

Consumer Pulse Study

Consumer behaviours and attitudes about current and future household budgets, spending and debt

South Africa Q2 2022

TransUnion's quarterly survey explores how consumers' personal finances have changed and what changes they expect in the future. The study measures shifting consumer attitudes and behaviour based on the dynamics of income, debt and identity theft. The analyses and insights give consumers a voice and inform businesses' decision-making as they seek to create economic opportunity for consumers.

KEY TAKEAWAYS



Rising inflation and interest rates

At the start of Q2, the South African annual inflation rate was at 5.9%, consistent with levels observed in prior months and aligned with market forecasts. However, this is the 12th consecutive month where annual inflation has been higher than the median of the South African Reserve Bank's (SARB) target range of 3%–6%. The continued high inflationary pressure resulted in SARB hiking the repo rate by 50 basis points (effective 20 May 2022) to 4.75%, which marks the most significant increase since 2016. A repo rate hike also increases a bank's prime lending rate (from 7.75% to 8.25%). For borrowers, this means higher monthly repayments on their debt obligations.¹



Household income and expenses

More households (31%) experienced increased income levels than those that registered a decrease (26%) in Q2 2022. The positive shift in household income levels is mainly due to the decline (down 0.8%) in the unemployment rate for Q1 2022 at 34.5%. The remaining 43% of households experienced no change in their income levels. However, respondents were optimistic and expected household income levels to continue trending upward. Despite the improvement in household income levels, consumers remained focused on cutting back discretionary expenses, primarily due to the continued inflationary pressure and rising interest rates.



Majority of South African consumers believed access to credit is essential

Most consumers (93%) surveyed indicated they believed access to credit is important. A sentiment shared across Gen Z (97%), Millennial (94%) and Gen X (95%) consumers. However, less than half (42%) of these consumers believed they had sufficient access to credit. Despite the lack of access 60% of consumers indicated they do not intend to apply for new credit or refinance existing credit at this point in time.

¹ Source: <https://www.moneyweb.co.za/financial-advisor-views/what-the-recent-interest-rate-hike-means-for-your-debt/>
Alternative Source: Oxford Economics

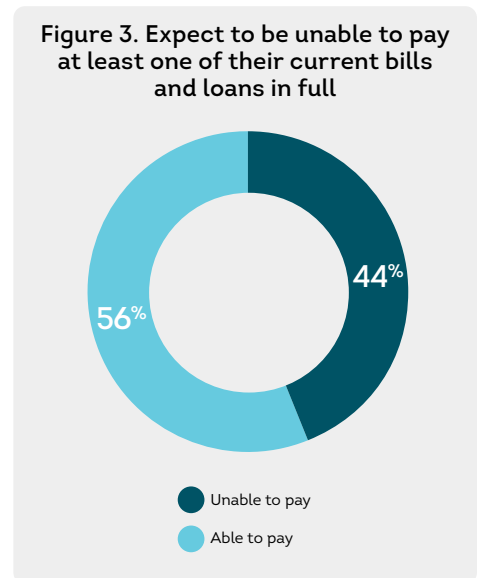
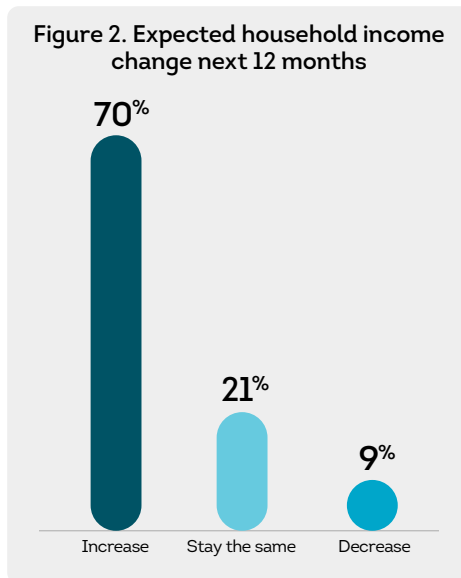
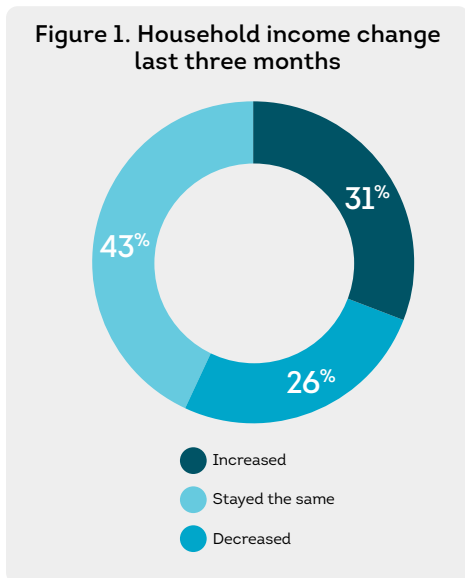
Household income (HHI), spending and bill payment impact

In Q2, just under a third of respondents (31%) stated their household income improved in the last three months, an increase of 5% from the prior quarter, and 70% of respondents expected the trend to continue in the next 12 months.

