

Media Release
Association for Savings and Investment South Africa (ASISA)
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ASISA launches think tank to help grow SA savings

The Association for Savings and Investment South Africa (ASISA) announced today that it has created a high level “think tank” tasked with finding practical solutions to help improve South Africa’s worrying savings rate. The new Savings Forum is convened by Tebogo Naledi, ASISA Board member and CEO of Afena Capital, and reports to the ASISA Economic and Savings Policy (ESP) Board Committee.

Leon Campher, CEO of ASISA, says the key challenges facing South Africa’s household savings rate are two fold: a culture of excessive conspicuous consumption and a lack of economic growth targeting job creation.

Campher defines savings as the choice to delay spending. “By not saving today, South Africans are compromising their ability to buy tomorrow. Unfortunately today’s spending usually involves excess splurging on cars, clothing and other luxury items, which reduces the ability to later fund something meaningful, like a child’s education or to provide for a comfortable retirement.”

The absence of a strong savings culture in South Africa has resulted in a declining household savings rate (expressed as a percentage of GDP) - a dismal 1.5% last year (source: SA Reserve Bank). Campher comments that South Africa’s household savings rate is one of the worst in the world.

While Australia, Japan, and the US all have household savings rates of under 4%, China boasts the highest household savings rate in the world of 38%, followed by India with 34.7%, and Turkey with 19.5% (source: Bloomberg Businessweek).

Campher explains that people tend to base their savings decisions on their view of the future. If consumers believe that future income prospects are good as a result of favourable economic conditions, better jobs and rising house prices, they tend to save less.

To help change South Africa’s poor savings rate, the ASISA Board of Directors mandated ASISA to become more pro-active in finding solutions that will help South Africa promote a much stronger savings culture. This led to the formation of the Savings Forum, which will focus on the following three strategic work streams:

- How to effectively stimulate savings and broaden the savings pool in South Africa using appropriate savings and investment products.
- Investigate economic policy levers required to stimulate growth and employment.
- How savings can effectively be deployed as investments to enable economic growth and employment.

The Savings Forum consists of financial services industry representatives who will drive and provide input into this project to ensure that it develops a relevant, insightful and practically achievable policy proposal for discussion with government and other stakeholders.

“The end point should be a value add proposition from ASISA member companies and the rest of the financial services industry on how we can best work with Government to boost the country’s savings,” says Campher.

The first step, says Campher, is to obtain detailed and credible research into appropriate macro-economic drivers necessary to encourage broad based savings in South Africa, as well as an in-depth analysis of the existing savings and investment product offering and its shortcomings.

“This will enable us to speak a common language when it comes to savings. ASISA is therefore negotiating research assistance with respected academic institutions,” says Campher. In addition, ASISA is also hoping to bring on board other representative bodies active in the financial services industry.

He says a vibrant and growing savings culture is a pre-requisite to strong economic growth.

“Savings help consumers to fund future financial commitments without having to go into debt. At the same time consumer savings are also the source of capital used by companies and the Government to fund growth opportunities through infrastructure and manufacturing development. China, for example, is able to finance most of its own growth, because it has one of the highest savings rates in the world.”

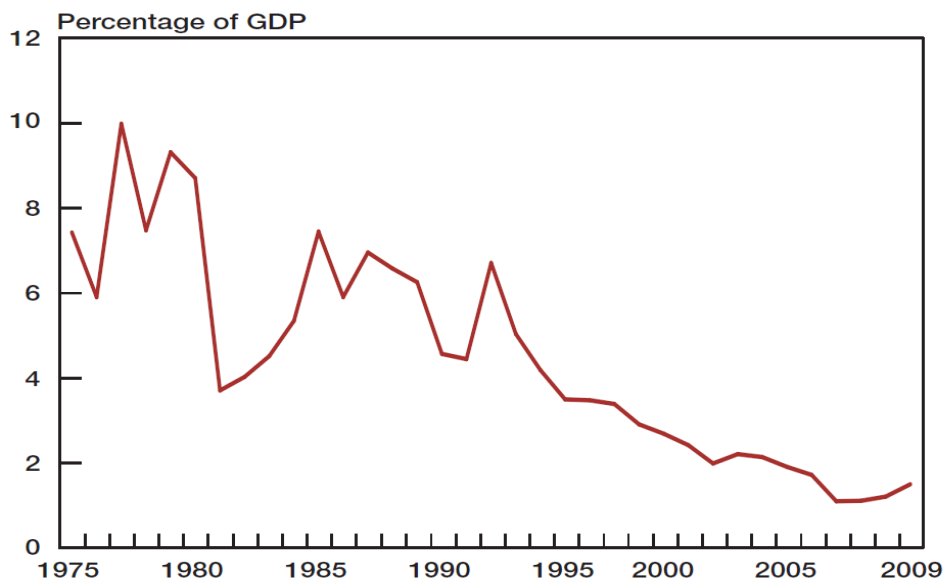
Promoting a savings culture is therefore not only important to ensure the financial well being of South Africans in the long-term, but it is also essential for the country’s development as a whole, he says.

“We need to get the message across to people that the immediate, visible benefit of saving money is their own financial security. However, another crucial benefit of a strong household savings rate is the creation of a strong economy, job creation, and ultimately lower interest rates and inflation.”

Campher says for this reason ASISA also supports the South African Savings Institute (SASI) in its initiatives to create a greater awareness among South African of the importance of saving.

“Collectively, our aim is to encourage South Africans to save today and own tomorrow.”

Downward trend in SA household savings ratio (source: SARB)





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ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies. ASISA was formed in 2008 by members of the Association of Collective Investments (ACI), the Investment Management Association of South Africa (IMASA), the Linked Investment Service Providers Association (LISPA) and the Life Offices' Association (LOA).