of the poor sections of the rural community.

A number of control measures will fall away completely while others will be retained in modified form.

Quality

On the plus side, the consumer can look forward to the development of new products.

He will also have the opportunity to insist on the highest quality and to ensure value for money.

Loaves will have to comply with one of the following masses: 200g, 400g, 800g, 1,2kg and 1,6kg. These specifications will be enforced by the Department of Trade and Industry.

Types

In addition to the termination of the Government's 3.3c subsidy on white bread and 7.9c on brown, the new scenario means that:

There will only be three broad classes of bread - white, brown and wholewheat.

There will be no tax;

Entry to the baking industry will not be restricted; and

There will be no price control.

For further information contact the chamber at (012) 341-7814.

BREAD INDUSTRY

~~18/11/91~~ 244 ~~244~~ Fm 8/3/91

A REPRIEVE FOR THE CARTEL

After years of talk, government finally abolished the bread subsidy last week, as well as the restrictive bakery registration rules. In theory, the baking industry is now open to competition, bread prices have been deregulated, and retailers can add any margin they like.

But government is under attack for not completing the job — the Competition Board has allowed the baking cartel to continue its market sharing agreements until the end of the year.

Board chairman Pierre Brooks says the board granted the baking industry time to phase out its arrangements because the existing structures developed, with government's blessing, over a 50-year period.

"This industry is dominated by a few large institutions of which six, representing about 85% of the local market for standard bread, form part of the agreement," Brooks says. "The sector is dominated by Premier Milling, Fedbake, Bokomo and three others, which are vertically integrated by being involved in flour milling."

The pact between these big groups prohibits bread sales above agreed-upon quotas and outside allocated zones. If these rules are broken, penalties must be paid. But these arrangements obviously worked against competitive pricing principles.

And, by allowing an extension of this arrangement, government has opened itself up to sharp criticism.

"Why, if it was aware for years of its own policy decision to abolish the subsidy and deregulate the industry as of March 1, did government not simultaneously abolish the quota system?" asks Shoprite MD Wellwood Basson.

"By extending these arrangements, bread prices might form a new platform and it could be difficult to drive them down again in the future," he adds.

Basson's group now sells 800 g brown bread at 98c a loaf, which is less than 1c less than the official price of R1,05 for a 850 g loaf determined by government on November 1. He says that if his own baking capacity was bigger, he could hold prices down. But because his group is forced to use outside bakers, he is subject to prices set by the industry.

Pick 'n Pay CE Raymond Ackerman is more confident. "We now receive a large number of discounting offers from various

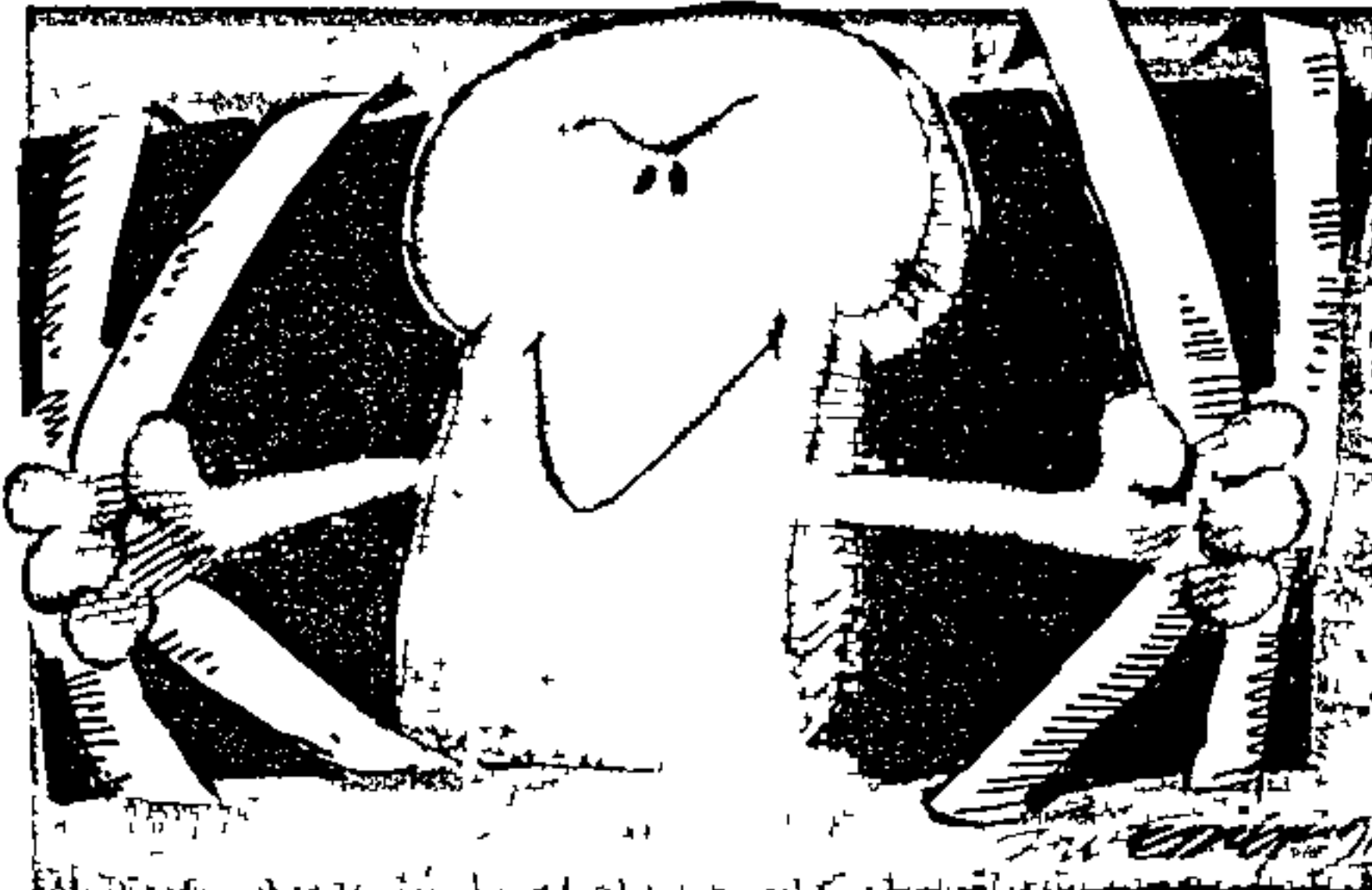
bakeries and should be able to keep bread prices within reasonable limits." Pick 'n Pay priced the new, smaller brown bread loaf at 99c, a slight increase over the old price, but has been undercut by 1c by Shoprite.

"We welcomed the deregulation of the industry and hoped it would lead to tougher competition between bakeries to the benefit of consumers," Basson says. "Instead we now have increases in bread prices that could probably have been prevented if the bakeries used the deregulation to fill their spare capacity, which resulted from past zoning allocations. But, while the zones are being scrapped, the quota system is retained, which still prevents real competition."

Consumer groups are not happy with government's timid approach. "The board seems to listen to big business and not to the consumer," says Housewives' League president Lyn Morris.

She adds that while the league is against food subsidies or other subsidies, government

is that the industry will become more market orientated and respond by producing exactly what the public wants." ■



has failed to replace the bread subsidies with other forms of assistance — even though it planned for years to abolish the subsidies. She favours assistance targeted at the poor by instituting feeding schemes for groups such as schoolchildren and pregnant women. For the unemployed, economic growth should be the objective — not handouts that are easily abused. The league opposes food stamps because of the enormous bureaucracy they tend to create.

Nevertheless, there is little doubt that competition in the baking industry should create a better deal for consumers — notwithstanding the abolition of the subsidy. For one thing, the quality of bread should improve dramatically as the domination of the standard government loaf dwindles and bakers begin to compete more on the basis of taste, size, variety and packaging.

"Bread produced in SA is of a consistently high quality," says Patrick McLaughlin, a Tiger spokesman, "but what will happen now

Oil price should restrain PPI

FURTHER falls in oil prices during January should have helped to slow the rate of SA producer price inflation in figures expected tomorrow

The increase in the producer price index (PPI) in the 12 months to January is set to dip again from the 14,7% posted in the year to December. Another deceleration from the 1990 PPI high of 15,8% posted in November will confirm a peaking in the most recent PPI upswing, which started last year.

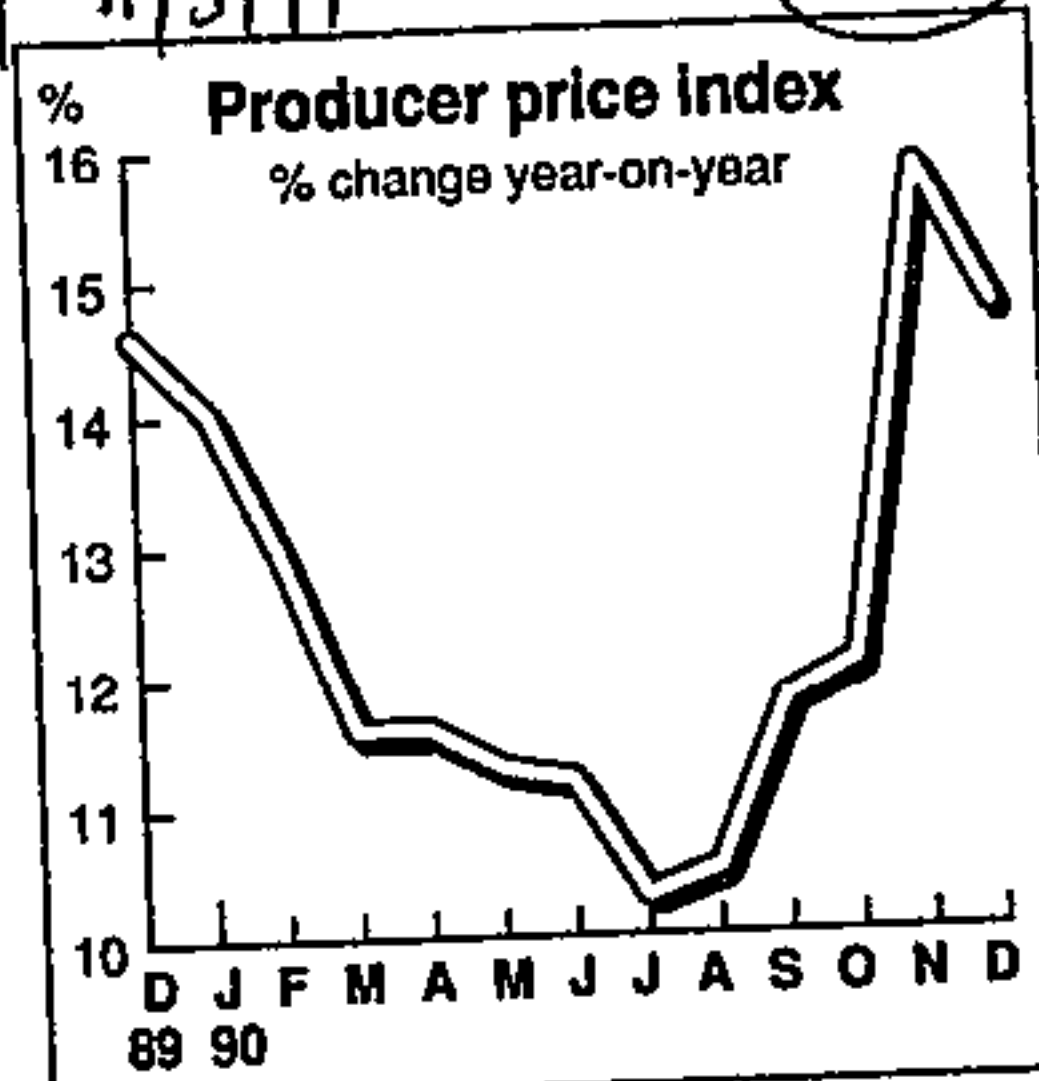
Because the price trend in the PPI tends to lead that of the consumer price index (CPI) by two to three months, a confirmed downtrend in the PPI in January should herald a more sustained fall in consumer price inflation this year.

The upward surge in PPI inflation in the second half of 1990 was mainly oil-driven, as oil prices soared temporarily on fears of supply disruption following the invasion of Kuwait. Similarly, the expected downturn in the PPI during the first quarter of this year should reflect relaxation of war anxieties in the oil market.

Lower oil prices were principally responsible for the PPI's dip in December, as the average price for a barrel of Brent crude — the most widely traded blend — fell from \$33,10 in November to \$28,15 in December. Its average eased again in January to \$23,65.

Overall import prices should also continue to ease, given the recent stability in the trade-weighted rand, which has tended to strengthen. This, as the Reserve Bank acknowledges, is a major contributor to suppressing imported inflation.

Internationally, the oil market re-



Graphic: FIONA KRISCH Source: CSS

turns to centre stage today with an extraordinary consultative meeting of Opec ministers in Vienna. Opec last met in July 1990, agreeing on an output quota of 22.5-million barrels per day (bpd). This was an attempt by the cartel to take about 800,000 bpd off the market and drive the oil reference price up to \$21 a barrel.

Iraq's invasion of Kuwait within a week of the July agreement resulted in the suspension of the new quota until the Gulf crisis passed. During the crisis, Brent soared to \$40 and plunged again to \$17, performing just the kind of roller-coaster that Opec at its last meeting sought to avoid.

Today's meeting is designed to maintain the oil price at the previous reference level of \$21. With the Gulf war over, there is no further danger of supply interruptions. The market is comfortably supplied even without contributions from Iraq and Kuwait. Opec's problem is that demand levels are about to fall as the northern hemisphere moves into summer after a relatively mild winter, and oil

prices are poised to plunge

What the cartel has to do is to persuade members, some of whom are desperate for oil earnings to finance post-war reconstruction, to accept limits on oil output in a new quota agreement. Re-adoption of a quota should curb production and maintain oil prices at levels above \$20. To curb the extent that Opec members revert to their old habit of cheating on the quotas and overproducing, inflationary inputs to importer countries will be restricted.

On Wednesday the state of US retail sales in February will be published and will guide markets on the depth and duration of the US recession. No change in the recent pattern of negative outturns is expected. The US PPI on Friday should continue to show slowing US inflation, removing price rises as any restraint on a further easing in US interest rates to combat the recession.

US industrial production and capacity utilisation data for February are also expected on Friday. They are unlikely to indicate any turnaround in industrial performance, showing lower output and lower levels of plant use despite the supposed stimulus of the Gulf war and ceasefire.

Meanwhile, the short-term course of UK interest rates could be affected by Thursday's release of British average earnings growth in January. The figure is likely to be steady at December's 9.75%, showing that inflationary pay settlements remain a potential problem. The British unemployment level is also expected on Thursday, and set to rise again — a possible barrier to thoughts of an early British general election.

Answered set aside or alter such order or to issue another order which he may deem just

The procedure to be followed by such a member is set out explicitly in Prisons Regulation number 78. In terms thereof a member who wishes to appeal to the Minister against an order of dismissal or demotion in rank or seniority must within fourteen (14) days of written notification to him of the issue of such order, lodge a notice of appeal in writing to his commanding officer for transmission to the Commissioner. The member concerned must clearly and specifically set out the grounds on which the appeal is based and he may at the same time himself or through his legal representative submit written arguments or representations in support thereof. The Commissioner must then submit the notice of appeal and written arguments or representations together with the record of the proceedings of the inquiry and the findings and reasons of the commissioned officer who conducted the inquiry to the Minister for consideration.

Of the thirty six (36) members concerned six (6) have appealed against the decisions. These applications for appeal are being dealt with at present

In conclusion I would like to mention that strikes by members of the Department of Correctional Services are seen in a very serious light, in as much that a Bill was passed by Parliament as recently as 1990 making provision for the summary dismissal of members who make themselves guilty of this practice

Petrol maximum price

*11 Mr W U N E L asked the Minister of Mineral and Energy Affairs and Public Enterprises +

- (1) Whether he envisages prescribing only a maximum price for petrol in all the fuel zones in the Republic, if not, why not, if so, when, *244*
- (2) whether such maximum prices will be calculated on exactly the same basis as the present fixed prices, *Answered 12/3/91*
- (3) whether this arrangement in respect of a maximum price will also apply to the wholesale price of diesel, *12/3/91*

HOUSE OF ASSEMBLY

- (4) whether consideration is being given to reducing the price of paraffin, if not, why not? *Answered 12/3/91* B417E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES *244*

- (1) In accordance with Government's policy on commercialisation and deregulation, an investigation into Government's involvement in the petroleum industry is also being conducted. The investigation is a comprehensive exercise and is still not fully finalised. The Competition Board was also approached for advice. Any possible change to the existing pricing policy can only be considered after the lifting of oil sanctions against South Africa.
- (2) Falls away
- (3) The prices of petrol, diesel and illuminating paraffin have for many years been controlled on wholesale level only as maximum prices.
- (4) Yes, an announcement will be made in the not too distant future

Independent Black states: reincorporation into RSA

*12 Mr A E D E W E T asked the Minister of Foreign Affairs *Answered 12/3/91*

- (1) Whether the South African Government has been approached by any of the four independent Black states with a view to reincorporation into the Republic, if so, (a) by which states, (b) when and (c) what was the response in each case, if not,
 - (2) whether the Government will take steps to facilitate the reincorporation of these states into the Republic at the earliest opportunity, if not, why not, if so, (a) what steps and (b) when,
 - (3) whether he will make a statement on the matter? B431E
- The MINISTER OF FOREIGN AFFAIRS
- (1) and (2)
- I have already replied to these questions in my response today to question 1 of the interpellation
- (3) No, not for the time being

Group areas permits: abolition

*13 Mr L FUCHS asked the Minister of Planning, Provincial Affairs and National Housing

Whether, in view of the reply by the Minister of Justice to Question No 20 on 19 February 1991 in regard to prosecutions against persons contravening the Group Areas Act, No 36 of 1966, he will take steps to abolish the necessity to apply for group areas permits, if not, why not, if so, (a) what steps and (b) when?

Answered 12/3/91 B432E

The MINISTER OF PLANNING, PROVINCIAL AFFAIRS AND NATIONAL HOUSING

- No
- In view of the announced repeal of the Group Areas Act, I have requested all institutions which are concerned with the administration of permits, to grant permits on a free basis. No further group areas or free settlement areas will be proclaimed
- (a) and (b) Fall away

Nurses: salary increase

*14 Mr B B GOODALL asked the Minister of National Health *Answered 12/3/91*

- (1) On what date did nurses receive their most recent salary increase,
- (2) whether radiographers were given a salary increase at the same time, if not, why not, *Answered 12/3/91*
- (3) whether it is the intention to increase radiographers' salaries in the near future,
- (4) whether she will make a statement on the radiography profession in South Africa? B441E

The MINISTER OF NATIONAL HEALTH

- (1) 1 July 1990,
- (2) no, the occupational class Radiographer was not identified by the Cabinet for an occupational specific investigation during the 1990/91 financial year,
- (3) finality has not been reached yet about which occupational classes' salary structures will be improved during the 1991/92 financial year. An announcement in this respect will be made soon,

- (4) no *Answered 12/3/91*

Single department of health

*15 Mr M J ELLIS asked the Minister of National Health

- (1) Whether her Department has taken any steps to consider the administrative, financial and national health implications of a single department of health for South Africa, if so, what steps, if not, why not,
- (2) whether she will make a statement on the matter? *Answered 12/3/91* B446E

The MINISTER OF NATIONAL HEALTH

- (1) The Department of National Health and Population Development is at present in the process of considering various models for the restructuring of health services. Extensive deliberation and consultation by the Department with the relevant role players take place at high level on a continuous basis. In the consideration of the different models various factors, including the administrative, financial and health implications, are taken into account,
- (2) no

*16 Mr P G SOAL — Home Affairs [Withdrawn]

Johannesburg: rapid rail transit system

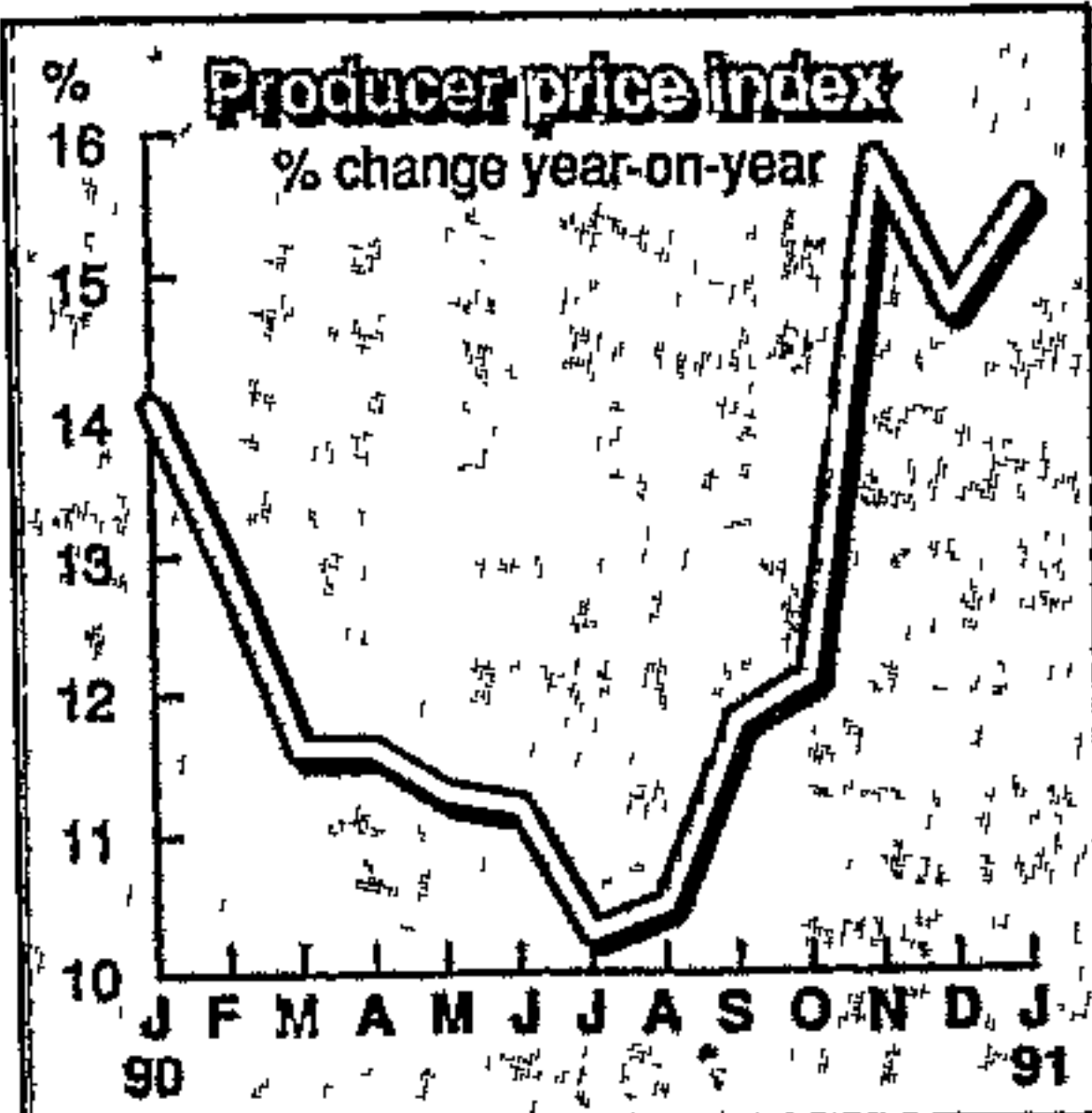
*17 Mr P G SOAL asked the Minister of Transport

Whether, with reference to his reply to Question No 106 on 2 March 1988, a decision has been taken on the introduction of a rapid rail transit system for Johannesburg, if not, why not, if so, what was the decision? B461E

The MINISTER OF TRANSPORT

No. Upon recommendation of the then National Transport Commission (NTC), the former Minister of Transport approved, in September 1988, a full feasibility study to a mass transit system for the Greater Johannesburg Area. This comprehensive study, which is being conducted by the Masstran Consortium, will include an investigation into a rapid rail transit system as an alternative transport system and is expected to be completed by the end of June 1991. A report will then be

HOUSE OF ASSEMBLY



Graphic: FIONA KRISCH Source: CSS

PPI rise a setback in inflation fight

Blow 14/3/91 SHARON WOOD 244

THE fight against inflation suffered another setback yesterday with producer price inflation unexpectedly rising to 15.5% in January from 14.7% in December.

Disappointed economists said the figures had dampened expectations of another cut in interest rates in the near future. Reserve Bank Governor Chris Stals's statement last week firmly linked a further easing in policy to "real" progress in the fight against inflation.

The 1.5% month-on-month rate of increase in the PPI in January was a sharp turnaround from the previous month's 0.1% decline.

The annual rate of increase in the producer price index (PPI) was generally expected to decline as pressures from high global oil prices and lower petrol prices eased during January.

But imported prices remained the primary source of pressure, rising by an annualised rate of 18.1% compared with 15.4% in December, according to Central Statistical Service figures released yesterday. Domestic prices provided no relief, with the local component of the PPI rising by 14.8% in January year-on-year compared with 14.6% in December 1990.

Economists said the continued high rates of increase in domestic prices were disturbing. They said there would probably also be an uptick in consumer price inflation for February which would be released later this month. Movements in the PPI generally precede movements in the CPI by two or three months.

□ To Page 2

PPI rise Blow 14/3/91

Higher fuel prices since October had obviously taken longer to work through the whole production sector, Bankorp economist Jacques du Toit said. He predicted producer inflation would remain above 14% until the middle of the year.

A large part of the increase in the price of imported commodities in the PPI was probably a result of oil bought on forward contracts in October and November, when the oil price was the highest, said SA Chamber of Business (Sacob). The decline in oil prices in subsequent months should reduce the price of imported commodities in the next few months.

First National Bank international

From Page 1

economist Simon Willson said technical factors could explain part of the rise in producer price inflation in January. The annual increase in the PPI had come off a low base in January 1990, which would magnify the monthly movement in the index in January 1991.

The prices of a wide range of manufactured products increased in February.

The category which measures the landed cost of crude oil, "other" mining and quarrying, rose by 2.8% month-on-month — well below the monthly surges of around 15% in this category experienced in October and November 1990.

● Comment: Page 8

High cost of imports sends PPI off course

Staw 14/3/91. ~~243~~ 244

By Sven Lunsche

The soaring costs of imported commodities will make it difficult to reduce the inflation rate to targeted levels this year.

The Production Price Index (PPI), which measures price rises at the manufacturing level, rose by surprising 1,5 percent on a monthly basis in January, due mainly to the surging costs of imported goods.

Central Statistical Services figures, released yesterday, show that the annual rate of increase in the PPI from January 1990 to January this year was 15,5 percent, 0,8 percentage points higher than the corresponding rate for December 1990.

The PPI for imported commodities rose by a monthly 2,8 percent in January, pushing its year-on-year increase to 18,1 percent compared with a 15,4 percent hike in December 1990.

Economists now fear that a higher import bill could hamper efforts to bring down inflation towards the year-end from its current high levels of 14,3 percent.

The volume and value of imports has picked up over the last three months and this trend is

likely to continue as monetary policy slackens off and import surcharges are eased.

A reduction in import surcharges is expected to be announced in next week's Budget.

"The lower surcharges and a likely deterioration in our terms of trade in the near future could force a significant rise in the PPI over the next few months," says Mike Brown, economist at Frankel Max Pollak Vinderne.

Import surcharges

However, he added that it was unlikely that the Finance Ministry would withdraw its decision on import surcharges, as this was an essential part of its longer term strategy.

Volkskas economist Adam Jacobs told Sapa the increase in the PPI, coming in the wake of an economic downswing, with no excess demand and with the rate of increase in money supply slowing down, was a major disappointment.

Mr Jacobs warned that if the inflation rate cannot be brought down this year with the relatively improved economic conditions in the country, it would be more diffi-

cult next year. The exchange rate, for instance, was unlikely to remain stable in 1992.

Economists were at a loss to pinpoint an exact cause for the steep rise in imported commodities, which has a weighting of around 22 percent of the total PPI, particularly as the rand held steady against most major currencies over the month.

Bankorp economist Emile van Zyl said that the rise in the "Other mining and quarrying" index (mainly oil imports) alone contributed 0,2 percentage points to the monthly 1,5 percent rise in the PPI.

In January the Government boosted its oil stockpile by almost R1,3 billion through purchases on the international market, but Mr van Zyl believes that the actual price paid was significantly higher than the current level of around \$18 per barrel.

On the domestic front the prices of food products dropped on average by one percent during January, but this was largely offset by large increases in electricity, gas and water prices, which are usually increased in the first month of the year.

SAA fares up ⁽²⁴⁴⁾ again in April ^(18/3/91)

By John Miller

South African Airways is to increase its international air fares by five percent next month. *Star 18/3/91*

SAA spokesman Zelda Roux yesterday described the rise as a commercial increase and said it was not only a result of the current price of jet fuel.

During the past year, SAA international fares have increased by 19 percent, with 16 percent due to fuel surcharges.

The latest increase means that from April 1 passengers travelling economy class to London will pay more than R7 000 for a return ticket. A first class return ticket will cost more than R12 000.

On the Hong Kong route, economy class will now cost more than R10 000 and first class almost R15 000.

Miss Roux would not say whether there would be any increase in domestic fares within the next three months, but said domestic jet fuel was still 62 percent higher than before the Gulf War.

This contradicts an Iata fuel expert interviewed by The Star last week, who said that spot jet fuel prices were in fact lower now than before the war.

Milk levy rise pushes up bills

A TECHNICAL adjustment in the milk levy has resulted in massive increases in bulk milk buyers' annual levy bills, dairy industry spokesmen say.

The adjustment, a redefinition of the protein and butterfat content and an increase in the administrative levy which is used for industry services, such as bursaries and milk recording schemes, has raised the levy to 6,408c/l from 6,066c/l. The increase came into effect on March 1.

For a medium-size dairy selling about two-million litres a month, the adjustment will add about R80 000 to its annual levy bill. *B/par 21/3/91*

Dairy Services Organisation assistant GM Chris Lerm said the increase had been larger than in previous years because about 20% of the farmers were not paying their levies. This had put the Dairy Board into a tight cash flow position.

"In the past we calculated the levies on the total

244
GILLIAN HAYNE

milk produced in SA, but found that despite the books looking healthy, our cash flow position was critical. "We have now calculated the figure on the milk produced by the 80% that do pay. In effect they are paying more because the others are not paying their share."

National Cooperative Dairies (NCD) CE Japie Dreyer said the increase in the levy had not made a big difference to the NCD as it had been included in costs and budgeting processes determined in December. He said the industry had been given ample time to make allowances for the increase.

The 6,408c/l levy is broken down into 0,148c/l for the industry service, 0,790c/l for marketing, 4,970c/l for the stabilisation fund and 0,5c/l for administration.

The change comes at a time when dairy farmers in most parts of SA have vot-

ed in favour of abolishing levies and any mechanisms to stabilise the industry, making the farmer responsible for disposing of surpluses.

The Dairy Board announced yesterday that it had voted to maintain statutory stabilisation policies. At a board meeting the recommendation by the National Dairy Committee calling for abolition of the stabilisation levy and minimum price was discussed.

Lerm said the board decided to ask all major players in the industry to make recommendations.

Liquor price rise will leave consumers reeling

SA consumers will reel under the increases in liquor prices announced in the Budget yesterday, but these will be compensated for by a small fall in fuel prices

The petrol price will go down 5c a litre as from Monday Diesel will also be 5c cheaper for a litre at the coast and 4c in the PWV area, because of improvements in the posted prices of refined petroleum products.

The consumer is, however, not going to benefit as much as he could. A 5c increase on petrol tax and 2c on diesel were announced in his Budget speech, without which petrol would have gone down 10c

MARC HASENFUSS

and diesel 7c

Finance Minister Barend du Plessis announced a 20% rise in beer excise duties and 10% on spirits. This increases the price of beer dumps and cans by 3c, pints by 3,3c and quarts by 6,6c. The price of spirits will rise 1,5c a tot or 37,7c a 750ml bottle. Fortified and sparkling wine prices will go up marginally by 1,8c a 750ml bottle.

SA Breweries Beer division MD Graham Mackay said the hike in excise on beer was the highest in the history of the industry. He said it was "disgraceful discrimina-

tion" against the beverage overwhelmingly preferred by black South Africans and the working man generally.

Cigarette prices increase by 3c on 10 cigarettes, 6c on a pack of 20 and 9c on a pack of 30. The price of pipe tobacco and cigars rises 25c/kg and cigarette tobacco by 3c/kg.

These adjustments are immediately effective and apply to all goods not yet cleared for domestic use. Retailers said new prices would be instituted from next week when new stock arrived.

Mackay said the excise on beer was a

□ To Page 2

Liquor

"deliberate attempt to sacrifice a growth industry which is providing job and profit in favour of the politically strong wine farmers (natural wine carries no tax at all), and all this despite the Minister's stated objective of growth and job creation"

Consumer prices, set by individual retailers over which SAB had no control would naturally all increase, said Mackay.

Liquor and tobacco retailers said most South Africans would echo the wry chorus that greeted Du Plessis when he announced the price increases. However, economists said SA remained lightly taxed on cigarettes and liquor.

Benny Goldberg's owner Rob Rutter re-

ported a binge of pre-Budget buying. Du Plessis said government decided the increase in fuel tax should take place simultaneously with a reduction in fuel prices, to prevent an immediate cost-raising effect on the economy.

RAU transport lecturer Vaughn Mostert said the increase in fuel tax was justified in that it funded social spending by taxing only motorists, who largely represented an affluent segment of the population.

In the PWV area, the price of diesel will be reduced by 3,9c/l on wholesale and 4c on retail due to transport costs based on pipeline tariffs.

□ From Page 1

Petrol down 10c - Govt takes half

By Mark Suzman

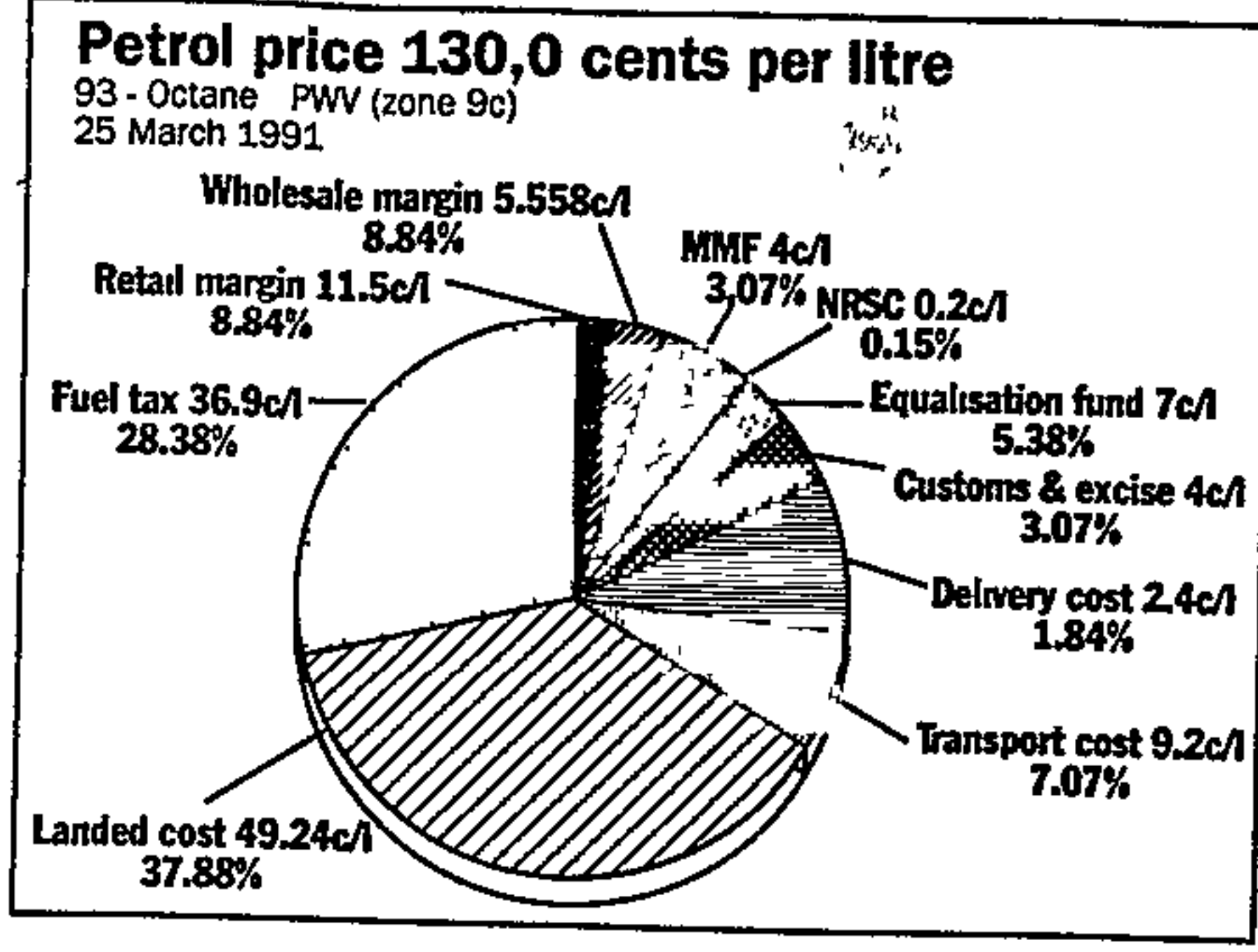
Star 2/13/91

The petrol price will drop by 10c/litre on Monday but only half the reduction will reach the consumer - the rest will go to the Government as part of a new petrol tax.

Mineral and Energy Affairs Minister Dr Dawie de Villiers yesterday said improved prices in refined petroleum had allowed for a reduction of 10c/litre in the price of petrol and 7c/litre for diesel.

However, when combined with an additional 5c/litre tax on petrol and 2c/litre on diesel announced in yesterday's Budget, the overall price drop will amount to 5c/litre.

Mr du Plessis said the new taxes would raise an estimated R533 million in additional revenue for 1991/92



without a great burden on the consumer.

However, Dr de Villiers warned that in some areas the reductions would be as low as 3c/litre due to higher transport costs.

But in the PWV area,

where transport costs are based on a pipeline tariff, the petrol price will effectively drop a full 5c from its present R1,35/litre to R1,30/litre, while the diesel price will effectively drop only 4c/litre.

Paraffin price slashed

Dowling 21/3/91

THE price of paraffin will go down by at least nine cents a litre.

This was announced yesterday by Minister of Mineral and Energy Affairs Dr Dawie de Vilhiers.

De Vilhiers said the Government was doing this to help consumers save costs

The announcement was made along with that of the drop in the petrol price. *(24/3/91)*

The petrol price will decrease by at least 5 cents on the Reef and diesel by four cents a litre.

The new prices will come into effect on Monday

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KNOCK ON

(244)

A one-month figure is never a reliable indication of a trend. With the January producer price index (PPI) it is particularly unhelpful because it reflects a number of events that may or may not have a ripple effect.

The imported component, with a weighting of nearly 20 in PPI, rose 2,8% in the month, or a seasonally adjusted 3,2%. The annual rate of increase was 18,1%. The same series for local prices is 1,3%, 1% and 14,8%. The combined effect was an increase in total commodities of 1,5%, 1,5% and 15,5%.

The rise in the index includes a concentration of certain annual price increases, such as electricity, as well as increases of about 14,5% on a range of steel products. Crude oil,

FM 22/3/91

chemicals and metal products contributed equally to the rise in the imported component of the index, says a Central Statistical Service spokesman, while machinery and fuel contributed to a lesser extent.

As no increase in the administered price of fuel followed the rise in the price of crude oil imports, the secondary impact was apparently absorbed by the Equalisation Fund. Had the higher price been allowed to feed into the economy through an increase in the administered fuel price, January PPI would have

been dramatically higher.

(244)

The fund may be replenished by a higher tax component in the fuel price, which would have further effects on PPI and CPI.

Even without the knock-on effect of higher crude oil prices, local price increases in January were disappointingly high, says Senekal Mouton & Kitshoff economist Leon Steenkamp, particularly as several important items fell in price.

Among them was food, which has the biggest weighting in the index — 21. Prices

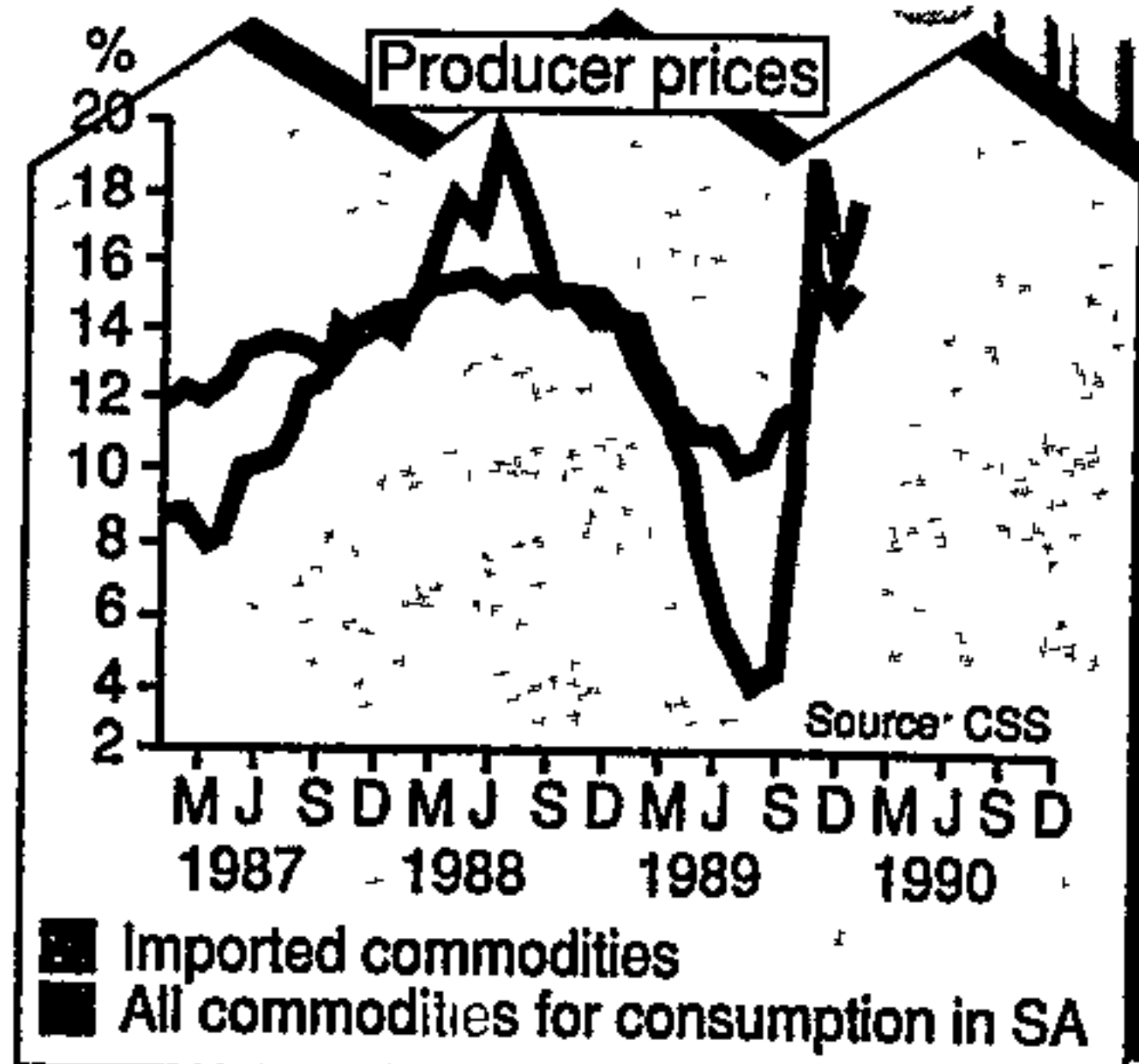
CONTINUE →

ECONOMY & FINANCE

FM 22/3/91

(244)

Inflationary import



5%,

- Ferrous basic metal (5) 10%, and
- Paper and paper products (4) 7,5% ■

in the primary stage of production fell by 3% and in the manufacturing process by nearly 1%. There were also declines in

- "Other chemical products" (weighting 11) 0,7%, and
- Products of petroleum and coal (8) 2,2%

Major price increases that month came in

- Mining and quarrying other than coal (7,55) 3%,

- Non-electrical machinery (6,25) 1,3%,
- Electricity (6) 4,5%,
- Chemical and chemical products (5,6)

FM
22/3/91

AIRFARES GET SET TO TAKE OFF

~~244~~
244

The 4%-7% increases in international fares that SA Airways and its pool partners will charge from April 1 are only the first of more to come this year.

The International Air Transport Association-sanctioned increases are intended to enable its members to cover general operating cost increases. They are not intended to counter specific increases, such as in rising fuel costs or depreciation of the rand. No doubt fare increases to cover these will follow.

They were set in November at the annual IATA tariff co-ordinating conference in Geneva, which decided normal fares would be increased by 7% and discount fares by 4%-6%.

The effect of this, says Stephanie de Witt of SA Airways, is that a business-class return air ticket to London will be increased by 7% to R8 616. A first-class return to the same destination will go up from R11 460 to R12 263.

Pex fares, which allow travellers to stay

abroad for between 14 days and six months, will be increased by 4% in the low season, 5% in the shoulder season and 6% in the high season. A low-season Pex return ticket to London, increases from R3 319 to R3 452, a shoulder-season return fare from R3 519 to R3 695 and a high-season ticket from R3 987 to R4 227.

UTA GM marketing Richard van Zyl welcomes the increases — as much for the airlines as he does for the retail travel industry which, to get business, often shares commissions with bargain-seeking travellers.

"The higher fares will enable them to earn more," says Van Zyl. "Airlines cannot operate without them but the way they were going about things was making it difficult for them to stay in business. It wasn't increasing the pool of potential travellers. Anyone who can afford to fly to Europe will fly whether he saves R300 on his ticket or not," he says.

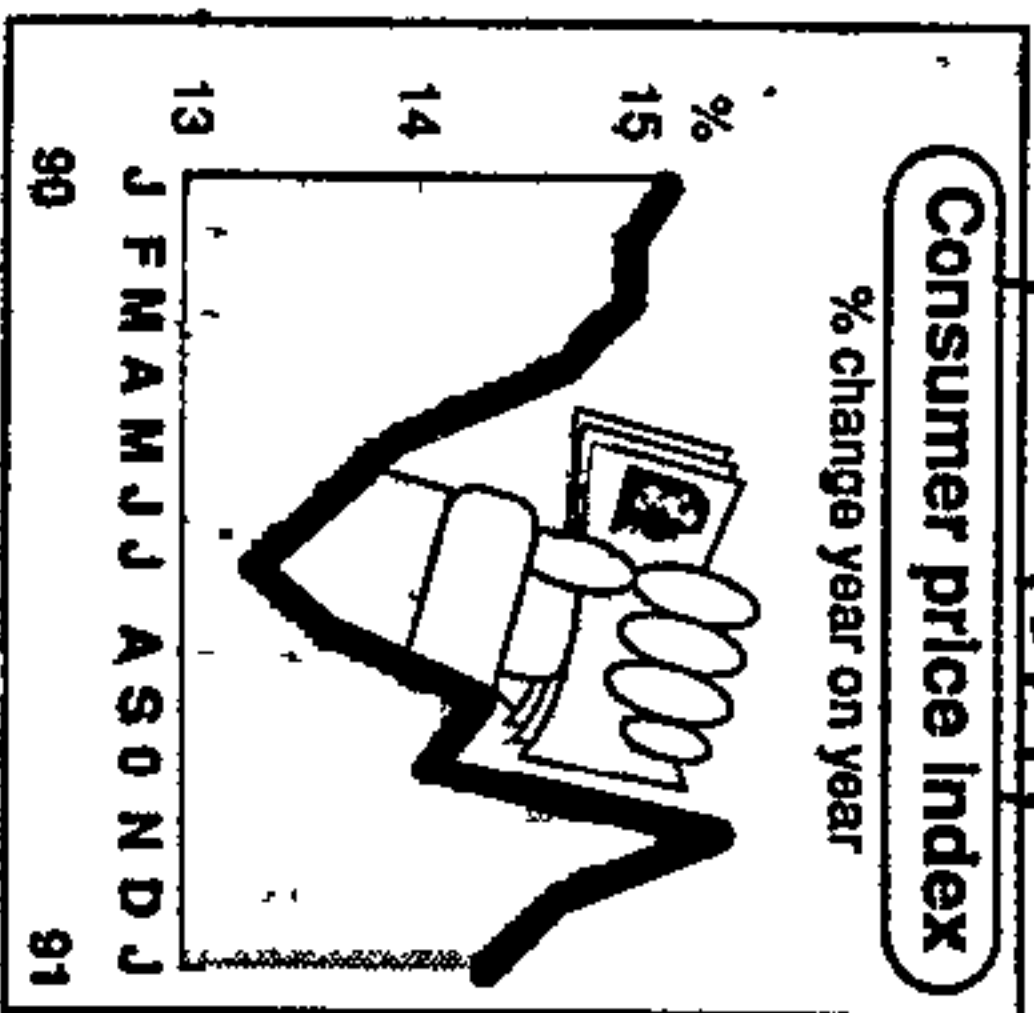
THE WEEK AHEAD by William Richards

CPI Should reflect Stals's stand

FOR the second successive month, there is a delay in publication of SA's inflation and money supply figures. The February CPI outturn, originally due out last Thursday, is now expected later today; the February M3 figure is expected later in the week.

The two figures have, for the moment, a reduced bearing on credit policy following the Reserve Bank Governor's assertion last week that further stimulatory measures are on hold. But the Governor's reaffirmation that inflation is "just too high" confirms the CPI as the most influential variable in the setting of the overall credit stance.

When the CPI figure is published, it is likely to show why the Governor was so adamant last week that it remains "just too high". The inflation rate for the year to February is likely to stall at around January's 14.3% — although partly for technical reasons. The index itself edged up only narrowly between January



and February last year, giving a low base for the 12-month figure to February this year. Part of the reason for the M3 delay remains the distortions caused by institutions bringing facilities back on balance sheet. Once this effect is stripped out of the rate, the underlying slowdown in credit extension could still see year-on-year M3 growth slow further from the 10.3% posted for the year to January. Internationally, the financial

markets have had an interlude since last Thursday in which there have been no important US economic data releases.

US data are being scanned particularly closely at the moment for statistical confirmation of anecdotal reports about higher levels of US consumer activity.

The data interlude comes to an end tomorrow with the publication of the level of the US durable goods orders for February. The figure is useful as a leading indicator because of the interval between the placement of orders and actual shipment.

Non-defence durable goods orders have been especially weak over the past few months. Overall, new durables orders fell again in January by 0.7% in another sign of economic weakness.

Dollar bulls received a fillip last week from a statistic in the US housing sector, and dollar sentiment could well depend on another housing number this week matching the trend in last week's figure. Many observers were watching

the level of February housing starts last week for the elusive signs of a US economic upturn, and thought they had seen one when starts perked up to 989 000 from January's 850 000. Housing starts are seen by some as a good early warning system for rising consumer confidence.

Matching signals will, however, have to be perceptible in Friday's US new home sales figure for February. Home sales crashed by 12.3% in January, to a level 35% lower than in January 1990, to post the worst sales rate since mid-1982. Unless this figure shows a sharp reversal on Friday from its recent downward trend, talk of a US economic revival will look distinctly premature.

Also on Friday, the US index of leading indicators is published and could offer support for the revival school of thought by showing its first rise for seven months. Some in the market now believe leading indicators could indeed tick up in February, after January's 0.4% decline, following upturns in some of the index components.

SCOUT OFFICERS OF SAUCE OYUNAN said they were covered by two SA Navy vessels on Monday, prosecutor-general Hans Heyman said in Windhoek.

He said the men were due to appear in the Keetmanshoop Magistrate's Court within 48 hours of their arrest on Monday afternoon.

They were apprehended last Thursday for fishing illegally inside Namibia's 200-mile exclusive economic zone.

SA Foreign Minister Pik Botha said yesterday he received a request from the Namibian government on Saturday for SA to assist in escorting the trawlers.

Meanwhile, a Windhoek news report said the trawlers' owners brought a successful application in Cape Town on Saturday prohibiting the authorities from interfering with the trawlers. — Sapa.

Public servants' boss speaks of anxieties

GERALD RIELLY

PRETORIA — Government workers' rights and privileges would only remain entrenched in the Public Service Act as long as this pleased any new legislators, Public Servants Association GM Hans Olivier said in Pretoria yesterday.

Speaking at a conference on the public service in a new SA, Olivier outlined a number of workers' anxieties.

There was uncertainty about changes ahead and acceptance of workers by a future government.

President F W de Klerk's recent reassurance that careers and pensions would not be prejudiced in any future dispensation had been welcomed.

Olivier said only 27% of clerical posts in the service

were held by blacks and the rest of the service there were slightly more than two whites for every black.

There was, therefore, an imbalance favouring whites which could be unacceptable to a non-racial government.

This could force a move towards short-term efforts at a more realistic balance. It could also be questioned whether a future government would feel bound by previous commitments to the employers' pension fund contributions and whether pensioners could rely on existing benefits being perpetuated.

It was an open question whether the funds should not be privatised, said Olivier.

Former astronaut Col Jim Erwin says the Apollo 15 spacecraft to the moon flag that had been carried aboard the Apollo 15 spacecraft to the moon

Increase in price of posting foreign mail announced

By way 27/3/91

REACHING out and touching a foreigner by letter, parcel or postcard will cost South Africans between 10% and 20% more from April 1.

The Posts and Telecommunications department yesterday announced an increase in surface and airmail foreign postage rates.

The department said the adjustment was necessary because of escalating operating costs and increased payments to foreign postal services.

There will be a 20% increase in the cost of sending airmail letters to most countries, including Eastern and Western Europe and some Middle Eastern, African and South American countries.

Where it previously cost 50c for each 10g, from April 1 the price will be 60c.

The department said the basic airmail parcel tariff to Great Britain, for example, would now be R11,60 (previously R10,20) for the first 250g and R3,80 (R3,60) for every additional 250g.

Airmail rates for letters to the US have increased by 10c to 75c for each 10g. The cost of sending letters of up to

50g by surface mail to Botswana, Burundi, Lesotho, Malawi, Swaziland and Zimbabwe will increase by 5c to 40c an item — an increase of 14%.

Letters weighing up to 20g and destined for other foreign countries will cost 45c to send by surface mail instead of 40c.

Airmail letters sent to neighbouring African countries will now cost 40c (35c) for each 10g.

The postage on surface mail parcels will be R11,20 (up 16,6% from R9,60) for the first kilogramme.

The basic postage on airmail letters to Taiwan will be 65c (55c) and for airmail parcels R16,70 (R16,10) for the first 250g and R5,30 (R5,20) for every additional 250g. The surface mail tariff for parcels will be R13,90 (R13) for the first kilogramme.

Public Enterprises Minister Dawie de Villiers announced in his Post Office budget last month that standard inland postage rates would go up by 4c to 25c a letter.

Postage on ordinary parcels of 1kg would increase by 40c to R2,50, De Villiers said. Particulars of the new tariffs were available at all post offices, the department said.

~~244~~ (244)
SAA gives reasons for air fare rise

By John Miller ^{Star} 2/13/91

SAA has defended its latest international air fare increase.

SAA's reasons for the 7 percent increase include the price of jet fuel — which it says is still 25 percent higher than before the Gulf War — and the weakening rand

SAA media manager Leon Els stood by the reasons for the latest price increase, adding that the cost of spares and salaries all played a part

The increase comes into effect on Monday. The increase on special or discounted fares will range between 4 and 6 percent depending on the season.

A travel industry source said SAA could not justify the increase and use fuel prices as the reason for this rise, adding that until deregulation took place, passengers would have to accept the dictates of SAA.

Excluding the April 1 increase, the airline has increased its air fares by 19 percent in the last year, of which 16 percent was directly the result of fuel price surcharges.

Now post overseas will cost more too

8 Feb 27/3/91.



By Paula Fray
Consumer Reporter

Hot on the heels of an announcement of a general increase on local postage and telephone rates comes the news of an increase in overseas postage tariffs for letters and parcels.

According to the Department of Posts and Telecommunications, foreign postage tariffs will increase on April 1 by between 10 and

20 percent

The increases coincide with local tariff increases announced in Parliament this month

The department said the adjustment was necessary because of escalating operating costs and increased payments to foreign postal administrations

From Monday the basic surface letter post tariff from African Postal Union countries will be increased to 40c and to other countries to 45c

A letter to the UK will cost at least 60c and the

airmail parcel tariff will be R11,60 for the first 250 g and R3,80 for every extra 250 g Surface mail parcels will cost R11,20 for the first kilogram

The minimum for an airmail letter to Taiwan will be 65c and for airmail parcels R16,70 for the first 250 g and R5,30 for every additional 250 g

● Local postage on ordinary letters will cost 25 c, a telephone call unit will cost 15c, telephone rentals will cost R24, and installation fees will rise to R155

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CPI: VEHICLE PUSH

FM 29/3/91

244

The rate at which consumer prices are rising remains disturbing — an annual 15% in February (compared with 14,3% in January) and a monthly seasonally adjusted 1,4%.

This last figure is more than 18% annualised, says Senekal, Mouton & Kitshoff economist Leon Steenkamp.

The unadjusted monthly increase was 1,2% half coming from a rise in transport costs, which have a weighting of 17,23 in the index. These rose 19,9% in the year (3,3% in the month). A breakdown shows vehicle costs rose 21,7% (5,9%), running costs 17,8% (1,1%) and public and hired transport 19,1% (1,5%).

“Transport costs are surveyed quarterly so these figures reflect increases in the three months to February 7,” says a Central Statistical Service spokesman.

Food prices (weighted at 22,72 in the consumer price index) rose an annual 15,7% and a monthly 0,5%; housing costs (weighting 21,21) a mere 6,1% and 0,7%.

Demand is strong enough, says Steenkamp, to allow the corporate sector to pass on cost increases to consumers (See “Seeds of growth”). However, Sacob’s Keith Lockwood says continuing consumer demand is not a major contributor to inflation. “If that had been the case, capacity utilisation would not be falling.”

**New rise in
crayfish cost**

Star 10/4/91.
'unjustified'

244
Consumer Reporter

Another increase in the price of crayfish — the second in five months — has been slammed by the Federated Hotel, Liquor and Catering Association (Fedhasa) as "totally unjustified".

During the "traditional" November increase, the crayfish price charged to restaurants rose from R24 to R27/kg. This was followed by another increase last month, bringing the price to R29,50/kg.

Fedhasa executive director Peter Hearfield said South African restaurant patrons and the local tourism industry were being sacrificed to line the export coffers of the crayfish industry.

Quota

"It's the same old story South Africans watch all their best goods being exported to far-off countries where better-off consumers can afford to pay exorbitant prices.

"The home market is apparently seen to be of secondary importance and there is a distinctly monopolistic flavour to the latest increase in the local crayfish prices,"

Mr Hearfield said

Fedhasa said the cost of crayfish had increased by up to 30 percent since 1989 and the latest rise meant restaurant patrons would have to pay anything upwards of about R45 for crayfish thermidor.

Fedhasa Restaurant Guild chairman Robert Mauvis said the time had come for a definite quota of the catch to be allocated to the South African market and for prices to be allowed to find their own levels.

Bumper sugar crop and hefty price rise likely

By Des Parker

(244) Sugar
The domestic price of sugar is likely to be increased later this year by a figure close to the inflation rate, according to SA Sugar Association (Sasa) chairman Glyn Taylor.

The last increase, of 13 percent, took effect on August 1 last year, at which time the annual inflation rate was running at about 13.5 percent. By February this year the official rate was closer to 15 percent.

Mr Taylor said at a Press conference that the real (after inflation) price of sugar had declined in the past five years.

"We will need to raise that rate to somewhere closer to inflation to cover the rise in production costs," he said.

World market prices have slumped over the past year and little improvement is seen for

Star 11/4/91
the short-term, with a surplus replacing the previous deficit because of bumper crops worldwide and fewer buyers.

Mr Taylor listed as major contributory factors chaos in the Russian distribution system, continuing sanctions on Iraq (which used to take 600 000 tons of sugar a year) and foreign currency constraints in China. In addition, India and Thailand produced bumper crops.

On the domestic front, Mr Taylor said March had been an excellent growing month and the current season — which began on April 1 — could yield a 10 percent bigger crop than the 1990-91 season did.

Good rains and generally favourable growing conditions in Natal and the Eastern Transvaal had sweetened the outlook for the industry.

Production last year suffered

from the effects of winter drought. However, this meant every available ton had been sold and good prices had been achieved by successful hedging in both the sugar and foreign currency markets.

The industry sold a record 1.3 million tons on the local market last season, 5.7 percent more than in the previous year. This was the biggest growth for a long time.

"Manufacturers of products containing sugar increased their offtake by seven percent and particularly good growth was recorded in the soft-drink industry," said Mr Taylor.

A long-term contract to supply Botswana with its sugar requirement had been signed.

Botswana previously imported its sugar from Zimbabwe but bad weather adversely affected the sugar crop there.

Minimal increase in PPI

By Sven Lunsche

Producer prices showed only minimal increases in February this year, after the soaring cost of imported commodities pushed up the producer price index (PPI) by 1,5 percent in January.

The Central Statistical Service (CSS) reported yesterday that the PPI rose by a mere 0,2 percent from January to February, which lowered the rate of increase in the 12 months to February to 15,2 percent.

Producer prices soared by 15,5 percent over the comparative period in January.

February's annual rate of increase is still well above December's 14,7 percent, but factors which pushed up producer prices so sharply in January were largely absent.

The PPI for imported commodities, which rose by a sharp 2,8 percent in January, actually declined by 1,3 percent in February, reflecting the stable rand exchange rate and, more significantly, the impact of lower international oil prices.

Locally produced commodities showed a monthly rise of 1,1 percent, with relatively large increases reported for commodities such as alcoholic and non-alcoholic beverages (2,8 percent), metal products (4,6 percent) and transport equipment (2,6 percent).

Slight drop in PPI

CAP-717/5 12/4/91 (244)

High level underscores inflation problem, says economist

By AUDREY D'ANGELO
Business Editor

THE producer price index (PPI) fell slightly in February, but is still above 15%. Figures released by the Central Statistical Services yesterday showed a year-on-year rise of 15,2% for February, compared with a year-on-year rise of 15,5% in January.

Some economists said it was "worrying" that the figure remained so high. But they forecast a gradual decline as the effect of the lower oil price was felt.

Old Mutual chief economist David Mohr said the continued high level of the PPI "after two years of zero economic growth in SA, and with actual declines in some sectors, underlines the inflation problem we have got."

He said this reinforced the message that no relaxation of monetary policy could be expected.

The price index for imported commodities in February, after seasonal adjust-

ment, was 1,8% lower than in January. The year-on-year rate of increase for imported commodities was 15,3%, compared with 18,1% in January.

The index for the total output of SA industry was 14,5% year-on-year for February, compared with 14,4% in January.

The price indices of commodities for SA consumption showed alcoholic and non-alcoholic beverages were up by 2,8%, metal products by 4,6%, transport equipment up by 2,6% and other manufactured goods 2,5%.

Transformer oil went up sharply by 14,9%, stock bricks by 2,8%, face bricks by 3,8% and sand by 2,4%. The price of wool went down by 1,1%.

Southern Life economist Mike Daly said the PPI figures were better than he had expected.

"It confirms that the PPI probably peaked in November when the consumer price index (CPI) peaked, largely driven by the higher petrol price," he commented.

"Since then there has been a steady but unspectacular move downwards."

Daly said he expected the PPI to remain in the 14% to 15% range until June or July. "Then I believe it will go down further."

The rand exchange rate had been steady for most of 1990. Imported price pressures had moderated and were not a factor in the local inflation rate.

"I think we can be mildly optimistic about the PPI by the end of the year."

Boland Bank economist Louis Fourie said the figures showed the gradual phasing out of the effect of the oil price increase.

"We also see the first reaction of prices to the stronger dollar. But the weaker oil price partly compensates for that."

"The worrying figure is still the high domestic inflation rate. Labour costs must still be the most important factor in this."

"We may see a decline in labour costs over the next year because of the state of the economy and rising unemployment."

"The outlook on the production side is not that bad. But I think the average inflation rate for the year will not be below 13%, which means it will be 12% by the end of the year."

FOOD prices have hit consumers in the stomach in the past year, with steady hikes continuing to outstrip the official inflation rate

Central Statistical Service's consumer price index figures show food prices have been going up at an annual rate of over 15% since the beginning of 1990

There have been particularly steep price rises for milk, milk products and eggs

Fresh meat prices have climbed steadily, along with those for grain, while fruit price increases have been held at a high level of around 25% year-on-year

The one welcome exception is the rate of increase in the price of vegetables, which dropped dramatically after December 1990

The situation is unlikely to improve this year, with the introduction of VAT in October expected to exacerbate sharp price rises

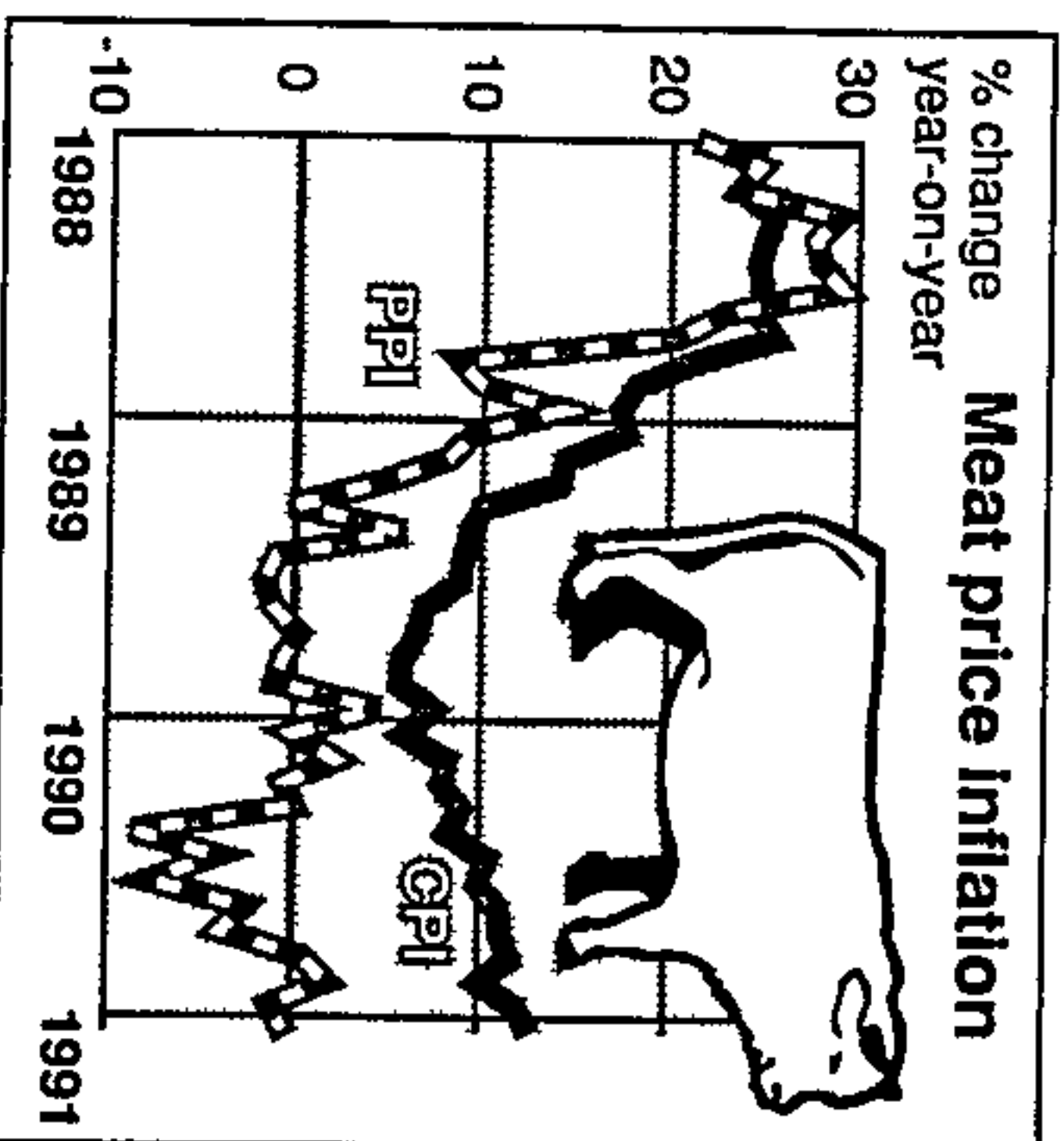
All foodstuffs now excluded from GST will be subject to VAT, barring brown bread and meal meal

Lower income earners are hardest hit by food prices because they spend about 55% of their income on basic items — food, clothing, footwear, rent and transport. This can be compared with the 28% that higher income earners spend on basic items

The dent food prices make in lower income earners' wages will intensify with the imposition of VAT on food in October. Critics have questioned the advisability of this but the reasoning behind removing the exemption of food from indirect taxes is that higher income groups benefit more greatly from this

Consumers hit in the breadbasket

By Dawn 15/4/91



Graphic FROM KRISCH Source CSS

An area of great contention has been the large, and in many cases widening, gap between producer and consumer prices. The gap between food producer and consumer prices narrowed in the last few months of 1990, but this was after a considerable widening in the first half of the year. The trend in producer and consumer meat prices is a notable case of the widening, and still unexplained gap, and it has generated much conflict.

SHARON WOOD

During 1990 the yearly rate of increase in meat prices experienced by the producer was negative for most of the year.

This is explained by the cyclical nature of the meat industry, where prices move up in times of restocking and down when the restocking phase is completed. Herd restocking had been completed following the mid-1980s drought, depressing auction prices for farmers' livestock.

This was confirmed by the latest Meat Board Annual Report which said that SA could expect to be moving towards a period of surplus meat supply.

It said auction prices should move sideways thus resulting in a lower real income for the farmer on a real basis.

But this declining trend in producer prices has not been passed onto the consumer. Consumers had to pay steadily more for meat throughout 1990. Packaging and transport add to costs, but the consumer prices for meat should still follow the producer trend.

Critics say the apparent anomalies in the meat market are caused by the high degree of control within the industry.

Some have suggested the industry should be privatised and meat sold on a futures market, which would even out price fluctuations. Others suggest that an equalisation fund should be set up to give aid to the farmer during "bad times", with the fund being built up during the "good times".

The Meat Board Annual Report stressed that deregulation, which would include abattoir privatisation, was a priority but a Meat Board spokesman said this would not occur for at least the next two years. The report added that the board and the Agriculture Minister differed on the approach deregulation should take — an indication that a solution to problems in the meat industry is yet to be reached.

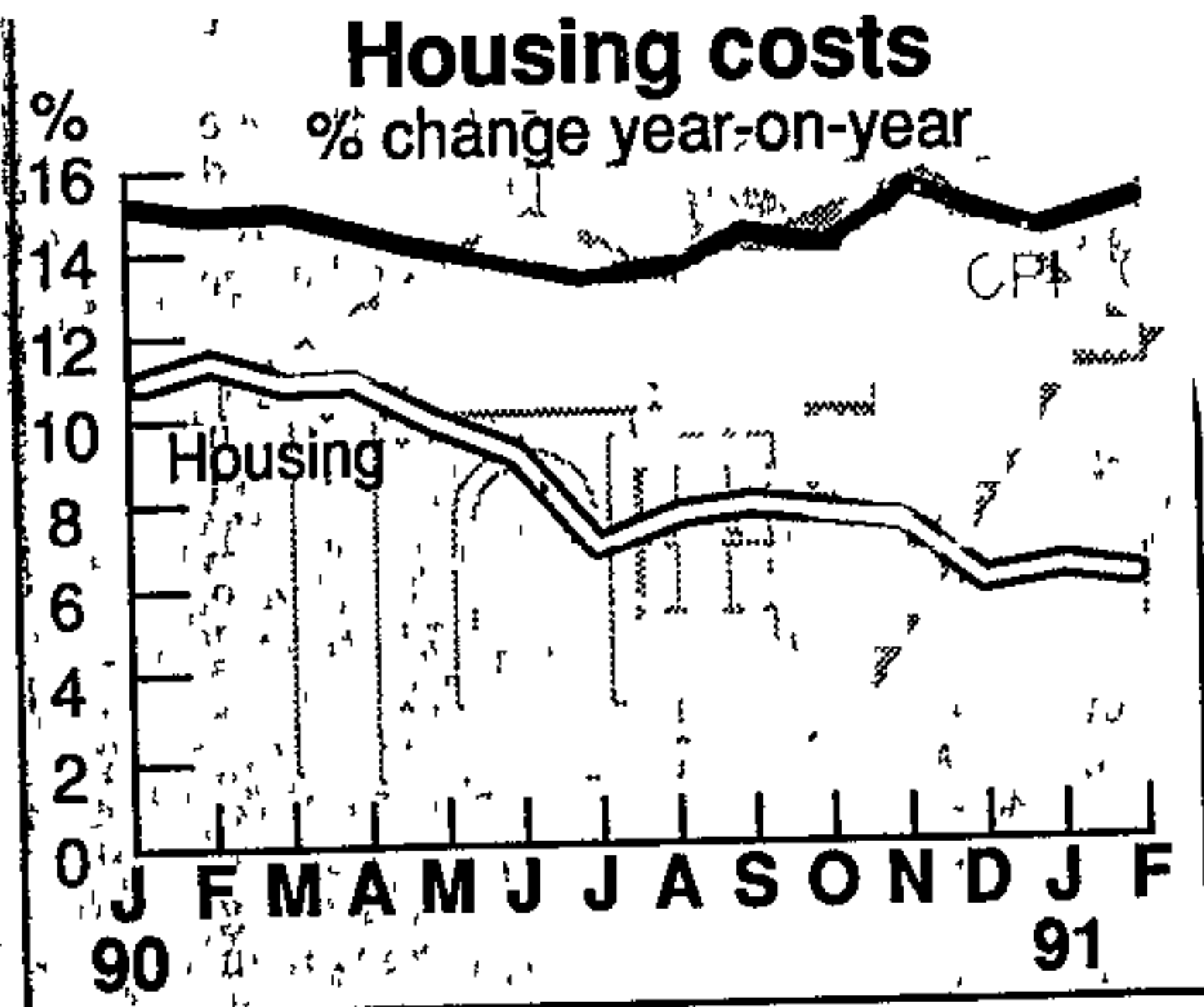
The shocks to consumers' pockets with regard to milk, milk products and eggs are disturbing, bearing in mind the much-publicised milk price war and large surpluses in the milk industry.

The annual rate of increase in milk and egg prices more than doubled in a year, rising from 12.3% in January 1990 to 26.5% in January 1991. Fruit remained consistently expensive during 1990, peaking at 32.6% year-on-year in January 1991.

Vegetable price rises dropped dramatically from 48% year-on-year in January 1990 to 3% in January 1991.

The steady climb in grain prices can be attributed to both the drought, which severely affected maize and wheat crops, and the gradual removal of the bread subsidy during 1990.

The total removal of the bread subsidy in the March Budget will put further upward pressure on grain prices in the next few months.



Graphic LEE EMERTON

Housing costs put the brakes on inflation

THE costs of accommodation have put a brake on general price inflation over the past year — inflation would be 17% if housing costs were excluded from the calculations.

A major factor restraining housing prices has been stable interest rates, with housing costs rising by only 5.2% year-on-year in February 1991. This month's declines in home lending rates after the March cut in Bank rate will have a further positive impact, leading to an actual annual decline in mortgage interest rate repayments in April.

The annual rise in housing costs was mainly a result of flat and house rent increases, because the year-on-year rise in interest rates had been zero since October 1990, as prime remained at 21% from October 1989 to March 1991.

Property analysts estimated that flat rents had risen by about 15% over the past year. But official figures on the actual rise in flat rents will only be available in May, when the Central Statistical Service publishes the results of its annual flat survey.

In contrast to slowing accommodation prices, the costs of keeping a home clean and well maintained have risen above the general inflation rate. Household operation costs have been well above an annual 15% during the past two years.

Inflation in the prices of cleaning materials averaged about 20% during 1990, and the cost of employing domestic workers rose about 14%.

The positive effects of low housing costs on inflation are technical and do not reflect any real progress in the battle against inflation. When these costs are excluded from the basket, the spiralling prices tell a different story to the overall rate.

Some economists have questioned the use of interest rate policy to fight inflation, as higher interest rates have a direct and significant effect on the CPI basket. Why aggravate the situation by raising housing costs, especially as housing is one of the biggest items in the CPI basket after food?

Interest rate policy is often misunderstood because it does not have any direct, quantifiable effect on the CPI basket. It works indirectly by affecting "demand-pull" inflation. Low interest rates promote spending because borrowing becomes more attractive than saving. Heightened demand indirectly fuels inflation as it is easier to raise prices when consumers want to spend.

In this second of four articles examining inflation, **SHARON WOOD** looks at the impact of housing costs on the CPI.

A vicious circle emerges with consumers wanting to spend more because inflation is already high. For this reason, the central prong of a policy to combat inflation is to maintain high real interest rates. But in spite of almost two years of high real interest rates, consumer spending has remained high, prices have risen apace and housing has been the only major category to fall significantly over the past year. Progress in curbing housing costs simply reflected unchanged interest rates. Spending in many other areas of the economy continued. Private consumption spending rose by 1.5% in real terms last year amid conditions of no real economic growth. In the 1985 recession, it fell 3.5%. Increases in durable goods and recreational items, usually sensitive to a downswing, remained strong. The Reserve Bank has expressed concern over rising propensity to consume. Some economists, including First National Bank's Cees Bruggemans, have suggested real interest rates could be kept at higher levels, even as high as 6%-7%. That would put SA in the same league as Germany, which last year had inflation of 3%. But it is unlikely the Reserve Bank, faced with unemployment and political uncertainty, will be able to go to German extremes.

Price of coal rises in Vaal Triangle

Sowetan 17/4/91

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THE price of coal in the Vaal Triangle townships has gone up by R2 a bag, forcing residents to dig deeper into their pockets to keep warm this winter.

It shot up from R8,50 a 50kg bag to R10,50 at a time when most blacks are reeling under the escalating cost of living and face the biting recession and unemployment.

The assistant secretary of the Evaton/Sebokeng United Coal Association, Mr Sandile Govuzela, said the rise was the first in two years.

By JOSHUA
RABOROKO

He attributed the increase to the closure of two coal mines in the area, the increase in the price of petrol, the rising cost of maintenance of vehicles and the high wage demands by employees.

Credit

The closure of the mines had forced coal merchants to travel long distances to fetch coal and

railage was expensive, he said

Coal merchants sold their products on credit and incurred extra expenses when they collected money.

A spokesman for the Chamber of Mines said none of the 103 coal mines represented by the chamber had closed in the past few years.

He could, however, not rule out the possibility of small mines not affiliated to them closing down.

THE White Paper on Land Reform has reinforced the widely held belief that rural development can make a major contribution to integrating black South Africans into the economy. In the absence of appropriate policies, it is in fact more likely the rural areas will continue as a repository for the marginalised poor, draining national resources.

More than 50% of black South Africans live in these areas, three quarters of them in the homelands. The term "rural" is misleading since the majority actually inhabit a uniquely South African purgatory, supported by funds from the cities but isolated far from them.

Because so many people are involved, it is necessary to address their particular needs and to promote policies which will enable them to enter — and contribute to — the mainstream of SA society.

It is also crucial that the financial burden they are going to impose is recognised and provided for.

To do this, however, some myths need to be dispelled. One is the notion of the so-called "subsistence economy". The White Paper makes frequent references to this. It talks specifically about "a delicately balanced subsistence economy which, if replaced in judiciously, could lead to the collapse of the economies to which it affords a livelihood".

It mentions that "up to 80% of the income of subsistence areas is derived from the sale of labour through the migrant and commuter systems". But it implies that at least 20% — and probably more — comes from agriculture.

This, of course, is nonsense. Even in the homelands where this subsistence economy is supposed to be found, "only 10% of household income is derived from agriculture" according to the Urban Foundation's Rural Development report.

Another dangerous myth driving

New policies needed to bring rural poor into the mainstream

MIKE MULLER

BIDAY 18/1/91

the policy debate is that agriculture will provide a place in the economy for the majority of those rural dwellers whom apartheid has marginalised. The implicit assumption is they will not be dependent on public or private welfare.

This wishful thinking is not borne out by facts. In some homelands, a family of six may eke a living off five hectares of rain-fed fields (assuming that R3 000 annually can sustain a family of six). If the homelands' 2-million hectares of arable land were to be fully utilised, they could support perhaps 400 000 families or 2,5-million people — less than a quarter of their population.

How much scope is there outside the homelands? Take an unlikely extreme. If black farming families were willing to accept one tenth the income of their white counterparts, and 60 000 white farming units were handed over, another 600 000 black farmers, 3,5-million people, could be put on the land.

Together with those from the homeland areas, that is only half the rural population, just over a third of the 14-million predicted by the Urban Foundation in 2 000. It thus appears inevitable that the majority of

rural people will be excluded from farming. The Bureau for Market Research recently recognised this by "urbanising" them in their statistics, arguing that they live in dense settlements, supported by urban earnings.

This is unhelpful. These communities are supported in the limbo between city and countryside by a fragile system of remittances from city workers, homeland civil service salaries and pensions. For a minority, income from gardening (a more accurate description than farming) helps to cushion the rural household from interruptions in the flow of funds from outside.

This support network is unraveling, however. The migrant labour system is breaking down. As the White Paper notes, "there are factors at play that could lead to the rapid collapse of circulatory migration".

Massive urban unemployment clearly reduces recruitment from peripheral areas — a situation unlikely to improve soon. The outlook for jobs in homeland governments is

equally unpromising. Any rationalisation of government spending should, on efficiency criteria, cut these peripheral bureaucracies first. The only secure component of the support system is pensions. But not even an overnight equalisation to white levels could compensate for the predictable losses of income from the other sources.

Over the next decade, hundreds of thousands of young adults are thus likely to be trapped in rural areas, with no prospect of work and no source of external funds to sustain their families.

No government will allow destitution to occur on the scale which is threatened. One way or another, funds will be transferred to these communities. Already, many homeland salaries are little more than disguised welfare transfers.

A pessimistic but realistic vision of tomorrow's rural SA is of a growing, welfare-dependent population which outnumbers small farmers. If rural development work focuses solely on farmers, it will fail when the bypassed majority obstruct it. Rural sociologist Chris de Wet of Rhodes University argues that the homeland areas will need roads and

transport, education and training, health services will have to be expanded, basic needs such as water supplies addressed, forests developed to provide people with fuel.

A major objective will be to help people escape from the rural dead-end by building up what is fashionably known as their human capital — they have no other — so they can compete and contribute in the cities. The conclusions of UCT regional planner David Dewar about the Transkei, that "the prospects of the economy being in any way viable are nil" and that "any longer term development path must involve a large net transfer to other parts of the country" applies equally to the other homelands. The exodus is clearly inevitable.

To support the process, we urgently need a better understanding of how rural people survive, the scale of their needs in a changing environment and the limits to sustainable rural development.

How many people can agriculture support, how many will be "surplus" to the rural economy and, eventually, have to be accommodated, physically and economically, elsewhere?

Some social services of national scope — education and old age care in particular — could be provided in the rural areas. Would this provide a helpful economic base? Or would the costs of the supporting physical infrastructure outweigh potential benefits?

Without clear perspectives grounded in rural realities, rural development policies will continue to fail and society will pay the price of keeping a dependent population in the countryside in perpetuity. Already Ina Perlman tells us that Operation Hunger is feeding 400 000 people in the Transkei — 10% of the population. She warns of massive increases in real hunger. That can only be a foretaste of things to come.

□ Muller is a senior policy analyst at the Development Bank of Southern Africa. The views expressed are, however, his own.

Transport prices hit by Gulf crisis

THE Gulf crisis abruptly halted the steady downward trend in transport prices — a 32c/l petrol price hike in November 1990 boosted the year-on-year rate of increase by about 8% in that month.

All components of transport costs — vehicle prices, running costs and public transport fares — were hit by higher global oil prices and domestic petrol prices.

A series of petrol price hikes boosted running costs directly and the effect only began to filter out of the figures in January this year in line with falling petrol prices.

The petrol price soared by 36% to R1,60/l in October after the outbreak of tensions in the Gulf. It has since fallen by 23% to R1,30/l, but remains above the pre-crisis level of R1,18/l.

Vehicle prices slowed down in the first half of 1990 as a result of a stable rand, which dampened the large imported component of vehicle costs. But prices rose again after the outbreak of Middle East tensions.

Public transport costs suffered directly from higher local petrol prices. But these prices had been rising sharply prior to the crisis and have not yet fallen.

In this, the third of four articles on inflation, SHARON WOOD examines the various trends in transport costs

Prices for domestic and international fares soared during 1990, partly as a result of the crisis. But fares have remained at high levels despite the reduction in petrol prices. The fuel levy imposed directly in response to the level of petrol prices was, however, abolished in December 1990.

Bus services have been hard hit by the growing black taxi business and the reduction in subsidies from the government, putting substantial upward pressure on bus prices.

The fall in the petrol price to R1,30/l for 93 octane in March will lead to falling transport prices. This effect will first be seen in running costs, where the petrol price is directly measured, and then possibly in producer transport costs. But the latter effect will be more difficult to measure and experience has shown that these prices are inelastic downwards and thus cannot be expected to fall to the level seen prior to the crisis.

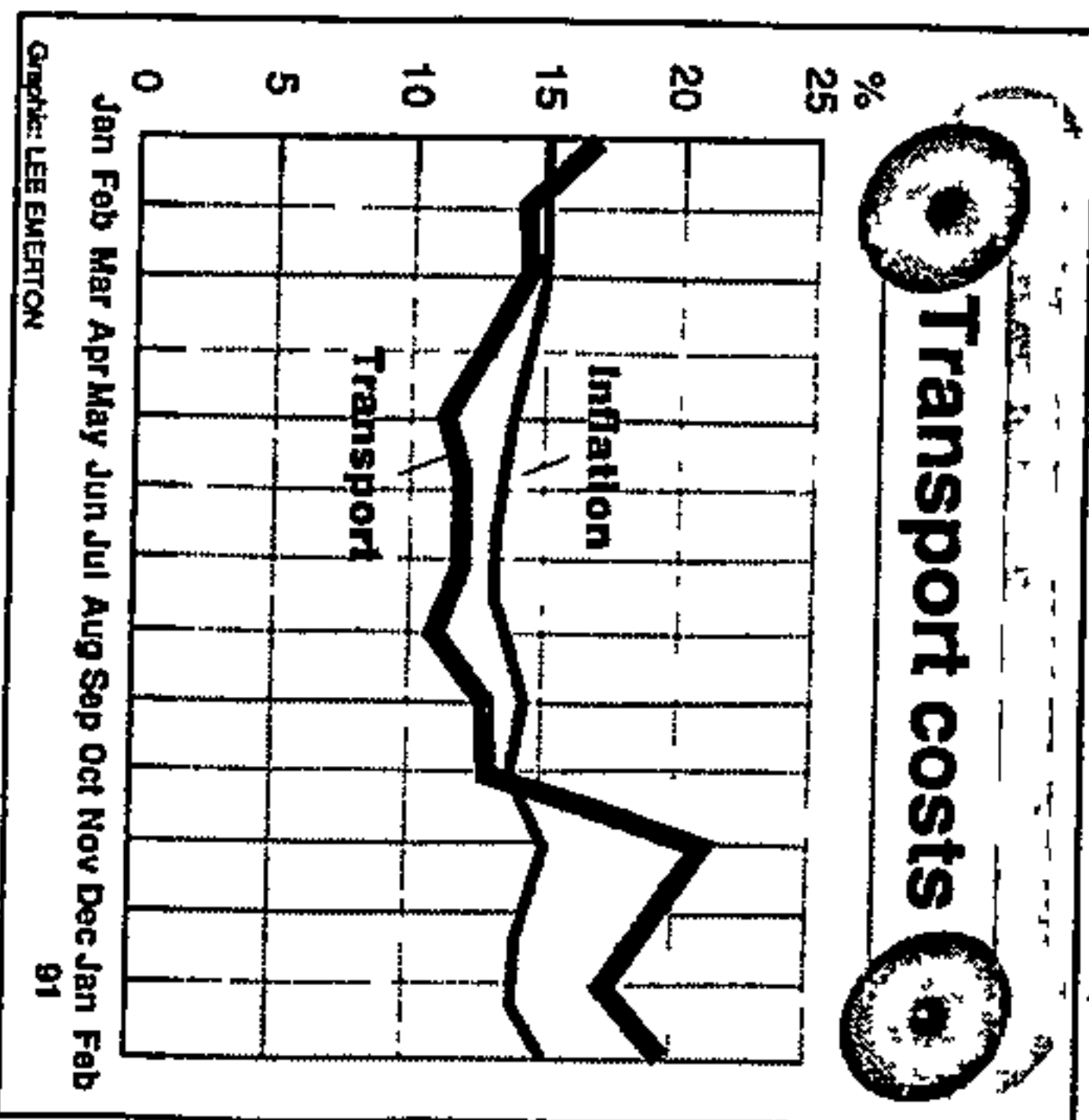
Car price increases have outstripped all other commodities monitored by the CPI since 1985. Vehicle prices are up a significant 229% from 1985 prices, compared with a 122% rise in the overall inflation rate.

The main reason behind this spectacular rise since 1985 is the depreciation of the rand. Car prices have a large imported component — as high as 50% — which is directly affected by the strength of the rand, particularly against the Deutschmark and yen.

The maintenance of a relatively stable rand over the last two years slowed down the rate of increase in car prices.

The new local content programme, which is determined by the value of components as opposed to the original mass criteria, could have a profound upward effect on car prices, say motor industry analysts.

By increasing the price of a car the local con-



tent specification is more easily reached, they say.

In addition, company sales consist of about 80% of the new car market, which enables car companies to pass on price increases instead of reducing margins, they say.

Used car prices have also soared in the last few years, with a move from the private new car market to the used car market, they say.

PPI FM 19/4/91

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REVERSING TREND

Once again the rate of growth of the production price index (PPI) has taken a tentative step down. A small decline in the year-on-year 15,2% rise in February (January 15,5%) mainly reflects the base it's compared with (only 12,9% in February 1990), but the month-on-month figure is more encouraging: a mere 0,6 of a percentage point.

The 0,3 point drop in the year-on-year figure indicates that inflation most likely won't fall into single-digit figures by next year as some optimistic economists expect. In fact, some, like First National Bank group economist Cees Bruggemans, believe consumer price index (CPI) inflation will probably stick within 12%-15% "Every year the downward inflationary trend is pushed upwards by some kind of shock," he says "Last year it was oil, this year it will be VAT"

PPI inflation had been falling since February last year. But when the Gulf War threatened to send oil prices soaring in August, it shot up from a low of 10,3% in July to 15,8% in November. It declined marginally to

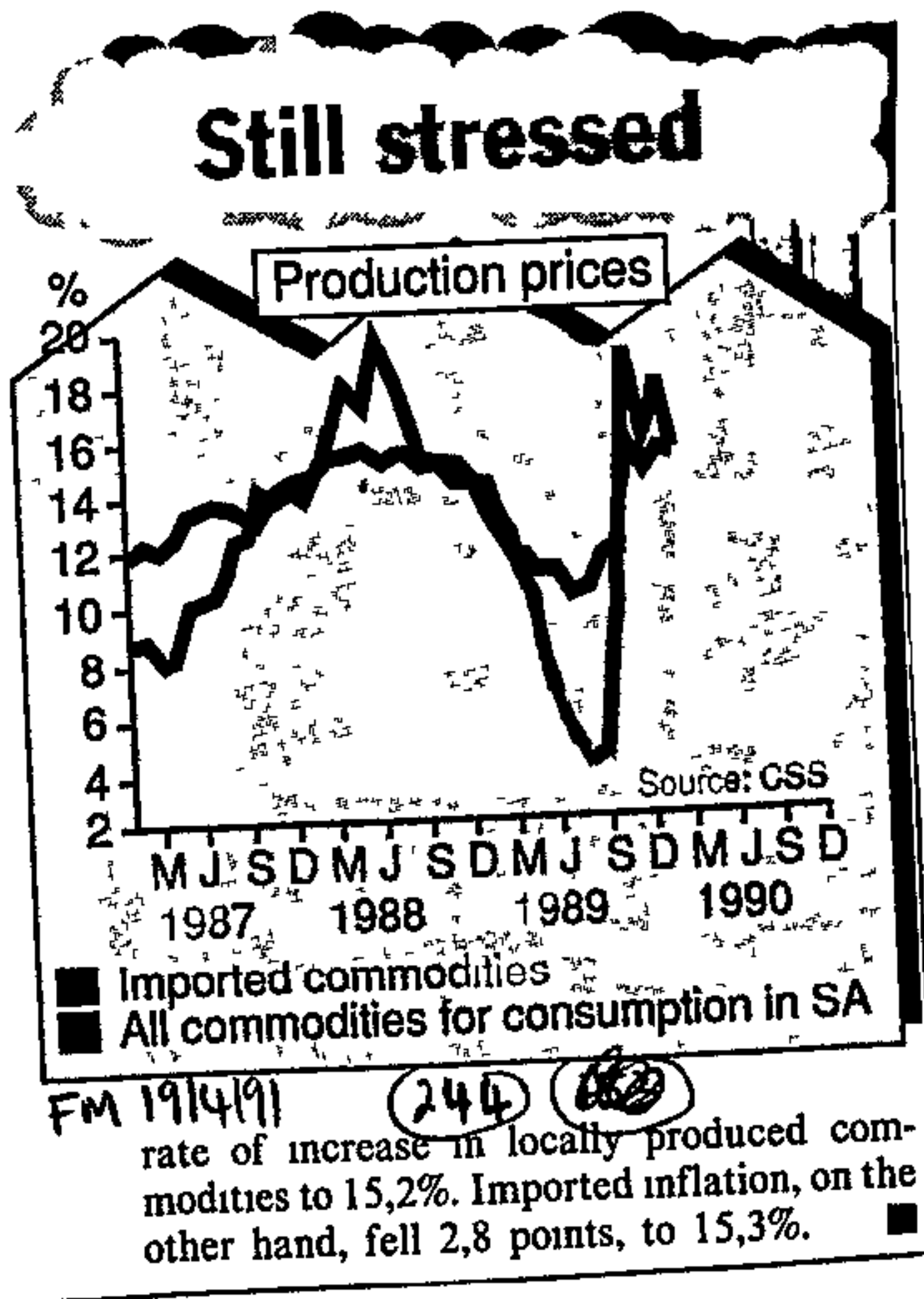
14,7% in December and rose again in January. A similar short-term upward push is expected when VAT is introduced in September, though the size is uncertain.

It is expected the upward push will be greater on CPI than PPI, as CPI includes services which will now fall under VAT. But PPI will feel the impact of taxing food.

The tight monetary policy of the Reserve Bank is finding difficulty working its way into inflation as people expect to be compensated for inflationary shocks. Wage demands made in line with inflation therefore keep the momentum going.

Internal inflationary momentum is evident in the 0,4 point rise in the year-on-year

Continue - P



DOMESTIC inflationary pressures remain high and the road to single-digit inflation will be long and painful — high and rising food and transport costs continue to outweigh slowing housing costs.

With underlying inflationary pressures in the economy still strong, it is unlikely that single digit inflation figures will occur within the next two years, economists say. A Business Day survey of economists' inflation forecasts showed the most optimistic view is that consumer price inflation will reach 12% by year-end and 10.5% by end-1992.

Food prices continue to rise rapidly, along with transport prices and most other commodities contained within the consumer price index. The only exception to steadily rising prices has been the significant reduction in the cost of housing, which is directly influenced by moves in mortgage interest rates.

Consumer price inflation looked as if it had entered a well-entrenched downswing during 1990. But the outbreak of the Gulf crisis halted this trend, although this was widely believed to be only a temporary set-

not yet responded to the end of the Gulf war and show that there has been no significant decline in price pressures.

The recession has intensified pressure on the Reserve Bank to ease monetary policy. But the high level of credit-financed consumption has kept private consumption expenditure at higher levels than in previous recessions and limits the possibility of further near-term interest rate cuts.

While consumer demand has remained strong, the pressure on prices is given further impetus by entrenched inflationary expectations. This key factor has emerged strongly in the past year and the monetary authorities have taken note of this.

Inflationary expectations of below 10% are essential for a fundamental reduction in cost-push pressures emanating from wage demands on domestic prices. But this task is diffi-

Transport, food costs are main culprits

19/4/91

~~153~~ 244

In this final article in the series, SHARON WOOD examines the obstacles to a single-digit inflation rate for SA

tions have ranged between 12% and 15% for at least the last four years. The introduction of VAT in October is widely expected to add an immediate two percentage points to the consumer price inflation rate during that month. Thereafter, prices are supposed to fall with the elimination of the "cascade" effect on prices which occurs under the GST system. This should be reflected first in the CPI and then in the CPI. But many have countered this argument saying that general prices will probably rise under VAT.

The direction in consumer price inflation is thought to follow the trend in producer prices, with a lag

lieved that the more volatile CPI will peak higher and fall lower than the CPI.

Historical data, however, show that consumer prices are downwardly rigid, with the producer price inflation peaking at about the same level as consumer price inflation, while falling further than consumer price inflation.

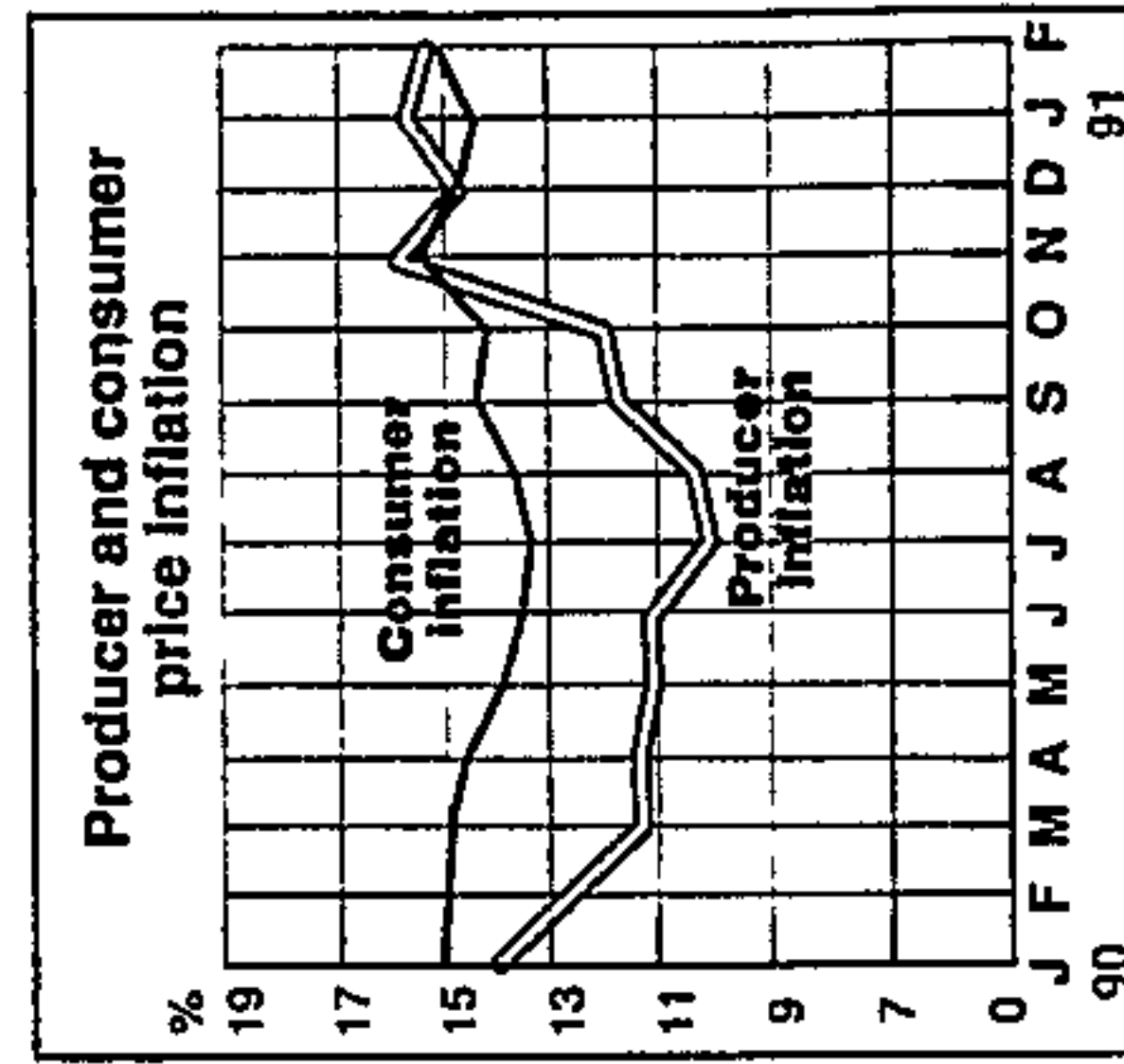
This is a possible explanation for the longer-than-expected removal from the system of the pressures generated by higher petrol prices. Air fare prices, in particular, have failed to react promptly to falling petrol prices.

Success in the battle against inflation will only be really secured if the inflation rate is brought into line with that of SA's major trading partners — which averaged 5% during 1990.

This would at least curb the depreciation of the rand which occurred during the 1980s, and was halted in

certed policy action. A weak rand fuels domestic inflation through the imported component of the PPI.

But the necessary reduction in inflation to single digit figures will occur only through severe economic hardship. This, however, is not politically feasible at present. The determination of Chris Stals is not questioned, but it is debatable whether he can follow through his aims with due regard to the consequences



Slowing in rate of inflation likely

MOVEMENTS in the consumer price index 12 months ago look set to slow up the SA inflation rate quite significantly when the March CPI figure is released, probably later today.

The rate of inflation in the year to March should drop by up to a full percentage point from the February rate of 15%.

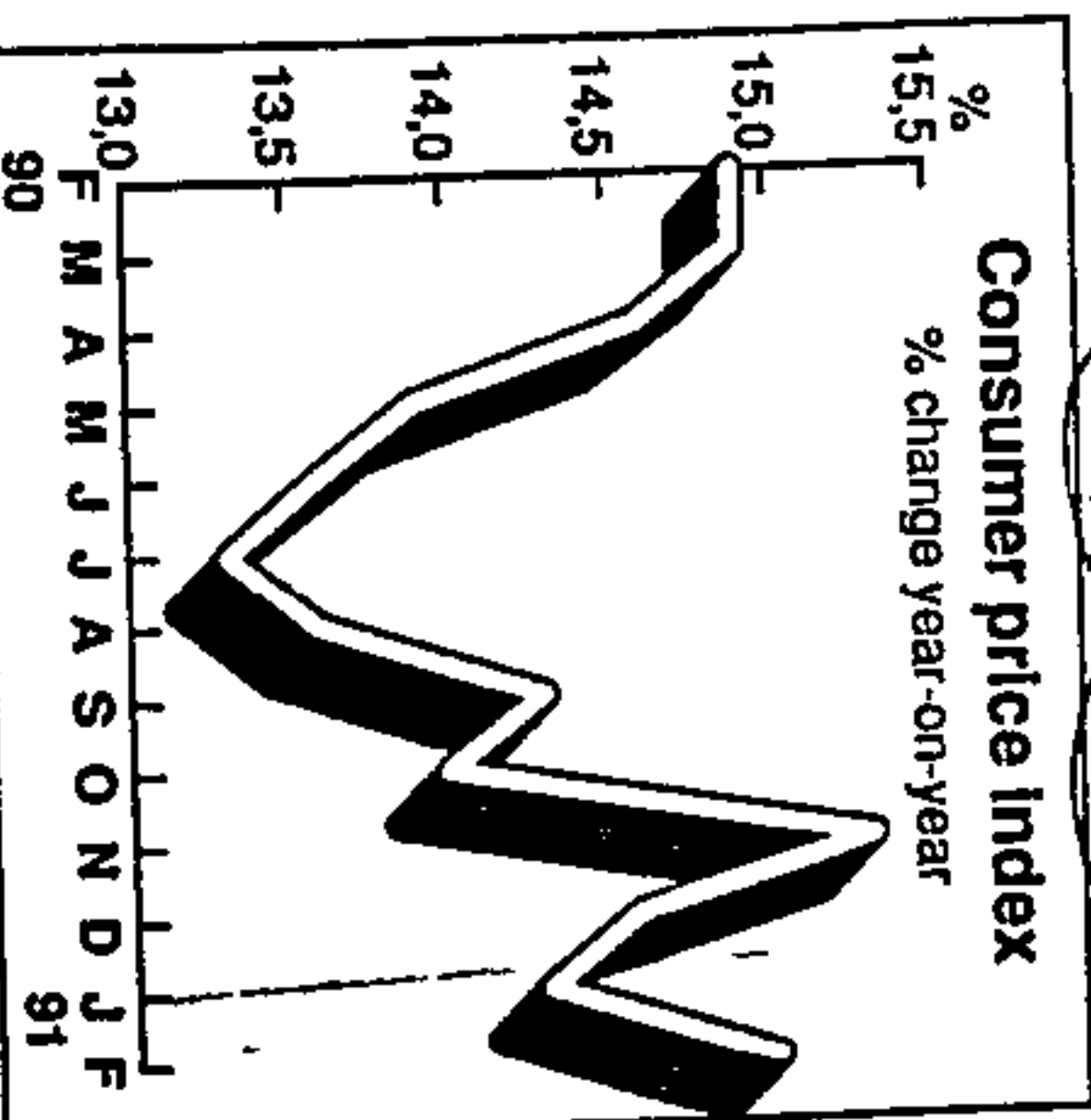
A statistical quirk was partly responsible for prompting the surge in the inflation rate to 15% in February from 14.3% in January.

The month-on-month increase in the index between January and February 1990 — 12 months earlier — was a mere 0.7%. This gave the year-on-year measure of increase in the CPI — that is, the official SA inflation rate — a freakishly low base for calculation and boosted the February inflation rate.

