

## **MERCHANTEC CEO CONFIDENCE INDEX SLIDES AS CONFIDENCE CRISIS INTENSIFIES**

The Merchantec CEO Confidence Index slumped in the third quarter of 2011, recording its biggest drop to date with a 5.32 point decrease to a score of **54.92**. The Index stands at its lowest score since the second quarter of 2009 amid concerns of a possible double dip recession as confidence in both the local and global economies stutter.

Dylan Botha, Corporate Finance Executive at Merchantec Capital noted that, “risks to the global outlook are seen as stacked on the downside, particularly as fiscal stimulus fades and combined with the economic soft patch currently being experienced locally, confidence is being eroded.”

The third quarter, much like the second quarter of 2011, was marked by declining confidence across the Index as almost every sector registered a decrease from the previous quarter, with both local and global sentiment in the markets relaying fears of a prolonged road to full economic recovery.

The industrials sector recorded the biggest decline in confidence, showing a 16.5% decrease to a score of 52.8, the lowest score across any sector. This drop in confidence is unsurprising considering the recent slowdown in manufacturing, with output levels remaining below pre-recession levels on the back of strike activity and a general weakness in the jobs market.

The financials sector also experienced a significant dive in confidence. CEOs in this sector were particularly bearish about growth prospects in the financials industry as a whole, this component of the Index falling 23.3% to a score of 46.4. Fears concerning the ongoing European debt crisis and the potential that a worldwide contagion effect could become inevitable continue to plague this sector.

The overall sentiment can be summed up by the fact that 3 out of 4 CEOs believe that South Africa has at least an even chance of slipping into a double dip recession.

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 the full report or previous quarterly reports on the Merchantec CEO Confidence Index please email Dora-lee de Nobrega at [dora-lee@merchantec.co.za](mailto:dora-lee@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.