



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.

8

WAVE 8 REPORT

Data collected week of 4 October 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, 77% South Africans continue to be negatively financially impacted by COVID-19, consistent with the last three months.
- Encouragingly, 46% of consumers who are not financially impacted do not expect their income to be affected in the future (up 9 percentage points from last month). This is the highest level reported since the beginning of the pandemic.
- Fewer consumers report withdrawing or borrowing to increase cash flow. Thirty-five percent of affected consumers say they are using money from their savings to help pay bills (down 5 percentage points from last month). Additionally, 21% of respondents report borrowing money from friends or family (down 10 percentage points from last month).
- While concern among impacted consumers regarding ability to pay bills and loans remains high (86%), consumers are getting more confident in their future payment abilities. Thirty-one percent of impacted consumers are expecting to be able to pay their obligations for longer than three months (up 6 percentage points from last month).
- When asked about their expectations for the future, 71% of impacted consumers indicate they are optimistic, 13% neither optimistic nor pessimistic and 16% pessimistic about the future.

RESEARCH METHODOLOGY

This online survey of 1,100 adults in South Africa was conducted 4-6 October 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 eight of this study, nearly 8 out of 10 South Africans (77%) continue to be impacted financially by COVID-19.
- Encouragingly, 46% of consumers who are not financially impacted do not expect their income to be affected in the future. This is up 9 percentage points from last month and the highest level reported since the beginning of the pandemic.
- Thirty-nine percent of those impacted have had their work hours reduced.
- The percentage of impacted consumers who report having lost their jobs remains the same as last month (17%). However, this percentage is still substantially higher than the first month (10%) as businesses continue to feel the strain of previous lockdown restrictions.
- Sixty percent of all consumers indicate their household finances for 2020 are worse than planned.

Figure 1. Perceived impact.

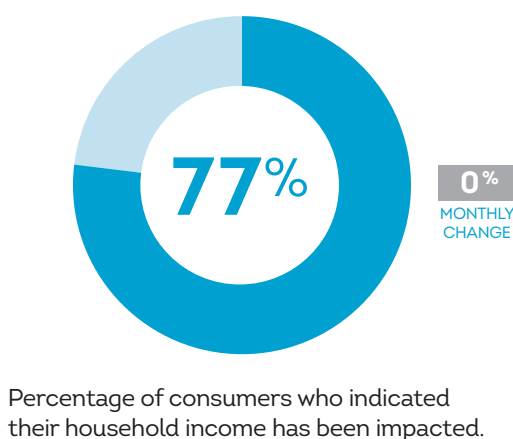


Figure 2. Are you expecting to be impacted in the future?

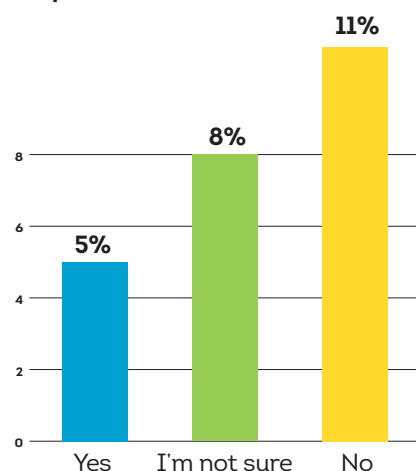
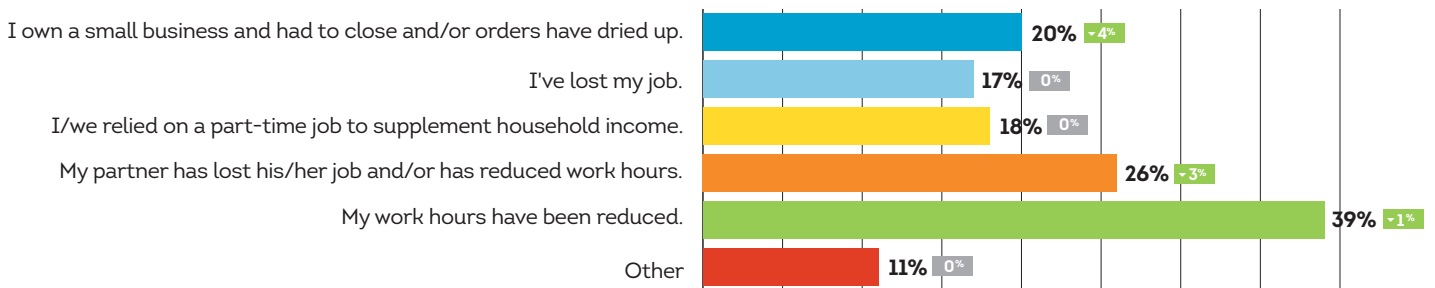


