



# 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 7 REPORT

Data collected week of 24 August 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

- Despite the easing of lockdown levels nationwide, now in the sixth month of this study, nearly 8 out of 10 South Africans (78%) continue to be impacted financially by COVID-19.
- Forty-percent of those impacted have had their work hours reduced as businesses continue to feel the strain of previous lockdown restrictions.
- The proportion of impacted consumers who report having lost their jobs has dropped by four percentage points from last month to 17%; however, still substantially higher than the first wave (10%).
- Concern among impacted consumers regarding ability to pay bills and loans remains high at 89% and unchanged from last month.
- More consumers are withdrawing or borrowing to increase cash flow. Over 40% of affected consumers say they're using money from their savings to help pay bills, up 11% from April. Additionally, 31% of respondents report borrowing money from friends or family (up 10 percentage points from May).
- Digital fraud schemes have increased considerably since inception of the survey – 44% of South African consumers reported they've been a target of digital fraud related to COVID-19 (up 5 percentage points from last month and 19 percentage points from April).

## RESEARCH METHODOLOGY

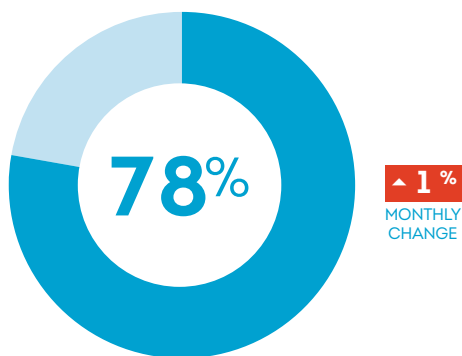
This online survey of 1,101 adults in South Africa was conducted 30 - 31 August by TransUnion in partnership with third-party research provider Qualtrics® Research-Services. Adults 18 years of age and older residing in South Africa were surveyed using an online research panel method across a combination 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?

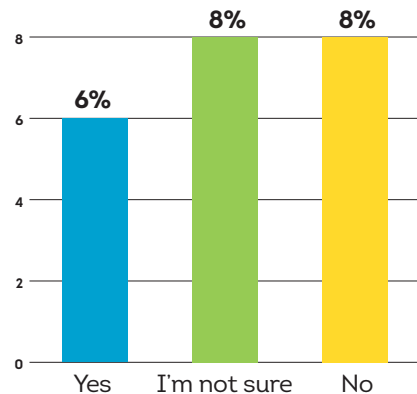
- Despite the easing of lockdown levels, now in wave 7 of this study, nearly 8 out of 10 South Africans (78%) continue to be impacted financially by COVID-19. This is relatively unchanged from last month's level and considerably lower than the highest level (84%) experienced in June.
- The generational cohort most impacted continues to be Millennial consumers (81%), followed by Gen X (76%) and Gen Z (75%).
- Forty-percent of those impacted have had work hours reduced as businesses continue to feel the strain of previous lockdown restrictions.
- The proportion of impacted consumers who report having lost their jobs has dropped by four percentage points from last month to 17%; however, still substantially higher than the first month (10%).
- The province with the highest reported job loss is the Western Cape (23% of impacted consumers), followed by Gauteng (18%) and the Eastern Cape (17%).

Figure 1. Perceived impact.

