



The COVID-19 Pandemic's Financial Impact on South African Consumers

The COVID-19 pandemic is creating a new reality as its impact has stretched to consumers of all generations and income levels.

TransUnion is tracking consumer behavior changes and providing results to all to inform understanding and decision-making during this time of uncertainty.

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WAVE 10 REPORT

Data collected week of 30 November 2020

BACKGROUND

The current global COVID-19 pandemic is creating major economic and financial distress for consumers across the globe. Many jobs in the South African economy are already being impacted or at risk due to drastic demand shifts. We've conducted research to better understand consumers' perceptions and expectations for how this rapidly evolving situation is affecting their financial situation and subsequent ability to pay their bills. The insights in this report aim to help you make informed decisions at a time when information on consumer impact is still emerging. We are providing this report and additional resources to all so we can come together to support people during this trying time.

Key Takeaways

- After a few months of stagnation, the percentage of South Africans financially impacted by COVID-19 increased to 82%, despite most industries being fully operational. Millennials are the hardest hit at 86%, up 6 percentage points from November.
- Only 12% of consumers indicate their household finances are as planned in 2020, while 69% say their finances are worse than planned (+4 pp).
- Concern among impacted consumers about their ability to pay their bills and loans remains high at 84%. Credit products remain the bills and loans consumers most often indicate they will not be able to pay, with personal loans (37%), retail/clothing store account (32%) and credit card bills (32%) ranked in the top three.
- To manage household finances in an uncertain environment, consumers are increasingly cutting back on saving for retirement (+4 pp to 26%), and many are using money from savings (35%) or borrowing from family and friends (25%) to increase their cash flow.
- Overall, South Africans remain positive about the future: 68% of impacted consumers indicate they are optimistic, 13% neither optimistic nor pessimistic and 19% pessimistic about the future. Younger generations are more optimistic than older generations.

RESEARCH METHODOLOGY

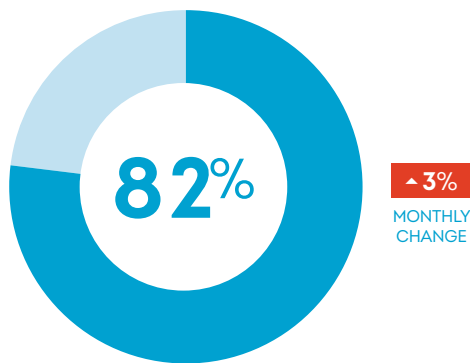
This online survey of 1,100 adults in South Africa was conducted 1-3 December 2020 by TransUnion in partnership with third-party research provider Qualtrics® Research-Services. Adults 18 years of age and older residing in South Africa were surveyed using an online research panel method across a combination of computer, mobile and tablet devices. Survey questions were administered in English. All regions are represented in the study survey responses. To ensure general population sample representativeness across South African resident demographics, the survey included quotas to balance responses to the census statistics on the dimensions of age, gender, household income and region. These research results are unweighted and statistically significant at a 95% confidence level within ±2.95 percentage points based on calculated error margin.

FINANCIAL IMPACT

WHAT IS THE SCALE AND TYPE OF IMPACT?

- After a few months of stagnation, the percentage of South Africans financially impacted by COVID-19 increased to 82%, despite most industries being fully operational. This is up 3 percentage points from last month and down only 2 percentage points from the highest level (84%) in June. Millennials are the hardest hit at 86%, up 6 percentage points from November.
- Thirty-seven percent of those impacted have had their work hours reduced, the largest percentage working in the retail, information technology, financial services and manufacturing industries.
- Eighteen percent of impacted consumers report they have lost their jobs, just 3 percentage points from the highest level reported in August (21%) and substantially higher than April (10%).
- More than half (52%) of those who report they have lost their jobs are Millennials. Forty percent of consumers who report job loss are from Gauteng, and many are from the retail, construction, educational services and restaurant / food services industries.
- Only 12% of consumers indicate their household finances are as planned in 2020, while 69% say their finances are worse than planned (+4 pp).

Figure 1. Perceived impact.



Percentage of consumers who indicated their household income has been impacted.

Figure 2. Are you expecting to be impacted in the future?

