

momentum

CONSUMER FINANCIAL
VULNERABILITY INDEX

UNISA 
university
of south africa

TOP STORY

Consumers more financially vulnerable due to pressures on income and savings

Q2

JULY 2021

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IMPACTED NEGATIVELY ON
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01



CFVI Q2 2021 Summary



The state of South African consumers' personal finances deteriorated during the second quarter of 2021 (Q2 2021) following a gradual improvement since Q2 2020.

Higher levels of financial vulnerability in Q2 2021 were caused amongst others by the COVID-19 social relief grant which ended in March 2021, pressures of rising fuel and food prices, high unemployment and limited salary increases. The impacts of these and other factors are reflected in the Momentum-Unisa Consumer Financial Vulnerability Index (CFVI) which decreased to 45.9 points from 49.7 points in Q1 2021.

All the sub-indices of the CFVI declined during Q2 2021, implying that consumer finances were impacted on all levels. The drivers that led to the lower CFVI score were the significant decline in consumers abilities to save and limited employment opportunities, which were exacerbated by below-inflation salary increases and absence of social relief grants - making it difficult for consumers to live within their means during the past three months.

- The income index weakened from 50.2 points in Q1 2020 to 47.4 points in Q2 2021.
- The expenditure index declined from 52.3 points to 48.4 points over the same period.
- The savings index deteriorated the most, declining by 6.1 points to 42.7 points in Q2 2021.
- The debt servicing index decreased from 47.5 points in Q1 2021, to 44.9 points in Q2 2021.



01

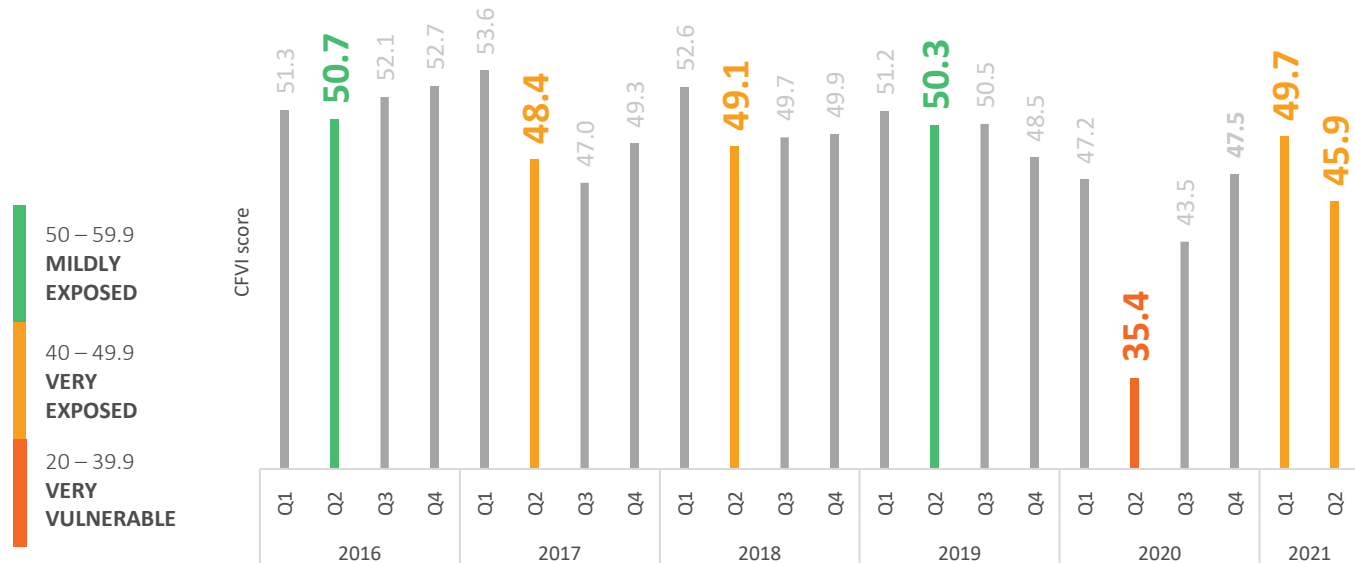
CFVI Q2 2021 Summary

When interpreting the CFVI, it is important to understand that a small number of consumers earn the bulk of the income and are responsible for most of the spending, saving and debt servicing in the economy. However, the CFVI reflects the financial situation of all consumers and most of them don't earn a sufficient income to satisfy their spending, saving and debt servicing commitments.