Figure 3. How is your current household income being impacted?



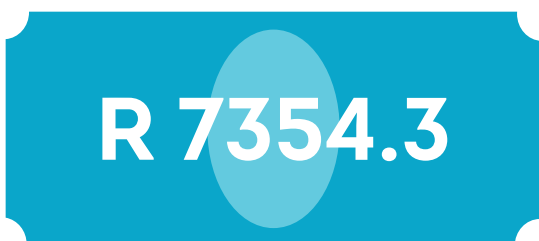
MANAGING THE HOUSEHOLD BUDGET

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 86%, with 26% of these consumers expecting to run into a shortfall within one month (down 7 percentage points from last month).
- The average monthly payment amount that respondents expect to be short when paying bills and loans increased by 12% to R7,354 in October from R6,545 in September.
- Concern over future payment abilities has been decreasing, with 31% of impacted consumers expecting to be able to pay their obligations for longer than three months, up 6 percentage points from last month.
- Credit products are the most often indicated bill consumers say they will not be able to pay. Personal loans (36%), retail/clothing store account (35%) and credit card (33%) rank in the top three.
- Fifty-eight percent of impacted consumers have cut back on discretionary spending, while 36% have canceled subscriptions or memberships and 32% have canceled or reduced digital services (all down from last month). Additionally, 14% of impacted consumers have started a new job or developed new revenue generating activity, and 19% indicate they have increased their use of their available credit.
- At the same time, respondents are also looking to deleverage and save, with 14% indicating they are paying down debt faster, 12% indicating they are saving more in their emergency fund or stokvel and 6% saving more for retirement.

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 **8.9 weeks.**

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

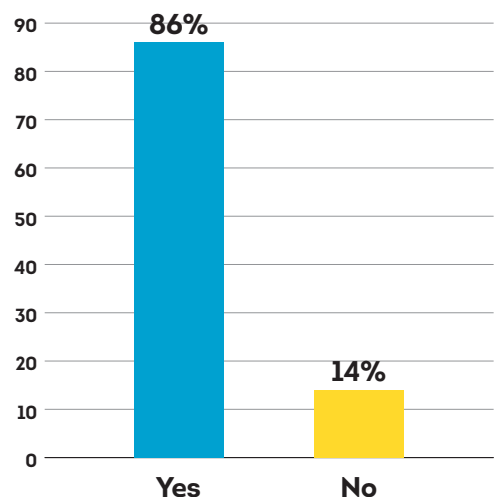


Figure 6. Regional concern over ability to pay bills/loans.

