

momentum

CONSUMER FINANCIAL
VULNERABILITY INDEX

UNISA 
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of south africa

TOP STORY

Grants reduce consumer financial vulnerability

Q3

OCTOBER 2021

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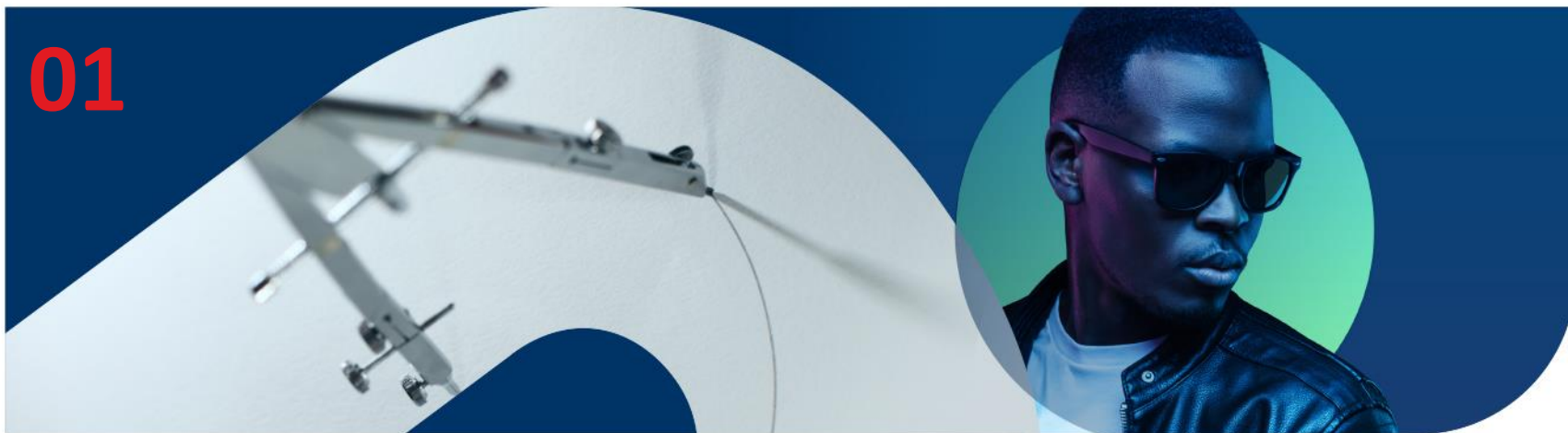
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01



CFVI Q3 2021 Summary

The state of South African consumers' personal finances recovered to its best level in more than two years during Q3 2021.



The Momentum-Unisa Consumer Financial Vulnerability Index (CFVI) increased to 50.3 points in the third quarter of 2021 (Q3 2021), a level last observed in Q2 2019. This follows a deterioration to 45.9 points in Q2 2021 from 49.7 points in Q1 2021.

The recovery in the CFVI also suggests that the positive effect of the reintroduction of the SRD-grant outweighed the negative impact of the looting and riots, which occurred in KwaZulu-Natal and Gauteng from 9 to 18 July 2021. The spill-over effect of the SRD-grant, among others, seems to have had a positive effect on all sub-indices of the CFVI in Q3 2021 as:

- The income index increased to 50.3 points from 47.4 points in Q2 2021.
- The expenditure index improved from 48.4 points in Q2 2021 to 52.4 points.
- The savings index improved most, namely from 42.7 points in Q2 2021 to 50.6 points.
- The debt servicing index increased to 47.8 points from 44.9 points in Q2 2021.

