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All tons are metric tons unless otherwise stated.

Symbols
not available
- nil or negligible

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Political structure
Official name:
Form of state:
Legal system:
National legislature:
Electoral system:
Last election:
Next election due:
Head of state:
National government:
Main political
organisations:
The government:
State president
Ministers:
foreign affairs
constitutional development
defence & communication
mineral & energy affairs
justice
hnance
manpower
law & order
eduction & training
home affairs
trade, industry & tourism
transport, posts & telecommunications
planning, provincial affairs & national housing
health services & welfare
agriculture
national education & environment
economic coordination & public enterprises
state spending & regional development
corrective services (prisons)
water affairs & forestry
Republic of South Africa ,
unitary republic, the nominal independence of the Bophuthatswana, Ciskei. Transkei and Venda "homelands" being unrecognised by the international community
based on Roman-Dutch law and the 1984 constitution
tricameral Parliament to be elected every live years comprising the 178 seat white House of Assembly. 85 seat coloured House of Representatives, and 45 seat Asian House of Delegates, but denying any representation to the majority black population
own "group" direct adult suffrage for white, coloured and Asian voters, the black majority remaining disenfranchised
September 1989
September 1994
state president, chosen by an electoral college of 88 (50 white, 25 coloured and 13 Asian) nominated by the three chambers of Parliament
the state president and his appointed cabinet; an appointed President’s Council has a limited advisory role
National Party (NP) is the mling party
African National Congress (ANC); Pan-Africanist Congress (PAC); Conservative Party (CP); Democratic Party (DP); Inkatha Freedom Party (IFP); South African Communist Party (SACP); Labour Party (LP)
last major reshuffle September 1989
Frederik Wlllem de Klerk
Roelof "Pik" Botha
Dr Gerrit Vlljoen
Roelf Meyer
George Bartlett
Kobie Coetsee
Barend du Plessis
Eli Louw
Hemus Kriel
Sam de Beer
Eugene Louw
Dr Org Marais

Dr Piet Welgemoed
Leon Wessels
Dr Rina Venter
Dr Kraai van Niekerk
Louis Pienaar
Derek Keys
Amie Venter
Adriaan Vlok
General Magnus Malan
$ The Economist Intelligence Unit

Economic structure
Latest available Jigures
Macroeconomic indicators 1987
GDP at market prices R bn 164.5
Real GDP growth % 2.1
Consumer price infiation % 16.1
Population6 mn 28.9
Exports fob $ bn 21.4
Impons fob $ bn 14.1
Current account 3 bn 3.02
Reserves incl goldd $ bn 3.00
Total external debt $ bn 22.6
Manufacturing production 1985:100 101.0
Mining producxion 1990:100 101.5
Exchange rate (av) R per 5 2.036
February 17, 1992 R2801 per 8
Origins of gross domestic product 1990
1988 1989 1990 1991’
198.1 232.5 262.6 300.0
4.1 2.1 -0.5 -0.5
12.9 14.7 14.3 16.211
29.6 30.2 30.9 31.5
22.4 22.2 23.4 23 .4
17.1 16.9 17.0 17.1
1.30 1.56 2.24 2.39
2.17 2.03 2.40 3.08’
21.2 20.6 19.4 19.2
108.7 109.4 108.0 103.0
103.3 101.9 100.0 99.0
2.273 2.622 2.588 2.800
Components of gross domestic product 1990
% of total % of total
Agriculture, forestry & fishing 5.1 Private consumption 56.9
Mining & quarrying 10.7 Public consumption 18.1
Manufacturing 25.6 Gross domestic fixed investment 19.6
Commotion 3.2 Change in stocks -2.4
Financial services 14.5 Residual item -2.0
Public administration 13.7 Exports of goods & services 35.5
Services & others 27.2 Imports of goods & services -25.6
GDP at factor cost 100.0 GDP at market prices 100.0
Principal exports 1990 Principal imports 1990
3 bn $ bu cif
Gold 6.98 Machinery & equipment 5.11
Base metals 3.51 Transport equipment 2.21
Mineral products 2.80 Chemicals 1.85
Platinum’ 1.10 Oil’ 1.50
Food, drink & tobacco 0.67 Base metals 0.86
Main destinations of exports 1989f Main origins of imports 1989r
% of total % of total
Italy 11.2 West Germany 19.4
Japan 8.3 Japan 10.4
USA 6.9 UK 10.1
West Germany 6.8 USA 10.0
UK 5.8 Italy 4.0
______.__________
’ Estimates. b Actual. c Excluding "independent" homelands. d Valued at 90 per cent of fo
urth quarter London
price. 1 End October actual figure. fBased on partial data only.

Outlook
Codesa will be the focus of South Africais attention -
The Convention for a Democratic South Africa (Codesa). which is thrashing out the issues faced by more or less the full range of political parties in the transition to the so-called "new South Africa", will increasingly absorb the attention of South Africans in the next few months.
- though there is confusion and uncertainty about what is to be done -
There has been a fair amount of confusion as the working committees of Codesa began to gather material to enable them to discharge their various preliminary tasks (see THE POLITICAL SCENE) and as they try to accustom themselves to the unusual structures in which they tind themselves. Adding to their burden is the large amount of documentation containing representations and petitions with which they have been showered from many sections of the public. A further complication is provided by the inexperience of some of the participants and their inability to comprehend constitutional law.
- and whether the press should be there to report
Among the first issues to be decided is whether their proceedings should be open to the public.
The first plenary session of Codesa in December - a two day affair - was broadcast live by the state controlled South African Broadcasting Service (SABS), but the working committee sessions are being held in private with news of what is occurring at them being either leaked or distributed through official statements. One newspaper has already complained that while the work of Parliament is carried out in a blaze of publicity, the more important work of Codesa in shaping the future of South Africa also requires public surveillance.
Will Inkatha walk out in anger?
The Inkatha delegation at Codesa is showing restiveness at the manner in which the government and the African National Congress (ANC) are assuming what appears to be a dominant partnership in control of proceedings. Inkatha delegates believe they are being marginalised and are threatening to walk out of the proceedings. This could cause a rough passage for Codesa, especially if they carry out their threat of taking some of the other participants with them. This has brought some uncertainty to the proceedings, but political observers believe that the process of political change has gone too far for one of the elements to stop it and, in any event, there are no practical alternatives to the Codesa process.
There are hopes that an interim government Will be established soon
The timescale for developments at Codesa and for the formation of an interim government is attracting increasing attention. With both the government and the ANC eager to have some form of transitional institution in place as soon as possible, the estimates are that it will be formed in about six months and certainly before the end of the year. When that happens the ANC is expected to call for the lifting of all but armaments and oil sanctions, to the relief of the many governments and business institutions which have been pressuring it to do so.
The mining industry tries to size up a new trade union boss
On the labour front, the installation of a new general secretary of the National Union of Mineworkers of South Africa (Numsa), Kgalema Motlanthe, in succession to Cyril Ramaphosa who took over as ANC secretary general, is raising concerns in the mining industry. A former

political prisoner on Robben Island, Mr Motlanthe has already caused a stir by announcing that he wants to end the so-called productivity and bonus agreement contracted in 1991 which related pay to productivity and profit performance. Employers in the industry, who had come to tenns with Mr Ramaphosa, are wondering what policies the new man in the driving seat of the country’s largest trade union will pursue.

Recovery will be slow

Provisional estimates by the Reserve Bank indicate that South Africa suffered a real decline in GDP of 0.5 per cent in 1991. That follows a drop in GDP of 0.5 per cent in 1990. The minister of finance, Barend du Plessis, claims that during the iirst quarter of 1992 the economy will move out of the recession that technically began amund mid-1989. He is cautious about prospects for this year and at present predicts growth of only 1.5 per cent. In the light of the severe dmught and deep crisis in the maize industry that were apparent by early February, the EIU believes this caution to be justilied. Although the ANC. under the leadership of Nelson Mandela. continues to urge the major industrial nations, in particular, to maintain or teimpose sanctions against South Afn’ca there are few bam’ers left other than those dictated by the USA, and most of those are at state or city levels. But political uncertainty within South Afn’ca continues to exercise a distinctly negative effect on the immediate economic outlook. The lowering of expectations for world economic growth this year is also a blow for prospects of early export led recovery in South Africa. Prices of industrial shares on the Johannesburg stock exchange, however, still point to substantial optimism about the medium to long-term situation.

Inflation is still excessive

Inliation remains a big threat to economic recovery. For calendar 1991 the consumer price index (CPI) rose by 16.2 per cent on a year on year basis. That is in spite of consistently tough monetary policies that have been applied since early 1989. The CPI increase in 1991 was higher than that of both 1990 and 1989 when the rates were, respectively, 14.3 per cent and 14.7 per cent. Inflation will fall in 1992 and could be down towards 12 per cent on a year on year basis by December. For the 12 months to December 1991 bmadly delined money supply (M3) increased by 12.4 per cent but when the distorting effect of the Deposit Taking Institutions Act of February 1991 is excluded the real rate of increase was about 8.5 per cent. Also, producer (wholesale) price inflation was only 7.9 per cent for the 12 months to November 1991.

