CEOS CONFIDENCE STABILISED

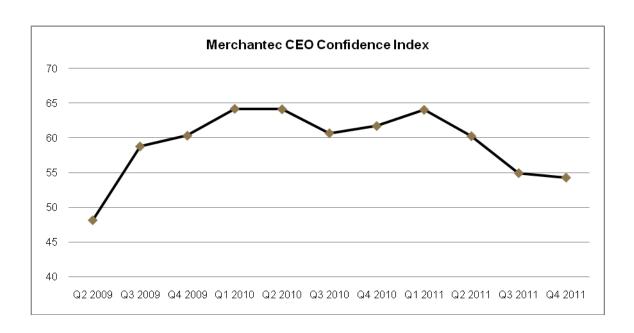
The Merchantec CEO Confidence Index remained relatively flat in the fourth quarter of 2011, with a slight dip to 54.4. This stabilisation could suggest the bottoming out of confidence as CEOs begin to look toward a better year in 2012.

The financial sector was the most bullish of the sectors showing an increase of 10.4% to a score of 59.2, following its 23.3% decrease last quarter. This improved optimism can be attributed to the political reshuffling in Europe and international central banks' recent decision to cut rates and make dollars cheaper as attempts to ease the sovereign debt crisis continue. Furthermore, the encouraging economic data, specifically relating to consumer spending, which came out of the United States during the last quarter of the year has also had a positive influence on the confidence of CEOs in the financial sector.

Despite the stabilisation in the overall confidence of the index, there are still indicators that CEOs believe we are not yet out of the woods. The "raising of debt or equity" component of the index showed the biggest decline in confidence, with a 10.2% decrease to a score of 53.6. This dip in confidence comes on the back of Germany - Europe's most successful economy throughout the sovereign debt crisis - being unable to find investors for all of its government bonds in a fresh placement during the last quarter of the year.

The volatility in markets and economies both locally and abroad is driving dichotomous perceptions in confidence. With local GDP estimates being revised downward for the third quarter of the year, markets remain unsettled by fragile sentiment and speculation about the future of the monetary union. Furthermore, the manufacturing sector in China contracted for the first time in nearly three years in November, prompting fears that the Chinese economy is also heading for troubled waters. On the contrary, the latest employment and inflation figures bode well for growth locally. The delicate nature of the economy is echoed by CEOs confidence, in particular the "economic conditions" component of the index, which despite experiencing the biggest increase in confidence of any component, up 11.6%, is the only component of the index below the neutral score of 50.

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.

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More about the Merchantec CEO Confidence Index

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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.

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