For March, the index movements 12 months ago move back in favour of a more modest rate of annual growth in the index. The month-on-month CPI increase between February and March 1990 rose to more than twice the miserly January-February increase, giving the annual calculation a higher base.

An apparent slowdown in food price rises seen during February should have extended into March and may also help restrain the month's overall inflation rate.

Release of the March level of money supply growth is also imminent, and can be expected later today or tomorrow unless



Graphic: FIONA KRISCH Source: CSS

there is a reappearance of the statistical gremlins that have delayed publication of the figure for the past two months.

Part of the difficulty in releasing the M3 figure on time has involved the need to accommodate previously off-balance sheet bank facilities in the aggregate.

Incorporation of the former grey-market facilities has led to the issue of a two-tier rate of M3 growth by the Reserve Bank.

The authorities now release a headline rate of annual increase in the M3 aggregate, as before, but supplement this with another figure net of "repurchase agreements conversion".

The headline figure is likely to be higher than the netted-out figure, as it was for

February at 14.6% headline and 12.2% net

To the extent that the money stock was swollen by end-financial year government spending in February, the March figures may be more moderate.

M3 growth is still, however, likely to exceed the Reserve Bank's growth guideline of 8-12% from a base in the fourth quarter of 1990.

Internationally, the main event of the week occurs on Friday when the preliminary readout of the US economic growth over the first quarter of this year is published.

Annualised US GNP, at -1.6%, turned negative in the fourth quarter of 1990 for the first time in four years.

The financial markets now await formal confirmation that the US economy is in recession, a technical definition that will be fulfilled by a second consecutive quarter of negative growth.

A long series of dismal and sluggish monthly economic indicators during the first quarter leaves no doubt that the US economy did indeed shrink again, the point at issue is by how much.

Market expectations are for a figure of between -3.0% and -4.0% as a preliminary figure, subject to two revisions during subsequent weeks.

The closer to -4.0% the preliminary GNP outturn is, the greater will be the pressure on the US monetary authorities to cut interest rates and pull the economy out of its recessionary dive.

Stronger signals that US interest rates are poised to fall carry the

risk of adversely affecting the dollar yield prospects and eroding the current value

US economic prospects are likely to have been softened up earlier in the week by another grim figure, due tomorrow, of durable goods sales during March.

Markets looking for statistical evidence of the reported upturn in US summer confidence since the end of the Gulf war are therefore, to remain disappointed for the time being.

Finance ministers from the world's major industrial powers gather in Washington DC this weekend ahead of next week's semi-annual meetings of the IMF and World Bank.

An informal G-7 meeting is therefore timetable for this weekend. The US capital, and exchange rates are sure to be on the agenda. This may be a disincentive to traders to take speculative positions ahead of the weekend.

Last week's higher UK unemployment figure — up to 7.4% in March from 7.2% in February — looks as though it will be followed up by adverse retail sales levels for the UK during March, raising pressure on the British authorities to cut interest rates again — especially if the government is contemplating an early general election.

The Japanese inflation rate for March due out on Friday, seems certain to stay stubbornly close to the 4.0% level that is unacceptable to the Japanese authorities. This should ensure continued firm Japanese interest rates.

Tea price varies greatly from store to store

Consumer Reporter

The cost of a morning cuppa has risen drastically over the past year, with tea prices varying dramatically from store to store, figures gathered by the Housewives' League show

In April last year Pitco loose tea of 250 g sold for between R3,19 and R3,79 at stores surveyed. Last month its price was between R4,99 and R6,19 at various

stores. Three Teas (250g) loose tea sold at an average of R2,99 last year. Last month the price varied from R4,29 to R5,79

Apart from the overall increase in prices there is also an astonishing variation in prices at different supermarkets

Tim Young, chairman of the South African Tea, Coffee and Chicory Association, said the present high prices for tea were a result of a severe

world shortage at the end of 1989

"It has taken some time to come through to affect the price on the shelves," Mr Young said

The world market had experienced a 75 percent shortage at the end of 1989 as a result of the Chernobyl disaster

"Other changes reflected to a lesser extent are the normal inflationary increases in items such as packaging, wages and transport"

Inflation rate drops to 14.1% in March

By PIETER COETZEE
Financial Editor

IN spite of the relatively sharp drop in the inflation rate to 14.1% in March from 15% the previous month, it should remain relatively high throughout the year, said economists. They said the inflation rate could drop to about 13% by the end of September but that the introduction of VAT in October could push the inflation rate up to about 15% before it would start levelling down again.

On average, however, they expect the inflation rate to be around 14% this year with a levelling off to about 11.5% next year before rising again due to the expected upturn in the economy in 1993. Economists said the decline

in inflation in March was largely technical because it came off a low base in March last year, when the month-on-month rise was particularly small. The Consumer Price Index (CPI), against which the inflation rate is measured, rose by 0.9% month-on-month. Food prices rose by a relatively small 0.7% month-on-month to 15.9% year-on-year.

There was a small 0.2% monthly rise in housing prices between February and March. Housing prices increases will probably be low in April as a result of the fall in the prime overdraft in March. Transport prices were up a small 0.1% month-on-month, but these prices are only measured on a quarterly basis and

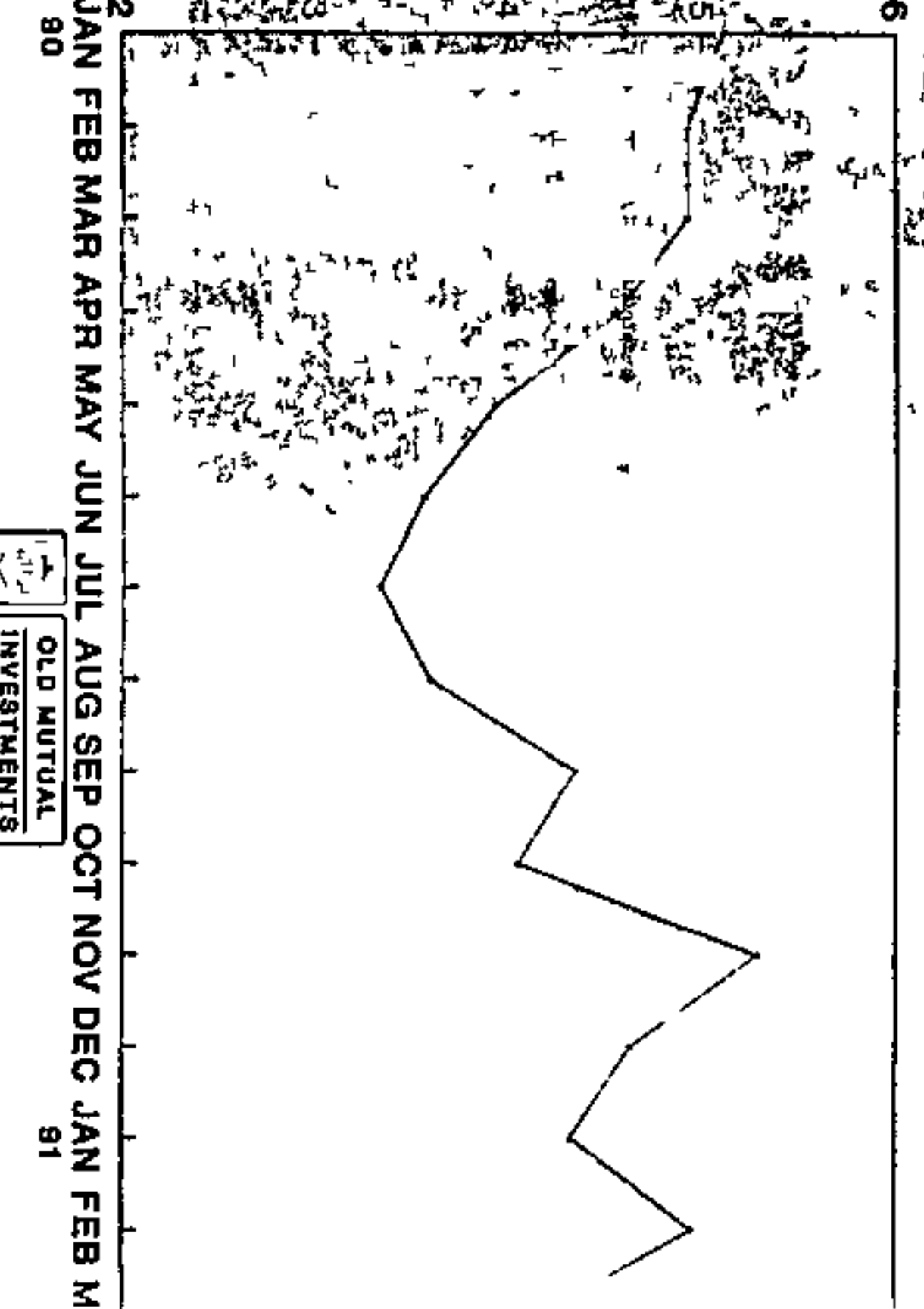
will be measured again in May. Boland Bank economist Louis Fourie said the inflation rate should come down to 12% in the course of the year before rebounding due to the introduction of VAT before levelling off to 13% by the end of the year. Monetary policy would therefore have to remain tight in spite of the 6% positive real interest rate at the moment. Fourie does not expect a drop in interest rates for the next three to four months. Sanlam chief economist Johan Louw said the drop was due to technical factors and he does not expect the inflation rate to drop much below the 14%-level over the next couple of months.

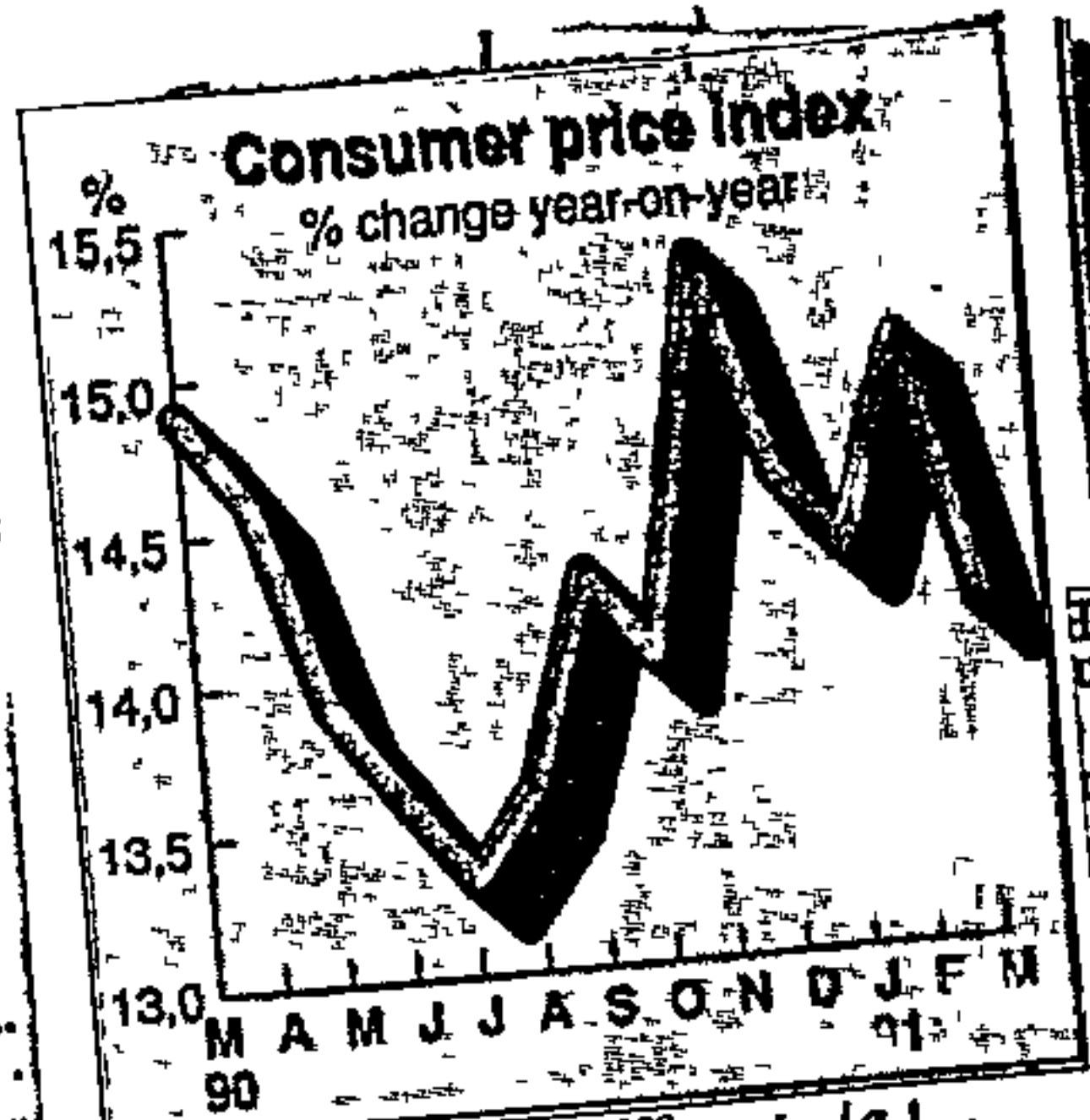
The introduction of VAT, however, should see to a sharp rise in the inflation rate before a levelling off later in the year. He expects the inflation rate to drop to 11.5% by the end of next year with the average being 12.5% for 1992. Rand Merchant Bank economist Rudolf Gouws said the inflation situation is slightly better now but inflation continues to hover around high levels. "It looks like the worst is over for food prices because there have been two months of relatively small rises in food prices," he said. The inflation situation is slightly better now but inflation continues to hover around relatively high levels, he said.

Bankorp economist Jacques du Toit said consumer price inflation was slightly lower than the 14.3% expected. Inflation will continue to decline this year, but at a relatively slow rate, he said. The implementation of VAT in October will definitely have an upward impact on inflation.

● The European Community's average annual inflation rate fell to 5.2% in March, the lowest level in 17 months, the EC statistics agency Eurostat reported. Inflation across the EC was 5.5% in February. March's annual rate matched the previous low of 5.2% of October 1989 and compared with 4.9% and 3.8% in the US and Japan respectively.

SA INFLATION RATE
YEAR-ON-YEAR PERCENTAGE CHANGE





Graphic: FIONA KRISCH Source: CSS

Inflation rate falls to 14,1% in March

SHARON WOOD

THE fall in consumer price inflation to 14,1% in March from 15,0% in February was slightly lower than anticipated but inflation was still expected to fall at a slow rate this year, economists said.

The decline in inflation was largely technical because it came off a low base in March last year, when the month-on-month rise was particularly small

The consumer price index (CPI) rose by 0,9%, month-on-month figures released yesterday by Central Statistical Service show Food prices rose by a relatively small 0,7% month-on-month to 15,9% year-on-year

To Page 2

Inflation

From Page 1

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Transport prices were up a small 0,1% month-on-month, but these prices are measured only on a quarterly basis and will be measured again in May

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The implementation of VAT in October would definitely have an upward impact on inflation

As recession brings the axe down on more and more jobs, renewed focus is falling on the plight of black families struggling to stay above the breadline. Inflation adds to the problem. So do worries about the impact of VAT on food bills.

The agony of high food bills

Sowetan 24/4/91 (244)

THE basic household budget needed by the average black family in Soweto to keep living standards above the breadline has been pushed well over the R1 000-a-month mark by the inflation spiral

New studies run by Industrial Relations Information Surveys show that the minimum monthly income needed to sustain a black family of five on what the researchers call "a very modest level a shade over the breadline" jumped from less than R985 in 1988 to about R1 199,71 in a 1990 count.

Nationwide, the average basic budget required by a black township family of similar size has climbed from R809,72 to about R1 033,26 over the past three years

The cost of living in Soweto was surpassed only in Mamelodi, outside Pretoria, where minimum income requirements were put at about R1 245 86 month

The data has been collected in a joint exercise between SPA Consultants and Business Performance Strategy researchers. The information is widely used in socio economic studies and as guidelines at trade union/employer wage negotiations

Budget levels

SPA researcher Andrew Sparks explains that the budget levels leave little room for frills considered as virtual necessities by most white families, let alone scope for any luxuries

All essential items have been hit by inflation. The accompanying table on the right explains where the cash goes in Soweto

The average budget needed to cope with food bills alone for five members of a family has grown from R304,16 three years ago to R352,85

The small amount allocated as discretionary spending covering items such as cigarettes, drinks, cinema visits, newspapers and magazines last year remained stuck at only R214,26 a month for the entire family

The modest overall average budget was still beyond the reach of many black families

The researchers found that national average wages of labourers last year, even allowing for increases of 20 percent or more, still stood no higher than between R219 93 a week in the metals industries and R123 37 a week in jobs with catering firms

According to the Institute for Planning Research at the University of Port Elizabeth, the rock-bottom budget needed by a black family of six to eke out a standard of living even down to subsistence level had grown to a minimum of at least R581 22 in the Johannesburg metropolitan area by the latest count

It was higher still in Germiston (R586,50), Benoni (R591 62), Boksburg (R608,02), Cape Town (R591,78) and Kimberley (R600 07). It hit a peak of R630,06 in Windhoek.

Average wages

The institute put the national average wages of black workers with jobs in the manufacturing sector at R842 a month at a 1989 count

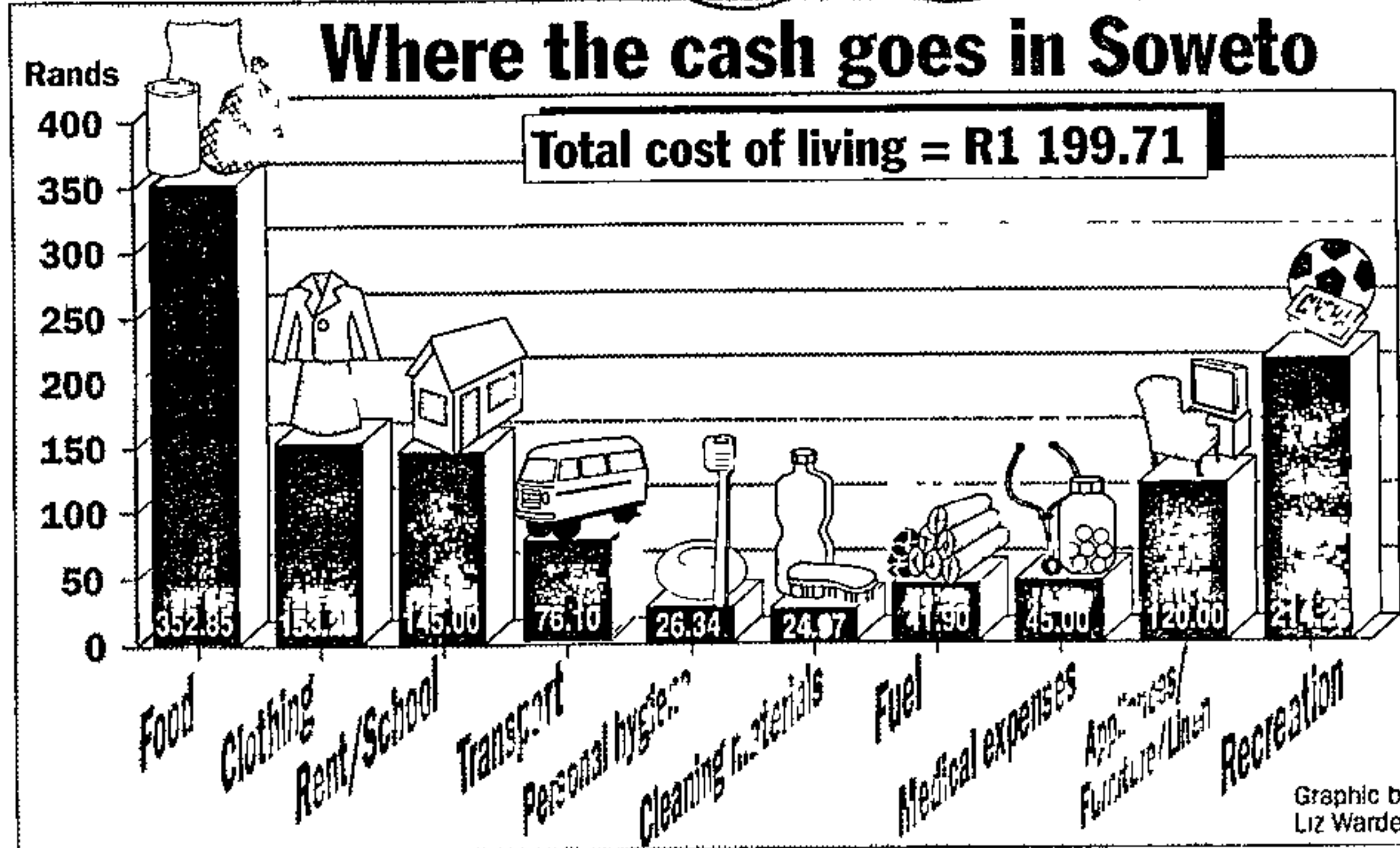
In surveys last year the Bureau of Market Research at Unisa found that the monthly budget needed to keep a family of six on a bare minimum living-level in and around Johannesburg increased from R730,02 in February to R772,64 by August as inflation took its toll

Allowing for snippets of recreation and entertainment - R51,42 for the whole family - and a few more rands to spend on basic items to lift families to supplemented living levels, Unisa estimates minimum needs to be at R1 018,44 a month

The next issue in the pipeline bothering black families perhaps more than most white families is what impact the new Value Added Tax system will have on household budgets

What happens when the entire family food shopping basket - with the sole exceptions of mealie meal and brown bread - has to carry the load of the 12 percent VAT tax? Lots of basic items have so far escaped the GST net that will be scrapped on September 30

“The issue bothering black families more than white families is what impact VAT will have on budgets”



Housewives League national president Lynne Morris has estimated that VAT will load an extra R50 a month on average food bills

The impact was put into broad perspective when deputy Minister of Finance Org Marais, until his recent switch to Minister of Trade and Industry, calculated that no less than an additional R420 million was expected to be collected from families on or below the breadline as VAT cast its wider net (All the extra cash he said, would be ploughed into social upliftment programmes)

Marais also explained that the Government was investigating the creation of programmes targeted specifically at the poor - such as feeding schemes for children and pregnant women, mobile feeding units for the aged and new subsidies for services

In the countdown to the introduction of VAT, most black families in struggles with the breadline wait in tense anxiety to hear how the Government proposes to save their budgets from money agony - *Sowetan Correspondent*

“Most families wait in anxiety to hear how the Government proposes to save their budgets”

Inflation adds to the problem

Rise in maize prices 'will filter through to consumers'

PRETORIA — The Maize Board yesterday announced selling price increases of 10,5% for white maize and 11,7% for yellow maize.

The board also announced that producers would get a 12,2% increase from May 1, bringing the price to R322 a ton.

The new price is based on an expected crop delivery of 6,1-million tons. *blow 25/4/91*

The board's selling price for white maize will rise on May 1 by 10,5% to R464 a ton, while its price for yellow maize will rise by 11,7% to R419 a ton.

GERALD REILLY

Board chairman Jan Schabort said no further rises were expected in the rest of the 1991/92 marketing year. *(244) (15/4/91)*

A Premier Food Industry spokesman said margins were already thin and the increase would have to be passed on to the consumers.

Schabort said because of this season's smaller crop, producers' total income would be substantially lower than last year.

Almost 20% of the crop was planted in January, compared with less than 5% in a more normal year

Schabort said damage amounted to between 500 000 and 700 000 tons — a loss of R230m.

A premium of 15% would be paid on grade one and two white maize deliveries to encourage production. The premium would come from reserve funds.

Housewives' League national president Lyn Morris said the price increase was inevitable. It would hit the lower income groups.

Unemployment was rife and although mealie meal would be zero-rated for VAT, other essential commodities would rise in price.

'Shop around' for the cheapest meat buys

200925 Star 26/4/91
244

Consumer Reporter

The average auction price paid to farmers for their super beef has been virtually constant since February 1991 — yet consumers are forking out about 10 percent more at supermarkets for the food, the Housewives' League has found.

In an article in the latest edition of its "Rands and Sense", the Housewives' League's vice-president, Sheila Lord, said auction prices for red meat had remained virtually unchanged between February 1989 and 1991. However, supermarket prices had risen by approximately 10 percent.

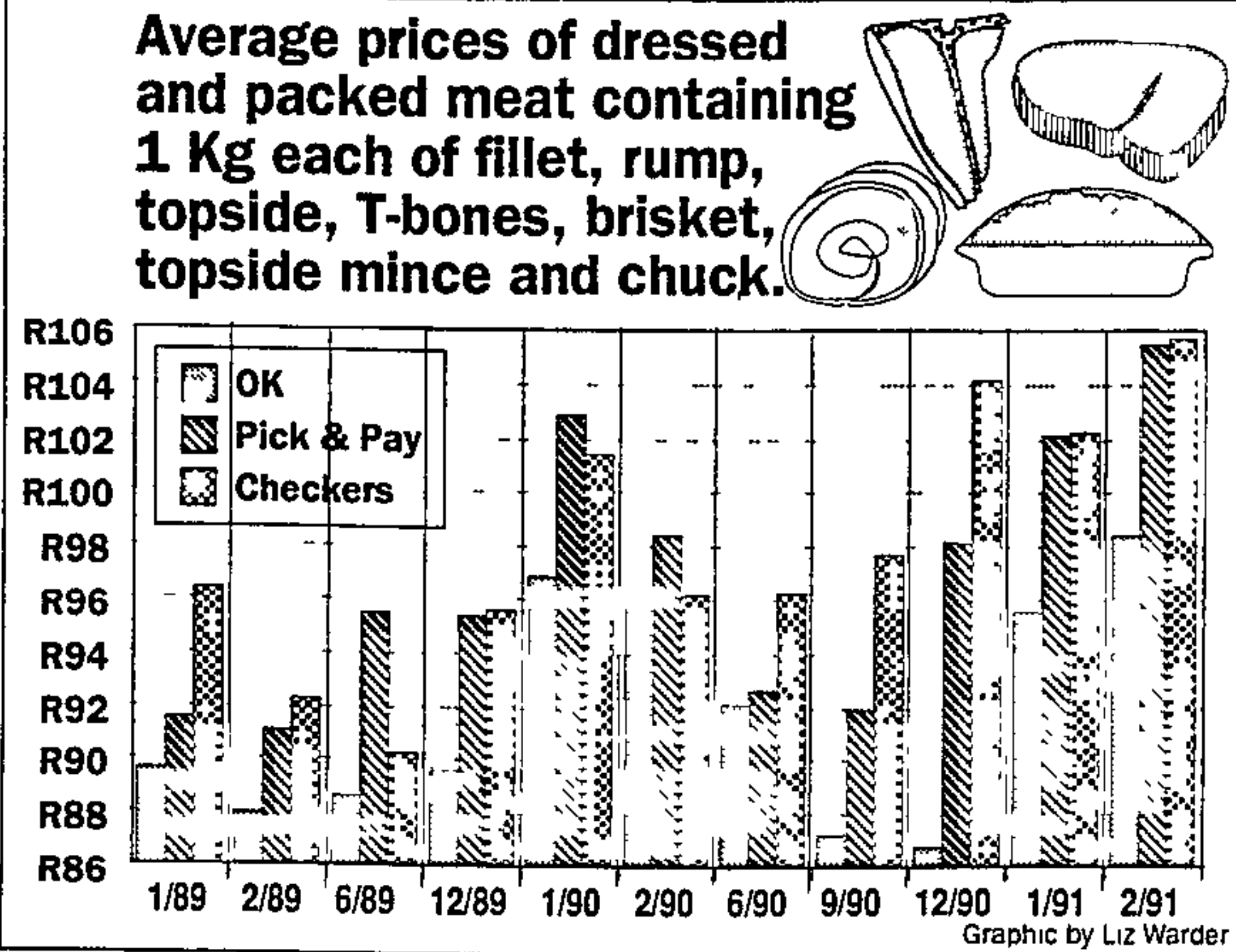
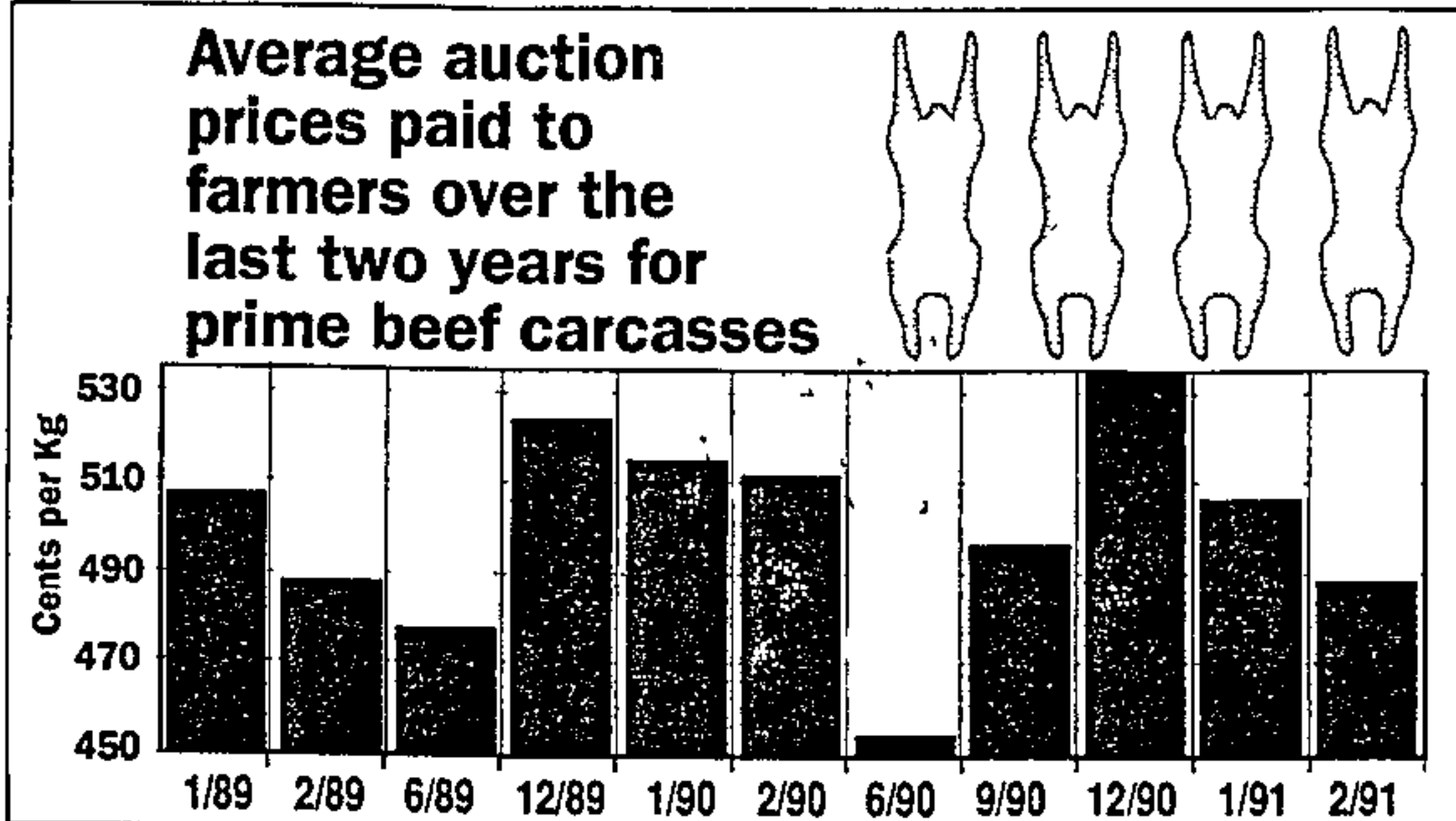
Increased

This proved there was a bigger rake-off between auction and retailer than there had been in the past, she said.

"Looking back over the two-year period, it is obvious that the gap increased most in 1989 — so the farmers' complaint that they are getting less for their product and that the customer is paying more is correct," Mrs Lord said.

She was commenting on the League's investigation into the price of beef at the abattoir and in supermarkets and independent butcheries. The survey followed complaints from consumers and farmers that the price of meat was too high.

The League used the average auction price for super beef at City



Deep abattoir while the average of store prices taken by members in Johannesburg and Pretoria were for the total price of a kilogram each of fillet, rump, topside, T-bones, brisket, chuck and topside mince.

In February 1989, the average auction price per kilogram was 487,8c. The average total price for the seven items at Pick 'n Pay was R91,03,

at Checkers R92,21 and at OK R87,92. The items cost an average R88,77 at independent butcheries.

However, in February this year, the auction price was an average of 488,3c/kg while the seven items cost an average R105,37 at the Pick 'n Pay stores, R105,68 at Checkers and R98,38 at OK. Independent butcheries were selling the

seven items at R88,21.

Mrs Lord said there was a tremendous variation in prices between the independent butchers although each butcher kept prices fairly static.

"Independent butcheries in the main are cheaper than the Supermarkets and consumers are advised to shop around when buying meat," Mrs Lord said.

CPI Fm 26/4/91

244

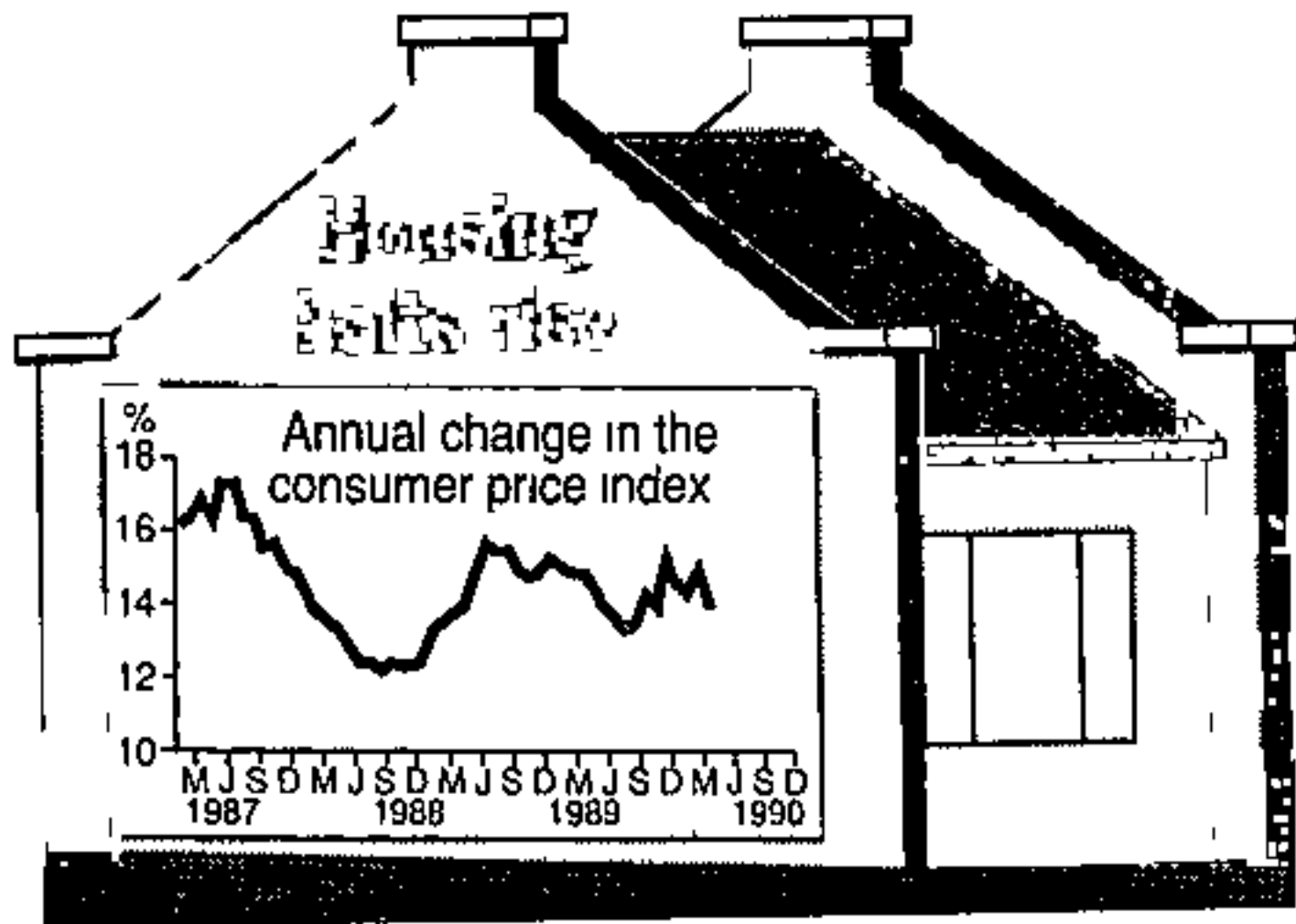
BREATHING SPACE

A small increase in the housing component of the consumer price index (CPI) helped to push annual inflation in March down to 14,1% (February 15%) Housing (with a 21,2 weighting) rose just 5,9% on last March

Housing's constituents, such as rent, water and refuse, do not increase as regularly as food, for example Also included are bond repayments, so the fall in bond rates effective from April 1 will be reflected in April CPI.

But transport and food, which with housing carry the highest weightings, stopped a further fall in CPI Transport (with a 17,2 weighting) rose 20,1%, while food (22,7) rose 15,9% All items excluding housing rose 15%, all items excluding food rose 13,6%

Transport's contribution reflects increased vehicle prices, running costs plus public and



Fm 26/4/91

244

hired transport The fall in the petrol price during March will be seen only in the April CPI it came after March 7, Central Statistical Service's cut-off point for collection of prices

Main culprits in the food component were fruit and nuts (38,4% increase), milk, cheese and eggs (22,1%), and other (22,5%)

A technical factor in the encouraging year-on-year decrease in CPI was a lower month-on-month base In March last year, CPI rose 1,6% compared to February This year it rose just 0,9%

Homes of prominent city blacks attacked

By EDWARD MOLOINYANE
and DENNIS CRUYWAGEN
Staff Reporters

11 Dec
26/11/91

THE homes of two prominent black political leaders in Cape Town were damaged in petrol-bomb attacks early today. No-one was injured.

The home of Mr Julian Ntsholo, Khayelitsha branch chairman of the Western Cape Civic Association, was attacked shortly after midnight

About an hour later, arsonists attacked the New Crossroads home of leading ANC member Mr Roseberry Sonto

Mr Ntsholo, who lives in Ekupumuleni — an up-market residential area on the west side of Spine Road — said he had been at a meeting and went to bed only minutes before the attack

"I was in the bedroom with my wife and youngest child," he said "I was not yet asleep when there was a loud bang inside the room and a huge burst of flames. Fortunately I managed to escape with my wife and child to another room"

Mr Ntsholo said he and neighbours put out the fire, which caused an estimated R3 000 damage.

He believed the attackers were members of the civic association who had expressed dissatisfaction about his leadership

Youths from shebeen

A neighbour told him after the attack that three youths from a nearby shebeen had been seen walking towards his house. An unfamiliar car also was parked in the street

The second attack was on the home of the former president of the Cape Youth Congress Mr Sonto who said he heard a loud bang at 1.40 am

He and his wife, Nobom, ran to the dining room "to find the curtains on fire, a sofa burning and our children screaming"

The children, who sleep in the dining room, were taken to safety while the Sontos put out the fire.

A five-litre plastic container was found outside the house. There was petrol in it and it was still burning, Mr Sonto said

He did not see the attackers, but neighbours said they heard a vehicle stopping outside his house

The petrol-bombing follows a burglary at Mr Sonto's home last week

● The Argus Correspondent reports from Johannesburg that a woman believed to be a senior Cosatu official was shot dead today by an assailant at Morafe station in Soweto

Police said Ms Rose Khotta, who was in her 30s, was climbing a pedestrian bridge about 6.30 am when the gunman fired two shots at her with a 765 pistol

The Cosatu public relations officer could not immediately be reached for comment

Petrol-bombings at midnight



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Petrol-bombings at midnight

CAPE



NATIONAL

Govt plan for better economic structure

CAPT 11-15 26/4/91

Political Staff

THE Minister of Economic Co-ordination, Dr Dawie de Villiers, yesterday announced a new expanded economic restructuring programme rearranging government spending to place more emphasis on safer economic reform.

He said the economic restructuring announced by the late Dr Wim de Villiers was already reaping benefits and the revised plan agreed to by the cabinet involved economic policy directives that included:

- Increased competition through further deregulation.
- Cutting growth in state spending after a review of its responsibility in the economy.
- A determined application of business principles such as cost-benefit and other evaluative techniques in the public sector
- The elimination of the practice of funding part of government consumption spending through loans

He said a much more co-ordinated approach had to be followed. Job cre-

ation and economic growth were the highest priority for SA and "we must guard against striving after other objectives, such as regional development, in a manner that is at the cost of economic growth and job creation"

He also indicated that he was investigating appointing a group of consultants from the private sector rather than one adviser to assist with economic policy formulation and co-ordination (as announced recently by President F W de Klerk).

With the greater stability in exchange rates, greater wage stability over the past few months and the recent decrease in the petrol prices there could be a lessening of price rises in the foreseeable future.

This would enable businesses to cut costs, be internationally more competitive and have lower price increases, resulting in a lowering of inflation.

During the next two years the government's programme for curbing inflation would be scrupulously supervised and provide for a variety of measures to promote a more efficient functioning of the market system.

Certain shops still taxing bread

By Paula Fray
Consumer Reporter

Consumers — faced with variation in the price of bread from outlet to outlet — could still be paying tax on bread despite the commodity's being exempt since the industry was deregulated

Housewives League vice-president Jean Tatham says insufficient publicity has been given to the fact that bread is GST-free and must be a certain weight

Price control was lift-

ed and the bread subsidy scrapped at the beginning of March

According to the league, bread is GST free as long as it is baked with wheaten flour (rye bread is excluded) and weighs more than 200 g

The Star has, however, received queries from consumers unsure whether they should pay tax. The league also found that several stores were still charging tax

Since price control was scrapped there has been a variation in

prices, and a survey in March found some cafes charging R1,50 for a white loaf. This has now settled down and a yardstick, says the league, is R1,10 for brown and R1,20 for white

"Some cafes in Johannesburg charge R1,35 for brown and R1,50 for white. Such profit margins are quite unjustified and the league advises people to shop elsewhere and spread the news," Mrs Tatham says

She emphasises that all breads have to have

certain weights: 200 g, 400 g, 800 g, 1,2 kg or 1,6 kg. Shoppers should weigh a few loaves to check the weight. Tolerance, such as 5 percent less or 10 percent more, is allowed

● Consumers who are charged tax for bread can contact the GST inspectorate of the Department of Inland Revenue at (011) 836-2361.

The league advises consumers to report to Trade Metrology at (012) 428-6068 if bread is not the correct weight



Price of bread still too high in many areas

Star 215/91
Consumer Reporter

Isolated incidents of bakeries charging up to R1,65 for brown bread and R2 for white bread have been found in the far northern Transvaal during a survey conducted by The Star.

When the industry was deregulated and price control scrapped in March, the Housewives' League had reservations about the effects on small towns with limited access to bakeries

Vary

The Star's Northern Transvaal Bureau isolated cases where bakeries charged up to R1,65 for brown and R2 for white

However, most supermarkets and cafes in the far north were charging a standard R1,20 for brown and R1,30 for white bread. Cafes with bakeries charge R1,30 for all brown, including wholewheat, and R1,40 for white

Since price control was scrapped prices have varied. A survey in March found some cafes charging R1,50 for a white loaf but this has now settled down and a yardstick, said the

League, was R1,10 for brown and R1,20 for white.

The Star's Vereeniging Bureau reports the price of bread in the town, Meyerton, Vanderbijlpark and Sasolburg averaged R1,20 for white and R1,07 for brown at supermarkets. Cafes in the town sold bread at R1,30 for white and R1,20 for brown

Cafes and supermarkets in the Lowveld towns of Nelspruit, White River and Barberton sold white loaves at R1,25 and R,15 for brown

However, the Lowveld Bureau found that over weekends, particularly on Sundays, certain cafes in the area raised their prices by five cents

Most cafes in KaNgwane charged R1,40 for white and R1,30 for brown bread

A spokesman for the Consumer Council said since the scrapping of price control it had appealed to shopkeepers to stay within bounds and charge reasonable prices

"Our long-term view is that in the end, especially in larger centres, people will support those outlets which charge reasonable price," the spokesman said

Bread scam exposed

ISOLATED incidents of bakeries charging up to R1.65 for brown bread and R2 for white bread have been found in the far northern Transvaal.

When the industry was deregulated and price

control scrapped in March, the Housewives' League had reservations

about the effects on small towns with limited access to bakeries.



Our sister newspaper, *The Star*, has isolated cases in the northern Transvaal where bakeries charged up to R1.65 for brown and R2 for white bread

However, most supermarkets and cafes in the far north were charging a

standard R1.20 for brown and R1.30 for white bread

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In Meyerton, Vanderbijlpark and Sasolburg the price averaged R1.20 for white and R1.07 for brown at supermarkets

Cafes in the town sold bread at R1.30 for white and R1.20 for brown

According to the survey, most cafes in KaNgwane charged R1.40 for white and R1.30 for brown bread

A spokesman for the Consumer Council said since the scrapping of the price control it had appealed to shopkeepers to stay within bounds and charge reasonable prices

"Our long-term view is that in the end, especially in larger centres, people will support those outlets which charge reasonable prices," the spokesman said - *Sowetan Correspondent.*

ARIES: March 21 - April 21

The effect of the Luminaries on Uranus at the zenith of your astroscop should inspire you to take a bold gamble or make a surprise move in the business or career realm which could turn out to your great financial advantage

TAURUS: April 21 - May 21

The sun in your sign, splendidly aspected to Uranus in your zone of expansion, ought to revitalize you immensely. Enhanced optimism will enable you to make the best of a rare opportunity provided by the moon/Uranus union

GEMINI: May 21 - June 22

Self-preservation becomes especially important to you as the sun, currently relating to your subconscious, forms a fine angle with Uranus in your realm of providence. The lunar/Uranus occultation will heighten your intuition

CANCER: June 22 - July 23

The personal influence of a friend and the support of your partner could add much to your general progress, while the sun/Uranus angle favours such relationships. The moon/Uranus aspect signifies the making of a super agreement

LEO: July 23 - August 24

Between the sun's presence in your commercial quarter and its vital aspect with the lunar/Uranus conformation in your sector of work and wellbeing, you appear to have abundant fortune favouring your current aims and enterprises

VIRGO: August 24 - September 23

An opportunistic frame of mind should stem from the siting of the sun/Uranus/moon link-up in your astroscop. Push ahead with that grand scheme, plan to get the utmost from romance and pleasure. A bit of speculation could succeed

LIBRA: September 23 - October 23

The current cosmic connection between the Luminaries and Uranus favours actions aimed at putting family and property matters in good order. You can obtain excellent support for your causes and schemes from caring relatives

SCORPIO: October 23 - November 23

Your intuition and mindpower should both peak due to the be-



neficent occultation between Uranus and the moon, which are in turn harmoniously aspected to the sun in a manner designed to enable you to forge very good agreements

SAGITTARIUS: November 23 - December 22

The conjunction of Uranus and the moon centres on your financial zone, suggests that swift and smart manoeuvres could make or save money

CAPRICORN: December 22 - January 21

Intuitive and sharp, also innovative and driven, due to the lunar/Uranus occultation in your sign, you will probably fare well in external enterprises. The siting of the sun signals success in romance, pleasure and speculation

AQUARIUS: January 21 - February 20

Enlightenment should result from the lunar/Uranus link over the part of your astroscop that relates to your inner-self. With the sun well-placed in connection to your domestic region, family plans should work out quite nicely

PISCES: February 20 - March 21

The sun focusing on your realm of reasoning and rapport should put you in a cheerful frame of mind, enable you to acquaint yourself with new people because it is favourably cast to the Uranus/moon union in your friendship zone

If today is your birthday:

You will have to analyse your situation properly, weigh up your options before making your next important move. With sufficient savvy exercised now, you can undoubtedly set up fine opportunities to explore later in the year

If tomorrow is your birthday:

This birthday to birthday round may well be one of the most important years in your entire life. You will get some wonderful opportunities to live your life on a bigger, broader and far more exciting plane. Travel is favoured



Paraffin price drop lauded

THE Consumer Council has welcomed the decrease of 10 c per litre in the wholesale price of paraffin.

The lowering of the wholesale price of paraffin comes into effect on Monday

Mr Jan Cronje, director of the Consumer Council, said: "In view of the coming winter, when the consumption of paraffin for heating will rise, this is good news."

Mr Cronje expressed the hope that the benefit of the decrease in the wholesale price would be passed on to consumers.

Star 4/5/91

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Paraffin price to come down by 10 cents

*Copy sent
4/5/91*

Political Correspondent

THE wholesale price of illuminating paraffin will be decreased by 10 cents a litre from Monday, the Minister of Mineral and Energy Affairs, Mr George Bartlett, announced yesterday

Speaking during the debate on his Budget vote, Mr Bartlett said that apart from a few minor changes, the government had decided to retain existing regulations regarding the petroleum fuels industry

The changes accepted, he said, concerned the "depoliticising" of market-related price adjustments, the deregulation of oil-refinery activities and the scaling down of some requirements relating to service station rationalisation

The minister said existing regulatory measures had been developed over the years, and "constitute a fine

balance between the interests of the various groups involved"

Most of the measures, especially retail price maintenance, could not be repealed without disturbing the balance

Changes which had been accepted, he said, were that

- DECISIONS on price adjustments would in future be dealt with by the Minister and Department of Mineral and Energy Affairs,

- there would be a return to the pre-1984 situation with oil-refinery profits based on the post-refining margin, and,

- the service station rationalisation plan would be continued, but the requirement in respect of motor repair facilities with which a station has to comply, would be scaled down This would be done only in the "longer term" and would place all service stations in the country on an equal basis

It's crunch time in the inflation battle

~~157~~ 244

87 Apr 11/5/91

DEREK TOMMEY

TOP Government officials, bankers and businessmen are waiting on tenderhooks for the publication of the consumer price index (CPI) for April

This figure will show how the battle against inflation is going and whether the Reserve Bank can give a boost to the stagnating economy.

The Governor of the Reserve Bank, Dr Chris Stals, is reasonably optimistic that the inflation rate is getting lower

He said last night that the Gulf war had unfortunately been a setback

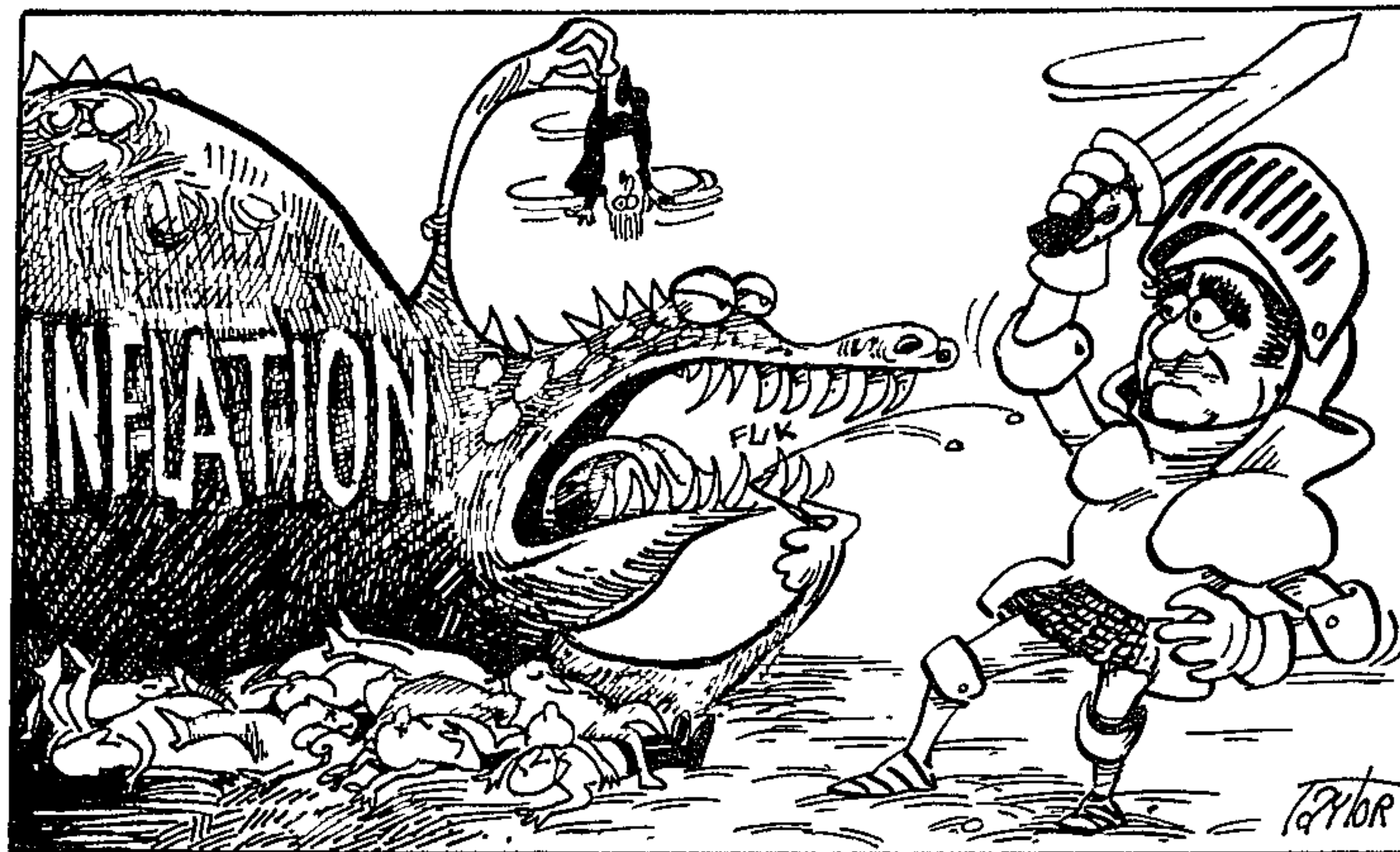
In July last year the CPI dropped to 13,5 percent. But the outbreak of the Gulf war set the inflation rate rising again. By the end of the year it was back to 15,3 percent

However, the effects of the Gulf war are slowly working their way out of the economy and the CPI has started to decline

Dr Stals expects this trend to continue, but said inflation was still at a high level

Referring to the strong downturn in wholesale and retail turnovers, he said the Reserve Bank would like to get inflation down without affecting the real economy

He would not be drawn on how long it would take to bring down inflation to a reasonable level or when he could cut interest rates and set the economy moving



IT'S WAR: Casualty toll in inflation fight continues to grow

The fight by the authorities against inflation has been a long and hard one. It began early in 1988 when the prime rate (the rate the banks charge their best customers) was increased from 12,5 percent in January to 16,0 percent in July and to 18 percent in November. This increased the cost of borrowing money by about 50 percent.

By doing so the authorities hoped that the increased cost of money would deter people and firms from borrowing it.

This did not happen. Expectations that anything bought today would cost more next month overcame any reluctance to borrow. This forced the Reserve Bank to increase interest rates to 21 percent. At this point inflation did start to come down but

was halted by the Gulf War

Since then a number of other factors have strengthened the authorities' hand in the fight to curb spending

Personal tax

One has been the gradual increase in personal tax. The Treasury's refusal to adjust tax rates fully for inflation has led to a significant increase in income tax rates in real terms

It is estimated that since 1989 this trend has effectively cut individual consumer spending (and therefore living standards) by between 4 percent and 5 percent

The world recession and the drop in the gold price has reduced this country's export earnings

and also played a major role in trimming consumer demand and lessening pressure on prices

The published value of South African exports in the first three months of this year is only slightly less than last year. But if the figures are adjusted for inflation they are actually 14 percent lower. And the resultant loss in domestic spending for the quarter in real terms is anything between R4 billion and R6 billion, depending on the multiplier used

Reserve Bank pressure on banks to hold down lending has curbed the supply of money as well, as has the slower but continued outflow of capital. To some extent this can be blamed on the continued violence in the

townships which is seriously disturbing foreign investors

Although money has been coming in to South Africa through the financial rand, this is not new money. It is money which the financial institutions in this country have paid foreigners for South African shares and which the foreigners are reinvesting here

However, these developments have had a cumulative and increasingly severe effect on consumer demand. This showed up sharply this week in the profit figures issued by OK Bazaars — one of the country's top three food retailing groups

Turnover in the six months ended March turnover was only 10 percent higher than a year ago, in spite of a 14 percent to 15 percent inflation rate. In other words turnover dropped in real terms

The result was that earnings in this six months' period were halved to 49,3c a share from 100c a share a year ago — which shows how tough business has become

There are other economic indicators to show that spending is drying up. Car sales dropped sharply from March to April though they were higher than a year ago. Lay-offs and retrenchments are steadily increasing. Insolvencies are rising. All these developments point to extremely tight economic conditions

In this situation the demand for goods must be dwindling — and the inflation rate falling

If this hasn't happened it's going to be a long hard slog

We'll know when the next CPI figure is announced in about 10 days' time

PPI may not be good news

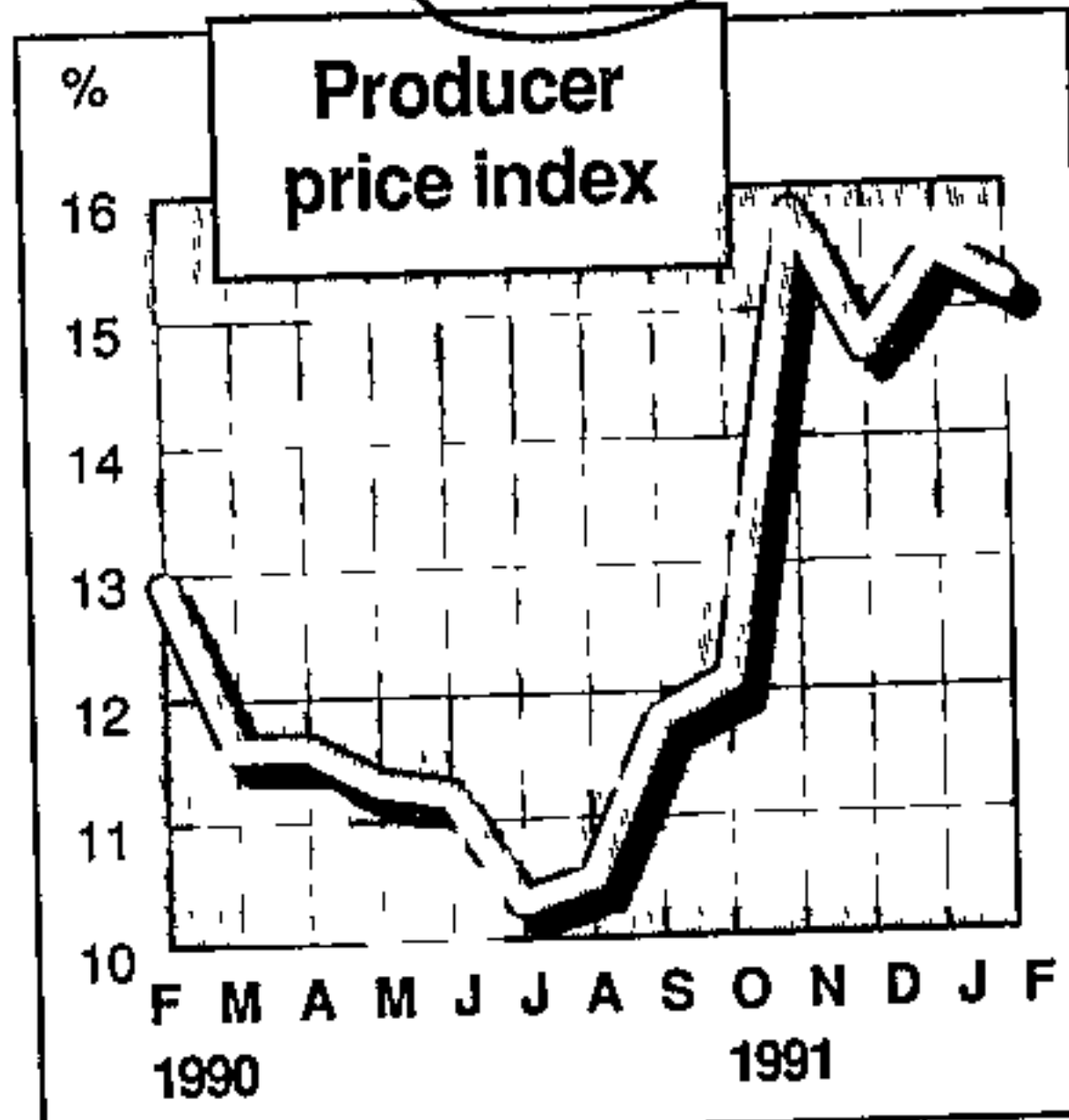
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FEW signs of a dip in the general level of SA inflation are likely to emerge with the March producer price index (PPI) figures due out today. The signals are that SA's rate of PPI inflation for March will be stuck close to the February level of 15,2%

February's 15,2% rate was itself little changed from January's 15,5% and another figure at or just above 15% will represent a stalling in the general rate of inflation. The PPI, measuring factory gate prices which represent inputs into the retail chain, leads the CPI by about one calendar quarter

Persistent PPI read-outs at around 15% herald a frustrating resilience in subsequent overall inflation levels. Resilient inflation will lead, in turn, to delays in the next easing in SA's monetary policy

The likelihood that the March PPI will be a disappointment is telegraphed by the index figures themselves 12 months ago. There was a very small month-on-month increase in the index between February and March 1990, giving a low base for the calculation of the year-on-year PPI increase to March 1991. Any slowdown in the price growth of the main commodities in the PPI during March — a questionable assumption in itself — will probably be masked by the low base for the index

And yet there are grounds for expecting a slowdown in some of the index categories. The February PPI took on the chin sizeable hikes in alcoholic and non-alcoholic drinks, which should not spill over to the same extent into a second successive month. Moreover, the recent easing in the imported commodities part of the PPI is set to continue, if the first quarter stability



Graphic: FIONA KRISCH Source: CSS

of the rand is any guide. Official Reserve Bank figures show a rock-steady rand in January, February and March — absolutely dead level on its trade-weighted rate against trading-partners' currencies

This means that, although the US dollar has been strengthening spectacularly since the end-February ceasefire in the Gulf war, rand weakness against the dollar has been offset by rand gains against the Deutschmark, sterling and the Swiss and French francs. Given this balance, there should have been no net imported inflation entering the economy through the PPI during the first quarter of the year

Internationally, two of the industrialised world's major central banks hold key policy making meetings this week to determine the level of their respective short-term interest rates. The governors of the US Federal Reserve, the Federal Open-Market (FOMC), meet tomorrow and the

regional heads of the German Bundesbank meet on Thursday. Of the two, the Bundesbank is closer to a policy change

This is partly because the Fed has already acted in easing US credit conditions, having cut the discount rate by half a point to 5,5% on May 1. Figures tomorrow are likely to show US inflation dipping to around 4,5% in April, and any further adjustments to American monetary policy are therefore on hold for the time being

The Bundesbank, meanwhile, is in a very different position. Monetary policy was last tightened at the end of January and, in the intervening three months, conditions have worsened and would appear to require additional attention. Since the Bundesbank raised rates by half a point on January 31 the Deutschmark has dropped, the current account has plunged into deficit and trendsetting pay awards in the private sector have been running at over twice the inflation rate. Furthermore, the German inflation rate is itself about to be jerked up by tax and excise duty increases

As things stand, German inflation looks set to end the year at around 4,5% against the authorities' stated target of 3,5%. If the target is to mean anything at all, something will have to be done

An important week also lies ahead for the British economy. On Thursday there is a parliamentary by-election. Perversely, a good government showing could upset sterling by reviving speculation about an early general election, possibly in June

tin van der Poel, Jacques Meyer, Deon Kruger, Clinton Merwe and Amella Bresler. Picture: Herbert Mabuza

Certain shops still scooping bread tax

By John Miller
Star Line

Almost two months after sales tax was abolished on most breads, certain unscrupulous shopkeepers are still charging gullible customers sales tax.

A spokesman for Inland Revenue said that since GST was scrapped on almost all breads, it had received numerous complaints from consumers who had been charged sales tax.

The latest bread types to be classified as non-taxable include kitka, and cheese, garlic and milk breads.

Since March, white, brown, wholewheat and various sliced or special

breads have been exempt from GST.

Consumers who are charged sales tax may contact the Johannesburg Receiver of Revenue at 836-2361 or their local office and, if they still have the cash slip, can demand a refund.

Spokesmen for the three major supermarket chains — OK, Checkers and Pick 'n Pay — each admit that the exemption on all wheat-based bread initially caused confusion and that a small percentage of customers were taxed. However, the problem had been solved.

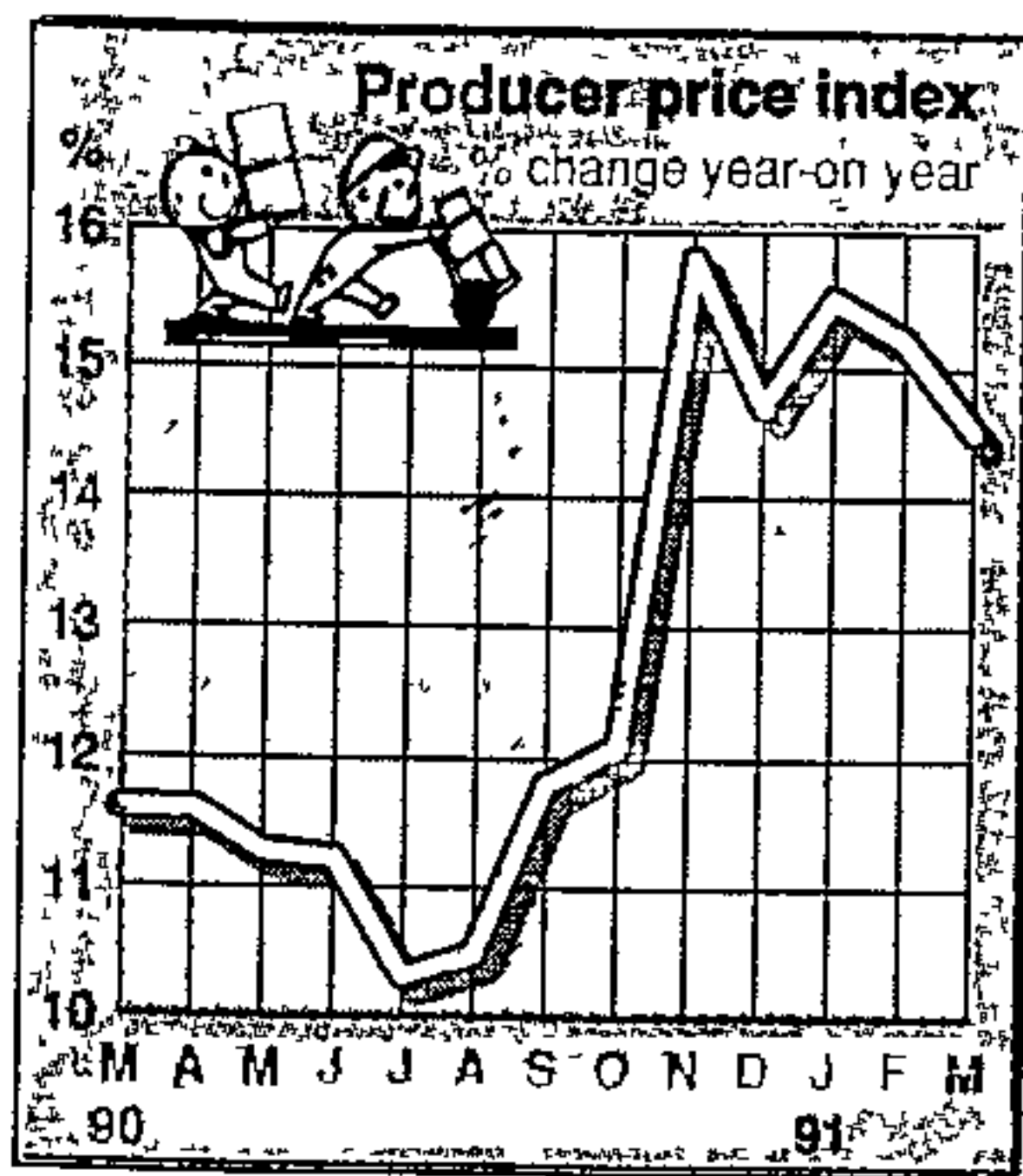
Bread rolls and raisin and rye bread are still taxable.

Stock farmer shoots 2 lions



LINTAS CAPE 70

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Graphic: FIONA KRISCH Source: CSS

Producer price inflation drops ²⁴⁴

By day SHARON WOOD 14/3/91

LOWER imported oil prices and slowing domestic price increases led to an easing in producer price inflation, which fell to 14.5% in March from February's 15.2%

Falling import prices were the primary reason behind a 0.4% month-on-month decline in the Producer Price Index (PPI) in March, figures released yesterday by the Central Statistical Service showed

Imported prices fell by 4.7% month-on-month — directly a result of lower imported oil prices in March. This brought imported price inflation down to 8.3% from 15.3% in February

Domestic price inflation remained relatively high, at 15.9% year-on-year, and still exceeded the overall increase in producer price inflation. But very few products registered large monthly price rises in March, resulting in a relatively low 0.7% month-on-month increase in domestic prices

Economists warned the price distortions created by the higher oil prices and local fuel prices were still present and it would be some time before they were totally removed from the system

The PPI declined to 218.5 in March from 219.3 in February — indicating that producer prices had risen by 118.5% since 1985, the base year for the index. Monthly increases of note were a 4.5% rise in clothing and a 2.3% rise in tobacco prices

(244)

IMPORTED RELIEF

PM 11/17/91

A decline in imported inflation helped reduce the rise in production prices to a total of 14.5% in March, from 5.2% in February. There was a seasonally adjusted monthly decline in the overall price index (PPI) of 0.2%.

Prices of imported commodities fell by a seasonally adjusted 5.2% in the month while the year-on-year increase was only 3.5%. The index of locally produced commodities rose by an annual 11.5%.

Anglo-American senior economic adviser Jim Buys says direct and indirect effects of lower crude oil prices, after the end of the Gulf war, are now being seen.

There were disturbing rises in clothing (3.7%) and other agricultural products (1.6%).

Conversely there were price falls in steel (1.2%), mining and quarrying (0.4%), wool (9.3%), and transport (1.6%).

Feathers fly

THE country's biggest producer of chickens expects prices to steadily increase during the next few months.

Bill Brown, national marketing manager of Rainbow Chickens, which has more than a 50 percent market share, believes that last week's low prices, when about 1 million frozen birds were sold, was "a one-off" thing.

Spending less

However, spokesmen for two major chain stores, Checkers and OK Bazaars, disagreed with Mr Brown's estimate.

Mr Brown described last week's sell off at R2,99 a kg as a natural downturn after Easter. It was traditional, however, for prices to increase during winter.

Mr Brown did not believe there will be a dramatic increase. "People are spending less and this affects all primary producers of protein."

Ray Murray from Pick 'n Pay agreed that the cost of chickens will begin to increase but this

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Last week's low was

'one-off'

Star 18/5/91

JOHN MILLER
Star Line

will only take place some time next month

Mervyn Kraitzic, marketing director of OK Bazaars, believed that consumers can look forward to more surpluses this year, a view supported by a Checkers spokesman.

● Union wage demands and packaging costs prevent supermarket chains from bettering meat prices offered by independent butchers

According to a recent Housewives' League survey in Pretoria and Johannesburg in February, Checkers was the most expensive followed by Pick'n Pay then OK and the cheapest the independent butchers

The meat priced in-

cluded fillet, rump, top-side roast, T-bone, brisket, chuck and mince.

Mr Kraitzic said the reasons for the generally higher prices were the cost of packaging and union wage agreements

"The independents invariably do not sell pre-packaged meat and they normally cut up the meat to order."

Defending the stores' prices he pointed out that the League survey did not include their specials, and he advised consumers to look for these.

Wider range

Clive Thomas director Checkers also admitted that prices were higher. He said, however, the supermarkets offered the consumer a wide range of goods, not only meat products.

Alan Ford from Blue Ribbon also attributed packaging and union wages as a major factor. He also said stores' meat was a higher quality

Lynn Morris from the League said consumers must not only look carefully at the price of meat but also the quality that they are paying for

Over chickens

Collusion among competitors the main cause of food inflation

THE inflation rate may have been down to 14.1 percent in March, but the cost of food is maintaining its upward spiral — now at about 15.9 percent.

Food prices are dictated primarily by weather conditions, agricultural productivity, marketing efficiency and vigorous competition among processors and distributors.

In South Africa we have control boards dictating what and how much a farmer should produce and what he should be paid for his crops.

We have little or no competition among processors and distributors — an extraordinarily fertile environment for runaway food prices.

In fact, ideal circumstances for the proliferation of cartels, which are rife in South Africa.

Cartels exist where producers collude to share markets, control production, subsidise transport or discounts to fix prices and exclude competitors.

Collusion is only possible if there are a limited number of producers of the same product — both from an administrative and secrecy point of view.

In order to detect collusion, therefore, one must look for industries where there are few participants sharing the major part of the market.

With South Africa's relatively small economy, this information is readily available from industrial associations.

Industries

In 1977, the Mouton Commission found that no fewer than 57 industries — over 75 percent of the market — was controlled by three or fewer producers.

Nothing was done. In the Competition Board's report No 15 of August 1985 it was alleged that there was price fixing in no fewer than 32 industries and collusion on tendering in a further 20.

The report added "On account of the confidential nature of the practice, it is not possible to establish its (collusion) magnitude in the South African economy."

"That it does, however, occur fairly generally, in fact more than was supposed originally, is certain."

The only action the Board took on this damning finding was to outlaw cartels and leave it at that.

Indications are that where there are three or fewer suppliers holding more than 75 percent of a market, price increases are above those of inflation — in other words fueling inflation.

Where there are many suppliers, price increases are below inflation — decreasing inflation. Two of the major objectives of the Competition Board are to promote competition and to prevent the operation of cartels.

Star 18/3/81

South Africa, with its unique problems, needs every possible edge not only to survive economically but to become the powerhouse of Southern Africa. Although Dr Chris Stals, Governor of the Reserve Bank, is curtailing money supply and, hopefully, state spending, he cannot contain inflation unless he can also promote vigorous competition. So says ROBIN MCGREGOR of Who Owns Whom and one of the authors of Economic Alternatives which, among other things, investigated concentrations of power in business. Commissioned by Saturday Star, he examines the cartels issue.



It has the provisions of the Maintenance and Promotion of Competition Act of 1979 and subsequent amendments to give it the teeth to do so. These teeth have never been

used. Not only have the teeth never been used, but the board — like many of South Africa's industrial and agricultural statutory boards — doesn't seem to know

what its functions are, or the powers it has to carry them out. This has just been illustrated by the takeover of Bonny Bird by Rainbow Chickens which gives Rainbow 58 percent of the broiler market.

Does the Competition Board believe this is promoting competition? One broiler operation buying its way to 58 percent of the market?

Under the late Stan Methven, the broiler industry was one of the few truly free enterprise sectors left in the economy.

The Competition Board has made it almost impossible for it to remain so.

To rub salt in the wound, the simultaneous 50 percent merger of Premier Feeds with Rainbow gives Premier Feeds, under the management of Rainbow, a massive share of the animal feed market.

The promotion of competition must be taken out of the hands of politicians and incompetents

Objective criteria must be introduced and made retrospective.

No progressive industrialised nation allows a producer to control more than 25 percent of the market by any other means than internal growth.

The Herfindahl-Hirschman Index (HHI) developed in the United States is a simple, easily administered measure of industrial concentration.

The index, which I have modified to suit South African conditions, is calculated by adding the squares of the market share of all producers in an industry.

If the resultant sum exceeds 2500, the merger or takeover is not allowed.

If it is between 1300 and 2500 there would be a mandatory investigation by the Competition Board.

Between 1000 and 1300, there is an optional investigation at the discretion of the Board. Below 1000, there is no objec-

tion. The HHI in the clear beef industry in South Africa is 900.

I estimate it is approximately 3600 in the maize and flouring, and bread industry — staple food industry of the joy of South Africans.

In the broiler industry now about 3800.

This objective measure of concentration could be introduced immediately.

The only problem is that would show 90 percent of our industries are not competitive. Therefore it would require a great deal of courage to introduce it, never mind apply it immediately to the existing mess concentrations.

But of course, offenders could be given say to ten years to get their houses in order.

Mr McGregor is chairman of McGregor's On Line Inform (Pty) Ltd, an electronic rate information company

Food keeps PPI

By DIRK TIEMANN

high 244

FOOD IS the strongest factor keeping the domestic producer price index (PPI) at a year-on-year 15,9%

The producer price inflation rise for food was 3,7% in March and for a year 27,9%

Nedbank chief economist Ted Osborn describes this as a shocking figure "Food has a 8,64 weighting, which is significant."

The PPI is the index of prices which enter production or the market directly from abroad. The imported component of the PPI fell from 15,3% in February to 8,3% in March. The total PPI declined from 15,2% in February to 14,5%.

Mr Osborn says imported prices are likely to drop even further in April when the full benefits of the lower oil prices are felt.

"The oil component in the March index was high probably because of contracted deliveries and we were not getting the benefits of the lower spot price."

Domestically, the outlook for a decline in the PPI is less optimistic. Wages are outpacing productivity, the rand is weakening and the cost of capital is high.

Mr Osborn says the Reserve Bank has tried to break the spiral, in which inflation feeds on a rising PPI, by stabilising the rand. There is a trade-off. Inflation can be stabilised through a steady rand, but the cost is declining income for exporters.

He says VAT will lift the consumer price index by 2,5% points.



Graphic FIONA KRISCH Source CSS

Food prices bring inflation shock (244)

SHARON WOOD (244)

HOPES for progress towards single-digit inflation have been further eroded with consumer price inflation in April rising to 14,6% from March's 14,1%.

Big food price rises were the main culprit behind the relatively large 1,4% monthly increase between March and April in the CPI, figures released yesterday by Central Statistical Service (CSS) indicated. BIDA 2315191

The 2,3% month-on-month surge in food prices outweighed monthly declines in the other two major categories — housing and transport. The major movers in the food category were fruit and nuts prices (up 10% month-on-month) and vegetable prices (up 6,3%).

Housing costs fell by 0,3% between March and April as a result of the one percentage point reduction in the prime overdraft rate in March to 20%.

The 5c-a-litre cut in the petrol price in the March Budget was reflected in April CPI figures — transport costs dropped by 0,1%. A 2,3% decline in vehicle running costs negated the effect of a 3% monthly rise in public transport costs on total transport costs.

Lower income consumers bore the brunt of the hike in food prices in April, with lower income group inflation rising by

□ To Page 2

Inflation BIDA 2315191

2,0% month-on-month

But the inflation rate for middle income earners remained the highest, at 15,0% in April, compared with 14,7% for the higher income group and 14,1% for the lower income group.

Economists were shocked at the rise in inflation, which came about despite falls in the petrol price and the bond rate.

Old Mutual economist Ursula Maritz

(244) □ From Page 1

said the figure was disappointing.

It showed underlying inflationary pressures were still particularly strong, given that the economy had been in recession for two years.

Bankorp economist Emile van Zyl said the inflation situation did not look very good. He said interest rates would probably remain high for the remainder of the year, with little possibility of another cut in the Bank rate this year.

Soaring food prices boost inflation rate

CT 23/5/91

188 244

By ARI JACOBSON

INFLATION which must be cured before interest rates can be lowered, failed to overcome the rising trend — with the consumer price index (CPI) increasing once again in April to 14,6% year-on-year

This represented a jump from the 14,1% annual growth in March and an increase of 1,4% month-on-month — with food prices largely to blame — soaring on a monthly basis by 2,3% and a whopping 16,6% for the year

Old Mutual's Ursula Maritz said this performance was disappointing showing the strong underlying inflationary current — even though the economy had been slowing down for the past two years

Economists support this view, saying the trend was deeply disturbing as the oil price shock had dissipated — only to be replaced by the rising food price pattern

Added to this, said Frankel, Kruger economist Mike Brown, was the wage settlement factor which would impact on the CPI in the immediate future

He pointed out that wage packages were aligned with the CPI — so higher inflation meant larger wage demands

Brown said the food price gains over the last four months amounted to a massive 20% on an annualised basis

He said that shortage of supply had helped to boost market prices for agricultural products which in turn had been caused

by the poor performance of this sector

A Standard Bank source said the CPI figures were more disheartening when the implications of VAT were included

According to the bank 1,5% to 2% will be added to the inflation figure when the indirect tax is introduced in October

The annual rate of increase impacted heaviest on the middle-income earners at 15%, followed by the top echelon at 14,7% and then the lower group at 14,1%

The other large contributors to the monthly non-seasonally adjusted percentage change of 1,4% were alcoholic beverages (1%),

clothing and footwear (0,1%) and medical care and health expenses (0,1%)

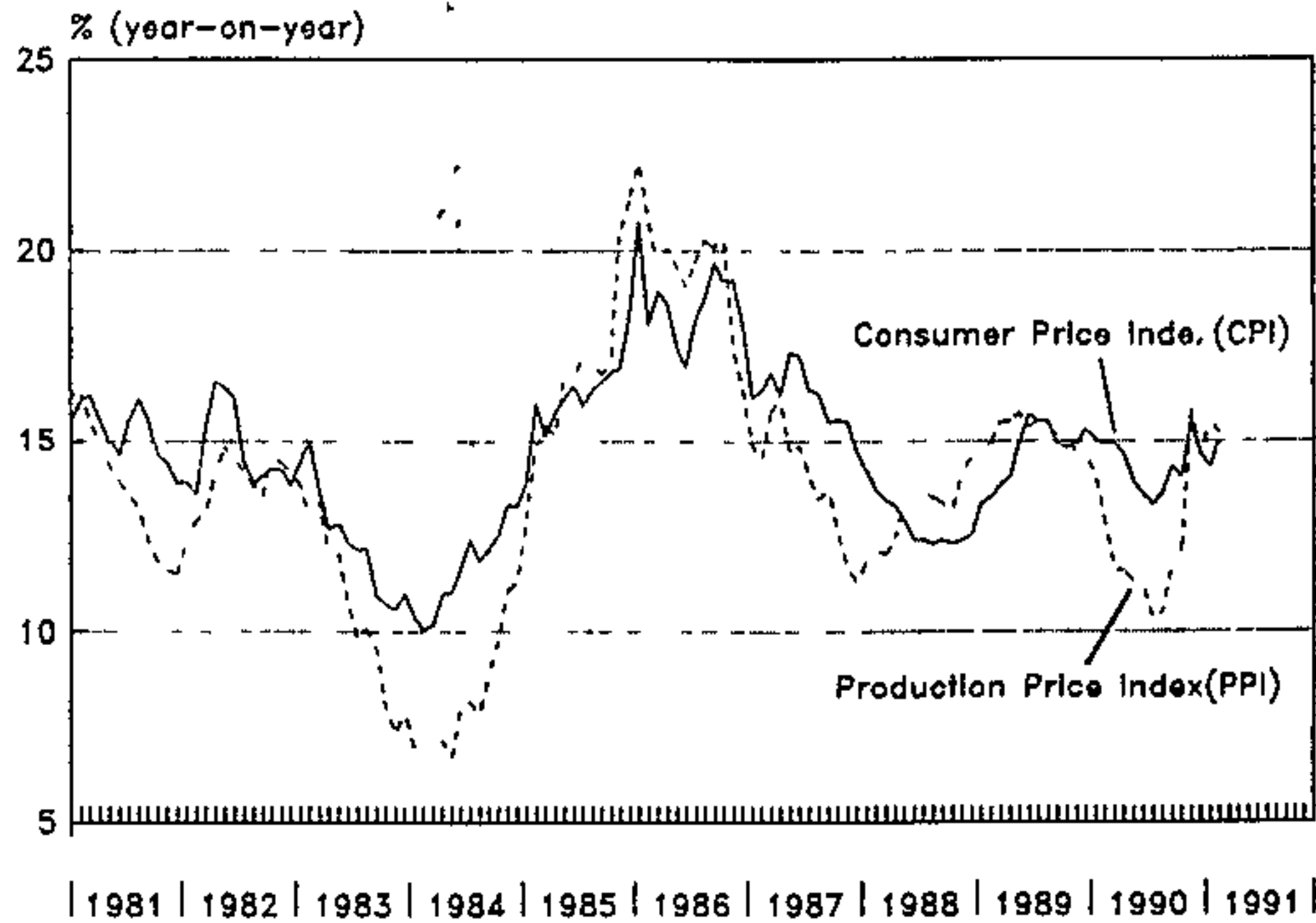
The food index breakdown showed that the high price impact occurred in grain products (2%), fruit and nuts (10%), and vegetables (6,3%)

There was a decrease of 2,3% in the transport index cost

The urban areas of Port Elizabeth/Uitenhage and Witwatersrand reflected the largest annual increase of 15,3%, while the smallest annual increase, 10,1% was in Bloemfontein

The CPI for pensioners shows an annual growth of 14,3% for April

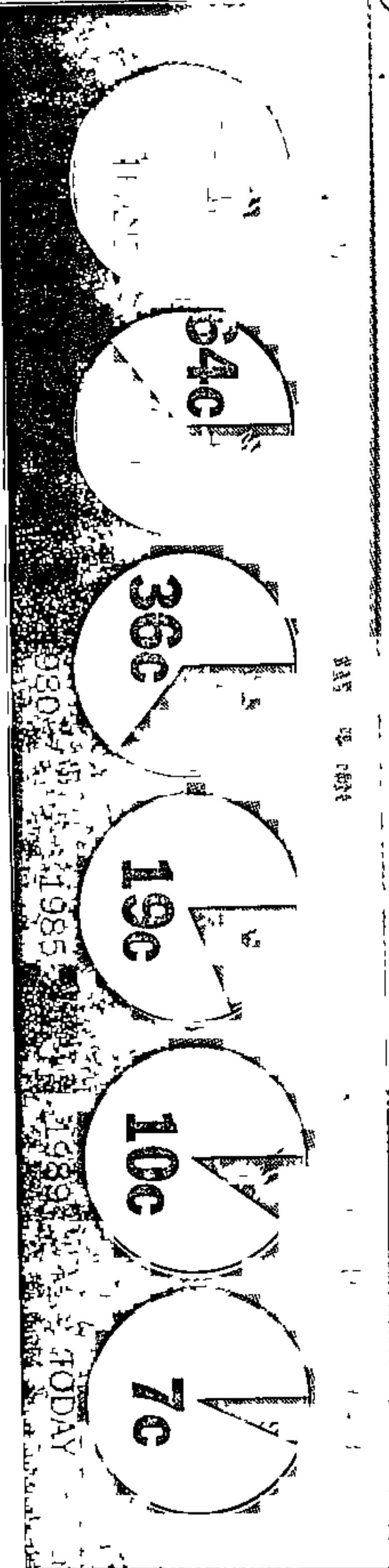
INFLATION IN SOUTH AFRICA



BOLAND BANK

Rand reels against the ropes

Star 29/1/91 (244)



THE FULL drama of the shrinkage in the buying power of cash in family budgets scorched by the inflation inferno has been unfolded by studies showing that the real value of R1 has shrivelled from 100c in 1970 to only a fraction better than 7c today.

It means that to match the buying power of R100 a little more than 20 years ago, the consumer would have to lay out more than R1 420.

The breakneck speed of the collapse can be traced in official records compiled by mandarins at the State-run Central Statistical Service (CSS).

They reveal that if one took 1970 as a marker, the purchasing power of R1 shrank to 64c by 1975, to 36c by 1980, skidded lower to 19c by 1985, and by 1989 had tumbled below 10c.

Relentless inflation pushed the value down to 8,5c last year, and it is now on the way to 7c.

The disaster comes into sharp focus when one delves into records that follow the erosion of the purchasing power of bank notes and coins all the

Everyone knows that inflation has trapped the rand in a tailspin. But it comes as a new shock to learn that in little more than 20 years the buying power of R1 has plunged to a mere 7c. It now needs more than R1 420 to purchase what R100 used to buy in 1970.

MICHAEL CHESTER follows up the disaster

way back to 1910, when the modern R1 coin was known as 10 bob (The equivalent of R1 in 1910 is now on its knees at 3c in real value).

Only grandpa and grandma will be able to reflect with real accuracy the merciless erosion of the rand to mantrand status over eight decades.

The CSS mandarins do not publish details on what has happened to the price tags on individual items going back

that far. That may be understandable, especially since much of the exercise would be futile in view of the huge gaps caused by the absence of price comparisons that tallied with such modern gadgets as TV sets, airline travel, home computers, compact disks, and so on.

However at least an inkling of the rate of shorter-term increases can be gathered by average price movements set

down every month by the CSS in its consumer price index. The CPI is widely regarded as the easiest measure of the inflation rate, though even that is challenged by critics, who insist it under-estimates the real pace of the prices-spiral by a hope-

less margin. A longer-term view of price increases is also harassed by the fact that the CSS keeps shifting the base year of cost-

of-living comparisons to keep time spans relatively short. So at the moment the CPI uses 1985 prices as the basic marker to show price perfor-

Even a six-year view is bad enough. It reveals for example, that a food basket that cost R100 in 1985 now carries an average price tag of R249,10.

For lower-income groups, where most black families are concentrated and where food

bills can be the biggest burden on household budgets, the cost of the basket now works out at an even higher R250,80.

For middle and higher-income groups, where food bills take a relatively smaller slice of budgets, the basket costs a marginally lower R248,50 and R246,30 respectively.

Soaring food prices have been at the spearhead of the inflation attack. The sharpest increases of all were for meat,

fish, fruit and vegetables. Leave food bills out of it and one sees that overall inflation since 1985 has hoisted the all-items index - covering everything from cosmetics and booze to furniture and footwear - by 126,4 percent.

However, even steeper increases hit several items. The cost of buying a motor vehicle has rocketed no less than an average of 228,5 percent in the past six years.

Few items on the CSS long list of goods and services have escaped doubling in price. How hard the inflation blow have come down may also depend on where you live.

Taking all consumer items into account, since 1985 prices have climbed sharpest of all around Klerksdorp and 136,4 percent Pretoria and Vereeniging were the next hardest hit, followed by Johannesburg and the Witwatersrand.

Bloemfontein was the best place to escape the inflation inferno, prices on average rose by less than 98 percent. The next best shelters were Kimberley and Durban (about 115 percent).

All in all, though, the CR offered little comfort about the outlook in inflation trends.

Consumer prices are still bounding higher at an average rate of 14,6 percent a year.

Worse, food prices are climbing at an even faster 16,6 percent and still worse, 17 percent for lower-income families, who still carry the heaviest increases in food bills.

THE debate about the validity of official inflation statistics provided by Central Statistical Service (CSS) rages on while SA heads for its 20th year of double-digit inflation.

Retired mathematics professor Karl Posel has expressed doubts about the accuracy of the consumer price index (CPI) — the general measure of inflation in the economy — and criticises the way it is calculated.

Posel's calculation of an inflation rate of about 25% vastly exceeds the 14.6% recorded by the CSS in April. But banking and mining economists and statisticians say the CPI is a more than adequate account of general price movements. They say the CSS achieves what it sets out to do — to provide a nationwide indication of "average" price movements.

The index covers a vast number of prices for goods and services and slots these into the index, via a weighting system, to reflect the "average" SA household's spending pattern. In this respect it suffers from the problem any average has — it is not directly relevant to any single individual.

Thus is particularly true in SA where the difference between incomes and living styles is so vast. But a directly relevant, or personally real, inflation rate is achievable only if individuals or smaller groups calculate their own personal inflation rates.

Nedbank chief economist Edward Osborn says "Posel's approach may well be of interest to any particular family wanting to conduct their own personal calculations of their inflation rate. But it has no scientific basis."

In essence, Osborn says, the only way to approach the CPI is through the internationally accepted form followed by the CSS. It has to be done through an index and weighting system, and this can be done only through a comprehensive and complicated survey of family budgets.

Osborn adds that there is no contradiction between mathematics and statistics in the CPI. He says the construction of the index is in line

Economists defend the way government sums up inflation

By Paul 30/5/91
R. Paul

SHARON WOOD



with principles of mathematics. The CPI is an example of mathematical statistics with a firm mathematical basis.

A statistician says the construction of the CPI is soundly based in mathematical principles and is an example of a normal index of consumer spending.

A mining economist says the CSS method of calculating the CPI is based on international statistical standards and as such is internationally comparable. He contends that the CPI can never fit a personal profile.

Unisa head of economics Phillip Mohr says there are very few countries that have a better CPI than SA. The coverage of geographic areas, income groups and its frequency are very good, and the methods of collection the same as everywhere else.

Mohr says the CPI ranks among the best statistical services in SA, and is equal, if not better, to the US CPI. He says the CPI is not a perfect measure, but that there are no per-

fect measures. Posel criticises the way CSS incorporates different prices in the index to reflect the "average" consumer's spending pattern. But CSS defends the weighting system used from two angles. Firstly,

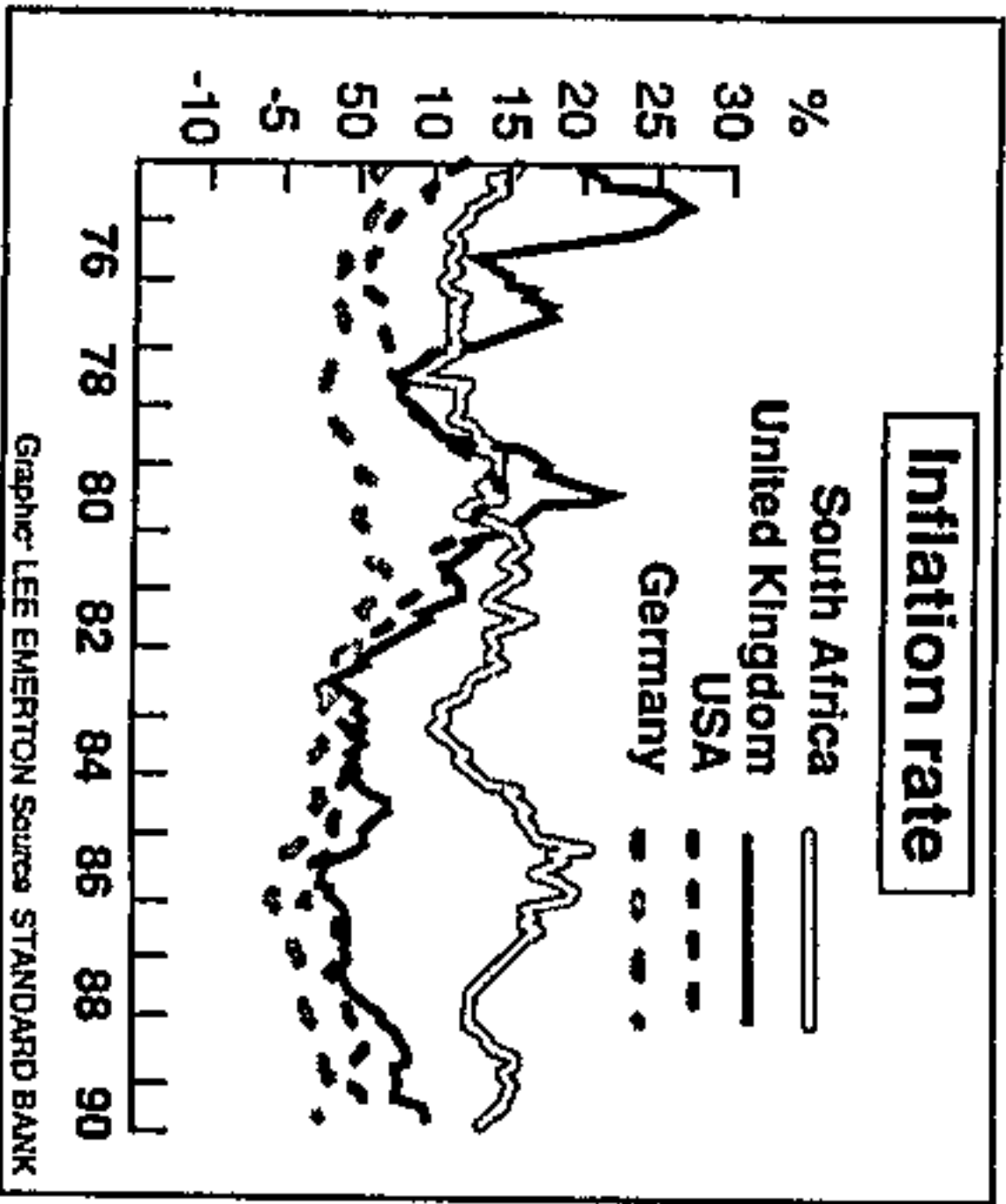
Posel's criticism about the CSS's use of a single item basket of commodities is incorrect. The CSS's weighting system takes into account whether one or more of a commodity is consumed by the "average" consumer in a month.

Another criticism made by Posel is that the weighting system is unrepresentative of consumer spending patterns because it is changed so seldom. The CSS changes the base year and weighting system every five years. The weighting system is currently being adjusted, along with the base year, and will be implemented in the second half of the year, says Du Toit.

Changing the base year every five years is in line with international standards, because of the extent of the work involved.

The CSS's second line of defence of the weighting system and changes to it is that consumer spending patterns do not change much in the short term. Du Toit says if a variation does arise, it will not necessarily have a meaningful effect on the CPI.

The CSS and economists canvassed criticism Posel's method of calculating the inflation rate. They say he has used selective prices which exaggerate the inflation rate and the sample group covered is also too small to be indicative of a generally relevant inflation rate. Du Toit says there are a number of



Graph: LEE EMERTON. SOURCE: STANDARD BANK

internal and external checks and balances which indicate that the inflation rate published by the CSS is broadly on track with actual SA price movements. According to CSS, a pattern has been established between the consumer price inflation rate and producer price inflation, despite the fact that the two indices are calculated independently. It also corresponds with other national statistical indicators.

Rand Merchant Bank economist Rudolf Gouw says that if Posel's inflation rate were true, surely there would be massive declines in real expenditure and corporate turnover figures would be a lot higher.

"Macro-economically, CSS's inflation rate makes sense," he says. Osborn says if inflation were 30%, then government expenditure, growing at about 14-15%, would be showing a huge decline in real terms. This is not feasible.

Inflation is an emotional issue, says Du Toit, and thus large price rises will inevitably stick in the mind of the consumer, while prices that do not change will not be acknowledged. He says it is also important to bear in mind that, as an average, many consumers will experience an inflation rate above the total released by the CSS, and some will experience a lower inflation rate.

The breakdown of the index into inflation groups for lower, middle and higher income groups makes the CPI more relevant to various groups of people.

Double digit inflation has been a feature in the SA economy since 1972, peaking at 20.8% in January 1986. Since then inflation has been brought down to around 14.5% but is still way above the inflation rates of SA's major trading partners.

The debate is set to continue — at a time when success in the battle against inflation seems most unsure. The Association of Corporate Treasurers of SA will bring together several key economists next month to debate the question of what inflation is and how it should be fought.

Posel will be on the platform to stimulate debate on whether SA actually has further to go than it believes in achieving a single-digit inflation rate.

Sharp increases in food, booze prices expected

w/ mail 30/5 - 6/6/91

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Weekly Mail Reporter

BRACE yourself for increases in the price of food, booze and cigarettes.

The Bureau of Market Research estimates the average increase in the price of all retail items this year at 16,2 percent — appreciably higher than the expected inflation rate of 13,5 percent.

The biggest increases will probably occur in the price of food (18,0 percent), cigarettes and tobacco (18,2 percent) and alcoholic and non-alcoholic beverages (17,5 percent), it says in its latest forecast of retail sales.

As retail sales represent roughly 43 percent of total consumption expenditure, the price of non-retail items will

probably not rise by more than 11,5 percent.

Value Added Tax which will be levied on food (previously exempt from GST) from September 30 will be responsible for the relatively sharp increase expected in food prices.

The prices of cigarettes and tobacco and all kinds of beverages are expected to rise relatively sharply because of the increase in customs and excise duties from March 20.

The BMR expects a decrease of about one percent in real personal disposable income in 1991.

This is due to an expected drop in the real remuneration of employees on the

one hand and business profits on the other, the BMR says.

It also seems unlikely that large sums of additional credit will be available to consumers in 1991, so private consumption expenditure is expected to fall by about 0,5 percent.

An expected drop in the bank rate, from 18 percent at the beginning of 1991 to 15 percent at the end of 1991, will probably be reflected in a similar drop in mortgage rates.

This in turn may cut interest payments on housing loans and stimulate expenditure on other items. Hence BMR expects an increase of one percent in the volume of retail sales.

ECONOMY & FINANCE

FM 31/5/91 (244)
 whether the shift reflects union pressure in the factories or in the retail sector, but it's disconcerting wherever it is" Barnardt adds that inflationary pressure from higher food prices will be made worse by VAT

There were also relatively large rises in prices of non-alcoholic (3,8%) and alcoholic beverages (4,3%), cigarettes, cigars and tobacco (2,1%), "other" household services (3,4%), medical care and health (2,8%), public and hired transport (3,0%), communication (6,3%), and education (20,5%) But the price index of transport running costs fell 2,3%, reflecting lower fuel prices ■

CPI FM 31/5/91 (244)
TWISTS AND TURNS

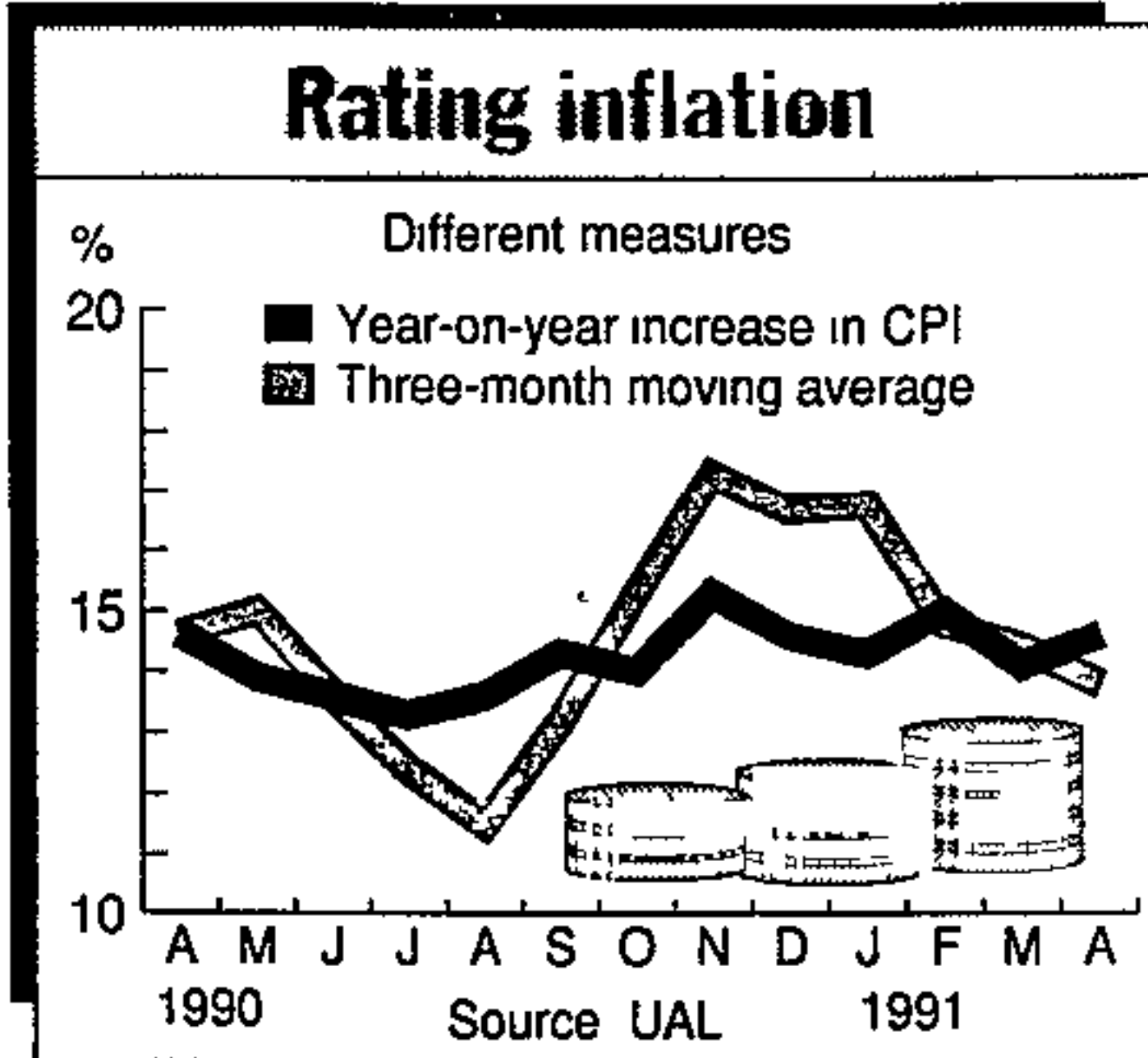
Consumer prices rose at a disturbing rate in April. The seasonally adjusted monthly increase in the consumer price index (CPI) was 1,2% (March 0,5%) and the year-on-year increase was 14,6% (14,1%), which economists feel is disappointing

A somewhat different picture emerges if the three-month moving average, applied by *The Economist*, is used rather than Central Statistical Service (CSS)'s 12-month rate. This method reflects a declining trend in recent months (see graph)



Leigh-Pemberton doubts about inflation

FM 31/5/91 (244)
 The CSS approach is in line with international practice, but has been criticised. *The Economist* reports that Bank of England Governor Robin Leigh-Pemberton questions the validity of the 12-month measure of the retail price index, the UK equivalent of CPI. He argues this is "like a driver judging his current speed by observing that he has travelled 50 miles in the past hour"



The Economist supports this view, arguing that a year-on-year rate can be misleading if prices this July soar 1% over June's, but last year's soared faster, say 2%, year-on-year inflation for July would show a one point fall. An alternative favoured by the Americans, it says, is to calculate an annualised rate for monthly changes.

SA's annualised seasonally adjusted monthly rate was 15,4% in April (against 14,6% year-on-year). But in March it was only 6,2% (14,1%).

Another option is that used by *The Economist*, which takes an index average of the latest three months and compares it with the average of the previous three. In SA, this gives a three-month moving inflation rate of 13,8% for April and 14,3% for March.

