

momentum

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VULNERABILITY INDEX**

UNISA | 
university
of south africa

TOP STORY

Load shedding and political issues affect consumer finances negatively

Q3

OCTOBER 2022

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01



CFVI Q3 2022 Summary

The overall state of South African consumers' finances improved slightly in the third quarter of 2022 (Q3 2022) but remained under pressure.

The Momentum-Unisa Consumer Financial Vulnerability Index (CFVI) increased from 48.9 points in Q2 2022 to a still sub-par 49.7 points in Q3 2022. Increasing food prices, load shedding, high fuel prices and political instability and corruption posed the highest risk to consumer finances in Q3 2022 according to the key informants who deal with consumers daily. The key informants expect the risk factors to continue in Q4 2022, but in a different order. The fastest climbing risk factor, though, is seen to be politicians not focusing on consumer needs.

Financial vulnerability continued to negatively impact consumers' behaviour, particularly on two fronts. There was a further increase in the already high number of consumers whose dire financial situation are affecting their relationships with family, friends, and colleagues. And more consumers are focusing so much on their financial problems which causes them to neglect other important issues.

Although the CFVI and its subcomponents predominantly moved sideways in Q3 2022 it improved on the margin in all four subcomponents. This suggests households should make a bit stronger contribution to economic growth in Q3 2022 – and may contribute more to positive economic growth in Q3 2022, following a contraction in Q2 2022.



02

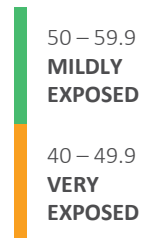


Quarterly overview of CFVI and its sub-components

There was a slight improvement in consumers' financial vulnerability in Q3 2022 (49.7 points) compared to Q2 2022 (48.9 points). This implies that the state of consumer finances remained in the

very exposed state of financial vulnerability in Q2 2022. Despite the recovery, the index was still worse than a year ago (50.3 points).

Consumers were less financially vulnerable in all sub-components in Q3 2022



	Q3 2021	Q2 2022	Q3 2022	CHANGE FROM Q3 2021	CHANGE FROM Q2 2022
INCOME	50.3	49.8	51.0	↑	↑
EXPENDITURE	52.4	51.5	52.2	↓	↑
SAVINGS	50.6	48.6	49.0	↓	↑
DEBT SERVICING	47.8	45.8	46.5	↓	↑
OVERALL CFVI	50.3	48.9	49.7	↓	↑



02

Quarterly overview of CFVI and its sub-components

Analysis of the insights gained from key informants on the four subindices of the CFVI revealed an increase in the income subindex (to 51 points from 49.8) to be the main reason for the slight improvement in consumers' state of financial vulnerability between Q2 2022 and Q3 2022.

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



Less income vulnerability can be ascribed to more consumers being able to access other sources of income such as transfers from family and friends.



Although consumers were marginally less savings vulnerable, pressures from increasing consumer price inflation and rising interest rates contributed to a less money available for savings.



The improvement in income contributed to slightly less expenditure vulnerability. But high consumer price inflation, particularly from increasing food prices and high fuel prices, as well as higher interest rates, left consumers under pressure, not being able to afford their normal purchases, forcing them to cut back on outlays.

