

# FreeFACTS

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## EWC – it's not just about land

**This edition of *Free Facts* looks at pensions and how well South Africans save.**

The collective amount that South Africans have saved up for their pensions is big. About 16 million South Africans are members of retirement funds (with about 11 million still busy working and saving, the remainder having already retired). At the end of 2016 the total value of South African retirement funds was R4-trillion. This is nearly equivalent to the total size of South Africa's economy (which is R4.4 trillion). In addition, this pot of retirement savings is the biggest in Africa, and one of the biggest in the world.

But this huge savings pot could be under threat. The ANC has for some time spoken about the possibility of 'prescribed assets,' whereby pension fund managers could be forced by law to invest in certain sectors or companies prescribed by the government. This was also mentioned in the party's recently launched manifesto.

It is no surprise that the ANC government like the National Party government before it, is looking to force ordinary people to invest in certain assets. The fact is, the country is running out of money. The government's wage bill is skyrocketing, and the sums needed to keep SOEs, such as Eskom afloat are eye-watering.

The government has been spending more money than it receives in revenue for more than a decade now, and that trend shows no sign of reversing. Taxpayers cannot be squeezed for much more, and turning to international lenders is politically unpalatable. Pension funds are an obvious target.

The IRR has long warned that expropriation without compensation will encompass more than just land, and these developments indicate that our warning may be prescient.

Rather than looking to the pensions of ordinary South Africans, the government should sell SOEs, reduce its wage bill, and create an environment that is conducive to investment and job creation. But unless that happens, keep an eye on your pension.

— **Marius Roodt**

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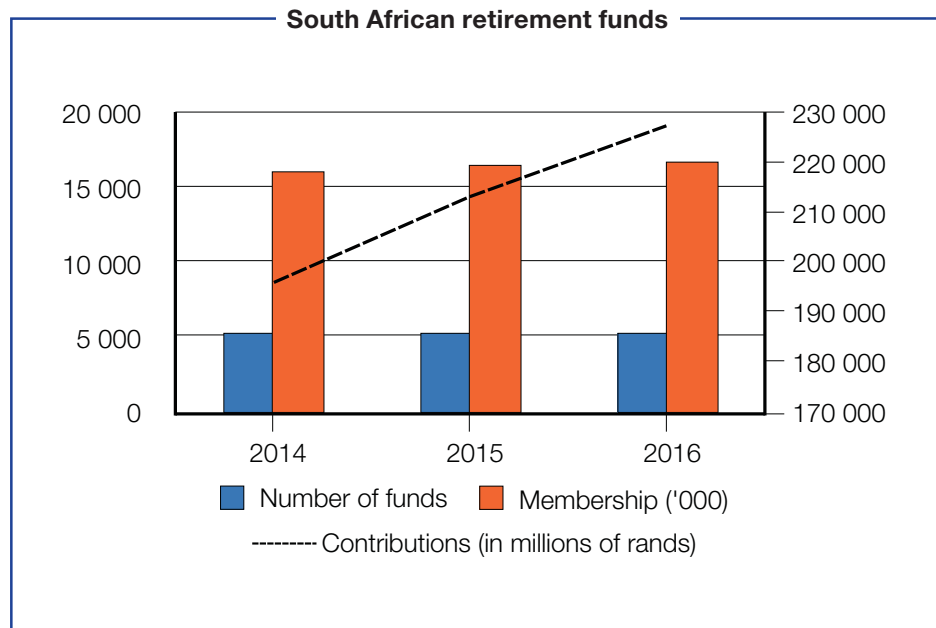
The IRR is an advocacy group that fights for your right to make decisions about your life, family and business, free from unnecessary government, political, and bureaucratic interference. FreeFACTS publishes evidence that communities are better off when individuals are free to make decisions about how they want to live, be educated, work, access healthcare, think, speak, own property, and protect their communities. If you agree with the issues we stand for, welcome to the team. There are millions of people just like you who are tired of South African politicians, activists, and commentators attempting to rein in your freedom to decide. Take control and make sure your voice is heard by becoming a friend of the IRR.

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## EWC — not just about land

South African retirement funds				
	2014	2015	2016	Change: 2014-2016
Number of funds	5 150	5 143	5 144	-0.1%
Membership ('000)	15 943	16 439	16 644	4.4%
Contributions (in millions of rands)	195 438	212 908	227 024	16.2%
Assets (in millions of rands)	3 677 244	4 035 825	4 146 048	12.7%

Source: Financial Services Board, *Annual Report 2018*



South Africa's retirement industry is big, and growing. It is worth over R4 trillion (nearly as much as the country's total GDP). Memberships, contribution, and assets are all growing at a fairly healthy clip (unlike most other aspects of the economy), which makes it unsurprising that the government has its eye on these assets, as a means of getting out of the financial hole it has created.