These methods may be equally misleading, particularly if seasonal factors are not eliminated.

Though figures using *The Economist's* method are more comforting than the official rate, there are clearly strong underlying impulses. In April, food prices again recorded big hikes, reaching 16,6% year-on-year, compared to the March 15,9%. Main culprits were grain products (2,0%), fruit and nuts (10,0%) and vegetables (6,3%).

Bankcorp economist Nick Barnardt notes that prices of unprocessed foods have risen faster in the year to April (17,6%) than those of processed foods (15,3%).

"Usually meat and fresh produce lead the way, because of shortages. It's not clear

Sugar price set to rise 13% next month

8 to am 4/6/91
THE price of sugar would rise 13% from July, the SA Sugar Association announced yesterday

Chairman Glyn Taylor said the price increase was necessary in the light of the industry's increasing production costs

SA was hampered by inflation of 14,8% and this, coupled with low growth rates, was creating adverse conditions for the sugar industry. The industry had tried to keep the price increase below the rate of inflation, Taylor said.

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PAUL ASH

The increase will boost the industry price of white sugar by R160 a ton from R1 236 to R1 396 and brown sugar by R146 a ton from R1 122 to R1 268.

Consumer prices of white sugar, which are determined by wholesalers and retailers, are expected to rise 45c a 2,5kg packet.

A Housewives' League spokesman said the average price for a 2,5kg packet of white sugar was currently R3,89

Sugar price to soar

JOHANNESBURG — From July 1 consumers will pay about 19 cents more for 1kg of sugar, the Sugar Association said in a statement yesterday.

At the moment sugar retails at about R1,80 a kilogram.

The Sugar Association said the industry price of sugar would be increased by 13%. This would boost the industry

price of white sugar by R160 a ton from R1 236 to R1 396 and brown sugar by R146 a ton from R1 122 to R1 268.

Sugar Association chairman Mr Glyn Taylor said the industry had tried to keep the increase below the rate of inflation — 14,8% — but increased production costs made it difficult to keep selling prices down. — Sapa

③ SUGAR CT 4/6/91

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Sugar price increase to have ripple effect

Star 4/6/91
By Paula Fray
Consumer Reporter

The sugar price increase announced yesterday may prove a bitter pill for consumers to swallow as the higher costs filter through to the numerous products in which sugar is used

"There will definitely be a ripple effect," said Housewives League president Lyn Morris

National Black Consumers Union president Noma Ramphomane described the increase as another knock for consumers

The Sugar Association announced yesterday that the

industrial price of sugar in 250 kg quantities would rise by 13 percent on July 1, bringing the price to R1 268. This represents an increase of R160

Consumers can expect an estimated 19c increase for 1 kg or 45c more for 2,5 kg. At present sugar costs about R1,80 a kilogram

South African Sugar Association chairman Glyn Taylor said the industry had tried to keep the price increase below the inflation rate, which is running at 14,8 percent

"South Africa is still being plagued by high rates of inflation and low growth rates. The sugar industry has been adversely affected and it is difficult to keep costs and

selling prices down when the industry itself is faced with higher costs," he said

The industry says it has announced the increase to give the trade and public an opportunity to stock up before the price increase

Referring to the Sugar Association's statement that the increase was below the rate of inflation, Mrs Morris said that if everyone gave increases just below this rate, inflation would never come down

Mrs Ramphomane added "One wonders what is going to happen after September 30 when VAT is imposed"

She said she had still not heard how the Government would give food aid to the poor

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Own Correspondent

JOHANNESBURG. — High domestic price increases in April — mainly in the agricultural sector — have again brought gloom to the country's inflation picture.

Figures released by the Central Statistical Service yesterday show that although the annual producer price inflation rate fell to 13,8% in April from 14,5% in March, continuing domestic price pressures were reflected in the 1,1% month-on-month rise in the producer price index (PPI)

PPI adds gloom to outlook for inflation

(244)
G7/6/91

The statistics show that against these surging domestic prices, imported prices fell between March and April

Domestic prices rose by a substantial 1,5%, stemming largely from a 6,1% month-on-month surge in agricultural food prices

The poor agricultural season has had a big impact on agricultural prices

The steady ebb in oil price pressures led to a 0,9% fall in imported prices between March and April. The landed cost of oil fell by a further 1,6% during the

month
Manufacturing prices advanced relatively slowly by 0,4% month-on-month, with the manufactured price inflation rate now at 11,4%

Sanlam economist Johan Louw said the large increase in local prices indicated that there were still strong cost-push pressures in the economy.

"While the reduction in the import prices is welcoming, the recent weakening of the rand means this trend in imported prices may not continue in the next few months," he added



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Lower import costs see producer price rises ease

By Sven Lünsche

ster 7/6/91

Producer price inflation fell further in April as the cost of imported goods and fuel products continued to decline

The Central Statistical Service reported yesterday that the annual rate of increase in the Producer Price Index (PPI) fell to 13,8 percent in April, compared with a 14,5 percent rise from March 1990 to March this year

On a monthly basis, the PPI rose by a seasonally adjusted 0,4 percent from March to April this year

The declining cost of imported producer goods contributed significantly to the slower rate of increase, reflecting the recent steady performance of the rand against a basket of major foreign

244 311

currencies.

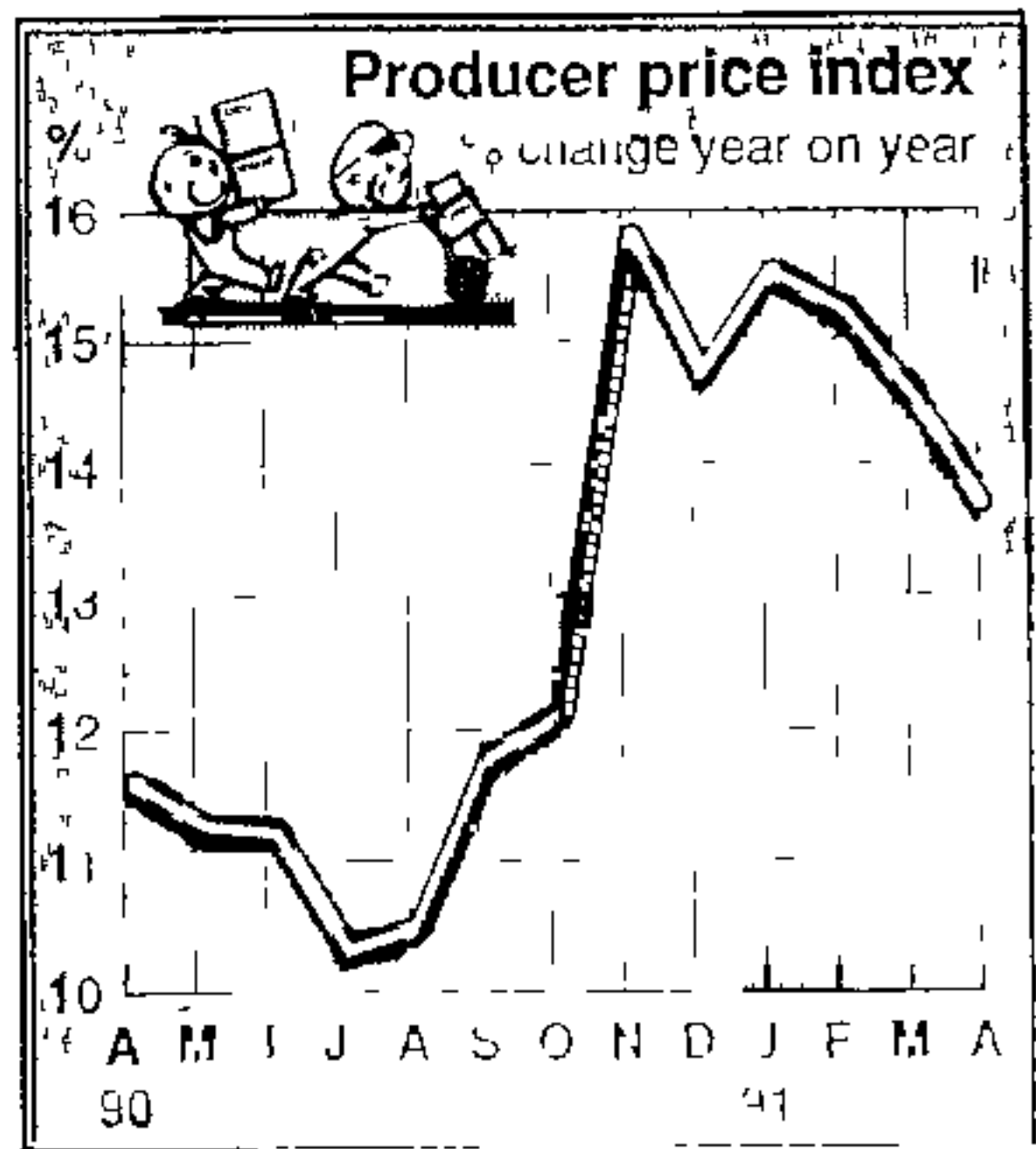
The PPI for imported commodities rose by a year-on-year 7,6 percent in April (March: 8,3 percent). But more encouraging was the one percent monthly decline reported by the CSS.

There were some significant monthly falls in the price of locally produced goods, notably a 3,8 percent drop in the price index of petroleum and coal products.

However, in a trend that does not bode well for a drop in consumer inflation, food and agricultural products showed large monthly increases of six percent and 6,1 percent respectively.

On balance, the PPI for locally produced commodities showed a rate of increase of 15,2 percent in April, 0,7 percent down on the corresponding rate in March.

that the European Commu-



Graphic: F. RAFFERTY Source: CSS

Gloomy signals from PPI figures

SHARON WOOD

HIGH domestic price increases during April — mainly in the agricultural sector — have again brought gloom to the country's inflation picture.

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The poor agricultural season has had a big impact on agricultural prices.

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Sanlam economist Johan Louw said the large increase in local prices indicated that there were still strong cost-push pressures in the economy

"While the reduction in the import prices is welcoming, the recent weakening of the rand means this trend in imported prices may not continue in the next few months," he added

THE WEEK AHEAD by William Richards

Low imported prices will restrain PPI

LAST week's unexpected early release of the April producer price index (PPI) outturn leaves this week without the release of a key SA indicator

The factor behind the drop in the annual rate of PPI inflation does, however, bear further observation as it is likely to extend throughout this week and for many more to come

The annual rate of PPI inflation in April dipped for the third month in a row, coming out at a headline 13.8% against the 14.5% annual rate in March, the 15.2% in February and the 15.5% in January. Most of the restraint on the producer price inflation rate came, yet again, from the imported prices component of the index

Given the stated policy intentions of the financial authorities, this is a feature that should persist in the PPI outturns lying ahead

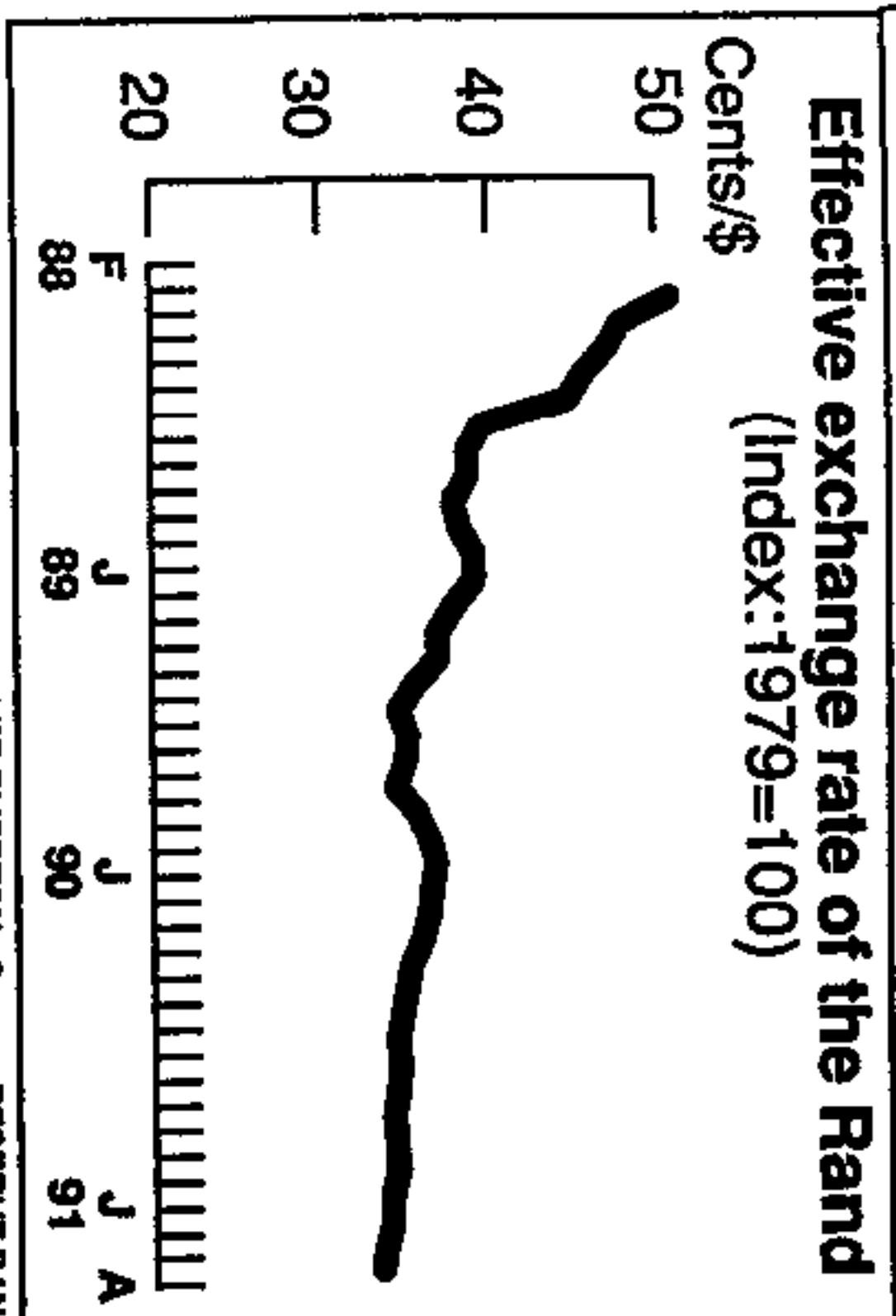
The smaller contribution to PPI inflation from imported prices arises from two main sources: the trade-weighted level of the rand, and international oil prices

On both of these counts, the indications remain favourable that they will, in subsequent months, help to restrain upward pressures in the PPI inflation rate as a whole

The latest Reserve Bank figures show a remarkably steady trade-weighted rand during the first four months of this year. According to the figures, the weighted value of the rand against a basket of trading partners' currencies was barely 1% lower in April compared with January. The rand's drop against the US dollar over the period was offset, therefore, by gains against the Deutschmark, sterling and the Swiss franc

Indeed, at the current slow rate of trade weighted depreciation, the rand is set to ease in effective terms by less than 5% this year — by less than SA's inflation differential with its major trading partners

By maintaining this relatively "strong rand" policy,



the authorities are storing up more disinflationary forces for later in the year. The first "strong rand" payoffs are, however, already showing through in the form of sharply lower rates of imported inflation

The other restraining influence on the rate of imported inflation at the moment is the international oil price. Cuts in the domestic petrol price, since the Gulf war proved not to be a threat to the world oil market, have added a valuable contribution to keeping down imported inflation

This contribution to domestic disinflation also looks pretty durable. Last week's meeting of Opec resisted the temptation to cut overall production as a means of driving oil prices up towards the Opec reference price of \$21 a barrel. Output is to remain steady at levels of just over 22-million barrels a day, for fear of forcing cuts in oil consumption through higher oil prices

In the period to the end of the year, therefore, oil importers can expect — at worst — an oil price straddling \$20 and no extra inflationary inputs from this notoriously volatile source

Internationally, this is an important week for inflation levels in some of the major industrial countries

On Friday the latest rates of consumer price inflation in both the US and UK are scheduled for publication. Both these countries' inflation rates are likely to show further falls — reinforcing the importance of the battle to get SA's inflation rate down towards the rates of its major trading partners

The UK inflation rate has been falling sharply this year, partly as a result of the tight credit measures imposed by government and partly due to the dropping out of the one-off poll tax from the British consumer price index

The British authorities have been able to lower interest rates steadily in tandem with the falling inflation rate — a strategy the SA authorities have said they will emulate if and when the SA inflation rate shows a sustained fall

The British inflation rate for May is set to dip below 6% on Friday, having been on the threshold of 11% as recently as last October

The US May inflation rate is also set to dip again to around 4.5%, having been above 6% only last November. The relative success of the anti-inflation strategies in these two major SA trading partners only sets in sharper relief the comparative failure of SA to match them in reining in increases in the general price level

Against a background of such successful anti-inflation campaigns, the SA authorities' resolution to continue the "strong rand" policy becomes a little easier to understand

The problem of prices that change between shelf and till

Cracking the bar code isn't easy

W/Mail 14/6-20/6/91

BETWEEN the two most recent visits paid to my local hypermarket, the store had introduced scanning. That is to say, each article brought to the till bore only the bar-coding to be read by a laser scanner so that a price could be rung up on the till. None of the articles carried individual prices

It struck fear into my heart. At no stage in the history of my erratic relationship with the store had they ever managed to get it completely right. Each till slip dragged home with the huge load of shopping had disclosed till errors — usually in favour of the store. Was I now to believe because computers were in charge at the tills and not people, that all would suddenly be well and the hypermarket would miraculously eliminate human error? Well, I am told I ought to believe this.

Not only does the store say so, but so do the South African Numbering Association (which deals with bar-coding), the Consumer Council and the United Kingdom's Consumer Association. They believe that the benefits of bar-coding outweigh the disadvantages for consumers.

However, in the United States, things are different. When bar-coding was introduced in the 1970s, consumer activists were worried that consumers could not see what they were paying at the till and compare it with the price marking on the goods. They had legislation introduced so that in stores where scanning is the preferred method of ringing up prices, the prices still have to be marked on each item.

In South Africa, and in those stores using the system in the UK, the argument is that the computer at the store is programmed in such a way that when it reads the bar-code it will ring up a price — and since it is stored in the computer's memory, it cannot read the code incorrectly. To believe this you have to have total faith in computers.

And there is still one major place where an error can occur: when a human being is responsible for putting the correct information into the computer and then keeping it accurate and up-to-date. However, this Critical Consumer contends that in South Africa we have different circumstances. We have a largely uncritical

CRITICAL CONSUMER



Pat Sidley

body of consumers, many of whom are illiterate — and would, in any event, feel intimidated by the idea of challenging a supermarket.

When I raised this with the Consumer Council in Pretoria (which purports to give support to consumers and their complaints), I found little sympathy. Consumers were owed the "basic right of protection — but often what they most needed was protection from themselves", a council spokesman said — adding a sarcastic remark about "their" capacity to understand credit cards, too.

Many consumers in South Africa have learned only to cope with numbers, so that they can handle shopping. It is a serious problem — not one to be avoided — that these consumers cannot easily check the price of the item they have bought.

Often what is thought to be full information on the shelf label is, in fact, full information only to the fully literate and discerning consumer. The main purpose of bar coding and laser scanning is to improve information and stock control for retailers. This in turn may help stores more effectively stock what consumers want.

If that is done more efficiently, the theory goes, price hikes may be kept in trim. The time spent at the till is shorter and cost savings are made by not marking individual goods. In order to inform customers adequately of the prices of the goods, retailers using bar-coding are required by a voluntary code of conduct to ensure that there is a clear indication of the price of the goods on the shelf.

This is where one of the major problems has occurred worldwide, as the Consumer's Association confirmed to *The Weekly Mail* this week. There is sometimes a discrepancy between the price on the

shelf and the price that is rung up on the till — causing anger or anxiety in consumers, who automatically feel they are being cheated.

However, says Bob Percy of the SA Numbering Association, many stores using the system will give the customer the disputed item free on production of a till slip showing a discrepancy between the information recorded at the till and the information on the shelf.

It is a mark of their confidence in the system and an attempt to instil similar confidence into consumers.

This may eliminate fears of cheating on the part of reputable stores, but it is unlikely to eliminate the practice of a dishonest dealer who has priced many items at the shelf at a lower price than the price they will bring at the till.

For those consumers without photographic memories for the price recorded on a shelf label for every item placed in a trolley of goods, this problem is real.

Retailers are still required to mark goods whose weights vary — so cheese, or chickens which may have differing weights, are required to have individual price markings. For other goods, the law allows the marking to be placed in close proximity to the goods to be sold.

One advantage for consumers is the fuller information on the till slip which can now be programmed to record, for instance "Bonny Bird Frozen Chicken R6,26" as was recorded on my very long and detailed slip at the hypermarket.

The Consumer Council suggested that consumers need to make a note of the price of each item as they pick it off the shelf if they are worried about forgetting the price by the time they get to the till. Does my tax money actually pay these people for "proferring such extraordinary advice"?

The SA Numbering Association is part of an international organisation which deals with bar-coding, an international business system.

If consumers have no satisfaction dealing with their store on bar-coding problems, they should contact Bob Percy at the Association (011-787 4387) and he will take the issue up if required.

He, unlike the consumer-protection people, believes consumers should have the benefit of the extra price marking, but says it is too expensive for retailers.



All aboard the food price express

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w/maill 14/6 - 20/6/91.

What, or who, is behind persistently high food prices? Are the farmers, food processors, or retailers the cause?

REG RUMNEY reports

TRYING to find out who is responsible for persistent food price inflation is like being a detective in a whodunnit. Clues abound, all the participants are suspects, and everyone blames everyone else.

First look at the problem

The inflation rate, as measured by the consumer price index (CPI), for food last year was 16 percent, two percentage points higher than the general inflation rate of 14 percent.

As is noted by the most recent Boland Bank review: "Average food price increases stubbornly remained above the average rate of CPI inflation for the greater part of the past 12 months. A year-on-year increase of 15,7 percent in food prices was registered for the first quarter of 1991."

Also, food price increases at the consumer level (the CPI) have outpaced food price increases at the producer level (as measured by the producer price index, or PPI).

"The CPI has exceeded the PPI for the past five-and-a-half years non-stop," says Econometrics head Azar Jammine. And the gap has widened in the past year, he adds.

The three most important subindices or parts of the inflation rate (as measured by the Central Statistical Services CPI) are food at 22 percent, housing at 21 percent, and transport at 17 percent.

Stubbornly high food prices underline the difficulty of combating inflation.

So who's to blame?

One could easily point one's fingers to the many control boards which by definition protect the interests of the farmer rather than the consumer and distorted the market through, for example, the "one-channel marketing system". With maize this dictates that maize must be sold through the Maize Board at prices determined by the board.

South African Agricultural Union (SAAU) economist Koos du Toit admits that in the past prices rocketed "from time to time" by say 25 or 28 percent, for example wheat and maize.

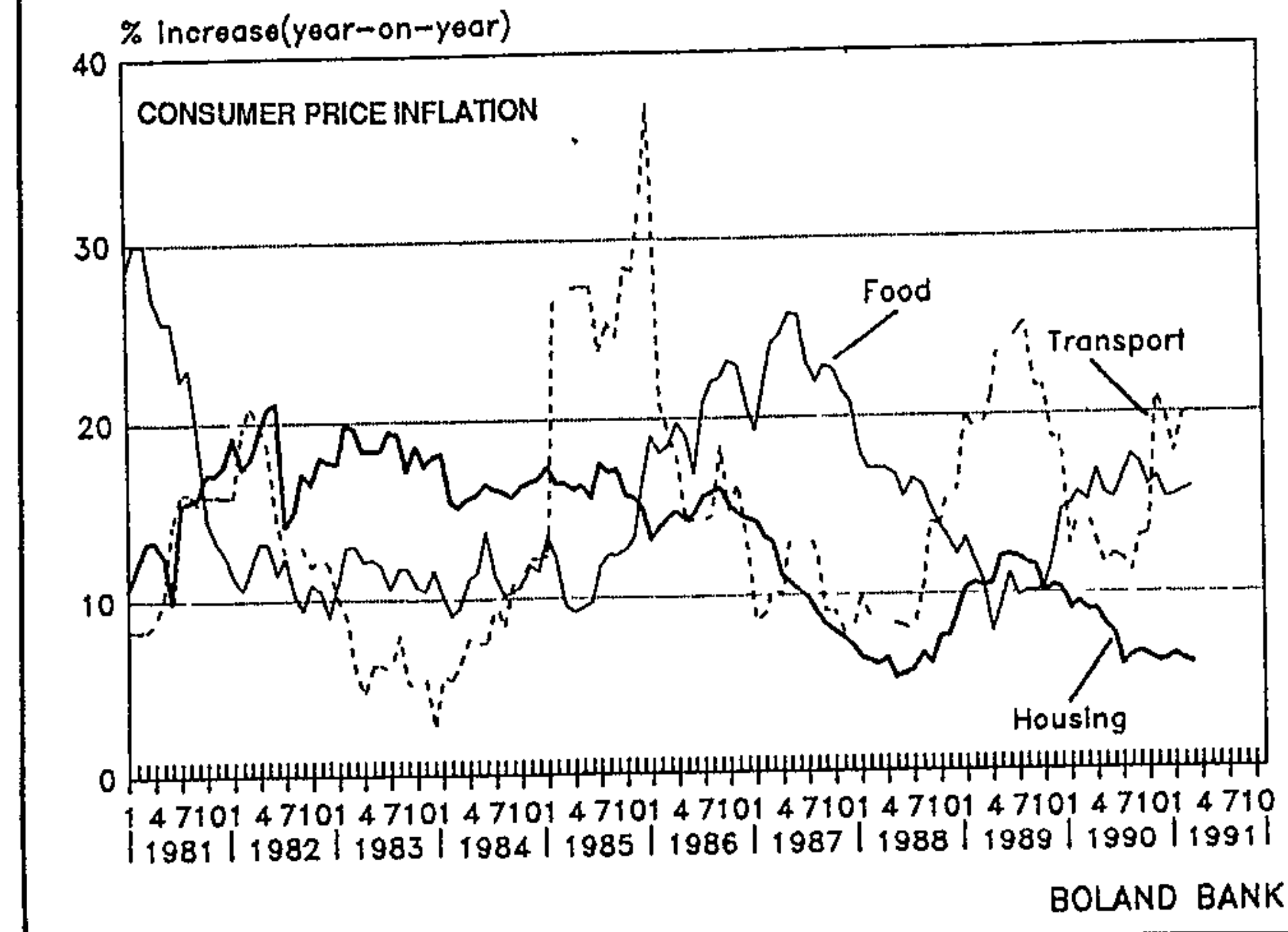
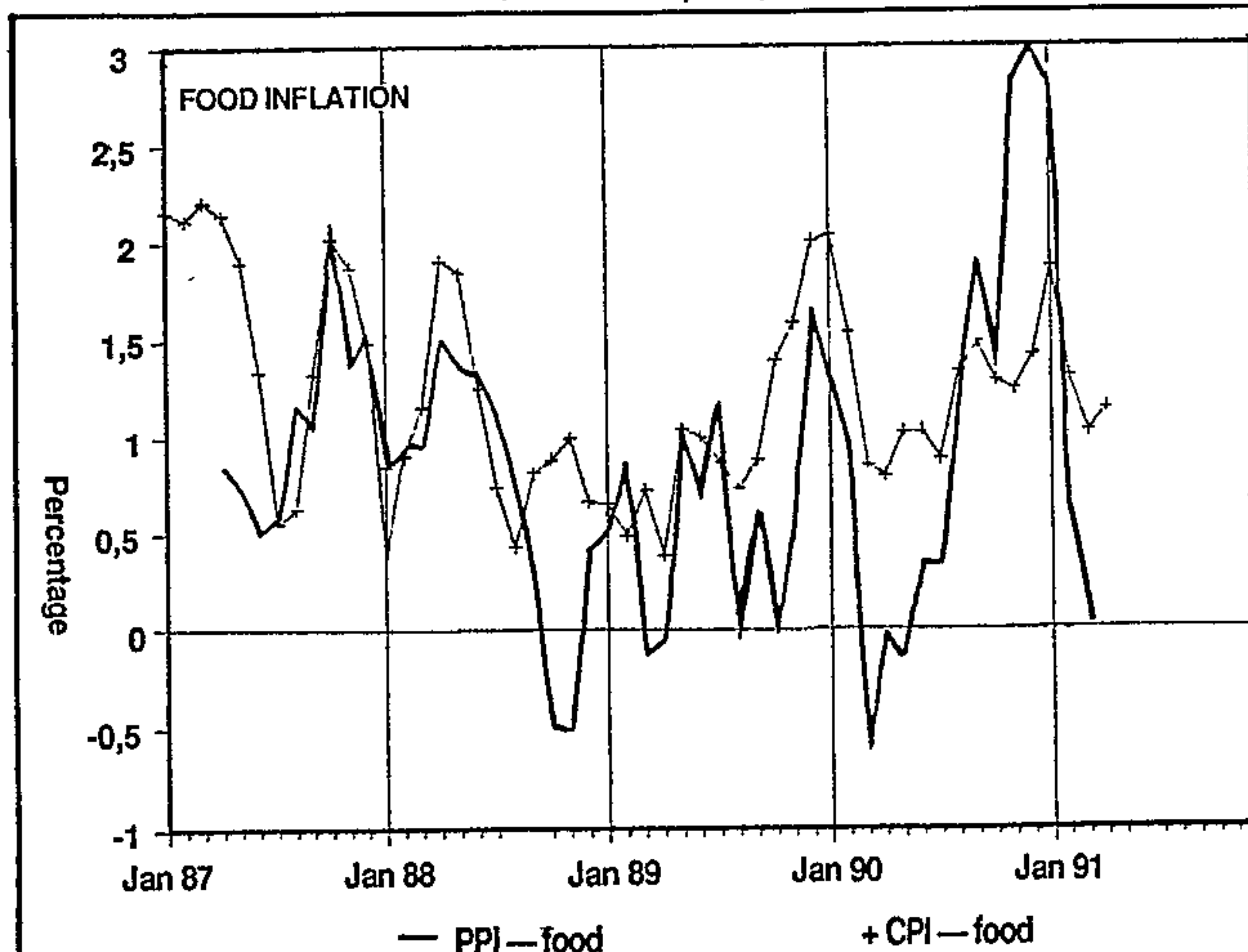
"Fortunately, we have progressed away from fixed price methods and are increasingly taking cognisance of the facts of the market."

The government has stopped short of actually scrapping the control boards, however. In the past they along with other power concentrations would seem to have been responsible for remarkable price surges.

But the SAAU has launched an investigation into the widening gap between producer and consumer prices. Du Toit says farmers' share of the consumer rand has shrunk steadily over the past two decades, with farmers getting as little as three percent of the consumer price for their products.

If the farmers are not (entirely) responsible for high food prices, are food processors taking advantage of cartels, monopolies, and financial muscle to put up prices?

Jammine, who believes there is something fundamentally wrong in the food business,



RIDING HIGH The top graph, a three-month moving average of monthly increases, shows that while retail food prices increase in line with producer prices, they seldom fall when producer prices fall. The bottom graph shows disparities in the inflation rate of three major sectors: food, housing and transport

The way the two indices are made up is likely to differ, explaining some of the difference, with the CPI being much broader than the PPI.

It is puzzling, as Nedbank chief economist Edward Osborn remarks, why falls in the price of particular foods have not had a greater impact on food inflation. This may be because falls in one type of food are often offset by sharp rises in other foods. A drop in the price of meat, for instance, was accompanied by a 44 percent rise in the price of fruit, Osborn says.

The retail chains are not increasing their traditionally thin margins, ie the difference between the price they pay and the price they receive for

goods sold

A submission by the South African Chamber of Business to the Competition Board on the supply and distribution of foodstuffs exonerates the big chains, despite their ability to put pressure on small retailers, concluding that competition in food retailing in white-dominated business areas is fierce, though opportunities exist for small entrepreneurs.

Pick 'n Pay food director Sean Summers lays the blame for food price inflation directly at the feet of the big food processors.

One has only to compare the profits being made by the manufacturers and processors of

the goods Pick 'n Pay sells with the profits of the chain.

Retailers are often forced to deal with one supplier, for example with sugar and canned fish.

Summers refers indignantly to suppliers who announce profit increase of 72 percent and are even bullish about the prospects for next year.

"In canned goods we have seen price increases of 30, 40 and 50 percent over the past eight months." A can of baked beans has risen in price from 79c to R1,29 in one year.

Sanctions have kept South African companies uncompetitive, says Summers, and he looks forwards to the return of multinationals. Jammine, however, says the big chains have cut prices on loss leaders and made profits on all their other lines.

They have tended to give big wage increases to their staff and have passed this on to the consumer. Also, they are faced with rising rentals from the owners of the properties out of which they operate.

The chains, says Jammine, may not be increasing their margins, but could be passing on the actual increased costs to consumers.

The discrepancy between the food PPI and food CPI need not imply an increase in the retailer's profit margins, says Jammine. Other costs such as the distribution, wages, leases, and, importantly, packaging may all have increased out of proportion to the inflation rate.

"It is nevertheless hard to account not only for the consistency over almost six years with which food CPI inflation has exceeded food PPI inflation, but also for the fact that the gap has been widening in the past two years."

Even if the mitigating factors such as packaging costs were valid at times it seems some of the effects of high input inflation would have had to be absorbed sooner or later, had there been a more competitive retailing environment.

In the food processing industry, the accusation is that in part the chains have overinvested in property and buildings, particularly in white areas. The difference between the CPI and PPI is put down to efficiencies in manufacturing not being passed on to the consumer.

The food processing industry will naturally enough claim there is no co-operation between the various divisions and subsidiaries on pricing, sources in the retail industry, off-the-record, contend they have seen MDs of companies belonging to big groups put under pressure by head office.

In the light of the concentration problem at both levels, it is worrying. Jammine comments, that Premier's recent acquisition of Metro Cash 'n Carry is a move towards vertical integration in food supply.

In the end, a food price detective might be led to conclude, like Hercule Poirot in *Murder on the Orient Express*, that they all did it.

And this is the point. An environment of continued inflationary expectations makes it unlikely that anyone along the food supply chain will be happy about absorbing cost increases to drop prices. And concentration of control at all levels must interfere with competition, underlining the difficulty of combating inflation at a macro-economic level alone through monetary and fiscal policy, necessary though this is.

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points out there is such a high degree of concentration one cannot even be sure there is collusion by the big producers. Three producers supply more than 75 percent of the market for quite a few products, for example maize meal.

The chain stores which dominate the retail market have long contended that they compete fiercely for the consumer's rand, and that their suppliers are responsible for inflation.

However, a look at some statistical information *seems* to show they are responsible for keeping food prices high.

Food prices as measured by the CPI, ie at retail level, seem to be unresponsive to downward pressure on producers. Simply put, that producers getting a lower rate of increase for their food products isn't being translated into the price the consumer pays for food.

The accompanying graph produced by Southern Life illustrates the point.

It shows food price inflation measured on a three-month moving average, according to the PPI and CPI.

Southern chief economist Mike Daly points out that while the food prices increase from producers have surged above the CPI, *the rate of increase in food prices for consumers has almost never fallen when producer prices have fallen.*

"When there is a sharp fall in the month on month increase in the PPI it isn't followed by a smaller rate of increase in the CPI."

ECONOMY & FINANCE

estimates can only be approximate They also point out that these prices are still cheap in sterling terms

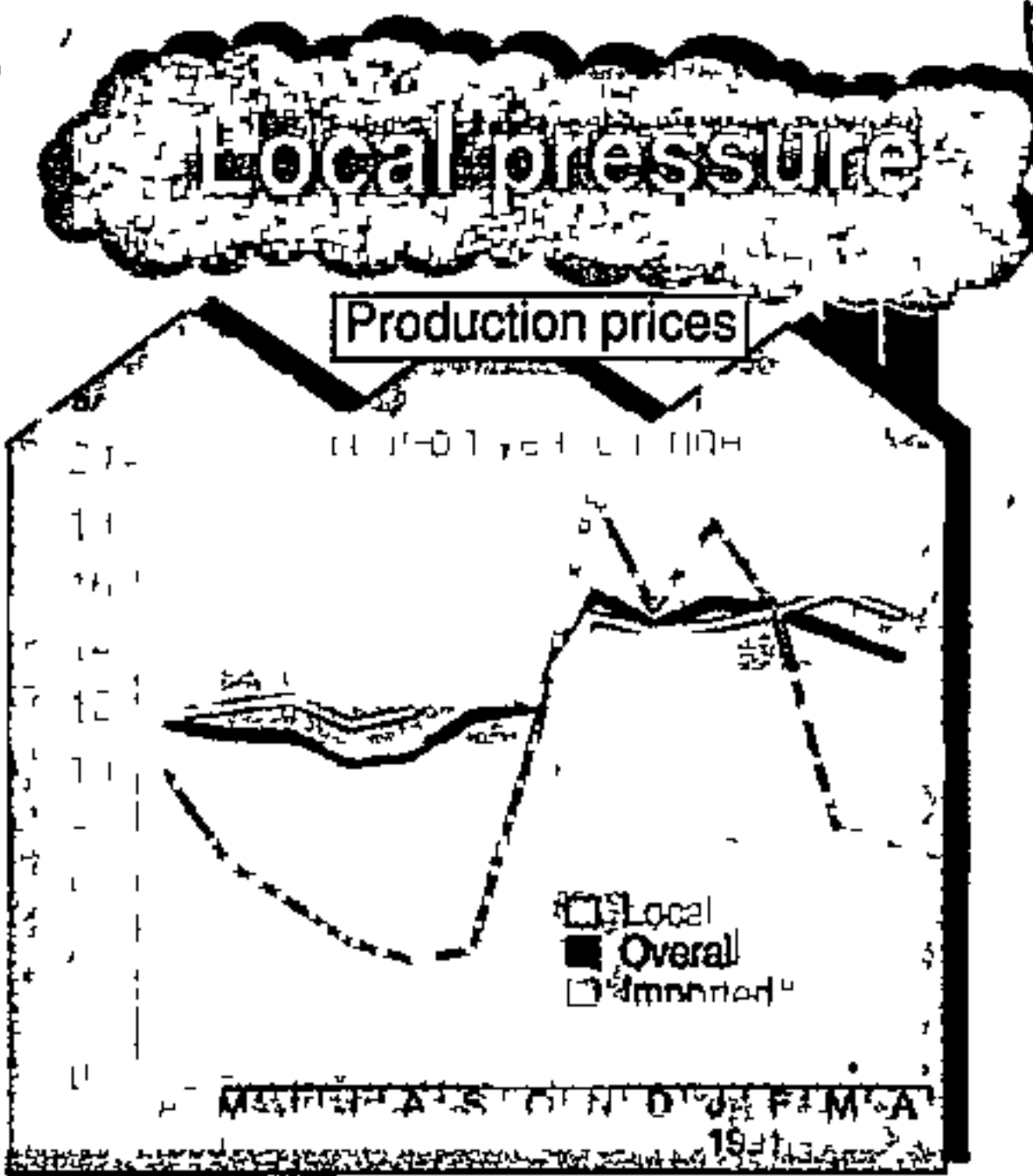
PPI Fm 14/6/91 (244)

DOWNWARD TREND

For the third time in as many months, producer price inflation fell in April, to 13,8% year-on-year (from 14,5% in March) This is despite a year-on-year rise in the local component of the production price index (PPI) of 15,2% which, though lower than the March 15,9%, remains relatively high But, imported prices brought relief, increasing by only 7,6% in the 12 months to April

"PPI tends to be volatile and must be treated with caution," warns UAL economist Dennis Dykes "But with energy prices easing, the trend seems to be downward"

Confirmation of this comes from the three-month moving rate, which compares the index average of the latest three months with that of the previous three (*Economy*



May 31). It shows an overall producer inflation rate of only 7% in April (13,3% in March), largely due to a 14,6% drop (4% rise) in imported prices But this last figure is off a high base — it includes November's massive monthly increase of 8% Local prices rose by 12,7% (15,6%)

Despite the recent decline in the value of the rand, Dykes is confident that imported

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prices will not upset the trend. "Though the rand has fallen against the dollar, it has been fairly stable against the trade-weighted basket of currencies and foreign commodity prices have eased because of the recession"

The seasonally adjusted monthly rise in overall PPI was 0,4% the local component increased by 1% while the imported component fell by the same amount

The main local impetus came from agricultural products that rose by 6,1% Significant monthly increases also occurred in coal (12%), alcoholic and non-alcoholic beverages (7,9%), tobacco products (4,5%), leather and leather products (6,5%) and rubber products (3,5%), while there was a decline in the index of petroleum and coal products of 3,8%

Selected materials which showed relatively large price increases include bituminous coal (12,2%), crude rubber (7,5%), natural rubber (9,8%), polyurethane (8,1%) and ball and roller bearings (5,0%) But there were relatively large falls in the price indices of glycerine (10,4%), bitumen (11,2%) and tinplate (14,8%)

Food

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prices soaring

From page 1

Prices

Prof Weyers said the inflation rate in food prices in the past two years had been above the average inflation rate

"If you have the inflation rate running at 14% the inflation on food products would probably be about 17 to 18%."

Mr Andrew said "soaring food prices are a matter for grave concern"

"Ordinary South Africans are finding it increasingly difficult to make ends meet and things are getting worse from one month to the next."

He said the introduction of VAT in October was going to aggravate this trend and would cause additional hardship

"Platitudes and theoretical explanations are not enough and we need to have a hard look at what exactly is going on," Mr Andrew said.

Boland Bank economist Mr Louis Fourie said the producer price index (PPI) showed that the problem did not lie with the producer but with the retail sector.

Although it was true that the big supermarket chains had a small mark-up on foods their overheads, including wages, were high

Owners of corner shops looked at what the supermarkets were charging and put their own prices up

"Retailers in South Africa find it very easy to push their prices up, because consumers aren't organised to protect themselves. They have no forum in which to protest"

By AUDREY D'ANGELO and ANDRE KOOPMAN

A TOP economist yesterday called for an urgent commission of inquiry into South Africa's soaring food prices.

His call was last night strongly supported by the Consumer Council and the Democratic Party

And other economists blamed a lack of competition and of organised consumer resistance for the rocketing prices

Food, with a 22,7% weighting, is a major component of the con-

sumer price index (CPI). And since 1985 the food index has risen more than the overall CPI. From a base of 100 in 1985 the CPI was 227,3 in April this year and the food-only index 249,1

Calling for a commission of inquiry to pinpoint the reasons for this, Sanlam chief economist Mr Johan Louw said the influence of food prices on South Africa's high inflation rate was a matter of great concern

"But it is a complex matter and the reason may be an accumulation of factors, including low productivity, high interest rates and import duties

"A commission of inquiry to trace food prices from the pro-

ducer to the consumer will be expensive and time-consuming but it is the only way to find the real causes of the continuing rise in food prices"

Meanwhile, Mr Louw said, lack of real competition between companies owned by giant conglomerates was a factor "I believe we can put some blame on the consumer. The ordinary man in the street is not price-conscious enough"

The chairman of the consumer council, Professor L. Weyers, and DP spokesman for finance Mr Ken Andrew both last night backed an investigation

To page 3

Pick n Pay chairman Mr Raymond Ackerman replied that the Checkers chain was actually losing money, while Pick n Pay's own profit was 1,6% after tax. "These are the lowest retailing profits in the world," Mr Ackerman said. "But the high level of food prices in this country is a serious matter. Sanctions — and disinvestment by foreign companies — is to blame because it has resulted in a lack of competition for a small number of producers who dominate the market."

He said that some foreign companies, including an Argentine supplier of dairy products whom he could not name at this stage, were looking seriously at coming into the South African market. They would come when peace and stability made South Africa an attractive place to invest.

Meanwhile, he said, the big conglomerates were forcing smaller companies out of the market. "Suppliers are behaving in a more authoritarian way than I can ever remember"

BY THE end of the week SA's May inflation rate should have been published, but the rate is likely to show little change from the 14.6% recorded for the year to April.

Recent outturns of the producer price index (PPI) have shown consistently strong domestic inflationary pressures, offset only by a slowdown in the rate of imported inflation. Movements in the PPI traditionally lead those in the consumer price index (CPI) — the accepted inflation rate, by about a calendar quarter. This is because the PPI measures price movements in wholesale, or factory gate, prices which then feed through to the shelves via retailing.

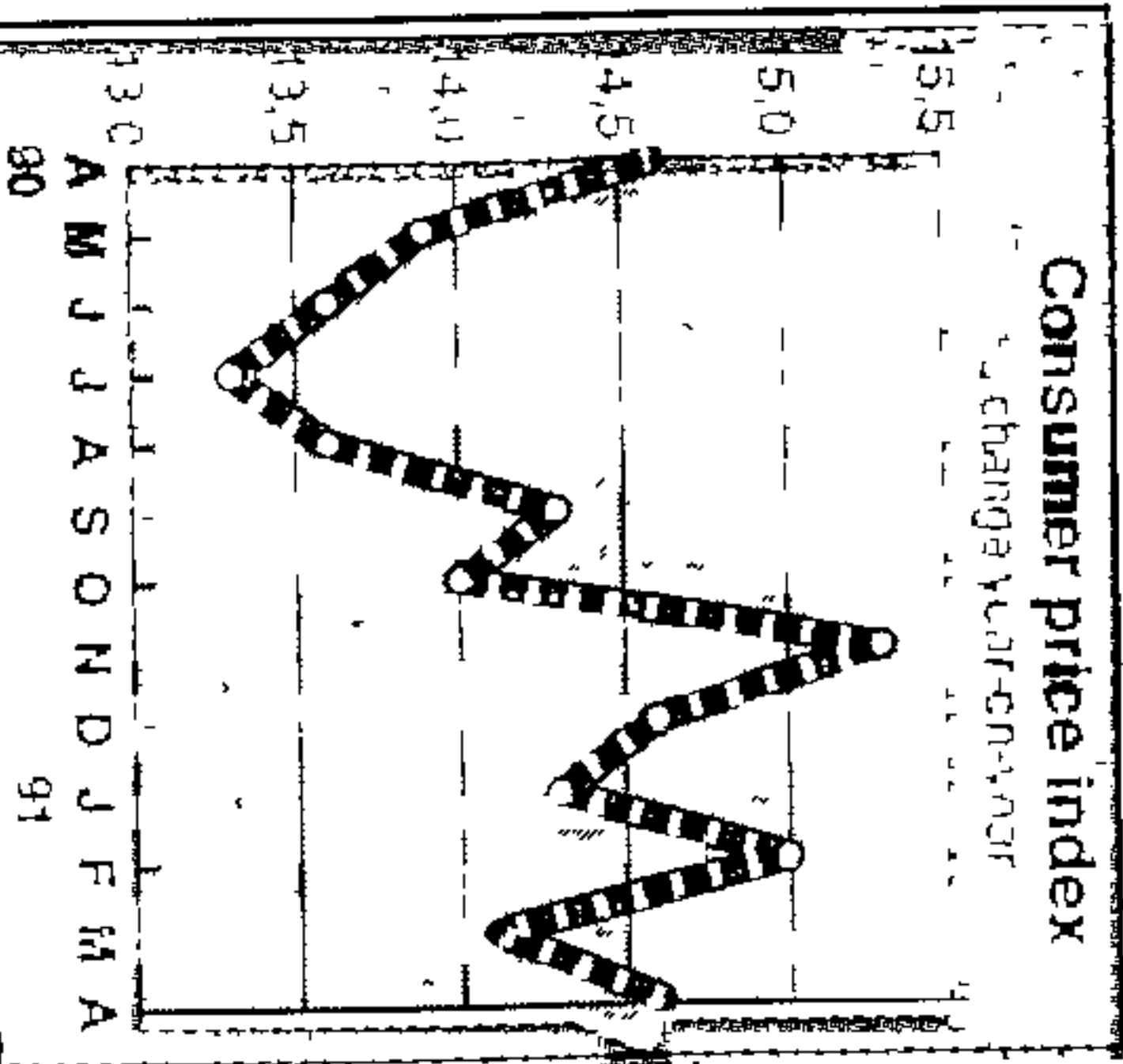
By this process, therefore, the auguries for inflation at the consumer level should be quite favourable the annual rate of PPI inflation has been falling for three consecutive months, from January's 15.5% to the 13.8% recorded in April. The snag is that each of the three dips in the headline rate of PPI inflation has come about for broadly the same reason a fall in the rate of imported inflation thanks to the stability of the trade-weighted rand.

The PPI outturns have also been fairly consistent on the domestic picture little-changed inflationary pressure at around the 15% level. The changes of the slower imported inflation passing along the retail pipeline are small. Structural inflation is built into that retail pipeline in the form of high wage pressures and rigid administered prices. Add to that the seemingly endless buoyancy under food prices, and the short-term outlook for consumer price inflation remains blurred and unfavourable.

The May SA trade figure are due out towards the end of the week. The April trade surplus stood at R1,7bn against March's R1,2bn, thanks to a strong performance from exports — particularly unclassified exports.

While a month-by-month prognostication on the size of the surplus is pretty speculation, a medium-term view has to take into account tentative upward revisions in world economic performance by some of the international organisations recently. This bodes well for SA

Little change in the inflation rate picture



Graphic: FIONA KRISCH Source: CSS

exports over the remainder of the year. Imports, meanwhile, should remain constrained by what looks likely to be continued tight domestic monetary conditions for the rest of calendar 1991.

The money supply figures for May may be released by the end of the week. The annual rate of growth of the broad-money M3 measure stood at 15% in May, having risen sharply from April's 14.4%. This aggregate is still distorted by the effects of reintermediation, and the year-on-year figure has less significance in monetary policy terms than the rolling increase based on the fourth quarter of 1990. From the 1990 base, M3 was growing by 22.9% in April — little changed from the 22% in

March and way out of the Reserve Bank's 8%-12% guideline range. Before the M3 aggregate can signal a change in monetary policy it will have to be back within a reasonable distance of that range.

Internationally, the week has far fewer US economic statistics to digest than last week's figure-packed trading that boosted the dollar. On Wednesday the April US trade balance is due out, and general expectations are that the deficit will stay down around the seven-year low of \$4,05bn posted in March. This is because exports are likely to remain stable while imports continue to fall. The trade figures are a month behind the other US indicators and therefore have yet to reflect the recovery trends visible in later data.

On Thursday comes the latest release in a US figure that has recently gained in importance as an economic recovery indicator. The level of weekly jobless claims had a lot to do with the dollar's surge last week, as it dropped to within a whisker of the psychologically important 400,000 level for the last week in May. A drop down through the 400,000 level for the first week in June would be another powerful stimulus to markets already contemplating buying dollars on the prospects of a US economic recovery.

The Federal Reserve chairman goes before a congressional committee tomorrow, ostensibly to talk about the US's international competitiveness. As one of the key features of a country's competitiveness is the exchange rate of its currency, he is expected to allude to the level of the dollar and perhaps give a clue to whether the US authorities might be concerned about its rapid recent appreciation.

New CPI weighting

Own Correspondent

JOHANNESBURG. — Central Statistical Service (CSS) plans to introduce a new weighting of the consumer price index (CPI) for August's figure, to be published in September.

The CSS move seems to indicate that the existing index weighting, therefore its accuracy, had come under the spotlight

CSS head Treurnicht du Toit said at the weekend that a changed weighting of the cost components included in the index was recognised worldwide as a long-term adjustment.

"It is CSS policy to review its consumer inflation weighting every five years."

He conceded that the weighted structure of the index would have a direct effect on the accuracy of the CPI.

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Du Toit said the index weighting was adjusted according to the findings of an average household's buying expenditure survey, undertaken by the CSS every five years. As a result, the CPI base would be brought forward from 1985 — when the household survey was last held — to 1990.

Du Toit also said CSS would publish two consumer inflation indices from October.

The traditional index, taking the cost-effect of VAT and the new weighting into account, was expected to be 2,5 percentage points higher than the existing index

While the second index would not include VAT, it was too early to determine whether it would reflect a decline in consumer inflation against the existing index to the proposed VAT-inclusive index

New index system may be introduced

SEAN VAN ZYL

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Star 25/6/91

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VAT: urgent action needed

Staff Reporter and Sapa

Urgent action is required to curb inflation to soften the VAT blow for the consumer later this year, consumer organisations said yesterday

They were commenting on the 0,6 percent increase in the inflation rate, as measured by the Consumer Price Index (CPI), released by the Central Statistical Service (CSS) in Pretoria yesterday.

The inflation rate for May increased from 14,6 percent to 15,2 percent.

Lyn Morris of the Housewives' League said the monthly increase in the inflation rate was worrying because it was increasing the base from which VAT would start in October.

"And as long as inflation continues to rise, interest rates will not go down," she said.

"There is no light at the end of the tunnel," Daan Kruger of the Consumer Council said.

He said the most disturbing factor was the continuing

increase in the price of food. The annual rate of increase in the food price index for May was 17,5 percent. This was 1,7 percent up over the April figure.

Mr Kruger said. "If pre-VAT inflation continues at the present rate, it will really hit the consumer extremely hard."

He warned that there was an extra shock in store, since consumers had not yet felt the effect of increased municipal tariffs which would be implemented from July 1.

I'm glad I called wedding off. July



Food costs stoking up rate of inflation

Finance Staff

Sharp increases in food prices are continuing to thwart the efforts by the monetary authorities to reduce the inflation rate

Hopes are rapidly fading for a further decline in the inflation rate to below 13 percent — as was widely predicted by several economists at the beginning of the year — and it looks like in-

flation is stuck around 15 percent for the foreseeable future

Figures issued by the Central Statistical Service (CSS) yesterday show that the year-on-year inflation rate, as measured by the consumer price index (CPI), rose 0.6 of a percentage point to 15.2 percent in May from 14.6 percent in April. The monthly rate of increase

in the CPI for May was 1.5 percent.

Largest contributors to the increase were food (0.4 percent), clothing and footwear (0.2 percent), household operations (0.1 percent) and transport (0.5 percent).

Johan Louw, economist at insurance giant Sanlam, finds South Africa's inflation rate un-

acceptably high, adding that the steep increases in food prices, which are sometimes fuelled by seasonal factors, are having an adverse effect on the inflation rate.

Food inflation has been running steadily ahead of the average inflation rate since November last year, and is showing no signs of abating

Food prices boost inflation

By **AUDREY D'ANGELO**
Business Editor

INFLATIONARY expectations which cause companies to build annual increases of about 15% into their prices — and continuing high consumer spending — are blamed by leading economists for a further rise in the consumer price index (CPI)

Figures released by the Central Statistical Service yesterday show that the CPI rose in May to 15.2% year-on-year following a rise to 14.6% in April. The monthly increase, after seasonal adjustment, was a high 1.5%.

The food only index rose by 17.5% year-on-year.

Old Mutual chief economist David Mohr said this large increase in the CPI was "very worrying" so late in the economic downturn and following a 1.4% month on month increase in April.

"It underlines the extent to which inflation has become part and parcel of the SA economy," Glenn Moore of Personal Trust said these figures justified the reluctance of Reserve Bank Governor Chris Stals to cut interest rates.

Moore thought it unlikely now that the bank rate would come down further this year, if Stals stuck to his task of bringing down inflation.

This, said Moore, was vital if the new SA were to remain "something like a First World country" instead of turning into a Third World country with an unstable currency.

But, he said, virtually all companies now built a 15% increase into their prices every year. The lack of real competition in the SA economy meant that major suppliers could afford to do this — a drop of 3% or 4% in sales volumes did not really hurt them and in any case they could budget for it.

As a result of this, SA was likely to continue to have high inflation far into the foreseeable future.

But, said Moore, it was still worth while for the Reserve Bank to keep a tight control on the money supply.

Without this, inflationary expectations could easily jump from 15% a year to 25% or 50%. Moore said continuing high consumer spending, particularly on hard assets, showed that the public expected inflation to rise.

David Mohr said that although inflation was high in SA, it was stable. It had been between 14.5% and 15% for some time. It was crucial that it should not be allowed to rise above this.

The real argument was whether, in the present circumstances, a cut of 1% or 2% in the banks' prime lending rate could be described as inflationary. "What one has learned is that the Reserve Bank Governor cannot fight inflation on his own."

Sanlam chief economist Johan Louw forecasts in his Economic Survey that the year-on-year inflation rate will be 15% in December but will fall to 12% by the end of 1992.

"The sluggish response of the inflation rate to the strict monetary policy of the past two years makes us considerably less optimistic than before about the inflation rate in the short to medium term," he says.

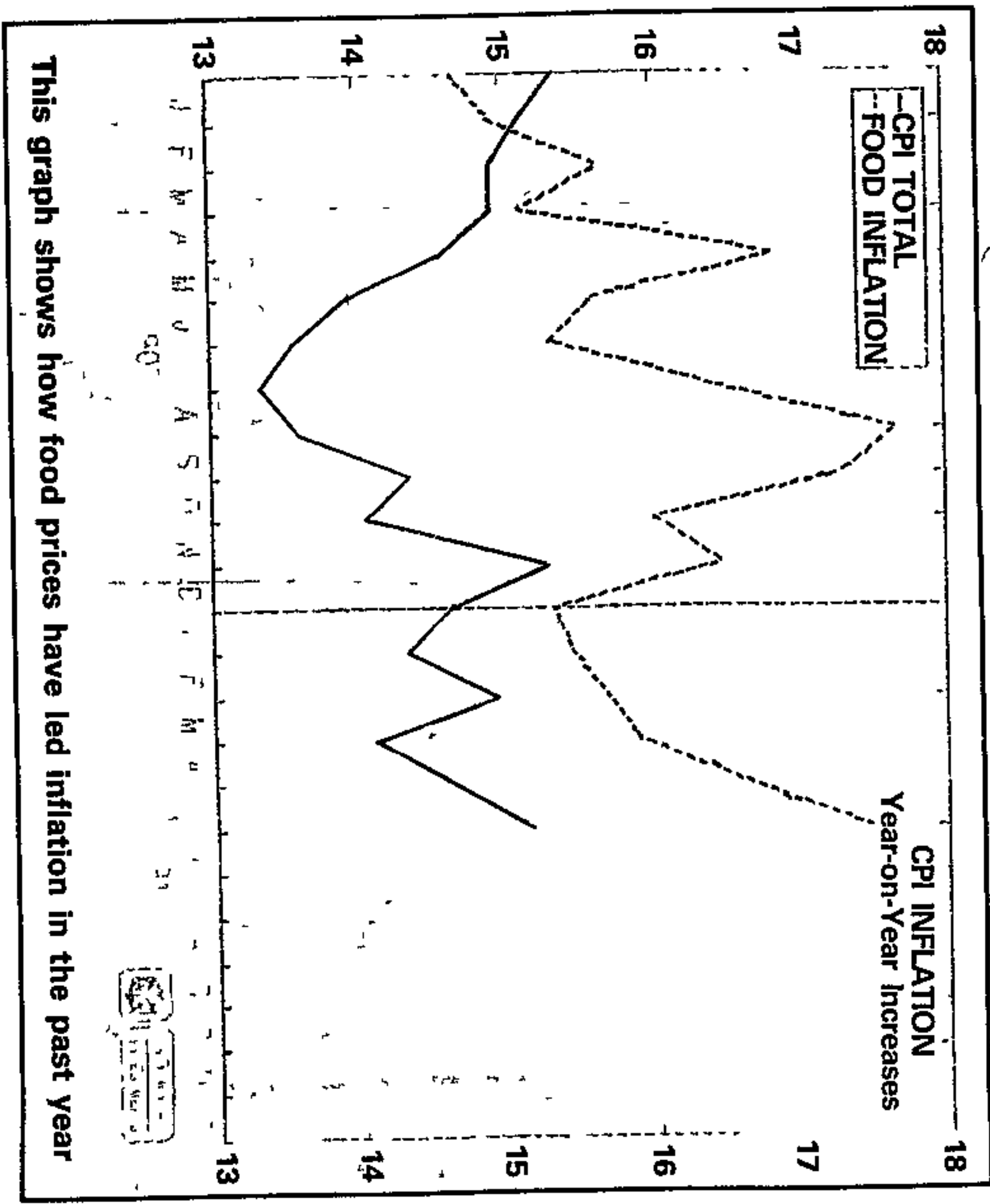
"We think the inflation rate will remain high in the next few months and that it could even accelerate."

"The gradual reduction which is expected in the third quarter of this year will also be interrupted by the introduction of value added tax (VAT)."

"At this stage we expect the year on year increase in the consumer price index to be just under 15% by December 1991 — more or less the same as the rate we envisage for the year as a whole."

"For 1992 we expect a gradual drop to about 12% by the end of the year."

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This graph shows how food prices have led inflation in the past year

Prices of food go up and up

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ET 25/6/71

Business Editor

FOOD prices are still soaring and helping to push up the inflation rate as measured by the consumer price index.

Figures released yesterday by the Central Statistical Services show that the CPI rose to 15,2% from 14,6% in April.

The food-only index rose by a whopping 17,5%, going up by 1,7% month in a month.

Pick 'n Pay chairman Mr Raymond Ackerman has blamed the rise in food prices on lack of real competition between manufacturers — pointing out that two or three huge conglomerates own most of the major producers.

But a spokesman for a major conglomerate said yesterday that high overheads in the retail food industry helped push up prices.

Sanlam chief economist Mr Johan Louw has called for an inquiry into food prices.

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10.30 News
10.35 Diagonal Street

ARGUS 25/6/91

Petrol sold cheap, claims council

From MICHAEL CHESTER

JOHANNESBURG — South African motorists had a good deal at filling stations last month, according to the National Energy Council. They were buying petrol at less than they should under the real cost formula.

The NEC said yesterday the selling price of petrol at 130 cents a litre in Johannesburg and the rest of the PWV region was 2,65 cents below the proper level for refined 93 octane.

Motorists can give credit to an equalisation fund that rode the blows of a complex formula that measures a weakened rand exchange with the US dollar alongside an upward tilt in international oil prices.

NEC spokesman Mr Pieter Jacobs explained that as a result the cost of imported refined 93 octane petrol jumped from 48,16c to 51,89c a litre.

The impact was felt in turn by the NEC equalisation fund, used to balance out the profits and losses made out of the current level of petrol prices at the pumps. In short, the fund

subsidised the difference between the landed cost of refined petrol and actual selling prices at the rate of 2,65 cents a litre.

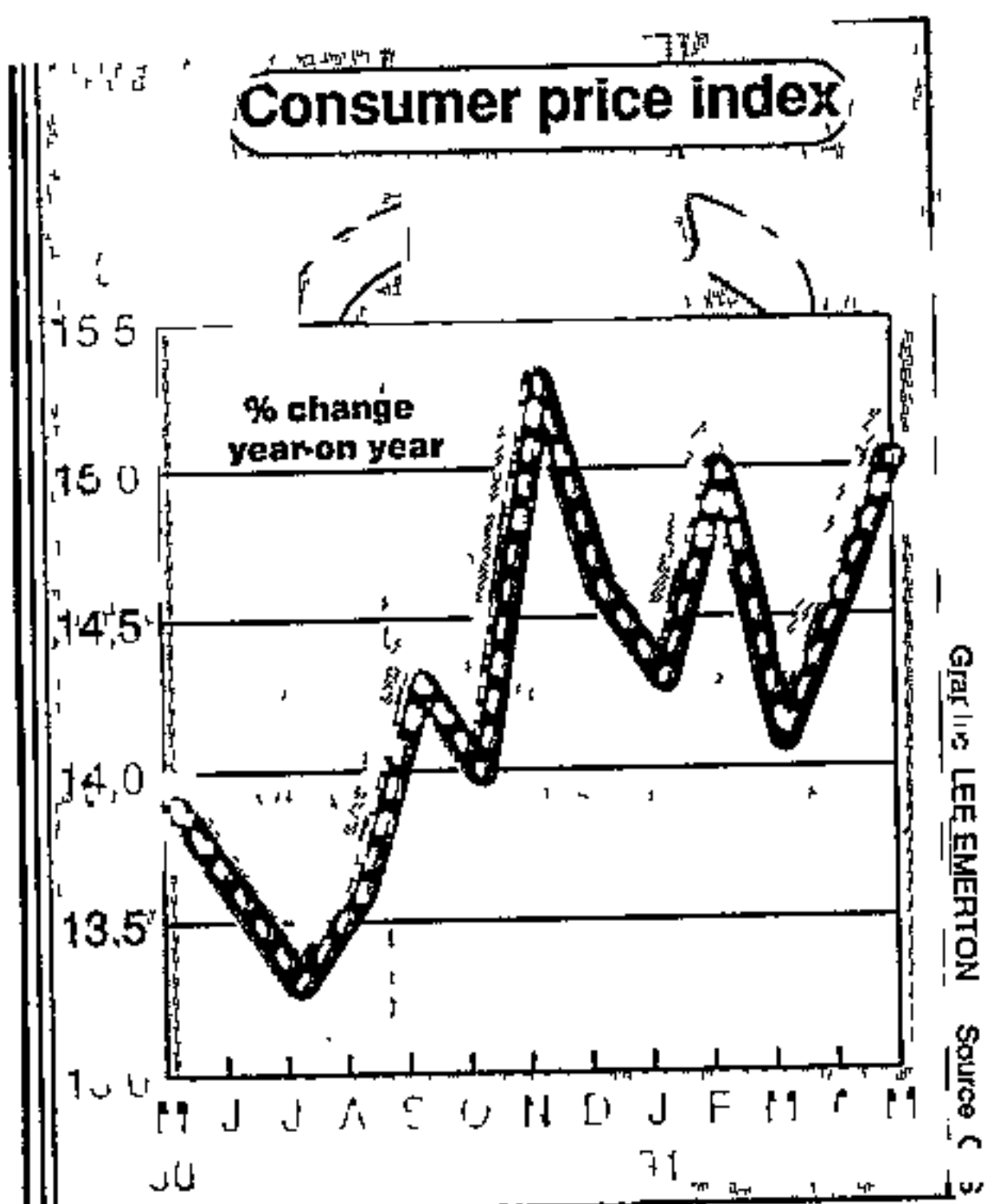
But it seems motorists can reserve any thanks for escaping another price increase.

Motorists were paying 12,134 cents a litre more than landed import prices in the first three weeks of March.

They paid 2,134 cents a litre over the odds in the fourth week of March. And last month they were paying a little more than 1c over the odds.

"Motorists enjoyed a bonus last month," said Mr Jacobs. "Of course, it made a dent in the equalisation account, known as 'the slate', but that can be matched against the higher prices they had been paying in previous weeks."

"At the end of the day, the balance sheet still looks fairly strong. We are not planning petrol prices increases at the moment to remedy the shortfall. Motorists can be assured that petrol prices look fair at the moment, quite a good bargain, in fact."



Hike in CPI dashes interest rate hopes

By Sharon Wood 25/6/91

HOPEs of a near-term cut in interest rates were dashed yesterday when consumer price inflation jumped to 15,2% in May from 14,6% in April

Recent calls to the Reserve Bank to cut interest rates were unlikely to be answered in light of the "extremely disappointing" inflation figure, economists said

The Reserve Bank has continually stated its commitment to maintaining high interest rates until it sees a significant reduction in inflation

High monthly food and vehicle price rises were the main culprits behind a large 1,5% month-on-month rise in the consumer price index (CPI), figures released yesterday by Central Statistical Services show

Food prices climbed by 1,7% month-on-month in May, intensifying recent concern about the persistently high increases in food prices since January, an average of 1,4% each month

Transport prices rose by 2,9% between April and May, primarily as a result of a 5,3% hike in vehicle prices. Transport prices are measured every three months, which causes step-like price movements.

Other major monthly price movements in May were in clothing and footwear (up 3,7%), reading matter (7,5%), non-alcoholic

□ To Page 2

CPI

beverages (2,4%) and household operations (3,1%)

The CPI rose to 230,8 in May from 227,3 in April

Sanlam economist Pieter Calitz said the inflation figure had "struck a devastating blow to the fight against inflation"

He predicted that inflation would remain above 15% for the rest of the year, except in September when it would be

lower due to technical reasons

"It would be a good idea to have a commission of inquiry into food prices because the recent food price rises are difficult to explain," he said

Bankorp chief economist Nick Barnardt said the inflation figure contradicted the fundamental trends seen in the past year, such as slowing money supply growth and lower wage demands, which should be reflected in lower inflation

□ From Page 1

Food prices ⁽²⁴⁴⁾ keep rising ^{ARGUS} ahead of ^{29/6/91} inflation rate

Weekend Argus
Correspondent

JOHANNESBURG — Food prices keep rising and rising.

The only people losing out it seems are those at either end of the long distribution channel— the producers and the consumers.

Latest figures for May show food prices rising at 17,5 per cent year on year, against an overall inflation rate, as measured by the consumer price index (CPI), of 15,2 per cent

Had food prices risen at the same rate as the weighted average increase in all other prices, inflation would have been almost one percent lower at 14,4 percent in May.

Many economists believe that prices of goods are being hiked now, before the introduction of VAT in October, in order to circumvent VATWATCH, the watchdog committee appointed by VATCOM.

Sanlam's economics department is doing a study on the

whole thorny matter but is not sure whether it will release the results.

For the past six years the food consumer price index (CPI), which measures prices at the retail level, has consistently exceeded the food producer price index (PPI) which measures movements at the wholesale level.

Econometrix director Mr Azar Jammie says the discrepancy between the two indices need not necessarily imply an increase in retailers' profit margins.

Costs of distribution, wages, leases and packaging, may all have increased out of proportion to the underlying inflation rate.

But he finds it hard to account, not only for the consistency over almost six years with which food CPI inflation has exceeded food PPI inflation, but for the widening of the gap over the past two years.

PRICE — GENERAL

1991

JULY — DEC.

Food

price

probe

244
CT 6/7/91

Govt orders investigation

PRETORIA. — The government has ordered an investigation into soaring food prices.

The move follows a call for an urgent inquiry by economists, consumer organisations and the Democratic Party, who pointed out earlier that while the inflation rate was running at 14%, food prices were rocketing to the tune of 17% or even 18%.

Yesterday the Minister of Agricultural Development, Dr Kraai van Niekerk, and the Minister of Trade and Industry, Dr Org Marais, said in a joint statement that the Board of Trade and Industry would investigate price formation in the food marketing chain.

Concern

This was as a result of "growing concern about rapidly rising prices of food products at consumer level, and substantially slower increases in prices at producer level", the statement said.

The board will undertake the task in co-operation with a steering committee which will consist of representatives from the Departments of Agriculture and Trade and Industry, the Central Economic Advisory Service and the Competition Board as well as Dr A S Jacobs, special economic adviser to the Minister of Finance.

According to Sanlam's chief economist, Mr Johan Louw, the overall consumer price index (CPI) has risen to



Food prices soaring

FLASHBACK . . . Our headline on June 15 showing the country's concern at the rising prices of food

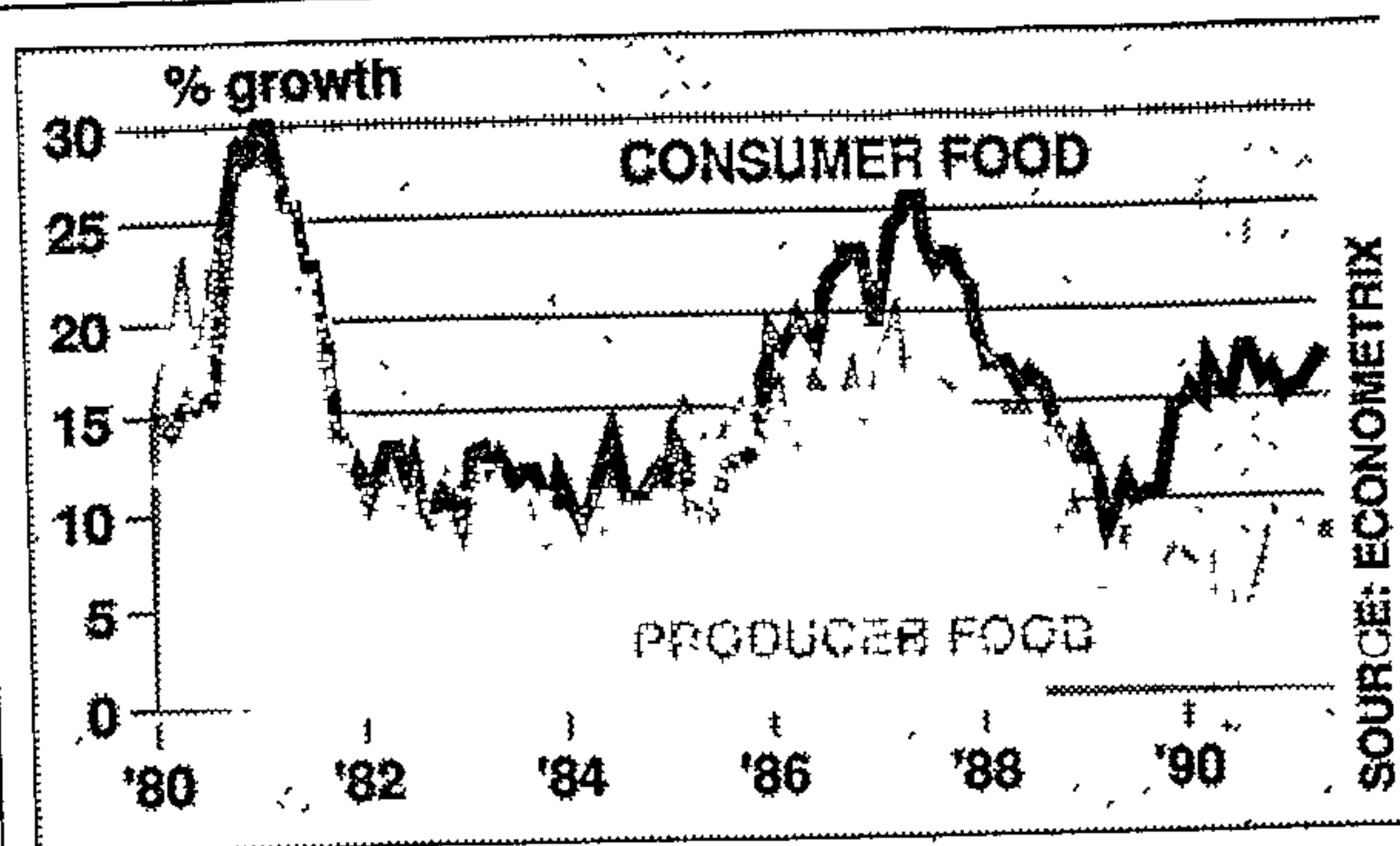
227,3 this year from a base of 100 in 1985.

The food-only index, a major component of the CPI, had risen to 249,1

Calling for a commission of inquiry to pinpoint the reasons for this, Mr Louw said spiralling food prices were caused by many factors, including low productivity, high interest rates and import duties.

He also pinpointed the lack of real competition between companies owned by giant conglomerates and consumer apathy.

His call for the inquiry was backed by the Consumer Council and the Democratic Party spokesman on Finance, Mr Ken Andrew.



Retailers reject food price index

(Bus Times) S/Times 7/7/91. 244

By DIRK TIEMANN

RETAILERS are angry about figures from Central Statistical Services (CSS) that show their prices to be the main culprit for the rocketing cost of food

According to CSS, the producer price index for food — processors' costs — rose by only 8,2% for the year to April. But the consumer price index for food rose by 19,2%.

This suggests either that retailers increased their mark-ups or that the CSS figures are wrong. If the CSS numbers are at fault, doubts could be raised about the reliability of all its figures.

Most economists accept the CSS figures. But they are unable to explain the puzzling discrepancies between the consumer and producer food price indexes.

Haggle

Checkers managing director Serge Martingengo says he does not agree with the CPI.

"The index must be wrong. The manufacturing sector is responsible for food price rises. Only two or three manufacturers can supply nationwide."

"We haggle and negotiate, but in the end we must pay the price they ask and lift our mark-up."

The problem might be with the mindset on the return on capital investment.

"Volumes are generally low, but producers try to recover their investment in plant and equipment in a short time. Maybe they should recover their costs over a longer time."

Checkers financial director Francois Rossouw says retailers may be taking higher margins now because they are already the

lowest in the world. But they would increase by "only a comma of a percent" and do not explain the huge difference between the CSS's producer and consumer prices.

OK food director Mervyn Kraitzick says profits are hardly different from last year.

"The CSS graph showing a diverging CPI and PPI must be wrong. I question the basis of these figures. Certainly this gap is not reflected in our profits. Our costs have gone up by more than inflation this year. Kellogg's cereal is up by 18%, sugar 14,5%, canned fruit 28%, canned jams 18% and dried milk and margarine 16%."

Figures from Pick 'n Pay show that frozen fish is up by 19% and frozen vegetables 20%. Managing director Raymond Ackerman says the CSS figures are artificial.

"The cost of food to Pick 'n Pay has risen by 30% in six months because producers have to report their profits in dollars to their international head offices," he says.

CSS director Treurnicht du Toit defends the CPI and PPI figures, saying "Two factors determine the indexes: the weightings of the goods and the prices."

"It can happen, as it did in 1987, that a higher weighting is given to certain goods and the prices then drop, giving the wrong picture for inflation. Current CSS figures are based on 1985 weightings, but they are due to be updated this year."

● The Board of Trade and Industry is to investigate why consumer prices are rising faster than those for producers.

May PPI due amid indications of despair

AMID apparent signs of despair emanating from the financial authorities about the inflation rate, SA's May producer price index will be published on Wednesday.

Headline producer price inflation has been one of the few financial indicators going the right way in recent months, and has offered the only hope that the present monetary stance may still actually conquer inflation.

Headline producer price inflation has been falling for the whole of calendar 1991 so far, having started the year at 15.5% and having dipped gradually to the 13.8% recorded in the year to April.

But the message from the index this year has been mixed in that the lower headline rate of producer price inflation has masked an unchanged rate of domestically generated inflation.

Almost the entire decline in the rate of producer price inflation has been due to a fall in the contribution to the PPI of the rate of imported inflation.

The credit for this goes to the relatively firm performance of the rand which, in trade-weighted terms, has held up and provided stronger exchange rate levels against some currencies to offset the rand's tumble to record US dollar lows.

The latest Reserve Bank figures show a remarkably resilient rand in the face of the dollar's strong rally since the Gulf war

ceasefire at the end of February

In index form against a basket of trading partners' currencies, and taking January 1979 as the base for the index at 100, the Reserve Bank figures show the trade-weighted rand averaging 30.2 in January. This index, the figures say, has eased to an average of 29.4 in May — a dip of barely 2.5% in a period featuring a surging dollar.

The rand's continued trade-weighted resilience in June suggests another valuable contribution to lower inflation from the

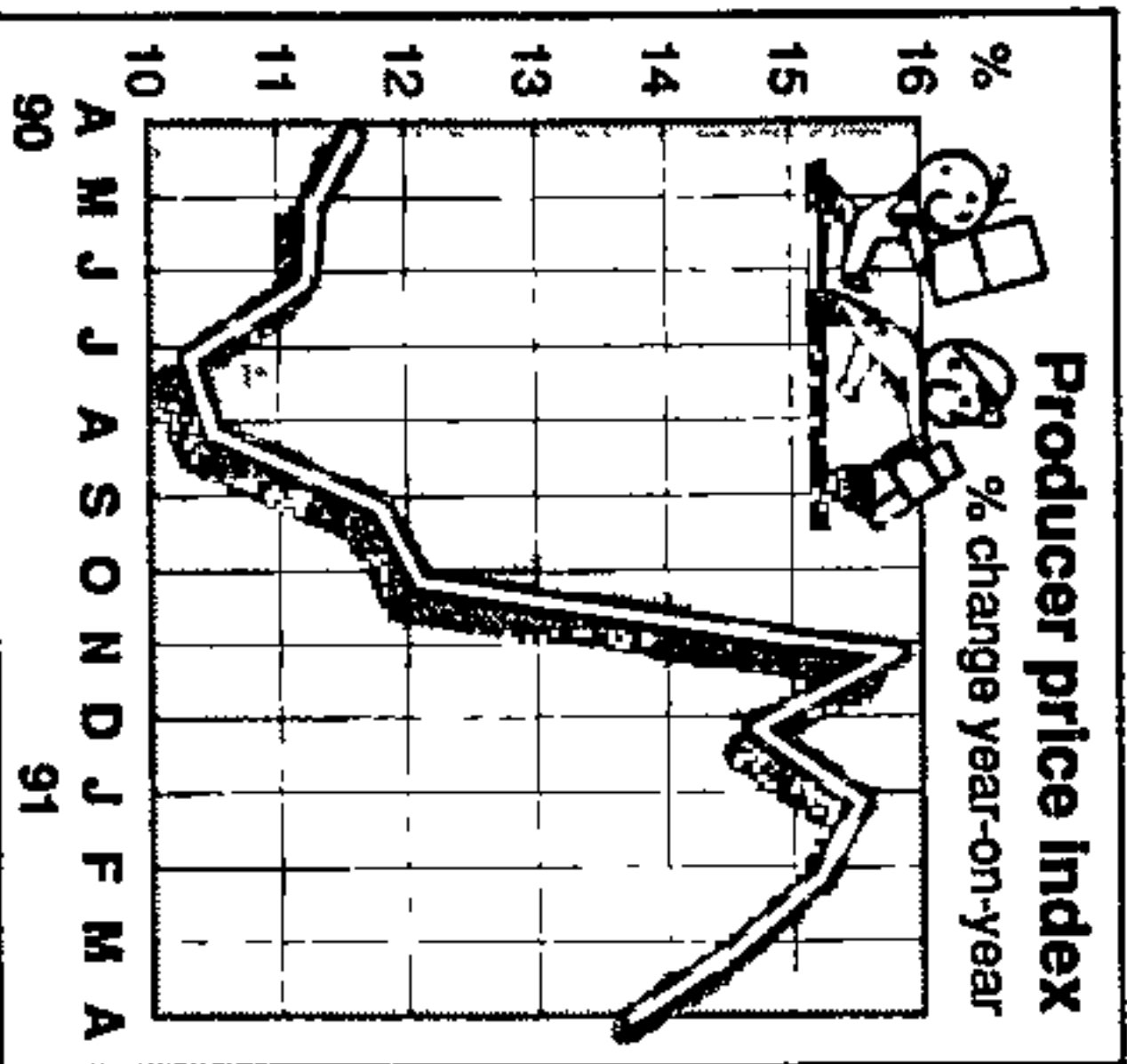
import component of the PPI

Price increases in imports denominated in Deutschmarks, sterling and Swiss and French francs should have continued to slow in year-on-year terms in June.

The problem, as it has been all year, is the domestically generated inflation in the PPI, which has been steady at around 15% for the year to date. The reported exacerbation of the authorities about overall inflation suggests this will remain little changed in May, restricting any fall in the overall producer price inflation rate from its 13.8% prevailing rate.

Internationally, the week is dominated by the run-up to the 1991 world economic summit. Heads of state of the seven richest industrial countries, their finance ministers and central bank governors, assembled in London this weekend for the three-day summit starting next Monday. Whenever heavyweight company such as this assemblies, markets move warily in case a quick understanding is reached — on intervening to restrain the dollar rally, for example.

The lull in major US economic releases since the July 4 holiday continues in the early part of this week, extending until Thursday. This figureless interlude will deprive the dollar of any impetus from favourable US economic fundamentals which have been largely responsible for maintaining the momentum of its rally.



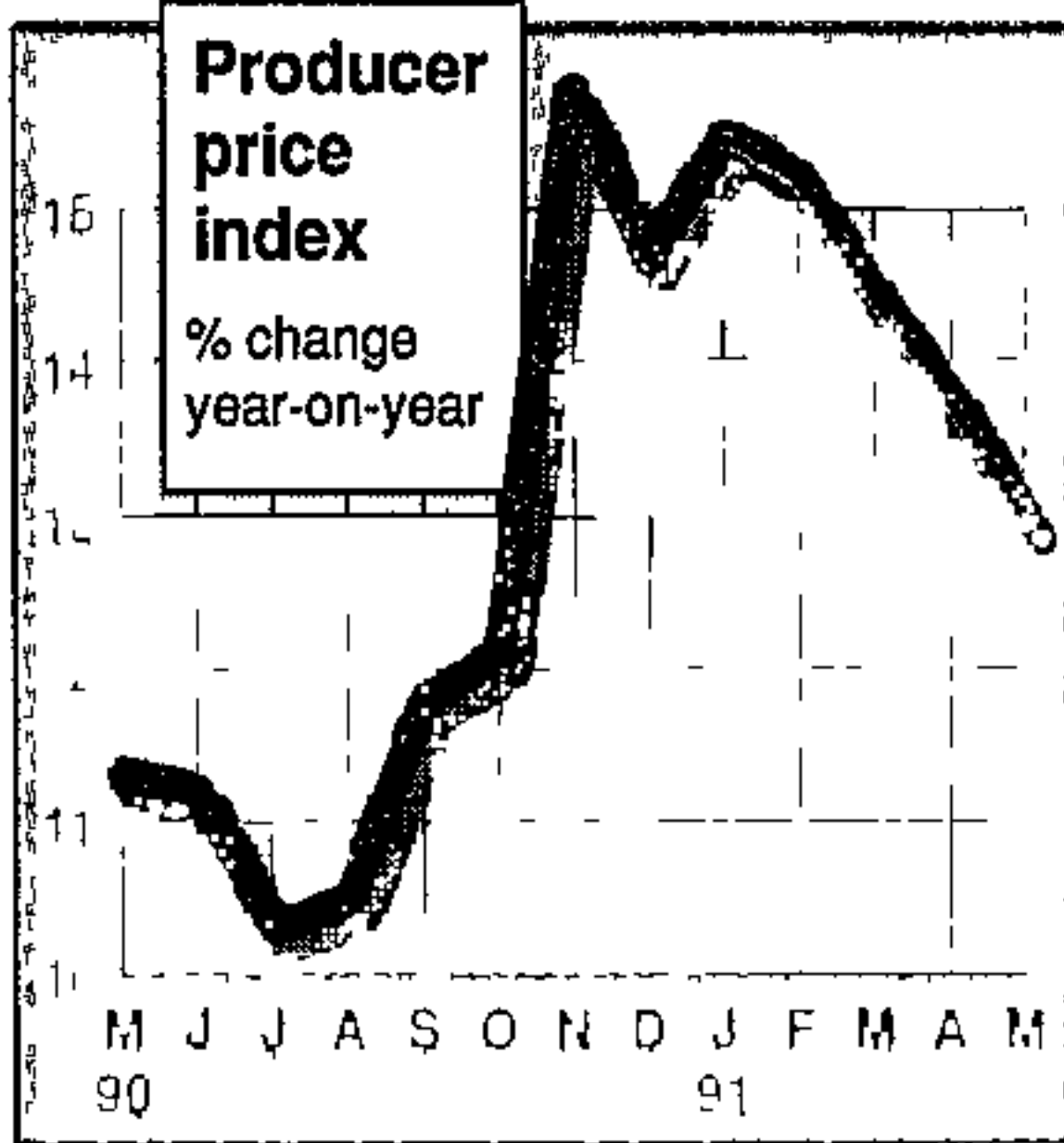
Graphic from KRSCH Source CSS

On Thursday, however, more fundamentals enter the market in the shape of the latest US weekly jobless claim. This figure, which measures the number of new claimants for federal unemployment benefit in a given week, has been dropping towards a level that signals a resumption in economic growth. Claims in excess of 500 000 portend an economy in recession, while a level below 400 000 is consistent with the beginnings of recovery.

In recent weeks the total has been dropping towards the 400 000 level and, one of these weeks, is likely to drop below it. When that happens, it could translate into a dollar-buy signal.

On Friday US retail sales for June will be published. This indicator seems to have bottomed out in January and is one of the most clearly defined heralds of economic recovery. A repeat of May's sharp 1% rise would also support the dollar.

The wild card remains, though, the possibility that the major Western central banks will agree on some kind of anti-dollar strategy when they assemble in London this weekend. Market anxiety about such a plan visibly inhibited dollar buying during the last fortnight, and there is every reason to expect it to do so again this week. Benefits to the dollar from fresh positive US fundamentals at the end of this week are likely to have a delayed reaction.



Graphic: FIONA KRISCH Source: CSS

PPI signals good news on inflation

SHARON WOOD

244

THE outlook for lower inflation brightened yesterday, with producer price inflation easing to 13,0% in May from April's 13,8%.

Producer price inflation has fallen steadily throughout the year and this bodes well for consumer price inflation

Movements in the producer price index (PPI) are usually reflected in the consumer price index (CPI) about three months later *3 (Days) 10/7/91*

Figures released yesterday by Central Statistical Service showed the PPI rose by a relatively low 0,5%, month-on-month. It rose to 221,9 in May from 220,9 in April

The monthly rise in domestic prices eased to 0,8% after April's large 1,5% month-on-month increase. A 1,0% month-on-month reduction in primary product prices slowed the domestic price increases. Manufactured prices rose by 0,9% between April and May.

But falling import prices remained the main reason behind the PPI figure. Import prices dropped by 0,8% month-on-month between April and May, partly due to a 1,5% decline in the landed cost of oil.

Nedbank chief economist Nick Barnardt said the slower rise in domestic prices was particularly welcome

"Domestic price inflation tends to be a good indicator of what will happen to the CPI. The latest producer price inflation figure seems to indicate there is hope for a moderate decline in consumer price inflation in the third quarter."

BTI launches probe into food prices

BIDcom 10/7/91

SHARON WOOD

THE Board of Trade and Industry (BTI) would launch an investigation into food prices next month, BTI deputy chairman Helgaard Müller said yesterday.

The aim of the investigation would be to determine the main reasons behind the "huge differential between producer and consumer food prices", he said.

Müller said the BTI had already started planning for the investigation and that it would be a "long and complicated project".

Food prices have been a major source of pressure on the inflation rate this year, preventing overall consumer price inflation from falling significantly.

Consumer price inflation of food has

risen steadily since January, consistently exceeding the overall inflation rate. If food prices were excluded from the consumer price index (CPI), its year-on-year increase would have been 14.4% in May — well below the 15.2% headline figure.

Particular concern has revolved around the large gap between the rate of inflation in producer food prices and consumer prices.

Food producer inflation grew at an average annual rate of 8.4% from January to May, compared with 16.2% for food consumer inflation for the same period.

FOOD PRICE INCREASES

FM 12/7/91

244

WHO'S THE GUILTY PARTY?

Food prices continue to outpace inflation. The consumer price index (CPI) for May rose at an annualised 15,2%, but food prices jumped 17,5%, compared with May 1990. It was the same story the year before: the CPI rose 14,4% for the year through June 1990, but food prices soared 16,1%.

In fact, food prices have, on average, outstripped inflation for at least 15 years. The CPI grew by an average of 13,8% from 1975-1990, food by 14,6%.

With food making up 22,7% of the basket of goods used to compute the CPI, accelerating food prices underpin the stubbornly high inflation rate. Why does this keep happening and who is to blame?

Government also would like to know. Last week, the Cabinet appointed a five-member investigation committee led by Japie Jacobs, special economic adviser to the Finance Minister, and overseen by the Board of Trade & Industry.

Traditionally, farmers and agricultural control boards have been regarded as the villains. But the evidence does not support this. In the year through June 1990, food prices at the producer, or farm, level rose by 7,3%, barely half the CPI rate. Since 1975, the producer price index for food rose 11,7% a year, on average — more than two percentage points below CPI each year.

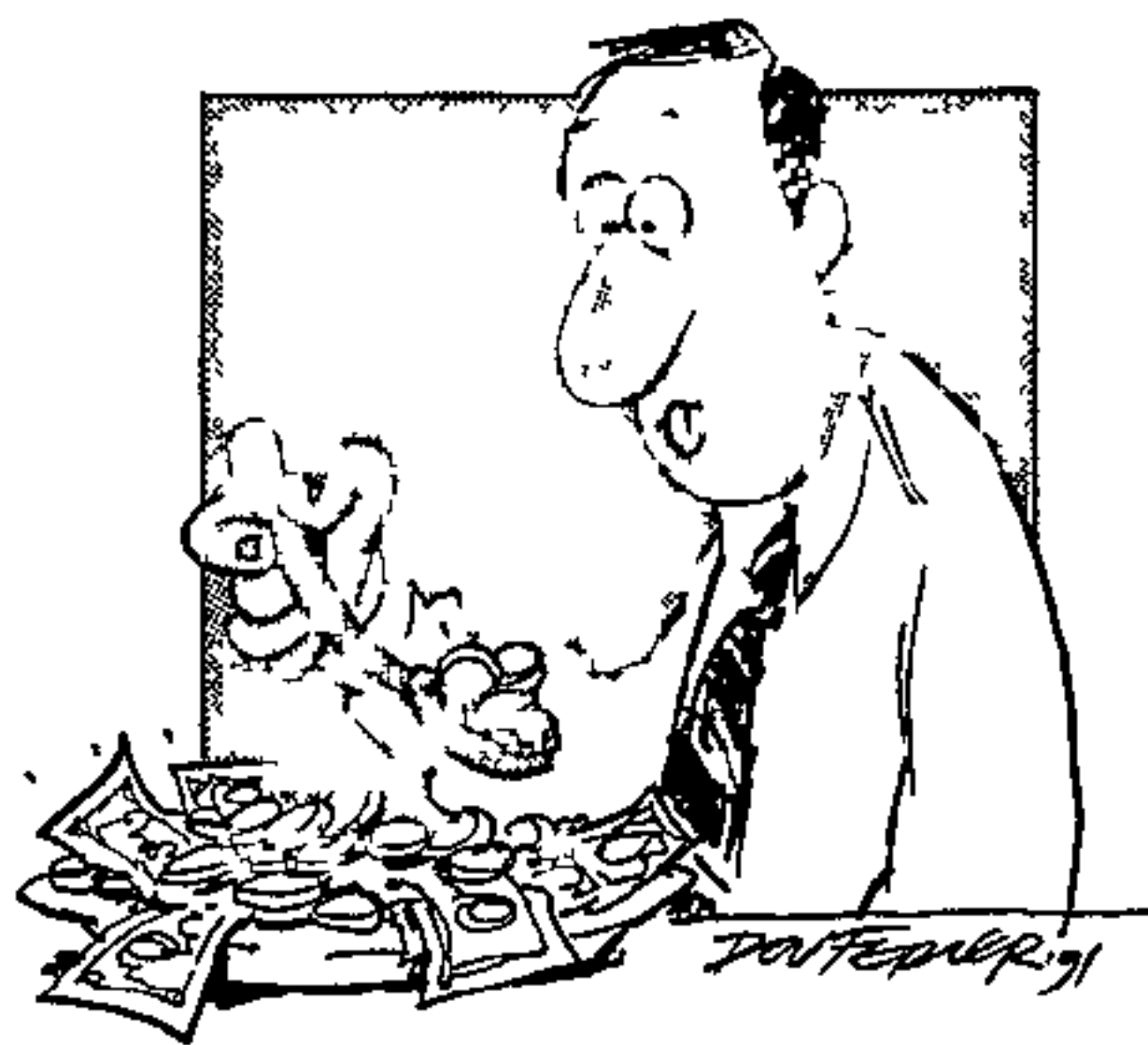
The other end of the food chain, supermarkets and other retailers, does not seem a likely suspect either. Margins are tiny and the market is fiercely competitive. So instead of farmers and food stores, fingers are pointing at the middlemen: transport and packaging companies, wholesalers, processors and others. Many of these firms have little or no competition, so when costs rise, they are free to raise prices at the same rate, or more.

Maize Board economist Johan Willemse says a distinction must be drawn between processed foods, which cost far more now than a decade ago because of more sophisticated consumer demands, and the continual

push towards higher overall food prices.

"Foods obviously cost more prepacked and vacuum-sealed than raw. But sharp rises in overall food prices can be ascribed to factors such as transport, packaging and labour. One needs to investigate why price increases exceed the inflation rate."

Willemse adds that the high growth in profits by food, packaging and processing companies (*FM* July 5) in a recession and against the background of punitive interest rates also must be questioned.



"There may even be hidden collusion between companies in these areas. Confidential kickbacks (rebates paid by food-chain suppliers to retailers to get the best shelf space) must be looked at, as must competition policy. Tariff protection for paper companies such as Sappi and Mondi, for example, may prevent competitively priced products from reaching consumers."

Umfruco MD Louis Kriel says rises in the price of deciduous fruits over the past two years were caused partly by sharp increases in the prices of packaging (cartons, paper, plastics and wood crating), chemical sprays, transport, labour and farm housing for workers.

"A weak rand and import tariffs prevented us from importing cheaper paper products, while higher oil prices pushed up domestic and export transport costs. More sophisticated housing demands force farmers to pay out more on infrastructure, while higher wages also added to the total cost increase of 18,5%-22% over the past three years."

Nevertheless, he adds, there is a free market in fruit and prices tend to rise and fall as the market determines. "Few other sectors also show price falls."

Langeberg Foods, the food canning division of Tiger Oats, complains that its cans are provided by "a monopoly served by another monopoly." It is talking about Metal

Box, which buys tin plate from Iscor. The two are not exactly monopolies, but they face severely limited competition. So Langeberg says it was forced to pay price increases of 18,5% in 1989, 17,1% last year and 17% this year.

Trevor Knowles of Metal Box's food can division, which has a stranglehold on that market, says its prices rose last year by "three percentage points above inflation" and this year "just on inflation." But, he adds, can prices have risen well below inflation over the last 10 years.

Langeberg manager Garth Ward says his group also is subject to dramatically higher wage demands — about 20% in each of the last three years. Distribution, transport, labels, packaging and sugar and other additives all contributed to the cost spiral — leaving a 2% profit margin before interest. "Food manufacturers are not making big profit margins," he says.

Premier Food Industries' Willem de Kock concurs. "In our basket of food products (maize and wheat flour, vegetable oils, bread and margarine), prices rose 10%-12% in each of the last two years. The increase to 12% this year was mainly caused by the Wheat Board's 16,8% increase in the wheat price."

But, he claims, retail bread prices surged after deregulation at the end of February. He says the regulated 4c profit on a loaf has widened to 14c in some cases. So are retailers to blame after all?

Not me, says Pick 'n Pay CE Raymond Ackerman, who claims that food prices in his supermarket group rose only 12,1% in the year through June. He adds that some foreign suppliers have sharply boosted local prices to offset the depreciating rand — up to 35% in one case.

He sees more bad news on the horizon. "I must warn about the potential impact of VAT. The fact that government sanctioned the 'add-in' method of calculation will be an excuse for many to hike food prices. We should have the 'add-on' system, as in Canada, so that consumers can see how much they are charged." ■

TAKING LEADERSHIP

Times Media Ltd (TML) has acquired 100% of Leadership Publications with the purchase of the 50% held by Churchill Murray Publications. Leadership Publications produces *Leadership* magazine, *The Executive* and a number of local and international special editions.

It was founded 10 years ago by Hugh Murray, former group public affairs director of Barlow Rand and a TML senior journalist.

Cape food prices up ⁽²⁴⁴⁾ by massive 28 percent

ARGUS 13/7/91

THE SHOCKING SHOPPING FIGURES THAT MAKE US THE PRICIEST PROVINCE

TOM HOOD and CLAIRE GEBHARDT

Business Staff

FOOD prices are soaring at a rate of almost 28 percent in the Peninsula — and that's official.

Consumer price index figures from the Central Statistical Service show food prices in the Cape soared by 2,6 percent in May, which will mean a staggering 27,6 percent in a year if this trend continues.

This is well above the average of 20 percent for the country's 12 main urban areas.

Food inflation in the Cape is the second worst in the country — only the city of Maritzburg in Natal, with a rate of 39 percent, is harder hit.

Even the Reef fares better with food rising at slightly below 22 percent.

The Cape has also the dubious distinction of sharing with the Reef the second spot in the country's inflation stakes for all items, including housing, transport, clothing and footwear.

May figures show a trend of 20,4 percent, which beats the average of 18 percent for all 12 urban areas.

Pensioners in the Cape are harder hit by inflation than anywhere else in the country. The cost of their monthly purchases rose at a rate of 19,2 percent in May compared with 15,6 percent for all 12 major urban areas.

In the six years that the consumer price index has been running in its present form, road vehicles have outstripped everything else in the inflation race, prices rocketing by 245 percent.

Other items showing big increases are education (up 200 percent), medical care and health expenses (up 173 percent), meat (269 percent), fish (271 percent), milk, cheese and eggs (up 152 percent) and

To Page 2

Cape food prices ⁽²⁴⁴⁾

ARGUS 13/7/91

From Page 1

fruit and nuts (up 172 percent), and alcoholic and non-alcoholic beverages (164 percent).

House prices, by contrast have shown the lowest increases, rising only 76 percent since 1985 and actually dropping slightly between April and May.

One reason for rocketing food prices is supply shortages stemming from vastly increased exports — that is the surprise conclusion drawn by several of the nation's supermarket chiefs.

Pick 'n Pay chief Raymond Ackerman says producers have taken advantage of South Africa's improved international status to pump huge quantities of food into the export market, leaving retailers with insufficient goods on their shelves.

"This has pushed prices up inexorably, and the situation will get worse with the lifting of US sanctions," he said.

On the plus side, foreign investors were considering re-investing in South Africa to compete with local manufacturers.

Mr Ackerman leaves for the United States tomorrow for talks with retail giants Heinz (the biggest name in food canners) and Proctor and Gamble, manufacturers of soaps, detergents and food products.

Mervyn Kraitzick, marketing director, food, of OK Bazaars, says OK stores have experienced erratic supplies in canned foods such as jam, fruit and vegetables over the last 18 months.

He attributes this to the country's largest canned food manufacturer — Langeberg — which produces the Koo and All Gold labels, selling its products overseas.

Production disruptions caused by strikes and violence were another major factor in product shortages on supermarket shelves.

Big price rise on way for our foreign kingklip

Spent 16/17/91

2441

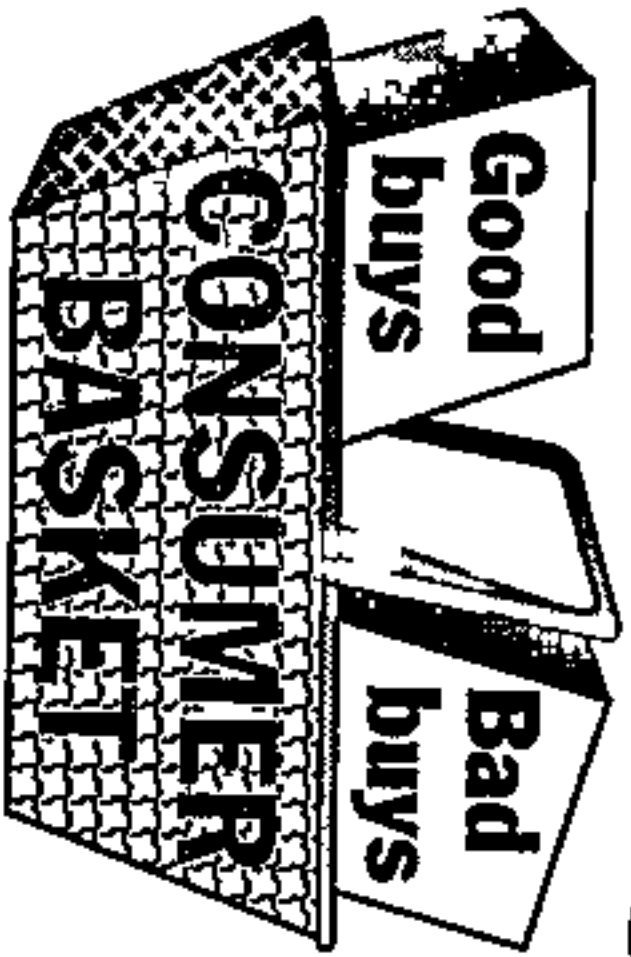
There's something fishy going on with the price of kingklip, which is due to increase dramatically.

The Government has withdrawn the permits which allowed fish to be caught by the long-line method in order to conserve this resource.

This has created a shortage in South Africa, and we have become more and more dependent on kingklip from Argentina and Chile. However, over the last few years, kingklip has increased in popularity overseas and supplies from Chile and Argentina have started to decline. South Africans are bidding

against international demand and countries are demanding higher prices for the fish.

How much should a litre of milk cost? One consumer said he paid R1,75 at Spar for a litre of milk last week. This week he paid R1,89. Andrew Stefanou, perishables purchasing manager for Spar, said there has not been a price increase on dairy products, but Spar's prices varied from store to store depending on supply and area. Pick 'n Pay charges R1,69, Checkers R1,59/litre for the Grobler brand sachet and OK Bazaars charges R1,65/litre for a plastic sachet.



Winnie Tingle of Bedfordview had a filthy bottle of milk delivered to her home. She says the bottle had not been washed and inside were floating "brown bits of solid matter" and coating the bottom of the bottle. Oscar Brooderyk, for Nels Bliss Dairy,

said the matter was being looked into.

Consol Plastics has produced a new 1,5 litre returnable Pet bottle. For consumers this means a convenient package which weighs less than the 1 litre glass bottle and fits upright into a refrigerator door. The Pet pack will attract a deposit of 80c.

At Pick 'n Pay Hypermarket in Boksburg North, two new products should prove a great success with consumers. Supa Brasso Cleaner costs R6,79/500 ml compared with R9,75 for other brands. Gants meat balls with samp and beans

cost only R1,99/400 g.

At Checkers, I&J Country Crop vegetables (1 kg) cost R4,69 instead of R5,69. Eskort pork sausages (500 g) are R3,59 (R4,89) and I&J Cooked Chups (1 kg) R3,99 (R5,49).

The cold snap has influenced the quality of baby marrowns and beans, which are more expensive. Lettuce is a good buy at 99c a head.

At OK Bazaars, Plain Wrap frozen peas cost R5,39 instead of R6,19, Plain Wrap tagless teabags (250 g) cost R2,99 (R3,99).

At Pick 'n Pay, Bliss Fat Free Cottage Cheese (250 g) sells for

R2,29 compared to R3,29 and Bokoma rusks (500 g) R2,99 compared to R3,25.

Isabel Stokes of Kempton Park is hopping mad. She and her husband opened a three-year contract with The Birchpark Health Centre in Kempton Park, but say that owner Gerrie Fourie tore up their contract after a year and told them to leave — without a refund.

Mr Fourie says: "The Stokes were not abiding by the rules of my club. It's their own fault they were asked to leave so why should I give them a refund? They joined at a special price."

