

Consumer Pulse Study

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

South Africa Q2 2023

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 behaviours 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



In Q2 2023, the financial status of South African households was not uniform. While about one-third (34%) of families reported an increase in their incomes, almost a quarter of them faced a decline. Nonetheless, the majority (72%) of people remained optimistic about their future incomes, expecting an increase in the coming year. That being said, the management of debt remained a major concern, especially among Gen X respondents.



Access to credit and lending products was crucial to achieving financial goals; 89% of respondents recognised its importance. Younger generations, such as Gen Z and Millennials, expressed a pressing need for additional liquidity. However, there was a significant gap between the perceived importance of credit access and actual access levels; only 34% of respondents believed they had sufficient access to these crucial financial tools. While one-third of consumers planned to apply for or refinance credit in the coming year, the process can be complex. Overall, 44% of those with such plans didn't follow through due to obstacles, such as high credit costs, fear of rejection due to income or employment status, and the exploration of alternative funding sources.



Many South African consumers were worried about digital fraud and personal data security. Nearly half (48%) of respondents reported being targeted by fraud schemes in the past three months, and another 9% fell victim to those schemes. More concerning is 43% of consumers were targeted without even realising it. This highlighted the importance of consistent credit report monitoring to identify fraudulent activities early and take action quickly. Common fraud attempts included money/gift card scams, phishing and smishing, and consumers need to be vigilant and take protective measures. As a result, 90% of consumers were hesitant to share personal information due to concerns about identity theft and privacy invasion. This reinforces the need for stronger data security measures and safer digital environments.

Household income (HHI), spending and bill payment impact

In Q2 2023, households reported diverse income trends. Specifically, 34% saw an increase, consistent with Q1 2023 sentiments but marking a slight two-percentage point decrease from Q4 2022. Meanwhile, 41% of households indicated their incomes remained unchanged, yet a significant portion (24%) reported a reduction. These figures revealed an environment of varied financial stability across the population.

Consumers remained optimistic despite current economic challenges within the country, such as higher-than-expected inflation and the continuation of an interest rate hike cycle. A striking 72% of households expected increases in income over the next 12 months. In contrast, 21% foresaw their incomes plateauing, while a tiny fraction (7%) anticipated further decrease. This optimism, reflecting resilience in the face of prevailing economic challenges, showcased the potential for recovery and growth. However, the picture varied when it came to debt management: A notable 62% expected to meet their current bills and loan obligations, whereas Gen X respondents (those born between 1965 and 1980) presented a split picture with half expressing concern about meeting financial obligations.

Examining the reasons behind recent changes in household income uncovered insightful trends. For those who experienced income growth, the increase was mainly due to salary raises (17%) and the initiation of new businesses (15%). On the other hand, households that saw a decrease in income attributed it primarily to job losses (21%) and cuts in wages or salaries (17%). These factors underlined the delicate equilibrium between career progression, economic stability and entrepreneurship's role in fostering financial health.

Consumers adapted their budget strategies in response to these changes over the past three months. Overall, 58% of respondents reduced discretionary spending, with 36% going so far as cancelling subscriptions or memberships. Gen X and Baby Boomers made the most significant cuts in discretionary spending, at 67% and 79%, respectively. Regarding fulfilling bills and loan obligations, 41% of consumers planned to make at least partial payments within their means, while 31% aimed to dip into savings to meet their commitments. These strategies demonstrated proactive debt management. Looking ahead, expectations for changes in household spending diverged across generations. For example, Baby Boomers (41%) expected an increase in bills and loans, while younger Gen Z consumers (29%) predicted a rise in retail expenditures. Intriguingly, both Gen Z and Millennials intended to increase contributions to retirement funds and investments, possibly curtailing large purchases (which they predicted will decline by 35% and 44%, respectively). These expectations reflected a generational pivot toward securing long-term financial stability in the face of the current economic climate.

