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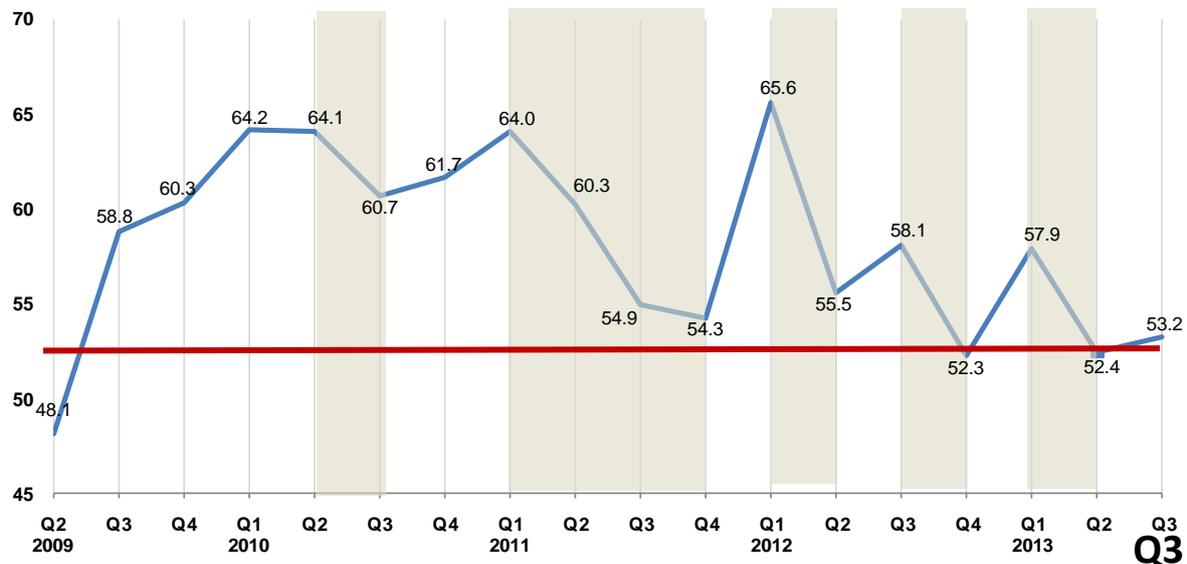
**CEO Confidence remains at rock bottom levels**

The Merchantec CEO Confidence Index remained relatively flat in the third quarter of 2013, increasing by 1.5% to an overall score of 53.2 points. The lowest overall level of confidence to date occurred in 2009 and the current level suggests that CEO confidence remains extremely subdued amid challenging domestic and international conditions.

The Basic Materials sector showed a complete turnaround in confidence increasing by 23.2% to a score of 52.5 points. The Technology sector also showed a rebound in confidence up 5.3% to 51.2 points. However, these increases in confidence were offset by decreases in the Industrials sector of 2.9% and the Consumer Goods sector of 5.8%.

**CEOs have expressed mixed expectations on how the South African economy will perform following the 2014 elections.** Only 51.7% of CEOs expect that the economy will perform better after the elections. Although there was a fair amount of uncertainty relating to the impact of the 2014 elections on the economy, some CEOs noted that any improvements would come as a result of a shift in government spending towards infrastructure as opposed to securing votes.

**Merchantec CEO Confidence Index**



Investor confidence and foreign direct investment are clearly being negatively impacted by the high levels of corruption. In order to improve confidence, government will need to focus on the efficient execution of plans for the benefit of the economy and enhancement of jobs.

**Basic Materials** recorded the largest increase in confidence for the third quarter of 2013 up 23.2% from 42.6 to 52.5 points. The rise in sentiment was primarily driven by a 55.1% increase in confidence in relation to the ability to secure debt/equity capital for business activities and a 37.8% increase in confidence relating to economic conditions.

**Technology** showed the second largest increase in confidence rising by 5.3% from 48.6 to 51.2 points, with a 15.0% increase in confidence with regards to industry growth expectations and a 4.7% increase in confidence in company growth expectations.

**Industrials** recorded a 2.9% decrease in confidence to a score of 53.4 points as construction companies agreed to pay R1.4bn to the competition commission in a very public collusion and tender rigging scandal. CEOs once again expressed their dissatisfaction with the delays in promised infrastructure spending by Government. The fall in sentiment was primarily driven by a 6.4% decrease in confidence in relation to company growth expectations and a 6.2% decrease in confidence relating to industry growth expectations.

Overall confidence in obtaining debt or equity capital increased by 8.7% quarter on quarter, to a score of 52.7 points. This positive sentiment relating to the ability to obtain debt or equity capital was driven by CEOs representing the Basic Materials (+55.1%), Consumer Services (+13.1%), Industrials (+5.7%), Consumer Goods (+4.7%), and Technology (+1.6%) sectors. Conversely, confidence in relation to obtaining debt or equity capital decreased for the Financials sector (-8.7%).

ENDS

For a copy of the third quarter 2013 Merchantec CEO Confidence Index Report or for previous quarterly reports, please email Malcolm Riley at [malcolm@merchantec.co.za](mailto: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 500 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 AltX and JSE Limited Main Board companies. 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.