

momentum

CONSUMER FINANCIAL
VULNERABILITY INDEX

UNISA 
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TOP STORY

Structural factors to keep consumer finances fragile

Q3

2023

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01



CFVI Q3 2023 Summary

Cyclical factors kept consumer finances in a fragile state, with structural factors becoming main risks to consumer finances in the third quarter of 2023 (Q3 2023)

Key consumer informants identified structural impediments such as a) political instability and corruption; b) the well-known triad of unemployment, poverty, and inequality; in addition to c) loadshedding as key risks to building on the improvement in the state of consumer finances which occurred in the third quarter of 2023 (Q3 2023). The CFVI increased to 50.9 points in Q3 2023 from 49.3 points in Q2 2023, mainly due to a more upbeat cyclical economic environment, driven by encouraging CPI, interest rate and income earning developments.

CPI had been on a declining trend in 2023. In Q1 2023 it averaged 7% compared to a year ago, decelerating to 6.2% in Q2 2023 and declining further to 5% in Q3 2023.

In addition, the Monetary Policy Committee of the South African Reserve Bank left interest rates unchanged in Q3 2023. Furthermore, expected salary increases for Q3 2023 as measured by the Bureau of Economic Research was higher compared to Q2 2023.

However, a prolonged recovery in the CFVI to beyond 60 points – where financial security starts to dominate financial vulnerability – will only become likely when the mentioned, and other structural factors, are addressed. In terms of consumer behaviour, the CFVI revealed that, although consumers in general were a bit less vulnerable in Q3 2023, the majority still despairs about their financial situation. This negatively affected their mental bandwidth and therefore their relationships with family and friends. Nevertheless, an increase in “feel-good” purchases occurred in Q3 2023, possibly driven by consumers whose income improved sufficiently to afford such purchases.



02

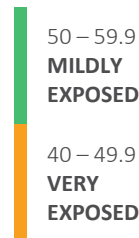


Quarterly overview of CFVI and its sub-components

The CFVI as measured from the views of consumer key informants who deal with consumers daily

increased to 50.9 points in Q3 2023 from 49.3 points in Q2 2023 and 49.7 points a year ago.

Consumers less financially vulnerable in Q3 2023, although still in despair



	Q3 2022	Q2 2023	Q3 2023	CHANGE FROM Q3 2022	CHANGE FROM Q2 2023
INCOME	51.0	49.9	52.0	↑	↑
EXPENDITURE	52.2	52.3	52.9	↑	↑
SAVINGS	49.0	47.3	49.3	↑	↑
DEBT SERVICING	46.5	47.7	49.4	↑	↑
OVERALL CFVI	49.7	49.3	50.9	↑	↑



02

Quarterly overview of CFVI and its sub-components

The improvement occurred in all four subcomponents of the CFVI. An improvement in the income index to 52.0 points from 49.9 points in Q2 2023 is indicated, while the expenditure vulnerability index rose slightly to 52.9 points from 52.3 points. Although the saving and debt servicing indices also improved, they were still below 50 points.

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



The improvement in the CFVI and its four sub-indices was driven by an increase in consumers' access to an income via both employment and transfers from family and friends. This had a positive domino-effect on the other three subcomponents.



Although consumers still limited their purchases, the better income combined with lower CPI contributed to an improvement in the expenditure index as they were better able to afford their expenses.



Likewise, combined with stable interest rates, the higher income improved consumers' ability to service their debt, though they were still vulnerable in this department.



Similarly, the improved access to more income, combined with being better able to afford expenses and debt service costs, created room for emergencies saving. However, consumers were not yet in a position to contribute more to retirement savings, causing the saving index to remain below 50 points.



03



Financial vulnerability and the impact on consumer's mental state and behaviour

Consumers in general were more cautious and did less impulsive buying in Q3 2023 compared to both Q2 2023 and Q3 2022. Even so, and although being a bit less financially vulnerable in Q3 2023, the majority still despaired about their financial situation. Consequently, they were constantly attempting plans to solve their problems.

This, however, consumed most of their available mental bandwidth, negatively affecting other parts of their life such as

productivity and their relationships with family and friends. Mental bandwidth refers to the cognitive capacity or mental resources a person has available for processing information, making decisions, and engaging in various mental tasks. This cognitive processing power is limited and can become overloaded or drained, affecting your ability to focus, make good decisions, and perform tasks effectively. Nevertheless, an increase in “feel-good” purchases occurred in Q3 2023, possibly driven by consumers whose income improved sufficiently to afford such purchases.



