

# Consumer Confidence Survey

Quarterly analysis of consumer expectations

Second quarter 2017

**Editor: Harri Kemp**

**Linette Ellis**

Email: [jhkemp@sun.ac.za](mailto:jhkemp@sun.ac.za)

Tel: +27 21 887 2810

Fax: +27 21 883 3101

**Technical assistance:**

Ester Manefeldt

**Language Editor:**

Jenny Tucker

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# Executive summary

Having increased from -10 in 2016Q4 to -5 in 2017Q1, the FNB/BER Consumer Confidence Index (CCI) fell back to -9 in the second quarter.

In the first quarter, consumers - like business people and analysts - expected the economy to perform better in 12 months' time. However, consumers reversed their view on the prospects for the economy in the second quarter. The economic outlook sub-index fell sharply in 2017Q2 and can mainly be attributed to the confidence shock in the wake of the sovereign credit downgrades.

Additionally, fewer consumers expect their own household finances to improve in the next 12 months compared to the first nine months of 2016. Low income households in particular remain downbeat in the face of higher prices for necessities such as food and beverages.

Finally, most consumers continue to regard the present time as unsuitable to buy durable goods, such as new vehicles, furniture, appliances and other non-essential and typically more expensive goods.

The cumulative effect of increasing prices for necessities, weak job creation and subdued income growth appears to be weighing on consumer confidence.

Per capita real disposable income is set to deteriorate further on the back of exceedingly poor economic growth, little to no job creation, and substantial increases in personal income taxes for middle and high-income earners. In addition, extraordinarily weak business confidence levels will keep a firm lid on household credit extension in coming months. Bar a swift, confidence-inspiring change to South Africa's current political landscape, consumer spending is likely to remain depressed during the remainder of 2017.

# Contents

|   |   |
|---|---|
| Summary of the 2017Q1/Q2 consumer confidence survey results ..... | 1 |
| Consumer confidence remains in the doldrums .....                 | 1 |
| Technical note.....   | 4 |
| LSM data* .....   | 5 |

# Summary of the 2017Q1/Q2 consumer confidence survey results

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## Consumer confidence dips in 17Q2

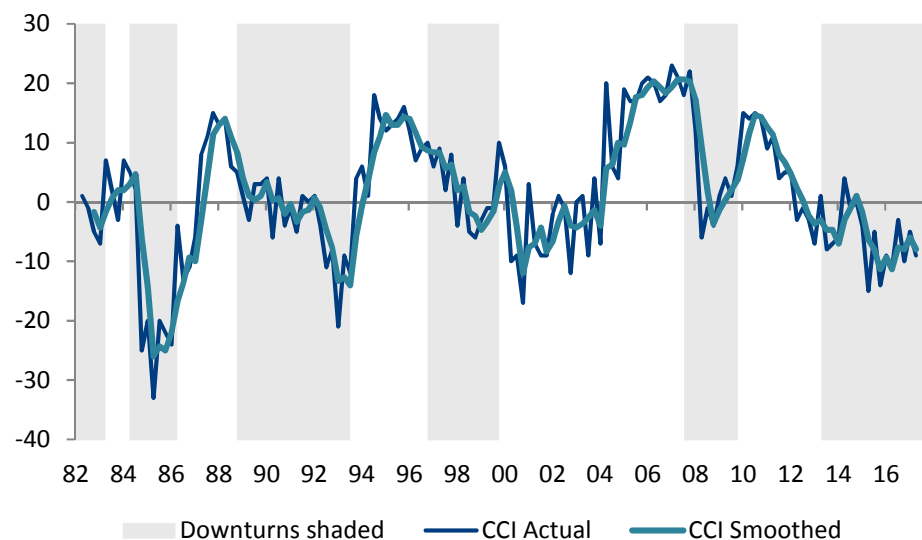
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### Consumer confidence remains in the doldrums

After increasing from -10 in the fourth quarter of 2016 to -5 in the first quarter of 2017, the FNB/BER Consumer Confidence Index (CCI) fell back to -9 in the second quarter.<sup>1</sup>

A reading of -9 indicates that consumer confidence remained relatively low given that it has averaged +4 since 1994. However, it remained above the most recent low of -15 registered in the second quarter of 2015.

