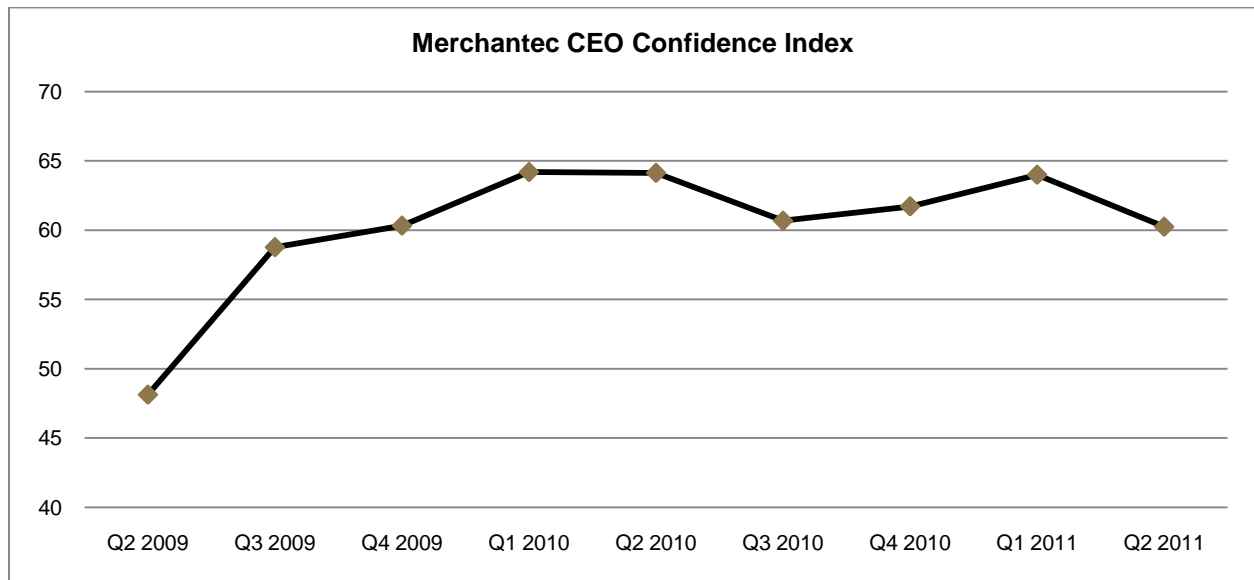


CEOs CONFIDENCE DAMPENED IN WAKE OF STALLING ECONOMIC RECOVERY

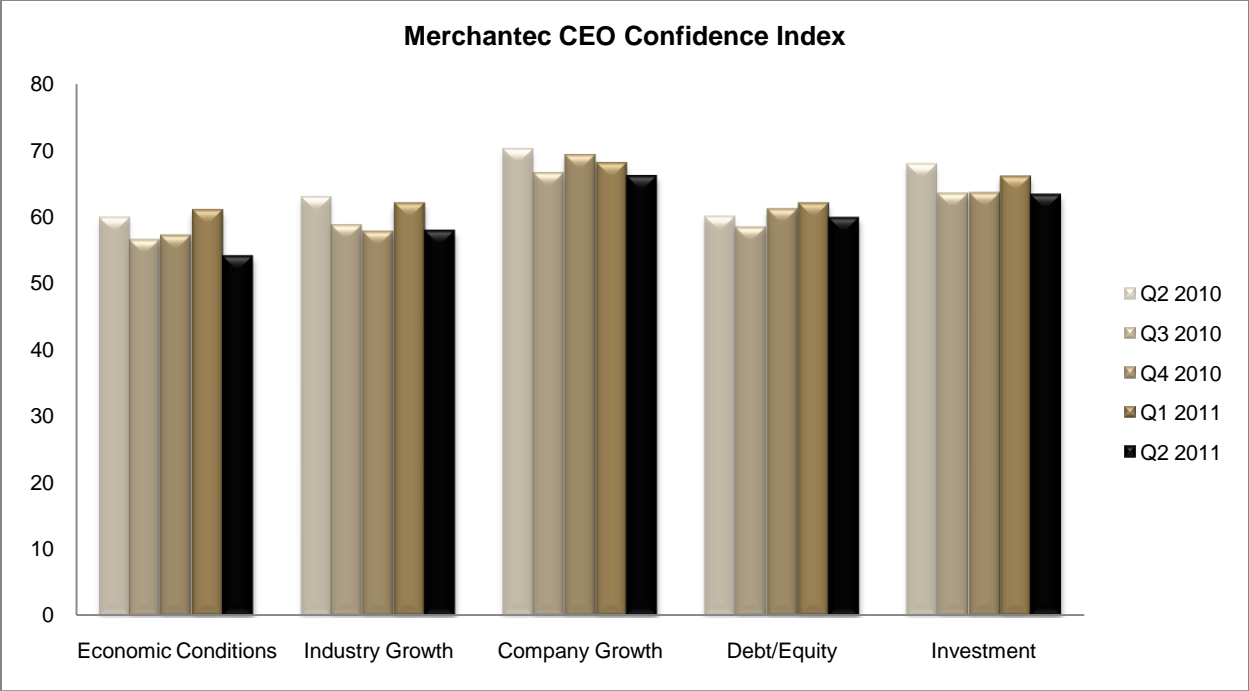
The Merchantec CEO Confidence Index ticked downward in the second quarter of 2011 with a 3.75 point decrease to a score of **60.24**, reflecting a dip in CEO confidence as both the local and global economies stutter.



Bernie Krone, CEO of EsorFranki Limited notes that, “South Africa is not completely immune to