



# The COVID-19 Pandemic's Financial Impact on South African Consumers: Consumer Pulse

*Formerly Financial Hardship Report*

One year after the World Health Organization declared COVID-19 a global pandemic on March 11, 2020, its economic impact continues. TransUnion is surveying consumers regarding their behaviour and attitude changes based on how the crisis affected them financially. We're providing results to help inform understanding and decision-making during this time of uncertainty.

**11****WAVE 11 REPORT**Data collected **5-17 March 2021**

## KEY TAKEAWAYS

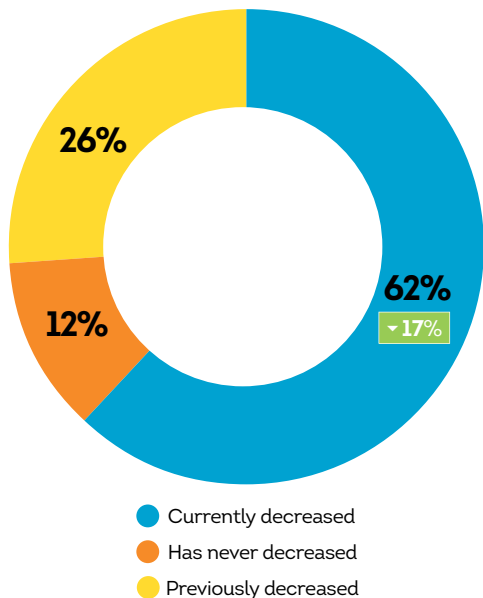
- As the South African economy opens up with increased activity since Feb. (when the country emerged from the second wave of COVID-19), significantly less consumers reported being negatively financially impacted in March 2021 (62%) compared to Dec. 2020 (82%).
- As such, South Africans remain upbeat; 76% are optimistic about the future, with 54% confident their household finances will fully recover in the next 12 months.
- However, the proportion of impacted consumers concerned about their ability to pay their bills and loans has increased by three percentage points from 84% in Dec. 2020 to 87% in March 2021.
- Consumers acknowledge both savings and credit are increasingly important during this uncertain time, with 83% of households reporting they now view savings as more important than before the COVID-19 pandemic, and 91% of households consider access to credit important, with 23% considering it extremely important.

## FINANCIAL IMPACT

### WHAT IS THE SCALE AND TYPE OF IMPACT?

- Post the increased lockdown restrictions between the end of Dec. 2020 and Feb. 2021 – during the second COVID-19 wave and things returning to 'normal' in March 2021 – survey respondents are relatively resilient. In March, 62% of South African households reported their income is currently negatively impacted financially as a result of the pandemic. This is down significantly (by 20 percentage points) from 82% in Dec.
- The main reasons for household income decreasing was as a result of: job loss (38%, up 20 percentage points in Dec.), and reduced work hours (36%, down by 1 percentage point in Dec).
- 45% of households said their finances are equal or better than planned, with 55% indicating they're worse than planned so far in 2021.
- The youngest consumers are most likely to be in a better than expected financial position; 37% of Gen Zers said their finances are better than expected, as did 28% of Millennials. This is compared to just 20% of Gen X and 7% of Baby Boomers.
- Only 3% of surveyed households indicated their finances have fully recovered since being negatively impacted by the pandemic. Just over half (51%) said they're not recovered. However, South Africans remain hopeful; 76% are optimistic about the future, with 53% confident that their household finances will fully recover in the next 12 months.

Figure 1. Household income decreases due to pandemic



Percent changes from April 2020

Figure 2. Expect household income to decrease in the future (among total population)