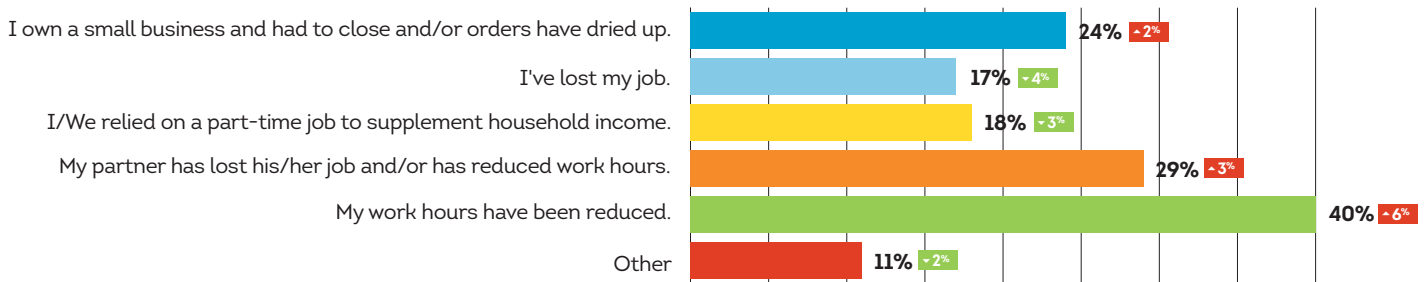


Percentage of consumers who indicated their household income has been impacted.

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 regarding ability to pay bills and loans remains high at 89% and unchanged from last month, with 33% of these consumers expecting to run into a shortfall within one month.
- The average monthly payment amount respondents expect to be short when paying bills and loans continued to decrease in Sept. relative to previous months, down 13% from R7,543 in June to R6,538 in Sept.
- Concern over future payment abilities has been decreasing, with 25% of impacted consumers expecting to be able to pay their obligations for longer than three months, up from 10% in April.
- Retail/clothing accounts and personal loans are most often indicated by consumers as those they'll not be able to pay (39% and 37%, respectively). Rent and utilities ranked next with 32% of impacted consumers concerned about their ability to pay these bills.
- Consumers continue to make changes in their household budgets to better cope with the negative household income shock. Fifty-nine percent of impacted consumers indicated they've cut back on discretionary spending, while 41% have canceled subscriptions or membership, and more than one in three (35%) have canceled or reduced digital services
- At the same time, respondents also looked to deleverage and save, with 15% indicating they're paying down debt faster, and 13% indicating they saved more in their emergency fund or stokvel.
- In addition, just over one in six consumers (18%) reported having started a new job or developed new revenue generating activity, up by 14 percentage points from 4% in May.

**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 weeks.**

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

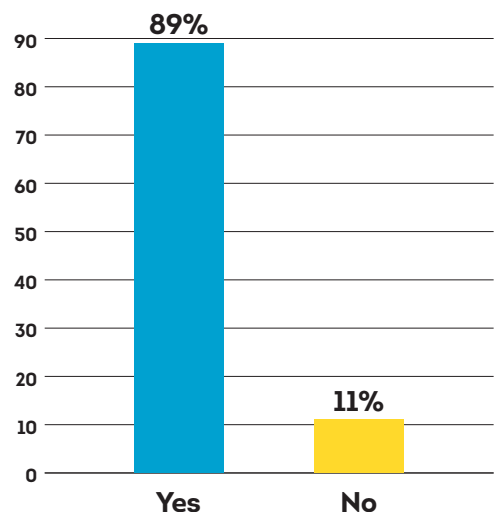


Figure 6. Regional concern over ability to pay bills/loans.