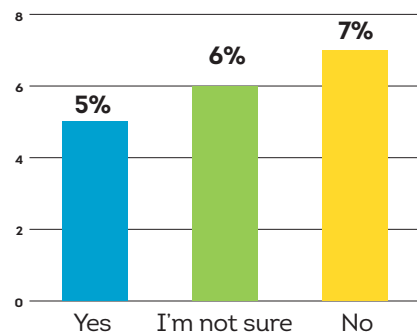
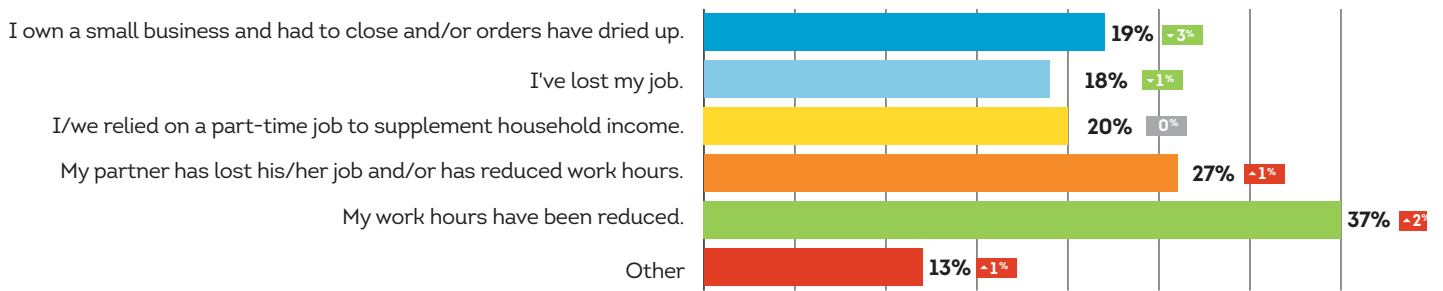


Figure 3. How is your current household income being impacted?



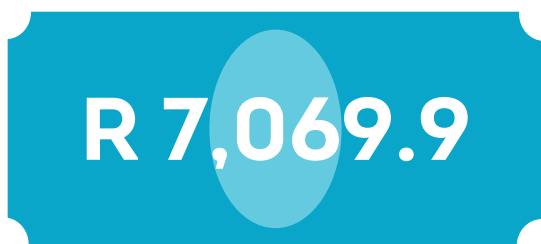
MANAGING THE HOUSEHOLD BUDGET

HOW ARE CONSUMERS CHANGING THEIR HOUSEHOLD BUDGET IN RESPONSE TO THE PANDEMIC?

- Concern among impacted consumers about their ability to pay their bills and loans remains high at 84%, with almost 1 in 3 impacted consumers (31%) expecting to run into a shortfall within one month (+2 pp).
- Credit products remain the bills and loans consumers most often indicate they will not be able to pay, with personal loans (37%), retail/clothing store account (32%) and credit card bills (32%) ranked in the top three. Generationally, Gen Xers and Millennials are most likely to indicate they will be unable to pay their personal loans (47% and 41%, respectively).
- Consumers have been making changes to their household budget since the beginning of the pandemic to better cope with decreases in their household income. In December, 59% of impacted consumers indicate they have cut back on discretionary spending, 43% have canceled subscriptions or memberships, and 33% have canceled or reduced digital services.
- To manage household finances, consumers are increasingly cutting back on saving for retirement (+4 pp to 26%, the highest level reported to date). This is most prominent amongst Boomers (+6 pp to 38%).
- Two-thirds of households (66%) expect to spend less on dining out, travel and entertainment purchases in the next three months.
- Twenty-seven percent of consumers plan to purchase holiday gifts, but 67% expect to spend less. Thirteen percent expect to spend the same amount on holiday gifts this year, and 13% expect to spend more.
- Similarly, the retail shopping sector may come under pressure as 23% of consumers indicate they will reduce retail spending by a little in the next three months, and a third (32%) say they will reduce retail spend by a lot.

Figure 4. How much is your budget shortfall?

On average, amount consumers who were impacted expect they will be short when paying bills or loans.



How soon will you not be able to pay?

Consumers who were impacted expect they will not be able to pay their bills or loans in **8.3 weeks.**

Figure 5. Are you concerned about your ability to pay your current bills and loans?