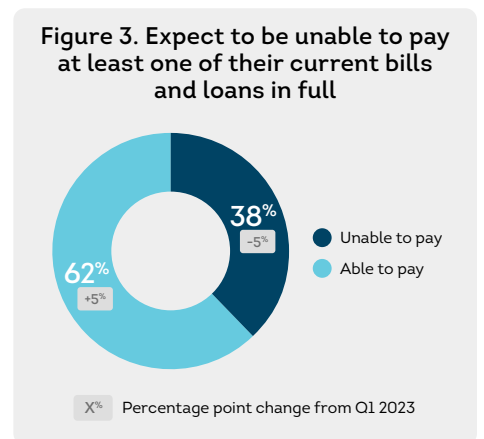
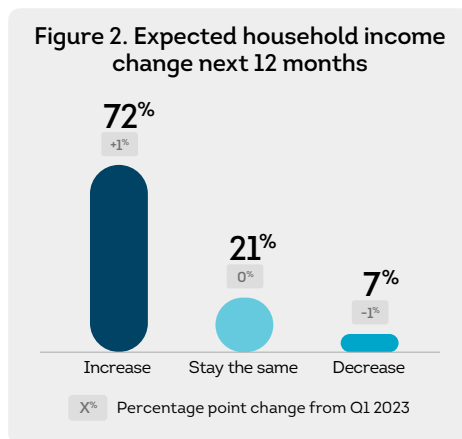
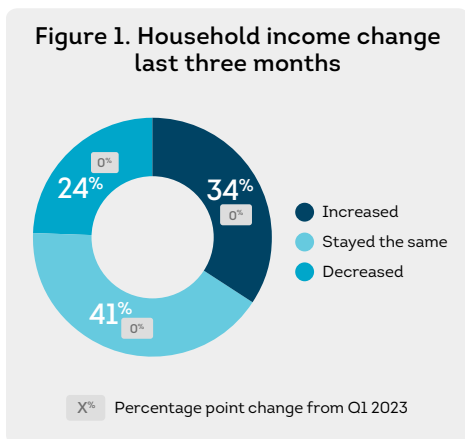