Figure 1: Consumer confidence remains depressed



Source: BER

To estimate the CCI, the BER uses a respected market research company to pose three standard questions to 2 500 predominantly urban adults throughout South Africa every quarter. The release of the first quarter results was delayed due to the usual service provider not conducting a survey in the first quarter and the lead time of the alternative firm being longer. The first quarter interviews were conducted in April / May and the second quarter in June, with the results for both quarters being processed simultaneously in the second quarter.

In the first quarter, consumers - like business people and analysts - expected the economy to perform better in 12 months' time. This was, in part, supported

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<sup>1</sup> The fieldwork for the first quarter survey took place between 4 April and 13 May and that for the second quarter between 26 May and 22 June.

by the actual improvement in agriculture production in the summer rainfall areas, a moderation in inflation and tentative signs of an economic upturn taking hold in advanced economies.

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Consumers'  
rating of  
economic outlook  
deteriorates

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However, consumers reversed their view on the prospects for the economy in the second quarter. The economic outlook sub-index fell from -1 to -22, a reading consistent with that at the end of last year. This U-turn could mainly be attributed to the confidence shock in the wake of the sovereign credit downgrades following the cabinet reshuffle at the end of March, and news that the South African economy has entered a recession.

During the first six months of 2017, on average, fewer consumers expect their own household finances to improve in the next 12 months compared to the first nine months of 2016. The household financial outlook sub-index declined slightly from +6 in the fourth quarter to +3 in the first quarter and then edged up back to +6 in the second quarter of 2017.

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Weak income  
growth weighing  
on confidence /  
spending

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Usually a decline in inflation boosts households' spending power in real terms, as salaries and wages typically increase by more than inflation on such occasions. However, this time around, the increase in salaries and wages was not only modest by historical standards, but the increase in personal taxation in the second quarter also almost fully offset what modest real increase remained. The weak state of the economy and the related poorer financial performance of many private firms not only limited salary and wage increases, but also led to a reduction – if not the full scrapping – of overtime and bonuses. Uncertainty increased further, as more consumers worried about their job security and new employment opportunities became even scarcer.

In the past, easy credit from retailers and banks has tided households over during such difficult times, but credit extension has not been as forthcoming this time around. As a result, households have now been forced to adjust their spending to match their reduced real spending power over and above servicing past debt.

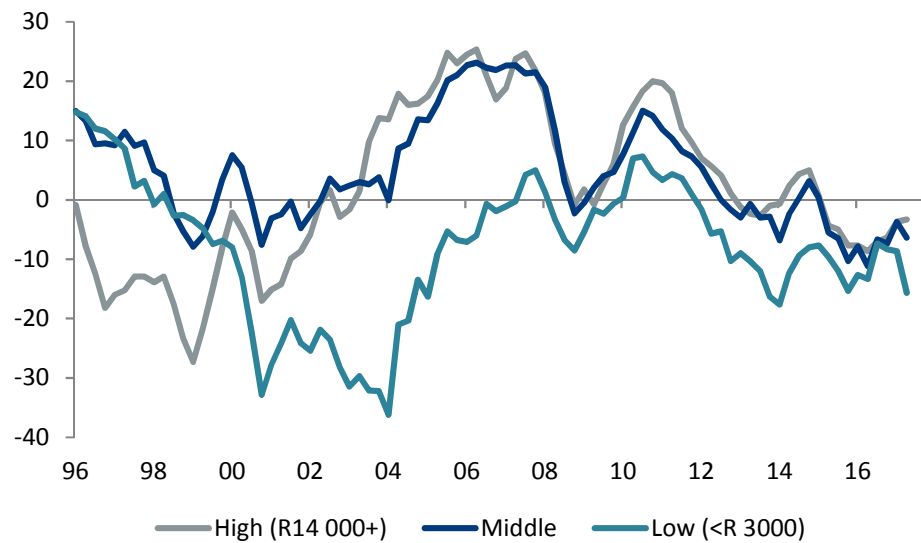
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Low-income  
groups struggling

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Of all the income groups, low income households (defined here as households with monthly incomes of less than R3 000, which typically include social grant recipients and those relying on intermittent, low-paid jobs) struggled the most. Although the rate of increase in the price of basic necessities (such as food) moderated this year, food inflation remains elevated. The cumulative impact of these price increases compounded the hardship within this group. It is therefore no surprise that their confidence is not only the lowest of all the groups, but also remained unchanged at this low level throughout the first half of this year.