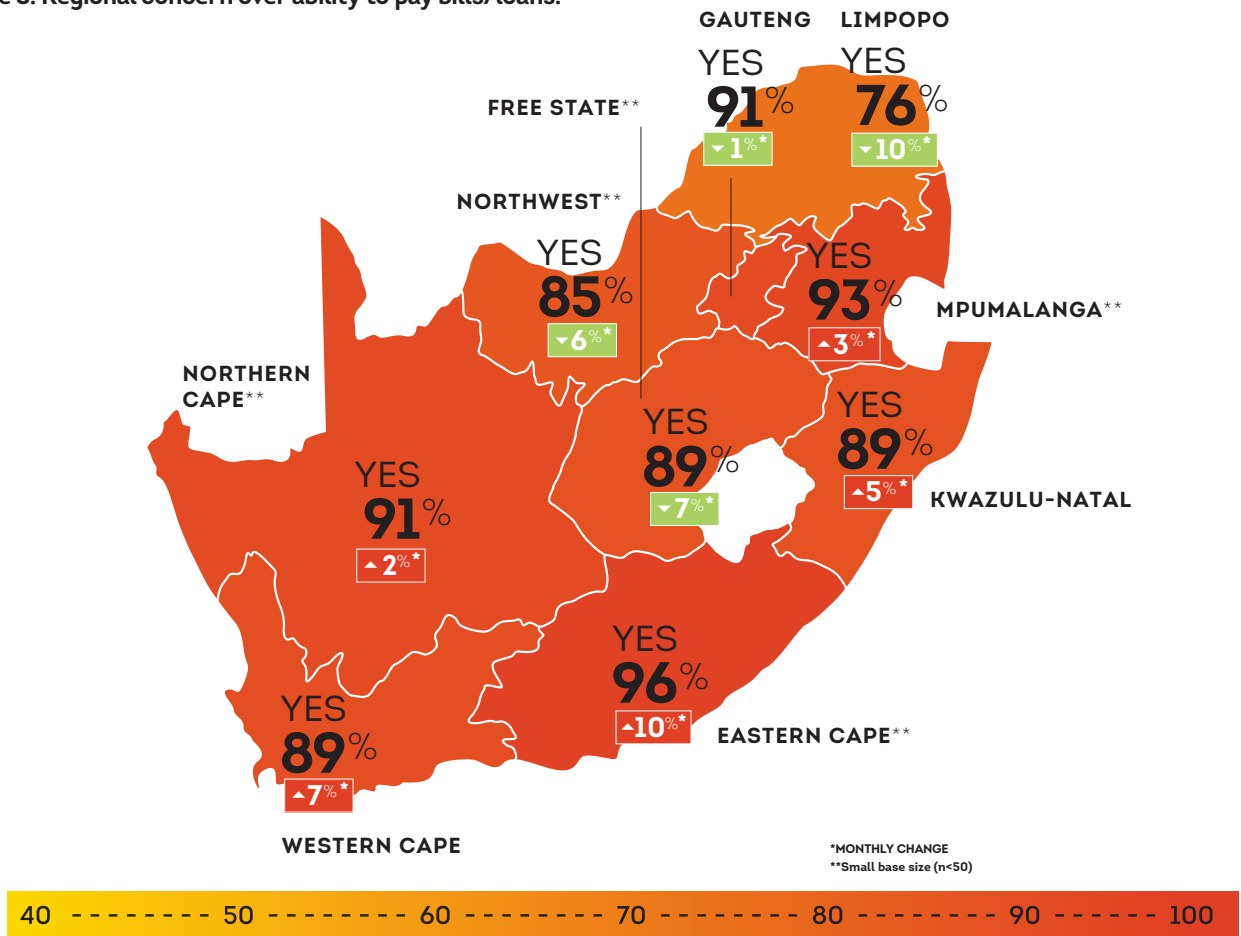
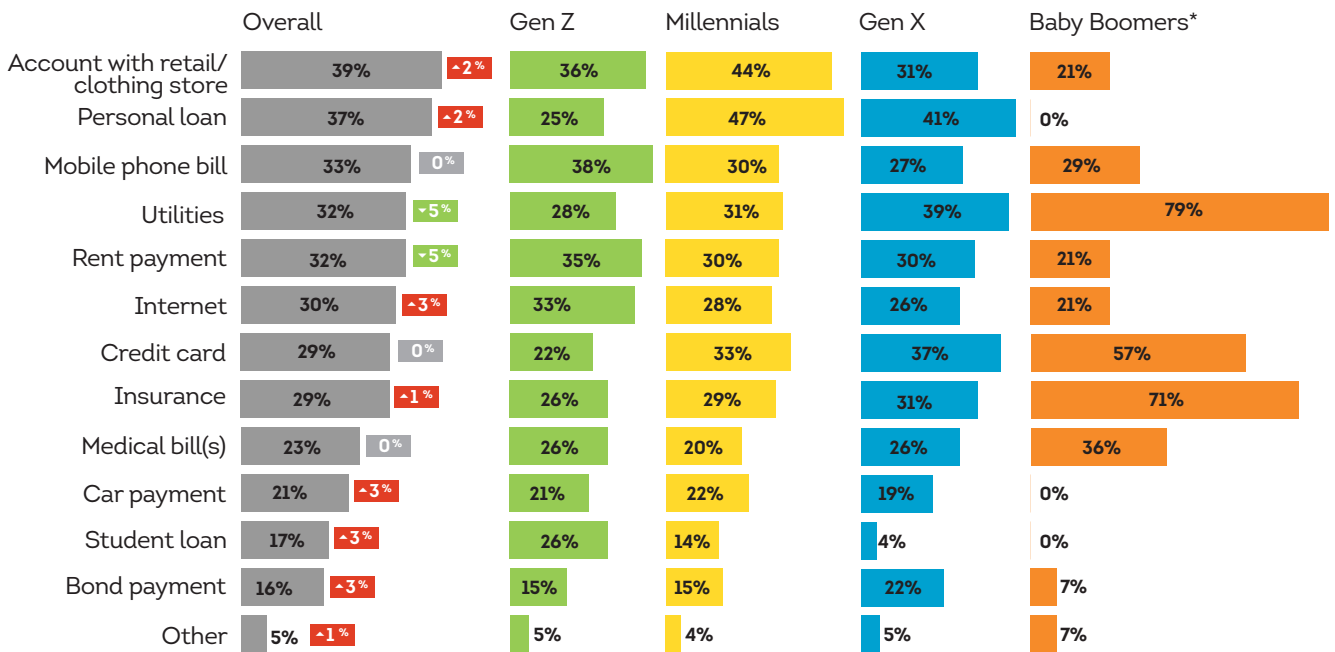
