

NATIONAL COUNCIL OF PROVINCES

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 264[CW327E]

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Mr B L Mashile (ANC-Mpumalanga) to ask the Minister of Finance:

- (1) In view of the call by the former Minister of Finance, Mr Trevor Manuel for South Africans to indulge in savings, (a) what is the level of final consumption expenditure saving by households since 2009 up to the latest specified date for which information is available and (b) how does their level of savings relate to better life;
- (2) Whether he will make a statement on the matter regarding the way forward; if not, why not; if so, what are the relevant details?

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REPLY:

- 1(a) The level of final consumption expenditure by households, in current prices, was R1.5 trillion in 2009 and R1.6 trillion in 2010 according to the South African Reserve Bank's June 2011 Quarterly Bulletin¹. Given that savings is defined as the proportion of income not spent on consumption, gross household savings therefore continue to be very low at R38.5 billion in 2009 and R42.1 billion in December 2010, or only 1.6 per cent of GDP in both 2009 and 2010. These figures are available in SARB's quarterly bulletin.

Net household savings were negative R4.4 billion in 2009 and negative R4.1 billion in 2010. This is equivalent to dissaving of 0.18 per cent of GDP in 2009 and 0.15 per cent of GDP in 2010. In the first quarter of 2011, net household savings rate as a proportion of GDP stood at -0.14 per cent, equivalent to R3.9 billion.²

Households' rate of net dissaving as a proportion of household disposable income has improved slightly from 0.5 per cent in March 2009 to 0.2 per cent in March 2011.

- (b) There are many ways higher savings can contribute to a better life. At an individual level, higher savings provide some form of security in old-age, as a form of retirement income. Savings also provide protection against unforeseen events that could reduce household income (such as unemployment, illness or disability, sudden death of breadwinner), or events that could increase household costs (such as a sharp increase in inflation). Savings enable major investments that require large upfront capital, such as the purchase of a house, or for university education or setting up a business venture. Savings, through contributions towards occupational pension and retirement funds, allow households to smooth consumption over time, especially post retirement.

There are also important economy-wide benefits from higher national savings rates, including a lower reliance on foreign capital inflows given that South Africa runs a current account deficit. It also helps to finance

¹ Statistics for final consumption expenditure using constant prices are R1.1 trillion (2009) and R1.2 trillion (2010). Constant prices control for inflation. The savings statistics are all in current prices.

² Data for Q1 2011 is seasonally adjusted and annualised in order to facilitate comparisons with annual data.

higher levels of investment which in turn supports higher economic growth and more jobs.

2. The National Treasury issued a policy discussion document in 2011 entitled "*A safer financial sector to serve South Africa better*", which covers various issues on retirement reforms, costs of saving products, financial inclusion and integrity, and consumer protection.

At various times when appropriate, I have made and will continue to make public pronouncements on the importance of savings for investment, growth and job creation. I will also use the policy instruments available to me to incentivise savings.