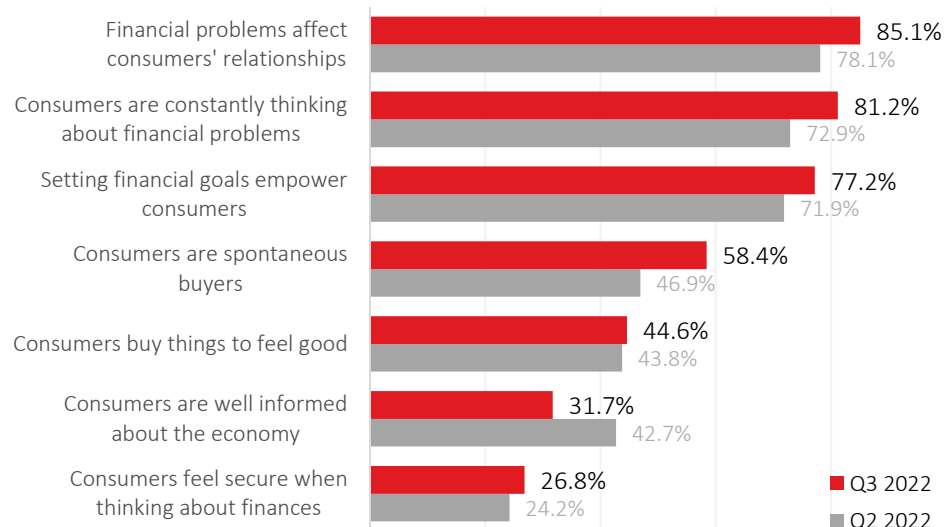


Debt servicing remained consumers' 'Achilles heel'. Rising consumer price inflation and interest rates, considerably reduced consumers ability to repay debt.





A closer look at the CFVI Q3 2022 results



Whereas consumer behaviour reacted in a positive way in Q2 2022 to higher financial vulnerability, it deteriorated again in Q3 2022. More consumers are seen to have experienced a deterioration in their relationships with family and friends compared to Q2 2022.

Also, more are constantly focusing on their financial problems, causing them to neglect other important issues. However, key informants noted that setting financial goals should empower consumers to make better financial decisions which may reduce their financial vulnerability.

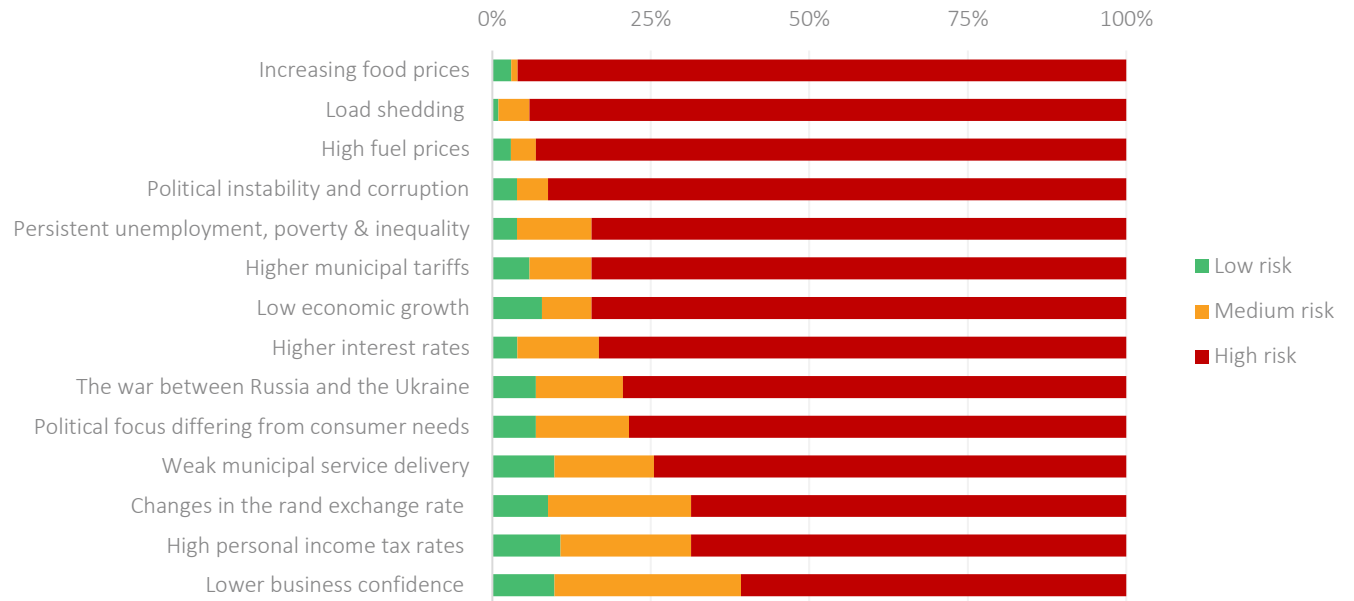


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A closer look at the CFVI Q3 2022 results

Risk factors affecting consumer finances in Q3 2022

Key informants identified several risk factors which contributed to consumer financial vulnerability in Q3 2022. The highest risk (more than 90% of key informants) to consumer finances emanated from **increasing food prices**, followed by **load shedding, high fuel prices and political instability and corruption**.



