

**momentum**

CONSUMER FINANCIAL  
VULNERABILITY INDEX

UNISA   
university  
of south africa

TOP STORY

# Limited savings and over indebtedness hinders a stronger consumer recovery in Q4 2021

**Q4**

DECEMBER 2021

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SERVICING – THE ACHILLES  
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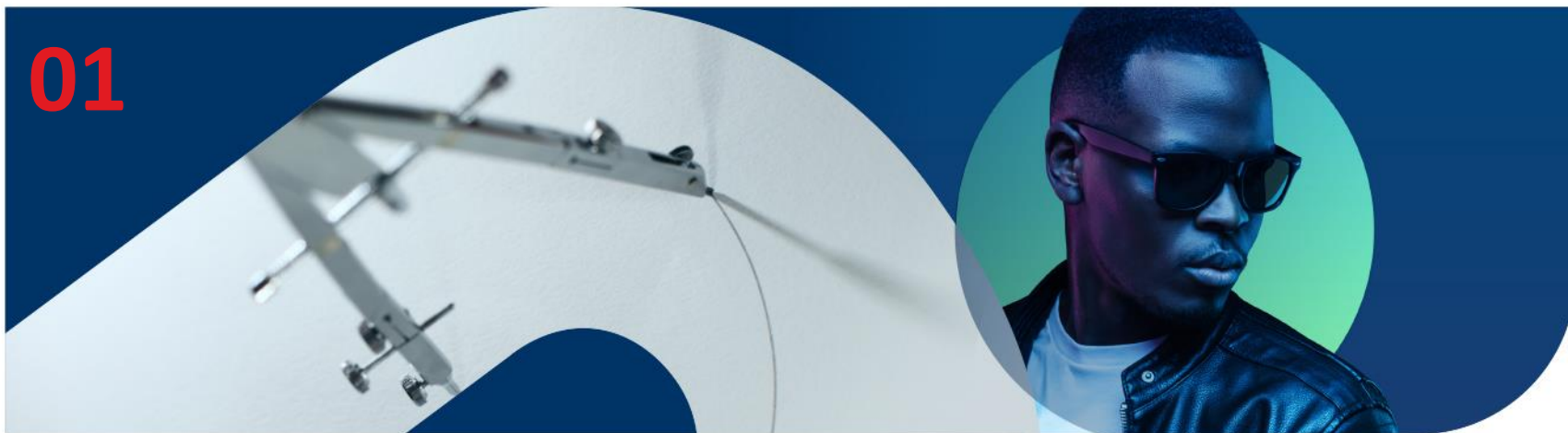
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01



## CFVI Q4 2021 Summary

**South African consumers' two main financial vulnerabilities, namely insufficient savings and too much debt, persisted to be their Achilles heel in Q4 2021.**



Consumers became more vulnerable in terms of their ability to save, while their ability to service their existing debts remained a great concern. Fortunately, though, the improvement they experienced in their income was large enough to neutralise the increase in their savings vulnerability.

Consequently, the overall Momentum-Unisa CFVI improved to 50.5 points in Q4 2021 (from 50.3 points in Q3 2021), leaving consumers slightly less financially vulnerable compared to the previous quarter.