turbulence in the global economy,” however he suspects that “CEOs sentiment might be driven more by local factors,” particularly pointing to the protracted delays in government’s awarding of contracts and the continued speculation around nationalisation, amongst others, as having a negative impact on the construction industry.

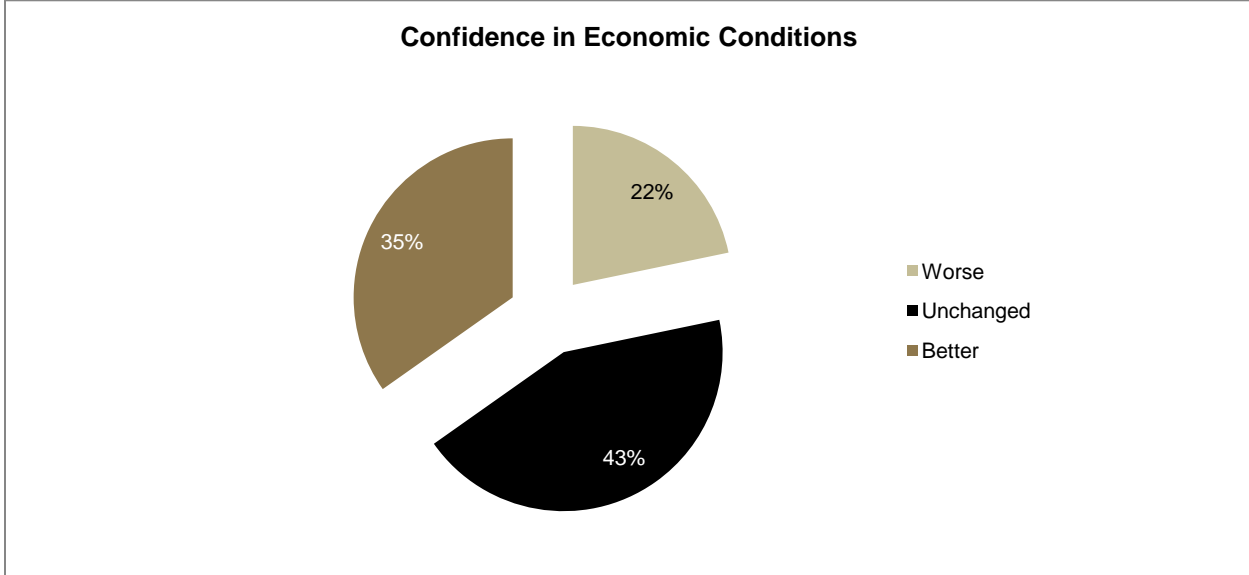
Merchantec CEO Confidence Index Results

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.