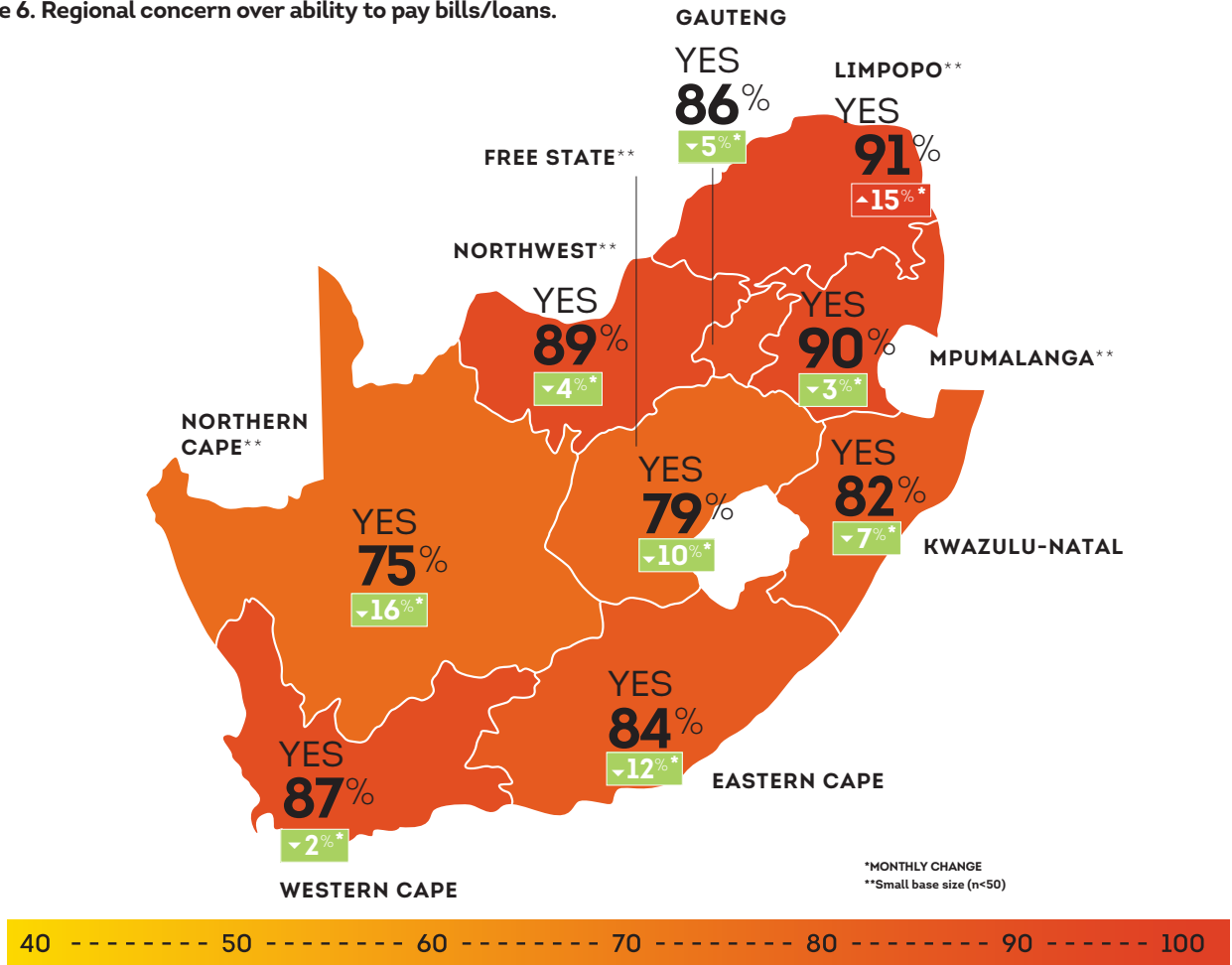


Figure 7. What bills and loans are you concerned about your ability to pay?

