

Restraint advised around spending this festive season

The majority of South African consumers remain financially vulnerable and are advised to practice restraint and discernment heading into the holiday season.



Source: [Pexels](#)

According to the Momentum-Unisa Consumer Financial Vulnerability Index (CFVI), as Level 4 restrictions were in place from July to September (Q3 2021), it became more difficult for consumers to make a living or find employment, notwithstanding access to grants.

The fact that South African consumers' personal finances recovered to its best level in more than two years in Q3 2021, needs to be seen within the context of the rollout of the Social Relief of Distress (SRD) grant – which offered a much-needed reprieve for some. As a whole, therefore, the majority of South African consumers remain vulnerable and are advised to practice restraint and discernment heading into the festive season.

Cut costs now

This is the opinion of Ernest Zamisa, Financial Adviser at Momentum, who encourages all South Africans to “employ creative methods of saving money over the festive season and to cut costs where possible, so that the beginning of 2022 does not have to be a stressful financial time for our communities.”

On the topic of decreased financial vulnerability, it must be noted that the CFVI is a reflection of the personal financial situation of all consumers – and should not be confused with the financial situation of the small percentage of consumers who are responsible for most of households' income, spending, saving and debt servicing.

Unique macroeconomic footprint

Last year over the festive season, the average South African was expected to spend over R5600 over and above their monthly expenses, based on a study conducted by a prominent South African money-lender. This figure indicates a reality that is not unique to the South African context but is unique in the impact it has on the macroeconomics of the country, given record-high unemployment rates.

The CFVI is informed by a number of key respondents – a constituent of researchers, bankers, insurers, retailers, government representatives, economists and analysts. According to these industry experts, financial management is not a strength of South African consumers, with many spending more than what they earn, not using credit responsibly and not exercising self-control when borrowing.

This is made most apparent by the fact that according to the Index, although consumers felt less vulnerable in terms of debt servicing, the debt servicing vulnerability index score remained below the level of 50 points, which is the Index's benchmark for how exposed consumers are in the marketplace.

With the festive season approaching, Zamisa provides the following financial management tips for South African consumers:

Budget first, always

The first month of the year is commonly referred to as “Januworry” – and for good reason. Overspending during the festive season is a habit that many South Africans find difficult to break. At least with a budget – a firm plan around what you plan to spend money on and when you plan to spend it – you’re halfway to managing your finances more responsibly.

“It might sound obvious, but you would be surprised at how many people go about their lives without a proper budget,” says Zamisa. “A budget should form the financial foundation of every household. Without one, you are setting yourself up for trouble – especially when the future is as uncertain as it currently is.”

Shop online

A study by Mastercard showed that SA’s online retail market has doubled in value over the last two years. Over the festive season, South Africans are encouraged to shop around for the best deals online – which is so much easier than comparing prices in brick-and-mortar stores. Before buying an item, search online for whether that item is available at a less expensive rate elsewhere.

“Given the sharp surge in demand, many online shops are now offering fantastic deals and specials on a wide range of items as an incentive to customers. Shop around to find what you are looking for, at a price you can afford,” advises Zamisa.

Gift as a group

The concept of a “stokvel” is a uniquely South African phenomenon that can be applied to the act of gift giving. Instead of buying individual gifts, pool your money with friends and family and share the cost of one gift. The advantage is that the recipient will receive a gift that could be more valuable and more desirable than individual, smaller gifts.

Get the right advice

According to the Momentum Unisa Consumer Vulnerability Index, the outlook for the last quarter of 2021 is cautiously optimistic.

“Complacency is the enemy,” warns Zamisa. “Yes, our collective financial situations might improve as we settle into Level 1, but don’t let this lull you into a false sense of security. These are unique times for all of us, which means that the future is still very much uncertain.”

Zamisa says the festive season will reveal just how our behaviour helps or hinders our journey to success. “While this Index bodes well for some South African households, many individuals will need to take control of their financial journey, which might entail getting expert advice, in the form of a financial adviser. Ultimately, growth requires knowledge,” he says.

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