



**CONSUMER FINANCIAL
VULNERABILITY INDEX**

THIRD QUARTER 2009 – FIRST UPDATE

MEDIA RELEASE

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Consumer financial vulnerability worsens as recession and job losses bite

The financial vulnerability of consumers worsened during the third quarter of the year, according to the latest results of the Consumer Financial Vulnerability Index (CFVI).

The CFVI was developed by the Bureau of Market Research (BMR) in collaboration with FinMark Trust. The results of the first survey, launched in July, covered the second quarter of 2009. The first update of the index covers the third quarter of 2009. This focuses on the results obtained from a follow-up survey of key informants in the third quarter of 2009. Key informants represent municipalities, banks, retailers, credit bureaux and the motor industry.

Overall, the results indicate that the recession gave rise to increasing levels of vulnerability in the third quarter and that this is likely to continue to increase for the rest of 2009.

Job losses, high levels of indebtedness and severe poverty continued to negatively affect the financial situation of South Africans during the period under review.

The overall CFVI and sub-indices are based on a ten-point scale where 0 indicates total financial security and 10 indicates total financial vulnerability.

0-1.99	2.0-3.99	4.0-5.99	6.0-7.99	8.0-10
Financially very secure	Financially secure	Somewhat Financially vulnerable	Financially vulnerable	Financially very vulnerable

The results of the survey for the second and third quarters of 2009 are as follows:

CONSUMER FINANCIAL VULNERABILITY	Second quarter 2009	Third quarter 2009
Savings vulnerability	5.74	5.90
Expenditure vulnerability	5.54	5.45
Debt servicing vulnerability	4.37	4.76
Income vulnerability	5.64	6.03
Overall CFVI	5.17	5.49

The overall index increased from 5.17 in the second quarter of 2009 to 5.49 in the third quarter. It is evident that South Africans are at risk and becoming more at risk as the number of retrenchments and defaults on payments mount.

Looking at the different components of financial vulnerability, these scores show that savings

vulnerability, debt servicing vulnerability, income vulnerability and the overall CFV index increased in the third quarter of 2009, while expenditure vulnerability, which reflects consumers' ability to live within their means, declined.

Other findings based on the responses of the key informants include the following:

- They believe that the financial situation of consumers worsened from the second to the third quarter of this year. In the second quarter, 48% of key informants *disagreed* with the statement "Consumers' ability to make ends meet improved during the past 12 months". This percentage increased to 73% in the third quarter. According to the key informants, other indicators such as the ability to service debt, and the employment and income situations of consumers also deteriorated.
- In response to a request to indicate agreement or otherwise about the kinds of financial problems consumers are having, key informants identified the biggest problems for the two quarters as consumers not being able to maintain payments on their financial obligations; consumers being in arrears for three months or more; consumers' accounts being handed over for debt collection; consumers making debt repayment arrangements; and an increasing number of consumers not being creditworthy.
- Informants were asked to provide reasons for the bad financial situations of consumers. The main reasons given for the third quarter were job losses; low income; loss of income due to the death of an income earner; unforeseen necessary expenses; not having sufficient savings to draw on; not receiving a cash income; and bad financial planning.
- In the second quarter, 67% of them agreed with the statement that an increasing number of consumers are cancelling policies to cover household expenditure. This percentage increased to 81.5% in the third quarter.
- In the second quarter, 43% of them said that consumers often do not have sufficient savings to draw on. This increased to 71% in the third quarter.
- In the second quarter, 46.6% of them agreed that bad financial planning by a consumer is often to blame. This increased to 81% in the third quarter.
- As the number of job losses increased during the second and third quarters of 2009, so did the financial vulnerability of those income groups with jobs, namely the R30 000+ per annum income groups.
- The results of both quarters indicate that consumers in the 18-39 year age group are the most vulnerable.

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About FinMark Trust and the Bureau of Market Research

FinMark Trust is an independent trust created with initial funding from the UK's Department for International Development (DFID). The trust supports and promotes institutional and organisational development with the objective of increasing access to financial services to the unbanked and underbanked people of Southern Africa.

The Bureau of Market Research (BMR) was established in 1960 as a collaborative effort between UNISA and industry. The BMR has four focus areas, namely demographic research, behaviour and communication research, income and expenditure research and economic research. The BMR provides contract research, syndicated research, skills development and database mining services to clients and BMR members