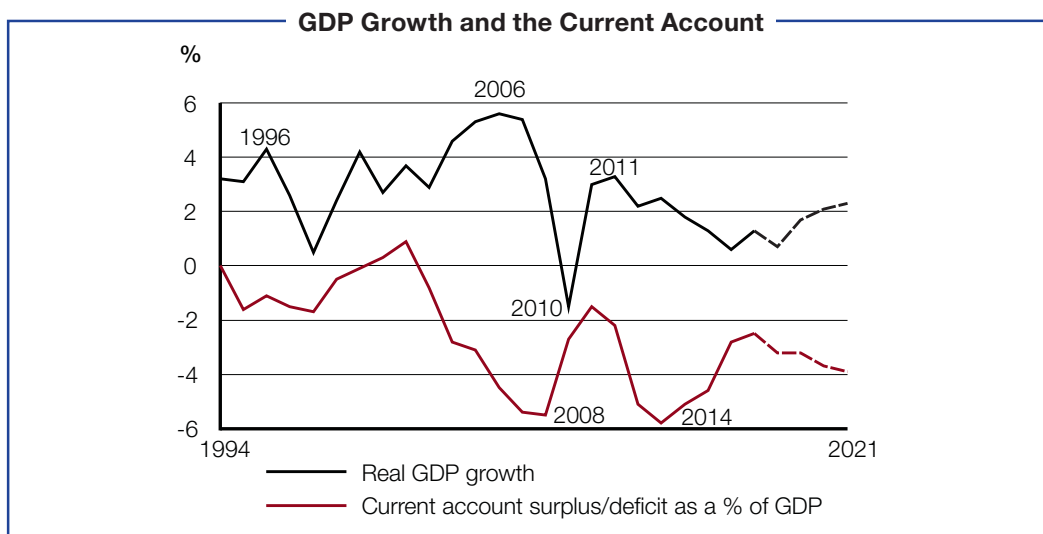
## EWC — not just about land

GDP Growth and the Current Account					
Year	Real GDP growth <sup>a</sup>	Current account surplus/deficit as a % of GDP	Year	Real GDP growth <sup>a</sup>	Current account surplus/deficit as a % of GDP
1994	3.2%	0.0%	2008	3.2%	-5.5%
1995	3.1%	-1.6%	2009	-1.5%	-2.7%
1996	4.3%	-1.1%	2010	3.0%	-1.5%
1997	2.6%	-1.5%	2011	3.3%	-2.2%
1998	0.5%	-1.7%	2012	2.2%	-5.1%
1999	2.4%	-0.5%	2013	2.5%	-5.8%
2000	4.2%	-0.1%	2014	1.8%	-5.1%
2001	2.7%	0.3%	2015	1.3%	-4.6%
2002	3.7%	0.9%	2016	0.6%	-2.8%
2003	2.9%	-0.8%	2017	1.3%	-2.5%
2004	4.6%	-2.8%	2018 <sup>b</sup>	0.7%	-3.2%
2005	5.3%	-3.1%	2019 <sup>b</sup>	1.7%	-3.2%
2006	5.6%	-4.5%	2020 <sup>b</sup>	2.1%	-3.7%
2007	5.4%	-5.4%	2021 <sup>b</sup>	2.3%	-3.9%

Source: South African Reserve Bank (SARB), National Treasury, *Budget 2018*

a GDP = Gross Domestic Product. At market prices.

b Forecasts.



South Africa's economy is simply not growing at levels sufficient to allow the government to pay for everything it wants. Our current account deficit is high (the current account is the difference in value between imports and exports) and will remain so while our economic growth remains sluggish. The country will continue to import more than it exports, which puts pressure on the currency. At the same time, low economic growth means a lower tax take for the government. The only way for the government to get out of the deepening debt trap it finds itself in is to create an environment which encourages companies (both local and foreign) to invest. This will see an increase in private sector jobs, more activity by local companies, as well as the creation of local companies. This will result in a higher tax take for the government. This is not possible in the current environment created by the government.

