

OLD MUTUAL

# SAVINGS & INVESTMENT MONITOR

|||| COVID-19 SPECIAL REPORT



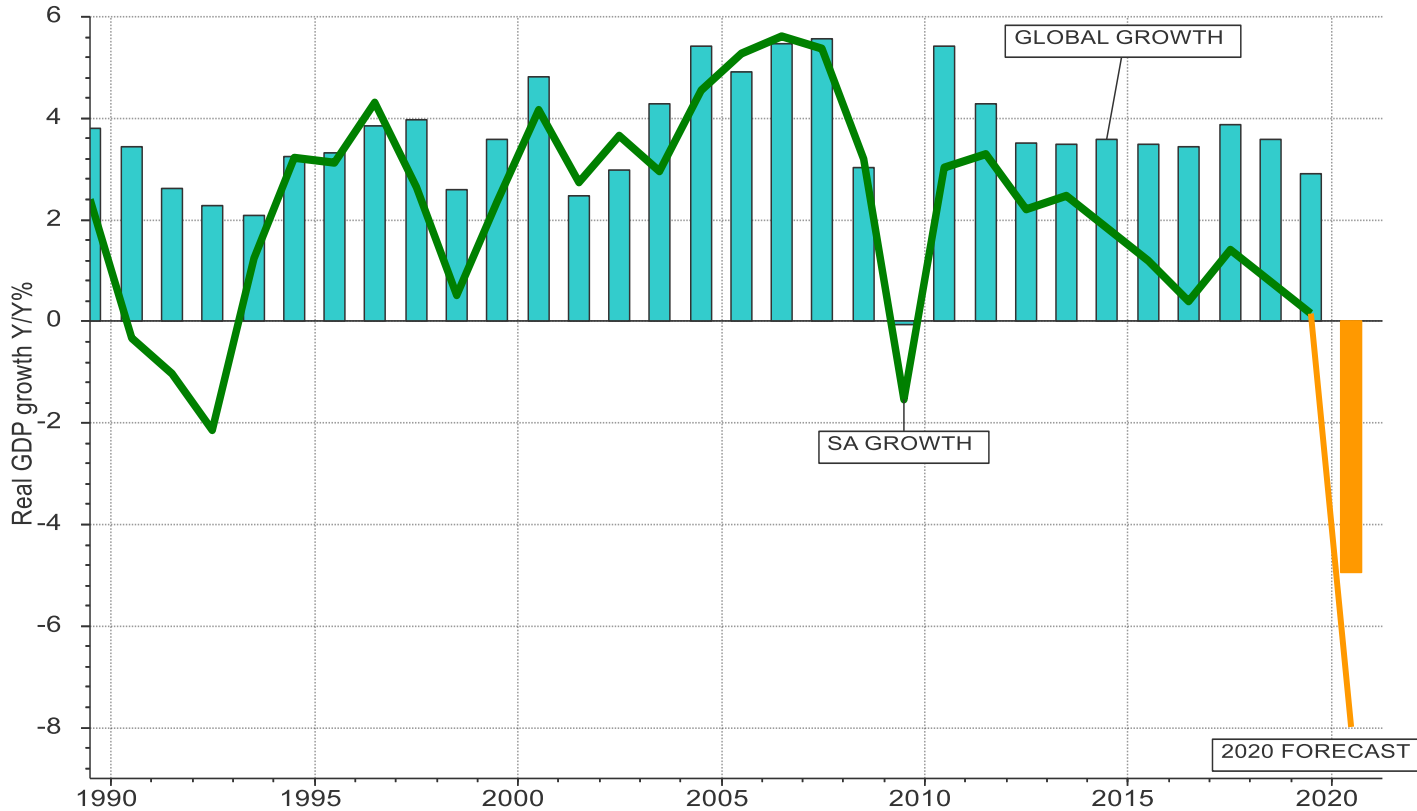
DO GREAT THINGS EVERY DAY

THE TIME IS NOW

**KNOW BETTER** |||||  
**DO BETTER**



# A record collapse in global economic activity



Source: Refinitiv Datastream/ IMF



The question is.....