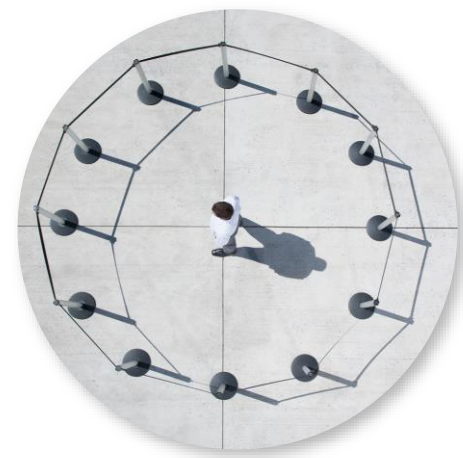


01

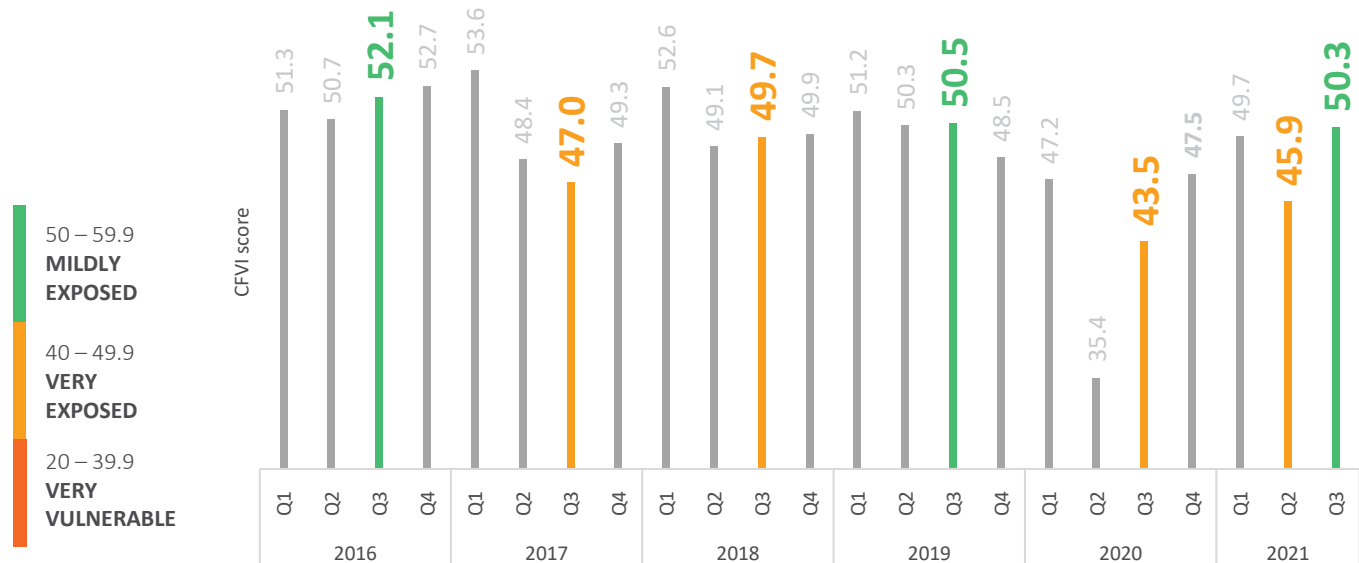
CFVI Q3 2021 Summary

Although the CFVI is at the same level as in Q2 2019, consumers are generally still in a vulnerable state. In addition, millions of consumers' financial positions are vastly different than two years ago. Since Q2 2019, almost 1.4 million workers lost their jobs and income. But almost 6 million Social Relief of Distress (SRD) grant payments of R350 per month were made in Q3 2021. This suggests that the recovery in the CFVI was driven more by the reinstatement of the SRD-grant than by job creation.

The CFVI is a reflection of the personal financial situation of all consumers – and should not be confused with the financial situation of the small percentage of consumers who are responsible for most of households' income, spending, saving and debt servicing.



The majority of consumers remain financially exposed



02







Quarterly overview of CFVI and its sub-components

During Q3 2021 the **four sub-indices of the CFVI all showed improvement**



The CFVI is compiled from the views of key informants (researchers, bankers, insurers, retailers, government, economists, analysts, etc.) who deal with consumers and/or consumer analytics daily. Their views suggest a better consumer income and outlays situation in Q3 2021.