The decline in the CFVI therefore reflects that the majority of consumers are 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. A change in the pattern of recent scores shows that consumers seem to be more vulnerable with respect to their savings abilities given the lowest index score, where debt servicing capabilities tended to be the lowest of the sub-indices in the past.



**The majority of consumers
are still feeling financially
exposed and insecure**



02



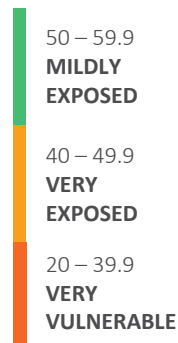
Quarterly overview of CFVI and its sub-components

During Q2 2021 the four sub-indices of the CFVI all deteriorated



The CFVI is compiled from the views of key informants (researchers, bankers, insurers, retailers, government, economists, analysts, etc.) who deal with consumers daily and/or study consumer finances continuously.

During Q2 2021 the four sub-indices of the CFVI all deteriorated, with all the sub-indices and the overall CFVI score in the very exposed category. Specifically, the income and expenditure sub-indices moved from the mildly exposed in Q1 2021 to the very exposed category during Q2 2021.



INCOME

Q2 2020

34.6

Q1 2021

50.2

Q2 2021

47.4

CHANGE FROM
Q2 2020

↑

CHANGE FROM
Q1 2021

↓



EXPENDITURE

39.0

52.3

48.4

↑

↓



SAVINGS

36.0

48.8

42.7

↑

↓



DEBT SERVICING

32.1

47.5

44.9

↑

↓

OVERALL CFVI

35.4

49.7

45.9

↑

↓



02

Quarterly overview of CFVI and its sub-components

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



Income vulnerability increased during Q2 2021. The main constraint to consumer incomes is the inability of the economy to create jobs for a large portion of the population. This made obtaining or retaining employment extremely difficult, which - as a result - negatively influenced consumers' income earning prospects. In addition, the COVID-19 social relief grant of R350 per month came to an end in March 2021. Compared to Q1 2021, a larger percentage of key informants believed consumers had a lower chance of obtaining employment. Two thirds of key informants were of the opinion that consumers in South Africa are not good in expanding their incomes. Incomes continue to be negatively impacted by the constrained economic environment resulting from pandemic related lockdowns.



Higher levels of expenditure vulnerability were recorded for Q2 2021. Compared to Q1 2021, a larger portion of key informants believed consumers' expenditure tended to exceed their incomes, thereby impacting their ability to remain within budget. Constrained incomes also negatively impact consumers' spending abilities. The majority of key informants were of the view that consumers generally tend to live beyond their means and not demonstrate self-control when it comes to spending.



Savings vulnerability also increased in Q2 2021. It seems as if consumers struggled to save in general. This is confirmed by a larger percentage of key informants disagreeing with the statement that consumers' ability to save improved in Q2 2021. This also includes saving more for retirement. Many key informants also indicated that consumers unfortunately did not have greater access to emergency savings in Q2 2021. Many consumers have been forced to sacrifice saving in order to cover expenditure and service their existing debts.



Consumers were **more vulnerable in terms of debt servicing capabilities** in Q2 2021. Low interest rates assisted in limiting debt servicing costs, but given the pressure on income and expenditure, consumers had limited funds to repay outstanding debts. It appears some consumers' financial circumstances might have continued to call for a cancellation of financial obligations. Many key informants were of the view that consumers use credit irresponsibly and consumers in general tend not to consider the risks when taking on debt.



