Exchange Rates

JOHANNESBURG – Yesterday's closing exchange rates, as supplied by Standard Bank: (R/, R/ and R/US, other rates per rand.) These are the banks selling rates yesterday.

R/ £	15.75
R/ à	12.45
R/US $	7.90
R/AUS $	7.55
R/CAN $	7.75
R/NZ $	6.00

Dispatch Business

Big correction in China

SHARES on China's two stock markets lost about 3% of their value yesterday, as analysts blamed record oil prices and news of slowing growth in manufacturing.

The key Shanghai Composite Index, which tracks shares traded in local and foreign currency, dropped 84.50 points, 3.09%, to close at 2 651.61. The new fall means that the Shanghai index has lost about 48 percent of its value since the start of this year; analysts had warned many Chinese stocks were overvalued. — *Sapa-DPA*

New method to measure inflation from 2009

New weights 'will bias CPIX down' – and may lead to lower rates

SOUTH Africa's consumer price inflation basket will change from 2009 with the weighting for food falling and transport increasing to reflect changes in spending patterns, Statistics South Africa said yesterday.

While some economists lauded the changes for potentially bringing down the country's high inflation figures and possibly leading to an interest rate reduction, another has said the new basket "needed more work".

StatsSA said weighting for food would drop to 18.28% – or 20.2% when including restaurants – from its previous weight of 26.6%. In the consumer price index excluding interest rates on mortgage bonds (CPIX) basket, food would weigh 17.86% of the total.

The transport component would increase to 17.79% for the total country compared with 12.98% previously, and make up 21.42% of the CPIX basket.

The data agency said the new weights would be effective with the January 2009 consumer inflation release and were based on the 2005/2006 Income and Expenditure survey released in March.

The survey showed that transport was the fastest growing spending category for South African households, while expenditure on food had declined proportionately since 2000, largely due to increasing wealth.

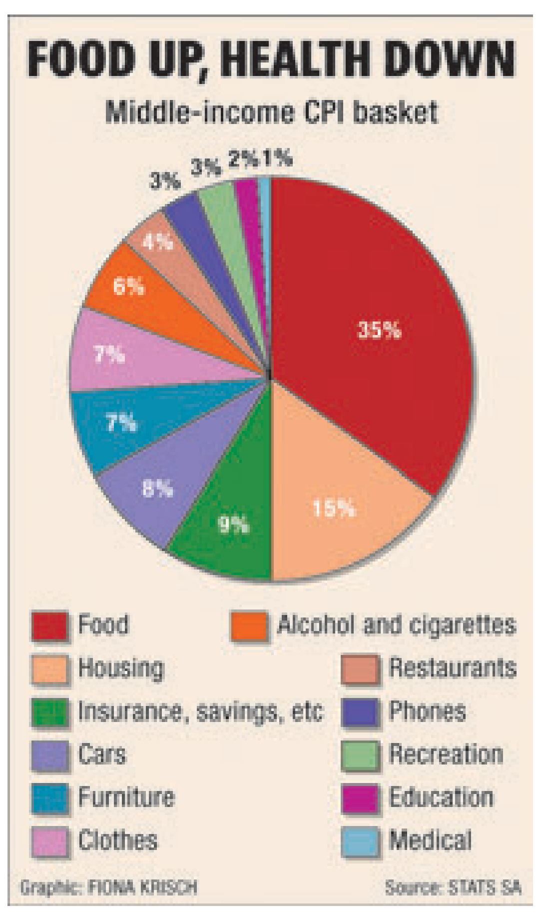
Stats SA said the weight for insurance had increased significantly. Insurance expenditure includes property and vehicle insurance as well as medical aid contributions.

Insurance as a proportion of the total rose from 1.81% to 7.21%.

Medical aid contributions and other health insurance have increased from a previous weight of 1.33% to 3.37%.

Health had seen a significant drop in weights, Stats SA said.

The health weights now include only expenditure



actually incurred by households and not expenditure incurred by employers or medical aid schemes on behalf of households.