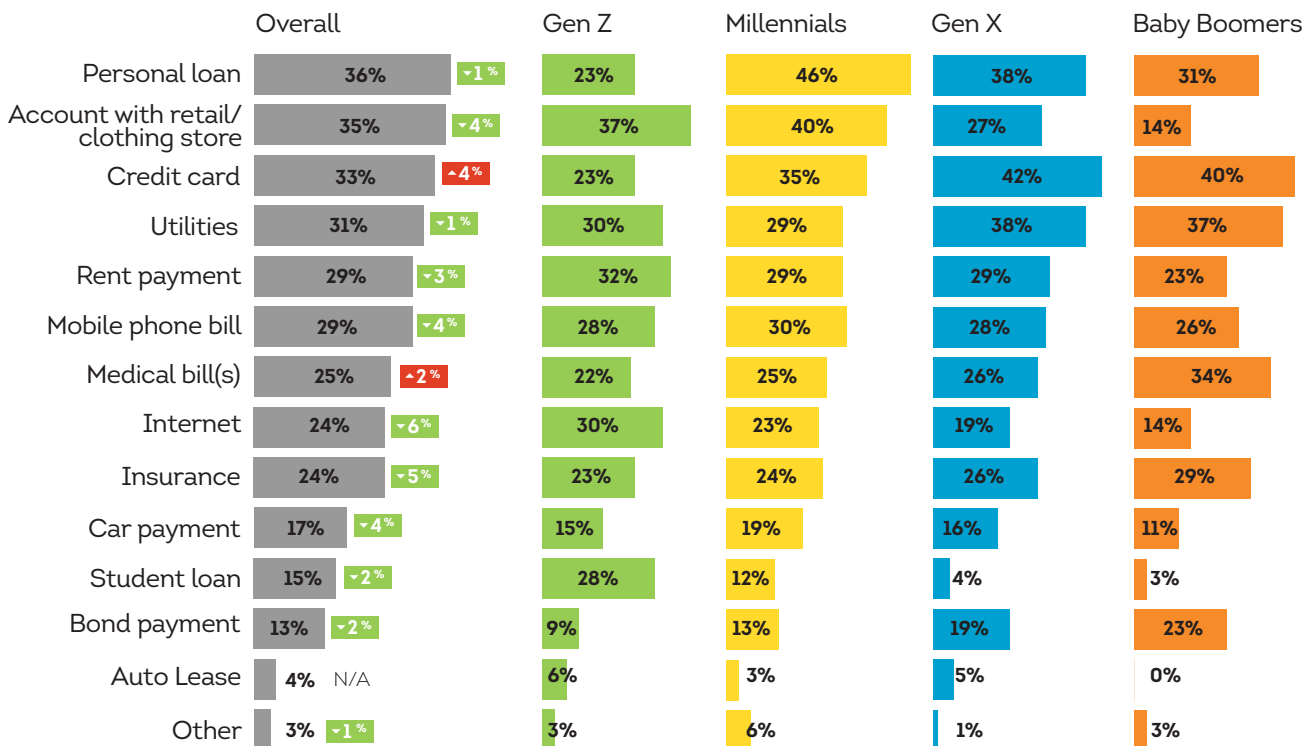
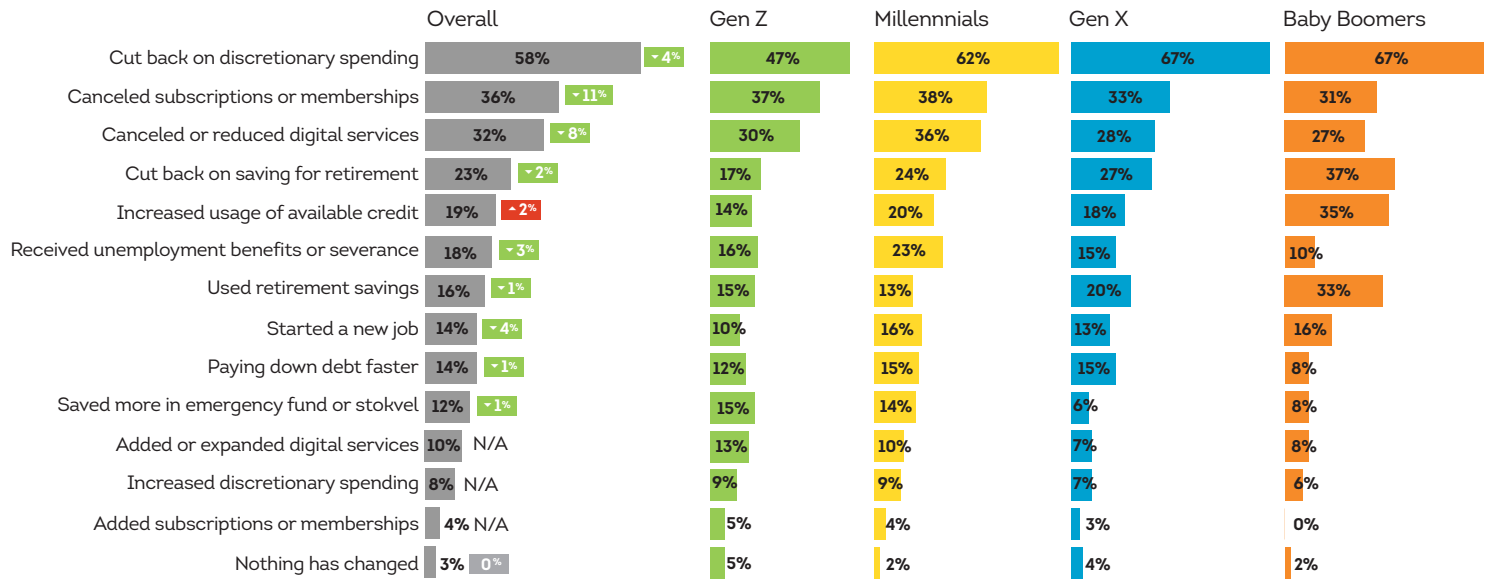