Figure 2: Low income consumer feeling the pinch



Source: BER

Most consumers continued to regard the present time as unsuitable to buy durable goods, such as new vehicles, furniture, appliances and other non-essential and typically more expensive goods. The time to buy durable goods sub-index moved broadly sideways from -13 in the fourth quarter of 2016 to -12 in the second quarter of 2017.

Although consumer confidence levels remained depressed and not supportive of meaningful growth in household spending, levels remained above the recent low reached in 2015. Consumers' willingness to spend remained weak, but did not wane further during the first half of 2017. This suggests that the slump in retail sales growth and the decline in new car sales volumes can be attributed to a deterioration in consumers' ability to spend, as measured by their disposable income and access to credit.

Despite the recent deceleration in food inflation, food prices remain very high and will continue to dampen the real purchasing power of consumers, especially for low income households. Furthermore, per capita real disposable income is set to deteriorate further on the back of exceedingly poor economic growth, little to no job creation, and substantial increases in personal income taxes for middle and high-income earners. In addition, extraordinarily weak business confidence levels - currently at the lowest level since 2009 - will keep a firm lid on household credit extension in coming months. Bar a swift, confidence-inspiring change to South Africa's current political landscape, consumer spending is likely to remain depressed during the remainder of 2017.

Conditions  
unsupportive of  
rebound in  
confidence

# Technical note

The consumer confidence results are derived from personal at-home interviews of an area-stratified probability sample of 2 500 households. AC Nielsen conducts the surveys for the BER. The surveys cover blacks and whites in metropolitan areas, cities, towns and villages throughout South Africa. Coloured and Indian coverage include the major metropolitan areas. The total coverage represents 92% of the urban adult population and 53% of the total adult population. A trained, experienced fieldworker uses a structured questionnaire and conducts the interview in the home language of the respondent. A 35% validation check is carried out personally or telephonically on the work of each interviewer. The consumer confidence questions are always the first three questions of the questionnaire and only the head of the household (male or female) is interviewed.

The following questions are asked:

1. How do you expect the general economic position in South Africa to develop during the next 12 months? Will it improve considerably, improve slightly, remain the same, deteriorate slightly, deteriorate considerably or don't know?
2. How do you expect the financial position in your household to develop in the next 12 months? Will it improve considerably, improve slightly, remain the same, deteriorate slightly, deteriorate considerably or don't know?
3. What is your opinion of the suitability of the present time for the purchase of domestic appliances such as furniture, washing machines, refrigerators etc. Do you think that for people in general it is the right time, neither a good nor a bad time or the wrong time?

Consumer confidence is expressed as a net balance in contrast to business confidence, which is depicted as a percentage gross. The net balance is derived as the percentage of respondents expecting an improvement less the percentage expecting a deterioration. The answers of the first and second question are weighted as follows: improve considerably (+10), improve slightly (+5), remain the same (0), deteriorate slightly (-5) and deteriorate considerably (-10). The responses of the third question are weighted in the following manner: right time to buy (+10) and wrong time to buy (-10). The composite consumer confidence index is the average of the results of the above three questions.