Confidence in economic conditions

CEOs confidence in economic conditions took a particular dive this quarter, with this component of the Index falling 11.4% to a score of 54, the lowest it has been since the third quarter of 2009. From the viewpoint of the construction sector, Mr Krone attributes this decline in confidence to being driven by the, “negative perspective internally, labour unrest and municipalities not spending their budgets,” he continued that it’s a case of the age old adage, that, “when Murray and Roberts sneezes, the whole construction industry catches a cold.”



Planned level of investment and ability to raise capital

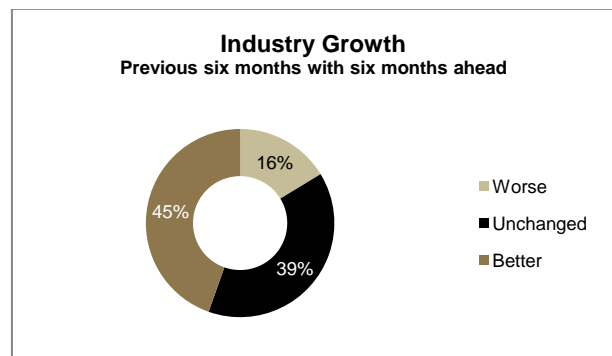
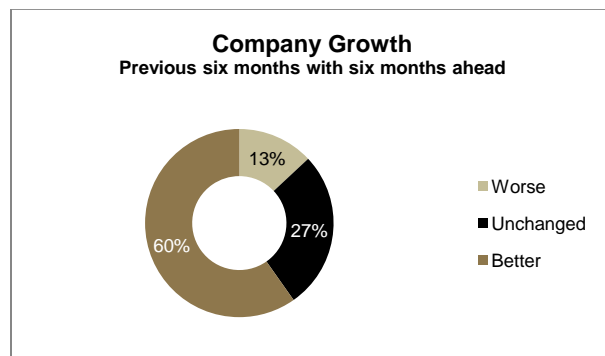
CEOs confidence in the planned level of investment in their companies dipped slightly to a score of 63, while confidence in raising capital showed little variation, moving from 62 to 60. When considering confidence to raise capital per sector, industrials recorded the highest score of the sectors, registering a one point increase up to 64.

While each component of the index decreased this first quarter, confidence in the ability to raise capital was the component of the index that declined the least. “Lenders are still risk averse, but this must eventually bottom out as the cash reserves must be piling up,” commented Mr Krone, “and the fact that this score is highest in the industrials sector, could mean that CEOs in this sector see this as the bottom of the cycle.”