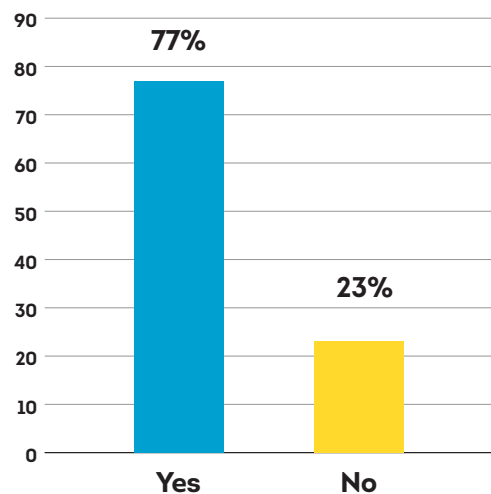


Figure 6. Regional concern over ability to pay bills/loans.

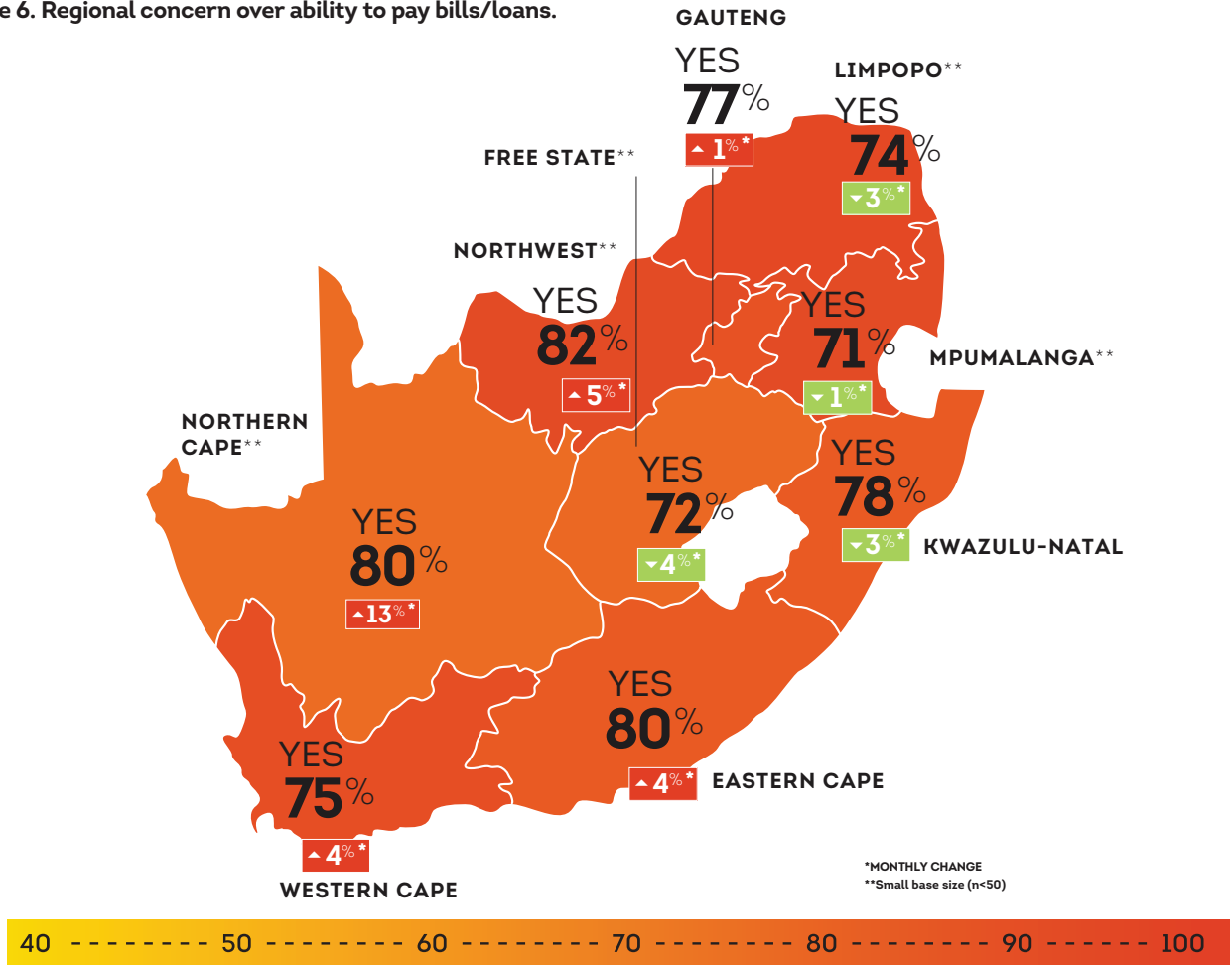


Figure 7. What bills and loans are you concerned about your ability to pay?

