

momentum

**CONSUMER FINANCIAL
VULNERABILITY INDEX**

UNISA 
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TOP STORY

Consumers remain financially vulnerable as interest rates bite

Q2

2023

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01



CFVI Q2 2023 Summary

Rising interest rates, high food and fuel prices and load-shedding ensured that consumers remain financially vulnerable in the second quarter of 2023 (Q2 2023).



This is despite them reigning in their purchases in Q1 2023 and continuing to do so Q2 2023. Moreover, a prolonged period of financial vulnerability affected their mental state and intensified the deterioration in their family life (in Q2 2023). This fragile state of consumer finances as witnessed by key informants who deal with consumers daily, is reflected by the Momentum-Unisa Consumer Financial Vulnerability Index (CFVI), which remained below 50 points in Q2 2023.

Although rising prices and load-shedding remained the risk factors which exerted most pressure on consumer finances, rising interest rates became the highest ranked high-risk factor which had the strongest additional impact on consumer finances in Q2 2023 compared to Q1 2023, followed by low economic growth.

The outlook for an improvement in the economic environment to support consumer finances remained bleak. The expectation is for the economy to continue its poor performance, for consumer price inflation (CPI) to be sticky at somewhat lower levels, for unemployment to remain at the current high levels and for the state of consumer finances to remain at its vulnerable levels or worsen.



02

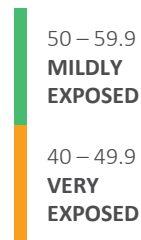


Quarterly overview of CFVI and its sub-components

The CFVI as measured from the views of consumer key informants who deal with consumers daily, increased from 49.1 points in Q1 2023 to 49.3 points in Q2 2023. At 49.3 points the CFVI was barely

unchanged from the 49.1 points in Q1 2023. The CFVI had now been below the level of 50 points for 12 out of the last 15 quarters (since Q3 2019), indicating a persistent state of financial vulnerability.

Consumers remain financially vulnerable in Q2 2023, though to a lesser extent



	Q2 2022	Q1 2023	Q2 2023	CHANGE FROM Q2 2022	CHANGE FROM Q1 2023
INCOME	49.8	50.9	49.9	↑	↓
EXPENDITURE	51.5	48.3	52.3	↑	↑
SAVINGS	48.6	48.9	47.3	↓	↓
DEBT SERVICING	45.8	48.4	47.7	↑	↓
OVERALL CFVI	48.5	49.1	49.3	↑	↑



02

Quarterly overview of CFVI and its sub-components

Some significant changes occurred in the CFVI-subcomponents in Q2 2023. The income index deteriorated from 50.9 to 49.9 points, while expenditure improved from 48.3 to 52.3 points. However, the savings vulnerability index weakened from 48.9 to 47.3 points, while the debt servicing subcomponent also deteriorated from 48.4 to 47.7 points.

High inflation and expected inflation contributed to the South African Reserve Bank to increase the repo rate by another 50 basis-points in Q2 2023, following a 75 basis-point increase in Q1 2023. High interest rates directly and indirectly impacted the four subcomponents of the CFVI compared to Q1 2023, with three deteriorating and one improving. Consumers in general changed their saving and spending patterns to make ends meet.

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



Consumers were less expenditure vulnerable because they continued to reign in their purchases to be more in accordance with their income, bringing them closer to balanced budgets.



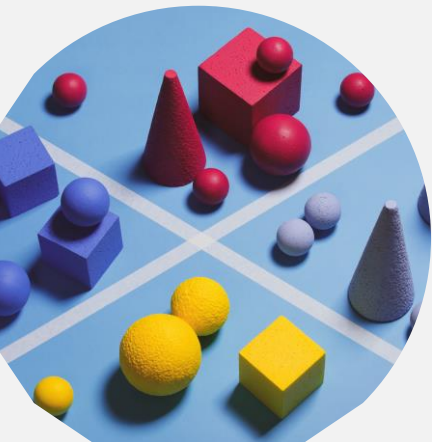
Having to channel more money towards debt servicing while becoming more income vulnerable, consumers sacrificed savings for both emergencies and retirement, negatively affecting their savings vulnerability.



Consumers were more income vulnerable as their prospects of earning additional income to finance the additional debt payments deteriorated.



In Q2 2023 rising interest rates contributed to higher debt servicing vulnerability. Consumers needed to pay more in order to service their debts, hence negatively impacting their ability to service existing debt.



03



A closer look at the CFVI Q2 2023 results

Consumer finances had been in a persistent state of vulnerability since Q3 2019 as the CFVI was below 50 points for twelve of the fifteen quarters up to Q2 2023. This prolonged state of financial vulnerability impacted their mental state and behaviour.

