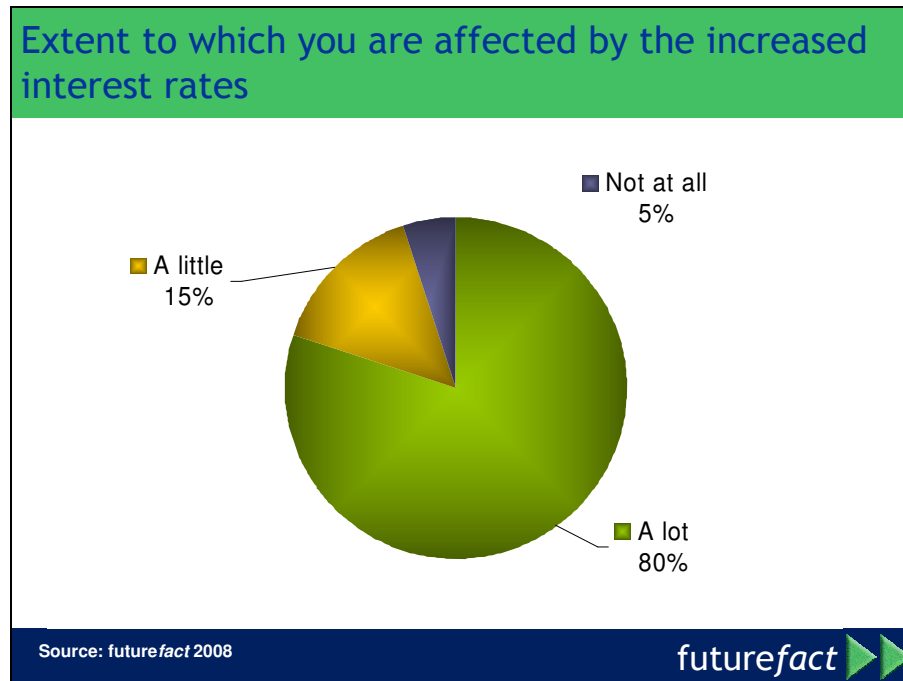


## Tough Economic Times Call for Tough Personal Choices

By Jos Kuper, Director, *futurefact*

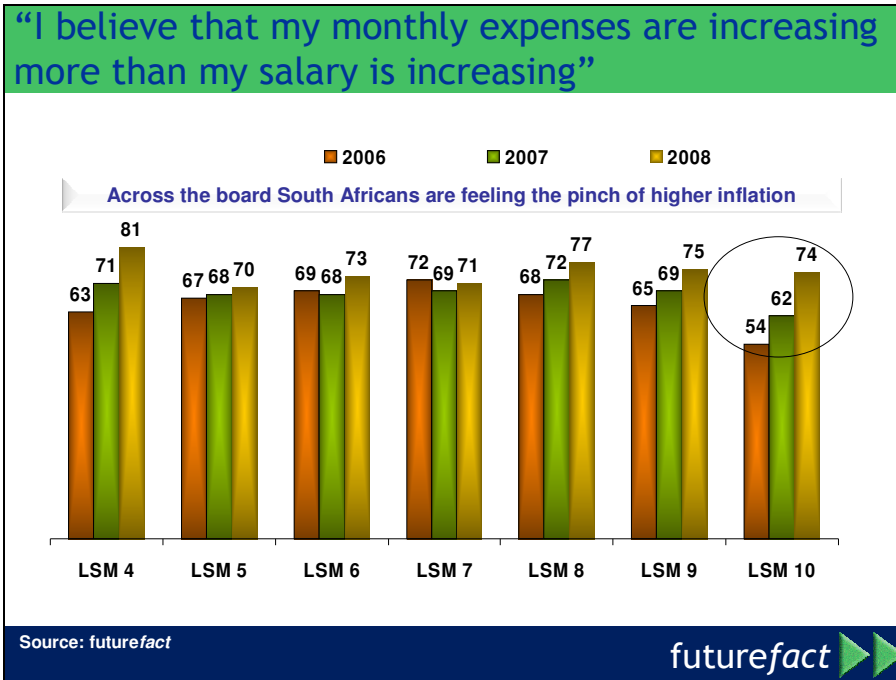
Recent times have revealed turmoil in financial markets. This has had an impact on South Africans across the board. Increasing interest rates, increasing food prices, increasing energy costs and increasing property rates leaves many household vulnerable in meeting their needs and obligations.