The current account surplus moves above R6 bn in 1991

The surplus on the current account of the balance of payments was much larger than expected in 1991. Preliminary statistics from the Reserve Bank and from Customs & Excise show a surplus of well over R6 bn, more likely closer to R7 bn. In pm this is attributable to an exceptionally good performance by manufacturing exports even though the world economy recorded only modest growth. This performance was helped at least maiginally by the easing of sanctions pressures. But the large current account surplus was mainly the result of a singularly unwanted development - the shrinkage in real GDP for the second successive year and thus weak demand for imports.

Debt will not be a problem

The governor of the Reserve Bank, Chris Stals, reckons that in 1992 South Africa will have to meet net foreign debt repayments of about $1 bn (just under R3 bn on our forecast for the rand/dollar exchange rate for the year). Dr Stals is confident that a current account surplus comfortably in excess of that amount will be achieved. This surplus would be in spite of an expected shift from being a net maize exporter to a net importer in 1992. He notes that even if

South Africa this year regains the right of access to cxedit facilities from the IMF it would not in fact be eligible for any immediate assistance because of the strength of the current account. Dr Stals adds, however, that if the economy moves, as hoped, into a sharp new upswing phase of economic growth from 1993, access to IMF funds will then be vitally important.

Current account results and forecast
(R mn unless otherwise indicated)

	199W
Merchandise exports fob	42,385
Net gold output	18,070
Merchandise imports fob	-44,100
’h’ade balance	16,355
Net services & transfers	-10,568
Current account balance	5,787
Exchange rate (R per $)	2.59

1 Actual. b Estimates. i Forecasts.

Growth opportunities lie ahead

South Afn’ca has the potential to secure large increases in economic growth from late 1992 through to perhaps early 1995. The reasons for this are negative as well as positive, however. On the negative side is the simple fact that after a decline of some 1 per cent of real GDP in aggregate over 1990-91 - which means a slump of about 6 per cent in GDP per head when an annual population rise of nearly 2.5 per cent is taken into account - there is bound to be a cyclical rebound factor. Stock levels in relation to GDP are. for example, now at record low levels. Many industries have spare capacity that will enable them to meet any shon-term increase in demand with little or no rise in capital expenditure. Also, the world economy was sluggish in 1991 because, ptimarily. of the depressing impact of events during and in the wake of the Gulf war. It will show more growth this year. On the positive side is the immensely important political situation. Studies by, among others, the World Bank suggest that sanctions cost South Africa a minimum of 1 per cent a year from the mid-19803 in terms of the rate of increase in GDP that could have been obtained over that petiod with no political barriers to trade and foreign finance and technology. When the indirect impact of sanctions on South African business confidence is also included it is clear that an agreement in principle, cnicially between the AN C and the current govemment, over an intemal political settlement in South Africa would give a massive boost to economic growth prospects over the next two to three years at least. After that. however, much will depend on what kind of economic policies are pursued by whatever administtation is then running the country.

So far as 1992 is concerned the EIU believes that Mr du Plessis has been sensible to opt for caution in his growth forecast for 1992 and that there is still a chance of the actual rise in GDP proving to be 2 per cent or more. But the worse the outlook for the world economy the less chance there will be of this. The economy should accelerate in 1993, given improved conditions in the world economy, and an expansion of South Afn’ca’s trade that will be led by considerable impon growth. While many factors _ such as economic policy emphases and political stability - remain uncenain, the EIU nevertheless makes a tentative forecast of 3.5 per cent growth in GDP in 1993.

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Gross domestic product results and forecast
(R bn; constant 1985 prices)

(R bn; constant 1985 prices)	1990’	% change 1990/89	1991b	% change 1991/90	1992c	% change 1992/91
Private consumption	76.0	2.1	75.8	-0.3	76.7	1.2
Government consumption	24.2	1.7	249	3.0	25.7	3.2
Fixed investment	25.8	-l.7	24.4	-5.4	24.0	-l.6
Change in stocks4	-2.9		-2.8		- l .6	
Residual itum’	-2.6		-2.6		-2.8	
Total domestic demand	120.5	-2.6	119.7	-0.7	122.0	1.9
Exports of goods & services	46.8	3.4	47.5	l .5	48.5	
Imports of goods & services	-33.9	-3. l	-34.5	1.8	-35.8	
GDP at market pricw	133.4	-0.5	132.7	-0.5	134.7	

’ Actual. 5 Estimates. 1 Forecasts. d Percentage changes not given because of the uncertainty in government statistics for these items.

2.1
3.8
1.5
1993c
78.9
26.6
24.3
0.7
-2.6
127.9
50.2
-38.7
139.4
%
change
1993/92
2.9
3.5
1.3
4.8
3.5
8.0
3.5
Z661 I 0N nodal Kmmoo ma
90m qmos

EIU Country Report No 1 1992 South Africa
Review
THE POLITICAL SCENE
Codesa, the new decision making body, gets under way -
The main political focus in South Africa has moved from the parliamentary session which began in Cape wan on January 24 to the Convention for a Democratic South Africa, or Codesa, the constitutional negotiating fomm composed of 19 political parties which began its deliberations on December 20 and 21 and resumed them on Febmary 6. The most significant political patties are taking pan. The absentees are: the pro-apattheid Conservative Patty, led by Dr Andries 'Iteumicht; Afn'kaner Weerstandsbeweging (AWB); several other right wing organisations; and the far left, the radical Pan Afn'canist Congress (PAC) and its fellow traveller, the Azanian People's Organisation (Azapo), both relatively small in numbers but loud in rhetoric. Both the government and the African National Congress (ANC) have hopes that Codesa will install an interim government within a few months and a constituent assembly, or some other constitution making body, by the end of the year.
- and Parliament itself becomes Codesals legislative handmaiden
Although the government stoutly denies it, the once powerful tricameral Parliament has been reduced in status, in effect, to a kind of legislative handmaiden to the multi-racial Codesa. Its new role is to give legal authority to the decisions of Codesa and to carry on the administration without introducing new policies unless they have first been approved by Codesa. Notice of the change in Parliament's status was given shortly before the opening session by the chief whip, Alex van Bteda. who announced that Parliament would be asked to agree to sitting three days a week instead of the customary five from February 10 to allow members of parliament to participate fully in the activities of Codesa.
Codesa has had only two plenary meetings but it has already assumed an overriding sovereign status in the country's affairs. Its five working committees are dealing with crucial constitutional issues: a climate conducive to negotiations; constitutional principles and the constitution making forum; transitional mechanisms; the incorporation of the so-called "independent black homelands" into South Africa; and the timetable for change. Other issues are either being submitted to Codesa for decision or are being stacked up waiting for a suitable time to have them brought before it. As if to emphasise the growing irrelevance of Parliament, the ANC conducted a full scale "people's parliament" on the Grand Parade in Cape Town - coinciding with the opening of Parliament at the end of January - and solemnly presented bills for passage as "law".
President de Klerk promises referenda for approval of Codesa decisions
At the opening of Parliament President de Klerk committed himself to referenda to enable those currently on the voters' rolls (the whites, coloureds - mixed race people - and Asians) to adopt a new constitution and a transitional govemment that would "broadly" represent the total population. His proposed transitional government would run in tandem with Parliament, to which it would submit legislation for approval. The leaders of such a govemment would determine the rate of change, the president said. However, the ANC president, Nelson Mandela. rejected these "mcial" referenda on the grounds that Mr de Klerk "wants to be guided by" white attitudes. Mr Mandela said it was ridiculous to embark on negotiations and then consult a particular ethnic gro