03



A closer look at the CFVI Q2 2021 results

CONSUMERS YOUNGER
THAN 39 YEARS

71.3%

TO BE MOST
FINANCIALLY
VULNERABLE



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

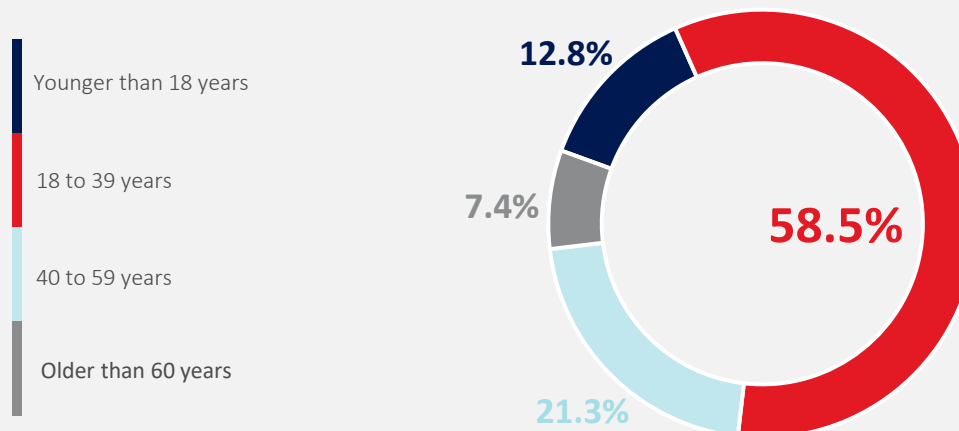
Key informants highlighted that that the youth (those below 39 years) tend to be the most financially vulnerable consumers. This was the opinion of more than two thirds of key informants. This corresponds to the economic struggles that this market segment faces, including high unemployment, the pressures brought about due to changes in life stages (such as student loans, getting married or having children).



03

A closer look at
the CFVI Q2 2021
results

The most financial vulnerable age group according to key informants:



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

77% SINGLE (SINGLE/SEPERATED/DIVORCED/WIDOWED) INDIVIDUALS PERCEIVED TO BE MORE FINANCIALLY VULNERABLE IN COMPARISON TO THOSE WHO ARE MARRIED OR LIVING WITH A PARTNER.



70.5%

PERCEIVED THOSE EARNING
BELOW R10 000 PER MONTH
TO BE MOST FINANCIALLY
VULNERABLE

57%

FEMALES PERCEIVED TO BE
MORE FINANCIALLY
VULNERABLE THAN MALES

28.4%

SELF-EMPLOYED
EMPLOYEES PERCEIVED
TO BE THE MOST
FINANCIALLY VULNERABLE



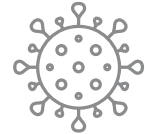
03

A closer look at the CFVI Q2 2021 results

Consumers still attached a high value to their finances, but also attached a high value to their health (due to COVID-19) during Q2 2021. Compared to Q1 2021, when a larger portion of key informants were of the view that consumers appear to be more focused on their finances and less on staying safe against COVID-19, there seem to have been a shift to an increased focus on their health once again, spurred by the third wave that loomed and started in certain part of the country during the latter part of Q2 2021.

46.1%

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.



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



47.8%

expect that there will be a rapid increase in prices during Q3 2021



72.8%

expect that the general economic situation in South Africa will get worse during Q3 2021



03

A closer look at the CFVI Q2 2021 results

Some observations made by key informants concerning the financial behaviour of consumers include:



The **psychological** toll of the pandemic is greater than one might realise.



Consumers tend to be **very negative about the country** and do not feel in control of their lives.



Consumers in **low-income groups tend to rely on government for support** and survival and not so much on creating their own sources of income.



Consumers have **changed their buying behaviour** as the pandemic accelerated the adoption of digital products and services, such as online grocery shopping.



The pandemic has undermined the feeling that long-term planning is important, with **consumers having a survival mindset** and not taking tomorrow into consideration.

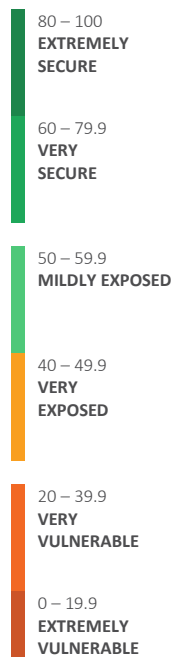
The majority of consumers in South Africa are struggling financially, given sluggish job creation and the pressures of prices of goods and services which are rising at a faster rate than incomes. Consumer finances will remain volatile for some time to come, supported by the majority view of key informants that such a recovery could take more than two years following the initial shocks brought about by the Covid-19 pandemic and subsequent lockdown.





Key informants noted that South African consumers need to tighten their proverbial belts and limit expenditure on non-essential goods. Consumers need to be innovative in identifying alternatives or supplements to existing income.