# LSM data\*

| SAARF LIVING STANDARD MEASURES (LSM) SURVEY: JANUARY 2015 - DECEMBER 2015 |                                  |             |             |             |             |             |             |                 |                 |                 |                 |
|---|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------|-----------------|-----------------|-----------------|
| LSM GROUP   | LSM 1                            | LSM 2       | LSM 3       | LSM 4       | LSM 5       | LSM 6       | LSM 7       | LSM 8           | LSM 9           | LSM 10          |                 |
| <b>SIZE OF LSM GROUP (NUMBER OF ADULTS)</b>                               | 423 803                          | 1 033 699   | 2 196 284   | 4 908 513   | 6 408 562   | 8 707 403   | 5 193 862   | 3 300 143       | 3 705 911       | 2 380 729       |                 |
| <b>LSM GROUP AS % OF TOTAL POPULATION</b>                                 | 1%                               | 3%          | 6%          | 13%         | 17%         | 23%         | 14%         | 9%              | 10%             | 6%              |                 |
| <b>DEMOGRAPHICS</b>   | <b>POPULATION GROUP</b>          |             |             |             |             |             |             |                 |                 |                 |                 |
|   | Black                            | 99%         | 99%         | 98%         | 98%         | 96%         | 86%         | 70%             | 58%             | 42%             | 30%             |
|   | Coloured                         | 1%          | 1%          | 2%          | 2%          | 3%          | 10%         | 16%             | 17%             | 16%             | 9%              |
|   | Indian                           |             |             |             |             |             | 1%          | 3%              | 6%              | 8%              | 12%             |
|   | White                            |             |             |             |             |             | 3%          | 10%             | 18%             | 33%             | 49%             |
|   | <b>AGE</b>                       |             |             |             |             |             |             |                 |                 |                 |                 |
|   | 15 - 24                          | 19%         | 26%         | 27%         | 29%         | 28%         | 24%         | 23%             | 22%             | 22%             | 22%             |
|   | 25 - 34                          | 16%         | 20%         | 20%         | 24%         | 25%         | 28%         | 26%             | 27%             | 22%             | 17%             |
|   | 35 - 49                          | 19%         | 25%         | 24%         | 21%         | 23%         | 25%         | 26%             | 23%             | 27%             | 32%             |
|   | 50 or older                      | 45%         | 29%         | 29%         | 26%         | 24%         | 23%         | 25%             | 27%             | 29%             | 30%             |
|   | <b>GENDER</b>                    |             |             |             |             |             |             |                 |                 |                 |                 |
|   | Female                           | 58%         | 56%         | 56%         | 52%         | 51%         | 51%         | 53%             | 51%             | 50%             | 47%             |
|   | Male                             | 42%         | 44%         | 44%         | 48%         | 49%         | 49%         | 47%             | 49%             | 50%             | 53%             |
|   | <b>COMMUNITY</b>                 |             |             |             |             |             |             |                 |                 |                 |                 |
|   | Large urban (40 000 +)           |             | 2%          | 8%          | 9%          | 30%         | 66%         | 80%             | 83%             | 84%             | 88%             |
|   | Small urban and rural (< 39 999) | 100%        | 98%         | 92%         | 91%         | 70%         | 34%         | 20%             | 17%             | 16%             | 12%             |
|   | <b>HOME LANGUAGE</b>             |             |             |             |             |             |             |                 |                 |                 |                 |
|   | Most common home language        | Xhosa (62%) | Zulu (49%)  | Zulu (32%)  | Zulu (31%)  | Zulu (28%)  | Zulu (24%)  | Afrikaans (22%) | Afrikaans (27%) | Afrikaans (32%) | English (49%)   |
|   | Second most common home language | Zulu (16%)  | Xhosa (28%) | Xhosa (27%) | Xhosa (18%) | Xhosa (16%) | Xhosa (16%) | Zulu (18%)      | English (21%)   | English (31%)   | Afrikaans (27%) |
|   | <b>EDUCATION</b>                 |             |             |             |             |             |             |                 |                 |                 |                 |
| No schooling  | 14%                              | 3%          | 4%          | 3%          | 2%          | 1%          |             |                 |                 |                 |                 |
| Primary completed   | 16%                              | 18%         | 18%         | 11%         | 6%          | 5%          | 3%          | 2%              | 1%              |                 |                 |
| Matric  | 5%                               | 12%         | 13%         | 27%         | 32%         | 40%         | 44%         | 42%             | 38%             | 31%             |                 |
| Tertiary  |                                  |             | 2%          | 1%          | 4%          | 9%          | 19%         | 30%             | 40%             | 55%             |                 |
| <b>WORK STATUS</b>  |                                  |             |             |             |             |             |             |                 |                 |                 |                 |
| Full-time   | 13%                              | 16%         | 19%         | 17%         | 23%         | 28%         | 33%         | 36%             | 40%             | 50%             |                 |
| Part-time   | 11%                              | 10%         | 10%         | 9%          | 10%         | 9%          | 7%          | 7%              | 6%              | 5%              |                 |
| Not at all  | 76%                              | 74%         | 71%         | 75%         | 68%         | 63%         | 60%         | 57%             | 54%             | 45%             |                 |
| <b>MONTHLY HOUSEHOLD INCOME</b>   |                                  |             |             |             |             |             |             |                 |                 |                 |                 |
| Up to R1 400  | 44%                              | 19%         | 21%         | 14%         | 10%         | 5%          | 1%          |                 |                 |                 |                 |
| R 1 400 - R 4 999   | 52%                              | 65%         | 57%         | 56%         | 44%         | 31%         | 12%         | 6%              | 2%              |                 |                 |
| R 5 000 - R 10 999  | 3%                               | 14%         | 21%         | 27%         | 38%         | 44%         | 38%         | 24%             | 13%             | 3%              |                 |
| R 11 000 - R19 999  |                                  | 1%          | 1%          | 3%          | 7%          | 14%         | 30%         | 31%             | 25%             | 9%              |                 |
| R 20 000 and more   | 1%                               | 1%          |             |             | 2%          | 5%          | 19%         | 38%             | 60%             | 88%             |                 |

