More in SA battle to survive

By Mariam Isa

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The number of financially vulnerable consumers in SA is rising, spurred by their reluctance to save, extravagant spending and falling income, a new survey has shown.

Finance Minister Pravin Gordhan said the consumer financial vulnerability index launched Thursday, 23 July 2009, showed there were many people in SA who had “serious problems in terms of survival”.

“This systemic crisis will cause huge damage to some people ... we need to manage our risks better,” he said at the launch of the index by Finmark Trust and the Bureau for Market Research (BMR) at Unisa.

Gordhan was referring to the global financial crisis and its effects on SA, which has slipped into its first recession in 17 years. Research showed about 210,000 of SA's 1,2 million to 1,3-million public servants were subject to R1bn in garnishee orders. “In SA, we've been fortunate in that banking and credit regulations have helped South Africans to remain relatively safe. The figures before us indicate that we were not safe enough.”

Unisa professor Carel van Aardt cited data showing 42.4% of the 17,6-million South Africans with credit records had impaired accounts in March. “South Africans are not just financially vulnerable, but growing in vulnerability.”

SA's new consumer financial vulnerability index measured 5.17 on a scale, where zero is financially secure and 10 refers to the most vulnerable. That is high compared with similar surveys in Europe, where the UK has a score of 3.1 and Ireland 3.4, the BMR said.

A breakdown of the index showed savings vulnerability was the highest, with a score of 5.74. Income vulnerability was second at 5.64, while expenditure was 5.54 and debt servicing 4.37. That showed debt service costs, which were falling with interest rate cuts, were not the main problem.

But disposable income plunged 4.5% in the first quarter, its sharpest fall in a decade. “The high level of income vulnerability is partly explained by the national poverty rate of 47% of households; however, it is being exacerbated by the economic downturn and job losses,” the BMR said.

Its survey of local consumers showed 35% of nearly 1000 respondents indicated that their ability to make ends meet deteriorated over the past year. They also said they could not save money.

Gordhan said that even though SA's savings rate had climbed to 17% of gross domestic product from 15% a year ago, it was not enough to finance the investments needed to boost growth.

“Savings is a repeated mantra, we have to attract foreign investment because savings is low in SA.”

The Treasury planned to increase the maximum limit which individuals could invest in retail bonds to R5m from R1m as part of its effort to boost savings.

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