It is notable that the order of the risk factors changed from Q2 2022, when the top four risk factors were identified as high fuel prices, followed by high food prices, load shedding and rising interest rates. The perceived increase in risk to consumer finances caused by political instability and corruption was the largest change (in top risks) between Q2 2022 and Q3 2022 (fourth in Q3 2022 compared to sixth in Q2 2022).



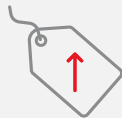
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A closer look at the CFVI Q3 2022 results

Economic and consumer finance outlook

Key informants are not very optimistic about the outlook for Q4 2022. With regards to the expectations for the economic environment and consumer finances, the following were the majority views for Q4 2022:

- The overwhelming majority of key informants (72.5%) expect consumer price inflation to still increase at a rapid pace in Q4 2022.
- The global and South African economies are also expected to get worse in Q4 2022.
- Some 51.0% anticipate that the level of unemployment will increase, while an additional 32.4% expect that it will remain at the current high levels.
- 74.5% of key informants are of the view that it will take an additional 2 years for consumer finances to recover from the impact of COVID-19 and the lockdown.
- 50.5% expect consumer finances to deteriorate during Q4 2022.



72.5%

expect that there will be a rapid increase in prices during Q4 2022



56.9%

expect that the South African economy will perform worse during Q4 2022



51.0%

expect that the unemployment rate will increase during Q4 2022



03

A closer look at the CFVI Q3 2022 results

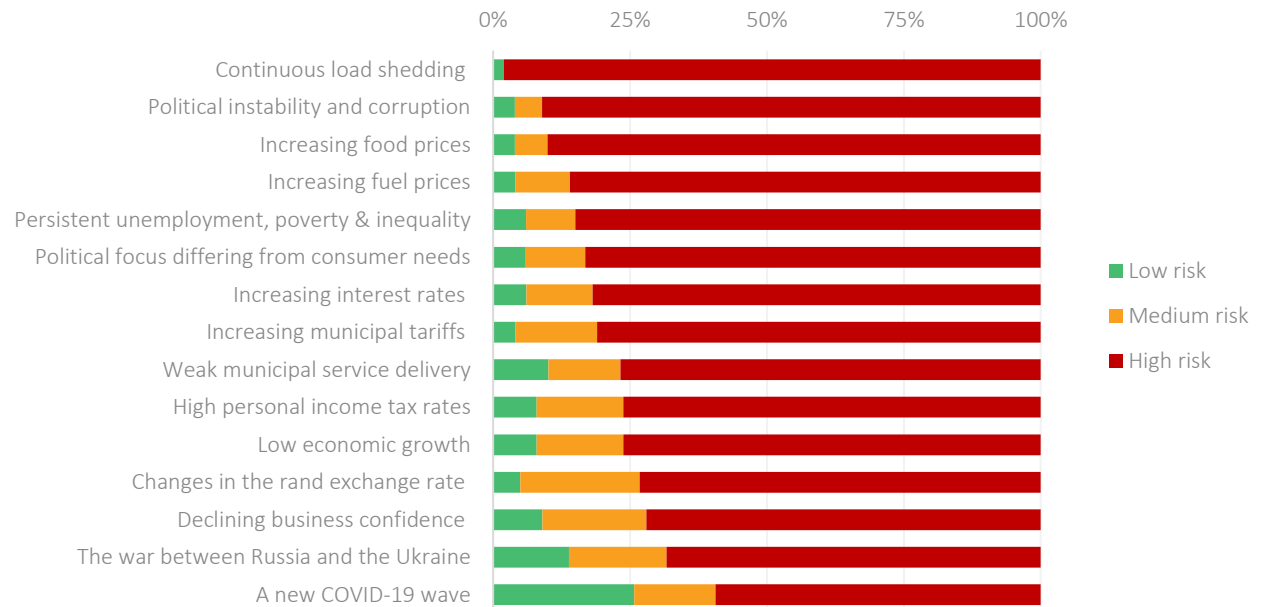


Load shedding pose greatest risk to consumer finances in Q4 2022

Expected risks to consumer finances during Q4 2022

The same top four risks in Q3 2022 are expected to affect consumer finances in Q4 2022, but in a different order. Load shedding and political instability and corruption is expected to have the biggest influence on consumer finances in Q4 2022, followed by increasing food and fuel prices.

