



# NEDLAC MACROECONOMIC TASK TEAM

A REFLECTION ON SAVINGS AND INVESTMENT IN SA

AUGUST 2019

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# SAVING AND INVESTMENT

## CATEGORIES OF SAVING

- Government
- Corporates
- Households

## SOURCES

- National
- Foreign

## TYPES

- Discretion (normally shorter term)
- Non-discretionary (longer term e.g. pension)

Investment is how we  
apply these saving  
stocks

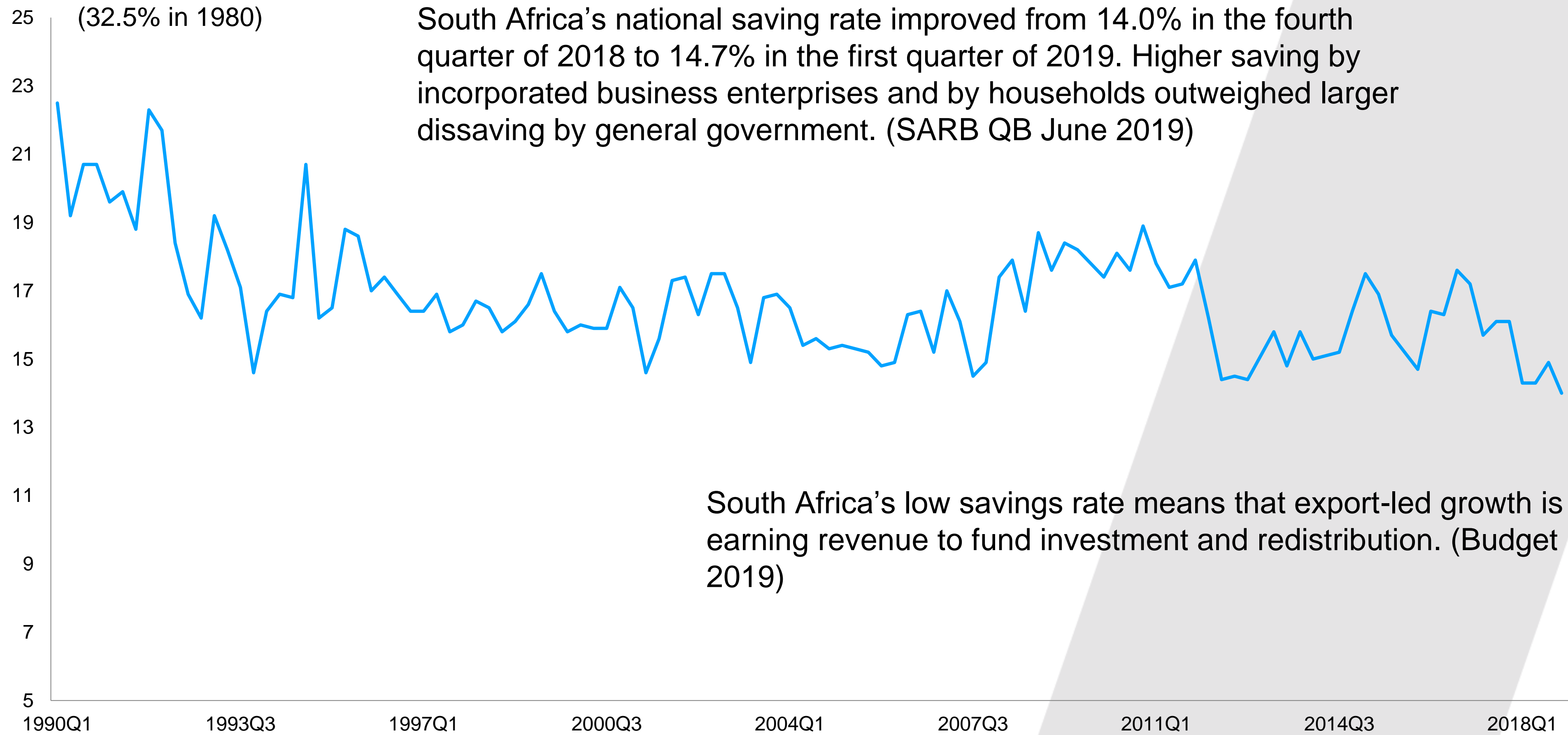