V or U?





# Consumers have been saving, not spending



Source: Refinitiv Datastream/ Old Mutual Multi-Managers



# Is this a permanent change in savings behaviour?

## **The Paradox of Thrift:**

Increased saving in a recession is appropriate behaviour on the part of households, but if all households save more, the economic recovery will be slower

"What is prudence in the conduct of every private family can scarce be folly in that of a great Kingdom." – *Adam Smith*

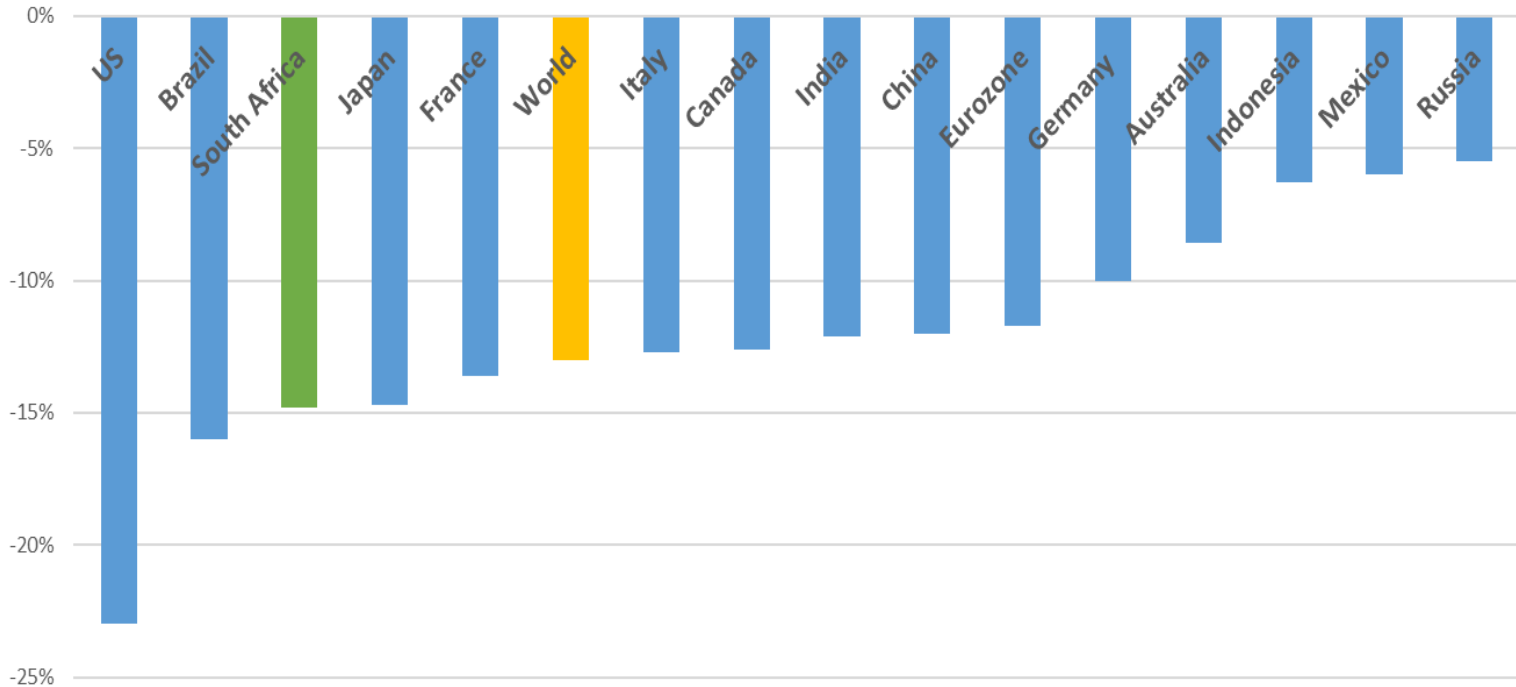