up whose

response might be negative, especially when that group represented only 5 per cent of the population. This was giving a "veto" power to minorities. Mr Mandela also rejected govern ment "supervision" of a transitional government and the transitional process.
Interim government and constitutional forum become key issues -
The main issues facing Codesa concem transitional government and constitutional negotiati ons; the ANC demands an elected constituent assembly while the government wants that body to be Codesa. The govemment and the ANC diverge fundamentally on these issues. The hard bargain ing will be influenced in favour of the ANC by the mass power that it can muster among worker s - illustrated graphically by the overwhelming 70-90 per cent support for the general sttike on November 4 and 5 which unnerved the government - and by the keen desire of the government to have all international sanctions against the country lifted. The latter can only occur once an interim transitional government is in place. The government has few bargaining weapons ex cept the ability to weaken the ANC by destabilisation, but this tactic is already backliring. It is likely that the government will be forced to retreat on these issues as it has on others since i t announced the scrapping of apartheid and the "new democratic deal" for the country in February 1990 .
- but the government and ANC converge on other problems -
Paradoxically, on most other aspects of the transition and the negotiations the governmen t and the ANC are converging. As 1991 drew to a close observers were forecasting that the so-called "new South Afxica" could end up with an alliance of some kind between the Nationalists and the ANC.
The convergence was particularly noticeable during the Codesa preliminary meetings on Nov ember 29 and 30 and at the meeting of a steering committee where time and again the government and the ANC agreed on the procedural issues under discussion, frequently to the discomflture of the government's erstwhile covert partner, the lnkatha Freedom Party (IFP), led by the KwaZul u chief minister, Mangosuthu Buthelezi.
- and the left wing PAC angrily hives off from the Patriotic Front
Meanwhile, the Patriotic Front, composed of the ANC and the Pan Africanist Congress (PAC) and many of the other 90 organisations that attended the inaugural conference in October 1991 (No 4 - 1991, pages 12-13) catne unstuck almost immediately. Wlthin days there were signs of rising tension in the PAC with its militant youth wing, the Pan Africanist Student Organi sation (Paso), with a claimed membership of 195,000, threatening to withdraw from the PAC. The P AC ended its pattieipation in the Patriotic Front and walked out of the preliminary Codesa t alks on November 30, accusing the ANC of collusion with the government. Azapo steadfastly refused to join from the start of the negotiations.
Mr de Klerk is anxious over the white rightis refusal to attend talks -
The government has caused a crack to appear in the white ultra-n'ght wing. The AWB has re fused to take pan in Codesa, declaring that it will seek to establish its own white fatherland "through the barrel of a gun", but another right wing organisation, the Afn'kaner Volkswag (Afiikaner People's Guard), plans to discuss its demand for a "white homelan " in separate talks with the Cod esa parties but not at Codesa itself. The government is worried by the Conservative Patty's (CP) refusal to join in the Codesa talks because it feats that the withdrawal of such a large body of

white Afrikaners from the decision making could reduce the legitimacy of Codesa. However, it hopes that the indications in recent months of a split in the CP over the participation issue will grow into a full scale breakaway movement. One faction supports the "no talks" leader, Dr Andries Treurnicht. and another, smaller group supports the CPS defence spokesman, Jacobus H (Koos) van der Merwe. who believes that the party should present its demands for "Afrikaner national self-detennination" and an autonomous "white homelan " at Codesa (No 4 - 1991, page 12).

- and the Broederbond plans destruction of the right wing -

Spurned by these fears the Afrikaner Broederbond, the secretive political clique which is the power behind the National Party. has devised a plan to force the CP into Codesa talks. A document leaked to the press revealed that Broederbonders would put pressure on members of right wing organisations to participate in Codesa in the hope of creating a division. "Any efforts" were to be applied. according to the document, which was seen as a "make or break" decision by the Broedetbond.

- while tensions continue to simmer in the CP

Tensions continue to build in the CP over whether the party should panicipate in the constitutional negotiations. Though the party officially refuses to take part in the talks, it has had secret meetings with membets of the ANC. the IF? and the PAC. The moderate wing which has fuelled the tensions by favouring participation in the talks appears to be hiding its time before making the break with the ultra right wing elements in the party. The CP appears to be gaining support: this was illustrated at the Virginia parliamentary by-election which the Conservatives won handsomely from the National Party (NP). The ability of the CF to take planeland (rural) seats from the NP was demonstrated again at the parliamentary by-eleetion in Potehefstroom on Febniary 6 when the CP again captured the seat with a large majority.

Meanwhile, the CP has been conducting secret talks with the lnkatha Freedom Party leader, Chief Buthelezi. and the homeland presidents. Lucas Mangope (Bophuthatswana) and Brigadier Oupa quza (Ciskei). There is a suggestion that the CP is pursuing some form of commonwealth of homeland states based on their convergent policies of tribal (racial for the CP) exclusiveness.

The South African Communist Party celebrates its 70th anniversary -

Despite being counselled to support reform and to absorb the lessons of the collapse of communism in Eastern Europe and the former USSR. 400 delegates to the South African Communist Party’s (SACP) 70th anniversary congress reaffirmed its identity as a Marxist-Leninist party. On the other hand. the leaders of the patty all suppon the need for socialism to be allied with democracy. The SAC? also showed its determination to act more independently in the future - the election of Chris Hani as new general secretary, counter to the wishes of the ANC which was not keen to release him. was an indication of this. as was the decision to send its own delegation to Codesa. However, the leadership elections revealed that the close relationship between the SACP and the ANC will continue. 0f the 30 members of the SAC? central committee 16 are office holders in the ANC’s national executive committee and "inner cabinet".

- While the Labour Party loses out to Nationalists

In October the coloured (mixed race) Labour Party (LP) - the majority party in the coloured House of Representatives - announced that it would align itself with the ANC’s Patriotic Front and play a role representing the "working class". This represented a significant change of attitude by the ANC which had labelled members of the LP "sellouts" for participating in the tricameral Parliament introduced in 1984; now they were accepted as part of the liberation struggle. The LP leader. the Reverend Allan Hendrickse, had little choice but to align himself with the Patriotic Front. In 1991 the NP made a detetmined attempt to win over LP members and was highly successful. gaining 35 ex-Labourites and whittling Mr Hendrickse’s majority down to effec

tively
one when the new session started on January 24. Late in 1991 the powerful coloured leader and

economy shows even the miidest upt
mind rebuilt. that will have a signific
The finance minister. Barend du Ples
forecast of GDP growth of 1.5 per
believed at the time that the outcom
savage drought that was creating a d
that the finance minister's forecast w
Moreover. of course. if the political
guarantee of achieving even a 1.5 pe
Private consumption feels the p
Private consumption expenditure (P
that year. This was the main reason I
the constant application by the Reser
permanent positive real interest rates
savings, has now taken its toll. In th
annualised me of 1.9 per cent. Beca
buoyant in the first quarter of 1991.
small increase of 1-2 per cent is abet
be even as high as 1.5 per cent, thou
- while the government keeps
Further large teal rises in govemmer
the recessionary conditions of 1991 :
GCE is exceptionally volatile from c_
so the quarter on quarter figures do 1
compulsion on the cabinet to rein in
this year of around 2.5-3.2 per cent.
proportionate role of GCE in the cot
sector who believe that it is essentia
govemment which is expected to we
Investment slips further -
A repeated demand and hope of mat
the next economic upturn in South i
consumption. So far as expons are c
experience shows overwhelmingly tl
investment (GDFI) in South Africa 1
example. GDP increased by 2.1 per
though there had already been sever
and 1986. Only in 1988 and 1989 GE
after PCE had risen by 3.9 per cent
ECONOMIC POLICY) tinds that br
1.6 per cent rise in GDFl subject to
many areas of manufacturing at pres
in 1992. But whereas the estimated
for the first three quarters of the yea
under 2 per cent.

former churchman, Allan Boesak, was elected to the chairmanship of the Western Cape region of the ANC. It was thought that Mr Boesak would bolster support for Mr Hendrickse. but it was too late and the AN C acknowledged that it had failed to organise the coloured communities. In the event the LP leadership of the House of Representatives collapsed shortly atterwanis. On January 31 the National Party won a vote of no confidence in Mr Hendrickse's control of the coloured administration by 44 votes to 40. A new ministers' council under the chairmanship of Mac H Rabie was appointed by President de Kierk.

Violence continues to bedevil negotiations proc xv -

Meanwhile, the high level of violence and suspicions about those fanning it and their purposes continue to bedevil the negotiation process. There have been allegations in the Weekly Mail that some of the violence has been inspired by the Deparlmem of Military Intelligence which set up training camps for young blacks and deployed them in conjunction with the police in wanton attacks on people in the black townships or on commuter trains. While initially these reports attracted little attention, their persistence and an accumulation of apparently supportive documentation led Justice Richard Goldstone, who heads the recently appointed Goldstone Commission of Inquiry into Public Violence. to begin to investigate them. The allegations made by the Weekly Mail informants were investigated by lawyers and placed before the Goldstone Commission at public hearings.

- and a judge probes military intelligence involvement -

Evidence before the commission suggested that 200 "loyal young Zulus", mostly members of the Inkatha Freedom Party, received highly specialised military training from the South African Defence Force (SADF) at a training camp in the Caprivi Strip in Namibia (before Namibian independence). Legal teams alleged that the 200 later took part in "hit squad" activities. fomenting violence and murdering people in black townships around Pietermaritzburg from 1986 to 1989, where some of the bloodiest violence in the lnkatha-ANC localised civil war occurred. Other evidence was given by unidentified black youths who claimed that they were members of an Inkatha vigilante group. the Black Cats. which unleashed a campaign of violence on ANC members in a black township near Ermelo. Eastern Transvaal, from February 1991 onwards.