# HEADLINE STATEMENTS

- We are not saving enough – there is more that can be done to improve incentives and the structure of solutions.
- We are dependent on foreign saving, yet are proposing major policy revisions to reduce domestic saving stocks.
- The saving sector is heavily invested in public sector priorities (government and SOE bonds).
- We need to consider the systemic implications (positive and negative).
- There is much more that public and private funding can accomplish together to develop infrastructure.

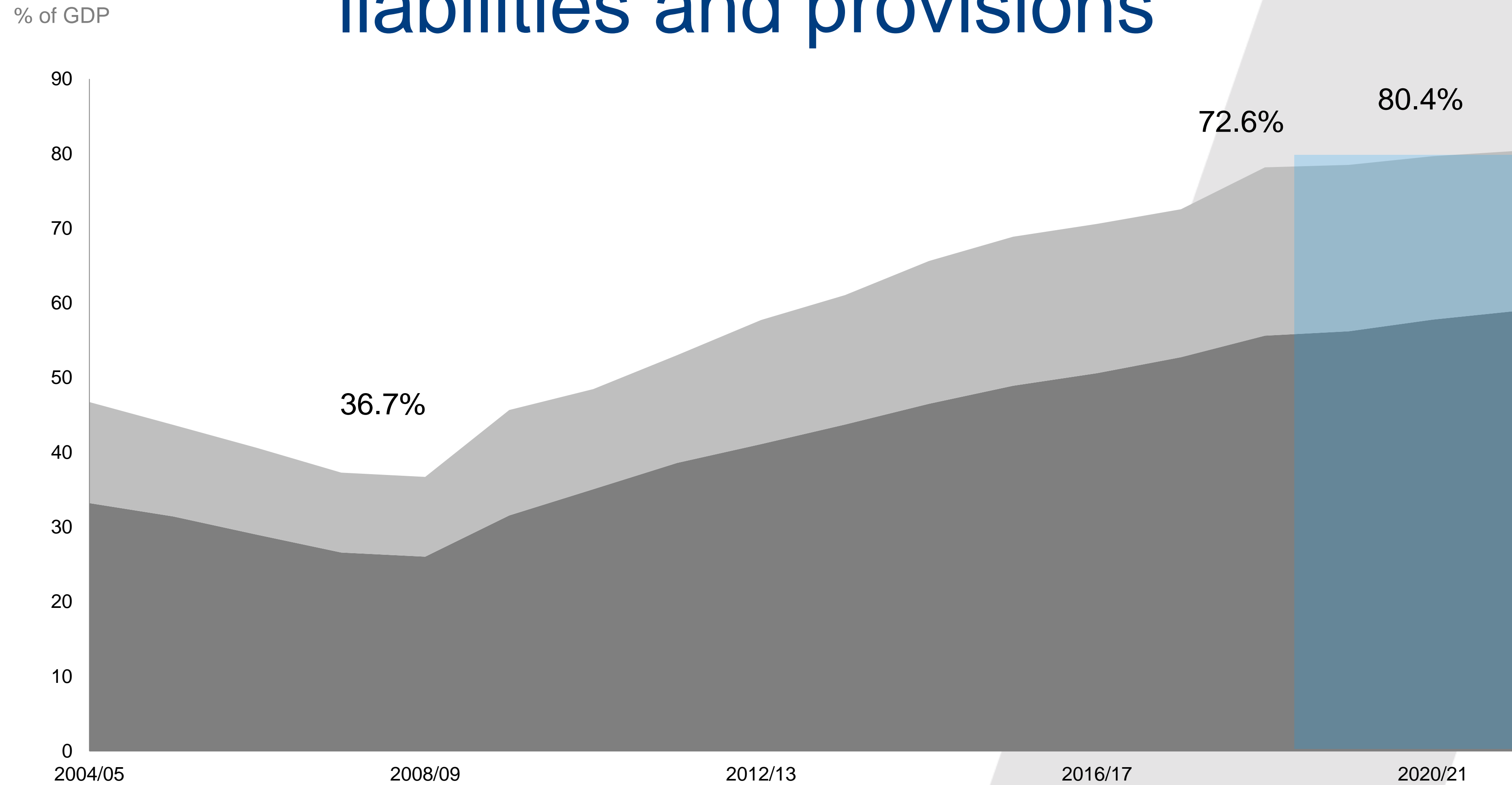
# Gross saving (% of GDP)