## EWC — not just about land

### Personal saving, household debt, and gross domestic saving, 1994-2017

Year	Saving to disposable income of households	Household debt to disposable income of households	Debt-service cost <sup>a</sup> to disposable income of households	Gross domestic saving to GDP
1994	3.2%	54.8%	8.4%	17.7%
1995	2.5%	57.5%	10.1%	17.6%
1996	2.2%	60.7%	11.6%	16.9%
1997	3.6%	59.9%	11.9%	16.3%
1998	2.7%	59.3%	12.4%	16.3%
1999	2.2%	56.5%	10.3%	16.5%
2000	1.9%	54.1%	7.8%	16.2%
2001	1.4%	53.9%	7.4%	16.0%
2002	1.6%	52.4%	8.1%	17.2%
2003	1.1%	55.0%	8.2%	16.3%
2004	0.9%	57.9%	6.5%	15.7%
2005	0.5%	65.2%	6.8%	15.2%
2006	-1.7%	76.3%	8.3%	15.7%
2007	-2.3%	84.1%	10.9%	15.6%
2008	-1.1%	85.7%	13.4%	17.6%
2009	-0.5%	84.1%	11.3%	18.0%
2010	-0.8%	81.6%	9.5%	18.0%
2011	-1.3%	79.5%	8.9%	17.5%
2012	-2.0%	79.4%	8.6%	14.8%
2013	-2.3%	79.5%	8.6%	15.4%
2014	-2.0%	78.5%	9.1%	15.4%
2015	-1.4%	77.1%	9.3%	16.4%
2016	-0.2%	74.1%	9.6%	16.6%
2017	0.3%	72.0%	9.3%	16.1%

Source: SARB

a Interest payments on housing and personal debt.

South Africans' saving levels are already low by global standards. As our economy continues to sputter, households will find it increasingly difficult to save. Expect savings levels to decline even further if the government decides to dictate where pension or retirement funds must be invested.

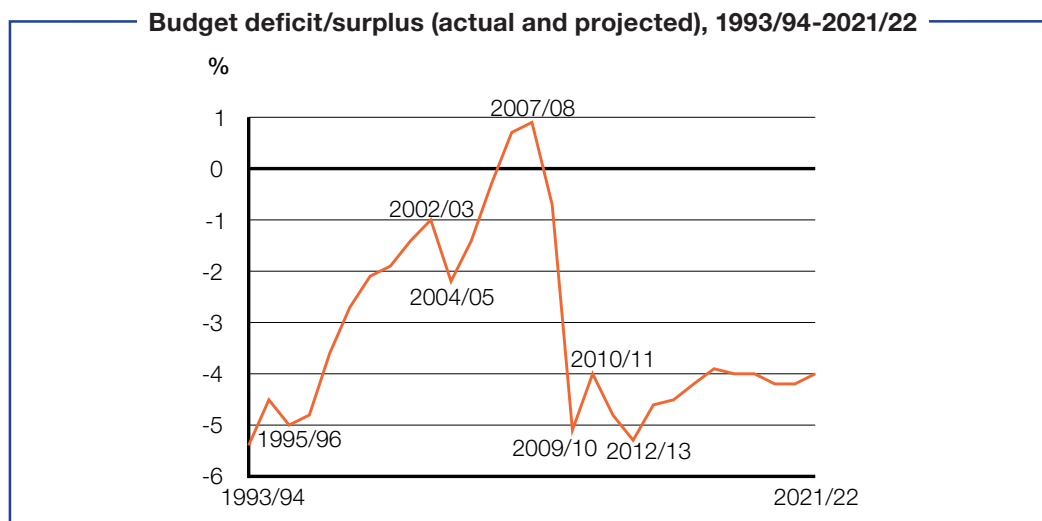
## EWC — not just about land

Budget deficit/surplus (actual and projected), 1993/94-2021/22			
Year <sup>a</sup>	Deficit/surplus	Year <sup>a</sup>	Deficit/surplus
1993/94	-5.4%	2008/09	-0.7%
1994/95	-4.5%	2009/10	-5.1%
1995/96	-5.0%	2010/11	-4.0%
1996/97	-4.8%	2011/12	-4.8%
1997/98	-3.6%	2012/13	-5.3%
1998/99	-2.7%	2013/14	-4.6%
1999/2000	-2.1%	2014/15	-4.5%
2000/01	-1.9%	2015/16	-4.2%
2001/02	-1.4%	2016/17	-3.9%
2002/03	-1.0%	2017/18	-4.0%
2003/04	-2.2%	2018/19 <sup>b</sup>	-4.0%
2004/05	-1.4%	2019/20 <sup>b</sup>	-4.2%
2005/06	-0.3%	2020/21 <sup>b</sup>	-4.2%
2006/07	0.7%	2021/22 <sup>b</sup>	-4.0%
2007/08	0.9%		

Source: SARB, time series data; National Treasury

a Fiscal year ending 31 March, 1970/71- 2016/17 SARB data. *Medium Term Budget Policy Statement 2017*, 2017/18-2020/21 data and forecasts.

b Forecasts.