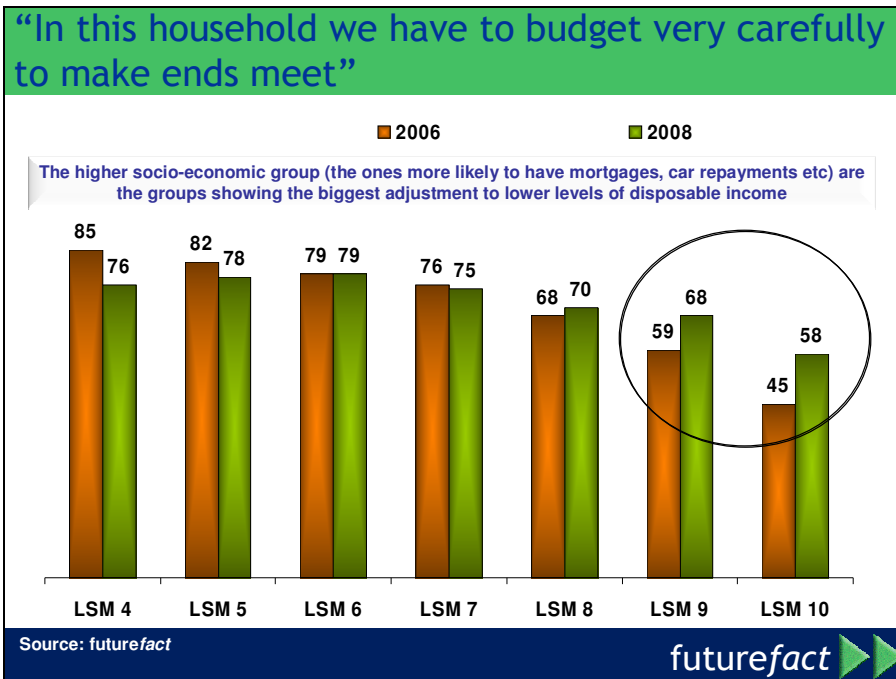
80% of South Africans have been affected “a lot” by increased interest rates. This is felt whether looking at the working or upper classes. Nobody is spared from the impact of interest rate increases. The increases in food prices and petrol prices have also negatively impacted on the lives of the majority of South Africans. The latest petrol price reductions will hopefully have ameliorated this to some extent.

However, there is no doubt that times are tough. More and more people are finding it difficult to make ends meet and to meet their monthly expenses. Fascinatingly, it is not the poorer end of the population who are feeling the pinch - they have always done so. But now they are joined by the upper socio-economic groups who are finding it harder and harder to maintain their lifestyles. Through the high flying times of prosperity and growth in wealth, many people have literally bought into the trappings of a life befitting one of means. This was made possible by lower interest rates and the ease of obtaining credit. This group is now feeling the pinch far more than any other group and somewhat dramatically.

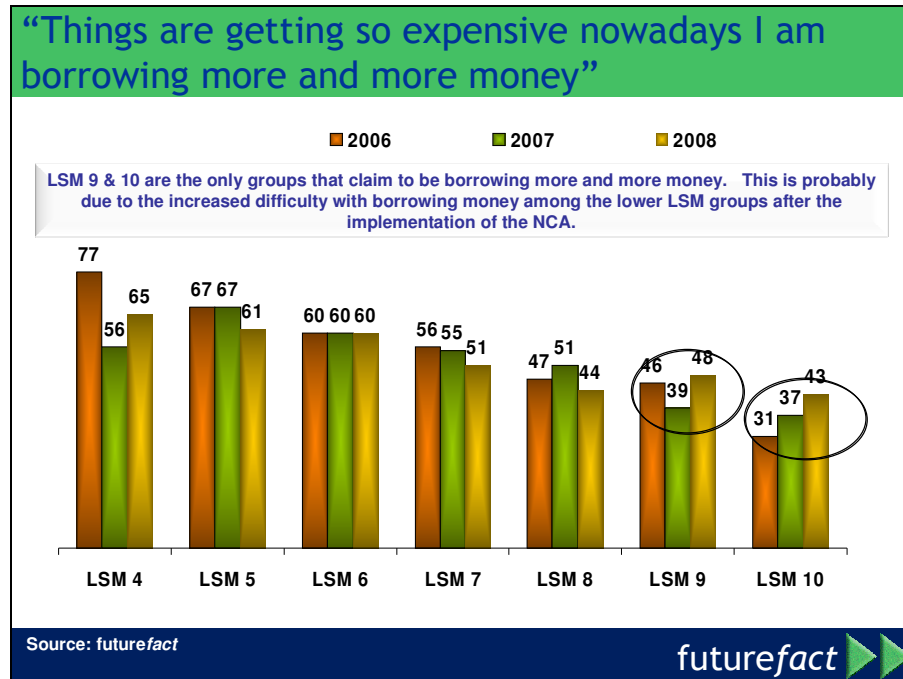
(Note: LSMs are Living Standard Measures where LSM 1 is the lowest and LSM 10 the highest)



This has led to the need for careful budgeting. Where most middle to lower income households have always had to budget, the higher socio-economic group (the ones more likely to have mortgages, car repayments, etc) are showing the biggest adjustment to lower levels of disposable income.