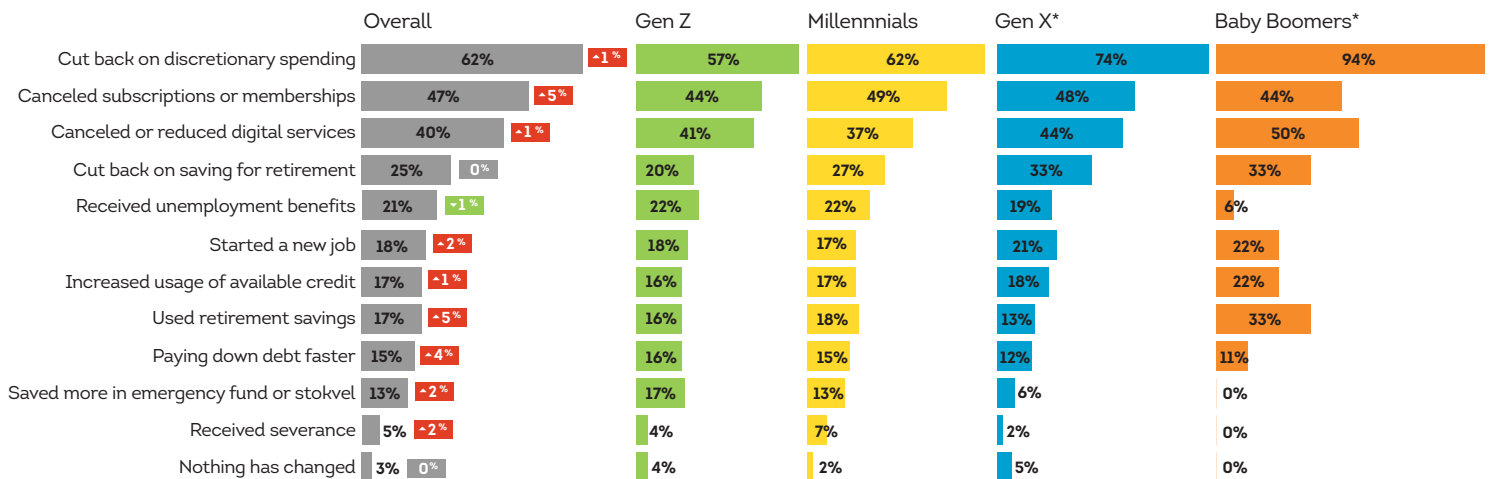