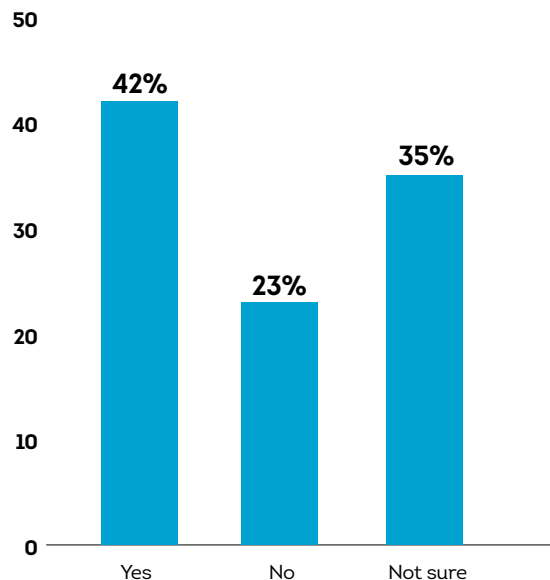
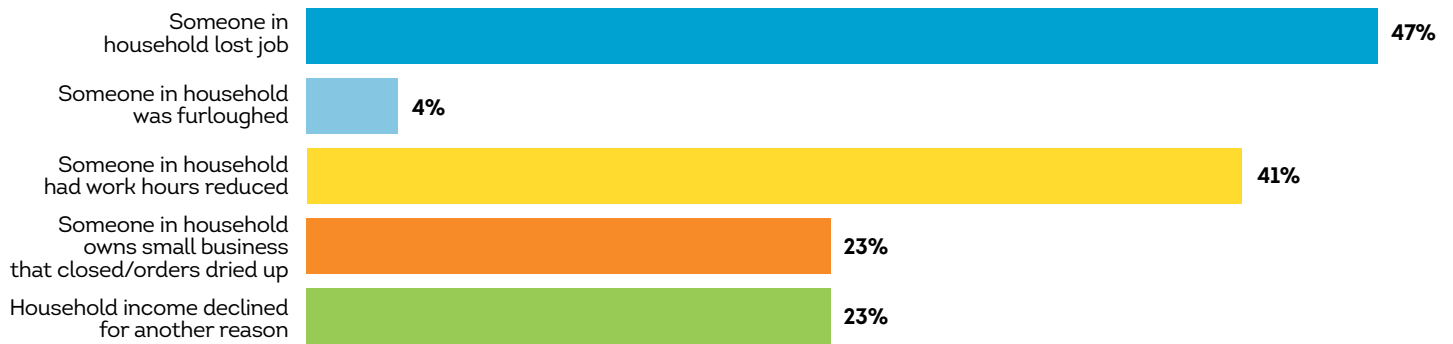


Figure 3. How income currently decreased



## MANAGING THE HOUSEHOLD BUDGET

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

- There's a concern around the ability to pay bills and loans in full, with 87% of impacted consumers worried about this (up from 84% by three percentage points from Dec.) and over one in three impacted consumers (37%, up by six percentage points in Dec.) expecting to run into a shortfall within one month.
- Credit products are most often indicated by consumers as bills they'll not be able to pay, with mashonisa loans (46%) at the top of the list, followed by personal loans and private student loans (both at 44%), and retail/clothing store account (39%).
- A significant amount of consumers (39%) are planning to only pay a partial amount of outstanding bills or loans to remain current, while just under half (46%) of respondents report defaulting on a payment obligation in the past three months.
- Consumers have been making changes to their household budget since the beginning of the pandemic to better cope with decreases in their household income. Almost three in four impacted consumers (74%) indicated they cut back on discretionary spending; 42% canceled subscriptions or memberships; and 38% canceled or reduced digital services.
- When considering what stands in the way of achieving financial goals, insufficient income ranks highest at 61% followed by high expenses (45%) and unexpected emergency expenses (39%).
- Over 99% of respondents think saving for unexpected events or financial setbacks is important. The COVID-19 crisis reinforced the importance of savings for SA households; 83% of households said they now view savings as more important since before the COVID-19 pandemic. This increased to 93% for currently impacted consumers.

Figure 4. Average time until unable to pay bills or loans (among income currently decreased/unable to pay)



**93%** feel it's extremely or very important to have savings for unexpected events or financial setbacks (among income currently decreased)

**87%** said having savings has become more important since the onset of the COVID-19 pandemic (among income currently decreased)

Figure 5. Concerned paying bills (among income currently decreased)

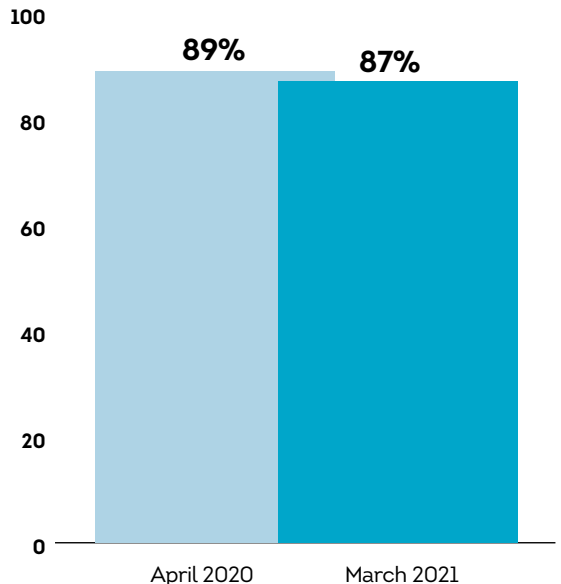


Figure 6. Which bills and loans will you not be able to pay? (among income currently decreased with these bills/loans)