The biggest “risk mover”, however, is political focus differing from consumer needs. It was identified as tenth biggest risk for Q3 2022 (in the previous release) but increased to sixth in terms of the expectation for Q4 2022. In conjunction with political instability and corruption (second highest risk), this indicates that political issues are becoming a growing risk to consumer finances.



04

Tips to build financial resilience

“Give me power” ... load shedding and consumer finances



This year has so far been a year characterized by increasing occurrences and stages of load shedding in the country. It is expected that load shedding will remain a constraint for the foreseeable future. Reflect on the following tips to make your household more load shedding friendly.

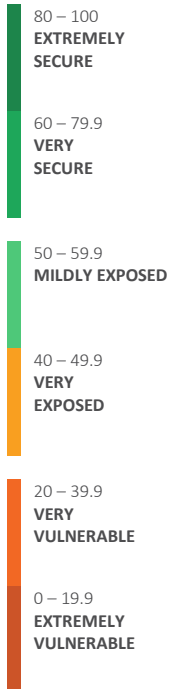
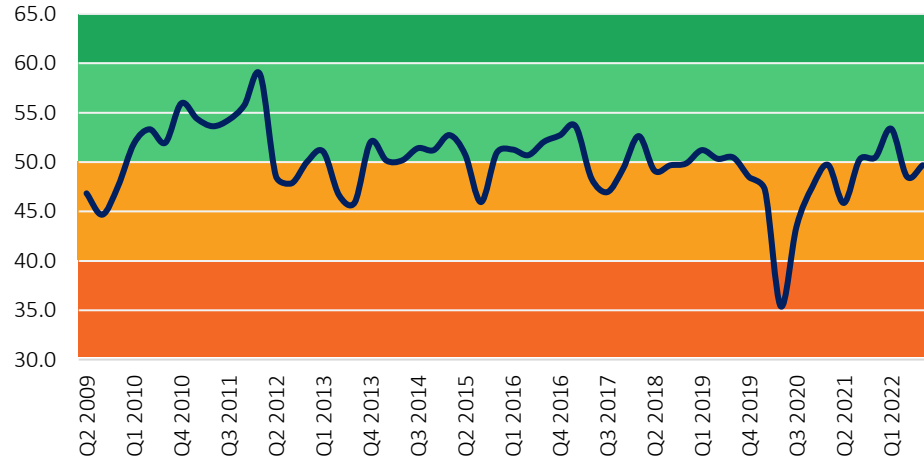
- Power surges - Unplug all your sensitive electrical appliances and electronic devices to ensure that when power returns, and there is a surge, your appliances are safe or use surge protectors for computers, televisions and fridges.
- Use gas - Gas stoves are becoming a popular choice for consumers who are building a new home or re-doing their kitchen. Alternatively opt for a camping size gas stove to cook food and boil water.
- Batteries instead of flames – Rather opt for battery-operated lights and torches than using candles that could be a fire hazard.
- Keep food safe – Ensure the temperature in the refrigerator is 4 °C and keep the refrigerator door closed as it will remain cold enough for up to four hours without power. If the freezer door is kept closed, frozen food will stay frozen for around 48 hours. Consider purchasing long-lasting items, such as unopened canned foods and sterile or UHT drinks that have a long shelf life.
- Go solar – Make use of the South African sun and opt for solar energy. Install a solar geyser, use solar lights and charge your cellphone with a solar charger.