The improvement in household income was primarily due to households reporting an increase in the number of people who started a new job (up 5%) or new business (up 4%), and a decrease in those who reported job losses (down 4%) from the prior quarter. These improvements are consistent with the latest South African unemployment statistics, registering the first decline in seven quarters, down from a record-high of 35.3% to 34.5%.²

Fifty-six per cent of households indicated they will be able to pay their current bills and loans, consistent with sentiments observed in the prior quarter. Forty-one per cent of respondents expected to pay back at least partial amounts, while 35% intended to use money from savings to service their bills and debt obligations.

Households focused on cutting back on discretionary spending over the past three months; 60% of households surveyed echoed these sentiments, an increase of 4% from the prior quarter. With high inflation rates and continued interest rate hikes on the horizon, 52% of respondents indicated further discretionary spending cuts can be expected in upcoming months. These sentiments are shared across generations (Gen Z; 46%, Millennials; 54%, Gen X; 54% and Baby Boomers; 57%).



² <https://tradingeconomics.com/south-africa/unemployment-rate#:~:text=From%20Record%20High-South%20Africa%27s%20unemployment%20rate%20eased%20to%2034.5%25%20in%20the%20first.35.3%25%20in%20the%20prior%20period>

Figure 4. Reasons for change in current household income

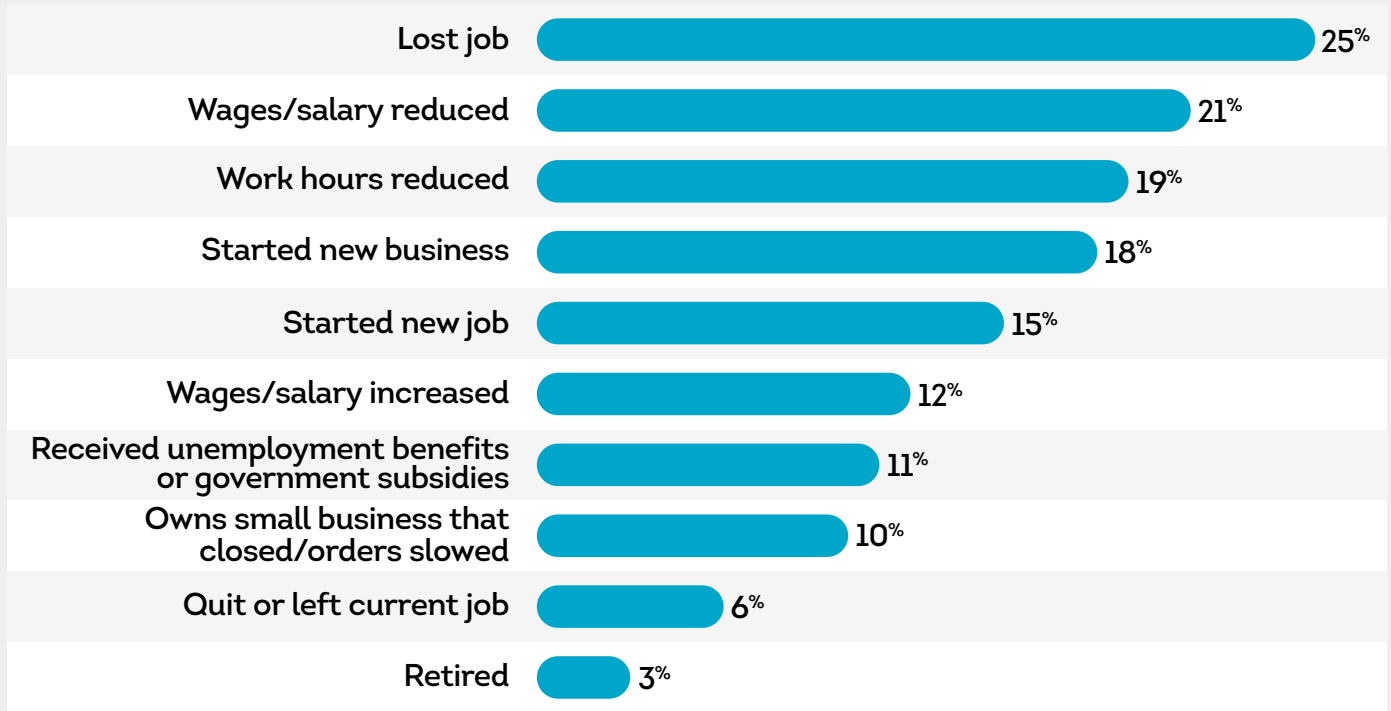


Figure 5. Changes to household budget in the last three months

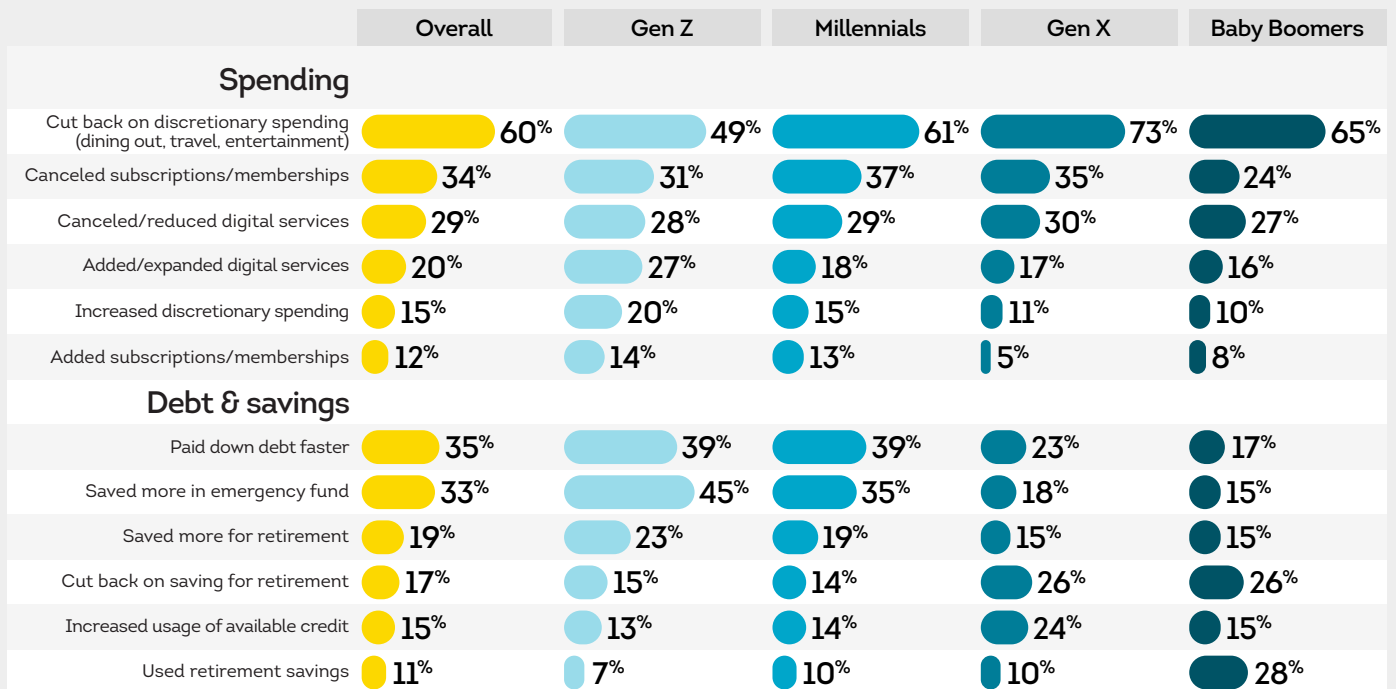


Figure 6. Plans to pay current bills or loans (among those unable to pay bills/loans)