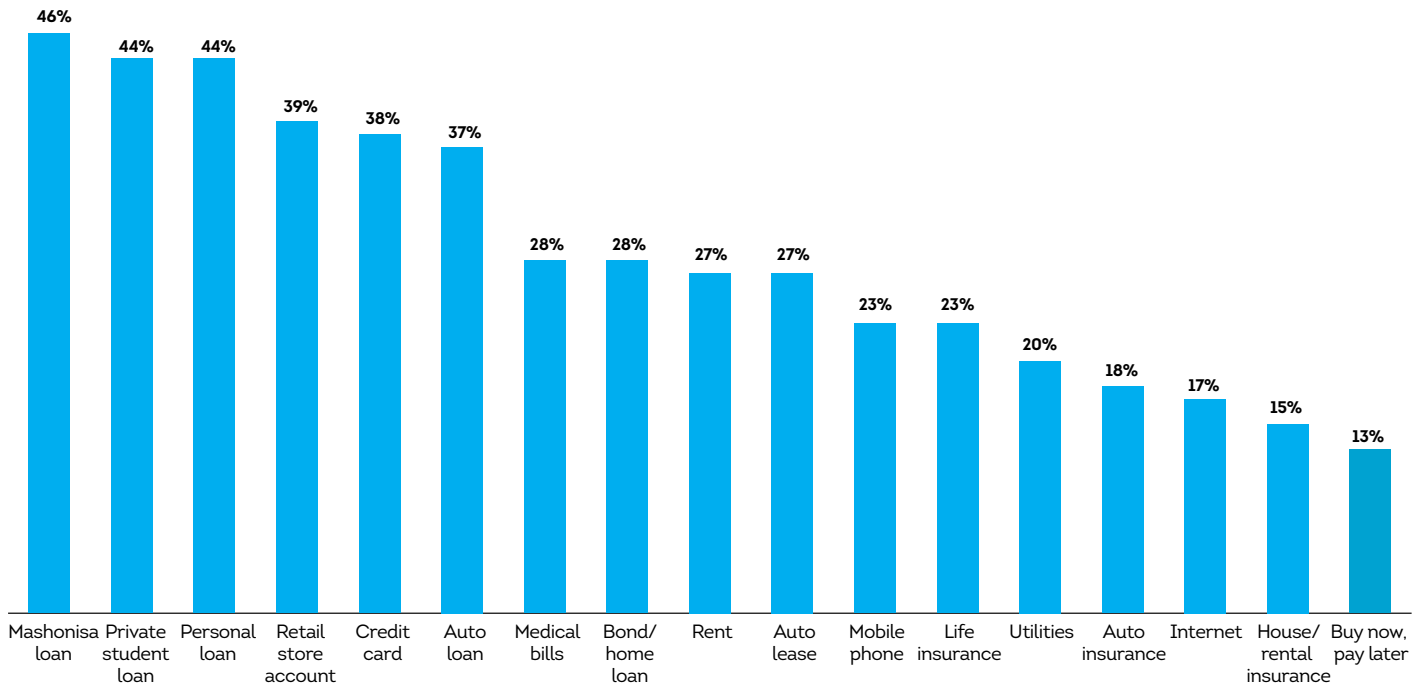


Figure 7. What has changed in your household budget? (among income currently decreased)

