Media Release:

GOVERNMENT MUST DO MORE TO FOSTER SAVINGS CULTURE - SURVEY

19 February 2013: The majority of South Africa's graduate professionals are concerned about the low level of savings among consumers and support the idea of some form of compulsory preservation vehicle to foster a greater savings culture, according to a survey conducted by PPS.

For the fourth quarter of 2012, the PPS Graduate Professionals Confidence Index (PCI) – which tracks the confidence levels of nearly 6 000 of South Africa's graduate professionals – showed that 91% of South Africans do not believe tax incentives by the government are sufficient to encourage South Africans to save, up 1% on the previous three months.

According to Gerhard Joubert, Head of Group Marketing and Stakeholder Relations at PPS, it is critical that Government addresses such concerns in the National Budget speech, as the country is simply storing up a potential retirement time-bomb for the future. "It is clear that most Government's around the world are now dealing with retirement crises and a lack of appropriate savings mechanisms. In fact, late last year the UK Government launched a new initiative to automatically enroll workers into pension schemes to force people to start saving for their retirement."

The survey also revealed that respondents only had a confidence level of 60% in their ability to retire comfortably.

Joubert says that while this is not significantly low, it should also be borne in mind that the respondents comprise professions such as doctors, lawyers, architects and accountants. "This segment of the population tends to earn a higher salary and is therefore in a much stronger position to be able to save for their retirement. As a result, this indicates that the vast majority of South Africans are nowhere near this level of satisfaction with regards to their savings."

In addition, the survey also revealed that 64% of South Africans agree that compulsory preservation is necessary to enforce South Africans to save.

"Government has already indicated, as part of its retirement reform proposals, that compulsory preservation is one of the solutions it is considering to deal with the retirement crisis. Clearly, professionals also believe this is the right route to follow; but it is important that any solutions are implemented sooner rather than later, and are not endlessly debated without having any actual benefit," says Joubert.

In other results, the survey also revealed that the impact of wildcat strikes last year, combined with political instability, has eroded professionals' confidence about their future in South Africa, with a confidence level of 75% on whether they expect to remain in South Africa for the foreseeable future, compared with 83% for the same quarter in 2011.

Joubert notes that any figure above 70% is still very positive. "Confidence about remaining in South Africa is still one of the highest readings recorded in the survey, so there is certainly no reason to panic; but the fact that it has been on a steady decline for two years does raise some concerns as we are not in a position to be able to afford to lose valuable skills in the country."

The survey also revealed an overall decline in confidence on a number of critical socio-economic issues. Confidence in the standard of education in South Africa improving over the next five years declined by four percentage points year-on-year to 44%, while confidence in the standard of unemployment improving over the next five years fell six percentage points year-on-year to 38%.

Graduates also lost confidence in the economic outlook for South Africa over the next twelve months, down eight percentage points year-on-year. David Crosoer, Executive: Research and Investments at PPS Investments, says over the last quarter of 2012, both local and global equity markets continued to register strong gains. "However, these returns were observed despite a clearly deteriorating global and local economy."

"In October, the International Monetary Fund revised downwards its expectation for global economic growth for both 2012 and 2013. South African economic fundamentals also deteriorated over the year, reflecting vulnerability to a weak European recovery, poor export growth and increasingly antagonistic local labour. This leads us to observe that the recovery in equity markets during 2012 may not reflect improved economic conditions, but rather accommodative monetary policy worldwide that has driven a search for yield," says Crosoer.

"The overall confidence level in the index was down two percentage points year-on-year at 56%. While this decline is not significant, it is clearly heading in the wrong direction, so we hope that the National Budget speech addresses some of these key concerns," concludes Joubert.

Other results from the survey

- Confidence in the future of their profession was up three percentage points year-on-year to 78%
- Confidence in the local equity / share market over the next 12 months declined by four percentage points year-on-year to 61%

- Confidence that respondents have seen the worst of the global economic turmoil increased by one percentage point to 53% year-on-year
- 49% of respondents indicated they agreed with the principle behind National Health Insurance (NHI) up four percentage points year-on-year

-Ends-

Additional information:
PPS boasts in excess of 200,000 members who enjoy access to a comprehensive suite of financial and healthcare products that are specifically tailored to meet the needs of graduate professionals.

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