Figure 8. What has changed in your household budget during the COVID-19 pandemic?



RECOVERY PLANS

WHAT IS YOUR GAME PLAN?

- Fewer consumers report withdrawing or borrowing to increase cash flow, as 35% of affected consumers say they're using money from their savings to help pay bills, down 5 percentage points from last month.
- Where possible, consumers are actively paying down balances, with 37% indicating they intend to pay at least a partial amount of their bills.
- Additionally, 21% of respondents report borrowing money from friends or family (down 10 percentage points from last month). When asked to select all applicable groups they plan to borrow from, 46% said parents, 56% said other family members, 52% said friends and 10% said a crowdfunding service.
- The percentage of consumers surveyed who indicate they are receiving some form of financial accommodation such as a deferral or payment holiday remains unchanged from last month (20%).
- Of those with these financial products, the most common products that consumers receive a payment holiday for are auto leases (24%), auto loans (22%) and private student loans (21%).
- More consumers who have received accommodations during the crisis are getting back to making full payments. Sixty-two percent indicate they are making full payments on their auto loan (up 8 percentage points from last month).
- Interestingly, consumers continue to delay holiday plans (51%) despite the easing of local travel restrictions and the opening up of the hospitality industry. Consumers also continue to delay home improvement projects (40%) and spending on education (20%). There is still a significant percentage of consumers delaying home (21%) and car purchases (22%).
- When asked about their expectations for the future, 71% of impacted consumers indicate they are optimistic, 13% neither optimistic nor pessimistic and 16% pessimistic about the future.