The spiral of debt is now affecting the upper LSM groups more dramatically. They are the ones who are claiming to be borrowing more and more money. This is probably due to the increased difficulty with borrowing money among the lower LSM groups after the implementation of the NCA.

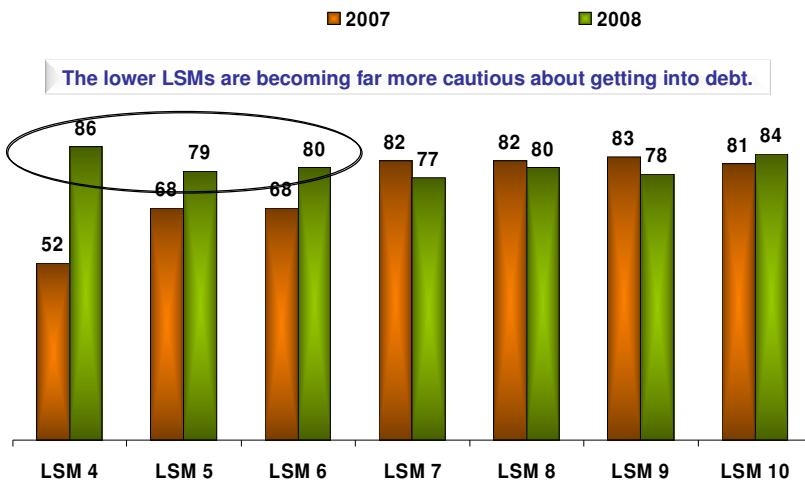


It is becoming more and more difficult for the ‘new elite’ and the old elite to stay up and maintain their lifestyles. This has created a fear of failure and of falling back. The pressure inherent in maintaining affluence brings severe financial demands. The battle to ‘Stay Up’ is tough. They are under a great deal of stress. To add to their economic burdens increasing numbers of South Africans are supporting poorer relatives financially.

***But it is not all bad news - the positive aspects:***

All LSM groups, particularly the lower LSMs are becoming far more cautious about getting into debt. This has led to a greater saving and investment mentality. There is a move away from instant gratification to an understanding that it is better to wait a bit.

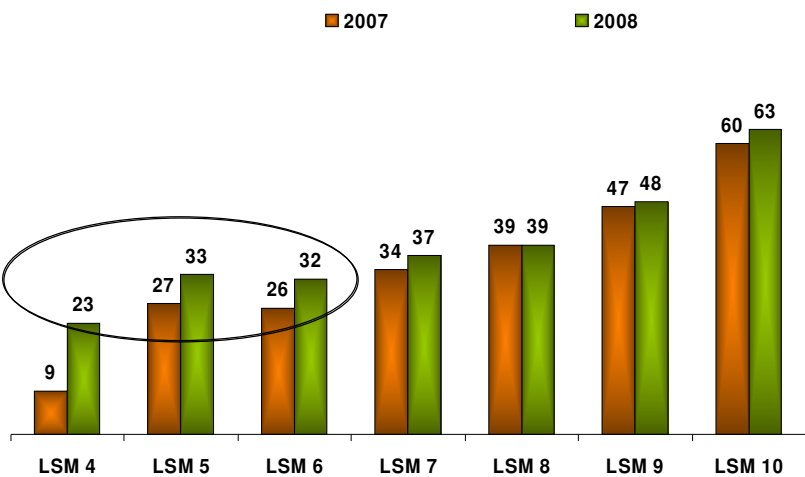
“I am very cautious about getting into debt and rather save money before I buy the things I want”



Source: futurefact

futurefact

“I have started investing my money in things like endowment policies, money markets, the stock market and so on”



Source: futurefact

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So, the credit crunch has not been all bad news for South Africa. It has led to healthier financial decisions and claimed increased savings.

South Africans are now beginning to understand the implications of debt and more and more people are either consciously deciding to not have credit or it has become so difficult to get credit that it is not an option.