PRICES - GENERAL

1993
Tariff reform will cut food prices in SA

FOOD prices are set to fall early in the new year, when government will take action to expose South African food producers to increased local and foreign competition.

The Board on Tariffs and Trade proposes introducing a system of adjustable tariffs on imported food to keep local prices in line with international prices.

The reform of the agricultural control boards is also expected to bring down food prices. The Kasper Commission, which reports in the new year, is expected to make recommendations to this effect.

"We are proposing a system of adjustable tariffs on food such as is used in several developed countries," says Helgard Muller of the Board on Tariffs and Trade.

"These tariffs can be changed at short notice as international prices move. I would hope that this would bring SA prices into line with overseas prices."

Quantitative controls on imported food and price-fixing by the agricultural control boards are two of the main reasons for the high cost of food in SA.

Dr Muller was responding to an IFP report which criticises SA's protectionist policies which have led to high food prices. The report says these policies are inappropriate for a country suffering drought and poverty.

Stubborn

There is considerable disquiet in government at the system of price fixing by agricultural control boards based on local cost structures of farmers.

This has caused SA food prices to fall out of line with international prices, an issue which will take political centre-stage in the run-up to free elections.

Food prices increased by more than 30% earlier last year, one of the main reasons why SA's inflation proved so stubborn, but Central Statistical Services figures show a slowdown to 17.2% in November.

This helped lower the overall increase in the rate of annual inflation from 11.7% in October to 11% in November.

Sugar is one of the first crops likely to be subject to the adjustable tariffs once the Minister of Agriculture approves the scheme. The system will be extended to other agricultural imports.

"We cannot influence the price of agricultural products, only the level of protection, which ultimately has an effect on prices," says Dr Muller.

But pressure is mounting from opposition groups and government to change the system of fixing agricultural prices, currently vested with the control boards and the Department of Agriculture.

The present system is perceived to protect farmers at the expense of the consumer. SA is forced to import 4.2 million tons of maize at a cost of about R1.8-billion because of drought. SA's maize crop is expected to be 2.9-million tons this year, compared with around 8.6-million tons in normal years. The country needs 6.5-million tons to feed its people.

The maize is landed at SA ports at between R35 and R500 a ton, but the local price is fixed by the maize Board at R475 a ton. All profits from the sale of imported maize go to government rather than to the consumer.

One of the biggest culprits of high food inflation is meat. Imports of live animals and animal products were just 10% of last year's total food imports of R3.7-billion. A system of quantitative controls and tariffs is designed to protect local farmers so that very little meat is imported.

One of the few meat items to be imported is spare ribs. The Board on Tariffs and Trade dropped import tariffs from 50% to between 19% and 15% on spare ribs because farmers supplied a relatively small proportion of local demand.

The meat industry is highly regulated, resulting in rapidly escalating meat prices and falling per capita consumption of meat.

By removing controls, SA could take advantage of meat surpluses around the world, importing at less than half the local cost of meat. A further challenge to the meat industry comes from the Organisation of Livestock Producers, which is bypassing the complex system of controls by selling meat direct from the consumer to consumers at up to 45% below official prices.

Illegal

Dr Muller says tariffs will still be imposed on many food imports to protect local farmers against dumped products.

"We do not have enough manpower in our anti-dumping unit to be able to guard against dumping of agricultural products. The agricultural sectors in many countries are highly subsidised."

He says tariffs will gradually replace quantitative controls, which are illegal in terms of the latest round of the General Agreement on Tariffs and Trade to which SA will become a signatory.

"Once we have signed the Uruguay Round of GATT, a number of food tariffs will be cut overnight, and other cuts will be phased in over a period of years."

One of the fastest-rising sectors of the JSE is food. The food index increased by about 20% in 1992 as listed food companies reported strong earnings growth.
Fighting to keep food prices down

By Mzimkulu Malunga

Former president of the South African Chamber of Business Sidney Matis is optimistic that the downward trend in food prices will continue.

Latest figures released by the Central Statistics Service indicate a modest drop from around 22 percent late last year to 17.2 percent.

With the devastating drought steadily disappearing from the scene and the VAT impact passing, prices will come down, he asserts.

While they hailed the decline, consumer organisations argue much will depend on the rainfall, better farming methods and a healthier economic scenario.

Meanwhile economists are predicting a further increase in fuel tax this year in an attempt to keep the VAT rate down.

Fuel tax increase is less sensitive to price increases and a much lighter political time bomb than VAT. Hence, there is widespread belief that the Government can get away with a substantial increase in this sphere.

An upsurge in food prices, in the last half of 1992 in the wake of VAT’s introduction, led to the formation of the Food Logistic Forum.

This is a broad coalition comprising major players in the food and retail industries. Trade unions as well as marketing and control boards got together to identify the root causes of food price hikes so as to formulate a comprehensive approach to prevent the escalation.

Since its inception late last year, the FLF says it was able to persuade the Government to look “sympathetically” at zero-rating of basic foodstuffs.

The Government was also asked to contribute R200 million generated by duties on wheat imports to keep the bread price down.

Ten working groups charged with tasks of looking into key factors leading to food price increases were also established.

These include concentration in the retail and manufacturing sectors, the price gap between farmers and manufacturers, food relief for the poor, wheat and maize subsidies as well as the obvious issue of VAT.
brought a 5.4% monthly fall in vegetable prices. This contrasts with a 4.3% year-on-year rise, caused largely by the effect of drought on prices earlier in the season.

But the rain pattern has not been the only factor behind the rise in food prices. This emerged when they were plotted over three years. The food inflation rate pulled ahead of overall inflation in February 1990 (see graph).

The underlying reasons relate to production and distribution distortions in the economy which have been compounded by inflationary expectations and the drought.

Though the fundamental problems remain, the drought is probably over and, as annual wage increases fall, consumers are starting to resist double-digit food price increases.

A breakdown of prices between chain stores and other food retailers has been provided by CSS since May. Over six months, prices charged by large stores rose 7.3% and those of other retailers 8.1%. Annualized, these increases are 15.1% and 16.9%, lower than last month's annualized 19% and 21.9%.

Little pressure came from housing, which is the biggest component of the index (with a weighting of 20.5%). This is influenced mainly by interest rates — which have been declining since March 1991 — and is indirectly affected by property prices which have been relatively subdued through the recession. According to CSS, this index rose 0.2% in November and fell 1% over 12 months. Overall, November monthly inflation was 0.4%, while the year-on-year rate was down to 11%, from 11.7% last month. This confirms the downward trend in inflation which has been in place since October 1991, when it peaked at 16.8%, and continued the consistent fall from 15.1% in June.

In the month, the main inflationary pressure came from the third biggest sector, transport (14.43), where prices climbed 2.2%. Over 12 months, however, the rate was a relatively modest 11.7%.

There was little impetus in November from the rest of the index. Prices in many sectors were unchanged in the month, including:

- Furniture & equipment (5.5) which rose 10.7% over 12 months;
- Medical care & health expenses (5.23) 15.6%;
- Cigarettes, cigars & tobacco (1.21) 14.2%;
- Alcoholic beverages (0.96) 19.1%;
- Communication (1.61) 15.4%; and
- Education (1.76) 21.1%

The index for:
- Recreation & entertainment (3.71) was up 0.1% in the month and 12.1% in the year;
- Non-alcoholic beverages (0.69) 0.1% and 16.4%;
- Clothing & footwear (7.02) 0.3% and 9.1%, and
- Household operation (2.57) 0.9% and 13.5%. 

The food factor

CPI and food price index
Signs point to big fuel price increase soon

GERALD REILLY

The National Energy Council's fuel equalisation fund emptied at an unprecedented rate last year and the drain is continuing, say council sources.

The motor industry expects that a big petrol and diesel price increase, which Mineral and Energy Affairs Minister George Bartlett warned of late last year, could be imposed from February.

When he announced the 7c a litre increase in 93 octane petrol in October last year, Bartlett said the fund could continue to finance the huge under-recoveries for a while, but a major price adjustment would be unavoidable early in the new year.

Big under-recoveries were run up from March, the biggest being in June when it was 9,653c/l.

In July the under-recovery was 14,650c/l, in August 14,660c/l, in September 13,653c/l, in October 13,153c/l and in November 9,953c/l.

Bartlett estimated the direct inflationary effect of the 7c/l increase would be 0.104c/l and the indirect effect 0.52c/l.

It is also expected that government will raise the tax on petrol in the Budget as a revenue booster for the new financial year. There could also be a VAT increase. This, with a likely tax hike and the provision for replenishing the equalisation fund, could mean a total increase of more than 15c/l.
Milk and soft drink costs rise

Staff Reporter

BATTERED consumers already reeling from massive price hikes will be dealt further body blows when the prices of milk and other milk products and soft drinks increase on Monday.

In a statement, Mr. Dave Woods, of Dairybelle, Western Cape, said the increase would be "around" 10% due to rising production costs which had been absorbed since October last year.

This means a litre of milk will now cost anything between R2.53 and R2.66.

The increases were unavoidable and the last increase was in May last year, Mr. Woods said.

The price of some fruit juice products would, however, drop due to lower raw material costs.

To page 3

From page 1

Spokesmen for Joyce's Dairy and Homestead Dairy could not be contacted to determine whether their prices will also increase.

Meanwhile, Mr. Peter Childs, marketing manager of Peninsula Beverages Company — bottlers of Coca Cola, Fanta, Schweppes and Apple-tiser — said a price increase of about 11% would be effective on both the wholesale and retail price of soft drinks.

Dealers would, however, get an opportunity to buy stock at the old price until the end of the week, he said.

The new price for a case of 24 cans of Coke would sell wholesale at R3.25 or 99.4 cents a can.

The dealer is entitled to sell at the recommended retail price of R2.28.

The one-litre bottle of soft drinks have a recommended retail price of R2.12.

The popular 1.5-litre plastic returnable bottle's recommended retail price is R3.07, Mr. Childs said.

In some cases dealers would go over and above the recommended retail price because they were not satisfied with the profit they made.

Mr. Childs said the last price increase was in March last year and since then the price of sugar has increased by 14%, bottles and crates by 15%, labour by 14%. Production costs had also soared.

Another factor was the "steep decline" in consumer spending. Peninsula Beverages experienced virtually no growth in the year ending December 31, 1982.
Another decline in PPI

Finance Staff

Producer price inflation continued to decline in November last year, thereby encouraging prospects of a further fall in the consumer price inflation rate from its current eight-year low.

The Central Statistical Service reported over the weekend that the producer price inflation rate, as measured by year-on-year increases in the producer price index (PPI), dropped to 7.3 percent in November from 7.8 percent in October.

More encouraging news was provided by the monthly figures. From October to November 1992 the PPI rose by a mere 0.1 percent.

Surprisingly, the PPI for locally produced commodities fell by only 0.1 percent between the two months, mainly due to the easing of food price increases as the drought was broken by the November rains.

For the 12 months to November, the PPI for locally produced goods still showed a fairly steep increase of 8.2 percent (October 8.7 percent).

The cost of imported producer goods rose by a mere 4.1 percent in November over November 1991 and by 0.8 percent over October 1992.

The latter hike reflects the weakening of the Yuan against the dollar during that period, although weaker international oil prices somewhat offset the impact of the falling currency.
Easing PPI figures

hearten economists

TIM MARBLAND
24/4

The rise in producer prices slowed to 7,5% in the 12 months to November from October's 7,8%, Central Statistical Service said on Friday. The producer price index (PPI) showed a decrease in local inflation to 8,2% from 8,7% in October. Imported inflation dipped to 4,1% from 4,3%.

The PPI is based on producer prices at the point of production in the case of locally produced commodities and on wholesale prices for imported commodities.

Economists said the petrol price rise in late October was offset by an easing in food price increases as the drought broke.

Nedbank chief economist Edward Osborn said the lower than expected increase was very welcome and would reinforce downward pressure on inflation.

He said the PPI would assist a slower increase in the consumer price index.

Another economist said the PPI data was "outstanding."

A tough speech by President F W de Klerk on Friday to government workers and the promise of higher taxes indicated "unity" between Finance Minister Derek Keys and the Reserve Bank.

"(Bank Governor Chris) Stals should have more room to move on the Bank rate now that there is cooperation on a fiscal and monetary level." He said the latest PPI data indicated that Stals had more leeway to cut the Bank rate. Nonetheless, the poor balance of payments situation and the recent lack of rain remained a worry. 
Buyers urged to shop around

By CLAIRE BISSEKER

WHOLESALE milk prices increased across the Peninsula by up to 12% yesterday. But not all retailers have raised their prices, giving some hope to the brow-beaten consumer.

A Cape Times survey of 10 retailers found that R1.59 for a litre sachet at the Pinelands Spar was the cheapest full cream milk available.

Runners up at R1.70 were the Otter Pick’n Pay and the Camps Bay Spar.

These outlets have elected not to raise prices despite Darrybelle’s 11% and Bonnita’s 12% price increases “as averaged over the various containerised options for milk”.

Darling Dairies have not increased their prices but were not available for comment yesterday.

The most expensive litre milk carton was R2.50 at the Flamingo Superette in Lansdowne. Most of the outlets now charge between R2.45 and R2.55 per cardboard carton.

Surprisingly, cafes were not always more expensive than supermarkets.

Mrs Sheila Baillie, Housewives League national vice-president, is investigating the cause for the price increases as she refuses to accept that increased production costs are the real reason.

She has urged consumers to shop around and not play into the hands of opportunistic dairies and retailers by buying milk indiscriminately.

Dairy Service Organisation managing director Mr Edu Roux said yesterday milk prices were market-driven and the market would determine whether people would continue to buy milk and whether the increases were justified.

He added that although dairies had not paid the 3½ cent/litre levy for the past six months, the saving did not make the price increase unwarranted.

“Milk prices are partly inflation-driven. The problem in South Africa is that if you don’t put up the price one year, you lose that increase forever,” he said.

In a similar vein, Consumer Council executive director Mr Jan Cronje announced that chain stores were now charging up to nine cents more for bread than three months ago when they undertook to contain prices.

The recommended price is R1.60 for brown bread and R1.75 for white.

Our survey found that Otter Pick’n Pay was the cheapest, charging R1.57 for brown and R1.62 for white bread. The top prices found were R1.68 and R1.89 respectively.

“Consumers should realise that as long as they are willing to pay more than the recommended price they are telling retailers that they are satisfied with higher prices,” Mr Cronje said.
Hike in cooldrink price
BLOEMFONTEIN — The wholesale price of cooldrink is to be increased nationwide by 12.4% on Monday, news reports said.

(24-4)
Reports by Staff Reporter, Own Correspondent, Sape-Fonews 19/12/93
Credit charges to be reduced by 1%

MAGGIE ROWLEY
Deputy Business Editor

THE plight of hard-pressed consumers is to be eased tomorrow with a 1% cut in finance charges for hire purchase (HP) and leasing credit.

Consumers who will benefit most are those paying off furniture and cars on HP or lease agreements.

The drop in HP rates will be gazetted tomorrow, a spokesman for the Department of Trade and Industries said.

The cut will lower the maximum interest that may be charged for amounts of R6,000 and less to 29.5% per annum and for amounts exceeding R6,000 to 26%.

On amounts of R6,000 or less, consumers can expect to pay monthly installments over a 24-month period of R332 against R335.50. On amounts of R10,000 or more, the saving will be R6 a month with repayments at R538, said Mr André van Niekerk, general manager of Bankfin.

By LINDA ENSOR

FEARS that the government would rush to start taxing pension contributions in this year's Budget faded after a top Inland Revenue official indicated the government was not planning hasty action.

Inland Revenue's legal drafting director Mr Ian Meiklejohn said yesterday it appeared unlikely that material changes would be made to the taxation of retirement funds in the 1993 parliamentary session.

He said the issue was highly sensitive and account would have to be taken of the legitimate expectations of vested rights. Broad consultation with the retirement industry would be necessary first.

There has been widespread belief in the industry that measures would be hurriedly enacted this year to generate additional revenue and enable the government to equalise pensions between the different racial groups in the March Budget.

Suggestions on the taxation of retirement funds were made by Finance special adviser Dr Janie Jacobs last year in his report on the flow of funds between financial institutions.

After the release of the report the Financial Services Board asked financial institutions and other bodies to comment by January 3 on five tax scenarios proposed. About 50 submissions were sent to Mr Meiklejohn for recommendation. While he had not yet studied the proposals, Mr Meiklejohn said there was a fairly widely held view that the tax allowances on retirement fund contributions were too generous. However, it appeared there was widespread opposition to Dr Jacobs's suggestion that a portion of pension or provident fund contributions by employers be disallowed for tax purposes.

Dr Jacobs suggested a third of employees' pension contributions be taxed and that 20% of employers' contributions be disallowed.
The effect of early summer rains can be seen in the food component of the producer price index (PPI). Food is included in the agricultural index (and accounts for almost the entire 9.5% weighting in the total index), and in the manufacturing index (with a weighting of 12.9%).

Until midyear the agricultural component rose faster than its manufacturing counterpart. The gap has been closing, starting presumably with consumer resistance to rocketing prices and then assisted by cheaper fresh produce. And, in November, agricultural food prices fell by 0.4%. The year-on-year rate, at 18.1%, was still ahead of manufactured food's 6.4%. But a three-month annualised rate showed agricultural food up 5.5%, following 31.2% in the previous month, and lower than the 12.7% for manufactured food in November.

Both represent a slowing from earlier levels, which helped to bring overall year-on-year producer inflation to 7.5% (from October's 7.8%) and 0.1% in the month. A breakdown shows that local prices rose 8.2% year-on-year but declined during the month by 0.1%. Imported commodity prices rose 4.1% and 0.8%.

The 12-month figures for local and imported components continue a trend which has been in place since PPI moved into single figures in November 1991. Falling oil prices played an important part in restraining imported inflation, and rising prices were responsible for the uptick in November when "other" mining and quarrying rose a monthly 1.8%.

The futures price of North Sea Brent Crude, the international benchmark, rose from about US$19.70/barrel in August to a high of $20.90 in October. And the rand weakened over the period against the US dollar, increasing the costs of dollar-denominated imports.

Since November oil prices have fallen, so more relief on imported commodities is in store.

The sectors agriculture, forestry and fishing (weighting 20%) rose 10.4% year-on-year, and 0.1% month-on-month, manufacturing (weighting 74%) climbed 6.7% year-on-year or 0.3% during the month, and electricity, gas & water (weighting 6%) rose 6.2% (+1.6% in the month). The monthly decline was largely because of a fall in the electricity index of 2.4%. 
Many jump gun on soft drink prices

Staff Reporter

WHOLESALE soft drink prices increase from Monday — but while many retailers have already increased prices on old stock by up to 14%, there are outlets that have foregone profits to offer the consumer a fair deal.

The Consumer Council received 30 complaints this week about retail price hikes in soft drinks.

Public relations manager Mr Paul Roos condemned retailers yesterday for "jumping on the bandwagon" after the announcement last week that the wholesale price of soft drinks would be increased by 11.5% from Monday, January 18, although retailers would still be able to purchase goods at the old price until January 25.

A random Cape Times survey yesterday revealed that the Bona Cafe in Grassy Park and Coumbra Confectioners in Claremont had pushed up prices on soft drinks about 11%.

The new recommended retail price for a 340ml can will be R1.39, for a 1 litre bottle R2.38, for 1.5 litres R3.44 and for 2 litres R6.02.

Pick 'n Pay senior buyer Mr Brian Daitsh said that they would strive to keep prices constant until the end of the month.

There has been no notification of a price increase for Appleiser.

Our survey showed that among the stores which have decided not to increase prices ahead of schedule are the Flamingo Superette in Landsdowne, the Camps Bay and Pinelands Kwik Spars, Rosmead Supermarket in Claremont, Superite in Bothasig and Bothasig Fisheries.
By Justin Pearce
and Edwina Booyzen

CHASE the blacks out of Kraaifontein with guns!

This threat by a white resident in July last year had a sinister sequel when two white residents allegedly shot Mr Douglas Nkwali earlier this month.

At the July meeting, a speaker called for black squatters to be removed from the town, at gunpoint if necessary.

According to one eyewitness, the proposal was applauded by most of the people at the meeting.

Nkwali's left arm was severely wounded in the shooting on January 7.

Nkwali, a resident of the Wallacedene squatter camp, was walking through a white area of the town on his way to work, when two men forced him into a station wagon at gunpoint. The men drove him to a field at Jonkershoekvallei where they told him to leave the car and then shot him seven times.

He also suffered serious injuries to his leg, chest and neck, and is still in the Intensive Care Unit at Tygerberg Hospital.

Ms Dene Neewat, chair of the Kraaifontein ANC branch, said the shooting must be seen in the light of ongoing harassment of Kraaifontein's black communities.

In addition to the threat made at the public meeting, Neewat told of an incident on New Year's Eve when teargas, rubber bullets and birdshot were fired at the squatter camp, and harassment of unemployed people seeking work in the town.

Wallacedene residents have railed round Nkwali and his family. They collected money to pay transport costs for his wife, Mrs Nomsanko Nkwali, who was visiting Transkei at the time of the attack.

Mr Petrus "Peet" Rens and Mr James Downey, both 31, appeared in the Kuit's River Magistrate's Court on Monday morning.
Milk, soft drink hikes explained

Staff Reporter

RECENT increases in the wholesale prices of milk and soft drinks are due to increases in the cost of cardboard cartons, the price of sugar and general production costs, according to a Housewives' League of SA survey.

An 11.5% increase in the wholesale soft drink price and increases in the wholesale price of milk of 11% by Dairybelle and 12% by Bonnita were announced on January 18.

A major supplier of cartons, Metal Box Liquid Packing, said it had increased its wholesale price to Dairybelle by 14.5% in January and to Homestead Dairies by 13% in October last year because of exchange rate fluctuations and an increase in its supplier's export price.

The company's marketing director, Mr Ray Canny, said dairies could not attribute milk price hikes solely to increases in the cost of containers, because the total cost of the carton was only 10% of the cost of a litre of milk.

The survey revealed that wages, raw materials and operating costs of soft drink manufacturers and dairies increased by between 8.5% and 14% last year. Both industries also made extensive use of sugar, which rose in price by 14% last year and a further 1.26% this month.

A spokesman said the league had complained about the increase in the price of soda water, which contains no sugar.
Regional fuel levy possible

Paarl tough on own RSC

Municipal Reporter

PAARL municipality had no mercy on the Western Cape RSC, of which it is a member, when the RSC was a day late in paying its own September bill to Paarl for water and electricity services rendered.

The municipality demanded the full 19% surcharge on the R11 284 bill, according to a report before the RSC yesterday. In effect, then, the late payment penalty was R1 193. The RSC’s cheque had gone in a day late owing to a reorganisation when the administration of its Paarl and head offices merged.

Instead of paying up immediately, the RSC requested a waiver. Paarl rejected this, “as the waiving of the fine would set a precedent”.

Mr Louwije Rothman, deputy chairman of the RSC, told delegates who were wondering what additional source of revenue the government would make available to the RSC that “the idea was a levy on fuel prices”.

Finance Minister Mr Derek Keys’ assistant, Ms Lesley Lambert, said yesterday that if this was a matter to be dealt with in the budget, Mr Keys’ attitude would be that it was inappropriate to disclose any information about it at this stage.

RSC chairman Mr Piet Loupper said: “These subsidies are for people who can’t afford their own transport, and who, as a result of former policies, live far away from where they work.”

He suggested an amendment that instead of the RSC “accepting” the entrustment it would merely “consider” it in the light of various conditions.

Among the conditions was that the state should not reduce its subsidy in the meanwhile in real terms, and that later an acceptable new additional source of revenue must be identified and made available to the RSC, which would administer and collect the funds.

The new source may not be increases in existing RSC levies.

Mr Loupper’s suggested amendment was passed.

All four Cape Town City Council representatives on the RSC — Mr Clive Keegan, Mr Richard Friedlander, Mr Louis Kremer and Mrs Eulalie Stott — spoke against entrustment of bus services to the RSC at this stage.

Mr Keegan said there was no reason why there should not be a unilateral withdrawal of subsidies by the state.

Cape Town’s representatives were the only ones who abstained from voting.
Widens Policy Options

Decline in Initiation Rate

By Stan Linscombe
Cape Town still
crippled by prices

ALIDE DASNOIS, Business Staff

CONSUMERS in Cape Town did not fare as well as those in other cities over the year to December.

Central Statistical Services' figures released this week show that food prices dropped a little more in the city than in the country as a whole in December (5.8 percent compared to 6.1 percent). But over the year to December food prices have risen 17.4 percent in the Peninsula, compared to 14 percent for the country as a whole.

Inflation in Cape Town is still measured in double figures. Though the inflation rate (all items including food) for the country as a whole dropped under 10 percent in December — for the first time since 1978 — in Cape Town the consumer price index in the city rose 10.1 percent over the year. Only in Bloemfontein (11.1 percent) and in Maritzburg (10.7 percent) did prices rise faster.

The figures also show that the higher income group benefitted the most — countrywide — from the slowdown in inflation in December. The index for this group was up 9.0 percent over the year, compared to 10.3 percent for the middle income group and 10.9 percent for the lower income group.
Motorists could pay up to 25c more for a litre of petrol after the Budget, according to AA spokesman Robin Scholtz.

Addressing the National Consumer Union in Pretoria, he said AA research found it likely the Government would increase revenue through fuel tax or a combination of fuel tax and VAT.

He envisaged a rise of between 15c and 25c a litre. October's rise of 7c took the price to R1.80 a litre.

Scholtz said fuel here was comparatively expensive. Last year, 7.4 litres could be bought for one hour's earnings compared to 14.9 litres in Germany and 29.6 litres in the US.
January sales expected to be poor

After a relatively buoyant Christmas period, January's retail sales are expected to reflect a traditionally poor start to the new year.

Recently released CSS figures showed retail sales in January were expected to decline 7.2% in real terms compared with January 1992. Sales would drop 6% in real terms compared with the previous month after seasonal adjustment.

Sales would be R6.6bn, which compared with an expected R11.3bn in December.

Actual sales figures for December have not yet been released, but expected figures indicated a 12% increase over the previous year in nominal terms.

The expected sales for December were more or less in line with major retailers' estimates.

Most retailers said they had budgeted for sales growth in the region of 10% and 12%.

Analysts said traditionally January and February were the lowest months in terms of retail sales.

But the 4% increase in actual values was far lower than the 11.8% increase in January 1992's figures over the previous year.

In October, sales rose in real terms for the first time in more than two years, according to the CSS. But in November and December, sales increases were between 10% and 12%.

According to the CSS figures, actual sales rose 8.2% in the three months to end-January. This reflected a 3.5% drop at constant 1990 prices.
Petrol up soon,
minister warns

Political Staff

THE petrol price would go up when the Budget was tabled on March 17, Minister of Mineral and Energy Affairs Mr George Bartlett announced today.

There would be an increase to balance the books of the Equalisation Fund — but there could be a second rise for tax reasons.

At present 3.5c in the price of a litre of petrol went into the Equalisation Fund, but under-recovery was still running at 7c a litre.

But he did not think the price rise would be as high as the 7c a litre under-recovery.

The government wanted people to get accustomed to the petrol price rising or falling two or three times a year, Mr Bartlett said.
Another petrol price rise is in store for South Africans on March 17.

A price increase of up to seven cents a litre — the present rate of under-recovery on the fuel price — is likely to be announced in this year's budget speech, the Minister of Mineral and Energy Affairs, Mr George Bartlett, said yesterday.

He said a further increase was needed to balance the equalisation fund — and there could be another one to raise additional taxes.

Addressing a media briefing, he said the government also planned more frequent fuel price increases in future as international prices fluctuated.

Mr Bartlett said at present 3.5 cents of the price of a litre of petrol was put into the fund, but the under-recovery was running at seven cents a litre.

This was putting pressure on the fund and a price hike was unavoidable. However, he did not believe it would be as high as seven cents.

"It is difficult to predict the exact increase, but I don't believe it will be as high as the full under-recovery at present. The most opportune time will be when the budget is presented."

— Political Staff, Sapa
make itself felt. Inflation has now come crashing from a high of more than 16% in December 1991 to its current low level of 11.4%.

The problem is can single-digit inflation be sustained? When the inflation genie escaped from the bottle in 1978 it proved to be almost irretrievable. Will it be different this time? Certainly, with an imminent increase in VAT and further hikes expected in the fuel levy, economists have their doubts.

Inflation's deceleration over the last quarter (see graph) was in many ways the result of a combination of fortuitous factors. One of these was:

- A marked slowing in the growth of the food index. This component, with a weighting of 18.6%, had risen excessively over the first three quarters to reach a year-on-year high of 30.4% in July. But it fell, on a month-on-month basis, by 0.3% in November and 0.1% in December, to a year-on-year 14% by the year end.

- There had been a large increase in the index over the first quarter of 1991. This meant that the CPI over the last quarter of 1992 was measured off a high base, and

- A decline in the index for housing (weighting 20.5%), to a year-on-year rate of 2.4% in December. This was a direct result of the cut in mortgage rates announced by the Reserve Bank on 26 January in response to falling demand and the easing of inflationary pressures.

Certainly, there is a case for some scope for a continuation of inflation's downward trend over the first quarter of this year. The factors that kept increases down in the last quarter should continue. Further falls in food prices can be expected as effects of the drought continue to wane. In December, vegetables fell by a monthly 8.7%, but the year-on-year increase in vegetable prices is still high at 30.5%. Falls could also occur in the fruit & nuts category, now at a year-on-year 41%.

Against this, however, the rate for meat, now a year-on-year 14%, looks likely to continue as farmers restock herds depleted during the drought. Meat makes up about a third of food's overall weighting in the CPI.

It also seems likely, given the encouraging inflation figures for December and money supply growth in the target range, that a further Bank rate cut will materialise this month. If mortgage rates follow suit, which seems likely, there could be another beneficial spillover effect on the housing index in March.

The outlook changes somewhat for the second quarter. With Finance Minister Derek Keys announcing a Budget next month, increases in indirect taxes, particularly in VAT and the fuel levy, can be expected. These will have a one-off price shock effect on the CPI, the consequences of which are likely to dissipate in the second quarter of 1994.

Moreover, given the current pressure on foreign exchange reserves, overseas loan commitments and the Budget deficit, Reserve Bank Governor Chris Stals may be wary of cutting Bank rate later this year. So scope for further relief in lending-associated prices (such as mortgages) could be minimal.

Sanlam economist Johan Louw notes that the base considerations, which kept the rate of increase low over the last quarter of 1992, could work in the opposite way in the last quarter of 1993. Louw predicts year-on-year inflation of 10%-11%

Longer term, though, there is a glimmer of hope that inflation can be put in a straitjacket-Rand Merchant Bank economist Rudolf Gouws says the weak demand of the last year should continue throughout this year. "If we look at wage demands and producer prices, the trend is definitely down. He adds that world inflation should decline further this year and result in even less pressure from imported inflation.

Gouws says the real worry is 1994, when the effect of the large Budget deficit will be felt on inflation. "So the better pull will be to take, assuming his measures do help reduce the deficit in the coming years, may be more than the right medicine for us after all."
Petrol price up, and expected to rocket

Staff Reporters

The price of petrol is to go up by 7c a litre next month, Mineral and Energy Affairs Minister George Bartlett announced in Parliament yesterday.

Bartlett said the increase — by not more than 7c per litre — was necessary to compensate for under-recoveries on the fuel price.

Consumer bodies and economists, however, suspect the 7c increase is an underestimate in real terms, and are predicting an increase of about 25c a litre when the Budget is announced in March.

Economist Tony Twine of Econometrix said the Government had hinted in its announcement of a 7c-a-litre increase in October that it would soon “come back for the rest” of the under-recovered money, said to be 15c. He expected the Department of Customs and Excise to load even more tax on to the petrol price.

The Government’s announcement is expected on March 17, when Finance Minister Derek Keys delivers his Budget in Parliament.

Bartlett said yesterday that although in the past the Government had relied heavily on the Equalisation Fund to make up for under-recoveries on the fuel price, things would be done differently in the future.

Twine felt the 7c, or 5 percent, increase in the petrol price would not have a profound effect on the economy.

Housewives’ League spokesman Lyn Morris said yesterday she was not convinced that the petrol price would go up by only 7c a litre, and felt further taxes would be added.

Automobile Association general manager Robin Scholtz said the price increase and a rumoured further increase indicated that taxes would constitute a very high percentage of the petrol price in future.
Interest rate dip on cards

TRACY Ledger of FNB's treasury department says there is a generally held belief among her banking colleagues that there will be a drop of 1 percentage point in interest rates before the end of the month.

Ledger was one of the speakers at The Star FNB Investors' Club meetings held earlier this week.

But she cautioned that Reserve Bank Governor Chris Stals would not jeopardise long-term economic growth for a short-term solution. Large reductions in interest rates in an effort to boost the economy were unlikely.

"Stals has gone on record that his main aim is to establish a framework on which future economic growth can be based."

Ledger explained that this framework must incorporate the following:

- Increasing reserves to equal three months' imports.
- Maintaining a stable and effective exchange rate.
- Developing a sound financial infrastructure with a low level of inflation.
- And you can't assume interest rates must be cut because inflation is down.
- "Put simplistically, high interest rates are a deterrent to borrowing, which means that spending slows down, and the whole economy slows down," she said.

"This in turn brings down the CPI (consumer price index). Food prices comprise about 30 percent of the CPI basket. Recently there have been very good declines in food inflation. If the drought ends and deregulation of control boards continues, it will bring down the price of food considerably."

"But should the CPI fall further, the scenario for further reductions in interest rates looks more promising," she added.
Food prices hold key to even lower inflation

By Derek Tommey

The rate of inflation dropped steadily throughout 1992 and showed no rise whatsoever in December, raising hopes for a substantially lower inflation rate this year.

But for this to happen food price rises must be held in check and rising expenses of the average household must be no greater than last year.

With the drought having possibly ended and the rand remaining fairly stable, it does seem that lesser inflationary pressures are on the cards.

But this wasn't the case for most of 1992. In general, food, medical costs, car prices and running costs had the biggest impact on consumers' budgets.

An analysis of 1992's consumer price indices shows that the theoretical average South African had to spend an extra R9.60 for every R100 he spent in 1991, to maintain living standards.


Without the drop in mortgage rates during the year, which cut his living costs by about 48c for every R100 spent, the extra spending would have been R10.09.

Food took up roughly R2.60 of the increased household budget with an extra 37c on vegetables, 48c on fruit, another 46c on grains and 42c on milk, cheese and eggs.

Expenditure on fats and oils rose by some 11c, on fish by 10c, on sugar by 9c and on meat also by 9c.

These figures, incidentally, help confirm the view held by many housewives that providing a meat dish is probably the most expensive way to cater for a large family.

On top of this expenditure, the consumer spent another 28c on what is termed 'other foods'.

The next heaviest outlay was on "transport". This accounted for about R1.60 of the R9.60 additional spending required.

After transport came "other" expenses. These, which are believed to include such things as insurance and pensions funds, took an additional R1.12. Next were medical expenses. These took about 7c of the R9.60 and were followed by clothing which cost an additional 55c.

Recreation and entertainment called for the outlay of an extra 37c and education for 36c. Furniture purchases required another 37c, fuel and power 36c, household operation 35c and communications (phone, post) 25c.
Soft shoe shuffle on control boards from BT report

By Tim Cowen

The board's initial reports on the company's financial performance and strategic direction are being overshadowed by internal turmoil and rumors of discontent among directors.

In recent weeks, there have been reports of a rift within the board, with some members reportedly expressing concern over the company's direction and financial health. Sources close to the board say that there has been a lack of communication and a failure to address key issues at the monthly board meetings.

A number of directors are reportedly frustrated with the lack of progress on key initiatives and the direction of the company. Some members have also expressed concern over the company's relationship with its major shareholders and the potential impact of this on the company's future.

The board is set to meet again next month to discuss these issues, but it remains to be seen whether any progress will be made in addressing the concerns of directors.

In the meantime, the company's stock price has continued to fall, raising questions about the stability of the business and the future prospects for shareholders.

The board has announced that it will hold a special meeting in the coming weeks to discuss the company's strategic direction and to address the concerns of directors.

A number of directors are reportedly considering options for change, including the possibility of a potential acquisition or a strategic partnership. However, sources close to the board say that these options are still in the early stages of discussion and that a decision is unlikely to be made in the near term.

The company's board of directors is currently made up of 12 members, including the chief executive officer and the chairman of the board. The board is responsible for overseeing the company's operations and making key strategic decisions.

The board's initial reports on the company's financial performance and strategic direction are being overshadowed by internal turmoil and rumors of discontent among directors.
Beer prices up today

South African Breweries yesterday announced its beer prices will go up by 7.4 percent today. Retailers could not say how prices would be affected.

— Consumer Reporter.
Deregulation of control boards urged

The Board of Trade (BOT) has recommended further deregulation of marketing control boards to help reduce soaring food prices.

Reporting yesterday on its long probe into food inflation, the BOT said each board should be examined individually to see if it could be deregulated to increase competition.

The BOT said it could find no single cause or guilty party responsible for food price inflation which had peaked at 30.4 percent in July.

It found that each level of the food chain contributed about the same amount to rising food prices with the greatest concentration at the primary level of storage and distribution where artificial barriers to entry were greatest.

The report could find no evidence that excessive profit-taking by any private firms in the food chain was the cause of high food prices.

The sharp increase in food inflation since the third quarter of 1991 was mainly the result of short-term effects of the introduction of VAT and the long and severe drought.

The underlying food price index, without these factors, was estimated at 15 percent.

The BOT believed the effect of the introduction of VAT would disappear by April.

Also recommended was greater competition from abroad to increase competition with local producers.

The Afrikaanse Handelsinstituut (AHI) welcomed the recommendations but bemoaned the lack of specific proposals.
Beer price goes up today

By Isaac Moledi and Sapa

THE price of beer produced by South African Breweries will increase by an average of 7.4 percent from today.

SAB said the price hike would vary in geographic areas and pack ranges depending on transport charges.

The brewery also said retail prices in bottle stores were set by the retailers themselves and SAB could therefore not say when and by how much these prices would increase.

"This increase was well below current and expected inflation and is the

Taverners dismayed by price increase and warn of possible boycott:

16th year in a row SAB has kept its increase below inflation," SAB's beer division chairman Mr Graham Mackay said yesterday.

Shebeen owners yesterday greeted the increase with shock and said this could drive away customers.

National Taverners Association president Mr Ephraim "Peggy Bel-Air" Senne accused the SAB of "playing a dirty game" with black taverners. He said it was only through Sowetan that he had learnt of the increase and warned that the brewery needed to be taught "one or two things" by the taverners.

"Breweries have a tendency of notifying us at the last minute. They knew that if they had notified us beforehand, many of us could have stockpiled a lot of liquor in our taverns," Senne warned the brewery of a possible boycott if another increase took place.
Inflation drop 'misleading'

The much-vaunted fall of inflation to single-digit figures in December may lead to a problem of disbelief in official inflation.

The year-on-year inflation rate figure of 3.6 percent for December, as measured by the Consumer Price Index (CPI), may be misleading. Its accuracy is not in question. But Nedbank chief economist Edward Osborn has pointed out that the high weighting accorded to housing and, in turn, to the mortgage interest rate in the CPI, plus an accident of timing has led to the low CPI figure— not an overall steep decline in the rate of inflation.

Osborn points out that one-eighth of the CPI or 12.77 percent is devoted to the mortgage interest rate factor.

Add to this the fact that the new base of the index, August 1990, coincided with the peak of bond rate at 20.75 percent. In December the rate had fallen to 16.75 percent, a decline of almost 20 percent.

With mortgage interest removed, Osborn comments, the December inflation rate turns out to be as high as 13.8 percent, as opposed to the published 3.6 percent.

So are we being deluded by the extent of the drop? he asks. "There is an incipient problem of credibility with the CPI," believes Osborn. Since the CPI year-on-year figure is an important element in containing inflationary expectations, this is worrying.
Producer price inflation eases

By Sven Lunsche

Producer price inflation eased further in December as good rains contributed to lower fresh produce prices.

Central Statistical Service (CSS) figures released yesterday show the producer price index (PPI) in December rose by 7.5 percent on the PPI in December 1991.

This was slightly down from the 7.5 percent year-on-year rise recorded in November and technically, was mainly achieved after lower imported producer price increases.

The PPI for imported commodities was up by a yearly 3.1 percent in December, compared with 4.1 percent in November, despite a slight weakening of the rand against major Western currencies.

The producer inflation rate for locally produced goods remained unchanged at 8.2 percent.

On a monthly basis — between November and December last year — the overall PPI rose only 0.2 percent.

The CSS also released the average producer price inflation figures for 1992 as a whole.

The average rate of increase in the PPI last year was 8.3 percent a marked decline from the 11.4 percent recorded in 1991. In 1990 producer inflation averaged 12 percent and in 1989, 15.2 percent.

Breaking down the 1992 figure, the PPI for imported commodities averaged 4.2 percent and the index for locally produced goods 8.1 percent.
PPI held down by decrease in food prices

A fall in food prices at the producer level between November and December pushed the rate of increase in the producer price index (PPI) down to 7.3% in December, from 7.5% in November. Central Statistical Service (CSS) figures released yesterday showed the PPI for food fell by more than 2% between November and December, reflecting a return to more normal prices after the drought.

Although the PPI boded well for consumer inflation, the capital and money markets shrugged off the news as Reserve Bank Governor Chris Stols had said inflation was not the only indicator determining monetary policy.

A major reason for the slowdown in producer price increases was the depth of the recession, economists said. This was clear from the manufacturing producer price index, which had recorded a year-on-year increase of less than 7%.

Another important factor behind the declining trend was the slowdown in import prices. The price index for imported commodities rose at an annual rate of 3.4% for December (November-4.1%).

Old Mutual economist David Mohr said December's rand weakness had not yet filtered through to the figures. However, a major portion of SA's imports were in third currencies, and the rand had remained relatively stable on a trade-weighted basis. The stable exchange rate had acted as a disciplining mechanism for local producers, with foreign competition putting a brake on local price rises.

The local component of the PPI rose by 8.2% in the year to December, unchanged from the previous month. It declined from 12.5% in July, and its fall below 10% was noted by Stats SA as encouraging.

Mohr said the lessenig in inflationary pressure was becoming evident with pay settlements unlikely to exceed 4%.
'Public being ripped off on bread prices'

PRETORIA — Bread is being sold at "much more" than the recommended price, says the Consumer Council.

Council executive director Mr Jan Cronje claimed in a statement yesterday that chain stores were charging 11c more for white and 9c more for brown bread than three months ago when they undertook to keep prices as low as possible.

"Most cafés clearly ignore the recommended maximum price of R1.78 for a standard 800g loaf of white and R1.50 for brown bread. They are still selling white bread for up to R1.96 and brown bread for up to R1.80," Mr Cronje said.

"Consumers are warned not to be misled. The price for all other kinds of bread are clearly visible except bread subject to the recommended maximum price." — Sapa 7/12/97
Stores sell bread at high prices

Consumers warned not to be misled.

Bread is being sold at "much more" than the recommended price, according to the Consumer Council.

Council executive director Jan Cronjé claimed in a statement yesterday that chain stores were charging 11c more for white and 9c more for brown bread than three months ago when they undertook to keep prices as low as possible.

"Most cafes clearly ignore the recommended maximum price of R1.75 for a standard 800g loaf of white and R1.50 for brown bread. They are still selling white bread for up to R1.96 and brown bread for up to R1.80," Cronjé said.

"Consumers are warned not to be misled. The price for all other kinds of bread are clearly visible except bread subject to the recommended maximum price." — Supa.
Consumer Council hits retailers’ bread pricing

A CONSUMER Council survey of bread prices released in Pretoria this week has criticized pricing structures at cafés and chain stores, claiming that they sell bread at above the recommended price.

Said Consumer Council executive director Jan Cronje: “Most cafés clearly ignore the recommended maximum price of R1.75 for a standard 800g loaf of white bread and R1.59 for brown bread. They are still selling white bread for up to R1.96 and brown for up to R1.80.

“Chain stores were charging 11c more for white bread and 9c more for brown than three months ago when they undertook to keep prices as low as possible.”

OK Bazaars did not undertake to hold prices at levels of three months ago, and put up its bread prices in line with Wheat Board increases.

“We sell white bread nationally at R1.65 and brown bread at R1.37,” said OK Bazaars merchant director-food, Mervyn Kraatzke.

“As far as Pick ‘n Pay is concerned, we have set a national price. We are selling white bread at R1.65 and brown bread at R1.37,” said Pick ‘n Pay hypermarkets GM perishables Eelke Eelke.

Checkers prices in southern Transvaal were R1.63 for white bread and R1.30 for brown bread. It was part of its commitment to consumers to keep prices low, a Shoprite-Checkers spokesman said.

“Chain stores are very fair; there is hardly any markup on the retail price. We are selling white bread below the recommended price at R1.65 and brown bread at R1.45,” a spokesman for Blue Ribbon Auckland Park Bakeries said.

Catering, Restaurant and Tea Room Association executive director Frank Swarbreck said: “We have never agreed to the recommended price. We were sidelined at the crucial meeting in November.”

The association, which represents café owners, favoured a free market and believed the return to retail price maintenance had resulted in everybody putting up their prices gradually, Swarbreck said.

The cafés were providing a convenience service which should be allowed to cost a little more, he said.

The Consumer Council supported free market principles, but was concerned about consumers’ ability to react to unreasonable prices and/or quality, public relations manager Paul Roos said.

“We need discerning consumers. Our main task is consumer education. The emphasis is not on playing policeman.”
PRODUCER PRICES

Loosening the vice

The drought's vice-like grip on agricultural food prices at producer level in early and mid-1993 loosened in the final four months. The agricultural-food component of the producer price index (PPI) fell by 2.2% between November and December. This kept the year-on-year December figure to 16.8%, well down from its August high of 24.6%.

Overall, monthly producer inflation was 7.3% in December, down from 7.5% in November and well below the 9.5% hit in August but not as low as the 6.7% recorded last January and February.

December's drop can be attributed to the categories of grain, which fell 3.4% in the month, and vegetables and dry beans, which came down by a dramatic 19.5%. The latter index has now fallen 47% since August.

But there was an ominous upturn in the figure for meat, which rose 2.5% in the month. Meat has been difficult to track in recent months, with the figures rising 3.2% in October before dropping 0.7% in November. So it's hard to say whether this is indicative of further climbs in coming months.

The index for manufactured food has grown far more evenly: its year-on-year rate has hovered at or below 10% for most of the past year, dipping to 5.7% in December. This is a steady decline from 10.7% in July.

Good news on the food front is matched by continued low inflation for imported commodities, which have a weighting of 19.5% in the PPI. Imports followed a pattern of steady growth from a year-on-year -0.9% last February to 7.5% in July, with a subsequent easing to 3.1% in December.

Slow growth in this component can be attributed to low international oil prices, which showed unexpected weakness during the last quarter, in which demand for oil is usually high due to the northern hemisphere winter. Oil imports are shown in "other mining & quarrying", which fell 0.9% in the month or 0.2% from the previous year.

Overall economic weakness is shown in the index for manufacturing, which grew by 6.7% in the year to December, or 0.3% in the month, just below the overall rate of this.

- Other chemical products grew 6.9% (down 0.1% in the month).
- Petroleum and coal products 6.5% (0%),
- Base metals 4% (-0.2%), and
- Non-electrical machinery 5.3% (0.3%)

Electricity, gas and water rose 7.5%, or 2.8% in the month.
Higher food prices stall inflation trend

By AUDREY D'ANGELO
Business Editor

The downward trend of inflation was stopped in January by higher food prices and medical costs. After dropping dramatically to 9.6% year on year in December from 11% in November the consumer price index (CPI) edged up to 9.7% last month — disappointing the markets, which had expected 9%.

Figures released by the Central Statistical Services yesterday show the month on month rise was 1.1% compared with zero in December.

The steep fall in inflation from 16.2% in January last year is mainly due to lower mortgage bond costs, although food price inflation had also slowed.

But food price inflation rose again last month to 14.9% compared with 14% in December and 26.2% in January last year. The rise in the food index between December and January was a full 1% compared with a drop of 0.1% between November and December.

The main reason for the jump in food price inflation in January was a 5.4% rise in the price of fruit and nuts and a 1.1% rise in the price of fish and other seafood.

The cost of medical care went up by 13.2% year on year. The month on month rise was 7.1% as a result of higher tariffs and annual price increases.

Falling bond costs benefit the higher income group more than the lower and middle income groups, who spend a larger proportion of their total budget on food.

As a result, inflation for the higher income group fell to 9.5% year on year in January, although the month on month rise was 1.3%.

Inflation for the lower and middle income groups was 10.2% year on year. The month on month rise was 1.1% for the middle income group and 0.7% for the lower income group.

The year on year rise for pensioners, who are normally affected more by food prices and medical costs and less by bond costs, was 10.6%.

Economists expect inflation to resume its downward trend in March, when the 0.7% cut in bank rate announced in January results in a further drop in bond rates.

But most of them expect inflation to rise above 10% again in April, following rises in indirect taxation virtually certain to be announced in the budget on March 17.

Southern Life economist Mike Daly said he thought a further drop in the CPI next month would bring it to “the lowest level we shall get this year.”

“I am sure it will rise above 10% after the March budget, but perhaps not dramatically so. The Producer Price Index (PPI) has been in single digits for more than a year and that bodes well for the underlying CPI.”

Daly pointed out that poor consumer demand meant continued downward pressure on the CPI Wage and salary increases this year were likely to be lower.

“It could be a rough year but the potential is there for the CPI to average 10% for 1993.”

Sanlam economist Pieter Calitz said that if the effect of lower bond costs were stripped out of the CPI it would have risen 12.6% year on year in January.

He thought VAT would probably rise by 12% in the budget, without any extension of zero-rating. This, with the expected rise in the fuel levy, would push the CPI up again to 10.5%.

Boland Bank economist Louis Fourie and Old Mutual economist Johan Els said they expected the underlying rate of inflation to remain below 10% for the rest of this year.
Inflation holds below 10 percent

By Sven Linsche

Inflation stayed below the 10 percent level in January, Central Statistical Service (CSS) figures released yesterday show.

The CSS says January's inflation rate, as measured by year-on-year changes in the consumer price index (CPI), increased slightly to 9.7 percent from 9.6 percent in December.

December's rate was the first time since 1978 that inflation was recorded at single-digit levels.

However, the latest figures indicate slight upward pressure on the inflation rate emanating from two sectors — food and medical care.

Over the 12 months, food inflation rose from 14 percent in December to 14.9 percent in January.

Excluding food, the inflation rate would have been 8.3 percent last month.

The monthly rate of increase in food prices — between December and January — was one percent after falling by 0.1 percent between November and December.

Large monthly increases were recorded by fruit and nuts (6.4 percent) and seafood (11.1 percent). Vegetables were up by 6.3 percent.

The monthly hike in all prices was 1.1 percent, of which food accounted for 0.2 percentage points and medical and health expenses for 0.4 percent.

Between December and January, medical and health costs surged by 7.1 percent as most medical aid tariff increases came into effect in January.

However, economists say that the recent drop in bond rates will have a favourable impact on housing costs, which have a weighting of over 20 percent in the CPI.

They expect inflation to remain below 10 percent at least until after next month's Budget when tax hikes could push the rate temporarily higher.
Battle against inflation is not yet won

By Sven Lunsche

The Afrikaanse Handelsinstituut (AHI) cautions that inflation could return to double-digit levels over the next few months, despite its recent decline to 9.7 percent.

In the latest AHI Inflation Barometer, which points to an inflation rate of 10.8 percent by mid-year, economist Nick Barnardt says the battle against inflation has not yet been won.

The AHI is, however, confident that even if VAT and the fuel levy are raised in the forthcoming Budget, inflation will remain below 11 percent at year-end.

The Barometer, which analyses economic conditions and their impact on consumer prices about six months ahead, last year predicted the sharp downswing in inflation, but did not foresee a fall to single-digit levels.

"The fact that the inflation rate is at present below the level of the Barometer is due to factors such as declining food prices and bond rates, which have restrained inflation in a technical manner," Barnardt says.
The year-long inflation rate in December dropped to 9.9% in December, the first time since 1989 it has fallen below the 10% mark. However, the rate of 9.9% is still 0.5% higher than the rate of 9.4% in November. Inflation has been a major concern for consumers, as the cost of living continues to rise. The Consumer Price Index (CPI), which measures the average change in prices paid by urban consumers for a market basket of consumer goods and services, increased by 0.8% in December, compared to the 0.6% increase in November. The core CPI, which excludes food and energy, rose by 0.3%, lower than the 0.5% increase in November. The Federal Reserve, the central bank of the United States, is closely monitoring inflation trends and may consider increasing interest rates to combat inflationary pressures. If inflation continues to rise, the Fed may hike interest rates, which could lead to a slowdown in economic growth. The Fed's decision will have a direct impact on borrowing costs and inflation, and could affect the real estate market, as rising interest rates can impact mortgage rates.
Scepticism reigns over inflation

"If you believe that, you'll believe anything", Stellenbosch economist Mr Willem Roets is frankly sceptical about the falling inflation rate.

"No one will make me believe the inflation rate really did fall from 14.3 percent a year to 9.7 percent in the space of five months," he says.

"It's never dropped like this in the past, and I see no reason why it should have fallen last year."

Mr Roets believes the drop really reflects a correction in the weightings given to big chain stores -- where prices are generally lower -- as opposed to smaller retail outlets.

"The trend in retailing is towards chain stores. They're the only outlets which can survive in the recession. Small corner shops are rapidly going out of business."

"But for a long time the Central Statistical Service (CSS) refused to alter the proportions of chain stores and other outlets to reflect the changing situation. As a result the figures were distorted, because prices tend to be higher in the smaller shops."

"It seems the CSS has finally seen the light and has changed its weightings at last."

Not so, says deputy director of the CSS Mr David van den Heever.

"Of the 3,500 outlets which send in price information to the CSS each month, about two-thirds are chain stores and one-third are "other retailers", he explains.

"But the category 'other retailers' doesn't include only small corner cafes. Even big outlets are included here, provided they don't form part of a chain..."
Black pupils on bus ‘terrorised’

By Mathatha Tsedu

Athlone Boys' High School is investigating allegations that a pupil last Friday terrorised a group of black pupils on a bus, assaulting two and puncturing another's soccer ball with a knife.

The pupil, whose name has not been established, is a senior at the Bezuidenhout Valley, Johannesburg, school. The incident occurred on a municipal bus after school.

School principal George Currin has confirmed that the matter is under investigation and said if the youth was found guilty, he would be severely dealt with.

"It is not the policy of this school to tolerate any racism at all and strong steps will be taken against the pupil concerned," he said.

Black pupils told The Star that the freckled pupil had demanded that black students move to the upper deck of the double decker bus.

"According to the rules, a junior is obliged to stand up for a senior if he is requested to. But this senior did not request. He demanded and the pupils refused.

"He hit one and when another black pupil tried to intervene, he hit him on the head. Then the senior started insulting us, calling us stinking negroes and saying that Soweto stinks," one eyewitness said.

The white pupil then allegedly took out a knife and punctured a soccer ball on the lap of a black pupil. He then put the knife to the head of the pupil and threatened to kill him. He also threatened three other pupils with death, according to the eyewitnesses.

Other white pupils on the bus had tried to restrain him but he had continued to harass the black pupils as the bus moved on, they said.

The students said the freckled pupil had had another tiff with another black student three weeks earlier over a neck tie. They said while the school did not have a racial problem, the senior concerned "hated" blacks.

Currin said the results of the school's investigation would not be made public.

"The parents of both boys will be called in as soon as investigations are completed. But we are not going to make the findings public because I do not want to make this a race issue."

Athlone High is a Model C school where the enrolment is presently about 76 percent black.
Budget likely to include petrol price increase

Edward West

The continuing underrecovery on petrol and diesel in February has fuelled expectations of price increases of between 10c/l and 15c/l to be announced in the Budget next week.

The Mineral and Energy Affairs Department said yesterday motorists had paid 7,25c/l too little for petrol in February due to the deteriorating rand/dollar exchange rate and an increase in the landed cost.

Since July the underrecovery, which is charged to the Equalisation Fund, has ranged from 15,17c/l to 4,8c/l on petrol and diesel. The 7c/l price increase in October reduced the underrecovery in that month to 6,17c/l from 15,17c/l.

The deteriorating exchange rate from an average R2,76/dollar in July to R3,12/dollar in February resulted in government having to pay an extra 6c/l since July, an Energy Affairs spokesman said.

February’s landed cost of petrol increased to 51,29c/l from 50,67c/l in January, while the landed cost of diesel increased to 55,94c/l from 55,9c/l. The underrecovery on diesel was 10,79c/l in February.

Economist Tony Twine believed a fuel price increase ranging between 10c/l and 15c/l would be announced in the Budget. Government had already indicated that a 7c/l price increase was imminent.

There was no indication yet how much fuel prices would increase above the 7c/l to accommodate higher income requirements by the Finance Department — especially in the light of revenue losses anticipated with the recent VAT zero rating on certain basic foodstuffs, said Twine.

Sabo transport spokesman Peggy Drotsky said an increase of at least 7c/l was likely.
Keep in trim on the Vat Diet

LIBBY PEACOCK
Weekend Argus Reporter

INTRODUCING the Vat Diet — guaranteed to suit your pocket and your waistline.

South Africans have tried the Scarsdale Diet, the Beverley Hills Diet and the Weightless Diet with varying degrees of success.

But the Vat Diet — made possible after Minister of Finance Mr Derek Keys announced new Value Added Tax zero-ratings on a wide range of foodstuffs this week — contains all the nutrients for a healthy eating plan.

At present brown bread, mealie meal, mealie rice, samp, dried mealies, dried beans, lentils, canned pilchards, milk powder and dairy powder blends are zero-rated.

From April 7, rice, fresh fruit and vegetables, vegetable oil for use in cooking, fresh milk, certain cultured milk, brown wheaten meal, eggs and legumes and pulses (peas and beans) will be exempted.

And that’s enough to live on, says Mrs Joan Huskisson, head of the Nutrition and Dietetics Unit at the University of Cape Town.

“Vat should be able to live on the Vat Diet, provided nutrients are taken in the right quantities.”

It would have been better if meat had been included in the range of zero-rated foodstuffs, but one could have a “perfectly adequate, healthy diet” without meat.

There would have been a lot of advantage in including margarine, especially to make the starches more palatable.

The Vat Diet also does not provide the “comfort” of beverages like tea and coffee.

Calcium would be available from both the bones in the pilchards and the dairy products.

“They have included more basic agricultural products. Hopefully this will encourage people to use unprocessed foods more freely than processed, composite foods, which are less healthy and more expensive.”

On the Vat Diet, fruit and vegetables would provide the whole range of vitamins and minerals, while pilchards, eggs and dairy products would provide protein.

Carbohydrates were present in mealie meal, rice and brown bread.

The inclusion of cultured milk showed recognition of the fact that many South Africans had a sensitivity to the lactose in uncultured milk, Mrs Huskisson said.

A concern was that the vegetable oil was the only source of concentrated calories needed by people who took a lot of exercise.
Weaker exchange rate three ratings PPI

By Simon Wilson

The week ahead

The pound continued to make gains on the US dollar this week as the dollar fell further from its recent peak against a number of leading currencies. The dollar's decline has been driven by a combination of factors, including expectations of further interest rate hikes by the US Federal Reserve, concerns about the global economy, and uncertainty over the US political climate. Experts believe the dollar's recent weakness is likely to continue, suggesting that the pound could make further gains in the coming weeks. The pound's gains have also been supported by strong economic data from the UK, including positive inflation figures and upbeat retail sales numbers. The pound's relative strength is set to continue as the UK economy remains robust, while the US economy faces challenges. The pound's gains are likely to continue, making it an attractive investment for investors seeking a diversification of their portfolios.
Weaker exchange rate three scenarios

THE WEEK AHEAD

By Simon Wilson
Inflation maintains a downward trend

TIM MARSLAND

Producer inflation inched up in the year to January as imported prices failed to react to the depreciation of the rand, economists said yesterday.

Producer prices rose 7.4% for the year to January compared with 7.3% in the year to December. The imported component makes up about 25% of SA’s PPI index.

On a monthly basis, producer prices overall rose 0.2% in January, unchanged from December’s 0.2%. Locally produced goods rose 0.4% from December’s 0.3%, while imported inflation fell -0.4% from 0.2%.

Rand Merchant Bank chief economist Rudolf Gouws said the producer figures showed that the underlying downward trend in inflation remained intact.

Producer inflation would continue to fall until the year-end.Producer and consumer inflation should have narrowed considerably by March or April in 1993.

The monthly fall in imported inflation was "particularly good news", given the weak rand and the resultant higher dollar prices, he said.

"Economists had expected the imported component to rise in January because of the strengthening rand.

Gouws said if it were not for the problems of the balance of payments, the Bank rate would have been cut already.

Absa senior economist Pierre Morgenrood said the latest producer inflation data showed that inflation would continue to fall in the months ahead. January’s figure was "not out of line" with expectations.

He pointed out that rand depreciation had accelerated in February, so the inflationary effects on the imported side could still filter through.
Good rains dampen producer price of food

By Sven Lunsche

Food prices at the agricultural level fell sharply in January as the good rains boosted production of most agricultural products.

The latest producer price index (PPI) figures of Central Statistical Services show that the index for agriculture declined by 2.9 percent and the index for manufactured food by two percent in January compared with December last year. The fall in food prices contributed to a largely unchanged producer price inflation rate of 7.4 percent in January, compared with 7.3 percent in December.

Between December and January the PPI increased by a mere 0.2 percent, a further indication that consumer price inflation should maintain a steady rate of around 10 percent over the next few months.

The two subsectors of the PPI — locally produced and imported — showed varying trends.

The PPI for imported commodities increased by 3.1 percent year-on-year but declined by 0.4 percent between December and January.

Locally produced goods increased by 3.3 percent year-on-year and by 0.2 percent on a monthly basis.

Where large monthly producer increases occurred it related mainly to industrial goods.

Monthly rises were reported by rubber and plastic products (two percent), basic metals (4.7 percent) and optical equipment (3.1 percent).

The cost of electricity, gas and water also went up sharply by 5.2 percent in line with recently announced tariff increases.
PPI creeps up on higher energy costs

By AUDREY D. ANGELO
Business Editor

A 2.4 per cent fall in the index for fabricated metal products and a 2 per cent fall in the index for manufactured goods helped to keep the producer price index (PPI) for January down in spite of a steep rise in the cost of electricity, gas and water.

This was the trend for the past few months, when rising coal prices, because of the drought, limited the fall in the PPI and the consumer price index (CPI).

From the 5.3 per cent in November, the PPI rose to 6 per cent in December, between December and January, The figure for January was 1.4 per cent compared with 7.4 per cent in December.

The index for locally produced commodities was 0.5 per cent, lower, and the total index was 1 per cent, lower than that of the month of December.

For the domestic market, The PPI for imported commodities rose 4.9 per cent compared with 2.1 per cent in December. But in fact, the import index rose by 5 per cent in November and 6 per cent in December and January.

However, a recent report in the Dow Jones Index showed that the downward trend in the PPI would continue in the following months.

A 10.2 per cent increase in the index for footwear, which went up by 2.1 per cent in December, and a 7.1 per cent increase in the index for fabricated metal products, which went up by 5.7 per cent, contributed to the rise.

The index for electricity, gas and water increased by 7.5 per cent, while the index for food, beverages and tobacco increased by 1.4 per cent.

The PPI rose to 5.9 per cent, compared with 5.8 per cent in December, but the index for imported commodities rose by 3.8 per cent, compared with 2.1 per cent in December.

The index for manufactured goods increased by 2.2 per cent, while the index for locally produced commodities rose by 1.6 per cent.

The index for services increased by 2.4 per cent, while the index for construction and real estate increased by 0.9 per cent.

The index for transportation and communication increased by 1.5 per cent.

The index for consumer goods increased by 1.2 per cent.

The index for capital goods increased by 0.8 per cent.

The index for intermediate goods increased by 0.7 per cent.

The index for raw materials increased by 0.3 per cent.

The index for finished goods increased by 0.1 per cent.

The index for services increased by 0.7 per cent.

The index for construction and real estate increased by 0.6 per cent.

The index for transportation and communication increased by 0.5 per cent.

The index for consumer goods increased by 0.4 per cent.

The index for capital goods increased by 0.3 per cent.

The index for intermediate goods increased by 0.2 per cent.

The index for raw materials increased by 0.1 per cent.

The index for finished goods decreased by 0.1 per cent.
Food is biggest living expense

Staff Reporter

FOOD and income tax take the biggest bite out of average South African household budgets, according to the most recent survey of household expenditure produced in 1990 by the Central Statistical Services (CSS).

The report, which comes out every five years, analyses the living costs of South Africans in various economic and demographic categories.

The only item that comes close to food, in terms of the chunk it takes out of the average budget, is income tax, followed by housing.

The average household surveyed spends over 20% of income on food, but this differs between different income groups. Households in the low-income group, earning under R16 000, spend 25% of their income on food and middle-income groups, earning between R16 000 and R40 000, spend just under 21% compared to just over 15% spent by high-income households who earn over R40 000 a year.

The survey indicated that white households have the highest average income of R64 300 and therefore most of their money goes to the taxman. Food is only their third highest expense, unlike most coloured, black and Asian households who spend most of their money on food.

Each household has its own consumption pattern and the "average" household probably doesn't exist.
Checklist for higher tax level

Value added tax is expected to rise from 10 to 13 percent when Finance Minister Derek Keys makes his Budget speech later today.

This means food generally — like everything else — will cost more.

The Star today publishes its third monthly Consumer Basket so that consumers will have a comparison when the new VAT figure becomes effective.

The 16 items surveyed are common among many households. But brand names have been given, after supermarkets said the first two Baskets had "not compared like with like."

The price survey was conducted on Monday.

<table>
<thead>
<tr>
<th>Item</th>
<th>Rainbow</th>
<th>Festive</th>
<th>Feath</th>
<th>Rainbow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frozen Chicken 1 kg</td>
<td>6.29</td>
<td>5.25</td>
<td>5.89</td>
<td>7.29</td>
</tr>
<tr>
<td>I &amp; J Hake Fillets 800 g</td>
<td>11.79</td>
<td>10.89</td>
<td>10.29</td>
<td>9.99</td>
</tr>
<tr>
<td>Rindless</td>
<td>Escort</td>
<td>Escort</td>
<td>Renown</td>
<td>Escort</td>
</tr>
<tr>
<td>Back Bacon 250 g</td>
<td>5.25</td>
<td>4.99</td>
<td>6.19</td>
<td>6.19</td>
</tr>
<tr>
<td>Tasty Rice 1 kg</td>
<td>2.59</td>
<td>2.29</td>
<td>2.59</td>
<td>2.59</td>
</tr>
<tr>
<td>Floro Margarine 500 g</td>
<td>6.69</td>
<td>6.49</td>
<td>5.49</td>
<td>4.99</td>
</tr>
<tr>
<td>Bread 300 g</td>
<td>6.69</td>
<td>6.69</td>
<td>6.69</td>
<td>6.69</td>
</tr>
<tr>
<td>Blaes Milk 1 litre</td>
<td>2.59</td>
<td>2.29</td>
<td>2.59</td>
<td>2.59</td>
</tr>
<tr>
<td>Cornflakes 500 g</td>
<td>SPECIAL</td>
<td>SPECIAL</td>
<td>SPECIAL</td>
<td>SPECIAL</td>
</tr>
<tr>
<td>Pictures Instant Coffee 250 g</td>
<td>4.99</td>
<td>4.39</td>
<td>5.49</td>
<td>4.99</td>
</tr>
<tr>
<td>Iwiaa Mafina Meat 2.5 kg</td>
<td>3.99</td>
<td>4.29</td>
<td>4.25</td>
<td>4.25</td>
</tr>
<tr>
<td>Blue Yoghurt 500 ml</td>
<td>3.35</td>
<td>3.05</td>
<td>3.65</td>
<td>2.89</td>
</tr>
<tr>
<td>Omo 1 kg</td>
<td>6.69</td>
<td>6.59</td>
<td>6.99</td>
<td>6.99</td>
</tr>
<tr>
<td>Handy Andy 750 ml</td>
<td>3.59</td>
<td>3.29</td>
<td>3.69</td>
<td>3.69</td>
</tr>
<tr>
<td>Toilet Roll 1 doz</td>
<td>Twinesaver</td>
<td>Twinesaver</td>
<td>Carlton</td>
<td>Twinesaver</td>
</tr>
<tr>
<td>Cooking Oil 750 ml</td>
<td>Black Cat</td>
<td>Black Cat</td>
<td>Black Cat</td>
<td>Black Cat</td>
</tr>
<tr>
<td>Five Roses</td>
<td>7.89</td>
<td>7.29</td>
<td>7.29</td>
<td>6.99</td>
</tr>
</tbody>
</table>
CAPE TOWN — Consumers will bear the brunt of Finance Minister Derek Keyes’s bad-news R114 billion Budget, with a 40 percent increase in VAT and a 16c/l rise in the petrol price.

Keyes squeezed drinkers and smokers with a wide range of increased excise duties, ranging from 4.8c a litre on beer to 2.45c more for 10 cigarettes.

But he offered some relief to the very poor, with full social pension parity among different races, and announed a number of job-creation and other welfare benefits.

His increase in the VAT rate from 10 to 14 percent provoked an outcry.

The new rate will net the Government an extra R7.5 billion, to bring total VAT income to R24.9 billion in the 1983/84 fiscal year.

Although personal income tax rates were not increased, individual taxpayers will make an even larger contribution because of fiscal drag — adding another 15.5 percent to bring their contribution to R37.6 billion.

Companies were given some relief with a reduction in the corporate tax rate from 48 to 40 percent. But this was coupled to a new tax of 15 percent on dividends and other income distribution.

The increases in excise duties on alcohol and cigarettes included:

- An extra 37.7c on a 750ml bottle of spirits.
- An extra 4c per 750ml of fortified and unfortified wines.
- An extra 1c a litre on sorghum beer.

And the defence budget fell even in nominal terms by 4 percent — part of a general reduction in spending on protection services from 22 percent of last year’s Budget to 18 percent of this one.

Main items of social spending are:

- Education: R22.7 billion, up 19.2 percent on last year.
- Housing: R11.6 billion, up 27 percent.
- Health: R11.07 billion, up 10.9 percent.
- Social security and welfare: R10.6 billion, up 5.7 percent.

Keyes kept the overall Budget increase to 8.8 percent above last year’s spending of R104.9 billion.

Social pensions of different races are to be equalised by September 1.

White pensions will go up from R345 a month to about R370 in July, coloured and Indian pensions will rise from R316 to about R342 and black pensions from R205 to R315.

By September 1, all pensions will be raised to the white level of about R370.

More Reports — Pages 2, 6, 7, 18 and 21.
Fags, swig (mth)
cost more

• State will score R320
  million.

SMOKING and drinking will cost
more — with Heineken's coffers by about R320 million this year.

These are the figures:

• Beer up by 10 cents a case on a dummy.
• Whisky up by 20 cents a bottle.
• 37.7 cents a 750ml bottle of Cold
  drinks and mineral water up 2 cents a
  litre.
• Cigarettes up 4.9 cents for a
  packet of 20.
• Pipe tobacco and cigars up 5
  cents a 50 gram.
• Worthington beer up 1 cent a litre.
• Worthington beer powder up 5 cents
  a kilogram.
Fuel hike slammed

By Joshua Raboroko and Sapa.

CONSUMERS, already reeling under the escalating cost of living, would be hard hit by the increase in the price of petrol and diesel, business and transport organisations said yesterday.

The National African Federated Transport Organisation, the Southern Africa Black Taxi Association, the Automobile Association, South African Chamber of Business, National African Federated Chamber of Commerce and Industries and Foundation of African Business and Consumer Services expressed concern and outrage at the hikes.

Nato said its members would be forced to increase taxi fares following the rise in petrol and diesel prices.

Nato president Mr Peter Rababi condemned the increases, saying it would help the Government to continue with its “corruption and misappropriation” of public funds.

“We will consult with relevant organisations before increasing fares,”

Saba’s public affairs manager, Mr Mike Nitaile, said it was regrettable that the price of petrol and diesel should be increased at a time when thousands of blacks were unemployed and many others faced retrenchment.

“We are going to be faced with no option but to increase our fares, although we will not do so before we consult with civic and other associations,” said Nitaile, who also represents Fabcos.

The Automobile Association said that many motorists would be hard hit by the hikes.

Petrol and diesel prices would increase by 15c a litre at the coast and 16c a litre inland on April 2, Minister of Mineral and Energy Affairs Mr George Bartlett announced yesterday.

The price of 93 octane fuel inland will increase from R1.59 a litre to R1.75. The increases will come into effect at midnight on April 2.

Reasons for the increase include a 6c a litre increase in fuel taxes and an increase in the levy for the controversial Multilaterial Motor Vehicle Accidents Fund.

The fund has been plunged into controversy by allega-
Rough time ahead for consumers

By Sheila Stimola

Impact on food prices by increasing VAT

Interstate and local governments have a double duty to the public. They must provide a stable environment for business and ensure that a stable, predictable tax structure is maintained. The government must also ensure that the VAT, a sales tax levied on the sale of goods and services, is applied fairly and equitably.

The increase in VAT to 14% is a significant step in addressing the need for increased government revenue. However, the impact on consumers must be carefully considered. The cost of living is already high, and any further increases in taxes will further strain household budgets.

Consumers can expect to see an increase in prices of goods and services. The impact will be most noticeable in sectors that rely heavily on the VAT, such as retail, food, and entertainment. The government should consider implementing measures to mitigate the impact on low-income households, such as targeted subsidies or tax credits.

It is crucial for the government to communicate the rationale behind the increase in VAT, emphasizing the need for increased revenue to fund essential services and infrastructure development. Public awareness and education will be key to ensuring a smooth transition and minimizing backlash.

The government must also be transparent in its spending, ensuring that the increased revenue is allocated to projects that benefit the people. This will help to build trust and confidence in the government’s ability to manage public funds effectively.

In conclusion, while the increase in VAT is necessary for the long-term sustainability of government services, it is important to consider the potential impact on consumers. The government should take steps to mitigate the effects and ensure that the increased revenue is used to improve the lives of its citizens.
Petrol up
15c a litre
on April 2

Political Staff

The price of petrol is to increase by 15 cents a litre from midnight on April 2.

All users of diesel will face a similar price hike, while the cost of illuminating paraffin will rise by seven cents a litre.

Explaining the increases, Mineral and Energy Affairs Minister, George Bartlett said several elements were involved in the hikes. They were:
- An increase in fuel tax on all petrol and diesel of six cents a litre
- Unit under-recovery of six cents a litre on petrol, and seven cents on diesel and illuminating paraffin
- Three cents a litre to the Multi-lateral Motor Vehicle Accidents Fund for petrol and two for diesel.

Mr Bartlett said the six cents a litre increase in fuel tax amounted to an increase of 10.9% from 54.9 c/l to 60.9 c/l. Fuel tax on diesel would be increased by 12.6% from 47.4 c/l to 53.4 c/l.

He said consumers of diesel who currently received a rebate would still receive this.

The price of illuminating paraffin will also be affected by the rise in VAT on April 7.

Mr Bartlett said it should be noted that diesel prices had remained unchanged since March 21, 1992 and that an increase of only seven cents a litre was now being passed on.

With regard to the MMF, the minister said these increases were needed to meet the MMF’s 1993-4 budgetary increase.

He said the direct effect of the increases on inflation was calculated as being 0.37%, while the indirect effect would be slightly higher. This could be restricted by the anti-inflationary measures announced in the budget.

PETROL UP, THUMBS DOWN ... Ms Charlotte de Villiers, 25, of Tamboerskloof, indicates her displeasure at the impending increase in the petrol price.

Picture ALAN TAYLOR
Fuel price increase, inflationary

Budget, 93

Cape Times, Thursday, March 18, 1993

New levies will squeeze consumers

Hard-hit consumers will have to cut tighter notches in their belts to cope with next month's VAT and fuel levy increases, various critics echoed yesterday.

Petrol costs for small vehicles travelling 20,000 km a year will increase by R75 a month, according to Nedbank calculations.

Drivers of luxury cars covering the same distance will pay R200 or more.

Municipal rates will go up as the increased VAT rate is applicable to municipal services accounts.

Pretoria's ratepayers, for example, will fork out an additional R12 million while the fuel bill for council vehicles will rise by R1.5 million.

Car and home buyers will also be hit. Representatives of both industries said they expected a rush of buyers before the VAT implementation date of April 7, but a slacking-off thereafter.
Few cheers over Budget

By Paula Fray

Those who rely on cigarettes and alcohol for a good time may well regard Finance Minister Derek Keys as a party pooper — the products’ prices could rise three times during the next few weeks.

A beer dummy, which cost R1.53 (R1.70 VAT inclusive) before yesterday’s budget, now increases by 2c in excise duty (R1.55 VAT exclusive) and with the new 14 percent VAT rate will cost R1.77.