In Q1 2023 the strongest behavioural impact was in the form of a reduction in consumers' mental bandwidth – meaning they were constantly making plans to make ends meet, thereby negatively

affecting productivity and other important matters.

Although low mental bandwidth continued in Q2 2023, the strongest effect of financial stress was a further deterioration in interpersonal relationships with family, friends, and colleagues.



71.7%

stated that consumers were uneasy, unhappy, despondent or negative when thinking about their finances.



73.7%

stated that consumers were constantly thinking about their finances.



88.9%

were of the opinion that consumers' financial situations put strain on their interpersonal relationships.



03

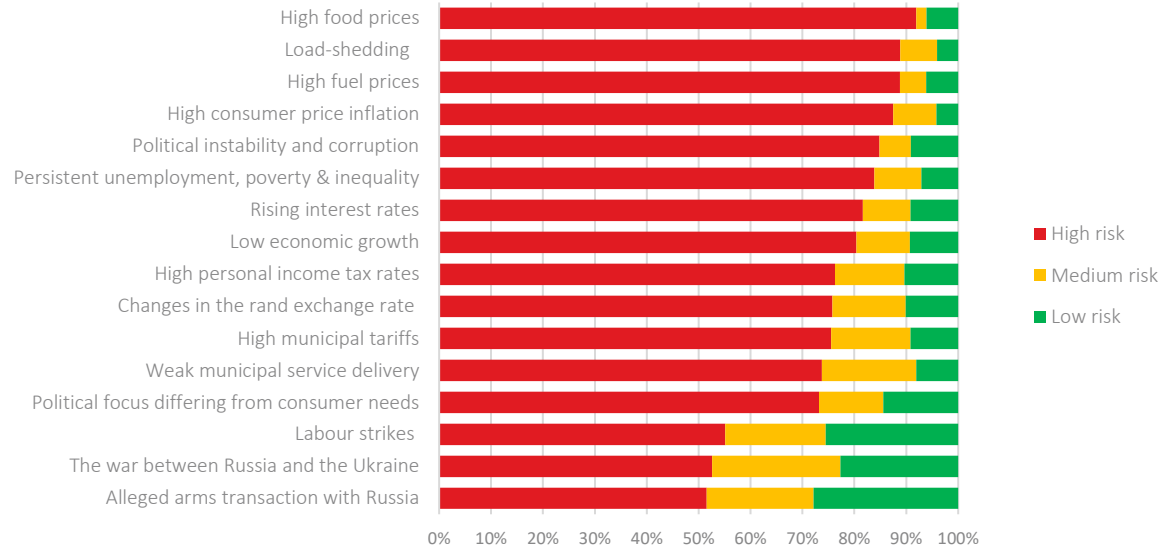
A closer look at the CFVI Q2 2023 results



High food prices posed greatest risk to consumer finances in Q2 2023

Risk factors affecting consumer finances in Q2 2023

High food and fuel prices, and load-shedding continued to be the risk factors exerting the highest pressure on consumer finances in Q2 2023, but the order changed slightly. Less load-shedding compared to Q1 2023 caused high food prices to take over as the highest risk factor in Q2 2023.



However, rising interest rates became one of the strongest high-risk factors in Q2 2023 following another increase of 50 basis-points in the repo rate in May 2023. Whereas 76.3% of key informants deemed rising interest rates to be a high risk to consumer finances in Q1 2023, this changed to 81.6% in Q2 2023. More key informants also deemed low economic growth as a high-risk component in Q2 2023 – as the struggling economy restricted income earning prospects of consumers. With price increases and the rising debt servicing burden negatively impacting the purchasing power of consumer income, personal income taxes also became a higher risk to consumer finances.



03

A closer look at the CFVI Q2 2023 results

Economic and personal finance outlook

Consumer key informants do not expect an improvement in the state of consumer finances in Q3 2023. With regards to the expectations for the economic environment and consumer finances, the following were the majority views for Q3 2023:

- 82.7% expect consumer finances to remain at the current vulnerable level or worsen.
- 84.7% anticipate general prices to increase, whether at the same rate or a slightly slower pace.
- Around 80% expect the global and domestic economic situation to remain the same or worsen.
- 72.4% foresee an unchanged or worsening unemployment situation.



