

momentum

CONSUMER FINANCIAL
VULNERABILITY INDEX

UNISA 
university
of south africa

TOP STORY

Consumers less financially vulnerable

due to improved incomes during Q1 2021

Q1

APRIL 2021

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CONSUMERS' PERSONAL
FINANCES CONTINUED TO
IMPROVE DURING Q1 2021

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01



CFVI Q1 2021 Summary



The state of South African consumers' personal finances continued to improve during the first quarter of 2021 (Q1 2021) on the back of a recovery in the income of especially middle- and higher income groups.

Due to the important role income plays in consumer finances, it was the driving force behind the further improvement in the Momentum-Unisa Consumer Financial Vulnerability Index (CFVI) from the low point of 35.4 points registered in Q2 2020. **In Q1 2021 the CFVI improved to 49.7 points from 47.5 points in Q4 2020.**

Although improving income earning prospects was the main driver behind consumers' experience of less financial vulnerability, all the sub-indices of the CFVI continued to recover (all scores are higher than those last seen in Q4 2019, except savings):

- The income index increased from 47.7 points in Q4 2020 to 50.2 points in Q1 2021.
- The expenditure index improved from 49.2 points to 52.3 points over the same period.
- The savings index was up 1.5 points to 48.8 points in Q1 2021.
- The debt servicing index rose from 45.8 points in Q4 2020 to 47.5 points in Q1 2021.



01

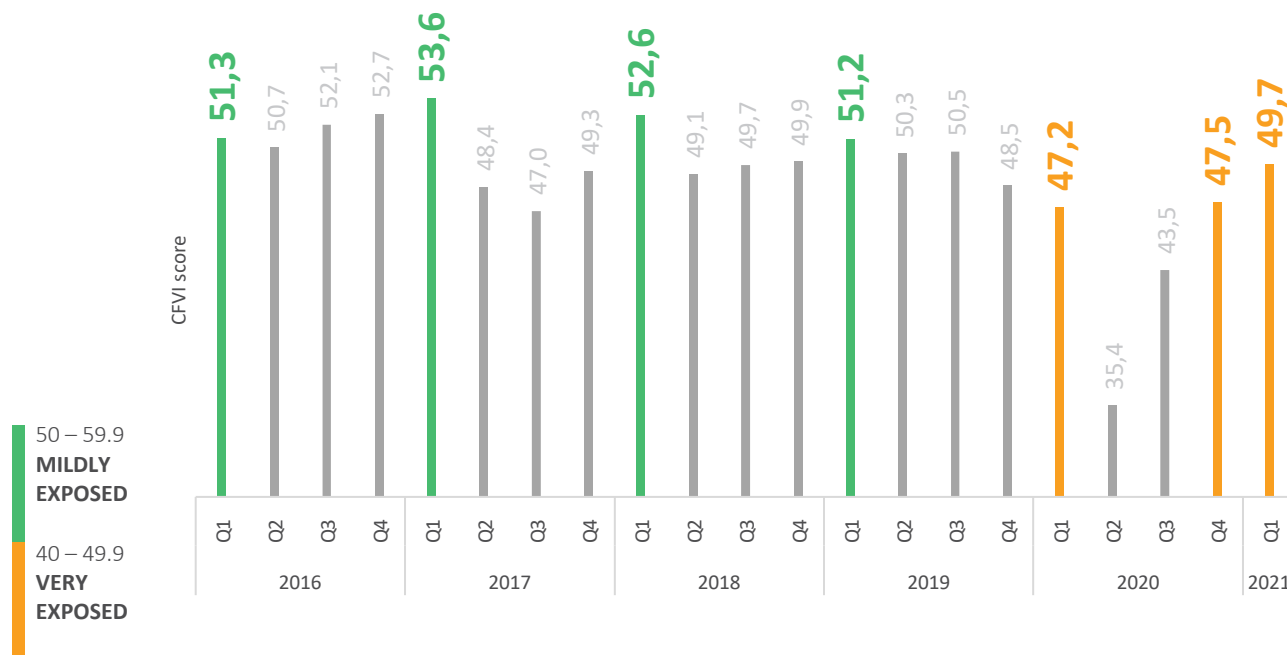
CFVI Q1 2021 Summary

However, notwithstanding the improvement in the CFVI and its four sub-indices, the majority of consumers are still feeling financially exposed and insecure, meaning that any small adverse event (e.g. pay cuts) can contribute to a large deterioration in the state of their personal finances.

