

**momentum**

**CONSUMER FINANCIAL  
VULNERABILITY INDEX**

**UNISA** |   
university  
of south africa

TOP STORY

# Vulnerable finances strain South-Africans' personal relationships

**Q1**

APRIL 2022

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STRAINED BY  
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01



## CFVI Q1 2022 Summary

### The vulnerable state of South African consumers' finances adversely affects their interpersonal relationships with family, friends, and co-workers.

This finding of the latest Momentum-Unisa Consumer Financial Vulnerability Index (CFVI) is in accordance with international research which found that the stability of relationships is threatened by deteriorating personal finances. Although the CFVI for the first quarter of 2022 (Q1 2022) improved to 54.3 points from 53.7 in Q4 2021, almost 80% of the key informants who deal with consumers identified the vulnerable state of consumer finances as a major factor causing stress on their relationships with family, friends, and co-workers.

The key informants also identified rising food and fuel prices, unemployment, political instability, and Russia's invasion of the Ukraine as risks which can increase financial vulnerability in future. They also indicated South African consumers are not well informed about economic and money matters. As such their personal financial decisions are not always optimal.

The expectation is that it will take at least another two years for South African consumer finances to recover from COVID-19 and the various lockdowns.

Read on for some tips to consumers to build financial resilience to limit the impact of expected risks to their personal finances and in turn also protect their personal relationships.



# 02







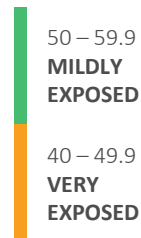
## Quarterly overview of CFVI and its sub-components

Consumers were less financially vulnerable in all components during Q1 2022

South African consumers were a bit less financially vulnerable in Q1 2022 compared to Q4 2021 and a year ago. The CFVI increased to 53.4 points in Q1 2022 from 50.5 in Q4 2021 and 49.7 in Q1 2021.

The improvement can be ascribed to all four sub-components of the CFVI rising (indicating less vulnerability). The largest improvement was in the savings sub-index, followed by the debt-servicing sub-index.

	Q1 2021	Q4 2021	Q1 2022	CHANGE FROM Q1 2021	CHANGE FROM Q4 2021
 INCOME	50.2	53.7	54.3	↑	↑
 EXPENDITURE	52.3	52.7	54.7	↑	↑
 SAVINGS	48.8	46.9	52.5	↑	↑
 DEBT SERVICING	47.5	48.8	52.1	↑	↑
OVERALL CFVI	49.7	50.5	53.4	↑	↑



# 02

## Quarterly overview of CFVI and its sub-components

The progress in the CFVI and its sub-components coincided with the re-introduction of the Social Relief of Distress (SRD) grant of R350 per month in Q3 2021. Although not enough to satisfy all their needs, the SRD-grant enabled more than 10 million consumers to stretch their rands, contributing to a knock-on effect from income to the other three sub-components.

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



Lower income vulnerability did, however, not emanate from more employment. Rather, it accrued from salary increases and larger transfers to poorer individuals from government, family and friends.



Saving vulnerability decreased due to consumers being able to resume saving for emergencies and long-term goals such as for retirement (which was temporarily put on hold). However, consumers in general are still not able to increase the amounts they save.



In terms of expenditure, consumers became less vulnerable as they were more able to stick to their spending budgets. However, consumers were not able to make all their purchases as rising prices caused them to forego some purchases they normally made.



Consumers were deemed to be less vulnerable in terms of debt servicing as more were able to repay their debts; less needed outside assistance (to repay their debts) and less reduced other commitments to repay debts – meaning debt repayments received preference to purchasing some goods.