% of GDP



Source: SARB

# Total government (gross) debt – including contingent liabilities and provisions



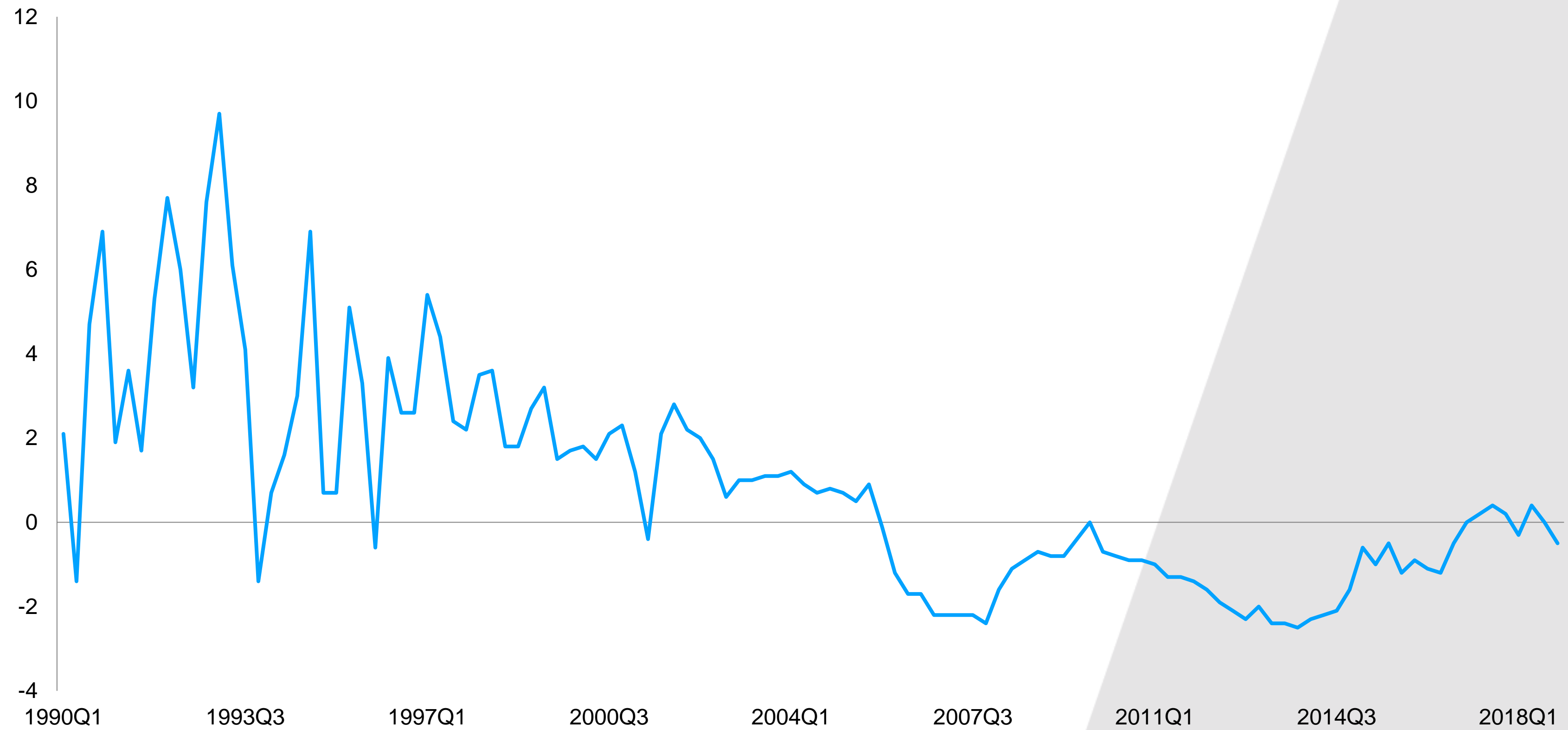