However, notwithstanding the perceived recovery in the financial situation of consumers, most consumers are still financially unstable, meaning even a small adverse event (such as higher food prices), or a policy change (e.g. higher interest rates or removal of temporary grants) can contribute to a large deterioration in the state of their personal finances.

		Q3 2020	Q2 2021	Q3 2021	CHANGE FROM Q3 2020	CHANGE FROM Q3 2021	
50 – 59.9 MILDLY EXPOSED		INCOME	44.1	47.4	50.3	↑	↑
		EXPENDITURE	45.9	48.4	52.4	↑	↑
40 – 49.9 VERY EXPOSED		SAVINGS	43.1	42.7	50.6	↑	↑
		DEBT SERVICING	40.8	44.9	47.8	↑	↑
		OVERALL CFVI	43.5	45.9	50.3	↑	↑

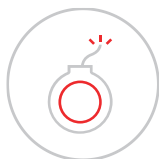


The declining level of income vulnerability had a positive knock-on effect on the other components of consumers' income statements. More income means more consumers could better afford their spending (reducing their expenditure vulnerability), whilst putting them in a better position to save more and service their debts (contributing to lower saving and debt-servicing vulnerability). However, although consumers felt less vulnerable in terms of debt servicing, the debt servicing vulnerability index score remained below the level of 50 points.

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



Consumers' income vulnerability declined. This can be attributed to millions more consumers gaining from the reinstatement of the SDR-grant and extension of TERS payments compared to those who were negatively affected by the looting and riots. The looting and riots, which stretched from 9 July to 18 July 2021, may according to some reports have contributed to more than 100 000 job losses. However, government's announcement that affected workers may claim from the Temporary Relief Scheme (TERS) would have alleviated some of the financial pain. But the main reason for the improvement can be attributed to the reinstatement of the R350 per month SRD-grant. Since the first payment on 25 August 2021, more than 5.6 million payments had been made to consumers in Q3 2021, improving their income prospects until at least March 2022, when the arrangement comes to an end.



Debt servicing vulnerability was lower. Low interest rates continued to assist cash-strapped consumers in Q3 2021, whilst new unsecured credit contracted in real terms compared to a year ago.



Less income vulnerability assisted with lower expenditure vulnerability as more consumers could better afford their expenses. However, rising consumer prices as reflected by especially higher food-, municipal- and fuel price inflation, would have made some essential products less affordable to the majority of consumers in Q3 2021, reducing the positive effect of lower income vulnerability. Spending was also curtailed by COVID-19 level 4 restrictions which was in place for most of Q3 2021.



Savings vulnerability declined, partly due to less income vulnerability, but also because of COVID-19 level 4 restrictions, which prevented more spending. However, it was more the middle- to higher income groups whose savings benefitted from the level 4 restrictions.

03



A closer look at the CFVI Q3 2021 results

FULL-TIME WORKERS IN
PUBLIC SERVICE

65.6%

DEEMED TO BE
LEAST FINANCIALLY
VULNERABLE



Key informants also indicated who they observed to be the most and least financially vulnerable consumers.

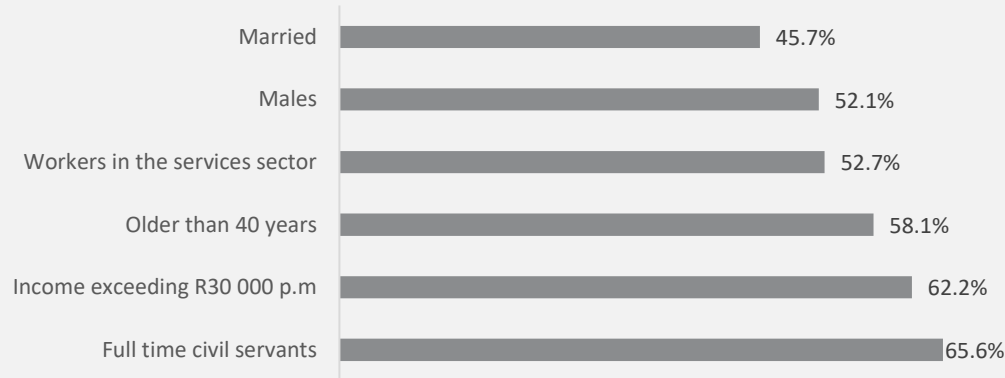
They indicated that full-time workers in the public service are deemed to be the **least financially vulnerable** (65.6% of key informants indicated they are the least financially vulnerable group in terms of employment status). As for the other least financially vulnerable demographic groups, the key informants identified them as consumers earning more than R30 000 per month; being 40 years and older; working in the services sector; mostly males and married couples.