Figure 7. What bills and loans are you concerned about your ability to pay?



\*Small base size (n<50)

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



\*Small base size (n<50)

## RECOVERY PLANS

### WHAT IS YOUR GAME PLAN?

- Consumers continue to be proactive with 60% indicating they've reached out to companies they have accounts with to discuss payment options.
- More consumers are withdrawing or borrowing to increase cash flow. Over 40% of affected consumers say they're using money from their savings to help pay bills, up 11% in April. Additionally, 31% of respondents report borrowing money from friends or family (up 10% from May).
- Where possible, consumers are actively paying down balances, with 37% indicating they intend to pay at least a partial amount of their bills.
- The proportion of consumers surveyed who indicated they're receiving some form of financial accommodation, such as a deferral or payment holiday, increased by three percentage points from last month to 20%.
- Of those with these financial products, the most common products consumers receive a payment holiday for are home loans (25%), auto leases (24%) and personal loans (21%).
- The top reasons for not taking a payment holiday include it wasn't needed (50%), or they didn't know how to get an accommodation (25%).
- More consumers who have received accommodations during the crisis are getting back to making full payments. Fifty-four percent indicate they're making full payments on their auto loan (up 14% from 40% from last month and more than double July's 25%). Thirty-eight percent say they're making normal monthly payments on their home loan, more than double last month (18%).
- When consumers with payment holidays were asked about their preference once the accommodation period ends, 49% indicated they plan to create a repayment plan, while 19% plan to extend the deferral for an additional period of time if possible.
- Interestingly, the proportion of consumers delaying holiday plans increased by seven percentage points between Aug. and Sept., up to 51% – despite the easing of local travel restrictions and the opening up of the hospitality industry.

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

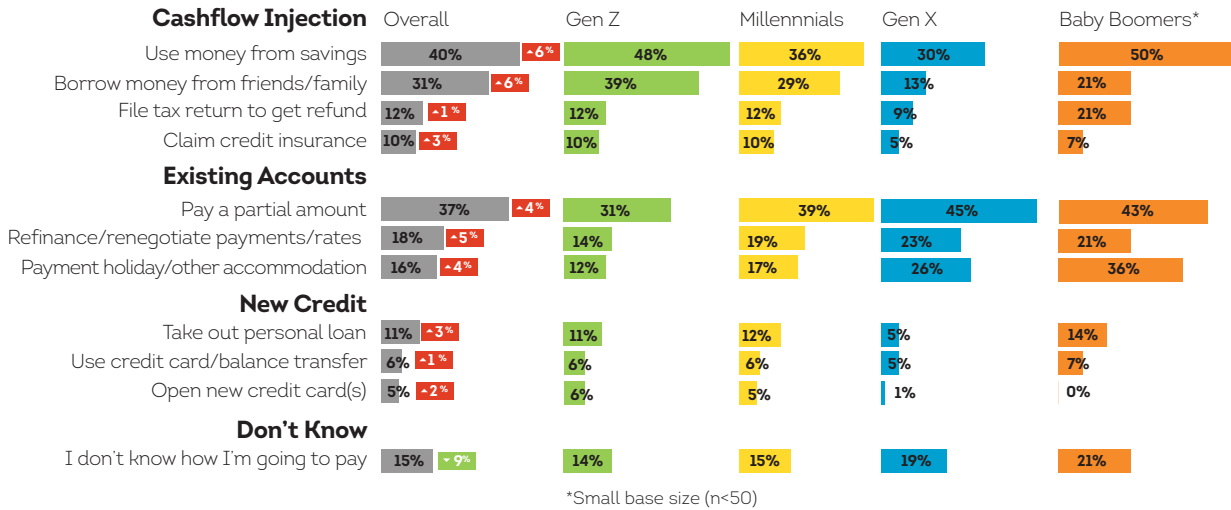


Figure 10. Have you reached out to companies you have accounts with to discuss payment options?