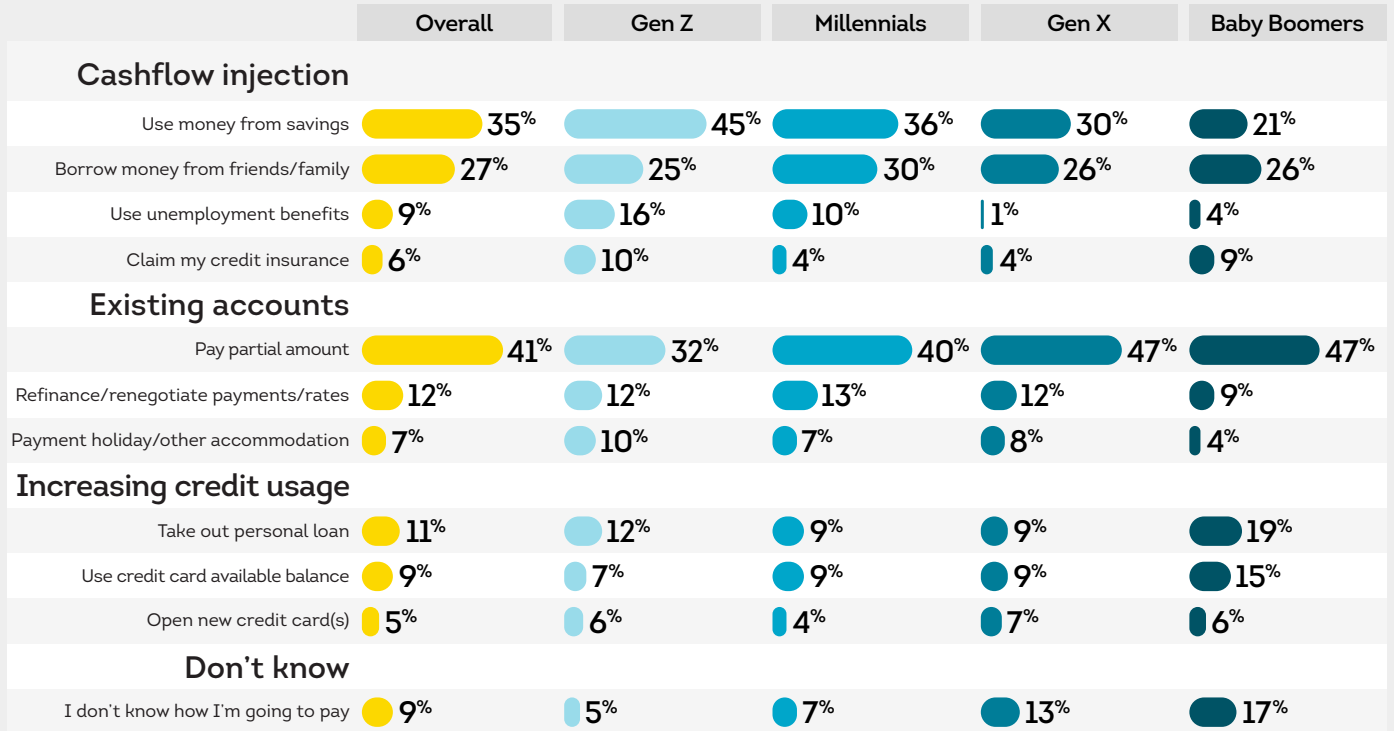
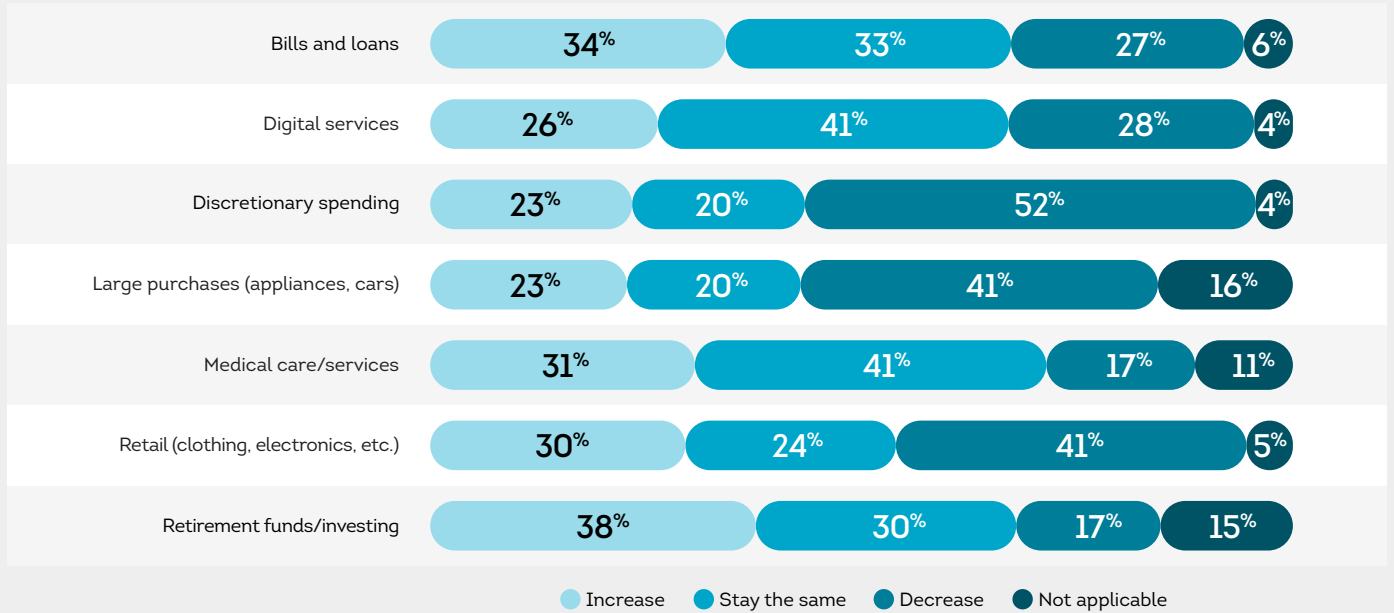


Figure 7. Expected change to household spending over next three months



Attitudes and plans for economic participation

Most consumers (93%) believed access to credit is important. Less than half (42%) of respondents believed they had sufficient access to credit.

Forty percent of consumers are planning to apply for new credit. In particular, Gen Z (48%) showed the most appetite for new credit. From an income distribution point of view, less than 40% of households with an annual income between R100K–R200K indicated their intent to apply for new credit.

In terms of planned new credit activity for the next 12 months, 44% of consumers intended to apply for a new personal loan, and 39% of consumers wanted to apply for a new credit card. Notably, 49% of Millennials were planning to apply for a personal loan, whilst 40% of Gen Z consumers were planning to apply for a credit card.

Fifty-one percent of consumers responded they considered applying for credit or refinance existing credit but ultimately decided not to. The reasons for abandoning their applications for credit were due to high costs (32%), found an alternative funding source (27%), and believed their application would be rejected due to current income/employment status (25%).