03

A closer look at
the CFVI Q2 2021
results

The least financial vulnerable groups according to key informants:



The key informants also indicated the following as the
most financially vulnerable groups:



62.4%

**18-39 YEAR OLDS PERCEIVED
TO BE THE MOST FINANCIALLY
VULNERABLE**

52.1%

**FEMALES PERCEIVED
TO BE MORE FINANCIALLY
VULNERABLE THAN MALES**

34.4%

**UNEMPLOYED PERCEIVED
TO BE THE MOST
FINANCIALLY VULNERABLE**



72%

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

57.4%



**SINGLE (SINGLE/SEPERATED/DIVORCED/
WIDOWED) INDIVIDUALS PERCEIVED TO BE
MORE FINANCIALLY VULNERABLE**

IN COMPARISON TO THOSE WHO ARE
MARRIED OR LIVING WITH A PARTNER.



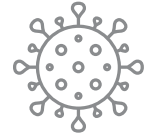
03

A closer look at the CFVI Q2 2021 results

As for consumers' behaviour toward COVID-19, an increased number of key informants observed consumers felt more worried about their finances than contracting COVID-19 in Q3 2021. This may be due to the stringent level of COVID-19 restrictions. Since starting to survey this issue in Q2 2020, a pattern seems to have emerged, namely the results suggest that consumers became more worried about their finances when COVID-19 restrictions were more stringent.

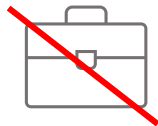
36.6%

of key informants observed that consumers became more worried about their finances than staying safe against contracting COVID-19



As level 4 restrictions were in place for most of Q3 2021, it became more difficult for consumers to make a living or find employment, notwithstanding access to grants.

With regards to the expectations for the economic environment the key informants had the following opinions:



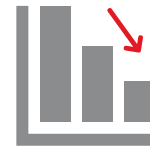
59.1%

expect that the unemployment rate will increase during Q4 2021



50.0%

expect that there will be a rapid increase in prices during Q4 2021



40.2%

expect that the general economic situation in South Africa will get worse during Q4 2021



03

A closer look at
the CFVI Q2 2021
results

Although most key informants expect the financial situation of consumers to recover in Q4 2021, it is noteworthy that this majority is only 37.3%. As 30.1% expect consumers' financial situation to remain unchanged and 32.2% expect it to worsen, the coarsely equal distribution reveal the level of uncertainty among key informants.

The matter gets settled, though, when analysing key informants' view on how long they expect it to take for consumers' finances to recover. **Almost 71% expect it will take more than two years for consumer finances to recover, with the majority expecting it will take more than three years.**

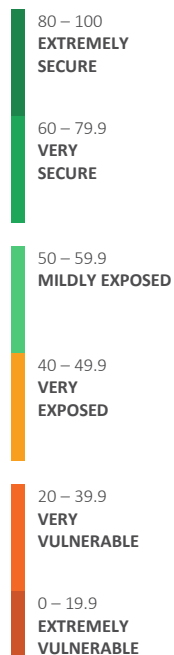
Managing their money well is not a strength of South African consumers. Some observations made by key informants concerning the financial behaviour of consumers include:





