

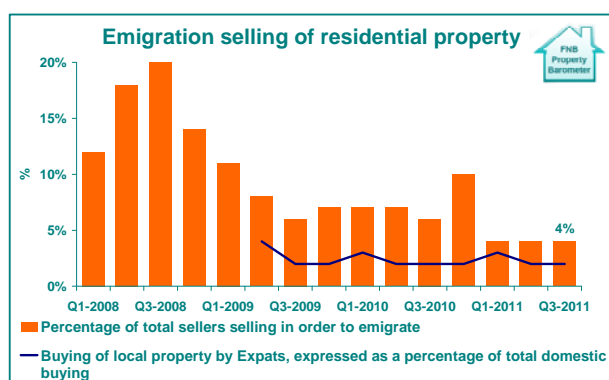


EMIGRATION AND SEMI-GRATION SELLING UPDATE

Ongoing weakness in “brain drain” selling means that SA’s golden opportunity to address a myriad of service delivery and spending backlogs continues

28 October 2011

We have previously mentioned that global economic weakness does present some opportunities for South Africa in terms of its ability to retain or possibly even attract skills. Much of SA’s “brain drain” over the past 2 decades was fueled by great employment opportunities elsewhere in what was up until a few years ago a booming global economy. This is no longer the case, at least in much of the western part of the world economy, which appears to be keeping a bigger portion of South African skilled labour at home.



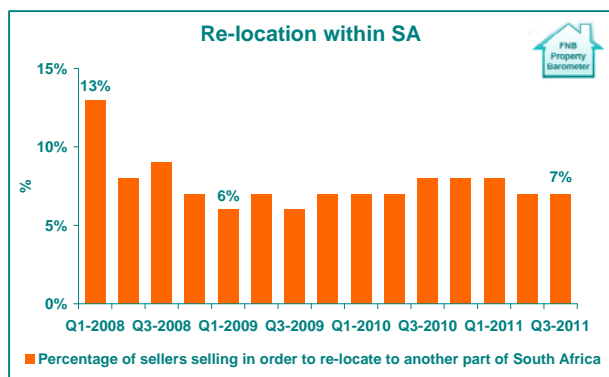
At least this would appear the case according to the results of the FNB Estate Agent Survey. The 3rd Quarter 2011 results showed emigration-related selling of residential property to be unchanged at a relatively lowly 4% of total selling.

This points to a major opportunity for, especially more non-cyclical sectors such as the various parts of the government sector, which often battle to be competitive in the labour market in economic boom times, to retain or attract skills, be it for infrastructure projects or to improve service delivery.

The same goes for some of the smaller provinces in South Africa, who have significant “semi-gration” brain drains, with many skilled people moving to major metro regions such as Gauteng and Cape Town. Unfortunately the survey only started early in 2008, but at that stage “selling homes in order to relocate to another part of SA was running at 13% of total selling. With the onset of recession later that year, this percentage fell to 6% in a considerably thinner market.

The mild economic recovery of 2009/10 brought about a slight rise in “re-location selling” to 8% last summer, but this has since dropped back to 7% in the latest 2 surveys.

Such is the nature of weak economic times. More people “stay put” in their current employment and location, not always through desire but through necessity, with limited



employment alternatives. We believe that this is a major factor in slowing “brain drains” either to other countries or between regions within SA. This comes from SA having improved its relative economic position in the world by merely having maintained good macroeconomic management, not piling up its national debt to the extent that it causes a national crisis, such as is the case in certain European nations.

But much work is required, because ultimately better global economic times will come, and it is at that stage that, if our country still wishes to retain its skills and achieve faster economic growth, many infrastructure and service delivery improvements will have had to have been made in order to render the country competitive in the global skilled labour market. Now is the time to iron out those “fundamentals”, and the relative ease with which the country can seemingly retain skills compared to a few years ago presents a golden opportunity to do just that.

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