



## THE SOUTH AFRICAN SAVINGS INSTITUTE

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### SASI CHAIRMAN'S STATEMENT

#### AT THE LAUNCH OF THE FESTIVE SEASONS AVINGS CAMPAIGN 2009

04 November 2009

#### SASI Offices

19 Fredman Drive, Sandton

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Good morning ladies and gentlemen. On behalf of the South African Savings Institute (SASI), I would like to take this opportunity to thank you for taking time to participate in the launch of our annual Festive Season Savings Campaign. The theme of this year's campaign is "*Spend Wisely, New Year Ahead*".

Although there are signs that the global recession seems to be bottoming out, the path is very fragile requiring a strong policy response from the government. To this end, government has undertaken expansionary fiscal policy measures to curtail job losses and support domestic demand. In his Medium Term Budget Speech Minister Gordhan stated that compared to last year expenditure is projected to increase by R127 billion. The economic downturn has led to a substantial decline in tax revenues, which means that expenditure will have to be financed through increased borrowing. The budget deficit is projected at 7.6% of GDP in 2009/10.

Unlike the government, households should not respond in an expansionary manner to the current environment. During the July Savings month, the message from SASI was to tighten our belts. This message is still relevant now as we move towards the Festive Season. While SASI acknowledges that increasing aggregate consumption will contribute towards economic recovery, the current crisis strongly suggests that South African households will do well to continue adjusting their behaviour towards more responsible spending habits.

Following a contraction in real GDP of 6.4 per cent in the first quarter, the economy declined further by 3.0 per cent in the second quarter. The decline in inflation and interest rates during the course of 2009 has been inadequate

to stimulate economic activity, hence the need for fiscal policy measures already mentioned.

Ladies and gentlemen, there is some good news. Gross saving as a percentage of GDP has been higher in 2009 compared to 2007 and 2008. In the second quarter of this year it was 16.5 per cent compared to 15.5 per cent and 15.2 per cent in the second quarter of 2007 and 2008 respectively. Low business and consumer confidence during 2009 are key contributors to this increase in the gross saving rate. This improvement has lessened South Africa's dependency on foreign capital from 38 per cent of gross capital formation in the first quarter of 2008 to 16.1 per cent in quarter 2 of 2009. The lower dependency on foreign capital is reflected in a declining foreign account deficit, which stood at 3.2 per cent of GDP in the second quarter of 2009, down from 7.3 per cent during the same period last year.

**Table 1: Selected Economic Indicators, 2007 – 09 (per cent)**

	<b>Gross saving to GDP</b>	<b>Saving to disposable income of households</b>	<b>Household debt to disposable income of households</b>	<b>Balance on current account to GDP</b>
2007 Q1	15.3	-0.7	75.3	
2007 Q2	15.5	-0.6	76.5	
2007 Q3	13.6	-0.5	77.7	-8.7
2007 Q4	14.2	-0.6	77.9	-7.2
2008 Q1	14.3	-0.5	78.2	-8.8
2008 Q2	15.2	-0.5	76.4	-7.3
2008 Q3	15.0	-0.4	75.5	-7.8
2008 Q4	16.9	-0.2	76.3	-5.8
2009 Q1	16.9	-0.1	76.8	-7.0
2009 Q2	16.5	-0.1	76.3	-3.2

**Source: South African Reserve Bank, Quarterly Bulletin (September 2009)**

This goes to show that higher savings ratios can play an important role in cushioning the economy against external dependency. Currently household saving as a proportion of disposable income stand at -0.1 per cent (2009:Q2), an improvement from -0.5 per cent same time last year, while household debt remains high at 76.3 per cent.

Job losses have been significant in a country where unemployment is one of the most critical socio-economic challenges. Between the third quarter of 2008 and the third quarter of 2009, the economy shed 770, 000 jobs. As the second round effects of the global crisis continue, 484, 000 jobs were lost in the third quarter of 2009 alone. In these difficult times, we hope that households will appreciate what they have rather than continually strive for more. While we acknowledge the spirit of giving that characterises the Festive Season, we believe that responsible spending – without incurring debt – is a far healthier option for any household.

South Africans often approach the festive season as if it is the end of time, choosing to ignore the looming financial responsibilities, such as school fees and other bills that come only too quickly in the New Year. SASI is embarking on yet another campaign that can help South Africans enjoy the festive season, while also enabling them to meet their financial commitments going forward. A recent survey done in America shows that one in four people are glad the world's economy slumped like it did, because it helped them realise their priorities in life. Many have put off vacations trips especially during the season in an effort to prepare themselves for the uncertainties of the New Year. We hope South African consumers feel the same way!

To complement the message we delivered during the recently concluded July Savings Month, today we embark on yet another campaign, the Festive Season Savings Campaign 2009 in partnership with African Bank, the Financial Services Board, the National Credit Regulator, the North West Provincial Treasury and Provincial Offices of Consumer Protection.

The theme for the Festive Season Savings Campaign 2009 is "*Spend Wisely, New Year Ahead*". This theme cautions households and consumers alike not to get carried away with the tradition of unplanned spending which often leaves many indebted. The theme encourages forward thinking in the area of personal financial management. SASI is asking South Africans to take a sober assessment of their expenditure during this Festive Season. We believe that it is possible to enjoy the Festive Season without making financial decisions that will be regretted when we have to face the realities of 2010.

The objectives of this Campaign are to:

- Raise awareness about/ inculcate a culture of saving during and beyond the festive season
- Guide consumers on how to avoid unnecessary consumption expenditure, so as to better meet the obligations that follow immediately after the festive season e.g. school requirements
- Compliment/consolidate previous messages by the Institute during the July Savings Month e.g. the Teach Children to Save (TCTS) and the Tertiary Institutions Savings Campaign

As with the July Savings Month, this campaign will target both the young and the old. While we offer advice to the adults, we will be distributing money boxes to children as our Season's gift to them, to encourage them to start saving now for their future aspirations.

***Some Savings Tips:***

- If you did not budget for Festive Season trip, stay at home
- If you did not save, don't borrow to spend
- Make the Season's gifts instead of buying them, it puts more heart to the gift
- Give your precious time to the needy as opposed to money during the Season
- Invest in money boxes for Children

- Avoid buying on impulse , resist those SALE signs
- When you see SALE, think SAVE
- Please budget for next year's school requirements like fees, stationary, uniforms, etc, before you spend on the Festive Season

I thank you.