A normal cigarette packet of 20s (now R1.60 VAT inclusive) increases by 5c in duty and will cost R1.70 after the VAT increase.

A leading brand of 750ml whiskey, being sold at R37.10 in a Johannesburg liquor store yesterday, will cost R38.61 after the 37.7c tax rise and new VAT.

But, there is more.

When petrol price increases begin to filter through, consumer groups expect more price increases.
Meat producer prices fell sharply in January. Agricultural meat prices dropped a monthly 8.6% and fresh meat (a subsection of manufacturing) came down 6.8%. The same trend was not seen in the item meat products (also a subsection of manufacturing), where the rise was a modest 0.4%

Fruit prices, in the agricultural component, fell an incredible 25.3% in the month. But its weighting is only 0.4%, so the impact was limited.

The remaining items recorded only small rises and, as a result, both food components measured in the PPI, manufacturing and agricultural, recorded month-on-month declines. Agricultural food dropped 3.1% and manufactured food 2%, continuing the downward trend of the previous months (see graph).

The effect has yet to be reflected in the CPI for food, which rose 1% during January. This is probably because food prices at consumer level tend to be stickier (up and down) than their producer counterparts. But it does indicate there is no inflationary pressure on food prices at producer level.

Overall, PPI rose 0.2% in January (as in December). And the 12-month increase was 7.4% (December 7.3%). The uptick is technical, as the index rose by only a month-on-month 0.1% in January 1992.

Prices of locally produced commodities went up 0.4% in the month, 8.3% year-on-year. Prices of imported commodities fell 0.4% in the month and rose only 3.9% over 12 months. An important factor in the period was a 2.3% monthly fall in "other" mining and quarrying, which includes oil imports.

The imported component of PPI might start rising because of recent declines in the rand exchange rate. On the other hand, this could be countered by oil producers' difficulties in restricting output to bolster prices.
VAT gobbles up small relief

By CLAIRE BISSEKER

CONSUMER relief will amount to about one percent on a basket of basic foodstuffs once new VAT zero-rating is in place. But this gain will be eliminated with the hike in VAT to 14%.

A Cape Times survey yesterday found a basic monthly shopping basket, which now costs R225.38, will increase by R8.13 (2.7%) with the implementation of 14% VAT on April 7.

The full four percent increase is softened by a R2.77 saving (1.24%) on the new zero-rated foodstuffs announced last week by Finance Minister Mr Derek Keys.

Rice, fresh fruit and vegetables, vegetable cooking oil, fresh milk and eggs are items that will no longer be subject to VAT.

At present only brown bread, mealie meal, mealie rice, samp, dried mealies, dried beans, lentils, canned pilchards, milk powder and dairy powder blends are zero-rated.

The red meat industry has expressed grave dissatisfaction with the absence of zero-rating on meat and has requested a meeting with Mr Keys to discuss the depressed state of the industry.

Red Meat Producers' organisation manager Mr Gerhard Skutter said consumers would save R725m annually if red meat was zero-rated.

Blue Ribbon Meat Corporation chief executive officer Mr Gareth Ackerman said, "We have strongly objected to meat remaining subject to VAT at all, since there is no question it is a basic foodstuff. And we are naturally even more alarmed at the 14% increase in VAT which can only further exacerbate the 16.4% decrease in meat retail sales.

Housewives' League national vice-president Mrs Sheila Baillie said that meat, fish and cheese should have also been zero-rated because VAT placed an unbearable burden on the poor."
Price hikes 'shocking'

Business Staff

THE budget was described as "shocking" and "lacklustre" by Luke Dog, senior economist with the Credit Guarantee Insurance Corporation of SA, at a luncheon in Cape Town yesterday.

He said the drastic fuel and VAT price adjustments were "shocking". This contractionary bias could lengthen the recession.

Depressed domestic demand could induce a further cut in bank rate before mid-year. "This would, however, fly against the narrowing of real rates as a result of an uptick in inflation to 12% in 1993.

"The spectre of a debt trap cannot be disguised — R522bn on servicing public debt is the second biggest single item in the budget."
Too much dough in bread — league

JOHANNESBURG.—The Housewives’ League of South Africa yesterday criticised deregulation and accused millers, bakers and retailers of making a big profit from the sale of bread.

Analysing price increases over a 10-year period, the latest issue of the league’s Rands and Sense magazine says the cheapest loaf in 1983 weighed 300g. Today it weighs 600g.

“If we calculate the cost of a loaf today at a weight of 600g we find an increase of 312% for white and 431% for brown bread. Brown bread was subsidised in 1983 and is zero-rated under VAT in 1993.”

The league said other increases for items on its basic shopping basket list ranged from 142.37% for rice to 516.62 for cornflakes.

“Rice, virtually all of which is imported, has had the lowest increase. The importers must be congratulated on providing a staple so efficiently,” the magazine says.

SAPA
The 1993 Budget at a glance...

By Lynda Loxton

**Value-Added Tax (VAT)** to increase from 10 to 14 percent on April 7.

(Zero ratings apply to mealie meal, brown bread, mealie rice, for human consumption, dried beans and lentils, canned sardines, milk powder, rice, vegetables, fruit, vegetable oil, milk, cultured milk, brown wheat, flour, eggs, edible legumes and legume seeds).

**Customs and Excise duty increases from April 7:**

<table>
<thead>
<tr>
<th>Product</th>
<th>Duty Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer</td>
<td>4.8 cents/litre</td>
</tr>
<tr>
<td>Spirit</td>
<td>37.7 cents/350ml</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>2.45 cents/10</td>
</tr>
<tr>
<td>Cigarette Tobacco</td>
<td>5.0 cents/50g</td>
</tr>
<tr>
<td>Pipe tobacco</td>
<td>5.0 cents</td>
</tr>
</tbody>
</table>

Cold drinks and mineral water: 2 cents/litre

Unfortified wine, fortified wine and sparkling wine: 6 cents/litre

Other fermented drink: 10 cents/litre

Sorghum beer: 1 cent/litre

Sorghum beer powder: 5 cents/kg

No changes in personal tax.

**Company tax** reduced from 48 to 40 percent to encourage investment.

**Petrol price** to increase by 15-16 cents/litre from April 2.

**Transfer duty** adjustments in line with VAT increase.
Checks on zero-rated foodstuffs

The government and consumer bodies have admitted they are powerless to ensure that the recent zero-rating of several basic foodstuffs from value added tax will be passed on to hard pressed consumers.

In fact, it is quite possible the price on zero-rated foodstuffs will rise as a result of the 18-cents-a-litre petrol price increase from April 2.

This could be used as an excuse to push up prices across the board — including zero-rated foods.

Although there is no legal recourse against retailers who raise prices on zero-rated goods, the Consumer Council of South Africa is to announce a massive monitoring operation in conjunction with a host of other consumer bodies on Monday in an effort to ensure that the benefit of zero-rated food is passed on.

The best way to ensure you are not ripped off by unscrupulous retailers, say consumer advice experts, is to compare prices, shop carefully, and vote with your feet.

The Consumer Council, with the Consumer Union, the National Black Consumer Union, the Housewives' League, the Black Housewives' League, the Congress of South African Trade Unions, the National Council of Trade Unions, the Vroue Federatie and several women's agricultural unions, will monitor closely the prices of food to be zero-rated from April 7.

Consumer Council spokesman Mr Paul Roos said prices on these foods would be checked before and after April 7 and if increases were found, retailers' names would be published.

"We call on consumers who find that prices on zero-rated foods have increased to contact any of our branches with this information.

"But apart from this action there is basically nothing else we can do.

"If one shopkeeper wants to charge R1 000 for a loaf of brown bread and people are prepared to pay that price, there is nothing we can do. It is after all a free market system," said Mr Roos.

Earlier, Finance Minister Mr Derek Keys said the Food Logistics Forum (FLF), which was appointed in August last year to investigate unbridled rises in food prices, had played a valuable role in bringing prices under control.

He called on the FLF to play an equally important role ensuring that the prices of zero-rated food would reflect their changed VAT status from April 7.

But FLF convenor Mr Norman Fowler said his organisation was powerless to ensure this.

"This is a free market system and it is up to the consumer not to buy at places that push up their prices or fail to heed the zero-rating — it is as simple as that.

"Also, competition between retailers should ensure that prices on these foods are kept low to reflect the zero-rating." Mr Keys, however, did warn of further action if the required response was not forthcoming on zero-rated foods.

A spokesman for the Ministry of Finance, Ms Lesley Lamberg, admitted that there was not much that could be done.

She could not explain what "further action" meant.

"South African consumers should become less complacent, vote with their feet and simply not buy at places where prices are too high," she said.

Mrs Sheila Baillie, vice-chairman of the Housewives' League, said it would be difficult to ensure that food to be zero-rated was sold at the new lower price.

"Consumers should now go around and write down the prices of zero-rated foods and compare them after April 7 to ensure they are not ripped off.

"It is also of great concern to us that the pending rise in the fuel price may in some instances be used to justify a rise in the price of zero-rated foods.

"But the consumer should apply pressure on retailers and ensure also that they (the consumers) know exactly which foods are exempted from VAT.

"If they find the prices of the zero-rated foods are up before April 7 they should complain to the manager of each and every store where this happens."
Fuel price increase likely

PRETORIA - Motorists should brace themselves for another fuel price rise in the months ahead, government sources said last week.

The 6c/l price increase announced in the Budget would by no means be the last this year, they said.

In October last year, when he announced a 7c/l price increase, Mineral and Energy Affairs Minister George Bartlett warned of a big price rise early in the new year — and of smaller and more frequent adjustments thereafter.

Bartlett said avoiding large, widely spaced increases would soften the blow to consumers and the economy.

According to a Mineral and Energy Affairs Department source, the 7c/l hike in October and the latest price hike would compensate for under-recoveries and the consequent drain on the Equilisation Fund.

This drain on the Equilisation Fund had occurred almost monthly during the past 12 months.

However, if the fund stayed as weak as it was, or got weaker, future under-recoveries would be corrected "timeously, with price adjustments".
Zero-rated food prices to be surveyed

PRETORIA. — The Consumer Council yesterday started a nationwide campaign to monitor the food prices of basic foodstuffs to be exempted from VAT from April 7.

The council's executive director, Mr. Jan Cronje, said the foodstuffs should be reduced by 10% on that date.

Besides Cosatu and Nactu, other consumer groups, including women's organisations, would help with the effort.

Mr. Cronje appealed to consumers to help with the project by reporting sudden price hikes of zero-rated food to the council.

Foodstuffs to be exempted from VAT include rice, fresh fruit, vegetables, vegetable oils, fresh milk, cultured milk, brown wheat meal, eggs and dried and split peas.
Price hikes predicted

PrICES of big ticket items were expected to increase 10%-15% from April, retailers and manufacturers said yesterday.
Although VAT and the petrol price would affect prices, they said the main cause was the depreciation of the rand over the past few months.
Most electronic goods and top of the range appliances sold in SA were imported. Most components for appliances, TVs and hi-fi systems produced locally were also imported.
Since the beginning of the year the rand had depreciated from R3 to the dollar to R3.25.
Leftover stock at old prices would be snapped up as consumers bought ahead of VAT increases, Panasonic MD and Radio and TV Manufacturers' Association chairman Alan Coward said.
He expected prices to rise by at least 10% in April because of the rand's devaluation.
Most imports were paid for in dollars, Philips product manager Collin Ask said. Overseas supply prices had not only been affected by the devaluation of the rand but also by the strengthening of the yen against the dollar.
To maintain price parity people would have to purchase more middle of the range items, Pack 'n Pay merchandise director Aubrey Zelnisky said. SA could no longer afford products at the upper end of the market.
Merchandise arriving now was purchased in October/November last year when the rand was less than R3 to the dollar, Zelnisky said.
9% inflation lowest in almost 20 years

By Sven Luusche

The inflation rate fell to 9 percent in February — its lowest level in almost 20 years — the Central Statistical Services (CSS) announced yesterday.

However, economists are bracing for a further rise in inflation once key tax proposals announced in the Budget take effect.

The latest drop in inflation, which measures 12 months' rises in the Consumer Price Index (CPI), follows dramatically improved agricultural conditions in the wake of a wet summer rains.

The 3 percent inflation rate in February compares with a rate of 9.7 percent in January and is the lowest since 4.5 percent was recorded in 1974.

The food component of the CPI showed a 14 percent increase between February this year and February 1992, well down from a peak of about 44 percent last year.

Further downward pressure on food prices is indicated by monthly price trends between January and February this year. Overall food prices only showed a modest increase due to fuel prices higher.

Derek Keys ... Budget will up inflation by 2 percent, 0.3 percent increase led by a 0.4 percent rise in the cost of meat.

Prices of vegetables and fruit, however, fell by 0.5 and 0.2 percent respectively on a monthly basis.

The CPI for all products was up by 0.3 percent.

Pressure

Economists believe that the downward pressure on prices would have continued had it not been for the impact of a number of tax proposals in the Budget.

These taxes, which include a rise in VAT to 15 percent, a 16c per litre hike in petrol and diesel prices and higher excise duties, could lift inflation to 11 or 12 percent by April, when they take effect.

Santam's chief economist Johan Louw warned yesterday that the Budget proposals on indirect taxation could push up the inflation rate by as much as three percentage points in April.

However, Louw still expects the inflation rate to average 10.5 percent this year.

This is considerably lower than 1992's rate of 14.9 percent.

He says the underlying inflationary pressures had been noticeably reduced as a result of considerably slower increases in labour costs, higher productivity and lower interest rates.

However, Louw warns that the improvement since late 1992 would be temporarily reversed by the higher VAT rate, increased excise duties and the fuel price rise announced in the recent Budget.

This could cause the inflation rate to jump to more than 11 percent in April.

In his Budget speech Finance Minister Derek Keys said inflation would rise by two percentage points as an immediate result of his proposals.
Consumer inflation falls to 15-year low

T. MARSLAND

Consumer inflation fell to 9% in February, its lowest level in 15 years, as the rise in food prices continued to slow with the effects of the drought subsiding, economists said yesterday.

But they warned that inflation would rise sharply in April as the VAT and fuel price increases took effect.

Central Statistical Service (CSS) figures yesterday showed that consumer inflation in the 12 months to February slowed to 9% from January's 9.7%. For the month, consumer prices rose just 0.3% in February from January's 1.1%.

In the food category, soft drinks rose 5.3% in February while meat prices rose 0.4%. Seafood was up 1.4% from January, and tea and coffee rose 1.3%. But fruit and nuts, which rose 44% in the year to February, fell 0.2% during the month.

UAL Merchant Bank economist Dennis Dykes said the figures were encouraging, particularly the food component.

Inflation appeared to be slowing significantly as indicated by the prices of durable and semi-durable goods.

Inflation was likely to fall to about 8.5% in the year to March, partly because of the reduction in the bond interest rate. "After that, the fireworks start," he said. Inflation would rise about 3.3% in April from March.

Also economist Dominic Sutton agreed the inflation figure was good news, particularly because of the slowing in prices on a monthly basis. He expected inflation to rise about 2.5% in April from March.
Inflation rate down to 9%
More for less
CONSUMERS were pay-
ing up to 70 percent
more for 'potatoes sold
by mass' than potatoes
sold in 10 kg pocket and
up to 185 percent more
for onions, a Consumer
Council survey showed.
Fool Public, Supermarkets

hits out
dairy boss

Former

BY ERIANA WEDHALL

The California Times, Wednesday, March 31, 1993
ECONOMY & FINANCE

Apples again

It's round two in the battle between Pick 'n Pay chief Raymond Ackerman and Central Statistical Service head Treurnicht du Toit. In a Radio Today interview last week Ackerman again claimed that food price rises in his stores are running way below the official food inflation rate. A transcript from Radio Today reports him as saying that inflation was “just over 3%” over the last three months and, if you take it for six months, it's just over 3.5%.” Annualised, these amount to inflation of about 12.5% and 7% respectively.

Ackerman later amended these figures. He told the FM his prices had risen only 1% in the past three months — an annualised 4%. These figures are all below the official food inflation figure for February of 14%

Terribly unfair

Last year, when a figure of 30% for July food inflation was published, Ackerman claimed his food inflation rate was only 15%. He raised the point again in the interview. Attacks on retailers, he said, were “terribly unfair because we challenged the (official) figures and after we had challenged them for three or four months, the figures are now down with food at 14%”.

Ackerman later told the FM “that figures such as these (30%) have an inflammatory effect on consumers and labour organisations, which is wrong for the country.”

Du Toit rose to the challenge. He says the dilemma in Ackerman's statement is offensive “Ackerman forgets that his own Food Logistics Forum gave the official index a clean bill of health. He might succeed in persuading his customers that he is running his stores as a public service. He has not persuaded us that his primitive statistical method of turnover divided by number of items has any validity. Until he uses standard statistical methods to compare apples with apples, we will maintain that he is indulging in a publicity exercise at the cost of the credibility of scientific data produced at the taxpayers' expense.”

Ackerman responded: “I'm not questioning the scientific basis of the official figures. However, I am saying that they don't represent the price increases which our customers have to pay for food.” Ackerman says his prices are fairly representative of large retailers.

Last year, Ackerman complained that the added weighting of small retailers in the index distorted the overall figure. But, since a breakdown of price changes between large and small outlets was first published late last year, price increases at the large retailers have not differed much from the official rate. Between May and February, prices have risen more at the large retailers than at their smaller counterparts, 9% against 8.7%.

Du Toit says that if Ackerman continues to claim that the official figures are wrong, “he should allow us to publish the information we collect from him to back up his claims that inflation at his stores was significantly lower than the official rate.”

Du Toit says he is prepared to allow this if necessary. He says he does not want to get involved in a further dispute with Ackerman. “I just believe our method is better.”

Du Toit says he eagerly awaits Ackerman's written approval to publish the data. Without it, the Statistic Act forbids publication.

Food makes up 18.5% of the total consumer price index. Slowing food inflation since October has played a major part in bringing overall annual inflation down into single figures, currently at 9%.

The increase in the food index between January and February was 0.3%, as was the increase in the overall index. The small rise had much to do with the monthly declines in the indices for fruit and vegetables, and for fruits and nuts.

The index for all nonfood items rose 0.3% in the month and 7.7% year-on-year.

In the month:

- Housing (with a weighting of 20.5% in the overall index) rose 0.1%. The index is, however, 3.2% lower than it was 12 months previously.
- Transport (weighting 14.4%) which rose 0.3%, year-on-year 10.8%.

Continued on page 34

ECONOMY & FINANCE

FM 21, 1997

- Cereals and flour: 7.5%, up 0.5%
- Fruit: 5.2%, up 1%
- Milk and eggs: 11.5%, up 1.5%
- Meats: 8.2%, up 0.5%
- Butter: 11.5%, up 1.5%
- Sugar: 11.5%, up 1.5%
- Tobacco and tobacco products: 8.2%, up 0.5%
- Electrical appliances and equipment: 6.3%, up 0.5%
- Housing (with a weighting of 20.5% in the overall index) rose 0.1%. The index is, however, 3.2% lower than it was 12 months previously.
- Transport (weighting 14.4%) which rose 0.3%, year-on-year 10.8%.
Petrol price rise biggest so far

By Waghied Misbach

WHILE the increase in VAT attracted much attention, the biggest hike in the petrol price since 1979 — 16 cents a litre — came into effect quietly on April 2.

The increase affects every consumer and business. It was the heaviest since the last major oil crisis when the Shah of Iran was overthrown in 1979.

However, this increase is not about an oil crisis, but is aimed at increasing government revenue.

In effect, consumers will be paying the government an extra six cents a litre, which amounts to revenue of R740m in a year.

Consumers will further subsidise the controversial Multilateral Motor Vehicle Accident Fund, with an extra three cents a litre for petrol and 2 cents a litre for diesel.
PPI story
July 1973

The price rise of 4.3% in the June index of the PPI, the fourth month in a row to show an increase, was said to be encouraging for the private sector, but for manufacturing companies, who view inflation as the "real" enemy, the rise was a sharp increase in the price of raw materials and a challenge for them to absorb without passing it on to customers.

Economists speculated that the continuing rise in prices could be due to the government's failure to control inflation, which had been a major issue in recent months.

The rise in the PPI was attributed to increases in the cost of raw materials, particularly for the manufacturing sector, which is the largest component of the PPI. The rise was also seen as a sign of the government's continued failure to control inflation, which had been a major issue in recent months.

The government was under pressure to take action to control inflation, which had been a major issue in recent months.
Producer inflation increases to 8,3-%

By Šven Lusche

After falling almost continuously since August last year, producer price inflation moved sharply upwards in February.

The Central Statistical Services reported this morning that the Producer Price Index (PPI) in February was 8,3 percent higher than in the same month last year. In January, producer price inflation was running at 1,4 percent.

The jump in producer inflation is bad news for consumer prices, which are already under upward pressure from this month's rise in VAT and last month's increase in fuel levies and excise duties.

Economists cautioned, however, that not too much significance should be attached to the one month spurt in producer prices, as this could be largely attributed to higher international oil prices.

This is confirmed by the high monthly 1,3 percent rise of the PPI for imported commodities.

While on a year-on-year basis, price rises of imported producer goods at 5,4 percent are still fairly low, they have come under pressure from higher oil prices and the weaker trade weighted value of the rand.

The PPI for locally produced goods rose by 1,2 percent on January this year and by nine percent on February 1992.

Large monthly rises were recorded by two main sectors — meat products and motor vehicles.

According to the CSS, fresh meat prices rose by five percent in February, agricultural meat prices by 5,2 percent and other agricultural food products by 4,5 percent.

However, reflecting improved agricultural conditions, following the recent good rains, prices of grain products fell by 2,3 percent and fruit and vegetables by 7,3 percent.

In view of recent price rises in the car industry, the average price of motor vehicles, parts and accessories rose by 3,2 percent in February.

Other large increases were reported by non-metallic mineral products (3,4 percent) and other manufacturers (6,3 percent).
PRODUCTION PRICE INDEX

Producer inflation rose in February to 8.3% from 7.4% in January. The monthly rise was 1.2%, well up on January’s 0.2%. Central Statistical Service spokesman, because “weighting methods differ and the components are not identical.”

Considering the lack of correlation of the figures, it is difficult to estimate the impact of the downward trend in auction prices on the production price index in March.

- Other agricultural food products up 4.5%—largely due to a 6% rise in the price of distilled wine which constitutes about half of this item.
- Fishing products 3.5%, Steve Malherbe, MD of Federal Marine, the central selling organisation for the canned pilchards sector, says the rise is largely the result of its annual average increase of 11.5%.
- Other mining and quarrying, largely oil, 3.1%. The price of the benchmark Brent crude rose over US $18/bbl at the end of January. It subsequently topped $19 on a number of occasions. So pressure from this source remains.
- Beverages up 3.7%. This followed an 11.5% increase in prices charged by soft drinks manufacturers.
- Metal products 3.4%. Says Sefsa economics head Michael McDonald “there was an 8.1% increase in the steel price between December and January. This would have started coming into the production price index in February, when order levels increased.”
- Motor vehicles, parts and accessories 3.2%. The pressure has come mainly from motor vehicles and includes a price increase by Mercedes-Benz on February 1 and Nissan on January 15. Increases, from Toyota on March 3 and Nissan on March 8, will be felt later. The first will appear in the March producer price figures and the second in the April figures. In May, increases from Volkswagen will come through. These rises relate to the strengthening of the Japanese and German currencies. Little pressure came from parts and accessories. Denzyl Vermeulen, executive director of the National Association of Automotive Components & Allied Manufacturers’ Association, says “We have to negotiate price increases and have been under severe pressure from manufacturers to absorb cost increases. We don’t expect any significant movements in the first half of this year.”
- Nonmetallic mineral products—comprising lime, crushed stone, asbestos and glass products—up 2.9%.

Sack’s Lockwood expects the index to stabilise in March and rise in April under the impact of the administered fuel price increase announced in the Budget. “Thereafter, I believe the index will continue the downward trend, though marginally, and could end the year at 6.5%-7%.”

The disparity between consumer and producer inflation has almost disappeared. Consumer inflation has fallen steadily from more than 16% in January 1992 to 9% in February 1993.

The two rates diverged after January 1991 when both were 14.3% (see graph). Follow-
Pretoria ‘most expensive city’

PORT ELIZABETH—For lower-income groups Pretoria is the most expensive place in the country and Queens-town the cheapest.

This is according to the latest household subsistence-level survey by the Institute for Planning Research, at the University of Port Elizabeth.

In March the subsistence level of a family in Pretoria was R946, and in Queens-town R827 — Sapa (ZUL)
Final cost of Hani march

CAPE TOWN — Final cost of damage to council property, including burnt-out Grand Parade stalls, during the Chris Hani march was R165,747. Now the city council is considering tougher controls — with large gatherings confined to the Parade, sports fields or stadiums. — Sapa
THE WEEK AHEAD by Simon Willson

March's one last hurrah for single-digit inflation

INFLATION may, temporarily, be making its single-digit swansong this week with the release of the March consumer price index (CPI). But attention is already turning to how the historically low inflation rates of recent months can be locked in once the effect of the Budget's tax and duty increases fades from the CPI.

Consumer inflation eased to a fresh 15-year low of 0.5% in the year to February as increases in food and housing costs, which have the two biggest weightings in the CPI's shopping basket, continued to subside. The February outturn took inflation to its lowest level since the 0.4% recorded for June 1978.

The higher VAT rate, petrol price rise, and increased excise duties included in last month's Budget will boost the April inflation rate and, for a time, the current sequence of historic inflation lows. But there should be one last hurrah for falling inflation in the March CPI figure due this week.

Most analysts expect the CPI's two most influential components, housing and food, to continue to push headline inflation lower in the March reading.

A popular projection is 0.5% which, as the chart shows, would be a truly epochal event in SA's ignominious inflation record. The next inflationary low in the CPI's sights is the 0.4% posted in 1973. Whatever this week's precise CPI outturn, the March inflation rate could be at or very near a 40-year low instead of around the 15-year lows of January and February.

This would represent another material advance in the monetary authorities' painstaking campaign to reduce inflation to trading partners' levels, and raise the question of how the disinflationary gains made to date can be locked in.

Inflation rose in the 70s and 80s for mainly structural reasons and the ultimate solution is therefore the type of restructuring set out in the Finance Department's economic model. But the model has a medium-term time span - its objectives are five years distant. The challenge is to lock in inflation at its current lows over the short term.

Since macroeconomic restructuring has not yet begun in earnest, today's relatively low inflation is perceived as a purely cyclical event. But SA is not alone in trying to overcome a cyclical upturn in inflation. Some other traditionally high-inflation countries are also trying to lock in inflation rates that are cyclically low. The encouraging part of this analogy is that SA is ahead of the game.

The UK (1990 inflation average: 18.5%) and France (15.5%) have, with mixed results, been trying to lock in their low inflation (now 1.9% and 2.1% respectively) by stabilising their exchange rates, confining their monetary growth to targets and freezing their central banks of government control. Neither has yet achieved all three. SA has.

The desperation of would-be low-inflation countries such as the UK and France to adopt short-term adjustments that were accomplished in SA some years ago offers hope that SA may already have the capability to lock in single-digit inflation. Whether its authorities will have the resolution required to defy the remorseless business cycle is another matter.

An important part of the process of locking in low inflation should feature this week as the March money supply data are published. Growth in the broad-money M3 aggregate was little changed at 5.4% in the year to February from January's 5.3%.

Growth from the base of the guideline year, at 1.4% in February, is moving towards the 0%-5% 1993 guideline range. If the Reserve Bank is still afloat, in the transitional years ahead, to confine the rate of M3 growth to that of expected nominal GDP, it will help lock in prevailing inflation, since higher inflation will thus not be accommodated by the monetary base.

Internationally, markets will be looking for further evidence of economic recovery in Britain when UK first-quarter GDP is released today. Marginal growth of 0.1% in the fourth quarter of last year is expected to be superseded by a rise in real GDP of around 0.5% for the March quarter, which would support the upswing signals in last week's UK unemployment and retail sales data.

Conversely, slower growth is likely to be indicated when US first-quarter GDP is published on Thursday. The US economy...
Extended data prepared for April CPI

The Week Ahead

by Simon Wilson

(April inflation rose to 2.5%)

The Federal Reserve looks for the Fed to

make some

April 1, one of the

rare

weeks

in

the

interest

rate-

for

any

rise

rate.

Fed's

divis.

The

earnings

growth

rate

for

the

second

quarter

of

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.

The

earnings

for

the

year.
Bread price may rise 10c

DI CAELERS
Weekend Argus Reporter

THE price of bread will rise by up to 10c a loaf at the end of the month following the termination of the subsidy on wheat which will send wheat prices shooting up by more than 10 percent.

The increase will mean that the recommended price of a loaf of white bread may rise from R1.75 to R1.85 and that of brown bread from R1.50 to R1.58, but supermarkets and cafes may set their own prices.

The price hike was confirmed yesterday by SA Chamber of Bakers director Mr Nic Alberts, who said it was impossible to speculate on how much deeper consumers would have to dig into their pockets as no price control whatsoever existed on bread.

Housewives' League national president Ms Jean Tatham said every single baker determined their own bread price.
Price war cuts cost of food

By Ciaran Ryan

Price wars have lowered the cost of food. New competitors in meat, confectionery and rice have sent prices back to levels of the 1980s, exposing market leaders to charges of profiteering.

Rice prices plunged after Mars International began promoting Uncle Ben's. Market leader Tastic, owned by Tiger Oats, could be bought in some shops for R4.99 a 2kg pack this week compared with R6.99 last year, says Cliff Sampson, marketing director of Royal Beechut. Tastic disputes this, saying its' prices have fallen by an average of 16% to R5.99.

Rice was zero-rated for VAT in March. Mars is represented in SA by Royal Beechut. Uncle Ben's has 3% of the R700 million-a-year market, and is aiming for 5%. Tastic has more than half.
Another bleak month as more people eat less

IT WAS a bleak April for retailers as food sales plummeted.

Some report a drop of as much as 20% in rand terms after the Han assassination.

Although a few chains reported 5% growth in the rand value of sales, volumes were lower, continuing the miserable trend of the first quarter.

OK Bazaar marketing director Arthur Solomon says, "The drop was felt across the board — even bread and potatoes were seriously affected."

This is in sharp contrast to an expected retail sales increase of 1.3%.

Central Statistical Service (CSS) confirms the decline. Retail sales for the first three months of 1993 increased year on year by a mere 0.97% in rand terms.

A Tiger Oats spokesman says, "We have never had such a bad four months as these since January."

However, Tiger says there are signs that manufacturing volumes are recovering.

People did not even try to drown their sorrows in alcohol.

Western Province Collards financial director Rose Herbst says sales were 4.5% below budget and 3% off April’s in rand terms.

Beer sales were also depressed, says an SA Breweries spokesman. But the 1991 increase in excise duties had a more serious effect on volumes.

May did not bring a release of pent-up demand. Pick’n Pay chairman Raymond Ackerman says sales remained low at the beginning of May, although they started to pick up later.

Scant retail demand is shown by lower-than-expected consumer prices index and money-supply figures.

CPI figures released on Friday show an 11% inflation rate for April.

Credit Guarantee economist Luke Dog says inflation was expected to be closer to 12% because of the 4% VAT increase on April 7.

Target

After factoring out the impact of VAT, the underlying inflation rate is closer to 9%, showing consumers are not spending money.

Mr. Dog warns that VAT’s full impact will be reflected in the May inflation figures because many retailers did not increase prices immediately.

Year-on-year money-supply growth rate was 3.6% in April, way below the Reserve Bank’s target range of 6% to 9%. It shows a drastic decline in consumer demand for credit.

Retailers blame the aftermath of the Han assassination as well as the poor sales.

Food marketing manager Bob Paine says April had three public holidays and several trading days were lost in sensitive locations.

"Shops that were on march routes or in turbulent areas had to close doors or face looting."

Mr. Herbst says some of his group’s bottle stores were forced to close.

Mr. Paine says that even people in areas far from the violence were too scared to go outdoors.

He says lack of confidence is also a cause of poor trade.

"People stop shopping, even for basic foods, as soon as there are reports of violence."

Many shops were unable to obtain stock.

"A normal trading month was turned into half a month in terms of trade."

Other implications of falling confidence are that people buy down or take smaller packs.

Mr. Paine says, "There is less hoarding of food because families live from hand to mouth."

"Instead of a huge monthly shop, people are using baskets and buying goods as they need them."

Retailers also report declining customer loyalty. Customers shop where they believe bargains are to be had.

Consumers benefit because retailers are using discounts to gain a greater share of a shrinking market.
CPI holds hope of potential rate cut

TIM MARSLAND

CONSUMER prices rose a "surprisingly low" 11% for the 12 months to April, highlighting the potential for a cut in Bank rate, economists said at the weekend.

The Central Statistical Service reported on Friday that April's inflation rate — as measured by the CPI — was 1.3 percentage points above the 9.7% in March. The month on month increase for April was 2.5%.

The CSS said the total effects of the new VAT rate had not yet been reflected in the CPI and noted many retailers had not increased their prices to reflect the new VAT rate by April 7 — the day of the survey.

The increase in the transport category, at 5.6%, was due to the higher fuel prices. A 15% monthly increase in communication costs was due to higher postal tariffs.

Economists said this, coupled with lower money supply growth and the improvement in reserves, strengthened the case for a cut in Bank rate.

UAL economist Dennis Dykes said the figure was better than expected, but much of the VAT-related increase had still to filter through to prices.

It was encouraging that the inflation rate excluding VAT showed a monthly rise of 0.6%, indicating that the underlying trend in inflation remained under control.

Standard Bank chief economist Nick Cryperos said some stores might have delayed raising prices in line with the VAT increase, distorting the figures. If the current trend of slowing inflation continued, there could be room for a rates reduction.
Cut in Interest Rates

Hopes Rise for Early
Food inflation 'falling steeply' - Ackerman

By ARJ JACOBSON

FOOD inflation has risen by a meagre annualised 3.8% (including VAT) in the first half of this year, according to Pick 'n Pay chairman Mr Raymond Ackerman.

Mr Ackerman said the retail group's estimates showed that food inflation was falling "steeply".

He said the Food Logistics Forum, a national body formed by manufacturers, retailers and consumer organisations, had proved successful in curbing inflation.
Official inflation in April was 11%, with a month-on-month increase in consumer prices of 2.5%. Excluding Vat, year-on-year inflation for April was 9%; the month-on-month increase was 0.6%.

Though the four-percentage-point increase in Vat pushed overall inflation back into double digits, consumers benefited from the zero rating of many items. Food inflation over 12 months fell to 8.5%. Prices in the month declined 0.4%.

Many consumers feared food retailers, who move quickly to pass on extra costs, would fail to pass on the benefit of food zero rating.

But fears turned out to be largely groundless. There were declines in the month in milk, cheese & eggs (2.7%), fruit & nuts (9.4%) and vegetables (6.3%), all of which are heavily weighted with zero-rated items.

These offset rises in items not exempt such as meat (2.4%), fish & other seafood (3.7%), sugar (4%), and coffee, tea & cocoa (4.6%).

Retailers have experienced poor turnover in recent months—and increased consumer vigilance. And they face stiff competition not only from one another but from the informal sector, much of which is involved in the sale of non-durable items.

Retailer warnings of losing market share or further turnover might have accounted for the lower-than-expected increase in overall inflation (many thought it would go as high as 12%).

Retailers of many items have either decided to absorb the extra costs of Vat or postponed increases until they saw where sales volumes went in April.

Says Nedcor chief economist Edward Osborn, "As noted by Central Statistical Service, the full effect of the 14% rate of Vat has not come through for a number of reasons, notably the dispensation on durable goods bought before April 7 and delivered by April 24 as well as the 10% on sales of vehicles, maintained by many in the motor trade. The full impact of the Budget will only be felt on prices through the course of April and May. The euphoric expectation of a cut in Bank rate is therefore premature."

He argues that the increases should not be underestimated "If one strips out mortgage interest payments, which are not subject to..."
Bread price set to increase

THE bread price is set to rise by about four to five cents when a government wheat subsidy is scrapped on July 1 — but consumers could be hit by an even bigger hike.

By the time petrol and VAT costs have been included the price increase could go as high as nine cents, said Mr Philip Breet, assistant general manager of the Wheat Board, yesterday.

He said, however, that a maximum of a five percent increase was expected given the wheat prices.

Guideline

After the last increase in November 1992, the recommended bread price was set at R1.75 for white bread and R1.50 for brown bread by the Wheat Board and the Ministry of Agriculture.

Mr Breet said the board would be issuing a new price guideline, but that individual bakeries and retailers set their own prices.

Cape Town bakeries said yesterday that they knew a bread price increase was coming but could not yet release their new prices.

The government's subsidy on the wheat price was about R200 million in 'died flu'
Bread Increase

The recommended price increase for bread and from Rs. 0.75 to Rs. 1.00 for brown bread on July 1st.
Petrol price may pump up PPI

By Kelvin Brown

THE WEEK AHEAD

BUSINESS DAY, Monday, June 13, 1993
Bread price increase slated

The Congress of SA Trade Unions said yesterday
the increase in the bread price from July 1 was
unacceptable and it would campaign against the
rise. A price increase of between 5 and 7 percent
is set to come into effect when the Government's
subsidy of wheat falls away and the cost of flour
rises. — Staff Reporter
Bread price hike slammed

By Joe Mthlela

The increase in the price of bread would continue to erode the living standard of blacks, the Congress of South African Trade Unions said yesterday.

Condemning the hike as unacceptable — the price of white and brown bread will go up by eight cents and 14 cents, respectively from July 1 — Cosatu spokesman Mr Neil Coleman said the decision to increase the price was insensitive.

The increase came at a time of mass retrenchments and joblessness. The argument that food prices were set by the market was not a good enough excuse.

He said Cosatu would intensify its campaign against high food prices and would oppose the increase in the bread price.

Coleman said Cosatu would also seek ways to democratise the control boards which, he said, did not represent the interests of the majority.

Cosatu would consult its allies, civic associations, welfare organisations and consumer groups before taking up any position on the matter.
PPI figures set alarm bells ringing

By Derek Tomney

The latest producer price index (PPI) suggests that the Reserve Bank still has a fair amount of squeezing to do if inflation is to fall to the overseas levels.

While the overall trend in producer prices is still low, an analysis of index constituents shows significant price rises could be on the way.

At first sight the figures for April look encouraging. They show that in the 12 months to April prices of all commodities for local consumption rose 7.9 percent—a slight improvement on the 8 percent for the 12 months to March.

But there is also a danger sign in the performance of prices in April alone.

Prices of goods produced by SA industry for local consumption rose 7.2 percent—equal to an annual rate of 15 percent. The seasonally adjusted figure for April was 0.9 percent—equal to annual price rises of over 10 percent.

At first sight the price index for imported commodities also looks encouraging. The year-on-year increase to April was 5.8 percent, which is remarkable in view of the slide in the exchange rate of the rand against the dollar and other currencies.

But a closer look also shows a deteriorating position. Although the unadjusted increase in imported prices in April was only 0.5 percent, seasonally adjusted it was 2.1 percent—equal to an annual rate of increase of 26 percent.
PPI continues downward
Producer price rises slow to 7.9%

TIM MARSLAND

PRODUCER price rises slowed further in the 12 months to April, with a year-on-year rise of 7.9% from 8% in the March period, Central Statistical Service said yesterday.

But producer prices, as measured by the producer price index, rose quite sharply month on month — by 1.2% in April from the March figure.

Prices of imported producer goods rose a year-on-year 5.9% in April from March's 5.8%, and while prices of locally produced goods were up 8.3% (March 8.5%) Economists blamed the high monthly rise on higher fuel prices announced in the Budget.

UAL economist Dennis Dykes said the slowing of price rises during the past few months was due to better food prices after last year's drought — a one-off factor.

Food prices in the six months to October last year rose at an annualised 48.5% but during the past six months fell by an annual rate of 11.8%.

Nedcor Bank chief economist Edward Osborn attributed the decline in the yearly figure to statistical factors, since there had been a monthly jump of 1.8% in April from March last year. The current PPI figure had, off, a relatively high base. A "disturbing" rise in imported prices reflected higher world fuel prices and the rand's depreciation against the yen.
Major SA price rise shock seen

Business Staff

The latest producer price index (PPI) suggests that the Reserve Bank still has a fair amount of squeezing to do if inflation is to fall to overseas levels.

While the overall trend in producer prices is still low, an analysis of index constituents shows significant price rises could be on the way.

In the 12 months to April prices of all commodities for local consumption rose 7.9 percent — a slight improvement on the eight percent for the year to March.

But there is also a danger sign in the performance of prices in April.

Prices of goods produced by South African industry for local consumption rose 1.2 percent — equal to an annual rate of 15 percent. The seasonally adjusted figure for April was 0.9 percent — equal to annual price rises of more than 10 percent.

The price index for imported commodities rose 3.9 percent in the year to April, which is remarkable in view of the slide in the exchange rate of the rand. But the seasonally adjusted rise in imported prices in April was 2.1 percent — equal to an annual rate of increase of 26 percent.
Consumers spend more

JOHANNESBURG
Consumers spent more in real terms and the fall in investment spending slowed down in the first quarter this year — fuelling optimism that the economy is moving out of recession.

Reserve Bank Deputy Governor Mr Jaap Meijer said real private consumption spending showed a small increase in the first quarter.

But Stellenbosch University's Bureau for Economic Research says consumer confidence is at its lowest since 1975.

Full reports — Page 8
Consumption Spending for SA Private
CONSUMER confidence in South Africa has plummeted to its lowest level in eight years, Stellenbosch University's Bureau for Economic Research says in its latest survey released yesterday.

The survey said the composite consumer confidence index for whites fell in the second quarter of this year to its lowest level since 1983.

Black consumer confidence also dropped to its lowest level since 1993, particularly with respect to consumer confidence in the employment-creating ability of the economy.

This reflected a drastic drop in black expectations since 1990, when the confidence level was relatively high.

Cape Town consumers were relatively more optimistic while pessimism reigned in the Durban-Maritzburg area.

The bureau said the employment deterioration rate had, however, slowed down in the retail sector, and was recovering in the wholesale sector.

Retailers, wholesalers and motor dealers reported poor sales and they were not optimistic about conditions in the third quarter of this year.

The bureau maintained its view that the economy would at best bottom out during this year and the gross domestic product was forecast to decrease by about half a percentage point, but a real growth rate of about 2% was forecast for 1994. — Sapa
Strife blamed for bread price rise

By Zingeni Mkhrama
Consumer Reporter

Consumers are paying more for a loaf of bread because of political and criminal violence which has caused huge losses for the baking industry.

SA Chamber of Baking executive director Nic Alberts said yesterday that the industry had lost R15 million in the past three months alone as a result of the gutting of township delivery trucks and maiming and killing of drivers.

He also cited the Government's removal of the wheat subsidy as the main reason for the 10 percent increase in the wheat price.

Salaries and the cost of ingredients and equipment also contributed to the increased price of bread.

Bread is exempted from VAT and the recommended maximum price for a white loaf of bread is R1.75 and for brown R1.80. The prices are expected to go up by 8c and 7c respectively from July 1.

Bread sales continue to go down, the Wheat Board said at the launch of its National Bread Week yesterday.

The board said this may be due to the recession and because bread prices had risen by between 35 and 45 percent since the industry was deregulated.

"Whatever the reason, South Africans are just not eating enough bread. It is imperative, therefore, to reinforce the goodness perception of bread and restore bread to its rightful place as one of the most important staple foods in the daily diet," it said.
Crime pushes up bread price

The Argus Correspondent

JOHANNESBURG — Consumers are paying more for a loaf of bread because political and criminal violence has caused huge losses in the baking industry.

Mr Niel Alberts, executive director of the South African Chamber of Baking, said the industry had incurred losses of R15 million in the past three months as a result of the looting by fire in townships of 50 delivery trucks and the maiming and killing of drivers.

"Unfortunately the bread price has to absorb these costs," he said.

He also cited the government's removal of the wheat subsidy as the main reason for the 10 percent increase in the wheat price. Salaries, ingredient costs and equipment costs also contributed to the increases.

Bread is exempt from VAT and the recommended maximum price for a white loaf is R1.75 and brown bread R1.50. The prices are expected to go up by 8c and 7c respectively from July 1.

Bread sales continued to drop, the Wheat Board said yesterday at the beginning of its National Bread Week.

The possible reasons for this, it said, were the unfavourable economic conditions, a rise of between 33 and 45 percent in price since the industry was deregulated, or that people could no longer afford bread.

Bread consumption in South Africa, including the TBVC states, amounted to slightly more than one loaf a person a week, the board said.

"Whatever the reason, South Africans are just not eating enough bread. It is imperative therefore to reinforce the goodness of bread and to restore bread to its rightful place as one of the most important staple foods in the daily diet."
Prices up 200% with packaging

PRETORIA Repackaged fresh produce in supermarkets can cost consumers up to 200% more than the market price, the Consumer Council's latest price survey in six urban areas showed.

A statement by the council said after monitoring prices at several branches of Pick 'n Pay, Checkers, Shoprite and OK Bazaars, it was found that 55% of repackaged vegetables and fruit also did not indicate the unit price or the mass. This meant consumers could not determine whether the price was fair.

Sapa CF 24/6/93
Imported producer inflation tends to move in tandem with international oil prices. When the price of Brent crude, the international benchmark, fell from levels of around US$20 a barrel in October 1992, to below $17.50 a barrel in January, imported inflation fell too, from a year-on-year 7.1% in September to 3.9% in January. Steadyings of the oil price at $18-19 since February has kept imported inflation between 5.4% in February and 5.9% in April, the latest rate available.

April saw only a modest rise in the imported index on a month-on-month basis of 0.5% — which could have been the effect of lower oil prices in early April. (Oil prices are hidden in the component "other" mining and quarrying, which slid 0.7% in the month.)

Recent falls in the oil price to below $18 could be a harbinger of further falls in this component in May and June (see graph), with the spin-off of lower imported inflation. But the oil price windfall may be countered in May and June by negative currency effects in the same period. However, this did not happen earlier in the year. When the average monthly effective exchange rate of the rand declined 5.3% between December and April, producer prices for imported commodities rose only 1.6%. Nor did the currency factor have much impact on non-oil prices. The year-on-year rate at which imported prices under manufacturing (which excludes oil) increased was only 5.7%, lower than the overall imported rate of 5.9%.

This relatively low volatility of imported prices compared with sharp currency movements could have several causes, says AH1 chief economist Nick Barnardt. "It is likely importers are shopping around countries to get a better deal, moving from US and Japanese producers, against which deprecation has been greatest, to Europe, where the rand has been stable. It may also be that, given the international recession, importers are able to negotiate discounts."

Barnardt says international experience shows that currency depreciation is seldom inflationary where there is domestic financial discipline. "In the UK, the large fall in sterling has had little or no effect on the inflation rate. With money supply growth at low levels here, I don’t see the recent weaker rand generating higher inflation."

The source of most of April’s monthly rise in producer inflation of 1.2% (the 12-month rate is 7.9%, from March’s 8%) comes from locally produced commodities. These climbed 1.2% (8.3%). Of the monthly increases, the most significant were:
- Tobacco products, 4.4% (14.4% over 12 months);
- Furniture, 4.4% (10%); and
- Products of petroleum and coal, 7.7% (11.9%).

However, food price increases remained modest overall. The index, under agriculture, grew 0.6% in the month (12.6% over 12 months). The subdued monthly increase was due partly to declines in the components meat (-0.8%), and grain (-0.3%) which countered the large increases in vegetables and dried beans, and in milk and eggs (3.6%) and fruit (3.5%).

For food under manufacturing, there was no increase in the month (8.6% over 12 months). There were declines in the month in the components fresh meat (-0.6%), sugar (-0.1%) and fats and oils (-3.3%). There was, however, a large increase in the month in the index for coffee, tea & cocoa (3.4%).
Wheat Board accused of inflating price of bread

BY CRAGAN HAYN

SUNNIER CIRCUMSTANCES

Wheat Board accused of inflating price of bread.

Price rises likely to be restricted

ALTHOUGH the delayed effect of the Budget’s VAT rise should exert upward pressure on the May inflation rate, due out later this week, the recession is expected to restrict price rises in the coming months. In April annual consumer inflation rose to 11% from 9.7% in March. Economists had been expecting a figure of 12% as a result of the VAT rise. It appeared many retailers withheld VAT-related price increases until after the Easter weekend. The pre-Budget VAT rate also applied to purchases of durable goods delivered before 24 April. As the survey was done on April 7 these delayed price increases were not reflected in the figures.

The rest of the VAT rise should come through in the May figures, say economists UAL economist Dennis Dykes is expecting delayed VAT-induced price increases to add 0.4 percentage points to May inflation.

He predicted the VAT increase from 10% to 14% would add 2.3 percentage points to the monthly inflation rate in April. But the figures excluded that VAT added only 1.6 points to monthly inflation.

Dykes says he expects the overall monthly rise to be 1.2% with yearly inflation around 11.5%.

What about the rest of the year?” Recent Reserve Bank comments seem to indicate that the authorities’ forecasting model shows lower inflation in the next 10 months.

In its latest quarterly bulletin the Bank says that although the rate of increase in the consumer price index (CPI) rose in March and April “this upward movement should be transitory, provided these movements do not fuel expectations of accelerating inflation.”

Sanlam senior economist Pieter Calitz agrees with the Bank’s assessment “I feel very positive about inflation for the next couple of years.”

Calitz bases his assessment on the fact that the recession is putting downward pressure on costs and prices. “Retailers are not in a position to pass on price increases, and major cost factors like salaries are unlikely to rise while the economy continues to decline.”

The effect is particularly noticeable on food inflation, which has fallen dramatically over the last few months to 8.5% in April after being at 30% at one time last year.

By far the largest cost element for many companies is salaries, says Calitz. Salaries have increased by 6%–8% this year, a much lower rate than in the past.

Calitz expects inflation to slow down in the last quarter of this year, as it will be compared with the corresponding period in 1992 when inflation was especially low “from then until the recent VAT rise worked itself through the index, inflation should show significant decline.”

Further downward pressure on inflation could come from a cut in interest rates. “If inflation performs as predicted and reserves remain stable a one-point drop in official interest rates should occur nearer the end of the year. Due to the large weighting housing prices carry in the index, a one-point cut in mortgage rates would cause a half-point fall in the inflation rate,” says Calitz.

On the international front the focus is on Japanese and US economic indicators this week. Economists will be keeping their eye on Japanese May retail sales for signs of a bottoming out of the recession in Japan.

When first-quarter GNP figures were released earlier in the month the government announced the recession had turned. Economists disagreed, saying latest economic indicators for April and May suggested otherwise. “There are few reasons for private demand to show any sustained growth in the coming months.”

Several important US indicators are due out in the week. The May leading indicators index, May consumer confidence index and June purchasing managers’ index will indicate if growth in the economy is showing any signs of accelerating
At least five dead in missile strike

Police close net on four held as first arrests made.

Antrim, N. Ireland

A teenager and four men were arrested in Antrim in connection with the massacre of five people in the village of Ballylough, N. Ireland, yesterday. At least nine others were injured. It is said that several of the injured suffered from scalp wounds and that the fifth victim was in critical condition. A police state of emergency has been declared in the area.
Price of bread to jump nine percent

JOHANNESBURG — You could be paying up to nine percent more for your loaf of bread today, as the new price hike comes into effect.

This follows a 10% rise in the wheat price and other cost increases in the baking industry.

The profit made by the government on the importation of wheat last year, which was passed on to the industry, has been spent and the price of wheat has returned to actual market levels.

A spokesman for the Chamber of Bakeries, Mr Nic Alberts, said that bakers could decide for themselves on price increases because the price of bread was not regulated.

Various supermarkets and chain stores had indicated that they would not increase the price of bread immediately. Some of these shops were selling bread at a reduced price — Sapa
Inflation pointer to Bank rate cut

TIM MARSLAND

CONSUMER inflation slowed to 10.6% in the year to May compared with April’s 11%, prompting economists to call for a quick drop in Bank rate.

The Central Statistical Service (CSS) said yesterday the inflation rate for the year to May, as measured by the consumer price index (CPI), was 10.7% against April’s 11% and March’s 9.7%. The month-on-month rise in May was 0.4%.

CSS said last month that the full effects of the higher VAT rate had not been reflected in April’s figure, which led most economists to forecast a rate of between 11.5% and 12% for May.

CSS head Treurnicht du Toit said he was satisfied that May’s data were accurate and said the decline indicated the sharp downward pressure on underlying inflation. He pointed out that some food items had been zero-rated for VAT, which contributed to the slower price rises.

Inflation

Economists were surprised at the figures but said this gave the Reserve Bank room for a cut in Bank rate now.

 ABI chief economist Nick Barnard said the latest figure was “extremely encouraging”, especially since the inflation rate excluding VAT was 8.4% for May. Seen against a prime rate of 16%, this implied a real interest rate of 6%, and he questioned whether this was realistic. “SA’s cost of money must be one of the highest in the world,” he said.

FNB senior GM Viv Bartlett said banks were unlikely to pre-empt a Bank rate cut by lowering their own interest rates first. The current high month-end money market shortages meant the banks were unlikely to lead rates down. The high short rates had forced short-term rates up, putting banks’ margins under pressure.

ABSA economist Dominic Sutton said the lower inflation rate indicated the extreme weakness of the economy and could mean retailers were being forced to absorb the higher VAT by slowing the implementation of the new VAT rate.

Consumer Council head Jan Crouse said consumers could look forward to a drop in Bank rate.

Capital market rates fell 15 points at the long end of the market in bullish trade.

Dealers said institutions had been major players in the market and some noted buying from London. The popular Zako 168 ended at 14.83% from 14.65%.
Glad tidings as inflation rate takes another tumble

By Claire Gebhardt

In one of the best pieces of economic news for some time, the inflation rate fell again in the twelve months to May — to 10.6 percent.

Latest Central Statistical Service (CSS) figures show that the consumer price index (CPI) registered a 0.4 percentage point decline from April's figure of 11 percent.

Non-VAT inflation was 8.4 percent.

For the month, consumer prices rose by 0.4 percent, largely because of increases in the price indices for housing, health costs and transport.

Afrikaanse Handelsinstituut economist Nick Barnardt said yesterday the figures were a pleasant surprise and reflected current monetary discipline.

"If money supply is growing at 3.7 percent, there is a limit to which economic participants can raise prices and wages.

"Given a CPI of 10.6 percent and non-VAT inflation of 8.4 percent, this puts the VAT input at 2.2 percent.

"The VAT factor will fall out of the figure in April next year, which means that if there is no further VAT increase, inflation could fall to 7 percent or 8 percent at that time.

"By the end of next year inflation could be 9 percent.

Barnardt said it was crucially important that business adjusted price and wage decisions to this figure.

He said falling inflation put a question-mark over a prime rate of 16.25 percent.

"If inflation is 10.6 percent, we're looking at a real interest rate of 8 percent in a totally depressed economy.

"With the economy going down further and further, the political situation is almost certain to explode.

Calling for a review of interest rates, he said a cut would stimulate growth and lead to higher employment and this could stabilise the capital outflow.

Econometrix director Azari Jamnum said the figures were unexpectedly low and indicated that companies were not passing on the increase in VAT.

"The drop enhances the possibility of an interest-rate cut, but at the moment the foreign reserves are just too shaky to lower interest rates.

"But the good news is that money will buy people a few more goods and services.

"In this sense the inflation figure will contribute to turning the economy around.

The Consumer Council welcomed the lower figure and said a drop in Bank rate would benefit the economy and bolster consumer spending.

Executive director Jan Cronje said consumers would be gladdened by the relatively low inflation rate of 7.4 percent for food.

But he warned that the favourable figures were not a signal for consumers to spend injudiciously.
Bread prices go up today

By Stan Hlophe

Consumers will pay 8c more for a loaf of white bread and 7c more for a loaf of brown from today due to a 10 percent rise in the price of wheat. However, supermarket chains have pledged to hold bread at R1.67 for white and R1.35 for brown until the end of July, when prices will be set at R1.75 and R1.42.

Bread, which is VAT-exempt, is normally dearer in cities. The recommended maximum retail prices before today's increases were R1.88 for a white loaf and R1.57 for brown.

In some cases, the price of a white loaf was as high as R2 and brown cost as much as R1.80.

OK managing director Mervyn Serebro said his group was prepared to assist customers in a staple-food area.

"We'll take on the extra for a six-month period to keep prices down until the end of July."

Wheat Board general manager Louis van Staden said wheat imports to supplement the small local crop had resulted in a profit of R147 million for the Government as imports could be landed at substantially less than the regulated price.

He said the profit had been used to counter a 10 percent increase last November by subsidising the Wheat Board's price to the industry.

This year the Wheat Board only received a crop of 1.2 million tons. As a result we had to import about 1 million tons on behalf of the Government," said Van Staden.

"The Wheat Board had no alternative but to increase the price of wheat by 10 percent when the Government's subsidy could not last for the full year," he added.

SA Chamber of Bakked executive director Nick Alberts said the industry had lost R15 million in the past three months alone, some as a result of the gutting and hijacking of 50 delivery trucks in the townships.

Higher salaries and equipment costs were contributing factors.
Price freeze by chain

THE price of bread went up yesterday but OK Bazaars said they would sell at the old prices until the end of the month.

A loaf of white bread will increase by 8c to R1.77 and brown by 7c cents to R1.65. The OK said it would not only sell at the old prices but would reduce the price of white bread to R1.65 and brown to R1.35 a loaf.

Group managing director Mr Mervyn Serenro said the chain was "here for our customers in these tough economic times".
Meat prices ‘should be lowered’

Staff Reporter

MEAT prices should not be affected by increased Meat Board producer levies, and “should rather be lowered”, the Consumer Council advised yesterday.

In a statement which followed the Meat Board’s announcement on Saturday that red meat levies were to be increased to 1990 levels, the executive director of the Consumer Council, Mr Jan Cronjé, said retailers should not use the increase “as an excuse to increase meat prices”.

The new tariff at abattoirs will be raised from the present R11.37 per head of cattle to R15.80.

Mr Cronjé said the new producer levies should have no influence on retail prices as they had virtually no effect on the supply and demand basis which determined red meat prices.

He said the council was already worried about the large difference between producer and retail prices and “retail prices should rather be lowered”.

The levy increase will be applicable from July 19, the Meat Board said.

The board said the maintenance of effective fund levels ensured the continued survival of an independent red meat industry, which would benefit all interest groups — producers, meat traders and consumers — as well as the country’s economy.
Cigarette prices set to rise up to 3%

Business Staff

SMOKERS will pay more for cigarettes after an increase in the wholesale price.

Introduction of the new recommended prices will depend on how quickly wholesalers and retailers pass on the increases and run out of old stock.

Rembrandt pushed up prices to wholesalers yesterday. The increase will result in retail prices ranging between 2 and 3 percent.

At the same time Rembrandt has reduced the number of price categories with the recommended price for cheaper brands (packs of 20) going from R2.44 or R2.45 to R2.50.

The middle-priced brands go from R2.49 to R2.55.

The "international" and luxury length-type cigarettes will be in a new price range of R2.62 to R2.70.

Cheaper packs of 30 go from R3.68 to R3.75 and the middle range from R3.73 to R3.80.

A wholesaler said today that most wholesalers would start passing on the new prices from early next week. It was up to retailers to decide when to pass on the increases.
Cigarette price to go up by 2.8%

Own Correspondent

DURBAN. — The price of cigarettes is to increase by six cents for a packet of 20s and nine cents for a packet of 30s from August 1, a spokesman for a major retailer confirmed yesterday.

Senior buyer for Pick 'n Pay Mr Michael Lafferty said the chain's cigarette suppliers had informed him of the increase, without notice, early yesterday.

"This increase of 2.8% means the price of cigarettes has increased by a total of 13.75% over the past 12 months."

"In July 1992 manufacturers raised their prices by 4.1%; in March this year it went up a further 2.8% as part of a government excise increase; then it jumped 4% with the VAT increment in April."...

Merchandise director for Spar Natal, Mr Mike Forsyth confirmed that he had also been told about the increase but said it was not excessive.
Price of a puff goes up immediately

SMOKERS will fork out more money for their cigarettes with immediate effect following yesterday's increase in cigarette manufacturers' prices.

Intercontinental Tobacco said yesterday there had been some confusion. The manufacturers' price increase to wholesalers was effective from yesterday and not from August 1 as had been reported.

Retailers were at liberty to adjust prices as and when they deemed fit. The increase was roughly 2%, but varied depending on trademarks.

This would translate to about 6c for 20 cigarettes after VAT.

Some retailers — like the OK — said they would hold prices at current levels while stocks lasted. Some cafes said they would increase packs of 20 by about 6c from R2.75, and packs of 30 by 12c from R4.10.

The increases at major retail chains would generally not be as high as this.

Although the major manufacturers could not be reached for comment, tobacco industry sources said the increases represented increased factory costs, and not a rise in the price of tobacco.
Inflation resumed its downward trend after moving up in April. Over the 12 months to May, the consumer price index grew 10.6% (after 11% in April). In the month, the index grew only 0.4%.

This rate was surprisingly low. Economists had expected a number of VAT-related in-

crease to filter through in the May figures (Economy, June 4) and an inflation rate of above 11% was predicted.

That it didn't can be attributed partly to the squeeze on the economy - retailers are finding it more and more difficult to pass costs on to the consumer.

In the food sector, where the rate has been below the overall rate, relief from the drought has been an important contributing factor. The index for food rose only a monthly 0.2% in May, while the year-on-year rate 7.4% - far from the heights of 30% seen a year ago. The rise in prices of fruit & nuts was at a year-on-year rate of 4% (from 41% as recently as December) and vegetables at -15.4% (30.5%).

The VAT factor explains the volatility of food inflation, compared with the inflation rate on all other items. When VAT was first introduced at 10%, in October 1991, the impact was greatest on food, previously exempt. Initially only six items were zero rated. In April this year, zero rating was extended to a further nine items.

Excluding food, prices rose 11.5% over the 12 months. And, says Sanlam senior economist Pieter Calitz, if housing, which is sensitive to interest rate changes, is also excluded, there is a "core" rate of 15.2%. However, the "core" includes the bulk of items now charged at the new VAT rate of 14%, or subject to the new series of levies and excise duties introduced in the Budget (for which the major increases would already have been made in April).

The VAT-free inflation rate of 8.4% is probably the most accurate measure of underlying inflation.

The highest rates of increase were seen in:
- Non-alcoholic beverages, a year-on-year rate of 18.9% (but only 0.2% in the month),
- Cigarettes, cigars & tobacco, 15.8% (no change in the month),
- Fuel & power, 19.2% (0.6%),
- Household operation, 16.2% (0.7%),
- Medical care & health expenses, 14.2% (1.2%),
- Transport, 15.7% (0.6%),
- Communication, 15% (no change in the month).

- Reading matter, 20.3% (no change in the month), and
- Education, 64.5%. This was because of new school and university fees, effective from March.
Another fuel price increase expected

By ANTHONY JOHNSON
Political Correspondent

SOUTH AFRICA's battered consumers can brace themselves for yet another general fuel hike — the third in nine months.

The Automobile Association believes the price could go up 25c/l this year.

Mineral and Energy Affairs Minister Mr George Bartlett warned yesterday that another fuel price rise would be unavoidable in the near future if there was not a big increase in the value of the rand or a fall in the cost of fuel imports.

He said the fuel price hikes in October last year and April this year had not taken account of “full unit under-recoveries” and that less than the actual required fuel price increase were passed on to consumers.

The remaining under-recoveries had been financed from the Equalisation Fund, which had now reached the point where it was “being drained at a considerable rate” and would “not be able to sustain this withdrawal rate for much longer.”

He said lower international market prices of refined petrol products since October 1982 were offset by a steady worsening of the rand/dollar exchange rate.

The AEC said that because of “dis-economies” in the oil industry (including $330 million in tariff protection and $392 million in compensation paid to oil companies per year), increases of about 25c/litre could be expected this year.

The AEC maintains that the only way to ensure the lowest possible pump price is to allow market forces to operate.

The existing system of having the AEC announce the price rise, which is then passed on to the public, has “done almost nothing to reduce the burden of the fuel tax on consumers.”
Margarine price up 84 pc
MAJOR retailers nationwide are slashing prices on products from washing machines to basic foods and changing marketing tactics as consumer demand plummets.

The price wars have brought down the rate of inflation against expectations of economists, including government economists, as retailers battle to maintain market share — and, in some cases, survive — in the longest recession the country has faced.

The year-on-year inflation rate for May was 10.6 percent — against predictions of 12 percent — and for food 7.4 percent.

The inflation rate would be dropping even faster if it were not for the government pushing up administered prices against free market forces and increases in VAT and fuel prices.

The latest government intervention resulted in the increase in medium fat margarine prices this week.

The government gave permission to the Oilseeds Control Board to raise the cost of oilseeds by 11 percent — well above world oilseed prices.

At the same time, the government has maintained tariff barriers of R500 a ton on imported seed oil to prevent margarine manufacturers taking advantage of the lower world price.

Figures from Central Statistical Services show in real terms (taking account of inflation) that retail sales fell 1.8 percent from R5.4 billion to R5.3 billion in April. Furniture, appliances and clothing sales were particularly hard hit.

And the Department of Agriculture has pointed out that although people are spending more because of the inflation rate they are buying less, which is hitting manufacturing volumes.

As shops slash prices a strong buyers' market has developed, particularly for furniture and appliances, with consumers able to negotiate rock-bottom prices.

The major food chains are also taking each other on in a battle for market share.

Checkers-Shoprite and OK Bazaars have been pricing aggressively in an effort to win market share. This is contributing to the rapid fall in the rate of food inflation this year.

Food inflation for May dropped to its lowest level in 17 years.

Pick'n Pay has given notice that it also intends moving firmly soon, introducing a new wide range of in-house branded products.

Joint managing-director Mr Rene de Wet says the price of 600 new in-house brand products — ranging from food to toiletries — will be 10 to 15 percent lower than equivalent manufacturer brand names.

This in itself is likely to spark a further price war as manufacturers drop their own branded prices to maintain market share.

In the United States the battle between retailer and manufacturer brands has resulted in widespread price-cutting.

Economists said today that suppliers and retailers could no longer put up prices automatically if they wanted to retain sales.
BIG SWELL: Sightsseers are dwarfed as a massive wave crashes into the Table Bay breakwater this week. The Port Captain estimated the swell was running at about six metres in the bay.

**Bleak weather to persist until Sunday**

- **Vegetable prices may rise by 30%**

**Staff Reporters**

CLEAR skies by Sunday is the good news from the Weather Bureau today. But before then, more rain is expected.

Today will be cloudy and cold with light showers, clearing partially tomorrow.

The wind will swing briefly from the north-west to the south-west later today, but another frontal system will move over the Western Cape tomorrow afternoon.

"Although wind is expected to be moderate north-westerly, between 20 and 30 knots, Friday looks like a bad day, rainwise," said a Weather Bureau spokesman.

The wind and rain will persist into Saturday morning, but the first blue sky for a week is expected on Sunday.

Table Bay has been severely discoloured by a huge volume of soil and silt washed from river catchment areas during the storms, but this is unlikely to have a major effect on marine life.

Professor George Branch, of the University of Cape Town's zoology department, said the silt load was "not a big problem", although it could have short-term smothering effects on marine plant life.

Usually the silt would be kept in suspension and then shifted offshore by turbulent conditions.

But the soil erosion was a "sad reflection" on the management of the land "That is a bigger issue," said Professor Branch.

The price of cabbages, cauliflowers, leeks, lettuce, potatoes and carrots could go up 20 to 30 percent in the next few weeks as the effect of the wet weather is felt in Cape Town's vegetable-producing area in Philippi.

Although farmers were able to harvest most of their crops before the rain set in, seedlings and young plants were severely battered by the storms, said Epping Market deputy director Deon de Goede.

Potatoes in the Clanwilliam and Citrusdal areas "have been difficult to harvest with fields under water" and as demand exceeded supply, prices would rise, he said.

Prices of vegetables from the Transvaal — including peppers, brinjals, green beans, baby marrows and pumpkins — would be unaffected.

Mr De Goede said he expected some vegetables to be in short supply as volumes decreased.
**Margarine price hike ‘exaggerated’**

**Marcia Klein**

THERE was some panic buying yesterday as consumers rushed to beat the imminent increase in the price of margarine.

But major margarine manufacturers said yesterday price increases were not as high as announced on Monday, and only certain products were involved.

Generally, the price of some products would increase by about 15% to 20%, they said. Only a few product ranges would rise by as much as 40%, while the price of the major brands would remain unchanged.

Shoprite/Checkers said on Monday that margarine manufacturers had notified major supermarket chains of increases of up to 40% in the price of medium fat spreads and margarines. It said the effect was that consumers would pay as much as R1 more for a 500g brick of medium fat spread.

It advised shoppers to buy as much stock as they could before July 19, when the prices would go up.

Derek Dixon, marketing director of major margarine manufacturer Vlandenberg Foods, said the company advised major retailers at the end of May and beginning of June that it was increasing prices of some products. Since then, most of its competitors had followed suit.

Over the past 18 months, there had been an escalating price war between lower price brands, one of which was its own product Rondo. Many retailers had also used these products as loss leaders, and had not added on the normal retail margin.

The price increase would return the pricing of these products to its normal level. He said Rondo was sold for R2.50 for 500g two years ago, and at the end of July would increase to R3.49 — a 45% increase.

There would be no change in the major normal brands, whose prices varied from about R3.50 to R4.59.

Dixon said an IBIS analysis showed that the margarine price rose by about 244% from 1980 to 1990, while inflation rose by 357%.

Oil Expressers Association deputy chairman Hamish McBaun said the price had increased after the 11% increase in oilseed prices in June, a decline in the realisation price of oilseed by-product oil cakes (which was sold to the animal feeds industry), and the increase in price of some imported raw materials.

He said there was no collective decision to increase prices. The price of some margarines would increase by about 15% to 20%.

Mziwakhe Hlangani reports that the SA Oil Mills and Cape Oil Products have advised consumers to “shop around” and check prices of different brands of spreads.

A spokesman said the higher producer price imposed by the Oilsseeds Board came at the same time as major increases in packaging materials.

He said there had been little increase in the price of medium fat spreads in the past seven years, but it was unfortunate market forces came into operation with the increase in farmers’ prices and packaging.

Thomas said further pressure on local prices had come from sharply higher world vegetable oil prices, a weaker rand and high import duties over which manufacturers were in dispute with the Board on Tariffs and Trade. “Until the free market forces have come into full play and the recent supply increases have been absorbed, the consumer should shop for the best price.”
Spreads: Competition Board Programme
Inflation takes another knock

By Claire Gebhardt

A drop in annual producer price inflation (PPI) to 7 percent in May from 7.9 percent in April is another milestone in the fight against inflation.

Economists said yesterday the better-than-expected figure, coming on top of a drop in consumer price inflation (CPI) to 10.6 percent in May, could translate into lower prices across the board two to three months down the line.

Latest Central Statistical Service (CSS) figures show that the rate of price increase for locally produced commodities slowed to 7.1 percent for May against 8.9 percent in April.

Although the monthly index remained unchanged from April to May, the seasonally adjusted index showed a decrease of 0.3 percent over the two months.

Imported inflation was 6.3 percent in May — up 0.4 percent from 5.9 percent in the previous month.

UAL economist Dennis Dykes said inflationary pressures were obviously under control given the lengthy recession and weak money supply figures.

"Though some would say the PPI figure increases the potential for a Bank Rate cut, the Reserve Bank is likely to hold off given the foreign reserves position."

Dykes said the imported inflation was surprisingly low.

"On exchange rate considerations alone I would have expected it to be 10 percent given the decline in the value of the rand since the end of January against both the dollar and the yen."

Sanlam economist Pieter Calitz said wage settlements were at their lowest levels in years and producers were pricing more realistically.

"The effect of the weakening rand could start coming through later on in the year in the imported inflation component, but this will be offset by lower domestic producer inflation."

Calitz said he expected to see single-dig figures for the CPI from September next year.

"The average inflation rate for this year will be about 10 percent, dropping to 9 percent next year."
Producer price hikes slow to 7%.

PRODUCER price increases slowed to 7% in the year to May compared with 7.9% in the year to April as tight economic conditions forced producers to absorb higher costs, economists said yesterday.

Figures released by the Central Statistical Service show there was no month-on-month increase in the producer price index (PPI). Locally produced commodities were slightly cheaper in May and imported goods slightly more expensive.

Rand Merchant Bank economist Rudolf Gouws said the figures confirmed the strong downward trend in inflation. Economic conditions were so tight producers were unable to pass on cost increases.

Absa senior economist Pierre Morgenrood said the figures were well below market expectations. Weaker food prices may have played a major part in the drop in the locally produced component, he said.

However, the full effects of the weaker rand exchange rate had still to be felt on imported commodities, though these made up just 19.5% of the total index. This would be reflected in June's figures.

For the 12 months to May, local commodities rose 7.1% compared with 8.3% in the year to April and were down 0.3% month on month. The price of imported commodities was up 6.3% in May from April's 8.3% and up 0.2% month on month.
Margarine price rise investigated

MARCIA KLEIN

THE Competition Board is to make inquiries regarding the margarine price increase after reports that the hike resulted from a joint manufacturers' decision.

Board chairman Pierre Brooks said yesterday the board had not yet established if the price increase was announced by individual manufacturers or by an association.

He emphasised the board was not investigating the price increase, but merely satisfying itself that manufacturers had informed supermarkets independently.

On Tuesday certain major margarine manufacturers said they had alerted supermarkets as much as six weeks ago of a price increase. According to industry players, major manufacturer Vardenbergh Foods had told supermarkets at the end of May and early June, and competitors had followed suit.

Manufacturers' comments came after an announcement by Shoprite/Checkers that the price of margarine would increase by up to 64% on July 19. They said this applied to only a few product ranges and the price of major brands would not change.
'Monopoly' blamed for margarine price rises

BRUCE CAMERON (UJ)

THE Oilseeds Control Board, government monopoly at margin conditions, abuse of export rebates by some manufacturers and price setting were blamed today for a wide range of increases in margarine and "yellow-spread" prices.

The biggest increase is for medium fat spreads, which will go up between 20 and 30 percent, according to Pick'n Pay food manager director Shaun Summers.

Mr Summers took a side-sweep at competitor Shoprite-Checkers, accusing the chair of "recklessness" in claiming the price of medium fat spreads would go up by 84 percent.

Mr Summers said the full fat bricks would go up 10 to 11 percent and the tubs by about five percent.

He called for a full investigation into recent increases in prices of oilseed and "irregularities" in the importation of oilseed.

"What we do strongly protest against is any move by our suppliers to orchestrate price increases together and collude on this issue."

Van Den Bergh Foods, which supplies about 30 percent of the market, today blamed the increases on the Oilseeds Control Board and high import barriers on imported oilseed.

Managing director Rick Griffiths denied there was collusion in pricing.

As the market leader, his company could no longer afford to keep the price down because of farmers putting up the price of oilseed 11 percent, an increase in edible oil prices abroad, the deteriorating rand and heavy duties on oil seed imports.

There was general agreement in the industry that the recent 11 percent increase, awarded to farmers by the Oilseeds Control Board with government agreement, was unjustified as South African prices were now well above world commodity prices.

Mr Griffiths said before the increase the South African price was R2200 a ton, while the landed price of imported oilseed was R1500 to R1600.
Osborn fears 1994 revival in inflation

INFLATION could reverse its downward trend in 1994 as, among other factors, the effects of a falling rand work through the system, says Nedcor chief economist Edward Osborn.

"I fear we have deluded ourselves into believing that the back of inflation is being broken," says Mr Osborn. Optimism was fuelled by the fall in headline inflation from 13.5% in September 1992 to 9.8% in December 1992. The fall was the result of the inclusion of the heavily weighted mortgage interest in the index.

Mortgage interest has a weighting of 11.31% in the consumer-price index (CPI). By lowering interest rates, the Reserve Bank is able to "administer" lower inflation, Mr Osborn says if mortgage interest is removed from the index, the underlying inflation rate is 13.7% compared with a headline rate of 10.6%.

"The improvement in 1991 and 1992 may well be explainable in terms of the impact of the recession, lower wage awards, heightened competition and the like," says Mr Osborn.

"It would appear likely that there will be a swing around in the fresh-food category and a resumption of an upward trend, but nothing as extreme as 1991-92," Mr Osborn says.
Sandton dear, Brakpan cheap

The average price of houses in the last six months of 1992 increased 2.6% over the first six months, with average house prices the highest in Sandton at R234,474 and lowest in Brakpan at R108,515. The CPI Property Price Index (CPPI) shows that at R294,325, Randburg is the only other city with an average house price exceeding R290,000.

* The CPPI shows average house prices for 24 cities in SA.
NEWS IN BRIEF

Margarine ‘to soar’

STEEP price increases for margarine were forecast yesterday. Retailers said the largest price rises would be in the medium-fat spreads, which could increase by up to 60%.