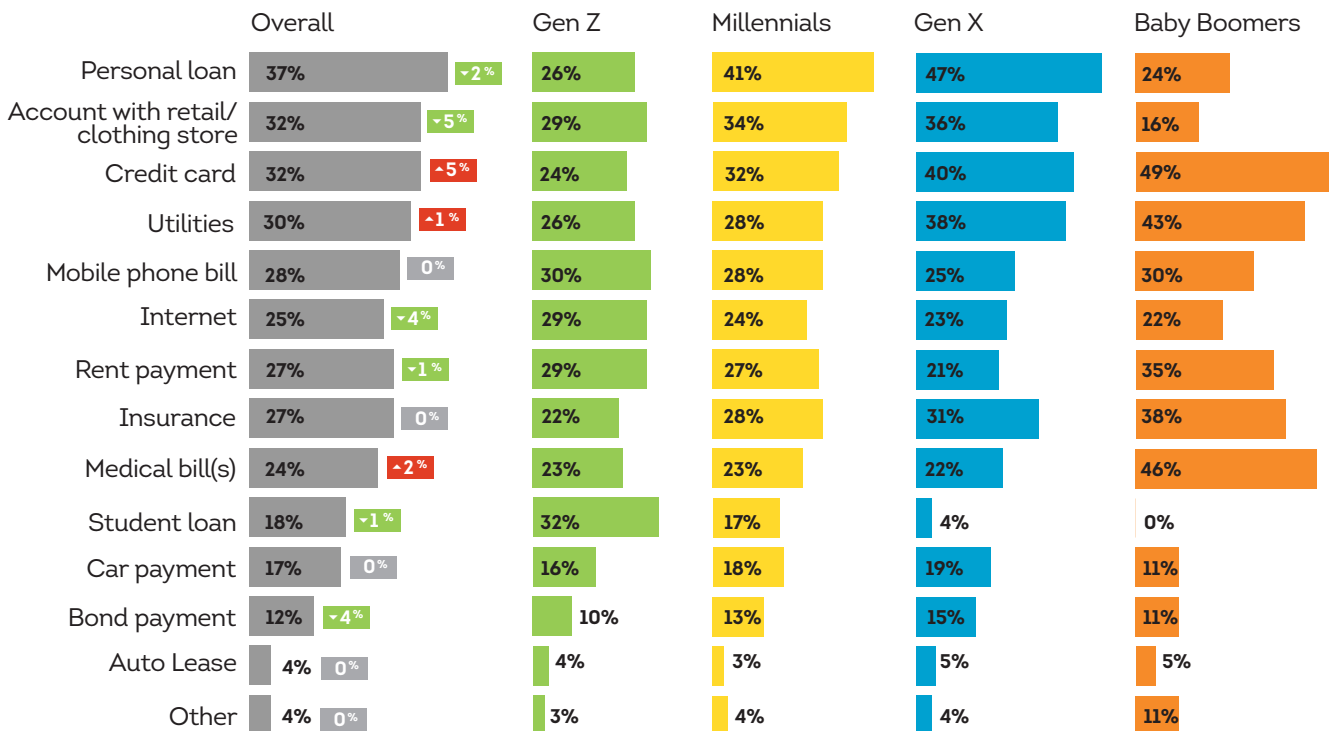
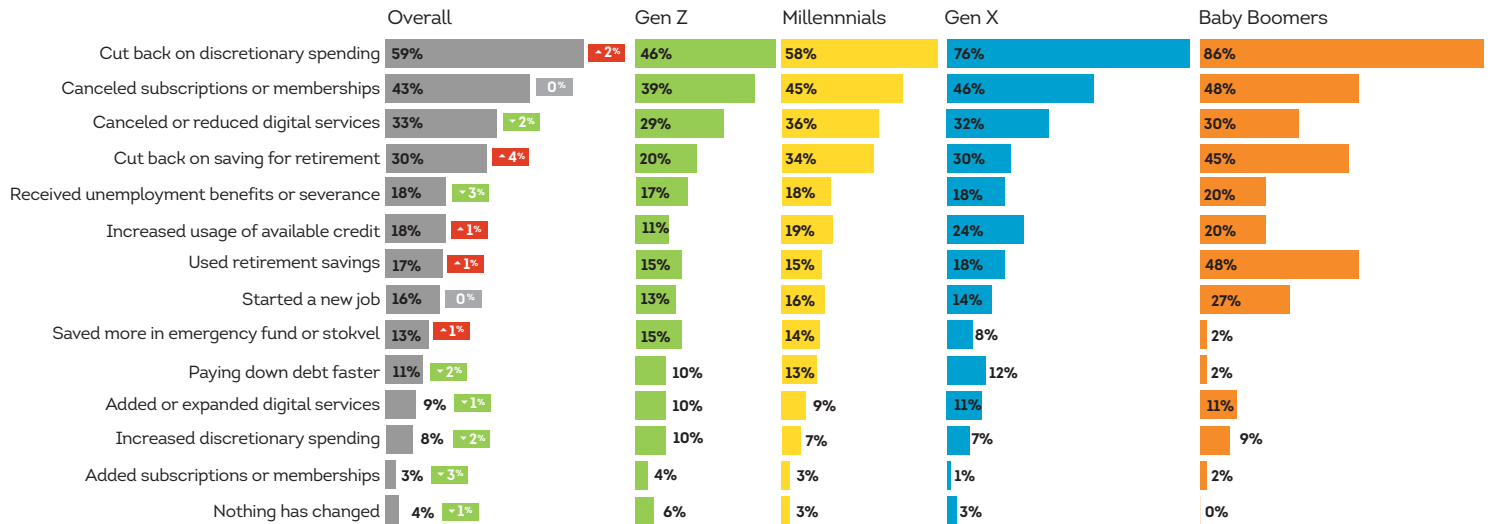