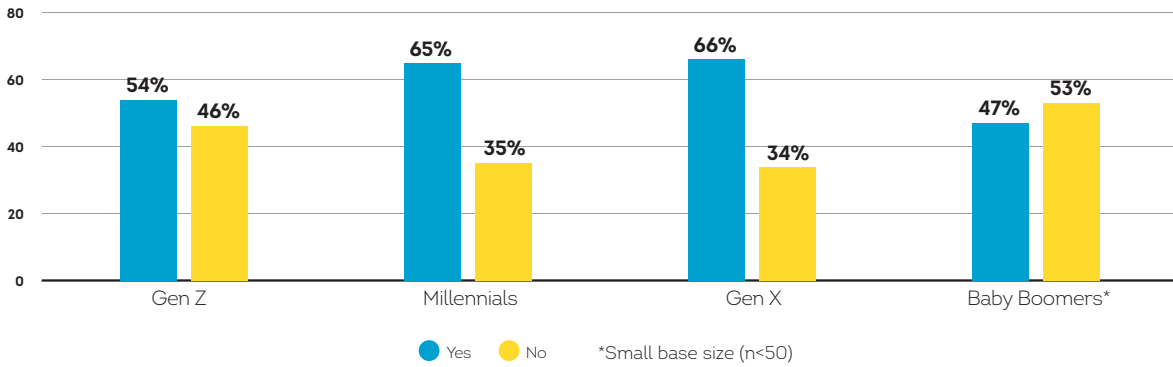


Figure 11. Loans/bills enrolled in financial accommodation (among those with financial product).

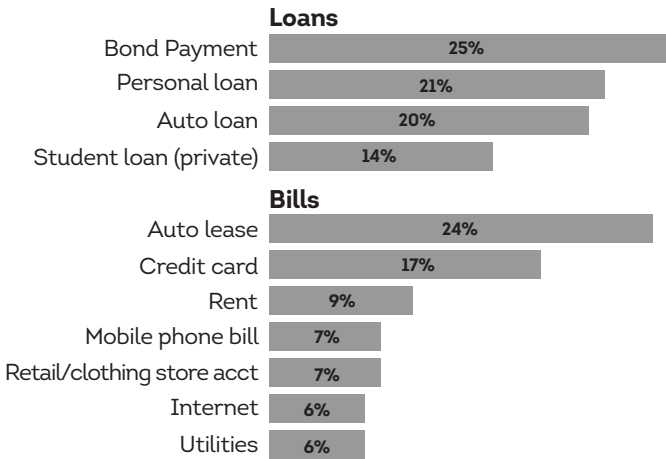


Figure 12. Repayment preference when financial accommodation period ends (Top 3 options).