Regular margarines, which had a higher fat content, could go up by an average 30%, they said.
For many months, producer price inflation was restrained by the reduced rate at which imported commodity prices were rising. Now it is being moderated by smaller increases in the index for locally produced commodities — which showed no growth in the month of May. The 12-month rate of local producer inflation slipped to 7.1% in May from 8.3% in April.

As a result, the overall index remained static in the month and the 12-month rate of increase came down to 7% from 7.9% in April.

The slowing in local inflation was due to the local portion of the item mining & quarrying Central Statistical Service doesn't publish a breakdown of the local and import-
WORST IS OVER

Agricultural sector pulls economy technically out of recession.
Producer inflation slows to 6.4%

KELVIN BROWN

INFLATION at the producer level performed better than expected, slowing to 6.4% in the year to June from 7% in May, as the recession continued to put downward pressure on prices, economists said yesterday.

The month-on-month rise in the producer price index (PPI) remained fairly subdued at 0.4% from 0% in May. Economists said the higher cost of imported items and an increase in food were the only real factors exerting upward movement.

The imported component of the index rose by 0.9% in June from the month before, reflecting the fall in the value of the rand since February.

The food index was up 1.6% between May and June, from a previous rise of 0.7%. The largest price increases were recorded in milk and eggs, gram, vegetables and dried fruit. The food index carries a weight of 8.8% in the PPI.

UAL economist Dennis Dykes said the decline in the yearly inflation figure was partly due to statistical factors as the current figure came off a high base. Last year saw a jump of 0.9% between May and June.

Although the rise in food prices went against the recent stable trend, it was too early to say if this signalled the beginning of new food inflation.

He said imported inflation's rise was lower than expected given the depreciation of the rand in recent months.
July’s higher-than-expected consumer price inflation (CPI) of 9.9% over 12 months, against 10% in June, can be blamed on specific increases in a number of items. The most important were housing (with a weighting of 20.54% overall), which rose 2% in the month, and transport (weighting 14.43%), which rose 1.4%. These accounted for 0.5 percentage points of the 0.8% overall month-on-month increase.

Czyponka says "The large increase in the housing component is partly a consequence of a technical distortion, with the exception of the rent component, which is spread over 12 months, and mortgage costs, items in this category are measured only once a year."

New car prices were the main reason for the increase in the transport index, which rose 1.8% in the month, or 17.5% over 12 months. Czyponka attributes high vehicle inflation to "structural changes, the depreciation of the rand against the yen and the increased Vat in April. In addition, a large number of new models were introduced, accompanied as usual by price jumps."

Higher municipal bus tariffs also pushed up the transport index. The index for fuel & power also rose (2% in the month) because of higher municipal rates.

Czyponka says these factors made the overall inflation rate disappointing. "About 9.7%, or even lower, might have sent the kind of signal (Reserve Bank Governor) Chris Stals is waiting for to consider a cut in the official interest rate structure."

The impetus for lower inflation in recent months has come from lower food prices. Food inflation in July fell to 4.3% (0.5% in the month). But this was partly technical figures this year have been measured against the high base of 1992 prices (in July last year food inflation was above 30%), and the removal of Vat on several important food items in April has kept the rate low.

The opposite is true for a number of other items, which are taxed at the new Vat rate of 14% (see graph).
Petrol price rise slammed

PRETORIA BUREAU

The Government's announcement yesterday that the price of petrol is to rise 7c per litre from next Wednesday led to a renewed barrage of accusations that the motorists are being forced to pay even more to subsidise synthetic fuel projects.

And Tony Twine of economic analyst Econometrix pointed out that the price of crude oil in London had fallen from a rand price of R60,63 in April — when the fuel price was last increased — to R57,43 at present (244). Along with the petrol price increase, Minerals and Energy Affairs Minister George Bartlett yesterday also announced that diesel and paraffin prices would rise by 5,5c/litre.

The petrol price at pumps on the Reef will now be R1,82 for 93 octane.

Twine said South African motorists lost out because the Government based its calculation of the landed price of fuel on the average cost of shipping refined fuel from refineries in Singapore and Bahrain to South Africa.

He said Singapore prices had risen disproportionately lately because the facilities there had cut their production in line with the slack demand from economically depressed Japan. "I believe that's a major To Page 3

Petrol price rise condemned

From Page 1

contributor to the disharmony that exists between the calculations of the Department and the reality of the international light crude market," said Twine.

The Democratic Party claimed that the equalisation fund had been under pressure due to the enormous costs and subsidies of Mossgas and Sasol.

"The motorists are having to pay more than 40 percent higher than the world price of crude oil because of the Government's misguided synfuel policy (23c a barrel in SA and $16 on the world market)."

DP MP Roger Hulley called for the deregulation of the petrol price and the oil procurement industry. This would mean the closure of unnecessary, protected plants and a lowering of the petrol price (244).

While consumer experts believe the price hikes could mean an increase in the cost of food and other commodities, the SA Chamber of Business said an ideal opportunity was created for a probe into the layers of secret regulations covering the SA fuel industry.

It said the increases were not unexpected as a result of the weakening rand on world currency markets.

It estimated that ripple effects could force an upward tilt in the overall inflation rate of between 0,3 and 0,4 percent.

The Consumer Council said the increase could mean a price rise for particular products.

"It will further erode consumers' buying power and contribute to higher inflation," executive director Jan Cronje said.

The Automobile Association (AA) says that the drop in the international price of crude since April, despite the weakening in the exchange rate, makes a mockery of the announced increase and is evidence of the artificial methods that are used to determine the pump price of petrol in SA. The motorists are being called upon to pay for increases in the profits margins of oil companies and service stations."

To Page 3
Petrol
price will rise again

Staff Reporters

MOTORISTS, reeling after the announced petrol price hike of seven cents a litre, should brace themselves for a possible further increase, the government warned yesterday in the face of a barrage of criticism.

Six cents a litre of the petrol price rise will go to the estimated landed cost — the price of petrol bought on the Bahrain and Singapore markets. Mineral and Energy Affairs Minister Mr George Bartlett said a 4.8c increase would have been appropriate for retailers and wholesalers, at 3.4c a litre each, but the cabinet had decided to allow only 0.5c a litre each, making up the one cent increase, as an interim measure "in the interests of consumers" and to "minimise the influence of increase on the rate of inflation".

The Automobile Association (AA) slammed the increase — which comes into effect at midnight on September 15 — saying that since the last petrol price rise in April, the price of crude oil had decreased by R3 a barrel to R57.48.

Weakening rand

DP energy spokesman Mr Roger Hulley said motorists were being forced to pay 40% more than the world price of crude oil because of the government's misguided synfuel policy.

The equalisation fund was under pressure because of subsidies for Mossgas and Sasol. The price of 97 octane in Cape Town will increase from R1.68 to R1.78 a litre. Diesel and paraffin will rise by 5.5c a litre.

The increase was necessary because of the continued weakening of the rand against the dollar and the draining of the equalisation fund since June, Mr Bartlett said.

The Consumer Council's said the increase would further erode consumers' buying power and contribute to inflation.

The SA Chamber of Business said the ripple effect could cause an increase in the Consumer Price Index of between 0.3% and 0.4%.

However, the Motor Industries Federation said it was "relieved" the increase had been contained to "as little as seven cents".
bad news for hard-hit consumers

Unions attack fuel price hike

By Joe Mdhlela

THE two largest worker federations, the Congress of South African Trade Unions and the National Council of Trade Unions, described the looming petrol price increase as bad for consumers.

Mineral and Energy Affairs Minister Mr George Bartlett yesterday announced that the fuel price would rise on September 15 by 7c a litre.

Diesel and paraffin prices will increase by 5,5c a litre.

Spokesman for Cosatu Mr Neil Coleman said the government seemed unconcerned about what effects increased prices would have on consumers.

"At the same time our people are expected to accept low wage increases. This is obviously unacceptable to Cosatu," he said.

General secretary of Nactu Mr Cunningham Ngcukana believes the increase in fuel prices will be inflationary and force transportation costs to increase substantially.

"If this happens the retailers will pass on increases to the consumers," he said.

He said Nactu would discuss the increase with its constituencies and decide on what action to take.

Ngcukana said the increase would help inflame the taxi feuds that have claimed the lives of many black people.

Standard Bank group economist Mr Nkosi Czyponka said consumers would be badly hit by the increase.

But he said he did not see it having any effect on inflation.

Chief economist of Die Afrikaanse Handelsinstituut, Mr Nick Barnardt, said, "The increase was not unexpected in view of the weaker rand/dollar relationship."

The petrol price has gone up 23c since April and a total of 52c since August 1993.

General secretary of Nactu Mr Cunningham Ngcukana believes the increase in fuel prices will be inflationary and force transportation costs to increase substantially.
Fuel fund cited for price increase

EDWARD WEST

GOVERNMENT is to raise petrol prices 7c a litre on September 15 as a result of the weakening of the rand/dollar exchange rate and the draining of funds from the fuel equalisation fund. The price of 93 octane petrol in the PWV area will increase to 18c/l, while the price of diesel will increase 5,5c/l to 16c/l. Paraffin prices will increase 5,5c/l.

Priced petrol prices have increased 15,7% since last October. The equalisation fund was also cited then as the reason for a 7c/l petrol price increase. In April, petrol prices climbed 16c/l. (2.44)

The SA Chamber of Business estimated the effect on inflation of the latest increase to be about 0,3%-0,4%. Economist economist Tony Twine said fuel price increases had a CPI weighting of 3,2% and the effect of the latest increase would be about 0,12% inflation percentage point, which was relatively small.

The SABC Checkers said the increases hurtly arguments after the previous hike would have a ripple effect. Industry price increases would start filtering through to the retail sector in a few months, dampening consumer preparations for the summer festive season.

Transnet economist Mike Schuster said the price increase was unwarranted. The extra cost was increased only by the rise in the price of Brent crude oil. Since then, the price had fallen to about R55 a barrel, with the rand/dollar exchange rate.

Fuel prizing should be deregulated in the transport industry, said Schuster.

Petrol price questioned whether the consumer would ever see the benefits of the lower international oil prices which had lowered inflation in most OECD countries.

The Automobile Association (AA) said declining crude oil prices in the face of SA's continuous increased fuel prices made a mockery of the artificial methods used to determine the local petrol pump price.

AA GM Rob van Schiet said a public debate to determine the level of deregulation necessary to obtain commercially viable prices according to market forces was the only alternative to the current unacceptable state of affairs.

The call for a more open debate on fuel industry deregulation was echoed by Es- cob, which said deregulation would make fuel prices more sensitive to developments on world oil markets.

Only 5,5c/l of the 7c/l underrecovery on paraffin prices would be paid by the consumer in the latest increase. The remaining underrecovery of 2c/l would continue to be funded by the equalisation fund.

A Motor Industries Federation investigation recommended a 2,4c/l increase in the retail profit margin for petrol and diesel after last July's increase, but government had limited the increase to 0,5c/l this time as an interim measure.

An investigation into the yield on the marketing assets of the oil industry showed that a yield of 8,5% was realised during the 1992 financial year and that a 2,4c/l increase was appropriate this time, the Mineral and Energy Affairs Department said. However, government limited this to 0,5c/l in the latest price hike.

The AA questioned why, at a time when the country was suffering to keep heads above water, the motorist was called upon to pay for increases in the profit margins of fuel companies and service stations. Government indicated last night that a further 4c/l increase was in the offing.
Petrol
price will rise again

Staff Reporters

MOTORISTS, reeling after the announced petrol price hike of seven cents a litre, should brace themselves for a possible further increase, the government warned yesterday in the face of a barrage of criticism.

Six cents a litre of the petrol price rise will go to the estimated landed cost—the price of petrol bought on the Bahrain and Singapore markets. Mineral and Energy Affairs Minister Mr George Bartlett said a 4,9c increase would have been appropriate for retailers and wholesalers, at 2,4c a litre each, but the cabinet had decided to allow only 6,5c a litre each, making up the one cent increase, as an interim measure “in the interests of consumers” and to “minimise the influence of increase on the rate of inflation”.

The Automobile Association (AA) slammed the increase—which comes into effect at midnight on September 15—saying that since the last petrol price rise in April, the price of crude oil had decreased by R3 a barrel to R27,45.

Weakening rand

DP energy spokesman Mr Roger Huyler said motorists were being forced to pay 46% more than the world price of crude oil because of the government's misguided syntufel policy.

The equilisation fund was under pressure because of subsidies for Mossgas and Sasol.

The price of 97 octane in Cape Town will increase from R1,66 to R1,75 a litre. Diesel and paraffin will rise by 5,5c a litre.

The increase was necessary because of the continued weakening of the rand against the dollar and the draining of the equilisation fund since June, Mr Bartlett said.

The Consumer Council's said the increase would further erode consumers' buying power and contribute to inflation.

The SA Chamber of Business said the ripple effect could cause an increase in the Consumer Price Index of between 0,3% and 0,4%.

However, the Motor Industries Federation said it was “relieved” the increase had been contained to “as little as seven cents”.
Meat ‘cheaper in butcheries’

Staff Reporter

MEAT is up to a third more expensive at some supermarkets than in butcheries. Consumer Council executive director Mr Jan Cronje disclosed yesterday.

This follows surveys in Cape Town, Durban, Pretoria, Bloemfontein and Vereeniging.

Cheaper cuts

"The 25 meat cuts surveyed were on average 15.1% cheaper at 15 butcheries than in 15 stores of the three major chains in these centres," said Mr Cronje.

"The most remarkable price differences were found among the relatively cheaper meat cuts, "Chuck, brisket, shin and rib, for example, were on average more, than 24% cheaper in the butcheries." Mr Cronje advised consumers to shop around before buying meat.

Cape Town butchers last night confirmed that their prices were often cheaper than those of the chain stores.

Mr Adam Jaffer, chairman of the Muslim Meat Traders’ Association, said that the independent butcheries had lower overheads than the chain stores, were prepared to place a smaller mark-up on meat and could therefore charge less.

Mr A Pophlanker, of Poppies Meat Hyper in Retreat, confirmed that the smaller trader was prepared to put a smaller mark-up on his meat to provide a more competitive price to the public.

He said the advantage that the chain stores had was that they were informed weeks in advance of any specials and could therefore advertise.

"We are often not told of these special deals in advance, as they are, and cannot then advertise in time," he added.

A spokeswoman for one of the major chainstores said last night that meat would be "a bit more expensive" in the supermarkets because they had much higher overheads, including staff and packaging costs, than those of butcheries.

Convenience

It was also important to note that supermarkets provided one-stop convenience shopping, she said.

"If you want to go to the butcher, the baker and the candlestick-maker, that’s fine, but at the supermarket you get all these things in one store."

Supermarket meat was generally also of a better quality, she claimed, saying that while there were butchers who provided excellent quality meats there were quite a few who offered meat of a much lower standard.
Taxi demos on fuel 'certain'

TAXI blockades and "out-of-control" taxi drivers may greet next week's petrol price hike.

There would "definitely" be mass action, the chairman of the South African Black Taxi Association, Mr James Ncube, said yesterday.

The fuel hike is almost certain to result in taxi fare increases.

The SA Communist Party linked the hike to the use of tax revenues on "unviable" projects such as Mossel Bay. — Sapa
Tickets clipped at same price.

FARES on General Avenue buses will not be increased after Wednesday's fuel price rise.

A company spokeswoman said fares would be pegged at their present level for as long as possible in spite of the second increase in fuel prices this year.

The company was aware of the negative impact transport costs had on the poor and hoped that its decision not to increase fares would help all passengers, particularly the jobless, she said.
Bartlett to act on price cutting

TOS WENTZEL Political Staff

MINISTER of Mineral and Energy Affairs George Bartlett is prepared to discuss the structure of the petrol price, but not to freeze it. And he was taking legal advice on supermarket price discounting.

Facing a storm of protest from labour unions, the minibus taxi industry and organised agriculture, he said it was not possible to scrap the 7c a litre increase that came into effect today.

It had been forced on the country by the devaluation of the rand.

While there had been a 3.6 percent drop in the world price of oil, the rand had devalued by 5.8 percent, he said.

The Equalisation Fund, long used to subsidise the price of petrol, had been depleted.

A report on deregulating the petrol price had been sent by his department to all interested parties, including petrol station owners, oil companies, labour and agricultural unions and business groups.

Labour unions, the Motor Industries Federation, petrol station owners and taxi owners had responded to the report with a request not to deregulate the petrol price, and a conference would be held soon.
s drivers blockade streets in protest at petrol increase

rubber bullets, tear gas and petrol bombs were used to disperse the crowd. The protesters were demanding lower petrol prices and the resignation of the Energy Minister, Mr. David Brown. The protest turned violent, with clashes between police and protesters.

FIRING: Members of the Internal Security Unit, above, open fire with rubber bullets on protesting taxi drivers as clouds of tear gas drift across Strand Street.

MORE PICTURES PAGE 6

TAKEAWAY: A protester is dragged to a vehicle after police pounced on barricading taxi drivers in the city centre today.
Police fire rubber bullets and arrest 68 as drivers blockade streets

Staff Reporter

POLICE fired rubber bullets and rubber shot, arrested 68 people and impounded 25 taxis as drivers blocked most of the major routes into Cape Town early today, causing chaos with rush-hour traffic.

Buses were stoned, bus drivers assaulted and a number of policemen beat ed for cuts and bruises after they were pelted with stones, bottles and tin cans in Strand Street.

Service stations and bus terminals in Mitchell's Plain, Muizenberg and Woodstock were blocked by the taxi drivers protesting against the petrol price from midnight last night.

They demanded the resignation of Mineral and Energy Affairs Minister George Hartland and threatened to "come back tomorrow" if the price did not come down.

At a press conference to discuss the situation, Mr Hartland said he was willing to talk to the leaders of the taxi protest.

An earlier offer made to them today had been turned down.

A meeting which began at noon between representatives of the taxi industry and the major oil companies, Shell, BP and Ensign, at the Civic Centre, chaired by peace ministers was adjourned until 4pm with the drivers demanding that Mr Hartland and Western Cape police chief Nic Aker stand.

Their demand was supported by all company representatives.

At the meeting, Trevor Kempt of the Western Cape Transport Forum called for a moratorium on further price increases and for the oil industry to support the demand for the suspension of last night's price increase.

By 4pm nearly all main entrances into the central city had been blocked.

By about 10am blockades had been removed and traffic was flowing again, but there were still scores of angry drivers milling on the grass verge in Strand Street and there were a number of flying blocks operated by drivers who had dispersed and regrouped.

Volunteers for further blockades were reportedly being recruited at high density taxi terminal areas at How bray, Mitchell's Plain, Claremont and on the Cape Flats at Hanover Park and Khayelitsha.

Although conditions were rumored that other forms of public transport were available to get them home.

Both Spoornet and Golden Arrow expected their services would continue according to normal schedules.

A Golden Arrow spokesman said buses that had to be diverted earlier today were later running on schedule, especially with the peak hour in mind.

A spokesman said "The drivers were assaulted, bus passengers were intimidated by taxi people at terminals and bus stops and people were physically prevented from getting on the buses"

The taxi drivers were advised by their leaders for acting in an uncontrolled and unemotional way.

The bus company, Spoornet and the public had to be met, he added, to join the protest as well, drivers were told.

Speaking to an emotional...
Fuel protests flare

Taxi drivers blockade Cape Town

Business leaders angry
Talks go on to end taxi blockade on Border

NEGOTIATIONS to end the blockade of fuel facilities by taxi operators protesting against the petrol price increase continued in the Border region yesterday.

The price of petrol was increased by 7c a litre at midnight on Monday.

It was feared protests in East London, King William’s Town, Stutterheim and Queenstown could spread to other areas.

Border/Ket dispute resolution committee deputy chairman Mr. Bde Leeuw said unless the operators received a satisfactory response to their demands, they were determined to continue their blockade until the Border region ran out of fuel.

Police have warned protesters in East London they have surrounded a national key point and that the Border region is an unrest area — Sapa
Producer price inflation still slowing

BY CLAIRE GERHARDT

Producers price inflation continued to slow in July, dropping 0.1 percentage point to 6.3 percent from 6.4 percent in June.

Central Statistical Service figures show that imported inflation, which economists attribute to a drop in Brent crude oil prices, dragged the index lower.

South Africans will see the irony in this when they encounter higher petrol prices at the pumps today.

The production price index (PPI) for imported commodities fell 2.3 percentage points to 4.5 percent in July, with the monthly increase at 0.1 percent and seasonally adjusted at a negative 0.3 percent.

The annual percentage increase in the PPI for locally produced commodities was 0.4 percentage points higher at 6.7 percent—a monthly rate of increase of 0.9 percent.

Seasonally adjusted, the index increased by one percent.

Economists were at first surprised by the drop in imported inflation, given the steady depreciation of the rand over the past few months. Further analysis, however, pinpointed lower oil prices.

Nedcor economist Edward Osborn said yesterday that crude oil imports had a very heavy weighting in the index, which had more than compensated for the depreciation of the rand.

"In July, the Brent price went down 5.8 percent, whereas the currency depreciated by 3.5 percent. "This means the landed cost, which is the difference between the two, went down by 2.3 percent."
Producer inflation hits 21-year low

PRODUCER inflation hit its lowest level since May 1972 in July this year with a fall to 6.3% from 6.4% in June, Central Statistical Service figures show.

"The rate of increase in producer prices has taken the weak rand in its stride and economists predicted no significant upward movement during the rest of the year," said Old Mutual economist Johann Oosthuizen.

The monthly rise in the PPI reflected an increase in prices of locally produced commodities. There was a small decline (0.1%) in the prices of imported commodities between the two months.

"Old Mutual economist Johann Oosthuizen said the sharp decline in oil prices accounted for the fall in the imported component of the PPI. This would not, however, be translated into benefits at the consumer level as an increase had already been announced in the price of fuel. In the months ahead the PPI would not reflect the direct effects of the petrol price increase, but only indirect effects as input costs rose," he said.

"If the economist said the fuel-price increase at a time of low oil prices could interfere with the close relationship between producer and consumer inflation, Producer inflation would become a less reliable signal of what to expect at the consumer level," he said.

Inflation

15/9/93

The 0.9% increase in the price index for locally produced commodities between June and July was the result of increases in categories that were not measured every month, Els said the rise was therefore not indicative of new pressure on prices.

The overall picture remained positive, and producer inflation should average at about 7% this year, he said. He expected the rate to hold along between 6% and 7% for the rest of the year, despite the weakness of the rand.

On an annual basis, the prices of import- ed commodities rose by 4.5% while locally produced commodities were up 6.7%.
Price Increase

By ANTHONY JOHNSTON

The price increase becomes effective on the 1st of next month. It is a difficult decision, but it is necessary to maintain the company's financial stability. We appreciate the inconvenience this may cause, but we are committed to providing quality products at competitive prices.

Backlash grows

State to discount

Periodic review

JOHANNESBURG — Core

Price increases

Crisis?
the issue - "If the government persists in pressing ahead with these indefensible price increases, in the face of mounting protest from society, it will be inviting a social backlash similar to that relating to VAT." -

In the Eastern Cape, a memorandum outlining the blocking taxi operators' complaints about the increase was handed to a representative of the Motor Industry Federation, Mr Charles Clark, who will forward it to Mr Bartlett.

Yesterday garages said fuel levels at East London service stations were critically low and some garages had run dry by late yesterday afternoon and warned of a "fuel crisis".

No fuel deliveries had been made in the region since the taxi blockade of the depot began early on Monday.

A taxi man was shot dead in a confrontation at Mdantsane, East London, and shots were fired at a Stutterheim garage.

Thousands of commuters were left without transport and employers were hit by absenteeism. Taxi industry sources said the protests might spread to big cities as operators in Johannesburg had expressed solidarity.

Neither Coleta nor the Cape Peninsula Transport Association (Captra) are planning to protest against the increase.

This decision followed a statement by the chairman of the South African Black Taxi Association (Saba), Mr James Ngooyo, that "taxi blockades and out-of-control taxi drivers" might greet the petrol price hike.
State to fight fuel discount

The government moved last night to block attempts to bypass the seven-cents-a-litre fuel price hike which came into effect at midnight.

Minister of Mineral and Energy Affairs, Mr. George Kurti, said he was seeking legal advice on schemes to issue discount coupons for fuel purchases.

He was reacting to the announcement by two supermarket chains, Pick 'n Pay and Buxtons in Natal, that they would discount petrol.

Pick 'n Pay announced its scheme late yesterday claiming a loophole had been found to circumvent current anti-discount legislation.

The announcement was supported by a television and newspaper advertising campaign.

Mr. Raymond Ackerman, chief executive of Pick 'n Pay, said if the discount "experiment" in the hypermarket in Durban North worked they would discount petrol nationally.

— Staff reporter, Own Correspondent
Standstill threat by cabdrivers
Staff Reporter

TWENTY-TWO taxi drivers and supporters appeared in absentia in Cape Town Magistrate's Court today on allegations of protesting illegally and obstructing traffic.

The men were allegedly among those who blocked Strand Street yesterday in protest against the petrol price increase.

Two taxis dropped them at court but they left when told they could appear in absentia.

The case was postponed to October 18.

A second group is to appear on October 19 and a third on October 20.

"A total of 67 protesters were arrested during the blockade."
ANC calls on taxi drivers for discipline

Staff Reporter

THE African National Congress has called on all taxi drivers taking part in blockades to do so in a "dignified and disciplined manner".

"In principle we support the blockade by taxi drivers who will be seriously affected by the (petrol) price increase and will be obliged to raise their fares, causing further hardship to commuters already struggling to make ends meet," regional vice-chairman Lerumo Kalako said.

Raising the fuel price was an "act of grave irresponsibility" by the government. It would have an impact on the price of food and other commodities.

But he expressed "serious reservations about some of the actions these taxi drivers are reported to have taken".

Meanwhile the Inkatha Freedom Party pronounced itself in favour of the taxi blockade.

Regional organiser Malcolm Bayley said Inkatha saw "no reason why the fuel price has gone up" and supported calls for the deregulation of the fuel industry.

"The IFP (Western Cape) supports the taxi blockade, of course," Bayley said.

Cape Town. It seems that the government is using fuel to prop up a failing economy and to subsidise a failed Mossgas project."

Police said they had no option but to take "action against blockading taxi-drivers after all efforts at negotiations proved futile yesterday.

Chief police spokesman Colonel Raymond Dowd said the police were "legally bound to maintain law and order and, where necessary, to maintain free-access to the city".

"All efforts at negotiation proved futile. Numerous sug-

suggested alternatives were met with ridicule and childish reports like, "It's now tea-time," he said."

"Almost all the arrests effected were with resis-

---

- Murray and Roberts Construction has warned that "the construction industry is in no position to absorb any of the cost increases" resulting from the fuel price rise.

"Thus property developers and their clients will be saddled with the higher costs," managing director Arthur Coy said.
Uproar over fuel

By Mzikelo Malunga, Ismail Lagardien and Sapa

The Cabinet and the Finance Ministry have been called to an urgent meeting to discuss the rising fuel prices which are expected to take place within two days. The meeting was called in response to the recent increase in fuel prices.

The ministers will discuss the issue with the finance minister, and the meeting is expected to address the inflationary pressures facing the economy. The meeting will be chaired by the finance minister, and the ministers will be supported by the economist and other experts.

The ministers are expected to make a decision on how to address the issue, and the meeting is expected to produce a comprehensive plan to address the inflationary pressures facing the economy. The ministers will also be expected to discuss the impact of the increase in fuel prices on the economy and the government's plans to address the issue.

The meeting is expected to take place in the coming days, and the ministers will be supported by the economist and other experts who will provide them with the necessary information to make an informed decision.

The ministers are expected to discuss the issue with the finance minister, and the meeting is expected to address the inflationary pressures facing the economy. The meeting will be chaired by the finance minister, and the ministers will be supported by the economist and other experts.

The ministers are expected to make a decision on how to address the issue, and the meeting is expected to produce a comprehensive plan to address the inflationary pressures facing the economy. The ministers will also be expected to discuss the impact of the increase in fuel prices on the economy and the government's plans to address the issue.

The meeting is expected to take place in the coming days, and the ministers will be supported by the economist and other experts who will provide them with the necessary information to make an informed decision.

TAXI BLOCKADE... Riot police arrest a protester during yesterday's blockade of Cape Town's city centre by taxi owners. The taxi operators were protesting against the increased petrol price which came into effect at midnight Tuesday.
TRAFFIC CHAOS ...

Angry commuters drove down the
wrong side of Eastern Boulevard when more than 500 cars
abruptly stopped at the five-way intersection
after driving north from the city center. The situation
was so chaotic that some drivers shot guns in the air to get
people moving.
Petrol price hike

price hikes further down the road," Mr. Purell said.

Earlier, Mr. Bartlett told a hastily arranged press conference that he was happy to talk to all critics and interested parties to explain the complexities of the fuel industry, but he was not prepared to allow groups like Cosatu to become involved in fuel price decision-making.

Mr. Bartlett also warned that South African motorists could not look forward to a reduction in the pump price of petrol once the long-standing oil embargo was lifted against South Africa.

The minister said the state had been reached that such a "market-related" step had become unavoidable because fuel had become more expensive in rand terms.

Mr. Bartlett spoke strongly against the deregulation of the fuel industry, stating that this would cost thousands of jobs, and could damage the economy.

Supermarkets, if allowed, were likely to sell petrol below cost as "loss leaders" in a bid to attract consumers into their premises, but customers would end up paying for the difference in other purchases.

Late yesterday at least 10 of 17 impounded taxis were returned to taxi-owners as isolated blockades — which had little effect on traffic — were being set up in Mitchell's Plain.

All taxi-drivers who had been arrested were released from police custody and warned to appear in court, a police spokesman said.

Many commuters and motorists told the Cape Times they supported taxi-drivers who opposed the petrol price increase but felt inconvenienced by the manner in which the protest took place.

* Fuelling chaos — Page 6
23 buses stoned in taxi protests

Drivers converge on Strand Street, resist police bids to move them

Staff Reporters

At least 23 buses were stoned. 92 windows smashed and passengers were pulled from their seats today in incidents apparently related to taxi drivers' protest actions against the petrol price increase.

Shortly after noon scores of taxis, apparently from Mitchell's Plain, began converging on the Caledon Refinery at Milnerton, blocking the entrance despite a strong police and peace monitor presence.

More taxis converged on Strand Street outside the Castle, routing early efforts by police and traffic officials to get them to move.

The Minister of Mineral and Energy Affairs, George Bartlett, will address the National Economic Forum in Johannes burg tomorrow, his office has announced, and then return to meet local taxi leaders.

Golden Arrow Bus Services reported that blockades were set up in Mitchell's Plain, Eersterivier, Valhalla Park and Bellville South early today.

In Mitchell's Plain, passengers were pulled from buses and some had to walk. One passenger was injured during the standoff.

By mid-morning the service had returned to normal and there were no further incidents, a bus company spokesman said.

During the morning, scores of taxis charged across the Cape Flats, demanding that wages be raised close to meeting with Mr Bartlett. They claimed that taxi drivers and their supporters had been given a CTTA order and the petrol price issued and that drivers who had been fired from one taxi.

One driver was arrested when police found a gun they had collected.

Mr Bartlett said he would be unable to see a delegation of drivers today because of his full programme, but he remained willing to talk to anyone about the price rise.

Speaking shortly before joining the Thesen's meeting this morning, Mr Bartlett said the National Economic Forum in Johannesburg would meet the timing of the meeting and the NEF's role in Johannesburg in the afternoon.

The NEF is a key forum representing business, the unions and government.

Mr Bartlett said he had been willing to meet representatives of the Cape Town taxi industry yesterday, but this had not materialised.

Taxi operators had permission from the Cape Town City Council to place a protest at the Caledon Refinery refinery in Milnerton.

On the Cape Flats, taxis - some with blazing lights and honking horns - hung from doors and windows or clogged to the outside - sped through Bellville, Bieb, Eersterivier and other areas, trailed by police vehicles.

At garage after garage the owners agreed to close as taxis streamed in.

One Eersterivier driver was initially refused but agreed to close when police offered to remove the protesters and violence seemed likely.

*See page 4
MINERAL and Energy Affairs Minister Mr George Bartlett was roasted by members of the Democratic Party in a debate on Mossgas yesterday as Constantia MP Mr Roger Hulley described the oil from the gas project as a "Frankenstein monster".

Speaking on the day the petrol price increased by seven cents a litre, Mr Hulley said the government, under a cloak of secrecy, had built up a "Frankenstein monster" to control South Africa's energy supply during the sanctions era.

He said Soekor, Sasol, the Central Energy Fund, the Atomic Energy Corporation and Mossgas were linked in an "intricate web of vested self-interest, mutual back-scratching, fat mark-ups, special subsidies— all of which far was "sunk cost"—this was a polite business way of saying "the money has been poured down the drain".

Rustenberg MP Mr Willem Botha said Mossgas was one of the biggest scandals that had ever hit a government.

Mr Bartlett said that the decision to build Mossgas had been taken at a time when the country faced total sanctions. Mossgas was currently contributing to the economy by saving R1bn a year in foreign exchange.

He said it was clear that in appointing an independent board of directors, allowing the project import parity for its products as well as tariff protection for 10 years, investigating the possibility of privatisation, the government had taken into consideration the recommendations of the Joint Committee on Public Accounts.

DP slates "scandal of Mossgas"
Mayor promises action

Staff Reporters

MAYOR Clive Keegan says the full force of the law will be used against taxi drivers if they continue their blockade.

"While I completely understand and share the taxi industry's anger at the way the petrol price increase has been handled — and believe (Minister of Mineral and Energy Affairs) George Bartlett has behaved with extraordinary arrogance and insensitivity in failing to meet the taxi drivers — their battle is with the government and not with the people of Cape Town.

"To stone buses and cars, dragging innocent people out of public transport, and bringing the city to a standstill is completely unacceptable.

"Negotiating gently with them clearly has not worked and we cannot allow the city to be disrupted."

Mr Keegan said he had refused to get involved in negotiations unless blockades were lifted.

The city council would act firmly against those who disrupted the economy of the city and disrupted the lives of people who were already disadvantaged.

The way the protest was conducted was out of place in peaceful month.

Meanwhile the chairman of the Mitchell's Plain Taxi Association, Dan Lawrence, said taxi drivers were concerned about commuter safety.

See page 4
Protests around the world continue to disrupt normal life, with anger and frustration reaching a new level. Authorities are struggling to contain the unrest as the global economy reeled from the impact of the coronavirus. The situation has escalated, with demonstrations growing in size and scope. The president has called for a state of emergency, with military intervention likely if the protests continue to spread. The financial markets are reeling, with major indices falling sharply. Leaders are mobilizing to prevent further violence, but the situation remains uncertain. 

Security forces prevent taxi blockades

© 1993 DFP
Taxi violence flares again

Buses stoned, commuters injured as petrol price anger grows

STANDOFF An indefinite taxi driver demonstrates with a member of the Internal State Unit at a "face-to-face" standstill at a taxi road block in Mitchell's Plain.

Picture: WILLIE DE KLERK, The Age

Four held over Spur killing

JOHAN SCHROENEN

Four men were arrested after a shooting at a petrol station at the intersection of Beaufort and South Road in Mitchell's Plain.

Jeff Louw was stabbed to death yesterday.

Police spokesman Raymond Coetzer said that with the stabbing at the petrol station, a group of about 15 men arrived and arrested the suspects.

A bloodied knife and clothes were taken from the scene.

The suspects were expected to appear in court today.

Entries hover around the 3,500 mark

ENTRIES for next Sunday's South African Open Golf tournament were expected to hover around the 3,500 mark this week, with the 3,195 mark in order.

The event, which starts on Friday, will be held at The Gleneagles Hotel in the Forest Hill area.

The course is a challenging one, with a total length of 6,700 yards. It is expected to attract about 3,000 spectators daily, with the rest coming through the gates of the club.

Entries for the tournament will close on Friday, with the winners to be announced later this week.

At least 22,493 entries have been received thus far, with the majority coming from the Northern Cape, Western Cape and Free State.
HIGH SPIRITS: Supporters of the protests, spearheaded by taxi drivers, throw peace signs from a taxi which has more people hanging on it than in it.

SURROUNDED: A lone traffic policeman finds himself surrounded by protesting taxi drivers in Mitchell's Plain.

Negotiators see Bartlett on petrol rise

JOHANNESBURG — Urgent discussions on the controversial petrol price increase began today between the National Economic Forum and Minister of Mineral and Energy Affairs George Bartlett and Minister of Finance Derek Keys.

The two cabinet ministers arrived here early today for the talks with the NEF, a multi-party organ of the negotiation process, at an undisclosed venue, a NEF representative said.

The NEF said on Wednesday it planned to discuss the broader composition of the fuel price with the two ministers.

The petrol price was increased by seven cents a litre from Wednesday and has been met by widespread criticism from trade unions and business, as well as by protests from taxi drivers — Sapa.
Step through the looking glass

Reg Rumney delves into the mysterious ways the state and oil companies arrive at the fuel price

Drives over the border and petrol prices plunge — even though neighbouring states are part of the SA Customs Union and get their fuel from South Africa

Is it any wonder the consumer feels puzzled and abused?

The workings of the fuel industry are partly explained in the publication of the Department of Mineral and Energy Affairs Report on Government Involvement in the Oil Industry. Mineral and Energy Affairs Minister George Bartlett referred to this publication recently in hinting at legal action against Pick n Pay's discount fuel offer.

What do we really know about the way the pump price of petrol is arrived at?

First, take the bare facts.
Almost a third of the petrol price is accounted for by the fuel levy, which is simply a tax (see graph)

Hence it is not surprising that nearby Botswana, which is obliged to get its fuel from South Africa, sells petrol for around one Pula, or around R1.35 a litre.

Then there are the fixed and immutable wholesale and retail margins, anathema to those who believe free markets should govern prices

If a retailer such as a supermarket decided to use it as a loss leader and make no profit at all on petrol, the price could drop by 15.6c a litre.

Then there is the equalisation fund, originally created to counter the "sanctions premium" on South African oil. Coincidentally it is 7c, equal to the recent rise in the petrol price

But what about the basic fuel price to which all the cents and percents are added?

That too is the subject of dispute, because it is based on free market prices elsewhere, but is a controlled price set by the government and the oil industry cartel that operates in South Africa. The Department of Mineral and Energy Affairs uses a complex formula to calculate a "putative international price of petrol"

Why is the petrol price rising when world oil prices are falling?
The South African fuel price is not based on the prices of crude oil bandied about in the media overseas, such as Brent crude. These spot prices, says the department, are not indicative of long-term oil contracts with built-in assurances on quality of the product and security of supply.

So the department uses "In Bond Landed Cost (IBLC) postings", jargon for the prices of refined petroil produced at one refinery in Bahrain and three in Singapore. An average of the price of petrol at these refineries is the basis of the estimated landed cost, now 56.14c a litre, making up 30.85 percent of the petrol price in the accompanying chart.

The department contends there is no comparison between spot and posted prices since they represent two different markets.

However, a fall in spot prices means contract prices and so the Singapore and Bahrain postings are likely to fall in line, admits a department spokesman.

The problem is that while oil prices are falling so is the rand against the dollar, the currency in which oil and petrol are priced internationally.

The present petrol price is calculated using an exchange rate of 8.14 equals R3.3516. The dollar midweek bought more like R3.41.

This could wipe out the gains of the recent rise in the petrol price.

Already the tiny and artificial "overrecovery" or overpayment by the motorist has been eroded from the 0.39 percent or 0.702c to around 0.5c a litre by the weakening rand.

The over and underpayment by motorists also causes confusion. They are usually marked against a "slate" — a theoretical account between the government and oil companies — to avoid daily rises and falls in the price of petrol.

However, the underpayment by the motorist, says the department spokesman, has been financed this time around by the "equalisation fund" into which is paid 7c a litre.

The equalisation fund has spent more than R1.4-billion since January propelling up the petrol price.

This is money that has been put back into the pockets of the motorists, contends the department spokesman.

Motorists are often enraged by what they believe is subsidisation of Sasol and Mossgas through the petrol price.

The pros and cons of whether and how this should happen is too complex for this article. Sasol and Mossgas are subsidised according to a long and complicated formula. The government calls this "protection", that there is, in brief, is the government's Byzantine method of calculating the basic petrol price.

Economister economist Tony Twine puts it in perspective. Asked if the department's explanations for its calculations are acceptable he says "if you are prepared to step through the looking glass. Their sums are internally consistent."

The problem is stepping through the looking glass in the first place.
Resistance to the growth of price like growth in the support for deregulation.
Make or break day over petrol price

By Mzimkulu Malunga and Sapa

Today is judgment day for the controversial petrol price increase when two Cabinet Ministers present their case before the National Economic Forum.

It is the outcome of this morning's crucial meeting that will decide whether the pending threat of mass action by the labour movement and other forces goes ahead.

Mineral and Energy Affairs Minister Mr George Bartlett and Finance Minister Mr Derek Keys are in Johannesburg to substantiate reasons which led to the fuel price hike.

Trade union

The country's two major trade union federations, Cosatu and Nactu, have threatened to unleash unprecedented mass action should the increase not be reversed immediately.

Nactu's information officer, Mr Mathum Marhva, said today's meeting was a waste of time. "The only thing that ever comes out of such meetings is high-flying economic jargon."

"We need to mobilise people into the streets to bring attention to the fuel increase issue," he said.

The South African Taxi Drivers Union has threatened to blockade the Pretoria city centre today if the Government does not hedge on the fuel price increase.

The drivers' union has appealed to the taxi association to suspend taxi fare increases pending discussions with the minister.

After today's meeting, Bartlett has promised to rush back to Cape Town to meet taxi drivers who have launched blockades since the fuel price hike.

Yesterday all hell broke loose in townships around Cape Town when buses were stoned and windows smashed as rampaging taxi drivers pulled passengers off buses.

Twenty-two of the 68 drivers who were arrested for blocking the city centre on Wednesday were charged in the Cape Town Magistrate's Court yesterday and the case postponed to October 18. The remaining group of drivers will appear on October 19 and 20.

Economic experts and consumer groups say an increase in the petrol price will shatter consumer confidence.

"Fuel price increases totalling 15 percent this year will further erode consumers' buying power and contribute to higher inflation," said the Consumer Council's executive director, Mr Jan Cronje.

The South African Chamber of Business' chief economist said the pending threat of mass action should today's meeting fail, could derail prospects of economic revival after four-and-a-half years of recession.
Rand vs oil

Despite the fall in the value of the rand — from an average of about US$1.00 in June to US$1.05 in July — the production prices of imported commodities fell that month. Figures released by the Central Statistical Service show they declined 0.1% in July — while over 12 months prices rose only 4.5%.

The reason is the decline in oil prices. An indication of its impact on production prices comes from Tony Twine of Econometrix: "Between the second week of June and the second week of July, the light crude oil fell from R56.30 a barrel to R55.50." Other mining

The drop in oil prices is also reflected in the index for "other" mining and quarrying, which fell 1.4% in the month. However, rand depreciation did have an impact on the prices of imported manufactured goods. These rose 0.7% in the month.

Locally produced commodities rose 1% in the month and 6.7% in the 12 months to July. A major contributor was the index for electricity, gas & water, which recorded a monthly increase of 1.7%, or an annual rise of 6.4%.

Overall producer prices rose 0.7% in the month, or 6.3% year-on-year. This compares with the 12-month figure of 6.4% for June.
Commuter slams station
THE higher petrol price should push the inflation rate up by less than 0.5 percentage points during the next 12 months, Sanlam chief economist Johan Louw says in his September Economic Review.

"At this stage we estimate an average inflation rate of just under 10% for 1985 and foresee that it could fall further next year."
Scrap Mossgas white elephant

From page

around the world.

"The ANC challenges the oil companies operating in South Africa to open their books to public scrutiny, so that the "apartheid premium" earned during the sanctions era can be determined.

On future policy, the ANC said "the end of the necessity to pay the "apartheid premium" should make it possible to decrease real prices. These reductions could be at the expense of excessive industry profits."

Continued support for "apartheid white elephants", Sasol and Mossgas, needs to be thoroughly investigated."

Long-time critic of government fuel policies and the Mossgas project, Democratic Party energy spokesman Roger Hubley said the ruling was paying to keep "P.W. Botha's folly" Mossgas alive.

"With a subsidy paid on every litre produced, the more Mossgas produces the more it is costing the motorist."

Mr Hubley also challenged claims made by Mr Bartlett of enormous savings for the country in foreign reserves, demanding details of whether the well-paid foreign contract workers were being paid in foreign currency and how much had been spent and would be spent in imports of plant and equipment for the project.

He said an example was the man in charge of the offshore rig, Nocif Fitzgerald, who was on a three-year contract at about R1 million a year.

Mr Hubley called for the phased, total deregulation of the industry.

"This includes Mossgas and Sasol If they cannot compete, they should be closed down."

He said it was disgraceful that motorists were being forced to subsidise Sasol as a publicly listed company which had declared profits to be paid as dividends to its shareholders.

BRUCE CAMERON and MICHAEL MORRIS
Business and Political Staff

The government is under pressure to close P.W. Botha's R1.1 billion Mossgas bender and take a new look at the petrol pricing structure, including subsidies for all the costly synthetic projects.

The National Economic Forum, which held a special meeting with beleaguered Energy Minister George Bartlett yesterday, has appointed a task force to look at the current position and long-term fuel industry.

The NEP, which has members representing business, labour and government, could reach no agreement at yesterday's meeting and has scheduled a "summit" for October 4.

Criticism of Mossgas is growing, with even top executives in the fuel industry now describing it as "a bloody white elephant" and a monument to P.W. Botha's apartheid policy.

Engen, which managed the development of the project and defended it while it was being developed, has not only refused to take up its share option but is now scrambling to disassociate itself from the project.

White-tax drivers caused chaos in challenging the seven cent increase, petrol companies as well as the government were taken by surprise at the ferocity of the protest.

Some of the petrol companies attempted to defend the price claiming South Africans had some of the cheapest petrol in the world, while laying the blame for the increase at the door of the government.

But an ANC statement yesterday focused attention on the oil companies, saying the vertically integrated system of pump price fixing "has guaranteed generous profits to transnational oil companies and maintained the viability of the synthesised industry."

The ANC said it expected that the import parity pricing mechanism had ensured the profitability of crude refining operations had historically been high by international standards to compensate the oil majors for defying sanctions.

There had been no public debate on this, but "one can only assume that returns must have been substantial that the transnational companies remained in South Africa despite strong criticism from anti-apartheid lobby groups."

To page 6
‘We will fight on gas hike’

By ALI MPHAKI

THE "war" against the recent petrol price hike is far from over, a Cosatu spokesman warned yesterday. Reports on SABC TV on Friday incorrectly stated that the Minister had given in to pressure from the taximen.

This was despite an undertaking on Friday by Minister of Mineral and Energy Affairs George Bartlett to convey taxi owners' anger about the seven cents price hike to President de Klerk. A Cosatu spokesman said, "Our demands are basic. While we say the recent petrol hike should be scrapped, the whole process of deciding on the petrol price should be opened for discussion. We've had three petrol increases in the last year. "Anything is possible this week, but we would not like to make empty threats lest there be a backlash," he added.

Meanwhile Satawu has confirmed its planned protest of blockading Pretoria's main streets tomorrow.
George Barton: A sorry history of bungles

Everyone bar the

15 September R3 385 per pce

93 office board (10x10)

S 11 [1914]

George Barton: A sorry history of bungles

Everyone bar the
March against Bartlett

Staff Report

Scores of Cape Flats taxi drivers and owners chanted "Bartlett must go" as they marched to parliament today.

But beleaguered Minister of Energy Affairs George Bartlett was not available to accept a memorandum from the leaders of the 300-strong group.

He sent his representative, Charles Edwards, to accept the document from Lotus River Grass Park taxi association chairman Shureen Carter.

"We didn't expect to see you. The minister's not available to see you," Mr. Edwards told Mrs. Carter.

In the document, the group demanded the scrapping of the 7c a litre increase in the price of petrol, and the same VAT-free subsidy on fuel enjoyed by bus companies.
Bartlett's fuel threat to Ackerman

Business-Staff

PICK 'n Pay chief Raymond Ackerman today jumped a government stop sign on his discounted petrol scheme by expanding his campaign of defiance nationwide.

Embattled energy minister George Bartlett was still trying to slam the brakes on the scheme today, saying he had the power to stop fuel deliveries to Pick 'n Pay garages.

Mr Ackerman "is breaking the law."

Mr Bartlett said Mr Ackerman was being confrontational. He advised Mr Ackerman to await finality on the legal dispute.

Mr Bartlett said much of the criticism of himself over last week's petrol-price increase had been unfair as he had tried to be as democratic as possible.

Earlier this year he had sent out a memorandum on the fuel industry to 74 interest groups from Cosatu to the Housewives' League asking for a response. These responses were to be discussed by the National Economic Forum.

The process had been accelerated by the price increase and a special task force had been appointed by the NED to look at the whole matter.

A "summit" would now be held on October 4.

In the meantime Mr Bartlett said he had no option but to apply the law.

He warned that the whole pricing structure of the fuel industry could be placed in jeopardy by the discounting scheme.

Within 24 hours Mr Ackerman hopes to be selling petrol from 11 hypermarkets (including those at Ottery and Brackenfell) and three super stores at the old price.

And he has a legal team on hand to continue his legal battle with Mr Bartlett.

An angry Mr Ackerman said today it was not only the question of the price of petrol — "it is the principle of free enterprise."
NEWS Turfloop boss quits

Ackerman in fuel hike talks

Sowetan 20/9/93

Sowetan Correspondent

A NATIONWIDE petrol discount coupon scheme could go ahead if retail king Mr Raymond Ackerman convinces Minister of Transport Mr George Bartlett he has found a legal loophole in the petrol regulations.

The Pick 'n Pay chairman has been summoned to a meeting with Bartlett in Cape Town today to discuss his price cutting scheme. A petrol seller has to receive the full price laid down by law. Price cutting is illegal.

Ackerman said his lawyers had found a loophole in the legislation. "What we have done is legal," he said.

With each purchase over R10, Pick 'n Pay shoppers in Durban have been issued with coupons entitling them to a discount of 7c a litre. If Ackerman can convince Bartlett the measure is legal, Pick 'n Pay plans to introduce discount coupons throughout the country.
DURBAN — Large convoys of minibus drivers drove through here and five other Natal towns yesterday, honking their hooters and flashing headlights in protest against the petrol price increase.

The drivers claimed passengers were refusing to pay increased taxi fares.

Police said demonstrations here and in Newcastle and Ladysmith went off smoothly. No incidents were reported during similar protests in Vryheid, Dundee and Greytown.
protest goes on
— but peacefully

TWO-WEEK Halt

city suspended

Taxi Strike.
Two-week halt — but peaceful protest goes on

By PETER DENNEHY

The taxi strike which has severely disrupted the city has been suspended for two weeks and several taxi associations have apologised for abuses during the strike, which included violence against bus commuters.

Commuters were attacked and beaten, petrol stations damaged and major routes in the city jammed in violent protests which started on Wednesday after the 7c/l petrol price hike.

Strike violence declined yesterday, said Mr Frans Mayoss, general manager of Golden Arrow bus company, whose buses were among the taxi drivers' primary targets.

He said, however, that one of his company's senior inspectors had been "cold-blooded shot in the neck" in Mitchell's Plain on Saturday. He is in a stable condition in Groote Schuur Hospital.

Mr Mayoss said bus passengers were intimidated and harassed. Some were forced off buses and drivers and passengers were robbed.

Intimidated

The police placed men on some buses to "ride shotgun".

Several taxi associations apologised yesterday for the abuses.

At a meeting of about 700 people convened by the ANC and others at Community House on Saturday, and at subsequent meetings, taxi associations decided the strike should end today. However, some will go ahead with "peaceful protest action".

Drivers from the Lotus River taxi association intend to park in District Six from about 10am today and then to march on Parliament, and some Mitchell's Plain drivers may protest outside the Caltex refinery in Milnerton "all week".

Mr Don Lawrence of the Mitchell's Plain Taxi Association said members were standing by to see what happened at Wednesday's cabinet meeting, where the protest will be discussed.

About 30 drivers representing Manenberg, Kensington, Heideveld, Bonteheuwel, Bridgeland, Claremont, Wynberg, Grassy Park and part of Mitchell's Plain met in the Hanover Park town centre yesterday.
Pick 'n Pay vows to find a way

By WILLEM STEENKAMP

RETAIL giant Pick 'n Pay has vowed to find a legal way to continue its controversial new petrol discounting scheme, which could be shut down today by Mineral and Energy Affairs Minister Mr. George Bartlett.

And today a specially convened National Economic Forum task force is to hold urgent talks to discuss the growing furor over the petrol price rise, and the influential Road Freight Association has joined calls for a moratorium on the increase.

Pick 'n Pay is to fax a legal argument to Mr. Bartlett today, detailing reasons why it feels its 7c discount scheme should not be disallowed.

Last week Mr. Bartlett told Pick 'n Pay chairman Mr. Raymond Ackerman that the price-cutting scheme contravened petrol price regulations. He summoned Mr. Ackerman to his office at 8am today to explain why he had defied the regulations.

In the Pick 'n Pay scheme motorists who spend more than R10 at Pick 'n Pay are given coupons for their service stations, allowing the discount on as much petrol as they want.

Last night Pick 'n Pay managing director Mr. Gareth Ackerman said the discount scheme was totally within the law.

However, Mr. Bartlett said the law, according to the law, to be "totally arbitrary" and put a stop to the discounting.
Cabinet looks at petrol hike

THE Cabinet is to discuss the petrol price increase of 7c/litre on Wednesday, Mineral and Energy Affairs Minister George Bartlett said on Saturday.

Bartlett said he had discussed the increase with the State President as well as the "problems" in Cape Town following his meeting with delegations from the taxi industry at D F Malan Airport.

Key intersections in Cape Town were blocked by angry taxi drivers last week while bus commuters were attacked and petrol stations damaged as drivers protested against the petrol hike.

Bartlett said the National Economic Forum had set up a task force to look into the current situation and longer term fuel industry policies. — So
Bartlett may drop fuel price for taxis

Pilots will be put to the cabinet tomorrow. W. Cape leaders are promised
Petrol protest backfires:

Centre city traffic brought to a standstill by bus drivers hit back at assault and shootings of colleagues.

Staff Reporter

LUNCHTIME traffic came to a standstill in the centre of Cape Town as bus drivers hit back at the assault and murder of their colleagues and blocked main routes into town.

Scores of single and double-decker buses blocked Strand, Daring and Plein Streets shortly around 1pm today as drivers parked their vehicles and walked off.

The protest comes in the wake of the killing of Golden Arrow driver Mr. Gabriel Kunnathum in Khayelitsha yesterday.

Bystanders stared in amazement at the chaotic scene which echoes the petrol protest blockades mounted by taxi drivers over the past week.

The traffic department was hard pressed to clear the roads as traffic officials took over the driver seats of the abandoned buses and started moving them away.

One bystander expressed strong support for the drivers saying: "The taxi drivers are killing them, what other choice do they have?"

Police stood by helplessly.

Drivers insisted on speaking to top management of Golden Arrow Bus Services. "We are left with no choice but to shut down," said spokesman James Roubian.

"The safety of drivers is at stake here," he said.

Drivers marched to the Good Hope Centre for a meeting with Golden Arrow representatives.

BUS BLOCKADE: Rush hour traffic comes to a standstill as Golden Arrow bus drivers abandon their vehicles in Strand Street today.

(Continued on page 4, col 5)
Traffic in city brought to standstill

walkout of the Mitchell's Plain group

Mitchell's Plain drivers and owners were vastly angered when Mr Collins said the meeting was being held at the request of taxi drivers and the bus company employees.

When told the Peace Committee had been asked to arrange the meeting by National Transport Forum member Trevor Kempshall, who claimed to speak on behalf of taxi associations, they rejected Mr Kempshall's mandate, saying he did not speak on their behalf.

They also rejected the mandate of another organisation, the Cape Province Public Transport Association (Captra), who initially claimed to speak on their behalf.

But Captra secretary general Davood Adams criticised Fento as a group of self-made leaders without support.

"Fento has a problem with itself. We have had enough of self-made, unqualified leaders in this industry who have no support and will not let the process be held to ransom."

"We are involved in a process to save lives and stop violence. We are willing to talk to anybody who has proved of support. This is why we have a good relationship with Codeta."

Mr Collins and assistant Chris Spriet decided to adjourn the meeting after Codeta left.
Bartlett sees taxi operators

BY ANTHONY JOHNSON

No finality on how to resolve the petrol price controversy was likely until the National Economic Forum gave its views in two weeks time, Mineral and Energy Affairs Minister Mr George Bartlett said last night.

However, another top government source told the Cape Times yesterday that the government would not back down on the decision to increase the price of petrol by seven cents a litre.

Mr Bartlett said he had told the Convention of Democratic Taxi Associations during a two-hour meeting yesterday that he could not see the price being lowered, as it was "market-related".

The state had been losing R19 million a month before the price was raised.

He described his meeting with Western Cape taxi operators as "very friendly and positive" and he undertook to report back to them after the fuel price issue was discussed at tomorrow's cabinet meeting.

Report completed on entire fuel question and its impact on economy

---

Bartlett, Protecting the SA Consumer

---

City
Petrol coupons: Ackerman asks court to approve scheme

Staff Reporters

ANOTHER round in the battle over discounted petrol began today when Pick 'n Pay chief Raymond Ackerman applied for an urgent interdict to prevent Mineral and Energy Affairs Minister George Bartlett from withdrawing the scheme.

Mr Bartlett banned the scheme yesterday and threatened to cut off the supermarket chain's fuel supply if it did not halt its voucher scheme immediately.

Mr Ackerman said he would not stop the discounted coupon scheme at the Durban Hyper, but had decided not to extend the plan to a further 14 stores until the issue had been resolved.

While he had asked for the matter to be considered urgently, Mr Ackerman said he hoped it would come before the Cape Town Supreme Court today or tomorrow.

The government raised the petrol price by 6c a litre last week and the supermarket chain is selling it at the old price.

At a Press conference in Cape Town yesterday, Mr Bartlett said the scheme was a contravention of the law.

He said the scheme would "negatively affect" the petrol price and that it would ultimately benefit only Mr Ackerman and Pick 'n Pay "to the detriment of service stations and consumers at large".

"Housewives" League president Lyn Morris and the Congress of SA Trade Unions warned in separate statements that "giving big retailers the right to sell petrol did not mean the price would stay down.

Meanwhile, representatives of the taxi industry and community organisations met today to discuss the fuel crisis, the way forward and joint action.

The meeting, jointly convened by the Congress of South African Trade Unions (Cosatu) and the National Council of Trade Unions (Nactu), was held after the second death during the current transport crisis.

Senior bus inspector Pellele Mqudhwa, 58, died in Groote Schuur Hospital last night, two days after colleague Ghanqetse Karrum was shot and killed in Khayelitsha.

Mr Mqudhwa, the father of five children, was shot in the neck after helping passengers in Khayelitsha on Saturday.

His employers, Golden Arrow Bus Services, have offered a R50 000 reward for information leading to the arrest and conviction of his killers.

Company chairman Nic Cronje said in a statement that Mr Mqudhwa's death had resulted from the mindless violence plaguing the Cape Peninsula.

Cosatu's regional secretary Jonathan Arendse said "bus drivers are workers who have nothing to do with the increases. It's unacceptable that they are being attacked and killed. Of course, we can't say who's responsible."

See page 4
FED UP: Bus driver Mrs Jappie de Vries shows her frustration in the middle of yesterday's protest in which bus drivers blocked the city centre, causing chaos at lunchtime. Bus drivers threatened a stayaway unless their safety can be guaranteed in the wake of the killing of a Golden Arrow driver in Khayelitsha on Monday.

‘No’ to cheap fuel: chainstore warned

By ANTHONY JOHNSON

Political Correspondent

The government last night turned off the taps on petrol discounting and moved to end speculation that today's cabinet meeting will reverse last week's controversial price hikes.

Mineral and Energy Affairs Minister Mr George Bartlett threatened to order oil companies to stop supplying Pick 'n Pay if it continued selling cut-price petrol in Durban.

He also ruled out petrol subsidies for taxis as the government believed the entire structure of the taxi industry should be re-examined.

An angry Mr Ackerman said last night he would comply with the ban but fight it in the courts by seeking an urgent interdict against the minister.

TAPS OFF

Mr George Bartlett

He said his company was convinced there was a legal loophole that could overturn the ban.

Mr Bartlett said the discount scheme would be banned under the Petroleum Products Act as it may cause "the collapse of all regulations".

He said Mr Ackerman could be fined if he continued to flout the law.

OFF TO COURT

Mr Raymond Ackerman

and will ultimately only benefit Mr Ackerman and his group to the detriment of service stations and consumers at large.

He said smaller petrol stations, in a bid to compete with the supermarket chain, would retrench staff, endangering the jobs of many of the country's 49 600 petrol attendants.

Deregulating the R23 billion a year petrol industry would be discussed in appropriate forums to which he hoped all roleplayers would contribute.

On criticism of public subsidies to Mossgas and Sasol of about R100 million a month, Mr Bartlett said these saved about R7.5 billion in foreign exchange. Mossgas supported about 14 000 jobs.

EUNICE RIDER reports that at a press conference later yesterday, Mr Ackerman said: "We will not defy the order but have briefed attorneys and senior counsel with the aim of urgent court action."

Mr Ackerman said he hoped to run the scheme countrywide on a permanent basis after court action, as it would be in the interests of consumers. He did not want a new government to "inherit state control over consumer items".

He said his company owned two filling stations in Cape Town and a further 32 nationwide.
Minister turns off the taps for discount scheme

Political Staff

MINERAL and Energy Affairs Minister George Bartlett has ordered an end to Pick 'n Pay's petrol coupon scheme, warning that if it goes ahead he will cut supplies to the retail giant's service stations.

Addressing a press conference yesterday, Mr Bartlett said Pick 'n Pay chief Raymond Ackerman was told of the decision by letter at 5pm yesterday and action would be taken if the scheme was not stopped immediately.

This could include court action, said Mr Bartlett.

The minister emerged with his tough line on the scheme — in terms of which Pick 'n Pay customers are given discounts on petrol at its service stations — after taking advice from the state's legal advisers.

He said the scheme was a "contravention of the law" and if Pick 'n Pay persisted "it is my intention to instruct oil companies in terms of the Petroleum Products Act to cease supplies to the offending service stations".

Mr Bartlett said he had taken the decision after "due consideration" of the facts and circumstances surrounding the scheme. He had concluded "on the whole it will negatively affect the selling price of petrol and that it will ultimately only benefit Mr Raymond Ackerman and the Pick 'n Pay group to the detriment of service stations and consumers at large".

There were already reports of service stations close to Pick 'n Pay outlets that were losing business as a result of the scheme, he said.

Mr Bartlett said that the question of deregulation of the petroleum industry would be discussed in "appropriate forums" where interested parties should have their say "rather than taking the law into their own hands".

But he admitted he favoured "some sort of regulation".

He poured cold water on suggestions that a discount petrol scheme for taxi operators could be launched, suggesting that the totally unregulated nature of the industry should rather be addressed as it gave rise to "over-trading".
Taxi body delivers Oct 4 ultimatum on fuel price rise

ROGER FRIEDMAN, Staff Reporter

TAXI associations countrywide have threatened unprecedented mass action if the petrol price increase is not scrapped or the industry subsidised by October 4.

This follows the cabinet’s decision yesterday not to pre-empt proposals of the special task group established by the National Economic Forum to look into the petrol price increase and the entire price structure.

President of the Federated National Transport Organisation (Fento) Lennox Magwaza said the groundwork was being laid “for stronger but disciplined” national protest from October 4, the date the NEF task force is due to table its report.

“We are not fighting with civilians, but with the government of the day,” Mr Magwaza said.

“Taxis carry 55 percent of passengers nationally on a daily basis and there is therefore a lot we could do in order to bring down the economy of the country.

“We don’t want to harm the economy — we want to build it, but if the government snubs us we’ll snub them back.”

Fento is an emerging giant in the transport industry, representing 225 taxi associations, and with interests in trucking, shopping, aviation and tourism.

Active in the Transvaal, Free State, Natal, Lesotho and Swaziland, Fento is now making inroads in the Western Cape.

The Mitchell’s Plain Taxi Association has already affiliated, while discussions with Codeta are in progress.

Mr Magwaza is due to meet Energy Minister George Bartlett in Pretoria today to set out the taxi industry’s demands.
Ackerman stops petrol scheme

DAVID YUTAR, Staff Reporter

PICK 'n Pay has stopped selling discounted petrol at its Durban Hypermarket outlet after receiving an urgent instruction from the Minister of Mineral and Energy Affairs, George Bartlett.

He said he was acting on a directive from President De Klerk and the cabinet.

Pick 'n Pay chief Raymond Ackerman said the company had decided to heed the instruction immediately.

However, he said, Pick 'n Pay would still go ahead with its court application to test the validity of the prohibition.

Pick 'n Pay has until now defied the government's order to stop the discount scheme.

In terms of the scheme customers spending more than R10 at Pick 'n Pay's store in Durban have been subsidised to the tune of 7c a litre by the company.

Pick 'n Pay has filed papers in the Cape Supreme Court for an application challenging the validity of the prohibition of its scheme issued by Mr Bartlett on Tuesday.
A national strategy needed

Book shortage in black schools
Food prices steadying

ALÍDE DACOIS
Business staff (Aug 23, 1993)

Food price inflation slowed further in August, holding the inflation rate down to less than 10 percent over the year.

Figures released today by
the Central Statistical Service
show the consumer price index
rose 0.5 percent in August,
compared to 0.9 percent in July.

The index has risen 9.3 percent since August last year.
But, food prices have risen only
3.3 percent over the year.

Prices of vegetables, fruit
and nuts, fish and sugar actually fell in August.

Economists said retailers
had been holding prices down
because of lack of consumer
demand.

Most retailers reported lower
sales in the third quarter of
the year, a survey by the Stel-
Pedigree Research shows.
Food prices slow consumer inflation

KELVIN BROWN

Consumer inflation slowed further to 9.3% in the year to August as lower food prices continued to keep headline inflation in check, economists said yesterday.

Figures released by the Central Statistical Service showed that the annual inflation rate — as measured by the consumer price index (CPI) — declined for the fourth month in a row, dropping to 9.3% in August from 9.9% in July. Month-on-month inflation fell to 0.5% last month after running to 0.8% in July.

The lowest annual percentage increase in food inflation since May 1979 was the main contributor to the good inflation figure, said economists. The rise in the food index — which carries the second highest weighting in the CPI — eased to 4.3% in the year to August from 4.5% in July.

Economists said a pull-off in the advance of annual housing prices to 0.8% in August from 1.2% also played a role in lowering the percentage change in the CPI. The housing index has the largest weighting in the index at 20.5%.

Nedbank senior economist Edward Osborn said, excluding mortgage interest payments and fresh food prices, inflation continued dropping to satisfactory levels. The core inflation rate stood at 12.9% last month against 13.4% in the year to July.

He expected the downward inflationary trend to continue as recessionary conditions and low wage rises prevented any flare-up in the rate of price rises.

The depreciating rand and the recent increase in the fuel price were the only factors which could exert upward pressure on prices in the next few months.

But Osborn warned the declining inflation trend could be reversed next year when fresh food prices would start increasing again off a low base. "The effect of the drought on fresh food prices would have worked through the system by then," he said.

Matheson and Hollidge economist Tracy

Leder said retailers were likely to cut margins in the fourth quarter. "There is no sign of any increase in consumer spending in the coming months."

She said even a fall in interest rates was unlikely to lead to more spending as cutbacks in the labour market and political uncertainty made consumers reluctant to increase purchases.

Consumer Council executive director Jan Cronje said the sustained fall in the inflation rate was a factor in favour of the Reserve Bank lowering the Bank rate.

Comment: Page 4
The caption read the caption text.

The family lived next to the river.

The grass is green and the flowers are beautiful.

The dog was jumping in the yard.

The cat was sleeping on the couch.

The sun was shining and the birds were singing.

The children played in the park.

The snow was falling and the trees were covered.

The moon was shining bright in the sky.

The stars were twinkling in the night.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The sun was setting and the sky was painted with colors.

The moon was rising and the stars were sparkling.

The birds were flying and the sky was filled with their songs.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.

The snow was falling and the trees were covered.

The children played in the snow.

The sun was shining and the flowers were blooming.

The birds were singing and the trees were swaying.

The wind was blowing and the leaves were rustling.

The rain was pouring and the raindrops were falling.
Supermarket defies cut-price fuel ban

Fuel costs could be cut

By SARAH STERRY
CPI dips on "lower" food price inflation

A SLOWING down in the rate of food price inflation brought the consumer price index (CPI) down to 9.3% year on year in August compared with 9.9% in July. It rose by 0.8% month on month. Seasonally adjusted, the monthly increase was 0.3%.

The food only index fell to 3.4% — the lowest annualised figure since May, 1978 — compared with 4.3% in July.

Southern Life economist Mike Daly said that excluding VAT the CPI would have been only 7.2%.

"We are well on target for the CPI to come down to 6% or 7% by the middle of next year, when the effect of the higher VAT rate will fall away."

In view of this, real interest rates were very high. But the Reserve Bank would not be justified in cutting them in view of the danger to the balance of payments from continuing high capital outflows.

If SA received a loan from the International Monetary Fund it would be needed to cover debt repayments.

Sanlam chief economist Johan Louw said the CPI was lower than he had expected.

"The decline in food inflation was important. We foresee the inflation rate falling to 9% next month. But it might go up somewhat in October, when the higher petrol price feeds through."

"The CPI might go up for technical reasons towards the end of the year but we should get very good figures in the first half of next year."

Old Mutual economist Johan Els said transport costs had gone up by 1.5% but housing inflation was still a low 0.6% year on year.

The petrol price increase, which would feed through in the October figures, would be very small. But there might be a slight upswing in the CPI year on year in December because it would be from a low base.
Food hikes at lowest since '70

Business Editor

FOOD price inflation has slowed to its lowest level since May 1970, bringing down the consumer price index (CPI) for August to 9.3% year-on-year compared with 9.9% in July.

The food index fell to 3.4% year-on-year compared with 4.3% in July — and 29.5% in August last year when the drought was at its worst.

The ending of the drought improved supplies, and some foods, including fruit, nuts, vegetables and fish, have become cheaper.

Economists said they expected inflation to average 10% for 1993 and to be lower next year.

Consumer Council director Mr Jan Cronje said the declining inflation rate justified another interest rate cut. But Southern Life economist Mr Mike Daly did not expect such a cut as capital was still flowing from South Africa.

* CPI dips — Page 10*
Protests looming over petrol hike

By Mzimkulu Malunga

A NATIONAL protest action aimed at "bringing the country to a standstill" is looming as the saga over the petrol price rise continues.

A coalition of labour, business and consumer organisations yesterday threatened "mass action" if Mineral and Energy Affairs Minister Mr George Bartlett did not review the fuel price increase.

The labour movement and the taxi industry will today table their demands to the technical committee of the National Economic Forum.

Congress of South African Trade Unions vice-president Mr Chris Dlamini said they would demand a 10c reduction in the fuel price.

"All sectors represented here have avenues to protest against this petrol price increase. We warn the Government from repressing the taxi drivers who are protesting against the fuel price increase," said Dlamini.

The groups represented at yesterday's meeting have given the Government until October 4 to reduce the price of petrol or "face the consequences of mass action." The National Council of Trade Unions spokesman Mr Mudim Mavha said the co-ordinating committee had reserved the right to take whatever action to protest against the fuel price rise while negotiations with the Government were going on within the framework of the NEF.
Greater price stability for SA
Battle for bus routes

Behind the Cape Town protests over the petrol price rise is an ugly fight — taxi and bus industries vying for commuters, reports Gaye Davis.

CAPE Town’s bus and taxi employers were using drivers as foot-soldiers in a battle for market share, the Transport and General Workers’ Union charged this week.

TGWU organiser Nick Henwood made the allegation after Golden Arrow Bus Services’ driver Canief Karriem (36) was killed and five of his passengers wounded when gunmen attacked his bus in Khayelitsha early on Monday — soon after taxi associations pledged to suspend violent protest action.

Karriem was the latest casualty in a conflict which has seen taxi drivers targeting buses, drivers and their passengers — and bus drivers declaring their intention to fight back.

Earlier this week bus drivers staged their own city-centre blockade to back their demands for the bus company to provide them with greater protection.

Golden Arrow accused taxi interests of using the fuel price rise as a smoke screen in a bid to seize control of public transport in the Western Cape.

There have been scores of attacks on bus drivers over the past two years, including the abduction of drivers, stonings and petrol bombings, attacks by gunmen — sometimes fatal — as well as threats, assaults and minibus blockades.

“Taxi drivers are bearing the brunt of the fuel price increase,” said Henwood. “They have to bring in a set amount of money for the taxi owner each day but have to pay their own fuel costs, rank fees and fines. Anything left over is theirs.

“They can’t boost their fares because they’ll lose customers to the buses. They’re fighting the fuel price hike but end up fighting those who are taking their business.”

But while the issue was the fuel price rise, the main problem was the lack of any policy governing the industry.

“We’re saying that the government, first by unilaterally deregulating the industry and then by unilaterally raising the fuel price, is plunging the passenger transport industry deeper into crisis,” Henwood said.

“There has to be a place for taxis and buses and they must be part of a regulated industry — but this mustn’t happen at the expense of commuters.”

At a crisis meeting this week, taxi associations and the bus company agreed that neither would use drivers as soldiers or targets in a commercial battle.
Petrol hike reveals ingrained apathy

By Barbara Ann Boswell

PROTESTS against the increase in the petrol price have revealed alarming apathy among South African consumers and consumer bodies.

Even though increases generally push up the price of necessities, the only response of consumers was to flock weekly to service stations last week to top up their tanks.

Only taxi drivers and operators militantly expressed their utter rejection of the price increase.

Mr. Dan Fletcher, general secretary of the Foundation for African Business and Consumer Services (Fabcos), says consumer apathy is a result of a "National Party success story."

"Apathy has been inculcated as part of the apartheid system over the years. People were conditioned to believe they would never be able to achieve things outside the sphere of their lives," he says.

Fletcher believes South Africans are reluctant to join organisations which fight for their rights, as they were seen as violent or militant.

"Complicity also exists because of a lack of awareness about business and economics. People are indifferent towards the petrol hike, thinking that it does not affect them, but they don't realise that it affects them directly when food prices and travelling costs also increase."

According to Mr. Paul Joubert, co-ordinator of the ANC's Department of Economic Policy, the petrol price hike has been met by resistance only by those who have been hardest hit by the increase.

"Richer groups of people are the car owners, and if you have a car you can probably afford the petrol increase. The taxi drivers, who represent their clients - the poor commuters - and are thus more sensitive to a price rise," says Joubert.

"What we are experiencing now is a price build-up. The price of petrol includes a premium due to apartheid - the government had to pay oil companies to stay here during the apartheid years."

"Why else did companies like Shell and BP hang in here? They must have been making nice returns."

Mr. Berno Fanaroff, the general secretary of the National Union of Metalworkers of South Africa (Numsa), who co-ordinated a campaign against VAT in 1991, has a different view on the issue.

He believes that South Africa is slowly changing from a culture of
Union taxi groups want 10c fuel drop

JOHANNESBURG. — The Congress of South African Trade Unions and a labour and taxi delegation are demanding not only the scrapping of the seven cent a litre petrol price increase, but a further reduction of three cents a litre in the price of petrol and diesel fuel.

The demand was formulated by Cosatu, the Foundation for African Business and Consumer Services, the National African Federated Chamber of Commerce and Industry and representatives of several taxi organisations.

The organisations are also demanding a review of all subsidies, protection and profit margins which make up the petrol and diesel prices.

Speaking at a news conference in Johannesburg yesterday, Cosatu vice-president Mr Chris Dlamini said the organisations condemned Wednesday's cabinet decision not to review the petrol price increase "especially in the light of the fact that government has agreed to be part of the National Economic Forum task group on this issue".

Mr Dlamini said a labour and taxi delegation would attend the NEF's first task group meeting today to begin negotiations on the structure of the petrol price.

In Kroonstad, taxi drivers blockaded two streets in the central business district of this northern Free State town yesterday afternoon.
Taxis:
Plan for new fuel protests

Staff Reporter

FURTHER protest action against the recent petrol price increase is being discussed by several taxi associations and a group of trade unions.

A meeting of the Western Cape Fuel Crisis Forum was convened by the Nactu and Cosatu trade union federations on Wednesday and yesterday morning in the Sactu Hall of Industria House in Salt River.

Participants included representatives of the Codeta township taxis, Mitchells Plain taxis, Bellville taxis, and those based at the Wynberg interchange.

Representatives were also present from the bus drivers' union (Tramway and Omnibus Workers' Union), the Transport and General Workers' Union, and from the ANC, PAC and SACP.

At the meeting, a resolution was adopted rejecting Minister of Energy Affairs Mr George Bartlett's 'intransigence' in refusing to suspend the fuel price increase.

