

29/05/89

DEPARTMENT OF EXTERNAL AFFAIRS

211

RPTBL

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

89/90 TRADE AND ECONOMIC OVERVIEW

Mission: PRETORIA

Country: SOUTH AFRICA

SOUTH AFRICA: DESPITE THE FACT THAT THE MISSION DOES NOT UNDERTAKE A TRADE FUNCTION IN S.A. THE ECONOMIC SITUATION WITHIN THE COUNTRY IS CLOSELY MONITORED IN VIEW OF CANADA'S POLICY OF IMPLEMENTING TRADE SANCTIONS. FOR SOME YEARS THE ECONOMY HAS BEEN IN A DEPRESSED STATE BUT DURING THE THIRD AND FOURTH QUARTERS OF 1987 AND THE FIRST QUARTER OF 1988 THERE WERE SOME INDICATIONS OF A GENERAL IMPROVEMENT. THE INFLATION RATE AS REGISTERED BY THE CPI FELL BELOW 13% ON AN ANNUALISED BASIS AND INTEREST RATES FELL TO THE 12% LEVEL. HOWEVER, THE RECOVERY WAS SHORT LIVED AND SERVED TO ILLUSTRATE THE FRAGILITY OF THE S.A. ECONOMY. WITH ITS INABILITY TO RAISE LONG TERM FUNDING FOR DEVELOPMENT PROJECTS IN EXTERNAL MARKETS, THE NEED TO MAINTAIN A STRONG TRADE BALANCE TO MEET EXTERNAL DEBT COMMITMENTS AND ITS HEAVY RELIANCE ON GOLD SALES, THE INCREASED IMPORT DEMAND BROUGHT ABOUT BY INCREASED ECONOMIC ACTIVITY COULD NOT BE SUPPORTED. IN MID YEAR GOVERNMENT IMPOSED HEAVY IMPORT SURCHARGES TO DISCOURAGE IMPORTS AND ALLOWED THE BANK RATE TO RISE FROM 12% TO ITS CURRENT LEVEL OF 16%. BANK OVERDRAFT RATES HAVE RISEN TO 23% AND HOUSE MORTGAGES NOW STAND AT 17%. THESE MEASURES ARE COMBINING TO SLOW DOWN THE RATE OF GDP GROWTH FROM 4 TO JUST OVER 1.5%. THE S.A. RAND HAS CONTINUED TO DECLINE IN VALUE TERMS AGAINST ALL MAJOR CURRENCIES AND ACCORDING TO MONETARY OBSERVERS IT IS LIKELY THAT THIS TREND WILL CONTINUE FOR THE FORESEEABLE FUTURE. IT IS ANTICIPATED THAT GOVERNMENT WILL IMPOSE MORE STRINGENT MEASURES TO DISCOURAGE IMPORTS AND CONVERSELY ENCOURAGE EXPORTS IN THE NEAR FUTURE.