



2023 Old Mutual Savings and Investment Monitor research: hard-pressed South Africans are battling rising costs, inflation while losing faith in the economy

Johannesburg - Although employed South Africans continue to show resilience as they face the macro-financial challenges besetting the-country, 45% are considerably financially stressed, 7 out of 10 are trying to cope with incomes that have not improved since 2020, and their confidence in the economy is being eroded, according to the 2023 Old Mutual Savings and Investment Monitor (OMSIM) research report.

The 2023 OMSIM report, released today, reflects the views of just over 1 500 employed South Africans with personal monthly incomes ranging from R 8 000 to R 99 999 on the many everyday financial challenges they face. The study also explored what they are doing to cope, as well as their views on matters ranging from financial priorities to debt management. Published annually, the OMSIM report has become one of the nation's most respected reviews of consumer affairs.

"The primary objective of OMSIM is to better understand the savings behaviour and the financial attitudes of working South Africans and how they stretch household budgets and incomes. Most importantly, the research also shows how they are saving for the future," says Vuyokazi Mabude, Head of Knowledge and Insights at Old Mutual.

"The 2023 Report shows there have been marginal improvements in a few key indicators. These include some recovery of income streams post COVID-19, and a slight improvement in financial satisfaction and financial stress. Of concern is that confidence in the South African economy is at the lowest level yet recorded in an OMSIM survey, down from 56% (2015) to 27% (2023). In addition, other metrics that were on an upward trajectory have stagnated, reversing positive trends in saving and other activities."

"Undoubtedly, the depreciating Rand and power crisis have contributed to the erosion of consumer confidence in the economy. Loadshedding, apart from the perceived psychosocial impact, has placed direct pressure on budgets as consumers juggle priorities and, in some cases, borrow money to fund alternative power solutions."

Amongst the **most notable findings** in the OMSIM report are:

- 70% of South Africans are not seeing any improvement in their income since 2020, and 45% remain considerably financially stressed.
- Consumers struggle to build savings buffers, with 30% claiming to have savings that would last them for only one month or less.
- Reactions to the proposed Two Pot retirement reform remains mostly positive or mixed.
- Debt levels are increasing, and debt is considerably more expensive to service.
- 33% of home loan holders are struggling to meet their monthly repayments or falling behind on payments.

Responses to questions about **Income Security** revealed that of the respondents:

- One out of two are worried about losing their jobs.
- 50% are 'poly-jobbers' and have more than one stream of income.

Debt Management has been marked by increased borrowing in the past year:

- 54% of those surveyed say they have dipped into savings to make ends meet.
- 43% have borrowed money from family and friends.
- 34% took out a personal loan in the last year, doubling from 16% in 2020
- 73% of those polled have a credit card, 35% have a home loan, and 41% have car finance.



In response to questions about **Savings**:

- 53% said they don't have enough money for unplanned circumstances.
- 62% have little to no savings buffer should they no longer have an income.
- The appetite for offshore investments has grown from 24% (2022) to 27% (2023).
- Stokvel usage among black working South Africans dropped from 53% in 2022 to 48% in 2023. In fact, there is a general decline in informal savings such as stokvels, grocery schemes and burial societies.
- In 2023 there was an increase in travel clubs/stokvels – driven by higher earning members.
- 65% of stokvel members belong to at least one stokvel that grants loans to members.

In addition:

- Appetite for Crypto declined in 2023, though 56% are still likely to purchase Crypto in the next year.
- Confidence in the government's ability to help people who unable to help themselves declined from 29% (2022) to 21% (2023.)
- The 'Sandwich Generation' (people supporting not only children but also parents and other older dependents) increased from 39% in 2022 to 43% this year.
- 15% of working South Africans are single mothers – 47% of whom do not receive maintenance support. They are one of the more financially stressed and indebted cohorts

Resilience in the face of financial pressure:

"Despite the ongoing financial pressure, people are saving but struggling to manage short term and long-term priorities. The top 3 savings goals are, primarily for retirement, building emergency buffer savings, and paying off debt," says Vuyokazi Mabude.

"To increase household income, South Africans are holding down several jobs. Polyjobbers make up 50% of this market, with more young workers (18 to 29 years old), becoming part of this growing trend. The number of young polyjobbers is up from 60% in 2022 to 70% in 2023, with many using social media to supplement their incomes. Generally, however, these inflows are a minor portion of overall incomes earned."

"As consumers have moved to reduce costs, the short-term insurance sector and medical schemes have been impacted, with cover being reduced as consumers trim monthly premiums to help increase household income."

Being more resilient in these financially troubled times means finding ways to **stretch budgets**. The 2023 OMSIM survey further indicates the following:

- 70% of consumers using rewards and loyalty programmes 66% (2022).
- 40% changing to cheaper TV streaming options.
- 36% switching to cheaper supermarket brands.
- 33% reducing reliance on domestic help.
- 29% moving to more affordable cell phone or data options.
- 29% putting major purchases on hold.
- 27% ending gym memberships.
- 21% opting to repair rather than replace appliances.
- 13% downgrading their rented properties.
- 11% moving their children to less expensive schools.



While many South Africans are taking steps to consolidate savings and reduce debt, others are seeking swifter solutions to generate income by taking big risks.

The number of people gambling online increased in 2023 (from 44% to 49%)

The number of risk-inclined people remained stable in 2023, with those prepared to take substantial financial risk dropping to 21% from 23% in 2022. Other statistics reveal that:

- Investment risk appetite correlated with men and younger people being more willing to assume risk.
- Those ready to take above-average financial risks for above-average returns was 28% in 2022 and 27% in 2023.
- People prepared to take average risks to earn average returns grew from 31% in 2022 to 36% in 2023.
- Those not willing to take any financial risks reduced to 16% in 2023 (2022: 19%).

No survey would be complete without looking into **loadshedding**. To keep the lights on and businesses functioning, other than using rechargeable lights, one in three people have spent on inverters and UPS solutions. Almost 20% have invested in generators (shared and owned) or solar panels. The average spend on alternative energy solutions is just over R 11 000, and 1 in 3 people reported replacing appliances because of power surges. At least 61% of respondents have bought rechargeable lamps while 11% have invested in solar water heating panels.

“Loadshedding has undoubtedly put a damper on the economy, while rising inflation continues to discourage savings. These and other factors, including high levels of unemployment remain a barrier to growth. We will keep our finger on the pulse to ensure that these are recorded in the 2024 edition of OMSIM.”

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