Mr Joe Sineke of Nactu and Mr Xolile Nxu of Cosatu said the various organisations were discussing, with their constituencies, what further action should be taken.

This will be finalised this coming Monday at 10am at Industria House.

"The forum calls on all commuters and the community at large to express their views through their communities, political parties, trade unions, civic and churches," the two men said in a press release.

Earlier this week, taxi drivers said that many commuters had complained about lack of consultation with their organisations before taxis embarked on a strike, supposedly "on their behalf".

Both bus drivers and taxi drivers who get fines during the course of their protests have yet to work out how they are going to deal with these
Discount petrol for big buyers

BIG buyers get discounted fuel at savings of 1c/l while the Government has stopped Pack 'n Pay's sales to the small man. The row over controlled fuel prices intensified this week after Minister of Mineral and Energy Affairs George Bartlett ordered Pick 'n Pay's Raymond Ackerman to stop giving 7c/l discounts at his hypermarket in Durban North. Elsewhere in Durban, Paxton's, a chain of four super-markets, is continuing with a fuel discount scheme and in Klerksdorp an entrepreneur has just begun a scheme to sell cheaper petrol. Business Times has learnt that large fuel consumers such as corporates which operate their own fuel tanks, are given discounts of up to 1c/l on diesel and 1c/l on petrol.

The Department of Mineral and Energy Affairs (DEA) confirmed that such discounts are available to large customers who operate their own or-hired petrol equipment. The discount — which the Government says depends on negotiations between supplying oil companies and the pur-chaser as well as competition among the oil companies — is only available to sites which use at least 15 000 l a month.

This applies to petrol only. Diesel is not controlled and consumer installations can be erected without approval from the Government," says DMEA.

By KEVIN DAVE

A survey of European pump prices by Oil Price Assessments Ltd (Opal), a leading company in the field, shows that supermarkets in Europe offer significant fuel price savings to consumers. Supermarket prices are on average 11.4c/l cheaper compared to major brands, ranging from a 5c/l saving in the UK to 26c/l in France.

The supermarkets buy in bulk and import their own fuel, which they sell under their own brand name. Supermarket chains in SA are not allowed to import fuel.

The Opal survey, which is conducted on a monthly basis, also shows "no-appreciable difference" prices at full-service and self-service stations which sell the major brands.

An Opal spokesman says the only outlets which get more for their fuel are those on motorways where full service is provided and a premium charged.

The Opal figures — Business Times has those for the end of May — show an average saving of only 3c/l on self-service in nine European countries surveyed.

The small difference suggests that claims by the Government and the oil industry that fuel deregulation in SA could lead to large-scale job losses of petrol attendants because of a switch to self-service are exaggerated.

Buxton says shoppers who spend more than R1 500 on groceries get fuel vouchers to be spent at four specified service stations. The vouchers offer a 5c/l discount on the grocery bill, which equates to a saving of 1c/l on a 50l tank.

Mr Buxton says the response to the scheme, which pre-dates Pick 'n Pay's, has been "fantastic ... unbelievable..."

Has he been visited by the authorities? "No. I don't sell petrol.

Klerksdorp businessman Anthony Tambous will also start a discount scheme this week. No discount will be offered on the service station's forecourt, but a 5c/l saving can be made on purchases at Mr Tambous' supermarket.

"We'd like to offer more than a 5c/l saving," says Mr Tambous, "as this will only buy two loaves of bread and a litre of milk. This is not enough for the man in the street."

Mr Tambous previously offered a 2c/l saving, selling more petrol in four days than in the 15 days over Christmas.

But as a result of "hellfire" from the Motor Industries Federation and visits from the police, including an officer who had taken advantage of the cheaper petrol, Mr Tambous stopped the scheme.

Pack 'n Pay has challenged Mr Bartlett's injunction to stop discount petrol sales in the Cape Town Supreme Court.

See Page 9
More action on petrol price

Staff Reporter

TAXI organisations, trade unions and political parties are meeting today to discuss further protest action against the petrol price increase.

Mr Xolile Nkosi of Satsu and Mr Joe Sibeko of Nactu said various organisations were discussing further action with their constituencies and a final decision would be taken at a meeting at Industria House today.
Taximen call for another blockade

Staff Reporter
CAPE TOWN could be facing another traffic blockade after Mineral and Energy Affairs Minister George Bartlett’s petrol price summit next week.

About 100 delegates from taxi associations, trade unions and other transport-related organisations met yesterday to discuss the petrol price.

Chairman Mr Xolile Ntsie of Cosatu and Mr Joe Sineke of Nactu said the feeling was that there should be mass action, "but we will wait until October 4." However, the meeting as a whole resolved that decisions on what form mass action should take should wait until after October 4, the date of Mr Bartlett’s price summit in Johannesburg.

The meeting also reaffirmed its commitment to non-violence, and said that it wanted representation on the National Energy Forum.

The blockade suggestion was made by the Transport and Omnibus Workers’ Union, with the PAC proposing a public transport stay-away on October 4.

Nactu suggested a “disciplined and dignified stayaway provided that the community gives its support.”

The township taxi association, Codeta, said that whatever action was decided on should depend on the outcome of the summit meeting.

A meeting is to be arranged with Cape Town traffic chief Mr Wouter Smit to discuss fines imposed on bus and taxi drivers during protests.

• Pick ‘n Pay announced yesterday that the Cape Town Supreme Court will hear the petrol coupon scheme case on October 28.
PRICES - GENERAL

1993
Inflation was 9.1% in August, down from 9.9% in June, as all major components of the consumer price index rose at a slower rate (see graph). Even transport inflation, which is normally high in August, after a rate of 13.6% in July and 15.6% in August, was 12.7%.
JOHANNESBURG — The National Economic Forum's task force — set up to investigate the fuel industry — is today expected to recommend the withdrawal of the latest seven cents a litre increase in the petrol price.

The task force — made up of representatives from business, labour and the transport industry — would recommend to the forum, who will debate it today, that the increase be scrapped and a moratorium placed on further petrol price increases until the end of the year, a member of the task force said yesterday.

The task force supported the idea of selling the country's strategic oil stockpiles to fund any under-recovery on the equalisation fund, he said.

Mineral and Energy Affairs Minister Mr George Bartlett commented yesterday that any move by the forum to seek alternative finance for the fund would vindicate his assertion that a price increase was needed because of a shortfall.

He denied reports that the government would definitely rescind the increase.

The National Council of Trade Unions (Nactu) said that its planned national protest today against the fuel price rise will be put on hold — Own Correspondent, Staff Reporter.
Petrol price may drop after talks

TOS WENTZEL, Political Staff

THE petrol price could come down after discussions today between government leaders and National Economic Forum representatives. A task force of the forum has been investigating the fuel industry, but has not yet come up with a final finding.

It is recommending that part of South Africa's strategic oil reserve should be sold in the meantime to reduce the petrol price to the old level. This would cost about R186 million over two months.

Minister of Mineral and Energy Affairs George Bartlett confirmed this recommendation today. He could not say what would happen as the decision had to be taken by the cabinet. Mr Bartlett said he wondered what would happen if the value of the rand went down further.

The task force is continuing an investigation into the fuel price structure, including the question of deregulation, which Mr Bartlett said was what he had in mind when he called for a conference of interested parties on the issue.

There has been widespread protest against the 7 c-a-litre price increase.
THE Cabinet will meet tomorrow to decide whether to reverse the 7c a litre petrol price increase, according to Mineral and Energy Affairs Minister Mr George Bartlett.

Bartlett was reacting yesterday to proposals by the National Economic Forum that the Government roll back the price increase on October 14 to give an NEF task force the opportunity to investigate all aspects of the fuel industry.

The task force would then make recommendations for a fuel price increase or decrease by December 15.

The NEF proposed the two-month roll-over be financed through the sale of strategic oil reserves and from the equalisation fund. The financing would be in the form of a loan to the NEF Liquid Fuel Industry Summit at Nasrec in Johannesburg that his department proposed a roll-back period from November 1 to January 14, whereupon the price would be increased by 8.5c a litre.

The Government had proposed November 1 for practical reasons and the extra 1.5c would be required to repay the loan from the sale of strategic oil reserves, he said.

"The Government is in principle in agreement with labour's position that the strategic oil reserve should preferably be used for social upliftment and job-creation programmes," Bartlett said. — Sapa
Forum backs call to put off fuel rise

The Argus Correspondent

JOHANNESBURG — The National Economic Forum (NEF) has endorsed a recommendation by its task force investigating the fuel industry to withdraw temporarily the 7c a litre petrol price increase — leaving the cabinet to make the final decision tomorrow.

The task force — made up of representatives from business, labour and the government in an advisory capacity — proposed that the increase be postponed from October 14 to December 15 and that the shortfall in revenue during that period be financed through the sale of strategic crude oil stockpiles and the equalisation fund levy.

The only point of dissent on this proposal at yesterday's special NEF meeting was the date from which the postponement should become effective.

The government has proposed that should the cabinet agree to the NEF recommendation, the postponement be effected from November 1 rather than October 14 and that it should remain until January 14 rather than December 15.

Mineral and Energy Affairs Minister George Bartlett said he would refer the NEF's recommendations to the cabinet tomorrow, but reiterated his view that if the petrol price increase was rescinded, the shortfall would have to be made up eventually by another increase in the future.

A transport delegation warned Mr Bartlett that should the cabinet oppose the consensus of "this highly representative task group", there would again be a threat of mass protest.

Ben van Rensburg of the South African Chamber of Business said the cabinet faced an essentially political decision because the task force's recommendations "cannot be justified economically".

The NEF has also recommended that during the period of the postponement, another NEF task force be established with a view to making recommendations on a reviewed pricing mechanism for the industry to be concluded by December 15.
**Petrol price:**

**Cabinet to decide**

OWN CORRESPONDENT

JOHANNESBURG. — The National Economic Forum yesterday recommended the suspension of the recent petrol price rise from October 14 and a moratorium on further increases until mid-December.

Despite angry protests from labour and the taxi industry at the forum's meeting, Mineral and Energy Affairs Minister Mr George Bartlett said the government needed to discuss the matter at its regular cabinet meeting tomorrow before it could endorse the proposal.

The government's main disagreement with the proposal was the dates of the moratorium. Mr Bartlett said for practical purposes the increase could not be revoked on October 14 but should take place at the beginning of November.

**Today**

—Labour and the transport industry said their followers had so far "held their fire" but they could no longer be prevailed upon to refrain from further action.

The suspension should be implemented today, if possible, Cosatu general secretary Mr Sam Shiloe said.

Regardless of a new regulatory framework, the minister said the petrol price would have to be increased by 36c at the end of the period for at least a year to recover the amount "lent" from the strategic oil stockpiles.

He asked for assurances that taxi drivers would adhere to the proposals and not introduce further fare increases and that labour and business would not pass on any decreases to the consumer.

Delegates warned that Mr Bartlett would be held responsible for consequences of the delay.
Cosatu: Drop petrol hike

The government should "heed" the National Economic Forum's recommendations and suspend the recent petrol price increase, a Cosatu spokesman said yesterday.

Mr Bheki Nkosi also said a moratorium should be placed on further increases until mid-December. Cosatu was keen to see what the government's decision would be when the cabinet met today to discuss the forum's proposals, he said.

Meanwhile, traffic authorities said no taxi blockades took place yesterday despite recent threats that last month's taxi strike action would resume on October 4 if the petrol price increase was not scrapped.
Anger mounting over petrol price increase

Political Staff

Anger is mounting over the government's refusal to scrap the petrol price increase.

Already the African National Congress and the Congress of South African Trade Unions have threatened to take action to stop the increase, which they say will force the government to back down. The ANC has set a date for its campaign of protest, but the government has so far refused to negotiate.

The government, however, has decided to press ahead with the controversial increase.

"The decision to raise petrol prices was made in the interest of the country as a whole," said President Thabo Mbeki. "We have come to the conclusion that we cannot accept the recommendations of the NEC.

The ANC and Cosatu agreed that the government was being insensitive and arrogant in its handling of the issue. The government has ignored public opinion and disregarded the warnings from the trade unions.

By blindly rejecting these recommendations (by-the-NEC), the government has shown it is prepared to plunge the country into a costly conflict. The consequences of such a conflict must be squarely placed on their shoulders.

The two organisations said a meeting of a broad front of groups would be held today to discuss a comprehensive programme of action.

The South African Comuters' Organisation called on the Department of Transport yesterday to subsidise all forms of public transport after the fuel price increase.
Petrol price increase stays

THE 7c a litre increase in the price of petrol would remain in place, President FW de Klerk announced in Pretoria last night.

The decision follows a Cabinet meeting in Pretoria earlier in the day where a proposal by the National Economic Forum that the price be rolled back was considered.

De Klerk told a news conference the decision was aimed at preventing another fuel price increase and to create the possibility of a price reduction by December.

He stressed the Government would continue to co-operate in the National Economic Forum for the restructuring of the fuel price formula to make petrol cheaper.

To chop and change the fuel price was as unwise as it was to bring about an artificial price reduction and finance it through the sale of oil reserves, De Klerk said.

Because the price rise had been kept at 7c a litre, there would possibly be no increases in December, and through restructuring possibly a decrease.

De Klerk expected the decision to be misconstrued by the Government's political opponents but said it was not politically motivated and was economically justifiable.

Referring to the Congress of South African Trade Unions' threat of mass action if the price increase was not scrapped, De Klerk said: "We will not allow threats to force us not to take decisions which we believe are in the best interests of the country." — Sapa.

Political comment in this issue by Agro Klaasen and Joe Thlale. Newsdesk, sub-editing and headlines by Mike Tiro and Sy Moroka. All of 63 Commando Road, Industria West, Johannesburg. The reproduction or broadcast without permission of articles published in this newspaper on any current economic, political or religious topic, is forbidden and expressly reserved to Argus Newspapers Limited under Section 12(1) of the Copyright Act 1978. Call us in Johannesburg at (011) 474-0126, Pretoria at (012) 396-5213 or Pietersburg at (01521) 91-5475.
Petrol fury

Cosatu's threat of mass action

By ANTHONY JOHNSON
and ANDRE KOOPMAN

REACTING with fury to the cabinet's decision last night to maintain the controversial fuel increase Cosatu and the ANC vowed mass action to force the government to back down on the 'fuel hike introduced last month.'

After an emergency cabinet meeting President F W De Klerk announced last night at the Union Buildings that the increase would stay. Effectively rejecting calls from organised labour, business and the National Economic Forum which recommended that a moratorium be placed on the increase until December.

'Verse lie'

Plundered by his embattled energy minister, Mr George Hartley and finance minister Mr Derek York, Mr De Klerk said the hike was justifiable in terms of the pricing formula set.

Soon after his announcement Mr Sam Nkomo, secretary general of the powerful Congress of South African Trade Unions, described the government's reasoning in rejecting the findings of the National Economic Forum as a "total lie" adding that there would "definitely be mass action" to ensure that the government was "brought to its senses."

Meanwhile the ANC and Cosatu threatened nationwide disruption calling its joint statement last night that "by recklessly rejecting the recommendations of the NEF, the government has shown it is prepared to plunge the country into a costly conflagration."

"The consequences of such a conflict must be squarely placed on these shoulders."

The joint alliance said they were "outraged by the insensitive and arrogant manner in which the government has ignored public opinion on the fuel price."

The "bread front of organisations on the fuel price issue" would be meeting today to "discuss a comprehensive programme of action in response to the disgraceful government decision," the statement said.

"This fat cat government is as out of touch as George Hartley is with the feelings and problems of ordinary people, and the seriousness with which they view the issue of fuel prices," they said.

Mr De Klerk issued a plea to critics not to engage in irresponsible mass action which could result in a loss of income and jobs, adding "We have enough violence as it is."

"It's a courageous decision because it is unpopular and it was taken because we think it is in the best interests of the consumer."

"In the final analysis the government must take decisions in terms of what it believes is the best possible route for the whole country."

UNDERCOVER Sergeant Ivan McLean (left) and Constable Mark Hendricks pose as blind men yesterday while Constable Barnard Sarelz leads them along a platform at Bellville station.

PHOTO: ANNE LAURIE
Showdown

Fuel hike: Unions to slug it out

By ANTHONY JOHNSON
Political Correspondent

THE stage is being set for a bruising showdown between the government, trade unions and organised business over the government's refusal to back down on the recent 7c/l petrol price hike.

Protest have been expressed that a confrontation could threaten foreign investment and damage the economy and the negotiations process.

Yesterday labour movement and the taxi industry launched a co-ordinated campaign called the "Fueling the government to its senses - Win campaign -''

Protests will include pickets, marches and taxi blockades of cities and towns, Cosatu secretary-general Mr Sam Shdlowe said.

A general strike had not been ruled out and fuel companies would be particular targets.

On television debate last night he said: "We are prepared and willing to slug it out on the streets unless the government changes its mind."

UN TO DROP SANCTIONS TODAY
ANC SHIFTS STANCE ON SASOL

And Mr Bobby Godsell, the business representative on the National Economic Forum, said the government had missed an opportunity to find a constructive way out of a difficult situation.

In Johannesburg organised business warned that confrontation would be "unviable" and said it was "not unlikely" that business would join hands with other organisations that registered disapproval.

The comment came in a joint statement issued by the Johannesburg Chamber of Commerce and Industry and 14 economic chambers, which demanded that the government reverse its decision in the national interest, as recommended by the National Economic Forum.

The Afrikanse Handelsinstituut said it failed to understand how the expected petrol price increase would be paid by the consumer.

The Pretoria Afrikanse Soeakker said the government's decision was regrettable.

The Automobile Association said it was disappointed by the government's rejection of proposals put forward by the NSF.

Government spokesman Mr Dave Steward said the government regretted both the nature and tone of the labour movement's response, as the government was acting in good faith.

* Petrol debate — Page 5

Rates likely to go up by 14%

By PETER DENRED

The City Council now expects rates to be set at last year's level plus 14% as major commercial property owners decided yesterday not to challenge a

Chinese athletes in drugs scandal

PEKING — The cloud of suspicion hanging over China's world record-busting athletes darkened further yesterday when a Sports Ministry official disclosed that 11 Chinese athletes had tested positive for drugs.

* Mixed reception — Some Khayelitsha women welcomed policemen and army personnel when they moved through the township in an early-morning crime sweep yesterday — but a number of other residents were hostile. — Report — Page 5

* Photo: BENNY DOIJ

* By Peter Denrede
By Thembu Molefe
Political Correspondent

The country is bracing itself for a massive protest beginning today barely 24 hours after State President Mr FW de Klerk backed the controversial petrol price increase.

"The Government's decision is political and not technical," said South Africa's largest trade union conglomerates, the Congress of South African Trade Unions, National Council of Trade Unions and the Federation of South African Labour Unions in a joint statement with the country's taxi organisations.

The nationwide mass action programme, including pickets and public demonstrations, is aimed at pressuring the Government to reverse its fuel price increase of 7c a litre implemented by Minister of Mineral and Energy Affairs Mr George Barllett last month.

However, for the next two weeks organisations would be reporting back to their constituencies and-or embarking on the demonstrations.

On October 21 the different organisations would hold a meeting to decide on a co-ordinated programme which might include a general strike.

In their statement released at a Press conference in Johannesburg yesterday, the organisations said: "After an emergency meeting today to debate the Cabinet's decision to reject the National Economic Forum Task Force recommendation to suspend the fuel price increase the organisations unanimously rejecting and condemned the decision because it was "indefensible at the plight of the majority".

"It will increase inflation and as a decision which undermines the process of negotiations in the NEF and shows bad faith"

"They (Cabinet) don't want to back down and they don't want to admit years of mismanagement such as Mosop and Saso."

Action would be nonviolent, the statement said.

The NEF, which includes representatives from labour, business and the Government, proposed that the Government suspend the fuel price for two months when the task force would report on a new regulatory model and a fuel pricing structure.

De Klerk's announcement on Wednesday night followed a marathon weekly Cabinet meeting.

He said the price would be kept at 7c a litre and restructuring could lead to a decrease.

"We will not allow threats to force us not to take decisions which we believe are in the best interests of the country," De Klerk said at a Press conference.

This move has been roundly condemned by political and business sectors.

Political parties in the tripartite Parliament, the Democratic Party and Labour Party have also condemned the decision.

The Consumer Council, the Automobile Association and Pick 'n Pay have expressed disappointment at the Government's decision not to scrap the 7c fuel price increase.

Consumer Council spokesman Mr Paul Roos said petrol was a strategic consumer commodity, affecting the price of all other consumer articles. The Automobile Association said while it was disappointed by the Government's rejection of proposals put forward by the National Economic Forum, it was aware that any proposed short-term loan would have had to be repaid.

Pick 'n Pay spokesman Mr Gareth Ackerman said he was like many other South Africans disappointed.

"Of all issues, this was one which had attracted a lot of concern among consumers, labour and business. We feel the Government may have missed a golden opportunity to demonstrate it was open to negotiation on a critical issue."
Protest gathers support

Staff Reporter

A powerful coalition of taxi organisations and major trade unions is drumming up community support for a possible month-long Western Cape mass action campaign against the petrol price hike.

The campaign will be kick-started at a rally at Athlone Stadium on Sunday, October 31, which represents 15 unions and 185,000 Western Cape members, announced yesterday that the mass action campaign could target government buildings and oil refineries.

The Crisis Forum has refused to abandon the strategy of staging blockades on the main city access routes which caused massive congestion and angered motorists last month.
PPI dips below 6% as fall continues

KELVIN BROWN

HOPES for a sustained decline in underlying inflation were boosted yesterday with the news that producer price rises eased for the sixth consecutive month in August.

Latest figures from the Central Statistical Service showed producer inflation – as measured by the producer price index (PPI) – slipped to 5.5% in the year to August from a previous 6.3%. The month-on-month increase was also lower at 0.5% from July's 0.6%.

Economists said the PPI was being kept down by the Reserve Bank's tight monetary policy, improved agricultural conditions, the tough local economic situation and the weak inflationary trend abroad.

The annual percentage change in prices of imported items – which carried a weighting of 19.5% in the index – remained unchanged at 4.5%. The prices of locally produced goods rose 6.2% compared with a previous 6.7%.

Southern Life chief economist Mike Daly said the imported figures were "intriguing", considering that the rand was 13% weaker against a basket of currencies in July and August from a year ago.

This suggested that SA was benefiting from the low inflationary forces overseas.

Latest figures showed annual producer inflation was less than 0% in Japan and Germany, and about 0.5% in the US. "We are still in the grips of a disinflationary trend," said Daly.

Abas economist Adam Jacobs said producers were also encouraging, Daly said. He predicted producer inflation could drop to 5% in the next few months.

"We are still in the grips of a disinflationary trend," said Daly.

Abas economist Adam Jacobs said production:

PPI

BIDAY 14/10/93 FROM PAGE 3

Jacobs said SA had said a very heavy price for low inflation: "We must not forget the effect that a restrictive monetary policy has had on growth rates, unemployment levels and the standard of living."

He expected a turnaround in producer inflation next year as the economy improved and the effect of the continued depreciation in the rand filtered through.
PPI shows another decline

BY ROY COKAYNE

Declines of more than 30 percent in vegetable and fruit prices in the past year helped the production price index (PPI) to drop further to 5.9 percent in August for a 0.4 percentage point reduction, compared with July's 6.3 percent.

According to the Central Statistical Service, the rate of increase of locally produced commodities slowed further.

The domestic PPI dropped by 0.5 percent to 6.2 percent.

Absa senior economist Adam Jacobs said the drop in the PPI's domestic component was good news, that the PPI was moving steadily downward and should pull the consumer price index (CPI) down with it.
Specs firm up for top award

ANDREA WEISS
Health Reporter

SPECTACLE Warehouse the Kenilworth optometry firm which was interdicted from advertising its services earlier this year, has been nominated for the Price Tags consumer-conscious award.

The award relates to SABC-TV's Price Tags consumer programme.

The firm hit the headlines earlier this year when it defied a SA Medical and Dental Council ban on advertising.

Optometrist Chris Faul, who was instrumental in setting up the firm, went on to form optometrists for a free market which has challenged the regulations, instituted by professional boards and lodged a dispute with Health Minister Rina Venter.

In the meantime, the medical and dental council recently announced a lifting of the advertising ban, but Dr Faul has criticised the actual amendment as falling far short of a free market.

The new rules say optometrists can advertise prices and discounts of spectacle frames. They can advertise various types of lenses but not the prices nor may they advertise the cost of professional services.

Commenting on the new regulations Dr Faul said: With these new rules she or he (the consumer) is still only getting part of the story. We will continue to fight to allow the consumer freedom of choice.

The 'Price Tags' award will be made at Auckland Park on November 2.
Cosatu 'to blockade city and airport'  

By Peter Dennehy

Cosatu in the Western Cape announced plans yesterday to blockade the city, the waterfront and the airport separately over three days — starting today — in protest against the petrol price hike.

Mr Kholie Nxu, leader of Cosatu in the Western Cape and a co-chairman of the Western Cape Fuel Crisis Forum, announced this yesterday at a "mato meeting" attended by about 400 people at Athlone Stadium.

"We are going to blockade town, and see what Keegan is going to do," said Mr Nxu, referring to a remark by the mayor of Cape Town, Mr Clive Keegan, that anyone engaging in a blockade of the city could expect the full force of the law to be used against them.

"On Tuesday (tomorrow) we will be blockading all the oil industries, and also the beautiful harbour," Mr Nxu continued.

"On Wednesday there will not be any planes flying, because we will be blockading the airport. This is the programme of action," he stressed that no stayaway from work had been called.

In a blow to the fuel crisis forum, however, the township taxi association Codeta stayed away from yesterday's meeting altogether, and did not ferry anyone to it either.

A man at the meeting who declined to be named but who said he was from the Bellville Taxi Association, said he would report back to his organisation, which would then decide whether to take part in the proposed action.

 Asked if the poor attendance did not reflect community disapproval of proposed taxi protest action, Mr Nxu said there had been problems with transport to the meeting, which had not been well publicised.

Mr Nxu said a motorcade would start from 10am in Weton Road, Weton, and drive slowly into Cape Town's central business district, where the taxis would conduct a "rolling blockade" by driving slowly around the city centre.

The general secretary of the ANC in the Western Cape, Mr Tony Yengeni, referred in his speech to the absence of "one of the taxi associations", and added that "we don't know why. We hope that in the forum meetings that will take place, we will get an explanation about their reservations about this rally today."

Mr Morris Nomala, general secretary of Codeta, said earlier this month his organisation wanted whatever action was decided on to cause "minimal disruption to the community."

Apart from Codeta, the taxi associations that belong to the Western Cape Fuel Crisis Forum are: The Mitchells Plain transport forum, Wynberg Interchange, Bellville, and Belhar/Delft. Representatives of Mitchells Plain and Bellville were the only taxi leaders who spoke at the meeting.

A national spokesman for Cosatu could not be reached last night for comment.
Taxi drivers boycott threatened blockade

Staff Reporters

The major blockade of Cape Town threatened by rate minibus taxi drivers did not materialize today.

It appeared only some taxi drivers were taking part in the action announced at a rally at Athlone Stadium yesterday, and the Strand Street taxi rank appeared to be as busy as normal.

Members of the largely black Convention for a Democratic Taxi Association (Codeta), who did not attend yesterday's meeting, were also plying their trade.

By 10 am, when taxi drivers were supposed to have met in Wetton Road, they were still operating in Mitchell’s Plain.

At 10.15 some drivers in the area met to form a convoy and drove to Wetton Road where they were due to link up with colleagues from other townships.

Members of the Internal Stability Unit (ISU) put up a roadblock in Wetton Road near Kemplworth.

Fifteen vehicles from the Hanover Park-based Park City Taxi Association were parked nearby and drivers said they were waiting for colleagues to join them.

But at 11.15 the convoy returned to Hanover Park after negotiations with ISU officer, Colonel Nel, who said, "They have given us an undertaking that they are returning to work.

Former mayor Frank van der Velde, chairman of the city council's taxi liaison committee, confirmed that a meeting had been held with taxi organisations today.

But their agenda had been routine and today's protest had not been discussed, he said.

The taxi drivers' action was part of a planned three-day protest from today, which included threats to blockade DFA Malan Airport, Table Bay docks and oil industry installations.

* * See page 6
Talks on plan to strike

HIGH-LEVEL but inconclusive discussions took place between ANC, SACP and Cosatu leaders yesterday as divisions between the alliance partners emerged over the union federation’s proposed national strike next month.

In a terse statement after the meeting, the ANC said only that it had been agreed to refer the matter discussed to the broader tripartite alliance leadership.

But an SACP leader who was at the meeting said Cosatu appeared to have “misunderstood” the implications of certain clauses in the draft constitution put forward as the reason for the strike.

Cosatu objected to the inclusion of an employer right to lock-out and security of tenure for civil servants.

The SACP source said both ANC and SACP negotiators had stressed in the negotiating council that they would not agree to any clauses which precluded restructuring of the public service and affirmative action.

He said that once negotiators had met Cosatu leadership for further discussions, the problem “would be resolved quite easily.”
State acts to avert further rise in petrol price

An additional factor was the industrial
strike last month, telling fuel price in-
crease. Although this caused prices to
rise, petrol prices have not followed
the same pattern. The increase is due to
the continuing process of raising
price levels.

JOHN ANNESLEY: There was some
tension in the petrol market last month,
but it appears that the prices have
remained steady.

ON CORRESPONDENT: July 1983

Cape Times, Tuesday, October 19, 1983
New petrol price protest peters out

Staff Reporter

A PLANNED three-day petrol price protest, which was to have been kick-started by a motorcade through the city centre yesterday, proved to be a damp squib when only 15 taxis turned out.

Western Cape Fuel Crisis Forum co-chairman Mr Joe Sineke yesterday ascribed the failure to a lack of support from Codeta (Congress for a Democratic Taxi Association), Golden Arrow Bus Services (Gaba) and other taxi groupings.

The Forum, which consists of 13 taxi associations and political organisations, including Cosatu, was formed to fight the 7litre fuel price increase.

Mr Sineke stressed that the aim of the three-day campaign was not to disrupt commuters and that no action had been planned for peak traffic hours.

Codeta, which represents 3 000 township taxi drivers, refused to attend a mass rally in Athlone Stadium on Sunday, where only 400 of an expected audience of 10 000 turned up.

The township taxi association also failed to attend a Crisis Forum meeting yesterday.

It was a secretary to the Crisis Forum Mr Morris Nomila yesterday dismissed the mass action campaign as "counter-productive and disruptive to the very communities we seek to serve".

Damp Squib... Only a handful of Hanover Park taxi drivers responded to the call by the Western Cape Fuel Crisis Forum for a motorcade through the city centre yesterday to protest against the petrol price. They were stopped by police on Wetton Road and finally returned to work.

He said Codeta was prepared to undertake protest action targeted at the government and was trying to decide on alternative forms of protest.

In a statement, Gaba said they had made it clear to the Crisis Forum that they would not be party to any illegal or destructive action and denied that they were supposed to supply buses for the motorcade.

Seventeen minibus taxi operators appeared briefly in the Cape Town Magistrate's Court yesterday in connection with blockading city streets last month in a protest at the petrol price increase.

No charges were put to the 17, who included a 16-year-old youth, and they were not asked to plead.

Magistrate Mr W J Faught issued warrants of arrest for five other operators who failed to appear, and he postponed the matter to November 18. The 17 accused were released with a warning.

Mr L Ackermann prosecuted. None of the accused was represented.
Plan to avert protest action

Govt set to act on petrol price crisis

THERE were strong indications that the petrol price formula would be changed soon, either leading to a cut in the petrol price or averting another increase, government and industry sources said yesterday.

An intensified review process had taken place since government's rejection of a National Economic Forum proposal to suspend last month's 7c/l petrol price increase, a government source said.

Although the proposed forum to review the price mechanism had not formally been established, intense discussions were taking place. These were aimed mainly at averting protest action by trade unions and taxi federations, which are due to meet on Thursday to finalise their plans.

The formal process of discussions on the regulatory framework of the petroleum industry and the price mechanisms had broken down, but the Energy Affairs Department was nevertheless examining the issues "with gusto", the source said.

The Finance Department was also involved because adjusting the regulatory framework could involve changing the taxation component of the petrol price.

Although the substraction of Mosgas did not form part of the recent price hike, the implementation was also being discussed.

The source emphasised that Energy Affairs had not formalised its recommendations yet, but would do so soon.

TIM COHEN

An additional factor was the industry's offer to the forum to forgo its 0,5c/l retail margin and its 0,5c/l wholesale margin, which formed part of the price rise. It is understood that this offer still stands, even though the forum's package was rejected.

The restructuring process and industry's offer might allow government to decrease the petrol price by between 2c/l to 4c/l.

However, Energy Affairs pointed out that crude oil and international petroleum products prices had increased significantly since last month, while the rand/dollar exchange rate had continued to worsen until the Reserve Bank intervened.

This might result in government being unable to reduce the price, although another increase might be averted.

Another aspect of government's plan to defuse the crisis was to give urgent attention to the taxi industry's problems. Subsidies had not been ruled out by the Transport Department, which was studying the matter, the source said.

Our Cape Town correspondent reports that a planned three-day protest, which was to have started with a motorcade through the city centre yesterday, proved to be a damp squib when only 15 taxis turned out. They were dispersed by police.

The blockade was called by the Western Cape Fuel Crisis Forum.
Fuel price may drop

AN announcement on a possible decrease in the fuel price would be made only after wider consultation had been made, Energy Affairs Minister Mr George Bartlett said yesterday.

Soweto 22/10/93

The Government proposed a 2c a litre cut in the price of petrol at a meeting of the National Economic Forum on Wednesday. Bartlett said this was made possible by the Government's investigations into the structuring of the fuel price.

He said the Government was anxious to pass the modest price reduction on to consumers as soon as possible. —Supa.
But discounters defies government threat and vows to sell cheaper fuel

"We, II cut off your petrol supplies!

"But discounters defies government threat and vows to sell cheaper fuel"
THE government has threatened to cut off petrol supplies to branches of supermarket giant Pick'n Pay who plan to sell fuel at the cheaper price four days ahead of the official date on Tuesday instead of Saturday.

A defiant Pick'n Pay has also pledged to sell petrol at even lower prices if a court decision on their coupon system was in their favour on Thursday.

The dispute was sparked by the Hypermarket in Brackenfell which cut the petrol price by 2c a litre yesterday after hearing Minister George Bartlett's announcement of a 2c a litre reduction in the price, without waiting for the official date of October 30 following Cabinet approval. Mr Bartlett announced yesterday.

A letter faxed to the Hypermarket by Director-General of Mineral and Energy Affairs P J Hugo said Pick'n Pay managing director Gareth Ackerman should provide reasons before 9pm yesterday why the department should not obtain a ministerial decree forcing oil companies to refrain from supplying Pick'n Pay with petrol and diesel.

But it was an honest mistake which happened only at the Brackenfell Hypermarket, said manager Steven MacDonald.

"We saw the report in the Press yesterday and, reacting to Mr Bartlett's call for business to pass the saving on to the consumer, immediately stopped the price by two cents," he said.

"A bit later an official and police came to see me and told me to stop selling at the reduced price I did so immediately. Only after that did we get the fax."

"Mr Ackerman told me his response was precisely what I had said. It will be a bit harsh of them to cut the supply to the whole of Pick'n Pay simply because a mistake was made at one store."

Mr Ackerman could not be reached for comment and Mr MacDonald could not say whether the department had accepted the reasons given by Mr Ackerman yesterday.

Meanwhile Mr Ackerman earlier yesterday announced Pick'n Pay would sell its petrol at the reduced price from October 26 and not from the October 30 date set by Mr Bartlett.

Mr Ackerman said he welcomed the decrease as a "gesture"
Protest action now in doubt

By ANTHONY JOHNSON
Political Correspondent

PLANS for mass country-wide protests waned last night after the government buckled to mounting pressure by announcing a 2c/litre cut in the price of petrol, diesel and illuminating paraffin from October 30.

The climbdown was seen as a first step towards a further reduction which may follow the outcome of an investigation into the fuel pricing structure.

Pick 'n Pay managing director Mr. Gareth Ackerman told the Cape Times the government yesterday threatened to cut off petrol supplies to its Brackenfell hypermarket after the outlet instituted an immediate 2c/litre cut in its pump price.

The outlet yesterday complied with the order but would resume this practice next week, "because we have already got the petrol in our tanks and have chosen to take a cut in our retail price," he said.

Announcing the cut, Mineral and Energy Affairs Minister Mr. George Bartlett said the reduction consisted of the 0.7c/litre synthetic fuels levy paid to the oil industry and a downward adjustment of 1.3c/litre in the tariff protection paid to Sasol.

He also said that should any further price reductions be identified during a reactivated investigation by the National Energy Forum's Liquid Fuel Task Force into the fuel price structure, they would immediately be passed on to consumers.

However, he cautioned that these possible reductions could be used to avoid further price increases.

The Automobile Association welcomed the cut, saying this was the first step towards possible further reduction.

The SA Chamber of Commerce called it a positive step to defuse the controversy surrounding last month's 7c/litre hike.

Plans for widespread protests next week against the price increase may be revised following yesterday's announcement.

The Liquid Fuel Crisis Committee—which has led demands for a complete roll-back of the September 17 increases—may revise its decision on mass protest actions, committee member and Cosatu campaigns coordinator Mr. Liza Sefeti told Sapa.

NEF labour co-ordinator Mr. Jayendra Naidoo said public pressure would be kept up to ensure negotiations on restructuring the price of petrol were in the interest of consumers.

The task force probing the restructuring of the fuel price should report back to the NEF on December 15.
Fuel price will drop by 2c a litre this Sunday

PRETORIA — Minister of Mineral and Energy Affairs Mr George Bartlett announced yesterday that the fuel price would be reduced by 2c/litre from midnight on Saturday. The reduction comprises the 0.7c/l "syn levy" paid to the oil industry and an adjustment of 1.3c/l in the tariff protection paid to Sasol.

Mr Bartlett said that analysis of the composition of the Equalisation Fund levy of 7c, together with other insights had enabled the department to identify areas of potential relief. — Sapa
Cosatu, taxi industry discuss protest plans

The Argus Correspondent

JOHANNESBURG — Cosatu is meeting the taxi industry today to discuss action to press the government to withdraw the remainder of the 7c/litre petrol price rise.

The government's decision last week to reduce the increase by 2c/litre comes into effect at midnight on Saturday, but it has failed to silence the taxi industry and Cosatu affiliates.

Cape Town taxi organisations did not implement planned blockades of petrol stations yesterday.

Cosatu assistant general secretary Zwelethu Vavi said the federation would accept no less than the withdrawal of the whole 7c/litre increase, and would continue preparing for protests until the government acceded to this demand.

Plans included taxi blockades, pickets, sit-ins and the occupation of government buildings.

Cosatu is also organising protests from Thursday as a build-up to the November 15 strike to demand the withdrawal of the clause in the draft Bill of Rights which entitles employers to lock out striking workers.
Chain cuts 2c off petrol price

SHARON SOROUR, Staff Reporter

SUPERMARKET giant Pick 'n Pay defiantly cut the petrol price by 2c a litre at its auto-centres in Ottery and Brackenfell today, four days ahead of the date set by the government.

Pick 'n Pay has also pledged to sell petrol at even lower prices if a court decision on its coupon system is in its favour on Thursday.

General manager Gareth Ackerman said the decision to cut the price from today was in keeping with the way his company had always operated.

"For the past 25 years, we have reacted immediately to government announcements of price cuts. Similarly, we have reacted to price hikes by keeping our prices down for as long as possible."

He acknowledged the situation was "slightly more sensitive" this time, but said his company should not be forced to make extra profit if it did not want to do so.

Mineral and Energy Affairs Minister George Baillie announced last week the pump prices of petrol, diesel and illuminating paraffin would drop by 2c a litre from October 30.

Department of Mineral and Energy Affairs Director-General P J Hugo was not available for comment. Department spokesman Dr G Venter said the department would comment at a later stage.
Keep petrol price protests peaceful — Business Forum

The Business Forum called on opponents of the fuel price increase to protest peacefully and not to interfere with the rights of citizens to "proceed with their normal activities" when pressing government to reduce the petrol price further.

The forum, made up of major employer federations including Seifa, Fabco and Sacob, in the past expressed solidarity with groupings which urged government to rescind the price rise.

The forum said that at a recent National Economic Forum meeting, all parties committed themselves to codes of conduct for peaceful protest.

"There can be no need for disruptive pressure tactics in regard to any part of business. The only pressure required now for the liquid fuel industry task force to complete its work is the pressure of facts and reasons produced around the table," the forum said. Also, the oil and synfuel industries had been constructive participants in negotiations which had made the recently announced 2c/l price cut possible.

The forum would seek urgent meetings with labour and taxi organisations to convey these sentiments.

Sapa reports that taxi drivers in the Border/Kei region are to embark on a week-long slowdown protest action against the petrol price from today.

Border/Kei Taxi Forum chairman Sunday Sotyefulale said taxi operators would travel at 10km/h below normal speed limits, with 100km/h the maximum speed.

He said the action was aimed at drawing attention to the call for a further drop of 6c/l in the petrol price, and at conserving fuel.

Meanwhile, Mineral and Energy Affairs Minister George Bartlett yesterday officially announced that the fuel price would be reduced by 2c/l from midnight on October 30. The new prices for petrol, diesel and illuminating paraffin would be published in the Government Gazette on October 29.

He appealed to the business sector to pass on to consumers any savings made possible by the price reductions.
Drop in food prices pushes CPI down

Business Editor

The fall in inflation is due mainly to the fact that food prices have dropped with the ending of the drought and they will soon move up again, Nedbank chief economist Edward Osborn pointed out yesterday.

But he and other economists said they expected the Consumer Price Index (CPI) to resume its downward trend next year.

The CPI for September, as measured by the CPI was 9.1% year-on-year compared with 9.8% in August, Central Statistical Services (CSS) figures show.

The increase between August and September was 0.5%. After seasonal adjustment it was 0.3%.

The CSS reported: "The food price index increased by 2.4% from September 1992 to September 1993. This rate is one percentage point lower than the corresponding rate of 3.4% for August 1993.

But the monthly increase in the food price index was 0.8% compared with 0.4% in August.

"The increase of 0.8% was due mainly to increases in the price indices for grain products (1.2%), vegetables (2.9%) and fats and oils (2.7%). A single decrease of 0.1% occurred in the price index for fruit and nuts."

According to the CSS, food prices at chain stores increased by 2.7% year-on-year compared with those at other shops which increased by 3.1%. But the monthly rate of increase in food prices at chain stores was 0.9% compared with 0.3% at other shops.

Osborn said the September figure was "pretty satisfying, but we must expect it to bounce back to 9.3% in October."

This, however, should not cause alarm and despondency.

Osborn explained the drought had "played havoc with the CPI" by causing "a huge climb" in the cost of fresh food — meat, fruit and vegetables — in 1991 and 1992, so that their return to more normal prices this year had caused them to show negative growth of minus 3%.

Lowest

This had pushed down the CPI when in fact the underlying inflation rate without fresh food or housing would be 12.9% year-on-year.

But now fresh food prices were edging up and the September CPI was probably the lowest level it would reach this year.

Sanlam chief economist Johan Louw said he expected the CPI to move up to 9.5% in October and November on technical factors, because the rate of food price increases had slowed at this time last year.

But there would be a big decline, possibly to 7%, in April when the effect of raising VAT to 14% passed out of the system.
Pick 'n Pay vows to beat Bartlett fuel ban

SHARON SOROUR
Staff Reporter

DEFIANT retail giant Pick 'n Pay will continue selling cut-price petrol nationwide today in spite of a government edict forcing oil companies to cut its fuel supplies for a week.

The company yesterday trimmed the petrol price at its 14 auto centres, including Brackenfell and Ottery, by 2c a litre — five days ahead of the October 30 date set by the government.

Joint managing director Gareth Ackerman said Pick 'n Pay would sell petrol at the lower price, "certainly until midnight".

He said he would contact Minister of Mineral and Energy Affairs George Bartlett today to arrange a meeting, possibly on Friday.

He "hoped" Pick 'n Pay had enough petrol in its tanks to last a week.

The company faces the government in the Supreme Court tomorrow, when it's bid to sell petrol at even lower prices via a coupon system will be heard.

"The outcome will determine if Pick 'n Pay is able to continue to subside below the mandated retail price through the scheme, which the company believes to be within the constraints of prevailing legislation," said Mr Ackerman.

In a letter to Mr Ackerman yesterday, Mr Bartlett said the company "wilfully disregarded regulations".

"Your company's actions harm your opponents, who abide by the law and compel me to take this step (of cutting supplies)."

Mr Bartlett said he was willing to reconsider if Pick 'n Pay gave him an "acceptable explanation" for its actions, or supplied "sufficient reasons" why its petrol supply should not be stopped for a week.

However, Mr Ackerman said he did not expect the situation to change as Mr Bartlett had rejected compromises the company had proposed through Energy Affairs Department director-general P J Hugo.

Mr Hugo yesterday gave the company one hour to conform to the fixed price or face a supply embargo of up to a month.

Mr Ackerman said he had tried to negotiate a compromise based on the fact that the company had always passed on the benefit of any price cut immediately to consumers.

Pick 'n Pay would still pay the full price for fuel, absorbing the 2c on behalf of consumers, until October 30.

"What difference does it make to the government? They are not losing revenue, we are."
Threat to cut petrol supplies

DURBAN. — Petrol supplies to defiant Pick 'n Pay boss Mr Raymond Ackerman will be cut off today if he persists in his campaign to sell cut price petrol before the official 2c/litre price drop comes into effect on Saturday.

This warning was given by energy minister Mr George Bartlett last night, following Pick 'n Pay's advertising campaign announcing an immediate 2c/litre drop in petrol prices at its garages throughout the country.

Mr Bartlett said if Mr Ackerman continued to break the law, the government would instruct fuel companies to stop his supplies for a week.

"Until the national economic forum makes recommendations that the pricing structure should be changed, I have to uphold the law," he said.

Last night a defiant Pick 'n Pay joint managing director Mr Gareth Ackerman called the government a "playground bully" and said his company would not back down.
Fuel price row opens before packed court

PATRICK FARRELL and DAVID YUTAR
Staff Reporters

A PACKED Supreme Court today heard the opening argument in a legal battle between retailer Pick'n Pay and Minister of Mineral and Energy Affairs George Barlett over the company’s petrol pricing.

A scheme, in operation at the Durban Hypermarket, entitled customers who spent more than R10 to coupons they could use at the Hypermarket’s petrol station to get 7c off a litre of petrol.

The minister banned the scheme on September 21 in terms of the Petroleum Products Act.

Pick’n Pay Retailers (Pty) and sister company Hypermarkets (Pty) have asked the Supreme Court to set aside the order.

Director Gareth Ackerman said in papers the price at which the petrol was sold at the Hypermarket filling station remained the full price prescribed by the Act.

He said the minister was under the mistaken impression that the scheme involved the sale of petrol at less than the prescribed price.

Bertrand Hoberman SC, for Pick’n Pay, argued that if the minister had based his opinion on a report that concluded “the scheme could force other outlets to increase the petrol price and so influence the minister to increase the general prescribed price, then such a report should have been given to Pick’n Pay.”

The minister had not furnished Pick’n Pay with the report and this was a breach of the court rule that both sides should be heard.

Mr Hoberman said the minister had prohibited the scheme on the basis that it would affect the selling price of petrol. But in this scheme the selling price had not been affected because the price at which petrol had been sold to the consumer was the full retail price. The only difference, said Mr Hoberman, was that Hypermarkets (Pty) had paid a portion of the price.

Chief executive Raymond Ackerman and his son Gareth Ackerman were in court.

The hearing is proceeding with argument by counsel.

Mr Justice Brant and Mr Justice Conradie are on the Bench. Mr Hoberman and Willie Duminy appear for Pick’n Pay and J van der Merwe SC and JA le Roux appear for the minister.
Supermarket ends fuel cut

Staff Reporter

PICK 'N PAY backed down under government pressure yesterday and announced it would discontinue the sale of discount petrol fearing "threatening and unspecified steps" beyond the fuel blockade imposed by the government.

Joint managing director Mr Gareth Ackerman said yesterday his petrol stations would cease their two cents a litre cheaper petrol from the start of business today "on the understanding that petrol supplies would be reinstated".

The Minister of Mineral and Energy Affairs, Mr George Bartlett, ordered a petrol blockade under the 1977 Petrol Products Act after Pick 'n Pay began sales of discount petrol ahead of tomorrow's deadline.

"I would like to think that we have made the point to people that the legislation which exists belongs to the old days of 'grand apartheid' and sanctions and is no longer appropriate," Mr Ackerman said.

"The laws governing the petrol industry have become dinosaurs that have outstayed their purpose in the greater scheme of things."

Petrol ruling reserved

Supreme Court Reporter

TWO Supreme Court judges reserved judgment yesterday on Pick 'n Pay's application to have a notice by the Minister of Mineral and Energy Affairs, Mr George Bartlett, banning a discount of 7c a litre to customers set aside.

Mr Justice J H Conradie and Mr Justice F D J Brand said they needed more time to consider the application by Pick 'n Pay Retailers (Pty) Ltd and Hypermarkets (Pty) Ltd to set aside the notice by Mr Bartlett prohibiting the scheme.

The scheme offered customers who bought Hypermarkets goods worth more than R10 a discount of 7c a litre on petrol bought at Pick 'n Pay's adjacent petrol station.

He charged that the laws governing liquid fuels were so draconian that the supermarket chain could be faced with even more severe penalties than the blockading of petrol supplies.

In a letter to Mr Bartlett, Mr Ackerman said it was inappropriate for the government to hold out on deregulation of the oil industry.

Those Pick 'n Pay outlets that sold petrol at a reduced rate in the past three days had enjoyed record turnovers and had run out of supplies.

"The motoring public voted with its wheels," said Mr Ackerman.

Mr Bertrand Hberman, SC, counsel for Pick 'n Pay, argued that the scheme did not increase, nor was it likely to increase the price of petrol.

The selling price was not less than the official selling price so there was no basis to prohibit it.

Mr J L van der Merwe, SC, counsel for the minister, said the purpose of the scheme linking goods with petrol was to sell discounted petrol. This was in effect being "partners in crime". He said as the minister had wide powers it was not for the court to decide he had misjudged the matter unless he had acted in bad faith.

Mr Hberman, with Mr W Dumeny, instructed by Mr D. Nurmik of Sonnenberg Hoffman and Galandowsky, appeared for Pick 'n Pay. Mr van der Merwe, assisted by Mr J Le Roux, appeared for the minister.
In tandem

There is little difference in the food pricing policies of large and small retailers. This is clear after 17 months in which a breakdown of consumer food prices has been available from Central Statistical Service.

Food inflation at large (15 outlets or more) and small retailers has fallen consistently and at a similar rate (see graph). In the 12 months to September, overall food inflation was 2.4%, from 3.4% in August; 2.7% at the large chain stores and 3.1% at smaller stores. The month-on-month increase at the large stores was higher at 0.9%, compared with 0.5% overall food prices rose 0.8% in the month.

CSS head Treurnicht du Toit explains why overall food inflation is lower than both rates. "The principle of weighted averages is the key."

Pressure is off
Food index of CPI, annual change

But, assuming no other price shocks occur, inflation could dip to about 7% in April once the effect of the increase in the Vat rate to 14% is removed.
Pik apology on raid and fuel price rise

JOHANNESBURG — Foreign Minister Pik Botha has apologised for the government's handling of the raid on Umtata and the petrol price rise.

Speaking at a National Party gathering in Sandton last night, Mr. Botha admitted that both issues had been handled "piscerably" by the government.

He said the head of the Defence Force had assured him that the Umtata house had been under surveillance for weeks and that assaults on South African citizens had been carried out from there.

The petrol price increase was inevitable but it had been handled "awfully." He added: "The government has made some bad mistakes during the past few months and I apologise for them."
Chain store told to stop 2c/l scheme

State 'like bullies'

PICK 'n PAY has been forced by the government to withdraw its 2c-a-litre petrol discount with immediate effect.

In a letter sent to the company yesterday, Director-General of Mineral and Energy Affairs P J Hugo ordered it to stop the discount scheme which it began five days ahead of a government deadline.

In an earlier letter to Pick 'n Pay chief Raymond Ackerman, Mineral and Energy Affairs Minister George Bartlett gave notice that he would prohibit the supply of petrol to the company for a week as he was "convinced" the company was "wilfully disregarding regulations".

Pick 'n Pay director Gareth Ackerman has said his company was being "treated like errant schoolchildren" and being "punished and scolded" in what was the "commercial equivalent of being gat ed".

He said that by constantly changing its mind, the government had "succeeded in alienating virtually every sector of society" and was "playing a local version of Russian roulette with the economy".

By its latest action it was "behaving like a playground bully", he said.

Pick 'n Pay had asked Mr Bartlett for its petrol supply to be resumed in return for its compliance with the government ruling on the discount, Mr Ackerman said.
Bartlett ‘grossly unreasonable’ on petrol discount

THE conclusion of Minister of Mineral and Energy Affairs George Bartlett that Pick’n Pay’s petrol discount scheme was likely to affect the general retail price of petrol was “grossly unreasonable,” it was argued in a packed Supreme Court.

Bertrand Hoberman SC was arguing yesterday during the supermarket chain’s application to set aside the notice served on it by Mr Bartlett on September 21 to stop its petrol discount scheme immediately or have its petrol supplies cut off.

The scheme, in operation at the Durban Hypermarket, entitles customers of Pick’n Pay who spend more than R10 at the store to a 7c a litre discount on petrol supplied by the hypermarket’s petrol station.

This discount is paid by Hypermarkets (Pty) Ltd, a wholly-owned subsidiary of Pick’n Pay Stores.

The minister’s notice banning the scheme was issued in terms of section 12 of the 1977 Petroleum Products Act.

Mr Hoberman said the minister had prohibited the scheme under the mistaken impression that it involved the sale of petrol at less than the prescribed ceiling price.

But, in ter, the scheme, the price at which petrol was sold to the consumer was the full retail price. The only difference was that the 7c discount was abated by Hypermarkets (Pty) Ltd.

Mr Hoberman said the conclusion on which the minister based his banning was not grossly unreasonable: “the court was entitled to infer that he had failed to properly apply his mind to the matter at hand.”

Mr Hoberman argued that the phrase used in the section of the Act — “the selling price of petrol at any outlet” could only mean the price at which the outlet sold petrol to the consumer, not the price at which the supplier sold it to the outlet.

He said the scheme’s effect was not in any way to influence the selling price of petrol because the full selling price was received by the garage.

Mr Hoberman said that, in deciding to ban the scheme, the minister had taken into account “irrelevant considerations,” including the view that as a result of the scheme, law-abiding petrol outlets would suffer severe losses in turnover which would compel them to “revert to illegal and undesirable practices to offer cheaper petrol to customers.”

Finally, he argued that the minister failed to give Pick’n Pay a chance to see a report published recently by the Department of Mineral and Energy Affairs on government involvement in the oil industry on which the minister had based his banning action.

J L van der Merwe SC, for the minister, argued that the discount scheme amounted to a “sham” by which Hypermarkets (Pty) Ltd and Pick’n Pay colluded to sell petrol at 7c less than the prescribed price.

“We submit that the court must look at the real intention of the parties concerned — in this case, to sell petrol at the discounted price in order to gain more customers.”

He described the scheme as a stratagem to get around the illegality of selling petrol at a reduced price by having Hypermarkets (Pty) Ltd “cover up the difference.”

“This is equivalent to an offence being committed by two parties who share a common purpose.”

“The object is to do what the legislature prohibits them from doing.”

Mr Van der Merwe said the legislature had given the minister wide powers to decide when a scheme of this sort was likely, directly or indirectly, to affect the selling price of petrol.

He said the aim of the Act was to “protect petrol outlets against competitors who departed from the prescribed petrol selling price.”

Mr Van der Merwe said that if the court ruled in favour of Pick’n Pay, the company would lose no time in extending the scheme countrywide.

Justice J Conradie, sitting with Mr Justice F Brand, reserved judgment.

Mr Hoberman was assisted by Willie Duminy and Mr Van der Merwe by J A le Roux.
Demos: SAP to impound taxis

POLICE will tow away all vehicles blocking public roads following taxi protest blockades countrywide.

The police vowed to impound vehicles in such protests and warned that the drivers would be prosecuted and liable for a fine of up to R20 000.

Vehicles would be removed by tow truck. Should this be impossible, "the vehicle will be forced open and any mechanism that prevents the removal of the vehicle will be broken," the SAP said.

Prison warders 'start violence'

JOHANNESBURG.— Prisoner representatives accused the warders yesterday of fomenting the violence in jails which has claimed three lives this week.

The South African Organisation for Human Rights warned violence in jails would "explode soon" if ill-treatment was not checked.

A Correctional Services spokesman rejected the allegations.

Correctional Services Minister Mr Adriaan Viljoen said yesterday by the end of August, there were 113,973 people in jail. The department can only accommodate 87,706. — Sapa

Third Israeli
Inflation rate depends on where you live

It is no secret that inflation, now gradually responding to the limiting measures of the Reserve Bank, has played havoc with household budgets in general and pensioners in particular over the past 10 years.

However, taking the national inflation figure and assuming it applies to you can be misleading.

An analysis of the increase in different regions reveals significant regional differences in the rate of increase in the Central Statistical Services’ consumer price index since 1992. Bloemfontein’s 226 percent increase, for instance, is a full 83 percent lower than that of top-of-the-heap Pretoria-Verwoerdburg-Akasia’s 313 percent.

**Influenced**

And the traders of Orkney definitely smirk at prices there, and in neighbouring Klerksdorp and Stilfontein have increased at a rate not far behind that of the Pretoria area. The figure for the western Transvaal towns is 306 percent.

Reasons for the regional variations are not always easy to find.

However, Tony Twane of Econometrix says poor agricultural conditions in the OFS for much of the period might have influenced the Bloemfontein figure.

Farmers, who make up a significant proportion of the population in the region, have had very little spare cash and retailers will have had to trim their margins to attract what business was available.

"On the other hand, one could say that while the farmers have been losing money, the lawyers have been making it," Twane quips.

Another reason why Bloemfontein and East London (278 percent) reflect relatively low figures could be that they are both areas in which there is comparatively low industrial activity where people have access to the “casual” food sectors. They might buy a significant proportion of their food directly from farmers and smallholders.

Since food has easily been the most rapidly accelerating item in the CPI over the decade — and since it also forms a significant part of the index — this would be reflected in the lower figures.

One of the most paining figures is for the mining communities in the Klerksdorp area. Many people have lost their jobs "through" mine shutdowns and there is little to suggest that retailers could sustain higher margins.

However, a possible explanation is that there is comparatively little competition — which keeps prices down — in the area.

The high figure for the Pretoria-Verwoerdburg-Akasia area is probably explained by the fact that many in the area are public servants who have had secure employment over the period.

Also, their housing subsidies will have tended to keep property prices and rental accommodation relatively high, influencing that section of the CPI.

CSS now also keeps separate figures for the increase in the CPI for pensioners, which makes a five-year analysis possible. This reveals a shocking picture, since many pensioners are on fixed incomes.

**11 regions**

Top of the list here is the Port Elizabeth-Uitenhage region, where the CPI increased by 91 percent. The Cape Town area (80 percent) and East London (80 percent) were not far behind. The national figure was 89 percent.

The 10-year percentages for the 11 regions covered by CSS were as follows: Bloemfontein 223, OFS Goldfields 210, Vaal Triangle 211, Klerksdorp, Stilfontein-Orkney 306, Witwatersrand 293, Pretoria-Verwoerdburg-Akasia 294, Durban-Pinetown 280, Kimberley 258, East London 278, Port Elizabeth-Uitenhage 256 and Cape Peninsula 203.
Petrol decision undercuts NEF

The government's hardheaded move over the petrol price rise could lead to mass protests and undermines the National Economic Forum, reports Reg Rumney

The cabinet decision not to "roll back" the fuel price hike is a grave and enraging consensus polity that the National Economic Forum (NEF) represents.

And it could lead to a renewal of damaging mass action by the labour movement. The African National Congress and the Congress of South African Trade Unions have already intimated that mass action in reaction to the decision is on the cards.

The decision, announced by President F.W. de Klerk himself on Wednesday night, to stick to the unpopular fuel price hike was clearly designed to signal to the electorate that the government still holds the reins of power.

But to do so, the government had to undermine the NEF, alienate the two biggest private power blocs in the country, organised business and labour, and risk the economic damage that accompanies mass action.

Given the widespread unpopularity of the fuel price hike, the decision is a strategic gamble.

Centre for Policy Studies director Steven Friedman notes that choosing this particular terrain for a showdown raises doubts about the government's strategic competence.

"They seem to believe their constituency wants them to be in charge at all costs."

The government reversal comes a week after the NEF recommendations on the government's submission to the General Agreement on Tariffs and Trade was accepted without question.

An examination of what was actually proposed by the NEF on the fuel price shows the cabinet decision was not, as De Klerk claimed, motivated by a desire to protect consumers.

The NEF proposed a temporary roll-back of the fuel price from October 14 to December 15 while an NEF task force examined the structure of the fuel price — not a permanent halt to the price increase.

It was agreed that an outcome of the NEF task force investigation could be an increase or a decrease in the price of fuel.

The NEF did not propose, as the government has made out, to deplete oil reserves permanently.

It proposed to pay back the money derived from the sale of strategic oil reserves to replenish them, through a 1.5c levy added to the fuel price on January 14 — all other things being equal.

The signs that the government did not consider the NEF proposal binding — even though it had been hammered out by representatives of business, labour and government — began to emerge at the NEF fuel price summit on Monday.

Mineral and Energy Affairs Minister George Bartlett was equivocal on whether he supported the recommendation as it stood, reiterating that the cabinet had the final decision.

He also seemed to be suggesting last minute changes to the proposal. Among other things, Bartlett said the government would need to know to what extent a price increase has already worked its way through to commodities. He gave the example of a newspaper having announced an increase due to the increased price of distribution.

He said the roll-back could not be done on October 14 and that it should remain in place until January 14.

Delegates, including Cosatu president Sam Shilowa, were insistent that the proposal be taken as it stood to the cabinet. Bartlett then claimed he had merely raised questions that the cabinet would ask him.

Taxi industry delegates were particularly aggressive in their assertions that the fuel price hike should be reversed, and seemed to understand the NEF proposal as binding.

This means their disappointment at the cabinet decision is likely to be channelled into renewed protests.

Taxi industry delegates said their protests had been merely suspended and not called off.

NEF co-ordinator Debra Marsden notes that during the negotiations the government representatives of the task force were emphatic that the proposal would be taken back to its principal, the cabinet. While she regards the move as purely political, she considers it a matter of different negotiating style that the government went back on what seemed to other delegates like a foregone conclusion.

On previous occasions the NEF's proposals were accepted, notably the recent GATT offer. But from the beginning of the NEF it has been unclear whether its decisions are binding on the parties, whether it is an advisory body.

The government from the start regarded it as an advisory body. Cosatu has insisted it is a negotiating body and not an advisory body.
Shortage sends rice price up

PRETORIA.—The price of American white rice is to increase by up to 25% from Monday as a result of a worldwide rice shortage, a retail chain warned yesterday. A Shoprite Checkers spokesman said that from Monday retailers would have to pay rice suppliers 25% more for American rice and 10% more for thin-grain Thai rice. He added that consumers could benefit for a short while from the group's plan to buy in bulk. — Sapa
Call unit price now 23,3c

Telephone rates up 6,6pc next month

LOCAL telephone rates would increase by an average 6,6 percent from January 1, Telkom managing director Mr Danie du Toit announced yesterday.

This means the price of a call unit would increase from 21,5c to 23,3c; installation costs from R222,81 to R241,68; and rental in automatic exchange areas from R34,20 to R38,76.

The increases were below next year's predicted inflation rate of about nine percent, Du Toit said.

The unit cost of calls made from coin phones remains unchanged for the third consecutive year.

Du Toit said the tariff adjustments were necessary to cover rising expenditure.

A detailed billing system would be phased in from January next year.

Installation charges and rentals for telex and teletex services, rates for all public telegrams (domestic and international) as well as most rates for international services also remained unchanged.

But rates for telephone calls to certain neighbouring countries for which domestic rates applied because the same distance was covered, would be adjusted.

Du Toit said the tariff adjustments were necessary to cover rising expenditure.

Larger increases were avoided through increased productivity, he said. —Sapa.
‘Good chance’ that fuel price will drop soon

TOS WENTZEL
Political Staff

THERE is “a good chance” that the petrol price will come down soon, says Minister of Mineral and Energy Affairs George Bartlett.

He said a reduction depended on a meeting today of a task force of the National Economic Forum.

The task force was set up to deal with the oil price structure after the controversy over a 7c-a-litre increase, which was reduced to 5c.

The Democratic Party spokesman on energy affairs, Roger Hulley, today urged the minister to restore the previous petrol price level.

He said the sharp fall in crude oil prices due to over-production made it possible.

Mr Hulley said this should be done immediately as people were setting off on holiday.

Some economists suggested a decrease of 6c to 8c a litre but Mr Bartlett said this was “over-optimistic” at this stage. He hoped a decrease could be announced before Christmas.

Crude oil prices have fallen to a five-year international low. The rand has also firmed against the dollar recently.

A Department of Mineral and Energy Affairs spokesman said the in-bond landed cost of petrol had also come down. This made a price decrease even more possible as the petrol price was based on this and not on the price of crude oil.

A recommendation on a lower price may be submitted to the cabinet this week.
A definite scope for reduction, says Bartlett
Drop in petrol price looks likely

BY ESTHER WAUGH
POLITICAL CORRESPONDENT

Cape Town — South Africans could get an added Christmas bonus with a slight decrease in the petrol price.

A spokesman for the Ministry of Mineral and Energy Affairs said today the decrease could be announced after Wednesday's Cabinet meeting.

The ministry spokesman said the chances of a decrease in the petrol price were "more than reasonably good." But such a move is dependent on recommendations by the National Economic Forum's special task force which meets today.

The spokesman added that it was unlikely that the decrease could be as high as 6c or 8c per litre as has been speculated.
Petrol price cut feasible

TRANSPORT economist Mike Schussler has disputed Mineral and Energy Affairs Minister George Bartlett's claim that a predicted 6c/l-8c/l cut in the petrol price is optimistic. 

Schussler said yesterday there was room for a cut of about 8c/l, on the strength of the in-bond landed cost.

The cost for 93 octane petrol yesterday was 4759c/l — nearly 9c lower than the landed cost element in SA's fuel price structure set in September when the last fuel price rise was announced.

Other charges making up Reef petrol pump prices — including transport, wholesale and retail margins, customs and excise duties and the MVDA and NRSC levies — totalled 117,3c/l.

After adding these charges to yesterday's landed cost, and a further 7c/l for the Equalisation Fund to protect SA from sudden world oil price movements, there was ample room for a cut, Schussler said.

The fuel price could also fall because SA no longer had to pay "extra" for its oil, following the lifting of the oil embargo by the UN yesterday.

Schussler said there was also no reason why world oil prices should not decline further in the absence of effective Opec action.

Prices had already fallen 30% in dollar terms since March.

"Opec had shifted its focus to market share and petrol prices had fallen recently in countries including the US, Thailand and New Zealand," he said.

Singapore, from where SA's prices were based, would soon start competing with Korean refiners, forcing Singapore refinery margins down from 40% to 10%.

Landing costs, which included wharfage, landing, demurrage, shipping and leakage, were based on "fair" average prices.

"Opec also used refinery postings in BP.

Schussler also used refinery postings in BP.

Singapore, Caltex Bahrain, Mobil J limited and Shell Batu Pekan "to determine a reasonable average price," he said.

The Liquid Industry Task Force, charged with reviewing the liquid fuel industry, would report its findings to the National Economic Forum's processing committee today, seven days before the report was due, the forum said yesterday.
Petrol price decision after Wednesday

Political Staff

MOTORISTS will have to wait until after next Wednesday's cabinet meeting for a "slight" decrease — probably 2c a litre — in the petrol price, Mr George Bartlett, Minister of Mineral and Energy Affairs, said today.

The National Economic Forum's task group on petrol has compiled a report on the petrol price, guided by the over-recovery of a few cents at the pumps, and the 18 percent drop in the international crude oil price, which is now at its lowest mark in five years.

One of the factors working in South Africa's favour is that the Opec countries cannot agree among themselves on figures.

Mr Bartlett and his department are looking at the report, and will in turn report to a cabinet committee on Monday.
Telkom must explain rise, says union

BY ZINGISA MAGUMA
CONSUMER REPORTER

The South Africa National Consumer Union (Sanuc) has challenged Telkom’s advancement of the telephone tariff increase date from April to January 1994 and called on both Telkom and Government to give consumers a “transparent” reason for this.

Sanuc chairman Lilibeth Moodman said the 6,6 percent increases on local telephone calls was a punitive measure for cash-strapped consumers.

The increases — of one call unit from 21,5c to 23,3c — were announced by Telkom managing director Danie du Toit last week.

Telephone installation costs will also rise from R222 to R241, and rentals will go up by more than R4 a month.

Du Toit said the increases were lower than the 9 percent inflation rate projected for next year.

Moodman disputed this and argued that there was a second increase in a year, (rates went up by 9,9 percent and 3,8 percent in April 1 and 7 respectively) which would mean an overall increase of 14 percent.

Sanuc believed that Telkom owed the public an explanation as to why the tariffs were being revised in January.
Latest on petrol price

Cape Town — motorists will have to wait until after Wednesday for a “slight” petrol price decrease, Minister of Mineral and Energy Affairs George Bartlett said today.

He added that in future the price of petrol was likely to change every two or three months.

The National Economic Forum’s task group on petrol has compiled a report on petrol prices, guided by the over-recovery at the pumps of a few cents, and the 18 percent drop in the international crude oil price, now at its lowest mark in five years.

Bartlett and his department are looking at the report, and will report to a Cabinet committee on Monday. The full Cabinet should discuss the petrol price on Wednesday.

Bartlett said that, with the present “slight” over-recovery on petrol sold at the pumps, “we should be lowering the price of petrol”.

The extra prices paid at the pumps was not going into the coffers of petrol companies, Bartlett said, but on to a scale to offset any future increase.

With the lifting of oil restrictions, the price of petrol would go up and down much more frequently than in the past.

Under sanctions, the Government kept the pump prices fairly stable because, Bartlett said, it did not want the world to know too much about the country’s oil position.

“The price of petrol at the pumps did not reflect the frequent variations occurring in the market, which we would have had if there was a totally free market.”

“In future you will find a pump price that reflects the international price of petrol; it will go up and down much more rapidly; every two or three months.”

— Own Correspondent
Bread up nine cents from Monday

...
Inflation tidings mixed

By DEREK TOMMEY

The latest production price indices contain cause for cheer and for concern.

The good news is that the downward trend is continuing.

The annual growth in the index for all commodities for South African consumption slowed to 5.4 percent in the year to October from 5.5 percent in the year to September.

The increase between September and October was 0.4 percent — equal to an annual rate of less than 5 percent, and suggesting that a further decline is likely in the November figures as well.

The bad news is that South African prices are still rising faster than overseas prices, which means there can be no let-up in the campaign against inflation.

The production price index for locally produced commodities for South African consumption showed a year-on-year increase of 5.7 percent in the year to October, against 5.9 percent in the 12 months to September.

Against this, the prices of imported goods for local consumption grew by only four percent in the year to October.

This marks a seemingly deterioration from the 3.8 percent increase in the 12 months to September.

But the Central Statistical Service reports that the increase in the cost of imported goods between September and October was 0.3 percent — or just over 3.7 percent on an annual basis.

It says that seasonally adjusted, imported prices actually fell by 1.3 percent between the months of September and October.

South African commodities showing major price increases in October were forestry products (1.9 percent), leather and leather products (4.1 percent), footwear (2.1 percent), petroleum and coal products (2.6 percent), basic metals (1 percent), transport equipment (2 percent) and scientific instruments (2.6 percent).

Prices of food products and equipment and products used in mining and quarrying declined in October.
Rand, oil slow PPI's downward trend

THE downward trend in producer inflation allowed in October as the producer price index felt the effect of the weaker rand and higher oil prices earlier in the year.

Latest Central Statistical Service figures showed producer inflation — as measured by the producer price index (PPI) — was little changed in the year to October at 5.4% (5.5%). The month-on-month increase was up at 0.4% from 0.3% in September. Economists said the figures were in line with market expectations as the price changes were measured in the first week of October — before the recent strengthening in the rand and the fall in international oil prices. This came through in the imported component of the index which rose an annual 4% (3.8%); inflation of locally produced commodities continued to decline to 5.7% from September’s 5.9%.

Economists predicted producer inflation would decline for a few more months as the recent stability in the rand and the lower oil prices took effect, but they warned the downward trend would bottom out once the economy gathered strength.

Absa economist Adam Jacobs said the latest figures boded well for inflation at the consumer level which lagged the performance in PPI by several months.

But he said producer inflation could start moving up next year, reaching an average of 6.8% for the year if the economy picked up and the rand continued depreciating “Producers would take advantage of any mild upswing to increase prices after margins had been severely squeezed during the recession.”

Southern Life chief economist Mike Daly said producer inflation was also benefiting from disinflationary forces in SA’s main trading partners. This could change next year when producer inflation in the country’s main trading partners would turn as most of these countries were expected to double their growth rates.
Petrol price could drop

by ANTHONY JOHNSON
Political Correspondent

AN announcement on a cut in the petrol price could be made today.

Mineral and Energy Affairs Minister Mr George Bartlett yesterday confirmed that the fuel price would be discussed at today's cabinet meeting.

An announcement could be made at a press conference later in the day, he said.

The price of petrol has tumbled to a five-year international low over the past few weeks and the rand has also firmed against the dollar, improving prospects of relief for holiday motorists.

But earlier this week Mr Bartlett described suggestions by economists that the price of petrol could drop between 6c/litre as "a little over-optimistic at this stage". The minister has confirmed that he has discussed the possibility of a decrease with members of the National Economic Forum's task force on the fuel industry.

The price of petrol was increased by 7c/litre in September but reduced by two cents shortly afterwards following an outcry from political parties, labour unions and the public.
Two cent fuel price cut by Christmas

Political Staff

THE price of petrol is to go down by 2c a litre before Christmas.

Mineral and Energy Affairs Minister George Bartlett confirmed that the issue would be discussed at the weekly cabinet meeting but he declined to say how big the reduction would be and when it would come into effect.

However, a top government source indicated that a 2c a litre decrease as soon as possible would be announced later today. It would take a few days to come into effect as the independent states — Transkei, Bophuthatswana, Venda, and Ciskei — had to be informed and pump adjustments were necessary.

Today's cabinet meeting will have before it a recommendation from the liquid fuel task group of the National Economic Forum that the price should be cut by 2c a litre.

The cabinet is being cautious about the adjustment because it fears the price may have to be put up again when oil prices start rising after having been at their lowest level for years.

Mr Bartlett said today that petrol prices could be expected to fluctuate more frequently in future in accordance with oil price fluctuations. Oil companies also felt that this should be the case.

One of the reasons why the petrol price had in the past been so stable was that, in times of sanctions, the government did not want to give an indication to the outside world of the country's supply position by adjusting prices.

At a Press conference today, he may also, for the first time, make public where South Africa obtained its oil in the embargo years.

The NEF task group began studying the petrol price amid the upsurge that followed Mr Bartlett's decision to push up the price by 2c a litre in September. He subsequently announced a 2c a litre cut.

The NEF group, due to present its report on the price structuring of the industry, recommended a further cut of 2c a litre.
Petrol price drop fuels deflated feeling

After the announcement of a drop in petrol prices, ANOC crates have been in place at the station. ANOC said that the full effect of the lower prices will be seen by consumers. The drop in prices is expected to lower inflation rates.

Mr. Robin Selman, the executive director of the South African Chamber of Commerce, said: "We have beenawaiting this announcement for some time. It will be a relief to our consumers and businesses. The lower prices will also encourage more consumption, which will boost the economy."

The drop in prices is expected to have a significant impact on both the business and personal sectors. Businesses will benefit from lower operating costs, while consumers will have more disposable income to spend on other goods and services.

The announcement was made by the Minister of Finance, who said: "It is important for us to make sure that our economy is growing and that we are able to provide for our people. This price drop will be a step in the right direction."
Another petrol cut on the way

By ANTHONY JOHNSON
Political Correspondent

THE 2c/litre cut in the petrol price from tomorrow will herald an era of more frequent adjustments to the price of petroleum products. Motorists could receive further relief as early as the middle of next month.

If the present decline in the dollar price of petroleum and the favourable rand/dollar exchange rate continue, Mineral and Energy Affairs Minister Mr George Bartlett said yesterday.

The minister said the collapse in crude oil prices had resulted in an over-recovery for petrol of 2c/litre in November. This had increased to 5c/litre in recent weeks.

