What has the index shown over time

The results of the CFVI are obtained either from annual Finscope surveys among South African consumers, or from a selection of approximately 100 key informants in relevant industries (including credit industry institutions, retailers providing credit and municipalities) able to gauge consumers' financial perceptions. Results based on annual Finscope consumer surveys are for Q4 2010, Q3 2011, Q3 2012, Q3 2013 and Q3 2014, while the BMR conducted consumer surveys in Q2 2009 and Q1 2013. The remainder of the results are based on surveys conducted among key informants.

In order to ascertain and ensure that key informant results remain a good indicator of consumer financial vulnerability during the other quarters (non-Finscope survey quarters) the results of the key informant surveys are, from time to time, benchmarked to those of the Finscope surveys by conducting a key informant survey simultaneously with the latter. Key informants include financial institutions, credit bureaus, credit providers, retailers and municipalities, which are considered to be experts on consumer financial behaviour.

The indices are interpreted based on a measurement scale outlined in table 2.2. An index score between '0' and '100' provides an indication of the degree to which consumers feel vulnerable with regards to their cash flow position, with mean scores between '0' and '39.9 being indicative of consumers feeling financially vulnerable, a mean score between '40.0' and '59.9' indicates that consumers are financially exposed while a mean score between '60.0' and '100' is indicative of consumers feeling financially secure.

TABLE 2.2: MEASUREMENT AND CATEGORIES OF CONSUMER FINANCIAL VULNERABILITY

Financially secure	80 - 100	Extremely secure	Cash flow position is under control with little threat of becoming financially vulnerable
	60 - 79.9	Very secure	
Financially exposed	50 - 59.9	Mildly Exposed	Cash flow affected to such extent that it creates a high risk of becoming financially vulnerable/secure
	40 - 49.9	Very Exposed	
Financially vulnerable	20 - 39.9	Very vulnerable	Cash flow affected to such extent that it creates an actual experience or sense of being financially insecure and unable to cope
	0 - 20	Extremely vulnerable	

A breakdown of the various sub-index and overall index scores since its (index) commencement in 2009 is provided in table 2.3. Considering the overall score, consumers on average remained within the financially exposed category since the inception of the index, moving between feeling very exposed and mildly exposed. A closer look (focusing on the exposed component of the scale) however shows deterioration in consumers' cash flow vulnerability status since Q2 2012 as the overall score declined sharply to register scores hovering around the 50-point mark.

Furthermore, this table indicates that consumers experience certain dynamics regarding their cash flow situation during each quarter as the subcomponent that causes the greatest change in financial vulnerability differs between quarters. Changes in the four subcomponents explain the possible origins of the pressure on consumer cash flow. From this table, it is evident that burdens stemming from expenditure obligations caused stresses to consumer cash flow during the initial few quarters of the index. Pressures on consumers' income and saving limited their ability to improve their cash flow situation during 2012 and 2013, while consumer debt servicing capabilities were under strain and the main concern for the average consumer since the beginning of 2014, as they continue to feel very exposed in this category.

TABLE 2.3: CONSUMER FINANCIAL VULNERABILITY INDEX AND ITS SUB-INDICES OVER TIME

Date	Savings	Expenditure	Debt servicing	Income	Overall CFVI
Q2 2009	43.0	44.6	56.9	43.8	**46.8**
Q3 2009	41.1	45.6	52.4	39.7	**44.7**
Q4 2009	46.0	47.4	54.9	41.9	**47.6**
Q1 2010	54.0	47.4	54.9	51.2	**51.9**
Q2 2010	58.1	45.4	56.6	53.3	**53.3**
Q3 2010	50.7	53.1	56.8	47.3	**52.0**
Q4 2010	49.1	56.2	64.7	53.8	**56.0**
Q1 2011	52.2	50.6	56.3	58.5	**54.4**
Q2 2011	46.7	54.2	58.8	54.8	**53.6**
Q3 2011	47.7	55.6	61.4	52.4	**54.3**
Q4 2011	51.1	57.3	61.9	52.8	**55.8**
Q1 2012	58.8	60.1	56.6	57.6	**58.9**
Q2 2012	47.5	53.8	47.8	44.8	**48.6**
Q3 2012	42.1	54.4	48.1	46.8	**47.9**
Q4 2012	48.7	52.2	52.2	47.2	**50.1**
Q1 2013	49.6	51.0	54.0	49.6	**51.1**
Q2 2013	44.4	52.4	53.8	43.4	**46.7**
Q3 2013	44.8	45.2	51.6	42.1	**45.9**
Q4 2013	50.0	53.5	53.7	51.3	**52.0**
Q1 2014	50.2	52.9	46.6	51.0	**50.2**
Q2 2014	51.7	54.6	49.0	47.7	**50.2**
Q3 2014	52.0	54.3	48.4	51.0	**51.4**
Q4 2014	50.5	53.5	49.6	51.4	**51.2**
Q1 2015	52.7	56.7	49.9	52.1	**52.7**