Figure 8. What has changed in your household budget during the COVID-19 pandemic?



RECOVERY PLANS

WHAT IS YOUR GAME PLAN?

- A significant percentage of consumers continue to indicate they are using money from savings (35%). While this creates a short-term cash flow position, there are longer-term macro-economic consequences to this approach including a shift in retirement age and potential assistance at retirement as personal savings have eroded during the crisis.
- A quarter of respondents report they plan to borrow money from friends or family to pay bills and loans. When further broken down, 57% plan to borrow from family members other than parents, 48% from parents, 47% from friends and 8% from a crowdfunding site.
- Nineteen percent of surveyed consumers indicate they have received a payment holiday. This is most commonly reported among consumers with bond payments and personal loans.
- In November, 61% of consumers who had received an accommodation were making full payments on their mortgage loan, but this dropped by 22 percentage points to 39% in December as more consumers indicate they are making only partial payments or none at all. The same applies for auto loans, with a 19 percentage-point drop in full payments to 37% this month.
- Overall, South Africans remain positive about the future: 68% of impacted consumers indicate they are optimistic, 13% neither optimistic nor pessimistic and 19% pessimistic about the future. Younger generations are more optimistic than older generations: 78% of Gen Zers, 68% of Millennials, 54% of Gen Xers and 46% of Boomers are optimistic.

Figure 9. What is your plan to help pay your current bill(s) or loans?