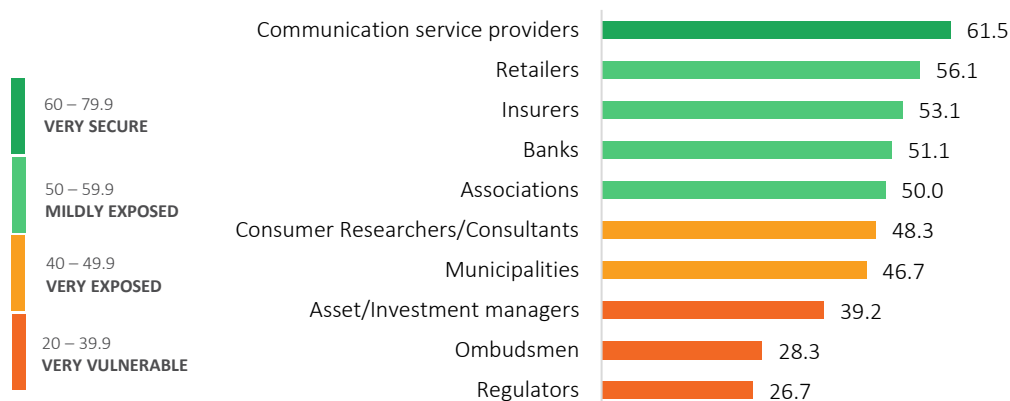




## A closer look at the CFVI Q1 2022 results

Analysis of the different key informants reveal the perceptions they have of their clients' or consumers in general's financial situation.

### CFVI score according to key informants



**Communication service providers** have the most optimistic view of consumer finances (CFVI-score of 61.4 points), while **regulators and ombudsmen** are the most pessimistic (respectively 26.7 and 28.3 points).

The CFVI-scores are a reflection of the finances clients they interact with and indicate some bias. For instance, regulators and ombudsmen mostly interact with clients in difficult situations. Interestingly, insurers, banks, and consumer researchers' CFVI-scores hover just above or just below a score of 50 points.



# 03

A closer look at the CFVI Q1 2022 results

## Financial vulnerability and consumer behaviour

International research indicated consumer financial vulnerability adversely affects the way consumers behave. At the same time, sub-optimal consumer behaviour affects their financial vulnerability. The key informants indicated that financially vulnerable consumers exhibited sub-optimal behaviour in various ways.



**78.6%**

**CONSUMERS' FINANCIAL DIFFICULTIES ARE PUTTING STRAIN ON THEIR RELATIONSHIPS WITH THEIR FAMILY, FRIENDS, AND CO-WORKERS**

Research indicated financial difficulty has an adverse psychological impact on consumers. The financial stress they experience, among others, consume their attention to such degree that they neglect their relationships with family, friends, and co-workers.



**72.4%**

**CONSUMERS ARE CONSTANTLY THINKING ABOUT THEIR FINANCIAL PROBLEMS**

Stressful finances also contributed to consumers behaving in a sub-optimal way. They often took recourse to purchases as a “stress relieve valve” to make them feel good. These “feel good” purchases occur even if it is not needed or affordable, increasing future financial vulnerability.