CAROLINE HURRY

Economic signals point to interest rate cut soon

Star 16/7/91

244

By Sven Lünsche

The end-May inflation rate of 15,2 percent seems scant reward for two years of tight monetary policy and six successive quarters of economic decline

However, evidence is mounting that the Reserve Bank's tough approach will show benefits just in time for it to justify another interest rate cut before the introduction of VAT in October

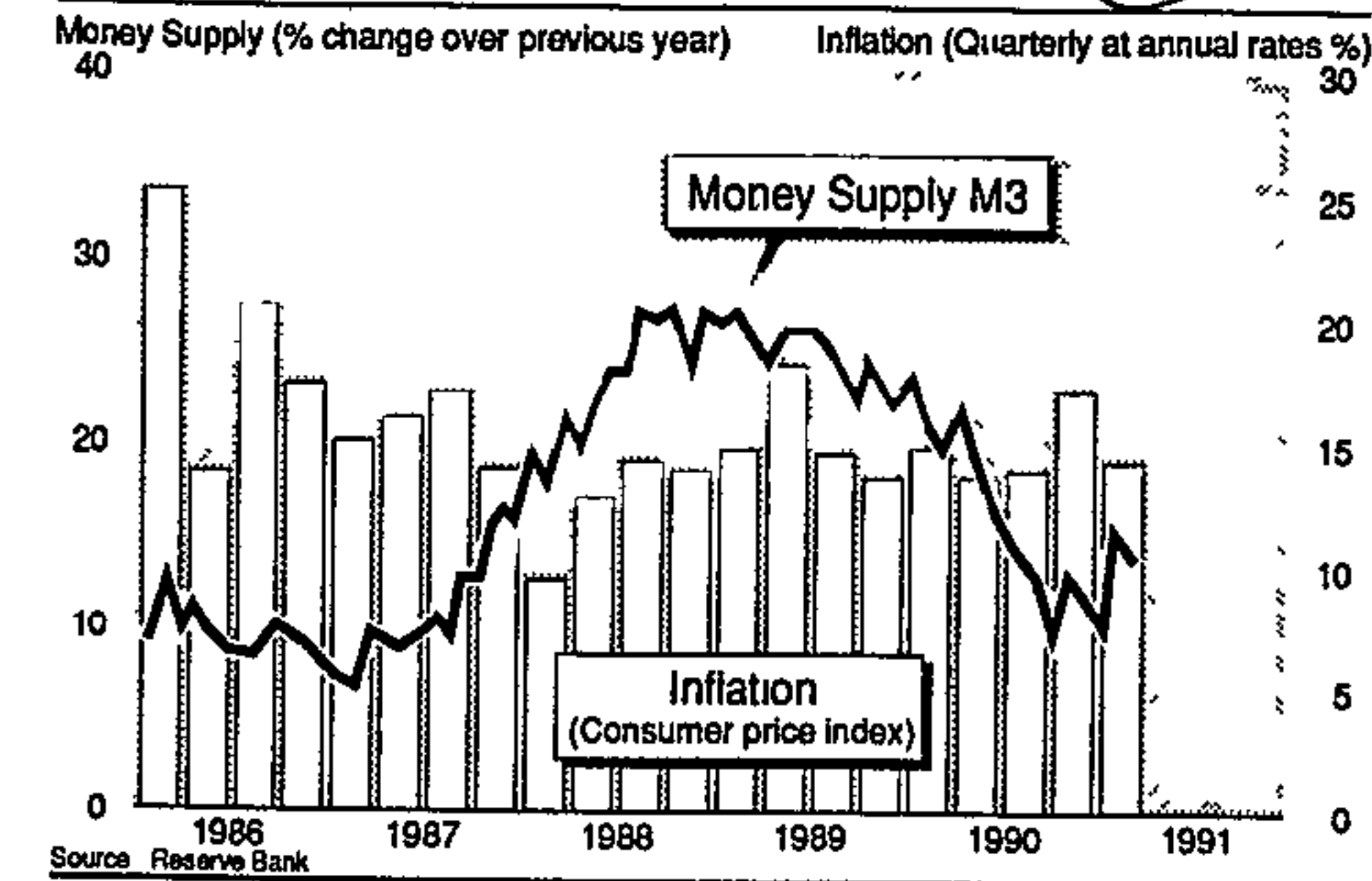
The June Consumer Price Index (CPI) and money supply figures are due to be released next week and many economists expect a slowdown in the rate of increase of these two key indicators

The recent small month-on-month rises in the Producer Price Index (PPI), for one thing, should be reflected in a similarly lower consumer price inflation rate

PPI inflation fell from 15 percent at the beginning of the year to 13 percent in May, with a lowly 0,4 percent rise from April to May this year

Encouragingly, a one percent fall in imported PPI in May was accompanied by a modest 0,7 percent rise in the price of locally produced goods after increases in excess of one percent in previous months.

The year-on-year inflation rate for imported goods in May was at a lowly eight percent in the wake



of the steady trade-weighted rand exchange rate

The Reserve Bank's commitment to protecting the value of the rand has not only reduced imported price inflation, but also allowed the Bank to build up the level of its foreign exchange reserves through lower imports.

Liabilities

The strengthened reserves have in turn allowed the Bank to pay off all its outstanding foreign liabilities and set the basis for a stable economic growth phase next year when the economy is generally expected to emerge from the recession

Some benefits for the inflation rate should also accrue from the volatile, but steady, decline in

money supply and credit extension (see graph)

The growth rate of the broad money supply measure, M3, is still above the Bank's targeted guidelines, but well below the peak of 27,5 percent three years ago

The stubbornness of high price rises in the face of the tough monetary approach is also evidence of the structural nature of inflation in SA

Reserve Bank Governor Dr Chris Stals and his colleagues have frequently pointed out that their policies will only succeed if they are believed to be working

This inflation psychosis is particularly evident among trade unions in setting their wage demands and in the pricing policies of businesses

But even in this area there are signs that the Bank's policies are beginning to have an impact

While wage demands in the first half of this year were still running at 16,7 percent, labour consultants Andrew Levy and Associates reported last week that this was slightly lower than pay settlements achieved last year

But more importantly, economists are detecting a greater pragmatism in the negotiations between unions and employers, as highlighted by the recent pay agreement between the NUM and management at the ERGO gold mine

A similar agreement is expected in the current pay talks between the NUM and the Chamber of Mines, which sets the tone for wage negotiations in many other mining and industrial sectors

The wide divergence of producer price and consumer price inflation has also put the spotlight on the pricing policies of businesses

The recent announcement of a government investigation into the matter will force many business to be more cautious about simply passing on costs, particularly when VAT is introduced in October

The investigation itself could put the clamp on many of the inflationary price-setting practices companies have been getting away with in SA's highly monopolistic business environment

Seeing recovery meat prices

In spite of a surplus of South African beef and mutton still in storage, the Meat Board this year imported 1 700 tons of beef and 350 tons of mutton from Australia

Why is red meat so expensive? The current cash crunch affecting all of us means the Government can no longer afford to subsidise farmers or bolster corporations — a factor which used to create artificial meat prices.

Something is rotten in the chain of events between slaughter and picking the package off the shelf.

The chain starts with the harassed pig, sheep or cattle farmers, who face soaring costs in meat production.

Then there are multiple links in the meat industry's middle-man chain — agents, feedlot-farmers, food processors, abattoirs, wholesalers and retailers — all leading to the consumer.

Among these are some giants, who have applied the philosophy of "vertical integration" to their operations including Kanhyam (owned by Sarnam), a meat group with in-

terests stretching to every area of the red meat industry.

Then there is the Meat Board with all the Government's talk of deregulation the Meat Board is uncertain of its future, nevertheless it still sets the floor prices for meat which is the minimum price the farmer can expect per carcass.

There is nothing unfair about this, as the "stabilisation fund" — comprised of levies paid by farmers on animals slaughtered — also pays out farmers any shortfalls to make up the floor price.

However, the Meat Board's handling of surpluses and imports should be questioned. The amount of red meat in storage, for which farmers have been paid, should flood the market and bring down the price of meat in any free market system. This is not the case.

Why should middlemen in the industry and conglomerates encourage hoarding? To keep the

consumer price high.

Storing surpluses cost farmers a fortune. Their "stabilisation fund" which pays the farmers for meat that goes into cold storage, is not a bottomless pit.

As a result, the floor price of meat goes up, and consumers resist high prices make life more difficult for the farmer.

The spiral cannot continue.

According to an informed source within the Meat Board, 350 tons of cheap mutton from Australia as well as 1 700 tons of beef from an undisclosed country were imported in April. There are thousands of tons of surplus mutton and beef in storage, but to make matters worse, the mutton is still in storage and the imported mutton has been eaten!

Who benefits from this ridiculous attitude to surpluses? Certainly not the consumer.

There is little the farmer can do about the situation. He is far away from the consumer in the

meat chain. However, consumers seem to be shunning red meat in favour of chicken or cheaper forms of protein.

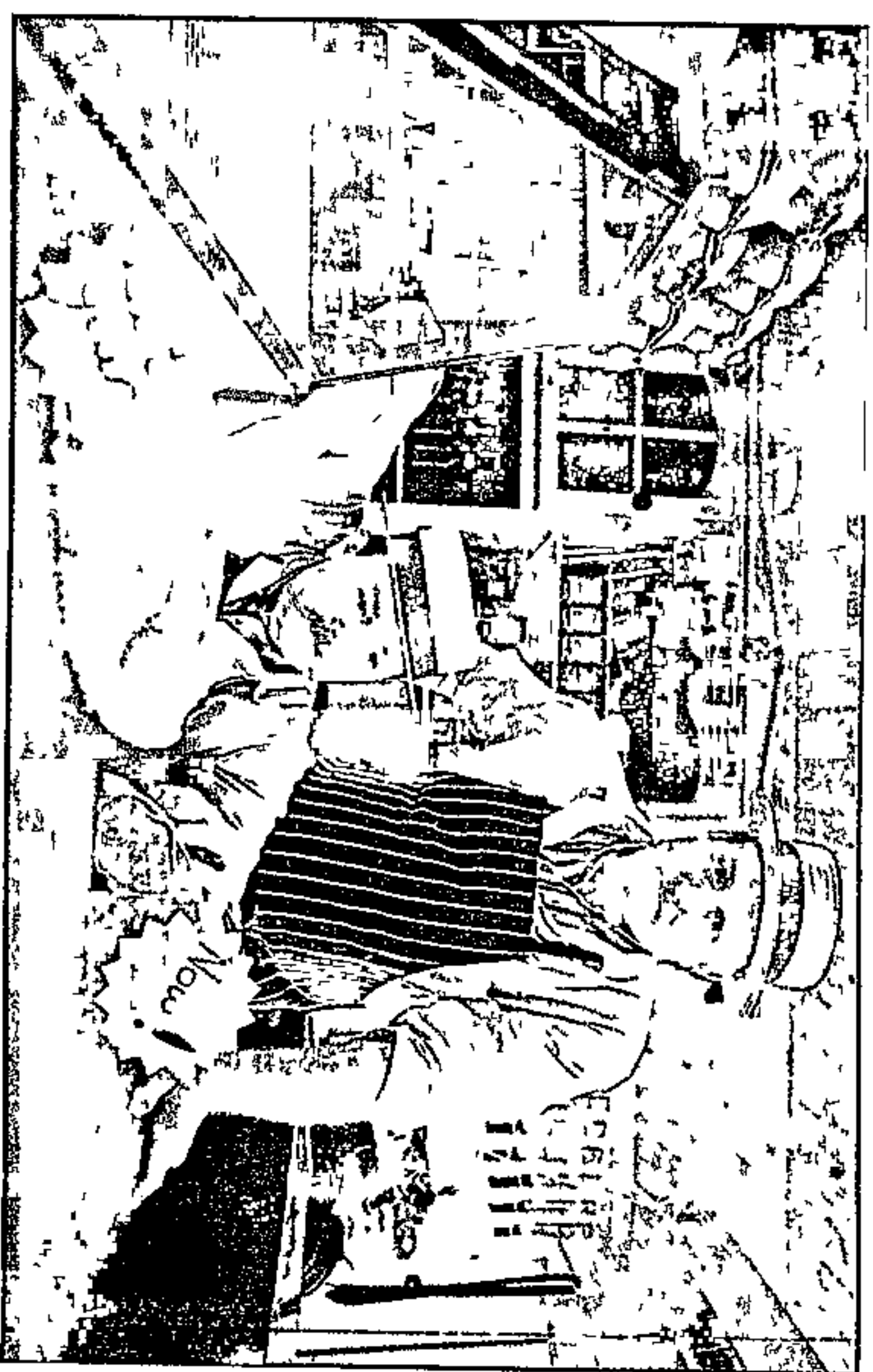
The national per capita consumption of beef dropped from 17.29 kg a year in 1986 to 15.89 kg in 1990. The per capita consumption of chicken increased by 6.4 kg over the same period, according to official figures.

There was a slight rise in the consumption of pork and mutton in the period — but what about all these surpluses?

There is an argument for protest and boycott by consumers of red meat across the board. Only then will the rot in the system be exposed and the red meat industry be placed on a sound competitive footing.

If other industries can operate according to market demand and not the interests of middlemen, then why not the red meat industry?

JUSTINE NOPAL



We can't go on meeting like this brothers Malcolm and David Foster, who own a butchery, gloomily contemplate less meat for your money. Picture John Hogg

Meat probe may bring down prices

244

ET 19/7/91

~~3 meat.~~

By ANTHONY JOHNSON
Political Correspondent

THE government yesterday instructed the Competition Board to conduct an "all-embracing" investigation into the red meat industry in South Africa

The probe could result in a major revamp of the entire industry, placing it on a more competitive and market-orientated footing with cheaper meat for the consumer as the ultimate goal

Investigation

The investigation, which will take place in terms of the Maintenance and Promotion of Competition Act, was announced jointly yesterday by the Minister of Economic Co-ordination and Public Enterprises, Dr Dawie de Villiers, and the Minister of Agriculture, Dr Kraai van Niekerk

The ministers said the Competition Board would be charged with the task of "authoritatively and impartially" determining the influence of existing legislation, regulations and marketing arrangements and structures on the red meat industry

The investigation will comprise two phases

● A review of all arrangements and structures involving production and marketing

● An investigation into and recommendations concerning the most appropriate manner by which red meat production and marketing ought to be regulated "on a competitive basis within a market force context"

Specific attention will be devoted to the prevailing market arrangements and the desirability of privatising the SA Abattoir Corporation "in a deregulated market environment"

Spotlight

The role and functions of the existing marketing structure "within a market economy" will also come under the spotlight

The ministers said the investigation should put the government "in a position to take future decisions on the red meat industry with due regard for the policy of privatisation and deregulation and especially the necessity of competition"

They said the probe would take place "with the knowledge of all the important role-players" in the industry, but gave no indication when the investigation might be completed

Food prices show a slower rate of increase

By Sven Linsche

Star 25/7/91

The inflation rate in June remained unchanged at May's 15.2 percent level.

Central Statistical Service said yesterday, however, that food-price increases, which have been largely responsible for the recent high level of the Consumer Price Index (CPI), slowed down to a year-on-year 16.8 percent in June from 17.5 percent in May.

On a monthly basis the overall CPI rose by 0.7 percent last month, but the food component was unchanged.

The June inflation rate gives little indication about whether the recent downward trend in pro-

ducer prices is filtering through to the consumer level.

Econometricians said earlier this week that any decline from May's 15.2 percent level should actually be seen as a positive figure owed to technical factors. The CPI increased by a modest 0.7 percent between May and June last year and would thus have had to notch up a monthly rise of less than 0.7 percent in June this year for the year-on-year rate to show a downtrend.

However, economists welcomed the fact that food prices did not increase last month, as considerably more expensive foods have been the single largest contributors to the disap-

pointing rise in inflation over the past few months.

Sanlam said earlier this week that over the past five and a half years the total food price index had risen 13 percent faster than the non-food items in the CPI.

Price rises in fruit, fish, meat and vegetables made the biggest contribution to this rise, while the prices of only a few food products rose more slowly than the total CPI, excluding food.

In June, however, these products showed large monthly declines, led by fruit, which fell by 4.3 percent, vegetables (1 percent) and fish (2.9 percent). Meat, however, rose by 0.7 percent.

Large monthly rises were recorded by furniture (2.4 percent), technical appliances (4.1 percent) and medical expenses (3.4 percent) (2.44)

The combination of higher food prices, a weaker trade-weighted rand and the introduction of VAT should place upward pressure on the inflation rate until the end of year. Sanlam expects average inflation of 15 percent this year.

This is in line with the forecast by Old Mutual economist Dave Mohr, who says the introduction of VAT in October will keep the inflation rate at the 15 percent level until the end of the year.

Despite oil and food setbacks, inflation can still be beaten

R/Docy 26/11/91

BRIAN KANTOR



It is simply bad luck for the Reserve Bank that when all their other ducks were in a row, the big bad wolf of higher food prices came along to spoil their shot.

Much less easily explained is the now well-known fact that retail food prices have been rising at a much faster rate than those of manufactured food since 1986. Any presumed lack of competition in food production therefore cannot be blamed particularly for rising food prices. There is surely, moreover, no lack of price competition in food retailing as is demonstrated by the declining fortunes of OK and Checkers. The dominant food retailer Pick 'n Pay also did not enjoy a particularly good financial year in 1990-1991.

This all suggests that retail margins and food prices generally are under some common cost push pressures other than that of higher manufactured food prices. The other major input into retailing, other than manufacturers, is of course labour.

The established food retailers have, in fact, been under continuous and strong pressure countrywide from a powerful trade union in this sector to pay higher wages. Perhaps it is this factor that helps explain the divergence of food prices at the different levels.

If so, such trends cannot persist. Either the food retailers will succeed in holding down their labour costs or they will lose more of their share to their informal sector competition. Perhaps too much weight is already being given in the food price indices to purchases from the supermarkets rather than their more stable cost competition in the less formal sector.

No doubt it will take the investigators from the Board of Trade and Industry some time to discover whether the trend in food prices in the townships is different from the one in supermarkets.

In the meantime the price caravan will have moved on. Hopefully the carnivals will continue to be driven by a genuinely strict monetary policy and a relatively strong rand. Dr Chris Stals must know that he will never have a better, or indeed another, chance to prove that inflation does give way to the fundamentals of a slow rate of money supply growth.

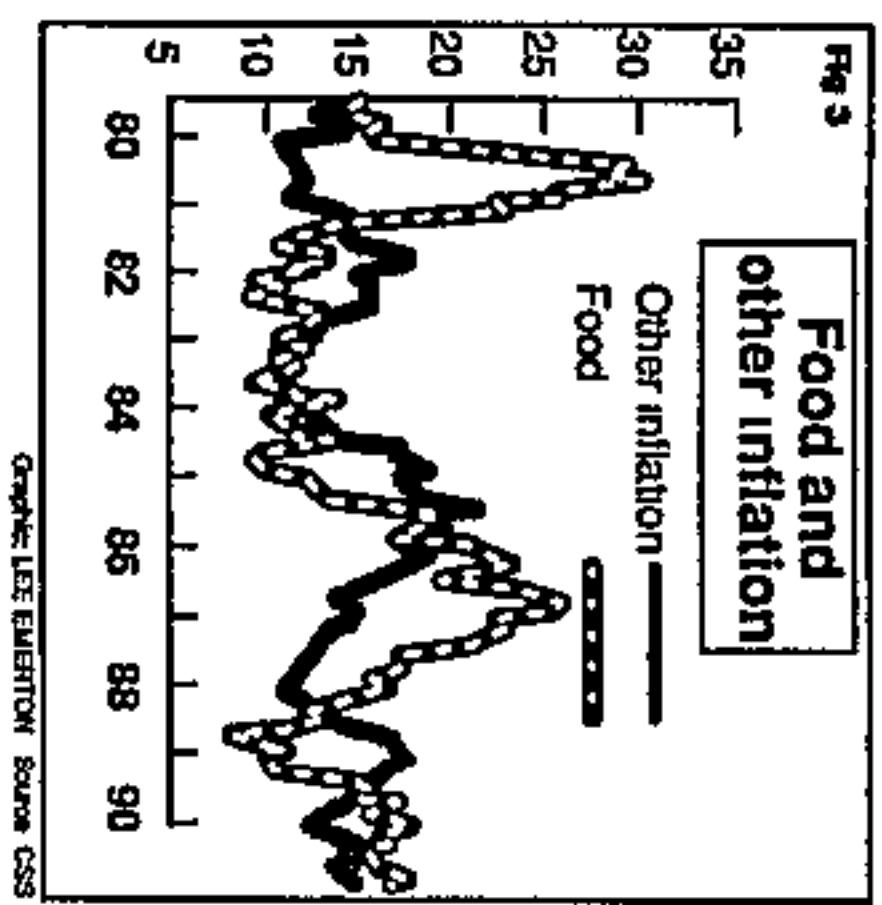
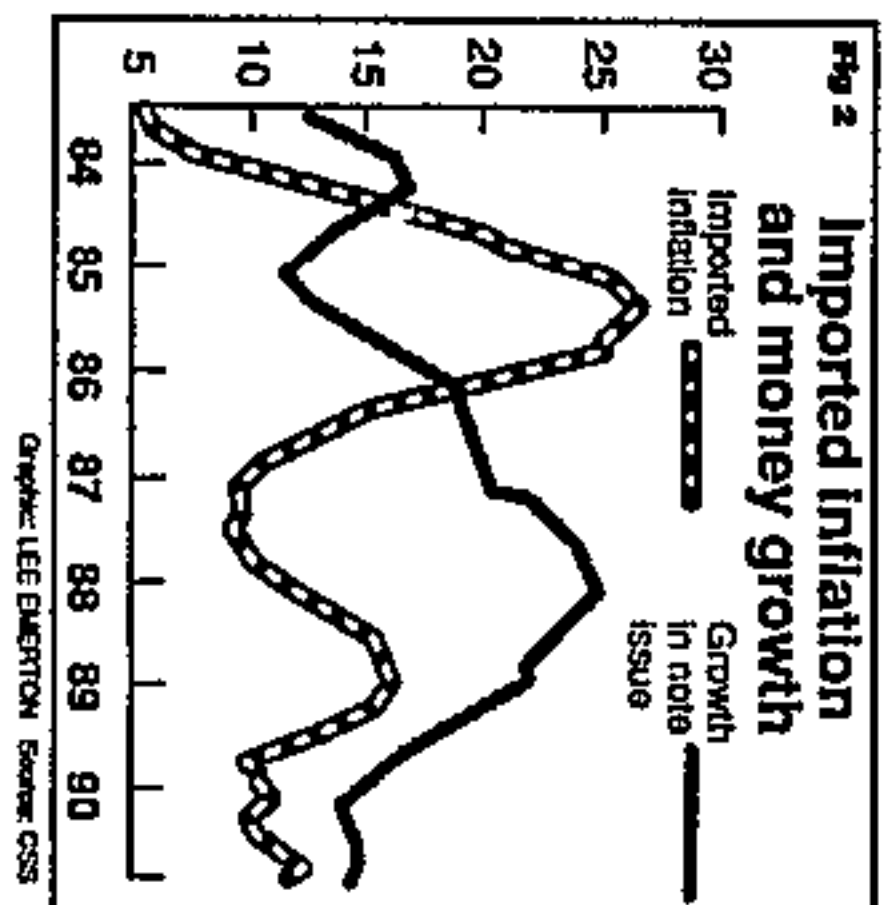
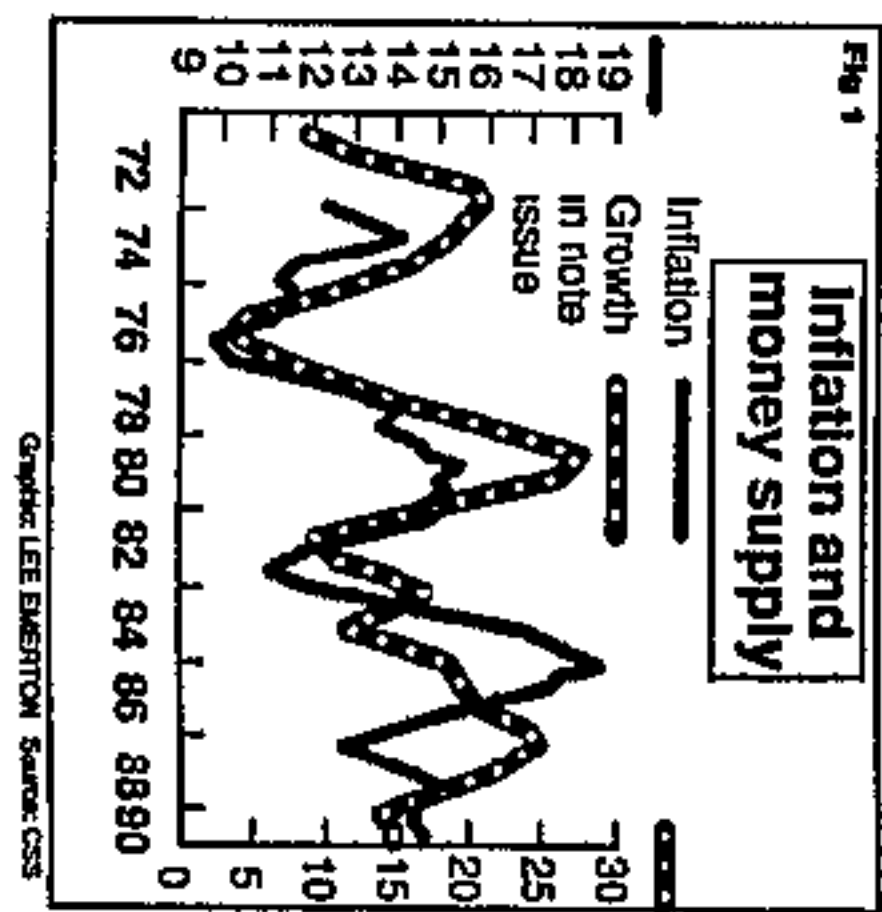
□ Kantor is deputy dean at UCT's School of Economics

ONE examines the forces that have acted upon inflation in SA over the past 20 years, there are good reasons for predicting that inflation could fall significantly over the next couple of years, provided the current monetary and exchange rate policies remain in place. Since the early '70s, the CPI has risen remarkably steadily — by an average annual rate of 12.7% between January 1971 and May 1991 with a standard deviation of only 3.2. The feature of SA inflation is not so much how high it has been by international standards, but rather how stable. The upshot is that price and wage setters make their plans accordingly.

Nevertheless, price expectations are by no means self-fulfilling. If markets prove that they are unable profitably to bear higher prices, prices will come to rise at a slower rate. Such realism does not often come painlessly for workers or shareholders, which is why it is so important that expected and actual inflation be closely aligned. There is a widespread disbelief in the possibility of a significant decline in our rate of inflation. The sceptics may be wrong.

The monetary authorities have recently had two bits of bad luck in their fight against inflation. Firstly, the Gulf crisis pushed up the oil price and, secondly, SA has entered one of those not infrequent periods when food prices accelerate for reasons that have little to do with the general state of demand and supply. Further, the expected impact of VAT is already in the prices being charged for goods and services.

Economists will argue about growth in the money supply being a cause or an effect of inflation. They agree that a rise in prices generally cannot be sustained without increases in the supply of money. Money demand and money supply have run together since 1971 but for one important recent period between 1985 and 1989 (figure 1).



tant other than money supply and spending pressures, acting on prices between 1985 and 1988. And that was the collapse of the value of the rand and the high rand import and export prices that followed automatically. This development may be regarded as equivalent to a sharp reduction in the supply of goods available at previous prices. Prices rose thereafter despite the fact that the rate of growth of money supply, and therefore spending, was slowing down sharply.

Unusually, it was much more a reduction in effective supply rather than an increase in demand that was responsible for higher prices. The weaker foreign exchange value of the rand — because of an extraordinary capital flight from SA — was the cause and not the effect of higher inflation.

As the foreign exchange value of the rand stabilised between 1986 and 1987, these supply side effects on inflation were reversed and the rate of inflation receded from the very high levels prevailing at the end of 1985. Unfortunately, these more favourable supply side effects on inflation were then once more overtaken by a rapid recovery of demand and money supply growth in 1986-1987. By the end of 1988 money supply growth had reached a rate of nearly 25% a year.

Under the renewed pressure of spending which led in turn to smaller trade surpluses, and given continued outflows of capital, the rand then weakened further. Import prices then rose faster, and inflation generally returned to something like its longer term average.

Food price, consumer indices face scrutiny

PRETORIA — The Board of Trade and Industry will scrutinise the reliability of the producer and consumer price indices as part of its probe into food prices

This was said at the weekend by committee member and former deputy Reserve Bank governor Japie Jacobs.

"We will be looking at the whole food chain from the planting of crops to the food on the shelves," Jacobs said

Major

He added a vital aspect of the investigation would be to determine the reasons for the large and widening gap between producer and consumer prices

According to the latest CPI the year-on-year increase in food prices at end-June was 16,8%, compared with the overall CPI figure of 15,2%

However, economists emphasised that food prices, with their 23% contribution to the index, were likely to remain a major cause of inflation

Jacobs said the committee had invited comment from a wide range of interests

It would also focus on the cost involved in food distribution, processing and the elaborate packaging and labelling which added to food costs

Jacobs added the committee would also look at what impact recent increases in the overheads of large retail outlets had had on consumer prices

He said the committee would hopefully complete its work by the year-end.

Meanwhile another committee investigation on long-term food and nutrition strategy was recently completed

Committee secretary P A le Roux said comment on the recommendations was being processed prior to submission to Cabinet. The committee also looked at ways of easing the burden of high food prices on lower income groups

A related investigation by the Finance Department and headed by deputy director-general Estian Calitz has also been in progress for a year or more

244
Biday 29/7/91
GERALD REILLY

'Consumers cause of high food cost'

(244)

ARGUS 1/8/91

JACQUELYN SWARTZ
Staff Reporter

CONSUMERS are partly to blame for soaring food prices in the Peninsula — among the country's highest — says the Consumer Council.

Food prices here are still increasing by more than 20 per cent a year, according to Central Statistical Service figures.

"Foodflation" in June was at an annual rate of 20,7 percent, slightly better than May's 27,6 percent, but worse than in other parts of the country

The council was at a loss to explain why food prices should be higher in the Peninsula when many products such as fruit, vegetables, meat and milk originated in the Western Cape

"It's a good question I wish I could answer it," said Mrs Ina

Wilkin, council assistant director

"Prices should be lower in the Peninsula. But, is it not because consumers don't complain?"

"They accept prices too easily. They must remember that if they are not satisfied they should go to the shop manager."

She said shoppers' complacent attitude led to a chain reaction with prices increasing at all points of production

Mrs Sheila Bailhe, vice-president of the Housewives League, said the situation in the Peninsula was "something we just don't understand"

"It's not just now. We have been watching for several years and invariably our prices are higher"

"It's a puzzle to us and we are doing an investigation," said Mrs Bailhe.

However, Mr Raymond Murray, general manager of a supermarket chain, said prices in the whole of the Western Cape were "reasonable" compared with the rest of the country.

His views were shared by Mr Henry Mulder, marketing director of a competing chain "I don't believe in statistics," he said

He said food prices were beyond the control of retailers and increases came from manufacturers

Manufacturers, however, have been reported as denying they are responsible for upward pressure on food prices

Instead, they cite confidential rebates to retailers, co-operative advertising, listing costs to get products on to supermarket computers and shelves, in-store promotions and inefficient and costly distribution channels

CPI FM 2/8/91

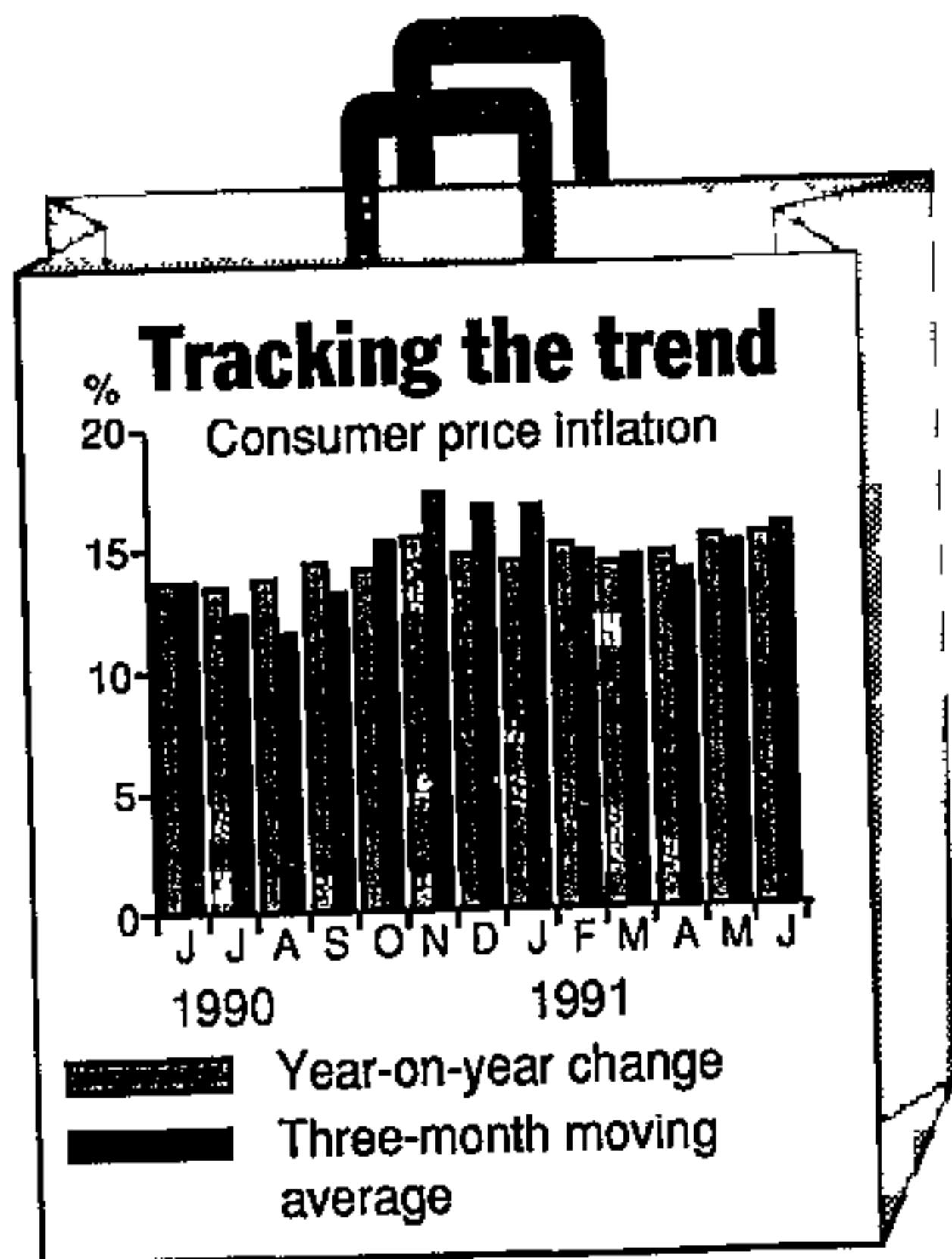
Level pegging (244)

After May's unexpected 15,2% year-on-year rise in the consumer price index (CPI), many economists expected the rate to be even higher in June. But the June monthly rise was only 0,7% compared to May's 1,5%, leaving the year-on-year rate unchanged. The seasonally adjusted monthly increase was 1,1%, after May's 1,6%.

According to Senekal, Mouton & Kitshoff economist Louis Geldenhuys "Given that the average monthly increase for the first five months of 1991 was 1,2%, the June figure was a welcome relief. But there is no evidence of a turning point."

This is confirmed by the three-month moving average, which shows a pronounced upward trend from a five-month low of 13,8% in April to 15% in May and 15,7% in June. Unless July's monthly increase is no larger than June's, the year-on-year rate will certainly rise above 15,2%.

Food price inflation continues to outstrip CPI, though an unchanged index over the



continued

ECONOMY & FINANCE

FM 2/8/91 (244)

month cut the year-on-year rate to 16,8% from May's 17,5%. Since food accounts for about 23% of CPI, this helped curtail the monthly overall rise. But the three-month moving average for food shows an upward trend too — from 14,7% in April to 15,9% in May, and 17,2% in June.

The seasonally adjusted monthly rise in the food-price index was also unchanged from May's 1,2%. There were increases in the prices of grain products (0,3%) and meat (0,7%), but also some notable falls: fruit and nuts were 4,3% down, fish and other seafood 2,9% and vegetables 1,0%.

Another big contributor to the small overall monthly increase was housing costs, which make up 21% of CPI. These have risen by only 4,5% since June 1990. Other low monthly rises were clothing and footwear (0,05%), furniture and appliances (0,14%), medical care and health (0,08%), transport (0,05%) and personal care (0,10%).

NCD milk

One of the country's major milk suppliers yesterday began putting up its wholesale price

Nick Pieterse, general manager, marketing, for NCD, confirmed that fresh milk and long-life milk prices would be increased during the next few weeks.

Milk prices had already been increased to certain cafes and would also be increased to supermarkets once negotiations with the chains were concluded. He said the previous increases took place in April. These rises were mainly due to inflation and higher production costs — Staff Reporter

price set to increase



HAVING entered the ring like a lion, the Government-supporting Press went out like a lamb when President De Klerk announced his Cabinet changes and the projected overhaul of secret funding

By the time reports of Mr De Klerk's Press conference had reached the news pages, worried editors appear to have recovered their spirits

Earlier rumblings of criticism gave way to a chorus of approval

"FW thrusts the knife in deep," proclaimed Beeld's main headline

In an editorial headed "Well-considered", Beeld said President De Klerk and his team had passed an important test with distinction

The newspaper believed the government had restored its credibility.

Die Burger called Mr De Klerk's Cabinet changes "surprising and drastic" and said it was clear that his political opponents had been caught on the wrong foot.

Dawie, political commentator of the Nasionale group, said Mr De Klerk had shown he was a leader who did not let the grass grow under his feet when a crisis threatened

Once vociferous reformer muted

ANY sign of the newspaper that once led the verligte Afrikaners' battle for reform under the editorship of Willem de Klerk is hard to detect in Rapport under its new editor, Izak de Villiers

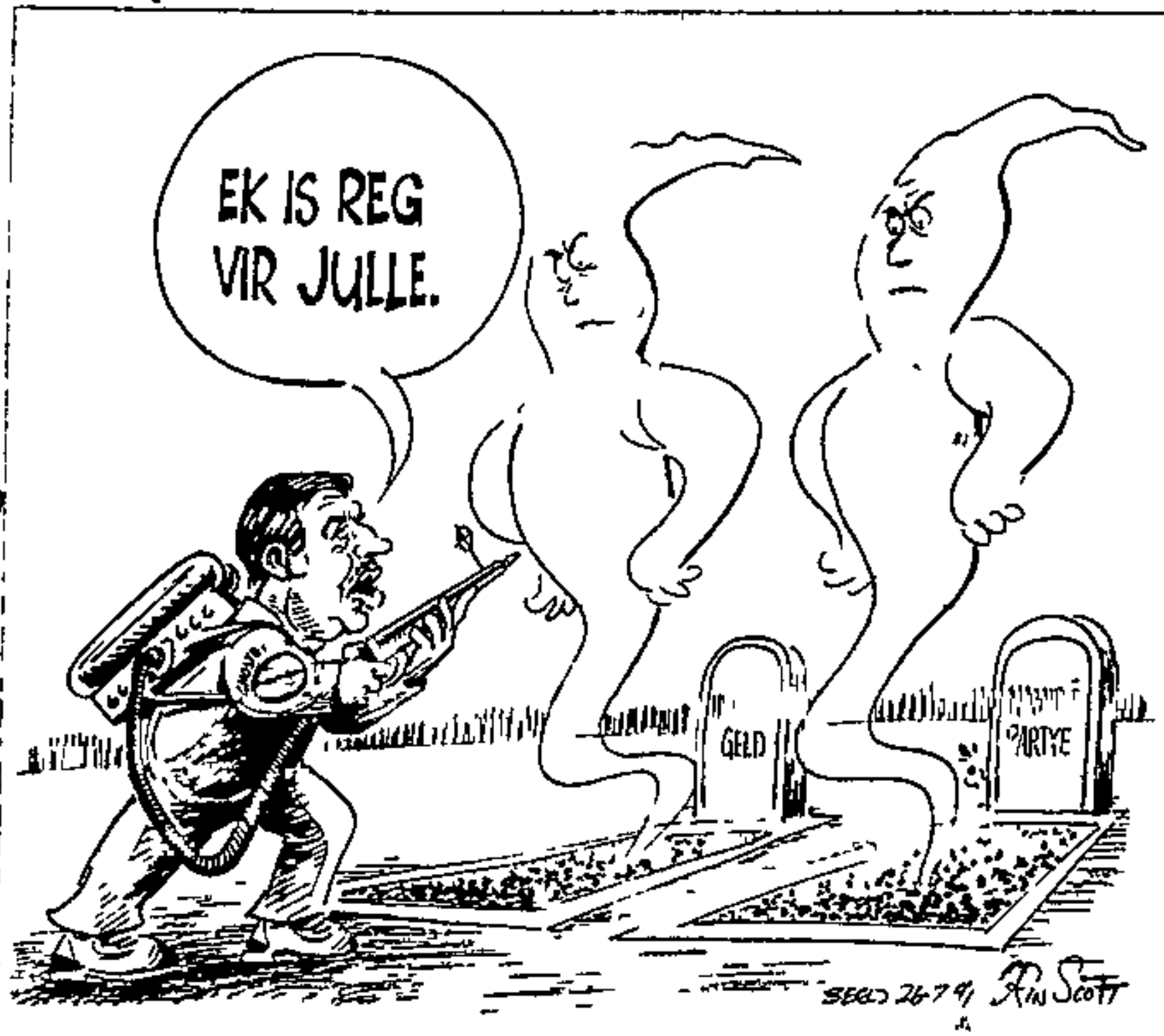
Alone among major NP-supporting newspapers, Rapport has breathed scarcely a word of criticism of the irregular payments.

An editorial ventured only to say that more effective control of the secret funds would be "welcome" and then reserved its wrath for the government's accusers

"No panic in FW's quarter Now the questions start about the ANC's motives" ran a typical front-page headline

"As I have often said in church, let us pray," said the editor in a signed column mainly devoted to what he called "the new moralists"

NP Press from lion to lamb on the slush fund scandal



"I'm ready for you."

— By Orin Scott of Beeld, Friday July 26

Sayings of the Week

□ Namibia is to be visited by Queen Elizabeth the Eleventh and the Duck of Edinburgh. — Namibian radio, as quoted by Rapport columnist Pollux.

□ □ □

□ Touch Afrikaans and the fat will be in the fire — Home Affairs Minister Gene Louw, as reported in Die Burger.

THE WEEK AHEAD by William Richards

Reserves set for upward trend

BIDay 5/18/91

244 (circled) (circled)

CONDITIONS are set fair for the July reserves figure to maintain the upward trend shown in the past two months' outturns when it is published this week, probably tomorrow. The June producer price index (PPI) is also due for publication before the end of the week and will probably be released on Friday.

The reserves already stand at a record high nominal level — the R7,4bn posted for June — and the outcome of the July figure hangs on a volatile mix of the lower rand/dollar average for the month, the slightly higher average July gold price and the ongoing refinancing of ever-higher proportions of foreign debt.

The fact that SA's reserves have never been higher in rand terms is not, of course, hugely significant in itself — as the Reserve Bank and the Finance Ministry never tire of reminding the markets. The important aspect of total reserves is the amount of import cover they afford, and the R7,5bn-odd accumulated at the moment is barely halfway to the IMF's recommended good-housekeeping level of three months' import cover.

During July the rand did fall to new dollar lows on the threshold of R2,92 and also eased on its trade-weighted index against a basket of currencies, meaning that foreign currency reserves may briefly have come under pressure. But the dollar correction in mid-July bolstered the rand in time for its average for the month to be only slightly lower than June's. Meanwhile, the jump of steep foreign debt repayments outside the standstill net has been passed and obligations inside the net have been trimmed by rollovers, offering tangible sup-

port to the reserves level. The PPI has been SA's top performer so far this year among the price indices, and the pressure is on for another star turn when the June level of the index is released towards the end of the week. Annual PPI growth has delivered a reassuring sequence of four successive monthly falls — an unbroken trend since the beginning of the year, to represent SA's best hope of also heading off inflation at consumer price level. The prospects of another drop in the year-on-year rate of PPI inflation in this week's figures remain good.

In the February, March and April PPI outturns a familiar pattern became established of

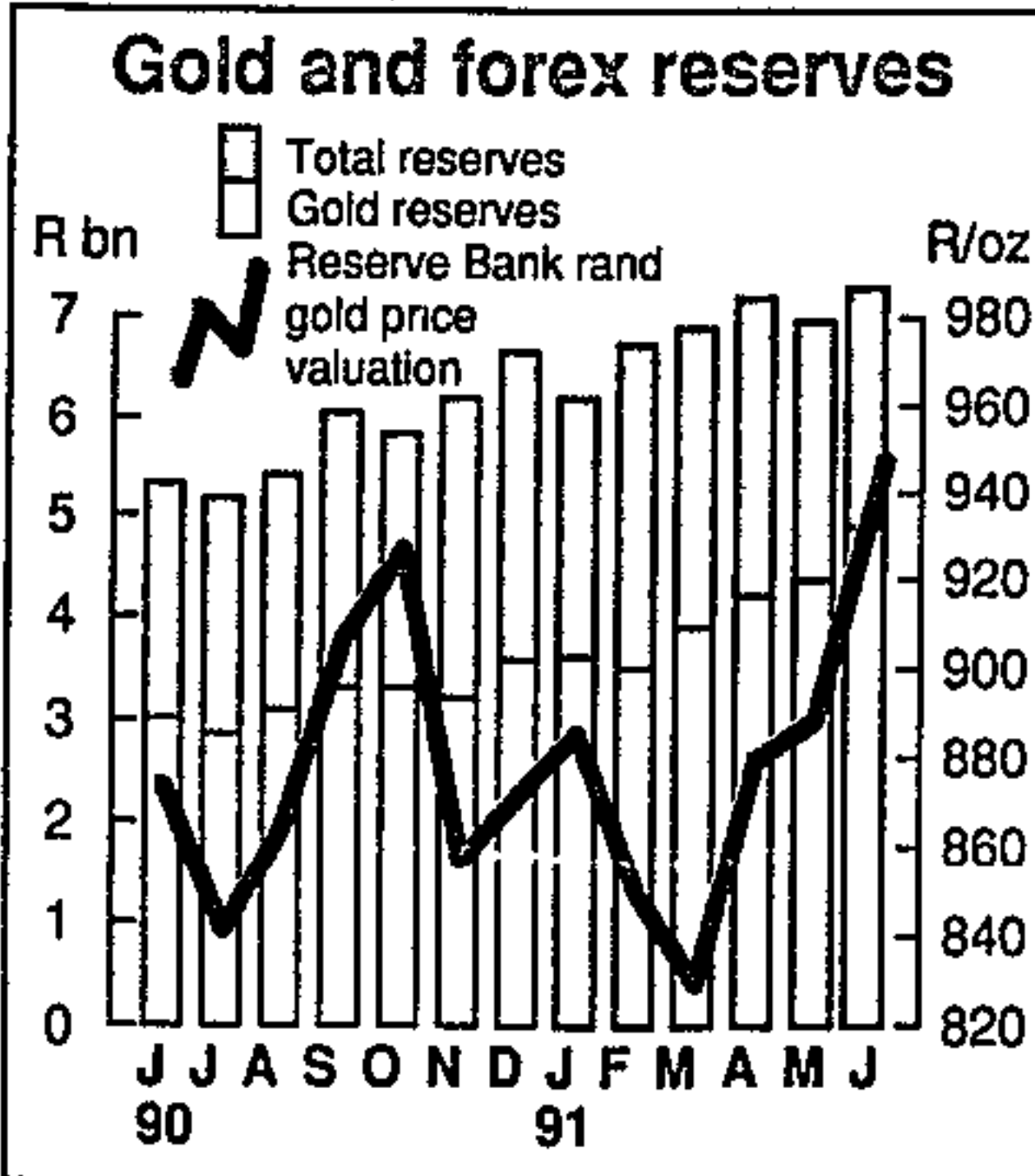
falling levels of imported inflation thanks to the relatively steady trade-weighted rand, but of unchanged levels of domestic inflation at producer price level.

For the first time this year, however, there were signs of a slowdown in domestic prices visible in the May figure. In addition to the customary 0,8% month-on-month decline in import prices, the May PPI figures showed a near-halving in the rate of domestic price growth to 0,8% month-on-month from April's daunting 1,5%. Whether it is too early to take this marked domestic price deceleration as a trend will be evident in this week's figure. The usual contribution from the imported side is almost assured, but the domestic inputs remain highly variable.

Internationally, in a quiet week elsewhere in the markets, attention is likely to be concentrated on Thursday's release of the US monetary aggregates for July. The northern hemisphere's summer holidays are in full swing and this tends to dull the effect of such economic releases as there are.

US monetary growth is under the spotlight as world markets try to anticipate the Federal Reserve's next move on interest rates. The Fed targets a relatively narrow measure of monetary growth, M2. This is narrower in definition than the M3 measure targeted by the SA Reserve Bank, but wider than the basic M0 measure targeted by the Bank of England.

US M2 growth has softened in recent months and the aggregate has moved towards the bottom of its 2,5%-6,5% target range. Any lowering in US interest rates will have immediately adverse consequences on the dollar at a time when German interest rates are poised to rise.



Graphic: LEE EMERTON Source SA RESERVE BANK



Media coverage fair - callers

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SOWETAN REPORTER

SOWETAN RADIO METRO



Sowetan 8/8/91
MEDIA coverage of Inkatha is fair and the organisation has been discredited by its main ally the Government, callers to the *Sowetan* Radio Metro Talkback show said yesterday

They told host Isaac Phaahla the media had done a good job by uncovering secret Government funding to Inkatha

8/8/91
The Talkback topic was chosen as a result of a statement by Inkatha's Transvaal youth leader, Mr Themba Khoza, that the media were trying to discredit and destroy the organisation

Wrong

Except for Solomon, calling from Katlehong, callers agreed that Khoza

8/8/91
was wrong and that the media were right in exposing Inkatha for what it was - "a Government ally"

Solomon agreed with Khoza and said the media had never supported Inkatha and it had criticised leader Chief Mangosuthu Buthelezi even when he consistently refused to take independence

they have never been criticised by the media "

Discredited

However, Mxolisi from Eldorado Park, felt that Inkatha's main ally, the Government, discredited Inkatha by admitting that it had secretly funded the organisation

"Inkatha also discredited itself by receiving money from the Government."

"Two Xhosa nations, Ciskei and Transkei, have taken independence but

F M 9/8/91

MEAT PRICES

244

Lots of culprits

Long-suffering consumers are in for more price shocks. Shortages of slaughter stock at all major urban abattoirs have caused beef auction prices to jump by 14% and lamb prices to soar by up to 20% over the past six weeks, says Mike Dobson, MD of Spar Inland. And, he adds, these increases will be passed on to consumers.

"Lamb prices in the western Cape have shot up by 16%, beef by 15% and pork by almost 21%," says Gareth Ackerman, national GM of Blue Ribbon Meat, the meat retailer in the Pick 'n Pay group.

Ackerman says the board's new red-meat floor prices (*Business & Technology* July 26) seem to have been "a deliberate attempt to push up the market." But, he adds, other factors also may play a role, including

- New meat regulations in Namibia may have led to a reduction in available stock,
- The drought may have reduced livestock numbers, and
- Farmers and feedlotter may be holding back stock in anticipation of VAT's arrival on September 30. "They may expect consumers to stock up in September and prices (and supplies) are moving in anticipation," Ackerman says.

Abattoir Corp (Abakor) MD Frans van den Vyver says slaughter-stock supplies at Abakor's 10 large urban abattoirs dropped by 12% in June and by a further 15% last month. He says a combination of cyclical and climatic factors may have contributed to the sudden shortages.

But huge impediments to the free movement of slaughter meat from "uncontrolled" to "controlled" markets also are blamed. The meat scheme operated by the Meat Board gives the board the power to control the supply of meat to the major urban, or

controlled, markets. The rest of the country is largely free (uncontrolled) of this bureaucratic control, though it is subject to levy payments and various other restrictions.

The Competition Board is now in the early stages of an inquiry into the meat scheme. Meanwhile, adding to consumer woes and to the difficulty of government's fight against inflation, poultry prices also have taken off. Rainbow Chickens MD John Geoghegan says poultry prices have gone up 20% over recent weeks. He ascribes this to a 3% production cutback by poultry producers.

"The industry cutback coincides with the winter season, when chicken mortality rates increase, leading to lower supplies," Geoghegan says. He denies that there is anything more than a coincidence between the cutback in poultry production, soaring chicken prices, and the increase in red-meat prices.

Counting their chickens

Desmond Lurie, chairman of competitor County Fair in Cape Town, says SA now sits with a 10%-14% production oversupply in the poultry market. But, with falling demand driving most producers into the red, Lurie welcomes the sudden price surge.

Like Geoghegan, he attributes the higher prices to production cutbacks by producers. "But stock overhangs in the market (SA produces 6,5m chickens a week) prevent producers from getting the full benefit of the new prices, while supermarkets still use chicken as a loss leader. Export prospects are bleak too, with world market prices averaging about a dollar a kilogram — without transport costs."

Meanwhile, with meat products contributing 7,7% to the basket of goods used to compute the consumer price index, the higher prices for both red and white meat will most likely translate into higher inflation rates in the months ahead.

Some people in the industry are not willing

to chalk up rising prices to just nature and coincidence. Nils Dittmer, chairman of the independent Organisation of Livestock Producers, says there are many areas of legislation that inhibit free trade in red meat and contribute to price increases.

Of these, he says, the three most important targets for deregulation are the laws that create separate controlled and uncontrolled areas, compulsory levies paid to the board and to Abakor, and the Abattoir Act, which created a slaughter monopoly for Abakor in many of the controlled markets.

"Other problem areas include unnecessarily strict hygienic regulations, supply control by the Meat Board, the floor price system, the role of meat agents, compulsory carcass auctions, trade registration and licensing, and board control of the sale of offal, hides and skins," says Dittmer, a Vryburg-based cattle farmer.

The regulated trade in hides and skins, worth hundreds of millions of rands, means that auctions are not held for these valuable commodities. Price lists that are drawn up by the board's hides and skins committee allow buyers to negotiate directly with the board. ■

Meat, dairy prices set to rocket

Star 12/8/91 (244)

By George Nicholas
Agricultural Correspondent

The price of meat, chicken, eggs and milk could rocket by up to 40 percent following the Government's decision to impose an increased import duty on soya oil-cake

A housewife paying R16 a kilogram for beef rump would have to fork out R22,40 for the same cut and R8 a kilogram more on leg of lamb

If the increased feed costs are passed on to consumers, the price of milk would increase from R1,60 a litre to R2,24, chicken from R6 a kilogram to R8,40 and eggs from R2,80 a dozen to R3,92.

The Government's decision to increase import duty on soya oil-cake from R240 to R285 a ton was met with strong condemnation from animal-feed manufacturers who claim that the decision threatened the entire feed and livestock industries in South Africa and that it would have a highly inflationary impact on consumer prices.

Animal Feed Manufacturers Association secretary Hansie Dekker said South Africa produced less than 50 percent of the protein required by its live-

stock population and that feed manufacturers were compelled to import oil-cake because of its high protein content

Farmers were dependent on oil-cake, which had become essential for the provision of balanced feeds for livestock, he said

"The industry accepts there has to be an import duty but the new figure is totally unacceptable as it penalises the entire livestock production industry

Effect

"What's more, the increase is going to have a ripple effect of considerable price hikes for the consumers of such products as meat, chicken, eggs and milk which, for a country where the majority of people are poor, is extremely ill-advised," Mr Bekker said.

Oil-cake shipments arrive at South African ports at regular intervals and the effect of the new duty is expected to be felt by consumers in a month or two.

The price increases affecting consumers would be in addition to the extra estimated R1 billion a year the Government stands to gain from 12 percent VAT on meat sales alone

Judge halts taxation of injury pay

Star 12/8/91
Staff Reporter

(299) (320)

The Commissioner of Inland Revenue could not tax a paraplegic's compensation, a court has decided.

The ruling was upheld in the Rand Supreme Court when leave to appeal against the decision was dismissed by Mr Justice C Plewman.

The Multilateral Motor Vehicle Accidents Fund and the Commissioner for Inland Revenue brought the application after a Transvaal Provincial Division of the Supreme Court ruling in April.

Matthew Hogan worked at the Johannesburg fire department until he became a paraplegic in a car accident in 1977.

Suffered

According to an affidavit, he has had seven spine operations since his accident and has suffered severe pain in his lower and middle back. He has been unable to find work, and blames his disability for two failed marriages.

His parents cannot support him and his compensation is his only income.

He brought the application against the accident fund because it excluded his bonus from his compensation.

The Commissioner of Inland Revenue was named as respondent because the accident fund had deducted tax.

Mr Justice Plewman accepted that the compensation was for his inability to earn income.

"The undertaking was an undertaking to pay a sum which would give rise to a deduction, but to pay compensation of a capital nature."

A 13th cheque would be included in the calculation of the payout because it was of Mr Hogan's former income.

Prices to be monitored 'before and after'

By Paula Fray
Consumer Reporter

Spec
12/18/91

Vatwatch has launched a comprehensive six-month market research project to identify price trends before and after the introduction of VAT on September 30

Vatwatch chairman Professor Louise Tager said in an interview the first results were

expected before the end of August

It was hoped that by mid-September sufficient information would be available to indicate whether businesses were taking advantage of VAT to increase prices

About 120 sales points countrywide will be monitored, according to David Geldenhuis, a partner in Interfact which has been commissioned to do the re-

search.

Mr. Geldenhuis said a basket of goods and services ranging from perishables, cleaning materials and other groceries to a variety of services used by families would be monitored both in urban and rural areas

The basket will remain constant throughout the research period

● Dual-pricing move — Page 5

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~~244~~
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(244) (55-1270-7)

Fuel price rise: don't be duped, AA warns

The belief that VAT will not affect the price of fuel should be viewed with some suspicion, the Automobile Association has warned. *Star 12/8/91*

It said although fuel would be zero-rated, there was a strong indication that VAT would be levied in the Budget next year at a higher rate than GST and would result once again in tax on tax.



Another inflation setback for Bank

B/Dan 3/13/91

(244)

THE Reserve Bank's fight against inflation suffered yet another blow yesterday when soaring food prices in June broke a five-month downtrend in producer price inflation.

Producer price inflation rebounded to 14,1% from May's 13%, Central Statistical Service figures released yesterday showed

Surging food prices were the main reason behind a 1,3% month-on-month hike in the PPI in June

Agricultural food prices rose by 8% month on month and manufactured food prices by 2,2%. Agricultural food price inflation rose to 42,1% in June

The effect of food price rises on overall producer price inflation in June are shown when they are taken out of the PPI — producer price inflation would have risen by 11,4% year on year in June

Reserve Bank deputy governor Jaap Meijer said "Food prices have been the bad part of the story. We are obviously disappointed with the figure and cannot read reasons in it for any immediate or early relaxation in our policy

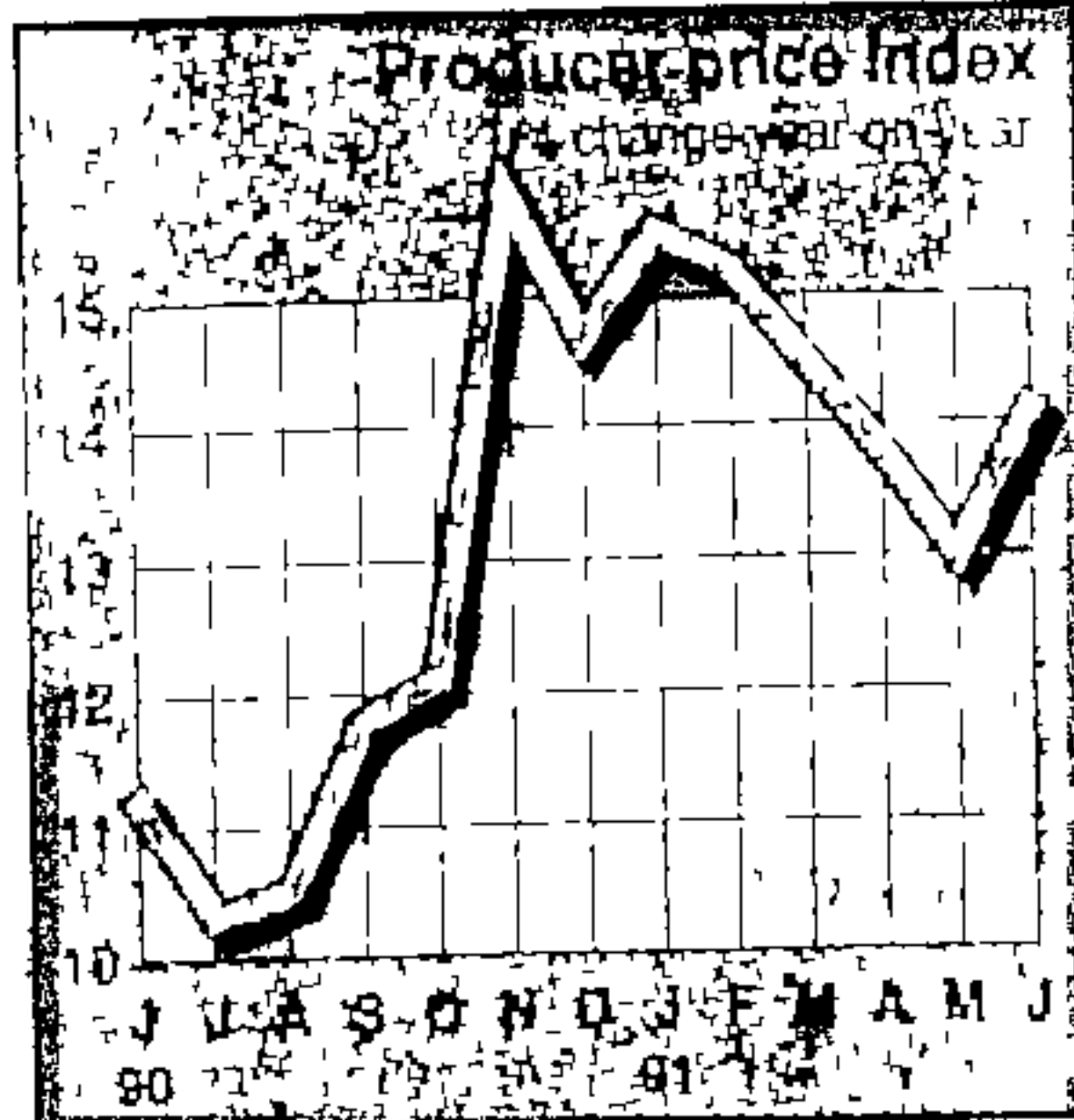
"Reserve Bank estimates for inflation are somewhat less attractive now than they were before the release of the consumer and producer inflation figures for June."

SHARON WOOD

The implementation of VAT on September 30 would probably have an effect on inflation, but there should still be a slight improvement in both inflation rates before the end of the year, Meijer added

The Reserve Bank's economic division had been looking at where the food price rises were coming from, but "had found it hard to put their finger on one single factor", Meijer said.

□ To Page 2



Graphic: FIONA KRISCH Source: CSS

Inflation

B/Dan 13/8/91

(153) (244)

□ From Page 1

He said the rise in food prices could be a longer-term structural development. It could be a result of the rising purchasing power of the less privileged which boosted demand for food above supply, thus pushing up food prices

"High food price rises are bad because they probably play a disproportionately large role in forming inflationary expectations," he said

Food price rises have recently come under scrutiny because they have been the main culprit behind the high rate of inflation this year

Widespread concern led to the launch of an investigation into food prices by the Board of Trade and Industry last month. Results of the probe, which is headed up by former Reserve Bank deputy governor Ja-

pie Jacobs, have still to be announced

Earlier, steady falls in producer price inflation this year buoyed hopes that consumer price inflation would soon follow

Lower consumer inflation hinges on slower producer price rises working through to retail prices — a process which usually takes about three months

But lower producer price inflation this year has stemmed from small rises in imported price inflation

Domestic producer price inflation has, however, remained high this year. Local price rises have consistently exceeded 14% year on year and in some months approached 16%. Domestic producer price inflation rose by 15,5% year on year in June

● Comment: Page 10

PPI sharply up as food products soar

244 CT 13/8/91

By AUDREY D'ANGELO
Business Editor

THE producer price index (PPI) took a sharp upward turn in June after tending downward in April and May

And — ominously for hopes of bringing down inflation — agricultural food products were up by a horrifying 42% year on year

Figures released by the Central Statistical Services yesterday showed that the PPI had risen by 14,1% year on year

This compares with year on year rises of 13% in May and 13,8% in April

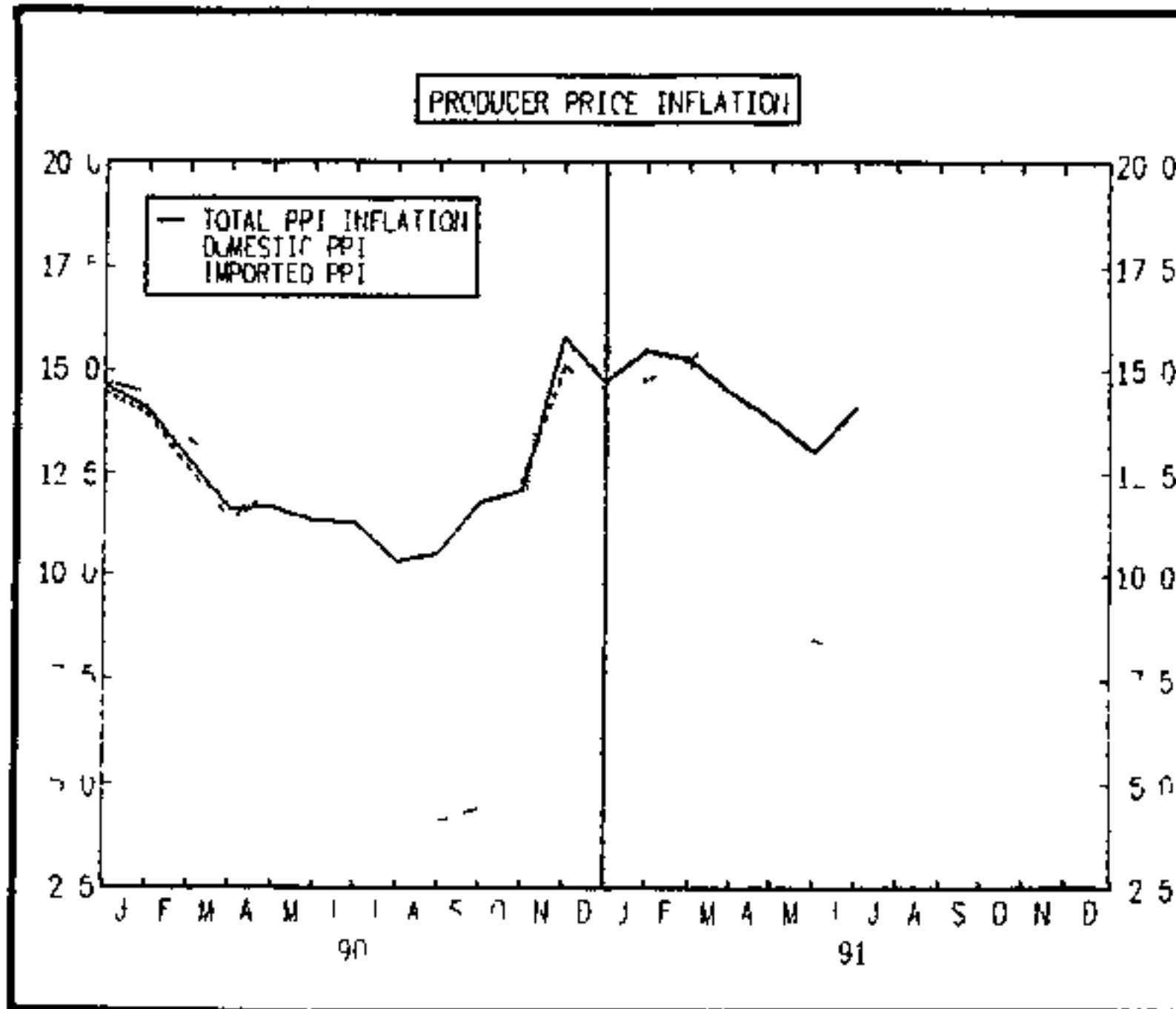
The month on month rise was a seasonally adjusted 1,9% compared with 0,5% in May and 1,1% in April

Agricultural food products, which had risen 8% month on month, were the main reason for the rise

This implies a continued rise in the food component of the consumer price index (CPI)

The food only index has consistently been higher than the CPI for months and rose by 16,5% year on year in June when the CPI itself was 15,2%

Yesterday's PPI figures showed that



fishing products were up 15,7% year on year, coal by 28,6% and manufactured goods in total by 11,3%

The index for total SA production was up by 14,1% year on year compared with 12,9% year on year

But the annual rate of increase for imported commodities was only 7,8% compared with 8,5% in May and 6% in April

Boland Bank economist Louis Fourie

said the falling rate of imported inflation reflected the success of Reserve Bank Governor Chris Stals' monetary policy, which was keeping the rand stable

"Imported prices are under control."

But the fact that SA producer prices were still rising at such a rate showed that "we are creating our own inflation"

Fourie said that high wages were a major factor in this, supported by high unit costs caused by falling demand

Old Mutual economist Johan Els said. "We were expecting the PPI to be up but we are disappointed by the magnitude of the rise in the domestic component

"It is a sign that inflationary pressures are still in the economy"

Els said the higher year on year figures were due partly to technical factors.

"Last year the month on month rise in May was 1,8% and this year it was only 0,5%

"Last year the month on month rise in June was 0,2% and this year, from that low base, it was 1,9% "

(244) Arg 14/8/91

Warning: More food price rises on way

JACQUELINE MYBURGH
The Argus Correspondent

BATTERED consumers face more food price shocks before the end of the year, say consumer organisations.

Food prices have already risen dramatically this year and agricultural products — mostly essential items such as meat, eggs and milk — are expected to rocket by up to 40 percent because of increased import duties on animal feed.

Value Added Tax will also have an impact on the overall price of food.

At 12 percent, VAT will not only increase the price of goods previously not subject to GST (about one-third of the shopping basket) but it is also expected to push up the inflation rate by up to four percentage points, economists say

A variety of factors have been billed as the reason for the rising cost of eating so far.

- The opening up of the export market, with manufacturers demanding equivalent prices from South African retailers.

- Monopolies and government protection in the manufacturing sector, leading to lack of competition

- Pre-emptive price rises by retailers to protect themselves against the possible erosion of their profits when VAT is introduced on September 30.

The most worrying indication that food inflation is on the rise has been June's production price index (PPI), released this week

The Central Statistical Service (CSS) disclosed that the cost of agricultural food products went up by 42,1 percent in the past year while fishing products rose by 15,7 percent.

Other food products increased by 12,2 percent. Meat was up by 3,2 percent.

The PPI is certain to affect the consumer price index to be released next week, Housewives' League President Mrs Lyn Morris said.

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book

The League and the Consumer Council are at a loss as to explain the rapid increase in food prices. Both bodies have pinned their hopes on a government investigation into the cost of food

Crackdown: Two AWB men held

The Argus Correspondent

PRETORIA. — Police have arrested two AWB members and are geared to make further arrests in a major crackdown after last week's violence in Ventersdorp.

Large numbers of arms believed to have been used in the violence, including R4 and 9mm ammunition and railway detonators, have been confiscated as police swooped on rightwingers involved in the violent clashes, in which three people were killed and scores were injured.

Ministry of Law and Order spokesman Captain Craig Kotze said one of the arrested men — found with a baseball bat, a rubber baton and two hunting knives — had been linked to an attack on a black woman during the violence.

The two men are Mr Henry de Beer, 40, of Krugersdorp and Mr Cornelius Mostert, 46, of Stilfontein, according to rightwing sources.

Mr De Beer is a "commandant" and Mr Mostert a "corporal" in the AWB's military wing the Wenkommando.

Confirming the arrests, Captain Kotze said the men would appear in court soon on charges of public violence.

Captain Kotze said that after one arrest police had confiscated three R4 magazines, eight R4 rounds, 74 9mm rounds, five rubber bullets, an airgun and ammunition and 11 railway detonators.

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The League and the Consumer Council are at a loss as to explain the rapid increase in food prices. Both bodies have pinned their hopes on a government investigation into the cost of food.

The Board of Trade and Industry last month said it had launched a probe into the food chain and the outcome would be announced by year-end.

One aspect of the investigation will be to determine the reasons for the large and widening gap between producer and consumer prices.

The CSS says consumers paid 16,8 percent more for foodstuffs in June, while the manufacturers' costs only went up by 9,75 percent.

Think-tank

Consumer Council director Dr Jan Cronje said the council was "very worried" about the direction food inflation had taken.

"We must find a way to make food cheaper for the man in the street

"The government said it would find ways to help the low-income groups but there has been no sign of that yet."

The Economic think-tank Econometrix has said that if the recent rise in inflation was attributable to pre-emptive price increases linked to the introduction of VAT, the new tax was "doing the SA's fight against inflation a great disservice".

Retailers said they were equally concerned about the rate of food inflation

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Food prices poised to soar

New shocks ahead for consumers

244 246
Star 14/8/91
By Jacqueline Myburgh

The cost of food has increased dramatically in recent months, and there are still more price shocks to come before the end of the year, consumer bodies said yesterday.

Some agricultural foods — most of them essential items such as meat, eggs and milk — are expected to rocket by up to 40 percent as a result of increased import duties on animal feed.

Value added tax, coming in at 12 percent, will not only increase the price of goods previously not subject to GST (about one-third of the shopping basket) but could push up the inflation rate by as much as four percentage points to around 19 percent, economists warn.

A variety of factors have been billed as the reason for the rising cost of food

- The opening up of the export market, with manufacturers demanding equivalent prices from local retailers.
- Monopolies and Govern-

ment protection in the manufacturing sector, leading to a lack of competition.

● Pre-emptive price increases by retailers to protect themselves against the possible erosion of their profits when VAT is introduced on September 30.

The most worrying indication that food inflation is on the increase has been June's production price index (PPI), released this week. The Central Statistical Services (CSS) revealed that the cost of agricultural food products had increased by 42,1 percent in the past year, while fishing products went up by 15,7 percent.

Other food products increased by 12,2 percent and meat by 3,2 percent.

The PPI is certain to affect the consumer price index to be released next week, Housewives League president Lyn Morris said.

The league and the Consumer Council are at a loss to explain the rapid increase in food prices.

The Board of Trade and Industry last month said it had launched a probe into

the entire food chain — from the planting of crops to the goods on the shelves — and the outcome would be announced by year-end.

One aspect of the investigation will be to determine the reasons for the large and widening gap between producer and consumer prices.

According to the CSS, consumers paid 16,8 percent more for foodstuffs in June although manufacturers' costs went up by only 9,75 percent.

Pick 'n Pay food director Sean Summers said one of the chief causes of the increased prices for certain foodstuffs was the opening up of the export market. Manufacturers were forcing retailers to pay the same price they could obtain on the export market.

Another factor was the lack of competition in the manufacturing market and the Government's protectionist policies.

Introducing VAT was a Government "snow-job" to shift the blame for increases on to retailers' shoulders.

Food prices hike shock on the way

244

Souelan
15/8/91

By SIZA KOOMA and PEARL MAJOLA

THE cost of food is expected to increase dramatically in the coming months, with prices on some essential items poised to rocket by as much as 40 percent.

Some of the price hikes, expected to come into effect in October, will coincide with the introduction of Value Added Tax.

VAT will not only increase the price of goods previously not subject to General Sales Tax but will raise the inflation rate by about four percentage points.

The price of such essential items as meat, eggs and milk is expected to rise by as much as 40 percent, mainly as a result of the increased import duties on animal feed.

Food prices have risen steeply in recent

months - in some cases fishing products went up by 15,7 percent and meat by 3,2 percent. Other foodstuff prices increased by 12,2 percent.

A black family presently spending about R350 on their monthly groceries could find themselves spending R420 - an increase of 20 percent - when VAT comes into effect.

"This is not how it is supposed to be," said National Black Consumer Council co-ordinator Ms Sibongile Chabeli.

"VAT was meant to bring down the cost of

• To Page 2

Massive prices hikes forecast

244

• From Page 1

foodstuffs and not to increase them."

She said no one in the food production business wanted to take responsibility for the price hikes. Retailers put the blame on manufacturers, who in turn blamed suppliers of raw materials.

"The Government is going to exempt capital goods from taxation, which means machinery used to produce food will

not be taxed. The costs of production will therefore be cut.

"It is also being said that the business sector is going to make R3 Billion profit with VAT. When you look at it, it is the consumer who is going to be impoverished," she said.

The price of a 10kg bag of potatoes, presently costing R4,99 will rise to R5,59 when VAT comes into effect.

A litre of milk costs R1,85 and with VAT it will be R2,06. All the above foodstuffs are not taxed under GST.

Consumer groups have said there are more price shocks coming before the end of the year.

Souelan
15/8/91

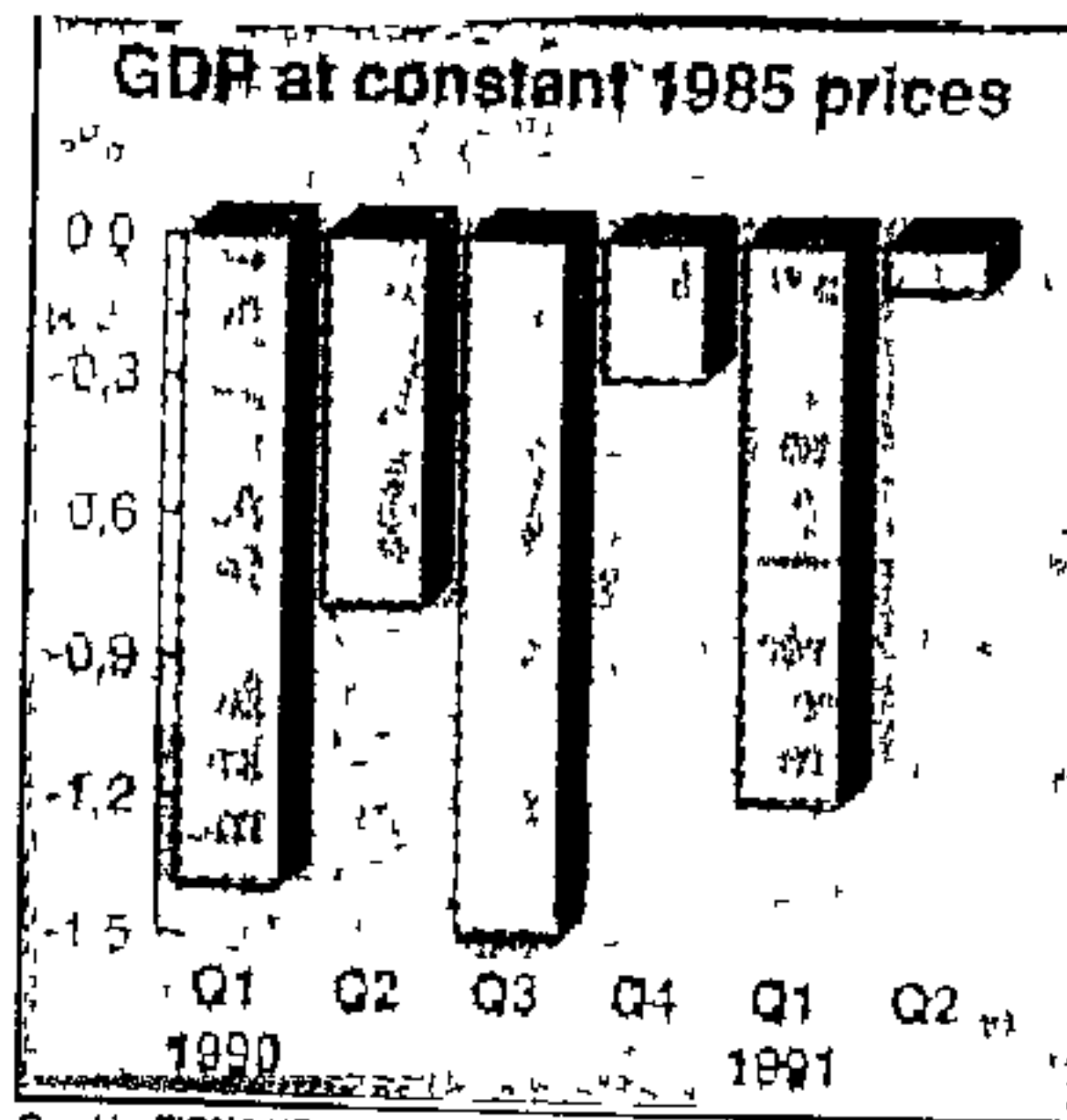
FOOD PUSH

244

F.M. 16/8/91

A sharp monthly rise in food prices pushed the total month-on-month rise in the producer price index (PPI) to a seasonally adjusted 1.9% in June — the steepest monthly rise this year. The increase in PPI over the 12 months to June was 14.1%, up from 13% in May

Agricultural food prices rose 8% in June; manufactured food products 2.1%.



Graphic: FIONA KRISCH Source: CSS

Manufacturers still deep in recession

SHARON WOOD

SA's manufacturing sector is still in the throes of a deep recession, although strong agricultural production limited the contraction in gross domestic production (GDP) to a fall of 0,1% in the second quarter this year

Preliminary figures released by Central Statistical Service yesterday showed it was the smallest decline in the seven-quarter recession and up on the 1,2% quarter-on-quarter (annualised) decline in the first quarter

Total GDP fell to an annualised R131,6bn in this year's second quarter from the first quarter's R131,6bn

A 2,4% slump in manufacturing production pushed the total non-agricultural sector into an official recession in the second quarter for the first time in this downswing

A recession is technically defined as two consecutive quarterly declines in production. Activity in this sector fell by 0,4% in the second quarter after a 1,7% drop in quarter one

Conditions in the agricultural sector brightened as the sector moved further away from last year's severe drought.

Agricultural production rose by 7,3% in the second quarter after a 5,2% increase in agricultural production in the first

Improved agricultural conditions in the first half of the year contradicted recent price movements which suggested supply had been limited. Agricultural food prices surged by 42,1% year-on-year in June

Mining production crept up by 0,3% in

□ To Page 2

Recession

the second quarter, following a 3,4% fall in the first quarter.

SA gold output rose by 1,2% year-on-year to 1,64-million ounces in July from 1,62-million ounces last year. Total output to July rose by 0,18% to 11,19-million ounces from 11,17-million ounces

Simpson McKie economist Graham Boyd said the figures provided "tentative confirmation of other early indications that the the GDP is bottoming out. Barring further setbacks, such as the recent slide in the platinum price, the economy can deliver mildly positive growth later this year"

But he added "With population growth at about 2,3% a year, any growth in the economy less than this really reflects the

continuation of recessionary conditions"

The improvement in agricultural production was a result of a mild improvement in rainfall patterns and because it came off a low base

United economist Hans Falkena said the economy would continue "slowly tapering off because monetary policy is not very stringent and fiscal policy is expansive"

He projected the economy would turn only in the second quarter of next year

This is more pessimistic than First National Bank economist Cees Brugge-man's forecast that the economy turned at mid-year

Economists generally expect economic activity to pick up towards the year-end

□ From Page 1

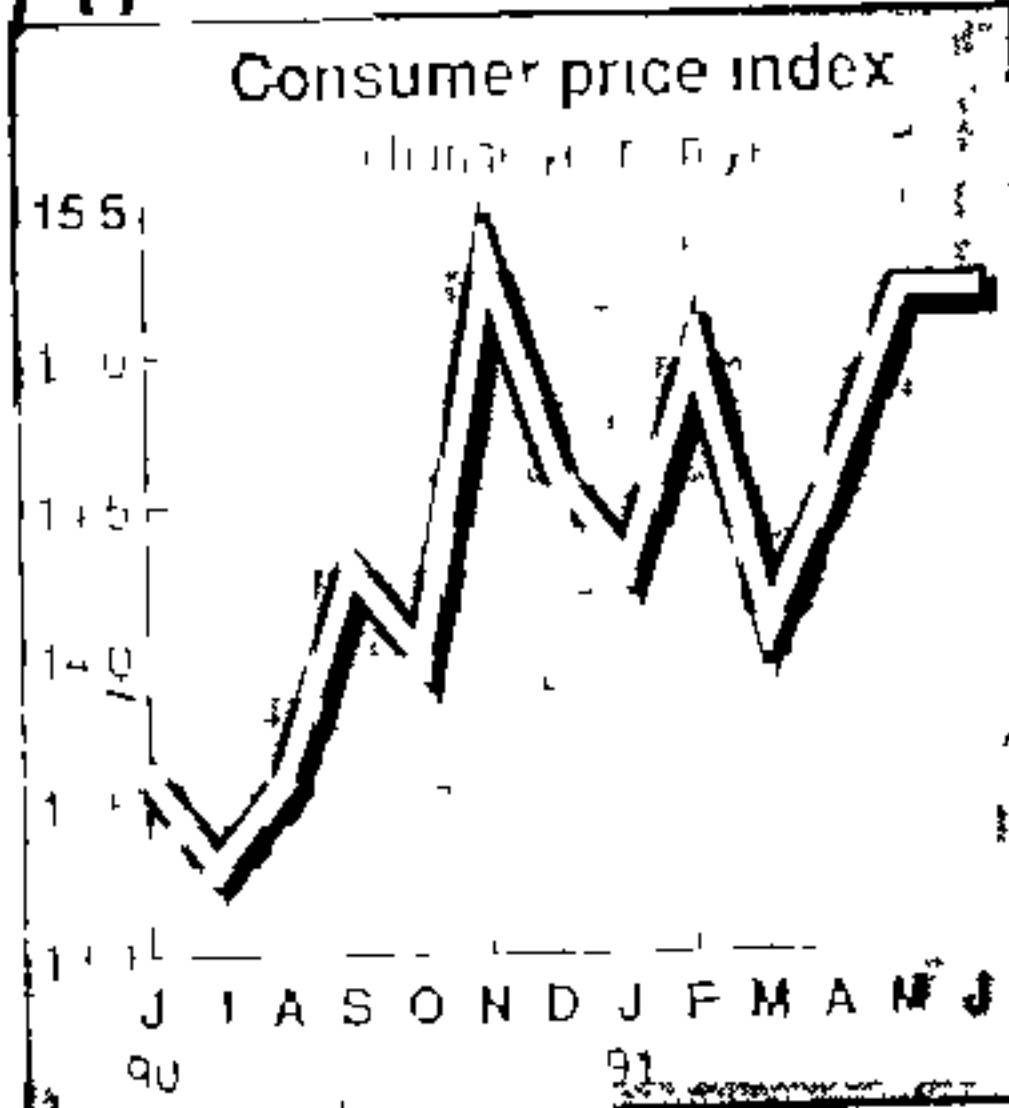
THE WEEK AHEAD by William Richards

Inflation campaign falters

10 Day *19/8/91*
 THE July consumer price index (CPI) figures should show this week that not much progress was made last month in the campaign to slow SA inflation. When the level of the July CPI is released, probably tomorrow, an appreciable difference from June's year-on-year increase of 15.2% is unlikely.

Evidence that SA consumer price inflation is, for the time being, becalmed at levels straddling 15% has overwhelmed the financial markets recently. Producer price inflation, while showing an overall slowdown between January and May, owed its decline to lower levels of imported inflation by courtesy of the strong real trade-weighted rand. The PPI data showed steady levels of domestically generated inflation — until last week's shock June PPI figures, which showed a sharp rise in home-grown producer price inflation.

An attitude approaching desperation on the part of the authorities has been perceptible recently in some of the official responses to the stubbornly high inflation rate. As if conceding that the present policy mix on its own



Graphic: FIONA KRISCH Source: CSS

cannot turn the tide of price rises, government is turning to the Competition Board and the Board of Trade and Industry (BTI) to add muscle to the anti-inflationary effort.

The Competition Board has been prodded into action, having brought no prosecutions to court under the tough Maintenance and Promotion of Competition Act for five years. The board is conscious that it needs to bring a case, mainly to generate publicity and thereby deterring restrictive practices.

The BTI, meanwhile, has been stung into probing the entire food-price chain by the recent run of startling price rises.

SA's other grim series of statistics — those detailing the monetary aggregates — are also due out this week, probably on Thursday. The year-on-year rate of growth in the broad M3 aggregate targeted by the Reserve Bank has edged down recently to the 14.7% rate posted in the year to June. The July year-on-year figure may show a further drop, but the rate growth relative to the Bank's 1991 guideline range for the aggregate is likely to remain far too high.

The Bank's 8%-12% guideline range for M3 for calendar 1991 refers not to the year-on-year rate that stood at 14.7% in June, but to the rate of growth based on the fourth quarter of 1990. The June level of M3 growth by this measure was 18.4% — well above the 12% ceiling specified by the authorities.

SA's July trade figures failed to emerge last week, and so should be released early this week, showing an improvement on the June surplus of R1.1bn.

Star 20/8/9

PWV pays too

little for petrol

244 (28)

There was an under-recovery in the petrol price in the PWV area for the third consecutive month in July, says the National Energy Council

Motorists in the area underpaid 5,354c a litre for fuel during the month as a result of fluctuations in the international petrol price and in spite of the weakening of the rand-dollar exchange rate.

The under-recovery was better than the June figure of 7,75c but worse than May's 2,65c. The landed cost of petrol in May was 51,89c a litre, 56,99c in June and 55c in July.

The over-recovery in diesel declined slightly in July to 4,4c a litre from June's 4,98c as a result of a slight increase in the international diesel price. — Sapa.

Flat rentals growing at 'blistering pace'

TOM HOOD, Business Editor

MOST sectors of the property market are static except rents of flats, which are still growing at about the CPI rate, says Mr Erwin Rode, research director of Real Estate Surveys.

"There is no indication that the flat market has heard of the recession. With flat vacancies still zero in most locations, rentals are growing at a blistering pace," he says in his latest report.

"Factors which are buoying rentals are accelerated sectionalisation of rental accommodation by, especially, the institutions, which are worried about the possible 'slummification' of their rental blocks.

"Looking into the future, we expect that revolutionary changes to housing subsidy schemes will within a year or so boost rental levels."

House prices abruptly levelled off in the last quarter of 1990, with up-market house prices declining significantly.

As a consequence, the growth rates over a year earlier tumbled precipitously in most instances, the exception being low-priced houses.

The economy might turn up between now and early next year but the property market lagged the business cycle by a year and longer.

Little growth in nominal terms translated into declines in real

terms.

ARG 21/8/91

"Once the property market turns up, it will take another six months or so before we shall again see real growth rates."

Prime office rentals continued their "relentless decline", even in nominal terms.

Vacancy percentages were growing slowly but inexorably, even in seemingly recession-proof areas such as Sandton.

South Africa's CBD's were now sufficiently oversupplied with office space that enough spare capacity was available until at least the end of 1993. The prognosis for most decentralised areas was markedly better.

Shop rentals had largely stalled in most areas.

While industrial rentals were losing ground, smaller units are proving more resilient in the face of recession than the larger units.

Building cost indicators had been running at 12 to 13 percent over their levels of a year ago.

Non-Residential building starts were up again to 1989 levels. This implied that the recession in the building industry has not been too severe, and that an upturn may be imminent.

There were also some indications that home building activity may have turned the corner after bottoming out in January.

BUSINESS

'No more price wars in SA'

Blaney 2/18/91

244

MARCIA KLEIN

SA retailers are frequently involved in cut-throat price wars similar to the recent price war which took the major UK retailers by surprise, Pick 'n Pay chairman Raymond Ackerman said yesterday

Extremely tough competition between SA's major retailers ensured that their margins remained low, and SA companies could not afford any further price cutting, industry players said

Retailer Tesco's Goodge Street store in London recently launched a shock aggressive price-cutting campaign, reducing the price of its 500 own-brand lines by as much as 50%

London's Sunday Times said rival companies were caught by surprise, and some responded with their own massive price cuts and full page advertisements in national newspapers

UK retailers said the recession and

the entry into the UK market of German discount food chain Aldi may have "heightened consumer awareness of price"

Ackerman said that supermarkets in the UK were trading with margins in the region of 7,5%, while margins at Pick 'n Pay were 2,7% and most SA food retailers traded on margins well below 3%.

He said the UK had been heading for a price war because customers had been overcharged, and the price war started by Tesco was beginning to change the situation

Margins in Germany were under 3%, from 2% to 2,5% in Ireland and from 2,5% to 3% in the US "Britain was sticking out like a sore thumb," he said

Ackerman said that if SA companies operated with margins of be-

tween 6% and 8%, they would cease to exist.

Checkers MD Sergio Martinengo said price-cutting was a short term decision which would help a major retailer to gain market share for a few months. However, any SA company would lose money due to the low margins

Price cutting did not buy loyalty, as customers came to the store only because of the reduced prices, he said "In dire situations as we face in SA, it could be unwise to take short term decisions"

Martinengo said that in Tesco's case, it had recently come out of a huge realignment and store expansion programme and it needed something to get customers back to its stores

Margins in the UK were were much higher than in SA, so it was unlikely that a SA firm would try it.

VAT drops to 10% but petrol up by 13c a litre

244 A2G 22/8/91

The Argus Correspondent

JOHANNESBURG. — In a dramatic turnabout in the Value Added Tax scheme, the government has announced a drop in the VAT rate from 12 percent to 10 percent and an increase in the petrol price by 13c a litre from tomorrow.

The new reduced VAT will be implemented as planned on September 30, Finance Minister Mr Barend du Plessis said at the Union Buildings, Pretoria immediately after a Cabinet meeting yesterday.

But Mr Du Plessis did not make any further exemptions on basic food.

He announced

- An increase in petrol (13c a litre) and diesel (8c a litre)
- An increase in excise duty on "luxury goods"

- A VAT exemption on union subscriptions
- A VAT exemption on services by State and State-assisted hospitals and clinics.

Mr Du Plessis said private medical services would continue to be subject to VAT when the new system was implemented. (Contributions to medical schemes and funds would also continue to be VAT exempt.)

The increase in petrol and diesel and in excise duty on luxury goods — including alcohol, tobacco and TV sets — is aimed at recouping lost revenue resulting from the reduced VAT rate.

But the increase in excise duty — expected to recoup an estimated R260 million towards the expected R1,5 billion shortfall this year — should not increase the current cost of luxury items, as the excise will merely make up the lost GST revenue.

"The lowering of the VAT rate is primarily intended to give relief to the less affluent portion of the population," Mr Du Plessis said.

The 13c increase in petrol and the 8c rise in diesel are expected to make up the bulk of the shortfall.

Of the 13c petrol increase, 10c will contribute towards raising R630 million for the shortfall and 3c will compensate for the current under-recovery in oil costs due to the strong dollar.

"To further soften the effect of VAT and the recent rise in food prices on the needy, all social assistance schemes will be subject to a once-off adjustment with effect from October this year.

"In most cases this adjustment will amount to about R10 a month, to be derived from a R150-million budget for this purpose," Mr Du Plessis said.

Subsidies to old-age institutions would not be reduced as a result of the increased assistance.

Minister of Public Enterprises and Economic Co-ordination Mr Dawie de Villiers is this week due to announce a "whole host of projects" to bolster job opportunities using the R1-billion proceeds raised from the reduction of strategic oil reserves.

The Independent Development Trust project had now approved 108 low cost housing projects with about R1,5 billion already committed by the organisation.

Mr Du Plessis said these two major injections into the economy were primarily aimed at relieving the plight of the poor.

The new VAT system was to be implemented at an opportune time, as South Africa was at the lowest point of an economic cycle South Africa had seen the longest recession period since the World War 2.

Mr Du Plessis said a limited relief of about R50 million had been made available as a transitional measure to overcome certain problems identified in housing development.

Negotiations were still in progress with local authorities about the charging of VAT on their income on property rates and services.

In reaction to the announcements consumer bodies welcomed the lower VAT rate but expressed concern over the increased petrol cost.

Petrol price up, but VAT down by 2%

244 CT 22/8/91

PRETORIA. — The price of petrol is to be increased by 13 cents a litre from tomorrow and that of diesel by 8c, the Minister of Finance, Mr Barend du Plessis, announced yesterday.

Addressing a news conference at the Union Buildings, following yesterday's cabinet meeting, on the Value Added Tax system which is to replace GST in the country from September 30, he also announced that

- The VAT rate would be 10% and not the previously proposed 12%

- All state and state-assisted hospitals would be exempt from VAT on their fees

- R150 million increase in all social allowances

- Trade union fee contributions were considered a benefit and would be exempt from VAT.

- Adjustments would be made to ease the position of medical aid schemes vis-a-vis VAT.

- The government planned to reduce the import surcharge further

- Details on an improvement for a number of communities — using the R1 billion from the strategic reserves — would be made known next week, aimed at relieving the plight of the poor.

Mr Du Plessis said the additional revenue for 1991/92 from the fuel increases was estimated at R630m

The price of paraffin would not be affected.

Crude oil was now much more expensive than at the start of the year and future developments on the fuel price would depend significantly on the crisis in the USSR

On the proposed levying of VAT on local authorities' rates, Mr du Plessis said he could not "give you a ruling" as these bodies were coming back to the government to re-negotiate.

On the general economic scenario, he said everyone in South Africa had hoped that the next economic upswing would come earlier than was now generally foreseen.

Had it not been for the Persian Gulf crisis, the upswing could already have started, and it was hoped that the escalatory effect of events in the Soviet Union would not similarly retard the economic recovery

Further measures to stimulate industrial growth, especially for export-orientated industries, would be announced soon.

Mr Du Plessis said the introduction of VAT at 10% represented an effective loss of revenue of almost R4 400m for a full year

He said details of the once-off R150m adjustment to social assistance schemes from October 1 would soon be announced by the Minister of National Health, Dr Rina Venter

Almost 2,4 million individuals would benefit, he added — Sapa

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is cut

PRETORIA. — The government yesterday slashed the rate for VAT, but put up the price of petrol and diesel

The price of petrol is to be increased by 13c a litre from tomorrow and that of diesel by 8c, the Minister of Finance, Mr Barend du Plessis, announced yesterday.

Addressing a news conference at the Union Buildings — following yesterday's cabinet meeting — on the value-added tax system which is to replace GST from September 30, he also announced that the VAT rate would be 10% and not the previously proposed 12%.

● Report — Page 3

Petrol price ²⁴⁴ is up by 13c

THE price of petrol will be increased by 13c a litre and diesel by 8c tomorrow, Finance Minister Barend du Plessis announced at a news conference at the Union Buildings in Pretoria *Sowetan 22/8/91*

On the proposed Value Added Tax system for South Africa, Du Plessis also announced that the VAT rate, to be introduced from September 30, would be 10 percent and not the previously suggested 12 percent

The decisions followed a Cabinet meeting yesterday
- Sapa.

'Barend's gymnastics exercise'

THE Minister of Finance, Mr Barend du Plessis, was engaging in an exercise of arithmetic gymnastics by simultaneously reducing the rate of VAT while increasing the fuel price, Democratic Party finance spokesman Mr Jasper Walsh said last night

"What the consumer

wins on the one hand, he loses on the other

"What is needed is an extension of VAT relief on basic foodstuffs, massive and effective targeted relief programmes and the removal of VAT from medical services and prescribed medicines," Mr Walsh said

● The Consumer

CT 22/8/9)
Council yesterday welcomed the government's decision to reduce the rate of VAT to 10%

● The South African Health Workers' Congress has "cautiously welcomed" the announcement that public health facilities will be zero-rated — Political Staff, Sapa, Own Correspondent

Big rises expected in spite of lower VAT

Staff Reporters

South Africans, who will be hard hit by the 13c a litre increase in the petrol price to compensate for the drop in VAT, should also expect steep rises in the price of liquor, industry spokesmen said today.

In the face of strong public pressure, Finance Minister Barend du Plessis yesterday moved from his "inflexible" position on VAT to cut the rate from 12 to 10 percent.

However he announced a package of other measures to make up for the expected shortfall in State revenue.

Fedhasa executive director Peter Hearfield today

welcomed the reduction in VAT, saying it would benefit the hotel industry. He was, however, wary of the effects of increased excise duty on the liquor industry.

He warned if the Government intended to recoup the billions of rands lost through the 2 percent loss in VAT partly through additional revenue from the sale of drink, then he "feared the worst" when the amount of the excise increase was announced.

Public anger over the announcement that petrol was to leap 13c a litre from tomorrow was illustrated by the flood of angry calls to

The Star's Speakout last night.

BMW spokesman Chris Moerdyk said the 13c a litre increase was enormous.

"The trade-off between relief from VAT and an increase in the petrol price could quite easily see people pay more at the end of the day. It is therefore questionable whether the relief that the reduction in VAT is supposed to bring about will in fact be a relief at all."

The cut in the VAT rate to 10 percent has been warmly welcomed by the South African Chamber of Business, which has urged "Now we must all throw our weight behind the system and make

it a resounding success after September 30."

Executive director Raymond Parsons said the changes were in line with what Sacob originally recommended to the Minister of Finance.

Despite the petrol price increase which may offset the benefits of the reduction of VAT, the move was a positive step towards trying to make a dent in the cost of living.

On the social side, safety nets were created for the very poor which made the total package acceptable, he said.

● To Page 3

Big rises expected in spite of new tax deal

● From Page 1

While the exemption of VAT from fees at State and State-assisted hospitals would not directly benefit these institutions

which did not rely on their patients for their income, the assistance to the very poor was to be welcomed, said Professor Keith of the University of the Witwaters-

rand Medical School.

But Medical Association of South Africa secretary general Hendrik Hanekom said he was concerned that the benefits announced would not

be passed on to the private sector.

The National Association of Automobile Manufacturers of SA welcomed the VAT reduction.

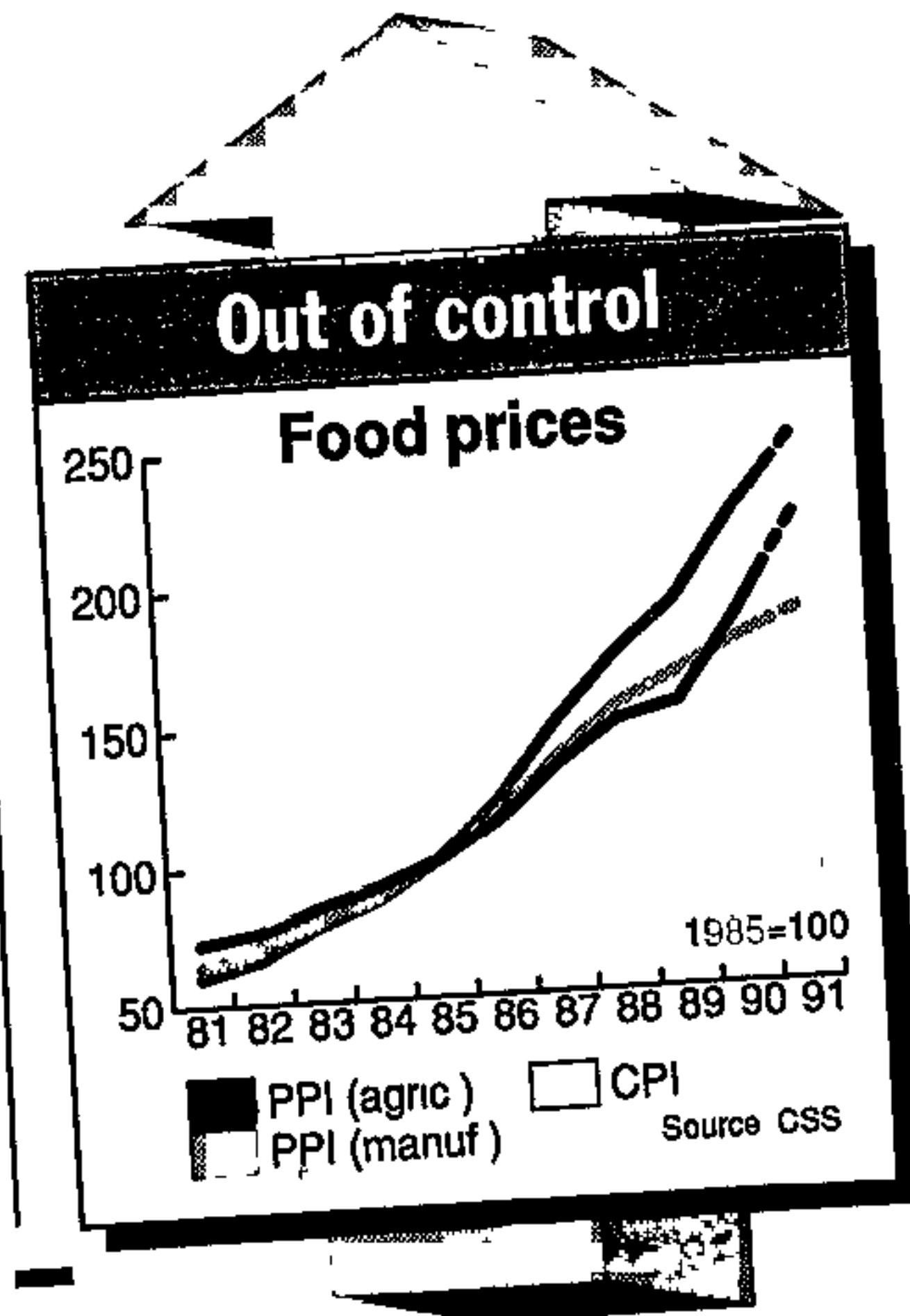
Curiouser and curiouser

244

Central Statistical Service (CSS) is checking figures that show a staggering 42,1% in the agricultural food component of PPI in the 12 months to June. Results may be published this week.

Prices in many of the sectors that are heavily weighted in the statistics have not risen significantly over the past six months. Meat prices, for example, have mostly declined. Beef sold for an average R4,91/kg in June compared with R5,25/kg in January, lamb for R6,49/kg compared with R6,83/kg, and mutton for R5,77/kg compared with R5,90/kg. Only pork showed a slight increase, from R3,97/kg in January to R4,22/kg in June.