- while the government continues to deny there is a "third force"

President de Klerk and his government continue to reject the accusations against the security forces. However, these denials began sounding thin in the wake of police and govemment admissions that the police covertly funded Inkatha rallies addressed by Chief Buthelezi - months after the government had claimed this funding had ceased - and as the volume of evidence of security force involvement before the Goldstone Commission grew. Further claims that government forces were involved in the violent destabilisau'on of ANC supporting bodies and later the ANC itself were made in reports that the security forces had set up an extensive range of front organisations, before the ANC was legitimised in February 1990 and that these continued their activities until a few months ago. The claims came from people who had run from organisations or had been involved in township violence but had decided to reveal their secrets either because the government refused to pay them what they demanded or because they had had a change of bean.

The president goes on weathering the storm -

As these allegations built up President de Klerk and his govemment doggedly persisted in rejecting

them, but the newspapers pressed for explanations. However. despite the build-up of suspicion
about de Klerk. no-one demanded his resignation. He is still widely regarded as the only man in

government capable of introducing reform and dealing with the transition to a new government. As a result he is rapidly becoming known as the non-stick or "tellon" president

- and an embarrassed ANC is accused of trying to hire an AWB "hitman"

On the other side, the ANC was greatly embarrassed by accusations that it had paid a member of the AWB to assassinate a former ANC guerrilla who had turned against the movement and was killing its members. The ANC promised a full investigation and publication of the results and later denied the accusations. However, the newspaper which had brought them, Vrye Weekblad, maintained its claims and backed them up with a tape recording of the conversation between the AWB man and two ANC agents. The ANC also has been forced to institute inquiries into allegations from former ANC members that they were tortured in ANC detention camps when the ANC was in exile. after they had been accused of being spies for the South African police. These allegations continue to haunt the ANC and to dent its credibility.

Society opens up further -

Against a background of continuing poor scholastic results’ 1n black township schools 1n comparison with the high grades achieved in white schools - and some homelands such as Bophuthatswana where the matriculation pass rate was double that achieved in Soweto - the govemment has given in to pressure and begun opening to all races formerly "white" schools which had been closed for lack of student numbers. This was a departure from the other school "models" it had introduced where parents could decide to admit other races or keep it dedicated to a single race. The new, "model D" schools were opened to all races but in practice were overwhelmingly black. The other policy change was that for administrative purposes they fall under the white education department and not one of the "black" or "colour " departments, which appears to be a first move towards consolidating education departments into a single administration.

- and sports "unity" results in a return to world competition

"Unity" among sporting administrations in a number of sports - the administrations were separated on racial lines - has resulted in the return of teams of South African sportsmen and women to international competition. Among the first were cricketers who were wildly welcomed on a brief tour of India and later Australia. The Olympic Games in Barcelona (Spain) in June was the prime target and, though there were difiiculties in achieving total unity, the National Olympic Committee of South Africa (Nocsa) went ahead with plans to send a team. the first in 30 years. There was heated controversy when Nocsa proposed that South Africans would not perform under the traditional "green and gold" Springbok colours - traditionally the colours of South Aficals former almost exclusively white "internationals" - or use the national liag and "Die Stem" national anthem. Eventually, a compromise was effected and performers will appear in "green and gold" but with a "neutral" flag adapted from the Olympic five rings emblem and with Beethoven’s "Ode to Joy" as the anthem. At the time of writing no decision had been taken on the Springbok emblem.

Labour, employers and business form an "economics Codesa"

A new labour and economics forum, already dubbed the "economics Codesa", has been set up by the Consultative Business Movement (CBM) with employers’ organisations and trade unions. Among the participants are the large black trade union federations, the AN C oriented Congress of South Afn’can Trade Unions (Cosatu) and the PAC oriented National Council of Trade Unions (Nactu). the South African Council of Business (Sacob), the Afrikaanse Handelsinstituut (the Afrikaans chamber of commerce), the Chamber of Mines, the Steel and Engineering Industrie

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Federation of South Africa (Seifsa), the South African Consultative Council on Labour Affairs (Saccola), the Foundation for African Business and Consumer Services (Fabcos), and the National African Federated Chambers of Commerce (Nafcoc). The govemment is to be invited to join. The forum will try to take decisions on the methods of creating a strong economy to underpin the political decisions of Codesa, while at the same time ensuring that worker interests are involved.
The decisions from this working group are expected to go to Codesa for implementation.
A plan to establish a "white super trade union" composed of right wing unions collapsed because the unions could not agree on the desirability of becoming involved in politics. One of the main white opponents of the plan is Mr Cilliers, general secretary of the South African Iron. Steel and Allied Industries Union. Mr Cilliers sees no future in a "white super union" and points to a survey by the University of South Africa Bureau of Market Research which shows that between the years 2000 and 2005 newcomers to the labour market will be 91 per cent black with whites contributing only 1.7 per cent, compared with the whites' contribution of 21.8 per cent between 1960 and 1970.
The survey shows that in 1960 the labour market was divided on the ratio of 20.3 per cent white to 64.4 per cent black (the rest being coloureds and Asians). In 2005 whites will be down to 12.7 per cent while blacks will have grown to 75.9 per cent.
The split in the white labour union movement retiects the divisions in white Afrikaner politics between the CP and the NP. In some industries whites have begun to move over to join the more powerful black unions, which they see becoming the majority unions with more power to protect workers' interests than the dwindling all white unions.
The media move into high profile -
As speculation increased that the government was preparing to propel the Viljoen task group report on broadcasting through the cabinet, and possibly through Parliament. a media conference convened by the Campaign for Open Media and the Centre for Development Studies at the University of the Western Cape sent a list of proposals to Codesa calling for the institution of an independent communications authority to regulate broadcasting during the transition period. The conference also called for the scrapping of censorship laws that prevent the media reporting openly and fairly. The ANC has, meanwhile, warned that pushing the report through the cabinet could provoke another general strike similar to that in November. The ANC warned that it would resist a unilateral decision on broadcasting "tooth and nail". Considerable opposition to the Viljoen report was registered by a large number of human rights, anti-censorship and media organisations which have called for a fresh, open and independent inquiry into broadcasting policy.
- but, apart from minor changes, restrictions remain
The government has armounced a bill repealing the notoxious Section 273 on the police act which severely restricts journalists in reponing civil unrest or other incidents involving the police. This law requires journalists and newspapers to ensure that they have reasonable grounds for regarding the information they published about the police as true, failing which they could be lined up to R10,000 ($3,570) or sent to jail for five years. Journalists welcomed the move but called for the repeal of other restrictive legislation.
Sanctions crumble -

In J anuary Denmark, which effectively blocked the European Community decision last April to drop restrictions on trade with South Africa, lifted its embargo and South Africa was able to trade again with Europe in iron, steel and gold coins. Earlier the Japanese had dropped their bans and began showing active interest in marketing their products in South Africa. Canada, among South

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Africa’s stemest critics, eased its trading restrictions to allow its business sector to compete on level ground with other countries which had relaxed their bans. Meanwhile, formerly hostile African countn’es exchanged diplomatic or trading missions with South Africa and these were followed by exchanges with East European countries. Several foreign airlines opened reciprocal services with South Africa. South Africa reopened its direct flights to the USA, obviating the long passage round through Eumpe or South America that had come about through a US ban on South African Airways (SAA). Remaining sanctions prevent investment in South Africa and the supply of aims or of equipment to the security forces. The oil embargo also remains, though this has proved ineffective.

- but Mr Mandela continues to call for their maintenance -

The AN C leader, Nelson Mandela, continued to call for the maintenance of sanctions to pressure the govemment into continuing with reform. He dissuaded the Dutch pn’me minister, Ruud Lubbers, from making an official visit to South Africa. Mr Lubbeis had wanted to come as an expression of support for the changes that had been made. In the event Mr Lubbers held a meeting with President de Klerk in the latteris jet en route to a conference in EurOpe.

- while soothing the international communityis worries about loans

The ANC general secretary, Cyril Ramaphosa, has wamed that if it comes to power the ANC may refuse to repay debts contracted through investment loans, and this sent a ripple of dismay through European banking circles on the verge of granting loans to South Africa. It also upset businessmen, but Mr Mandela repudiated Mr Ramaphosa at a business meeting in Europe and said the govem-ment had no alternative but to pay. In early February Mr Mandela made repeated attempts to allay the confusion and fears raised by this latest instance of the ANC’s lack of a coherent economic policy. In an interview with the London based F inancial Times the ANC president said his organisation accepted "that a future democratic South Africa had an obligation to service the debts which were incurred by the present regime before sanctions were imposed by the international community". At the same time Mr Mandela reiterated his commitment to rethinking ANC policy on nationalisation and to encouraging foreign investment in the future democratic South Africa.

ECONOMIC POLICY

There is no escape from fiscal and monetary prudence

The central fonnal objective of the governments economic policy remains redistribution through growth (No 4 - 1991. page 15). This is opposed by some key ANC economic advisers (though not as yet officially the ANC itself) who argue that redistn’bution of wealth - income as well as capital - is a necessary engine of growth and a moral imperative. The minister of finance, Barend du Plessis, has further retined the governments core aims as growth, equity and stability. But while Mr du Plessis stresses his special commitment to fiscal discipline, the reality is that when he proposes his 1992/93 budget in March he will have to admit to some patently undisciplined fiscal outturns for 1991/92 as state spending has gone well beyond the upper limit set for that fiscal year while revenues have lagged behind estimates because of the more protracted than expected recession. Nor is it at all the case that the government is actually standing tinn against economic redistribution through fiscal action. Over the past few years most middle and upper income eamers have been subjected to increased tax burdens even though there have been modest cuts in top marginal rates. This is because the government has not fully offset the effects of fiscal drag caused by continuous high infiation.