56.9%

stated that consumers were more cautious and did less impulsive buying.



62.9%

stated that consumers bought things to make them feel good even though they don't really need them or have money to do so.



73.7%

stated that consumers were constantly thinking about their finances.



03

A closer look at the CFVI Q3 2023 results



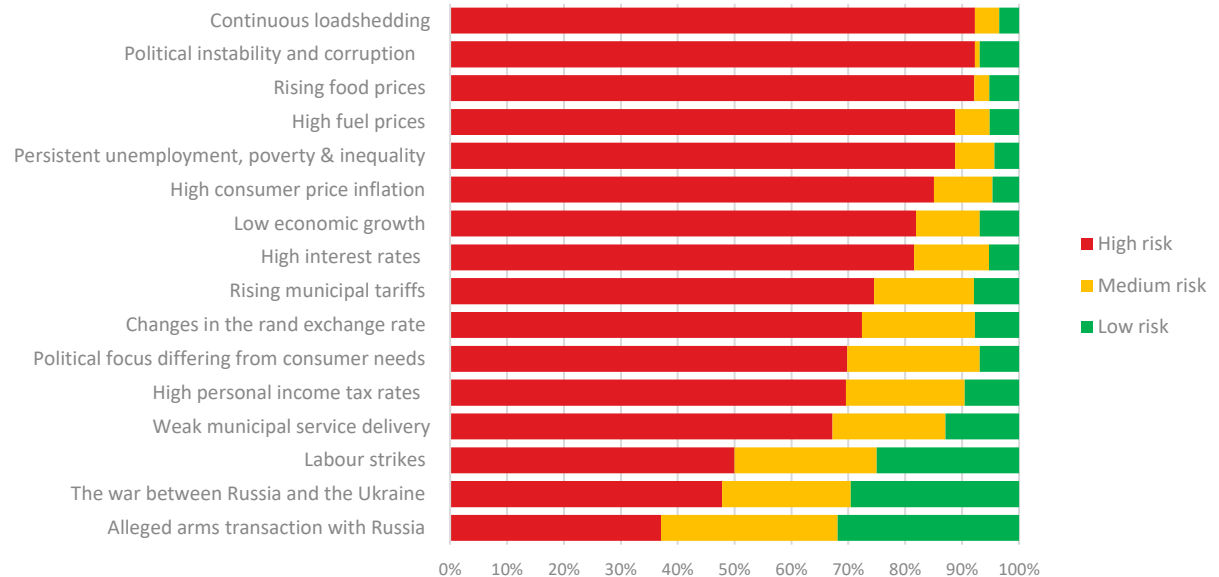
Continuous loadshedding posed greatest risk to consumer finances in Q3 2023



Political instability & corruption deemed a higher risk than continued cyclical factors

Risks factors in Q3 2023 and expected risks to affect consumer finances in Q4 2023

Cyclical factors such as high food and fuel prices and rising interest rates – and a structural factor in the form of loadshedding – presented themselves as highest risks to consumer finances in the past year. Although the cyclical factors continue to be high risks to consumer finances, two structural risks – loadshedding and political instability and corruption – increased in importance compared to high food and fuel prices in Q3 2023.



The descending order of risk posed by high food and fuel prices and rising interest rates accrued from a somewhat better economic environment in Q3 2023. Whereas food price inflation averaged 12.5% in Q2 2023 compared to a year ago, it declined to around 9% in Q3 2023. Similarly, although the petrol price was on average 1.1% higher in Q3 2023 compared to Q2 2023, it was 7.6% lower compared to a year ago. And while the repo rate was raised by 25 basis points in Q2 2023, it remained unchanged in Q3 2023, some 200 basis points higher compared to Q3 2022.

