



FOR PROFESSIONALS

SINCE 1941



WEAKENING RAND KNOCKS SA PROFESSIONALS' CONFIDENCE IN ECONOMY - SURVEY

20 February 2014: South Africa's graduate professionals believe that the value of the Rand is likely to depreciate even further in 2014; and as a result are showing an increased concern about the local economy, according to a survey conducted by PPS.

The fourth quarter PPS Graduate Professionals Confidence Index (PCI) – which tracks the confidence levels of nearly 4 000 of South Africa's graduate professionals – showed that 85% of respondents believe the Rand is going to weaken further during the course of 2014.

Mahlesedi Mojapelo, Research Specialist at PPS, says this is not surprising given the recent fluctuations in the value of the rand, especially since it breached the R11:US\$1 level in January. "Continued strike action in the mining sector, coupled with the withdrawal of investment into emerging markets globally, may have contributed to professionals becoming concerned that the value of the rand could decline further."

According to David Crosoer, Executive: Research and Investments at PPS Investments, the Rand is significantly undervalued if trading above R11/USD compared to where it should trade on fundamental grounds. "While currencies can always overshoot, a weaker currency (making our exports more competitive) and improving global economy (increasing demand for our exports) could ultimately be positive for South Africa and help support the level of the Rand."

"The Reserve Bank's decision in January to increase short-term rates by 0.5% was significant, as it demonstrated the Bank's willingness to take a deteriorating inflation outlook seriously. Unfortunately, the on-going unrest in the mining sector makes it difficult for the economy to benefit fully from a depreciated currency and could impact negatively on the currency in the short-term," adds Crosoer.

The survey also revealed a confidence level of 50% for the economic outlook for South Africa over the next 12 months - the lowest confidence level ever recorded for this question since the survey's inception. Mojapelo says this result is in line with the World Bank revising South Africa's economic growth outlook from 3.5% to 2.7% in early February.

Respondents revealed a confidence level of 59% that they have saved enough to retire comfortably, while 67% believe compulsory preservation is necessary to enforce South Africans to save.

Nick Battersby, Chief Executive of PPS Investments, says current industry statistics indicate that well over half of South African retirement fund members are likely to withdraw their retirement savings when changing employment.

“Therefore, it is encouraging to note that professionals appreciate the value of saving consistently throughout their careers to attain a secure retirement.”

Battersby highlights that National Treasury estimates that only 10% of South Africans are able to maintain their pre-retirement level of consumption after retirement, largely because of a lack of preservation of retirement fund assets when members leave their jobs. “Treasury previously proposed the possibility of phasing in a preservation requirement, and we look forward to further clarity on measures that may promote preservation among South African investors.”

On a positive note, despite the lower confidence in the economy, SA’s graduate professionals revealed a confidence level of 78% in the future of their chosen profession in the country, while 60% of respondents would recommend their career to their children. In addition to this, when asked about their confidence of remaining in the country a confidence level of 76% was recorded.

Recent statistics released by Adcorp revealed the return of nearly 360 000 expatriate professionals to the country who have found work relatively easily, says Mojapelo. “This indicates that there still remains a great need for skilled professionals in the country, with the data specifically pointing to approximately 829 000 unfilled job vacancies. This need is mirrored in unemployment statistics with the unemployment rate for highly-skilled workers being 0.4% which is remarkably low, especially when compared to an unemployment rate of 37% for the entire workforce.”

“The fourth quarter PCI survey for 2013 revealed graduate professionals have some major concerns about the local economy; however, it is encouraging that this has not impacted significantly on their perception of the future of their profession in the country,” concludes Mojapelo.

Other results from the survey

- Confidence in their ability to earn an income that keeps up with inflation dropped by one percentage point to 69% quarter-on-quarter;
- Confidence in the local equity/share market over the next 12 months dropped four percentage points to 58%;
- Confidence that respondents have seen the worst of the global economic turmoil dropped by one percentage point to 53% quarter-on-quarter;
- 10% of respondents believe the tax incentives offered by government are enough to encourage South Africans to save;