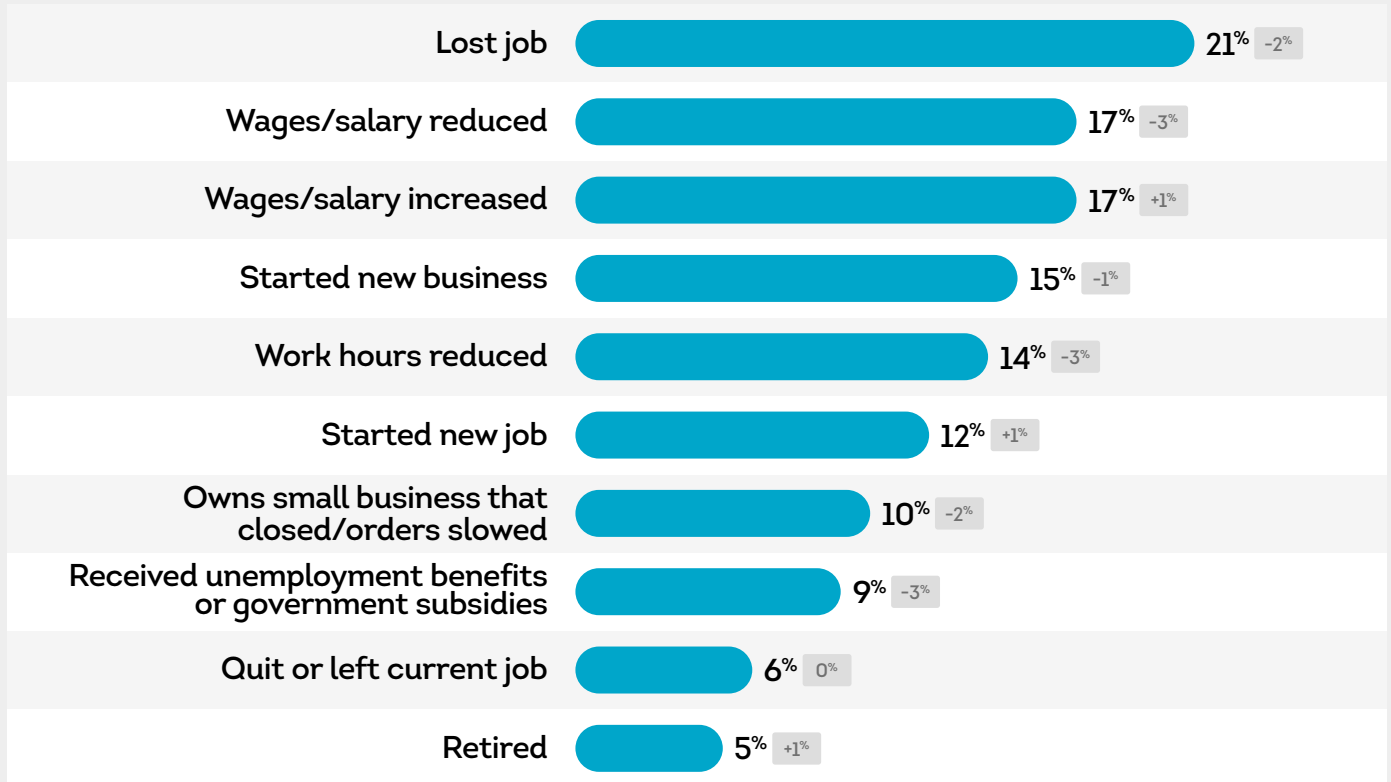
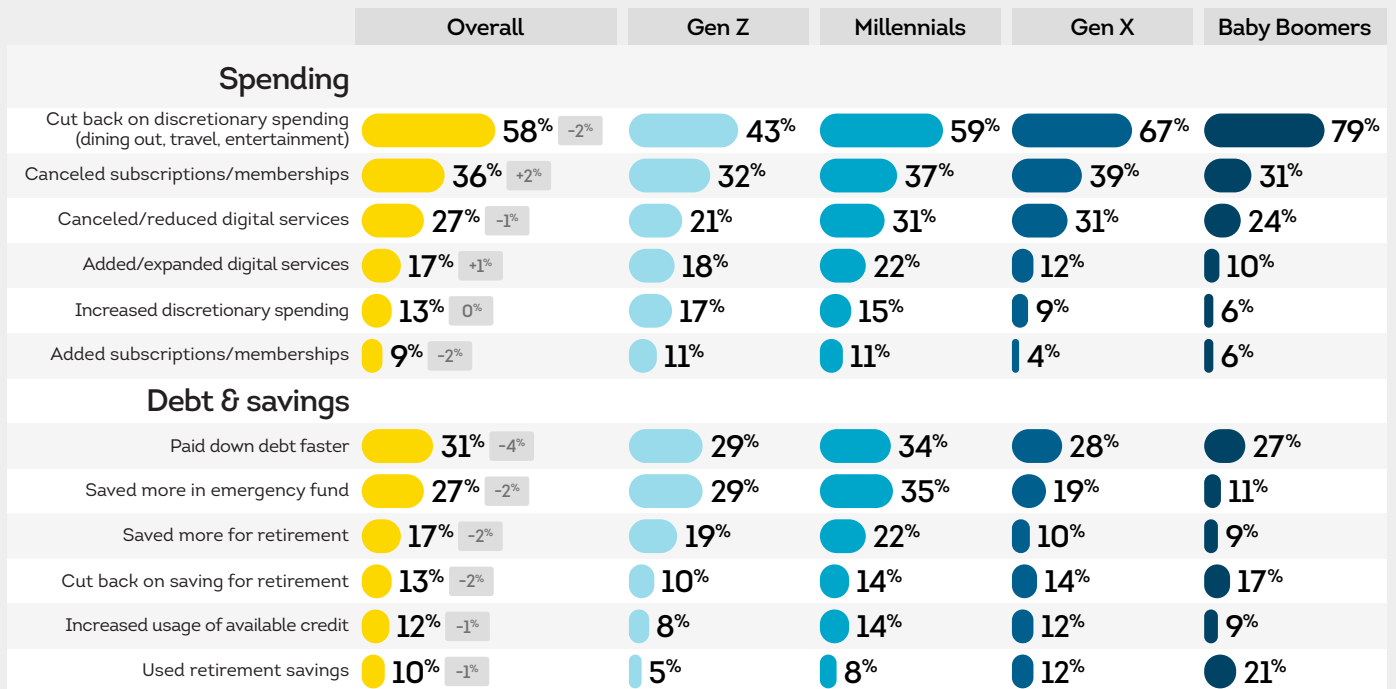


