

SA's growth depends on household saving rate, says Nene

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DESPITE the slight increase in SA's savings rate, Deputy Finance Minister Nhlanhla Nene said yesterday South Africans need to save more to ensure sustainable economic growth and reduce dependence on foreign capital.

He was speaking at the launch of National Savings Month by the South African Savings Institute (SASI).

The gross savings rate as a proportion of gross domestic product (GDP) had risen to 17,1% in the first quarter of this year from an average of 15,4% last year.

But the ratio of household saving to household disposable income ratio remained negative at 0,1% in the first quarter of this year from negative 0,4% last year.

"Even with the recent rise in SA's savings rate, our savings performance remains disappointing," Nene said.

"SA's low savings rate puts the economy's ability to grow in a sustainable manner at risk," 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."

SA relies heavily on foreign capital to fund its current account deficit, which stood at 7% of GDP in the first quarter from 7,4% last year, its highest in 36 years.

"Persistently high current account deficits can lead to macroeconomic instability if foreign liabilities rise too much and foreign capital inflows dry up," Nene said.

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

The economy grew at an average 5% between 2003-07, but is seen contracting this year in the global economic slowdown.

"Building a culture of savings in SA is vital in ensuring that higher economic growth is sustainable."

While acknowledging that for many South Africans saving was impossible given job losses, SASI deputy chairman Sheshi Kaniki said citizens need to make a sober assessment of their expenditure.

"We believe that our mandate to promote a culture of savings in SA is as relevant now as it has ever been," Kaniki said.

"The savings to GDP in China is close to 50% and in India it is in the region of 30%. This is much higher than the 15% in SA."

Nene said aggregate savings had been on a declining trend because of the decline in both corporate and household savings.

The corporate savings ratio declining to 3% of GDP between 2000 and last year from 5,6% in the 1980s, and household savings — also as a percentage of GDP — had declined sharply from 3,2% in the 1980s to 0,2% between 2000 and last year.

But he said: "Government is committed to supporting economic growth and job creation through education and skills development."

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