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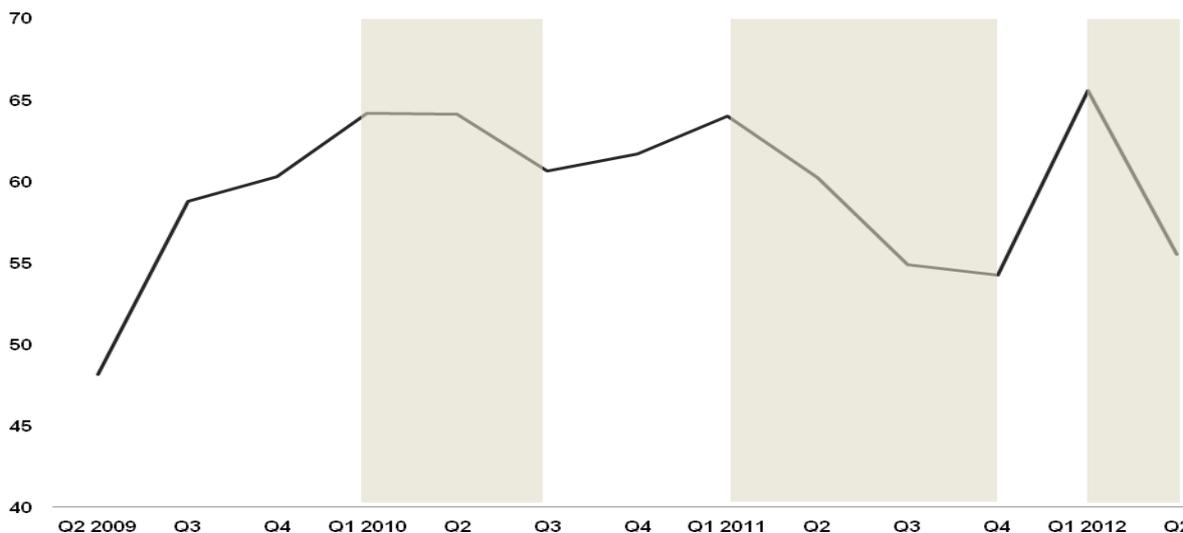
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SA CEOs FACE EUROZONE UNCERTAINTY

The Merchantec CEO Confidence Index recorded its biggest drop to date as it fell 10.07 points to a score of **55.5** in the second quarter of 2012 amid resurgent concerns over market conditions and a general lack of confidence in the health of the global economy. 70% of SA CEOs confirmed that their business is more affected by economic conditions in Europe than those in China, emphasising the importance of the Eurozone as SA's major trading partner. Consequently, the dampening of growth and demand from this region has considerably dented confidence on the whole.

Graph 1 Merchantec CEO Confidence Index



CEOs' confidence in economic conditions decreased dramatically in the second quarter, falling 23% to a score of 47.3. Factors contributing to this are uncertainty over the ongoing European debt crisis and the potential contagion from Greece to other highly indebted Eurozone countries. In addition, recent data which reflects a quicker than expected cooling of the Chinese economy and higher unemployment levels on the local front are plaguing confidence in the economic conditions component of the Index. It appears that the higher levels of confidence in the first quarter were as a result of expectations for improved conditions in the future and not necessarily as a result of improving business activity.

The consumer goods sector recorded the largest decline in confidence, showing a 27% decrease to a score of 47.5, the lowest across any sector. This drop in confidence is not entirely unexpected given the steep price increases in petrol, electricity and taxes during April 2012 which have resulted in an adverse effect on inflation prospects and consumer spending.

The financial sector recorded the only rise in confidence in the second quarter with a 1.5% increase in sentiment to a score of 67.3. This sector showed caution in the first quarter recording the lowest increase in sentiment and as a result did not reflect an overly optimistic base from which to fall. The improvement in sentiment in the second quarter came as a result of CEOs' increased confidence in their company growth prospects, their ability to raise debt or equity capital and their planned level of investment in their company's business activities.

The Merchantec CEO Confidence Index, which consists of five components, collates views from CEOs of top South African companies and provides a leading indicator into how business leaders perceive local market conditions and the economy going forward.

For a copy of the full report for the second quarter of 2012 or for previous quarterly reports on the Merchantec CEO Confidence Index, please email Rick Irving at rick@merchantec.co.za.

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More about the Merchantec CEO Confidence Index

The Merchantec CEO Confidence Index collates views from CEOs of top South African companies and therefore provides a leading indicator into how business leaders perceive local market conditions and the economy going forward.

The Merchantec CEO Confidence Index is a copyright report prepared quarterly by Merchantec Capital. The survey collates responses from over 100 top CEOs, primarily from the listed environment.

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