Any tax cuts will be illusory

So as far as 1992/93 is concerned Mr du Plessis has little option but to tighten up on fiscal policy. For 1991/92 the realised budget deficit after borrowing will be about 4 per cent of GDP. Officially the government accepts the rule of thumb guidelines of the IMF that the dehcit should not be more than 3 per cent of GDP. To help remedy this situation both the state president, F W de Klerk, and the finance minister have said that state spending must be sharply restrained in real tenns and that this will have to involve the complete scrapping of some expenditure areas in various government departments. The problem is that no details have yet been offered, on the grounds that this would be "improper" ahead of the budget, so there is no way of judging yet what this means. It must be noted, though, that many promises of this nature have been made in the past but rarely has anything fundamental come of them. In his forthcoming budget Mr du Plessis will certainly be able to announce more cutbacks in real tenns in defence spending although, as in 1991/92, some of the savings here will be diverted to extra expenditure on the police, on the grounds that the high level of violence in the country makes this essential. The finance minister might shave the top marginal rate on personal income tax from 43 per cent to 42 per cent and he could make a token cut in the basic company tax rate, currently at 48 per cent But whatever apparent tax concessions are announced will in fact be highly misleading; they will fall far short of compensating for fiscal drag.

A prime rate cut is in the offing

Because of the extremely limited room for manoeuvre on the fiscal front the govemment will not be able to engage in any very effective flscal pump priming in 1992 to try and kickstart the economy on to a higher growth path Nor, with intiation now at 16.2 per cent, will the governor of the Reserve Bank, Dr Stals, come under any early political pressure to relax interest rates. However, the odds are strong that Dr Stals will in March reduce the bank rate from 17 per cent to 16 per cent and that this will trigger a cut in the prime rate from 20 per cent to 19 per cent. Such measures will be justified by the weak level of demand in the economy given that real GDP fell in 1991. South Africa will in the short term, therefore, be dependent on an acceleration in the growth of exports while, it is hoped, vital progress in the historic negotiations for some form of majority rule government will provide the real and psychological boost for a gradual upturn in economic growth in 1992 and a much faster rise in 1993.

An intense debate about inflation is looming -

A crucial and inevitably heated debate lies ahead, probably not until late 1992 at the earliest, about what South Africa’s medium to long-term strategy over intiation should be. There is no doubt, as far as Dr Stals is concerned. He says the country must keep pressing down on inflation with no less a target than bringing the rate eventually into line with the average of its major trading partners, which means around 4 per cent at present. This view is not shared, however, by many economists and business people in the private sector and it seems to be rejected even within the upper ranks of the permanent staff of the Treasury. The opposing view is that South Afric

a will.
not be able to secure any lasting sociopolitical agreement unless .there is an early and strong upturn in economic growth. According to this argument, the aim should be to get inhation down towards 11 per cent and then seek to keep it at or a little above that level while giving growth precedence over anti-iniiation measunes. This viewpoint has been given influential support in a major study on the South African economy commissioned by the World Bank, although the study does not necessarily reflect Bank opinion as such. According to a draft of the report, South Africa:
Macroeconomic Issues for the Transition, by Michael Walton of the World Bank and Abdel Senhadji of the University of Pennsylvania, "The costs of disintiating from moderate to low levels are likely to be high in the early 19905. It may be best to live with continued moderate inflation

during the transition provided there is strong corrective action whenever an iniiationary acceleration threatens." That approach is far more likely to be adopted by South Africa than the more purist, perhaps even obsessive, attitude of Dr Stals.

- while Dr Stals favours incomes policy

It would be wrong, however, to see Dr Stals as an archetypal monetarist of the ilk of, say, Milton Friedman. Dr Stals believes that South Africa cannot in practice bring about a reduction in inflation to much less than 10 per cent by reliance on monetary and liscal measures alone. He is calling publicly for the adoption of some form of incomes policy once there is a post-apartheid government in power. Only such a government will have the extent of mass acceptance, the Reserve Bank govemor effectively says, to achieve restraint in wage demands by trade unions.

The Reserve Bank says that, in spite of the economic downtum, average increases in wages and salaries continued at excessive levels into the first quarter of 1991 when average annualised iises were 18.6 per cent. But in the second quarter the rate dropped to 13.5 per cent. The bank comments: "If this moderation in wage increases continues it augurs well for an eventual slowdown in iniiation." It is Dr Stals’s worry, however, that as soon as the economic upswing gets under way then wage increases will rise sharply again, making it impossible to have both declining inliation and any sustained and substantial new phase of economic growth.

THE ECONOMY

Two minuses, now for a plus

The Reserve Bank reported in early December 1991 that there was a seasonally adjusted annualised rise in GDP of 0.5 per cent in the third quarter of 1991. That appeared to confirm the generally held view then that the recession would bottom out before the end of 1991. That conclusion seems to have been premature. Indeed, the last quarter shows from various key indicators - some admittedly preliminary - that the recession persisted. Although the downswing from around mid-1989 has been shallower than some previous periods of economic contraction, including that of 1985 into 1986. it has been one of the longest in South Africa since the 1930s. This recessionary grip is retiected in, among other indicators. the particularly weak performance of retail sales and manufacturing production over October-December. Consequently the Reserve Bank now provisionally estimates that there was a decline in real GDP of 0.5 per cent for 1991 overall, as in 1990.

There is as yet no reliable information about the first months of 1992. But the generally gloomy reports from banks. retailers and industry - plus the knowledge that the 1991/92 season is going to tum out badly for maize farmers _ make it possible that even January-March this year will not mark the technical end of recession. Despite this there is still widespread confidence, albeit inevitably cautious after the long depression in business activity, that a new though initially slow economic uptum will begin at the latest during the second quarter of this year, if not before. Given continuing strong and even improving performance from exports and, vitally, encouraging progress in the negotiations towards a post-apartheid South Africa totally free of all sanctions, the growth momentum could certainly pick up appreciably in the closing months of 1992. In the third quarter of 1991, according to the Reserve Bank, the ratio of commercial and industrial inventories to GDP was at a record low of 18.2 per cent. Stocks are so low that, even with continuing improvements in

stock control techniques, there appears little or no scope for their further depletion on
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economy shows even the mildest upturn. So once depleted inventories cease to be run down, never mind rebuilt, that will have a significant statistical impact on GDP.

The finance minister. Barend du Plessis, had made what was earlier regarded as a rather cautious forecast of GDP growth of 1.5 per cent in 1992. Given the conditions stated above, the EIU believed at the time that the outcome could be closer to 2 per cent. However. because of the savage drought that was creating a deepening agricultural crisis by mid-February, we now believe that the finance minister’s forecast will prove to be the upper limit for GDP growth in 1992. Moneover, of course, if the political situation sours badly and for a lengthy stretch then there is no guarantee of achieving even a 1.5 per cent growth rate.

Private consumption feels the pressure -

Pn’vate consumption expenditure (PCB) held up firmly in 1990 and actually rose by 2.1 per cent in that year. This was the main reason that the decline in GDP that year was only 0.5 per cent. But the constant application by the Reserve Bank from early 1989 of a tight monetary policy and permanent positive real interest rates, combined with the long slide in the level of net personal savings. has now taken its toll. In the third quarter of 1991 PCB fell by a seasonally adjusted annualised rate of 1.9 per cent. Because, however, private consumption was still comparatively buoyant in the first quaner of 1991, it appears that PCE for 1991 overall was more or less static. A small increase of 1-2 per cent is about the best that can be expected for 1992. If GDP growth is to be even as high as 1.5 per cent, though, then PCE will need to be at the upper end of that range.

- while the government keeps on spending

Further large real rises in government consumption expenditure (GCE) were in particular what kept the recessionary conditions of 1991 still "mild", as described, rather oddly, by the Reserve Bank.

GCE is exceptionally volatile from quarter to quarter because of differing times of peak spending so the quarter on quarter figures do not offer any real guide to the underlying position. The compulsion on the cabinet to rein in the increase in state spending in 1992 points to a rise in GCE this year of around 2.5-3.2 per cent. Clearly this will almost certainly mean a further n’se in the proportionate role of GCE in the economy. This is a matter of deep concern to many in the private sector who believe that it is essential to reduce the share of GCE ahead of a post-apaitheid government which is expected to want to increase government expenditure.