# In response to the crisis, government borrowing is exploding everywhere

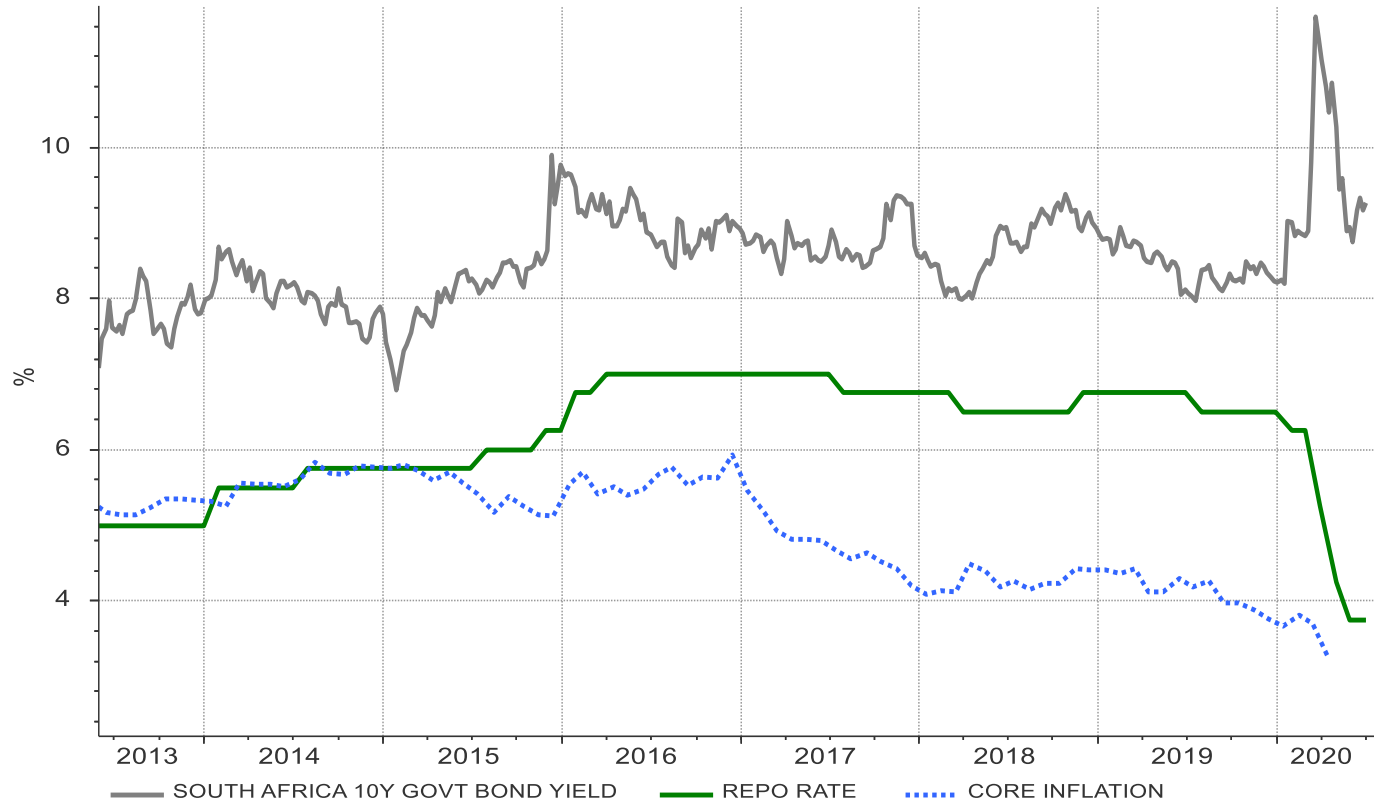
2020 Projected Budget Balance % of GDP

Source: IMF





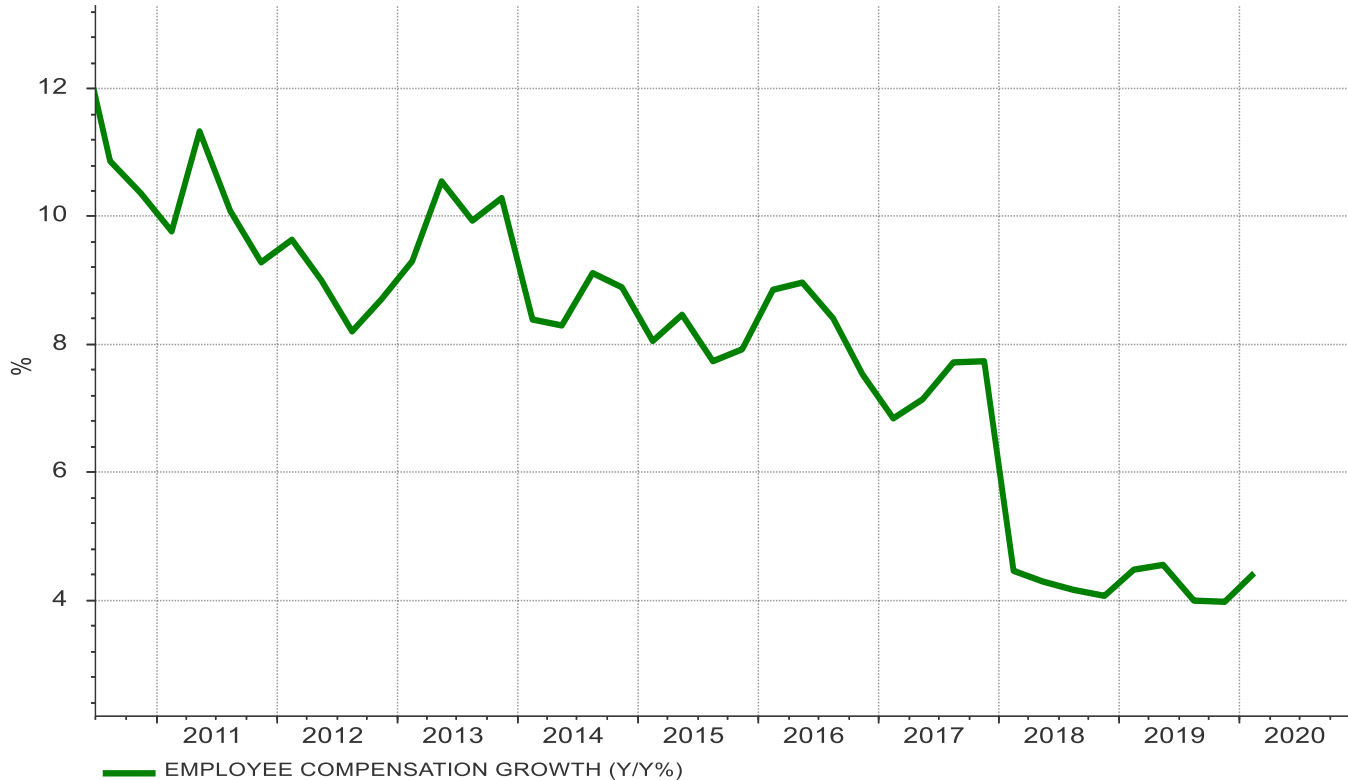
# Limited scope for policy support in SA