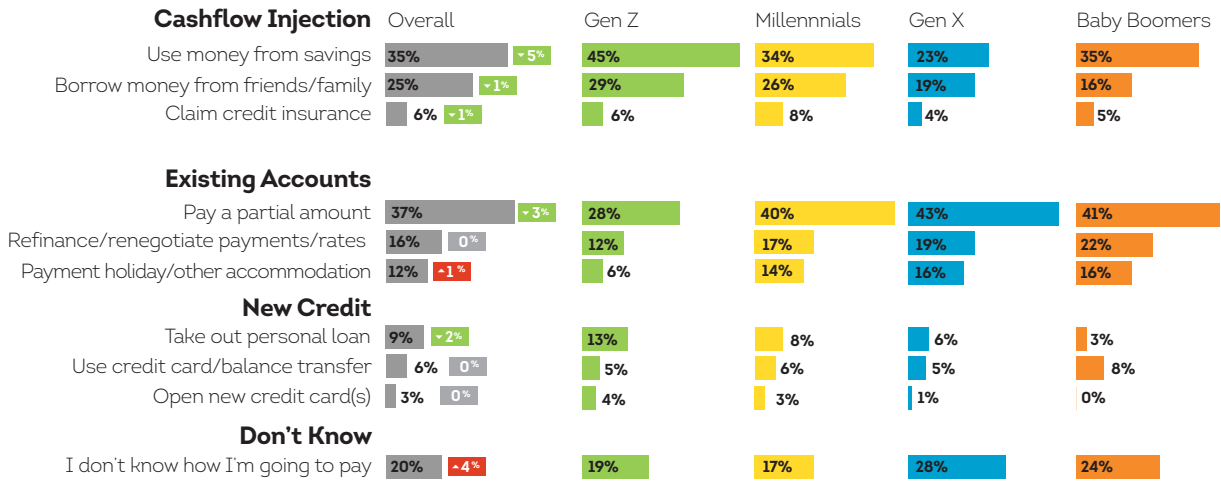


Figure 10. Have you reached out to companies you have accounts with to discuss payment options?

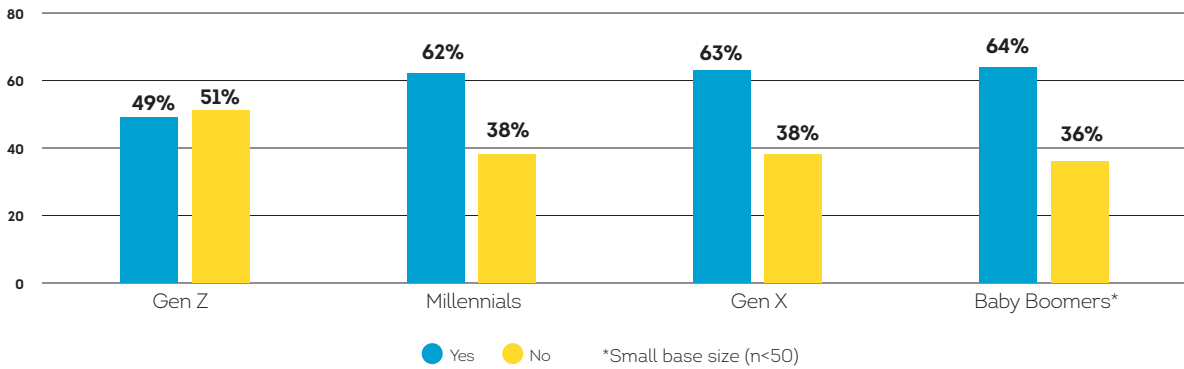


Figure 11. Loans/bills enrolled in financial accommodation (among those with financial product).

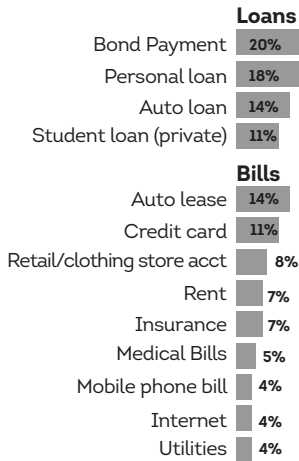


Figure 12. Repayment preference when financial accommodation period ends (Top 3 options).