**60.4%**

**CONSUMERS RESORTED TO PURCHASING GOODS TO MAKE THEM FEEL GOOD IN Q1 2022**



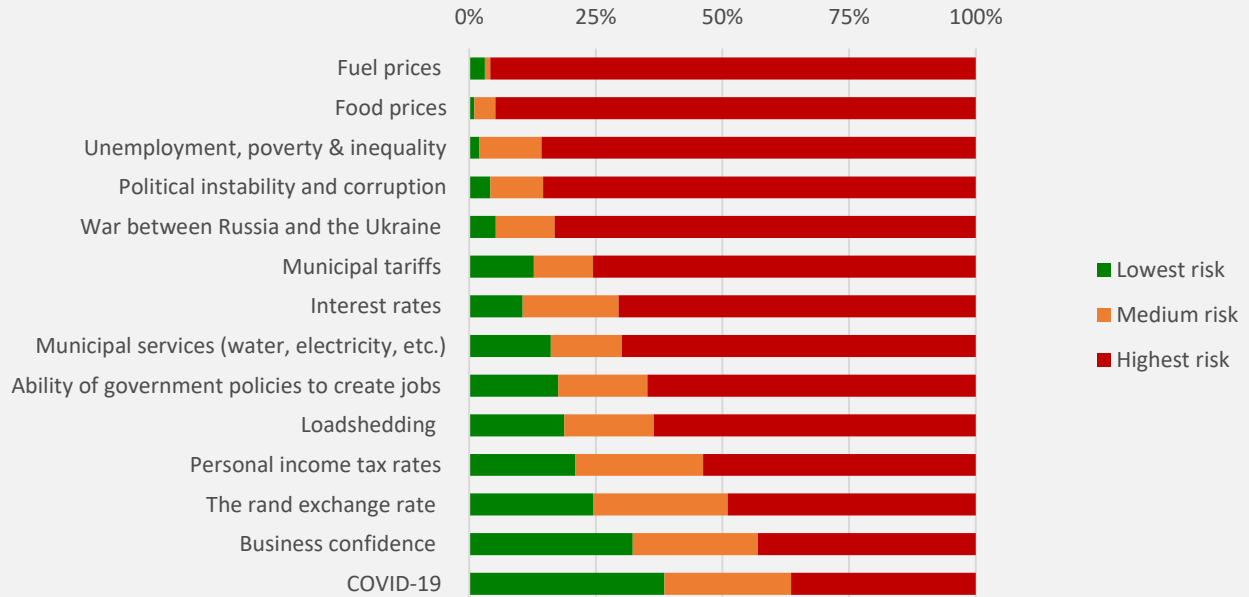
# 03

A closer look at the CFVI Q1 2022 results



**Rising fuel prices pose greatest risk to consumer finances in Q2 2022**

## Expected risks to consumer finances during Q2 2022



The biggest risk factor to consumer finances during Q2 2022 is expected to be **high fuel prices**.

Almost 96% of key informant identified the recent sharp increases in fuel prices to be the highest risk to consumer finances in Q2 2022. This was closely followed by the increases in **food prices** (94.9% of key informants), **unemployment/poverty/inequality** (85.7%), **political instability and corruption** (85.7%) and the **war between Russia and Ukraine** (83.2%).

Other high-risk factors to consumer finances are the persistent **above-inflation increases in municipal tariffs, rising interest rates, insufficient municipal service delivery** and the inability of **government policies** to create jobs. Interestingly, of all the contemporary risk factors, **COVID-19 is deemed to be the lowest high-risk factor**.

*(It should be noted that the flooding in especially KwaZulu-Natal is not reflected as a risk factor as it occurred after the survey was completed).*



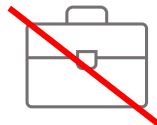
# 03

A closer look at the CFVI Q1 2022 results

## Economic and consumer finance outlook

Key informants are not very optimistic about Q2 2022. With regards to the expectations for the economic environment and consumer finances, the key informants had the following opinions.

- The overwhelming majority expect consumer price inflation to increase rapidly, while only 9.1% expect it to increase at a slower rate.
- Unemployment is also expected to increase.
- No high hopes for the South African and global economies to improve.
- Just more than 25% expect consumer finances to improve in Q2 2022 it will improve, and that consumer will have more control over their finances, with 45.9% expecting consumers to be worse off during Q2 2022.
- Some 89.9% of key informants are of the opinion it will take more than a year for consumer finances to recover.



**57.6%**

expect that the unemployment rate will increase during Q2 2022



**64.6%**

expect that there will be a rapid increase in prices during Q2 2022



**77.6%**

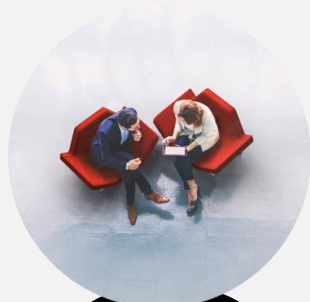
expect that it will still take more than 18 months for consumer finances to recover





# 04

## Tips to build financial resilience



## How to protect your personal relationships when your personal finances are under stress

Most key informants indicated that consumers' financial situations tend to put strain on their interpersonal relationships with family/friends/co-workers during Q1 2022. When faced with financial stress it is important that you take the right action to ensure that money troubles don't destroy your relationships with those nearest and dearest to you as with their support you will be able to better cope with financial stress. Nurturing interpersonal relationships when confronted with financially stressful situations can support you with your resilience in dealing with these times more effectively.