He hoped that this could lead to a further review of the price by mid-January, with possible price adjustments every three to four months to ensure that the petrol price reflected the market situation.

The cabinet had agreed to a National Economic Forum recommendation that movements of international petroleum products would be monitored continuously and price reductions would, whenever sustainable, be passed on to consumers as quickly as possible.

"An appeal is made to the business sector to pass on to consumers any saving made possible by fuel price reductions," Mr Bartlett said.

Petrol price drop fuels deflation feeling — Page 5
Petrol price drop 'could not be 5c'

MINERAL and Energy Affairs Minister George Bartlett has rejected suggestions that the reduction in the petrol price could have been 5c a litre because of a drop in crude oil prices.

Mr Bartlett said that while crude oil prices had dropped by 18 percent since September, the pump price of petrol in South Africa was based on what it would cost at current market-related prices to land petrol at South African ports.

The pump price was not based on the crude prices.

Only 60 percent of South African petrol requirements were based on crude oil.

Forty percent of liquid fuel used was made from either coal or offshore gas and condensate by Sasol and Mossgas, he said.

When crude oil-based international petroleum fuel prices dropped 1c a litre, only 0.6c would be passed on to motorists because South Africa's synthetic fuel received protection on 40 percent of use.
Petrol station owners lose out

Staff Reporter

PETROL station operators countrywide who bought petrol at the old price will lose millions of rands following the decrease of two cents a litre announced by the Minister of Mineral and Energy Affairs Mr George Barlett on Wednesday.

A petrol station operator in the southern Cape who bought 60,000 litres at the old price says he lost R1 200 when the decrease came into effect yesterday.

The operator, who does not wish to be named, said he would now have to sell 7,692 litres to make up his loss and claims he was not informed of the two cents decrease before it came into effect on 18/12/93.

He accused the government of being "inconsiderate" to service station operators who would not be compensated for their losses.

"We play an important part in combating unemployment and can't afford the losses," he said.

A spokesman for the Department of Mineral and Energy Affairs said normal procedures were followed when introducing the latest price adjustment.

When prices were increased operators made a profit that compensated for losses when the price was cut, an industry spokesman said.
'Lower oil prices will improve inflation rate'

Own Correspondent

JOHANNESBURG. — Oil prices are expected to drop below $10 a barrel next year as world demand fails to keep pace with increasing oil production levels, analysts say.

This will be good news for SA’s producer inflation rate as oil prices carry a weight of 19.5% in the imports component of the Producer Price Index. Consumers and producers could benefit further as the expected deregulation of the local fuel industry would make it easier for the petrol price to come down in tandem with lower overseas oil prices.

International oil prices have been falling since mid-October. Brent spot reached a level of $13.44 a barrel just before Christmas weekend.

Mathison & Hollidge economist Tracey Ledger said last week that there was still downside potential in oil prices. Prices were very low as demand for petroleum had fallen this year for the first time in a decade. She predicted that oil prices could fall to $9 next year — a level not seen since the mid-1990s.

"Although the worst of the winter in the northern hemisphere has not yet arrived, most countries have already bought forward for this period. Production was unlikely to fall as major producers were unwilling to switch to lower output levels."
Fuel price expected to drop soon
Bread price set to rise

DURBAN — The price of bread is expected to rise between three and four percent within the next month to accommodate millers' and bakers' skyrocketing transport and labour costs. This was confirmed by a spokesman for Durban's BB Cereals, who added, that today's 6.5% wheat price increase by farmers would not affect the price of bread. The bread price is no longer fixed by the government and costs vary from one retailer to the next.
Fuel: Retail group relents

Own Correspondent
DURBAN — The petrol price battle between the government and Pick 'n Pay, was resolved at the weekend when the retailer agreed to charge the price prescribed by the government.

Supplies to its filling stations were also resumed.

Pick 'n Pay's joint managing director, Mr Gareth Ackerman, said yesterday he had assured Energy Affairs Minister Mr George Bartlett that he would not drop the petrol price again this week or once the chain's supplies were resumed.

"We did not believe we were breaking the law but were merely implementing the government's price cut a few days early," he said.
Taxis 'should supply petrol'

TAXI groups should be encouraged to take over existing service stations to provide low-cost fuel to their members, Energy Affairs Minister Mr George Bartlett suggested yesterday.

Speaking at the Motor Industries Federation annual conference in Cape Town, he said he had resisted pressures to allow minibus taxi owners to operate petrol outlets and had, in fact, imposed a moratorium on all privately-owned installations until the situation was fully assessed.

These installations could have a negative effect on existing petrol outlets and lead to the closure of many service stations, he said.

One solution might be for taxi groups to take over existing service stations.

Mr Bartlett said a factor the government had taken into account in retaining a higher fuel price was that the increase had already worked its way through the economy and affected the price of goods.

"It would have been very difficult, if not impossible, to reverse these impacts and in the end the consumer would be placed in double jeopardy should the price have to be raised again in December."

He said he was convinced that the decision not to accept the original proposal of the National Economic Forum — that the increase be held over to December — was the appropriate action and would be in the best long-term interests of the economy.
Fate of discount petrol plan to be decided today

Supreme Court Reporter
JUDGMENT will be given in the Supreme Court this morning in an application by Pick 'n Pay to have set aside a notice by Minister of Mineral and Energy Affairs Mr George Bartlett banning a petrol discount scheme.

The scheme offers customers who have bought Hypermarket goods worth more than R10 a discount of 7c a litre on petrol bought at the adjacent petrol station operated by Pick 'n Pay Retailers.

Pick 'n Pay counsel Mr Bertrand Hoberman, SC, argued last week that Mr Bartlett's decision had been "grossly unreasonable".

The Petroleum Products Act clearly distinguished between "purchase price" — which he contended was the price paid for petrol by the purchaser, in this case a Hypermarket customer — and "selling price", the price received by the seller or the Pick 'n Pay petrol station.

The law appeared to provide for a scheme which could influence the price paid by the purchaser but not that received by the seller, Mr Hoberman said.

Mr J L van der Merwe, SC, for the minister, argued the court should take into account that the real aim of the coupons was to sell petrol at a discounted price.

Pick 'n Pay's motive was to attract more customers and by adding a condition that they must buy goods worth more than R10 to qualify for the coupons, customers ended up spending more, he said.
in the context of political frustration — even though the context of the frustration may be different.

However, the context has not been made public.

Former Prime Minister John Howard has suggested that the government's plans for a new constitution might be delayed.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.

The decision to postpone the referendum is disappointing and frustrating. We had expected a vote on the future of the Constitution to be held in October.

However, the context in which the referendum is held may be different.

The announcement of the referendum, scheduled for October 20, has raised concerns about the possibility of a constitutional crisis.

If the referendum were to be postponed, it would be difficult to predict how it would affect the political landscape in Australia.
PRETORIA — Annual rentals for private post office boxes and private postal bags are to be increased by an average 10% from January, the Post Office announced yesterday.

Senior general manager postal business, Mr. Willie Joubert said rentals had not been adjusted at the general rates increase on April 1, and the Post Office was trying to keep rate increases linked to inflation.

Rentals for small private post office boxes would rise by R3 to R33, by R6 to R66 for medium-sized boxes and by R10 to R110 for large boxes. Annual rentals for private bags would be increased by R6 to R66.

Initial lock-and-key fees for boxes at mail collection points and transportable postal lobbies would be R15.

The Post Office had established a new poste restante service in areas with no post office boxes or street deliveries. Mr. Joubert said temporary post restante services, used mainly by travellers, would remain free of charge. The Post Office would in future get annual updates on people's addresses to ensure correct mail delivery, Mr. Joubert said — Sapa.
Producer inflation hits 20-year low

INFLATION at the producer level dropped further to 5.5% in September, the lowest level in more than two decades.

Figures released by the Central Statistical Service yesterday showed the year-on-year percentage change in the producer price index (PPI) eased for the seventh consecutive month to 5.5% from August’s 5.9%. The monthly rise slid to 0.3% (0.5%).

Economists said a fall in the percentage change of the imported component of the PPI — which carries a weighting of 16.5% — helped pull inflation down. The annual rate of increase for imported commodities sank to 3.8% (4.5%). The fall in locally produced goods was less at 5.8% (6.2%).

UL economist Dennis Dykes said imported price inflation appeared to be dropping due to zero producer inflation among SA’s main trading partners and an easing in oil prices (3.8%) (2.4%).

Oil, in the mining and quarrying products category, has the fourth highest weighting in the PPI at 7.6%. In the year to September the percentage change in this category dropped to -4.3% (-5.4%).

Dykes said the lower oil prices and zero producer inflation overseas appeared to outweigh the effect of the rand’s 18% depreciation against the dollar.

But producer inflation could be reaching the turning point.

“We might get one more month of falling inflation after which it should start rising slowly as the index comes off a low base.”

Mathison & Hollidge economist Tracy Ledger expected imported inflation to contract further in October when the rand strengthened 3% and oil prices fell further.
Inflation edges slightly higher

BY CLAIRE GEBHARDT

Consumer price inflation (CPI) edged higher in October for the first time in six months, according to figures released by the Central Statistical Service yesterday.

The annualised CPI in October rose to 9.4 per cent from 9.1 per cent in September.

This is the first upward movement in the CPI since the VAT increase in April pushed inflation to 11 per cent.

Economists said yesterday that the slight upturn had been expected, given the September 15 petrol price increase, and that it was not cause for concern.

Food prices increased by 2.9 per cent year-on-year, largely as a result of higher price rises for vegetables, fruits and nuts, fats and oils and grain products.

The inflation rate for pensioners is 9.5 per cent — 0.1 percentage points higher than the official inflation rate.

Frankel Pollak Vingerine economist Mike Brown said month-on-month figures were fairly volatile and that November's inflation figure could fall to 8.3 per cent on lower interest rates and the slight cut in petrol prices.

December's figure, however, could move back to 9.4 per cent because of statistical problems.

"There was virtually no increase in the inflation rate between November and December last year."

Brown said he expected inflation to fluctuate between 8 per cent and 9 per cent in the early part of 1994 and to fall back to 8 per cent or 7 per cent in April when VAT falls out of the figure.

"Another VAT increase in the Budget in August could however push inflation up marginally."

Southern Life economist Mike Daly said inflation figures continued to be encouraging and underlined the fact that SA was in a disinflationary squeeze as a result of tight monetary policy.

"The good figures are helping prevent inflationary expectations and wage settlements are becoming more realistic, in line with the tough economic conditions prevailing."

Daly said he was forecasting an average inflation rate next year of between 7.5 per cent to 8 per cent — which would be a 26-year low.
Increase in price of bread

condemned by retailer

THE price of white and brown bread is to be increased by 5 and 6 percent respectively, according to Pick 'n Pay marketing director Martin Rosen, who described the increase as appalling and said it was "just another example of collusion and price-fixing in the industry".

"We cannot understand why, when the cost of wheat increased 3.45 percent on November 1, the price of bread increases by 5 and 6 percent," he said.

He added that the price of white bread had increased by 23 percent and brown bread by 21 percent over 12 months.

"As a staple food, this increase — way above the rate of inflation — is unacceptable."

Rosen said Albany and Blue Ribbon bakeries had announced the increase "within minutes of each other."

"It suggests that competition in the industry is simply non-existent. As with many other industries, collusion only breeds price increases that ultimately knock the consumer where it hurts most," he said.

Sapa.
Cheaper oil may lead to fuel cut

Political Staff

THE price of petrol may drop as a result of a decrease in the oil price, the Mineral and Energy Affairs department said yesterday.

A collapse in the oil price which has seen it drop by more than a dollar to the barrel and the stable rand/dollar rate has fuelled speculation that a drop in the price of petrol is probable.

The department said the Liquid Fuel Task Force of the National Economic Forum was considering all elements of the petrol price.

"Should any sustainable benefit to the consumer result from these deliberations, it will undoubtedly be passed on," the department said.

‘Not a snub’

Meanwhile, a department spokesman denied that Mineral and Energy Affairs Minister Mr George Bartlett was snubbing the international oil conference in Cape Town.

The minister would be attending various aspects of the function, and would be using the opportunity to speak privately to some of the delegates, the spokesman said.

● Reports — Page 10
Two more bakeries raise bread prices

BY ZINGISA MHIKUMA
CONSUMER REPORTER

The recent bread price increases announced by four major bakeries would bring distress to consumers, SA National Consumer Union chairman Lilibeth Moodman said last night.

She was reacting to announcements that Sunbake and Boerstar bakeries had increased the price of both brown and white bread by 3c per loaf. At the weekend, Abegay and Blue Ribbon bakeries said they would put up the price of white and brown bread by 5 and 6 percent, respectively.

Moodman said the bakeries probably lifted their prices in response to the wheat price rise earlier this month. But, whenever the price of a basic commodity — such as bread — went up, there were serious repercussions for consumers.

"We have always maintained that the industry must exercise discipline and not increase their prices before Christmas when consumer demand is already high," she said.

The increases — the second round this year — were slammed by Pick n Pay marketing director Martin Rosen as "appalling."

He added that they were "just another example of collusion and price-fixing within the industry."

Indeed, Rosen said the increases suggested that competition in the industry was "simply non-existent."

He said: "As with many other industries, collusion only breeds price increases that ultimately hit the consumer where it hurts most."

The recommended selling price is R1.57 for brown bread and R1.65 for white bread.

SA Chamber of Baking Industry executive director Nic Alberts said at the weekend that each bakery could determine its own prices.
Two more bakeries raise bread prices

KATHRYN STRACHAN

TWO major Transvaal bread suppliers, Sunbake and Boerstra, are to increase the price of brown and white bread by 3c a loaf.

The increases follow an announcement last week of higher prices by the Albany and Blue Ribbon bakeries.

Sape reports Sunbake MD Dave Graddidge said the increase was caused by higher wheat prices and labour costs.

A Chamber of Baking official said the bread price had been deregulated, each bakery and bread supplier determined its own increases.

The increases were condemned by Pick 'n Pay marketing director Martin Rosen as "appalling". They were just another example of collusion and price-fixing in industry, he said.

"We cannot understand why, when the cost of wheat increased 3.44% on November 1, the price of bread increases by 5% and 6%," said Rosen.

Over the past year the price of white bread had increased 25% and brown bread 21%. "For a staple food, this increase — way above the rate of inflation — is unacceptable," he said.

Operation Hunger executive director Ira Perlman said the increase on a basic staple food drove more and more people below the level of sustainable healthy living.
Publishers are preparing to challenge a 20 percent surcharge on imported books which will see inflated prices skyrocketing even further, reports Mondli waka Makhanya.

A GOVERNMENT proposal to introduce a 20 percent surcharge on imported books is meeting angry resistance from publishers, who warn that it will cripple the book trade.

Publishing industry bosses met yesterday to map out a strategy to fight the surcharge. They argue that they will have to pass the surcharge on to consumers, causing book prices, already high due to the weak rand, to skyrocket.

What has further incensed book publishers is that they only came to know of the proposal, which appeared in the Government Gazette two weeks ago, by accident.

The Gazette gives the book trade six weeks in which to lodge objections to the surcharge, which is supposed to come into effect in January.

"That means we now have only four weeks in which to formulate a response," said Penguin Group managing director John Allen, who is also an executive member of the Publishers' Association of South Africa.

The recommendation for the surcharge came from the Printing Industries Federation of South Africa, which is feeling a squeeze as local publishers increasingly take advantage of the cheaper paper and more advanced colour printing techniques available overseas. A lot of local publishers have been sending typeset books to be printed abroad — particularly in the Far East — and then importing them back into the country.

"We're not sure if the printing industry looked at this thing carefully. It is going to have a huge impact at retail level because 40 percent of the books sold in this country come from overseas," said Allen.

It is, however, not difficult to understand why the printers are requesting protection from the state. They are already subjected to a 10 percent duty on imported paper, which is meant to protect local paper manufacturers from foreign competition. They also have to contend with declining business as publishers send books overseas for printing and binding. Some paper manufacturers have been practicing what is known as import parity pricing, whereby prices are inflated to just below import price.

"We have to protect and a balance of payments account to think about," argues the Printing Industries Federation's Eric Kuhl.

But book publishers argue that the surcharge on foreign books will stifle local publishing rather than encourage people to do their printing at home. In terms of the intricate economics of the book trade, sales of imported books cross-subsidise those that are printed and bound locally.

Hard hit will be educational books, such as encyclopedias, dictionaries, bibles and text books, of which a substantial portion come from abroad.

A Juta representative pointed out that universities and technicons would feel the pinch as most of their prescribed books come from the United States and Britain.

The surcharge also contradicts a proposal, sent by the Board of Trade and Tariffs (BTT) to the General Agreement on Trade and Tariffs (GATT) earlier this year, that should it consider imposing a surcharge on books, the ceiling would be 10 percent. But Kuhl says the BTT did not take GATT into consideration because the surcharge would only provoke "temporary relief."

But the book industry's main argument against the surcharge is a moral one. The trade feels it should be exempt from duties since this is effectively a tax on knowledge. And with a change in government next year, a major priority of the new authority will be to combat illiteracy.

"Books are not a commodity. They are products with a unique quality," said Maskev Miller Longman MD Mike Peacock.
Prices - General

1994
Two factors will moderate inflation in December-January. One is the effect of lower mortgage rates, announced in November. Central Statistical Service points out: "The interest rate of only one institution was decreased before November." The sample survey is always conducted in the first week of the month so most of the benefit of the latest drop in the pattern of interest rates will be seen only in the December figures. The second is the recent 2c/l reduction in the fuel price which will be captured by the price survey this week (2c/l).

Last year ended on an encouraging note. The latest figure shows November inflation at 9.2%, down from the previous month’s 9.4%. And, in the month, prices rose only 0.2%.

Major influences were housing, with a weighting of more than 20% in the CPI, and food with a weighting of 18.64%. The housing index rose only 3.1% over 12 months and remained static in November; food rose 3.9% over 12 months and 0.7% in the month.

In some categories 12-month inflation is still in double digits:
- Transport prices, with a weighting of 14.43% in the total index, rose 14.2% over 12 months. In the month, the increase was only 0.2% following the earlier adjustment in the fuel price of 2c/l;
- Medical care & health expenses, weighted at 5.22%, rose 12.5% but was static in the month;
- Fuel & power, weighted 3.26%, rose 13.1%, static in the month;
- Household operations, weighted 2.57%, rose 15.9% — 0.8% up in the month.

A breakdown of food inflation, by type of outlet, shows that chain store prices rose 4.3% over 12 months and 1% in the month, those of other retailers rose only 3.6% and 0.4%.
Argus-TML plan is called off

By ARI JACOBSON

TIMES Media Limited (TML) and the Argus group would not proceed with proposals for restructuring that had been put before the Competition Board as part of measures to de-link the groups, it was announced yesterday.

The steps would have included the sale of the Cape Times.

In a joint statement, TML and the Argus said "shareholders of both groups were advised that discussions aimed at separating the interests of the groups and broadening the ownership base had been in progress for some time and will continue".

However, the groups would "not proceed with the tentative proposals discussed with the Competition Board".

Financial director of TML Mr Lawrence Clark said he could not discuss the reasons for "abandoning" the proposals. He said these had been initiated by the Argus group.

"I am aware that the Argus stated in its annual report that the intention was to decentralise the ownership of the English press and that, I believe, is what they are trying to achieve."

Argus chief executive Mr Doug Band reportedly said last night that a new round of talks would take place.

Earlier yesterday, Competition Board chairman Mr Pierre Brooks said "diversified control will be preferred in the media industry".

He said the latest restructuring proposals meant "no dramatic changes would have taken place to the status quo of press control".

Mr. Brooks said Western democracies had adopted "stringent" laws on media ownership.

He said a document relating to possible restructuring of the two groups had been "substantially" correctly reported in the press.

"The outcry was not worth it - they were not changing anything," he said.

Sowetan editor Mr Aggrey Klaaste said "in the quest for truth in this country, many independent media voices are needed."

ANC spokesman Mr Carl Niehaus said the ANC would be in favour of "serious unbundling".

The proposed restructuring included TML selling its 30% stake in the Cape Times, its 45% stake in The Pretoria News and its 30% in the Natal newspapers to the Argus.
Technical basis to producer price rise

THE first rise in producer inflation in nine months did not indicate a change in the trend as technical factors were behind the latest pick-up, economists said.

Yesterday's Central Statistical Service figures showed that the percentage change in the producer price index rose to 6% in the 12 months to November from a previous 5.4%. The monthly rise was 0.6% against 0.4% in October.

Economists said the month-on-month increase had a big effect on the yearly figure as the index came off a very low base.

In November 1993 there was virtually no change in producer prices, with a month-on-month rise of 0.1% (0.5%). The latest monthly rise was virtually unchanged from the 0.5% average increase in producer prices in the first 10 months of last year.

Rand Merchant Bank economist Rudolf Gouws said the November figure indicated a demand side push was expected only in 1995.

Inflation should remain subdued in 1994, hovering around the 5% to 7% range.

AHI economist Johan Rossouw said producer inflation could fall to less than 6% as inflationary forces remained subdued.

The month-on-month rise in the import component was higher at 1.7% from 0.3% because of a rise in the price index of crude oil. On an annual basis imported inflation was up to 4.4% (4.1%) in November.

Prices of locally produced commodities were up an annual 8.4% from 5.7% in October, but the month-on-month increase was only marginally higher at 0.8% (0.4%).
The producer price inflation rate accelerated slightly last November, rising to six percent, compared with 5.4 percent in October. On a monthly basis, between October and November, producer prices rose by 0.6 percent.

The Central Statistical Service said yesterday that imported commodities had risen by a relatively large 1.2 percent in November, mainly due to a higher price index for crude oil. The non-adjusted price index for imported commodities was 4.3 percent.

The price index for locally produced goods rose 6.4 percent, compared with November 1992, and 0.5 percent compared with October 1993.

Sharp monthly hikes were recorded by agricultural products (3.1 percent), food at manufacturing level (1.4 percent) and transport equipment (1.7 percent).
as Import Prices Rise
PPI edges up to 6%
Wine, spirits prices 'should be steadier'

Business Staff

Retail prices of wine and spirits should steady this year after a decision by the KWV not to raise producer prices.

In an attempt to boost sales in a tight market, the KWV Board decided to maintain last year's minimum producer prices for wine in 1994.

KWV chairman Pietman Hugo announced this in Paarl yesterday after a meeting of the 12 directors representing 4,800 wine farmers in the eight KWV districts.

The price of natural wine remains unchanged at R1.28 per litre.

Liquor retailers welcomed the news, which they said would help to keep prices down.
Shoprite Checkers hiked prices the least, survey finds

SHOPRITE Checkers increased its prices the least between November 1992 and December 1993, according to a Housewives' League survey.

The survey found that Shoprite Checkers increased the price of selected grocery and meat items by 3.5%, while the OK's prices rose 4.4% and Pick 'n Pay's 8%.

Pick 'n Pay, the OK and various analysts said the survey indicated that price increases at supermarkets seemed to have slowed to well below the rate of inflation.

However, they queried the results, saying the increases did not correlate with their own calculations. They said the sample of about 50 products was extremely small, and not representative of inflation at supermarkets.

Their own calculations were based on thousands of different products. There were significant price fluctuations at certain times of the year, which were not taken into account.

The Housewives' League grocery list included basic products such as milk, bread, eggs, meal meal, sugar, margarine and basic cleaning items. The total for meat was a kilogram of rump, brisket and lean mince.

However, it did not specify what brand names were used for the survey.

In terms of the 30 grocery items measured, Shoprite Checkers' were 4.7% higher in December compared with the previous year, while Pick 'n Pay's were 8% and the OK's 8.1% higher.

According to the survey, Checkers Shoprite did not increase its meat prices, while Pick 'n Pay increased its meat prices 18%, and the OK's meat prices declined 6.5%.

Pick 'n Pay joint MD Rene de Wele said his group's internal inflation was currently around 4%, compared with more than 12% a year ago. He said Pick 'n Pay's meat prices had certainly not increased 18%.

OK advertising and promotions manager Desnee Stamm said the survey's basket was not representative of price increases at the major chains, and the OK's food basket had about 1 000 items. The survey could be comparing different brands and different grades of meat.

A Shoprite Checkers spokesman said the survey was proof of the chain's commitment "to give effect to its low-price policy for the benefit of all consumers"
Task group recommends fuel price cut

THE National Economic Forum's liquid fuel industry task group had recommended a cut in the petrol price, but this still had to be put before the forum's process committee, which would discuss the recommendation with interested parties before it went before the TEC next Wednesday, a Mineral and Energy Affairs Department spokesman said yesterday.

Sapa reported that the recommended reduction was expected to be about 2c/l. However, 6c/l would have to be

Business Day Reporter

passed on to the depleted fuel equalisation fund, which was used to smooth out temporary fluctuations in the cost of fuel.

Mineral and Energy Affairs Minister George Bartlett sparked an outcry in September when he raised the petrol price 7c/l. Government later reduced it by 2c/l.

Analysts have indicated that the current 7c/l overrecovery of fuel revenues means that a reduction in the fuel price of up to 6c/l is possible, a view described by Bartlett as optimistic.
Petrol price to fall 3c on February 17

THE petrol price is to drop by 3c/l from February 17, Mineral and Energy Affairs Minister Affairs George Bartlett announced yesterday.

However, the price of diesel and illuminating paraffin will remain unchanged.

The cut was made following a recommendation from the National Economic Forum’s liquid fuels task group.

Bartlett said the group had also recommended that the equalisation fund levy be increased by 6c/l on 93 and 97 octane petrol, 8c/l on 87 octane, and 1c/l on diesel.

This would not affect pump prices.

The task group had reported its findings to the forum’s process committee, and cabinet had approved the proposal.

“Continued low crude oil prices since the last price decrease on December 17 led to a further decline in international petroleum product prices in dollar terms. The rand/dollar exchange rate remained stable, resulting in current overrecoveries of almost 8c/l for petrol, while the diesel overrecovery was slightly more than 1c/l. Illuminating paraffin continued to experience an underrecovery amounting to more than 4c/l;” Bartlett said. The equalisation fund’s liabilities exceeded income by about R66m a month, with tariff protection of about 28c/l on synthetic fuels, or 18c/l spread over total volumes.
Petrol price to drop by 3c/litre

JOHANNESBURG. — The petrol price is to drop by 3c/ from February 17, Mineral and Energy Affairs Minister Affairs Mr George Bartlett announced yesterday.

However, the price of diesel and illuminating paraffin will remain unchanged.

The cut was made after a recommendation from the National Economic Forum's liquid fuels task group.

The price was first increased by 7c last September, provoking widespread protests that led to a 2c decrease in October, followed by a further 2c decrease in December and to the present decrease.

'Delighted'

The Automobile Association last night welcomed the announcement, saying some of the benefit of lower international crude oil prices was being passed on to the consumer.

Pick 'n Pay chairman Mr Raymond Ackerman, who challenged the government on the 7c price increase six months ago but lost his case in court, said last night he was "delighted".

Dr Allan Boesak, Western Cape ANC leader, last night criticised the decision not to reduce the price of paraffin, saying this was the fuel most used by the poor. — Own Correspondent, Sapa
Petrol price to drop by 3c/l

BY PETER DAVIES

The petrol price will drop by 3c/litre at a major garage on February 17. Finance and Energy Affairs Minister George Bartlett announced yesterday that the new petrol price decrease is two months earlier than usual. The price of illuminating paraffin will remain unchanged at 91.66c/l.

The petrol price was lowered by 2c/l in December, six months after it had been increased by 7c/l amid public outrage.

Low crude prices

The latest reduction in the petrol pump price by the National Economic Forum’s independent task force followed continued low crude oil prices and a stable rand/dollar exchange rate that depressed the price of illuminating paraffin, the price of which is linked to the price of illuminating paraffin. The task force indicated that this price of illuminating paraffin is the same as that of illuminating paraffin more than 4c/l.

The task force also noted that fluctuations in the crude oil price will now be reflected in the pump price of 93 octane and 97 octane petrol, which increased by 5c/l, while the pump price of diesel increased by 7c/l to make up for undercompensation.

Bartlett said the cost of variables which comprised the pump price — including landing and travel costs — had increased more than the pump price.
Beer prices to climb 5.8%, says SAB

Beer prices will go up an average of 5.8% today, SA Breweries (SAB) beer division announced yesterday.

Marketing director Barry Smith said prices would vary between brands and packs, and in different parts of the country, according to transport costs.

SAB could give no indication of the rise in retail prices in bottle stores, bars and taverns as prices were set by the retailers themselves, he said.

SAB increased prices 7.4% last year, 9.1% in 1992 and 9.7% in 1991.

Smith said that this was the 17th successive year that price increases were contained below the inflation rate, claiming it to be "a proud record unmatched in the SA industry."

The relatively small increase "helps maintain the position that SAB holds as a major contributor to economic growth and reduced inflation."

Each year it had managed to contain input costs and improve productivity, while maintaining its status as a brewer of quality beers, he said.
Beer price goes up by 5.8 percent

SOUTH African beer drinkers will have to dig deeper into their pockets to afford their favourite tipple following an announcement of an average 5.8 percent increase on the malt from today.

The South African Breweries Beer Division in a statement yesterday said the prices could be expected to vary between brands and packs, and in different parts of the country according to transport costs.

SAB Beer Division marketing director Mr Barry Smith said it was the 17th successive year that the company had contained its price increase below the prevailing inflation rate, claiming it was a proud record unmatched in the South African industry.

The statement added that the company could not say when and by how much the retail prices would increase, as retail prices — in bottle stores, bars and taverns — were set by the retailers themselves. — Sapa
Price of beer goes up today

STAFF REPORTER

The price of beer will increase by an average of 5.8 percent today. South African Breweries said in a statement yesterday that prices would vary between brands and packs.

SAB beer division marketing director Barry Smith said it was the 17th successive year that the company had contained its price increase below the prevailing inflation rate. But Federated Hospitality Association of SA liquor chairman, Ian Rubin, said despite an industry increase last year of 7.4 percent, the increase to consumers was 15 to 20 percent.

SAB could not say when or by how much the retail prices would increase as these were set by retailers themselves.
Producer inflation hits 22-year low

SAMANTHA SHARPE

PRODUCER inflation hit its lowest point in 22 years last year with an average annual rate of increase in the production price index of 6.6%.

Central Statistical Service figures released yesterday showed producer inflation was 6% in the 12 months to December. The month-on-month increase was down at 0.7% against 0.8% in November.

Economists attributed the slower month-on-month rise to the drop in oil prices, which took place late in November, and a more stable exchange rate.

The lower oil price, which was reflected in a relatively large monthly decrease of more than 2% in the mining and quarrying category, offset inflationary pressure in the domestic manufacturing sector.

The imported component of the PPI rose at an annual rate of 4.1% — 0.3 percentage points lower than November's 4.4%. Economists said international deflation was also keeping a brake on the price of imported manufactured goods.

Locally produced commodities showed a 0.1% percentage point decline on the previous year's 6.4% annual rate of increase.

Large monthly increases were reflected in agricultural products and manufactured food prices indices. Most prices were leading the agricultural rise as farmers replenished stock after the drought, said Southern Life economist Sandra Gordon.

Old Mutual economist David Mohr said there was every reason to believe that producer inflation had, for the time being, bottomed around the 4.0% level.
No end in sight to rising food prices

PRODUCER prices for agricultural and manufactured food continued to rise in the 12 months to December.

The latest Central Statistical Service figures showed producer price inflation for food in the agricultural sector was 3.4% in the 12 months to December and 9.8% in the manufactured food sector.

Both figures confirmed a rising trend in year-on-year producer price inflation since September 1993, when the agricultural sector reflected year-on-year food price deflation of 0.8% and the manufactured food sector's costs showed a 4.4% increase.

Old Mutual economist David Mohr said the trend in rising food inflation was largely attributable to higher meat prices. The breaking of the drought last year had encouraged farmers to replenish their herds, reducing supply and driving prices up.

The economy's positive performance in the fourth quarter, reflected in the latest GDP figures, showed a broad-based market recovery. The increase in demand for had put further pressure on meat prices.

Economists said December's substantial year-on-year vegetable price increase was the result of figures worked from a lower statistical base following the break in the drought and improving demand.

CPI figures for December showed food price inflation at 5.2% and a month-on-month rate of increase of 1.1% between November and December. Food prices were expected to continue to rise as supply had been reduced by unusually heavy rains, which had damaged crops.

Simpson McKie food sector analyst John Riccard said increased demand linked to the economy's positive performance since the third quarter of 1993 would put pressure on food retail prices. Supermarkets were no longer having to cut their margins because of depressed consumer spending. As demand picked up retailers were able to bump up their prices, and it was unlikely that the consumer would pay less for food in the next few months.
Consumer inflation creeps upwards

KELVIN BROWN

CONSUMER inflation rose to 9.9% in January from 9.5% as higher prices for medical care, health expenses and food pushed the rate up, Central Statistical Service figures showed yesterday.

The latest pickup in consumer inflation — as measured by the consumer price index (CPI) — took economists by surprise.

But some analysts described the rise as "a temporary hiccup" that would be corrected in April when last year's VAT increase took the rate back below 7%.

Others said it could be the start of an upward trend in inflation as the recovery in the economy appeared to be giving re-

Inflation

...tailers an excuse to increase margins.

Technical reasons also played a role in the rise, as the change came off a low base.

The CSS said month-on-month prices rose 1.8%, compared with 0.5% in December. Medical care and health expenses firmed 8.8% from 4.2%, while food prices increased to 1.8% from 1.1%.

Economists said prices of medical and health care expenses tended to be erratic as price changes were measured only every few months. Food prices had re-

turned to an upward trend.

Nedbank chief economist Edward Os-
born said manufacturing prices had come down nicely to 0.9% in January, but ser-

dices price rises were still averaging about 17.5%. Services had been fuelled by the latest rise in medical services.

Ed Henz Rudolph, strategic economist Nick Barnardt, said the pickup in price increases at chain stores to 2.1% from 1% in December was worrying.
Calculating the retail price of fuel is a complicated exercise

CALCULATING the retail selling price of petrol is a complex exercise. It is made up by adding together all the components of the manufacturing and distribution chain, to which are added levies and government imposts.

It is worked out as follows: Average free-on-board petrol price listed at three refineries in the Persian Gulf and one in Singapore, sea freight, insurance, ocean leakage, landing and wharfage charges.

These components are added together and called the "bond landed cost," calculated in cents per US gallon and converted to South Africa cents a litre.

After that, all further calculations are in South African currency.

These are unit under- or over-recovery calculated in c/lt, inland transportation costs (two segments, the first calculated from port to depot by Petronet and Spoornet; the second from depot to points of sale is calculated by the Department of Mineral and Energy Affairs). Service differential, Equalisation Fund levy (includes synfuel levy, tariff protection to synfuel producers and compensation to Mossops).

Fuel tax, Customs and Excise levy, Multilateral Motor Vehicle Accident Fund levy, Road Safety Fund levy, delivery costs, wholesale trade margin, retail trade margin.

The calculation is then rounded-off to whole cents rather than fractions of cents. #244, 2/3/94
Post Office to increase international tariffs

PRETORIA — The SA Post Office plans to earn an additional income of R$60m by increasing international and non-standardised mail tariffs by an average of 10% next month.

SA Post Office chairman Donald Masson said yesterday the increase would enable the Post Office to reduce an estimated 1983/84 loss of R$60m by R$14m to R$47m this year.

But Post Office losses would remain high over the next two years as essential infrastructure was needed, "After that they should decline drastically," he said.

The Post Office planned to spend R$240m on infrastructure this year. It would spend R$30m installing 300,000 post boxes in rural areas.

The standard letter rate would remain 45c until August when long-term planning needs would force the rate up 5c, Masson said.

The increase in non-standard and international mail tariffs would cost the average user about R$1.13 more a month and should have no significant effect on the inflation rate.

He said the Post Office was "unambiguously thinking" to run a state lottery to increase profitability.

"We are getting ourselves ready to run a lottery. We already have the infrastructure in place in the form of our countrywide network of post offices.

Before the Post Office had been commercialised two years ago, annual losses of about R$60m had been covered by a state subsidy, he said.
Post Office to increase international tariffs

STEPHANE BOTHMA

PRETORIA — The SA Post Office plans to earn additional income of R60m by increasing international and non-standardised mail tariffs by an average 10% next month.

SA Post Office chairman Donald Mason said yesterday the increase would enable the Post Office to reduce an estimated R202m loss of R498m by R141m to R357m this year.

But Post Office losses would remain high over the next two years as essential infrastructure was needed. "After that they should decline drastically," he said.

The Post Office planned to spend R240m on infrastructure this year. It would spend R9m installing 500,000 post boxes in rural areas.

The standard letter rate would remain 46c until August when long-term planning needs would force the rate up 5c, Mason said.

The increase in non-standard and international mail tariffs would cost the average user about R1.18 more a month and should have no significant effect on the inflation rate.

He said the Post Office was "unashamedly picking" to run a state lottery to increase profitability.

"We are getting ourselves ready to run a lottery. We already have the infrastructure in place in the form of our countrywide network of post offices."

Before the Post Office had been commercialised two years ago, annual losses of about R600m had been covered by a state subsidy, he said.

Ernest Stanton's son, Lacon Stanton, a Johannesburg chartered accountant, denied the signatures on the letters were his father's.

On December 30, 1991, when Ernest Stanton died, Stafford telephoned Lacon Stanton and told him most of his father's estate — about R70m — had been left

'tried to hide papers'

Ernest Stanton's son, Lacon Stanton, a Johannesburg chartered accountant, denied the signatures on the letters were his father's.
Producer price data ominous for inflation

By ANDREW DANGELO
Producer inflation on the rise again

THE second uptick in producer inflation since October could signal an end to the downward trend in inflation as there were few factors still exerting downward pressure on prices, economists said.

Figures released by the Central Statistical Service (CSS) yesterday indicated inflation at the producer level rose to 6.7% in January after remaining around the 6% level in the past two months. The monthly increase in prices was significantly up at 0.5% compared with a previous rise of 0.2%.

Economists said the latest uptick could not be explained away by erratic factors such as a increase in electricity tariffs as the trend appeared to be changing in several categories. When the monthly figures were adjusted for seasonal factors prices were still up a significant 0.9%, they said. If this rate was maintained over the next 12 months producer inflation would reach 11.4%.

This suggested producer inflation was beginning to feel the effects of the turnaround in the economy.

The uptick in inflation would have been much higher had it not been for a fall in imported inflation largely due to the decline in oil prices.

The annual change in prices of imported commodities was down to 2.7% in January from 4.5% at the end of last year. The other mining and quarrying category, which included oil, fell 9.7% over the past 12 months.

Excluding the imported component, inflation was up one percentage point to 7.3% in the 12 months to January while the monthly increase was 1.5% compared with 0.2% in December.

UAL Merchant Bank economist Dennis Dykes said the next figure could come down a bit as the index would be calculated off a higher base. But this would still not provide enough momentum for the figures to reach the levels seen in October.

The turnaround in producer inflation should cause consumer inflation to bottom out over the next 12 months as there was usually a lag between inflation at the producer level and the consumer level, Dykes said.

He did not expect a huge surge in inflation as the economy appeared to have cooled off ahead of the election.

"This should see inflation move sideways for most of this year with an upward trend only coming through in 1995," Southern Life economist Sandra Gordon said the latest increase was a surprise and painted a less hopeful scenario for inflation this year. She expected producer inflation would average 7% to 7.5% in 1995.

The recent improvement in the economy appeared to have given producers the opportunity to increase their margins.

Dennis Dykes
Worries about price of unleaded petrol

CAPE TOWN — The oil industry has raised concerns about the pricing structure of unleaded fuel, which is scheduled for introduction on October 1, 1994.

Co-chairman of a meeting between oil and motor industry representatives late last week Paul Clarke said the oil and motor industries would hold regular meetings to assess cost analysis studies on the introduction of unleaded fuel.

It was agreed at the meeting the introduction date should not be extended and that the price differential between unleaded and leaded fuel should be as small as possible.

There were no guarantees in the motor business, but the market penetration of unleaded fuel would satisfy oil industry requirements, he said.

ANC mineral and energy spokesman Paul Jourdain said the party supported the introduction of unleaded fuel because SA could not afford to have motor industry exports impeded by outdated technology — engines compatible with leaded fuel only.

Clark said some motor manufacturers were already unable to fit imported engines onto car models in SA because unleaded fuel was not available here.

An international oil industry consultant said yesterday's consumer expectations of a drop in petrol prices in the wake of deregulation might not materialise.

Andersen Consulting senior manager Wolf Kuester said reports implied that because of the regulated environment, oil companies and the SA government were making huge profits. The truth was nobody was making money.
Prices of most goods in shops up last year

BY NORMAN CHANDLER
PRETORIA BUREAU

More than 60 percent of goods sold in South African shops increased in price last year, according to data from the Central Statistical Service.

The CSS annual survey of retail prices shows that 682 of 992 products and services recorded increases in average prices over those of 1992 — and 165 jumped by more than 20 percent.

Many products and services went up by more than 10 percent, including brown bread, breakfast cereals, meat, macaroni and biscuits.

At butchers, meat was in general up less than 10 percent, although corned beef rose by 14.3 percent, vienna sausages by almost 24 percent, cuts of lamb by 11 percent and pork sausages by more than 23 percent.

Fish products showed a steady increase — hake by as much as 16.5 percent and sardines by 26.9 percent.

Most dairy products, including eggs, rose in price, while fresh fruit and vegetables in general showed a decrease.

Coffee, tea and chocolate drinks increased, with 250 g of ground coffee 22.5 percent more expensive than in 1992.

Condiments and other foodstuffs all increased.

The biggest increase of all was for sunflower curtaining, up by 147.4 percent.
Utility prices likely to go up in July
Petrol would be 15c to 24c a litre cheaper

The advantage of deregulation

BY DEREK TOMMEEY

Rob Angel, chief executive of Engen, has some good news for motorists.

Deregulating the oil industry — an issue now being discussed in Pretoria — could cut the petrol price by 15c to 24c a litre and save consumers R2 billion to R4.5 billion a year, he says.

He was speaking at a press briefing in Johannesburg yesterday at which he revealed that Engen had lifted operating income in the year to February by 9.7 percent to R282 million (R257 million).

But earnings growth was hit by two extraordinary write-offs. One was a R17 million provision to cover retrenchment costs, which are expected to absorb R39 million this year. The programme should save R45 million a year in wages.

The second was a R37 million stock write-down stemming from the drop in world oil prices.

But since year-end, the rise in oil prices and the drop in the rand/dollar exchange rate has lifted the value of Engen's oil stocks by roughly the same amount.

However, the rising oil price and the lower rand mean that the petrol price will have to rise.

It seems as though the first duty of the new government will be to announce higher prices.

The write-downs, together with a R17 million interest payment (R15 million credit last year) reduced pre-tax income by 25.4 percent to R211 million (R283 million).

Taxed earnings were down 22.4 percent to R177 million (R228 million), equal to 113c (147c) a share. An unchanged dividend of 50c is being paid.

Angel welcomed the recommendations of the Competition Board on the rationalisation plan.

But he was convinced that any lasting savings in costs would require the board to reduce margins everywhere.

He said there were too many inefficient, low-volume filling stations. By allowing self-service, by phasing in free-market prices and allowing new market entrants, he believed the cost of petrol could be cut by 3c to 5c a litre.

Adjusting the Durban/Reef pipeline tariff to a competitive level could reduce the price by a further 3c to 5c.

And an end to the synthetic fuel levy could result in an additional saving of 9c to 15c a litre.

Although Engen's turnover rose 18.1 percent to R4 billion, much of the increase reflected higher government levies. Petrol sales rose 2.9 percent and total inland sales 3.4 percent.

With little chance of a rise in margins, Engen's policy has been to improve its operations through "self-help" by introducing cost reduction/rationalisation programmes such as retrenchment, reducing working capital and swelling assets.

Engen expects some improvement in its SA earnings this year and real growth from 1995 onwards.

Overseas gas and oil interests have started production, but are not expected to make an immediate contribution to earnings.

Engen is looking for foreign capital and has been weighing up a London listing when conditions are more propitious.

In the meantime, it is arranging for its shares to become available in the US through the use of American depository receipts.
Inflation shows disturbing uptrend

Digging deeper into your pocket

BY DEREK TOMMY

Price inflation is starting to pick up again, the latest Central Statistical Service (CSS) figures show.

Although the year-on-year increase in prices declined from 9.9 percent in February to 9 percent in March, the month-on-month figures show a different story.

Between January and February, prices rose by 0.3 percent — equal to an annual rate of 3.5 percent.

But between February and March, they increased by 0.7 percent — more than double the February rate and equal to an annual rate of 9.4 percent.

It would be pleasant to believe that the March spurt in prices was an anomaly and that price increases in coming months will revert to their February level.

But there are danger signals.

Shoppers are becoming aware that as the economy starts to pick up, most manufacturers and retailers are raising prices to restore profit margins to their pre-recessionary levels.

Furthermore, the move to higher prices is likely to be stimulated by a substantial increase in the petrol price, which will affect the election, leading to price rises across the board.

The higher petrol will be the result of the almost 10 percent decline in the exchange rate of the rand against the dollar, and recent increases in crude oil prices.

The devaluation of the rand will lead to increases in the price of other imported goods.

Nonetheless, economists are predicting that if a year-on-year basis the April consumer price index will show a further decline — possibly even to 7 percent, the lowest figure for many years.

But this is purely a statistical development caused by the steep increases in prices last April that no longer inflate the index.

It will be remembered that last April Vat was raised by 40 percent from 10 percent to 14 percent, the petrol price was raised by 16c a litre and several excise duties were also increased.

The CSS reports that the main factor in the 0.7 percent rise in the consumer price index in March was the higher cost of education.

Dearer food, housing and a reading matter were other contributors.

Food prices rose 0.4 percent last month to show a year-on-year increase of 7 percent.

Meat showed the biggest increase, followed by coffee, tea, and cocoa, sugar, grain products, milk, cheese and eggs.

Other items showing significant price increases were alcoholic beverages, housing, household operations, and personal care.

On an individual basis, the items showing the biggest year-on-year increases were communications (25.4 percent), domestic workers (21.1 percent), "other" household services (20.6 percent), vehicles (16.1 percent), reading matter (15.8 percent) and medical care and health expenses (14.2 percent).

Possibly because of the better-off use the telephone more and employ domestic servants, the year-on-year increase in the consumer price index for the middle- and upper-income groups was 9.2 percent. It was 8.3 percent for the lower-income group.

Pensioners continue to be hard hit by inflation. Their inflation rate in the year to March was 9.7 percent.
Fuel prices ‘should be cut 15 percent’

BRUCE CAMERON
Business Editor

PETROL prices should be slashed by up to 15 percent by cutting subsidies to the synthetic fuels industry and reducing guaranteed mark-ups to the petrol companies and the service station retailers, a fuel chief said today.

The chief executive of locally-owned Engen, Bob Angel, issued a strongly-worded statement that drew a battle line between his company and foreign competitors.

Mr Angel said Engen was prepared to compete in a deregulated industry and would be happy to take on Sasol, which would also like to see some deregulation, and Pick ‘n Pay, which has been at the forefront of the campaign to deregulate the industry.

Mr Angel’s statement clashed with claims from foreign-owned petrol companies that deregulation had resulted in price increases in other countries and would also do so in South Africa.

The Engen chief said deregulation could cut the petrol price by between 15 and 25 cents a litre.

This would pump between R2.5 billion to R4 billion into the economy every year.

He said that at least 87.1 cents of the Johannesburg pump price of R1.75 a litre was made up of state duties, levies and taxes.

Of the 87.1 cents, 13 cents went to the Equalisation Fund to pay for the synthetic fuels levy, a subsidy for Sasol and Mossgas that currently amounted to R1.6 billion a year.

“We think that at least 6c-10c a litre could be taken out of the petrol price if the subsidy to the synthetic fuels industry were simply reduced.”

Apart from the subsidy, another three to five cents could be knocked off the petrol price by cutting down on the 14.1 cents a litre marketing margin that the oil companies were granted and another three to five cents off the 15.6 cents a litre margin dealers received.

Another three to five cents a litre could be saved by reducing the 10.9 cents a litre theoretically paid to transport fuel from the coast through the under-utilised Durban/Reef oil pipeline.
February breaks pattern of PPI rise

BY CLAIRE GEBHARDT

The annual rate of increase in South Africa's production price index (PPI) fell marginally to 6.5 percent in February from 6.7 percent in January.

However, figures released yesterday by the Central Statistical Service show a continuing upward trend in the PPI since August 1993.

February's 6.5 percent increase is well up on the 5.4 percent low recorded in October 1993.

But economists said yesterday there was little danger of increased inflationary pressure at this stage.

The PPI for locally produced commodities for domestic consumption showed an annual rate of increase of 7.2 percent for February, compared with 7.3 percent in January.

On a monthly basis, the index increased by 1.1 percent (seasonally adjusted 1.3 percent) in the wake of relatively large increases in the price indices for alcoholics and non-alcoholic beverages (6 percent), non-metallic mineral products (2.6 percent), metal products (3 percent), "other" manufacturers (7.6 percent), electricity (3 percent) and transport equipment (2.1 percent), mainly due to a 2.2 percent increase in the index for motor vehicles.

Imported inflation remained surprisingly subdued, with the annual rate of increase falling 0.6 percentage points to 3.1 percent, despite the continuing decline of the rand against other foreign currencies.

This figure is well down on the 4.4 percent annual rate of increase in November 1993.

The monthly increase in the index was 0.7 percentage points (seasonally adjusted, 0.9 percentage points).
Producer inflation down marginally

The upward trend in producer inflation was interrupted in February with a marginal decline to 6.3%, from January's 6.7%, according to Central Statistical Service figures released yesterday.

Low imported inflation continued to put brakes on the annual change in the producer price index. The imported component of PPI rose at an annual rate of 3.1%, 0.6 percentage points lower than January's 3.7%, with lower oil prices continuing to restrain prices.

However, economists warned the weak trend could start affecting PPI in the next few months. Producer inflation had

Inflation

started an upward trend, having bottomed at 5.4% in October.

The prices of locally produced commodities rose at a faster rate than imported prices. The component showed an annual rate of increase of 7.2% for February, down on the previous month's 7.5%. Economists were surprised at the large increase in producer prices between January and February (1.1%), saying it signalled inflationary pressures were building up. It was the second consecutive monthly increase that worried economists, who described the pattern as "not new." The future effects of the weaker rand would add to the pressures.

Barnardt said it was possible that year-on-year producer inflation would decline in the short term on technical factors, but warned that the latest figure and recent and weaker rand boded ill for reduced inflation in the second half of the year.

"We could well experience a situation later in the year when both the domestic and imported components of the PPI reach the 8% level," said Ed Heun, Rudolph economist Nick Barnardt.

A large monthly increase in the transport equipment index, led by higher car prices, and in "other manufacturers" index helped push the month-on-month increase higher, the CSIS said.

The increase in transport prices was a "spillover effect of the annual vehicle price increases in January," Econometrics economist Tony Twine said. Truck prices had been raised after car and LDV prices were lifted in January. 
Fuel levy mooted to aid transport

A REGIONAL fuel levy should be used to subsidise public transport, says the Cape Town Chamber of Commerce.

The Chamber rejected surcharges on vehicle licence fees and levies on central business district parking as sources of subsidies.

"It seems strange to charge the providers of public transport in order to raise revenue that will be channelled back to them."

A levy on CBD parking fees would discourage people from shopping there, the Chamber said.

A regional fuel levy would be the most equitable source of funding.
Rate of PPI increase slows

The annual rate of increase in producer prices continued to slow in March, according to producer price index (PPI) figures released yesterday by the Central Statistical Service.

The PPI in March dropped 0.2 percentage points to 6.3 percent, compared with February, as the local and imported PPI indices both declined.

The PPI for domestically produced commodities eased 0.3 percentage points to 6.9 percent as decreases occurred mainly in the price indices for agricultural products, chemical products, electricity, gas and water. (24.45)

The PPI for imported commodities eased again to 2.7 percent in March from 3.1 percent in the previous month, the CSS said. — Sapa.
Producer price increases stall

By ARI JACOBSON

THE Producer Price Index (PPI) showed an unexpected decline in March, notching a 6.3% increase against February's 8.5% rise.

But economists warned yesterday that higher levels of inflation are on the way and that means less chance of an interest rate cut in the short term.

Month-on-month, the PPI fell 0.1% in March from a gain of 1.1% in February.

The "pleasant" PPI figure was brought on by an economy still sluggishly fighting its way out of the post-recession phase and a depressurizing local currency that had not yet filtered into the imported inflation equation.

Sanlam's economics unit is forecasting a further decline in the PPI to a 4.5% increase in May but from mid-April up all the way to a high 8.5% rise for the year to December.

Old Mutual also see the PPI tending upwards and forecast a 7% average for the PPI for 1994—up from the 6.7% reported last year.

The end result is that as producer and consumer prices begin to rise the likelihood of an interest rate cut will slip away.

Southern Life economist Sandra Gordon agrees that the combination of weak foreign exchange reserves and the rise in the inflation cycle means that the possibility of an interest rate cut is "dwindling very rapidly".

On the lower-than-anticipated PPI figure, Old Mutual economist Johann Els mentions that the weakening exchange rate and higher oil prices will only lift this index over the next few months.

Gordon adds that "oil prices were low in March and only turned around in April".

She also mentions that a 0.6% rise in the month-on-month imported manufacturing index shows that the weakening exchange rate is starting to seep into the economy.

Sanlam's unit's Low points out that the PPI figure for March is "very good" considering "the low base in March 1993.

He adds that the local inflation component has fallen from a yearly increase of 7.2% in February to a 4.9% rise in March.

And the imported component which stood at a 5.6% increase in March 1991 has fallen to a 2.7% rise in March 1994.

Holman Steel warns that the inflation cycle has "meared the bottom" and will start to "accelerate" in the near future.

"As the economy picks up so will producer inflation and by 1996 the country could be back in double digits."

- World oil prices rose slightly yesterday but some traders expected increasing supplies of gasoline in Europe and the US to undermine a recent rally, Reuters reports. Benchmark Brent crude rose seven cents to $16.02 a barrel.
PPI continues its downward trend

Paul Richardson

INFLATION at the producer level fell for the second consecutive month in March, to 6.2% from February’s 6.5%, latest Central Statistical Service (CSS) figures show.

Economists were pleased, saying the apparent upward trend in the producer price index’s rate of change had been decisively interrupted. They said the index’s fall between February and March was especially encouraging.

According to latest CSS figures, the PPI fell 0.1% on a month-on-month basis compared with a 1.1% increase in February.

Rand Merchant Bank economist Rudolf Gouws said the figure was “very good news in the sense that markets were concerned that a turning point in inflation had been reached.”

He expected measurably lower inflation in the coming months.

Ed Herne, a strategic economist at National Bank, said the latest figure did not contradict the view that the downward trend in inflation had been reversed. He said March tended to be “a low PPI increase month.”

On a seasonally adjusted basis, the March rate was 6.7%.

Barnard said the low annual increase in imported inflation was surprising in view of the rand’s continuing depreciation.

CSS said the import component of the PPI had risen 2.7% on a year-on-year basis — 1.4 percentage points less than February’s 4.1% increase. However, Barnard said the low increase could not be sustained. The rand’s continued weakness and the increased costs of importing would see inflation rise.

Higher oil prices would probably start to affect the figure.

Local commodities prices rose at an annual rate of 10.5% and fell 0.1% month-on-month, while domestic manufacturing prices rose a year-on-year 6.6%. The month-on-month rise in domestic manufacturing prices was 0.1%.

The low increase in domestic manufacturing prices was pleasing, Barnard said, particularly after the sharp increases in the first two months of the year. Nevertheless, the underlying price trend in the first quarter was about 11% for the domestic component and the overall PPI.

The rate of change in the PPI reached a low of 5.4% in October and rose to 6.7% in January, causing economists to say inflation at the producer level had entered a new upward trend.
Fuel task force to debate petrol hike

PRETORIA — A possible increase in the petrol price is to be on the agenda of the National Energy Forum's liquid fuels industry task force meeting next week.

The Mineral and Energy Affairs' Theuns Burger confirmed the price situation would be tabled.

Mr Burger said the government was investigating deregulation of the oil industry and organised business and labour were also part of the task force.

He said the Department of Mineral and Energy Affairs would not unilaterally decide on a petrol-price increase.

In March the forum's announcement that agreement had been reached that the price of controlled liquid fuels — petrol, diesel and illuminating paraffin — would remain unchanged until the forum's liquid fuels industry task force had tabled its recommendations on a fundamental investigation and review of the regulatory framework for the industry.

Mr Burger said the department would abide by this agreement if and until the forum decided otherwise.

But Ben van Rensburg, Chamber of Business director of economic policy and the representative of organised business in the task force, indicated that a recommendation on the petrol price would be processed by the meeting and passed on to the forum.

However, he stressed that it was the government's prerogative to decide whether to increase the petrol price and it would also be up to the forum to decide whether to pass on to the government whatever recommendation the task force made.

A latest forum statement about the petrol price revealed that due to the weakness of the South African rand against the US dollar and increasing crude oil prices and resultant increase in the in-bond landed cost (IBLC) for all three grades of petrol, diesel and illuminating paraffin, prices had come under severe pressure.

An under-recovery of 2.9c a litre on petrol in March increased to 9.2c a litre in April and motorists were now paying 8.7c a litre too little for 93 octane petrol.

Mr Van Rensburg said the rand continued to depreciate against the US dollar and the oil price continued to rise.

Mr Van Rensburg said organised business believed the oil industry should be deregulated in a phased manner so announcements about petrol price increases were depoliticised and the price was market-driven.
New bid to cut fuel price

By KEVIN DAVIE

Data supplied by Sasol to Paul Theron of the ANC-aligned Minerals and Energy Policy Centre show it is possible to save up to 8c/l by switching from Singapore to Mediterranean spot pricing.

Mr Theron says Sasol's protection payments would increase if the IBLC were lowered because they are linked to the IBLC.

Transnet will be asked to lower its fuel-related tariffs. But it is expected to resist the proposal because it needs huge sums to fund its pension-fund deficit.

Mr Theron says present under-recoveries at the pump mean that the motorist will still be asked in the next few weeks to pay 3c/l to 4c/l more.

The package envisages retail and wholesale margin increases of 1c/l each.

Tomorrow's meeting of the NEF liquid fuels task group will be followed by an NEF meeting on Wednesday where it is hoped that consensus will be reached about the fuel industry.

Engen goes nationwide again this weekend with advertisements replying to organised labour suggestions that deregulation would mean 65,000 job losses.

Engen estimates potential job losses at 7,000 through the introduction of self-service over 15 years.

It supports President Mandela's call for an economy based on market principles and better management of SA's resources.

Engen "invites all South Africans to join hands in building a great nation with opportunities for all."

Organised labour and the Motor Industries Federation (MIF), which represents service stations, contest Engen's deregulation claims.

The MIF's Vic Fourie says deregulation will not help motorists. Analysis in other countries shows that after deregulation, pump prices move up and down in the short term, but rose in the long term.

"Some 'specials' might be offered in some areas at some times, but the oil companies still recover the full price from motorists," says Mr Fourie.

The MIF encourages free trade, but deregulation should be carefully controlled.
Johannesburg — The National Economic Forum's Liquid Fuel Task Group is to meet at Sasol headquarters here this week to discuss changes to the fuel price.

Matters to be discussed include proposals that protection to Sasol should only be granted once the fuel price drops below $18 (about R33) a barrel, instead of the present $21.84 (about R37).

A further proposal that other oil companies should have the spot price of crude oil calculated on the Mediterranean price rather than the basket of Middle Eastern prices will also be discussed.

If the proposals are accepted it would mean a reduction in the in-bond landed cost of fuel.

Earlier it was reported that the cost of petrol would have to be increased.

If the proposals are accepted, however, it could mean a smaller increase for consumers — Sapa
Higher petrol price imminent

BY NORMAN CHANDLER

PRETORIA BUREAU

The Government may have to agree in the next few days to a petrol price increase of about 3c/litre.

Diesel and paraffin could also be affected.

This is the word in Pretoria as the National Economic Forum's (NEF) liquid fuel task group meets in Johannesburg to discuss changes it wants to recommend in the structure of the fuel price.

Prices in the oil industry are set by the Department of Mineral and Energy Affairs.

It is understood that the decline of the rand against the US dollar and rising world oil prices are the main reasons for the imminent price hike.

An under-recovery of 2.2c/l on petrol in March increased to 6.2c/l in April and motorists are now paying 8.7c/l too little for 93 octane petrol. The Equalisation Fund — utilised by the Government to top up deficit funds available for petrol purchases — is under strain.

The agenda for the NEF meeting also includes proposals to alter tariff protection for Sasol, in that protection should only be granted if the oil price drops below $15 a barrel compared to the present $21.54.

A further change is that oil companies are to be urged to negotiate for crude oil at the Mediterranean spot price rather than the traditional Singapore-Bahrain term pricing basis.

Mineral and Energy Affairs spokesman Theuns Burger said the Government was investigating the deregulation of the R23 billion oil industry — recommended in March by the Competition Board — and that the department would therefore not "unilaterally decide on a petrol price increase."
Petrol price
set to go up
by 4c a litre

The Argus Correspondent

PRETORIA — The liquid fuels
task force of the National Eco-

nomic Forum (NEF) meets to-
day to consider a cut in protec-
tive payments to Sasol and a
petrol price increase of up to
4c a litre.

Reports today speculated
about a possible 4c a litre pet-
rol price rise. But among the
recommendations on the table
at today’s meeting is a cut of
up to 7c a litre in protective
payments to Sasol.

According to reports this
would bring down the synth-

fuel price by more than R9 a
barrel — which could limit the
petrol price increase to as lit-
tle as 1c a litre. With the pro-
tective payments in place, cur-
rent under-recovery at the
pumps would necessitate an in-
crease of about 4c a litre.

The task group, consisting of
representatives of the Depart-
ment of Mineral and Energy
Affairs, organised business and
labour, was established last
year to investigate the dereg-


Department of Mineral and
Energy Affairs spokesman
Thenuis Burger confirmed that
the department would abide by
this agreement.
Which way?

March's annual increase of 6.3% in the producer price index, down from February's 6.5%, continued a trend that started when producer price inflation peaked at 15% towards the end of 1989 before falling to present levels.

Now producer inflation is probably close to its bottom.

March's month-on-month decline in the overall import index of -0.1% (as well as the modest 2.7% year-on-year increase) can be attributed to declines in oil prices in the previous months. Oil is one of SA's leading imports and makes up about a third of the PPI mining & quarrying index. The price of North Sea Brent Crude fell to a low of US$13 a barrel in February and climbed thereafter to $16.85 at the start of this month, where it has hovered since. This move will soon be reflected in a rising PPI import index.

Rapid depreciation in the first quarter has influenced the imported component of manufacturing, which rose 0.6% in the month of March against a 0.1% rise in its locally produced equivalent.

The other major component that will have an impact on producer prices will be agricultural products, which make up 9.5% of the overall index. After a year-on-year low of -0.3% in September, inflation in this item had risen to 5.2% in March.

Economists say this rise has been mainly because of meat prices. Says Absa agricultural economist André Louw: "We are now into the upward phase of the five-to-seven-year cycle of meat prices. Farmers are restocking herds after the drought of 1992."

The meat index, in spite of a 0.8% decline in the month, rose 20.1% year-on-year.

But, says Louw, the move is still being neutralised by falling prices of other agricultural products. Grains, for instance, are declining in price after a good summer rainfall.
Pik appeals for patience on fuel pricing

THE liquid fuel task force of the National Economic Forum should be given enough time to address the serious question of a petrol price increase, Minister of Mineral and Energy Affairs Mr Pik Botha said today.

Speaking in debate on the President's address, he appealed for patience.

He said the petrol price was dollar-driven, and if members could assist him in improving the exchange rate, it would be easier to retain the current price and reduce the price of diesel. — Sapa
Meat price

City butchers paying 'ridiculous' figures, up 40% in eight weeks:

Stuart Porter

John Wilson

Dramatic increases on way
ANC to set up forum on drug pricing

The ANC plans to change the pricing system for medicines supplied to the private sector and is to establish a negotiating forum to enable government and the pharmaceutical industry to discuss the issue.

An ANC drug policy commission spokesman said yesterday the party was considering introducing "non-discriminatory pricing" to ensure that wholesalers, doctors and retailers received the same price from the manufacturer.

The ANC was also planning a more transparent system of "add-on" pricing which would involve the wholesaler and retailer, adding professional fees to the published price at which a medicine left the factory, rather than "discounting down" from prices set in the Blue Book.

The ANC intended to determine specifics through a negotiating forum, he said. No date had been set for the convening of a forum.

BEATRIX PAYNE

The spokesman said the organisation would consider implementing "something along the lines of single exit pricing" but had not fully investigated the issue.

It would be necessary to consider all members of the supply chain to see where costs could be contained. The manner in which manufacturers set prices was often "not transparent at all".

Pharmaceutical Society of SA (PSSA) president Cecil Abramson welcomed the move but said some areas of the ANC's health policy needed clarity.

He supported "add-on" pricing and said Blue Book medicine prices were often "fictional".

Abramson said the forum would provide a means to find a solution to single-exit pricing, which the PSSA supported.

Representative Association of Medical Schemes executive director Reg Magenaus said fundamental reform was required for the pricing system for private sector medicines.

Private hospital group President Medical Investment joint MD Rob Speedie said it was imperative that private hospitals be represented on the forum.

He was concerned that a reduction of the base price of medicine would have unfair consequences for private hospitals if the lower professional fees paid to pharmacists working in private hospitals was not addressed.

Drug manufacturer Lennon Generics CEO Dave Stubbins, said the industry should try to move away from the "discounting and bonus mania" by which retailers and wholesalers set prices.

He warned against price control mechanisms as most raw materials were imported and were subject to currency fluctuations.
Car prices jump by 75%"}

By PETER DENNEHY

NEW car prices have rocketed over the past three years by an average of 75% — and buyers are having to downgrade their choices to more affordable models.

A Cape Times survey of a dozen new vehicle prices now and three years ago indicated the 75% price rise on average.

Manufacturers said this figure was too high, but explained the shocking increases by saying the value of the rand had slid against that of the Japanese yen and the German mark.

Mr Nico Vermeulen, director of the National Association of Automobile Manufacturers of SA, said that in 1991, the average increase was 29%, including the changeover to tax-inclusive prices. The following year, the average increase had been 11%, and last year it had been 15%

Meanwhile, VAT had risen from 10% to 14%. So if one added the 29%, 11%, 15% and 4%, one was already at 59% without taking into account the effects of compounding the increases.

This year, it seemed that new car prices would increase about 12%, Mr Vermeulen said.

Mr Ray Nethercott, chairman of the National Automobile Dealers' Association, confirmed that some models of cars had undergone price increases of over 70% in three years. He blamed the slide in the value of the rand against other currencies. The rand had depreciated 60% against the Japanese yen in the past three years, for example.

Even the cheapest cars have risen sharply in price since 1991. The Uno 1100 Fire rose over three years from R20 755 to R33 336 — a 61% hike.

The situation is similar higher up in the market. Cape Times files show that bottom-of-the-range new BMW and Mercedes Benz cars cost R44 660 and R59 953 three years ago, compared with R89 700 and R162 553 respectively now — 101% and 62% up respectively.

Growth

Mr Nethercott said that the escalation in prices had forced a buy-down — "those who used to buy more expensive cars now go for something cheaper".

Apart from the buy-down, the price rises had caused the total market to shrink. However, there would be year-on-year growth in new vehicle sales even by the end of this year, because the economy was expected to grow, he said.
ANC tackles rows

Own Correspondent

DURBAN. — The ANC national executive committee meets tomorrow to resolve two public rows over MPs' salaries and Defence Minister Mr Joe Modise's attempt to gag the press.

ANC sources said it would be the first test for the government of its commitments to grassroots sentiment which is swinging against gravy-train politics and "NP-style gagging".

Members of the ANC's alliance, the SA Communist Party and the SA Congress of Trade Unions have already come out publicly against increases in MPs' salaries from the existing figures.

MPs earn R160 000 a year excluding perks while ministers take home a whopping R470 000 a year.

And a storm of protest within the new government has broken out after it became known that Mr Modise prevented the ANC-leaning Weekly Mail from publishing reports on the disbanded Directorate of Covert Collection.

An urgent interdict was put on hold by his department, but the Mail was served with papers.

The DCC is believed to be behind sinister "third force" activities to undermine the ANC and the SA Communist Party. The Weekly Mail reports that two "agents" had linked MK cadres, now set for high office in the SANDF, to the former nerve centre of military intelligence.

Mr Modise, in a statement, said he did not wish to read in newspapers about matters pertaining to his department "about which I had not been briefed".

The two agents, Mr Gerhard Jansen van Rensburg and Mr Clive Brink, were among 62 DCC staff members suspended by former president Mr F W de Klerk after a Goldstone Commission swoop on its headquarters in 1992.

The Democratic Party has urged a review of the Defence Act and Protection of Information Act following Mr Modise's action.
Motorists face 8c petrol rise

Political Correspondent

The price of petrol is set to rise by about 8c/l this week if a recommendation by the liquid fuel task group is approved by the cabinet.

The task group, which includes representatives of the government, the taxi industry, oil refiners, organised commerce and the Motor Industries Federation, has been debating an increase and its recommendation will be discussed tomorrow at a meeting of cabinet committees.

It has been calculated that an increase in the oil price and a deterioration in the rand-dollar exchange rate mean motorists are paying 14c/l too little for petrol.

The task group is said to be determined to keep the price increase as low as possible to minimise economic damage.

Mineral and Energy Minister Pik Botha refused to comment today on rumours of an imminent rise in fuel prices.

Any decision "must be taken by the cabinet", he added.

"It would be improper for me to make any comment at this stage," Botha added.
Producer prices creeping up

BY DEREK TOMMELY

Producer prices are starting to creep up again.

The producer price index (PPI) for all commodities rose 1.1 percent in April after actually declining in March and rising 1.1 percent in February.

The prices of locally produced commodities rose 1.2 percent in April, while the prices of imported commodities increased by 0.8 percent.

The year-on-year increase in the price of all goods was 6.2 percent, against 6.3 percent for the 12 months to March.

The annual increase to April in the price of imported goods was 3.1 percent, up from 2.7 percent in the 12 months to February.

This possibly reflects the recent large devaluation of the rand.

The Central Statistical Service says there were several relatively large price increases in March.

Agricultural product prices rose 2.4 percent, while forestry prices rose 4.8 percent.

Mining and quarrying products rose 2.3 percent, while the price of food products at manufacturing level rose 2.1 percent.

Alcoholic and non-alcoholic beverage prices rose 1.2 percent, leather and leather product prices 3.4 percent; and footwear prices 2 percent.
Producer inflation continues to slide

SAMANTHA SHARPE

PRODUCER inflation continued its downward trend in April, with a marginal fall to 6.2% from 6.3% in March, latest Central Statistical Service (CSS) figures show.

But economists were disappointed as they had hoped for a figure below 6% because the rate was calculated off a higher base. Producer inflation last April rose an unusually high 1.2% month-on-month.

Imported inflation, which has kept a brake on the rate of increase in the index for the past few months, rose at an annual rate of 8.1% — 0.4 percentage points higher than March's 7.7%. Rising international oil prices had started to creep into the index, pushing the prices of imported goods higher, economists said. The effect of the rand's depreciation would eventually work itself into the imported component of the index.

A slowdown in the rate of increase in locally produced commodities helped offset higher imported inflation. The price level of the local component rose 4.8% compared with 6.9% in March.

The CSS said overall producer inflation was up 1.1% month-on-month compared with March's decline of 0.1%. It attributed the rise to relatively large price increases for agricultural, mining and quarrying and food products at the manufacturing level.

Oil and coal price increases were behind the higher mining and quarrying index.

Inflation

Southern Life economist Sandra Gordon said the large increase in food prices was led by higher meat prices, a result of farmers holding back stock after the drought to replenish their herds. She said the effect of the higher-than-expected annual rate of inflation could push average producer inflation for the year to 7.5%.

Econometrix economist Tony Twine warned that while the annual rate of increase in producer prices was “reasonable”, the month-on-month performance of the index was disturbing.

The month-on-month rate for local commodities translated into an annualised inflation rate of 15%, while imported inflation would come in at about 10%.

Old Mutual economist David Mohr said producer inflation would probably start climbing in the second half, reaching about 8% by the year-end.
PPI edges up

Business Staff

PRODUCER prices are starting to creep up again.

The producer price index (PPI) for all commodities rose 1.1 percent in April after actually declining in March and rising 1.1 percent in February.

The prices of locally produced commodities rose 1.2 percent in April, while the prices of imported commodities increased by 0.8 percent.

The year-on-year increase in the price of all goods was 5.2 percent, against 6.3 percent for the 12 months to March.

The annual increase to April in the price of imported goods was 3.1 percent, up from 2.7 percent in the 12 months to February.
Productivity can Save Lives

Management
More fuel price rises in pipeline

Motorists will be hit hard

Bank economist Francois Jansen

Normally an increase of this size would have added one percent to the inflation rate.

Tomorrow midnight's increase will have an almost immediate 0.2 percentage point effect on the inflation rate while another 0.2 points would work its way in from the indirect effects of higher transport costs, said Old Mutual economist Johan Els.

The Southern African Black Taxi Association said it had urged Mineral and Energy Affairs Minister Puk Botha not to increase the price of petrol without consulting the taxi industry.

"In the interests of peace and stability Sabta urges you most strongly not to unilaterally announce price increases without adequate consultation," the association said in a letter to Mr. Botha.

The Automobile Association said the debate about rationalisation of the fuel industry should be finalised without delay.

"A market-driven, deregulated fuel industry, devoid of inefficiencies in the pricing mechanism, will substantially reduce the pressure to increase fuel prices as a result of higher crude oil prices," it said.

The AA predicted that the fuel price would increase by up to 13 percent in total this year because of fiscal pressure on the government.

MOTORISTS will be hard-hit by the 9c/l petrol price rise at the coast — and more fuel price rises could be in the offing.

Tomorrow's rise, which will be pegged at 8c/l inland, has re-opened the debate over whether the cost of petrol can be kept down by deregulation in the industry.

A row blew up again today, with trade unions accusing petrol companies of profiteering while the pro-deregulation lobby pointed a finger at Cosatu for blocking de-regulation in its attempt to prevent the loss of 70 000 petrol station jobs.

Deregulation champion Pick 'n Pay has claimed that it could knock between four and seven cents a litre off the retail price. This would mean a significant saving to the economy.

Soaring demand from the United States pushed oil prices to 12-month highs of $19.50 a barrel after being below the $13 mark earlier this year.

At the same time the value of the rand has been dropping, portending yet another increase in the fuel price.

The overall effect on the economy of the additional eight cents should not be as painful as previously because it did not include diesel, and paraffin, said Boland...
Petrol price jumps

BY ANTHONY JOHNSON

THE government announcement of an 8c/l petrol hike from midnight tomorrow immediately sparked fears that hard-pressed motorists could be hit with further taxes on fuel on Budget day.

Experts said the increase — from R1.06/l of 93 octane to R1.05/l and from R1.00/l of 97 octane to R1.08/l — would curtail living standards, increase inflation and dampen business confidence. This led to renewed calls for the urgent deregulation of the fuel industry and a transparent pricing system.

Cosatu announced last night that it was convening a special meeting next week with the Minister of Transport and the taxi industry to ensure that the effect of the increase on the public was minimised.

The business community and motor industry generally accepted that the increase — approved by the cabinet yesterday after a recommendation by the liquid fuel task group — had been unavoidable.

Minister of Mineral and Energy Affairs Mr Pik Botha blamed the increase on a higher crude oil price and a worsening rand-dollar exchange rate.

According to an Automobile Association spokesman, who used as an example the Ford Taurus 2.5-litre sedan which gets 9.9km to each litre of petrol, it would take 148c/l of petrol to cover the 1,400km between Cape Town and Johannesburg. At current 93 octane prices this would cost R238.44, and at the increased rate R251.12. For 97 octane, the new cost would be R258.96.

Mr Botha said the price of diesel fuel and paraffin would remain unchanged because many consumers depended on these to meet their basic needs, particularly in winter.

OIL PRICES AT 12-MONTH HIGH

He said the government had made strenuous efforts to avoid the price rise. However, the price paid for petrol at the pumps had been subsidised by up to R4 million a day “for some time now”.

He said the increase should have been 14c/l but the way in which the crude oil cost was calculated had been adjusted and tariff protection for Sasol and Pe-tronel had been lowered to give a saving of six cents a litre.

“When the petrol price was last adjusted on February 28 the landed cost (of crude oil) was 48.644c/l. The exchange rate then was $1 R3.45. The landed cost is now 57.542c/l and the exchange rate at $1 R3.86. That, in a nutshell, explains the situation,” Mr Botha said.

The increase had been proposed earlier this week by a task group comprising representatives from the government, oil refineries, organised commerce, the Motor Industries Federation and the taxi industry.