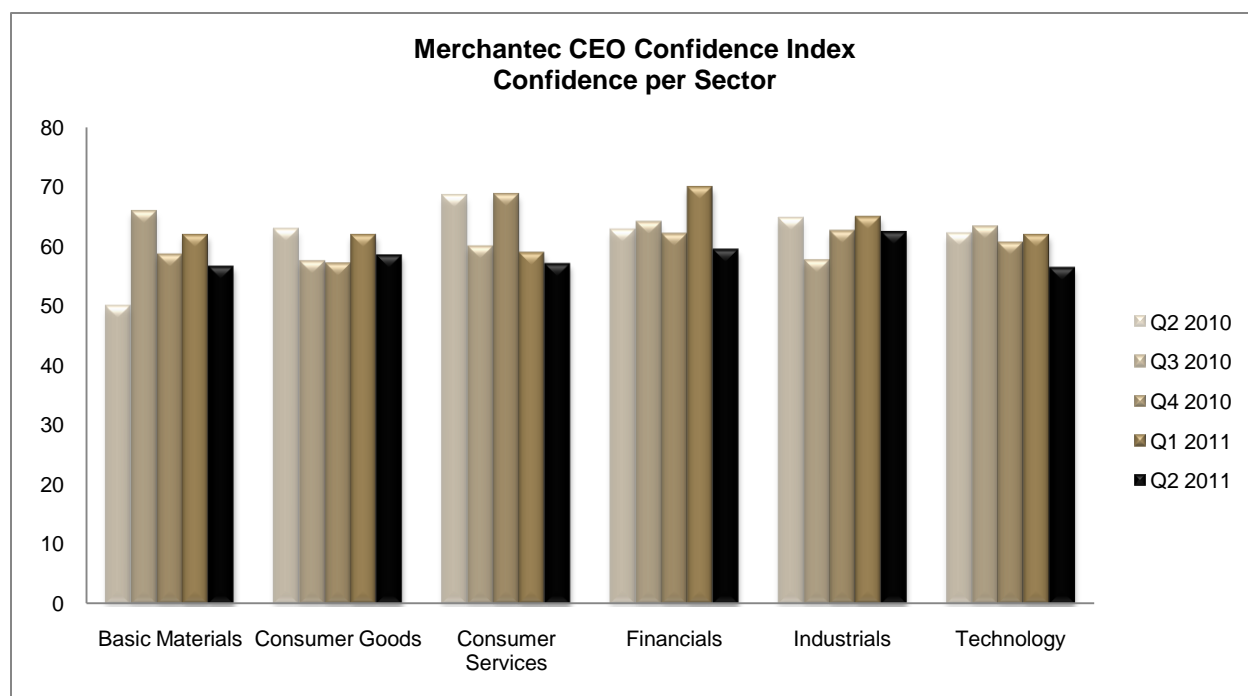
Company and industry growth

Whilst CEOs confidence in company growth remained relatively flat in the second quarter of 2011, this component of the index, still recorded the highest score of all the components, recording a score of 66. Mr Krone noted that despite inflation coming in higher than expected, “it would be a mistake to raise interest rates too soon, based on influences out of Government’s control, such as the oil price.” Mr Krone also pointed out that, “it is important that consumer spending picks up over the next year or so.”

“South Africa caught a cold because of the global credit crunch but the construction sector ended up with double pneumonia because of Eskom,” remarked Mr Krone about the fortunes of the sector over the past few years. Going forward, however, he was particularly bullish about the prospects of his own company and mentioned that “the demand in Africa augers well for the industrials sector.” Mr Krone doesn’t see the current lower levels of demand in the construction sector as being indicative of demand levels in the medium to long term; while in the short term he sees nodal development driving demand locally, noting development around the airports and areas such as Sandton.



Confidence per Sector



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

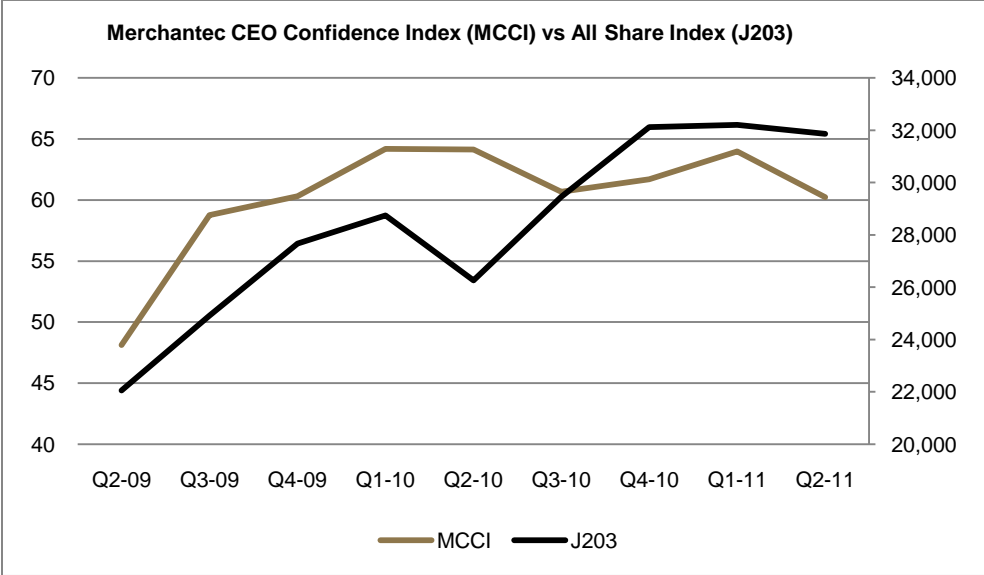
The financial services sector recorded the biggest decline in confidence, showing a 15.0% decrease to a score of 60, the lowest it has been since the fourth quarter of 2009.