Other health benefits of social interaction include better mental health and promoting a sense of safety and belonging. It is therefore necessary to discuss your money troubles with your nearest and dearest. Talk openly and set goals to overcome your financial troubles. It is also important to obtain professional help to assist you and those close to you in developing an action plan to set your money affairs in order with the support from your nearest and dearest.

## How to make your fuel tank last longer with rising fuel prices

Rising fuel prices pose the greatest risk to consumer finances in Q2 2022 according to the key informants.

Some suggestions to make consumers' fuel tanks go the extra distance:

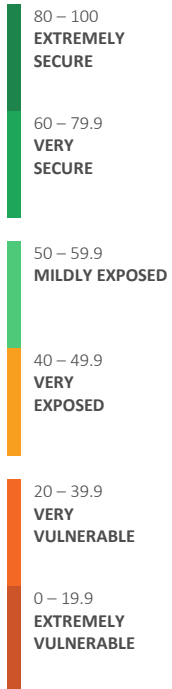
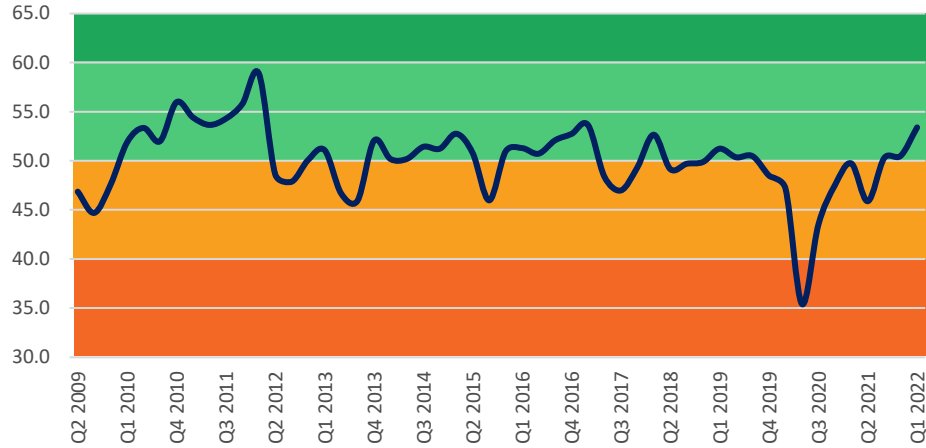
- Attempt to minimise your total travel distance. One way would be to combine a few errands into your journey and optimise your route.
- Travel outside of peak traffic hours when roads are less congested if possible.
- Drive with fuel economy in mind. Use eco-driving techniques by driving as smoothly as possible by avoiding unnecessary braking, accelerating smoothly and driving at a constant speed.
- Turn off the air-conditioner as this can reduce the fuel consumption of any vehicle.
- Check that your vehicle's tyres are inflated to the correct pressure as per manufacturer's guidelines. The lower the tyre pressure, the higher the fuel consumption. Also consider wheel alignment and the condition of your vehicle's tyres.