Figure 4. Reasons for change in current household income in past month



X* Percentage point change from Q1 2023

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



X* Percentage point change from Q1 2023

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

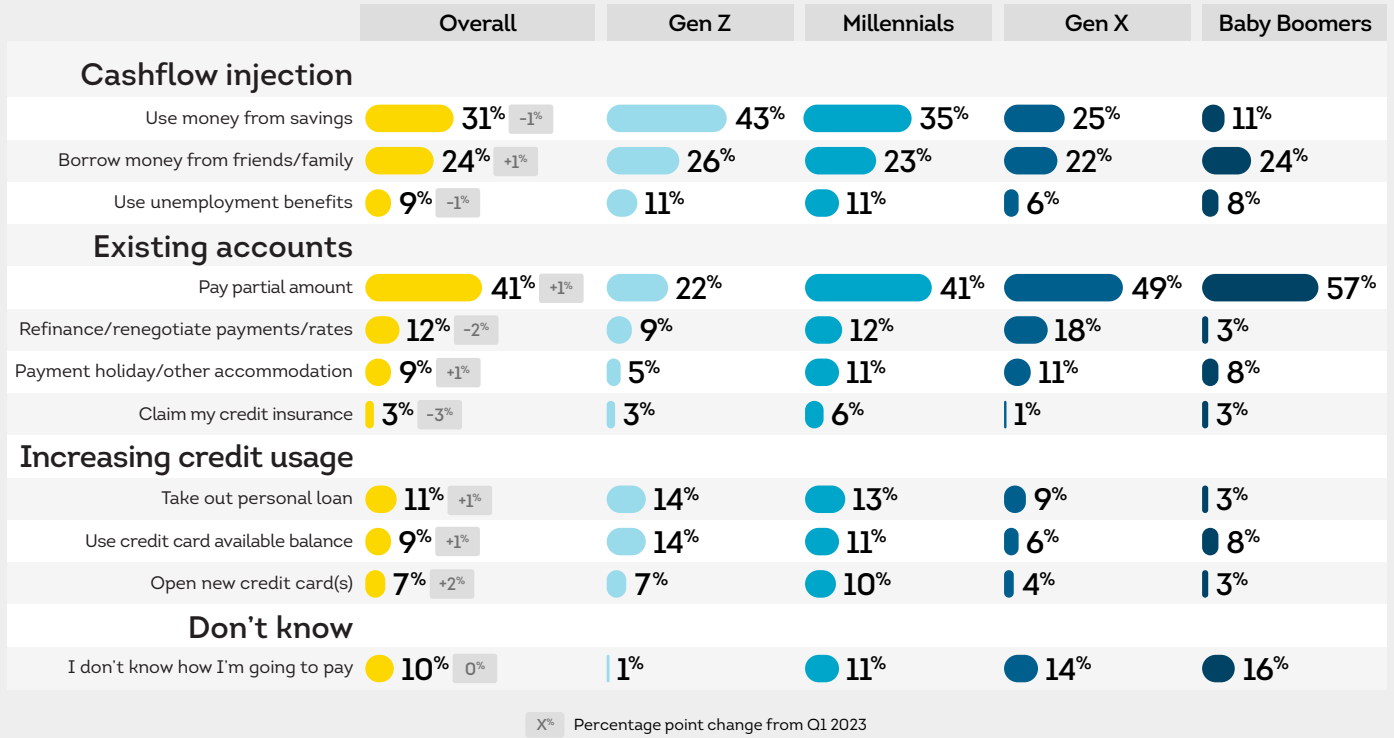
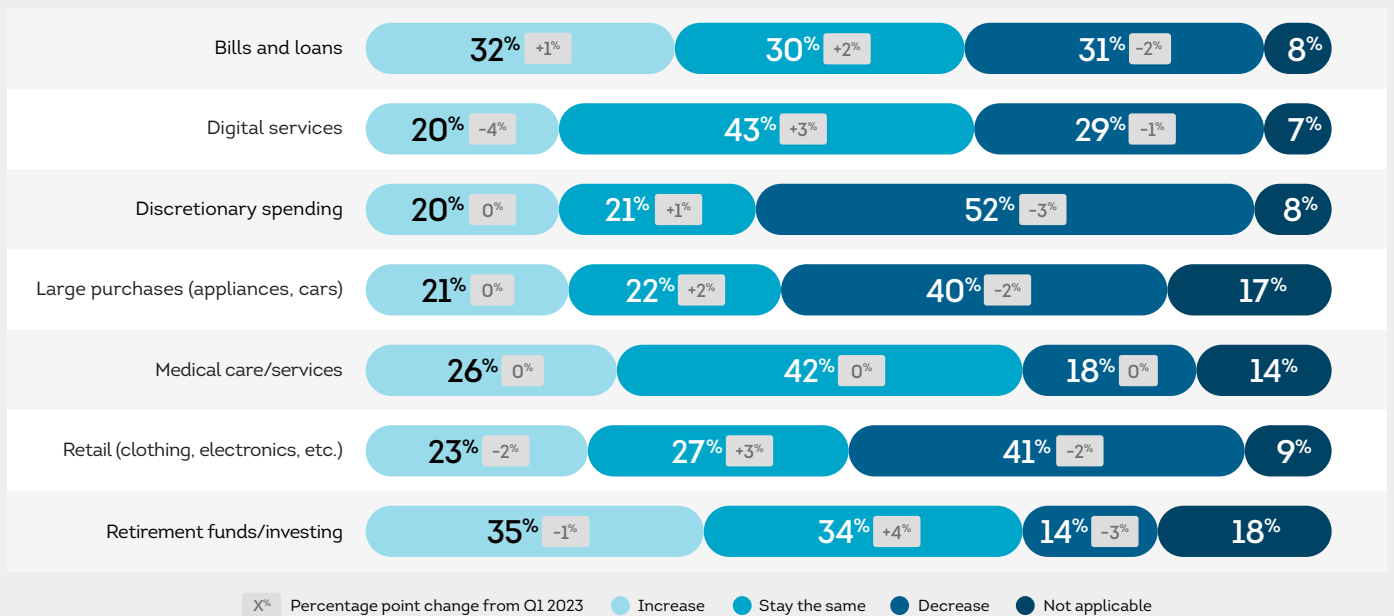


Figure 7. Expected change to household spending over next three months



Attitudes and plans for economic participation

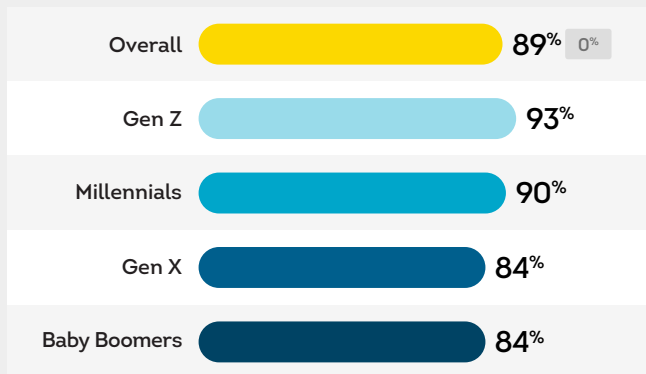
An overwhelming 89% of respondents recognised the importance of access to credit and lending products for achieving their financial goals. This sentiment was particularly prevalent among the younger generations; Gen Z and Millennials expressed their need for additional liquidity at rates of 93% and 90%, respectively.

However, a gap existed between the perceived necessity of credit and actual access to it. A mere 34% of respondents believed they had sufficient access to crucial financial products. This issue was especially prominent among Gen Z consumers; only 31% believed they needed greater access.

Despite these concerns, only a third of consumers planned to apply for new or refinance existing credit in the coming year. Those who intended to take on new credit displayed various preferences, 29% planned to apply for a personal loan and 28% a new credit card.