Shaded area: majority (%) of LSM group.

\* Please note: The All Media Products Survey (AMPS) survey, on which the information in the LSM tables is based, has been discontinued. The last dataset covers January – December 2015. At time of writing there exists no clarity regarding the commissioning of a new survey.

| LSM GROUP       | LSM 1   | LSM 2   | LSM 3   | LSM 4   | LSM 5  | LSM 6   | LSM 7   | LSM 8  | LSM 9   | LSM 10   |  |
|-----------------|---|---|---|---|--|---|---|--|---|--|--|
| SHOPPING HABITS | <b>NON-DURABLE GOODS PURCHASING BEHAVIOUR</b>     |   |   |   |  |   |   |  |   |  |  |
|                 | Majority spend the most money at                  | Local Supermarket (25%), Shoprite (21%) and Spar (14%)  | Shoprite (36%), Local Supermarket (16%) and Boxer Superstores (16%) | Shoprite (36%), Local Supermarket (14%) and Boxer Superstores (14%) | Shoprite (52%), Spar (13%) and Boxer Superstores (8%)  | Shoprite (56%), Spar (10%) and Pick 'n Pay (6%)       | Shoprite (55%), Pick 'n Pay (13%) and Spar (10%)      | Shoprite (40%), Pick 'n Pay (22%) and Spar (10%) | Pick 'n Pay (29%), Shoprite (24%) and Checkers (12%)  | Pick 'n Pay (33%), Checkers (16%) and Shoprite (13%)   | Pick 'n Pay (32%), Checkers (20%) and Checkers Hyper (10%) |
|                 | <b>SEMI-DURABLE GOODS PURCHASING BEHAVIOUR*</b>   |   |   |   |  |   |   |  |   |  |  |
|                 | Majority purchased womens outerwear at            | Pep Stores (23%), Woolworths (16%) and Ackermans (12%)  | Mr Price (21%), Pep Stores (16%) and Flea Markets (8%)              | Jet (23%), Mr Price (15%) and Pep Stores (9%)                       | Jet (26%), Mr Price (21%) and Pep Stores (10%)         | Mr Price (23%), Jet (23%) and Edgars (8%)             | Mr Price (23%), Jet (17%) and Edgars (10%)            | Mr Price (22%), Edgars (14%) and Jet (13%)       | Mr Price (19%), Edgars (13%) and Woolworths (10%)     | Mr Price (17%), Edgars (15%) and Woolworths (14%)      | Woolworths (18%), Edgars (16%) and Mr Price (15%)          |
|                 | Majority purchased children's clothing at         | Pep Stores (49%), Ackermans (10%) and Mr Price (3%)     | Pep Stores (36%), Jet (26%) and Ackermans (14%)                     | Pep Stores (33%), Jet (21%) and Ackermans (19%)                     | Pep Stores (28%), Jet (28%) and Ackermans (23%)        | Jet (29%), Ackermans (24%) and Pep Stores (21%)       | Ackermans (28%), Jet (27%) and Mr Price (14%)         | Ackermans (27%), Jet (19%) and Mr Price (16%)    | Ackermans (24%), Mr Price (16%) and Edgars (15%)      | Ackermans (22%), Edgars (15%) and Woolworths (14%)     | Woolworths (20%), Edgars (19%) and Mr Price (16%)          |