Reacting to the hike, the AA said fiscal pressure on the government might result in a national budget that increased direct and indirect taxes on fuel, and it was likely the total 1994 petrol price rise would be 12.18c/l.

Cosatu said it regretted that the government had been forced to increase the petrol price, blaming the decision on both external factors and the “massive wastage entailed in Mosgas, subsidisation of Sasol and profiteering by the oil companies”.

The Afrikaanse Handelsinstituut (AH) said every effort had to be made toward a new transparent petrol pricing system that limited state intervention.

The Motor Industries Federation said the hike was “a great pity” but unavoidable.

Shell South Africa said the price rise was part of “the package of restructuring the pricing mechanism in the oil industry, adding that the company supported the gradual deregulation of the industry in National Economic Forum discussions.”
9c petrol rise on coast

Business Staff

CAPETONIANS are in for a double petrol price shock - not only is it going up but the increase will be bigger than that inland.

Oil industry sources confirmed today that the price of petrol in coastal areas is to go up by 9c a litre and not 8c as announced yesterday by Mineral and Energy Affairs Minister Pak Botha.
Cape Town retailers have been told to up their prices by 9c from midnight tomorrow.

Oil industry sources attributed the extra cent to adjustments in Transnet’s PetroNet operation.

No confirmation could be obtained from the department of Mineral and Energy Affairs, whose switchboard operator said today: “There is no-one available until later this afternoon.”

• See page 7.
Depreciation of the rand blamed

Petrol hike shock for SA motorists

BY KADER NYATSUMBA
POLITICAL CORRESPONDENT

The rise in the price of 93-octane petrol — which goes up by 8c a litre from midnight tomorrow — is a result of the continued weakening of the rand against the US dollar, Mineral and Energy Affairs Minister Pik Botha said yesterday.

The announcement, potentially the first unpopular decision taken by the ANC-led multiparty Government of National Unity, was greeted with mixed emotions by the Automobile Association and the South African Chamber of Business (Saccob), with the business body warning that the price increase "will have an inevitable negative impact on the cost structure of the economy".

In a statement yesterday, Botha said the Cabinet had accepted a National Economic Forum (NEF) recommendation that the price of petrol be increased by 8c a litre from midnight tomorrow.

This will raise the price of petrol from the present R1.75 to R1.83 a litre.

However, the price of diesel and paraffin will remain the same because of many consumers' dependency on these commodities, "particularly during the winter season".

Botha said although the Government remained concerned at the prospect of a fuel price rise — especially since such increases directly affected the taxi industry and its clients as well as the cost of transportation — the increase had become unavoidable.

This was because of the continued weakening of the rand against the dollar and the hike in international crude oil prices.

He said that when the petrol price was last adjusted on February 29, the fuel landed cost was 45.4c a litre and the rand-dollar exchange rate stood at R3.45 to a dollar. The landed cost was now 57.5c a litre and the dollar equalled R3.65.

Thus, he said, had resulted in the Government subsidising the petrol pump price by up to R4 million a day "for some time now".

In its reaction, the AA said it was "absolutely essential that the current debate around the rationalisation of the fuel industry be finalised without further delay".

The AA called for deregulation in the industry, and said it now remained to be seen what view the Government will take in next week's Budget on increasing the direct and indirect taxes on fuel as a result of fiscal pressure.

Sascob, which is a participant in the NEF liquid fuel task force, said business reluctantly accepted that the increase in crude prices and the deterioration of the external value of the rand had made the latest petrol price rise unavoidable.

However, the chamber said it had grave concerns about the possible continuation of interventionist policies by the Government.

The Motor Industries Federation said it was "a great pity" that it had been necessary to increase the petrol price, and the Afrikaner Handelsinstituut said every effort had to be made to create a new, transparent petrol-pricing system which would limit State intervention.

The Southern African Black Taxi Association said it had urged Botha not to increase the petrol price without consulting the taxi industry.
Petrol price to increase by 8c tomorrow

The price of petrol would increase by 8c/l at midnight tomorrow, Mineral and Energy Affairs Minister Pik Botha announced yesterday.

He said the rise was unavoidable because of a higher crude oil price and a worsening rand-dollar exchange rate. The price of 93 octane petrol in the PWV region would go up to R1.83/l, but the price of diesel and paraffin would be unchanged.

Economists said the measure would have an inflationary effect which would hinder the 3% growth rate targeted by government.

Botha said the increase should have been 14c/l, but it had been possible to reduce the effect by adjusting the calculation of crude oil costs and lowering tariff protection for Sasol and Petrocor's pipeline.

He said the National Economic Forum's liquid fuels task force's report had been seriously considered, as the increase would affect the taxi industry as well as the cost of transporting goods.

When the petrol price was last adjusted on February 28 the landed cost of crude was 45.44c/l. The exchange rate then was R3.48 to the dollar. The landed cost was now 57.54c/l and the exchange rate had shifted to R2.85. As a result the pump price had been slashed "for some time" by up to 10c a day "to allow for the state of affairs to continue without disrupting supplies to the consumer."

While government was concerned about the economic effects of the price rise, it had been unavoidable.

Ed Hern, radio and strategic economist, said petrol made up about 5% of the consumer price index. "Within six to 12 months the direct and indirect effects will make a difference of about 3% to the CPI."

The risk of any further sharp increases had been obviated largely by the recent stabilisation of the rand-dollar exchange rates and international oil prices.

Another economist predicted the increase would lift the inflation rate 0.2% directly and a further 0.2% indirectly over the next three months.

This inflationary effect meant that interest rates would not come down and "the economy won't grow as quickly as Finance Minister Derek Keys hoped it would."

An analyst said the short-term effect of the increase would not last long. "It should not be badly received by the public, especially as the balance of the underrecovery is being absorbed by the industry."

The SA Black Taxi Association said it had warned Botha not to unilaterally announce a price increase "in the interests of peace and stability."

A spokesman said nothing had changed since the tax blockades that greeted the last petrol price increase. If the price was increased without special assistance to the taxi operator "we cannot rule out the possibility of further blockades."

Cosatu said it was extremely concerned. "Government and business need to take steps to alleviate the effect of the increase in relation to the taxi industry, and to prevent exploitation of consumers."

It was convening a meeting next week with the Transport Minister and the taxi industry to ensure that the extent of the increase on the public was minimised.

The Automobile Association stressed that it was essential that the current debate around the rationalisation of the fuel industry be finalised without further delay.

SASCO said the increase would have an inevitable negative effect on the economy's cost structure. But business reluctantly accepted that it was unavoidable.
Deregulation demands follow petrol price rise

THE latest hike in the petrol price has widened and intensified calls for the fuel industry's deregulation.

Commerce and industry yesterday expressed grave concern at government's continued interventionist policies, saying this would take its toll on investor confidence and adversely influence the exchange rate.

Sabo said the present need for a fuel price rise was an example of the negative effect of such policies.

Business reluctantly accepted that an increase in crude prices and a deterioration of the external value of the rand made the price rise unavoidable.

The Automobile Association said it was "absolutely essential" that the current debate around the rationalisation of the fuel industry be finalised without further delay.

A market-driven, deregulated fuel industry, devoid of the current inefficiencies contained in the in-bond landed cost (IBLC) pricing mechanism, would substantially reduce the pressure to increase fuel prices as a result of higher crude oil prices.

It warned that fuel prices could increase in total by between 12c/l and 15c/l this year.

Transnet economist Mike Schussler said the basic SA fuel price was $0.085 (30.5 SA cents) more expensive than the average European price on the current formula.

"We use Singapore postings in setting prices where the Europeans use Rotterdam and Mediterranean prices," said a spokesman for the South African Petroleum Refineries Association.

The equalisation fund, which provided tariff protection to Sasol and Mossgas, also made fuel expensive.

"This has got to be phased out over time," Schussler said.

There were a lot of vested interests in the local oil industry whereas in Europe many of the fuel markets were already deregulated.

"We cannot accept that decisions of such magnitude can be made without proper consultation and examination of the alternatives," Sabta said.

One alternative, said Sabta spokesman Jacob Ledwaba, was for taxi associations to form co-operatives to own "consumer pumps".
Fuel hike a warning against govt intervention
Petrol price hike higher along coast

By ANTHONY JOHNSON
Political Correspondent

MOTORISTS living close to the coast face a 9c/litre hike in the price of petrol from midnight tonight — and not 8c/litre as announced earlier.

Coastal motorists still pay less than motorists inland who have to contribute towards the cost of piping petrol from the coast, where it is landed, to the interior.

A Department of Mineral and Energy Affairs spokesman said yesterday it had been possible to restrict the increase to 8c/litre only “in a few inland zones, including the PWV”.

The lower increase for these areas was possible because Petronet had agreed to reduce its pipeline tariffs by nine percent, resulting in an additional 1c/litre reduction in the PWV area.

Questioned about whether much of the petrol inland did not come from Sasol anyway, the official said although this was the case it was not possible to have a two-tier pricing system in a particular region.

Minister of Mineral and Energy Affairs Mr Pik Botha said “the government remains concerned at the prospect of a fuel price increase especially as any increase directly affects the taxi industry and its clients as well as the cost of transport of persons and goods”.

Eunica Rider reports that taxi industry representatives said the petrol price hike had been sprung on them without warning and left too little time to inform commuters of fee increases.

They appealed last night to the government for subsidisation.

National president of the Federated National Transport Organisation Mr Lennox Magwaza said at least a month was needed to inform the millions of people who used minibus taxis and were hardpressed, that it was necessary to increase fares.

It would be the first fare increase in three years, he said.

He also appealed to the Department of Transport to speed up the process of subsidising the “suffering” black taxi industry so the benefit could be passed on to commuters.

Fuel hike a warning against govt intervention — Page 15
Taximen angry over fuel hike

BLACK taxi associations have asked for an urgent meeting with Mineral and Energy Affairs Minister Pik Botha to discuss the 8c/l increase in the price of petrol from midnight today.

The SA Black Taxi Association and the National African Federated Transport Organisation have expressed shock at the hike and have vowed to protest against the decision.

They demand, among other things, that the black taxi industry be subsidised.

In announcing the increase, Botha said the rise was unavoidable because of a higher crude oil price and the worsening rand-dollar exchange rate. He said the Cabinet had accepted a recommendation by the National Economic Forum that the price of petrol be increased by 8c from midnight today.

This will raise the price of petrol from the present 1.75 to 1.83 a litre. However, the price of diesel and paraffin will remain the same.

The associations said the announcement was probably the first unpopular decision taken by the African National Congress-led Government.

They said the move would force consumers to dig deeper into their pockets.

Sabinet’s national treasurer, Mr Joe Mabaso, said taxi owners were angry because they were not consulted when the Minister increased the petrol price. He said the taxi industry would hold protest actions outside Government buildings if their demands were not met.

Nafo president Mr Peter Rabals said Botha should give "special concessions" to the taxi industry.

The Motor Industries Federation said it was "a great pity" that it had been necessary to increase the petrol price.

The Afrikaanse Handelsinstituut said every effort should be made to create a new petrol-pricing system which would limit Government intervention.
The price of petrol went up at midnight — but, the increase heralds a renewed attack on South Africa’s fuel regulations which, if successful, could save motorists 21c a litre.

BRUCE CAMERON
Business Editor

OIL company Engen has joined forces with Pick ‘n Pay in a renewed attempt to break the bastions of fuel regulation — a move which could save motorists 21c a litre on petrol.

Pick ‘n Pay has ignored the midnight 9c a litre price hike announced by Mineral and Energy Affairs Minister Pik Botha and will sell existing stocks at its outlets at the old price “until the tanks run dry”.

Engen, the only locally-owned petrol producer and retailer, has appealed to its outlets to do the same.

Stocks could last for up to four days.

And, the South African Black Taxi Association (Sabta) has warned that the fuel price rise may lead to protest action by taxi operators.

In a toughly-worded statement, Engen chief executive Rob Angel warned that continued regulation was jeopardising economic recovery and discouraging foreign investor confidence. This, in turn, would limit the success of the Reconstruction and Development Programme.

Pick ‘n Pay joint managing director Gareth Ackerman said he would not be challenging the government, but his company would reconsider its options if a change of heart did not come soon.

In the meantime, he would refuse to put up the price on existing stocks because “we don’t believe we should be forced to make a profit from consumers”.

In the last row over deregulation, the former government took action to close down Pick ‘n Pay petrol stations for discounting petrol.

Mr Angel said. “Consumers are still subsidising the synthetics industry at unacceptably high levels of 9c a litre. At least 6c a litre could be saved if the synthetics industry operated on a cash break-even basis.”

A further 15c a litre could be saved by scrapping other regulatory mechanisms.

“The industry is being called upon to make continual sacrifices in terms of its already modest margins, while state-owned enterprises and a highly profitable company like Sasol continue to reap the benefits of unacceptably high subsidies.”
**Fuel price: big firms hit back**

The price of petrol went up at midnight — but the increase has prompted a renewed assault on fuel regulations which could mean savings of 21c a litre for motorists, BRUCE CAMERON reports.

Pick ‘n Pay and Engen have combined to make a renewed attempt to storm the bastion of fuel regulation — a move which could save South African motorists 21c a litre on petrol.

Pick ‘n Pay had ignored the midnight 6c price increase and will sell existing stocks at its outlets at the old price “until the tanks run dry”. Engen, on the other hand, will keep its price increase, which is 15c more than Pick ‘n Pay’s, in place.

In a toughly worded statement, the chief executive of Engen, Bob Angel, warned that continued action was jeopardising economic recovery and discouraging foreign investment.

This in turn would limit the success of the Reconstruction and Development Programmes.

Pick ‘n Pay joint managing director Garth Ackerman said he would not be challenging the Government this time but would reconsider his options if a change of heart did not come soon.

However, he would refuse to put up the prices of existing stocks because “we don’t believe we should be forced to make a profit from consumers.”

**Stations closed**

In the previous dispute over deregulation, the former government took action to close down Pick ‘n Pay petrol stations for disregarding petrol.

Ackerman said: “Customers are still establishing the petroil industry at unacceptable high levels of the a litre for petrol. A further 15c a litre could be saved if the petroil industry operated on a cash break-even basis.”

A further 15c a litre could be saved by scrapping other regulatory mechanisms.

The industry is being called upon to make continual sacrifices in terms of its already minimal margins, while State-owned enterprises and a highly profitable company like Sasol continue to reap the benefits of unacceptable high subsidies.”

Engel said all companies had re-trenched staff and undertook site closures as a result.

“We cannot be expected to continue to participate in a process of forced self-sacrifice to the detriment of shareholders, employees and the industry as a whole,” Engel said.

Ackerman and Angel said deregulation would assist the Government, as it would no longer be faced with making highly charged political decisions. “They could just take the tax.”

Ackerman also announced that his company was contemplating going into the fast industry, marketing petrol under its own name, but he said it was being led by the regulation of the industry. This included the regulations under which petrol companies had to operate and the extent to which they could refuse to renew licences. Engen, he said, could be held responsible for refusing to renew Pick ‘n Pay’s licence.

Engel said that if his company was held responsible for refusing to renew Pick ‘n Pay’s licence, he would also be held responsible. Engel said that Pick ‘n Pay’s actions were “promising progress” had a number of shareholders and had not been concerned with the interests of other companies. Engel said that Pick ‘n Pay’s actions were “promising progress” had a number of shareholders and had not been concerned with the interests of other companies.

Engel said that Pick ‘n Pay’s actions were “promising progress” had a number of shareholders and had not been concerned with the interests of other companies. Engel said that Pick ‘n Pay’s actions were “promising progress” had a number of shareholders and had not been concerned with the interests of other companies.

If the Government did not change its policy, Engel said, he would continue to do nothing until it was clear the Government did not change its policy, Engel said, he would continue to do nothing until it was clear the Government did not change its policy.
Fuel industry prepares to fight the rules

By KEVIN DAVIE

THE implication of the regulated fuel industry is imminent, say industry leaders. 

Key members of the National Economic Forum (NEF) say Pick 'n Pay will soon offer discount fuel and Engen will follow.

All companies are said to have contingency plans for a price war. 1911-1914

One source says Pick 'n Pay's legal advice is that fuel regulation can be challenged on constitutional grounds.

Sataba's Jacob Letswaba says minibus taxi operators are angry about the 8c/l fuel-price increase.

Sataba will try "to contain the situation", but the frustrations of individual taxi operators may be shown in protest action.

Sataba wants to operate its own fuel depots on the lines of its competitor, Petco.

Engen's Rob Angel says fuel users are subsidising Sasol at unacceptably high levels -- 9c/l.

"At least 6c/l could be saved if the synfuels industry operated on a cash break-even basis."

Mr Angel says scrapping other regulations could save users at least a further 15c/l.

Paul Theron, of the ANC-aligned Minerals and Energy Policy Centre, says Sasol's "tariff protection subsidies are too high."

"Every cent of subsidy reduced is an extra cent in the pocket of the consumer."

Sasol says a price war is unlikely because fuel discounting is illegal.

"Should one of the players hold the opinion that the current laws conflict with the new constitution, this would have to be placed before the Constitutional Court, which could be a lengthy process."

"We assume current laws will be enforced."

Sasol says it does not receive subsidies.

"Tariff protection allows synfuels a moderate return on assets (9.5% after tax for the six months to December)."

"As an active member of the NEF team Sasol made a contribution to cushion the effect of the 14c/l increase which would have been necessary as a result of rising crude prices."

Pick 'n Pay's Gareth Ackerman says fuel regulations is a "political albatross" around the government's neck.
More petrol shocks around the corner

MICK COLLINS

Higher crude oil prices and a weak rand were likely to lead to more petrol price rises, SA motorists were warned at the weekend.

They said further crude oil market and the poor performance of the local currency would lead to another price increase.

The position was being exacerbated by government's reconstruction and development programme which would place more pressure on the fuel.

With only 7% of total government revenue coming from fuel as against 8% to 9% in some other counties, government would start looking at the fuel price for more cash, an industry source said. The current fuel tax was 60c/l.

One analyst said any further increase would be held in the 2c/l to 4c/l range. With summer in the US and Europe, he saw oil stabilising at $37 a barrel. The rand was expected to peak out at about R3.70 to the dollar. It closed at R3.693 on Friday.

But on wholesale and retail margins for the industry, he said the last increase for both these elements was in October 1993, so there could be further pressure from the oil companies. An adjustment to the in-bond landed cost and the capping of the equalisation fund at 7c/l should hold overall increases at the 5c/l level.

KATHRYN STRACHAN reports that in

Petrol

apparent defiance of Mineral and Energy Affairs Minister Pik Botha's threat to take legal steps against stations selling petrol at old prices, Pick 'n Pay yesterday vowed to continue to sell at the old price until its tanks ran dry. However, stations are expected to be depleted today.

Pick 'n Pay's MD, Gertish Kornblum, challenged government to immediately deregulate the retail price of petrol and enable the market to set its own price.

Botha said that if deregulation was the answer, it had to be introduced in a structured way. The interests of all parties had to be taken into account, in particular those of smaller operators, which could not endure price reductions without being forced out of business.

All these matters had to be canvassed within the National Economic Forum, he said, but in the meantime order had to be maintained in the industry.

Motor Industries Federation executive director Vic Foure warned that if Pick 'n Pay and Engen sold petrol at the old price they would be breaking the law, and it was the seller who would become liable for prosecution, not Engen.

Foure was "surprised" at Engen going against a decision it had supported only days earlier. Engen had played a direct role in putting together the structure of the new price right up until the announcement of the increase last Wednesday.
Fuel price increase puts spotlight on industry

Pressure mounts for deregulation

BY JOHN SODERLUND

Although a showdown between the Ministry of Mineral and Energy Affairs and fuel retailers Pick ’n Pay and Engen has been narrowly averted, pressure is mounting for the deregulation of the fuel industry from both Government and industry quarters.

Pick ’n Pay and Engen last week undertook to sell petrol at the old price until their tanks run dry — probably today. Pick ’n Pay joint MD Gareth Ackerman told Mineral and Energy Affairs minister Pik Botha late last week amid threats of government action against delinquent fuel retailers.

But pressure has been mounting for the deregulation of the industry from all quarters, a move which Ackerman has repeatedly damned would enable retailers to lower the price.

MINISTER asks for substantiation of figures in the NEF’s recommendation that the fuel price be increased

At stake are the jobs of pump attendants and the financial buoyancy of synthetic fuel producers Sasol and Mossgas, which are effectively propped up by government subsidies derived from centralised fixing of the pump price.

Sources in the ministry say Botha is a bigger supporter of deregulation than his predecessor, George Bartlett, who ran a gauntlet of criticism following his handling of last year’s fuel price increase. The Cabinet last week charged the National Economic Forum’s liquid fuels task force to make submissions on a number of issues relating to the regulation of the industry and, in a statement this weekend, Botha asked for substantiation of certain figures in the NEF’s latest recommendation that the fuel price be increased by 5c a litre.

There is reportedly increasing pressure from Government sources to hear proposals for a restructuring of the industry.

Weekend newspaper reports suggested aspects of the regulation of the fuel industry could be challenged in a constitutional court, but this would be a very drawn-out process given that the constitutional court itself is unlikely to be established before the end of the year.

The upward trend of oil prices and a weakening rand is likely to lead to further fuel price rises before deregulation begins.
More petrol rises forecast

Own Correspondent
Johannesburg. - Higher crude oil prices and a weak rand were likely to lead to more petrol shocks for SA motorists, economists warned at the weekend.

They said firmer crude oil markets and the poor performance by the local currency would lead to another price increase.

The position was being exacerbated by the government's Reconstruction and Development Programme which would place more pressure on the fiscus.

With only 7% of total government revenue coming from fuel as against 8% to 9% in some other countries, the government would start looking at the fuel price for more cash, an industry source said. The current fuel tax was 60.9c/l.

One analyst said any further increase would be held in the 2c/l to 5c/l range. With summer in the US and Europe, he saw oil stabilising at $17 ($81.2) a barrel. The rand was expected to peak out at about R3.70 to the dollar.

But on wholesale and retail margins for the industry, he said the last increase for both these elements was in October 1993, so there could be further pressure from the oil companies.

And in apparent defiance of Mineral and Energy Affairs Minister Mr Pik Botha's threat to take legal steps against stations selling petrol at old prices, Pick 'n Pay yesterday vowed to continue to sell at the old price until its tanks ran dry. However, stocks are expected to be depleted today.

Pick 'n Pay joint managing director Gareth Ackerman challenged the government to immediately deregulate the retail price of petrol and enable the market to set its own price. Mr Botha said that if deregulation was the answer, it had to be introduced in a structured way.

The interests of all parties had to be taken into account, in particular those of smaller operations, which could not endure price reductions without being forced out of business.

All these matters had to be canvassed within the National Economic Forum, he said, but in the meantime order had to be maintained in the industry.
AN URGENT meeting between the South African Black Taxi Association and Mineral and Energy Affairs Minister Mr Pheki Botha will be held next Monday to address taxi drivers’ opposition to this weekend’s fuel price increase.

Sabta has warned of protests if the meeting fails to arrive at an “action plan of relief” for the industry.

Sabta’s main complaint is that the industry was not consulted when the minister decided on the eight-cents-a-litre hike.

**Situation is volatile**

“The situation is volatile,” Sabta told Botha in a letter this weekend.

“Sabta will do all it can to contain the situation but it must be anticipated that the frustrations of individual taxi operators may again manifest in protest action,” it added.

The association says that it is “imperative” for Botha to discuss with the industry ways in which the burden of regular petrol price increases can be eased.

Sabta added that at the time of the last increase, the industry was “bought off” with promises of investigations which never took place.

Meanwhile, retail giant Pick’n Pay and local fuel supplier Engen have been warned by Botha that their refusal to comply with the price hike may result in court action.

**Old prices**

Pick’n Pay has said that it will continue selling fuel at the old price until stocks at its 14 outlets run out.

Engen has vowed to do the same.

Pick’n Pay expects to start selling new stock by June 30, for which they will charge the new price.

The supermarket chain says it will continue its 20-year fight for the deregulation of the industry.
Controls start to crumble

The petrol price would have increased by more than 8c/l announced this week if not for concessions made by important players. The oil companies, Sasol and Mossgas and pipeline company Petroinet agreed to accept smaller margins which saved a further 8c/l price rise.

This shows flexibility in what has been a tightly regulated system for setting the price.

Confirmation of a new approach to the pricing system came in yesterday's statement by Minister of Mineral & Energy Affairs Piek Botha. He proposed petrol price administration be delegated to a future national petrolum authority representing all stakeholders. This would depoliticise the issue.

And government directed the liquid fuels task force of the National Economic Forum to prepare a report on possible deregulation by August. Related investigations should be complete by end-November.

An increase in the petrol price — now 183c/l for 93-octane in the PWV zone — came after a rise in dollar oil prices (see International Markets) and a fall in the dollar-rand rate. Since the previous price decrease on February 28, the exchange rate has dropped from R3.43 to R3.65 a dollar, while the key price of Brent crude has risen from US$14.3 per barrel to over $17. The combined effect was that the Slate (running account kept by the oil companies) was subsidising consumers by R4m a day — a clearly unsustainable situation.

The important concessions affecting the petrol price are:

- A revision in the calculation of the unbound landed cost formula. This is used to establish a notional price for imported petrol. Notably, the freight tariffs used have been switched from the general purpose freight rate to a medium range tanker freight rate, which saved 1.5c/l. The cost will be borne by the liquid fuels industry.
- A 5% reduction in Petroinet's pipeline tariff will save 1.2c/l in the PWV and smaller savings in places closer to the coast along the pipeline route to Durban, and
- Sasol and Mossgas have agreed to 0.5c/l reduction in their tariff protection (The rise in the oil price has significantly reduced their capital cost of automating petrol pumps will afford some protection to pump attendants, especially at smaller petrol stations.

A breakdown of the price after the latest adjustment (see graph) shows the biggest single component is fuel tax at around 33%. Two percent goes to Customs & Excise. Landed cost makes up just over 30%. These elements combined comprise two-thirds of the current price.

The tax take of around one-third is not excessive by European standards.

Despite pressure from the taxi industry, government is likely to retain the tax, which is cheap to collect and impossible to evade. As an indirect tax, it helps to maintain a sound balance between total indirect taxes and taxes on incomes.

If SA wants to minimise petrol price shocks in future, it should ensure sufficient economic discipline, especially in wage demands, to reduce the inflation rate to that of its main trading partners. Then the only real external influence will be the oil price.

INTERNATIONAL MARKETS

Ghosties and ghoulies

Haunted by fears of inflation as commodity prices reached record highs, international investors pulled out of bond and equity mar-
Cigarette price rise leads to retail row

AMANDA VERMEULEN

A FEUD has erupted between cigarette manufacturers and retailers after last week's cigarette price rises over and above the excise hike announced in the Budget.

Pick 'n Pay and Shoprite/Checkers accused Rembrandt and United Tobacco Company (Unito) of "increasing the price of cigarettes by between 5% and 10%".

Pick 'n Pay joint MD Garein Ackerman called for an investigation of "monopolistic price-fixing".

"The cigarette manufacturers must be called upon to justify these increases."

Shoprite/Checkers said consumers might be misled into believing that the retailers were responsible for the increases.

Rembrandt SA MD Daan Prins said the price had increased by only 3.5%, well below inflation estimates and just over half of last year's 7% increase.

Prins said that a cigarette price increase had been due as the company had not raised the price since July last year.

He said a multiplier effect on the 3.5% increase had resulted in higher excise, VAT and margins to the wholesaler and retailer, ultimately raising the price paid by the consumer.

The price increase could increase volumes, putting earnings under pressure. "We take the view that although the short-term effect could be negative, our efforts to grow the market by keeping our increase down will pay off in the long term."

Unito spokesman Hilary Thompson said the retailers' claims were spurious, adding that the manufacturer's price to the retailer, through the wholesale network, was determined by market forces.

Allegations that the cigarette manufacturers had colluded to fix prices were "simply not true", she said.
Inflation at 7.2%, but food prices jump
Food inflation climbs to 10.3%

BY CLAIRE GEBHARDT

Food inflation is now the biggest culprit behind the rising consumer price index (CPI).

Central Statistical Service figures, released yesterday, show the annual increase in the CPI for May was 7.2 percent (April 7.1 percent).

Although economists welcomed the better-than-expected figure, they were concerned about food inflation, which soared to 10.3 percent.

Meat

The big rise in food prices was attributed to a hefty rise in the price of meat, which now costs 16.3 percent more than a year ago.

Meat showed the biggest increase of all food categories, on both a monthly and an annual basis.

The food inflation rate for May was 1.5 percentage points higher than the corresponding rate for April of 8.8 percent.

Excluding food, the rate of inflation was 6.5 percent.

Food prices at chain stores showed an annual increase of 10.4 percent — above the food inflation rate and above the food price inflation at other retailers of 9.5 percent.

Figures show that, on an annual basis, the chain stores had a higher increase for tinned food, cheese, oils and fats of 8.3 percent (7.4 percent for other retailers).

Ed Henra, Rudolph economist, said higher meat prices could be attributed to farmers rebuilding their herds decimated by drought.

Nick Barnardt said meat inflation could rise to about 20 percent by year-end, which should pull food inflation up towards 12 percent.

However, along with other economists, he is forecasting an average inflation rate of around 8 percent for the year as a whole.

On a monthly basis, the CPI increase of 0.6 percent is attributed to increases in the price of food (0.3 percent), housing (0.1 percent), transport (0.1 percent) and all other items (0.1 percent).

Retail trade figures released yesterday show that the total value of sales for March amounted to R8.2 billion — 5.8 percent higher than the expected R7.8 billion forecast by major retailers.

Period

Retail trade sales in the first three months of the year were 1.7 percent higher at R15.238 billion, against R14.971 billion (at constant 1990 prices) in the same period a year earlier.

However, in comparison with the previous three months, seasonally adjusted retail trade sales of R16.51 billion in March 1994 quarter were 1.6 percent lower than the December 1993 quarter's R16.772 billion (at constant 1990 prices).
Bid to control housing prices

JOHANNESBURG — A voluntary compact to control housing prices in South Africa has been proposed by the government.

Housing Minister Joe Slovo’s special adviser Billy Cobbett told a conference in Midrand that this would be especially necessary in periods of increased activity in the housing industry.

“The government has a political responsibility. In the absence of voluntary co-operation we will have to examine other alternatives.”

The conference, organised by the National Housing Forum, responded positively to Mr. Cobbett’s proposal.

Mr. Cobbett was the keynote speaker, replacing Mr. Slovo, who could not attend. He said the compact should involve mainly the construction and supply sectors of the housing industry. Its aim should be to control and manage prices.

“If the state’s support is required for such a compact, the state’s support will be there.”

The compact should be inclusive, involving all other sectors affecting prices.

Mr. Cobbett said the inflation of prices was a “real danger” in any effort to address housing backlogs. — Sapa
Shopkeepers charge more

Smokers huff and puff over increases

BY ZINGISA MKHUMA
CONSUMER REPORTER

Angry smokers have complained about being made to pay twice as much “sin tax” by greedy retailers who are charging them more than the recommended retail price for cigarettes.

The tobacco industry was slapped with a 25 percent increase on June 22 by Minister of Finance Derek Keys. As a result, the price of a pack of 20 cigarettes went up by 14c while a pack of 30 increased by 30c.

However, some retailers, especially cafe owners, were charging customers as much as R1 more for a pack of 20 cigarettes and R1.15 for a pack of 30.

A Star staffer refused to pay R5.45 for a 30c packet of Chesterfield at a Dunkeld West shopping centre cafe this week. The recommended selling price for this brand is R4.30.

The Consumer Council has received many similar complaints from consumers, and warned people to take note of the recommended retail prices which were advertised by manufacturers in newspapers on June 24.

The council emphasised that it did not encourage smoking but pointed out that although the recommended prices were not compulsory, consumers could save by not paying extravagant prices for cigarettes.

According to the council the 30c increase in the price of cigarettes already included an additional 5.5c profit for wholesalers and retailers.

Intercontinental Tobacco Company manager Ernst Sigler confirmed that the new prices had an 11 percent profit margin built into them, but if retailers wanted to make more profit they could do so.

“We placed an advertisement in the paper for the simple reason that not every brand went up with the same percentage. But we can’t enforce those recommended prices because we do not have standard pricing laws,” he said.
Producer prices rise sharply

By AUDREY D. ANGELO
Business Editor

THE producer price index (PPI) rose sharply to 7.5% year on year in May from 6.5% in April, due mainly to the weaker rand and higher world oil prices. They helped push the imported component up by 1.7% month on month to 4.7% year on year.

But higher prices for meat and vegetables helped push up the local component by 3.1% year on year and 1.2% month on month.

The PPI was higher than economists expected and some predict that it will reach 10% by year end.

Pointing out that meat prices are now 20% higher than at this time last year, Old Mutual economist Johan Els said: "We were expecting prices to rise as farmers built up their herds again after the drought, but this is more than we expected. It should taper off a bit soon."

"Overall, the PPI is heading for an average of between 7.5% to 8% for the year, which is not too bad."

"It implies upward pressure in the Consumer Price Index, which we expect to bottom out this month or next."

Sanlam chief economist John Low said the PPI was at its highest level since April last year and he expected it to reach 9% by year end. "Everything is pointing to it being in double digits by next year."

"The main reason for the rise in the PPI was the higher imported component, due to the weaker rand and higher oil prices. Fortunately, inflation expectations are still subdued."

"Even in the US, inflation won't go above 3% or 4% from the present 3%. I think people in the US are less concerned about inflation. Wages and salary rises there are still very subdued."

"Japan has virtually no inflation, it is very low in France, and the UK and Germany are starting to win the fight."

"So we shall not be importing inflation except through the weakening rand."

The movements of the rand over the next 12 months will not depend on what is happening to the capital account of the balance of payments and to the dollar.

The rand could stabilise if the capital account improves. "If we abolish the financial market, the rand will put downward pressure on the commercial rand but I don't think that will happen before the middle of next year. By that time we should have reduced the gap between the commercial and financial."

Southern Life economist Sandra Brakensiek said deflationary expectations 'just can't be picked up at short period' and the PPI to be "by year end and to average 7% for the year."

She expected the rise in fresh meat prices to slow in about two months. "The 8.4% month on month rise in vegetable prices is understandable."

Nick Bremont, economist with stockbrokers Ed Fiori, Rudolph, said he expected the PPI to be close to 10% by year end, and the CPI to be 8.8%."
Double-digit inflation feared next year

Producer prices sharply higher

THE impact of rocketing food prices — meat is up 40 percent on last year — is expected to feed through into the consumer price index (CPI) almost immediately.

BY CLAIRE GEBHARDT

Producer inflation jumped sharply to 7.5 percent in May — its highest level in eleven years — according to the Central Statistical Service (CSS). In April 1983, the producer price index (PPI) was 7.9 percent.

Economists yesterday said the big increase was disconcerting and raised the spectre of double-digit inflation next year. (214)

However, the impact of rocketing food prices — meat is up 40 percent on last year — should feed through into the consumer price index (CPI) almost immediately.

Historically, the PPI has been on an uprend since October last year when it bottomed at 5.4 percent.

Figures released by the CSS yesterday show that the prices of locally produced commodities had an annual rate of increase of 9.1 percent for May. Thus is 1.3 percentage points higher than April's 8.2 percent.

On a monthly basis, the increase is 1.2 percent.

The imported component of the PPI rose at an annual rate of 4.7 percent in May, compared with 3.1 percent in April.

On a month-on-month basis, the increase was 1.7 percent.

Economists said the rise in the imported component was underpinned by a big drop in the value of the rand and a steady rise in the dollar price of oil.

Frankel Pollock Vinderine economist Mike Brown said the rise in the imported component indicated that South Africa was in the early stages of an upswing in imported inflation, which needed to be watched very carefully.

He said the sharp rise in the PPI over the first 5 months of the year would translate into double-digit inflation six months down the road.

"We were expecting the CPI to be about 11 percent by the end of 1985 and there is nothing in the current trends to make us change our minds," he said.

Sanlam economist Johann Louw said the big increase in the local component was the result of sharply higher prices for agricultural products, particularly meat, but that vegetables and dried beans were also up by 42 percent on figures for May 1983.

"It is clear that we have passed the lowest point in the inflation cycle and everything points to double-digit inflation next year," Louw said.

Unlikely to drop in coming months, indicating that the PPI for the rest of the year would probably remain at its higher level.

"Although imported inflation has increased more sharply than local inflation, it has a weighting of only about 40 percent in the index." Louw said that although there was normally a six-month lag before the PPI numbers fed through into the CPI, food price increases would work through much sooner and would be reflected in next month's consumer inflation figures.

Southern Life's Sandra Gordon said the PPI figure far exceeded the 6.8 percent forecast by most economists.

She said most of the import inflation could be found at the commodity level rather than at the manufacturing level.

"So we can expect a fair amount of the impact of the weak rand on the manufacturing level in coming months," Gordon said she was expecting the PPI to be over 9 percent by year-end.

"The Reserve Bank's latest Quarterly Bulletin attributes a large chunk of the PPI to private-sector wage increases and these have obviously picked up quite a lot since the election."

UWL economist Dennis Dykes said if rocketing meat prices were to be attributed to farmers re-stocking their herds, it was taking a far amount of time, given that meat prices had been steadily rising since June last year.

"On a year-on-year basis, meat prices were 8.5 percent up in November last year, whereas in the May CPI the figure was 16.3 percent," he said.
Producer inflation surges to year high

MAY's producer inflation surged to the highest level in a year, reaching 7.8% from April's 6.3%, Central Statistical Service (CSS) figures showed yesterday.

Economists had expected the sharp rise as the rand's depreciation and higher oil prices had started fueling the imported component of the producer price index (PPI). Imported inflation showed an annual rate of 4.7% (3.1%).

This was exacerbated by accelerating inflation of locally produced commodities, which rose to 8.5% (6.6%). Locally produced commodities enjoyed an 80% weighting in the index.

The CSS said the overall producer inflation rate was up 1.3% month on month. The culprits were relatively large increases in the case of agricultural, mining and quarrying products, food products and manufacturing and transport equipment.

But a monthly decrease in the price index for electricity had helped counterbalance these, it said.

Afrikaanse Handelsinstituut economist Johan Rossouw said the May figure was not totally unexpected, but the relatively sharp 8.1% rate in the price level of locally produced commodities was worrying. If the rise was because of insufficient production capacity then SA was set for accelerating inflation, with pressure from a burgeoning economy's production demands.

Rand Merchant Bank economist Rudolf Gouws said that in the light of faster wages and salary increases, stronger demand driven by increased economic activity and evidence of wider profit margins, it was inevitable that producer inflation would start to move upward. He forecast a rate of about 8.5% or 9% by December.

"But we are not at a point where inflation is running away from us."

Old Mutual economist Dave Mohr said the time had arrived when one could expect some rebound in inflation, but he predicted an average rate of between 8% and 9% for the year.
Building material prices may rise

There are signs that smaller manufacturers of building materials are preparing to introduce price increases which could seriously damage government's low-cost housing initiatives.

Contractors were told recently of a proposed 50% increase in the price of certain types of bricks over the next five months, but the manufacturers Cobrak and Cullinan promised restraint.

Building Industries Federation of SA executive director Ian Robinson said news of proposed price hikes was staggering.

"Major construction industry players met last week to discuss government's call to clamp down on price hikes in building materials. It was agreed that they would be kept to acceptable levels," he said.

The trend towards significantly higher prices was evident in figures released at the weekend by Stellenbosch University's Bureau for Economic Research (BER).

They showed that building costs rose 12% in the second quarter compared with the same quarter last year.

BER economist Nils de Jager warned that building costs could soar 18% next year and more than 20% in 1997.

Cobrak Association executive director Nic Louw said brick price increases were inevitable in view of tough trading conditions in the past four to five years.

Manufacturers had been operating at 46% capacity and many businesses were forced to use lower priced products. "Most operations during that period were supported by government tenders for schools and clinics, as few houses were built in the past year."

Prices had been kept low and the current increase should be seen against a background of overall increases in product pricing. The latest increase was a result of producers providing for expansion, which meant a larger labour force and new machinery and peripheral costs.

Bravo Bricks MD Jacques Van Deventer

---

Building that building costs could soar 18% next year and more than 20% in 1997.

Cobrak MD Errol Rutherfore said the association had increased prices between 5% and 6% in April, and while there was always the temptation to put up prices further, the industry had to be responsible.

Cullinan Bricks spokesman Michael Berg said his company would not increase its prices. It was likely to have a board review in October but this would not automatically lead to a price increase.

Concrete Masonry Association spokesman Patrick Kelley said a co-ordinated price increase in the concrete brick and block manufacturing industry was unlikely as all operators were independent.

Prices for stock bricks were unrealistically low and could improve with better economic conditions.
The average price increase over the last 25 days is 3.4%.

BusinessATCH

FIGURES CAN BE MISLEADING

NO THE WAY WE AGAIN SIMPLIFYING PROBLEMS BY THE

ARGUS CHECKLIST SHOWS FOOD PRICES HAVE SOARED

Trolley For Trolley

STILL ROCKET

COST OF LIVING
Local meat to cost more

CONSUMERS are likely to have to pay about 7c a kilogram more for red meat slaughtered at the Maitland abattoir — ironically as a result of a plan to slash slaughter tariffs there by about 31%.

Abattoir director Dr Walter van Heerden yesterday explained the two different types of fees that the abattoir charges.

A drop in the slaughter fee paid by farmers meant that the trade tariff paid by the meat wholesaler and eventually passed on to the consumer, would initially have to be increased to make up the shortfall, he said.

In effect, a small portion of costs were being taken off farmers and passed on to consumers.

Yet if the plan worked, the lower slaughter fees should attract a lot more business. Then “we will look at reducing the trade tariff”, he said.

Dr Van Heerden said the plan to lower slaughter tariffs had originated from the management of the abattoir, “in my office”, and the unions had taken up the plan and presented it to the council.
Producers hit back at Manuel

BY CLAIRE GEBHARDT

Ex-factory cement price increases have been below the consumer price index (CPI) for eight years and are expected to remain so in 1994, says the Cement Producers Association.

In swift reaction to comments by Trade & Industry Minister Trevor Manuel that the cement cartel could soon come under review, the association's executive director, Graham Mitchell, says producers are determined to keep prices affordable. "Each year since 1986 we have been able to hold price increases below the level of the CPI and don't foresee 1994 being an exception."

Mitchell says although cement only makes up 3 percent to 8 percent of the building costs of a home, the association is committed to working together with the Government and other stakeholders to ensure the success of the RDP, not only in the immediate term, but well into the future.

"One of the major benefits of the co-operative arrangements of cement producers is that we can ensure uninterrupted supplies of affordable cement on a national basis in the short-to-medium term without any major new investment."
The unpredictable climate — from drought to frost — has set off a steep spiral in the food inflation rate. Throw in a rodent plague and heavy rains in some areas and watch as red meat and fresh produce prices soar. Food comprises almost 19% of the consumer price inflation rate and, with some wholesale prices starting to hit record levels, the inflation rate should soon show the effects of the surge.

Red meat prices are rising (beef is up 20% in the past year, compared with overall inflation of just more than 7%) as farmers hold back stock for fattening and breeding after last summer’s excellent rains. In the case of fresh produce (mainly winter vegetables grown in the Lowveld and northern Transvaal), the combination of a severe, ongoing drought and the heaviest frost in three decades has virtually wiped out some crops and caused some prices to quadruple.

"There is an absolutely critical shortage of virtually all types of green vegetables, with potatoes, beetroot and carrots soon to follow suit," says Vito Rugani, chairman of the SA Agricultural Union's vegetable committee.

"Apart from the severe frost damage, the southern Lowveld — the Transvaal's winter pantry — is bone dry. The Crocodile and Komati rivers have almost stopped flowing and I doubt whether the area is producing at 20% of normal levels. June's freezing weather hit right up to the Limpopo River, while subtropical Komatipoort had a few nights of subzero temperature, killing off banana trees."

With the Lowveld hard hit by drought, northern Transvaal vegetable farmers took up the slack. Their efforts, however, have been destroyed by black frost and a rodent plague. Says Rugani:

"With below-ground temperatures subnormal, crop cycles for tuberous plants like potatoes, beetroot and carrots have also been set back. I do not expect a recovery before November."

Over the past three months market prices for some vegetable crops have shot through the roof. A few exceptions cucumber up by 400%, gem squash 328%, spinach 275%, green beans 250%, butternuts 220%, baby marrows 212%, lettuce 175%, cauliflower 106% and potatoes 100%. Rugani says potato prices should soon go even higher because of the cold that retarded growth in the Lowveld. He adds that some products might soon be unobtainable.

"If supplies are already buying canned and frozen vegetables because some fresh products are too dear. "Produce imports are not practical — apart from the low rand and transport logistics — because these products do not travel well."

Johan van Deventer, GM of Freshmark, a countrywide fresh produce wholesaler, says the banana and guava crops in the Lowveld have also been hit hard by drought and frost. Supplies are dwindling and the quality is poor, while shortages now exist in about 10 types of green vegetables. "Even if summer brings good rains in the Lowveld, it could take months for some crops to recover. Added to these woes, northern Transvaal tomato and paprika farmers are struggling with a mouse plague and the rodents are destroying crops."

Conversely, in the case of red meat (mainly beef, lamb and mutton), it is the past season's good rains that have contributed to rising prices. Excellent grazing and a bumper maize crop have induced farmers to hold back drought-depleted stock for both fattening and breeding.

According to the Meat Board, national cattle, sheep and pig slaughter during the first four months of the year dropped by 17.9%, 28.7% and 15.7% respectively. The results have been predictable; in the year to June, average producer prices for the three species of livestock increased by 49%, 61% and 33% respectively. Surprisingly, some retail prices did not rise as steeply, with averages of 19.9% for beef, 61% for mutton and 14.8% for pork.

"But, for once, nobody can blame the Meat Board for the price increases," says Vleesentraal group CEO Jan Lombard. "This is purely a case of the market exercising its unfettered supply-demand function without any direct board interference. Supplies are down and demand is slowly increasing. This is the first beef price increase in real terms since 1988. While the average July mutton producer price of R124.48/kg means an increase in real terms for the year, beef at about R7.72 still has a while to go before it reaches an R8.60 average for 1994 to achieve a longer-term real increase."

Lombard adds that processors are upset because a proposed tariff rebate scheme on imported factory meat was not included in government's revised tariff proposals for red meat imports, which were gazetted last week. While cheaper factory meat remains in short supply locally, SA's Customs Union partners Botswana and Namibia apparently opposed the rebate proposals. Customs Union countries do not pay tariffs on exports to SA, so the tariff rebates for meat imports from other countries would make these countries competitive with Botswana and Namibian exports.
Warning of petrol price jump to R2/!
MICK COLLINS 18/94

PETROL prices are expected to hit R2/l by the year end on the back of an ailing rand and stronger crude oil prices, analysts have warned.

The situation was being "seriously exacerbated" by the weak rand which breached the R3,7000 resistance level on Friday before easing back to close at R3,6735 after Reserve Bank intervention, they said.

Transnet economist Mike Schussler said labour problems continued to knock the local currency and he expected the rand to go to R3,60 against the dollar over the next few months while by year-end it would reach R3,85.

The increase in petrol prices in the medium term would add about 0.4% to inflation while the effect over a year would be 1%. "Our current price of R1,83/l for 93 octane on the Reef will soon be a thing of the past," he said.

The Dubai benchmark, from which SA takes its lead, was being quoted at $16,00 on Friday, against last month's $15,70. "In rand terms this means the oil price has increased by 8% in a month.

It is understood that the National Economic Forum will discuss the issue when it meets next week.

"At the moment there is still a 2c/l over-recovery on the slate but we expect the weakening rand will quickly put paid to that," Schussler said.

Oil market analysts said crude oil and petrochemical-product prices continued to rise on fears that world output would fail to keep pace with booming demand. These were being compounded by a 10% slump in North Sea oil production due to maintenance being carried out on the oil platforms.

Other factors threatening available supplies included a strike by Nigerian oil workers and a bottleneck in US pipelines that pump oil through to the Midwest.

Supply factors had also been compounded by the increase in demand worldwide. "In the Far East and particularly in the US, where the economy is coming into a mature phase of recovery, there is strong demand. We are also seeing strong demand in Europe and Japan," one analyst said.

The potential for political trouble in Saudi Arabia and Kuwait was also keeping prices up.

Analysts said the primary factor behind oil's rally was the worldwide surge in demand, which made the market jumpy about possible glitches in supply. At a time when Opec has frozen production, the Paris-based International Energy Agency last week raised its forecast for fourth-quarter world daily oil demand by 300 000 barrels, to 69,6-million barrels a day.
Petrol 'R2/l by year end'

Rise may add 1% to inflation

It is understood that the National Economic Forum will discuss the issue when it meets next week.

"At the moment there is still a 2c/l over-recovery on the slate, but we expect the weakening rand to quickly put paid to that," Mr Schussler said.

Oil market analysts said crude oil and petroleum-product prices continued to rise on fears that world output would fail to keep pace with booming demand.

There was also the potential for political trouble in Saudi Arabia and Kuwait, which was helping keep prices up.

At a time when Opec had frozen production, the Paris-based International Energy Agency last week raised its forecast for fourth-quarter world daily oil demand by 300,000 barrels to 69.6 million barrels.
Producer inflation continues to rise

SAMANTHA SHARPE

PRODUCER inflation in June continued its climb, rising to 7.9% from 7.5% in May, Central Statistical Service (CSS) figures released yesterday showed.

The June rise was in line with economists' expectations for producer inflation of about 8%. But they were surprised that the increase in the imported component of the producer price index (PPI) fell to 4.4% in June from May's 4.7%.

They said producer inflation had been fuelled by the local component of the index, which showed a rate of increase of 8.7% compared with 8.1% the previous month. Locally produced commodities enjoyed an 81% weighting in the index.

The CSS said overall producer inflation was 0.7% month-on-month, which compared favourably with 1.3% in May.

Large monthly increases were evident in the price indices for agricultural, mining and quarrying and manufactured food products and clothing, the CSS said.

But these were offset by significant decreases in the price indices for fishing products and electricity, it added.

Rand Merchant Bank economist Rudolf Gouws said a significant part of the accelerating producer inflation was "food-driven" and the figures went against evidence of a strong in domestic price economy. Generally, if food was taken out of the PPI, the year-on-year rate for local inflation would still go up, but the month-on-month rate would stand at 0.5% for the second month running.

Old Mutual economist Johan Els said the

Inflation

June increase was a symptom of the pick-up in economic activity. Old Mutual expected producer inflation of about 10% by December, which would translate into a figure of 8% for the year.

He said the annual rate of increase in...
The gap which once separated inflation at the consumer and producer levels, has narrowed. And, at 7.9% (a month-on-month increase of 0.7%) for June, the annual increase in the producer price index is now higher than its consumer counterpart, at 7.5%. This reverses the trend in place for several years.

Theoretically, it means consumer inflation is headed higher — though the correlation is not absolute and, at the start of the Nineties, consumer price inflation took two years to follow producer price inflation down.

Indications are that producer inflation will accelerate over the rest of the year, and continue to exceed consumer inflation. This is partly because of the small rates of monthly increases seen in the index over the middle and the second half of last year — the 12-month rates for the rest of this year will be measured off low bases.

But there are other reasons why the index can be expected to accelerate:

- Commodity linked to agriculture should continue to become more expensive, principally because the meat price cycle is still in its upward leg and because of the dry conditions in some of the vegetable growing areas. In June, the agricultural index rose 3% in the month, with food rising 2%. Rises in the indices for meat (5.3%) and vegetables & dried beans (4.3%), offset declines in the indices for fruit (-6.6%) and sugar cane (-1.2%). And, on the manufacturing side, food prices rose 1.9% in the month to June, with fresh meat up 4.9%.
- The impact of higher oil prices on the import bill is not expected to subside. This is shown in the index for “other” mining and quarrying, of which about 50% is made up of crude oil imports. This item rose 4.3% for June; and
- The effect of recent rand depreciation has not yet been reflected in the figures.

The imported component of PPI rose only 0.6% in June (4.4% year-on-year), but this was chiefly the result of the high price of oil. On the manufacturing side, imported prices remained stable in June. The acceleration in rand depreciation in late June and early July will be seen in data released later this year.

Little inflationary pressure is present across the range of manufacturing inputs. Small increases were seen in June for basic metals (0.3% in the month) and transport equipment (0.1%), while declines were seen in nonelectrical equipment (-0.3%) and industrial chemicals (-0.1%). It should be noted however, that most manufactured goods are polled only once every three months — though pollings don’t coincide — which explains why many items didn’t change at all in June.

The cost of electricity also declined by a month-on-month 0.9% in June.

And weak GDP growth (see below) may put a damper on further price increases in domestic commodities.
Commodities: swings and roundabouts

**COAL PRICES ON THE RISE**

<table>
<thead>
<tr>
<th>Price (US$/ton)</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>40.70</td>
<td></td>
</tr>
<tr>
<td>40.25</td>
<td></td>
</tr>
<tr>
<td>39.75</td>
<td></td>
</tr>
<tr>
<td>39.25</td>
<td></td>
</tr>
<tr>
<td>38.75</td>
<td></td>
</tr>
<tr>
<td>38.25</td>
<td></td>
</tr>
<tr>
<td>37.75</td>
<td></td>
</tr>
<tr>
<td>37.25</td>
<td></td>
</tr>
<tr>
<td>36.75</td>
<td></td>
</tr>
<tr>
<td>36.25</td>
<td></td>
</tr>
<tr>
<td>35.75</td>
<td></td>
</tr>
<tr>
<td>35.25</td>
<td></td>
</tr>
<tr>
<td>34.75</td>
<td></td>
</tr>
<tr>
<td>34.25</td>
<td></td>
</tr>
<tr>
<td>33.75</td>
<td></td>
</tr>
<tr>
<td>33.25</td>
<td></td>
</tr>
<tr>
<td>32.75</td>
<td></td>
</tr>
<tr>
<td>32.25</td>
<td></td>
</tr>
<tr>
<td>31.75</td>
<td></td>
</tr>
<tr>
<td>31.25</td>
<td></td>
</tr>
<tr>
<td>30.75</td>
<td></td>
</tr>
<tr>
<td>30.25</td>
<td></td>
</tr>
<tr>
<td>29.75</td>
<td></td>
</tr>
<tr>
<td>29.25</td>
<td></td>
</tr>
<tr>
<td>28.75</td>
<td></td>
</tr>
<tr>
<td>28.25</td>
<td></td>
</tr>
<tr>
<td>27.75</td>
<td></td>
</tr>
<tr>
<td>27.25</td>
<td></td>
</tr>
<tr>
<td>26.75</td>
<td></td>
</tr>
<tr>
<td>26.25</td>
<td></td>
</tr>
<tr>
<td>25.75</td>
<td></td>
</tr>
<tr>
<td>25.25</td>
<td></td>
</tr>
<tr>
<td>24.75</td>
<td></td>
</tr>
<tr>
<td>24.25</td>
<td></td>
</tr>
<tr>
<td>23.75</td>
<td></td>
</tr>
<tr>
<td>23.25</td>
<td></td>
</tr>
<tr>
<td>22.75</td>
<td></td>
</tr>
<tr>
<td>22.25</td>
<td></td>
</tr>
<tr>
<td>21.75</td>
<td></td>
</tr>
<tr>
<td>21.25</td>
<td></td>
</tr>
<tr>
<td>20.75</td>
<td></td>
</tr>
<tr>
<td>20.25</td>
<td></td>
</tr>
<tr>
<td>19.75</td>
<td></td>
</tr>
<tr>
<td>19.25</td>
<td></td>
</tr>
<tr>
<td>18.75</td>
<td></td>
</tr>
<tr>
<td>18.25</td>
<td></td>
</tr>
<tr>
<td>17.75</td>
<td></td>
</tr>
<tr>
<td>17.25</td>
<td></td>
</tr>
<tr>
<td>16.75</td>
<td></td>
</tr>
<tr>
<td>16.25</td>
<td></td>
</tr>
<tr>
<td>15.75</td>
<td></td>
</tr>
<tr>
<td>15.25</td>
<td></td>
</tr>
<tr>
<td>14.75</td>
<td></td>
</tr>
<tr>
<td>14.25</td>
<td></td>
</tr>
<tr>
<td>13.75</td>
<td></td>
</tr>
<tr>
<td>13.25</td>
<td></td>
</tr>
<tr>
<td>12.75</td>
<td></td>
</tr>
<tr>
<td>12.25</td>
<td></td>
</tr>
<tr>
<td>11.75</td>
<td></td>
</tr>
<tr>
<td>11.25</td>
<td></td>
</tr>
<tr>
<td>10.75</td>
<td></td>
</tr>
<tr>
<td>10.25</td>
<td></td>
</tr>
<tr>
<td>9.75</td>
<td></td>
</tr>
<tr>
<td>9.25</td>
<td></td>
</tr>
<tr>
<td>8.75</td>
<td></td>
</tr>
<tr>
<td>8.25</td>
<td></td>
</tr>
<tr>
<td>7.75</td>
<td></td>
</tr>
<tr>
<td>7.25</td>
<td></td>
</tr>
<tr>
<td>6.75</td>
<td></td>
</tr>
<tr>
<td>6.25</td>
<td></td>
</tr>
<tr>
<td>5.75</td>
<td></td>
</tr>
<tr>
<td>5.25</td>
<td></td>
</tr>
<tr>
<td>4.75</td>
<td></td>
</tr>
<tr>
<td>4.25</td>
<td></td>
</tr>
<tr>
<td>3.75</td>
<td></td>
</tr>
<tr>
<td>3.25</td>
<td></td>
</tr>
<tr>
<td>2.75</td>
<td></td>
</tr>
<tr>
<td>2.25</td>
<td></td>
</tr>
<tr>
<td>1.75</td>
<td></td>
</tr>
<tr>
<td>1.25</td>
<td></td>
</tr>
<tr>
<td>0.75</td>
<td></td>
</tr>
<tr>
<td>0.25</td>
<td></td>
</tr>
</tbody>
</table>

**BUT OIL PRICES ALSO UP**

<table>
<thead>
<tr>
<th>Price (US$/barrel)</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.60</td>
<td></td>
</tr>
<tr>
<td>19.10</td>
<td></td>
</tr>
<tr>
<td>18.60</td>
<td></td>
</tr>
<tr>
<td>18.10</td>
<td></td>
</tr>
<tr>
<td>17.60</td>
<td></td>
</tr>
<tr>
<td>17.10</td>
<td></td>
</tr>
<tr>
<td>16.60</td>
<td></td>
</tr>
<tr>
<td>16.10</td>
<td></td>
</tr>
<tr>
<td>15.60</td>
<td></td>
</tr>
<tr>
<td>15.10</td>
<td></td>
</tr>
<tr>
<td>14.60</td>
<td></td>
</tr>
<tr>
<td>14.10</td>
<td></td>
</tr>
<tr>
<td>13.60</td>
<td></td>
</tr>
<tr>
<td>13.10</td>
<td></td>
</tr>
<tr>
<td>12.60</td>
<td></td>
</tr>
<tr>
<td>12.10</td>
<td></td>
</tr>
<tr>
<td>11.60</td>
<td></td>
</tr>
<tr>
<td>11.10</td>
<td></td>
</tr>
<tr>
<td>10.60</td>
<td></td>
</tr>
<tr>
<td>10.10</td>
<td></td>
</tr>
<tr>
<td>9.60</td>
<td></td>
</tr>
<tr>
<td>9.10</td>
<td></td>
</tr>
<tr>
<td>8.60</td>
<td></td>
</tr>
<tr>
<td>8.10</td>
<td></td>
</tr>
<tr>
<td>7.60</td>
<td></td>
</tr>
<tr>
<td>7.10</td>
<td></td>
</tr>
<tr>
<td>6.60</td>
<td></td>
</tr>
<tr>
<td>6.10</td>
<td></td>
</tr>
<tr>
<td>5.60</td>
<td></td>
</tr>
<tr>
<td>5.10</td>
<td></td>
</tr>
<tr>
<td>4.60</td>
<td></td>
</tr>
<tr>
<td>4.10</td>
<td></td>
</tr>
<tr>
<td>3.60</td>
<td></td>
</tr>
<tr>
<td>3.10</td>
<td></td>
</tr>
<tr>
<td>2.60</td>
<td></td>
</tr>
<tr>
<td>2.10</td>
<td></td>
</tr>
<tr>
<td>1.60</td>
<td></td>
</tr>
<tr>
<td>1.10</td>
<td></td>
</tr>
<tr>
<td>0.60</td>
<td></td>
</tr>
</tbody>
</table>

**GOLD...POISED?**

<table>
<thead>
<tr>
<th>Price (US$/oz)</th>
<th>1994</th>
</tr>
</thead>
<tbody>
<tr>
<td>305</td>
<td></td>
</tr>
<tr>
<td>302</td>
<td></td>
</tr>
<tr>
<td>299</td>
<td></td>
</tr>
<tr>
<td>296</td>
<td></td>
</tr>
<tr>
<td>293</td>
<td></td>
</tr>
<tr>
<td>290</td>
<td></td>
</tr>
<tr>
<td>287</td>
<td></td>
</tr>
<tr>
<td>284</td>
<td></td>
</tr>
<tr>
<td>281</td>
<td></td>
</tr>
<tr>
<td>278</td>
<td></td>
</tr>
<tr>
<td>275</td>
<td></td>
</tr>
<tr>
<td>272</td>
<td></td>
</tr>
<tr>
<td>269</td>
<td></td>
</tr>
</tbody>
</table>

When commodity prices rise, SA gains on a range of exports but loses on a rising oil import bill. However the outlook for the next few years is favourable overall.

According to a table prepared by Nedcor economist Magan Mistry, improved prices and increased output should push up earnings from the principal commodity exports from 1993's R39.4bn (US$12.1bn at the projected exchange rate) to R61.2bn ($14.3bn) by 1996.

Precious metals, which make up the bulk of SA's export earnings - R28.5bn - will probably lead the way. Gold sales are expected to rise from R23.2bn ($7.1bn) to R25.8bn ($8.4bn).

The platinum group metals are not expected to do as well. Mistry expects revenue to grow to R6.7bn ($1.6bn) from R5.2bn ($1.6bn) in 1993. So what benefits there are will come in rand terms and not in forex earnings.

However, Chamber of Mines economist William Houtman believes this estimate is perhaps too conservative: "The premium between platinum and gold has been increasing in late, which indicates increasing industrial demand."

"This is backed up by improvements in European car sales in the last year and tighter legislation which should boost demand for platinum in autocatalytic convertors. Jewellery demand in the Far East looks reasonable too."

"Though production increased by about 20% last year, I think surpluses will quickly be used up."

Roger Baxter, also a Chamber of Mines economist, says the improvements in the economics of the major industrialised countries are expected to increase SA's exports of coal, especially steam coal (SA is the second largest exporter of steam coal after Australia), as these countries use more coal for electricity consumption. Particularly high growth is expected from Japan and Europe, which is SA's largest steam coal market.

Mistry puts coal exports at 56m t by 1996, from R52m t last year. Baxter points out that the Richards Bay Coal Terminal, which has a coal capacity of 54.5m t per annum, could be upgraded to 60m t at a minimal capital cost.

"Exports through the terminal in the first quarter of this year totalled 14.3m t, which gives an annual rate of 57.2m t. Thus compares with 11m t in the first quarter of last year."

The outlook for the ferrous metals group is mixed.

Says a spokesman for the Minerals Bureau: "The growth in demand for steel in the developed economies is not large. But there is demand for stainless steel, from the transport and building and construction industries."

"This is good news for the likes of Columbus Steel."

Other ferrous exports could benefit from growth in the emerging Pacific Rim economies, he says. "These countries consume a lot of iron ore (a record 19m t was exported last year) and ferromanganese, as they build up infrastructure."

Much of the demand has been from China, "but purchases are likely to be erratic," says Mistry. He forecasts iron ore earnings to rise from R956m ($293m) in 1993 to R1.5bn ($360m) in 1996 and ferromanganese from R1.1bn ($321m) to R1.7bn ($407m).

SA's ferrochrome industry is still reeling from a 25% drop in demand over the last two years "because of dumping by China and the CIS states, notably Russia and Kazakhstan, as well as the substitution of stainless scrap for ferrochrome," says the bureau spokesman.

"But, as the world economy gains momentum, users should switch to the better quality ferrochrome which SA produces. The flood of scrap should also start abating soon."

So ferrochrome exports should rise from R792m ($242m) in 1993 to R1.9bn ($438m) in 1996.

Other base metals such as aluminium, copper, zinc and lead should benefit from reduced stockpiles at the London Metals Exchange.

This is starting to influence prices, says Baxter Copper, which was languishing around $1 600/t in November last year, has done well since April and is currently around $2 400/t. Over the same period, aluminium has risen from about $1 050/t to $1 500/t.

But a number of factors come into play. Jud Rodenick, head of commodities at First Derivatives, says the strong showing in prices in the last few months is partly due to activities of the large US investment funds.

"Trading on technical signals, they often move in or out in a big way without seemingly looking at the fundamentals at all."

"And, because they do a lot of their trade on the relatively illiquid Comex market, they can cause large price fluctuations."

Export gains will be offset by the rising price of oil imports - SA's major imported commodity.

Unlike exported commodities, which gain in rand terms when dollar prices rise and the rand depreciates, imports are adversely affected by a falling rand.

And, while the turmoil in Nigeria seems to have abated — the price of North Sea Brent Crude has retreated to about $17 a barrel this week from the levels above R19 a barrel three weeks ago — the trend since February's lows is clearly upward (see graph).
Soaring food prices spark inflation hike

By MAGGIE ROWLEY
Deputy Business Editor

THE unexpectedly sharp rise in the consumer price index (CPI) to 8.2% in July, fuelled chiefly by food price increases, pointed to an interest rate hike within the next few months, economists warned last night.

The July inflation rate was 0.6% higher than the 7.6% recorded in June and shows a monthly increase of 1.5%.

While food was the main contributor, particularly vegetables and meat what was particularly worrying were the big increases across the board which indicated that underlying inflationary pressures were beginning to build, said Old Mutual economist Fionn de Roux.

Excluding food, the year-on-year inflation rate was running at 6.3% with a month-on-month increase at 0.9% which was caused in the main by a 6.2% in cigarettes, cigars and tobacco, a 1.5% increase in housing due mostly to annual rates and taxes increases, a 2.2% increase in fuel and power, 1.5% in transport and 1.5% in household operations.

"Inflationary trends, coupled with the balance of payments and foreign exchange position as well as the latest money supply figures, the prospect of the Reserve Bank increasing interest rates is looking more and more likely," he said.

"The Reserve Bank's announcement that interest rates could move a quarter of a point or even half a point is a sign that larger increases are on the cards," he said.

Drought conditions, which had been a major factor in the rise in the living costs of some sectors of the economy, could be a factor in the further increases in the CPI figures.

Addressing the next CPI figures, he said that the Reserve Bank could move a quarter of a point or as much as 0.5% in the following month.

"Food inflation, which contributed 0.7% to the month-on-month increase, is running at 13.9% year on year, 3.1% higher than the corresponding rate for June and up from its level of 2.9% in December," he said.

The main factors are due to the higher costs of goods, fuel and the costs of goods in the retail sector.

"The most serious problem is the increasing food prices which rose 9.3% from June to running at more than 2% ahead of last year while non-food prices which showed a month-on-month increase of 0.2% are leading to a 2.5% increase in the CPI for the year so far," he said.

The latest money supply figures showed a 13.1% increase in the money supply and an increase in the turnover of money of 14.6% year on year.
Food prices push inflation to 8.2%

SOARING food prices kicked inflation in July to 8.2% from 7.5% in June, well above market expectations.

Economists said that excluding food inflation, consumer inflation had remained at 6.5% for the past four months.

But the figure — which was likely to stay above 8% for the rest of the year — would add to upward pressure on interest rates.

The Central Statistical Service said food inflation was 14.8%, from 11.8% in June.

Ed Hern Rudolph economist Nick Barnard said high food prices would hit consumer inflation for a few months.

Economistx economist Tony Twine said meat prices had been driven up while farmers restocked their herds. Vegetable inflation was high as it was being calculated off a very low base from 1993 when prices had dropped after good rains.

Twine said monthly inflation for the rest of the year would be calculated off a low base from last year. Sanlam chief economist Johan Louw said inflation would probably edge up to about 9.2% by December and enter double figures in late 1995.

One economist said the Bank rate would probably rise before the end of the year.

"The market should watch to see if the Reserve Bank starts fiddling around with the money market shortage," a way of leading up short-term rates."
Cape Town — The Government would not increase the price of petrol to bail out the Motor Vehicle Accidents Fund, Mineral and Energy Affairs Minister Pik Botha said yesterday.

The fund needed R3 billion to get on a sound footing but he was not prepared to put up the price, Botha said.

The oil companies wanted to deregulate the fuel price, saying it would lead to cheaper petrol, but it would also mean difficulty for many small concerns.

"What happens to the jobs of 30 000 petrol pump attendants?"

His ministry would not cut the subsidy and the 8.4 c/litre Equalisation Fund levy on petrol which allowed Sasol and Mossgas to operate.

Sasol sold fuel worth some R4.5 billion a year and importing that amount would seriously damage foreign exchange reserves. Sasol and Mossgas gave direct or indirect employment to 100 000 South Africans. — Sapa.
Petrol price not going up to save MVA

VUYO BAVUMA
Political Staff

THE petrol price will not be put up to save the ailing Motor Vehicle Accident fund which needs R3 billion to be put on to an sound footing, says Mineral and Energy Affairs Minister Pak Botha. AR 11994.

During debate on his budget vote in the senate yesterday, he said his ministry would not lower the 9,4c a litre equalisation fund levy on petrol which funded Sasol and Mossgas.

Sasol sold R4,5 billion worth of fuel annually and the import cost could seriously damage the country's foreign exchange reserves.

Sasol and Mossgas employed about 160,000 people and comprised 35 percent of the country's total fuel sales.

This meant Sasol contributed R8,5 billion.

Mineral and mineral-based exports made up almost two thirds of South Africa's foreign exchange income and the purchase of oil was one of its biggest expenses.

South Africa had to find a realistic way of getting oil at the cheapest possible price and the highest price for its minerals.

Mr Botha said he was against deregulation because it would affect small businesses adversely.

Oil companies wanted to deregulate the fuel price because this would mean cheaper petrol, but "what would happen to the jobs of 30,000 petrol pump attendants?"

Replying to a question, Mr Botha said an additional R2,5 million would be allocated to Reconstruction and Development Programme.
Food prices soar

HERO TEEN NAB THIEF

FOOD prices have rocketed again with vegetable oil
and wheat soaring

By WAGNER ROMERO
Meat prices: Row escalates

By MAGGIE ROWLEY

IN the growing wrangle over rocketing meat prices, a Stanford livestock farmer and agricultural economist yesterday accused wholesalers and retailers of “also pushing up their price margins.”

Mr John Nel was hitting back at Pick n Pay joint managing director Mr Gareth Ackerman’s charge earlier this week that the 40% increase in meat prices in recent months was due to farmers “taking too much profit.”

He challenged Mr Ackerman to a public debate on the issue.

Mr Nel said that while farmers were getting good prices at the moment, they were still only getting 40c in the consumer’s rand.

“This means that middlemen — wholesalers and retailers — have also pushed up their margins.”

Farmers, he said, were currently getting around R11.50/kg for sheep carcasses at the municipal abattoir — nearly 40% higher than the average R8.30 paid in March.

“However, from this about 14% is deducted in fees and levies by the abattoir, which leaves the farmer roughly R9.70 in his pocket before he then has to cover his own overheads.”

“What I want to know is why, if wholesalers and retailers are buying meat at around R11.30 at auction, the price has gone up so much to the consumer who is now paying anything up to R30/kg for prime cuts.”

Mr Ackerman denied retailers were pushing up profit margins.

“Prices have risen because all input costs, and that includes the price of meat paid to the farmer, have risen,” he said.

Agricultural experts warned yesterday that consumers could expect vegetable prices to remain at present high levels for at least another two months, reports WILLEM STEENKAMP.

They and consumer bodies said vegetable prices were seasonal and usually rose at this time of year, but this year’s prices had been influenced strongly by crop failures in the Transvaal.

Restaurants are absorbing losses due to the increases and are hoping prices drop again so they don’t have to raise menu prices, Restaurant Guild spokesman Mr Aldo Girolo said yesterday.
New fuel price plan not mine, says Pik

PRETORIA. — The Minister of Mineral and Energy Affairs, Mr Pik Botha, yesterday denied that a proposed interim external price mechanism for fuel was his plan. Mr Botha said the price mechanism plan was a recommendation by the Liquid Fuels Industry Task Force of the National Economic Forum. The plan had involved all major stakeholders in the fuel industry, including consumers. He said he would have thought the plan would be welcomed, rather than be regarded as "Cuban economics." — Sapa
Soaring food prices ups PPI to 2-year high

SOARING food price inflation and the weakening rand combined to push the producer price index (PPI) up 9% year-on-year in July, compared with 7.6% in June — the highest level for two years. The month-on-month rise was 0.3% compared with 1.7% in June.

Economists, surprised by the size of the increase, forecast that the PPI would reach 11% by December. And the bond market reacted early to fears of higher inflation, with bond yields rising above 17% when the figures were first released.

Producer price inflation surged — Page 8
PPI jumps to 9% in wake of weak rand

Greta Steyn

The weak rand finally made its presence felt in SA's inflation statistics, helping push producer inflation to its highest rate in nearly two years in July with an unexpectedly large jump to 9% from 7.2% in June.

The oil price rise earlier this year, high food prices and the increase in excise duties in the Budget also took their toll.

The imported component of the producer price index (PPI) rose 6.9% in the year to July - the highest level since September 1992 and substantially higher than the 4.4% recorded in June. Economists said the rise came off a low base and was the result of rand weakness and the rise in oil prices earlier this year.

Rand Merchant Bank economist Rudolf Gouws said it was about time that the rand's weakness filtered through to producer inflation. But July's figures were an upward spike that were unlikely to become a trend.

"The rand has already improved substantially - and oil prices have softened. The outlook is not as gloomy as these figures might suggest," he expected the producer inflation rate to average about 10% next year.

Southern Life economist Sandra Gordon said the positive effect of the recent changes in the rand and the oil price would filter through to the PPI in September at the earliest.

The PPI's domestic component rose 9.4% in the year to July compared with an increase of 8.7% in June. Food continued to be a major factor, with fresh meat prices surging almost 47% over the year to July.

The month-on-month rise in the PPI of 1.7% was unusually large after an average of less than 1% for the year to June. An economist said if the new average of about 1% a month continued for the rest of the year, producer inflation would be about 12% by December. The average for the year would be about 8.7%.

"The imported component of manufacturing prices rose 6.8% month-on-month after recording no increase in June. The "other mining and quarrying" component - mainly the oil price - rose a hefty 5.8% between June and July this year."
Food and petrol prices the main culprits

Producer inflation rises to 9 percent

BY CHARLOTTE MATHEWS

The producer price index (PPI) inflation rate shot up to 9 percent in July — its highest rate since August 1992, after sharp increases in the prices of meat and vegetables and petrol-related items.

Economists said yesterday there was no reason to assume the upward trend would continue at its present rate because it reflected unusual climatic conditions, and some one-off increases prompted, for example, by higher excise duties.

Moreover, the prices of many items in the index were rising at a rate well below 9 percent.

However, several economists agreed the increase, coupled with the rise in the July consumer price index (CPI), was putting pressure on Reserve Bank Governor Chris Stals to raise interest rates. Stals had been adamant in his annual address that he would act preemptively on inflation.

According to figures released by the Central Statistical Service (CSS) yesterday, the July PPI figure was 1.7 percent above June in real terms and 1.5 percent higher on a seasonally adjusted basis.

The main increase was in locally produced commodities, which were 8.4 percent dearer than in July 1993.

The price of imported commodities in July 1994 was a lesser 6.9 percent above July 1993 but still showed its highest rate of increase since September 1992, the CSS said.

Southern Life economist Sandra Gordon said the relatively moderate lift in the prices of imported items suggested the weaker rand had not yet had much of an impact.

It could be that the lower inflation rate of major trading partners had played a part in restraining these increases, but the weakness of the rand could put more pressure on the PPI in coming months.

The greatest monthly price hikes were in agricultural products, up 2.9 percent mainly because of a 3.3 percent lift in food prices, and, reflecting heavier excise duty, a 1.4 percent increase in alcoholic beverage prices and a 10.1 percent climb in tobacco product prices.

Petroleum- and coal-based products were 3.2 percent dearer thanks to an international petrol price uptick earlier in the year.

Nedcor chief economist Denis Dykes said market expectations had been of a 3.2 percent PPI figure in July but conceded it generally tended to be more erratic than the CPI.

Dykes said the main reason for the rise was food prices, mainly meat and vegetables. Meat prices were now 4.7 percent above their July 1993 level while vegetable prices were 59.5 percent higher than they were a year ago.

Meat, however, had a heavier weighting in the index.