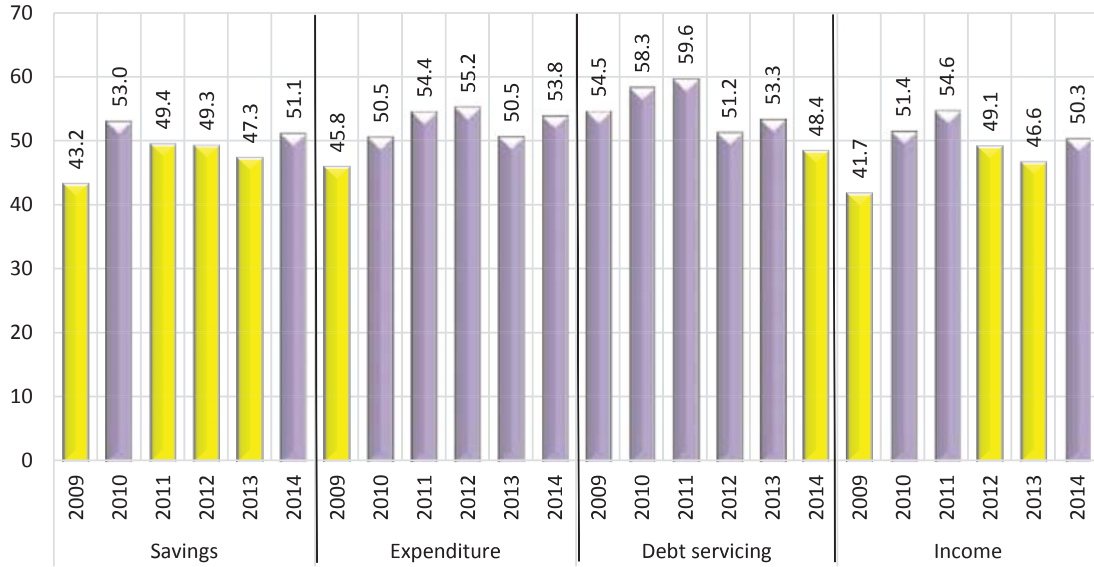
The CFVI on an annual basis shows that consumers experienced extreme pressure on their cash flow situation during the 2009 and 2013. Such pressures diminished slightly during the second half of 2014 contributing to an improvement in the annual average score for 2014 (see table 2.4). Consumers' perceptions with regard to their cash flow situation remained relatively consistent throughout 2014, compared to preceding years. The annual average CFVI improved to 50.8 points during 2014 from 48.9 points in 2013, suggesting that consumers, on average, felt financially mildly exposed rather than very exposed as in the previous year.

TABLE 2.4: ANNUAL CONSUMER FINANCIAL VULNERABILITY INDEX AND ITS SUB-INDICES

Date	Savings	Expenditure	Debt servicing	Income	Overall CFVI
2009	43.4	45.8	54.7	41.8	46.4
2010	53.0	50.5	58.3	51.4	53.3
2011	49.4	54.4	59.6	54.6	54.5
2012	49.3	55.1	51.2	49.1	51.4
2013	47.2	50.5	53.3	46.6	48.9
2014	51.1	53.8	48.4	50.3	50.7

Analysis of the annual movement in the subcomponents of the CFVI indicates that consumers generally felt very exposed in terms of their ability to save and earn income for a large part of the period 2009 to 2013 (see figure 2.2). Debt servicing posed the greatest challenges to consumers during 2014 as this component moved from being mildly exposed in 2013 to very exposed in 2014.

FIGURE 2.2: ANNUAL INDEX VALUES OF SUBCOMPONENTS OVER TIME



The period for which data is available on the CFVI has been characterised by a very volatile economic environment. Economic growth improved significantly following the recession, but has shown signs of convergence to a lower mean growth rate in recent times. Similarly, the CFVI initially showed improvement and therefore a reduction in the sense of financial vulnerability, but has recently stabilised at levels around the 50-point mark. Figure 2.3 shows the pattern of convergence in recent years in both of these variables. This convergent pattern may be ascribed to some binding constraints visible in the local economy, namely, structural and infrastructure bottlenecks (for example, unemployment and electricity supply), weak business confidence and political uncertainty.

FIGURE 2.3: CFVI AND GDP SHOWING CONVERGENCE OVER TIME