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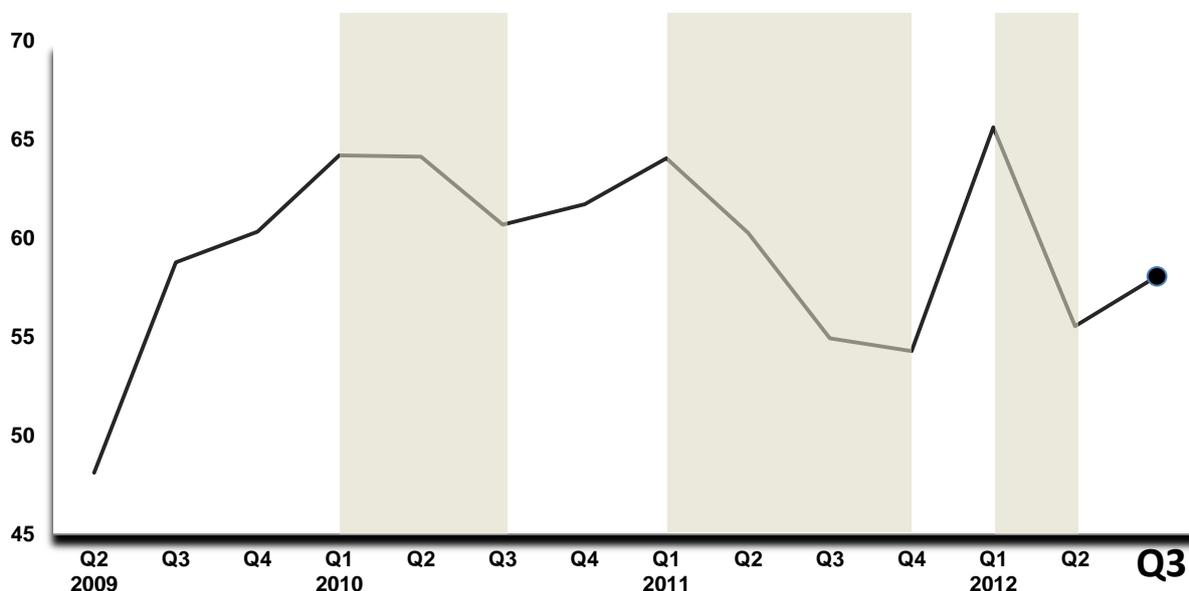
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**CONFIDENCE RECOVERING EXCEPT FOR FINANCIAL SERVICES,  
CEOs BELIEVE RATES ON HOLD FOR NOW**

The Merchantec CEO Confidence Index recorded a marginal rebound in overall confidence as it rose 4.5% to a score of **58.06** in the third quarter of 2012. The Financial Services sector slumped 17.5% despite increases in sentiment across all other sectors as increased regulation, fines and banking scandals have plagued this industry. Respondents in this sector were particularly bearish about their own company growth prospects with a 20.6% decrease in this component of the Index.

75.4% of South African CEOs believe that the Reserve Bank will not cut interest rates further this year. This high majority shows that CEOs are not pricing rate cuts into their outlook. This creates an opportunity for the Monetary Policy Committee to surprise at policy meetings for the remainder of the year.

**Graph 1 Merchantec CEO Confidence Index**



Third quarter results recorded material confidence growth in both Consumer Goods and Consumer Services sectors. Consumer Goods recorded a score of 52.83 and Consumer Services a score of 56.05, an increase of 11.27% and 12.11% respectively. Escalations in confidence could be attributed to an increase in consumer spend as a result of heightened levels of unsecured lending, the July

interest rate cut and high third quarter growth within the retail space. However, the increase in consumer spend coupled with rising food, fuel and electricity prices could pose an inflationary risk should interest rates be cut further this year.

Historically, CEOs' confidence in economic conditions is low in the third quarter. This is reflected once again by confidence rising only 2.2% in this component of the Index, the lowest increase of all components. Uncertainty has continued abroad, Eurozone countries have not shown signs of recovery and growth in the BRIC Nations continues to be slow. Locally, unrest within the Basic Materials sector is tarnishing investor confidence, should this have a ripple effect through multiple industries, confidence in economic conditions will be under further pressure in the fourth quarter.

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 a copy of the full report for the third quarter of 2012 or for previous quarterly reports on the Merchantec CEO Confidence Index, please email Rick Irving at [rick@merchantec.co.za](mailto:rick@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.