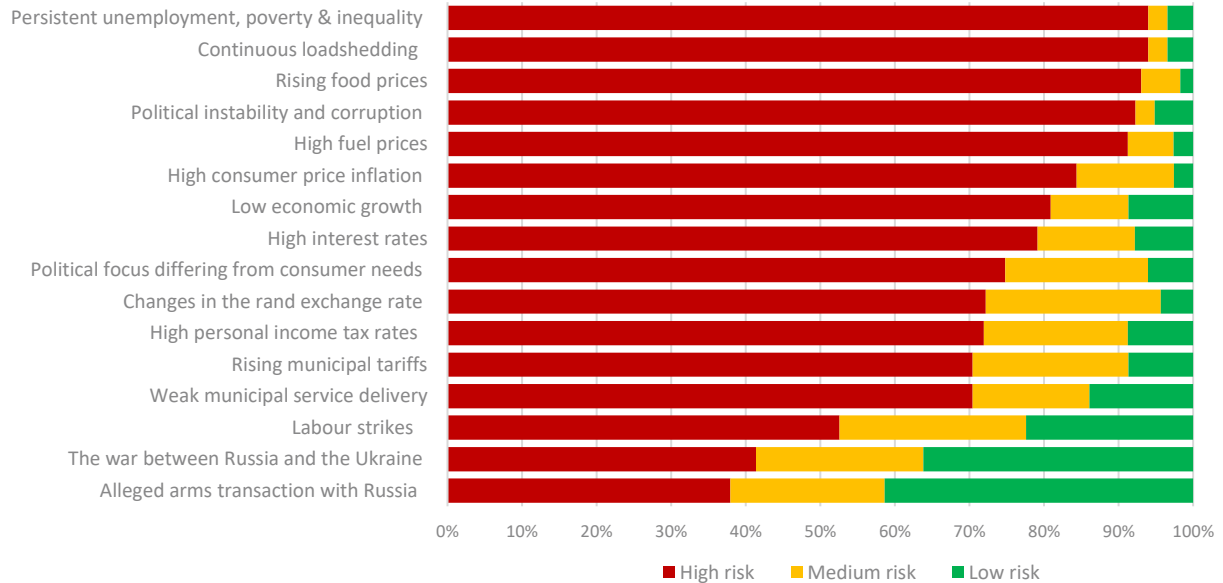


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A closer look at the CFVI Q3 2023 results

Expected risks to consumer finances during Q4 2023

When the effect of cyclical factors on consumer finances subsides, structural factors normally re-emerge as the biggest risks. This is confirmed by the risks expected to exercise the biggest pressure on consumer finances in Q4 2023. Persistent unemployment, poverty, and inequality and continuous loadshedding are expected to be the highest risks to consumer finances in Q4 2023. Although another structural risk, political instability and corruption, moved down to the fourth highest risk, this should be viewed in context. It is a relative issue – its risk measurement was at the exact same level as in Q2 2023, but other factors are expected to become even higher risks in Q4 2023.



03

A closer look at the CFVI Q3 2023 results

Economic and personal finance outlook

A mixed economic and personal finance outlook for Q4 2023 was revealed. Consumer key informants are still overwhelmingly negative, but their outlook for CPI and consumer finances improved compared to Q3 2023, while they were most negative on the global economic outlook. The following were the majority views for Q4 2023:



- 77.4% expect consumer finances to remain at the current vulnerable level or worsen.
- 62.9% anticipate general prices to increase, whether at the same rate or a slightly slower pace.
- Around 82% expect the global and domestic economic situation to remain the same or worsen.
- 78.1% foresee an unchanged or worsening unemployment situation.



62.9%

expect that there will be a continued increase in prices during Q4 2023



81.7%

expect that the South African economic situation will remain the same or deteriorate during Q4 2023



78.1%

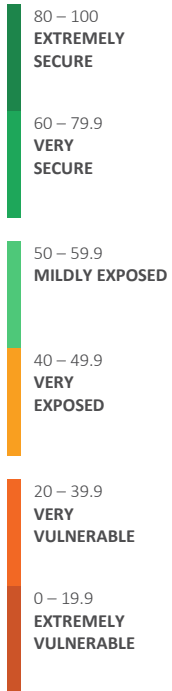
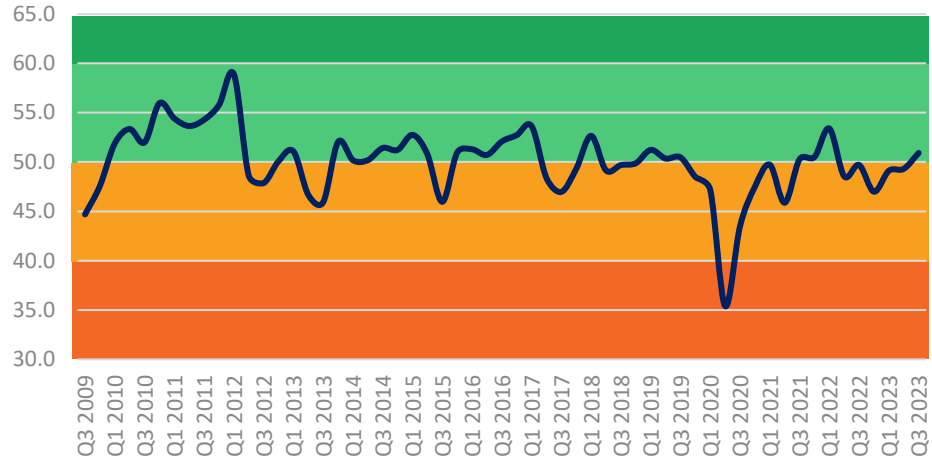
expect that the unemployment rate will remain the same or increase during Q4 2023