They remain more vulnerable in terms of their ability to service debt and to save money, as both indices are still below the 50-point level.



The majority of consumers are still feeling financially exposed and insecure



02



Quarterly overview of CFVI and its sub-components

During Q1 2021 the four sub-indices of the CFVI all improved



The CFVI is compiled from the views of key informants (researchers, bankers, insurers, retailers, government, economists, analysts, etc.) who deal with consumers daily.

During Q1 2021 the four sub-indices of the CFVI all improved, but the overall CFVI score remained rooted in the very exposed category, though on the brink of becoming mildly exposed with a score above 50.

50 – 59.9
MILDLY EXPOSED

40 – 49.9
VERY EXPOSED



INCOME

Q1 2020

47.7

Q4 2020

47.7

Q1 2021

50.2

CHANGE FROM
Q1 2020

↑

CHANGE FROM
Q4 2020

↑



EXPENDITURE

49.1

49.2

52.3

↑

↑



SAVINGS

48.1

47.3

48.8

↑

↑



DEBT SERVICING

45.0

45.8

47.5

↑

↑

OVERALL CFVI

47.2

47.5

49.7

↑

↑



02

Quarterly overview of CFVI and its sub-components



Reasons behind the changes in the four sub-index scores:



Income vulnerability decreased during Q1 2021. This suggests that more consumers were able to earn or increase their income. Compared to Q4 2020, a larger percentage of key informants were of the opinion that there has been a greater chance for consumers to retain or obtain employment during Q1 2021 as well as noting an improvement in the income earning prospects of consumers.



Lower levels of expenditure vulnerability were recorded for Q1 2021. This sub-component is supported by the recovery in employment. Compared to Q4 2020 a larger portion of key informants were also of the opinion that consumers' expenditure did not exceed their incomes and therefore more consumers' spending remained within budget during Q1 2021. This is most likely due to a change in buying behaviour as key informants noted that consumers unfortunately were not able to make all their normal range of purchases.



Savings vulnerability also decreased in Q1 2021. The continued improvement in savings can be attributed to both the recovery in income and more consumers living within their means. This is confirmed by a larger percentage of key informants not disagreeing with the statement that consumers' ability to save improved in Q1 2021. This also includes saving more for old age. Key informants indicated that consumers unfortunately did not have greater access to emergency savings in Q1 2021.



Consumers were **less vulnerable in terms of debt servicing capabilities** in Q1 2021. Low interest rates assisted in limiting debt servicing costs. Similar to savings, the recovery in income improved consumers' ability to repay outstanding debts. A larger portion of key informants were of this opinion compared to Q4 2020. It seems as though some consumers' financial circumstances might have called for a cancellation of financial obligations.



03



A closer look at the CFVI Q1 2021 results

CONSUMERS EARNING
LESS THAN R5 000 PER
MONTH PERCEIVED BY

63.4%

TO BE MOST
FINANCIALLY
VULNERABLE



The key informants were asked to indicate which consumers they deem to be most financially vulnerable during the past quarter based on their interactions with consumers and their perceptions of consumer financial behaviours.

Key informants highlighted that financial vulnerability was prevalent in all income groups.

