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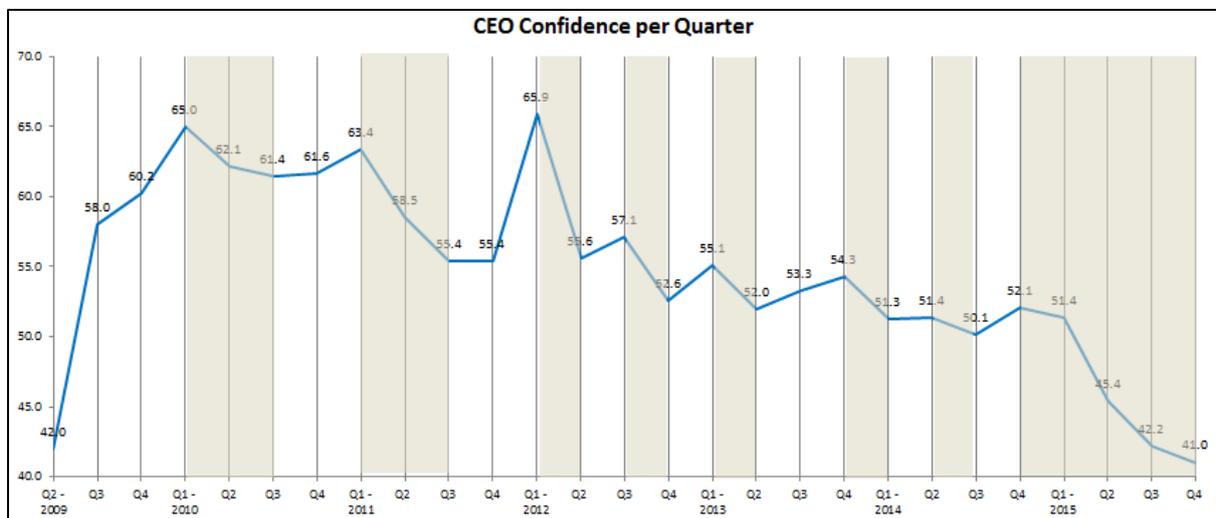
CEO Confidence at an all-time low

The [Merchantec CEO Confidence Index](#) reported a record decrease in CEO confidence at 41 points in Q4 2015. This is the lowest score recorded in the Merchantec CEO Confidence Index since its inception in Q2 2009. This is also the fourth consecutive quarter in which confidence of CEOs has dropped, resulting in a negative outlook for 2016. The loss of CEO confidence in South Africa is represented across all sectors including Basic Resources, Industrials, Financials, Information and Communication Technology, Consumer Goods, and Consumer Services.

CEO confidence by sector had the largest decrease in Financials at 18.2%. The Industry Growth component of the Index, had the largest decrease in confidence at 5.4% with the Financials sector having the biggest decrease of 39.2%.

Confidence relating to the current economic conditions dropped significantly by 4.9% from a score of 30.64 points to 29.13 points, with the largest decrease demonstrated by CEOs in the Financials sector, while the Technology sector had the largest increase at 44.3%.

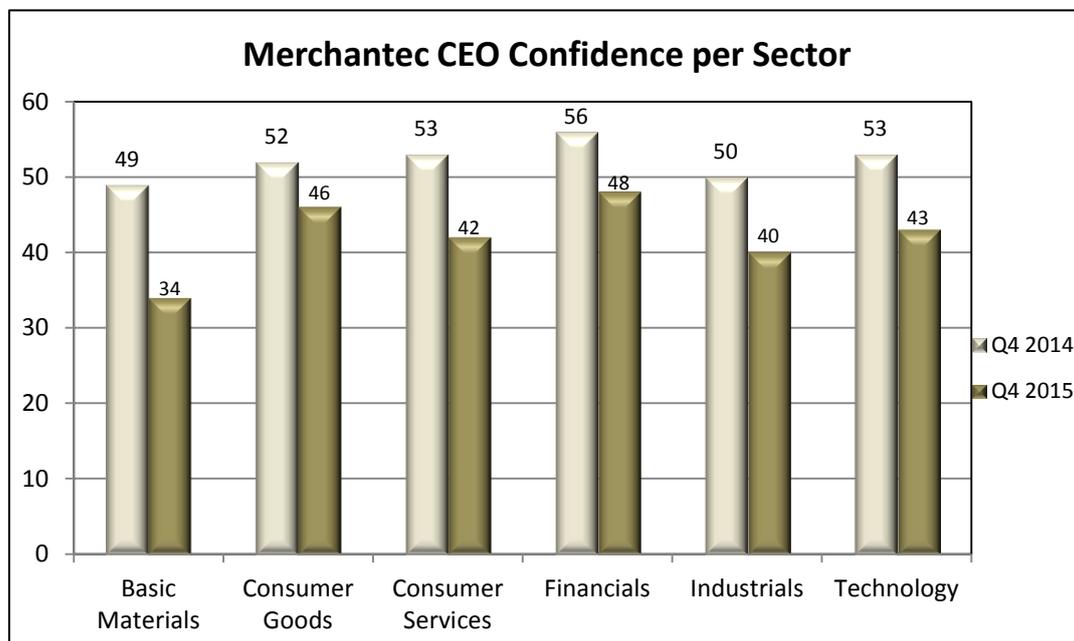
South African CEOs see the current economic conditions in the country as moderately worse compared to six months ago. On average, CEOs are expecting growth in their industry to decline from 2015, while growth expectations for their companies is forecast to remain unchanged. The confidence levels of the majority of CEOs - with regards to obtaining debt/equity capital and planned levels of investment - remain constant.



Basic Materials continued its decrease in confidence over the past few quarters, dropping by 16.7% from a score of 34 in Q3 2015 to 28.33 points for Q4 2015. The decrease in confidence was driven by a 31.6% decrease in confidence relating to their industry growth by sector expectations, a 20.6% decrease in confidence relating to their company growth expectations, a 20.6% decrease to their planned level of investments, and a decrease of 19.2% decrease in confidence relating to economic conditions.

Consumer Services recorded an increase in confidence, lifting 2.6% from a score of 42.33 in Q3 2015 to 43.44 points in Q4 2015. The increase in sentiment was primarily driven by a 10.3% increase in confidence relating to their company growth expectations, a 9.4% increase relating to their planned level of investments, a 3% increase in confidence relating to industry growth, and a 1.4% increase in confidence relating to economic conditions.

Financials recorded the largest decrease in confidence with a score of 39.59 points in Q4 2015, from the 48.39 points recorded for Q3 2015, dropping further below the neutral score line (50 points). The 2.6% increase in confidence relating to planned level of investment in business activities and 1.7% increase in confidence relating to their ability to secure debt or equity capital in the Financial sector was offset by a 39.2% decrease in confidence relating to industry growth expectation, a 35.5% decrease in confidence relating to economic conditions, and a 25% decrease in confidence relating to their company growth expectations.



For the 2015 year, in which confidence decreased in all quarters, Basic Materials had the most significant drop of 30.6%, while Consumer Goods only slightly decreased by 13%. CEOs in the Financials sector consistently had the most confidence despite the decrease. Confidence in the Consumer Goods and Technology sectors also remained high despite decreases. The constant decrease of CEO confidence throughout the four quarters present a possible continued decrease in 2016.

ENDS

For a copy of the fourth quarter 2015 Merchantec CEO Confidence Index Report or for previous quarterly reports, please email Kira Harrison at kira@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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