"The new weights will definitely bias the CPIX downwards; we might see lower official inflation rates next year... it is an improvement and might better reflect the consumption patterns of households," said Christelle Grobler, economist at the independent Bureau for Economic Research.

But well-known economist Mike Schussler said the new weights for the CPI "need more work".

"The food weight dropping will make CPI less volatile, but I'm not sure of some of the other weights," Schussler said.

"I don't understand why the electricity weight has gone down from 3.42% to 1.96% – after all, the whole country is electrified and we've got more people on the grid than ever before," he said.

Schussler pointed out that funeral services had a new weight of 3.01% from 1.63% previously.

"Is the consumer spending more on funeral costs than electricity? Are more people dying than using lights," Schussler asked. Electricity was one of the consumer's main expenses while funeral expenses were paid a few times in a lifetime, Schussler said.

The central bank targets the CPIX basket and has a mandate to keep it between 3% and 6%, but it hit a 5-1/2 year high of 10.9% in May, mainly driven by fuel and food inflation, which surged to 17.0% year-on-year in May.

In response to growing price pressures the central bank has lifted its repo rate by 500 basis points to 12% since June 2006.

"The new weights see a shift from commodities to services. The share of services (was) 38.1%. In the new weights set, services will account for 43.7%," StatsSA said.

It added that the weighting for housing would decrease to 21.04% from 22.46%, and would calculate the rent equivalent rather than interest rates on mortgage bonds "because interest rates reflect the cost of debt, rather than the cost of housing".

For the CPIX basket, which excludes mortgage bond costs, housing would be 11.79%. — *The Times, Avusa Group News*

Tough times ahead for homeowners, says bank

By XOLILE BHENGU
Business Correspondent

THE property boom is over, and homeowners should prepare themselves for a tough two years ahead.

Sizwe Nxedlana, a Standard Bank economist, sounded this warning after the release of the bank's residential property gauge for June, which further confirmed that there was no respite in sight for the residential property market.

In June, the median house price index slumped 11.3% to R550 000, from R620 000 last June. This means that homeowners cannot expect the same growth rates in the price of their properties that was experienced 36 months ago.

Unlike Absa, which reports a monthly average mortgage value, Standard Bank's house price index uses the mid – or median – value of the home loans it has granted during a month.

The bank said in 24 months mortgage costs had increased by 36%, after the June interest rate hike.

Two years ago the monthly cost of a mortgage of R500 000 – financed at the prime interest rate over a period of 20 years – was R4 992; today the cost of financing the same mortgage is R6 769.

Nxedlana said residential property prices were still in negative territory, and the outlook for the residential property market remained bleak.

He said since January 2006 the bank had noted volatility in the median house price range of R520 000 to R620 000.

Homeowners should brace themselves for even tougher economic conditions in the next 18 to 24 months, Nxedlana said, as the reality of further interest rate increases in August draw near, in addition to increased electricity tariffs, as well as food and petrol prices that were negatively affecting household disposable income.

"We are definitely seeing a continued national house price deflation. We only expect some inflation cuts in 2009 that would spell some credit relief for consumers."

Dutch bank shows faith in EL firm

EAST London-based credit management specialist Real People yesterday announced it has received additional funding of 10 million (R120 million) from the Dutch Development Bank FMO.

The funding, in the form of an increased term loan facility, brings FMO's backing in Real People to 33m.

Real People's deputy managing director Neil Grobbelaar said the funding signified a "meaningful vote of international confidence" in Real People's credit model, particularly given prevailing sentiments in the credit climate worldwide governed by a global credit and liquidity crunch.

Real People's unsecured personal loans in South Africa and sub-Saharan African countries is aimed at funding education, home improvements and other household needs.

The company has in the past year grown its loan book by 66% from R654 m as of March 31, 2007 to over R1 billion at March 31, 2008.

In a further vote of confidence, FMO has acquired additional shares in Real People, upping its stakeholding in the local company to 5%.

