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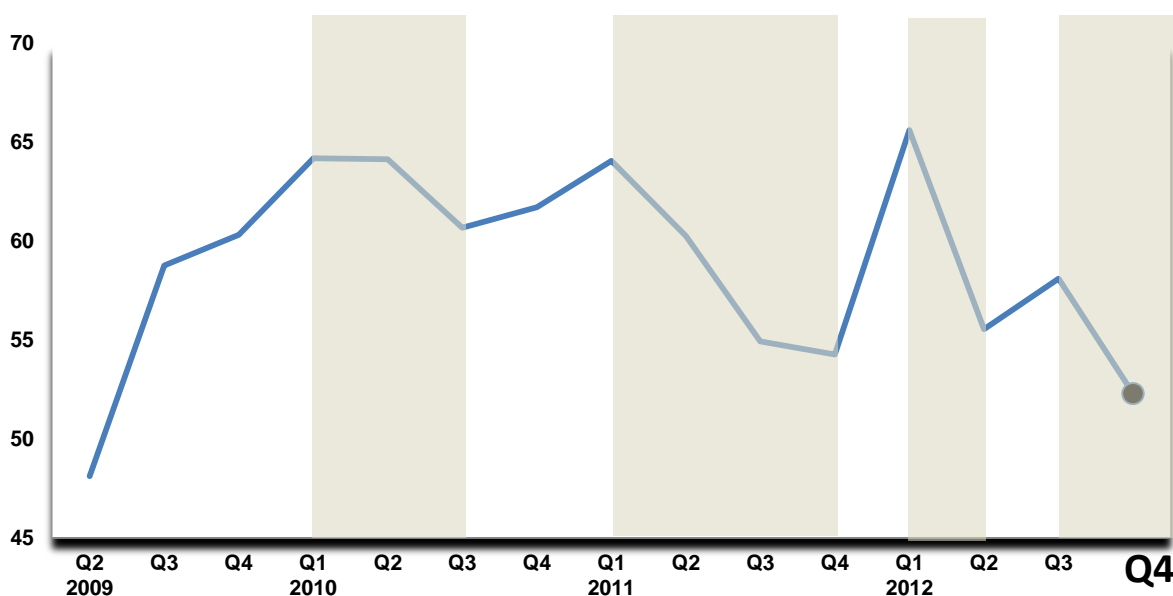
SA CEOs “ECONOMY IN LOW GROWTH”

The Merchantec CEO Confidence Index weakened in the fourth quarter of 2012, dropping by 5.8% to an overall score of **52** points. The Basic Materials sector experienced the sharpest decrease in confidence, falling by 16.2% following recent strike action and labour unrest. Overall sentiment decreased in all sectors, with the exception of the Financial Services sector which increased in confidence by 4.5%.

Economic growth prospects appear range bound, as 65% of South African CEOs believe that the country’s 2013 Gross Domestic Product (GDP) figure will not exceed National Treasury’s revised 2012 growth forecast of 2.5%. This lack in confidence stems from South Africa’s weakening business and investment climate, the slowdown in Asia’s economic growth prospects and prolonged economic uncertainty in the Eurozone.

Collectively, CEOs have expressed concerns regarding the country’s political instability, the uncertainty around the 2013 National Elections and high corruption levels. Additional CEO concerns include the recent labour unrest and its potential contagion to other sectors, poor infrastructure, the heightened trade deficit and its consequential influence on the exchange rate.

Merchantec CEO Confidence Index



The Basic Materials sector recorded a 16.2% drop in confidence for the fourth quarter of 2012, the largest decline in confidence for the sector to date. With a 27% decrease in confidence for planned company investment and a 22.2% decrease in confidence for the availability of equity/debt capital, CEOs were particularly bearish about their own company prospects. The Marikana contagion has damaged business and investor confidence on a national scale and is the primary reason CEOs lack confidence within this sector.

Overall confidence in economic conditions decreased by 14.7% quarter on quarter, to a score of 41.2, the largest decline of all components of the Index. This negative sentiment was driven by CEOs representing Basic Materials, Consumer Services, Industrials and Technology sectors. The bearish economic outlook is a result of both international and local market factors. Internationally, the continued uncertainty and slow recovery in Europe, South Africa's major trading partner, is having a dampening effect on local exports. On the local front, political and policy uncertainty, labour unrest and inflationary concerns are placing pressure on economic conditions and dampening investor confidence.

For a copy of the fourth quarter 2012 Merchantec CEO Confidence Index Report or for previous quarterly reports, please email Rami Avivi at rami@merchantec.co.za.

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More about the Merchantec CEO Confidence Index

The Merchantec CEO Confidence Index which consists of five components 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 150 top CEOs, primarily from the listed environment.

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