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SA GRADUATE PROFESSIONAL CONFIDENCE CONTINUES TO DECLINE - SURVEY

15 August 2012: The confidence of graduate professionals on a number of key issues, specifically the state of the economy and financial markets, declined in the second quarter of 2012, according to the latest results from the PPS Graduate Professionals Confidence Index.

The quarterly survey, which tracks the confidence levels of more than 5 000 of South Africa's graduate professionals, revealed a 7 percentage point drop in confidence on the outlook for the local equity market over the next 12 months to 56% from 63% three months earlier.

David Crosoer, Executive: Research and Investments at PPS Investments, says that within South African equities, companies with fairly predictable earnings streams are looking increasingly stretched on valuation grounds, while cyclical sectors (especially resources) could get cheaper still against an uncertain economic backdrop. "Unsurprisingly, investors are nervous. With global economic data having deteriorated over the past quarter, and with downside risks having increased across the three major engines of global growth (China, USA and Europe), it is extremely difficult to predict when economic data will improve."

Echoing this sentiment, the survey also revealed a 3 percentage point drop in confidence on whether South Africa has seen the worst of the global economic turmoil to 50% from 53% three months earlier. Confidence on the economic outlook for South Africa over the next 12 months was slightly more positive with a confidence level of 60%, down from 62% three months earlier.

"Investors should have realistic expectations of future returns, as the equity market is unlikely to deliver the 15% p.a. returns of the past. They should also make sure that they are investing with managers who intimately understand the companies they are investing in and which they are confident will be around in the future," adds Crosoer.

According to Gerhard Joubert, Head of Group Marketing and Stakeholder Relations at PPS, another area of concern revealed in the results is the fact that the confidence of professionals remaining in South Africa for the foreseeable future remained at 78%. "This is still a relatively positive score but it is concerning that it is down on the confidence levels in 2011, all of which remained above 80% for the entire year. "Graduate professionals such as



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doctors, lawyers and accountants are a crucial component to a thriving economy and like many other countries we already face a major skills shortage within these professions.”

Confidence in the standard of education in South Africa improving over the next five years recorded its lowest score since the index began, at 44%, down 4 percentage points from the previous three months.

This reflects recent reports from preliminary findings of an analysis conducted by the Department of Higher Education and Training that reveal the average 2005 cohort had a dropout rate of 24.9% in the first year of study. “This is extremely concerning and simply compounds the already real concern among professionals of the quality of the education offered in South Africa. A recent TNS SA survey also revealed that only 54% of South Africans are happy with the education system in their local area.”

Other findings from the index reveal that 95% of respondents are concerned about the lack of mathematics and science graduates in South Africa, while 89% expressed concern about the rising cost of tertiary education in the country.

Confidence that unemployment would improve over the next five years also fell 1 percentage point to 41%, the lowest level so far recorded in the index.

Joubert notes that confidence in the future of the healthcare system over the next five years also fell 1 percentage point to 44% from the previous three months. “The continued deterioration in confidence is reflected by the fact that only 15% of respondents believe the National Health Insurance scheme is the solution to fix the country’s ailing health system.”

“Many graduate professionals support the principle of improving the healthcare system for all South Africans to ensure better healthcare for all citizens but are concerned over the way it is being implemented. Further consultation on the issue is vital to ensure all stakeholders buy into the process,” says Joubert.

He says the overall confidence level in the index remained unchanged from a year ago at 57%, but on a quarter-on-quarter basis this figure is down 2 percentage points.



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Other results from the survey

- 60% of respondents said they would encourage their children to enter their profession, down 1 percentage point from the first quarter
- Confidence in their ability to earn an income that keeps up with inflation remained at 70% compared with the first quarter
- Confidence in the future of their profession over the next 5 years fell 1 percentage point to 79% compared with the first quarter
- Confidence in crime rates improving over the next five years remained at 43% compared with the first quarter
- Confidence that they have saved enough to retire comfortably rose 1 percentage point from the first quarter

-Ends-

Additional information:

PPS boasts in excess of 200,000 members who enjoy access to a comprehensive suite of financial and healthcare products that are specifically tailored to meet the needs of graduate professionals.

PPS is the largest South African company of its kind that still embraces an ethos of mutuality, which means that it exists solely for the benefit of its members. Thus, members who are policyholders can exclusively share in the profits of PPS Insurance and those who have PPS Investments products can also share in the profits of PPS Investments.

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