



*"my savings, my future."*

***July National Savings Month 2012***

**The Annual National Savings Awareness Campaign of the  
South African Savings Institute  
(SASI-SM 2012)**

***"Changing Mindsets Towards Financial Freedom:  
Save Now"***

## 1.0 Introduction

Saving is the primary vehicle for resource mobilisation. Nations that save enjoy a certain degree of self-reliance, excellent economic growth and citizen wellbeing. This was the motivation behind the establishment of the South African Savings Institute ten (10) years ago. The need for a strong savings culture and hence a high savings rate to boost the economic growth of the country was paramount. The Institute is committed to inculcating a culture of saving among South African citizens under four (4) program areas which have guided its activities for the past 10 years. These are: Research & Advocacy, Debate around key aspects of saving through roundtable fora, Education and Information provision and; Promotion and awareness creation through campaigns such as the July National Savings Awareness Campaign and the Festive Season Savings Campaign.

Savings Month is SASI's national savings awareness campaign and a flagship vehicle for the cause. The objectives of the campaign are to:

- Promote debate around key aspects of saving;
- Raise awareness of the benefits of short, medium and long term planning;
- Build relationships with key partners to leverage future opportunities; as well as
- Foster a culture of saving within a local and international context; and
- Complement the messaging being generated through the social security and retirement reform process, to make it meaningful and relevant to the youth as well. This will encourage them to start saving early in life, rather than leaving too late.

This year's campaign comes at the back of renewed economic and financial strain, this time from the Euro Zone, a major trading partner of many economies including South Africa. The transmission of this crisis, especially through trade, is impacting the economic activities of nations globally. The impact of the crisis, in terms of reduced economic growth is likely to exacerbate the unemployment, vulnerability and poverty levels of many households. This slow growth in turn impacts on the ability of governments to mitigate social and economic effects (for example through fiscal policy), when spending to combat the effects of unemployment and food prices is very critical<sup>1</sup>. It is therefore evident that domestic resource mobilisation is pursued aggressively, to smooth shocks in financial flows at all levels.

Thus the benefits of a high savings rate in an economy cannot be disputed, ranging from increase in investment opportunities, reduction in external dependency, improved financial health of citizens both now and during retirement. Indeed a low savings rate, especially at household level, has negative spill-over effects leading to an increased burden for the state for service delivery and infrastructural development. Table 1 shows the trend overtime, especially post the 2008-2009 financial crisis, of the key indicators for households' financial health. Notable among these is the

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<sup>1</sup> Impact of the European Debt Crisis on Africa's Economy: A Background Paper; 45<sup>th</sup> session of the Economic Commission for Africa, Addis Ababa, 26-27 March 2012

high debt to disposable income, which hampers household savings, amidst slow growth of the economy.

Table 1: SA's savings determinant indicators (%)							
Period	Gross saving /GDP	H/H savings/ Disp Y	Share of GDP to employees	Consumption/ GDP	Debt/Disposable Income	GDP growth	Unemployment
1991	18.6	2.7	57.1	61.6	55.0	-0.1	---
1994	16.9	2.8	55.9	62.3	55.5	3.2	31.5
2001	15.6	0.8	52.2	63.1	53.7	2.7	31.7
2007	14.1	-0.6	49.9	62.7	79.1	5.1	33.2
2008	14.9	-0.3	49.4	62.1	80.6	3.1	27.4
2009	15.3	-0.4	50.6	60.8	79.8	-1.8	29.7
2010	16.9	0.2	49.4	59.6	78.2	3.2	25.3
2011	17.1	0.2	49.0	60.0	78.5	4.8	25.0
2012:Q1	16.3	-0.2	49.0	58.0	75.9	-3.2	25.2

Source: SARB Quarterly Bulletin: March 2012/Stats SA Labour Force Survey Series

The current domestic economic situation, with rising inflation and slow growth, has exposed the vulnerabilities of income, expenditure, savings and debt servicing<sup>2</sup>. South Africa's gross domestic savings has fluctuated between 14 and 16% while household savings have been between 2.7% (1991) and -0.2% (2012:Q1) of their disposable income, with debt servicing hitting as high as 81% (2008)<sup>3</sup>. Subsequently, the country's GDP growth has not gone further than 6%<sup>4</sup>. This puts South African consumers in a reasonably financial vulnerability position by income group as shown in Table 2 below.

**Table 2: Consumer Vulnerability for the Period 2009 - 2012<sup>5</sup>**

Date	Savings	Expenditure	Debt servicing	Income	Overall CFVI
2009:Q2	5.74	5.54	4.37	5.64	<b>5.16</b>
2009:Q3	5.90	5.45	4.76	6.03	<b>5.44</b>
2009:Q4	5.40	5.26	4.51	5.81	<b>5.17</b>
2010:Q1	4.60	5.27	4.51	4.88	<b>4.72</b>
2010:Q2	4.19	5.47	4.34	4.67	<b>4.54</b>
2010:Q3	4.93	4.69	4.32	5.27	<b>4.79</b>
2010:Q4	5.09	4.38	3.53	4.62	<b>4.23</b>
2011:Q1	4.78	4.94	4.37	4.16	<b>4.39</b>
2011:Q2	5.33	4.58	4.12	4.52	<b>4.46</b>
2011:Q3	5.23	4.44	3.86	4.76	<b>4.42</b>
2011:Q4	4.89	4.27	3.81	4.72	<b>4.33</b>
<b>Q1 2012</b>	<b>4.12</b>	<b>3.99</b>	<b>4.34</b>	<b>4.24</b>	<b>4.11</b>