|                 | Majority purchased men's clothing at              | Pep Stores (33%), Mr Price (24%) and Flea Markets (10%) | Mr Price (22%), Pep Stores (18%) and Jet (15%)                      | Jet (14%), Mr Price (7%) and Pep Stores (7%)                        | Mr Price (14%), Jet (13%) and Edgars (12%)             | Mr Price (18%), Jet (13%) and Edgars (10%)            | Mr Price (19%), Edgars (14%) and Truworths (12%)      | Mr Price (16%), Edgars (15%) and Truworths (13%) | Edgars (17%), Mr Price (16%) and Markham (14%)        | Edgars (18%), Mr Price (15%) and Markham (13%)         | Edgars (19%), Woolworths (17%) and Mr Price (12%)          |
|                 | <b>DURABLE GOODS PURCHASING BEHAVIOUR**</b>       |   |   |   |  |   |   |  |   |  |  |
|                 | Majority purchased small electrical appliances at | Shoprite (34%)  | Shoprite (33%) and Pep Stores (8%)                                  | Shoprite (26%), Pep Stores (12%) and Jet Mart (6%)                  | Shoprite (37%), Pep Stores (4%) and Jet Mart (3%)      | Shoprite (39%), Game (9%) and Pick 'n Pay (5%)        | Shoprite (37%), Game (12%) and Pick 'n Pay (7%)       | Shoprite (26%), Game (15%) and Checkers (7%)     | Game (21%), Shoprite (14%) and Clicks (10%)           | Game (27%), Clicks (11%) and Checkers (8%)             | Game (28%), Clicks (12%) and Checkers (8%)                 |
|                 | Majority purchased large appliances at            |   | Other outlet (66%) and Gift (31%)                                   | Other outlet (82%), Gift (9%) and Joshua Doore (3%)                 | Other outlet (86%), Game (4%) and OK Furniture (3%)    | Other outlet (64%), Game (10%) and Lewis (5%)         | Other outlet (38%), Game (12%) and OK Furniture (9%)  | Other outlet (26%), Game (25%) and Lewis (6%)    | Game (23%), Other outlet (17%) and OK Furniture (10%) | Game (30%), Other outlet (13%) and Makro (9%)          | Game (27%), Other outlet (16%) and Makro (15%)             |
|                 | Majority purchased furniture at                   | Lewis (100%)  | Other outlet (60%) and Lewis (21%)                                  | Other outlet (40%), Lewis (15%) and Joshua Doore (13%)              | Other outlet (28%), Lewis (12%) and Joshua Doore (11%) | Other outlet (22%), Fair Deal (7%) and Ellerines (5%) | Other outlet (17%), Lewis (12%) and OK Furniture (8%) | Other outlet (23%), Lewis (11%) and Game (9%)    | Other outlet (15%), Lewis (10%) and Game (9%)         | Other outlet (19%), House and Home (13%) and Game (9%) | Other outlet (18%), House and Home (10%) and Game (7%)     |

\* Purchases (excluding shoes) within three months prior to the survey being taken.