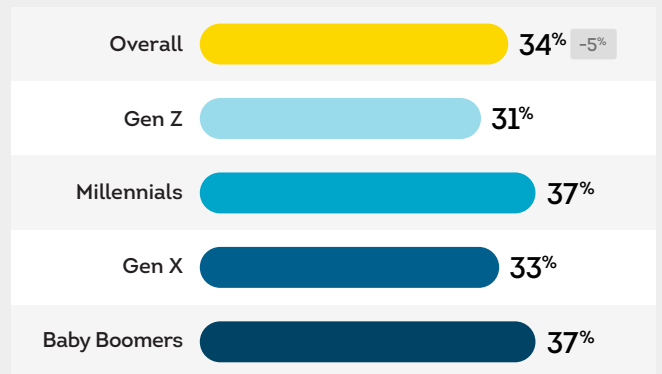
More than half (56%) of consumers who intended to apply for credit or refinance did not abandon their plans. For those who did, the reasons varied from high costs of new credit (35%) and fear of rejection due to income or employment status (26%) to found alternative funding sources (23%).

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



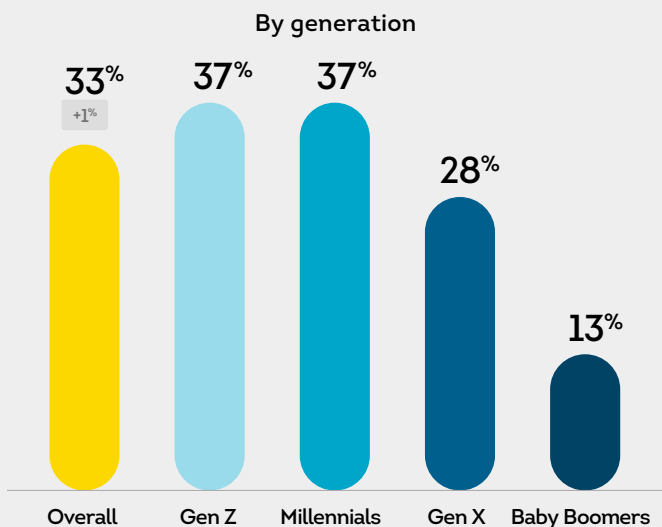
X% Percentage point change from Q1 2023

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

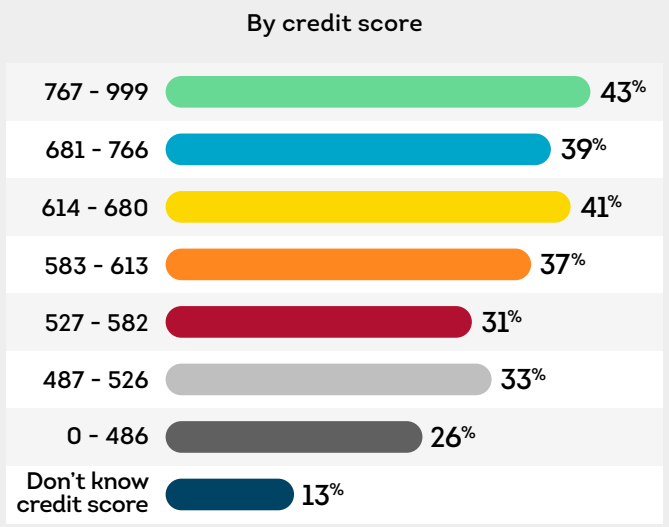


X% Percentage point change from Q1 2023

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



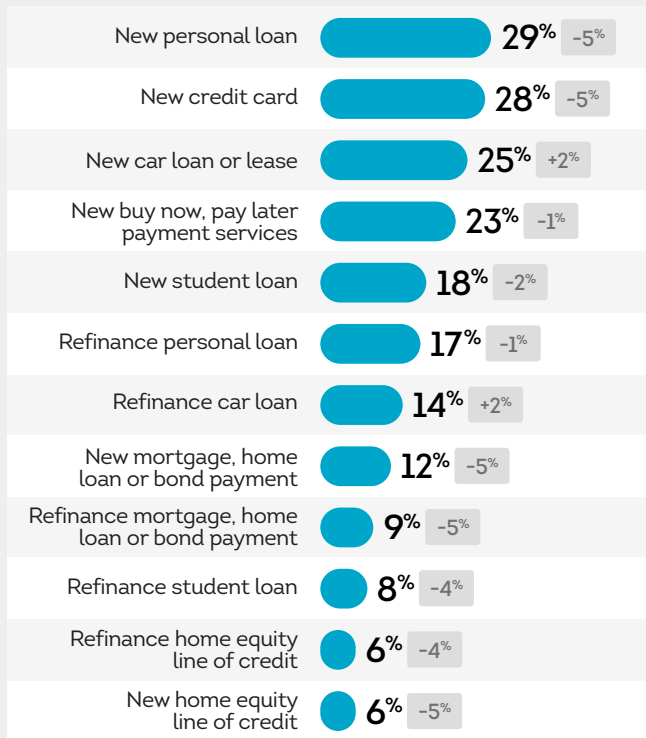
X% Percentage point change from Q1 2023



Self-reported credit score ranges

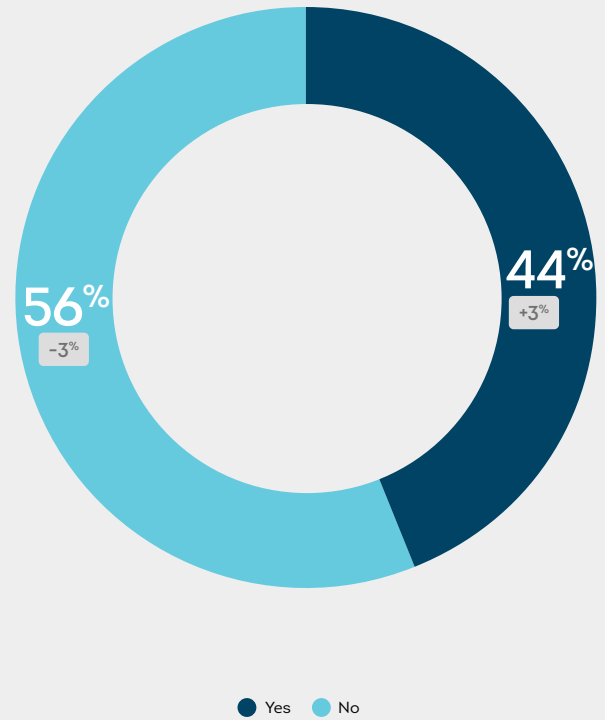
Figure 11. Type of new credit and loan activity planned in next 12 months

(among those who plan to apply for new or refinance existing credit)



