

SASI CALLS ON HOUSEHOLDS TO SPEND WISELY DURING THE FESTIVE SEASON

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The South African Savings Institute (SASI) today launched its annual 2009 Festive Season Campaign aimed at raising awareness about the pitfalls of reckless spending during the festive season. The national campaign, as an extension of July's National Savings month, is also dedicated to entrenching a culture of saving among South Africans.

As South Africa gradually shakes off the recession, the message of encouragement for consumers to embrace a savings culture could not be more relevant. The local economy is currently a mixed bag of positive and negative news, making it important for consumers to take full advantage of the positive aspects.

Inflation

Consumer inflation, which stands at 6,1% for the third quarter of 2009, is inching closer to the South African Reserve Bank's target of 4-6%. This is positive news for consumers because when inflation goes down, prices fall, so people have change left in their pockets. That money could be put aside in the savings basket. People need to save more now to cushion themselves against prices that are likely to rise.

"At SASI we believe that the current inflation environment is supportive of a disciplined approach from consumers when it comes to spending. Consumers have the opportunity to reduce their debt and save more now that inflation levels are not as high as they were (13,4%) at this time last year" says Dr Sheshi Kaniki, Deputy Chairman, SASI.

Spending wisely and debt reduction are even more relevant as some inflationary pressures continue to loom, particularly from expected big increases in power prices. The central bank has indicated that high electricity prices posed one of the biggest risks to the inflation outlook in the long term. State-owned electricity firm Eskom has asked for more price increases and wants a 45% tariff rise each year for the next three years.

Economists and analysts believe interest rates are likely to start going up in the second half of 2010, making things tougher. People can use the currently lower 7% interest rate to reduce debt so that servicing the remainder of their debt becomes cheaper when interest rates perhaps go up again next year.

Economic growth

Finance Minister Pravin Gordhan recently indicated that the outlook for the economy is significantly weaker than it was at the time of the February budget. In his medium-term budget policy statement (MTBPS), he said the economy was likely to

contract by 1,9% this year, a notable shift from the growth of 1,2% that was originally estimated.

The poor performance was due in part to caution on the part of debt-burdened consumers. Household spending contracted in the first half of the year as inflation eroded purchasing power and tighter credit conditions, job losses and lower house prices made consumers feel a lot poorer than they were a few years ago. Spending by households is expected to be modest. But Gordhan said a gradual improvement in asset prices would help to rebuild household wealth.

Unemployment

South Africa's unemployment rate increased to 24.5% in the third quarter of 2009, compared with 23.6% in the second quarter and 23.2% in the third quarter of last year. 484 000 jobs were lost between the second quarter and third quarter of 2009. What is of concern to SASI is the fact that the unemployment rate was highest among 15- to 24-year-olds, at 48.4 percent. This is very worrying as this age group is key to the national savings strategy. This situation justifies SASI's efforts to take financial literacy to the country's tertiary institutions, a campaign they launched in September this year.

As indicated by Finance Minister Pravin Gordhan in his Medium Term Budget Policy Statement, the government plans to transform the economy by expanding growth and job creation, while developing a more effective public service.

Household saving and debt levels

Household debt to disposable income ratio has made little downward progress, due to incomes being under huge pressure. 2009 continued to be a difficult year for consumers, with household debt to disposable income remaining at a high of around 76%, while household savings as a proportion of disposable income stands at -0.1% as of the second quarter of this year, a notable improvement from -0.5% at the same time last year.

All these factors make it important for households to be vigilant all the time, especially during the festive season when most consumers come under immense buying pressure as the lure of special deals becomes irresistible.

SASI CEO Elizabeth Lwanga-Nanziri said "Through the festive season campaign, which will include dedicated promotions and exhibitions across the country, we aim to assist households change their spending patterns and slowly develop a culture of saving. Although the festive season is an important time for family, we urge consumers to make informed buying decisions to avoid frustration at the beginning of the New Year".

Lwanga-Nanziri said that although the buck stops with consumers when it comes to purchasing decisions, the campaign also serves as a reminder to retailers to advertise responsibly.

"Retailers are also reminded of the role they can play in helping to increase savings, which would result in more responsible and sustainable consumption in the future," said Lwanga-Nanziri.

The campaign's objective is to positively influence consumers' decision making, with a specific focus on the following key messages:

- Consumers should spend wisely and learn to resist temptation
- Consumers need to learn that it is cheaper to save for consumption than to buy on credit
- Consumers need to save and ensure that expenditure should not exceed income
- Consumers should not get swayed by festive season 'priorities'
- Consumers should analyse and understand the "end of year promotion" credit agreements that they enter into

Partners in the campaign include the Industrial Development Corporation, the National Credit Regulator, the Financial Services Board, the North West Provincial Treasury and the Provincial Offices of Consumer Affairs.

SASI and their partners will be visiting shopping centers and malls to offer spending tips to consumers and money boxes to children, to encourage the little ones embrace savings at an early age.

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