

MINISTER URGES SA TO INCREASE SAVINGS

'Low levels of individual saving burdens the state'

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.

"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.

He said the current account deficit stood at 7 percent of gross domestic profit (GDP) 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."

SA'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. The economy grew at an average percent between 2003 and 2007 but was contracting this year due to the global economic slowdown.

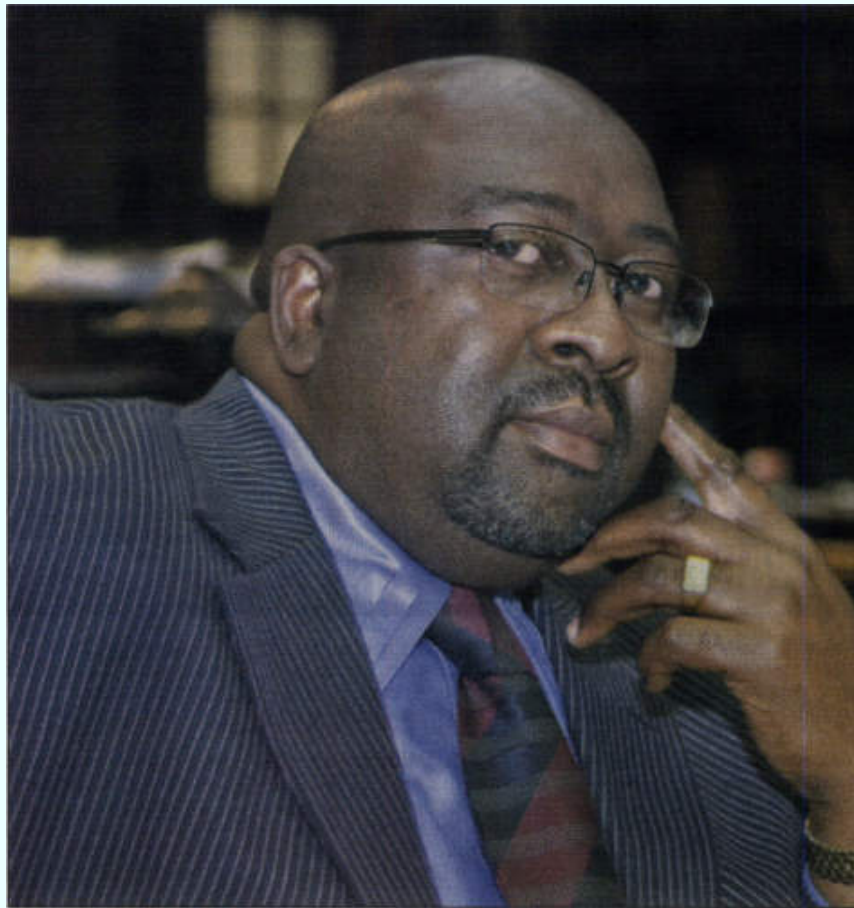
"Low levels of individual saving add to the burden on government to provide retirement assistance (and) increasing the need to raise taxes for this purpose.

"Building a culture of savings in South Africa is vital in ensuring that higher economic growth is sustainable," Nene said.

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

The government also announced that it plans to pump R787 billion over the next three years into infrastructure such as road, rail and electricity.

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



ECONOMIC GROWTH: Deputy Finance Minister Nhlanhla Nene