04

Scores of the CFVI and its sub-indices, Q2 2009 – Q2 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
	Q4	53.8	56.2	49.1	64.7	56.0
2011	Q1	58.5	50.6	52.2	56.3	54.4
	Q2	54.8	54.2	46.7	58.8	53.6
	Q3	52.4	55.6	47.7	61.4	54.3
	Q4	52.8	57.3	51.1	61.9	55.8
2012	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
	Q4	47.2	52.2	48.7	52.2	50.1
2013	Q1	49.6	51.0	49.6	54.0	51.1
	Q2	43.4	52.4	44.4	53.8	46.7
	Q3	42.1	45.2	44.8	51.6	45.9
	Q4	51.3	53.5	50.0	53.7	52.0
2014	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
	Q4	51.4	53.5	50.5	49.6	51.2
2015	Q1	52.1	56.7	52.7	49.9	52.7
	Q2	52.1	52.5	51.5	47.0	50.8
	Q3	47.2	55.0	48.5	47.8	46.0
	Q4	50.2	53.2	51.7	48.7	50.9
2016	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
	Q4	53.6	56.5	50.8	50.4	52.7
2017	Q1	54.4	54.5	54.5	51.2	53.6
	Q2	48.9	49.1	48.8	46.5	48.4
	Q3	48.8	48.5	46.2	44.3	47.0
	Q4	49.0	50.9	49.5	48.3	49.3
2018	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
	Q4	52.0	50.9	48.0	48.5	49.9
2019	Q1	50.9	50.8	52.9	50.4	51.2
	Q2	50.1	52.1	50.1	49.1	50.3
	Q3	50.6	52.1	50.2	48.9	50.5
	Q4	49.1	50.2	49.4	46.4	48.5
2020	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
	Q4	47.7	49.2	47.3	45.8	47.5
2021	Q1	50.2	52.3	48.8	47.5	49.7
	Q2	47.4	48.4	42.7	44.9	45.9





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.

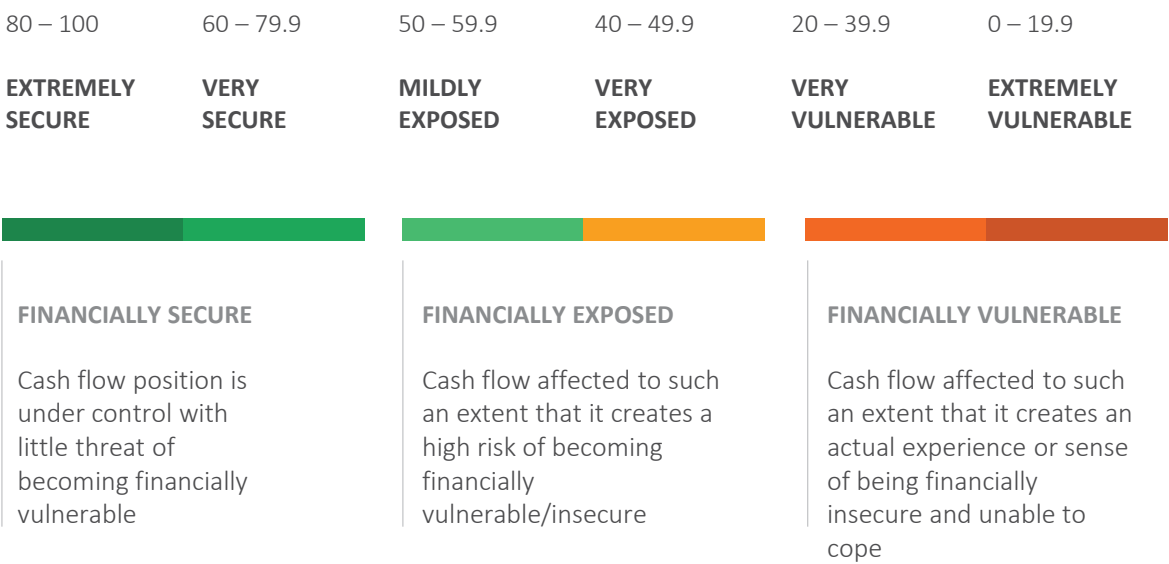
The term 'Consumer Financial Vulnerability' implies that consumers experience a sense of financial insecurity or an inability to cope financially. In essence, the CFVI identifies the specific financial sub-component(s) that consumers, on-average, feel are causing stress to their cash flow positions.

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.

The results of this release of the CFVI for Q2 2021 stem from research conducted by Unisa on behalf of Momentum via an online and CATI-based survey conducted during June 2021. The results of this release of the CFVI are based on the responses of 96 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

COMPILED BY:

Mrs. Jacolize Meiring, Bureau of Market Research, Unisa

Mr. Itumeleng Olien, Momentum

Mr. Johann van Tonder, Momentum

Prof. Carel van Aardt, Bureau of Market Research, Unisa

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