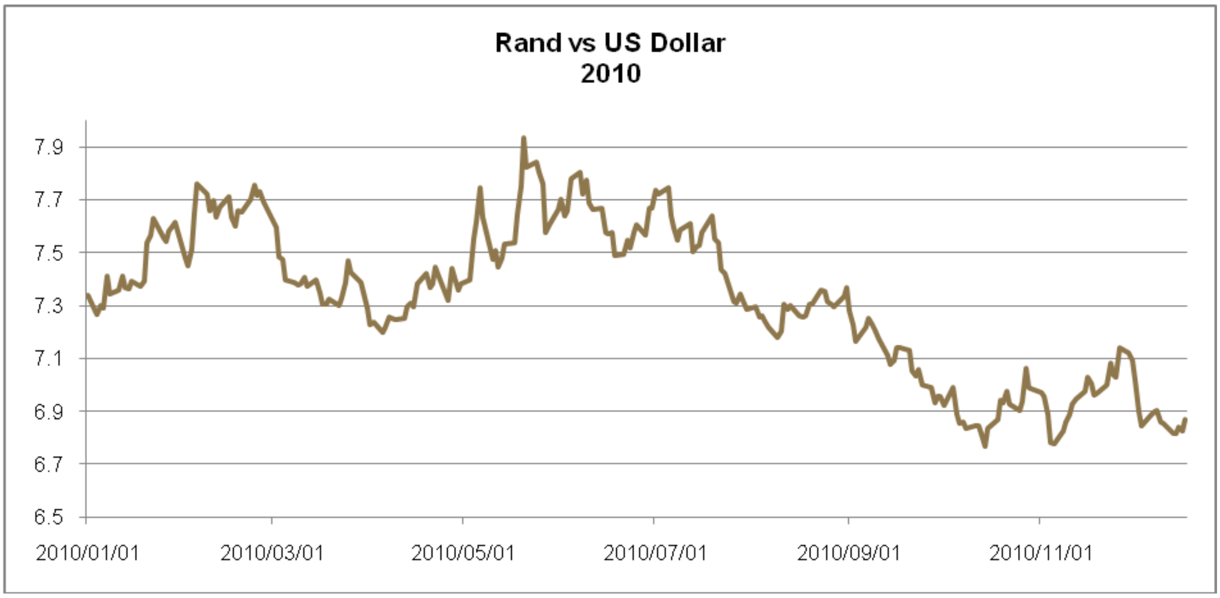
MEDIA RELEASE

MERCHANTEC (PROPRIETARY) LIMITED

MAJORITY OF CEOs BELIEVE WEAKER CURRENCY WILL POSITIVELY IMPACT THEIR BUSINESS

21 December 2010: As South Africa's Rand continued to strengthen against the US dollar in quarter 4, the Merchantec CEO Confidence Index indicated that the majority of CEOs would like to see the Rand weakened in order for their business to improve.

The Merchantec CEO Confidence Index 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.



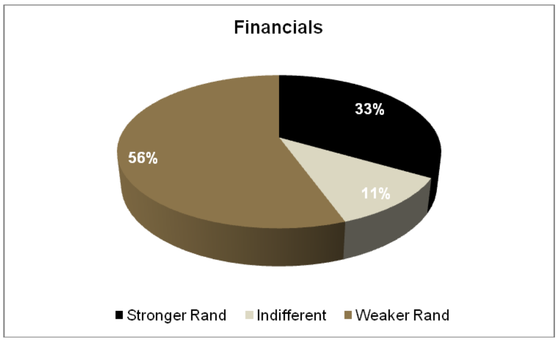
When asked what effect a weaker Rand would have on their businesses overall in 2011, the Index scored 62.22 out of a possible 100, with a score above 50 indicating a positive response.

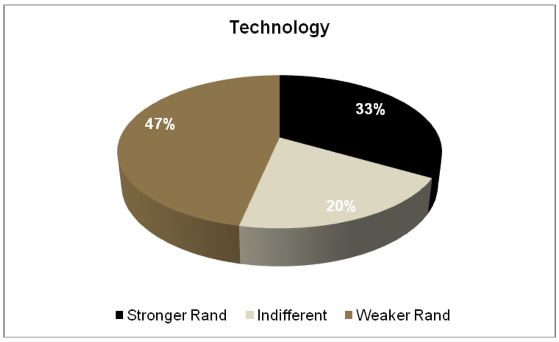
South African CEOs are citing price competitiveness of imported products and the struggling manufacturing and local mining sectors as the main drivers of their sentiment.

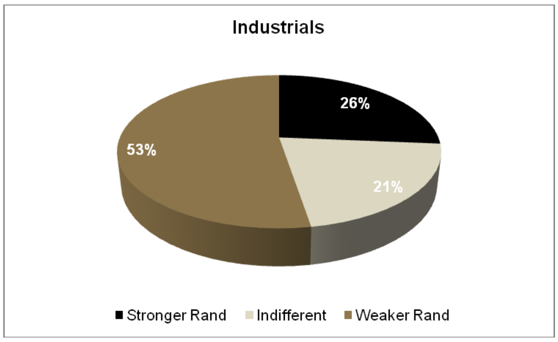
Craig Venter, CEO of Allied Technologies Limited (“Altech”) explains that “the strengthening of the Rand and its ability to hold these gains has had a negative effect in terms of the competitiveness of our exports and from increasing imports into the local market and this puts pressure on corporate profits.”

