

# Confidence of SA graduate professionals declines

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 seven 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 of 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."

## Investors should be realistic

Echoing this sentiment, the survey also revealed a three 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.

## Confidence in education at an all time low

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 four 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."

Joubert notes that confidence in the future of the healthcare system over the next five years also fell one 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."

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 two percentage points.

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