These price increases would not continue indefinitely, Dykes said.

The re-stocking cycle, which had started some months ago, was likely to persist until early 1995 and should then taper off.

Old Mutual chief economist David Mohr said the PPI had also been affected by the fact that a large proportion of the index was measured in July.

Not all items making up the index are measured every month — some are only reassessed on an annual basis.

Overall, the PPI figures did not suggest a disaster was looming for inflation, Mohr said, although initially it looked like a big increase.

A number of items in the index had risen by small percentages year on year, indicating that inflation was not broadly 9 percent everywhere.
Producer price inflation surges

BY AUDREY D'ANGELO
Business Editor

SOARING food price inflation and the weakening rand combined to push the producer price index (PPI) up 9.3% year on year in July, compared with 7.9% in June — the highest level for two years.

The month on month rise was 6.5% compared with 1.7% in June.

Economists, surprised by the size of the increase, forecast that the PPI would reach 11% by December. And the rand market reacted early to fears of higher inflation with bond yields rising above 17% when the figures were first released.

Most economists thought the high PPI made a rise in interest rates likely before year end, to keep inflation down, in spite of the dampening effect it would have on the economy.

But Nedcor chief economist Dennis Dykes pointed out that since the rise in local inflation was due to rising food prices caused by climatic conditions rather than burgeoning consumer demand — the Reserve Bank governor said the high PPI might not consider it necessary to change interest rates at this point.

The index for all produced goods rose 9.3% year on year compared with 8.7% in June and 6.5% in July last year. The month on month rise was 10.3% compared with 6.1% in June.

The index for imported goods rose by 0.6% year on year compared with 4.8% in June and 2.8% month on month compared with 0.8% in June.

The index for all produced goods was pushed up by a 5.5% rise in agricultural food products with a 6.7% rise in petrol prices and a 17.6% rise in mining products.

Excise duties

Higher excise duties were part of the reason for a 1.5% rise in alcohol and non-alcohol beverages and a 10% rise in tobacco.

Old Mutual economist Johan Pi and Sanlam chief economist Johan Lowie said they had expected a rise in the PPI — but only of about 1.5% on year.

But higher oil prices in the first half of the year and the higher petrol price in June had fed through to the imported content of the PPI. He thought the PPI and the consumer price index (CPI) would both rise from now on.

Lowie said he expected the rise to filter through to the CPI early in 1995. The high PPI figure would influenceStats in deciding whether to raise interest rates.

"But I still hope it will not be necessary to increase prime rate before the end of the year, especially if reserves improve."

Southern Life economist Sandra Gordon said the rise in the PPI was still at the primary level, not in manufactured products.

Dykes said it was 'tightening' that meat prices had risen by 47% year on year and vegetable prices by 60%. But this was from a moderately low base a year ago and although the restocking of herds, which kept meat prices high, "would continue until next year" vegetable prices would fall within a few months.
The runaway trolley

Vegetables lead the charge as food prices leap 13 percent in three months

24.4

The runaways report

Veggies lead the charge as food prices leap 13 percent in three months

24.4

The runaways report

Cost of Living

Spectrum

The Arizona Republic September 11, 1994
Easy living in Johannesburg

BY DEREK TOMMEY

Living costs in Johannesburg are among the lowest in the world, according to a survey of prices in 53 major cities conducted by Union Bank of Switzerland.

The survey, which measures the cost of a basket of goods in various cities, found only six with lower living costs: Manila, Riga, Caracas, Prague, Naples and Bombay. In contrast, it cost at least 50 percent more to live in Frankfurt, Vienna, Buenos Aires, Helsinki, Seoul, New York, Paris and Stockholm, and 100 percent more to live in Copenhagen, Geneva, Zurich, Oslo, Lagos and Tokyo.

Johannesburg is also one of the cheapest cities in which to buy food. The food basket cost £7.7 in Johannesburg, £8.92 in Sydney, £9.92 in London, £9.2 in Montreal, £8.42 in Amsterdam and Brussels, £7.86 in Los Angeles, £6.52 in Vienna, £6.17 in Oslo and £6.95 in Tokyo.

However, Johannesburg does not do so well in wages. Based on the average earnings of 12 occupations, they are only a quarter of those in Zurich and Geneva, and a third of those in New York, Chicago, Dusseldorf, Frankfurt and Tokyo.

On the tax front, Johannesburgers fare even worse. Taxed wages are only a fifth of those in Zurich and less than half of those of Taipei, Madrid, Sydney and London.

But Johannesburg’s low living costs help offset low wages. The domestic buying power of an average Johannesburger is just below 50 on a scale based on Zurich at 100.

The survey measured the working time needed to buy a hamburger in various cities — in Johannesburg it took 45 minutes.

In Zurich it took 21 minutes, 20 in Toronto, 23 in New York, 17 in Houston and 14 in Chicago.
Govt may assist new newspapers

By BARRY STREEK

THE government would consider stimulating the growth of new newspapers, possibly with subsidies, to strengthen the democratic system, Deputy President Thabo Mbeki said yesterday.

The privately owned media should also consider what contribution they could make to a human rights culture.

Mr Mbeki was participating in a Cape Town Press Club forum of journalists and politicians to discuss the role of the media in the light of comments he made at a Press Club lunch last month.

Financial Mail editor Mr Nigel Bruce said free access to information was essential to the functioning of a market democracy.

He said communication between the press and government was the worst it had been in 30 years.

Mr Mbeki said the government was working on improving the level of communication. No one in the ANC had sought to vilify the press.

However, it was important for the media to consider how they should relate to the changed situation.

They could not proceed as if nothing had changed.

"We believe that building, strengthening and entrenching a democratic system is something all South African individuals and institutions ought to be involved in," Mr Mbeki said.

"It is quite wrong to say we are trying to ascribe a role to the press that the press can't play.

It was for the press to make people sensitive to human rights issues."

"As South Africans we should try together to build a human rights culture," he said.

"We must also look at what the government can do to expand the number of newspapers available in the country. It might very well mean subsidies.

"It would be good if the press asked itself what it could contribute without pressure from the government."
Fuel cost plan 'could cut prices'

PETROL prices could drop 9c/l immediately if Cabinet approved the new index-linked cost (IBLC) structure for the fuel industry, oil sources said at the weekend.

They said the move would save motorists R1.5bn a year and give a much-needed boost to the SA economy. Government sources confirmed that there "could be a drop in petrol prices at this stage.

"Bearing in mind that it will be an average of a month's fluctuations and based on present figures, there could be a reduction of about 4c/l. But we must assume that nothing drastic happens in international oil markets," they said.

The new IBLC structure — proposed by the National Economic Forum's liquid fuels industry task force — calls for local petrol prices to be fixed on the first Wednesday of every month against a basket of different international prices.

Transnet economist Mike Schuster said falling oil prices and the application of the IBLC formula showed an over-recovery of 0.3c/l on the pump price of 15c.

Renewed pressure on oil prices had seen prices nearing 21-week lows as oil product stocks rose in the US and higher North Sea and Opec crude oil supplies kicked in.

Schuster said the application of the new pricing points of Caltex Bahrain, Esso, Mobil, the Singapore Petroleum Company and the 20% spot price in Singapore had seen prices come down 2c/l last month.

If pump prices were lowered the SA economy would feel the effect of a half a percentage point decrease in the CPI, half of which would be immediate and the rest fed through over the following three months," he said.

The long-term oil price had declined and the only upward pressure that could possibly come would be that Iraq supplies were allowed back on world markets. But, he said, this was highly unlikely.

With US refineries running at nearly full capacity, traders expected even higher stockpiles of heating oil.

Oil prices were nearly $4 below 17-month peaks seen in early August, but still about $2.70 above five-year lows reached in late February.

Also lending downward pressure was news that North Sea supplies would be higher next month as most of the scheduled maintenance work had been completed.

Prices had hit a four-month low of $15.60 on August 22 in expectation of the end of a Nigerian oil workers strike, and had moved in a $1 a barrel range above that level since, another analyst said.
Petrol jobs ‘key factor in reform’

PRETORIA — Any restructuring of the petrol price system would take account of possible job losses and try to minimise “traumatic disruptions” in the lives of about 30,000 people employed in the retail fuel sector, said mineral and energy affairs minister Pik Botha.

Mr Botha, reaching yesterday to an article in a financial newspaper, said in a statement that the petrol price system was not being handled according to “Pik Botha policy” but according to cabinet policy.

The system had achieved “one of the lowest petrol prices in the world”, he said.

He was no defender of resale price maintenance and fully supported the aims of the Competition Board. But if eliminating retail price maintenance from the petrol price structure threatened 60,000 jobs and many of the 4,000 petrol retailers, Mr Botha said he and the cabinet would scrutinise such “elimination” carefully before proceeding.

“Others apparently have no such scruples,” the minister said, in reference to the newspaper.

Any restructuring would have to be “people-centred — designed as far as possible to minimise traumatic disruptions in the economic lives of more than 80,000 of our citizens, most of them from the more modest levels of society.”

Sapa. ARG 26/1/94
Runaway food prices send inflation soaring

Higher mortgage rates may be next blow

ALIDIE DASNOIS
Business Staff

RUNAWAY food prices sent the inflation rate soaring to 9.4 percent in August.

Central Statistical Services figures released today show that food prices rose 4.7 percent during the month, with meat prices up nearly 7 percent, vegetable prices up nearly 14 percent and fruit prices up 6 percent.

Food price inflation is now running at 19.7 percent in annual terms.

Hard-pressed consumers will soon be further squeezed by higher mortgage bond repayments.

Mortgage bond rates are likely to rise after the Reserve Bank's decision to raise the key bank rate one percent from today, pushing up housing costs, which make up more than one-fifth of average household spending.

But most economists agreed that Reserve Bank governor Chris Stals — who probably anticipated today's figures — had been forced to raise interest rates to dampen inflation.

Boland Bank economist Francois Jansen said a combination of accelerating inflation and a worsening trade balance with the rest of the world had left Dr Stals no options.

"Although we are only at the beginning of the upswing, the economy is registering inflation rates and trade figures we should only be seeing at the end of the upswing," he said.

South Africa's monthly trade surplus plummeted in August from R1,68 billion to R288 million as imports soared.

Imports — mostly of machinery — have risen R10 billion to R48 billion in the year ended August, as businesses revamp production to cope with a recovery in the economy.

The rise in the bank rate — the rate at which the Reserve Bank lends to the commercial banking system — is likely to be followed by higher overdraft rates, forcing businesses and consumers to cut down on spending.

But Mr Jansen said this would not happen immediately.

Boland Bank, which had been predicting an average inflation rate of 8.5 percent for the year, would revise its forecasts upwards after August's shock price rises, he said.
Petrol pricing: Jobs considered

PRETORIA — Any restructuring of the petrol price system would take into account possible job losses, Mineral and Energy Affairs Minister Mr Pik Botha said yesterday.

Every effort would be made to minimise “traumatic disruptions” in the lives of some 40 000 people employed in the retail fuel sector, he said in reaction to press reports.

The present petrol price system was not being handled according to “Pik Botha policy”, he said in a statement, but according to cabinet policy. This price system had achieved “one of the lowest petrol prices in the world”.

He was no defender of price maintenance and fully supported the aims of the Competition Board. But if eliminating retail price maintenance from the petrol price structure threatened so many jobs and the closure of many of 4 000 petrol retailers, he and the cabinet would scrutinise such “elimination” carefully before proceeding.

Any restructuring would have to be “people-centred — designed as far as possible to minimise traumatic disruptions in the economic lives of over 60 000 of our citizens, most of them from the more modest levels of society”. — Sapa
Inflation Shock: Food Prices

For food alone the rise is 16% in the Oct-Dec quarter compared with a 4.7% increase expected July and August. The central statistics agency said in its monthly report that the rise in the cost of living was driven by an increase in the price of food, particularly grains and vegetables. The report also highlighted the impact of the war in Ukraine on the global grain market, which has led to a sharp increase in the price of wheat.

The government has taken steps to address the inflationary pressures, including increasing subsidies for farmers and increasing the import of food commodities. However, the high prices of food continue to be a concern for many households.

The Consumer Price Index (CPI) for all items excluding food and fuel was up by 6.7% in October compared to a year ago. The core CPI, which excludes food and energy, was up by 5.4%.

Economists have warned that the high inflation could make it difficult for the government to meet its target of keeping inflation below 6% this financial year. The Reserve Bank of India has already increased its key interest rate twice this year in an effort to control inflation.

The central government is also exploring options to reduce the impact of high food prices on the economy. One such option is to increase the import of food commodities, particularly grains, to meet domestic demand.

The government has also announced plans to increase the import of wheat and other grains to ensure a stable supply to the domestic market. However, increasing imports could lead to a further rise in the cost of food in the long run.

In view of this, the government has also asked all states and union territories to take steps to ensure the availability of food grains in the market and to stabilize prices.

The government has also announced measures to increase production and supply of food grains. These measures include increasing the area under cultivation, providing credit support to farmers, and increasing the procurement of food grains by about 10%.

Despite these efforts, the government has acknowledged the challenges posed by the war in Ukraine and the global grain market. The government has also acknowledged that the high prices of food could lead to a reduction in the purchasing power of households and could have a negative impact on economic growth.
Cabinet to discuss petrol price plan

PETROL prices would have dropped 4c/l this month if the new interim pricing formula had been in place, an oil industry source said yesterday.

The new in-bond landed cost (IBLC) structure, proposed by the National Economic Forum, will be discussed by the Cabinet tomorrow.

The scheme was totally transparent, the source said. "There are no fannies in this system."

Calculation of the price would be from a mixture of finished and crude prices from a basket of daily benchmark prices at the Esso refinery in Singapore, Mobil (Singapore), Singapore Refinery Company and Caltex (Bahrain).

The daily price is "calculated by taking 30% of the daily posted product prices and 20% of the published spot prices for crude oil. By adding freight, insurance and landing cost, a figure in US dollars a litre is arrived at which is converted at the ruling rand/dollar exchange rate for that day."

To that is added the wholesale price, delivery, service costs and government levies. — Sapa.
Petrol shake-up lops 4c off price

BRUCE CAMERON
Business Editor

THE petrol price is set to drop almost immediately by at least 4c/l and a cabinet decision on a new pricing system is expected today.

Under the new system, the petrol price will be adjusted monthly according to a publicly disclosed formula.

"After being stalled for months because of differences between lobby groups, a proposal of an interim pricing system has been put to the cabinet after agreement among members of the Liquid Fuels Task Force of the National Economic Forum."

The government hopes the new system will remove political sensitivity from the pricing mechanism.

As a result of the present price of crude and the dollar/rand exchange rate, the price can be expected to fall almost immediately by 4c/l. 

Any decision on the sensitive deregulation issue - on the production as well as the retail side - has been postponed.

"The controversy over deregulation, which some proponents claim could reduce prices substantially, is between organised labour and fuel retailers, as well as between producers. The position is further complicated by subsidies paid to Sasol and Mossgas."

The new system will be based on the spot prices and the posted product prices for longer-term contracts of refined fuel from the Kowie and Mobil refineries in Singapore, and the Caltex refinery at Bahrain. Eighty percent of the basic price will come from the longer-term contract prices and 20 percent from the spot price.

"To this will be added freight, insurance and landing costs to give a dollar price. This will be converted to rands daily according to the ruling exchange rate to provide a rand wholesale price, which will include a margin for producers."

Delivery charges, taxes and levies, and a fixed profit for retailers will be added.
Petrol price bonus

Minister announces 6c-a-litre cut

CLIVE SAISONER
Political Correspondent

The petrol price will drop by 6c a litre next Wednesday, mineral and energy affairs minister Pik Botha announced today.

And South Africa is to sell about half of its strategic crude oil stock, expected to fetch about R1.3 billion, with proceeds likely to go to the reconstruction and development programme.

In other announcements today, Mr Botha said South Africa was to build a new uranium enrichment plant.

The price of 97-octane petrol in the Western Cape will be R1.71.

The price will be lowered by 6c a litre at the same time, just after midnight on October 6.

The price of paraffin will not change.

The petrol price adjustment signals the start of a new 'yo-yo' arrangement of petrol price changes on the first Wednesday of every month.

Mr Botha said the new international pricing mechanism would allow for regular and automatic adjustment of prices.

The move is part of restructuring of petrol price calculations and a further deregulation of the fuel industry.

The monthly review of the price would mean consumers would be exposed to international oil price fluctuations.

Announcing the sale of the crude oil stock, the government was investigating whether to improve and lease its modern crude oil storage facilities at Saldansha to international clients.

If successful, the arrangement could allow the government to further reduce the supply of crude oil kept in reserve from four months to about two months, Mr Botha said.

Funds generated by the sale of the strategic supplies would be made available to the department of finance. It would be free to allocate them to the government's reconstruction and development programme.

"The sales will be carried out in close consultation with the department of finance and in such a way that which will not force the strategic fuel fund association to sell under pressure at reduced prices," Mr Botha said.

"Consideration will also be taken of crude oil prices and the cash requirements of the government," Mr Botha said.

Reuters reports that the Atomic Energy Corporation (AEC) is to close its uranium enrichment plant and build a new plant.

The present plant was "energy-intensive" and a new process had to be developed to produce enriched uranium more competitively.

The cabinet has decided that all purchases of enriched nuclear materials should be routed through a government department which would act as the government's agent.

"The only condition is that the best commercial alternative must be sought, with and for the end-user," the cabinet said.

Because shipping companies demanded an indemnity against third-party liability when transporting enriched uranium products, urgent steps would have to be taken to accede to the relevant international convention which restricts a state's liability to R1 billion.

Because South Africa was not a signatory to these conventions, operators would not be covered by the conventions, and needed to be provided with 100 percent indemnity by the state.

A laser-based uranium enrichment process is being tested and was expected to be incorporated in the new plant.
High fruit, veg prices blamed on ‘white control’

Staff Reporter

THE current astronomical prices of fruit and vegetables are due to white monopolistic control of the Epping food market and not the weather, a meeting of buyers claimed today.

At least 300 buyers gathered at the market’s auction hall to air grievances about alleged “exploitative” market agents who “fixed” prices, confined and thwarted by manipulating the market.

And African National Congress leader of the Western Cape, Chris Nissen, vowed to throw government’s full support behind the buyers and demanded the agents open their books.

Mr Nissen said that when a meeting was held with the city council, agents and buyers, the government would make sure buyers came out victorious.

Buyers’ Association chairman Salim Morce said “The gravy train at the market has to stop and the racism which has not allowed for black agents has to be addressed.”

“We buyers are at the mercy of these agents, who are profiteering from what is supposed to be a free market system — one of supply and demand.”

Agents were no longer operating individually but banded together and were working from the same computer, which was illegal.

The credit bureau set up by the agents was slammed for charging exorbitant interest rates and unfair penalties.

The meeting resolved not to resort to mass action until the government was asked to look into the market system and see what could be done to address grievances.

An agent Mr Herman Bonthaas denied that agents exploited buyers but agreed there needed to be black agents.

“We have to cover the cost of the produce and transport.”
Petrol move hailed

By Josias Charle and Joe Mdhilela

Business, trade unions and economists welcomed yesterday's Government decision to reduce the petrol price by 6c a litre.

The price cut will come into effect next Wednesday. The announcement was made by the Minister of Mineral and Energy Affairs, Mr Pak Botha.

Petrol will be reduced by 6c a litre while diesel will go down by 2c. This means that premium will now cost R1.77 a litre and regular R1.75. Diesel will come down to R1.61.

However, the price of paraffin will not be affected as it was being subsidised by the Government, Botha said.

The price cut resulted from falling international crude oil prices and the strengthening of the rand/dollar exchange rate, Botha said.

He also said the price adjustment would herald the implementation of a new approach to fuel price adjustments - prices would be adjusted on the first Wednesday of every month.

The Central Energy Fund will calculate the basic fuel price through an agreed formula. The data will then be passed to independent auditors who will set the price.

The South African Chamber of Business said the reduction of petrol and diesel would be welcomed by the business community.

National Council of Trade Unions general secretary Mr Cunningham Ngesa said the federation welcomed the move if the new system did not mean loss of jobs for our people.

Cosatu's Mr Neil Coleman said the federation would go along with the system provided it did not tamper with jobs. "Cosatu is opposed to anything that will mean loss of jobs," he said.
A buyer at Empire Market spokes at a press conference yesterday.
MONTHLY REVISION
OF PRICES

PRETORIA. — The government announced yesterday it had ceded control of the fuel price to the Central Energy Fund which would adjust prices on the first Wednesday of each month.

Mineral and Energy Affairs Minister Mr Pik Botha said the first adjustment, on October 5, would cut the petrol price by six cents a litre and the diesel price by two cents. The price of paraffin would remain unchanged.

Mr Botha told a press conference the new system would depoliticise fuel price adjustments and link them more directly to market forces.

He said international crude oil prices had fallen and the rand had strengthened against the dollar since the last adjustment, an increase, on June 18.

"The in-bond landed cost had therefore fallen, resulting in an over-recovery from the motorist."

However, Pick 'n Pay managing director Mr Gareth Ackerman said yesterday that although he welcomed and was encouraged by the decrease, consumers were disturbed that recent decisions on the oil and energy industry amounted to re-regulation by another name.

"He said consumers should not be fooled that a simple decrease in the petrol price meant deregulation."

"The petrol price is still government-driven; retailers do not have the discretion to discount according to the price they pay for fuel."

"The South African Petroleum Industry Association (Sapia) welcomed the new pricing system and the cut in the petrol price."

Sapia, which represents the six crude oil refining and marketing companies, said it applauded the new transparent system of fuel pricing recommended by the "Liquid Fuel Task Force" of the National Economic Forum.

The Automobile Association said the price drop would bring "some measure of relief to the hard-pressed motorist."

"The Consumer Council welcomed the new pricing system, adding "the more accurate system's gradual increases and decreases will enable consumers to budget more effectively for fuel."

South African Chamber of Commerce economist Dr Ben van Reisburg said the new pricing system was more market-related and would help reduce inflation.

The Afrikaanse Handelsinstituut said the new pricing system was more transparent and acceptable to the business sector than the previous one because it largely excluded political intervention in determining the fuel price.
Petrol: How the price has changed

NEW SYSTEM REOPENS WARS OF WORDS ON FREE COMPETITION

The Argus, Friday September 30 1994

SPECULATION

Bruce Cameron

BATTLE OF THE PUMPS
Another inflation shock
ALIDE DASNOIS (244) (180)
Business Staff
PRODUCER price inflation jumped in August to its highest level in nearly three years, suggesting that more price shocks are on the way for hard-pressed consumers.

Figures released today by the Central Statistical Service show that producer price inflation rose in August for the fourth month in a row, with prices now running 9.9 percent above August 1992 levels. This is the highest rate of producer price inflation since October 1991.

The producer price index (PPI) measures changes in prices paid to producers of both local and foreign goods. Higher producer prices usually result in higher prices for consumers, though the time lag may vary.

The figures show producer prices of agricultural food products rose 4.4 percent in a single month.
Another setback in inflation fight

South Africa's production price index (PPI) soared to within a whisker of double-digit territory in August.

Shock figures from Central Statistical Services (CSS) put the PPI at 9.9 percent in August — its highest level in three years and its fourth consecutive monthly increase.

Economists said the "bad news" figure would boost inflationary expectations and could push the consumer price index (CPI) to 11.5 percent by year end.

About half of the monthly increase is attributable to fresh food price hikes.

Meat prices have rocketed over the past few months as farmers held back stock to replenish herds severely depleted by the drought.

Fruit and vegetable crops have been decimated by frost.

The production price index for locally produced commodities for South African consumption showed an annual rate of increase of 10.4 percent for August — one percent up on July.

Relatively large increases were recorded for agricultural products (4.2 percent mainly due to a 4.4 percent increase in the price of agricultural food products), mining and quarrying and basic metals were up 1.5 percent and electrical machinery 2.4 percent.

The annual rate of increase for imported commodities was 7.5 percent — 0.6 percent higher than in July.

Despite a weaker rand, imported inflationary pressures, which included lower international oil prices, have tended to keep the overall PPI down.

The PPI bottomed at 5.1 percent during the fourth quarter of 1993.

Matlison & Hollidge economist, Tracey Ledger, says the imported number reflects the fact that inflation has bottomed in major trading partners.

But she forecasts that as the domestic economic recovery continues, so too will the upward pressure on prices.

"The PPI could reach 11 percent by December."

Ed Hern Rudolph economist Nick Barnardt is opting for 12 percent.

"But much depends on government's import policies and whether it will allow cheaper imports of red meat."

"Rainfall is also a factor."

Barnardt says figures will come off a very low base in the next three months given that there were very small increases in prices in September, October and November last year.

Barnardt says the CPI must move higher as fresh food price hikes impact on processed food prices.
Producer prices surge on high food costs, lower rand

By AUDREY DANGEL

The producer price index surged last month, while the rand weakened, indicating inflationary pressures and economic uncertainties.

In recent months, producer prices have been rising due to high food costs and lower rand. The inflationary trend is troubling for policymakers and businesses, as it puts pressure on the economy and may lead to higher consumer prices.

Producer prices are a key indicator of future inflation. When they rise, it often means that input costs are rising, which can be passed on to consumers in the form of higher prices.

The weakening of the rand against major currencies is also contributing to higher import costs, which can further fuel inflation. The rand's depreciation is a result of various factors, including global economic conditions and domestic economic challenges.

Economists and analysts agree that the rand's decline can have significant implications for the economy. Higher import prices can lead to higher production costs, which may be passed on to consumers.

The government and central bank are closely monitoring these developments to ensure stability and manage any potential inflationary risks. They may采取 measures to mitigate the impact of higher prices, such as increasing interest rates or implementing monetary policies.
PPI

year to August, from 6.4% in July, while the imported component rose to 7.8%, from 6.2% for the year to July.

One economist said the recent strengthening in the rand had not yet been reflected in the imported component of the PPI and would probably take effect in two months.

Sanlam senior economist Pieter Calitz said producer inflation was even more likely to top 10% in September, because the figure would be taken off a low base from September 1998. Once it did so it was unlikely to slip back to single digits for the next three years.

Nedcor chief economist Dennis Dykes said it was not impossible that September's figure could be as high as 11%, while another economist estimated producer inflation would be 12% by year end.
Producer inflation at three-year high

MUNGO SOGGOT

SOARING food prices pushed producer inflation to 9.9% in August — its highest level in nearly three years — from 9% in July, according to figures released yesterday by the Central Statistical Service (CSS).

Economists said the figures matched expectations and warned that September producer inflation would almost certainly enter double digits. They said future price increases, triggered by northern frost and Cape floods, would hit consumer and producer inflation for two or three more months.

The alarming food price increases were distorting consumer and producer inflation. Few of the product categories showed a significant monthly rise. But a weak rand had fuelled inflation in some categories in the manufacturing sector.

The CSS said the month-on-month rise in the PPI was 1.4% in August 1993 and 15.5% in July 1994, while fruit prices had risen 61% year-on-year and had registered a monthly increase of 37.1% in August. Meat prices registered a monthly increase of 8.1% and were up 54.8% from August 1993. The agricultural food products component of the producer price index (PPI) rose 4.4% from July.

The figures showed the rate of increase in the local component of the PPI for the year to August was 10.4% from 9.4% in July, while the imported component rose to 1.6%, from 0.5% for the year to July.

One economist said the recent strengthening in the rand had not yet been reflected in the imported component of the PPI and would probably take effect in two months.

Sanlam senior economist Pieter Calitz said producer inflation was even more likely to top 10% in September, because the figure would be taken off a low base from September 1993. Once it did so it was unlikely to slip back to single digits for the next three years.

Nedcor chief economist Dennis Dykes said it was not impossible that September's figure could be as high as 11%, while another economist estimated producer inflation would be 12% by year end.
Economists warn PPI heading for 11.5% in April

Central Statistical Services figures released yesterday showed the producer price index (PPI) in August up 9.9 percent from August, 1993.

This is the highest rate in three years.

About half of the monthly increase is attributable to fresh food price hikes.

Meat prices have rocketed over the past few months as farmers held back stock to replenish herds severely depleted by the drought.

Fruit and vegetable crops have been hit by frost.

The figures show prices of agricultural products rose 4.2 percent over the month, mining and quarrying and basic metals were up 1.5 percent and electrical machinery 2.4 percent.

The index for locally produced commodities for South African consumption showed an annual rate of increase of 10.4 percent for August — one percent up on July.

In spite of the weaker rand, prices of imported commodities rose slower at 7.5 percent for the year.

Lower international oil prices helped to keep imported inflation down.

The PPI bottomed at 5.4 percent during the fourth quarter of 1993.

Mathison & Hollidge economist, Tracey Ledger, said the figures for imported commodities showed inflation had bottomed among our major trading partners.

But she forecast that as the domestic economic recovery continued, there would be further upward pressure on prices.

"The PPI could reach 11 percent by December."

Ed Hern Rudolph economist Nick Barnardt predicted 12 percent.

"But much depends on government's import policies and whether it will allow cheaper imports of red meat."

"Rainfall is also a factor."

Mr Barnardt said figures would come off a very low base in the next three months given that there were very small increases in prices in September, October and November last year.
Falling food prices ease inflation fears

BY DEREK TOMMEY

The sharp rise in food prices in recent months has led to fears that South Africa is about to enter a new major inflationary spiral.

But a survey of food producers and retailers shows that some food prices are falling and that others are expected to decline significantly in the next few months — which should curb inflation.

The recent sharp increase in food prices was not exceptional given the circumstances, say analysts.

The first half of the year was an extremely difficult one for the country’s food producers. Drought in the Transvaal and Northern Cape stunted cattle and sheep herds, hard frosts wiped out much of the potato and tomato crops, Newcastle disease wreaked havoc with chicken production, and plagues of mice hit vegetable production in the Northern Transvaal.

According to figures produced by Central Statistical Services, the overall result was a 10 percent drop in food production between the end of December and June this year.

This low level of production saw vegetable prices rise 16 percent in August to show a rise of 77.4 percent on the year, while meat prices rose 8.1 percent in August making 54.8 percent for the year.

However, the factors responsible for the sharp rise in food prices were temporary and as the weather improves, supplies should increase, and prices turn lower.

This is now happening. Vegetable prices have fallen sharply at the City Deep market in the past few days. Conditions there are rapidly returning to normal, says Chandu Govind of King Fresh Wholesalers.

Tomatoes, which were selling at around R30 a box last week, were down to R10 a box yesterday. Potatoes, R30 a box last week, are now below R10.

Green beans and green peppers have had an even bigger fall. From R40 a pocket a week ago they are now R10.

Housewives’ spending has also been hit by increases in chicken prices following the shortage of supplies. But Robbie Williams, executive chairman of CG Smith, which has extensive broiler chicken operations, says the worst is over.

Production is building up again and the shortage should ease. However, Alan Baxter, Pick ’n Pay’s general manager foods says the position might not be back to normal until the New Year with the result that turkey this Christmas could be cheaper than chicken.

The sharp rise in red meat prices has caused considerable hardship. Unfortunately, it will some time before the situation returns to normal, says Dene Van Schalkwyk, general manager of northern agencies of Vleissentral.

Nonetheless, last week’s abnormal 30 percent drop in beef supplies from the previous week should be reversed this week.

He said that lamb should become more plentiful in about two months’ time while sheep supplies should be back to normal by March, next year.

But it will probably not be until October, next year that beef will be plentiful again.

As food prices increases continue easing it will have a major impact on the month-on-month increase in the inflation rate.

It is even possible that the rate of increase in consumer inflation could fall back from its present 9.9 percent a year to its basic non-food level of around 6 percent, say some economists.
Falling food prices ease inflation fears

DEREK TOMMEY

JOHANNESBURG — The sharp rise in food prices in recent months has led to fears that South Africa is about to enter a new major inflationary spiral.

But a survey of food producers and retailers shows that some food prices are falling and that others are expected to decline significantly in the next few months — which should curb inflation.

The recent sharp increase in food prices was not exceptional given the circumstances, say analysts.

The first half of the year was an extremely difficult one for the country’s food producers. Drought in the Transvaal and Northern Cape stunted cattle and sheep herds; hard frosts wiped out much of the potato and tomato crops; Newcastle disease wreaked havoc with chicken production, and plagues of mice hit vegetable production in the Northern Transvaal.

According to figures produced by Central Statistical Services the overall result was a 10 percent drop in food production between the end of December and June this year.

This low level of production saw vegetable prices rise 15.5 percent in August to show a rise of 27.4 percent on the year, while meat prices rose 9.1 percent in August making 54.8 percent for the year.

However, the factors responsible for the sharp rise in food prices were temporary and as the weather improves, supplies should increase, and prices turn lower.

This is now happening. Vegetable prices have fallen sharply at the City Deep market in the past few days. Conditions there are rapidly returning to normal, says Chandu Govind of King Fresh Wholesalers.

Tomatoes, which were selling at around R30 a box last week, were down to R10 a box yesterday. Potatoes, R30 a pocket last week, are now below R10.

Green beans and green peppers have had an even bigger fall. From R40 a pocket a week ago they are now R10.

Housewives’ spending has also been hit by increases in chicken prices following the shortage of supplies. But Robbe Williams, executive chairman of CG Smith, which has extensive broiler chicken operations, says the worst is over.

Production is building up again and the shortage should ease. However, Alan Baxter, Pick ’n Pay’s general manager foods says the position might not be back to normal until the New Year with the result that turkey this Christmas could be cheaper than chicken.

The sharp rises in red meat prices has caused considerable hardship. Unfortunately, it will some time before the situation returns to normal, says Dane Van Schalkwyk, general manager northern agencies of Vleesentraal.

Nonetheless, last week’s abnormal 30 percent drop in beef supplies from the previous week should be reversed this week.
Food price shock

Spokesperson for Epping Market, Mr Jacques le Roux, blamed farmers for sky-high vegetable prices. "The farmers control the prices. They can afford to ask a lot for their produce because there is a shortage of vegetables in certain drought-stricken areas," Mr Le Roux said.

He said farmers preferred to sell their produce to large retail outlets rather than the government-owned markets where they have to pay a levy of between five and seven percent.

Provincial Minister of Agricultural Development, Mr Lampie Fick, said there was nothing the government could do to control food prices.

"Soaring food prices are the result of the free market," Mr Fick said.

The drought experienced throughout the country two years ago, the worst of the century, drastically depleted the livestock.

"Apart from praying for rain, there is nothing the government can do about the price of red meat and vegetables," he said.

Dr Azeeem Walele of Tygerberg Hospital said the lack of protein in a child's diet could lead to malnutrition and kwashiorkor.

"The lack of vegetables, especially green leafy ones, can stunt a child's growth and increase its susceptibility to disease," Dr Walele said.

Children and adults who have unbalanced diets have low concentration levels and are unable to learn information effectively.

"At Tygerberg Hospital we see a lot of gastro-enteritis and pneumonia patients whose conditions are worsened by bad nutrition," Dr Walele said.
SHOCKING increases in the price of food have hit cash-strapped Western Cape families hard, with some food-stuffs increasing by over 200 percent in the past year, an investigation by SOUTHEASTER has found.

The prices of vegetables and meat have increased the most, the survey discovered.

For example, the price of a bag of gem squash has increased by 253.8 percent, potatoes by 62 percent, onions by 81 percent, a leg of lamb by 42 percent and mutton by 43.1 percent.

With people eating less meat and vegetables there is the danger that children will be exposed to malnutrition and other diseases.

Ms Debra Petersen of Atlantis said she hadn't eaten a good pot of cabbage brie in months. "And steak, well, that's a luxury," said the city nurse.

"These days I just dish more rice to make up for the lack of potatoes. I can't afford to pay R25 for a packet of potatoes.

"It wouldn't be so bad if our wages had also increased. But our income stays the same while everything else goes up," she said.

A mother of four, Mrs Marelda Arnold of Woodstock, said she has to buy more fish and chicken because red meat is too expensive.

"The price of meat is really ridiculous. We can't afford to eat the way we used to," Mrs Arnold said.

A teacher from Khayelitsha, Ms Adelaide Majolo said she uses more soya mince and less real meat.

"We also buy a lot of canned food to make up for fresh vegetables," she said.

Mr Clive Klassen of Kuils River, an engineering technician, said he goes to the supermarket with the same amount of money every month but comes back with less food.

Shocking statistics on vegetable and red meat prices were gathered by the Department of Central Statistics from retail outlets throughout the country. This survey was conducted from August '93 to August '94. All prices include VAT.

<p>|</p>
<table>
<thead>
<tr>
<th>ITEM</th>
<th>Aug '93</th>
<th>Aug '94</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>tomatoes (per kg)</td>
<td>R2.29</td>
<td>R3.95</td>
<td>73.6%</td>
</tr>
<tr>
<td>potatoes (10 kg)</td>
<td>R7.81</td>
<td>R12.65</td>
<td>62%</td>
</tr>
<tr>
<td>onions (per kg)</td>
<td>R4.17</td>
<td>R3.22</td>
<td>81.9%</td>
</tr>
<tr>
<td>lettuce (per kg)</td>
<td>R1.64</td>
<td>R2.48</td>
<td>51.5%</td>
</tr>
<tr>
<td>gem squash (bag)</td>
<td>R5.37</td>
<td>R19.90</td>
<td>253.8%</td>
</tr>
<tr>
<td>beetroot (bunch)</td>
<td>R1.36</td>
<td>R1.98</td>
<td>46.5%</td>
</tr>
<tr>
<td>carrots (bunch)</td>
<td>R1.36</td>
<td>R1.98</td>
<td>46.5%</td>
</tr>
<tr>
<td>chicken (per kg)</td>
<td>R8.08</td>
<td>R9.52</td>
<td>17.1%</td>
</tr>
<tr>
<td>leg of lamb (per kg)</td>
<td>R15.87</td>
<td>R22.54</td>
<td>42%</td>
</tr>
<tr>
<td>mutton (per kg)</td>
<td>R13.03</td>
<td>R18.64</td>
<td>43.4%</td>
</tr>
</tbody>
</table>

"I can't afford to pay R25 for a pocket of potatoes..."

"And steak, well, that's a luxury," Ms Debra Petersen from Atlantis.

"The price of meat is real-ridiculous. We can't afford to eat the way we used to."

Musician Mr Alister Andrews of Welcome Estate said he wasn't really a meat man but that veggies were definitely overpriced.

"The government should really try to control food prices," he said.

With housewives confessing to using more rice and less potatoes and meat-loving men adjusting to sneak and chicken, it appears that the shortage of..."
SHOCKING increases in the price of food have hit cash-strapped Western Cape families hard, with some foodstuffs increasing by over 200 percent in the past year, an investigation by SOUTHEASTERN has found.

The prices of vegetables and meat have increased the most, the survey discovered.

For example, the price of a bag of gem squash has increased by 253,8 percent, potatoes by 62 percent, onions by 81 percent, a leg of lamb by 42 percent and mutton by 43,1 percent.

With people eating less meat and vegetables there is the danger that children will be exposed to malnutrition and other diseases.

Ms Debra Petersen of Atlantis said she hadn't eaten a good pot of cabbage bredie in months.

"And steak, well, that's a luxury," said the city nurse.

"These days I just dish more rice to make up for the lack of potatoes I can't afford to pay R25 for a pocket of potatoes.

"It wouldn't be so bad if our wages had also increased. But our income stays the same while everything else goes up," she said.

A mother of four, Mrs Mareldia Arnold of Woodstock, said she has to buy more fish and chicken because red meat is too expensive.

"The price of meat is really ridiculous. We can't afford to eat the way we used to," Mrs Arnold said.

A teacher from Khayelitsha, Ms Adelaide Majvolo said she uses more soya mince and less real meat.

"We also buy a lot of canned food to make up for fresh vegetables," she said.

Mr Gawan Klassen of Kuils River, an engineering technician, said he goes to the supermarket with the same amount of money every month but comes back with less food.

Dr Azeem Wale from Tygerberg Hospital said a lack of protein in a child's diet could lead to malnutrition and kwashoorkor.

"The lack of vegetables, especially green leafy vegetables can stunt a child's growth," said Majvolo.

"I can't afford to pay R25 for a packet of potatoes," said a steak, well, that's a luxury," Ms Debra Petersen of Atlantis.

"These days I just dish more rice to make up for the lack of potatoes I can't afford to pay R25 for a pocket of potatoes.

"It wouldn't be so bad if our wages had also increased. But our income stays the same while everything else goes up," she said.

A mother of four, Mrs Mareldia Arnold of Woodstock, said she has to buy more fish and chicken because red meat is too expensive.

"The price of meat is really ridiculous. We can't afford to eat the way we used to," Mrs Arnold said.

A teacher from Khayelitsha, Ms Adelaide Majvolo said she uses more soya mince and less real meat.

"We also buy a lot of canned food to make up for fresh vegetables," she said.

Mr Gawan Klassen of Kuils River, an engineering technician, said he goes to the supermarket with the same amount of money every month but comes back with less food.

Dr Azeem Wale from Tygerberg Hospital said a lack of protein in a child's diet could lead to malnutrition and kwashoorkor.

"The lack of vegetables, especially green leafy vegetables can stunt a child's growth," said Majvolo.

"I can't afford to pay R25 for a packet of potatoes," said a steak, well, that's a luxury," Ms Debra Petersen of Atlantis.

"These days I just dish more rice to make up for the lack of potatoes I can't afford to pay R25 for a pocket of potatoes.

"It wouldn't be so bad if our wages had also increased. But our income stays the same while everything else goes up," she said.

A mother of four, Mrs Mareldia Arnold of Woodstock, said she has to buy more fish and chicken because red meat is too expensive.

"The price of meat is really ridiculous. We can't afford to eat the way we used to," Mrs Arnold said.

A teacher from Khayelitsha, Ms Adelaide Majvolo said she uses more soya mince and less real meat.

"We also buy a lot of canned food to make up for fresh vegetables," she said.

Mr Gawan Klassen of Kuils River, an engineering technician, said he goes to the supermarket with the same amount of money every month but comes back with less food.

Dr Azeem Wale from Tygerberg Hospital said a lack of protein in a child's diet could lead to malnutrition and kwashoorkor.

"The lack of vegetables, especially green leafy vegetables can stunt a child's growth," said Majvolo.

"I can't afford to pay R25 for a packet of potatoes," said a steak, well, that's a luxury," Ms Debra Petersen of Atlantis.
MONTHLY PETROL PRICE
ADJUSTMENT ACCEPTED

Johannesburg. — The cabinet has
formally accepted a recommendation
from the National Economic Forum's
oil fuels task force that the petrol
price be adjusted monthly.

The Central Energy Fund said yest-
erday only external factors such as
international product prices and the
rand/dollar exchange rate would be
taken into consideration when deter-
mining price adjustments.

The fund said from October 5-21 the
average unit over-recovery for petrol
had been 1,71c/l and for diesel
0,13c/l. But oil industry analysts said
the present petrol price was 9,00c/l
overvalued. Taken over the month the
current over-recovery was more in the
region of 3c/l to 4c/l.

Transnet economist Mr Mike
Schuessler said that for October the
average price would be about 3c/l
lower than the current pump price.

"One could expect that the November
price could drop 3c/l to 4c/l."

The fund said the next period to be
assessed would be from October 5-25
and an adjustment would be made on
November 2.

The change would be made on the
first Wednesday of every month but
would be announced the previous Fri-
day.

W Cape abandoned
as NP congress venue.
Cabinet okays plan to adjust petrol price

MICK COLLINS

THE Cabinet has formally accepted a recommendation from the National Economic Forum's liquid fuels task force that the petrol price be adjusted monthly.

The Central Energy Fund said yesterday only external factors such as international product prices and the rand/dollar exchange rate would be taken into consideration when determining price adjustments.

The system was used on a trial basis earlier this month and pushed petrol prices down 6c/l and diesel 3c/l.

The fund said from October 5-21 the average unit overrecovery for petrol had been 1,711c/l and for diesel 0,132c/l.

But oil industry analysts said the present petrol price was 4,5c/l overvalued. Taken over the month the current overrecovery was more in the region of 3c/l to 4c/l.

Tansnet economist Mike Fruessler said for October the average price would be about 3c/l lower than the current pump price. "One could expect the November price could drop 2c/l to 3c/l."

The fund said the next period to be assessed would be from October 5-25 and an adjustment would be made on November 2.

SAs new import parity pricing system would work out the in-bond landed cost structure calculated on a basket of daily international benchmark prices.

The fund said it would be responsible for the calculation of the base fuel price and its calculations would be verified by independent auditors. Prices would be adjusted to correct the overrecovery or underrecovery of the previous month.

The minimum adjustment would be 1c and always to the nearest cent. The cumulative sale balance would determine whether the unit overrecovery or underrecovery would be rounded up or down.

The change would be made monthly at one minute past midnight on the first Wednesday of every month but would be announced the previous Friday.
Veg prices down but will consumers score?

Drought, black frost caused ‘worst season’

JENNY VIALL
Staff Reporter

THE cost of vegetables is dramatically down at Epping market — but concern has been expressed that the lower prices will not filter through to consumers.

Tomatoes, which cost consumers more than R1 each a few weeks ago, have come down at the market from R3.50 for a 5kg box to between R6 and R8 a box.

Potatoes, which cost consumers more than R1 each a few weeks ago, are down to R6 a box.

Cucumbers, which were costing consumers more than R4 each in the shops a few weeks ago, are plentiful at R10 a box (about 5) a cucumber). Peppers at R20 a box are again affordable, down from R69 to R70 a box.

Prices for many vegetables soared last month when Transvaal crops were hit by drought and black frost.

“It’s the worst season I can remember,” said Mr De Goede.

Crops grown locally are now coming onto the market.

“Our information is that the supply of potatoes will increase as we’re only at the beginning of the season and the price will come down further,” said Mr De Goede.

“Prices of potatoes decide the mood of the market, and the market is now buoyant.

“Consumers have had a shock. But salads can again be the order of the day.”

Watermelons should start appearing at the end of November.

Are prices likely to soar again next winter?

“From June to August we’re dependant on the Transvaal,” said Mr De Goede.

“Mother Nature will decide.”
as food prices soar
Double digit inflation

Nomadic To Jump on, Chicago Wells, more money poured into the city's economy as food prices soar. The increase in food prices has led to an increase in the cost of living, which in turn has led to an increase in the demand for money. This has resulted in a doubling of the inflation rate, as measured by the consumer price index.
Food prices fuelling double-digit inflation

RUNAWAY food prices pushed inflation, as measured by the Consumer Price Index, into double digits in September for the first time in 15 months. The main culprits in the 21.8% surge in food prices were vegetables, up year-on-year by 31.2%, and meat, up 34.7%. However, inflation for all items except food is only seven percent.

Food inflation accounted for half of the 1.2% month-on-month increase.

Double digit inflation as food prices soar — Page 11
**Petrol to drop by 1c**

THE price of all grades of petrol and diesel fuel will fall by 1c/litre at 1 am on Wednesday, but the price of kerosene will rise by 4c/litre, the Central Energy Fund said in a statement yesterday.

Fuel prices are adjusted on the first Wednesday of the month in terms of a new system approved by the Cabinet early this month. The cumulative rate for the three products for October 5 to 25 was used as the basis for the adjustments, the CEF said. In future, the period from the 26th of the month to the 25th of the following month would be used as the basis.

The last adjustment was on October 5, when the price of petrol fell by 6c/litre and of diesel fuel by 2c. The paraffin price remained the same.

Sapsa 2441
Petrol price dip ‘could stem CPI’

Johannesburg. — The latest drop of 1c in the petrol price, to come into effect on Wednesday, could help negate the effect of creeping inflation, which was expected to hit 11% in November, economists said at the weekend.

Ed Herr, Rudolph strategic economist Nick Barnardt said combined with this month’s 6c drop, the latest decrease would have a 0.2% direct effect and an indirect effect of 0.4% on the consumer price index (CPI).

“This could help keep the CPI around 11% rather than the higher level that it is due to rise to during the next few months.”

The decrease could also help offset the effect of the increase in bond rates, which would hit the CPI next month.

Referring to the producer price index (PPI), Barnardt said fuel “on the margin” made up a larger share of the PPI, it could help prevent the PPI from rising to more than 12% “But it will depend on fuel price decreases in the next few months.”

In line with its revised mechanism in the setting of fuel prices, government announced on Friday that the prices of diesel and petrol (all grades) would drop 1c, while the price of paraffin would rise 4c.

The Central Energy Fund said the Mineral and Energy Affairs Department had appointed Kessel Feinstein to audit the monthly price adjustment. Barnardt said with the rand firming and international oil prices dropping, a further drop of 4c to 6c in petrol prices was likely in December.

However, if the rand adjusted 10% on the abolition of the surcharge early next year, it would imply an adjustment of 3% to 4% in fuel prices, which would translate into an increase of about 6c.
Vegetable prices down

Municipal Reporter
VEGETABLE prices are coming down fast.

This is the official word from the city council's fresh produce market at Epping.

The utilities and works committee was told yesterday tomatoes had dropped from R30 to R8 a box and the price of potatoes was also coming down. ARLT 811194

The turnover at the market increased by about R10 000 in September representing a 45 percent increase over the same month last year.
Producer inflation into double digits:

Producers inflation, edged into double digits in September for the first time in almost three years, rising to 10.1% from 9.8% in August, Central Statistical Service (CSS) figures released yesterday showed.

The effect of the weak rand was an important factor behind the rise. Economists said the figure was lower than expected, mainly because some food price increases in September had been less dramatic than in the past couple of months. It was likely that the rate of increase in food prices would continue to drop, which would help restrain consumer inflation.

The figures showed that while meat in-

Inflation:

Inflation had fallen, vegetable inflation was still soaring. The CSS said vegetable prices were up 18.4% month-on-month, while meat prices were down 1.7%. Year-to-year vegetable inflation was 101.5%.

A 0.8% hike in the imported component of the producer price index (PPI) outstripped the overall 0.3% monthly rise. Economists said it would take a couple more months for the stronger rand to push down the imported component, which rose 8.7% for the year to September, compared with 7.6% for the year to August.

Economists said producer inflation was likely to pick up significantly in October before shrinking back into single digits next year. Sanlam senior economist Pieter Catz said September was a month in which few items were surveyed, which could explain why there had been few non-food price increases. He predicted that producer inflation next year would probably hover below 10%, while consumer inflation was likely to remain in double digits.

Heid Mutual economist Johann Els said producer inflation in October would probably be firmly up on September's, considering that the average monthly increase in the PPI for the eight months to August was 1%, compared with 0.3% in September.

The CSS said the price index for manufactured food goods was down 0.7% month-on-month, mainly because of a 3.1% decrease in the price of fresh meat.

The agricultural product price index was up 11.1% month-on-month, mainly because of a 12.6% increase in agricultural food prices. The mining and quarrying price index was up 8.9% month-on-month, textiles and made-up goods rose 1.7%, and clothing was up 2.3%.
Producers inflation edges up to 10.1 percent

Dreaded double digits come back

By Claire Gebhardt

The production price index (PPI) moved into double-digit numbers in September for the first time in almost 3 years.

Central Statistical Service (CSS) figures put the rate of increase at 10.1 percent — 0.2 percentage points higher than August’s 9.9 percent and the fifth consecutive monthly increase.

The good news is that although food price hikes remain the biggest culprit behind the rising PPI, fresh meat prices decreased by 3.1 percent in September.

The bad news is that the better-than-expected figures could prove to be temporary, given forecast shortages of red and white meat over the Christmas period.

Economists said yesterday the figure had come in much lower than the expected 10.9 percent and could indicate that the rate of increase in the PPI was slowing down.

September’s month-on-month increase was 0.8 percent, compared with August’s 1.3 percent.

The rebound in the PPI since last year has been largely the result of rising food prices, which have increased almost 20 percent a year ago to

prices or an increase in supply.

If shortages develop over Christmas, as expected, we could be looking at a temporary slowdown only.

Louw said the fact that the annual increase in the PPI for local production had slowed to 10.3 percent in September, against 10.4 percent in August, was very encouraging.

“Underlying rate of inflation appears to be stabilising.”

Imported inflation had moved in line with expectations because of a weaker rand earlier in the year and higher oil prices internationally.

The annual rate of increase in the PPI for imported commodities was 8.7 percent in September, compared with 7.6 percent in August.

Ed Hern, a Rudolph economist, Nick Barnard, said there were signs that the food price cycle was beginning to slow.

“This increases the hope that the upward inflation cycle, which started a few months ago, will peak below 12 percent early next year.”

Barnard said he had revised his inflation forecast for 1995 downwards from over 12 percent to 11.5 percent on the basis of the latest figures.
PPI tempered by slower food inflation

Drop in September month on month rise

By AUDREY D'ANGELO
Business Editor

JOHANNESBURG. — Food price inflation — the main factor that has been pushing up the producer price index (PPI) since May — has started to slow.

Figures released by the Central Statistical Service (CSS) yesterday show that although the PPI reached double digits again in September, with a year on year figure of 10.1% compared with 9.9% in August, the month on month rise was only 0.3%. This compares with a month on month rise of 1.4% between July and August.

Imports

The year on year rise for locally produced goods was 10.3% compared with 10.4% in August. But the month on month rise was only 0.1% compared with 0.5% in August.

The year on year rise for imported goods was 6.7% compared with 7.6% in August. But the month on month rise slowed to 0.8% compared with 1.5% in August.

Detailed figures released by the CSS show that meat prices, one of the main culprits in pushing up the PPI in recent months, are coming down. The price of meat as an agricultural product dropped by 1.7% and fresh meat used in manufacturing dropped by 3.1%.

One of the steepest rises was in coffee, tea and cocoa, which rose by 10.1%. Clothing rose by 2.3% and textiles by 1.7%.

Economists said they were pleasantly surprised that the PPI was not higher. But Sunlim chief economist Johan Louw, who said that seasonal factors had not been expected to bring food prices down so early in the summer, pointed out that they were likely to follow the customary trend of rising again just before Christmas.

Louw said the PPI was better than he had expected. “From personal observation I have noticed a decline in prices of fruit and vegetables, although the September PPI figures showed they were still rising then.”

“This may be due to the improved weather conditions, or consumer resistance may have been developing.”

Gordon forecasts that the PPI will average slightly less than 9% for the year. “We anticipate that the rising trend will remain intact and the PPI will continue to rise into 1995.”

“However, as food prices begin to normalise the overall PPI is expected to stabilise, ending the year below 11%.”

Meat prices

Old Mutual economist Johan Els said: “The lower meat prices have contributed a lot to the slowing down of the PPI. It is too early to say if this is the start of a declining trend, but it should help to keep inflationary expectations down.”

However, Els said he still expected the PPI to reach 11% by year end and to average 9% for 1994.

Nick Barnardt, economist with stockbrokers Ed Hend, Rudolph, said the small rise in the month on month figure was encouraging “especially when you look at the composition of the 0.3% rise. Only 0.1% was due to food prices, 0.1% for imported oil and 0.1% covers everything else.”

“It is especially comforting that food prices seem to have stabilised.”
Food price rise starts to slow

Food price inflation — the main factor that has been pushing up the producer price index (PPI) since May — has started to slow. Figures released by the Central Statistical Service yesterday show that although the PPI reached double digits again in September, with a year on year figure of 10.1% compared with 9.9% in August, the month on month rise was only 0.3% (2.4%)

PPI tempered by slower food inflation —
Higher cost of crude oil affects SA

BRUCE CAMERON, Business Editor

Petrol price likely to rise by 2c

THE petrol price is likely to rise by around 2c a litre on Wednesday next week, and is likely to go higher in the months ahead.

Crude oil prices are around $17 a barrel compared with $13 earlier this year.

Although the price for the world benchmark North Sea Brent Blend was down today at $16.89 a barrel, agreement by the Organisation of Petroleum Exporting Countries (Opec) on freezing production levels and the onset of the northern hemisphere winter are likely to drive crude prices up.

The price of petrol in South Africa was "depoliticised" two months ago with price adjustments being made on the first Wednesday of each month.

In October the price dropped by 6c a litre and by 1c this month.

Meanwhile the managing director of Atlantis Diesel Engines (ADE), Fritz Körte, has confirmed that his company is negotiating with the government and the minibus taxi industry to start a programme to convert the engines of the more than 100,000 taxis to diesel.

The petrol price is expected to be increased by 2c next week to cover a shortfall incurred in October.

The under-recovery, funded by the equalisation fund — to which motorists contribute at a rate of 9c a litre — averaged 1.26c a litre between October 26 and last Friday. The figure declined over the past week from 1.42c last Monday.
Flight bread price hikes — Minister
Price respite on cards for consumers

ALIDE DASNOIS  
Weekend Argus Business Staff

RELIEF may be on the way for consumers fed-up with rocketing meat and vegetable prices.

Producer price statistics released this week by the Central Statistical Service (CSS) show that, after rising 4.8 percent in August, fresh meat prices fell 3.1 percent in September.

Bureau for Economic Research economist George Kershoff said the sharp rise in the meat price in August was due to short supplies because farmers restocked their herds after the drought and demand had increased.

A shortage of chicken had forced consumers to buy red meat as a substitute.

He said the Meat Board expected the price of beef to drop from a peak of R9 kg in August to R8.50 kg in December.

Vegetable price inflation also slowed in October when the rate of supply picked up after a severe winter frost and rat plague in the Northern Transvaal.

Vegetable and dried bean prices were up nearly 19 percent on a year ago.

Coffee prices still were rising fast — up more than 10 percent after a world shortage.

In Johannesburg, Ed Hern Rudolph economist Nick Barnardt said there were signs the food price cycle was beginning to slow.

He said he had revised his inflation forecast for 1995 downwards from more than 12 percent to 11.5 percent.

The CSS figures show that producer price inflation moved up from 9.9 percent a year in August to 10.1 percent in September.

But, the month-on-month price increase in September was 0.3 percent, compared with August's 1.5 percent.
Public 'must query price hikes'

CONSUMERS had a duty to question inappropriate food price increases and had to apply their buying power discerningly, Agriculture Minister Dr Eزوا van Niekerk said yesterday.

Speaking at a press conference, he said both producers and consumers had a role to play in guarding against food price hikes.

"The consumer in a deregulated market can and should play an important role by shopping around to find cheaper prices," he said.

Dr Van Niekerk said he found it difficult to understand the "outrage" from the milling and baking industry after his recent call for consumers to question the latest bread price increase.

"My concern is with food prices generally. If prices go too high, it will also have an adverse effect on agriculture. The market will grow smaller and fewer farmers will be able to produce for that market," he said.

The Competition Board was investigating the recent six percent increase to millers, which had resulted in bread price hikes of about 11 cents a loaf from November 1.

"I do not think the increase to the industry was excessive, but somehow the increase to consumers is way out of line." Somewhere, someone is adding on something," he said.

Dr Van Niekerk said a new Marketing Act had been drafted to regulate agricultural marketing practices. — Sapa
Exorbitant coffee prices to continue

(244)
ECONOMY & FINANCE

PPI MONTH-ON-MONTH SLIDE
Seasonally adjusted % monthly change

thereafter this component began to figure in the list of trouble spots published each month by Central Stats.

One of the most seriously affected items was vegetables, which rose a monthly 18.7% in September. But vegetable prices declined in October, says Central Stats chief, Teunruscht du Toit, "according to prices at fresh produce markets." And the price index for meat has already shown a monthly decrease of 1.7%.

Prices of manufactured food reversed direction, falling by 0.7% in September. This component became an important contributor to inflation in May, when it notched up a 3.4% monthly rise.

Agriculture is 9.47% of the total index while food (manufactured) is 12.91%.

Oil is still putting pressure on prices. It is included in the component mining & quarrying, other, weighted at 7.5% in the index. September saw a 1.8% monthly rise in the component, from 1.4% in August. But these rises were modest, compared to those in the preceding three months — 5.9%, 4.5%, and 4.3%.

The deceleration is due to the relative stability of the rand. At the same time, the dollar price of oil which rose sharply in the early months of the year, has levelled out at around US$17 a barrel.

Only a spike

The year-on-year rise in the production price index was 10.1% in September — 0.2 percentage points higher than in August. It put producer inflation into the dreaded double digit range again, for the first time in almost three years, says Central Statistical Service.

But the month-on-month rise was the lowest since March, when the index fell 0.1%. It was 0.3% or a seasonally adjusted 0.5% (see graph).

Monthly variations are not significant when inflation is driven by structural forces. But they can be when producer prices have been boosted by commodities with volatile prices or subject to fluctuations in the rand.

In this case:

- Rising food prices, following damage to crops by drought and black frost, and
- Rising imported prices due to the steep fall in the rand until net inflows of foreign exchange stabilised the currency.

These are pressures that could recede if events that caused them are not repeated in the 12 months ahead.

Prices of agricultural products, made up mainly of food, rose only 1.1% in September, down from 4.2% in August. It was the lowest monthly increase since March —
The year-on-year rise in the production price index was 10.1% in September — 0.2 percentage points higher than in August. It put producer inflation into the dreaded double digit range again, for the first time in almost three years, says Central Statistical Service.

But the month-on-month rise was the lowest since March, when the index fell 0.1%; it was 0.3% or a seasonally adjusted 0.5% (see graph).

Monthly variations are not significant when inflation is driven by structural forces. But they can be when producer prices have been boosted by commodities with volatile prices or subject to fluctuations in the rand.

In this case:
- Rising food prices, following damage to crops by drought and black frost, and
- Rising imported prices due to the steep fall in the rand until net inflows of foreign exchange stabilised the currency.

These are pressures that could recede if events that caused them are not repeated in the 12 months ahead.

Prices of agricultural products, made up mainly of food, rose only 1.1% in September, down from 4.2% in August. It was the lowest monthly increase since March — thereafter this component began to figure in the list of trouble spots published each month by Central Stats.

One of the most seriously affected items was vegetables, which rose a monthly 18.7% in September. But vegetable prices declined in October, says Central Stats chief, Treurnicht du Toit, "according to prices at fresh produce markets." And the price index for meat has already shown a monthly decrease of 1.7%

Prices of manufactured food reversed direction, falling by 0.7% in September. This component became an important contributor to inflation in May, when it notched up a 3.4% monthly rise.

Agriculture is 9.47% of the total index while food (manufactured) is 12.91%.

Oil is still putting pressure on prices. It is included in the component mining & quarrying, other, weighted at 7.5% in the index. September saw a 1.8% monthly rise in the component, from 1.4% in August.

But these rises were modest, compared to those in the preceding three months — 5.9%, 4.5% and 4.3%.

The deceleration is due to the relative stability of the rand. At the same time, the dollar price of oil which rose sharply in the early months of the year, has levelled out at around US$17 a barrel.
CPI in single digits as food price hikes slow

By AUDREY D’ANGELO
Business Editor

INFLATION, as measured by the consumer price index (CPI), slowed in October to 9.5% after rising to 10.1% in September. But economists forecast that it will return to double figures in November when the 1% rise in mortgage bond rates will be included in the calculations.

A slowing down in the rate of food price inflation — the main factor pushing it up in recent months — kept the rise in the CPI between September and October down to 0.6% compared with a hefty 1.2% between August and September.

Food price inflation is still running at a high rate of 21.8% year on year, only slightly below 21.9% in September. But it slowed to 0.7% between September and October, with most prices actually falling by an average of 0.2%.

This is the lowest monthly figure for food price inflation since May. Between August and September it rose by 2.7%.

PRETORIA — South Africa’s money supply, as measured by the M3, increased an annualised 14.67% in October against 14.32% in September, figures released by the Reserve Bank yesterday showed.

The RB’s guideline growth is between 6 and 9%.

Rise in October money supply

M3 seasonally adjusted was 14.34% in October (Sept 13.79%)
Total M3 totalled R234 741bn from R232 137bn in the previous month
Seasonally adjusted it amounted to R235 812bn (R233 313bn)
— Sapa

Because food accounts for a higher proportion of their incomes, the lower income group were the hardest hit by inflation in October. Their inflation rate was 10.6% year on year compared with 10.7% in September and 7.0% in October last year. Their monthly inflation rate was 0.6% compared with 1.3% in September.

Year on year inflation for the middle income group was 10.4% compared with 10.6% in September and 8.1% in October last year. Their month on month rise was 0.5% compared with 1.2% in September.

Year on year inflation for the higher income group was 9.5% compared with 9.7% in September and 10.3% in October last year. Their monthly rise was 0.4% compared with 1.1% in September.

Economists said the inflation rate had come as a pleasant surprise. Most had expected it to be in double figures.

Old Mutual economist Johan Els said it was too soon to say whether food price inflation would continue to decline. He expected inflation to stay above 10% for the next 12 months. “But it could be back in single digits by 1996.”

Southern Life economist Sandi Ford said it was encouraging that non-food inflation was continuing to fall because “the food price spiral is regarded as a temporary phenomenon which may now be in the process of beginning to unwind.”

She pointed out that food price inflation in October had been “a mixed bag with another sharp rise in fruit juice prices — up by 7.9% month on month while vegetable prices have begun to stabilise, falling by 0.5% month on month.”

She forecasts an inflation rate of 10.7% by year-end, and an average of 9.1% for the year.

“If food prices continue to stabilise during the remaining months of 1994 the anticipated rise in the inflation rate during the first half of 1995 could well be more subdued than initially anticipated.”
Telephone rates rise 10%

TELKOM has announced an average increase in telephone rates of about 10% from January but it also cut prices on local calls kept under three minutes.

Monthly rentals of residential telephone lines would be increased 9.7% to R37.30, and business rentals would rise from R34 to R38.30. Monthly rentals to pensioners would increase about 5%, while installation charges would increase to R233 from R212. The figures exclude VAT.

Some calls become more expensive and others cheaper. Call charges are reduced from 29.4c to 19.5c a unit excluding VAT. The time per unit for calls within a 50km radius will be cut from 300 seconds to 180 seconds. Public calls, telegram, telex and telexx services, and extensions in line rentals, remain unchanged.

Calls from fixed wire to cellular phones will cost 7.7% less.

Telkom MD Danie de Tot said tariffs for long distance calls would be lower and customers stood to benefit if they kept calls under three minutes.

Telkom’s efforts to support the reconstruction and development programme, particularly by providing telecommunications services to peri-urban and rural areas, would be undermined if its income from the corporate sector was hampered by uncontrolled competition.

SELLO MOTLHABAKWE

MELANIE SERGENT reports that the new tariffs are in line with Telkom’s bid to make it less attractive for competitors to enter the market and offer attractive deals to corporates which subsidise the low end of the market.

Telkom is faced with growing international competition and moves by its most important clients to bypass its network through private voice and other networks. It is estimated that there are more than 300 private voice networks in SA which bypass Telkom’s network.

Telkom’s focus is on national phone calls which are subsidised by long distance and international calls, which in turn are under pressure from international competitors.

Centre for the Development of Information and Telecommunications Policy

---

Telkom

Ordinator Andile Ngabha said there were distortions in current tariffs, and Telkom generated 50% of its revenue from 3% of its customers. “The over-dependence on corporate customers highlights Telkom’s vulnerability to competition.”

At previous tariff rates, long distance calls yielded 38 times more revenue a minute than a local call at peak tariffs.

He said previous tariff increases had been across the board and had not embraced any significant rebalancing. This increased the attractiveness of bypassing Telkom’s network.

For corporations, installation charges for leased lines (like Diginet) increased by an average 10%. Monthly rentals for services such as Megalines, Diginet and Diginet-Plus are up about 14%, and charges for main links between exchanges will rise an average 20%.

Industry sources do not rule out further increases next year.

Postmaster-general Ters Oosthuizen said Telkom was hamstrung by having its tariffs stipulated by government. “As a commercial company with directors responsible for its well-being, it could be beneficial for Telkom, in the long run, to be able to plan its own destiny.” Privatisation had to be discussed with government, with policies clearly spelt out.

“Once that has taken place, there will be a framework within which the industry can operate, and we could all benefit by having competition in the various sectors.”
Meat producer prices fall . . .

No cut for consumers

MAGGIE ROWLEY
Deputy Business Editor

ALTHOUGH the price paid to farmers for mutton in Cape Town plunged 19.4% from July to October following cheaper imports, consumers were paying only 1.2% less at the till, said Stanford farmer and agricultural economist Mr John Nel.

Mr Nel said RSA Livestock and Meat statistics also showed that the producer price of mutton had risen by 9.7% between January and October this year, the retail price to consumers was up by a hefty 20.5%.

Hitting back at retailers — in particular Pick ’n Pay joint managing director Mr Gareth Ackerman — who have partly blamed farmers for the large hikes in meat prices this year, Mr Nel said Cape supermarkets had failed to pass on reductions in producer prices.

Owing to the import of cheaper Australian and New Zealand meat, the producer price of mutton fell from R12.35 a kg to R11.70 in recent months.

"However, the supermarkets who raised their voices about how the farmers were giving the consumer a raw deal by 'holding back their animals and enjoying import tariff protection' only lowered their retail price from R24.65 to R24.49."

He said the producer price of beef in the Cape Town area also fell from R10.78 in August to 9.62% in October 1994, but over the same period the retail price at supermarkets increased from R19.15 to R20.27.

Mr Nel said that in an RSA Livestock and Meat statistics price survey of meat prices in Cape Town, the consumer was paying 29% more for beef in October than in January this year.

The supermarkets, he said, had held retail prices down as the producer price they had paid during this period had increased by 30.3%. However, since July the producer price had increased by only 3.3% while the retail price at supermarkets was up 12.93%.

Mr Nel said that on average between 1990 and 1993 the price the farmer received for beef increased by 112% while the retail price rose by 138%.

Similarly the price of mutton rose by 134% in favour of the farmer but the consumer paid 140% more over the same period.

Different

"The farmer in no way benefited from the extra increase that retailers passed on to the consumers but the retailers failed to inform the consumers just who was really responsible for their plight."

In response, Mr Ackerman said that while the prices quoted by Mr Nel did not appear far out of line "one must realise that different surveys produce marginally different results".

"We use the Meat Board Information Booklet, which sets out its information differently."

According to these statistics, he said, the beef producer price rose 35% for all grades between January and September this year while the consumer price rose by an average of 29% at all outlets.

For the three-month period between July and September, the beef producer price for all grades rose 9% while the consumer price at all outlets rose by an average of 11%.

Mutton producer prices for all grades rose by 10% between January and September this year while the consumer price for mutton at all outlets rose by an average of 22%.

In the three months from July to September the producer price for mutton dropped 16% while the price paid by the consumer declined by an average of 0.2% at all outlets.

Mr Ackerman said that in the first half of the year they had had to absorb much of the producer price increases and the meat division had been running at a loss.

"In recent months we have increased our margins slightly but once costs, shrinkage and so forth are accounted for, we are looking at no more than a 1% net profit. It must be remembered that up to 25% of a carcass is lost in fat and bone," he said.

Mr Ackerman said that according to an independent pricing survey which they receive, Pick ’n Pay supermarket price inflation in Cape Town on a selected basket of beef, lamb and pork cuts was running at 21.72% between January and October but dipped to 13.56% between July and October.

Since August, he said, their meat prices had fallen by an average of 15%
TELKOM

Striking out

It was a predictable response. In an attempt to stave off increasing competition in the corporate and long-distance call business, Telkom has announced a rebalancing of its tariffs (see Infotech).

On January 2, its tariffs will increase by an average of 10% — just below the forecast inflation rate of around 12% for next year. Local calls of over three minutes in duration will go up in price, while long-distance calls are to be reduced. Monthly rentals and installation charges will also increase.

Telkom MD Danie du Toit says the utility inherited an uncompetitive tariff structure (high long-distance national and international rates subsidised by cheap local calls), but it cannot afford to implement “cost-related tariffs in one fell swoop” as this will lead to a dramatic increase in residential rentals and local call charges.

As a first step, Telkom has shortened the call duration of a local call (within a 50 km radius of the telephone) from five to three minutes, reduced the unit rate from 23.3c to 21.5c (20.4c to 19.2c excluding VAT), and halved the distance for the highest rate interval from 800 km to 400 km.

This means that during peak hours, a call between Cape Town and Johannesburg will become 11.6c a minute cheaper. Short local calls and faxes will be cheaper but if you enjoy chatting for hours with a neighbour, be prepared to pay more. Telkom will also reduce its call charges to a cellular phone by 7.7% and cut international tariffs to most countries outside Africa.

BUSINESS

Telkom’s change in rate structure now aligns well with the long-distance tariff packages offered by the cellular phone companies.

On Tuesday — the same day it announced its new tariff structure — Telkom agreed to abandon the court application for interim and urgent relief from undercutting by cellular operator MTN. It is proceeding on a non-urgent basis with its application for an interdict against Postmaster-General Ters Coetzee, the cellular phone operators and Minister in charge Pallo Jordan.

The hearing is postponed to February 15 next year.
JOHANNESBURG. — The interim pricing system for petrol, introduced at the recommendation of the National Economic Forum (NEF) is delivering reasonable prices attuned to the international market, according to chairman of the SA Petroleum Industry Association (Sapia) John Drake.

However, the continuing synthelf subsidies granted to petrochemical giant Sasol were inflating prices by an average of 9c per litre.

In a statement yesterday, accompanying the monthly price adjustment (1c a litre for December), Drake said the interim pricing system succeeded in reflecting fair market prices. His comments followed recent criticism of the interim system by chairman of the Central Energy Fund Roy Pithey.

Pithey claimed the interim system artificially inflated prices — a claim vehemently denied by Drake.

"The system, based on a formula, was recommended by the NEF as its choice of alternative interim systems. It will obtain while restructuring discussions proceed," Drake said.

"Among those who agreed was Roy Pithey," he added.

He said Sapia believed the government should embark on a gradual process of policy reform to ensure minimum government intervention in the petroleum market.
Good and bad news for meat, vegetable consumers

Johannesburg — The drought, coupled with the heatwave, will bring both good and bad news for consumers with meat prices expected briefly to drop, but with shortages of vegetables and fruit later in the year.

Transvaal Agricultural Union president Dries Bruwer said that while the drought in many parts of the country had been the major factor affecting farmers, the heatwave was also taking its toll.

He said more than 500,000 citrus trees in the Lowveld had died — nearly 40 percent of citrus production.

Vegetable production had also been hampered.

Mr Bruwer said tomatoes would be the first vegetable to be hit by the hot weather with other shortages and price rises to follow during winter.

Many farmers in western Gauteng had been unable to plant crops as the drought tightened its stranglehold.

Mr Bruwer said cattle farmers would soon have to sell their livestock before they died from lack of food and water.

"When these farmers start dumping their cattle in order to make a few rands consumers will find prices drop for a while but this will only be for a short time," Mr Bruwer said.

Free State Agricultural Union president Piet Gouws said three-quarters of the land remained unplantable — in the past year only 10 mm of rain had fallen in the south, west and central OFS.
Producers prices rise slow on firmer rand

By MAGGIE ROWLEY
Deputy Business Editor

A STRONGER rand and slowing food
prices saw the Producer Price Index
slip back into single digits in October,
taking the markets and economists by
surprise.

The year on year increase in the PPI was
9.7% against September’s 10.1% and an
expected 10.5% with the month on month
increase declining from 0.3% in Septem-
ber to 0.1% in October.

A major contributor to the lower than
expected PPI figures, which are expected
to impact positively on consumer price
data due out later this month, was the
decline in the imported component to 6.8%
year on year against 8.7% in September.
The month on month figures showed a
decline of 1.5%.

In turn was due in the main to the
stronger rand/dollar exchange rate in
recent months and lower oil prices al-
though the imported manufacturing index
was also down at a year on year increase of
5.6%, which economists pointed out was
more in line with inflation rates reported
by SA’s major trading partners.

Locally produced commodities in-
creased by 10.4% year on year, slightly
ahead of September’s 10.3% increase. The
month on month increase was 0.4%,
against September’s 0.1% month on month
increase.

Increases in food prices, while still well
ahead of a year ago, slowed somewhat in
October with agricultural foodstuffs up
12.2% year on year and manufactured food
17.6%. The month on month increases
were 0.4% for agricultural foods and 0.0%
for manufactured foods.

The highest increases were for fruit,
which was up 80.2% year on year but lower
than the 181% increase recorded in Sep-
tember. The month on month increase was
24.2%.

Agricultural meat prices, which have ex-
erted upward pressure on inflation in
recent months, dropped 20.8% month on
month.

Increases were also seen in coffee, tea
and cocoa which rose 36.1% year on year.

Economists, Johan Louw of Sanlam, Jo-
an Els of Old Mutual and Karen Schoe-
man of Southern Life said the 9.7% year on
year increase in the PPI for all commod-
ities was surprising lower than an antici-
pated 10.3% to 10.5%.

Louw said that excluding food, the PPI
was running at 7.3% year on year and it
now looked likely that PPI would stay
within single digits for the rest of 1994,
giving an average of 6.5% for the year
against 6.6% last year and an expected 9% for
1995.

He said while factors impacted on the
Consumer Price Index (CPI), particularly
services, the lower than expected PPI
figures should have a positive impact on
CPI.

Els said following the surprise October
PPI figure he now expected PPI to be
running at round 10.5% by the end of the
year against a previously anticipated
11.5%.