- Consumers generally don't plan their finances in advance
- Consumers generally spend more than what they earn
- Consumers generally don't use credit responsibly
- Consumers generally are not good at expanding their incomes
- Consumers generally felt more disempowered
- Consumers generally don't exercise self-control when borrowing
- Consumers generally don't have self-control when spending
- Consumers generally are not financially literate



04

Scores of the CFVI and its sub-indices, Q2 2009 – Q3 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
	Q1	57.6	60.1	58.8	56.6	58.9
2013	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
2014	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
2015	Q4	51.3	53.5	50.0	53.7	52.0
	Q1	51.0	52.9	50.2	46.6	50.2
	Q2	47.7	54.6	51.7	49.0	50.2
2016	Q3	51.0	54.3	52.0	48.4	51.4
	Q4	51.4	53.5	50.5	49.6	51.2
	Q1	52.1	56.7	52.7	49.9	52.7
2017	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
2018	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
2019	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
2020	Q3	48.8	48.5	46.2	44.3	47.0
	Q4	49.0	50.9	49.5	48.3	49.3
	Q1	54.9	54.0	51.2	50.5	52.6
2021	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
2022	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
2023	Q4	49.1	50.2	49.4	46.4	48.5
	Q1	47.7	49.1	48.1	45.0	47.2
	Q2	34.6	39.0	36.0	32.1	35.4
2024	Q3	44.1	45.9	43.1	40.8	43.5
	Q4	47.7	49.2	47.3	45.8	47.5
	Q1	50.2	52.3	48.8	47.5	49.7
2025	Q2	47.4	48.4	42.7	44.9	45.9
	Q3	50.3	52.4	50.6	47.8	50.3





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.

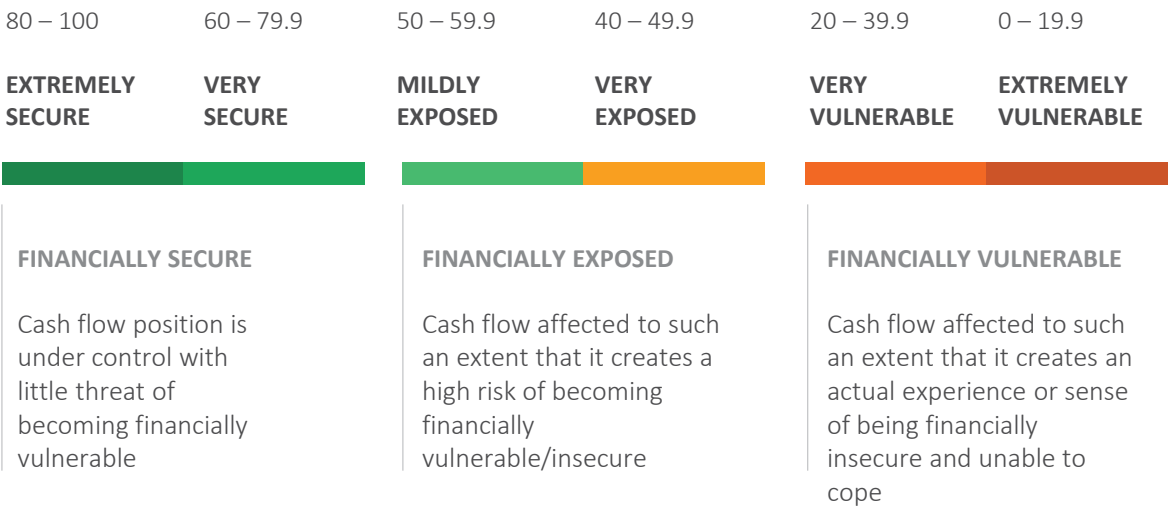
The term 'Consumer Financial Vulnerability' implies that consumers experience a sense of financial insecurity or an inability to cope financially. In essence, the CFVI identifies the specific financial sub-component(s) that consumers, on-average, feel are causing stress to their cash flow positions.

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 Q3 2021 stem from research conducted by Unisa on behalf of Momentum via an online and CATI-based survey conducted during September 2021. The results of this release of the CFVI are based on the responses of 94 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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