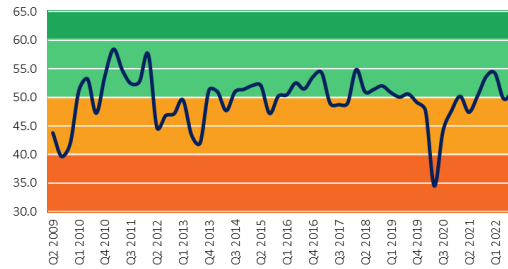
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Scores of the CFVI and its sub-indices, Q2 2009 – Q3 2022

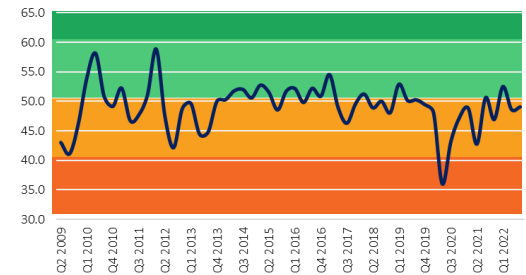
CFVI



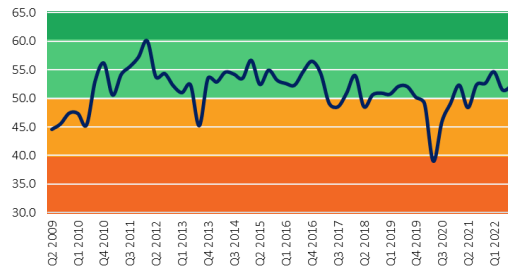
Income



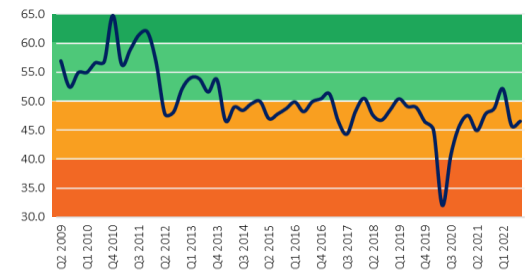
Savings



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

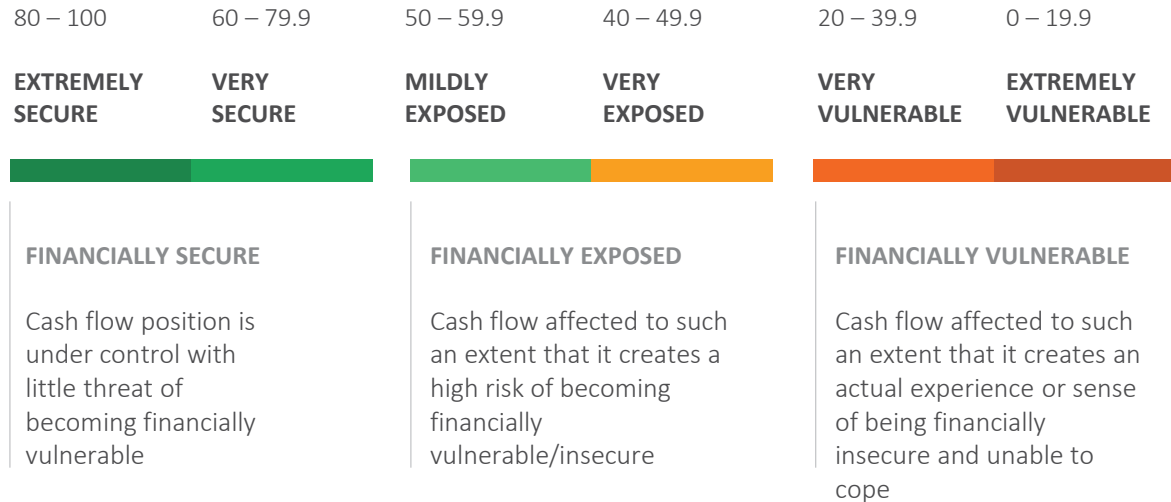


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About the index

The results of this release of the CFVI for Q3 2022 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 September 2022. The results of this release of the CFVI are based on the responses of 102 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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