Press Release

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Media contact: Marius Roodt, Head of Campaigns Tel: 063-694-2611 Email: marius@irr.org.za

Media enquiries: Michael Morris Tel: 066 302 1968 Email: michael@irr.org.za;

Kelebogile Leepile Tel: 011 482 7221 ext: 2018 Email: kelebogile@irr.org.za

Government should cut spending and fix the economy before eyeing pension funds – IRR

The issue of prescribed assets has come to the fore again with the governing African National Congress (ANC) promising in its recent election manifesto to investigate introducing the policy to 'mobilise funds'. Implementing a regime of prescribed assets would mean forcing fund managers to invest the pensions of ordinary South Africans in certain sectors or state-owned companies.

The latest *Free Facts* from the Institute of Race Relations (IRR) gives an overview of the reasons why the ANC continues to raise the prospect of prescribed assets. The report shows how government spending has been rapidly increasing, especially after former President Jacob Zuma came to power. A number of indicators, including the budget deficit and the ratio of debt to gross domestic product (GDP), show how our debt is spiralling out of control.

Author of the report Marius Roodt argues that it is not hard to see why the government should be eyeing the country's very big pension pot.

'South Africa's total pension pot is over R4 trillion, nearly as big as South Africa's total GDP,' he says. This is the biggest in Africa, and one of the biggest in the world.

‘The total value of pensions in South Africa has also shown fairly good growth over the past few years, unlike the broader South African economy,’ according to Roodt.

The report argues that instead of looking to the pensions of ordinary South Africans, the government should rather curtail spending, sell debt-burdened state-owned enterprises, and create an environment which encourages investment and job creation.

Click here to read the full report.

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