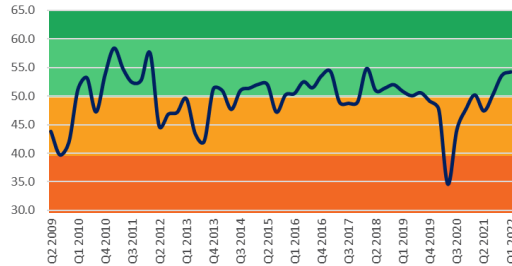
# 05

## Scores of the CFVI and its sub-indices, Q2 2009 – Q1 2022

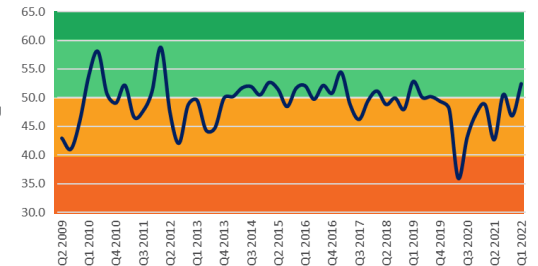
Consumer Financial Vulnerability Index



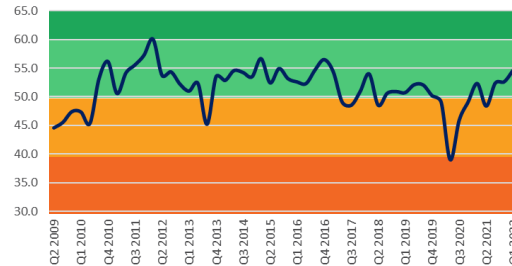
Income



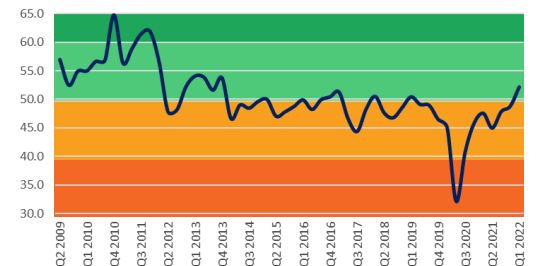
Savings



Expenditure



Debt servicing



Detailed historical values of the index and sub-components are available upon request via [e-mail](#)





## 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.

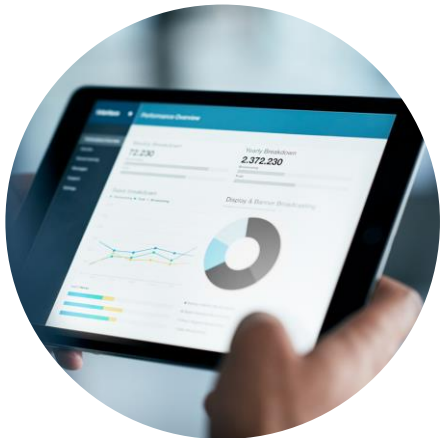
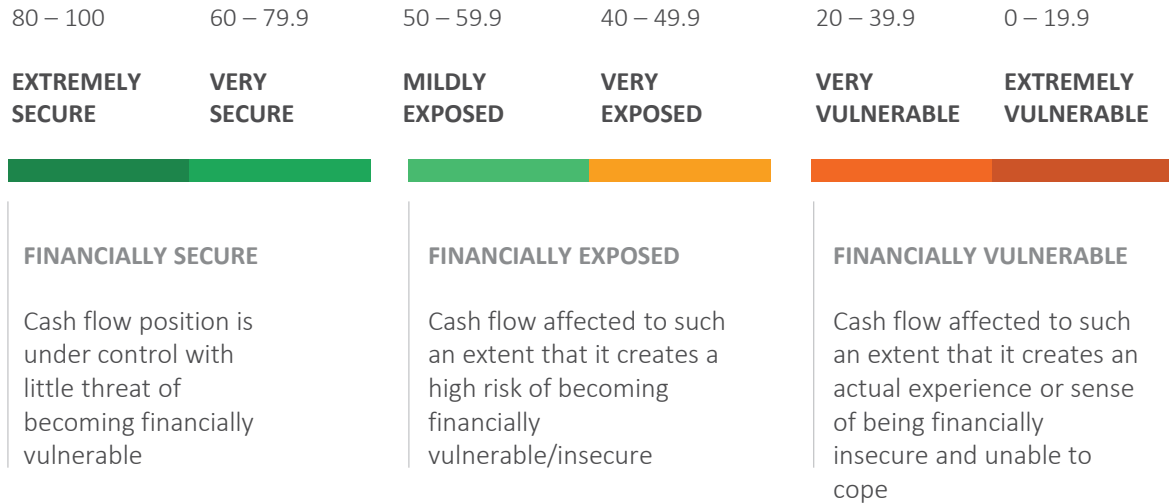


# 06

## About the index

The results of this release of the CFVI for Q1 2022 stem from research conducted by Unisa on behalf of Momentum via an online and CATI-based survey conducted during April 2022. The results of this release of the CFVI are based on the responses of 99 key informants from relevant industries (including banks, insurers, other credit industry institutions, retailers, municipalities and consumer researchers) that are able to gauge consumers' financial perceptions and positions.

## Measurement scale of consumer vulnerability index



momentum

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