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**91.5% of CEOs view the increase in Dividends Withholding Tax as destructive**

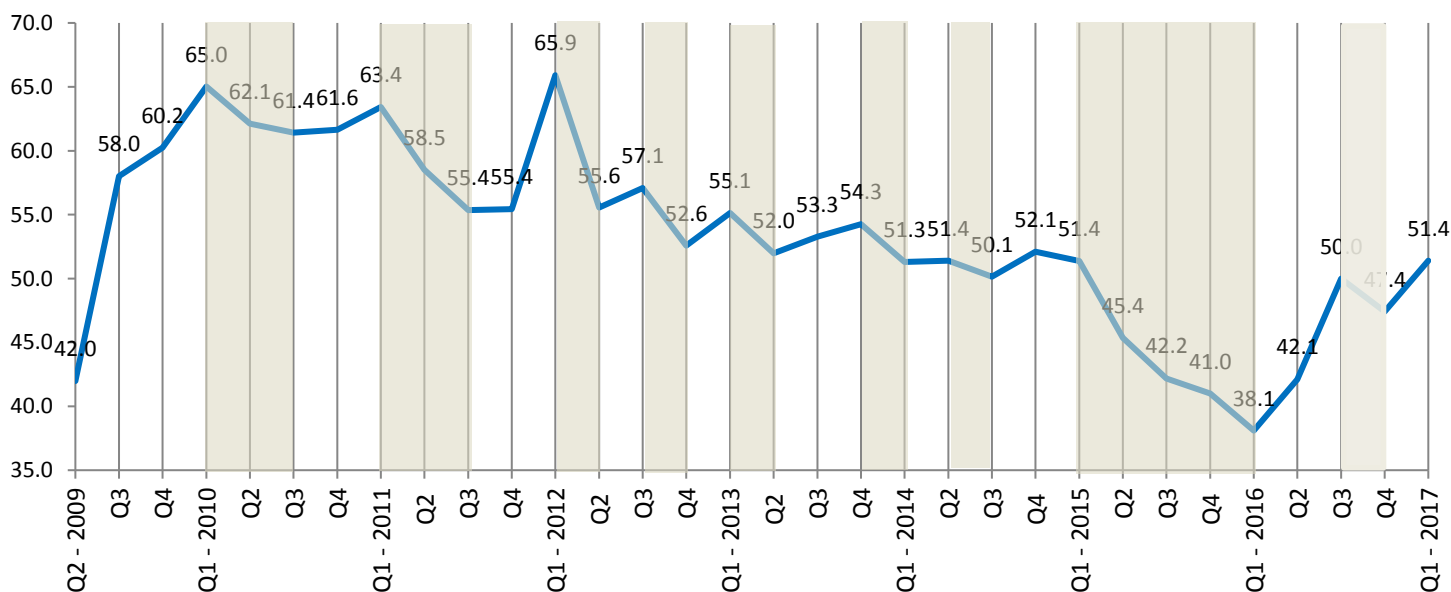
The [Merchantec CEO Confidence Index](#) recorded a 7.2% improvement in CEO confidence between Q4 of 2016 and Q1 of 2017 to a score of 51.4. However survey feedback indicates, that while some CEOs believed that the tax increases recently introduced by the Finance Minister were necessary, 91.5% of CEOs in South Africa have expressed concern over the increase in the Dividends Withholding Tax rate citing that it is diametrically opposed to growth and job creation.

The index now lies slightly above the neutral score line of 50. The overall upturn is supported by an increase in confidence across most of the six sectors measured, most notably Basic Resources and Industrials.

CEOs across all six industry sectors believe current economic conditions in South Africa compared to six months ago are recovering. Overall, industry growth outlook increased by 15.4%, followed by an increase in confidence in the current economic conditions and the ability to secure debt or equity by 9.7% and 7.7% respectively. Furthermore, CEOs are expecting conservative levels of growth in their companies and planned levels of investment to increase slightly.

There are fears that the increase in the Dividends Withholding Tax may have a negative effect on investment in the country, as companies will take investments offshore. It has been suggested that the broadening of tax sectors and bases needed to be investigated, e.g. the thorough regulation and taxation of informal sectors such as the taxi industry. Re-assessing VAT was another suggestion. VAT can be seen as a fair tax because it does not target one particular group of taxpayers and can be regulated quite efficiently. The lack of trust in political decision-making is still a dominant concern amongst CEOs as we move through 2017.