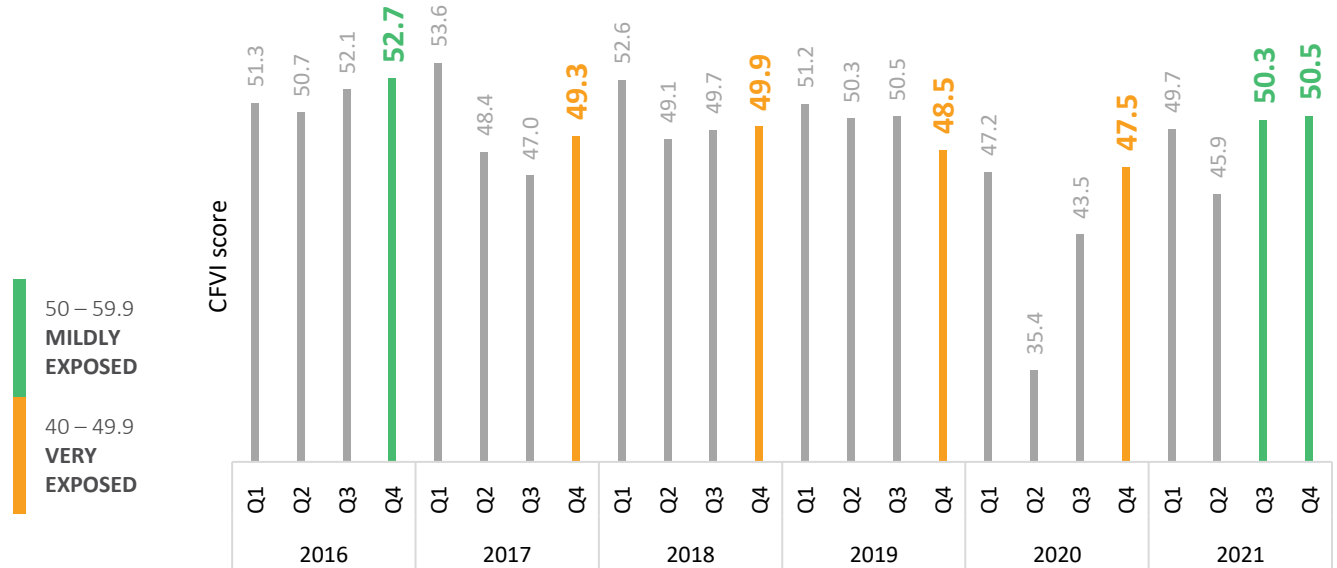
Highlights from the sub-indices of the CFVI in Q4 2021 are:

- The income index increased to 53.7 points from 50.3 points in Q3 2021.
- The expenditure index improved slightly from 52.4 points in Q3 2021 to 52.7 points.
- The savings index deteriorated significantly from 50.6 points in Q3 2021 to 46.9 points.
- The debt servicing index increased to 48.8 points from 47.8 points in Q3 2021.



# 01

## CFVI Q4 2021 Summary



SRD grants  
provides relief and  
reduce financial  
vulnerability

In annual terms, consumers in general were still in financially vulnerable territory in 2021 (average index value of 49.1 points), but the state of their finances improved compared to 2020 (average index value of 43.4 points).

However, **the consumer finance landscape is vastly different compared to 2019, before the onset of COVID-19.** For instance, in 2019 about 16.4 million consumers earned their income from employment, about 1.7 million more than in 2021. At the same time though, approximately 9.5 million people received a Social Relief of Distress Grant (SDR) of R350 per month, which was not in place in 2019. With more people receiving an income compared to 2019, overall income and expenditure vulnerability decreased in 2021 to marginally better than the 2019-level. Overall CFVI was still weaker compared to 2019, mainly due to worse savings and debt servicing positions.





## Quarterly overview of CFVI and its sub-components

Consumers experienced pressure in their **ability to save** during Q4 2021

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 reflect the financial situation of all consumers – and not just that of a relatively small percentage of consumers who are responsible for most of South African

households' income, spending, saving and debt servicing.

The key informants highlighted a deterioration in consumers' ability to save in Q4 2021. Most consumers therefore remain financially unstable.



50 – 59.9  
**MILDLY EXPOSED**

40 – 49.9  
**VERY EXPOSED**



	Q4 2020	Q3 2021	Q4 2021	CHANGE FROM Q4 2020	CHANGE FROM Q3 2021
INCOME	47.7	50.3	53.7	↑	↑
EXPENDITURE	49.2	52.4	52.7	↑	↑
SAVINGS	47.3	50.6	46.9	↓	↓
DEBT SERVICING	45.8	47.8	48.8	↑	↑
OVERALL CFVI	47.5	50.3	50.5	↑	↑



## 02

### Quarterly overview of CFVI and its sub-components

The recovery in the CFVI in the last half of 2021 can largely be attributed to a recovery and improvement in the income streams of many consumers (ranging from salary increases paid to civil servants; to the re-introduction of the SRD-grants following the looting and riots in July 2021). However, in multiple instances millions of consumers could not keep their savings going due to a loss of income, while others had to use some of their savings as a means of income.