*Shaded area: Budget 2019 forecast*

■ Domestic ■ Foreign

*Source: National Treasury*

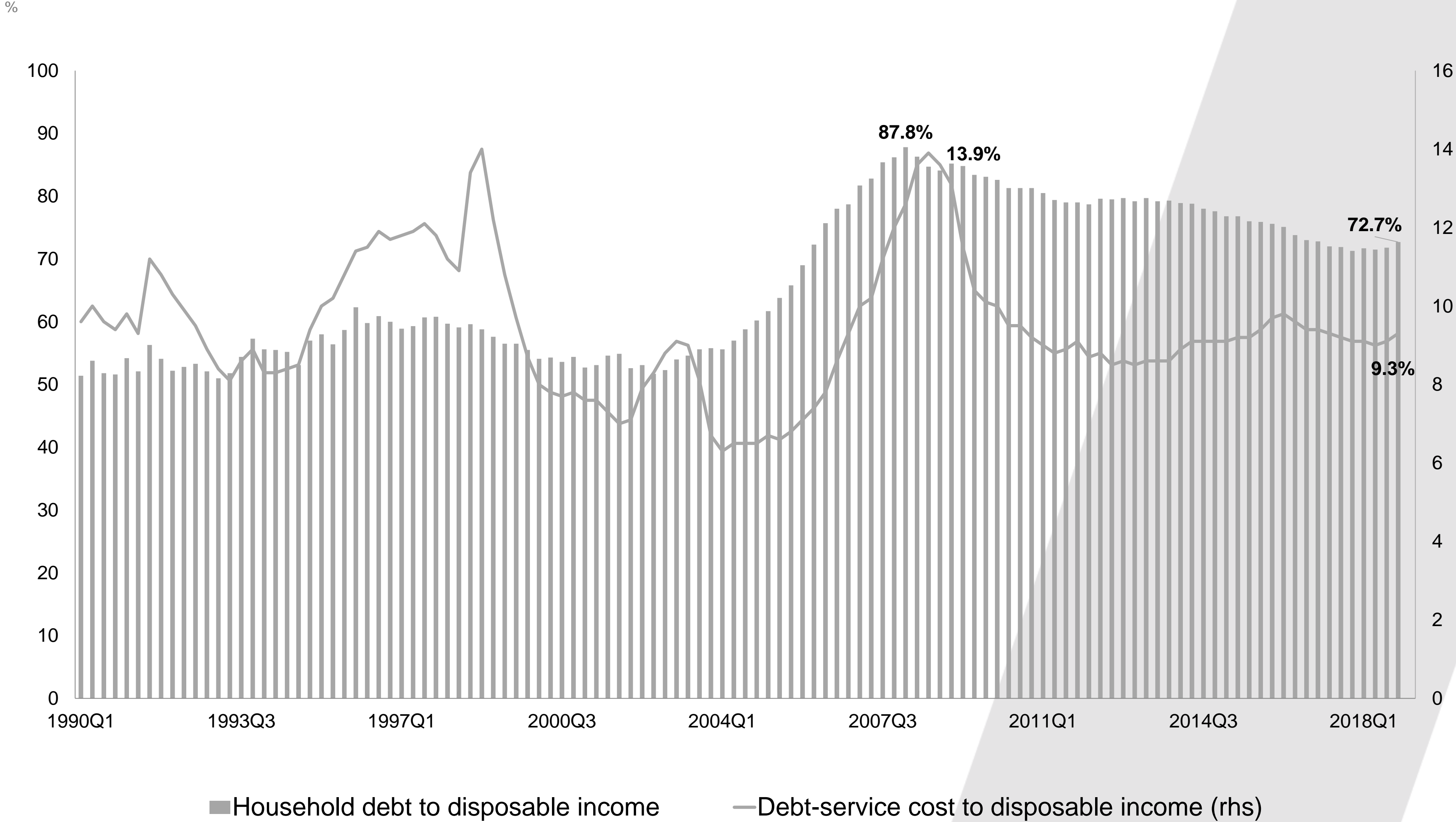
# Household saving (% of disposable income)