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

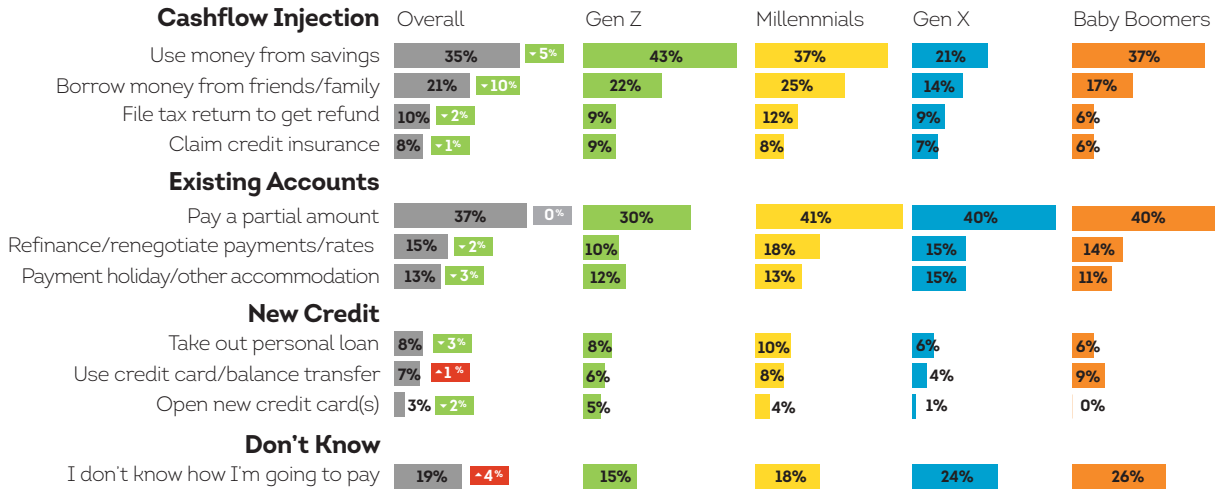


Figure 10. Have you reached out to companies you have accounts with to discuss payment options?

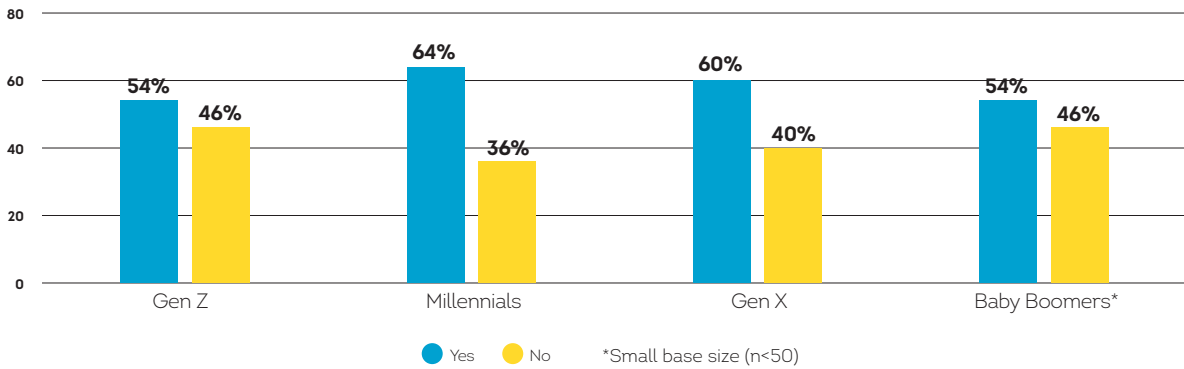


Figure 11. Loans/bills enrolled in financial accommodation (among those with financial product).

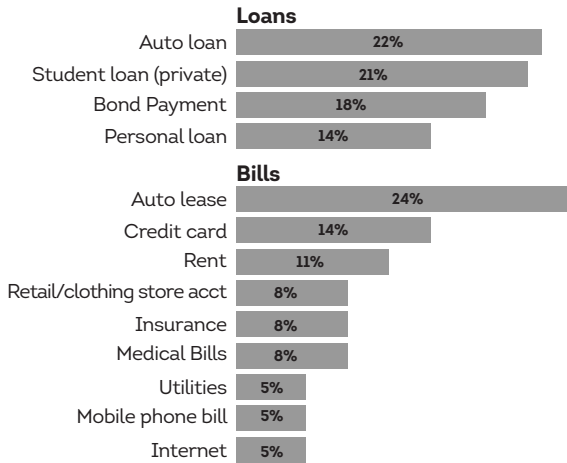


Figure 12. Repayment preference when financial accommodation period ends (Top 3 options).