With Department of Agriculture statistics showing a lower rate of increase in agricultural prices than CSS ones, the accuracy of CSS statistics is bound to come under scrutiny in the Board of Trade & Industry investigation into food prices.



Fuel hike shocks transporters

6/0am 23/891.
GERALD REILLY

PRETORIA — The steep rise in fuel prices from today will dump the bus and taxi commuter industries into a crisis unless government agrees to raise subsidies substantially, say industry spokesmen.

Southern African Bus Operators Association manager Eric Cornelius said yesterday there was no way the bus industry could absorb the 8% increase in the price of diesel.

Many companies had recently raised their fares and if a further hike was to be imposed there would be an angry reaction and possible protest action from bus users.

Most companies were

working on thin margins and only a handful would survive without increased subsidies.

Finance Minister Barend du Plessis had referred vaguely to appropriate subsidy adjustments. However, he should urgently spell out in detail what he meant.

Meanwhile, SA Black Taxi Association (Sabta) adviser James Chapman said the taxi industry used about 8-billion litres of petrol a year.

The 13c/l increase would add tens of millions of rands to costs, and inevitably the entire increase

would be passed on to commuters (S) (244)

"We are devastated by the increase

"There is already grave discontent because of the level of bus and taxi fares and this new fuel price hike will aggravate an already worrying situation," Chapman added (S) (252)

DP transport spokesman Wessel Nel said yesterday the added burden to the motorist, without any compensation, was "totally unacceptable"

CP commerce and industry spokesman Daan Nolte said yesterday Du Plessis's statement was a capitulation in the face of ANC pressure

House price increases average 11,9%, says United Bank

THE average price of all houses rose by 11,9% over the four quarters to the end of the second quarter of 1991, the latest United Bank housing review shows

While the increase in the price of medium-sized and larger houses continued to grow at a year-on-year rate of 13% and 9% respectively, new house prices continued to soften, moving only 1%, the review says

The average price of a medium-sized house rose to about R116 400, with a larger home now costing R158 000 on average and a smaller home firming 15% to R98 300

Building costs in the second quarter of 1991

rose by 12,9%, once again below the rate of inflation "The stickiness of the inflation rate and the comparatively high money supply growth rate are bound to keep the Bank rate at its current level for some time to come," the review says.

"A lowering of the Bank rate is only foreseen in the first quarter of 1992, with the result that the mortgage rate will remain positive in real terms well into the foreseeable future."

Nominal mortgage payments on a 20-year bond of 80% of the value of a medium-sized

house — a bond of R93 100 — amounted to 15,1% more at R1 581 than a year ago

The housing market was likely to remain under pressure on the back of the expected continuation of the economic downturn and interest rates remaining positive in real terms by a substantial margin

"For the 12-month period to the end of the first quarter of 1991, house plans fell by 14,5% and the general expectation is that the number of houses completed will drop in 1991," the review says

House prices are expected to increase by about 14% over the year

PETER GALLI

Blow 23/8/91

12

12

244

Fuel-price hike angers blacks

BLACK organisations have expressed anger at the Government's decision to increase the price of petrol by 13c today.

The Southern Africa Black Taxi Association, the National Federated Transport Organisation and the National Black Consumer Union, said the price hike was particularly unwelcome as VAT was going to hit blacks hard.

Sabta's marketing manager said in order to meet the demands of the two vicious decisions, the taxi industry would seriously have to look into a fare increase. Nafco's president said the increase was regrettable in

Soweto 23/8/91

By JOSHUA RABOROKO

that it came at a time when the Government was about to introduce a new tax system. NBCU's spokesman said representations would have to be made to the Government about the hikes.

Distribution costs

A spokesman for the Soweto Motorist Protection Club said it was a camouflage that was intended to take away much from the poor. He said to regard cars as luxury items was the height

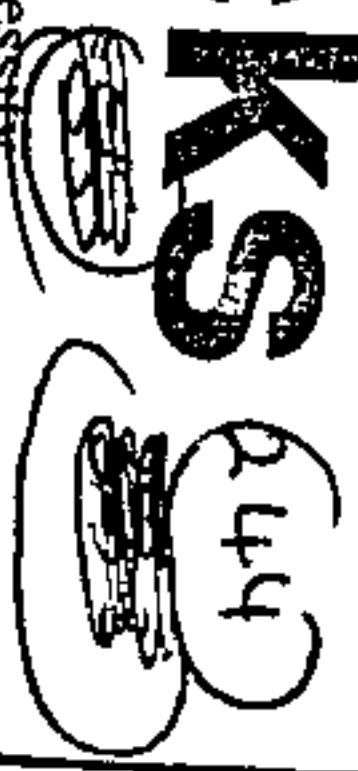
..Estimates drawn up by the International

of hypocrisy - cars were a necessity

The managing director of OK Bazaars, Mr Gordon Hood, expressed concern that the fuel increase would lead to higher transport and distribution costs

"We appeal to suppliers to absorb these additional costs which are inflationary and, if placed on the consumer, could negate the positive impact of the reduction of VAT."

Pick 'n Pay's chief executive, Mr Raymond Ackerman, said the majority of service stations owned by his company would remain open until midnight so consumers could fill up



Short-term help seen

for CPI

Star 24/8/91. (244)
CAPE TOWN. The tax-adjust-

ments announced by the Minister of Finance could result in the Consumer Price Index (CPI) rising less in the short term than would otherwise have been the case, says Johan Louw, the chief economist of insurance giant Sanlam.

"As far as the switch from GST to VAT is concerned, the envisaged recomposition of the Consumer Price Index makes it very difficult to determine the net effect of this change.

"At this stage, we think it should bring about only a small once-off increase in the inflation rate."

He says the higher petrol prices — 13c a litre for conventional fuel and 8c for diesel fuel — and excise duties on liquor, tobacco, TV sets and cars, on the other hand, are expected to cause this rate to rise by an estimated 0,7 percentage point in September.

(The forward and backward linkage effect could push the inflation rate still higher in time)

"All in all, we foresee that the inflation rate (after the tax adjustments) will be just over 14 percent by the end of the year.

"For 1991 as a whole, we estimate a figure of between 14,5 percent and 15 percent.

This could decline to an average rate of about 13 percent in 1992," Mr Louw concludes. — Sapa

Gold, platinum take it on chin

Star 24/8/91. FINANCE STAFF and REUTER

THE gold price yesterday fell to its lowest level in a year in the aftermath of the failed coup by hardliners in the Soviet Union.

Over the past week gold has fallen by almost \$9 to be fixed yesterday afternoon in London at \$353,70.

Platinum prices also took a hard knock, despite the temporary closure of two mines by Impala, the second-largest producer in the world.

It was set at \$331,50 an ounce yesterday, its lowest level since December, after a close of \$344 on Thursday, and in the wake of selling by Japanese investors.

The decline in the gold price, coupled with a recovery in the rand against the dollar over the week, hit the rand gold price — the price SA gold mines receive.

The rand gold price started the week at R1 054 immediately after the coup, but over the week plunged to close yesterday at R1 018.

The decline had a devastating effect on gold share prices on the JSE. Over the week the gold index shed 125 points to 1 144 yesterday.

Gold's failure to budge on news of the abortive coup in the Soviet Union, shows once again that the precious metal has lost its place as a safe haven in political crisis, analysts say.

Monday's coup by hardliners in the Soviet Union initially tacked \$5 on to gold's price.

But values had retreated to the minus column by midday as threats of potential gold sales by the Soviets worried the market.

The Soviet Union, the world's third-largest gold producer, has a stockpile of 2 000 tons, and the market feared the economically ailing country would sell more

gold to boost its foreign exchange reserves.

The coup's speedy demise resulted in a brief rise, as anxiety about Soviet sales waned on Wednesday.

Investors are not interested in trading gold, analysts say, and many have switched to more robust markets, such as the dollar, stocks and government bonds.

"I think part of the problem for gold is that world financial markets have matured and people are looking to other vehicles," says Jeffrey Nichols of American Precious Metals Advisors, a Florida-based consulting company.

"Gold is not particularly sensitive to geopolitical anxieties. Its traditional response (to global crises) is no longer valid. People prefer to hold dollars as opposed to gold," he says.

When Iraqi President Saddam Hussein's troops stormed into Kuwait in August 1990, gold prices on New York's Commod-

ity Exchange rose just \$3.

In mid-January, when Gulf War ground fighting erupted to dislodge the Iraqis, gold gained more than \$6 in Sydney, Australia, the first market to respond.

But the next day it crashed a spectacular \$30 in New York on expectations of a quick victory for the allies.

Scores of miners at GFSA's Doornfontein gold mine have been on strike since Tuesday, the company confirmed yesterday.

It said the apparent reason for the strike was a resistance to alternative employment one level lower than existing positions in order to avoid retrenchments.

An ultimatum to return to work was issued to those employees who participated in the illegal strike.

The employees did not respond to the ultimatum, with the result that about 6 000 employees out of a total of 7 000 have been dismissed.

Government set to woo foreign institutional investors

Star 24/8/91. STAR FOREIGN SERVICE

BONN — THE South African Government will make presentations to institutional investors and bankers in Germany next week, preparing the ground for its first public Eurobond issue since 1985.

Deutsche Bank, the biggest German bank, and favourite to win the mandate for a public issue, is hosting presentations of institutional investors in Frankfurt on Wednesday.

Representatives of the South African Ministry of Finance will be present.

However, a senior Deutsche

Bank official says no decision has been made on the timing or size of a public bond issue.

South African Government-backed borrowers, such as the Department of Post and Telecommunications and Transnet have been active in the private placement markets of Germany and Switzerland this year.

The Centre for the Study of the South African Economy in London estimates that borrowers

have raised about \$300 million from this source in the first half of this year.

However, almost all of these funds have been used to refinance the redemption of outstanding bond issues made in the early 1980s.

There has been no public bond issue by a South African borrower since 1985.

The Government has said that it would like to make a big, public bond issue in the name of the Republic of South Africa and would like to raise new money

Bankers says the lifting of US sanctions in July made it possible for institutional investors to participate in a public issue.

The involvement of large investment institutions would be vital to ensure the success of a public issue in the region of Dm150 million to Dm200 million.

But they say political sensitivities remain great.

For example, some of the biggest borrowers, such as the Province of Ontario and Ontario Hydro, will not deal with SA-linked banks.

WAITING FOR VAT

IF YOU thought that waiting for the introduction of VAT could save you thousands when buying a used car, think again. Prices may in fact rise rather than drop after VAT comes into effect

On the face of it VAT should reduce the effective purchase price of used vehicles. In the case of private sales, no tax whatsoever is payable, where the current GST system adds 13 percent to the asking price.

There is also an anticipated VAT-related saving in the case of new light commercial vehicles, since owners will be able to claim back the VAT paid on these vehicles.

However, motor industry executives are perturbed that would-be vehicle buyers could be caught unawares by an anticipated swing in demand after VAT is in place. And that could mean that prices will rise rather than fall.

Toyota Marketing Company MD Brand Pretorius points out that now is actually a very favourable time to buy a used car. "With everybody waiting for VAT, used car stocks are high at most dealers and they are very keen to sell," he said.

Discounts and special financing deals abound as the saturated market tries to shed stock before VAT. However, buyers are not prepared to pay 13 percent GST only weeks before the new tax arrives.

"What they don't realise," Pretorius insists, "is that as soon as buyers climb in when VAT is introduced, the strong increase in demand will see used car prices soar."

"Also, there is a very good chance that these buyers will still have to pay GST. Used cars in dealers' stock before VAT is introduced continue to be

MAY COST YOU MORE

Car prices set to rise as demand increases

subject to GST. It could take months before that pent-up stock is cleared."

While privately owned cars will be exempt from all tax as soon as VAT is implemented, the expectation is that prices will rise across the board as soon as this happens.

By how much is a moot point, but some dealers are predicting price hikes of between 18 and 20 percent — a figure which totally

eclipses the saving on GST. The slump in the used car market in anticipation of VAT has had a restricting influence on new car sales, too. Dealers, already overloaded with trade-in stock, have had to cry enough and are losing new car sales as a result.

Delta marketing and sales director Wilhe van Wyk also believes that buyers who wait until VAT arrives are cheating themselves. "The pent-up demand is definitely going to cause a price hike."

And as far as light commercials are concerned, inflation price increases — due to inflation, higher production costs and currency fluctuations — will erode much of the 13 percent benefit.

The expected sudden surge in demand for light commercials will place an even heavier burden on hard-pressed local manufacturers, who are already facing massive production

losses after the recent crippling strike. While the losses are likely to be at least partly recuperated by year-end, many popular vehicles will be in short supply, and waiting lists could stretch over months. Almost inevitably, price increases will see prices rise in the period between ordering a new light commercial and its delivery.

Some manufacturers are trying to coax buyers into the market before VAT arrives by offering preferential interest rates on approved used cars. BMW, for instance, has a financing package offering an effective 15 percent interest rate on its approved used cars.

But while special deals on factory-approved cars abound at the moment, buyers may not be so lucky when the post-VAT demand makes selling that much easier. Almost certainly, the aggressive sales campaigns currently being run will be replaced with a far more sober, conservative approach.

Exotic car dealer Ross Fyfe of Investment Cars echoes the sentiments of the motor industry

Waiting for VAT

"The exotic car market has gone through tough times but we have now reached the lowest point and we believe that those who want to get in on the ground floor should do it now."

"Prices are very competitive indeed and good investment opportunities abound. However, there are a lot of fence-sitters who are waiting for VAT before they jump in. And that surge in demand is sure to see prices rise."

Fyfe predicts an initial jump of up to 18 percent

used cars are still likely to find the best buys with private sellers, who are not likely to be as aware of increases and demands.

While the overall average for used cars will almost certainly climb, private sellers will be content with recovering their GST costs.

Prospective buyers of used cars are still likely to find the best buys with private sellers, who are not likely to be as aware of increases and demands.

While the overall average for used cars will almost certainly climb, private sellers will be content with recovering their GST costs.

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Revision of food PPI fails to nail inflation culprit

244

B/Dew

28/8/91

Business Day Reporters

THE adjustment in the food PPI has done nothing to identify the main contributor to high food inflation, retailers and manufacturers said yesterday.

They said the adjustment merely pointed to the unreliability of the figures. The implication in the figures that the gap between producer and retailer had widened was irrelevant.

CSS director of statistical advice John Lynch said the figures in the food PPI were for processed and unprocessed food, and only the unprocessed figure had been adjusted.

Although the new figures pointed to an even larger discrepancy between food PPI and CPI, this did not necessarily point to the retail trade as the cause of high food inflation.

He said that there had been some "double counting" in the food PPI, which could account for some of the discrepancy.

Industry players said although the figures pointed to bigger mark-ups, the major retailers' operating mar-

gins — all well below 3% — indicated they were not to blame.

Pick 'n Pay food director Sean Summers said the chain's figure for food inflation was around 13.3%, which was "100% accurate because it incorporated every unit sold".

The SA Agricultural Union criticised the CSS for "month after month" of miscalculation of agricultural producer prices.

SA Federation of Civil Engineering Contractors executive director Kees Lagaay said construction companies and other businesses working on long-term contracts stood to lose millions.

"The standard contracts used by the construction and metal industries use the PPI as one of the benchmarks to calculate the escalation of long-term contract prices," he said.

One contractor said: "A small percentage error in the PPI could wipe out our entire profit margin."

Figures revised because of 'error'

Dramatic dip in producer price inflation

2444

Bloem 28/8/91

GRETA STEYN

DRAMATIC downward revisions in the producer price index (PPI) paint an entirely new picture of inflation at the producer level.

Central Statistical Service (CSS) yesterday said the rate of increase in the PPI had been revised downward by almost three percentage points in June, from 14,1% to 11,2%. Since January 1990, every month's figures have been revised because of a "processing error".

CSS said in a statement the sharp increase (42,1%) in the agricultural food price index caused it to undertake "a penetrating investigation" into possible causes.

The revisions establish a strong downward trend in producer inflation from a revised peak of 14,6% in November.

Sacob said in a statement yesterday that the adjustments could lay the basis for a revision of the prevailing monetary policy

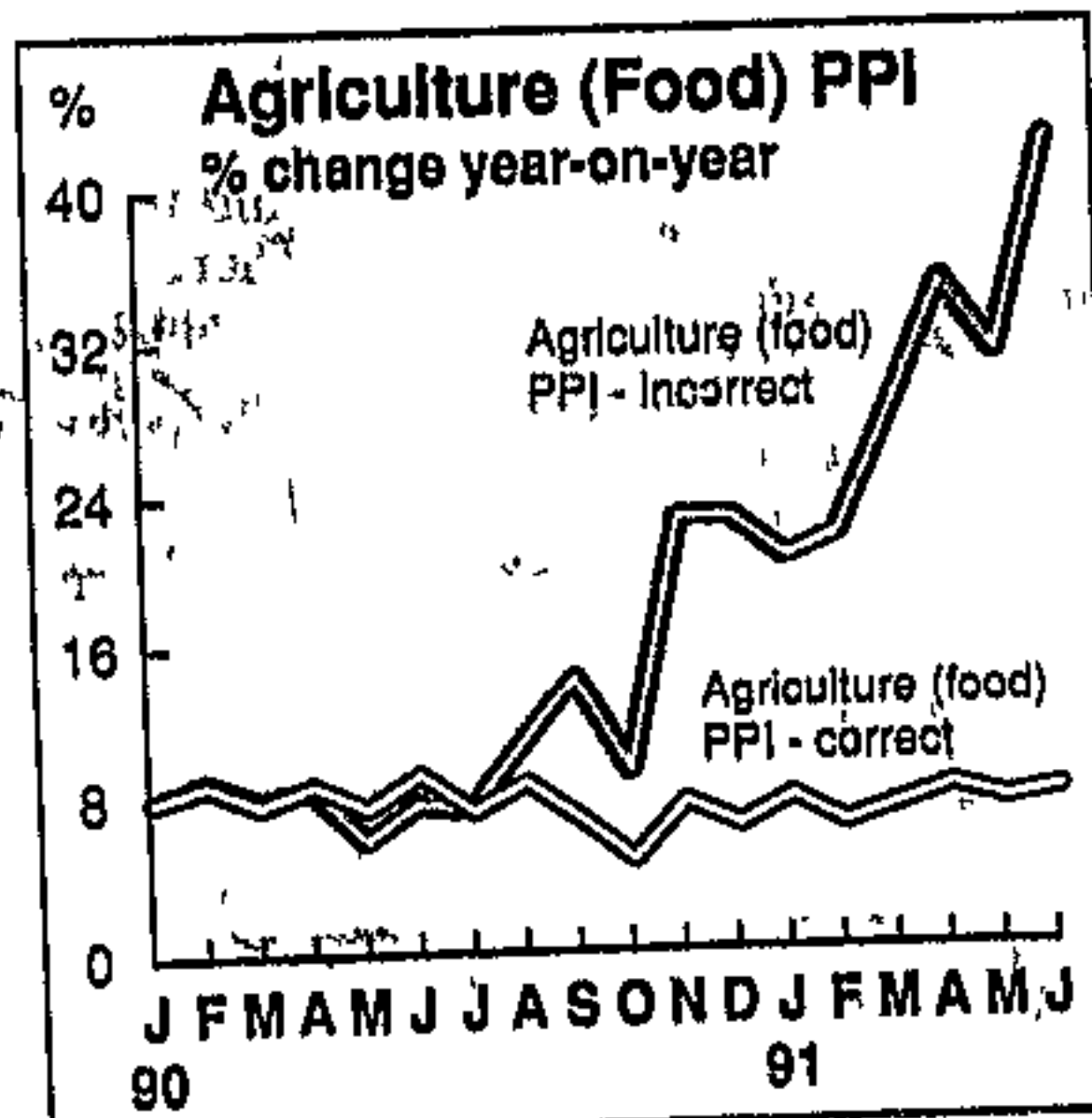
stance within the next few months. It expressed concern that the incorrect figures may have had an impact on policy and pricing decisions.

"The positive message flowing from the CSS revision of the PPI is that, contrary to recent perceptions, the underlying 'cost-push' inflationary trend in the economy has continued to decline since February this year," Sacob said.

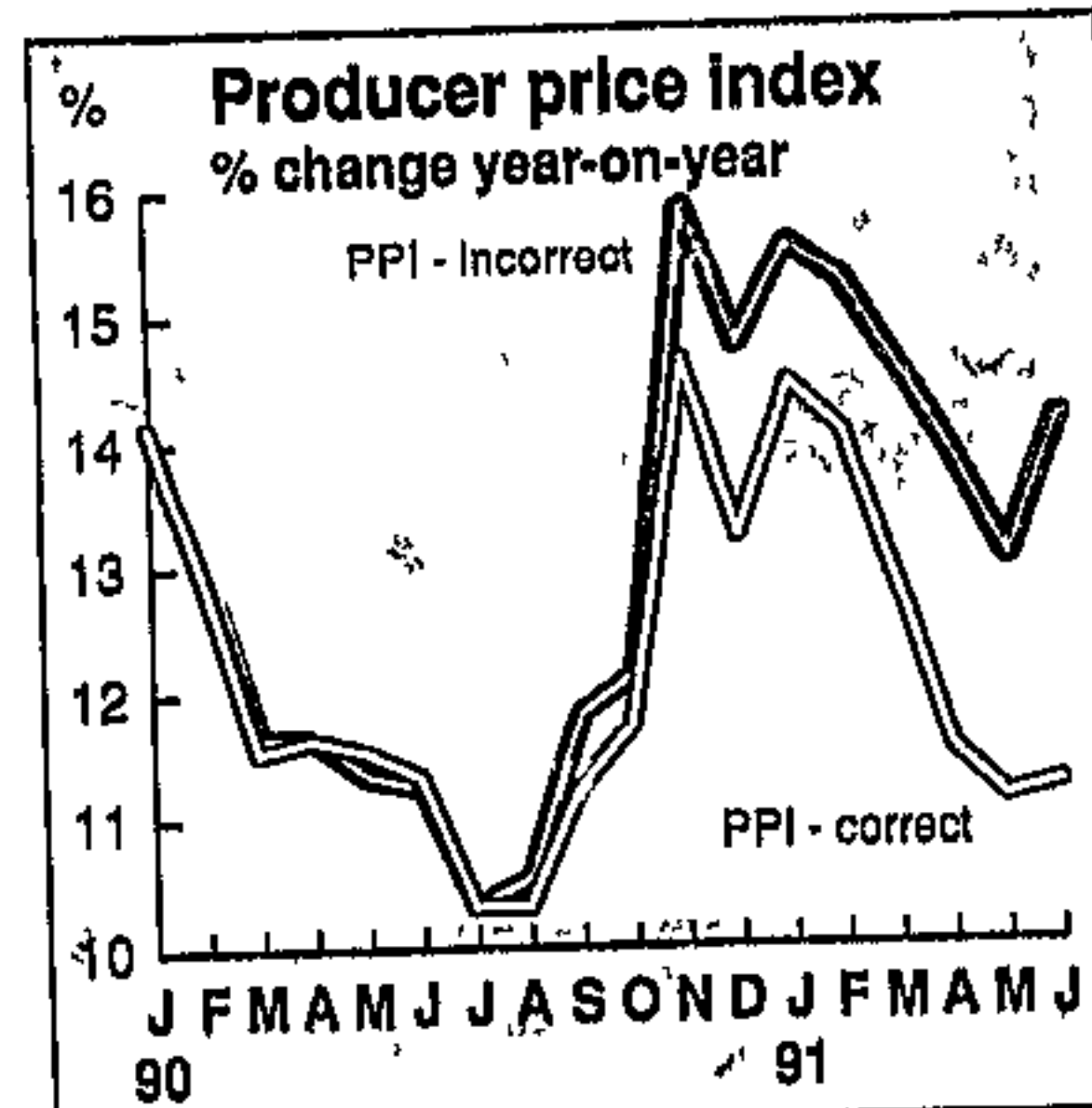
In the capital market, the reaction was bullish with long-term rates shedding about 17 points from the opening before Reserve Bank Governor Chris Stals's speech caused a slight rebound.

But CSS emphasised that there would be no similar revision of the consumer price index (CPI).

□ To Page 2



Graphic: FIONA KRISCH Source: CSS



Graphic: FIONA KRISCH Source: CSS

Inflation

Bloem 28/8/91

"The CPI is an entirely different calculation to the PPI. The prices of these two indexes are measured at different points," CSS head Treurnicht du Toit said. All facets of the CPI had also been checked but no mistakes had been found.

Trends in the PPI's rate of increase usually lead the CPI by about three months. But the downward trend in producer inflation has not yet filtered through to the consumer level, with consumer inflation stuck at 15,2% for May and June from 14,1% in March.

The lower producer inflation is not reaching consumers because retail prices of food are rising at a much faster rate than producer prices. The latest revision has widened the gap between producers and retailers. The discrepancy has seen Finance Special Adviser Japie Jacobs launch an investigation into its causes.

□ From Page 1

The food index for consumers was 253,3 in June, which means prices have risen by 153,3% since the base year, 1985. For producers, the agricultural food index is 175,6 — an increase of 75,6% since 1985.

Econometrix economist Azar Jammine said this discrepancy in the rates of increase took off from 1986 and remained "an enigma". It was imperative that an answer be found as food prices had risen faster than other consumer prices for the past two decades. "The food situation is helping entrench inflationary expectations in our concentrated business and labour environments."

He said many factors had been mentioned as possibly causing or contributing to the different trends, including transport, wages and packaging.

● See Page 3
● Comment: Page 10

Mistake feeds food row

A MISTAKE in calculating the cost of producing food in South Africa has led to a new row over rising prices.

Yesterday the Central Statistics Service admitted that it had miscalculated in the producer price index (PPI) which has a strong influence on the country's inflation rate.

In the wake of this admission retailers yesterday blamed manufacturers and government control boards for soaring food prices.

Yesterday the CSS admitted that its miscalculation had caused the agricultural food price component

of the producer price index (PPI) to increase by 42% in June 1991 (on the previous June), now corrected to 7,7%.

Old Mutual's economist, Mr Rian le Roux, said the consumer price index figures would now be revised, which showed that the problematic jump in food prices was not the fault of the farmers.

Food increases, he said, had obviously occurred somewhere between the producer and the consumer

Pick 'n Pay's food director, Mr Sean Summers, said food inflation in South Africa had been brought on by

government intervention (on control boards) and supported by the power of manufacturers.

"The authorities, for example, are taking a cut on every litre of milk and every egg sold — which is a down-the-line price hike for the consumer." (24) CT 28/8/91

Added to this, Mr Summers said, manufacturers with limited competition were controlling the next stage of the production process

"This allows for monopoly pricing

To page 3

From page 1

Food row (24) CT 28/8/91

or simple collusion among the few competitors."

Pick 'n Pay chairman Mr Raymond Ackerman confirmed that in some food lines increases over the last year had been passed on to them at a 78% increase. "A large part of these increases were brought on by manufacturers exporting into Africa and creating a shortfall locally."

Mr Ackerman said thin profit margins of roughly 2,5c in the rand (pre-tax) implied the returns were going elsewhere in the distribution chain

CSS director of statistical advice Mr John Lynch said the figures in the food PPI were for processed and unprocessed food, and only the unprocessed figure had been adjusted.

Although the new figures pointed to an even larger discrepancy between food PPI and CPI, this did not necessarily point to the retail trade as the cause of high food inflation.

He said that there had been some "double counting" in the food PPI, which could account for some of the discrepancy. — Staff Reporter and Own Correspondent

Major error uncovered in the PPI

By David Canning

The disclosure that major errors have been discovered in the official food price index and the producer price index has sent shock waves through the markets.

Central Statistical Service (CSS) confirmed the errors yesterday.

A broker said speculation about the changes caused havoc in some markets. The Eskom rate fell 20 points at one stage — to 16,46 percent from the previous close of 16,67 percent. It later moved back to 16,535 percent.

In a nutshell, the revisions mean agricultural food prices have not been rising as sharply as the original figures suggested.

A spokesman for CSS said that as a result of the corrections the June agricultural food price index had been adjusted from the enormous 42,1 percent originally calculated to just 7,7 percent.

It now appeared that the PPI for June this year, taken on an annual basis, had shown only a slight increase of 0,1 percentage points compared with the previous year and now stood at 11,2 percent for the month of June against the previous incorrect figure of 14,1.

Adjustments have also been made for previous months this year (old figure in brackets): ie January 14,4 (15,5), February 14,0 (15,2), March 12,8 (14,5), April 11,5 (13,8) and May 11,1 (13,0).

The revised annual rate of increase of locally produced commodities for South African consumption is 12,0 percent for June, which is 0,4 of a percentage point higher than the corresponding rate for May (11,6 percent).

Bona fide

CSS said the "significant bona fide errors" had been made in measurements of the prices of milk, mealies, wheat, oats, gram sorghum, green beans, cotton and leaf tobacco.

Dr Treunicht du Toit, head of the CSS, said the errors were regretted. Every effort would be made to ensure they were not repeated.

As a result of the discovery, the release of the consumer price index, used as an index of inflation, had been delayed by a few days.

It is now expected to be released today. The errors would not affect the official CPI figures.

Angry dealers slam 'leaking' of PPI figures

^{B (D) W}
29/8/91

ANGRY capital market traders yesterday accused Pretoria of leaking the previous day's revised producer price index (PPI) to specific market participants hours ahead of the official release.

Dealers were reluctant to take strong positions on the strength of yesterday's CPI figures in the light of the revision of the PPI.

The E168 ended at 16,61% yesterday from Tuesday's 16,57% and Monday's 16,67%.

"People just don't trust the figures anymore," said one.

Dealers said the leaking of the PPI figures on Monday enabled "favoured" investors to take new posi-

ROBERT GENTLE

tions or unwind earlier ones safe in the knowledge that capital market rates would move dramatically to account for the erroneous PPI.

Traders said these deals, struck on what was in effect insider information, caused huge profits to be made by some market participants.

These accusations, made by traders who were reluctant to be identified, came from at least five different sources in banking, stockbroking and independent broking circles.

They were unanimous at putting the leak at about 7.15am yesterday, after which they said there was sus-

240

tained buying by participants, one of which was rumoured to be a bank dealing through a floor broker.

Calls by the market to Pretoria to find out what was going turned up no useful information, they said.

The obvious inference was that the leak must have come from "high up".

One trader said: "It is totally unprofessional on the part of Pretoria. It is not the first time either."

A trader said SA should adopt the US system of publicly stating the date and exact time crucial economic data would be released.

The Central Statistical Service, who releases the figures, was unavailable for comment yesterday.

'No hope of low inflation rate'

B (Dow) 29/8/91

(244)

MONETARY policy was like spitting in the wind and Reserve Bank governor Chris Stals had no hope of reducing inflation until next year, Nedbank senior economist Edward Osborn said yesterday.

"Next year lower wage rates, determined by companies' inability to accede to anything like inflation matching demands, the effects of VAT and lower imported inflation will reduce cost inflationary pressures," he said.

Standard Bank chief economist Nico Czypionka said monetary policy would remain very tight because the Reserve Bank remained perturbed about government spending.

Sanlam economist Johan Louw said there was no question now of a reduction in the bank rate, and the economic recession would probably deepen.

He was less pessimistic about VAT's impact on inflation, which he predicted would not exceed 1% in October. The petrol price hike and excise duties would probably push consumer inflation up by about 0,7%.

Osborn said the difference between producer and consumer inflation was disturbing and needed investigation.

Retailers surveyed yesterday argued that a lower CPI was achievable if retail efficiencies improved and manufacturers were able to lower their prices.

Reacting to food's high contribution to the 1,2% month-on-month increase in CPI, the retailers said that seasonal factors could also see the CPI decline.

Pick 'n Pay chairman Raymond Ackerman said the group's figures for food increases were 12,4%, representing the inflation of all food in its stores.

SHARON WOOD and
MARCIA KLEIN

One of the major reasons for the increase was that the situation of only four major manufacturers brought with it "a certain amount of oligopoly and price fixing", said Ackerman.

The rapid increase in exports was also creating shortages in SA and raising the prices of some items substantially.

He added that the control boards were sometimes in the position where they could import lines at lower prices, but sold them at a higher price.

Filter

Ackerman said the retail sector was often blamed for the price increases, but with margins of under 3% and strong competition between the major retailers, they were not solely responsible.

Spar Group marketing director Brian Beayon said that traditionally, May and June were periods of a wider range of price increases as new crops were coming in. These increases took some time to filter through, and were currently affecting food's contribution to the increase in CPI.

Another factor was that the CPI included some non-grocery items. Prices of these products were determined according to supply and demand, and recent supply shortages could have altered the price.

Checkers director Lionel Blackman said suppliers had justified price increases on the basis of increased costs. He said that this should hopefully come down with the VAT input credits that manufacturers would be able to claim.

Inflation figures: More slip-ups

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MAG 29/10/91

Business Staff

FOR the second time in a week, inflation figures have had to be corrected by the Central Statistical Service

Consumer price index data for the year-on-year rise published yesterday was corrected slightly downward today to 15,8 from 15,9 percent

The lower income index was also adjusted down to 15,8 from 15,9 percent, the middle income index to 16,3 from 16,5 percent and the higher income index to 15,7 from 15,8 percent

The food index was correct at 17,2 percent, said the department today

Yesterday, the producer price index was adjusted sharply downwards after the department conceded food price figures had been wrong

However, economists say South Africa is losing the fight against inflation. This is the consensus yesterday after news that the consumer price index (CPI) in July rose to a four-year high

The release of the much-delayed CPI figures dashed all hopes that inflation was on its way down

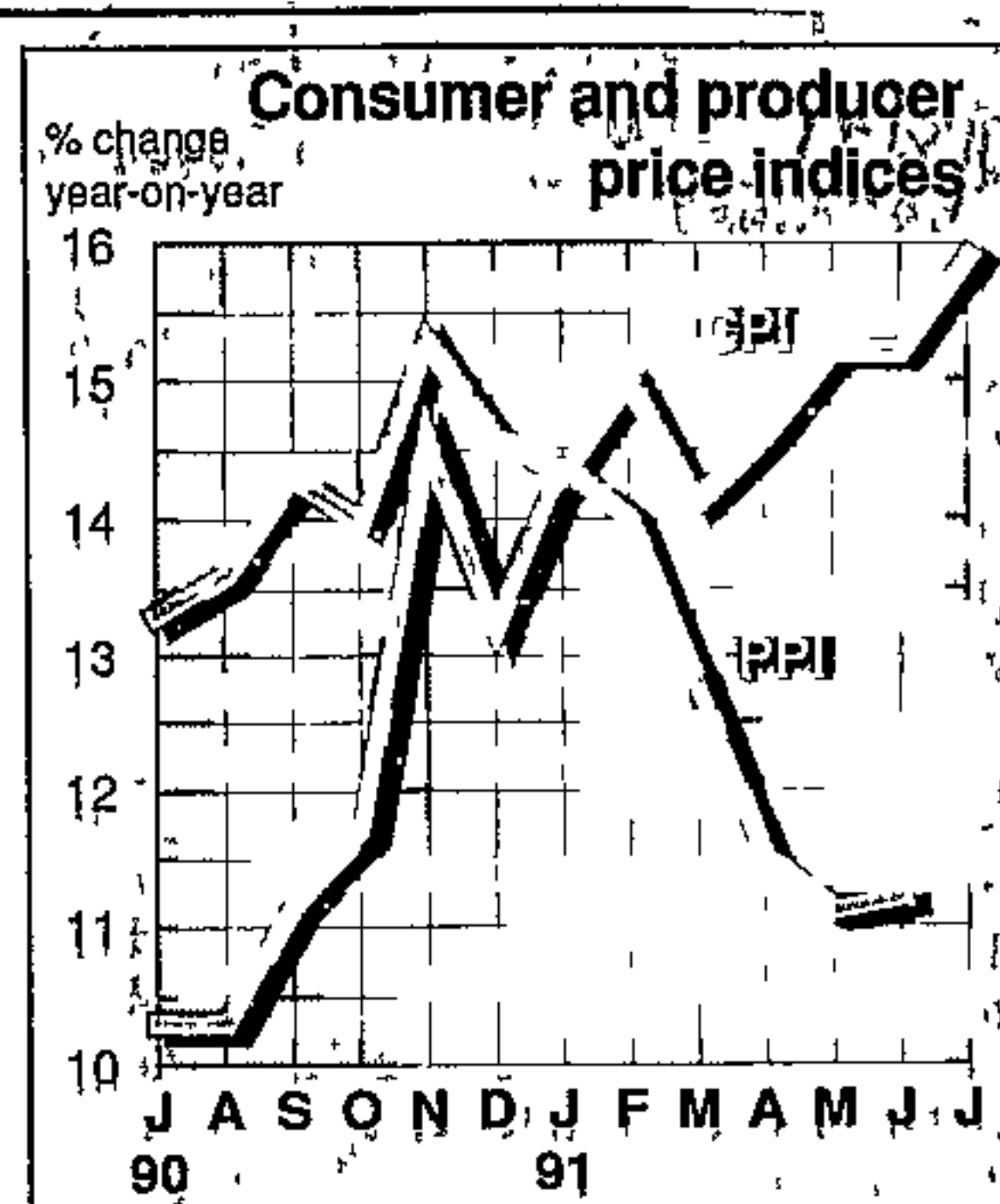
Economists now expect that the introduction of VAT in October plus the impact of the increased fuel price will add between 2 percent and 3 percent to the inflation rate later this year

A reduction in interest rates this year now seems unlikely and there could even be higher rates, it has been suggested in some quarters

"After 29 months of recession, South Africa has not managed to reduce the inflation rate by strict monetary policies," said Mike Brown, economist at stockbroker firm Frankel, Max Pollak Vinderine

He said other methods would have to be found to bring inflation down

The high level of government spending — which is already 28 percent up on last year's figures — is cited as one of the major reasons for the upward trend in the inflation rate



Graphic FIONA KRISCH Source CSS

'Shattering' rise in inflation figure

Blown 29/8/91 SHARON WOOD (244)

CONSUMER price inflation rocketed to 15.9% in July from 15.2% in June

Economists described the figure as "shocking" and "shattering", pointing to the unusual discrepancy between the corrected producer inflation figure of 11.2% in June and the consumer inflation rate

Housing and food prices caused a 1.2% month-on-month rise in the consumer price index (CPI), Central Statistical Service figures (CSS) showed yesterday

The housing category, the second largest category in the index, surprised economists when it rose by 2.1% between June and July and contributed 33% to the monthly rise in the overall index. Stable interest rates have kept increases in this category low and even negative recently

A CSS spokesman said there had been a general rise in all the costs measured in the housing category, which include sanitation costs, municipal rates, rent and mortgage interest payments. Economists said the rise was probably due to sharply higher municipal rates and tariffs

Food prices rose by 1.5% month on month in July, contributing 25% to the monthly rise in the index

Relatively large rises were recorded in sugar prices (up 10.8% month on month), fish and seafood (4.3%), meat (1.7%) and grain products (1.5%) Other categories which rose relatively strongly were soft drinks (up 5.7% month on month), ciga-

□ To Page 2

Inflation *Blown* 29/8/91

rettes (4.4%) and household operation (3.7%)

The core inflation rate, as measured by the Nedbank economics unit, was even more shocking, running at 17.9% in July. The core index excludes fresh food prices and housing costs

Core inflation had risen steadily during the year, which reflected overall inflationary pressure in manufacturing prices, said

(244) □ From Page 1

Nedbank chief economist Edward Osborn. The July figure was exceeded only in August 1987 when inflation had declined to 16.3% from its historical peak of 20.7% in January that year

The historical three-month lag in which consumer inflation trailed movements in producer inflation had been well and truly breached, economists said

● See Page 3

CPI shocker as rate leaps up

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CT 29/8/91

By **AUDREY D'ANGELO**
Business Editor

THE consumer price index (CPI) rose by an unexpectedly high 15,9% year on year in July. The month on month rise was 1,2%

For the second month running the middle income group were the hardest hit, according to figures issued by the Central Statistics Office. Their index rose by 16,5% year on year compared with 15,9% for the lower income group and 15,8% for the higher income group.

The steepness of the rise surprised economists, who had expected it to be above 15% but not almost 16%.

Pointing out that the producer price index (PPI) had been showing a downward trend for months, apart from the "hiccup" caused by oil price rises, SA Chamber of Business (Sacob) economist Keith Lockwood said it was surprising this had not yet fed through to the CPI.

The effect of the PPI usually took between three months and six months to filter through to the

CPI. "But if you take out the effect of fuel price fluctuations the PPI has been stable and a long way below the CPI for about 18 months now.

"There is something wrong somewhere."

Lockwood thought it possible that some prices were being put up in anticipation of value added tax (VAT).

"I believe the introduction of VAT will reduce producers' costs. But businesses are not sure how it will affect them.

"Since they will not want to be seen as profiteering during the switchover to VAT I think some of them may be playing it safe and putting up prices now."

Another possible reason for the price rises was that lower sales meant a rise in unit costs and people were protecting their margins. "In some cases small businesses may have been forced to put up prices in the short term to cover their rising costs."

Boland Bank chief economist Louis Fourie said the only explanation was that people were protecting their profit margins.

"It is of concern that the CPI year on year is so close to 16%. It shows that the fight against inflation is still far from won and that monetary policy must remain strict."

Sanlam chief economist Johan Louw said he had expected the CPI to be just above 15% year on year. The fact that it was 15,9% and that the month on month rise was so high had caused him to revise his inflation forecast upwards. He now expected it to average 15% for the year.

Louw said that, apart from the surprisingly high rise in the food only index to 17% year on year, the annual increase in property rates would have been a factor in pushing it up.

Southern Life economist Mike Daly said the rise was due partly to technical factors. The rise in July last year had been a small one and therefore it was rising from a low base.

"The CPI figures for August and September should be better."

But VAT would push the CPI up at the end of the year. He expected it to average 15% for the year.

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Inflation Shock CPI jumps to 15,9% — highest since 1987

JOHANNESBURG. — Consumer-price inflation rocketed to 15,9% in July, compared to 15,2% the previous month.

Economists yesterday described the figure as "shocking" and "shattering", pointing to the unusual discrepancy between the corrected June producer-inflation figure of 11,2%, and the consumer inflation rate.

Some suggested that prices were being put up in anticipation of VAT. Local retailers blamed the sharp food price increases on monopoly manufacturers, who hit back with complaints about a retail monopoly.

The July consumer-price inflation figure was exceeded only in 1987, when inflation had declined to 16,3% from its historical peak of 20,7% in January that year. The core inflation-rate for July, as measured by the Nedbank economics unit, was even more shocking — it ran at 17,9%. The

core index excludes fresh-food prices and housing costs.

Housing and food prices caused a 1,2% month-on-month rise in the consumer price index (CPI), Central Statistical Service (CSS) figures showed yesterday.

The housing category, the second-largest in the index, surprised economists when it rose 2,1% between June and July, and contributed 33% to the monthly rise in the overall index.

Stable interest rates have kept increases in this category low, and even negative, for the past few months.

A CSS spokesman said there had been a general rise in all the costs measured in the housing category, which include sanitation costs, municipal rates, rent and interest payments on mortgages. Economists said the rise was probably due to sharp increases in municipal rates and tariffs.

Food prices rose by 1,5% month-on-month in July, contributing 25% to the monthly rise in the index. Relatively large rises were recorded in

CPI SHOCKERS AS RATE LEAPS UP

— PAGE 10

prices for sugar (up 10,3% from June), fish and seafood (4,3%), meat (1,7%) and grain products (1,5%).

Other categories which rose relatively sharply were soft drinks (up 5,7% from June), cigarettes (4,4%) and household operation (3,7%).

The Consumer Council yesterday said it was disturbed at the contribution of food prices to the latest increase in the year-on-year inflation rate.

"More and more South Africans are finding it increasingly difficult to afford food," Consumer Council director Mr. Jan Cronje said in a statement in Pretoria. In Cape Town, retailers blamed soaring consumer prices on certain key manufactur-

ers with a monopoly on canned foods, breakfast cereals and biscuits.

Mr. Alan Baxter, General Manager of Foods for Pick 'n Pay, said canning companies were pricing local products on a par with their exported products, with one major canning company hiking prices by 37% this year alone.

Companies who dominated the breakfast cereal market could "ask for a 20% increase and get it", while stipulating how much stock retailers could buy.

Mr. Baxter said the biscuit market was also dominated by one major company. He confirmed these companies as being Langeberg Canning, Kellogg and Bakers Ltd.

Kellogg's Western Cape sales manager Mr. Chris Thompson retorted that three retail chains controlled 80% of their market, and forced manufacturers to buy space on their shelves.

He said Kellogg owned 50% of the local breakfast cereal market, which was worth R190 million a year.

Mr. Dev du Toit of Langeberg conceded that their price increases had been "substantial", but said he was unable to confirm the 37% price-hike figure for this year.

This rise was "more likely to be for the past three years". His company owned "about 60%" of the local canning market, while two-thirds of their total turnover was in the local market. Mr. Du Toit said the local canning market had been overtraded.

"We were also losing money in the 80's, and have had to firm up our operating platform to survive — this has partly accounted for increases. Our margins are now reasonable."

Bakers Ltd MD Mr. L. N. B. Heilbron said his company owned about 51% of the local biscuit market (excluding their trading names of Baumann's and Poyt's).

He welcomed competition, saying Bakers' prices had been below the inflation rate for the past five years — Own Correspondent and Staff Reporter.

CSS considers fixed release of key data

CENTRAL Statistical Service (CSS) head Treurnicht du Toit said yesterday that the CSS would consider releasing key economic data at a pre-determined date and time, as is done in other Western countries.

This follows accusations in financial markets that information was being leaked to favoured participants, allowing them to capitalise on it. BIPW 30/8/91

● See Pages 3 and 10

The alleged leaks relate to information put out by the CSS rectifying two errors it had made in the compilation of the producer price index (PPI) and the consumer price index. Preliminary census figures

ROBERT GENTLE

released on Wednesday also differed from CSS's latest estimates.

The decision to consider fixed release dates and times was not an admission that there were leaks in the organisation, Du Toit said.

The number of people who had access to sensitive information was kept to a minimum — about four or five in the final stages before release, he said, although he admitted many more people handled the raw data before it was released.

Asked why he did not market participants were dealing so clearly and heavily ahead of time, he said: "I don't know."

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CSS

BIPW 30/8/91

of official release times on what appeared to be leaked information. Du Toit said they might simply have deduced or estimated the information themselves.

For example, he said "anyone with common sense" could have worked out that the revised PPI figure, already rumoured in the market, would have been lower. Similarly, the revised inflation rate could have been recalculated by anyone aware of the fact that there had been a mistake.

CSS did not have any security procedure to check on potential leaks, Du Toit said. "We have to trust the people who work for us. In any case, they are bound by a code of secrecy."

All sensitive information was strictly embargoed and "not even the Minister or

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□ From Page 1

President" was able to see it beforehand. He said the recent spate of errors was coincidental and had never happened before. "It's almost like Murphy's Law."

CSS had a respectable accuracy track record which showed "a statistically insignificant" error rate given the sheer volume of information it regularly put out.

Financial market sources remained adamant yesterday that leaks were taking place, and had become "endemic". They said the market always started moving without hesitation before the formal release of economic data.

One trader said the only beacon of consistency in a sea of uncertainty was Reserve Bank Governor Chris Stals, and one could at least trade on what he said

Central Statistical Service errs again

THE Central Statistical Service (CSS) made yet another mistake and yesterday published a revised consumer price inflation figure of 15,8% for July, instead of the original 15,9%

A CSS statement said the mistake originated a year ago with the calculation of the July 1990 index value. An incorrect preliminary figure for the month was not deleted and was transferred to the CSS databank as the "correct" information, it said

Disrupted

Only the overall index is affected by the error and changes in the other categories of the CPI remain the same

CSS said the person who was responsible for the mistake had not been identified

The error follows hot on the heels of this week's revised Producer Price Index statistics which disrupted financial markets

DP spokesperson on Finance Ken Andrew said the revision created doubts about the accuracy of other

statistics published by the government

The revisions had led to many faulty projections and incorrect business decisions

"The public is entitled to a detailed explanation of how this latest manifestation of governmental incompetence occurred and why it was not detected earlier

"No sophisticated economy can function without accurate information," he said

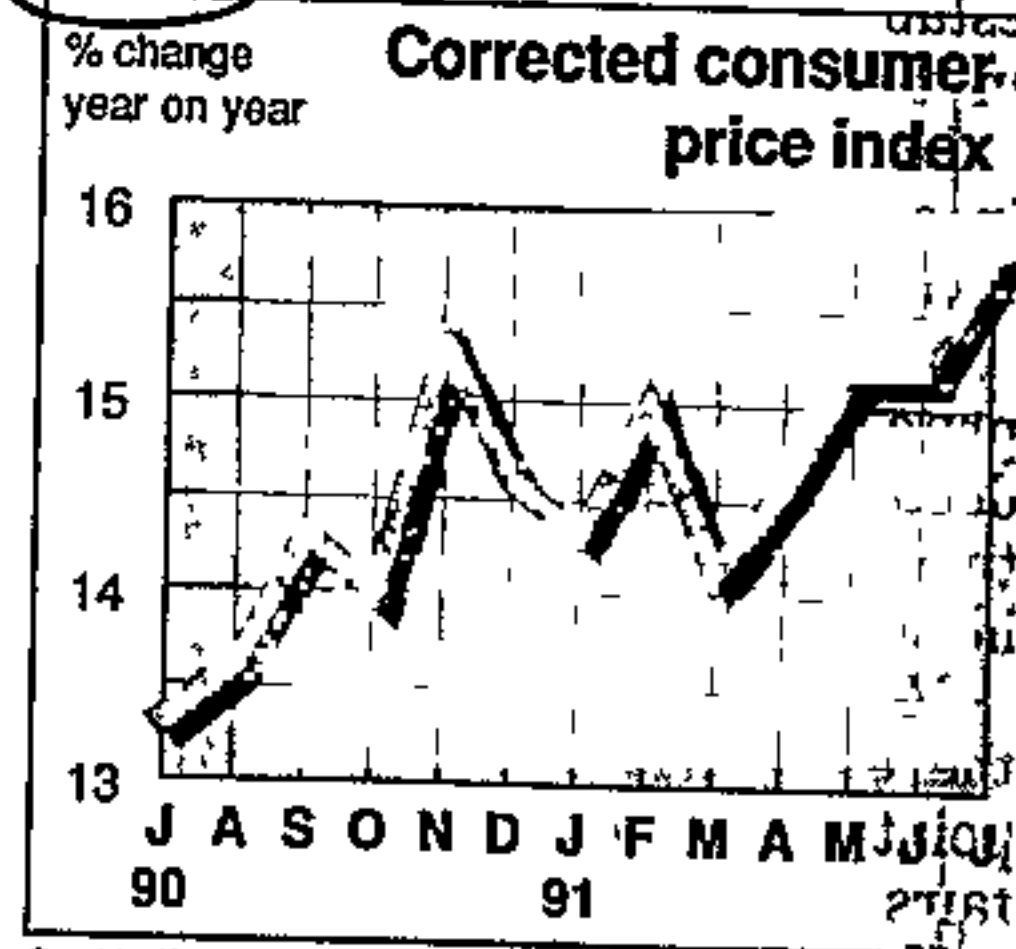
Reserve Bank governor Chris Stals said the level of private consumption expenditure (PCE) in the second quarter could now change as a result of the revised PPI figures

"The Reserve Bank uses the index to deflate some of the elements of the PPI," he said

The Bank's annual economic report released last weekend said PCE had fallen during the second quarter

Absa economist Hans Falkena said the revision to the CPI was an unfortunate mistake and he hoped CSS

SHARON WOOD



would not make more Bankorp economist Jacques du Toit said the effects of the downward revision in the PPI earlier this week would take some time to be removed from the system

"A lot of companies have taken decisions on prices based on the previous PPI and thus these have been built into the price structures of companies

"It will not be quick and easy to turn that around," he said

Central Statistics ⁽²⁴⁴⁾ makes third slip-up ^{CT 30/8/91}

PRETORIA — It has happened again. For the third time in a row Central Statistical Service has issued incorrect figures

According to a news release from CSS yesterday the rate of increase of the Consumer Price Index has been revised downwards by 0,1 percentage point from Wednesday's 15,9% to 15,8%

On Tuesday August 27, CSS said it had to revise the Production Price Index for Agriculture (food) down from June's annualised 42% to 7,7% and the overall PPI from 14,41% to 11,2%.

Yesterday, CSS announced that the preliminary results of the 1991 census was nearly 5 million down on the estimated 31,3 million on census day on March 7.

The census counted 26,5 million in its mid-year-estimate

According to reports, CSS head Dr Treurnich du Toit, it is not yet clear if the 4,8 million difference between the official head-count and estimates was due mainly to an underenumeration or an overestimate by the CSS.

He said the census results might have been slightly distorted by the loss of 76 enumeration areas. — Sapa

Stats wrong again!

PRETORIA. — For the third time in a row, the Central Statistical Service got it wrong.

This week the Consumer Price Index rate was revised downwards from 15,9% to 15,8%. Earlier it revised the Production Price Index for Agriculture down from June's annualised 42% to 7,7% and the overall PPI from 14,41% to 11,2% and its preliminary 1991 census was nearly five million down on the estimated 31,3 million.

● Full report — Page 15

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30/8/91
e depths

- 30/8/91.
- A communication made to GA by the broker acting on behalf of RTS, that he was suspicious of the claim RTS submitted,
 - The existence of two audited sets of accounts of RTS for the financial year to February 1989. One contains a book entry of R1m, which does not appear in the other,
 - The fact that RTS had been trading unprofitably before the fire, and
 - "The fact that Bernard Cutler, to your knowledge, appeared in Court on August 22, 1991, on charges of fraud allegedly perpetrated on Broderick Motors — we understand that he pleaded guilty and that the matter has been postponed in order that he might give evidence in mitigation"

"The fact that the ski-boat appears deliberately to have been scuttled the person who salvaged the boat found it weighed down with steel railway sleepers, paving blocks and rocks, the sump of the boat having been removed," the letter said. The engine number of the recovered boat corresponded with that of Cutler's.

Deneys Reitz's response, on behalf of GA, also repudiates responsibility for any actions that may have been taken by the police during investigations into the ski-boat loss or alleged fraud

Bryan Deans

ECONOMIC OUTLOOK 30/8/91

Touchdown FM 244

In 1988, when economic activity expanded at the rate of 4,1% and the surplus on the current account of the balance of payments fell to a dangerously low R2,7bn, the monetary authorities had no alternative but to halt the upswing. As rising consumption sent imports soaring, they moved to contain demand and rebuild the surplus. The central concern then was how to do this without damaging the fabric of the economy 30/8/91

Looking back over the period since the second quarter of 1989, when GDP first started to decline, it is clear that they achieved the required soft(ish) landing. The downturn has proved far more moderate than those experienced in 1984-1986 and 1981-1983 (see graph). Since the second quarter of 1989, GDP has fallen only 0,5%. Over the nine quarters, private consumption rose 1%, government consumption climbed 4% and gross fixed investment fell only 2%.

It was not until the second quarter of this year that the recession reduced private consumption spending — the latest edition of the Reserve Bank's Annual Report records an annualised decline of 0,5%.

Reasons for the fall are not hard to find. Since the start of the year, there has been.

FM 30/8/91 244

- A sharp drop in annual wage and salary increases. According to the report, rises in the remuneration of employees fell from an annualised 18% and 23% in the first two quarters of 1990 to annualised increases of 14,5% and 15% in the first half of 1991, and
- A slowing in the rate at which credit is extended. HP and leasing finance rose by only R200m a month in the first half of 1991, compared with R400m a month in 1990.

In normal times, this would be a prelude to a relaxation in monetary policy — especially as there has been a dramatic improvement in gross gold and other foreign reserves. These rose by R400m in 1990 and a further R1,4bn in the first half of 1991, to reach to R8,7bn by the end of June 30/8/91

Though this covers only about seven weeks' imports of goods and services, the annual report points out that, "with a substantial amount of unused credit facilities available to the Bank, total potential reserves are now considerably better placed to accommodate an economic upswing."

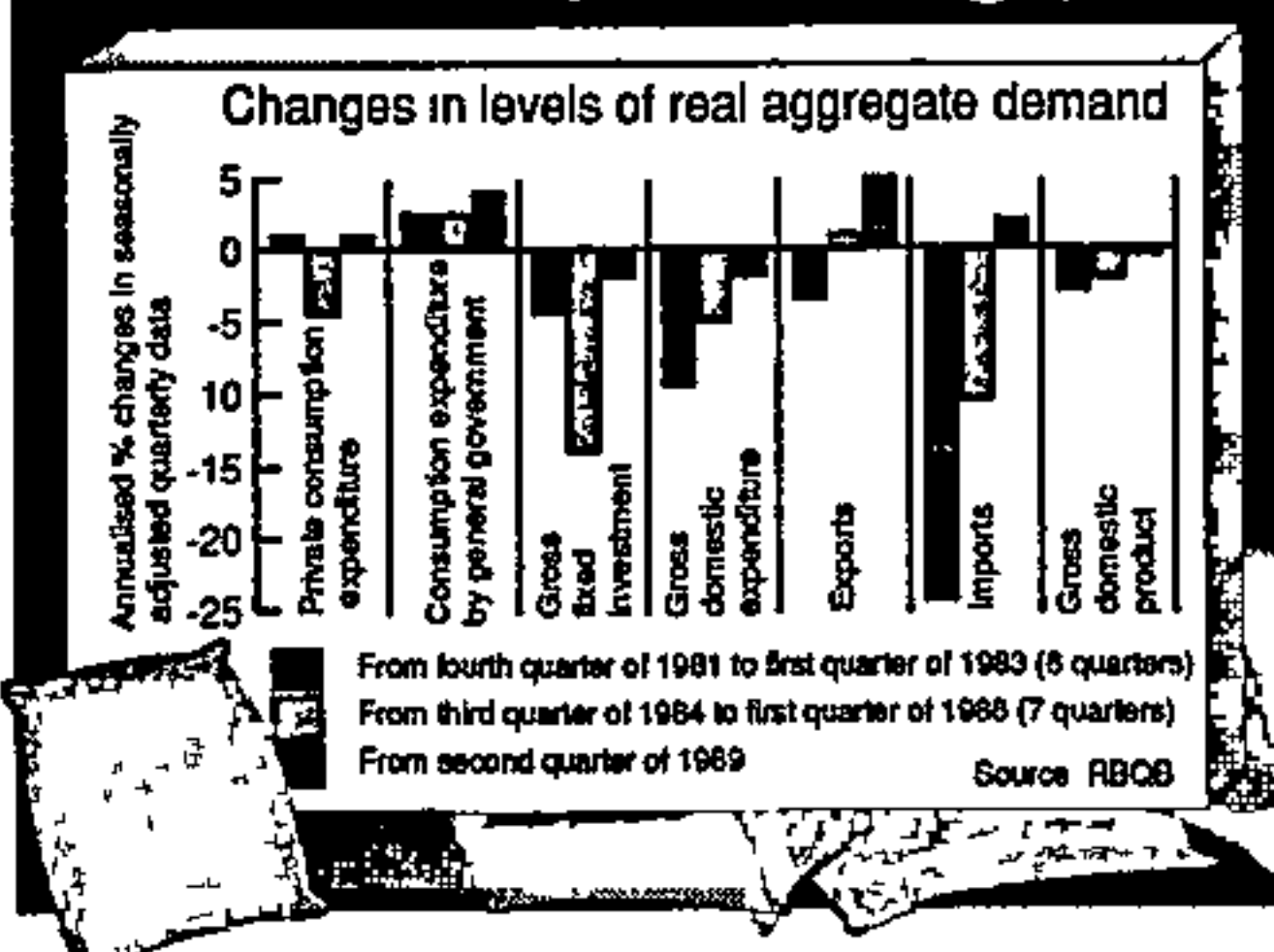
But Governor Chris Stals is determined to act with caution. In his address to shareholders this week, he said monetary policy must remain restrictive.

He is battling an inflation psychosis. A number of events have conspired to create a picture of inflation that is defying attempts to contain it. This has fed straight back into the inflationary spiral giving further strength to the beast.

A major contribution came from Central Statistical Service, which has been overstating the producer price index (PPI) since March 1990, because of an error in agricultural food price increases (see page 32). By June, the error had added 2,9 percentage points to producer price inflation and 34,4 percentage points to the rate at which agricultural prices were rising.

The jolt the June figure gave the markets can be measured in the rise in the rate of the benchmark Eskom 11%, which closed the day (August 12) at 16,36% after closing the

Soft(ish) landing



Continue →

P.T.O.

FM 30/8/91

For some time inflation has been driven by perceptions rather than fundamentals (see page 31) Central Statistical Service (CSS) has unwittingly contributed to this because of an error in calculations of producer price increases

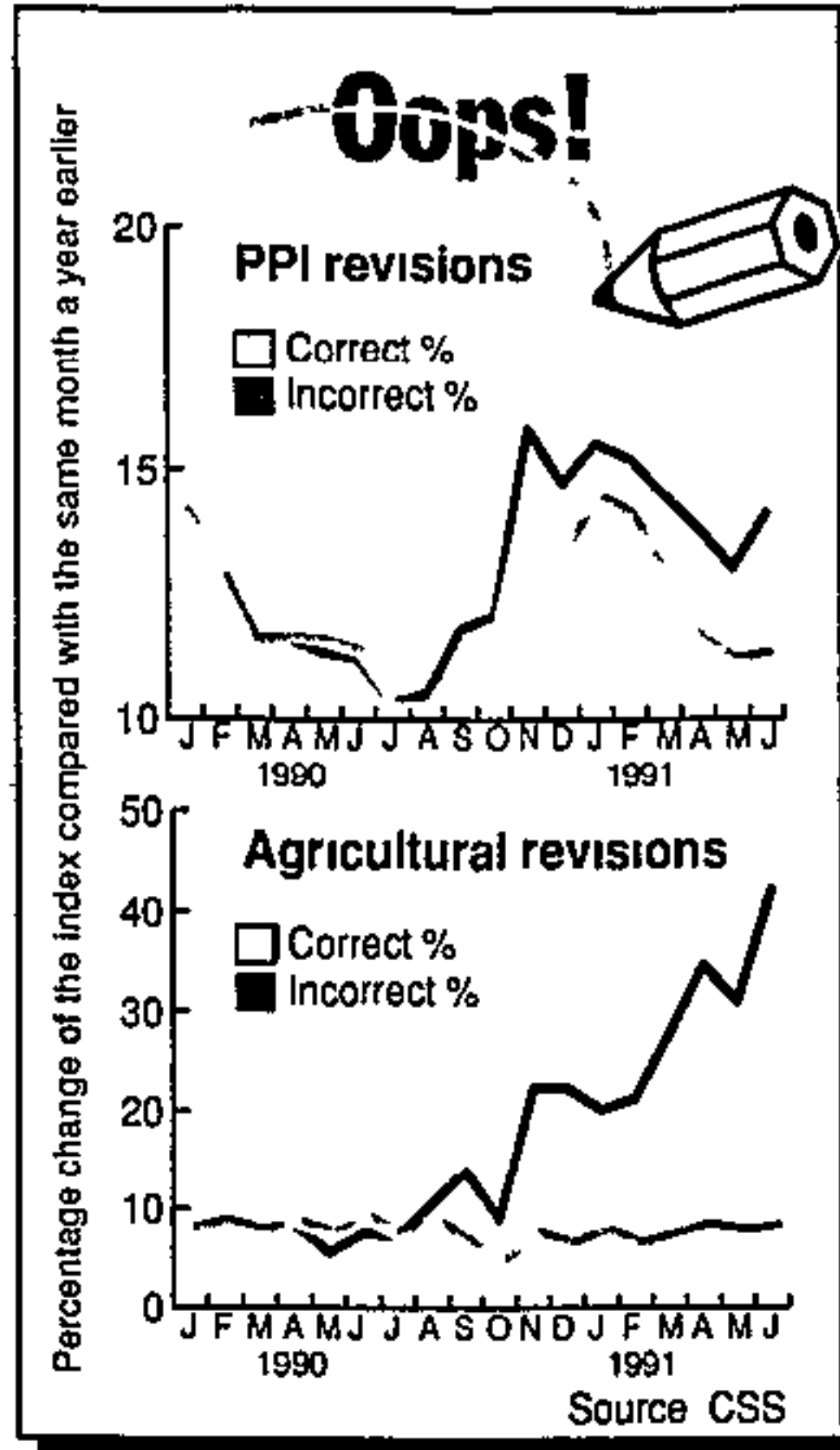
In a release this week, CSS admits that, since February 1990, "bona fide processing errors" occurred. Initially they had a negligible effect, but the cumulative effect mounted and, by August 1990, the discrepancy seriously began to distort the producer price index (PPI) (see graphs). When the June figure was released, the strange behaviour of PPI, particularly agricultural products, prompted an investigation.

A revised figure for 12 months to June shows an increase of 11,2%, not the 14,1% previously reported, while the rise in agri-

cultural prices was only 7,7%, not 42,1%. CSS says the error occurred "in the calculation of indices for milk, mealies, wheat, barley, oats, grain sorghum, green beans, cotton and leaf tobacco. With the exception of the cotton and leaf tobacco indices, all are part of the agricultural food price index."

CSS head Treurnicht du Toit says "a few smaller adjustments had to be made to the manufacturing sub-index, but the cumulative influence is so insignificant that it has been decided only to adjust the index for June — from 226,7 to 226,9."

"No similar mistakes have been found" in the consumer price index. In June, the annual increase for locally produced commodities was 12% and of imported commodities was 7,9%.



FOCUS: *Someone between the farmer and the consumer is making a lot of money*

Who's to blame for the food price?

CONSUMERS will be aware, without the assistance of the Central Statistical Service, that prices are higher again, and that food prices are even higher than everything else.

With the help of the CSS they may know that prices generally rose 15,8 percent between July last year and this year. Food prices, however, rose 17,2 percent for the same period.

Between June and July all items used to calculate the CPI rose 1,2 percent and the food prices alone rose an average of 1,5 percent. Thus by the time a year of such increases goes by, the price of food will be about 20 percent higher than it is now.

This is all the more staggering in view of this week's disclosure by the CSS that it has miscalculated its Production Price Index food figures since the beginning of last year so grossly that what appeared to be an increase in prices at the farmer level of 42 percent proved only to be slightly more than seven percent.

So the farmers have indeed been getting very little more for their produce — certainly well below the inflation rate — while consumers pay 17,2 percent more annually for our food in supermarkets, butcher shops and greengrocers.

The gap between farmers' prices and retail food prices has been so wide that the government recently announced a commission of inquiry into it. This week, after the CSS admitted its bloop, the gap grew wider.

It seemed easy this week, as some commentators did, to exonerate the farmers and blame the food processors, the distribution chain and the retailers for the huge escalation in prices. But it's not that simple. For one thing, as Azzar Jammne of Econometrix points out, the PPI which applies to the major food processors like Premier Milling and Tiger Oats also runs well below the inflation rate — at about nine percent.

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CRITICAL CONSUMER

Pat Sidley

So the spotlight automatically falls on the retailers. The CPI figures would tend to bear this out, with retail prices rising at an ever steeper rate, particularly where food is concerned.

But Pick 'n Pay's Sean Summers is adamant that nothing could be further from the truth. The store's own calculations show their annual inflation rate is 12,1 percent (although this could also reflect changed buying patterns, as consumers have recently been moving to no-name brands which are generally cheaper).

The retail sector, says Summers, is highly competitive and polices itself, from the vigorous competition between the three major chains to the fact that every spaza shop that opens is itself competition in the retail trade.

He points at the monopolies in food production as a possible culprit. About 90 percent of chickens are now handled by only two producers; food generally is manufactured by three producers only.

Much of this suffers from vertical integration — it is the same people who grow the food and sell it to the processor; they just happen to be the same people again who sell the processed food to the wholesaler; the retailer just happens to be owned by the same outfit — with profits made at each stage of the way.

Summers also points fingers at exporters who jack up their local prices as the foreign markets open up to them because they know they can get those prices abroad. This has happened in the kinklip and canning industries.

And other economists point at the role of

the control boards who limit the amount of cheaper produce than can be imported from abroad.

The CSS places much store on an investigation into the gap by the Department of Trade. A spokesman told *Weekly Mail* that the gap between producer prices and consumers' prices was indeed mysterious and that was why the commission was sitting. He did not want to hazard a guess himself and believed we should wait for the commission to investigate and report.

Summers, however, says he believes nothing will come of the commission. When last did a commission report anything valuable that the government then put into practice? he asks rhetorically.

Meanwhile those consumers who have not been physically knocked out by the prices at their local supermarket may like to sit down and take stock of these figures released by the CSS, which swore on Wednesday that its Consumers' Price Index figures were correct — but had revised them again by Thursday morning: grain product prices rose 20,3 percent in the year to end July (1,5 percent between June and July); fruit and nuts rose a breathtaking 38,7 percent for the same 12 months (but dropped 3,4 percent between June and July); fats and oils rose 25,7 percent for the year and 8,3 percent for the month; fish rose 18,2 percent and 4,3 percent respectively and meat, which rose 12,6 percent for the year, rose 1,7 percent for the month.

But if the insecurity of the past week's miscalculations from the CSS (which includes the "loss" of some five million people on the census) the venerable organisation has decided to change its mind on how it calculates the CPI from September.

It will also change the base date from 1985 to 1990, which means the inflation rate is likely to look lower — just prior to the introduction of Vat, which is likely to make consumers much more uncomfortable.

A shocker waiting at the till!

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ARG 31/8/91

WATCHING people queueing at the tills in Cape Town supermarkets this week, I was struck by the anxiety, followed by shock, that appeared on their faces as totals were rung up.

A nervous fumbling betrayed the panic overtaking some "Have I brought enough money?" Obviously, their shopping was costing more than they expected.

Speaking to some as they left, I found that about half the shoppers had not been prepared to pay so much. Two in five said they were going home without items they intended to buy.

One couple, both pensioners, said they were struggling to put food on the table.

"I don't know where it will end," said the woman, close to tears.

We have been assured that once value-added tax is introduced, prices should go down. My problem with that is the price of food is increasing by leaps and bounds before any tax is levied. The imposition of VAT on items which were not subject to GST will make a crucial difference to those people, like the couple in the supermarket, who even now are struggling to put food on the table.

Calling in the help of the Housewives' League, I looked carefully at prices listed on their grocery survey over the past three months.

This is a standard list of 157 items, including groceries, toiletries and cleaning materials.

The lists are not totalled monthly, because some items are not listed every month ("not on the shelves") and because "specials" would distort the totals.

However, there were some chilling indications on those items that did appear regularly. Some examples of (all pre-tax) increases over the past three months:

- Cheddar cheese kg: R11,39 to R12,29
- Eggs, large, per doz: R1,98 to R2,66
- Strained baby food, 125ml: R1,09 to R1,29

JEAN LE MAY

Weekend Argus Special Correspondent

- Frozen peas, 1 kg: R7,49 to R7,99
- Hake fillets, 600g: R5,29 to R5,89
- Tinned peaches, 825g: R3,09 to R3,59
- Tomato sauce, 750g: R3,29 to R3,79
- Back bacon, 250g: R3,99 to R4,39
- Milk blend, 4 kg: R35,99 to R38,19
- Jungle oats, 1 kg: R2,98 to R3,29
- Dried sugar beans, 500g: R1,09 to R1,35
- Cream crackers, 200g: R2,09 to R2,39
- Toothpaste, 100ml: R2,19 to R2,39

In three months, the pre-tax totals on these 13 items have increased by R7,44 from R81,96 to R89,40. GST on the nine taxable items has increased from R3,37 to R3,83, giving totals of R85,33 and R93,23.

If 10 percent VAT had been applied, the totals would be R89,15 and R98,34 respectively.

Moreover, the Housewives' League list does not include fresh produce, at present untaxed. If a shopper had spent an additional R10 on fruit and vegetables, the above totals would not have GST added on. With VAT, another rand would be added.

The sombre outlook is that pre-tax prices of household supplies will continue to increase, probably at the present level, according to supermarket spokesmen.

VAT will be the last straw for the overloaded consumer camel's back. However, all the supermarket spokesmen agreed that the real problem was with producer price increases, control boards and the stranglehold of monopolies.

"When there are only two suppliers of, say, tinned fruit or frozen vegetables, I can negotiate for a better price until I'm blue in the face," says Mr Allan Baxter, Pick 'n Pay's food manager. "It's take it or leave it, and I'll end up being told to go jump in a lake."

ARG 3/9/91 (244)

Our mark-ups lowest in West, say supermarts

The Argus Correspondent

JOHANNESBURG — South African supermarkets claim to have one of the lowest mark-up rates in the Western world

A recent London newspaper survey which looked at 10 food items in leading chain stores across England, Germany and the United States showed that the average of the two British stores was at least double the mark-up on similar goods in Germany and a third more than in America

According to figures from the European Commission in Brussels the cost of British food has risen by a third since 1985 compared to nine percent in Belgium, 10 percent in Germany and 18 percent in France

Pick'n Pay and OK were not

prepared to give the exact South African mark-ups "because of the extremely competitive nature of supermarkets in South Africa"

Pick'n Pay has a net margin of 2,69 percent, which works out to pre-tax 2,7c to the rand. OK says its margins are less

Each put tomatoes, bananas, sugar, eggs and milk in a low category, which ranged from nil to about five percent mark-up

In the medium range of about five to 15 percent Pick'n Pay included rump steak, chops, frozen chips and yogurt, with OK rating frozen chips, pork chops and yogurt in the medium mark-up category

In the high mark-ups, from about 15 to 25 percent, Pick'n Pay included strawberries,

with OK the same as well as for rump steak.

Using the same table, Mr Mike Dobson, managing director of Spar, included sugar and milk in the low category, with yogurt, steak, eggs and tomatoes medium and strawberries, bananas, chops and frozen chips high

A spokesman for Checkers said the chain would not disclose the percentage mark-ups but said tomatoes, strawberries, bananas, pork chops, eggs and milk were low categories, sugar low to medium, frozen chips and yogurt medium to low and rump steak low.

Mr Sergio Martinengo, managing director, said regular rises in food prices could be attributed to inflation, the monopolies in the manufacturing sector, shrinkage, the various boards and the government

Major supermarkets mum on their mark-ups

RECENTLY London news-
paper survey which looked
at 10 food items in leading chain
stores across England, Ger-
many and the United States
showed that the average mark-
up at some British stores was at
least double that on similar
goods in Germany and a third
more than in America.

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Commission in Brussels said the
cost of British food has risen by
a third since 1985, compared to
9 percent in Belgium, 10 percent
in Germany and 18 percent in

France.

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5 percent to 15 percent, Pick
'n Pay included rump steak,
frozen chips, chops and yog-
hurt, with OK rating frozen
chips and pork chops in the
same category.

In the high mark-ups — from
about 15 percent to 25 percent,
Pick 'n Pay included strawber-
ries, OK also included strawber-
ries, as well as rump steak.

Using the same table, Spar
managing director Mike Dobson
included sugar and milk in the
low category, with yoghurt,
steak, eggs and tomatoes in the
medium category and straw-
berries, bananas, chops and fro-
zen chips in the high category.

A spokesman for Checkers
said it would not disclose its
percentage mark-ups, saying
only that tomatoes, strawber-
ries, bananas, pork chops, eggs
and milk were all in low cate-
gories.

Sergio Martinego, managing
director of Checkers, said reg-
ular increases in food prices
could be blamed on inflation,
monopolies in the manufactur-
ing sector, shrinkage and the
Government.

Mr Dobson said that in the
major lines of food, there were
only between one and three
manufacturers in South Africa,
which was caused partly by the
large corporations becoming
bigger, and because there was
no open trade with overseas
suppliers.

Sean Summers, food and mer-
chandise director for Pick 'n
Pay, blamed rocketing food
prices on manufacturers stran-
glehold and the profits made by
middlemen. □

Star 3/9/91

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Average mark-ups on 10 food items at four stores

Item	Pick & Pay	OK	Checkers	Spar
Tomatoes	15%	15%	15%	15%
Bananas	15%	15%	15%	15%
Eggs	15%	15%	15%	15%
Milk	15%	15%	15%	15%
Rump steak	15%	15%	15%	15%
Frozen chips	15%	15%	15%	15%
Pork chops	15%	15%	15%	15%
Yoghurt	15%	15%	15%	15%
Sugar	15%	15%	15%	15%
Strawberries	15%	15%	15%	15%

CONGRESS AND JUDGES WERE... WITH GREAT SWIFTH...

Food prices to be investigated

Own Correspondent

PRETORIA — A Board of Trade and Industry investigation into food prices would focus on the big gap between producer and consumer prices and determine whether retail chain stores had abused their dominant position, the board's deputy chairman Mr H.P. Muller said yesterday

He said the difference between the producer price index (PPI) and the consumer price index (CPI) had begun to show disturbing tendencies

He said a thorough study of the food chain and price forming in the chain was demanded

Rightly or wrongly, allegations had been made that the whole sale trade and chain stores were

the worst bottleneck in food distribution, he said

These allegations were strengthened by recent CPI figures, which showed that prices in these groups rose higher and more quickly than producer prices

Mr Muller cautioned that it would be wrong, however, to interfere in the free-market mechanism

24th Oct 1991

BTI to probe food price differential

GERALD REILLY

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PRETORIA — The Board of Trade and Industry (BTI) investigation into food prices would focus on the big gap between producer and consumer prices and determine whether retail chain stores had abused their dominant position, BTI deputy chairman H P Muller said yesterday.

He said the difference between the producer price index (PPI) and the consumer price index (CPI) had begun to show disturbing tendencies.

He said a thorough study of the food chain and price forming in the chain was demanded.

Rightly or wrongly, allegations had been made that the wholesale trade and chain stores were the worst bottleneck in food distribution, he said. These allegations were strengthened by recent CPI figures, which showed that prices in these groups rose higher and more quickly than producer prices.

By way 4/9/91.
"A main objective of the BTI investigation will be to determine, as far as possible, what the real position is," Muller said.

But he warned that it would be wrong to interfere in the free market mechanism or to recommend more controls and regulations.

Labour costs
blamed for high
Star 4/19/91
food prices

Labour costs were a major cause for increasing food prices, Anthos Yannakou, Fedfood's general manager (planning), said at a meeting in Pretoria of the South African National Consumer Union.

He said the consumer price index for food remained above the overall CPI.

However, wages had risen at an alarming 17 percent a year, lowering productivity to an "abysmal" 40 percent of that in the developed world.

Other cost inputs in the R14 billion-a-year food industry that had increased were transport, packaging and distribution.

In the retail trade, large increases were recorded in rentals and shrinkage, while sales had declined due to the recession.

The country's food industry was mostly domestically orientated. Only five percent of production was exported.

The industry did not make unreasonable profits.

Figures relating to the four major participants (Tiger, Premier, ICS and Fedfood) showed shareholders had received 1,1 percent of sales as dividends, 2,3 percent of sales had been retained for future expansion and R552 million had gone into capital expenditure.

— Sapa.

INFLATION Fm 6/9/91

Widening gap (244)

Latest Producer Price Index (PPI) and Consumer Price Index (CPI) figures show a widening gap Last week, PPI for June was

ECONOMY & FINANCE

Fm 6/9/91 (244)

revised down by Central Statistical Service (CSS) from a year-on-year increase of 14,1% to 11,2%, after a mistake was discovered in the calculation process

But June's CPI rose to 15,2%, making a gap of four percentage points. And latest CPI figures for July indicate that the gap has widened further. CSS's original CPI release of a year-on-year 15,9% increase was corrected downwards, but only to 15,8%. The 1,5% monthly increase in food prices was a large contributor to this rise.

Thus food seems to be a main reason for the gap between CPI and PPI. Some economists believe the widening of the gap for food between CPI and PPI reflects the concentration of SA business. This could switch out market forces and encourage price rises.

Says Econometrix's Tony Twine "The sharp rise in food CPI reflects a marking up of prices by a concentrated food retailing sector ahead of the introduction of VAT and Vatwatch." Bankorp senior economist Emile van Zyl believes retailers have increased prices due to higher wages, higher theft rates and higher profit margins.

Most retailers, like Pick 'n Pay director Richard Cohen, believe this to be "complete nonsense". According to Cohen, retailers have just passed on increases by manufacturers, with margins staying the same. ■

Manufacturers, suppliers blamed for food inflation

AN INVESTIGATION into the rising cost of food says control boards are ineffective and food manufacturers lack the competition necessary to keep prices in check.

The report, compiled by corporate database and research organisation McGregors Online Information, lays the blame for rising food costs squarely at the doors of food manufacturers and industries supplying the farming sector.

A table of price increases over 10 years (1980 to 1990) shows that state and private oligopolies as well as control boards, are equally responsible for leaps in prices of commodities and services.

The petrol price rise of 138%, with five producers supplying 75% of the market, appears mild when compared with the control boards' 263% hike in egg prices and a 298% rise in the milk price. Price control is responsible for the 347% hike in the bread price, the report says.

The public sector is responsible for a 316% rise in railage and 350% in postage, beaten only by two large manufacturers' 406% boost in the price of aspirin.

"Essentially the food manufacturing industry is a series of oligopolies (a few large players) as per a number of industries supplying farmers such as animal feeds, fertilisers and fuel.

"The farmers are being squeezed between high input costs from the suppliers to their industry and low prices for their products from the food manufacturer or the control board," the report says.

Monopolistic situations exist in a number of industries supplying farmers with animal feed, fertiliser and fuel.

"Suppliers in an oligopoly can, in theory, increase costs to maximise revenue without having to improve quality, service or

LIZ ROUSE

efficiency due to a lack of competition

"Control boards were originally established to keep the farmer on the farm by regulating prices. The farmers are now going bankrupt at a rate of 15 a month and the consumer cannot afford to eat."

The report says that control boards are placing huge costs on the consumer to fund their operations, and yet there appears to be no benefit. "The Meat Board alone employs 1 600 people and those costs are carried by the consumer. They are bureaucratic bodies with no pressure to operate effectively or efficiently," it says.

Muscle

"Control boards should be restricted to international marketing alone and should be excluded from interfering with the local markets."

McGregors says the food manufacturing industry is also a series of oligopolies.

"Therefore they are able, in theory, to use their cohesive muscle to pass increased costs directly to the consumer and, possibly, even contribute to that increase. Once again, lack of competition negates the pressure for better performance, as well as quality and price."

Food prices, the report says, are dictated primarily by weather conditions, agricultural productivity, marketing efficiency and vigorous competition among processors and distributors.

In SA, control boards dictate what and how much a farmer should produce and what he should be paid for his crops. There is little or no competition among processors and distributors.

Consumers taken for inflationary ride

(244) ARG 7/9/91
INEFFECTIVE control boards, industries supplying the farming sector and a lack of competition among food manufacturers had to be blamed for the rising cost of food, a report by the corporate database and research organisation, McGregors Online Information, has revealed.

Farmers, in particular, were being pressurised from all sides — squeezed between high input costs from the suppliers to their industry, and low prices for their products from the food manufacturer or the control board.

According to the McGregor report, food prices were dictated primarily by weather conditions, agricultural productivity, marketing efficiency and vigorous competition among processors and distributors.

In South Africa, however, control boards dictated what and how much a farmer should produce and what he should be paid for the crops, and there was little or no competition among processors and distributors.

The food manufacturing industry and the industries supplying farmers with animal feed, fertiliser and fuel were essentially a series of oligopolies.

The report slammed the "bureaucratic" control boards for placing huge costs on the consumer to fund their operation, with no benefit

whatsoever.

The Meat Board, for example, employed 1 600 people and these costs were carried by the consumer

The lack of competition in the food manufacturing industry meant that manufacturers used their muscle to pass increased costs directly to the consumer.

The report contains a table of price increases over 10 years (from 1980 to 1990) showing that state and private oligopolies and control boards were equally responsible for leaps in prices of commodities and services

■ The petrol price has risen by 138 percent, with five producers supplying 75 percent of the market.

■ Control boards saw to the 354 percent increase in meat prices, the 263 percent increase in the price of eggs and the 298 percent hike in milk prices

■ Price control is responsible for the 347 percent hike in the bread price, the report says.

■ The public sector is responsible for a rise of 316 percent rise in rail-age costs and 350 percent in postage.

■ The control of private sector oligopolies is illustrated by the 406 percent boost in the price of aspirin produced by only two manufacturers.

New food prices probe on the way

(244)
RCF 7/9/91

COMPETITION among food retailers is "tough", according to Dr Pierre Brooks, chairman of the Competition Board

This seemingly puts paid to recent allegations by retailers that they can't negotiate better prices for certain processed foods because of monopolistic producers

Or does it? To find out, we'll have to wait a long, long time for the report of yet another investigation, this time by the Board of Trade and Industry.

"There are an awful lot of investigations, but little action," commented Mr Brian Goodall, Democratic Party spokesman on trade and industry

Dr Brooks said the Competition Board's report had been handed to the Minister for Economic Co-ordination and Public Enterprises, Dr Dawie de Villiers. However, it would not be made public pending the formal investigation into food prices announced this week by the Board of Trade and Industry under the chairmanship of Dr Lawrence McCrystal

Both investigations are the outcome of a countrywide outcry at rocketing food prices. Accusations have been made that there are monopolies in the food industry or, at best, dominance by groups that

JEAN LE MAY
Weekend Argus Special Correspondent

leads to restrictive practices like price fixing, which is illegal.

There also has been an outcry about differences between the Producer Price Index (PPI) and the Consumer Price Index (CPI), fuelled by retailers and producers blaming each other for steep increases.

Dr Brooks said "Our brief was to investigate whether there were restrictive practices in the marketing of processed foods only."

He added that other Competitions Board investigations related to monopolistic practices in the food industry were those into red meat and fertilisers.

The red meat investigation was "lengthy and complicated" and would not be completed before June next year, he said.

However, the fertiliser inquiry had been handed to the Minister and the decision to publish it rested with him.

"Farming organisations assured me that if push came to shove they could import fertilisers at only slightly higher prices than they paid for the local product," he added.

The Competition Board's findings

on all three investigations — processed food, red meat and fertilisers — would be taken into account in the Board of Trade and Industry's investigation, said the board's deputy chairman, Dr Helgard Muller.

"We shall focus on the entire food chain and on the pricing structure," he said.

One of the first tasks of the Board of Trade and Industry would be to look into reasons why the CPI had regularly outstripped the PPI, he said. Doubt on the reliability of the indices has been expressed by Mr Joss Gerson, economic consultant to a leading firm of stockbrokers and a research fellow at the University of Cape Town.

"I find it extremely puzzling that the CPI has regularly outstripped the PPI since 1988," he said. "Some fluctuation would be normal, but I question the sampling procedures."

Mr Carl Rosenstrauch, director of statistical planning at Central Statistical Services, which works out the indices, said he was satisfied that figures used in calculating the indices were "representative and justifiable."

Mr Ken Andrew, Democratic Par-

ty spokesman on finance, said: "Price structures in the food chain should be ruthlessly scrutinised."

The part played by the various agricultural control boards should come in for special attention, he said.

"There is a long history of milk lakes and butter mountains, we've become accustomed to local prices going up when we're exporting surpluses, which is happening with milk now. Meanwhile, the consumer subsidises the boards with levies."

His colleague, Mr Goodall, said the South African industry enjoyed a great many protective tariffs that raised the cost structure of food production and marketing.

Mr Keith Lockwood, economist to the South African Chamber of Business, said there were protective tariffs on a great many packaging materials, including plastics, paper and paperboards, which formed a "prettily high" component in food price structures

However he attributed rising food prices largely to the high cost of capital equipment boosted by import surcharges, interest rates that were "higher than those in most other countries", low productivity, outdated production methods and "financially, of course, the drought"

Why food prices keep

on soaring

DES PARKER 244

Food price rises outstrip other contributors to inflation for a variety of reasons, including pressure on farmers from suppliers and manufacturers, lack of competition and bureaucratic agricultural control boards

This is the view of market researcher Andrew McGregor, who appeared on this week's John Berks M-Net show delving into the question Can we afford to eat?

"Food prices are dictated primarily by the weather, agricultural productivity, marketing efficiency and vigorous competition among processors and distributors", he said after the screening of the show.

"In South Africa, control boards dictate what and how much a farmer should produce and what he should be paid for his crops," he said

"Essentially the food manufacturing industry is a series of oligopolies — meaning it is dominated by a few large players.

"They are able, in theory, to use their cohesive muscle to pass on increased costs directly to the consumer and possibly, even contribute to that increase"

Control boards, established to keep farmers on the land by regulating prices, now served only to place "huge costs" on consumers in order to fund their operations — from which there appeared to no benefit

While 15 farmers a month were going bankrupt, the meat board alone had swelled to the point where it employed 1 600 people

Mr McGregor said the boards should be restricted to the field of international marketing and kept out of domestic markets.

Market awaits July PPI with interest

Bl Day 9/9/91. (244)

THE market awaits the July producer price index (PPI) figures with interest, following the downward revision of the figures last month for the months dating back to January

The figures are normally released during the second week of each month, but the Central Statistical Service has indicated that they may be delayed by the revision

The downward revision, coupled with the consistently strong performance of the real trade-weighted rand which brought down imported inflation, is expected to lower July's PPI, with positive implications for the consumer price index (CPI)

International markets are likely to be increasingly influenced this week by general election fever in the UK.

The half-point decline in UK base rates last week triggered perceptions that a general election would be called in November, since the present government's mandate expires in June 1992

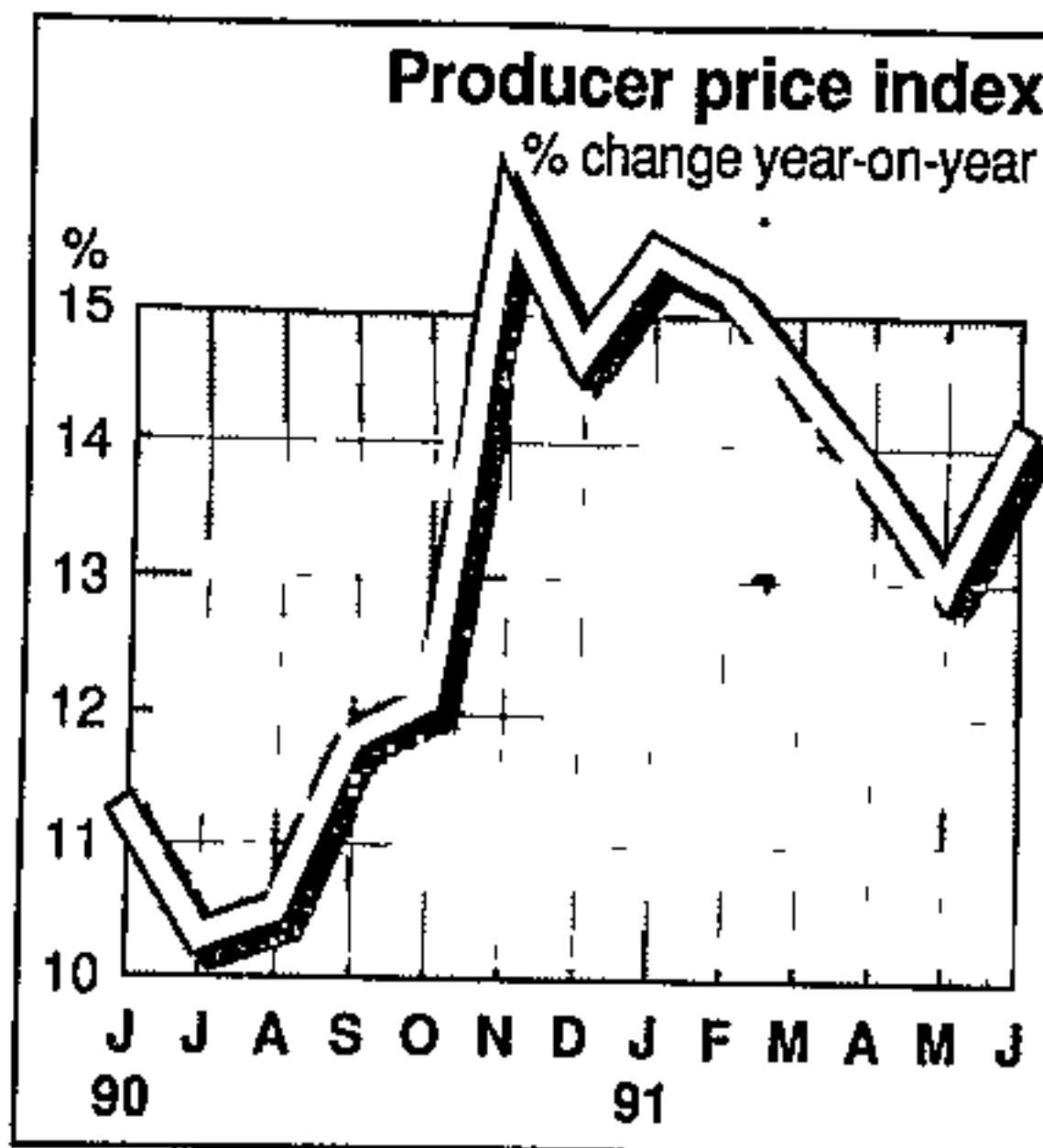
Market attention will be focused on UK economic data to see whether favourable releases reinforce these perceptions

Polls

The main figure is the UK inflation rate for August, expected on Friday UK inflation has almost halved from its peak of 10.9% late last year, and at 5.5% in the year to July the drop provides powerful support for the government's economic policy

The inflation rate is expected to drop to less than 5% on Friday, giving further impetus to the perception that a November election is in the offing. The results of fresh opinion polls, commissioned by Britain's national newspapers, are expected on Wednesday. The last two polls have shown the Conservative Party gaining a lead over Labour for the first time in months. If this trend is confirmed again it will add to the intensity of election fever

Fresh statistics can be expected from the US towards the end of the week. These will enable markets to assess the strength



Graphic: FIONA KRISCH Source: CSS

and durability of the US recovery from a brief recession. The most important of these statistics — also expected on Friday — are the August retail sales figures. These increased for three consecutive months since April, providing strong support for the perception of a US economic recovery. The increases in retail sales have been broadly based, with all components of the measure showing stronger demand

Industrial production figures for August also outperformed general expectations, showing a steady rise in the level of output during recent months. This and the need to rebuild US inventories, following the recession, promises to provide continued support for industrial production levels in the months ahead

The level of capacity utilisation in the US, also to be published on Friday, is likely to extend the recent trend of a rising take-up in plant capacity in all the industrial sectors covered by the figures

The US inflation rate for August is also expected to be out on Friday, with the rate likely to continue to show a lessening in consumer price pressures in the US

It may well show the headline inflation rate dipping further below the 4.4% posted in the year to July

Monthly food-basket costs rocket 240 percent in 10 years

(244)
ARG 10/9/91

The Argus Correspondent

JOHANNESBURG — The cost of the monthly food basket surveyed by the Housewives' League increased by more than 240 percent over the past decade

League president Mrs Lyn Morris said the 32-item grocery basket — with the relevant tax rate included — showed an increase of 241,5 percent from June 1981 to June this year

In June 1981 the food basket cost R47,96. By June 1986 it cost R87,69 and by June this year the basket cost R163,77, she said

Mrs Morris said skimmed milk powder (1kg) increased from R1,58 (including 4 percent GST) in June 1981 to R11,99 (tax exempt) in June 1991 — an increase of 659 percent. A litre of full cream milk increased from 49c to R1,59 during the same period while brown bread increased from 20c (including 4

percent GST) to an average of R1,07 (tax exempt).

According to Pick 'n Pay food merchandise director Mr Sean Summers, there is an inordinately high level of government intervention as well as a lack of effective competition at manufacturer level

"I query that the government says it is committed to fighting inflation," he said "There is government intervention at all levels to protect the local industry at the expense of the consumer. But who needs protection — the major corporation or the man-in-the-street?"

A recent investigation into the high cost of food labelled control boards "ineffective" and laid the blame for rising food costs squarely at the doors of food manufacturers and industries supplying the farming sector.

The report by corporate database and research organisation McGregors Online Infor-

mation revealed that farmers in particular, were being pressured from all sides.

The Organisation of Live stock Producers believes the cost of intervention in the meat trade could be as high as R800 million a year — with consumers paying nearly R1,33/kg more as a result

According to OLP chairman Mr Nils Dittmer, the organisation believes butchers and meat traders should have the right to buy slaughter stock direct from producers, where practical, have these stock slaughtered at abattoirs at their choice and be able to sell the resulting products according to consumer demand

"Every consumer is forced to pay for stringent hygiene standards which conform to the ideals of our bloated bureaucracy, whether they perceive these to be of value or not," Mr Dittmer said

CPI weighting change makes little difference

B/pcy 10/9/91

EDWARD OSBORN

244

THE most obvious and frequent criticism made of the consumer price index (CPI) produced by the Central Statistical Service (CSS) is that the base weighting structure is out of date.

It was, for example, repeated by Prof Karl Posel in his letter to Business Day of September 4.

To quote "my prime criticism CSS is using weighting factors which on its own admission are a mere six years out of date". The criticism serves to undermine the credibility of the official CPI. But is the criticism really that valid?

Firstly, there is the theoretical observation made by Sir Arthur Bowley way back in 1926 in his Elements of Statistics that even substantial weight changes can have relatively slight impact on an index number.

The result in fact relates to the degree of dispersion in the rates of changes in the various component price series.

This is intuitively obvious when simply taking the extreme case when all prices move at the same pace. In that case the index number representing all the prices is the same (invariant) whatever the

weighting structure

Secondly, the issue can be put to practical or empirical test. I have, for example, recalculated the CPI from 1985 to date using the 1980 set of weights. These were in use until the 1985 weights were introduced. The respective CPIs using the old 1980 set of weights and the more recent 1985 set of weights are compared in the first graph. By July 1991 the 1980-base CPI was 236.6 and the 1985-base CPI was 235.3 a difference

of only 0.55%

The two CPI indexes are very close, notwithstanding the fact that the 1980 weights are a further five years out of date.

Again, a moment's reflection is sufficient to appreciate that expenditure patterns do not change all that much in a generation, without of course denying that at any point in

time there will be reaction to comparative price changes and an influence on expenditures of new products and the like.

This is evident in the table, which shows that the most significant shifts are seen in relatively reduced foodstuffs, clothing and footwear expenditures, and increased housing and transport outlays. This explains the stronger upward bias in the 1980-base index, in that there has been less movement in housing costs than

in food and clothing

The inflation rate graph compares the respective rates as measured by the year-on-year percentages of the two CPI indexes. The two are very close, as is to be expected from the closeness of the respective CPIs, but of course not identical.

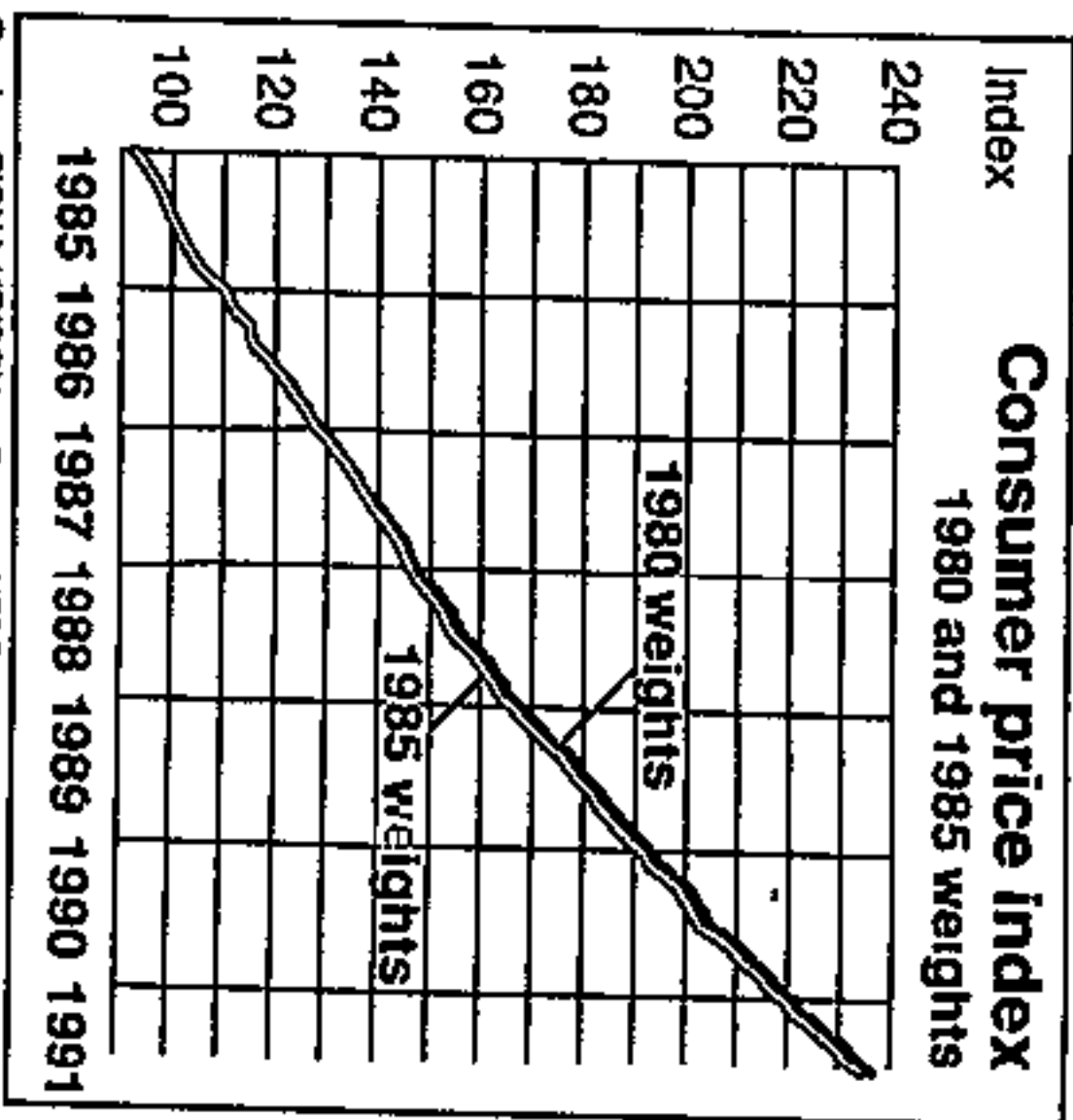
Because percentages are being compared, the two cross over periodically, but at the moment the 1985-base CPI is showing an inflation rate above that of the 1980-base CPI. The inflation rate for July 1991 is 15.8% on the 1985-base CPI, compared with 15.3% on the 1980-base CPI.

The slow change in the household pattern of expenditure is basically the justification for the continued application of a base set of weights.

However, a periodic re-examination and determination of household budget weights has to be made to keep abreast of whatever changes are occurring — and indeed in order to retain the credibility of the official CPI.

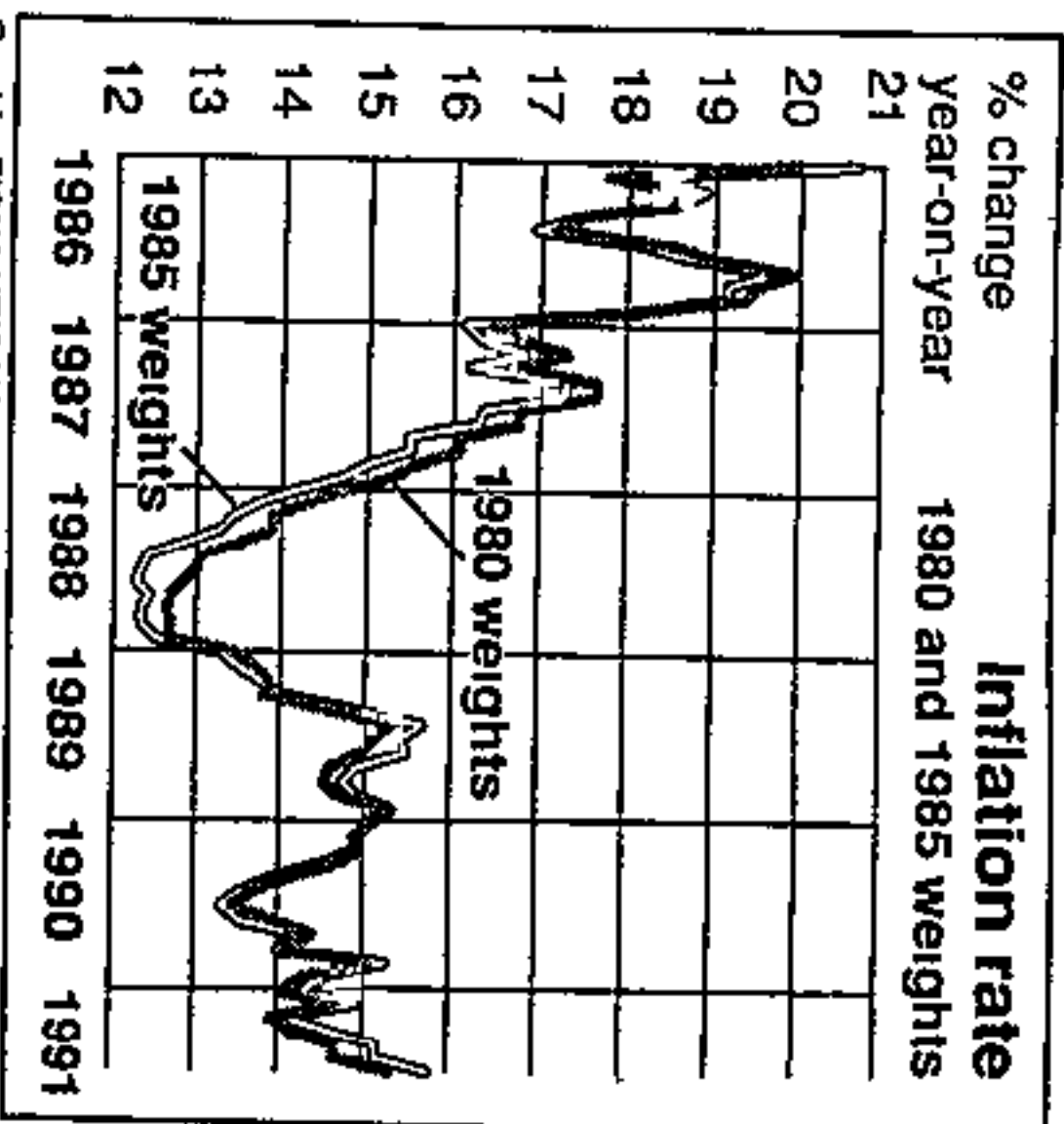
We should not go overboard in our criticisms of the official index as being out of date.

