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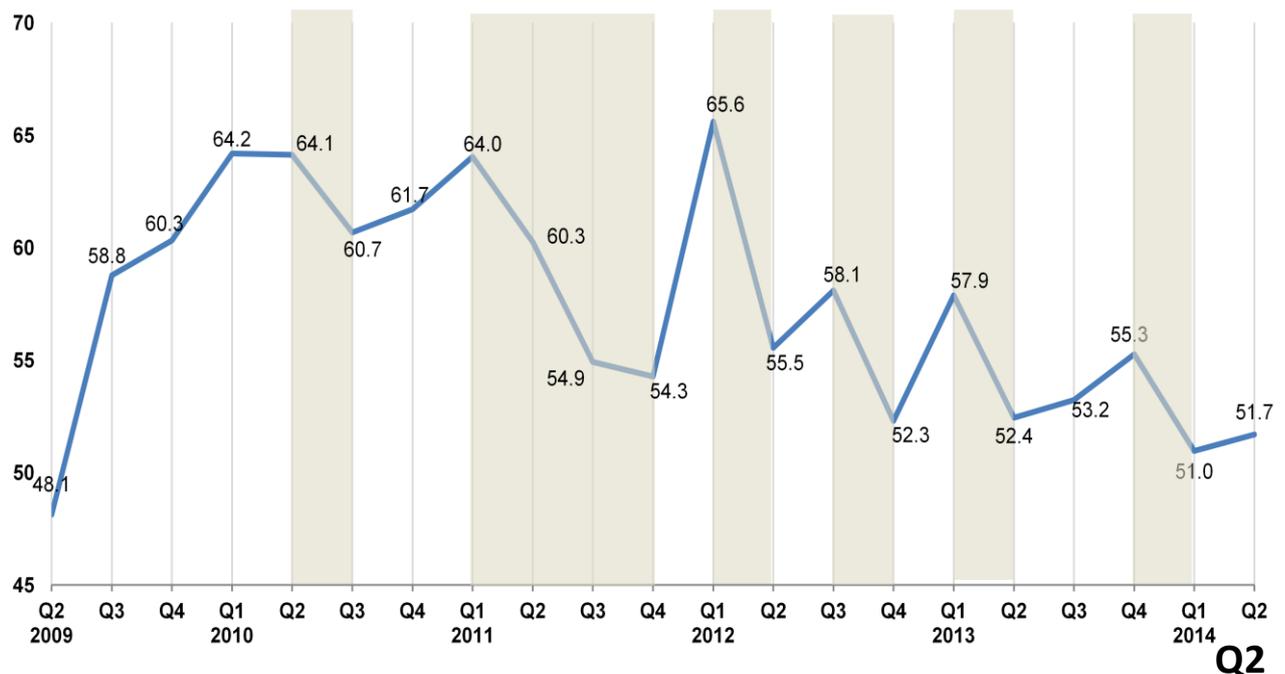
CEO confidence remains low due to ongoing labour unrest in the Basic Materials sector

The [Merchantec CEO Confidence Index](#) recorded a marginal quarter-on-quarter increase of 1.4% from 51.0 points in Q1 2014 but remained low at 51.7 points in Q2 2014. Confidence in the Basic Materials sector dropped significantly, experiencing a 16.6% decrease to a score of 45.4 points, not surprising given the protracted labour disputes among platinum producers. Confidence in the Technology sector also experienced a decrease of 3.2% to 52.8 points. These decreases were offset by a 10.4% increase in overall confidence in the Consumer Services sector to 55.4 points, a 6.7% increase in the Financial sector to 55.1 points, a 3.0% increase in the Consumer Goods sector to 49.1 points and an increase of 2.6% in the Industrials sector to 50.6 points.

The overall increase in confidence in the Financial sector is being mirrored in the confidence of CEOs in all sectors in their ability to secure debt/equity capital for their business activities, which increased by 4.1% from the previous quarter. Confidence relating to industry growth expectations increased by 2.5%, mainly driven by increases in the Consumer Goods (29.5%) and Consumer Services (19.9%) sectors, which were largely offset by the decrease in confidence in the Basic Materials (-21.3%) sector .

Many CEOs expressed concern that the market may be overvalued, and therefore are expecting the JSE All Share Index to undergo a major correction in the near future. The labour unrest in the Basic Materials sector has placed a major drain on the economy as a whole and CEOs are expecting to feel the effects of the ongoing strike for months to come.

Merchantec CEO Confidence Index



Financials recorded the second largest increase in confidence, rising by 6.6% from 51.7 to 55.1 points, driven by an 18.5% increase in confidence relating to their planned level of investment in company business activities, and an 11.6% increase in confidence relating to their ability to secure debt/equity capital for business activities.

Consumer Services recorded the largest increase in confidence, rising 10.4% from 50.2 to 55.4 points. The increase in sentiment was primarily driven by a 21.9% increase in confidence relating to economic conditions, and a 19.9% increase in confidence relating to their industry growth expectations.

Basic Materials recorded the greatest decrease in confidence for the second quarter of 2014, down by a significant 16.7% from 54.5 to 45.4 points. The drop in sentiment was primarily driven by a 37.0% decrease in confidence relating to current economic conditions, and a 23.1% decrease in confidence relating to their planned level of investment in company business activities.

ENDS

For a copy of the second quarter 2014 Merchantec CEO Confidence Index Report or for previous quarterly reports, please email Niki Rayner at niki@merchantec.co.za or visit [Merchantec CEO Confidence Index](#) for past results.

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 1 000 top CEOs, primarily from the listed environment.

About Merchantec Capital

Merchantec Capital is one of the largest independent Equity & Debt Sponsor, Research and Corporate Finance Advisory companies in South Africa, with offices in Johannesburg, Cape Town and Windhoek, Namibia.

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