<sup>2</sup> Consumer Financial vulnerability Index (CFVI) of MBD Credit Solutions and Unisa's Bureau of Market Research 2012:Q1

<sup>3</sup> South African Reserve Bank ,Quarterly Bulletin, March 2012

<sup>4</sup> ibid

<sup>5</sup> Consumer Financial Vulnerability Index (CFVI) of MBD Credit Solutions and Unisa's Bureau of Market Research 2012:Q1

## 2.0 What is the focus of Savings Month 2012

After 10 years of advocating for a culture of saving, South Africans still battle with managing their finances. While we acknowledge the external factors responsible for this stance, a clear lack of pragmatism is evident with many individuals and households in general. This has made many of them vulnerable to economic shocks thus compromising their financial wellbeing. Post the financial crisis many consumers reverted too quickly to their financial mismanagement behaviour. This scenario is of concern to the South African Savings Institute (SASI) especially since many of them had not fully recovered from the imbalance the crisis caused to their cash-flows and the cost of living seems to be progressively increasing. Financial literacy remains crucial to help consumers and households in general, to understand their role in a changing economy.

It's time for change! This year SASI is urging consumers to proactively take charge of their lives. As the Minister of Finance pointed out during SASI's 10-year anniversary, an entrenched savings culture means South Africans must develop an attitude of saving for major expenses and goals, instead of relying on easy credit and long repayments to purchase whatever luxury good seems desirable at the time. Consumers need to go beyond what we term 'necessities' in terms of the role of savings. This means that we need to change our mindsets about savings and financial health in general! In his 2012 budget speech, the Minister outlined government strategy to introduce tax-exempt short and medium term savings products, to encourage more consumers to manage their levels of debt and develop a strong culture of savings. SASI welcomes this strategy and is encouraged to pursue its mandate even more aggressively.

In lieu of the above, SASI will launch its traditional July National Savings Month Campaign on 04<sup>th</sup> July 2012 to remind consumers that the power is in their hands to either strive for financial freedom or remain continuously vulnerable. Economic challenges are part of the norm which households must learn to incorporate them in their per-period plans, so as to the negative impact associated with them. Thus the theme for this year's National Savings Month campaign is ***"changing mindsets towards financial freedom: Save now"***.

A key feature of this year's campaign is the launch of a Savings and Investment Expo which will provide consumers with a platform from where they can receive first-hand experience of active participation in the savings and investments arena, from which many are excluded. The Expo is intended to be a long-term one-stop platform for productive interaction between the demand and supply side of the financial sector i.e. consumers, practitioners, regulators and policy makers. This interaction is envisaged to address the existing information and knowledge asymmetry in terms of financial inclusion, which compromises the nation's savings and investment potential and subsequent financial wellbeing of its citizens. A summary of the Month's activities is provided in table 2 below. The activities have been spread before and after July to allow for integration into Savings Month and continuity of the savings message.

Table 3: Planned Activities for the National Savings Awareness Campaign 2012			
Date(s)	Event/Activity	Target Audience	Venue/Location
25 – 29 June	Savings Month Editorial (Media campaign)	Financial Sector Stakeholders	Independent Newspapers
	Youth Financial Literacy	Out-of-school youths	<ul style="list-style-type: none"> <li>Sebokeng PCO</li> <li>Vanderbiljpark</li> </ul>
02 – 06 July	Savings Month Editorial	Financial Sector Stakeholders	Business Day Newspaper
	Media Breakfast Launch of Savings Month	Government Departments, Regulators, Financial Practitioners Senior Executives	SASI Premises- IDC Campus, Sandton, Gauteng Province
	Media Campaign in various media houses	Financial Sector Stakeholders	Various media houses- National, Provincial and Community Media Houses
09 – 14 July	Media Campaign in various media houses	Financial Sector Stakeholders	Various media houses- National, Provincial and Community Media Houses
	Community Financial Literacy	Entrepreneurs, Ward Councillors, NGOs, Employers, Employees	Mabopane, Pretoria
16 – 27 July	Community (Stokvels) Financial Literacy	Stokvel companies	Elangeni, Daveyton, East Rand
	Teach Children to Save	Pupils in Grades 4-7	Nation-wide, all Provinces
30 July – 03 Aug	Women Financial Wellness seminars	Women in formal and informal setting	Cape Town, Gauteng

**Note:** The events above are highlights of a nation-wide road-show of financial literacy workshops in schools, varsities and communities.

#### About Us

The South African Savings Institute is an independent organisation dedicated to developing a robust culture of saving among South Africans. Saving is an integral part of financial literacy hence the Institute's efforts are concentrated on raising awareness on key concepts of money management; communicating, educating people and helping them manage down debt; ultimately contribute to a financially healthy citizenry. **"my savings, my future"**

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