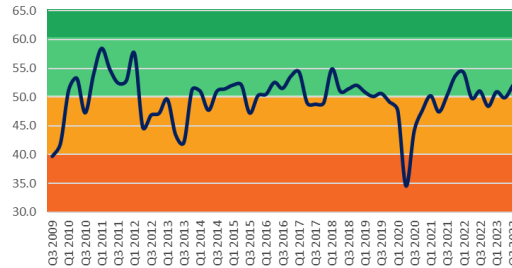
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Scores of the CFVI and its sub-indices, Q3 2009 – Q3 2023

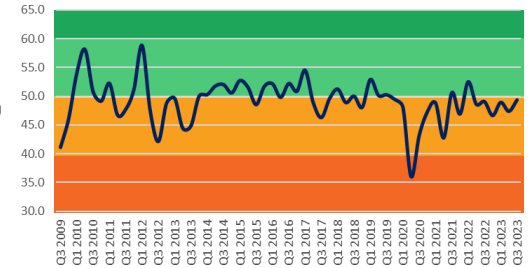
CFVI



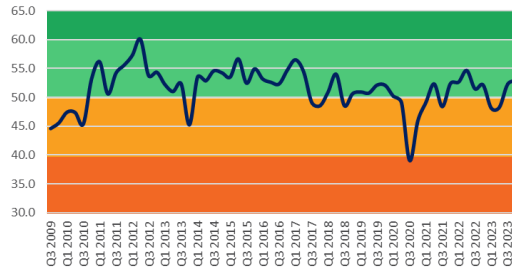
Income



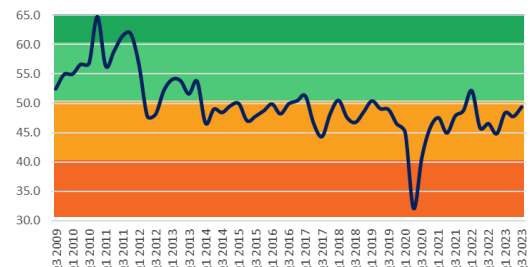
Savings



Expenditure



Debt servicing



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





About the index

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**SCIENCE OF
Success**

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.

The results of this release of the CFVI for Q3 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 September 2023. The results of this release of the CFVI are based on the responses of 116 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.

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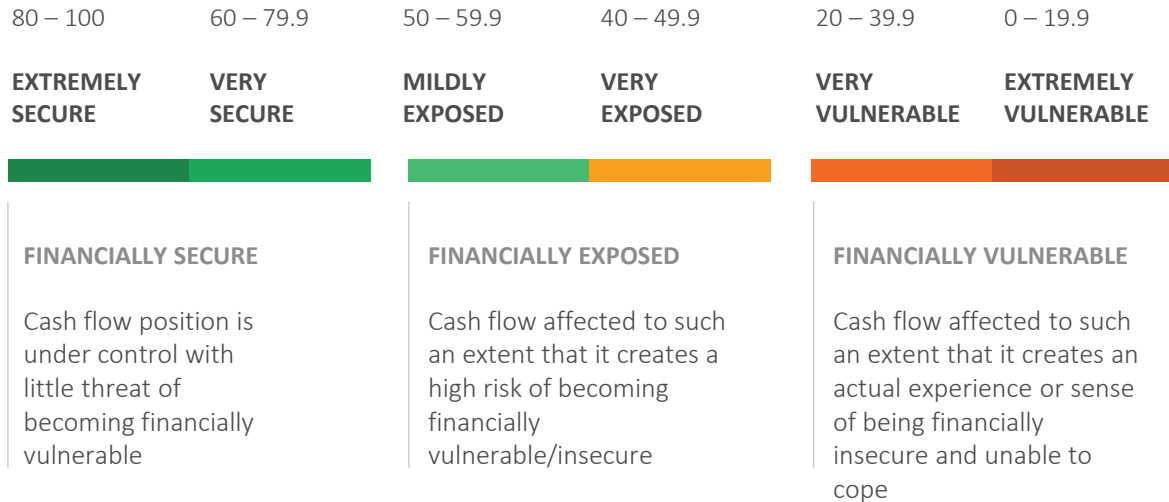


05

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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