84.7%

expect that there will be a continued increase in prices during Q3 2023



79.8%

expect that the South African economic situation will remain the same or deteriorate during Q3 2023



72.4%

expect that the unemployment rate will remain the same or increase during Q3 2023

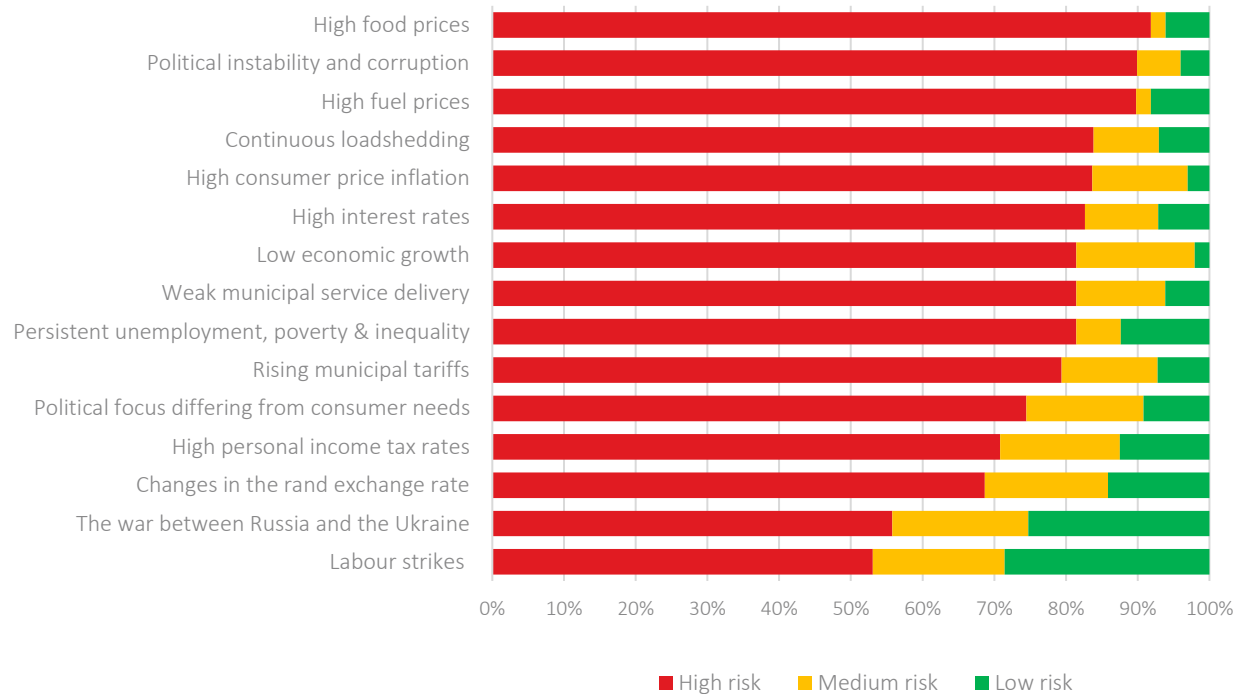


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A closer look at the CFVI Q2 2023 results

Expected risks to consumer finances during Q3 2023

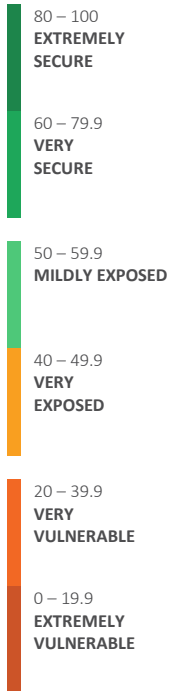
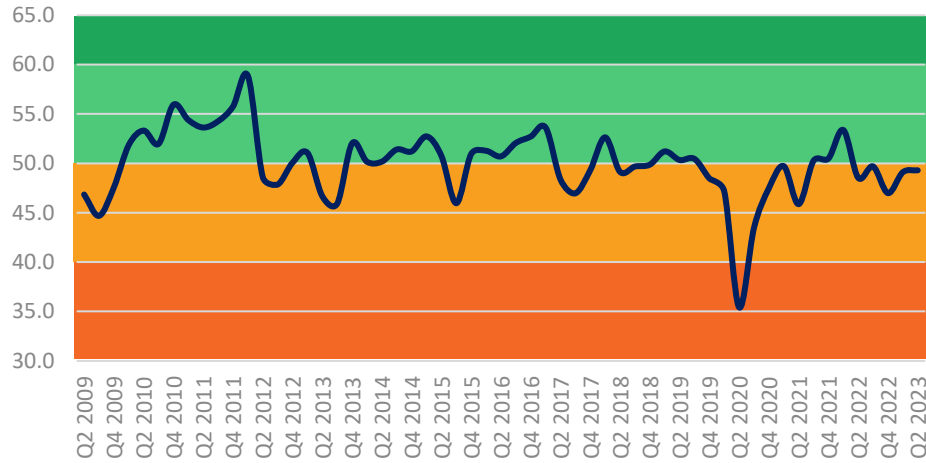
Consumer key informants expect high food and fuel prices to continue exerting pressure on consumer finances in Q3 2023, continuing as top three high-risk factors as identified for Q2 2023. Political instability and corruption are expected to become a top three high-risk factor in Q3 2023, and the impact of high interest rates to increase further.



