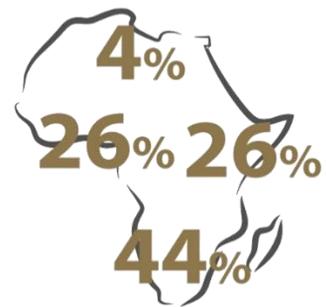


## CEO Confidence at an all time **LOW**

The [Merchantec CEO Confidence Index](#) recorded a decrease of 7% from a score of 45.4 points in Q2 2015 to 42.2 points in Q3 2015, persisting at a score below the neutral score line of 50 points. This is the lowest score recorded in the Merchantec CEO Confidence Index since its inception in Q2 2009 (42.0). The decrease in the overall confidence of CEOs in South Africa is demonstrated by a drop in confidence in the all sectors being; Basic Resources, Industrials, Financial, Consumer Good, Consumer Services and Information and Communication Technology.

CEO confidence relating to the current economic conditions, compared to six months ago, dropped by 5.0% from an already negative score of 32.3 points to 30.6 points, with the largest decrease demonstrated by CEOs in the Consumer Services sector.

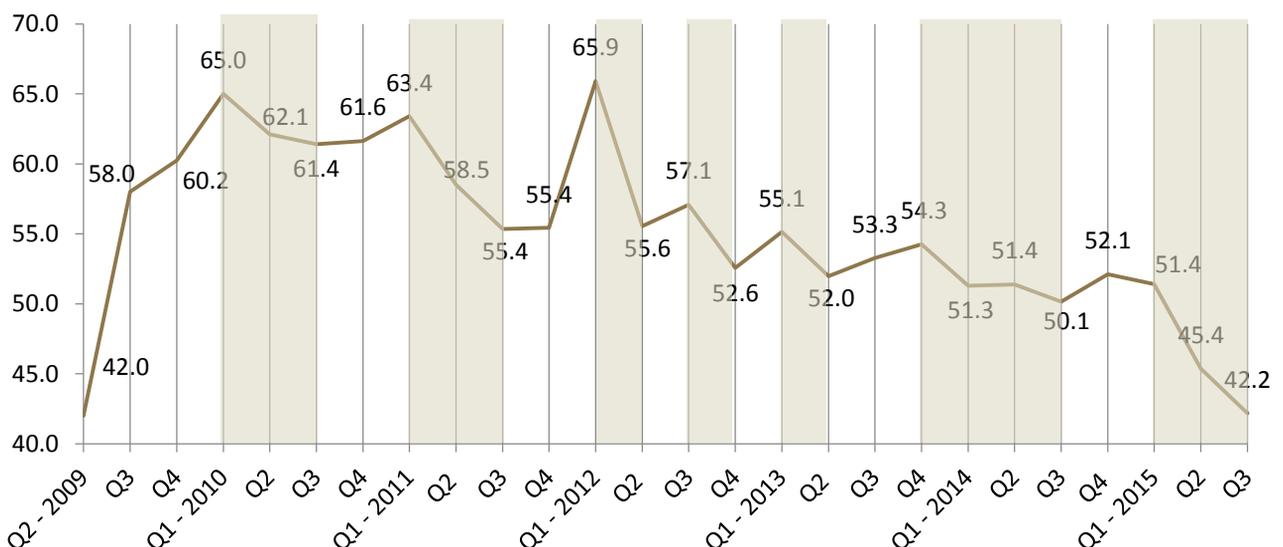
**50%** of South African CEOs are looking to **expand** their operations into **Africa** in search of **growth** opportunities.



Of the 50%, 44% are expanding close to home in other Southern African countries while 26% are looking to West Africa and an additional 26% looking to East Africa. Northern Africa was the least attractive region for CEO's expansion strategies with only 4% starting up operations in the area. According to the results of the Merchantec CEO Confidence Index, 6% of South African CEOs already have operations running across the continent.

CEOs who are exploring expansion strategies in Africa commented on the presence of Chinese owned companies operating throughout the continent and the difficulty in beating the lower prices set by their Chinese competitors. Other difficulties mentioned include language barriers, skills shortage, risks relating to non-payment, red tape around laws and licensing and striking a balance between profitability for the company and affordability for African consumers.