□ Osborn is chief economist at Nedbank.



Graphic: FONVA KRISCH Source: NEDBANK

SELECTED CPI WEIGHTINGS		
	1980	1985
All items	100	100
Food	24.98	22.72
Beverages	2.60	1.82
Tobacco	1.69	1.02
Clothes/footwear	8.77	5.98
Housing	17.60	21.21
Furniture/equipment	5.98	4.72
Household operations	4.96	3.77
Medical	2.08	2.56
Transport	14.94	17.23



Graphic: FONVA KRISCH Source: NEDBANK

LETTERS

Food prices soar in decade - poll

Star 11/9/91
Consumer Reporter

The cost of the monthly food basket surveyed by the Housewives League increased by more than 240 percent over the past decade, according to the organisation.

League president Lyn Morris said the 32-item grocery basket — with the relevant tax rate included — showed an increase of 241,5 percent from June 1981 until June this year.

Milk powder

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Mrs Morris said skimmed milk powder (1 kg) increased from R1,58 (including 4 per-

cent GST) in June 1981 to R11,99 (tax exempt) in June 1991 — an increase of 659 percent.

A litre of full cream milk increased from 49c to R1,59 during the same period and brown bread increased from 20c (including 4 percent GST) to an average of R1,07 (tax exempt)

Mrs Morris said tax had also had an effect on food prices in the past.

GST had escalated over the years from an initial 4 percent with no exemptions in 1978 to the present 13 percent with many exemptions. In future, VAT at 10 percent would affect all food-stuffs with only meal, meal and brown bread being zero-rated.

According to Mrs Morris, the league saw various areas of concern. Among these were

● The difference between the producer and

consumer prices.

● Monopolies — did they create inefficiencies and higher costs?

● Agricultural boards — should they be involved in pricing?

● Price increases — often large percentages were cited as being acceptable because they were "below the inflation rate". Did business absorb enough of the costs or was it too easy to pass these on to the consumer?

Shoplifting

● Was enough being done to combat shoplifting, or was this simply built into prices?

Mrs Morris said the league would be making representations to the commission of inquiry into the high cost of food and was discussing courses of action.

Clothing costs set to outstrip inflation

Star 12/9/91
Consumer Reporter

The cost of clothing will increase by more than the current rate of inflation if proposed tariff increases on imported clothing and fabrics are accepted, a leading retailer said this week.

The proposals, which appeared recently in the Government Gazette, recommend that tariffs on imported clothing be increased from 30 to 60 percent. There are also proposals that duties on imported fabric be increased from 20 to 40 percent.

Sales House MD Ian Thompson said the increase in tariffs for imported clothing, proposed by the Board of Trade and Industry (BTI), would undoubtedly affect consumers.

"Should BTI's proposal be accepted by the Government, the cost of clothing will increase to a level above the current rate of inflation and customers will suffer," Mr Thompson said.

However, he said it was unlikely that clothing prices

would increase by as much as 50 percent as suggested.

The National Clothing Federation of South Africa has issued a hard-hitting statement against the proposed increases.

The NCF, which has a direct membership of 530 clothing manufacturers throughout southern Africa who account for about 80 percent of all clothing manufacturers, said it was gravely perturbed about the "reurgence of a strong and vociferous pro-protection lobby".

Burden

NCF executive-director Henrie van Zyl said increasing South Africa's already high current protection levels would not only be contrary to international trends but would also burden the already embittered consumer — which, in turn, would kill economic growth and create further unemployment.

"To increase import duties at this stage will only benefit a few highly concentrated, capital-intensive industries, and then only in the short term, because domestic inefficiencies

and uncompetitiveness cannot be protected indefinitely," Mr van Zyl said.

"One does not have to be a prophet to predict that any further increases in protection will elicit retaliatory action from our trading partners."

The organisation disputed claims that imports of knitwear and spun garments had increased by 131 percent in the first four months of 1991.

Official statistics showed no increase whatsoever, but a decrease in the importation of all knitted fabrics of 17 percent in volume and 13 percent in value in the same period compared to the corresponding period of 1990.

Comparing the same periods, imports of knitted clothing reflected a 66 percent increase in units and 19 percent in value, according to Customs and Excise figures, he said.

Mr van Zyl said manufacturers throughout the country were discussing the proposals at present and would comment on them before October 15.

Violence is affecting our

mental health

Star 12/9/91
Medical Reporter

"The impact of the spiral of violence on the mental health of individuals, groups and communities could only be detrimental to a future South Africa, the president of the Psychological Association of South Africa (Pasa), Dr Theo Veldsman, said in the latest issue of the association's newsletter.

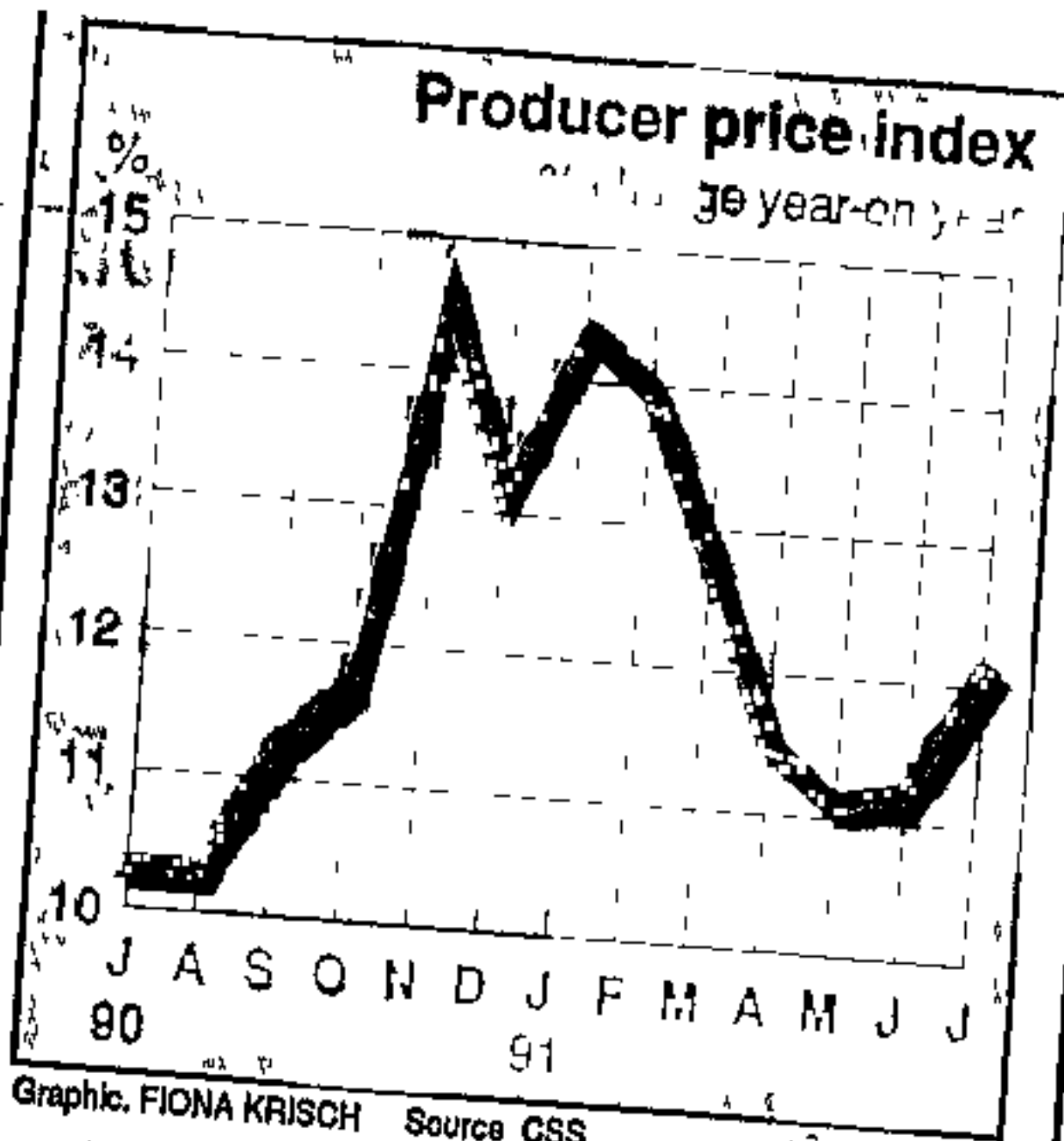
Dr Veldsman, the outgoing president of Pasa, said the "continuing and increasing wave of violence sweeping the country is a serious concern for all, including Pasa."

He added that the "daily manifestation of violence" could in the long term result in an "institutionalised culture of violence."

He appealed to anyone who could play a role in the elimination of violence to support such attempts in their communities.

"Pasa is also more than willing to become actively involved in the planning, co-ordination and initiation of actions directed at preventing and remedying the consequences of violence on the mental health of South Africans," Dr Veldsman said.





PPI's rise blamed on food prices ²⁴⁴

SHARON WOOD

FOOD prices were again a major source of pressure on producer price inflation, which rose to 12,1% in July from a revised 11,2% in June. ^{B (Jan) 13/9/91} Agricultural food prices rose, by 3,3% month on month in July and manufactured food prices by 3,0%, figures released yesterday by Central Statistical Service showed.

Fresh meat prices increased by 8,7% month on month, reversing a long period of low, and even negative, monthly price changes.

The main sources of pressure on the producer price index in July came from agricultural product prices which rose by 2,7% month on month, compared with a 0,6% rise in manufactured product prices.

A weaker rand stalled low import price inflation. Import prices rose by 0,7% month on month and by 10,2% from July last year.

Rand Merchant Bank economist Rudolf Gouws said the jump in the year-on-year rate of the PPI was technical, because it came from a low base last year.

The figures showed a continuation of recent trends and there was no acceleration or deceleration in prices at the producer level. "When the impact of food prices is excluded from the index, there is an underlying deceleration in producer inflation," he said.

Monthly producer price rises of note were in leather (up 4,7% month on month), footwear (4,3%) and coal (3,2%). The index rose to 221,2 in July from 219,3 in June.

Food prices ⁽²⁴⁴⁾ push PPI to ^{CT 13/9/91} 12% in July

From SHARON WOOD

JOHANNESBURG. — Food prices were again a major source of pressure on producer price inflation, which rose to 12,1% in July from a revised 11,2% in June

Agricultural food prices rose by 3,3% month on month in July and manufactured food prices by 3,0%; figures released yesterday by Central Statistical Service showed.

Fresh meat prices increased by 8,7% month on month, reversing a long period of low, and even negative, monthly price changes.

The main sources of pressure on the producer price index in July came from agricultural product prices which rose by 2,7% month on month, compared with a 0,6% rise in manufactured product prices

A weaker rand stalled low import price inflation. Import prices rose by 0,7% month on month and by 10,2% from July last year.

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Govt losing ground in fight against inflation

By Derek Tommey *Star 13/9/91*

The producer price index (PPI) for July shows that inflation remains stubbornly high and is even increasing, in spite of the Reserve Bank's tight money policy.

Figures issued by Central Statistical Services show that the PPI for all commodities for consumption in South Africa rose by 0,9 percent in July (1,4 percent seasonally adjusted) to 221,20 (1985 equals 100).

This brought the increase in producer prices in the 12 months to July to 12,1 percent.

This is a deterioration from the position in June when the PPI showed an increase of 11,2 percent on the year-ago figure.

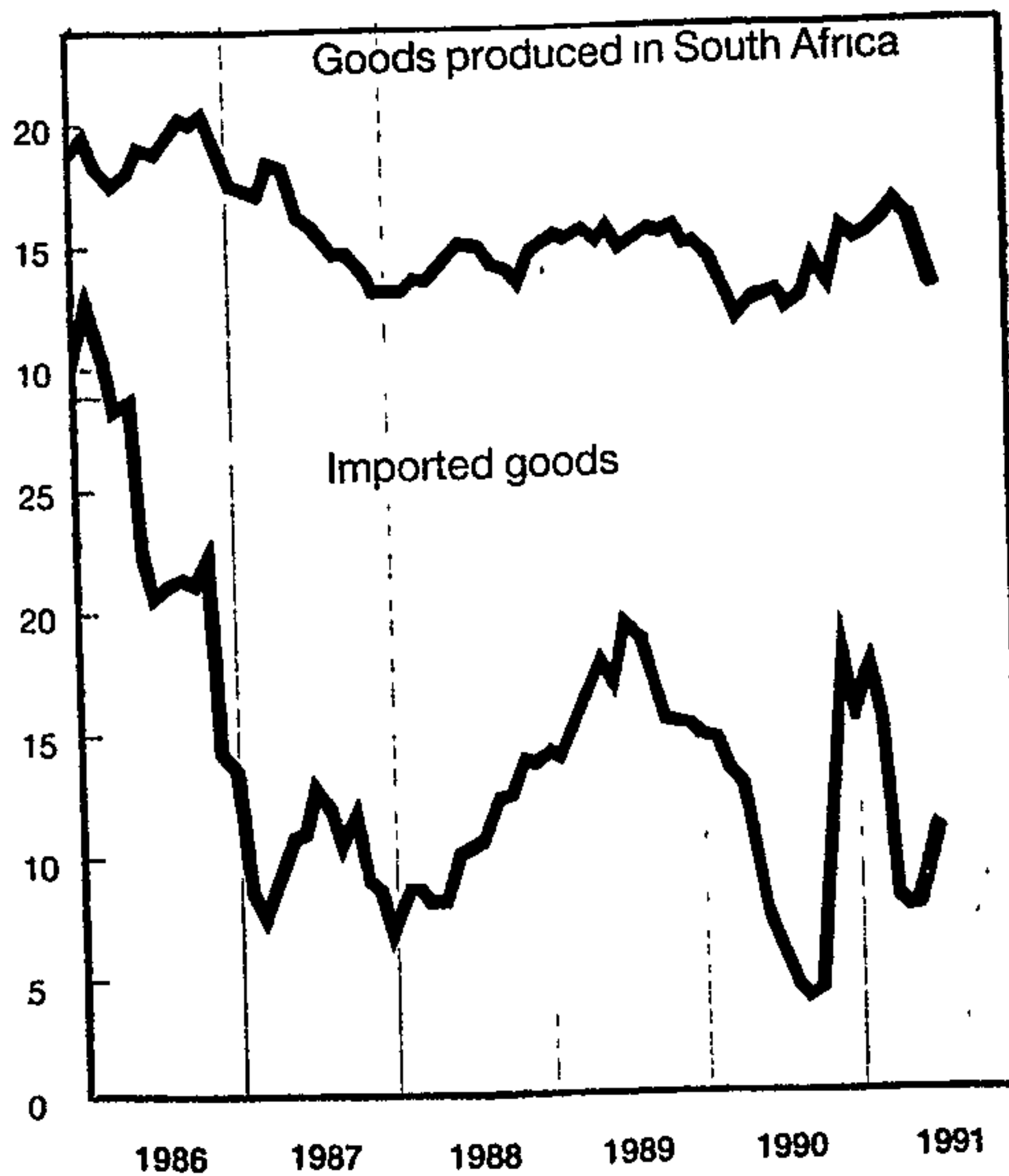
Commodities

The prices of locally produced commodities also rose 0,9 percent in July to show a year-on-year rise of 12,5 percent. In the 12 months to June the price of these goods rose 12 percent.

The price of imported commodities rose 0,6 percent in July to show a year-on-year increase of 10,2 percent, thus continuing the tendency to show a smaller increase than local items.

But even this 10,2 percent rise is a deterioration on the 12 months to June, when imported prices rose only 7,9 percent.

Helping to push up the PPI in July were a 3,6 percent increase in the price of agricultural foodstuffs, a 3,2 percent rise in



Producer prices: percentage change over 12 months.

the coal price, an 8,6 percent rise in fresh meat prices and increases of more than four percent in the prices of leather and footwear.

Other items to show significantly large increases in July were newsprint paper (6,1 percent), natural crude rubber (9,4 percent) and transformer oil (16,5 percent).

However, there is a little bit of good news in the figures. The price of bitumen dropped

5,5 percent in July, while the price of tar fell 3,3 percent, plastic in bulk 1,3 percent and tyres and tubes 0,2 percent.

Items showing big price increases in the 12 months to July were farming products (15,7 percent), coal (31,5 percent), manufactured food (13,2 percent), tobacco products (16,4 percent) and paper, paper products and printing (16,35 percent).

These latest PPI figures will disappoint inflation-watchers.

South Africa has now had more than two years of restrictive money and fiscal policies.

In the past 18 months to two years the prices of many of major exports have fallen sharply. These two developments between them have squeezed the economy severely.

By now one would have expected firms, in a bid to improve their competitiveness, to restrict price increases, with overall prices showing much smaller increases than in the past.

However, one of the reasons why this probably has not happened is that the recession has been relatively mild until now.

Recession

As a result, many firms have tended to believe the tight money policy would not affect them.

But the longer the recession has continued, the harder it has been biting. Reports from industry suggest that for many firms the moment of truth has at last arrived.

Because many firms underestimated the extent of the downturn and did nothing when they should have been tightening up their operations, they are now having to take drastic steps just to survive.

Unless there is a marked recovery in the economic climate overseas, conditions in South Africa are likely to remain extremely difficult.

This should ensure that the anti-inflation drive will at last start producing significant results.

Food probe delay slated

Political Staff

A NINE-MONTH delay in the report of the inquiry into soaring food prices was strongly criticised yesterday by the Democratic Party and the Free State Agricultural Union.

The probe was ordered by the government in July, but yesterday the Department of Trade and Industry said it was expected it would take nine months to complete.

The Board of Trade and Industry, which is conducting the investigation, said it was only at the beginning stage. An action plan, which would serve as a guideline, had been drawn up.

"As the first step a study is being made of the literature and attention is being given to the collection of information in co-operation with interested parties," a statement said.

The government ordered the investigation when it was pointed out that while the rate of inflation was 14%, food prices were rocketing to the tune of 17% to 18%.

In the Cape Peninsula, food prices increased at a rate of 27,6% in May and 20,7% in June.

However, the prices paid to producers and farmers have not increased at the same rate of inflation, even though South African supermarket chains claim their mark-up rates are one of the lowest in the West.

ARC 18/9/91

Telephone rentals and stamp prices up

ALAN DUNN, Political Staff

TELEPHONE rents rise by R2 to R26 from September 30 and postage on ordinary letters increases from 25c to 27c

The Postmaster-General, Mr Johan de Villiers, said today that charges would be increased by an average 8,77 percent because of value-added tax

Phone rents on party lines will rise to R27 a month and phone-call charges from 15c to 16,5c a unit

Telephone installation will increase from R155 to R170 Pay phones remain unaffected.

Concessionary tariffs for social and certain other pensioners will increase too

Telephone installation rises from R25 to R27 and the monthly rent will increase by R1,60 to R19,60.

Phone and post costs will rise

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POSTAL and telecommunications tariffs will increase from September 30, raising telephone rentals by R2 to R26, and postage on ordinary letters from 25c to 27c.

19/9/91.

Postmaster-General Mr Johan de Vilhiers said yesterday charges would be increased by an average 8,77 percent due to the introduction of Value Added Tax. Telephone rental on party lines will go

up to R27 a month and telephone call charges rise by 15c to 16,5c a unit. Telephone installation will increase from R155 to R170. Payphones remain unaffected. Concessionary tariffs for social and other pensioners will increase too, telephone installation rises from R25 to R27, and monthly rental will increase by R1,60 to R19,60 - *Political Staff*

(244)

Chamber of Mines' senior economist Francois Viruly says the increase is due to the rise in electricity and water rates and increases in costs of labour and transport. Since 1990 transport costs have risen 9% to R36/t and costs of production 20% to R42/ton. At the same time, the export price for coal went up only 1,2% to R82/t and export profits decreased 69,2% to R4/t.

Says Viruly "We are in danger of losing our international competitiveness when our rises in working costs exceed those of our major competitors."

However, the coal price increase was a relatively insignificant contribution to producer price inflation as coal has a weighting of only 2,17% in the index.

Food prices, with a weighting of 21,55%, were again the main contributor to the 0,9% month-on-month rise in producer prices. Agricultural food prices rose 3,6% and manufactured food prices 3%.

The 12-month rise in the total index was 12,1%, up from June's 11,2%. This reduced the gap between CPI and PPI by 0,2 of a percentage point to 3,8 percentage points.

Imported commodities rose 10,2% over 12 months. This was a reversal of an earlier trend.

Econometrix's Azar Jammie says "As

continue. →

PRODUCER PRICES

Hot stuff

Fm 20/9/91

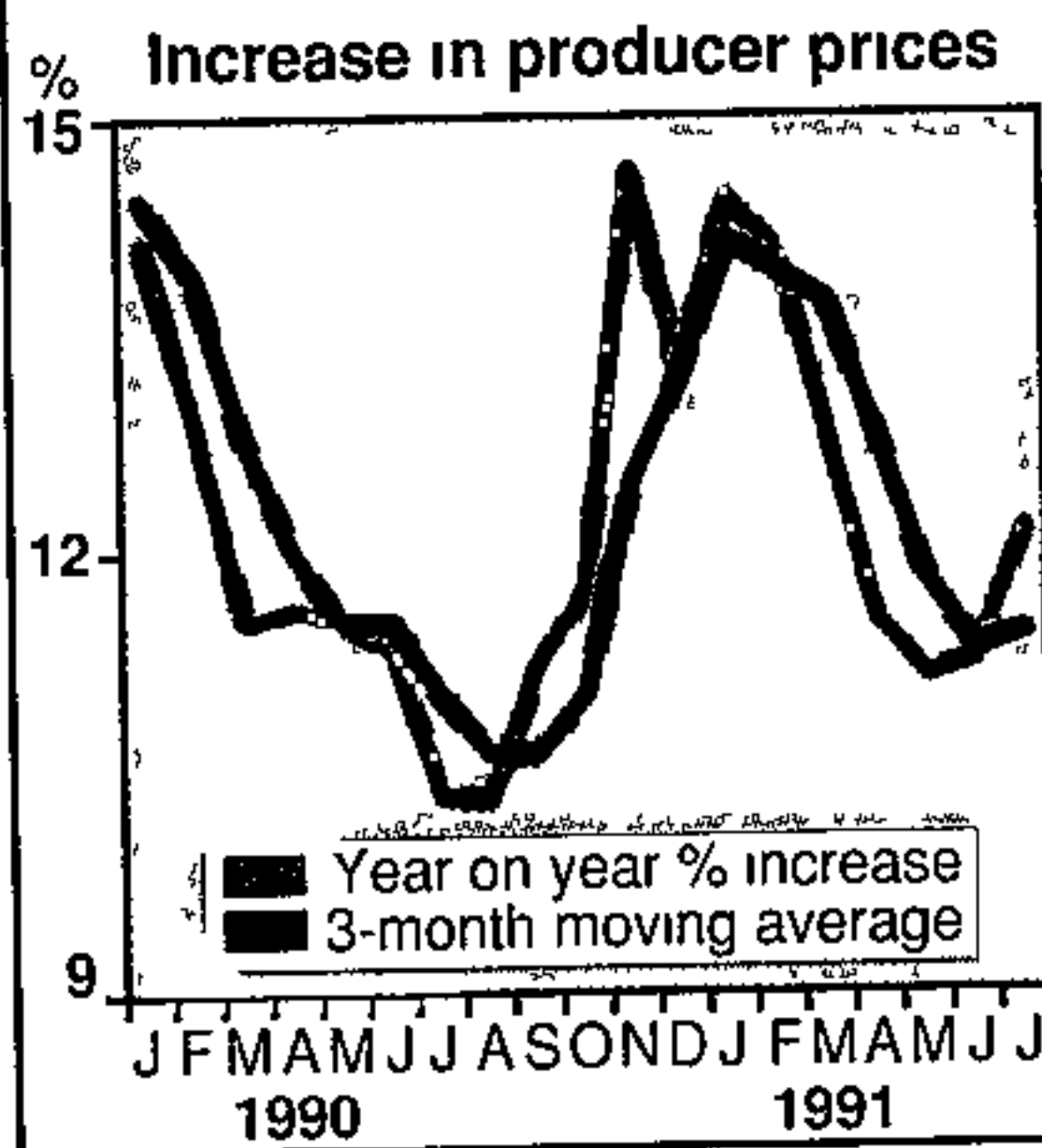
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Producer price figures from Central Statistical Service show the price of coal rose 31,5% in the 12 months to July and 3,2% in the month. CSS says this is the highest rise in a single commodity over the past six years. This continues a trend which has seen coal prices rising 211,1% since 1985.

Fm 20/9/91

(244)

Crossing paths



the dollar declines against most European currencies so does the rand. And, since most imports come from European countries, we are likely to see prices under pressure from imported inflation."

Calculations of PPI increases, based on a three-month moving average, suggest an increase in prices lies ahead (see graph). Historically, when this curve crosses that traced by year-on-year price rises it indicates the path ahead — in this case up.

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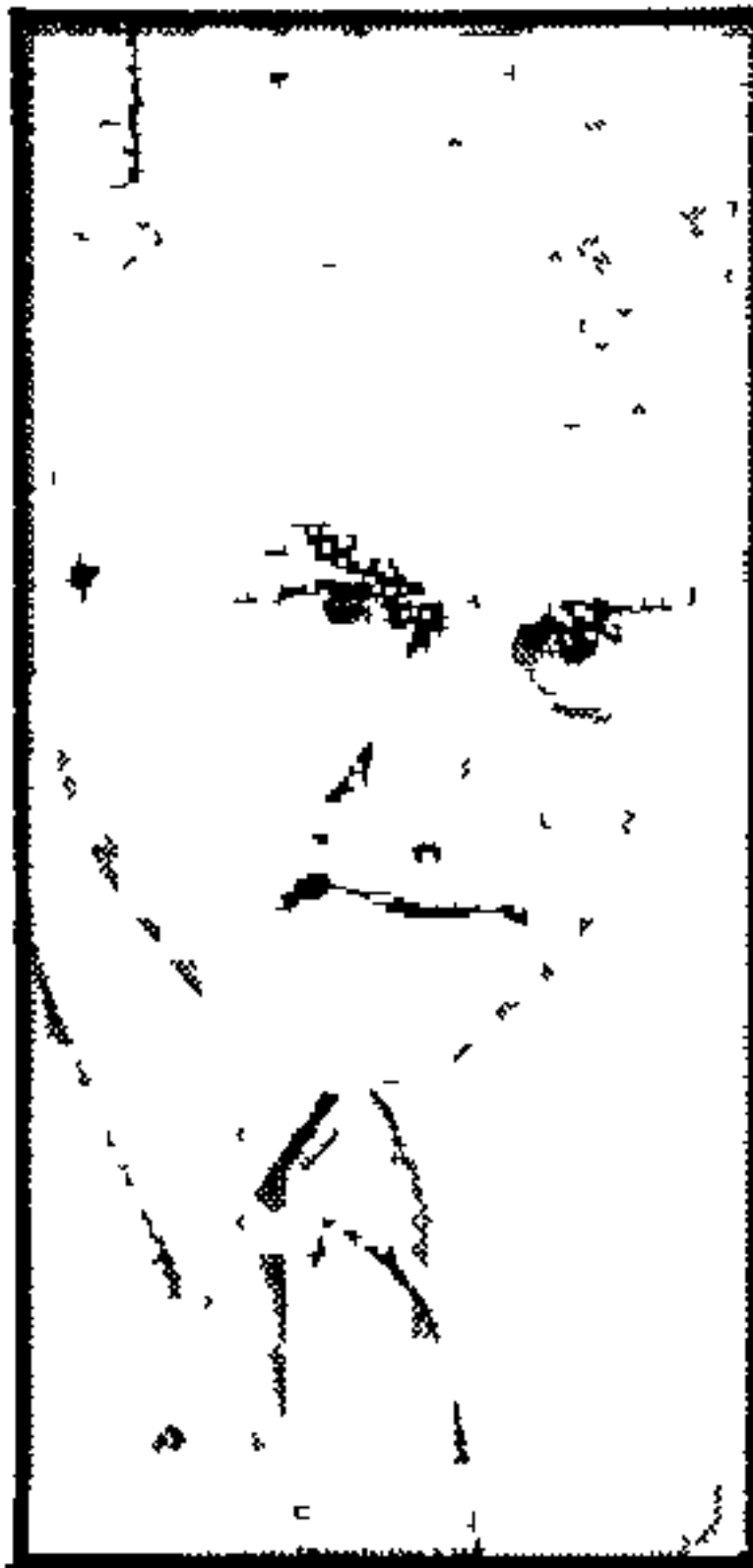
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DERRICK MINNIE: Some cheaper

Housing stalled

STATE spending on low-cost coloured housing has been slashed

House of Representatives director of housing Anton Fuchs says reduced cash allocations for coloured affairs have caused the cuts

One of the more successful projects to get the axe is the Delft scheme on the Cape Flats

Mr Fuchs says there will be no State financing for new houses at Delft this year But

CSS figures in new row

CENTRAL Statistical Service (CSS) may have committed another boob with the producer price index. *St Times*

Corrugated cardboard prices rose by 22% in the year to July 1991, according to CSS *(Buss)*

But three packaging manufacturers — Nampak, Consol and Kohler — disagree. They account for about two-thirds of the business

Nampak managing director Donald McCarton says "A 22% increase is nonsense. The average was 12% to 13% a year ago. Our corrugated board price increased by 12% on average in the 12 months to July" *22/7/91*

Consol Group managing director Piet Neethling says the 22% increase seems wrong. He believes there has been an average 14% increase.

Kohler managing director Derrick Minnie says his company has raised prices by an average of less than 10% and has not recovered increased costs

Mr Minnie says. "In some cases we have even reduced prices. Paper mills have passed through lower price in-

By DIRK TIEMANN

creases. In the current competitive environment, we are struggling to pass them on.

"This year the price of raw material from the mills has risen only once — by 12% to 15%. This is the first time that increases have been so low. In the past prices have gone up twice a year."

The cost of packaging could be one of the biggest factors lifting processed food prices. Corrugated cardboard is used mainly for outer containers for food

Check

CSS bases its PPI estimates on replies received from manufacturers. It is difficult to understand why its increase is much higher than those given by the Big Three

CSS deputy director David van den Heever says "We send our questionnaires to a representative sample. Although we cannot disclose the figures supplied by respondents, we check them

"When there is an anomaly in a price, we check with the manufacturer. We also quote the last price he gave us on the new questionnaires."

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Apprehension over new weighting for price index

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B/day 23/9/91.

THE main event on the local economy this week is the release of the August consumer price index (CPI) on Thursday. This will see the debut of the newly-weighted CPI based on 1990 instead of the old index based on 1985

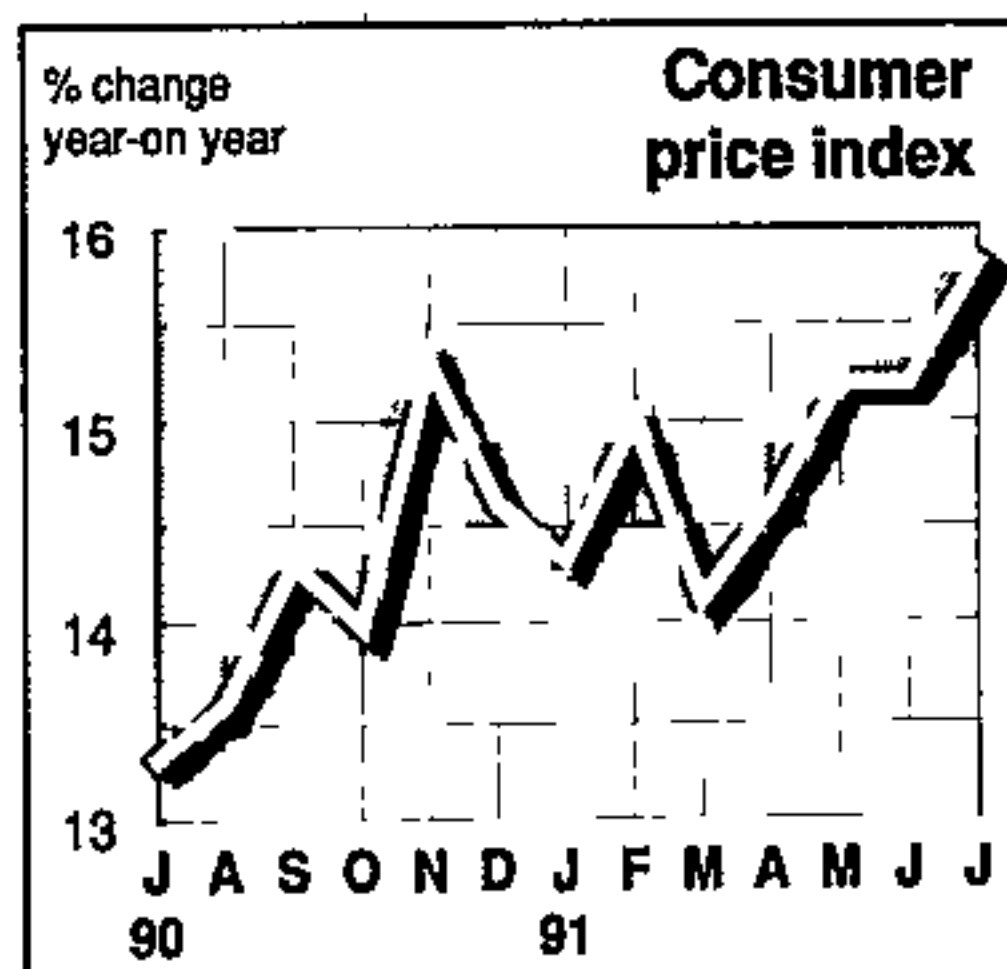
The index will be adjusted to the new household consumer survey which is updated by the Central Statistical Service (CSS) every five years.

Although various authoritative studies have indicated that no up-front impact can be expected on the CPI from a five-year updating of the weightings in the consumer basket, the market remains sceptical and apprehensive about the effect on the inflation rate of the new average basket of goods

Offsetting the early effects of the 13% petrol price increase implemented in August will be a technically based restraint on the rate of CPI increase in the year to August. The reason for this is a relatively large month-on-month increase in the consumer price index 12 months ago, when the index number itself jumped by more than three percentage points between July and August 1990. This gives the calculation of the 12-month inflation rate to August 1991 a relatively high base and may help hold back the annual inflation rate

Also expected out early this week — either today or tomorrow — is the August set of monetary aggregates which have shown an increase in the annual rate of growth of the broad measure of money supply, M3, for the last three months

The headline money supply data continued to be distorted by the effects of the introduction of the depo-



Graphic: FIONA KRISCH Source: CSS

sit-taking institutions legislation. But, as in previous months, the attention of the authorities and of the market is likely to be focused on the rolling increase in M3 from its fourth quarter 1990 base, which at 19.4% in July is actually lower than it was three months ago.

However, the increase in M3 based on the fourth quarter of last year remains well outside the Reserve Bank's guideline range of 8% to 12% for calendar 1991, and in all likelihood it will stay that way in the August outturn.

Internationally the markets remain transfixed by the performance of the US economy and its prospects of maintaining a steady recovery as it approaches the year-end. Figures released last week encouraged cautious optimism that the recovery so far has a firm base, and attention will be on the level of durable goods orders in August scheduled for publication on Wednesday

July durable goods orders jumped by a remarkable 10.7% on the previous month, the largest monthly gain for this variable in 21 years. Although durable goods is a notori-

ously volatile figure, any sign that the July reading was not a totally freak figure will be taken with good heart by players banking on an acceleration in the pace of recovery.

On Thursday the final revision to US second quarter GNP will be published. A large part of the dollar's recent weakness can be attributed to an unexpected downward revision to this figure a month ago which has left second quarter GNP at -0.1%. A fifth consecutive positive monthly outturn for US industrial production released last week included upward revisions to the two previous monthly figures. This is being seen in some parts of the market as evidence that economic activity at manufacturing level may have been under recorded. Therefore the final revision to second quarter GNP may yet struggle back to a positive number and improve dollar sentiment still further

Markets will be looking for corroboration of a notable statement by the Governor of the Bank of England last week that the UK economy was showing signs of emerging from its recession when GDP for the second quarter is measured in figures out later today

Every British economic statistic carries extra political significance at the moment due to the belief in many quarters that the government is on the point of calling an early general election for November. Any statistical backing for the Bank of England's view on recovery would count to the advantage of the Conservative Party as it seeks re-election. In addition, sterling could be sensitive to a new national opinion poll due for publication in a major British newspaper on Thursday

Consumer to reap VAT benefits

Chain stores promise: 'No price hikes'

B (over) 23/9/91. 244

MAJOR retail chains and manufacturers yesterday made a public pledge to pass on to customers the cost benefits derived from VAT.

They also promised their pricing policies would fairly reflect these benefits.

In a separate statement, Woolworths announced it would subsidise until October 13 the prices of basic foodstuffs previously exempt from GST.

The pledge by 17 companies, including Pick 'n Pay, Checkers, Spar, Metro, Score, Game, Fedfood, Premier Food Industries and Unilever, arose from a meeting called by Vatwatch last week and out of concern that there would be huge price hikes following VAT's introduction.

Major companies were called on to adopt the pledge which urged suppliers to pass on to them any cost benefits, to pass these on to customers, to ensure pricing policies fairly reflected any VAT benefits, and to encourage others in the business community to adopt the pledge.

Vatwatch's Prof Louise Tager said the pledge was a message aimed at both consumers and business in an attempt to make them aware of VAT savings.

"I am very concerned that the full implications of the system have not connected in the minds of the entire business section," she said.

Tager pointed out that because of the savings businesses would enjoy, prices should not increase at all.

Some signatories said yesterday the expected savings derived from VAT would be minimal.

MARCIA KLEIN
and SUSAN RUSSELL

Premier Food Industries MD Willem de Kok said while his group subscribed fully to the pledge, it did not expect any significant savings to flow through following the introduction of VAT.

He said Premier had done a straight calculation on the effect of the introduction of VAT on its food basket. With only brown bread and maize meal being VAT exempt there would be a 4,8% increase on the price of the basket.

Fedfood MD Jan du Toit said his group would make every effort to keep the food prices as low as possible. However, he said the huge figures which had been mentioned in terms of savings on input tax were hypothetical, especially regarding the mass produced products where savings frequently were only a fraction of a cent.

The first major group to announce it would actively pass on VAT savings to customers was Woolworths.

Woolworths financial director Ray Schur said more than 200 basic food items which were free of GST would be subsidised by Woolworths, effectively keeping the prices at pre-VAT levels.

Meanwhile, Cosatu spokesman Neil Coleman said while the signatories' intentions were laudable, this meant the public had to rely on the good faith and promises of retailers.

What was needed to prevent price abuse, Coleman said, were statutory enforceable safeguards.

● Comment: Page 10

Bread price rise imminent

Pretoria Bureau *star 25/9/91*

A rise in the bread price is looming, according to the South African Chamber of Baking

President of the chamber Fanie Ferreira yesterday announced that the price of bread "is likely to rise later this year due to substantial rises in bakers' input costs"

The implementation date and the new prices had not yet been determined

This announcement came shortly after the chamber's annual in-depth cost investigation of a representative sample of 56 bakers countrywide

According to the chamber, the wholesale price of bread was determined by the price of flour — which at present constituted 57 percent of the cost of a loaf — as well as production and delivery costs (244)

Mr Ferreira said in a media release that investigations had revealed that production and delivery costs alone had already risen by 8c a loaf with increasing wages being the biggest contributor (244)

This excluded the cost of an increase in the price of flour — which is mainly affected by the rise in the price of wheat

Bakers' costs likely to make bread price rise

PRETORIA — The bread price was likely to rise later this year because of a substantial increase in bakers' input costs, the president of the South African Chamber of Baking, Mr Fame Ferreira, said.

He made the announcement yesterday after the chamber's annual in-depth cost investigation of 56 commercial bakers throughout South Africa.

He pointed out in a statement that the wholesale price of bread was determined by the price of flour, which currently constituted 57 percent of the cost of a loaf, as well as by production and delivery costs.

Mr Ferreira said the investigation had shown that production and delivery costs alone had already risen by eight cents a loaf, with increasing

wages being the biggest contributor (244) ACC 25/9/91

This figure excluded the cost of an increase in the flour price, which in turn was mainly affected by the rise in the wheat price.

He said it was customary for the minister of agriculture to announce a new wheat price each November, which, with expected increases in milling costs, would result in a rise in flour prices.

The extent of such increases could not be gauged, but would certainly place additional pressure on the baking industry for it to maintain viability.

Mr Ferreira called on bakers for maximum restraint in pricing policies in view of the introduction of VAT on white and wholewheat which would aggravate the situation — Sapa.

The price of bread may rise

25/9/91
Sowetan 25/9/91
THE bread price was likely to rise later this year because of a substantial increase in bakers' input costs, the president of the South African Chamber of Baking, Mr Fanie Ferreira, said yesterday.

He said this after the Chamber's annual in-depth cost investigation of a representative sample of 56 commercial bakers

He said the wholesale price of bread was determined by the price of flour, which constituted 57 per cent of the cost of a loaf, as well as production and delivery costs

The investigation had shown that production and delivery costs alone had risen by eight cents a loaf, with increasing wages the biggest contributor

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244
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Ferreira called on bakers to exercise maximum restraint in their pricing policies - Sapa -

ILO 'impressed' by labour developments

B10 aug 25/9/91

THE International Labour Organisation (ILO) was "impressed" by developments in the SA labour field over the past year and was considering giving SA technical co-operation, Manpower Minister Eli Louw said yesterday.

Louw was addressing a news briefing in Pretoria after a six-day visit to Western Europe and the UK. The aim was to maintain contact with the ILO and to establish contact with tripartite bodies representing employers, the state and unions in the UK, the Netherlands, Germany and Switzerland.

He said the ILO was considering using its experience and information resources in guiding SA labour relations from abroad. At the moment, membership of the ILO was not a high priority, he said.

Louw is the first SA Manpower Minister to have met the British Trades Union Congress and the tripartite Netherland's So-

VERA VON LIERES

cio-Economic Advisory Council. The Dutch body impressed him and confirmed "the need for all major players in the labour field to act in unison".

In Geneva, Louw had talks with international trade union secretariats where, he said, it became clear that SA labour legislation compared favourably with the rest of the world.

The political and economic failures of Africa, Eastern Europe and the Soviet Union had generated understanding for the NP's constitutional and economic proposals, he concluded during the visit. One of the main criticisms of the proposals — levelled by trade unions — was that they did not meet the approval of the ANC.

SA could learn from Germany's current success in the upgrading of industries and skills in East Germany, Louw said.

Bakers warn of rise in bread price

244

GERALD REILLY

PRETORIA — A "substantial" bread price increase had become unavoidable later this year because of soaring input costs, SA Chamber of Baking president Fanie Ferreira said yesterday.

His announcement follows the chamber's annual investigation into costs incurred by 57 bakeries across SA. An industry source said an immediate price increase could be justified.

The source said further rises this year could not be ruled out. However, there was concern in the industry about consumer resistance to rising prices. In the past eight months bread sales had fallen 5% and further rises could accelerate this trend.

The source said a major swing away from white to brown bread was expected when VAT was introduced on Monday. Unless a last-minute concession is made, white bread will be subject to VAT.

There could also be a wheat price rise in November, after a Wheat Board meeting next month to decide on a price recommendation.

Unless there are good rains the current crop could fall below the 2.2-million tons needed for local consumption and wheat imports may be needed.

tech Limited

(Incorporated in the Republic of South Africa)
(Registration number 69/10524/06)

ear ended 31 August 1991

Goods, service hikes outstrip food

CAPE TOWN — The sharp rise in food prices may not be the major player in the stubbornly high inflation rate in SA, says Sanlam in its latest economic review

Chief economist Johan Louw says "It is disturbing that recent sharp price hikes have not been limited to food products only, but the prices of non-foodstuffs have also increased considerably

"On average it would appear that the prices of various goods and services rose even faster than food prices in general during the first seven months of 1991"

Sanlam shows that the highest increase for the period compared to the first seven months of 1990 came from household consumables which rose by a hefty 24%

Next were alcoholic beverages at 22,6%, cigarettes and tobacco at 21,8%, public transport at 21,6% and medical care with an increase of 21,3%

Food was about halfway down the list with an increase for the period of 16,2%. Bottom of the list were communications and housing at about 5,5%.

Sanlam expects inflation to still be around 15% at the end of this year, but to decline gradually to about 12% by the end of 1992. The group sees an improvement in general economic activities for 1992. The upswing will progress slowly, however,

Louw warns.

The recession can largely be attributed to the weak and uncertain growth of the agricultural sector

Louw regards the following as signs that the economic downswing is bottoming out

- The leading economic indicator has shown an upward tendency since January;
- The public sector's current expenditure is showing a reasonably sharp and expansionistic increase,
- The change to VAT forms part of a fiscal package that should encourage private consumer spending as well as capital investment by companies,
- The continued improvement in the balance of payments, and

□ The lifting of sanctions

On the other hand, the next upswing is being retarded by the stubbornly high inflation rate, increases in wages and salaries that exceed the inflation rate, and the continuously uncertain political climate.

Louw expects this year's growth rate to be negative at about 0,6%, and predicts a positive real growth rate of 2% for 1992. The balance-of-payments position remains fragile over the short term, resulting in the maintenance of strict exchange-control measures for the immediate future, he says. No significant drop in long-term interest rates is expected in the next few months — Sapa

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Business Report

Food 'not main culprit'

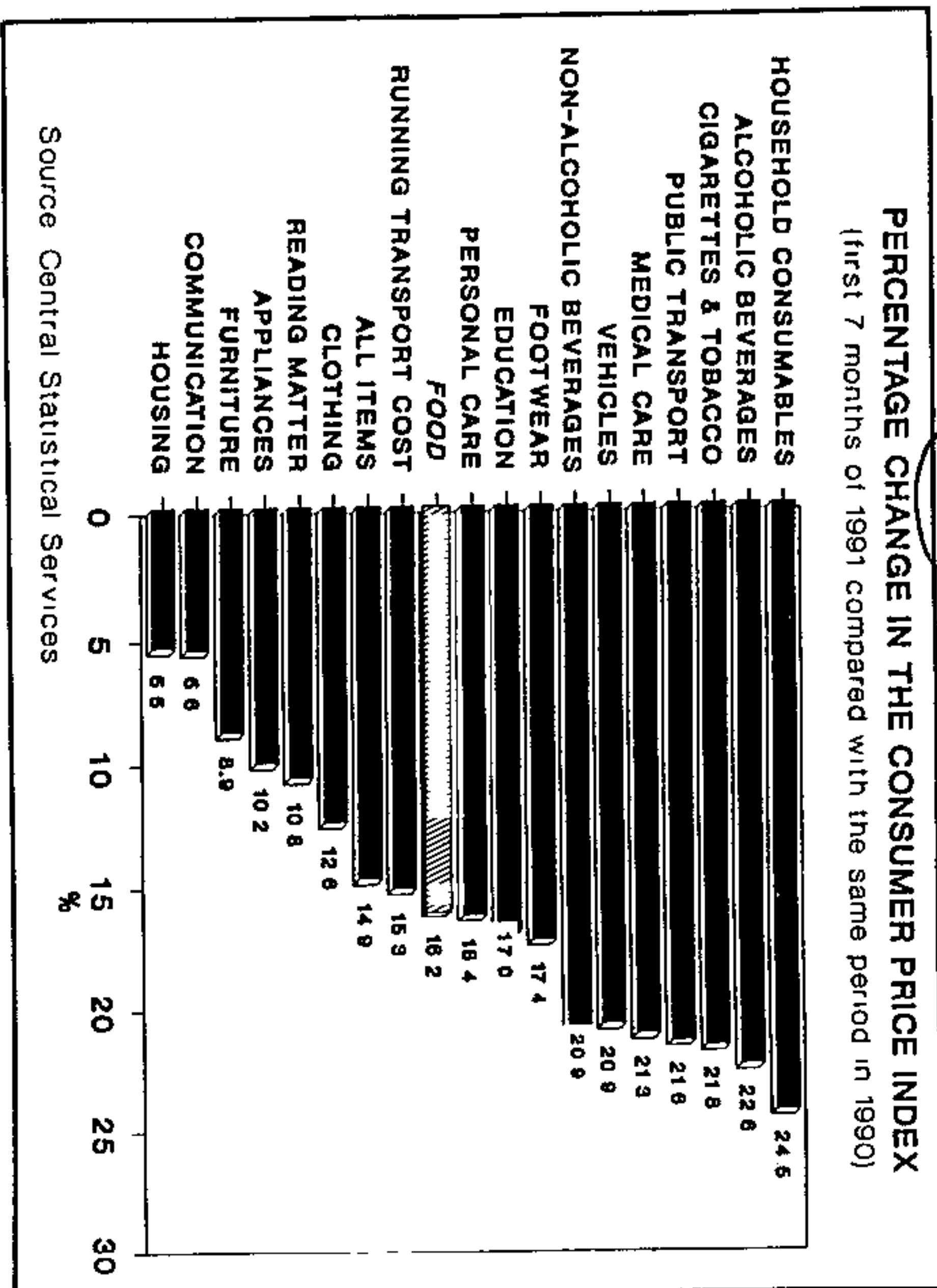
CT 25/9/91

Services, goods rose faster . . .

THE sharp rise in food prices may not be the major player in the stubbornly high inflation rate in South Africa says Sanlam in its latest economic review

Chief Economist Johan Louw says "It is disturbing that recent sharp price hikes have not been limited to food products only, but the prices of non-foodstuffs have also increased considerably during this period. "On average it would appear that the prices of various goods and services rose even faster than food prices in general during the first seven months of 1991

Sanlam shows that highest increase for the period compared to the first seven months of 1990 came from household consumables which rose by a hefty 24%
Next were alcoholic beverages with 22,6%, cigarettes and tobacco with



21,8%, public transport with 21,6% and medical care with an increase of 21,3%
Food was about halfway down the list with an increase for the period of 16,2%. Bottom of the list was communications and housing, but at about 5,5%.

Sanlam expects inflation to still be around 15% at the end of this year but will gradually decline to about 12% at the end of 1992
The group sees an improvement in general economic activities for 1992. The upswing will progress slowly,

however, says Louw

The recession can to a large extent be attributed to the weak and uncertain growth of the agricultural sector
Louw regards the following as signs that the economic downswing is bottoming out

- The economic indicator has been showing an upward tendency since January.

- The public sector's current expenditure is showing a reasonably sharp and expansionary increase.

- The change to VAT forms part of a fiscal package that should encourage private consumer spending as well as capital investment by companies; and

- The continued improvement in the balance of payments and the lifting of sanctions

On the other hand, the next upswing is being retarded by the stubbornly high inflation rate, increases in wages and salaries that exceed the inflation rate and continuously uncertain political climate, Louw says

He is expecting the growth rate for this year to be negative to the tune of 0,6%, a positive real growth rate in the region of 2% for 1992

The balance-of-payment position remains fragile over the short term, resulting in the maintenance of strict exchange-control measures for the immediate future

No significant drop in long-term interest rates is expected in the next few months — Sapa

Michael Meehan has been appointed deputy chairman of Unicorn Lines.

Ivan Clark will become the MD of Unicorn Lines.

CPI data delayed 'at least a week'

SHARON WOOD

CONSUMER price index (CPI) figures, due to be released yesterday, have been delayed for at least a week

This follows hard on the heels of recent mistakes by the Central Statistical Service (CSS), which saw a substantial downward revision in the producer price index (PPI) and a revision of the CPI.

The publication of the PPI was also delayed by several days.

Government and economists were sharply critical of the CSS errors because they said wage demands would have been inflated by the incorrect data

CSS sources said the latest hitch would delay figures by at least a week

However, CSS head Treurnicht du Toit said the CPI might not be released even next week, but added that the CSS was working towards its "early release".

It was still too early to pinpoint a specific day, he said

The reason for the delay was that the

CSS was still compiling the figures which would reflect the new 1990 base year. The base year is changed every five years in accordance with international standards and reflects new spending patterns

Du Toit said he would not speculate on whether the change in the base year would affect existing inflation figures

CSS sources said the figures had been calculated but Du Toit still had to give the go-ahead to publish the historical revisions of the CPI from 1970

All existing inflation figures would be changed by using a conversion factor calculated from the new base year

Economists expect the housing category to increase its contribution to the total index because of high interest rates

In terms of 1985 spending patterns, the average consumer spends 21,2% of his income on housing costs

19/10/91
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CPI figures 'delayed'

From SHARON WOOD

JOHANNESBURG — Consumer price index (CPI) figures, due to be released yesterday, have been delayed for at least a week.

This follows hard on the heels of recent mistakes by the Central Statistical Service (CSS), which saw a substantial downward revision in the producer price index (PPI) and a revision of the CPI.

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'Black Friday' fears return

Business Editor

FEARS of a repetition of "black Friday" — when world stock markets crashed in October 1987 — combined with poor company results recently, and threats of unrest if VAT is introduced, were given by stockbrokers and analysts as reasons for the steep fall in the Industrial Index yesterday.

The index ended the day at 4 085, down 66 points.

Rob Lee of the Board of Executors said the large number of rights issues, with more expected, meant that "all of a sudden there is a supply of new paper to the market."

"It has happened at a time

week

However, CSS head Treurnicht du Toit said the CPI might not be released even next week.

When the market was on a very high rating, with a price/earnings ratio of just over 13%. The last time it was that high was in October 1987, just before Black Friday.

"Some people are getting nervous and superstitious, remembering the market dropped in October 1989 and in September 1990, too."

"At the height it reached the market was vulnerable to any bad news."

● The continued strength of the financial rand bedevilled the JSE yesterday, with sharp falls in leading currency-linked industrial dragging the market lower, dealers said.

The All Gold Index declined a relatively light nine points to 1 146 from 1 154.

The All Share Index slid to 3 375 from Tuesday's 3 408 finish. Industrial leader Barlows lost R1 at R50,50 while Richemont ended 25c lower at R30,55.

But gold and other mining shares held up well on support from firm world bullion prices.

Among popular gold shares, Vaal Reefs R1 at R198 and Driefontein a mild 25c at R37,25 but Kloof held steady at R30.

Mining financial Anglos shed 50c at R118,75 but De Beers ended 5c firmer at R86.

Platinums had Rustenburg up 50c at R63.

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244 CT 26/94

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Economists expect the housing category to increase its contribution to the total index because of high interest rates.

In terms of 1985 spending patterns, the average consumer spends 21,2% of his income on housing costs.

Food prices will soar, says BER

8/10 ay 27/9/91

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LINDA ENSOR

CAPE TOWN — Food price inflation is expected to be in the region of 22% at year-end, says Stellenbosch University's Bureau for Economic Research (BER) in a survey of the consumer retail, wholesale and motor sectors.

BER says inflationary expectations in the economy are rampant with both wholesalers and retailers expecting purchase price increases, which they intend passing on to consumers.

The bureau concludes from its survey of consumer confidence that consumer spending, which is already largely financed by savings and credit at high interest rates, will remain under pressure for the rest of the year.

Spending on durable goods is likely to start growing negatively while spending on semi-durable goods will increase marginally.

BER says credit spending relative to cash seems to have increased and has extended to non-durable goods.

"The growth in consumer spending for 1991 could be close to 1% compared with the 1990 level. It is clear that sales of durable goods will decline, but it seems as if growth will not only take place in the services and non-durable sectors but also in the semi-durable sector."

Blacks developed a slight optimism in the third quarter about the short-term economic future of the economy and their consumer confidence improved while confidence among whites remained below neutral because of political uncertainty.

"A possible explanation for this relative optimism (among blacks) can be found in political hopes and aspirations that are (expected) as a

result of negotiations and agreements between government and other political groups.

"It is interesting to note that this relative optimism is still most evident among respondents in the 16 to 24 age group. The index now stands at 104, compared with 91 during the third quarter."

The confidence among blacks about their personal financial position also improved over last year, with 40% expecting an improvement. Notwithstanding this optimism however, both black and white consumers still regard it as an inappropriate time to buy durable household appliances.

Whites on the other hand are pessimistic both about the short-term future of the economy — 53% expect a deterioration — and about the financial position of their households, with 34% expecting a deterioration.

Wholesalers, retailers and motor dealers continued to experience poorer sales than a year ago and their business conditions have deteriorated. However, they expected a better fourth quarter and retailers expected higher sales volumes.

For the first time since the first quarter of 1990, wholesalers report sales of furniture, electrical appliances and electrical equipment to be lower.

Even sales of food, beverages and tobacco declined, though sales of textiles, clothing and footwear outstripped expectations, BER says.

"Lower growth in sales seem to be bottoming out gradually, pointing to an improvement in the wholesale sector over the short term."

Bread price shock for consumers

PAULA FRAY

CONSUMERS are facing a series of price increases that could see the price of a loaf of bread top R2 by the end of the year.

On Monday, the price of white and wholewheat bread rises by 10 percent as a result of VAT. Only brown bread and mielie meal will be zero-rated when the new tax is implemented.

Pass

Some shopkeepers have already said they will pass their increases and 10 percent VAT on to consumers.

Earlier this week the South African Chamber of Baking announced the price of baked bread was "likely to rise later this year due to substantial rises in input costs".

Chamber President Fanie Ferreira said investigations showed production and delivery costs alone had already risen by 8c a loaf with increasing wages being the biggest contributor.

Yesterday, the Winter Grain Producers' Organisation recommended an 18 percent increase in the selling price of wheat. The farmers' request will be sent to the Wheat Board and the Minister of Agriculture. The possible increase in the bread price is an

No haste to save on tax

THE expected rush by shoppers to beat the VAT deadline did not take place yesterday.

Normal sales were reported by the larger chainstores in the northern suburbs but some managers said sales started to drop after 3.30 pm because of the approach of the Jewish Sabbath.

In the western suburbs, especially at Highgate shopping centre, most shops were open until 7 pm. Many customers said they were doing their normal shopping for the month and expressed little concern about VAT.

● More reports on Pages 6 and 12.

● TO PAGE 2.

Bread

● FROM PAGE 1.

added burden for embattled consumers already battered with fluctuating prices after the deregulation of the industry and the dropping of the bread subsidy.

Winter Grain Producers' Organisation chairman Chappie Ferreira said yesterday the group had recommended a basic selling price for wheat of R614 a ton to the Wheat Board for the 1991/92 season. This is 18 percent more than the present selling price of R520 a ton.

While she sympathised with the farmers, Housewives' League president Lyn Morris said the timing of the

announcements was "incredibly insensitive".

Mrs Morris said the farmers' request for an 18 percent increase was now in the hands of the Minister, who would decide before November.

"It is the retailer who decides on the final price," she added.

● There is also growing concern over the effects of VAT on bread. A shopkeeper told Radio 702's Vatline this week his bread price would increase from R1,30 to R1,56 as a result.

He said his present cost price was R1,18 before his mark-up. He had already been informed that the new cost price as a result of VAT would be R1,29. After his normal mark-up this would be R1,42 plus VAT, bringing the price to R1,56.

Bread may hit R2 by year's end

Weekend Argus Correspondent

A SERIES of increases in the bread price could see the staple food costing up to R2 or more by the end of the year. (244) AUG 28/9/91

On Monday the price of white and wholewheat bread rises by 10 percent as a result of VAT. Only brown bread and mielie meal will be zero-rated.

Some shopkeepers have already said they will pass their increases and the amount of VAT on to consumers.

A shopkeeper told Radio 702's Vatline this week that his bread price would increase from R1,30 to R1,56 as a result of VAT.

He said his present cost price was R1,18 before his mark-up. He had already been informed that the new cost price as a result of VAT would be R1,29. After his normal mark-up this would be R1,42 plus VAT, bringing the price to R1,56.

Although businesses could get an input credit on the VAT they paid, the shopkeeper said bread was "a cash market".

Earlier this week the South African Chamber of Baking announced the price of baked bread was "likely to rise later this year due to sub-

stantial rises in bakers' input costs".

Chamber president Mr Fanie Ferreira said investigations showed production and delivery costs alone had already risen by 8c a loaf with increasing wages being the biggest contributor.

Yesterday the Winter Grain Producers' Organisation recommended an 18 percent increase in the selling price of wheat. The farmers' request will be sent to the Wheat Board and the Minister of Agriculture.

Chairman of the organisation Mr Chappie Ferreira said the group had recommended a basic selling price for wheat of R614 a ton to the Wheat Board for the 1991/92 season.

"The financial position of wheat producers has now reached a level where a further decline in the real wheat price could be catastrophic," he said.

Housewives' League president Mrs Lyn Morris sympathised with the farmers but said the timing of the announcement was "incredibly insensitive".

The possible increase in the bread price is an added burden for embattled consumers already battered with fluctuating prices after the deregulation of the industry and the dropping of the bread subsidy.

Bread price rise call insensitive

By Paula Fray
Consumer Reporter

Consumer bodies have criticised the "insensitive timing" of calls for increases in the bread price — as shoppers face a 10 percent rise in the cost of white and whole-wheat bread today as a result of the introduction of VAT

This follows an announcement on Friday that the Winter Grain Producers Organisation had recommended an 18 percent increase in the selling price of wheat

244 Star 30/9/91.
Last week the SA Chamber of Baking said the price of baked bread was "likely to rise later this year due to substantial rises in input costs"

While she sympathised with the farmers, Housewives League president Lyn Morris said the timing of the announcements was incredibly insensitive

Mrs Morris said the farmers' request for an 18 percent increase was now in the hands of the Minister of Agriculture

She said retailers, who made the final decision on the price, would not

necessarily pass on the increases to consumers

Consumer Union chairman Lilibeth Moolman said there should be a 30c difference in the price of white and brown bread after the implementation of VAT

The announcements by farmers and bakers could mean an extra 5c and 8c on top of VAT and the retailers' margins, she said

This was after the size of bread was reduced from 850 g to 800 g when the industry was deregulated and the subsidy dropped

30% leap in prices forecast in survey

The Argus Correspondent

JOHANNESBURG. — A pre-VAT price survey by Vatwatch found an "alarming" country-wide average price increase of 2,6 percent in August with the highest impact in black communities

The Vatwatch chairman, Professor Louise Tager, warned that if the trend identified continued unchecked consumer prices might end up 30 percent higher over 12 months.

Independent retailers in black townships increased prices by an average of 6,7 percent during the five weeks reviewed, while Cape Town and the East Rand were the only areas where prices fell.

The nationwide market research project began in July this year. Another survey to determine price trends after the introduction of VAT is planned

The pre-VAT price increases were:

- A 6,7 percent price increase at independent retailers in black towns;
- A 5,6 percent increase in larger rural towns;
- A 2,2 percent increase in black "homelands"; and,
- A 1,8 percent price increase in metropolitan areas.

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In Cape Town, prices on average fell by 0,2 percent and on the East Rand by 1,5 percent

In the major metropolitan areas the Maritzburg-Durban area saw the highest rise (5,1 percent) and Pretoria the lowest (0,3 percent) In Johannesburg prices increased by 2,8 percent

The survey considered the prices of a basket of 97 goods and services in 112 outlets countrywide.

Professor Tager said. "This underscores the need for consumers and businesses to once and for all get together and make a determined effort to fight inflation."

The alarming pricing trends uncovered by the Vatwatch market research project also underscored the need for relief measures targeted at disadvantaged communities — irrespective of the effects of VAT on the needy, she said.

Professor Tager hoped that what aid measures were forthcoming from the government would be implemented speedily and effectively — and in a way that would directly benefit those most in need

Prices may go up by 30% — Vatwatch

CT 30/9/91
JOHANNESBURG — A VAT watchdog body predicted yesterday that consumer prices will shoot up by 30% if the current price trend is not checked in the next 12 months.

Vatwatch yesterday released results of a three-month nationwide survey that monitored 112 outlets. It found that prices in townships had gone up by 6,7% during August. Township residents paid high prices for goods from township stores.

Professor Louise Tager, chairwoman of Vatwatch, said that if price increase trends were to continue, consumer prices would go up 30% in 12 months. "This underscores the need for both consumers and businesses to combat inflation," she said.

Vatwatch is conducting another market research project to find if there will be any shift in prices immediately after VAT. — Sapa

R200m saving for consumers as govt zero-rates more foods

GOVERNMENT approved the zero-rating of more foods yesterday, on the eve of the implementation of VAT.

The concessions, comprising a six-month zero-rating of more foodstuffs and the zero-rating of others which had been scheduled for exemption or subsidisation, followed unsuccessful negotiations with the ANC and Cosatu-led anti-VAT alliance.

The latest list of food zero-ratings includes samp, mealie-rice, whole mealles for human consumption, dry beans, including soya beans, lentils, fresh milk, canned pilchards for human consumption and powdered milk and blends. These concessions will result in a total saving to consumers of the items of R200m

8/000y 30/9/91
LESLIE LAMBERT

Bully beef and offal, two items included in an earlier compromise offer, appear to have been excluded from the final offer after the anti-VAT alliance branded them as "racist and paternalistic" offers.

Maize meal and brown bread will continue to be zero-rated on a permanent basis and this will represent a R500m saving to consumers each year.

The financial authorities were unable to accommodate requests by the United Municipal Executive for a zero-rating rather than exemption of municipal prop-

erty fees, Finance Minister Barend du Plessis said yesterday.

Other concessions which have already been announced include a R10 monthly increase in all state pensions from October, which will cost the state R150m until the end of the financial year.

The poverty relief programme will spend at least R220m until the end of the financial year and a further R500m will be provided for the continuation of the programme in the 1992/93 financial year.

In a statement issued yesterday, Du Plessis said the additional concessions were aimed at providing further relief to

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the poor and unemployed until the poverty relief programme became fully operational and the benefits of VAT filtered through. Du Plessis urged organisations which provided assistance to the needy to take part in the programme.

ANC secretary-general Cyril Ramaphosa said yesterday government had refused to provide details of the poverty relief programme. He said the ANC believed that an adequate programme did not yet exist and was unlikely to be established in the medium term.

Du Plessis apologised to the business sector for the extra cost and effort of the last-minute concessions

A revealing delay in inflation data

15/02/91 30/09/91

THE now-you-see-it-now-you-don't August inflation rate could be published this week. The delay in publishing the figure has become so extended that the postponement in its release is having almost as much effect on local market sentiment as the figure itself.

Last week capital market yields rose noticeably on the announcement from Central Statistical Service that publication of the August CPI was going to be delayed for at least a week. Not unreasonably the market took a bearish view of the expected announcement, reasoning that some new and inexplicable factor had emerged to corrupt the data.

The official CSS explanation for the delay — the change in the base year for the index to 1990 from 1985 — was of little consolation to domestic market players who are generally expecting the change in the base year to have a net upward effect on the annual inflation rate.

Nevertheless, a technical effect may

lead to a small dip in the inflation rate from July's 15.8%. This may arise from the movement in the index 12 months ago which gives the year-on-year increase to August 1991 a relatively high base.

Internationally, the week's most influential figures are likely to be those covered by the September US employment report due out on Friday.

Although overall US unemployment has recently shadowed the 7% level, underlying recruitment trends seem to be beginning to reflect the embryonic recovery of the American economy from its brief three-quarter recession. Thus a possible tick-up in the national unemployment rate to 6.9% in September from August's 6.8% may very well mask more encouraging underlying trends in the job market.

For instance, the length of the average working week rose in August to its highest level since September last year, meaning that the additional increases in output that the US statistics are recording will shortly have to be accommodated by rising recruitment rather than longer working hours.

Market expectations are accordingly for payroll numbers in both the non-agricultural and manufacturing sectors to have risen during September, and for these figures to lend Friday's employment report a generally positive influence.

The US leading indicator, which groups together a series of forward-looking economic variables, is due to give its August read-out tomorrow.

The indicator has risen for six succes-

sive months and its 1.2% rise in July was the largest monthly gain since June 1988.

Eight of the 11 components of the leading indicator were positive in July, and one of the few negative components that month was the length of the average working week. This is now known to have lengthened in August, and should help give the indicator a seventh consecutive rise.

The US purchasing managers index for September is also scheduled for release tomorrow and should be another positive sign from a variable that looks over the immediate horizon to short-term economic prospects in the months ahead.

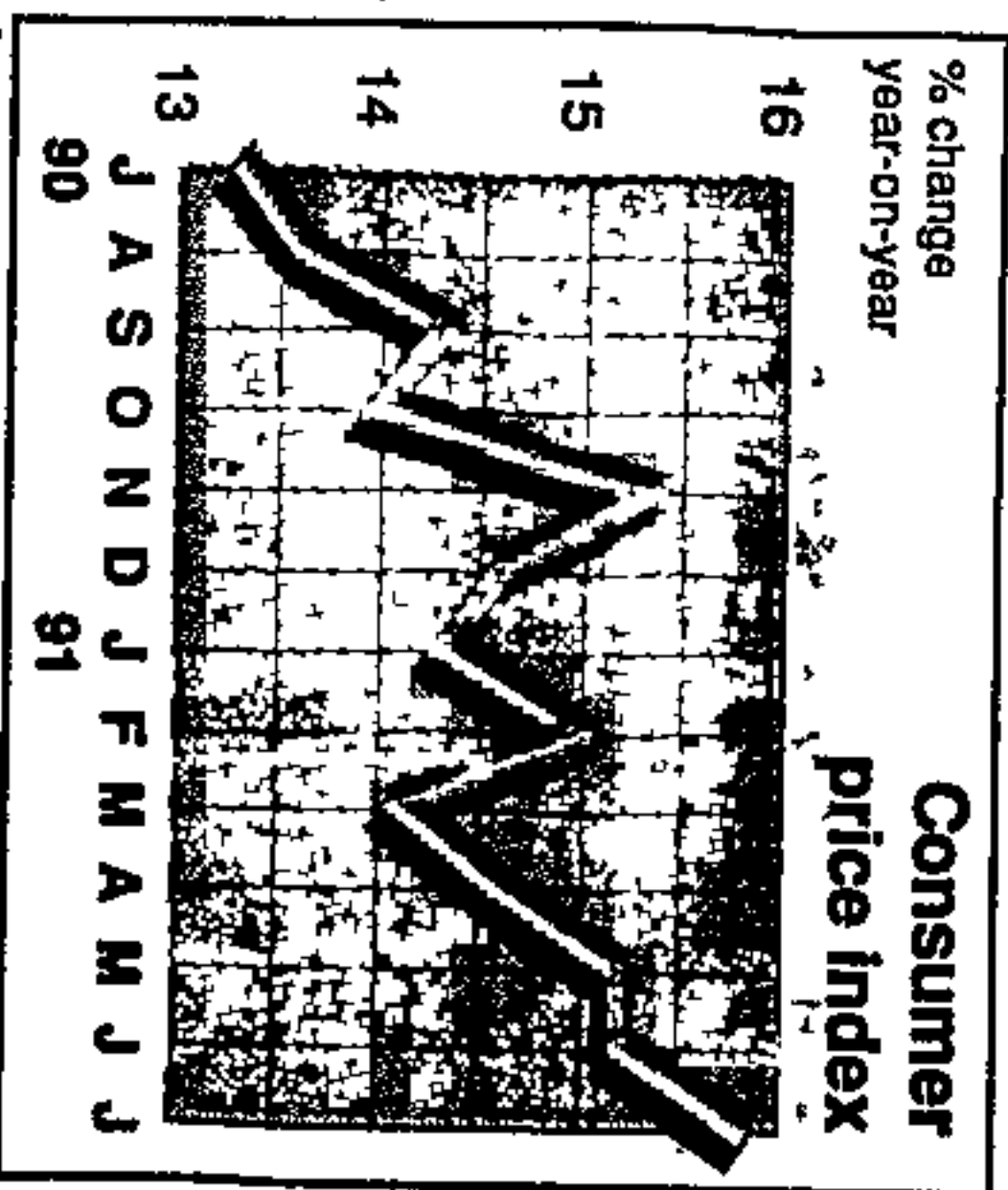
The index is already comfortably over the 50 level which marks the watershed above which the economy is held to be growing, having risen to 54.8 in August

from 51.8 in July.

The policy-making arm of the US Federal Reserve, the Federal Open Market Committee, meets tomorrow to assess the overall US monetary stamper. Markets are not expecting a decision to ease US credit conditions further to emerge instantly from the meeting, although authority to cut rates may be given to the Federal Reserve chairman if Friday's jobs figures warrant such a move.

In Britain, interest rate movements have become almost completely linked to the prospects of an early general election.

Last week's opinion polls showing the opposition regaining its lead over the government cooled expectations of another cut in British base rates, and the poll-driven UK financial market will be anx-



ously awaiting the results of the next mid-week test of electoral intentions, when a national newspaper runs an opinion poll.

If the poll is positive for the government and a November election is thought to be more likely, the markets will expect a vote-catching cut in interest rates.

Graphic: FIONA KRISCH Source: CSS

● Angry thousands take to the streets ● Vatwatch flooded with protest calls

New prices stymie public

Zaire still tense as Mobutu haggles

KINSHASA — President Mobutu Sese Seko and opposition leaders haggled yesterday on the share-out of key posts in a new crisis government.

Zaireans hope it will restore order to their vast country.

After a week of looting in which at least 117 people died, Mr Mobutu finally agreed at the weekend to give up some of the power he has wielded for more than a quarter of a century.

But his presidential guard continued to loot homes in Kinshasa on Sunday night, French military sources said.

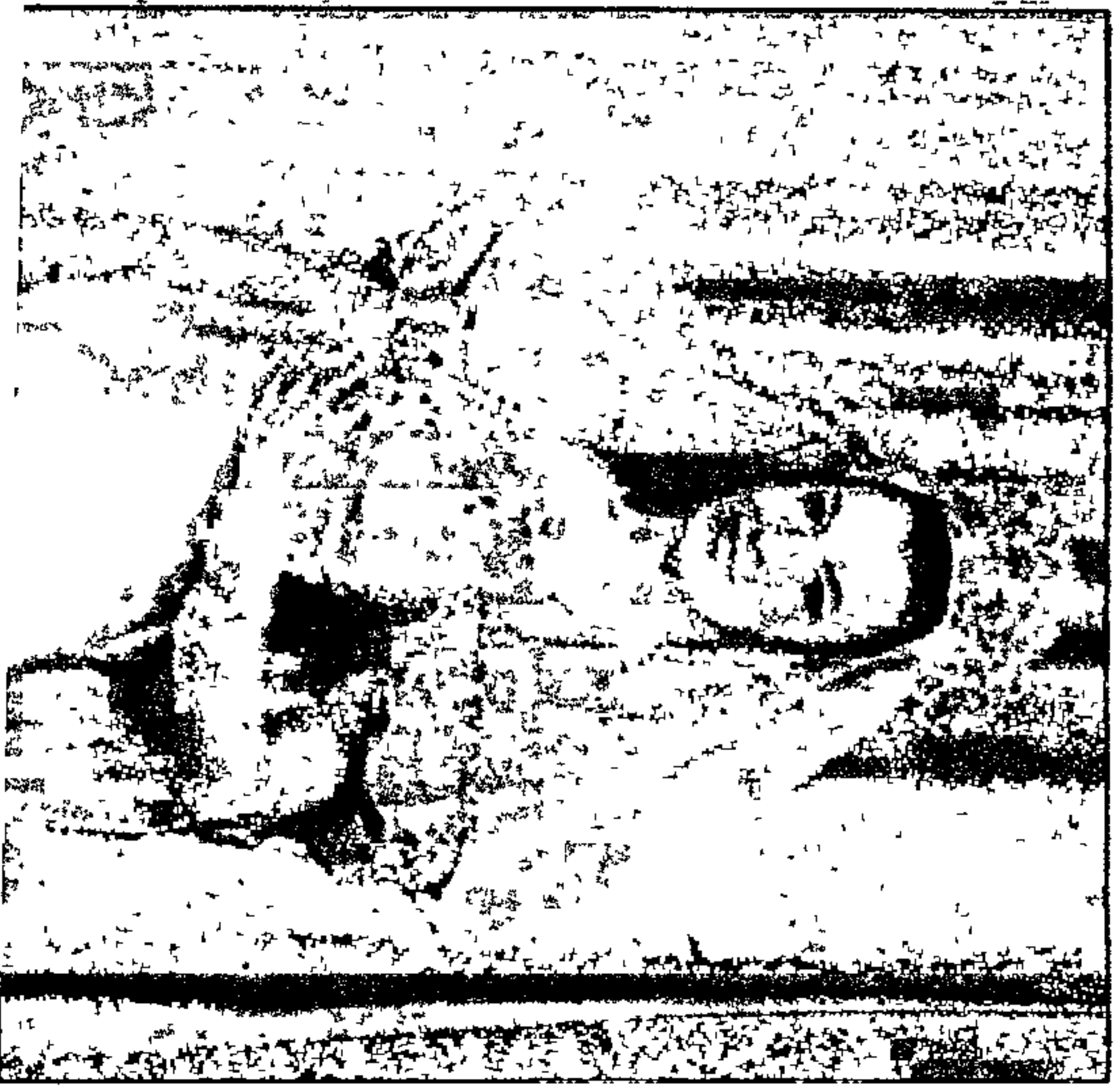
Etienne Tshisekedi, a key opposition figure appointed as prime minister, told reporters that he would have real power — including control of the armed forces.

"I'm not going to be prime minister for a laugh. I'm the real prime minister, with all the responsibilities," he said.

Political sources yesterday said the negotiations on sharing out government posts started in an atmosphere of mistrust when Mr Tshisekedi arrived late — and then objected to the fact that the committee consisted of 13 people, because it was an unlucky number.

Mr Mobutu fired the army chief of staff at the weekend and replaced him with General Mahlele Liyeko, a soldier with a distinguished military record.

But ordinary Zaireans are as suspicious of the main opposition leaders — most of whom have served Mr Mobu-



Staff Reporters

Confused consumers flooded Vatwatch and The Star with complaints yesterday as the introduction of value-added tax was greeted by thousands of marching protesters around South Africa.

ANC executive member Romile Kasrils described the marches as the "first shot in the war against the iniquitous VAT system".

At the main march in Pretoria, Cosatu secretary-general Jay Naidoo warned that the Co-ordinating Committee on VAT (CCV) would make the new tax system unworkable — the same way the Labour Relations Act was made unworkable.

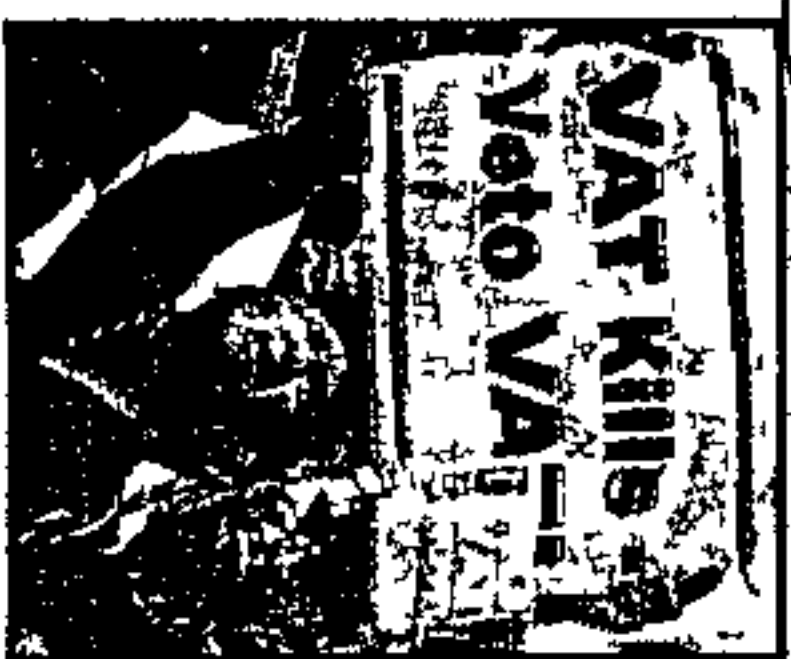
Vatwatch chairman Professor Louise Tager said the first day of implementation was not as significant as the weeks which lay ahead. "The main task of Vatwatch has just begun."

Vatwatch received numerous complaints that prices had not been reduced but had, in fact, gone up.

However, Vatwatch investigations showed that in many instances consumers were comparing new prices, which included VAT, with old prices which did not reflect GST.

Referring to complaints about newspaper prices, which were remaining stable or only being marginally reduced, Professor Tager emphasised that Vatwatch wanted to see the only a tax adjustment to the VAT system, but a further reduction as a result of the tax credits which businesses would receive.

VAT-related calls to The Star varied from last-minute queries to reports concerning the unreasonable increase in prices. They included complaints



Taxing situation... part of the crowd which marched to the Johannesburg Receiver of Revenue's office. Picture Sean Woods

that bread had gone up by 20 percent, a parking garage fee had increased by more than 10 percent, and that VAT had been charged on pilechards — which were zero-rated on Sunday.

Meanwhile, marches to protest against the way in which VAT had been implemented brought lunch-time traffic in major cities to a standstill.

In Pretoria about 5 000 placard-wielding protesters marched to the Department of Finance where a memorandum was presented to chief director Trevor van Heerden.

The CCV memorandum, also presented to several representatives of the Receiver of Revenue during other marches, called for the zero-rating of basic foodstuffs, water, electricity, and prescribed medicines and medical services.

Steps to strike against VAT, stringent anti-price abuse controls, adequate poverty relief and negotiations with "the major players" on further changes to the tax system were also demanded.

Winnie Mandela told the Pretoria crowds that the

New VAT prices confuse consumers

● From Page 1

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observed a stayaway call to protest against VAT on service charges. Residents marched to the Kagiso Town Council offices where a memorandum demanding the council's resignation and the zero-rating of services was presented.

More than 3 000 marchers in Vereeniging vowed to come out in support of any forms of ac-

tion called by Cosatu. The lunch-time march to the local Revenue offices was led by Cosatu, Nactu, ANC, PAC and Azapo leaders.

Placards bearing slogans such as "VAT kills, veto VAT" and "VAT robs the poor to give to the rich" were held high as the crowd marched through the streets in the city centre.

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ANC was not against tax, "but we are against an immoral Government and the implementation of VAT on basic foodstuffs and medical care".

Speaking to the media, Mr Naidoo lashed out at the SABC for promoting the Government's views on VAT and undermining the CCV's anti-VAT campaign.

"We demand the removal of the present hierarchy at the SABC," Mr Naidoo said. Close to 10 000 people marched to the Johannesburg Receiver of Revenue offices as heavily armed riot police monitored the march.

Receiver of Revenue Kobus Stone was handed the CCV memorandum by Cosatu's Witwatersrand regional secretary, Amos Masondo. Earlier, in a fiery speech, Mr Kasrils said yesterday's marches were "but the first shot in the war against VAT".

Mr Kasrils said VAT was a "system that, as in the Afrikaans word 'vat', takes from the poor and gives to the rich". He said ordinary South Africans were no longer prepared to accept "robbery, oppression and exploitation".

"So we say to De Klerk and Du Plessis, 'vat jou goeie trek' (pack your things and leave)".

Sapa reports that a march by about 10 000 anti-VAT protesters in Cape Town ended in violence when a small number of marchers pelted police with bottles during a confrontation near the gates of Parliament.

March marshals battled in vain to control groups of youths who raced ahead of the main body and repeatedly confronted police, chanting "One settler, one bullet".

Krugersdorp was virtually deserted yesterday as thousands of residents of nearby Munsieville township

● To Page 2

Blame rising prices on transport, say farmers

Blaney 2/10/91 GERALD REILLY *(circled)* *(circled)* *(circled)* *244*

PRETORIA — Drastic increases in Spoornet tariffs for transporting farm products, coupled with the effect of VAT, could send consumer prices into orbit, the Transvaal Agricultural Union (TAU) warned yesterday.

TAU president Dries Bruwer said blame for escalating food prices should not be laid at farmers' doors.

The gap between their prices and consumer prices was widening by the day mainly because of soaring input costs, including transport costs.

He warned that "extraordinary" increases in Spoornet tariffs could lead to distribution problems, particularly of fresh produce, and lead to market shortages.

Currently there were shortages of some products in Cape Town while there was an oversupply in Johannesburg, mainly because farmers were avoiding expensive long-haul transport.

Detailing the tariff increases, Bruwer said that where producers had paid R1,53 to transport a case of mangos from Tzaneen to the Epping market in Cape Town, this would now cost R3,48. The cost of railing a case of pawpaws from Tzaneen to Cape Town had increased on September 1 from R3,07 to R6,96. The transport tariff from Tzaneen to Pretoria had risen 92c a case to R2,32. For the same journey the tariff for a case of mangoes was increased yesterday from 46c to R1,36.

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A group visiting the City Hive in
Picture ROBERT BOTHA

Blame rising prices on transport, say farmers

Bl Day 2/10/91 GERALD REILLY *244*

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Zambian maize plan details

Bl Day 2/10/91
LUSAKA — Zambia expected to import 1,7-million bags of maize from SA this year using some of its copper export earnings as collateral, Finance Minister Rabson Chongo confirmed yesterday.

Chongo said his government had secured a loan from a commercial bank to import the maize, but he refused to name the bank or the amount involved.

The government has also increased the producer price of maize from 800 to 1 200 Zambian kwachas per 90kg bag for the 1991/92 marketing season. The increase was intended to encourage farmers to grow more maize.

Chongo denied reports that the Zambian government, facing a severe maize shortage, had mortgaged all its 1992 copper exports proceeds for the imports. "There is no way we can mortgage all our earnings for one year. The copper is being used as collateral to secure a loan from a commercial bank. It is merely a guarantee that we will be in a position to pay."

Chongo said Zambia was using a similar arrangement for weekly imports of 70 000 tons of oil.

Zambia earns between \$900m and \$1bn annually from copper, the minister said.

Chongo said maize imports from SA would cover more than half of the expected shortfall in the 1991 Zambian crop.

He said at worst \$40m would be spent on maize imports in 1991. Western diplomats estimate the bill will be up to \$90m.

Chongo said the government was also negotiating with Washington for more maize imports.

Zambia faces payment problems for maize imports because Western donors last month froze its balance of payment and import support fund when it failed to repay World Bank arrears.

The government has also dithered on implementing austerity measures such as raising prices of the staple maize meal ahead of the first multiparty elections in 20 years on October 31. — Sapa-Reuter

Food costs continue to soar

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Stav
5/10/91

FINANCE STAFF

FOOD prices were again the main thrust in the inflation spiral in August.

South Africa's overall inflation rate for August was 15,6 percent, 0,2 percentage points below July's 15,8 per cent, according to the Central Statistical Service

The rate, however, was calculated on the new base of 1990 and Central Statistical Service says if the same base was applied in July the figure would have been 13,7 percent.

However, food on average rose by 2,9 percent which translates into an increase of nearly 30 percent for the year.

Economist Dr Azar Jammine says the CPI-inflation figures are disappointing as the figures come off a very high base in August last year

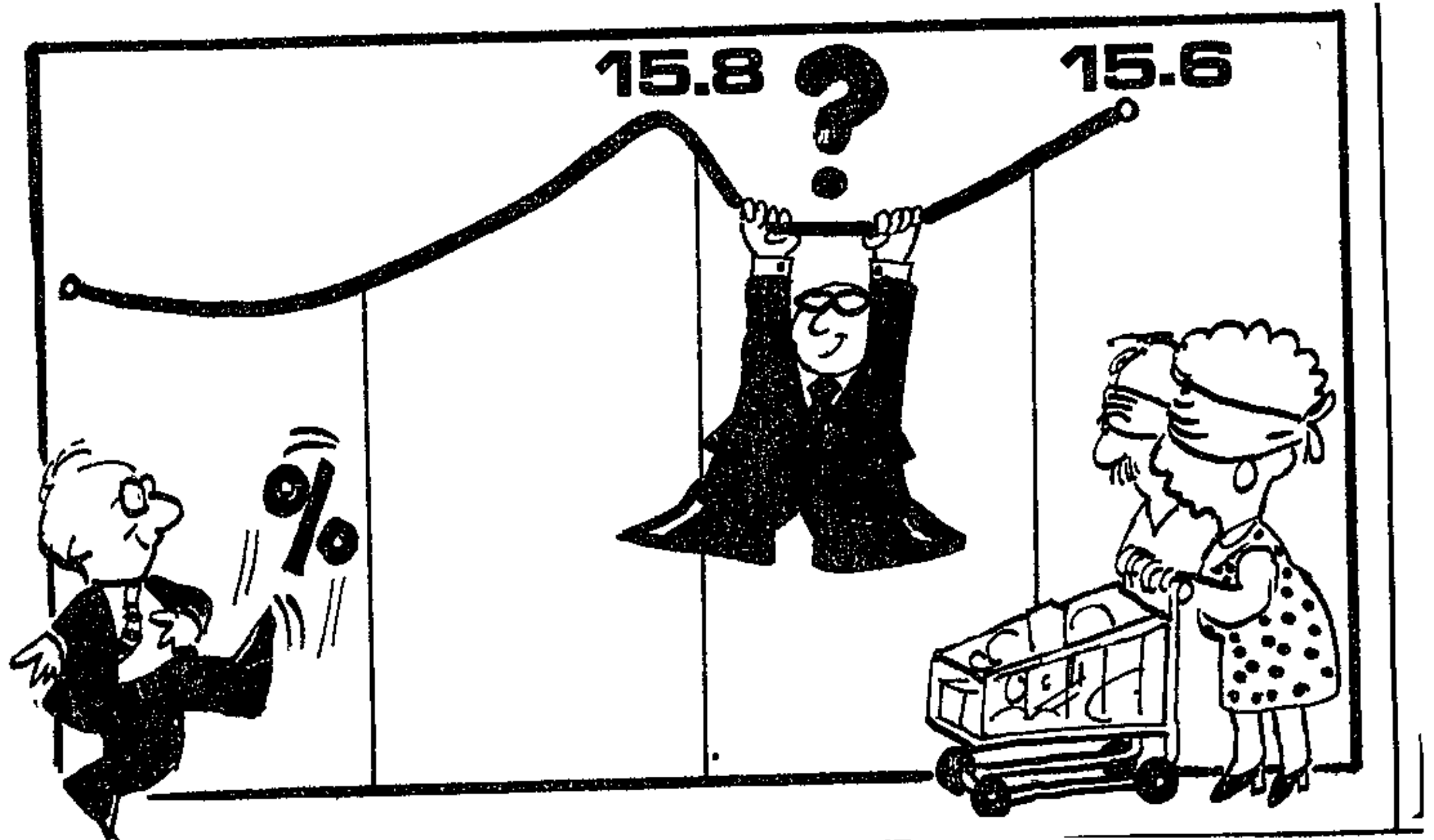
"The figures show quite clearly that the inflation rate is still under a great deal of pressure which does not augur well for the next couple of months, especially after the introduction of VAT," he said yesterday

The August inflation figures have been delayed for over two weeks as a result of the change-over to a new base used in the calculation of the consumer price index

This is done every five years, as it is believed that CPI-figures have to take into account changing expenditure patterns.

Dr Jammine ascribes the continued increase in the price of food to possibly pre-emptive marking up of goods that previously have not been subjected to general sales tax.

Contributors to this increase were fruit and nuts up by 42,5 percent, sugar by 28,1 percent, fats and oils 23,7 percent and grain products up by 20,2 percent.



Food gives weight to rise in inflation

SHARP increases in food prices remained the bugbear in disappointing inflation figures released on Friday, economists said at the weekend.

The figures, the first off the new base of 1990, showed a 15,6% increase from August 1990 to August this year compared with July's 15,8%.

A relatively high 1,4% increase from July was recorded, according to the Central Statistical Service's (CSS) re-weighted August consumer price index data.

At 15,6% the inflation rate is a full two percentage points higher than the 13,6% recorded in August last year.

Higher food and transport costs were behind the inflation rate's stubbornness, with vehicle prices climbing 6% in one month and food up 2,9% on the month and 18% in a year — the highest since December 1987.

The rate was calculated on the new base of 1990 and the CSS said if the same base was applied in July the figure would have been 13,7%.

Bankorp economist Nick Barnardt said vehicle price inflation of 23,8% was shockingly high and that a thorough investigation of vehicle prices should be undertaken.

"In an industry with one-third excess capacity in the midst of a downswing these type of price increases are unjustifiable.

"We can't make a success of the eco-

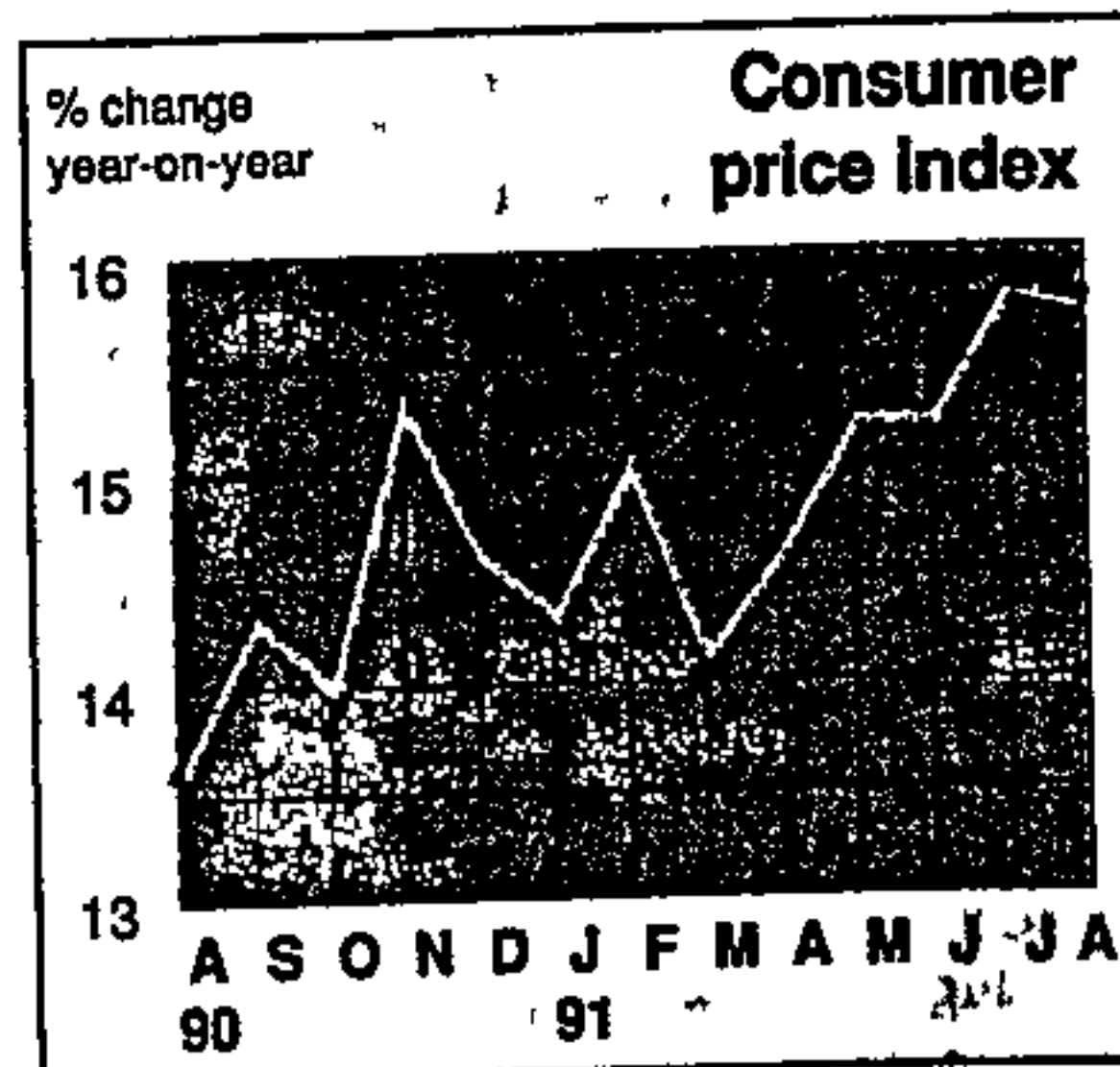
ANDREW GILL

nomy in a new SA with this type of pricing," he said.

Rand Merchant Bank economist Rudolf Gouws said food prices continued to be the huge bugbear with a 4,6% increase in meat prices in August alone.

However, most non-food increases continued to slow. With food prices stripped out of the index the year-on-year rise was 14,8%.

Gouws was optimistic that inflation would slow down over the coming months, possibly resulting in an inflation rate of 12,5% late next year.



Graphic: LEE EMERTON Source: CSS

Food prices could rise by 31 percent

TOM HOOD, Business Editor

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FOOD prices are soaring and if present trends continue prices could show a 31 percent increase in 12 months.

This is shown in the delayed publication of consumer price index figures from the Central Statistical Service (CSS).

However, food inflation could even hit 35 percent in the next 12 months, according to the department's new consumer price index, which is based on 1990 instead of 1985 figures.

The figures were delayed for two weeks as a result of the changeover to the new base used in the calculation of the consumer price index.

Food prices have been rising by an average 1,3 percent a month but August's jumped by 2,9 percent, equal to an annualised 31 percent.

Contributors to dearer food were sharp hikes in the prices of meat, fruit and vegetables — fresh foods which are subject to VAT but were not previously subject to GST — and sugar, oils and grain products.

Compared with August last year, food prices have risen only 16,8 percent.

Private sector economists have criticised the government for using new base figures for the CPI and delaying publication as an attempt to stem criticism of economic policy.

The year-on-year inflation rate for August was 15,6 percent, a fraction below July's 15,8 percent and the fourth month in a row where the rate was above 15 percent.

"At these trends, the 1991 inflation rate could exceed 15 percent — the worst for four years," said Sanlam's chief economist, Mr Johan Louw.

Standard Bank chief economist Mr Nico Czipionka said the authorities would be accused of cooking the books if inflation were to show much of a fall from the official 15,8 percent annual rate recorded in July. Today's figures show 15,6 percent as the annual rate.

He believed the authorities did not want to use the old base again because the new figures would "pull the level down".

"It looks rather like there's a hidden agenda to bring about a technical reduction in inflation for political reasons."

Slight dip in inflation, but food soars

Star 11/10/91
Consumer Reporter

The inflation rate dropped slightly to 15,6 percent in August, but food prices continued upwards by 2,9 percent to 18 percent

The August figures were delayed for two weeks as a result of the changeover to a new base used in the calculation of the price index

Econometrix said the August inflation rate at 15,6 percent compared to July's 15,8 percent was disappointing, in view of the fact that in August last year the consumer price index had increased by 1,6 percent

Food alone rose by 2,9 percent to 18 percent in August compared with July — mainly because of sharp increases in the prices of meat, fruit and vegetables, which are subject to VAT but were not subject to GST.

Contributors to the food increase also included fruit and nuts (up by 42,5 percent), sugar (28,1 percent), fats and oils (23,7 percent) and grain products (20,2 percent)

"The high rate of increase in food inflation may be a signal that retailers of goods and services previously not subject to GST, but which now attract VAT, might have been increasing prices inordinately during the run-up to the implementation of VAT to pre-empt being signalled out by Vatwatch after September 30," said Econometrix.

"If that argument is true then one might suggest optimistically that the initial impact of VAT on inflation might not turn out to be quite as horrific as we have generally been expecting because, in a sense, the initial inflationary impact of VAT will have already been built into October's inflation rate"

Econometrix said that while the figures could be disappointing at face value, it was hoped they were a precursor to a more favourable inflation outcome later in the year.

Law set to ensure that price

you see is the price you pay

Star 1/10/91

Consumer Reporter

Retailers who advertise their products with huge prices excluding VAT and small VAT-inclusive prices may soon find themselves on the wrong side of the law.

Regulations are being drafted to counter advertising where the VAT-inclusive price is smaller and less conspicuous than the pre-tax amount. The draft regulations are expected to be finalised this week.

A spokesman for the Department of Finance said the regulations would stipulate that the VAT-inclusive price be no smaller or less clear than the exclusive price.

This follows representations by Watwatch chairman Professor Louise Tager as well as the Advertising Standards Author-

ity after several advertisements appeared with huge prices which excluded VAT and less conspicuous VAT-inclusive prices alongside.

Professor Tager said the organisation was pleased steps were being taken as Watwatch had received numerous complaints regarding such advertisements, which diluted the VAT promise of "the price you see is the price you pay".

She also said Watwatch would do all it could not to create unrealistic expectations — but expected the business community to make more than just token gestures.

"Business and consumers now have a splendid opportunity of moving away from a culture of believing that cost and price increases are inevitable — because they are not," Professor Tager said.

"On the contrary, the literally

billions of rands of sales tax savings in the manufacturing/distribution process can and must lead to cost and price reductions."

The very least consumers expected from business was a consistent price adjustment reflecting the sales tax reduction from 13 to 10 percent, she added.

Professor Tager said the correct implementation and invoicing of VAT between businesses should do away with the immense GST costs with which the business sector had previously been burdened.

This, in turn, would mean significant savings, which business ought to pass on to consumers.

Apart from price adjustments due to the tax rate, the business sector had the potential for eliminating tax as a cost being borne by business.

"When one takes into account

how VAT-related savings on transport, advertising, printing and consumables are inevitably going to reduce business costs, I am confident that those who implement VAT correctly will be able to pass meaningful savings on to their consumers," Professor Tager said.

While the elimination of GST on capital purchases would take a while to filter through the system, each link in the chain had a responsibility to ensure their supplier's cost savings became visible at some stage.

"The elimination of sales tax as a cost provides the business sector with a golden opportunity of gaining a competitive edge; without having to sacrifice profitability, most businesses can, via VAT, reduce costs and therefore prices — thus making their products and services more attractive in the market," said Professor Tager.

High rise in car prices explained

B/Daw 8/10/91
SHARON WOOD

THE retention of the local content ad valorem tax, higher local content levels and normal economic price increases caused the significant 6% month-on-month rise in August new vehicle prices, motor industry sources said yesterday.

Economists questioned the high monthly increase in new vehicle prices, measured by the Central Statistical Service (CSS), given

depressed economic conditions which should lead to lower prices.

Toyota marketing MD Brand Pretorius said the retention of the 2,5% ad valorem tax, which was initially supposed to be a temporary measure, had come as an unpleasant surprise and had made the cost base of the company higher

than anticipated.

The increase in the local content level under the Phase VI Local Content Programme to 75% from 70% had also had an unfavourable effect on the company's cost base.

Pretorius said. "We hate price increases and are concerned about inflationary escalation because it undermines affordability."

"But we have to make huge capital investments and to do this we must make reasonable profits."

VW public affairs manager Ronnie Kruger said VW's prices had risen by

(244)
between 3% and 4% on July 1 as a result of the ad valorem tax and normal inflationary pricing.

A motor industry spokesman said the high price rises in new vehicles in August were not necessarily a result of higher local content levels.

It was probably a combination of both the higher levels and static demand

Demand for new cars was relatively static, with a base demand of about 180 000, and therefore prices could be increased more easily, he said.

● Comment: Page 10

CPI figures are 'reliable'

8/day 8/10/91

244

ANDREW GILL

INFLATION statistics have once again come under the spotlight after the release at the weekend of reweighted consumer price index (CPI) figures.

Nedbank economist Edward Osborn said yesterday the change in the weighting of food in the CPI appeared exaggerated when related to comparable figures in the national accounts

However, Central Statistical Service (CSS) head Treurnicht du Toit said he regarded the figures as reliable. "If we did not, we would not have published them"

The combined weighting for food, beverages and tobacco in the CPI fell by 16,7% in the five-year span of the changed bases for the index between 1985 and 1990. However, private consumption expenditure (PCE) figures show that the food, beverage and

tobacco component of PCE fell only 2,1% over the same period

Osborn said it could show up a big statistical error in the sampling of the household budget by the CSS. The largest change was in food where the weighting fell to 18,64% in 1990 from 22,7% in 1985

Du Toit said the PCE and CPI figures need not be identical because PCE was a macro statistic

The anomaly appeared in the difference in the inflation rate of the old and new bases. On the 1990 base the inflation rate stood at 13,7% for July compared with the 15,8% on the 1985 base

This was largely as a result of the smaller weighting of food.

● See Page 3

CSS manufacturing figures wrong — claim

B/Day 8/10/91

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SHARON WOOD

CENTRAL Statistical Service (CSS) manufacturing output figures from 1979 and 1989 are grossly underestimated, says Natal University economist Charles Meth.

The true value of manufacturing output lies somewhere between 128 and 140 (1979 = 100) in 1989, which is well above the CSS value of output of 114.3, he says.

Meth says his figures show labour productivity in manufacturing would have grown at between 1.6% and 2.7% a year — substantially above the 0.7% reported by the National Productivity Institute (NPI).

Meth has submitted his research report to the Statistics Council — the body investigating complaints about official statistics — and he says neither the CSS nor the Reserve Bank has been able to dislodge the central findings.

"Most importantly, the allegedly persistent negative relationship between the rate of growth of wages and of output per worker has been shown to be incorrect.

"The implications for existing analyses of the economy are severe," he says.

Data calculated using manufacturing output figures will also be wrong.

This includes figures for labour productivity growth, unit labour costs and capital/output ratios.

Based on Meth's figures, wage growth in real terms exceeded output growth with certainty in only one year, but in six of the 10 years the relationship was favourable to business.

Unit labour costs, instead of reaching a level of 379 in 1989 would lie between 338 and 310.

"This shows official claims of falling international competitiveness are a serious exaggeration," Meth says.

SA unit labour costs, expressed in the currencies of six representative competitor nations, show a sharp decline between 1979 and 1989.

The error in the estimates apparently occurred because the survey that measures the physical volume of manufacturing production developed a serious bias over the time period, says Meth.

The main problem is that constant manufacturing price estimates have not been benchmarked by the CSS since 1979.

Benchmarking is a complicated statistical process used to bring manufacturing surveys and censuses into line.

Meth has circulated the report to colleagues in the economics profession.

Consumers warned of post-VAT price shock

By Des Parker

VAT is going to cause inflation to rise still further before it comes down.

Standard Bank chief economist Nico Czypionka says there will be a post-VAT shock caused by prices rising because companies do not receive immediate input tax credits from the Receiver of Revenue for the VAT they pay on goods and services previously not subject to GST.

In the wake of last week's announcement by Central Statistical Services (CSS) that annual consumer inflation, as measured by the consumer price index (CPI), at 15,6 percent in August was little changed from the July level, Mr Czypionka predicts a rate of about 17 percent for October.

It can be expected to taper off thereafter as companies receive their first input credits.

He looks to the rate falling to 12 to 12,5 percent in about a year's time when the heralded cost-benefits to business of VAT make their mark on the equation.

