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### Volatile Rand expected in 2017

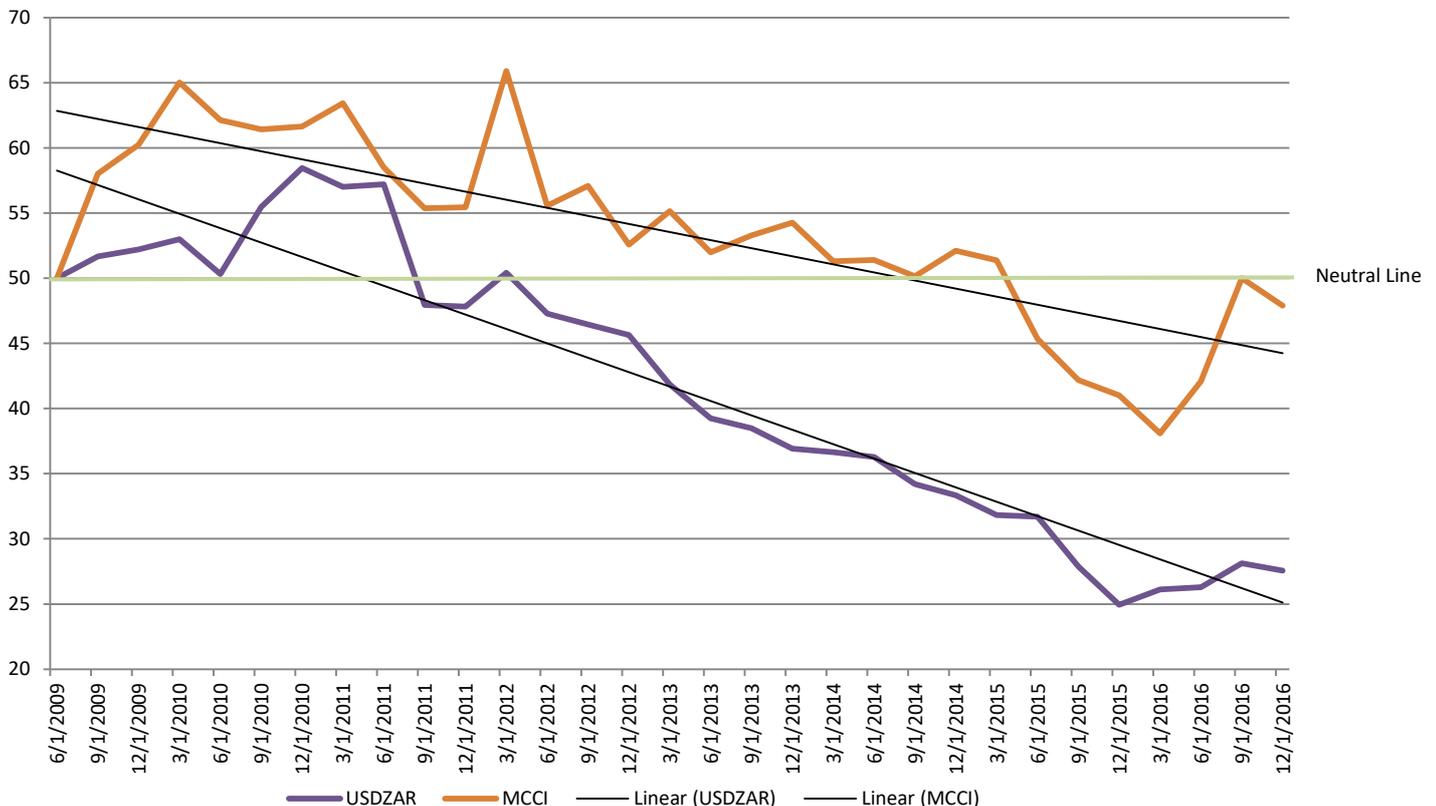
The [Merchantec CEO Confidence Index](#) has suffered a setback, following its gradual recovery in Q2 and Q3 of this year, declining 2.1% for Q4 2016. The index now lies below the neutral score line of 50, at 47.9.

CEOs believe that the Rand gains, following the dropped charges against Pravin Gordhan and the news of escaping a junk rating, are likely to be short-lived. The CEO Confidence Index, which is a forward-looking indicator, has closely tracked the Rand since 2009 and as concerns still cloud local economic outlook, the value of the Rand may depreciate even further in 2017.

Factors such as political uncertainty, government infighting, the State Capture report, growing unemployment rates, nuclear plans, and B-BBEE policies all remain a concern for CEOs regarding the state of our economy.

The overall depreciation is supported by a decrease in confidence across all six industry sectors measured, as CEOs believe that current economic conditions in South Africa, compared to six months ago, are deteriorating, as indicated by a confidence decrease of 2.3%. Overall, industry growth outlook decreased by 10.1%, and furthermore, South African CEOs see their ability to secure debt or equity capital as moderately worse compared to six months ago (-2.9%).

