

# SA CEOs remain cautiously optimistic

By  Danette Breitenbach

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While even the most positive SA CEOs are reining in their expectations, local CEO confidence has improved in the short and medium term.



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This is according to the 22nd Annual Global CEO Survey, and the 10th South African survey, which was announced this week in Rosebank, Johannesburg after it was officially launched by PwC's Global CEO, Bob Moritz, at the recent World Economic Forum Conference in Davos.

In contrast, global CEOs confidence is at a lower level than after the financial crisis, and after having peaked in 2011, has been on a downward trajectory for five years. The general theme across the survey is of CEOs knuckling down as they adapt to the macro environment in which they operate. If CEOs' confidence continues to be a leading indicator, global economic growth will slow down in 2019.

Local CEO confidence has improved in the short and medium term. Perhaps the new dawn has instilled some optimism in them – perhaps the logic goes that when things can't get much worse, there's a good chance they may improve. SA CEOs also remain more confident in medium-term growth.

This is despite South Africa having endured another year of slow growth, high unemployment and policy uncertainty; with the improved sentiment when Cyril Ramaphosa replaced Jacob Zuma as president in February 2018 also not yet translating into tangible results.

The World Bank has stated that South Africa's economy limped to 0.9% economic growth in 2018, with 1.3% the expectation this year.

## Survey in context

The responses of local CEOs need to be seen in the context of when the survey was conducted. The 2017 survey was conducted on the eve of the ANC elective conference, while the 2018 survey occurred around the time of President Ramaphosa's Investment conference.

Among South African CEOs, 93% expressed confidence about their companies' medium-term prospects. Despite this, only 33% said they are 'very confident', the lowest level since they began the survey in South Africa. In fact, 30% of SA CEOs said they were 'extremely concerned'. Therefore, while South African CEOs might be optimistic, they are increasingly cautious.

SA CEOs are most concerned about political, social and economic threats, which include the state of the economy, unemployment and political uncertainty, rising populism, general elections – all of which are casting a shadow over business expectations.

Many of these threats are long term issues, such as inadequate basic infrastructure, which have not gone away but are now supplanted by more pressing issues.

In addition, local CEOs appear less certain about their expansion plans outside their home markets. Asked *which three territories, excluding the territory in which you are based, do you consider most important for your organisation's overall growth prospects over the next 12 months*, 15% of SA CEOs 'don't know' where else to look for growth, and 8% say 'no other country'.

This is in contrast to 10 years ago, when many South African businesses - the banks, Shoprite, Massmart, Tiger Brands and many others - were looking to the rest of Africa as the ticket to exponential growth. Today these business leaders are a lot more cautious – when asked to identify the most attractive foreign markets for investment, CEOs are narrowing their choices and expressing more uncertainty.

Faced with the tough realities, organisations are turning inward to drive revenue growth. This inside-out approach to growth includes internally focused initiatives like organic growth, operational efficiencies and product innovation.

Started in 1997, the survey is made up of a core group of questions that are asked every year, which mainly reveal trends around growth. This year the focus was on data & analytics and artificial intelligence.

The survey conducted 1,378 interviews in 91 countries during September and October 2018, which included 55 interviews with CEOs in South Africa. Of these, 48% are global businesses with at least \$1 billion revenue. Locally this was 60% of businesses with at least \$100 million revenue.

In South Africa, 55% of respondents have been CEOs in their organisations for less than five years, 70% are over the age of 50 and 38% employ more than 1,000 people.

The sample is weighted by national GDP to ensure that CEOs' views are fairly represented across all major territories. The interviews were also spread across a range of industries. Surveys were conducted by telephone, face-to-face and online. All quantitative interviews were conducted on a confidential basis.

## ABOUT DANETTE BREITENBACH

Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.

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