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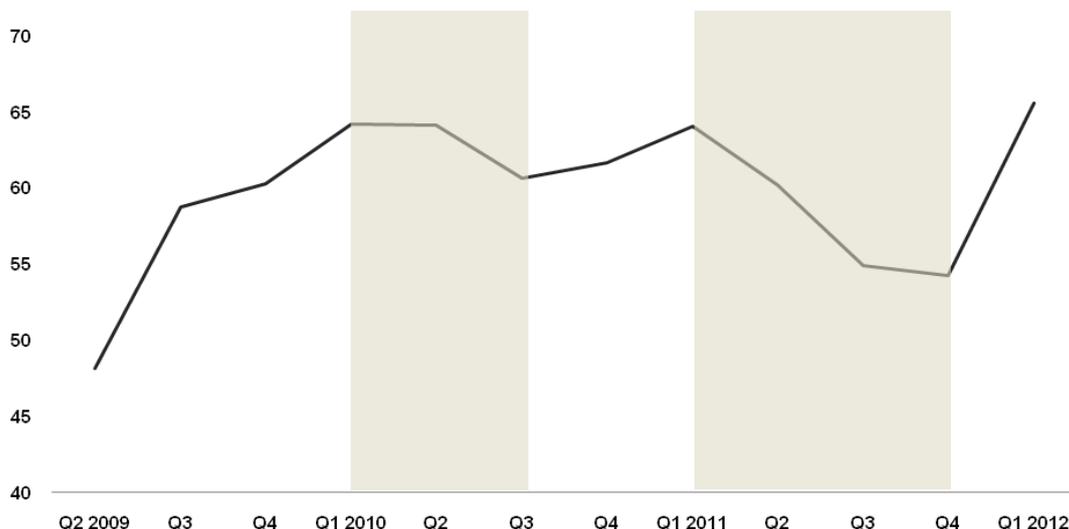
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**CEOs’ CONFIDENCE SURGES TO NEW HIGH**

The Merchantec CEO Confidence Index bucked its downward trend of the previous three quarters to increase by 20% to **65.6** in the first quarter of 2012. The Index attained its highest score since its inception in the second quarter of 2009, indicative of renewed optimism amongst CEOs towards the overall economic environment for the 2012 year.

**Graph 1 Merchantec CEO Confidence Index**



A noticeable improvement in the confidence of CEOs across all sectors suggests that the economic fears which dominated 2011 may be dissipating. The European Central Bank’s liquidity injection into the Eurozone, as well as continued solid economic data coming out of the US of late, seem to be soothing fears relating to the credit crunch and contributing to growing the sentiment towards stability. The South African Reserve Bank also appears upbeat on the South African economy with figures reflecting substantial acceleration in government and household spend.

The basic materials sector which includes the mining sector recorded a 19% increase to a score of 68, the highest score across any sector. This comes as no surprise considering low interest rates, continued high commodity prices and government’s indication that the nationalisation of mines will not be pursued. Further evidence of optimism within the sector is a 33% leap in sentiment towards economic conditions and a 140% surge in confidence in their ability to obtain debt or equity capital.

55% of CEOs across all sectors indicated that they are confident in the ability of the 2012 National Budget to maintain macroeconomic stability in South Africa and to support enterprise and job creation. The industrials sector, which includes the construction sector, especially indicated a favourable response to the planned increase in infrastructure spend as described in the 2012 National Budget by registering a 22% increase to a score of 65.6.

The financial sector, notwithstanding the 12% increase to a score of 66.3, recorded the lowest rise in confidence this quarter. This increase may have been tempered by persistent wariness of other similarly highly indebted Eurozone countries such as Greece, requiring similar debt swaps as well as renewed concerns about China's growth outlook.

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 or previous quarterly reports on the Merchantec CEO Confidence Index, please email Rick Irving at [rick@merchantec.co.za](mailto: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.

#### **About Merchantec Capital**

Merchantec Capital is a leading independent corporate finance and research company and an approved designated adviser and sponsor to the AltX and JSE Limited. Merchantec Capital provides integrated equity and financial advisory services to listed and corporate clients alike. Our diversified service offering includes in-depth equity research, purchase price allocations and option valuations.