**CEO Confidence per Quarter**

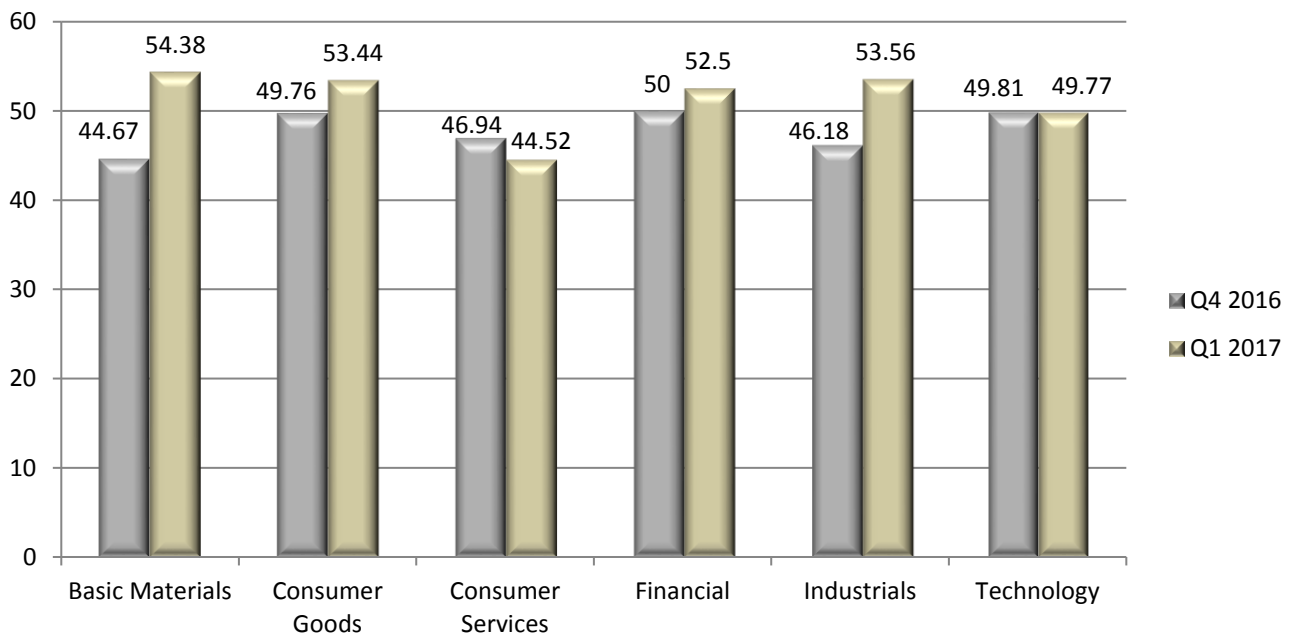


Over the 3-month period from Q4 of 2016 to Q1 of 2017, confidence increased within the Basic Resources (21.7%), Consumer Goods (7.4%), Financial (5%), and the Industrial sector (16%). This indicates a positive outlook for the second quarter of 2017 if this trend can be sustained.

**Basic Materials** recorded the largest increase in confidence at 21.7%, moving to a score of 54.4. The increase in overall confidence was driven by increases in contributing individual components of the index, 42.5% increase in planned levels of investment. Confidence increases in the ability to secure debt or equity capital by 22.6%, and overall improving economic conditions by 22.3%.

**Consumer Goods** increased slightly by 7.4%. Sentiment was primarily driven by a 27.4% increase in confidence relating to industry growth expectations and a 20.9% increase in the confidence relating to the ability to secure debt and equity capital. This was offset by a 5.5% decrease in confidence relating to planned levels of investment.

**Financials** recorded an increase in confidence of 5% in Q1 2017. This rise in confidence can be attributed to a 50% increase in confidence relating to industry growth expectations, despite the 8.3% decrease in planned levels of investment.



## ENDS

For a copy of the first quarter 2017 Merchantec CEO Confidence Index Report or for previous quarterly reports, please email Kira Harrison at [kira@merchantec.co.za](mailto:kira@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, primarily from the listed environment.

### **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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