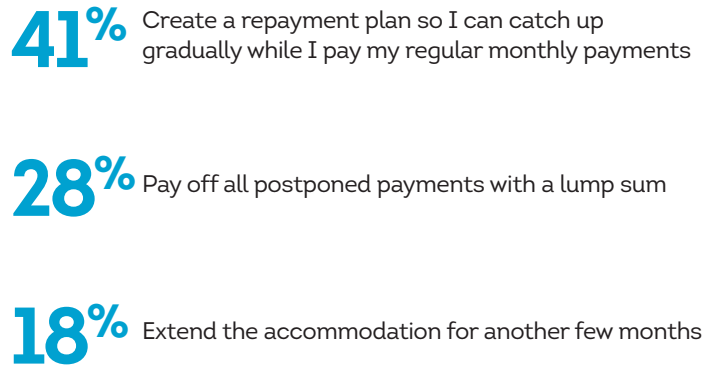
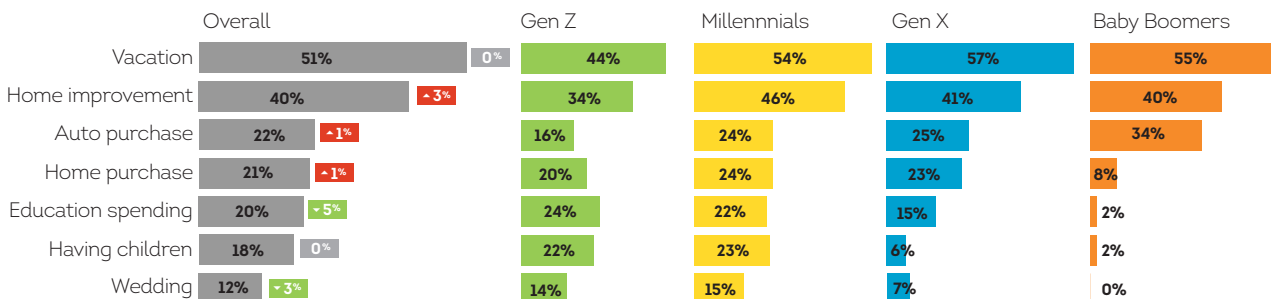


Figure 13. Are you delaying any of the following major purchases or events?

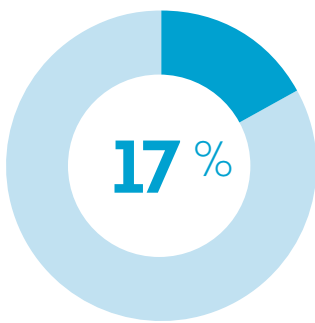


TAKING CARE OF YOURSELF

HEALTHCARE, FRAUD, AND CREDIT MONITORING

- Digital fraud schemes remain high – 42% of South African consumers reported they have been a target of digital fraud related to COVID-19 (down 2 percentage points from last month and 17 percentage points from April).
- The top four scams include those that are unemployment related (28%), third-party seller scams on legitimate online retail websites (25%), fake insurance (21%) and phishing (21%).

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?

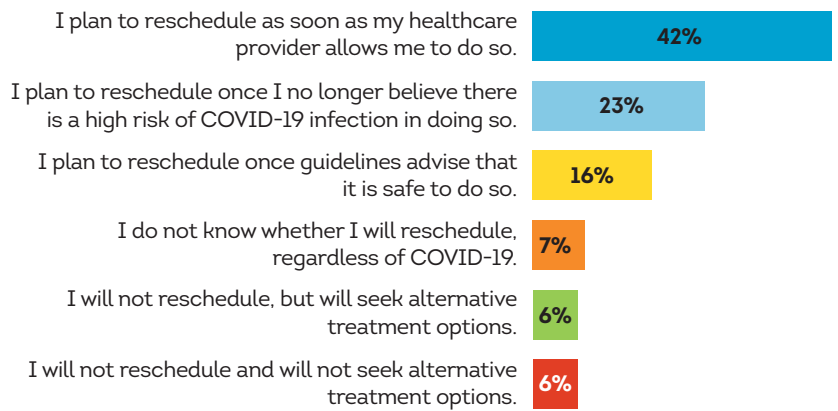


Figure 15. Which statement best describes your personal experience with any digital fraud attempts related to COVID-19?