Figure 8. Believe important to have access to credit and lending products to achieve financial goals

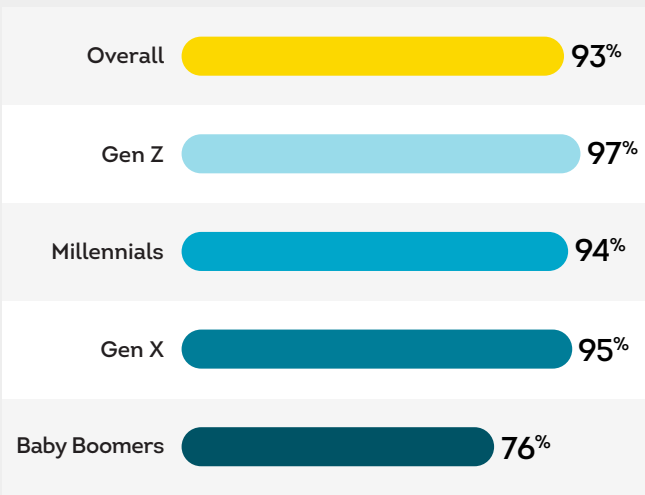


Figure 9. Believe have sufficient access to credit and lending products

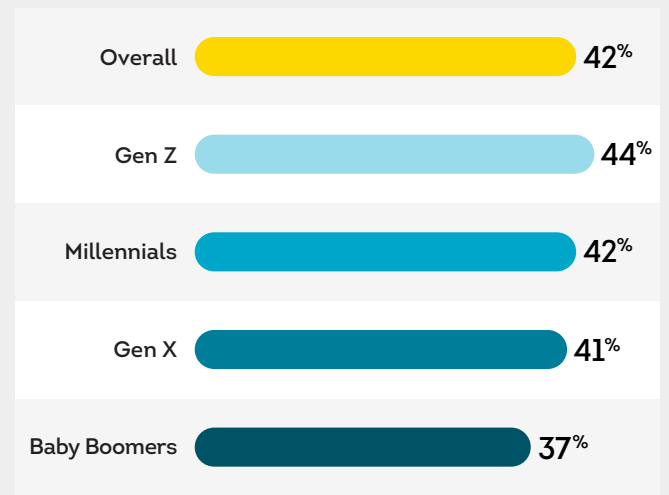
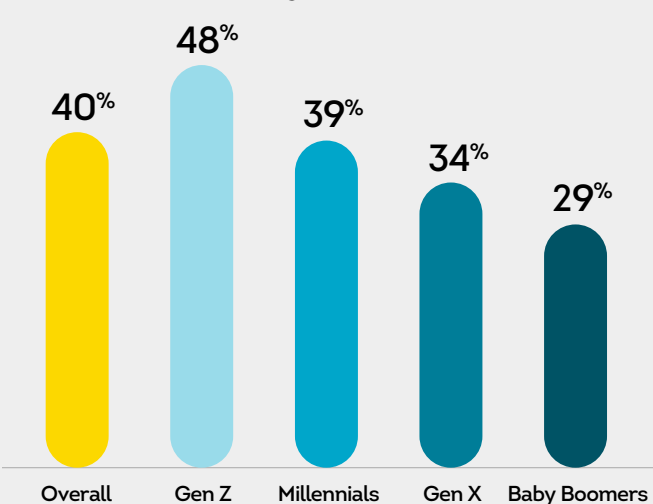
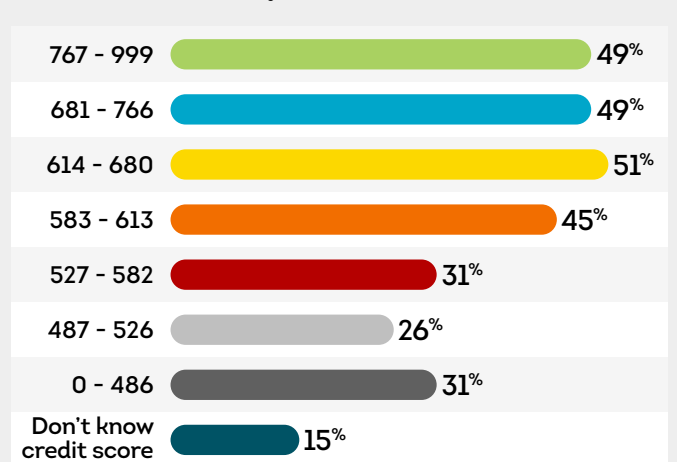


Figure 10. Plan to apply for new credit or refinance existing credit within the next year

By generation



By credit score



Self-reported credit score ranges

Figure 11. Type of new credit and loan activity planned in next 12 months
(among those who plan to apply for new or refinance existing credit)