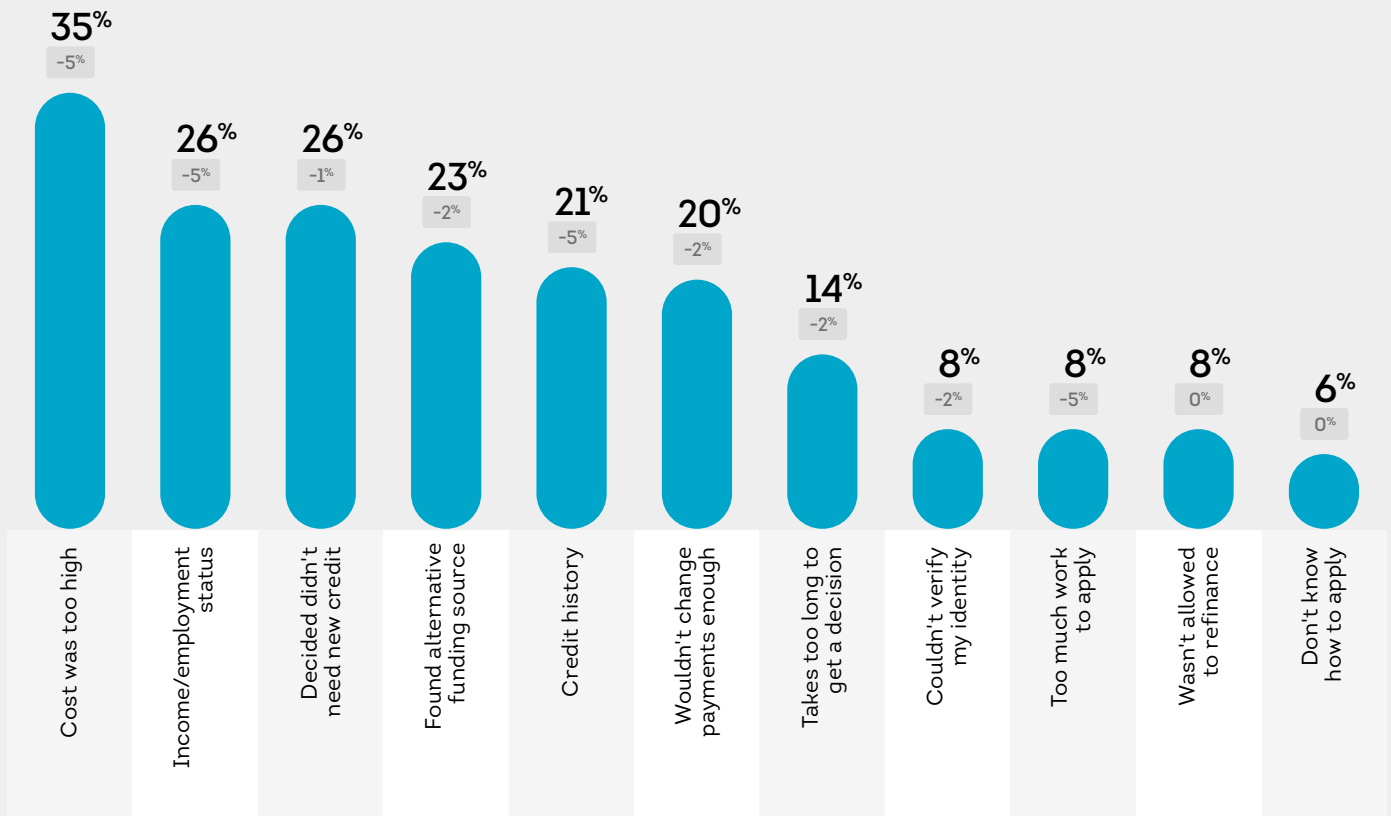
X* Percentage point change from Q1 2023

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



X* Percentage point change from Q1 2023

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



X* Percentage point change from Q1 2023

CONSUMER EMPOWERMENT

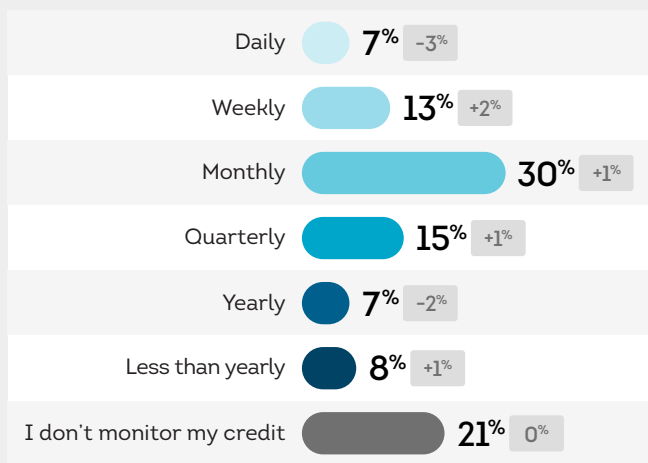
Attitudes and behaviour to manage financial choices

Regarding credit monitoring habits, the data revealed a stark contrast among consumers. While 30% of respondents said they diligently check their credit reports at least monthly, an alarming 21% admitted to completely neglecting this crucial financial practice.

A significant 92% of consumers affirmed keeping track of their credit reports was crucial to effective financial management. This highlighted an interesting dichotomy: Although consumers understood the significance of monitoring their credit, not all translated this understanding into consistent action.

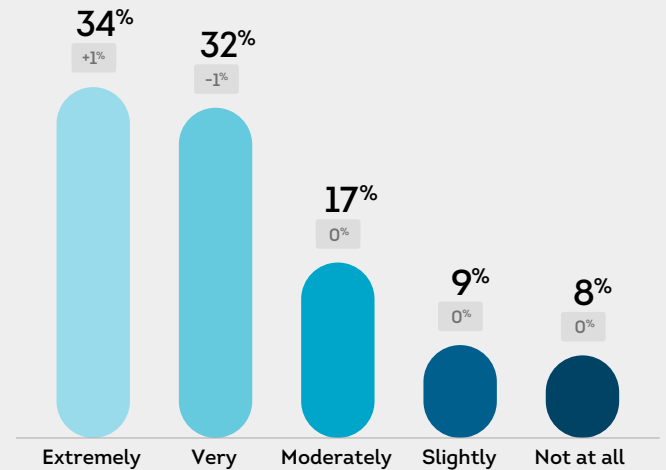
Compared to the previous year, there was a 12-percentage point decline in consumers who conducted at least a quarter of their transactions online (now at 57%). This shift aligned with earlier observations about consumers cutting back on discretionary spending and larger purchases. Furthermore, consumer perceptions varied when considering potential changes to their credit scores if businesses used non-standard data (such as rental payments, gym membership payments, or buy-now, pay-later services); 48% believed their scores would improve, 28% expected no change, 7% feared a decrease, and 17% were uncertain of the impact.