South Africa's budget deficit is once again on the rise. The ANC government inherited a large deficit from the previous government, but, through hard work and discipline, this had become a surplus by the mid-2000s. However, all this hard work was undone during the Zuma Presidency, and today the government spends far more than it earns in revenue, leading to a ballooning deficit. This has led to the government looking to other areas to fund its debt, such as private pensions.

## EWC — not just about land

### Total debt of government, 1993/94-2021/22

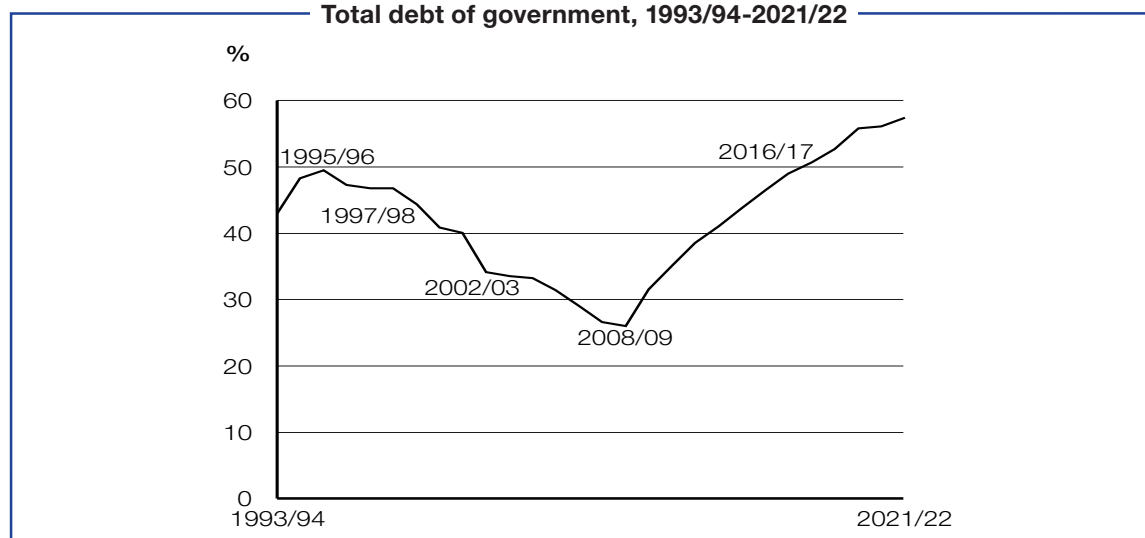
Year ending 31 March	Domestic debt	Foreign debt	Total debt <sup>a</sup>	Year ending 31 March	Domestic debt	Foreign debt	Total debt <sup>a</sup>
As a proportion of GDP							
1993/94	41.8%	1.2%	43.0%	2008/09	22.0%	4.0%	26.0%
1994/95	46.5%	1.8%	48.3%	2009/10	27.7%	3.9%	31.5%
1995/96	47.6%	1.9%	49.5%	2010/11	31.6%	3.5%	35.1%
1996/97	45.5%	1.7%	47.3%	2011/12	34.8%	3.8%	38.6%
1997/98	44.8%	2.0%	46.8%	2012/13	37.4%	3.8%	41.1%
1998/99	44.7%	2.1%	46.8%	2013/14	39.9%	4.0%	43.8%
1999/2000	41.4%	3.0%	44.4%	2014/15	42.2%	4.3%	46.5%
2000/01	37.6%	3.3%	40.9%	2015/16	44.1%	4.8%	49.0%
2001/02	32.6%	7.6%	40.1%	2016/17	45.9%	4.8%	50.7%
2002/03	28.2%	5.9%	34.1%	2017/18	48.1%	4.6%	52.7%
2003/04	28.7%	4.8%	33.5%	2018/19 <sup>b</sup>	49.6%	6.3%	55.8%
2004/05	28.6%	4.6%	33.2%	2019/20 <sup>b</sup>	50.9%	5.3%	56.1%
2005/06	27.4%	4.0%	31.4%	2020/21 <sup>b</sup>	51.9%	5.5%	57.4%
2006/07	24.7%	4.3%	29.0%	2021/22 <sup>b</sup>	52.6%	5.9%	58.5%
2007/08	22.1%	4.4%	26.6%				

Source: National Treasury, *South Africa Survey 2018*

a Refers to gross total loan debt; net total loan debt excludes cash balances, while total net debt includes the Gold and Foreign Exchange Contingency Reserve Account. Figures refer to central government debt, excluding extra-budgetary institutions (such as libraries, museums, parks boards, research councils, technikons, universities, the National Road Fund, and Legal Aid Board) and social security funds (such as the Unemployment Insurance Fund).

b MTBPS 2017 data. IRR calculations.