\*\* In the past 12 months.

| LSM GROUP                          | LSM 1                                  | LSM 2   | LSM 3   | LSM 4  | LSM 5   | LSM 6   | LSM 7                                   | LSM 8                                   | LSM 9   | LSM 10  |   |
|------------------------------------|--|---|---|--|---|---|---|---|---|---|---|
| <b>POSSESSION OF DURABLE GOODS</b> | <b>HOUSEHOLD OWNERSHIP OF:</b>         |   |   |  |   |   |   |   |   |   |   |
|                                    | Car                                    |   | 4%  | 4%   | 4%  | 11%   | 21%                                     | 51%                                     | 77%   | 91%   | 99%   |
|                                    | Cellphone                              | 57%   | 74%   | 78%  | 83%   | 88%   | 89%                                     | 92%                                     | 95%   | 96%   | 98%   |
|                                    | TV                                     |   | 23%   | 59%  | 86%   | 94%   | 97%                                     | 98%                                     | 99%   | 99%   | 99%   |
|                                    | Hi-Fi / Music Centre                   |   | 11%   | 25%  | 38%   | 49%   | 51%                                     | 60%                                     | 62%   | 68%   | 72%   |
|                                    | Desktop computer                       |   |   |  |   |   | 2%                                      | 10%                                     | 23%   | 35%   | 48%   |
|                                    | Personal laptop computer               |   |   |  |   | 1%  | 6%                                      | 19%                                     | 45%   | 61%   | 86%   |
|                                    | Refrigerator                           |   | 15%   | 57%  | 81%   | 91%   | 96%                                     | 98%                                     | 98%   | 99%   | 100%  |
|                                    | Electric stove                         |   |   | 8%   | 32%   | 58%   | 84%                                     | 97%                                     | 98%   | 98%   | 98%   |
|                                    | Dishwasher                             |   |   |  |   |   |   | 1%                                      | 2%  | 7%  | 38%   |
|                                    | Washing machine                        |   |   |  | 1%  | 11%   | 25%                                     | 28%                                     | 18%   | 10%   | 5%  |
| Tumble dryer                       |  |   |   |  |   | 1%  | 6%                                      | 10%                                     | 21%   | 52%   |   |
| <b>FINANCIAL SERVICES</b>          | Main bank                              | Standard Bank (27%), Absa (27%) and Capitec (18%) | Capitec (26%), Absa (25%) and Standard Bank (19%) | Capitec (24%), Standard Bank (23%) and FNB (21%) | Capitec (26%), Standard Bank (24%) and Absa (24%) | Capitec (27%), Absa (24%) and Standard Bank (21%) | Capitec (26%), Absa (23%) and FNB (20%) | Absa (25%), Capitec (23%) and FNB (20%) | Absa (25%), FNB (25%) and Standard Bank (21%) | Absa (28%), FNB (26%) and Standard Bank (19%) | FNB (32%), Absa (28%) and Standard Bank (19%) |
|                                    | Have retail store card                 | 3%  | 2%  | 8%   | 10%   | 20%   | 29%                                     | 44%                                     | 55%   | 59%   | 73%   |
|                                    | Have bought durable goods on credit    | 1%  |   | 1%   | 1%  | 2%  | 2%                                      | 2%                                      | 2%  | 3%  | 3%  |
|                                    | Have or make use of a savings account  | 27%   | 36%   | 39%  | 46%   | 53%   | 61%                                     | 67%                                     | 70%   | 65%   | 64%   |
|                                    | Have life cover                        |   |   | 1%   |   | 1%  | 4%                                      | 9%                                      | 15%   | 24%   | 40%   |
|                                    | Have a short-term insurance policy     |   |   |  |   |   | 1%                                      | 3%                                      | 6%  | 15%   | 34%   |
|                                    | Membership of a medical aid scheme     |   |   | 1%   | 1%  | 1%  | 6%                                      | 14%                                     | 26%   | 42%   | 64%   |
| <b>OTHER</b>                       | DSTV subscription                      |   | 2%  | 7%   | 21%   | 36%   | 60%                                     | 70%                                     | 79%   | 90%   |   |
|                                    | M-Net subscription                     |   |   |  |   | 2%  | 11%                                     | 23%                                     | 40%   | 66%   |   |
|                                    | Bought hardware or building supplies** |   | 2%  | 5%   | 5%  | 6%  | 8%                                      | 12%                                     | 18%   | 29%   |   |

\*\* In the past 12 months.

Source: All Media Publication Survey Database (Database: AMPS2015B)