Figure 14. Credit monitoring frequency



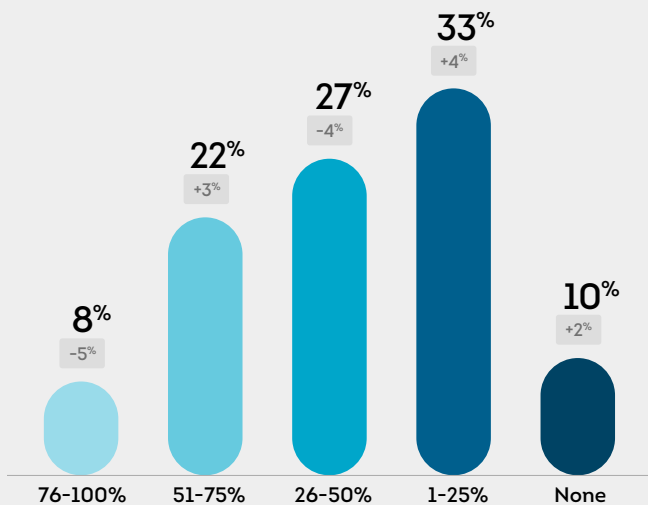
X% Percentage point change from Q1 2023

Figure 15. Believe monitoring credit is important



X% Percentage point change from Q1 2023

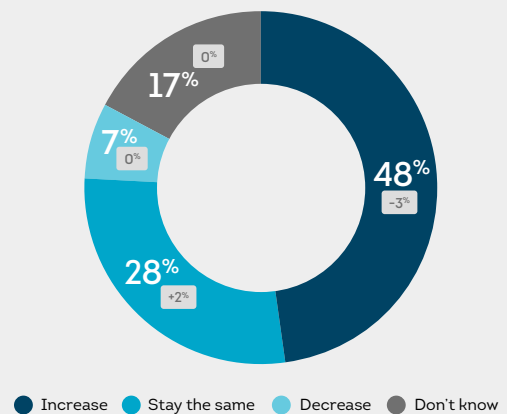
Figure 16. Percentage of transactions done online



X% Percentage point change from Q1 2023

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

Examples provided of non-standard information include: rental payments, short-term loan history and buy now, pay later loans



X% Percentage point change from Q1 2023

Identity risks and usage

Digital fraud remained a pervasive issue for South African consumers; 48% of respondents acknowledged they'd been the target of fraud schemes in the last quarter. However, they didn't fall victim to these schemes. An unfortunate 9% of surveyed individuals became victims, marking fraudulent activities' scope and success rate. Even more concerning, 43% of respondents were unaware of any fraud schemes targeted at them. This lack of awareness is particularly troubling as consumers could unwittingly become victims without their knowledge. These figures underlined the critical role of consistent credit report monitoring as an essential tool to identify fraudulent activities impacting their financial services, enabling consumers to take timely corrective action.