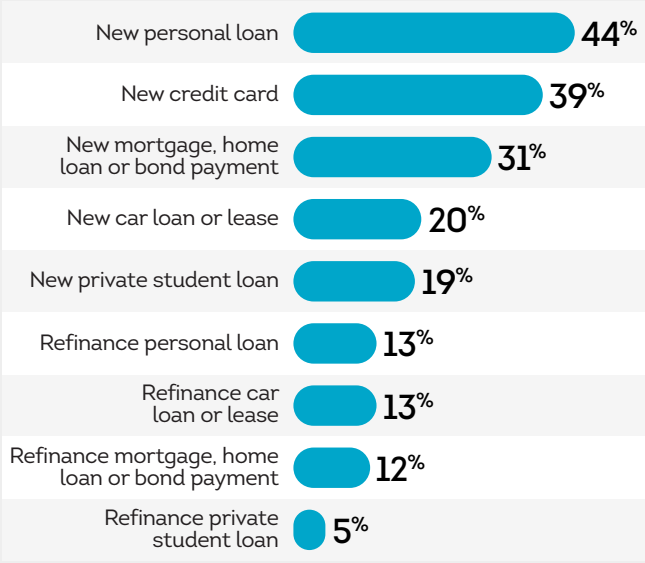


Figure 12. Abandoned plan to apply for new credit or refinance

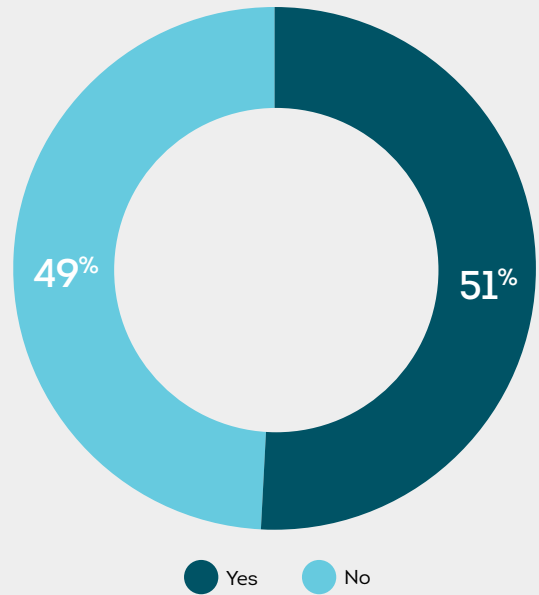
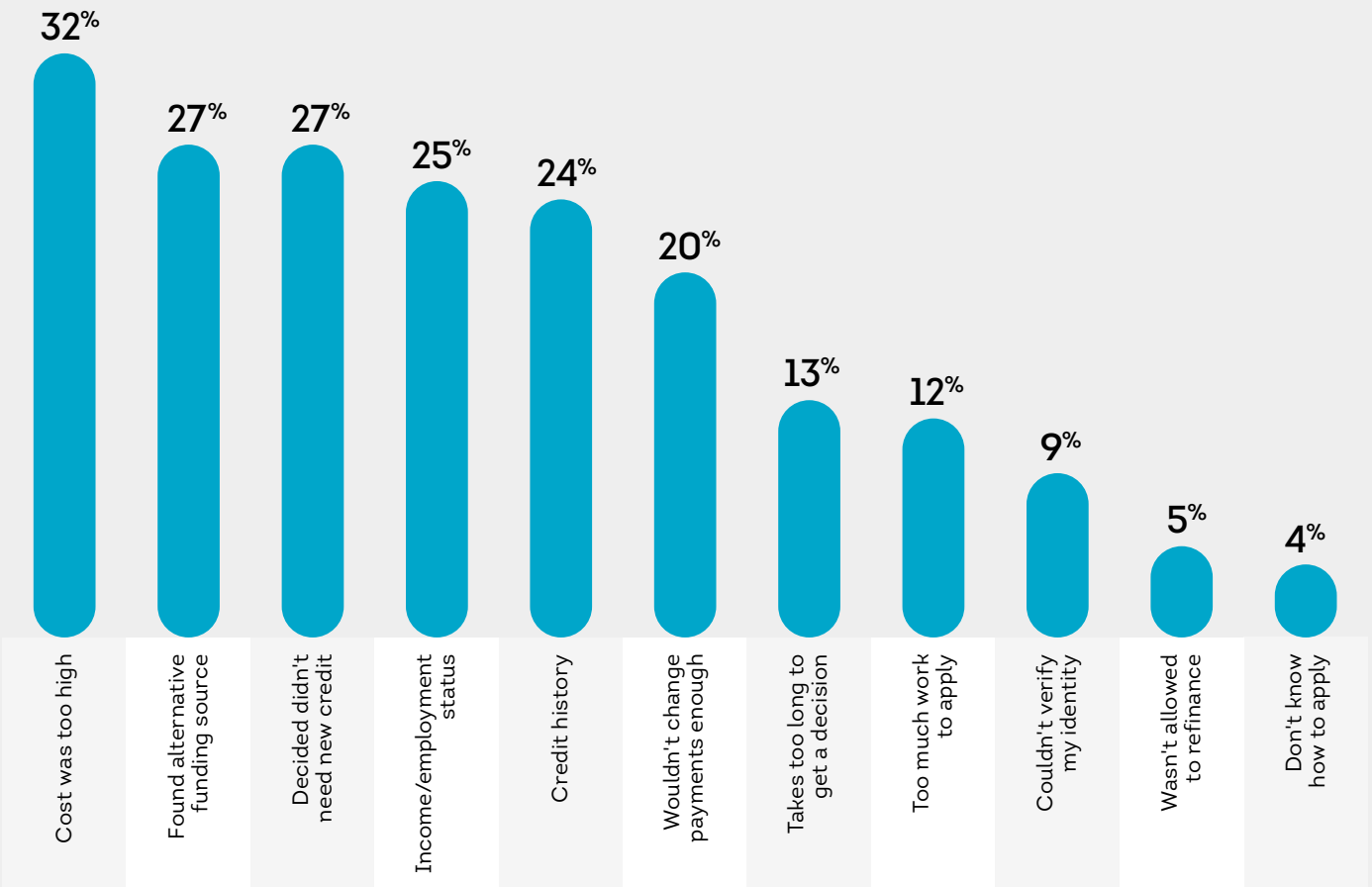


Figure 13. Reasons for abandoning application for new credit or refinance



Attitudes and behaviour to manage financial choices

The majority of consumers believed monitoring credit is important (89%); 62% of respondents monitor their credit at least once a month. In particular, Millennials (93%) and Gen Z (88%) cited credit monitoring as important.

