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### CEO Confidence on the Rise

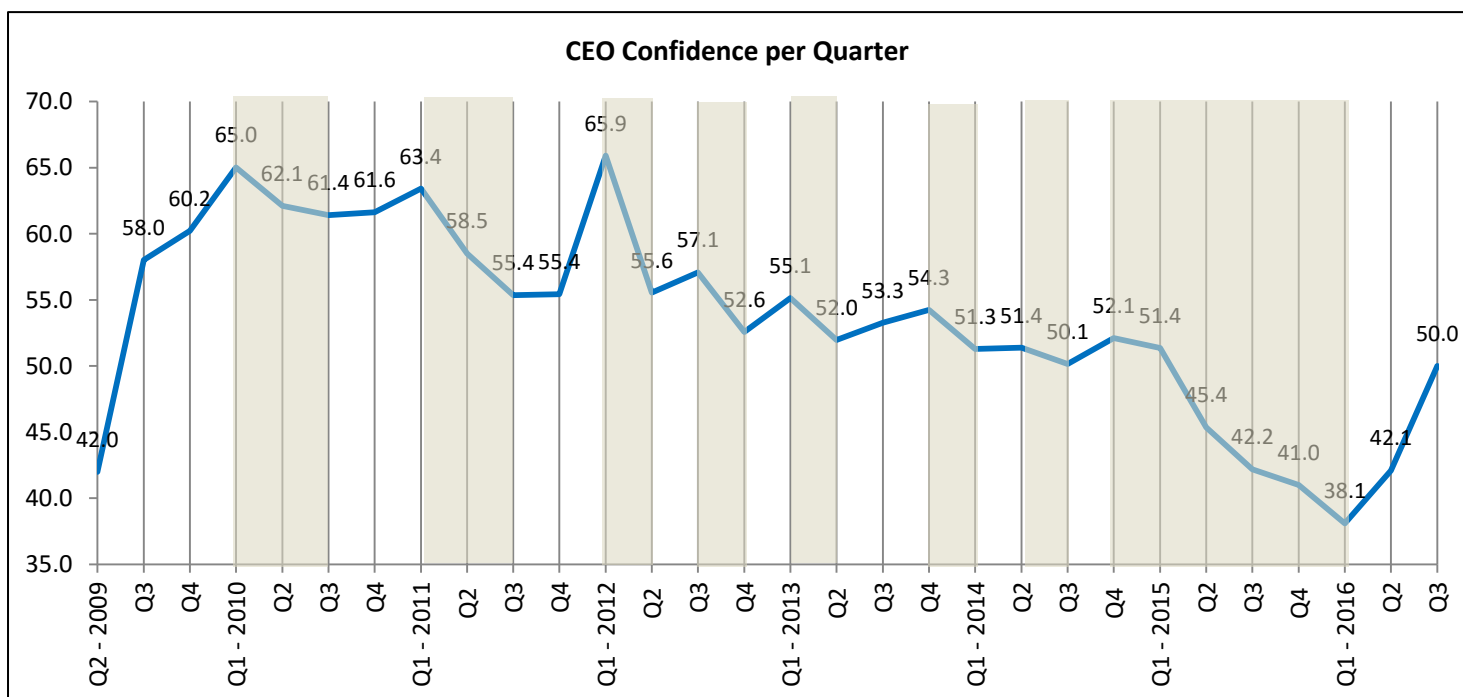
The [Merchantec CEO Confidence Index](#) recorded an 18% improvement in CEO confidence between Q2 and Q3 of 2016, continuing the upward trend in confidence since Q1 2016. The index now lies at the neutral score line of 50, returning to the confidence levels seen in Q3 2014. The overall upturn is supported by an increase in confidence across all six industry sectors measured, with the most significant increase in the Technology sector (36%).

CEOs across all six industry sectors believe current economic conditions in South Africa compared to six months ago are significantly recovering, as indicated by a confidence increase of 53.1%. Overall, industry growth outlook increased by 24.7%. Furthermore, South African CEOs see their ability to secure debt or equity capital as moderately better compared to six months ago (12.2%). On average, CEOs are expecting growth in their company, industry, and planned levels of investment to increase.