"Inevitably, prices previously exempt from GST are going to rise to cover the tax that has to be paid," he says.

"In those areas where GST was in place, prices may fall because the rate (of VAT) is a little bit lower (than GST), but I think we are going to have a fairly sizeable increase in the CPI."

Mr Czypionka believes Christmas will not be a time of rejoicing in the High Street, with the already hard-pressed public making the adjustment to cope with VAT on a range of goods and services where GST did not apply, such as food and

electricity, water and telephone bills

"Markets will be soft and I think post-Christmas sales are going to start rather early. That will make many vendors sharpen their pencils, there is more chance of input credits being taken into consideration after Christmas than would have been the case during a boom," he says.

Another blow comes from the fact that with the Government expecting to collect less VAT than it would have GST in the remainder of the fiscal year — as much as R6 billion less — tax concessions in the Budget next March are out of the question.

Revenue receipts for the year are already well below levels budgeted last March and the Government has no room to manoeuvre.

● Contrary to the belief of analysts,

household spending on food, accommodation and transport has declined since 1985, according to the CSS.

CSS does a survey every five years of household spending patterns to update the "weightings" applied to different areas of expenditure used in its calculation of the CPI.

According to Rosey Rosenstrauch, statistical planning director of CSS, food-spending has declined from 22,75 of average household spending in 1985 to 18,64 percent.

"I can only speculate on why it has changed to that extent," he says.

Transport costs have dipped from 17,23 percent to 14,43, which is ascribed to the fact that motorists are spending less on buying new cars because they can no longer afford them.

The weighting of housing has dropped marginally to 20,54 percent (21,21).

Mr Rosenstrauch believes this is because mortgage rates at the time the 1990 survey was done were slightly lower than the rate of more than 20 percent in 1985 and the fact that incomes have risen to help cover bond payments in the interim.

Other expenditure weightings have, however, increased to compensate for these falls.

Clothing is up from 5,98 percent to 7,02, furniture to 5,5 (4,72), household operations (cleaning materials and the like) to 3,77 (2,57) and medical expenses to an unhealthy 5,22 (2,56). Education accounts for 1,76 percent (1,21).

The category "other", which covers everything from eating out and the purchase of walking sticks and perambulators to the administration costs of insurance policies and union and sports club membership fees, has risen to 9,49 percent from 6,77 percent.

Star 8/10/91.

244

under the new — increased only 13,1% to August

But medical and health care (which rose 22,7% in 12 months to August), is up to 5,22% from 2,56%

All other weightings are relatively insignificant.

The result of the reweighting is reflected in a sharp fall in July's inflation rate based on the new weighting — 13,7% instead of the 15,8% based on the 1985 basket CSS states blandly. "This indicates that the revision of the weights could influence the inflation rate to a certain extent" (our italics)

However, we will have to wait 12 months for the full impact of the reweighting (as reflected in the above calculation) Says a CSS spokesman. "The inflation rate for August (15,7%) was calculated by comparing the August 1991 index with that of August 1990 The 1991 figure is based on the new weighting system while the 1990 figure is on the old weighting This will continue for another 11 months

"The inflation rate for August 1992 will be the first official rate to be completely based on the 1990 weights The difference of 2,1 percentage points between the inflation rates for July 1991, based on the 1985 and the 1990 weights will, therefore, be phased out completely by August 1992 "

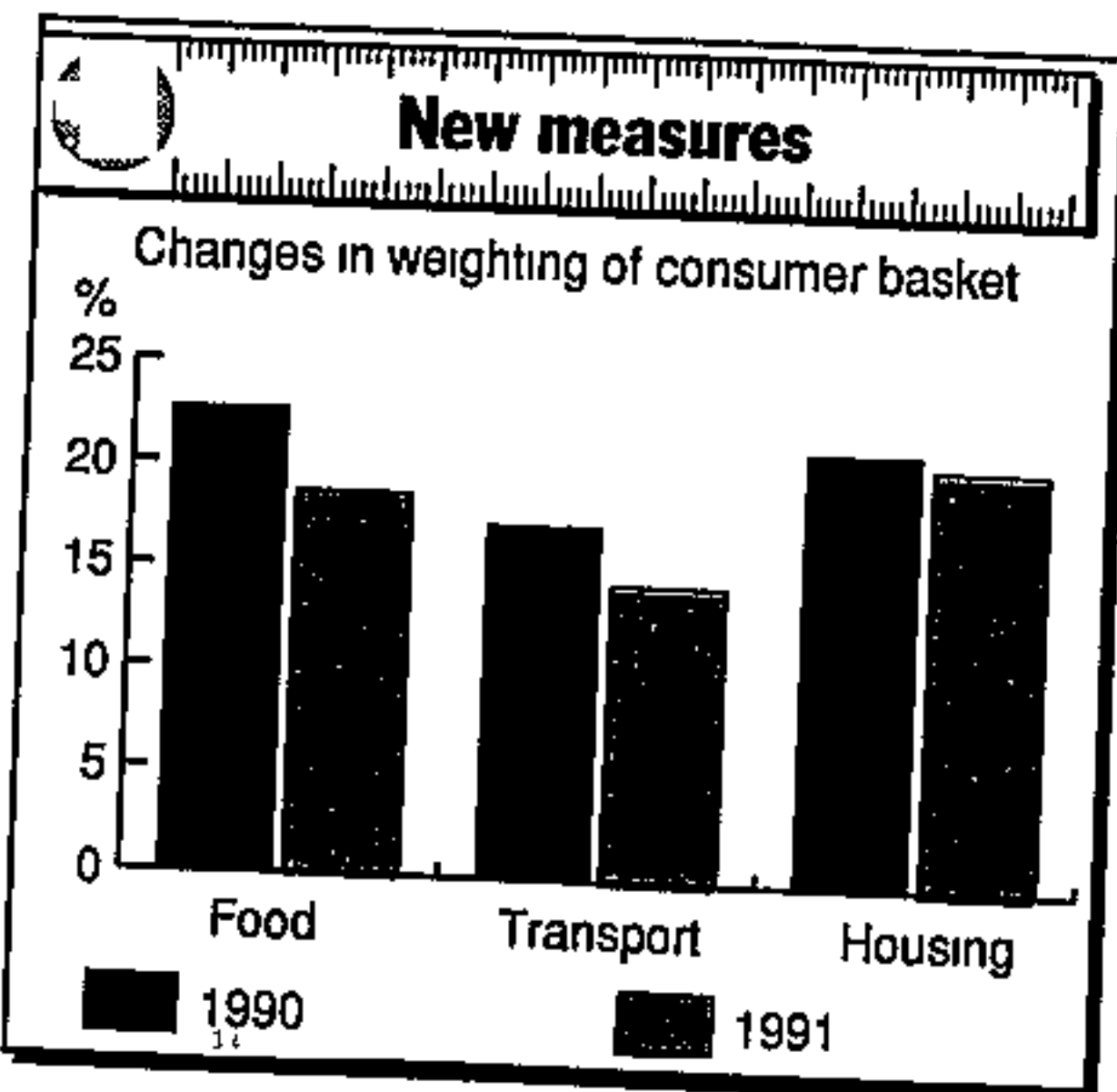
□ Still to come through in the inflation figures is the August 23 price increase in petrol, as prices are measured in the first seven days of each month

The Reserve Bank has struggled unsuccessfully for many months to hold down a stubborn inflation rate Since March, when inflation could reasonably have been expected to fall, as the impetus of last year's fuel price increases began to wane, the rate has risen each month from 14,1% to 14,6%, 15,2%, 15,2% and 15,9% in July

Now, Central Statistical Service (CSS) has neatly accomplished policymakers' objectives A revision of the basket of goods on which the calculations are based has altered the weighting of various components. Among them are food, previously weighted at 22,72%, which will now constitute only 18,64% of the basket — a reduction of more than four percentage points — and transport, which falls 2,8 percentage points from 17,23% to 14,43%

These at present contribute most to inflation Transport rose 20,2% over 12 months to August, and food 18%, and each contributed 0,5 percentage points of the 1,4% rise in the index in August, all other items together contributed only 0,4%. That month the transport index rose 3,5% (mainly because of a 6% rise in vehicle prices)

The weighting of housing prices, which rose only 5% in the year, has been reduced by a mere 0,7 percentage points from 21,21% to 20,54%. Clothing and footwear — raised from 5,98% under the old system to 7,02%



Pharmacies at war over price cutting

S/Times (BUS)

244
13/10/91

By IAN ROBINSON

THE PHARMACY COUNCIL has lost the battle to stop full-scale price competition between pharmacies on prescribed medicines

This is the view of two pharmaceutical groups which are advertising cut-price medicines to the public — the pharmacy chain Pharmarama and the medicine distribution system broker Mediscor.

Efforts by the industry to restrict retail price competition received a blow last month in the Bloemfontein Supreme Court when Justice R Hattungh rejected an application to forbid certain pharmacies from advertising discounts on prescription medicines

But the Pharmacy Council has not yet given up. It expects to respond to the judgment in the Bloemfontein Supreme Court "within weeks," says Registrar Daan Naude

It may appeal the judgment on a technical point. The Pharmacy Council's advertising code, which forbids references to discounts, was declared to have no legal force because the code had not been published in the Government Gazette.

To make the prohibition on



GERHARD SLABBERT

the advertising of discounts legally enforceable, the council could reformulate the advertising code and submit it to the Minister of Health for approval

Such approval would be difficult to obtain in the current economic climate

Further, Judge Hattungh's observed in his judgment that the Pharmacy Council ought not only to consider the

interests of its members but also the interests of the community; and there is no difference in principle between the advertising of prescription medicines on the basis of price and other goods — such as perfumes, sunglasses and toothpaste.

A member of the Pharmacy Council told Business Times that the council was not interested in inhibiting competition but wanted to prevent "misleading competition" In the council's view, advertising discounts was misleading because the reference price was not well defined and could differ from pharmacy to pharmacy

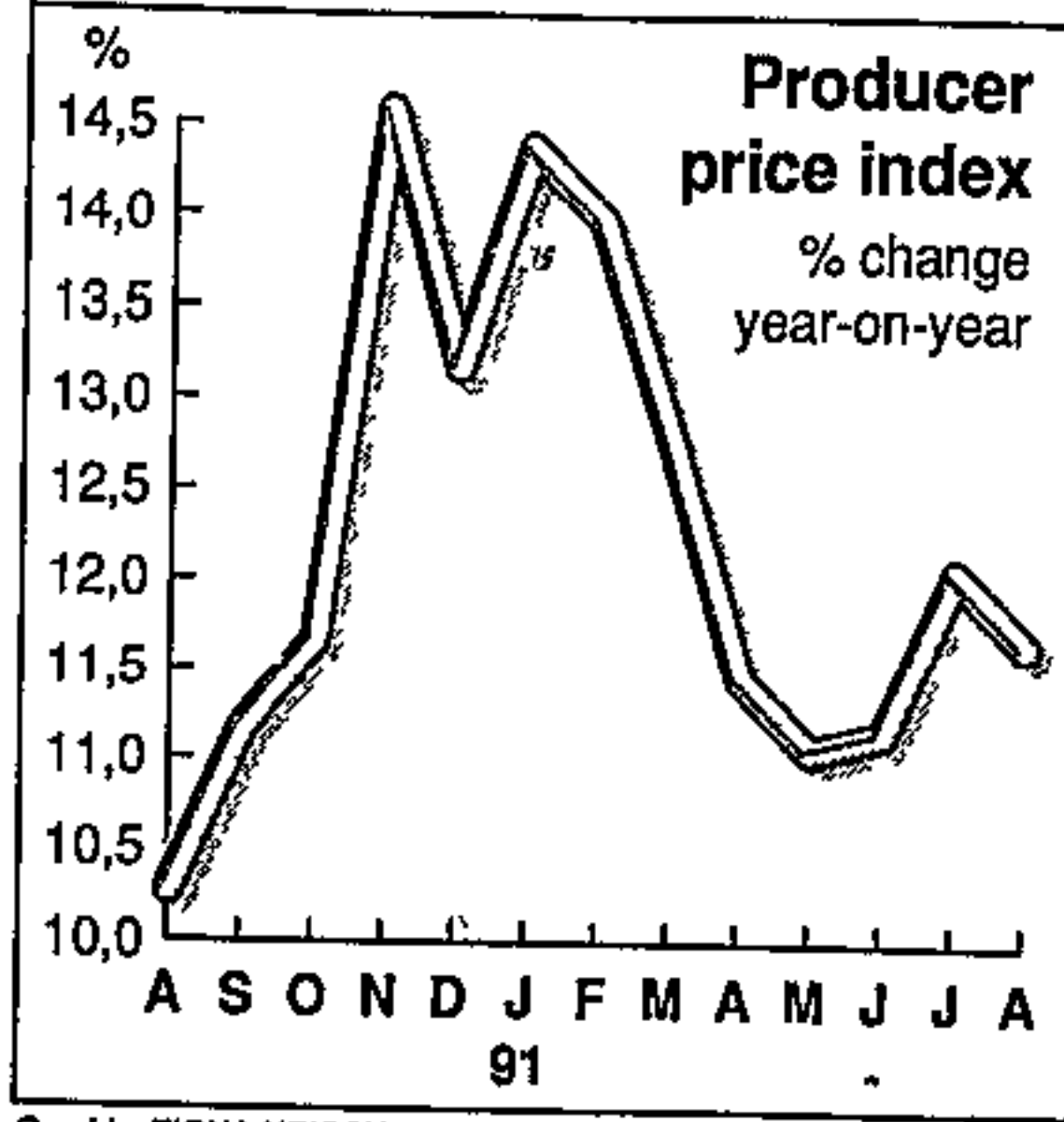
Increasing price competition is expected to put many pharmacies out of business and encourage the trend towards fewer pharmacies with higher turnovers and lower margins.

The Pharmarama group has pioneered this trend, and MD Gerhard Slabbert says that his group has budgeted for discounts on prescribed medicines of a total value of R5,3-million in the financial year 1991/1992

The group already has three large retail pharmacies and plans to open two more

PPI shows dip in inflation

3/20/91 17/10/91
 ANDREW GILL



Graphic FIONA KRISCH Source CSS

ONE of the first encouraging signs in months in SA's inflationary battle surfaced yesterday with the release of August's producer price index (PPI) figures, economists said.

While not startlingly lower, the trend was encouraging and reflected currently stringent monetary policy.

The annual rate of increase in the PPI was 11.7%, down from 12.1% in July as local producer inflation fell considerably, but the imported index showed larger gains than the previous month.

The imported component increased by 1.4 percentage points to 11.6%, while local

□ To Page 2

PPI 3/20/91 17/10/91

inflation was only 11.7%, down from the 12.5% registered in July

The month-on-month figure on the overall index was a relatively low 0.7% from July to August, despite a 1.4% increase in the imported index over the same period.

Econometrix economist Azar Jammine said had it not been for the higher imported figure, the overall rate would have been lower. The massive discrepancy between the CPI and PPI figures was more than likely attributable to food inflation (18%) in the consumer inflation figures.

It was possible that the low level of the

(244) □ From Page 1

PPI had been influenced positively by the implementation of VAT, which could have seen producers holding back in anticipation of input credits and thus forcing a limit on price increases.

However, it was not a flash in the pan nor a statistical phenomenon, but one of the first bits of good news on the inflation rate for a long time.

UBS chief economist Hans Falkena said it was a reflection that monetary policy was "doing the trick". It was a matter of time before consumer prices followed the PPI trend.

Producer prices continue to ⁽²⁴⁴⁾ move down _{CT 17/10/91}

By AUDREY D'ANGELO
Business Editor

THE producer price index (PPI) resumed its downward trend in August, Central Statistical Service figures show.

The index rose by 11,7% year on year in August compared with 12,1% in July. The month on month rise was 0,7% compared with 0,9% in July.

But although the cost of locally produced goods seems to be dropping — the year on year index for August was 11,7% compared with 12,5%, and the month on month rise 0,6% compared with 0,9% in July — the price of imported components is rising.

The index for imported components shows a year on year rise of 11,6% compared with 10,2% in July.

Describing this trend as "ominous", Sanlam chief economist Johan Louw said it was probably due to the importing of transport goods and machinery. The weakening of the rand must also have had an effect.

Louw said he expected a steep rise in the PPI for September, as a result of the higher petrol prices and excise duties.

But the year on year rise might slow in November, on technical factors, because it would be from a high base. The PPI rose steeply in November last year as a result of a higher oil price.

Old Mutual economist Johan Els said the decline in the PPI was "very welcome".

He expected the PPI inflation rate to fall to below 10% in November and December. But it was likely to be some time before this decline was reflected in the consumer price index (CPI), which remained "stubbornly high."

Bread price set for big jump

B1 Day 22/10/91

GERALD REILLY

PRETORIA — The price of bread is likely to rise by up to 20c a loaf before the end of November.

The Wheat Board announced yesterday a 20% increase in its selling price to the milling industry — R624,98 a ton from November 1 compared with the current R520. With recoverable VAT added, the price is R687,48.

Other cost increases affecting the bread price include transportation, wages and salaries, and municipal charges.

The wheat producer price has been raised by 18% to R600,86 a ton.

However, a Wheat Board spokesman said that when storage costs were taken into account the total selling price to the trade would rise to R700,42 a ton — a 15% increase on the current price.

As bread is no longer price-controlled, the increase could vary from bakery to bakery.

Speaking last week at the annual congress of the SA Chamber of Baking, chamber president Fanie Ferreira said meagre profit margins had placed his industry in

grave danger

The industry had been tugged out of a controlled environment and dumped into a free market situation.

He warned that white bread would probably become a luxury in many households.

A chamber spokesman said production and delivery costs alone had increased by 8c a loaf in the past 12 months.

The wheat price increase would probably add another 9c a loaf to basic costs "and there is no way bakers can absorb a 7% costs increase".

A recent survey put profit margins in the industry at 3c a loaf.

Therefore a substantial adjustment in price was justified

Housewives League national president Lyn Morris said keen competition and consumer resistance to inflated bread prices should temper coming increases. She advised consumers to shop around, as increases could vary greatly.

● See Page 13

Bread cost could soon be up 20c

Own Correspondent

PRETORIA — The price of bread is likely to rise by up to 20 cents a loaf before the end of November

(244) CT 22/10/69
The Wheat Board yesterday announced a 20% increase in its selling price to the milling industry — to R624,98 a ton from November 1 compared with the current price of R520

A spokesman for the SA Chamber of Bakeries said production and delivery costs alone in the past 12 months had increased by 8 cents a loaf. The wheat price increase would probably add another 9 cents a loaf to basic costs and there's no way bakers can absorb a 7% cost increase.

Stubborn CPI maintains rise

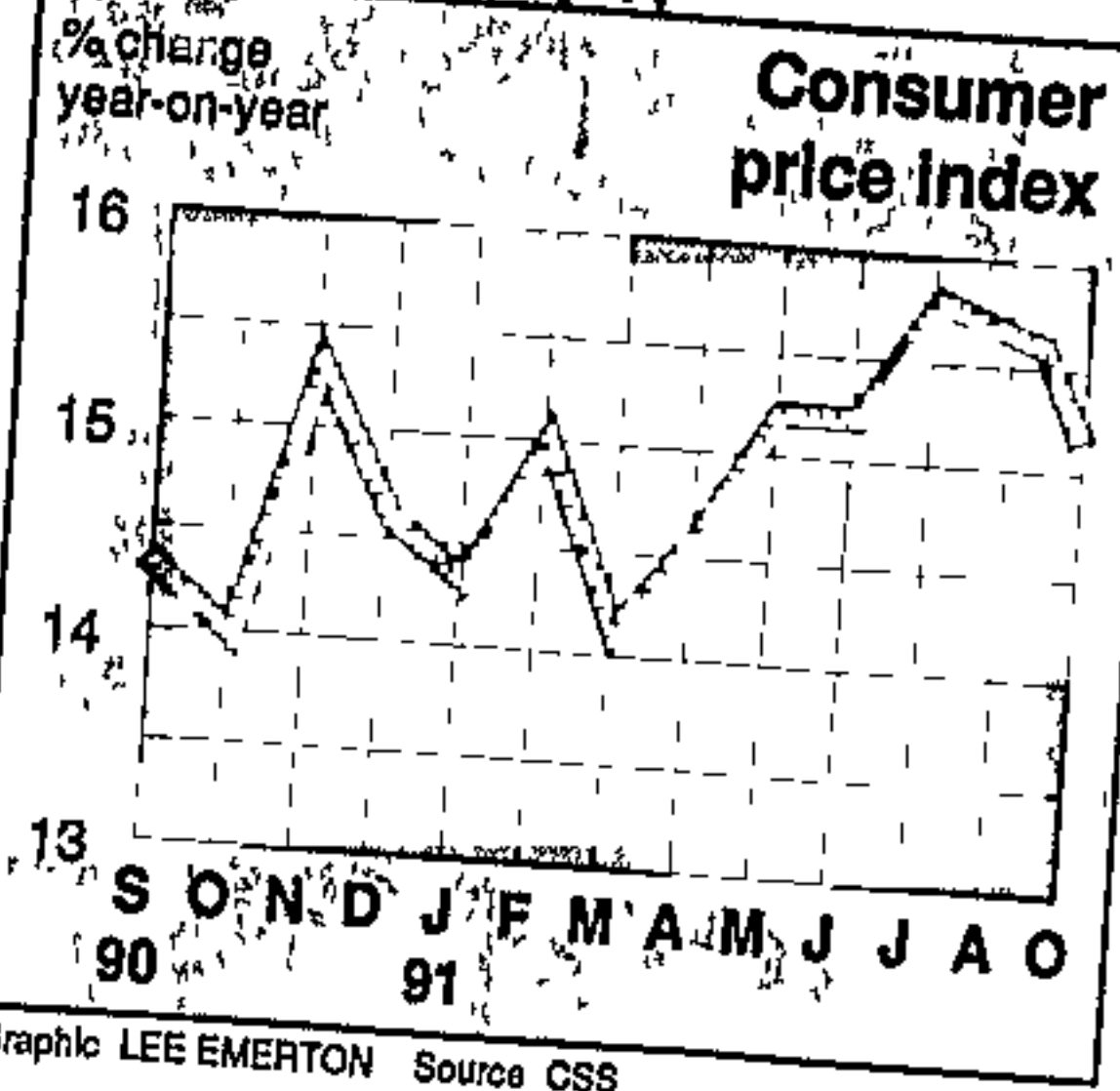
ANDREW GILL

THE inflation rate continued its recent stubborn performance in September, with soaring food prices and August's petrol price increase behind the latest batch of disappointing statistics

Latest Central Statistical Service (CSS) figures show the consumer price index (CPI) rose 15,4% in September from a year earlier and 1,4% from August 1991

The year-on-year rate was 0,2 percentage points lower than August's reweighted 15,6% but the mild drop was far from pleasing, according to economists worried about the high 1,4% monthly increase and

To Page 2



CPI 8/Day 22/10/91

the impact of VAT on October's data due next month

Food prices increased at an annual rate of 19,7% in September, well up on August's 18% and sharply higher than the 11,2% increase in manufactured food prices in the producer price index in August. The increase in the food index from August was a high 2,5%.

Standard Bank chief economist Nico Czypionka said the high CPI food increase did not reflect the PPI levels and had significant social implications for those whose spending was weighted towards food

Had the petrol price increase not been included, the figures would have been meaningfully lower

It was possible that higher food prices

reflected retailers marking up prices in anticipation of VAT

Sanlam chief economist Johan Louw said the frustrating figures were in for another jump in October with the implementation of VAT, which should see the overall inflation rate rise above 16%

Items behind the 1,4% monthly increase were food (0,5%), transport (0,2%), "other items" (0,2%), clothing and footwear, housing, furniture and equipment, medical care and services, expenses and recreation and entertainment (all 0,1%)

The changed weightings of the index, implemented in the August CPI figures, have had a distorting effect on the figures. Had the new weightings been used in September 1990, the inflation rate would have been 13,7%, the CSS said

From Page 1

Food price increases reaching record levels

(244) ARG 22/10/91

Business Staff

SOARING food prices kept the inflation rate well above the 15 percent level in September.

Figures issued by Central Statistical Service (CSS) yesterday show that inflation declined by 0,2 percentage points to 15,4 percent from 15,6 percent in August

CSS used the old weightings in the calculation of the September Consumer Price Index (CPI).

It added, however, that had the new weightings been applied, the September inflation rate would have been in the region of 13,7 percent.

Under the new system, food has a lower weighting which, at the time of high increases in this sector, would obviously benefit the overall CPI.

However, food prices were once again the driving force behind the consistently high CPI, surging by 19,7 percent in the year to September — the highest increase since December 1987

On a monthly basis — from August to September 1991 — the increase was 1,3 percent

A large rise was seen in the price of meat, up by 4,6 percent

Milk, cheese and eggs rose by two percent and vegetables by 5,6 percent.

Among other goods, the costs of household appliances were up 3,6 percent, while the running

costs of transport rose by four percent

Lower-income groups, which spend a large portion of their income on food and other essentials, faced an increase in overall prices of 16,3 percent in the year to September

The increase for the middle-income group was 15,7 percent and for the upper-income group 15,2 percent

The average CPI for pensioners rose by a year-on-year 15,3 percent

■ The severe recession over the past two years has made no real dent in the inflation rate, and is cause for grave concern, says Sanlam in its latest economic survey.

Johan Louw, Sanlam's chief economist, says monetary discipline is no longer sufficient. A wider campaign against inflation is needed. This should include continued fiscal discipline

"Strict control over the growth rate of government spending is necessary, particularly current expenditure. Budget deficits should also be financed in a non-inflationary manner"

He recommends more moderate increases in wages and salaries.

Even during downswings and times of increasing unemployment, pay packets have grown faster than inflation. As a result, South Africa has become less competitive internationally, Mr Louw says

Better training for the labour force, increased productivity as a long-term strategy and concerted efforts to convince workers and unions that only improved production will create higher living standards, is also suggested by Mr Louw

There should be increased competition for goods and services. This would mean less protection for local manufacturers, as well as the elimination of business practices leading to excessive increases in the prices of goods and services

A better balance between saving and consumption is also needed. Positive real interest rates could play an important role

"This process will make serious demands on the private as well as the public sectors. It will also require sacrifices from every individual

"But it is inevitable if healthy economic growth, sufficient job creation and higher living standards are to be achieved", says Mr Louw

Sanlam expects the inflation rate to remain above 15 percent for the next six months — as a result of VAT, fuel-price increases and higher excise duties

An average inflation rate of more than 15 per cent is expected for the entire year, and an average of 14 percent for 1992. A decrease is expected as from the second quarter of 1992, to reach about 12 percent at the end of next year, Mr Louw says.

Consumers reel at bread price threat

Star 22/10/91

By Paula Fray
Consumer Reporter

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Consumer groups are reeling at the news that bread could go up 17c a loaf after the news yesterday that the Agriculture Minister had approved an 18 percent increase in the wheat price paid to farmers

The new wheat price follows the 10 percent VAT-related increase in the prices of previously GST-exempt white and wholewheat bread on September 30.

National Black Consumers Union co-ordinator Cynthia Chabeli said the Government had abdicated from its responsibility to the poor, unemployed and aged by allowing the lifting of price control on bread

"On the one hand it talks about combating malnutrition while on the other hand it remains silent as prices increase," Mrs Chabeli said

A price increase on bread, at

this stage, would adversely affect the disadvantaged who were still recovering from the effect of the implementation of value added tax, she said

Housewives' League president Lyn Morris said that while the organisation had sympathy for the farmer they were also concerned about the lower income groups.

She said the new prices could begin filtering through from November. Consumers should check in-store bakeries where transport costs were cut and see if they could get cheaper prices for their bread, Mrs Morris said.

Consumer Union vice-chairman Aletta Geldenhys said the organisation was "upset" at the possible increases as bread was a staple food

"If this is going to happen, then the sooner the Government can bring in the targeted poverty relief programme for the disadvantaged, the better"

The Wheat Board said yesterday Agriculture Minister Kraai

van Niekerk had approved, on recommendation of the board, an increase to R624,98 a ton for the basic wheat selling price

The selling price is based on a delivery price to farmers of R600,86 a ton (R660,95 including VAT). The 1990/91 season net delivery price was R508,71 a ton. Producers are expected to get a supplementary payment of R5 a ton at season's end.

The cost of wheat makes up a third of the total cost of bread.

SA Chamber of Baking executive director Nic Alberts said that if the price of flour increased by 13 percent, there would be a 9c increase for each loaf, apart from the eight cents increase predicted by the chamber as a result of rising bakers' costs.

"The basic cost could increase by 17c a loaf. It is up to each baker to decide if they will be able to absorb some of these increases," he said

Mr Alberts said the profit margins on bread was less than three cents a loaf.

Streamline the release of data, says business

CHERYL WRETTON



● DU TOIT

THE irregular release of key economic indicators is causing irritation levels to rise in the financial markets.

People in business and economists are now demanding that the publication of key statistical data produced by the government statistical office are consistently released at a fixed date and time for each reporting period

This could eliminate alleged leaks of figures and could help improve the credibility of the Central Statistical Service (CSS)

The faith in the service has been dented by a number of incidents over the past few months, particularly the miscalculation of the Producer Price Index (PPI) and late release of other inflation data

The PPI problem in August was due to "processing errors" in the agricultural food price index. This forced a revision of the PPI from January 1990 and presented an entirely different picture of producer inflation. It also delayed the release of subsequent inflation data.

Sensitive

Suggestions that the CSS is facing a credibility problem are unjustified. On the contrary, it was because of its honesty in dealing with the error, that doubts about its integrity were raised, CSS head Treurnicht du Toit said in an interview last week.

"The PPI was miscalculated, but it seems as though our biggest mistake was being honest and admitting it," he said.

"The CSS does have a schedule of release dates for key figures and Du Toit is now considering fixed release times

"We do try to meet our embargo dates and times. But with sensitive figures like inflation data we are now checking every aspect to ensure the figures are right

"Things can, and do, go wrong, so release times can be fixed in advance only with very wide safety margins or once processing is virtually complete. In both

cases data will often need to be held back. This can only increase the risk of leakages"

In the past the number of people involved in the compilation of "sensitive data" was limited so as to avoid leaks "But we have decided to risk this in favour of having more checks," Du Toit said.

Without firm evidence, he will not accept that a few market players get wind of official figures before they are published "Without proof, I must accept that the market rumours are unfounded"

The statistical office, which operates under the umbrella of the Home Affairs Department, employs more than 600 people. Fewer than 70 of these are graduates

With government intent on cutting spending, its budget could be under threat and could force a reduction in its scope of activities. It could even put pressure on government to set up the office as an independent commercial venture, as has been done in countries such as Australia and New Zealand

At present the CSS sells its reports and special surveys but Du Toit said it is constrained in the extent to which it can market its activities.

The CSS does not benefit from a bigger income out of selling its products but the expenses incurred have to be met by its limited budget. This is forcing it to stick to the present circumstances of disseminating its statistical series which have a proven user need.

With all statistical series forming a specific part of SA's economic puzzle it would be a shame to curb some of CSS's activities, one senior official said.

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17cent bread hike likely

CONSUMERS could face a bread price hike of 17 cents a loaf following the 18 percent increase in the farmers' price of wheat approved by Agriculture Minister Dr Kraai van Niekerk. ~~244~~

The Wheat Board announced on Monday that Van Niekerk had approved an increase in the basic selling price of wheat from R624,98 a ton to R687,48 for the 1991/92 season.

The R600,86 a ton, or R660,95 including VAT is not final as there could still be complementary payment later in the season depending on the size of the harvest. ~~244~~

An estimated surplus of 175 000 tons of wheat could be produced in the 1991/92 season, the Wheat Board said in a statement.

South African Chamber of Baking executive director Mr Nic Alberts said the bread price could increase by 17 cents a loaf because of the increase in flour prices.

Most of the increases were less than the amount of the subsidy, Alberts said.

He said the bread price had been controlled until the scrapping of the subsidy, but retailers could now charge whatever they liked. - Sapa

Key data: it's all in the timing

SIMON WILLSON

ALTHOUGH the Central Statistical Service (CSS) is contemplating fixed publication times for its key data, releasing national statistics at a predetermined moment is by no means universal (244)

The US, UK, Canada and Australia are among the most regular and punctual issuers of national figures. Markets know at least two months ahead the date and time of publication. *Blow 24/10/91*

Japan announces a schedule of data releases in advance, but frequently changes the timetable at short notice.

Germany and France, however, narrow statistical release times down to only the week of publication, and then frequently hold releases over to the following week.

Some countries deliberately leave statistical publication times vague because they believe a long, climactic build-up to the release actually represents a distortion to market conditions.

Vital figures on separate sectors of the US economy are sometimes concertinaed into publication on the same day and, moreover, at the same time.

For about half an hour before the salvo of numbers hits the market, dealers simply refuse to trade. In an acknowledgement

that timetabled releases of key data are themselves distortions to the market, trading positions go "out for the figures".

Dealers agree not to trade at all immediately before the figures are published because the rush of new information could — and usually does — radically alter trading conditions. Thus the fixed-release figures, which should help markets by giving them fresh factors to trade on, assume sinister powers of their own.

In the end, reacting to a scheduled, multiple release of US or UK data can become as much a process of luck as of judgment. Important exchange and interest rates, having at first moved conclusively in one direction on the multiple data release, frequently change as traders and analysts decipher a trend to trade on.

Some argue that the statistics will be more accurate if the departments producing them are not racing to meet a published release time.

However, supporters of timetabling say that having indeterminate releases of important figures opens the way to leaks and insider trading.

Prices shot up just before VAT

By Paula Fray
Consumer Reporter

2644
2644

Star 25/10/91

Prices of goods and services increased dramatically in the week before VAT was introduced, with a net country-wide increase of 2,26 percent, Vatwatch said today.

This was lower than the average increase of 2,56 percent at the end of August/beginning of September.

A Vatwatch spokesman said in the week before VAT was introduced on September 30 the cost of services — not subject to GST but subject to the new tax — leapt. These included electrical repairs which increased on average by 17,5 percent; motor

vehicle lubrication services (17,4 percent), TV repair services (12,5 percent).

The highest increases among goods included furniture (up 9,8 percent) and footwear (up 7,1 percent).

The independent survey, done by a marketing research company, monitored 105 outlets countrywide.

The sample basket included 104 grocery items, three fresh meats, three types of shoes, three furniture items and various services such as medical, travel and accommodation, vehicles, TV rental and repairs and electrical and plumbing services.

National Black Consumers' Union president Nonia

Ramphomane said consumers, who had been asked to be alert for price increases after the introduction of VAT, had been confused by the increases before the new tax was brought in.

"We were aware that prices had gone up really dramatically immediately before VAT was introduced. We said VAT would affect people drastically, which is why we appealed for essential foods and services to be zero-rated," she said.

Neil Coleman, Congress of South African Trade Unions (Cosatu) spokesman, said the figures highlighted concerns expressed by the Co-ordinating Committee on VAT.

PPI FH 25/10/91

Slimming down

244

Inflationary pressure from food subsided a little in August

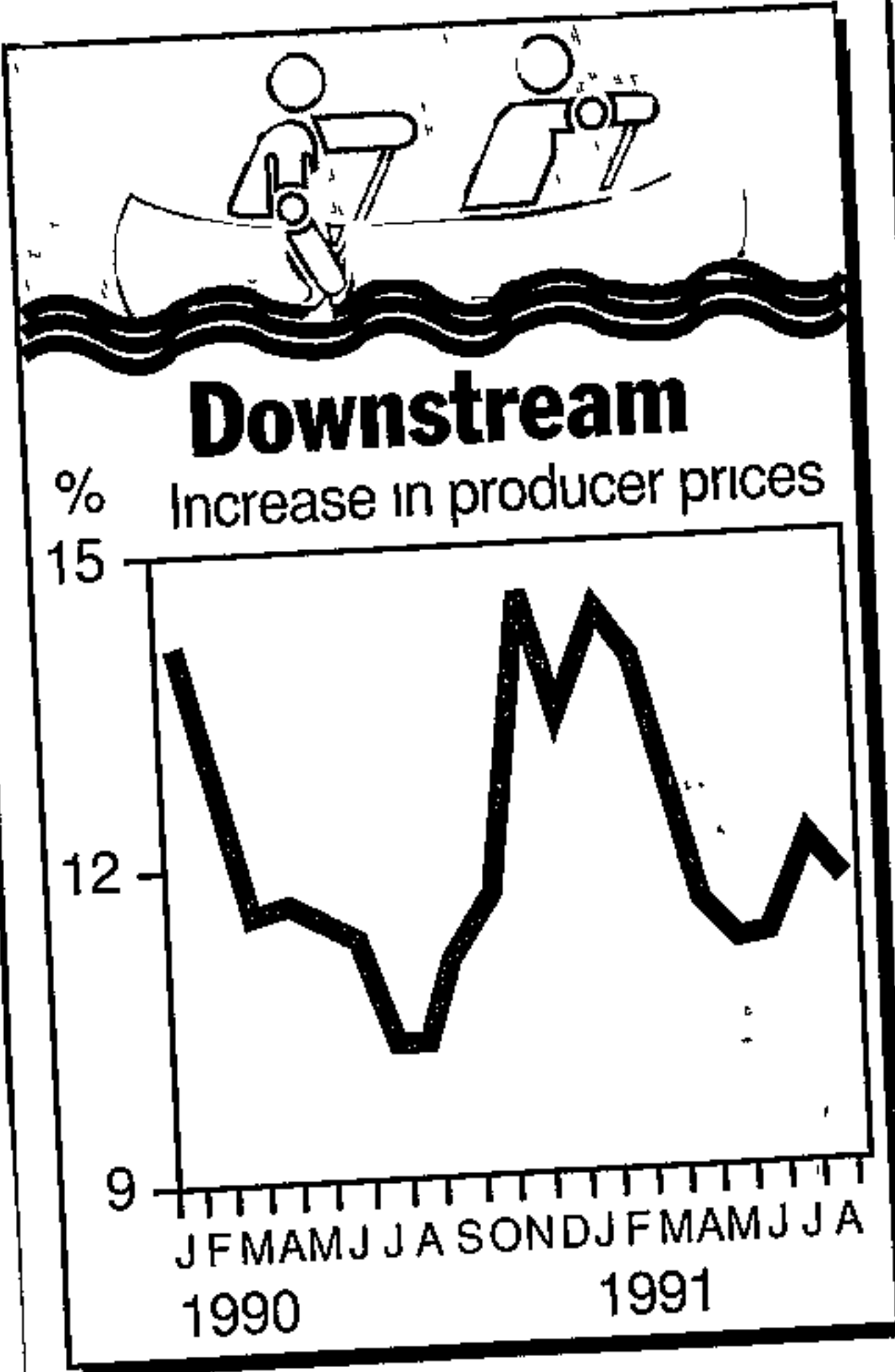
Manufactured food has the highest weighting in the producer price index — 12,91% — while agricultural food has a weighting of 8,6%. Both rose at a reduced rate that month.

- Manufactured food by 1%, comparing favourably with nearly 3% in July and bringing the 12-month rate of increase down from nearly 13% in July to 12,3%, and
- Agricultural food by 1,8% in the month and 11,9% over 12 months (compared with 3,6% and 12,1%)

- August's biggest rises were in Chemical and chemical products. With a weighting of 5,64%, this item rose 5% in the month and 13,3% in the year; and
- Other manufactures with a weighting of less than 1% which rose 4% in the month and 16% in the year

The net effect was a deceleration in the overall index to only 0,7% (seasonally adjusted) in August and 11,7% over a 12-month period (Both figures are down from the previous month's 1,4% and 12,1%.)

The index measures all commodities for SA consumption. Prices of locally produced commodities rose only a seasonally adjusted 0,7% in the month and imported commodities 1,7%. However, the rate of increase was much the same over a 12-month period 11,7% local and 11,6% imported



CPI: LAST FLING

FM 25/10/91

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Pre-emptive price increases, which continued until the eve of the introduction of VAT, don't necessarily foreshadow further increases, says Rand Merchant Bank economist Rudolf Gouws. He is confident the recent surge in prices is close to its end.

There are several reasons:

- Increases in anticipation of VAT have taken care of immediate cost problems. In a competitive market, producers and distributors won't be able to push prices further;
- Producer price increases show signs of slackening (see "Slimming down");
- Though a number of previously exempt foods now carry 10% VAT, a wide range of foodstuffs will benefit by the reduction from the 13% GST, and
- Though food inflation is likely to decelerate, it will probably remain above the rate of overall increase. So the index as a whole will benefit by food's reduced weighting in the basket, down from 22,72% to 18,64%.

In recent months, food has been largely responsible for the disappointing performance of the consumer price index. In the 12 months to September, food prices climbed 19,7%, pushing the rise in the overall index to 15,4% (August: 15,6%). The largest contributor to the 1,4% monthly rise in the nonseasonally adjusted index was food — more than one third, says the Central Statistical Service. From August, CPI is based on new 1990 weightings, but last year's comparative figures still use the old basket. As the year progresses, the new weightings will play an increasing role in neutralising inflation. An indication of this is that September-September inflation calculated on the 1990 weighting for both years would be only 13,7%.

The weighting was last changed in November 1987 when the 1975 base was replaced with a 1985 base and the weighting of food brought down from 24,98%. The seasonally adjusted change in the overall index over the month was 1,2%.

Government, businesses strive to halt soaring food costs

Can price hikes end?

(24) AFR 2/10/91

MICHAEL MORRIS, Political Correspondent and GRAHAM LZAMORE, Weekend Argus Reporter

THE government is appointing private consultants to help stop soaring food prices in a bid to ease the cost-of-living struggle facing millions of consumers.

While the war of words between businessmen and politicians over who is to blame for rocketing prices continues, the Board of Trade and Industry is conducting a probe into the food market to try and find the answer and to come up with suggestions on what should be done about it.

But, ironically, an invitation for comment and suggestions published in July had to be repeated in yesterday's Government Gazette because of the poor response.

What troubles the government most, a spokesman said, is the large gap between producer and consumer prices.

The findings of the investigation are expected to be handed to the Cabinet by March.

Businessmen, however, are pointing a finger at the politicians.

The head of Checkers, Mr Sergio Martinengo, said that in the past retailers blamed the manufacturers and the consumers blamed the retailers for food price hikes.

However, at the end of the day, he said, the blame must rest with government spending, inflation, lack of productivity, strikes, boycotts and unemployment which had led to an increase in crime and violence.

He said the time had come for organised business and the media to challenge politicians who were more intent on scoring political points than addressing the nation's economic welfare.

Mr Martinengo also slammed the ANC/Cosato alliance for their continued calls for boycotts and economic sanctions in the face of overwhelming unemployment.

"For the sake of scoring a few Brownie points they are ignoring the fact that there is no funding from overseas and no

re-investment in new machinery and new plants, which means fewer jobs have been created," he said.

He said politicians should turn from confusing people with political posturing and direct their energies towards creating a sound economy.

President of the Cape Chamber of Industries, Mr P Wilson, lashed out at the ANC, saying they had recently chosen to sign an economic death wish for South Africa when they spoke about nationalisation as a cornerstone of their economic policy, and what appeared to be an intent to default in South Africa's international debt repayments.

"What sort of Midas touch to the outworn and outcast dogmas of communism does the ANC feel it can deploy which has escaped the 70-year search for economic success by the now defunct socialist states world-wide?" he asked.

Mrs Sheila Ballie, vice-president of the Housewives League of South Africa, attributed the price hikes to wage increases due to industrial action and negotiated wage agreements.

These affected not only the food prices but the cost of packaging, handling and distribution.

She pointed out that from September the formula for charging freight costs changed and in some instances costs have risen a 100 percent.

Professor Brian Kantor, deputy dean at UCT's School of Economics defended retailers and said they had the freedom to do as they liked.

However VAT had complicated things because nobody wanted to be seen as taking advantage of VAT.

He said some retailers had built VAT into their prices ahead of time so they could appear to be lowering prices after the introduction of VAT.

"Before VAT the increase was faster and after VAT it will be slower and it will average out," he predicted.



Picture: LEON MÜLLER, Weekend Argus.

Bisexual men an Aids risk

Weekend Argus Foreign Service

PERTH — Bisexual men who do not identify with the gay community are the target of an Aids Council campaign.

The new drive was prompted by recent cases showing that some high-risk men were not coming forward for HIV testing until it was too late.

The council fears that such men are a danger to their wives and other men, and need to be educated about safe sex and HIV testing.

Meanwhile, a Perth man who advertised himself as available for sex was flooded with calls from married men — many of whom had fathered children.

Big slander award for UK doctor

LONDON — A male doctor was awarded Britain's highest ever slander damages on Friday against a female doctor who publicly accused him of sexual harassment.

Dr Malcolm Smith was awarded £150,000 (£750,000).

A jury in London decided that Dr Alanah Houston, 47, slandered Dr Smith, 35, at their shared surgery in Northampton, central England, two years ago in front of staff and patients.

Both doctors were in court to hear the seven-woman, five-man jury return its unanimous verdict in favour of Dr Smith after 3½ hours deliberation.

KIDS AND COPS: Members of the police brought some colour and cheer to dozens of children at four Peninsula hospitals yesterday when they presented them with colouring-in books and boxes of crayons. From left to right are Randal Fortuin, 10, Lance-sergeant Vivienne Lentoof, teacher Ms Catherine Volgraaf, Constable Charlene le Roux and Clinton Petersen, 7. Children at Conradie, Groote Schuur and Red Cross Children's hospitals also received gifts

FOR

'18% pre-VAT shoe increase'

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CT 26/10/91

Staff Reporter

THE price of shoes increased locally by up to 18% in the last few days before the introduction of VAT while furniture prices and electrical repairs countrywide also climbed substantially before the tax was implemented

This claim is made by Vatwatch which yesterday published its third countrywide market survey. It showed that the cost of services increased heavily.

The price rise was led by electrical repairs (17,5%), vehicle lubrication (17,4%) and TV repairs (12,5%).

The highest price increase among goods was for footwear 7,1% countrywide (and 18% in Cape Town). Shoes were followed by furniture with an average price hike of 9,8%.

The survey was conducted for Vatwatch by Interfact, at 105 sales/service outlets countrywide.

The sample basket contained 104 grocery items, three fresh-meat items, three types of shoes, three furniture items and the following services: Medical, travel/accommodation, vehicle services, TV rental and repairs, elec-

Front receives strike memo

DURBAN. — A joint Cosatu/Nactu memorandum delivered to the patriotic front Congress here yesterday re-committed the trade union bodies and 12 other organisations to a two-day general strike in November.

The general strike in protest against VAT would be on November 4 and 5, and would take the form of a stayaway and a "complete shutdown", the memorandum said.

The striking organisations would call for the removal of VAT on basic foods, water and electricity, medicine and medical services, the memorandum explained.

● About 30 placard-carrying protesters added their voice to the anti-VAT campaign outside the Pretoria offices of the Receiver of Revenue during lunch-hour yesterday — Sapa

trical and plumbing services

The survey showed that in the last week of September the net price increase was 2,26%. This followed the end-of-August increase of 2,56%.

Two more Vatwatch surveys are already under way. The first post-VAT survey of exactly the same basket of goods and services tested up to now, and a special survey on office and shop rental costs, to determine the extent by which major commercial property owners are passing VAT savings to smaller businesses.

● Furniture and footwear stores in Cape Town have denied Vatwatch's statement that they sharply increased the prices of their goods a few days before VAT was implemented.

Director of Pridestyle Shoe Manufacturing Mr Nagin Ranchod said his company had an

average increase of 5% in July because at that time their staff members received their increase.

Mr Edward Daniel, warehouse manager of Futura Footwear in Salt River, said his store increases its prices twice a year, in January and July, but the increase was not by 18%.

He said the increase was between 10 and 12% and was made seasonally, not because of VAT.

The Jordan Company said there was absolutely no increase.

Two furniture stores — Kaplan Manufacturers and Jack Mendel Furnitures — also said there was no increase.

Mr Jack Mendel said his company did not include VAT in prices.

Katz Furnishing Company said prices in the bedding section only had increased by 3,5%.

The great inflation deflation

Star 26/10/91

MALCOLM FOTHERGILL

FIRST, the good news — the official inflation rate will drop any day now.

Now, the bad news — the drop will be on paper only; the man and woman in the street are unlikely to notice any difference.

What is happening is that the Central Statistical Service has changed the way it decides what the official inflation rate, the consumer price index, is doing.

Monitored

Its old "basket" of goods and services which it monitored to determine how an average household's pocket was hit by changing prices from month to month has been replaced by a new, improved model.

The new model's weightings — the relative

importance attached to each item — are different in many respects from the old weightings.

And the result is that the inflation rate will, on paper anyway, be lower than it has been.

Last month, the official, Central Statistical Service figure for the inflation rate was 15,6 percent.

If the new weightings had been applied, it would have been about 13,7 percent.

The reason for changing the "basket" of goods and services used to calculate the inflation rate is not to put employees at a disadvantage in their wage negotiations with employers, but to keep pace with what is hap-

pening in the country.

This includes keeping tabs not only on how much people are paying for particular goods and services, but how much of the goods and services they are buying.

The new CSS weightings have been determined by a survey commissioned last year from the Human Sciences Research Council.

The HSRC chose 12 urban areas, and selected a representative sample of households in each so that their spending patterns could be established.

Among its findings were that spending by the lower-income group (mainly blacks) now accounted for 19,42 percent of total spending, against 18,73 percent five years ago; and that the higher-income group (mainly

whites) accounted for 56,5 percent, against the previous figure of 53,95 percent in 1985.

The middle-income group's share has dropped from 27,35 percent to 24,09 percent.

Startling

One startling finding was that the average South African now spends about 5,2 percent of his income on medical and health care, five years ago, this figure was 2,56 percent.

Other changes are that the proportion of family spending on domestic servants has dropped, from 1,8 percent to 0,83 percent, but spending on "other" services, which includes holidays, insurance and eating out, rose from 6,77 percent to 9,49 percent.

Bread prices to rise

20c hike expected

Sowetan 30/10/91
THE price of bread is expected to rocket by up to 20 cents a loaf within the next few months.

This view was expressed by consumer organisations yesterday after the Wheat Board and the Minister of Agriculture, Mr Kraai van Niekerk, announced a 14 percent increase in the basic selling price for wheat.

Although this means an increase of seven cents a loaf, further hikes could be expected due to the cost increases of millers and bakers who have to process wheat into bread.

It was reported earlier this month that bread could increase by 17 cents a loaf as a result of the wheat price increase, the introduction of Value Added Tax on white bread and an announced bakers' increase of eight cents due to rising costs.

Shock 20c hike expected

244
Sowetan Correspondent

Mrs Lynn Morris, president of the Housewives' League, yesterday said apart from the seven-cent rise due to the new wheat prices and the eight-cent bakers' increase, millers had not yet said if they would increase prices, nor had the retailers.

"If this scenario plays itself out we could be looking at a 20 cent increase at least," Morris said.

"The bread industry is in the free market now and I expect the retailers to negotiate the best prices for consumers," Morris said.

She urged consumers to shop around at in-store bakeries where costs such as transport had been eliminated.

The average selling price of first-grade wheat

Bread price set to rocket

244
From page 1

season's prices. According to the Minister, the price of South African wheat is still lower than the non-subsidised international wheat price on world markets. *Sowetan*

"Since March 1 the official control over the prices of flour and bread has been abolished. Prices of these products will therefore increasingly be determined by supply and demand," he said. *30/10/91*

Van Niekerk and the Wheat Board both appealed to millers, bakers and retailers to exercise extreme caution in the determination of an increase in their prices in the light of the present socio-economic situation in the country.

"Since no VAT is payable on brown bread it is trusted that the trade will not exploit this advantage in the form of price increases," they said.

Outcry over bread price hike

Sowetan 31/10/91 (244)
CALLERS TO THE Sowetan/Radio Metro Talkback Show yesterday criticised the Government for increasing the price of bread without consulting leaders of the "suffering masses"

Sowetan Reporter

Tim Modise that the De Klerk administration was obliged to subsidise farmers who were hard hit by VAT
They also said "the

poor" would suffer as bread was a staple food
Metro from Hillbrow said "The increase in the price of bread is going to affect the people who are struggling to make ends meet



"The Government should carry the burden of the increase as it introduced VAT without consulting with the people," he added

Macberth said employers should ensure that they increase their employees' salaries substantially

"People are going to find it difficult to cope with the increases which are the result of VAT," he added

Ali from Emdeni Extension in Soweto also urged the Government to force

employers to increase their workers' salaries

"People pay much in personal taxes and are still required to pay more for increases caused or introduced by the Government which does not care for the needy," he added

Sebastian from Vosloorus said the Government did not think about problems that would be encountered by the poor when they introduced unnecessary increases

Sharp fuel rise looms

Star
Finance Staff 31/10/91

The petrol price will increase substantially in March to make provision for a depreciating rand

This is the prediction of Dr Ockie Stuart, director of the Bureau for Economic Research at Stellenbosch University

"There can be no doubt that the Government will be looking for ways to raise revenue at Budget time and an increase in petrol tax is a likely option.

(244)
"It is very likely that petrol will be used as a fiscal policy instrument and the tax component will be increased"

Industry sources believe petrol could rise by up to 16c to R1,50 a litre for 93 octane at the coast in the first half of 1992.

Rob Lee, chief economist at The Board of Executors, expects there will be fuel price increases next year.

● Grim outlook for the economy — Page 30

Fm 1/11/91

(244)

of the index of physical volume of manufacturing production (PVMP) — backbone of the manufacturing sector output estimates. He argues that the index has drifted a considerable distance from its true value, probably because of sample bias.

The PVMP series is generated by a monthly sample survey. This is supposed to be brought into line, through a process known as benchmarking, with the findings of manufacturing censuses.

The census is held every three years. Results take time to process, so benchmarking only takes place a few years after the census year. However, CSS has failed to benchmark the surveys to the two latest censuses whose results are available — 1982 and 1985. The most recent census year to which PVMP has been benchmarked is 1979.

Series drift

The drift in the series has not been detected because benchmarking has not been done.

"Something similar befell CSS estimates of employment in the manufacturing sector," says Meth, "an error that has since been corrected." In a report to the Statistics Council (a statutory body whose function is to advise the Home Affairs Minister on statistics and handle complaints), CSS concedes: "It is clear the factors responsible for the drift in the employment series have a similar effect on the volume index series."

The error in existing output estimates is reflected in the deviation between the implicit GDP deflator (the ratio of the value of output in current prices to output in constant prices) and the consumer price index.

"For whatever reason, the implicit GDP deflator for manufacturing output appears to be closely correlated with the consumer price index over extended periods," says Meth. "The 1985-based data shows the mean average absolute deviation of this pair of indices from each other was about 3,6% from 1960-1979. But this suddenly leaps to over 15% in 1983, falling slowly to 9% in 1987." The divergence suggests something in the measurement process went seriously awry.

His estimate of growth lies between what he terms the "exuberant series" and the "conservative series" (see graph). The exuberant series is obtained by deflating the value of net output in current prices by the CPI. "Despite recent problems with the CPI it is still much easier to measure, and hence more reliable, than the volume indexes which underpin output estimates."

The conservative series is constructed by benchmarking the trends measured by the official PVMP series on to the two available census results — 1982 and 1985.

The higher growth estimate has implications for estimates of labour and capital productivity

as well as for unit labour costs of manufacturing output — and hence our ability to compete internationally. ■

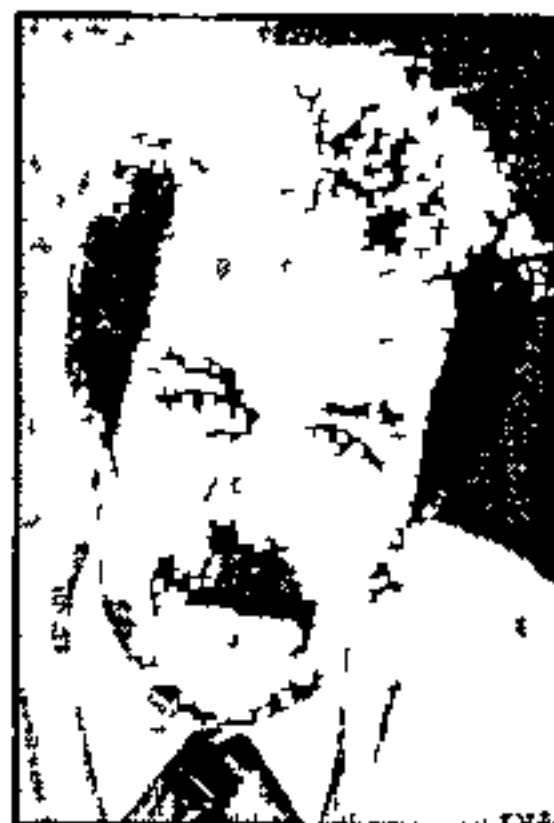
FRAUD

Asset test

Three years after the imprisonment of the former African Bank trio, convicted of forex fraud, lawyers are still wrangling over some of the assets of Henry Harper and Alan Young, which were attached by the Reserve Bank. These include a Porsche 935, Mercedes 500 and a Bedford Cruiser, all of which will remain in the Bank basement until the dispute is settled.



Ferreira



Young



Harper

The assets of Harper, Young and Arthur Ferreira were attached by the Bank in June 1987 and, last year, forfeited to the State under notices published in the November 30 *Government Gazette*. These included property, shares in various companies, funds in several accounts, insurance policies, furniture and household goods, and other vehicles and motorcycles.

Under the Currency & Exchanges Act, "any person who feels aggrieved," by the attachment and forfeiture of assets may approach the court to set aside the order. There are three grounds that the Bank did not act in accordance with regulations, did not have reasonable grounds to make the decision, or the grounds for making the decision no longer exist. Harper's and Young's attorney, Peter Wentzel, has instituted proceedings against the Bank. The case is due to come to court next year. A charge of perjury is also expected against one of the people who testified against the three.

Harper, Young and Ferreira were found guilty in the Rand Supreme Court in August 1988 on six counts of contravening exchange control regulations, six of illegally exporting capital and 99 of fraud. Harper and Young received about R23,7m from illegal financial rand transactions and Ferreira about R6m.

Harper and Young were released on September 18 after serving just over three years of their 14-year sentences.

Heather Formby

STATISTICS Fm 1/11/91

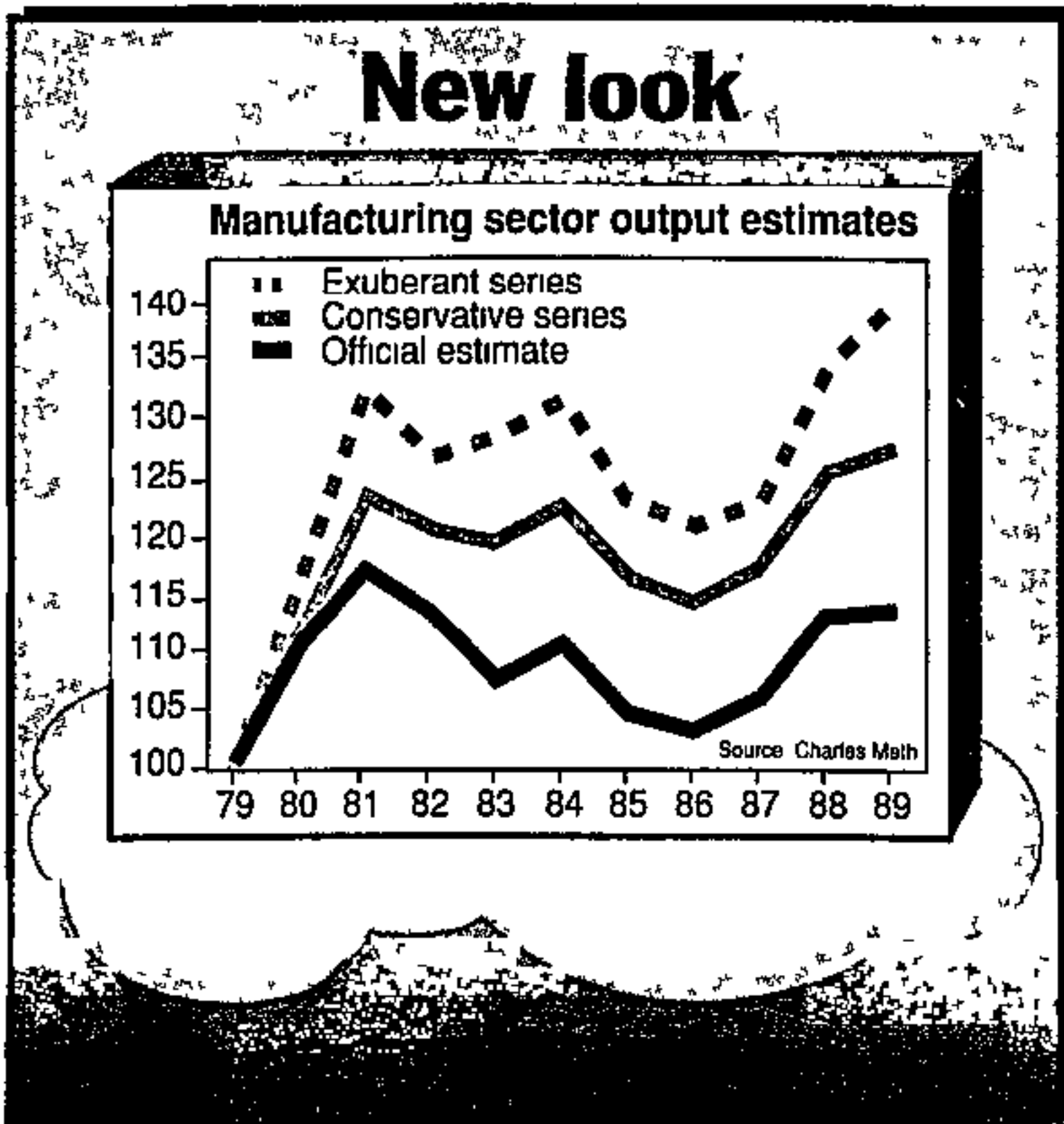
Little acorns

(244)

The past decade has been a period of economic stagnation. But official figures may have overstated the bad news (see leaders). One indication comes from research by Charles Meth, a lecturer in economics at the University of Natal. His findings are that output in the manufacturing sector, the largest in the economy, was far higher than Central Statistical Service (CSS) figures reflect.

In a paper, *Data Problems in the Manufacturing Sector*, he puts the increase in output from 1979-1989 at between 28%-40% — well above the official estimate of 14,3%.

He says a problem has arisen in estimates



Price indices' discrepancies explained

Bl/day 1/11/91

SHARON WOOD

COST increases in labour, rent and shrinkage were reasons for the large discrepancy between the producer and consumer price indices, a major food manufacturer's food price investigation showed yesterday

These costs were specific to retailers and were included in the consumer price index (CPI) but not in the producer price index (PPI)

The report rejected the argument that food retailers and manufacturers were making excessive profits and creating artificial shortages by exporting most of their produce

"Food manufacturers do not make unreasonable profits and have paid particular attention to keeping costs as low as possible," the report said.

Statistics for 1990 for the four major food manufacturers, Tiger, Premier, ICS and Fedfood, showed that shareholders received 1.1% of

sales as dividends, 2.3% of sales were retained for future expansion, and R552m went to capital expenditure

"The major objectives of the food industry are to increase food consumption over the longer term to meet the needs of the population and at the same time provide a satisfactory return to the shareholders

"The challenge is to restrict costs while at the same time provide the consumer with choice, nutrition, quality, good availability, service and others, which all add to cost," it said

The report said the food manufacturing industry exported only 5% of total production

The report also said the food manufacturing industry was not uncompetitive

The 14 major food retailers accounted for about 80% of the R24bn-

a-year industry

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"There is major competition in most product areas," it said

"Even in categories where there are fewer competitors, such as maize milling and baking, no manufacturer has a share of more than 30% "

Fruit and nut prices had replaced meat prices as the largest contributor to large food price increases in the CPI

As a result of meat price rises, the food CPI was an average 2% above the overall CPI between 1985 and 1990

If meat was excluded, the CPI and food CPI were about the same, the report said

"Training, wise capital expenditure spending, and an attempt to link productivity improvements to wage increases are some of the ways used to improve productivity and limit labour increases," it added

Electricity set to rise, then fall

(246) ARG 2/11/91
JOHANNESBURG — Eskom has announced electricity prices would increase by nine percent in January. The hike is five percent below the inflation rate of 14 percent, Electricity Council chairman, Dr John Maree, noted at a news conference yesterday.

He said that in a precedent-setting compact with electricity consumers,

Eskom also had committed itself to a five-year pricing agreement which would see the real price of electricity reduced by 20 percent.

Dr Maree said the reduction of 20 percent over the next five years followed a reduction of almost 14 percent over the past five years.

— Sapa

Johannesburg, where the living is (fairly) easy

Star 9/11/91

Derek Tommey

JOHANNESBURG is one of the cheapest cities in the world to live in, the Union Bank of Switzerland says in its tri-annual survey of prices and earnings world-wide

The bank bases its comparison on the prices that have to be paid for a basket of goods and services of more than 100 items in 48 major cities

With Zurich prices equal to an index number of 100, prices in Johannesburg are equal to 51.1

In Oslo the index is 115.5, in Tokyo 115.0, in Helsinki 113.6, and Stockholm 111.3. These are the world's most expensive cities.

At the other end of the scale are Bogota (37.9), Cairo (37.1) and Bombay (30.3)

On a par with Johannesburg are Lisbon (56.2), Athens (53.8) and Mexico City (49.8)

Would-be emigrants might like to know that the index for London is 84.2, for New York 83.3, for Los Angeles 79.8, Montreal 72.7 and Sydney 70.8.

However, while Johannesburg may be relatively cheap, wages and salaries are on the low side.

With average wages and salaries in Zurich equal to 100, the index for Johannesburg is 25. The index is based on the wages and salaries in 12 occupations

● Primary school teacher, bus driver, car mechanic, construction worker, skilled metal worker, cook, department manager in the metal-working industry, electrical

engineer, bank teller, secretary to a manager, saleswoman and woman textile workers.

The index for Johannesburg is slightly above that of Hong Kong and just below Nicosia's. However, the Johannesburg index is well above the 5.1 for Nairobi and 2.3 for Lagos.

It is well below the 45.5 for

London and Dublin, 51.7 for Sydney, 65.4 for Toronto, 68.2 for New York and 70.7 for Los Angeles

However, after taking into account both earnings and prices, the bank finds people in Johannesburg are not as badly off as low wages and salaries suggest.

On a scale of 100, the buying power of Johannesburgers is 48.9

This is about half that of Zurich (100), Geneva (97.2), Luxembourg (97), Frankfurt (97) and Chicago (96.7)

Johannesburg is roughly on a par with Seoul (47.4), but well above Hong Kong (37.1), Tel Aviv (35.1) and Lisbon (31.9)

Londoners have a purchasing power of 54.1. In Dublin the figure is 59.9, in Sydney 73, in New York



But Johannesburgers pay through the nose for electrical appliances. A basket comprising a refrigerator, frying pan, electric sewing machine, colour TV, autofocus camera, electric steam iron, vacuum cleaner (canister type) and a hair dryer costs \$2 760 here. The cost is \$2 350 in Dublin, \$1 760 in London, \$1 740 in Los Angeles, \$2 490 in Sydney and \$1 750 in Toronto.

The same basket costs \$232 in Lisbon, \$227 in Sydney, \$293 in Tel Aviv, \$301 in London, \$316 in Dublin, \$350 in Toronto, \$389 in Los Angeles, \$517 in Zurich and \$743 in Tokyo.

When it comes to buying food, Johannesburg seems a good place to be.

The basket of 39 food items costs \$205 in Johannesburg. In only six other cities are prices lower: Buenos Aires (\$192), Rio de Janeiro (\$175), Sao Paulo (\$167), Nairobi (\$144), Bogota (\$137) and Bombay (\$116).

The same basket costs \$232 in Lisbon, \$227 in Sydney, \$293 in Tel Aviv, \$301 in London, \$316 in Dublin, \$350 in Toronto, \$389 in Los Angeles and \$1 470 in London.

Included were food products, beverages, tobacco products, personal care articles, clothing, household appliances, transport costs and personal services.

The basket of goods would cost \$892 in Johannesburg.

The same basket of goods and services would cost \$1 114 in Hong Kong, \$1 175 in Tel Aviv, \$1 225 in Toronto, \$1 236 in Sydney, \$1 394 in Los Angeles and \$1 470 in London.

81.8, in Los Angeles 88.6 and in Toronto 93.2.

The Union Bank used a basket of goods and services containing 112 different items to determine living costs.

Inflation eats into benefits

STimes 10/11/91

of VAT

By CAS St LEGER

AGAINST all predictions, value added tax has tended to lower prices — but the benefit to consumers is already being eaten away by general inflation

The first Vatwatch survey since the introduction of VAT has shown prices have risen steeply over the past three months.

Prices decreased by an average of only 0,29 percent countrywide since VAT was introduced on September 30. But, during the previous two months, prices shot up more than two percent a month.

Vatwatch chairman Professor Louise Tager said: "This is a disappointing trend, indicating that despite VAT being three percent lower than GST and the fact that the demise of GST meant considerable savings for the business sector, there was hardly any decrease in October

"In fact, there was a cumulative increase of 4,53 percent in prices over three months."

Zero

However, at independent stores in black towns October prices decreased by 3,9 percent. In Port Elizabeth, prices decreased by 2,9 percent and in Johannesburg by 2,6 percent.

Elsewhere, however, October prices ranged from a zero increase in East London to 2,2 percent on the East Rand.

The trend came to light in the fourth comprehensive, countrywide market survey conducted on behalf of Vatwatch.

The results of the survey show that despite the lowering of the tax rate from 13 percent GST to 10 percent VAT, prices of goods and services dropped by only 0,29 percent.

However, this price reduction came off a base that had been highly inflated in the two months before the introduction of VAT. At

the end of August, prices were 2,56 percent higher than at the end of July.

At the end of September — just before the introduction of VAT — prices had risen another 2,26 percent.

Vatwatch said the price reduction of 0,29 percent in October appeared to indicate the inflationary trend of the previous months was continuing, off-setting any savings that might have been derived from the lowering of the tax rate.

Taking into account this price increase trend, as well as the small reduction for October, the net price rise since the end of July has been 4,53 percent.

In the three-month period monitored by Vatwatch, prices increased most steeply in black homelands, at 10,1 percent, followed by independent stores in black towns (8,4 percent), major rural towns (8 percent) and the Durban/Maritzburg area (6,3 percent).

The lowest price increases over the period were recorded at East London (1,2 percent), the Free State Gold Fields (1,4 percent) and in Johannesburg

Price decline tiny after VAT

CONSUMER prices following the imposition of VAT last month dropped by less than a third of a percent countrywide, the price monitor Vatwatch said in a statement yesterday *Sowetan 11/11/91*

Vatwatch monitored prices of groceries, shoes, furniture and other services at 105 outlets in urban and rural areas, its chairman, Professor Louise Tager, said

She pointed out that the drop was low considering that the tax rate decreased by three percent - from 13 percent General Sales Tax to 10 percent Value Added Tax.

"Moreover, this price reduction came off a base that had been highly inflated in the two months before the introduction of VAT," she said

"At the end of August prices were 2,56 percent higher than at the end of July.

"At the end of September - just before the introduction of VAT - prices had risen yet another 2,26 per cent." - *Sapa.*

Consumer price dip 'disappointing'

Staff Reporter *Staw 11/11/91*

Consumer prices decreased by a "disappointing" average of 0,29 percent countrywide last month, despite increases of nearly 5 percent in the two months before VAT was introduced.

This is apparent in the fourth market survey conducted for Vatwatch.

The prices of groceries, shoes, furniture and other goods, as well as electrical repairs, medical and other services, were monitored at 105 outlets in urban and rural areas.

Vatwatch chairman Professor Louise Tager said this was a disappointing trend.

"Despite VAT being 3 percent

lower than GST, and despite the fact that the demise of GST meant considerable savings for the business sector, there was hardly any decrease in October and in fact a cumulative increase in prices of 4,35 percent over three months

"Moreover, this reduction came off a base that had been highly inflated two months before the introduction of VAT.

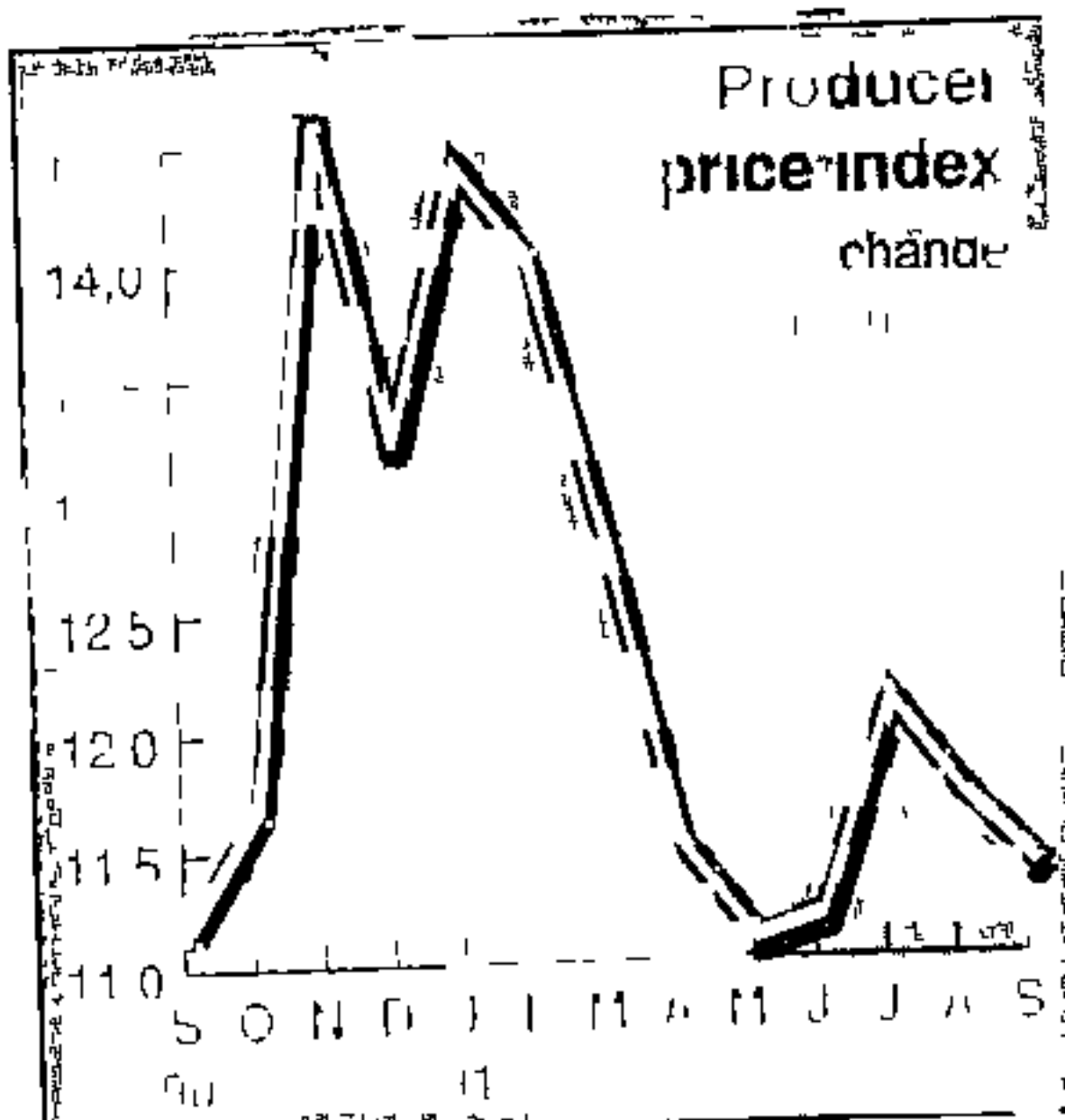
"At the end of August, prices were 2,56 percent higher than at the end of July.

"At the end of September — just before the introduction of VAT — prices had risen yet another 2,26 percent. The price reduction of 0,29 percent in October appears to indicate that the inflationary trend of the previ-

ous months was continuing, thus offsetting any meaningful savings that may have been derived from the lowering of the tax rate," she said

In the three-month period monitored by Vatwatch thus far, prices increased most steeply in the homelands — 10,1 percent — followed by independent stores in black towns (8,4 percent), major rural towns (8 percent) and the Durban/Maritzburg area.

During October, prices decreased by 3,9 percent at stores in black towns. In Port Elizabeth, prices fell by 2,9 percent — in line with the drop in the tax rate — and in Johannesburg by 2,6 percent.



Graphic FIONA KRISCH Source CSS

Producer price inflation drops

SHARON WOOD

244

LOWER imported inflation saw producer price inflation fall to 11,4% in the year to September from 11,7% in August

The fall in producer price inflation disguised a relatively large domestic price increase of 1,4% month on month, which pushed the producer price index up 1,1% — the highest monthly increase since April this year. *Slows 12/11/91.*

Food prices continued to dominate price increases, with primary food prices up 2,2% month on month and manufactured food prices up 3%.

Sanlam economist Johan Louw welcomed the lower producer inflation rate and said the 0,3% decline in imported inflation was particularly promising because it could contribute to a slower increase in the local component "The figure was more in line with expectations and hopefully indicated that consumer price inflation would be lower next year," he said

Domestic price inflation of 11,7% in September remained on the high side, but it was hoped that as the economy slowed and wage and salary increases were lowered, domestic producer inflation would fall.

"The decline in imported inflation to 10,1% was probably a result of a low level of inflation overseas and the more stable rate of the rand. It could also have been for technical reasons because the decline came off a low base," he said

Monthly price increases of note were in petroleum and coal product prices (up 4,6%) and in other chemical products (up 3,4%)

CP: no legal way to ensure VAT savings

By Paula Fray

It was up to private enterprise to pass on possible price cuts as a result of VAT because there was no legal way to enforce this, Conservative Party spokesman on finance Casper Uys said yesterday.

Mr Uys said he believed the higher prices found after the introduction of the new tax on September 30 were the result of a mixture of profiteering and ignorance on the part of business.

From a legal point of view there was nothing that could be done about the price increases, he said.

"It is up to private enterprise to pass on to the public possible decreases in prices due to input

credits. There is no legal way of enforcing this," said Mr Uys.

However, he did not believe legislation was a necessary or an effective way of breaking the inflation spiral.

"It will mean creating a bureaucracy which will not be worthwhile," he said.

"The main problem as far as inflation is concerned is that there is no increase in productivity but an aggressive demand for higher wages which has no relation to productivity at all," Mr Uys added.

African National Congress spokesman Saki Macozoma said the price rises were what the organisation had warned against during various discussions with the Ministry of Finance.

"The attitude of the Minister was that we should help put pressure

on business to pass on these savings. But that kind of pressure is very difficult to mount, other than by consumer boycotts which the Government, would not want," Mr Macozoma said.

"It is incumbent upon the relevant Government department to ensure savings are passed on to consumers," said Mr Macozoma, adding that to the public it was obvious that prices were rising.

"The Government might say this is a temporary reaction but we believe this is a permanent price hike.

"Business might say the cost of changing to VAT justifies the price hike, but VAT is a simpler tax and the savings should be passed to consumers," he said.

"We call on the Government to take appropriate action to protect consumers."

Star 13/11/91

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Shopkeepers climb on bread bandwagon

Star 13/11/91

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By Paula Fray
Consumer Reporter

Some unscrupulous shopkeepers pushed up their bread prices by as much as 60c after November 1 when the new wheat prices came into effect, according to complaints received by the SA Co-ordinating Consumer Council.

Consumer Council spokesman Ina Wilken said the council had received numerous calls from consumers who complained that bread at their local stores had increased by between 20 and 60c over the past two weeks.

Agriculture Minister Dr Kraai van Niekirk and the Wheat Board recently said the 14 percent rise in the basic selling price for wheat would add only 7c to the cost of a loaf.

However, further increases

could be expected due to the cost increases of millers and bakers who had to process wheat into bread, they said.

Bread prices vary dramatically on the PWV and range from R1,07 for brown bread and R1,29 for white at a major retail store to as much as R1,30 for brown and R1,60 for white.

In rural areas, surveys have shown consumers pay as much as R1,65 for brown and R2 for white. When the industry was deregulated in March, bread cost, on average, R1,05 for brown and R1,20 for white.

Mrs Wilken said a joint effort was needed to give consumers affordable bread.

"The Wheat Board subsidy softened the impact of the wheat price increase for the milling and bakery industry."

She said that if everyone in the distribution chain were prepared to pass on the benefits derived from VAT, including

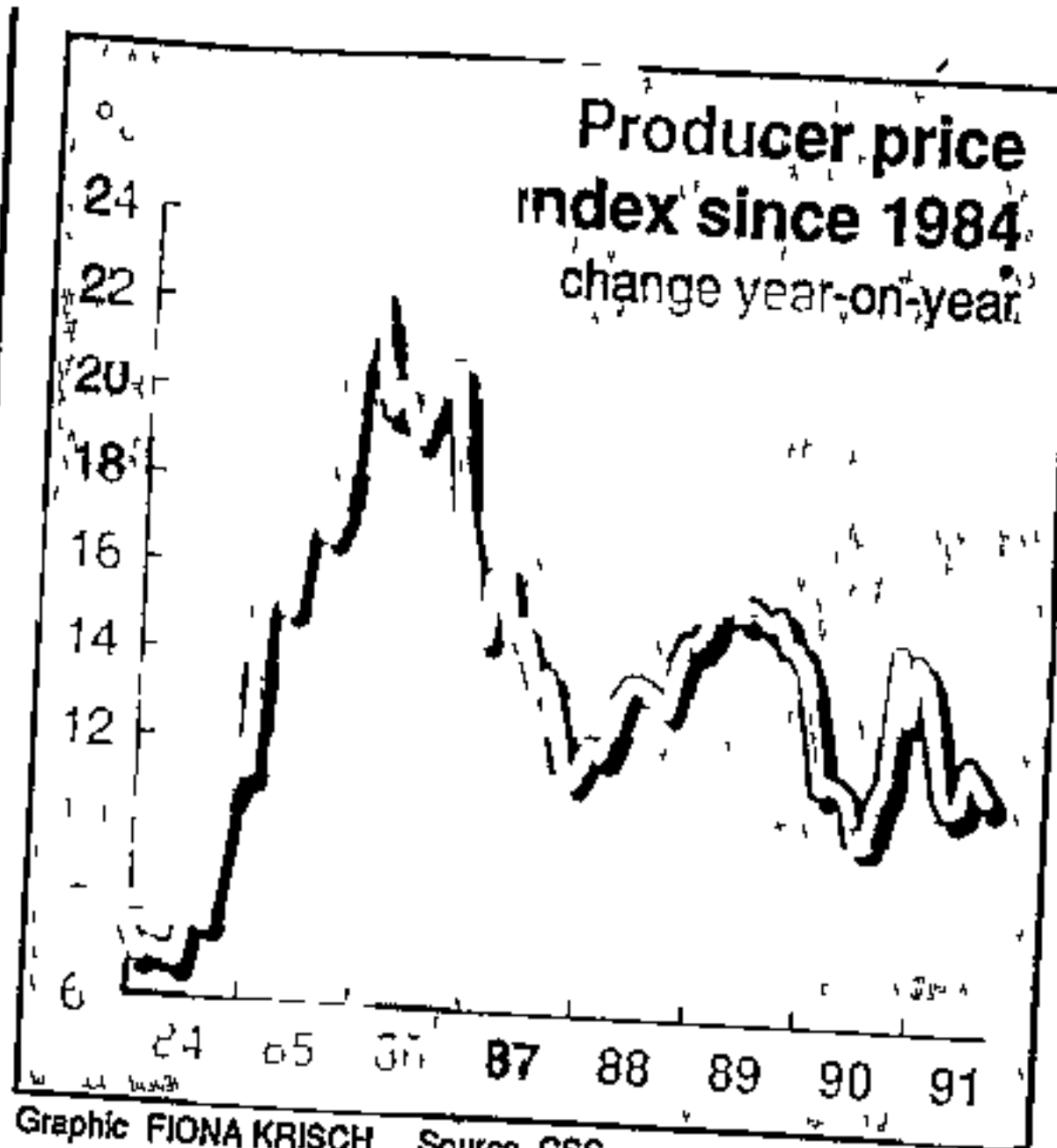
input credits for current expenditure and capital goods, bread should not have increased to the extent it has.

"The retailer who is not prepared to accommodate the consumer in this country might be facing a low income in the near future. The consumer of today is much more enlightened and aware of prices than ever before," she warned.

Despite substantial increases in the wheat price as from November 1, major retailers have been keeping their prices down.

Pick 'n Pay southern Transvaal buyer Geoff Kohn said prices would stay at present levels until November 17.

"When VAT was introduced we brought down the price of brown bread to below cost for two weeks. When the new increases in the price of wheat came into effect on November 1 we decided to hold the price of bread until November 17."



Graphic FIONA KRISCH Source CSS

Hints of success in inflation fight

SHARON WOOD (244)

THE first signs of success in the fight against inflation could emerge before the end of the year, with forecasts that producer price inflation (PPI) may drop below 10% for the first time in eight years.

Bankorp economist Nick Barnardt said yesterday PPI would probably reach single-digit figures this month.

But the fall would be exaggerated by the sharp increases in the prices of oil and fuel at the same time last year, which boosted the PPI, he said. Rates of change calculated off a high base result in a technically lower figure. *Monday 14/11/91*

Barnardt said he was confident the Reserve Bank's battle against inflation had been relatively successful, because it had substantially reduced the underlying inflation rate.

The PPI in the nine months to September had risen at a single-digit annualised rate, which was encouraging, he said.

"Fundamental inflationary pressures have declined a lot in the past year, especially in combination with a healthy balance of payments, a stable exchange rate, a sharp decline in bank credit and falling wages and salary increases." However, it was not feeding through to the consumer price side, he said.

There could be a record gap between consumer and producer price inflation when PPI reached single-digit figures later this year, Barnardt said. The PPI first

□ To Page 2

PPI *Monday 14/11/91*

dipped below 10% in August 1983, when the gap between the two inflation rates was 2.3%. In November this year the gap could be as much as 5%.

Barnardt said one possible reason for the lack of success in bringing down consumer inflation was that monetary policy could operate only on the underlying inflationary pressures. The Reserve Bank probably needed additional measures to curb consumer price inflation.

(244)

Nedbank chief economist Edward Osborn said he did not expect PPI to fall below 10% this year, but it would improve next year.

External influences were reasonably well controlled, he added.

There had not been excessive depreciation in the rand and overseas inflation was fairly low, both of which helped the imported side.

FUEL FALL RELIEF FOR PPI

(244)

FM 15/11/91

In September, the price of imported commodities fell 0,3% (0,5% seasonally adjusted) Relief came largely in the category "other mining" — crude petroleum With a weighting of 7,55% in the index, this item fell 2% in the month

In the 12 months to September, imported commodities prices rose 10,1% Local producer prices rose 1,4% in the month (1,5% seasonally adjusted) and 11,7% over 12 months

Largest inputs to the monthly increase came from

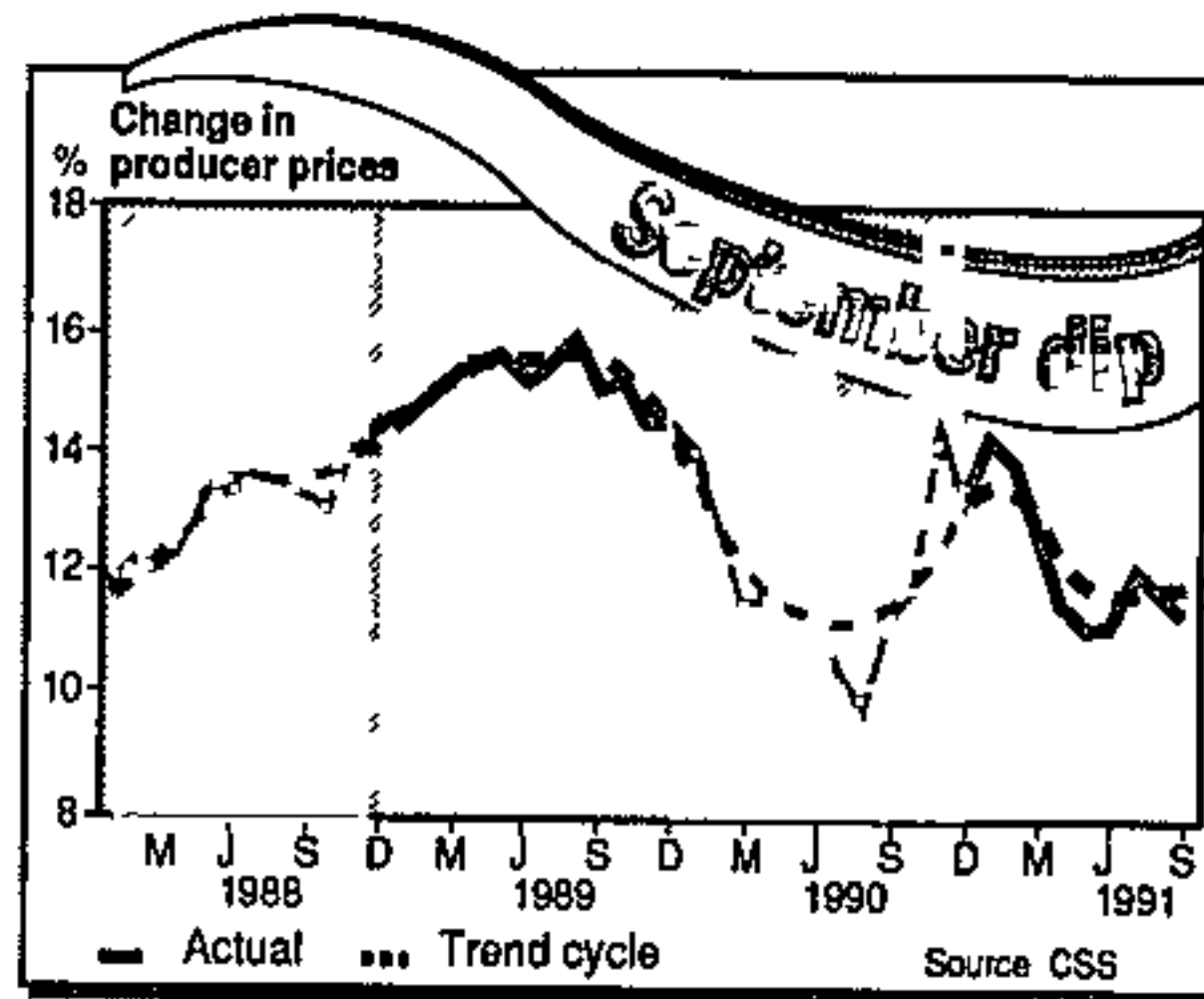
- Agricultural food products, up 2,2%,
- Fresh meat at abattoirs, 2,8%,
- "Other" manufactured food, 3%, and
- Clothing, 1,8%

Large annual increases came in:

- Agricultural food products, 15,4%,
- Fishery products, 14,7%,
- Coal, 29,8%;

- Fresh meat at abattoirs, 19,2%, and
- Tobacco products, 16,3%

All commodities for consumption in SA rose 1,1% (1,3% seasonally adjusted) in the month and 11,4% annually The 12-month rate is down from the previous 11,7%



Supermarkets praise two for VAT cuts

S/Times 17/11/91

By GWEN GILL

ONLY two manufacturers have brought prices down since the start of VAT, say the three biggest supermarket groups.

But consumers are expected to benefit in January when the annual round of price increases is expected to be lower than usual to compensate to some extent for VAT.

Checkers managing director Sergio Martinengo said both Lever Brothers and Elida Ponds had decreased prices by "about five percent" on average.

Mr Mervyn Kratzick, food director of OK Bazaars, also said Elida Ponds had dropped its prices by about one percent.

Mr Alan Baxter, general manager for foods of Pick 'n Pay supermarkets, said Lever Broth-

ers had allowed a five percent promotional decrease for about six weeks from September 30, when VAT began.

However, Mr Brian Frost, director of foods for Woolworths, said no decreases were coming through at all.

Among the supermarket items that have gone down in price as a result of these decreases are Mentadent P and Close Up toothpastes; Surf, Skip and Omo washing powders; Shield and Ego deodorants; Geisha, Breeze and Lifebuoy soaps, and Ponds beauty products.

No other manufacturers show

any sign of lowering their prices, according to the retailers.

This is despite the fact that costs should be dropping as input credits on capital goods and savings on items on which manufacturers previously paid GST, but do not pay VAT — such as advertising — are reflected in selling prices.

"Some suppliers have been offering rather larger discounts than usual, but that's because of the state of the economy, not VAT. Manufacturers want to clear their stocks," said Mr Baxter.

Asked if retailers were badgering suppliers to drop prices, Mr Martinengo said "We say: 'Come on guys, what about decreases because of VAT?' all the time, but it's not helping."

Mr Baxter said that Pick 'n Pay was also urging manufacturers to drop prices, but all he heard was the familiar excuse that VAT would slow down future increases.

At least two of the big retailers are confident that the usual round of automatic hikes in January would either not come at all or be smaller than usual.

"So far, I've had not had a single indication of a price hike in the New Year. This is interesting — usually by now my file is full of increase details. But these could still filter through, I suppose," said Mr Baxter.

Mr Martinengo said he was expecting price hikes, but these would be "lower than in previous years."

A fine array of inflation rates on offer

NO FEWER than four different measurements of SA's rate of consumer price inflation will be published this week when the CPI inflation rate for the year to October is released

Not to be outdone, the SA money supply figures for October — due later in the week — will also offer at least three variations to choose from. Only SA's October trade balance will consist of one indivisible number.

The immediate problem for the financial markets is choosing which of the plethora of inflation and money supply figures to accept as genuine. In addition, the markets will have to try to second-guess the authorities as to which of the numbers flying around this week will have the most influence on short-term monetary policy.

Distortion

The multifaceted inflation rate will arise because the Central Statistical Service (CSS), besides publishing the normal, all-items inflation rate that stood at 15.4% in the year to September, will also issue for the first time what it calls a "total" CPI figure. This will exclude the effects of both GST and VAT, and is designed to show how prices would have performed if VAT or, previously, GST had not been levied. Outside the increasingly rarefied confines of the CSS this would be known as the underlying or core inflation rate.

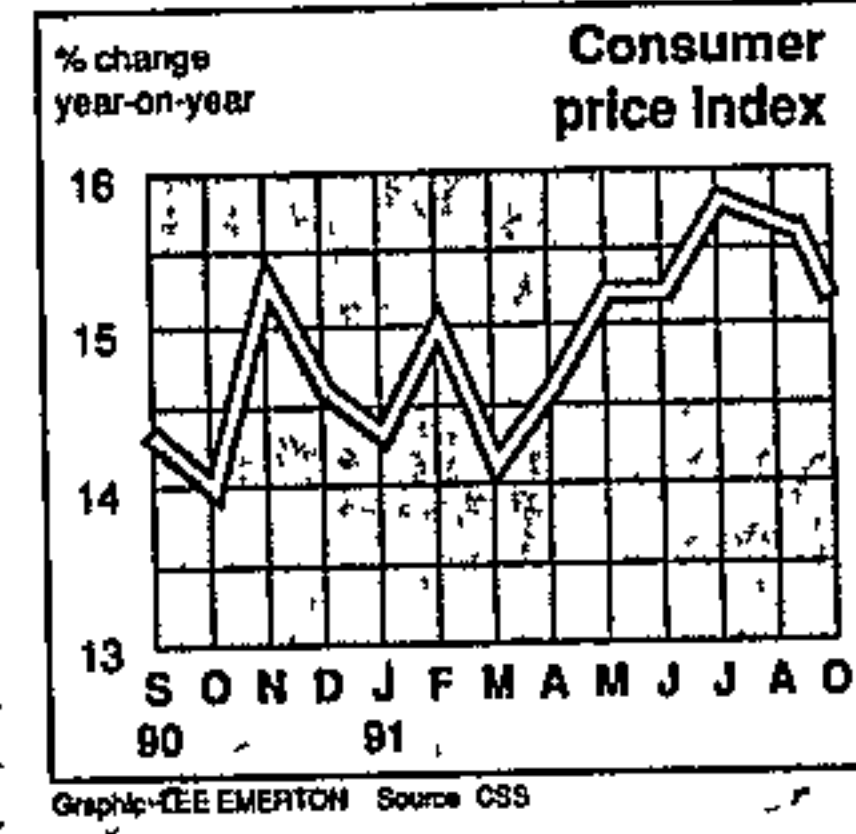
But CSS will add two more inflation rates to this fine array, by showing the difference made on its figures by the change in the base year for the CPI calculation. The August inflation figure this year used, for the first time, a 1990 shopping basket of goods instead of the previously

applicable 1985 basket. Thus the latest headline inflation figure of 15.4% in September is a year-on-year calculation using a 1990 shopping basket for the index in September this year, but a 1985 basket for the index 12 months earlier. To reflect what is technically a distortion arising from a comparison between different baskets, CSS also calculated an inflation figure for September that used the 1990 shopping basket for both this year's and last year's applicable month, and came up with 13.7%.

So this week we will have spread before us a grand total of four different inflation rates; two overall inflation rates — one arising from a 1990-on-1985 basket for the year-on-year comparison and one from a 1990-on-1990; and two underlying inflation rates also using the unmatched and matched shopping baskets. Of this selection, most pundits will opt for the overall, 1990-on-1990 variant which may still stay below 14% in September. The others look like quaint curiosities — although the Reserve Bank might accord them greater status, which is why the markets will have to take note of them.

In issuing a multiple-choice inflation rate, SA is only falling into line with the practice in many other advanced industrial countries. The US issues headline (overall) and core (excluding food and energy) measurements of both its CPI and PPI. The more eccentric UK publishes three different consumer inflation rates: one headline rate, one excluding mortgage interest rates, and one excluding the poll tax. For months, British analysts and politicians have been able to select the rate that most suits their cause; now their SA counterparts will have the same opportunity.

Because they view the two official measurements of SA's monetary aggregates to be distorted, domestic analysts have been calculating their own version of the money supply figures for



Graphic: IEE EMERTON Source: CSS

most of this year. There are now three money supply numbers to choose from: the two official figures issued by the Bank, which measure year-on-year M3 change and change from the fourth quarter of 1990, and the private sector analysts' figure, which uses February 1991 as a base. The analysts seek to strip out the distortions caused by the Deposit-Taking Institutions Act, by using the February base. But they cannot disregard the Bank data as these are stacked up against the authorities' 8%-12% guideline for M3.

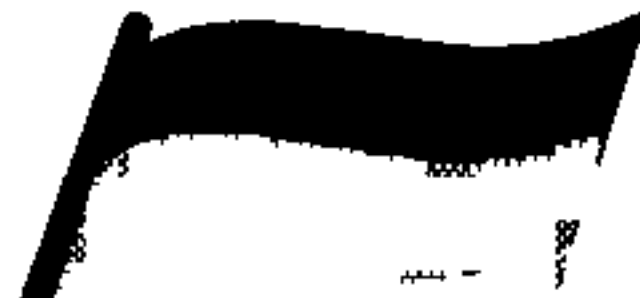
From this impressive selection, it is clear that the pace of year-on-year M3 growth is slowing down and should drift below 15% in October from September's 15.1%. The rolling increase in M3 based on the fourth quarter of 1990 is also slowing, but from a much higher level. It also stood at 15.1% in September but is aimed at the 8%-12% guideline range, which is thus unlikely to be hit this year. The analysts' February-based M3 growth rate is down in single figures, and is likely to go lower, but is not targeted by those who set short-term monetary stance.

By comparison to the stimulating variety of inflation and money-supply figures on show, the October trade balance will be pedestrian, offering only one figure and one trend from the previous figure. The September surplus of R1.5bn could become a benchmark in the months immediately ahead. The SA Foreign Trade Association (Safta) has said 1992 will be the best year for exports in seven years, while reports from the major conglomerates say consumer demand is beginning to soften — a trend that should show through in import figures.

Internationally, the German CPI is due out in mid-week and should show inflation ticking up again from October's 3.5% to a level close to 4%, which should help maintain expectations of higher German interest rates before the end of the year. UK retail sales for October are released today and may corroborate recent signs of economic recovery in the UK by rising from September's level, which was unchanged from August's.

Wednesday's publication of US housing starts in October are likely to show the opposite: that the US recovery is in danger of aborting. Analysts expect housing starts to slide below the psychologically important 1-million level for the first time since May, again raising the spectre of a dip back into recession by the stalling US economy.

**We're willing to throw in
a little taste of Germany
to one
(doubly!) lucky customer
who buys a BMW from us.**



Sharp meat price hike looms

SHARP rises in beef and mutton prices are once again set to hit consumers in the pre-Christmas period, say meat industry spokesmen. *810 am 18/11/91*

Meat Board economist Ernst Janowski said there was a shortage of quality meat being processed at abattoirs. There were also fears the price of lamb, currently about R7,45/kg, could rocket.

Blue Ribbon Transvaal manager Bernie Heffernan reported a shortage of quality beef with many farmers holding back stock for fattening. Wholesale prices, aggravated by the change to VAT, had risen by 20% recently.

Kanhym executive chairman Dirk Jacobs said the size of the national herd was overstated mainly by the inclusion in national statistics of northern Transvaal farms, many of which had switched from cattle to game farming.

~~24/11~~ 24/11
PAUL ASH

Meat Board spokesman Pieter Kempen said mutton supply would be affected by the reduction of eastern Cape meat supplies after years of drought. But increased supplies of cattle from crop-land regions meant beef shortages were "unlikely".

Lamb was in "relatively short supply" following the late lambing season. In terms of supply, lamb and mutton were two months late while beef was between two and three months late.

While prices would not come down before Christmas, the board was not expecting a substantial price hike, Kempen said.

The near-doubling of the chicken price in the past two months was also boosting meat demand, Red Meat Producers' Organisation (RPO) spokesman Gerhard Brönn said.

Petrol price likely to rise

SOUTH Africans could be paying between 3c and 4c a litre more for petrol soon.

A well-placed source says part of this increase, between 2c and 3c, could come if the Government gives filling stations an increase in their profit margin and passes it on to buyers.

In addition, motorists in the Pretoria-Witwatersrand-Vereeniging area could pay another cent a litre. The rise could also be more than the expected 3c or 4c a litre in some remote areas after the authorities announce the annual price increases for transport of fuel.

Motor Industries Federation (MIF) executive director Vic Fourie says the Government is evaluating the results of its annual investigation into the profitability of fuel retailing.

The MIF has asked the government to adjust the service stations' profit margin in the light of the findings of this investigation. Many filling stations are losing on petrol sales and dealers need to be compensated for their increased expenses.

Mr Fourie will say no more. The National Energy Council (NEC), which regulates the petrol price, will not comment on the possibility of a price increase.

The retail margin accounts for about 8% (or 11,5c/l) of the petrol price. In October last year, the Government increased the margin by 2c/l, only to lower it by 0,7c/l a month later when oil prices stabilised.

By ZILLA EFRAT

Transport costs of fuel account for 6,4%, or 9,2c/l, of the petrol price. Increases are usually announced at the end of the year.

A source says that if the higher retail margin is accepted, the Government must decide whether to pass it and higher transport costs on to buyers. It could also allow the Equalisation Fund, sometimes used to cushion fluctuations in the landed petrol cost, to absorb the rise.

Slate 244

He says that if an immediate price increase is avoided, it will have to be made sometime next year.

PWV motorists started underpaying for petrol in May.

Although the NEC has not released the latest figures, it is believed that motorists paid almost 1c/l too little for petrol in October.

In May, motorists underpaid 2,65c/l. This under-recovery, as recorded in the "slate", jumped to 7,7c/l in June. But it has declined since then, helped by August's petrol price increase and a fall in the landed cost of petrol from almost 57c/l in June to about 33c/l in October.

When the Government reduced the VAT rate in August, it increased the petrol price by 13c/l to 143c/l. This rise consisted of a 10c fuel levy and 3c to cover increases in crude-oil prices.

Tardiness holds up key figures

B/D ay 25/11/91 (244)

SINCE none of last week's scheduled SA data releases emerged on or near their due dates, the financial markets are still waiting for vital figures showing the trade balance, inflation rate and rate of money supply growth for October. These should be published this week, and will probably show little change to the trade surplus, a higher rate of headline inflation and a decline in money supply growth.

For once, Central Statistical Services (CSS) is not solely to blame for the delay in these key SA financial statistics. Customs and Excise has been tardy with the trade balance and the Reserve Bank unusually slow with the money supply data. CSS might even have a credible excuse for the latest delay in the inflation numbers: that the figures for October must, for the first time, supply an underlying inflation rate that excludes the effects of VAT and GST. As mentioned in these columns last week, the inflation rate for October due out sometime over the next five days, will be a multiple-choice figure, offering more than just the overall, headline inflation rate for the year to October to follow the 15,4% for the year to September.