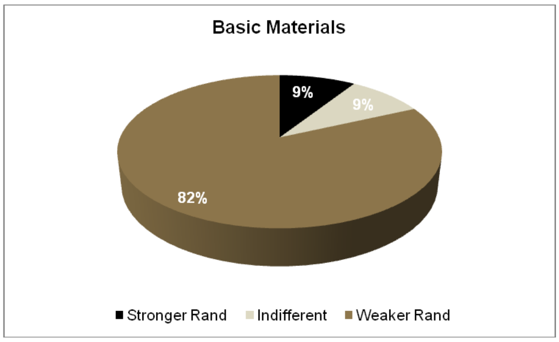
“On the flip side,” Venter continues, “the strong Rand, although affecting the competitiveness of local exports, has helped keep inflation in check, allowing the Reserve Bank to reduce interest rates.”

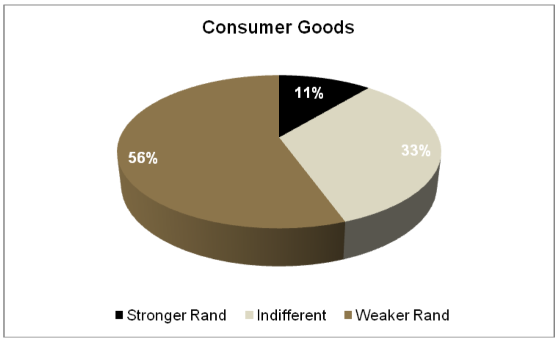
Sector Analysis

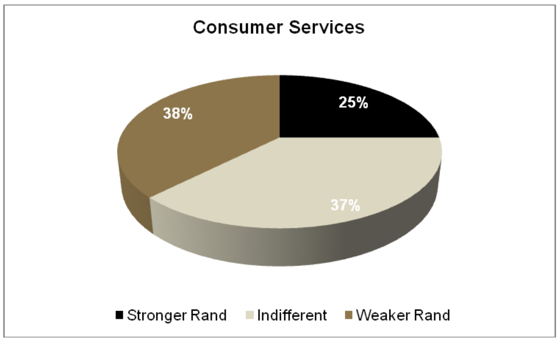












Across all the sectors, a majority of CEOs indicated a preference for a weakening Rand going into 2011.

One CEO noted that “the impact of the rand strength has significantly eroded competitiveness and allowed domestic producers overseas to fully load their manufacturing operations. South African manufacturing operations that are heavily reliant on exports sales are starting to look at drastic measures to survive in the market place. Labour and other input costs have been well above inflation when compared to overseas counterparts.”

Basic Materials looking for weaker Rand

The Basic Materials sector showed some noteworthy results, with the highest proportion of respondents indicating a preference for a weaker Rand. 82% of CEOs in this sector indicated that a weaker Rand will have a moderately to significantly better effect on their business in the coming year.

In contrast, the Consumer Services sector had the lowest proportion, with only 38% of CEOs desiring a weaker Rand. The diversity in responses between the two sectors highlights the export and import nature of the relevant sectors.

Of particular interest is the proportion of CEOs that are indifferent to the relative Rand strength. This appears to be attributable to the natural counter balancing effects of a weakening Rand, with the positive effects of lower interest rates and inflation offset by lower sales demand arising from the higher cost of inputs.

Opportunities in Africa and the Rand

South Africa has recently been known as the “doorway into Africa”. This was further enforced by 64% of CEOs who indicated, in the third quarter Merchantec CEO Confidence Index, that growth in Africa will have a notably positive influence on their businesses in the coming year.

However, it seems that there is a correlation to CEOs confidence in expanding into Africa and the relative strength of the Rand, as a CEO in the technology sector noted this quarter that a weaker Rand will result in his “expansion programme outside South Africa becoming more expensive”.

Conclusion

The majority of CEOs across all the different sectors feel that the current strength of the Rand is generally disadvantageous to their business. However, despite the overall desire for the Rand to weaken, there is always the risk with the uncertainty in financial markets, particularly in Europe and America, that foreign investors might retract foreign inflows from the South African market and the carry trade could unravel.

Venter agrees, offering a word of caution that, “the effect on the Rand [in the event of foreign capital retraction] could be detrimental and might lead to a material weakening of the Rand towards other major currencies. It will probably have a material negative ripple effect on a number of industries and the South African economy as a whole. Certain exporters might benefit from this but the volatility of the Rand will create undue economic uncertainty.”

For more information on accessing the detailed report, please contact Merchantec on 011-325-6363.

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 copyrighted report prepared quarterly by Merchantec Capital. The survey collates responses from over 100 top CEOs, primarily from the listed environment.

Quarter 4 Bonus Question: *"Overall, what effect would a weaker Rand have on your business in 2011?"*

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