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



Consumers were **less vulnerable in terms of incomes** during Q4 2021. This can be attributed to many employees receiving year-end bonuses as well as a continuation of the SRD-grant and of higher salaries of civil servants, which collectively contributed to more consumers earning an income.



Less income vulnerability assisted with **lower expenditure vulnerability** as more consumers could better afford their expenses. Nevertheless, consumer price inflation increased from 5% at the end of Q3 2021 to 5.9% at the end of Q4 2021, making it difficult for consumers to afford their normal expenses.



**Debt servicing vulnerability was lower** in Q4 2021. Notwithstanding the improvement, consumers remained debt servicing vulnerable. An increase of 25 basis points in the repo rate (in November 2021) made debt servicing less affordable.



Consumers were **more vulnerable in terms of savings abilities**. As job losses continued, many consumers had to forego contributions to employee benefits such as saving for retirement. At the same time others used some of their savings for purchases.





03



## A closer look at the CFVI Q4 2021 results

CONSUMERS EARNING  
ABOVE R30 000 PER MONTH



**77.9%**

PERCEIVED TO BE  
LEAST FINANCIALLY  
VULNERABLE

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

The main demographic groups deemed to be the **least financially vulnerable** were consumers older than 40-year-olds, those who are married, those working in the public sector and consumers earning more than R30 000 per month.

In contrast, the **most financially vulnerable** demographic groups were identified to be younger consumers (18-to-39-year-olds), those who are single/divorced/widowed, those working in the primary sector, and those earning less than R5 000 per month.



# 03

A closer look at  
the CFVI Q4 2021  
results

## The most financial vulnerable groups according to key informants:



### 60.4%

**YOUNGER THAN 39 YEARS**  
PERCEIVED TO BE THE MOST  
FINANCIALLY VULNERABLE



### 72.4%

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



### 72.3%

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



### 45.6%

**CONSUMERS WORKING IN THE  
PRIMARY SECTOR** PERCEIVED TO BE  
THE MOST FINANCIALLY VULNERABLE



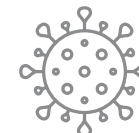
## 03

A closer look at  
the CFVI Q4 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 Q4 2021. This increase occurred despite the discovery of the Omicron variant in Q4 2021, indicating the desperate situation of many consumers.

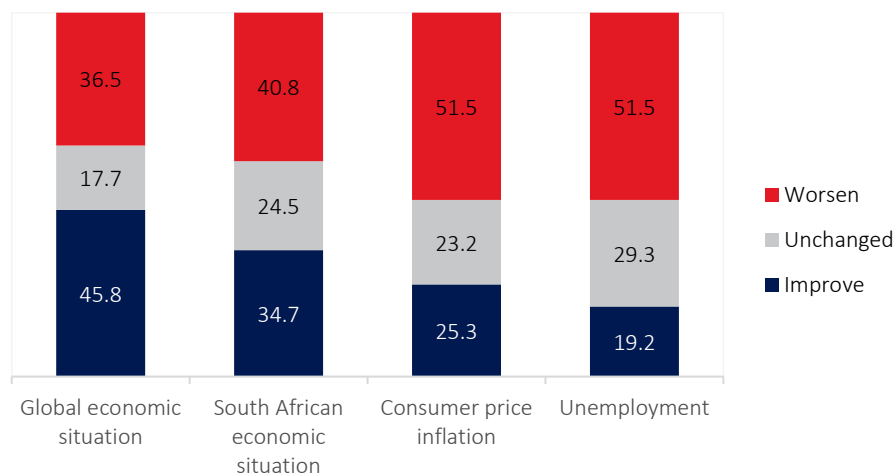
# 47.5%

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



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

Key informants expect some notable changes in the economic environment in Q1 2022. The majority foresees the global economy to improve further, but for the South African economic situation to worsen, consumer price inflation to increase and an increase in the unemployment rate.