Investment slips further -

A repeated demand and hope of many economists in both the public and the private sectors is that the next economic upturn in South Africa should be led by investment and exports rather than by consumption. So far as exports are concerned there is reason to think this could be the case. But experience shows overwhelmingly that an increase in the level of spending on gross domestic fixed investment (GDFI) in South Afn’ca has invan’ably come after consumption growth. In 1987, for example, GDP increased by 2.1 per cent but there was still a decline of 2.4 per cent in GDFI even though there had already been severe drops of 7 per cent and 18.2 per cent respectively in 1985 and 1986. Only in 1988 and 1989 did GDFI recover temporarily, by 8.9 per cent and 5.1 per cent, after PCB had tisen by 3.9 per cent in 1987. The recent study for the World Bank (see ECONOMIC POLICY) finds that broadly speaking a 1 per cent rise in PCE will lead to a lagged 1.6 per cent rise in GDFI subject to capacity and confidence factors. Given excess capacity in many areas of manufacturing at present and low confidence, there will be another decline in GDFI in 1992. But whereas the estimated fall in GDFI in 1991 was more than 5 per cent on the tigunes for the first three quarters of the year, the decline in 1992 will be appreciably less, possibly by under 2 per cent.

- and there is a marginal savings boost

There was a marginal improvement in the ratio of personal savings to personal disposable incomes in 1991. The figures for the first three quarters of the year were steady at. on an annualised basis, 2 per cent, 2 per cent and 2.1 per cent respectively. As there is no indication yet of any basic change in that pattern for the October-December quarter, the figure for the whole year was certainly up on the 1.4 per cent level of 1990 and probably better than the 1.7 per cent of 1989.

This slight increase is not surprising because there is often an upturn in net savings as harsh economic times continue and people become move nervous about the future. Even so, the ratio remains close to record lows by historic standards and limits the scope for any new private consumption upturn, other than where it is backed by real increases in national income.

The R6.7 bn surplus estimated for the current account of the balance of payments in 1991 is by definition equal to the surplus of gross domestic savings over GDFI. This means, broadly, that if South Africa is freed from 1993 of the compulsion to keep nepaying large amounts of foreign debt, which has bound it from 1984, there should then be sufficient domestic savings available to finance, with some assistance from net new foreign loans, a much needed pick-up in GDFI from around mid-1993 on the back of appreciably rising economic growth and a much stronger level of business confidence. A sustained rise in GDFI will, however, then require more direct foreign participation and greater priority for investment over consumption in economic policy making, especially in the govemment sector.

Private sector input -

Derek Keys, former executive chainnan of the Gencor mining and industrial group, has been appointed minister of economic coordination and public enterprises. In his maiden speech in Parliament on January 29 he aigued that a common feature of all countties that had enjoyed at various times major advances in economic growth, in new fixed investment and in productivity had been a "golden triangle" of at least implicit agreement by govemment, business and organised labour to work towards those ends. The obvious implication here is that Mr Keys intends to try to involve the radical and still socialist oriented black trade unions in discussions on the future of the economy. But Mr Keys, who effectively has succeeded the late Wim de Villiers, also a former executive chairman of Gencor, as the minister who brings to cabinet direct senior experience in the private sector, will not find agreement easy to come by. One area where many economists believe he must concentrate is in scaling down, sharply in some cases, the protective barriers that surround too many sectors of industry. In the short to medium term, however, any reshaping of industry must involve initial job losses. Trade unions will fight strongly against most such proposals.

-- raises problems with hopes for a "social compact"

The golden triangle suggested by Mr Keys is one of a number of appeals for some form of "social compact" to solve South Afticais problems. For months now an economic scenan’o plan drawn up by Nedcor and Old Mutual has been circulating in the country. It is typical of the social compact appeals also reflected in the creation of an "economics Codesa". While these appeals are in themselves positive, they risk straying into fantasy by glossing over the very real conflicts of interest in South Africa. as an article by Nicoli Nattrass in the Johannesburg based Innes Labour Brief argues. Pan of the fantasy comes from setting up an opposition between the nightmare scenario of a Lebanon like social disintegration and the dream scenario of South Africa as a new South Korea with extraordinarily rapid economic growth rates.

According to the golden tn'angle, ideal business. labour and a facilitating state would combine to make possible a degree of consumption led growth in, particularly, low cost housing and expanded

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electrification for black residential areas and then a concerted drive for investment led, export oriented growth. But the problems that the second half of the growth plan in particular would create for labour organisations tend to be avoided. Moreover, Ms Nattrass argues that in setting up the target of South Korean growth rates the Nedcor/Old Mutual scenario plan neatly ignores the fact that the South Korean state has played an extremely coercive role in that country's growth, directing both labour and the private sector in ways that are unlikely to be possible or desirable in post-apanheid South Africa.

Strikes ease, except for political reasons

The last quarter of 1991 saw a large increase in industrial unrest, statistically anyway. The central feature was the mass two day stayaway called in early November by the leading trade union group, Cosatu, as part of its programme of protest against the way in which value added tax (VAT) was introduced from September 30 in place of general sales tax (GST). Although Cosatu had some fundamental objections to the way in which VAT was brought in, it was also strongly motivated by a general desire to flex its political muscles and to show the govemment and employers that it must be treated as a major player in the general debate about economic and social policies. That aside, however, labour disruptions through strikes and stayaways were lower in the last quarter of the year as the effect of the recession and the ever rising level of unemployment cause some, though not all, unions to temper their militancy.

FINANCE AND PRICES

Inflation is still menacingly high

The inhation rate in South Africa remains excessively high For the 12 months to the end of December 1991 the consumer price index (CPI) rose by 16.2 per cent. That compares with year on year increases in the CPI of 14.7 per cent in 1989 and 14.3 per cent in 1990. This means that in spite of a switch from early 1989 to a moderately tight monetary policy, after the cheap money of 1986-87, the intlation rate is higher now than it was three years ago. The Reserve Bank governor, Chris Stals, explains this, and is supported by most private sector economists, by saying that the excessive money creation prior to 1989 led to a large monetary overhang which has still not yet worked its way out of the system. In other words, today's inilation is the delayed reckoning for yesterday's indulgence. Dr Stals believes, however, that the lagged effect of the change to permanently positive rate interest rates will be seen in 1992. Although not giving a specific forecast he is certainly looking for CPI intiation for the 12 months to December 1992 to be down towards 12 per cent. Some economists, such as Edward Osborn of Nedbank, think the rate could even be closer to 11 per cent. But experience in South Africa suggests that the rate will be nearer the upper than the lower end of expectations this year.

On the surface producer (wholesale) price inllation presents a much more encouraging picture with the year on year increase for November 1991 down to 7.9 per cent. But the index base was affected by oil price increases ahead of the Gulf war, while the November figure retlects price falls during and after the war. Hence the 7.9 per cent rate is somewhat misleading; underlying producer price inflation is more than 10 per cent. Still, that gives some comfort to Dr Stals.

VAT has not delivered, yet

A big disappointment for the govemment. so far at least. has been the minimal effect that the changeover from September 30, 1991, from general sales tax (GST) to value added tax (VAT) has had on fixed investment (GDFI). Capital and intermediate goods are exempted from VAT but were not under GST. It was widely assumed, thetefore. that investment was held back in the middle two quarters of 1991 as businesses waited for the benefits of VAT. As yet no official figures for GDFI for the last quarter of 1991 are available but indications from major companies, from impons, from domestic suppliers and from bank credit suggest that the declining trend in GDFI continued over October-December. Consideiing also the degree to which the government got itself embroiled with Cosatu over the question of the introduction of VAT (No 4 - 1991. page 20) there is obvious unhappiness within the cabinet. What this seems to show, though, is that GDFI in South Africa will pick up only after a clear upturn in economic growth. It will not lead the way.

Shares surging

The Johannesburg stock exchange (JSE) continues to show remarkable growth and exceptional resilience. On January 28, 1992, the JSE actuaties industrial index stood at 4,426, almost 47 per cent higher than its opening level at the start of 1991. That was matginally 011’ its record of 4,535, set on January 14, 1992. but still exttemely buoyant in view of adverse agricultural developments in South Africa in Januaty and the loweting of hopes for world economic growth and thus for South African exports. On January 14 the JSE actuan’es all matket index was also at a record, of 3,616. While this eased back much in line with industtials over the second half of January it remained clearly bullish. JSE industrials are offering an average dividend yield now of around 2.5 per cent against about 4.7 per cent on the London stock exchange, for example. If the J SE is acting as an advance indicator, as is traditionally claimed for it, equity investors are clearly taking an optimistic view on the medium-texm political and economic outlook.

The money supply target is to be reduced

The Reserve Bank governor will announce his 1992 money supply targets in March. He will propose a range of either 6-10 per cent or 7-11 per cent for the growth in broadly defined money supply (M3) for the last quarter 1992 over the last quarter 1991. The crucial point is that the target will be less than the 8-12 per cent adopted for 1991. Dr Stals also will be able to report that M3 growth in 1991 was at the lower end of the target range when the distorting effect of the Deposit Taking Institutions (UI’I) Act of February 1991 is excluded. The central bank says that while M3 officially increased by 12.4 per cent for calendar 1991 the increase was approximately 8.5 per cent when the DTI effect is stripped away.