### Total debt of government, 1993/94-2021/22



Along with the deficit, South Africa's government debt is rising quickly. It began rising – like the budget deficit – at unsustainable levels after President Zuma came to power.

## EWC — not just about land

### Government sector employment, 1994-2018

Year <sup>a</sup>	National departments <sup>b</sup>	Provincial administrations <sup>c</sup>	Local governments <sup>d</sup>	Other government institutions <sup>e</sup>	Total	As a proportion of total formal employment
1994	535 460	697 364	240 175	99 707	1 572 706	30.1%
1995	337 223	761 117	246 801	105 697	1 450 838	28.2%
1996	359 680	860 837	247 515	114 689	1 582 721	30.2%
1997	351 398	868 528	254 132	109 797	1 583 855	30.7%
1998	345 689	877 680	243 790	99 737	1 566 896	31.5%
1999	339 802	864 790	223 516	95 824	1 523 932	31.2%
2000	326 858	822 195	221 152	92 400	1 462 605	30.9%
2001	324 867	800 098	220 899	90 408	1 436 272	30.8%
2002	325 151	802 237	222 866	91 142	1 441 396	31.0%
2003	338 867	795 246	207 949	85 994	1 428 056	22.5%
2004	350 617	807 508	203 052	92 370	1 453 547	22.4%
2005	380 011	839 295	202 553	78 912	1 500 771	21.2%
2006	383 903	866 559	199 503	124 056	1 574 021	19.5%
2007	396 292	892 192	208 625	125 513	1 622 622	19.6%
2008	407 585	943 634	216 946	132 294	1 700 459	20.1%
2009	412 995	993 491	235 484	139 122	1 781 092	21.8%
2010	418 337	1 018 072	243 576	136 525	1 816 509	21.9%
2011	431 907	1 066 670	255 377	149 588	1 903 542	22.1%
2012	451 279	1 086 937	257 500	147 645	1 943 360	21.9%
2013	452 164	1 093 170	273 040	155 461	1 973 835	21.9%
2014	455 891	1 118 748	310 366	345 391	2 230 396	23.8%
2015	473 701	1 085 872	313 059	188 210	2 060 843	22.2%
2016	482 091	1 071 815	323 734	201 581	2 079 220	21.6%
2017	476 394	1 035 957	319 845	205 617	2 037 813	20.9%
2018	471 763	1 037 790	324 908	212 726	2 047 187	21.0%
<b>1994-2018</b>	<b>-11.9%</b>	<b>48.8%</b>	<b>35.3%</b>	<b>113.4%</b>	<b>120.5%</b>	<b>-30.2%</b>
<b>2009-2018</b>	<b>14.2%</b>	<b>4.5%</b>	<b>38.0%</b>	<b>52.9%</b>	<b>14.9%</b>	<b>-3.7%</b>

Source: Statistics South Africa (Stats SA)

- a The information on the governments and local governments of the former TBVC states was included in the public sector from the first quarter of 1995. The total employment in these states for June 1994 was approximately 12% of the total employment of the public sector. The information on all the universities of the former TBVC states is included in the public sector from the first quarter of 1996. The total employment for universities in these states for March 1996 was approximately 11% of the total employment of the universities.
- b National departments do not include Transnet Ltd, SA Post Office Ltd or Telkom SA Ltd. Particulars relating to elected office-bearers and part-time members of commissions are excluded.
- c Particulars of elected office-bearers are not included.
- d Local governments include city councils, municipalities, town councils and health committees. Local governments of the former TBVC states are included as from the second quarter of 1994.
- e Contains data regarding parastatals, universities, and technikons.