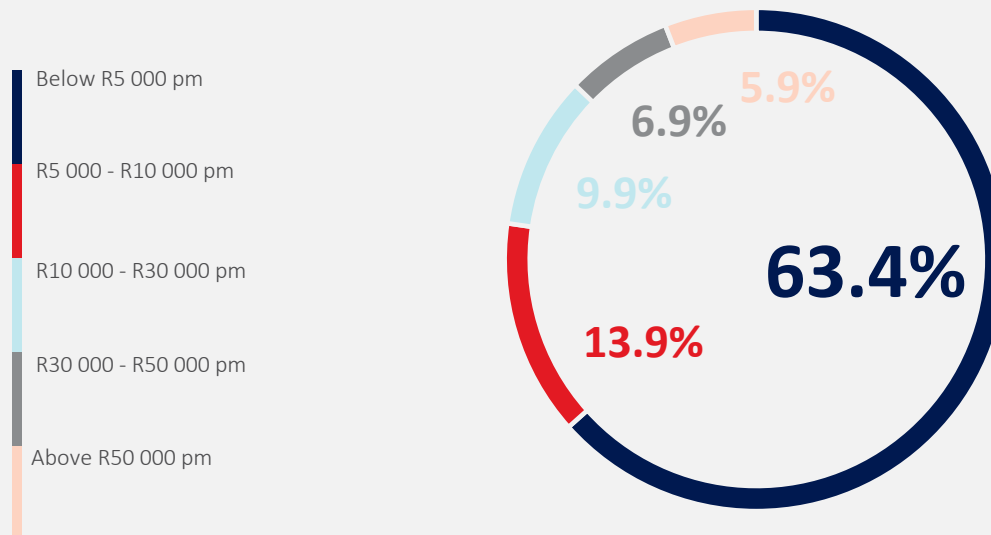
However, the majority of the key informants (63.4%) perceived consumers earning less than R5 000 per month as most financially vulnerable.



03

A closer look at
the CFVI Q1 2021
results

Most financial vulnerable income group according to key informants:



The key informants also indicated the following financial vulnerabilities in terms of other demographic variables:

57% SINGLE (SINGLE/SEPERATED/DIVORCED/
WIDOWED) INDIVIDUALS PERCEIVED TO
BE MORE FINANCIALLY VULNERABLE
IN COMPARISON TO THOSE WHO ARE
MARRIED OR LIVING WITH A PARTNER.



67.3%
PERCEIVED YOUTH
(BELOW 39 YEARS) TO
BE MOST FINANCIALLY
VULNERABLE



2
FEMALES
PERCEIVED TO
BE MORE
FINANCIALLY
VULNERABLE
THAN MALES

46%
PUBLIC SECTOR
EMPLOYEES PERCEIVED
TO BE THE LEAST
FINANCIALLY VULNERABLE



03

A closer look at
the CFVI Q1 2021
results

The trend witnessed since Q2 2020 that consumers are more worried about their finances than their health (due to Covid-19) continued in Q1 2021.

30.7%

of key informants believed consumers are more focused on their finances than on staying safe against the Covid-19 virus, while

26.7%

of key informants noted that consumers still attach a high value to their finances, but they also attach a high value to staying safe against Covid-19.

Key informants also noted a significant drop over the past year in the level of control that consumers have over their lives and circumstances (personal empowerment). **This contributed to consumers adjusting their financial behaviour, searching for additional income generating opportunities and empowering themselves with appropriate skills, financial and otherwise.**

With regards to the expectations for consumer finances the key informants had the following opinions:



31.7%

expect that financial
positions of consumers will
improve in Q2 2021



80.2%

expect that it will take 18
months or longer for
consumer finances to
recover from the impact of
COVID-19 and lockdown



03

A closer look at the CFVI Q1 2021 results

The main interventions or changes that key informants suggested for consumers to continue to recover financially following the impact of the pandemic and lockdown include:



An improvement in the local economy to stimulate job creation.



Financial discipline by limiting unnecessary expenditure and saving more.



Conduct financial planning, including setting attainable financial goals.



Increased financial literacy.



Additional income streams or **start own businesses** (adding to job creation).



Limit credit uptake and **repay existing debts.**

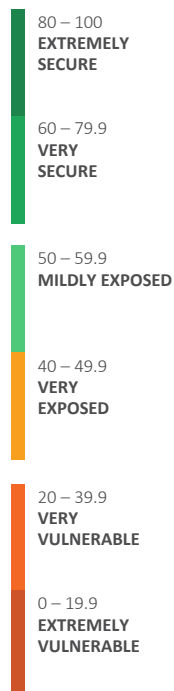






The Q1 2021 CFVI continued to show an improvement, displaying the adaptability and possible optimism of consumers. However, consumer finances will remain volatile for some time to come following the initial shocks brought about by the Covid-19 pandemic and subsequent lockdown that started a year ago.

Key informants noted that South African consumers are resilient and some have started to adapt, but to experience a long-lasting recovery in their financial situations, consumers will require external support in the form of job creation and skills development in especially poorer communities.