% of HH disposable income



Source: SARB

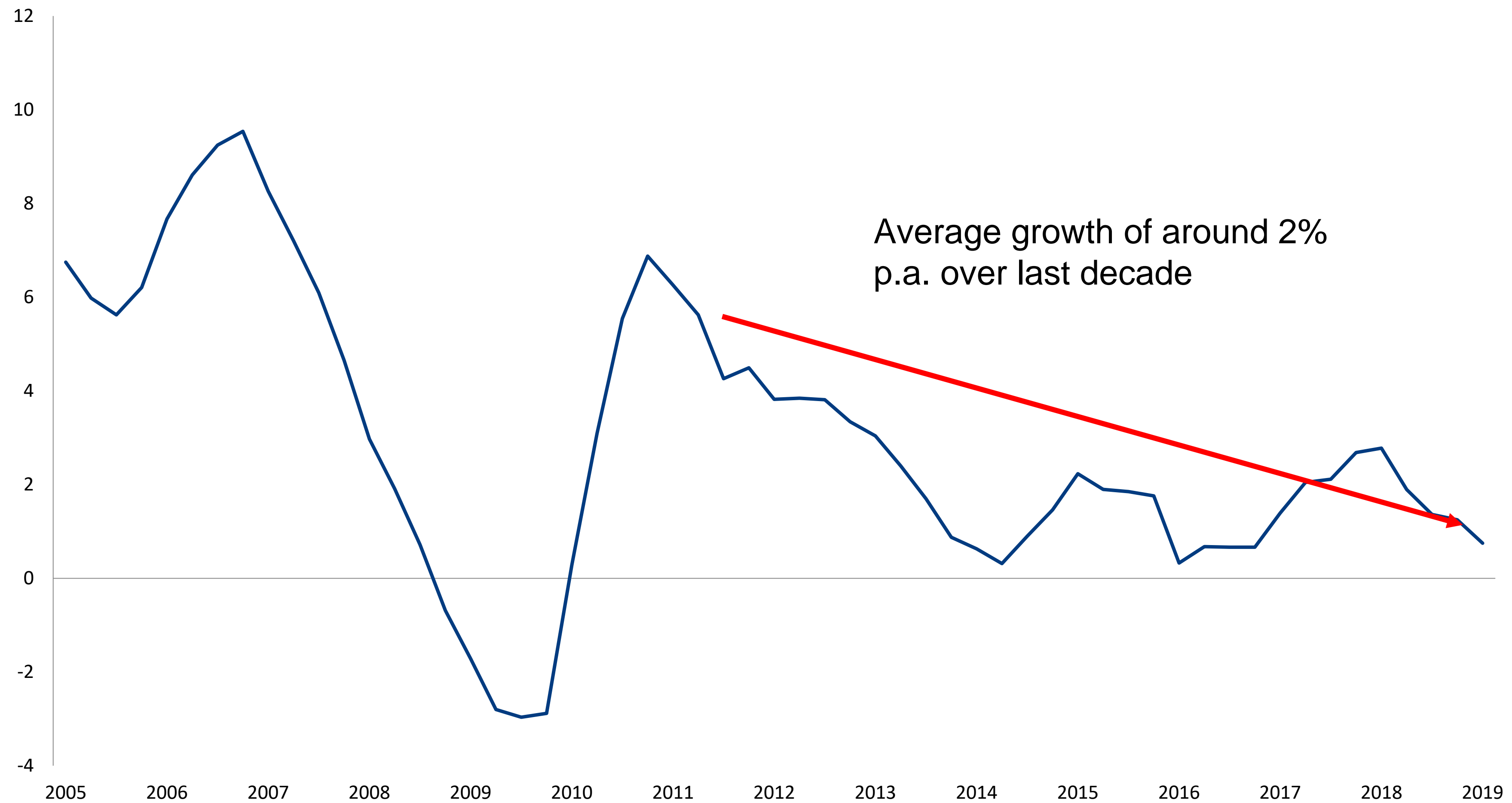
# Household debt (% of disposable income)