Consumers are gradually transacting online; 35% of respondents performed more than a half of their transactions online.

More consumers believed their credit scores would increase (53% increased five percentage points) if businesses used information not on the standard credit report. Gen Z (58%) and Millennial (55%) consumers felt the use of alternative information could increase their credit scores.

Figure 14. Credit monitoring frequency

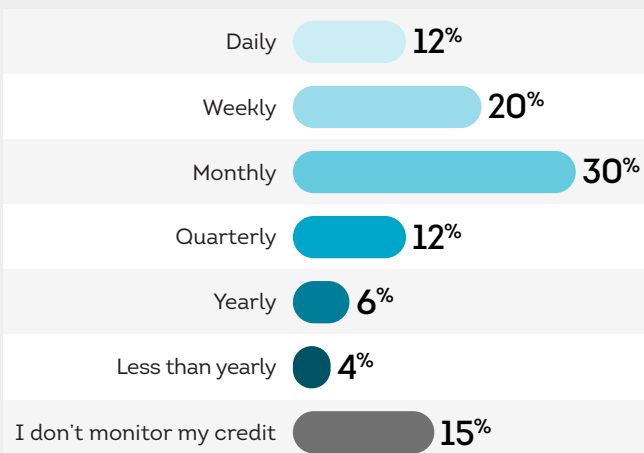


Figure 15. Believe monitoring credit is important

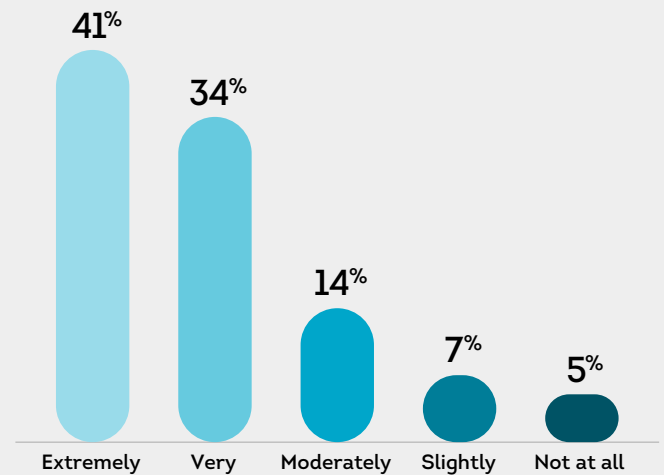


Figure 16. Percentage of transactions done online

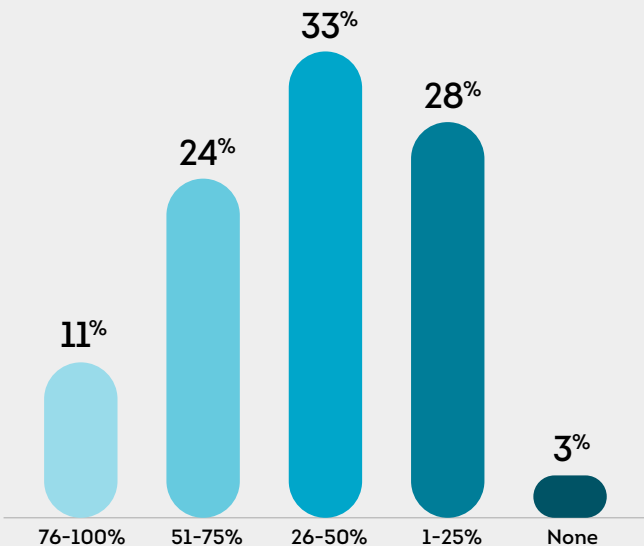
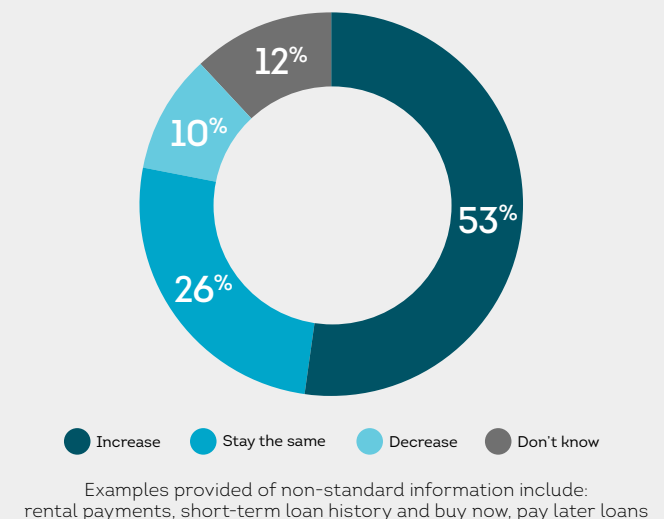


Figure 17. How believe credit score would change if businesses used information not on standard credit report



IDENTITY PROTECTION

Identity risks and usage

More than half of consumers (53%) were not aware of being targeted, and over one-third (37%) of consumers did not become a victim of a fraud scheme after being targeted. Most Gen X were not aware (63%) of being targeted – much higher than Gen Z (45%).