04

Scores of the CFVI and its sub-indices, Q2 2009 – Q1 2021



| | |  |  |  |  | |
|------|----|---|---|---|---|--------------|
| | | INCOME | EXPENDITURE | SAVINGS | DEBT SERVICING | OVERALL CFVI |
| 2009 | Q2 | 43.8 | 44.6 | 43.0 | 56.9 | 46.8 |
| | Q3 | 39.7 | 45.6 | 41.1 | 52.4 | 44.7 |
| | Q4 | 41.9 | 47.4 | 46.0 | 54.9 | 47.6 |
| 2010 | Q1 | 51.2 | 47.4 | 54.0 | 54.9 | 51.9 |
| | Q2 | 53.3 | 45.4 | 58.1 | 56.6 | 53.3 |
| | Q3 | 47.3 | 53.1 | 50.7 | 56.8 | 52.0 |
| 2011 | Q4 | 53.8 | 56.2 | 49.1 | 64.7 | 56.0 |
| | Q1 | 58.5 | 50.6 | 52.2 | 56.3 | 54.4 |
| | Q2 | 54.8 | 54.2 | 46.7 | 58.8 | 53.6 |
| 2012 | Q3 | 52.4 | 55.6 | 47.7 | 61.4 | 54.3 |
| | Q4 | 52.8 | 57.3 | 51.1 | 61.9 | 55.8 |
| 2013 | Q1 | 57.6 | 60.1 | 58.8 | 56.6 | 58.9 |
| | Q2 | 44.8 | 53.8 | 47.5 | 47.8 | 48.6 |
| | Q3 | 46.8 | 54.4 | 42.1 | 48.1 | 47.9 |
| 2014 | Q4 | 47.2 | 52.2 | 48.7 | 52.2 | 50.1 |
| | Q1 | 49.6 | 51.0 | 49.6 | 54.0 | 51.1 |
| | Q2 | 43.4 | 52.4 | 44.4 | 53.8 | 46.7 |
| 2015 | Q3 | 42.1 | 45.2 | 44.8 | 51.6 | 45.9 |
| | Q4 | 51.3 | 53.5 | 50.0 | 53.7 | 52.0 |
| 2016 | Q1 | 51.0 | 52.9 | 50.2 | 46.6 | 50.2 |
| | Q2 | 47.7 | 54.6 | 51.7 | 49.0 | 50.2 |
| | Q3 | 51.0 | 54.3 | 52.0 | 48.4 | 51.4 |
| 2017 | Q4 | 51.4 | 53.5 | 50.5 | 49.6 | 51.2 |
| | Q1 | 52.1 | 56.7 | 52.7 | 49.9 | 52.7 |
| | Q2 | 52.1 | 52.5 | 51.5 | 47.0 | 50.8 |
| 2018 | Q3 | 47.2 | 55.0 | 48.5 | 47.8 | 46.0 |
| | Q4 | 50.2 | 53.2 | 51.7 | 48.7 | 50.9 |
| 2019 | Q1 | 50.5 | 52.6 | 52.1 | 49.9 | 51.3 |
| | Q2 | 52.5 | 52.3 | 49.8 | 48.2 | 50.7 |
| | Q3 | 51.5 | 54.7 | 52.2 | 49.9 | 52.1 |
| 2020 | Q4 | 53.6 | 56.5 | 50.8 | 50.4 | 52.7 |
| | Q1 | 54.4 | 54.5 | 54.5 | 51.2 | 53.6 |
| | Q2 | 48.9 | 49.1 | 48.8 | 46.5 | 48.4 |
| 2021 | Q3 | 48.8 | 48.5 | 46.2 | 44.3 | 47.0 |
| | Q4 | 49.0 | 50.9 | 49.5 | 48.3 | 49.3 |
| 2022 | Q1 | 54.9 | 54.0 | 51.2 | 50.5 | 52.6 |
| | Q2 | 51.0 | 48.6 | 48.8 | 47.6 | 49.1 |
| | Q3 | 51.4 | 50.6 | 50.0 | 46.7 | 49.7 |
| 2023 | Q4 | 52.0 | 50.9 | 48.0 | 48.5 | 49.9 |
| | Q1 | 50.9 | 50.8 | 52.9 | 50.4 | 51.2 |
| | Q2 | 50.1 | 52.1 | 50.1 | 49.1 | 50.3 |
| 2024 | Q3 | 50.6 | 52.1 | 50.2 | 48.9 | 50.5 |
| | Q4 | 49.1 | 50.2 | 49.4 | 46.4 | 48.5 |
| 2025 | Q1 | 47.7 | 49.1 | 48.1 | 45.0 | 47.2 |
| | Q2 | 34.6 | 39.0 | 36.0 | 32.1 | 35.4 |
| | Q3 | 44.1 | 45.9 | 43.1 | 40.8 | 43.5 |
| 2026 | Q4 | 47.7 | 49.2 | 47.3 | 45.8 | 47.5 |
| | Q1 | 50.2 | 52.3 | 48.8 | 47.5 | 49.7 |