## EWC — not just about land

### Compensation of government employees as a proportion of GDP, 1994/95-2020/21<sup>a</sup>

Year	Compensation of employees	GDP (Budgets)	Proportion
	———— Rbn ————		
1994/95	54.8	497.4	11.0%
1995/96	56.7	564.2	10.0%
1996/97	76.6	635.2	12.1%
1997/98	83.8	699.6	12.0%
1998/99	87.8	757.1	11.6%
1999/2000	91.7	837.2	11.0%
2000/01	93.2	951.7	9.8%
2001/02	100.2	1 048.8	9.6%
2002/03	109.9	1 198.5	9.2%
2003/04	119.9	1 303.9	9.2%
2004/05	128.4	1 449.0	8.9%
2005/06	140.2	1 613.8	8.7%
2006/07	154.7	1 832.8	8.4%
2007/08	177.1	2 075.4	8.5%
2008/09	211.2	2 408.7	8.8%
2009/10	248.6	2 551.3	9.7%
2010/11	281.7	2 825.0	10.0%
2011/12	315.1	3 078.4	10.2%
2012/13	342.7	3 323.2	10.3%
2013/14	370.9	3 624.3	10.2%
2014/15	397.2	3 867.9	10.3%
2015/16	428.0	4 127.0	10.4%
2016/17	510.3	4 412.7	11.6%
2017/18	546.2	4 721.0	11.6%
2018/19 <sup>a</sup>	587.2	5 045.6	11.6%
2019/20 <sup>a</sup>	630.4	5 413.3	11.6%
2020/21 <sup>a</sup>	676.9	5 833.7	11.6%
2021/22 <sup>a</sup>	722.9	6 290.5	11.5%

Source: National Treasury  
a Forecasts.



## EWC — not just about land

### Change in remuneration per worker, 1994-2017

Year	Public	Private	Total	Public	Private	Total	CPI
	At current prices			At constant prices <sup>a</sup>			
1994	20.2%	10.7%	13.3%	10.3%	1.7%	4.0%	9.0%
1995	15.2%	10.7%	11.4%	4.4%	0.4%	1.0%	8.7%
1996	10.1%	11.1%	11.1%	1.6%	2.5%	2.5%	7.4%
1997	12.4%	9.7%	10.5%	4.0%	1.6%	2.3%	8.6%
1998	9.8%	18.4%	16.0%	2.6%	10.7%	8.4%	6.9%
1999	5.1%	11.0%	9.3%	-1.7%	3.8%	2.1%	5.1%
2000	9.7%	9.7%	9.5%	0.6%	0.7%	0.5%	5.3%
2001	9.8%	8.1%	8.4%	2.5%	1.0%	1.2%	5.7%
2002	10.0%	12.8%	12.1%	-1.9%	0.6%	-0.1%	9.2%
2003	9.4%	7.7%	8.3%	3.3%	1.8%	2.3%	5.8%
2004	9.3%	8.8%	8.8%	3.4%	3.0%	3.0%	1.4%
2005	7.0%	8.1%	7.7%	1.8%	2.9%	2.5%	3.4%
2006	5.3%	9.2%	8.3%	-0.3%	3.4%	2.5%	4.7%
2007	6.9%	6.8%	6.9%	-1.4%	-1.4%	-1.4%	7.1%
2008	12.7%	12.5%	11.9%	2.5%	2.3%	2.5%	11.5%
2009	11.8%	11.3%	11.8%	3.3%	2.9%	3.3%	7.1%
2010	13.5%	13.5%	13.7%	6.3%	6.4%	6.5%	4.3%
2011	6.6%	7.1%	7.1%	0.7%	1.2%	1.2%	5.0%
2012	8.2%	7.4%	7.7%	2.6%	1.9%	2.1%	5.7%
2013	6.6%	7.3%	7.2%	0.6%	1.2%	1.2%	5.7%
2014	4.2%	7.2%	6.6%	-1.0%	1.9%	1.3%	6.1%
2015	8.6%	6.5%	7.0%	3.7%	1.7%	2.1%	4.6%
2016	7.0%	5.2%	5.8%	1.1%	-0.6%	-0.1%	6.4%
2017	10.7%	5.0%	6.4%	4.0%	-1.3%	0.0%	5.3%

Source: SARB, time series data

a Index 2010=100.

One of the reasons for the very large rise in government spending is the increase in the government wage bill. As can be seen from the three tables above, the number of government employees has increased rapidly. In addition, the increase in the wages of public sector employees has been far above inflation and more than what private sector employees receive. This is another reason for the increase in government spending. Without a large cut in the numbers of government employees, government spending will remain high. However, because of the current ideological bent of the government, and the influence of organisations such as the Congress of South African Trade Unions and the South African Communist Party, this is politically unfeasible.