Money and gift card scams remained the top fraud scheme (42%) in the last three months followed by third-party seller scams (29%) and unemployment scams (27%). The quarterly trend of stolen credit card or fraudulent charges is stable (11%; decreased one percentage point).

Personal information is a top consumer concern; 89% of consumers cited concern with sharing personal information. Consumers did not want their identity stolen (75%); worried about invasion of privacy (74%); and wanted to avoid receiving unsolicited marketing communications (43%). Sentiments were similar across generations with Baby Boomers (81%) the most concerned about identity theft.

Figure 18. Personal experience with digital fraud attempts in last three months

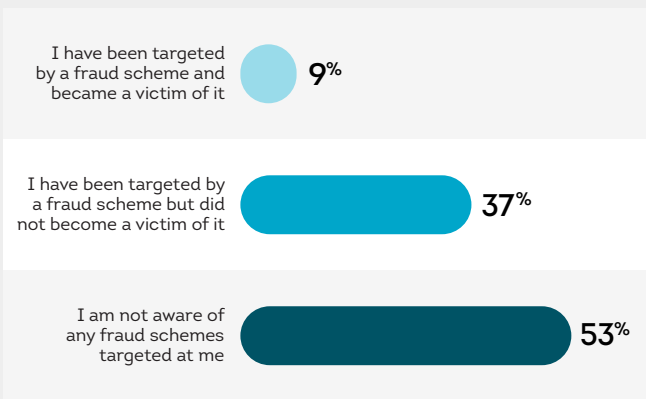


Figure 19. Most frequent fraud schemes targeting consumers (among those targeted with digital fraud)

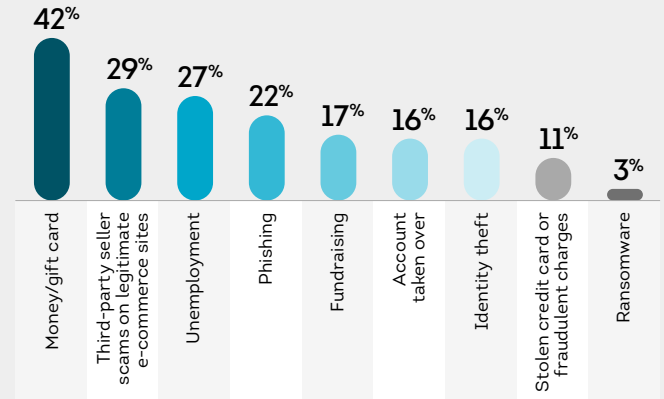


Figure 20. Concern with sharing personal information

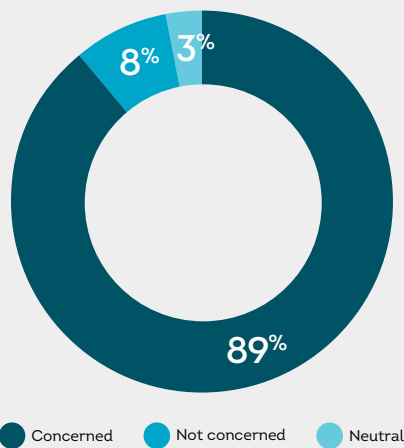
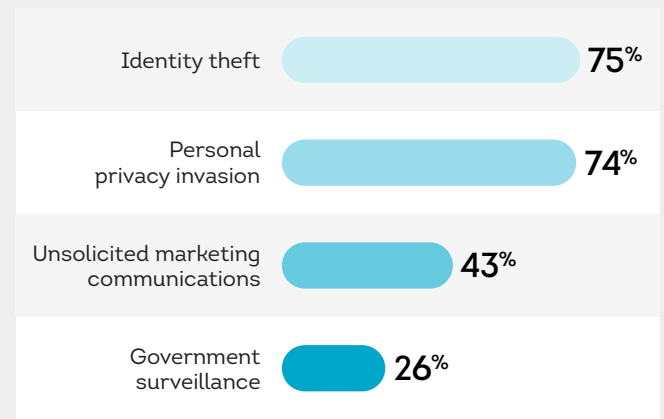


Figure 21. Reasons concerned about sharing personal information



Research Methodology

TransUnion's Consumer Pulse survey of 1,004 adults was conducted 26 May–8 Jun, 2022 by TransUnion in partnership with third-party research provider, Dynata. Adults 18 years of age and older residing in South Africa were surveyed using an online research panel method across a combination of desktop, mobile and tablet devices. Survey questions were administered in English. To increase representativeness across resident demographics, the survey included quotas to balance responses to the census statistics dimensions of age, gender, household income and region. Generations are defined as follows: Gen Z, born 1995–2004; Millennials, born 1980–1994; Gen X, born 1965–1979; and Baby Boomers, born 1944–1964. These research results are unweighted and statistically significant at a 95% confidence level within ± 3.1 percentage points based on a calculated error margin.

For previous Consumer Pulse Studies, visit
transunion.co.za/consumer-pulse-study



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