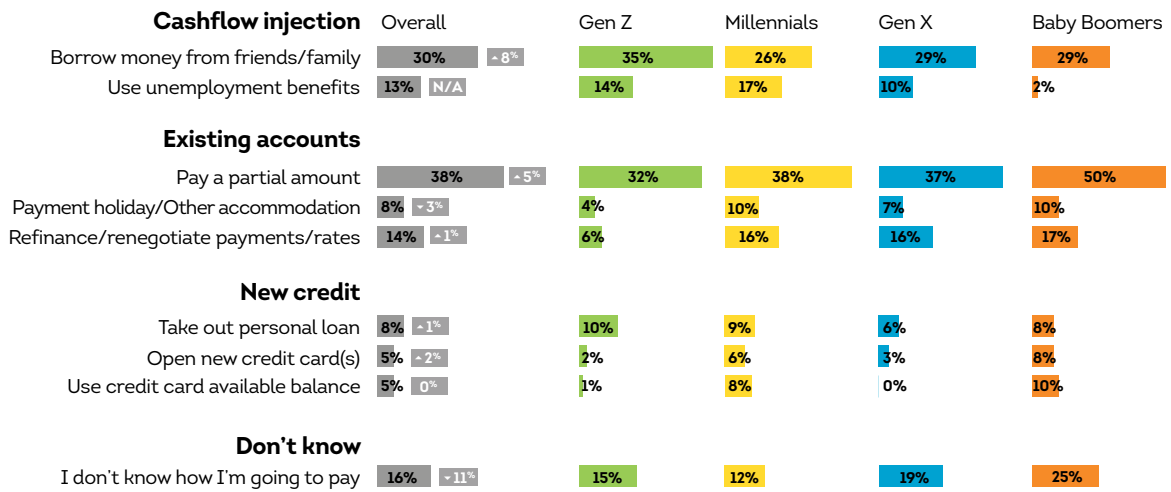
	Overall	Gen Z	Millennials	Gen X	Baby Boomers
<b>Changes to spending</b>					
Cut back on discretionary spending	74%	69%	76%	76%	80%
Cancelled subscriptions/memberships	42%	38%	45%	36%	46%
Cancelled/reduced digital services	38%	41%	40%	31%	34%
Added/expanded digital services	15%	18%	15%	15%	10%
Increased discretionary spending	8%	7%	9%	11%	5%
Added subscriptions/memberships	7%	7%	9%	4%	0%
<b>Changes to income</b>					
Lost job	47%	45%	49%	43%	48%
Work hours reduced	41%	38%	44%	38%	44%
Income declined for another reason	23%	25%	21%	23%	26%
Had to close small business/orders dried up	23%	27%	19%	26%	21%
Received unemployment benefits or severance	17%	20%	18%	11%	15%
Started new job/revenue generating activity	10%	7%	12%	11%	7%
Furloughed	4%	4%	3%	1%	11%
<b>Changes to debt and savings</b>					
Saved more in emergency fund	24%	28%	26%	24%	5%
Cut back on saving for retirement	24%	16%	28%	20%	34%
Paid down debt faster	20%	22%	23%	17%	10%
Increased usage of available credit	18%	10%	23%	12%	26%
Used retirement savings	17%	6%	14%	24%	41%
Saved more for retirement	6%	5%	6%	9%	5%

# RECOVERY PLANS

## WHAT DO CONSUMERS HAVE PLANNED FOR THEIR PATH FORWARD?

- Of impacted consumers, 33% plan to pay their current bills and loans using money from savings. Interestingly, this is higher for younger consumers with 41% of Gen Zers relying on savings to pay bills, 34% of Millennials and 23% of Gen Xers.
- The biggest household spending changes respondents will make over the next three months to manage expenses is decreasing discretionary personal spend (61%) and in-store and online purchases (46%).
- 91% of households consider access to credit important, with 23% considering it extremely important.
- 67% of respondents have not considered applying for additional credit. The primary reasons for not applying were: The cost of new credit was too high (26%); they believed their application would be rejected due to their income (32%) or credit history (25%).

Figure 8. What is your plan to help pay your current bill(s) or loans? (among income currently decreased)



Percent changes from April 2020

Figure 9. Loans/bills enrolled in financial accommodation (among those with that bill/loan)