The rand is under control -

The foreign exchange value of the rand continues to depreciate against major cunencies generally, though not at the precipitate rate experienced over 1984 and 1985. In October 1991 the Reserve Banks weighted average index of the rand’s effective value was 30.73 (1979:100) against 32.22 in 1990 and 34.63 in 1989. Given South Africa’s high rate of intlation compared with its major trading partners, this means there has actually been a timing over the past two years in the real effective exchange rate of the rand, that is, the effective index adjusted for inhation. In September the real effective index was 91.6 (1979:100), its highest level since 1984 and in contrast to 74.9 in 1985. The rand exchange rate has, in fact, been used as an anti-intiationary weapon. The most important rate for South African exports overall. however. is that against the US dollar because most expons are dollar denominated. The rand traded on average in 1991 at around $1:R2.80. As the 1989 average rate was $1:R2.62 this represents a squeeze on South African exporters, not least the gold mines, because costs have risen well above the modest gain for rand earnings from the rand’s easing against the dollar.

- while the linrand bubbles over again
The financial rand (or tinrand) was more volatile in January and at a wider discount to the commercial rand into early February this year. For 1991 the iinrand traded at an average discount of around 15 per cent. On December 31 it was worth $0.315 against $0.365 for the commercial rand. That compares with average annual discounts of 37.9 per cent. 28.9 per cent and 24.3 per cent in 1988. 1989 and 1990 respectively. The steady reduction in the discount reflected improving foreign investment perceptions about South Africa’s risk. By February 6, 1992, the Iinrand had slid back to $0.29. a discount of more than 19 per cent against the prevailing commercial rate of $0.36.
The drop in the iinrand was triggered by confused repons that South Africa intended taxing non-resident interest income sourced from South Africa.
AGRICULTURE
A new farming catastrophe
South Africa is yet again facing a disastnous year for agriculture overall. The South Afn’can Agricultural Union (SAAU) estimated in early February that because of severe drought in most areas the maize crop in 1992 will be only about 5 mn tons, the lowest in ten yeats and necessitating impons of a minimum 1.5 mn tons and maybe up to 3 mn tons. This could cost as much as Rl.5 bn in foreign exchange. The sociopolitical crisis caused by the drought, however. in terms of unemployment and funher migration of thousands of blacks (and whites) from the countryside to the towns, is much more important than the effect on the balance of payments. The ripple effects of the maize production slump will, though, be progressively felt by suppliers of farm equipment and by businesses generally which rely on substantial trade in maize growing regions of the country.
Total gross agricultural debt is now estimated to be heading for R17 bn plus by the end of 1992.
In January a delegation from the SAAU saw the Reserve Bank governor to plead for lower interest rates to "save the farmers". Dr Stals pointed out that a cut of 1 or 2 per cent in rates would make no difference and that in any case monetary policy could not be used to subsidise agriculture at the risk of sabotaging the economy generally. The SAAU says debt payments now take up 36 per cent of net fatm income against 18 per cent in 1980/81. The only hope for thousands of farmers is if the government were to announce some form of debt write-off programme. There is growing support, however, within the ANC and among some development economics groups for debt relief to be linked to the direct transfer of large parcels of land for building up a strong black farming sector. But no detailed proposals have yet been put forward.
MINING
Diamonds lack sparkle
The Central Selling Organisation (CSO), the De Beers controlled cartel, reports that diamond sales fell by 6 per cent in 1991 to $3.93 bn. Although this was fractionally lower than the $4 bn forecast by the De Beers chairman, Julian Ogilvie Thompson, it was well above the more pessimistic predictions in the market which at the bottom end were down to $3.7 bn. The CSO says that the market was hit by the Gulf war and by an overhang of stocks.

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Mining output is up

The volume of mining output rose slightly in the third quarter of 1991., by 0.5 per cent annualised.
This improvement on the annualised fall of 2.5 per cent in the second quarter contributed to the overall improvement in GDP perfonnance for July-September on the previous quaner.

Chrome and manganese suffer setbacks -

South Afn'ca's chrome, manganese and femo-alloy producers are all finding export conditions difficult. This is particularly disappointing for them because it had generally been assumed that 1992 would see a tinn upturn. It is undemtood that South Aftican Manganese Amcor (Samancor) and Associated Manganese, the country's two pmducets of high grade manganese ore, were compelled in late January to cut ore prices by 14 per cent. This followed an earlier 12 per cent reduction by Broken Hill Proprietary of Australia in response to weak world market conditions. In August 1991 South African ferrochrome producers. led by Samancor. increased prices from 49 cents/lb to 52 cents/lb, saying that they could not operate profitabably otherwise. But consumer resistance saw a decline in South African volume sales. By early February 1992 it appeared that the destocking was ending but it was clear that South Afn'can producers would have little if any chance in the near future of securing any further price rise.

- and platinum is off colour

The platinum price continues to be curbed by its linkage with the gold market. In early February, however, it was trading at around $365/oz, higher than gold and well clear of the seven year low of $331.50/oz of August 28, 1991. But platinum prices are still uncomfonably low for the South African producers. On January 23 Impala Platinum announced that because of poor platinum and rhodium prices it was mothballing the Messina mine in which it has a 54 per cent stake.
Johannesburg Consolidated Investments (J CI), which controls the world's largest producer, Rustenburg Platinum, also decided in January to cut back sharply on underground expansion plans at its Lebowa platinum mine. Proposed spending of some R450 mn this year at Rustenburg will, however, go ahead.

Coal export capacity increases

The R316 mn expansion of the Richards Bay coal export terminal was completed in December 1991. This increases the country's export capacity to 53 mn t/y. Exports in 1991 are estimated, however, by Allan Sealey, chainnan of thbank Colliery, to have been slightly less than the 1990 level of 48.9 mn tons. In January 1992 the Arthur Taylor Colliery, an open cast mine jointly controlled by Johannesburg Consolidated Investments and Total Exploration of France, was opened. It will have an export capacity of 2.4 mn t/y.

MANUFACTURING

Manufacturing is still in the doldrums

The Reserve Bank says that in spite of a big rise in manufacturing exports in the third quarter of 1991 there was a decline in total manufacturing production. According to the Central Statistical Service manufacturing production was 2.4 per cent less in the three months to October 1991 than in the preceding three months. Private sector economists such as Rudolf Gouws of Rand Merchant Bank say these figures support the view that the recession was more severe in 1991 than suggested by the Reserve Bank. Officially the manufacturing industry overall has almost 20 per cent spate capacity. However, some of that capacity is effectively worthless because of obsolete plant

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FOREIGN TRADE AND PAYMENTS

The current account surplus builds up -

There was a surplus of R2.072 bn on the current payments account in the third quarter of 1991. according to the Reserve Bank. This took the cumulative surplus for the first nine months of the year to more than R4.3 bn. Preliminary Customs & Excise figures indicate another large surplus in the fourth quarter with the total surplus for the year above R65 bn and probably closer to R7 bn.

The central bank shows a hefty rise in export volumes in the second and third quarters of the year after a drop in the first quarter. Impon volumes increased through the year but only modestly because of the decline in total real demand.

- and capital outflow slows

There was a virtual staunching of the capital outflow in the third quarter of 1991 with foreign exchange loss down to approximately R100 mm from R2.1 bn in the second quarter. This large reduction was mainly because outflows of long-term capital were offset by raising of new short-term loans. The Reserve Bank says that overall the situation reflects "a normalisation of the international financial relations of South Africa".

The gross gold and foreign exchange assets of the Reserve Bank declined to R82 bn at the end of December 1991 against R9.1 bn in November. The fall in December was caused by seasonally heavy interest and dividend payments to non-residents. The reserves level for the end of 1991 was R1.9 bn higher than at the end of 1990. In January 1992 the Treasury raised R890 run on the European bond market through a five year Ecu250 mn issue.