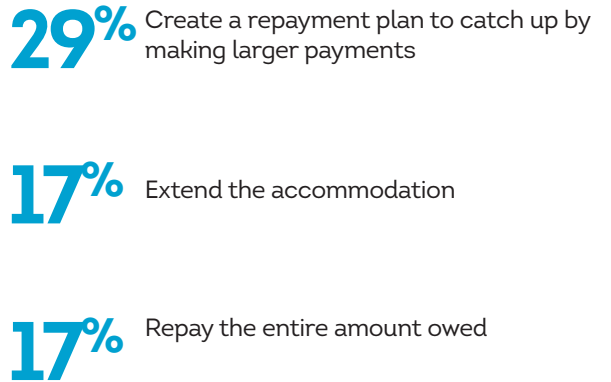
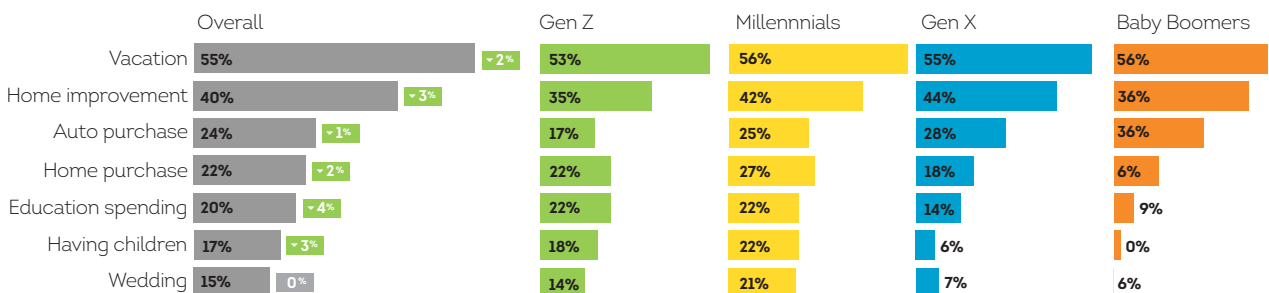


Figure 13. Are you delaying any of the following major purchases or events?

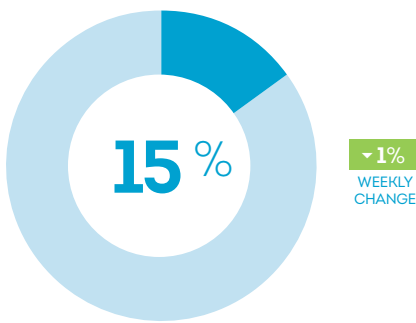


TAKING CARE OF YOURSELF

HEALTHCARE, FRAUD, AND CREDIT MONITORING

- Digital fraud related to COVID-19 continues to grow as a threat, with 42% of households now reporting they have been targeted. This is up 14 percentage points from the 28% average reported in the first four weeks of lockdown. Unemployment-related scams remain the most common scheme (31%) among targeted consumers.
- The percentage of households that indicate they are checking their credit at least weekly (25%) has risen significantly since May (9%). Additionally, 55% of consumers now say that monitoring their credit is very or extremely important, up from 43% in May.

Figure 14a. Delayed medical procedures.



Percentage of consumers who have had an elective surgery, medical appointment or procedure delayed or canceled due to COVID-19.

Figure 14b. How urgently do you plan to reschedule your elective surgery, medical appointment or procedure?

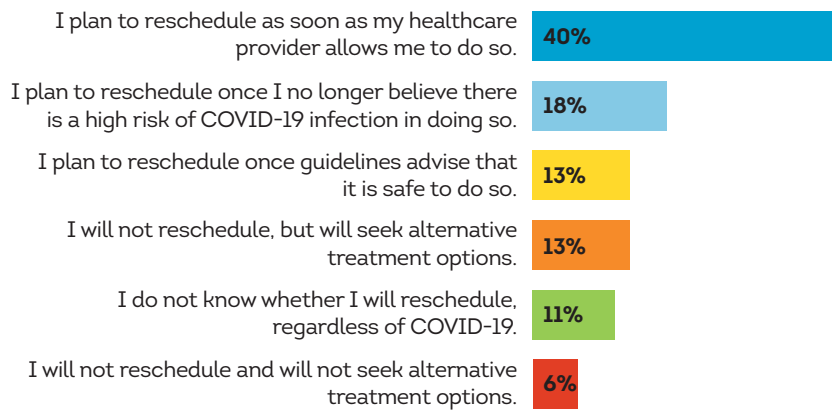


Figure 15. Which statement best describes your personal experience with any digital fraud attempts related to COVID-19?