## 03

A closer look at  
the CFVI Q4 2021  
results



**Money management is an area of weakness for many South African consumers.** Some observations made by key informants concerning the financial behaviour of consumers include:

Consumers generally spend more than what they earn. **70.7%**

Consumers generally don't exercise self-control when borrowing. **67.7%**

Consumers generally don't use credit responsibly. **66.7%**

Consumers generally don't have self-control when spending. **63.6%**

Consumers generally are not good in expanding their income. **58.6%**

Consumers generally don't plan their finances in advance. **57.6%**

Consumers generally are not financially literate. **47.5%**

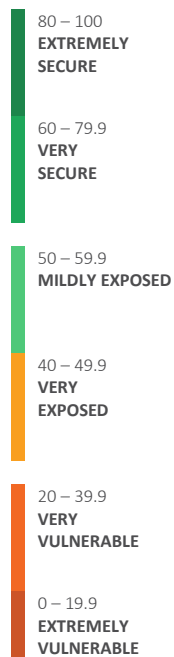
**Key informants are uncertain about the prospects for consumer finances in Q1 2022**, as they were almost equally divided in terms of an improving, unchanged, or worsening situation. A third of key informants expect an improvement, 34.3% expect consumers' financial positions to remain unchanged and 30.3% expect a deterioration over the next three months.





**However, almost 70% estimate that it will take longer than two years for consumer finances to recover from the impact of COVID-19 and the lockdowns.** The road to financial recovery seems to continue to be a long and hard one for South African consumers.



04

## Scores of the CFVI and its sub-indices, Q2 2009 – Q4 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
2025	Q1	50.2	52.3	48.8	47.5	49.7
	Q2	47.4	48.4	42.7	44.9	45.9
	Q3	50.3	52.4	50.6	47.8	50.3
	Q4	53.7	52.7	46.9	48.8	50.5





## 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.**

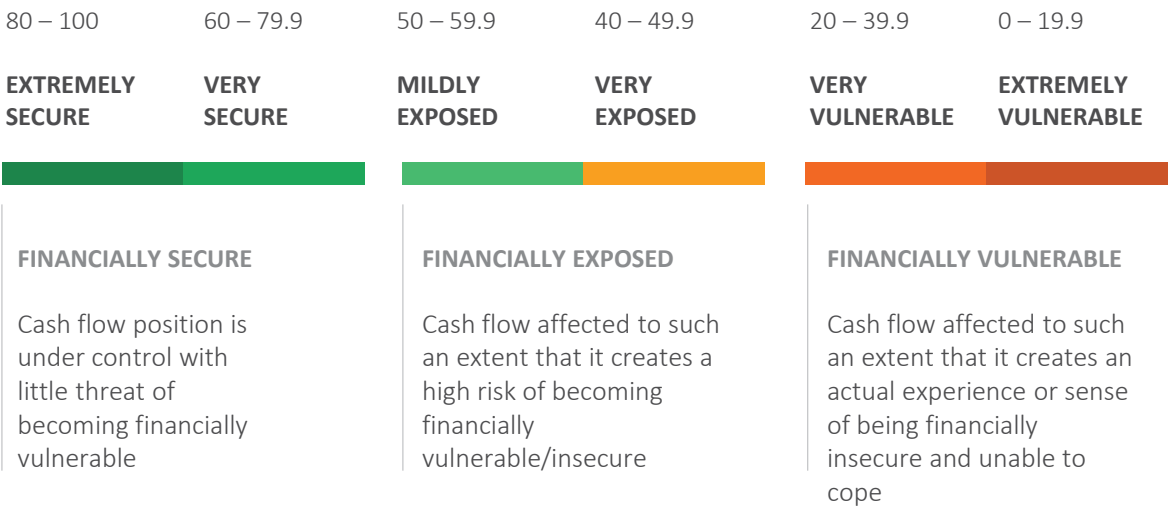
The term 'Consumer Financial Vulnerability' implies that consumers experience a sense of financial insecurity or an inability to cope financially. In essence, the CFVI identifies the specific financial sub-component(s) that consumers, on-average, feel are causing stress to their cash flow positions.

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 Q4 2021 stem from research conducted by Unisa on behalf of Momentum via an online and CATI-based survey conducted during January 2022. The results of this release of the CFVI are based on the responses of 99 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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