In line with the overall increase in confidence, 59.3% of South African CEOs believe that South Africa will not go into a recession in 2016, this is believed to be mostly due to the strengthening of the Rand and the improvement in commodity prices leading into Q3 as well as the results surrounding the peaceful municipal elections.

The possible impact on CEOs confidence from recent developments, surrounding the Hawks and the Finance Minister Pravin Gordhan, is expected to be fully reflected in Q4 2016.

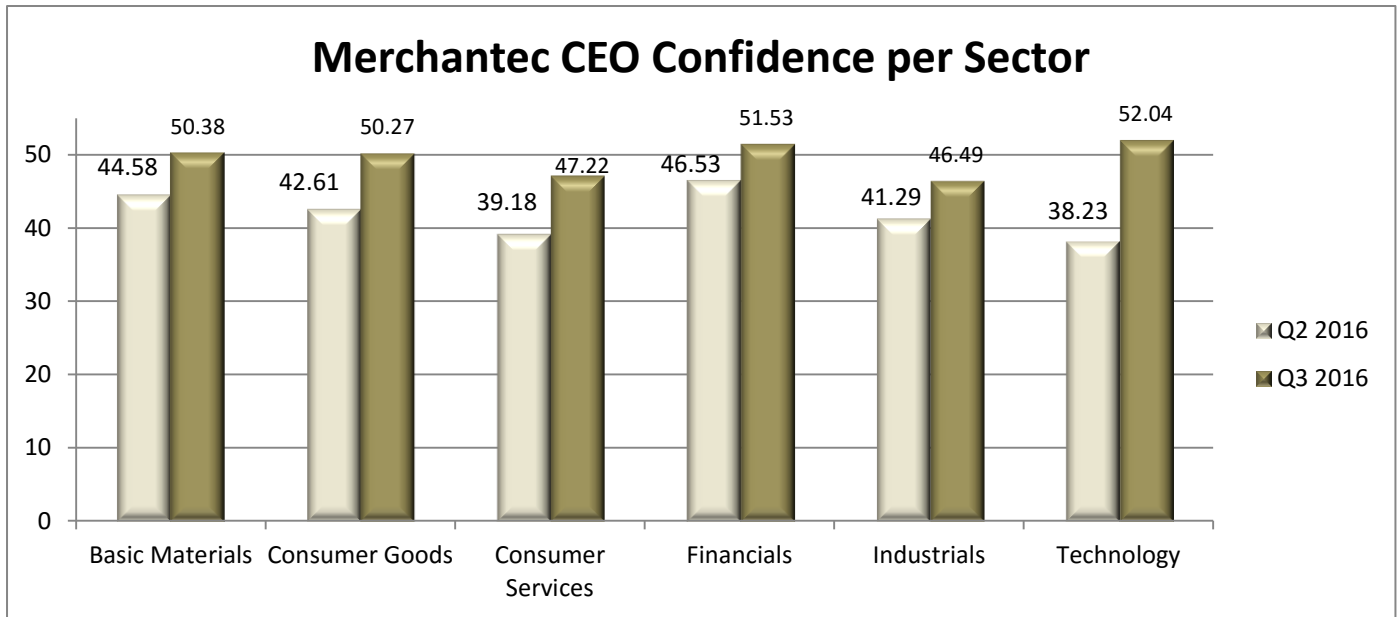
**CEO Confidence per Quarter**



**Basic Materials** increased in confidence by 13% to 50.38 points. The increase in overall confidence was driven by increases in contributing individual components, specifically by the 61.5% increase in economic conditions confidence, and the 26.3% increase in industry growth expectations.

**Consumer Services** recorded a 19.5% increase in confidence in Q3 2016. The sentiment was primarily driven by a 35.3% increase in the confidence relating to economic conditions and 24.5% increase in confidence in industry growth. These were followed by an increase in confidence relating to company growth expectations (17.5%), the debt/equity environment (12.5%) and planned levels of investment (12.8%).

**Financials** recorded an increase in confidence of 9% in Q3 2016. The rise in confidence can be attributed to a 39.3% increase in confidence relating to industry growth, a 34.1% increase in confidence relating to economic conditions and a 10.7% decrease in confidence relating to debt/equity environment.



On average, the confidence index has continued to increase since the 1<sup>st</sup> quarter of 2016. This indicates a positive outlook for the remainder of the year if this trend is to be sustained.

**ENDS**

For a copy of the third 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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