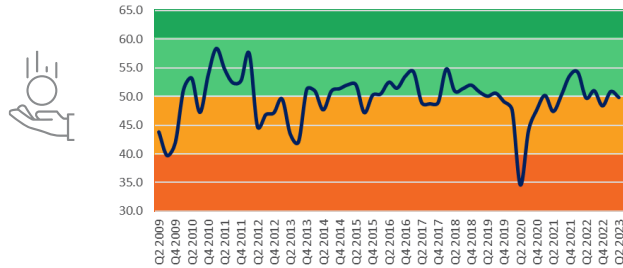
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Scores of the CFVI and its sub-indices, Q2 2009 – Q2 2023

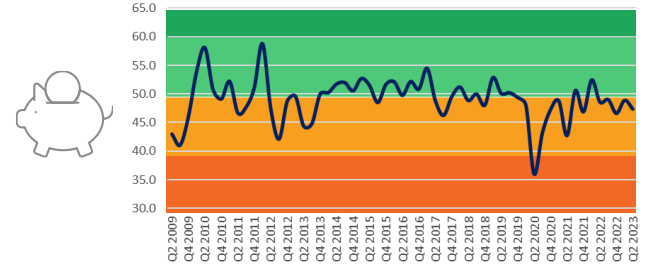
CFVI



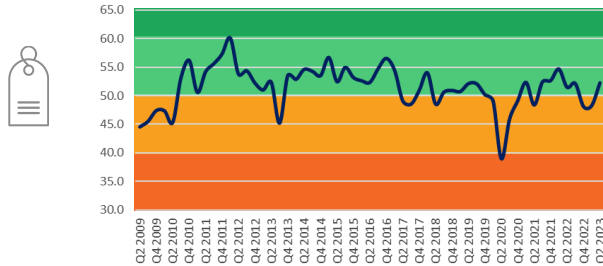
Income



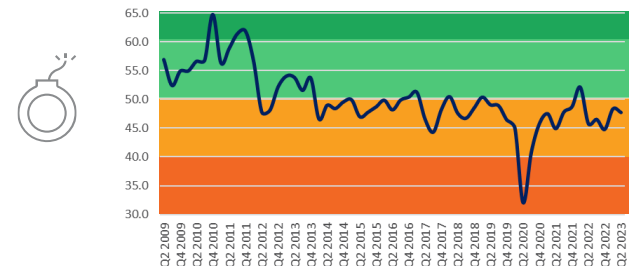
Savings



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, in the sense that it regularly provides updates on the state of consumers' financial vulnerability.

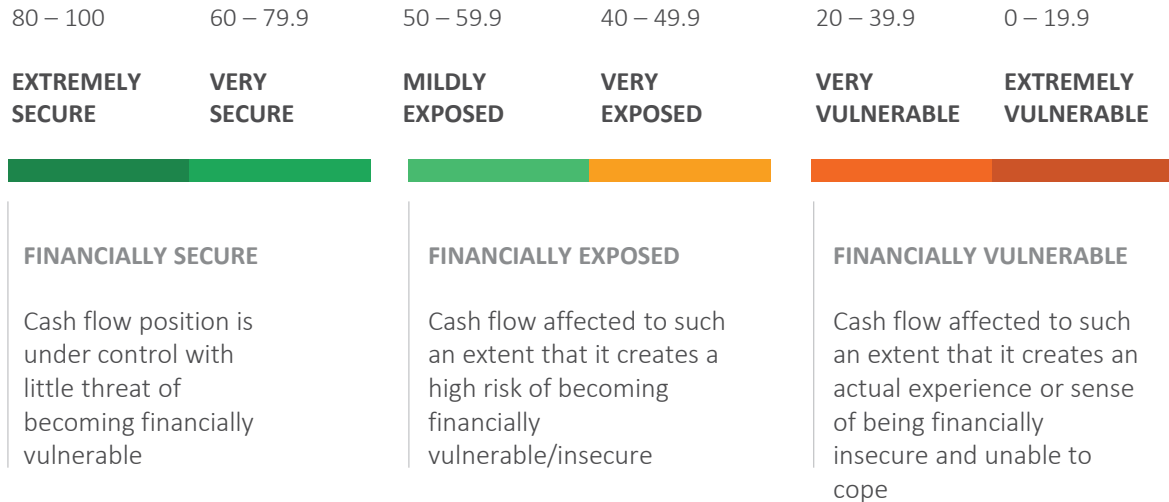


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About the index

The results of this release of the CFVI for Q2 2023 stem from research conducted by the Bureau of Market Research at Unisa on behalf of Momentum via an online and CATI-based survey conducted during July 2023. The results of this release of the CFVI are based on the responses of 100 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



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