About the index



As part of Momentum's Science of Success campaign, the Index is produced in partnership with Unisa. It aims to provide South Africans with information and strategies on how they can accelerate their journey to financial success.

The term 'Consumer Financial Vulnerability' implies that consumers experience a sense of financial insecurity or an inability to cope financially. In essence, the CFVI identifies the specific financial sub-component(s) that consumers, on-average, feel are causing stress to their cash flow positions.

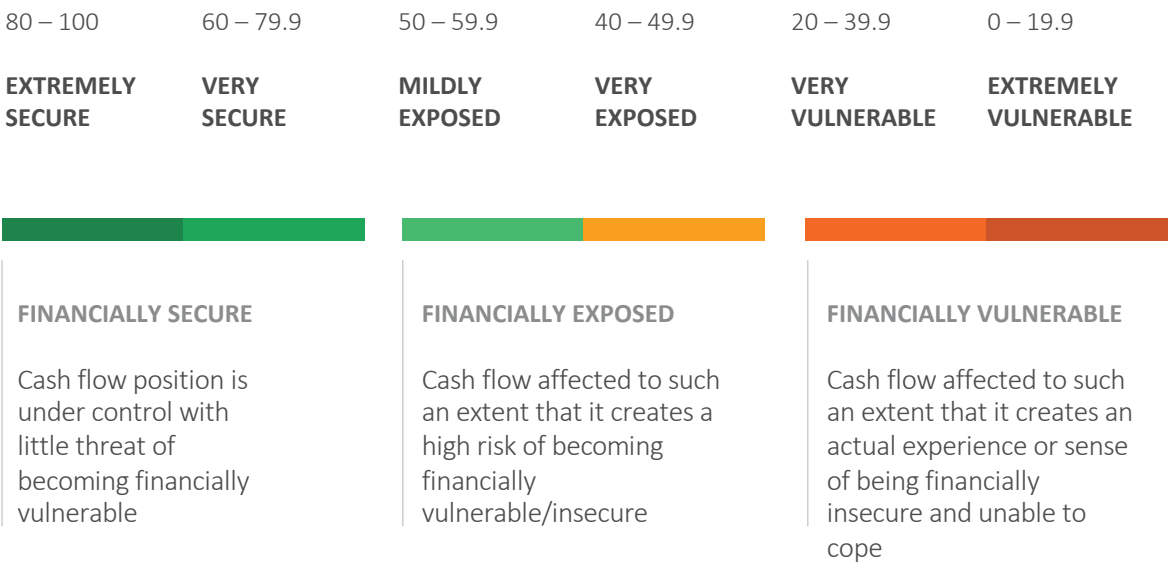
Therefore, it provides a window into the psyche of consumers and the extent to which they feel vulnerable about their income, expenditure, savings, and debt servicing capabilities. Insights into consumers' financial positions are vital to determine the extent to which economic growth and government programmes translate into the improved financial stability of consumers.

As a quarterly indicator, the CFVI fills an important information gap in South African data on consumer finances, as viewed by consumers, in the sense that it regularly provides updates on the state of consumers' financial vulnerability.

About the index

The results of this release of the CFVI for Q1 2021 stem from research conducted by Unisa on behalf of Momentum via an online and CATI-based survey during April 2021. The results of this release of the CFVI are based on the responses of 101 key informants from relevant industries (including banks, insurers, other credit industry institutions, retailers, municipalities and consumer researchers) that are in a position to gauge consumers’ financial perceptions and positions.

Measurement
scale of
consumer
vulnerability
index



momentum

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