### CEO Confidence and USDZAR exchange rate per quarter (2009-2016)



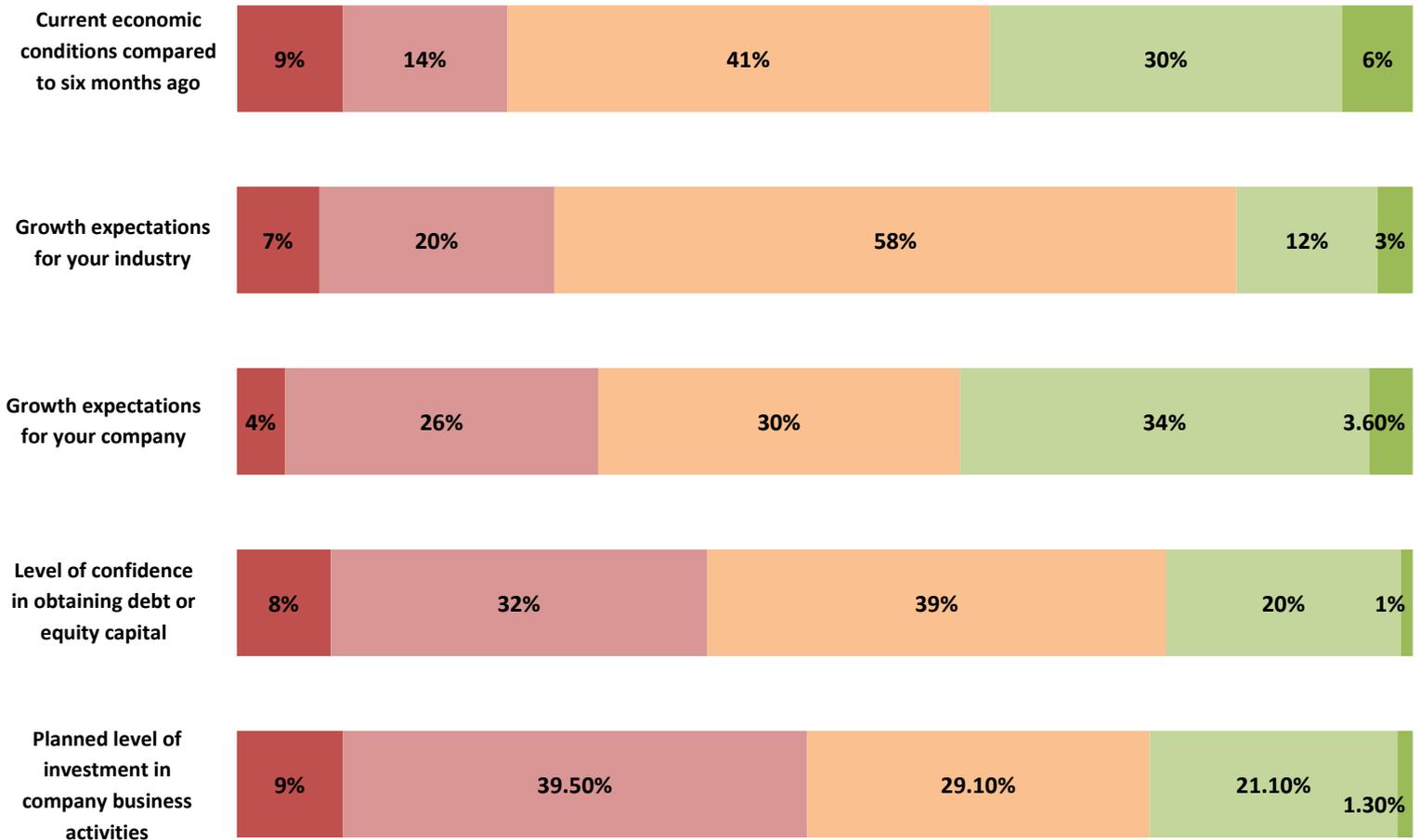
## 4th Quarter 2016

**Basic Materials** decreased in confidence by 11.3% to 44.67 points. The decline in overall confidence was driven by decreases in contributing individual components, specifically by the 22.6% decrease in planned levels of investment, and the 19.5% decrease in the debt/equity environment.

**Consumer Services** recorded a 0.3% increase in confidence in Q4 2016. The sentiment was primarily driven by a 12.6% increase in the confidence relating to the debt/equity environment and the 4.6% increase in confidence relating to planned levels of investment. These were offset by a decrease in confidence relating to industry growth (8.7%) and economic conditions (4.9%).

**Financials** recorded a decrease in confidence of 1.4% in Q4 2016. The fall in confidence can be attributed to a 34.7% decrease in confidence relating to industry growth, and a 0.6% decrease in confidence relating to company growth. There was, however, an increase in the confidence relating to the debt/equity environment and planned levels of investment, both at 12%.

■ Substantially worse ■ Moderately worse ■ Neutral ■ Moderately better ■ Substantially better



As indicated by the graph above, 39.5% of CEOs perceive their planned level of investments to be 'moderately worse' compared to six months ago, whereas 58% of CEOs expect the growth expectations of their industries to remain unchanged.

## ENDS

For a copy of the fourth quarter 2016 Merchantec CEO Confidence Index Report or for previous quarterly reports, please email Kira Harrison at [kira@merchantec.co.za](mailto: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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