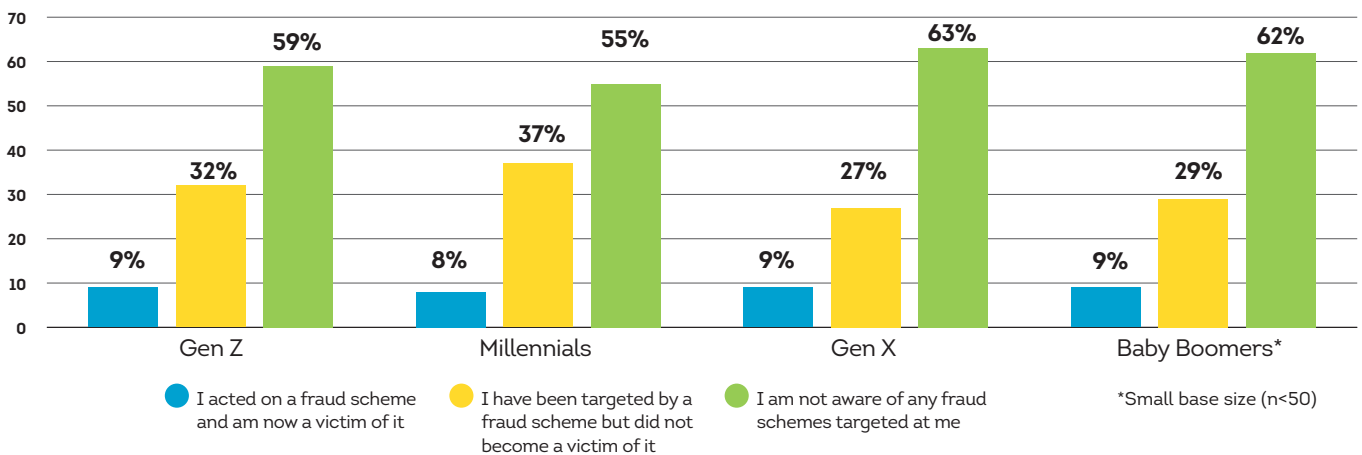


Figure 16. Frequency of checking credit.

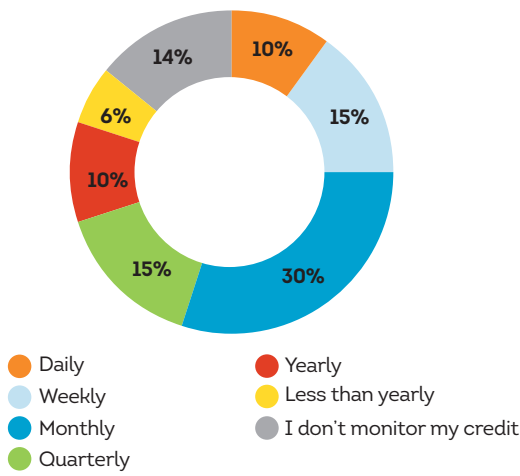
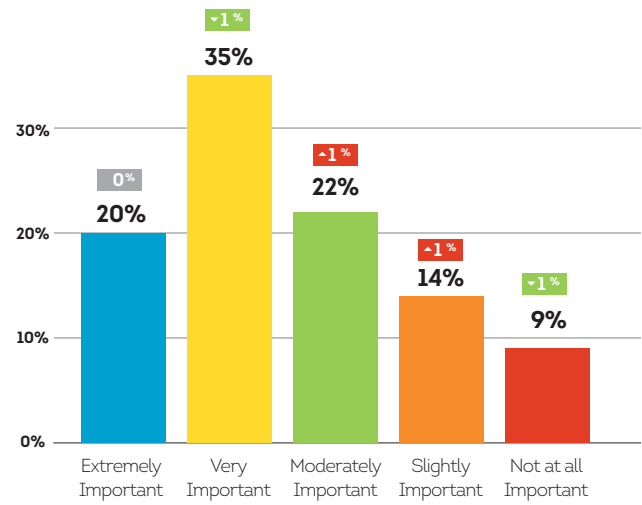


Figure 17. Importance of monitoring credit during COVID-19 pandemic.



CALL TO ACTION

If you found this information useful and would like to learn more, please visit our [South Africa Consumer Financial Hardship Study website](#). We at TransUnion are committed to continuing to provide you the updates, tools and resources you need to understand this evolving situation.

If you are a member of the media and would like to learn more, please contact:

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