The technology and basic materials sectors also experienced noteworthy dips in confidence during the second quarter of 2011, dropping from 62 to 56 and 62 to 57 respectively, to be the two lowest scoring sectors.

Relatively speaking, the sector whose CEOs were the most confident, is the industrials, though this sector too experienced a 3.8% quarter-on-quarter decrease. The fact that this was the highest scoring of all the sectors, reiterates Mr Krone's stance that CEOs in this sector may feel that the cycle has bottomed out.

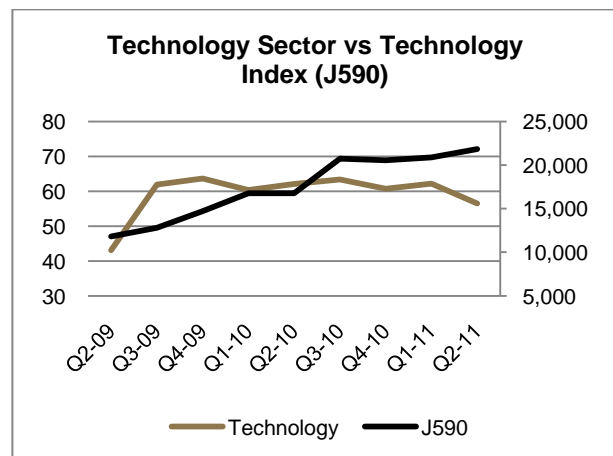
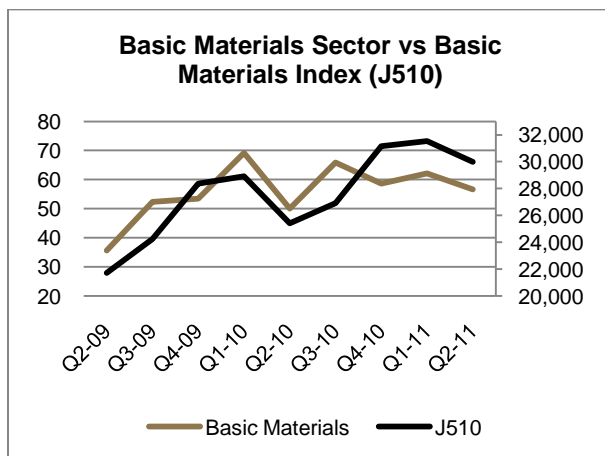
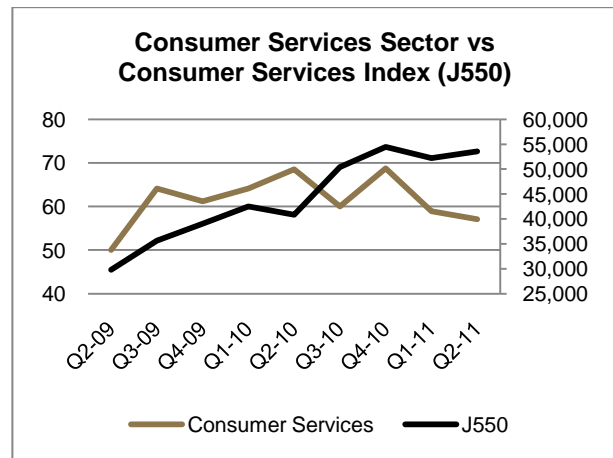
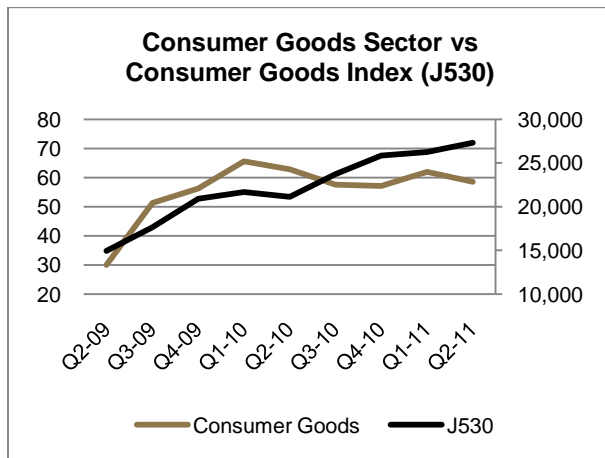
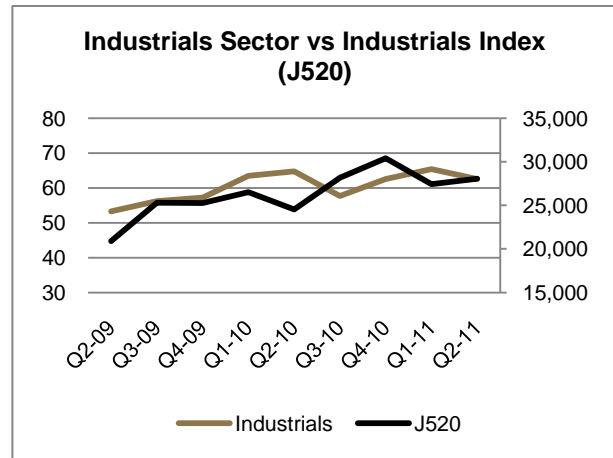
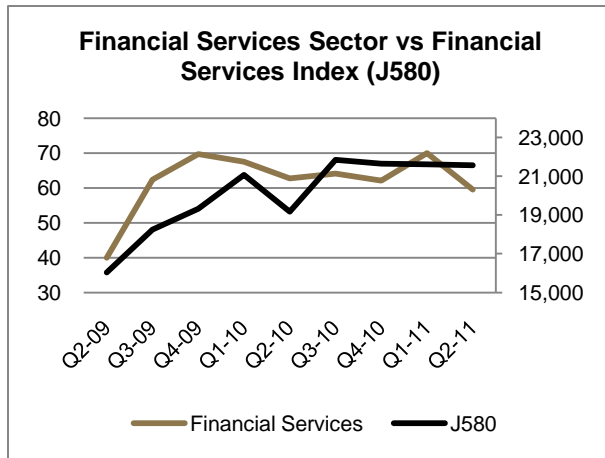
Merchantec CEO Confidence Index vs JSE Sector Indices

The Merchantec CEO Confidence Index, being a forward looking index, lends itself to comparability with the markets which too are forward looking in nature.



Over the nine quarters, the Merchantec CEO Confidence Index has tracked the ALSI closely with the exception of the divergence in the third quarter of 2010. Following the Merchantec CEO Confidence Index second quarter results, one can see from the graph above that there is once again a close correlation.

When comparing the relevant sectors of the confidence index against their corresponding sector indices performance, it is evident that the CEOs' confidence is being tracked by the indices.



For more information on the Merchantec CEO Confidence Index please find attached a detailed report or contact Dora-lee on 011-325-6363.

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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.