Source: SARB

# Household consumption (real)

y-o-y % change

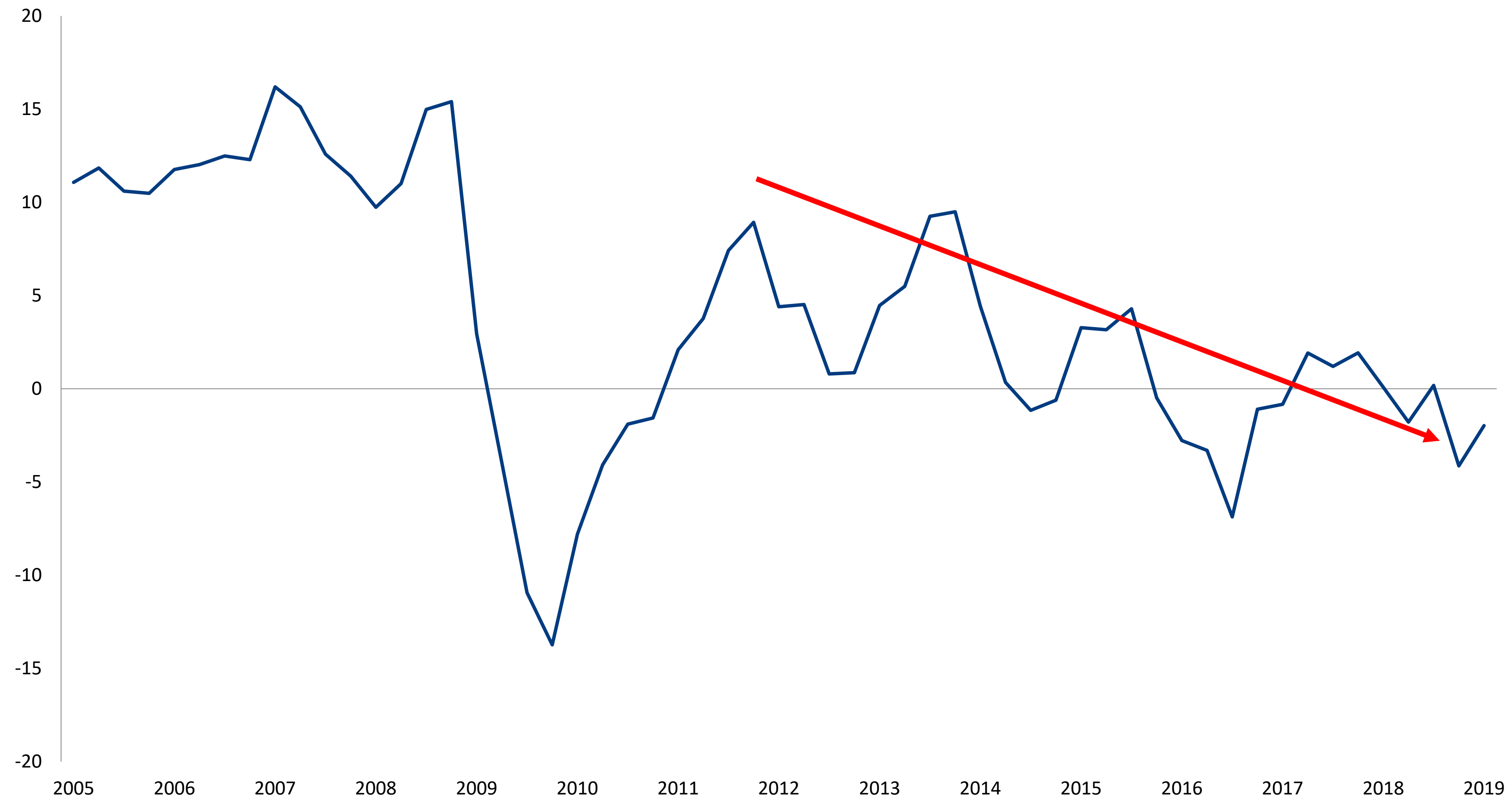


Source: Stats SA

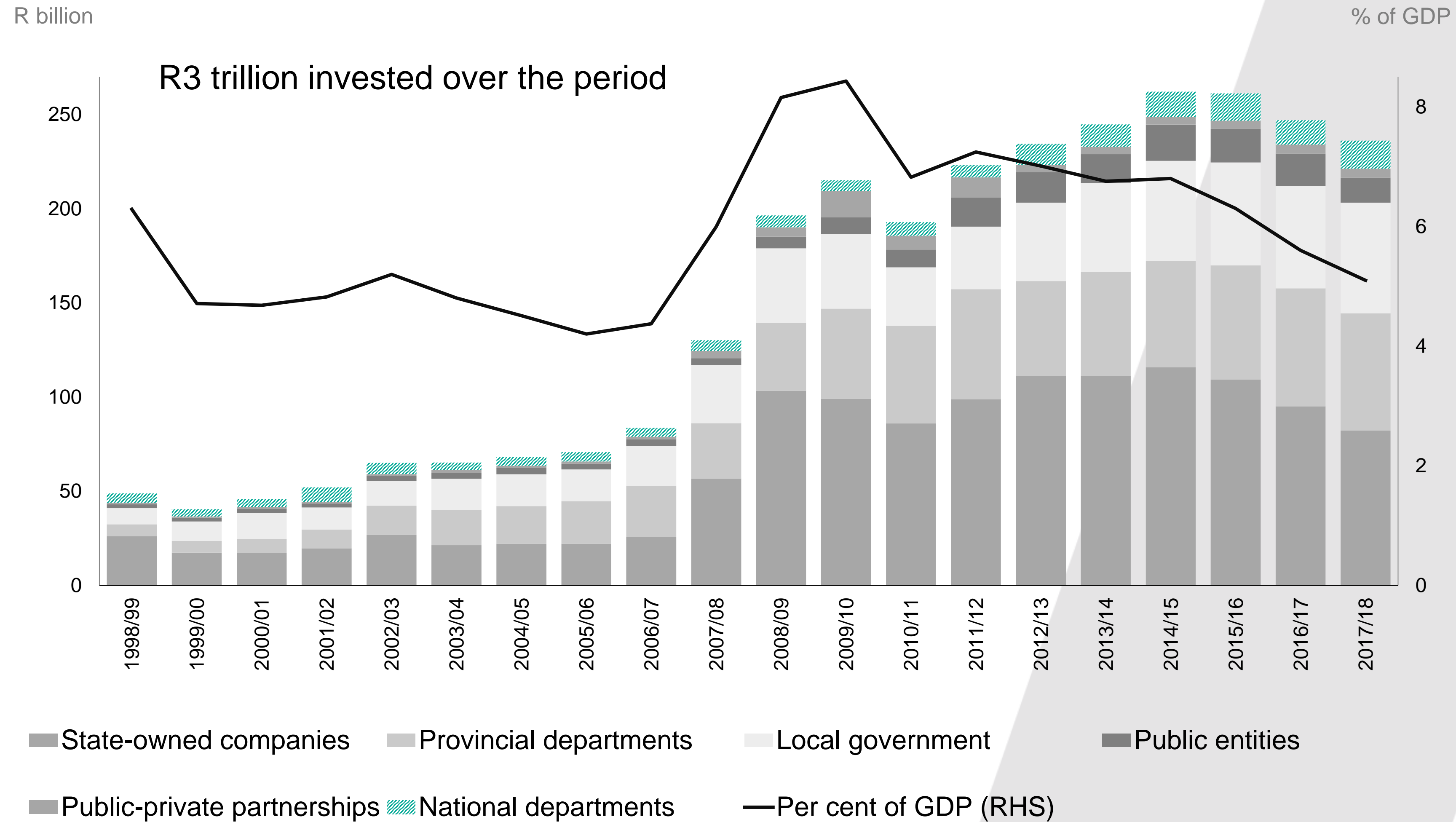


# Gross fixed capital formation

y-o-y % change (real)



# Public infrastructure spend declining in nominal terms and as share of GDP



Source: National Treasury 2019 Budget Review

# Fiscal crunch resulting in cut-backs on infrastructure

R'billion (nominal)

### Public sector infrastructure budget



Source: National Treasury



# INFRASTRUCTURE PARTNERSHIPS

## 2019 Budget Review:

### **Expanding partnerships to build infrastructure**

Government is stepping up its infrastructure build programme by partnering with the private sector, development finance institutions and multilateral development banks to create an infrastructure fund. The fund will increase the number of blended-finance projects to enhance oversight, improve the speed and quality of spending, and reduce costs in public infrastructure. The fund will draw on global expertise to strengthen project preparation and implementation. Discussions are already under way with the DBSA, the World Bank and the New Development Bank.