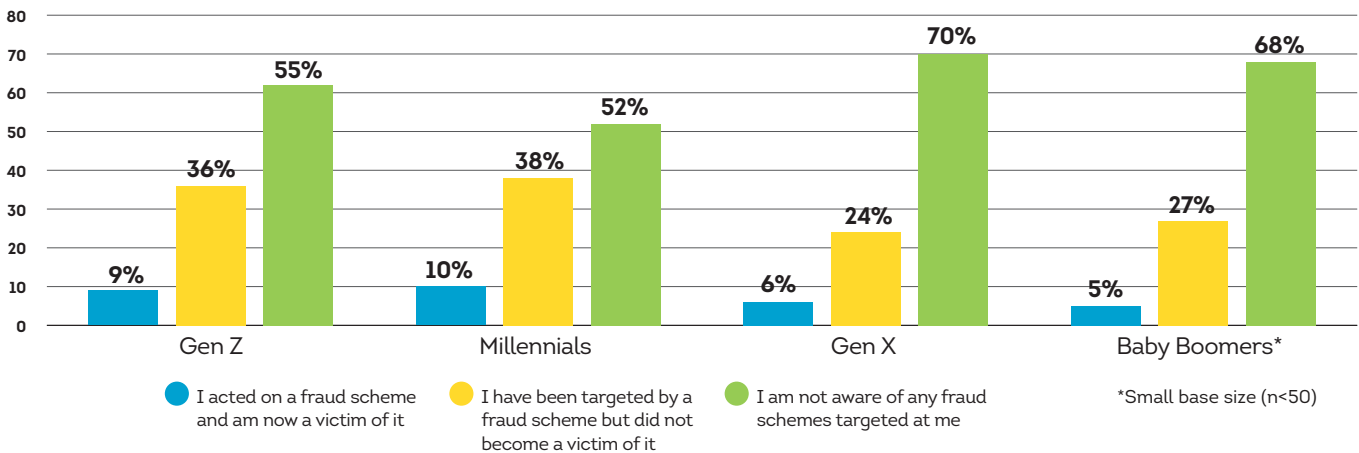


Figure 16. Frequency of checking credit.

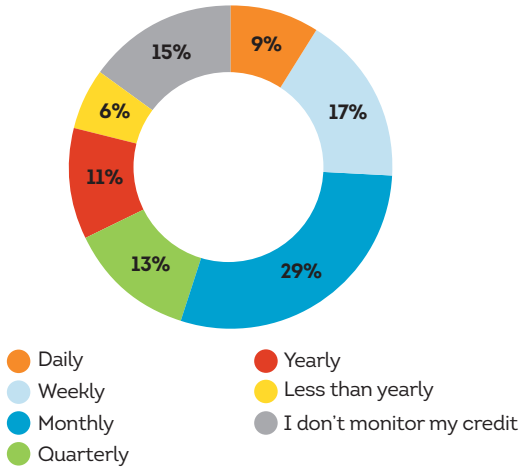
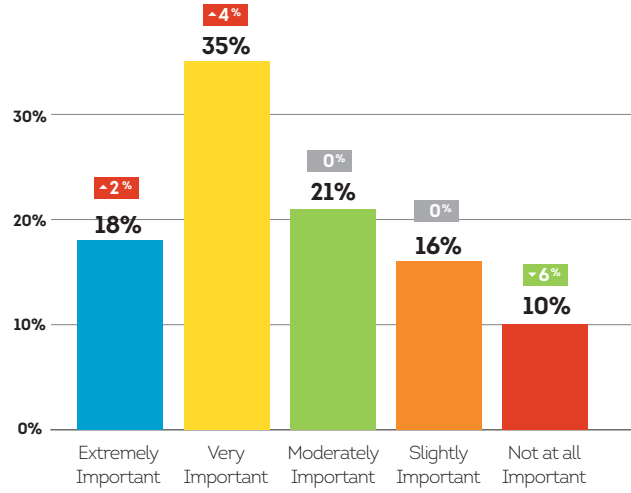


Figure 17. Importance of monitoring credit during COVID-19 pandemic.



CALL TO ACTION

If you found this information useful and would like to learn more, please 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:

Grace Kadzere

Associate, ByDesign Communications
 Email: g.kadzere@bdcomms.co.za
 Mobile: 073 317 6581