

Save more to help the economy

Too much reliance on foreign capital

DEPUTY Finance Minister Nhlanhla Nene has urged South Africans to save more.

Speaking at the launch of savings month at the South African Savings Institute yesterday, Nene said this would help the economy become more sustainable and lessen its dependence on foreign capital.

He said South Africa relied heavily on foreign capital to fund its current account deficit.

He said: "It is crucial to raise the level of our national saving in support of both short-term economic stability and long-term productivity growth and prosperity."

Nene said South Africa's current account deficit stood at 7 percent of gross domestic product in the first quarter of this year.

"By reducing a country's dependence on foreign capital inflows, higher domestic saving makes an economy less vulnerable to sudden reversals in capital flows."

South Africa's gross savings ratio rose to 17.1 percent of GDP in the first quarter from an

average 15.4 percent in 2008.

Nene said despite the rise the savings rate was low by international standards. The South African rate compares with 37.2 percent for India in 2007, World Bank figures show.

South Africa's economy grew at an average 4.7 percent between 2003 and 2007, but is contracting this year due to the global economic slowdown.

"Low levels of individual saving add to the burden on government to provide retirement assistance [and] increasing the need to raise taxes for this purpose."

More than 11 million of South Africa's 48 million people receive government support and the number is expected to increase.

The government plans to pump R787-billion over the next three years into infrastructure projects such as road and rail networks and electricity.

Finance Minister Pravin Gordhan said government debt will increase as revenue falls, pushing the budget deficit higher than estimated in February. — *Reuters*

