

EBS/93/192
Correction 1

CONFIDENTIAL

December 20, 1993

To: Members of the Executive Board

From: The Secretary

Subject: South Africa - Staff Report for the 1993 Article IV Consultation
and Request for a Purchase Under the Compensatory and Contingency
Financing Facility

The following corrections have been made in EBS/93/192 (12/1/93):

Page 23, Table 1: revised

Page 24, Table 2, last column: figures revised

Footnote 1: revised

Page 36, Appendix III, basic data: revised

Corrected pages are attached.

Att: (3)

Other Distribution:
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Table 1. South Africa: Selected Economic Data, 1988-93

	1992 (In millions of rand at current prices)	1988	1989	1990	1991	1992	1993 Official project- ions	
			(Percentage change at constant prices)					
National accounts								
Private consumption	203,407	5.3	2.8	2.1	0.3	-2.3	--	
Public consumption	69,727	1.7	3.7	2.6	5.2	0.3	-0.5	
Gross fixed investment	52,060	8.9	5.1	-2.0	-8.4	-9.9	-3.0	
Total domestic demand <u>1/</u>	322,397	6.9	2.1	-1.5	-0.2	-2.2	0.5	
Exports of goods and nonfactor services	78,070	9.8	4.6	1.9	0.3	1.0	2.0	
Imports of goods and nonfactor services	65,285	21.9	-0.2	-5.8	2.1	5.4	1.0	
Gross domestic product	327,068	4.2	2.3	-0.5	-0.4	-2.1	0.5	
			(Percentage change)					
Prices and wages								
Consumer prices		12.9	14.7	14.3	15.3	13.9	10.0	
Consumer prices (end of period)		12.4	15.6	14.4	16.0	9.5	...	
GDP deflator		15.5	15.2	13.7	13.2	12.1	10.0	
Remuneration per worker <u>2/</u>		15.3	18.0	16.9	15.8	15.2	...	
			(In billions of U.S. dollars)					
Balance of payments <u>3/</u>								
Merchandise exports		22.8	21.9	23.5	23.3	23.6	23.3	
Of which: net gold <u>4/</u>		(8.7)	(7.3)	(7.0)	(7.1)	(6.4)	(6.7)	
Merchandise imports		17.3	16.9	16.8	17.2	18.2	17.9	
Services and transfers, net		-4.0	-3.7	-4.7	-3.9	-4.0	-3.7	
Current account balance		1.5	1.3	2.1	2.2	1.4	1.7	
(In billions of rand)		3.4	3.5	5.3	6.2	3.9	5.7	
(In percent of GDP)		1.7	1.5	2.0	2.1	1.2	1.6	
Long-term capital, net		-0.5	-0.2	-0.0	-0.6	-0.5	...	
Short-term capital, net <u>5/</u>		-2.5	-1.6	-0.9	-1.1	-1.6	...	
Capital account balance		-3.0	-1.8	-0.9	-1.7	-2.2	...	
Gross international reserves <u>6/</u>		2.8	2.7	2.8	3.6	3.7	...	
			(In billions of rand)					
Central government finances <u>7/</u>								
Revenue <u>8/</u>		48.1	61.1	66.8	72.3	75.8	88.2	
Expenditures		55.9	65.5	73.9	85.9	103.8	114.2	
Balance		-7.8	-4.4	-7.1	-13.6	-28.0	-26.0	
(In percent of GDP)		-3.8	-1.8	-2.6	-4.4	-8.4	-7.0	
			(Percentage change)					
Monetary aggregates								
Broad money, end-period		27.2	22.6	12.2	12.5	8.0	...	
Bank credit to private sector, end-period		27.7	20.2	15.7	14.5	8.7	...	
Exchange rates								
Period average								
U.S. dollars per rand		-10.4	-13.3	1.3	-6.3	-3.2	...	
Nominal effective rate		-13.8	-8.8	-5.6	-6.2	-6.0	...	
Real effective rate		-5.5	0.4	3.0	3.8	3.8	...	
End period								
U.S. dollars per rand		-18.8	-6.2	-1.0	-6.6	-10.2	...	
SDRs per rand		-14.4	-4.0	-8.6	-7.1	-6.5	...	
			(In percent)					
Interest rates (period average)								
Discount rate (end period)		14.5	18.0	18.0	17.0	14.0	...	
Treasury bill rate		12.0	16.8	17.8	16.7	13.8	...	
Government bond yield		16.4	16.9	16.2	16.3	15.4	...	
Prime rate		15.3	19.8	21.0	20.3	18.9	...	

Sources: South African Reserve Bank, Quarterly Bulletin; International Monetary Fund, International Financial Statistics; data provided by the South African authorities; and staff calculations.

1/ Excludes statistical discrepancy.

2/ At current prices; nonagricultural sector.

3/ Official projections converted to dollars using average exchange rate for first nine months of 1993.

4/ Includes net changes in gold holdings of the Reserve Bank and other banking institutions.

5/ Includes errors and omissions of current as well as capital account.

6/ End period; national valuation of gold.

7/ Department of Finance data. Fiscal year begins April 1. Budget data for 1993.

8/ Ordinary revenue.