Delving into the nature of the fraud schemes, several patterns emerged. The most prevalent type of fraud attempts South African consumers faced was money/gift card scams; 37% of those targeted reported these instances. Phishing schemes were almost as typical, representing 36% of reported fraud attempts. In these cases, consumers were targeted by fraudulent emails, websites or social media platforms intending to deceive and pilfer valuable data. Similarly, smishing (the practice of sending fraudulent text messages to trick recipients into divulging personal information) was reported by 32% of respondents.

Indeed, consumers exhibited significant concern over their personal data's security and privacy. A substantial 90% expressed anxiety about sharing personal information, underlining the importance of data protection. Digging deeper, the fear of identity theft emerged as a leading concern for 76% of the respondents, emphasising the severe implications of data breaches on an individual's financial stability and personal security. Personal invasion of privacy also ranked highly as a source of worry (reported by 71% of consumers).

Figure 18. Personal experience with online, email, phone call or text message fraud attempts in last three months

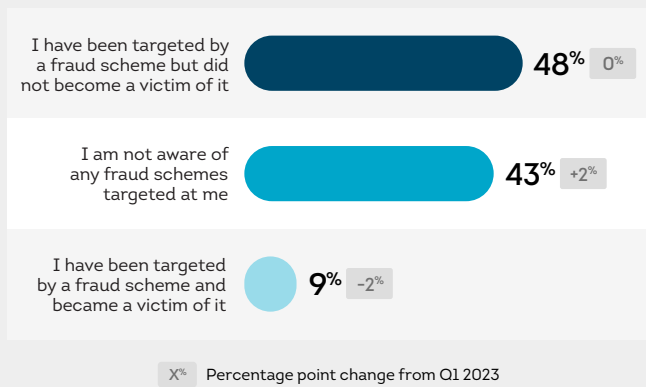


Figure 19. Most frequent fraud schemes targeting consumers
(among those targeted with online, email, phone call or text message fraud)

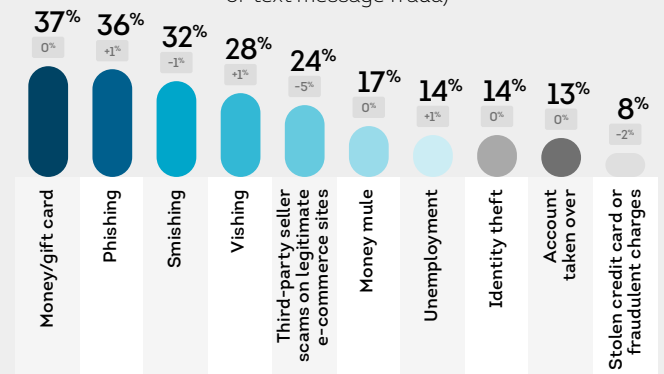


Figure 20. Concern with sharing personal information

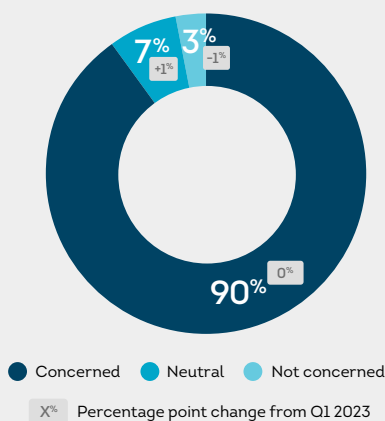
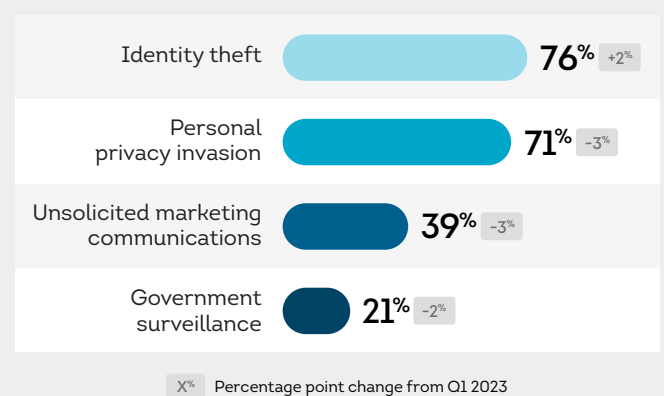


Figure 21. Reasons concerned about sharing personal information



Research Methodology

TransUnion's Consumer Pulse survey of 923 adults was conducted 4–19 May 2023 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 ± 3.2 percentage points based on a calculated error margin. Please note some chart percentages may not add up to 100% due to rounding or multiple answers being accepted.

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