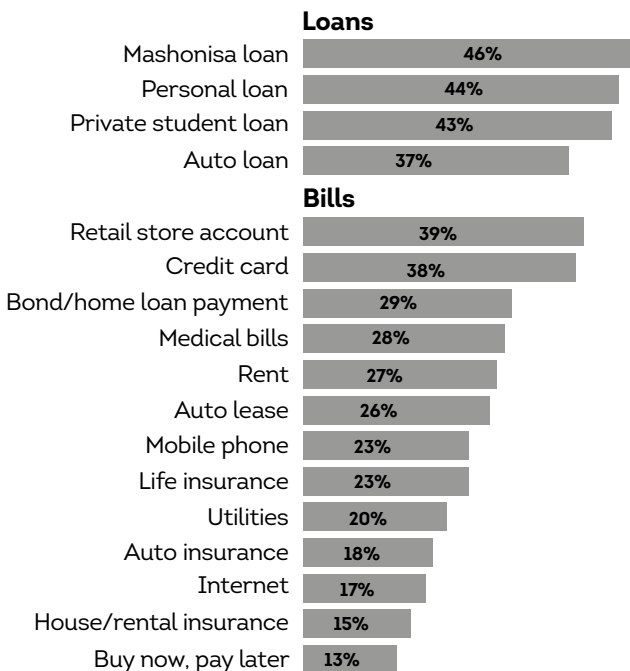


Figure 10. How prepared are you financially for when your accommodation ends? (among those with accommodation)

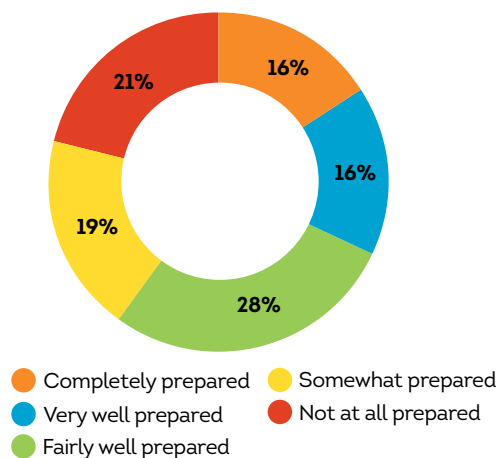
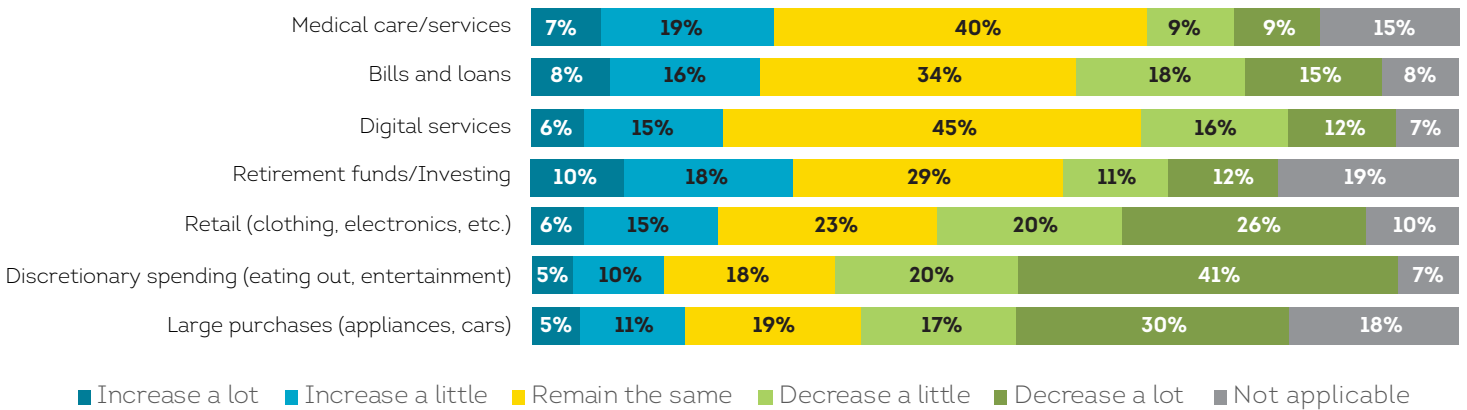


Figure 11. Expected change in household spending over next three months (among total population)



## TAKING CARE OF YOURSELF

### DIGITAL FRAUD AND CREDIT MONITORING

- 41% of consumers feel it's extremely important to monitor your credit score – up 20 percentage points compared to Dec. 2020.
- One of the main reasons consumers check their credit reports is to protect against fraud (44%).
- Just over one in three (37%) SA households are aware of a fraud attempt targeted at them, and 5% fell victim to the attempt. Pandemic-related unemployment scams remain the most common schemes (29%) followed by phishing (28%) and third-party seller scams on legitimate online retail websites (24%).