Earlier this year, Real People received its first North American backing, from Canadian fund managers Cordiant Capital, of US$20m in the form of a Cordiant and FMO-funded risk participation agreement.

"We are happy to be able to continue our support to Real People," said FMO chief executive Arthur Arnold.

"In the past, we have provided direct financing and have assisted Real People to attract financing from Cordiant by arranging a syndicated facility.

"This new step in our relationship is based on successful co-operation in the past and on our belief that by providing access to finance we are providing access to prosperity to the people of South Africa."

Grobbelaar added that Real People's solid and ongoing relationship with FMO is an alliance it values highly: "FMO, like Real People, is committed to facilitating the delivery of affordable and responsible financial services in Africa." — *DDR*

Sars: Filing period starts

THE filing period for all employers has commenced, the South African Revenue Service (Sars) said in a statement yesterday.

"From July 1, all employers are required to complete and submit a Reconciliation Declaration (EMP501) which will record the amount of tax deducted from employees, the amount paid over to Sars and the amount appearing on IRP5 certificates of employees," Sars said.

In the 2008 tax season, a new emphasis is being placed on the information supplied by employers to Sars in respect of the pay as you earn (PAYE) deducted from employees.

"This year employers will be required to meticulously and timeously submit records which will ensure that Sars is in possession of accurate information about their employees," Sars said.

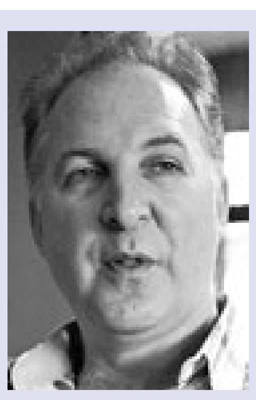
Sars would extend its services through direct engagement and by providing automated tools and assistance to employers who wished to comply.

As from today, all Sars branch offices can provide employers with a free version on disk of the easyFile computer software.

The employer could save the reconciliation results on disk and submit it manually to Sars or electronically via *sarsefiling* on or before August 29, 2008. — *Sapa*

Back Office

Handy tips for exporters of appliances



By LUYTON DRIMAN
Bradmanton Consulting

TO EXPORT electrical appliances to other countries in Africa or further afield, it is crucial to know the voltage and plug types that are used in any of these countries.

I have seen examples where companies have dispatched products to Angola with the regular SA 16A plugs attached to all the appliances.

These are totally incompatible with Angola's wall plugs, which makes the importer look unprofessional in the end. If you take Africa and divide it into quadrants, the South use predominantly 16A, the East the 13A square pin, while countries in the West and North use mainly two-pin Shuko plugs.

Using the above guide as a rule of thumb should help you in going about doing your deals with confidence! Check out *www.voltageconvertions.com* or *www.kropla.com*.

Voltage becomes a factor when you enter into international markets. In the Caribbean, some islands use the standard 220V, and others 110V, with a variation of plug types and cycle rates. Essentially, it depends on who was colonised by whom! In case you wish to enter an international market with a locally designed and manufactured product, take note that it is important to abide by the international laws concerning electrical products. For instance, you will need to have your products tested by a registered testing house to see if your items conform to country specific standards.

These include "CE" classification for European and UK markets, "UL" classification for the United States and Canada. There are specific tests needed for Australasia and selected African countries as well.

A classification, accreditation and certification by the South African Bureau of Standards or the Council for Scientific and Industrial Research is a good start from the South African context.

Another example I witnessed was a local company which sent an electrical product to the Caribbean for evaluation and testing, but the product was not checked when it left the factory and it simply did not work.

The verdict: the company in question did not even get out of the starting blocks! The prospective customer was too nervous to trust a production run of theirs and moved to a competitive product made in another country.

Developing and growing a customer in a foreign country is a "business marriage" and I am a firm believer of "going the extra mile" and offering service to export customers. Remember that offering a better service is a small price to pay, but it can turn out to be a big advantage. Make an effort to win over your customer base and they will be around a long time.
— *luyton@telkomsa.net*

C M Y K