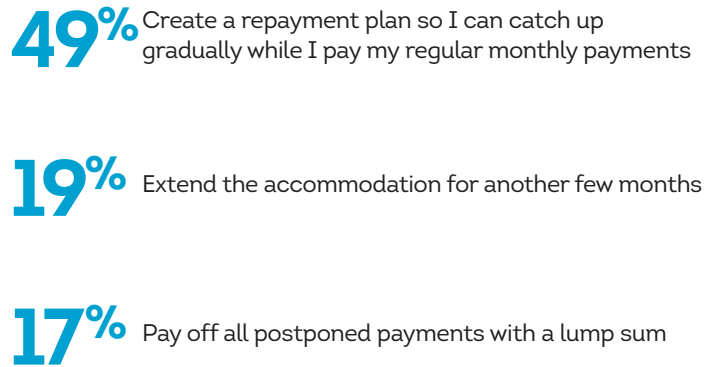
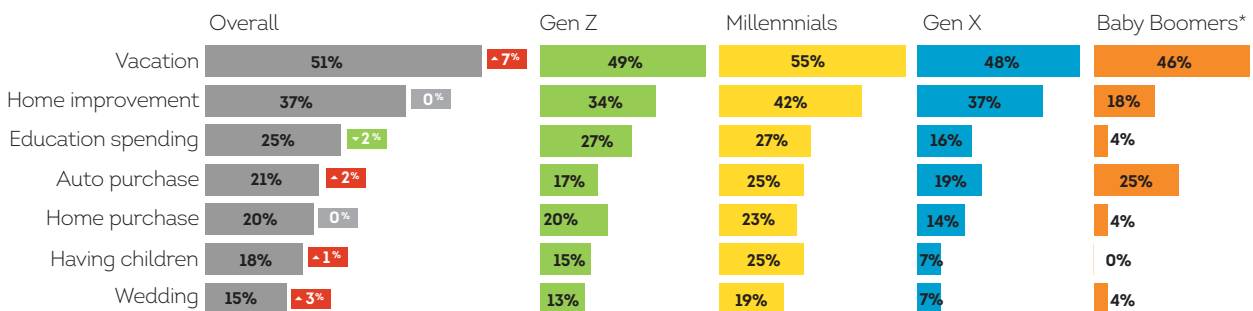


Figure 13. Are you delaying any of the following major purchases or events?

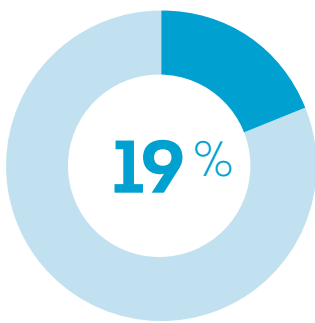


## TAKING CARE OF YOURSELF

### HEALTHCARE, FRAUD, AND CREDIT MONITORING

- Digital fraud schemes have increased considerably – 44% of South African consumers reported they've been a target of digital fraud related to COVID-19 (up 5 percentage points from last month and 19 percentage points from April).
- Two of the top three scams are the same as previous months: Unemployment related (32%) and third-party seller scams on legitimate online retail websites (31%). Fake insurance (27%) has replaced charity or fundraising scams (24%) as the third most prominent digital fraud scheme, up seven percentage points from last month.

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?

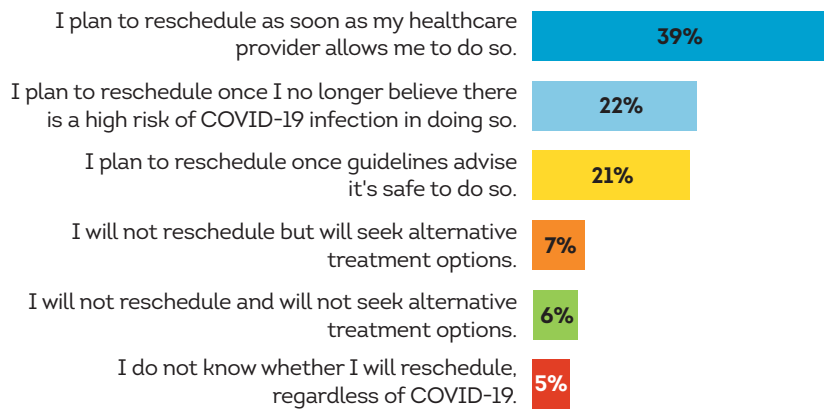


Figure 15. Which statement best describes your personal experience with any digital fraud attempts related to COVID-19?

