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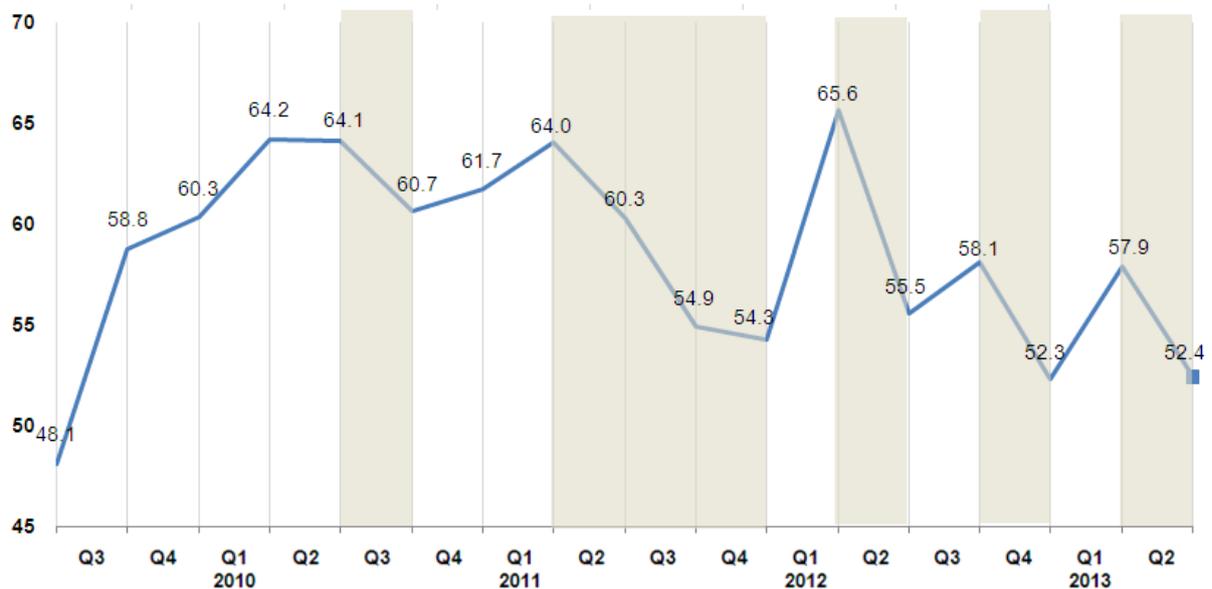
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Merchantec CEO Confidence Index weakens and CEOs believe unsecured lending will negatively impact SA in 2013

The Merchantec CEO Confidence Index weakened in the second quarter of 2013, decreasing by 9.5% from 57.9 to an overall score of 52.4 points. The Basic Materials sector experienced the greatest decrease in confidence, falling by 28.3% from 59.4 to 42.6 points. The Technology sector experienced the second largest decline, falling by 24.5% from 64.4 to 48.6 points. Overall confidence decreased across all sectors with the exception of the Consumer Goods sector which showed an increase of 9.1% from 50.8 to 55.4 points and the Industrials sector which showed a marginal increase of 0.4%.

67% of CEOs anticipate that the extent of unsecured lending will negatively affect the South African economy in 2013. While it was noted by some CEOs that a tightening of overall credit extension would have a negative impact on the South African economy, there was a fair amount of uncertainty in relation to the timing thereof.

Merchantec CEO Confidence Index



Q2

Some CEOs indicated that the banking sector will implement measures to ensure that lending practices are more sustainable, and that the exposure of the big banks to unsecured lending is not significant to the extent that it will affect operations. Smaller micro lenders by nature have a greater exposure to the negative impacts from unsecured lending.

CEOs also indicated that the current political climate is not favourable for economic growth and that the negative current account balance and the depreciation of the Rand are of concern. Labour unrest and double digit wage increase demands are also anticipated to have a negative impact on economic confidence, growth and investor sentiment.

Basic Materials recorded the largest decrease in confidence for the second quarter of 2013 of 28.3% from 59.4 to 42.6 points. The fall in sentiment was primarily driven by a 35.7% decrease in confidence in relation to industry growth expectations and a 33.8% decrease in confidence in relation to the ability to secure debt/equity capital for business activities. This decrease in confidence can be attributed to strike action and soaring wage increase demands which is driving investment away from the sector.

Technology showed the second largest decrease in confidence falling by 24.5% from 64.4 to 48.6 points, with a 30.6% decrease in confidence regarding industry growth expectations and a 30.0% decrease in confidence in relation to economic conditions. This decrease in confidence is due to constrained market conditions in the technology sector, lack of government spend and increased competition from the telecommunications industry which is invading the traditional IT space.

Overall confidence in industry growth expectations decreased by 14.6% quarter on quarter, to a score of 48.4. This negative sentiment relating to industry growth was driven by CEOs representing the Basic Materials, Technology, Consumer Services, Financials and Industrials sectors. Conversely, confidence in relation to industry growth expectations increased for the Consumer Goods sector while retail spend remains strong.

ENDS

For a copy of the second quarter 2013 Merchantec CEO Confidence Index Report or for previous quarterly reports, please email Malcolm Riley at malcolm@merchantec.co.za.

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 200 top CEOs, primarily from the listed environment.

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