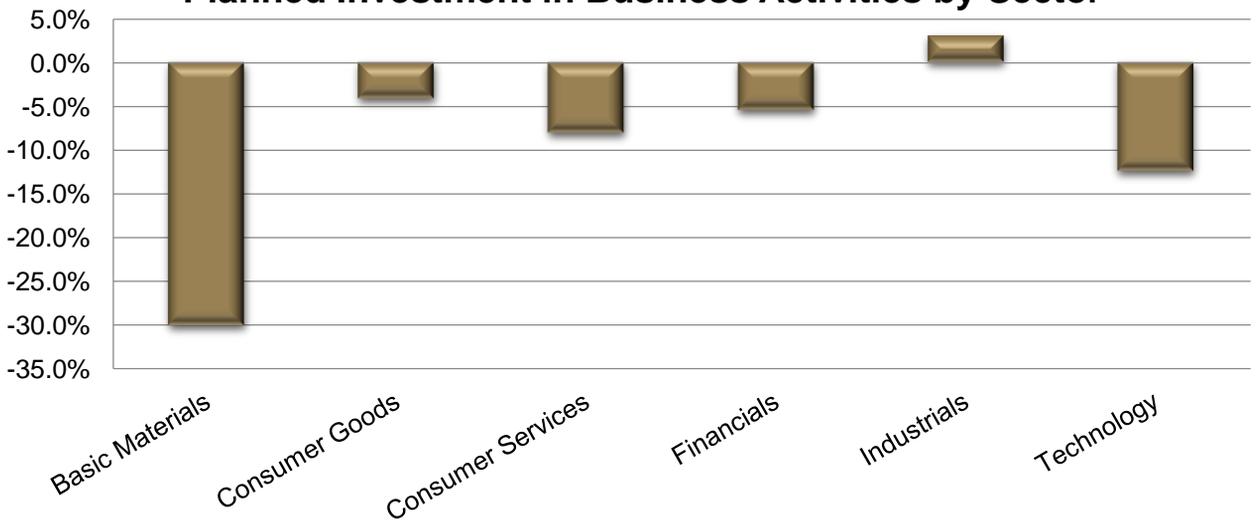
### CEO Confidence per Quarter



The remaining 50% of CEOs who are not actively pursuing African expansion strategies are either unable to do so due to their companies currently being in 'survival mode' or are looking to expand offshore.

The largest decrease in CEO confidence related to their planned level of investment in business activities dropping by 9.4% from a positive score of 54.9 points in Q2 2015 to 49.7 points in Q3 2015, a score below the neutral line of 50 points. This was primarily driven by CEOs in the Basic Materials sector with a decrease of 30.0% in confidence relating to their planned level of investment in business activities, from 50 points in Q2 2015 to 35 points in Q3 2015. The only sector to record an increase in confidence relating to their planned level of investment in business activities was the Industrials sector, increasing marginally by 3% from 45.8 points in Q2 2015 to 47.2 points in Q3 2015.

**Planned Investment in Business Activities by Sector**



**Basic Materials** has consistently recorded the largest decrease in confidence over the past few quarters, dropping by 13.7% from a score of 39.4 in Q2 2015 to 34.0 points for Q3 2015, well below the neutral score line (50 points). This decrease in sentiment was driven by a 30.0% decrease in confidence relating to their planned level of investment in business activities, a 27.7% decrease in confidence relating to their company growth expectations and an 11.7% decrease in confidence relating to their ability to raise debt or equity capital.

**Consumer Services** recorded the second largest decrease in confidence, dropping 13.1% from a score of 48.7 in Q2 2015 to 42.3 points in Q3 2015. The decrease in sentiment was primarily driven by a 21.0% decrease in confidence relating to economic conditions, a 20.3% decrease in confidence relating to industry growth and a 20.3% decrease in confidence relating to their company growth expectations.

**Financials** recorded a score of 48.4 points in Q3 2015, remaining in line with the 48.4 points recorded for Q2 2015, while all others sectors recorded a decrease in confidence and dropped further below the neutral score line (50 points). The 23.4% increase in confidence relating to company growth expectations for CEOs in the Financial sector was offset by a 14.2% decrease in confidence relating to their ability to secure debt or equity capital, a 5.5% decrease in confidence relating to their planned level of investment in business activities and a 3.5% decrease in confidence relating to their industry growth expectations.

For a copy of the third quarter 2015 Merchantec CEO Confidence Index Report or for previous quarterly reports, please email Niki Rayner at [niki@merchantec.co.za](mailto:niki@merchantec.co.za) or visit [Merchantec CEO Confidence Index](#) for past results.

## 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 1 000 top CEOs.

## About Merchantec Capital

Merchantec Capital is one of the largest independent Equity & Debt Sponsor, Research and Corporate Finance Advisory companies in South Africa, with offices in Johannesburg, Cape Town and Windhoek, Namibia.

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