The production price index for commod-
ities for SA consumption showed relatively
large month increases for forestry pro-
ducts (3%), fishing products (3.5%), leather
and leather products (5.2%), wood prod-
ducts (2.3%), furniture (6%), paper, paper
products and printing (2.7%), chemicals
and chemical products (1.4%), rubber and
plastic products (3.7%) and scientific, opti-
cal and related equipment (2%).

However relatively large decreases oc-
curred in the price indexes for mining and
quarrying products which were down
2.7%, non-electrical machinery, down 1%
and electricity, gas and water, down 2.5%.
Petrol
SOUTH AFRICA
price to fall
by 2c
20/12/94

The petrol price will drop
2c a litre from Wednesday,
according to the latest price
adjustment from the Central
Energy Fund.

In a statement yesterday,
the CEF said lower interna-
tional petrol prices had
more than offset the effect
of a weakening rand against
the US dollar, resulting in
the decision to lower the
domestic price for all
grades of petrol.

Diesel would rise 2c a
litre. The price of illuminat-
ing paraffin would remain
unchanged. The Automobile
Association said the new price
could have a burdened
cost attached to it in the
form of increased taxation
of leaded fuel users.
Prices - General

1995
Rising commodity prices forecast to buoy economy

BY AUDREY D'ANGELO

Rising commodity prices will buoy the economy — and the JSE — this year and for years to come, regardless of higher world interest rates, forecasts Peter Bartholomew, a director at the Cape Town office of stockbrokers Mathison & Hollidge.

He expects the boom days of the 1970s, when SA did well thanks to demand for gold and other metals, to return.

But Chris Boyce of Davis, Borkum, Hare is more cautious.

He warns that Wall Street may crack as US interest rates rise, dragging the JSE down with other world markets.

Boyce says that although the US Federal Reserve Board had not raised interest rates again before the new year, it was certain to do so this year in an attempt to curb inflation.

"I think talk of emerging market is overdone. Wall Street worries me. If it cracks, talk of emerging markets will not matter. Our market will go down as well."

Bartholomew, agreeing that the Fed sees inflation as the greatest enemy because it threatens the value of the dollar, says politicians are nevertheless likely to opt for some inflation rather than risk aborting the world economic recovery through hasty and severe interest rate hikes.

The threat of renewed inflation is real as the world enters a new phase of growth. US capacity utilisation is already at its highest since 1989 and the unemployment rate close to the level economists consider to be the floor, above which inflation rises continuously.

"Some economists estimate that US inflation will reach 5 percent by the end of 1995 and 7 percent in 1996."

But the benefit of the US-led recovery is really only beginning to filter through to Europe and other developed nations now.

Any further increase in US interest rates, which could cause the US economy to falter, would bring criticism from European and Asian politicians.

Demand for finished goods is growing and will continue to do so as standards of living rise in developing countries.

Over two-thirds of world trade is currently between countries with less than 20 percent of the world's population.

Mckinsey & Co forecasts that the number of consumers buying packaged goods in China alone should exceed the population of the US by the year 2000.

"If China's growth continues at 8 percent per annum (a conservative estimate, given last year's growth rate of 13.4 percent), this number will reach 270 million by the turn of the century and 570 million by the year 2005. This will put enormous pressure on raw materials."

In this situation, says Bartholomew: "Producers of raw materials will benefit substantially over the rest of this decade, as global consumption of manufactured goods outstrips the supply of materials."

""
Thunderstorms fail to break drought
Increase in PPI unexpectedly mild

BY CHARLOTTE MATHEWS

The producer price index (PPI) rose by an unexpectedly mild annualised 8.4 percent, compared with October's 9.7 percent, holding out prospects of lower inflation in the near future.

However, economists warned that other factors such as strong demand for bank credit, the balance of payments position and international trends made an interest rate hike almost inevitable in the near future.

According to figures released by the Central Statistical Service (CSS) yesterday, the monthly rate of increase in the PPI was only 0.3 percent.

The PPI for locally produced commodities rose by 9.9 percent in November, below October's 10.4 percent, while the PPI for imported commodities rose by 6.7 percent, compared with 6.8 percent in October.

The main contributor to the decline in the November PPI was a 3.7 percent drop in the price index for agricultural products, chiefly because the price of vegetables and dried beans dropped by 9.5 percent, and the price of fruit fell 0.5 percent.

Absa economist Adam Jacobs said the fall in the vegetable price was off a high base and in coming months meat prices were also likely to drop temporarily. However, the effect of the drought could be higher vegetable prices next winter.

Economists agreed that inflation was likely to decline in the next few months, but said the consumer price index (CPI) was also influenced by retailer pricing and by the inclusion of other sectors, such as services, which are not included in the PPI.

Ed Herl, Redolphi strategic economist Nick Barnardt said the effect of lower food prices on the CPI was almost immediate and had already been seen in the recently released November CPI figure.

In the medium term it appeared that the risk of double-digit inflation was fading, Barnardt said, although if the rand were abolished the exchange rate adjustment could put upward pressure on inflation.

Jacobs said the CPI was likely to fluctuate at 9 to 10 percent in the medium term, but that the underlying trend was upwards since demand for goods and services was rising.

Despite predictions of restrained inflation, Barnardt said a full percentage point hike in interest rates was likely within the next six weeks, while Jacobs said an increase was probable in the next quarter.

The factors pushing for higher rates included current strong demand for bank credit, pressure on the current account of the balance of payments, the drought, strains on foreign borrowing after the Mexican crisis and the international trend to higher interest rates, they said.
Economists welcome dip in PPI rate

By AUDREY D'ANGELO

Lower fruit and vegetable prices and the downward trend of the consumer price index (CPI) resulted in a dip to an annualized 4% growth in October, compared to 5.7% in September. This is the lowest monthly inflation rate since August 1993.

The monthly consumer price index (CPI) rose by 0.6% in October, compared to 0.5% in September. The annualized inflation rate was 5.7% in October, compared to 6.3% in September.

Drought

But the weather is not the only factor affecting prices. The currency has appreciated against the dollar, and this has led to a significant reduction in the prices of imported goods. The prices of imported goods have come down by 3.3% in the last month.

The reduction in the prices of imported goods has led to a significant decrease in the prices of consumer goods. The prices of fruits and vegetables have come down by 1.7%.

Upward pressure

While the reduction in the prices of imported goods has helped to reduce inflation, there are still upward pressures on prices. The cost of labor has increased, which has led to a rise in wages. The cost of raw materials has also increased, which has led to higher prices for finished products.

The government has taken steps to control inflation, but the upward pressure on prices continues. The government has increased interest rates, but this has led to a slowdown in economic growth.

In conclusion, the dip in the PPI rate is a welcome development, but there are still challenges to be faced. The government needs to continue to monitor inflation and take steps to control it.
Food price falls trim inflation

Business Staff

NEW falls in food prices held the year-on-year inflation rate down to 9.9 percent in December — the same as November. And the average inflation rate for the year, at 9 percent, is the lowest for 24 years.

Central Statistical Services (CSS) figures show that food price inflation slowed further in December, as prices of vegetables fell 9 percent and of sugar 0.3 percent.

This helped to offset higher prices for grain products (up 1 percent), meat (up 1.4 percent for meat), fish and other seafood (0.7 percent), milk (0.1 percent), fats and oils (3.2 percent) and coffee, tea and cocoa (3.4 percent).

But over the year to December, food prices are still up a whopping 17.6 percent and average food inflation for the year, at 13.3 percent, is well up on 1993's 8.8 percent.

Boland Bank economist Francois Jansen said single-digit inflation for 1995 was unlikely.

Interest rates were likely to be raised twice, higher demand for credit with the acceleration in economic activity; a weaker trade balance and a depreciating rand would all contribute to inflationary pressures.

He expected an average inflation rate of 10.5 percent for the year.

Absa senior economist Adam Jacobs said although it was pleasing inflation had not risen to double digits in December, the fact that food prices had not dropped further was disappointing.

The food price component of the inflation rate still remained very high, he said.

Mr Jacobs said the non-food component of the inflation rate was gradually moving upwards but inflation at this stage was not out of control.

He said it was unlikely the better inflation figures would stave off an interest rate hike.

South Africa's financial authorities were more concerned about the state of the current account of the balance of payments, the Mexican peso crisis and the large increase in the money supply and bank credit to the public.

The Mexican crisis had influenced emerging markets negatively and made the cost of credit more expensive.

A higher interest rate was also therefore needed to attract foreign investors to South Africa, he said.

Mr Jacobs said the government and other borrowers were also likely to be sensitive to the higher cost of foreign credit and attempt to raise money locally, which in itself would also put pressure on interest rates.
Petrol cost down by 2c a litre

Special Correspondent

PETROL came down 2c a litre yesterday, making it 10c a litre cheaper than in October, and the drop is helping to keep inflation to single figures.

Petrol has about a 3% weighting in the basket of consumer costs calculated in the consumer price index (CPI). That means, says Econometrix economist Mr Tony Twine, that the drop has knocked about 0.15% off the CPI — which was 9.9% last month.

Owing to a different refining process and demand worldwide, the diesel price — now down 1c to R1.66 a litre — is 2c above its October level.

While the CPI effect is negligible, diesel price changes are also not providing any impetus to producer costs. Fuel comprises only a small part of the distribution cost of most goods, probably not more than 1c out of 5c in a product with a R1 wholesale price, says Grocery Manufacturers' Association executive director Mr Jeremy Hele.
Beer price goes up 6,9%  

THE wholesale price of beer is up 6,9 percent on average from today, South African Breweries has announced.

Price increases for different brands vary slightly.

Increased retail prices have not yet been determined and beer prices in off-sales will remain unchanged today, a city bottle store manager said.

SAB beer division marketing director Barry Smith said they had been able to keep the increase below inflation because of productivity improvements and input cost containment.
Beer prices up by 6.9%.

JOHANNESBURG. – South African Breweries' beer prices rise 6.9% today, its beer division said yesterday.

SAB said beer prices in bottle stores, taverns and bars were set by retailers and it was therefore not possible to say when, or by how much, retail prices would increase. – Sapa
Producer prices rise by 9.7%

Domestic prices 'too high'

BY AUDREY D’ANGELO
Business Editor

The producer price index (PPI) rose by 9.7% between November and December mainly due to higher domestic prices. The domestic component of the PPI rose by 9.7% during the month, while the imported component rose by only 0.4%, reflecting the stability of the rand and low inflation among South Africa's major trading partners.

The PPI for December showed a rise of 9.7% over the 12 months compared with 9.4% in November. The annual percentage rise for locally produced goods was 10.4% compared with 9.9% in November. The annual percentage rise for imported goods was 6.8% compared with 6.7% in November.

The biggest rise for domestic goods was in mining and quarrying products which rose by 23.1% during the month. But, the mining and quarrying sub-index was up 8.5% in the price of coal. Agricultural products, manufactured food, textiles and made-up goods rose by 11.2% during the month.

Two economists - John Leis of Old Mutual and Nick Barnard of stockbroker Ed Horn, Rudolph - pointed out that the continuing trend for domestic prices to rise at a faster rate than those of imported goods would encourage imports with undesirable consequences for the balance of payments (BoP).

Barnard said the increasing gap between the price of imports and domestic goods was "worrying" and showed that "we cannot forever fight inflation by keeping the rand stable (against other currencies)"

He thought the solution was to abolish the fiscus accepting a depreciation of about 12% in the rand while continuing to control inflation by tight monetary and fiscal policies. "We need an exchange rate depreciation to keep the BoP from getting out of hand."

But Sanlam chief economist Johan Loev said he did not think SARS could abolish the financial rand at present against the backdrop of what has happened in Mexico".

Loev pointed out that previous projections were of short-term capital rather than long-term investment.

Discussing the PPI, Loev said he expected it to average 9% for the first quarter of this year because it was rising from a low base in the first quarter of 1993. "But it will decelerate later in the year, because it is rising from higher levels.

The Rand Bank economist Francois Fansen said he thought it encouraging that the imported component of the PPI had remained low, in spite of the substantial depreciation of the rand against the dollar in the middle of last year, because it showed that fears of imported inflation had been exaggerated.

Southern Life economist Sandra Goeden said food prices had risen by a higher than expected 1.3% month on month. "This reflects higher meat prices (1.7% month on month), and surge in fruit prices, (18.7% month on month) which more than offset declines in grain (0.1% month on month), milk and eggs (4.8%) and vegetable prices (16.3%)."

She forecasts an average PPI of between 9% and 9.5% during 1995. Johan Loev said he did not think the higher meat and fruit prices were the start of a trend.

"He expected the PPI to move up gradually during the year to reach 12% in December, and to average 10.5% for the year."
**Inflation**

3.2% and the vegetable price index dropped 6.9%. Economists said seasonal factors could have triggered part of the rise in meat inflation.

Old Mutual economist Johan Els said the gap between local and imported manufacturing inflation was widening. The figures pegged local manufacturing inflation at 9.5% and imported at 5.6%.

Els said the domestic manufacturing sector had become more competitive to cushion the blow to the balance of payments which would come from higher imports. He expected producer inflation to hover at 10% for the first half of this year and finish the year at about 12%.

Local manufacturing inflation rose 0.5% and imported manufacturing inflation 0.2%. "The traditional effects of an economic upswing seem to have filtered through to local manufacturing prices," said another economist.

She said the oil price index had risen 11.1%, reflecting higher oil prices from a few months back as oil prices had dropped in December. A 4.6% monthly increase in the coal price index probably stemmed from higher contract prices.

There was a monthly 1.1% increase in the textiles and made-up goods index, a 0.7% increase in the petroleum and coal products index and a 0.7% increase in the base metals index.
Heat hammers fruit, veg prices

STAFF REPORTER

Peaches are the pick of the week with all other fruit and vegetables at the Johannesburg Fresh Produce Market increasing in price because of the drought and hot weather over most of the country.

Market director Daan Spangler said almost all produce now had a much shorter shelf life because of the ongoing heat.

He recommended that consumers buy their fresh produce twice a week instead of once a week.

Even though mangoes, litchis and avocados are in season, the drought, coupled with the heat wave, has taken its toll on production as well as prices.

Too little rain and too much heat has also led to the price of lettuce, broccoli, carrots, cabbage and beans going up as well as lower quantities being available.
Liquor, tobacco price rise likely in new Budget

Alude Dasnol
Deputy Business Editor

Tobacco and liquor are likely to be more expensive after the March 15 Budget, says Sanlam chief economist Johan Louw.

He says Minister of Finance, Chris Liebenberg, can be expected to raise excise duties on liquor and tobacco.

A moderate increase in the VAT rate is also a possibility.

And more bad news for consumers could come from a hike in the fuel levy which will raise the cost of petrol.

But there's good news on the way too, says Mr Louw, people in lower and middle income groups can expect lower personal taxation from Mr Liebenberg's first Budget.

The government will probably not be able to implement the Katz Commission's recommendations in full, Mr Louw says, because this would cost about R3 billion in revenue. So only limited tax relief is expected.

The minister will probably be looking to people in higher income brackets to make up for any decreases in tax on the less wealthy.

Mr Louw expects the government deficit to total R27,5 billion, or 6,2 percent of Gross Domestic Product (GDP). This is less than the budgeted 6,6 percent.
Food price increases forecast

From CLAIRE GEBHARDT

JOHANNESBURG. — Inflation could reach 11.6% year-on-year over the next six to 12 months, according to the latest Afrikaanse Handelsinstituut Inflation Barometer.

The AHF said the average year-on-year consumer price index (CPI) inflation rate had increased from a low point of an average 7.3% in the second quarter of 1994 to 8.9% in the fourth quarter in the wake of particularly sharp increases in food prices and non-food inflation.

The Producer Price Index (PPI) inflation rate had also risen by an average year-on-year rate of 8.2% in comparison with 6.6% in 1993.

"The braking effect of the imported component (average of 5.4% in 1994) could disappear after the abolition of the financial rand and subsequent rand depreciation."

Food inflation had exercised strong upwards pressure on inflation in 1994.

The phased lowering of import tariffs in accordance with the GATT Marakesh Agreement could make imported food and imports cheaper in general.

On the other hand, the possible abolition of the financial rand could result in higher import prices.

"Taking everything into consideration — specifically against the background of the drought and the relatively poor agricultural year in comparison with 1994, there could once again be food price increases of more than 10% in 1995."

The AHF said the most important factors currently exercising upwards pressure on the barometer, and therefore on the inflation rate, were growth in the broadly defined M3 money supply and the high level of inflationary expectations as reflected in the yield curve of long term interest rates and the BKB's expectation index.

This was probably linked to the anticipated abolition of the financial rand.

"Consequently, the real inflation rate over the next six to 12 months could be lower than the levels anticipated by the Barometer if the financial rand is abolished within the next few months."

"During March fuel prices should be increased once again due to under-recoveries, while possible additional fuel levies with a view to establishing a road-building fund could push fuel prices upwards from April."

Wage demands could neutralise the possible contribution of further productivity increases to the lowering of unit costs.

The improvement in the gold and foreign exchange reserves was disappointing in the last few months due to poor export performances.

Net capital inflows were mainly short-term in nature. A strong show by the tourism industry due to the rugby world cup could however help to brace the current account.
Petrol price to rise by 5c/l on March 1

JOHANNESBURG. — The price of petrol will increase by 5c/l at the beginning of March, the Central Energy Fund said today.

It is the highest rise since February last year, when the price was pumped up by 9c/l.

The increase follows a sharp rise in world fuel prices and international freight rates.

Although the diesel price would not increase, paraffin would cost 1c/l more. — Sapa.

ARLT 27/2/95
PRETORIA. — The petrol price rise of 5 cents a litre starting tomorrow is due to external factors such as the world price of crude oil and the rand/dollar exchange rate, the Motor Industries Federation said in a statement yesterday.

It said the rise was "a great pity" in view of the price-reducing effects of a new pricing system introduced in October last year.

"This price mechanism is, however, still very appropriate, as it removes political influences from price determination and ensures that the matter is dealt with purely on economic factors."

The MIF pointed out the new petrol price, R1.78 a litre, would be below the price resulting when the new pricing system was introduced: R1.83 a litre.

Sapa
DP lauds new price moves by chemists

BY BARRY STREEK
POLITICAL STAFF
CT 8/3/95

The move by pharma...duce a new pricing... to cut the cost of medicine was to be welcomed, the Democratic Party said yesterday.

The announcement in this regard by the Pharmaceutical Society and similar initiatives by wholesalers were important steps, the DP said in a statement issued by its health spokesperson, Mr Mike Ellis.

“Medicine costs have spiralled in recent years and the DP has always called for an investigation of the whole distribution chain of medicine from the manufacturer to the patient.

“These announcements now indicate a pro-active role on the part of two important components of the distribution chain and is most encouraging,” Mr Ellis said in the statement.

He said the role of dispensing doctors needed urgent attention.
PPI surges to a three-year high for futures

Economists have issued a gloomy outlook for consumer prices as the producer price index (PPI) rose sharply last month. The PPI for manufactured goods increased by 3.7 percent, the highest in three years. The economist's estimate was a 1.5 percent increase. The increase was largely due to higher costs for materials and transportation.

Consumer price index (CPI) figures were also released last month, showing a modest increase of 0.2 percent. The CPI is a broader measure of prices and includes many more items than the PPI.

Economists are now predicting inflation to continue at a high rate, which could lead to higher interest rates and slower economic growth. The central bank is closely monitoring these developments and may take action to control inflation.
Inflation fears re-emerge as producer prices surge

By Roy Cokayne

Producer price inflation, a leading indicator of the course of consumer prices, surged in January to its highest level in three years.

Economists described the latest Production Price Index (PPI) figures as disappointing, adding that it would have an impact on consumer prices in months to come.

Figures released by Central Statistical Service (CSS) revealed the PPI rose 0.8 of a percentage point in January to 10.9% from 9.7% in December last year.

CSS said January's PPI was the highest rate of increase in the index since October 1991 when it was 11.1%.

Between December last year and January this year, the PPI rose by 1.6% and by a seasonally adjusted 1.4%.

Imports

The annual rate of increase in the PPI for imported commodities in January was 9.3%, the highest rate of increase since September 1991 when the rate was 10.1%. In December last year this rate was 8.3%.

The PPI for several commodities for South African consumption showed relatively large increases.

Included among these were the price indices for tobacco products (12.7%), electricity (5.4%), footwear (4.4%) and some agricultural products such as grain (10.8%) and vegetables and dried beans (3.7%).

By contrast, the price indices for fruit dropped by 22.4% and leather and leather products 1.3%.

Standard Bank group economist Nico Cypionka said the latest PPI figures were certainly above expectations.

He said the annualised month by month rate of increase of 1.6% translated into an annual PPI rate of 19%.

Cypionka said what was disturbing was that prices increases occurred across the board.

'It's not a particularly healthy picture. The PPI was below 6% in 1993 but has now backed up to a level that is not really palatable, he said.

Cypionka said the latest figures would have an impact on inflation expectations and the markets won't like them either.

However, he believed the CPI would stay around or just below 10% this year.

But he said the increase in oil prices, which could result in higher fuel prices, was worrying because this would have a fairly direct and immediate effect on the CPI.

Food prices had also not fallen off as much as anticipated, he said.

'It's a signal that consumer inflation is not going to fall off even if the pace of the economy cools down a bit, he said.

Disappointing

Nedcor senior economist Magan Mistry described the figures as disappointing, adding that the market was expecting a rate of below 10%.

The market had anticipated price increases but the size and the number of items was a surprise, he said.

Mistry said the price increases were broadly based and would have some impact on the CPI in months to come.

Price increases in the PPI normally had an impact on the CPI with a lag of two to three months, he said.

He said it was difficult to estimate the extent of this impact on the CPI, but Nedcor foreseen the CPI picking up to double digits from April for two to three months and easing again towards the end of the year.
Petrol price shock in the offing

OWN CORRESPONDENT

Durban — Another 5c or 6c a litre on the price of petrol next month is no April fool joke — it’s a certainty.

One cent of that will go into the Government’s pocket as part of the first half of the phased-in 2c increase in the fuel levy announced in the Budget.

The remainder will go to recover the average daily shortfall of the pump price on the all-in delivery price as calculated using the formula agreed by all parties to the National Economic Forum liquid fuels task group.

The “basket” of refined fuel prices used to calculate the landed cost has been rising since the beginning of the year.
Another hike for new fuel?

THE 2-cents-a-litre hike in the fuel levy announced yesterday could be increased again later this year with the expected introduction of unleaded petrol.

Finance Minister Mr Chris Liebenberg said no final decision had been made on how the fuel levy might be affected by the introduction of unleaded petrol, but "when we get to unleaded we will have to look at the whole issue afresh."

The 2c/litre increase should yield an additional income of about R300 million for a full year and R255m for the remainder of the 1995/96 financial year.
Petrol price to increase by six cents a litre

Johannesburg: The price of petrol will rise by six cents a litre on April 5, the Central Energy Fund said yesterday.

The latest increase follows the five cents per litre increase announced in March, pushing the fuel price to its highest level since the introduction of the revised pricing mechanism in October.

The fund said the new increase was necessary because of the continued rise in international petrol prices, the deterioration of the rand against the US dollar and a higher fuel tax.

The one cent per litre hike in the fuel tax, announced in the Budget, will result in diesel costing 4 cents more per litre.

Petrol at the coast will cost R1,74 per litre, up from R1,68, and diesel R1,57, up from R1,56. In Gauteng, petrol will cost R1,84 (R1,78) and diesel R1,67 (R1,66) — Sapa
Petrol price up six cents on April 5

Johannesburg — The price of petrol will rise by six cents a litre on April 5, says the Central Energy Fund.

The latest increase follows the 5c rise this month, pushing the price to its highest level since the introduction of the revised pricing mechanism in October 1993.

The CEF said the April increase was necessary because of the continued rising trend in international petrol prices.

The one cent increase in the fuel tax announced in the Budget results in a one cent increase in both petrol and diesel prices.

At the coast, petrol will rise to 1.74 cents a litre from 1.68 cents and diesel to 1.97 cents from 1.56 cents. — Sapa
Veg prices boost PPI

Business Staff

 VEGETABLE prices were again the culprit in higher producer price inflation, February figures show.

Producer price data issued yesterday by Central Statistical Services shows the price index for vegetables and dried beans shot up 20 percent in February, dragging prices of agricultural food products up 1.3 percent over the month in spite of a fall of three percent in the price of other food products.

Year-on-year, the producer price index is up 10.6 percent — its highest rate since October 1991.

Imported inflation dropped from 8.3 percent a year in January to 8.5 percent in February, reflecting a stronger rand. But prices of locally produced goods rose 11.1 percent over the year, compared to 10.7 percent in the year to January.

Other contributors to February’s disappointingly high figure were fishery products (up 2.1 percent over the month), rubber products (up five percent), non-ferrous metals (up six percent) and machinery, with the price of motor vehicles, parts and accessories rising 2.5 percent over the month.
Alarm bells ring as producer price inflation rises again.
Sugar to go up: The price of sugar is to increase by about 8.7 percent on May 1, leading to ripple increases in products such as soft drinks, canned fruit and confectionery. Pick 'n Pay Supermarkets spokesman Michael Lafferty said yesterday.
Sanlam: Food will fuel inflation

The good news is that price increases for milk, cheese, eggs, fish, sugar and cereals have remained below the year-on-year rise in the consumer price index for all items, which has been steady at just below 10 percent in recent months.

Only moderate increases in the prices of imported goods are expected in the next few months in the light of the relatively stable rand-dollar exchange rate.

However, the expected recovery of the dollar and the resultant weaker rand could place upward pressure on them later this year.

Consumers are likely to be hit by another Bank rate increase, of at least one percent, this year as a result of an acceleration in the demand for credit and the expected growing deficit on the current account of the balance of payments.

"The prime overdraft rate of banks will be adjusted accordingly," the Economic Report says.

The fact that interest rates have not been immediately adjusted is attributed to the orderly manner in which the financial rand was abolished, it says.

Sanlam says the Budget, as well as a number of other factors, could suppress the real economic growth rate this year.

These include:
- The drought,
- A further possible decrease in gold production as a result of labour problems, among others,
- Signs that exports may not perform as well as previously thought and,
- Indications that the flow of foreign capital into the country could be less than expected.

The balance of payments could therefore be a bigger problem than previously envisaged.

Growth in real GDP is forecast at about 3 percent this year with the current account of the balance of payments sliding into a deficit of approximately R7 billion or more this year, compared with R2.1 billion last year.

"On the other hand, the improvement in the capital account since the middle of 1994 is continuing, with an estimated net inflow of about R3.5 billion in the first two months of the year," the Sanlam report says.
Eskom comes clean on the environment

BY ANITA ALLEN
SCIENCE WRITER

Eskom has chosen to celebrate the first anniversary of the new South Africa with the release of its first environmental report, and by so doing becomes the first large corporation in South Africa to go public on its environmental performance.

Underlining its commitment to the environment, Eskom now employs 50 full-time environmental specialists, while another 47 technically qualified employees deal with environmental issues as part of their duties.

Highlights of the 38-page report show:
- Eskom's power stations are emitting fewer gases that cause the greenhouse effect, and using less water per unit of electricity produced.
- Eskom believes improved air quality can best be achieved by applying limited capital resources to residential electrification, rather than installing improved pollution control equipment.
- For “a long time to come”, Eskom will continue to rely on coal-based power stations for electricity generation.

Under environmental issues fundamental to marginalised communities, the report commits Eskom to:
- Reducing the real price of electricity by 13%, so as to become the world’s lowest cost producer of electricity. At present it is the second lowest.
- Electrifying 300,000 homes a year to the end of the century.
- Spending R20 million a year to supply small electricity generating units to clinics and schools in rural areas.

In the process of burning 76.9 million tons of coal in 1994, Eskom’s power stations have emitted 122,000 tons of particulates (fine ash and visible smoke), 143,000 tons of carbon dioxide, 1,167,000 tons of sulphur oxides and 961,000 tons of nitrogen oxides.

Of 22 million tons of ash waste produced during 1994, 800,000 tons (3.5%) was sold for making cement and bricks. Rehabilitation has been completed for 60% of the ash dump sites no longer in use. This involved shaping, covering with soil and planting with suitable vegetation.

Eskom now administers some 240,000 km of powerlines. Its policy is to route these lines with minimal impact on communities, agriculture and wildlife.

By reviewing its current environmental status in the open, Eskom has set up a standard against which future performance can be evaluated.

Paraffin prices to drop by 1c

The price of domestic paraffin will drop by 1c a litre from Wednesday, the Central Energy Fund has said. The downward adjustment of 1c is a result of economic factors.

The paraffin price has fallen by 4c since the start of the year, while petrol and diesel prices have risen by 12c and 1c a litre over the same period.

Petrol and diesel prices have moved up mainly because of the strengthening of prices on international markets.

The March Budget also announced a 2c-a-litre increase in fuel taxes. The next 1c adjustment due to higher tax comes into effect on Wednesday.

Paraffin will cost 90.63c a litre from that day on the coast and 101.43c in Gauteng, the fund said. Sapa 28/1/95

83-year-old nabs thief

Oslo (Norway) — As if being captured wasn’t bad enough, an armed bank robber had to suffer the indignity of being nabbed by an angry octogenarian passer-by here this week. The 83-year-old hero suffered a broken nose, a black eye and a few cuts but still managed to hang on until others joined in. — Sapa-AP.
Price of petrol up 3c/l from today

BY NIKKI WHITFIELD
CONSUMER REPORTER

Filling up at a service station will be a painful experience for Gauteng motorists today when the price of fuel goes up by a further three cents a litre.

This is the third month in a row that the price has been increased, bringing the total increase since March to 14c/litre. Feeding 58-octane fuel into a car will now cost R1.87/litre — 10c more than coastal drivers are charged — putting petrol at its highest level since the introduction of the revised pricing mechanism in October 1993.

The Central Energy Fund, which took over the responsibility of setting fuel prices from the Government, said the latest hike had been triggered by a 1c/litre rise in the fuel tax and a 2c/litre upward adjustment as a result of previous under-recovery of the cost of imported fuel.

The latest hike is unlikely to have more than a 0.3% influence on the inflation rate, according to Keith Lockwood of the South African Chamber of Business.

Lockwood said the new structure made petrol more sensitive to world markets. In the past, an increase in the petrol price saw many other products and services adjusting their costs.

He said that with the new structure, this no longer happened. Therefore, the increase was not expected to have a significant impact on the consumer price index.
PPI at highest level in 41 months

The annual rate of increase in the production price index reached its highest level in 41 months in March, Central Statistical Services said in Pretoria yesterday.

The annual percentage change in the production price index for all commodities for South African consumption was 10.9% for March, the highest rate since October 1991.

According to the CSS, the rate of increase in this index was 0.5 of a percentage point higher than the corresponding rate of 10.6% for February 1995.

Imports

From February 1995 to March 1995 this index increased by 0.5%, while the seasonally adjusted index increased by 0.5%.

The annual rate of increase for locally produced commodities was 11.1% for March, which was the same as February.

From February to March the index remained unchanged, while the seasonally adjusted index showed a 0.7% increase.

The rate of increase for imported commodities reached its highest point at 8.5% since September 1991, when it stood at 10.1%.

The corresponding rate of increase for February 1995 was 8.5%.

The index showed an increase of 1.1% from February to March 1995, while the seasonally adjusted index showed an increase of 1.5%.

Indices

Commodities which showed large increases in price indices included, mining and quarrying products (2.8%), alcoholic and non-alcoholic beverages (2.8%), textile and make-up goods (4.5%), clothing (3.1%), products of petroleum and coal (1.1%) and transport equipment (1.3%) — Sapa.
areas. However, the 12-month rise for locally produced goods remains high, at 11.1%. Sanlam senior economist Pieter Calitz estimates that the total index, excluding food, rose 10.3% during the 12 months to March, from about 9.3% in February.

But higher oil prices and, to a lesser extent, the strong yen, accounted for the large increase in imported commodities in the month of 1.1% (9.8% over 12 months). The item other mining and quarrying, of which about half is accounted for by oil imports (about 4% of the overall index), soured 2.8% in the month (28.5% over a year).

If trends since March are anything to go by — the spot price of North Sea Brent has increased from US$16.50/barrel in mid-March to around $18.50 recently — more increases in this item are in store.

The stronger yen came through mainly in the item motor vehicles, parts & accessories, which rose 1.5% in the month (10%).

Month-on-month, the PPI rose 0.2%, to a year-on-year rate of 10.9%, up from 10.6% in February.

Calitz points out that March is traditionally a month of small increases — the seasonally adjusted rate of increase is 0.8% so it would be foolish to be over-optimistic about the relatively low rise.
Diesel price to increase next week

Mungo Soggot

THE petrol price will not go up next Wednesday if international fuel and oil price trends continue, but diesel will go up 4c/l according to the Central Energy Fund.

The petrol pump price, which since last September has changed automatically on the first Wednesday of every month instead of at government’s whim, has increased for the past three months. In March the petrol price went up 5c/l, in April 6c/l and in May 3c/l.

One fuel industry analyst said it was surprising that the rand’s decline during the month had not had a stronger effect.

SA’s fuel price was based on international freight charges, international fuel price movements and changes in the rand-dollar exchange rate.

Brent crude was unlikely to rise above $31 a barrel over the next two years, so apart from the rand, the main effect on the pump price in SA would be fluctuations in international refined product prices.

Meanwhile, industry analysts expressed caution at Minerals and Energy Affairs Minister Pik Botha’s announcement of an interdepartmental investigation into the pipeline which transports crude and fuel from the coast to Gauteng.

Botha said that whereas coastal crude refining companies had to use the pipeline at a cost of 10c/l, it cost only 3c/l to transport fuel. “What has happened to the 7c/l?” he asked the National Assembly’s energy affairs committee. He also questioned the logic of synthetic fuel producer Sasol getting 10c/l on its fuel sales to cover the pipeline costs when it did not use the pipeline.

A Sasol spokesman, in a response, said Sasol’s crude refining operation at Sasolburg incurred the full cost of transporting crude.

One analyst said the 10c/l price reflected what it would cost to transport fuel by road or rail. So it was all very well to cut the transport price to 3c/l while the pipeline was running under full capacity, but once fuel was actually transported by road or rail, fuel companies would have to pay the extra 7c/l.
Food, housing, transport push CPI to high 11%

BY CLAIRE GEBHARDT ECONOMICS EDITOR

South Africa's consumer inflation soared to an annualised 11.0% in April from 10.2% in March, prompting economists to renew their warnings of an imminent bank rate hike which would trigger off a round of prime overdraft and mortgage bond increases.

Economists said yesterday that the CPI figure, combined with the latest money supply figures, indicated a hardening up of inflationary expectations.

Trade figures due out today are also likely to increase pressure for a rate hike with a widening of the trade deficit.

Central Statistical Service (CSS) figures released yesterday attribute the monthly increase in the consumer price index (CPI) of 1.4% from March to April to increases in the price indices for food, housing and transport.

The April CPI included the recent mortgage bond increases, the higher excise duties announced in the Budget as well as the recent 60c per litre petrol price hike.

Food price inflation showed an annual rate of increase of 17.5% - 0.1 percentage point down on March's 17.6%.

Food prices increased by an annualised 16.9% at chain stores and by 18.3% at other retailers.

The monthly rate of increase of 1.2% in the food price index was mainly due to increases in the prices indices for vegetables (6.2%), meat (0.6%), fruit and nuts (1.8%) milk, cheese and eggs (0.5%).

Inflation, excluding food was 9.4% while excluding housing it was 10.7%.

Standard Bank yesterday predicted that inflation would average around 10.5% this year from 9.0% in 1994.

First National Bank group economist Dr Cees Bruggemans said the inflation numbers indicated the need for another interest rate hike and the market was anticipating one. "This would dent the economic recovery. At most it will mean a slowing down in spending growth," he said.

Inflation rise in food prices 17.5%
Petrol price may ease

BY DELENy TOMBEE

A strong downward trend in the past few weeks in overseas oil prices suggests that a small reduction in the South African petrol price is possible at the end of the month.

Since the end of April the price of oil in Dubai - which is a useful indicator to the landed cost of oil in South Africa - has dropped by more than $1 or 7 percent to $16.43 a barrel which is back to where it was in March.

At that time the price of 93 octane petrol in Gauteng was 178c a litre, which was some 9c a litre less than its present price and this suggests that if current oil price remains unchanged the CEF which manages the petrol price could find room for a modest cut.

The past few weeks has seen a levelling off - and even a slight decline - in commodity prices.

Since the end of April, the price of lead has eased by about $12 to $601.50 a ton, and the price of zinc has eased from $1079 to $1020.50 a ton.

Some precious metal prices have also eased. The platinum price has dropped from around $4402.50 a troy ounce to $431.50 an ounce. Silver is now trading at about 333p an ounce against 345p an ounce at the end of April.

However, tin has firmed, rising by about 2 percent to $6655 a ton and nickel has risen 3.6 percent to $7515 a ton. But although copper has firmed marginally since the end of April, it is still well below its early April price.

Analysts attribute the eases oil price to the slowdown in the United States economy.
Diesel going up but petrol price on hold for now

BY NIKKI WHITFIELD

Diesel is to cost 4c more from Wednesday, forcing drivers of diesel-powered vehicles to pay R1.72/litre at filling stations.

That's the bad news. The good news is that the price of petrol, which rocketed by an alarming 14c in three months, is to remain unchanged this month.

The cost of illuminating paraffin is also to rise, going up by 2c to R1.03 a litre on Wednesday.

The Central Energy Fund, which adjusts fuel prices each month, said the increase in the price of diesel was due to a sharp rise in the international price of the fuel.

Prices of petrol and illuminating paraffin did not increase in Singapore and Bahrain, which make up the basket of prices used in the calculation, to the same extent as that experienced in other world markets, the fund said.

Prices are adjusted in such a manner that the over- or under-recovery during the previous month is corrected in the following month. Both recoveries are rounded up or down to the nearest full cent. The rise in the price of illuminating paraffin is due to the previous month's under-recovery.
Economists shocked by PPI surge

BY CLAIRE GEHRARDT
ECONOMICS EDITOR

South Africa's producer inflation surged in April to an annualised 11.5% percent — it's highest level in almost four years after climbing to 10.9% in March, Central Statistical Service (CSS) figures showed yesterday.

The massive increase, which exceeded market expectations by a significant amount, was attributed to large increases in both the local and imported components of the production price index (PPI).

Economists said the PPI "shocker" boded ill for the containment of inflationary pressures and predicted that consumer inflation forecasts would be revised sharply upwards. Market expectations had centred around a figure of about 11%.

Old Mutual chief economist Dave Vohr said if the Reserve Bank was waiting for further evidence to push up interest rates, another peck of the peg saw had fallen into place.

CSS said the PPI for locally produced commodities increased by 11.7% year-on-year — 0.6 percentage points higher than the corresponding rate of 11.1% for March 1995.

The monthly increase was 1.7% and 1.0% seasonally adjusted.

Food inflation remained a culprit with price increases for vegetables soaring month-on-month by a massive 21.6% — grain was up 5.7%.

The imported component of the PPI rose 1.4% month-on-month and 10.5% year-on-year — the highest rate of increase since August 1991.

The monthly rate of increase from March to April was 1.4% — a seasonally adjusted increase of 1.5%.

Investec group economist Carole Mason said the PPI was well outside the range of most expectations and the increases in both the local and imported components were worrying.
More price rises looming

Business Editor (244)

MORE price rises are looming for consumers, with producer price inflation sharply higher in April.

Consumer prices usually track producer prices, though time-lags vary.

The Central Statistical Service said producer prices rose 11.5 percent in the year to April compared to 10.9 percent in the year to March.

Prices rose 1.7 percent in April alone.

Major culprits included food, especially grain, vegetables and dried beans, as well as milk products, plastics, paper and paper products and tobacco.

Some prices did fall, though — the CSS said prices of meat, fruit and oil seeds dropped over the month.

Prices of goods produced in South Africa rose 11.7 percent while prices of imported goods rose 10.9 percent — the highest rate since April, 1991.
Most of April’s jump in producer inflation — to 11.5% (year-on-year) from 10.9% in March — can be put down to volatile items such as food prices and prices of oil imports, which are outside the realm of monetary policy.

Of more concern is the rate of increase in domestic manufacturing costs, which reflects the overall cost-push factors in the domestic economy. The domestic manufacturing component accounts for 58.3% of the total index. It rose 1.4% in the month, or 11.4% over 12 months. That compares unfavourably with the 0.4% (3.6% over 12 months) of the imported component of manufacturing, which makes up 15.8% of the index.

Sanlam senior economist Pieter Calitz points out local prices have been rising faster than imported prices since 1986 — when the last sharp depreciation of the commercial rand occurred — a trend which accelerated recently. The ratio of local to imported price rises is now the highest in 25 years (see graph).

What this means is that local productivity is sharply out of line with that of our trading partners. Until productivity improves, or until there is a major depreciation in the rand, local manufacturers will continue to get their inputs from foreign suppliers, increasing the strain on the balance of payments.

The drought seems to account for the greater part of domestic food price increases. Under agriculture, grain prices rose 5.7% (3.2% over 12 months) and vegetables & dried beans 21.6% (23.3%), while meat prices fell 1% (though still up 18.6% over 12 months) due to increased slaughtering as a result of the drought. Good rain in the interior during April should mean a slowdown in the rate of increase in the May figure.

Higher crude oil prices again accounted for most of the increase in the imported component of the producer price index (up 1.4% in the month, 10.5% over 12 months).

The item other mining & quarrying climbed 2.9% (30.2% year-on-year), in line with sharp increases in world oil prices. North Sea Brent Crude went up from around US$16.50/barrel in mid-March to around $18/barrel by mid-April.
Petrol price to rise by 1.4% a litre

Johannesburg — South Africa's Official Central Energy Fund (CEF) said the retail price of petrol would rise by one cent a litre on July 5 after remaining unchanged since May 3.

In a statement it said the price of 93 octane petrol in the inland Gauteng province would rise to 188 cents a litre from 187 cents. The coastal price would rise to 178 cents a litre from 177 cents.

The fund said the international price of petrol, which is used to calculate the local price, increased marginally over the period May 26 to June 25.

Although the rand strengthened against the dollar towards the end of the period under review it was weaker on average during the period.

The government last year instituted monthly adjustments to fuel prices.

The price of diesel would rise three cents a litre to 175 cents inland and 165 cents on the coast.

"The price of illuminating paraffin in-land would remain unchanged at 103.43 cents a litre. — Reuters
Petrol goes up again next week

BY MICHAEL SPARKS

Motorists face another petrol price increase on Wednesday, when the retail price of petrol in Gauteng goes up by 1c a litre, the Central Energy Fund (CEF) announced yesterday.

This means that the petrol price will have increased by 15c a litre since the beginning of March, with a litre of 93 octane petrol increasing to R1.88 at the pumps in Gauteng. At the coast the increase is from R1.77 to R1.78 a litre.

The price of diesel is to rise 3c a litre to R1.73 inland and to R1.66 on the coast. Illuminating paraffin will remain R1.04 a litre.

SA Chamber of Commerce economist Keith Lochwood was upbeat about the short term prospects for the economy in general and did not believe the increase would have a significant effect on inflation.

If there was no increase in the international petrol price, the performance of the rand against major currencies meant the petrol price could drop over the next few months, he said.

"Although fuel increases do push up inflation, there are other factors which are having a neutralising effect on inflationary pressures."

These included a slowing in the rate of increase in food costs, a rallying in the value of the rand against foreign currencies, and the imminent scrapping of import surcharges, he said.

Dr Ockie Stuart, director of the Bureau for Economic Research at Stellenbosch University, agreed, adding that inflation was likely to drop later in the year since food prices had stabilised.
Chainstore bread pledge

"Labour and packaging costs have gone up, but why do all bakeries have to increase their prices at the same time?" asked Ray Murray, Pick 'n Pay's general manager of perishables.

"Shoppers/Checkers will likewise carry the increase," said Adele Gouws, communications director.

Bakeries have listed wage increases of over 9% as the main reason for the hike.

Micaela probe

Child Protection Unit detectives said they would continue investigations into the alleged involvement of a Johannesburg woman in the kidnapping of baby Micaela Hunter from the Marymount Nursing Home last year.

The case against the woman was provisionally withdrawn in the Johannesburg Magistrate's Court on Friday.

She was not named in court.

Works plan ready to go

The Gauteng community-based public works programme is poised to take off on its initial, modest budget allocation of R6-million.

Its main goal will be to reduce unemployment by creating jobs in the construction industry through repair and expansion of infrastructure and community facilities, says Steve Topham, technical manager for the programme.

At a recent media briefing, Topham stressed the detail of the programme would depend on the pattern of demand voiced by communities themselves.

"Generally, projects to 'bring dilapidated infrastructure (and buildings) back into use' were regarded as top priority. This was because the returns on such use of funds were relatively quick."

Training — ranging from basic bricklaying to business skills — was an important aspect of the programme.

New hand takes over

Health Department helm

"We're very grateful," said one. "She's a lovely choice, the best for the position."

Shilsana matriculated in 1970 from the Lenasia High School in Louis Trichardt, and obtained her first degree, a BA in Psychology and Social Work, from the University of the North.

She later moved to the United States, where she completed two post-graduate degrees, and obtained a doctorate in science, specialising in social epidemiology, from the School of Hygiene and Public Health, Johns Hopkins University (USA).

She joined the Cape Town-based Medical Research Council as a specialist scientist in community health in July 1991, and was later seconded to develop the MRC's Western Cape School of Public Health — the first in South Africa.

She speaks six languages, has published or co-published more than 30 reports, and received several awards.
PPI takes a welcome dip in May

BY CLAIRE GEBHARDT
ECONOMICS EDITOR

South Africa’s production price index (PPI) took a welcome dip to an annual rate of 10.6% in May from 11.5% in April when it reached its highest level in almost four years, Central Statistical Services figures showed yesterday.

The lower figure came in the wake of a sharp drop in food prices but was also attributed to purely statistical reason – this time last year food prices, particularly meat, surged because of the drought and disease was also rife in the poultry industry.

Economists said food price comparisons for the next few months would be made against a high base a year ago which would lead to a decline in the year-on-year food inflation rate – however, the inflation outlook was still cause for concern.

The average consumer price inflation for 1995 was forecast to be of the order of 10.5% while the PPI would be “a lot higher”.

A much higher average of over 11% would show up in headline figures only in 1996.

Latest figures from CSS indicated that, on a monthly basis, the increase in the PPI was 0.7%. Year-on-year the index eased 0.6%. The local component of the PPI rose 0.8% month-on-month and 11.4% year-on-year. The imported component rose 0.4% month-on-month to 9.1% year-on-year.

Standard Bank said food at the manufactured level fell largely as a result of monthly declines of 8% for fresh meat and 13% for meat products – these two categories made up over half of the manufactured food index and accounted for 7.2% of the PPI as a whole.

Econometrix said that the May PPI, excluding food at both manufacturing and agricultural levels, rose by a substantial 1.1% on a month-on-month basis, taking the non-food PPI inflation rate up to 11.7% from 11.5% in April. This was sharply and disturbingly up from 4.9% in April last year.

Also disturbing was that the prices of locally produced goods kept increasing faster than that of imported goods.
Engen warning leads to 100c share price fall

BY ANDY DUFFY

More than 4 percent was wiped from the value of Engen shares yesterday after the group's warning that refinery hitches and restructuring costs would hit its second-half earnings.

The share fell 100c to R23.30 — ending its steady upward trek since June — and analysts were split over whether the stock would weaken further.

Several brokers said the ruling price range suggested the profit warning may have surprised few investors.

But they said most shareholders were likely to wait until Engen officially tabled its full year earnings before any share rating. Brokers have downgraded forecasts for Engen's earnings for the year to August, with estimates ranging from 105c to 115c a share, against 267c a share for financial 1994.

"We knew there were some difficulties," one analyst said, "but there are going to be a lot of disappointed people."

"It's clear they're not going to produce a decent set of results," Engen said operational hitches, poor margins and heavy restructuring costs would leave second-half earnings lower than the R187 million recurring earnings posted for the six months to February. It had previously suggested second-half earnings would be higher.

Analysts said the extent of the restructuring — 15 percent of employees, costing more than R380 million — had come as little surprise.

If Engen was right that annual savings would be R35 million a year, then the one-off hit would be recovered in just 18 months.

But there were serious concerns about hitches in commissioning new refining plant. "This has just not been working up to speed," one broker said.

New refining plant was now producing 93,000 barrels a day, but average production over the second half was thought to be closer to 80,000 barrels, 17.5 percent below operational capacity.

Analysts said Engen would show a recovery in 1996, given the figures would be off a low base.

Some brokers said earnings should at least double next year, provided the operational problems were ironed out.
Inflation rate dips as food prices retreat

INFLATION is on the way down again. Vegetable, meat and seafood prices fell in June, bringing down the inflation rate for the year from 10.8 percent in May to 10 percent in June.

Central Statistical Services figures issued today show the consumer price index (CPI) dropped 0.1 percent between May and June, mainly because of a 1.2 percent fall in food prices.

Meat prices fell 0.8 percent; prices of fish and other seafood 1.1 percent; fruit and nuts 4.3 percent; and prices of vegetables a hefty 6.8 percent during the month.

On the increase, though, were prices of grain, milk, fats, sugar (up 2.6 percent over the month) and coffee, tea and cocoa.

Food inflation over the year to June slowed to 12.5 percent from 15.6 percent in May.

The monthly increase in the CPI for all items, excluding food, was 0.3 percent.

Stellenbosch Bureau for Economic Research economist Nils de Jager said the figures were in line with expectations.

The bureau expected the downward trend in the inflation rate to persist provided weather conditions were good for agriculture.

This should help Reserve Bank governor Chris Stals to postpone another rise in interest rates until next year.

This would also depend on other economic indicators such as balance of payments and money supply figures.

The highest inflation rate of 11.4 percent was recorded in the Port Elizabeth-Uitenhage area, while the lowest rate of 7.8 percent was recorded for the Nelspruit-Witbank area.
CPI drops to 10% after food prices fall

BY CLAIRE GERRARD
ECONOMICS EDITOR

South Africa's consumer price index registered its first absolute month-on-month decline in at least 25 years last month, according to figures released by the Central Statistical Service yesterday.

In what economists described as a rare figure likely to boost growth, the index dropped to a better-than-expected annual rate of 10 percent from 10.8 percent in May in the wake of another sharp dip in food prices. Market forecasts had been for an index of at least 10.5 percent last month.

In another healthy economic signal, manufacturing output rose sharply in May, up 19.6 percent over May last year, the CSS reported. (See next page).

Economists said the latest inflation figure implied that interest rates were less likely to be hiked again this year despite money supply figures, also released yesterday, which were disturbingly high.

The CSS figures showed that

---

**Consumer price inflation**

![Graph showing consumer price inflation]

---

The index decreased by 0.1 percent last month in May. The index decreased 0.4 percent month-on-month, although the annual rate was on the decline. A monthly decrease of 1.2 percent in food prices, which contributed 0.3 percent, was the major contribution to the last month’s lower index.

Most prices fell by 0.8 percent, vegetable prices by 6.8 percent, fish and seafood by 1.1 percent and fruit and nuts by 4.3 percent.

Peter Cahlin, a Santam economist, predicted that inflation would dip into single digit figures from next month and remain there for the rest of the year and possibly for the first quarter of next year.

"July's figure could be about 3 percent, though we are still waiting for the bond increases in the wake of the recent Bank rate increase, to come through. This could add 0.5 percentage points to the August (index)," he said.

Aziz Jammar, the director of Econometrics, attributed the part of the decline in food inflation to statistical distortions of high food prices last year, but said the underlying rate was definitely coming down.

Excluding food, the index was 9.3 percent year-on-year compared to 9.5 percent in May.

The Standard Bank noted that the core inflation rate, excluding both housing and food, had increased by 0.2 percent on a monthly basis to an annual 8.5 percent compared to a figure of 8.8 percent in May. Inflation was likely to average at about 10 percent for the year with the possibility that even the annual average might fall to single digits once again.

However, South Africa's money supply, as measured by M3 growth, increased by an annualised 16.5 percent last month from 15.86 percent in May, Reserve Bank figures showed yesterday.

The annualised growth from the base of this year's guideline range of 18.27 percent far exceeded the bank's guideline range of 12 percent to 15 percent. Total domestic credit extension was 14.99 percent in May from 15.04 percent in April.

Edward Osborn, an Edey Rogers economic consultant, said the figure was still disturbingly high and would have been worse except for a build up of deposits in the Treasury's tax and loan accounts of R2.8 billion. This was reflected in an effective drain on the balance of payments of about R0.6 billion after taking into account the proceeds of the Samurai bond.

"It is an endorsement of the action taken to raise the Bank rate," he said.

---

The graph shows the percentage change from the same month last year.
Peninsula food prices among ‘fastest fallers’ in the country

Food prices in the Cape Peninsula fell 2.2 percent in June, faster than in any other major urban area except Port Elizabeth.

Central Statistical Services figures released this week show food prices fell 1.2 percent for the country as a whole.

In the Peninsula and in three other major centres — Port Elizabeth, Kimberley, Bloemfontein, Akania and the Free State goldfields — prices fell even faster.

Since June 1994, food prices in the Peninsula are up 12.5 percent, which is the same as the national average for food inflation in all 12 urban areas.

In Bloemfontein, food inflation was a punishing 15.3 percent.

The general level of consumer prices fell 0.2 percent between May and June in the Peninsula, bringing the inflation rate for the year down to 10.4 percent compared to the national average of 10 percent.

The Peninsula’s inflation rate is still higher than that of any other major urban area except Maritzburg.

On the Witwatersrand, prices rose only 9.7 percent.
Adjustment to fuel price put on hold for now

JOHANNESBURG. — The adjustments in the petrol and diesel prices for August have been delayed to coincide with a possible adjustment to the retail margin.

According to the Central Energy Fund today, an adjustment to the retail margin was currently being considered by cabinet. The statement said petrol over-recovered in the month to July 28 by 1.011 cents a litre, while diesel over-recovered by 3.678 cents a litre, indicating the possibility of a drop in the prices.

However, the cabinet was said to be set to approve a 2.5c a litre increase in the price of petrol to improve retailers' margins. The price adjustments would be delayed to cushion the blow to consumers from the higher retail margins.

An over-recovery of 3.458 cents a litre for illuminating paraffin has allowed for a 3c a litre drop in the price of illuminating paraffin, with effect from Wednesday.
Basic fuel price set to rise 2.5c/l

Mungo Sogget

THE basic fuel price is set to rise 2.5c/l from Wednesday to boost fuel retailers' margins.

Industry sources said the Cabinet was expected to approve the increase in the basic fuel price this week.

To cushion the blow to consumers, the permanent adjustment to the fuel price would be timed to coincide with an expected fall in the price of fuel in line with 'lower international oil prices'.

A minerals and energy affairs spokesman confirmed that the Cabinet could approve the move as the fuel retailer margin had not changed since 1993, when the retailers received only 0.5c/l despite asking for 2.4c/l.

When fuel retailers approached government last month for a 2.5c/l margin increase, they cited a 15% pay rise for forecourt operators as their motivation.

Sources said although government had agreed that all changes to the basic fuel price should be sanctioned by the liquid fuels task force, the mineral and energy affairs department now wanted to make "short-term management" decisions and leave long-term strategy — such as possible deregulation of the industry — to the task force, which is now part of the National Economic, Development and Labour Council.

The task force has been paralysed by a recent walkout by oil companies over a report on Sæol tariff protection.

According to daily Central Energy Fund data, lower international oil prices and a stable rand would have led to a 2.6c drop in the petrol price and a 6c drop in the price of diesel when the fuel price is changed on Wednesday. Now the petrol price is likely to remain at the current level.
Period price drop to benefit industry, not consumers
Petrol price

MAY RISE AGAIN

Johannesburg. Adjust-
ments to petrol and diesel
prices for August have been
delayed to await the blow
of a possible adjustment by
the retail margin being cut
ordered by the cabinet.

The Central Energy
said yesterday petrol over-
recovered by 10.1c in the
month to July 26 and diesel
by 6.9c, indicating the
possibility of a price drop.

However, the cabinet may
be about to approve a 2.5c
increase in the price of petrol
to improve retailer margins.

The price of illuminating
paraffin will decrease by
three cents a litre from
Wednesday — Spec
Petrol price increase for industry's benefit

BY NIKKI WHITFIELD
CONSUMER REPORTER

The service station industry is set to get a boost this week with the anticipated rise of 2.5c/l to increase the profit margins of petrol retailers.

The Cabinet is expected to approve the increase tomorrow in the first increase to retailers' profit margins since September 1990, Minister of Mineral and Energy Affairs Pik Botha announced yesterday.

But consumers can breathe easy for the time being — if given the go-ahead, the increase will be phased in gradually.

The monthly price adjustment mechanism only takes account of external factors.

Now, however, it is proposed that the petrol price be maintained at its present level and 4c/l be allocated to partly meet the 2.5c/l retail margin increase.

"It is hoped that conditions prevailing at the beginning of September will be such that the remaining portion of the margin increase will be able to be similarly phased in at that time," Botha said.

The Cabinet is also to consider increasing compensation by 0.6c/l for higher fuel delivery costs. Compensation for these costs had not been adjusted for two years, Botha said, and oil companies "had to bear the increase in the meantime with a negative effect on revenue."

Should external factors allow, the adjustment would also be introduced to minimize its impact on the petrol price.

Unleaded petrol plan — Page 5

(244) 244 STAR 11/8/95
Petrol prices to stay on hold

BY ANDY DUFFY

Petrol prices will stay at current levels despite falling international oil prices, following Government plans to hand nearly R900-million to the fuel industry to cover its rising costs.

Mineral and Energy Affairs Minister Pik Botha said yesterday he would urge the Cabinet to allow pump operators and petrol suppliers a greater slice of the pump price to cover their higher labour and delivery costs.

The move means tomorrow’s expected 1c/l price cut is effectively cancelled, and price cuts in September could also be negated as the Central Energy Fund phases in the higher margins.

On last year’s sales figures, pump operators would gain an extra 2.5c/l on top of the 15.8c/l they already receive lifting their annual revenues from R1,5-billion to R1,74-billion.

Oil companies would gain an extra 0.96c/l delivery margin, against their current 3.5c/l, lifting their annual revenues on petrol deliveries by R57-million to R594-million.

Surplus supplies have sent international oil prices to 10-month lows in recent weeks, opening the door for the first pump price cut since February.

But Botha has faced heavy lobbying from retailers and the oil industry, represented by the SA Petroleum Industry Association (Sapoa).

Their margins have not risen since 1983, Botha said, while higher costs, particularly for labour, threatened to send many service stations to the wall.

“All cost items for service stations have increased dramatically with a consequent squeeze on profit margins in the sector,” he said.

“Higher (fuel delivery) costs are documented and verifiable, and the oil companies have had to bear the increase.”

Analysts said the increase in delivery margins was unlikely to have a major affect on the industry’s earnings. Sapoa said the gains would be minimal, given the companies’ cost rises.

But a department spokesman said there were no plans to lift the oil industry’s wholesale margin, which currently stands at 14.5c/l.

The CEF said diesel and paraffin prices would also not be affected.
'Petrol price should benefit consumers' - En-ergy Affairs Minister Pik Botha to "stick to his guns" and set a minimum price for petrol that gave service station owners the option of cutting their margins to benefit consumers.

Pik Botha has gone on record recently as being prepared to set a minimum and maximum price for petrol. Now is the time.

He said oil prices internationally were at a 10-month low and the rand had recently strengthened against the dollar.

"We are able to operate our service stations at the current margin and therefore cannot understand why the Cabinet, which is starting to focus on eliminating unfair influences in the economy, should reward the regulated petrol industry with a 'bonsela' once again," he said. — Sapa.
AA concerned at proposed fuel increases.

Johannesburg: The Automobile Association (AA) expressed concern yesterday that the proposed increases in the retail price for fuel, if passed on in full to the consumer, would increase the cost of living and contribute to increases in other components of the price structure.

It would, they said, severely impact on the motoring costs of the motoring public.

It was unfortunate that the increase was being introduced when the future of the liquid fuels industry had still not been resolved.

It is appreciated that new wage deals have been concluded and that this is the reason for the increases in the retail market. It is therefore important that the deregulation debates be concluded soon.

On the price of unleaded fuel, the AA said it was encouraging that the reduced price would not be cross-subsidized by the levy on leaded petrol but by imposing a lower tax on unleaded petrol — Cape.
Food price
(244) 890910 8/95
Inflation down

Good news for people trying to balance household budgets.

For the first time since March last year inflation in food prices was lower than the country's overall rate of inflation.

The Central Statistical Service said the official figure for inflation was down a percentage point to 9% while food price increases were held down to 8.1%

Food's lower inflation was mostly due to a drop in the price of meat, fruit and vegetables.

However, CSS pointed out that food prices at chain stores showed an annual rate of increase of 9% while it was only 6% at other retailers.

While the fiscus can be quite pleased with its fight on the inflation front, it's not so in Angola where inflation is running at 176% annually.

Their month-on-month inflation rate is running at around 22% reflecting a recent 300% raise for public servants and the introduction of the readjusted kwanz. — Business Staff.
Consumers ‘tired of rising food prices’

CONSUMER REPORTER

There was no point in importing food to the detriment of local industry, and using valuable foreign exchange for this purpose, if consumers did not experience lower prices, the newly formed Committee of Consumer Organisations said this week.

The committee—which consists of the Housewives’ League, the National Black Consumer Union, North West Consumer Council and the South African National Consumer Union—said that consumers were “sick and tired” of constantly having to pay higher prices, particularly for basic foodstuffs.

“The price peaks are quickly devolved upon our South African consumers, whereas we hear about price valleys but we very rarely experience them,” said Aletia Geldenhuyse, chairman of the committee.

She called on Trade and Industry Minister Trevor Manuel to ascertain what prices were paid for imported food, and what consumers had to pay.

“The committee is not opposed to the importation of food, but would like to see lower prices reflected in the market place.”
Worldwide shortage of white maize

Mealiemeal price rockets

BY NIKKI WHITFIELD
CONSUMER REPORTER

Mealiemeal prices are expected to rocket as the nationwide shortage of maize, brought about by the crippling drought, grips the land.

Consumers who rely on the foodstuff as their staple diet might have to switch to rice or potatoes, as there seems to be little hope of prices climbing down any rungs of the alarming price ladder before May next year.

Carry-over stocks from last year's bumper white maize harvest have been used up and importing the grain is not easy, as few countries produce white maize - the type preferred by consumers - in large quantities.

"It is very, very worrying," said Gordon Utian, chairman and chief executive officer of Premier Milling, South Africa's largest supplier of white maize. "There is just no maize - it's a hand-to-mouth situation."

Farmers, however, are smiling in this year's hardship. The price of white maize paid to farmers has soared by 65% to a high of R850/t on auctions.

Now, however, they face the danger of over-production. Should it rain a lot during the coming season and farmers, anticipating another year of drought and poor yields, have planted too much maize, there will be a surplus of the crop;

However, this will be good news for shoppers as shelf prices will come down

Dr Kit le Clus of the National Maize Producers Organisation said the ideal situation would be for farmers to plant 3-million hectares of maize, maintaining a balance between yellow and white maize.

He said farmers were also advised to diversify and plant other crops, such as sunflowers, to provide themselves with a safety net.

Utian said the price of mealiemeal had already climbed by 30% this season. "And the season is over now. There is no more maize. The next season only starts in May, and there's no telling what the price will be by then."

Utian said he blamed the Government to a large extent for the situation. Even though the market was deregulated in May this year, the Maize Board still wants to control the situation, he said.

"In the old days of control, we would have been told to mix white maize with yellow maize if there was a shortage of white maize. But it has been proved that consumers do not like yellow maize and are prepared to pay more for white maize, rather than have it mixed in (with yellow maize).

"But because there is a surplus of yellow maize at the moment, and a drastic shortage of white maize, they still want us to mix in.

He accused the Department of Agriculture of using, as an excuse for curbing imports, the spread of a bug called the Bravium stercoris bacterial wilt.

He said suppliers were looking at bringing in maize from Kenya, which has something of a maize mountain, accumulated during two years of corrupt dealings, and from the United States.

"Basically, we are looking at bringing in any white maize we can find," said Utian.

The Department of Agriculture has pledged to meet with local and international technical experts next week to review policies on maize imports from the US.
Fall in PPI points to big drop in consumer prices

BY STAFF WRITER

South Africa received good news on the inflation front yesterday. The 12-month rate of increase in the producer price index (PPI) fell sharply to 9.0% in July from 10.5% in June.

This makes it even more likely that the more important consumer price index (CPI) will also show a steep decline when the August figures are released, probably today.

In the year to July, the CPI showed a rise of 9.0%, precisely and unusually the same as the increase in the PPI over the same period.

But consumer price index inflation is set to fall towards 8.0% for the 12 months to August. It could well drop nearer to 7.5% for September.

Over the last quarter of this year, however, the CPI will once again be on an upward trend and the rate is expected to be about 9% or more by the end of December. Even so, that would still mean this will be the fourth consecutive year in which inflation as measured by the CPI has been contained below 10%.

All this adds great force to the view that Chris Stals, the governor of the Reserve Bank, will not make any further shift in interest rates - certainly not upwards - at least until early next year. Indeed, if fiscal policy can be tightened up in the 1996/97 budget next March, there must be real prospects of a fall in interest rates.

The major reason for the small rise in the PPI in July this year was that the 12-month rate of the increase in the imported goods component plunged from 9.1% to 6.4%.
Petrol price rises 2c/l on Wednesday

JOHANNESBURG. — The petrol price will rise two cents a litre on Wednesday, the Central Energy Fund said today.

The price of diesel would be reduced by one cent a litre.

The adjustment would raise the price of petrol to R1.90 a litre in Gauteng and R1.80 a litre at the coast. The diesel price would fall to R1.67 a litre in Gauteng.

The petrol price rise included a one cent a litre increase in the retail margin, completing the 2.5 cents rise in the margin approved by cabinet before the August price adjustment — Reuter.
Illegal charges to farmers force up food prices

JEAN LE MAY
Staff Reporter

THE price of food and other farming products is being driven up by millions of rands a year in illegal interest being charged by agricultural co-operatives.

"Many co-operatives are charging interest rates which are clearly in breach of the Usury Act," said Herman Le Roux, deputy director of the Department of Trade and Industry in charge of monitoring the Usury Act.

"It's costing farmers millions of rands a year," he said.

Banks have repaid many millions to clients following the disclosure of illegal interest rates.

A Saturday Argus investigation has uncovered a case in which Coenie Louw, a Malmesbury farmer who was sequestrated by the Westelike Provinces Ko-Operatief (WPK), was overcharged by as much as R9,2 million, according to evidence in a court case from a chartered accountant.

Mr Louw's wife Marietjie, who was also sequestrated recently by the WPK because she had stood surety for her husband, told Saturday Argus that "co-ops have got farmers in a clove hitch."

"They know that we depend on them for finance to farm. But farmers are not accountants — they don't understand accounting practices and most of them don't realise they are paying interest on interest, which is illegal," she said.

Farmers are paying millions of rands a year in illegal interest charges, says Usury Act monitor Herman Le Roux of the Department of Trade and Industry.

"And co-ops think farmers don't have the guts to take them on if they are doing anything wrong. Well, I'm one farmer who's not afraid to blow the whistle on a co-op."

"My husband has lost his farm because of the co-op and I'm in danger of losing mine, although the curator is doing his best to keep it going."

She said most co-ops were run "by the same Broederbond financiers who run the banks and the financial institutions."

The DTT's Mr Le Roux disclosed recently in evidence to the Nel Commission (which is investigating interest rates in its inquiry into the affairs of Masterbond) that co-operatives were charging interest on interest, which is illegal.

He told the commission that he had been suspended by the Department of Finance in 1992 after he went public on bank overcharges.

A partner in a major accounting firm, Peter Strauss of Price Waterhouse in Paarl, said in an affidavit in Mr Louw's case that a R15 million debt to the WPK would have been reduced to R9,8 million if interest had not been capitalised monthly.
Illegal charges to farmers force up food prices

JEAN LE MAY
Staff Reporter

THE price of food and other farming products is being driven up by millions of rands a year in illegal interest being charged by agricultural co-operatives.

"Many co-operatives are charging interest rates which are clearly in breach of the Usury Act," said Herman Le Roux, deputy director of the Department of Trade and Industry in charge of monitoring the Usury Act.

"It's costing farmers millions of rands a year," he said.

Banks have repaid many millions to clients following the disclosure of illegal interest rates.

A Saturday Argus investigation has uncovered a case in which Coenie Louw, a Malmesbury farmer who was sequestrated by the Westelike Provinsie Ko-Operatief (WPK), was overcharged by as much as R2.2 million, according to evidence in a court case from a chartered accountant.

Mr Louw's wife Marietjie, who was also sequestrated recently by the WPK because she had stood surety for her husband, told Saturday Argus that "co-ops have got farmers in a close rutch".

"They know that we depend on them for finance to farm. But farmers are not accountants — they don’t understand accounting practices and most of them don’t realise they are paying interest on interest, which is illegal," she said.

Farmers are paying millions of rands a year in illegal interest charges, says Usury Act monitor Herman Le Roux of the Department of Trade and Industry.

"And co-ops think farmers don't have the guts to take them on if they are doing anything wrong. Well, I'm one farmer who's not afraid to blow the whistle on a co-op.

"My husband has lost his farm because of the co-op and I'm in danger of losing mine, although the curator is doing his best to keep it going."

She said most co-ops were run "by the same Broederbond financiers who run the banks and the financial institutions".

The DT's Mr Le Roux disclosed recently in evidence to the Nel Commission (which is investigating interest rates in its inquiry into the affairs of Masterbond) that co-operatives were charging interest on interest, which is illegal.

He told the commission that he had been suspended by the Department of Finance in 1992 after he went public on bank overcharges.

A partner in a major accounting firm, Peter Strauss of Price Waterhouse in Paarl, said in an affidavit in Mr Louw's case that a R15 million debt to the WPK would have been reduced to R5.8 million if interest had not been capitalised monthly.
Cigarette price rise

- Staff Reporter

CIGARETTE prices have risen 20c for a pack of 20 and 30c for a pack of 30.

Dan da Silva, spokesman for a firm of tobacco wholesalers, said the company was told of the increases by tobacco companies on Wednesday.

11/11/95
Falling PPI bodes well for economy

(from) Jan 13

August's year-on-year rate of increase in the producer price index — it tumbled dramatically to 7.8 from July's 8.0 percent — offers yet another positive augury for the South African economy following the 22-year low in September's consumer price index.

The Central Statistical Service reported that there was no month-on-month change in the producer price index when measured on a seasonally adjusted basis.

The decline in August follows a sharp 1.5 percentage point reduction from the 10.5 percent rise recorded on an annualised basis in June; and April's 11.5 percent increase.

The PPI increase for imported commodities for South African consumption declined further to 5.8 percent, annualised in August from 6.4 percent annualised in July.

The CSS reported a seasonally adjusted 0.1 percent increase was recorded between July and August in the import component.

The PPI increase for locally produced commodities for local consumption also fell to 8.1 percent, annualised in August from 9.3 percent annualised in July.

A seasonally adjusted fall of 0.1 percent was recorded between July and August.

Lowest

August producer inflation is at its lowest since May last year.

Last year, the overall PPI for South African consumption averaged 8.2 percent and in 1995, 6.6 percent.

Standard Bank's Niel Moshonka comments: "While food prices were a factor in keeping the rate of increase in producer inflation low, price pressures generally seem muted."
Falling PPI bodes well for economy

August's year-on-year rate of increase in the producer price index— it tumbled dramatically to 7.8 from July's 9.0 percent— offers yet another positive augury for the South African economy following the 22-year low in September's consumer price index.

The Central Statistical Service reported that there was no month-on-month change in the producer price index when measured on a seasonally adjusted basis.

The decline in August follows a sharp 1.5 percentage point reduction on the 10.5 percent rise recorded on an annualised basis in June and April's 11.5 percent increase.

The PPI increase for imported commodities for South African consumption declined further to 5.8 percent, annualised in August from 6.4 percent annualised in July.

A seasonally adjusted 0.1 percent increase was recorded between July and August in the import component.

The PPI increase for locally produced commodities for local consumption also fell to 8.1 percent, annualised in August from 9.5 percent annualised in July. A seasonally adjusted fall of 0.1 percent was recorded between July and August.

August producer inflation is at its lowest since May last year.

Last year, the overall PPI for South African consumption averaged 8.2 percent and in 1993, 6.6 percent.

Standard Bank's Nico Cyprianza comments: "While food prices were a factor in keeping the rate of increase in producer inflation low, price pressures generally seem muted."
Bread price rise announced

Staff Reporter (24) ARG 27/10/95

PREMIER Foods has announced a 17c increase in the price of bread from November, but it is not clear whether other bakeries will follow suit. Duens Bakery spokesman Stoffel Brand said today the price of bread was "a private affair" and it was up to each individual producer to decide on an increase.
Bread, meat prices rising

SPECIAL CORRESPONDENT

JOHANNESBURG: Major supermarket chains have pledged to keep bread prices constant despite a climb by up to 24c a loaf brought about by rising flour prices.

Meat prices could also soon rise by about 12% because the recent good rains have given stock farmers the chance to build up their herds on good grazing instead of sending them to slaughter. This is likely to reduce supplies of slaughtering meat.

All this has dampened last week’s announcement that inflation had dropped to a 23-year low.
Beef prices expected to rise

PRETORIA. — Beef prices are predicted to increase towards the end of the year, Meat Board agricultural economist Wilbie Venter said.

"The average producer price of beef should be around R7.25/kg at the end of the year," he said yesterday.

"For A2 and A3 grades this means average prices of R7.30/kg, which could rise to R7.70/kg by year's end."

Farmers were withholding slaughter stock, also leading to price increases.

Mr Venter said beef imports were not expected to increase over the festive season as they did last year, due to price uncertainty. Heavy imports last year pushed down prices.

New tariffs for poultry and red meat announced in August this year had led to a drop from 5 700 tons in July to 3 200 tons in September.

Mr Venter said the process of rebuilding cattle herds after the droughts of the early 1990s was not yet complete. — Supa.
Survey reflects mixed views on cost of living

Trevor Bisseker

MORE blacks than whites believe the cost of living is easing, according to a survey conducted for Business Day by Market Research Africa. This could be the result of cheaper education and health services coming into effect for some groups since last year's general election.

The poll was conducted in October as part of MRA's regular Multibus Survey. It dealt with perceptions of costs of eight categories of goods and services. Respondents were asked to say whether or not they thought that the items were cheaper, the same price or more expensive than at the same time last year.

The categories were clothes, food, transport, education, health care, rent and housing, electricity and water.

The survey used an area-stratified probability sample of 2,502 urban households, drawn from MRA's computerised dwelling unit database.

The procedure enables projections to be made onto the whole urban population. Coverage represents about 92% of the urban adult population and about 55% of all SA adults.

Although most people said prices had risen across the spectrum, the survey found that blacks were more likely than the other race groups to believe that prices were lower than a year ago. This applied to all eight categories, but especially in the last five in the list, where only five or six black respondents out of 10 perceived prices to be higher, compared with eight or nine out of 10 from the other race groups.

The results could also reflect the steadily lower rate of price increases shown by the consumer price index in the past year.

It is particularly interesting that half or more of black respondents thought education and health care were cheaper than a year ago," said MRA MD Hanna Foure. "This is possibly reflecting the changes such as the free health care in certain circumstances since the 1994 elections.

"Differences between the races are substantial. Of black respondents, 46% feel health care is more expensive, as compared with an overwhelming 98% for Indians."

In the categories of rent, electricity and water, the relatively low figures for black respondents who felt costs had increased could partially reflect a prevailing culture of non-payment.

In clothing, food and transport, there was no significant differences of opinion between the various income groups, but when it came to the five services sector items, the number of respondents who felt that costs had increased was significantly greater among the higher income groups.

Older respondents were invariably more likely than the younger sector to perceive that prices were higher, and telly TV exposure was similarly correlated to the "high price" outlook.

There was little difference of opinion between the sexes.

Regionally, the largest difference in perceptions was between the Western Cape and Free State, with respondents in the former far less optimistic than the Free Staters.

The survey did not investigate why there should be differences between the perceptions of the race groups. "While there is likely to be an element of unproved living standards among blacks, or more awareness of economic trends among groups with greater exposure to the media, the most likely explanation is simply that there is a general perception among black South Africans of a brighter future," said Foure.
Petrol price cut by one cent a litre

The price of all grades of petrol will fall by a cent a litre from this Wednesday, the Central Energy Fund said yesterday.

The price of diesel fuel will rise by five cents a litre and illuminating paraffin by nine cents.

The fund said in a statement the international prices of diesel and paraffin had been significantly higher during December. Also, the rand had fallen against the dollar.

"In the case of petrol, the full effect of the over-recovery that existed in the previous period was not passed through due to rounding.

"This neutralised the effect of higher international product prices and the deterioration of the rand, resulting in an average over-recovery for the period under review — November 26 to December 26." — Sapa