Figure 12. Which statement best describes your personal experience with digital fraud attempts related to COVID-19 (among total population):

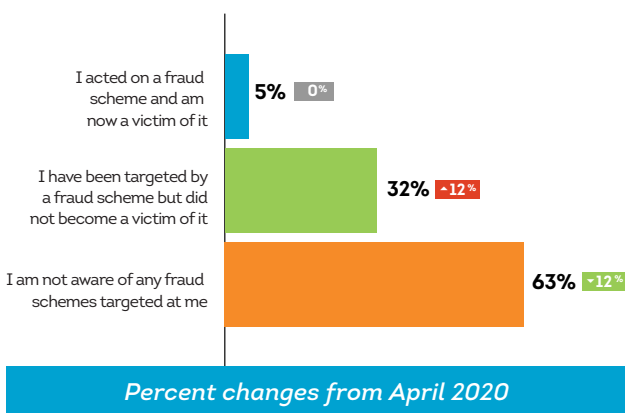
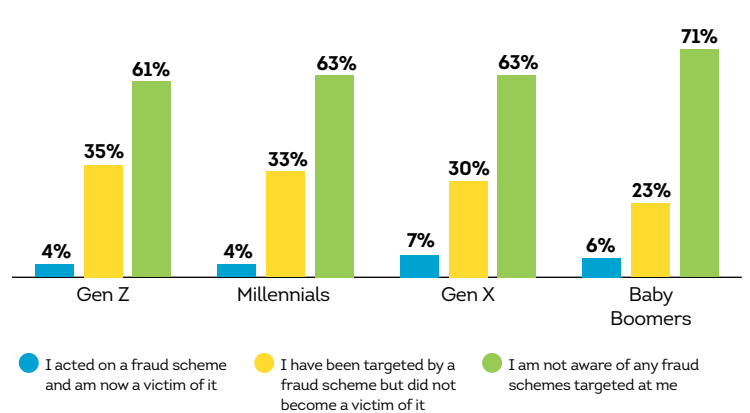
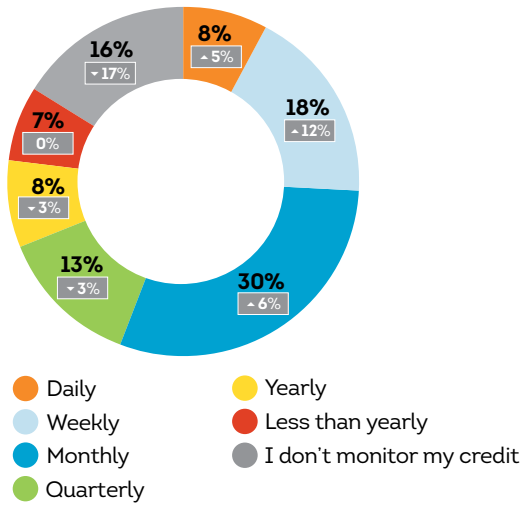


Figure 13. Fraud experience by generation (among total population):

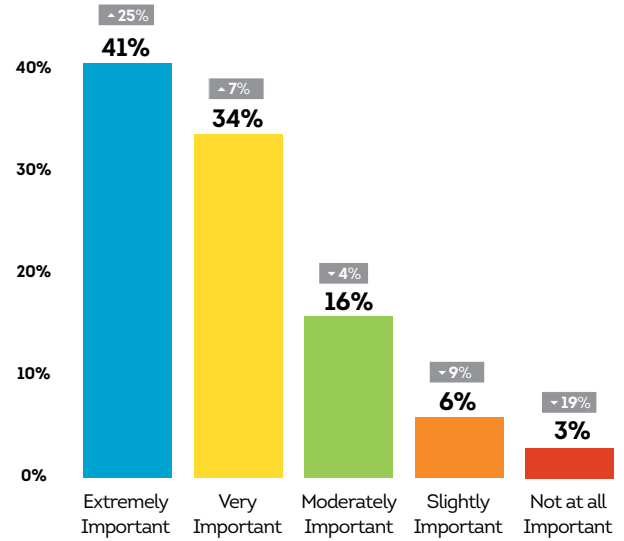


**Figure 14. Frequency of checking credit**  
(among total population)



Percent changes from April 2020

**Figure 15. Importance of monitoring credit**  
(among total population)



Percent changes from April 2020

## RESEARCH METHODOLOGY

This online survey of 910 adults in South Africa was conducted 5-17 March 2021 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. To ensure the general population sample representativeness across South African resident demographics, the survey included quotas to balance responses to the population 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 ±3.25% percentage points based on a calculated error margin.

## LEARN MORE

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

## FOR MEDIA INQUIRES

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

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