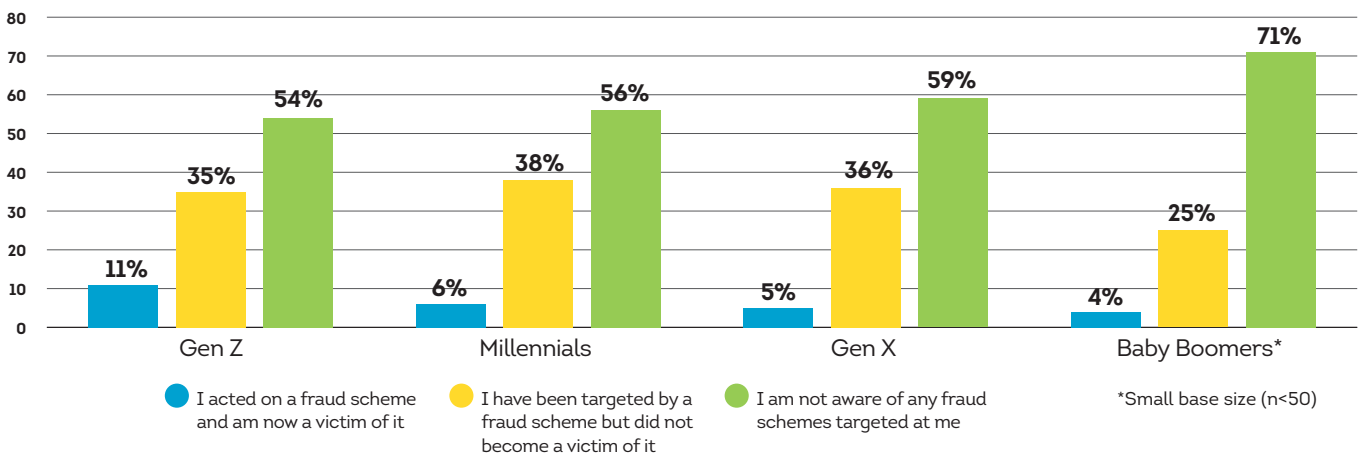


Figure 16. Frequency of checking credit score.

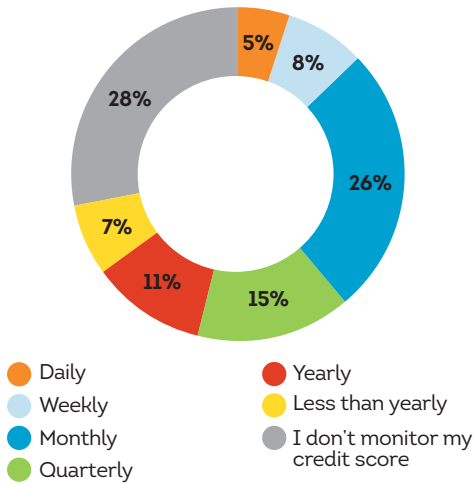
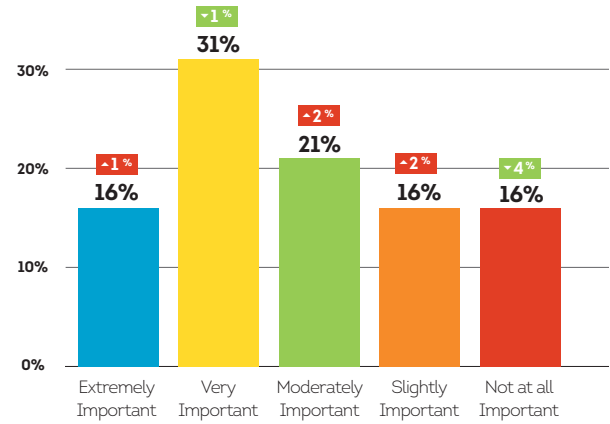


Figure 17. Importance of monitoring credit during COVID-19 pandemic.



**CALL TO ACTION**

If you found this information useful and would like to learn more, please come back for next month's report and 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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