RL/HP/CS/EA

Appendix 1 Quarterly indicators of economic activity in South Africa
1988 1989 1990
4 qtr l qtr 2 qtr 3 qtr 4 qtr 1 qtr 2 qtr 3 qtr 4 qtr
Mining Monthly av
Gold:
volume of production 1990: 100 107.8 100.7 99.2 102.2 102.4 99.0 98.3
sales mn rand 1,643 1,564 1,691 1,732 1,711 1,525 1,493
Other:
volume of production 1990:100 103.3 100.4 100.6 109.7 100.4 99.2 100.2
sales mn rand 1,244 1,302 1,401 1,634 1,467 1,489 1,450
Coal:
volume of production 1990:100 100.6 99.0 97.5 108.9 97.8 100.9 100.8
sales mn rand 540 519 546 655 624 625 634
Manufacturing production
Tolal’ 1985:100 110.2 109.6 111.4 107.9 108.4 109.1 108.0
Food " 108.4 104.0 106.0 113.3 111.3 103.3 107.4
Basic iron & steel " 103.7 100.4 114.2 108.1 101.4 101.2 104.1
Metal productsb " 94.0 96.2 104.8 103.6 91.9 96.7 102.2
Chemicals " 107.9 105.1 102.3 108.3 103.0 95.3 96.3
Construction’
Building plans passed
(private) mn rand 678 688 725 810 820 828 882
Employment End qtr
Mining 1000 714 703 707 721 702 693
Manufacturing " 1,455 1,456 1,459 1,462 1,462
Construction " 414 419 417 415 418
Retail trade’ Monthly av
Sales: 1985 prices 1985:100 101.8 101.6 102.5 102.7 106.5

Appendix 1 Quarterly indicators of economic activity in South Africa (continued)
Prices
Consumer prices:
change year on year
Pmduction: all items’
domestic goods
imported goods
Indusuial & commercial shares
Gold mining shares
Money & banking
Money & near money:
change year on year
Deposit taking institutions:
excess liquidityc
Bank rate
Pn’mc overdraft rated
Longer term govt bond yieldlI
Foreign trade & paymentS’
Exports, fob excl gold
Net gold exports
Impons, fob
Terms of trade, excl gold’d
Current balance
Exchange holdings
Reserve Bank:
goldf
foreign exchange
Exchange rate
Market rate’l
Monthly av
1985: 100
%
1985: 100
n
End qtr
bn rand
%
% of total
liabilities
%
N
Qtrly totals
mn rand
’1
1985:100
mn rand
End qtr
$mn
rand/$
1989
lqtr 2qtr
168.6
13.5
168.5
169.7
162.9
192
122
100.2
33.3
0.5
14.5
18.7
16.7
8,438
4,746
9,967
97.0
917
1,211
568

2.56
175.6
14.8
175.2
176.0
172.4
210
131
101.7
29.9
0.4
17.0
19.7
17.3
10,800
4,537
12,143
98.6
149
1 ,087
571
2.78
3th
181.5
15.3
180.8
181.5
177.9
223
143
109.0
27.1
0.9
17.0
20.0
17.0
10,187
4,918
1 1,638
97.4
958
992
808
2.69
4qtr
187.2
15.1
185.8
187.0
181.2
203
171
118.4
27.1
0.6
18.0
21.0
16.6
9,660
5,027
10,574
91.2
1 ,084
900
958
2.54
1990
1 qtr
193.9
15.0
190.0

191.1
184.6
226
186
123.4
23.2
0.4
18.0
21.0
15.6
10,342
4,448
10,353
92.0
2,276
1 ,080
l ,040
2.65
Note: annual figures of most of the series shown above will be found in the Country Profile.
’ Seasonally adjusted. 5 Excluding machinery. c From 1991, average assets for last month of quarter as % of end quarter liabilities. 1’ Monthly averages. ’1 Including Namibia. f End quarter holdings at quarters average of London daily pn’cc less 25 per cent. ’ One month only. " Average for two months. 1End of July. 1 End of August. ’1 End of October. 1 End of November.
2qtr
200.2
14.0
195.1
197.6
185.6
219
147
122.5
20.5
0.4
18.0
21.0
16.3
9,925
4,625
10,901
96.0
8 1 1
935
858
2.66
3 qtr
206.5
200.5
203.7
186.6
123.7
10,808
4,502
12,236
1 ,029
4qtr
214.6
14.6
210.2
210.8
207.8
215 209
146 117
13.8
133.9
13.5 13.4
0.7 0.5
18.0 18.0
21.0 21.0

16.4 16.3
11,310
4,495
10,610
97.3
2,250
99.4
450
1,167
974 1,006
2.57 2.56
1991
1 qtr
221.9
14.4
216.2
218.2
210.4
241
97
144.1
16.8
3.2c
17.0
21.0
15.7
10,150
4,332
11,439
91.8
973
1,325
1,127
2.73
2qtr
230.2
15.0
217.1
221.3
2M6
279
102
145.8
19.0
0.9
17.0
20.0
16.1
11,537
4,998
12,494
96.6
1,299
1,415
855
2.89
3 qtr 4 qtr
238.6
15.5
224.0
228.0
207.1
314
108
246.9
152.0
22.9
0.7
17.0’
20.0i
16.7

12,437
5,022
12,854
96.7
2,072
1,730k
1,135k
1 .629
940
2.80 2.80

Appendix 2 South Africa1s trade with major trading partners (continued)
monthly averages 3’000
OECD total’ USA UK
Jan-Dec Jan-Dec Jan-Jun Jan-Nov
Exports to South Africa, fob 1988 1989 1990 1991 1990 1991
Food, dn’nk & tobacco 36,439 27,878 6,280 5,017 10,505 9,237
Textile fibres 8,388 9.250 559 496 1,965 2,673
Crude minerals & fenilisers 6,570 5,202 567 683 624 632
Mineral fuels 4,991 4,374 1,990 1,753 781 812
Animal & vegetable oils & fats 1,804 1,735 796 353 86 82
Chemicals 147,038 135,839 25,916 31,506 30,961 29,783
Leather & rubber manufactures 11,361 14,009 722 721 2,271 2,078
Paper & manufactures 20,517 18,915 6,111 5,993 3,709 3,778
Textile yarn, cloth & manufactures 20,304 20,328 2,418 2,737 3,108 3,055
Non-metallic mineral manufactures 17,477 19,552 791 857 3,391 2,807
Iron & steel 20,810 25,816 1,351 1,414 3,664 3,107
Non-ferrous metals 6,774 6,478 286 1,239 987 1,041
Metal manufactures , 26,070 23,298 1,879 2,054 6,106 3,755
Machinery, including electric 375,378 348,645 47 .837 51,409 65,066 56,618
Road vehicles 164,466 149,282 7,043 5,507 11,069 7,969
Other transport equipment 13,655 14,113 16,347 57,790 1,976 3,386
aircraft 15,763 57,115
Clothing 1,798 1,743 109 172 384 660
Scientific instruments, etc 40,430 36,885 7,746 8,108 6,376 6,169
Total, including other items 983,438 927,235 145,797 197,645 167,577 151,275
OECD exports to South Africa
monthly averages $ mn
Jan-Dec Jan-Sep
1988 1989 1990 1990 1991
Germany 277.6 271.4 254.7 261.3 246.2
USA 141.0 139.3 148.1 149.0 187.7
UK 159.8 142.1 165.4 161.8 149.6
Japan 170.6 145.3 123.5 121.9 137.7
Italy 50.1 56.1 64.5 58.2 53.8
France 48.4 46.8 46.9 45.5 48.8
Note: commodity totals are the sum of items shown in the trade accounts and may be incomplete.
’ Excluding indusu’ial gold. ’1 Including other fibres. 1 Including non-mctallic manufactmes. 1’ Fob.

monthly averages
Foodstuffs
meat & flsh & products
cereals & products
fmit. vegetable & products
sugar & products
animal feeding stuffs
Beverages & tobacco
Hides & skins, undressed
Pulp
Wool & other animal hair
Crude fertilisers & minerals
Metal ores & scrap
Mineral fuels
Chemicals
Diamonds, polished
Metals & manufactures
iron & steel
monthly averages
Jan-Dec
1988
181.7
143.9
121.3
127.9
163.0
59.0
Imports from South Africa, cif
Machinery & transpon equipment
Total, including other items
1989
231.6
141.1
121.2
128.6
171.3
62.9
Appendix 2 South Africa1s trade with major partners
OECD total’ USA
Jan-Dec Jan-Dec
1988 1989 1990
90,038 107,689 2,342
12,427 12,007 28
3,136 22,614 -
56,595 56,701 15
9,094 9,353 2.267
6,663 5,046 -
3,511 4,081 24
8,761 7,727 10
16,616 20,993 4,954
33,4541 34,161" 4
33.741 43,009 2,647
88,837 111,147 10,928
95,311 109,321 2,176
41,939 48,721 5,819
60,839c 73,406c 2,246
292,356 315,185 109,947
93,285 111,117 15,988
18,226 22,092 4,546
838,200 954,246 155,487
OECD imports from South Africa
1990
229.4
153.1
159.6
144.5
154.6
65.5
$mn
Jan-Sep
1990 1991

199.8 204.8
148.4 170.9
162.5 155.0
135.0 153.3
156.7 151.1
61.6 59.0
Jan-Jun
1991
1,127
1
14
1 ,089
14
4,765
2,819
18,112
1,759
4,891
2,455
128,515
15,323
4,651
168,473
UK
Jan-Nov
1990
24,987
136
915
22,152
254
72
1,665
446
6,440
4,768
2,385
24,942
1,380
3.288
946c
66,133
3,098
8,627
163,094
1991
25,482
473
832
22,388
435
108
2,400
245
5,189
3,914
2,088
19,945
3,132
3,676
5226
52,412
2,775
8,534
144,457