Table 2. South Africa: Selected Indicators of Competitiveness, 1985-93

(Indices: 1985 = 100)

	1985	1986	1987	1988	1989	1990	1991	1992	1993 ^{1/}
Real effective exchange rate (IFS)	100.0	92.2	104.0	98.2	98.6	101.5	105.4	109.4	106.7
Real effective exchange rate (SARB)	100.0	103.4	119.9	114.8	114.1	119.5	122.8	124.5	119.8
Terms of trade (SARB) ^{2/}	100.0	102.6	105.7	105.0	103.6	105.0	103.0	103.8	101.8
Production of exports ^{2/}									
Export price/Unit labor cost in non-agriculture	100.0	102.9	96.5	93.0	89.3	83.3	75.9	70.8	68.4
Export price/CPI	100.0	99.0	90.6	86.3	84.3	79.4	70.8	64.6	62.6
Export price/EPI	100.0	99.7	94.7	91.2	89.0	86.4	81.0	79.5	79.4
Export price/Domestic components of PPI	100.0	100.4	94.3	90.3	88.5	85.6	79.7	77.5	77.3
Export price/Import components of PPI	100.0	97.2	95.8	94.1	91.0	89.9	86.6	88.3	89.1
Production of import substitutes									
PPI (manufactures)/Import components of PPI	100.0	97.0	101.8	104.7	105.0	107.2	110.8	114.9	117.5
PPI (manufactures)/Unit labor cost (manufactures)	100.0	103.0	103.9	105.4	104.3	100.2	98.2	91.6	92.0
PPI (domestic goods)/Import components of PPI	100.0	96.8	101.6	104.2	102.8	105.0	108.7	113.9	115.3
PPI (domestic goods)/Unit labor cost (nonagriculture)	100.0	102.6	102.4	103.1	100.9	97.3	95.3	91.3	91.8
Consumption substitution									
CPI (goods)/Import price	100.0	103.4	116.6	121.7	122.9	132.2	145.5	160.5	162.6
<u>Memorandum items:</u>									
Labor share in nonagriculture	100.0	99.8	101.8	100.7	102.1	103.5	103.8	105.3	105.1
Labor share in manufactures	100.0	97.1	96.2	94.8	95.9	99.8	101.8	109.2	108.6

Sources : South African Reserve Bank (SARB) Quarterly Bulletin; and International Monetary Fund, International Financial Statistics (IFS).

^{1/} Labor shares and calculations involving unit labor costs reflect data through March; SARB real exchange rate data are through August; rest of data are through September.

^{2/} Export price excludes gold.

VIII. Article IV Consultation

The 1992 Interim Article IV consultation was completed on October 28, 1992 on a lapse-of-time basis (SM/92/189). The most recent Executive Board meeting was on November 11, 1991 when the 1991 Article IV consultation was completed (SM/91/192).

IX. Technical Assistance

A technical assistance mission from the Fiscal Affairs Department visited South Africa from February 1-16, 1993 to assist with the administration of the recently introduced value added tax.

South Africa--Basic Data

Area and population

Area	1.22 million square kilometers
Population (1992)	38.9 million
Population growth rate (1992)	2.20 percent
Employment in nonagricultural sector (September 1992)	5.0 million

IMF position (September 30, 1993)

Quota	SDR 1365.4 million
Fund holdings of rand (in percent of quota)	100
Holdings of SDRs (in millions)	4.2
Exchange rate	R 1 = US\$ 0.2912

National Accounts

	1992	1988	1989	1990	1991	1992
	In millions of rand at current prices	(Percentage change at constant prices)				
Private consumption	203,407	5.3	2.8	2.1	0.3	-2.3
Public consumption	69,727	1.7	3.7	2.6	5.2	0.3
Gross fixed investment	52,060	8.9	5.1	-2.0	-8.4	-9.9
Total domestic demand <u>1/</u>	322,397	6.9	2.1	-1.5	-0.2	-2.2
Exports	78,070	9.8	4.6	1.9	0.3	1.0
Imports	65,285	21.9	-0.2	-5.8	2.1	5.4
Gross domestic product	327,068	4.2	2.3	-0.5	-0.4	-2.1

Central government finances 2/

	(In millions of rand)				
Revenue	48,672	64,096	67,122	73,106	76,901
Expenditure	55,927	65,459	73,947	85,861	103,770
Balance	-7,255	-1,364	-6,826	-12,755	-26,870
(in percent of GDP)	-3.5	-0.6	-2.5	-4.2	-8.1

Balance of payments

	(In millions of U.S. dollars)				
Merchandise exports	22,805	21,937	23,539	23,288	23,624
Of which: net gold <u>3/</u>	(8,669)	(7,299)	(7,024)	(7,094)	(6,437)
Merchandise imports	17,340	16,881	16,775	17,163	18,194
Services and transfers, net	-3,976	-3,734	-4,707	-3,884	-4,048
Current account balance	1,489	1,322	2,057	2,241	1,382
Net long-term capital	-516	-231	-39	-627	-530
Net short-term capital (including errors and omissions)	-2,504	-1,563	-892	-1,103	-1,649
Net capital <u>4/</u>	-3,020	-1,794	-931	-1,730	-2,178
Overall balance <u>5/</u>	-1,531	-472	1,126	511	-797
Official reserves					
(year end; in millions of dollars)	2,075	2,097	2,422	2,973	2,984
(in months of imports)	1.3	1.2	1.4	1.7	1.7

Monetary aggregates

	(Percentage change over previous period)				
Broad money (M3), year end	27.2	22.6	12.2	12.5	8.0

Prices and wages

Consumer prices, year average	12.9	14.7	14.3	15.3	13.9
Remuneration per worker, year average (in nonagricultural sector)	15.3	18.0	16.9	15.8	15.2

Sources: South African Reserve Bank, Quarterly Bulletin; International Monetary Fund, International Financial Statistics; data provided by the South African authorities; and staff calculations.

1/ Excludes statistical discrepancy.

2/ Department of Finance data. Fiscal year begins April 1. Figures are for total revenue.

3/ Includes net changes in gold holdings of the Reserve Bank and other banking institutions.

4/ Excluding short-term liabilities relating to reserves.

5/ Net of reserve-related liabilities, SDR allocations, and valuation adjustments.