Source: Refinitiv Datastream/ Old Mutual Multi-Managers



# SA income growth was slowing pre-pandemic

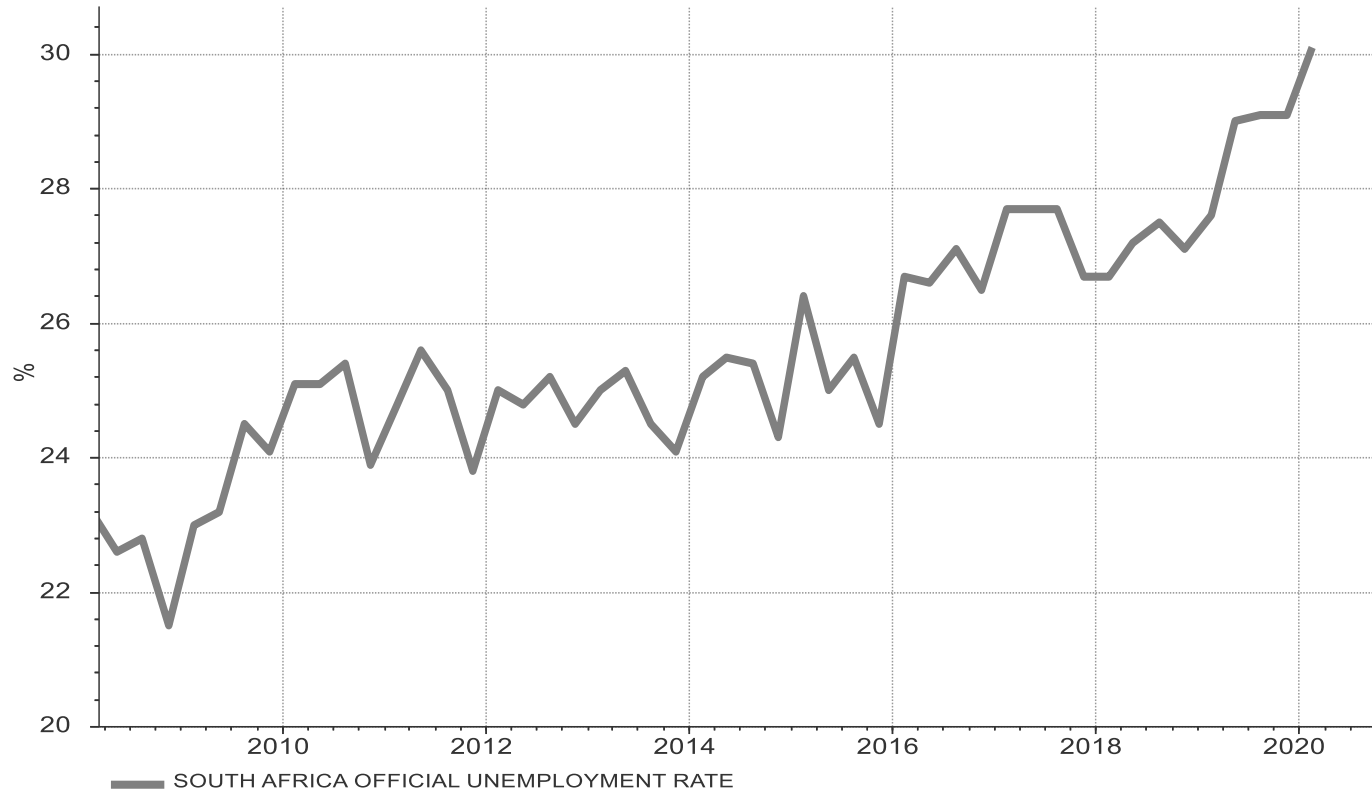


Source: Refinitiv Datastream/ Old Mutual Multi-Managers





# And unemployment rising



Source: Refinitiv Datastream/ Old Mutual Multi-Managers



## In summary

**Savings behaviour will play a big role in the shape of the post-pandemic global recovery shapes**

Governments everywhere are dissaving at a record pace and SA is no exception. The big problem is the high cost of borrowing.

The SA economy was in trouble before Covid-19, with rising unemployment and slowing income growth limiting the ability to save



THANK YOU

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