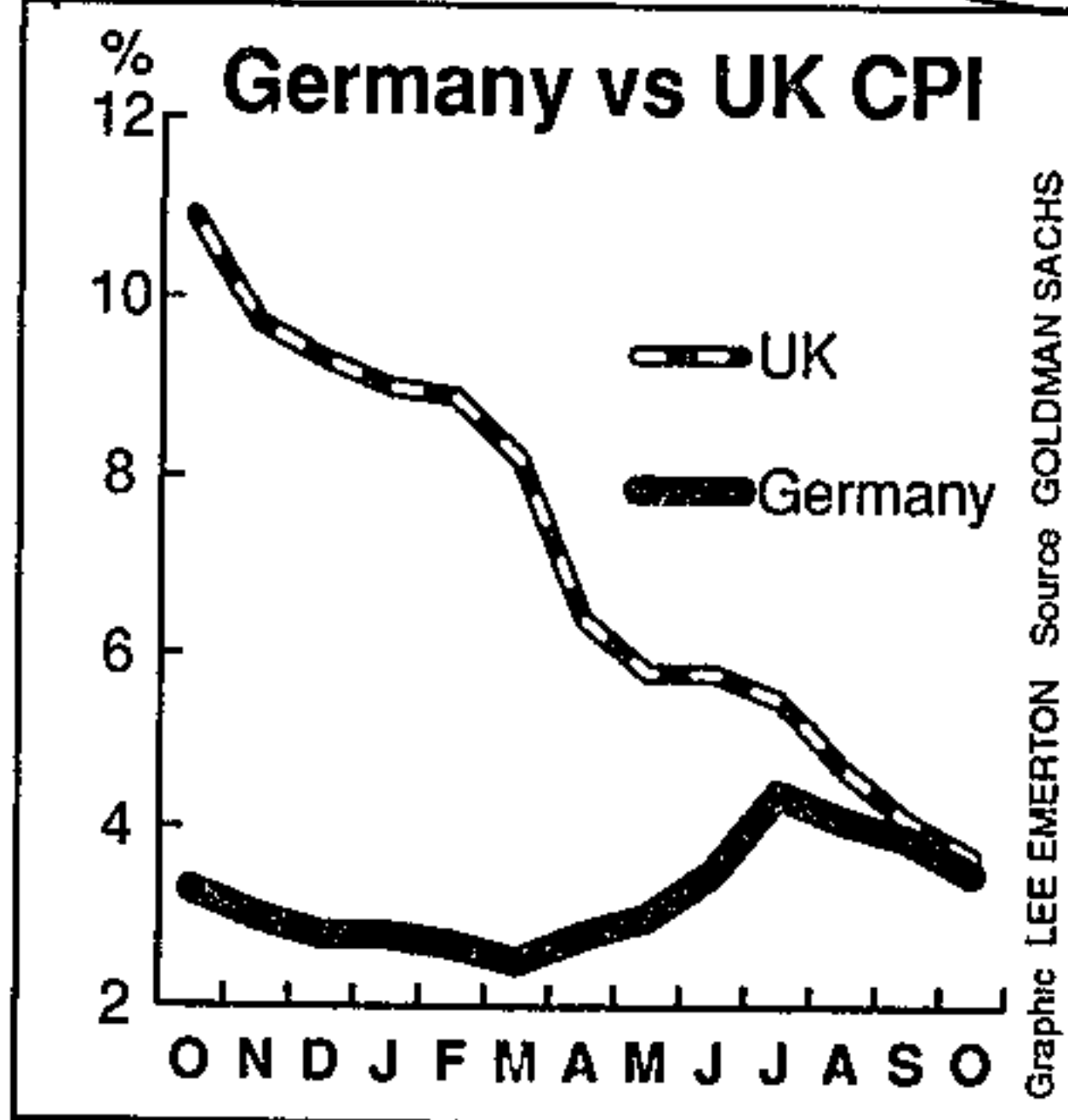
In addition, the tax-exclusive rate will be published, stripping out the effects of GST on the consumer price index 12 months ago and the effects of VAT in October this year. The headline rate is likely to top 16% quite comfortably, while the tax-exclusive rate should be some two to three percentage points lower.

The other two October inflation rates due from CSS this week will arise from different consumer shopping baskets — one based on a 1990 basket over a 1985 basket 12 months ago and the other based on a 1990 basket against a 1990 basket a year earlier. In the year to September the 1990-on-1990 basket was running at 13,7% and the rise in the year to October will probably be restrained to around 14%.

The money supply data also offer a variety of choices: the simple year-on-year rise in M3 in October against September's 15,1% will be too prosaic for the local markets in their current apocalyptic mood, they, and the Reserve Bank although it will not admit it — will be looking more closely at the annualised rate of growth since February, when the distortions of the Deposit-Taking Institutions Act were accounted for.

The rolling increase in M3 since the fourth quarter of 1990 will also be valid, it stood at 15,1% in September — well above the Reserve Bank's guideline range of 8%-12% for calendar 1991. While the year-on-year growth in M3 could be little-changed in October, the annualised figure from February and the rolling increase with the end-1990 base should continue to trend down.

The October trade balance will have less bearing on short-term monetary policy. What-



tion in Virginia. Internationally, one of the highlights of the week will be the German inflation figure for November.

Markets are bracing themselves for the day when the UK inflation rate dips below Germany's. If and when it happens, it will be the first time since 1965 that Britain has secured a favourable inflation differential relative to Germany. This epoch-making event just failed to occur in October, when the UK rate was still ahead by the narrow margin of 3,7% to Germany's 3,5%. The German rate is expected to tick up to around 4%, while the British trend is less certain due to the frequency of recent interest rate cuts in the UK.

The markets are expecting another downbeat US figure on Wednesday, when the level of October durable goods sales is published. Weakness in this key demand indicator, which was down by 3,2% in September, had a lot to do with the further cutting of US interest rates to 18-year lows at the beginning of this month. No turnaround in the dismal trend of US key indicators is expected yet, and durable goods orders are expected to have dropped again in October by around 0,3%. Such an outturn is unlikely yet to raise prospects of another rate cut in the US, it will instead add urgency to the Bush administration's push for vote-winning tax cuts to boost consumer activity.

ever the month-by-month variations in the figure, a longer, three-month view of the trade account shows exports holding up nicely in a period of stalling growth in major export markets, while imports at last begin to reflect the long domestic recession. The trade surplus seems set to straddle levels of around R1,5bn for the next few months.

The recent strength in the financial rand could be vulnerable in the event of a big win by the Conservative Party in this week's by-election.



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Food costs burst the bubble

Business Editor

RISING food costs do more than anything else to make people conscious of inflation, SA Chamber of Business (Sacob) economist Keith Lockwood said yesterday

And the 27,5% year on year rate of food price inflation reported by the Central Statistics Office yesterday means that it will be hard to change inflationary expectations.

Pointing out that the food price index rose by 19,7% in September, Lockwood said he did

not believe the imposition of value added tax (VAT) was the main culprit

Underlying food price inflation was still very high

Lockwood said that in view of the 16,8% rise in the CPI year on year he did not believe there was much chance of a cut in interest rates in the next two months

But Old Mutual chief economist David Mohr said that, allowing for the effect of the introduction of VAT in October, he considered the month on month rise of 1,9% relatively low

"It is a lot less than some of the prophets of doom predicted"

He thought the CPI had probably reached its peak and increases would be lower from now on

It was possible some secondary effects of VAT would show in the next two months, but he thought some of these might have been anticipated

Mohr said the figures did not make a cut in interest rates unlikely "but it is probably too late to have one before the end of 1991"

VAT sends CPI soaring

By AUDREY D'ANGELO
Business Editor

SOARING food prices — boosted by the imposition of value-added tax (VAT) on some items previously exempted from general sales tax — helped to push the annual inflation rate up to 16,8% in October compared with 15,4% in September.

The month-on-month rise in the inflation rate, as measured by the consumer price index (CPI), was 1,9% compared with 1,4% in September.

The annual food price inflation rate was 25,7%, the highest rise in 10 years. This compares with 19,7% in September and 16% in October last year.

Although the lower income group spends the largest proportion of its earnings on food, it was not hit hardest by the rising inflation rate.

The CPI for the middle-income group rose by 17,4% year on year and 2,1% month on month.

The index for the upper income group rose by 16,8% year on year and 1,9% month on month. The index for the lower income group rose by 16,2% year on year and 1,7% month on month.

The CPI figures for October have been awaited eagerly because Reserve Bank Governor Dr Chris Stals has said continuing high inflation is one of the main reasons for retaining interest rates at their present high levels.

They were expected to rise because of the imposition of VAT at 10% on some goods and services previously exempted from GST at 13% — although some prices have come down as a result of the lower rate of tax.

Reaction to yesterday's figures was mixed. Some economists said they were lower than expected and did not rule out a cut in interest rates early in the New Year.

Others said they were high and pointed out that the introduction of VAT, alone, did not account for the steep rise in the food only index. Food prices are being investigated by a committee set up by the government.

Capital market rates fell after the figures were announced.

The Central Statistical Services said that without the introduction of VAT, the annual inflation rate would have been 15,6%.

Food prices send inflation rate through the roof

ARG 29/11/91

244

SVEN LUNSCHE

JOHANNESBURG. — The surge in the inflation rate to almost 17 percent last month should force a rethink of monetary policy by the Reserve Bank

Central Statistical Services (CSS) reported yesterday that the inflation rate soared from 15,4 percent in September to 16,8 percent last month — its highest level in over four years

Excluding the impact of VAT, October's rate would have registered 15,6 percent.

Deputy Governor of the Reserve Bank Dr Jaap Meier said yesterday that the increase was "on the high side of our expectations"

He added that the high level of inflation effectively ruled out any interest rate cut before the end of the year

His comments come just one day after the Governor, Dr Chris Stals, expressed himself satisfied with the impact of the Bank's tough stance on factors which had been exerting upward pressure on inflation.

Dr Stals said that for the first time all sectors of gross domestic expenditure were showing a decline, including private sector consumer spending, which had risen until the second quarter of this year

Furthermore, wage and salary increases were falling below inflation levels thus reducing the upward pressure from this source, he said

Economists also point out that

the rapidly improving level of the foreign exchange reserves made it less essential to curb the demand for imported goods.

Undoubtedly the introduction of VAT has led to price increases way above what the government had hoped for, not only in October but also in the months leading up to the introduction of the new tax system

But the question many economists feel the Reserve Bank must address now is whether a continued tough monetary stance will prevent price exploitation such as is being applied under the guise of a new tax

This is beyond the Bank's sphere of control and should be left to the fiscal authorities, who also need to address the impact of government spending on overall price levels.

The Bank has achieved what it set out to do, namely to reduce the upward pressure on price levels by keeping interest rate at high real levels — the fact that inflation itself has not come down cannot be blamed on the Bank.

However, the economy is as flat as a pancake and the monetary authorities should consider the cost of its tough stance.

With political pressures mounting, the economic upswing cannot be held back much longer and an increasing number of economists have been calling for a cut in interest rates early next year

This would provide the essential stimulus to release the pent-up demand for investment and

set the course for a more sustained upswing over the next few years

■ Food prices in October, as measured by changes in the food component of the Consumer Price Index (CPI), increased by a year-on-year 25,7 percent, its highest level in over a decade.

On a monthly basis, between September and October this year, the increase was a staggering 5,6 percent with large contributions coming from products such as meat (10,6 percent), vegetables (9,1 percent) and fruit (8,5 percent)

The introduction of VAT has hit food products particularly hard since most food items were previously exempt from GST.

Of the overall monthly CPI increase of 1,9 percent, food prices thus contributed one percentage point. Housing costs accounted for 0,3 percent of the monthly rise and medical and transport costs for 0,2 percent each.

The impact of soaring food prices on overall cost increases is also illustrated by the fact that excluding food the inflation rate in October would have registered only 14,6 percent

The CSS also shows the impact on the CPI of the change in the base year for its calculations

The August 1991 inflation figure used a 1990 shopping basket of goods as its base for the first time, with some significant changes in weightings which contributed a lower CPI than would otherwise have been the case.

Food price hikes the main culprit

VAT blamed for rocketing inflation

B/Daly 29/11/91

244 (220)

ANDREW GILL

VAT-fuelled price hikes saw the inflation rate rocket to a 52-month high of 16,8% for October, latest figures show

The CSS said yesterday the consumer price index shot up by 1,9% in one month as food prices continued their runaway rises.

Food inflation was 25,7% in October, its highest in more than a decade, and the main contributor to the latest inflationary blow. From September the food price index climbed 5,6%.

The 16,8% year-on-year rate compares to September's 15,4%.

The implementation of VAT was responsible for 1,2 percentage points of the increase, with other factors causing a 0,2 percentage point rise

If VAT was stripped out of the index, the figure would have been 15,6%, still higher than September's 15,4%.

The Co-ordinating Committee on VAT said it proved government and big business were cashing in while the poor suffered. The capital market saw it as a bullish sign, while economists found it "disappointing to expected"

Bankorp chief economist Nick Barnardt said the figures were disappointing as there had probably been increases in anticipation of VAT before October and there was no evidence of the fall in some retail prices that independent bodies had claimed was occurring.

He hoped positive factors like the stable exchange rate, and lower increases in import prices, money creation, the PPI and salaries and wages would be reflected in a considerable decline in CPI inflation next year. Interest rates and inflation had to be reduced before a meaningful upswing in the economy, he said

Southern Life economist Mike Daly said

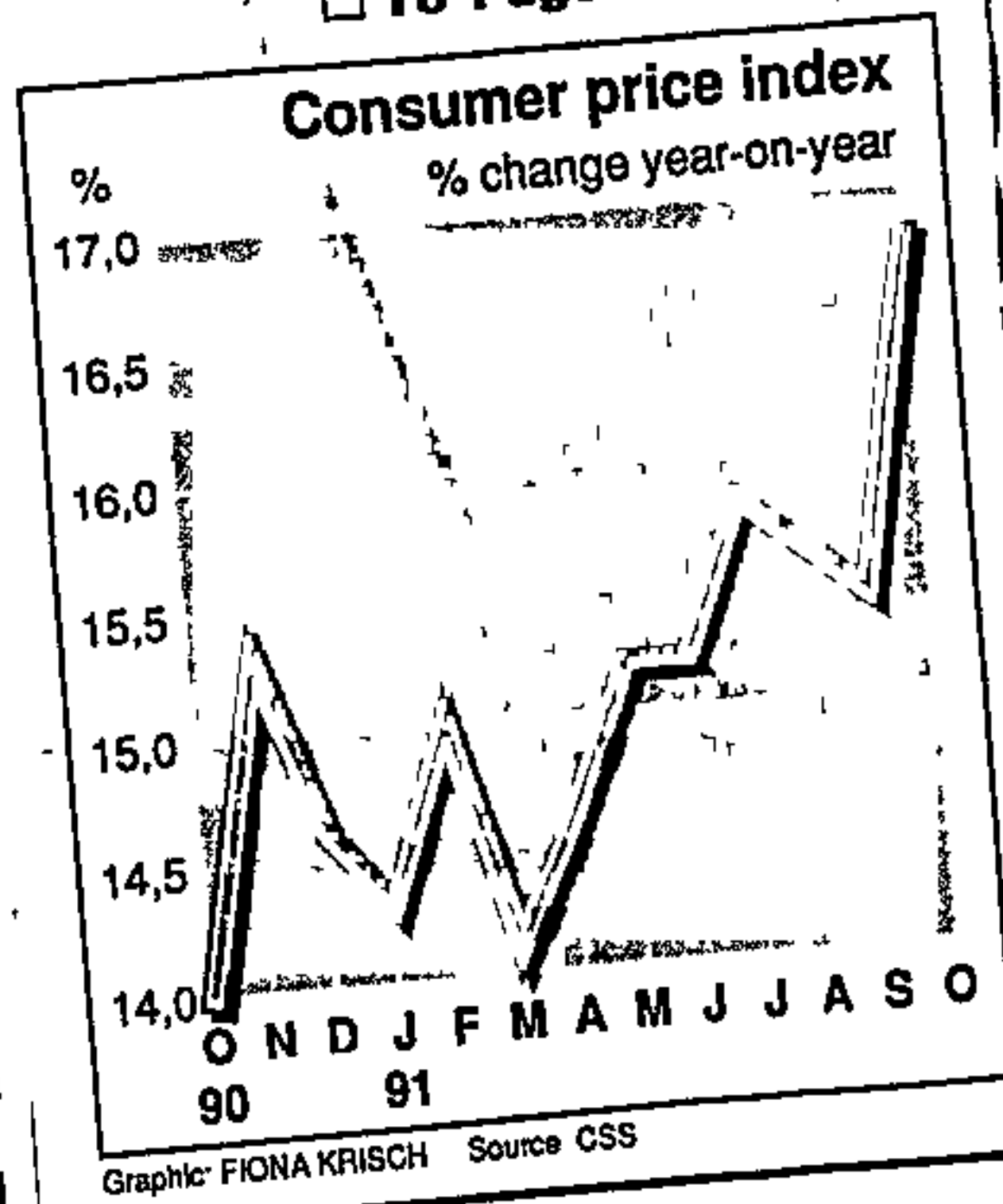
the figures were in line with neutral expectations, and were a technical filip before starting to fall. "We should expect almost 14% by the middle of next year and about 12,5% by year-end," he said

A substantial drop in the rate should start coming through once the effects of VAT had worked through the index in 12 months, Daly said

Other economists had mixed feelings about the rate, but there was optimism that it would not go higher

Capital market rates bolted to lower levels yesterday after the news, with the figure coming in at the lower end of its expectations. The benchmark Eskom 168 strengthened to 16,27% from Wednesday's 16,38%.

□ To Page 2



Inflation

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□ From Page 1

Co-ordinating Committee on VAT chairman Bernie Fanaroff said the figures proved government was incompetent and could not be trusted to run the economy

They showed VAT had contributed substantially to worsening the plight of the poor and the consumer. Food price inflation, in particular, proved that big business had cashed in

"The Vatwatch pledges which were signed by the big chain stores and food manufacturers were not worth the paper

they were typed on" Also, Vatwatch had no teeth and merely served to try to pull the wool over the eyes of the people of SA. Worse was still to come on the inflation front, he warned. Most of the foods that government zero rated would be taxed from March

Of the components of the food price increases, meat prices, fruit and nuts and seafood products were the main culprits, while sugar, coffee, tea and cocoa prices all decreased

VAT causes shock food price surge

By Carina le Grange

Consumer prices surged by almost 2 percent in October — with half of that attributable to the implementation of VAT, according to the Central Statistical Services in Pretoria.

The CSS released the latest consumer figures yesterday.

South Africans were paying almost 17 percent more for goods in October than they were 12 months ago. The inflation rate, which measures these annual increases, stood at 16,8 percent — its highest level in more than four years.

October's inflation rate was 1,4 percentage points higher than September's rate of 15,4 percent.

The CSS also said the annual rate of increase in the Food Price Index of 25,7 percent was the highest for more than a decade. The previous highest increase was in April 1981 when food prices rose 26,7 percent.

The monthly increase in food prices for October over September was a staggering 5,6 percent.

Among the largest rises were in meat (10,6 percent), vegetables 9,1 percent, and fruits and nuts (8 percent).

Food prices were particularly hard hit by the introduction of VAT, since most items had previously been excluded from GST and are now subject to the new 10 percent VAT rate.

The CSS said that, excluding VAT, the October inflation rate would have measured 15,6 per-

cent.

Co-ordinating Committee on VAT chairman Bernie Fanaroff said yesterday the newly released inflation figures proved the Government was incompetent and could not be trusted to run the economy.

Mr Fanaroff said the Government have argued that "VAT will not hurt" but the evidence was against them as the latest figures showed that it has contributed substantially to the plight of the consumer.

"The CSS figures are the tip of the iceberg. We do not believe the worst is over. The effects of the fuel price increase have not yet come through."

Cosatu spokesman Neil Coleman said his organisation demanded that the Government enter into negotiations both on VAT and other aspects of the economy as the Government was guilty of mismanagement.

"This is only the beginning of the initial price spiral due to VAT — how much worse is it going to be further down the road?" Mr Coleman said.

A spokesman for the Minister of Finance, Barend du Plessis, said he could not respond last night to questions on the effect of VAT on the inflation rate.

The Consumer Union's immediate past president Anna Boshoff, who also serves on the tax watch body Vatwatch, said it had been expected that VAT would initially bring about an increase in the inflation rate but said it would hopefully soon level out.

● Inflation takes off
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No single culprit — Vatwatch

Soaring food prices blamed on retailers

B/Dany 3/12/91

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SHARON WOOD
and ANDREW GILL

THE SA Consumer Council yesterday put the blame for soaring food prices squarely on the shoulders of the retail industry.

Council assistant director Ina Wilkins said it was clear food prices rose months before VAT's implementation

A council survey found a 9,4% hike in the prices of essential foodstuffs — meat, milk, cheese and eggs — in the three months before VAT's implementation.

An identical 9,4% increase occurred in October as a direct result of the implementation of the tax, bringing the increase over the full four months to 19,6%. The survey was conducted across a basket of the four food items at three major retail chains

Wilkins said "I am not asking retailers never to increase their prices, but I am appealing them to earn their place in the market with respect and dignity. The consumer has become very price-conscious — by giving him a fair deal the retailer can assume a place in the market"

According to the council, meat prices rose by more than 15% between June and October, with prices for a whole chicken up by 32,8% during the period. This compares with a 10,6% rise in meat prices recorded in the October CPI.

Pick 'n Pay chairman Raymond Ackerman said the blame for the increases in the prices of meat, milk, cheese and eggs before VAT lay firmly with the manufacturers. There had been a huge hike in the supply prices for these goods from July to August because suppliers claimed they were not covering costs, he said.

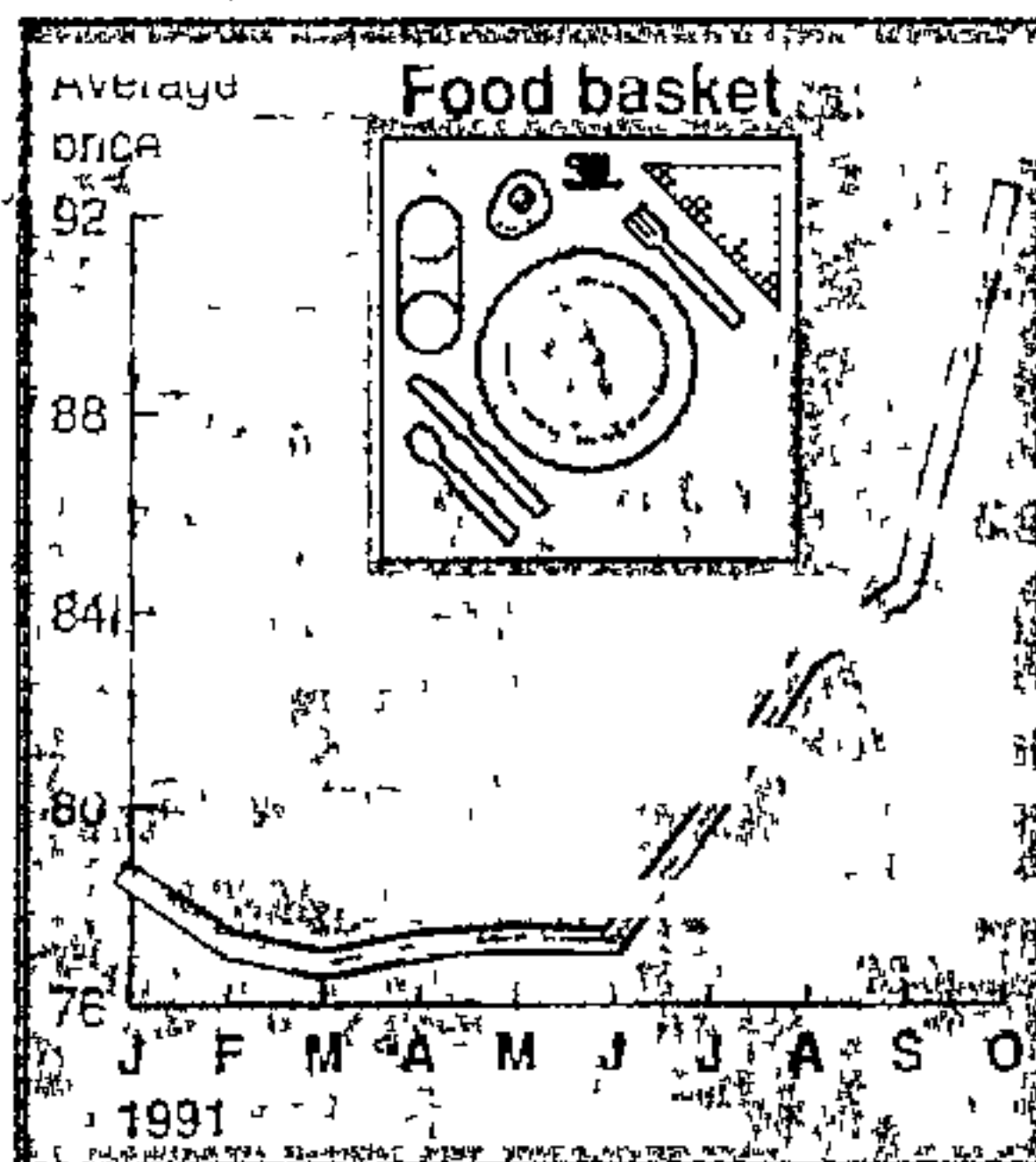
Retail margins were lower than they had been before and Pick 'n Pay had absorbed R5m of price increases before and

after VAT, he said. "Manufacturers are not passing on the VAT savings..."

Meat Board production and research manager Thys Botha said prices had soared when meat supplies had fallen because of late rains. Farmers had kept stock back "Supply is still larger than last year but there is bigger demand and supply has not jumped to meet it. But we expect the situation to stabilise before Christmas"

Vatwatch chairman Prof Louise Tager said it was not fair to pin the blame solely on retailers "We have to look through the whole value chain for the answer. There are many factors out of the control of both manufacturers and retailers, such as con-

To Page 2



Source SA CO-ORDINATING CONSUMER COUNCIL
Graphic FIONA KRISCH

Food prices

control boards and tariffs" Tager agreed it was still too early to see companies passing the benefits of VAT on to the consumer

Analysis shows that the reason behind the VAT-fuelled increase in inflation in October to 16,8% from 15,4% in September was VAT's larger spread over the components of the CPI. This made the three-percentage-point saving represented by VAT's 10% rate against GST's 13% ineffective for consumers.

GST was payable on 45% of the basket of goods surveyed in compiling the CPI and VAT is payable on 80% of the CPI basket.

The 1,9% increase in inflation in October

from the previous month was partly a reflection of this

Economists' calm approach to the latest figure is partly technical. They feel the inflation rate for November will find it difficult to post a further increase. A 26% petrol price hike in October last year was reflected only in November's figure, and it was responsible for a large portion of that month's 2,1% month-on-month increase in the CPI. As a result, November 1991's CPI would be coming off a high base 12 months previously, making a year-on-year gain as high as October's 16,8% almost impossible.

Comment: page 8
See Page 9

High food prices: Chain stores blamed

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R. CT 3/12/91

Own Correspondent

JOHANNESBURG. —
The SA Consumer Council yesterday put the blame for soaring food prices squarely on the shoulders of the retail industry.

Council assistant director Ms Ina Wilkins said it was clear food prices rose months before VAT's implementation.

A council survey found a 9,4% hike in the prices of essential foodstuffs — meat, milk, cheese and eggs — in the three months before VAT's implementation.

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Ms Wilkins said: "I am not asking retailers never to increase their prices, but I am appealing to them to earn their place in the market with respect and dignity. The consumer has become more price-conscious by giving him a fair deal the retailer can assume a place in the market."

According to the council, meat prices rose by more than 15% between June and October, with

To page 3

Apartheid blamed for high prices

JOHANNESBURG. — Old apartheid structures which unnecessarily protected many industries were part of the cause of the spiralling cost of food in South Africa, a leading economic journalist said yesterday.

Speaking on TVI's "Agenda", Finance Week deputy editor Mr Howard Preece said: "Many industries (under the old apartheid system) were unnecessarily protected from the economic point of view or from

a strategic point of view."

Mr Preece said in a changing situation it should be possible to introduce a phased reduction of tariffs to put downward pressure on prices — but he warned that it was not possible to remove tariff protection "tomorrow"

"If there are industries which cannot permanently stand on their own feet, they should not be propped up forever," he said

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Earlier in the programme, Pick'n Pay's Mr Sean Summers also slammed tariff protection, citing the importation of chickens as an example

Mr Summers said if a retailer wished to import chickens for resale at a cost substantially less than a local product, not only would he face a maze of bureaucracy, but authorities would impose a duty to equalise the price between the local and

imported product to satisfy South African producers

The panel, which included spokesmen from the manufacturing sector and organised agriculture, faced questions from leading consumer officials and journalists

At the end of the debate anchorman Adrian Steed urged consumers to express dissatisfaction if "you are ripped off".
— Sapa

Television prices to rise 20% in January

TELEVISION prices are set to rise in January — possibly by more than 20% — when new legislation is introduced by the Board of Trade and Industry, local TV makers say

National Panasonic director Martin Maddox said 20% was a conservative estimate and the increase could be even greater.

However, Tek electronics division MD Richard Ferrer said the market would not stand a major price hike and manufacturers would have to limit the rise by absorbing costs caused by the BTI's proposed modifications to its Phase III programme.

TV manufacturers expect the BTI will reverse its July decision, which allowed the industry to reclaim import tariffs on electronic components if their sets had a minimum of 40% local content.

ROBERT LAING

SA's seven TV makers produce about 400 000 sets a year.

Maddox said: "Many manufacturers achieved the 40% local content level, with the result that government received less revenue from the industry

"The BTI, in the past, has continually changed TV legislation and these changes have made it extremely difficult for manufacturers to plan ahead

"We would like to see a new and reasonable formula being instituted — and one that remains valid for years," said Maddox.

Philips marketing manager Fred Pearce said: "There will be an increase, but projections at the moment are pure speculation, because the new legislation has not been

gazetted

"The rise may be as high as 20% on large colour sets, and about 10% on small black-and-white sets."

Most TV makers dropped their prices by about 15% in July after the BTI's Phase III programme was gazetted, and battled to gain the concessions promised. In September, the BTI agreed to rebate duties on imported components retrospectively to July after an outcry from manufacturers.

BTI chief executive Ruel Heyns said the new programme was being investigated, using inputs from the industry, and would probably become effective from January.

He said the TV industry's Phase III programme was being modified because certain manufacturers objected to the changes

TV prices set to rocket

Consumer Reporter

STAR 4/1/91

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The cost of television sets could soar by as much as 20 percent next year if the Board of Trade and Industry (BTI) goes ahead with proposed stringent new legislation, a leading manufacturer warned yesterday

National Panasonic said in a statement the 20 percent rise was a conservative estimate and, in fact, price increases could be even greater

"In effect, this means that a television set which now costs R1 799 will cost as much as R2 149 in 1992," the statement

said

The massive price rise was attributed to new legislation due to be introduced by the BTI early next year

At present, said National Panasonic, manufacturers were not required to pay ad valorem excise duty if local content was more than 40 percent.

National Panasonic marketing director Martin Maddox said continual BTI changes in television legislation had, in the past, made it extremely difficult for manufacturers to plan ahead. He called for a reasonable formula to be instituted.

Chicken price hikes stay below inflation

RETAIL chicken prices climbed after mid-year but increases were still well below consumer price inflation, Rainbow Chicken sales director Bill Brown said yesterday.

An SA Co-ordinating Consumer Council survey of three major retail chains showed chicken prices rose 32,8% between June and October

Pick 'n Pay national perishable buyer Ian Edy said suppliers' chicken prices had almost doubled this year. Pick 'n Pay was paying R6,37 for a whole chicken compared with about R3,80 in March

SHARON WOOD

At the producer level chicken prices climbed by a year-on-year 12,9% excluding VAT in October, said Brown. This followed year-on-year increases of 7% in July, 11% in August and 14% in September.

Feed costs, which made up 85% of production costs, rose in excess of Rainbow's price rises this year

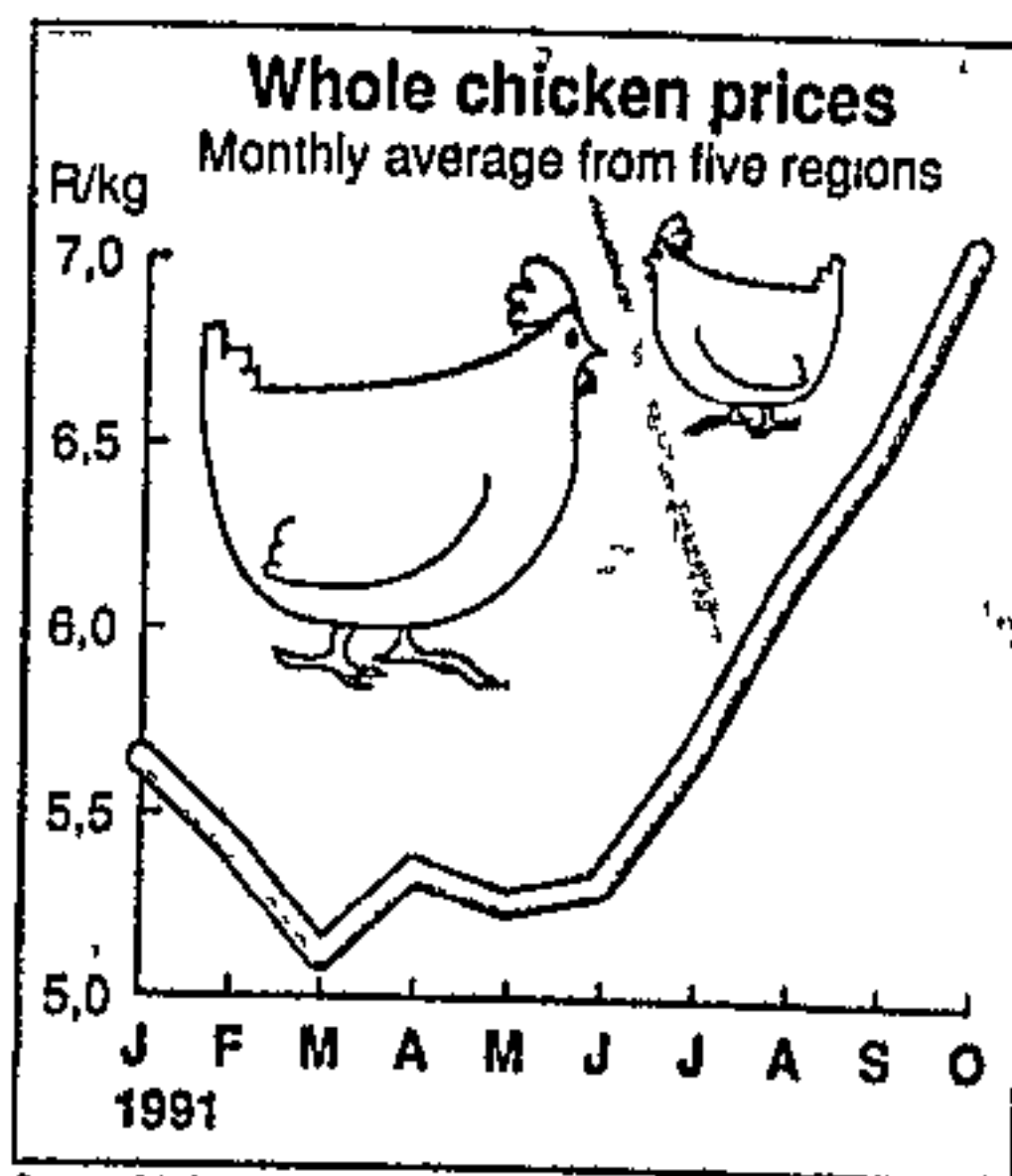
Chicken prices declined in the first few months of the year because there had been a large stock build-up prior to winter.

A Festive Farms spokesman said its chicken prices had risen at about the same rate as Rainbow's

Chicken producer prices were subject to cyclical conditions and were solely determined by supply and demand conditions, Brown said. Demand exceeded supply in the winter months, thus pushing up prices, and as summer approached supply began to equal demand.

GERALD REILLY reports from Pretoria that SA Agricultural Union economist Koos du Toit said yesterday farmers could not be blamed for soaring consumer prices

He said the culprits had to be found elsewhere in the food chain



Source: SA CO-ORDINATING CONSUMER COUNCIL
Graphic: FIONA KRISCH

CPI

Costing it out

One way to gauge the effect of VAT on consumer prices is to compare October's 1.9% monthly increase with the 0.9% which would have taken place if both 10% VAT, introduced that month, and 13% GST, levied in September, are eliminated. The one-percentage-point difference is double a conservative estimate by Sanlam economist Pieter Calitz that VAT would add 0.5% to the rate of inflation. But it is below gloomier forecasts of 1.5% or more.

Calitz suggests two reasons for the difference between his forecast and the actual outcome in October.

□ The VAT base is broader than he had originally thought. He had put it at about 70%-75% of the consumer basket, compared with 52% caught by GST. "It seems it must be about 77%," he says, and

□ The change in weighting of the basket from a 1985 to a 1990 base.

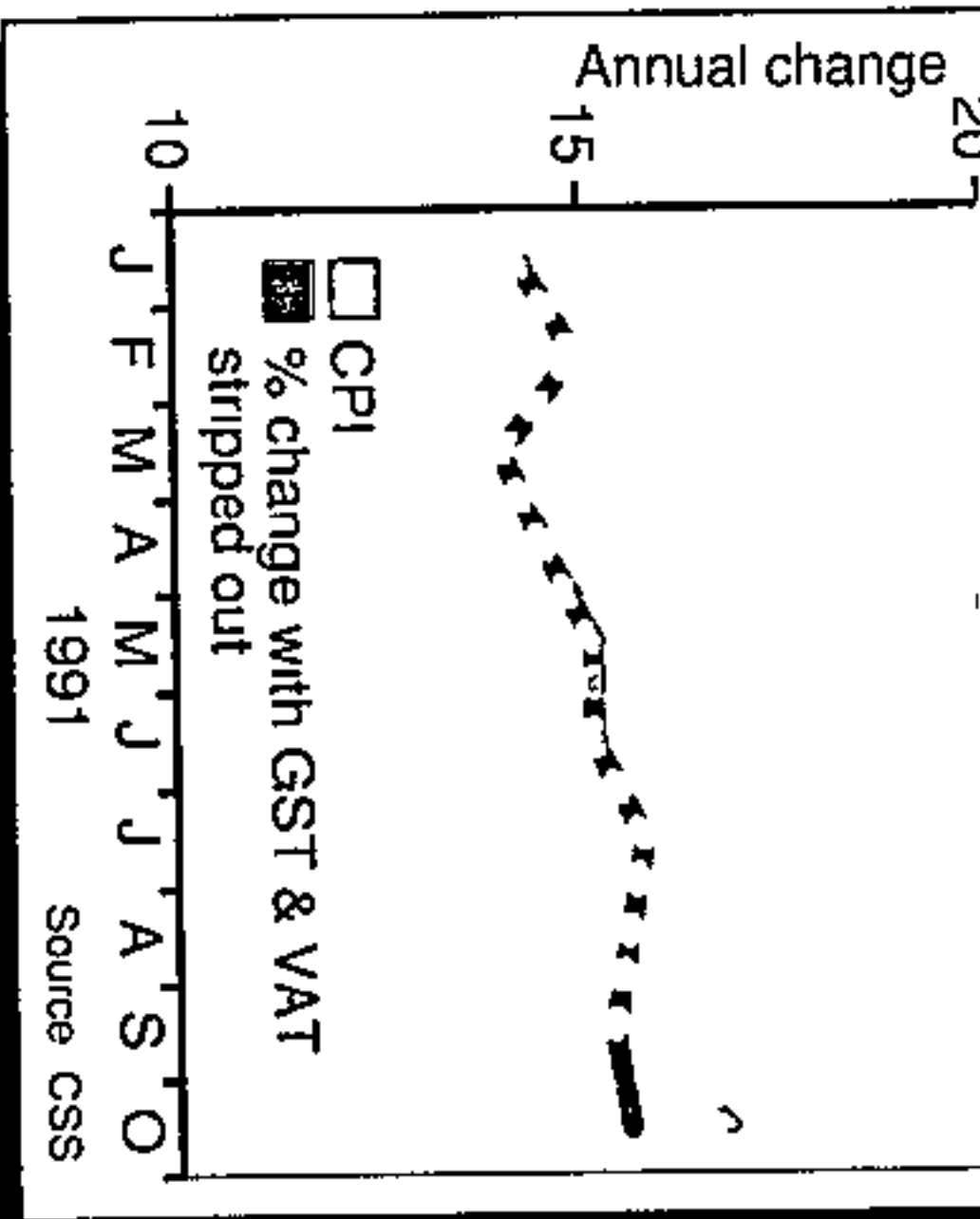
Increases in CPI will continue to confuse for some time. Over 12 months, the rate rose 16.8%, if the two sales taxes are stripped out, the rate is 15.6%, and if the October 1990 figure is recalculated to bring it into line with the 1990 weightings (introduced this August) inflation is 15.3%.

All the figures are disturbingly high but, fortunately, are not an indication that worse

FM 6/12/91 (244)

Down to basics

Consumer price index



is to come. There are some positive factors in the pipeline.

Producer price inflation is lower — 11.5% in April, 11.1% May, 11.2% June, 12.1% July, 11.7% August, and 11.4% September — a trend which is bound to show up in consumer prices when the sound and fury surrounding the VAT start-up subsides.

Also important is that wage increases are slowing. Rand Merchant Bank economist Rudolf Gouws predicts that figures due this week will show a markedly slower increase in per capita remuneration. This view is supported by research by industrial relations consultant Andrew Levy & Associates. Director Pat Stone reports that increases between June and October averaged only

15.3% — which is lower than the increases of over 16% negotiated earlier in the year.

The latest figure does not include the mining sector, where profit and productivity linked settlements were reached. With basic increases of only 5% and bonus awards of possibly 5%, the sector's remuneration figures are likely to reduce the total increase by one percentage point or more, says Stone.

Official inflation this year has been a victim of its own bad publicity. Inflationary expectations have been out of line with the trend of PPI figures since fuel increases after the invasion of Kuwait, in August 1990, restarted the spiral. Expectations were then sustained by incorrect producer price figures (revised substantially downwards only in June) and by expectations about the effect of VAT.

Some relief will come as the recent reweighting of the CPI basket of goods and services works its way through, the reduction of the weighting of food inflation will be statistically beneficial.

Meanwhile a crucial issue is why food prices rose 5.6% in October and 25.7% in the 12 months to October. Application of VAT to a wide range of foodstuffs previously exempt from sales tax is not seen by economists as enough of a reason. No doubt businesses took the opportunity created by VAT's introduction — and adverse publicity about its probable effect — to introduce additional rises.



THE WEEK AHEAD by Simon Willson

Closing in on an elusive figure

B(Day) 9/12/91
COUNTDOWN to SA's first single-digit producer price inflation rate for eight years should pass its last critical point this week when the October PPI is published. Although the headline rate of PPI inflation in the 12 months to October is likely to show only a modest easing from September's 11.4%, underlying trends are set to show more appreciable declines in the pipeline.

One component of the PPI that should make it into single figures in the October data is the year-on-year rate of imported inflation, which declined to 10.1% in September. The weaker dollar and continued strong effective rand policy of the Reserve Bank in the current quarter of the year should ensure the additional 0.2 percentage point dip that the imported inflation figure needs to break the psychologically significant single-digit barrier.

Of more than passing interest will be the gap between CPI and PPI inflation for October that will be established by this week's PPI data.

Headline consumer price inflation, we already know, hit a VAT-propelled four-year high of 16.8% for the month. If this week's PPI figure discloses headline producer price inflation at about 11%, the six-point gap will also be a historic peak. It will underline yet again the recent flurry of claims that there are some peculiar rigidities in the distribution chain prevent-

ing a sympathetic drop in CPI inflation.

On the international front, levels of US industrial production and capacity utilisation for November are scheduled for release on Friday. However, neither is likely to break out of the moribund ranges for each variable that have been established during the past few months.

The only favourable spin-off from the slowdown in the US real economy is the simultaneous cooling in the financial economy. Friday should also bring more evidence of this trend in the form of annual inflation still below 3% in November.

The long-awaited face-off between the UK and German inflation rates reaches a climax on Friday, when the UK's November retail price index is published. German inflation is running at 4.1% on the latest (November) data. The UK's rate was 3.7% in October but is expected to bump up in November for largely technical reasons. If the UK's November rate comes in at less than Germany's, it will be the first time since 1963 that British inflation has been the lower of the two.

The much-heralded EC summit on political and monetary union gets under way this morning at Maastricht in the Netherlands, and runs through until tomorrow night. The sensitive discussions about a single European currency and a European central bank, and the UK's lukewarm attitude to both, might provide some volatility in sterling's levels in the European Monetary System.

THE MONEY MARKET

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3 000 charges of fraud involving contravention of exchange control regulations, GST evasion and unlawful importation of films on which copyright existed

He said the film titles had absolutely no bearing on the actual film
"There were no complete films Each reel contained scraps of film trailers,

from these films as there was not one completely full-length feature," he said
The trial continues before Mr Justice Diccott

Call for 'findings' in food price investigation

BLOEMFONTEIN — A call for the Board of Trade and Industries to conduct the investigation into the increase in food prices objectively, so that actual findings could be reached, has been made by Free State Agricultural Union president Piet Gous *31 Dec 11/12/91*.

Gous said the impression was often wrongly created that it was the farmer, as primary producer of agricultural products which form part of the "food basket", who

was responsible for food price increases
Such an inference, said Gous, was far from the truth *(244)*

Farmers found it difficult to recover their input costs, while the consumer had to "pay through the neck" for food

Against this background the Free State Agricultural Union would welcome a speedy conclusion of the investigation, with clear findings and recommendations to put matters into perspective — Sapa

ADAM

Farmers urge probe 244 into food price rises

BLOEMFONTEIN. — The Trade and Industries Board has been urged to conduct an objective investigation of the increase in food prices

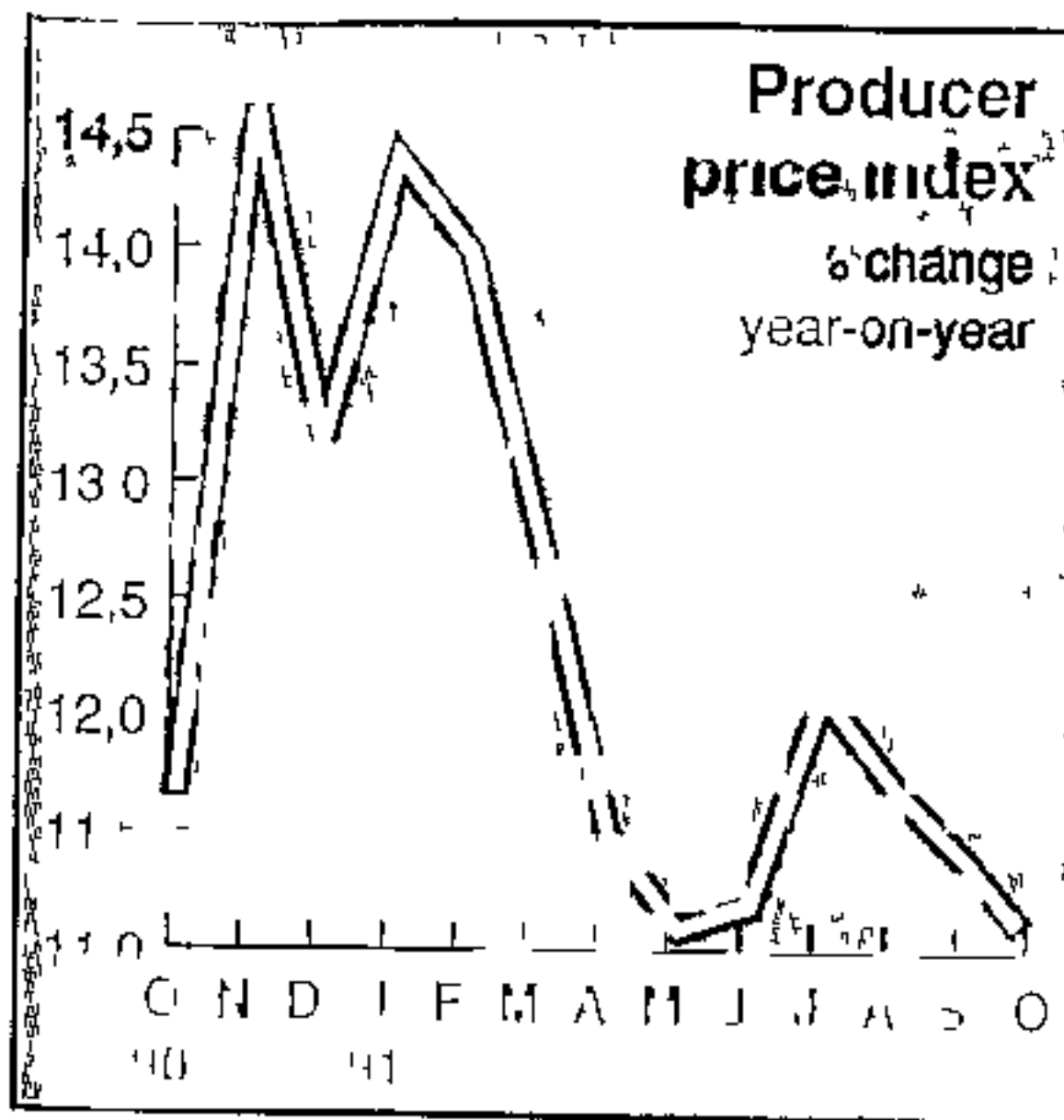
Dr Piet Gous, president of the Free State Agricultural Union, said that the impression was often wrongly created that it was the farmer, as primary producer of agricultural products which form part of the "food basket", who was responsible for food price increases

He said such an inference was far from the truth
Farmers were experiencing

serious financial problems and found it difficult to recover their input costs, while the consumer had to "pay through the neck" for food. 11/12/91

"The time is past to pour balm and to try and comfort everyone. The time has come for the "sore" in food marketing to be clearly and unequivocally exposed", said Dr Gous

Against this background the OFSAU would welcome a speedy conclusion of the investigation, with clear findings and recommendations to put matters into perspective. — Sapa



Graphic LEE EMERTON Source CSS

Drop in imported inflation aids PPI

B/Ocay
13/12/91 **SIMON WILLSON** (244)

PRODUCER price inflation, excluding VAT, slowed for the third successive month to 11,1% in the year to October, braked mainly by another decline in the rate of imported inflation.

The tax-exclusive figures published yesterday by Central Statistical Service (CSS) showed an acceleration in the rate of domestic inflation at producer level in October, to 12,5% from September's 11,7%. This was offset, however, by a steep decline in imported inflation, to 4,9% in October from 10,1% in September.

CSS has stripped the October PPI data of the effects of any consumption tax. The month's index figure is therefore exclusive of VAT — unlike the inflation data in the consumer price index, which are published both inclusive and exclusive of VAT.

Because the October 1991 index figure is tax-exclusive and the October 1990 figure used as the base for the 12-month inflation rate is not, there remains a slight distortion to the year-on-year PPI data. If the October 1990 index number is adjusted, as the October 1991 figure has been in respect of VAT, to strip out the effect of GST, October 1991's year-on-year PPI inflation rate becomes 12,6%. No tax-inclusive PPI inflation rate is to be published.

The month-on-month increase in the index for locally produced commodities in October dipped to 1% from 1,4% in September, indicating that technical factors were partly responsible for the uptick in the domestic year-on-year rate.

The imported PPI component would have shown an even lower annual increase.

□ To Page 2

PPI

B/Ocay
13/12/91

(244)

□ From Page 1

were it not for a bulge in October's month-on-month imports rate to 2,7% from -0,3%. The bulge was attributed by CSS to a jump in prices among "other mining and quarrying products", the classification which covers crude oil imports.

Nedbank chief economist Edward Osborn cautioned against any inference that lower consumer price inflation would yet follow the current slowdown in PPI inflation. "High international oil prices associated with the Gulf conflict a year ago are a fundamental factor colouring the whole PPI at the moment, so the immediate implications for a lower rate of consumer price inflation tend to fall away."

Osborn also expressed concern about a fresh surge in the high annual rate of infla-

tion in producer food prices — to 20,4% in October against September's 16,4%.

Given firm sources of domestic inflation such as food prices, he doubted whether further offsetting falls in the imported inflation rate could deliver a single-digit figure for PPI inflation in the November or December outturns.

Osborn supported CSS's decision to exclude VAT's effects from the PPI indices. "It is absolutely the right thing to do, on the grounds that an indirect tax such as VAT only affects the price to the final consumer, while the PPI measures prices at the factory gate before products enter the distribution chain. Where VAT influences prices at producer level, it is deductible subsequently in the distribution chain."

13/12/91

the deck chairs?

kei, and financial supervision was transferred to State Expenditure soon after

Finance Minister Barend du Plessis remains responsible for broad policy relating to the Budget and sets expenditure limits in consultation with the Cabinet

The separation of functions was decided on, Du Plessis told the *FM* in April, because other responsibilities prevented him from devoting enough time to expenditure control

"This runs concurrently with compiling the following Budget and requires full-time attention" He said that rather than delegate this function to a deputy Minister as in the past, it was considered advisable that it was under the direct control of a full minister

Let us hope this turns out to be the case

Despite a sharp decline in consumption expenditure by government in the third quarter (see below), real outlays were still 9% higher in the first half of fiscal 1991-1992 than in the previous year, according to the latest Reserve Bank *Quarterly Bulletin*. This pushed the ratio of government consumption to GDP to 19,5% in the first nine months of the calendar year, from 17,3% in 1985. So government can't afford any deterioration

It is difficult to see why the new arrangement should work better. It would seem that further fragmentation of control over financial affairs (see **Leaders**) would make it harder for all concerned

ECONOMIC OUTLOOK ^{FM} 13/12/91

Finger of blame ⁽²⁴⁴⁾

Official inflation figures — the rate at which consumer prices rise over 12 months — has kept monetary policy tight, though most other indicators signal that a relaxation is appropriate. While producer prices have been rising much more slowly and real labour costs first decelerated and later declined, consumer prices soared — well ahead of the introduction of VAT.

The Reserve Bank *Quarterly Bulletin* shows

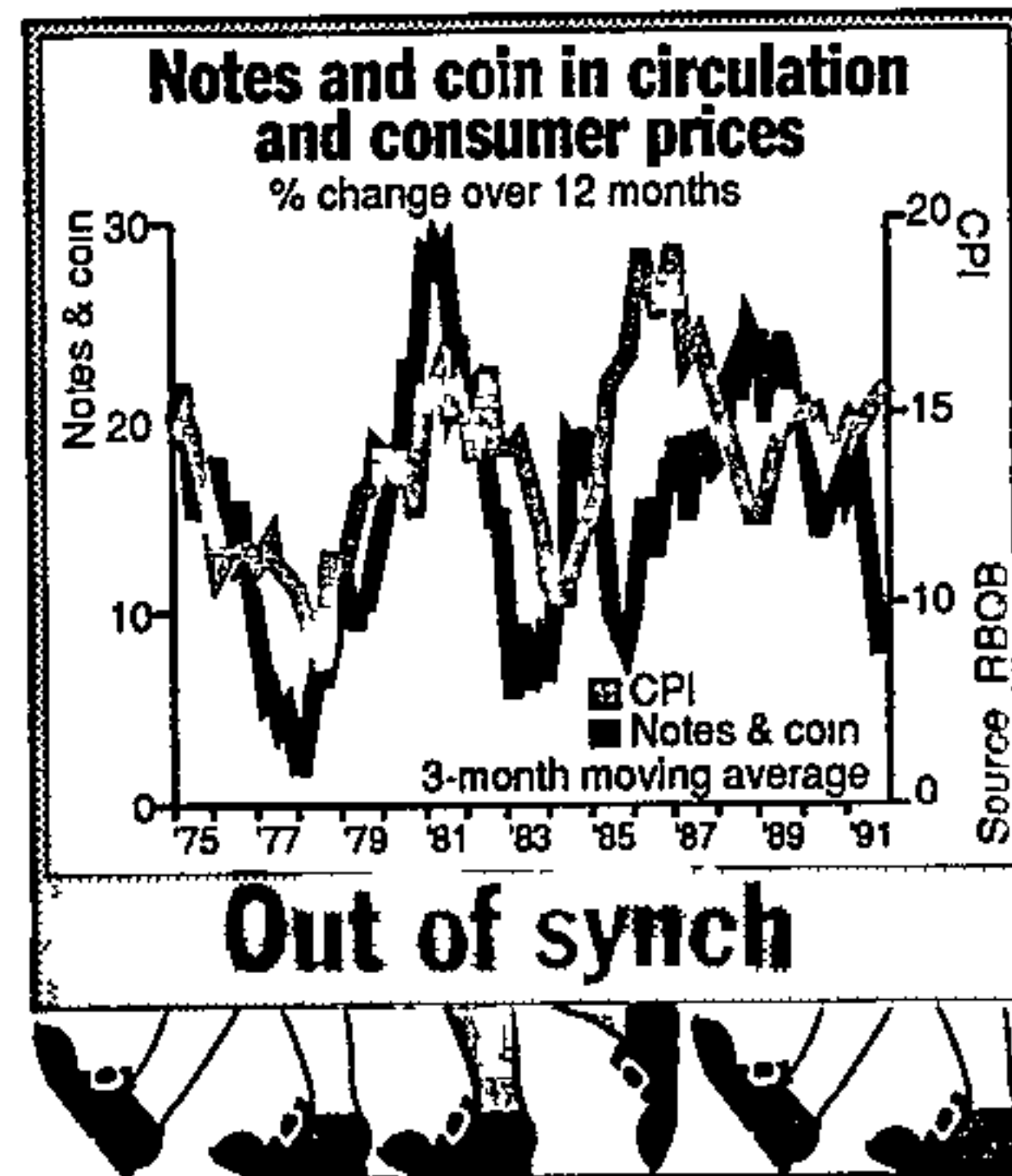
□ The quarter-to-quarter rate of increase in production prices (seasonally adjusted and annualised) fell from a peak of 20,8% in the fourth quarter of 1990 to 1,7% in the second — a 21-year low. The year-on-year rate has declined from 14,6% in November 1990 to 11,4% in September, and

□ The year-on-year rate of increase in (non-agricultural) real unit labour costs fell from 2,9% in the second quarter of 1990 to 0,8% in the fourth and 1,7% in the first quarter of 1991, before declining by 2,1% in the second quarter — the latest available figure. The

FM 13/12/91

real wage per non-agricultural worker fell 1,3% in the second quarter, compared with the corresponding quarter of 1990

At the same time, demand for credit was rising more slowly. The annual increase in HP credit and leasing finance fell from



17,4% in December to 11,5% in September, and

□ The balance outstanding on credit cards dropped from 19,1% in December 1990 to 15,2% in September

From February (when new regulations led to a technical increase in credit creation and money supply data) to October, annualised growth in

□ Credit extended to the private sector was 14,4%, and

□ The broad money aggregate M3 was 7,9%

Growth in notes and coins in circulation slowed from about 17% in the first three months of 1991 to about 7,8% in the three months to September

These developments can be seen in declining expenditure in the third quarter (The following are all seasonally adjusted annualised quarterly changes)

□ Private consumption expenditure fell 1,9% (from -1% in the second quarter and +0,3% in the first),

□ Government consumption expenditure plummeted by 24,1% (+3,6%, +18,6%), and

□ Gross domestic fixed investment fell 11,5% (-5%, -4,7%)

With inventories still falling, these changes led to a 6,4% shrinkage in gross domestic expenditure (-3,1%, +17,6%)

Lower spending brought a 15,6% dip in import volumes in the third quarter (after rising 32,3% and 45,5% in the previous two quarters). An 8,3% increase in import prices cut the decline in value to 8,7% (These are

STATE OF THE ECONOMY

The price we pay ⁽²⁴⁴⁾ FM 13/12/91

It's depressing that all the ducks but one — the persistently high rate of consumer price inflation — are now in a row for a relaxation of monetary policy. Even at producer price level — which, remarkably, could soon be in single digits — there is no real problem, thanks in part to the firmness of the rand.

The refusal of consumer price inflation to follow producer price inflation down, in line with the historic norm, is epitomised by the continued alarming rate of retail food price inflation, despite much lower increases in farm output prices. Somewhere, major rigidities in the system prevent the benefits of decelerating production costs from being passed on.

As no-one knows the reasons for these rigidities, let alone exactly what they are, there's no panacea. Producers — especially farmers — like to blame monopolistic profiteering further down the distribution chain. Disclosed profit margins are admittedly no foolproof guide to the existence (or non-existence) of monopoly conditions, but for what they're worth lend no support to charges of profiteering.

And, illogically, those loudest to proclaim food monopolies usually see the solution, not in greater freedom, but in giving the monstrous agricultural control boards even more power to distort the workings of the market.

Clearly, abolishing the control boards overnight would

immediately save consumers (and the economy) hundreds of millions, if not billions, of rands a year. But the gap between producer price and consumer price inflation is found even in many sectors which have no control boards, so that can't be the only answer.

True, we have a high degree of concentration in many sectors. But can anyone seriously argue that (say) Checkers, Woolworths and Pick 'n Pay would compete any more vigorously if they also had to take on (say) Tesco and Safeway?

In any event, how many players do you need?

Of course, we also have a bloated and largely useless (if not downright harmful) bureaucracy. But fiscal discipline, though looser than its monetary counterpart, has never got totally out of hand and even then, there's no obvious reason why the impact of the kleptocracy should be so much heavier at one production/distribution stage than another.

Sadly, deregulation and privatisation have been pushed aside during the political negotiation process and what economic debate there is centres on unproductive posturing about nationalisation and redistribution rather than these vital, basic issues.

But, ultimately, it'll be bread and butter issues, not rhetoric, that will bring prosperity — or otherwise. ■

Gap between retail and

producer prices widens

By Sven Lunsche



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STAR 13/12/91.

Prices at the retail level are increasing at a far faster pace than at the producer end of the food chain.

This is confirmed by the latest Producer Price Index and will be food for thought for the Government's recently appointed committee headed by Dr Japie Jacobs, special adviser to the Finance Department, which is looking into the gross distortions in food prices between the producer and the retailer.

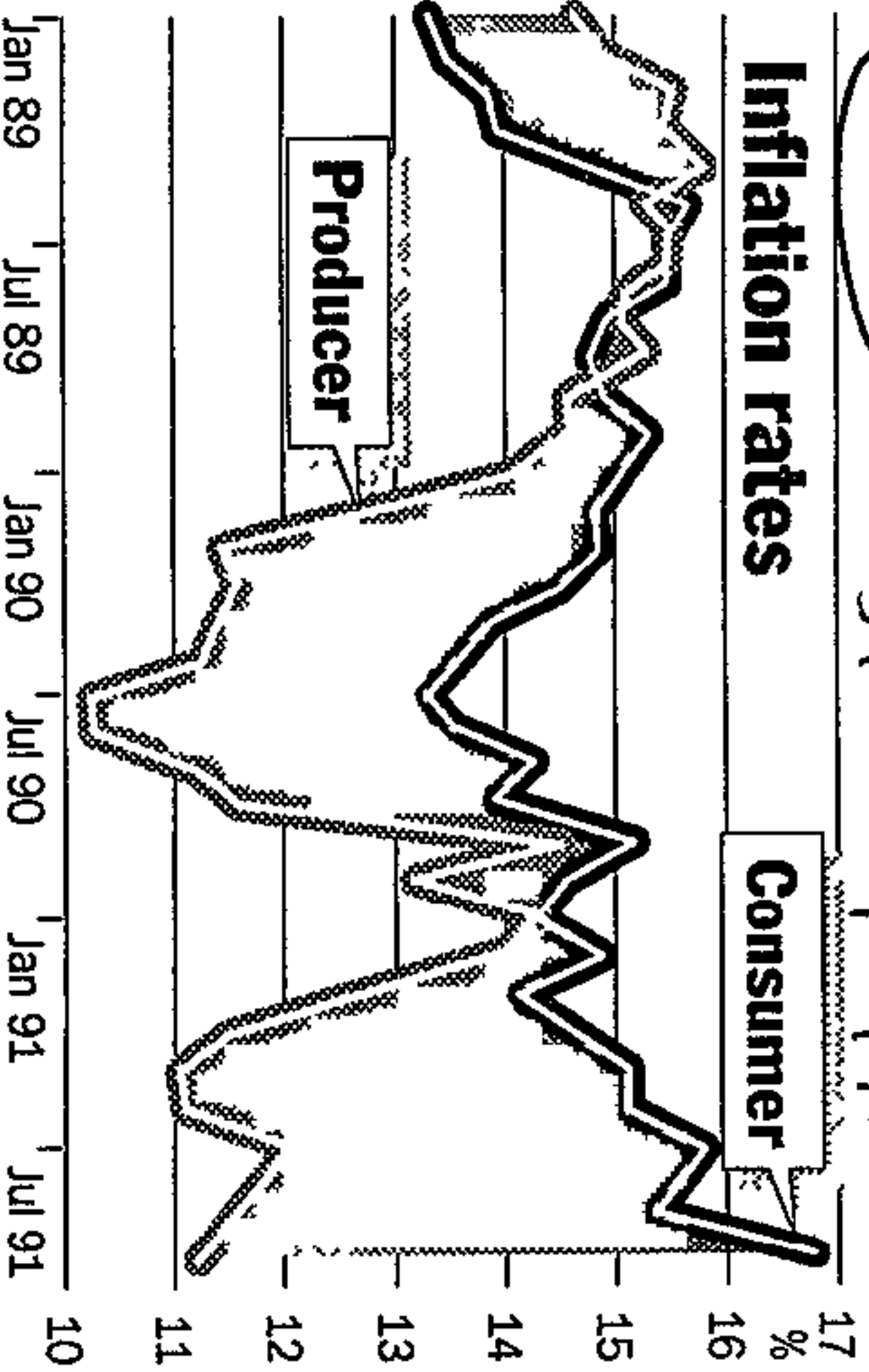
Food prices accelerate rapidly as they move from the agricultural to the manufacturing and retailing stages.

In figures released yesterday by the Central Statistical Service (CSS) the agricultural component of the PPI showed an annual rise of 12 percent, while on the manufacturing level prices increased by 14,9 percent.

Over the same period the food component of the consumer price index (CPI) surged by 25,7 percent.

This is making the government's task of reducing inflation even more difficult.

Inflation rates



Dr Azar Jammine of Economic points out "The huge gap between a year-on-year food CPI inflation rate of 26 percent, on the one hand, and a food PPI inflation rate for both manufacturers and farmers of 12 to 15 percent, on the other, is ensuring that the overall CPI inflation rate is more than five percent higher than the producer price inflation rate."

According to the CSS, the overall PPI rose by a year-on-year 11,1 percent in October, compared with 11,4 percent in September.

Consumer price inflation in October at 16,8 percent stood at its highest level in almost five years (see graph).

The differential is even more apparent when viewed against previous trends showing that the consumer inflation rate inevitably trailed price trends at the producer level by a few months.

Dr Jammine says that the food-pricing enigma "is making it more difficult to beat inflation" and calls on the Government to "do a decent and

prompt job in its investigation"

Despite the current discrepancies between producer and consumer price hikes, economists are optimistic that the official inflation figures will show a slight decline next year.

Mike Daly, economist with Southern Life, says inflation could fall to 12 percent by the end of 1992, averaging about 14 percent for the year.

This is echoed by Sanlam's Johan Louw who forecasts an average rate of 14 percent for next year.

On a monthly basis, the PPI increased by 0,9 percent from September to October, indicating that producer price rises could slow further in months to come.

Large monthly increases were shown by fresh meat (3,4 percent), beverages (5,7 percent), tobacco products (6,6 percent) and furniture (7,8 percent).

The imported component of the PPI showed a low annual rise of 4,9 percent, benefiting from the more stable rand exchange rate, while the PPI for locally produced commodities was up by 12,5 percent.

On a monthly basis, the increases were 2,7 and one percent respectively.

Leap in dried fruit price predicted for new year

(244) LINDA ENSOR ~~SA~~

CAPE TOWN — The price of dried fruit, which was facing stiff competition, could increase by between 14,5% and 25% next year, SA Dried Fruit Co-operative (SAD) marketing GM Philip Botha said at the weekend. *Blom 17/12/91*

There had been a dire shortage of tree fruits such as peaches, pears, apricots and apples available for drying because of the high prices being offered by fresh fruit buyers, canners and juice manufacturers.

Botha anticipated the prices of these dried products would increase by between 20% and 25% from March next year. In 1991 prices increased by about 22%.

Usually about 1 500 tons each of dried peaches and pears were consumed locally each year but this year only 500 and 400 tons were available respectively.

Prices of dried vine products such as raisins would rise by about 14,5% to 15%, Botha said. To compete with other purchasers of fruit, the price paid by SAD to farmers would increase by between 30% and 40%.

The shortage of fruit for drying meant no dried fruit from trees was exported this year, as priority was given to the local market. Exports of dried vine products remained static.

Botha foresaw shortages lasting for about four years until new land under cultivation came into production.

He said despite the shortages a 4% real growth in dried fruit tonnages was achieved in the financial year to end-November. Tonnages of raisins and other vine products grew by 5,1% while those of tree dried fruits fell by 2%.

Botha said the industry's figures for the year had not been finalised but he expected a turnover increase of about 6% to R250m (R236m), 40% of which was derived from exports of dried vine products.

Shock finding on zero-rated foods



ARG 20/12/91

The Argus Correspondent

JOHANNESBURG. — As the year-on-year food inflation surged to its highest level in a decade in November, a Vatwatch survey released yesterday found zero-rated foods now cost more than ever before.

News of the continuing spiral in food prices prompted calls for urgent "firm and constructive" action to be taken as soon as possible.

The monthly Consumer Price Index (CPI) figures released by the Central Statistical Service (CSS) showed that between November 1990 and November this year food prices soared by 26,9 percent to its highest level since March 1981.

According to CSS, the exceptionally large year-on-year increase of 26,9 was due largely to a 38,1 percent increase in the price of meat, 43,4 percent increase in fruit and nuts and a 33,9 percent increase in vegetables.

But the overall inflation rate, which measures annual increases in all consumer

goods, was 15,5 percent in November compared with 16,8 percent in October.

According to Vatwatch, consumers now are paying 14,5 percent more for seven zero-rated foodstuffs since July. The items monitored were canned sardines, maize meal, milk powder, samp, rice, brown bread and fresh milk.

Vatwatch said "Of these, milk powder rose by 35 percent and brown bread by 15 percent, fresh milk, rice and maize meal now are costing less than five months ago."

The rate of increase in the prices of goods and services appeared to be slowing down — from 2,6 percent in August to 2,1 percent in November — after the introduction of VAT on September 30.

The Vatwatch study showed meat was a major contributor to higher food costs. In the five-month period the country-wide price increases of minced meat, boerewors and stewing meat averaged between four and six percent.

"The price increase of the

total meat basket from July to November was highest in Durban (29,5 percent) and lowest in Pretoria (17,8 percent).

The Housewives' League's Mrs Lyn Morris said "Food inflation at 26,9 percent is unacceptable. I find it frightening. It is at the stage where we need to move quickly as we have a problem."

"With these figures at hand it is obvious the Department of Trade and Industry must release constructive and firm findings very quickly."

"We can't have food prices going up at this rate every month otherwise people just won't be able to eat. Food inflation is at a runaway state."

The continuing rise in the already high food price index was cause for serious concern, Consumer Council spokesman Mr Daan Kruger said.

"The drop in the inflation rate for November of 1,3 percent is good news for consumers, but the continuing high food price index is cause for serious concern," said Mr Kruger.

JSE close

JOHANNESBURG

An absence of any fresh price-moving factors left the stock market in limbo yesterday, dealers said.

World gold prices continued to move sideways in slack year-end trading, they said, and noted that the financial rand had settled down for the time being after the wild and confusing gyrations seen recently.

The JSE All-Gold Index closed at 1 175 (1 186), but the Industrial Index gained marginally to close at 4 142 (4 133).

The Overall Index finished the day a modest 0,3% easier at 3 438 (3 446).

Gold share Vaal Reef ended R2 lower at R198 and Freegold 25c easier at R27,25.

Diamonds had De Beers down 65c at R88,85 and Impala platinum fell R2,50 to R42,50. Industrial leader Barlows lost 75c at R49,25 but Rembrandt group gained 75c at R26.

Oil prices rose as bad weather shut down North Sea tanker loading operations at Sullom Voe in Scotland's Shetland Islands.

Britain's Brent Blend crude was up 14c at \$18,16 a barrel for February loading.

CPI slips back on technical help

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CT 20/12/91

DESPITE another acceleration in the rise in food prices, the overall rate of consumer price inflation slowed to 15,5% in the year to November from the four-year peak of 16,8% recorded in October.

Figures issued yesterday by the CSS show that annual food price inflation, already 25,7% in October, surged to a new 10-year high of 26,9% in the 12 months to November. The data show that food prices rose 3,1% in November alone.

If the effects of VAT are stripped out of the CSS's consumer price index (CPI), the November inflation rate comes out at 14,3% against a VAT-exclusive rate in October of 15,6%.

Part of the explanation for the 1,3 percentage point drop in the inflation rate is technical, in that 12 months ago the CPI was lifted by the 26% increase in the petrol price in October 1990. The petrol price rise, attributable to rising crude oil prices as the Western Kuwait pointed unavoidably to

war, boosted the CPI of November 1990 and gave the calculation of annual inflation to November 1991 a relatively high base.

Besides the VAT-inclusive and VAT-exclusive inflation rates, the CSS figures also yield an inflation rate based on matched "baskets" of consumer goods. Since August this year the CPI basket has been adjusted to 1990 weights from its previous 1985 weighting.

The 15,5% overall inflation rate for November, therefore, arises from the difference in the November 1991 basket at 1990 weights and the November 1990 basket at 1985 weights. Since this is, technically, a distortion, the CSS recalculates the November 1990 basket at 1990 weights and emerges with an equal-weight inflation rate for November 1991 of 14,3% also. Inflation at 1990 weights was 15,3% in October.

Food price inflation is running at its highest level since the 29,5% recorded in March 1981, the figures show. Fruit and nut prices are rising at an annual rate of

43,4%, closely followed by meat up by 38,1% on a year ago, and vegetables, 33,9% more expensive than in November 1990.

Absa senior economist Pierre Morgenrood noted that the overall inflation rate had been held back significantly by the contribution of housing costs. Price increases in the SA's 12 major urban areas had averaged 17,5%, excluding housing.

"Housing costs rose by only 6% year on year in November, so total inflation was drastically pulled down by the large weighting of housing costs in the CPI basket," Morgenrood said.

He added that stable mortgage interest costs — albeit at high levels — and little change in average rents over the November 1990-November 1991 period were the main contributors to the restraint in housing inflation.

Morgenrood was perplexed by figures in the CPI data, which showed a 1,5% fall in vehicle running costs in the year to November, after a 14,6% annual increase in running costs the previous month — Business Staff

Consumer price inflation slows

B/D Day 20/12/91
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 SIMON WILLSON

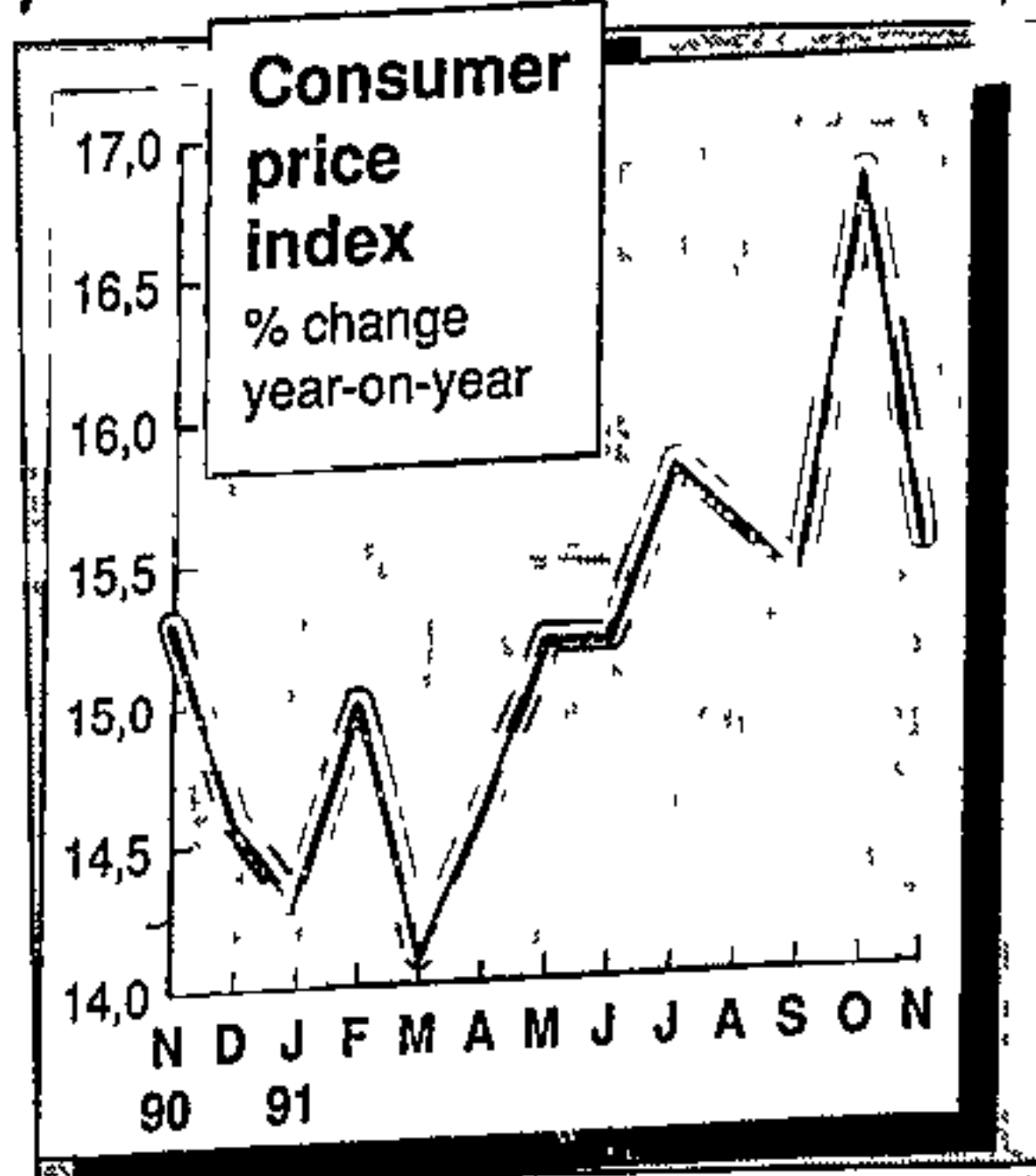
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Graphic: FIONA KRISCH Source: CSS

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To Page 2

Inflation

B/D Day 20/12/91
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Morgenrood was perplexed by figures in the CPI data which showed a 1,5% fall in vehicle running costs in the year to November, after a 14,6% annual increase in running costs the previous month

"Although a high index base for fuel costs in November 1990 has contributed to the apparent fall in running costs, the question must be posed as to whether adequate account has been taken of increases in servicing and maintenance costs. Fuel would appear to have a dominant share of the 5,76% (of the CPI basket) weighting allocated to running costs"

The CSS data show that the Witwatersrand urban area has the nation's highest local inflation rate, running ahead of the 15,5% national average at 16,4% last month. Inflation in the urban area of Klerksdorp, Orkney and Stilfontein, on the other hand, was running well below the national average at 11,7%

From Page 1

imported inflation that month With a weighting of 19,5%, imported commodity prices rose 3,6% in the month (seasonally adjusted), though only 4,9% over 12 months

The reason for the surprising bulge after months of subdued imported inflation was the high price of October oil deliveries These were reported as up to US\$22,74/barrel on August 20, following the first reports of the attempted coup in Moscow

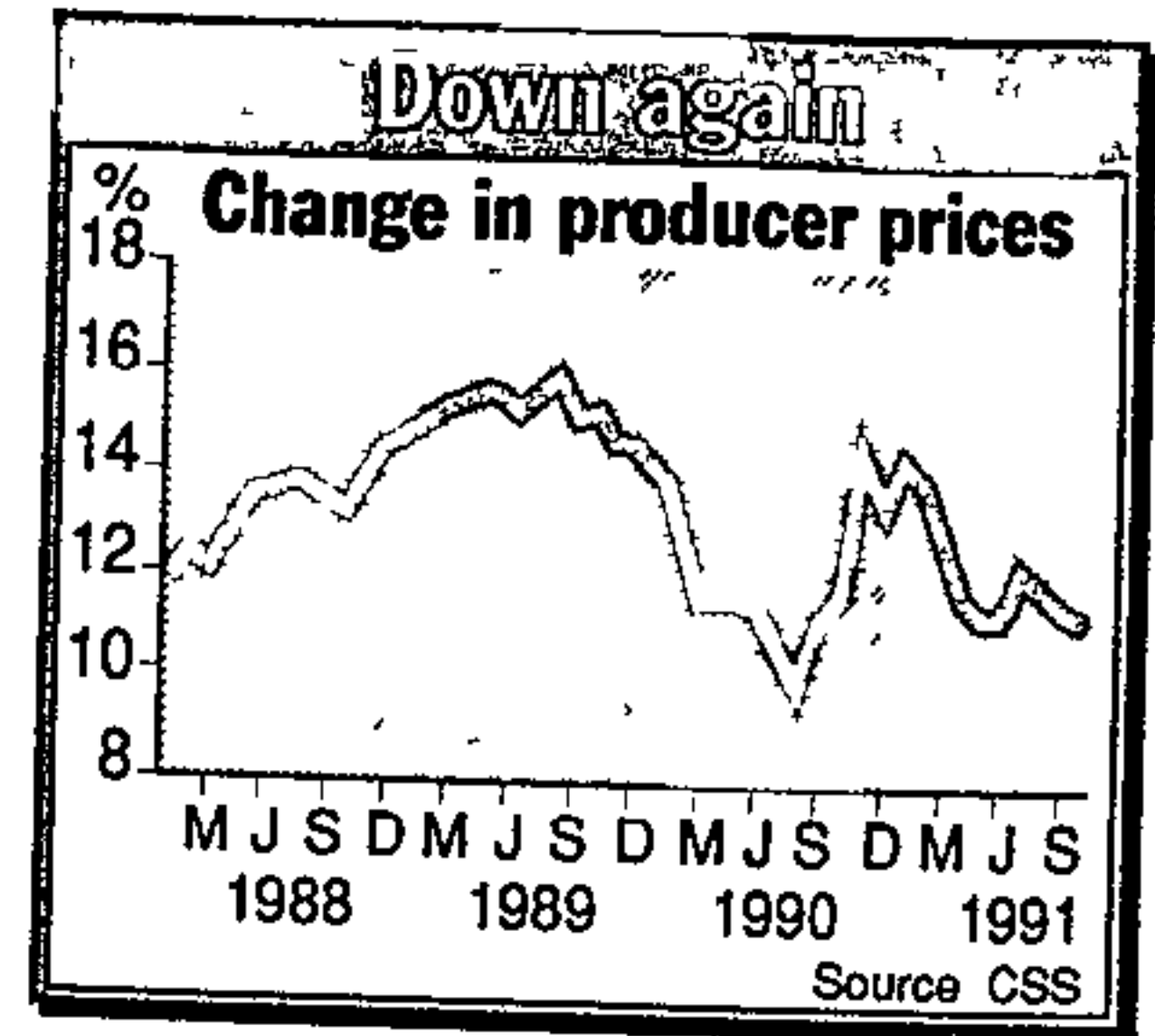
With the failure of the coup and the restoration of a degree of order in the former USSR, oil prices declined from \$22,2 on November 1 (for December deliveries) to below \$21 by November 20 (for January deliveries)

On December 12, January deliveries were reported to be selling for \$18,23 This bodes well for future changes in the PPI

Locally produced commodities were up a seasonally adjusted 1% in October and 12,5% over 12 months Food prices, which are causing so much pain in the consumer price index, rose 1,3% in the month and 15% over 12 months This compares with food consumer price rises of 5,7% and 25,7%

Much of the differential was due to the application of VAT to a wider range of food However, the divergence between the two food indices predated the introduction of VAT by nearly six years

Says Old Mutual economist Johann Els "Consumer prices for food have been in-



creasing faster than producer prices since the end of 1985 and the gap widened sharply in 1989" (See graph page 26)

The October PPI is free of VAT, as it was previously free of GST, says CSS head Treurnicht du Toit October's unadjusted monthly rise in PPI of 1,4% was due to

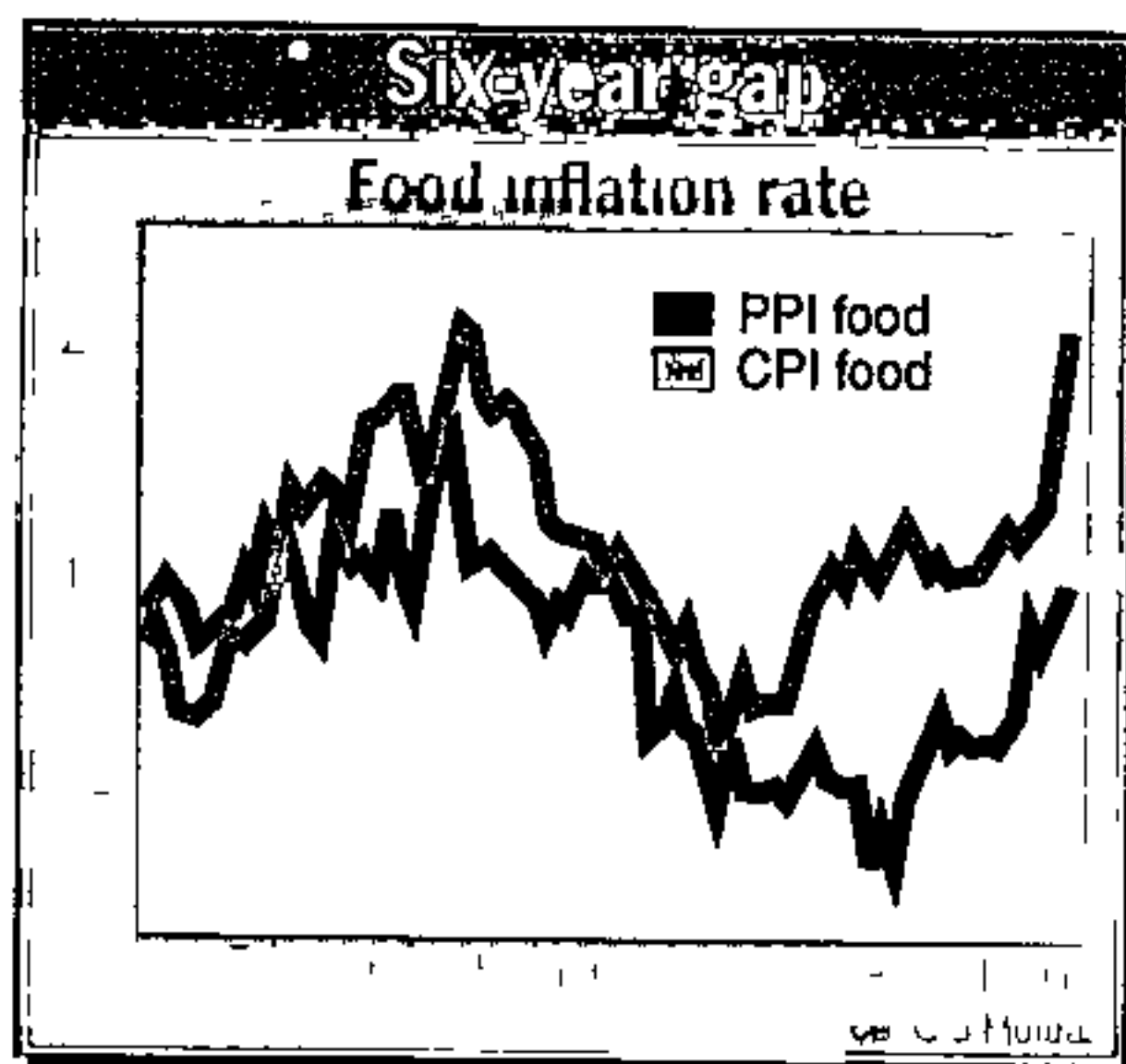
- Agricultural food products, which rose 3,3%,
- Other agricultural products, 4,5%,
- Other mining and quarrying products, 5,7%,
- Fresh meat, 3,4%,
- Alcoholic and non-alcoholic beverages, 5,7%,
- Tobacco products, 6,6%, and
- Furniture, 7,8%

continued →

Oil slick

The rate at which producer prices are rising slowed down in October The production price index (PPI) was up a seasonally adjusted 0,9% in the month, down from September's increase of 1,3% The rise over 12 months was 11,1%, down from 11,4%

The deceleration came despite a rise in



monthly increase in November last year was a high 3,5%, while in March there was a monthly decline of 0,7%

He says 1992 PPI could fluctuate around 10% and he predicts an average of 9,7%

Els predicts that, mainly for technical reasons, PPI inflation in the months November-February could be in single digits "The

Food hikes continue to reflect VAT

B112cm 20/12/91
FOOD industry spokesmen said yesterday the fresh 10-year peak in the rate of food inflation could reflect the continued effect of VAT as well as seasonal price changes

But they said the latest figures were, nevertheless, disturbing and added that the current investigation by the Board of Trade and Industry into the food price issue could clear the air regarding the source of price hikes

Retailers said yesterday that increases resulting from VAT would continue to be reflected in the year-on-year figures for food price inflation. The higher month-on-month increase could reflect the fact that many major retailers refused to accept price increases before VAT and during its implementation, and these increases were

only now starting to filter through

The major contributors to higher food prices in November were fruit and nuts, which showed an increase of 9.2% over October, meat (5.1%), vegetables (3.4%) and coffee, tea and cocoa (3.3%).

A Red Meat Producers' Association spokesman confirmed that since October, production prices had shown a marked increase after lagging for about four years. He said this cyclical phenomenon was common over a seven-year period, and prices could be expected to increase over the next two years.

Pick 'n Pay chairman Raymond Ackers
□ To Page 2

Food

B112cm 20/12/91
man said apart from the effect of VAT on meat prices, meat was generally more expensive when there were good rains, and there was a glut of meat on the market during a drought

He said the changes in the prices of other produce was often climatic, and some of the increases could be purely seasonal. Ackerman added that his group had recorded a 13% increase on all food prices

OK Bazaars marketing director Mervyn Kraitzick said meat prices had risen by about 7% to 8% over the past few months, excluding the effect of VAT, and fruit and vegetable prices had risen by 5% to 7%

The tea, coffee and cocoa price hike mainly reflected an increase in the price of tea. He said this was because the OK had not accepted price increases by suppliers before VAT and during the VAT change-over, but these increases could not be held off indefinitely

Consumer Council deputy director Ben Stafford said while the drop in the inflation rate was good news for consumers, the council was concerned that the food price index was still increasing. He also expressed concern about "businesses that abuse the Christmas season by drastically increasing their prices"

□ From Page 1

Tough action urged as food prices soar

By Paula Fray
Consumer Reporter

As the year-on-year food inflation surged to its highest level in a decade last month, a Vatwatch survey released yesterday found zero-rated foods now cost more than ever before

News of the continuing spiral in food prices last night prompted calls for urgent "firm and constructive" action to be taken as soon as possible

The monthly consumer price index (CPI) figures released by the Central Statistical Service (CSS) show that between November 1990 and November this year food prices soared by 26,9 percent, the highest level since March 1981.

According to CSS the exceptionally large year-on-year increase of 26,9 percent in the food index was largely due to a 38,1 percent increase in the price of meat, 43,4 percent increase in fruit and nuts and a 33,9 percent increase in the price of vegetables

However, the overall inflation rate, which measures annual increases in all consumer goods, was 15,5 percent last month compared with 16,8 percent in October

According to Vatwatch, consumers are now paying 14,5 percent more for seven zero-rated foodstuffs tracked since July — canned sardines, maize meal, milk powder, samp, rice, brown bread and fresh milk.

"Of these, the price of milk powder rose by 35 percent and that of brown bread by 15 percent, whereas fresh milk, rice and maize meal

are now costing less than five months ago," said Vatwatch.

The rate of increase in the prices of goods and services appeared to be slowing down — from 2,6 percent in August to 2,1 percent last month — after the introduction of VAT on September 30

The Vatwatch study showed that meat was a major contributor to higher food costs. In the five-month period the countrywide price increases of minced meat, boerewors and stewing meat averaged between 4 and 6 percent

The price increase of meat from July to November was highest in Durban (29,5 percent) and lowest in Pretoria (17,8 percent).

"Food inflation at 26,9 percent is unacceptable. I find it frightening. We need to move quickly as we have a problem," Housewives League president Lyn Morris said

"With these figures at hand it is obvious the Department of Trade and Industry must release constructive and firm findings very quickly.

"We can't have food prices going up at this rate every month, otherwise people just won't be able to eat. Food inflation is at a runaway state

"We can do pricing surveys, we can say what is wrong . . . but somewhere along the line someone must take action," she said.

The continuing rise in the already high food price index was cause for serious concern, said Consumer Council spokesman Daan Kruger.

"The drop in the inflation rate for November of 1,3 percent is good news for consumers but the continuing high food price index is cause for serious concern," he said.

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Inflation falls but food rises

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CT 20/12/91

Own Correspondent

JOHANNESBURG — Food prices kept going up in November, but the rate of inflation dropped

Yesterday, figures from the Central Statistics Service showed the overall rate of consumer price inflation dropped to 15,5% in the year to November from the four-year peak of 16,8% recorded in October

The figures also showed that annual food price inflation, already 25,7% in October, surged to a new 10-year high of 26,9% in the 12 months to November

Food price inflation is running at its highest level since the 29,5% recorded in March 1981, the figures show.

Fruit and nut prices are rising at an annual rate of 43,4%, closely followed

by meat, up by 38,1% on a year ago, and vegetables, 33,9% more expensive than in November 1990

A Red Meat Producers' Association spokesman confirmed that since October, production prices had shown a marked increase after lagging for about four years. He said prices could be expected to increase over the next two years

Pick 'n Pay chairman Mr Raymond Ackerman said apart from the effect of VAT on meat prices, meat was generally more expensive when there were good rains, and there was a glut of meat during a drought.

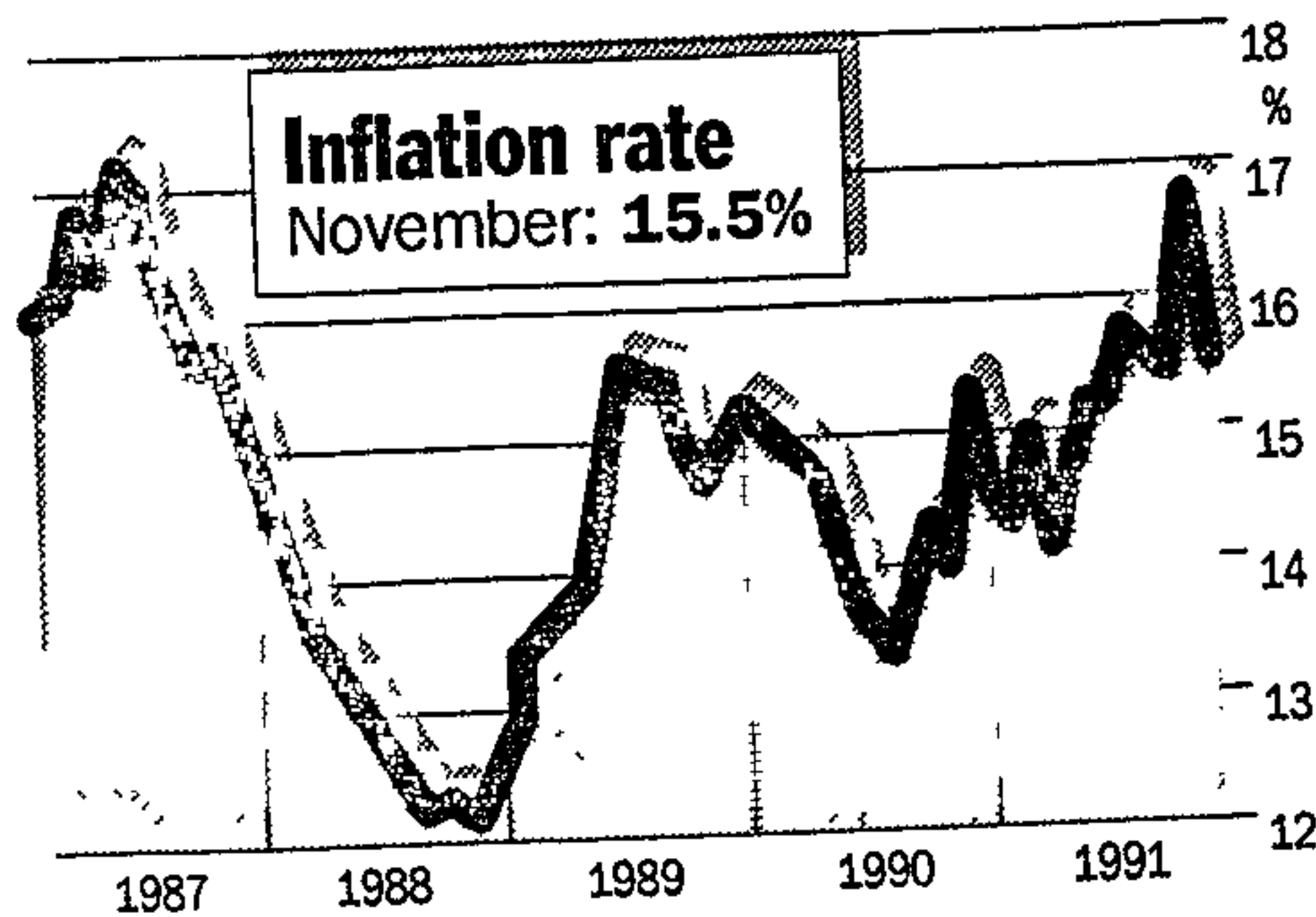
● SA faces 'two more hard years'

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● CPI slips — Page 9

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Inflation dips but the fight is far from won

STAR 20/12/91.

By Sven Lunsche

The renewed surge in food prices in November will make it difficult for the inflation rate to fall below the 14 percent level next year

The Central Statistical Service's monthly Consumer Price Index (CPI) released yesterday shows that food prices in November surged by 26,9 percent, their highest increase in over a decade.

The overall inflation rate, however, fell back to 15,5 percent in November from its VAT-induced 16,8 percent in October

The renewed surge in prices has strengthened calls on the Department of Finance's Commission into the food pricing structures at producer and retail levels to speed up its inquiry.

In its recent Economic Survey Sanlam economist Johan Louw said that although the rate of price rises at production level had declined slightly over the past few months, prices were still increasing on a wide front and this was impacting adversely on consumer prices.

There was little to suggest that price rises of locally produced goods will abate significantly from their current high levels, but imported inflation is set to fall further thus benefiting the overall inflation fight.

The imported producer price index in October showed a mere 4,9 percent year-on-year rise, as a result of a lower international oil price and the fairly steady external value of the rand.

"Taking into account the expected lower international inflation rates and a relatively stable rand we believe that as far as imported goods are concerned, price

rises will moderate further in coming months," Mr Louw says.

On balance therefore he predicts an average inflation rate of 15,3 percent this year and 14 percent in 1992.

This is in line with the recent year-end estimate by the Econometrix research institute which forecast the same average for 1991, but a slightly higher average rate of 14,3 percent for next year

According to the CSS food prices between November and October this year were up by 3,1 percent, with meat rising by 5,1 percent and fruits by 9,2 percent.

Surveys reveal steep rise in meat prices

By Paula Fray
Consumer Reporter

While meat prices at abattoirs in the PWV rose by between eight and 10 percent after the introduction of VAT, retail prices increased by between two and 40 percent on certain cuts, according to the Housewives' League.

Previously exempt from general sales tax, meat became liable for tax when VAT was introduced at 10 percent on September 30.

There has been a renewed outcry against the spiralling cost of meat after the Central Statistical Service announced that a 38,1 percent rise in meat prices had contributed to the exceptional year-on-year increase in the food inflation rate.

A Vatwatch survey, released almost simultaneously, also showed meat to be a major contributor to high food costs. Prices were checked country-wide.

"The price increase of the total meat basket from July to November was highest in Durban (29,5 percent) and lowest in

THE STAR
VAT
WATCH



STAR 23/12/91
Pretoria (17,8 percent)," said Vatwatch.

In a survey of meat prices at supermarkets countrywide, the Housewives' League found increases of up to 48 percent at a Durban store for topside roast.

Durban also had a store which showed a price drop in the league parcel of seven cuts of meat — from R125,83 in September to R119,63 in October.

"It would seem that if abattoir prices rose by 10 percent, but retail prices rose by a much higher rate, someone is profiteering," said league vice-president Sheila Lord.

"No doubt these price increases will lead to a further cutback in meat consumption, especially beef, and the industry must find ways to stop further price increases."

Mrs Lord urged consumers to "shop around".

**Agents and
Meat Board
force prices,
says butcher**

ST/24/12/91
Consumer Reporter

Meat prices went up by at least 20 percent at abattoir level before value added tax was added on, an East Rand butcher said yesterday.

Jose de Gouveia was reacting to a Housewives' League survey which said that while meat prices at abattoirs in the PWV rose by between eight and 10 percent after the introduction of VAT, prices at retail levels increased by between two and 40 percent.

According to Mr de Gouveia, he paid R4,60 for prime beef before VAT was introduced. These prices now ranged between R5,60 and R5,80 plus VAT.

"On Friday I paid R10,99/kg for rump from a wholesaler," said Mr de Gouveia.

"Prices went up by far more than between eight and 10 percent. They went up by at least 20 percent plus VAT," he said.

"At the abattoir we have to pay money for agents and the Meat Board. Everyone gets money for doing nothing. The poor farmer and the customers are the ones who suffer," said Mr de Gouveia.

He added that everyone blamed the retailers, but they were also forced to pay the higher prices.

Break those inflation chains

RESOLUTIONS

Thinking of New Year resolutions? Then take the plunge and make 1992 the year of the assertive consumer

A PATHETIC, downtrodden, uninformed South African consumer and not all of them are unfair

Leading consumer activists have some choice advice for consumers tired of being labelled. An informed consumer is a good consumer, says the South African National Consumer Union. And, the best place to start is by knowing your consumer rights. These are to choose, to be informed, to organise, to safety, to be heard, and the right to redress. Consumer Council assistant director (communications) Daan Kruger says people will be able to make better choices if they are informed. "Everyone should take stock of himself as a consumer. Inflation is regarded as public

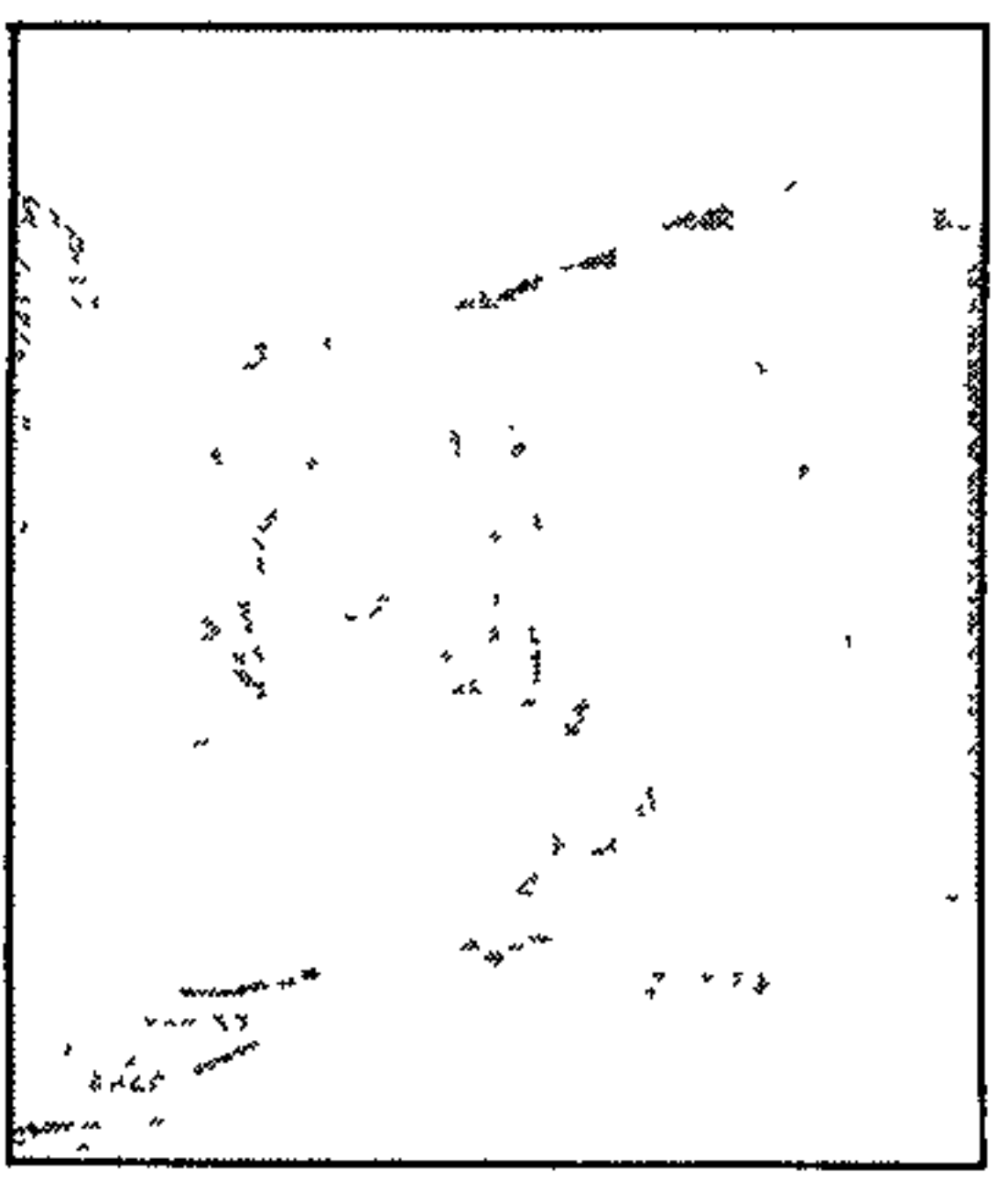
enemy No 1, but there is also such a thing as personal inflation. We need to ask if we are spending our disposable income judiciously.

"Is every buy I make the best I can do? It's no use going across town to get a special bargain and spending a fortune on petrol," says Mr Kruger. So, tomorrow his resolution will be "To take stock of myself as a consumer. What have I done? What can I do? What does the situation allow me to do? Do I insist on good services and courtesy? If a price is beyond my reach, do I inform the seller?" There will also be introspection and soul-searching, says Mr Kruger. "Do I fight for myself or do I expect other people to do that for me?" Housewives' League vice-president Jean Tatham will take time to make informed de-

isions. "I'm going to look and phone around before buying anything. There are new products on the market and I'm going to take some time to try them."

Econometric chief economist Dr Azar Jammame believes consumers can play an active role in fighting inflation by not accepting high prices. "I'm going to shop around and resist buying if the prices are too high," says Dr Jammame, admitting that it is easier said than done. But, by trying new products and choosing the prices they pay, consumers can help break the "inflation psychosis," South Africans find themselves in. Go on, be daring. Make this the year of the active consumer.

TRENDS REPORTER



Shopping around Econometric chief economist Dr Azar Jammame