Over the next three years, general government infrastructure investment plans amount to R526 billion. Work is under way to support some existing projects and programmes with blended finance. Government will seek out private-sector skills in the design, construction and operation of key projects.

Government intends to commit at least R100 billion to the fund over the coming decade to leverage private-sector and development finance funding for well-planned capital projects. The support will take different forms, including blended co-funding, capital subsidies, and long-term interest rate subsidies and guarantees.

As a first step, the DBSA, in partnership with the National Treasury, will step up infrastructure lending. Blended-finance projects ready for implementation – including student housing projects – will be expanded, with R1 billion added in 2019/20 for this purpose. A further R4 billion is added in the outer year of the fiscal framework for projects that have complied with the requirements of the Budget Facility for Infrastructure.

The DBSA's experience with independent power producers suggests that the blended-finance approach can be applied in wastewater treatment, broadband connectivity and public transport. The National Treasury will review existing legislation to determine how existing processes may be able to incorporate blended-finance arrangements.

The National Treasury has begun the process of drafting legislation to support the fund.

# KEY POLICY FOCUS POINTS

## SAVINGS

- Stabilise long term saving stocks
- Consider intermediate employment based savings solution for workers
- Consider an incentive for workers earning below the tax threshold
- Align savings policy across government
- Introduce regulated infrastructure fund format for the general public
- Popularise saving

## INVESTMENT

- Stabilisation strategy for the economy
- Growth strategy – income drives saving
- Economy is structurally unable to sustain high growth when it arrives
- Begin capacitation now, creating jobs immediately & developing skills
- Alignment across government
- Centralise delivery platform
- Talk to stakeholders
- Policy stability = dependable credit evaluation
- Must be productive investment (appropriate programmes with effective governance resulting in improved productivity)
- Inflation and risk-adjusted returns for fund members is a reasonable benchmark (anything else is a tax)



# SAVINGS AND INVESTMENT

CONCLUSION

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